

Financial Management Regulations

Volume	Document Title	Change Date
1	<u>GENERAL FINANCIAL MANAGEMENT INFORMATION, SYSTEMS AND REQUIREMENTS</u>	JUN 1999
2A	<u>BUDGET FORMULATION AND PRESENTATION (CHAPTERS 1-3)</u>	JUL 1998
2B	<u>BUDGET FORMULATION AND PRESENTATION (CHAPTERS 4-19)</u>	JUL 1998
3	<u>BUDGET EXECUTION - AVAILABILITY AND USE OF BUDGETARY RESOURCES</u>	DEC 1996
4 NEW	<u>ACCOUNTING POLICY AND PROCEDURES</u>	OCT 1999
5	<u>DISBURSING POLICY AND PROCEDURES</u>	AUG 1999
6A	<u>REPORTING POLICY AND PROCEDURES</u>	JAN 1998
6B NEW	<u>FORM AND CONTENT OF DOD AUDITED FINANCIAL STATEMENTS</u>	OCT 1999
7A NEW	<u>MILITARY PAY POLICY AND PROCEDURES - ACTIVE DUTY AND RESERVE PAY</u>	OCT 1999
7B NEW	<u>MILITARY PAY POLICY AND PROCEDURES - RETIRED PAY</u>	SEP 1999
7C	<u>SPECIAL MILITARY PAY/PERSONNEL PROGRAMS AND OPERATING PROCEDURES</u>	JUN 1998
8 NEW	<u>CIVILIAN PAY POLICY AND PROCEDURES</u>	AUG 1999
9	<u>TRAVEL POLICY AND PROCEDURES</u>	JUL 1998
10	<u>CONTRACT PAYMENT POLICY AND PROCEDURES</u>	JUN 1997
11A	<u>REIMBURSABLE OPERATIONS, POLICY AND PROCEDURES</u>	MAY 1998
11B	<u>REIMBURSABLE OPERATIONS, POLICY AND PROCEDURES - WORKING CAPITAL FUNDS (WCF)</u>	DEC 1994
12 NEW	<u>SPECIAL ACCOUNTS, FUNDS AND PROGRAMS</u>	OCT 1999
13	<u>NONAPPROPRIATED FUNDS POLICY AND PROCEDURES</u>	AUG 1994
14	<u>ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS</u>	MAR 1998

VOLUME 1

GENERAL FINANCIAL MANAGEMENT INFORMATION, SYSTEMS AND REQUIREMENTS

June 1999

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

[Recent Supplemental Guidance](#)

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DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 1

**GENERAL FINANCIAL MANAGEMENT
INFORMATION, SYSTEMS AND
REQUIREMENTS**

MAY 1993

★ WITH CHANGES THROUGH JUNE 1999 ★

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON. DC 20301-1100

MAR 16 1993

FOREWORD

This Volume of the Department of Defense Financial Management Regulation is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures." It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Unified and Specified Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components")

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Comptroller of the Department of Defense.

The reporting requirements contained in this regulation are exempt from licensing in accordance with paragraph E.4.f., of DoD 7750.5-M, "Procedures for Management of Information Require merits."

Forward recommended changes to this Volume of Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Comptroller of the Department of Defense
Room 3E822
The Pentagon
Washington, DC 20301-1100

DoD Components will be provided copies of this Volume of the Regulation through normal publication channels. Other Federal Agencies and the public may obtain copies of this Volume from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161, (703) 487-4650.

A handwritten signature in black ink, reading "Donald B. Shycoff".

Donald B. Shycoff
Acting Comptroller

INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Comptroller, Department of Defense. The Regulation consists of the following 15 volumes:

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. General Financial Management Information, Systems, and Requirements 2. Budget Formulation and Presentation 3. Budget Execution - Availability and use of Budgetary Resources 4. Accounting Policy and Procedures 5. Disbursing Policy and Procedures 6. Reporting Policy and Procedures | <ol style="list-style-type: none"> 7. Military Pay Policy and Procedures 8. Civilian Pay Policy and Procedures 9. Travel Policy and Procedures 10. Contract Payment Policy and Procedures 11. Reimbursable Operations, Policy and Procedures 12. Special Accounts, Funds and Programs 13. Nonappropriated Funds Policy and Procedures 14. Financial Management Education and Training 15. Security Assistance Policy and Procedures |
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AUTHORIZATION

This Regulation is issued by the Comptroller, Department of Defense under authority of Department of Defense Instruction

7000.14 "DoD Financial Management Policy and Procedures."

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The 6 digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A. 1. a. (1) (a)
SUBPARAGRAPHS

PUBLICATIONS SUPERSEDED

This Volume of the Regulation (Volume 1) will supersede the following:

DoD 7220.9-M "DoD Finance and Accounting Manual" (Chapters: 11, 12, 13, 14 17, Appendix A, Appendix B, Appendix C, and Appendix D).

DoD Directive 7045.16 "Financial Management Systems"

DoD Instruction 7045.19 "DoD Financial Management Systems Awards Program"

REFERENCES

All references used in this Volume are specifically cited in the text. The following listing is a summary of those references.

- a. Title 31, United States Code, sections as follows:
 - 1108 Preparation and submission of appropriations requests to the President
 - 1341 Limitations on expending and obligating amounts
 - 1501 Documentary evidence requirement for Government obligations
 - 1517 Prohibited obligations and expenditures
 - 1535 Agency agreements
 - 1552 Procedure for appropriation accounts available for definite periods
 - 1553 Availability of appropriation accounts to pay obligations
 - 1554 Review of appropriation accounts
 - 1555 Withdrawal of unobligated balances of appropriations for indefinite periods
 - 3302 Custodians of money
 - 3511 Prescribing accounting requirements and developing accounting systems
 - 3512 Executive agency accounting systems
 - 3513 Financial reporting and accounting system
 - 3515 Chief Financial Officer
 - 3522 Making and submitting accounts
 - 3716 Administrative offset
 - 3717 Interest and penalty on claims
 - 3720 Collection of payments
 - 3901-06 Prompt payment
 - 6503 Transfer and deposit requirements
 - 9501 Government pension plan protection-purpose
 - 9503 Reports about Government pension plans
- b. U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies
 - Title 2, Accounting
 - Title 4, Claims
 - Title 6, Pay, Leave, and Allowances
- c. Office of Management and Budget Circular No. A-34, "Instructions on Budget Execution," August 1985.
- d. Office of Management and Budget Circular No. A-127, "Financial Management Systems," December 19, 1984.
- e. Treasury Financial Manual; Volume I; and Supplemental, "Cash Management Review Guide."
- f. DoD 7935.1-STD, "Automated Data Systems (ADS) Documentation Standards," April 1984, authorized by DoD Instruction 7935.1, September 13, 1977.
- g. DoD Instruction 7041.3, "Economic Analysis and Program Evaluation for Resource Management," October 18, 1972.
- h. DoD Directive 7920.1, "Life Cycle Management of Automated Information Systems (AIS)," June 20, 1988.

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- i. DoD Instruction 7920.2, "Major Automated Information Systems Approval Process," March 7, 1990.
 - j. DoD Instruction 7935.1, "DoD Automated Data Systems Documentation Standards," September 13, 1977.
 - k. DoD Directive 7045.16, "Financial Management Systems," March 28, 1985.
 - l. U.S. General Accounting Office CARE Audit Methodology to Review and Evaluate Agency Accounting and Financial Management Systems, July 1985
 - m. DoD 7110.1-M, "Budget Guidance Manual," July 1985, authorized by DoD Instruction 7110.1, October 30, 1980.
 - n. DoD 7750.5-M, "DoD Procedures for Management of Information Requirements," November 1986, authorized by DoD Directive 7750.5, August 7, 1986.
 - o. DoD 7110.3-M, "Budget and Fiscal Coding Manual of the Office of the Secretary of Defense," April 1992.
 - p. DoD 7045.7-H, "FYDP Program Structure," August 1988, authorized by DoD Instruction 7045.7, "Implementation of the Planning, Programming, and Budgeting System (PPBS)," May 23, 1984.
 - q. DoD 5105.38-M, "Security Assistance Management Manual," October 1988, authorized by DoD 5105.38, August 10, 1978.
 - r. Office of Management and Budget Circular No. A-11, "Preparation and Submission of Budget Estimates," updated annually.
 - s. Title 31, Code of Federal Regulations (31 CFR), parts as follows:
 - 202 Depositories and Financial Agents of the Government
 - 206 Management of Federal Agency Receipts and Operation of the Cash Management Improvements Fund
 - t. Title 41, United States Code, sections as follows:
 - 11 No contracts or purchases unless authorized or under adequate appropriation; report to the Congress
 - 23 Orders on contracts for material placed with Government-owned establishments deemed obligations
 - 611 Interest

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DEFINITIONS

1. Purpose

The purpose of this listing is to provide definitions for terms used in the Regulation, which are unique to the Federal Government or the Department of Defense. This list does not define terms when the normal dictionary definitions are applicable.

2. Basic Concepts

This is by no means an exhaustive list of all accounting terms. Unique terms that are of significance or importance in accounting processes discussed in various Volumes of this Regulation have been included. Suggestions for the definition of additional terms may be submitted directly to the Director, Defense Finance and Accounting Service, Washington, D.C. 20376-5-001.

3. List of Definitions:

Acceptance (Contract) - A formal certification that the goods or services have been received and that they conform to the terms of the contract.

Accessorial Charges - Costs incurred for packing, crating, and handling related to sales or shipments of property.

Accounting Classification Code - A series of alpha and numeric characters appearing on accounting source documents. The characters provide the information necessary to enter transactions into DoD accounting systems.

Accounting Entity - In the Department of Defense the accounting entity is the DoD Component; that is, the Department of the Army, the Department of the Navy, the Department of the Air Force, and the OSD and/or the Defense Agencies, regardless of appropriation of fund.

Accounting Objectives - Goals toward which accounting efforts are directed. The goals are derived directly from legal and regulatory requirements and the needs of intended users.

Accounting System Design Documentation - Documentation supporting the design of an accounting system that assures all relevant accounting principles, standards, and related requirements have been addressed. It consists of three distinct documentation packages: (1) the functional accounting system concept design, (2) the functional detailed design, and (3) various automated data processing documentation packages which track functional user requirements to specific computer programs. See Chapter 3 of this Volume for specific documentation requirements.

Accounts Payable - Amounts owed by the accounting entity for goods and services received. (Also see "Accrued Expenditures - Unpaid.")

Accounts Receivable from the Government - Amounts due from U.S. Government organizations or funds. It also includes amounts due from U.S. Government sources that are deposited into U.S. Treasury general fund receipt accounts when collected.

Accounts Receivable from the Public - All accounts receivable arising from the sale of goods and services and from operations involving other than Federal Government organizations. It includes amounts from public sources that are deposited into U.S. Treasury general fund receipt accounts when collected. Examples are debts owed by military personnel, civilian employees, contractors, and nonappropriated fund instrumentalities.

Accrued Expenditures - The term used for the credits entered into the budgetary accounts to recognize liabilities incurred for (1) services performed by employees, contractors, other Government accounting entities, vendors, carriers, grantees, lessors, etc.; (2) goods and other tangible property received; and (3) items such as annuities or insurance claims for which no current service is required. Accrued expenditures are categorized as either paid or unpaid.

Accrued Expenditure-Paid - The budgetary account which matches the proprietary account "funds disbursed." It represents the dollar value

of goods and services received for which payment has been made.

Accrued Expenditure-Unpaid - The budgetary account which matches the proprietary account "accounts payable." It represents the dollar value of goods and services received for which payment has not been made. (Also see "Accounts Payable.")

Accrued Variance (Foreign Currency Fluctuations) - The difference between unliquidated obligations at the budget rate (approved execution rate) and the foreign exchange rate current at the time of payment.

Acquisition Cost - Consists of the amount, net of both trade and cash discounts, paid for the property, plus the transportation costs. (See "Discount (Cash)" and "Discount (Trade).")

Administrative Subdivision of Funds - Any subdivision or legal restriction of an appropriation or fund that makes funds available in a specified amount for incurring obligations. Frequently used subdivisions include apportionments, OSD release documents, allocations, suballocations, allotments and suballotments.

Advance of Pay - A prepayment made available to an employee in a pay status.

Advances - Disbursements of funds from Department of Treasury accounts before performance has been certified by an authorized DoD receiving official. It differs from a financing payment in that no performance has occurred.

Agency Financial Management System. The total of agency financial systems, both manual and automated, for planning, budget formulation and execution, program and administrative accounting; as well as all other systems for recording and classifying financial data and reporting financial management information, including purchasing, property, and inventory.

1. Financial Management Information. All information that is expressed in dollar terms on federal spending, collections, assets, liabilities, equity, and related budgetary and accounting transactions and balances.

2. Accounting System. The structure of methods and procedures used to record, classify, accumulate, analyze, summarize, and report information on the financial condition and operating position. It is comprised of the various functional operations involved in authorizing, recording, classifying, analyzing, and reporting financial information related to financing sources, gains, expenses, losses, transfers, assets, liabilities, equity, and internal controls. It encompasses the procedures and processes from the point a transaction is authorized through processing the data, either manually or automatically, to issuance of financial and management information statements and reports.

a. Primary Accounting Systems. The aggregation and consummation of like financial management information aligned by the major operational areas and summarized to support financial and management information needs. There are five Primary accounting systems made up of the single, standard integrated Departmental accounting systems which controls all financial management information. The Primary accounting systems are General, Business Operations Fund (Stock Fund and Industrial Fund), Trust Fund, Civilian Pay, and Military Pay.

b. Administrative Accounting Systems:

1. Accounting Support Systems. The manual or automated programs, procedures and processes which authorize, record, classify, analyze, and report on financial management information for one of the Primary accounting systems. Accounting Support systems provide general ledger control and financial information on operations for consolidation to the Primary accounting systems.

2. Subsidiary Accounting Systems. The manual or automated programs, procedures and processes for one of the various functional operations involved with revenues, expenses, assets, liabilities, and equity. The Subsidiary accounting systems form the foundation and audit trail for the Primary accounting systems and the Accounting Support systems.

c. Accounting System Modules.

Modules are distinguished by the fact that their functions and systems of internal controls are embodied in the accounting system. As such, modules are fully integrated subsystems of an accounting system, and they are inventoried and evaluated in conjunction with the accounting system.

d. Feeder Systems.

The manual or automated programs, procedures and processes which develop data required to initiate an accounting or financial transaction but do not perform an accounting operation (e.g., personnel, property, or logistics systems).

Allocation and Suballocation - An authorization by a designated official of a DoD Component making funds available within a prescribed amount to an operating Agency for the purpose of making allotments and incurring obligations.

Allocations - Departmental-level accounting entity distributions of apportionments, or funds that do not require apportionment, to an operating Agency or other intermediate level accounting entity.

Allotment and Suballotment - An authorization by the Head of an operating Agency, or designee, to the Head of any organizational unit to incur obligations within a specified amount; a formal distribution of an allocation or suballocation and must contain at least the same legal and other limitations applicable to the allocation or suballocation. A distribution of budget authority to an installation-level accounting entity.

Annual (1-Year) Authority - Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that time.

Anticipated Reimbursements - The dollar value of orders expected to be received during the forthcoming fiscal year. Anticipated reimbursements do not create obligational authority until an actual order is received and accepted. There is an exception to this rule for business operation funds.

Antideficiency Act - Legislation enacted by Congress to prevent the incurring of obligations or the making of expenditures (outlays) in excess of amounts available in appropriations or funds; to fix responsibility within an agency for the creation of any obligation or the making of any expenditure in excess of apportionment or reapportionment or in excess of other subdivisions established pursuant to sections 1341 and 1517 of 31 U.S.C.; and to assist in bringing about the most effective and economical use of appropriations and funds.

Apportionment and Reapportionment - A distribution made by Office of Management and Budget (OMB) of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred.

Appropriation Limitations - Statutory and other special restrictions which impose a restriction on the availability of funds or the authority to obligate or expend appropriations for certain objects or purposes; such as, family housing.

Appropriation Warrant - An official U.S. Treasury document that provides the dollar amounts established in the general and detailed appropriation accounts of the U.S. Treasury pursuant to Appropriation Acts authorized by law. It serves as a convenient source document for entries into accounts that establish the amount of money authorized to be withdrawn from the U.S. Treasury.

Appropriations - Statutory authority to incur obligations and to make payments out of the U.S. Treasury for specified purposes. For purposes of the Antideficiency Act Sections 1341 and 1517 of 31 U.S.C.), "appropriations" is defined as appropriations, funds, and authority to create obligations in advance of appropriations or any other authority making funds available for obligation or expenditure. (See "Contract Authority" and "Continuing Resolution.")

Asset Use Charge - A charge for the use of DoD assets (facilities and/or equipment) to recoup depreciation and interest on investment.

Bench Stock (Also Shop Stock) - Inventory held by a cost center for use as indirect material and used in support of numerous small projects or activities carried out by the cost center. Small items such as screws, washers, and lubricants characterize this type of stock.

Book Value - The original acquisition cost of a capital asset less the total recorded accumulated depreciation.

Borrowing Authority - Statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. Within the Department of Defense, borrowing authority is used for mortgage assumptions under the Homeowners Assistance Program and for loans from the Federal Financing Bank.

Budget Authority - Authority provided by law to enter into obligations that will result in immediate or future outlays involving Federal Government funds. The basic forms of budget authority are appropriations, authority to borrow, and contract authority. Budget authority relates to direct programs. (Also see "Obligational Authority.")

Budget Rate - A foreign currency exchange rate provided to DoD Components for use in preparing budget submissions during budget formulation and for recording obligations during budget execution. Budget rates are provided by the DoD Comptroller and may be modified by the Congress. During execution, foreign currency obligations are recorded using the budget rate (rates approved for execution). Also see Foreign Currency Fluctuations.

Budgetary Resources - For purposes of budget execution, budgetary resources include new budget authority, available unobligated balances at the beginning of the year, reimbursements and other income (also known as offsetting collections credited to an appropriation or fund account), recoveries of prior year obligations from unexpired accounts, and restorations. In the case of reimbursable work, budgetary resources available for obligation are comprised of earned reimbursements and unfilled customer orders (limited by the amounts collected in advance for orders from the public). In the case of loan

programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used.

Business Concern - Any person or organization engaged in a profession, trade, or business, and nonprofit entities (including State and local governments, but excluding Federal entities) operating as contractors.

Cash-Flow Process - Each process of collecting or disbursing moneys for Agency programs or operations, and for balances held outside of the U.S. Treasury.

Cash-Flow Report - A document summarizing each unique cash-flow process and corresponding opportunities for new cash management improvements.

Cash Held at Personal Risk - Cash held by authorized disbursing officers, their cashiers, and their agent officers, including alternates, for making miscellaneous cash payments, meeting cash payrolls or making change; funds established for making small purchases; imprest funds; cash held pending delivery to other disbursing officers; and for other purposes specifically authorized by law.

Cashier - An officer or employee of a Federal Department, Agency or Corporation who, having been recommended by the head of the activity, has been designated as a cashier by the officer responsible for making disbursements and is authorized to perform limited cash disbursing functions or other cash operations.

Cash Management - Practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and minimize idle cash balances.

Cash Management Review - An ongoing study of an Agency's cash-flows and corresponding cash management processes or mechanisms conducted to identify implementable improvement opportunities in an Agency's cash management practices.

Centrally Managed Allotment - Authority issued by the holder of an allocation for incurring obligations for a specific purpose and in a specific amount. It is administered by publishing a centrally-managed allotment account number that permits authorized officials to charge the account for authorized purposes without further determination or certification of fund availability for individual transactions.

Clearing Accounts - Accounts established solely to temporarily hold general, special, or trust fund collections or disbursements pending clearance to the applicable receipt or expenditure budgetary account. Except for clearance to the applicable receipt or expenditure budgetary account, clearing accounts are not available for obligation or expenditure.

Collections - Amounts received during the fiscal year. Collections are classified into two major categories: budget receipts and offsetting collections. Offsetting collections are classified into two major categories: offsetting receipts and collections credited to appropriation or fund accounts.

Commitment - An administrative reservation of funds based on firm procurement requests, unaccepted customer orders, Directives, and equivalent instruments.

Compensated Absence - An employee absence for vacation, illness, jury duty, or military leave for which the employee is paid.

Component Debt - Debt incurred by DoD Components and generally associated with housing programs determined to be necessary to carry out the DoD mission.

Component Liaison Office - When DFAS was established, each Military Department and the Defense Logistics Agency (DLA) formed financial management liaison offices in their Headquarters. The primary purpose of these staffs was to provide adequate communication among DFAS, and its larger customers; ensure the adequate dissemination of information; and help coordinate DoD finance and accounting policy and other issues.

Some of the liaison functions at the Departmental level are still required to ensure adequate communications and coordination of finance and accounting issues among DFAS and DoD Components. DoD Agencies may establish a liaison focal point to interface with DFAS on an as required basis.

Conceptual Design of Accounting System - Documentation of the process that leads to a decision to develop a new accounting system or system segment, or to initiate a major upgrade effort. Documentation reveals the deficiencies in the current system, the accounting entities involved, the parameters of the accounting system, the accounting structure, security considerations, the alternatives considered, and the economic analysis developed to support a decision.

Consolidated Working Fund Accounts - Accounts established to hold funds transferred from other Agencies, DoD Components, or accounts until transferred to an appropriate account authorized by provisions of law. Applicable funds are not available for obligation or expenditure.

Contingent Liability - The term has two meanings. As a budgetary term, it represents variables that cannot be recorded as valid obligations. Such variables include (1) outstanding fixed price contracts containing escalation, price redetermination, or incentive clauses, or (2) contracts authorizing variations on quantities to be delivered, or (3) contracts where allowable interest may become payable by the U.S. Government on contractor claims supported by written appeals pursuant to the "DISPUTES" clause contained in the contract. As a proprietary accounting term, it represents an obligation, relating to a past transaction or other event or condition that may arise in consequence, as a future event now deemed possible but not probable. When the liability is determined to be possible, but not probable, the potential liability is disclosed as a footnote to the financial statements. When the potential liability become probable, it is recorded in the accounts as a current liability or a reduction of an asset. The budget definition is the preferred usage.

Continuing Resolution - The Congressional resolution, in the absence of an appropriation act, providing authority for Agencies to continue current operations. Such continuing resolutions are subject to OMB apportionment in the same manner as appropriations.

Contract. Any enforceable agreement, including rental and lease agreements and purchase orders, between an Agency and a business concern for the acquisition of property or services.

Contract Authority - Statutory authority to incur obligations but with liquidation of obligations dependent upon future actions of the Congress.

Contract Financing Payment - A Government disbursement of monies to a contractor under a contract clause or other authorization before physical delivery and the acceptance of supplies or services by the Government.

Contract Liquidating Authority - An appropriation, or reappropriation, enacted to pay the obligations incurred under the contract authority.

Contractor-Acquired Property - Property procured or otherwise provided by a contractor for the performance of a contract. It does not include government furnished material or equipment.

Cost - A monetary measure of the amount of resources applied to a cost objective. Within the Department of Defense, "costs" are identified following General Accounting Office accounting principles and standards as implemented in this Regulation. The fact that collections for some cost elements are deposited into Miscellaneous Receipts of the Treasury does not make those costs "extraneous." It simply means the Congress has not authorized such amounts to be retained by appropriation accounts. After costs have been identified, following Comptroller General cost accounting rules, a DoD Component may proceed to eliminate cost elements, or process waivers, in accordance with legal authorities.

Cost Center - A logical or physical grouping of one or more similar services for the purpose of identifying obligations or developing the cost

identification for the services. Services are grouped into cost centers in order to (1) normalize between services that use similar resources with different capabilities, (2) apply surcharges and discounts to services, (3) identify costs for different classes of the same service, or (4) identify obligations. This is the lowest level (that is, unit) or activity that is used to identify obligations or expend resources to produce a unit of work, and the lowest level of activity to segregate costs for management in order to assess efficiency, usage, examine trends, etc.

Cost Clearing Account - An account used when standard rates are employed. The actual expenses are debited to the cost clearing account and the amounts billed to customers are credited to the account. At the end of the fiscal year, the account is closed with analysis performed to determine if rates require adjustment.

Cost Finding - Procedures designed to accomplish an end result that would approximate the results that would have been obtained if a formal cost accounting system was in operation.

Cost Objective - An activity, operation, or completion of a unit of work to complete a specific job for which management decides to identify, measure, and accumulate costs. The cost objective must be discrete enough and described in writing to such a level of detail to form a basis to establish cost centers and output products.

Current Receivable - All receivables that will be due within the 12 months following the reporting period.

Current Value of Funds Rate - The average investment rate for the U.S. Treasury Tax and Loan accounts expressed as an annual rate and published by the U.S. Treasury in the "Federal Register" each year.

Customer Order - An order received and accepted by the performing activity from a customer. It is written evidence that a meeting of the minds has taken place and that certain goods and services will be provided to the tenderer of the order for payment of a dollar amount. The order must contain an original signature or equivalent of both the ordering activity and the

receiving activity and must specify a dollar amount. The specified dollar amount cannot be exceeded.

Cutoff Time - A time prescribed by a financial institution beyond which transactions presented or actions requested will be deferred to the next banking day's business.

Day - A calendar day, unless otherwise noted. If the day on which an action is required falls on a nonworking day, then day means the next working day.

Default - Failure to meet any obligation or term of a credit, grant, or other agreement.

Defense Business Operations Fund - The Defense Business Operations Fund, or the Fund, operates with financial principles that provide improved cost visibility and accountability to ensure business management and improve the decision making process. The Fund builds on revolving fund principles previously used for industrial and commercial-type activities. Successful implementation of the Fund is essential to achieve the following Defense Management Report initiatives: 1) consolidating like functions, 2) increasing cost visibility, and 3) realizing significant monetary savings through better business practices.

Deferrals - Budgetary resources which have been deferred as reserves to provide for contingencies to achieve savings made possible by or through changes in requirements or greater efficiency of operations or as specifically provided by law.

Definite Authority - Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

Delinquent - Billed amounts which are not paid within 30 days of the date of the initial demand or as of the due date specified in the contract or agreement.

Demand Cash Withdrawal - Commercial checks made payable to cash for withdrawal by the cashier.

Deposit - When used as a noun, means money that is being or has been presented for credit to the U.S. Treasury. Such transfers may be made by Agencies or directly by the remitter. All such transfers are effected through a Federal Reserve bank or other financial institution. When used as a verb, means the act of presenting moneys for credit to the U.S. Treasury by an official of an Agency.

Deposit Funds - Receipts held in suspense temporarily and later refunded or paid into some other Treasury fund or other entity held by the Department of Defense as banker or agent for others and paid out at the direction of the owner.

Deposit Fund Accounts - Expenditure accounts established to account for receipts (1) held in suspense temporarily and later refunded or paid into some other fund of the Government, or other entity, or (2) held by the Government as banker or agent for others and paid out at the direction of the owner. Such funds are not available for paying salaries, grants, or other expenses of the Government. Expenditures are often offset by receipts within this type of fund.

Depository Account - Interest or non-interest bearing checking account.

Deposit (Next Day) - A deposit made before the cutoff time on the day following the day on which the funds were received by the Agency. For example, if an Agency receives funds for deposit at 3 p.m. on Monday, and transmits the deposits to the bank by 2 p.m. on Tuesday (the depository's cutoff time) then next day deposit requirements are met.

Deposit (Same Day) - A deposit made before the cutoff time on the day on which the funds were received by the Agency. For example, if an Agency receives funds for deposit at 10 a.m. on Monday and transmits the deposits by 2 p.m. on Monday (the depository's cutoff time) then same day deposit has been achieved.

Depreciation - Depreciation recognizes the allocation of cost of depreciable physical plant, property, or equipment as an operating expense over the periods in which the assets are expected to provide benefits.

Direct Cite - Citation of customer funds as the financing source on documents leaving the DoD system, that is, contracts with commercial firms, General Services Administration, or Department of Transportation. The term direct cite is not valid if any DoD organization establishes a reimbursable order to a DoD appropriation account, or business operation fund. When direct cite is used, all accounting is accomplished by the ordering activity. The source documents are returned to the allotment holder who accomplishes all required accounting. In the case of the Foreign Military Sales program, it specifically refers to documents that result in a disbursement to other than a DoD organization (a contractor, other Federal Agency, or employee).

Direct Delivery - Items shipped directly from a contractor to a customer, whether from a consolidated military services procurement or a contract solely for that customer.

Direct Loan - An obligation created when the Government disburses the funds and contracts with the debtor for repayment, with or without interest, or when the Government acquires a guaranteed private loan in satisfaction of default or other claim.

Direct Program - The budget authority in an appropriation act. (See "Budget Authority".)

Disbursements (Net of Refunds) - The amount of checks issued, cash payments made, and "no-check-issued" disbursement transactions (charges to an appropriation or fund account that were initially charged to another appropriation or fund account with reimbursement effected without a check issuance) processed that were reported to the Treasury during the reporting period, including amounts reported on DD Forms 1400, "Statement of Interfund Transactions" and Statements of Intra-Governmental Transactions. It includes amounts of mortgages assumed, but does not include amounts of principal payments. Amount reported is net of

refunds collected and reported to the Treasury and does not include nonexpenditure transactions such as appropriation transfers or investments in U.S. government securities.

Disbursing Officer - An officer or employee of a Federal Department, Agency or Corporation designated to disburse moneys and render accounts according to laws and regulations governing the disbursement of public moneys.

Discount (Cash) - A reduction in the amount due on an account payable if paid within a stated period.

Discount (Trade) - A reduction in price, usually varying in percentage with volume of transactions, made by vendors to those engaged in certain businesses and allowable irrespective of the time when the account is paid.

DoD Component - For purposes of this Regulation, "DoD Component" refers to the following organizations: the Office of the Secretary of (OSD), the Military Departments, the Joint Staff, the Defense Agencies, Washington Headquarters Services (WHS), and the Uniformed Services University of the Health Sciences (USUHS).

DoD Education Benefits Trust Fund - A fund established for education assistance purposes for active and reserve force personnel. It derives its resources through transfers from military personnel accounts and from interest earned from investments in Federal Government securities.

Earned Reimbursement - The amount recognized when a performing organization renders actual or constructive performance on a reimbursable order.

"Economy Act" Order - An order for goods or services placed by a Federal Agency or Department to another governmental agency under the provisions of Section 1535, Title 31, United States Code.

Electronic Funds Transfer (EFT) - The act of debiting or crediting accounts in financial institutions by wire rather than source documents, such as, paper checks. Processing typically occurs through the Federal Reserve Bank clearing houses.

Entitlements - Legally established benefits available to any person or unit of Government meeting eligibility requirements established by law.

Executory Costs - Those costs associated with ownership of an asset such as insurance, taxes, and normal maintenance. In the case of a capital lease, the portion of the lease payment that represents executory costs is not capitalized, but is expensed.

Expense - As a budget term, expense is generally any charge to an operation and maintenance appropriation account. Some appropriation accounts, such as the Military Construction and the Research, Development, Test and Evaluation appropriations accounts, provide authority to charge both expense and capital investments to the account. As an accounting term, expense is the value of resources consumed during current period operations.

Expired Account - An account in which budget authority to incur original obligations has ceased to be available. However, the account is available to fund upward within scope adjustments of original obligations.

Facilities - Industrial property (other than material, special tooling, special test equipment, and military property) for production, maintenance, research, development, or test including real property (other than land) and rights therein, buildings, structures, improvements, and plant equipment, (including capital leases.)

Fast Pay - Disbursement to a contractor based on the contractor's certification that delivery has been made at the time an invoice is presented for payment.

Federal Agency. This has the same meaning as the term "Agency" in Section 551(1) of Title 5, U.S.C., and also includes any entity that is operated exclusively as an instrumentality of such an Agency for administering one or more programs of that Agency. DoD nonappropriated fund activities are included under this definition.

Financial Institution - Bank, Savings Association, or Credit Union eligible under 31 CFR 202 to serve as a Government depository.

Financial Management System - The DoD Financial Management System consists of a triad architecture. The three segments of the triad are as follows: Planning, Programing, and Budgeting System (PPBS); Army, Navy, Air Force and Defense Agency accounting systems; and all other systems that provide financial information to management.

Financing Interest - Interest charged as a cost of extending credit as distinguished from interest charged because of delinquency.

Financing Payment - Disbursement of funds from Department of Treasury accounts after performance has occurred but before physical delivery. The most common type of financing payment is the progress payment made to DoD contractors in reimbursement for incurred cost before ordered items or material are delivered.

Foreign Currency Fluctuations - The difference between budget rates approved for execution and actual foreign currency exchange rates in effect at time of payment that cause changes in obligations or contractual liabilities. Obligations are recorded using the budget rate, and payments are made using the current foreign currency exchange rate.

Foreign Currency Unliquidated or Liquidated Obligations - Foreign currency unliquidated obligations are derived by taking obligations at the budget rate less the disbursements at the budget rate. Foreign currency liquidated obligations is the actual disbursement at the budget rate.

Funded Carryover - The incomplete portion of a job order for goods or services to be provided by a business operation fund activity. Usually, funded carryover is measured at the end of a fiscal period, that is, a fiscal year.

Fund Groups - The range of numeric or alpha and/or numeric account symbols assigned by the Treasury to identify groups of accounts; such as, 0000 to 3799 = General Funds.

General Fund Accounts - These consist of (1) receipt accounts used to account for collections not dedicated to specific purposes and (2) expen-

diture accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

General Fund Receipt Accounts - Accounts established for receipts of the Federal Government that are not earmarked by law for specific purpose and that are not available for obligation and expenditure.

General Management Computer - A computer that is used for any purpose other than as a part of a process control system, space system, mobile system, or equipment that is an integral part of a weapon or weapons system. It also excludes equipment involved with intelligence activities and cryptologic national security activities.

Government-Furnished Equipment (GFE) - Property provided to a contractor by DoD. It is used in producing an end product. It is not consumed, but is returned in the same form at the end of the contract.

Government-Furnished Material (GFM) - Property provided to a contractor by the Department of Defense. It may be incorporated into an end item (a change in form) or may be consumed in the performance of a contract.

Grants - Assistance awards for which no substantial involvement is anticipated between the Department of Defense and the recipient during performance of the contemplated activity.

Guaranteed Loan - A contingent liability created when the Government insures the private lender who disbursed the funds that the lender will be repaid to the extent of the amount or percentage guaranteed in the event of default by the debtor; a DoD Component pledge to pay part or all of the loan principal and interest to a lender, or holder, of a security in the event of default by a third party borrower.

Holdback - The amount withheld from progress payments to contractors to assure compliance with contract terms. Usually the amount to be withheld is expressed as a percentage in the contract provisions.

Imprest Fund - A fixed-cash or petty-cash fund in the form of currency or coin for cash payments specifically authorized. The fund may be a revolving type, replenished to the fixed amount as spent or used, or of a stationary nature, such as a changemaking fund.

Indefinite Appropriations - Appropriations of a current or permanent nature in which a definite amount is not stated.

Indefinite Authority - Authority for which a specific sum is not stated, but is determined by other factors such as the receipts from a certain source or obligations incurred.

Information Technology Facility (ITF) - An organizationally defined set of personnel, hardware, software, and physical facilities, operated within or on behalf of the Department of Defense, a primary function of which is the operation of information technology. An ITF includes:

- (1) The personnel who operate computers or telecommunications systems; develop or maintain software; provide user liaison and training; schedule computers; prepare and control input data; control, reproduce, and distribute output data; maintain tape and disk libraries; provide security; and provide direct administrative support to personnel engaged in these activities.

- (2) The owned or leased computer and telecommunications hardware, including central processing units; associated peripheral equipment such as disk drives, tape drives, printers, and consoles; data entry equipment; telecommunications equipment including control units, terminals, modems, and dedicated telephone and satellite links provided by the facility to enable data transfer and access to users. Hardware acquired and maintained by users of the facility is excluded.

- (3) The software, including operating system software, utilities, sorts, language processors, access methods, data base processors, and similar multi-user software required by the facility for support of the facility and/or general use by users of the facility. All software ac-

quired or maintained by users of the facility is excluded.

(4) The physical facilities, including computer rooms, tape and disk libraries, stockrooms and warehouse space, office space, and physical fixtures.

Initiation - An administrative reservation of funds based on procurement directives, requests, or equivalent instruments that authorize preliminary negotiations, but require that funds be certified by the official responsible for the administrative control of funds before incurrence of the obligation. Initiations are entered into memorandum accounts to help keep precommitment actions, such as approved procurement programs and procurement directives, within the available subdivision of funds.

Intangible Assets - Amortizable investment that costs \$15,000 or more; have projected pay-back periods; have economic value but lack physical substance which is to be used over some period (useful life), the length of which is estimated to be 2 years or greater; and have no residual value at the end of the estimated useful life. Examples of intangible assets are management initiatives, organization of new functions, or reorganization of old functions, strategic planning, future system requirement development, and dedicated training initiatives.

Interagency Allocations - Distributions of an Agency's budgetary resources to another Agency, separately identified in the accounts to ensure that the recipient Agency is responsive to the allocating Agency. Such allocations may be non-expenditure transfers, which establish transfer appropriation accounts, or subdivisions of a DoD Component's funds to another DoD Component to cite directly.

Internal Control Documentation - Written policies, organization charts, procedural write-ups, Manuals, memoranda, flow charts, decision tables, completed questionnaires, software, and related written materials used to describe the internal control methods and measures, to communicate responsibilities and authorities for operating such methods and measures, and to

serve as a reference for persons reviewing the internal controls.

Internal Controls - The manner in which financial, manpower, and property resources are to be controlled and safeguarded by the regular authorization, approval, documentation, recording, reconciling, reporting, and related accounting processes.

Internal Control Standards - The standards issued by the Comptroller General for use in establishing and maintaining systems of internal control. Those standards are applicable to all operations and administrative functions, but are not intended to limit or interfere with duly granted authority for the development of legislation, rulemaking, or other discretionary policymaking in an Agency.

Internal Control Techniques - The application of prescribed processes and documents to efficiently and effectively accomplish an internal control objective and to help safeguard an activity from waste, loss, unauthorized use, or misappropriation.

Inventory Price - For non-stock fund items the inventory price is the acquisition cost. For stock fund items the inventory price is acquisition cost plus prescribed surcharges. (See "Acquisition Cost".)

Investment - As a budget term, investment refers to equipment financed with procurement appropriation accounts. As an accounting term, investment is an asset that meets prescribed capitalization criteria established by the Comptroller General.

Invoice Payment - A Government disbursement of monies to a contractor under a contract or other authorization for supplies or services accepted by the Government.

Leave and Earnings Statement - A document provided to each employee or service member showing gross pay, deductions, and net pay for a pay period and cumulative totals for the calendar year to date, along with leave balances at the end of the pay period.

Leave Record - A record showing the amounts of leave earned and used, and the balance available.

Letter Contract - An offer and acceptance that is specific and definitive enough to show the purpose and scope of the final contract to be executed. When accepted in writing by the contractor, documentary evidence exists to support the recording of an obligation.

Loan Guarantees - Agreements by which a DoD Component pledges to pay part or all of the loan principal and interest to lenders or holders of securities in the event of default by third-party borrowers.

"M" Account - A successor account into which obligated balances under an appropriation are transferred (merged) at the end of the second full fiscal year following expiration. The "M" account remains available for the payment of obligations and liabilities incurred by the accounts that have been merged. Due to Public Law 101-510, the "M" Account will be canceled in its entirety as of September 30, 1993.

Management Fund Accounts - Working fund accounts authorized by law to facilitate accounting for collections from two or more appropriations or funds to finance an activity not involving a continuing cycle of business-type operations and that are available for obligation and expenditure. Those are combined receipt and expenditure accounts established by law, with receipts derived from such operations usually available in their entirety for use by the fund without further action by the Congress.

Meat, Poultry Meat, Meat Food Products Poultry Meat Food Products, Eggs, or Egg Food Products. Perishable (fresh, chilled, or frozen) meat and poultry meat, including processed meat and poultry meat food products, such as luncheon slices, frankfurters, bacon and ham, fresh eggs, and perishable egg products. It excludes non-perishable meats and poultry meats, all perishable and nonperishable mixed products (meat and/or poultry meat combined with other food ingredients), seafood, and game.

A. Eggs. Fresh whole shell eggs of the domesticated chicken, turkey, duck, goose, or guinea.

B. Egg food products. Only frozen whole eggs, egg whites, and/or egg yolks.

Military Interdepartmental Purchase Request (MIPR) - An order issued by one military service to another to procure services, supplies, or equipment for the requiring service. The MIPR (DD Form 448) may be accepted on a direct citation or reimbursable basis. It is an "Economy Act" (31 U.S.C. 1535) order subject to downward adjustment when the obligated appropriation is no longer valid for obligation.

Military Property - All property owned by the Department of Defense. In regard to Government-provided property, this is Government-owned personal property designed for military operations.

Military Retired Pay - (A reduced pay entitlement for reduced services.) The gross monthly entitlement for a retired member of the Uniformed Services based on terms and conditions of law, pay grade, years of service, percentage of disability (if applicable), and date of retirement.

Military Retirement Trust Fund - A trust fund established for the purpose of financing the retirement cost of active and reserve military personnel. An accrual amount is transferred monthly from the military personnel accounts to the Fund based on a fixed percentage of basic pay for full-time and part-time personnel. The accrual amounts are determined by the DoD Board of Actuaries who are appointed by the President for 15 year terms. In addition, amounts are deposited into the Fund to liquidate the unfunded liability of retired pay earned prior to establishment of the Fund. Interest on investments of the Fund assets in Federal Government securities are also transferred into the Fund.

Minimum Lease Payments - The payments that the lessee is obligated to make or may be required to make in connection with leased property. (Contingent rentals are excluded from the minimum lease payments.)

Moneys - All currency and negotiable instruments which are as follows: (1) held by an Agency (imprest funds), (2) paid out by an Agency, (3) owed to an Agency, or (4) collected by an Agency.

Multiple-Year Authority - Budget authority that is available for original obligation for a specified period of time in excess of 1 fiscal year.

Noncurrent Receivable - A receivable that will not be due within 12 months following the reporting period.

Nonexpenditure Transfers - A redistribution of either unobligated balances of budget authority provided in a previous year, or budget authority provided in the current year between appropriations or funds for the benefit of the gaining appropriation or fund. Transfers of obligated balances and sometimes reappropriations also require nonexpenditure transfers.

No-Year Authority - Budget authority that remains available for obligation for an indefinite period of time.

Obligational Authority - The sum of (1) budget authority provided for a given fiscal year, (2) balances of amounts brought forward from prior years that remain available for obligation, and (3) amounts authorized to be credited to a specific fund or account during that year, including transfers between funds or accounts. (See "Budget Authority.")

Obligations - Amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future, period. Such amounts include payments for which obligations previously have not been recorded, and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered orders and accrued expenditures - paid or unpaid.

Offsetting Collections - Collections from Government accounts or from transactions with the public. The two major categories of offsetting

collections are offsetting receipts (amounts deposited to receipt accounts) and offsetting collections credited to appropriation or fund accounts.

Offsetting Receipts - Collections that are deposited into proprietary Miscellaneous Receipt Accounts of the Department of the Treasury. Applicable deposits offset the collecting Agency's budget authority and outlays.

Operating Agency - A major organizational unit within a Military Department or Defense Agency that is responsible for (1) the active planning, direction, and control of a program or segment, thereof; and (2) the control of the funds allocated to it.

Outlays - The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements. Outlays are net of amounts that are adjustments to obligational authority. The terms "expenditure" and "net disbursement" are frequently used interchangeably with the term "outlay". Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

Overhead Rate - The rate determined by performing organizations to allocate operating costs not directly identifiable to the work order. Includes supervisory and general and administrative expenses as well as miscellaneous material and supplies.

Packing, Crating, and Handling (PCH) Costs - A subset of accessorial costs that are incurred for sales, or shipments, of property. (See "accessorial charges.")

Participation Loan - A loan that consists of both direct and guaranteed portions.

Passthroughs (Current Year) - Revolving fund revenues received during the current fiscal year which: (1) are in addition to amounts provided for in the customer stabilized rate structure and (2) represent reimbursement for current year costs or amounts in excess of amounts budgeted, or otherwise provided for, in the President's

budget on which approved customer stabilized rates for the [current] year were based.

Passthroughs (Prior Year) - Revolving fund revenues which provide for the recoupment of amounts associated with prior year efforts or sales. These amounts represent the recoupment of amounts beyond those contained in the DoD stabilized rate structure for the applicable prior fiscal year for which the efforts were performed. These amounts are generally intended to offset prior year losses and/or amounts in excess of amounts previously budgeted.

Pay Account - The part of each individual civilian and Military Service member's master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay account includes information such as pay grade, record of payments, all earnings separately identified by type (basic pay, bonuses, danger pay, etc.); allowances; allotments; year-to-date gross earnings; taxable earnings, taxes withheld, and leave data (amount earned, taken, lost, forfeited, advanced, or used).

Pay and Allowances - Payment to active duty, Reserve, National Guard, and retired members and their surviving annuitants, other than travel and transportation reimbursements, and to all civilian employees and direct hire employees in foreign locations, other than travel and transportation expenses.

Paying Office - A disbursing office. In the case of contracts, the place named in the contract for forwarding invoices for payment.

Payment Due Date - The date by which payment must be made as specified in Volume 4, table 2-3.

Period of Availability - The period of time in which budget authority is available for original obligation.

Political Subdivision of Local Government - A local unit of government, including specifically a county, municipality, city, town, township, school district, or other special district created by State law, or combination of these units.

Port Loading and Unloading Costs - A subset of accessorial costs. The costs incurred for loading, unloading, and handling at the ports of embarkation and debarkation.

Pre-positioning Costs - The accessorial costs incurred to store items at locations outside the United States in anticipation of support to other authorized customers.

PPBES - The Planning, Programing, Budgeting, and Execution System (PPBES) is a cyclic process containing three distinct, but interrelated phases: planning, programing, and budgeting. In addition to establishing the framework and process for decision making on future programs, the process permits prior decisions to be examined and analyzed from the viewpoint of the current environment (threat, political, economic, technological, and resources) and for the time period being addressed. The ultimate objective of PPBS is to provide operational commanders the best mix of forces, equipment, and support attainable within fiscal constraints.

Predetermined Rate - The rate established by appropriate authority for use in computing recoverable amounts.

Private Parties - Consists of non-U.S. Government activities; foreign governments, firms, and organizations; and international organizations, other than Foreign Military Sales (FMS) customers and FMS/International Military Education and Training Program (IMET) recipients.

Progress Payments - See "Financing Payment."

Project Order - An order for goods or services issued under the authority in 41 U.S.C. 23 to a separately managed and financed Government-owned and operated establishment.

Proper Invoice - A bill or written request for payment provided by a business concern for property or services rendered. It must include all of the information required by the terms of the procurement document, be accompanied by such substantiating documentation as required by regulation or the contract, and be received in the designated paying office. Supplemental billings shall include all information required for

original billings. A proper invoice must include the following:

- (1) Name and address of the business concern and the invoice date.
- (2) Contract number or other authorization for delivery of property and/or services (including order number and contract line item number).
- (3) Description, price, and quantity of property and services actually delivered or rendered.
- (4) Shipping and payment terms.
- (5) Other substantiating documentation or information as required by the contract.
- (6) Name (where practicable) title, telephone number, and complete mailing address of the responsible official to whom payment is to be sent.
- (7) Name (where practicable) title, telephone number, and mailing address of person to be notified in event of a defective invoice.

Property Book - A documentary record of every item on a "Table of Organization and Equipment List", or other type of allowance list, showing that a unit is prepared to accomplish its assigned mission. The property book lists both capitalized and expensed assets, shows quantities on hand, items due in, open requisitions, unit prices, hand receipts, etc.

Realized Variance (Foreign Currency Fluctuations) - The difference between actual obligations at the budget rate (approved execution rate) and the foreign exchange rate in effect at the time of payment (liquidation of the obligation). The variance is equal to the amount disbursed from the applicable centrally managed allotments.

Real Property - Fixed assets that are comprised of land and the rights to land; buildings to include capitalized additions, alterations, improvements, and rehabilitations; and other structures and facilities. Real property does not

include personal property (weapons systems and other military equipment).

Reappropriation - Statutory authority to restore or extend the obligational availability, whether for the same or different purpose, of all or part of the unobligated balance of budget authority that has expired or otherwise would expire in an annual or multiple-year appropriation. Reappropriation transactions require non-expenditure transfer of the funds involved from the expired or otherwise expiring account to the designated current account when the unobligated balance has not been withdrawn to the surplus fund of the U.S. Treasury. If the unobligated balance has been withdrawn, then the transaction requires a warrant. Reappropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account.

Refunds - Recoveries of overpayments that result from errors in paying invoices or from items returned to vendors. (Also see "Refunds and/or Transfers (Current Year)" and "Refunds and/or Transfers (Prior Year).")

Refunds and/or Transfers (Current Year) - Industrial fund amounts transferred on a non-expenditure basis which represent the transfer of revenue collected through stabilized rates which: (1) is in excess of current year costs or (2) otherwise exceeds the purpose for which initially intended in the current year. (The latter case, for example, may include the collection of Asset Capitalization Program surcharges in excess of amounts ultimately approved by the Congress for the Asset Capitalization Program.) These transfers are generally made to appropriated funds and provided for in a general provision contained in the applicable annual appropriation act.

Refunds and/or Transfers (Prior Year) - Industrial fund amounts transferred on a nonexpenditure basis which represent the transfer of amounts associated with prior year efforts or sales. These amounts usually represent the transfer of revenue collected through stabilized rates which: (1) were in excess of [then] current year costs or (2) otherwise exceeded the purpose for which initially intended. These transfers are generally

made to appropriated funds and provided for in a general provision contained in the applicable annual appropriation act.

Reimbursable Order - An order accepted into a DoD appropriation or fund.

Reimbursements - Amounts earned and collected for property sold or services furnished either to the public or another Federal accounting entity. To be an appropriation reimbursement, the collection must be authorized by law for credit to the specific appropriation or fund account.

Replacement Cost - Obligations to be incurred at a future time to procure equipment or material in place of items which have been sold or transferred. There are two methods used to determine replacement cost: (1) Replacement cost may be determined by applying the OSD prescribed inflation factor to the most recent contract price of the item to be replaced. The inflation factor is applied to each fiscal year between the year the item sold or transferred was acquired and the fiscal year in which the replacement item will be delivered. (2) Replacement cost may also be determined by obtaining a current contractor quote for the replacement item. Normally the second method is the most accurate method.

Reportable Accounting System or Segments - A system or segment that satisfies the definition of an accounting system.

Reprogramming - Realignment of budget authority from the purpose for which appropriated to finance another (usually emergent, unfunded) requirement. A necessary, desirable, and timely device during execution of Defense programs for achieving flexibility in the use of DoD funds provided in appropriation acts.

Reschedule - (Restructure, refinance, forbear, reamortize, or defer) To establish new terms or conditions in order to facilitate the repayment of debt. For example, stretching out or extending into the future such payments.

Rescission - Legislation that cancels budget authority previously provided by Congress before the time when the authority would other-

wise lapse, that is, cease to be available for obligation.

Reserves - Portions of budgetary resources set aside by OMB to (1) provide for contingencies, or (2) effect savings made possible by or through changes in requirements or greater efficiency of operations.

Residual Value - Residual value is the estimated value remaining at the end of a capital asset's useful life to the Department of Defense or the Amount that can be expected to be recovered from the asset's disposal when it is removed from service.

Restoration - An unobligated amount previously withdrawn by administrative action to the merged surplus balances that is again made available to fund within scope increases to original obligations or to fund other Congressionally approved programs pursuant to law.

Revolving Fund Accounts - Accounts authorized by specific provisions of law to finance a continuing cycle of business-type operations, and which are authorized to incur obligations and expenditures that generate receipts.

Special Defense Acquisition Fund (SDAF) - A fund established to provide the Foreign Military Assistance and Sales Programs the inventory determined necessary to meet anticipated future sales requirements for those military items being phased out of DoD inventory.

Special Fund Accounts - Separate receipt and expenditure accounts established to account for receipts of the Government that are earmarked by law for a specific purpose but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts.

Special Fund - Expenditure Accounts - Accounts established to record amounts appropriated, or otherwise made available by transfers from a special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law.

Special Funds - Receipt Accounts - Accounts credited with receipts from specific sources that

are earmarked by law for a specific purpose, but which are not generated from a continuing cycle of operations.

Specialized or Technical Services - Statistical and other studies and compilations, developmental projects, technical tests and evaluations, technical information, training activities, surveys, reports, documents, and any other similar service functions that any Federal Agency is especially equipped and authorized by law to perform.

Specific Due Date - A payment due date included in a contract or determinable from contractual language. If a contract has payment and financing terms such as "promptly," "payable upon receipt," or "net;" payment shall be made as specified in Volume 4 table 2-3.

State - Any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a state. Does not include the governments of the political subdivisions of a State.

Suspense Accounts - (See Deposit Funds.)

Tangible Assets - Tangible capital assets are depreciable property, plant, equipment, and software developed, manufactured, transferred or acquired at a specific point in time for a determinable cost of \$15,000 or more; are used over some period (useful life), the length of which is estimated to be 2 years or greater; and generally, become economically worthless, (except for residual value) at the end of their estimated useful lives.

Transfer of Funds - When specifically authorized by law, all or part of the budget authority or prior year unobligated balances in one account may be transferred to another account.

Transportation Costs - The costs incurred for shipment of material.

Treasury Financial Communications System (TFCS) - The computer-to-computer link between the U.S. Treasury and the Federal Reserve Bank of New York.

Trust Fund Accounts - Accounts established to account for receipts that are held in trust for use in carrying out specific purposes and programs in accordance with an agreement or statute.

Trust Fund Expenditure Accounts - Accounts that are established to record amounts appropriated, or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes, or programs, in accordance with the terms of the trust agreement or statute.

Trust Fund Receipt Accounts - Accounts that are credited with receipts generated by the terms of a trust agreement or statute.

Trust Revolving Fund - The name given to a fund entity when a trust fund corpus is established to perform a continuing cycle of business-type operations in accordance with the trust agreement or statute, in which case a combined receipt and expenditure account is used.

Undelivered Orders - Contracts or orders issued by the ordering accounting entity for goods and services for which the liability has not yet been accrued.

Unearned Revenue - Revenue from DoD customers collected in advance of earnings and prior to delivery of goods or services.

Unfilled Customer Orders - The amount of orders accepted from ordering accounting entities within the U. S. Government for goods and services to be furnished on a reimbursable basis; or, in the case of transactions with the public, amounts collected in advance for which the accounting entity has not yet performed as requested.

Unfunded Cost - Costs not financed by the performing activity's current appropriations or fund accounts. Applicable types of cost include depreciation, interest on investment, and civilian retirement amounts funded by Office of Personnel Management.

Unified Combatant Command - A unified combatant command is a military command which has broad, continuing missions and which is

composed of forces from two or more Military Departments. Unified combatant commands are established by the President, through the Secretary of Defense, with the advice and assistance of the Chairman, Joint Chiefs of Staff.

User - An individual, organization, or accounting entity that receives services. A user may be internal or external to the DoD Component.

Warehousing - Costs normally incurred for labor, materiel, or services in packing item(s) that are removed from DoD storage, preparing item(s) for shipment, and processing related materiel release documents.

Withdrawal - The transfer of the unobligated balance from an expired annual or multiple-year appropriation to the surplus account of the U.S. Treasury's general fund, or, if appropriate, to the special fund or trust fund from which derived.

Writeoff - As a budgetary term, writeoff means the withdrawal from availability for obligation of an unobligated balance from a no-year appropriation. It excludes amounts withdrawn from

expired accounts and amounts rescinded by the Congress. As an accounting term, writeoff refers to the removal of a delinquent accounts receivable that is considered not collectible or not cost effective to pursue further collection efforts. A writeoff is not a correction to the accounting records resulting from an accounting error.

Work in Process - Costs of the materials, labor, and indirect costs used in producing an end item (real or personal property) or service, whether fabricated by a DoD business operation fund, or by a non-DoD organization under contract.

Year-end Adjustments for Reimbursements - Accounting entries made to eliminate anticipated reimbursements for orders not accepted, eliminate those unobligated accepted orders that are no longer valid obligations of the ordering activity, and transfer valid unobligated reimbursable balances from expiring and non-expiring accounts to the most current ensuing fiscal year accounts. The exception is for unobligated balances resulting from earned reimbursements (that is, sales from inventory or performance of in-house services), which must be retained in nonexpiring accounts until account expiration.

CHAPTER 1

CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE0101 GENERAL

The Chief Financial Officer of the Department of Defense (CFO, DoD) is the chief financial management policy officer of DoD and chief financial management advisor to the Secretary of Defense. The CFO, DoD, shall manage all functions and responsibilities as assigned in chapter 9 and Section 3515 of Title 31 of the United States Code.

0102 AUTHORITIES AND FUNCTIONS

The CFO, DoD, is charged with the responsibility of developing and implementing DoD-wide financial management systems and overseeing financial management activities relating to the CFO programs and operations of the DoD. In that capacity, and consistent with the Chief Financial Officers Act of 1990, the following authorities and functions are assigned to the CFO, DoD:

010201 Reporting. Report directly to the Secretary of Defense regarding financial management matters.

010202 Oversight. Oversee all financial management activities relating to the programs and operations of the DoD. To carry out this responsibility, the CFO, DoD, has the authority to:

A. Establish financial management policies for the DoD including its component parts.

B. Ensure compliance throughout the DoD with applicable accounting policy, standards and principles, as well as financial information and systems functional standards.

C. Establish, review and enforce internal control policies, standards and compliance guidelines involving financial management.

D. Provide oversight of financial management personnel, activities and operations, including (a) preparation and annual revision of 5-year financial management plans, and (b) development of financial management budgets.

E. Ensure adequate controls over real property, equipment and inventories.

F. Ensure timely and accurate information on contract disbursements and projected costs.

010203 Financial Management Systems. Develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which:

A. Complies with applicable accounting principles, standards and requirements, and internal control standards;

B. Complies with such policies and requirements as may be prescribed by the Director of OMB;

C. Complies with any other requirements applicable to such systems; and

D. Provides for:

1. Complete, reliable, consistent and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of DoD management;

2. The development and reporting of cost information;

3. The integration of accounting and budgeting information; and

4. The systematic measurement or performance.

010204 Recommendations. Make recommendations to the Secretary of Defense regarding the selection of the Deputy CFO, DoD;

010205 Management. Direct, manage and provide policy guidance and oversight of DoD financial management personnel, activities, and operations, including:

A. The preparation and annual revision of a DoD plan to implement the 5-year financial management plan prepared by the Director of OMB, and to comply with the audited financial statements provisions of the CFO Act of 1990.

B. The development of DoD financial management budgets.

C. The recruitment, selection and training of personnel to carry out DoD financial management functions.

D. The approval and management of DoD financial management systems design or enhancement projects.

E. The implementation of DoD asset management systems, including systems for cash management, credit management, debt collection and property inventory management and control.

F. To direct, manage and provide policy guidance and oversight, the CFO, DoD, has authority:

1. To manage directly, and/or monitor, evaluate and approve, the design, budget, development, implementation, operation and enhancement of DoD-wide accounting, financial and asset management systems.

2. To coordinate on the design for other information systems that provide, at least in part, financial and/or program performance data used in financial statements, to ensure that CFO needs are met.

3. To ensure that program information systems provide financial and programmatic data (including program performance

measures) on a reliable, consistent and timely basis to DoD financial management systems.

4. To evaluate, where appropriate, the installation and operation of such systems.

010206 Annual Report. Prepare and transmit an annual report to the Secretary of Defense and the Director of the Office of Management and Budget, which shall include: (a) a description and analysis of the status of financial management within the Department, (b) annual financial statements, (c) audit reports submitted to the Secretary of Defense addressing financial statements, (d) a summary of reports on the internal accounting and administrative control systems submitted under the Federal Managers' Financial Integrity Act, and (e) other information the Secretary of Defense considers appropriate to fully inform the President and the Congress concerning the financial management of the DoD.

010207 Budget Execution. Monitor the financial execution of the DoD budget in relation to actual expenditures, and prepare and submit to the Secretary of Defense timely performance reports. To enable the CFO, DoD, to prepare and submit timely performance reports, the CFO, DoD, has authority:

A. To mandate DoD-wide data and reporting format requirements.

B. To review and approve financial reports and statements prepared by DoD components for transmittal to the Secretary of Defense, OMB, the President, the Congress or external groups.

C. To prepare consolidated and/or combined financial statements and work with the Inspector General, DoD and other auditors to improve the statements' independent review and auditability.

D. To develop, in coordination with program managers, financial and programmatic performance indicators for inclusion in financial systems and financial reports and statements.

E. To ensure that data included in financial reporting (including program performance measures) becomes auditable.

F. To advise and provide direction to program managers on financial management matters.

010208 Biennial Review. Review, on a biennial basis, the fees, royalties, rents and other charges imposed by the Department for services and things of value it provides, and make recommendations on revising those charges to reflect costs incurred in providing those services and things of value.

0103 CHIEF FINANCIAL OFFICERS COUNCIL

The CFO, DoD, is a member of the Chief Financial Officers Council consisting of the Deputy Director for Management of OMB, the Controller of the Office of Federal Financial Management of OMB, the Fiscal Assistant Secretary of the Treasury and Agency CFOs. The CFO Council meets periodically to advise and coordinate the activities of the agencies of its members on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and other financial management matter.

0104 DEPUTY CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

The CFO Act requires that each of the specified agencies shall have a Deputy CFO who shall report directly to the Agency CFO on financial management matters. The position of Deputy CFO shall be a career reserved position in the Senior Executive Service. Consistent with qualifications standards developed by, and in con-

sultation with, the Agency CFO and the Director of OMB, each Agency head shall appoint as Deputy CFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, and systems development, and not less than 6 years practical experience in financial management at large governmental entities.

0105 DOD STAFF ORGANIZATIONS RESPONSIBLE FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

010501 The Deputy Comptroller (Program/Budget) is responsible for overseeing and implementing budgetary functions within the DoD on a day-to-day basis.

010502 The Deputy Chief Financial Officer is responsible for overseeing and implementing accounting policy, improvements in financial management, as well as other financial management functions for the DoD on a day-to-day basis.

010503 The Director, Defense Finance and Accounting Service (DFAS) is responsible for overseeing and implementing finance and accounting operations within the DoD on a day-to-day basis.

0106 RESPONSIBILITIES OF THE HEADS OF DoD COMPONENTS FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

The Heads of the DoD Components, in accordance with Pub. Law No. 101-576, "Chief Financial Officers Act of 1990," shall direct and manage financial management activities within their Components, consistent with financial management policies prescribed by the CFO, DoD, and other policies prescribed by the Heads of the DoD Components.

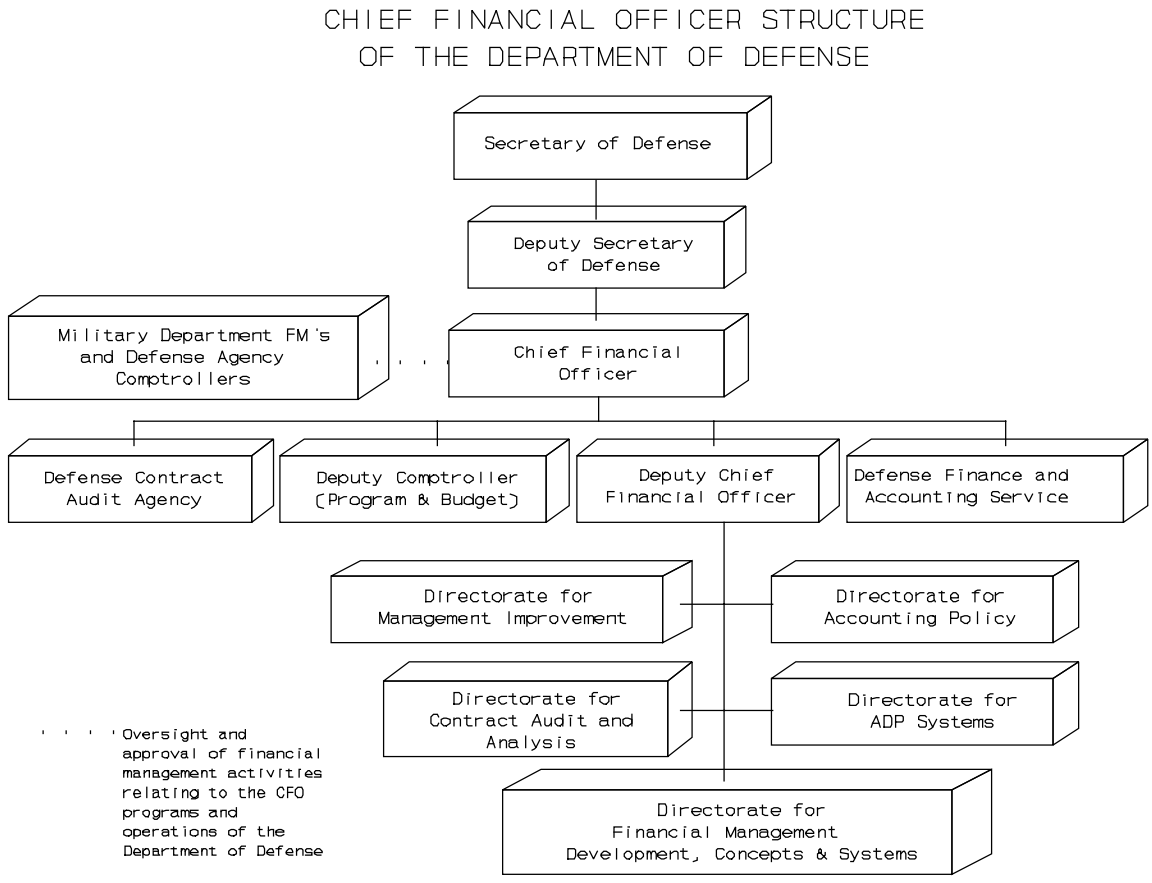


FIGURE 1-1

CHAPTER 2

CONCEPTUAL FRAMEWORK0201 INTRODUCTION

020101 System Architecture. The DoD Financial Management System consists of a triad architecture. The 3 segments of the triad are as follows:

A. Planning, Programing, Budgeting, and Execution System (PPBES). The PPBES is a cyclic process containing 3 distinct but interrelated phases: planning, programing, and budgeting. In addition to establishing the framework and process for decision making on future programs, the process permits prior decisions to be examined and analyzed from the viewpoint of the current environment (threat, political, economic, technological, and resources) and for the time period being addressed. The decisions are based on and consistent with a set of objectives, policies, priorities, and strategies derived from National Security Decision Directives. The ultimate objective of the PPBES is to provide the operational commanders-in-chief the best mix of forces, equipment, and support attainable within fiscal constraints. Throughout the PPBES, the Secretary of Defense provides centralized policy direction while placing program execution authority and responsibilities with the DoD Components. The DoD Components provide advice and information as requested by the Secretary of Defense and his staff so that execution and accountability may be assessed properly. The purpose of the PPBES is to produce a plan, a program, and finally, a budget for the Department of Defense. The budget is forwarded in summary to the President for his approval. The President's budget then is submitted to the Congress for authorization and appropriation.

B. Army, Navy, Air Force and Defense Agency Accounting Systems. An accounting system is the total structure of methods and procedures used to record, classify, and report information on the financial position and operations of a governmental unit or any of its funds and organizational components. It comprises the

various operations involved in authorizing, recording, classifying, and reporting financial data related to financing sources and gains, expenses, losses and transfers out, assets, liabilities, and equity. It encompasses the procedures and processes from the point a transaction is authorized, through processing the data, to issuance of financial and management information statements, and reports containing the data in detail or summary form. It also includes payroll, disbursement, and cost accounting functions.

C. Other Financial Systems. All other systems exclusive of PPBES and accounting systems that provide financial information expressed in dollar terms to management fall into this category.

020102 System Integration. The PPBES, accounting systems, and other financial systems shall be fully integrated. Furthermore, other financial systems shall be established only after a determination has been made that an existing accounting system or budget system cannot produce the desired data display. Dollar information used by an other financial system shall be obtained from the accounting or budget system to ensure the integrity of management reports or analysis. This Regulation addresses the accounting policies, procedures, and reporting requirements for the 4 DoD accounting systems identified in paragraph 020101.B, above.

0202 CONCEPTS020201 Accounting System.

A. Statements of DoD accounting principles, objectives, standards, and procedures may be categorized as follows:

1. Principles - The body of doctrine commonly associated with the theory and procedures of accounting, serving as an explanation of current practices and as a guide

for the selection of conventions or procedures where alternatives exist.

2. Objectives - Goals toward which accounting efforts are directed. The goals are derived directly from legal and regulatory requirements and the needs of intended users.

3. Standards - The specific rules governing accounting and financial reporting that are developed from the objectives.

4. Procedures - The methods followed to facilitate consistent application of the standards.

B. DoD accounting systems shall comply with the accounting principles, standards, and related requirements promulgated within this Regulation. Specific accounting system developmental criteria and guidelines are contained in chapter 3 of this Volume. Any major investment in an accounting system shall be preceded by a comprehensive and rational planning process that includes a thorough requirements analysis, an assessment of alternatives, and a cost-benefit analysis. The amount of funds required for systems development should be determined during the system planning and pre-investment budget review analysis. Generally, funds will be made available only for systems that are integrated into the overall financial management structure.

C. The accounting principles upon which this Regulation is based are stated in the addendum to this chapter.

020202 Accounting System Objectives.

A. The primary objective of DoD accounting systems is to provide needed actual accounting data for use in:

1. Budget formulation.
2. Fund control for enacted budgets.
3. Accounting support for budget execution.

4. Supporting management with the financial information needed to help manage the cost of the U.S. Government.

5. Meeting legal accounting and reporting requirements of the Congress, Office of Management and Budget, and the Department of the Treasury.

B. DoD accounting systems shall maintain financial control over all resources during their life cycle and render accurate and timely accounting reports. This objective is met by following the principles, standards, and other requirements discussed in the remaining chapters of this Regulation.

C. Source data needed in an accounting system shall be entered only once and transferred to appropriate accounts or other segments of the system or its subsystems. Once data are entered into a system in a controlled environment, it is desirable that paper source documents not be transferred into other systems. If data is needed by both an accounting system and another administrative system, a determination shall be made as to which system shall retain the basic source document. If the accounting system does not retain the basic source document, an audit trail shall be established and maintained to allow for verification of the authenticity of the document by the accountant responsible for operating the accounting system.

020203 Accounting Entity.

A. The Defense Finance and Accounting Service is the accounting entity for the Department of Defense. The Defense Finance and Accounting Service shall maintain a central general ledger to account for the resources assigned to each DoD Component, to determine the costs of their operations, and to report on their financial position and cost of operations. The Defense Finance and Accounting Service shall perform accounting to the lowest level of management control within the DoD Components.

B. The DoD Components have been assigned agency index numbers by the U.S. Treasury to identify, separate, and report on

authorized congressional appropriations and to meet DoD reporting requirements. The index numbers assigned are as follows:

<u>Department/Agency</u>	<u>Index Number</u>
Department of the Army	21
Department of the Navy	17
Department of the Air Force	57
Office of the Secretary of Defense	97

C. This Regulation establishes uniform, self-balancing budget execution control accounts (the 4000 series of accounts). The Defense Finance and Accounting Service shall establish mandatory subsidiary budgetary accounts for all of the appropriations or funds, including "M" accounts. The sequential processing of source documents to the budgetary accounts is critical because accountants must be able to identify possible violations of the Antideficiency Act as individual transactions are recorded. It must be remembered that a violation of the Antideficiency Act occurs on a real-time basis, not just at month-end. Monthly reports on budget execution may not reveal violations that have occurred during the month. For example, if a contract is signed and released 1 day prior to receipt of necessary budget authority, a violation has occurred. The month-end report may mask the fact that a violation has occurred, but the accounting system shall provide an audit trail to identify the responsible person or persons.

D. This Regulation also establishes uniform proprietary control accounts. These accounts provide continuous accounting control over financial resources provided to the Department of Defense from the time an appropriation is received until the applicable resource is consumed (expensed), sold, or transferred to a non-DoD organization. The Defense Finance and Accounting Service shall maintain mandatory subsidiary proprietary accounts for each fund type that requires preparation of a TFS Form 220, "Report on Financial Position." Applicable fund types are set forth in chapter 5 of Volume 6 of this Regulation. The annual expense (cost) of operating the Department of Defense is contained within the 6000 series of proprietary accounts.

E. Standards for costing specific products, services, or programs are set forth in Volume 4 of this Regulation. Products, services or programs are to be costed only when management has identified a need for such information. The proprietary control account 1541, "Inventory - Work in Process - In-House," captures all financial data entered into formal cost accounting systems and is the primary control account for such systems. Cost-finding techniques, such as analytical reviews or sampling, should be employed in lieu of maintaining a cost accounting system if satisfactory results can be achieved in a timely and more economical manner. When a formal cost accounting system is established, various additional subsidiary accounts of account 1541 shall be maintained. Cost is a monetary measure of the amount of resources applied to a cost objective. Cost applied to specific cost objectives includes depreciation, unfunded liabilities, for example, annual leave accruals, net decreases in inventories, amortization of investment premiums, and the total amount of severance pay for employees eligible for such pay. Cost data may be required by management for certain pricing decisions, make or buy decisions, productivity improvement decisions, and efficiency comparisons of like activities.

020204 General Ledger.

A. The Defense Finance and Accounting Service shall operate and maintain a central double-entry general ledger. The central general ledger and its subsidiary ledgers, registers, or supplemental reports shall serve as the source data base for financial reporting requirements levied on the Military Departments and Defense Agencies. Accounting systems and subsystems or modules shall be fully integrated with the central general ledger.

B. Chapter 7 of this Volume contains the DoD Uniform Chart of Accounts that is required for use in the accounting systems of the Department.

C. General ledger accounts with adjustments for prior period balances shall be the source of required budget execution reports and annual financial statements submitted to the Treasury Department.

020205 Accrual Accounting. The standards contained in this Regulation implement accrual accounting as prescribed by 31 U.S.C. 3512(d). That law and the General Accounting Office Policy and Procedures Manual for the Guidance of Federal Agencies require that the head of each executive agency shall cause the accounts of that agency to be maintained on an accrual basis while providing for suitable integration of the agency accounting with the central accounting and reporting responsibility of the Secretary of the Treasury. The accrual basis of accounting emphasizes the significance and accountable aspects of financial transactions and events as they occur. Accrual accounting can contribute materially to the effective financial control over resources and costs of operations, and is essential in order to develop adequate financial management information.

020206 Accuracy.

A. Each accounting system shall include adequate controls to promote the accuracy of the accounts and the data produced from the accounts. Procedures shall be established for periodic verification of general ledger balances with related balances in subsidiary records, and for periodic verification of the latter with related document files or the assigned value of related assets on hand. The term "document files" includes either hard-copy documents or document records internally maintained by computer systems. Accepted statistical sampling techniques may be used for these verifications.

B. To support certifications of obligations (see Chapter 4, Volume 6), the foregoing verifications for obligated fund balances shall be made in a manner that shall ensure all of the files and balances are reconciled and validated at least once each fiscal year (not necessarily as of September 30). The work papers and records on which the determinations are based shall be retained in a form to facilitate audit and reconciliation for such periods as may be necessary. As a minimum, the following documentation shall be required to support the periodic verifications of unliquidated obligations:

1. An overall summary of the methodology, criteria, and rationale used to

select unliquidated obligations for review, such as statistical sampling techniques, aging, and months past delivery date.

2. Mechanized or manual listings identifying the unliquidated obligations selected for review and the results of their review.

3. Annotated supply status reports and letters, memoranda, or records of telephone calls requesting delivery status from contracting or procurement activities.

4. Records identifying the unliquidated obligations deobligated as a result of the review, the amount deobligated for each document, and the rationale for deobligation.

5. Deobligation documents or references to dated deobligation documents indicating the value and identity of documents deobligated.

C. Balances in appropriate subsidiary records and document files (such as records of receivables and unpaid obligations) shall be aged periodically. Items that are unduly outstanding or inactive shall be investigated and appropriate corrective action taken when necessary.

020207 System Processing Characteristics.

A. DoD Components shall use the most effective and efficient methods of processing accounting data.

B. Data shall be edited, validated, and in some instances, computed before it is integrated into an accounting system.

C. Data needed in an accounting system shall be entered only once and be transferred to appropriate accounts and other parts of the system.

D. The double-entry method of recording an event shall be employed whereby every debit entry has a corresponding credit entry. This is often accomplished through the use of transaction codes that automatically generate both entries.

E. Electronic methods of processing, communicating, and displaying data shall be relied upon instead of using paper.

F. Subject to internal control requirements, due consideration shall be given to providing on-line processing that allows the providers and users of financial information to input, edit, process, and request their own data at their own decentralized work stations. However, individual transactions shall be batched processed if batch processing is more economical and on-line processing is unnecessary.

G. A data base management system shall be used to reduce redundancy, allow a variety of users to concurrently update and retrieve data, and permit a variety of application modules to run independently. This means that certain accounting data is likely to be input into the system by nonaccountants external to the accounting office. For example, data concerning the issuance of a contract for, and the receipt of, property may be entered by logisticians. In such cases, the accounting office shall not obtain and maintain the source documentation but rely instead on the source documentation used and maintained by the logisticians. However, the accounting office shall ensure the existence of an adequate audit trail between its accounting records and the logisticians' source documents in order to verify the accounting records.

H. The use of a more efficient programming language for prototyping and applications development shall be considered for any major new system development effort.

I. Audit trails to the original documents and transactions shall be established and maintained.

J. Cost effective mass storage media such as optical disks, magnetic tape, microfilm, or microfiche shall be used to archive data so as to facilitate the retrieval of accounting system source documents and minimize the need for machine storage and paper copies.

K. Addendum A to this chapter, provides the DoD Financial Management System Principles, and Addendum B provides the Accounting System Data Processing Requirements.

020208 Security Requirements. All Automated Information Systems (AIS) that handle Classified or Sensitive Unclassified Information shall be safeguarded at all times while in AISs as directed in DoD Directive 5200.28. When classified information is involved, the information security requirements in DoD 5200.1-R shall be met. The information that is covered under the DoD Financial Management Regulation is generally considered either Privacy Act or Sensitive, Unclassified Information. The definition of Sensitive, Unclassified Information is described in DFAS Regulation 005, Enclosure 19. The definition of Privacy Information is provided in the Privacy Act of 1974. The minimum mandatory level of protection that is required for all this type of information contained on AISs is described in DoD Directive 5200.28 and it must be protected accordingly. The level of control and protection shall be commensurate with the maximum sensitivity of the information and shall provide the most restrictive control measures required by the data to be handled.

ADDENDUM 1
DoD FINANCIAL MANAGEMENT SYSTEM PRINCIPLES

The standards contained in this Regulation were designed to meet the following principles:

A. **USEFULNESS**

Financial management data shall be gathered and processed only when necessary to meet specific internal management needs or external requirements. Reports shall be tailored to specific user needs and if report usage does not justify cost, reports shall be terminated. Usefulness shall be determined in part through consultation with users as part of the reviews required by Chapter 3 of this Volume.

B. **TIMELINESS**

Financial management data shall be recorded as soon as practicable after the occurrence of the event, and shall be made available to managers by the fifth working day following the end of the reporting period. Other standards of timeliness may be established when the DoD Component has inventoried reports and set specific standards, with user participation. Final, corrected data shall be available in time to meet external reporting requirements.

C. **RELIABILITY AND COMPLETENESS**

Financial management information shall be reasonably complete and accurate, shall be verifiable and ordinarily be drawn from the official records and systems, and shall be no more detailed than necessary to meet the needs of management and external requirements.

D. **COMPARABILITY AND CONSISTENCY**

Financial management data shall be recorded and reported in the same manner throughout the DoD Component, using uniform definitions. Accounting shall be synchronized with budgeting. Consistency over time shall be maintained. New and revised systems shall adopt common, existing definitions and classifications.

E. **EFFICIENCY AND ECONOMY**

DoD Component financial management systems shall be designed and operated with reasonable total costs and transaction costs, in accordance with OMB guidelines. Financial systems that are excessively costly shall be identified and phased out. This shall be accomplished through installation of effective systems of planning and evaluation, sharing of data, elimination of overlap and duplication, and use of the best contemporary technology, including commercially available packages with proven success in other DoD Components, non-DoD Federal agencies, or the private sector.

F. **COST BENEFIT**

Unless required to meet a legal or other specified purpose, information shall not be provided if the costs of providing it exceed the benefits to be derived.

G. FLEXIBILITY AND ADAPTABILITY

Accounting systems shall be capable of being adapted quickly to changing needs. Accounts shall be established and maintained at a level that enable data to be aggregated readily. Accounts also shall permit summarization by responsibility center, object of expenditure, and by program, as well as permit ready reclassification to reflect organizational and other changes. The coding structure shall be broad enough to handle expanded or revised classifications. Software shall be capable of being changed to accommodate organizational, system, and user changes without requiring extensive rewrites.

H. MATERIALITY

Information shall be reported in the financial statements when it is significant enough in magnitude or nature to make a difference to a reasonable person relying on it.

I. RELEVANCY

Accounting information shall have the capacity to make a difference by helping users form predictions about the outcomes of past, present, and future events or to confirm or correct prior expectations.

ADDENDUM 2
ACCOUNTING SYSTEM DATA PROCESSING REQUIREMENTS

The following software requirements are additive to the functional accounting principles and standards established in this Regulation and shall be followed to the extent they are consistent with the DoD Financial Management System Principles established in Addendum 1 to this Chapter.

A. REPORTING

The computer system software must have the following minimum reporting capabilities:

1. Produce information at specific time intervals or upon request, including reports that span fiscal year for multiyear projects.
2. Produce information in various media, including:
 - a. Record formats or files available for computer-to-computer transfer.
 - b. Output available for subsequent processing or production of microfiche.
 - c. Computer generated standard forms or predefined hard copy formats.
 - d. Ad hoc formats designed by management.
 - e. Terminal screen display for visual inspection and/or hard copy printout.
3. Accommodate additions, deletions, or changes to report content or format without mayor interruption to normal processing, including the ability to reclassify and reformat historical data for reporting purposes only.
4. Include a report writer with capability to:
 - a. Allow user-defined reports without intervention of a programmer.
 - b. Support multiple sort key sequences.
 - c. Produce output files as well as hard copy reports.
 - d. Save report requests in files for future use, unless changed or deleted.
 - e. Produce hierarchical levels of summarization data.
 - f. Permit modeling to include budget forecasting and costing.
 - g. Permit table look-up and expansion codes.
 - h. Permit logic for selection criteria in order to support flexible record selection.

B. GENERAL LEDGER

The general ledger accounts are the primary internal control feature in an accounting system. Computer programs must provide for the perpetuation of closing balances at the end of a period as the next period's opening balances; i.e., asset, liability, and capital balances must be perpetuated, not reconstructed at the beginning of each fiscal year. The minimum general ledger requirements that the computer system software must support are:

1. Provide for the automatic generation of recurring month-end and year-end closing entries and automated rollover of the general ledger account balances.
2. Provide the capability to post to two months concurrently. At year-end, provide for the capability to post to the current year by month, as well as to the prior year, regardless of when year-end closing occurs.
3. Provide for preliminary year-end closings before final year-end closing, while maintaining the capability to post current period data.
4. Identify those transactions which would be eliminated for both intra-agency and interagency consolidations.
5. Provide for automatic generation of recurring accrual entries and reversals in the next fiscal period.

C. BUDGET EXECUTION/FUNDS CONTROL

The minimum budget execution/funds control requirements that the computer system software must support are:

1. Maintain the original funding amounts separate from the reprogramming amounts, yet combine the two at the appropriate levels for funds control checking.
2. Change, retroactively, the accounting classification code structure and the funding limitations to reflect the approved appropriation after a continuing resolution.
3. Provide an interface for entry of commitment or obligating documents from existing agency systems.
4. Provide the capability to enter commitment or obligating documents into the funds control system on-line and from multiple locations.
5. Partially liquidate commitments in the case of partially obligated requisitions.
6. Provide control features which ensure that amounts reflected in the funds control structure agree with the general ledger account balances at the end of each update cycle.

D. ACCOUNTS PAYABLE

The minimum accounts payable requirements that the computer system software must support, either internally or through interface with other systems, are:

1. Commitments

- a. Capture the desired delivery date.
- b. Allow for commitment documents to be future-dated, archived, and posted at the appropriate level.

2. Obligations

- a. Maintain an audit trail to original obligation document. This documentation must contain the following items, as applicable:

- (1) Link item.
 - (a) Stock number.
 - (b) Description.
 - (c) Quantity.
 - (d) Unit price.
 - (e) Total price.
 - (f) Estimated freight charges.
- (2) Expiration date.
- (3) Expected receipt date.
- (4) Vendor identification.

- b. Verify extensions and computations.
- c. Maintain an on-line history file of closed out documents for a user-defined period of time.
- d. Record distribution of individual obligation line items to multiple classification structures.
- e. Retain for audit trail purposes the original machine readable records along with all amendments.
- f. Record and maintain contracts and grants so that fiscal year-to-date and inception-to-date information can be presented.
- g. Generate status and procurement history for documents such as multi-task contracts, grants, and blanket purchase agreements.

3. Receiving, Inspection, and Acceptance Process

- a. Define tolerances used for quantity variances between receiving reports and the obligating documents. The system should identify goods or services rejected if this tolerance is exceeded and provide for overrides by authorized personnel.

b. Track quantity variances between the receiving report and the obligation document. Provide inquiry and reporting of this information.

c. Communicate through the system those instances where a receiving report or acceptance is missing for an invoice, or where goods or services have been received and accepted, but an invoice has not been entered.

d. Process purchase returns, including rejection of part of a shipment. The appropriate resulting transaction should be generated.

4. Matching Process

a. Provide for the tracking and warehousing of vendor invoice from receipt of the invoice through disbursement, including those invoices returned to the vendor.

b. Provide a matching capability by document including matching criteria for noncommodity orders such as subscriptions, memberships, and training.

c. Allow orders to be reopened by authorized staff after final payment has been made.

5. Other Disbursements

a. Allow transactions to be entered directly for those events that will result in payment but are not part of the normal commitment, obligation, and matching process. (For example, travel advances.) Such transactions shall not be made without adequate internal controls, such as specific prior approval or preexisting conditions (approved travel orders, for example).

b. Establish the information so that the transactions can be included in the scheduling for disbursements.

6. Other Systems

a. Accept transactions from external systems in standard format for entry into the financial system.

b. Update the financial system based on the same accounting rules used for transactions entered directly in the financial system.

7. Schedule for Disbursements

a. Generate the appropriate transactions to reflect discounts or withholdings and adding interest or penalties when appropriate.

b. Provide for automated approval of payment schedules.

c. Include for each payment all relevant identification information, such as:

(1) Order number.

(2) Invoice number.

- (3) Disallowance (reason for and amount of).
 - (4) Interest penalty amount.
- d. Automatically calculate totals by appropriation symbol for inclusion on the payment schedule.
- e. Allow the system, through user-defined criteria, to establish the date to be used for warehousing payments or have the system default to the system date.
- f. Allow changes to payment schedules by authorized personnel.
- g. Consolidate multiple payments to a single vendor, up to the prescribed limitation, in order for the disbursing agent to produce one check and itemize all payments covered by the one check.
- h. Collect information on discounts taken and lost and on interest penalties.
- i. Exclude certain transactions from the payment process (e.g., payrolls, letters of credit).
- j. Allow a payment to be removed from the automated scheduling stream and to be manually scheduled. The system must then perform all the other necessary functions related to that payment, such as updating the payment history, the general ledger function, and funds control function.
- k. Provide techniques to handle voided checks by reversing the accounting transactions leading to the disbursement and reestablishing the obligation, if applicable.
- l. Provide information about each payment to reflect the stage of the scheduling process that the payment has reached and the data each step was reached:
 - (1) Payment warehoused.
 - (2) Schedule sent to disbursing agent.
 - (3) Payment issued by disbursing agent.
- m. Provide for the automated comparison of the agency's payment schedule and the disbursing agent's accomplished payment schedule.

8. Vendor File

- a. Maintain a vendor file that includes data to support the accounts payable process.
- b. Maintain data related to employee payments which have been made through the financial system.
- c. Provide the capability to support payments made to financial institutions acting as agent for the vendor. Provide the capability to report IRS 1099 data to the vendor instead of to the financial institution.
- d. Accommodate more than one vendor address.
- e. Allow new vendors to be added to the vendor file if there is proper authorization.

- f. Permit users to define criteria for deleting vendors from the vendor file.
- g. Reject ancillary system transactions which do not have a valid vendor identified, except when overrides are properly authorized.

9. Inquiry

- a. Provide on-line access to vendor activity by vendor name, vendor short name, and vendor number.
- b. Provide on-line access to all document by selection criteria, e.g., document number.

10. Reporting

- a. Generate aged requisitions.
- b. Generate aged receiving reports without acceptance.
- c. Generate aged outstanding obligating documents by entry date and expected receipt date.
- d. Generate aged, unmatched vendor invoice report.
- e. Produce detailed listing by level of funds control for the commitment documents, obligation documents, and expenditure of funds.
- f. Generate vendor listing by vendor name and number.
- g. Generate a cash requirement projection report indicating the dollar amount of disbursements due to be made on a particular day.
- h. Generate a report listing the payments to be scheduled on a particular day.
- i. Produce audit trail reports to support data transferred from external systems to the financial system, including an error listing.

11. Other Capabilities

- a. Identify and store information related to reimbursements made to employees or others when the payment is considered miscellaneous income which is subject to federal tax and which must be reported to the IRS.
- b. Provide for reestablishing obligations for checks that have not been negotiated but that have been returned.
- c. Provide the ability to select items for audit, based on used-defined criteria, by type of transaction.

- d. Report, in accordance with OMB Circular A-125, "Prompt Payments," the:
 - (1) Number of interest penalties paid.
 - (2) Amount of interest penalties paid.
 - (3) Relative frequency, on a percentage basis, of interest penalty payment to the total number of payments.
 - (4) Number, total amount, and relative frequency, on a percentage basis, of payments made 5 days or more before the due date, except where cash discounts were taken.

E. ACCOUNTS RECEIVABLE

The minimum accounts receivable requirements that the computer system software must support, either internally or through interface with other systems, are:

- 1. Account File
 - a. Maintain detailed information by account, such as, individual, employee, private sector organization, state or local government, or other federal agency.
 - b. Maintain data for each account, such as, identification and address, balances, billing cycles, and account history data.
 - c. Update each account when billing documents are generated and collections are received.
 - d. Provide the ability to add, change, or modify nonfinancial account data by authorized personnel, according to used-defined criteria.
 - e. Maintain individual accounts receivable and access existing agency files required to support accounts receivable processing.
- 2. Processing
 - a. Process data from various sources, such as, manually prepared billings or other billing and disbursing systems.
 - b. Accept transactions from external agency systems in a standard format for entry into the financial system.
 - c. Provide the ability to produce billings for receivables from other government agencies.
 - d. Match receipt to account number and apply to appropriate billing document.
 - e. Provide the ability to apply receipts to more than one outstanding bill.
 - f. Update accounts receivable balances on a document-by-document basis.
 - g. Provide for automatic reversal for nonsufficient funds checks.

h. Provide for the automated reporting of delinquent accounts to commercial credit bureaus and collection agencies or other appropriate governmental organization.

i. Provide for administrative offset of funds due to delinquent indebtedness.

j. Provide for the generation of repayment schedules for delinquent indebtedness.

3. Bill Generation

a. Accept billing data from other internal systems. Ensure that the financial system does not produce bills for these transactions.

b. Allow transactions related to manually prepared bills to be entered directly.

c. Record adjustments to bills and post to customer accounts.

d. Print statements as well as bills.

4. Reporting

a. Provide on-line inquiry capability into the accounts receivable account file by selection criteria.

b. Produce audit trail reports to support data transferred from external systems to the financial system, including error listings.

F. COST ACCUMULATION

If management determines the need for a formal cost accounting system, the minimum cost accumulation functions that the computer system software must have are:

1. Include the ability to input cost-based budgets directly into the financial system.

2. Provide cost information through (reports), on-line inquiries, and downloaded data.

CHAPTER 3

ACCOUNTING SYSTEMS CONFORMANCE, EVALUATION, AND REPORTING

0301 PURPOSE. This chapter prescribes the procedures for determining whether DoD accounting systems are designed, documented, and operated in accordance with the provisions of this Regulation. It also establishes the procedures to be followed in evaluating operating accounting systems, reporting the status of actions to upgrade accounting systems to meet prescribed accounting principles, standards, and related requirements, and for preparing the annual report on accounting systems required by Section 4 of the Federal Managers' Financial Integrity Act (FMFIA), 31 U.S. Code 3512.

030101 Overview. The FMFIA places the responsibility for developing and maintaining adequate accounting systems on Federal agency managers. The Act requires that agency heads annually report to the President and the Congress whether agency accounting systems comply with the Comptroller General's standards, and holds managers responsible for correcting identified deficiencies. This statutory requirement for an annual report, as per OMB guidelines, is to be based on reviews conducted annually by system managers and users and on detailed evaluations conducted on a cyclical basis. This statutory requirement is implemented in DoD by this chapter. To satisfy this statutory requirement, DoD established the Accounting Systems Review and Evaluation Program. This program consists of the System Manager/User Review (SM/UR) process which supports and provides guidance to DoD managers in conducting annual reviews and the Consolidated Systems Evaluation (CSE) process which is the detailed, cyclical, independent evaluation as required by the Act. The results of these reviews and evaluations are used to prepare Section 4 of the annual FMFIA report and for reporting accounting system status in the DoD Five Year Financial Management Plan.

0302 POLICY

030201 Financial Management and Accounting System Structure. DoD is responsible for developing and maintaining an integrated financial management system structure. The financial management structure is the total of DoD's systems, both manual and automated, for planning, budget formulation and execution, and accounting. The accounting system structure is comprised of Primary (Core) accounting systems which provide full general ledger control over financial transactions and resource balances, and administrative accounting systems (i.e., subsidiary and accounting support systems) which provide data to the Primary accounting systems. Subsidiary accounting systems produce functional transactional data needed for the general ledger such as budget execution, payroll, travel, procurement, and real property. Accounting support systems must have full general ledger control and provide financial information on operations to the Primary accounting systems such as the Defense Business Operations and Foreign Military Sales. The accounting system structure falls within the scope of Section 4 of the FMFIA.

This accounting system structure shall:

A. Be in reasonable compliance with the Comptroller General, OMB, Department of Treasury and DoD accounting principles, standards and policies.

B. Provide maximum accounting and general ledger control through the use of the DoD Standard General Ledger.

C. Maximize the use of standardization in data administration, data processing and data elements and minimize the number of individual accounting and financial applications.

D. Maximize the most effective and economical use of data processing and telecommunications technology and accounting methodology and techniques.

E. Maximize the use of information systems architectures.

F. Produce auditable financial statements.

The accounting system structure is supplemented by feeder systems. Feeder systems provide purely nonfinancial information, or they are the initial record of financial data for processing by accounting systems. Feeder systems are recordation only and do not generate or compile financial information, and are not within the scope of Section 4 of the FMFIA. Examples of feeder systems are: logistics and inventory systems that provide acquisition cost, location, and quantity information; personnel systems providing grade and entitlements information; and timekeeping systems providing attendance and leave information. Feeder systems fall under the scope of Section 2 of the FMFIA.

0303 RESPONSIBILITIES

030301 The Comptroller of the Department of Defense (C, DoD):

A. Serve as the DoD senior official under OMB Circular No. A-127 for policy guidance, direction, and coordination with DoD Components and other Federal agencies on accounting system requirements.

B. Prescribe the principles, standards, and related requirements applicable to DoD accounting systems.

C. Approve, for signature by the Secretary of Defense, an annual consolidated accounting report and an inventory of operating accounting systems in accordance with Section 4 of the FMFIA.

D. Approve proposed development of or substantial revisions to accounting systems for adherence to the requirements of this chapter prior to providing DoD approval to proceed and to expend funds.

E. Approve and issue annually a Chief Financial Officers Five Year Financial Manage-

ment Plan for an integrated financial management system structure.

030302 The Defense Finance and Accounting Service shall:

A. Prescribe the procedures for conducting the annual evaluation of accounting systems required by Section 4 of the FMFIA, and prepare an accounting report for signature by Secretary of Defense.

B. Develop and maintain a Chief Financial Officers Five Year Financial Management Plan for an integrated financial management system structure which:

1. Describes the existing financial management structure and any changes needed to establish an integrated accounting system;

2. Is consistent with applicable accounting principles, standards, and requirements;

3. Provides a strategy for developing and integrating accounting and financial information to ensure adequacy, consistency, and timeliness of financial information;

4. Identifies and makes proposals to eliminate duplicative and unnecessary accounting systems, including sharing systems;

5. Identifies projects to bring existing accounting systems into compliance with the applicable standards and requirements;

6. Contains milestones for equipment acquisition and other actions necessary to implement the Five Year Financial Management Plan;

7. Identifies personnel needs and actions to ensure those needs are met;

8. Includes a plan for ensuring the annual audit of financial statements pursuant to the Chief Financial Officers Act; and

9. Estimates the cost of implementing the Five Year Financial Management Plan.

C. Develop and maintain an accounting systems planning process which monitors, coordinates and reports the compliance of the accounting systems with the requirements of the FMFIA and the status of developmental, enhancement and improvement initiatives and projects to improve accounting systems.

D. Develop and maintain a comprehensive accounting system inventory for accounting systems in operation and under development.

E. Assess the state of compliance of accounting systems with the Comptroller General, OMB, Department of the Treasury, and DoD accounting principles, standards and policies and report annually the results to the Secretary of Defense.

F. Develop, maintain, and issue the Key Accounting Requirements (KARs). KARs are a composite of GAO, OMB, and DoD regulations and are requirements with which all DoD accounting systems must comply.

G. Maintain and issue SM/UR guidance for annual compliance reviews of the Primary and Administrative accounting systems conducted by managers of the accounting systems.

H. Perform CSEs on developmental and operational Primary and Administrative accounting systems in the DoD Accounting System inventory on a cyclical basis.

I. Ensure that the accounting systems provide complete, reliable, consistent, and timely information which is prepared on a uniform basis and is responsive to the financial information needs of management.

030303 The Managers of Accounting Systems shall:

A. Ensure that accounting systems are developed, maintained, reviewed, improved and reported on per the requirements of this chapter.

B. Conduct annual reviews of assigned accounting systems per the DoD SM/UR guide.

C. Monitor the progress of development, enhancement or improvement initiatives to accounting systems under their control.

030304 The Users of DoD Accounting Systems shall: Work with the system managers in conducting the annual reviews of these systems and in producing the documented management assessment of system compliance.

030305 The Inspector General, Department of Defense shall:

A. Provide technical assistance and advice on DoD efforts to review and improve accounting systems.

B. Perform accounting system audits to determine whether accounting system reviews and evaluations were conducted in accordance with prescribed guidelines and advise the DFAS. Performing such IG audits should not be interpreted as preventing the IG from providing technical assistance and advice.

C. Advise the Secretary of Defense annually as to the effectiveness of DoD compliance with this Regulation and the requirements of the FMFIA.

0304 LEGAL REQUIREMENTS

030401 Budgeting and Accounting Act. The Budget and Accounting Procedures Act of 1950 requires that the head of each executive agency establish and maintain systems of accounting and internal controls that provide:

A. Disclosure of the agency's financial results;

B. Integration of the agency accounting with the central accounting and reporting requirements of the Department of the Treasury;

C. Financial management information;

D. Control and accountability for agency assets; and

E. Accounting results that will be the basis for:

1. Preparing and supporting the agency budget;

2. Controlling the execution of the agency budget; and

3. Providing financial information the President requires under the budget and appropriations authority.

030402 Federal Managers Financial Integrity Act. The Federal Managers' Financial Integrity (FMFIA) Act, P.L. 97-255, was passed by Congress in September 1982 to enhance the Budget and Accounting Procedures Act, and provide management accountability by requiring ongoing evaluations and reports. For the first time, agency heads were required under this Act to report annually to the President and the Congress as to whether accounting systems (Section 4 of the Act) conform to the principles, standards, and related requirements prescribed by the Comptroller General.

030403 Chief Financial Officer's Act. The Chief Financial Officer's Act, as implemented by OMB, requires that the annual audit of an agency's financial statements contains a report on the Agency's implementation of the Federal Manager's Financial Integrity Act. Auditors are required to review and report on management's process for evaluating and reporting on accounting systems and internal controls, and compare the most recent Federal Manager's Financial Integrity Act reports with the results of their audit.

0305 REGULATORY REQUIREMENTS

030501 OMB Circular No. A-34. Provides instructions on budget execution, financial plans, apportionments, reappportionments, deferrals, proposed and enacted rescissions, systems for administrative control of funds, allotments,

operating budgets, reports on budget execution, and reports on violations of the Antideficiency Act.

030502 OMB Circular No. A-127. Prescribes policies and procedures to be followed in developing, operating, evaluating, and reporting on financial management systems.

030503 The Treasury Fiscal Manual. Provides instructions for the guidance of departments and agencies of the Federal Government in the areas of central accounting and reporting, payrolls, deductions and withholdings, disbursing, deposit regulations and other fiscal matters. DoD accounting systems must be capable of producing the reports required by the applicable sections of the Treasury Fiscal Manual. This includes the general purpose financial statements prescribed in I TFM 2-4100, the Report on Obligations (SF 225) prescribed in I TFM 2-4400, and the Year-End Closing Statement (TFS Form 2108) prescribed in I TFM 2-4200.

0306 GUIDELINES

030601 Review and Evaluation of Accounting Systems. Section 4 of the FMFIA as implemented by OMB Circular A-127 requires an annual self-appraisal of operating accounting systems by systems managers and users, and an independent detailed evaluation performed on a cyclical basis. These self-appraisals and independent detailed evaluations form the basis for determining the compliancy of accounting systems. The DoD FMFIA Section 4 program's two processes to satisfy these requirements are the SM/UR program and the CSE program.

A. SM/URs are self-evaluations performed annually by the owners and operators of the accounting systems using the DoD SM/UR guide. The guide consolidates all accounting policies and requirements reported in Section 4 of the FMFIA, and provides direction for completing the annual review and determining accounting systems compliancy. The guide is prepared, issued, and the results evaluated and consolidated by DFAS.

B. CSEs are independent detailed reviews performed by DFAS Headquarter's

evaluation teams on a cyclical bases using the DoD Accounting Systems Review and Evaluation Policies and Procedures Handbook. Reviews and evaluations determine whether accounting systems operate in compliance with prescribed accounting principles, standards, and related requirements.

030602 Methodology for Determining Compliance of Accounting Systems

A. Key Accounting Requirement (KAR). Accounting requirements made up of a composite of all GAO, OMB, Treasury, DoD requirements, with which an accounting system must reasonably comply. Addendum A provides a list of the current 13 KARs. KARs are used both by System Managers annually and by DFAS Headquarters cyclically to review the accounting systems. This process identifies system departures and determines whether the departures are of such materiality to prevent the system from being in reasonable compliance with accounting principles, standards, and related requirements. All departures from a KAR which are determined to be material are material deficiencies and require corrective action with a reasonable implementation date.

B. Material Deficiency. DoD uses the concept of materiality to determine the compliance of its accounting systems and to identify, where appropriate, needed corrective actions. A departure from a KAR is considered a material deficiency if it could result in:

1. Loss of control of over 5% or more of the measurable resources for which the accounting system is responsible. Examples include: (1) if more than 5% of the disbursements were undistributed, KAR 7; (2) if more than 5% of Class 3 and 4 plant property could not be located using the official accounting records, KAR 2; or (3) if more that 5% of materials and supplies were not in the custody of the accountable supply officer, KAR 2.

2. Impairment of the DoD mission. Examples include: (1) maintaining memorandum records because official records cannot be relied upon, KAR 12; (2) excessive overrides and work arounds to make the system work,

KAR 11; or (3) inefficient and unnecessary procedures that result in the reduction of operating forces readiness or effectiveness, KAR 12.

3. Fraud or other criminal activities go undetected. Examples include: (1) allowing controls to be bypassed without the knowledge of an authorizing official, KAR 7; (2) inadequate supervision, KAR 11; (3) lack of separation of duties, KAR 7; or (4) inadequate audit trails to trace transactions, KAR 8.

4. An event that would result in significant adverse publicity or embarrassment to the Department and diminish the credibility or reputation of DoD. Examples include: (1) procurements without valid requirements, KAR 2; (2) excessive or unauthorized charges, KAR 7; or (3) erroneous or duplicate payments, KAR 9.

5. Violations of statutory requirements, KAR 7. Examples include: (1) use of funds for purposes other than appropriated (31 U.S.C. 1301); (2) obligations or expenditures in excess of funds available (31 U.S.C. 1517); (3) obligations not supported by documentary evidence (31 U.S.C. 1501); (4) expenditure of funds beyond the period authorized by law (31 U.S.C. 1502).

C. System Manager/User Review

1. A SM/UR is a structured and objective method for system managers to review their accounting systems for compliance. The DoD SM/UR Guide provides direction to the system managers of DoD accounting systems for conducting annual reviews of these systems for compliance to accounting statutory and regulatory requirements. It represents management's self-evaluation of its accounting systems. As such, it is based on all available knowledge of the system from the day to day operations plus the results of prior reviews and evaluations. The Guide provides the accounting criteria or requirements with which all DoD accounting systems must comply; it provides review techniques and guidance to assist system managers in determining if their systems are in compliance with the KARs, and it provides them the opportunity to identify needed corrective actions. The Guide incorporates the accounting principle of

materiality; therefore, only material deficiencies, departures from KARs which are determined to be material, are used by the system managers in assessing the compliance of their systems.

2. System managers are responsible for conducting these reviews in accordance with the DoD SM/UR Guide and by the schedule provided by DFAS Headquarters. Each accounting system is to be reviewed annually unless it is scheduled to be replaced or has undergone a detailed CSE in the current fiscal year.

3. System managers, based upon the results of the SM/UR, are to certify the compliance or noncompliance of accounting system(s) and forward the SM/URs to DFAS for review, analysis, and coordination.

D. Consolidated Systems Evaluation

1. A CSE is an independent, comprehensive, systematic, and objective evaluation conducted by DFAS Headquarter's evaluation teams. It is used to provide reasonable assurance that accounting systems comply with statutory and regulatory requirements. It is a detailed evaluation to determine whether the accounting system's design, procedures, and control techniques satisfy accounting principles and standards. A CSE determines whether the accounting system captures, records, processes, and reports financial transactions in conformance with these same standards. This evaluation covers the full life cycle of the transaction from initiation of the accounting transaction, through system processing, and ultimate posting to the accounts for inclusion in output reports. This life cycle/transaction flow approach will often involve both manual and automated procedures and controls.

2. CSEs are performed on both operational and developmental accounting systems. An operational accounting system is to be covered by a CSE every three years unless it is scheduled for replacement in the near term. Developmental accounting systems are selected for CSEs based on their importance as a corrective action to the compliance determination of the applicable accounting system. CSEs of

operational accounting systems identify departures and material deficiencies with the KARs and provide a compliancy determination. CSEs of developmental accounting systems identify departures and provide recommendations to ensure that the accounting system will be compliant when implemented.

0307 ANNUAL REPORT ON OPERATING ACCOUNTING SYSTEMS

030701 General. DFAS will annually validate the inventory and status of DoD operating accounting systems as of September 30. The status will be based on SM/URs, CSEs, audits, and Inspections. DFAS will submit to the Secretary of Defense, after approval by the C,DoD, by November 15 of each year the Annual Statement of Assurance required by Section 4 of the FMFIA, and as illustrated at figure 3-1. Documentation supporting the compliancy call and the SM/UR will be the support for the Annual Statement of Assurance for Section 4. The SM/UR and supporting documentation should be maintained for audit purposes by the office responsible for performing the review. Under OMB guidelines for the Chief Financial Officers Act, auditors are required to review and report on the agency's FMFIA program when performing financial statement audits.

030702 Inventory Reporting.

A. Accounting systems shall be consolidated and reported at the highest level consistent with adequate system interfaces. Consolidated systems contain interfaces and have a virtual uninterrupted data flow. Adequately interfaced systems contain edit checks and internal controls on the initial transaction that ensure the proper processing throughout the entire accounting cycle. Any system that performs an accounting function and that does not adequately interface with another accounting system will be reported separately. Systems that do not adequately interface may require reentry of source data or partially processed data, significant controls and edit checks on the data exchanged, reprocessing of data, or data conversion because of incompatibility.

B. An entity that uses an unmodified accounting system of another activity designated as the System Manager, or submits its accounting source documents to another DoD organization for processing and receives outputs from the processing organization's system, does not have an operating accounting system subject to reporting.

030703 Enclosure to the Annual Accounting Systems Report. The report shall be accompanied by an inventory listing of each Primary and Administrative accounting system. DFAS will conduct an annual validation of the inventory of accounting systems by March 31 of each year through canvassing of the System Managers. The prior year annual inventory listing shall be the beginning point for preparing the current year's inventory. New systems will be added

and Primary and Administrative accounting systems no longer in operation will be eliminated. All changes shall be explained by footnotes to the listing. See figure 3-2 for an illustration of this inventory listing.

030704 Categorization of the Inventory. The status of accounting systems in the inventory will be reported in the following classifications:

A. Primary or Administrative accounting systems substantially in compliance with prescribed accounting principles, standards, and related requirements.

B. Primary or Administrative accounting systems not in compliance with prescribed accounting principles, standards, and related requirements.

**ANNUAL REPORT ON OPERATING ACCOUNTING
SYSTEMS FOR FISCAL YEAR 19XX**

Pursuant to Section 4 of the Federal Managers' Financial Integrity Act of 1982, we have reviewed the Primary and Administrative accounting systems, as defined by the General Accounting Office (GAO), during the fiscal year ending September 30, 19xx. The review of each system was performed by operating personnel and encompassed the accounting principles, standards and related requirements prescribed by the this Regulation. Various methods were used in performing the reviews. They included the use of system questionnaires, transaction testing of sensitive areas in (number) systems, and review of operations. An inventory of operating accounting systems is included as an appendix.

DoD/DFAS has (number) Primary and Administrative accounting systems that meet the GAO definition of accounting systems requiring approval or conditional approval. The results of the evaluations described in the first paragraph, the approval of accounting system design documentation already provided by the GAO for certain accounting systems, assurances given by system managers, and other information, show that (number) systems are substantially in compliance with DoD Financial Management Regulation requirements.

The remaining (number) accounting system, while containing many good internal and fund control features, do not meet all necessary requirements and cannot be certified as in substantial compliance. (Describe any material deficiencies in the remaining noncompliant systems).

FIGURE 3-1

DEFENSE FINANCE AND ACCOUNTING SERVICE
(NAME OF CENTER)
ANNUAL INVENTORY OF OPERATING
ACCOUNTING SYSTEMS
FISCAL YEAR 19XX

A. OPERATING ACCOUNTING SYSTEMS SUBSTANTIALLY IN COMPLIANCE WITH GAO ACCOUNTING PRINCIPLES, STANDARDS, AND RELATED REQUIREMENTS

System Name

ABC Accounting System
DEF Payroll System

B. OPERATING ACCOUNTING SYSTEMS NOT IN COMPLIANCE WITH GAO ACCOUNTING PRINCIPLES, STANDARDS, AND RELATED REQUIREMENTS

System Name

Planned Date to be
Brought into Compliance

XYZ Installation System

Feb. 19XX

(Note: As a footnote, identify the name of the replacement accounting system if this is the action necessary to upgrade the accounting system.)

FIGURE 3-2

ADDENDUM
KEY ACCOUNTING REQUIREMENTS

KEY ACCOUNTING REQUIREMENT NUMBER 1**GENERAL LEDGER CONTROL AND FINANCIAL REPORTING****Description of Key Accounting Requirement**

The system must have general ledger control and maintain an appropriate account structure approved by DoD. The general ledger account structure must follow the general ledger accounts for assets, liabilities, equity, expenses, losses, gains, transfers in and out, and financing sources. A double entry set of accounts must be maintained within the system to reflect budget authority, undelivered orders, obligations, expenditures and other necessary accounts. The system must list both control and subsidiary general ledger accounts by title and numbers with definition of each account. Subsidiary accounts shall be reconciled to the control accounts at least monthly.

Full financial disclosure, accountability, adequate financial information, and reports must be provided for management purposes, and for necessary external reporting to OMB and Treasury. General ledger control and financial reports apply to all DoD systems except pay delivery systems, including stock, industrial, and trust funds.

This key accounting requirement addresses the mandatory fiduciary general ledger and reporting for the departmental, claimant, and field level accounting. It does not address the requirements for management information. KAR 12 on user information needs addresses management information aspects of an accounting system.

KEY ACCOUNTING REQUIREMENT NUMBER 2**PROPERTY AND INVENTORY ACCOUNTING****Description of Key Accounting Requirement**

The system must account in quantitative and monetary terms for the procurement, receipt, issue, and control of plant property, equipment, inventory, and material. Most acquisitions are recorded upon receipt of goods.

All property and equipment including ADP software with an initial acquisition cost of \$15,000 and an estimated useful life of more than two years must be capitalized and reported at cost including amounts paid to install the assets in the proper form and place. If cost is unknown, the fair value of the fixed asset at the date of acquisition is estimated. Costs of additions, alterations, or replacements that extend the asset's useful life or service capacity are capitalized as fixed assets. Proper accounting controls exist for Government-owned property held and used by contractors.

Inventory accounting must entail accounting and control over the acquisition and issuance of materials, the comparison of physical inventories and records, the planning for procurement and utilization, and effective custody of the materials.

The property management system must include accounting controls over inventory ledgers that identify the item, its location, quantity, acquisition date, cost, and other information. Subsidiary

ADDENDUM
KEY ACCOUNTING REQUIREMENTS
(CONTINUED)

property records are reconciled periodically to general ledger accounts. Physical controls include assigning specific individuals to inventory, placing physical safeguards on inventory, and periodically reconciling physical inventories to the accounting records.

KEY ACCOUNTING REQUIREMENT NUMBER 3

ACCOUNTING FOR RECEIVABLES INCLUDING ADVANCES

Description of Key Accounting Requirement

The system must account for all accounts receivables (any public indebtedness to the U.S. Government). Accounts receivable shall be recorded accurately and promptly to provide timely and reliable financial status. Accounts receivable shall be reduced upon collection of funds or when offset by previously established collateral. Uncollectible amounts should be promptly written off according to DoD instructions and the accounts receivable reduced accordingly. An allowance for uncollectible accounts and corresponding expenses must be established to provide full financial disclosure. The process should document the efforts made to collect delinquent debts (this includes compliance to the Debt Collection Act).

All collections shall be under general ledger accounting control. Cash shall be deposited as expeditiously as possible and immediately recorded in the accounting records.

Advances shall be recorded as assets until receipt of the goods or services or until contract terms are met. Accounting control must be maintained over advances made to employees, contractors, and all others. Advances must be promptly recorded and reconciled to general ledger control accounts.

KEY ACCOUNTING REQUIREMENT NUMBER 4

COST ACCOUNTING

Description of Key Accounting Requirement

Cost accounting must involve accounting analysis and reporting on costs of production of goods or services, or operation of programs, activities, functions, or organizational units. Cost accounting shall be provided in the accounting system if it is required in such instances as pricing decisions, productivity improvement decisions or measurement of performance, efficiency comparisons of like activities, and in industrial fund activities. For industrial fund activities, there is a DoD requirement for working capital funds to provide capital for industrial type and commercial type activities. Industrial fund accounting shall provide an effective means for controlling the cost of goods and services produced or furnished by industrial and commercial type activities. Cost accounting should be used in job order and process cost and in determining operating results. The primary components of DoD costs are labor and materials. However, other costs such as depreciation, amortization, unfunded liabilities such as severance pay, labor, manufacturing overhead, unallocated costs, etc., should be accumulated in the accounting system when needed.

ADDENDUM
KEY ACCOUNTING REQUIREMENTS
(CONTINUED)

KEY ACCOUNTING REQUIREMENT NUMBER 5**ACCRUAL ACCOUNTING****Description of Key Accounting Requirement**

Accrual accounting must recognize the accountable aspects of financial transactions or events as they occur. Transactions may be recorded in accounting records as they occur or be adjusted to the accrual basis at each month end. Accrual accounting should be used to meet the specific needs of management and the Congress.

Amounts of accrued expenditures and revenues must be recorded only when supported by prescribed documentary evidence on the basis of initial documentation received. They are adjusted subsequently, if necessary, upon receipt of more accurate documentation. Examples of acceptable initial documentation received include receiving reports, bills of lading, job sheets, certified unpaid invoices and journal vouchers showing administrative estimates by responsible officials. This documentation shall represent a reflection of transactions and performance which actually occur.

When liabilities are incurred as work is performed rather than when deliveries are made, accruals must be recorded from performance reports for the affected accounting period. Unpaid personnel compensation and benefits which have been earned as of the end of the pay year must be accrued in full or in part, e.g., the accrual of annual leave is material and should be recognized annually in the financial statements. Accrued payroll for civilian and military for salaries and wages, employer's share of fringe benefits, allowances, foreign nationals, severance pay, unfunded annual leave, annual leave, and retirement must be recorded and reconciled with the actual payroll.

KEY ACCOUNTING REQUIREMENT NUMBER 6**MILITARY AND CIVILIAN PAYROLL PROCEDURES****Description of Key Accounting Requirement**

Wherever feasible, DoD will use modern technology in its computer systems to process payroll transactions. The payroll system will interface with the accounting system providing obligation and accrual data. The military and civilian payroll processes and procedures must be available to management, users, auditors, evaluators, etc.

Payroll systems must incorporate controls of both gross and net payroll amounts and payroll deductions to ensure smooth payroll processing action and to minimize incorrect payments. Procedures will be available to ensure that only authorized deductions are made from pay and all deductions are supported by proper documentation. Accounting entries for authorized deductions from pay must be verified. Timely, accurate, and complete individual and subsidiary records are maintained for leave accounts, employee benefits, compensated personnel absences, general benefits such as bonuses and cash allowances for quarters and subsistence, allotments by type and amount, and other balances. Reconciliations of the general ledger and personnel records to payroll records will be performed.

ADDENDUM
KEY ACCOUNTING REQUIREMENTS
(CONTINUED)

Unpaid personnel compensation and benefits, including annual leave, which have been earned by employees as of the end of the pay year must be accrued in full. Accrued payroll will be reconciled with actual payroll. Personal compensation and all employee benefit expenses (including federal contributions) shall be reported and disclosed separately in financial statements.

Automated controls will include predetermined limits on the computation of pay; accumulation and tests of zero balances; checks on sequence of records; counts of records; crossfoot balances; and other tests of the validity of the data or accuracy of the processing. Separation of duties is promoted by requiring vouchers authorizing payment to be certified before payment by a duly authorized certifying officer who does not compute amounts payable, maintain the payroll records, or distribute the paychecks.

KEY ACCOUNTING REQUIREMENT NUMBER 7

SYSTEM CONTROLS (FUND AND INTERNAL)

Description of Key Accounting Requirement

A. **Fund Control.** The system must ensure obligations and expenditures do not exceed the amount appropriated, apportioned, reapportioned, allocated and allotted (Anti-Deficiency Act 31 U.S.C.). The system must provide a process and procedures for control over errors to ensure that once errors are detected: (1) corrections are made in a timely manner and reentered into the appropriate processing cycle; (2) corrections are made only once; and, (3) the correction itself is validated. The system must show the appropriations and funds to be accounted for and a description of the accounting entity's proposed fund distribution and control process. The system must have good fund control procedures to prevent untimely liquidation of obligations, unmatched expenditures, and undistributed disbursements. Obligations must be recorded immediately. Fund control procedures must include fiscal year end Section 1311 Statement of Certification by a senior accounting official to ensure the validity of all obligations and unobligated balances. Administrative funds control must ensure that funds are used economically, efficiently, and only for properly authorized purposes.

B. **Internal Controls.** The system must have adequate internal controls to prevent, detect, and correct errors and irregularities that may occur throughout the system. Separation of duties and responsibilities must be maintained for initiating, authorizing, processing, recording, and reviewing transactions. Automated systems must have system security and integrity for authorized processing to include procedures and controls which protect hardware, software, and documentation from physical damage by accident, fire, flood, environmental hazards, and unauthorized access. Also, the system must have controls to prevent unauthorized use of confidential information.

KEY ACCOUNTING REQUIREMENT NUMBER 8

AUDIT TRAILS

Description of Key Accounting Requirement

Audit trails permit tracing transactions through a system. Audit trails allow auditors or evaluators to ensure transactions are properly accumulated and correctly classified, coded and recorded in all affected

ADDENDUM
KEY ACCOUNTING REQUIREMENTS
(CONTINUED)

accounts. Audit trails should allow a transaction to be traced from initiation through processing to final reports. In addition, good audit trails allow for the detection and tracing of rejected or suspended transactions, such as unmatched disbursements, for ultimate systematic correction in a reasonable timeframe.

A fundamental requirement for any compliant accounting system is that the financial transactions for which the system must account be adequately supported with pertinent documents and source records. All transactions, including those which are computer-generated and computer-processed, must be traceable to individual source records. Audit trails enable the tracing or replicating of a transaction from its source to the resulting record or report, and from the resulting record or report to the source. Items in source records necessary for audit-trail purposes include transaction type, record or account involved, amount, processing references, and identification of the preparer and approver of the transaction. A key test of the adequacy of an audit trail is whether tracing the transaction forward from the source or back from the result will permit verification of the amount recorded or reported.

KEY ACCOUNTING REQUIREMENT NUMBER 9

CASH PROCEDURES AND ACCOUNTS PAYABLE

Description of Key Accounting Requirement

The system shall be designed to ensure timely payments based on properly approved disbursement documents. Payment process and procedures must comply with the Prompt Payment Act. Cash discounts should be taken when determined to be financially advantageous to the DoD.

Accounts payable are liabilities which should be recorded when goods or services are received. The liability reported in the annual financial statements shall reflect amounts due for goods and services received. For items manufactured by a contractor to specifications, the accounting system shall reflect the appropriate payable, including contract retentions, for each accounting period based on requests for progress payments or on reasonable estimates of unbilled contractor performance. This shall be recorded in the proper accounting period.

Accounts payable for services performed by employees, contractors, and others shall be determined based on performance as evidenced by payroll records, progress billings, or other available data. Reasonable estimates of the cost of services performed before the end of a reporting period shall be made for annual financial reporting purposes in the absence of invoices or other available data. The system shall record the liability for goods and services purchased under a long-term contract in the period in which the goods or services are received or accepted.

KEY ACCOUNTING REQUIREMENT NUMBER 10

SYSTEM DOCUMENTATION

Description of Key Accounting Requirement

The accounting system must have adequate system documentation which must include interfaces between accounting system segments. The detailed accounting system design package shall adequately document

ADDENDUM
KEY ACCOUNTING REQUIREMENTS
(CONTINUED)

the functional user's accounting requirements. Such documentation must be available in users manuals, subsystem specifications, etc. The detailed documentation must be comprehensive and shall include a combination of descriptions of processes, flowcharts and narrative description, diagrams, basic accounting entries including adjusting and closing entries, illustrations or samples of source documents for input, and sample outputs and reports. It shall also include internal controls incorporated within the accounting system. The documentation must demonstrate conformance with the DoD Financial Management Regulation and other DoD requirements for adequate and reasonable documentation. The system documentation shall be in enough detail to be understood by computer personnel and system accountants assigned to develop applicable software. It shall demonstrate readily to users, auditors, and evaluators the system's conceptual processes and procedures. The documentation should be in good order to facilitate maintenance operations and transaction testing. Good documentation would permit transaction testing which is designed to disclose whether valid transactions are processed properly, and whether the system rejects invalid transactions. The documentation shall have enough detail that a testing of the system could cover an entire transaction, from initial authorization through processing, posting to the accounts, and reporting. The documentation should indicate the mission, organization, description, objectives, financial management requirements, and boundaries of the system.

KEY ACCOUNTING REQUIREMENT NUMBER 11

SYSTEM OPERATIONS

Description of Key Accounting Requirement

Adequate organization and planning shall exist regarding systems operations to assure that financial management and accounting objectives are met in an economical and efficient manner. It must satisfy legal requirements, laws, regulations, accounting principles and standards, and related requirements as prescribed in the DoD Financial Management Regulation and other related instructions. Financial systems shall contain all data required to achieve the purposes for which they were created and maintained. They shall also be as simple as possible, consistent with regulatory requirements and users' needs. The existing and planned hardware should be adequate to process efficiently current and projected future transaction volumes. There should be compatibility of existing and planned hardware to interface effectively with other systems. The system should conform to required DoD systems documentation requirements. The best of acceptably priced contemporary technology should be used. There should be detailed system operating and maintenance procedures. Also, there should be periodic system reviews to assure that the system is functioning as intended, required procedures are being followed, any operating problems are promptly identified and corrected, and possible state-of-the-art enhancements are incorporated as appropriate.

KEY ACCOUNTING REQUIREMENT NUMBER 12

USER INFORMATION NEEDS

Description of Key Accounting Requirement

User information needs and requirements as to quality, accuracy, timeliness, reliability, responsiveness of the system shall be adequate in response to program, financial managers, and other users. The system

ADDENDUM
KEY ACCOUNTING REQUIREMENTS
(CONTINUED)

shall satisfy users as to their reporting requirements particularly as it relates to month end reports. The system must also satisfy user needs to facilitate their management decision making process. In addition, if there are departures in other key accounting requirements that adversely impact the users of the system, the materiality of these departures will be determined under this key accounting requirement.

KEY ACCOUNTING REQUIREMENT NUMBER 13

BUDGETARY ACCOUNTING

Description of Key Accounting Requirement

The system shall support formulation of the budget, support budget requests, and control budget execution. Programming, budgeting, accounting, reporting classification, and coding structure should be uniform and consistent with each other and synchronized with the organizational structure so that actual activity reported within the accounting system can be compared with enacted budgets and support future budget formulation for each activity. Presidential, Congressional, and OMB decisions shall be recorded in the system, and financial management data and results shall be appropriately classified to track such decisions. The system shall record budget resources at the appropriate level and account for appropriations, reappropriations realized, apportionments, allocations, transfers, allotments of budget authority, customer orders accepted, reimbursables, and other appropriate accounts prescribed by DoD.

CHAPTER 4

FINANCIAL MANAGEMENT CODING STRUCTURE0401 ACCOUNTING CLASSIFICATION CODE

The standard accounting classification coding structure that will be used by all DoD Components is currently being developed by the Defense Finance and Accounting Service and will be issued as soon as it is finalized. DoD Components will continue to use their current accounting classification coding structure unless otherwise notified.

0402 ACCOUNTABLE STATION CODE

This 6-character field contains the DoD Component-assigned identification number of the accountable station responsible for entering the transaction into the applicable accounting system. The accountable station code is the

Fiscal Station Number (FSN) of both OSD and the Army, the Authorization Accounting Activity (AAA) of the Navy, or the Accounting and Disbursing Station Number (ADSN) used by the Air Force. The accountable station code will be a field of the accounting classification code when it is issued.

Addendum 1 through addendum 4 to this chapter lists the current accountable stations within the Department of Defense with their current mailing addresses. DoD Components shall provide updated listings of their accountable stations with valid hard-copy and electronic mailing addresses as changes occur. This information shall be provided to the Director, Defense Finance and Accounting Service (DFAS). Addenda 1 through 4 shall be updated at least annually.

ADDENDUM 1
DoD ACCOUNTABLE STATIONS
ARMY

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
010020	21	Anniston Army Depot	FAO Anniston, AL 36201-5052
010210	21	US Army Missile Command	FAO ATTN: AMSMI-CO-FA Redstone Arsenal, AL 35898-5097
010440	21	US Army Aviation Center	FAO Fort Rucker, AL 36362
010760	21	US Army Engineer District Mobile	FAO P.O. Box 2288 Mobile, AL 36628
010790	21	USPFO for Alabama	P.O. Box 3715 Montgomery, AL 36193
010880	21	US Army Military Police School/Training Center & Fort McClellan	ATTN: ATZN-RMF Fort McClellan, AL 36205-5000
011100	21	US Army Engineer Division Huntsville	P.O. Box 1600, West Station Huntsville, AL 35807
020590	21	USPFO for Arizona	5636 E. McDowell Road Phoenix, AZ 85008
020830	21	Yuma Proving Ground	FAO Yuma Proving Ground, AZ 85365-9102
020860	21	U.S. Army Garrison	Cdr, ATTN: ASH-RM-FCA Fort Huachuca, AZ 85613-5000
020880	21	U.S. Army Information Systems Command	ATTN: AS-RM-FA-D Fort Huachuca, AZ 85613-5000
030290	21	Pine Bluff Arsenal	FAO, ATTN: SMC PB-CPF Pine Bluff, AR 71602-9500
030550	21	USPFO fo Arkansas	Camp Robinson North Little Rock, AR 72118
040130	21	National Training Center and Fort Irwin	FAO, ATTN: AFZJ-CMF Fort Irwin, CA 92310-5000

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
041420	21	Presidio of San Francisco	FAO, Finance & Accounting Division, Bldg 102 Presidio of San Francisco, CA 94129
041670	21	US Army Engineer District Sacramento	FAO, 650 Capitol Mall Sacramento, CA 95814
041700	21	Sacramento Army Depot	FAO, ATTN: SDSSA-RFA-4 Sacramento, CA 95813-5013
042960	21	Armed Forces Radio & TV Services	10888 LaTuna Canyon Rd Sun Valley, CA 91352-2098
043510	21	7th Finance Support Unit, Fort Ord	FAO, ATTN: AFZW-CM-F Fort Ord, CA 93941-5000
043530	21	US Army Engineer District, Los Angeles	FAO P.O. Box 2711 Los Angeles, CA 90053
043760	21	USPFO for California	P.O. Box G San Luis Obispo, CA 93046
050100	21	4th Finance Support Unit	ATTN: AFZC-FI FT Carson, CO 80913
050150	21	Fitzsimons Army Medical	FAO Center Aurora, CO 80045
050730	21	USPFO for Colorado	Camp George West Golden, CO 80401
051140	21	Fitzsimons Army Medical Center Services,	Office for The Civilian Health & Medical Program of the Uniformed DOD Aurora, CO 80045
060200	21	USPFO for Connecticut	360 Broad St. Hartford, CT 06115
070120	21	USPFO for Delaware	Grier Bldg 1161 River Road New Castle, DE 19720
081250	21	USPFO for Florida	P.O.Box 1008 St. Augustine, FL 32085-1008
090380	21	US Army Infantry Center	FAO Fort Benning, GA 31905

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
090570	21	US Army Signal Center and Fort Gordon	FAO Fort Gordon, GA 30905
090760	21	24th Finance Support Unit	FAO, ATTN: AFZP-CM-F Fort Stewart, GA 31314
091330	21	US Army Engineer District Savannah	FAO, P.O. Box 889 Savannah, GA 31402
091370	21	USPFO for Georgia	P.O.Box 17882 Atlanta, GA 30316
091770	21	Fort McPherson	FAO, ATTN: AFZK-CM-F Fort McPherson, GA 30330-5000
092090	21	US Army Field Mobilization Activity	P.O. Box 2133 Forest Park, GA 30051
100180	21	USPFO for Idaho	P.O. Box 45 Boise, ID 83707
110700	21	Rock Island Arsenal	FAO, ATTN: SMCRI-RMF-G Rock Island, IL 61299-5000
110740	21	Fort Sheridan	FAO, ATTN: AFZO-CM-F Fort Sheridan, IL 60037
111140	21	US Army Engineer Division North Central	536 South Clark St. Chicago, IL 60605
111150	21	USPFO for Illinois	Camp Lincoln 1301 N. MacArthur Blvd Springfield, IL 62702
111730	21	US Army Armament Munitions and Chemical Command	ATTN: AMSMC-CPF-O Rock Island, IL 61299-6000
120400	21	Jefferson Proving Ground	FAO, ATTN: STEJP-RM-F Madison, IN 47250-5100
120640	21	USPFO for Indiana	P.O. Box 41346 ATTN: Fiscal Accounting Indianapolis, IN 46241-0346
121020	21	US Army Soldier Support Center	FAO ATTN: ATZI-RMA Fort Benjamin, Harrison, IN 46249-5415

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
121170	21	US Army Fin & Acctg Ctr	Transportation Operations Indianapolis, IN 46249-0601
121200	21	US Army Fin & Acctg Ctr	Joint Uniform Military Pay System-Army Indianapolis, IN 46249-0801
121210	21	US Army Fin & Acctg Ctr	Centralized Pay Operations ATTN: FINCP-FDB Indianapolis, IN 46249-0816
121220	21	US Army Fin & Acctg Ctr	Retired Pay Operations Indianapolis, IN 46249-0501
121260	21	Crane Army Ammunition Activity	FAO Crane, IN 47522
121270	21	US Army Financial Support Activity	Indianapolis, IN 46249
121280	21	US Army Finance and Accounting Center	Centralized Pay Operations ATTN: FINC-FDC Indianapolis, IN 46249-0815
121290	21	US Army Office of Financial Management	FAO P.O. Box 50167 Indianapolis, IN 46250-0167
130350	21	USPFO for Iowa	Camp Dodge 7700 N.W. Beaver Drive Johnson, IA 50131
140210	21	Combined Arms Center and Fort Leavenworth	FAO ATTN: ATZL-RMC-F Fort Leavenworth, KS 66027
140400	21	1st Infantry Division and Fort Riley	FAO ATTN: AFZN-DRM-FP Fort Riley, KS 66442-5008
140930	21	USPFO for Kansas	P.O. Box 2099 Topeka, KS 66601
150140	21	US Army Armor Center and Fort Knox	FAO Fort Knox, KY 40121
150560	21	Fort Cambell	Finance and Accounting Office ATTN: AFZB-RM-FA Fort Cambell, KY 42223-1297

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
150580	21	USPFO for Kentucky	Boone NG Center Frankfort, KY 40601
160270	21	5th Finance Support Unit	FAO ATTN: AFZX-RM-FQ Fort Polk, LA 71459-5000
161040	21	USPFO for Louisiana	HQ Bldg Jackson Barracks New Orleans, LA 70146
170180	21	USPFO for Maine	Camp Keyes Augusta, ME 04330
180010	21	US Aberdeen Proving Ground Installation Support Activity	FAO ATTN: STEAP-RM-FP-M Aberdeen, MD 21005-5001
180200	21	US Army Engineer District Baltimore	FAO P.O. Box 1715 Baltimore, MD 21203
180430	21	Fort Meade	FAO ATTN: AFZI-CM-F Fort Meade, MD 20755
180490	21	7th Signal Cmd and Fort Ritchie	FAO ATTN: ASNJ-RM Fort Ritchie, MD 21719-5010
180640	21	Fort Detrick	FAO Frederick, MD 21701
180700	21	USPFO for Maryland	301 Old Bay Lane Havre de Grace, MD 21078-4094
181250	21	Technical Research Institute	FAO Andrews Air Force Base, MD 20331
181260	21	Army Medical Material Agency	Frederick, MD 21701
181280	21	U.S. Army Field Support Center	ATTN: IASV-RMO-F Fort George G. Meade, MD 20755-5905
181290	21	USA Lab Cmd	Harry Diamond Laboratories ATTN: AMSLC-RM-FA 2800 Powder Mill Road Adelphi, MD 20783-1197

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
181320	21	USA Material Procurement Assistance Office	P.O. Box 18556 BWI Airport Baltimore, MD 21240
181400	21	US Army Acquisition and Enhancement Office	P.O. Box 21153 Baltimore, MD 21228
181420	21	Office of Manpower and Educational Analysis	P.O. Box 143 Ft. Meade, MD 20755
190350	21	Fort Devens	FAO ATTN: AFZD-CM-F Fort Devens, MA 01433
190930	21	USPFO for Massachusetts	143 Speen St. Natick, MA 01760
191290	21	US Army Natick RD&E Center	FAO ATTN: STRNC-CFAR Natick, MA 01760-5010
200650	21	USPFO for Michigan	3111 W. St. Joseph St. Lansing MI 48913-5102
201130	21	US Army Tank-Automotive Command	FAO ATTN: AMSTA-EFPG Warren, MI 48397-5000
210390	21	USPFO for Minnesota	Camp Ripley Little Falls, MN 56345
220650	21	USPFO for Mississippi	P.O. Box 4447 Fondren Station, MS 39216
220790	21	US Army Engineer Waterways Experiment Station	FAO P.O. Box 631 Vicksburg, MS 39180
220370	21	US Army Training Center Engineer and Fort Leonard Wood	Fort Leonard Wood, MO 65473-5830
231370	21	USPFO for Missouri	1715 Industrial Dr. Jefferson City, MO 65101
231850	21	HQDA, Finance and Accounting Office, St Louis	9700 Page Blvd St. Louis, MO 63132-5000

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
231950	21	US Army Troop Support and Command	FAO, ATTN: DRSTS-CF 4300 Goodfellow Blvd St. Louis MO 63120
232040	21	US Aviation Systems Cmd	Ofc of the Comp ATTN: DRSAV-CF, F&A Div 4300 Goodfellow Blvd St. Louis MO 63120
240240	21	USPFO for Montana	P.O. Box 1157 Helena, MT 59601
250660	21	US Army Engineer District Omaha	FAO 6014 USPO and Courthouse 215 North 17th St. Omaha, NE 68102
250820	21	USPFO for Nebraska	1234 Military Rd. Lincoln, NE 68508
260160	21	USPFO for Nevada	2601 S. Carson St. Carson City, NV 89701
270120	21	USPFO for New Hampshire	P.O. 2003 Concord, NH 03301
280130	21	US Army Training Center and Fort Dix	Fort Dix, NJ 08640
280170	21	Armament Research and Development Center, USAMCCOM	FAO ATTN: AMSMC-CPF-PR(D) Dover, NJ 07801-5001
280430	21	US Army Communications -Electronics Command and Fort Monmouth	FAO ATTN: DRSEL-CP-FA Fort Monmouth, NJ 07703
280630	21	USPFO for New Jersey	131 Eggert Crossing Road Lawrenceville, NJ 08648-2805
281130	21	Military Traffic Command, Eastern Area	ATTN: MTE-RMF-A Bayonne, NJ 07002-5302
290320	21	USPFO for New Mexico	P.O. Box 4277 Santa Fe, NM 87501
290400	21	US Army White Sands Missile Range	FAO, ATTN: STEWS-RM-FA White Sands Missile Range, NM 8002

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
301210	21	Seneca Army Depot	FAO Romulus, NY 14541-5001
301440	21	Watervliet Arsenal	FAO Watervliet, NY 12189
301450	21	US Military Academy	FAO West Point, NY 10996
301920	21	USPFO for New York	330 Old Niskayuna Rd Latham, NY 12210-2224
303090	21	Army and Air Force Exchange Service	ATTN: ES-M 3911 Walton Walker Blvd Dallas, TX 75222
303560	21	33rd Finance Support Unit	ATTN: AFZS-DRM-F Fort Drum, NY 13602-5085
310010	21	18th Corps Finance Group	ATTN: AFZACM-F Fort Bragg, NC 28307
310790	21	USPFO for North Carolina	4201 Reedy Creek Road Raleigh, NC 27607-6412
311240	21	US Army Research Office	FAO P.O. Box 12211 Research Triangle Park, NC 27709
311290	21	Security Operations Training Facility Support Unit (SOTF-FSW)	Commander P.O. Box 70161 Fort Bragg, NC 28307-5000
320006	21	USPFO for North Dakota	Box 5511 Bismark, ND 58502-5511
330170	21	US Army Engineer Division, Ohio River	FAO P.O. Box 27168 Cincinnati, OH 45227
331090	21	USPFO for Ohio	2811 W. Granville Rd. Columbus, OH 43235-2712
340310	21	US Army Field Artillery Center	FAO Fort Sill, OK 73503-0500
340660	21	USPFO for Oklahoma	3501 Military Circle Oklahoma City, OK 7311

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
341010	21	McAlester Army Ammunition Plant	FAO McAlester, OK 74501
350260	21	US Army Engineer District Portland	P.O. Box 2946 Portland, OR 97208
350470	21	USPFO for Oregon	P.O. Box 14840 Salem, OR 97309-5008
360040	21	Carlisle Barracks	FAO Carlisle, PA 17013-5002
360050	21	Letterkenny Army Depot	FAO Chambersburg, PA 17201
360180	21	US Army Garrison, Fort Indiantown Gap	FAO ATTN: AFZQ-CM-F Annville, PA 17003
360280	21	New Cumberland Army Depot	FAO New Cumberland, PA 17070
361370	21	USPFO for Pennsylvania	Fort Indiantown Gap Dept of Military Affairs Annville, PA 17003
362370	21	Tobyhanna Army Depot	FAO Tobyhanna, PA 18466
362530	21	US Army Security Assistance Center	ATTN: DRSAC-CF/FO 3rd St. & M Avenue New Cumberland, PA 17070
370190	21	USPFO for Rhode Island	51 Stenton Ave. Providence, RI 02906
380420	21	US Army Training Center and Fort Jackson	FAO Fort Jackson, SC 29207
380840	21	USPFO for South Carolina	P.O. Box 1090 Columbia, SC 29202
390290	21	USPFO for South Dakota	2823 West Main Rapid City, SD 57701-8186
400980	21	USPFO for Tennessee	P.O. Box 40748 Powell Avenue Nashville, TN 37204

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
410140	21	US Army Air Defense Artillery Center and Fort Bliss	FAO Fort Bliss, TX 79916-5000
410930	21	III Corps and Fort Hood	FAO ATTN: AFZF-CM-F Fort Hood, TX 76544
411170	21	Red River Army Depot	FAO Texarkana, TX 76544
411330	21	Fort Sam Houston	FAO ATTN: AFZG-CM-F Fort Sam Houston, TX 78234
412920	21	USPFO for Texas	P.O. Box 5218 Austin, TX 78673
414430	21	US Army Engineer District Fort Worth	FAO P.O. Box 17300 Fort Worth, TX 76102
420070	21	US Army Dugway Proving Ground	FAO ATTN: STEDP-CP-F Dugway, UT 84022
420370	21	Tooele Army Depot	FAO ATTN: SDSTE-RMFA-A Tooele, UT 84074-5002
420560	21	USPFO for Utah	P.O. Box 2000 Draper, UT 84108
430070	21	USPFO for Vermont	ATTN: VT-VOL-C Bldg #3, Camp Johnson Winooski, VT 05404
440080	21	US Army Engineer Center and Fort Belvoir	FAO ATTN: ATZA-CMA-A Bldg 219 Fort Belvoir, VA 22060-5102
440090	21	US Army Belvoir Research and Development Center	ATTN: STRBE-CF Fort Belvoir, VA 22060
440190	21	Fort Eustis	FAO Fort Eustis, VA 23604
440550	21	US Army Quartermaster Center and Fort Lee	FAO Fort Lee, Va 23801

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
441100	21	US Army Engineer District Norfolk	FAO 803 Front St. Norfolk, VA 23510
441210	21	USPFO for Virginia	501 East Franklin Street Richmond, VA 23210-2317
441770	21	Applied Technology Laboratory	Director US Army Research and Technology Laboratories (AVRADCOM) ATTN: DAVDL-ATL-MSA Fort Eustis, VA 23604
441880	21	US Army Intelligence & Security Command, Finance and Accounting Activity	ATTN: IAFAA Arlington Hall Station Arlington, VA 22212
442060	21	US Army Troop Support Agency	ATTN: DALO-TAB-A Fort Lee, VA 23801
442090	21	US Army Research Control Group	P.O. Box 6067 Shirlington Station Arlington, VA 22206
42100	21	Security Assistance Training Field Activity, US Army	ATTN: ATFA-P Fort Monroe, VA 23651
442120	21	US Army Office for Educational Programming and Analysis	P.O. Box 3406 Hampton, VA 23663
442130	21	US Army Humphreys Engineer Center Support Activity	Kingman Bldg. Fort Belvoir, VA 22060-5580
442140	21	Middle East/Africa Projects Office	Cdr, ATTN: CESAI-RMF P.O. Box 2250 Winchester, VA 22601-1450
450160	21	I Corps and Fort Lewis	FAO ATTN: AFZH-RM-FA Fort Lewis, WA 98433
451130	21	USPFO for Washington	Camp Murray Tacoma, WA 98430
460280	21	USPFO for West Virginia	P.O. Box 368 Buckhannon, WV 26201

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
470180	21	Fort McCoy	FAO ATTN: AFZR-CM-F Sparta, WI 54656
470390	21	USPFO for Wisconsin	Camp Douglas, WI 54618
480210	21	USPFO for Wyoming	5500 Bishop Blvd. P.O. Box 1709 Cheyenne, WY 82001
490130	21	Office of the Assistant Chief of Staff for Intelligence	WASH, DC 20310
490240	21	Walter Reed Army Medical Center	FAO Georgia Ave. at Butternut St. NW WASH, DC 20307
490890	21	USPFO for District of Columbia	Bldg 350 Anacostia Naval Air Station WASH, DC 20315
490920	21	USA Military District of Washington	FAO ATTN: ANFA-AO-C Room 8333 1900 Half Street SW WASH, DC 20324-0200
491870	21	US Army Audit Agency, HQDA	DAAA-PRM-B The Pentagon WASH, DC 20310
494480	21	Defense Telephone Service Washington	Office, Secretary of the Army ATTN: SAMO WASH, DC 20310
910520	21	200th Theater Army Material Management Ctr	FAO, TAAMC Finance and Accounting Div APO New York 09052
910530	21	127th Finance Support Unit	FAO NATO/SHAPE Support Group (US) APO New York 09088
912140	21	10th Finance Support Unit (D)	APO New York 09221

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
915140	21	5th Corps Finance Group	FAO ATTN: AETV-CF APO New York 09757-9714
915160	21	266th Theater Finance Center	CDR, ATTN: AEUFC-F APO New York 09007-0137
915230	21	US Army Berlin	FAO APO New York 09742
915250	21	59th Finance Suport Unit	FO APO New York 09069
915270	21	201st FSU	APO New York 09757
915300	21	VII Corps Regional Finance and Accounting Office	FAO APO New York 09154
915320	21	US Army Engineer Division Europe	APO New York 09757
915330	21	45th Finance Support Unit APO New York 09227	FAO
955230	21	267th Finance Support Unit	ATTN: AFVR-RM-F P.O. Box 499 Fort Richardson, AK 99505-5400
963420	21	USPFO for Virgin Islands	P.O. Box 1050 Christiansted St. Croix, Virgin Islands 00820
965190	21	193rd Infantry Brigade (Panama)	APO Miami 34004
966080	21	USPFO for Puerto Rico	P.O. Box 34069 Ft Buchanan, PR 00934-4069

ADDENDUM 2
DoD ACCOUNTABLE STATIONS
NAVY

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N00011	17	Chief of Naval Operations	Washington DC
N00012	17	Comptroller of the Navy	Washington DC
N00014	17	Chief of Naval Research	Ballston Tower No.1 800 North Quincy Street Arlington VA 22217-5000
N00018	17	Naval Medical Command	Washington DC
N00022	17	Naval Military Personnel Command	Washington DC
N00025	17	Naval Facilities Engineering Command	Alexandria VA
N00027	17	Marine Corps (HQ-FD)	Headquarters, U.S. Marine Corps Washington DC 20380
N00060	17	Commander in Chief, U.S. Atlantic Fleet	Norfolk VA
N00061	17	Commander in Chief, U.S. Naval Forces Europe	London UK
N00062	17	Chief Naval Education and Training	Pensacola FL
N00065	17	Naval Oceanographic Command	Bay St. Louis, MS
N00070	17	Commander in Chief U.S. Pacific Fleet	Pearl Harbor, HI
N00072	17	Commander Naval Reserve Forces	New Orleans, LA
N00074	17	Naval Special Warfare Command	Naval Amphibious Base Coronado CA 92155-5037
N00102	17	Naval Shipyard Portsmouth	Portsmouth NH 03804-5000

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N00104	17	Ships Parts Control Center	PO Box 2020 Mechanicsburg PA 17055-0788
N00109	17	Naval Weapons Station	Yorktown VA 23691-5000
N00146	17	Marine Corps Air	Cherry Point NC 28533-5001
N00151	17	Naval Shipyard Philadelphia	Philadelphia PA 19112-5087
N00161	17	United States Naval Academy	Annapolis MD 21402-5070
N00163	17	Naval Avionics Center	6000 East 21st Street Indianapolis IN 46219-2189
N00164	17	Naval Weapons Support Center	Crane IN 47522-5020
N00167	17	David Taylor Research Center	Bethesda MD 20084-5000
N00168	17	National Naval Medical Center	Bethesda MD 20814-5077
N00171	17	Naval District Washington	Washington Navy Yard BLDG 176-5 Washington DC 20371-5100
N00173	17	Naval Research Laboratory	Washington DC 20375-5000
N00174	17	Naval Ordnance Station	Indian Head MD 20640-5000
N00179	17	Navy Regional Finance Center	Washington DC 20371-5100
N00181	17	Naval Shipyard Norfolk	Portsmouth VA 23709-5000
N00183	17	Naval Hospital Portsmouth	Naval Station BLDG 250 Portsmouth VA 23708-5000
N00187	17	Navy Public Works Center	Norfolk VA 23511-6098
N00189	17	Naval Supply Center	Norfolk VA 23512-5000
N00191	17	Naval Shipyard Charleston	Naval Base Charleston SC 29408-6100
N00193	17	Naval Weapons Station	Charleston SC 29408-7000

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N00197	17	Naval Ordnance Station	Louisville KY 40214-5001
N00203	17	Naval Hospital Pensacola	Naval Hospital Bldg 2268 Pensacola FL 32512-5000
N00211	17	Naval Hospital Great Lakes	Great Lakes, IL 60088-5230
N00221	17	Naval Shipyard Mare Island	Vallejo CA 94592-5100
N00228	17	Naval Supply Center	Oakland CA 94625-5000
N00243	17	Marine Corps Recruit Depot	San Diego, CA 92133-5000
N00244	17	Naval Supply Center	937 North Harbor Drive San Diego CA 92132-5089
N00247	17	Naval Training Center	San Diego CA 92133-5000
N00251	17	Naval Shipyard Puget Sound	Bremerton WA 98314-5000
N00253	17	Naval Undersea Warfare Engineering Station	Supply Department Keyport WA 98345-0580
N00259	17	Naval Hospital San Diego	San Diego CA 92134-5000
N00263	17	Marine Corps Recruit Depot	Parris Island, SC 29905
N00264	17	Marine Corps Combat Development Command	Quantico VA 22134
N00285	17	Naval Hospital	Corpus Christi, TX 78419-5200
N00288	17	Naval Publications and Forms Center	5801 Tabor Avenue Philadelphia PA 19120-5099
N00311	17	Pearl Harbor Naval Shipyard	Box 400 Pearl Harbor HI 96860-5350
N00318	17	Marine Corps Air Station	Kaneohe Bay HI 96863-5001
N00367	17	Fleet Material Support Office	PO Box 2010 Mechanicsburg, PA 17055-0787

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N00383	17	Navy Aviation Supply Office	700 Robbins Avenue Philadelphia, PA 19111-5098
N00389	17	Naval Station	Roosevelt Roads, PR
N00406	17	Naval Supply Center Puget Sound	Bremerton WA 98314-5100
N00421	17	Naval Air Test Center	Supply Department Patuxent River MD 20670-5304
N00604	17	Naval Supply Center	Box 300 Pearl Harbor HI 96860-5300
N00612	17	Naval Supply Center	Charleston SC 29408-6300
N00619	17	Naval Hospital Oakland	Oakland CA 94627-5000
N00620	17	Naval Air Station Whidbey Island	Oak Harbor WA 98278-5000
N00651	17	Naval Supply Depot	Subic Bay, Phillipines
N00681	17	Marine Corps Base	Camp Pendleton, CA 92055
N08321	17	Marine Division 2nd FMF	Camp Lejeune, NC 28542
N43289	17	FIPC Branch	Corpus Christi TX 78419-5204 Naval Air Station
N43290	17	Navy Ed. and Training FIPC Branch	Millington, TN 38054-0329
N44413	17	Navy Publishing and Printing Services	3D827 Pentagon Washington DC 20350-3000
N44414	17	Navy Publications and Printing Service, Southeast Division	Bldg 628, Naval Base Charleston, SC 29408-6750
N44415	17	Navy Publications and Printing Service, Western Division	BLDG 154, Naval Station San Diego, CA 92136-5148
N44416	17	Navy Publications and Printing Service Northern Division	Bldg 4, Section D 700 Robbins Ave. Philadelphia PA 19111-5098

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N45924	17	Fleet Accounting and Disbursing Center US Pacific Fleet DET	Box 306 Pearl Harbor HI 96860-7400
N55300	17	Consolidated Fiscal Accounting OFC FMFLANT	Camp Lejeune NC 28542-5000
N55356	17	Seventh Marine Amphibious Brigade	MARCORPS Air Ground Combat Center Twenty Nine Palms CA 92278-5407
N60002	17	Naval Hospital	Millington TN 38054-5201
N60028	17	Naval Station Treasure Island	San Francisco, CA 94134-5055
N60036	17	Naval Weapons Station	Concord CA 94520-5000
N60050	17	Marine Corps Air Station	El Toro Santa Ana CA 92709-5030
N60258	17	Naval Shipyard Long Beach	Long Beach CA 90822-5099
N60478	17	Naval Weapons Station Earle	Colts Neck NJ 07722-5000
N60530	17	Naval Weapons Center	China Lake CA 93555-6001
N60666	17	Navy Resale Activity Navy Commissary	Virginia and Simonton Sts Key West FL 33040-5000
N60701	17	Naval Weapons Station	Seal Beach CA 90740-5000
N60921	17	Naval Surface Warfare Center	Dalgren, VA 22448-5000
N60951	17	Fleet Accounting and Disbursing Center, Atlantic Operating Forces Acctg	USLANTFLT BLDG X 132 Naval Station Norfolk VA 23511-6096
N60956	17	Navy Regional Finance Center	Building 3400 Great Lakes IL 60088-5797
N60957	17	FAADCPAC Operating Forces Accounting	937 North Harbor Drive San Diego CA 92132-5111

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N61119	17	Naval Supply Depot GUAM, Marianas Islands	
N61331	17	Naval Coastal Systems Center	Panama City FL 32407-5000
N61337	17	Naval Hospital	Beaufort, SC 29902-6148
N61339	17	Naval Training Systems Command	Orlando FL 32813-7100
N61751	17	Naval Medical Research Unit	Cairo United Arab Republic of Egypt
N62204	17	Marine Corps Logistics Base	Barstow, CA 92311
N62254	17	Fleet Activities Naval Air Facility	Kadena, Japan
N62269	17	Naval Air Development Center	Warminster PA 18974-5000
N62306	17	Naval Oceanographic Office	Bay St. Louis, MS 39522-5001
N62376	17	Naval Air Propulsion Center	P O Box 7176 Trenton NJ 08628-0176
N62381	17	Military Sealift CMD Atlantic	Military Ocean Terminal BLDG 42 Bayonne NJ 07002-5399
N62383	17	Military Sealift Command Pacific	Oakland CA 94625-5010
N62387	17	Military Sealift Command NIF Headquarters	Washington D.C.
N62395	17	Navy Public Works Center	GUAM, Marianas Islands
N62404	17	Military Sealift Command Far East	Yokohama, Japan
N62467	17	Southern DIV NAV FAC Engineering Command	PO Box 10068 2155 Eagle Drive Charleston SC 29411-0069

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N62470	17	Atlantic Division NAV Facilities Engineering Command	Norfolk VA 23511-6287
N62472	17	Northern Division Naval Facilities Engineering CMD	Philadelphia PA 19112
N62474	17	Western Division NAVFAC Engineering CMD	PO Box 727 Sneath Lane and El Camino Real San Bruno CA 94060-0720
N62477	17	Chesapeake Division NAV Facilities Engineering Command	Washington Navy Yard Washington DC 20374-2121
N62481	17	Naval Air Station	Bermuda
N62507	17	Naval Air Facility	Atsugi, Japan
N62522	17	Military Sealift Command Europe	Bremerhaven, Germany
N62576	17	Navy Publications and Printing SVC Office Northern DIV	BLDG 4 700 Robbin Avenue Philadelphia PA 19111-5094
N62578	17	Naval Construction Battalion Center	Davisville RI 02854-1161
N62583	17	Naval Construction Battalion Center	Port Hueneme CA 93043-5000
N62588	17	Naval Support Activity	Naples, Italy
N62589	17	Joint US Military Assistance Group	Quezon City, Manila, Philippines
N62604	17	Naval Construction Battalion Center	34th Ave. and 25th Street Gulfport, MS 39501-5000
N62613	17	Marine Corps Air Station	Iwakuni, Japan
N62649	17	Naval Supply Depot	Yokosuka, Japan.
N62735	17	Fleet Activities	Sasebo, Japan

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N62742	17	Naval Facilities Engineering Command Pacific Division	Pearl Harbor, HI 96860-7300
N62755	17	Navy Public Works Center	BLDG 44 Moanalua Ridge Pearl Harbor HI 96860-5470
N62766	17	NAV Facilities Engineering Command	GUAM, Marianas Islands
N62808	17	Navy Public Works Center	Subic Bay, Philippines
N62814	17	Naval Medical Research Unit No. 2	Manila, Philippines
N62863	17	Naval Station	Rota, Spain
N62864	17	NAV Facilities Engineering Command	Manila, Philippines
N62974	17	Marine Corps Air Station	Yuma AZ 85369-5000
N62995	17	Naval Air Station	Sigonella, Italy
N63028	17	Polaris Missile Facility	Charleston, SC 29408-5700
N63032	17	Naval Air Station	Keflavik, Iceland
N63073	17	Naval Security Group Activity	Edzell, Scotland
N63126	17	Pacific Missile Test Center	Point Mugu CA 93042-5000
N63135	17	Navy Publishing and Printing Service Management Office	BLDG 176-2 Washington Navy Yard Washington DC 20374-1762
N63188	17	Regional Accounting and Disbursing Center	Naval Air Station Box 15 Jacksonville FL 32212-0072
N63381	17	Joint US Military Advisory Group Thailand	Bangkok, Thailand
N63387	17	Navy Public Works Center	Naval Base San Diego CA 92136-5113

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N63394	17	Naval Ship Weapon Systems Engineering Station	Port Hueneme, CA 93043-5007
N63402	17	Strategic Weapons Facility Pacific	Bremerton WA 98315-5500
N63427	17	Naval Communication Station	Exmouth, Western Australia
N65113	17	Navy Public Works Center	BLDG 1A Great Lakes IL 60088-5600
N65114	17	Navy Public Works Center	Naval Air Station Pensacola FL 32508-6500
N65492	17	Naval Hospital Orlando	Orlando, FL 32813-5200
N65540	17	Naval Ship Systems Engineering Station	Naval Base Philadelphia PA 19112-5083
N65872	17	Navy Regional Finance Center (Ships Stores Profit, Navy only)	Navy Regional Finance Center Washington DC 20371-5600
N65885	17	Naval Aviation Depot	Building 8 1st Deck Alameda CA 94501-5021
N65886	17	Naval Aviation Depot	Naval Air Station Jacksonville FL 32212-0016
N65887	17	Naval Aviation Depot	Norfolk VA 23511-5899
N65888	17	Naval Aviation Depot	Consolidated Receiving BLDG 660-2 Naval Air Station North Island San Diego CA 92135-5112
N65889	17	Naval Aviation Depot	Building 603 1 Naval Air Station Pensacola FL 32508-5300
N65923	17	Naval Aviation Depot	Marine Corps Air Station Cherry Point NC 28533-5030
N66001	17	Naval Ocean Systems Center	271 Catalina Blvd San Diego CA 92152-5000

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N66596	17	Naval Submarine Medical Research Laboratory	Box 900 Naval Submarine Base New London Groton CT 06349-5900
N66604	17	Naval Underwater Systems Center	Newport RI 02841-5047
N66735	17	Joint U.S. Military Assist. Group Korea	Seoul, Korea
N67001	17	Marine Corps Base	Camp Lejeune NC 28542
N67004	17	Marine Corps Logistics Base	Albany GA 31704
N67011	17	Director 1st Marine Corps District	605 Stewart Ave. Garden City NY 11530-4761
N67013	17	Director 4th Marine Corps District	Naval Base Building 75 Philadelphia PA 19112
N67015	17	Headquarters 6th Marine Corps District	1365 Peachtree Street NE Atlanta GA 30309-3117
N67016	17	Headquarters 8th Marine Corps District	Naval Support Activity BLDG 10 New Orleans LA 70142-5100
N67017	17	Director 9th Marine Corps District	10000 West 75th Street Shawnee Mission KS 66204-2265
N67019	17	Director 12th Marine Corps District	Naval Support Activity BLDG 7 Treasure Island San Francisco CA 94130-5059
N67029	17	Marine Barracks	8th and I Sts S.E. Washington DC 20390
N67353	17	Headquarters Battalion Headquarters US Marine Corps	Henderson Hall Arlington VA 22214
N67399	17	Marine Corps Air Ground Combat Center	BLDG 2211 Twenty Nine Palms CA 92278-5010
N67400	17	Marine Corps Base	Camp Butler, Okinawa

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N67443	17	Marine Corps Finance Center	Kansas City MO 64197
N67446	17	Consolidated Fiscal Accounting Office, FMF	Camp Pendleton CA 92055 East Pacific Region
N68084	17	Naval Hospital Charleston	Charleston, SC 29408-6900
N68086	17	Naval Hospital Newport	Newport RI 02841-5003
N68090	17	Naval Hospital Long Beach	Long Beach CA 90822-5100
N68093	17	Naval Hospital	Camp Lejeune NC 28542-5008
N68094	17	Naval Hospital	Camp Pendleton CA 92055-5008
N68095	17	Naval Hospital	Boone Road Bremerton WA 98312-1898
N68101	17	Naval Hospital	17th and Patterson Avenue Philadelphia PA 19145-5199
N68142	17	Navy Regional Data Automation Center	Naval Air Station Pensacola, FL 32508-6100
N68248	17	OIC NAVFACENGCOM Trident Naval Submarine Base	293 Point Peter Road Kings Bay GA 31558-0768
N68292	17	Naval Hospital	Yokosuka, Japan
N68305	17	Civil Engineering Laboratory	Port Hueneme CA 93043-5003
N68335	17	Naval Air Engineering Center	Lakehurst NJ 08733-5000
N68342	17	Navy Regional Finance Center (For Use as HQ Accounting, STARS funding only)	Navy Regional Finance Center Washington DC 20371-5600
N68378	17	Navy Public Works Center	San Francisco Bay PO Box 24003 Oakland CA 94623-1003
N68438	17	Trident Refit Facility	Bremerton WA 98315-5300

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
N68462	17	Naval Ocean Research and Development Activity	Bay St. Louis MS 39529-5004
N68470	17	Naval Hospital	Okinawa, Japan
N68479	17	4th Marine Corp	FMF Div New Orleans LA
N68518	17	Naval Reserve Financial Information Processing Center	New Orleans LA 70146-5300
N68566	17	Financial Information Processing Center Pensacola	Pensacola FL 32509-5000
N68688	17	Fleet Accounting and Disbursing Center Ashore Station Accounting	937 North Harbor Drive San Diego CA 92132-5111
N68711	17	Engineering Field Activity Southwest Western Division NAVFACENGCOM	1220 Pacific Highway San Diego CA 92132-5190
N68732	17	Fleet Accounting and Disbursing Center Ashore Station Accounting	BLDG X 132 Naval Station Norfolk VA 23511-6096
N68839	17	Naval Administrative Command	Orlando FL 32813-5014
N68892	17	Regional Financial Services Department	Naval Supply Center Code 30 Charleston SC 29408-6300
N68894	17	Regional Financial Services Department	Naval Supply Center Code 800 Oakland CA 94625-5000
N70092	17	Naval Security Station	3801 Nebraska Ave. NW Washington DC 20390-5230

ADDENDUM 3
DoD ACCOUNTABLE STATIONS
AIR FORCE

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
380100	57	Air Force Accounting and Finance Center (AFAFC)	Denver, CO 80279-5000
410000	57	Air National Guard	
503000	57	Wright-Patterson AFB	2750 ABW Wright-Patterson AFB OH 45433-5260
503100	57	Tinker AFB	OC-ALC Tinker AFB, OK 73145-5260
503200	57	McClellan AFB	SM-ALC McClellan AFB, CA 95652-5260
503300	57	Robins AFB	WR-ALC Robins AFB, GA 31098-5260
503600	57	Norton AFB	63 MAW Norton AFB, CA 92409-5260
503700	57	Bolling AFB	AFDW, Bolling AFB Washington, DC 20332-5260
503800	57	Travis AFB	60 MAW Travis AFB, CA 94535-5120
503900	57	Griffiss AFB	416 BMW Griffiss AFB, NY 13441-5260
504000	57	Lowry AFB	LTTC Lowry AFB, CO 80230-5260
504200	57	Maxwell AFB	HQ AU Maxwell AFB, AL 36112-5001
504300	57	Kelly AFB	SA-ALC Kelly AFB, TX 78241-5000
504400	57	Hill AFB	OO-ALC Hill AFB, UT 84056-5260

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
524600	57	DCASR, NY	201 Varick St. New York, NY 10014-4811
524900	57	DCASR, Chicago	O'Hare Intl Airport P.O. Box 66475 Chicago, IL 60066-0475
525000	57	Randolph AFB	12 CPTS Randolph AFB, TX 78150-5260
525100	57	Keesler AFB	KTTC Keesler AFB, MS 39534-5260
525300	57	Scott AFB	375 AAW Scott AFB, IL 62225-5260
525700	57	Offutt AFB	55 SRW Offutt AFB, NE 68113-5260
525900	57	Chanute AFB	CTTC Chanute AFB, IL 61868-5260
526100	57	Luke AFB	832 AD Luke AFB, AZ 85309-5260
526400	57	Sheppard AFB	STTC Sheppard AFB, TX 76311-5260
526500	57	Tyndall AFB	USAFADWC Tyndall AFB, FL 32403-5260
526600	57	DCASR, Atlanta	805 Walker St. Marietta, GA 30060-2789
526700	57	DCASR, Los Angeles	11099 S. La Cienega Blvd. Los Angeles, CA 90045-6197
527900	57	Eglin AFB	AD Eglin AFB, FL 32542-5260
528100	57	Shaw AFB	363 TFW Shaw AFB, SC 29152-5260
528200	57	McGuire AFB	438 MAW McGuire AFB, NJ 08641-5260
528300	57	Charleston AFB	437 MAW Charleston AFB, SC 29404-5260

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
528400	57	Dover AFB	436 MAW Dover AFB, DE 19902-5260
528500	57	Brooks AFB	6570 ABG Brooks AFB, TX 78235-5260
539300	57	RAF Upper Heyford United Kingdom England	20 TFW APO NY 09194-5260
539500	57	Kunsan Air Base Korea	8 TFW APO San Francisco 96264-5260
558200	57	F-16 Currency Clearing House	APO New York, NY 09667
558600	57	Lindsey Air Station Germany	7100 CSW APO NY 09633-5260
590000	57	Seymour-Johnson AFB	4 TFW, Seymour-Johnson AFB, NC 27531-5260
590800	57	DCASR, Philadelphia	P.O. Box 7478 Philadelphia, PA 19101-7478
590900	57	DCASR, Boston	495 Summer St. Boston, MA 02210-2184
591000	57	DCASR, Cleveland	1240 E. 9th St. Cleveland, OH 44199-2063
591400	57	DCASR, St. Louis	1136 Washington Ave. St. Louis, MO 63101-1194
591600	57	DCASR, Dallas	500 S. Ervay St., Room 212C Dallas, TX 75201-6377
592400	57	HQ AFCMD	Kirtland AFB, NM 87117-5000
593800	57	Incirlik Air Base Turkey	39 TACG APO NY 09289-5260
594100	57	Vandenberg AFB	4392 AEROSG Vandenberg AFB, CA 93437-5260
594200	57	Space Division (SD) Los Angeles W	SD P.O. Box 92960-5260 Worldway Postal Center Los Angeles, CA 90009-2960

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
595600	57	Wright-Patterson AFB	ASD Wright-Patterson AFB, OH 45433-5260
595700	57	Columbus AFB	14 FTW Columbus AFB, MS 39701-5030
596000	57	Iraklion AF	7276 ABG Greece APO NY 09291-5260
596500	57	Beale AFB	9 SRW Beale AFB, CA 95903-5022
596600	57	Grand Forks AFB	321 CPTS Grand Forks AFB, ND 58205-5260
596900	57	K I Sawyer AFB	410 BMW K I Sawyer AFB, MI 49843-5260
597200	57	Minot AFB	91 CPTS Minot AFB, ND 58705-5260
598100	57	Misawa Air Base Japan	432 CPTS APO SF 96519-5260
598200	57	San Vito Air Base Italy	7275 ABG APO NY 09240-5260
598400	57	RAF Chicksands United Kingdom	7274 ABG APO NY 09193-5260
598800	57	Defense Commercial Communications Office	Bldg 3189 Scott AFB, IL 6225-8300
599100	57	Aerospace Guidance Newark AFS	2803 ABG Newark AFS, OH 43057-5260
658800	57	Mrytle Beach AFB	354 TFW Mrytle Beach AFB, SC 29579-5260
659300	57	Hellenikon Air Base	7206 ABG Greece APO NY 09223-5260
659600	57	Aviano Air Base Italy	40 TACG APO NY 09293-5260
659700	57	RAF Lakenheath United Kingdom	48 TFW APO NY 09179-5260

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
659900	57	SAF/FMAF	SAF/FMAF Washington, DC 20330-1100
660000	57	MacDill AFB	56 TTW MacDill AFB, FL 33608-5260
660700	57	Lackland AFB	AFMTC Lackland AFB, TX 78236-5260
660900	57	Howard AFB Panama	24 COMPW APO Miami 34001-5260
661500	57	Little Rock AFB	314 TAW Little Rock AFB, AR 72099-5260
661600	57	Mather AFB	323 FTW Mather AFB, CA 95655-5000
662300	57	Kirtland AFB	1606 ABW Kirtland AFB, NM 87117-5260
662400	57	Patrick AFB	ESMC Patrick AFB, FL 32925-5260
662600	57	George AFB	831 AD George AFB, CA 92394-5260
663000	57	Dyess AFB	96 BMW Dyess AFB, TX 79607-5260
663200	57	Defense Mapping Agency Aerospace Center (DMAAC)	3200 S., 2nd St. St. Louis, MO 63118-3399
663600	57	Andersen AFB Guam	43 BW APO San Francisco 96334-5260
663800	57	Homestead AFB	31 TTW Homestead AFB, FL 33039-5260
664400	57	Plattburgh AFB	380 MW Plattburgh AFB, NY 12903-5260
664500	57	Pease AFB	509 BMW Pease AFB, NH 03803-5260
664600	57	Hurlburt Field	1 SOW Hurlburt Field, FL 32544-5260

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
664700	57	Malmstrom AFB	341 SMW Malmstrom AFB, MT 59402-5260
665400	57	Williams AFB	82 FTW Williams AFB, AZ 85240-5505
665500	57	Mountain Home AFB	366 TFW Mountain Home AFB, ID 83648-5260
666200	57	Lajes Field Azores	1605 MASW APO New York 09406-5260
666300	57	Rhein Main Air Base Germany	435 TAW APO New York 09057-5260
666400	57	Fairchild AFB	92 BMW Fairchild AFB, WA 99011-5260
666500	57	McConnell AFB	384 ARW McConnell AFB, KS 67221-5260
666700	57	RAF Bentwaters United Kingdom	81 CPTS APO New York 09755-5260
667100	57	Barksdale AFB	2 BMW Barksdale AFB, LA 71110-5260
667200	57	Clark Air Base Phillipines	3 TFW APO San Francisco 96274-5260
667300	57	Arnold AFS	AEDC Arnold AFS, TN 37389-5260
668100	57	Dobbins AFB	OLEX 2400 RRMS P.O. Box 489 Marietta, GA 30061-5260
668200	57	Ellsworth AFB	44 SMW Ellsworth AFB, SD 57706-5260
668300	57	Hickam AFB Hawaii	15 ABW APO San Francisco 96853-5260
668400	57	Bergstrom AFB	67 TRW Bergstrom AFB, TX 78743-5260
668800	57	Yokota Air Base Japan	475 ABW APO San Francisco 96328-5260

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
669100	57	McChord AFB	62 MAW McChord AFB, WA 98438-5260
669400	57	Cannon AFB	27 TFW Cannon AFB, NM 88103-5001
669800	57	Edwards AFB	AFFTC Edwards AFB, CA 93523-5260
670100	57	F E Warren AFB	90 SMW F E Warren AFB, WY 82005-5260
670900	57	Kadena Air Base Japan	18 CPTS APO San Francisco 96239-5260
671400	57	Castle AFB	93 BMW Castle AFB, CA 95342-5260
671600	57	Davis-Monthan AFB	836 AD Davis-Monthan AFB, AZ 85707-5260
671700	57	Carswell AFB	7 BMW Carswell AFB, TX 76127-5260
671800	57	Nellis AFB	TFWC Nellis AFB, NV 89191-5260
672300	57	March AFB	22 AREFW March AFB, CA 92518-5260
672900	57	Moody AFB	347 TFW Moody AFB, GA 31699-5260
673000	57	England AFB	23 TFW England AFB, LA 71301-5260
673200	57	Grissom AFB	305 AREFW Grissom AFB, IN 46971-5260
673600	57	Laughlin AFB	47 FTW ACF Laughlin AFB, TX 78843-5731
674400	57	Elmendorf AFB Alaska	21 CPTS Elmendorf AFB, AK 99506-5260
674700	57	Bitburg Air Base Germany	36 TFW APO New York 09132-5260
674800	57	Holloman AFB	833 AD Holloman AFB, NM 88330-5260

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
674900	57	Reese AFB	64 FTW Reese AFB, TX 79489-5260
675200	57	Soesterberg Air Base Netherlands	Det 5, 32 TFS/ACF APO New York 09292-5260
675500	57	Goodfellow AFB	GTTC Goodfellow AFB, TX 76903-5260
675700	57	RAF Alconbury United Kingdom	10 TRW APO New York 09238-5260
676000	57	Hahn Air Base Germany	50 TFW APO New York 09109-5260
676100	57	Peterson AFB	1 SPACE WG Peterson AFB, CO 80914-5260
676200	57	Vance AFB	71 FTW Vance AFB, OK 73705-5000
676300	57	Sembach Air Base Germany	66 ECW APO New York 09130-5260
676500	57	Pope AFB	317 TAW Pope AFB, NC 28308-5260
676700	57	Altus AFB	443 MAW Altus AFB, OK 73523-5260
676800	57	Loring AFB	42 BMW Loring AFB, ME 04751-5260
677100	57	Whiteman AFB	351 SMW Whiteman AFB, MO 65305-5260
677600	57	Torrejon Air Base Spain	401 TFW APO New York 09283-5260
677800	57	Osan Air Base Korea	51 CPTS APO San Francisco 96570-5260
678100	57	Hanscom AFB	ESD Hanscom AFB, MA 01731-5260
678900	57	Ramstein Air Base Germany	316 AD APO New York 09012-5260

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
679100	57	Wurtsmith AFB	379 BMW Wurtsmith AFB, MI 48753-5260
679200	57	USAF Academy	HQ USAFA USAF Academy, CO 80840-5420
807800	57	Eaker AFB	97 BMW Blytheville AFB, AR 72317-5000
843000	57	Security Assistance Accounting Center	Denver, CO 80279-5000
844100	57	RAF Mildenhall United Kingdom	513 TAW APO New York 09127-5260
844200	57	Spangdahlem Air Base Germany	52 TFW APO New York 09123-5260
845600	57	Zweibrucken Air Base Germany	26 TRW APO New York 09860-5260
846100	57	Eielson AFB Alaska	343 TFW Eielson AFB, AK 99702-5260
846800	57	Foreign Military Training Affairs Group (FMTAG)	FMTAG/FAR Randolph AFB, TX 78150-5001
846900	57	Ankara Air Station Turkey	7271 ABG APO New York 09254-5260
847800	57	RAF Greenham Common United Kingdom	501 TMW APO New York 09150-5260
847900	57	Comiso Air Station Italy	487 TMW APO New York 09694-5260
850400	57	Keflavik Air Force Station	APO New York 09673-2055
852700	57	Detachment B	P.O. Box 46600 Washington, DC 20050-6600

ADDENDUM 4
DoD ACCOUNTABLE STATIONS
DEFENSE AGENCIES

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
<u>WASHINGTON HEADQUARTERS SERVICES</u>			
S49447	97	Director, Budget & Finance Washington Headquarters Services (WHS)	Room 3B287, The Pentagon, Washington, D.C. 20301-1155
<u>DEFENSE COMMUNICATION AGENCY</u>			
842500	97	Defense Communications Agency	Code: 660 Washington, DC 20305-2000
<u>DEFENSE CONTRACT AUDIT AGENCY</u>			
044201	97	Defense Contract Audit Agency, Headquarters	ATTN: FASO-CAF Cameron Station Alexandria, VA 22304-6178
045560	97	Defense Contract Audit Agency Southwestern Region	2500 Wilshire Blvd Suite 405 Los Angeles, CA 90057-4367
045570	97	Defense Contract Audit Agency, Western Region	450 Golden Gate Ave Box 36116 San Francisco, CA 94102-3563
092080	97	Defense Contract Audit Agency, Eastern Region	805 Walker Street Suite 103 Marietta, GA 30060
191440	97	Defense Contract Audit Agency, Northeastern Region	Waltham Federal Center 424 Trapelo Rd. Waltham, MA 02154-6397
036251	97	Defense Contract Audit Agency, Mid-Atlantic Region	Fed. Bldg Rm 4400 600 Arch St. Philadelphia, PA 19106
041204	97	Defense Contract Audit Agency, Central Region	106 Decker Court Suite 300 Irving, TX 75038-2414

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
<u>DEFENSE INTELLIGENCE AGENCY</u>			
503744	97	Defense Intelligence Agency (Accounting for overseas transactions performed by Department of State.)	DIA, ATTN: OC-4 Washington, DC 20340-3035
<u>DEFENSE INVESTIGATIVE SERVICE</u>			
676900	97	Defense Investigative Service	1900 Half St., S.W. Washington, DC 20324-1700
<u>DEFENSE LOGISTICS AGENCY</u>			
009206	97	Defense Contract Administration Services Region, Atlanta	DCASR 805 Walker Street Marieta, GA 30060-2887
001943	97	Defense Contract Administrative Services Region, Boston	DCASR 495 Summer Street Boston, MA 02210-2084
011202	97	Defense Contract Administrative Services Region, Chicago	O'Hare International Airport P.O. Box 66475 Chicago, IL 60666
033185	97	Defense Contract Administrative Services Region, Cleveland	DCASR 1240 East Ninth St. Cleveland, OH 44199-2064
041458	97	Defense Contract Administrative Services Region, Dallas	DCASR 1200 Main Street Dallas, TX 75202-4399
036254	97	Defense Contract Administrative Services Region, Philadelphia	DCASR P.O. Box 7478 Philadelphia, PA 19101-7478
023210	97	Defense Contract Administrative Services Region, St. Louis	DCASR 1136 Washington Ave. St. Louis, MO 63101-1194
033181	97	DLA Finance Center Columbus, Ohio	DFC-AA P.O. Box 182317 Columbus, OH 43215-2317

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
033184	97	Defense Electronics Supply Center	DESC-CA 1507 Wilmington Pike Dayton, OH 45444-0000
044203	97	Defense Fuel Supply Center	DFSC-C Cameron Station Alexandria, VA 22304-6160
044073	97	Defense General Supply Center, DLA	DGSC-C Richmond, VA 23297-5000
036054	97	Defense Industrial Supply Center	DISC-CFSC 700 Robbins Lane Philadelphia, PA 19111-5096
036030	97	Defense Personnel Support Center	DPSC-CF P.O. Box 8419 2800 South 20th Street Philadelphia, PA 19101-8019
04505	97	Defense Subsistence Region, Pacific	DSR-PAC/F 2155 Mariner Square Loop Alameda, CA 94501-1222
020114	97	Defense Reutilization and Marketing Service	DRMS-C Federal Center Battle Creek, MI 49017-3492
091501	97	Defense Reutilization and Marketing Region Europe	DRMR Wiesbaden, Germany APO New York 09633-7479
094629	97	Defense Reutilization and Marketing Region Pacific	DRMR Camp H.M. Smith Pearl Harbor, HI 96061
040110	97	Defense Depot Memphis	DDMT-CF 2163 Airways Boulevard Memphis, TN 38114-5197
042015	97	Defense Depot Ogden	DDOU-CF Ogden, UT 84407-5000
045490	97	Defense Depot Tracy	DDTC-CF S. Chrisman Road Tracy, CA 95376-5000

<u>FSN/AAA/ ADSN</u>	<u>Dept</u>	<u>Station Name</u>	<u>Station Address</u>
<u>DEFENSE NUCLEAR AGENCY</u>			
S49146	97	Defense Nuclear Agency	ATTN: COMP-3 6801 Telegraph Rd Alexandria, VA 22310-3398
290560	97	Field Command Defense Nuclear Agency	ATTN: FCCF Kirtland AFB, NM 87115-5000
S18122	21	Armed Forces Radiobiology Research Institute	ATTN: COMP Bethesda, MD 20814-5000
<u>NATIONAL SECURITY AGENCY</u>			
S18119	97	National Security Agency	FAO 9800 Savage Road Fort Meade, MD 20755
<u>DEFENSE SECURITY ASSISTANCE AGENCY</u>			
503711	97	Defense Security Assistance Agency	DSAA, Office of the Comptroller, Room 4B659, The Pentagon Washington, DC 20301-2800
<u>DOD DEPENDENTS SCHOOLS</u>			
913120	97	DODDS-Mediterranean Regional Office	Torrejon AB Spain APO New York 09283
913720	97	DODDS-Atlantic Regional Office	London United Kingdom APO New York 09241
915730	97	DODDS-Germany Regional Office	Lindsey AS Germany APO New York 09633
943900	97	DODDS-Pacific Regional Office, Futema, Japan	FPO Seattle 98772-1005
965220	97	DODDS-Panama Regional Office,	Albrook AFS Panama APO Miami 34002

CHAPTER 5

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM0501 GENERAL050101 Purpose

This chapter sets forth the objectives of the Joint Financial Management Improvement Program (JFMIP). It provides the guidelines for DoD participation in the JFMIP and for reporting annually initiatives undertaken by DoD Components to improve financial management in the Department of Defense.

050102 Overview

A. The JFMIP is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management. The program is administered by a steering committee, which is composed of representatives of the four offices, and the Executive Director of the JFMIP. Under the guidance of the steering committee, the Executive Director and staff develop, direct, and undertake programs and projects for JFMIP on a day-to-day basis.

B. The overall objectives of the JFMIP are to:

1. Encourage and promote the sharing and exchanging of information concerning good financial policies, practices, and techniques throughout the Government, and

2. Improve financial management throughout the Government, and thereby contribute significantly to the effective and efficient planning and operation of Government programs.

0502 DoD SUPPORT OF JFMIP EFFORTS

To achieve fully the necessary coordination and cooperation, the head of each DoD Component shall designate a liaison official to serve as a point of contact on matters relating to JFMIP.

DoD liaison representatives are identified in the Federal Financial Management Directory. Their names are listed with the names of representatives of other Government Departments and Agencies. The program is implemented in the Department of Defense in two major ways:

050201 Special projects may be undertaken to study significant problem areas and recommend solutions. DoD Components benefit by cooperating with and participating in these studies as requested by the Comptroller, DoD.

050202 An annual report on the progress within the Department of Defense on its own financial management improvements helps ensure continued management attention to and interest in improving financial management. The report describes financial management activities accomplished and in progress, and becomes part of the JFMIP Annual Report highlighting some of the major financial management improvements throughout the Federal Government.

0503 INFORMATION REQUIREMENT

050301 An annual report shall be prepared on major projects. The report shall describe the project, highlight potential or actual savings, and identify the responsible action officer who may be contacted for further details. A "major" project for the JFMIP annual report is one of the following:

- A. Has estimated savings of at least \$10 million over the life cycle of the project.

- B. Eliminates weaknesses that could lead to fraud, waste, abuse, and mismanagement of Government resources.

- C. Implements actions that are in response to the Congress.

- D. Improves the accuracy, reliability, and timeliness of financial reports.

050302 The report and two copies are due to the Defense Finance and Accounting Service within 30 workdays after September 30. A Status Report of Financial Management Improvements is optional and is to be submitted only if a DoD Component has something of value, which qualifies as a "major" project.

050303 The reporting requirement of this chapter is exempt from licensing in accordance with paragraph E.4.f. of DoD 7750.5-M, "DoD Procedures for Management of Information Requirements."

050304 Instructions for completing the annual report on major financial management improvements are as follows:

A. The reporting format to be used is provided as an addendum to this chapter. The annual report should consist of a series of narrative summaries prepared in this format (one page for each major financial improvement).

B. For each item being reported, enter in the space provided one of the following report categories:

- | | |
|----------------|--------------------------------|
| Reporting. | 1. Improved Financial |
| Consolidation. | 2. Systems Modernization and |
| | 3. Accounting Procedures. |
| | 4. Auditing Improvements. |
| | 5. Budgeting. |
| Management. | 6. Cash, Credit, and Debt |
| | 7. Microcomputer Applications. |
| Systems. | 8. Payroll and Personnel |
| | 9. Productivity. |
| | 10. Other. |

C. The status of each reported item should be checked either as:

1. "Accomplishment;" that is, completed during the reporting period, or
2. "In process."

D. For each reported item, there should be included in narrative form in the summary section of the report (addendum):

1. A concise and succinct description of the improvement.
2. The actual or estimated implementation and/or completion date.
3. Any actual or anticipated cost savings.
4. Other major benefits.
5. The name and telephone number of an individual to whom requests for more specific information on the improvement can be directed.

E. The narrative should describe the improvement fully, yet be concise enough that it can be reported with minimum or no modification in the annual report. Do not use acronyms or abbreviations, unless they are fully explained or identified. Examples of management improvement projects are provided on pages 79 through 83 of this chapter. The summary narrative on each reported item should be limited to the space provided on the addendum. Refer to previous JFMIP annual reports for a guide concerning length and description of the summary report on each improvement. More detailed information is optional, but, if prepared, it should be attached to the summary report.

F. When special emphasis is placed on efforts that may be considered part of the financial management improvement program, such as accounting systems, approvals, and initiatives to improve integrity and efficiency, care must be taken to avoid placing duplicate or conflicting requirements upon a DoD Component's accounting entities.

050305 Instructions for updating the JFMIP Federal Financial Management Directory are as follows:

A. A current updated directory listing the top policy officials in the financial management field, and key financial management officials in headquarters and field offices for all major DoD Components shall be submitted with the annual report. The listing will include the title of the position, address, and telephone

number for each individual. The list of officials should cover, as a minimum, those functions identified in paragraph 050304.B, above.

B. The JFMIP liaison representative designated by each DoD Component should be a high official at the policy-making level designated, or redesignated, by placing an asterisk in front of his or her name.

ADDENDUM
Financial Management Improvement Initiatives

Department or Agency: _____

Bureau or Administration: _____

Contact Person: _____

Telephone Number: _____

Category of the Financial Initiative - check one:

- | | |
|--|---|
| <input type="checkbox"/> Financial Management Systems | <input type="checkbox"/> Cash and Credit Management |
| <input type="checkbox"/> Financial Management and Accounting Systems | <input type="checkbox"/> Credit Cards for Small Purchases |
| <input type="checkbox"/> Debt Management Systems | <input type="checkbox"/> Debit Cards |
| <input type="checkbox"/> Procurement and Property Systems | <input type="checkbox"/> Other Cash Management Efforts |
| <input type="checkbox"/> Payroll Systems | <input type="checkbox"/> Electronic Payments |
| <input type="checkbox"/> Automated Applications | <input type="checkbox"/> Electronic Funds Transfers |
| <input type="checkbox"/> Cross Servicing | <input type="checkbox"/> Automated Clearing House |
| <input type="checkbox"/> Financial Reporting | <input type="checkbox"/> Lockbox |
| <input type="checkbox"/> Accounting Policies and Procedures | <input type="checkbox"/> Third Party Drafts |
| <input type="checkbox"/> Total Quality Management | <input type="checkbox"/> Travel |
| <input type="checkbox"/> Budget Formulation and Execution | <input type="checkbox"/> Credit Management |
| <input type="checkbox"/> Auditing and Management Review | <input type="checkbox"/> Other Improvements |

Year-end Status (calendar year)

Accomplished _____ In Process _____

Description of the Initiative - attach no more than one page:

- Include concise description that conveys the essence of the initiative and its potential value to other agencies for application and use
- State the date of completion and/or implementation (actual or estimated)
- Describe actual or estimated benefits, such as cost savings
- Indicate future plans relating to this initiative

Financial Management Improvement Initiative

Department or Agency: Defense Finance and Accounting Service

Contact Person: Edward Grysavage

Telephone Number: (703) 607-1067

Category of the Financial Initiative: Payroll Systems

Year-end Status (calendar year 1991): In Process

In September 1991, the Navy Standard Civilian Payroll System was chosen as the standard civilian pay system DoD-wide and was renamed the Defense Civilian Pay System (DCPS). DCPS will provide DoD with a fully automated standardized civilian payroll system supported by standard payroll procedures and practices. The system will be consolidated at two locations and will eliminate the duplication and inefficiencies which occur in present payroll and central design agent operations. Other benefits include:

- (1) Uniform interpretations of regulations and payroll calculations;
- (2) Standard operating procedures, forms, and training;
- (3) Reductions of overall documentation including regulations, manuals, user manuals, etc.; and
- (4) Standardization of civilian payroll systems supports the standardization and integration in other areas such as personnel, accounting, and labor accounting.

The first payroll office is scheduled to become operational in mid-1992 with consolidation being completed in 1995. DCPS will save approximately \$700 million in a ten year period.

Financial Management Improvement Initiative

Department or Agency: Defense Finance and Accounting Service

Contact Person: Captain William Wilund

Telephone Number: (703) 602-4882

Category of the Financial Initiative: Payroll System

Year-end Status (Calendar year 1991): In Process

Currently, there are six separate pay systems paying the active, Reserve, and National Guard members of the four Services. A study was conducted to determine the feasibility of standardizing/consolidating these systems into one system and to determine if inefficiencies and duplication could be eliminated. On October 1991, the recommendations of the study were approved to implement the Defense Joint Military Pay System (DJMS). DJMS will encompass two separate subsystems, one operating at the Indianapolis, Cleveland, and Denver Centers for paying Army, Navy, and Air Force personnel and the other operating in the Kansas City Center for paying Marine Corps personnel. The high level of integration of the Marine Corps personnel and pay systems made the implementation of a single software system impractical.

Prior to starting the study, the Army and the Air Force were in the process of standardizing their active, Reserve, and National Guard pay systems to Joint Service Software (JSS). JSS will be the nucleus for DJMS and will be modified to accommodate the Navy's requirements. Consolidation of the Marine Corps active and Reserve pay systems will begin in January 1992 and be completed in August 1993. DJMS is scheduled to be completed by December 1994.

DJMS will eliminate duplicate software development efforts, standardize operations, pay computations, and interpretations; and reduce operational costs. Estimated savings are \$37.4 million over an 8 year life cycle.

Financial Management Improvement Initiative

Department of Agency: Defense Finance and Accounting Service

Contact Person: Ms. Gloria Harris

Telephone Number: (703) 607-1370

Category of the Financial Initiative: Payroll Systems

Year-end Status (calendar year 1991): In Process

Currently, eight different systems are used to process pay for military retirees and annuitants. We conducted a feasibility study which determined that the inefficiencies and duplicate operations inherent in the present processing environment could be substantially reduced upon incorporation of a standardized and consolidated pay process. As a result, on August 8, 1991, the Defense Finance and Accounting Service received approval to implement the Defense Retiree and Annuitant Pay System (DRAS) as the standard pay system for supporting military retirees and their annuitants in the future. This system will allow for enhanced customer service by providing a standard system with base level support for all military retirees and annuitants.

The DRAS implementation effort will convert the Army, Navy, Air Force, and Marine Corps retiree and annuitant systems into one consolidated system to operate at two Defense Finance and Accounting Service Centers. Payments for all military retirees will be processed at our Cleveland Center and all annuitant payments at the Denver Center. The implementation effort commenced in October 1991 and is scheduled to be completed by January 1995.

The system will provide for uniform interpretations of regulations and pay calculations; standard operating procedures, forms, and training; a reduction in the overall documentation requirement; and a significant reduction of 242 personnel billets. Additionally, it will support standardization and integration in other areas such as personnel and accounting.

The net projected life cycle savings for this standard system implementation equate to approximately \$12.2 million.

Financial Management Improvement Initiative

Department or Agency: Defense Finance and Accounting Service

Contact Person: Michael Bryant

Telephone Number: (703) 607-1587

Category of the Financial Initiative: Travel

Year-end Status (calendar year 1991): In Process

DoD has approved the implementation of a standard travel system designated the Defense Travel Pay System. The system will replace manual and automated systems in use by DoD agencies and the Military Services. All travel orders and claims will be prepared using the system at the local activity level and all claims will be paid from a central site. Local activities will use telecommunications to interface with the central site. The system will make extensive use of electronic signature and certification.

The system will be comprised of several modules, some of which will be purchased and usage limited to DoD by contractual agreement. Major modules will include a travel order writer, claim preparation modules for both permanent change of station (PCS) and temporary duty travel (TDY), and claim computation modules for both PCS and TDY.

The system will use electronic signatures to eliminate paper flow between activities and the central site. The system will feature single entry of data and automated interfaces with accounting, personnel, disbursing, and debt collection systems. These features will eliminate manual reentry of data and many accounting reconciliation problems. The system will also provide automated standard tracking of travel claims to ensure timely filing and collection of excess advances. The system will make use of EFT for advances and settlements. The system will also make use of the government travel card and travelers checks for advances. Government checks and cash will still be used for advances, but their use will be minimized.

The development of the system has already started. The first prototype is planned for January 1993. Full scale implementation is scheduled to begin in July 1993 and scheduled for completion in June 1994. Once fully implemented, the system will save \$364 million over 10 years.

Financial Management Improvement Initiative

Department or Agency: Defense Finance and Accounting Service

Contact Person: Major Gail Jennings

Telephone Number: (703) 607-0810

Category of the Financial Initiative: Other Improvements

Year-end Status (calendar year 1991): In Process

Defense Management Report Decision (DMRD) 941 directed the implementation of Electronic Commerce/Electronic Data Interchange (EC/EDI) throughout the Department of Defense (DoD) to accomplish specific cost reductions over a six year period with the goal of achieving \$98M per year savings. As a result, the Defense Finance and Accounting Service (DFAS) has undertaken a pilot project to test and implement the capabilities needed to establish an EDI system which allows paperless interoperability using standard: (1) computer system components; (2) commercial and DoD EDI transaction formats; (3) electronic mail and messaging formats; (4) DoD networks; (5) commercial networks and third-party services; and (6) electronic funds transfers. This initiative will streamline finance and accounting procedures. In addition, it impacts functional areas across the DoD; i.e., procurement/contract administration, transportation, and supply/maintenance as well as impacting on business interactions with the private sector.

The overall volume of transactions shall be the primary determiner for prioritization of pilot and migration site selection. There will be maximal use of existing automated systems and no additional networks added to implement the EDI system. This project will begin in the second quarter of FY 92. Eighty percent of full operating capabilities is anticipated in the fourth quarter of FY 95.

Currently, there is very limited EC/EDI use among the DFAS, the DoD, and the private sector, resulting in inefficient and less than timely execution of business transactions. The benefits of this DFAS initiative include, but are not limited to, lower data entry cost, more accurate and timely business data, reduced inventory, decreased paper handling, improved productivity, better business relationships, and greater customer satisfaction.

Through DMRD 941 guidance and executive direction, over 39% (\$38.9M) of the annual direct cost savings referenced above, will be realized by implementing DFAS EDI initiatives.

★ CHAPTER 6 ★

**UNDER SECRETARY OF DEFENSE (COMPTROLLER)
FINANCIAL MANAGEMENT AWARDS PROGRAM****0601 PURPOSE AND SCOPE**

The purpose of the Under Secretary of Defense (Comptroller) Financial Management Awards Program is to recognize significant contributions of individuals or groups to the improvement of financial management. The Program applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities, (hereafter referred to collectively as “the Department of Defense (DoD) Components”).

0602 POLICY

060201. It is DoD policy that:

A. Military and civilian members who make outstanding contributions to the improvement of DoD financial management should be recognized.

B. Recognition, in the form of an engraved plaque and certificate, shall be presented to, and retained by, the individual or group deemed to have achieved the most outstanding contribution(s) to the improvement of a financial management system, financial management initiative not directly related to system improvements, or innovative use of technology, during the preceding fiscal year.

060202. The following are the three award categories in the Under Secretary of Defense (Comptroller) Financial Management Awards Program:

A. Financial Management System Improvement. This category recognizes achievements resulting in the improvement, consolidation or standardization of the information technology aspects of a financial management system, or manual processes in support of information technology efforts. Examples of appropriate efforts are as follows:

1. Designing and/or implementing new financial systems where current processes are manual or partially automated.

2. Improving systems, including processes or paper flow.

3. Developing new or substantially revising and improving existing financial management systems, or the financial management aspects of information in feeder systems.

4. Developing new or substantially revising and improving existing financial management systems, or the financial management aspects of information in feeder systems.

5. Improving testing approaches to better ensure integrity prior to bringing a system on-line.

6. Reducing time required to process transactions. This may include the reduction of manual processing, elimination of unneeded processing steps, or consolidation of procedures.

B. Financial Management Initiative. This category recognizes improvement in aspects of financial management programs not directly related to system improvements. Efforts may be undertaken in budgeting, accounting, financial analysis, auditing, and other fields related to financial management. Examples of appropriate efforts include:

1. Reducing problem disbursements
2. Reducing aged accounts receivable and payable
3. Improving the quality and timeliness of report content
4. Prompt recording of commitments and obligations
5. Reducing paperwork
6. Improving funds control
7. Consolidating organizations under tight deadlines
8. Training to enhance performance
9. Interfacing with other areas to ensure more efficient processes
10. Improving accounting policies and procedures
11. Improving budget formulation and execution

C. Innovative Use of Technology to Improve Financial Management. This category recognizes achievements associated with the introduction or application of new technologies, as well as the introduction or application of existing technologies in new ways. Examples of appropriate efforts are as follows:

1. Enhancing processes by using imaging to decrease the amount of paper required in financial management processes.

2. Scanning paper transactions to reduce storage retention requirements.
3. Using emerging concepts, such as the Internet, to enhance the transference of information, order materials, obtain updates, meet reporting requirements, etc.
4. Introducing or expanding the use of charge cards, smart cards, etc.
5. Using electronic commerce/electronic data interchange to expedite transaction flows, processing, payments or remittance information.
6. Bar-coding to speed entry of data and enhance timeliness of information.
7. Applying satellite telecommunications.
8. Using teleservices to integrate telephone service with data files.
9. Expanding electronic interfaces.

060203. Award Levels. No more than six separate awards--two for each of the three categories listed above--will be awarded. Within each category, no more than one awardee will be selected from among the nominees from the headquarters and major command level, and no more than one awardee will be selected from among the nominees from organizations below major commands. While individuals or teams may be nominated for each of the categories and levels, only one winner (whether individual or team) will be awarded in each category for each level.

060204. Eligibility. Any military member or civilian employee of the DoD (to include Reserve Components) is eligible for nomination.

060205. Team Criteria. For purposes of these awards, a team is considered as a grouping of individuals, made up of three to twenty individuals, brought together temporarily to perform a specific task within a specific time frame. When two individuals work together on an applicable project or effort, they may be submitted jointly for an individual award. Teams of greater than 20 individuals are not eligible for these awards.

0603 RESPONSIBILITIES

060301. The Under Secretary of Defense (Comptroller) shall:

- A. Select awards recipients for each award category.
- B. Present awards to each recipient in an annual ceremony.

060302. The Deputy Chief Financial Officer annually shall convene a Financial Management Awards Program Board to receive nominations from the DoD Components and to make award recommendations to the Under Secretary of Defense (Comptroller).

060303. The Financial Management Awards Program Board shall:

A. Be composed of the Deputy Chief Financial Officer, or designee, (Chair) with a representative from each of the Military Departments, the Defense Finance and Accounting Service, and one from the Defense-wide (DW) community--which encompasses all other Defense Agencies and DoD Field Activities. Board nominees should be members of the Senior Executive Service, or general/flag officers, and should not have been nominators for any of the award nominations to be considered.

B. Convene annually to evaluate nominations and make recommendations for winners in each award category.

C. Recommend award winners for each award category based on the criteria in paragraph 060401.

060304. Heads of the Military Departments, the Defense Finance and Accounting Service, and the Director, Administration and Management shall each select a representative to the Financial Management Awards Program Board and notify the Deputy Chief Financial Officer by March 1, each year, of the representative selected from their DoD Component. The Director for Administration and Management shall appoint a representative of the Defense Agencies and DoD Field Activities (other than the Defense Finance and Accounting Service) from among nominees submitted to the Director, Administration and Management, by the Directors of the applicable Defense Agencies and DoD Field Activities.

060305. Heads of DoD Components each year shall nominate individuals for the Financial Management Award in accordance with the procedures and criteria in subsection 0604.

0604 DOD FINANCIAL MANAGEMENT AWARD CRITERIA AND PROCEDURES

The procedures and criteria for the DoD Financial Management Award are as follows:

060401. Award Criteria

A. Nominations for DoD Financial Management Awards shall be based on individual or team achievements during the preceding fiscal year and evaluated on the following criteria:

1. Cost reductions (in dollars and/or human resources).
2. Improvements in the timeliness and accuracy of information.

3. Enhanced customer service.
4. Streamlined policies and procedures.
5. Standardized policies, procedures and systems.

060402. Nomination Format

A. The attached nomination form (Parts A and B) shall be submitted for each nomination.

1. Part A includes the fiscal year of the accomplishment, award category, nominee data, nominating official data, nominating official signature, and citation.

2. Part B includes the nominee or team name, a brief description of the project or effort, and a narrative of the outstanding achievement. This part is limited to one page.

060403. Submission of Nominations

Heads of DoD Components shall submit nominations to the Office of the Deputy Chief Financial Officer, Room 3E831, the Pentagon, Washington, DC 20301-1100. Nominations must be received no later than the last working day of the second week in March in each year.

0605 AWARD DESCRIPTION (PLAQUES AND CERTIFICATES)

060501. For an individual award, the award recipient will receive an engraved plaque and a certificate signed by the Under Secretary of Defense (Comptroller).

060502. For a team award, the team will receive a single engraved plaque and each team member will receive a certificate signed by the Under Secretary of Defense (Comptroller).

★ This entire chapter is revised.

**UNDER SECRETARY OF DEFENSE (COMPTROLLER)
FINANCIAL MANAGEMENT AWARDS PROGRAM
NOMINATION FORM – PART A**

Fiscal Year _____

Award Category: ☐ Financial Management System Improvement
 ☐ Financial Management Initiative
 ☐ Innovative Use of Technology to Improve Financial Management

Level: ☐ Headquarters and major command ☐ Below major command

Nominee Data: (For teams, complete nominee data for each team member)

Name: _____

Rank/Grade First MI Last

Duty Title: _____ **E-mail:** _____

Office Address: _____

(include office symbol and base)

Phone No: _____

DSN Cml (include area code) FAX

Nominating Official Data:

Name: _____

Rank/Grade First MI Last

Duty Title: _____ **E-mail:** _____

Office Address: _____

(include office symbol and base)

Phone No: _____

DSN Cml (include area code) FAX

Signature of Nominating Official Date

Citation: (Do not exceed 5 lines)

**UNDER SECRETARY OF DEFENSE (COMPTROLLER)
FINANCIAL MANAGEMENT AWARDS PROGRAM
NOMINATION FORM – PART B
(Limited to one page)**

A. Nominee/Team Name:_____

B. Name of Project/Effort:_____

C. Brief Description of Project/Effort:

D. Narrative Statement of Achievement: (The narrative should be specific and factual, giving concrete examples of the accomplishment, how it was accomplished, what benefits or results were realized, and why or how such benefits significantly improved financial management.)

CHAPTER 7

UNITED STATES GOVERNMENT STANDARD GENERAL LEDGER

0701 PURPOSE. This chapter prescribes the United States Government Standard General Ledger (USGSGL) that is required for use in the accounting systems of the Department. Additional information on this subject may be obtained on the Internet at: <http://fms.treas.gov/ussgl/index.html>

0702 GENERAL

070201. The USGSGL integrates budgetary and proprietary accounting for each transaction, as would be required in an efficient, effective accounting system. Both the proprietary and budgetary accounts are self-balancing within themselves. The budgetary accounts are further divided into accounts applicable to three organizational levels within the Department of Defense (DoD). The three levels are (1) Departmental level, (2) Intermediate Command level and (3) Installation level. Budgetary accounts applicable to each of the three levels must be self-balancing within that level. Since installation level budgetary accounts are used to record budget execution transactions, they are not limited for use at an installation and may be used at any, or all, DoD organizational levels.

070202. Summary and posting accounts have been provided and are so designated in the USGSGL and associated account descriptions. A summary account is an account that has been subdivided into subsidiary posting accounts. Accounts that are not further subdivided are posting accounts. Postings should not be made to summary accounts.

0703 INTERNAL CONTROL STANDARDS. The objectives of internal controls are to reasonably assure that (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use, and misappropriation; (3) revenues and expenditures are recorded and accounted for properly so that accounts and reliable financial reports may be prepared and accountability of assets may be maintained. Specific internal control standards to achieve these objectives are outlined below:

070301. Documentation. Internal control systems and all transactions and significant events are to be documented clearly and the documentation is to be available for examination.

070302. Recording of Transactions and Events. Transactions and significant events are to be recorded promptly and classified properly.

070303. Execution of Transactions and Events. Transactions and significant events are to be authorized and executed only by persons acting within the scope of their authority.

070304. Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

070305. Supervision. Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved.

070306. Access to and Accountability for Resources. Access to resources and records is to be limited to authorized individuals. Accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

0704 APPLICABILITY AND SCOPE

★ 070401. The USGSGL is applicable to all DoD accounting systems for all appropriations and funds. The Office of Management and Budget (OMB) Circular A-127, “Financial Management Systems,” and the “Federal Financial Management Improvement Act of 1996” require implementation of the standard general ledger (SGL) at the transaction level throughout an agency’s financial management systems, meaning both financial and mixed system applications. This means that applications are required to process transactions following the definitions and defined uses of the general ledger accounts as described in the SGL. Compliance with this standard requires data in financial reports to be consistent with the SGL, transactions to be recorded consistently with SGL rules, and supporting transaction detail for SGL accounts to be readily available. SGL applicability does not depend on an application containing a general ledger itself. For example, a payroll system which processes transactions in accordance with SGL transaction rules, sends summarized data to the core financial system for appropriate posting, and provides for sufficient traceability from the general ledger balances to the source documentation, would be considered in compliance with the SGL at the transaction level.

★ 070402. The USGSGL uses a four-digit account numbering system. Within the DoD, the USGSGL shall be implemented using attributes and subaccounts to accomplish the internal and external reporting needs.

★ 070403. The basic structure of the USGSGL consists of:

Proprietary/Budgetary Accounts

1000	Assets
2000	Liabilities
3000	Equity
4000	Budgetary
5000	Revenues and Financing Sources
6000	Expense
7000	Gains/Losses/Extraordinary Items, etc.
8000	Memorandum

0705 BASIC CONCEPT

070501. All resources acquired and used, and claims against those resources, are to be recorded on the basis of financial transactions (i.e., recordation of amounts in general ledger accounts shall be transaction driven).

★ 070502. The USGSGL shall be used regardless of the sources of funds. However, fund identification of financial resources shall be maintained in order to (1) disclose compliance with financial authorizations and (2) prepare reports on the status of appropriations and funds for the Congress, the OMB, and the Treasury Department.

★ 070503. The USGSGL account structure is intended to be the minimum structure required to assure consistent treatment of similar transactions. Subsidiary accounts may be established as needed to meet specific management requirements. However, the prescribed accounts shall be used as general ledger control accounts. Structures that are “similar,” whether more or less detailed, are not authorized for use. Not all accounts are needed by all accounting entities.

★ 070504. The USGSGL account structure shall be used to record all of the series of events that occur from the time an appropriation is received until the resources acquired are used or disposed. A self-balancing set of budgetary accounts covers the appropriation, apportionment, allocation, commitment, obligation and expenditure process. Proprietary asset and liability accounts cover the receipt of funds in the Treasury, the proper classification of assets (such as receivables, prepayment, inventory and fixed assets), and the recognition and proper classification of liabilities. Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs through the use and consumption of assets. The financial control provided through accounting records for property provides managers with a tool that will help to discharge effectively their stewardship function for those resources.

★ 070505. The USGSGL account structure also facilitates the accumulation and recording of expenses by major areas of responsibility or activity. By having a single general ledger, expenses incurred by a DoD entity for any given activity for which it is responsible, and the associated revenues, if any, can be ascertained by managers with confidence that the accounting is complete and controlled. This will be possible regardless of the appropriation or fund that originally financed the cost and without the need for memorandum accounting records. Consistency in the accounting treatment of similar transactions, through the use of a uniform structure, creates reliable cost data for planning, budgeting and other management purposes.

★0706 OBJECTIVES. The objectives of the USGSGL are outlined in the following paragraphs.

070601. Establish an account structure for the integration of appropriation or fund accounting, property accounting, revenue accounting and expense accounting.

070602. Provide managers with the visibility over accurate and complete financial data, including total operating expenses and total acquisition cost of real and personal property.

070603. Achieve a uniform treatment of similar transactions by all DoD Components at all levels.

070604. Establish accounting control over all resources from receipt to consumption or disposal.

070605. Provide the capability of producing significant expense and cost information concerning programs, projects and other activities in accordance with internal management needs.

070606. Provide appropriation and fund data needed to meet reporting requirements of the central fiscal agencies and the Chief Financial Officers Act, as well as to provide such other financial data as may be needed for internal and external reporting requirements.

070607. Facilitate the development of future accounting improvements.

070608. Assure compliance with the OMB pronouncements, including those developed by the Federal Accounting Standards Advisory Board (FASAB); DoD accounting policies and standards set forth in this Regulation; and other applicable regulations promulgated by the central fiscal agencies.

0707 BUDGETARY AND PROPRIETARY ACCOUNTING RELATIONSHIPS. Figure 7-1 illustrates the following budgetary and proprietary accounting relationships.

070701. An entry to record budget authority (vice budgetary resources) in budgetary accounts requires a corresponding entry to record funds with Treasury in proprietary accounts.

070702. An entry to record expended authority unpaid in budgetary accounts requires a corresponding entry to record accounts payable in proprietary accounts.

070703. An entry to record expended authority paid in budgetary accounts requires a corresponding entry to record funds disbursed in proprietary accounts.

070704. An entry to record reimbursements earned but unpaid in budgetary accounts requires a corresponding entry to record accounts receivable in proprietary accounts.

070705. An entry to record reimbursements earned and paid in budgetary accounts requires a corresponding entry to record funds collected in proprietary accounts.

★0708 U.S. GOVERNMENT STANDARD GENERAL ACCOUNTS. A listing of the approved USGSGL accounts for use within the Department is at Addendum 1. A description of the accounts is at Addendum 2.

BUDGETARY AND PROPRIETARY ACCOUNTING RELATIONSHIPS

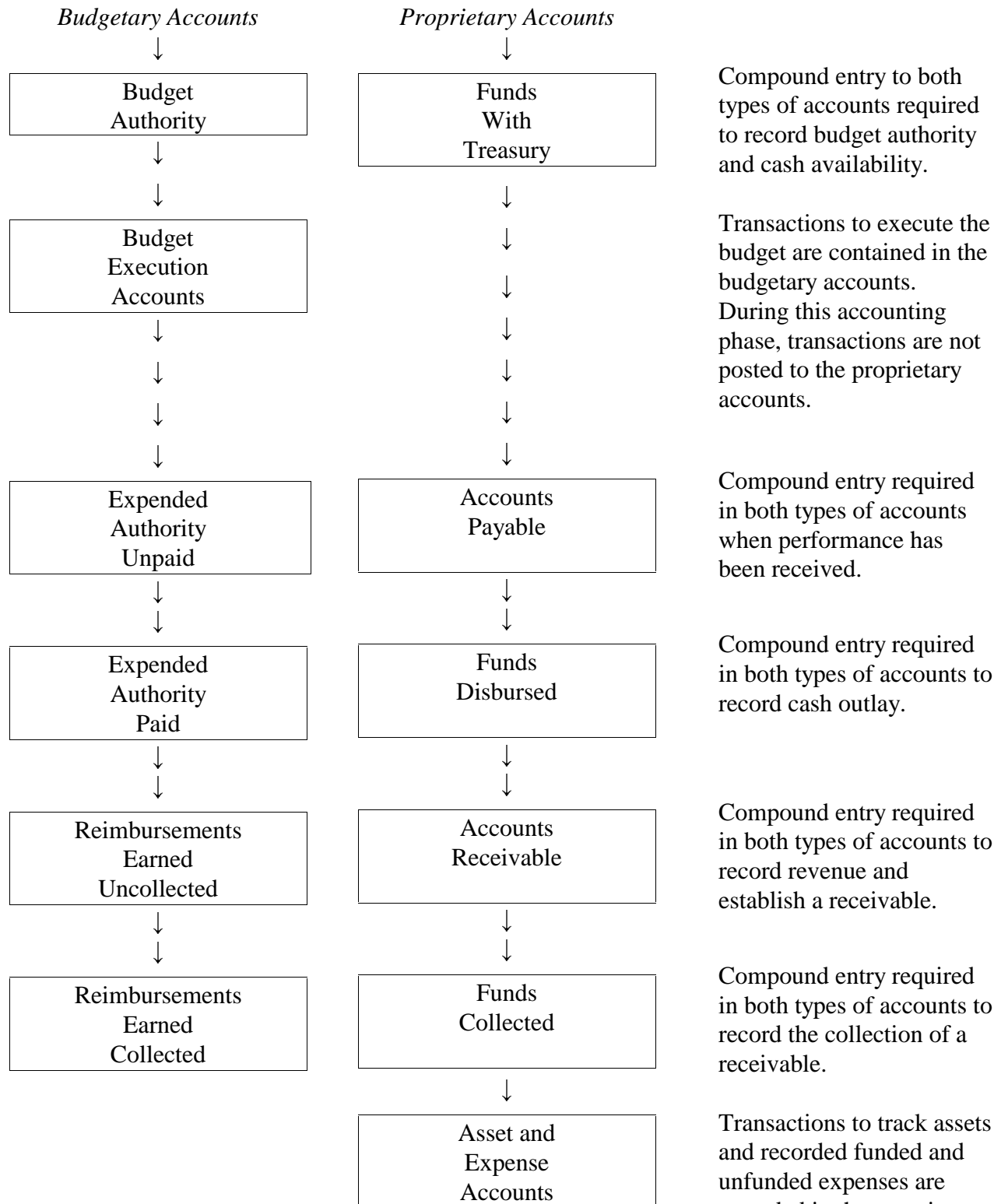
Appropriations

Figure 7-1

ADDENDUM 1
UNITED STATES GOVERNMENT STANDARD GENERAL LEDGER

General Ledger Control Account	General Ledger Account Title	Type of Account (Summary/ Posting)
1000	Assets	S
1010	Fund Balance With Treasury	P
1100	Cash	S
1110	Undeposited Collections	P
1120	Imprest Funds	P
1130	Funds Held by the Public	P
1190	Other Cash	P
1195	Other Monetary Assets	P
1200	Foreign Currency	P
1300	Receivables, Net	S
1310	Accounts receivable	P
1319	Allowance for Loss on Accounts Receivable	P
1330	Receivable for Allocation Transfers	P
1340	Interest, Penalty, and Administrative Fees Receivable	P
1349	Allowance for Loss on Interest Receivable	P
1350	Loans Receivable	P
1359	Allowance for Loss on Loans Receivable	P
1399	Allowance for Subsidy	P
1400	Advances and Prepayments	S
1410	Advances to Others	P
1450	Prepayments	P
1500	Inventory and Related Property, Net	S
1510	Operating Materials and Supplies	S
1511	Operating Materials and Supplies Held for Use	P
1512	Operating Materials and Supplies Held in Reserve for Future Use	P
1513	Operating Materials and Supplies - Excess, Unserviceable and Obsolete	P
1520	Inventory, Net	S
1521	Inventory Purchased for Resale	P
1522	Inventory Held in Reserve for Future Sale	P
1523	Inventory Held for Repair	P
1524	Inventory - Excess, Obsolete and Unserviceable	P
1525	Inventory - Raw Materials	P
1526	Inventory - Work in Process	P
1527	Inventory - Finished Goods	P
1529	Inventory - Allowance	P
1530	Seized Monetary Assets	S
1531	Seized Monetary Instruments	P

General Ledger Control Account	General Ledger Account Title	Type of Account (Summary/ Posting)
1532	Seized Cash Deposited	P
1540	Forfeited Property, Net	S
1541	Forfeited Property Held for Sale	P
1542	Forfeited Property Held for Donation or Use	P
1549	Forfeited Property - Allowance	P
1550	Foreclosed Property, Net	S
1551	Foreclosed Property	P
1559	Foreclosed Property - Allowance	P
1560	Commodities, Net	S
1561	Commodities Held Under Price Support and Stabilization Support Programs	P
1569	Commodities - Allowance	P
1570	Stockpile Materials	S
1571	Stockpile Materials Held in Reserve	P
1572	Stockpile Materials Held for Sale	P
1590	Other Related Property, Net	S
1591	Other Related Property	P
1599	Other Related Property - Allowance	P
1600	Investments, Net	S
1610	Investments in U.S. Treasury Securities Issued by Public Debt	P
1611	Discount on U.S. Treasury Securities Issued by Public Debt	P
1612	Premium on U.S. Treasury Securities Issued by Public Debt	P
1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Public Debt	P
1620	Investments in Securities Other Than Public Debt Securities	P
1621	Discount on Securities Other Than Public Debt Securities	P
1622	Premium on Securities Other Than Public Debt Securities	P
1623	Amortization of Premium and Discount on Securities Other Than Public Debt Securities	P
1690	Other Investments	P
1700	General Property, Plant, and Equipment, Net	S
1710	Land, Net	S
1711	Land and Land Rights	P
1712	Improvements to Land	P
1719	Accumulated Depreciation on Improvements to Land	P
1720	Construction in Progress	P
1730	Buildings, Improvements, and Renovations	P
1739	Accumulated Depreciation on Buildings, Improvements, and Renovations	P
1740	Other Structures and Facilities	P
1749	Accumulated Depreciation on Other Structures and Facilities	P
1750	Equipment	P

General Ledger Control Account	General Ledger Account Title	Type of Account (Summary/ Posting)
1759	Accumulated Depreciation on Equipment	P
1810	Assets Under Capital Lease	P
1819	Accumulated Depreciation on Assets Under Capital Lease	P
1820	Leasehold Improvements	P
1829	Accumulated Amortization on Leasehold Improvements	P
1830	Information Technology Software	P
1839	Accumulated Amortization on Information Technology Software	P
1840	Other Natural Resources	P
1849	Allowance for Depletion	P
1890	Other General Property, Plant, and Equipment	P
1900	Other Assets, Net	S
1920	Unrequisitioned Authorized Appropriations	P
1921	Receivable from Appropriations	P
1922	Borrowings Receivable from Treasury	P
1990	Other Assets	P
2000	Liabilities	S
2100	Accrued Liabilities - Other	S
2110	Accounts Payable	P
2120	Disbursements in Transit	P
2130	Contract Holdbacks	P
2140	Accrued Interest Payable	P
2150	Liability for Allocation Transfers	P
2180	Loan Guarantee Liability	P
2190	Other Accrued Liabilities	S
2200	Accrued Liabilities - Payroll and Benefits	S
2210	Accrued Funded Payroll and Benefits	P
2220	Accrued Unfunded Liabilities	P
2300	Unearned Revenue (Advances)	S
2310	Advances from Others	P
2320	Deferred Credits	P
2400	Liability for Deposit Funds and Suspense Accounts	P
2500	Debt	S
2510	Principal Payable to Treasury	P
2520	Principal Payable to the Federal Financing Bank	P
2530	Securities Issued by Federal Agencies under General and Special Financing Authority, Net	P
2540	Participation Certificates	P
2590	Other Debt	P
2600	Actuarial Liabilities	S
2610	Retirement Plans	P
2620	Insurance Plans	P

General Ledger Control Account	General Ledger Account Title	Type of Account (Summary/ Posting)
2690	Other Actuarial Liabilities	P
2900	Other Liabilities	S
2910	Prior Liens Outstanding on Acquired Collateral	P
2920	Contingent Liabilities	P
2930	Liability for Borrowings to be Received	P
2940	Capital Lease Liability	P
2950	Liability for Subsidy Related to Undisbursed Loans	P
2960	Accounts Payable Canceled	P
2970	Resources Payable to Treasury	P
2980	Custodial Liability	P
2990	Other Liabilities	P
2995	Accrued Cleanup Costs	P
3000	Equity	S
3100	Unexpended Appropriations	P
3105	Appropriated Capital Funding Canceled Payables	P
3310	Cumulative Results of Operations	P
3320	Reserved for FACTS Rounding Differences	P
4000	Budgetary	S
4001	Anticipated Total Resources	P
4032	Anticipated Contract Authority	P
4034	Anticipated Adjustments to Contract Authority	P
4042	Estimated Borrowing Authority - Indefinite	P
4044	Anticipated Reductions to Borrowing Authority	P
4047	Anticipated Payments to Treasury	P
4060	Anticipated Collections from Non-Federal Sources	P
4070	Anticipated Collections from Federal Sources	P
4110	Appropriations Realized	S
4111	Debt Liquidation Appropriations	P
4112	Deficiency Appropriations	P
4115	Loan Subsidy Appropriation - Definite - Current	P
4116	Entitlement Loan Subsidy Appropriation - Indefinite	P
4117	Loan Administrative Expense Appropriation - Definite - Current	P
4118	Re-estimated Discretionary Loan Subsidy Appropriation - Indefinite - Permanent	P
4119	Other Appropriations Realized	P
4120	Appropriations Anticipated - Indefinite	P
4121	Loan Subsidy Appropriation - Indefinite - Current	P
4130	Contract Authority	S
4131	Current-Year Contract Authority Realized - Definite	P
4132	Current-Year Contract Authority Realized - Indefinite	P
4133	Actual Adjustments to Contract Authority	P
4135	Contract Authority Converted to Cash	P

General Ledger Control Account	General Ledger Account Title	Type of Account (Summary/ Posting)
4138	Resources Realized from Contract Authority	P
4139	Contract Authority Carried Forward	P
4140	Borrowing Authority	S
4141	Current-Year Borrowing Authority Realized - Definite	P
4142	Current-Year Borrowing Authority Realized - Indefinite	P
4143	Actual Reductions to Borrowing Authority	P
4145	Borrowing Authority Converted to Cash	P
4147	Actual Payments to Treasury	P
4148	Resources Realized from Borrowing Authority	P
4149	Borrowing Authority Carried Forward	P
4150	Reappropriations	P
4160	Anticipated Transfers - Current-Year Authority	P
4165	Anticipated Allocation Transfers	P
4170	Transfers - Current-Year Authority	P
4175	Allocation Transfers	P
4180	Anticipated Transfers - Prior-Year Authority	P
4190	Transfers - Prior-Year Authority	P
4195	Transfer of Resources with Obligations	P
4201	Total Actual Resources - Collected	P
4210	Anticipated Reimbursements and Other Income	P
4215	Anticipated Appropriation Trust Fund Expenditure Transfers	P
4220	Unfilled Customer Orders	S
4221	Unfilled Customer Orders Without Advance	P
4222	Unfilled Customer Orders With Advance	P
4225	Appropriation Trust Fund Expenditure Transfers - Receivable	P
4250	Reimbursements and Other Income Earned	S
4251	Reimbursements and Other Income Earned - Receivable	P
4252	Reimbursements and Other Income Earned - Collected	P
4255	Appropriation Trust Fund Expenditure Transfers - Collected	P
4261	Actual Collection of Fees	P
4262	Actual Collection of Loan Principal	P
4263	Actual Collection of Loan Interest	P
4264	Actual Collection of Rent	P
4265	Actual Collections from Sale of Foreclosed Property	P
4266	Other Actual Collections - Non-Federal	P
4271	Actual Program Fund Subsidy Collected - Definite - Current	P
4272	Actual Program Fund Subsidy Collected - Indefinite - Permanent	P
4273	Interest Collected from Treasury	P
4274	Actual Program Fund Subsidy Collected - Indefinite - Current	P
4275	Actual Collections from Liquidating Fund	P
4276	Actual Collections from Financing Fund	P

General Ledger Control Account	General Ledger Account Title	Type of Account (Summary/ Posting)
4277	Other Actual Collections - Federal	P
4281	Actual Program Fund Subsidy Receivable - Definite - Current	P
4282	Actual Program Fund Subsidy Receivable - Indefinite - Permanent	P
4283	Interest Receivable from Treasury	P
4284	Actual Program Fund Subsidy Receivable - Indefinite - Current	P
4285	Receivable from the Liquidating Fund	P
4286	Receivable from the Financing Fund	P
4287	Other Federal Receivables	P
4310	Anticipated Recoveries of Prior-Year Obligations	P
4350	Canceled Authority	P
4390	Balance Available for Restoration, Write-off and Withdrawal	S
4391	Adjustments to Indefinite No-year Authority	P
4392	Rescissions - Current-Year	P
4393	Rescissions - Prior-Year	P
4395	Authority Unavailable Pursuant to Public Law - Temporary	P
4396	Authority Permanently not Available Pursuant to Public Law	P
4420	Unapportioned Authority - Pending Rescission	P
4430	Unapportioned Authority - OMB Deferral	P
4450	Unapportioned Authority - Available	P
4510	Apportionments	P
4520	Reserved for Agency Use	P
4530	Reserved for Agency Use	P
4540	Internal Fund Distributions Issued	P
4550	Internal Fund Distributions Received	P
4560	Funds Available for Allotment	P
4570	Allotments Issued	P
4580	Allotments Received	P
4590	Apportionments - Unavailable	P
4610	Allotments - Realized Resources	P
4620	Other Funds Available for Commitment/Obligation	P
4630	Funds Not Available for Commitment/Obligation	P
4650	Allotments - Expired Authority	P
4700	Commitments	P
4800	Undelivered Orders	S
4801	Undelivered Orders - Unpaid	P
4802	Undelivered Orders - Paid	P
4831	Undelivered Orders, Transferred - Unpaid	P
4832	Undelivered Orders, Transferred - Paid	P
4870	Downward Adjustments of Prior-Year Undelivered Orders	S
4871	Downward Adjustments of Prior-Year Unpaid Undelivered Orders	P

General Ledger Control Account	General Ledger Account Title	Type of Account (Summary/ Posting)
4872	Downward Adjustments of Prior-Year Paid Undelivered Orders Refunds Collected	P
4880	Upward Adjustments of Prior-Year Undelivered Orders	S
4881	Upward Adjustments of Prior-Year Unpaid Undelivered Orders	P
4882	Upward Adjustments of Prior-Year Paid Undelivered Orders	P
4900	Expended Authority	S
4901	Expended Authority - Unpaid	P
4902	Expended Authority - Paid	P
4970	Downward Adjustments of Prior-Year Expended Authority	S
4971	Downward Adjustments of Prior-Year Unpaid Expended Authority	P
4972	Downward Adjustments of Prior-Year Paid Expended Authority Refunds Collected	P
4980	Upward Adjustments of Prior-Year Expended Authority	S
4981	Upward Adjustments of Prior-Year Unpaid Expended Authority	P
4982	Upward Adjustments of Prior-Year Paid Expended Authority	P
5000	Revenues and Financing Sources	S
5100	Revenue from Goods Sold	P
5109	Contra Revenue for Goods Sold	P
5200	Revenue from Services Provided	P
5209	Contra Revenue for Services Provided	P
5310	Interest Revenue	P
5319	Contra Revenue for Interest	P
5320	Penalties and Fines Revenue	P
5329	Contra Revenue for Penalties and Fines	P
5400	Benefit Program Revenue	P
5409	Contra Revenue for Benefit Program Revenue	P
5500	Insurance and Guarantee Premium Revenue	P
5509	Contra Revenue for Insurance and Guarantee Premium Revenue	P
5600	Donated Revenue - Financial Resources	P
5609	Contra Revenue for Donations - Financial Resources	P
5610	Donated Revenue - Nonfinancial Resources	P
5619	Contra Donated Revenue - Nonfinancial Resources	P
5700	Appropriations Used	P
5720	Financing Sources Transferred In Without Reimbursement	P
5730	Financing Sources Transferred Out Without Reimbursement	P
5780	Imputed Financing Sources	P
5790	Other Financing Sources	P
5799	Adjustment of Appropriations Used	P
5800	Tax Revenues	P
5809	Contra Revenue for Taxes	P
5890	Tax Revenue Refunds	P

General Ledger Control Account	General Ledger Account Title	Type of Account (Summary/ Posting)
5900	Other Revenue	P
5909	Contra Revenue for Other Revenue	P
5990	Collections for Others	P
6000	Expense	S
6100	Operating Expenses/Program Costs	P
6190	Contra Bad Debts Expense - Incurred for Others	P
6199	Adjustment to Subsidy Expense	P
6300	Interest Expenses	S
6310	Interest Expenses on Borrowing from Treasury	P
6320	Interest Expenses on Securities	P
6330	Other Interest Expenses	P
6500	Cost of Goods Sold	P
6600	Applied Overhead	P
6700	Expenses Not Requiring Budgetary Resources	S
6710	Depreciation, Amortization, and Depletion	P
6720	Bad Debt Expense	P
6730	Imputed Costs	P
6790	Other Expenses Not Requiring Budgetary Resources	P
6800	Future Funded Expenses	P
6900	Non Production Costs	P
7100	Gains	S
7110	Gains on Disposition of Assets	P
7190	Other Gains	P
7200	Losses	S
7210	Losses on Disposition of Assets	P
7290	Other Losses	P
7300	Extraordinary Items	P
7400	Prior Period Adjustments	P
7500	Distribution of Income - Dividend	P
7600	Changes in Actuarial Liability	P
8000	Memorandum	S
8010	Guaranteed Loan Level (GLL)	P
8015	Guaranteed Loan Level - Unapportioned	P
8020	Guaranteed Loan Level - Apportioned	P
8025	Guaranteed Loan Level - Allotted and Available to Lenders	P
8030	Guaranteed Loan Level - Administrative Commitments Prior to Signing Contracts	P
8035	Guaranteed Loan Level - Contract Signed - Undisbursed by Lenders	P
8040	Guaranteed Loan Level - Disbursed by Lenders	P
8045	Guaranteed Loan Level - Unused Authority	P
8050	Guaranteed Loan (GL) Principal Outstanding	P

General Ledger Control Account	General Ledger Account Title	Type of Account (Summary/ Posting)
8053	Guaranteed Loan New Disbursements by Lender	P
8056	Guaranteed Loan Repayments and Prepayments	P
8059	Guaranteed Loan Default - Loan Acquired	P
8062	Guaranteed Loan Default - Property Acquired	P
8065	Guaranteed Loan Default - Claim Payment Only	P
8068	Guaranteed Loan Adjustments	P
8070	Guaranteed Loan Principal to be Collected	P

ADDENDUM 2
UNITED STATES GOVERNMENT STANDARD GENERAL LEDGER
ACCOUNT DESCRIPTIONS

Account Title: Assets
Account Number: 1000
Normal Balance: Debit
Type of Account: Summary

Definition: These accounts represent amounts of physical (tangible) items or rights to ownership (intangible) owned by the U.S. Government.

Account Title: Fund Balance With Treasury
Account Number: 1010
Normal Balance: Debit
Type of Account: Posting

Definition: All funds on deposit with Treasury reported on the SF224 Statement of Transactions, SF1219 Statement of Accountability and/or FMS2108 Year-end Closing Statement. (See Account 1530 Seized Property - Monetary Instruments.)

Account Title: Cash
Account Number: 1100
Normal Balance: Debit
Type of Account: Summary

Definition: All monetary resources on hand or on deposit with banks and other financial institutions. Included are coins, currency, readily negotiable instruments (such as checks and money orders), but excluded are certificates of deposit which are accounted for as investments.

Account Title: Undeposited Collections
Account Number: 1110
Normal Balance: Debit
Type of Account: Summary

Definition: Collections on hand, not yet deposited within the same accounting period.

Account Title: Imprest Funds
Account Number: 1120
Normal Balance: Debit
Type of Account: Posting

Definition: The authorized amount of cash held by agency cashiers at personal risk.

Account Title: Funds Held by the Public
Account Number: 1130
Normal Balance: Debit
Type of Account: Posting

Definition: Funds held by the public which OMB has determined will be included in the budget.

Account Title: Other Cash
Account Number: 1190
Normal Balance: Debit
Type of Account: Posting

Definition: Cash holdings that are not otherwise classified above.

Account Title: Other Monetary Assets
Account Number: 1195
Normal Balance: Debit
Type of Account: Posting

Definition: The balance of monetary assets, including gold (valued at market), special drawing rights, and U.S. Reserves in the International Monetary Fund.

Account Title: Foreign Currency
Account Number: 1200
Normal Balance: Debit
Type of Account: Posting

Definition: The U.S. dollar equivalent of foreign government currency.

Account Title: Receivables, Net
Account Number: 1300
Normal Balance: Debit
Type of Account: Summary

Definition: Summary account representing amounts due from others resulting from the performance of services, sale of goods, levy of taxes, or loan of monetary resources, less estimates for uncollectible items.

Account Title: Accounts Receivable
Account Number: 1310
Normal Balance: Debit
Type of Account: Posting

Definition: Amounts due from others when the right to receive funds accrues, which may result from the performance of services or the delivery of goods.

Account Title: Allowance for Loss on Accounts Receivable
Account Number: 1319
Normal Balance: Credit
Type of Account: Posting

Definition: Estimated amounts of uncollectible accounts receivable. The account will be increased by the amount estimated to be uncollectible each accounting period, and decreased by the actual accounts subsequently written off. Amount should consider outstanding advances.

Account Title: Receivable for Allocation Transfers
Account Number: 1330
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of allocations receivable to transfer appropriations from a parent appropriation via nonexpenditure transfers (i.e., funds may be transferred based on disbursement needs).

Account Title: Interest, Penalty, and Administrative Fees Receivable
Account Number: 1340
Normal Balance: Debit
Type of Account: Posting

Definition: Accrued interest, penalty, and administrative charges on accounts and loans receivable. Also includes interest accrued on investment securities.

Account Title: Allowance for Loss on Interest Receivable
Account Number: 1349
Normal Balance: Credit
Type of Account: Posting

Definition: The estimated amount of loss due to uncollectible interest receivable from: (1) credit programs prior to fiscal year 1992 and (2) other interest receivable for all years. Amounts

related to credit programs beginning with fiscal year 1992 will be accounted for in account 1399, Allowance for Subsidy.

Account Title: Loans Receivable
Account Number: 1350
Normal Balance: Debit
Type of Account: Posting

Definition: Amounts which have been loaned to another federal account or fund, individuals, private sector organizations, state and local governments, or foreign governments.

Account Title: Allowance for Loss on Loans Receivable
Account Number: 1359
Normal Balance: Credit
Type of Account: Posting

Definition: Estimated amounts of uncollectible loans receivable. The account will be increased by the amount estimated to be uncollectible each accounting period and decreased by the actual accounts subsequently written off.

Account Title: Allowance for Subsidy
Account Number: 1399
Normal Balance: Credit
Type of Account: Posting

Definition: This amount reflects the unamortized credit reform subsidy for direct loans and for defaulted guaranteed loans assumed for collection by the government. It appears in the financing fund of the direct loan or loan guarantee program involved and is subtracted from loans receivable (account 1350) on the statement of financial position. All transactions that affect the subsidy will be recorded in this account. The first transaction would normally be the transfer of subsidy monies from the program fund to the financing fund. Additional transactions record upward and downward adjustments to the account.

Account Title: Advances and Prepayments
Account Number: 1400
Normal Balance: Debit
Type of Account: Summary

Definition: The outstanding balance of amounts advanced to federal and nonfederal entities by the agency and prepayments made by the agency for the later receipt of goods, services, or other assets.

Account Title: Advances to Others
Account Number: 1410
Normal Balance: Debit
Type of Account: Posting

Definition: Payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or other assets. Common examples are travel advances which are made in contemplation of future travel expenses or advances to contractors which are made in contemplation of future receipt of inventory or fixed assets.

Account Title: Prepayments
Account Number: 1450
Normal Balance: Debit
Type of Account: Posting

Definition: Expenditures which provide future benefits. Prepayments are often recurrent in nature, and cover items such as rent, taxes, royalties, commissions, insurance, and supplies.

Account Title: Inventory and Related Property, Net
Account Number: 1500
Normal Balance: Debit
Type of Account: Summary

Definition: The summation of the posting account balances in the 1500 series.

Account Title: Operating Materials and Supplies
Account Number: 1510
Normal Balance: Debit
Type of Account: Summary

Definition: The summation of the posting account balances in the 1510 series.

Account Title: Operating Materials and Supplies Held for Use
Account Number: 1511
Normal Balance: Debit
Type of Account: Posting

Definition: The cost/value of tangible personal property to be consumed as operating materials and supplies in normal operations.

Account Title: Operating Materials and Supplies Held in Reserve for Future Use
Account Number: 1512
Normal Balance: Debit
Type of Account: Posting

Definition: The cost/value of tangible personal property held in reserve as operating materials and supplies because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed.

Account Title: Operating Materials and Supplies - Excess, Unserviceable and Obsolete
Account Number: 1513
Normal Balance: Debit
Type of Account: Posting

Definition: The cost/value of tangible personal property held as operating materials and supplies that exceed the amount expected to be used, are no longer needed due to changes in technology, laws, customs or operations, or are physically damaged and cannot be consumed in operations.

Account Title: Inventory, Net
Account Number: 1520
Normal Balance: Debit
Type of Account: Summary

Definition: The summation of the posting account balances in the 1520 series.

Account Title: Inventory Purchased for Resale
Account Number: 1521
Normal Balance: Debit
Type of Account: Posting

Definition: The cost/value of tangible personal property (1) held for sale, (2) in the process of production or sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee transfer.

Account Title: Inventory Held in Reserve for Future Sale
Account Number: 1522
Normal Balance: Debit
Type of Account: Posting

Definition: The cost/value of tangible personal property held in reserve as inventory for future sale, because it is not readily available in the market or because there is more than a remote chance that it will eventually be needed.

Account Title: Inventory Held for Repair
Account Number: 1523
Normal Balance: Debit
Type of Account: Posting

Definition: The cost/value of damaged tangible personal property held as inventory, which is more economical to repair than to dispose.

Account Title: Inventory - Excess, Obsolete and Unserviceable
Account Number: 1524
Normal Balance: Debit
Type of Account: Posting

Definition: The cost/value of tangible personal property held as inventory that exceeds the demand for sale, is no longer useful due to obsolescence, or is damaged beyond economical repair.

Account Title: Inventory - Raw Materials
Account Number: 1525
Normal Balance: Debit
Type of Account: Posting

Definition: The cost/value of raw materials purchased or donated for use as a component part of inventory.

Account Title: Inventory - Work in Process
Account Number: 1526
Normal Balance: Debit
Type of Account: Posting

Definition: Inventory accumulated cost/value of inventory in the production process. Work in process includes cost of raw materials, direct labor, and overhead.

Account Title: Inventory - Finished Goods
Account Number: 1527
Normal Balance: Debit
Type of Account: Posting

Definition: The accumulated cost/value of completed products.

Account Title: Inventory - Allowance
Account Number: 1529
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of estimated repairs needed for damaged inventory and the estimated gain or loss on the value of inventory due to unrealized holding gains or losses.

Account Title: Seized Monetary Assets
Account Number: 1530
Normal Balance: Debit
Type of Account: Summary

Definition: The value of all seized monetary instruments, including deposited and undeposited cash, that are in the process of forfeiture proceedings or being held as evidence. Upon obtaining judgement, the amount held in this account will be reclassified to the appropriate forfeited property account or to the fund balance with Treasury. (See accounts 1541 Forfeited Property Held for Sale and 1542 Forfeited Property Held for Donation or Use.)

Account Title: Seized Property - Monetary Instruments
Account Number: 1531
Normal Balance: Debit
Type of Account: Posting

Definition: The value of all seized monetary instruments, including undeposited cash, that are in the process of forfeiture proceedings or being held as evidence. Upon obtaining judgement, the amount held in this account will be reclassified to the appropriate forfeited property account or to the fund balance with Treasury. (See accounts 1541 Forfeited Property Held for Sale and 1542 Forfeited Property Held for Donation or Use.)

Account Title: Seized Cash Deposited
Account Number: 1532
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of cash seized by law enforcement activity that is deposited to Treasury in banks or other financial institutions pending forfeiture judgement.

Account Title: Forfeited Property, Net
Account Number: 1540
Normal Balance: Debit
Type of Account: Summary

Definition: The summation of the posting account balances in the 1540 series.

Account Title: Forfeited Property Held for Sale
Account Number: 1541
Normal Balance: Debit
Type of Account: Posting

Definition: The value of monetary instruments and property intended to be sold that were acquired as a result of forfeiture proceedings, to satisfy a tax liability; or unclaimed or abandoned merchandise.

Account Title: Forfeited Property Held for Donation or Use
Account Number: 1542
Normal Balance: Debit
Type of Account: Posting

Definition: The value of monetary instruments and property intended to be donated or to be used by the agency that were acquired as a result of: forfeiture proceedings, to satisfy a tax liability; or unclaimed or abandoned merchandise.

Account Title: Forfeited Property - Allowance
Account Number: 1549
Normal Balance: Credit
Type of Account: Posting

Definition: The estimated amount of third party liens and claims against forfeited property.

Account Title: Foreclosed Property, Net
Account Number: 1550
Normal Balance: Debit
Type of Account: Summary

Definition: The summation of the posting account balances in the 1550 series.

Account Title: Foreclosed Property
Account Number: 1551

Normal Balance: Debit
Type of Account: Posting

Definition: The value of assets received in satisfaction of a direct loan receivable or as a result of a claim under a defaulted guaranteed loan.

Account Title: Foreclosed Property - Allowance
Account Number: 1559
Normal Balance: Credit
Type of Account: Posting

Definition: The estimated amount of third party liens and claims against foreclosed property, and for pre credit reform property, the additional amount necessary to reduce the value of the property to net realized value.

Account Title: Commodities, Net
Account Number: 1560
Normal Balance: Debit
Type of Account: Summary

Definition: The summation of the posting account balances to the 1560 series.

Account Title: Commodities Held Under Price Support and Stabilization Support Programs
Account Number: 1561
Normal Balance: Debit
Type of Account: Posting

Definition: The cost/value of commercial items held to stabilize or support market prices.

Account Title: Commodities - Allowance
Account Number: 1569
Normal Balance: Credit
Type of Account: Posting

Definition: The amount needed to reduce the gross value of commodities to their expected net realizable value.

Account Title: Stockpile Materials
Account Number: 1570
Normal Balance: Debit

Type of Account: Summary

Definition: The summation of the posting account balances in the 1570 series.

Account Title: Stockpile Materials Held in Reserve

Account Number: 1571

Normal Balance: Debit

Type of Account: Posting

Definition: The value of strategic and critical materials held due to statutory requirements or for use in national defense, conservation, or national emergencies.

Account Title: Stockpile Materials Held for Sale

Account Number: 1572

Normal Balance: Debit

Type of Account: Posting

Definition: The value of strategic and critical materials held due to statutory requirements or for use in national defense, conservation, or national emergencies that are authorized to be sold.

Account Title: Other Related Property, Net

Account Number: 1590

Normal Balance: Debit

Type of Account: Summary

Definition: The summation of the posting account balances in the 1590 series.

Account Title: Other Related Property

Account Number: 1591

Normal Balance: Debit

Type of Account: Posting

Definition: The value of other related property not otherwise classified above, including real property acquired through military base closings.

Account Title: Other Related Property - Allowance

Account Number: 1599

Normal Balance: Credit

Type of Account: Posting

Definition: The estimated loss for third party liens and claims or for other changes in the value of other related property.

Account Title: Investments, Net
Account Number: 1600
Normal Balance: Debit
Type of Account: Summary

Definition: Securities and other assets held for the production of revenues in the form of interest, dividends, rentals, or lease payments, net of premiums and discounts.

Account Title: Investments In U.S. Treasury Securities Issued by Public Debt
Account Number: 1610
Normal Balance: Debit
Type of Account: Posting

Definition: The par value of U.S. Treasury securities issued by Public Debt. This includes marketable Treasury securities, non marketable Treasury securities, and market based Treasury securities.

Account Title: Discount on U.S. Treasury Securities Issued by Public Debt
Account Number: 1611
Normal Balance: Credit
Type of Account: Posting

Definition: The full discount on U.S. securities issued by Public Debt held by an agency.

Account Title: Premium on U.S. Treasury Securities Issued by Public Debt
Account Number: 1612
Normal Balance: Debit
Type of Account: Posting

Definition: The full premium on securities issued by Public Debt and held by an agency.

Account Title: Amortization of Discount and Premium on U.S. Treasury Securities Issued by Public Debt
Account Number: 1613
Normal Balance: Either
Type of Account: Posting

Definition: The amortization amount of premiums and discounts on securities issued by Public Debt held by an agency.

Account Title: Investments In Securities Other than Public Debt Securities
Account Number: 1620
Normal Balance: Debit
Type of Account: Posting

Definition: The par value of U.S. Treasury securities issued by federal agencies and the par value of securities issued by nonfederal entities.

Account Title: Discount on Securities Other Than Public Debt Securities
Account Number: 1621
Normal Balance: Credit
Type of Account: Posting

Definition: The full discount on securities other than Public Debt securities held by an agency.

Account Title: Premium on Securities Other Than Public Debt Securities
Account Number: 1622
Normal Balance: Debit
Type of Account: Posting

Definition: The full premium on securities other than Public Debt securities held by an agency.

Account Title: Amortization of Discount and Premium on Securities Other Than Public Debt Securities
Account Number: 1623
Normal Balance: Either
Type of Account: Posting

Definition: The amortization amount of premiums and discounts on securities other than Public Debt held by an agency.

Account Title: Other Investments
Account Number: 1690
Normal Balance: Debit
Type of Account: Posting

Definition: The value of other investments owned by the agency.

Account Title: General Property, Plant, and Equipment, Net
Account Number: 1700
Normal Balance: Debit
Type of Account: Summary

Definition: The current book value of real and personal property meeting the definition of general PP&E and in accordance with capitalization criteria established by the federal entity.

Account Title: Land, Net
Account Number: 1710
Normal Balance: Debit
Type of Account: Summary

Definition: The current book value of land, land rights, and improvements made to land that were acquired for agency general operations.

Account Title: Land and Land Rights
Account Number: 1711
Normal Balance: Debit
Type of Account: Posting

Definition: The identifiable cost of land and land rights of unlimited duration acquired for or in connection with plant, property, and equipment used in general operations, including permanent improvements. Stewardship land (national park or forest and land in public domain) is excluded. Also, excluded are materials beneath or above the surface and outer-continental shelf resources.

Account Title: Improvements to Land
Account Number: 1712
Normal Balance: Debit
Type of Account: Posting

Definition: The cost of nonpermanent, depreciable improvements to land used in general operations. Also includes similar costs to land subject to stewardship reporting, as well as land rights of limited duration that are associated with general operations.

Account Title: Accumulated Depreciation on Improvements to Land
Account Number: 1719
Normal Balance: Credit

Type of Account: Posting

Definition: Accumulates depreciation charged to expense for improvements to land.

Account Title: Construction in Progress

Account Number: 1720

Normal Balance: Debit

Type of Account: Posting

Definition: Includes costs of direct labor, direct material, and overhead incurred in the construction of property, plant, and equipment for which the agency will be accountable. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item.

Account Title: Buildings, Improvements, and Renovations

Account Number: 1730

Normal Balance: Debit

Type of Account: Posting

Definition: The cost of government-owned buildings acquired for and used in providing general government services or goods. Includes the cost of renovation, improvement, restoration, or reconstruction of multi-use heritage assets when those costs are directly tied to the conduct of government operations.

Account Title: Accumulated Depreciation on Buildings, Improvements, and Renovations

Account Number: 1739

Normal Balance: Credit

Type of Account: Posting

Definition: Accumulates depreciation charged to expense for buildings, improvements, and renovations.

Account Title: Other Structures and Facilities

Account Number: 1740

Normal Balance: Debit

Type of Account: Posting

Definition: The cost or appraised value of government-owned structures and facilities other than buildings that are purchased by general and trust fund appropriations and are under the control of the agency.

Account Title: Accumulated Depreciation on Other Structures and Facilities
Account Number: 1749
Normal Balance: Credit
Type of Account: Posting

Definition: Accumulates depreciation charged to expense for structures and facilities.

Account Title: Equipment
Account Number: 1750
Normal Balance: Debit
Type of Account: Posting

Definition: The capitalized cost of tangible equipment items of a durable nature used by the agency in providing goods and services (excluding computer software).

Account Title: Accumulated Depreciation on Equipment
Account Number: 1759
Normal Balance: Credit
Type of Account: Posting

Definition: Accumulates depreciation charged to expense for equipment.

Account Title: Assets Under Capital Lease
Account Number: 1810
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of assets being leased under terms which are essentially equivalent to an installment purchase.

Account Title: Accumulated Depreciation on Assets Under Capital Lease
Account Number: 1819
Normal Balance: Credit
Type of Account: Posting

Definition: Accumulates depreciation charged to expense for assets under capital lease.

Account Title: Leasehold Improvements
Account Number: 1820
Normal Balance: Debit
Type of Account: Posting

Definition: The cost of improvements to leased land, buildings, structures, and facilities occupied by the government as a lessee, as well as easements and right-of-way.

Account Title: Accumulated Amortization on Leasehold Improvements
Account Number: 1829
Normal Balance: Credit
Type of Account: Posting

Definition: Accumulates amortization charged to expense for leasehold improvements.

Account Title: Information Technology Software
Account Number: 1830
Normal Balance: Debit
Type of Account: Posting

Definition: The capitalized cost of purchased off-the-shelf software, contractor developed software, and cost elements of internally developed software when the cost of the software is to be recovered through charges to users.

Account Title: Accumulated Amortization on Information Technology Software
Account Number: 1839
Normal Balance: Credit
Type of Account: Posting

Definition: Accumulates amortization charged to expense for information technology software. Internally developed software will be amortized over a period not to exceed five years. Software acquired for research and development with no alternative future use will be amortized over the period of the project as opposed to the normal life cycle amortization.

Account Title: Other Natural Resources
Account Number: 1840
Normal Balance: Debit
Type of Account: Posting

Definition: The cost or appraised value of natural resources other than land.

Account Title: Allowance for Depletion
Account Number: 1849
Normal Balance: Credit
Type of Account: Posting

Definition: The reduction of an estimated available quantity of other natural resources.

Account Title: Other General Property, Plant, and Equipment
Account Number: 1890
Normal Balance: Debit
Type of Account: Posting

Definition: The value of general PP&E not otherwise classified above.

Account Title: Other Assets, Net
Account Number: 1900
Normal Balance: Debit
Type of Account: Summary

Definition: These accounts are to reflect the value of assets other than those specified above, less allowance for loss.

Account Title: Unrequisitioned Authorized Appropriations
Account Number: 1920
Normal Balance: Debit
Type of Account: Posting

Definition: Represents unrequisitioned disbursing authority as provided for in liquidating cash authority granted by Congress.

Account Title: Receivable from Appropriations
Account Number: 1921
Normal Balance: Debit
Type of Account: Posting

Definition: The amount to be received from appropriations to fund current or future expenses for which the appropriations are already authorized by law.

Account Title: Borrowings Receivable from Treasury
Account Number: 1922
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of cash to be received for loan programs through borrowing from the Treasury.

Account Title: Other Assets
Account Number: 1990
Normal Balance: Debit
Type of Account: Posting

Definition: Other assets not otherwise classified above.

Account Title: Liabilities
Account Number: 2000
Normal Balance: Credit
Type of Account: Summary

Definition: These accounts represent amounts owed by the U.S. Government for items received, services rendered, expenses incurred, assets acquired, construction performed, and amounts received but as yet unearned.

Account Title: Accrued Liabilities - Other
Account Number: 2100
Normal Balance: Credit
Type of Account: Summary

Definition: Amounts owed for goods and other property ordered and received, and for services rendered by other than employees.

Account Title: Accounts Payable
Account Number: 2110
Normal Balance: Credit
Type of Account: Posting

Definition: Amounts owed to another federal or nonfederal entity for goods and other property ordered and received, and for services rendered by other than employees.

Account Title: Disbursements in Transit
Account Number: 2120
Normal Balance: Credit
Type of Account: Posting

Definition: The amounts of voucher schedule payments transmitted to the regional disbursing office for payment but not processed by the regional disbursing office.

Account Title: Contract Holdbacks
Account Number: 2130
Normal Balance: Credit
Type of Account: Posting

Definition: The amounts withheld from grantees or contractors pending completion of related contracts.

Account Title: Accrued Interest Payable
Account Number: 2140
Normal Balance: Credit
Type of Account: Posting

Definition: Interest which accrues on borrowings and overdue accounts with the passage of time and is not due until a later period.

Account Title: Liability for Allocation Transfers
Account Number: 2150
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of allocations payable from a parent appropriation to a transfer appropriation via nonexpenditure transfers (i.e., funds may be transferred based on disbursement needs).

Account Title: Loan Guarantee Liability
Account Number: 2180
Normal Balance: Credit
Type of Account: Posting

Definition: This account is the financing fund for loan guarantee programs. All transactions that affect the subsidy for loan guarantees will be recorded in this account. It represents the expected present value of cash flows to and from the government from loan guarantees. The initial transaction transfers the subsidy monies from the program fund to the financing fund.

Account Title: Other Accrued Liabilities
Account Number: 2190
Normal Balance: Credit
Type of Account: Posting

Definition: Amounts of accounts payable not otherwise classified above.

Account Title: Accrued Liabilities - Payroll and Benefits
Account Number: 2200
Normal Balance: Credit
Type of Account: Summary

Definition: These accounts reflect accrued funded payroll and benefits and accrued unfunded annual leave.

Account Title: Accrued Funded Payroll and Benefits
Account Number: 2210
Normal Balance: Credit
Type of Account: Posting

Definition: The estimated liability for salaries and wages of civilians and commissioned officers that have been earned but are unpaid and amounts of funded annual leave, sick leave, and other employee benefits which have been earned but are unpaid. This accrual is to be reversed at the beginning of the subsequent accounting period, and is supported by the agency's payroll system files.

Account Title: Accrued Unfunded Liabilities
Account Number: 2220
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of unfunded liabilities expected to be paid from future years' appropriations.

Account Title: Unearned Revenue (Advances)
Account Number: 2300
Normal Balance: Credit
Type of Account: Summary

Definition: Payments received for goods or services not as yet delivered.

Account Title: Advances from Others
Account Number: 2310
Normal Balance: Credit
Type of Account: Posting

Definition: The balance of amounts advanced by other federal and nonfederal entities for goods and services to be furnished.

Account Title: Deferred Credits
Account Number: 2320
Normal Balance: Credit
Type of Account: Posting

Definition: Revenue (or income) received but not yet earned.

Account Title: Liability for Deposit Funds and Suspense Accounts
Account Number: 2400
Normal Balance: Credit
Type of Account: Posting

Definition: Amounts in deposit funds, suspense accounts, and undeposited collections, including budget clearing accounts awaiting disposition or reclassification.

Account Title: Debt
Account Number: 2500
Normal Balance: Credit
Type of Account: Summary

Definition: Agency liability in the form of notes payable and other borrowing agreements.

Account Title: Principal Payable to Treasury
Account Number: 2510
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of loan principal payable to Treasury.

Account Title: Principal Payable to the Federal Financing Bank
Account Number: 2520
Normal Balance: Credit
Type of Account: Posting

Definition: Amounts borrowed from the Federal Financing Bank.

Account Title: Securities Issued by Federal Agencies under General and Special Financing Authority, Net
Account Number: 2530
Normal Balance: Credit
Type of Account: Posting

Definition: Borrowings issued to the public under general and special financing authority, net of premiums and discounts.

Account Title: Participation Certificates
Account Number: 2540
Normal Balance: Credit
Type of Account: Posting

Definition: The liability for the agency's share of participation certificates.

Account Title: Other Debt
Account Number: 2590
Normal Balance: Credit
Type of Account: Posting

Definition: All other forms of government obligations, secured and unsecured, not otherwise classified above.

Account Title: Actuarial Liabilities
Account Number: 2600
Normal Balance: Credit
Type of Account: Summary

Definition: Used by agencies that administer retirement, insurance, or other annuity programs to accrue estimates of the present value of program benefits and expenses that will be made in the future that relate to services performed or entitlements due as of the balance sheet date. These accounts are not used to accrue agency liabilities for contributions to these programs.

Account Title: Retirement Plans
Account Number: 2610
Normal Balance: Credit
Type of Account: Posting

Definition: Actuarial present value of accumulated plan benefits for pension plans administered by agencies (e.g., U.S. Civil Service Retirement System administered by OPM). In computing the liability, agencies shall comply with requirements established by 31 U.S.C. 9501, et seq., and the accounting guidance issued pursuant to the law.

Account Title: Insurance Plans
Account Number: 2620
Normal Balance: Credit

Type of Account: Posting

Definition: Actuarial liability for future policy benefits for insurance plans, not covered by available budgetary resources as of the reporting date, administered by agencies (e.g., Federal employees group life insurance program administered by OPM). In computing the liability, agencies shall comply with requirements established by Standard L20 of GAO's policy and procedures manual for guidance of federal agencies, Title 2.

Account Title: Other Actuarial Liabilities

Account Number: 2690

Normal Balance: Credit

Type of Account: Posting

Definition: The actuarial present value of accumulated plan benefits for other actuarial liability plans not classified above.

Account Title: Other Liabilities

Account Number: 2900

Normal Balance: Credit

Type of Account: Summary

Definition: These accounts reflect the amounts of liabilities not otherwise classified above.

Account Title: Prior Liens Outstanding on Acquired Collateral

Account Number: 2910

Normal Balance: Credit

Type of Account: Posting

Definition: The value of liens approved and accepted as being claims against assets acquired through loan defaults.

Account Title: Contingent Liabilities

Account Number: 2920

Normal Balance: Credit

Type of Account: Posting

Definition: The estimated value of a probable loss. Information must indicate it is probable that an asset has been impaired or a liability incurred; and the dollar amount of the loss can be reasonably estimated.

Account Title: Liability for Borrowings to be Received
Account Number: 2930
Normal Balance: Credit
Type of Account: Posting

Definition: The estimated amount of funds that an agency can borrow from Treasury to cover the cost of loans to be disbursed.

Account Title: Capital Lease Liability
Account Number: 2940
Normal Balance: Credit
Type of Account: Posting

Definition: The present value of liabilities for assets acquired under a lease agreement which meets the test for capitalizing the assets.

Account Title: Liability for Subsidy Related to Undisbursed Loans
Account Number: 2950
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of subsidy owed by the financing fund for direct and guaranteed loans which have not been disbursed. This liability will be liquidated when the loan is disbursed. If the loan is not disbursed, the accrued subsidy must be removed from the financing fund.

Account Title: Accounts Payable Canceled
Account Number: 2960
Normal Balance: Credit
Type of Account: Posting

Definition: This account is used to reclassify accounts payable which have been canceled under requirements of Public Law 101-510 from regular accounts payable to canceled accounts payable.

Account Title: Resources Payable to Treasury
Account Number: 2970
Normal Balance: Credit
Type of Account: Posting

Definition: Liquidating fund assets in excess of liabilities that are being held as working capital. After liquidating all liabilities, these funds will be returned to Treasury.

Account Title: Custodial Liability
Account Number: 2980
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of custodial revenue yet to be transferred to another federal entity.

Account Title: Other Liabilities
Account Number: 2990
Normal Balance: Credit
Type of Account: Posting

Definition: Other liabilities not otherwise classified.

Account Title: Accrued Cleanup Cost
Account Number: 2995
Normal Balance: Credit
Type of Account: Posting

Definition: The estimated liability for projected future clean-up costs associated with the removing, containing, and/or disposing of hazardous materials associated with the current portion of general and stewardship property, plant, and equipment operations.

Account Title: Equity
Account Number: 3000
Normal Balance: Either
Type of Account: Summary

Definition: These accounts represent the difference between the assets and liabilities of the U.S. Government.

Account Title: Unexpended Appropriations
Account Number: 3100
Normal Balance: Credit
Type of Account: Posting

Definition: Amounts appropriated by Congress which have not been expended.

Account Title: Appropriated Capital Funding Canceled Payables
Account Number: 3105
Normal Balance: Debit

Type of Account: Posting

Definition: This account is used to record appropriated capital funding payment of accounts payable which had been canceled under requirements of Public Law 101-510.

Account Title: Cumulative Results of Operations

Account Number: 3310

Normal Balance: Either

Type of Account: Posting

Definition: The net difference since the inception of the activity between (1) expenses and losses and (2) financing sources including appropriations, revenues, and gains.

Account Title: Reserved for FACTS Rounding Differences

Account Number: 3320

Normal Balance: N/A

Type of Account: Posting

Definition: Reserved for use by the Department of the Treasury. DoD Components are not to use or post to this account.

Account Title: Budgetary

Account Number: 4000

Normal Balance: Debit

Type of Account: Summary

Definition: These accounts reflect budgetary operations and conditions from the time appropriations are realized until they are expended.

Account Title: Anticipated Total Resources

Account Number: 4001

Normal Balance: Debit

Type of Account: Posting

Definition: This account is used (for year-end closing) to consolidate the total amount of resources expected to be received by the financing fund from all sources (Program Fund Receipts, Borrowing from Treasury, Collections of Principal, and Collections of Loan Interest).

Account Title: Anticipated Contract Authority

Account Number: 4032

Normal Balance: Debit

Type of Account: Posting

Definition: The estimated amount of Indefinite Contract Authority during the fiscal year that permits a federal agency to incur obligations in advance of liquidating authority.

Account Title: Anticipated Adjustments to Contract Authority

Account Number: 4034

Normal Balance: Credit

Type of Account: Posting

Definition: The estimated amounts of reductions or increases during the fiscal year to Contract Authority.

Account Title: Estimated Borrowing Authority

Account Number: 4042

Normal Balance: Debit

Type of Account: Posting

Definition: The amount of indefinite borrowing authority estimated to be needed to finance estimated obligations during the current year. The balance in this account will be adjusted to zero at year-end.

Account Title: Anticipated Reductions to Borrowing Authority

Account Number: 4044

Normal Balance: Credit

Type of Account: Posting

Definition: The estimated amounts of reductions during the fiscal year to Borrowing Authority.

Account Title: Anticipated Payments to Treasury

Account Number: 4047

Normal Balance: Credit

Type of Account: Posting

Definition: The anticipated amounts to be paid to Treasury during the fiscal year.

Account Title: Anticipated Collections from Non-Federal Sources

Account Number: 4060

Normal Balance: Debit

Type of Account: Posting

Definition: The amount anticipated to be collected from nonfederal sources in the current fiscal year for loan programs (fees, loan principal, loan interest, rent, and proceeds from the sale of collateral).

Account Title: Anticipated Collections from Federal Sources
Account Number: 4070
Normal Balance: Debit
Type of Account: Posting

Definition: The amount anticipated to be collected from federal sources in the current fiscal year for loan programs (actual program loan subsidy - current, actual program fund subsidy - permanent, and interest from Treasury).

Account Title: Appropriations Realized
Account Number: 4110
Normal Balance: Debit
Type of Account: Summary

Definition: These accounts represent the amount of appropriations specified in an appropriations act and becoming available on or after October 1 of the fiscal year.

Account Title: Debt Liquidation Appropriations
Account Number: 4111
Normal Balance: Debit
Type of Account: Posting

Definition: Amount appropriated to liquidate debt as specified in the appropriation language.

Account Title: Deficiency Appropriations
Account Number: 4112
Normal Balance: Debit
Type of Account: Posting

Definition: Amount appropriated to eliminate a prior year deficiency.

Account Title: Loan Subsidy Appropriation - Definite - Current
Account Number: 4115
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of definite current budget authority appropriated by law for loan subsidies in direct loan and guarantee programs.

Account Title: Entitlement Loan Subsidy Appropriation - Indefinite
Account Number: 4116
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of indefinite budget authority appropriated for subsidies in loan entitlement programs.

Definition: The amount of indefinite budget authority appropriated for subsidies in loan entitlement programs as specified in the appropriation language which provides additional budget authority beyond original estimates for programs and activities.

Account Title: Loan Administrative Expense Appropriation - Definite - Current
Account Number: 4117
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of definite current budget authority appropriated by law for administrative expenses in direct loan and loan guarantee programs.

Account Title: Re-estimated Discretionary Loan Subsidy Appropriation - Indefinite - Permanent
Account Number: 4118
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of indefinite permanent budget authority appropriated for direct loan and loan guarantee subsidies based upon re-estimates.

Account Title: Other Appropriations Realized
Account Number: 4119
Normal Balance: Debit
Type of Account: Posting

Definition: All other appropriations not classified above.

Account Title: Appropriations Anticipated - Indefinite
Account Number: 4120

Normal Balance: Debit
Type of Account: Posting

Definition: The current estimate of amounts anticipated to become available under existing law.

Account Title: Loan Subsidy Appropriation - Indefinite - Current
Account Number: 4121
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of current indefinite budget authority appropriated to the program fund for loan subsidies in direct loan and loan guarantee programs.

Account Title: Contract Authority
Account Number: 4130
Normal Balance: Debit
Type of Account: Summary

Definition: Amounts of authority under which contracts or other obligations may be executed in advance of the receipt of an appropriation, or in excess of amounts otherwise available in a revolving fund.

Account Title: Current-Year Contract Authority Realized - Definite
Account Number: 4131
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of statutory authority during the fiscal year that permits federal agencies to incur obligations in advance of appropriations or collections where a specific sum or specific aggregate amount “not to exceed” is stated at the time the authority is granted.

Account Title: Current-Year Contract Authority Realized-Indefinite
Account Number: 4132
Normal Balance: Debit
Type of Account: Posting

Definition: Specific new statutory authority during the fiscal year that permits a federal agency to incur obligations in advance of appropriations or collections.

Account Title: Actual Reductions to Contract Authority
Account Number: 4133
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of contract authority that is reduced by legislation that cancels budget authority during the fiscal year; or the amount of contract authority that is reduced by administrative action; or the amount of contract authority previously reduced by administrative action that is administratively restored.

Account Title: Contract Authority Converted to Cash
Account Number: 4135
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of funds received during the fiscal year that liquidate Contract Authority.

Account Title: Resources Realized from Contract Authority
Account Number: 4138
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of funds received during the fiscal year to fund Contract Authority at the time of disbursement. These will be contra to budgetary resources received to liquidate Contract Authority.

Account Title: Contract Authority Carried Forward
Account Number: 4139
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of Contract Authority carried forward into the next fiscal year.

Account Title: Borrowing Authority
Account Number: 4140
Normal Balance: Debit
Type of Account: Summary

Definition: Statutory authority that permits a federal agency to incur obligations and to make payments for specified purposes from the proceeds of borrowed funds.

Account Title: Current-Year Borrowing Authority Realized - Definite
Account Number: 4141
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of statutory authority during the fiscal year that permits federal agencies to incur obligations and make payments to liquidate the obligations out of borrowed monies where a specific sum or specific aggregate amount “not to exceed” is stated at the time the authority is granted.

Account Title: Current-Year Borrowing Authority Realized - Indefinite
Account Number: 4142
Normal Balance: Debit
Type of Account: Posting

Definition: New statutory authority during the fiscal year that permits a federal agency to incur obligations and make payments for specified purposes out of borrowed monies where a specific sum is not stated when the authority is granted but is determinable only at some future date.

Account Title: Actual Reductions to Borrowing Authority
Account Number: 4143
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of Borrowing Authority reduced by legislation that cancels budget authority during the fiscal year.

Account Title: Borrowing Authority Converted to Cash
Account Number: 4145
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of nonexpenditure transfers during the fiscal year that reduce Borrowing Authority.

Account Title: Actual Payments to Treasury
Account Number: 4147
Normal Balance: Credit
Type of Account: Posting

Definition: Amounts paid to Treasury during the fiscal year.

Account Title: Resources Realized from Borrowing Authority
Account Number: 4148
Normal Balance: Debit
Type of Account: Posting

Definition: The amount drawn during the fiscal year to fund Borrowing Authority at the time of disbursement.

Account Title: Borrowing Authority Carried Forward
Account Number: 4149
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of Borrowing Authority carried forward into the next fiscal year for Definite Borrowing Authority. For Indefinite Borrowing Authority, this will be the amount that is supported by Unpaid Obligations (Undelivered Orders and Expended Authority).

Account Title: Reappropriations
Account Number: 4150
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of new budget authority derived from a law that extends the availability of unobligated budget authority that has expired or would otherwise expire.

Account Title: Anticipated Transfers - Current-Year Authority
Account Number: 4160
Normal Balance: Either
Type of Account: Posting

Definition: The net amount of anticipated nonexpenditure transfers of current-year authority to or from appropriations and funds.

Account Title: Anticipated Allocation Transfers
Account Number: 4165
Normal Balance: Either
Type of Account: Posting

Definition: The amount of budget authority anticipated to be transferred between a parent appropriation and a transfer appropriation via nonexpenditure transfer during the fiscal year.

Account Title: Transfers - Current-Year Authority
Account Number: 4170
Normal Balance: Either
Type of Account: Posting

Definition: The net amount of realized nonexpenditure transfers of current-year authority to or from appropriations and funds.

Account Title: Allocation Transfers
Account Number: 4175
Normal Balance: Either
Type of Account: Posting

Definition: The amount of budget authority transferred between a parent appropriation and a transfer appropriation via nonexpenditure transfer during the fiscal year. This includes amounts that are receivable or payable in which the nonexpenditure transfer has not yet been accomplished, and amounts that are paid or collected in which the nonexpenditure transfer has been accomplished.

Account Title: Anticipated Transfers - Prior-Year Authority
Account Number: 4180
Normal Balance: Either
Type of Account: Posting

Definition: The net amount of anticipated nonexpenditure transfers of prior-year unobligated balances to or from appropriations and funds.

Account Title: Transfers - Prior-Year Authority
Account Number: 4190
Normal Balance: Either
Type of Account: Posting

Definition: The net amount of realized nonexpenditure transfers to or from prior-year appropriations and funds.

Account Title: Transfers of Resources with Obligations
Account Number: 4195
Normal Balance: Either
Type of Account: Posting

Definition: The amount of resources with obligations transferred to or from appropriations and funds.

Account Title: Total Actual Resources - Collected
Account Number: 4201
Normal Balance: Debit
Type of Account: Posting

Definition: This account is used to consolidate the total amount of actual resources collected from all sources.

Account Title: Anticipated Reimbursements and Other Income
Account Number: 4210
Normal Balance: Debit
Type of Account: Posting

Definition: The estimate of reimbursements expected to be earned during the current fiscal year which are subject to OMB apportionment, and other authorized reimbursements and/or other income for which current fiscal year obligational authority is automatically established on the basis of customer orders received.

Account Title: Anticipated Appropriation Trust Fund Expenditure Transfers
Account Number: 4215
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of anticipated appropriation expenditure transfers from a trust fund to a general fund during the fiscal year.

Account Title: Unfilled Customer Orders
Account Number: 4220
Normal Balance: Debit
Type of Account: Summary

Definition: The total amount of unearned reimbursable orders accepted with or without an advance. This account represents the amount of goods and/or services to be furnished for other government agencies or the public. At the time goods and/or services are furnished, the amount becomes reimbursements earned.

Account Title: Unfilled Customer Orders Without Advance
Account Number: 4221
Normal Balance: Debit
Type of Account: Posting

Definition: The total amount of unearned reimbursable orders accepted without an advance. This account represents the amount of goods and/or services to be furnished for other government agencies or the public if permitted by law or by longstanding, generally accepted practice. At the time goods and/or services are furnished, the amount becomes reimbursements earned.

Account Title: Unfilled Customer Orders With Advance
Account Number: 4222
Normal Balance: Debit
Type of Account: Posting

Definition: The total amount of unearned reimbursable orders accepted with an advance. This account represents the amount of goods and/or services to be furnished for other government agencies or the public if permitted by law or by longstanding, generally accepted practice. At the time goods and/or services are furnished, the amount becomes reimbursements earned.

Account Title: Appropriation Trust Fund Expenditure Transfers - Receivable
Account Number: 4225
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of uncollected expenditure transfers from a trust fund to a general fund.

Account Title: Reimbursements and Other Income Earned
Account Number: 4250
Normal Balance: Debit
Type of Account: Summary

Definition: The amount of reimbursements and other income earned to date, through the delivery of goods and performance of services, whether or not bills have been rendered or collections made.

Account Title: Reimbursements and Other Income Earned - Receivable
Account Number: 4251
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of reimbursements and other income earned but not received, to date, through the delivery of goods and performance of services. This account represents the amount of reimbursements earned from other government agencies or the public during the current fiscal

year for which current fiscal year obligational authority is automatically established on the basis of customer orders.

Account Title: Reimbursements and Other Income Earned - Collected
Account Number: 4252
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of reimbursements and other income earned and collected, to date, through the provision of goods and performance of services.

Account Title: Appropriation Trust Fund Expenditure Transfers - Collected
Account Number: 4255
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of expenditure transfers executed between a trust fund and a general fund during the fiscal year.

Account Title: Actual Collection of Fees
Account Number: 4261
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of fees collected during the fiscal year from nonfederal sources.

Account Title: Actual Collection of Loan Principal
Account Number: 4262
Normal Balance: Debit
Type of Account: Posting

Definition: The total amount of loan principal collected during the fiscal year from nonfederal sources.

Account Title: Actual Collection of Loan Interest
Account Number: 4263
Normal Balance: Debit
Type of Account: Posting

Definition: The total amount of loan interest collected during the fiscal year from nonfederal sources for loan programs.

Account Title: Actual Collection of Rent
Account Number: 4264
Normal Balance: Debit
Type of Account: Posting

Definition: The total amount of rent collected during the fiscal year from nonfederal sources.

Account Title: Actual Collections from Sale of Foreclosed Property
Account Number: 4265
Normal Balance: Debit
Type of Account: Posting

Definition: The amount collected during the fiscal year from the sale of foreclosed property.

Account Title: Other Actual Collections - Non-Federal
Account Number: 4266
Normal Balance: Debit
Type of Account: Posting

Definition: The amount collected during the fiscal year from non-federal sources for which a specific SGL account has not been established.

Account Title: Actual Program Fund Subsidy Collected - Definite - Current
Account Number: 4271
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of current definite subsidy collected during the fiscal year by the financing fund from the program fund for loan programs.

Account Title: Actual Program Fund Subsidy Collected - Indefinite - Permanent
Account Number: 4272
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of permanent indefinite subsidy collected during the fiscal year by the financing fund from the program fund for loan programs.

Account Title: Interest Collected from Treasury
Account Number: 4273
Normal Balance: Debit

Type of Account: Posting

Definition: The amount of interest collected during the fiscal year by the financing fund from Treasury for loan programs.

Account Title: Actual Program Fund Subsidy Collected - Indefinite - Current

Account Number: 4274

Normal Balance: Debit

Type of Account: Posting

Definition: The amount of current indefinite subsidy collected during the fiscal year by the financing fund from the program fund for direct loan and loan guarantee programs.

Account Title: Actual Collections from Liquidating Fund

Account Number: 4275

Normal Balance: Debit

Type of Account: Posting

Definition: The amount the financing fund collects during the fiscal year from the liquidating fund for assuming pre credit reform loan programs for which the terms have been modified.

Account Title: Actual Collections from Financing Fund

Account Number: 4276

Normal Balance: Debit

Type of Account: Posting

Definition: The amount collected from the financing fund during the year. This will include liquidating fund collections for modified direct loans transferred to the financing fund, program fund collections for negative subsidies, downward re-estimates in mandatory loan programs, or other interfund collections paid from the financing fund.

Account Title: Other Actual Collections - Federal

Account Number: 4277

Normal Balance: Debit

Type of Account: Posting

Definition: The amount collected during the fiscal year from federal sources for which a specific SGL account has not been established.

Account Title: Actual Program Fund Subsidy Receivable - Definite - Current
Account Number: 4281
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of current definite subsidy due, but not collected by the financing fund from the program fund for loan programs.

Account Title: Actual Program Fund Subsidy Receivable - Indefinite - Permanent
Account Number: 4282
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of permanent indefinite subsidy due, but not collected by the financing fund from the program fund for loan programs.

Account Title: Interest Receivable from Treasury
Account Number: 4283
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of interest due, but not collected by the financing fund from Treasury for loan programs.

Account Title: Actual Program Fund Subsidy Receivable - Indefinite - Current
Account Number: 4284
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of current indefinite subsidy due, but not collected by the financing fund from the program fund for direct loan and loan guarantee programs.

Account Title: Receivable from the Liquidating Fund
Account Number: 4285
Normal Balance: Debit
Type of Account: Posting

Definition: The amount due the financing fund, but not collected from the liquidating fund for assuming pre credit reform loan programs for which the terms have been modified.

Account Title: Receivable from the Financing Fund
Account Number: 4286
Normal Balance: Debit
Type of Account: Posting

Definition: The amount due but not yet collected from the financing fund during the year. This will include liquidating fund collections for modified direct loans transferred to the financing fund, program fund collections for negative subsidies, downward re-estimates in mandatory loan programs, or other interfund collections paid from the financing fund.

Account Title: Other Federal Receivables
Account Number: 4287
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of uncollected amounts due from federal sources for which a specific SGL account has not been established.

Account Title: Anticipated Recoveries of Prior-Year Obligations
Account Number: 4310
Normal Balance: Debit
Type of Account: Posting

Definition: Estimated cancellations or downward adjustments of prior year obligations anticipated for recovery in the current fiscal year.

Account Title: Canceled Authority
Account Number: 4350
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of appropriation authority which is canceled five years after the expiration of an annual or a multi-year appropriation; **or**, the amount of annual, multi-year or no-year appropriation authority which is canceled early by administrative action.

Account Title: Balance Available for Restoration, Writeoff and Withdrawal
Account Number: 4390
Normal Balance: Either
Type of Account: Summary

Definition: The net difference between amounts previously written off which have been restored to the account during the current fiscal year and amounts actually written off to date as transactions of the current fiscal year.

Account Title: Adjustments to Indefinite No-Year Authority
Account Number: 4391
Normal Balance: Either
Type of Account: Posting

Definition: The amount necessary to reconcile obligations with resources for indefinite no-year appropriations and that is reportable on the 2108.

Account Title: Rescissions - Current-Year
Account Number: 4392
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of current-year budgetary resources rescinded by enacted legislation.

Account Title: Rescissions - Prior-Year
Account Number: 4393
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of prior-year budgetary resources rescinded by enacted legislation.

Account Title: Authority Unavailable Pursuant to Public Law - Temporary
Account Number: 4395
Normal Balance: Credit
Type of Account: Posting

Definition: Authority which has been temporarily withheld by reason of specific statutory restrictions and may not be used until the specific legal requirements are met.

Account Title: Authority Permanently not Available Pursuant to Public Law
Account Number: 4396
Normal Balance: Credit
Type of Account: Posting

Definition: General permanent statutory reductions to budget authority other than rescissions that rescind the authority of more than one account; e.g., Gramm-Rudman-Hollings, and cancellation due to reappropriation.

Account Title: Unapportioned Authority - Pending Rescission
Account Number: 4420
Normal Balance: Credit
Type of Account: Posting

Definition: The total amount of budgetary resources withheld pending rescission action by the Congress.

Account Title: Unapportioned Authority - OMB Deferral
Account Number: 4430
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of budgetary authority specifically withheld from apportionment by the Office of Management and Budget (OMB).

Account Title: Unapportioned Authority - Available
Account Number: 4450
Normal Balance: Credit
Type of Account: Posting

Definition: Appropriated funds not yet apportioned by the OMB on a quarterly or other approved basis. The account is reduced as apportionments and apportionment reserves are established.

Account Title: Apportionments
Account Number: 4510
Normal Balance: Credit
Type of Account: Posting

Definition: The amounts apportioned by OMB as Category A and B apportionments that are available for allotment. Used to account for categories and availability in current or subsequent quarters.

Account Title: Reserved for Agency Use
Account Number: 4520
Normal Balance:

Type of Account:**Definition:**

Account Title: Reserved for Agency Use
Account Number: 4530
Normal Balance: Credit
Type of Account:

Definition:

Account Title: Internal Fund Distributions Issued
Account Number: 4540
Normal Balance: Credit
Type of Account: Posting

Definition: Represents the amount of obligational authority allocated from departmental levels to intermediate levels.

Account Title: Internal Fund Distributions Received
Account Number: 4550
Normal Balance: Debit
Type of Account: Posting

Definition: Represents the amount of direct and reimbursable program authority received from departmental level by an intermediate level activity. It can also represent the amount of suballocations received from another intermediate level activity.

Account Title: Funds Available for Allotment
Account Number: 4560
Normal Balance: Credit
Type of Account: Posting

Definition: Represents the amount of direct and reimbursable authority available at an intermediate level activity for allotment to installation level activities. or suballocation to other intermediate level activities.

Account Title: Allotments Issued
Account Number: 4570
Normal Balance: Credit
Type of Account: Posting

Definition: Represents the amount of direct and reimbursable authority allotted by intermediate level activities to installation level activities, or suballocated to other intermediate level activities.

Account Title: Allotments Received
Account Number: 4580
Normal Balance: Debit
Type of Account: Posting

Definition: Represents the amount of direct program allotments received for the fiscal year.

Account Title: Apportionments - Unavailable
Account Number: 4590
Normal Balance: Credit
Type of Account: Posting

Definition: Represents amounts anticipated and apportioned that will become available upon completion of a subsequent event such as accepting a reimbursable order.

Account Title: Allotments - Realized Resources
Account Number: 4610
Normal Balance: Credit
Type of Account: Posting

Definition: The current period amount of Category A and B funds available for obligation/commitment. Subaccounts or data elements may be used to account for availability in current or subsequent quarters. Allowances may be established at an agency level.

Account Title: Other Funds Available for Commitment/Obligation
Account Number: 4620
Normal Balance: Credit
Type of Account: Posting

Definition: Appropriated funds, not subject to apportionment, that are available for commitment/obligation.

Account Title: Funds Not Available for Commitment/Obligation
Account Number: 4630
Normal Balance: Credit
Type of Account: Posting

Definition: Appropriated funds, that are not available for commitment/obligation.

Account Title: Allotments - Expired Authority
Account Number: 4650
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of appropriation authority which expires at the end of the current-year or a multi-year appropriation with a set life.

Account Title: Commitments
Account Number: 4700
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of allotments or lower level authority committed in anticipation of obligation.

Account Title: Undelivered Orders
Account Number: 4800
Normal Balance: Credit
Type of Account: Summary

Definition: The amount of goods and services ordered and obligated, but which have not been actually or constructively received. Represents contracts or orders issued for goods and services to be furnished by other government agencies or the public that are required to meet a bona fide need of the issuing entity.

Account Title: Undelivered Orders - Unpaid
Account Number: 4801
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of goods and services ordered and obligated for the direct and reimbursable program which have not been actually or constructively received and for which amounts have not been prepaid or advanced. Represents contracts or orders issued for goods and services to be furnished by other government agencies or the public that are required to meet a bona fide need of the issuing entity.

Account Title: Undelivered Orders - Paid
Account Number: 4802

Normal Balance: Credit
Type of Account: Posting

Definition: The amount of goods and services ordered and obligated for the direct and reimbursable program which have not been actually or constructively received but have been prepaid or advanced. Represents contracts or orders issued for goods and services to be furnished by other government agencies or the public that are required to meet a bona fide need of the issuing entity.

Account Title: Undelivered Orders, Transferred - Unpaid
Account Number: 4831
Normal Balance: Either
Type of Account: Posting

Definition: The amount of goods and services ordered and obligated in one appropriation and transferred to or from another appropriation, which have not been actively or constructively received and for which amounts have not been prepaid or advanced at the time of transfer. Represents contracts or orders issued for goods and services to be furnished by other government agencies or the public that are required to meet a bona fide need of the receiving entity.

Account Title: Undelivered Orders, Transferred - Paid
Account Number: 4832
Normal Balance: Either
Type of Account: Posting

Definition: The amount of goods and services ordered and obligated in one appropriation and transferred to or from another appropriation, which have not been actively or constructively received but have been prepaid or advanced at the time of transfer. Represents contracts or orders issued for goods and services to be furnished by other government agencies or the public that are required to meet a bona fide need of the receiving entity.

Account Title: Downward Adjustments of Prior-Year Undelivered Orders
Account Number: 4870
Normal Balance: Debit
Type of Account: Summary

Definition: The amount of paid and unpaid prior-year obligations in excess of the related expended authority necessary to liquidate the obligations. This account is used after the year of the original obligation but before cancellation of the budgetary authority involved. This account accumulates authority from liquidation of obligations at amounts less than they were placed on the books.

Account Title: Downward Adjustments of Prior-Year Unpaid Undelivered Orders
Account Number: 4871
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of downward adjustments to unpaid undelivered orders which were recorded in a prior year.

Account Title: Downward Adjustments of Prior-Year Paid Undelivered Orders - Refunds Collected
Account Number: 4872
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of cash refunds collected for downward adjustments of undelivered orders for which a prepayment or an advance was made in a prior year.

Account Title: Upward Adjustments of Prior-Year Undelivered Orders
Account Number: 4880
Normal Balance: Credit
Type of Account: Summary

Definition: The amount of expended authority in excess of related prior-year obligations necessary to liquidate the paid and unpaid obligations. This account is used after the year of the original obligation but before cancellation of the budgetary authority involved.

Account Title: Upward Adjustments of Prior-Year Unpaid Undelivered Orders
Account Number: 4881
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of upward adjustments to expended authority in excess of related prior-year obligations necessary to liquidate the unpaid obligations. This account is used after the year of the original obligation but before cancellation of the budgetary authority involved.

Account Title: Upward Adjustments of Prior-Year Paid Undelivered Orders
Account Number: 4882
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of upward adjustments to expended authority in excess of related prior-year obligations necessary to liquidate the paid obligations. This account is used after the year of the original obligation but before cancellation of the budgetary authority involved.

Account Title: Expended Authority
Account Number: 4900
Normal Balance: Credit
Type of Account: Summary

Definition: Paid and unpaid expenditures for: (a) services performed by employees, contractors, vendors, carriers, grantees, lessor, other government funds; (b) goods and tangible property received; and (c) amounts becoming owed under programs for which no current service or performance is required (i.e., annuities, insurance claims, other benefit payments).

Account Title: Expended Authority - Unpaid
Account Number: 4901
Normal Balance: Credit
Type of Account: Posting

Definition: The unpaid expenditures for: (a) services performed by employees, contractors, vendors, carriers, grantees, lessors, other government funds; (b) goods and tangible property received; and (c) amounts becoming owed under programs for which no current service or performance is required (i.e., annuities, insurance claims, other benefit payments).

Account Title: Expended Authority - Paid
Account Number: 4902
Normal Balance: Credit
Type of Account: Posting

Definition: Represents paid expenditures for: (a) services performed by employees, contractors, vendors, carriers, grantees, lessors, other government funds; (b) goods and tangible property received; and (c) amounts becoming owed under programs for which no current service or performance is required (i.e., annuities, insurance claims, other benefit payments).

Account Title: Downward Adjustments of Prior-Year Expended Authority
Account Number: 4970
Normal Balance: Debit
Type of Account: Summary

Definition: The amount paid and unpaid adjustments to amend overstated expended authority recorded in a prior-year.

Account Title: Downward Adjustments of Prior-Year Unpaid Expended Authority
Account Number: 4971
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of downward adjustments to unpaid expended authority which was recorded in a prior year.

Account Title: Downward Adjustments of Prior-Year Paid Expended Authority - Refunds Collected
Account Number: 4972
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of cash refunds collected for downward adjustments of prior year expended authority for which payment was made in a prior year.

Account Title: Upward Adjustments of Prior-Year Expended Authority
Account Number: 4980
Normal Balance: Credit
Type of Account: Summary

Definition: The amount of the adjustment to amend understated paid and unpaid expended authority recorded in a prior year.

Account Title: Upward Adjustments of Prior-Year Unpaid Expended Authority
Account Number: 4981
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of upward adjustments to unpaid expended authority which was recorded in a prior year.

Account Title: Upward Adjustments of Prior-Year Paid Expended Authority
Account Number: 4982
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of upward adjustments to paid expended authority which was recorded in a prior year.

Account Title: Revenues and Financing Sources
Account Number: 5000
Normal Balance: Credit
Type of Account: Summary

Definition: These accounts reflect the amount of (1) income earned from sales of goods and services, including interest income, (2) appropriated capital used to finance expenses, (3) donations to the U.S. Government, and (4) receipts collected pursuant to the U.S. Government's sovereign power to levy taxes and fines. Exclude (1) gain from disposition of assets, (2) gain from liquidation of liabilities at an amount less than face value, and (3) other nonoperating gains covered in the 7000 series of accounts.

Account Title: Revenue from Goods Sold
Account Number: 5100
Normal Balance: Credit
Type of Account: Posting

Definition: Revenue earned from the sale of any goods that were purchased or finished goods processed for sale or use under a program of trading, manufacturing, etc.

Account Title: Contra Revenue for Goods Sold
Account Number: 5109
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue for goods sold when collection of amounts of revenue accrued is not expected. Amounts recorded are based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned, but does not include credit losses.

Account Title: Revenue from Services Provided
Account Number: 5200
Normal Balance: Credit
Type of Account: Posting

Definition: Revenue earned from the sale of services provided including sale of power, transportation, etc.

Account Title: Contra Revenue for Services Provided
Account Number: 5209
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue for services provided when collection of amounts of revenue accrued is not expected. Amounts recorded are based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned, but does not include credit losses.

Account Title: Interest Revenue
Account Number: 5310
Normal Balance: Credit
Type of Account: Posting

Definition: Revenue earned from interest. The amount is exchange revenue by definition with one exception - interest on Treasury securities held by Trust Funds and Special Funds (except Trust Revolving Funds).

Account Title: Contra Revenue for Interest
Account Number: 5319
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue for interest accrued when realization is not expected. Amounts recorded are based on abatements, adjustments, returns, allowances, or price redeterminations.

Account Title: Penalties and Fines Revenue
Account Number: 5320
Normal Balance: Credit
Type of Account: Posting

Definition: Nonexchange revenue earned from penalties and fines.

Account Title: Contra Revenue for Penalties and Fines
Account Number: 5329
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue for penalties and fines when realization is not expected. Amounts recorded are based on abatements, adjustments, returns, allowances, or price redeterminations. Credit losses on penalties and fines revenue are also recorded in this account.

Account Title: Benefit Program Revenue
Account Number: 5400
Normal Balance: Credit
Type of Account: Posting

Definition: Revenue received by agencies which administer retirement plans, insurance plans, and other annuity programs.

Account Title: Contra Revenue for Benefit Program Revenue
Account Number: 5409
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue for a benefit program based on adjustments as stipulated by law and does not include credit losses.

Account Title: Insurance and Guarantee Premium Revenue
Account Number: 5500
Normal Balance: Credit
Type of Account: Posting

Definition: Revenue earned from insurance and guarantee premiums.

Account Title: Contra Revenue for Insurance and Guarantee Premium Revenue
Account Number: 5509
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue for an insurance and guarantee premium based on adjustments stipulated by law and does not include credit losses.

Account Title: Donated Revenue - Financial Resources
Account Number: 5600
Normal Balance: Credit
Type of Account: Posting

Definition: To record the donation of financial resources (e.g., cash or securities) to a government entity from a nongovernment entity. Includes authorized acceptance from nonfederal sources of payments in cash or kind to cover travel and/or subsistence expenses of employees and other authorized donations.

Account Title: Contra Revenue for Donations - Financial Resources
Account Number: 5609
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue for donated financial resources (e.g., cash or securities) that are returned.

Account Title: Donated Revenue - Nonfinancial Resources
Account Number: 5610
Normal Balance: Credit
Type of Account: Posting

Definition: To record the donation of nonfinancial resources (e.g., land or buildings) to a government entity from a nongovernment entity.

Account Title: Contra Donated Revenue - Nonfinancial Resources
Account Number: 5619
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue for donated nonfinancial resources (e.g., land or buildings) that are returned.

Account Title: Appropriations Used
Account Number: 5700
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of current period expenses and purchases of capital assets funded by appropriations. The balance in this account should equal the Budgetary expended authority for appropriated funds.

Account Title: Financing Sources Transferred In Without Reimbursement
Account Number: 5720
Normal Balance: Credit
Type of Account: Posting

Definition: The amount determined to increase the financing source of a reporting entity which occurs as a result of an asset being transferred in. The amount of the asset is recorded at book value of the transferring entity.

Account Title: Financing Sources Transferred Out Without Reimbursement
Account Number: 5730
Normal Balance: Debit
Type of Account: Posting

Definition: The amount determined to decrease the financing source of a reporting entity which occurs as a result of an asset being transferred out. The amount of the asset is recorded at book value as of the transfer date.

Account Title: Imputed Financing Sources
Account Number: 5780
Normal Balance: Credit
Type of Account: Posting

Definition: The account is used by the receiving entity to record the portion of cost incurred by the providing entity for goods and services received at less than full cost. This account is used to record financing sources (as opposed to revenues earned for provision of goods and services) not provided for in other accounts.

Account Title: Other Financing Sources
Account Number: 5790
Normal Balance: Either
Type of Account: Posting

Definition: This account is used to record financing sources (as opposed to revenues earned for provision of goods and services) not provided for in other accounts.

Account Title: Adjustment of Appropriations Used
Account Number: 5799
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of adjustment to financing sources in the program fund to reflect the amount of excess subsidy funds returned to Treasury by the financing fund.

Account Title: Tax Revenues
Account Number: 5800
Normal Balance: Credit
Type of Account: Posting

Definition: Taxes and fees received from the public that result from the exercise of the federal government's sovereign powers to tax. This includes individual and corporate taxes (Internal

Revenue Service collections), Social Security/Medicare contributions (reported by Social Security Administration), excise, estate and gift taxes, customs duties, and any other miscellaneous taxes.

Account Title: Contra Revenue for Taxes
Account Number: 5809
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue for taxes when realization is not expected. Amounts recorded are based on abatements, adjustments, returns, allowances, and credit losses.

Account Title: Tax Revenue Refunds
Account Number: 5890
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of tax revenue refunds that are payable or have been paid.

Account Title: Other Revenue
Account Number: 5900
Normal Balance: Credit
Type of Account: Posting

Definition: Revenue received but not otherwise classified above.

Account Title: Contra Revenue for Other Revenue
Account Number: 5909
Normal Balance: Debit
Type of Account: Posting

Definition: The amount reflecting a reduction in revenue received (but not otherwise classified above) when realization is not expected. Amounts recorded are based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned. Credit losses on other nonexchange revenue are also recorded in this account.

Account Title: Collections for Others
Account Number: 5990
Normal Balance: Debit
Type of Account: Posting

Definition: Amounts collected by a reporting entity on behalf of another federal entity.

Account Title: Expense
Account Number: 6000
Normal Balance: Debit
Type of Account: Summary

Definition: The outflows of assets or incurrence of liabilities during a period resulting from rendering services, delivering or producing goods, or carrying out other normal operating activities.

Account Title: Operating Expenses/Program Costs
Account Number: 6100
Normal Balance: Debit
Type of Account: Posting

Definition: Operating expenses and program costs not otherwise classified below.

Account Title: Contra Bad Debts Expense - Incurred for Others
Account Number: 6190
Normal Balance: Credit
Type of Account: Posting

Definition: This account is used in conjunction with recording bad debts expense related to accounts receivable held for others, collections on which must be deposited to Treasury. It is used as an offset to reduce the related liability and payable to Treasury and is netted against bad debts expense before reporting that expense on the agency's operating statement.

Account Title: Adjustment to Subsidy Expense
Account Number: 6199
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of adjustment to subsidy expense in the program fund to reflect the amount of subsidy funds transferred to a special receipt account by the financing fund as a result of a downward re-estimate. This account will also be used for recording the effect of negative subsidy on the program fund.

Account Title: Interest Expenses
Account Number: 6300
Normal Balance: Debit

Type of Account: Summary

Definition: The expense incurred by the agency from late payment of accounts and loans payable, and the current interest accruing on amounts owed to others.

Account Title: Interest Expenses on Borrowing from Treasury

Account Number: 6310

Normal Balance: Debit

Type of Account: Posting

Definition: The amount of interest expense incurred by the agency during the current fiscal year on amounts borrowed from Treasury.

Account Title: Interest Expenses on Securities

Account Number: 6320

Normal Balance: Debit

Type of Account: Posting

Definition: The amount of interest expense incurred by the agency during the current fiscal year on federal securities.

Account Title: Other Interest Expenses

Account Number: 6330

Normal Balance: Debit

Type of Account: Posting

Definition: The amount of interest expense incurred by the agency from late payment of accounts and loans, and current interest accruing on amounts owed others not otherwise classified above.

Account Title: Cost of Goods or Services Sold

Account Number: 6500

Normal Balance: Debit

Type of Account: Posting

Definition: The cost of goods sold at point of sale including the inventory value of commodities sold from stock and all labor, material, and other expenses applied to manufactured items sold.

Account Title: Applied Overhead

Account Number: 6600

Normal Balance: Credit
Type of Account: Posting

Definition: The amount of overhead cost distributed to work in process or construction in process.

Account Title: Expenses Not Requiring Budgetary Resources
Account Number: 6700
Normal Balance: Debit
Type of Account: Summary

Definition: Expenses that do not require budgetary resources, which are most commonly the result of allocating asset costs to expenses over more than one reporting period (e.g., depreciation).

Account Title: Depreciation, Amortization, and Depletion
Account Number: 6710
Normal Balance: Debit
Type of Account: Posting

Definition: Expenses recognized by the process of allocating cost of assets (tangible and intangible) over their useful lives/periods benefitted.

Account Title: Bad Debt Expense
Account Number: 6720
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of bad debt expense related to uncollectible noncredit reform receivables from the public.

Account Title: Imputed Costs
Account Number: 6730
Normal Balance: Debit
Type of Account: Posting

Definition: Costs incurred which are paid in total or in part by other entities. Examples include, but are not limited to, military personnel costs, pension costs not reimbursed, other retirement benefits, other postemployment benefits, and environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity.

Account Title: Other Expenses Not Requiring Budgetary Resources
Account Number: 6790
Normal Balance: Debit
Type of Account: Posting

Definition: Other costs which do not require budgetary resources.

Account Title: Future Funded Expenses
Account Number: 6800
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of accrued expenses which are required to be funded from future year appropriations. Examples include, but are not limited to, accrued annual leave expense, accrued worker's compensation, upward re-estimates for Credit Reform loan programs.

Account Title: Non Production Costs
Account Number: 6900
Normal Balance: Debit
Type of Account: Posting

Definition: Costs incurred and recognized that are linked to events other than the production of goods and services. Examples include, but are not limited to, Other Post Employment Benefits (OPEB) (refer to SFFAS #5, ¶94-96), acquisition of Federal Mission Property, Plant and Equipment, Heritage PP&E, Stewardship Land, reorganization costs, and nonrecurring cleanup costs resulting from facility adandonments that are not accrued. This is in accordance with FASAB #4 - Managerial Cost Accounting Concepts and Standards for the federal government.

Account Title: Gains
Account Number: 7100
Normal Balance: Credit
Type of Account: Summary

Definition: Gain on assets.

Account Title: Gains on Disposition of Assets
Account Number: 7110
Normal Balance: Credit
Type of Account: Posting

Definition: The gain on the disposition (such as sale, exchange, casualty, disposal, or retirement) of assets and personal property.

Account Title: Other Gains

Account Number: 7190

Normal Balance: Credit

Type of Account: Posting

Definition: The gain on assets resulting from events other than disposition.

Account Title: Losses

Account Number: 7200

Normal Balance: Debit

Type of Account: Summary

Definition: Losses on assets.

Account Title: Losses on Disposition of Assets

Account Number: 7210

Normal Balance: Debit

Type of Account: Posting

Definition: The loss on the disposition (such as sale, exchange, casualty, disposal, or retirement) of assets and personal property.

Account Title: Other Losses

Account Number: 7290

Normal Balance: Debit

Type of Account: Posting

Definition: The loss on assets resulting from events other than disposition.

Account Title: Extraordinary Items

Account Number: 7300

Normal Balance: Either

Type of Account: Posting

Definition: Costs or income so unusual in type or amount as to be accorded special treatment in the accounts or separate disclosure in financial statements.

Account Title: Prior Period Adjustments

Account Number: 7400

Normal Balance: Either

Type of Account: Posting

Definition: Adjustments relating to activity involving gains or losses in prior periods. Insufficient appropriations on participation certificate activities should be included in this account.

Account Title: Distribution of Income - Dividend

Account Number: 7500

Normal Balance: Debit

Type of Account: Posting

Definition: Distribution of income, such as certain types of income transferred to the general fund of the Treasury, interest on capital, franchise taxes, etc.

Account Title: Changes in Actuarial Liability

Account Number: 7600

Normal Balance: Either

Type of Account: Posting

Definition: The amount of increase or decrease in actuarial liability.

Account Title: Memorandum

Account Number: 8000

Normal Balance: Either

Type of Account: Summary

Definition: This account records events related to guaranteed loan processing.

Account Title: Guaranteed Loan Level (GLL)

Account Number: 8010

Normal Balance: Debit

Type of Account: Posting

Definition: The amount of guaranteed loan commitments; supportable by the subsidy budget authority of new commitments, or in the case of negative subsidies, the amount authorized by appropriation acts.

Account Title: Guaranteed Loan Level - Unapportioned

Account Number: 8015

Normal Balance: Credit

Type of Account: Posting

Definition: The amount of guaranteed loan level not yet apportioned by OMB.

Account Title: Guaranteed Loan Level - Apportioned
Account Number: 8020
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of category A and B guaranteed loan level that is available for allotment.

Account Title: Guaranteed Loan Level - Allotted and Available to Lenders
Account Number: 8025
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of category A and B guaranteed loan level allotted to program managers for which commitments may be made this period to lenders.

Account Title: Guaranteed Loan Level - Administrative Commitments Prior to Signing Contracts
Account Number: 8030
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of category A and B guaranteed loan level committed in anticipation of signing a contract.

Account Title: Guaranteed Loan Level - Contract Signed - Undisbursed by Lenders
Account Number: 8035
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of category A and B contracts for guaranteed loans that will be disbursed by a lender.

Account Title: Guaranteed Loan Level - Disbursed by Lenders
Account Number: 8040
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of category A and B guaranteed loan principal disbursed by lenders.

Account Title: Guaranteed Loan Level - Unused Authority
Account Number: 8045
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of category A and B guaranteed loan level for which contracts have not been signed.

Account Title: Guaranteed Loan (GL) Principal Outstanding
Account Number: 8050
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of guaranteed loan principal outstanding with the lender. At the end of the year, accounts 8053 through 8068 are closed to this account.

Account Title: Guaranteed Loan New Disbursements by Lender
Account Number: 8053
Normal Balance: Credit
Type of Account: Posting

Definition: The amount of guaranteed loan principal disbursed during the current year by lenders.

Account Title: Guaranteed Loan Repayments and Prepayments
Account Number: 8056
Normal Balance: Debit
Type of Account: Posting

Definition: The amount paid during the current year by the borrower to the lender as principal repayment and prepayment of guaranteed loans.

Account Title: Guaranteed Loan Default - Loan Acquired
Account Number: 8059
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of guaranteed loan principal reduced by termination for default this current year that leads to the acquisition of a loan receivable by the agency.

Account Title: Guaranteed Loan Default - Property Acquired
Account Number: 8062
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of guaranteed loan principal reduced by terminations for default this current year that leads to the acquisition of property by the agency.

Account Title: Guaranteed Loan Default - Claim Payment Only
Account Number: 8065
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of guaranteed loan principal reduced by termination for default this current year that leads to claim payments by the agency that does not result in the acquisition of a loan receivable or property.

Account Title: Guaranteed Loan Adjustments
Account Number: 8068
Normal Balance: Either
Type of Account: Posting

Definition: The amount of guaranteed loan principal reduced or increased this current year by reasons other than repayment or default, i.e., outstanding principal balances of guaranteed loans transferred to or received from other accounts.

Account Title: Guaranteed Loan Principal to be Collected
Account Number: 8070
Normal Balance: Debit
Type of Account: Posting

Definition: The amount of guaranteed loan principal outstanding with the lender.

★ CHAPTER 8 ★

HIERARCHY OF ACCOUNTING STANDARDS0801 OVERVIEW

080101. To comply with the “Chief Financial Officers (CFO) Act” of 1990, as amended, federal financial managers, accountants and auditors need to apply new accounting concepts and standards. These concepts and standards have evolved from recommendations of the Federal Accounting Standards Advisory Board (FASAB). The FASAB was established in October 1990 by the Director of the Office of Management and Budget (OMB); the Secretary of the Treasury; and the Comptroller General, General Accounting Office to consider and recommend accounting principles for the federal government. The nine member Board is composed of representatives from the three principals (OMB, Treasury and GAO), one representative from the Congressional Budget Office, one representative from the Department of Defense (DoD)/international agencies, one representative from civilian agencies and three nonfederal representatives. When the Board’s principals (OMB, Treasury and GAO) adopt the Board’s recommendations, they are published as Statements of Federal Financial Accounting Standards. These Statements of Federal Financial Accounting Standards are the body of standards that are considered, in effect, federal generally accepted accounting principles, or Federal GAAP.

080102. The FASAB recommends accounting standards after considering the financial and budgetary information needs of the Congress, executive agencies, other users of federal financial information and comments from the public. The OMB, the Department of Treasury, and the General Accounting Office (GAO) then decide whether to adopt the recommended standards; if they do, the standards are published by the OMB and the GAO and become effective as Statements of Federal Financial Accounting Standards.

080103. A listing of approved Statements of Federal Financial Accounting Standards (SFFASs) is at Appendix A of this chapter. The SFFASs also can be found, electronically, at the following Internet address:
<http://www.financenet.gov/financenet/fed/fasab/codifica.htm>.

0802 PURPOSE

This chapter sets forth the hierarchy of accounting principles and standards that shall be followed by federal agencies, including the DoD. The purpose of these principles and standards is to improve the usefulness of the federal financial reports. These principles and standards provide a frame of reference for resolving accounting issues and cover most transactions.

0803 GENERAL

080301. Statements of Federal Financial Accounting Standards. Approved Statements of Federal Financial Accounting Standards comprise federal generally accepted accounting principles and shall be followed by all federal agencies, including each DoD Component, in reporting under the “Government Management Reform Act” (GMRA) of 1994. Accordingly, the DoD Components shall adhere to the hierarchy of federal generally accepted accounting principles in the order of precedence listed below in paragraphs A through G. A listing of the hierarchy also is at Appendix B of this chapter.

A. The individual standards agreed to by the Director of the OMB, the Secretary of the Treasury, and the Comptroller General, published by the OMB and the General Accounting Office (GAO). The standards may be found, electronically, at the following Internet address: <http://www.financenet.gov/financenet/fed/fasab/codifica.htm>. Each specific standard also is discussed in applicable sections throughout the “DoD Financial Management Regulation.”

B. Interpretations related to the Statements of Federal Financial Accounting Standards (SFFASs) issued by the OMB in accordance with the procedures outlined in the OMB Circular A-134, “Financial Accounting Principles and Standards.” The OMB Circulars can be found, electronically, at the following Internet address: <http://www.whitehouse.gov/WH/EOP/OMB/html/ombhome.html>.

1. To ensure the consistent application of SFFASs throughout the Department, the Directorate for Accounting Policy, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), shall be contacted when clarification, technical guidance, implementation guidance or other information regarding SFFASs is needed.

2. Any requests--whether informal or formal--addressed to the FASAB or the Accounting and Auditing Policy Committee for an interpretation, clarification, technical guidance, implementation guidance or other information regarding the SFFASs shall be submitted through the Directorate for Accounting Policy, OUSD(C).

C. Requirements contained in the OMB’s Form and Content Bulletin in effect for the period covered by the financial statements.

D. Accounting principles published by other authoritative standard-setting bodies and authoritative sources if the use of such accounting principles improves the meaningfulness of the financial statements.

E. United States Government Standard General Ledger (USGSGL) published by the Department of the Treasury, Financial Management Service, through its Treasury Financial Manual.

F. Policies and guidance published in the “DoD Financial Management Regulation.” At Internet address <http://www.dtic.mil/comptroller/fmr/> this Regulation can be found electronically.

G. Interim policies and guidance issued by Office of the Under Secretary of Defense (Comptroller) through various memoranda. These interim policies may be found, electronically, at the following Internet address: <http://www.dtic.mil/comptroller/fmr/>. Such interim guidance subsequently will be incorporated into the “DoD Financial Management Regulation once it is finalized.”

**Statements of Federal Financial Accounting Standards
(SFFAS)
As of December 31, 1997**

<u>Number</u>	<u>Title</u>	<u>Effective Date</u>
No. 1	Accounting for Selected Assets and Liabilities	After September 30, 1993
No. 2	Accounting for Direct Loans and Loan Guarantees	After September 30, 1993
No. 3	Accounting for Inventory and Related Property	After September 30, 1993
No. 4	Managerial Cost Accounting Concepts and Standards	After September 30, 1997
No. 5	Accounting for Liabilities of the Federal Government	After September 30, 1996
No. 6	Accounting for Property, Plant and Equipment	After September 30, 1997
No. 7	Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting	After September 30, 1997
No. 8	Supplementary Stewardship Reporting	After September 30, 1997

Hierarchy of Accounting Standards

1. Statements of Federal Financial Accounting Standards (SFFASs)

(These are the individual standards agreed published by the OMB and the GAO.)
2. Interpretations related to the SFFASs

(Issued by the OMB in accordance with the procedures outlined in the OMB Circular A-134, “Financial Accounting Principles and Standards.”)
3. OMB’s Form and Content Bulletin
4. Accounting principles published by other authoritative standard-setting bodies and authoritative sources if the use of such accounting principles improves the meaningfulness of the financial statements.
5. United States Government Standard General Ledger (USGSL)

(Published by the Department of the Treasury, Financial Management Service, through its Treasury Financial Manual.)
6. Policies and guidance published in the “DoD Financial Management Regulation.”
7. Interim policies and guidance issued by Office of the Under Secretary of Defense (Comptroller) through various memoranda.

CHAPTER 9**FINANCIAL RECORDS RETENTION****0901 OVERVIEW**

This Chapter provides guidance on the retention policy for financial records created or received and maintained by all elements of the Department of Defense (DoD).

090101. Purpose. To establish policy for the maintenance and retention of DoD financial records.

090102. Scope. This policy applies to all DoD Components as defined in the “Foreword” to this Volume of the “DoD Financial Management Regulation.”

0902 POLICY AND PROCEDURES

090201. All financial records, both paper and electronic, supporting the acquisition of DoD Property, Plant and Equipment (PP&E), materials and supplies, including cash, fixed and other assets, real and personal property, operating materials and supplies, stockpile materials, and National Defense PP&E shall be maintained for a minimum period of 6 years and 3 months. These records do not include documentation supporting settlement vouchers for official travel, which are administrative in nature and are described in Volume 9 of this Regulation. The use of electronic files, whenever possible, is encouraged.

090202. The National Archives and Records Administration (NARA) records management program provides guidance and assistance for the management and disposition of federal records. General Records Schedules (GRS) are issued by the NARA to provide disposal authorization guidance for administrative records, including fiscal accounting records. The GRS guidance is extensive and legally mandatory per the Federal Records Act and implementing records management regulations can be found in 36 Code of Federal Regulations, 1220-1238. The foregoing are implemented in the Department of Defense by DoD Directive 5015.2, “DoD Records Management Program,” dated April 11, 1997. The Assistant Secretary of Defense for Command, Control, Communications, and Intelligence has cognizance for this directive. The GRS, available on the Internet at: <http://ardor.nara.gov/grs/index.html>, provides, in extensive detail, guidance for specific documents and their retention requirements.

0903 RESPONSIBILITIES

090301. The Office of the Under Secretary of Defense (Comptroller), Office of the Deputy Chief Financial Officer, is responsible for the establishment and maintenance of this financial records retention policy.

090302. The DoD Components are responsible for adherence to and implementation of this financial records retention policy.

0904 SPECIFIC PROCEDURES

The following guidance applies:

090401. Financial Records. All financial records for the property categories included in paragraph 090201, above, shall be maintained in the original format or in a suitable records retention medium. This format includes paper copies, electronic copies, applicable DD, SD, SF or Component forms, or any other suitable medium that documents the integrity of the financial record.

090402. Retention Duration.

A. All DoD financial records, without regard to medium, shall be retained for a minimum period of 6 years and 3 months. Financial records will be retained for a longer period of time if a compelling reason exists or supplemental guidance so directs. Specific attention should be given to guidance provided by the references noted in paragraph 090202.

B. Foreign Military Sales documents and financial records must be retained for 10 years from the date of case closure.

C. Financial records pertaining to capitalized assets, such as those PP&E assets identified in Volume 4, Chapter 6 of this Regulation, shall be retained so long as the cost of the asset is included in the amounts reported in DoD financial statements or comparative financial statements.

D. Records for appropriations shall be retained for 6 months following the cancellation of the funding appropriation.

E. Property records produced in connection with litigation shall be retained until the litigation is concluded, with a starting date that is no earlier than the date the claim was submitted.

APPENDIX A
OBJECT CLASSIFICATION

1. Purpose

The purpose of this appendix is to provide necessary information on the object classes that are used as a uniform classification for identifying the transactions of the Federal Government by the nature of the goods or services purchased. Every obligation recorded by the Department of Defense must be coded with an object class. These obligations by object class must be accumulated and reported to the Treasury on a quarterly basis.

2. Basic Concepts

a. Obligations incurred are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or a future period. Such amounts include payments for which obligations have not been previously recorded, along with adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The installation-level budgetary account structure requires that the amount of obligations incurred be segregated into undelivered orders and accrued expenditures - unpaid or paid.

b. Obligations are classified by the initial purpose for which they are incurred, rather than for the end product or service provided. For example, if payments are made directly for personal services or supplies used in the construction of a building, the amounts should be classified as obligations for personnel compensation or supplies rather than for land and structures. Conversely, if contracts are awarded for the construction of a building, the amounts should be classified in the object class for lands and structures rather than in the object class used to report individual types of materials and services required to construct the building.

c. Object class information must be incorporated into DoD accounting systems to provide for preparation of the Report on Obligations, SF-225. This may be done either by subclassifying undelivered order and accrued expenditure transactions by object class, or deriving the information from applicable expense and asset accounts.

d. Specifications for the Report on Obligations, SF-225, are contained in chapter 4 of Volume 6 of this Regulation. Obligations incurred must be reported by object classes 11 through 44, 91 and 92. The codes, titles and definitions for these object classes are contained below.

OBJECT CLASS CODES AND TITLES**10 PERSONNEL SERVICES AND BENEFITS**

- 11.0 Personnel compensation
 - 11.1 Full-time permanent
 - 11.3 Other than full-time permanent
 - 11.5 Other personnel compensation
 - 11.7 Military personnel
 - 11.8 Special personal services payments
 - 11.9 Total personnel compensation
- 12.0 Personnel benefits
 - 12.1 Civilian personnel benefits
 - 12.2 Military personnel benefits
- 13.0 Benefits for former personnel

20 CONTRACTUAL SERVICES AND SUPPLIES

- 21.0 Travel and transportation of persons
- 22.0 Transportation of things
- 23.0 Rent, communications, and utilities
 - 23.1 Rental payments to GSA
 - 23.2 Rental payments to others
 - 23.3 Communications, utilities, and miscellaneous charges
- 24.0 Printing and reproduction
- 25.0 Other services
- 26.0 Supplies and materials

30 ACQUISITION OF CAPITAL ASSETS

- 31.0 Equipment
- 32.0 Land and structures
- 33.0 Investments and loans

40 GRANTS AND FIXED CHARGES

41.0 Grants, subsidies, and contributions

42.0 Insurance claims and indemnities

43.0 Interest and dividends

44.0 Refunds

90 OTHER

91.0 Unvouchered

92.0 Undistributed

93.0 Limitation on expenses

99.0 Subtotal, obligations

99.9 Total obligations

OBJECT CLASS DEFINITIONS**10 PERSONNEL SERVICES AND BENEFITS****11.0 Personnel Compensation**

Gross compensation for personal services rendered to the Government by Federal civilian employees, military personnel, and non-Federal personnel. (See object classes 11.1 - 11.9).

11.1 Full-Time Permanent

Regular salaries and wages paid directly to civilian full-time permanent employees, as defined in section 13.2, and other payments that become a part of the employee's basic pay rate (e.g., merit pay increases for GM 13-15 employees, geographic adjustments, and critical position pay). Includes regular salaries and wages paid to employees while on annual, sick, compensatory or other paid leave, and terminal leave payments; excludes compensation above the basic rate, e.g., for overtime or other premium pay, which should be recorded in object class 11.5. Where employees are paid from more than one appropriation, the applicable portion will be included under each appropriation. Include compensation for all workdays in the fiscal year.

11.3 Other Than Full-Time Permanent

Regular salaries and wages, including obligations for terminal leave payments and merit pay increases for GM 13-15 employees, paid directly to Federal civilian employees for part-time, temporary, or intermittent employment. Includes pay for employees in the Competitive and Excepted Services with appointments that are not designated as full-time permanent under object class 11.1. Includes pay for employees in the Senior Executive Service who are serving under limited term appointments, as defined in 5 U.S.C. 3132(a)(5) and under limited emergency appointments, as defined in 5 U.S.C. 3132(a)(6).

Note: When the Government contracts with an individual for personal services and that individual is reportable under Office of Personnel Management regulations as a Federal employee, the compensation for services normally shall be classified under object class 11.3 or 11.5, as appropriate. On the other hand, payments to a contractor principally for the personal services of a group of the contractor's employees shall be classified under object class 25.0. Similarly, contracts with individuals for personal services that provide for substantial additional considerations, such as a contract with a physician who provides his or her own office, X-ray and other equipment, shall be classified under object class 25.0.

11.5 Other Personnel Compensation

All personnel compensation above basic rates paid directly to civilian employees. Excludes cash allowances for higher cost of living locations, which are classified under object class 12.1. Includes overtime, holiday pay, Sunday pay, night work differential, and hazardous duty pay. Also includes:

Post differentials - Payments authorized under 5 U.S.C. 5925 above the basic rate for service at hardship posts abroad that are based upon conditions of environment differing substantially from those in the contiguous 48 States and the District of Columbia.

Other payments above basic rates - Payments above the basic rate for any other premium pay, such as stand-by pay and premium pay in lieu of overtime and special pay that is paid periodically during the year in the same manner and at the same time as regular salaries and wages are paid. Excludes special pay which is classified under object class 12.1.

Cash incentive awards - Payments for cash awards that do not become part of the Federal employee's basic rate of pay, such as those authorized under 5 U.S.C. 4503, 4504, 4505a, 4507, 5384, and 5407.

11.7 Military Personnel

Pay of military personnel including amounts above basic rates; for example, overtime, holiday pay, night work differential, hazardous duty pay, flight pay, and extra pay based upon conditions of environment (except cost of living allowances for locations outside the contiguous 48 States and the District of Columbia, which are classified under object class 12.2). Also includes basic allowances for subsistence (BAS) and for quarters (BAQ). Excludes payments made to other agencies for services of military personnel on reimbursable detail, which are classified under object class 11.8.

11.8 Special Personal Services Payments

Regular salaries and wages paid directly to persons whose work-years are not reportable to the Office of Personnel Management as Federal civilian employees and payments for personal services that do not represent salaries or wages paid directly to Federal employees. Includes:

Compensation of persons not reportable as Federal employees - Payments for compensation to persons not included in regular employment reports to the Office of Personnel Management, such as witnesses, casual workers, and patient and inmate help. Includes compensation in the nature of allowances to trainees and volunteers. Also includes payments for salary equalization authorized under 5 U.S.C. 3373 and 3584 for individuals on leave of absence for employment with international organizations or State and local governments. (During the period of leave of absence, such persons are not included in reports on Federal employment to the Office of Personnel Management if the Federal agency pays 50 percent or less of the person's salary.)

Payments for reimbursable details - Payments made to other agencies for services of civilian employees and military personnel on reimbursable detail (both compensation and personnel benefits).

Agency reimbursement to the Civil Service retirement and disability fund for reemployed annuitants - Payments by an agency employing an annuitant to reimburse the Civil Service retirement and disability fund for the annuity paid to that employee, as required by Public Law 94-397 (5 U.S.C. 8339, 8344).

11.9 Total Personnel Compensation

Total of the amounts shown for object classes 11.1 through 11.8.

12.0 Personnel Benefits

Benefits for currently employed civilian, military, and certain non-Federal personnel. (Payments of benefits to certain former Federal civilian and military personnel are classified under object classes 13.0 and 42.0.) (See object classes 12.1 and 12.2)

12.1 Civilian Personnel Benefits

Cash allowances paid directly to Federal civilian employees and payments to other funds for the benefit of these employees, and benefits authorized by statute to be paid, including those to certain non-Federal employees.

This object class consists of all such payments whether or not the personnel compensation of these employees is classified under object classes 11.1 through 11.8. Benefit payments for non-Federal civilian employees under this object class include persons not reportable to the Office of Personnel Management as Federal employees.

Excludes cash incentive awards classified under object class 11.5 and perquisites provided in kind (which are classified under the object class representing the nature of the item purchased), and payments to former employees from their employment. Includes:

Recruitment and retention incentives - Payments above the basic rate for recruitment bonuses, relocation bonuses, and retention allowances authorized by 5 U.S.C. 5753 and 5754.

Allowances - Includes quarters allowances, uniform allowances (when paid in cash), reimbursements for notary public expenses, and allowances above basic rates of pay for service outside the contiguous 48 States and the District of Columbia to compensate for a substantially higher cost of living at the post of assignment than the cost of living in the District of Columbia (as authorized under 5 U.S.C. 5924 and 5941). Also includes allowances for separate maintenance, education for dependents, transfers for employees stationed abroad, and personal allowances based upon assignment or position.

Relocation and other expenses related to permanent change of station (PCS) - Includes authorized allowances for expenses incurred in connection with the sale of a residence, or settlement of an unexpired lease, subsistence while occupying temporary quarters, and miscellaneous moving expenses, as authorized under 5 U.S.C. 5724a. Also includes reimbursement of amounts equal to income taxes incurred by transferred employees for moving or storage expenses under 5 U.S.C. 5724b and contractual charges for relocation services under 5 U.S.C. 5724c. Charges for other PCS expenses are classified under object class 21.0, 22.0, or 25.0, as appropriate.

Payments to other funds - Includes employers share of employee retirement, life insurance, health insurance and benefits, accident compensation (such as payments to the Office of Worker's Compensation), Federal Insurance Contribution Act taxes, and other such payments. Also includes agency payments to finance fiduciary insurance costs of the Federal Retirement Thrift Investment Board.

12.2 Military Personnel Benefits

Cash allowances and payments to other funds for military personnel. Includes:

Allowances - Includes uniform allowances (when paid in cash) and reenlistment bonuses. Also includes cost of living allowances paid to personnel on duty outside the contiguous 48 States and the District of Columbia, dislocation and family separation allowances, and personal allowances based upon assignment or rank. (Excludes hazardous duty pay, flight pay, extra pay based upon conditions of environment, and other such pay, which are classified under object class 11.7, and benefit payments to veterans resulting from their past service.)

Payments to other funds - Includes the employer share of military retirement, Federal Insurance Contribution Act taxes, Servicemen's Group Life Insurance premiums, and education benefits.

13.0 Benefits for Former Personnel

Benefits due to former employees or their survivors on the basis of (at least in part) the length of service to the Government. Excludes benefits provided in kind, such as hospital and medical care, which are classified under the object class representing the nature of the items purchased. Includes:

Retirement benefits - Compensation in the form of pensions, annuities, or other retirement benefits paid to former military and certain civilian Government personnel or to their survivors, exclusive of payments from retirement trust funds, which are classified under object class 42.0.

Severance pay - Payments made to former employees involuntarily separated.

Other benefits - Unemployment compensation for Federal employees and ex-servicemen and other benefits paid directly to the beneficiary. Also includes Government payment to the Employees Health Benefits Fund for annuitants.

20 CONTRACTUAL SERVICES AND SUPPLIES

21.0 Travel and Transportation of Persons

Obligations for transportation of Government employees or others, their per diem allowances while in an authorized travel status, and other expenses incident to travel that are to be paid by the Government either directly or by reimbursing the traveler.

This object class consists of both travel away from official stations, subject to regulations governing civilian and military travel, and local travel and transportation of persons in and around the official station of an employee. In determining subclasses for administrative use, agencies may maintain such distinctions as they deem appropriate, including a separate subclass for rental of vehicles from interagency motor vehicle pools. Includes:

Transportation of persons - Contractual obligations for services in connection with carrying persons from place to place, by land, air, or water and the furnishing of accommodations incident to actual travel. Includes commercial transportation charges; rental or lease of passenger cars; charter of trains, buses, vessels, or airplanes; ambulance service or hearse service; and expenses incident to the operation of rented or chartered conveyances. (Rental or lease of all passenger-carrying vehicles is

to be charged to this object class, even though such vehicles may be used incidentally for transportation of things.) Includes mileage allowances for use of privately owned vehicles and related charges that are specifically authorized (such as highway and ferry tolls). It includes rental or lease of passenger motor vehicles from Government motor pools. Also includes bus, subway, streetcar, and taxi fares (including tips) whether used for local transportation or for travel away from a designated post of duty.

Subsistence for travelers - Payments to travelers of per diem allowances or reimbursement of actual expenses for subsistence.

Transportation expenses incident to permanent change of station (PCS) - Payments to employees for transportation expenses and per diem allowances or reimbursement of actual travel expenses associated with a permanent change of station (including travel expenses and per diem for the employee's immediate family), as authorized under 5 U.S.C. 5724a. Charges for other PCS expenses are classified under object class 12.1, 12.2, 22.0, or 25.0, as appropriate.

Incidental travel expenses - Other expenses directly related to official travel, such as baggage transfer, and telephone and telegraph expenses, as authorized by travel regulations.

22.0 Transportation of Things

Contractual obligations for the transportation of things (including animals), for the care of such things while in process of being transported, and for other services incident to the transportation of things. (Excludes transportation paid by a vendor, regardless of whether the cost is itemized on the bill for the commodities purchased by the Government.) Includes:

Freight and express - Charges by common carrier and contract carrier, including freight and express, demurrage, switching, recrating, refrigerating, and other incidental expenses.

Trucking and other local transportation - Charges for hauling, handling, and other services incident to local transportation, including contractual transfers of supplies and equipment.

Mail transportation - Postage used in parcel post and charges for express package services (that is, charges for transporting freight). (It excludes other postage and charges that are classified under object class 23.3.)

Transportation of household goods related to permanent change of station (PCS) travel - Payments to Federal employees for transportation of household goods and effects or house trailers instead of payment of actual expenses when payment is for transfer of personnel from 1 official station to another. Charges for other PCS expenses are classified under object class 12.1, 12.2, 21.0, or 25.0, as appropriate.

23.0 Rent, Communications, and Utilities

Charges for possession and use of land, structures, or equipment owned by others and charges for communication and utility services. Excludes charges for rental of transportation equipment, which are classified under object class 21.0 or 22.0. (See object classes 23.1 through 23.3.).

23.1 Rental Payments to GSA

Direct obligations for rental of space and rent related services assessed by the General Services Administration (GSA) as rent, formerly known as standard level user charges (SLUC). Excludes charges for related services provided by GSA in addition to services provided under rental payments, such as extra protection, extra cleaning, or extra alterations, which are classified under object class 25.

23.2 Rental payments to others

Obligations for possession and use of space, land, and structures leased from a non-Federal source. Rental payments to agencies other than GSA for space, land, and structures that are subleased or occupied by permits regardless of whether the space is owned or leased will be classified under object class 25.0.

23.3 Communications, utilities, and miscellaneous charges

Includes:

ADP and communication services and rentals - Obligations for the transmission of messages or data, such as land telegraph service, marine cable service, radio and wireless telegraph service, electronic data transmission service, and telephone and teletype service; postage (excluding parcel post and express mail service for freight); contractual mail (including express mail service for letters) or messenger service; and rental of post office boxes, postage meter machines, mailing machines and teletype equipment. Includes charges for the rental of ADP and telecommunications equipment. (Charges for maintenance to ADP and telecommunications equipment and related training and technical assistance, when significant and readily identifiable in the contract or billing, shall be classified under object class 25.0. Contractual services involving the use of equipment in the possession of others, such as computer time-sharing, shall also be classified under object class 25.0).

Utility services - Obligations for heat, light, power, water, gas, electricity, and other utility services.

Miscellaneous charges - Periodic charges under purchase rental agreements for equipment. (Payments subsequent to the acquisition of title to the equipment should be classified under object class 31.0.) Excludes payments under lease-purchase contracts for construction of buildings, which are classified under object class 32.0 or 43.0, and for ADP and telecommunications equipment, which are classified under object class 31.0.

24.0 Printing and reproduction

Obligations for contractual printing and reproduction (including photocomposition, photography, blueprinting, photostating, and microfilming), and the related composition and binding operations performed by the Government Printing Office, other agencies or other units of the same agency (on a reimbursable basis), and commercial printers or photographers. Includes all common processes of duplicating obtained on a contractual or reimbursable basis. Also includes standard forms when specially printed or assembled to order and printed envelopes and letterheads.

Note: This object class consists of both printing and binding as defined in the Government Printing and Binding regulations issued by the Joint Committee on Printing and reproduction of the type that does not come within the Joint Committee's definition. In determining subclasses for administrative use, DoD Components may appropriately maintain such a distinction.

25.0 Other services

Obligations for contractual services not otherwise classified. Supplies and materials furnished by the contractor in connection with such services are included even though they may be separately itemized on the voucher. Excludes obligations for services in connection with the initial installation of equipment, when performed by the vendor, which are classified under object class 31.0. Includes:

Repairs and alterations - Obligations for repairs and alterations to buildings, bridges, viaducts, vessels, equipment, and like items, when done by contract.

Storage and maintenance - Obligations for contractual services for storage and care of vehicles and storage of household goods, including those associated with a permanent change of station (PCS). Obligations for other PCS expenses are classified under object class 12.1, 12.2, 21.0, or 22.0.

Subsistence and support of persons - Obligations incurred for contractual services for board, lodging, and care of persons, including hospital care (except travel items, which are classified under object class 21.0).

Typing and stenographic service contracts

Publication of notices, advertising, and radio and television time

Tuition

Fees and other charges - Fees for abstracting land titles, premiums on insurance (other than payments to the Office of Personnel Management), and surety bonds.

Custom software - Obligations for contracts covering development of software of \$25,000 or less. Excludes custom software classified in object class 31.0.

Software and hardware maintenance - Obligations for contracts to maintain software or hardware, including maintenance that is part of a rental contract, when significant and readily identifiable in the contract or billing. Excludes charges for rental of ADP and telecommunications hardware and software, which are classified in object class 23.3.

Operation of facilities or other service contracts

Research and development contracts

26.0 Supplies and materials

Obligations for commodities whether acquired by formal contract or other form of purchase that are: ordinarily consumed or expended within one year after they are put to use; converted in the process of construction or manufacture; or used to form a minor part of equipment or fixed property.

Also includes charges for off-the-shelf software purchases of \$25,000 or less. Also includes charges for off-the-shelf software with a useful life of under 2 years. Other property of little monetary value that does not meet any of these 3 criteria listed above may also be classified as "Supplies and materials" at the option of the agency. Includes:

Office Supplies - Obligations for pencils, paper, calendar pads, stenographic notebooks, standard forms (except when specially printed or assembled to order), unprinted envelopes, other office supplies, and property of little monetary value (such as desk trays, pen sets, and calendar stands).

Publications - Obligations for purchases of or subscriptions to pamphlets, documents, books, newspapers, periodicals, records, cassettes, or other publications whether printed, microfilmed, photocopied, or otherwise recorded for auditory or visual use that are off-the-shelf rather than specially ordered by or at the request of the agency. Excludes publications acquired for permanent collections, which are classified under object class 31.0.

ADP supplies and materials - Obligations for computer and word processing tapes, discs, and manuals. Includes off-the-shelf software purchases and licenses of \$25,000 or less. Excludes off-the-shelf software classified under object class 31.0.

Chemicals, surgical and medical supplies

Fuel - Obligations for fuels used in cooking, heating, generating power, making artificial gas, and operating motor vehicles, trains, aircraft, and vessels.

Clothing and clothing supplies - Obligations for articles of clothing, together with materials and sewing supplies used in manufacture of wearing apparel.

Provisions - Obligations for food and beverages.

Cleaning and toilet supplies

Ammunition and explosives

Materials and parts - Obligations for commodities (including building materials) used in the construction, repair, or production of supplies, equipment, machinery, buildings, and other structures.

30 ACQUISITION OF CAPITAL ASSETS

31.0 Equipment

Obligations for the purchase of personal property of a durable nature; that is, property that normally may be expected to have a period of service of a year or more after being put into use without material impairment of its physical condition. Includes obligations for service in connection with the initial installation of equipment when performed under contract. Excludes off-the-shelf software valued at \$25,000 or less, and supplies and materials classified under object class 26.0. Also excludes fixed equipment that is classified under object class 32.0. This object class may consist of both equipment that is not capitalized (not set up in property accounts) and equipment that is capitalized. In determining subclasses for administrative use, agencies may appropriately maintain

such a distinction. Includes:

Transportation equipment - Obligations for vehicles, including passenger-carrying automobiles, motor trucks, motorcycles, tractors, aircraft, trains, steamships, barges, power launches, and other vessels.

Furniture and fixtures - Obligations for movable furniture, fittings, fixtures, and household equipment. Includes desks, tables, chairs, typewriters, word processing equipment, and calculators.

Publications for permanent collections

Tools and implements

Machinery - Obligations for engines, generators, manufacturing machinery, transformers, ship equipment, pumps, and other production and construction machinery.

Instruments and apparatus - Obligations for surgical instruments, X-ray apparatus, signaling equipment, telephone and telegraph equipment, electronic equipment, scientific instruments and appliances, measuring and weighing instruments and accessories, photographic equipment, picture projection equipment and accessories, and mechanical drafting devices.

ADP and telecommunications equipment - Obligations for hardware, such as central processing units (CPUs), punch card accounting machines, data entry machines, modems, telephone handsets, and personal computers. Also includes purchases of off-the-shelf and custom software of more than \$25,000.

Armaments - Obligations for tanks, armored carriers, tractors, missiles, machine guns, small arms, bayonets, anti-aircraft guns, artillery, searchlights, detectors, fire control apparatus, submarine mine equipment, ammunition hoists, torpedo tubes, and other special and miscellaneous military equipment.

32.0 Land and structures

Obligations for purchase of land, buildings, and other structures, additions to buildings, nonstructural improvements, fixed equipment when acquired under contract (whether an addition or a replacement), and payments for defaulted loan guarantees on loans that have been foreclosed, so that the Federal payment results in the acquisition of a physical asset rather than a loan asset. Includes:

Land - Obligations for the purchase of land and interest in lands, including easements and rights of way.

Buildings and other structures - Obligations for the acquisition or construction of buildings and structures, and additions thereto, when acquired under contract. Includes principal payments under lease-purchase contracts for construction of buildings.

Nonstructural improvements - Obligations for improvements of land, such as landscaping, fences, sewers, wells, and reservoirs, when acquired under contract.

Fixed equipment - Obligations for fixtures and equipment that become permanently attached to a part of buildings or structures, such as elevators, plumbing, power-plant boilers, fire-alarm systems, lighting or heating systems, and air conditioning or refrigerating systems (whether an addition or a replacement), when acquired under contract. Includes amounts for services for the initial installation of fixed equipment when performed under contract.

33.0 Investments and loans

Obligations for the purchase of securities, loans made to others, expenditures in the nature of capital for other funds, and payments for defaulted loan guarantees in those cases where the default has not resulted in foreclosure, so that the Government acquires title to the note rather than title to physical assets. If payment occurs for which there is no asset (property or enforceable notes) so that the payment is a sunk cost, it should be included under object class 42.0. Includes:

Investments in securities - Obligations for the purchase of stocks, bonds, debentures, and other securities (except the par value of U.S. Government securities or securities of wholly-owned government enterprises) in which money is invested either temporarily or permanently. Includes the amounts paid for interest accrued at the time of purchase and premiums paid on all investments, including payments over par value for the purchase of Government securities and discounts under par value on sales of Government securities.

Loans - Loans to foreign governments, States, and other political subdivisions; loans to other Government agencies; and loans to corporations, associations, and individuals.

40 GRANTS AND FIXED CHARGES

41.0 Grants, subsidies, and contributions

Grants (including revenue sharing), subsidies, gratuities, and other aid for which cash payments are made to States, other political subdivisions, corporations, associations, and individuals; contributions to international societies, commissions, proceedings, or projects, whether in lump sum or as quotas of expenses; contributions fixed by treaty; grants to foreign countries; taxes imposed by taxing authorities where the Federal Government has consented to taxation (excluding the employer's share of Federal Insurance Contribution Act taxes); and payments instead of taxes. Includes readjustment and other benefits for veterans, other than indemnities for death and disability.

Note: Obligations under grant programs that involve the furnishing of services, supplies, materials, and the like, rather than cash are not charged to this object class, but to the object class representing the nature of the services, articles, or other items that are purchased.

42.0 Insurance claims and indemnities

Benefit payments from the social insurance and Federal retirement trust funds and payments for losses and claims including those under the Equal Access to Justice Act. Includes:

Social insurance and retirement - Payments for individuals from trust funds for social security, medicare, unemployment insurance, railroad retirement, Federal civilian retirement, military retirement, and other social insurance and retirement programs.

Other claims or indemnities - Payments to veterans and former civilian employees or their survivors for death or disability, whether service connected or not. Payments of claims and judgments arising from court decisions or abrogation of contracts; indemnities for the destruction of livestock, crops, and the like; damage to or loss of property; and personal injury or death. Includes payments to or for persons displaced as a result of Federal and federally assisted programs, as authorized under 42 U.S.C. 4622-4624. Includes losses made good on Government shipments, and payments on guarantees where no asset is received and where forgiveness is not provided by law.

43.0 Interest and dividends

Payments to creditors for the use of moneys loaned, deposited, overpaid, or otherwise made available and the distribution of earnings to owners of trust or other funds. Includes interest payments under lease-purchase contracts for construction of buildings. If payment of claims under a contract has been delayed by the Government, the interest shall be recorded under the same object class used for the original contract and not in this object class.

44.0 Refunds

Payments made from an appropriation or fund account to refund amounts previously received by the Government to correct errors in computations, erroneous billing, and other factors. Also includes amounts refunded to former employees or their beneficiaries for employee contributions to retirement and disability funds (such as payments made when employees die before retirement or before their annuities equal the amount withheld). In the account receiving the refund, previously recorded obligations will be reduced in the appropriate object class(es) by the amount of the refund.

90 OTHER

The following object classes will be used, as appropriate, when preparing agency budget submissions. They will also be used at other times when such information is requested.

91.0 Unvouchered

Charges that may be incurred lawfully for confidential purposes, not subject to detailed vouchering or reporting, shall be recorded under this object class.

92.0 Undistributed

Charges that cannot be distributed to the object classes listed above. This object class shall be used for reporting purposes only with the prior approval of OMB.

93.0 Limitation on expenses

This object class is used when there is an annual limitation on administrative or nonadministrative expenses for revolving and trust funds. In the object class schedule for the revolving or trust fund, total obligations applicable to the limitation are reported as a lump sum entry without any distribution under object class 93.0. A separate object classification schedule for the limitation will distribute the lump sum obligations reported in the parent schedule in object classes 11.1 through 44.0, as appropriate, with an offsetting negative entry on line 93.0 equal to the total

obligations distributed. No amount will be shown on the subtotal line (99.0) of the separate object classification schedule for the limitation.

99.0 Subtotal, obligations

Subtotal of entries above for direct, reimbursable, or allocation account obligations when more than one of these categories are reported in a single account. The subtotal stub entry for reimbursable obligations, "Reimbursable obligations," should be used, even if all reimbursable obligations are classified in a single object class category.

99.9 Total obligations

This entry will equal the sum of the total obligations for all the object class entries. The amount must equal total obligations as shown on line 10.00 of the program and financing schedule. Only the final total of all obligations should be coded 99.9. Subtotals for schedules containing two or more sections will be coded 99.0 for the individual sections.

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DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

DoD 7000.14-R

*** * ***

VOLUME 1

*** * ***

**GENERAL FINANCIAL MANAGEMENT
INFORMATION, SYSTEMS, AND REQUIREMENTS**

MAY 1993



DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 1

**GENERAL FINANCIAL MANAGEMENT
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CHAPTER 6

DoD COMPTROLLER FINANCIAL MANAGEMENT AWARDS0601 PURPOSE

This chapter provides policy, responsibilities, and procedures for the Comptroller of the Department of Defense Financial Management Awards Program. This program is intended to recognize those individuals or groups in the Department of Defense who have made significant contributions to the improvement of financial management. This guidance also explains eligibility, criteria for nominations, and selection.

0602 APPLICABILITY AND SCOPE

Any DoD military or civilian employee or group who has made a significant contribution to the improvement of a financial management system is eligible for nomination for an award. Also eligible are those individuals or groups who have significantly contributed to a DoD-wide financial management initiative.

0603 POLICY

It is DoD policy that:

A. Military and civilian members who make outstanding contributions to the improvement of DoD financial management should be recognized.

B. Recognition, in the form of an engraved plaque, shall be presented to, and retained by, the individual or group deemed to have achieved the most outstanding contribution(s) to the improvement of a financial management system or initiative during the preceding fiscal year.

C. Award plaques shall be presented to winners in each of the following categories:

1. Financial management system improvement.

2. Financial management initiative.

D. An award shall also be presented to the activity that each award recipient represents.

0604 RESPONSIBILITIES

060401 The Comptroller of the Department of Defense shall:

A. Select award recipients for each award category.

B. Present awards to each recipient in an annual ceremony.

060402 The Deputy Comptroller of the Department of Defense (Management Systems) shall annually convene a Financial Management Awards Program Board to receive nominations from the DoD Components and to make award recommendations to the Comptroller of the Department of Defense.

060403 The Financial Management Awards Program Board shall:

A. Be composed of the Deputy Comptroller Of the Department of Defense (Management Systems) (Chair) with a representative from each of the Military Departments, the Defense Finance and Accounting Service, and a representative from among Defense Agencies. The representative from the Defense Agencies shall be selected by the Director, Washington Headquarters Services.

B. Convene annually to evaluate nominations and make recommendations for winners in each award category.

C. Recommend award winners for each award category based on the criteria in paragraph 0605.

060404 The Secretaries of the Military Departments, the Director of the Defense Finance and Accounting Service, and the Directors of the Other Defense Agencies shall:

A. Each select a representative to the Financial Management Awards Program Board and notify the Deputy Comptroller of the Department of Defense (Management Systems) by March 1, each year, of the representative selected from their DoD Component. The Director of the Washington Headquarters Services shall appoint a representative of the Defense Agencies (other than the Defense Finance and Accounting Service) from among nominees selected by the Directors of the applicable Defense Agencies.

B. Each year, nominate individuals for the Financial Management Award in accordance with the procedures and criteria in paragraph 0605.

0605 DoD FINANCIAL MANAGEMENT AWARD CRITERIA AND PROCEDURES

The procedures and criteria for the DoD Financial Management Award are as follows:

060501 Award Criteria.

A. Nominations for DoD Financial Management Awards shall be based on the individual's achievements during the immediately preceding fiscal year and evaluated on the nominee's:

1. Success in meeting assigned financial management goals.
2. Implementation of initiatives resulting in a superior improvement in the quality of financial management.
3. Other outstanding services or significant contributions to the DoD Financial Management Program.

060502 Nomination Format.

A. The narrative should be on standard letter size (8-1/2x11) paper with one inch margins. The heading of the narrative should be:

NOMINATION OF (Insert Nominee Name),
For the Fiscal Year (Insert Fiscal Year) Financial Management Award, For (Insert Award Category)

The initial paragraph should state the name of the financial management system or initiative to which the contribution was made.

The succeeding paragraphs of the narrative should contain a description of the achievement and its value to the Department of Defense. The last paragraph of the narrative should contain a proposed citation. The nominating official should sign at the bottom.

B. Included with the nomination, on a separate page, should be the following:

1. Name, rank or grade, duty title, office mailing address, and telephone number of the nominee.
2. Name and members of group if a group is nominated for the award.
3. Name of the activity to which the nominee is assigned.
4. Name and telephone number of the official to be contacted for further information.
5. Name, rank or grade, duty title, office mailing address, and telephone number of the nomination official. The nominating official shall sign and date the nomination.

060503 Submission of Nominations.

Heads of DoD Components shall submit nominations to the Deputy Comptroller (Management Systems), Office of the Comptroller of the Department of Defense, Room 3E825, the Pentagon, Washington, DC 20301--1100, so as to be received by the last workday in March of each year.

0606 AWARDS

The awards shall consist of an engraved plaque for each winning individual or group. There shall also be an award for each individuals assigned activity.



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CHAPTER 7

DEPARTMENT OF DEFENSE STANDARD GENERAL LEDGER

0701 PURPOSE. This chapter prescribes the Department of Defense (DoD) Uniform Chart of Accounts that is required for use in the accounting systems of the Department.

0702 GENERAL.

A. The DoD Uniform Chart of Accounts provides the basic structure of the DoD Standard General Ledger. The DoD Standard General Ledger is based upon the U.S. Government Standard General Ledger. The DoD Standard General Ledger incorporates proprietary and budgetary accounts. Both the proprietary and budgetary accounts are self-balancing within themselves. The budgetary accounts are further divided into accounts applicable to three organizational levels within the DoD. The three levels are (1) Departmental level, (2) Intermediate Command level and (3) Installation level. Budgetary accounts applicable to each of the three levels must be self-balancing within that level. Since installation level budgetary accounts are used to record budget execution transactions, they are not limited for use at an installation and may be used at any, or all, DoD organizational levels.

B. Summary and posting accounts have been provided and are so designated in the DoD Uniform Chart of Accounts and associated account descriptions. A summary account is an account that has been subdivided into subsidiary posting accounts. Accounts that are not further subdivided are posting accounts. Postings should not be made to summary accounts.

0703 INTERNAL CONTROL STANDARDS. The objectives of internal controls are to reasonably assure that (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use, and misappropriation; (3) revenues and expenditures are recorded and accounted for properly so that accounts and reliable financial reports may be prepared and accountability of assets may be

maintained. Specific internal control standards to achieve these objectives are:

A. Documentation. Internal control systems and all transactions and significant events are to be documented clearly and the documentation is to be available for examination.

B. Recording of Transactions and Events. Transactions and significant events are to be recorded promptly and classified properly.

C. Execution of Transactions and Events. Transactions and significant events are to be authorized and executed only by persons acting within the scope of their authority.

D. Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

E. Supervision. Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved.

G. Access to and Accountability for Resources. Access to resources and records is to be limited to authorized individuals. Accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

0704 APPLICABILITY AND SCOPE.

A. The DoD Uniform Chart of Accounts is applicable to all DoD accounting systems for all appropriations and funds.

B. A four digit account numbering system has been provided. In some instances, the numbering system has been expanded to accommodate specific DoD needs. The DoD Compo-

nents may expand this numbering system to as many alpha/numeric characters as are needed to accommodate specific DoD Component subsidiary accounts, provided such expansions continue to roll up to the basic account structure provided. The basic structure of the DoD Uniform Chart of Accounts consists of:

Proprietary Accounts

- 1000 Assets
- 2000 Liabilities
- 3000 Equity of the U.S. Government
- 5000 Revenue
- 6000 Expense
- 7000 Gains/Losses/Extraordinary Items, etc.

Budgetary Accounts

- 4000 Budgetary

0705 BASIC CONCEPT.

A. All resources acquired and used, and claims against those resources, are to be recorded on the basis of financial transactions (that is, recordation of amounts in general ledger accounts shall be transaction driven).

B. The DoD Standard General Ledger shall be used regardless of the sources of funds. However, fund identification of financial resources shall be maintained in order to (1) disclose compliance with financial authorizations and (2) prepare reports on the status of appropriations and funds for the Congress, the Office of Management and Budget, and the Treasury Department.

C. The DoD Standard General Ledger account structure is intended as the minimum structure required to assure consistent treatment of similar transactions. Additional subsidiary accounts may be established as needed to meet specific management requirements. However, the prescribed accounts shall be used as general ledger control accounts. Structures that are "similar," whether more or less detailed, are not authorized for use. Not all accounts are needed by all accounting entities.

D. The DoD Standard General Ledger account structure shall be used to record all of the series of events that occur from the time an appropriation is received until the resources acquired are used or disposed. A self-balancing set of budgetary accounts covers the appropriation, apportionment, allocation, commitment, obligation and expenditure process. Proprietary asset and liability accounts cover the receipt of funds in the Treasury, the proper classification of assets (such as receivables, prepayment, inventory and fixed assets), and the recognition and proper classification of liabilities. Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs through the use and consumption of assets. The financial control provided through accounting records for property provides managers with a tool that will help to discharge effectively their stewardship function for those resources.

E. The DoD Standard General Ledger account structure also facilitates the accumulation and recording of expenses by major areas of responsibility or activity. By having a single general ledger, expenses incurred by a DoD entity for any given activity for which it is responsible, and the associated revenues, if any, can be ascertained by managers with confidence that the accounting is complete and controlled. This will be possible regardless of the appropriation or fund that originally financed the cost and without the need for memorandum accounting records. Consistency in the accounting treatment of similar transactions, through the use of a uniform structure, creates reliable cost data for planning, budgeting and other management purposes.

0706 OBJECTIVES.

The objectives of the DoD Standard General Ledger are to:

A. Establish an account structure for the integration of appropriation or fund accounting, property accounting, revenue accounting and expense accounting.

B. Provide managers with the visibility over accurate and complete financial data, in-

cluding total operating expenses and total acquisition cost of real and personal property.

C. Achieve a uniform treatment of similar transactions by all DoD Components at all levels.

D. Establish accounting control over all resources from receipt to consumption or disposal.

E. Provide the capability of producing significant expense and cost information concerning programs, projects and other activities in accordance with internal management needs.

F. Provide appropriation and fund data needed to meet reporting requirements of the central fiscal agencies and the Chief Financial Officers Act of 1990, as well as to provide such other financial data as may be needed for internal and external reporting requirements.

G. Facilitate the development of future accounting improvements.

H. Assure compliance with the Office of Management and Budget pronouncements including those developed by the Federal Accounting Standards Advisory Board; DoD accounting policies and standards set forth in this Regulation; and other applicable regulations promulgated by the central fiscal agencies.

0707 BUDGETARY AND PROPRIETARY ACCOUNTING RELATIONSHIPS.

Figure 7-1 illustrates the following budgetary and proprietary accounting relationships.

A. An entry to record budget authority (vice budgetary resources) in budgetary accounts requires a corresponding entry to record funds with Treasury in proprietary accounts.

B. An entry to record accrued expenditures unpaid in budgetary accounts requires a corresponding entry to record accounts payable in proprietary accounts.

C. An entry to record accrued expenditures paid in budgetary accounts requires a corresponding entry to record funds disbursed in proprietary accounts.

D. An entry to record reimbursements earned but unpaid in budgetary accounts requires a corresponding entry to record accounts receivable in proprietary accounts.

E. An entry to record reimbursements earned and paid in budgetary accounts requires a corresponding entry to record funds collected in proprietary accounts.

F. An entry to record refunds due-accrued expenditures in budgetary accounts requires a corresponding entry to record refunds receivable in proprietary accounts.

0708 DoD UNIFORM CHART OF ACCOUNTS. A listing of the approved DoD Uniform Chart of Accounts for use within the Department is at Addendum 1. A description of the accounts is at Addendum 2. Accounts that are underlined in Addendum 1 are summary level accounts.

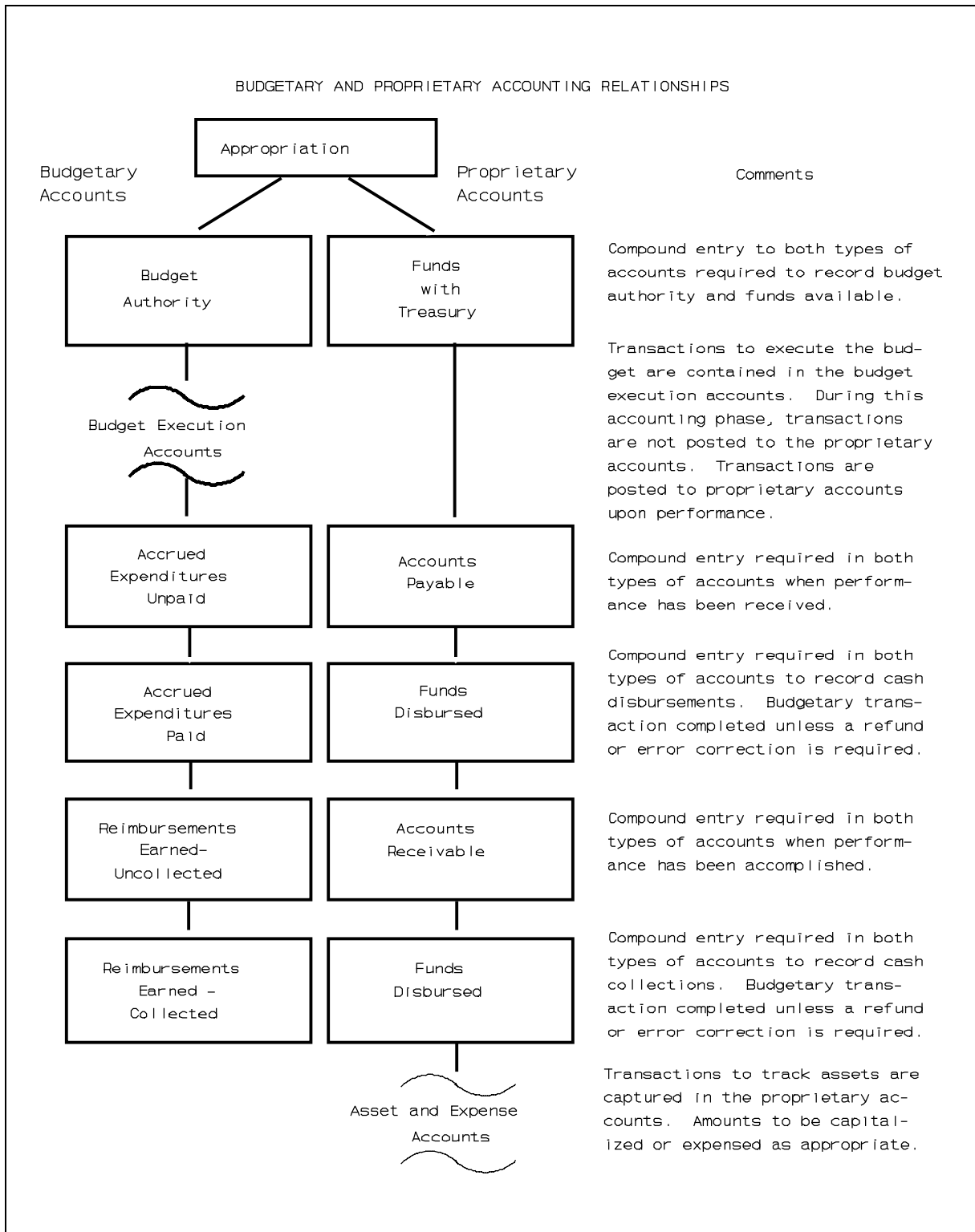


FIGURE 7-1

ADDENDUM 1
DoD UNIFORM CHART OF ACCOUNTS

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 4 CHAPTER REFERENCE</u>
<u>1000</u>	<u>ASSETS</u>	2
<u>1010</u>	<u>Fund Balance with Treasury</u>	2
<u>1011</u>	<u>Funds Collected</u>	2
1011.1	Funds Collected-Operation-DBOF	2
1011.2	Funds Collected-Capital Asset-DBOF	2
1011.3	Funds Collected-Depreciation-DBOF	2
1011.4	Funds Collected-MILCON-DBOF	2
<u>1012</u>	<u>Funds Disbursed</u>	2
1012.1	Funds Disbursed-Operating-DBOF	2
1012.2	Funds Disbursed-Capital-DBOF	2
1013	Funds With Treasury	2
1014	Undistributed Collections	2
1015	Undistributed Disbursements	2
<u>1100</u>	<u>Cash</u>	2
1110	Undeposited Collections	2
1120	Imprest Funds	2
<u>1190</u>	<u>Other Cash</u>	2
1191	Disbursing Officers' Cash	2
1200	Foreign Currency	2
<u>1300</u>	<u>Receivables, Net</u>	3
<u>1310</u>	<u>Accounts Receivable</u>	3
1311	Accounts Receivable-Government-Current	3
1312	Accounts Receivable-Government-Noncurrent	3
1313	Accounts Receivable-Public-Current	3
1314	Accounts Receivable-Public-Noncurrent	3
1315	Refunds Receivable-Government	3
1316	Refunds Receivable-Public	3
1319	Allowance for Loss on Accounts Receivable	3
1320	Claims Receivable-Public	3
<u>1350</u>	<u>Loans Receivable</u>	3
1351	Loans Receivable-Government-Current	3
1352	Loans Receivable-Government-Noncurrent	3
1353	Loans Receivable-Public-Current	3
1354	Loans Receivable-Public-Noncurrent	3
1359	Allowance for Loss on Loans Receivable	3

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 4 CHAPTER REFERENCE</u>
<u>1400</u>	<u>Advances and Prepayments</u>	5
<u>1410</u>	<u>Advances to Others</u>	5
1411	Travel Advances	5
1412	Advances to Contractors and Suppliers	5
1413	Advances to Grantees	5
1414	Advances-All Others-Public	5
1415	Advances to Government Agencies and Funds	5
<u>1450</u>	<u>Prepayments</u>	5
1451	Prepaid Expenses	5
1452	Progress Payments Made to Others	5
<u>1500</u>	<u>Inventories, Net</u>	4
1510	Inventory for Agency Operations	4
1519	Allowance for Loss on Inventory for Agency Operations	4
1520	Inventory for Sale	4
1529	Allowance for Loss on Inventory for Sale	4
1530	Inventory-Raw Material and Supplies	4
1539	Allowance for Loss on Inventory-Raw Materials and Supplies	4
<u>1540</u>	<u>Inventory-Work in Process</u>	4
1541	Inventory-Work in Process-In-House	4
1542	Inventory-Work in Process-Contractor	4
1543	Inventory-Work in Process-Other Government Activities	4
1544	Inventory-Work in Process-Government Furnished Material	4
1545	Customer Work in Progress-Capital-DBOF	4
1549	Allowance for Loss on Inventory-Work in Process	4
1550	Inventory-Finished Goods	4
1559	Allowance for Loss on Inventory-Finished Goods	4
1560	Other Inventory	4
1569	Allowance for Loss on Other Inventory	4
1570	Stockpiled Materials and Supplies	4
1579	Allowance for Loss on Stockpiled Materials and Supplies	4
1580	Inventory in Transit	4

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 4 CHAPTER REFERENCE</u>
<u>1600</u>	<u>Investments, Net</u>	7
1610	Securities (At Par)	7
1611	Securities-Unamortized Premium or Discount	7
1690	Other Investments	7
<u>1700</u>	<u>Fixed Assets, Net</u>	6
1710	Land	6
<u>1720</u>	<u>Construction in Progress</u>	6
1721	Construction in Progress-In House	6
1722	Construction in Progress-Contractor	6
1723	Construction in Progress-Other Government Activities	6
1724	Construction in Progress-Government Furnished Material	6
1725	Construction on Progress-Capital-DBOF	6
1730	Buildings	6
1739	Accumulated Depreciation on Buildings	6
1740	Other Structures and Facilities	6
1749	Accumulated Depreciation on Other Structures and Facilities	6
1750	Equipment	6
1759	Accumulated Depreciation on Equipment	6
<u>1760</u>	<u>Military Equipment</u>	6
1761	Industrial Property in Layaway	7
1762	Equipment in Use	6
1763	Equipment with Contractors, Testing Agencies, Defense Industrial Facilities and Others	6
1764	Equipment on Loan	6
1765	Property Awaiting Disposal	7
1766	Equipment Not in Use	6
1769	Accumulated Depreciation on Military Equipment	6
1770	Equipment in Transit	6
<u>1800</u>	<u>Other Fixed Assets</u>	6
1810	Assets Under Capital Lease	7
1819	Accumulated Depreciation on Assets Under Capital Lease	7
1820	Leasehold Improvements	7
1829	Accumulated Amortization on Leasehold Improvements	7

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 4 CHAPTER REFERENCE</u>
1830	Automated Data Processing Software	7
1839	Accumulated Amortization on Automated Data Processing Software	7
1840	Other Natural Resources	6
1849	Allowance for Depletion	6
1890	Other Fixed Assets	7
<u>1900</u>	<u>Other Assets, Net</u>	7
1910	Acquired Collateral	7
1919	Allowance for Loss on Acquired Collateral	7
1920	Unrequisitioned Authorized Appropriations	7
<u>1990</u>	<u>Other Assets</u>	7
1991	Intangible assets	7
1992	Accumulated Amortization on Intangible Assets	7
<u>2000</u>	<u>LIABILITIES</u>	9
<u>2100</u>	<u>Accrued Liabilities-Other</u>	9
<u>2110</u>	<u>Accounts Payable</u>	9
2111	Accounts Payable-Government-Current	9
2112	Accounts Payable-Government-Noncurrent	9
2113	Accounts Payable-Public-Current	9
2114	Accounts Payable-Public-Noncurrent	9
2115	Claims Payable	9
2120	Disbursements in Transit	9
2130	Contract Holdbacks	9
2140	Accrued Interest Payable	9
2190	Other Accrued Liabilities	9
<u>2200</u>	<u>Accrued Liabilities-Payroll and Benefits</u>	10
<u>2210</u>	<u>Accrued Funded Payroll and Benefits</u>	10
2211	Accrued Payroll-Civilian	10
2212	Accrued Payroll-Military	10
2213	Accrued Payroll-Civilian-Employer Share of Fringe Benefits	10
2214	Accrued Payroll-Military-Employer Share of Fringe Benefits	10

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 4 CHAPTER REFERENCE</u>
<u>2220</u>	<u>Accrued Unfunded Annual Leave</u>	10
2221	Accrued Annual Leave-Civilian (Unfunded)	10
2222	Accrued Annual Leave-Military (Unfunded)	10
<u>2300</u>	<u>Unearned Revenues (Advances)</u>	14
<u>2310</u>	<u>Advances from Others</u>	14
2311	Unearned Revenue-Advances from Government Agencies and Funds	14
2312	Unearned Revenue-Advances from the Public	14
2320	Deferred Credits	14
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2410	Treasury Cash Advances to Disbursing Officers	14
2411	Deposit Fund Liabilities	14
<u>2500</u>	<u>Debt</u>	12
2510	Borrowing From Treasury	12
2520	Borrowing From Federal Financing Bank	12
2530	Securities Issued by Federal Agencies Under Special Financing Authority	12
2540	Participation Certificates	12
<u>2590</u>	<u>Other Debt</u>	12
2591	Mortgages Payable-Family Housing	12
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2610	Retirement Plans	10
2620	Insurance Plans	10
2690	Other Actuarial Liabilities	10
<u>2900</u>	<u>Other Liabilities</u>	14
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2993	Accrued Civilian Severance Pay (Unfunded)	10
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3100	Appropriated Capital	17
<u>3200</u>	<u>Invested Capital</u>	17
<u>3210</u>	<u>Capital Investments</u>	17
<u>3211</u>	<u>Capital Investment-DBOF</u>	17
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3211.2	Assets Capitalized	17
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3216	Capital Investment- DoD Education Benefits Trust Fund	17
3217	Capital Investment-Other Trust Funds	17
3220	Transfers-In from Others Without Reimbursement	17
3221	Transfers In from Others Without Reimbursement-DBOF	17
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<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 4 CHAPTER REFERENCE</u>
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<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 3 CHAPTER REFERENCE</u>
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<u>4110</u>	<u>Appropriations Realized</u>	9
4111	Debt Liquidation Appropriations	9
4112	Deficiency Appropriations	9
4113	Appropriations Rescinded	9
4114	Appropriations Realized But Withdrawn	9
4119	Other Appropriations Realized	9
4120	Appropriations Anticipated (Indefinite)	9
<u>4130</u>	<u>Contract Authority</u>	9
4131	Contract Authority-Without Liquidating Appropriation	9
4132	Contract Authority-With Liquidating Appropriation	9
4133	Contract Authority Lapsed or Withdrawn	9
<u>4140</u>	<u>Borrowing Authority</u>	11
4141	Borrowing Authority-Definite	11
4142	Borrowing Authority-Indefinite	11
4143	Borrowing Authority-Withdrawn	11
4150	Other New Budget Authority	9
4160	Anticipated Transfers of Current Fiscal Year Authority	9
4170	Appropriation Transfers	9
4180	Anticipated Transfers of Prior Fiscal Year Authority	9
4190	Transfers-Prior Year Budgetary Resources	9
<u>4210</u>	<u>Anticipated Reimbursements and Other Income</u>	9
4211	Anticipated Reimbursements-Specific Apportionment	9
4212	Anticipated Reimbursements-Automatic Apportionment	9
<u>4220</u>	<u>Reimbursable Orders Accepted</u>	11
4221	Customer Orders Accepted-Automatic Apportionment	11
4222	Customer Orders Accepted-Specific Apportionment	11
<u>4230</u>	<u>Unfilled Customer Orders-Unobligated</u>	11
4231	Unfilled Customer Orders-Without Advance-Automatic Apportionment	11
4232	Unfilled Customer Orders-Without Advance-Specific Apportionment	11
4233	Unfilled Customer Orders-With Advance-Automatic Apportionment	11
4234	Unfilled Customer Orders-With Advance-Specific Apportionment	11

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 3 CHAPTER REFERENCE</u>
4240	Unfilled Customer Orders-Obligated	11
<u>4250</u>	<u>Reimbursements and Other Income Earned</u>	11
4251	Reimbursements Earned-Uncollected-Automatic Apportionment	11
4252	Reimbursements Earned-Uncollected-Specific Apportionment	11
4253	Reimbursements Earned-Collected-Automatic Apportionment	11
4254	Reimbursements Earned-Collected-Specific Apportionment	11
4255	Reimbursements Earned-Collected-Undistributed	11
4310	Anticipated Recoveries of Prior Year Obligations	11
<u>4320</u>	<u>Actual Recoveries of Prior Year Obligations</u>	11
4321	Actual Recoveries of Prior Year Obligations-Direct Program	11
4322	Actual Recoveries of Prior Year Obligations-Reimbursable Program	11
4330	Funds Generated from Deobligations of Prior Year Funds	11
<u>4390</u>	<u>Balance Available for Restoration, Writeoff and Withdrawal</u>	9
<u>4391</u>	<u>Restorations, Writeoffs and Withdrawals</u>	9
4391.1	Restorations and Withdrawals-Annual and Multiyear	9
4391.2	Restorations and Writeoffs-No Year	9
4392	Withdrawals Due to Rescission of Unobligated Balances	9
4410	Budgetary Resources-Not Available Pursuant To Public Law	9
4420	Appropriations Available For Apportionment-Withheld Pending Rescission	9
4430	Appropriations Available For Apportionment-OMB Deferred Programs	9
4440	Revolving Funds Available For Apportionment	9
4450	Authority Available For Apportionment	9
<u>4510</u>	<u>Apportionment Available For Distribution</u>	9
4511	Unallocated Apportionment-Direct Program-Current Period	9
4512	Unallocated Apportionment-Direct Program-Subsequent Periods	9
4513	Unallocated Apportionment-OSD Withheld Programs	9
4514	Unallocated Apportionment-ReimbursableProgram-Current Period	9
4515	Unallocated Apportionment-Reimbursable Program-Subsequent Periods	9
4516	Unallocated Unfunded Contract Authority	9

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 3 CHAPTER REFERENCE</u>
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4518	Unallocated Apportionment-Reserved for Anticipated Resources-Automatically Apportioned	9
4520	Allocations To Others	9
4530	Allocations From Others	9
<u>4540</u>	<u>Internal Fund Distributions Issued</u>	9
4541	Allocations Issued-Direct Program-Current Period	9
4542	Allocations Issued-Direct Program-Subsequent Periods	9
4543	Allocations Issued-Reimbursable Program-Current Period	9
4544	Allocations Issued-Reimbursable Program-Subsequent Periods	9
4545	Allocations Issued-Withheld Programs	9
4550	<u>Internal Fund Distributions Received</u>	10
<u>4560</u>	<u>Funds Available For Allotment</u>	10
4561	Unallotted Allocations-Direct Program-Current Period	10
4562	Unallotted Allocations-Direct Program-Subsequent Period	10
4563	Unallotted Allocations-Reimbursable Program-Current Period	10
4564	Unallotted Allocations-Reimbursable Program-Subsequent Periods	10
4565	Unallotted Allocations-Withheld Programs	10
4566	Unallotted Allocations-Operating Cost Authority-DBOF	10
4567	Unallotted Allocations-Capital Authority-DBOF	10
<u>4570</u>	<u>Allotments Issued</u>	10
4571	Allotments Issued-Direct Program-Current Period	10
4572	Allotments Issued-Direct Program-Subsequent Periods	10
4573	Allotments Issued-Reimbursable Program-Current Period	10
4574	Allotments Issued-Reimbursable Program-Subsequent Periods	10
4575	Allotments Issued-Withheld Programs	10
4576	Allotments Issued-Operating Cost Authority-DBOF	10
4577	Allotments Issued-Capital Authority-DBOF	10
<u>4580</u>	<u>Allotments Received</u>	11
4580.A	Operating Cost Authority-A Goal-DBOF	11
4580.B	Operating Cost Authority-B Goal-DBOF	11
4580.C	Operating Cost Authority-C Goal-DBOF	11
4580.D	Operating Cost Authority-D Goal-DBOF	11
4581	Automatic Reimbursement Program	11
4582	Allotted Reimbursable Program-Current Period	11
4583	Allotted Reimbursable Program-Subsequent Periods	11
<u>4584</u>	<u>Anticipated Earned Authority-DBOF</u>	11
4584.A	Anticipated Earned Authority-A Goal-DBOF	11
4584.B	Anticipated Earned Authority-B Goal-DBOF	11

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 3 CHAPTER REFERENCE</u>
4584.C	Anticipated Earned Authority-C Goal-DBOF	11
4584.D	Anticipated Earned Authority-D Goal-DBOF	11
<u>4585</u>	<u>Capital Program-DBOF</u>	
4585.1	Capital Authority-DBOF-Equipment-Except ADPE & Telcom.	11
4585.2	Capital Authority-DBOF-ADPE & Telecom. Equipment	11
4585.3	Capital Authority-DBOF-Software Development	11
4585.4	Capital Authority-DBOF-Minor Construction	11
4585.5	Capital Authority-DBOF- Management Improvements Initiatives	11
<u>4610</u>	<u>Allotments Available for Commitment/Obligation</u>	11
4611	Uncommitted/Unobligated Allotments-Direct Program-Current Period	11
4612	Uncommitted/Unobligated Allotments-Direct Program-Subsequent Periods	11
4613	Uncommitted/Unobligated Allotments-Withheld Programs	11
4614	Uncommitted/Unobligated Allotments-Reimbursable Program-Current Period	11
4614.A	Actual Cost Authority Earned-A Goal-DBOF	11
4614.B	Actual Cost Authority Earned-B Goal-DBOF	11
4614.C	Actual Cost Authority Earned-C Goal-DBOF	11
4614.D	Actual Cost Authority Earned-D Goal-DBOF	11
<u>4615</u>	<u>Capital Authority Available-DBOF</u>	11
4615.1	Capital Authority Available-DBOF-Equipment-Except ADPE & Telcom.	11
4615.2	Capital Authority Available-DBOF-ADPE & Telecom. Equipment	11
4615.3	Capital Authority Available-DBOF-Software Development	11
4615.4	Capital Authority Available-DBOF-Minor Construction	11
4615.5	Capital Authority Available-DBOF-Management Improvements Initiatives	11
4620	Other Funds Available for Commitment/Obligation	9
4630	Other Funds Unavailable for Commitment/Obligation	9
<u>4700</u>	<u>Commitments Available for Obligation</u>	11
4710	Outstanding Commitments-Direct Program	11
<u>4720</u>	<u>Outstanding Commitments-Reimbursable Program</u>	11
4721	Outstanding Commitments-Operating-DBOF	11
4722	Outstanding Commitments-Capital-DBOF	11

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 3 CHAPTER REFERENCE</u>
<u>4800</u>	<u>Undelivered Orders</u>	11
<u>4810</u>	<u>Undelivered Orders-Direct Program</u>	11
4811	Undelivered Orders-Without Advance-Direct Program	11
4812	Undelivered Orders-With Advance-Direct Program	11
<u>4820</u>	<u>Undelivered Orders-Reimbursable Program</u>	11
4821	Undelivered Orders-Without Advance-Reimbursable Program	11
4822	Undelivered Orders-With Advance-Reimbursable Program	11
4823	Undelivered Orders-Without Advance-Operating-DBOF	11
4824	Undelivered Orders-With Advance-Operating-DBOF	11
4825	Undelivered Orders-Without Advance-Capital-DBOF	11
4826	Undelivered Orders-With Advance-Capital-DBOF	11
<u>4900</u>	<u>Expended Appropriations</u>	11
4910	Accrued Expenditures-Unpaid-Direct Program	11
<u>4920</u>	<u>Accrued Expenditures-Unpaid-Reimbursable Program</u>	11
4921	Accrued Expenditures-Unpaid-Operating- DBOF	11
4922	Accrued Expenditures-Unpaid-Capital-DBOF	11
<u>4930</u>	<u>Accrued Expenditures-Paid-Direct Program</u>	11
4931	Accrued Expenditures-Paid-Direct Program	11
4932	Accrued Expenditures-Refunds Due-Direct Program	11
<u>4940</u>	<u>Accrued Expenditures-Paid-Reimbursable Program</u>	11
4941	Accrued Expenditures-Paid-Reimbursable Program	11
4942	Accrued Expenditures-Refunds Due-Reimbursable Program	11
4943	Accrued Expenditures-Paid-Operating-DBOF	11
4944	Accrued Expenditures-Paid-Capital-DBOF	11
4950	Accrued Expenditures-Paid-Undistributed	11

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 4 CHAPTER REFERENCE</u>
<u>5000</u>	<u>REVENUE</u>	20
5100	Revenue From Goods Sold	20
<u>5101</u>	<u>Revenue From Goods Sold-DBOF</u>	20
5101.1	Revenue From Goods Sold-Operating-DBOF	20
5101.2	Revenue From Goods Sold-Capital Asset-DBOF	20
5101.3	Revenue From Goods Sold-Depreciation-DBOF	20
5101.4	Revenue From Goods Sold-MILCON-DBOF	20
5200	Revenue From Services Provided	20
<u>5201</u>	<u>Revenue From Services Provided-DBOF</u>	20
5201.1	Revenue From Services Provided-Operating-DBOF	20
5201.2	Revenue From Services Provided-Capital Asset-DBOF	20
5201.3	Revenue From Services Provided- Depreciation-DBOF	20
5201.4	Revenue From Services Provided-MILCON-DBOF	20
5300	Interest and Penalties Revenue	20
5400	Benefit Program Revenue	20
5500	Insurance and Guarantee Premium Revenue	20
5600	Donated Revenue	20
5700	Appropriated Capital Used	20
<u>5900</u>	<u>Other Revenue</u>	20
5910	Miscellaneous Reimbursements	20
5911	General Fund Sales of Property	20
5912	Miscellaneous General Fund Income	20
<u>6000</u>	<u>EXPENSE</u>	19
<u>6100</u>	<u>Operating/Program Expenses</u>	19
6111	Personnel Compensation-Civilian	19
6112	Personnel Compensation-Military	19
6113	Personnel Benefits-Civilian	19
6114	Personnel Benefits-Military	19
6115	Benefits for Former Personnel	19
6116	Travel and Transportation of Persons	19
6117	Transportation of Things	19
6118	Rent, Communications and Utilities	19
6119	Printing and Reproduction	19
6120	Other Services	19
6121	Supplies and Materials	19
6122	Equipment (not capitalized)	19
6123	Grants, Subsidies, and Contributions	19
6124	Insurance Claims and Indemnities	19

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>VOLUME 4 CHAPTER REFERENCE</u>
6125	Depreciation of Equipment	19
6126	Depreciation of Real Property	19
6127	Depletion of Natural Resources	19
6128	Amortization of Leasehold Improvements and Other Intangible Assets	19
6129	Bad Debts	19
6130	Annual Leave	19
<u>6300</u>	<u>Interest Expenses</u>	19
6310	Interest Expenses on Borrowing From Treasury	19
6320	Interest Expenses on Securities	19
6330	Other Interest Expenses	19
6400	Benefit Program Expenses	19
6500	Cost of Goods Sold	19
6600	Applied Overhead	19
6900	Other Expenses	19
<u>7100</u>	<u>Gains</u>	19
7110	Gains on Disposition of Assets	19
<u>7190</u>	<u>Other Gains</u>	19
7191	Inventory Gains	19
7192	Investment Gains	19
7193	Other Miscellaneous Gains	19
<u>7200</u>	<u>Losses</u>	19
7210	Losses on Disposition of Assets	19
<u>7290</u>	<u>Other Losses</u>	19
7291	Inventory Losses or Adjustments	19
7292	Investment Losses	19
7293	Other Miscellaneous Losses	19
7300	Extraordinary Items	19
7400	Prior Period Adjustments	19
7500	Distribution of Income-Dividend	19
7600	Changes in Actuarial Liability	19

ADDENDUM 2
DEPARTMENT OF DEFENSE ACCOUNT/SUB-ACCOUNT DESCRIPTIONS

1000 Assets. Debit Balance. This is a summary account. No transactions should be posted to this account. These accounts represent amounts of physical (tangible) items or rights to ownership (intangible) owned or controlled by the Department of Defense.

1010 Fund Balance with Treasury. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents the net funds available to the Department of Defense (DoD) from appropriations, reappropriations, continuing resolutions, advances, transfers in, allocations, reimbursements less rescissions, transfers out and disbursements.

1011 Funds Collected. Debit Balance. This is a summary account for Defense Business Operations Fund activities. For other activities, it is a posting account. Represents the funds received due to advances from outside sources, performance of reimbursable work, collection of receivables, sale of assets, etc. This account is subsidiary to Fund Balance with Treasury. Sub-accounts shall be maintained for each appropriation or fund.

1011.1 Funds Collected-Operating-Defense Business Operations Fund. Debit Balance. This account is used to record funds collected due to advances from outside sources, performance of reimbursable work, collection of receivables, sale of assets, and any other source other than Defense Business Operations Fund surcharge collections that are to be recorded to Subsidiary Accounts 1011.2, 1011.3 and 1011.4.

1011.2 Funds Collected-Capital Asset-Defense Business Operations Fund. Debit Balance. This account is used to record funds collected through Capital Asset surcharges included in billing rates of a business area (other than surcharges for depreciation and Military Construction (MILCON)) that are to be recorded in Subsidiary Accounts 1011.3 and 1011.4.

1011.3 Funds Collected-Depreciation-Defense Business Operations Fund. Debit Balance. This account is used to record funds collected through approved depreciation surcharges included in billing rates of a business area.

1011.4 Funds Collected-MILCON-Defense Business Operations Fund. Debit Balance. This account is used to record funds collected through approved surcharges for military construction included in the billing rates of a business area.

1012 Funds Disbursed. Credit Balance. This is a summary account for Defense Business Operations Fund activities. For other activities, it is a posting account. Represents the amount of payments made (net of refunds, erroneous payments and returns of advances) from a DoD appropriation or fund account. This account is subsidiary to Fund Balance with Treasury. Sub-accounts shall be maintained for each appropriation or fund.

1012.1 Funds Disbursed-Operating-Defense Business Operations Fund. Credit Balance. This account is used to record disbursements made (net of refunds, erroneous payments and returns of advances) other than Defense Business Operations Fund capital disbursements (which are to be recorded to Subsidiary Account 1012.2).

1012.2 Funds Disbursed-Capital-Defense Business Operations Fund. Credit Balance. This account is used to record disbursements made for the acquisition of Capital Assets.

1013 Funds with Treasury. Debit Balance. Represents the fund balances on the books of the U.S. Treasury. The account is increased for funds made available by appropriations, reappropriation, continuing resolution, transfers in and allocations. The account is decreased for rescissions and transfers out. Sub-accounts shall be maintained for each appropriation or fund.

1014 Undistributed Collections. Credit Balance. Represents the amount of collections reported by the finance network which have not been accepted by the operating level accounting entity. Sub-accounts shall be maintained for each appropriation or fund.

1015 Undistributed Disbursements. Credit Balance. Represents the amount of disbursements as reported by the finance network which have not been accepted by the operating level accounting entity. Sub-accounts shall be maintained for each appropriation or fund.

1100 Cash. Debit Balance. This account is a summary account. Transactions should not be posted to this account. Represents the net funds available to DoD that are not yet deposited in the U.S. Treasury or are not considered an asset of a DoD Component.

1110 Undeposited Collections. Debit Balance. Represents amounts received for which a deposit confirmation has not been issued by the U.S. Treasury. This account is supported by an Agency cashier's record of collection. Sub-accounts shall be maintained for each appropriation, fund or receipt account.

1120 Imprest Funds. Debit Balance. Represents the authorized amount of cash advanced by disbursing officers and held by Agency cashiers at personal risk.

1190 Other Cash. Debit Balance. This account is a summary account. No transactions should be posted to this account. Currently, only a single subsidiary account (Account 1191) has been established. Additional subsidiary accounts that are not more appropriate to other cash accounts may be established as necessary for local and unique needs.

1191 Disbursing Officers' Cash. Debit Balance. Represents the authorized amount of U.S. Treasury cash held by disbursing officers at personal risk. It includes U.S. currency and coin on-hand, dollar equivalent of foreign currency and coin on-hand, cash in the hands of deputy disbursing officers, cashiers and agents, negotiable instruments on hand, military payment certificates, etc. A liability account for the total amount advanced by the U.S. Treasury shall be maintained.

1200 Foreign Currency. Debit Balance. Represents the U.S. dollar equivalent of foreign currency and other transactions occurring through use of the foreign currency.

1300 Receivables-Net. Debit Balance. This is a summary account. No transactions should be posted to this account.

1310 Accounts Receivable. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents amounts due from others when the right to receive funds accrues, which may result from the performance of services; delivery of goods; or, as in the case of interest income, the passage of time.

1311 Accounts Receivable-Government-Current. Debit Balance. Represents current amounts due from intrabudgetary Federal Agencies or funds. It also includes amounts due from Federal sources that are deposited into Treasury general fund receipt accounts when collected. Sub-accounts will be maintained for each appropriation, fund or receipt account.

1312 Accounts Receivable-Government-Noncurrent. Debit Balance. Represents noncurrent amounts due from intrabudgetary Federal Agencies or funds. It also includes amounts due from Federal sources that are deposited into Treasury general fund receipt accounts when collected. Sub-accounts will be maintained for each appropriation, fund or receipt account.

1313 Accounts Receivable-Public-Current. Debit Balance. Represents current amounts due from non-federal governmental organizations, commercial vendors, nonintrabudgetary transactions with Nonappropriated Fund Instrumentalities (NAFIs) and private parties. It also includes amounts from public sources that will be deposited into Treasury general fund receipt accounts when collected. Sub-accounts will be maintained for each appropriation, fund or receipt account.

1314 Accounts Receivable-Public-Noncurrent. Debit Balance. Represents noncurrent amounts due from non-federal governmental organizations, commercial vendors, nonintrabudgetary transactions with NAFIs and private parties. It also includes amounts from public sources that will be deposited into Treasury general fund receipt accounts when collected. Sub-accounts will be maintained for each appropriation, fund or receipt account.

1315 Refunds Receivable-Government. Debit Balance. Represents amounts of refunds due from intrabudgetary Federal Agencies or funds resulting from erroneous payments. Sub-accounts will be maintained for each appropriation or fund.

1316 Refunds Receivable-Public. Debit Balance. Represents amounts of refunds due from non-federal governmental organizations, commercial vendors and private parties resulting from erroneous payments and unliquidated advances. Sub-accounts will be maintained for each appropriation or fund.

1319 Allowance for Loss on Accounts Receivable. Credit Balance. Represents the estimated amount of uncollectible accounts and refunds receivable. Sub-accounts will be maintained for each appropriation or fund.

1320 Claims Receivable-Public. Debit Balance. Represents amounts due from (a) commercial carriers for damages to, and losses in, shipments occurring through the fault of the carrier; (b) vendors as a result of shortages or damages to shipments occurring through the fault of the vendor; (c) individuals held pecuniarily liable by report of survey for loss, damage or destruction of property; and (d) other claims. Sub-accounts will be maintained for each appropriation or fund.

1350 Loans Receivable. Debit Balance. This account is a summary account. No transactions should be posted to this account. Represents the outstanding principal amounts due under lending and other programs. Includes the principal value of loans. Sub-accounts will be maintained for each appropriation or fund.

1351 Loans Receivable-Government-Current. Debit Balance. Represents the current outstanding principal amounts due from other Federal sources under lending and other programs. Sub-accounts will be maintained for each appropriation or fund. (This account shall not be used without specific approval by the Office of the DoD Comptroller.)

1352 Loans Receivable-Government-Noncurrent. Debit Balance. Represents the noncurrent outstanding principal amounts due from other Federal sources under lending and other programs. Sub-accounts will be maintained for each appropriation or fund.

1353 Loans Receivable-Public-Current. Debit Balance. Represents the current outstanding principal amounts due from public sources under lending and other programs. Includes the principal value of mortgages that Federal Housing Authority (FHA) assumes under the Homeowners Assistance Program

and amounts of loans acquired under Defense Production Guarantees. Sub-accounts will be maintained for each appropriation or fund.

1354 Loans Receivable-Public-Noncurrent. Debit Balance. Represents the noncurrent outstanding principal amounts due from public sources under lending and other programs. Includes the principal value of mortgages that FHA assumes under the Homeowners Assistance Program and amounts of loans acquired under Defense Production Guarantees. Sub-accounts will be maintained for each appropriation or fund.

1359 Allowance for Loss on Loans Receivable. Credit Balance. Represents the estimated amount of uncollectible loans receivable. Sub-accounts will be maintained for each appropriation or fund.

1400 Advances and Prepayments. Debit Balance. This account is a summary account. No transactions should be posted to this account. The outstanding balance of amounts advanced to Federal and non-federal entities by DoD and prepayments made for future receipt of goods, services or other assets.

1410 Advances to Others. Debit Balance. This account is a summary account. No transactions should be posted to this account. Represents the amount of payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures or other assets.

1411 Travel Advances. Debit Balance. Represents the outstanding balance of advances made to military personnel, civilian employees and appointees for per diem, transportation and related expenses incidental to travel on official business or change of official duty station.

1412 Advances to Contractors and Suppliers. Debit Balance. Represents the outstanding balance of amounts advanced to organizations or individuals outside the U.S. Government under contracts for goods and services.

1413 Advances to Grantees. Debit Balance. Represents the outstanding balance of advances issued to grantees.

1414 Advances-All Others-Public. Debit Balance. Represents the outstanding balance of other amounts advanced to the public including personnel of foreign nations.

1415 Advances to Government Agencies and Funds. Debit Balance. Represents the outstanding balance of other advances made to U.S. Government organizations and funds.

1450 Prepayments. Debit Balance. This is a summary account used. No transactions should be posted to this account. Represents the amount of expenditures which provide future benefits. Prepayments are often recurrent in nature and cover items such as rent, taxes, royalties, commissions, insurance and supplies.

1451 Prepaid Expenses. Debit Balance. Expenditures which provide future benefits. Prepaid expenses are often recurrent in nature and cover items such as rent, taxes, royalties, commissions, insurance, and supplies.

1452 Progress Payments Made to Others. Debit Balance. Expenditures for assets in advance of their receipt.

1500 Inventories-Net. Debit Balance. This account is a summary account. No transactions should be posted to this account. Represents the value of items or products held by the DoD.

1510 Inventory for Agency Operations. Debit Balance. Represents the acquisition cost of all items or products used by the DoD that have not been issued for use. This account is to be supported by subsidiary accounts for major classifications of supplies and material to support reporting requirements. Excluded from this account are equipment items not in use.

1519 Allowance for Loss on Inventory for Agency Operations. Credit Balance. The estimated amount of loss of inventory due to breakage, spoilage, obsolescence, etc.

1520 Inventory for Sale. Debit Balance. Represents the cost of acquired inventory on hand and for sale. (This account shall not be used without specific approval by the Office of the DoD Comptroller.)

1529 Allowance for Loss on Inventory for Sale. Credit Balance. Represents the estimated amount of loss of inventory due to breakage, spoilage, obsolescence, etc.

1530 Inventory-Raw Material and Supplies. Debit Balance. Represents the cost of raw material and supplies used in production or manufacturing, less the cost of material and supplies issued or otherwise disposed of.

1539 Allowance for Loss on Inventory-Raw Material and Supplies. Credit Balance. Represents the estimated amount of loss of inventory due to breakage, spoilage, obsolescence, etc.

1540 Inventory-Work in Process. Debit Balance. This account is a summary account. No transaction should be posted to this account. Represents the cost of work in process, accumulated costs of materials, labor and overhead.

1541 Inventory-Work in Process-In House. Debit Balance. Represents the value of work in process performed by DoD personnel. This account is supported by subsidiary accounts for each project.

1542 Inventory-Work in Process-Contractor. Debit Balance. Represents the value of completed work in process reported by contractors. This account is supported by subsidiary accounts for each contractor and each contract.

1543 Inventory-Work in Process-Other Government Activities. Debit Balance. Represents the value of completed work in process reported as completed by other Federal Agencies. This account shall be supported by subsidiary accounts for each government activity and each contract.

1544 Inventory-Work in Process-Government Furnished Material. Debit Balance. Represents the value of property furnished by the DoD to contractors for inclusion in, or fabrication of, an end item. This account shall be supported by subsidiary accounts for each contractor and each contract awarded to each contractor.

1545 Customer Work in Progress-Capital-Defense Business Operations Fund. Debit Balance. This account is used to accumulate the cost of all capital assets developed or manufactured for other Defense Business Operations Fund activities.

1549 Allowance for Loss on Inventory-Work in Process. Credit Balance. Represents the estimated amount of loss due to break- age, spoilage, obsolescence, etc.

1550 Inventory-Finished Goods. Debit Balance. Represents the cost of manufactured finished goods available for sale that are transferred from work in process. (This account shall not be used without specific approval by the Office of the DoD Comptroller.)

1559 Allowance for Loss on Inventory-Finished Goods. Credit Balance. The estimated amount of loss of inventory due to spoilage, obsolescence, etc. (This account shall not be used without specific approval by the Office of the DoD Comptroller.)

1560 Other Inventory. Debit Balance. The value of inventory not otherwise classified. (This account shall not be used without specific approval by the Office of the DoD Comptroller.)

1569 Allowance for Loss on Other Inventory. Credit Balance. The estimated amount of loss of other inventory due to breakage, spoilage, obsolescence, etc. (This account shall not be used without specific approval by the Office of the DoD Comptroller.)

1570 Stockpiled Material and Supplies. Debit Balance. Represents the value of war material held in reserve or stockpiles.

1579 Allowance for Loss on Stockpiled Material and Supplies. Credit Balance. Estimated amount of loss of stockpiled material and supplies due to breakage, spoilage and obsolescence.

1580 Inventory in Transit. Debit Balance. Represents the value of inventory which has not been received and accepted. The account is supported by subsidiary accounts established to meet local reporting and management needs.

1600 Investments-Net. Debit Balance. This account is a summary account. No transactions should be posted to this account. Represents the value of securities and other assets held for the production of revenues in the form of interest, dividends, rentals or lease payments, net of premiums and discounts.

1610 Securities-At Par. Debit Balance. The par value of securities held by DoD Components.

1611 Securities-Unamortized Premium or Discount. Debit or Credit Balance. The unamortized amount of premiums or discounts on securities.

1690 Other Investments. Debit Balance. Stocks and bonds held by DoD Components. (This account shall not be used without specific approval by the Office of the DoD Comptroller.)

1700 Fixed Assets-Net. Debit Balance. This account is a summary account. No transactions should be posted to this account. Represents the current book value of real and personal property in accordance with the DoD capitalization criteria.

1710 Land. Debit Balance. Represents the cost or appraised value of land owned by DoD.

1720 Construction In Progress. Debit Balance. This account is a summary account. No transactions should be posted to this account. Represents the value of real property construction in progress on DoD real property facilities.

1721 Construction In Progress-In House. Debit Balance. Represents the accumulated costs of real property construction in progress performed by DoD personnel.

1722 Construction In Progress-Contractor. Debit Balance. Represents the value of progress payments to contractors.

1723 Construction In Progress-Other Government Activities. Debit Balance. Represents the value of construction undertaken for the DoD by other Federal Agencies.

1724 Construction In Progress-Government Furnished Material. Debit Balance. Represents the value of government furnished material provided contractors for inclusion in DoD construction projects.

1725 Construction In Progress-Capital-Defense Business Operations Fund. Debit Balance. This account is for use by the Defense Business Operations Fund to accumulate the cost of all capital assets developed or manufactured for use by the performing business area activity.

1730 Buildings. Debit Balance. Represents the acquisition costs of DoD-owned buildings.

1739 Accumulated Depreciation on Buildings. Credit Balance. Represents accumulated depreciation on buildings.

1740 Other Structures and Facilities. Debit Balance. Represents the acquisition cost of DoD-owned structures and facilities other than buildings, utilities and ground improvements. Includes runways, bridges, port facilities, railroad tracks, etc.

1749 Allowance For Depreciation on Other Structures and Facilities. Credit Balance. Represents the amount of accumulated depreciation charged to expense for structures and facilities.

1750 Equipment. Debit Balance. Represents the amount of tangible items of a durable nature (other than identified in account 1760) used in DoD operations that meet the DoD capitalization criteria, including, but not limited to, items such as machinery, personal computers, calculators, copiers, machinery, automotive equipment and Automated Data Processing (ADP) equipment (excluding ADP software).

1759 Accumulated Depreciation on Equipment. Credit Balance. Represents the amount of accumulated depreciation charged to expense for equipment.

1760 Military Equipment. Debit Balance. This account is a summary account. No transactions should be posted to this account. Represents all categories of combat-type equipment such as ships, aircraft and other military hardware. Subsidiary accounts shall be established by major weapons classifications and to meet reporting requirements. Military equipment shall not be depreciated. Non-military equipment should be recorded to account 1750.

1761 Industrial Property in Layaway. Debit Balance. Represents the capitalized value of DoD property that is stored for future use in meeting mobilization purposes.

1762 Equipment in Use. Debit Balance. Represents the acquisition cost of equipment placed in use.

1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities and Others. Debit Balance. Represents the value of equipment furnished to contractors (including other Federal Agencies, testing agencies, defense industrial facilities and others) for use in providing services or items to the DoD.

1764 Equipment on Loan. Debit Balance. Represents the value of DoD equipment loaned to others.

1765 Property Awaiting Disposal. Debit Balance. Represents the capitalized value of property designated for disposal, recovery or utilization.

1766 Equipment Not in Use. Debit Balance. Represents the acquisition value of equipment not in use. Includes costs of any additions, modifications, improvements and rehabilitation.

1769 Accumulated Depreciation on Military Equipment. Credit Balance. Represents the amount of accumulated depreciation charged to expense for military equipment.

1770 Equipment in Transit. Debit Balance. Represents the acquisition cost of equipment in transit.

1800 Other Fixed Assets. Debit Balance. This is a summary account. No transactions should be posted to this account. These accounts represent the amounts and value of fixed assets other than land, construction in progress, buildings, other structures and facilities, equipment, military equipment and equipment in transit.

1810 Assets Under Capital Lease. Debit Balance. Represents the capitalized value of assets being leased under terms which are essentially equivalent to an installment purchase.

1819 Accumulated Depreciation on Assets under Capital Leases. Credit Balance. Represents the amount of accumulated depreciation charged to expense for assets under capital leases.

1820 Leasehold Improvements. Debit Balance. Represents the capitalized value of improvements made to leased property.

1829 Accumulated Amortization on Leasehold Improvements. Credit Balance. Represents the accumulated amortization charged to expense for leasehold improvements.

1830 Automated Data Processing Software. Debit Balance. Represents the value of automated data processing software meeting the DoD capitalization criteria.

1839 Accumulated Amortization on Automated Data Processing Software. Credit Balance. Represents the accumulated amortization charged to expense for automated data processing software.

1840 Other Natural Resources. Debit Balance. Represents the cost or appraised value of natural resources on land owned by DoD.

1849 Allowance for Depletion. Credit Balance. Represents the accumulated amount charged to depletion expense.

1890 Other Fixed Assets. Debit Balance. Includes the value of fixed assets not otherwise classified above such as statues, monuments and artwork. (Do not use this account without specific approval from the Office of the DoD Comptroller.)

1900 Other Assets-Net. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the value of assets not specified in specific fixed asset accounts.

1910 Acquired Collateral. Debit Balance. Represents the value of property obtained by DoD as collateral to defaulted loans.

1919 Allowance for Loss on Acquired Collateral. Credit Balance. Represents the estimated amount of future losses pertaining to the net investment of property acquired through loan default.

1920 Unrequisitioned Authorized Appropriations. Debit Balance. Represents the amount of unrequisitioned disbursing authority as provided for in liquidating cash authority granted by the Congress.

1990 Other Assets. Debit Balance. Represents the value of assets not otherwise classifiable to a specific asset account.

1991 Intangible Assets. Debit Balance. This account is used to record amortizable investments of \$15,000 or more; with projected payback periods; with economic value but no physical substance; with an estimated useful life of 2 or more years; and with no useful value at the end of the estimated life.

1992 Accumulated Amortization on Intangible Assets. Credit Balance. This account is used to accumulate amortization expenses charged for intangible assets.

2000 Liabilities. Credit Balance. This account is a summary account. No transactions should be posted to this account. Represents amounts owed by DoD Components for items received, services received, expenses incurred, assets acquired, construction performed, and amounts received but not earned.

2100 Accrued Liabilities-Other. Credit Balance. This account is a summary account. No transactions should be posted to this account. Represents the amounts DoD Components owe for goods and other property ordered and received, and for services received by other than employees.

2110 Accounts Payable. Credit Balance. This account is a summary account. No transactions should be posted to this account. Represents amounts owed to Federal or non-federal entities for goods and property ordered and received, and for services rendered by organizations and people other than employees.

2111 Accounts Payable-Government-Current. Credit Balance. Represents amounts owed to Federal Agencies based on actual receipt of goods and services.

2112 Accounts Payable-Government-Noncurrent. Credit Balance. Represents amounts owed to Federal Agencies or funds that will not be paid within 1 year.

2113 Accounts Payable-Public-Current. Credit Balance. Represents amounts owed to non-federal agencies for receipt of goods or services.

2114 Accounts Payable-Public-Noncurrent. Credit Balance. Represents amounts owed to non-federal agencies that will not be paid within 1 year.

2115 Claims Payable. Credit Balance. Represents amounts owed based on adjudicated claims.

2120 Disbursements in Transit. Credit Balance. Represents payments transmitted to a disbursing office by an accounting activity, which have not been processed by the disbursing office. (Do not use this account without specific approval from the Office of the DoD Comptroller.)

2130 Contract Holdback. Credit Balance. Represents amounts withheld from contractors and grantees in accordance with contract provisions.

2140 Accrued Interest Payable. Credit Balance. Represents unpaid accrued interest on borrowings and overdue accounts. (Do not use this account without specific approval from the Office of the DoD Comptroller.)

2190 Other Accrued Liabilities. Credit Balance. Represents those amounts owed that cannot be classified to a specific accounts payable account. (Do not use this account without prior approval from the Office of the DoD Comptroller.)

2200 Accrued Liabilities-Payroll and Benefits. Credit Balance. This is a summary account. No transactions should be posted to this account. Reflects accrued funded payroll and benefits and accrued unfunded annual leave.

2210 Accrued Funded Payroll and Benefits. Credit Balance. This is a summary account. No transactions should be posted to this account. Reflects the estimated liability for salaries and wages of civilians that have been earned, but are unpaid, and amounts of funded annual leave, sick leave, and other employee benefits that have been earned, but unpaid.

2211 Accrued Payroll-Civilian. Credit Balance. Represents the amount of the estimated liability for civilian employee funded compensation earned, but unpaid as of the end of the current accounting period.

2212 Accrued Payroll-Military. Credit Balance. Represents the amount of the estimated liability for military personnel- funded compensation earned, but unpaid as of the end of the current accounting period.

2213 Accrued Payroll-Civilian-Employer Share of Fringe Benefits. Credit Balance. Represents the amount of the estimated liability for currently employed civilian employee benefits earned and funded, but unpaid as of the end of the current accounting period.

2214 Accrued Payroll-Military-Employer Share of Fringe Benefits. Credit Balance. Represents the amount of the estimated liability for currently employed military personnel benefits earned and funded, but unpaid as of the end of the current accounting period.

2220 Accrued Unfunded Annual Leave. Credit Balance. This is a summary account. No transactions should be posted to this account. Reflects amounts of annual leave which have been earned and are payable, and are expected to be paid from future years' appropriations.

2221 Accrued Annual Leave-Civilian-Unfunded. Credit Balance. Represents the amount of the unfunded liability for annual leave earned by civilian employees, but not used as of the end of the current accounting period.

2222 Accrued Annual Leave-Military-Unfunded. Credit Balance. Represents the amount of the unfunded liability for annual leave earned by military personnel, but not used as of the end of the current accounting period.

2300 Unearned Revenues (Advances). Credit Balance. This is a summary account. No transactions should be posted to this account. The outstanding balance of amounts advanced or prepaid by Federal and non-federal entities to the DoD and prepayments received for the delivery of goods, services or other assets.

2310 Advances from Others. Credit Balance. This is a summary account. No transactions should be posted to this account. Payments received in contemplation of the future delivery of services, goods, incurrence of expenditures or other assets.

2311 Unearned Revenue-Advances from Government Agencies and Funds. Credit Balance. Represents the outstanding balance of advances received from Federal Agencies' organizations and funds for goods and services to be furnished under the Economy Act, Project Order Law or other legal authority.

2312 Unearned Revenue-Advances from the Public. Credit Balance. Represents the outstanding balance of advances received from sources outside the U.S. Government. This account is supported by subsidiary records giving the details of each advance.

- 2320 Deferred Credits. Credit Balance. Represents revenue received but not earned.
- 2400 Liability for Deposit Funds and Suspense Accounts. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents amounts in deposit funds, Treasury cash advances to disbursing officers, suspense accounts and budget clearing accounts, awaiting disposition or reclassification.
- 2410 Treasury Cash Advances to Disbursing Officers. Credit Balance. Represents the amount of disbursing officers' personal pecuniary liability for cash advanced by the U.S. Treasury.
- 2411 Deposit Fund Liabilities. Credit Balance. Represents the amounts in deposit funds awaiting disposition.
- 2500 Debt. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the DoD liability in the form of notes payable and other borrowing agreements.
- 2510 Borrowing from Treasury. Credit Balance. Represents amounts borrowed from the U.S. Treasury by DoD Components. (Do not use this account without the specific approval from the Office of the DoD Comptroller.)
- 2520 Borrowing from Federal Financing Bank. Credit Balance. Represents amounts borrowed from Federal Financing Banks. (Do not use this account without the specific approval from the Office of the DoD Comptroller.)
- 2530 Securities Issued by Federal Agencies Under Special Financing Authority. Credit Balance. Represents the liability arising from issuing new borrowings authorized under special financing authorities. (Do not use this account without the specific approval from the Office of the DoD Comptroller.)
- 2540 Participation Certificates. Credit Balance. Represents the Department of Defense's share of participation certificates issued pursuant to legislative authority. (DoD Components do not have authority to issue new borrowings authorized under special financing authorities. Use of this account is not authorized.)
- 2590 Other Debt. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents all other forms of DoD obligations, secured and unsecured, not otherwise classified to another liability account.
- 2591 Mortgages Payable-Family Housing. Credit Balance. Represents the liability for outstanding mortgage balances on family housing properties owned by the DoD.
- 2592 Mortgages Payable-Homeowners Assistance Program. Credit Balance. Represents the outstanding balances of mortgages assumed by the DoD on homes acquired under the provisions of the Homeowners Assistance Program.
- 2600 Actuarial Liabilities. Credit Balance. This is a summary account. No transactions should be posted to this account. Reflects the estimated present value of program benefits that will be made in the future that relate to services performed or entitlements due as of the balance sheet date.
- 2610 Retirement Plans. Credit Balance. Reflects the actuarial present value of the accumulated plan benefits of the DoD Military Retirement Fund.

2620 Insurance Plans. Credit Balance. Reflects the actuarial liability for future policy benefits of insurance plans. (Do not use this account without the specific approval from the Office of the DoD Comptroller.)

2690 Other Actuarial Liabilities. Credit Balance. Reflects the actuarial present value of other actuarial plans not classified to other accounts. (Do not use this account without the specific approval from the Office of the DoD Comptroller.)

2900 Other Liabilities. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents amounts not otherwise classified to specific liability accounts.

2910 Prior Liens Outstanding on Acquired Collateral. Credit Balance. Represents the value of liens approved and accepted as being claims against assets acquired through loan defaults.

2920 Contingent Liabilities. Credit Balance. Represents the estimated value of a probable loss.

2990 Other Liabilities. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents liabilities not classified to another 2900 series account.

2991 Capital Leases Payable. Credit Balance. Represents the liability for capital leases which have not expired.

2992 Liability for Property Furnished by Others. Credit Balance. Represents the estimated fair market value of property on hand, which was originally intended to be returned to the entity that furnished it to the DoD, was acquired by seizure or held in trust or escrow.

2993 Accrued Civilian Severance Pay-Unfunded. Credit Balance. Represents the amount of the estimated liability for DoD civilian employee unfunded severance pay accrued as of the end of the current accounting period.

2994 Progress Billings to Others. Credit Balance. Recognizes the liability resulting from progress payments billed to and/or received from Federal and non-federal Agencies for goods or services that have been ordered by those activities, but that have not been completed or delivered.

3000 Equity. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the difference between the assets and liabilities of the DoD.

3100 Appropriated Capital. Credit Balance. Represents net amounts appropriated by Congress.

3200 Invested Capital. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the net investment of the U.S. Government in DoD revolving and trust funds.

3210 Capital Investments. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the initial investment to commence operations, revenues and expenses transferred to this account.

3211 Capital Investment-Defense Business Operations Fund. Credit Balance. This is a summary account to accumulate the total value of Capital Investments recorded in sub-accounts to this account. No transactions should be posted to this account.

3211.1 Appropriations Available. Credit Balance. This account is used to record amounts appropriated or reappropriated to establish or increase the working capital of the Defense Business Operations Fund.

3211.2 Assets Capitalized. Credit Balance. This account is used to (1) record, as an increase, the net book value (acquisition cost less accumulated depreciation) of assets such as materials and supplies, work in process at contractor plants, work in process at other government plants, and contributed assets that were initially recorded to Account 3221.1, "Transfers In from Others Without Reimbursement-Defense Business Operations Fund"; (2) record decreases due to the transfer out, donation, or other disposal of contributed capital assets that were originally recorded to Account 3233, "Transfers Out to Others Without Reimbursement-Defense Business Operations Fund," and Account 3232, "Transfers Out to All Others Without Reimbursement"; and (3) close (when applicable) current year contributed asset unfunded depreciation accounts.

3211.3 Liabilities Assumed. Debit Balance. This account is used to record (1) the sum of the amounts assumed without accompanying payment for accrued annual leave and other liabilities transferred in, and (2) holdbacks on progress billings from contractors at the time of initial capitalization.

3212 (No Account Currently Assigned to this Number.)

3213 Capital Investment-Special Defense Acquisition Trust Fund. Credit Balance. Represents the initial investment and subsequent appropriations to finance program activities.

3214 Capital Investment-Foreign Military Sales Trust Fund. Credit Balance. Represents the initial investment and subsequent appropriations made available to finance program activities. (The implementing legislation did not provide for initial capitalization of the Fund. Accordingly, the balance in this account remains zero at this time.)

3215 Capital Investment-Military Retirement Trust Fund. Credit Balance. Represents amounts appropriated by the Congress to establish the program. (The implementing legislation did not provide for initial capitalization of the Fund. Accordingly, the balance in this account remains zero at this time.)

3216 Capital Investment-DoD Education Benefits Trust Fund. Credit Balance. Represents amounts appropriated by the Congress to establish the program. (The implementing legislation did not provide for initial capitalization of the Fund. Accordingly, the balance in this account remains zero at this time.)

3217 Capital Investment-Other Trust Funds. Credit Balance. Represents the initial investment and any subsequent appropriations made available to finance the programs in the Fund.

3220 Transfers In from Others Without Reimbursement. Debit or Credit Balance. Represents amounts recorded on the transferor's books for an asset or a liability transferred to a DoD Component or other Federal Agency without reimbursement. (For Defense Business Operations Fund activities, this is a summary account. For other activities, this is a posting account.)

3221 Transfers In from Others Without Reimbursement-Defense Business Operations Fund. Credit Balance. Represents the value of transfers in of other than capital assets from other Defense Business Operations Fund entities for which reimbursement by the receiving Defense Business Operations Fund entity will not be required.

3221.1 Transfers In from Others Without Reimbursement-Defense Business Operations Fund-Capital-Defense Business Operations Fund. Credit Balance. This account is used to accumulate the net book value (acquisition cost less accumulated depreciation) of capital assets transferred in from other Defense Business Operations Fund entities for which reimbursement by the receiving entity will not be required.

3230 Transfers Out to Others Without Reimbursement. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents the total transfers out to Federal Agencies and to others without reimbursement.

3231 Transfers Out to Government Agencies Without Reimbursement. Debit Balance. Represents the net book value (acquisition cost less accumulated depreciation) of property transferred out to another Federal Agency without reimbursement.

3232 Transfers Out to All Others Without Reimbursement. Debit Balance. Represents the net book value (acquisition cost less accumulated depreciation) of property transferred out without reimbursement to other than a Federal Agency.

3233 Transfers Out to Others Without Reimbursement-Defense Business Operations Fund. Debit Balance. Represents the value of transfers out of other than capital assets to other Defense Business Operations Fund entities for which reimbursement will not be received by the transferring Defense Business Operations Fund activity.

3233.1 Transfers Out to Others Without Reimbursement-Defense Business Operations Fund-Capital-Defense Business Operations Fund. Debit Balance. This account is used to accumulate the net book value (acquisition cost less accumulated depreciation) of capital assets transferred out to other Defense Business Operations Fund entities for which reimbursement will not be received by the transferring Defense Business Operations Fund activity.

3300 Results of Operations. Debit or Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the cumulative and net results of operations from inception to the beginning of the current fiscal year.

3310 Cumulative Results of Operations. Debit or Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the cumulative results of operations. This account is normally a credit balance account.

3311 Cumulative Results of Operations-Defense Business Operations Fund. Debit or Credit Balance. This is a summary account used to accumulate the value of annual operating results and real property maintenance and repair reserve amounts generated since the Fund was established. No transactions should be posted to this account.

3311.1 Accumulated Operating Results. Debit or Credit Balance. This account is used to accumulate the net difference between Defense Business Operations Fund expenses and financing sources (including gains and losses and other directed adjustments) since inception through the annual closing of the balance in Account 3321, "Net Results of Operations-Defense Business Operations Fund," and gains and losses from normal operations and other directed adjustments.

3311.2 Reserve-Major Real Property Maintenance-Defense Business Operations Fund. Credit Balance. This account is used to record, as a credit, the accumulation of the amounts expensed monthly to finance approved Major Real Property Maintenance and Repair projects; and, as a debit, the amount of the Reserve used for program purposes or, if directed by the DoD Comptroller, returned to Account 3311.1, "Accumulated Operating Results."

3312 (No Account Currently Assigned to this Number.)

3313 Cumulative Results of Operations-Special Defense Acquisition Trust Fund. Credit Balance. Represents the net difference between revenues and expenses (gains and losses from normal operations and other directed adjustments) from inception of the activity through the beginning of the current fiscal year.

3314 Cumulative Results of Operations-Foreign Military Sales Trust Fund. Credit Balance. Represents the net difference between revenues and expenses (gains and losses from normal operations and other directed adjustments) from inception of the activity through the beginning of the current fiscal year.

3315 Cumulative Results of Operations-Military Retirement Trust Fund. Credit Balance. Represents the net difference between revenues less expenses (gains and losses from normal operations and other directed adjustments) from inception of the activity through the beginning of the current fiscal year.

3316 Cumulative Results of Operations-DoD Education Benefits Trust Fund. Credit Balance. Represents the net difference between revenues less expenses (gains and losses from normal operations and other directed adjustments) from inception through the beginning of the current fiscal year.

3317 Cumulative Results of Operations-Other Trust Funds. Credit Balance. Represents the net difference between revenues and expenses (gains and losses from normal operations and other directed adjustments) from inception through the beginning of the current fiscal year.

3320 Net Results of Operations. Debit or Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the net results of operations for the fiscal year.

3321 Net Results of Operations-Defense Business Operations Fund. Debit or Credit Balance. This account is used to accumulate the net results of operations within a fiscal year. Income and expense (including gain and loss) accounts are closed into this account to obtain the net result of operations within a fiscal year. Following fiscal yearend financial report preparation, the balance of this account is closed to Account 3311.1, "Accumulated Operating Results."

3322 (No Account is Currently Assigned to this Number.)

3323 Net Results of Operations-Special Defense Acquisition Trust Fund. Debit or Credit Balance. Reflects at year end the results of operations within a fiscal year.

3324 Net Results of Operations-Foreign Military Sales Trust Fund. Debit or Credit Balance. Reflects at year end the results of operations within a fiscal year.

3325 Net Results of Operations-Military Retirement Trust Fund. Debit or Credit Balance. Reflects at year end the results of operations within a fiscal year.

3326 Net Results of Operations-DoD Education Benefits Trust Fund. Debit or Credit Balance. Reflects at year end the results of operations within a fiscal year.

3327 Net Results of Operations-Other Trust Funds. Debit or Credit Balance. Reflects at year end the results of operations within a fiscal year.

3400 Donations and Other Items. Credit Balance. Represents the total fair market value of donations received by the reporting entity. This account is available for use only by trust funds.

3500 Deferred Liquidating Cash Authority. Debit Balance. Represents the amount of liquidating cash disbursing authority that has not been transferred by the U.S. Treasury to the expenditure account by year end.

3600 General Fund Receipts. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of funds uncollected and returned to the General Fund.

3610 Uncollected Revenue-General Fund-Miscellaneous Receipts. Debit Balance. Represents the uncollected amount of receivables due to be returned to the U.S. Treasury-Miscellaneous Receipts.

3620 Funds Returned to General Fund-Miscellaneous Receipts. Credit Balance. Represents the funds returned and deposited to the General Fund Miscellaneous Receipts account.

4000 Budgetary. Debit Balance. This summary account reflects budgetary operations and conditions from the time appropriations are realized until they are expended. No transactions should be posted to this account.

4110 Appropriations Realized. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of appropriations specified in an appropriations act and becoming available on or after the first day of the fiscal year.

4111 Debt Liquidation Appropriations. Debit Balance. Represents the amount appropriated to liquidate debt as specified in applicable appropriation language.

4112 Deficiency Appropriations. Debit Balance. Represents the amount appropriated to eliminate a prior year deficiency.

4113 Appropriations Rescinded. Credit Balance. Represents the amount of appropriations rescinded by the Congress.

4114 Appropriations Realized but Withdrawn. Debit Balance. Represents the amount of appropriations realized but withdrawn upon expiration for obligation purposes.

4119 Other Appropriations Realized. Debit Balance. Represents the amount of all appropriations not classified as debt liquidation appropriations, deficiency appropriations or appropriations to liquidate contract authority.

4120 Appropriations Anticipated-Indefinite. Debit Balance. Represents the current estimate of amounts anticipated to become available under existing law.

4130 Contract Authority. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents amounts of authority under which contracts or other obligations may be executed in advance of the receipt of an appropriation, or in excess of amounts otherwise available in a revolving fund.

4131 Contract Authority-Without Liquidating Appropriation. Debit Balance. Represents the amount of contract authority authorized, less the amount of contract liquidating authority that has been enacted.

4132 Contract Authority-With Liquidating Appropriation. Debit Balance. Represents the amount of contract authority for which contract liquidating authority has been enacted.

4133 Contract Authority Lapsed. Debit Balance. Represents the amount of contract authority lapsed resulting from either program completion and/or time limitation.

4140 Borrowing Authority. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of statutory authority that permits a Federal Agency to incur obligations and to make payments for specified purposes from the proceeds of borrowed funds.

4141 Borrowing Authority-Definite. Debit Balance. Represents the amount of statutory authority that permits a Federal Agency to incur obligations and make payments for specified purposes out of borrowed monies when a specific sum or a specific aggregate amount "not to exceed" is stated at the time the authority is granted.

4142 Borrowing Authority-Indefinite. Debit Balance. Represents the amount of budget authority established by assumption of mortgages under the Homeowners Assistance Program. The account is increased when a mortgage is assumed and decreased by payments on mortgage principal, or upon sale of the mortgaged property.

4143 Borrowing Authority-Withdrawn. Debit Balance. Represents the amount of budget authority withdrawn due to payments on the principal of mortgages assumed under the Homeowners Assistance Program.

4150 Other New Budget Authority. Debit Balance. Represents the amount of new budgetary authority (other than appropriations) becoming available on or after the first day of a fiscal year. Reappropriations are included in this account.

4160 Anticipated Transfers of Current Fiscal Year Authority. Debit or Credit Balance. Represents the net amount of anticipated nonexpenditure transfers to or from current year appropriations and funds.

4170 Appropriation Transfers. Debit or Credit Balance. Represents the net amount of nonexpenditure transfers to or from current year appropriations and funds.

4180 Anticipated Transfers of Prior Fiscal Year Authority. Debit or Credit Balance. Represents the net amount of anticipated nonexpenditure transfers to or from prior year appropriations and funds.

4190 Transfers-Prior Year Budgetary Resources. Debit or Credit Balance. Represents the net amount of accomplished nonexpenditure transfers to or from prior year appropriations and funds.

4210 Anticipated Reimbursements and Other Income. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of anticipated reimbursements expected to be earned during the current fiscal year which are subject to specific Office of Management and Budget (OMB) apportionment, and other authorized reimbursements for which obligational authority is automatically established on the basis of customer orders received and accepted.

4211 Anticipated Reimbursements-Specific Apportionment. Debit Balance. Represents the amount of anticipated reimbursements expected to be earned during the current fiscal year which are subject to specific OMB apportionment.

4212 Anticipated Reimbursements-Automatic Apportionment. Debit Balance. Represents the amount of anticipated reimbursements expected to be earned during the current fiscal year which are subject to automatic apportionment by OMB based upon reimbursable orders accepted.

4220 Reimbursable Orders Accepted. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of reimbursable orders accepted for performance in the current fiscal year. Includes orders accepted under both automatic and specific apportionment.

4221 Customer Orders Accepted-Automatic Apportionment. Credit Balance. Represents the amount of reimbursable orders accepted against the automatically apportioned reimbursable program.

4222 Customer Orders Accepted-Specific Apportionment. Credit Balance. Represents the amount of reimbursable orders accepted against the specifically apportioned reimbursable program.

4230 Unfilled Customer Orders-Unobligated. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents the balance of reimbursable orders accepted under both the automatic and specific apportionment programs.

4231 Unfilled Customer Orders-Without Advance-Automatic Apportionment. Debit Balance. Represents the balance of reimbursable orders accepted without advance payment or progress payment for which there is an automatic increase in obligational authority under an allotment. This account is increased when a customer order is accepted and decreased as reimbursements are earned. Sub-accounts are required to indicate the source of the reimbursement. These sub-accounts are as follows:

- Non-Federal Sources
- Foreign Military Sales (FMS) Trust Fund
- All Other Trust Funds
- Off-Budget Federal Entities
- Other Defense Accounts
- Other Non-Defense Accounts
- Intrafund

4232 Unfilled Customer Orders-Without Advance-Specific Apportionment. Debit Balance. Represents the balance of reimbursable orders accepted without advance payment or progress payment against the specifically apportioned reimbursable program. This account is increased when a customer order is accepted and decreased as reimbursements are earned. Sub-accounts are required to indicate the source of the reimbursement. These sub-accounts are as follows:

- Non-Federal Sources
- FMS Trust Fund
- All Other Trust Funds
- Off-Budget Federal Entities
- Other Defense Accounts
- Other Non-Defense Accounts
- Intrafund

4233 Unfilled Customer Orders-With Advance-Automatic Apportionment. Debit Balance. Represents the balance of reimbursable orders accepted with advance payment for which there is an automatic increase in obligational authority under an allotment. This account is increased when a customer order is accepted and decreased as reimbursements are earned.

4234 Unfilled Customer Orders-With Advance-Specific Apportionment. Debit Balance. Represents the balance of reimbursable orders accepted with advance payment against the specifically apportioned reimbursable program. This account is increased when a customer order is accepted and decreased as reimbursements are earned. Sub-accounts are required to indicate the source of the reimbursement. These sub-accounts are as follows:

- Non-Federal Sources
- FMS Trust Fund
- All Other Trust Funds
- Off-Budget Federal Entities
- Other Defense Accounts
- Other Non-Defense Accounts
- Intrafund

4240 Unfilled Customer Orders-Obligated. Represents the amount of obligated orders accepted for goods and services to be furnished on a reimbursable basis. At such time as the goods or services are furnished, the amount obligated becomes reimbursements earned. (Do not use this account without specific approval from the Office of the DoD Comptroller.)

4250 Reimbursements and Other Income Earned. Debit Balance. This account is a summary account. No transactions should be posted to this account. Represents the amount of reimbursements and other income earned to date through the delivery of goods and performance of services, whether or not bills have been rendered or collections made. Includes reimbursements earned under both automatic and specific apportionment.

4251 Reimbursements Earned-Uncollected-Automatic Apportionment. Debit Balance. Represents the amount of uncollected automatically apportioned reimbursements earned during the fiscal year. Sub-accounts are required to indicate the source of the reimbursement. These sub-accounts are as follows:

- Non-Federal Sources
- FMS Trust Fund
- All Other Trust Funds
- Off-Budget Federal Entities
- Other Defense Accounts
- Other Non-Defense Accounts
- Intrafund

4252 Reimbursements Earned-Uncollected-Specific Apportionment. Debit Balance. Represents the amount of uncollected specifically apportioned reimbursements earned during the fiscal year. Sub-accounts are required to indicate the source of the reimbursement. These sub-accounts are as follows:

- Non-Federal Sources
- FMS Trust Fund
- All Other Trust Funds
- Off-Budget Federal Entities
- Other Defense Accounts
- Other Non-Defense Accounts
- Intrafund

4253 Reimbursements Earned-Collected-Automatic Apportionment. Debit Balance. Represents the amount of collected automatically apportioned reimbursements earned during the fiscal year. Sub-accounts are required to indicate the source of the reimbursement. These sub-accounts are as follows:

- Non-Federal Sources
- FMS Trust Fund
- All Other Trust Funds
- Off-Budget Federal Entities
- Other Defense Accounts

Other Non-Defense Accounts
Intrafund

4254 Reimbursements Earned-Collected-Specific Apportionment. Debit Balance. Represents the amount of collected specifically apportioned reimbursements earned during the fiscal year. Sub- accounts are required to indicate the source of the reimbursement. These sub-accounts are as follows:

Non-Federal Sources
FMS Trust Fund
All Other Trust Funds
Off-Budget Federal Entities
Other Defense Accounts
Other Non-Defense Accounts
Intrafund

4255 Reimbursements Earned-Collected-Undistributed. Debit Balance. Represents the amount of collections reported by the U.S. Treasury, Departmental, or other finance network that are not immediately distributable at the installation level.

4310 Anticipated Recoveries of Prior Year Obligations. Debit Balance. Represents the estimated amount of cancellations or downward adjustments of prior year obligations anticipated for recovery in the current fiscal year.

4320 Actual Recoveries of Prior Year Obligations. Credit Balance. This account is a summary account. No transactions should be posted to this account. Represents the actual amount of any cancellation or downward adjustment since the first day of the current fiscal year for obligations reported in prior years. This account applies only to the unexpired portion of multiple-year and no-year appropriations.

4321 Actual Recoveries of Prior Year Obligations-Direct Program. Credit Balance. Represents the actual amount of any cancellation or downward adjustment since the first day of the current fiscal year for direct program obligations reported in prior years. This account applies only to the unexpired portion of multiple-year and no-year appropriations.

4322 Actual Recoveries of Prior Year Obligations-Reimbursable Program. Credit Balance. Represents the actual amount of any cancellation or downward adjustment since the first day of the current fiscal year for reimbursable program obligations reported in prior years. This account applies only to the unexpired portion of multiple-year and no-year appropriations.

4330 Funds Generated from Deobligations of Prior Year Funds. Debit Balance. Represents the actual amount of any cancellation or downward adjustment since the first day of the current fiscal year for direct and reimbursable program obligations reported in prior years. This account applies only to the unexpired portion of multiple-year and no-year appropriations.

4390 Balance Available for Restoration, Write Off and Withdrawal. Debit or Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the net difference between amounts previously written off which have been restored to the account during the current fiscal year and amounts actually written off to date as transactions of the current fiscal year.

4391 Restorations, Write Offs and Withdrawals. Debit or Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount available for obligation during the year that ceased to be available during or at the end of the fiscal year, other than amounts rescinded

by law. Includes amounts written off or withdrawn by administrative action, unobligated balances returned to unappropriated receipts, and amounts withdrawn/lapsed from liquidating appropriations.

4391.1 Restorations and Withdrawals-Annual and Multiyear. Debit or Credit Balance. Represents the net difference between the withdrawal of unobligated balances of expired appropriations (credits) and the restoration of withdrawn amounts to cover net upward obligation adjustments (debits). (NOTE: This account is not in use at this time.)

4391.2 Restorations and Write Offs-No Year. Debit or Credit Balance. Represents the net difference between write offs of unobligated balances pursuant to U.S.C. 1555 (credits) and restorations of amounts written off (debits).

4392 Withdrawals Due to Rescissions of Unobligated Balances. Credit Balance. Represents the amount of congressional rescissions of unobligated balances of prior year budgetary resources. Statutory citation is to the rescission act.

4410 Budgetary Authority-Not Available Pursuant to Public Law. Credit Balance. Represents the amount of appropriations/ reappropriations withheld by a specific provision in law. Includes those appropriations for which availability is contingent by law upon the occurrence of a specified event, such as enactment of authorizing legislation, emergencies arising from national disasters, unanticipated increases in costs, or other events specified by law.

4420 Appropriations Available for Apportionment-Withheld Pending Rescission. Credit Balance. Represents the amount of budget authority withheld pending the enactment of legislation canceling the authority to obligate such funds.

4430 Appropriations Available for Apportionment-OMB Deferred Programs. Credit Balance. Represents the amount of budget authority specifically withheld from apportionment by the Office of Management and Budget.

4440 Revolving Funds Available for Apportionment. Credit Balance. Represents the total amount of budgetary resources used for public enterprise and intragovernmental revolving funds that are subject to apportionment.

4450 Authority Available for Apportionment. Credit Balance. Represents the amount of appropriated, reappropriated or transferred funds not yet apportioned by OMB. Reductions are recorded in this account based on apportionments made and apportionment reserves established.

4510 Apportionment Available for Distribution. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of direct program obligational authority and current period reimbursable program specifically apportioned and available at the departmental level for distribution to operating agencies or other intermediate levels.

4511 Unallocated Apportionment-Direct Program-Current Period. Credit Balance. Represents the amount of direct program obligational authority currently available at the departmental level for distribution to operating agencies or other intermediate levels.

4512 Unallocated Apportionment-Direct Program-Subsequent Periods. Credit Balance. Represents the amount of direct program obligational authority available for subsequent periods at the departmental level for distribution to operating agencies or other intermediate levels.

- 4513 Unallocated Apportionment-Office of the Secretary of Defense (OSD) Withheld Programs. Credit Balance. Represents the amount of apportioned direct program obligational authority withheld by OSD.
- 4514 Unallocated Apportionment-Reimbursable Program-Current Period. Credit Balance. Represents the amount of the current period reimbursable program specifically apportioned, but unallocated.
- 4515 Unallocated Apportionment-Reimbursable Program- Subsequent Periods. Credit Balance. Represents the amount of subsequent period reimbursable program specifically apportioned, but unallocated.
- 4516 Unallocated Unfunded Contract Authority. Credit Balance. Represents the amount of unfunded contract authority apportioned.
- 4517 Unallocated Apportionment-Reserved for Other Anticipated Resources. Credit Balance. Represents the amount of apportioned anticipated resources available, other than anticipated automatically apportioned reimbursements, that must be withheld from availability for obligation until the anticipated resource actually materializes.
- 4518 Unallocated Apportionment-Reserve for Anticipated Resources-Automatically Apportioned. Credit Balance. Represents the amount of unobligated balances set aside pending realization of the anticipated automatically apportioned reimbursements underlying the obligational authority.
- 4520 Allocations to Others. Credit Balance. Represents the amount of apportioned funds transferred to other agencies for the accomplishment of work or projects in accordance with budget authority and negotiated agreements to carry out the purposes of the parent appropriation or fund.
- 4530 Allocations from Others. Debit Balance. Represents the amount of apportioned funds transferred in from other agencies for the accomplishment of work or projects in accordance with budget authority and negotiated agreements to carry out the purposes of the parent appropriation or fund.
- 4540 Internal Fund Distributions Issued. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of apportioned funds allocated from departmental level to intermediate levels. Included also are allocations of funds derived from appropriations that are not subject to apportionment.
- 4541 Allocations Issued-Direct Program-Current Period. Credit Balance. Represents the amount of current period, direct program, obligational authority allocated from departmental level to intermediate levels.
- 4542 Allocations Issued-Direct Program-Subsequent Periods. Credit Balance. Represents the amount of subsequent period, direct program, obligational authority allocated from departmental level to intermediate levels.
- 4543 Allocations Issued-Reimbursable Program-Current Period. Credit Balance. Represents the amount of current period, specifically apportioned, reimbursable program authority allocated from departmental level to intermediate levels.
- 4544 Allocations Issued-Reimbursable Program-Subsequent Periods. Credit Balance. Represents the amount of subsequent period, specifically apportioned, reimbursable program authority allocated from departmental level to intermediate levels.

4545 Allocations Issued-Withheld Programs. Credit Balance. Represents the amount of withheld programs allocated from departmental level to intermediate levels.

4550 Internal Fund Distributions Received. Debit Balance. Represents the amount of direct and reimbursable program authority received from departmental level by an intermediate level activity. It also can represent the amount of suballocations received from another intermediate level activity.

4560 Funds Available for Allotment. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of direct and reimbursable program authority available at an intermediate level activity for allotment to installation level activities, or suballocation to other intermediate level activities.

4561 Unallotted Allocations-Direct Program-Current Period. Credit Balance. Represents the amount of current period, direct program obligational authority available at an intermediate level for allotment to installation level activities, or suballocation to other intermediate level activities.

4562 Unallotted Allocations-Direct Program-Subsequent Periods. Credit Balance. Represents the amount of subsequent period direct program obligational authority available at an intermediate level activity for allotment to installation level activities, or suballocation to other intermediate level activities.

4563 Unallotted Allocations-Reimbursable Program-Current Period. Credit Balance. Represents the amount of specifically apportioned current period reimbursable program authority available at an intermediate level activity for allotment to installation level activities, or suballocation to other intermediate level activities.

4564 Unallotted Allocations-Reimbursable Program-Subsequent Periods. Credit Balance. Represents the amount of specifically apportioned subsequent period reimbursable program authority available at an intermediate level activity for allotment to installation level activities, or suballocation to other intermediate level activities.

4565 Unallotted Allocations-Withheld Programs. Credit Balance. Represents the amount of withheld program allocations received from departmental level by intermediate level activities.

4566 Unallotted Allocations-Operating Cost Authority-Defense Business Operations Fund. Credit Balance. This account is used to record, as a credit, the amount of operating cost authority received at the DoD Component Level and, as a debit, the amount of operating cost authority issued to a Defense Business Operations Fund activity (see also Account 4576).

4567 Unallotted Allocations-Capital Authority-Defense Business Operations Fund. Credit Balance. This account is used to record, as a credit, the amount of capital budget authority received at the DoD Component Level and, as a debit, the amount of capital budget authority issued to a Defense Business Operations Fund activity (see also Account 4577).

4570 Allotments Issued. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of direct and reimbursable program authority allotted by intermediate level activities to installation level activities.

4571 Allotments Issued-Direct Program-Current Period. Credit Balance. Represents the amount of current period direct program authority allotted by intermediate level activities to installation level activities.

4572 Allotments Issued-Direct Program-Subsequent Periods. Credit Balance. Represents the amount of subsequent period direct program authority allotted by intermediate level activities to installation level activities.

4573 Allotments Issued-Reimbursable Program-Current Period. Credit Balance. Represents the amount of current period reimbursable program authority allotted by intermediate level activities to installation level activities.

4574 Allotments Issued-Reimbursable Program-Subsequent Periods. Credit Balance. Represents the amount of subsequent period reimbursable program authority allotted by intermediate level activities to installation level activities.

4575 Allotments Issued-Withheld Programs. Credit Balance. Represents the amount of withheld programs allotted by intermediate level activities to installation level activities.

4576 Allotments Issued-Operating Cost Authority-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of operating cost authority issued from the DoD Component to a Defense Business Operations Fund activity.

4577 Allotments Issued-Capital Authority-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of capital budget authority issued from the DoD Component to a Defense Business Operations Fund activity.

4580 Allotments Received. Debit Balance. This is a summary account for Defense Business Operations Fund activities. For other activities, it is a posting account. Represents the amount of direct and specifically apportioned reimbursable program allotments received for the fiscal year.

4580.A Operating Cost Authority-A Goal-Defense Business Operations Fund. Debit Balance. This account is used to record, upon receipt of the operating cost authority issued from the Component level (see Account 4576), the amount of "A Goals" included in the Activity Operating Budget.

4580.B Operating Cost Authority-B Goal-Defense Business Operations Fund. Debit Balance. This account is used to record, upon receipt of the operating cost authority issued from the DoD Component level (see Account 4576), the amount of "B Goals" included in the Activity Operating Budget.

4580.C Operating Cost Authority-C Goal-Defense Business Operations Fund. Debit Balance. This account is used to record, upon receipt of the operating cost authority issued from the DoD Component level (see Account 4576), the amount of "C Goals" included in the Activity Operating Budget.

4580.D Operating Cost Authority-D Goal-Defense Business Operations Fund. Debit Balance. This account is used to record, upon receipt of the operating cost authority issued from the DoD Component level (see Account 4576), the amount of "D Goals" included in the Activity Operating Budget.

4581 Automatic Reimbursement Program. Debit Balance. Represents the amount of obligational authority required to cover the performance of reimbursable orders subject to automatic apportionment.

4582 Allotted Reimbursable Program-Current Period. Credit Balance. Represents the balance of current period, specifically apportioned, reimbursable program authority allotted.

4583 Allotted Reimbursable Program-Subsequent Periods. Credit Balance. Represents the balance of subsequent period, specifically apportioned, reimbursable program authority allotted.

4584 Anticipated Earned Authority-Defense Business Operations Fund. Credit Balance. This account is a summary account. This account is used to record (1) as a credit, the amount of cost and reimbursable authority anticipated to be earned during the year (see Account 4580) and (2) as a debit, the amount of actual cost authority earned.

4584.A Anticipated Earned Authority-A Goal-Defense Business Operations Fund. Credit Balance. This account is used to record (1) as a credit, the amount of "A Goal" reimbursements anticipated to be earned during the year (see Account 4580.A) and (2) as a debit, the amount of actual cost authority earned (see Account 4614.A).

4584.B Anticipated Earned Authority-B Goal-Defense Business Operations Fund. Credit Balance. This account is used to record (1) as a credit, the amount of "B Goal" reimbursements anticipated to be earned (see Account 4580.B) and (2) as a debit, the amount of actual cost authority earned (see Account 4614.B).

4584.C Anticipated Earned Authority-C Goal-Defense Business Operations Fund. Credit Balance. This account is used to record (1) as a credit, the amount of "C Goal" reimbursements anticipated to be earned (see Account 4580.C) and (2) as a debit, the amount of actual cost authority earned (see Account 4614.C).

4584.D Anticipated Earned Authority-D Goal-Defense Business Operations Fund. Credit Balance. This account is used to record (1) as a credit, the amount of "D Goal" reimbursements anticipated to be earned (see Account 4580.D) and (2) as a debit, the amount of actual cost authority earned (see Account 4614.D).

4585 Capital Program-Defense Business Operations Fund. Debit Balance. This is a summary account. No transactions should be posted to this account. This account is used to accumulate the amount of capital budget amounts authorized.

4585.1 Capital Authority-Defense Business Operations Fund- Equipment-Except Automated Data Processing Equipment (ADPE) and Telecommunications Equipment. Debit Balance. This account is used to record, upon receipt of the capital budget authority issued from the DoD Component level (see Account 4577), the amount of capital authority received for the purchase of equipment other than ADPE and telecommunications equipment.

4585.2 Capital Authority-Defense Business Operations Fund-ADPE and Telecommunications Equipment. Debit Balance. This account is used to record, upon receipt of the capital budget authority issued from the DoD Component level (see Account 4577), the amount of capital authority received for the purchase of ADPE and telecommunications equipment.

4585.3 Capital Authority-Defense Business Operations Fund- Software Development. Debit Balance. This account is used to record, upon receipt of the capital budget authority issued from the DoD Component level (see Account 4577), the amount of capital authority received to fund the development of approved software applications.

4585.4 Capital Authority-Defense Business Operations Fund-Minor Construction. Debit Balance. This account is used to record, upon receipt of the capital budget authority issued from the DoD Component level (see Account 4577), the amount of capital authority received to fund approved minor construction projects.

4585.5 Capital Authority-Defense Business Operations Fund- Management Improvement Initiatives. Debit Balance. This account is used to record, upon receipt of the capital budget authority issued from the DoD Component level (see Account 4577), the amount of capital authority received to fund management improvement efforts.

4610 Allotments Available for Commitment/Obligation. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of funds received and available for commitment/obligation or withheld programs allotted. Includes obligational authority available for both the direct and reimbursable programs.

4611 Uncommitted/Unobligated Allotments-Direct Program- Current Period. Credit Balance. Represents the amount of direct program obligational authority received for the current period, but not yet committed or obligated.

4612 Uncommitted/Unobligated Allotments-Direct Program- Subsequent Periods. Credit Balance. Represents the amount of direct program obligational authority allotted for use in subsequent periods.

4613 Uncommitted/Unobligated Allotments-Withheld Programs. Credit Balance. Represents the amount of withheld programs allotted to an installation level activity.

4614 Uncommitted/Unobligated Allotments-Reimbursable Program - Current Period. Credit Balance. This is a summary account for Defense Business Operations Fund activities. For other activities, it is a posting account. Represents the amount of reimbursable program obligational authority established upon acceptance of reimbursable orders, but not yet committed or obligated.

4614.A Actual Cost Authority Earned-A Goal-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of approved "A Goal" cost authority earned. Amounts posted to this account are determined by the work units produced times the approved unit cost goal.

4614.B Actual Cost Authority Earned-B Goal-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of approved "B Goal" cost authority earned. Amounts earned are actual costs incurred for performance under the "B Goal."

4614.C Actual Cost Authority Earned-C Goal-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of approved "C Goal" cost authority earned. Amounts earned are equal to obligation authority received on other funding documents for "C Goal" outputs.

4614.D Actual Cost Authority Earned-D Goal-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of approved "D Goal" cost authority earned. Amounts earned are equal to amounts approved for outputs listed on the Activity Operating Budget as "D Goal" outputs.

4615 Capital Authority Available-Defense Business Operations Fund. Credit Balance. This is a summary account. No transactions should be posted to this account. This account is used to accumulate the amount of capital authority available for use.

4615.1 Capital Authority Available-Defense Business Operations Fund-Equipment-Except ADPE and Telecommunications Equipment. Credit Balance. This account is used to record (1) as a credit, the amount of capital authority available for the purchase of equipment other than ADPE and telecommunications equipment (see Account 4585.1) and (2) as a debit, the amount of capital authority used to purchase of equipment other than ADPE and telecommunications equipment.

4615.2 Capital Authority Available-Defense Business Operations Fund-ADPE and Telecommunications Equipment. Credit Balance. This account is used to record (1) as a credit, the amount of capital authority available for the purchase of ADPE and telecommunications equipment (see Account 4585.1) and (2) as a debit, the amount of capital authority used to purchase ADPE and telecommunications equipment.

4615.3 Capital Authority Available-Defense Business Operations Fund-Software Development. Credit Balance. This account is used to record (1) as a credit, the amount of capital authority available to fund the development of approved software applications (see Account 4585.1) and (2) as a debit, the amount of capital authority used to develop approved software applications.

4615.4 Capital Authority Available-Defense Business Operations Fund-Minor Construction. Credit Balance. This account is used to record (1) as a credit, the amount of capital authority available to fund approved minor construction projects (see Account 4585.1) and (2) as a debit, the amount of capital authority used to fund approved minor construction projects.

4615.5 Capital Authority Available-Defense Business Operations Fund-Management Improvement Initiatives. Credit Balance. This account is used to record (1) as a credit, the amount of capital authority available to fund management improvement efforts (see Account 4585.1) and (2) as a debit, the amount of capital authority used to fund management improvement efforts.

4620 Other Funds Available for Commitment/Obligation. Credit Balance. Represents the amount of appropriated funds, not subject to apportionment, that are available for commitment/obligation.

4630 Other Funds Unavailable for Commitment/Obligation. Credit Balance. Represents the amount of appropriated funds, not subject to apportionment, that are not available for commitment/obligation.

4700 Commitments Available for Obligation. Credit Balance. This account is a summary account. No transactions should be posted to this account. Represents the amount of direct and reimbursable program authority committed in anticipation of obligation.

4710 Outstanding Commitments-Direct Program. Credit Balance. Represents the amount of direct program unobligated commitments.

4720 Outstanding Commitments-Reimbursable Program. Credit Balance. This account is a summary account. Represents the amount of reimbursable program unobligated commitments.

4721 Outstanding Commitments-Operating-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of unobligated commitments for operating cost items.

4722 Outstanding Commitments-Capital-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of unobligated commitments for capital asset purchases.

4800 Undelivered Orders. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of goods and services ordered and obligated, but which have not been received. This account includes any orders for which advance payment has been made, but for which delivery or performance has not yet occurred.

4810 Undelivered Orders-Direct Program. Credit Balance. This account is a summary of Account 4811, "Undelivered Orders-Without Advance-Direct Program," and Account 4812, "Undelivered Orders-With Advance-Direct Program." No transactions should be posted to this account. Represents the amount of direct program orders for goods and services for which delivery or performance has not yet occurred.

4811 Undelivered Orders-Without Advance-Direct Program. Credit Balance. Represents the amount of direct program orders issued without an advance payment for goods and services for which delivery or performance has not yet occurred. This account is subsidiary to Account 4810, "Undelivered Orders-

Direct Program." For undelivered orders with advances, record the amount of the obligation less the advance.

4812 Undelivered Orders-With Advance-Direct Program. Credit Balance. Represents the amount of direct program orders issued with an advance payment for goods and services for which delivery or performance has not yet occurred. This account is subsidiary to Account 4810, "Undelivered Orders-Direct Program." For undelivered orders with advances, record the amount of the advance.

4820 Undelivered Orders-Reimbursable Program. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of reimbursable program orders for goods and services for which delivery or performance has not yet occurred.

4821 Undelivered Orders-Without Advance-Reimbursable Program. Credit Balance. Represents the amount of reimbursable program orders issued without an advance payment for goods and services for which delivery or performance has not yet occurred. This account is subsidiary to Account 4820, "Undelivered Orders- Reimbursable Program." For undelivered orders with advances, record the amount of the obligation less the amount of the advance.

4822 Undelivered Orders-With Advance-Reimbursable Program. Credit Balance. Represents the amount of reimbursable program orders issued with an advance payment for goods and services for which delivery or performance has not yet occurred. This account is subsidiary to Account 4820, "Undelivered Orders-Reimbursable Program." For undelivered orders with advances, record the amount of the advance.

4823 Undelivered Orders-Without Advance-Operating-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of orders issued incident to operations without an advance payment for goods or services for which delivery or performance has not yet occurred.

4824 Undelivered Orders-With Advance-Operating-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of orders issued incident to operations with an advance payment for goods or services for which delivery or performance has not yet occurred.

4825 Undelivered Orders-Without Advance-Capital-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of orders, without an advance payment, for the acquisition of capital assets for which delivery or performance has not yet occurred.

4826 Undelivered Orders-With Advance-Capital-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of orders, with an advance payment, for the acquisition of capital assets for which delivery or performance has not yet occurred for goods or services.

4900 Expended Appropriations. Credit Balance. This account is a summary account. No transactions should be posted to this account. Represents the amount of paid and unpaid expenditures for (a) services performed by employees, contractors, vendors, carriers grantees, lessors, other government funds; (b) goods and tangible property received; and (c) amounts becoming owed under programs for which no current service or performance is required (that is, annuities, insurance claims and other benefit payments).

4910 Accrued Expenditures-Unpaid-Direct Program. Credit Balance. Represents the amount of direct program goods and services received for which payment has not yet been made.

4920 Accrued Expenditures-Unpaid-Reimbursable Program. Credit Balance. This account is a summary account. Represents the amount of goods and services received against the reimbursable program for which payment has not yet been made.

4921 Accrued Expenditures-Unpaid-Operating-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of goods and services received for which payment has not been made.

4922 Accrued Expenditures-Unpaid-Capital-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of capital asset acquisitions received for which payment has not been made.

4930 Accrued Expenditures-Paid-Direct Program. Credit Balance. This account is a summary of Account 4931, "Accrued Expenditures-Paid-Direct Program," and Account 4932, "Accrued Expenditures-Refunds Due-Direct Program." No transactions should be posted to this account. Represents the amount of direct program goods and services received for which (1) payment has been made; or (2) refunds are due of erroneous payments or unliquidated advances.

4931 Accrued Expenditures-Paid-Direct Program. Credit Balance. Represents the amount of direct program goods and services received for which payment has been made. This account is subsidiary to Account 4930, "Accrued Expenditures-Paid-Direct Program."

4932 Accrued Expenditures-Refunds Due-Direct Program. Credit Balance. Represents the amount of direct program refunds due from Federal Agencies organizations or funds, non-federal governmental organizations, commercial vendors, and private parties resulting from erroneous payments and unliquidated advances. This account is subsidiary to Account 4930, "Accrued Expenditures-Paid-Direct Program."

4940 Accrued Expenditures-Paid-Reimbursable Program. Credit Balance. This account is a summary of Account 4941, "Accrued Expenditures-Paid-Reimbursable Program," and Account 4942, "Accrued Expenditures-Refunds Due-Reimbursable Program." No transactions should be posted to this account. Represents the amount of goods and services received against the reimbursable program for which (1) payment has been made or (2) refunds are due of erroneous payments or unliquidated advances.

4941 Accrued Expenditures-Paid-Reimbursable Program. Credit Balance. Represents the amount of goods and services received against the reimbursable program for which payment has been made. This account is subsidiary to Account 4940, "Accrued Expenditures-Paid-Reimbursable Program."

4942 Accrued Expenditures-Refunds Due-Reimbursable Program. Credit Balance. Represents the amount of reimbursable program refunds due from Federal Agencies organizations or funds, non-federal governmental organizations, commercial vendors, and private parties resulting from erroneous payments and unliquidated advances. This account is subsidiary to Account 4940, "Accrued Expenditures-Paid-Reimbursable Program."

4943 Accrued Expenditures-Paid-Operating-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of goods and services received and accepted for which payment has been made.

4944 Accrued Expenditures-Paid-Capital-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of capital asset acquisitions received and accepted for which payment has been made.

4950 Accrued Expenditures-Paid-Undistributed. Credit Balance. Represents the amount of disbursements as reported by the U.S. Treasury, departmental, or other finance network that are not immediately distributable at the installation level.

5000 Revenue and Financing Sources. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents the amount of off-setting collections resulting from (a) services performed, (b) goods and tangible property delivered to purchasers, (c) interest and penalties and (d) trust fund receipts.

5100 Revenue from Goods Sold. Credit Balance. This is summary account for Defense Business Operations Fund activities. For other activities, it is a posting account. Represents the value of inventory and completed projects for which revenue is billed to DoD Components.

5101 Revenue from Goods Sold-Defense Business Operations Fund. Credit Balance. This is a summary account for Defense Business Operations Fund activities. No transactions should be posted to this account. This account is used to accumulate the value of inventory or completed projects provided to customers.

5101.1 Revenue from Goods Sold-Operating-Defense Business Operations Fund. Credit Balance. This account is used to record the value of inventory items or completed projects provided to customers incident to normal operations of the business area.

5101.2 Revenue from Goods Sold-Capital Asset-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of capital asset surcharges (other than surcharges for depreciation and MILCON which are to be recorded in Subsidiary Accounts 5101.3-4) included in the price of inventory items or completed projects provided to customers.

5101.3 Revenue from Goods Sold-Depreciation-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of depreciation surcharges included in the price of inventory items or completed projects provided to customers.

5101.4 Revenue from Goods Sold-MILCON-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of MILCON surcharges included in the price of inventory items or completed projects provided to customers.

5200 Revenue from Services Provided. Credit Balance. Represents revenue earned from the sale of services provided, including sale of power, transportation, etc. (This is summary account for Defense Business Operations Fund activities. For other activities, it is a posting account.)

5201 Revenue from Services Provided-Defense Business Operations Fund. Credit Balance. This is a summary account for Defense Business Operations Fund activities. No transactions should be posted to this account. This account is used to accumulate the amount of revenue earned from the provision of services to customers.

5201.1 Revenue from Services Provided-Operating-Defense Business Operations Fund. Credit Balance. This account is used to record the value of services provided to customers incident to normal operations of the business area.

5201.2 Revenue from Services Provided-Capital Asset-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of capital asset surcharges (other than surcharges for depreciation and MILCON which are to be recorded in Subsidiary Accounts 5201.3 and 5201.4) included in the price of services provided to customers.

5201.3 Revenue from Services Provided-Depreciation-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of depreciation surcharges included in the price of services provided to customers.

5201.4 Revenue from Services Provided-MILCON-Defense Business Operations Fund. Credit Balance. This account is used to record the amount of MILCON surcharges included in the price of services provided to customers.

5300 Interest and Penalties Revenue. Credit Balance. Represents the revenue earned on investments, delinquencies and loans.

5400 Benefit Program Revenue. Credit Balance. Represents revenue received by DoD Components that administer retirement plans, education benefit plans, insurance plans and other annuity programs.

5500 Insurance and Guarantee Premium Revenue. Credit Balance. Revenue earned by DoD Components that administer insurance plans and guarantee programs. (Do not use this account without specific approval from the Office of the DoD Comptroller.)

5600 Donated Revenue. Credit Balance. Represents revenue to donation trust funds from authorized acceptance from non-federal sources of payments in cash or kind to cover travel and/or subsistence expenses of employees and other authorized donations.

5700 Appropriated Capital Used. Credit Balance. This account is a financing source to be matched against current period expenses funded by appropriations. This includes expenses funded by prior year appropriations such as (1) depreciation of fixed assets and consumption of inventory related to prior year purchases of fixed assets and inventory, (2) accrued and actual losses on inventory write downs, and (3) bad debt expense related to capitalized long term loans receivable and related interest.

5900 Other Revenue. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents amounts of revenue earned by DoD Components from miscellaneous sources not specifically provided for in other revenue accounts.

5910 Miscellaneous Reimbursements. Credit Balance. Represents the amount of revenue earned by DoD Components from miscellaneous sources not specifically provided for in other revenue accounts and reimbursable to DoD appropriations or funds.

5911 General Fund Sales of Property. Credit Balance. Represents the amount of sales not otherwise classified that are to be returned to the miscellaneous receipts accounts of the Treasury. (Do not use this account without specific approval from the Office of the DoD Comptroller.)

5912 Miscellaneous General Fund Income. Credit Balance. Represents the amount of miscellaneous receivables by DoD Components for credit to Treasury general fund receipt accounts. (Do not use this account without prior approval from the Office of the DoD Comptroller.)

6000 Expenses. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents the out-flows of assets or incurrence of liabilities during a period resulting from the rendering of services, delivering or producing goods, or carrying out other normal operating activities.

6100 Operating/Program Expenses. Debit Balance. This is a summary account. No transactions should be posted to this account. Operational and program costs incurred throughout the year. Operating program/expenses are (1) the total outlay in cash or equivalent applied in carrying out a

specific program or function, (2) the total cost of goods sold plus all selling, administrative and general expenses applicable thereto and (3) the total cost assignable against operating income or profit.

6111 Personnel Compensation-Civilian. Debit Balance. Represents the gross compensation for personal services rendered by Federal civilian employees and non-federal employees.

6112 Personnel Compensation-Military. Debit Balance. Represents the earned basic, incentive and special pays for military personnel.

6113 Personnel Benefits-Civilian. Debit Balance. Represents the benefits paid directly to DoD civilian personnel and payments to other funds for the benefit of the employees.

6114 Personnel Benefits-Military. Debit Balance. Represents benefits paid directly to military personnel or to other funds for military personnel.

6115 Benefits for Former Personnel. Debit Balance. Represents the benefits due to former personnel or their survivors.

6116 Travel and Transportation of Persons. Credit Balance. Represents the expense of transporting employees and others, their per diem allowance while in an authorized travel status, and other expenses incident to travel that are to be paid by the U.S. Government either directly or by reimbursing the traveler.

6117 Transportation of Things. Debit Balance. Represents the expense of transporting things (including animals) and for the care of such things while in the process of being transported. Excludes vendor transportation expenses for fixed assets and inventory items, which shall be charged to the same account as the purchased items.

6118 Rents, Communications and Utilities. Debit Balance. Represents the expense incurred for rents, communications and utilities purchased from commercial or U.S. Government sources.

6119 Printing and Reproduction. Debit Balance. Represents the expense incurred for printing and reproduction, and the related composition and binding operations purchased from the U.S. Government or commercial printers.

6120 Other Services. Debit Balance. Represents the expense incurred for services received not otherwise classified.

6121 Supplies and Materials. Debit Balance. Represents the expense incurred for supplies and materials, including ammunition, petroleum, oil and lubricants. Includes all supplies and materials consumed or utilized that do not meet the capitalization criteria.

6122 Equipment-Not Capitalized. Debit Balance. Represents the acquisition costs of equipment that do not meet capitalization requirements.

6123 Grants, Subsidies and Contributions. Debit Balance. Represents the value of grants, subsidies, and contributions made to further or enhance the interest of national defense.

6124 Insurance Claims and Indemnities. Debit Balance. Represents payments to veterans and their survivors for death or disability, claims and judgments arising from court decisions, abrogations of contracts, claims arising from military operations and personal injury or death, etc.

6125 Depreciation of Equipment. Debit Balance. Represents a reasonable measure of the expiration of service potential of non-military equipment (see Account 1750) in use during the accounting period. Military equipment (see Account 1760) shall not be depreciated. Subsidiary accounts may be added as necessary to meet reporting requirements.

6126 Depreciation of Real Property. Debit Balance. Represents a reasonable estimate of the expiration of service potential of depreciable real property in use during the accounting period.

6127 Depletion of Natural Resources. Debit Balance. Represents the quantitative exhaustion of the physical units of the resources removed from its natural state that is a proration of the capitalized asset amount to the units removed during the accounting period.

6128 Amortization of Leasehold Improvements and Other Intangible Assets. Debit Balance. Represents a reasonable measure of the expiration during the accounting period of the service potential of leasehold improvements and other intangible capital assets subject to amortization.

6129 Bad Debts. Debit Balance. Represents the expense for bad debts. It is the estimated uncollectible portion of all receivables. If the direct write off method is used, this account is used to record receivables written off during the accounting period.

6130 Annual Leave. Debit Balance. Represents the expense for annual leave earned by military personnel and civilian employees during the accounting period.

6300 Interest Expenses. Debit Balance. This is a summary account. No transactions should be posted to this account. The interest incurred by DoD Components from late payment of accounts and loans payable and the current interest accruing on amounts owed to others.

6310 Interest Expenses on Borrowing from Treasury. Debit Balance. Represents interest payments on borrowings from Treasury. (Do not use this Account without specific approval from the Office of the DoD Comptroller.)

6320 Interest Expenses on Securities. Debit Balance. Represents interest payments on borrowings from U.S. Treasury. (Do not use this Account without specific approval from the Office of the DoD Comptroller.)

6330 Other Interest Expenses. Debit Balance. Represents the interest expense incurred for amounts due creditors for the use of moneys loaned, deposited, overpaid or otherwise made available. When a contract provides for interest to be paid to a contractor if payment of claims under a contract has been delayed by the DoD, the accrued interest payable shall be recorded in this account.

6400 Benefit Program Expenses. Debit Balance. Represents amounts paid by the Military Retirement Trust Fund and the DoD Education Benefits Trust Fund. (This account shall be used only by those DoD Components that administer the Military Retirement Trust Fund and the DoD Education Benefits Trust Fund.)

6500 Cost of Goods Sold. Debit Balance. Represents the cost of goods or services sold from stock by DoD Components authorized to provide services or material to other Federal Government Agencies, including other DoD Components, or non-federal government agencies.

6600 Applied Overhead. Debit Balance. The amount of overhead distributed to work in process or construction in progress.

- 6900 Other Expenses. Debit Balance. Represents expenses not otherwise classified.
- 7100 Gains. Credit Balance. This is a summary account. No transactions should be posted to this account. Represents gains on assets.
- 7110 Gains on the Disposition of Assets. Credit Balance. Represents the gain on the disposition of assets and personal property.
- 7190 Other Gains. Credit Balance. This is a summary account. No transactions should be posted to this account. Gains from the disposition of assets other than capital assets.
- 7191 Inventory Gains. Credit Balance. Represents inventory gains resulting from physical inventories or discovered during operations or price increases.
- 7192 Investment Gains. Credit Balance. Represents the gain on the sale, exchange, or redemption of investments held by the DoD.
- 7193 Other Miscellaneous Gains. Credit Balance. Represents the gain resulting from currency fluctuations or other transactions not classifiable in specific other gain accounts.
- 7200 Losses. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents losses on assets.
- 7210 Losses on the Disposition of Assets. Debit Balance. Represents the loss on the disposition of assets and personal property.
- 7290 Other Losses. Debit Balance. This is a summary account. No transactions should be posted to this account. Represents losses of assets other than from the disposition.
- 7291 Inventory Losses or Adjustments. Debit Balance. Represents losses discovered during a physical inventory or during operations. Also includes reductions in inventory value as a result of price decreases.
- 7292 Investment Losses. Debit Balance. Represents the loss on the sale, exchange or redemption of investments held by the Department of Defense.
- 7293 Other Miscellaneous Losses. Debit Balance. Represents those losses which are not classifiable to specific loss accounts.
- 7300 Extraordinary Items. Debit Balance. Represents those costs or income so unusual in type as to be accorded special treatment in the accounts or to be accorded separate disclosure in financial statements.
- 7400 Prior Period Adjustments. Debit Balance. Represents significant adjustments to expense or revenue transactions recorded in prior fiscal years.
- 7500 Distribution of Income-Dividend. Debit Balance. Represents distributions of income or dividends. (Do not use this Account without prior approval from the Office of the DoD Comptroller.)
- 7600 Changes in Actuarial Liability. Debit or Credit Balance. Represents the amount of increase or decrease in actuarial liability.

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DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 1

**GENERAL FINANCIAL MANAGEMENT
INFORMATION, SYSTEMS AND
REQUIREMENTS**

MAY 1993

★ WITH CHANGES THROUGH JANUARY 1999 ★

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 2A

**BUDGET FORMULATION
AND
PRESENTATION**

JUNE 1998

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

JUN 26 1998



FOREWORD

Volume 2 of the Department of Defense Financial Management Regulation is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures" which governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It identifies financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. In addition, it identifies statutory and regulatory financial reporting requirements.

This volume of the Regulation establishes procedures for DoD Components to use in budget presentation and formulation and applies to the Office of the Secretary of Defense, the Military Departments, the Joint Staff, the Unified Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

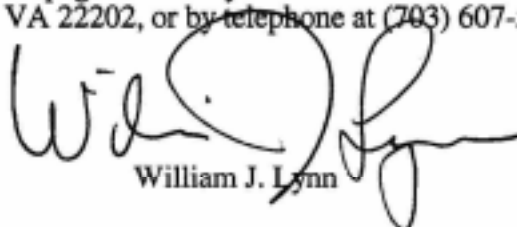
This update is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
Director for Plans and Systems
1100 Defense Pentagon
Washington, DC 20301-1100

All 15 volumes of the DoD Financial Management Regulation are available on the Internet at: <http://www.dtic.mil/comptroller/fmr>. Printed or CD-ROM copies of the regulation may be ordered through this Internet homepage or directly from the Defense Automated Printing Service, at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.


William J. Lynn

Budget Formulation and Presentation**Volume 2 Structure**

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10	Public Enterprise, Management and Trust Funds
11	Offsetting Receipts
12	Defense Health Program
13	Defense Environmental Restoration Program
14	Drug Interdiction and Counter-drug Activities
15	Overseas Cost Report
16	Intelligence Programs/Activities
17	Command, Control and Communications
18	Information Technology
19	Other Special Analyses

Volume 2 has been divided into two books for the convenience of the user because of the Volume size. Volume 2A and 2B are both necessary for the formulation and preparation of the budget.

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SUMMARY OF VOLUME 2 CHANGES

Section Number	Changes
0101	All References to the Defense Business Operations Fund (DBOF) have been changed to the Defense Working Capital Funds (DWCF).
010108	Identifies revised location of security classification instructions for intelligence programs/activities.
010201	<p>Adds expense/investment criteria to determine financing for engineering efforts to satisfy deficiency.</p> <p>Adds expense/investment criteria to clarify funding policy for incidental material and conditional requirements identified during a modification.</p> <p>Defines service life extension programs that can be funded in Procurement and in O&M.</p> <p>Clarifies software funding policy.</p> <p>Deletes "with the exception of investment funded parts" to eliminate confusion.</p> <p>Updates the expense/investment dollar threshold.</p>
010202	<p>Expands discussion on the use of long lead material.</p> <p>Clarifies economic order quantity purchase requirements.</p>
010203	Clarifies multiyear procurement requirements for stable configuration, realistic cost estimates, present value analysis, support cost certification, cancellation ceilings, and economic order quantity purchase requirements.
010205	<p>Deletes section requiring Intrusion Detection Systems to be funded only in the Other Procurement appropriations or in the Capital Budget of the DWCF business area.</p> <p>Adds section regarding engineering change order funding.</p>
010205	Adds paragraph acknowledging engineering change order funding requirements.
010208	<p>Deletes requirement for acquisition pilot program documentation. Renumbers remaining sections.</p> <p>Clarifies funding policy for nondevelopmental item (NDI) procurement.</p> <p>Clarifies appropriation that can be used to procure NDI items.</p>
010209	Deletes paragraph regarding funding replenishment spares in procurement.
010210	Deletes statement that assets can be retained in the Special Defense Acquisition Fund.

Section Number	Changes
010212	<p>Updates Low Rate Initial Production (LRIP) reference and clarifies appropriations that can be used for LRIP.</p> <p>Adds sentence regarding lack of competition and prioritization if efforts are not properly categorized in RDT&E.</p> <p>Clarifies when it is appropriate to use procurement or O&M funding for product improvements (as long as no development or initial operational tests are required).</p> <p>Clarifies funding policy for low rate initial production assets.</p> <p>Adds paragraph for test article funding for space systems. Renumbers remaining paragraphs.</p>
010213	<p>Adds another method to fund RDT&E requirements.</p> <p>Adds paragraph acknowledging engineering change order funding requirements.</p>
010217	Clarifies the method for computing military personnel costs.
010218	<p>Policy allowing the recovery of Accumulated Operating Results over a 2-year period is added.</p> <p>Policy concerning recovery of unplanned losses in Depot Maintenance activity groups is explained.</p>
010219	<p>Revises capital budget thresholds.</p> <p>Upper limits for Minor Construction Project is increased to \$500,000.</p> <p>Upper Limit for minor construction projects intended solely to correct a deficiency that is life threatening, health threatening, or safety threatening is increased to \$1,000,000.</p> <p>Depreciation schedules are updated for changes in Software Development. New Depreciation schedules which comply with FASAB #6 are listed for use beginning in FY 2000.</p>
010223	<p>Procurement Glossary: Established as separate section.</p> <p>Adds and clarifies several definitions.</p>
010224	<p>RDT&E Glossary: Established as separate section.</p> <p>Adds definition for test article.</p>
010301	Modified to indicate that Capital budgets are to be submitted in landscape format.
010302	<p>Distribution addresses revised.</p> <p>Distribution copy requirements revised.</p> <p>Guidance to call budget receiving office prior to delivery added.</p>

Section Number	Changes
010401	Information Technology budget requirements revised and reviewing organization changed. Intelligence and C ³ program guidance referred to Chapters 16 and 17.
010403	Guidance on distribution of President's budget justification material significantly revised. Requirements for Internet sites <u>and</u> CD-ROM for President's budget justification material added. Distribution requirements changed for copy quantities. Internal DoD paper copy distribution essentially limited to classified budget documents. Unclassified will be placed on Internet sites. Guidance to call budget receiving office prior to delivery added.
010404	Security review procedures clarified.
010405	Processing procedures updated.
010406	Guidance on classified appeals added. Reference to individual oversight committees deleted. Appeals will be to conferees.
010501	Deletes FYDP from Budget Automation Requirements reporting. New Section 0107 established for the Automated Future Years Defense Program (FYDP).
010502	Procurement Annex renamed to Procurement Programs. Adds P-1R report and Procurement Cost Type codes "S" for Reserve Equipment (Memo Non-Add) and "T" for National Guard Equipment (Memo Non-Add).
010503	RDT&E Annex renamed to RDT&E Programs.
010505	Updates list of accounts which require an Obligation Plan as part of the budget estimate submission. Updates financing code stub entries for Budget Review System (BRS) Programming and Financing schedule and updates the table displaying relationship between OMB's Program and Financing (P&F) Schedule in OMB Circular A-11 and DoD's Budget Review System. Updates diagnostics for BRS error messages. Budget execution report SF 133 replaces the DD 1176. Adds Component/Suffix codes for NIMA, DTRTCA and DMEA. Changes DNA to DSWA, DIS to DSS and CPMS to DHRFA. Adds default object class Tx2551 – R&D Contracts for accounts 2040a, 1319n, 3600f and 0400d. General default object class has been changed to Tx26.01 – Supplies and Materials.

Section Number	Changes
	Provides updated extracts from the “Budget Accounts Title File Listing.”
010506	Name Edit System (NES) Structure and Description, subparagraph O. – Object Class 25.2 has been restricted to no more than 15 percent of the total Object Class 25 resources.
010603	Updates appropriations and budget activities by functional title for military functions.
	Under the Heading Functional Title – Revolving and Management Funds, the William Langer Jewel Bearing Plant Fund, ADP Equipment Management Fund, Emergency Response Fund – Defense, and the Navy Management Fund are eliminated. The Army Conventional Ammunition Working Capital Fund is listed until closed.
0107	Automated Future Years Defense Program Database section added.
0108	Automated C ³ ISR Database section added.
0109	Renumbered from 0107.
010903	PB-39 appeal formats modified.
	Congressional Insert formats modified.
010904	Title changed for forms DD2235, DD2236 and DD2236-2 to include both End Strength and Full-Time Equivalent data.
	Instructions for SD Form 463 updated to include Cost Type codes “R” and “T” for Reserve and National Guard Equipment memo non-add entries.
020202	Adds new verbiage to reflect the consolidation of the Basic Allowance for Quarters (BAQ) and the Variable Housing Allowance (VHA) into the Basic Allowance for Housing (BAH). Also adjusts required exhibits to reflect the change.
020205	Adds guidance regarding the M-1 exhibit for Active Personnel appropriations.
020304	Adds guidance regarding the M-1 exhibit for Reserve Personnel appropriations.
0204	Deletes exhibit and requirement for submission for the Military Retirement Fund.
020602	Incorporates legislative proposals on Military Personnel summary exhibits.
	Includes Active Duty for Special Work on Milpers Summary exhibits.
	Adds new exhibit (PB-30F-1) on officer gains by month.
	Adds new exhibit (PB-30F-2) on enlisted accessions by month.
020603	Incorporates legislative proposals on Reserve Personnel summary exhibits.
030201	Incorporates new instructions for downloading the Comptroller computer software from the Internet website for submission of the automated exhibits and emphasizes review requirements for submission. Also updates appropriations and accounts required to submit automated data.

Section Number	Changes
	Deletes section and requirement for non-DBOF (now Defense Working Capital Fund) unit cost areas.
030301	Operations Accounts Exhibits list updated. (July 1998 change)
030302	Corrects paragraph numbering by remarking “H” as “G” and adds narrative to reiterate that Components are responsible for cross checking data among the exhibits.
	Updates to Organization/Exhibit Requirements for Justification Books for following requirements: Vol I – adds O-1 and deletes PB-31C; Vol II – adds PB-15 and PB-28 and deletes PB-31R; Vol III – Moves Real Property Maintenance and Minor Construction exhibits to Volume II., deletes OP-27H requirement in this volume. Requirement now in Vol. 11A. (June/July 1998 Change)
	Updates Additional Accompanying Exhibits by deleting requirement for PB-28 (sic), Waste Minimization Capitalization Account which should have been PB-29.
	Adds requirement for all O&M Overview exhibits to reflect price and program changes.
0304	<p>OP-5 Exhibit is revised to include OP-5 attachments. (July 1998 change)</p> <p>OP-8 Updates to reflect changes in FTE reporting.</p> <p>OP-20H Removes exhibit from Chapter 3 and includes requirement in Chapter 11A.</p> <p>OP-24 Adds narrative, “Provide written explanation/justification for changes between fiscal years.”</p> <p>OP-30 Revises exhibit in its entirety.</p> <p>OP-32 Updates line items to reflect current expense categories.</p> <p>OP-34 Adds requirement to identify costs associated with Category D Commissary Support.</p> <p>OP-78 Revises exhibit in its entirety.</p> <p>OP-80 Replaces exhibit in its entirety.</p> <p>PBA Exhibits Adds requirement to include price and program changes and verify data on related exhibits.</p> <p>PBA-2 Adds new requirement and section on inventory.</p> <p>PBA-4 Adds requirement to identify costs and explanations at the subactivity group level.</p> <p>PBA-5 Adds requirements and section on description of operations financed.</p> <p>PBA-11 Adds requirement to include civilian end strength.</p> <p>PBA-12 Revises program data for consistency with guidance in Chapters 17 and 19.</p>

Section Number	Changes
	PBA-13 Clarifies section on First Destination Transportation major commodity.
	PBA-15 Adds new requirement and exhibit for Commissary Support.
	PBA-26 Adds requirement and section to identify total aircraft inventory.
	PB-31D Revises information requirement, primarily to include information by budget activity. (July 1998 change)
	PB-31Q Adds requirement to include narrative explanation for changes in direct and indirect hires.
0403	Increases budget exhibit threshold from \$2 million to \$5 million.
0405	Reduces justification material requirements for programs with a funding value less than \$5 million (only the P-40 and P-40a exhibits are required.)
040502	P-1 Deletes the unit cost column from the exhibit.
	P-3a Adds clarifying instructions for modifications.
	P-8a Reinstates P-8a, Analysis of Ship Cost Estimates - Major Equipment.
	P-11 Deletes requirement for P-11, Electronic Warfare (EW) Funding Summary.
	P-21b Deletes requirement for P-21b, Production Schedule by Facility (Ammunition.)
	P-26 Eliminates requirement for unneeded information.
	Multiyear Exhibits Adds clarifying instructions for multiyear programs.
050403	Deletes the paragraphs regarding comparison reports and project listing and establishes the comparison report as an exhibit.
050404	Deletes requirement for electronic file submission to Defense Technical Information Center (DTIC). Requirement is accomplished through internet posting by Military Departments and by OUSD(Comptroller) for Defense-wide (Defense Agency, etc.) accounts.
0505	R-2a Adds new exhibit for project information. Information requirements have not changed; however, the new exhibit clarifies previous information requirements.
	R-3 Modifies the exhibit to portray information in a different format and adds clarifying instructions.
060201	Threshold raised from \$300,000 to \$500,000 for unspecified minor construction that may be funded with O&M.
	Design status milestones added. Projects using parametric cost estimates should be considered zero percent designed.

Section Number	Changes
060202	<p>Scope of the Family Housing New Construction account increased to include design costs of contractors when performing a turnkey contract.</p> <p>NFIP Budget Subactivities added.</p>
060301	<p>Deletes requirement to include Program and Financing schedules in Military Construction justification books.</p> <p>Requirement that all requested construction projects be at least 35 percent designed at the time of the budget estimate submission is deleted. However, requested projects that will not obtain the 35 percent design stage by January 1 must be identified to the OUSD(C) Military Construction Directorate.</p>
060302	<p>Deletes requirement to include Program and Financing schedules in family housing justification books.</p> <p>Updates number of family housing leases allowed and calculations of maximum lease costs.</p> <p>Adds the FY 1988 budgeted foreign currency exchange rates used in the calculation of maximum lease costs in foreign countries.</p> <p>Requires a PB-18 Exhibit be submitted with the Budget Estimate Submission for family housing O&M accounts participating in the Foreign Currency Fluctuations, Construction, Defense appropriation.</p>
060305	<p>Requirement for the NATO Security Investment Program to submit a list of all requirements, construction and procurement, associated with NATO expansion added.</p>
060306	<p>Budget estimate submission requirements for the Family Housing Improvement Fund added.</p>
060402	<p>Deletes requirement to include Program and Financing schedules and Object Classification schedules in justification books provided to Congress.</p>
060403	<p>Construction completion date added to DD Form 1391 Supplemental data.</p> <p>Requirement to provide an updated Military Construction/Family Housing Outyear Project Data exhibit added.</p> <p>Requirement added to DD Form 1391 Design Data to indicate whether an energy study and a life-cycle cost analysis was performed in support of the design of the proposed facility.</p>
060502	<p>Requirement to identify antiterrorism force protection/physical security measures on the DD Form 1391, Military Construction Project Data, added.</p> <p>Military Construction/Family Housing Outyear Project Data Exhibit revised.</p> <p>Exhibit FH-1, Tri-Service Family Housing Cost Model, revised.</p>
070302	<p>Revised Budget Estimate Submission guidance requires separate justification books for each Base Closure account vice each Base Closure Commission action.</p>

Section Number	Changes
	Requirement for a BRAC Cost and Saving Exhibit (BC-02) added.
	Requirement to update prior year estimated savings to reflect actual savings added.
	BRAC O&M Summary OP-5 Exhibit no longer required.
	OP-5 Attachment 1, Reconciliation of Increases and Decreases, no longer required.
	OP-32 Exhibit, Summary of Price and Program Changes, no longer required.
	BRAC ENV-1A/B exhibits requirement added to provide environmental progress and funding priority for BRAC sites.
070502	DD Form 1391 Military Construction Project Data - requirement to identify antiterrorism force protection/physical security measures on the added.
	BRAC ENV-1A/B Exhibits added to provide environmental progress and funding priority for BRAC sites.
	OP-5 Exhibit deleted.
080105	Real Property Maintenance, Defense account deleted – no longer applicable.
	Definition of Repair and Maintenance added.
080201	Threshold raised from \$300,000 to \$500,000 for unspecified minor construction that may be funded with O&M.
080202	OP-27H, Historic Buildings and Housing Costs, no longer required.
090102	The establishment of the Defense Working Capital Funds (DWCF) is noted.
090103	Provides a formula for calculating the appropriate cash level for a DWCF organization. Adds requirement for notification to Revolving Funds Directorate and the Congress when advance billing of customers is required.
	Adds depreciation schedules for fiscal year 2000 and beyond.
	Establishes a new threshold of \$1,000,000 and above for requirement to prepare an economic analysis to justify a Capital Investment Program (CIP) project. A cost analysis must be prepared for projects below \$1,000,000.
	Revises upper limits for minor construction projects.
	Changes requirements for preparation and submission of post investment analysis.
	Provides guidance for requesting carryover authority for CIP.
	Updates guidance for Unutilized and Underutilized Plant Capacity.
	Clarifies guidance for computing military personnel costs.

**Section
Number**

Changes

Specifies the use of Percentage of Completion Method for Revenue Recognition starting in the year 2000 for all nonsupply activity groups.

Specifies rules related to AOR loss recovery over a 2-year period.

Provides for the recovery of unplanned losses at Depot Maintenance Activities during the year of execution.

Specifies prior approval of extraordinary write-offs.

090104 Provides option for developing rates at the activity level or product line level within an activity group.

090203 SM-5A Adds requirement for backup for President's Budget.

SM-8 Deletes requirement for OSD/OMB submit. Still required for backup to President's Budget.

090204 SM-8 Deletes requirement for OSD/OMB submit. Still required for backup to President's Budget.

Fund-7a Adds requirement for back up to President's Budget. Deletes requirement for inclusion in President's Budget.

090402 Fund-5a Requires breakout of individual amounts for DLSC, DAASC, and DRMS.

Fund-1A Modifies exhibit to bring it in line with OP-32 format.

Fund-3 Changes format to include Unit cost information.

Fund-6 Exhibit deleted.

Fund-7b Updated to reflect impact of revised AOR loss recovery.

Fund-9a Updates capital investment threshold. Lists new category for Software Development. Provides guidance for dollar threshold reporting within categories.

Fund 9b Updates reporting requirements.

Fund-14 Updates exhibit to reflect adjustments to NOR and AOR. Also provides for a new category to display items recommended for exclusion from rate recovery.

Fund-14A Adds exhibit for Supply Management Business Areas. Two Part Format.

Fund-20 Updates exhibit to report workyears vice end-strength by grade.

Fund-21 Updates exhibit to include revised reporting for Disadvantaged employment and other personnel programs previously excluded.

Fund-28 Updates Format.

Section Number	Changes
	Fund-29 Updates Format.
100101	Clarified status of the Conventional Ammunition Working Capital Fund.
100102	Deletes Navy Management Fund, Emergency Stock Fund, Department of the Navy Trust Revolving Fund, and Department of the Air Force Revolving Trust Fund.
100202	Deletes Navy Management Fund, Emergency Stock Fund, Department of the Navy Trust Revolving Fund, and Department of the Air Force Revolving Trust Fund.
100402	Deleted exhibits related to the Army Conventional Ammunition Working Capital Fund.
	Exhibit CT-1 Revised formulas for calculations. Added line items for Unobligated balances at beginning and end of year.
	Exhibit SP-1 Modified format.
120402	Significantly revises exhibits to reflect creation of TRICARE Management Activity and the realignment of program elements into new budget activities.
130105	Revises and expands actions included under Installation Restoration Program.
	Revises section on Other Hazardous Waste.
130202	Adds narrative requirement for submission of the OP-32, Price and Program Growth, exhibit as instructed in Chapter 3.
130302	Changes submission requirements for ENV 30D-E from OUSD (Comptroller), Operations and Personnel, to DUSD (Environmental Security.)
130401	Revises to clarify format for environmental restoration submission.
130402	Renames and revises exhibits ENV-30A-E.
140202	Adds requirement for Counter-drug Enforcement, Policy, and Support (CDEP&S) to provide copies of procurement and RDT&E budget exhibits to OUSD(C) Operations and Personnel Directorate.
140302	Revises PB-43, PB-44, PB-45, and PB-47 exhibits in their entirety.
150402	Adds instructions concerning OP-53 and OP-53A.
160101	Replaces Defense Intelligence Program (DIP) with National Foreign Intelligence Program (NFIP).
	Adds Joint Military Intelligence Program (JMIP).
160104	Guidance on changing Intelligence program elements added.
160105	Definitions of NFIP, JMIP and TIARA added.

Section Number	Changes
160202	Provides a more complete listing of the NFIP Components.
160203	JMIP submission requirements added.
160302	Replaces DIP with NFIP.
	Provides a more complete listing of NFIP Components.
160304	Services and Defense Agencies required to provide an electronic file of Budget Line Items to maintain Automated Command, Control, Communications, Intelligence, Surveillance and Reconnaissance (C ³ ISR) database.
160402	Provides guidance on classified appeals to congressional action on NFIP, JMIP, and TIARA programs.
160502	Provides guidance on Automated C ³ ISR database.
160602	Updates crosswalk exhibit IP Form 1.
170101	Updates Information Systems Security Program to include the newly established Defense-wide Information Assurance Program and updates remaining references to same.
170103	Adds a paragraph regarding the composition of C ³ programs. Renumbers remaining section.
170201	Adds a paragraph regarding the composition of C ³ programs. Renumbers remaining section.
170305	Adds paragraph to define relationship of C ³ Congressional Justification Book with Military Department and Defense Agency Justification Material.
1704	Adds section on automated reporting requirements.
1801	Chapter 18 has been rewritten in its entirety. Significant changes are as follows: <ul style="list-style-type: none"> - Elimination of the requirement to submit an IT-43; IT-2, 3, 4, 5 formats. - The Executive Summary is renamed to the IT Overview, and contains expanded justification materials, as well as a simple audit trail of changes from last submission to current. (Similar to the O&M trails). Requires a crosswalk to other exhibits. - The IT-1 is updated to meet new OMB Circular A-11 requirements. - The Mission categorization reporting is accommodated by the IT/DII Reporting Categories. - IT/DII reporting levels eliminate the defunct CIM terminology, and reflects the DII Master Plan categories that align to DoD Missions and IT Backbone Activities. - Definitions reflect the Clinger-Cohen Act of 1996 terminology and requirements. - The IT-2 is eliminated. - The category Major is aligned with DoD 5000 terminology.

Section Number	Changes	
	<ul style="list-style-type: none"> - Major Initiatives must be reported on new IT(300b) Capital Investment Justification Exhibit. This exhibit incorporates some of the information requirements of OMB Circular A-11, Exhibit 40B, on financial systems. - PY, CY, BY1, BY2 data are required; BY2+1-3 are required on the IT 300b, and are optional on the other exhibits. 	
1902	Adds new section on Combating Terrorism.	
190301	Updates the list of activities that are designated as Major Range and Test Facility Bases.	
190402	Expands the types of programs for which an Exhibit T&E-1 must be submitted.	
190501	Exhibit requirement revised to reflect OMB Circular A-11 dated July 1, 1998. (July 1998 change)	
190902	PB-14	Adds Functional Transfer exhibit.
	PB-15	Revises definitions for Advisory & Assistance Services and revises exhibit in its entirety.
	PB-16	Adds new exhibit to summarize legislative proposals.
	PB-17	Adds new exhibit for Employee Relocation Expenses.
	PB-18	Adds Singapore to country list.
	PB-19	Adds new exhibit for Contract Reporting by Appropriation
	PB-22	Revises exhibit to reflect changes of Management Headquarters Working Group.
	PB-25	Deleted section on Indirect Support.
	PB-28	Amplifies guidance for submission requirement.
	PB-28A	Adds new exhibit for Environmental Security Technology.
	PB-41	Adds requirement to submit the Congressional Justification/Presentation input by January 5 th of each year.
	PB-42	Exhibit revised. Renamed as Competition and Privatization. (July 1998 change)
	PB-50	Expands data requirements.
	PB-54	Adds new exhibit for Civilian Personnel Hiring Plan.
	PB-55	Adds new exhibit for International Military Headquarters.
191203	MRTFB-2a	Element of Expense Listing revised to include a FY PY-1 column.
	MRTFB-2d	Source of Direct Funds revised to include a FY PY-1 column.

**Section
Number****Changes**

191204	T&E-1	Revised to include FY PY-1, BY2+1, BY2+2, BY2+3 and BY2+4 columns.
	T&E-1	Revises guidance on Instructions for Exhibit T&E-1.

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CHAPTER 1

GENERAL INFORMATION

0101 GENERAL POLICIES**010101 Purpose**

A. Volume 2 of the Financial Management Regulation (FMR) provides general guidance on the formulation and submission of the budget requests to the Office of the Secretary of Defense for the fall budget review and the presentation and justification of the budget requests to the Congress. This volume is established under the authority of DoD Instruction 7000.14.

B. Volume 2 of the FMR is intended as a comprehensive reference book on budget matters of the Department of Defense. Budget policy memoranda issued throughout the year will provide any necessary changes or revisions to this standing document, as well as special instructions and nonrecurring requirements unique to that year's budget cycle.

C. The provisions of Volume 2 apply to all military and civil functions of the Department of Defense including military assistance.

D. An introduction to the total Financial Management Regulation, DoD 7000.14-R can be found in Volume 1 of the Regulation.

010102 Organization

A. Volume 2 is organized into 19 chapters that provide specific guidance, required budget exhibits and formats along with instructions for their preparation, and automated submission requirements.

010103 Changes to Volume 2

A. Changes to Volume 2 will be issued biennially, prior to the fall budget review of the initial biennial budget cycle. Pen and ink changes will not be used.

B. Generally, significant changes on a page will be indicated by the paragraph or section containing a change being printed in *ITALICS*.

010104 Reports Control Symbol

Data requirements established by this volume are exempt from the requirement for assignment of a Report Control Symbol.

010105 Requests for Exceptions to OMB Circular A-11

A. Each year the Office of Management and Budget (OMB) issues Circular No. A-11 which addresses the preparation and submission of budget estimates for all Federal Agencies.

B. Federal agencies are allowed to request exceptions to the requirements of Circular A-11 by submitting in writing to OMB all required exceptions by August 1. Exceptions approved by OMB are valid only for 1 year.

C. Each year the USD(Comptroller) requests certain exceptions to OMB Circular A-11. Generally, these exceptions concern special situations that are unique to the Department of Defense.

1. Subsequent to the issuance of Circular A-11 by OMB each year, any DoD Component requiring an exception to the requirements of Circular A-11 should submit in writing the specific section for which an exception is required and provide adequate rationale to justify the exception. The memorandum addressing the requested exceptions should be submitted directly to the Office of the USD(Comptroller), Program/Budget, Plans and Systems Directorate (Room 3A862, telephone (703) 697-9171) no later than July 15 of each year.

2. If the requested exception is acceptable to the USD(Comptroller), these proposals will be consolidated and forwarded to OMB for approval. Components will be advised of any exceptions approved by OMB.

3. All DoD Components are required to comply with any requested exceptions not approved and to properly reflect the information in the budget submissions.

010106 Proposed Changes in Budget Structure and Appropriation Language

A. Under the provisions of OMB Circular A-11, the following types of changes must be cleared with OMB:

1. Changes in the appropriation pattern, including proposed new accounts and changes in the titles and sequence of existing accounts.

2. Changes in the methods of funding a program.

3. Changes in program or budget activity classifications for the program and financing schedules for all appropriation accounts and funds.

B. Any proposed changes on the items listed above must be submitted in a memorandum to the Office of the USD(Comptroller) that explains the proposal and the rationale for the changes. If acceptable to the USD(Comptroller), these proposals will be forwarded to OMB for approval.

C. Proposed changes in the wording of appropriation language should be submitted to the Office of the Deputy General Counsel (Fiscal) (Room 3D961, telephone (703)695-5864) as soon as possible after the passage of the current year's appropriation act. ODGC(Fiscal) will coordinate changes with OMB.

010107 Budget Terminology/Definitions

A. Standard Government-wide definitions of budget terminology are provided in the Office of Management and Budget issuance's, most notably Circulars A-11 (Section 14.1) and A-34 (Chapter 1).

B. For the Department of Defense, some of the more common budget concepts applicable to budget formulation follow:

1. Accrual Basis of Accounting: A method of accounting in which revenues are recognized in the period earned and costs are recognized in the period incurred, regardless of when payment is received or made. There have been many initiatives over the years to convert the Federal Budget to an accrual accounting basis. Although the budget is on a cash basis, DoD accounting is on the accrual basis.

2. Advance Procurement: Authority provided in an appropriations act to obligate and disburse during a fiscal year before that in which the related end item is procured. The funds are added to the budget authority for the fiscal year and deducted from the budget authority of the succeeding fiscal year. Used in major acquisition programs for advance procurement of components whose long-lead-time require purchase early in order to reduce the overall procurement lead-time of the major end item. Advance procurement of long lead components is an exception to the DoD "full funding" policy and must be part of the President's budget request.

3. Appeal: A request for reconsideration of an action taken to adjust, reduce, or delete funding for an item during the congressional review of the defense budget (authorization and appropriation). This process is discussed in Section 010406.
4. Apportionment: A distribution by the Office of Management and Budget of amounts available for obligation in appropriation or fund accounts of the Executive Branch. The distribution makes amounts available on the basis of specified time periods, programs, activities, projects, objects, or combinations thereof. The apportionment system is intended to achieve an effective and orderly use of funds. The amounts so apportioned limit the obligations that may be incurred.
5. Appropriations: A provision of legal authority by an act of the Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the most common means of providing budget authority (see Budget Authority). Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent limitations of amounts which agencies may obligate during the time period specified in the respective appropriation acts.
6. Authorization (Authorizing Legislation): Basic substantive legislation enacted by the Congress which sets up or continues the legal operation of a Federal program or agency either indefinitely or for a specific period of time or sanctions a particular type of obligation or expenditure within a program. Such legislation is normally a prerequisite for subsequent appropriations or other kinds of budget authority to be contained in appropriation acts. It may limit the amount of budget authority to be provided subsequently or may authorize the appropriation of "such sums as may be necessary."
7. Biennial Budget: The FY1986 Department of Defense Authorization Act required the submission of two-year budgets for the Department of Defense and related agencies beginning with FY 1988/FY 1989. The Department has fully institutionalized a biennial cycle for the Planning, Programming, and Budgeting System (PPBS), including the Defense Guidance (DG), the Program Objective Memorandum (POM), Volume 2 of the Financial Management Regulation (FMR) and budget formulation memoranda. A biennial budget, as currently structured, represents program budget estimates for a two-year period in which fiscal year requirements remain separate and distinct.
8. Budget Activity: Categories within each appropriation and fund account which identify the purposes, projects, or types of activities financed by the appropriation or fund.
9. Budget Amendment: A formal request submitted to the Congress by the President, after his formal budget transmittal but prior to completion of appropriation action by the Congress, that revises previous requests, such as the amount of budget authority.
10. Budget Authority: The authority becoming available during the year to enter into obligations that result in immediate or future outlays of Government funds.
11. Budget Deficit: The amount by which the Government's budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by Treasury borrowing from the public.
12. Budget Receipts: Amounts received by the Federal Government from the public that arise from the exercise of governmental or sovereign power (primarily tax revenues, but also receipts from premiums of compulsory social insurance programs, court fines, license fees, etc.); premiums from voluntary participants in Federal social insurance programs; and gifts and contributions. Excluded from budget receipts are collections resulting from business-type transactions and payments between government accounts as a result of intragovernmental transactions.

13. Closed (Canceled) Accounts: An appropriation that is no longer available for the adjustment or payment of obligations. Appropriations are closed (canceled) after being in the expired status for five years. Once these appropriations are closed (canceled), no payments or adjustments may be made. (See Expired Appropriation.)

14. Concurrent Resolution: A resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth, reaffirming, or revising the congressional budget for the United States Government for a fiscal year. A concurrent resolution on the budget, due by April 15, must be adopted before legislation providing new budget authority, new spending authority, new credit authority or changes in revenues or the public debt limit is considered. Other concurrent resolutions for a fiscal year may be adopted at any time following the first required concurrent resolution for that fiscal year.

15. Constant Dollars: A dollar value adjusted for changes in prices. Constant dollar series are derived by dividing current dollar estimates by appropriate price indices, a process generally known as deflating. The result is a time series as it would presumably exist if prices were the same throughout as in the base year - in other words, as if the dollar had constant purchasing power. Any changes in such a series would reflect only changes in the real (physical) volume of output. Constant dollar figures are commonly used for gross national product and its components.

16. Continuing Resolution: Legislation enacted by the Congress to provide budget authority for specific ongoing activities in cases where the regular fiscal year appropriation for such activities has not been enacted by the beginning of the fiscal year. The continuing resolution usually specifies a maximum rate at which the agency may incur obligations, based on the rate of the prior year, the President's budget request, or an appropriation bill passed by either or both Houses of the Congress.

17. Controllability: The ability under existing law to control budget authority or outlays during a given fiscal year. "Relatively uncontrollable" usually refers to spending that cannot be increased or decreased without changes in existing substantive law. At the Federal budget level, the largest part of such spending is the result of open-ended programs and fixed costs, such as social security and veterans' benefits. For defense, controllability is limited by the payments due under obligations incurred during prior years.

18. Current Services Estimates: Estimated budget authority and outlays for the upcoming fiscal year based on continuation of existing levels of service, i.e., assuming that all programs and activities will be carried on at the same level as in the fiscal year in progress and without policy changes in such programs and activities. These estimates of budget authority and outlays, accompanied by the underlying economic and programmatic assumptions upon which they are based (such as the rate of inflation, the rate of real economic growth, pay increases, etc.), are required to be transmitted by the President to the Congress.

19. Deferral of Budget Authority: Any action or inaction by any officer or employee of the United States that withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources, including the establishment of reserves under the Antideficiency Act, as amended by the Impoundment and Control Act. Section 1013 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting a proposed deferral of budget authority. Deferrals may not extend beyond the end of the fiscal year in which the message reporting the deferral is transmitted and may be overturned by the passage of an impoundment resolution by either House of Congress.

20. Disbursements: In budgetary usage, gross disbursements represent the amount of checks issued, cash, or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided.

21. Expenditures/Disbursements: A term generally used interchangeably with outlays.

22. Expired Appropriation: An appropriation whose period of availability for incurring new obligations has expired but the appropriation is not closed (canceled). During this period, the appropriation is

available for adjustment to, or payment of, existing obligations. Appropriations remain in an expired status for five years as shown in the table below. At the end of the five-year expiration period, the appropriation is closed (canceled) and is no longer available for the payment of unliquidated obligations. (See Closed (Canceled) Accounts.)

Life Cycle of Appropriations:

<u>Approp</u>	<u>Years For</u>		
	<u>New</u> <u>Obliga-</u> <u>tions</u> <u>Unexpired</u>	<u>Obligation</u> <u>Adjust. &</u> <u>Disburse.</u> <u>Expired</u>	<u>Closed</u> <u>End of</u> <u>Year</u> <u>Canceled</u>
MilPers	1	2-6	6
O&M.	1	2-6	6
RPM,D	2	3-7	7
RDT&E	2	3-7	7
Proc.	3	4-8	8
SCN	5	6-10	10
Mil. Con.	5	6-10	10

23. **Federal Debt:** Federal debt consists of public debt and agency debt. Public debt is that portion of the Federal debt incurred when the Treasury Department or Federal Financing Bank (FFB) borrows funds directly from the public or another fund or account. Agency debt is that portion of the Federal debt incurred when a Federal agency authorized by law, other than Treasury or the Federal Financing Bank, borrows funds directly from the public or another fund or account.

24. **Fiscal Year:** Any yearly accounting period without regard to its relationship to a calendar year. The fiscal year for the Federal Government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends. Fiscal years are further designated as follows:

Past Year-1: Also referred to as Prior Year-1, the fiscal year immediately preceding the past year.

Past Year (PY): Also referred to as Prior Year, the fiscal year immediately preceding the current year; the last completed fiscal year.

Current Year (CY): The fiscal year in progress. Immediately precedes the budget year.

Budget Year (BY): The next fiscal year for which estimates are submitted if not a biennial budget.

Budget Year 1 (BY1): In a biennial budget submission (Department of Defense), the first fiscal year of a two-year period for which the budget is being considered.

Budget Year 2 (BY2): In a biennial budget submission (Department of Defense), the second fiscal year of a two-year period for which the budget is being considered

Budget Year(s)+1 (BY(s)+1): The fiscal year immediately following the budget year(s). This format continues through Budget Year +5 (BY+5), the fifth fiscal year following the budget year(s).

25. **Full Funding Policy:** The practice of funding the total cost of major procurement and construction projects in the fiscal year in which they will be initiated. See Section 010202 for further information.

26. **Full-time Equivalent (FTE):** Reflects the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable

to each fiscal year. Annual leave, sick leave and compensatory time off and other approved leave categories are considered to be “hours worked” for purposes of defining full-time equivalent employment.

27. Future Years Defense Program (FYDP): The Future Years Defense Program is the program and financial plan for the Department of Defense as approved by the Secretary of Defense. The FYDP arrays cost data and force structure over a six-year period (force structure for an additional 3 years), portraying this data by major force program for internal DoD review and by appropriation for congressional review.

28. Impoundment: Any action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by the Congress.

29. Impoundment Resolution: A resolution of the House of Representatives or the Senate disapproving a deferral of budget authority set forth in a special message ordinarily transmitted by the President under section 1013 of the Impoundment Control Act of 1974. Passage of an impoundment resolution by either House of Congress has the effect of overturning the deferral and requires that such budget authority be made available for obligation.

30. Incremental Funding: The phasing of total funding of programs or projects over two or more fiscal years based upon levels and timing of obligational requirements for the funds. Differs from full funding concept where total funds for an end item, program or project are provided in the fiscal year of program or project initiation, regardless of the obligational requirement for the funds.

31. Multiyear Procurement: Procurement of a particular end item or system under a multiyear contract approved by specific provision of law. For the Department of Defense, multiyear procurement contracting of military hardware or systems must be specifically, and individually, approved by the Congress.

32. Object Classification: A uniform classification identifying the transactions of the Federal Government by the nature of the goods or services purchased without regard to the agency involved or the purpose of the programs for which they are used.

33. Obligations: Amounts of orders placed, contracts awarded, services received, or similar transactions made by Federal agencies during a given period, which will require outlays during the same or some future period.

34. Outlays: The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements. Outlays are net of amounts that are adjustments to obligational authority. The terms “expenditure” and “net disbursement” are frequently used interchangeably with the term “outlay”. Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

35. President’s Budget: The budget for a particular fiscal year transmitted to the Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended. Some elements of the budget, such as the estimates for the legislative branch and the judiciary, are required to be included without review by the Office of Management and Budget or approval by the President.

36. Program Budget Decision (PBD): A budget decision document issued during the joint review of Service budget submissions by analysts of the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB). PBDs reflect the decisions of the Secretary of Defense as to appropriate program and funding to be included in the annual defense budget request which, in turn, is included in the President’s Budget.

37. Program Decision Memorandum (PDM): A document containing the decisions by the Secretary of Defense on the program and resource levels identified in the Program Objectives Memorandum.

38. Program Objectives Memorandum (POM): The final product of the programming process within the Department of Defense, the Program Objectives Memorandum (POM) displays the resource allocation decisions of the Military Departments in response to and in accordance with Defense Guidance.

39. Program Year: The fiscal year in which authorization was provided and in which funds were appropriated for a particular program, regardless of the fiscal year in which funds for that program might be obligated.

40. Reapportionment: A revision by the Office of Management and Budget of a previous apportionment of budgetary resources for an appropriation or fund account. A revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

41. Reappropriation: Congressional action to restore the obligational availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire in an annual or multi-year account. Obligational authority in a current account may also be extended by a subsequent appropriation act.

42. Reconciliation Process: A process used by the Congress to reconcile amounts determined by tax, spending, and debt legislation for a given fiscal year with the ceilings enacted in the second and required concurrent resolution on the budget for that year. Section 310 of the Congressional Budget and Impoundment Control Act of 1974 provides that the second required concurrent resolution on the budget, which sets binding totals for the budget, may direct committees to determine and recommend changes to laws, bills, and resolutions, as required to conform with the binding totals for budget authority, revenues, and the public debt.

43. Recovery of Prior Year Obligations: Amounts made available in no year and unexpired multi-year accounts through downward adjustment of prior year obligations.

44. Reimbursements: Sums received by the Government for commodities sold or services furnished either to the public or to another Government account that are authorized by law to be credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts.

45. Reprogramming: Utilization of funds in an appropriation account for purposes other than those contemplated at the time of appropriation. Reprogramming is generally accomplished pursuant to consultation with and approval by appropriate congressional committees. Instructions will be contained in Volume 3 of this regulation.

46. Rescission: The consequence of enacted legislation which cancels budgetary resources previously provided by the Congress prior to the time when the authority would otherwise lapse. Section 1012 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting any proposed rescission of budgetary resources. These proposals may be accepted in whole or in part through the passage of a rescission bill by both Houses of the Congress.

47. Rescission Bill: A bill or joint resolution that provides for cancellation, in whole or in part, of budgetary resources previously granted by the Congress. Under Section 1012 of the Impoundment Control Act of 1974, unless Congress approves a rescission bill within 45 days of continuous session after receipt of the proposal, the budgetary resources must be made available for obligation.

48. Revolving Fund: A fund established to finance a cycle of operations through amounts received by the fund. Within the Department of Defense, such funds include the Defense Working Capital Fund, as well as other working capital funds.

49. Sequestration: The reduction or cancellation of new budget authority; unobligated balances, new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; spending

authority; and obligation limitations. OMB Circular A-11, section 14.2(e) provides additional guidance on sequestration rules of the Budget Enforcement Act of 1990 (BEA).

50. Supplemental Appropriation: An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until enactment of the next regular appropriation act.

51. Total Obligational Authority (TOA) Availability: The sum of (1) all budget authority granted (or requested) from the Congress in a given year, (2) amounts authorized to be credited to a specific fund, and (3) unobligated balances of budget authority from previous years which remain available for obligation. In practice, this term is used primarily in discussing the Department of Defense budget, and most often refers to TOA as “program” which equates to only (1) and (2) above.

52. Transfer Authority: Authority provided by the Congress to transfer budget authority from one appropriation or fund account to another.

010108 Security Classifications

A. General

1. Instructions concerning premature disclosure of budget information prior to presentation to the Congress are contained in OMB Circular A-11.

2. Instructions concerning security classification of the budget estimates submissions to OSD are contained in Section 010305.

3. Instructions concerning security classification of congressional justification material are contained in Section 010401.

B. Classification of Procurement Exhibit P-1 line items, RDT&E Exhibit R-1 line items, and the Construction Programs (C-1):

1. Procurement Exhibit P-1 line items: P-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program’s Security Classification Guide so dictates and when conditions in paragraph C.1. (below) apply.

2. RDT&E Exhibit R-1 line items: R-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program’s Security Classification Guide so dictates and when conditions in paragraph C.1. (below) apply.

3. The Construction Programs (C-1) is designed to be an unclassified document. See Section 010504 for instructions.

C. Security classification instructions for Intelligence Programs/Activities Resource Information are contained in Chapter 16

0102 FUNDING POLICIES**010201 Criteria for Determining Expense and Investment Costs**

A. Appropriation accounts form the structure for the President's budget request and are the basis for congressional action. The appropriations are further organized into budget activities of appropriations with programs, projects or activities of similar purposes. To support management of the Department of Defense's programs, projects or activities, resource requirements should be organized and categorized consistently within the appropriation and budget activity structure. The following sections provide guidance for categorizing resource requirements into the various appropriations.

B. Basic Distinctions Between Expense and Investment Costs. The criteria for cost definitions consider the intrinsic or innate qualities of the item such as durability in the case of an investment cost or consumability in the case of an operating cost and the conditional circumstances under which an item is used or the way it is managed. In all cases where the definitions appear to conflict, the conditional circumstances will prevail. The following guidance is provided to determine whether a cost is either an expense or an investment. All costs are classified as either an expense or an investment.

1. Expenses are the costs incurred to operate and maintain the organization, such as personal services, supplies, and utilities.

2. Investments are the costs that result in the acquisition of, or an addition to, end items. These costs benefit future periods and generally are of a long-term character such as real property and personal property.

C. Policy for Expense and Investment Costs.

1. DoD policy requires cost definition criteria that can be used in determining the content of the programs and activities that comprise the Defense budget. The primary reasons for these distinctions are to allow for more informed resource allocation decisions and to establish criteria for determining which costs are appropriate to the various defense appropriations.

2. The cost definition criteria contained in this policy are only applicable to the determination of the appropriation to be used for budgeting and execution. Cost definitions for accounting purposes are contained in Volume I of this regulation.

3. Costs budgeted in the Operation and Maintenance (O&M) and Military Personnel appropriations are considered expenses. Costs budgeted in the Procurement and Military Construction appropriations are considered investments. Costs budgeted in the Research, Development, Test and Evaluation (RDT&E), Base Realignment and Closure (BRAC), and Family Housing appropriations include both expenses and investments. Definitions for costs within the Defense Working Capital Funds are provided in Chapter 9 and Section 010214.

4. Items procured from the Defense Working Capital Funds will be treated as expenses in all cases except when intended for use in weapon system outfitting, government furnished material (GFM) on new procurement contracts, or for installation as part of a weapon system modification, major reactivation, or major service life extension.

D. Procedures for Determining Expenses Versus Investments. The following criteria will be used to distinguish those types of costs to be classified as expenses from those to be classified as investments for budgeting purposes:

1. Expenses. Expenses are costs of resources consumed in operating and maintaining the Department of Defense. When costs generally considered as expenses are included in the production or construction

of an investment item, they shall be classified as investment costs. Military personnel costs are an exception to this rule. The following guidelines shall be used to determine expense costs:

- Labor of civilian, military, or contractor personnel.
- Rental charges for equipment and facilities.
- Food, clothing, and fuel.
- Supplies and materials designated for supply management of the Defense Working Capital Funds.
- Maintenance, repair, overhaul, rework of equipment.
- Assemblies, spares and repair parts, and other items of equipment that are not designated for centralized item management and asset control and which have a system unit cost less than the currently approved dollar threshold of \$100,000 for expense and investment determinations. This criterion is applied on the basis of the unit cost of a complete system rather than on individual items of equipment or components that, when aggregated, become a system. The concept of a system must be considered in evaluating the procurement of an individual end item. A system is comprised of a number of components that are part of and function within the context of a whole to satisfy a documented requirement. In this case, system unit cost applies to the aggregate cost of all components being acquired as a new system.
- *Cost of incidental material and items that are not known until the end item is being modified are conditional requirements and are considered expenses because the material is needed to sustain or repair the end item.*
- *Engineering efforts to determine what a modification will ultimately be or to determine how to satisfy a deficiency are expenses.*
- Real property maintenance, including facility maintenance and repair and O&M-funded minor construction projects.

2. Investments. Investments are costs to acquire capital assets such as real property and equipment. The following criteria shall be used to determine those costs to be classified as investments:

- All items of equipment, including assemblies, ammunition and explosives, modification kits (*the components of which are known at the outset of the modification*), spares and repair parts not managed by the Defense Working Capital Funds, that are subject to centralized item management and asset control.
- All equipment items that are not subject to centralized item management and asset control and have a system unit cost equal to or greater than the currently approved expense and investment dollar threshold of \$100,000. The validated requirement may not be fragmented or acquired in a piecemeal fashion in order to circumvent the expense and investment criteria policy.
- Construction, including the cost of land and rights therein (other than leasehold). Construction includes real property equipment installed and made an integral part of such facilities, related site preparation, and other land improvements. (See paragraph F below for special guidance concerning real property facilities.)
- The costs of modification kits, assemblies, equipment, and material for modernization programs, ship conversions, major reactivations, major remanufacture programs, major service life extension programs, and the labor associated with incorporating these efforts into or as part of the end item are considered investments. All items included in the modification kit are considered investment even though some of the individual items may otherwise be considered as an expense. *Components that were not part of the modification content at the outset and which are subsequently needed for repair are expenses.* The cost of labor for the installation of modification kits and assemblies is an investment.

- Supply management items of the Defense Working Capital Funds designated for weapon system outfitting, government-furnished material on new procurement contracts, or for installation as part of a weapon system modification or modernization, major reactivation or major service life extension.
- Also considered as investments are support elements such as data, factory training, support equipment and interim contractor support (ICS), which are required to support the procurement of a new weapon system or modification.

3. Conditional Cases. The following are conditional cases that take precedence over the criteria contained in paragraphs 1 and 2 above:

- *A major service life extension program financed in Procurement extends the life of a weapon system beyond its designed service life. Depot maintenance financed in O&M is the maintenance that ensures the weapon system reaches its designed service life.*
- Initial outfitting of an end item of investment equipment, such as a ship or aircraft, with the furnishings, fixtures, and equipment necessary to make it complete and ready to operate is a part of the initial investment cost. Material procured through the Defense Working Capital Funds for initial outfitting will be financed by procurement appropriations when drawn from the supply system. This concept includes changes to the allowance lists of ships, vehicles, and other equipment. Changes to allowance lists will be budgeted as investment costs.
- Initial outfitting of a facility construction project financed by a Military Construction appropriation is financed as either expense or investment based on the general criteria. Collateral equipment and furnishings are not considered construction costs since these items are movable and are not installed as an integral part of the facility.
- When family housing is initially outfitted with kitchen equipment to include refrigerator, shades, carpeting, etc., these items are considered part of the construction costs.
- Construction program costs, associated with construction management in general, as distinguished from supervision of specific construction projects, are expenses. Costs incident to the acquisition (i.e., design, direct engineering, technical specifications) and construction of a specific project are investments. The cost of administering the real property maintenance program is an expense at all levels.
- Costs of minor construction projects, not financed by Military Construction appropriations, meeting the current criterion for funding from appropriations available for operation and maintenance are considered expenses. However, this definition does not abrogate the prohibition against the planned acquisition of, or improvements to, a real property facility through a series of minor construction projects (i.e., incremental construction).
- The cost of civilian personnel compensation and other direct expenses (i.e., travel, office equipment leasing, maintenance, printing and reproduction) incurred in support of procurement and/or production programs by departmental headquarters staff, contracting offices, contract audit offices, system project offices, and acquisition managers are expenses. Procurement and/or production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly, whether performed under contract or by in-house personnel funded on a reimbursable basis are investments.
- When investment equipment is to be installed in a real property facility, the costs of both the equipment and its installation are considered investments.

E. Special Guidance Concerning General Purpose Communications and Information Systems Procurement. The following is guidance to apply the expense and investment criteria to general purpose communications and information systems.

1. New Equipment and System Procurement. The aggregate cost of new equipment and systems, including peripherals and system unique software, procured to address a requirement validated in an approved requirement document will be used to determine whether it should be treated as an expense or investment cost. The

determination of expense or investment cost will be applied on the basis of each system in the requirements document, if the document includes more than one system.

2. Additional or Replacement Equipment and System Procurement. When new requirements necessitate adding, replacing or modifying equipment or software that is a component of, or supports the functioning of an existing system, only the additional equipment and software procurement costs will be used to determine whether it should be treated as an expense or investment cost. Upgrades to an existing system involving multiple equipment component and software changes that are combined to address validated system deficiencies or to improve system performance will be treated as new equipment or system procurement in determining the applicability of the expense and investment criteria.

3. Software. *If only software is being procured and its intended use is to replace operational software, the cost is an expense funded in O&M. If the software requires developmental testing or initial operational test and evaluation (IOT&E) by an independent test agency, the expense is funded in RDT&E. If software is required for RDT&E test purposes, the cost is funded in RDT&E. Further guidance on funding information systems is found in Section 010212, paragraph C.10., Information Systems Costs.*

4. Requirements Determinations. The validated requirement for, or upgrade to, a communications or information system may not be fragmented or acquired in a piecemeal fashion in order to circumvent the expense and investment criteria policy.

F. Special Guidance Concerning Real Property Facilities

1. Construction includes real property equipment (often called installed equipment) which is affixed and built into a facility as an integral part of a facility. The cost of this equipment and its installation is part of the construction cost.

2. Items of equipment that are movable in nature and not affixed as an integral part of a facility are not normally considered construction costs, except for initial outfitting of family housing, as detailed in paragraph D3 above. This equipment includes all types of production, processing, technical, information systems, communications, training, servicing and RDT&E equipment. The cost of this equipment is an expense or an investment according to the policy criteria above. In addition, modifications to an existing facility required to support the installation of movable equipment, such as the installation of false floors or platforms, prefabricated clean rooms, or utilities, will be considered an integral part of the equipment costs. As such, the costs are either expense or investment, as long as the modifications do not include structural changes to the building. If the modifications include structural changes, they will be considered investment costs and budgeted as construction.

G. Expense/Investment Cost Determination

Expense/Investment Cost Determination						
Is the item a	If	Then	If	Then	If	Then
Centrally Managed/Asset Controlled Item?	Yes	Is the item purchased from DWCF?	Yes	Is the item part of a full funding effort? *	Yes	Classify as Investment
			No	Classify as Investment	No	Classify as Expense
	No	Is the unit cost more than \$100,000?	Yes	Classify as Investment		
			No	Classify as Expense		
* When intended for use in weapon system outfitting, government furnished material on new procurement contracts or for installation as part of a weapon as part of a weapon system modification, major reactivation or major service life extension.						

010202 Full Funding of Procurement Programs

A. Policy for Full Funding. It is the policy of the Department of Defense to fully fund procurements that are covered within the procurement title of the annual DoD Appropriations Act. There are 2 basic policies concerning full funding.

1. The first is to provide funds at the outset for the total estimated cost of a given program so that the Congress and the public can be fully aware of the dimensions and cost when the program is first presented in the budget.

2. The second is to provide funding each fiscal year to procure a complete, usable end item. In other words, an end item budgeted in a fiscal year cannot depend upon a future year's funding to complete the procurement. However, efficient production of major defense systems has necessitated two general exceptions to this policy - advance procurement for long leadtime items and advance economic order quantity (EOQ) procurement. EOQ is normally associated with multiyear procurements but can be requested for annualized procurements on an exception basis for unusual circumstances (such as combined parts buys for a block of satellites). Both efforts must be identified in an Exhibit P-10, Advance Procurement, when the Budget Estimate Submission is submitted to OSD and when the President's budget request is submitted to the Congress.

B. Procedures for Full Funding

1. Cost Estimates. Full funding applies to an initial estimate and can exist only at a point in time because estimates change. However, the Future Years Defense Program (FYDP) shall be a consistently reliable foundation for stating the total cost of acquiring defense systems. Thus, the FYDP shall reflect a DoD Component's best estimate at completion of the program. The estimate should reflect the most likely cost of a procurement. Program estimates shall be kept current and fully financed through the Planning, Programming, and Budgeting System (PPBS) process and established reprogramming procedures.

2. Time-Phased Procurement. Within defense system acquisition programs, nonrecurring costs and costs of certain production items related to, but not integral to, the end item of equipment are considered part of the overall acquisition cost. DoD Components shall plan and budget in a manner to ensure completion of the nonrecurring effort or delivery of such production items consistent with the planned delivery of the associated end items. That is, the programming and budgeting shall be on a time-phased "leadtime away" or "need to commit" basis. The Funded Delivery Period is part of the process to determine the quantities required to be budgeted in a particular fiscal year. DoD Components may not budget funds for obligation for items such as support, trainers, or data before the design or specifications of such items are essentially complete. These items shall be budgeted on an "ability to contract" basis as well as on a "leadtime away" basis.

3. Advance Procurement (Long Leadtime Items). Advance procurement requests for long leadtime items shall be limited to the end items in major procurement appropriations. Long leadtime procurements shall be for components, parts, and material whose leadtimes are greater than the life of the appropriation (3-5 years). In some circumstances, Advance Procurement is also warranted when items have significantly longer leadtimes than other components, parts, and material of the same end item or when efforts must be funded in an advance procurement timeframe in order to maintain a planned production schedule. For new development programs, the planned production schedule should be based on a full funding basis *without the use of long lead material. Planning the program content this way provides additional flexibility should development delays arise. When advance procurement is part of the program, however,* the cost of components, material, parts, and effort budgeted for advance procurement shall be relatively low compared to the remaining portion of the cost of the end item. Each budget request for advance procurement shall represent, at a minimum, the termination liability associated with the total cost of the long leadtime components, material, parts, and effort for which the advance procurement request is being made. The termination liability should not cover the cost of the end item budgeted in the following fiscal year(s). The full cost of components, material, parts, and effort included in the advance procurement request should be budgeted in the FYDP consistent with full funding procedures. The budget requests will properly debit and credit advance procurement budget requests as defined in Exhibits P-1, P-5, P-10 and P-40 instructions.

4. Economic Order Quantity (EOQ) Procurement. *EOQ is normally associated with multiyear procurements but can be requested for annualized procurements on an exception basis for unusual circumstances (such as combined parts buys for a block of satellites).* It is the general policy of the Department of Defense not to create unfunded contract liabilities for EOQ procurements. Rather, funding for EOQ procurements shall be included in advance procurement budget requests unless an exception to the general policy is granted by the USD(Comptroller). The EOQ procurement may satisfy procurement requirements for no more than five program years. Unless it would be more effective to fully fund the EOQ, or the USD(Comptroller) has granted an exception to the general policy to allow inclusion of EOQ costs in a cancellation clause, the advance procurement funding for an EOQ procurement shall cover, at a minimum, the estimated termination liability of the EOQ procurement.

5. Relationship of Budgeting and Contracting. An end item is fully funded only when funds are budgeted, programmed and available to cover the total estimated cost of the item at the time the procurement action is begun. Contracting, on the other hand, is a part of the execution phase or acquisition process within the framework of a program. The number of contracts required to procure a defense system, the type of contract awarded, and the timing of the award have no bearing upon whether or not an item is fully funded. In executing a program, no procurement of material or equipment, or work or services therefor, shall be directed or implemented unless the full program amount is available, except for authorized economical order quantity (EOQ) and advance procurement. For multiyear contracts, the test of full funding does not include the cancellation ceiling associated with items in the FYDP to be procured in fiscal years not yet funded (that is, beyond the budget year). Multiyear contracts may not be awarded unless the contract and the multiyear program are fully funded within the approved FYDP funding.

010203 Multiyear Procurement.

A. Multiyear procurement (MYP) is a generic term describing the process, planning, and contract under which the government may contract for the purchase of supplies or services for more than one, but not more than five, program years. Such a contract may provide that performance during the second and subsequent years of the contract is contingent upon the appropriation of funds, and may provide for a cancellation payment to be made to the contractor if such appropriations are not made. Multiyear procurements are budgeted and funded annually.

B. Statutory Requirements. Section 2306b of title 10 of the United States Code, section 806 of Public Law 105-85, the FY 1998 DoD Authorization Act, and section 8008 of Public Law 105-56, the FY 1998 DoD Appropriations Act, require that approval, initiation, and execution of a multiyear contract follow certain guidelines.

1. MYP approval is predicated on:

- Substantial Savings. The use of a multiyear contract will result in substantial savings of the total anticipated costs of carrying out the program through annual contracts.
- Stability of Requirement. The minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities.
- Stability of Funding. There is a reasonable expectation that throughout the contemplated contract period, the head of the agency will request funding for the contract at the level required to avoid contract cancellation.
- Stable Design. There is a stable design for the property to be acquired and the technical risks associated with such property are not excessive.
- Realistic Cost Estimates. The estimates of the cost of the contract and the anticipated cost avoidance through the use of a multiyear contract are realistic.
- National Security. Use of a multiyear contract will promote the national security of the United States.

2. In addition to the approval criteria, Congress requires that:

- MYP contracts cannot be initiated for any system or component thereof if the value of the MYP contract would exceed \$500.0 million unless specifically provided for in an Appropriations Act and an Act other than an Appropriations Act.
- Proposed legislation and funding must accompany the MYP request in the President's budget submission; or the MYP request must be formally submitted as a budget amendment; or the Secretary of Defense must request MYP approval in writing to the congressional defense committees.
- Congressional defense committees must be notified at least 30 days in advance of a proposed contract award that: employs economic order quantity procurements in excess of \$20.0 million in any one year of the contract; employs advance procurement leading to a multiyear procurement contract that employs economic order quantity procurement in excess of \$20.0 million in any one year; or includes an unfunded contingent liability in excess of \$20.0 million.
- A multiyear procurement contract cannot be initiated for which the economic order quantity advance procurement is not funded at least to the limits of the government's liability.
- A multiyear procurement contract must provide for production at not less than the minimum economic rate given the existing tooling and facilities.
- *A present value analysis must be used to determine the present value, or real worth, of the multiyear savings. Comparing the multiyear contracting approach to a conventional annual-buy approach derives the savings.*
- *The Secretary of Defense must certify to the Congress that the support costs associated with the multiyear procurement with a value greater than \$500 million are fully funded within the future years defense plan (FYDP). The Secretary of Defense in a March 23, 1998 memorandum delegated this certification to the USD Comptroller. Components must submit the certification letter to the USD Comptroller at least 30 days prior to the anticipated contract award for approval, signature, and transmittal to the congressional defense committees.*
- Multiyear procurement contracts may provide for cancellation provisions to the extent that such provisions are necessary and in the best interests of the United States. The cancellation provisions may include consideration of both recurring and nonrecurring costs of the contractor associated with the production of the items to be delivered under the contract. However, the Agency Head and the USD(C) must approve the inclusion of recurring costs in a cancellation ceiling (see paragraph C below).
- Before any multiyear procurement contract that contains a clause setting forth a cancellation ceiling in excess of \$100.0 million may be awarded, the head of the agency concerned shall give written notification of the proposed contract and of the proposed cancellation ceiling for that contract to the congressional defense committees. The contract may not be awarded until the end of a 30-day waiting period beginning on the date of such notification.
- MYP contracts cannot be terminated without a 10-day prior notification to the congressional defense committees.

C. DoD Requirements.

- *The item should be technically mature, normally having completed RDT&E (including development testing, or equivalent) and Initial Operational, Test and Evaluation (IOT&E), with relatively few changes in item design anticipated. Deliveries of production items will indicate that the underlying technology is stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.*

- *Estimates should be based on prior cost history for the same or similar items or proven cost estimating techniques. Normally, production assets should have been delivered in order to obtain actual costs for the comparisons (exceptions include satellites and ships).*
- *With the exception of funding for economic order quantity (EOQ) procurement and advance procurement for long leadtime items as defined in section 010202, multiyear procurement contracts will comply with full funding.*
- *The inclusion of recurring costs in cancellation ceilings is an exception to normal contract financing arrangements and requires approval by the Agency Head (FAR 17.106-3(e)) and the USD Comptroller.*
- *An exception, to be approved by the USD Comptroller, is needed to structure a contract with an unfunded cancellation ceiling. Justification explaining why an unfunded cancellation ceiling is the chosen acquisition strategy should be provided. This justification should specify what costs comprise the unfunded cancellation ceiling and why these costs are not funded under the full funding policy.*
- *Funds obligated for multiyear contracts must be sufficient to cover any potential termination costs. The costs of cancellation or termination may be paid from (1) appropriations originally available for the performance of the contract concerned; (2) appropriations currently available for procurement of the type of property concerned, and not otherwise obligated; or (3) funds appropriated for those payments.*

010204 Transportation

A. First Destination Transportation (FDT) is that transportation required to deliver production items from the manufacturer's plant or source of procurement to the first point of delivery where the Military Service or Defense Agency takes possession and/or ownership of that item. The procurement source, as used herein, is any supplier outside the DoD supply system or any DoD industrial activity that fabricates new materiel. The procurement source or the first point of delivery may be in the Continental United States (CONUS) or overseas. FDT is not applicable to components or items reworked by an industrial activity. In the case where the Government accepts the production item at the manufacturer's plant or source of production and legally owns the item, FDT extends to the first point of delivery for either use or storage by the Military Service or Defense Agency. For shipments destined to overseas locations that will enter the Defense Transportation System, FDT terminates at the port of embarkation (CONUS or overseas).

B. Second Destination Transportation (SDT) is any transportation other than FDT.

C. Budgeting Responsibilities for Transportation

1. Transportation of Supply Management Materiel of the Defense Working Capital Funds.

Transportation among the 50 states is financed by the supply management business area responsible for the shipment. Transportation of supply management standard items overseas is financed by the appropriation or fund ordering the materiel if within the definition of FDT, otherwise it is financed as SDT. Transportation of DWCF nonstandard items overseas is financed in the same manner as transportation of standard items overseas except for items that are shipped on a free-on-board (FOB) destination basis. In this case, the overseas shipment transportation cost is included in the cost of the nonstandard item and no additional transportation charges should be incurred for the overseas shipment.

2. Transportation of Items Procured by Other Than Procurement and O&M Appropriations, or Defense Working Capital Funds. In general, FDT is financed by the appropriation, which financed acquisition of the item, i.e., RDT&E appropriations for RDT&E materiel and Military Construction appropriations for items that are shipped to support such construction projects. All over-ocean shipment of subsistence items financed by the Military Personnel appropriations is considered as an exception and is financed as SDT.

3. Transportation of Items Procured by Procurement Appropriations. FDT is normally financed by the Procurement appropriation that financed acquisition of the item. SDT is normally financed by the Operation & Maintenance (O&M) appropriations. The following additional guidance applies:

a. Transportation costs integral to production contract price such as FOB destination charges are considered part of the end item contract price and are financed by the procurement appropriation that financed acquisition of the item.

b. All transportation of government furnished equipment (GFE) and government furnished materiel (GFM) prior to installation into an end item is considered FDT and is financed by the procurement appropriation that financed acquisition of the item.

c. The transportation of items that are not owned by DoD - such as nuclear materials and warheads that DOE provides to DoD but DOE retains ownership - is considered FDT and is financed by the procurement appropriation that financed the acquisition of the end item into which the item will be incorporated.

4. Transportation of Items Procured by O&M Appropriations. Transportation is financed by the O&M appropriation according to the FDT and SDT definitions.

010205 Engineering Change Orders

Engineering change orders should be funded commensurate with the level of risk in the program.

010206 Factory Training

Factory training course costs for initial cadre training are considered investment costs and should be budgeted and funded in the investment appropriation and the specific program used to procure the development, acquisition, or modification of the related end item. Temporary Duty (TDY) travel costs of military or civilian personnel attending factory training courses are funded in the Operation and Maintenance appropriations. Factory training courses acquired for end items no longer in production are to be funded in the Operation and Maintenance appropriations.

010207 Interim Contractor Support

Interim contractor support (ICS) is the maintenance and support of a new weapon system provided by a commercial vendor pending transition to organic support. Because ICS is a major component of the initial logistics support of a newly fielded system and integral to program acquisition, ICS funding requirements should be budgeted in the Procurement appropriations. However, ICS is intended to provide support for the brief period between initial item deployment and the permanent organic support. All acquisition strategies should attempt to minimize ICS requirements and duration. ICS will only be funded in Procurement appropriations until the organic support date specified in the acquisition program baseline is achieved. Continued funding of ICS after the baseline support transition date will be approved on an exception basis.

010208 Commercial Off-the-Shelf (COTS) and Non-Developmental Item (NDI) Procurement

A. Items purchased directly from a commercial source that can be utilized without alteration or modification are classified as COTS or NDI. All COTS and NDIs, including the first article and associated first article acceptance testing should be funded in the *Procurement or O&M appropriations, as determined by the Expense and Investment criteria*. If an end item requires design and development in order to accept the COTS or NDI, then the entire effort is not COTS or NDI, and funding for that effort should be budgeted in RDT&E. *If a COTS or NDI is required for RDT&E test purposes, the cost is funded in RDT&E.*

B. Commercially available items that must be modified to satisfy user requirements are classified as "modified COTS" or "modified NDI" articles. In this instance, the first article, modification of the first article, and first article testing should be budgeted in RDT&E. Follow-on purchases should be budgeted in the *Procurement or O&M appropriations, as determined by the Expense and Investment criteria*. The number of first articles procured will not exceed the quantity needed to conduct the acceptance tests.

010209 Spares and Repair Parts

A. This Section provides instructions applicable to funding requests for spares and repair parts procured with direct appropriations in the Procurement Title.

1. Initial Spares and Repair Parts. Initial spares and repair parts will include those repairable components, assemblies, and subassemblies required as initial stockage at all levels including the pipeline to permit fielding of new end items. Whole spare engines will be classified as initial spares through the life of system. Funding will be budgeted based on a first year obligation rate of 92 percent.

2. War Reserve Spares and Repair Parts. War reserve material (WRM) spares and repair parts for initial stockage will be budgeted in replenishment except for whole spare engines in accordance with the above definitions. See Section 010215, Defense Working Capital Funds - War Reserve Materiel, for additional budgeting WRM policies.

B. Spares budgeting can be aggregated by weapon system except for Selected Acquisition Report (SAR) systems.

010210 Direct and Reimbursable Budget Plans.

A. Direct Budget Plan. This plan includes those items of materiel to be purchased for delivery to service inventory and those procurement programs that support the acquisition of materiel for US forces. Financing for the direct budget plan is derived from: new budget authority provided by the Congress, the transfer of resources from other appropriations, and reimbursements. When dealing with reimbursements involving the sale of materiel, three situations can arise:

1. Replacement-in-Kind. In this situation an item of materiel is sold and will require replacement with an item of the identical type, model, and series or modified version of the same basic model (i.e., the sale of C-130E aircraft and purchase of C-130E aircraft). In this situation the reimbursement from the sale will be included in reimbursable financing and the buy-back of the item in the reimbursable program. There will be no reflection of this transaction in the Direct Budget Plan. For an ammunition item, the replacement-in-kind policy permits replacement of a round with any round that provides the same warfighting mission capability, providing the round to be purchased has been previously approved by the Congress for procurement, and the inventory objective presented to the Congress is not exceeded.

2. Replacement. In this situation an item of materiel is sold and will require replacement to compensate DoD inventories for the resultant loss of capability or readiness. Because of one or more circumstances, the replacement item will not be identical to the item sold. It must, however, be a later series or modified version of the same basic model (e.g., sale of a C-130A aircraft and purchase of a C-130E aircraft) or an acceptable substitute item used in the requirements computations (e.g. sale of an M-48 tank and purchase of an M-60 tank). In this situation the reimbursement from the sale will be included under reimbursable financing but the buy-back of the replacement item must be shown under the Direct Budget Plan and must comply with reprogramming requirements.

- Items sold from inventory with a unit cost less than \$5,000 will be treated as a replacement-in-kind if an improved model of the same end item is being procured, it provides the same warfighting capability, and the inventory objective presented to Congress is not exceeded.

- If an item is eligible for replacement or replacement-in-kind and is not replaced, the reimbursement should be treated as a "free asset."

3. Free Assets. In this situation an item of materiel is sold and will not require replacement. All free assets from FMS transactions are required to be deposited into the Miscellaneous Receipts of the US Treasury in accordance with 10 U.S.C. 114(c)(2).

B. Reimbursable Budget Plan. This plan includes those items of materiel to be purchased for delivery to and use by customers. These items will be included on the Exhibit P-45, Reimbursable Budget Plan. Financing for the reimbursable budget plan is derived from:

- Anticipated reimbursement based upon customer orders received for items (not stocked by or purchased for procuring service use) to be purchased for direct delivery to a customer. (Direct citation of customer funds for procurement against this type of order is encouraged where common components and/or common assembly with service production of similar items are not involved.)
- Anticipated reimbursement based upon customer orders received or to be received for items common to the procuring service and customer, for direct delivery to the customer.
- Where the materiel item is to be made available from on-order quantities under an existing contract of a Military Department, the sales transactions will be reflected as reimbursable transactions. The quantities and costs of the replacement procurement will be included in the reimbursable program.
- Where the materiel item is to be made available directly from a contract awarded after the date of the sales agreement and the contract includes a particular quantity of the item to fulfill the sales agreement, the transaction will be reflected as a direct cite transaction.
- In "Replacement-in-Kind" situations, the proceeds from the sale will be included under reimbursable financing and the buy-back program will be included in the Reimbursable Budget Plan.
- In "Replacement" situations, the proceeds from the sale will be included under reimbursable financing but the buy-back program will be included under the Direct Budget Plan (not the Reimbursable Budget Plan).
- Reimbursements from customer orders for secondary items, because of the nature of such commodities and the way they must be managed, will always be treated as a generic category requiring, by definition, "replacement-in-kind." Accordingly, the proceeds from such transactions will be included under reimbursable financing and the buy-back of an equivalent value of such commodities will be included in the Reimbursable Budget Plan.

010211 Not Used

010212 Research, Development, Test and Evaluation (RDT&E) - Definitions and Criteria

A. Definitions. The term "research and development (R&D)" is intended broadly to include the work performed by a government agency or by private individuals or organizations under a contractual or grant arrangement with the government. It includes R&D in all fields, including the physical sciences, engineering, etc.

1. Research is systematic study directed toward fuller scientific knowledge or understanding of the subject studied.
2. Development is systematic use of the knowledge and understanding gained from research, for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

B. General Criteria. When, after consideration of the following criteria, there is doubt as to the proper assignment of costs between appropriations, the issue should be resolved in favor of using RDT&E funding. In general, the types of costs to be financed by RDT&E and related appropriations are:

1. RDT&E Appropriations
 - a. RDT&E will finance research, development, test and evaluation efforts performed by contractors and government installations, including procurement of end items, weapons, equipment, components,

materials and services required for development of equipment, material, or computer application software; its Development Test and Evaluation (DT&E); and its Initial Operational Test and Evaluation (IOT&E) as provided for in paragraph C.5. (Test Articles and Test Support) below.

b. The operation of R&D installations and activities engaged in the conduct of R&D programs, including direct and indirect efforts, expense and investment costs.

c. The acquisition or construction of industrial facilities costing less than \$500,000 at government owned, government operated (GOGO) facilities under the criteria of DoD Directive 4275.5 as provided for under 10 USC 2805 (unspecified minor construction). Use of RDT&E funds for acquisition and construction at contractor owned or contractor operated government facilities is authorized under 10 USC 2353, Contracts; Acquisition, Construction, or Furnishings of Test Facilities and Equipment.

2. Related Appropriations

a. All construction at R&D installations and activities other than that covered above will be funded in the Military Construction appropriations.

b. Equipment and material approved for production and intended for operational use or inventory upon delivery, and product improvement within the current performance envelope on systems in production, will be funded in the Procurement appropriations *as long as no development or initial operational tests by an independent test agency are required*.

c. Family housing construction, operation and maintenance at R&D installations and activities will be funded in the Family Housing appropriations.

d. Expenses of Headquarters R&D management, organizational management analyses, Follow-on Operational and Test and Evaluation (FOT&E) personnel and command support, and product improvement within the current performance envelope for systems out of production will be funded in the Operation and Maintenance (O&M) appropriations.

e. Research projects qualifying for financing as specific undertakings under the procedures and within the criteria established for the Special Foreign Currency Program will be funded in the Special Foreign Currency appropriation.

C. Specific Determinations. Additional details on the determination of proper funding for specific items or efforts are provided in the following paragraphs.

1. Organizational Funding Criteria

a. The RDT&E appropriation will finance expenses and investments for the operation and maintenance of R&D organizations, equipment (including R&D aircraft, ships and ship-type vehicles), installations and activities (including those operated by contract).

b. Expenses for the support of tenant activities will be funded in accordance with the following:

(1) Expenses for the support of tenant activities at R&D installations and activities will be RDT&E funded by the host activity, pending the establishment of reimbursable arrangements. Subsequent to the establishment of reimbursable arrangements, expenses for the support of the tenant will be funded by the tenant or as mutually agreed with the host.

(2) Where reimbursable arrangements exist, expenses for the support of R&D activities or organizations that are tenant activities at installations having a primary function other than research, development, test and evaluation will be funded by RDT&E.

(3) Expenses for the support of R&D activities or organization which are tenant activities at installations having a primary function other than R&D will be funded by the host, pending the establishment of reimbursable arrangements.

c. Expenses of R&D management and administrative organizations at major systems commands, headquarters organizations and administrative organizations at DoD component departmental headquarters levels (except for the Defense Advanced Research Projects Agency and the Ballistic Missile Defense Organization) will be financed in the Operation and Maintenance (O&M) appropriations.

d. Expenses and investments for the operation and maintenance of major range and test facilities, as defined under DoD Directive 3200.11, that conduct development testing as a primary mission as determined by workload, will be financed by the RDT&E appropriation. Major range and test facilities that primarily support follow-on operational testing or training exercises will be financed in the O&M appropriations.

e. Costs of evaluating organizational structure and distribution of function, administrative operating policies, procedures, methods and systems (management studies) and applications of the management sciences to improve effectiveness in carrying out assigned functions are financed in the O&M appropriations.

f. Expenses of operational military forces having a primary mission other than R&D and not specifically assigned to R&D that may, from time to time, be incidentally engaged in or support R&D activities, will be funded in the O&M appropriations.

2. Facilities Construction and Modification. When it is determined that DoD financing of real property projects is required, the projects shall be programmed, budgeted, and financed as follows:

a. Government-Owned, Government-Operated (GOGO) Facility on Government Land. When GOGO property is to be constructed on government-owned land, such construction will normally be financed as a Military Construction project. Construction of facilities for RDT&E costing \$500,000 or less may be funded with RDT&E appropriations. Such expenditures are authorized under 10 U.S.C. 2805 (unspecified minor construction). All minor construction must result in a complete and usable facility. In no event are two or more construction projects or minor and major construction projects to be contrived to be a usable facility. Construction projects at R&D installations and activities whose costs are greater than \$500,000 will be financed by the Military Construction appropriation in accordance with Chapter 6.

b. Government-Owned, Contractor-Operated (GOCO) Facility

(1) When the GOCO facility is on a military installation (post, camp or station) the primary funding is the Military Construction appropriation. However, if the facilities are contractor-operated, and the contractor is solely responsible for the complete and total operation and maintenance of the facility complex, construction may be financed in Procurement or RDT&E in accordance with DoD Directive (DoDD) 4275.5 and 10 USC 2353 criteria. Improvements having general utility or new construction are not authorized under 10 USC 2353.

(2) When GOCO facilities are constructed on government property other than a military installation, the Procurement or RDT&E appropriation will finance the construction in accordance with DoDD 4275.5 criteria.

c. Contractor-Owned, Contractor-Operated Facility. Under 10 USC 2353, a research or development contract may provide for the acquisition, construction, or furnishing of facilities and equipment that are necessary for the performance of the contract to the contractor. Improvements having general utility or new construction are not authorized under 10 USC 2353. Facilities that would not be readily removable or separable without unreasonable expense may not be installed or constructed on property not owned by the government, unless the contract contains:

- (1) A provision to reimburse the government for the fair value of the facilities;
- (2) An option for the government to acquire the underlying land; or
- (3) An alternative provision that protects the interests of the United States in the facilities.

d. All proposed RDT&E real property facilities will be identified to Congress in accordance with Chapter 5, Section 050402.

e. The Family Housing appropriation will provide for Family Housing construction and Family Housing O&M at R&D installations and activities.

3. Equipment. RDT&E appropriations will finance the development, design, purchase, installation, and acceptance testing of equipment or instrumentation required to support RDT&E activities. Costs of specialized equipment and instrumentation required for the support of research, development, test and evaluation contractor effort at government-owned, contractor-operated (GOCO) activities will be financed in RDT&E. DoD Directive 4275.5 applies. Installation costs include directly related foundations, shielding, environmental control, weather protection, structural adjustments, utilities and assets. Installation costs are excluded from RDT&E financing if the effort is accomplished concurrently with a military construction project, and in these instances, the military construction appropriation finances the installation cost. To the extent that the equipment installation occurs at a government activity and the cost exceeds \$500,000, no new facility or physical outer dimension expansion to an existing facility shall result from an RDT&E-funded equipment installation project.

4. Establishment of Pilot Line and Tooling Requirements

a. The costs associated with establishing an initial pilot line, which are necessary to acquire a limited number of representative items for test purposes, including the test items, will be financed by RDT&E. All items and costs associated with maintaining the initial pilot line beyond the quantity sufficient to test for operational acceptability will be financed from other appropriations.

b. When an end item under development has also been approved for procurement, operational use, and included in the force structure, then hard tooling requirements common to both the development and procurement phases will be financed by Procurement appropriations. When an end item under development has not been approved for procurement, operational use, or included in the force structure, then tooling and other preliminary production facilities required to produce realistic development hardware for test and evaluation will be financed by RDT&E, even though such tooling and facilities might later be used for production.

5. Test Articles and Test Support

a. As a general rule, the procurement of test articles and test support, including "Special Support" costs and "Command Support" costs (see Glossary), for all RDT&E tests preceding and leading to acceptance for operational use (i.e., through IOT&E) will be RDT&E funded. *Test articles and components or materials to be assembled into test articles shall be budgeted in accordance with the need for them in the development and test program. Purchases of full or nearly full test articles (e.g., off-the shelf drones) should be budgeted in accordance with the need for full units to test.*

(1) Development and preproduction prototypes (RDT&E financed) will be used for Development Test and Evaluation (DT&E), including scientific, technical and weapons effects tests. DT&E programs must provide complete and reliable data that can be used to estimate the military utility of new items as a basis for considering decisions to continue engineering development. To this end, it is essential to plan, program, budget and fund for an adequate number of R&D articles for development, test and evaluation that will be fabricated, manufactured or produced in a realistic preliminary production manner and thus provide such data.

(2) Development and preproduction prototypes (RDT&E financed) will be used for IOT&E. When so used, they must be sufficiently representative of the expected production items to provide from IOT&E a valid estimate of production items operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

(3) Low Rate Initial Production (LRIP) assets. LRIP, as defined in DoD 5000.2-R, is to provide production configured or representative articles for operational test (*RDT&E funded, see paragraph (2)*); establish an initial production base for the system (*procurement funded*); and permit an orderly increase in production rate for the system (*procurement funded*). *If the asset requires developmental or initial operational testing by an independent test agency, then it should be procured with RDT&E funds. If the asset, originally procured for testing, will subsequently be fielded, then either RDT&E or procurement can be used, depending on what makes the best business sense.* The LRIP quantity will be determined as part of the Engineering and Manufacturing Development (EMD) approval (Milestone II). RDT&E funds will be budgeted to procure the items required for operational test to facilitate the testing of LRIP assets in the EMD phase. LRIP test articles must be specifically identified in the budget documentation. Should LRIP items beyond the test quantity be required, they would need to be included in the Milestone II decision and a determination made at that time with respect to the more appropriate funding source. *Ships and space systems do not have LRIP periods like other systems. Special guidance relating to the transition of ships and space systems from RDT&E to Procurement is provided in paragraph 9 of this section.*

b. Conduct of testing that is not associated with RDT&E, such as the examples noted below, will be financed in the Procurement or O&M appropriations, as appropriate.

(1) Acceptance, quality control and surveillance testing of articles obtained for other than RDT&E purposes.

(2) Routine testing in connection with logistic support.

(3) Testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.

(4) Testing required to prove the capability of facilities to produce items which have been approved for production will be funded by procurement as part of the initial acquisition cost.

c. The acquisition of commercial items for testing and operational evaluation that do not require RDT&E engineering, design or integration effort will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria). O&M appropriations will finance personnel and command support costs for testing and operational evaluation of commercial items by field units for doctrine, operational, or organizational purposes.

d. Articles (including end items, weapons, equipment, major test vehicles such as ballistic missile boosters or upper stages, components and materials) of types regularly procured to meet established general requirements such as operational training, operational use, or inventory which are assigned or allocated on a priority basis for use in support of approved R&D programs and which are not consumed in testing, may be financed by Procurement or O&M appropriations using the expense and investment criteria. In addition, excess items that can be made available on a priority basis from existing inventory will be reassigned for use in R&D test and evaluation programs without reimbursement. However, all items, expected to be consumed in R&D test and evaluation will be financed by RDT&E appropriations.

e. Consumable rounds of ammunition or rounds of similar tactical missiles otherwise procured in quantity for inventory under existing procedures, may be issued on a priority basis for use in R&D testing without reimbursement.

f. The acquisition of test articles will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria), and personnel and command support costs will be financed

by O&M appropriations for all test and evaluation (T&E) subsequent to acceptance for operational use and T&E to demonstrate the operational employment or develop operational tactics (i.e., subsequent to IOT&E).

6. Modification and Refurbishment of Test Articles.

a. Costs associated with modifying or reconfiguring an existing item for R&D test purposes will be funded in RDT&E. When an item that has been diverted from another use is not consumed in R&D testing, any costs necessary to return the item to serviceable condition or to its pre-existent configuration will be financed in RDT&E.

b. If an article initially acquired with RDT&E funds as part of an RDT&E test effort is still available at the completion of the test program, it may be reassigned for operational use or inventory. The cost to modify such an article for operational use would be borne by the Procurement and O&M appropriations, as appropriate.

7. Product Improvement

a. "Product improvement" of major end items and major components of major end items currently in production or in the operational inventory, is subject to the following:

(1) Redesign of an item to increase the current performance envelope, including related development, test and evaluation effort, will be financed in RDT&E.

(2) Engineering services or related manufacturing efforts applied to an item currently in production to extend its useful military life within the current performance envelope should be funded by Procurement appropriations *as long as no developmental testing (DT) or initial operational test and evaluation (IOT&E) by an independent test agency is required. If DT or IOT&E by an independent test agency are required, RDT&E finances the improvement.* The phrase "an item currently in production" implies that the item has end item procurement funding in the year the product improvement effort is to take place.

(3) Engineering services or related manufacturing efforts applied to an out-of-production, but still operational item to extend its useful military life within the current performance envelope should be financed by O&M appropriations *as long as no developmental testing (DT) or initial operational test and evaluation (IOT&E) by an independent test agency is required. If DT or IOT&E are required by an independent test agency, RDT&E finances the improvement.*

b. While existing off-the-shelf equipment may be procured with Procurement funds, items that require engineering design, integration, test, or evaluation effort shall be procured with RDT&E funds in sufficient numbers to support such effort.

c. Costs of fully developed and tested modification kits and associated installation costs should be financed from Procurement appropriations. *If DT or IOT&E by an independent test agency are required, RDT&E finances the RDT&E effort and the kits required for RDT&E testing. Procurement funds would then be used to procure the follow-on kits.*

d. Aircraft engine component improvement costs are budgeted in the RDT&E appropriations to provide for continuing improvements in the aircraft engines in the areas of reliability, maintainability, durability, correction of Service-revealed deficiencies, safety of flight, time-between-overhaul, etc. "Component Improvement" is established at the point in time when:

(1) There has been a Government acceptance of the first procurement funded engine,
and

(2) The engine has successfully completed stringent qualification or verification testing to demonstrate initial production suitability subject to:

- (a) Compliance with contractual specifications, performance guarantees and military specifications, as applicable to individual Service requirements;
- (b) Completion of endurance testing representative of the anticipated Service use to include completion of specified post test inspections, certification, and penalty runs;
- (c) Demonstration of prescribed performance capability; and
- (d) Accomplishment of prescribed durability, reliability, and environmental testing.

8. Ships and Ship-type Vehicles

- a. An experimental test bed type of ship or an experimental ship will be financed by RDT&E appropriations. This will include all such experimental ships required to support an approved R&D program or for the purpose of experimenting with new or radical ship concepts or to demonstrate the military usefulness of new ship designs, configurations or fabrication techniques, when the ship-type test vehicle itself can be predicted to be consumed or expended in testing, or to have little or no operational usefulness in the force structure. Prototype ships, when designated by the Secretary of Defense, are included.
- b. A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using procurement funds. A ship of demonstrated conventional concept and design temporarily or permanently assigned from inventory to support R&D effort will be furnished without reimbursement, but the cost of providing all R&D types of equipment or instrumentation, the cost of "nonstandard" modifications of the ship required to make the ship suitable for R&D support, as well as the cost of any related restoration to conventional or operational ship conditions upon release from assignment to R&D, will be financed by RDT&E appropriations.
- c. Preliminary or contract design for new ship construction will be financed by RDT&E appropriations, including contractor and "field activity" effort costs. Detail design for ships appropriate for procurement funding will be funded by procurement accounts.
- d. Land-based or sea-based combat system test installations will be financed by RDT&E appropriations.

9. Space Systems. *Like shipbuilding programs, most space programs do not include dedicated test articles once they have entered the engineering and manufacturing development phase. The following guidance describes the circumstances in which RDT&E funds may be used for the acquisition of operational space systems.*

a. Expendable launch vehicles. *The first rocket of a new design is normally used to launch an operational satellite into orbit. This rocket may be financed with either RDT&E or Procurement appropriations. The second and subsequent expendable launch vehicles shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all expendable launch vehicles budgeted in Procurement appropriations.*

b. Satellites. *The first satellite of a new design is normally placed into operational use. For programs in which satellites are launched individually, the first two satellites may be financed with either RDT&E or Procurement appropriations. The third and subsequent satellites shall in all cases be financed with Procurement appropriations. For programs in which multiple satellites are launched with a single rocket, the satellites comprising the first launch may be financed with either RDT&E or Procurement appropriations depending upon which budgetary approach is most consistent with the contract structure. Satellites for the second and subsequent launches shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all satellites budgeted in Procurement appropriations. It is expected that satellite programs will make frequent use of advance procurement, combined parts buys, and multiyear contracts to efficiently use funds within the context of the*

full funding policy. To achieve these efficiencies, advance procurement funding may be budgeted two years (and, in rare instances, three years) prior to the year of full funding. The total advance procurement funding for a satellite should not exceed 20 percent of the unit cost of the satellite.

c. Ground Control and Ground Processing Systems. *The design and implementation of ground control and ground processing systems is an integral part of the development of new satellite systems. The entire cost of the primary ground system (including off-the-shelf workstations, power supplies, etc., but not including military construction) shall normally be financed with RDT&E appropriations. The cost of backup ground systems shall be financed with Procurement appropriations, and the full funding policy shall apply.*

d. User Terminals. *User terminals for space systems shall transition from RDT&E to Procurement in the same manner as non-space-related communications and electronics equipment.*

10. Information Systems Costs (Also see section 010201, paragraph E.3.)

a. RDT&E Funded Facilities: Funds required for the operation and maintenance of Information Systems units at RDT&E funded facilities and for the acquisition of information systems resources, including development, lease or purchase of information systems by such Information Systems units should be financed in RDT&E.

b. Other Facilities/Activities: For all other facilities/activities, the following rules apply:

(1) Information Systems Development. Information systems are categorized as either general purpose or special purpose.

(a) General Purpose Information Systems. Normally, general purpose Information Systems are commercially available off-the-shelf, easily adaptable to a variety of applications by configuring existing executive software and programming languages. For purposes of definition, embedded computers in Maintenance, Supply Handling, and Logistics Equipment are considered "general purpose." Except as provided in paragraph C.7.d. (Aircraft Engine Component Improvement) above, acquisition of this type of Information Systems is not considered developmental and normally will be financed to include the initial set of executive software that meets system operational specifications by Procurement or Operation and Maintenance (O&M) appropriations subject to the expense and investment criteria. Subsequent modifications to executive software and development of applications programs should be financed in O&M appropriations except as indicated in paragraph C.10.a. (RDT&E Funded Facilities) above.

(b) Special Purpose Information Systems. Special purpose information systems are designed to meet a specific military operational requirement or to perform a predetermined set or series of computational functions only, may be required to meet specific physical or environmental conditions, and are physically or functionally integral to a higher order system. Development, test, and evaluation of Special Purpose Information Systems will be financed in RDT&E. Purchase for operational use should be funded in the Procurement or O&M appropriations, subject to the Expense and Investment criteria.

(2) Acquisition of Software. Software is categorized as either "executive software" or "applications software."

(a) Executive Software. Where there is a standard, existing executive software package available with the purchase of general purpose information systems and this package will be used without modification in the intended application, its acquisition with procurement, RDT&E, or O&M funds (subject to the expense and investment criteria) is appropriate. If modifications to the executive software are required, the modification effort should be financed in O&M. If the hardware should be funded in RDT&E based on paragraphs C.7.d. (Aircraft Engine Component Improvement) or C.10.a. (RDT&E Funded Facilities) above, then the executive software package and/or any modification of it should also be RDT&E funded. The preparation or modification of executive software for special purpose information systems should be RDT&E funded.

(b) Applications Software. O&M will normally finance preparation of applications software for general purpose information systems. Where general purpose information systems are financed in RDT&E appropriations in accordance with paragraph C.7.d. (Aircraft Engine Component Improvement) above, such applications software development will be RDT&E financed. RDT&E will finance preparation of applications software for special purpose information systems.

(3) Product Improvement of special purpose information systems and its associated software should be funded in accordance with paragraph C.7.a. (Product Improvement).

(4) Proprietary software carries a copyright from the vendor that prohibits duplication or modification. Essentially, the purchaser is buying a license from the vendor to use the software on a particular system. Proprietary software is an investment, subject to the expense-investment criteria, unless it is financed on an "annual fee" basis. In that case, it is an expense item properly financed in RDT&E or O&M.

11. Training Devices. A training device is composed of components and software that have been designed or modified to demonstrate or illustrate a concept or simulate an operational circumstance or environment. The initial or prototype training device and all its support costs through service acceptance will be funded in RDT&E. RDT&E will not fund beyond the initial system unless more than one full system is required to demonstrate the training device performance. The initial or prototype training device that employs new or off-the-shelf computers and system components, but has training system unique software and interface components, will be developed and procured with RDT&E funds. Typically, these training devices have small quantity requirements and the initial or prototype device is used for operational training. Modifications or updates to existing training devices will normally be funded in the applicable Procurement or O&M appropriation, subject to the expense and investment criteria. Any necessary development effort for these modifications or updates will be funded in RDT&E.

12. Joint Test and Evaluation

a. Joint Test and Evaluation (JT&E) refers to T&E conducted jointly by two or more DoD components as directed by the Director for Test, Systems, Engineering, and Evaluation (DTSE&E) or the Director of Operational Test and Evaluation (DOTE). JT&E will be conducted to test and evaluate capabilities of developmental and deployed systems in a joint environment, to evaluate joint operations concepts, and to determine requirements and interoperability of systems and forces. Testing will be accomplished in realistic operational conditions when feasible and essential to the evaluation. Testing will be in accordance with established joint doctrine and will be consistent with the assigned missions of the participating Components. Tests involving alternative concepts, organization, tactics, or procedures will be coordinated with the Components and The Joint Staff. As such, JT&E should not be construed to encompass the DT&E - IOT&E - OT&E - FOT&E process for hardware oriented weapon system acquisition. Further, DTSE&E/DOTE-directed JT&E does not include that joint testing initiated by and mutually agreed to by two or more Components for their own purposes.

b. Funding for DTSE&E-directed JT&E is financed in the Developmental Test and Evaluation (DT&E), Defense appropriation (program element 0605804D). DOTE-directed JOT&E is financed in the Operational Test & Evaluation (OT&E) Defense appropriation. The costs incurred are for the direction, supervision, and performance of JT&E and will be for those areas that are unique to the needs of the JT&E. In the accomplishment of Joint Tests, the Components will be reimbursed from these funds for those unique costs as defined in the Glossary of Terms. When directed as Executive Agent for a particular JT&E, the Component will be responsible to the Secretary of Defense for ensuring that all resources necessary for the successful accomplishment of the JT&E are available to the Joint Test Director (JTD). This includes administrative management support and facilities for the JTD. The Components' support costs (O&M, Procurement, and RDT&E) are to be programmed and budgeted in accordance with established budgetary procedures.

13. Manufacturing Technology. The Department of Defense Manufacturing Technology program, which demonstrates factory application of new or improved technology in producing defense items, will be financed in the RDT&E appropriations.

14. Development Efforts Related to Future Leased Services. When the provider of a leased service that will ultimately be financed in O&M requires initial funding in order to design or develop major changes or improvements to meet the government's requirement for that service, then the costs of such development efforts will be financed in RDT&E.

15. Subsystem Integration into Weapon Systems. Research and development necessary for the integration of subsystems into weapon systems should be financed from the weapon system program. For example, the R&D cost of integrating an electronic warfare black box into an aircraft should be borne by the aircraft R&D program.

16. Engineering change orders should be funded commensurate with the level of risk in the program.

010213 RDT&E - Incremental Programming and Budgeting Basis

A. Purpose This Chapter specifies the principles to be followed, and establishes the criteria and definitions to be used, in the preparation of the annual Research, Development, Test and Evaluation (RDT&E) budget estimates on an incrementally funded basis. The incremental budgeting policy provides that only those funds required for work in a given fiscal year shall be included in the RDT&E budget request for that fiscal year for most classes of effort.

B. Policy The annual budget estimates for Research, Development, Test and Evaluation (RDT&E) projects and programs, including Developmental and Operational Test and Evaluation programs, are to be prepared on an incrementally programmed basis (as opposed to the fully funded program basis used in preparing procurement budget estimates).

C. Guidance

1. The budget request for DoD projects and programs will be developed and presented in accordance with the following principles:

a. Annual estimates of initial financing needed for new major weapon systems and other development programs and projects requiring several years to complete, and which involve contracts spanning more than one year, should be formulated to cover costs expected to be incurred during each fiscal year. Generally this will represent a 9-month or lesser period for the initial, first year increment of a new start program due to the nature and timing of the congressional budget approval. The second and succeeding increments will be programmed and financed for the entire fiscal year. However, the Service or Defense Agency Comptroller must approve extensions of up to 3 months beyond the end of the fiscal year for which funds are requested. In this regard, DoD components should make every effort to align subsequent years' funding requirements on an annual basis coincident with the fiscal year, although it is recognized that there may be circumstances where this will not be feasible. The estimate of the financing required in the budget year to continue development projects must always take into account any changes (such as slippages) that have occurred. *RDT&E funding requirements should be based on forecasted obligations that consider costs and timelines for each milestone and other programmatic event.*

b. There are requirements in which there is no logical way to divide the work; it is clearly unfeasible to limit the contract to a shorter period; or the planned technical effort is such that no responsible contractor can be found who will accept a contract for a less-than-completion increment. For these type efforts that take longer than 12 months but less than 18 months, the Service or Defense Agency Comptroller may approve financing the total requirement in one fiscal year.

c. While it is intended that the foregoing guidelines will be applicable to program execution as well as program formulation, there may be circumstances that could delay the start of an annual increment (such as legal, administrative, or technical problems). The 2-year availability of funds authorized for the Research, Development, Test and Evaluation appropriation provides the necessary flexibility for program execution in those circumstances.

d. *Engineering change orders should be funded commensurate with the level of risk in the program.*

010214 Defense Working Capital Funds - Operating Budget

The operating budget represents the annual operating costs of an Activity or Component, including depreciation and amortization expenses. Detailed requirements and guidance can be found in Chapter 9.

010215 Defense Working Capital Funds - Mobilization/Surge Costs

A. Separate funding is provided for those costs related to mobilization and wartime surge capacity that would not otherwise be incurred to meet peacetime requirements. The prices of services and products provided to peacetime customers exclude these costs, to more appropriately reflect consistent pricing between competing activities. Similarly, better visibility is provided to decision makers at every level of surge or readiness requirements. These "mobilization" costs, although funded and justified as non-Fund direct appropriation to Component budgets, are elements of business area costs and must be fully justified on the SM-3 and Fund-8 schedule. Detailed requirements and guidance can be found in Volume 2B, Chapter 9, paragraph 090103F(2).

B. Unutilized capacity that is associated with the ability to satisfy a projected surge capability is considered a mobilization requirement that is to be funded by appropriated funds provided by the DoD Component having management responsibility for the Fund activity. Costs applicable to unutilized plant and equipment, such as depreciation, or maintenance, are not to be charged to the customers of the Fund activity.

C. The justification for costs related to mobilization and wartime surge capacity must identify the scenario assumptions or other basis for the requirement under which these costs were calculated. Additionally, a description of how these costs will be collected and accounted for in execution must be provided.

D. Volume 2B, Chapter 9 provides additional guidance and instructions associated with mobilization/surge requirements.

010216 Defense Working Capital Funds - War Reserve Materiel

War reserves are procured and maintained to meet wartime requirements as determined by the Defense Guidance. These costs will be funded with direct appropriations in the Components' budgets, not through customer rates. However, since the war reserve materiel will be under the management of supply management businesses, war reserve requirements will also be described and justified on the SM-3 and Fund-8b. Detailed requirements and guidance can be found in Volume 2B, Chapter 9.

010217 Defense Working Capital Funds - Military Personnel Costs

A. Military personnel costs have been included in revolving funds since FY 1991. This change was made to ensure that the total costs of the business were being captured. The cost of military personnel assigned to DWCF activities will be included in the total cost of operations of DWCF activities at civilian equivalent rates and reflected in the stabilized rates charged to customers. This policy is based on the concept of total costing, which is designed to ensure that the total cost of producing products and services is being identified to both DWCF activities and customers.

B. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel will be the same as the amount budgeted. *The budget amount will equal the average strength multiplied by the civilian equivalency rate for each grade. The average strength for the budget year(s) will be calculated using the average fill rate for the three prior years. The fill rate is calculated by dividing actual average strength by the authorized strength for each grade.* No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities.

C. See Volume 2B, paragraph 090103G, for budget formulation, execution, and reimbursement procedures.

010218 Defense Working Capital Funds - Full Recovery of Costs/Setting Prices

A. General Guidelines

1. All business areas in the Fund are required to set their prices based upon full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process. *Except for Depot Maintenance Activity Groups, prices remain fixed during the year of execution; actual costs are evaluated against revenue generated by workload at established prices; and the financial condition of the business assessed accordingly.* Profits or losses will be determined at the end of the year and will be employed as a basis for evaluating operating efficiency.

2. Prices for every Defense Component business activity are established for each fiscal year. Once established, these prices are held constant (stabilized) through program execution. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher than anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective utilization of Fund resources.

3. Prices for the budget year(s) will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result (AOR) of zero. During budget execution, business areas will have either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either make up actual/projected losses or to give back actual/projected gains in the budget year(s).

4. *An activity group may request that AOR losses be recovered over a two year period. The request must be included in the budget submission, may recover no more than 50% of the loss in the second year, and must demonstrate that the delay in the recovery of losses will not adversely effect the cash balance of the activity group.*

5. In the supply management businesses, the price setting process will be consistent with the rate changes approved during the budget review.

B. Recovery of Unplanned Losses in Depot Maintenance

1. Unbudgeted Depot Maintenance operating losses and operating gains of \$10 million or more per activity group will be recouped or returned as appropriate, in the current fiscal. This rate adjustment will increase financial discipline, encourage depot commanders to implement cost controls more rapidly, provide the right incentives to set rates correctly in the budget, eliminate the routine use of advance billing to cover execution losses, and improve operational efficiency.

2. The established procedures will impose a surcharge on customer bills to recoup losses. The amount of the losses to be recouped will be determined at the first budget execution review meeting of the fiscal year. Additional adjustments will be determined during the mid-year review and Budget Estimates Submission (BES) review, as needed. Customers will be required to absorb or finance all cost increases.

C. Detailed requirements and guidance can be found in Chapter 9.

010219 Defense Working Capital Funds - Capital Budgeting

A. Budgetary resources for capital investments will be separately identified in an approved capital budget. Any investment in equipment, other than information systems and telecommunications equipment, information systems and telecommunications resources, software development, and minor construction investments

having a value of \$100,000 or more, and having a useful life of two years or greater, will be funded through the capital budget and its costs will be depreciated over a predetermined period. The \$100,000 threshold is based on congressional actions and policy. Depreciation of capital equipment will be fully reflected in the operating costs and rates of Fund businesses.

B. Minor Construction

1. Minor Construction projects costing \$100,000 but less than \$500,000 will be funded through the capital budget and depreciated.

2. Effective in FY 1996, 10 U.S.C. 2805(c)(1) was amended to increase the threshold for unspecified military construction projects funded by appropriations available for operations (including DWCF) and intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening from \$300,000 to \$1,000,000.

3. Effective in FY 1996, 10 U.S.C. 2805(c)(1)(B) was amended to increase the threshold for minor construction projects from \$300,000 to \$1,000,00 for activities designated under the DoD Laboratory Demonstration Program. Fund activities may be designated to participate in the DoD Laboratory Revitalization Demonstration Program. The authority for the Laboratory Revitalization Demonstration Program expires on September 30, 1998.

4. Project planning and design costs are considered a capital investment cost that is capitalized by the DWCF activity and financed in the minor construction portion of the capital budget. Planning and design costs are not included as part of the statutory threshold for minor construction projects.

5. See Volume 2B, paragraph 090103, for budget formulation and execution procedures.

C. Depreciation

All capital assets owned by activities in the Fund will be depreciated or amortized by the individual Component business area. Depreciation will be on a straight-line basis and based on the acquisition cost, less residual value when residual value is expected to be 10 percent or more of the acquisition cost, including installation and related costs.

1. The following is the depreciation schedule assets *acquired prior to October 1, 1999*:

- Facilities construction (including minor construction) projects - 20 years
- Equipment Purchases, Other than information systems and Telecommunications Equipment - 10 years
- Information systems and Telecommunications Resources - 5 years
- General Purpose Vehicles - 5 years
- *Externally Developed Software* - 5 years
- *Internally Developed Software – 10 years (For projects implemented beginning in FY 1998).*

2. *For assets acquired on or after October 1, 1999, the following depreciation schedule will apply:*

- *General Purpose Vehicles (includes heavy-duty trucks and buses), ADP Systems and Hardware (Computers and Peripherals), High Tech Medical Equipment, Equipment used in RDT&E, Radio and Television Broadcasting Equipment, Commercial Software – 5 years.*

- *Printing, Publishing, and Duplicating Equipment; Telecommunications Equipment and Towers; Internally Developed Software – 10 years.*
- *All Other Equipment, Machinery, and Automated Warehouse Retrieval Systems – 12 years.*
- *Vessels, Tugs, Barges, and Similar Water Transportation Equipment (non-national Defense PP&E vessels/ships) – 20 years.*
- *Steam (12.5K pounds per hour or more) and Electrical Generation Equipment (500 Kilowatt or more) – 20 years*
- *Improvements made of added to Land (i.e. Fences, Roads, Bridges, Sewers, Ships and Railroad Wharves and Docks, Dry Docks) including improvements made to Stewardship Land – 20 years.*
- *Buildings, Leasehold Improvements to Buildings (includes improvements to Heritage Buildings), Hangars, Warehouses, Fuel Storage Facilities, Air Traffic Control Towers, and Other Real Property Structures – 40 years.*

3. *Use the depreciation schedule applicable to the Plant Property and Equipment Asset when it was placed in service. Depreciation schedules will not be changed on existing assets due to subsequent changes in the standard asset life tables unless directed by higher authority.*

010220 Base Support

Interservice and intragovernmental support, as identified in DODI 4000.19, is reimbursable by the DWCF activity to the extent that the specified support for the DWCF activity increases the host activity's direct costs (i.e., incremental direct cost). Costs associated with common use infrastructure are non-reimbursable, except for support provided solely for the benefit of one or more tenants. Support costs that are charged to a tenant DWCF activity (i.e., reimbursable cost) must be measurable and directly attributable to the DWCF activity. Indirect costs will not be included in reimbursement charges, except those included in stabilized rates charged for DWCF mission products and services. Host activities (suppliers of base support) are permitted to waive reimbursement from tenants who use or benefit from available support without appreciably increasing the host activities' costs (i.e., revenues would be less than the anticipated expense of billing and disbursing funds).

DWCF activities that use any of the common base support functions identified in DoDI 4000.19 (Interservice and Intragovernmental Support) are to reimburse host activities for this support. Reimbursement for DWCF mission products and services (e.g., depot supply, depot maintenance, public works center services, information processing, communications, and software development) shall be based on the approved stabilized rate. Other support incidental to the DWCF activity's primary mission or purpose is to be budgeted and reimbursed based on direct costs measurable and directly attributable to the DWCF activity. Only the incremental change in cost attributable to the DWCF activity (incremental direct cost) shall be chargeable to the DWCF activity. Indirect costs are not to be included as a cost to the DWCF activity.

Volume 2B, Chapter 9 provides budget formulation and execution procedures.

010221 Dual Funded Organizations

A dual funded organization is an organization that is funded (including reimbursable funding) by both the DWCF and other appropriations or accounts. In those instances where a function is funded with a combination of both DWCF and appropriated funds, the function initially will be funded in its entirety either by the DWCF or by appropriated funds. The determination of whether the particular function initially is to be funded by the DWCF or appropriated funds will be based on the predominance of definable units of measure for the function. Examples of definable units of measure include work load, productive hours, outputs, or ultimate use. The appropriation or

account initially funding the function shall be reimbursed by the other account(s) at the same unit of measure as was used to determine the initial funding source. The amount of reimbursement shall be determined based on the relative portion of that unit of measure attributable to each part of the organization (or funding source) involved.

This policy does not change the policy for reimbursement for base support services provided by the DWCF to tenant activities. DoDI 4000.19, Volume 2A, paragraph 0102020 and Volume 2B, paragraph 090103.K provide guidance for funding base support services.

010222 Customer Mandated Schedule

When a job order is canceled or reduced in scope, after a DWCF activity has commenced work or incurred costs on the order, the costs incurred plus the applied overhead (that is indirect and other normally allocated overhead (G&A costs)) plus costs associated with the cancellation or reduction shall be charged to the customer.

Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, non-creditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction (e.g., salvaging of material). In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are or could have been separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with the cancellation or reduced customer orders, under-applied overhead costs that may result in a DWCF activity as a whole from a reduced work load base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DWCF activity.

010223 Glossary of Terms – Procurement

<u>Term</u>	<u>Meaning/Funding Connotation</u>
Advance Procurement (Long Lead Items)	A pre-approved exception to the full funding policy that allows procurement of long leadtime components, material, parts, and effort in a fiscal year before that in which the related end item is to be procured.
<i>Cancellation</i>	<i>Cancellation means the cancellation (within a contractually specified time) of the total requirements of all remaining program years. Cancellation results when the contracting officer notifies the contractor of nonavailability of funds for contract performance for any subsequent program year or fails to notify the contractor that funds are available for performance of the succeeding program year requirement.</i>
<i>Cancellation Ceiling</i>	<i>The maximum cancellation charge that the contractor can receive in the event of cancellation (reference Federal Acquisition Regulation (FAR) 17.103).</i>
<i>Cancellation Charge</i>	<i>The amount of unrecovered costs that would have been recouped through amortization over the full term of the contract, including the term canceled.</i>
<i>Contingent Liability</i>	<i>As a budgetary term, contingent liability represents variables that cannot be recorded as valid obligations. Such variables include: (1) outstanding fixed price contracts containing escalation, price redetermination, or incentive clause; or (2) contracts authorizing variations on quantities to be delivered; or (3) contracts where allowable interest may become payable by the U.S. government on contractor claims supported by written appeals pursuant to the DISPUTES clause contained in the contract.</i>
Centralized Item Management and Asset Control	The management in the central supply system or a DoD-wide or Service-wide acquisition and control system in which the manager has the authority for management and procurement of items of equipment. This includes such functions as requirement determination, distribution management, procurement direction, configuration control and disposal direction. Asset control includes the authority to monitor equipment availability and take such actions as necessary to restock to approved stockage levels.
Construction	The erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility; or the relocation of a facility from one installation to another.
Detail Design Costs	The final design effort on ships normally performed in conjunction with lead ship construction, is called "detail design." This effort is procurement funded (SCN).
Economic Order Quantity (EOQ) Procurement	An exception to the full funding policy that allows the use of advance procurement to purchase more than one fiscal year's program increment of components, materials, and parts in order to obtain the economical advantages, sustain a production line, etc.
Facility Maintenance	The recurrent, day-to-day, periodic or scheduled work required to preserve real property in such condition that it may be used for its designated purpose.
Facility Repair	The restoration of real property to such condition that it may be used for its designated purpose.

Full Funding	At the time of contract award, funds are available to cover the total estimated cost to deliver the contract quantity of complete, militarily usable end items. If a future year's appropriation is required for delivery of an end item, the end item is not fully funded.
Funded Delivery Period (FDP)	A funded delivery period encompasses a 12-month period that begins when the contractor delivers the first item of a fiscal year procurement. Confusion exists regarding this time period because, in many instances, accurate administrative and production leadtimes (ALT/PLT) have not been included in the calculation. The calculation should begin with October 1. From this point in time, the ALT and PLT should be added. This amount of time plus the next 12 months are included in the funded delivery period. When excessive leadtimes are included in the calculation, additional quantities are procured that could have been funded in the following fiscal year with no change in the delivery schedule.
Leadtimes	<u>Administrative Leadtime (ALT)</u> . This is the amount of time required to complete the administrative actions leading to contract award. In most cases, ALT actions do not require funding and can therefore be accomplished prior to October 1, at which time the next fiscal year's funding is appropriated. The ALT is used to forecast contract awards. Longer leadtimes require that a larger quantity be purchased to support yearly requirements. Leadtimes should therefore reflect an accurate assessment of the time required to process the administrative actions. <u>Production Leadtime (PLT)</u> . This is the amount of time required by a contractor to produce the first item after contract award until deliveries begin. <u>Procurement Leadtime</u> . This is the total of ALT and PLT. When used to determine quantity requirements, calculations should begin when the first ALT action begins.
Modification	The alteration, conversion, or modernization of an end item of investment equipment which changes or improves the original purpose or operational capacity in relation to effectiveness, efficiency, reliability or safety of that item.
Maintenance	The routine, recurring effort conducted to maintain an end item of investment equipment at its intended capability or designed performance level.
Nonrecurring Costs	Nonrecurring costs are generally incurred on a one-time basis. Costs may include: plant or equipment relocation; plant rearrangement; special tooling and test equipment; preproduction engineering; initial spoilage and rework; pilot runs; allocable portions of the costs of facilities acquired or established to conduct the work; costs incurred for the assembly, training, and transportation of a specialized work force to and from the job site; and unrealized labor learning.
Production Rates	<u>Minimum Sustaining Rate</u> is the production rate for each budget year that is necessary to keep production lines open while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost. <u>Economical Production Rate</u> is the most efficient production rate for each budget year at which the item can be produced with existing or planned plant capacity and tooling, with one shift a day running for eight hours a day and five days a week (1-8-5). <u>Maximum Production Rate</u> is the maximum capacity rate that a contractor can produce with extant or prior year funded tooling.
Recurring Costs	Production costs that vary with the quantity being produced, such as labor and materials.
Real Property Maintenance	The various functions for the maintenance and repair of facilities and the accomplishment of minor construction financed by an O&M appropriation.

System	The combination of a number of components that are functioning with the context of a whole to satisfy a documented requirement.
Termination	The right of the government to terminate the performance of work in whole or part under a contract as specified by the contract's Termination for Convenience or Default provisions. Unlike cancellation, which is effected between fiscal years and must apply to all subsequent fiscal years' quantities of items, termination may be effected at any time during the life of a contract and may apply to the total quantity or to a partial quantity of items.
Termination Liability Funding	A budgeting technique that would provide funds on a contract to cover the maximum value of outlays that could be incurred for work accomplished by the end of the budget year plus the maximum cost to the government associated with termination of the contract at the end of the budget year.

010224 Glossary of Terms – RDT&E

<u>Term</u>	<u>Meaning/Funding Connotation</u>
Accepted for Service Use	This is the major milestone in a development program that represents the formal acceptance of an item for operational use by the Service. In some instances items are approved for Service use with qualifying restrictions or provisions pending completion of specific development deficiencies. In such instances the appropriation to fund the correction and test must be determined on a case-by-case basis, according to the expense and investment criteria. Typically, all post-Service acceptance effort will be funded in Procurement appropriations.
Command Support Costs	This term also is used in the context of the T&E programs. It refers to the "people-related" costs of the command and operational units providing collateral support to the T&E effort. These are additional costs incurred because of this test support. Examples are per diem pay, travel allowances, overtime, etc.
Contract Design Costs	The contract design phase of shipbuilding programs follows the preliminary design phase and results in a design that carries the equipment specifications necessary to meet the Navy requirements. These costs are RDT&E-funded.
Developmental Test and Evaluation (DT&E)	DT&E is that test and evaluation conducted to assist the engineering design and development process and to verify attainment of technical performance specifications and objectives.
Government Acceptance of the First Procurement-Funded Engine	This term, which is one of the two minimum requirements for initiation of engine component improvement funding, refers to the date the Government formally accepts delivery (DD Form 250) of the first engine funded under procurement appropriations.
Initial Operational Test and Evaluation (IOT&E)	It is DoD policy that there shall be conducted, before commitment of a system to production, at least an initial phase of operational test and evaluation (OT&E) adequate to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements). This early phase of the normally longer, overall OT&E program is known as IOT&E.
Operational Test and Evaluation (OT&E)	OT&E is that test and evaluation conducted to estimate a system's operational suitability, identify needed modifications, and provide information on tactics, doctrine, organization, and personnel requirements.
Performance Envelop	The demonstrated capability of a system, system components, and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc.
Preliminary Design Costs	This term refers to those costs incurred in shipbuilding programs in the early stages of the cycle. They should result in a design that, on a performance or requirement basis, approaches the Navy's goal. These costs are RDT&E-funded.
Product Improvement	This term embraces all efforts of a research, development, design, or engineering nature that have the objective of improving major end items or major components of major end items. <i>The improvement may involve expanding the useful life of the end item or component, or it may increase the performance capability.</i>

Prototype	This term connotes an item from an R&D program and also connotes RDT&E financing.
R&D Installation or Activity	This term refers to those installations or activities whose support and operating costs are financed predominantly with RDT&E funds.
Special Support Costs	This term, as used in the context of test and evaluation programs, refers to those acquisition or hardware costs, other than those associated with the item that is the subject of the test, which are incurred in direct support of the T&E effort. A good example would be special range instrumentation costs.
Test Article	<i>A system representative prototype designed to obtain, verify or provide data for the evaluation of research and development or evaluate progress in accomplishing development objectives.</i>
Unique Joint Test and Evaluation (JT&E) Costs	This refers to costs such as: feasibility determinations of proposed joint tests; the provision for test design and planning support for joint tests selected; the development, procurement, installation, and operation of special instrumentation; transportation, travel, and per diem costs for the Test Director's staff; the modification of test articles as surrogates and to permit obtaining test data; transportation of equipment from permanent bases to the test site and return; and the provision for data collection/collectors, data reduction, analysis, and test reporting services. Transportation and per diem of participating personnel and maintenance and supply costs are not considered unique.

0103 BUDGET ESTIMATES SUBMISSION**010301 General**

A. This section, Budget Estimates Submission, provides guidance for the development and submission of the biennial budget estimates to OSD. Much of the budget guidance material formerly included in the "guidance" and "call" memoranda are now included in this Part of Volume 2. The USD(Comptroller) guidance memorandum, transmitted in June or July of each year, will hereafter include only specialized instructions such as program basis for the estimates, key assumptions to be used, and special supporting material requirements. Likewise, "supplementary instructions" memoranda issued on an "as needed" basis (usually in August) by OUSD(Comptroller) Program/Budget will be limited to specific instructions which amplify guidance included in the OUSD(Comptroller) memorandum and in this volume. The use of other memoranda to transmit budget guidance will be restricted to new or nonrecurring requirements.

B. Guidance for development of the National Foreign Intelligence Program Intelligence Budget Estimate Submission will be issued by the Director of Central Intelligence. Additional detail is found in Chapter 16.

C. The instructions for submitting certain summary schedules are provided in Section 010305. The instructions for back-up material tailored to each appropriation or fund category are provided in subsequent chapters. Materials required by OMB Circular A-11, which are not otherwise required by this manual, will be submitted in accordance with that Circular, unless specific exception is granted by the OMB. This is covered in Section 010105.

D. A budget work schedule will be forwarded by separate memorandum at the beginning of each budget formulation cycle. This schedule will show the dates to be used for planning the various phases involved in the formulation process.

E. Budget Material

1. The material required for the budget estimates submission will be prepared in the formats prescribed in this Part. Material submitted in accordance with OMB Circular A-11 will follow the format prescribed by that Circular. All material, with the exception of fold-in charts and tables which may be included, will be prepared on 8.5" x 11" paper. Material fulfilling Circular A-11 requirements will be bound on the left side. All exhibit books, except for Military Construction, Family Housing, Base Closure, and Information Technology, will be printed horizontally (landscape) on 11" x 8½" paper. Addressees will reduce all larger pages to the standard 11" x 8.5" size. All pages in each book are to be consistent in size. The following identifies specific requirements:

- (1) Military Personnel - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- (2) Operation and Maintenance (to include the Defense Health Program) - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- (3) Research, Development, Test and Evaluation - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Begin each program element on a facing page. Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3

holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

- (4) Procurement - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- (5) Military Construction - The justification material for Military Construction will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- (6) Family Housing - The justification material for Family Housing will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- (7) Base Closure - The justification material for Base Closure will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- (8) Revolving Funds - Material submitted for the budget estimate submission for **revolving funds** is to be submitted by business area on 8.5"x 11" paper, with 3 holes punched along the 11 inch side to fit standard three-hole binders. *Capital Investment Program exhibits will be prepared in landscape format.* Budget submitting offices should ensure that all narrative type is consistent. Revolving funds justification books prepared by the Components are to be unclassified. Classified exhibits will be submitted under separate cover.
- (9) Information Technology – Provide justification material in accordance with Chapter 18 Section 180202.

2. Whenever revisions or correction sheets are necessary, the revised pages showing the date of the change will be inserted in each budget book by a staff member of the DoD Component submitting the change. OUSD(Comptroller) Program/Budget staff will instruct the DoD Component's staff member as to the location of the budget books. Corrections should be held to a minimum and are not necessary for minor typographical errors which make no material difference in the analysis and evaluation of the estimates.

010302 Distribution

Distribution of budget estimates submission material will be made in accordance with the charts on the following pages. All required copies will be delivered directly by each Military Department/Defense Agency to the appropriate offices at the room numbers listed on the following page:

DISTRIBUTION DELIVERY POINTS

SecDef (OSD Correspondence Control)	3A948	
USD(Comptroller)		
Plans & Systems (P&S)	3A862	(703)697-2124
Operations and Personnel (OPS)	3D868	(703)697-9317
Investment (INV)	4B916	(703)695-5507
Military Construction (MILCON)	3D841	(703)697-4829
Revolving Funds (REV FUNDS)	3B866	(703)697-1880
Program & Financial Control (P&FC)	3B872	(703)697-0021
<i>Financial Commerce (FC), ODCFO</i>	<i>Crystal Square #4</i>	
	<i>Suite 201</i>	<i>(703)602-0300</i>
<i>Management Improvement (MI)</i>	<i>1A658</i>	<i>(703)697-8580</i>
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ASD(C ³ I) Mail Room	3E209	(703)695-6549
USD(Personnel & Readiness)	3C980	(703)697-0617
ASD(HA)	3E321	(703)697-8979
ASD(RA)	2D528	(703)697-3962
ASD(LA)	3D918	(703)614-8423
ASD(PA)	2E811	(703)697-5007
The Joint Staff (J-8)	1E963	(703)695-7064
DOT&E	3E333	(703)695-1565

Executive Office of the President
Office of Management and Budget (OMB) 202-395-4734
National Security Division
NEOB, Room 10001
Washington, D.C. 20503

Because of numerous room changes during the Pentagon Renovation, call the listed office prior to delivery of budget material.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SUMMARY DATA REQUIREMENTS**

	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E		S 3 E A C 9 D 4 E 8 F	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C		M I	F C		P A & E														
Transmittal Memorandum to SecDef with the following attachments: Summary of Budget Estimates (PB-1), Schedule of Military and Civilian Personnel (PB-4), Supplemental Appropriation Requirements (PB-8)	1	2	5	1	1	1	2		1	1	2	8	2	1	1	1	3	1			1	1	1		6	42
Overview Booklets	1	5	5	1	1	1	1		1	1	2	8	2	1	1	1	5	1			1	1	1			40
Program and Financing/Object Classification Exhibits (PB-2/2A)	1						2		1	1	2			1	1											8
Additional Budget Submission (PB-10)	1	2	2	1	1	1	4		1	1	2	1	2	1	1	1	1				1	1				24
Automation Submission Requirements	1						**																			**

* Provide unclassified data only.

** See Section 0105 for the Budget Automation Submission requirements.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
MILITARY PERSONNEL ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E													
Mil Pers, Army	2	1	2			1				1	1	1	2	1	1	1	4	2			1	1			20
Mil Pers, Navy	2	1	2			1				1	1	1	2	1	1	1	4	2			1	1			20
Mil Pers, MC	2	1	2			1				1	1	1	2	1	1	1	4				1	1			18
Mil Pers, AF	2	1	2			1				1	1	1	2	1	1	1	4	2			1	1			20
Res Pers, Army	2	1	2							1	1	1	2	1	1	1	2	2			5	1			21
Res Pers, Navy	2	1	2							1	1	1	2	1	1	1	2	2			5	1			21
Res Pers, MC	2	1	2							1	1	1	2	1	1	1	2				5	1			19
Res Pers, AF	2	1	2							1	1	1	2	1	1	1	2	2			5	1			21
Natl Gd Pers, Army	2	1	2							1	1	1	2	1	1	1	2	2			5	1			21
Natl Gd Pers, AF	2	1	2							1	1	1	2	1	1	1	2	2			5	1			21
DoD Military Retirement Fund	2	1	2							1	1	1	2	1			2					1			12
Military Civil Functions (Education Benefits)	2	1	2							1	1	1	2				2				1	1			12

* Provide unclassified data only.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
OPERATION AND MAINTENANCE**

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C			M I	F C	P A & E													
O&M, Army**	3/8	1	3			1				1		1	2	1	1	1	5				1	1			19
O&M, Navy**	3/8	1	3			1				1		1	2	1	1	1	5				1	1			19
O&M, MC**	3/8	1	3			1				1		1	2	1	1	1	5				1	1			19
O&M, AF**	3/8	1	3			1				1		1	2	1	1	1	5				1	1			19
O&M, Defense Agencies**	3/8	1	2			1				1		1	2	1	1	1	2				1	1			15
US Court of Appeals for the Armed Forces	3	1	2									1	2			1	1					1			10
Inspector General**	3	1	2							1		1	2	1			1					1			10
O&M, Army Reserve**	3/8	1	3			1				1		1	2	1	1	1	2				4	1			19
O&M, Navy Reserve**	3/8	1	3			1				1		1	2	1	1	1	2				4	1			19
O&M, MC Reserve**	3/8	1	3			1				1		1	2	1	1	1	2				4	1			19
O&M, AF Reserve**	3/8	1	3			1				1		1	2	1	1	1	2				4	1			19
O&M, Army National Guard**	3/8	1	3			1				1		1	2	1	1	1	2				4	1			19
O&M, Air National Guard**	3/8	1	3			1				1		1	2	1	1	1	2				4	1			19
Drug Interdiction & Counter-drug Activities	14	1	2	1						1		1	2	1	2	1	1	1			1	1			16
Cemeterial Expenses (Army)	3	1	2									1	2	1			1					1			9
Wildlife Conservation	3	1	2									1	2	1			1					1			9

* Provide unclassified data only.

** OP-32 copy must also be provided to the Revolving Funds Directorate.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
PROCUREMENT ACCOUNTS - ARMY**

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R				R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E													
Acft Proc, Army	4	1		3		**				1		2	2	1	1	1	1				1	1	1		16
Missile Proc, Army	4	1		3		**				1		2	2	1	1	1	1					1	1		15
Proc of W&TCV, Army	4	1		3		**				1		2	2	1	1	1	1					1	1		15
Proc of Ammunition, Army	4	1		3		**				1		2	2	1	1	1	2					1	1		16
Other Proc, Army	4	1		3	1	**				1		2	2	1	1	1	2				1	1	1		18

* Provide unclassified data only.

** Provide a copy of Exhibit P-32, Procurement Purchases from DWCF, to the Revolving Funds Directorate.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
PROCUREMENT ACCOUNTS - NAVY**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R				R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E												
Acft Proc, Navy	4	1		3		**				1		2	2	1	1	1				1	1	1		16
Proc of Ammunition, Navy and MC	4	1		3		**				1		2	2	1	1	1				1	1	1		16
SCN, Navy	4	1		3		**				1		2	2	1	1	1				1	1	1		16
Other Proc, Navy	4	1		3	1	**				1		2	2	1	1	1	2				1	1	1	18
Procurement, MC	4	1		3		**				1		2	2	1	1	1	1				1	1	1	16

* Provide unclassified data only.

** Provide a copy of Exhibit P-32, Procurement Purchases from DWCF, to the Revolving Funds Directorate.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
PROCUREMENT ACCOUNTS - AIR FORCE**

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R				R A *	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E													
Acft Proc, AF	4	1		3		**				1		2	2	1	1	1	1				1	1	1		16
Missile Proc, AF	4	1		3		**				1		2	2	1	1	1	1					1	1		15
Proc of Ammunition, AF	4	1		3		**				1		2	2	1	1	1	1					1	1		15
Other Proc, AF	4	1		3	1	**				1		2	2	1	1	1	2				1	1	1		18

* Provide unclassified data only. ** Provide a copy of Exhibit P-32, Procurement Purchases from DWCF, to the Revolving Funds Directorate.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
PROCUREMENT ACCOUNTS - DEFENSE-WIDE**

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R				R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E													
Procurement, Defense-wide	4	1		3	1	**				1		2	2	1	1	1	1				1	1	1		17
National Guard & Reserve Eq	4	1		3		**				1		2	2	1	1	1	1				1	1	1		17
Defense Production Act	4	1		3						1		2	2	1	1	1	1					1	1		15
Chemical Agents & Munitions Destruction, Defense-wide	4	1		3	1					1		2	2	1	1	1	1					1	1		16

* Provide unclassified data only. ** Provide a copy of Exhibit P-32, Procurement Purchases from DWCF, to the Revolving Funds Directorate.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R				R A	T J S	D O T & E	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E												
RDT&E, Army Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 3 3 1	1 1	1 				1		2 2 2	2 1 1	2	1	1				1	1	1		17 4 6 6 2
RDT&E, Navy Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 3 3 1	1 1	1 				1		2 2 2	2 1 1	2	1	1				1	1	1		17 4 6 6 2
RDT&E, AF Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 3 3 1	1 1	1 				1		2 2 2	2 1 1	2	1	1				1	1	1		17 4 6 6 2

* Provide unclassified data only.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R				R A	T J S	D O T & E	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E											
RDT&E,Defense Agencies Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 1 2 2 1	1 1	1 				1		2 2 2	1 1	2	1	1				1	1	1	16 3 5 4 2
Director, OT & E Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 1 2 2 1	 1	1 				1		2 2 2	2 1 1	2	1	1					1		15 2 5 5 2
Director, DT & E Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 1 2 2 1	 1	1 				1		2 2 2	2 1 1	2	1	1					1	1	16 2 5 5 2

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**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
REVOLVING AND MANAGEMENT FUNDS**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E												
Defense Working Capital Funds:	9																							
Army	9	1	1	1		8				1		2	2	2	1	1	2				1	1		24
Navy	9	1	1	1		8				1		2	2	2	1	1	2				1	1		24
Air Force	9	1	1	1		8				1		2	2	2	1	1	2				1	1		24
Defense Agencies	9	1	1	1		8				1		2	2	2	1	1	2	1			1	1		25
National Defense Stockpile Fund	10	1	1	1		2				1		2	2	2	1	1	2				1			17
Building Maintenance Fund	10	1	1	1		2				1		2	2	2	1	1	2				1			17
Pentagon Reservation Maintenance Revolving Fund	10	1	1	1		2				1		2	2	2	1	1	2				1			17
National Defense Sealift Fund	10	1	1	1		2				1		2	2	2	1	1	2				1			17
Management Funds	10	1	1	1		2				1		2	2	1	1	1	2				1			16
Trust Funds	10	1	1	1		2	1			1		2	2	1	1	1	2				1			17

* Provide unclassified data only.

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**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNTS**

		USD(Comptroller)																									
Appropriation	C H A P T E R	P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E	O M B	A & T	U S D (P)	C 3 I	P & R	H A					R A	T J S	D O T & E		T O T A L
Military Construction, Army	6	1			2					1		1	2	2	1	1	2	1					1	1			16
Military Construction, Navy	6	1			2					1		1	2	2	1	1	2	1					1	1			16
Military Construction, MC	6	1			2					1		1	2	2	1	1	2						1	1			15
Military Construction, AF	6	1			2					1		1	2	2	1	1	2	1					1	1			16
Military Construction, Def Agencies **	6	1			2					1		1	2	2	1	1	2	1					1	1			16
Military Construction, Army Reserve	6	1			2					1		1	2	2	1	1	2						2	1			16
Military Construction, Navy Reserve	6	1			2					1		1	2	2	1	1	2						2	1			16
Military Construction, MC Reserve	6	1			2					1		1	2	2	1	1	2						2	1			16
Military Construction, AF Reserve	6	1			2					1		1	2	2	1	1	2						2	1			16
Military Construction, Army National Guard	6	1			2					1		1	2	2	1	1	2						2	1			16
Military Construction, Air National Guard	6	1			2					1		1	2	2	1	1	2						2	1			16
Family Housing, Army	6	1			2					1		1	2	2	1	1	2							1			14
Family Housing, Navy	6	1			2					1		1	2	2	1	1	2							1			14
Family Housing, MC	6	1			2					1		1	2	2	1	1	2							1			14
Family Housing, AF	6	1			2					1		1	2	2	1	1	2							1			14
Family Housing, NSA, DIA, or DLA	6	1			2					1		1	2	2	1	1	2							1			14
Homeowners Assistance (Army)	6	1			2					1		1	2	2			2							1			12
NATO Security Investment Program	6	1			2					1		1	2	2	1		2							1			13

* Provide unclassified data only.

** Any Defense Agency submitting a Military Construction Budget should make same distribution as Military Services.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
BASE REALIGNMENTS AND CLOSURES (BRAC)**

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E		T O T A L	
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C	P A & E														
BRAC - Army	7	1	2							1		1	2	2	1	1	2	1				1	1			16
BRAC - Navy	7	1	2							1		1	2	2	1	1	2	1				1	1			16
BRAC - AF	7	1	2							1		1	2	2	1	1	2	1				1	1			16
BRAC - DLA	7	1	2							1		1	2	2	1	1	2	1				1	1			16
BRAC - DISA	7	1	2							1		1	2	2	1	1	2	1				1	1			16

* Provide unclassified data only.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C			M I	F C	P A & E													
Real Property Maintenance	8	1	1		2					1		1	2	2	1	1	2				1	1			16
Offsetting Receipts	11	1		1			1			1		1	2			1	2				1				11
Information Technology	18	1	1	1						1		1	2	2		1	2	1			1	1			15
Intelligence Programs (NFIP/JMIP/TIARA) (IP-1)	16	1		1						1		1	2	1	1	1	1				1				11
Defense Health Programs	12	1	2	1						1	1	1	2	1		1	2				1				14
Foreign Currency Exchange Data (PB-18)	19	1	2	1						1	1	1	2	2		1	2				1				15
Budgeted Environ. Projects (Non-ER,D) (PB-28/28A)	19	1	2							1		1	2	2			1				1				11

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**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SPECIAL INTEREST REQUIREMENTS**

		USD(Comptroller)																						
PROGRAM	C H A P T E R	P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C			M I	F C	P A & E	O M B	A & T	U S D (P)	C 3 I	P & R	H A			R A	T J S	D O T & E	T O T A L
<i>Functional Transfers (PB-14)</i>	19	1	1	1	1	1	3			1														9
Advisory and Assistance Services (PB-15)	19	1	2	1	1	1							1	1			1							9
Legislative Proposals (PB-16)	19	1	2	1	1	1							1				1	1			1			10
Employee Relocation Exspenses (PB-17)	19	1	2										1				1							5
<i>Contract Reporting by Appropriation (PB-19)</i>	19	1	3										1	1										5
Management Headquarters (PB-22)	19	1	2										1				1							5
Host Nation Support (PB-25)	19	1	2										1		1									5
Administrative Motor Vehicle Operations Exhibit (PB-41)	19	1	2									1	2	1		1	1					1		10
<i>Competition and Privatization (PB-42)</i>	19	1	2							1		1	2	1			2					1		11
Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs (PB-50)	19	1	2							1		1	2				2					1		10
Budgeted Military and Civilian Pay Raise Exhibit (PB-53)	19	1	3							1	1	1	2				2					1		12
Civilian Personnel Hiring Plan (PB-54)	19	1	2										1				1							5
International Military Headquarters (PB-55)	19	1	2										1		1		1							6
Major Range and Test Facility Base	19	1		1						1		1	1	6	1		1						1	14
Test & Evaluation Fund	19	1		1						1		1	2	5	1		1					1	1	15

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)										O M B	U S D (A)	A & T	C 3 I	P & R	H A			R A	T J S	D O T & E		T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C			M I	F C													
Defense Environmental Restoration Program	13	1	2						1	1	1	2	2		1	1					1			13
Federal Credit Program	19	1				1	1			1		1	2			1					1			9

* Provide unclassified data only.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

010303 Preparation of the Biennial Budget Estimates**A. General Guidance**

1. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will send, in June or July, a budget guidance memorandum establishing submission requirements not included in this volume. Included in this guidance will be budget material due dates and instructions for preparing estimates for the prior year (PY), current year (CY), biennial budget years (BY1 and BY2), and the outyears

2. Estimates for the biennial budget years and outyears will be based upon the force levels, program decisions, and the TOA levels contained in the Program Objective Memorandums (POMs) as modified by the Program Decision Memorandums (PDMs).

3. At various organizational levels throughout the Department of Defense, a systematic cost-benefit analysis of proposed expenditures can be of significant value in program formulation. Investments and expenditures in each appropriation category will normally be supported by an analysis which matches estimated costs with benefits (outputs), subject to the following criteria:

a. Funding is, for the first time, shown as required in the period covered by the fiscal guidance, or

b. Previously established funding requirements in these years are significantly altered by changed program or project plans.

The criteria in DoDI 7041.3, "Economic Analysis and Program Evaluation for Resource Management," will apply. Budget submissions will, as a minimum, be accompanied by a statement that (1) the submission is supported by an economic analysis, or (2) an economic analysis is not required, citing the reason. Submission of detailed backup information to OSD will be on "as requested" basis.

4. Transfers of functions between DoD Components will not be reflected in the September 15 submissions unless they have been approved by the Secretary of Defense and the dollar amounts and personnel spaces to be transferred in the current year are fully decided upon by all DoD Components concerned when the estimates are prepared. Under these circumstances, both the gaining and losing Components will reflect the decisions in their estimates with equal and offsetting manpower and dollar amounts. The gaining DoD Component is responsible to confirm that this is the case. If this cannot be confirmed, then neither Component will reflect the transfer in their budget estimates. The exhibit PB-14, Functional Transfers, found in Chapter 19 of this volume will identify all functional transfers included in the budget. Each Component will also notify OUSD(Comptroller) Program/Budget of the planned functional transfers not reflected in the budget.

5. Adjustments necessary to properly reflect functional transfers agreed upon by the parties, but not included in the Budget Estimates Submission (BES), may be accomplished in the budget review process. Functional transfers not submitted in the BES or incorporated during the budget review process will be financed by reimbursement in the current year and the budget year. Necessary exceptions to this general rule will be authorized on a case-by-case basis.

6. Material should be "Unclassified" "For Official Use Only" unless contents otherwise require a higher classification. All Budget Estimates Submission material is subject to DoD 5400.7-R, DoD Freedom of Information Act Program, Chapter II, Exemptions and in particular exemption number 5.

B. Pricing in the Biennial Budget Estimates

1. It is DoD policy to reflect the most likely or expected full costs (including military and civilian personnel pay) for the current year, the biennial budget years, and outyear estimates for all appropriations.

2. Estimated price level changes will be based on data provided by OUSD (Comptroller). These indices, which will be updated as economic conditions warrant, will be used to (1) determine the amount of price escalation for a procurement line item, major RDT&E system, or construction item over a given time period, and (2) project inflation in other noncompensation areas of all other appropriations.

3. Military and civilian personnel compensation will be fully funded in the biennial budget estimates using the rates provided by the OUSD(Comptroller).

4. Biennial budget estimates for goods and services will in all cases reflect the following considerations:

a. Cost-quantity relationships as they affect unit prices -- e.g., the unit price forecast in the biennial budget estimates will be higher or lower than the unit price current when the estimates are prepared, if differences in the quantities involved are price-significant.

b. The state of development or production and the learning curve.

c. Specific price changes, to take effect at a future date -- e.g., a specific and authoritative rate or tariff schedule to take effect on a definite future date, which may involve higher or lower prices than those in effect at the time estimates are prepared.

d. Predictable cost increases due to risk.

C. Preparation of Biennial Budget Estimates - Multiple Appropriations

1. Section 0109 contains formats for those exhibits applicable to more than one appropriation.

2. In addition to those exhibits identified in Section 0109, there are exhibits required by other chapters and included in other appendices which require identification of budget estimates/requirements for more than one appropriation. This is particularly true of requirements discussed in Chapter 19. Offices responsible for budget estimates submissions must ensure that all such exhibits reflect total requirements for all appropriations.

D. Preparation of Biennial Budget Estimates - Operations

1. Separate identification and justification (including cost-benefit studies) are required for management actions such as data automation and systems engineering. The development, implementation and expansion of automated data systems will be based on an economic analysis which should show that the proposed management action will produce an early and demonstrably high return on investment or result in substantial increases in mission performance and effectiveness. Savings from previously approved investments and management actions will be separately identified.

2. The Dependents' Education Program in the budget years would be based on the best estimate of student load and planned at the current year program level in accordance with the criteria for the regular school program which will be set forth in a separate USD(P&R) memorandum.

E. Preparation of Biennial Budget Estimates - Procurement

1. In development of requirements for procurement of modern equipment to offset consumption or attrition of older items, all assets of the older items, as well as acceptable substitutes, will be applied against gross requirements in determining net procurement requirements.

2. Administrative leadtime requirements in the budget years for any principal item should not exceed the leadtime used in the development of the current year budget program.

3. Production leadtimes utilized in preparation of estimates for the budget years should be based on the latest contract experience and current conditions, and generally should not be greater than those used for the same item in the development of the current year budget program. Any increases should be clearly identified and accompanied by an explanation of the reason along with an identification of the pacing components/manufacturers causing the increase.

4. Use of long leadtime component procurement will be consistent with the full funding policy expressed in DoD Directive 7200.4. In this regard, long leadtime component procurement will be limited to those few critical components whose leadtimes exceed the obligation availability of the appropriation or are significantly longer than other components of the same end item.

5. For comparability purposes the P-1 Exhibit will show the prior fiscal year program in amounts to reflect reprogramming actions planned to be accomplished through the first quarter of the current year. To the extent that such reprogramming actions are not approved for budget purposes, the changes will be documented by PBD action to adjust the prior year program in the computer record.

6. Budget estimates will reflect economic production rates, unless there is strong justification (other than funding constraints) for the use of other rates.

F. Preparation of Biennial Budget Estimates - Research, Development, Test and Evaluation

1. In the development and review of RDT&E programs, special attention will be devoted to the numbers of civilian and military personnel required for support of those programs.

2. Increased emphasis will be placed on application of standards and austere limitations to housekeeping and support activities including real property maintenance, facilities operations, equipment replacement and maintenance, and supply inventory levels.

G. Preparation of Biennial Budget Estimates - Revolving and Management Funds

1. Revolving and management fund programs and biennial budget estimates will be consistent with, and justified by, related support requirements; that is, program and budget estimates will be based on anticipated customer needs for associated supplies, equipment, and services, loan purchase requirements for production guarantee accounts, scope of operations to be financed through management funds, etc. Biennial budget estimates will be consistent with the anticipated customer needs that can be financed by the related program included in the customers' budget estimates. Increased emphasis should be directed toward assuring that customers are getting maximum value for their appropriated funds.

2. Appropriations funded requirements for the Defense Working Capital Fund will be computed under the same guidance as outlined above for the specific appropriations.

010304 Not Used

010305 Budget Estimates Summaries and Transmittal

A. Budget Estimates Transmittal

1. The budget estimates will be transmitted by memorandum to the Secretary of Defense from the Secretary of each Military Department, the Director of each Defense Agency, the Assistant Secretary of Defense (Health Affairs), the Deputy Assistant Secretary of Defense (Environment), the Deputy Assistant Secretary of Defense (Administration), the Deputy Assistant Secretary of Defense (Drug Enforcement Policy and Support), and the Director, The Joint Staff. While it is mandatory that the exhibits below be submitted in the precise formats specified, any explanations or highlight information that the submitting official considers appropriate may accompany the transmittal. Exhibits PB-1, PB-4, and PB-8 include budget estimates summary data and will be "Unclassified", "For Official Use Only" unless the contents otherwise require a higher classification.

- PB-1. Summary of FY 19PY thru 19BY2 Budget Estimates. [Section 0109]
- PB-2. Program and Financing Schedule, Annual Accounts. (FY 19PY thru 19BY2) [Section 0109]
- PB-2A Program and Financing Schedule, Other Accounts. (FY 19PY thru 19BY2) [Section 0109]
- PB-4. FY 19BY1 and 19BY2 Budget Estimates - Schedule of Civilian and Military Personnel. (FY 19PY thru 19BY2+4) [Section 0109]
- PB-8. FY 19CY Supplemental Appropriation Requirements (Described in Section 010306). [Section 0109]

2. The specified exhibits, transmittal memorandum to the Secretary of Defense, and other explanatory or highlight information will be submitted as follows:

a. Secretary of Defense transmittal memorandum, with exhibits PB-1, PB-4, and PB-8 attached. Deliver six copies to OSD Correspondence Control, Room 3A948. Other copy requirements are identified in Section 010302.

b. Secretary of Defense transmittal memorandum, with exhibits PB-1, PB-4, and PB-8 attached. Copy requirements are identified in Section 010302.

c. Overview booklets, such as the Air Force "Highlights," Navy "Blue Book," etc. Copy requirements are identified in Section 010302.

d. Exhibits PB-2 and PB-2A for each appropriation account. Deliver two copies to Office of the USD(Comptroller), Directorate for Program and Financial Control, Room 3B872.

3. Budget estimates for the Defense portion of the National Foreign Intelligence Program will be submitted as prescribed by the Director of Central Intelligence (DCI). In addition to budget exhibits specified by the DCI, the Office of the Secretary of Defense requires certain other materials as outlined in Chapter 16.

4. Machine-readable data will be submitted to support Exhibits PB-2, PB-2A, and PB-4 (see Section 010505). A hard-copy submission of these exhibits, including FY PY, CY, BY1 and BY2 for the PB-2, PB-2A, and PB-4, will also be required. The hard copy submission should be a computer-prepared print-out of the machine data using the exhibit formats specified herein. Extreme care must be exercised to assure that the machine-readable data and the exhibits are identical in data content. As described in Section 010505, the machine data are the basis for the OSD budget review.

B. Program and Financing Schedules

1. Data for the program and financing schedules (Exhibits PB-2 & 2A) are required on the due date established for the budget submission for each appropriation and fund. Section 32.8 of OMB Circular A-11 requires the separate submission of supplementary program supplementals and proposed rescissions.

2. Program data will be presented in the program and financing schedule on an obligation basis consistent with the presentation in the President's Budget of previous years, unless other directions are transmitted by separate memorandum.

3. Actual prior year data will be required when available in accordance with specific update instructions issued separately.

4. Budget subactivities will be shown on program and financing schedules in all cases as they appear in the "Budget Account Title File Listing" of the Name Edit System structure referenced in Section 010506.

5. Special care should be taken to assure that data presented in the object classification schedule (Section 010506) is consistent with information required on special exhibits. For example, object class data provided for advisory and assistance services (BRS Object Class Tx2511) is the basis for Exhibit PB-15 (Chapter 19).

6. The hard-copy and machine-readable submissions of the section entitled "Relation of Obligations to Outlays" (commonly called the "expenditure tail") is required only from the Military Departments. It will show the budget activities/subactivities used as computer input and will also show the various computed subtotals and totals as described in Section 010506. (Hard-copy and machine-readable input are not required for "Relation of Obligations to Outlays" for Defense accounts with a component identification code of "97" except for the three Defense accounts required by paragraph F of Section 010506.)

010306 Supplemental Appropriation Submission

A. Budget Estimates Transmittal

1. Supplemental appropriations are normally allowed to meet unforeseen contingencies of a magnitude that cannot be absorbed or accommodated through reprogrammings and transfers. Specific guidance on this will be provided on a case-by-case basis.

2. OMB Circular A-11 provides additional policy guidance on supplemental estimates.

B. Supplemental appropriation requirements will be submitted on a schedule in the format of Exhibit PB-8, provided in Section 0109. This exhibit will be transmitted in the same manner as the budget estimate summaries (see Section 010305).

C. Material Included for Informational Purposes

1. Under the 41 U.S. Code authorizations (formerly Section 3732 of the revised statute), the law provides that the President may exempt appropriations, funds, and contract authorizations which are available for military functions under the Department of Defense from the antideficiency provisions of 31 U.S. Code 1517 (formerly Section 3679 of the revised statute) whenever he deems such action necessary in the interests of national defense. Upon determination by the President that such action is necessary, the Secretary of Defense is authorized to provide for the cost as an accepted expense. For example, if the President determines that it is necessary to increase the number of military personnel on active duty beyond the number for which funds are provided in the annual appropriation act, the Secretary of Defense is authorized to provide for the cost of such increased military personnel as an accepted expense. Obligations are then authorized to be incurred in excess of amounts appropriated. After substantially all obligations have been liquidated, an appropriation is requested to liquidate any unfinanced balances.

2. The law provides essentially that, notwithstanding the balances available, revolving funds may incur obligations to provide for making issues through the production lead-time period (10 USC 2210(b)). As a technical matter, this constitutes a form of contract authorization, and is so displayed in the President's Budget.

010307 Additional Budget Submissions

A. General Guidance. Following the initial biennial budget estimates submission (initial submit), normally on September 15, additional budget estimates submissions (additional submits) may be made, where warranted by specific changes in circumstances, within approved TOA control totals established by the USD(Comptroller) and under the following restrictions:

1. Additional budget submissions must be submitted as adjustments to, not substitutes for, the initial submit.

2. Unless otherwise directed by the USD(Comptroller), additional budget submissions must be offset with equal or greater cost tradeoffs, and must clearly indicate the areas of increase and decrease consistent with the justifications submitted as part of the initial submit.

3. Proposed decreases may not consist of reductions already effected or imminently planned to be effected as part of the budget review.

4. Additional budget submissions may not be used to compensate for incomplete or inadequate initial submits.

5. Additional budget submissions may not be used to appeal budget decisions.

6. If an additional budget submission results in an impact on revolving funds, those related requirements must be incorporated in the additional budget submission.

B. Submission Requirements In order to be considered during the budget review, all additional budget submissions must be received no later than September 30 or as specified in the annual guidance. Additional budget estimates for the current year or biennial years 1 and 2 will be accompanied by Exhibit PB-10, provided in Section 010702, plus the necessary justification material. This should take the form of a complete narrative justification and may be included on the transmittal memorandum or as an attachment to Exhibit PB-10. The applicable out-year impact of the additional budget submission will also be shown on Exhibit PB-10. The additional estimates will be transmitted in two copies (plus two additional copies for each appropriation affected) by memorandum to the USD(Comptroller) and signed by the same official who submitted the initial budget estimates or his appointed deputy. All additional budget submissions will be hand carried to the Office of the USD(Comptroller), Directorate for Program and Financial Control, Room 3B872, for OSD processing. The additional budget submission will be addressed in subsequent budget decision document(s).

010308 Major Budget Issues (MBIs)

Near the end of the budget review process, the Secretary of Defense and the Deputy Secretary of Defense may provide for the review of Component major policy or budget issues that have not yet been resolved. Resolution of these issues may displace other programs within the fixed DoD topline. Copy requirements of Component issues will be provided if an MBI review is scheduled. A general format is provided in Section 0107.

010309 Budget Review Procedures

A. Budget Review System. The automated Budget Review System is the official OSD record of the budget estimates as submitted by the DoD Components and adjusted by Secretary of Defense decisions known as Program Budget Decisions (PBDs). The data contained in the Budget Review System is the base for preparation of the Program and Financing Schedules, Relation of Obligations to Outlays, Object Classification Schedules, and the data required for OMB MAX Budget System, as required by OMB Circular No. A-11. These documents are forwarded to OMB for preparation of the President's Budget. In addition, the automated Budget Review System is used to prepare a comprehensive set of management information summaries used to support the budget press release, statements to the Congress and other information requirements. Financial data, military end strength, and civilian full time equivalent (FTE) data are provided. Budget estimate submissions are entered into the system through machine readable inputs from the DoD Components. The formats and requirements are prescribed in Sections 010505 and 010506. During the joint OMB/OSD Budget Review, budget decision documents are recorded into the computer system and the current status of the budget review is available on a recurring basis.

B. Development of Out-year Data During the Budget Review

1. The automated Budget Review also includes a continuing update of the out-year TOA and manpower, adjusted to reflect the extension of CY, BY1, and BY2 decisions made during the budget review.

2. TOA, military end strength and civilian FTE data for the initial out-year data base are provided by each of the DoD Components (reference Section 010505). During the budget review, as budget decision documents are approved and recorded into the automated record, the TOA and manpower out-year impact of each decision is addressed on the decision document and is also entered into the automated record. The budget decision document will contain one of the following descriptors of out-year impact:

- a. The estimated out-year impact for each year in thousands of dollars and full-time equivalents/end strength.
- b. Substantive program direction for the out-years as a basis for DoD Component determination of dollar amounts and manpower involved (to be used if out-years are not specifically addressed in a budget decision document).
- c. No known out-year impact.

3. As with the CY, BY1, and BY2 decisions, the out-year adjustments approved in the Secretary of Defense decisions are entered into the automated Budget Review System using record layouts shown in DD Form 2234, Out-year Recording Form (\$\$), and DD Form 2236-1, End Strength Out-year Recording Form. TOA adjustments are recorded at the appropriation account level by budget subactivity, and by program budget decision number. Manpower data is recorded at the appropriation account level by budget subactivity, and by program budget decision number with active military manpower detailed by officer, enlisted and cadets; selected reserve manpower detailed by officer and enlisted personnel category; and civilian FTE detailed by U.S. direct hire, foreign national direct hire, and foreign national indirect hire.

4. The automated Budget Review System produces Out-year Impact Status Reports on a recurring basis throughout the budget review. These reports, which are distributed to the applicable DoD Components, show TOA & manpower data by appropriation, budget activity/subactivity and personnel category for the budget submission base and all adjustments to the base resulting from decisions made during the budget review. The final reports at the conclusion of the budget review reflect the out-year numbers (TOA and manpower) which are the control numbers for the President's Budget update of the Future Years Defense Program (FYDP). It is essential that the Out-year Impact Status Reports be reviewed by the DoD Components on a recurring basis during the budget review so the out-year numbers are under continuous scrutiny and the President's Budget update for the FYDP may proceed in a timely manner.

C. Printing Schedule for Budget Material

1. OMB Circular No. A-11 prescribes the requirements for materials to be included in the President's Budget document. Annually, the ODC(P/B), OUSD(Comptroller) publishes instructions on the procedures to be followed during the budget review. These instructions detail the sequence of events necessary to finalize the budget review and complete the printing phase of the budget. All actions concerning printing of budget material will be accomplished in accordance with these references and the following paragraphs.

2. OMB will provide ODC(P/B), OUSD(Comptroller) with reprinted galleys based on last year's President's Budget document. These galleys will omit all amounts in the schedules and tables. The submission of marked-up reprinted galley and new material is intended to fill technical budget preparation needs (i.e., determine that all lines, account titles, text, and appropriation language are correct and that all required schedules are in print). Additionally, by representing the best estimate of the current status of programs, the impact of any further changes, as final decisions are made, will be minimized. The reprinted galleys will be marked-up by the ODC(P/B), OUSD(Comptroller) staff, probably in mid-December, to show the current status of the budget after the prior year column has been updated and validated. The data in the current year and both biennial year columns will be blank at this time.

3. There will be no changes to the prior year column of the budget after reprinted galley, except to correct printer errors. In some cases, new print materials may be required after reprinted galleys, (e.g., new

accounts, accounts with supplementals requiring separate schedules, rescission proposals and other material to be presented in the President's Budget document for the first time).

4. OMB will cycle the reprinted galley and provide galley proofs to ODC(P/B), OUSD(Comptroller). Further instructions on processing galley beyond the first step will be contained in the ODC(P/B), OUSD(Comptroller) instructions cited in 1. above or some other appropriate guidance memorandum.

0104 CONGRESSIONAL JUSTIFICATION/PRESENTATION**010401 General****A. Purpose**

1. This section provides instructions for the preparation of justification material for presentation to congressional committees. Justification material should be developed using the guidelines established herein as the minimum requirements to be included in the Justification Books. Any exception to these minimum requirements must be cleared with OUSD(Comptroller) Program/Budget.

2. Justification of proposed supplemental appropriations and budget amendments are covered in OMB Circular A-11 and Section 010402; however, separate instructions will be issued by OUSD(Comptroller) Program/Budget as the need arises.

3. General preparation and submission instructions pertaining to individual appropriations, Intelligence Programs and Communications, Command and Control (C³) Programs are contained in Chapters 2 thru 7, 9, 10, 16, 17 and 19.

4. All congressional budget/presentation material is subject to DoD 5400.7-R, DoD Freedom of Information Act(FOIA) Program requirements. Chapter II, Exemptions of this regulation should be reviewed carefully before denial of any FOIA request. Exemptions will generally fall into category 5.a.9 in section 3-200. Use of For Official Use Only (FOUO) must meet the requirements of DoD 5400.7-R Chapter IV.

B. Preparation of Material

1. Separate Justification Books will be furnished for each Public Law title relating to each Military Department. An O&M Overview book will be developed within OUSD(Comptroller) Program/Budget as well as a consolidated overview of Multiyear Procurement programs based on submissions of the Military Departments. Material prepared by the individual Defense Agencies also will be consolidated by OUSD(Comptroller) Program/Budget into a single Justification Book for each Public Law title. Material for the Operation and Maintenance, Defense Agencies; U.S. Court of Appeals for the Armed Forces, Defense; Environmental Restoration, Defense; Office of the Inspector General; Overseas Humanitarian Disaster and Civic Aid, and Contingencies, Defense; appropriations will be consolidated into a single Justification Book. Additionally, information technology budget material prepared by the Military Departments and other DoD Components will be consolidated by the *Office of the ASD(C³I) Resource Management Directorate* into a single Justification Book. The Department of the Army will prepare a justification book for Chemical Demilitarization programs and will consolidate material for the Family Housing and Homeowners' Assistance Fund, Defense appropriations into a single Justification Book. Each Department will prepare a Justification Book for each Base Closure Account. In addition, separate Justification Books will be prepared for Intelligence-Related Activities and the Defense portion of the National Foreign Intelligence Program, the latter as prescribed by the Director of Central Intelligence. All other Justification Books will be annotated as appropriate to indicate items and resources supported in Intelligence Program Justification Books. Also, separate Justification Books will be prepared for JMIP and TIARA program aggregations as prescribed in Chapter 16. A separate Justification Book will be prepared for C³ programs, with DoD component input as prescribed in Chapter 17.

2. Classified and unclassified data will be included in the single volume or set of volumes for each title with the classified pages bearing the appropriate security classification, except that all materials contained in the Military Personnel and Operation and Maintenance justification books will be unclassified. Classified exhibits will be submitted separately and explanation provided for their being classified. Fiscal data pertaining to explicitly identified portions of the National Foreign Intelligence Program shall be classified in accordance with instructions in Chapter 16.

The highest security classification of data included in Justification Books will be SECRET. Information requiring a higher classification will be discussed with OUSD(Comptroller) Program/Budget on an individual situation basis. All classified data will be bracketed by pencil as thus [] to permit the congressional committees to publish an unclassified version. Data not bracketed will be assumed to be unclassified. In bracketing classified columnar data, each column will be individually bracketed. Care must be taken to assure that unclassified data are not bracketed. Security classification markings should be centered at the top and bottom of applicable pages using gummed-back markings to assure clarity. The appropriate automatic downgrading notation will be used in accordance with DoD 5200.1-R "Information Security Program Regulation". The appropriate classification cover sheet must be utilized.

3. Military Departments will be responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, prior to transmittal to the congressional committees. OUSD(Comptroller) Program/Budget will be responsible for the security clearance of the consolidated Defense Agencies Justification Books, as necessary.

4. The Program and Financing, Object Classification and Personnel Summary schedules will reflect the full current year program, including those parts which require supplemental appropriation action.

5. Computer-prepared print-outs of the Program and Financing and Object Classification Schedules (Budget Review System Report 21) will be available from OUSD(Comptroller) P/B and will be used in the Justification and Backup Books as specified for each appropriation title in the following chapters. Computer print-outs will be reduced to the size specified herein.

6. Printing of Congressional Budget Material:

- General. Tabs will be used only where specified by OSD; McCall (edge) indexing will be used as appropriate. Justification material should be printed on both sides of the page wherever feasible. Headings for an appropriation or budget activity will appear on the initial page of the subdivision and will not be repeated on subsequent pages, except RDT&E Program Element Listings. The Components will work with DPS to determine the most appropriate and quickest method of printing and fastening each of the books subject to the guidance by appropriation title below.
- Military Personnel. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- Operation and Maintenance. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- Research, Development, Test and Evaluation. Material is to be printed horizontally (landscape) on both sides of the page on 11" x 8½" paper using a 1" margin on the side to be bound and 1/2" for other edges. Components will request DPS to reduce all larger pages to the standard 11" x 8½" size so that all of the pages in each book are consistent in size. The material will be printed head to toe with 3 holes punched across the top margin. The following is the fastening preference:: staples, screw posts, ACCO fasteners, etc.. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Books are to be a maximum range of about 600-650 pages where possible (300-325 sheets of paper printed both sides).

Since the justification material is printed double sided, then each PE package must begin on the front side of a new page. When the last page of a PE package does not end on the backside of the paper, then a blank page

must be inserted with the wording “This page intentionally left blank” in bold letters, centered on the page. The reason for this is so that the justification material can be easily broken apart and sorted by PE with all of the pertinent exhibits.

For those Components that have a large number of PEs and printing the material all in one volume is impractical, it is preferred that the justification material be submitted by budget activity with the Science and Technology budget activities (BA 1 through BA 3) printed in one volume and the remaining budget activities printed in a separate volume or in individual volumes. Each separate book should include an R-1 listing and a table of content indicating which volume and page the applicable program element can be found.

- Procurement. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

- Military Construction. The justification material for Military Construction will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. All exhibits will be printed utilizing white paper. . Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

- Family Housing. The justification material for Family Housing will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. . Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

- Base Closure. The justification material for Base Closure will be provided on 8.5” x 11” paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1” margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

- Revolving Funds. Justification books for revolving funds are to be submitted in one volume with 3 sections: Component Overview; Operating Budget and Capital Budget. Component Overview and Operating Budget sections are to be printed in portrait format (vertically) on 8.5” x 11” paper head to head on 2 sides. Capital budget exhibits are to be printed in landscape format (horizontally) on 11” x 8.5” paper head to toe on 2 sides. Budget submitting offices should ensure that all narrative type is consistent. All justification material will be punched to fit standard three-hole binders. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

- Information Technology. Provide material in accordance with guidance contained in Chapter 18, Section 180304.

- Intelligence and C³ Programs. *Instructions for these books are contained in Chapters 16 and 17.*

7. Justification book cover inserts will be 220 index stock using the following colors: Army - green; Navy - buff; Air Force -blue; Defense Agencies (including the U.S. Special Operations Command and the U.S. Transportation Command) - white. Covers will bear the appropriate security markings, title of the volume as specified herein, the phrase "Submitted to Congress February 19...", and the appropriations included.

8. The use of acronyms and abbreviations in the justification material should be held to a minimum. However, where acronyms and abbreviations are used, they must be identified on the page on which they appear.

9. The exhibit numbers used in this section are for reference purposes only and should not be used in the Justification Books.

C. Submission of Justification Books for Review

1. Before the justification material can be released to the Congress, it must be reviewed by the appropriate OUSD(Comptroller) or OASD(C³I) directorate to ensure that policies and decisions made by the President and Secretary of Defense are fully reflected. Accordingly, three advance sets of Justification Books will be forwarded to the appropriate OUSD(Comptroller) or OASD(C³I) directorate for review. The following is a list of the directorates:

Directorate for Operations and Personnel,
3D868, 697-9317
Directorate for Investment,
4B916, 695-5507
Directorate for Revolving Funds,
3B866, 697-1880

Directorate for Military Construction,
3D841, 697-4829
Office of the ASD(C3I) Resource Management
Directorate, 3D228, 695-6735
(For IT Justification)

In addition, 1 set of the Military Personnel Justification Books for the Reserve Components will be delivered to OASD(RA), Room 2D528.

The Military Departments should also send two copies of advance sets of justification books to Washington Headquarters Services, Directorate for Freedom of Information and Security Review (Room 2C757, Pentagon) for clearance. Clearing material through this Directorate should be accomplished piecemeal to expedite the final review. Clearance by OUSD(Comptroller) P/B will be evidenced by an approval from the applicable Program/Budget Director, initialed on one of the advance copies of each Justification Book and returned to the applicable service. Upon advice from OUSD(Comptroller) P/B and Washington Headquarters Services, Directorate for Freedom of Information and Security Review that the advance sets of justification books are acceptable, the DoD components will complete preparation and assembly of Justification Books.

Under no circumstances will justification material be released to congressional committees or the public prior to receipt of these clearances.

The Communications, Command and Control (C³) Justification Books will be reviewed by ASD(C³I). Ordinarily, the OUSD(Comptroller) P/B Director will not initial the advances for release until these reviews are accomplished.

2. Except as specified herein, submission dates will be provided in separate correspondence from OUSD(Comptroller) Program/Budget.

010402 Supplemental and Amended Appropriations Requests

A. Organization of Supplemental Appropriations Requests Justification Books

1. Justification Books in support of supplemental appropriations requests will be prepared by OUSD(Comptroller) P/B, based on material furnished by the DoD Components. Justification materials will be addressed in separate correspondence from OUSD(Comptroller) P/B.

2. The Justification Book will be arranged as follows:

a. Table of Contents and Summaries. These items will be prepared by OUSD(Comptroller), P/B.

b. Section 1 - Title I - Proposed Appropriations for Various Programs. This section will contain appropriate language, narrative justifications, and any special exhibits in support of program supplemental

requests. The appropriation language will be extracted by OUSD(Comptroller) P/B from the Budget Appendix. Supplemental appropriation requests related to all program supplementals will be supported by a narrative justification in the format of Exhibit PB-37A, provided in Section 0109.

B. Organization of Amended Appropriations Requests Justification Books

1. A separate abbreviated Justification Book will be prepared by OUSD(Comptroller) and/or each Military Department for each affected appropriation title; e.g., Operation and Maintenance; Procurement; RDT&E; etc. (Additional justification materials required of Defense Agencies and for Defense-wide accounts will be identified in separate correspondence from OUSD(Comptroller). Related Justification Books will be prepared by OUSD(Comptroller) P/B.) Each Book should be stapled but must contain holes punched to fit existing Justification Book binders. (NOTE: Depending on the magnitude of a particular budget amendment; i.e., number of DoD components and appropriation accounts affected, single Justification Books may be prescribed for each DoD component, or a single Justification Book may be prepared by OUSD(Comptroller) P/B with input from the affected DoD components.)

2. Each Justification Book will contain the following, as a minimum:

- a. A single Table of Contents
- b. By individual appropriation account:

(1) Revised appropriation language (retyped from Budget Appendix to reflect revised request).

(2) Budget Amendment Summary, in the format of Exhibit PB-37R (see Sec 0109), highlighting changes to the pending request.

(3) Program and Financing Schedule (abbreviated) in the format of Exhibit PB-37S (see Section 0109). Both the Budget Plan and Obligation Plan will be shown for multi-year accounts.

(4) Narrative Justification by Budget Activity in the format of Exhibit PB-37T (see Section 0109). Narrative will discuss dollar, quantity, personnel changes, etc., at least at the level of changes indicated on the Budget Amendment Summary (Exhibit PB-37R).

(5) Existing P-1 and R-1 Exhibits will be marked up to indicate changes resulting from the proposed amendment.

(6) Procurement and RDT&E Justification material will be retyped, where applicable, to encompass changes resulting from the proposed amendment.

3. Three advance sets of materials will be forwarded to the Directorate for Plans and Systems, OUSD(Comptroller), Room 3A862. Two copies should also be submitted at that time to Washington Headquarters Services, Directorate for Freedom of Information and Security Review, Room 2C757, for security clearance. Other appropriate provisions of Section 010401 of this Volume pertain. Military Departments will make the same distribution of above Books as for regular congressional justification materials.

C. References Additional instructions are contained in OMB Circular A-11.

010403 Distribution/Internet Posting of Budget Material

A. Copies of ***OSD-generated*** justification materials for congressional distribution will be delivered to OUSD(Comptroller), Plans and Systems, Room 3A862 for delivery to the congressional committees.

B. Each Military Department will deliver copies for congressional committees, GAO, Library of Congress, CBO, and OMB, etc. OUSD(Comptroller) (P/B) will distribute copies of the consolidated Defense Agencies justification material. The Office of the ASD(C³I) Resource Management Directorate will distribute copies of the consolidated Information Technology Justification.

C. **Copies of classified material and other backup documentation for OSD will be delivered directly by each Military Department to the offices listed.** Total distribution including the number of copies are also provided on the following tables. Advance books (40) are required to be produced by the due dates so that immediate distribution may be made to the congressional committees. The remaining quantities will be delivered/distributed 3 to 5 days thereafter.

D. Internet Posting of Unclassified Budget Justification Material.

1. Justification material for the President's budget will have limited paper copy distribution as shown on the distribution charts. No internal DoD distribution will be made of unclassified justification material that is provided to the Congress, OMB and other non-DoD organizations. This justification material will be available solely through posting to Component internet sites.

2. However, classified budget justification and budget backup material as identified in the distribution tables will be provided in paper copy to the organizations listed. Appropriate OUSD(Comptroller) directors should be consulted prior to distribution of material not listed.

3. Internet posting on Component Web Sites.

(a) Web pages presenting Defense budget documents must be designed to facilitate user discovery of the information. These pages will be used extensively by Congressional staffs, the media, and the public, and the presentation of material reflects upon the organization sponsoring the site. Budget documentation should be logically grouped, and link names should be clear and concise, to allow the user to rapidly navigate to the document of interest. Graphical content should be limited, to allow reasonable download times when accessed via modem. The Military Departments must ensure that established web pages meet these criteria.

(b) Defense Agencies and managers of Defense-wide accounts will be provided separate guidance for the submission of budget justification in an electronic format. OUSD(Comptroller) will consolidate Defense-wide justification and distribute/post to the Comptroller internet site.

(c) Posting of justification material on Component web pages should occur no later than 5 working days after delivery of the paper copies to the Congress, but not prior to delivery to the Congress.

(d) As a reminder, for Freedom of Information requests received prior to posting the unclassified budget material on the internet, it is the responsibility of the DoD component to comply with the request in accordance with DoD 5400.7-R.

E. CD-ROM Production

Upon completion of the posting of budget justification material to the Component internet site, a CD-ROM containing all of this material will be produced and distributed in accordance with the distribution tables that follow. This CD-ROM should be distributed not later than 45 days after the Budget of the United States Government is presented to the Congress. This process will make budget material available for those that lack internet access and for historical purposes.

Distribution Delivery Points

USD(Comptroller)		
Plans & Systems (P&S)	3A862	(703)697-2124
Operations and Personnel (OPS)	3D868	(703)697-9317
Investment (INV)	4B916	(703)695-5507
Military Construction (MILCON)	3D841	(703)697-4829
Revolving Funds (REV FUNDS)	3B866	(703)697-1880
Program & Financial Control (P&FC)	3B872	(703)697-0021
<i>Financial Commerce (FC)</i>	<i>Crystal Square #4</i>	
	<i>Suite 201</i>	<i>(703)602-0300</i>
<i>Management Improvement (MI)</i>	<i>1A658</i>	<i>(703)697-8580</i>
Director, PA&E	2D278	(703)695-7710
USD(Acquisition & Technology) Mail Room	3D139	(703)697-6112
USD(Policy)	4B926	(703)697-9478
ASD(C ³ I) Mail Room	3E209	(703)695-6549
USD(Personnel & Readiness)	3C980	(703)697-0617
ASD(RA)	2D528	(703)697-3962
ASD(LA)	3D918	(703)614-8423
ASD(PA)	2E811	(703)697-5007
The Joint Staff (J-8)	1E963	(703)695-7064
DOT&E	3E333	(703)695-1565
 OIG, DoD	 Attn: A&IM/FMD 400 Army Navy Drive Arlington, VA 22202-2884	 (703) 614-0494
 DARPA	 Comptroller 3701 North Fairfax Drive., 9th Floor Arlington, VA 22203-1714	 (703) 696-2393
 OMB	 Executive Office of the President OMB National Security Division NEOB, Room 10001 Washington, D.C. 20503	 (202) 395-4734
 Arms Control & Disarmament Agency (ACDA)	 ACDA/VI Room 5741 320 21st Street, N.W. Washington, D.C. 20451	 (202) 647-8090

Because of numerous room changes during the Pentagon Renovation, call the listed office prior to delivery of budget material.

GAO	U.S. General Accounting Office NSIAD/TIC Attn: Tina Eason 441 G Street, NW --Room 4103 Washington, DC 20548	(202)512-8588
Library of Congress	Rm. LM-208 (202) Attn: Bruce Krafte James Madison Library Bldg. 1st St. & Independence Ave., S.E. Washington, D.C. 20540	(202)707-8831

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
MILITARY PERSONNEL ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R					R A	T J S				O I G		D E T F O R E C A S E L
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C					P A & E																
<u>Military Personnel, Army</u> In-house Backup Exhibits (MP)	2	1	4									1	1	1	1	4					1	1				1		16
<u>Military Personnel, Navy</u> In-house Backup Exhibits (MP)	2	1	4									1	1	1	1	4					1	1				1		16
<u>Military Personnel, MC</u> In-house Backup Exhibits (MP)	2	1	4									1	1	1	1	4					1	1				1		16
<u>Military Personnel, AF</u> In-house Backup Exhibits (MP)	2	1	4									1	1	1	1	4					1	1				1		16
<u>Reserve Personnel, Army</u> In-house Backup Exhibits (MPR)	2	1	4									1	1	1	1	2					2	1				1		15
<u>Reserve Personnel, Navy</u> In-house Backup Exhibits (MPR)	2	1	4									1	1	1	1	2					2	1				1		15
<u>Reserve Personnel, MC</u> In-house Backup Exhibits (MPR)	2	1	4									1	1	1	1	2					2	1				1		15
<u>Reserve Personnel, AF</u> In-house Backup Exhibits (MPR)	2	1	4									1	1	1	1	2					2	1				1		15
<u>Natl Guard Personnel, Army</u> In-house Backup Exhibits (MPR)	2	1	4									1	1	1	1	2					2	1				1		15
<u>Natl Guard Personnel, AF</u> In-house Backup Exhibits (MPR)	2	1	4									1	1	1	1	2					2	1				1		15

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
MILITARY PERSONNEL ACCOUNTS**

Appropriation	C H A P T E R	O M B		G A O	HAC(HNS)				SAC				H N S C	S A C	H P C I	S S C I	H B C	S B C	C B O	C L O I N B G R R A E R S Y S					T O T A L
					D E F S U B	D E F M I N	M C N M I N	M C N M I N	D E F S U B	D E F M I N	M C N M I N	M C N M I N													
<u>Military Personnel, Army</u> Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1					32
<u>Military Personnel, Navy</u> Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1					32
<u>Military Personnel, MC</u> Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1					32
<u>Military Personnel, AF</u> Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1					32
<u>Reserve Personnel, Army</u> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Reserve Personnel, Navy</u> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Reserve Personnel, MC</u> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Reserve Personnel, AF</u> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Natl Guard Personnel, Army</u> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1					31
<u>Natl Guard Personnel, AF</u> Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1					31

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS

Appropriation	C H A P T E R	USD(Comptroller)										A & T	P O L I C Y	C 3 I	P & R		L A		R A	T J S				O I G		D E T F O E T N A S L E	
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C																				P A & E
<u>O&M, Army</u> In-house Exhibits	3	1	5									1	1	1	1	3								1			15
<u>O&M, Navy</u> In-house Exhibits	3	1	5									1	1	1	1	3								1			15
<u>O&M, Marine Corps</u> In-house Exhibits	3	1	5									1	1	1	1	3								1			15
<u>O&M, Air Force</u> In-house Exhibits	3	1	5									1	1	1	1	3								1			15
<u>O&M, Defense-wide</u> Classified Justification Book (Vol 1) (Classified-DIA/NSA/DISA)**	3																										
		1	3									1	1	1	1	3		1		1					1		14
In-house Backup Exhibits		1	3									1	1	1	1	3								1			12
<u>O&M, Army Reserve</u> In-house Exhibits	3	1	4									1	1	1	1	2				1	1				1		14
<u>O&M, Navy Reserve</u> In-house Exhibits	3	1	4									1	1	1	1	2				1	1				1		14
<u>O&M, Marine Corps Reserve</u> In-house Exhibits	3	1	4									1	1	1	1	2				1	1				1		14
<u>O&M, Air Force Reserve</u> In-house Exhibits	3	1	4									1	1	1	1	2				1	1				1		14
<u>O&M, Army National Guard</u> In-house Exhibits	3	1	4									1	1	1	1	2				1	1				1		14
<u>O&M, Air National Guard</u> In-house Exhibits	3	1	4									1	1	1	1	2				1	1				1		14

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS**

Appropriation	C H A P T E R	O M B		G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B R R A E R S Y S				T O T A L	
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N													
					S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N													
<u>O&M, Army</u>	3																								
Justification Book (Vol 1)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Data Book (Vol 2)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Real Property Maintenance & Minor Construction (Vol 3)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
<u>O&M, Navy</u>	3																								
Justification Book (Vol 1)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Data Book (Vol 2)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Real Property Maintenance & Minor Construction (Vol 3)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
<u>O&M, Marine Corps</u>	3																								
Justification Book (Vol 1)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Data Book (Vol 2)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Real Property Maintenance & Minor Construction (Vol 3)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
<u>O&M, Air Force</u>	3																								
Justification Book (Vol 1)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Data Book (Vol 2)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Real Property Maintenance & Minor Construction (Vol 3)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS**

Appropriation	C H A P T E R	O M B		G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O N G R R A E S S				T O T A L
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N												
					S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N												
<u>O&M, Defense-wide</u>	3																							
Justification Book (Vol 1)- Unclassified**		2		3	3	1			2	1			5	4				2	1					24
Justification Book (Vol 1)- Classified**		2		3	3	1			2	1			5	4				2						23
Data Book (Vol 2)**		2		3	3	1			2	1			5	4				2	1					24
Real Property Maint & Minor Construction (Vol 3)**		2		3	3	1			2	1			5	4				2	1					24
<u>O&M, Army Reserve</u>	3																							
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1				37
<u>O&M, Navy Reserve</u>	3																							
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1				37
<u>O&M, Marine Corps Reserve</u>	3																							
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1				37
<u>O&M, Air Force Reserve</u>	3																							
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1				37
<u>O&M, Army National Guard</u>	3																							
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1				37
<u>O&M, Air National Guard</u>	3																							
Justification Book		2		3	3	1			2	1			10	6	1	1	2	2	2	1				37
<u>Operation & Maintenance Overview**</u>	3	10		3	5	1			5	1			10	10					1	2				48

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - ARMY**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O					T O T A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>Aircraft Procurement, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6										27
<u>Missile Procurement, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6										27
<u>Proc of W&TCV, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6										27
<u>Proc of Ammunition, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6										27
<u>Other Procurement, Army</u> Committee Staff Procurement Backup Book	4		1	3	4	1			3	1			6	6										27

**JUSTIFICATION MATERIAL SUPPORTING
THE PRESIDENT'S BUDGET REQUEST
CLASSIFIED PROCUREMENT ACCOUNTS -NAVY**

Appropriation	C H A P T E R	USD(Comptroller)										A & T	P O L I C Y	C 3 I	P & R		L A	P A *	R A	T J S				O I G		D E T F O R E S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C																			
<u>Aircraft Procurement, Navy</u> Classified Committee Staff Proc. Backup Book	4	1		3							2	2	1	1	1		1		1	1				1		15
<u>Other Procurement, Navy</u> Classified Committee Staff Proc. Backup Book	4	1		3							2	2	1	1	1		1		1	1				1		15

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - NAVY**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C O I N G R R A E R S Y S					T O T A L	
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N														
					S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N														
Aircraft Procurement, Navy Committee Staff Proc. Backup Book	4	2	1	3	4	1			3	1			6	6												27
Weapons Procurement, Navy Committee Staff Proc. Backup Book	4	2	1	3	4	1			3	1			6	6												27
Shipbuilding & Conversion, Navy Committee Staff Proc. Backup Book	4	2	1	3	4	1			3	1			6	6												27
Proc of Amunition, Navy and MC Committee Staff Proc. Backup Book	4	2	1	3	4	1			3	1			6	6												27
Other Procurement, Navy Committee Staff Proc. Backup Book	4	2	1	3	4	1			3	1			6	6												27
Procurement, MC Committee Staff Proc. Backup Book	4	2	1	3	4	1			3	1			6	6												27

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - AIR FORCE**

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R				R A	T J S				O I G		D E T F O R E N S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C					P A & E															
<u>Aircraft Procurement, AF</u> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1				1	1				1		14
<u>Missile Procurement, AF</u> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1				1	1				1		14
<u>Proc of Ammunition, AF</u> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1				1	1				1		14
<u>Other Procurement, AF</u> Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	2				1	1				1		14

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - AIR FORCE**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B G R R A E R S Y S				T C O U T M A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>Aircraft Procurement, AF</u>																								
Committee Staff Procurement Backup Book	4	2	1	3	4	1			3	1			6	6										27
<u>Missile Procurement, AF</u>																								
Committee Staff Procurement Backup Book	4	2	1	3	4	1			3	1			6	6										27
<u>Missile Procurement, AF</u>																								
Committee Staff Procurement Backup Book	4	2	1	3	4	1			3	1			6	6										27
<u>Other Procurement, AF</u>																								
Committee Staff Procurement Backup Book	4	2	1	3	4	1			3	1			6	6										27

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - OTHER**

Appropriation	C H A P T E R	USD(Comptroller)										A & T	P O L I C Y	C 3 I	P & R				R A	T J S	D O T & E			O I G		D E T F O R E N S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C																			
Procurement, Def-wide**	4			2							2	2	1	1	1				1	1				1		13
Classified Committee Staff Proc. Backup Book		1		17	4						2	2	1	1	1				1	1	1			1		33

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - DEFENSE-WIDE**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O N B G R R A E R S Y S					T O T A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N													
<u>Procurement, Def-wide</u> Committee Staff Procurement Backup Book**	4								1				1	1											10
<u>Natl Guard & Reserve Eq</u> Justification Book**	4	2	1		3	1			3	1									2	1					14
<u>Defense Production Act</u> Justification Book	4	2			2	1			2	1			3	3	1	1	2	2	2	1					23
<u>Chemical Agents & Munitions</u> <u>Destruction, Def</u> Committee Staff Procurement Backup Book	4																								20
<u>Multivear Procurement</u> Justification Book**	4	2	1	3	5	1			3	1			7	5					2	1					33
<u>P-1, Procurement Programs**</u>	1	6	1	3	13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	2					123
<u>P-1, Classified**</u>	1	6		3	5	1			5	1			5	5	2	2			3						38
<u>P-1R**</u>	1	6		3	3	1			3	1			10	10	2	2			3	1					45
<u>Program Acquisition Costs by Weapon</u> <u>System**</u>	1				13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	1					112

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)										P A & E	A & T	P O L I C Y	C 3 I	P & R				R A	T J S	D O T & E			O I G	D A R P A	D E T F O R E N A L S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C																				
<u>RD&E, Army</u> Classified Budget Item Justification Book Project Listing	5	1		3 2	1							2 2	2	1	1	1					1	1			1	1	16 4
<u>RD&E, Navy</u> Classified Budget Item Justification Book Classified Project Listing	5	1		3 2	1							2 2	2	1	1	1					1	1			1	1	16 4
<u>RD&E, AF</u> Classified Budget Item Justification Book Project Listing	5	1		3 2	1							2 2	2	1	1	1					1	1			1	1	16 4
<u>RD&E, Defense Agencies</u> Classified Budget Item Justification Book** Project Listing	5	1		3 2	1							2 2	2	1	1	1					1	1			1	1	16 4
<u>Classified R-1, RD&E Programs**</u>	1	1		17	4							2	2	1	1	1					1	1			1	1	33

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C O L I N G R R A E S S Y S					T O T A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N													
<u>RDTE, Army</u> Budget Item Justification Book	5	3	1	3	4	1			3	1			10	6	1	1	2	2	3	1					42
<u>RDTE, Navy</u> Budget Item Justification Book	5	3	1	3	4	1			3	1			10	6	1	1	2	2	3	1					42
<u>RDTE, AF</u> Budget Item Justification Book	5	3	1	3	4	1			3	1			10	6	1	1	2	2	3	1					42
<u>RDTE, Defense Agencies</u> Budget Item Justification Book**	5	3	1	3	2	1			2	1			5	4					2	1					25
<u>R-1, RDT&E Programs**</u>	1	6	1	3	13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	2					123
<u>R-1, Classified</u>	1	6		3	5	1			5	1			5	5	2	2			3						38

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
REVOLVING AND MANAGEMENT FUNDS**

Appropriation	C H A P T E R	O M B		G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	L I B R A R Y C O N G.					T O T A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N													
<u>Defense Working Capital Funds</u> Justification Book -Army, Navy, Air Force, Defense-wide	9	2		3	3	1			3	1			10	5					3	1					32
<u>Public Enterprise, Management Fund, and Trust Fund</u> Justification Book	10	2		3	2	1			2	1			5	2					2	1					21

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNTS**

Appropriation	C H A P T E R	O M B		G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B 0	C O N B R R A E S S Y S				T O T A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>MilCon, Family Hsg, Homeowners Assist, Army</u> - Justification Book	6	2		3			1	1			1	1	7	2	1	1	2	2	2	1				27
<u>Mil Const & Family Housing, N & MC</u> Justification Book	6	2		3			1	1			1	1	7	2	1	1	2	2	2	1				27
<u>Mil Const & Family Housing, AF</u> Justification Book	6	2		3			1	1			1	1	7	2	1	1	2	2	2	1				27
<u>Mil Const & Family Housing, Defense-wide</u> - Justification Book **	6	2		2			2	1			1	1	7	5					2	1				24
<u>Military Construction, Army Reserve</u> Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
<u>Military Construction, N & MC Reserve</u> - Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
<u>Military Construction, AF Reserve</u> Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
<u>Military Const, Army National Guard</u> Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
<u>Military Const, Air National Guard</u> Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
<u>NATO Security Investment Program</u> Justification Book	6						2	1			1	1							3	1				9
C-1, Construction Program	1	2		3		1	5	1		1	5	1	15	7					2	1				44

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
BASE REALIGNMENTS AND CLOSURES (BRAC)**

Appropriation	C H A P T E R	O M B		G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O N I N G R E A S S Y S				T O T A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>BRAC - Army</u> Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35
<u>BRAC - Navy</u> Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35
<u>BRAC - Air Force</u> Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35
<u>BRAC - DLA</u> Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35
<u>BRAC - DISA</u> Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R				R A	T J S				O I G		D E T O F E T N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C					P A & E															
<u>Intelligence Programs (NFIP/JMP/TIARA)</u> Classified Justification	16	1		1	2							1	1	1		1					1				1		10
<u>Comm. Command & Control</u> Classified Justification	17	1	3	1	1							1	1	1		1					1				1		12
<u>Drug Interdict. & Counter-drug Actvs</u> Classified Justification Book	14	1	2	1	1							1			1	1				1	1				1		11
<u>CD-ROM:</u> All unclassified budget material that has been posted to Internet site	1	1	1	1	1	1	1					1	1	1	1	1	1			1	1	1			1		16

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O N B G R R A E R S S					T O T A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N													
<u>Information Technology</u> Justification Book	18	3		3	1	1			1	1			2	2						1					15
<u>Intelligence Programs (NFIP/JMIP/TIARA)</u> (IP-1) Justification Book	16				1	1			1	1			2	2	1	1			1	1					12
<u>Communications, Command & Control</u> - Justification Book	17	2		3	2	1			2	1									1	1					13
<u>Defense Health Programs</u> Justification Book	12	2			2	1			2	1									3	1					12
<u>Drug Interdiction & Counter-drug Actvs</u> - Justification Book	14	2			2	1			2	1									3	1					12
<u>Overseas Cost Report (OP-53)</u> Report**	15	2			3	1			3	1			10	5					3	1					29
<u>Advisory and Assistance Services (PB-15)</u> Exhibit (incl. in O&M Data Book, Vol. II)	19																								
<u>Military Department Overview Booklets</u> Army, Navy, and Air Force	1	2			2	1	1	1	2	1	1	1	5	2	1	1	2	2	1	1					27
<u>CD-ROM:</u> All unclassified budget material that has been posted to Internet site	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1					19

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	L A			T J S			O I G		D E F O E T N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C			M I	F C	P A & E													
<u>Administrative Motor Vehicle Operations (PB-41)</u> In-house Backup Exhibit	19	1	2						1		1	1			1				1				1		9
<u>Functional Transfers (PB-14)</u> In-house Backup Exhibit	19	1	1				3																	5	
<u>Legislative Proposals (PB-16)</u> In-house Backup Exhibit	19	1	2												1									4	
<u>Employee Relocation Expenses (PB-17)</u> In-house Backup Exhibit	19	1	2												1									4	
<u>Contract Reporting by Appropriation(PB-19)</u> In-house Backup Exhibit	19	1	3									1												4	
<u>Competition and Privatization (PB-42)</u> In-house Backup Exhibit	19	1	2						1		1	1			2				1				1	10	
<u>Host Nation Support Costs (PB-25)</u> In-house Backup Exhibit	19	1	3								1				1				1				1	8	
<u>Child Dev., School Age Care, Family Centers, and Family Advocacy Programs (PB-50)</u> In-house Backup Exhibit	19	1	2						1		1				2				1				1	9	
<u>Aeronautical & Space Programs (PB-52A/B)</u> In-house Backup Exhibit	19	1		2							1	1			1				1				1	8	
<u>Budgeted Mil & Civilian Pav Raise (PB-53)</u> In-house Backup Exhibit	19	1	2						1	1	1				2				1				1	10	
<u>Civilian Personnel Hiring Plan (PB-54)</u> In-house Backup Exhibit	19	1	2												1									4	

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R					R A	T J S				O I G		D E T O E T N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C				M I	F C																
<u>Foreign Currency Exch. Data (PB-18)</u> In-house Backup Exhibit	19	1	2							1	1	1				2					2					1		11

010404 Witness Statements

A. Purpose This section provides instructions for preparation of witness statements for testimony at hearings before congressional committees.

B. Preparation

1. Each witness statement should contain a cover page that includes the name, grade/rank, and position title of the witness; the full title of the congressional committee or subcommittee before which the witness is to appear; the date the witness is to testify; the subject of the hearing; and an embargo statement "Not for Publication Until Released by the Committee" (or Subcommittee, if applicable).

2. The following line-spacing guidelines should be followed in typing statements:

a. Double space statements prepared for presentation to the committees, for easy reading by the members.

b. Single space statements that will be returned with transcripts or those prepared solely for inserting into the record.

3. The various congressional committees publish instructions for preparation of witness statements for their committee. These instructions, unique to each committee, are available from the following offices:

a. House and Senate National Security/Defense and Military Construction Appropriations Subcommittees - Directorate for Plans and Systems, USD(Comptroller) and Service Budget Liaison offices.

b. House National Security and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

c. Other congressional committees - Instructions are normally included in the letter requesting the hearing.

4. In order to provide some background on the witness for a committee, a biographical sketch of the witness should be included in the witness statement following the cover page. This is normally not necessary for witnesses such as Service Secretaries unless they are appearing for the first time before the committee.

C. Security Review

1. *DoD Directive 5400.4 calls for DoD witnesses to submit their prepared statements to Washington Headquarters Services, Directorate for Freedom of Information and Security Review, Room 2C757, (703)697-4325, for clearance.*

2. *This should be done as far in advance of the required date of transmittal to a congressional committee as possible, usually 5 or more working days prior to the date clearance is desired.*

D. Number of Copies

1. *Upon completion of the security review process, the originating office should ensure that 75 copies of unclassified statements are delivered to the Directorate for Defense Information, Office of the Assistant to the Secretary of Defense (Public Affairs), Room 2E765, Pentagon. This should be done at least 24 hours in advance of the scheduled appearance of the witness before the congressional committee. Be prepared to provide additional copies on short notice.*

2. *These procedures will allow the Office of the Assistant Secretary of Defense (Public Affairs) to meet news media requirements as soon as statements are released by the congressional committee or subcommittee.*

3. *A chart identifying the various oversight committees' copy requirements for witness statements and the date that the statements are due to the committee is republished periodically by the Directorate for Plans and Systems, USD(Comptroller), as committee requirements change. Be careful to use the most recent chart.*

4. *Special care should be exercised to ensure that specified due dates are met. The committees use the witness statement in preparing for the hearing and so suspense dates are important. Committees will routinely predicate cooperation in discussing or releasing possible hearing questions or topics on the timely delivery of these statements.*

5. *Offices responsible for arranging the attendance of principal and supporting witnesses at a hearing normally prepare a listing of witnesses known as the Witness List. These offices will contact all involved parties to obtain the names and positions of the witnesses for the Witness List.*

010405 Transcript Processing

A. Purpose This section provides instructions for processing transcripts of witness testimony at hearings before congressional committees.

B. Initial Receipt

1. The House and Senate Appropriations subcommittees on National Security/Defense, and Military Construction Appropriations provide hearing transcripts directly to Budget Liaison offices of the Services and to the Director for Plans and Systems, Under Secretary of Defense (Comptroller). All other hearing transcripts are provided directly to the Legislative Affairs office of the Services and to the Office of the Assistant Secretary of Defense (Legislative Affairs).

2. The original copy of the transcript is then provided to the office of the principal witness utilizing DD Form 1587, Record of Congressional Transcript Review, as the transmittal document. To meet committee requirements and allow time for final review by Washington Headquarters Services, Security Review, each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. DoD Directive 5400.4 provides guidance in utilizing DD Form 1587. Instructions are also printed on DD Form 1587.

3. The various committees publish instructions for processing transcripts for their committee hearings. These instructions, unique to each committee, are available from the following offices:

a. House and Senate National Security/Defense and Military Construction Appropriations Subcommittees - Directorate for Plans and Systems, USD(Comptroller) and Service Budget Liaison offices.

b. House National Security and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

c. Other congressional committees - Instructions are normally included in the letter requesting the hearing.

C. Processing Procedures

1. Upon receipt of the transcript in the office of the primary witness, that office will review and edit the transcript and prepare the necessary inserts including questions for the record. At the same time, those staff offices required to provide input to the transcript should be tasked, in writing, for their specific portion. Page and line number/question number should be referenced when tasking inserts for the record.

2. Offices providing input to transcripts should clear their internal security review office prior to providing their input to the principal witness' office. After consolidation of the edit/review of the transcript and inclusion of necessary inserts, the office of the principal witness will then need to obtain the proper security clearance for the transcript and inserts from Washington Headquarters Services, Directorate for Freedom of Information and Security Review. A DD 1790, Prepared Testimony Review must be used. DoD Directive 5400.4 provides instructions to be followed in processing the transcript through the security review process.

3. *Plain bond (8.5" x 11.0" with left and right margins of 1.5")* Insert for the Record, will be utilized for all inserts to congressional testimony and questions/answers for the record. Formats for completing these for the four oversight committees are provided in Section 0109.

4. After completing the security review process and required coordination's, the completed transcript should be returned to the office from which the transcript was received (Transcript Action Monitor) for final review and delivery to the congressional committee.

5. Special care should be exercised to ensure that transcript processing suspense dates are met. The committees emphasize that the deadline dates imposed by them must be met. As the committees approach mark-up, the importance of meeting deadlines becomes even more critical. Transcripts should not be unduly delayed while gathering information for the record. If a delay is encountered, a note that the data will be furnished at some specified date should accompany the transcript and processing should proceed.

D. Page Proofs/Galleys Often committees allow DoD to review "page proof"/"galleys" of congressional testimony to ensure that changes have been incorporated and that classified data has been deleted from the version that will be made public. Extreme care must be exercised to ensure that all classified data have been excised.

010406 Appeal Process on Congressional Actions

A. Purpose Each year the actions taken by congressional committees during consideration of the DoD authorization and appropriation bills are reviewed by DoD components. This Section provides policy guidance and procedures for appealing such congressional actions.

B. Scope of Material

1. DoD appeals to congressional committees may be in the form of a letter to the appropriate committee chairman (or chairmen in the case of appeals to joint conferees), which sets forth the Department's position on the most significant programs/items impacted by congressional actions. This letter is prepared for the signature of the Secretary of Defense. Only the Secretary will provide the Department's position on appeal items.

2. DoD appeals also may be in the form of an appeal package consisting of as many as 100 or more pages, one for each action being appealed. This package is submitted to the appropriate committee by the USD(Comptroller). It is not submitted as an enclosure to an appeal letter, but may be referred to in the letter.

3. The submission of appeal material can vary each year and is primarily dependent upon the timing of each committee's actions on the budget request. The preparation of appeal items begins when the actions of the committees become known, usually with release of the committee's report. Normally, appeal material will be modified to reflect final floor action since amendments adopted on the floor can significantly change positions reported out by the committees. In most cases, the process is as follows:

a. To Authorization Conferees. *This appeal is based on the actions of both the House National Security and Senate Authorization Committees, as modified by House and Senate floor action.*

b. To Appropriations Conferees. *This appeal is based on the actions of both the House and Senate Appropriations Committees, as modified by House and Senate floor actions.*

C. Preparation of Appeals

1. Once the actions of an oversight committee become known, DoD components normally will be requested to provide input for incorporation into the Secretary's appeal letter or appeal package. Appeal input will be submitted in the general format of Exhibit PB-39A-1 and PB-39A-2 (provided in *Section 0109*) in both hard copy and on floppy disk in either Microsoft Word or WordPerfect format for DOS (with no graphics). Components may be asked to assign a priority to the actions they want appealed.

2. All appeal materials must be unclassified. Verification that materials are entirely unclassified must be obtained by the DoD component from the component's security review prior to submission to OSD. USD(Comptroller) will obtain clearance of the consolidated appeal package from the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, Room 2C757, the Pentagon.

D. Policy Guidance, Preparation and Coordination of Budget Appeals

1. By memorandum of May 27, 1983, Subject: "Congressional Justification of the President's Annual Defense Budget," the Secretary of Defense charged the Comptroller with the responsibility to coordinate all justification actions for his consideration that may be interpreted as reprogramming, supplementals, amendments, or appeals to the Defense budget. Therefore, in order to ensure that the Department speaks to the Congress in this area with one voice and remains consistent with the Secretary's policy direction, all appeals to congressional committees will be prepared by the USD(Comptroller).

2. The Directorate for Plans and Systems, within the Office of the USD(Comptroller) (Program/Budget), will issue instructions for submission of appeal input. Along with other Comptroller directorates, Plans and Systems will review the input and prepare a draft appeal letter and appeal package. Normally, these drafts will be sent for comments to the appropriate DoD offices. Clearance on all appeal materials will be requested from the Office of Management and Budget.

3. While responsibility for consolidation and coordination of appeal materials resides with the USD(Comptroller), all offices are responsible for ensuring that the materials they submit remain up to date. Submitting components e.g. The Joint Staff) should provide only one position on each issue submitted.

E. Classified Appeals. Actions of congressional committees documented in classified annexes (such as by the Intelligence Committees) to reports or classified letters may be addressed in classified appeals prepared by the ASD(C³I). Further guidance is contained in Chapter 16.

0105 BUDGET AUTOMATION REQUIREMENTS**010501 Automated Future Years Defense Program (FYDP) Data Base**

Automation requirements for the FYDP and technical guidance for the submission of program element change data have been moved to Section 0107. Director, Program Analysis & Evaluation (PA&E), will provide Components with guidance on submission requirements.

010502 Automated Procurement Programs Database

A. Purpose and Objectives. This section provides for the maintenance of the Procurement *Programs* as an automated database which will be the primary structure for quantity and program cost at line item level of detail for a number of related procurement program documents. The Procurement *Programs* supports and should be consistent with the following documents: (1) Procurement Programs (P-1 and *P-1R*) Reports and all supporting budget backup exhibits, (2) Congressional Data Sheets, (3) Selected Acquisition Report (SAR), and (4) Procurement Program and Financing Schedules of the President's Budget.

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies (hereafter referred to as "DOD Components") that contribute data to the Procurement *Programs*.

C. Reporting Requirements. The initial automated database was established consistent with the procurement data submitted to the Congress in support of the FY 1974 Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program Objective Memoranda, (2) Budget Estimates, and (3) President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Procurement Programs. The Procurement *Programs* provide resources in a line item level of detail with appropriation identification. A detailed description of line item entries is listed in Volume 2B, Chapter 4, Section 0402 of the Budget FMR. The minimum information required in the Procurement *Programs* is as follows:

1. A summary by appropriation account with subtotals for DOD Components.
2. A summary of each appropriation account by budget activity with an appropriation total.
3. A detailed line item listing in budget activity/subactivity sequence.
4. Entries for the individual line items should be on the same basis as that used for budget submissions. Multiyear procurements (MYP) are identified for P-1 line items with MYP as defined in Section 010203. Advance procurement entries should be used as specified in Volume 2B, Section 040502. Initial spares listed with the procurement item (post delivery and outfitting costs for Shipbuilding and Conversion, Navy) should be shown immediately following the line as a memorandum entry--non-add to the budget activity total.
5. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward obligation adjustments, and rescissions, as appropriate, after the appropriation expires but before it is canceled.
6. Cost to complete column provides the data necessary to obtain the total procurement cost for acquisition of weapon items. It is necessary to estimate the cost of completing the approved program for major weapon systems included in the Selected Acquisition Report (SAR) reporting system and for multiyear contracts utilizing economic order quantity advance procurement. Such costs will be entered in the "cost to complete" column of the Procurement *Programs*. Entries in the "cost to complete" column are not required for other procurement line

entries. The “cost to complete” estimate will include: (1) the portion of the “approved quantity” to be procured beyond the FYDP, and (2) costs to complete acquisition of units procured in prior years such as outfitting and post delivery requirements for ships which will not deliver during the FYDP.

7. Security classification of line items is determined by the submitting component subject to OSD Security review. Except for information published in the unclassified version of the P-1 Report, data contained in the Procurement *Programs* may not be released outside the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller). (In the case of the Procurement *Programs* update for the Program Objectives Memorandum, this consent must come from the Director of Program Analysis and Evaluation.)

E. General Instructions - Preparing the Procurement Programs (P-1). The P-1 document is derived from and consistent with the *Budget Review System*. *The P-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President’s Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The minimum information required in the P-1 is as follows:*

1. Identification codes and a detailed description of line item entries are explained in paragraph F below.

2. The line item data provided is PY, CY, BY1 and BY2.

3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. Procurement Data Elements and Record Formats

1. Codes - Appropriation Code, Component Code, and Budget Activity Code are as specified in Section 010506. Budget Subactivity Codes will be assigned by the responsible Military Department or Agency.

2. Item Control Number - This control number will be assigned by the responsible Military Department or Agency. Since this control number will serve to identify the item and relate it to its respective nomenclature, it will be assigned in such a way as to serve for the life of the line item in the data base. It is not to be confused with the numeric, sequential, line item number printed in the first column of the procurement exhibit P-1. Care should be exercised by each Department that the Item Control Number be assigned to provide for additions, deletions, and generic and/or logical sequencing of line items within the budget subactivity. Uniformity among the Military Departments or Agencies will not be necessary but the code will not exceed ten (10) alphanumeric characters. The code will be entered in the data field left justified.

3. Cost Type Codes.

Authorized for use are:

Code Cost Type:

A Weapon System Cost

B Advance Procurement (PY)

C Advance Procurement (CY)

D Contract design - Historical SCN only

E Contract Cancellation - SCN only

F PY Unfunded Deficiencies

G Over Target

- I Future Cost/Growth Escalation - SCN only
- J Initial Spares* (Outfitting for SCN) (Memo non- add)
- K Post Delivery - SCN only
- L Cost Growth - SCN only
- M Shipbuilding Escalation - SCN only
- N Completion of PY Programs
- P Unfunded NSSF (Memo)
- R Reserve Equipment (Memo Non-Add)*
- S Anticipated Escalation (Memo for historical updates)
- T National Guard Equipment (Memo Non-Add)*

*Initial Spares must be identified by weapon system. The Item Control Number for each initial spare entry must be identical to its parent weapons system.

4. Fiscal Year - The four digits of the applicable fiscal year.
5. Advance Procurement Fiscal Year - Enter the future fiscal year to which the advance procurement cost is associated.
6. Action Code - To ensure proper action against each Nomenclature Record and/or procurement data record, the following action codes are to be used:
 - Code 1 - Use only for nomenclature record.
 - Code 9 - Use only for changes to procurement program resources - Identifies all data changes either added to the file or net changes to an existing data record.
7. Program Budget Decision (PBD) Number - During the Program Budget Decision cycle only, enter PBD number (to include any revised PBDs).
8. Nomenclature Record - Enter only the proper English language title of the item to be procured which is most commonly used. Abbreviations, acronyms and codes will be avoided where possible. The item nomenclature will not exceed 45 alphanumeric characters.
 - a. SAR Item Designator - The single character "X" in the appropriate data field will indicate a SAR item.
 - b. Security Classification - Secret will be indicated as "S"; Confidential will be indicated as "C"; Unclassified will be indicated as "U."
 - c. Program Quantity - The quantity for a line item which has a quantity designator of "U" will be expressed in units; for a quantity designator of "T" enter the units quantity divided by 1,000; and for a quantity of "M" enter the units quantity divided by 1,000,000.
 - d. Identification Record - Entries will be limited to "A" or "B" as specified and defined in Volume 2B, Section 0401.

9. Formats are provided in Section 010704.

G. Instructions for Response to Procurement Appendix

1. General. Program Budget Decision documents for procurement appropriations will contain a Procurement Appendix as an attachment. The Appendix requires DoD Components to record line item net changes to TOA on SD Form 463 consistent with the expressed intent of the Program Budget Decisions (PBDs).

2. Instructions Pertaining to SD Form 463. Instructions for preparation of SD Form 463 appear on the reverse of the form. Floppy disk submissions should be made in accordance with SD Form 463 and meet the following criteria:

Floppy Disk Format:

- ASCII file.
- Character record length --
(length of record on code sheet -- i.e. 56 for the Procurement *Programs* data transactions).
- Formatted PC DOS - releases 2.0 or higher.
- 3 1/2" diskette
and
Double Sided and Double Density.
or
Double Sided and High Density.
- Attach a printed label showing the file name and the number of transactions it contains to the front of the disk.

3. All submissions will be in accordance with Procurement Data Elements and Record Formats printed in this chapter.

010503 Automated RDT&E *Programs* Database

A. Purpose and Objectives. This Section provides for the maintenance of the RDT&E *Programs* automated database which will be the primary structure for program element detail in a number of related RDT&E program documents. Included are the (1) RDT&E Programs (R-1) and all supporting budget backup exhibits, (2) FYDP Summary and Program Element Detail, (3) Selected Acquisition Reports, and (4) RDT&E Program and Financing Schedules of the President's Budget. The RDT&E *Programs* database also will be used to reconcile differences with the automated update of the Future Years Defense Program Summary and Program Element Detail for RDT&E accounts.

B. Applicability. The provisions of this Section apply to the Office of the Secretary of Defense (OSD), the Military Departments and the Defense Agencies (hereafter referred to as "DoD Components") that contribute data to the RDT&E *Programs*.

C. Reporting Requirements. The initial automated database was established consistent with the RDT&E data submitted to the Congress in support of the FY 1976/1977T Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program Objective Memoranda, (2) Budget Estimates, and (3) President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the RDT&E Programs. The RDT&E Programs is consistent with the program element identification of resources contained in the Future Years Defense Program Summary and Program Element Detail. Data in the RDT&E Programs is summarized by appropriation account with recaps by budget activity and FYDP programs. Security classification of line items is determined by the submitting component subject to OSD Security review. Except for information published in the unclassified version of the RDT&E Programs (R-1) report, data contained in the RDT&E Programs may not be released outside the DoD without the written consent of the Under Secretary of Defense (Comptroller). (In the case of the RDT&E Programs update for the Program Objectives Memorandum, this consent must come from the Director of Program Analysis and Evaluation.)

E. General Instructions - Preparing the RDT&E Programs (R-1). The R-1 document is derived from and consistent with the *Budget Review System database*. The R-1 is provided annually to the DoD Oversight Committees of the Congress coincident with the transmittal of the President's Budget. An unclassified version is provided to OASD (PA) for use by non-DoD activities. The unclassified R-1 is the only document from the RDT&E Programs database available for public distribution. The minimum information required in the R-1 is as follows:

1. The program element line item data provided is PY, CY, BY1 and BY2.
2. The security classification shall be in accordance with the criteria set forth in Section 010108.
3. A detailed program element listing in budget activity sequence.

F. RDT&E Data Elements and Record Formats

1. Codes - Treasury Code, Component Code, and Budget Activity Code are as specified in Section 010506.
2. Program Element - These program element (PE) codes are published in the DoD 7045.7-H (FYDP Program Structure Handbook).
3. SAR Item Designator - The single character "X" in card column 31 in the Nomenclature Format, SD Form 463-1N, (Section 010904) will indicate a SAR item.
4. Action Code - To ensure proper action against each nomenclature record and/or RDT&E data record, the following action codes will indicate the desired action against the data base:

Code 1 - Use Only for Nomenclature Record

Code 9 - Use Only for Changes to RDT&E Program Resources

5. Cost Type - Use cost type code A for program value.
6. Formats are provided in section 010904.

G. Instructions for Response to RDT&E Appendix

1. General. Program Budget Decision documents for RDT&E appropriations will contain an RDT&E appendix as an attachment. The appendix requires the DoD components to record program element net changes to TOA on SD Form 463-1 consistent with the expressed intent of the Program Budget Decisions (PBDs).
2. Instructions Pertaining to SD Form 463-1. Instructions for preparation of SD Form 463-1 appear on the reverse side of the form. Floppy disk submissions should be made in accordance with SD Form 463-1 and meet the following criteria:

Floppy Disk Format:

- ASCII file.
- Character record length --
(length of record on code sheet -- i.e. 40 for the RDT&E *Programs* data transactions).
- Formatted PC DOS -- releases 2.0 or higher.
- 3 1/2" diskette and
Double Sided and **Double Density** – or - **Double Sided** and **High Density**..
- Attach a printed label showing the file name and the number of transactions it contains to the front of the disk.

3. All submissions, regardless of media will be in accordance with RDT&E data elements and record formats printed in this chapter.

010504 Automated Construction Program Database

A. Purpose and Objectives. This section provides for the establishment of an Automated Construction Program Database to supplement the Defense Components' military construction justification materials. The Construction Program also will be used to track Program Budget Decisions at the project level, track congressional action on the President's budget submissions, and provide the baseline data required for special analysis.

B. Applicability. The provisions of this section apply to all requirements financed by the Military Construction, NATO Security Investment Program, Base Realignment and Closure, Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance appropriations of the Departments of Army, Navy, Air Force and Defense-Wide as applicable.

C. Responsibilities. The DoD components will submit Construction Program data for their Active, Guard and Reserve forces construction projects, their portions of the Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance programs, and multi-service or national level projects for which they are executive agent as described in DoD Directive 7150.5, "Responsibilities for Programing and Financing Facilities at DoD Installations Utilized by Two or More DoD Components."

D. Reporting Requirements. Update submissions will coincide with the September budget submissions and the January budget presentation. Detailed requirements not contained herein will be specified by memorandum for all update submissions.

E. Construction Data Elements and Record Formats. The data elements authorized for entry into the Automated Construction Program Database are as follows:

1. Appropriation Code - As specified in Section 010506.
2. Component/Suffix Code - As specified in Section 010506.
3. Budget Activity Code - As specified in Section 010506.
4. Major Command Code - Any two digit numeric code (01 through 99) that will uniquely identify a major command for that component.
5. Location Code

a. State/Country Code - Use the applicable code given at Tables II and III at the end of Section 010504. Exigent minor construction and all other lump-sum amounts should use the worldwide unspecified state/country code "ZU."

b. Installation Code - Use any three digit numeric code, right justified zero filled, that will uniquely identify the installation within the state or country. The installation code for exigent minor construction and all other lump-sum amounts should be 9's filled.

6. Project Identification Code - Use any six digit numeric code, right justified zero filled, that will uniquely identify the project for this location. Code lump-sum values as described in Table I at the end of Section 010504. Classified projects should have a valid project identification code, but the title associated with the code should be "classified project."

7. Facility Category Code - Use the three digit code as specified in DoD Instruction 4165.14. This field will be 9's filled for "Exigent Minor Construction" and all Lump-Sum Records. Family Housing new construction projects (budget activity 01) must have a valid facility category code.

8. Fiscal Year Program - The two digits of the applicable fiscal year.

9. Action Code - To ensure proper action against each Nomenclature Record and/or Decision Record, the following action code (not to be confused with Action Document Code) will indicate the desired action against the database.

Code 1 - Use only for nomenclature record - Identifies the addition of major command.

Code 2 - Use only for nomenclature record - Identifies a change to a major command title already on file.

Code 3 - Use only for nomenclature record - Identifies the addition of an installation title record.

Code 4 - Use only for nomenclature record - Identifies a change to an installation title already on file.

Code 5 - Use only for nomenclature record - Identifies the addition of a project to the database.

Code 6 - Use only for nomenclature record - Identifies changes to a project record already on the file.

Code 9 - Use only for changes to construction program resources - Identifies all data changes either added to the file or net changes to an existing data record.

10. Cost Type - Cost type codes authorized for use are:

<u>Code</u>	<u>Cost Type</u>
A	Project Value
M	Memo non-add projects

Use the "M" code for projects proposed for authorization under the Military Construction Act but for which funding under the Military Construction Act is not proposed. (For instance, a project to be funded with prior year military construction savings or to be funded in another appropriation, such as procurement.)

11. Action Document Code - Each change, introduction of new data, or deletion of existing data to the database must be substantiated by an approved decision document. These documents are the only approved sources to reflect Secretary of Defense decisions and thereby authorize changes to the base file. The following codes are assigned to identify the appropriate documents:

01	Program Change Decision
02	Program Budget Decision
04	Program Decision Memorandum
16	Congressional Action

12. Document Decision Number - All transactions necessary to reflect the decision document directing the change will be coded consistently in this six character alphanumeric data element. Examples include, but are not restricted to the following:

<u>Type of Decision</u>	<u>Document Decision</u>					
	<u>Number</u>					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
PBD	3	0	1			
PBD,Revision (1st)	3	0	1	C		
PBD,Revision (2nd)	3	0	1	C	2	
PBD,Reclama (1st)	3	0	1	R		
PBD,Reclama (2nd)	3	0	1	R	2	
PBD, Rev to 2nd Reclama	3	0	1	R	2	C

13. Approval Date - The date of the decision document which approved the changes in six digits representing year, month, and day in that order.

14. Program Cost - The TOA amount will be expressed in thousands of dollars. Negative values should be represented by a minus sign to the immediate left of the dollar amount (e.g., -4328).

15. Title - This will be the Command, Installation or Project title, depending on the action code.

16. Authorization Indicator - Code "X" in this field if the project is subject to authorization. Code "P" in this field if the project was authorized for appropriation in a prior year or code Y if the project was authorized in a prior year.

17. Major FYDP Program - Use the two digits of the applicable major Defense Program the project supports.

18. Special Interest Indicator - Use this code to indicate if the project falls into one of the special categories given below:

- 1 = Energy Conservation
- 2 = Air Pollution Abatement
- 3 = Water Pollution Abatement
- 4 = Noise Pollution Abatement

19. Formats are provided in section 010904.

F. Level of Detail

1. Data will be reported at the level specified for the justification material (DD Form 1391) in Chapters 6 and 7. A summary of the levels required follows:

2. Military Construction 1/

- Major Construction - project detail
- Minor Construction - lump-sum for exigent minor construction
- Planning and Design - lump-sum
- Supporting Activities - project detail

3. NATO Security Investment Program - lump-sum 1/4. Base Realignment and Closure - lump-sum 1/5. Family Housing Construction 1/

- Construction of new housing - project detail. Under normal conditions the project title should indicate the number of units to be constructed, e.g. "NEW CONSTRUCTION (265)"
- Construction Improvements - lump-sum
- Planning - lump-sum

6. Family Housing Debt, Operation & Maintenance 1/ Lump-sum for each budget activity except Operating Expenses, which will be reported by account as shown below:

- Operating Expense
 - Management Account
 - Services Account
 - Utilities Account
 - Furnishings Account
 - Miscellaneous Account
- Leasing
- Maintenance of Real Property
- Interest Payments
- Mortgage Insurance Premiums

7. Homeowners Assistance Fund 1/

- Payment to Homeowners
- Other Operating Costs
- Acquisition of Real Property
- Mortgages Assumed

8. DoD Family Housing Improvement Fund - lump sum 1/

1/ Nomenclature records for all lump-sum values will be generated by the OSD computer system; DoD Components should not submit nomenclature records for lump-sum values.

G. General Instructions - Updating the Construction Program Database.

1. General

a. Nomenclature Records - Nomenclature or title records are used to assign names to major commands, installations and projects, and are submitted by the components on Construction System Database Nomenclature Recording Form, SD Form 463-2N. The system will determine what is being assigned a name by examining the action code.

(1.) Major Commands - To assign a major command title, specify the treasury code, component/suffix code, two digit command code, action code 1 and title. Defense-Wide, Guard and Reserve accounts should have a command of "99" and a title of the account name. To change an existing command title, specify the same data as above, but use action code 2.

(2.) Installation - To assign an installation title, specify the Treasury code, component/suffix code, location code, action code 3, command code and title. The title should not contain the state, e.g., "Fort Bragg, North Carolina." If an installation houses elements of several commands, there should be an installation transaction for each command having a project at that installation. To change an installation title, specify the same data as above, but use action code 4. (Note - the command code cannot be changed with a "4" record.)

(3.) Project - To assign a project title specify the treasury code, component/suffix code, budget activity, location code, project identification code, action code 5, major command, major FYDP Program, facility category code, special interest indicator, authorization indicator and title. An explanation of the data elements is given in paragraph E. of this section. The following items in a project nomenclature record may be changed by using action code 6: command code, major FYDP Program, facility category, special interest and authorization indicator codes, and project title. To change any or all of these data items, specify (from the record to be changed) the Treasury code, component/suffix code, budget activity, location code, project code, action code 6, fiscal year, and one or more of the items to be changed.

b. Decision Data Records - The data records are used to assign values or adjust values for specific projects identified by the location and project identification and are submitted by the Components on Construction System Database Decision Reading Form, SD Form 463-2. An explanation of the data elements is given in paragraph E. of this section.

2. Classification. A project may be classified due to the nature of the project, the location of the project, or both. Since the Construction Programs (C-1) is an unclassified document generated from an unclassified database, use the conventions given below to desensitize the data:

a. If the location is classified, use the applicable special State/Country code given in Tables II and III at the end of this section.

b. If the project is classified, assign the project a title of "Classified Project."

c. If both location and project are classified, use both conventions given above.

d. The various DoD Components are responsible for ensuring that the database describing their projects does not contain classified information.

3. Initial Budget Submission. The initial September budget submission of Construction Program data will be consistent with data submitted for the budget. The document serial number (positions 29-31 of SD Form 463-2) will be the PBD wherein the resources for this project will be addressed, and position 32 of the record will contain an S. (Note - Additional requirements may be specified by the Memorandum calling for the update submissions.)

4. Decisions

a. PBDs for Military Construction, NATO Security Investment Program, Base Realignment and Closure, Family Housing, DoD Family Housing Improvement Fund, and Homeowners Assistance Fund will contain a Construction Appendix sheet as an attachment. The DoD components will record net changes to TOA by

project on SD Form 463-2 consistent with the intent of the PBD. The SD Form 463-2 will be submitted to OUSD(C)(P/B) within five working days after the date of the PBD. This response will be shortened toward the end of the budget review.

b. If the Construction decision is reclamaed, it must be definitized to the level of detail contained in the PBD Construction Appendix. Reclama decisions will be processed in the same manner as the original decision document; however, SD Form 463-2 must be submitted by the DoD components to OUSD(C)(P/B) within 24 hours after receipt of the reclama decision.

5. Instructions Relating to SD Form 463-2 and SD Form 463-2N. Instructions for the preparation of SD Form 463-2 and SD Form 463-2N appear on the reverse side of the forms. Floppy disks are preferred in lieu of the forms. Floppy disk format: **MUST BE** ASCII; Character record length will be the same as the length of the record on the code sheet; formatted PC DOS - release 2.0 or higher; 3 1/2" diskette, (double sided and double density or double sided and high density) - attach an outside printed label showing the file name, Component and number of transactions). All submissions, regardless of media, will be in accordance with Construction data elements and record formats outlined in paragraph E. of this section.

6. Status Reporting. Periodic status reports in the form of an updated C-1 and audit trail reports reflecting these decision adjustments will be provided. It is essential that these status reports be reviewed by the components on a recurring basis during the Budget Review to assure all concerned that PBDs and related decisions are accurately reflected in the Construction database.

Table I

<u>P.L.</u>	<u>Treasury Code</u>	<u>BA</u>	<u>Valid State/Country</u>	<u>Valid Installation</u>	<u>Valid Project ID</u>
50	All	01	ALL	See Note 1	See Note 2
*		02	"ZU"	"999"	"999902"
*		03	"ZU"	"999"	"999903"
*		04	ALL	See Note 1	See Note 2
60	See Note 4	01	ALL	See Note 1	See Note 2
*		03	"ZU"	"999"	"999903"
*		04	"ZU"	"999"	"999904"
*	See Note 5	09	"ZU"	"999"	"999909"
*		10	"ZU"	"999"	"999910"
*		11	"ZU"	"999"	"999911"
*		06	"ZU"	"999"	See Note 3
*		07	"ZU"	"999"	"999907"
*		08	"ZU"	"999"	"999908"
*	4090	01	"ZU"	"999"	"999901"
*		02	"ZU"	"999"	"999902"
*		03	"ZU"	"999"	"999903"
*		04	"ZU"	"999"	"999904"
*	0834	01	"ZU"	"999"	"999901"

* Denote Budget Activities that are represented as Lump-Sum Amounts.

Note 1 - If State/Country Code is any of the special codes, installation may be "999."

Note 2 - Must be a valid project number assigned via a nomenclature record.

Note 3 - Must be one of the following:
888805 Management Account
88810 Services Account
888815 Utilities Account
88820 Furnishings Account
88825 Miscellaneous Account

Note 4 - For 0702A - Use 7020A
For 0703N - Use 7030N
For 0704F - Use 7040F
For 0706D - Use 7060D

Note 5 - For 0702A - Use 7025A
For 0703N - Use 7035N
For 0704F - Use 7045F
For 0706D - Use 7065D

TABLE II

STATE ABBREVIATIONS

Alabama	AL	Washington	WA
Alaska	AK	West Virginia	WV
Arizona	AZ	Wisconsin	WI
Arkansas	AR	Wyoming	WY
California	CA		
Colorado	CO	District of Columbia	DC
Connecticut	CT		
Delaware	DE		
Florida	FL		
Georgia	GA		
Hawaii	HI		
Idaho	ID		
Illinois	IL		
Indiana	IN		
Iowa	IA		
Kansas	KS		
Kentucky	KY		
Louisiana	LA	<u>Special Conus Locations</u>	
Maine	ME	Conus Classified	XC
Maryland	MD	Conus Various	XV
Massachusetts	MA	Conus Unspecified	XU
Michigan	MI		
Minnesota	MN		
Mississippi	MS		
Missouri	MO		
Montana	MT		
Nebraska	NE		
Nevada	NV		
New Hampshire	NH		
New Jersey	NJ		
New Mexico	NM		
New York	NY		
North Carolina	NC		
North Dakota	ND		
Ohio	OH		
Oklahoma	OK		
Oregon	OR		
Pennsylvania	PA		
Rhode Island	RI		
South Carolina	SC		
South Dakota	SD		
Tennessee	TN		
Texas	TX		
Utah	UT		
Vermont	VT		
Virginia	VA		

TABLE III

Overseas Abbreviations

Antigua	AN	Kenya	KE
Ascension Island	AI	Korea	KR
Australia	AU	Kwajalein	KW
Azores Islands	AO	Liberia	LI
Bahamas	BA	Luxembourg	LX
Bahrain Island	BI	Mariana Islands	ML
Barbados WI	BR	Midway Island	MW
Belgium	BE	Morocco	MR
Berlin	BW	Netherlands	NL
Bermuda	BM	New Zealand	NZ
Canada	CD	Norway	NW
Denmark	DN	Oman	MU
Diego Garcia	DG	Panama	PN
Egypt	EG	Philippines	PI
France	FR	Portugal	PO
Germany	GY	Puerto Rico	PR
Greece	GR	Scotland	SL
Greenland	GL	Seychelle Islands	SI
Guam	GU	Somalia	SO
Guantanamo Bay,	Cuba	GB	Spain SP
Honduras	HO	Taiwan	TA
Iceland	IC	Turkey	TK
Italy	IT	United Kingdom	UK
Japan	JA	Virgin Islands	VI
Johnston Island	JI	Wake Island	WK

Special Overseas and Worldwide Locations

Overseas Classified	YC
Overseas Various	YV
Overseas Unspecified	YU
Worldwide Classified	ZC
Worldwide Various	ZV
Worldwide Unspecified	ZU

010505 Automation Requirements for the Biennial Budget Estimates Submission

A. Purpose. The budget estimates submissions are entered in the Budget Review System from machine-readable magnetic media provided by the Military Departments and Defense Agencies. This chapter prescribes the specifications for submission of machine-readable data.

B. Submission Requirements

1. Exhibits PB-2, PB-2A, and PB-4 (on-board yearend strength only), as prescribed in Section 010305, will be supported by automated records in the record layouts specified in Section 010904 and in the detail prescribed by the Budget Account Title File Listing. All data will be listed.

2. Machine-readable data must follow the record layouts shown in Section 010904. Negative numeric values will be preceded by a minus sign. A hard copy listing of each data type must accompany the machine-readable data.

a. *Submissions must be in ASCII format on 3 1/2" diskettes, readable on IBM compatible PCs. For those Components with accounts on the Single Agency Manager's (SAM) Classified IBM mainframe computer (System IS), submission files may be placed on the virtual disk on System IS, provided OUSD(C)P&FC analysts have access to the disk.*

b. Data submitted must have each record followed by a carriage return and tabs between appropriated fields. Templates with fill-in capability are available on floppy disks for use with MSWord.

3. In addition to the hard copy exhibits specified in Section 010305, a single hard copy, listing each record, will be provided. Separate listings will be prepared for financial data, civilian full-time equivalent (FTE) data, and military end strength data. The format for the hard copy printout will show data in the same order as that prescribed for the record layouts. Control totals will not be included in the machine-readable data.

4. Machine-readable data conforming to paragraph B.2. of this section for all accounts, the corresponding hard copy printout, two copies each of Exhibit PB-1, PB-2, PB-2A, PB-4, and PB-8 will be submitted concurrently with the budget estimates and delivered to Room 3B872, Pentagon. The delivery should be made by the Component designated principal or alternate coordinator for budget submissions.

5. Components unable to provide machine-readable input as specified in paragraph B.2. above should make prior arrangements with the Directorate for Program and Financial Control, Room 3B872, Pentagon.

C. Record Layouts

1. The following transcript sheets provide the record layout required for input on machine-readable media. Examples of these transcript sheets and their coding instructions are provided in Section 010904:

DD Form 2232	Budget Estimates Recording Form (\$), PY, CY, BY1, and BY2.
DD Form 2233	Decision Recording Form (\$), PY, CY, BY1, and BY2.
DD Form 2234	Outyear Recording Form (\$), BY+1, BY+2, BY+3, and BY+4.
DD Form 2235	Budget Estimates Recording Form (End Strength/FTE), PY, CY, BY1, and BY2.
DD Form 2236	Decision Recording Form (End Strength/FTE), CY, BY1, and BY2.
DD Form 2236-1	Outyear Recording Form (End Strength/FTE), BY+1, BY+2, BY+3, and BY+4.

2. Coding Instructions. Coding instructions for preparation of the transcript sheets are included on the reverse of each form. These codes are precise and must be coded as shown in the “Budget Account Title File Listing,” which lists the valid budget activity/budget subactivity codes for each appropriation as well as all valid financing and object classification codes. This listing will be distributed by the Directorate for Program and Financial Control prior to the September budget submission. In addition, Section 010506 provides a sample budget activity/budget subactivity structure as well as a listing of all valid financing and object classification codes.

D. Technical Instructions

1. Submission of Budget Estimates for PY, CY, BY1 and BY2

a. Budget Submission (Dollars): Coincident and consistent with the hard copy submission of the budget estimates, Military Departments and Defense Agencies, as applicable, will submit machine-readable data entries for all schedules and for all applicable budget accounts for all years. Detailed data entries only will be submitted since subtotals and summary totals are computer generated. Input data will be formatted in accordance with DD Form 2232 on a media type specified in paragraph B.2. of this section. All TOA values for PY, CY, BY1, and BY2 will be submitted in accordance with the detail prescribed by the Budget Account Title File Listing. Amounts will be in agreement with the PB-2 and PB-2A exhibits.

b. Budget Submission (Personnel Data): Budget estimates submission of on-board year end personnel data entries for military end strength and civilian full-time equivalents (FTEs) will be formatted in accordance with DD Form 2235 and will be in exact agreement with the PB-4 exhibit. Personnel data will be submitted for all years in accordance with the detail prescribed by the Budget Account Title File Listing.

c. *Hard copy coding sheets (DD Form 2232 and DD Form 2235) will only be accepted for less than 5 lines of corrections of PY, CY, BY1, and BY2 data.*

2. Submission of Outyear Estimates

a. Budget Submission (Dollars): The submission for BY+1 through BY+4 TOA will be made coincident with the budget submission. Input to the database will be formatted in accordance with DD Form 2234 at the PDM level, by appropriation account and budget subactivity.

b. Budget Submission (Personnel Data): Budget estimates for BY+1 through BY+4 military end strength and civilian full-time equivalents (FTEs) will be made coincident with the budget submission. Input to the database will be formatted in accordance with DD Form 2236-1 and agree with the PB-4 exhibit.

c. *Hard copy coding sheets (DD Form 2234 and DD Form 2236-1) will only be accepted for less than 5 lines of corrections for outyear data.*

3. Decision Recording

a. DD Form 2233 and DD Form 2236 will not be used for budget estimates submissions. These forms are used to record *CY, BY1 and BY2 changes* documented by Program Budget Decisions (PBDs).

b. DD Form 2234 and DD Form 2236-1 are used for recording PBD decisions impacting the outyears as well as outyear budget estimates submission..

010506 Name Edit System (NES) Structure and Description

A. Purpose The NES File reflects the official Department of Defense budget account structure for submission of the budget estimates in machine-readable form (as described in Section 010505, paragraph B.2.). The structure is documented in the Budget Accounts Title File Listing, a sample of which is provided in Section 010506.

The complete Budget Accounts Title File Listing will be distributed by the Directorate for Program and Financial Control to the Services and Defense Agencies prior to the September budget submission.

B. Organization of the NES File The NES File is structured to validate Budget Plan, Obligation Plan, Financing, Budget Authority, Expenditure Tail, and Object Classification input. Valid Budget Plan and Obligation plan entries are present for each appropriation account and are established at the budget activity level (in some cases, budget subactivity). These entries comprise the "Program by Activities" section for each account and must be identical to the entries shown in the hard copy Program and Financing Schedule submission. Financing, Budget Authority, Expenditure Tail, and Object Classification entries are valid for use in any applicable appropriation account. Where specific Financing, Budget Authority and Expenditure Tail entries are restricted for use, the appropriate accounts and/or fund types against which these entries may be used are identified in the "comments" section of the Budget Accounts Title File Listing.

C. Responsibility. Responsibility for the accuracy of the NES File rests with the OUSD(C)(P/B). Components should notify the Directorate for Program and Financial Control, OUSD(C)(P/B), of any changes considered to be necessary to properly reflect budget estimates through budget subactivity level prior to transmission to OSD.

D. Input Requirements

1. Input coding for all budget estimates will be entered precisely as listed in the Budget Accounts Title File Listing. Features which should be considered in the preparation of data are:

a. The presence of a "P" and/or a "\$" in the "PER/\$\$ Inputs" column indicates those budget activities/subactivities (program budget decision) against which resources (\$ or personnel data) may be entered. Requests to add a "P" or a "\$" to an existing line may be made to the Directorate for Program and Financial Control, OUSD(C)(P/B), through the respective Program/Budget Directorate responsible for that appropriation.

b. Military Personnel Accounts:

(1) The Military Departments will prepare and submit the military personnel account data. Machine-readable input for military personnel dollars should not be submitted by Defense Agencies.

(2) In addition, military personnel costs associated with intelligence programs will be entered under budget activity 20 (see Budget Accounts Title File Listing). An offsetting entry must be made against the "NFIP Offset" budget subactivity such that the sum of these intelligence program entries net to zero.

(3) The Military Departments will prepare and submit end strength data on a Component basis; i.e., Army submits data on personnel assigned to Army as well as Army personnel assigned to each Defense Agency (see Budget Accounts Title File Listing). The Defense Agencies must coordinate their end strength requirements with the Military Departments prior to the Military Departments' data submissions.

c. Input coding for the Defense *Working Capital* Fund must include the appropriate budget subactivity code assigned to each business area for operating and capital expenses, civilian full-time equivalents (FTEs), and military end strengths.

d. Obligation Plan data will be coded with a "2" in column 1 for all accounts listed below and for any other "multiyear" account:

0107D	Office of the Inspector General
0130D	Defense Health Program
0132D	Disaster Relief
0134D	<i>Former Soviet Union Threat Reduction</i>
0819D	<i>Overseas Humanitarian, Disaster and Civic Aid</i>

0828D	Reinvestment for Economic Growth
0838D	<i>Quality of Life Enhancements</i>
2031A	Aircraft Procurement, Army
2032A	Missile Procurement, Army
2033A	Procurement of Weapons and Tracked Combat Vehicles, Army
2034A	Procurement of Ammunition, Army
2035A	Other Procurement, Army
1506N	Aircraft Procurement, Navy
1507N	Weapons Procurement, Navy
1508N	Procurement of Ammunition, Navy and Marine Corps
1611N	Shipbuilding and Conversion, Navy
1810N	Other Procurement, Navy
0380N	Coastal Defense Augmentation
1109N	Procurement, Marine Corps
3010F	Aircraft Procurement, Air Force
3020F	Missile Procurement, Air Force
3011F	Procurement of Ammunition, Air Force
3080F	Other Procurement, Air Force
0300D	Procurement, Defense-Wide
0350D	National Guard and Reserve Equipment, Defense
0360D	Defense Production Act Purchases
0390A	Chemical Agents and Munitions Destruction, Defense
2040A	RDT&E, Army
1319N	RDT&E, Navy
3600F	RDT&E, Air Force
0400D	RDT&E, Defense-Wide
0450D	Developmental Test and Evaluation, Defense
0460D	Operational Test and Evaluation, Defense
2050A	Military Construction, Army
1205N	Military Construction, Navy
3300F	Military Construction, Air Force
0500D	Military Construction, Defense-Wide
2085A	Military Construction, Army National Guard
3830F	Military Construction, Air National Guard
2086A	Military Construction, Army Reserve
1235N	Military Construction, Navy Reserve
3730F	Military Construction, Air Force Reserve
0103D	Base Realignment and Closure Account, Part I
0510A	Base Realignment and Closure, Army
0510N	Base Realignment and Closure, Navy
0510F	Base Realignment and Closure, Air Force
0510D	Base Realignment and Closure, Defense
7020A	Family Housing, Construction, Army
7030N	Family Housing, Construction, Navy
7040F	Family Housing, Construction, Air Force
7060D	Family Housing, Construction, Defense-Wide

Budget activities/subactivities F11020, F14020, F17020, F21020, and F24020 may be used only in the obligation plan for these accounts. Conversely, F17010 and F21910 may be used only in the Budget Plan. Where budget activity Rxx, Reimbursable Program, applies to both Budget Plan and Obligation Plan, separate data entries must be coded with a "1" in column 1 for Budget Plan, and a "2" in column 1 for Obligation Plan. All other financing budget activities not listed above apply to both budget plan and obligation plan, and therefore will be coded only once.

e. Concept Obligations will be coded budget activity C1x for Direct, C2x for Reimbursable, or C3x for the Special Fund accounts as follows:

Direct - BA C1x

8008N	<i>Naval Historical Center Fund</i>
8063A	Ainsworth Library Trust Fund
8064A	Fisher House Trust Fund, Army
8165D	Foreign National Employee Separation Pay Trust Fund
8168D	National Security Education Trust Fund
8169N	<i>Fisher House Trust Fund, Navy</i>
8170F	<i>Fisher House Trust Fund, Air Force</i>
8174A	National Science Center Gift Fund
8335D	Voluntary Separation Trust Fund
8337D	Host Nation Support for U.S. Relocation Activities, Defense
8716N	Navy General Gift Fund
8723N	Ships Stores Profits, Navy
8730N	USN Academy Museum Fund
8733N	USN Academy General Gift Fund
8927A	Army General Gift Fund
8928F	Air Force General Gift Fund
9082N	Interfund Transactions, Navy
9086D	Interfund Transactions, Defense
9088D	Interfund Transactions Foreign National Employee Separation Fund
9089D	Interfund Transactions for Voluntary Separation Trust Fund
0001A	Offsetting Receipts, Army
0002N	Offsetting Receipts, Navy
0003F	Offsetting Receipts, Air Force
0004D	Offsetting Receipts, Defense Agencies
0006A	Receipts Civil, Army
0007N	Receipts Civil, Navy
0008F	Receipts Civil, Air Force
0021A	Rocky Mountain Arsenal Receipts
0024D	Defense Cooperation Receipts
0025D	Interest on Defense Cooperation Receipts
0029N	<i>Offsetting Receipts, Rossmoor Liquidating Trust Settlement</i>
0036D	<i>Sales of Certain Material in National Defense Stockpile</i>
0041D	<i>Offsetting Receipts, Defense Burdensharing Contributions</i>
0085N	Offsetting Receipts Kaho' Olawe Island Fund
0086A	Fees collected for use of National Science Center
0088D	Offsetting Receipts Disposal of Real Property, Def
0089D	Offsetting Receipts Lease of Real Property, Def
0093D	Offsetting Receipts DoD Overseas Military Facility Recovery, Def
0095D	Proceeds from Transfer or Disposal of Commissary Facilities

Reimbursable - BA C2X

8164D	Surcharge Collections, Sales of Commissary Stores, Defense
8418F	Air Force Cadet Fund
8423N	Midshipmen's Store, USN Academy

Special Fund (Direct) - BA C3X

5098A	Restoration of the Rocky Mountain Arsenal, Army
5185N	Kaho 'Olawe Island Fund, Navy
5188D	Disposal of Real Property
5189D	Lease of Real Property

5193D	DoD Overseas Military Facility Investment Recovery
5195D	Transfer/Disposal Commissary Facilities, Defense
5286A	National Science Center, Army
5441D	Burdebsharing and Other Cooperative Activities, Defense
5492N	<i>Rossmoor Liquidating Trust Settlement Account</i>

E. Object Classification Schedules

1. The traditional object classification numbers which are specified in OMB Circular A-11 and identify the specific object classes are augmented in the automated budget review record by a prefix code which identifies Direct Obligations (Prefix T1x), Reimbursable Obligations (Prefix T2x), Allocation Accounts (Prefix T3x), and Distribution by Component or Agency (Prefix T5x).

2. Object classification schedules with Allocation Accounts will be coded so that the sum of object classes T1xxxx, T2xxxx, and T3xxxx equals the sum of T5xxxx.

3. All revolving and management accounts will be coded in the reimbursable (Prefix T2xxxx) object class series followed by the appropriate object class number.

4. Object class data will be submitted for all accounts listed in the NES File which reflect obligations (including concept obligations) in the Program and Financing data in the PY, CY, BY1 or BY2.

F. Expenditure Tail.

1. The Expenditure Tail section of the Program and Financing Schedule (Exhibits PB-2 and 2a as shown in Section 010902) will be supported by automated records in the detail specified in Section 010506, paragraph H. The amount of this detail has been minimized to the extent possible by computer processing certain basic data. These basic data are identified as "DIRECT INPUT." All other entries are identified as "COMPUTER SUM . . ." and need not be coded by submitting components.

2. Care will be exercised in the handling and coding of arithmetic signs.

3. For revolving funds with TOA, payments in all years which are attributable to appropriations will be entered against the current year (F90110). With this exception, all remaining revolving and management fund data entries for both payments and collections will be made against the prior year and not the current year, and will be entered against F90111.

4. Components should not submit expenditure tail data for Defense (TI 97) accounts with a component code of D; this data will be prepared by the Directorate for Program and Financial Control, OUSD(C)(P/B).

G. Stub entries for BRS Program and Financing (excluding Expenditure Tail)

	BUDGET PLAN				OBLIGATION PLAN			
	PY	CY	BY1	BY2	PY	CY	BY1	BY2
Program by Activities:								
Direct Program:								
1. Combat Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
2. Airlift Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
3. Trainer Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
4. Other Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
5. Modification of Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
6. Aircraft spares and repair parts	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
7. Aircraft support equipment and facilities	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
20. Undistributed	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
Total direct program (appears only if BA R0x follows)	/---	-- Com	puter	sum of	Lines	1 thru	20---	---/
R01000 Reimbursable (Total)	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
Total obligations	/---	--Com	puter	sum of	Lines	1 thru	Rxx--	---/
Financing:								
Receipts and reimbursements from:								
F11000 Federal funds (-) (includes trust funds)								
F11010 New federal fund orders	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F11020 Adjustment to prior year federal fund orders	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F14000 Non-federal sources (-)								
F14010 New non-federal sources	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F14020 Adjustment to non-federal sources	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F17000 Recovery of prior year obligations (-)								
F17010 Recoveries of prior year program (obligations) (-)	DI 1	DI 1	DI 1	DI 1	BLANK	BLANK	BLANK	BLANK
F17020 Recoveries of prior year obligations (-)	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F21000 Unobligated balance available, start of year (-):								
F21010 Unobligated balance available, start of year (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21020 For completion of prior year budget plans	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F21030 Available to finance new budget plans	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21040 Treasury balance	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21050 U.S. Securities:								
F21051 Par (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21052 Unrealized discounts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21057 Unamortized premium (-) or discount, net	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21058 Interest purchased	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21910 Reprogramming from or to prior year budget plans	DI 1	DI 1	DI 1	DI 1	BLANK	BLANK	BLANK	BLANK
F21980 Unobligated balance, SOY, Fund balance	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21983 Available	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21984 Unavailable	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22000 Unobligated balance transferred , net								
F22402 Portion applied to meet foreign currency fluctuations in expired accounts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22405 Unobligated balance transferred to other accounts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22410 Unobligated balance transferred from other accounts (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22980 Fund balance transferred to other accounts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22985 Fund balance transferred from other accounts (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F23000 Unobligated balance reductions								
F23800 Red. pursuant to P.L. 99-177 in unob bal (disc)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F23850 Reduction pursuant to P.L 99-177 in unob bal (mand)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24000 Unobligated balance available, end of year:								
F24010 Unobligated balance available, end of year	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24020 For completion of prior year budget plans	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2

		BUDGET PLAN				OBLIGATION PLAN			
		PY	CY	BY1	BY2	PY	CY	BY1	BY2
F24030	Available to finance subsequent year budget plans			DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24040	Treasury balance	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24050	U.S. Securities:								
F24051	Par	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24052	Unrealized discounts (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24057	Unamortized premium or discount (-), net	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.058	Interest purchased	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24980	Unobligated balance, EOY: Fund balance	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24983	Available	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24984	Unavailable	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F25000	Unobligated balance expiring:								
F25010	Unobligated balance expiring	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F25450	Unobligated balance expiring, reappropriation	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F30000	Deficiency (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F31000	Redemption of debt	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F32000	Balance of authority withdrawn								
F32470	Balance of authority to borrow withdrawn	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F32490	Balance of contract authority withdrawn	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F39000	Budget Authority	/---	--Com	puter	sum of	Lines	1 thru	39---	---/
F39010	P&FC Rounding, budget plan	DI 1	BLANK	BLANK	BLANK	BLANK	BLANK	BLANK	BLANK
F39020	P&FC Rounding, obligation plan	BLANK	BLANK	BLANK	BLANK	DI 2	BLANK	BLANK	BLANK
F40000	Current Authority								
F40010	Appropriation	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40030	Offsetting receipts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40050	Appropriation (indefinite)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40150	Appropriation (emergency)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40200	Appropriation (special fund)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40250	Appropriation (special fund, indefinite)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40260	Appropriation (trust fund, definite)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40270	Appropriation (trust fund, indefinite)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40350	Appropriation rescinded (-)(Current Year)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40355	Appropriation rescinded (Prior Year)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40360	Appropriation rescinded (unob bal) (Current Year)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40365	Appropriation rescinded (unob bal) (Prior Year)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40470	Portion applied to debt reduction (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40480	Portion applied to liquidate deficiencies (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40490	Portion applied to liquidate contract authority	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40500	Balance of appropriation to liquidate contract auth withdrawn	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40600	Contingent emergency appropriation not available for obligation	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F407xx	Reduction pursuant to P.L. xxx-xxx	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40799	Line Item Veto Cancellation	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40800	Reduction pursuant to P.L. 99-177 (disc) (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40850	Reduction pursuant to P.L. 99-177 (mand) (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40950	Undistributed FOR P&FC USE ONLY	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F41000	Transferred to other accounts (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F41220	Transferred to other accounts (unob bal) (specific language)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1

* DI means Direct Input; the number following is the required code in column 1 (1 is Budget Plan; 2 is Obligation Plan)

H. P&F Schedule Computational Checks Diagnostic Report Entries

1. Three BRS reports have been developed to provide diagnostic and balancing checks for appropriation accounts. A description of these checks and corresponding diagnostic messages follows for each report.

2. Report 22 performs a series of balancing checks between types/groups of data within an account and, in certain cases, within a Defense Agency. There are currently 20 checks:

Number

1. Budget plan budget authority vs. obligation plan budget authority.
2. Obligation plan budget authority vs. financing budget authority.
3. Budget plan budget authority vs. financing budget authority.
4. Total direct program vs. total direct object classification.
5. Total reimbursable program vs. total reimbursable object classification.
6. Line 10.00, total program vs. line 99, total object classification.
7. Line 10.00, total program plus total orders vs. obligations incurred, net.
8. Recovery of prior year obligations (-) vs. adjustments in unexpired accounts (-).
9. Current year budget authority vs. current year outlays.
10. Budget plan total reimbursable program vs. budget plan offsetting collections (orders(-))
11. Unobligated balance, end of year vs. unobligated balance, start of year one year forward.
12. Obligated balance, end of year vs. obligated balance, start of year one year forward.
13. Contract authority obligated balance, end of year vs. contract authority obligated balance, start of year one year forward.
14. Contract authority obligated balance, end of year vs. contract authority obligated balance, start of year plus adjustments.
15. Obligated balances, end of year (net) vs. obligated balances, start of year (net) plus adjustments minus outlays.
16. Revolving fund TOA vs. financing budget authority, excluding contract authority and BA transfers.
17. Revolving fund TOA vs. TOA offset (R00).
18. Receipt budget authority vs. receipt current year outlays.
19. Deficiency balance, start of year vs. deficiency balance, end of year in the previous year.
20. Deficiency balance, end of year vs. deficiency balance, start of year plus adjustments.

3. The number of checks actually performed for an account will vary depending on the type of account:

- Annual (single year)
- Multi-year
- Revolving fund with TOA
- Other revolving & management fund
- Trust fund
- Civil trust fund
- Trust revolving fund
- Offsetting receipts, military
- Offsetting receipts, civil

For example, diagnostic 6 compares Program & Financing line 10.00, total program to Object Classification line 99, total object classification. For an annual account, total program is the sum of budget plan direct (TOA) and reimbursable budget activities; for a multi-year account, the sum of obligation plan direct and reimbursable budget activities; and for a trust fund, the sum of budget plan concept obligations budget activities.

4. Each diagnostic will display at a minimum a message detailing the data used, the diagnostic error message, the amounts accumulated for the check and the difference(s) found.

5. The tables that follow list the diagnostics performed for each type of account. For each diagnostic, the data used and error message(s) are displayed. The data used will be specified as budget activity (BA) or budget activity/subactivity (BASA). Error messages will describe the data type/group being tested and the test condition that fails.

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Diagnostic Number	Diagnostic Description	
	ANNUAL ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03*	BA 0xx + Rxx + (F1x thru F3x) Budget Plan Bud. Auth.	BA F4x + F5x + F6x Not = Financing Bud. Auth.
	Budget Plan	Object Classification
04*	BA 0xx Total Direct	BA T1x Not = Total Direct
05*	BA Rxx Total Reimbursable	BA T2x Not = Total Reimbursable
06*	BA 0xx + Rxx Line 10.00, Total Prog.	BA Txx, excluding T5x Not = Line 99, Total Obj. Cl.
	Budget Plan	Expenditure Tail
07	BA 0xx + Rxx + F11 + F14 Total Program+Orders	BASA F71010 Not = Obligations incurred, net
08	BA F17 Recovery of PY Oblig . (-)	BA F78 Not = Adj in unexpired accts (-)
09 (Warning)	Absolute (BA F4x + F5x + F6x) Curr. yr Budget Auth.	Absolute (BASA F90110) < Curr. yr Outlays
	BUDGET PLAN	
10* (Warning)	BA Rxx, BASA F11010, F14010 REIMBURSABLE PROGRAM AND ORDERS DO NOT OFFSET In PY, Rxx + (F11010+F14010) Not = 0 In CY, Rxx + (F11010+F14010) Not = 0 In BY1, Rxx + (F11010+F14010) Not = 0 In BY2, Rxx + (F11010+F14010) Not = 0	

* NOTE: Asterisk indicates diagnostic performed at Agency level for Defense Agency accounts

Diagnostic	Diagnostic Description
	START/END OF PERIOD BALANCES (BUDGET PLAN)
11*	<p>BA F24, F21</p> <p>UNOBLIGATED BALANCES</p> <p>F24(py) + F21(cy) Not = 0</p> <p>F24(cy) + F21(by1) Not = 0</p> <p>F24(by1) + F21(by2) Not = 0</p>
12	<p>BA F74, F72</p> <p>OBLIGATED BALANCES</p> <p>F74110(py) Not = F72110(cy)</p> <p>F74105(py) Not = F72105(cy)</p> <p>F74110(cy) Not = F72110(by1)</p> <p>F74105(cy) Not = F72105(by1)</p> <p>F74110(by1) Not = F72110(by2)</p> <p>F74105(by1) Not = F72105(by2)</p>
15	<p>BA F74, F71, F72, F73, F77, F78, F83, F84, F85, F90</p> <p>OBLIGATED BALANCE, EOY (NET) NOT = OBLIGATED BALANCE, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year:</p> <p>F74110 Not = F71010+F72110+F72105+F73310+F73410+F77110+F77120+F78110+F83+F84+F85-(F90110+F90111)-F74105</p> <p>In Current Year:</p> <p>F74110 Not = F71010+F72110+F72105+F73310+F73410+F77110+F77120+F78110+F83+F84+F85-(F90110+F90111)-F74105</p> <p>In Biennial Yr 1:</p> <p>F74110 Not = F71010+F72110+F72105+F73310+F73410+F77110+F77120+F78110+F83+F84+F85-(F90110+F90111)-F74105</p> <p>In Biennial Yr 2:</p> <p>F74110 Not = F71010+F72110+F72105+F73310+F73410+F77110+F77120+F78110+F83+F84+F85-(F90110+F90111)-F74105</p>
19	<p>BA F30, F83, F84</p> <p>DEFICIENCY BALANCES</p> <p>F83(cy) Not = F30(py) - F84(py)</p> <p>F83(by1) Not = F30(cy) - F84(cy)</p> <p>F83(by2) Not = F30(by1) - F84(by1)</p>
20	<p>BA F83, F84, F85</p> <p>DEFICIENCY BALANCES, EOY NOT = DEFICIENCY BALANCES, SOY + ADJUSTMENTS</p> <p>In Prior Year: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Current Year: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Biennial Yr 1: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Biennial Yr 2: F84100 Not = 0 - (F83100+F83150+F85100)</p>

Diagnostic Number	Diagnostic Description
	MULTI-YEAR ACCOUNT DIAGNOSTICS
	Budget Plan Obligation Plan
01*	BA 0xx + Rxx + (F1x thru F3x) Budget Plan Bud Auth BA 0xx + Rxx + (F1x thru F3x) Not = Obligation Plan Bud Auth
	Obligation Plan Obligation Plan
02*	BA 0xx + Rxx + (F1x thru F3x) Oblig. Plan Bud. Auth. BA F4x + F5x + F6x Not = Financing Bud. Auth.
	Budget Plan Obligation Plan
03*	BA 0xx + Rxx + (F1x thru F3x) Budget Plan Bud. Auth. BA F4x + F5x + F6x Not = Financing Bud. Auth.
	Obligation Plan Object Classification
04*	BA 0xx Total Direct BA T1x + T3x Not = Total Direct+Allocations
05*	BA Rxx Total Reimbursable BA T2x Not = Total Reimbursable
06*	BA 0xx + Rxx Line 10.00, Total Prog. BA Txx, excluding T5x Not = Line 99, Total Obj. Cl.
	Obligation Plan Expenditure Tail
07	BA 0xx + Rxx + F11 + F14 Total Program+Orders BASA F71010 Not = Obligations incurred, net
08	BA F17 Recovery of PY Oblig. (-) BA F78 Not = Adj in unexpired accts (-)
09 (Warning)	Absolute (BA F4x + F5x + F6x) Curr. yr Budget Auth. Absolute (BASA F90110) < Curr. yr Outlays

Diagnostic Number	Diagnostic Description
	BUDGET PLAN
10* (Warning)	<p>BA Rxx, BASA F11010, F14010</p> <p>REIMBURSABLE PROGRAM AND ORDERS DO NOT OFFSET</p> <p>In PY, Rxx + (F11010+F14010) Not = 0</p> <p>In CY, Rxx + (F11010+F14010) Not = 0</p> <p>In BY1, Rxx + (F11010+F14010) Not = 0</p> <p>In BY2, Rxx + (F11010+F14010) Not = 0</p>
	START/END OF PERIOD BALANCES (OBLIGATION PLAN)
11*	<p>BA F24, F21</p> <p>UNOBLIGATED BALANCES</p> <p>F24(py) + F21(cy) Not = 0</p> <p>F24(cy) + F21(by1) Not = 0</p> <p>F24(by1) + F21(by2) Not = 0</p> <p>F24020(py) + F21020(cy) Not = 0</p> <p>F24020(cy) + F21020(by1) Not = 0</p> <p>F24020(by1) + F21020(by2) Not = 0</p> <p>F24030(py) + F21030(cy) Not = 0</p> <p>F24030(cy) + F21030(by1) Not = 0</p> <p>F24030(by1) + F21030(by2) Not = 0</p>
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
12	<p>BA F74, F72</p> <p>OBLIGATED BALANCES</p> <p>F74(py) Not = F72(cy)</p> <p>F74(cy) Not = F72(by1)</p> <p>F74(by1) Not = F72(by2)</p>
15	<p>BA F74, F71, F72, F73, F77, F78, F83, F84, F85, F90</p> <p>OBLIGATED BALANCE, EOY (NET) NOT = OBLIGATED BALANCE, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year:</p> <p>F74 Not = F71010+F72+F73310+F73410+F77110+F77120+F78110+F83+F84+F85-(F90110+F90111)</p> <p>In Current Year:</p> <p>F74 Not = F71010+F72+F73310+F73410+F77110+F77120+F78110+F83+F84+F85-(F90110+F90111)</p> <p>In Biennial Yr 1:</p> <p>F74 Not = F71010+F72+F73310+F73410+F77110+F77120+F78110+F83+F84+F85-(F90110+F90111)</p> <p>In Biennial Yr 2:</p> <p>F74 Not = F71010+F72+F73310+F73410+F77110+F77120+F78110+F83+F84+F85-(F90110+F90111)</p>
19	<p>BA F30, F83, F84</p> <p>DEFICIENCY BALANCES</p> <p>F83(cy) Not = F30(py) - F84(py)</p> <p>F83(by1) Not = F30(cy) - F84(cy)</p> <p>F83(by2) Not = F30(by1) - F84(by1)</p>
20	<p>BA F83, F84, F85</p> <p>DEFICIENCY BALANCES, EOY NOT = DEFICIENCY BALANCES, SOY + ADJUSTMENTS</p> <p>In Prior Year: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Current Year: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Biennial Yr 1: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Biennial Yr 2: F84100 Not = 0 - (F83100+F83150+F85100)</p>

Diagnostic Number	Diagnostic Description
	REVOLVING FUND WITH TOA ACCOUNT DIAGNOSTICS
	Budget Plan Budget Plan
03*	BA Rxx (excl. R00) + (F1x thru F3x) BA F4x + F5x + F6x Budget Plan Bud. Auth. Not = Financing Bud. Auth.
	Budget Plan Object Classification
05*	BA Rxx (excl. R00) BA T2x Total Reimbursable Not = Total Reimbursable
06*	BA Rxx (excl. R00) BA Txx, excluding T5x Line10.00, Total Prog. Not = Line 99, Total Obj. Cl.
	Budget Plan Expenditure Tail
07	BA Rxx (excl. R00)+F11+F14 BASA F71010 Total Program+Orders Not = Obligations incurred, net
08	BA F17 BA F78 Recovery of PY Oblig.(-) Not = Adj in unexpired accts(-)
09 (Warning)	Absolute (BA F4x +F5x + F6x) Absolute (BASA F90110) Curr. yr Budget Auth. < Curr. yr Outlays
	START/END OF PERIOD BALANCES (BUDGET PLAN)
11*	BA F24, F21 UNOBLIGATED BALANCES F24(py) + F21(cy) Not = 0 F24(cy) + F21(by1) Not = 0 F24(by1) + F21(by2) Not = 0
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
12	BA F74, F72 OBLIGATED BALANCES F74410(py) Not = F72410(cy) F74105(py) Not = F72105(cy) F74410(cy) Not = F72410(by1) F74105(cy) Not = F72105(by1) F74410(by1) Not = F72410(by2) F74105(by1) Not = F72105(by2)

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Diagnostic Number	Diagnostic Description	
	OTHER REVOLVING & MANAGEMENT FUND ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03*	BA Rxx + (F1x thru F3x) Budget Plan Bud. Auth.	BA F4x + F5x + F6x Financing Bud. Auth. Not =
	Budget Plan	Object Classification
05*	BA Rxx Total Reimbursable	BA T2x Total Reimbursable Not =
06*	BA Rxx Line 10.00, Total Prog.	BA Txx, excluding T5x Line 99, Total Obj. Cl. Not =
	Budget Plan	Expenditure Tail
07	BA Rxx + F11 + F14 Total Program+Orders	BASA F71010 Obligations incurred, net Not =
08	BA F17 Recovery of PY Oblig.(-)	BA F78 Adj in unexpired accts(-) Not =
09 (Warning)	Absolute (BA F4x + F5x + F6x) Curr. yr Budget Auth.	Absolute (BASA F90110) Curr. yr Outlays <
	START/END OF PERIOD BALANCES (BUDGET PLAN)	
11*	BA F24, F21 UNOBLIGATED BALANCES F24(py) + F21(cy) Not = 0 F24(cy) + F21(by1) Not = 0 F24(by1) + F21(by2) Not = 0	
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)	
12	BA F74, F72 OBLIGATED BALANCES F74410(py) Not = F72410(cy) F74105(py) Not = F72105(cy) F74410(cy) Not = F72410(by1) F74105(cy) Not = F72105(by1) F74410(by1) Not = F72410(by2) F74105(by1) Not = F72105(by2)	

Diagnostic Number	Diagnostic Description
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
15	<p>BA F74, F71, F72, F73, F77, F78, F90</p> <p>OBLIGATED BALANCE, EOY (NET) NOT = OBLIGATED BALANCE, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year: $F74410 \text{ Not} = F71010 + F72105 + F72410 + F73 + F77110 + F77120 + F78110 - (F90110 + F90111) - F74105$</p> <p>In Current Year: $F74410 \text{ Not} = F71010 + F72105 + F72410 + F73 + F77110 + F77120 + F78110 - (F90110 + F90111) - F74105$</p> <p>In Biennial Yr 1: $F74410 \text{ Not} = F71010 + F72105 + F72410 + F73 + F77110 + F77120 + F78110 - (F90110 + F90111) - F74105$</p> <p>In Biennial Yr 2: $F74410 \text{ Not} = F71010 + F72105 + F72410 + F73 + F77110 + F77120 + F78110 - (F90110 + F90111) - F74105$</p>

Diagnostic Number	Diagnostic Description	
	TRUST FUND ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03	BA Cxx + (F1x thru F3x) Budget Plan Bud. Auth.	BA F4x + F5x + F6x Financing Bud. Auth. Not =
	Budget Plan	Object Classification
04	BA Cxx Total Direct	BA T1x Total Direct Not =
06	BA Cxx Line10.00, Total Prog.	BA Txx, excluding T5x Line 99, Total Obj. Cl. Not =
	Budget Plan	Expenditure Tail
07	BA Cxx + F11 + F14 Total Program+Orders	BASA F71010 Obligations incurred, net Not =
08	BA F17 Recovery of PY Oblig. (-)	BA F78 Adj in unexpired accts (-) Not =
09 (Warning)	Absolute (BA F4x + F5x + F6x) Curr. yr Budget Auth.	Absolute (BASA F90110) Curr. yr Outlays <
	START/END OF PERIOD BALANCES (BUDGET PLAN)	
11	BA F24, F21 UNOBLIGATED BALANCES F24(py) + F21(cy) Not = 0 F24(cy) + F21(by1) Not = 0 F24(by1) + F21(by2) Not = 0 F24040(py) + F21040(cy) Not = 0 F24040(cy) + F21040(by1) Not = 0 F24040(by1) + F21040(by2) Not = 0 F24051(py) + F21051(cy) Not = 0 F24051(cy) + F21051(by1) Not = 0 F24051(by1) + F21051(by2) Not = 0 F24052(py) + F21052(cy) Not = 0 F24052(cy) + F21052(by1) Not = 0 F24052(by1) + F21052(by2) Not = 0	

Diagnostic Number	Diagnostic Description
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
12	<p>BA F74, F72 OBLIGATED BALANCES</p> <p> <i>F74(py)</i> Not = <i>F72(cy)</i> <i>F74(cy)</i> Not = <i>F72(by1)</i> <i>F74(by1)</i> Not = <i>F72(by2)</i> <i>F74105(py)</i> Not = <i>F72105(cy)</i> <i>F74105(cy)</i> Not = <i>F72105(by1)</i> <i>F74105(by1)</i> Not = <i>F72105(by2)</i> <i>F74240(py)</i> Not = <i>F72240(cy)</i> <i>F74240(cy)</i> Not = <i>F72240(by1)</i> <i>F74240(by1)</i> Not = <i>F72240(by2)</i> <i>F74260(py)</i> Not = <i>F72260(cy)</i> <i>F74260(cy)</i> Not = <i>F72260(by1)</i> <i>F74260(by1)</i> Not = <i>F72260(by2)</i> <i>F74265(py)</i> Not = <i>F72265(cy)</i> <i>F74265(cy)</i> Not = <i>F72265(by1)</i> <i>F74265(by1)</i> Not = <i>F72265(by2)</i> </p>
15	<p>BA F74, F71, F72, F73, F77, F78, F90 OBLIGATED BALANCES, EOY (NET) NOT = OBLIGATED BALANCES, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year: <i>F74240+F74260+F72265</i> Not = <i>F71010+F72105+F72240+F72260+F72265+F73+F77110+F78110+F77120</i> <i>-(F90110+F90111)-F74105</i> </p> <p>In Current Year: <i>F74240+F74260+F72265</i> Not = <i>F71010+F72105+F72240+F72260+F72265+F73+F77110+F78110+F77120</i> <i>-(F90110+F90111) -F74105</i> </p> <p>In Biennial Yr 1: <i>F74240+F74260+F72265</i> Not = <i>F71010+F72105+F72240+F72260+F72265+F73+F77110+F78110+F77120</i> <i>-(F90110+F90111) -F74105</i> </p> <p>In Biennial Yr 2: <i>F74240+F74260+F72265</i> Not = <i>F71010+F72105+F72240+F72260+F72265+F73+F77110+F78110+F77120</i> <i>-(F90110+F90111) -F74105</i> </p>

Diagnostic Number	Diagnostic Description	
	CIVIL TRUST FUND ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03	BA 0xx + Rxx + (F1x thru F3x) Budget Plan Bud. Auth.	BA F4x + F5x + F6x Financing Bud. Auth. Not =
	Budget Plan	Object Classification
04	BA 0xx Total Direct	BA T1x Total Direct Not =
05	BA Rxx Total Reimbursable	BA T2x Total Reimbursable Not =
06	BA 0xx + Rxx Line10.00, Total Prog.	BA Txx, excluding T5x Line 99, Total Obj. Cl. Not =
	Budget Plan	Expenditure Tail
07	BA 0xx + Rxx + F11 + F14 Total Program+Orders	BASA F71010 Obligations incurred, net Not =
08	BA F17 Recovery of PY Oblig. (-)	BA F78 Adj in unexpired accts (-) Not =
09 (Warning)	Absolute (BA F4x + F5x + F6x) Curr. yr Budget Auth.	Absolute (BASA F90110) Curr. yr Outlays <
	START/END OF PERIOD BALANCES (BUDGET PLAN)	
11	BA F24, F21 UNOBLIGATED BALANCES F24(py) + F21(cy) Not = 0 F24(cy) + F21(by1) Not = 0 F24(by1) + F21(by2) Not = 0 F24040(py) + F21040(cy) Not = 0 F24040(cy) + F21040(by1) Not = 0 F24040(by1) + F21040(by2) Not = 0 F24051(py) + F21051(cy) Not = 0 F24051(cy) + F21051(by1) Not = 0 F24051(by1) + F21051(by2) Not = 0 F24057(py) + F21057(cy) Not = 0 F24057(cy) + F21057(by1) Not = 0 F24057(by1) + F21057(by2) Not = 0 F24058(py) + F21058(cy) Not = 0 F24058(cy) + F21058(by1) Not = 0 F24058(by1) + F21058(by2) Not = 0	

Diagnostic Number	Diagnostic Description
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
12	BA F74, F72 OBLIGATED BALANCES F74(py) Not = F72(cy) F74(cy) Not = F72(by1) F74(by1) Not = F72(by2) F74240(py) Not = F72240(cy) F74240(cy) Not = F72240(by1) F74240(by1) Not = F72240(by2) F74260(py) Not = F72260(cy) F74260(cy) Not = F72260(by1) F74260(by1) Not = F72260(by2) F74270(py) Not = F72270(cy) F74270(cy) Not = F72270(by1) F74270(by1) Not = F72270(by2) F74280(py) Not = F72280(cy) F74280(cy) Not = F72280(by1) F74280(by1) Not = F72280(by2)
15	BA F74, F71, F72, F73, F77, F78, F90 OBLIGATED BALANCE, EOY (NET) NOT = OBLIGATED BALANCE, SOY (NET) + ADJS - OUTLAYS In Prior Year: F74... Not = F71010+F72...+F73...+F77110+F77120+F78110-(F90110+F90111) In Current Year: F74... Not = F71010+F72...+F73...+F77110+F77120+F78110-(F90110+F90111) In Biennial Yr 1: F74... Not = F71010+F72...+F73...+F77110+F77120+F78110-(F90110+F90111) In Biennial Yr 2: F74... Not = F71010+F72...+F73...+F77110+F77120+F78110-(F90110+F90111) Note: ... = sum of budget subactivities 240, 260, 270, and 280.

Diagnostic Number	Diagnostic Description	
	TRUST REVOLVING FUND ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03	BA Cxx + (F1x thru F3x) Budget Plan Bud. Auth.	BA F4x + F5x + F6x Financing Bud. Auth. Not =
	Budget Plan	Object Classification
05	BA Cxx Total Reimbursable	BA T2x Total Reimbursable Not =
06	BA Cxx Line10.00, Total Prog.	BA Txx, excluding T5x Line 99, Total Obj. Cl. Not =
	Budget Plan	Expenditure Tail
07	BA Cxx + F11 + F14 Total Program+Orders	BASA F71010 Obligations incurred, net Not =
08	BA F17 Recovery of PY Oblig. (-)	BA F78 Adj in unexpired accts (-) Not =
09 (Warning)	Absolute (BA F4x + F5x + F6x) Curr. yr Budget Auth.	Absolute (BASA F90110) Curr. yr Outlays <
	START/END OF PERIOD BALANCES (BUDGET PLAN)	
11	BA F24, F21 UNOBLIGATED BALANCES F24(py) + F21(cy) Not = 0 F24(cy) + F21(by1) Not = 0 F24(by1) + F21(by2) Not = 0	
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)	
12	BA F74, F72 OBLIGATED BALANCES F74410(py) Not = F72410(cy) <i>F74105(py)</i> Not = <i>F72105(cy)</i> F74410(cy) Not = F72410(by1) <i>F74105(cy)</i> Not = <i>F72105(by1)</i> F74410(by1) Not = F72410(by2) <i>F74105(by1)</i> Not = <i>F72105(by2)</i>	
	Expenditure Tail	Expenditure Tail
13	BASA F74310, F72310 OBLIGATED BALANCES (CONTRACT AUTH.) F72310(cy) Not = F74310(py) F72310(by1) Not = F74310(cy) F72310(by2) Not = F74310(by1)	
14	BASA F74310 CA Oblig. Bal., EOY	BASA F72310 - F32490 + F69100 CA Oblig. bal., SOY + Adjs Not =

Diagnostic Number	Diagnostic Description
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
15	<p>BA F74, F71, F72, F73, F77, F78, F90</p> <p>OBLIGATED BALANCE, EOY (NET) NOT = OBLIGATED BALANCE, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year: $F74 \dots \text{Not} = F71010 + F72105 + F72410 + F72310 + F73310 + F73410 + F77110 + F77120 + F78 - (F90110 + F90111)$</p> <p>In Current Year: $F74 \dots \text{Not} = F71010 + F72105 + F72410 + F72310 + F73310 + F73410 + F77110 + F77120 + F78 - (F90110 + F90111)$</p> <p>In Biennial Yr 1: $F74 \dots \text{Not} = F71010 + F72105 + F72410 + F72310 + F73310 + F73410 + F77110 + F77120 + F78 - (F90110 + F90111)$</p> <p>In Biennial Yr 2: $F744 \dots \text{Not} = F71010 + F72105 + F72410 + F72310 + F73310 + F73410 + F77110 + F77120 + F78 - (F90110 + F90111)$</p>

Diagnostic Number	Diagnostic Description	
	OFFSETTING RECEIPT (MILITARY) ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03	BASA C1... Budget Plan Bud. Auth.	BASA F40030+F60030 Not = Financing Bud. Auth.
	Budget Plan	Object Classification
04	BASA C10000 Total Direct	BASA T49701 Not = Total Direct
	Budget Plan	Expenditure Tail
07	BASA C1... Line10.00,Total Prog.	BASA F71010 Not = Obligations incurred (net)
18	BASA F40030+F60030 Budget Authority	BASA F90110 Not = Current Year Outlays
	OFFSETTING RECEIPT (CIVIL) ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03	BASA C11000 Budget Plan Bud. Auth.	BASA F60030 Not = Financing Bud. Auth.
	Budget Plan	Object Classification
04	BASA C11000 Total Direct	BASA T49701 Not = Total Direct
	Budget Plan	Expenditure Tail
07	BASA C11000 Line10.00,Total Prog.	BASA F71010 Not = Obligations incurred (net)
18	BASA F60030 Budget Authority	BASA F90110 Not = Current year Outlays

I. Report 23 performs three basic types of obligation plan tests for multi-year accounts.

1. The first test checks the prior year (PY), current year (CY), and the two biennial year (BY1, BY2) columns for each obligation plan budget activity (BA) within an account, searching for negative amounts. If one or more negative amounts are found within a BA, a diagnostic message is generated. This test is performed at the agency level for Defense Agency accounts.

2. The second test checks the obligation rate for the PY, CY, BY1, and BY2 fiscal year programs (FYP) for each budget activity and in total. The formulas used for this test are as follows:

Two year accounts:

$$\text{Budget Plan PY} = \frac{\text{Obligation Plan}}{\text{PY} + \text{CY}}$$

$$\text{CY} = \text{CY} + \text{BY1}$$

$$\text{BY1} = \text{BY1} + \text{BY2}$$

$$\text{BY2} \geq \text{BY2}$$

Three year accounts:

$$\text{Budget Plan PY} = \frac{\text{Obligation Plan}}{\text{PY} + \text{CY} + \text{BY1}}$$

$$\text{CY} = \text{CY} + \text{BY1} + \text{BY2}$$

$$\text{BY1} \geq \text{BY1} + \text{BY2}$$

$$\text{BY2} \geq \text{BY2}$$

Five year accounts:

$$\text{Budget Plan PY} \geq \frac{\text{Obligation Plan}}{\text{PY} + \text{CY} + \text{BY1} + \text{BY2}}$$

$$\text{CY} \geq \text{CY} + \text{BY1} + \text{BY2}$$

$$\text{BY1} \geq \text{BY1} + \text{BY2}$$

$$\text{BY2} \geq \text{BY2}$$

3. These checks are performed at the agency and account level for Defense Agency accounts.

4. A final check is made to ensure that an obligation plan exists when budget plan amounts are present in a multi-year account. For each fiscal year program from the prior year thru the second biennial year, if budget plan program is present (a non-zero amount), then obligation plan program must also be present. This check is made at the account total level.

J. Report 24 performs the following series of miscellaneous diagnostic tests:

Number

1. For most accounts, unobligated balance, end of year entries (F24xxx) must be positive. Entries for the exceptions must be negative.
2. For most accounts, unobligated balance, start of year entries (F21xxx) must be negative. Entries for the exceptions must be positive.
3. Undistributed object classification entries (T19201, T29201, T39201) must not be present.
4. For most accounts, object classification entries must not be negative. Entries for the exceptions must be negative.

5. For multi-year accounts, the F17020 entry (Recovery of prior year obligations) cannot have a Fiscal Year Program (FYP) value greater than that of the prior year FYP value.
6. The F32490 and F69150 entries in an account must be positive.
7. Appropriation rescission proposal, enacted rescission, and GRH reduction entries (currently F40350, F40355, F40360, F40365, F40800, and F40850) must be negative.
8. Except for revolving funds with TOA and Military Personnel NFIP and NFIP offset entries, undistributed budget activity (020) entries must not be present.
9. For most accounts, Direct Program (TOA), Reimbursable Program, and Concept Obligations must be positive at the budget activity level. In most cases the exceptions must be negative.
10. Except for revolving and management fund and trust revolving fund accounts, obligated balance, start of year (F72xxx) and obligated balance, end of year (F74xxx) entries must be positive.
11. The TOA offset entry (R00000) for revolving funds with TOA must be negative.
12. With certain exceptions, the Fiscal Year Program (FYP) value for current appropriation entries (F40xxx) in multi-year accounts cannot be less than that of the prior year FYP value.
13. In the obligation plan for multi-year accounts, an unobligated balance, end of year, should not be present in the last year of availability.

If one or more of the above tests fail for an account, an appropriate diagnostic message will be generated. Except for the obligated balance test (number 10), all tests are performed at the agency level for Defense Agency accounts.

K. Financial Accounting Record Reconciliation to the President's Budget Submission Data

1. Primary checkpoints as defined in the following tables will be accomplished to insure internal consistency between the financial accounting position and the submission of Prior Year (PY) actuals that will be shown in the President's Budget submission.

2. Section 32.9 of OMB Circular A-11 requires actual data for past periods. A special update of the PY column, providing the PY actual values consistent with the official departmental accounting reports (*SF133*, DD Comp 1002, and DD Comp 725), will be made. The date of submission to OUSD(C) via machine-readable input of these changes will be determined and provided by OUSD(C). The data will be input to the OUSD(C) Budget Review System (BRS). Verification will be performed by OUSD(C)(P/B) using BRS and accounting reports. The impact of these prior year changes on the current and biennial year 1 and 2 columns shall relate to financing. Therefore, application to these columns will be limited to the financing section of the program and financing schedules containing the budget estimates. In the event that a change to any budget plan is indicated, it will be made by PBDs issued subsequent to this PY update.

3. The following table displays the relationship between the restructure Program and Financing (P&F) Schedule in OMB Circular No. A-11 dated June 1997 and DoD's Budget Review System database. The table also displays the source of the actual data reconciled with yearend DoD Budget Execution Reports (*SF133* and DD1002/725 reports). The P&F Schedule for each DoD account is printed annually in the Appendix of the U.S. Government as part of the President's Budget.

RECONCILIATION BETWEEN OMB CIRCULAR NO. A-11, DOD'S BUDGET REVIEW SYSTEM (BRS)
AND DOD'S BUDGET EXECUTION REPORTS (*SF133* and DD1002/725)

PROGRAM AND FINANCING SCHEDULE (OMB Circular No. A-11 dated June 1997)			PY(Prior Year) Actuals (\$000)		
BRS NES Code	A-11 Code	Description	Report on Budget Execution (<i>SF133</i>)	Appropriation Status by FY and Subacct (DD 1002)	Report on Reimbursable Transactions (DD 725)
00000	10.00	Obligations by program activity *a Obligations (Direct and Reimbursable)	Line 8	Col e + Recov Schedule *b	
		Budgetary resources available for obligation			
F21000	21.99	Total unobligated balance, start of year	Line 2A		
F70000	22.00	New budget authority (gross)	*c		
F17010 F17020	22.10	Resources available from recoveries of prior year obligations	Line 4		
F22...	22.20	Unobligated balance transferred (+/-)	*d		
F25010	22.30	Unobligated balance expiring (-)	-Lines 9&10 *e		
F31000	22.60	Redemption of debt (-) (<i>DWCF</i> and Family Housing accounts excluding Homeowners Asst Fd)	Line 6C		
F32470	22.70	Balance of authority to borrow withdrawn (-) (Homeowners Asst Fd only)	Line 6D		
F32490	22.75	Balance of contract authority withdrawn (-) (R.S. 3732, Working Cap Fds and Trust Rev Fds)	Line 6D		
F23800	23.80	Reduction pursuant PL 99-177 unobligated balances (discretionary accounts) (-)	*f		
F23850	23.85	Reduction pursuant PL 99-177 unobligated balances (mandatory accounts) (-)	*f		
F23900	23.90	Total budgetary resources available for obligation	*g		
F23950	23.95	New obligations (-)	-Line 8		
F24000	24.99	Total unobligated balance, end of year	*h		
		New budget authority (gross), detail:			
		Current:			
F40000	40.00	Appropriation (definite)	Line 1A *i		
F41000	41.00	Transferred to other accounts (-)	*j		
F42000	42.00	Transferred from other accounts	*j		
F43000	43.00	Appropriation (total)	*k		
		Permanent:			
		Spending from offsetting collections:			
F68000	68.00	Offsetting collections (cash)	Line 15B *l		
F68100	68.10	Change in orders on hand from Federal sources	*m		
F77120	68.15	Adjustment to expired accounts orders (-)	*n		
F68900	68.90	Spending authority from offsetting collections (total)	Line 3 *o		
F70000	70.00	Total new budget authority (gross)	*v		

RECONCILIATION BETWEEN OMB CIRCULAR NO. A-11, DOD'S BUDGET REVIEW SYSTEM (BRS)
AND DOD'S BUDGET EXECUTION REPORTS (SF133 and DD 1002/725) - (CONTINUED)

PROGRAM AND FINANCING SCHEDULE (OMB Circular No. A-11 dated June 1997)			PY(Prior Year) Actuals (\$000)		
BRS NES Code	A-11 Code	Description	Report on Budget Execution (SF133)	Appropriation Status by FY and Subacct (DD 1002)	Report on Reimbursable Transactions (DD 725)
		Change in unpaid obligations:			
		Unpaid obligations, start of year:			
F72110	72.40	Obligated balance: Appropriation	Line 2 *p		
F72105	72.95	Orders on hand from Federal sources	*p		
F72000	72.99	Total Unpaid obligations, start of year	*p		
F73010	73.10	New obligations (Equals A-11 code 10.00)	Line 8 *a		
F73200	73.20	Total outlays (gross) (-)	-Line 15A *q		
F77110	73.40	Adjustments in expired accounts	Line 8- 4 *r		
F78110	73.45	Adjustments in unexpired accounts (-)	-Line 4 *s		
		Unpaid obligations, end of year:			
F74110	74.40	Obligated balance: Appropriation	Line 14 *t		
F74105	74.95	Orders on hand from Federal sources	*t		
F74000	74.99	Total unpaid obligations, end of year	*t		
		Outlays (gross):			
F87000	87.00	Total outlays (gross)	Line 15A *q		
		Offsets:			
		Against gross budget authority and gross outlays:			
F88000	88.00	Offsetting collections (cash) from Federal sources			Col H *x
F88400	88.40	Offsetting collections (cash) from non-Federal sources			Col H *x
F88900	88.90	Total offsetting collections (cash)	Line 15B *l		
		Against budget authority only:			
F88950	88.95	Change in orders on hand from Federal sources	*m		
F88960	88.96	Adjustment to expired accounts orders (-)	*n		
		Net budget authority and outlays:			
F89000	89.00	Budget authority (net)	*w		
F90000	90.00	Outlays (net)	Line 15 *u		

Note: This table pertains to budgetary data which DoD must submit to OMB. Separate instructions are provided annually to the Services and Defense Agencies for updating prior year actuals in DoD's Budget Review System (BRS) database. Below footnotes pertain to FY 1998 actuals as of 30 Sep 98 in the FY 2000/2001 Budget.

Footnotes:

- *a Unexpired accounts
- *b Direct program obligations of unexpired accounts plus recoveries
- *c Equals F70000 (A-11 code 70.00), for computation see new budget authority (gross), detail
- *d Unobligated bal transfers from (-) or to (+) other accounts, use FY 1998 Transfer Status Report (FAD 743-98-1), see Budget Account Title (NES) listing for F22XXX codes for Unob bal transfers
- *e Refers to those accounts whose obligation life ends 30 Sep 98
- *f Based on G-R-H sequestration of unobligated balances

Footnotes (Continued)

- *g Sum of *F17...*, *F21...*, *F22...*, *F23...*, *F25010*, *F31...*, *F32...*, and *F70000*. (A-11 codes 21.99 to 23.85)
- *h Equals net of F23900 and F23950 (A-11 codes 23.90 and 23.95), must equal Lines 9 & 10 of accounts not expiring on 30 Sep 98
- *i *Enter the amount of appropriations, as specified in an appropriation act(s), becoming available on October 1 of the fiscal year; include rescissions of current year amounts. For special/trust fund indefinite appropriations, enter the amount of the receipts credited to the fund. The appropriated amount in PY should be adjusted by undistributed reductions on SF133, Line 6E*
- *j Transfers F41000 & F42000 (A-11 codes 41.00 & 42.00) use *FY 1998 Transfer Status Report (FAD 743-98-1)*
- *k Equals sum of F40000 to F42000 (A-11 codes 40.00 to 42.00)
- *l Applies to all years as shown on *Line 15B, Total Column, SF133*
- *m Change in orders from start of year to end of year, equals *SF133, Lines 3A2+3B2, Total Column*
- *n Equals minus (Line 3 for expired accounts and canceled account amount(s) on *Line 14A and 14B1, SF133*)
- *o Must equal Line 3, *SF133*, unexpired accounts
- *p *Obligated balance (net), start of year, equals Line 12 all years. Use SF 133, 30 Sep 97, Lines 14A + 14B1, to compute orders on hand which carryover to start of next fiscal year. Orders are negative(-) in BRS.*
- *q Total gross outlays equal *Line 15A, Total Column, SF133*
- *r Equals *Line 8 less Line 4A, SF133*, of expired accounts
- *s Minus (*Line 4A, SF133*, unexpired accounts) (equals recoveries for multi-year, no-year, and revolving fund accts)
- *t *Obligated balance (net), end of year, equals Line 14 all years. Unpaid obligations, F74110, and orders on hand, F74105, Equal Lines (14C + 14D) and Lines (14A + 14B1), respectively. Orders are negative (-) in BRS.*
- *u Net outlays equal *Line 15, SF133, Total Column* and must agree with Treasury's Annual Report
- *v Gross budget authority equals sum of A-11 codes 43.00 for general fund accts (63.00 for trust and special fund accounts) plus A-11 code 68.90
- *w Net budget authority equals A-11 codes 70.00 minus amounts for codes (88.90 to 88.96)
- *x Non-Federal collections result from orders received from outside the Government that are accompanied by cash advances and are included as part of Line 1, Column H, DD 725, all years; Federal collections equal total of Column H for all years less non-Federal amounts
- *y BRS codes used above are not all inclusive. See Budget Account Title Listing (NES File) for latest codes

L Program and Financing Entries for Multi-Year Accounts Necessary To Reflect Unexpired Submission.

(4 Columns)

(FY 2000/FY 2001 Budget Submit)FY 98 FY 99 FY 00 FY 01Procurement Accounts less SCN

96/98			
97/99	97/99		
98/00	98/00	98/00	
	99/01	99/01	99/01
		00/02	00/02
			01/03

Research, Development, Test, and Evaluation and two year O&M Accounts

97/98			
98/99	98/99		
	99/00	99/00	
		00/01	00/01
			01/02

Military Construction, Family Housing Construction

94/98			
95/99	95/99		
96/00	96/00	96/00	
97/01	97/01	97/01	97/01
98/02	98/02	98/02	98/02
	99/03	99/03	99/03
		00/04	00/04
			01/05

NOTE: Use the second digit of the first number for the FYP entry on any of the budget data entry forms.

M. Component/Suffix Codes for use in The President's Budget Estimates Submission. The following component/suffix codes are the only acceptable entries in columns 6 thru 8 of the budget data entry forms.

<u>Component/ Suffix Codes</u>	<u>Component</u>	<u>Component/ Suffix Codes</u>	<u>Component</u>
A	Army	DV	DSS
N	Navy	DW	USUHS
F	Air Force	DX	OIG
DBA	OSIA	DU	Undistributed
DBB	SOCOM	DA	Army Budgeted by DoD
DBC	DECA	DN	Navy Budgeted by DoD
DBD	DFAS	DM	MC Budgeted by DoD
DBE	TRANSCOM	DF	AF Budgeted by DoD
DBF	DEPS		
DBP	CBDP		
<i>DBQ</i>	<i>NIMA</i>		
<i>DBR</i>	<i>DTRA</i>		
DC	BMDO		
DD	DASD		
D1	OSD		
D2	WHS		
D12	DPMO		
D21	CIM		
D3	AFIS		
D4	DLSA		
D5	DoDDE		
D6	OEA		
D7	CHAMPUS		
D81	DFMS		
D9	DMSA		
D92	DTSA		
D95	FEMP		
DE	DARPA		
DG	NSA		
DH	DSWA		
DHP	DHP		
DI	DSPO		
DJ	TJS		
DK	DISA		
DK1	DISA DSAs		
DL	DIA		
DL1	DIA DSAs		
DR	DCAA		
DS	DLA		
DSA	JLSC		
DSB	DAU		
DSD	DTIC		
DSE	<i>DHRFA</i>		
<i>DSF</i>	<i>DMEA</i>		
DS1	DSA		
<i>DT</i>	DSCA (Eff. 10/1/98. Formerly DSAA)		

N. Object Classification Balancing. The Budget Review System (BRS) balances direct obligations (prefix “T1”), reimbursable obligations (prefix “T2”), and, in special cases, prefix “T3” and prefix “T4” in the Object Classification schedule to direct program and reimbursable program, respectively, in the budget plan for single year accounts, and in the obligation plan for multi-year accounts. Differences between “plan” and object classification direct program and reimbursable program are added to/subtracted from default direct obligation and reimbursable obligation object classification lines, respectively. The following table lists these default lines for each account.

Object Classification Default Lines Table

BRS Default Object Class Code	BRS Account by Component							
	Army		Navy		Air Force		Defense	
Tx1111 – Personnel compensation: Full-time permanent	1805a 2065a	2080a			3740f 3840f	5095f	0104d	
Tx1171 – Personnel compensation: Military personnel	2010a 2060a	2070a	1105n 1108n	1405n 1453n	3500f 3700f	3850f		
Tx1301 – Benefits for former Personnel							0040d 8098d	
Tx2201 – Transportation of things			3980n					
Tx2321 – Rental payments to others					7045f		7065d	
Tx2541 – Contract O&M of facilities							5188d	5189d
<i>Tx2551 – R&D Contracts</i>	<i>2040a</i>		<i>1319n</i>		<i>3600f</i>		<i>0400d</i>	
Tx2601 – Supplies and material	2032a 2034a 4528a 8064a		1107n 1507n 1806n 5095n	8008n 8423n 8716n			0360d 4555d 4930d 4931d	4950d 4965d 8164d
Tx3101 – Equipment	2031a 2033a 2035a		0380n 1109n 1506n 1508n	1611n 1810n 4557n	3010f 3011f 3020f 3080f	8928f	0107d 0300d 0350d 0390d	3910d
Tx3201 - Land and structures	2050a 2085a 2086a 7020a		1205n 1235n 1236n 7030n		3300f 3730f 3830f 7040f		0500d 0803d 0804d 7060d	
Tx4101 - Grants, subsidies and contributions	8174a 8927a		8723n				0826d 8168d 8335d	
Tx4201 - Insurance claims/indemnities							8097d	
Tx4401 - Refunds					8418f			
Tx9201 - Undistributed	8063a						0100d 4093d	8165d
T49701 - Offsetting receipts	0001a 0006a 0021a 0086a		0002n 0007n 0029n 0085n 9082n		0003f 0008f		0004d 0024d 0025d 0036d 0041d 0044d 0088d	0089d 0093d 0095d 9086d 9088d 9089d
<i>Tx2601 – Supplies and Materials</i>	Default for all other BRS accounts							

Notes:

- (1) 'x' value of 1 = Direct obligations, 2 = Reimbursable obligations, 3 = Allocation obligations, 4 = Offsetting receipts, and 5 = Distributed obligations
- (2) Exceptions to above table for reimbursable default object class codes: (a) for accounts 2065a and 2080a the reimbursable default code is T22601, and (b) for accounts 1806n and 3840f the reimbursable default code is T22321

O. Budget Accounts Title File Listing The “Budget Accounts Title File Listing” documents the official Defense budget account structure for submission of budget estimates in machine-readable form. An extract of this listing is included on the following pages. The extract contains the following listings: (1) appropriation accounts, (2) a sampling of Budget Plan and Obligation Plan Name Codes, (3) listing of valid Financing, Budget Authority, Expenditure Tail codes, and (4) Object Classification entries. The complete “Budget Accounts Title File Listing” will be distributed separately to the Military Departments and Defense Agencies prior to the September budget submission by OUSD(C) (P/B) Program and Financial Control Directorate.

BUDGET ACCOUNT TITLE FILE (APPROPRIATION ACCOUNT NAME/CODES) AS OF MARCH 1998

P/B DIR	TYP APP	TREAS CODE	C/S	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME	PLAP
****	*	****	*	*	MIL PERSONNEL	MILITARY PERSONNEL	10
QG J	D	2010	A	P \$	Mil Per,Army	Military Personnel, Army	10050
QG U	D	1453	N	P \$	Mil Per,Navy	Military Personnel, Navy	10100
QG U	D	1105	N	P \$	Mil Per, MC	Military Personnel, Marine Corps	10150
QG S	D	3500	F	P \$	Mil Per, AF	Military Personnel, Air Force	10200
QG J	D	2070	A	P \$	Res Pers,A	Reserve Personnel, Army	10250
QG U	D	1405	N	P \$	Res Pers,N	Reserve Personnel, Navy	10300
QG U	D	1108	N	P \$	Res Pers,MC	Reserve Personnel, Marine Corps	10350
QG S	D	3700	F	P \$	Res Pers,AF	Reserve Personnel, Air Force	10400
QG J	D	2060	A	P \$	NG Pers,A	National Guard Personnel, Army	10450
QG S	D	3850	F	P \$	NG Pers,AF	National Guard Personnel, Air Force	10500
****	*	****	*	*	RETIRED PAY,DEF	RETIRED PAY, DEFENSE	15
Q S	D	0031	D	\$	Retired Pay,Def	Retired Pay, Defense	15100
****	*	****	*	*	OPR & MAINT	OPERATION AND MAINTENANCE	20
Q L	D	2020	A	P \$	O&M,Army	Oper. & Maint., Army	20030
Q V	D	1804	N	P \$	O&M,Navy	Oper. & Maint., Navy	20060
Q W	D	1106	N	P \$	O&M,MC	Oper. & Maint., Marine Corps	20090
Q G	D	3400	F	P \$	O&M,AF	Oper. & Maint., Air Force	20120
Q K	D	0100	D	P \$	O&M,Def-Wide	Oper. & Maint., Defense-Wide	20150
Q F	D	0107	D	P \$	IG	Office of the Inspector General	20155
Q J	D	2080	A	P \$	O&M, Army Res	Oper. & Maint., Army Reserve	20180
Q U	D	1806	N	P \$	O&M, Navy Res	Oper. & Maint., Navy Reserve	20210
Q U	D	1809	N	\$	O&M, Navy Res	Oper. & Maint., Navy Reserve	20229
Q U	D	1107	N	P \$	O&M, MC Res	Oper. & Maint., Marine Corps Reserve	20240
Q S	D	3740	F	P \$	O&M, AF Res	Oper. & Maint., Air Force Reserve	20270
Q J	D	2065	A	P \$	O&M, Army NG	Oper. & Maint., Army Nat'l Guard	20300
Q S	D	3840	F	P \$	O&M,Air NG	Oper. & Maint., Air Nat'l Guard	20350
Q L	D	1705	A	P \$	Rifle Prc,A	Rifle Practice, Army	20400
T	D	0102	D	\$	Claims,Def	Claims, Defense	20440
Q R	D	0101	D	\$	Conting,Def	Contingencies, Defense	20460
Q K	D	0104	D	P \$	US Court of Appeals	United States Court of Appeals for the Armed Force	20480
Q Q	D	0801	D	\$	ForCurFluct,Def	Foreign Currency Fluctuations, Defense	20485
Q F	D	2087	A	\$	Summer Olympics	Summer Olympics	20497
Q F	D	0116	D	\$	Summer Olympics	Summer Olympics	20498
Q F	D	0838	D	\$	Intrnat'l Sporting	Support for International Sporting Competitions, D	20499
Q F	D	0832	D	\$	1995 Spc Olym Games	1995 Special Olympics World Games	20520
Q Q	D	0810	A	\$	Environ Res Fd, A	Environmental Restoration Fund, Army	20550
Q Q	D	0810	N	\$	Environ Res Fd, N	Environmental Restoration Fund, Navy	20551
Q Q	D	0810	F	\$	Environ Res Fd, AF	Environmental Restoration Fund, Air Force	20552
Q Q	D	0810	D	\$	Environ Res Fd, D	Environmental Restoration Fund, Defense	20553
Q Q	D	0811	D	\$	Environ Res Used Sit	Environmental Restoration, Formerly Used Sites	20554
Q F	D	0106	D	\$	Goodwill Games	Goodwill Games	20804
Q R	D	0819	D	\$	Ovrs Hum,Dis,Civ Ass	Overseas Humanitarian, Disaster and Civic Aid	20806
Q M	D	0105	D	P \$	Drug Intrdctn/Ctr-Dg	Drug Interdiction & Counter-Drug Act., Def.	20808
Q L	U	5098	A	P \$	Rest Rocky Mtn Arsl	Restoration of the Rocky Mountain Arsenal	20822
Q V	D	5185	N	P \$	Kaho Is Convync	Kaho'olawe Is Convync, Remediatn Env Rest	20824
S D	D	5195	D	P \$	Trans/Disp Comm Faci	Offsetting Rcpts, Transfer/Disposal Commissary Fac	20826
Q V	D	1236	N	P \$	Paymnt to Kaho Is Fd	Payment to Kaho'olawe Island Fund	20828
P	D	0833	D	\$	Em Resp Fd,Def	Emergency Response Fund, Defense	20829
Q N	D	5187	D	P \$	Def Coop Acct	Defense Cooperation Acct	20830
Q K	U	5194	A	\$	50th Anniv WWII	DoD 50th Anniversary of WWII Commemorative Account	20834
Q F	D	0115	D	\$	CIM Init Tsfr Acct	CIM Initiative Transfer Acct	20836

BUDGET ACCOUNT TITLE FILE (APPROPRIATION ACCOUNT NAME/CODES) AS OF March 1998

P/B DIR	TYP APP	TREAS CODE	C/S	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME	PLAP		
S	D	D	5188	D	\$	Disp. DoD Real Prop.	Disposal of DoD Real Property	20840	
S	D	D	5189	D	\$	Lease DoD Real Prop.	Lease of DoD Real Property	20842	
Q	L	D	5286	A	\$	Nat Sci Ctr,A	National Science Center, Army	20844	
S	D	D	5193	D	\$	DoD Fac. Recov.	DoD Overseas Military Facility Investment Recovery	20846	
Q	F	D	0827	D	\$	World Univ Gmes	World University Games	20848	
Q	F	D	0829	D	\$	World Cup 1994	World Cup - 1994	20850	
C	F	D	0828	D	\$	Reinv. Econ. Grwth,	Reinvestment for Economic Growth, Defense	20856	
J	Q	D	0130	D	P	\$	Def Hlth Prog	Defense Health Program	20858
S	D	D	0131	D	P	\$	RPM, Def	Real Property Maintenance, Defense	20860
Q	D	D	9927	D	P	\$	Allied Contr.	Allied Contributions and cooperation account	20861
Q	R	D	0132	D	P	\$	Disaster Relief	Disaster Relief	20862
Q	V	D	0133	D	P	\$	Pymnt USCG	Payment to Coast Guard	20864
Q	R	D	0120	D	P	\$	For Nat Emp Sep Pay	Foreign National Employees Separation Pay Acct	20868
Q	F	D	0134	D	P	\$	FSU Threat Reduct	Former Soviet Union (FSU) Threat Reduction	20870
Q	V	D	5514	D	\$	Logistics Initiative	Logistics Initiative	20874	
Q	V	D	5515	D	\$	Inventory Drawdown	Inventory Drawdown	20876	
Q	K	D	5517	D	\$	Mgmt Initiatives	Management Initiatives	20877	
S	N	D	0839	D	\$	Qlty Life Enhanc,D	Quality of Life Enhancements, Defense	20878	
Q	I	D	5441	D	\$	Def Burdensharing	Defense Burdensharing - Allies and NATO	20880	
Q	R	D	0118	D	\$	Overseas Contg Ops	Overseas Contingency Operations Transfer Fund	20886	
Q	N	D	0840	D	\$	OPPLAN 34A-35 P.O.W.	OPPLAN 34A-35 P.O.W.	20888	
Q	I	D	0837	D	\$	Weapons of Mass Dest	Def Against Weapons of Mass Destruction(8128)	20900	
****	*	****	*	*	*	PROCUREMENT	PROCUREMENT	30	
C	X	D	2031	A	\$	Aircraft, A	Aircraft Procurement, Army	30100	
C	V	D	2032	A	\$	Missiles, A	Missile Procurement, Army	30150	
C	N	D	2033	A	\$	Wepns&cmbt Vehs	Procurement of W&TCV, Army	30200	
C	B	D	2034	A	\$	Ammunition, A	Procurement of Ammunition, Army	30250	
C	Z	D	2035	A	\$	Othr Proc, A	Other Procurement, Army	30300	
C	G	D	1506	N	\$	Aircraft,N	Aircraft Procurement, Navy	30400	
C	B	D	1507	N	\$	Weapons Proc,N	Weapons Procurement, Navy	30450	
C	E	D	1611	N	\$	Shipbldg,N	Shipbuilding & Conversion, Navy	30500	
C	B	D	1508	N	\$	Proc Ammo, N&MC	Procurement of Ammunition, Navy & Marine Corps	30540	
C	Z	D	1810	N	\$	Othr Proc,N	Other Procurement, Navy	30550	
C	S	D	1830	N	\$	Def Prod Act III	Defense Production Act, Title III	30580	
C	V	D	1109	N	\$	Procurmnt,MC	Procurement, Marine Corps	30600	
C	P	D	3010	F	\$	Aircraft, AF	Aircraft Procurement, Air Force	30650	
C	J	D	3020	F	\$	Missile Proc,AF	Missile Procurement, Air Force	30700	
C	B	D	3011	F	\$	Proc Ammo, AF	Procurement of Ammunition, Air Force	30710	
C	P	D	3080	F	\$	Othr Proc,AF	Other Procurement, Air Force	30750	
C	S	D	0300	D	P	\$	Proc., Def-Wide	Procurement, Defense-Wide	30800
C	K	D	0350	D	\$	Ntl GD & Res Eq	National Guard & Reserve Equipment	30820	
C	S	D	0360	D	\$	Def Prod Act Purch	Defense Production Act Purchases	30830	
C	X	D	0370	D	\$	NATO Coop Def Prog	Procurement, NATO Cooperative Defense Programs	30833	
C	E	D	0380	N	\$	Coastal Def Aug	Coastal Defense Augmentation	30836	
C	E	D	2030	A	\$	PEMA	Proc. of Equip. & Missiles, Army	30870	
C	S	D	0390	A	\$	Chem Ag&Mun Ds, A	Chem Agents & Munitions Destruction, Army	30875	
C	S	D	0390	D	\$	Chem Ag&Mun Ds,Def	Chem Agents & Munitions Destruction, Def	30880	
C	Q	D	0117	D	\$	DEF MODERNIZATION	Defense Modernization Account	30882	
C	D	D	5530	D	\$	Acquisition Reform	Acquisition Reform	30931	
C	D	D	5531	D	\$	Modernization Reserv	Modernization Reserve	30932	
C	Q	D	0835	D	\$	DEF LOAN GUAR., PRG	Defense Export Loan Guarantees, Program Account	30936	
C	Q	D	1996	N	\$	ACQUIS PGM STAB RES	Acquisition Program Stability Resources	30950	

BUDGET ACCOUNT TITLE FILE (APPROPRIATION ACCOUNT NAME/CODES) AS OF MARCH 1998

P/B DIR	TYP APP	TREAS CODE	C/S	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME	PLAP
****	*	****	*	*	*	RDTE&E	40
R N	D	2040	A	P	\$	RDTE&E, A	40100
R P	D	1319	N	P	\$	RDTE&E, N	40200
R K	D	3600	F	P	\$	RDTE&E, AF	40300
	D	3600	F	P	\$	Other	40300
	D	3600	F	P	\$	Program	40300
R A	D	0400	D	P	\$	RDTE&E ,Def-Wide	40400
R A	D	0450	D	\$		Dev T&E,Def	40500
R A	D	0460	D	P	\$	Oper T&E,Def	40600
****	*	****	*	*	*	OTHER	44
Q S	D	0823	D	\$		Civ&Mil Pay Rse	44200
Q S	D	0824	D	\$		Ret Pay Accr Chg	44205
****	*	****	*	*	*	MIL CON	50
S J	D	2050	A	P	\$	Milcon, A	50050
S J	D	2051	A	P	\$	Milcon, A	50055
S F	D	1205	N	P	\$	Milcon, N	50100
S L	D	3300	F	P	\$	Milcon, AF	50150
S D	D	0500	D	\$		Milcon,Def-Wide	50200
S F	D	2085	A	P	\$	MCon,Army NG	50250
S F	D	3830	F	P	\$	MCon,Air NG	50300
S F	D	2086	A	P	\$	MCon,A Res	50350
S F	D	1235	N	P	\$	MCon,N Res	50400
S F	D	3730	F	P	\$	MCon,AF Res	50450
S J	D	0103	D	\$		Base Realgn/Cl-I	50457
S J	D	0510	A	\$		Base Realgn/Cl,A	50461
S J	D	0510	N	\$		Base Realgn/Cl,N	50462
S J	D	0510	F	\$		Base Realgn/Cl,F	50463
S J	D	0510	D	\$		Base Realgn/Cl,D	50464
S	D	0505	D	\$		Planning&Design	50550
S D	D	0803	D	\$		FCF,Const,Def	50600
S L	D	0804	D	\$		NATO Sec. Invest	50700
S	D	0830	D	\$		Outside the US	50810
****	*	****	*	*	*	FMLY HSN	60
S N	D	7020	A	P	\$	Fam Hsg Const,A	60425
S N	D	7025	A	P	\$	Fam Hsg Op&Dt,A	60435
S N	D	7030	N	P	\$	Fam Hsg Const,N	60445
S N	D	7035	N	P	\$	Fam Hsg Op&Dt,N	60455
S N	D	7040	F	P	\$	Fam Hsg Con,AF	60465
S N	D	7045	F	P	\$	Fam Hs Op&Dt,AF	60475
S N	D	7060	D	P	\$	Fam Hsg Const,D-W	60485
S N	D	7065	D	P	\$	Fam Hsg Op&Dt,D-W	60495
S N	D	4090	D	P	\$	Homeown Ast	60500
S N	D	4166	D	\$		FH IMPRV FD, D. LOAN	60810
S N	D	4167	D	\$		FH IMPRV FD, G. LOAN	60820
S	D	4191	D	\$		SEC2809-AUTH CONV FHSEC	60900
S N	D	0834	D	\$		DoD Fam Hsg Imprv Fd	60910
S N	D	0836	D	\$		DoD Unaccmp Hsg Impr	60920
S N	D	4196	D	\$		UNACC HSG DIR. LOAN	60930
S N	D	4197	D	\$		UNACC HSG GUAR. LOAN	60940
S N	D	5429	N	\$		ROOSMOOR LIQ TR	60950
****	*	****	*	*	*	SPEC FORGN CUR	75
C	D	0800	D	\$		Spec Forgn Cur	75100

BUDGET ACCOUNT TITLE FILE (APPROPRIATION ACCOUNT NAME/CODES) AS OF MARCH 1998

P/B DIR	TYP APP	TREAS CODE	C/S	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME	PLAP
****	*	****	*	*	REV & MGT FNDS	REVOLVING AND MGMT FUNDS	80
P O	D	4555	D	P \$	Nat Def Stkple	National Defense Stockpile Transaction Fund	80005
P O	D	4093	D	\$	W. Langer Fd	William Langer Jewel Bearing Plant Revolving Fund	80007
P G	U	4950	D	P \$	Pent Rsv Mnt Rv Fd	Pentagon Reservation Maintenance Revolving Fund	80225
P B	D	4930	A	P \$	DoD WK CAP FDS,A	Defense Working Capital Funds, Army	80708
P D	D	4930	N	P \$	DoD WK CAP FDS,N	Defense Working Capital Funds, Navy	80709
P P	D	4930	F	P \$	DoD WK CAP FDS, AF	Defense Working Capital Funds, Air Force	80710
P L	D	4930	D	P \$	DoD WK CAP FDS, DEF	Defense Working Capital Funds, Def	80711
P G	U	4931	D	P \$	Buildings Mnt Fnd	Buildings Maintenance Fund	80712
P	D	4568	D	P \$	Commissary Rev Fd	Military Commissary Revolving Fund	80714
P	D	3910	D	\$	ADP Eq Mgmt Fund	ADP Equipment Management Fund	80725
P D	U	3980	N	P \$	Mgmt Fund,N	Navy Management Fund	80800
P B	U	4528	A	\$	Ammo Wrk Cap Fd	Army Conventional Ammo Working Capital Fund	80850
C E	D	4557	N	P \$	Nat Def Sealft	National Defense Sealift Fund	80965
Q U	D	4179	D	P \$	RES INSURANCE FUND	Reserve Mobilization Income Insurance Fund	80970
C Q	D	4168	D	\$	DEF LOAN GUAR., FIN	Defense Export Loan Guarantees, Financing Account	80972
P D	D	7130	N	P \$	DoD WK CAP FDS,N	Defense Working Capital Funds, Navy	80976
P P	D	7230	F	P \$	DoD WK CAP FDS, AF	Defense Working Capital Funds, Air Force	80977
P L	D	7330	D	P \$	DoD WK CAP FDS, DEF	Defense Working Capital Funds, Def	80978
****	*	****	*	*	DEF-WIDE CONT	DEFENSE-WIDE CONTINGENCIES	81
A F	D	9912	D	\$	Other Legis	Other Legislation	81050
A S	D	9914	D	\$	Ret Pay Leg	Retired pay legislation	81125
A S	D	5500	D	\$	Civ&mil Pay Inc	Civilian & Military Pay Raises	81130
T	D	9918	D	\$	Gen Tsfr Auth	General transfer authority outlay allowance	81160
A F	D	5505	D	\$	Mil Pers Leg	Military Personnel Legislation	81200
A F	D	5510	D	\$	Other Legislation	Other Legislation	81300
A F	D	5510	A	P	Legis Cont - FTE	Legislative Contingencies - FTE	81301
T	D	5512	D	\$	Antcptd Svngs	Anticipated Savings	81310
CT S	D	9919	D	\$	Rescission	Proposed Rescissions for Later Transmittal	81500
T	D	5550	D	\$	Gen Tsfr Auth (Def)	General Transfer Authority (Defense)	81600
A S	D	5555	D	\$	Ret Pay Accr	Retired Pay Accrual	81700
A S	D	9915	D	\$	Awds Attnys Fees	Awards of Attorneys Fees	81800
C	D	9920	D	\$	Disc Bal Adj	Discretionary Balancing Adjustment	81900
T	D	9921	D	\$	DoD Mil Disc	DoD Military Discretionary	81910
T	D	5525	D	\$	DoD-wide Svngs Props	DoD-wide Savings Proposals	81915
T	D	9925	D	\$	DoD-wide Svngs Props	DoD-wide Savings Proposals	81917
T	D	5560	D	\$	Gen Tsfr Auth (MilCo)	General Transfer Authority (MilCon/FH)	81918
****	*	****	*	*	OFFSETG RECEIPT	DEDUCT FOR OFFSETTING RCPTS	83
T	U	0001	A	\$	Offsetg Rcpt, A	Offsetting Receipts, Army	83100
T	U	0002	N	\$	Offsetg Rcpt, N	Offsetting Receipts, Navy	83200
T	U	0003	F	\$	Offsetg Rcpt,AF	Offsetting Receipts, Air Force	83300
T	U	0004	D	\$	Offsetg Rcpt, D	Offsetting Receipts, Defense	83400
T	U	0021	A	\$	Rocky Mtn Arsenal	Rocky Mountain Arsenal	83500
T	U	0024	D	\$	Def Coop Rcpts	Defense Cooperation Receipts	83510
T	U	0025	D	\$	Intr on Def Coop Rcp	Interest on Defense Cooperation Receipts	83520
T	U	0036	D	\$	Sale Mat Def Stkpl	Sales of Certain Material in National Defense Stoc	83525
Q I	D	0041	D	\$	Off Rcpt Def Burdshr	Offstng Rcpts, Defense Burdensharing Contributions	83527
T	D	0085	N	\$	Kaho Is Convync	Offsetting Rcpts, Kaho'olawe Is Convync Remedtn En	83530
T	U	0086	A	\$	Nat Sci Ctr Rcp,A	Fees Collected For Use of National Science Ctr Fac	83680
T	U	0088	D	\$	Off Rcpt Disp RP,D	Offsetting Receipts, Disp DoD Real Property, Def	83730
T	U	0089	D	\$	Off Rcpt Lease RP,D	Offsetting Receipts, Lease DoD Real Prop, Def	83830
T	U	0093	D	\$	Off Rcpt Overseas,D	Offstng Rcpts, DoD Overseas Mil Fac Inv Recov,D	83850

BUDGET ACCOUNT TITLE FILE (APPROPRIATION ACCOUNT NAME/CODES) AS OF MARCH 1998

P/B DIR	TYP APP	TREAS CODE	C/S	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME	PLAP	
T	U	0094	A	\$	Off Rcpt WWII Anniv	Royalties for use of DoD Military Ensignia & Trdmk	83860	
T	U	0095	D	\$	Fees Coll,Com Fac	Offsetting Rcpts, Transfer/Disposal, Commissary Fa	83870	
C	Q	D	5336	D	\$	OFF RCPTS LOAN GUAR. Offsetting Rcpts, Defense Export Loan Guarantees	83872	
T	U	5346	D	\$	OFF RCPTS DIR. LOAN	Offstng Rcpts, Direct Loan Financing, Fam Hsg Impr	83874	
T	U	5347	D	\$	OFF RCPTS GUAR. LOAN	Offstng Rcpts, Guar. Loan Financing, Fam Hsg Imprv	83876	
T	U	5348	D	\$	OFF RCPTS DIR. LOAN	Offstng Rcpts, Dir. Loan Fin., Mil Unacc Hsg Imprv	83878	
T	U	5349	D	\$	OFF RCPTS GUAR. LOAN	Offstng Rcpts, Guar. Loan Fin., Mil Unacc Hsg Impr	83890	
T	D	0029	N	\$	OFF RCPT ROSSMOOR	Offsetg Rcpts, Rossmoor Liquidating Tr Settlement	83892	
****	*	****	*	*	FEDERAL INTRFND	DEDUCT. FOR INTRAFUND RCPTS	84	
T	D	9001	A	\$	Intrafund, Army	Federal Intrafund, Army	84100	
T	D	9002	N	\$	Intrafund, Navy	Federal Intrafund, Navy	84200	
T	D	9003	F	\$	Intrafund, AF	Federal Intrafund, Air Force	84300	
T	D	9004	D	\$	Intrafund,Def	Federal Intrafund, Defense	84400	
****	*	****	*	*	TRUST FUNDS	TRUST FUNDS	85	
T	U	9971	D	\$	Other DoD Trust Fnds	Other DoD Trust Funds	85100	
T	U	8000	D	\$	Trust(Summary)	Trust Funds (Summary)	85100	
T	U	8001	A	\$	Trust Army	Trust Funds, Army	85110	
T	U	8063	A	\$	Ainsworth Lib	Ainsworth Library (Trust)	85111	
T	U	9971	A	\$	Other DoD Trust Fnds	Other DoD Trust Funds	85112	
T	U	8927	A	\$	A,Gen Gift Fund	Army General Gift Fund (Trust)	85113	
T	U	9972	N	\$	Navy Trust Funds	Navy Trust Funds	85120	
T	U	8002	N	\$	Trust Navy	Trust Funds, Navy	85120	
T	U	8733	N	\$	N,Acdy Gift Fnd	USN Academy General Gift Fund (Trust)	85121	
T	U	8730	N	\$	N,Acdy Museum F	USN Academy Museum Fund (Trust)	85122	
T	U	8716	N	\$	N,Gen Gift Fund	Navy General Gift Fund (Trust)	85123	
T	U	8723	N	\$	Shp Stor Profit	Ships Stores Profit, Navy (Trust)	85124	
T	U	8008	N	\$	Nav Hist Cntr	Naval Historical Center Fund(Trust)	85125	
T	U	8003	F	\$	Trust AF	Trust Funds, Air Force	85130	
T	U	8928	F	\$	AF Gen Gift Fnd	Air Force General Gift Fund (Trust)	85131	
T	U	8311	D	\$	USUHS Gift Fund	Uniformed Services University of the Health Scienc	85135	
T	U	8004	D	\$	Trust Defense	Trust Funds, Defense	85140	
T	U	8163	D	\$	DHC Tr Fund	Defense Health Care Trust Fund	85145	
Q	N	U	8165	D	\$	For Nat Emp Sep Fnd	Foreign National Employee Separation Pay Trust Fun	85150
Q	S	U	8335	D	\$	VSTF	Voluntary Separation Trust Fund	85155
Q	S	U	8064	A	\$	Fisher House Tr Fd,AF	Fisher House Trust Fund, Dept. of the Army	85158
Q	S	U	8169	N	\$	Fisher House Tr Fd,NF	Fisher House Trust Fund, Dept. of the Navy	85159
Q	S	U	8170	F	\$	Fisher House Tr Fd,FF	Fisher House Trust Fund, Dept. of the Air Force	85160
Q	L	U	8174	A	\$	Nat Sci Ctr Gift Fd	National Science Center Gift Fund (Trust)	85161
S	L	D	8168	D	\$	NSETF	National Security Education Trust Fund	85165
Q	V	D	8166	N	\$	Kaho'olawe Is Tr Fd	Kaho'olawe Island Convynce, Remed & Env Rest Tr Fd	85170
P	D	U	9981	D	\$	Navy Trust Rev Funds	Navy Trust Revolving Funds	85500
P	D	U	9981	N	\$	Navy Trust Rev Funds	Navy Trust Revolving Funds	85520
P	U	8423	N	\$	Midshp Stor,N	Midshipmen's Store, USN Academy (TR)	85521	
P	B	U	9982	F	\$	Air Force Trust Rev	Air Force Trust Revolving Funds	85530
P	U	8418	F	\$	AF Cadet Fund	Air Force Cadet Fund (TR)	85532	
P	G	U	8164	D	\$	Surchg Coll,Def	Surchge Coll.,Sales of Comm.Stores, Def (TR)	85536
Q	S	U	8337	D	\$	Host Nation Sup,D	Host Nation Sup for US Relocation Activities, Def	85560
****	*	****	*	*	OFF RCPTS TRUST	OFFSETTING RECEIPTS, TRUST FUNDS	86	
T	D	0081	A	\$	Off Rcpts Tr,A	Offsetting Receipts, Army Trust Funds	86100	
T	D	0082	N	\$	Off Rcpts Tr,N	Offsetting Receipts, Navy Trust Funds	86200	
T	D	0083	F	\$	Off Rcpts Tr,AF	Offsetting Receipts, AF Trust Funds	86300	
T	D	0084	D	\$	Off Rcpts Tr,DA	Offsetting Receipts,Def-Wide Trust Funds	86400	

BUDGET ACCOUNT TITLE FILE (APPROPRIATION ACCOUNT NAME/CODES) AS OF MARCH 1998

P/B DIR	TYP APP	TREAS CODE	C/S	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME	PLAP	
P	D	1999	F	\$	Uncl Rcpts & Exp	Unclassified Receipts & Expenditures	86500	
****	*	****	*	*	INTERFUND TRANS	INTERFUND TRANSACTIONS	87	
T	U	9081	A	\$	Interfund,A	Interfund Transactions, Army	87100	
T	U	9082	N	\$	Interfund,N	Interfund Transactions, Navy	87200	
T	U	9083	F	\$	Interfund,AF	Interfund Transactions, Air Force	87300	
T	U	9084	D	\$	Interfund,DA	Interfund Transactions,Def-Wide	87400	
T	D	9086	D	\$	Interfund,Def	Interfund Transactions, Defense	87500	
Q N	U	9088	D	\$	Interfund,FNESF	Interfund Transactions, For Nat Empl Sep Fund	87600	
Q S	U	9089	D	\$	Interfund,VSIF	Interfund Transactions, Vol Sep Incentive Fund	87610	
****	*	****	*	*	UNDD OFFSETS	UNDISTRIBUTED OFFSETS	88	
T	D	6001	A	P	\$	UNDD OFFST,A	Army Undistributed Offsets	88300
T	D	6002	N	P	\$	UNDD OFFST,N	Navy Undistributed Offsets	88400
T	D	6003	F	P	\$	UNDD OFFST,AF	Air Force Undistributed Offsets	88500
T	D	6004	D	P	\$	UNDD OFFST,DA	Def-wide Undistributed Offsets	88600
****	*	****	*	*	MAP FEDERAL FND	MAP FEDERAL FUNDS	90	
Q	D	1080	D	P		Mil Asst,Ex	Military Assistance, Executive	90100
Q	D	1082	D	P		For Fin Prg, Ex	Foreign Financing Program, Executive	90200
****	*	****	*	*	MAP TRUST FUND	MAP TRUST FUNDS	91	
Q	D	8242	D	P		Adv, FMS(Tr)	Advance, Foreign Military Sales (Tr)	91200
****	*	****	*	*	CIVIL FUNCTIONS	CIVIL FUNCTIONS	95	
Q	U	1805	A	P	\$	Cemeterl Exp	Salaries & Expenses, Cemeterial Exp,Arm	95100
Q Q	U	5095	A	\$	Wildlife,A	Wildlife, Army	95400	
Q Q	U	5095	N	\$	Wildlife,N	Wildlife, Navy	95450	
Q Q	U	5095	F	P	\$	Wildlife,AF	Wildlife, Air Force	95500
Q	U	5095	D	\$	Wildlife,Def	Wildlife, Defense	95550	
D	U	0006	A	\$	Rcpt Civ,Army	Rcpt Civ, Army	95600	
D	U	0007	N	\$	Rcpt Civ,Navy	Rcpt Civ, Navy	95700	
D	U	0008	F	\$	Rcpt Civ,AF	Rcpt Civ, Air Force	95800	
Q S	U	8097	D	\$	Mil Ret Fd	Military Retirement Fund	95900	
Q S	U	8099	D	\$	Ml. Rt. Fd (cnt)	Military Retirement Fund (continued)	95901	
Q S	U	0030	D	\$	Retired Pay,Def	Retired Pay, Defense	95930	
Q S	U	0040	D	\$	Pay Mil Ret Fd	Payment to Military Retirement Fund	95950	
Q S	U	0042	D	\$	Pay Mil Ret Fd	Payment to Military Retirement Fund	95975	
Q U	U	8098	D	\$	Ed Ben Fund	Education Benefits Fund	95980	
Q L	U	8095	D	\$	Ed Ben Fund	Education Benefits Fund	95985	

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1998

MILITARY PERSONNEL

CODE SHEET ENTRIES

TREAS CODE	C/S	BA/BSA	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME
2010	A	00 000		Mil Per,Army	Military Personnel, Army
2010	A	01 000		P/A OF OFFICERS	Pay and allowances of officers
2010	A	01 540	\$	Retired Pay Accrual	Retired Pay Accrual
2010	A	01 777	\$	BUDGETED AMTS	Budgeted Amounts
2010	A	02 000		P/A OF ENLISTED	Pay and allowances of enlisted
2010	A	02 540	\$	Retired Pay Accrual	Retired Pay Accrual
2010	A	02 777	\$	BUDGETED AMTS	Budgeted Amounts
2010	A	03 000		P/A OF CADETS	Pay and allowances of cadets
2010	A	03 777	\$	BUDGETED AMTS	Budgeted Amounts
2010	A	04 000		SUBS OF ENL PER	Subsistence of enlisted personnel
2010	A	04 777	\$	BUDGETED AMTS	Budgeted Amounts
2010	A	05 000		PCS TRAVEL	Permanent change of station travel
2010	A	05 777	\$	BUDGETED AMTS	Budgeted Amounts
2010	A	06 000		OTHER MIL PERS	Other military personnel costs
2010	A	06 777	\$	BUDGETED AMTS	Budgeted Amounts
2010	A	20 000		UNDISTRIBUTED	Undistributed
2010	A	20 314	P	Plng Dsgn/Mnr Const	Planning and Design/Minor Construction
2010	A	20 321	P	Fam Hsg, O&M	Family Housing Operation and Maintenance
2010	A	20 330	P \$	C C P	Consolidated Cryptologic Program (CCP)
2010	AG	20 330	P \$	C C P	Consolidated Cryptologic Program (CCP)
2010	A	20 331	P \$	G D I P	General Defense Intelligence Program (GDIP)
2010	AL	20 331	P \$	G D I P	General Defense Intelligence Program (GDIP)
2010	AL1	20 331	P \$	G D I P	General Defense Intelligence Program (GDIP)
2010	A	20 333	P \$	Nat'l Recon Prog	National Reconnaissance Program
2010	ABQ	20 334	P \$	Nat,Sel Fed Acts	National, Selected, Federal Activities
2010	A	20 335	P \$	F C I P	Foreign Counterintelligence Program (FCIP)
2010	ABA	20 335	P \$	F C I P	Foreign Counterintelligence Program (FCIP)
2010	ABQ	20 335	P \$	F C I P	Foreign Counterintelligence Program (FCIP)
2010	ABR	20 335	P \$	F C I P	Foreign Counterintelligence Program (FCIP)
2010	AL	20 335	P \$	F C I P	Foreign Counterintelligence Program (FCIP)
2010	AL1	20 335	P \$	F C I P	Foreign Counterintelligence Program (FCIP)
2010	ABQ	20 336	P \$	NIMA	National Imagery and Mapping Agency (NIMA)
2010	A	20 336	P \$	NIMA	National Imagery and Mapping Agency (NIMA)
2010	A	20 337	P \$	NFIP Tech Adj	NFIP Technical Adjustment
2010	AG	20 337	P \$	NFIP Tech Adj	NFIP Technical Adjustment
2010	AL	20 337	P \$	NFIP Tech Adj	NFIP Technical Adjustment
2010	A	20 360	P	D C P	Defense Cryptologic Program (DCP)
2010	AG	20 360	P	D C P	Defense Cryptologic Program (DCP)
2010	AS	20 401	P	Joint Log Sys	Joint Logistics Systems
2010	ASA	20 401	P	Joint Log Sys	Joint Logistics Systems
2010	AS	20 402	P	DLA Dist Depots	Defense Logistics Agency Distribution Depots
2010	A	20 407	P	Ordnance	Ordnance
2010	A	20 408	P	Depot Maint,A/MC	Army and Marine Corps Depot Maintenance
2010	A	20 409	P	Base Support	Base Support
2010	A	20 410	P	Transportation	Transportation
2010	ABE	20 410	P	Transportation	Transportation
2010	AS	20 412	P	Def Reutil&Mktg Svc	Defense Reutilization and Marketing Service
2010	ABD	20 416	P	Def Fin Ops	Defense Financial Operations

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1998

MILITARY PERSONNEL

CODE SHEET ENTRIES

TREAS CODE	C/S	BA/BSA	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME
2010	A	20 417	P	Info Svces	Information Services
2010	ABD	20 417	P	Info Svces	Information Services
2010	AK	20 417	P	Info Svces	Information Services
2010	AS	20 417	P	Info Svces	Information Services
2010	ABC	20 419	P	Def Com Ag	Defense Commissary Agency
2010	A	20 422	P	Army Supply Mgmt	Army Supply Management
2010	AS	20 425	P	DLA Supply Mgmt	Supply Management, DLA
2010	AS	20 427	P	Clothing Factory	Clothing Factory
2010	A	20 500	\$	NFIP Offset	NFIP Offset
2010	ABA	20 500	\$	NFIP Offset	NFIP Offset
2010	ABQ	20 500	\$	NFIP Offset	NFIP Offset
2010	ABR	20 500	\$	NFIP Offset	NFIP Offset
2010	AG	20 500	\$	NFIP Offset	NFIP Offset
2010	AL	20 500	\$	NFIP Offset	NFIP Offset
2010	A	20 540	\$	Retired Pay Accrual	Retired Pay Accrual
2010	A	20 777	P \$	BUDGETED AMTS	Budgeted Amounts
2010	ABA	20 777	P	Army OSIA	On-Site Inspection Agency
2010	ABB	20 777	P	Army SOCOM	Special Operations Command
2010	ABC	20 777	P	DECA	Defense Commissary Agency
2010	ABD	20 777	P	DFAS	Defense Finance and Accounting Service
2010	ABQ	20 777	P	Army NIMA	National Imagery and Mapping Agency
2010	ABR	20 777	P	DTRA	Defense Threat Reduction Agency
2010	AC	20 777	P	BMDO	Ballistic Missile Defense Organization
2010	AD	20 777	P	DASD	Dept of Def(OSD & OASDs)
2010	AE	20 777	P	DARPA	Defense Advanced Research Projects Agency
2010	AG	20 777	P	Army NSA	National Security Agency
2010	AH	20 777	P	DSWA	Defense Special Weapons Agency
2010	AHP	20 777	P	DHP	Defense Health Program
2010	AI	20 777	P	DSPO	Defense Support Project Office
2010	AJ	20 777	P	Army JCS	Army JCS
2010	AK	20 777	P	DISA	Defense Information Systems Agency
2010	AK1	20 777	P	DISA-DSA	DISA - Defense Support Activities
2010	AL	20 777	P	Army DIA	Defense Intelligence Agency
2010	AL1	20 777	P	DIA-DSA	Defense Intelligence Agency, Defense Support Activ
2010	AR	20 777	P	DCAA	Defense Contract Audit Agency
2010	AS	20 777	P	DLA	Defense Logistics Agency
2010	ASB	20 777	P	DAU	Defense Acquisition University
2010	ASC	20 777	P	DBMU	Defense Business Management University
2010	ASE	20 777	P	DHRFA	DoD Human Resources Activity
2010	AS1	20 777	P	DSA	DoD Support Activities
2010	AT	20 777	P	DSCA	Defense Security Cooperation Agency (Eff. 10/1/98. Formerly DSAA)
2010	AV	20 777	P	DSS	Defense Security Service
2010	AW	20 777	P	USUHS	Uniformed Services University of the Health Scienc
2010	AX	20 777	P	IG	Inspector General
2010	A1	20 777	P	OSD	Secretary of Defense
2010	A12	20 777	P	DPMO	Defense POW/MIA Office
2010	A2	20 777	P	WHS	Washington Headquarters Service
2010	A21	20 777	P	CIM	Corporate Information Management

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1998

MILITARY PERSONNEL

CODE SHEET ENTRIES

TREAS CODE	C/S	BA/BSA	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME
2010	A3	20 777	P	AFIS	American Forces Information Services
2010	A4	20 777	P	DLSA	Defense Legal Services Agency
2010	A5	20 777	P	DoDDE	Department of Defense Dependents Education
2010	A6	20 777	P	OEA	Office of Economic Adjustment
2010	A7	20 777	P	CHAMPUS	Civilian Health and Medical Program of the Uniform
2010	A81	20 777	P	DFMS	
2010	A9	20 777	P	DMSA	Defense Medical Support Activity
2010	A92	20 777	P	DTSA	Defense Technology Security Administration
2010	A	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
2010	A	20 999	\$	UNDD OFFSET	Undistributed Offset
2010	A	R01 000	\$	REIMB PROGRAM	Reimbursable program
2010	A	R02 000	\$	REIMB ACC	Reimbursement for Retirement Accrual
2010	A	R03 000	\$	REIMB REV FD	Reimbursement from Revolving Funds
2010	A	R04 000	\$	REIMB ACC-REV FD	Reimbursement for Retirement Accrual-Rev Fds

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES)

\$\$ BA/BSA IN	ABBREVIATED NAME	FULL NAME	COMMENTS
F11 000	ORDERS FEDERAL	Federal funds(-)	
\$ F11 010	ORDERS FED, NEW	New federal fund orders	
\$ F11 020	ORD FED, ADJ PY	Adjustment to prior year federal fund orders	
F13 000	ORDERS TRUST	Trust funds(-)	
F14 000	ORDERS NONFED	Non-Federal sources(-)	
\$ F14 010	ORD NONFED, NEW	New non-federal sources	
\$ F14 020	ORD NONFED,ADJPY	Adjustment to non-federal sources	
F17 000	RECOV PY OBS	Recovery of prior year obligations	
\$ F17 010	RECOV PY BAL BP	Recoveries of prior year program(obligations)(-)	All except multi-yr accts&NATO Infrastructure
\$ F17 020	RECOV PY BAL OP	Recoveries of prior year obligations(-)	Accts with separate oblig. plans only
F21 000	UNOBL BAL ST YR	Unobligated balance available, start of year:	
\$ F21 010	UNOBL BAL ST YR	Unobligated balance available, start of year(-)	
\$ F21 020	UNOB ST,PY PLAN	For completion of prior year budget plans	Accts with separate oblig. plans only
\$ F21 030	UNOB ST,NEWPLAN	Available to finance new budget plans	Accts with separate oblig. plans only
\$ F21 040	UNOB ST,TREABAL	Treasury balance	Trust funds w/invests in U.S. Securities only
\$ F21 051	PAR	Par (-)	Trust funds w/invests in U.S. Securities only
\$ F21 052	UNREALIZED DISC	Unrealized discounts	Trust funds w/invests in U.S. Securities only
\$ F21 057	UNAMRT PRM/DISC	Unamortized premium (-) or discount, net	Mil Retirement&Educ Benefits Trust Funds only
\$ F21 058	INT PURCHASED	Interest Purchased	Mil Retirement&Educ Benefits Trust Funds only
\$ F21 910	REPRO FM-/TO PY	Reprogramming from/to prior year budget plans	Accts with separate oblig plans only
\$ F21 980	UNOB SOY,F/B	Unobligated balance, SOY: Fund balance	Homeowners,rev & mgmt,trust rev only
\$ F21 983	AVAIL	Available	Stockpile revolving funds only
\$ F21 984	UNAVAIL	Unavailable	Stockpile revolving funds only
F22 000	NET UNOB TRF	Unobligated balance transferred, net	
\$ F22 402	UNOB TRF-FCF	Portion applied to meet FCF in expired accts	Expired O&M accts only w/transfers from FCF
\$ F22 405	UNOB TO OTH-APN	Unobligated balance transferred to other accounts	Unob bal trnsfrs under gen trnsfr auth
\$ F22 410	UNOB FM OTH-APN	Unobligated balance transferred from other account	Unob bal trnsfrs under gen trnsfr auth
\$ F22 980	UNOB TO OTH-FB	Fund balance transferred to other accounts	Homeowners,rev & mgmt,trust rev only
\$ F22 985	UNOB FM OTH-FB	Fund balance transferred from other accounts (-)	Homeowners,rev & mgmt,trust rev only
F23 000	UNOB REDUCTIONS	Unobligated balance reductions	
\$ F23 800	UNOB RED-DISC	Red. pursuant to P.L. 99-177 in unob bal (discr)	
\$ F23 850	UNOB RED-MAND	Red. pursuant to P.L. 99-177 in unob bal (mand)	
F24 000	UNOBL BAL,ENDYR	Unobligated balance available, end of year:	
\$ F24 010	UNOBL BAL,ENDYR	Unobligated balance available, end of year	
\$ F24 020	UNOB EN,PY PLAN	For completion of prior year budget plans	Accts with separate oblig. plans only
\$ F24 030	UNOB EN,SUBPLAN	Available to finance subsequent year budget plan	Accts with separate oblig. plans only
\$ F24 040	UNOB EN,TREABAL	Treasury balance	Trust funds w/invests in U.S. Securities only
\$ F24 051	PAR	Par	Trust funds w/invests in U.S. Securities only
\$ F24 052	UNREALIZED DISC	Unrealized discounts (-)	Trust funds w/invests in U.S. Securities only
\$ F24 057	UNAMRT PRM/DISC	Unamortized premium or discount (-), net	Mil Retirement&Educ Benefits Trust Funds only
\$ F24 058	INT PURCHASED	Interest Purchased	Mil Retirement&Educ Benefits Trust Funds only
\$ F24 980	UNOB EOY,F/B	Unobligated balance, EOY: Fund balance	Homeowners,rev & mgmt,trust rev only
\$ F24 983	AVAIL	Available	Stockpile revolving funds only
\$ F24 984	UNAVAIL	Unavailable	Stockpile revolving funds only
F25 000	U/BAL EXPIRING	Unobligated balance expiring:	
\$ F25 010	U/BAL EXPIRING	Unobligated balance expiring	
\$ F25 450	UB EXPIRING,REAPPN	Unobligated balance expiring, reapprop.	To offset reapprop. from transfers
F27 000	CAP TR TO GENFD	Capital transfer to general fund	
\$ F30 000	DEFICIENCY	Deficiency(-)	
\$ F31 000	REDEM AGCY DEBT	Redemption of debt	
F32 000	AUTH W/D	Balance of authority withdrawn	

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1998

\$\$ BA/BSA IN	ABBREVIATED NAME	FULL NAME	COMMENTS
\$ F32 470	BAL AUTH W/D	Balance of authority to borrow withdrawn	Homeowners Assistance only
\$ F32 490	BAL C/A W/D	Balance of contract authority withdrawn	Stock and commissary trust rev. funds only
F39 000	BUDGET AUTHORITY	Budget authority	
\$ F39 010	P&FC ROUNDG,BP	P&FC Rounding, Budget Plan	
\$ F39 020	P&FC ROUNDG,OP	P&FC Rounding, Obligation Plan	
F40 000	BUD AUTH,CURRNT	Current authority	
\$ F40 010	APPROP EN/EST	Appropriation	
\$ F40 030	OFFSETTG RCPT	Offsetting receipts	A,N,AF,D receipts & Navy interfund receipts
\$ F40 050	APPN INDEF	Appropriation (indefinite)	
\$ F40 150	APPN EMERGENCY	Appropriation (emergency)	
\$ F40 200	APPN SP FND	Appropriation (special fund)	
\$ F40 250	APPN SP INDEF	Appropriation (special fund,indefinite)	
\$ F40 260	APPN TR FD DEF	Appropriation (trust fund, definite)	
\$ F40 270	APPN TR FD INDEF	Appropriation (trust fund, indefinite)	
\$ F40 350	APPN RESCINDED-CY	Appropriation rescinded (-)	Use for enacted/proposed rescissions in CY
\$ F40 355	APPN RESCINDED-PY	Appropriation rescinded (-)	Use for enacted rescissions in PY
\$ F40 360	APPN RESC. UB-CY	Appropriation rescinded (unob bal)	Use for enacted/proposed rescissions in CY
\$ F40 365	APPN RESC. UB-PY	Appropriation rescinded (unob bal)	Use for enacted rescissions in PY
\$ F40 470	DEBT REDUCTION	Portion applied to debt reduction (-)	Family housing only
\$ F40 480	POR LIQ DEF	Portion applied to liquidate deficiencies (-)	
\$ F40 490	POR LIQ CON AUT	Portion applied to liquidate contract authority	
\$ F40 500	BAL LIQ C/A WDN	Balance of appr to liquidate contract auth withd	
\$ F40 600	CONTNGT EMERG,UNAVAIL	Contingent emrgncy approp not avail for oblig(-)	
\$ F40 700	RED PL 104-6	Reduction pursuant to P.L. 104-6 (-)	
\$ F40 710	RED PL 104-19	Reduction pursuant to P.L. 104-19 (-)	
\$ F40 720	RED PL 104-61	Reduction pursuant to P.L. 104-61 (-)	
\$ F40 730	RED PL 104-134	Reduction pursuant to P.L. 104-134 (-)	
\$ F40 740	RED PL 104-208,8037e	Reduction pursuant to P.L. 104-208 (-), 8037(e)	
\$ F40 741	RED PL 104-208,8037h	Reduction pursuant to P.L. 104-208 (-), 8037(h)	
\$ F40 742	RED PL 104-208,8138	Reduction pursuant to P.L. 104-208 (-), 8138	
\$ F40 750	RED PL 105-45,125	Reduction pursuant to P.L. 105-45 (-), 125	
\$ F40 760	RED PL 105-56,8035	Reduction pursuant to P.L. 105-56 (-), 8035	
\$ F40 761	RED PL 105-56,8041	Reduction pursuant to P.L. 105-56 (-), 8041	
\$ F40 762	RED PL 105-56,8043	Reduction pursuant to P.L. 105-56 (-), 8043	
\$ F40 763	RED PL 105-56,8048	Reduction pursuant to P.L. 105-56 (-), 8048	
\$ F40 764	RED PL 105-56,8106	Reduction pursuant to P.L. 105-56 (-), 8106	
\$ F40 780	RED PL 103-335	Reduction pursuant to P.L. 103-335 (-)	
\$ F40 790	RED PL 103-307	Reduction pursuant to P.L. 103-307 (-)	
\$ F40 799	LINE ITEM CANCEL	Line item veto cancellation (-)	
\$ F40 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc) (-)	
\$ F40 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand) (-)	
\$ F40 888	SUPP ADJUST	Supplemental adjustment	
\$ F40 950	BUD AUTH,UNDD	Undistributed FOR P&FC USE ONLY!!	
\$ F41 000	TRF TO OTH ACCT	Transferred to other accounts (-)	
\$ F41 980	TRF TO OTH ACCT-UN B	Transferred to other accounts (-)*	Unob fund bal transfer
\$ F42 000	TRF FM OTH ACCT	Transferred from other accounts	
\$ F42 980	TRF FM OTH ACCT-UN B	Transferred from other accounts*	Unob fund bal transfer
F43 000	APPROP ADJUSTED	Appropriation (adjusted)	
F47 000	AUTH BORROW	Authority to borrow	
F49 000	CONTRCT AUTHRTY	Contract authority	
\$ F49 050	CONT AUTH INDEF	Contract authority (indefinite)	

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1998

\$\$ BA/BSA IN	ABBREVIATED NAME	FULL NAME	COMMENTS
\$ F50 000	REAPPROPRIATION	Reappropriation	
\$ F50 020	REAPPN-FCF	Portion applied to meet FCF in expired accts	Use only in FCF&FCF,C for tsfrs to exp accts
\$ F50 030	REAPPN-TSFR	Transferred to other accounts	
\$ F50 050	REAPPN INDEF	Reappropriation (indefinite)	
\$ F50 200	REAPPN SP FND	Reappropriation (special fund)	
\$ F50 250	REAPPN SP INDEF	Reappropriation (special fund, indefinite)	
\$ F50 260	REAPPN TR FD DEF	Reappropriation (trust fund, definite)	
\$ F50 270	REAPPN TR FD INDEF	Reappropriation (trust fund, indefinite)	
\$ F50 350	REAPPN RESCINDED	Reappropriation rescinded	
\$ F50 360	REAPPN RESCND-UB	Reappropriation rescinded (unob bal)	
\$ F50 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
\$ F50 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
F53 000	REAPPN ADJUSTED	Reappropriation (adjusted)	
F60 000	BUD AUTH,PERMNT	Permanent authority	
\$ F60 010	APPN	Appropriation	Advance appn,, i.e. Ft. Drum, MC Army
\$ F60 030	OFFSETTG RCPT	Offsetting receipts	Rocky Mtn Ars & Wildlife receipts
\$ F60 050	APPN INDEF	Appropriation (indefinite)	Trust funds
\$ F60 200	APPN SP FND	Appropriation (special fund, definite)	
\$ F60 250	APPN SP INDEF	Appropriation (special fund, indefinite)	Rocky Mtn Ars&wildlife conserv.
\$ F60 260	APPN TR FD DEF	Appropriation (trust fund, definite)	
\$ F60 270	APPN TR FD INDEF	Appropriation (trust fund, indefinite)	
\$ F60 280	APPN UNAVAIL BAL	Appropriation (unavailable balances)	
\$ F60 350	APPN RESCINDED	Appropriation rescinded	
\$ F60 360	APPN RESCND-UB	Appropriation rescinded (unob bal)	
\$ F60 450	PRECLUDE FM OBLIG	Portion precluded from obligation (-)	Trust Fund w/benefit formula
\$ F60 650	CONTNGT EMERG,REL'D	Contingent Emergency Approp Released	
\$ F60 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
\$ F60 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
\$ F61 000	TRF TO OTH ACCT	Transferred to other accounts(-)	
\$ F62 000	TRF FM OTH ACCT	Transferred from other accounts	
F63 000	APPROP (ADJ)	Appropriation (Adjusted)	
\$ F65 100	ADV APPN	Advance appropriation	
\$ F65 200	ADV APPN-TRNSFR	Transferred to other accounts	
\$ F65 260	ADV APPN TR FD DEF	Advance appropriation (trust fund, definite)	
\$ F65 270	ADV APPN TR FD INDEF	Advance appropriation (trust fund, indefinite)	
\$ F67 100	AUTH TO BORROW	Authority to borrow	
\$ F67 150	AUTH BR INDEF	Authority to borrow (indefinite)	Homeowners assistance only
\$ F67 350	AUTH BR RESCINDED	Authority to borrow rescinded	
\$ F67 360	AUTH BR RESCND-UB	Authority to borrow rescinded (unob bal)	
\$ F67 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
\$ F67 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
F68 000	OFFSET COLL-NEW	Spending auth. from offsetting coll. (new)	
\$ F68 260	OFFSET COLL-BAL	Spending auth. from offsetting coll. (bal)	
\$ F68 450	OFFSET COLL-LIM	Port. not avail. (lim. on oblig.) (-)	
\$ F69 150	CONT AUTH INDEF	Contract authority (indefinite)	3732, stock and commissary trust rev fds only
\$ F69 350	CA RESCINDED	Contract authority rescinded	
\$ F69 360	CA RESCND-UB	Contract authority rescinded (unob bal)	
\$ F69 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
\$ F69 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
F70 000			
\$ F71 010	OBLIG INCUR NET	Obligations incurred, net	

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1998

\$\$ BA/BSA IN	ABBREVIATED NAME	FULL NAME	COMMENTS
F72 000	OBL BAL, SOY	Obligated balance, start of year	
\$ F72 105	ORDERS ON HAND, SOY	Orders on hand, SOY	
\$ F72 110	OB BAL SOY,UNPD OBS	Unpaid Obls, SOY	
\$ F72 240	OB ST:TREAS BAL	Treasury Balance	Trust funds w/invests in U.S. Securities
\$ F72 260	PAR	Par	Trust funds w/invests in U.S. Securities
\$ F72 265	UNREAL DISC	Unrealized discounts (-)	Trust funds w/invests in U.S. Securities
\$ F72 270	UNAMRT PRM/DISC	Unamortized premium or discount (-), net	Mil Retirement&Educ Benefits Trust Funds only
\$ F72 280	INT PURCHASED	Interest Purchased	Mil Retirement&Educ Benefits Trust Funds only
\$ F72 310	OB BAL SOY,C/A	Obligated balance, start of year, contract auth	3732, stock and trust revolving funds only
\$ F72 410	OB BAL SOY,F/B	Obligated balance, start of year, fund balance	Homeowners,rev & mgmt,trust rev only
F73 000	OB BALTRANS,NET	Obligated balance transferred, net	
\$ F73 310	OB BALTRANS,C/A	Obligated balance transferred, contract auth	Stock and trust revolving funds only
\$ F73 410	OB BALTRANS,F/B	Obligated balance transferred, fund balance	Homeowners,rev & mgmt,trust rev only
F74 000	OBL BAL,EOY	Obligated balance, end of year	
\$ F74 105	ORDERS ON HAND, EOY	Orders on hand, EOY	
\$ F74 110	OB BAL EOY,UNPD OBS	Unpaid Obs, EOY	
\$ F74 240	OB END:TREAS BAL	Treasury Balance	Trust funds w/invests in U.S. Securities
\$ F74 260	PAR	Par	Trust funds w/invests in U.S. Securities
\$ F74 265	UNREAL DISC	Unrealized discounts (-)	Trust funds w/invests in U.S. Securities
\$ F74 270	UNAMRT PRM/DISC	Unamortized premium or discount (-), net	Mil Retirement&Educ Benefits Trust Funds only
\$ F74 280	INT PURCHASED	Interest Purchased	Mil Retirement&Educ Benefits Trust Funds only
\$ F74 310	OB BAL EOY,C/A	Obligated balance, end of year, Contract Auth	3732, stock and trust revolving funds only
\$ F74 410	OB BAL EOY,F/B	Obligated balance, end of year, fund balance	Homeowners,rev & mgmt,trust rev only
\$ F77 110	ADJ EXP ACCT,OBS	Adjustments in expired accounts, obligations	
\$ F77 120	ADJ EXP ACCT ORDERS	Adjustments to expired accounts orders	
\$ F78 110	ADJ,UNEXP ACCTS	Adjustments in unexpired accounts	
F82 000	CHG IN DEF	Change in deficiency	
\$ F83 100	DEF EXP ACT,SOY	Deficiency in prior year expired accounts, start o	
\$ F83 150	DEF ADJ	Deficiency adjustment	
F84 000	DEF EXP ACT,EOY	Deficiency in prior year expired accounts, end of	
\$ F84 100	DEF EXP ACT,EOY	Deficiency in prior year expired accounts, end of	
F85 000	DEFICIENCY APPN	Deficiency appropriation	
\$ F85 100	DEFICIENCY APPN	Deficiency appropriation	
F86 000	PORT APPL TO LIQ	Portion applied to liquidate deficiencies	
\$ F86 100	PORT APPL TO LIQ	Portion applied to liquidate deficiencies	
F87 000	OUTLAYS(GROSS)	Outlays (gross)	
F88 000	ORDERS FED	Federal orders (-)	
F89 000	BA (NET)	Budget authority (net)	
F90 000	OUTLAYS	Outlays (net)	
\$ F90 110	OUTLAYS CY PROG	Net outlays from current year programs	Include offsetting receipts on this line
\$ F90 111	OUTLAYS PY PROG	Net outlays from prior year programs	

BUDGET ACCOUNT TITLE FILE (OBJECT CLASSIFICATION (T) NAME/CODES) AS OF MARCH 1998

\$\$ IN	BA/BSA	ABBREVIATED NAME	FULL NAME	COMMENTS
T00 000		OBJECT CLASS	Object Classification	
T10 000		DIRECT OBLIG	Direct obligations:	
\$ T11 111		PERM POSNS	Full-time permanent	
\$ T11 131		OTH THAN PERM	Other than full-time permanent	
\$ T11 151		OTH PERS COMP	Other personnel compensation	
\$ T11 171		MIL PERS	Military personnel	
\$ T11 181		SP PER SVC PMTS	Special personal services payments	
\$ T11 211		CIV PER BEN	Civilian personnel benefits	
\$ T11 221		ACC RET BEN	Accrued retirement benefits	
\$ T11 222		OTHER	Other personnel benefits	
\$ T11 301		BEN FORMER PERS	Benefits for former personnel	
\$ T12 101		TVL OF PERSONS	Travel and transportation of persons	
\$ T12 201		TRANSP/THINGS	Transportation of things	
\$ T12 311		RENT GSA	Rental payments to GSA	
\$ T12 321		RENTAL PYMNTS TO OTH	Rental payments to others	
\$ T12 331		COMM,UTIL&OTH	Communications, utilities, and miscellaneous charg	
\$ T12 401		PRINT & REPRO	Printing and reproduction	
\$ T12 511		ADVISORY/ASST SRVCS	Advisory and assistance services	
\$ T12 521		OTHER SERVICES	Other services	Excludes advisory and assistance services. This object class(25.2)may not exceed more than 15 percent of total O.C. 25 resources per appropriation.
\$ T12 531		GDS/SVCS FM OTH AGNS	Purchase of goods/services from Government accou	
\$ T12 532		PAY-FORGN NATL	Payments to foreign national indirect hire perso	
\$ T12 533		BUY FR REVOLVING FDS	Purchases from revolving funds	
\$ T12 541		O&M OF FACILITIES	Operation and maintenance of facilities	Excludes alterations and construction
\$ T12 551		R&D CONTRACTS	Research & development contracts	Excludes advisory and assistance services
\$ T12 561		MEDICAL CARE	Medical care	Excludes advisory and assistance services
\$ T12 571		O&M OF EQUIPMENT	Operation and maintenance of equipment	Excludes advisory and assistance services
\$ T12 581		SUBSISTENCE OF PERS	Subsistence and support of persons	Excludes advisory and assistance services
\$ T12 601		SUPS & MATLS	Supplies and materials	
T13 000		ACQ OF ASSETS	Acquisition of assets	
\$ T13 101		EQUIPMENT	Equipment	
\$ T13 102		MODERNIZATION RESV.	Modernization Reserve	
\$ T13 201		LAND & STRUCTS	Land and structures	
\$ T13 301		INVESTS & LOANS	Investments and loans	
\$ T14 101		GRANTS-SUBS-ETC	Grants, subsidies, and contributions	
\$ T14 201		INS CLAIMS-ETC	Insurance claims and indemnities	
\$ T14 301		INTEREST & DIVS	Interest and dividends	
\$ T14 401		REFUNDS	Refunds	
\$ T19 001		OTHER	Other	
\$ T19 101		UNVOUCHERED	Unvouchered	
\$ T19 201		UNDISTRIBUTED	Undistributed	
\$ T19 301		LIMITATION ON EXPENS	Limitation on expenses	Revolving and Trust funds
T20 000		REIMB OBLIG	Reimbursable obligations:	
\$ T21 111		PERM POSNS	Full-time permanent	
\$ T21 131		OTH THAN PERM	Other than full-time permanent	
\$ T21 151		OTH PERS COMP	Other personnel compensation	
\$ T21 171		MIL PERS	Military personnel	
\$ T21 181		SP PER SVC PMTS	Special personal services payments	
\$ T21 211		CIV PER BEN	Civilian personnel benefits	
\$ T21 221		Acc Ret Bene	Accrued retirement benefits	
\$ T21 222		Other	Other personnel benefits	

BUDGET ACCOUNT TITLE FILE (OBJECT CLASSIFICATION (T) NAME/CODES) AS OF MARCH 1998

\$\$ BA/BSA IN	ABBREVIATED NAME	FULL NAME	COMMENTS
\$ T21 301	BEN FORMER PERS	Benefits for former personnel	
\$ T22 101	TVL OF PERSONS	Travel and transportation of persons	
\$ T22 201	TRANSP/THINGS	Transportation of things	
\$ T22 311	RENT GSA	Rental payments to GSA	
\$ T22 321	RENTAL PYMNTS TO OTH	Rental payments to others	
\$ T22 331	COMM,UTIL&OTH	Communications, utilities, and miscellaneous charg	
\$ T22 401	PRINT & REPRO	Printing and reproduction	
\$ T22 511	ADVISORY/ASST SRVCS	Advisory and assistance services	
\$ T22 521	OTHER SERVICES	Other services	Excludes advisory and assistance services. This object class(25.2)may not exceed more than 15 percent of total O.C. 25 resources per appropriation.
\$ T22 531	GDS/SVCS FM OTH AGNS	Purchase of goods/services from Government accou	
\$ T22 532	PAY-FORGN NATL	Payments to foreign national indirect hire perso	
\$ T22 533	BUY FR REVOLVING FDS	Purchases from revolving funds	
\$ T22 541	O&M OF FACILITIES	Operation and maintenance of facilities	Excludes alterations and construction
\$ T22 551	R&D CONTRACTS	Research & development contracts	Excludes advisory and assistance services
\$ T22 561	MEDICAL CARE	Medical care	Excludes advisory and assistance services
\$ T22 571	O&M OF EQUIPMENT	Operation and maintenance of equipment	Excludes advisory and assistance services
\$ T22 581	SUBSISTENCE OF PERS	Subsistence and support of persons	Excludes advisory and assistance services
\$ T22 601	SUPS & MATLS	Supplies and materials	
T23 000	ACQ OF ASSETS	Acquisition of assets	
\$ T23 101	EQUIPMENT	Equipment	
\$ T23 102	MODERNIZATION RESV.	Modernization Reserve	
\$ T23 201	LAND & STRUCTS	Land and structures	
\$ T23 301	INVESTS & LOANS	Investments and loans	
\$ T24 101	GRANTS-SUBS-ETC	Grants, subsidies, and contributions	
\$ T24 201	INS CLAIMS-ETC	Insurance claims and indemnities	
\$ T24 301	INTEREST & DIVS	Interest and dividends	
\$ T24 401	REFUNDS	Refunds	
\$ T29 001	BELOW THRESHOLD	Below Threshold	
\$ T29 101	UNVOUCHERED	Unvouchered	
\$ T29 201	UNDISTRIBUTED	Undistributed	
\$ T29 301	LIMIT ON EXPENSES	Limitation on expenses	Revolving and trust funds
T30 000	ALLOCATION	Allocation Accounts	
\$ T31 111	PERM POSNS	Full-time permanent	
\$ T31 131	OTH THAN PERM	Other than full-time permanent	
\$ T31 151	OTH PERS COMP	Other personnel compensation	
\$ T31 181	SP PER SVC PMTS	Special personal services payments	
\$ T31 211	CIV PER BEN	Civilian personnel benefits	
\$ T31 301	BEN FORMER PERS	Benefits for former personnel	
\$ T32 101	TVL OF PERSONS	Travel and transportation of persons	
\$ T32 201	TRANSP/THINGS	Transportation of things	
\$ T32 311	RENT GSA	Rental payments to GSA	
\$ T32 321	RENTAL PYMNTS TO OTH	Rental payments to others	
\$ T32 331	COMM,UTIL&OTH	Communications, utilities, and miscellaneous charg	
\$ T32 401	PRINT & REPRO	Printing and reproduction	
\$ T32 511	ADVISORY/ASST SRVCS	Advisory and assistance services	
\$ T32 521	OTHER SERVICES	Other services	Excludes advisory and assistance services
\$ T32 531	GDS/SVCS FM OTH AGNS	Purchase of goods/services from Government accou	
\$ T32 532	PAY-FORGN NATL	Payments to foreign national indirect hire perso	
\$ T32 533	BUY FR REVOLVING FDS	Purchases from revolving funds	
\$ T32 541	O&M OF FACILITIES	Operation and maintenance of facilities	Excludes alterations and construction
\$ T32 551	R&D CONTRACTS	Research & development contracts	Excludes advisory and assistance services

BUDGET ACCOUNT TITLE FILE (OBJECT CLASSIFICATION (T) NAME/CODES) AS OF MARCH 1998

\$\$ BA/BSA IN	ABBREVIATED NAME	FULL NAME	COMMENTS
\$ T32 601	SUPS & MATLS	Supplies and materials	
\$ T33 101	EQUIPMENT	Equipment	
\$ T33 102	MODERNIZATION RESV.	Modernization Reserve	
\$ T33 201	LAND & STRUCTS	Land and structures	
\$ T33 301	INVESTS & LOANS	Investments and loans	
\$ T34 101	GRANTS-SUBS-ETC	Grants, subsidies, and contributions	
\$ T34 201	INS CLAIMS-ETC	Insurance claims and indemnities	
\$ T34 301	INTEREST & DIVS	Interest and dividends	
\$ T34 401	REFUNDS	Refunds	
\$ T39 001	BELOW THRESHOLD	Below reporting threshold	
\$ T39 101	UNVOUCHERED	Unvouchered	
\$ T39 201	UNDISTRIBUTED	Undistributed	
\$ T39 301	LIMIT ON EXPENSES	Limitation on expenses	Revolving and trust funds
T40 000	OFFSETTING RCPT	Offsetting receipts	
\$ T49 701	OFFSETTING RCPTS	Offsetting receipts	
T50 000	DISTRIBUTED	Obligations are distributed as follows:	
\$ T50 011	ARMY	Defense-Military:Army	
\$ T50 021	NAVY	Defense-Military:Navy	
\$ T50 031	AIR FORCE	Defense-Military:Air Force	
\$ T50 041	DEFENSE-WIDE	Defense-Military:Defense-Wide	
\$ T51 021	DEPT OF TRANS	Department of Transportation	
\$ T51 031	USIA	United States Information Agency	
\$ T51 041	RSVD(SEE P/B)	Department of (specify agency)	
\$ T51 051	RSVD(SEE P/B)	Department of (specify agency)	
\$ T51 061	RSVD(SEE P/B)	Department of (specify agency)	
\$ T51 071	RSVD(SEE P/B)	Department of (specify agency)	
\$ T51 081	RSVD(SEE P/B)	Department of (specify agency)	

0106 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATIONS**010601 General**

A. This Section establishes the functional title classifications and subdivisions thereof by which appropriation and fund accounts of the Department of Defense are required to be arranged, grouped, or classified in budgetary and fiscal presentations. These classifications are designed to permit consolidation of budget and fiscal data for the several components of the Department of Defense into over-all Departmental summaries. This Section also delineates the Defense-Wide/Defense Agencies related account structures.

B. These instructions cover all appropriation and fund accounts for military functions of the Department of Defense.

010602 Functional Titles and Subdivisions

The following functional titles and subdivisions thereof are prescribed for use in appropriate budgetary and fiscal presentations:

Military Personnel

- Active Forces
- Reserve Forces

Operation and Maintenance

- Operating Forces
- Mobilization
- Training and Recruiting
- Administration and Service-Wide Activities

Procurement

- Aircraft
- Missiles
- Weapons and Tracked Combat Vehicles
- Procurement of Ammunition
- Other Procurement
- Chemical Agents Munitions Destruction
- Weapons
- Shipbuilding & Conversion
- Procurement, Marine Corps
- Procurement, Defense-Wide
- National Guard & Reserve Equipment

Research, Development, Test, and Evaluation

- Basic Research
- Applied Research
- Advanced Technology Development
- Demonstration/Validation
- Engineering and Manufacturing Development
- RDT&E Management Support
- Operational System Development

Military Construction

Family Housing

Revolving and Management Funds

Defense-Wide Contingencies

Offsetting Receipts

Trust and Trust Revolving Funds

Interfund Transactions

010603 Definitions of Functional Titles and Subdivisions

This Section provides definitions of functional titles and subdivisions thereof by enumerating the appropriations, budget activities, programs and projects which are classified thereunder. These definitions are provided on the following pages.

FUNCTIONAL TITLE AND SUBDIVISION DEFINITIONS

FUNCTIONAL TITLE - MILITARY PERSONNEL

1. The functional title "Military Personnel" for military functions is defined as comprising the appropriations listed below. Since each appropriation, in its entirety, is classified within a single first level subdivision of the functional title, the appropriations are grouped by the subdivisions.

Active Forces

21_2010 Military Personnel, Army
17_1453 Military Personnel, Navy
17_1105 Military Personnel, Marine Corps
57_3500 Military Personnel, Air Force

Reserve Forces

21_2070 Reserve Personnel, Army
17_1405 Reserve Personnel, Navy
17_1108 Reserve Personnel, Marine Corps
57_3700 Reserve Personnel, Air Force
21_2060 National Guard Personnel, Army
57_3850 National Guard Personnel, Air Force

2. Lower level subdivisions susceptible to consolidation are available under the uniform budget and accounting structure prescribed for these appropriations in Chapter 2.

FUNCTIONAL TITLE - OPERATION AND MAINTENANCE

1. The functional title "Operation and Maintenance" for military functions is defined as comprising the appropriations listed below:

21_2020 Operation and Maintenance, Army
17_1804 Operation and Maintenance, Navy
17_1106 Operation and Maintenance, Marine Corps
57_3400 Operation and Maintenance, Air Force

FUNCTIONAL TITLE - OPERATION AND MAINTENANCE (CONTINUED)

97_0100	Operation and Maintenance, Defense-Wide
97/_0107	Office of the Inspector General
21_2080	Operation and Maintenance, Army Reserve
17_1806	Operation and Maintenance, Navy Reserve
17_1107	Operation and Maintenance, Marine Corps Reserve
57_3740	Operation and Maintenance, Air Force Reserve
21_2065	Operation and Maintenance, Army National Guard
57_3840	Operation and Maintenance, Air National Guard
21_1705	National Board for the Promotion of Rifle Practice, Army
97_0104	U.S. Court of Appeals for the Armed Forces
97_0105	Drug Interdiction, Defense
97X0118	<i>Overseas Contingency Operations Transfer Fund</i>
97/_0130	Defense Health Program
97/_0131	Real Property Maintenance, Defense
97/_0132	Disaster Relief
97_0133	Payment to Coast Guard
97/_0134	Former Soviet Union Threat Reduction
97X0801	Foreign Currency Fluctuations, Defense
17X0810	Environmental Restoration Fund, Navy
21X0810	Environmental Restoration Fund, Army
57X0810	Environmental Restoration Fund, Air Force
97X0810	Environmental Restoration Fund, Defense
97X0811	<i>Environmental Restoration, Formerly Used Sites</i>
97/_0819	Overseas Humanitarian, Disaster and Civil Aid
97_0827	World University Games
97/_0828	Defense Reinvestment for Economic Growth
97_0829	World Cup USA 1994
97_0832	1995 Special Olympics World Games
97X0833	<i>Emergency Response Fund, Defense</i>
97X0837	<i>Defense Against Weapons of Mass Destruction</i>
97X0838	<i>Support for International Sporting Competitions, Defense</i>
97/_0839	<i>Quality of Life Enhancements, Defense</i>
97X0840	<i>OPPLAN 34A - 35 P.O.W.</i>
17X1236	<i>Payment to Kaho'Olawe Island Fund</i>
21X5098	Restoration of the Rocky Mountain Arsenal
17X5185	Kaho' Olawe Island Conveyance Remed Env Rest Fd
97X5187	Defense Cooperation Account
97X5188	Disposal of DoD Real Property
97X5189	Lease of DoD Real Property
97X5193	Overseas Military Facility Investment Recovery
97X5195	Transfer/Disposal Commissary Fac Fd.
21X5286	National Science Center, Army
97X5441	Burdensharing and Other Cooperative Activities, Defense

FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)

1. The functional title "Procurement" for military functions is defined as comprising the following appropriations:

- | | |
|-----------|---|
| 21/_/2031 | Aircraft Procurement, Army
-Aircraft
-Modification of Aircraft
-Spares and Repair Parts
-Support Equipment and Facilities |
| 21/_/2032 | Missile Procurement, Army
-Other Missiles
-Modification of Missiles
-Spares and Repair Parts
-Support Equipment and Facilities |
| 21/_/2033 | Procurement of Weapons and Tracked
Combat Vehicles, Army
-Tracked Combat Vehicles
-Weapons and Other Combat Vehicles
-Spares and Repair Parts |
| 21/_/2034 | Procurement of Ammunition, Army
-Ammunition
-Ammunition Production Base Support |
| 21/_/2035 | Other Procurement, Army
-Tactical and Support Vehicles
-Communications and Electronics Equipment
-Other Support Equipment
-Spares and Repair Parts |
| 17/_/1506 | Aircraft Procurement, Navy
-Combat Aircraft
- <i>Airlift Aircraft</i>
-Trainer Aircraft
-Other Aircraft
-Modification of Aircraft
-Aircraft Spares and Repair Parts
-Aircraft Support Equipment and Facilities |
| 17/_/1507 | Weapons Procurement, Navy
-Ballistic Missiles
-Other Missiles
-Torpedoes and Related Equipment
-Other Weapons
-Other Ordnance
-Spares and Repair Parts |
| 17/_/1508 | Procurement of Ammunition, Navy and Marine Corps
-Ammunition, Navy
-Ammunition, Marine Corps |

FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)

- 17/_1611 Shipbuilding and Conversion, Navy
-*Fleet Ballistic Missile Ships*
-Other Warships
-Amphibious Ships
-*Mine Warfare and Patrol Ships*
-Auxiliaries, Craft and Prior-Year Program Costs
- 17/_1810 Other Procurement, Navy
-Ships Support Equipment
-Communications and Electronics Equipment
-Aviation Support Equipment
-Ordnance Support Equipment
-Civil Engineering Support Equipment
-Supply Support Equipment
-Personnel and Command Support Equipment
-Spares and Repair Parts
- 17/_0380 Coastal Defense Augmentation
- 17/_1109 Procurement, Marine Corps
-Ammunition
-Weapons and Combat Vehicles
-Guided Missiles and Equipment
-Communications and Electronics Equipment
-Support Vehicles
-Engineer and Other Equipment
-Spares and Repair Parts
- 57/_3010 Aircraft Procurement, Air Force
-Combat Aircraft
-Airlift Aircraft
-Trainer Aircraft
-Other Aircraft
-Modification of In-Service Aircraft
-Aircraft Spares and Repair Parts
-Aircraft Support Equipment and Facilities
- 57/_3011 Procurement of Ammunition, Air Force
-Ammunition
-*Weapons*
- 57/_3020 Missile Procurement, Air Force
-Ballistic Missiles
-Other Missiles
-Modification of In-Service Missiles
-Spares and Repair Parts
-Other Support

FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)

57/_/3080	Other Procurement, Air Force -Vehicular Equipment -Electronics and Telecommunications Equipment Other Base Maintenance and Support Equipment -Spares and Repair Parts
97/_/0300	Procurement, Defense-Wide Major Equipment -Special Operations Command -Chemical/Biological Defense
97/_/0350	National Guard and Reserve Equipment -Reserve Equipment -National Guard Equipment
97/_/0360	Defense Production Act Purchases
21/_/0390	Chemical Agents and Munitions Destruction, <i>Army</i> Chemical Agents & Munitions Destruction, RDT&E Chemical Agents & Munitions Destruction, Proc Chemical Agents & Munitions Destruction, O&M
97X0835	<i>Defense Export Loan Guarantees, Program Account</i>
97X4168	<i>Defense Export Loan Guarantees, Financing Account</i>

FUNCTIONAL TITLE - RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

The functional title "Research, Development, Test, and Evaluation" for military functions is defined as comprising the following appropriations and budget activities:

21/_/2040	Research, Development, Test, and Evaluation, Army
17/_/1319	Research, Development, Test, and Evaluation, Navy
57/_/3600	Research, Development, Test, and Evaluation, Air Force
97/_/0400	Research, Development, Test, and Evaluation, Defense-Wide
97/_/0450	Developmental Test and Evaluation, Defense
97/_/0460	Operational Test and Evaluation, Defense

Budget Activity

Basic Research
Applied Research
Advanced Technology Development
Demonstration/Validation
Engineering and Manufacturing Development
RDT&E Management Support
Operational System Development

FUNCTIONAL TITLE - MILITARY CONSTRUCTION

1. The functional title "Military Construction" for military functions is defined as comprising the appropriations listed below. Since each appropriation, in its entirety, is classified within a single first level subdivision of the functional title, the appropriations are grouped by the subdivisions.

Active Forces

21_/_2050	Military Construction, Army
17_/_1205	Military Construction, Navy
57_/_3300	Military Construction, Air Force
97_/_0500	Military Construction, Defense-Wide
97_/_0103	Base Realignment and Closure Account I
17X0510	<i>Base Realignment and Closure Account, Navy</i>
21X0510	<i>Base Realignment and Closure Account, Army</i>
57X0510	<i>Base Realignment and Closure Account, Air Force</i>
97X0510	Base Realignment and Closure Account, Defense
97X0803	Foreign Currency Fluctuations, Construction, Defense
97X0804	North Atlantic Treaty Organization Security Investment Program

Reserve Forces

21_/_2085	Military Construction, Army National Guard
57_/_3830	Military Construction, Air National Guard
21_/_2086	Military Construction, Army Reserve
17_/_1235	Military Construction, Naval Reserve
57_/_3730	Military Construction, Air Force Reserve

2. Lower level subdivisions susceptible to consolidation are available under the uniform accounting classifications prescribed for these appropriations in Chapter 6, Section 0602, and Chapter 7, Section 0702.

FUNCTIONAL TITLE - FAMILY HOUSING

The functional title "Family Housing" for military functions is defined as comprising the appropriations listed below:

97X0834	DoD Family Housing Improvement Fund
97X0836	<i>DoD Unaccompanied Housing Improvement Fund</i>
21_/_7020	Family Housing, Construction, Army
21_7025	Family Housing, Operations and Debt, Army
17_/_7030	Family Housing, Construction, Navy
17_7035	Family Housing, Operations and Debt, Navy
57_/_7040	Family Housing, Construction, Air Force
57_7045	Family Housing, Operations and Debt, Air Force
97_/_7060	Family Housing, Construction, Defense-Wide
97_7065	Family Housing, Operations and Debt, Defense-Wide
97X4090	Homeowners' Assistance Fund, Defense
97X4166	DoD Family Housing Improvement Fund, Direct oan Financing Account
97X4167	DoD Family Housing Improvement Fund, Guaranteed Loan Financing Account
97X4196	<i>Unaccompanied Housing Direct Loan Financing Account</i>
97X4197	<i>Unaccompanied Housing Guaranteed Loan Financing Account</i>
17X5429	<i>Rossmoor Liquidating Trust Settlement Account</i>

FUNCTIONAL TITLE - REVOLVING AND MANAGEMENT FUNDS

The functional title "Revolving and Management Funds" for military functions is defined as comprising the accounts listed below. Since each account, in its entirety, is classified within a single first level subdivision of the functional title, the accounts are grouped by the subdivisions.

Public Enterprise Funds

97X4555	National Defense Stockpile Transaction Fund
97X4093	William Langer Jewel Bearing Plant Fund
97X4950	Pentagon Reservation Maintenance Fund
17X4557	National Defense Sealift Fund

Intragovernmental Funds

17X4930	<i>Defense Working Capital Funds, Navy</i>
21X4930	<i>Defense Working Capital Funds, Army</i>
57X4930	<i>Defense Working Capital Funds, Air Force</i>
97X4930	<i>Defense Working Capital Funds, Defense</i>
97_3910	ADP Equipment Management Fund
17X3980	Navy Management Fund
97X4179	<i>Reserve Mobilization Income Insurance Fund</i>
21X4528	Army Conventional Ammunition Working Capital Fund*
97X4931	Buildings Maintenance Fund

* Not a revolving fund after FY 1998. Closing after existing orders are completed

FUNCTIONAL TITLE - DEFENSE-WIDE CONTINGENCIES

The functional title "Defense-Wide Contingencies" for military functions is defined as comprising the accounts listed below:

97 9912	Other Legislation (including Management Improvements)
97 9918	General Transfer Authority Outlay Allowance

FUNCTIONAL TITLE - OFFSETTING RECEIPTS

The functional title "Offsetting Receipts" for military functions is defined as comprising the accounts listed below:

21 0001	Offsetting Receipts, Army
17 0002	Offsetting Receipts, Navy
57 0003	Offsetting Receipts, Air Force
97 0004	Offsetting Receipts, Defense Agencies
21 0021	Rocky Mountain Arsenal Offsetting Receipts
97 0024	Defense Cooperation Receipts
97 0025	Interest on Defense Cooperation Receipts
17 0029	<i>Offsetting Receipts, Rossmoor Liquidating Trust Settlement</i>
97 0036	<i>Sales of Certain Materials in National Defense Stockpile</i>
97 0041	Contributions for Burdensharing and Other Cooperative Activities, Defense
17 0085	Offsetting Receipts, Kaho' Olawe Island Fund
21 0086	National Science Center Receipts, Army
97 0088	Offsetting Receipts, Disposal of DoD Real Property
97 0089	Offsetting Receipts, Lease of DoD Real Property
97 0093	Offsetting Receipts, DoD Overseas Military Facility Investment Recovery

FUNCTIONAL TITLE - OFFSETTING RECEIPTS (CONTINUED)

97 0095	Proceeds from Transfer/Disposal Commissary Facilities
97 5336	<i>Offsetting Receipts, Defense Export Loan Guarantees, Negative Subsidies</i>

NOTE: Offsetting receipt accounts 002_, 004_, 008_ and 009_ listed above are for Special Fund accounts. The account numbering for receipt accounts are bogus (*except for 97 5336*) and are unique to the Budget Review System because the database will not accept a Treasury code with a decimal suffix.

FUNCTIONAL TITLE - TRUST AND TRUST REVOLVING FUNDS

The functional title "Trust Funds" for military functions is defined as comprising the accounts listed below:

21X8063	Ainsworth Library (Trust)
97X8335	Voluntary Separation Incentive Fund
21X8927	Army General Gift Fund
17X8733	USN Academy General Gift Fund
17X8730	USN Academy Museum Fund
17X8716	Navy General Gift Fund
17X8723	Ships Stores Profit, Navy
17X8008	<i>Naval Historical Center Fund</i>
57X8928	Air Force General Gift Fund
17X8423	Midshipmen's Store, USN Academy (Trust Revolving)
57X8418	Air Force Cadet Fund (Trust Revolving)
97X8164	Surcharge Collections, Sales of Commissary Stores, Defense (Trust Revolving)
97X8165	Foreign National Employees Separation Pay, Defense
97X8168	National Security Education Trust Fund, Defense
21X8064	Fisher House Trust Fund, Army
17X8169	<i>Fisher House Trust Fund, Navy</i>
57X8170	<i>Fisher House Trust Fund, Air Force</i>
21X8174	National Science Center Gift Fund, Army
97X8337	<i>Host Nation Support for U.S. Relocation Activities, Defense</i>

FUNCTIONAL TITLE - INTERFUND TRANSACTIONS

The functional title "Interfund Transactions" for military functions is defined as comprising the accounts listed below:

17 9082	Interfund Transactions, Navy
97 9086	Interfund Transactions, Defense
97 9088	Interfund Transactions, Foreign National Employee Separation Pay
97 9089	Interfund Transactions, Voluntary Separation Incentive

NOTE: Interfund Transaction receipt accounts listed above are for Trust Fund accounts. The account numbering for these Interfund Transactions are bogus and are unique to the Budget Review System because the database will not accept a Treasury code with a decimal suffix.

0107 AUTOMATED FUTURE YEARS DEFENSE PROGRAM (FYDP) DATABASES**010701 FYDP Update System (FUSE)****A. Purpose and Objectives**

This Section provides for the maintenance of the FYDP. The FYDP is a database with associated reports that records and displays resource decisions made during the biennial Planning, Programming, and Budgeting (PPB) cycle. The FYDP contains defense resources—people, forces (equipment and organizations), and dollars—categorized by programs and related to the budget's appropriation structure. The FYDP provides a record of past decisions that assists senior leaders in deciding on future issues such as operations tempo, force structure size and composition, and investment strategies.

Data are entered into the FYDP through the FUSE system. FUSE allows all DoD organizations to submit FYDP data electronically, receiving real-time feedback on their inputs. FUSE is a web-based application hosted on the Secret Internet Protocol Router Network (SIPRNet). It allows users to update, correct, and view their organization's portion of the FYDP.

B. Applicability and Scope

The provisions of this Section apply to the Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies (hereafter referred to as "DoD Components") that contribute data to the FYDP. Updating and general management of the FYDP is administered by the OUSD(Comptroller), Office of the Director (Program Analysis and Evaluation) (hereafter referred to as "OD(PA&E)"). Access to FUSE, for the purpose of providing data, is controlled by OD(PA&E).

C. Reporting Requirements

Updates to the FYDP are required coincident with submission of the (1) Program Objective Memoranda (POM), (2) Budget Estimate Submission (BES), and (3) President's Budget (PB), and (4) for major restructures of the FYDP itself when directed by the OD(PA&E). Specific guidance relative to approved changes, due dates, and special requirements is provided in a memorandum from the OUSD(Comptroller) announcing each update. In the POM and BES FYDP submissions, acceptable update years are limited to the budget years and programming years (generally six years for TOA and manpower, and nine years for forces). In the PB FYDP submission, acceptable update years include the most recent prior year of the budget cycle to the end of the programming cycle (generally eight years for TOA and manpower, and 11 years for forces). Since some appropriations—procurement, RDT&E, and military construction—are authorized for obligation over multiple years, it is periodically necessary to update historical years (the years prior to the first year of a PB FYDP update). Historical changes will be accepted once during the PPB cycle—usually during the President's Budget FYDP update. These updates enable the FYDP to reflect transfers, rescissions, supplemental appropriations, reappropriations, and other authorized adjustments to total obligational authority, which might occur in multiyear appropriations, as well as to reflect actual accounting obligations. Particular instructions for conducting historical-year updates will be issued by OUSD(Comptroller) as required.

D. Publication of FYDP Related-Information

Section 221 of Title 10 of the United States Code (USC) requires that:

"The Secretary of Defense shall submit to Congress each year, at or about the time that the President's budget is submitted to Congress that year under section 1105(a) of title 31, a future-years defense program (including associated annexes [now called "programs"]) reflecting the estimated expenditures and proposed appropriations included in that budget."

In accordance with the USC, OD(PA&E) will prepare the President's Budget FYDP Summary and Program Element Detail for transmission to the Congress. In addition, OD(PA&E) will provide FYDP-related information at all other updates for within DoD. Historical updates, if collected at the time of the President's Budget FYDP update, will be issued with the subsequent PPB cycle.

E. Other Databases Related to the FYDP

Consistent with the FYDP are separate but related databases and documents constituting the Procurement Program and RDT&E Program. These databases produce the Procurement Programs Report (P-1) and the RDT&E Programs Report (R-1). Detailed information regarding these databases is provided in section 0105. The FYDP Structure Management (FSM) database maintains information about the program elements and other related attributes critical to the production of the FYDP. Detailed information regarding this database is provided in Section 010702.

F. Instructions for Updating the FYDP on FUSE

1. General

a. FYDP data shall be submitted by DoD Components to the Programming and Fiscal Economics Division, OD(PA&E), over the SIPRNet, as directed.

All data will be input directly into the FUSE system on the SIPRNet.

- Standard ASCII text, flat file.*
- Character fixed record length (length of record: 28 characters for the FYDP data transactions). See section 0109.*

b. All resource changes to the data file shall be on a net change basis; that is, data currently in the file shall be revised (plus or minus) by an incremental amount to reflect the new approved position.

c. Program element codes and titles, resource identification codes, and DoD Component identifier codes are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook dated March 1998 and available on DefenseLINK at <http://web7.whs.osd.mil/corres.htm>, under "Publications" or <http://web7.whs.osd.mil/pdf/dod7045.pdf>) and in approved decision documents posted to the FYDP Structure Management (FSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H.

2. Submission of Changes

Changes submitted for net change/add record resource data (FYDP Data Format as prescribed in Section 010701F1) must provide specific identification of quantitative resource information by program element, resource identification code, and fiscal year.

3. Military Pay Rates

Submission of each FYDP update should include average annual military pay rates and permanent change of station (PCS) data, rounded to the nearest dollar for each fiscal year for each military personal end-strength category identified in the FYDP. Pay rates are used in updating the FYDP, and are also a FYDP data end-product in their own right. It is the intent of OD(PA&E) to reflect the most accurate pay rates available in each update to the FYDP.

010702 FYDP Structure Management (FSM) System**A. Purpose and Objectives**

This section provides for the maintenance of the automated database of the FYDP's structure, and describes the procedures used for requesting changes to the FYDP's structure, such as establishing new program element codes and definitions or changing program element titles and definitions. The primary information resource in the DoD for FYDP structure is the FYDP Structure Management (FSM) web site <http://www.ra.pae.osd.mil/fsm>.

B. Applicability and Scope

The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments and the Defense Agencies (hereafter referred to as "DoD Components") that contribute data to the FYDP. Updating and general management of the FYDP structure is administered by OD(PA&E).

C. Reporting Requirements

New program elements must be created when PPB decisions shift resources among DoD Components or fund new programs. It is the responsibility of the DoD Components and the OUSD(Comptroller), Program/Budget to recommend changes to the FYDP structure via the FSM web site as the need arises. In addition, OUSD(Comptroller), Program/Budget will work with OD(PA&E) in the establishment of new TOA Resource Identification Codes (RICs) to coincide with new Treasury Codes created by the Office of Management and Budget, or as otherwise required by PPB decisions.

D. Update and Publication of FYDP Structure Management Handbook, DoD 7045.7-H

DoD 7045.7-H will be revised periodically (typically three times per year or with each update to the FYDP), as specified in DoDI 7045.7, Implementation of the Planning, Programming, and Budgeting System (PPBS), May 23, 1984. The FSM web site will contain the most recent revision to DoD 7045.7-H, updated to reflect the POM, BES, and President's Budget phases of the PPBS cycle. FYDP Structure Coordination Documents (which are approved and circulated periodically, and placed on the FSM web site) should be used to supplement the most recent version of DoD 7045.7-H; they should reflect the latest approved changes to the FYDP's structure. Each year, the revision of DoD 7045.7-H for the new President's Budget FYDP will be released to the public via DefenseLink.

E. Other Databases Related to FSM

The FYDP database, which is administered by OD(PA&E) and updated by the components via the FUSE system, is referenced in Section 010701. The RDT&E Program is referenced in Section 0105.

F. Instructions for Making Changes to the FYDP Structure on FSM

Requests for changes to the FYDP's program structure, such as establishing new program element codes and definitions or changing program element titles and definitions, shall be submitted to OD(PA&E) for coordination with the DoD Components. The primary instrument for submitting change requests is the FSM web site. The FSM web site provides instructions for formatting and submitting change requests. Each DoD Component has a designated representative authorized to submit change requests. Coordination cycles run continually throughout the year. Approved changes are reported periodically in the FYDP Structure Coordination Documents. These documents are posted on the FSM web site, and the approved structure changes are incorporated in the FSM database.

**0108 AUTOMATED COMMUNICATIONS, COMMAND AND CONTROL, INTELLIGENCE,
SURVEILLANCE AND RECONNAISSANCE (C³ISR) DATABASE**

The C³ISR database maintained by OASD (C³I) is the only complete, automated source of resource data for C³I related activities for use by the Office of the Secretary of defense and the Joint Staff. The C³ISR database is essential to the preparation of the Intelligence and C³ justification books. It facilitates functional analyses for OSD and the Joint Staff, and is fully compatible with the NFIP resources database used by the Director of Central Intelligence. It is also fully consistent with data contained in the FYDP, R&D and Procurement Programs, and budget databases. The C³ISR database is electronically matched to relevant data in these databases prior to use. Specific instructions for the update of the C³ISR database is contained in Chapters 16 and 17 of this volume.

0109 GENERAL GUIDANCE SUBMISSION FORMATS

010901 Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

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(Name of Component)
SUMMARY OF FY 20BY BUDGET ESTIMATES

Appropriation Account Title	Direct Budget Plan (TOA)				Budget Authority				Outlays			
BRS Account Title	FY 19PY <u>Actual</u>	FY 19CY <u>Estimate</u>	FY 20BY1 <u>Estimate</u>	FY 20BY2 <u>Estimate</u>	FY 19PY <u>Actual</u>	FY 19CY <u>Estimate</u>	FY 20BY1 <u>Estimate</u>	FY 20BY2 <u>Estimate</u>	FY 19PY <u>Actual</u>	FY 19CY <u>Estimate</u>	FY 20BY1 <u>Estimate</u>	FY 20BY2 <u>Estimate</u>
Mil Per, (Component)	<p style="text-align: center;"><u>INSTRUCTIONS</u></p> <p>This exhibit will display all accounts (MilPers, O&M, Procurement, RDT&E, Military Construction, Family Housing, Revolving/Management Funds, Trust Funds, Offsetting Receipts and Interfund Transactions) included in the Service/Defense Agency Budget Estimates Submission.. Dollar amounts in FY 19PY will represent the best estimate available since the submission is required prior to the close of the fiscal year. FY 19CY will be consistent with enacted appropriation bills. Initial budget submission estimates for FY 20BY1 and FY 20BY2 and the outyears will be consistent with Service/Defense Agency funding totals as set forth in the Defense Planning Guidance (DPG) and Fiscal Guidance and as modified by Program Decision Memoranda (PDMs).</p> <p>Stub entries, by appropriation account title and revolving fund account title, will be listed individually in the same sequence as shown in the FY 19CY Budget Document.</p> <p>All amounts will be shown in rounded thousands of dollars. Do not use decimals. The "Budget Plan (TOA)," the "Budget Authority" and the "Outlay" amounts for FY 19PY through 20BY2 will agree with those shown in exhibits PB-2 and PB-2A. Trust Funds and applicable receipts need not be listed individually, but the totals shown will be supported by exhibit PB-2 to be transmitted to Office of the Under Secretary of Defense (Comptroller) at the same time that Exhibit PB-1 is submitted.</p>											
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O&M, (Component)												
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Procurement, (Component)												
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RDT&E, (Component)												
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MilCon, (Component)												
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Fam Hsg, (Component)												
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Revolving Fd, (Component)												
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Trust Funds, (Component)												
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Offset Receipts, (Component)												
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.												
Total, (Component)												

Exhibit PB-1 Summary of FY 20BY Budget Estimates

Military Personnel, Army
Program and Financing (in Thousands of dollars)

15 Sep 19PY

Identification code	21-2010-0-1-051	19PY actual	19CY est.	20BY1 est.	20BY2 est
<hr/>					
Program by activities:					
Direct program:					
00.0101	Pay and allowances of officers	6,837,887	6,413,543	5,732,136	4,553,087
00.0201	Pay and allowances of enlisted	16,516,867	14,309,001	13,336,974	13,689,336
00.0301	Pay and allowances of cadets	36,299	36,356	36,729	37,874
00.0401	Subsistence of enlisted personnel	857,109	778,285	751,384	766,326
00.0501	Permanent change of station travel	1,374,171	1,248,467	1,145,303	1,123,222
00.0601	Other military personnel costs	<u>304,075</u>	<u>450,005</u>	<u>204,074</u>	<u>183,155</u>
00.9101	Total direct program	25,926,408	23,235,657	21,206,600	20,353,000
01.0101	Reimbursable program	<u>146,800</u>	<u>165,900</u>	<u>249,800</u>	<u>217,400</u>
10.0001	Total obligations	26,073,208	23,401,557	21,456,400	20,570,400
Financing:					
Offsetting collections from					
11.0001	Federal funds(-)	-134,568	-135,642	-235,500	-202,274
14.0001	Non-Federal sources(-)	-12,232	-35,258	-14,300	-15,126
25.0001	Unobligated balance expiring	<u>29</u>			
39.0001	Budget authority (net)	25,926,437	23,235,657	21,206,600	20,353,000
<hr/>					
Budget authority:					
40.0001	Appropriation	24,176,100	23,238,457	21,206,600	20,353,000
41.0001	Transferred to other accounts (-)		-2,800		
42.0001	Transferred from other accounts	<u>1,750,337</u>			
43.0001	Appropriation (adjusted)	25,926,437	23,235,657	21,206,600	20,353,000
<hr/>					
Relation of obligations to outlays:					
71.0001	Obligations incurred (net)	25,926,408	23,235,657	21,206,600	20,353,000
72.4001	Obligated balance, start of year (net)	1,712,782	1,485,769	1,555,952	1,498,942
74.4001	Obligated balance, end of year (net)	-1,485,769	-1,555,952	-1,498,942	-1,497,822
77.0001	Adjustments in expired accounts (net)	<u>-16,290</u>			
90.0001	Outlays (net)	26,137,131	23,165,474	21,263,610	20,354,120
<hr/>					

Sample
Exhibit PB-2 Program and Financing/Object Class
(Page 1 of 2)

Military Personnel, Army
Object Classification (in Thousands of dollars)

15 Sep 19PY

Identification code	21-2010-0-1-051	19PY actual	19CY est.	20BY1 est.	20BY2 est.
	Direct obligations:				
	Personnel compensation:				
111.701	Military personnel	<u>16,679,261</u>	<u>15,610,800</u>	<u>14,155,602</u>	<u>13,304,614</u>
111.901	Total personnel compensation	16,679,261	15,610,800	14,155,602	13,304,614
	Personnel Benefits: Military personnel				
112.201	Accrued retirement benefits	5,265,578	4,080,179	3,817,961	3,514,866
112.202	Other personnel benefits	2,475,056	2,186,517	1,949,146	2,232,601
113.001	Benefits for former personnel	158,029	158,251	153,323	149,893
121.001	Travel and transportation of persons	392,341	341,348	287,743	290,063
122.001	Transportation of things	859,261	747,436	732,697	744,708
125.201	Other services with the private sector	30,442	26,594	24,208	22,940
126.001	Supplies and materials	62,470	80,830	83,243	90,767
142.001	Insurance claims and indemnities	<u>3,970</u>	<u>3,702</u>	<u>2,677</u>	<u>2,548</u>
199.001	Total Direct obligations	25,926,408	23,235,657	21,206,600	20,353,000
	Reimbursable obligations:				
	Personnel Compensation:				
211.701	Military personnel	<u>95,672</u>	<u>104,777</u>	<u>158,769</u>	<u>148,213</u>
211.901	Total personnel compensation	95,672	104,777	158,769	148,213
	Personnel Benefits: Military Personnel				
212.201	Accrued retirement benefits	39,399	50,889	73,658	50,577
212.202	Other personnel benefits	7,831	6,834	10,873	12,110
221.001	Travel and transportation of persons	1,720	1,500	2,700	2,700
222.001	Transportation of things	1,720	1,500	3,000	3,000
225.201	Other services with the private sector	172	150	300	300
226.001	Supplies and materials	<u>286</u>	<u>250</u>	<u>500</u>	<u>500</u>
299.001	Total Reimbursable obligations	146,800	165,900	249,800	217,400
999.901	Total obligations	<u>26,073,208</u>	<u>23,401,557</u>	<u>21,456,400</u>	<u>20,570,400</u>

Sample
Exhibit PB-2 Program and Financing/Object Class
(Page 2 of 2)

Procurement of Ammunition, Army
Program and Financing (in Thousands of dollars)

15 Sep 19PY

		Budget Plan (amounts for PROCUREMENT actions programmed)			
Identification code	21-2034-0-1-051	19PY actual	19CY est.	20BY1 est.	20BY2 est.
Program by activities:					
Direct program:					
00.0101	Ammunition	1,179,936	705,774	527,218	928,147
00.0201	Ammunition production base support	<u>204,823</u>	<u>388,486</u>	<u>207,209</u>	<u>228,015</u>
00.9101	Total direct program	1,384,759	1,094,260	734,427	1,156,162
01.0101	Reimbursable program	<u>7,036</u>	<u>8,000</u>	<u>10,700</u>	<u>10,700</u>
10.0001	Total	1,391,795	1,102,260	745,127	1,166,862
Financing:					
Offsetting collections from:					
11.0001	Federal funds(-)	-5,791	-6,448	-10,700	-10,700
14.0001	Non-Federal sources(-)	-1,245	-1,552		
17.0001	Recovery of prior year obligations				
Unobligated balance available, start of year:					
21.4002	For completion of prior year budget plans				
21.4003	Available to finance new budget plans	-23,700			
21.4009	Reprogramming from/to prior year budget plans	-6,673			
Unobligated balance available, end of year:					
24.4002	For completion of prior year budget plans				
25.0001	Unobligated balance expiring	<u>6,673</u>			
39.0001	Budget authority (net)	1,361,059	1,094,260	734,427	1,156,162
Budget authority:					
40.0001	Appropriation	1,345,380	1,094,260	734,427	1,156,162
42.0001	Transferred from other accounts	<u>15,679</u>			
43.0001	Appropriation (adjusted)	1,361,059	1,094,260	734,427	1,156,162

Sample
Exhibit PB-2A Program and Financing/Object Class
(Page 1 of 3)

Procurement of Ammunition, Army
Program and Financing (in Thousands of dollars)

15 Sep 19PY

Identification code 21-2034-0-1-051		Obligations			
		19PY actual	19CY est.	20BY1 est.	20BY2 est.
Program by activities:					
Direct program:					
00.0101	Ammunition	1,281,678	558,591	662,448	968,506
00.0201	Ammunition production base support	<u>262,631</u>	<u>371,493</u>	<u>210,093</u>	<u>226,887</u>
00.9101	Total direct program	1,544,309	930,084	872,541	1,195,393
01.0101	Reimbursable program	<u>7,113</u>	<u>9,029</u>	<u>10,700</u>	<u>10,700</u>
10.0001	Total	1,551,422	939,113	883,241	1,206,093
Financing:					
Offsetting collections from:					
11.0001	Federal funds(-)	-5,626	-6,448	-10,700	-10,700
14.0001	Non-Federal sources(-)	-1,238	-1,552		
17.0001	Recovery of prior year obligations	-145,770			
Unobligated balance available, start of year:					
21.4002	For completion of prior year budget plans	-165,505	-144,803	-307,950	-169,836
21.4003	Available to finance new budget plans	-23,700			
21.4009	Reprogramming from/to prior year budget plans				
Unobligated balance available, end of year:					
24.4002	For completion of prior year budget plans	144,803	307,950	169,836	130,605
25.0001	Unobligated balance expiring	<u>6,673</u>			
39.0001	Budget authority (net)	1,361,059	1,094,260	734,427	1,156,162
Budget authority:					
40.0001	Appropriation	1,345,380	1,094,260	734,427	1,156,162
42.0001	Transferred from other accounts	<u>15,679</u>			
43.0001	Appropriation (adjusted)	1,361,059	1,094,260	734,427	1,156,162
Relation of obligations to outlays:					
71.0001	Obligations incurred (net)	1,544,558	931,113	872,541	1,195,393
72.4001	Obligated balance, start of year (net)	3,005,004	2,384,875	1,988,595	1,659,249
74.4001	Obligated balance, end of year (net)	-2,384,875	-1,988,595	-1,659,249	-1,670,948
77.0001	Adjustments in expired accounts (net)	-23,346			
78.0001	Adjustments in unexpired accounts	<u>-145,770</u>			
90.0001	Outlays (net)	1,995,571	1,327,393	1,201,887	1,183,694

Sample Exhibit PB-2A Program and Financing/Object Class (Page 2 of 3)

Procurement of Ammunition, Army
Object Classification (in Thousands of dollars)

15 Sep 19PY

Identification code	21-2034-0-1-051	19PY actual	19CY est.	20BY1 est.	20BY2 est.
Direct obligations:					
122.001	Transportation of things	7,495			
125.204	Other services with the private sector	322,147	244,149	50,873	51,675
126.00	Supplies and materials	1,208,070	677,644	820,933	1,142,971
131.001	Equipment	<u>6,597</u>	<u>8,291</u>	<u>735</u>	<u>747</u>
199.001	Total Direct obligations	1,544,309	930,084	872,541	1,195,393
Reimbursable obligations:					
225.204	Other services with the private sector	1,484	7,425	2,658	2,658
226.001	Supplies and materials	5,599	1,352	8,004	8,004
231.001	Equipment	<u>30</u>	<u>252</u>	<u>38</u>	<u>38</u>
299.001	Total Reimbursable obligations	7,113	9,029	10,700	10,700
999.901	Total obligations	<u>1,551,422</u>	<u>939,113</u>	<u>883,241</u>	<u>1,206,093</u>

Sample Exhibit PB-2A Program and Financing/Object Class (Page 3 of 3)

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
--	--------------	--------------	---------------	---------------	-----------------	-----------------	-----------------	-----------------

I. CIVILIAN PERSONNEL (Full-time Equivalents (FTE))

Operation and Maintenance, Army

U.S. Direct hire

Foreign National Direct Hire

Total Direct Hire

Foreign National Indirect Hire

Total, O&M Army

RDT&E, Army

U.S. direct hire

: :

: :

List appropriations/accounts in the normal budget order on the basis of where personnel are budgeted.

ARMY TOTAL

U.S. Direct hire

Foreign National Direct Hire

Total Direct Hire

Foreign National Indirect Hire

Total Army

II. ACTIVE MILITARY PERSONNEL (End Strength)

Military Personnel, Army

Officers

Enlisted

Cadets

Total Military Personnel

Exhibit PB-4 Schedule of Civilian and Military Personnel

(page 1 of 3)

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
III. SELECTED RESERVE PERSONNEL (End Strength)								
Reserve Personnel, Army								
Trained in Units								
Officers								
Enlisted								
Total Trained in Units								
Individual Mobilized Augmentees								
Officers								
Enlisted								
Total Individual Mobilized Augmentees								
Training Pipeline								
Officers								
Enlisted								
Total Training Pipeline								
Full-time Active Duty								
Officers								
Enlisted								
Total Full-time Active Duty								
TOTAL ARMY RESERVE PERSONNEL								
Officers								
Enlisted								
Total Reserve Personnel, Army								

Exhibit PB-4 (page 2 of 3)

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
III. SELECTED RESERVE PERSONNEL (Cont'd)								
National Guard Personnel, Army								
Trained in Units								
Officers								
Enlisted								
Total Trained in Units								
Training Pipeline								
Officers								
Enlisted								
Total Training Pipeline								
Full-time Active Duty								
Officers								
Enlisted								
Total Full-time Active Duty								
TOTAL ARMY NATIONAL GUARD PERSONNEL								
Officers								
Enlisted								
Total National Guard Personnel, Army								
ARMY TOTAL SELECTED RESERVE								
Officers								
Enlisted								
Total								

Exhibit PB-4 (page 3 of 3)

(Component)
FY 19CY SUPPLEMENTAL APPROPRIATION REQUIREMENTS
(\$ Thousands)

Appropriation Account Title (1)	Existing Availability FY 19CY (2)	Supplemental Budget Authority (BA) Requirements			
		Military	Civilian	Other	Total
		Pay (3)	Pay (4)	(5)	(6)
Mil. Pers., Army					
Budget Authority (\$)					
Outlays (\$)					
Military E/S					
O&M, Army					
Budget Authority (\$)					
Outlays (\$)					
Civilian FTE					
RDT&E, Army					
Budget Authority (\$)					
Outlays (\$)					
Civilian FTE					

INSTRUCTIONS

- Column (1): Stub lines will be the same as those on Exhibit PB-1 on a budget basis. Three lines of data (BA, outlays and military/civilian personnel impacts) are required for each account included in the supplemental proposal.
- Column (2): The dollar amounts in this column for BA and outlays must agree with FY 19CY amounts on Exhibit PB-2/PB-2A for the Budget Estimates Submission. Likewise, civilian FTE and Military E/S data must agree with amounts reported in the component's Budget Estimates Submission.
- Column (3), (4) and (5): Show supplemental requirements (BA, military E/S, and civilian FTE) by program.
- Column (6): Represents the sum of Columns (3), (4) and (5). The BA, outlays and military E/S and civilian FTE amounts in this column represent the total supplemental request impacting FY 19CY.

TOTALS

BA (\$)
Outlays (\$)
Mil E/S
Civ FTE

Exhibit PB-8 FY 19CY Supplemental Appropriation Requirements

(Name of Component)
ADDITIONAL FY 20BY BUDGET ESTIMATES

Date _____
 Component Control No. _____
 USD (Comptroller) Serial No. _____

Appropriation	Change (\$000)			Change Personnel									
Budget Subactivity Number				19CY Change			20BY1 Change			20BY2Change			
Line Items	19CY	20BY1	20BY2	Category	ES	AS/FTE	Rate	ES	AS/FTE	Rate	ES	AS/FTE	Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
INCREASES													
Military Personnel, Army													
777 Budgeted Amounts (ES & AS)	-	XX	XX	XX	-	-	-	XX	XX	XX	XX	XX	XX
540 Retired Pay Accrual (\$)	-	XX	XX										
Operation and Maintenance, Army													
350 Info Security (\$ and FTE)													
777 Budgeted Amounts (\$ and FTE)													
Total Increases													
DECREASES													
Other Procurement, Army													
777 Budgeted Amounts (\$)													
Maintenance Kit, MK-673													
Total Decreases													
Outyear Impact													
INCREASES													
Military Personnel, Army													
777 Budgeted Amounts (ES)					20BY2+1	20BY2+2		20BY2+3			20BY2+4		
540 Retired Pay Accrual (\$)													
Operation & Maintenance, Army													
350 Info Security (\$ and FTE)													
Total Increases													
DECREASES													
Other Procurement, Army													
777 Budgeted Amounts (\$)													
Maintenance Kit, MK-673													
Total Decreases													

Notes:
 ES = Military end-strengths
 FTE = Civilian full time equivalents
 \$ = Dollars in thousands

INSTRUCTIONS FOR PREPARATION
OF EXHIBIT PB-10

The following instructions apply to all appropriations and funds:

Indicate in the heading the name of the submitting component, subject, date, and component submission control number. Leave "USD (Comptroller) Serial No." blank.

Column (1): List the appropriation or fund and the Budget Subactivity Number. For the procurement appropriations, P-1 line items will be shown. For the RDT&E appropriations, program elements will be shown.

Columns (2), (3) and (4): List the TOA changes. If there are also changes in financing adjustments, show these separately and then show the change in budget authority. The military personnel amount to be used here will be the sum of the products of the workyears/\$ rates shown to the right, using the standard rate.

Column (5): List the military or civilian personnel categories affected by the change. Military personnel change will be in end-strength (E/S) and civilian personnel change in full time equivalent (FTE). Use the categories illustrated in Exhibit PB-4.

Columns (6), (7), (9), (10), (12) and (13): List the military end strength and workyear changes, by activity. Likewise, list civilian FTE changes by activity.

Columns (8), (11) and (14): Show the average salary at which these changes were priced.

If there are no personnel changes, Columns (5) through (14) will be left blank.

Show a total for increases and decreases.

The outyear impact of the additional budget submission will be included at the end of Exhibit PB-10. This will show the net change by appropriation budget subactivity number for each of the applicable outyears.

Narrative justification must also accompany Exhibit PB-10.

DEPARTMENT/AGENCY _____

MAJOR BUDGET ISSUE

PBD No. _____

Subject _____

(BA, \$ in Millions)

	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY+1</u>	<u>FY BY+2</u>	<u>FY BY+3</u>	<u>FY BY+4</u>
Component Budget (As Adjusted by PDM)	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
PBD Adjustment	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Amount Approved in PBD	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Amount Appealed (Change to amount approved in PBD)	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

Brief Description of Issue:

(Limit entire issue to one page.)

Component Recommendation:

Major Budget Issue Format

Department of the _____
Military Personnel,_____

(Dollars in Thousands)

FY 19CY Presently Available
FY 19CY Revised Estimate
FY 19CY Proposed Supplemental

Budget Activity: Subsistence of Enlisted Personnel

Justification of Supplemental Requirements.

For increased feeding costs resulting from rising food prices. Ration rates increased from \$x.xx to \$x.xx in CONUS, and from \$x.xx to \$x.xx Overseas.

Exhibit PB-37A Justification of Supplemental Requirements

DEPARTMENT OF THE AIR FORCE

**WEAPONS PROCUREMENT, AIR FORCE
BUDGET AMENDMENT SUMMARY
(\$ in thousands)**

FY 19XX Pending Request

SRAM

ALCM

FY 19XX Revision

FY 19XX Revised Request

Exhibit PB-37R Budget Amendment Summary

DEPARTMENT OF THE AIR FORCE
WEAPONS PROCUREMENT, AIR FORCE
PROGRAM AND FINANCING SCHEDULE (abbreviated)
(Dollars in thousands)

<u>OBLIGATION PLAN</u>				<u>BUDGET PLAN</u>					
FY 19XX				FY 19XX		FY 19XX		FY 19XX	
Revised				Pending	Proposed	Revised	Pending	Proposed	
<u>Program by Activities</u>				<u>Request</u>	<u>Amendment</u>	<u>Request</u>	<u>Request</u>	<u>Amendment</u>	<u>Request</u>
Direct:									
1. Ballistic Missiles									
2. Other Missiles									
3. Modification of In-Service Missiles									
4. Spares and Repair Parts									
5. Other Support									
6. Ammunition									
TOTAL DIRECT									
Reimbursable (Total)									
TOTAL									
Financing (Net)									
BUDGET AUTHORITY									
OUTLAYS									
1/ Object Class 31.0: Equipment									

Exhibit PB-37S Program and Financing Schedule (Abbreviated)

**DEPARTMENT OF AIR FORCE
WEAPONS PROCUREMENT, AIR FORCE
NARRATIVE JUSTIFICATION**

(Dollars in Thousands)

FY 19XX Pending Request

FY 19XX Proposed Amendment

FY 19XX Revised Request

Budget Activity: Other Missiles

Justification of proposed amendment.

AGM-69B SRAM. Deletes the \$xx,xxx,xxx FY 19XX requirement. Due to the recent evolution of the Air Launch Cruise Missile (ALCM) as an effect weapon system and the continued ability to use the B-52 bomber well into the 1980's, the President directed the B-1 production be halted. With the decision to not deploy the B-1, the Air Force requirement for the SRAM-B which was to be used on the B-1 is no longer valid.

Air Launched Cruise Missile. The Air Launched Cruise Missile (ALCM) is an aerodynamic air-to-ground strategic missile propelled by a turbo-fan engine. It has a high degree of accuracy through the combination of inertial guidance and terrain correlation update. The missile is designed to be carried internally and/or externally on the B-52. The ALCM is to be employed from a stand-off position against a wide variety of pre-selected lightly or undefended ground hard targets. This budget amendment requests an additional \$xx,xxx,xxx to accelerate the ALCM Initial Operating Capability (IOC).

Exhibit PB-37T Narrative Justification

(DoD Component)
FY ____ Defense (Authorization or Appropriation) Bill
Appeal

Subject: _____

Appropriation(s): _____

Summary:

Briefly describe the congressional action and the apparent reasons behind it.

<u>Item</u>	<u>Request</u>	<u>Budget Authority</u> <u>(Dollars in Millions)</u>		<u>Appeal</u>
		<u>House</u>	<u>Senate</u>	

DoD Position:

Concise description of our rationale for restoration. Continuations and supplements are not necessary and will not be used.

(DoD Component)
FY ____ Defense (Authorization or Appropriation) Bill
Appeal (language/general provision item)

Subject: _____

Language/Provision:

Briefly describe language or general provision and its apparent intent.

DoD Position:

Concise description of our rationale for revision or removal of language/general provision item as proposed.

Exhibit PB-39A-2 Format - Appeal Input (Language Items)

RECORD OF CONGRESSIONAL TRANSCRIPT REVIEW			
TRANSCRIPT ACTION MONITOR <small>(Name, agency and telephone number)</small>		DATE RECEIVED FROM CONGRESS	
To: (In turn) 1. _____ 2. _____ 3. DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW		DATE ACTION MUST BE COMPLETED 1. _____ 2. _____ 3. _____	
DESCRIPTION OF DOCUMENT COMMITTEE/SUBCOMMITTEE	HEARING DATE AND SUBJECT		PAGES _____ THRU _____ HEARING: _____ CLASSIFICATION: _____
<p>The attached transcript of testimony is forwarded for editorial and security review in accordance with DoD Directive 5400.4. To meet committee requirements and allow time for final review by the Directorate for Freedom of Information and Security Review, OASD(PA), your action must be completed as indicated. Each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. An advance copy of this DD Form has been sent to DFOISR, OASD(PA).</p>			
GUIDELINES			
I. SECURITY A. GENERAL. Review must be accomplished by officials competent to judge the security aspects of the subjects involved and to provide a consistent and defensible security position. B. MARKING 1. Use black lead pencil. 2. Enclose with brackets [] information to be deleted. 3. Make deletions as limited as possible, considering whether the total context may contain clues to the information deleted.		II EDITORIAL A. GENERAL. Edit to correct inaccuracies. B. MARKING. 1. Use black lead pencil. 2. Line through all words or figures for which substitute language or figures are entered. Do <i>not</i> use brackets. 3. Print or write all entries legibly. 4. Use standard proofreaders markings. 5. Do not change statements by committee members. Note inaccuracies in the margin.	
REMARKS			
FORWARDING			
TO: Director, Freedom of Information and Security Review		Date: _____	
Portions of the attached transcript which require deletion in the interests of national security before publication have been bracketed. This action represents the considered judgement of this department/agency that the information so marked warrants the protection of security classification.			
SIGNATURE		OFFICE	

DD Form 1587, MAR 78

REPLACES DD FORM 1587, 1 APR 74, WHICH IS OBSOLETE.

DD 1587 Record of Congressional Transcript Review

Exhibit DD 1587 Record of Congressional Transcript Review

PREPARED TESTIMONY REVIEW	
TO: DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW	DATE
The attached document is forwarded for review in accordance with paragraph D.2.a.(2), DoD Directive 5400.4.	
DESCRIPTION OF DOCUMENT	
WITNESS	
COMMITTEE/SUBCOMMITTEE	
HEARING DATE AND SUBJECT	
PAGE COUNT	THIS DOCUMENT IS FOR <input type="checkbox"/> CLASSIFIED <input type="checkbox"/> UNCLASSIFIED PRESENTATION <i>(Check applicable term)</i>
UPON COMPLETION NOTIFY <i>(Name, agency and telephone number)</i>	
DIRECT QUESTIONS TO <i>(Name, agency and telephone number)</i>	
REQUEST CLEARANCE NLT <i>(Date)</i>	
The attached material has department/agency approval for the purpose specified. Any portions requiring security protection have been appropriately marked.	
ATTACHMENT	SIGNATURE

DD Form 1790, MAR 78

REPLACES DD FORM 1790, JAN 71, WHICH IS OBSOLETE

DD 1790 Prepared Testimony Review

Exhibit DD 1790 Prepared Testimony Review

Committee: House Appropriations Committee

Hearing Date:

Subject:

Member:

Witness:

Question#:

Question:

Answer:

HAC QFR

Committee: House National Security Committee

Hearing Date:

Subject:

Question#:

Mr. Congressman:

Witness:

HNSC QFR

[Hearing Date]
[Senator]
[Witness]
[Question #]

[Subject]

Question.
Answer.

[Left and right margins must be 1.5 inches on 8.5 x11.0 inch plain paper. Indent 5 spaces, capitalize the first letter of the words "Question" and "Answer" and follow with a period and then two spaces. Do not skip line between question and answer. If more than one question is included, skip 1 line between each set of questions/answers. Always type a title or heading for each question. Use a 10 or 12 pitch font, preferably "Times New Roman". All submissions must be provided in hard copy and on diskette. The diskette must be labeled identifying the hearing, date of hearing and question numbers.]

SAC QFR

Committee: Senate Armed Services Committee

Hearing Date:

Subject:

Question#:

Senator:

Witness:

SASC QFR

Committee:
Hearing Date:
Subject:
Insert (Page#, Line#):

The information follows:

[Left and right margins should be 1.5 inches]

Insert - All Committees

Prepared by	NAME
Phone Number	
Checked By	NAME
P&FC Analyst	NAME

[illegible][illegible][illegible]

DD FORM 2232
MAY 1996

TOTALS

DD Form 2232 (\$\$\$) Budget Estimates Recording/Coding Instructions (\$\$\$)

1. Column 1, Budget Plan: Obligation Plan data for Direct and Reimbursable budget activities will be indicated by coding a 2 over the preprinted 1 in Column 1.
2. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing".
Columns 2 thru 5 will be the Appropriation (Treasury) Code.
Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of Volume 2A of the DoD Financial Management Regulation, DoD 7000.14-R). Values will be entered left justified.
Columns 9 thru 11 will be the Budget Activity Code. Column 9 will be blank for 2 digit Budget Activity Codes listed therein.
Columns 12 thru 14 will be the Budget Subactivity Code.
3. Column 15, Fiscal Year Program: For Procurement, RDT&E, Military Construction, Family Housing, and those Operation and Maintenance accounts with multiple year availability, enter the last digit of the applicable fiscal year program.
4. Column 16, Supplementary Code: Enter a value only when the transaction is associated with a supplemental program. The following are valid supplemental codes:

 Q - Supplemental,
 P - Legislative proposal, not subject to PAYGO,
 L - Appropriation language to be transmitted later,
 S - Legislative proposal, subject to PAYGO,
 R - Rescission Proposal.
5. Columns 32 thru 70: Are used for recording submission estimates for PY, CY, BY1, and BY2.
 Minus signs: When appropriate, will be coded to the left of the most significant digit.

NOTE: Entries in columns 32-70 for Obligation Plan, Expenditure Tail, Object Classification and Budget Plan for all Financing and Budget Authority lines will be at the level of the PB-2 & PB-2A Exhibits shown in Section 010702 of the Financial Management Regulation.

(Coding Instructions Appear on Reverse Side)

Date

Phone Number

Checked By

P&FC

[illegible]

DD Form 2233 (\$\$\$) Decision Recording/Coding Instructions (\$\$\$)

1. Column 1, Budget Plan: Obligation Plan data for Direct and Reimbursable budget activities will be indicated by coding a 2 over the preprinted 1 in Column 1.
2. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing."
Columns 2 thru 5 will be the Appropriation (Treasury) Code.
Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of Volume 2A of the DoD Financial Management Regulation, DoD 7000.14-R).
Columns 9 thru 11 will be the Budget Activity Code. Column 9 will be blank for 2 digit Budget Activity Codes listed therein.
Columns 12 thru 14 will be the Budget Subactivity Code.
3. Column 15, Fiscal Year Program: for Procurement, RDT&E, Military Construction, Family Housing, and those Operation and Maintenance accounts with multiple year availability, enter the last digit of the applicable fiscal year program.
4. Column 16, Supplemental Code: enter a value only when the transaction is associated with a supplemental program. The following are valid supplemental codes:
Q - Supplemental,
P - Legislative proposal, not subject to PAYGO,
L - Appropriation language to be transmitted later,
S - Legislative proposal, subject to PAYGO,
R - Rescission Proposal.
5. Columns 17 thru 22 (OSD Use): Decision Number is the number identifying Secretarial decisions.

<u>DCN No. Illust.</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>
DCN	0	0	1			
DCN, Change (1 st)	0	0	1	C		
DCN, Change (2 nd)	0	0	1	C	2	
Other Sec Def Decision	P	0	1			
6. Column 23, Alternative Number (OSD Use): When preparing data for the numbered alternatives in a decision, use this field to identify the specific alternative. When the alternative is the service estimate, use the code "S"; otherwise use the alternative number referred to in the decision document.
7. Columns 32 thru 70: Are used for recording decision changes for PY, CY, BY1, and BY2.
Minus signs: When appropriate, will be coded to the left of the most significant digit.

NOTE: Entries in columns 32-70 for Obligation Plan, Expenditure Tail, Object Classification and Budget Plan for all Financing and Budget Authority lines will be at the level of the PB-2 & PB-2A Exhibits shown in Section 010702 of the Financial Management Regulation.

Prepared by _____
NAME

Phone Number _____

Checked By _____
NAME

P&FC
Analyst _____
NAME

[illegible]

DECISION NUMBER						ALTERNATIVE	P&FC Use Only
17	18	19	20	21	22	NUMBER	
						23	24

[illegible]

DD Form 2234 (\$\$\$) Outyear Recording/Coding Instructions (\$\$\$)

1. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title Listing".
Columns 2 thru 5 will be the Appropriation (Treasury) Code.
Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of the DoD Financial Management Regulation, DoD 7000.14-R). Values will be entered left justified.
Column 9 will be blank.
Columns 10 and 11 will be "20".
Columns 12 thru 14 will be the Budget Subactivity Code.

2. Columns 17 thru 22 (OSD Use): Decision Number is the number identifying Secretarial decisions.

<u>DCN No. Illust.</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>
DCN	0	0	1			
DCN, Change (1 st)	0	0	1	C		
DCN, Change (2 nd)	0	0	1	C	2	
Other Sec Def Decision	P	0	1			

3. Column 23, Alternative Number (OSD Use): When preparing data for the numbered alternatives in a decision, use this field to identify the specific alternative. When the alternative is the service estimate, use the code "S"; otherwise use the alternative number referred to in the decision document.
4. Columns 32 thru 70: Are used for recording dollar amounts for BY+1, BY+2, BY+3, and BY+4.
Entries will be coded right justified with leading spaces in these columns, for each amount.
Minus signs: When appropriate, will be coded to the left of the most significant digit.

DD Form 2235 Personnel Budget Submission Recording/Coding Instructions

1. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing."
Columns 2 thru 5 will be the Appropriation (Treasury Code).
Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of the DoD Financial Management Regulation, DoD 7000.14-R) for civilian full-time equivalents (FTEs). For military end strengths code the military component value in combination with the valid defense agency Suffix Code. Values will be entered left justified.
Column 9 will be blank.
Columns 10 and 11 will be "20".
Columns 12 thru 14 will be the Budget Subactivity Code.
2. Columns 15 and 16, Civilian FTE Personnel Category Codes are as follows:

01 Civ, US DH	03 Civ, Fgn DH	05 Civ, Fgn Ind
------------------	-------------------	--------------------
3. Columns 15 and 16, Military End Strength Personnel Category Codes are as follows:

21 Off, A	23 Enl, A	25 Cadets, A
31 Off, N	33 Enl, N	35 Cadets, N
41 Off, MC	43 Enl, MC	55 Cadets, AF
51 Off, AF	53 Enl, AF	
4. Columns 15 and 16, Selected Reserve Personnel Category Codes are as follows:

61 Off, Trained in Units	71 Off, Training Pipeline
62 Enl, Trained in Units	72 Enl, Training Pipeline
63 Off, IMAs	81 Off, Full-time Active Duty
64 Enl, IMAs	82 Enl, Full-time Active Duty

These codes are valid for all Reserve appropriation accounts, and with the exception of 63 and 64, are also valid for all National Guard appropriation accounts.
5. Columns 32 thru 70: Are used for recording initial FTE estimates for Civilian Personnel and initial end strength estimates Military and Selected Reserve Personnel for PY, CY, BY1, and BY2. Entries will be coded right justified with leading spaces in these columns, for each amount.

Minus signs: When appropriate, will be coded to the left of the most significant digit.

DD Form 2236 Personnel Decision Recording/Coding Instructions

1. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing".
 Columns 2 thru 5 will be the Appropriation (Treasury) Code.
 Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of the DoD Financial Management Regulation, DoD 7000.14-R) for civilian full-time equivalent (FTE) personnel data. For military end strengths, code the military component value in combination with the valid defense agency Suffix Code. Values will be entered left justified.
 Column 9 will be blank.
 Columns 10 and 11 will be "20".
 Columns 12 thru 14 will be the Budget Subactivity Code.

2. Columns 15 and 16, Civilian FTE Personnel Category Codes are as follows:

01 Civ, US DH	03 Civ, Fgn DH	05 Civ, Fgn Ind
------------------	-------------------	--------------------

3. Columns 15 and 16, Military End Strength Personnel Category Codes are as follows:

21 Off, A	23 Enl, A	25 Cadets, A
31 Off, N	33 Enl, N	35 Cadets, N
41 Off, MC	43 Enl, MC	55 Cadets, AF
51 Off, AF	53 Enl, AF	

4. Columns 15 and 16, Selected Reserve Personnel Category Codes are as follows:

61 Off, Trained in Units	71 Off, Training Pipeline
62 Enl, Trained in Units	72 Enl, Training Pipeline
63 Off, IMAs	81 Off, Full-time Active Duty
64 Enl, IMAs	82 Enl, Full-time Active Duty

These codes are valid for all Reserve appropriation accounts, and with the exception of 63 and 64, are also valid for all National Guard appropriation accounts.

5. Columns 17 thru 22 (OSD Use): Decision Number is the number identifying Secretarial decisions.

<u>DCN No. Illust.</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>
DCN	0	0	1			
DCN, Change (1 st)	0	0	1	C		
DCN, Change (2 nd)	0	0	1	C	2	
Other Sec Def Decision	P	0	1			

6. Column 23, Alternative Number (OSD Use): When preparing data for the numbered alternatives in a decision, use this field to identify the specific alternative. When the alternative is the service estimate, use the code "S"; otherwise use the alternative number referred to in the decision document.

7. Columns 42 thru 70: Are used for recording FTE estimates for Civilian Personnel and end strength estimates for Military and Selected Reserve Personnel for CY, BY1, and BY2.
Minus signs: When appropriate, will be coded to the left of the most significant digit.

[illegible]

DD Form 2236-1 Personnel Outyear Recording/Coding Instructions

1. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing."
Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of the DoD Financial Management Regulation, DoD 7000.14-R) for *civilian* full-time equivalent (FTE) personnel data. For military end strengths code the military component value in combination with the valid defense agency Suffix Code. Values will be entered left justified.
Column 9 will be blank.
Columns 10 and 11 will be "20".
Columns 12 thru 14 will be the Budget Subactivity Code.

2. Columns 15 and 16, Civilian FTE Personnel Category Codes are as follows:

01	Civ, US DH	03	Civ, Fgn DH	05	Civ, Fgn Ind
----	------------	----	-------------	----	--------------

3. Columns 15 and 16, Military End Strength Personnel Category Codes are as follows:

21	Off, A	23	Enl, A	25	Cadets, A
31	Off, N	33	Enl, N	35	Cadets, N
41	Off, MC	43	Enl, MC	55	Cadets, AF
51	Off, AF	53	Enl, AF		

4. Columns 15 and 16, Selected Reserve Personnel Category Codes are as follows:

61	Off, Trained in Units	71	Off, Training Pipeline
62	Enl, Trained in Units	72	Enl, Training Pipeline
63	Off, IMAs	81	Off, Full-time Active Duty
64	Enl, IMAs	82	Enl, Full-time Active Duty

These codes are valid for all Reserve appropriation accounts, and with the exception of 63 and 64, are also valid for all National Guard appropriation accounts.

5. Columns 17 thru 22 (OSD Use): Decision Number is the number identifying Secretarial decisions.

<u>DCN No. Illust.</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>
DCN	0	0	1			
DCN, Change (1 st)	0	0	1	C		
DCN, Change (2 nd)	0	0	1	C	2	
Other Sec Def Decision	P	0	1			

6. Column 23, Alternative Number (OSD Use): When preparing data for the numbered alternatives in a decision, use this field to identify the specific alternative. When the alternative is the service estimate, use the code "S"; otherwise use the alternative number referred to in the decision document.
7. Columns 32 thru 70: Are used for recording FTE estimates for Civilian Personnel and end strength estimates for Military and Selected Reserve Personnel for BY+1, BY+2, BY+3, and BY+4. Entries will be coded right justified with leading spaces in these columns, for each amount.
Minus signs: When appropriate, will be coded to the left of the most significant digit.

**TOTAL OBLIGATIONAL AUTHORITY/DWCF COSTS AND MANPOWER
CONTROLS FORMAT**

<u>Appropriation Totals (\$000)</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
-------------------------------------	-----------	-----------	------------	------------	--------------	--------------	--------------	--------------

Military Personnel

Operation & Maintenance

RDT&E Procurement

Military Construction

Revolving Funds

Total TOA

Manpower End Strength Totals

Active Military Manpower

 Active Officer

 Active Enlisted

 Cadet/Midshipmen

National Guard/Reserve Manpower

 National Guard

 Officer

 Enlisted

 Total National Guard Manpower

Reserve

 Officer

 Enlisted

 Total Reserve Manpower

Civilian Manpower

 Direct Hire US

 Direct Hire Foreign

 Indirect Hire Foreign

Total Manpower

TOA and Manpower Controls Format

**MILITARY PERSONNEL, SERVICE
AVERAGE ANNUAL PAY/PCS RATES**

<u>Pay and Allowances</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
Officers								
Enlisted								
Cadets/Midshipmen								
Trainees								
<u>PCS and HHG</u>								
Officers								
Enlisted								
Cadets/Midshipmen								
Trainees								

Military Personnel Average Annual Pay/PCS Rates

UNCLASSIFIED

Procurement Appendix (\$Millions)Qty()			NUMBER				Alternative
Line Item	Current Year	Biennial Year 1	Biennial Year 2	Biennial Year 2 + 1	Biennial Year 2 + 2	Biennial Year 2 + 3	Biennial Year 2 + 4

UNCLASSIFIED

Procurement Appendix

PROCUREMENT DATA FORMAT

[illegible]SD FORM 463
MAY 96

Use leading minus (-) sign for negative values.

SD 463 Procurement Data Format Instructions

1. Columns 1 thru 20: - Code exactly as appears in the FYDP Procurement *Programs* Nomenclature List.
2. Column 21:-

A = Weapon System Cost (Gross) B = Advance Procurement (PY) C = Advance Procurement (CY) D = Contract Design(Historical SCN only) E = Contract Cancellation (SCN only) F = PY Unfunded Deficiencies G = Over Target I = Future Cost/Growth Escalation (SCN only) J = Initial Spares (Outfitting for SCN) (Memo non-add)	K = Post Delivery(SCN only) L = Cost Growth(SCN only) M = Shipbuilding Escalation (SCN only) N = Completion of PY Programs P = Unfunded NSSN (Memo) R = <i>Reserve Equipment (Memo Non-Add)</i> S = Anticipated Escalation (Memo for historical updates) T = <i>National Guard Equipment (Memo Non-Add)</i>
---	--
3. Column 22 thru 25: - Enter the four digits of the applicable fiscal year.
4. Column 26 thru 29: - Enter the fiscal year program against which the advance applies.
5. Column 30: - Enter "9" for all data changes.
6. Column 31 thru 36:- Enter the Program Budget Decision (PBD) Number as follows. NOTE: This only applies for the Presidential Budget Cycle.

EXAMPLE:

<u>DCN No. Illust.</u>	<u>DECISION NUMBER</u>					
	<u>31</u>	<u>32</u>	<u>33</u>	<u>34</u>	<u>35</u>	<u>36</u>
PBD	0	0	1			
PBD, Revision(1st)	0	0	1	C		
PBD, Revision(2nd)	0	0	1	C	2	
Other Sec Def Decision	P	0	1			

7. Column 37 thru 46: - Enter the program quantity in units. If the value is negative, enter a leading minus sign.(Right Justify)
8. Column 47 thru 56: - Enter the program cost in thousands of dollars. If the value is negative, enter a leading minus sign.(Right Justify)

Page 1 of 2

Exhibit SD 463-N Procurement Nomenclature Format

1-221

1. Columns 1 thru 4 - Appropriation Code
2. Column 5 - Component Code
3. Column 6 - Leave Blank
4. Columns 7 thru 8 - Budget Activity
5. Columns 9 thru 10 - Budget Sub-Activity
6. Columns 11 thru 20 - Item Control Number
7. Column 21 - Selected Acquisition Reports Item designator. Enter "X" or leave blank
8. Column 22 - Leave Blank

Page 2 of 2

Procurement Nomenclature Transaction Record												
APPN/5	RSV/1	BA/2	BSA/ 2	ITEM CONT. NUM/10	SAR/ 1	RSV/1	SEC/1	QTY/1	ID/1	RSV	ACOD/1	TITLE/45
1-5	6	7-8	9-10	11-20	21	22	23	24	25	26-29	30	31-76

Procurement Data Transaction Record											
APPN/5	RSV/1	BA/2	BSA/ 2	ITEM CONT. NUM/10	CTYP/1	PGFY/2	AVFY/2	ACOD/1	PBD NUMBER/6	QUAN/9	COST/9
1-5	6	7-8	9-10	11-20	21	22-25	26-29	30	31-36	37-46	47-56

Procurement Nomenclature/Data Transaction Record

UNCLASSIFIED

RDT&E APPENDIX			NUMBER			Alternative	
Line Item	Current Year	Biennial Year	Biennial Year 1	Biennial Year 2 +1	Biennial Year 2+ 2	Biennial Year 2 + 3	Biennial Year 2 + 4

RDT&E Appendix

UNCLASSIFIED

RDT&E Data Format

[illegible]

- Notes:
- Left justify Program Element.
 - Action Code (AC) is 9.
 - Left justify PBD.
 - Right justify the Change Value and use a leading minus sign (-) for negative values

SD 463-1 RDT&E Data Format Instructions

1. Columns 1 thru 8: Treasury Code, Component Code, and Budget Activity Code - These are as specified in DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation. Columns 1 through 4 will be the Treasury Code. Column 5 will be the Component Code. Column 6 is blank. Columns 7 through 8 will be the Budget Activity.
2. Columns 9 through 18: Program Element - These program element (PE) codes are published in the FYDP Program Structure Handbook (DoDI 7045.7-H) dated January 1996. Left justify this field.
3. Columns 19 through 24: Program Budget Decision (PBD) - This is the number identifying the Program Budget decisions. Left justify this field. Note: This only applies for the Presidential Budget Cycle.

Example: PBD No. Illust.

PBD

PBD, Change (1st)

PBD, Change (2nd)

Other SecDef Decision

Decision Number

<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>	<u>23</u>	<u>24</u>
0	0	1			
0	0	1	C		
0	0	1	C	2	
P	0	1			

4. Column 25: Cost Type - Cost Type codes authorized for use are:

Cost Type Code

A

Cost Type

Program Value (Gross)

5. Columns 26 thru 29: Fiscal Year - Enter the applicable fiscal year. Example: 1996
6. Column 30: Action Code (AC) - AC is 9.
7. Columns 31 thru 40: Change Value - Enter the program cost in thousands of dollars. If the value is negative, enter a leading minus sign (-). Right justify this field.

RDT&E SAR/Classification Nomenclature

[illegible]

Notes: ● Left justify Program Element.
● Action Code (AC) is 1.

SD 463-1N RDT&E SAR/Classification Nomenclature Instructions

1. Columns 1 thru 8: Treasury Code, Component Code, and Budget Activity Code - These are as specified in DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation. Columns 1 thru 4 will be the Treasury Code. Column 5 will be the Component Code. Column 6 is a Reserved space. Leave it blank. Columns 7 thru 8 will be the Budget Activity.
2. Columns 9 thru 18: Program Element - These program element (PE) codes are published in the FYDP Program Structure Handbook (DoDI 7045.7-H) dated January 1996. Left justify this field.
3. Columns 19 thru 29: Reserved - Leave blank.
4. Column 30: Action Code - AC is 1.
5. Column 31: SAR Item Designator - The single character “X” in column 31 will indicate a SAR item.
6. Column 32: Security Classification - The security classification shall be in accordance with the criteria set forth in DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation. Its value can be either “S”, “C” or “U”.

RDT&E SAR/Classification Nomenclature

Treasury Code				Comp	Res	Bud Act		Program Element										Reserved										AC	Sar	Sec Class
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	.	.	27	29	30	31	32

RDT&E Data Format

Treasury Code				Comp	Res	Bud Act		Program Element								PBD					Cost Type	Fiscal Year			AC	Change Value		
1	2	3	4	5	6	7	8	9	10	11	12	13	.	.	18	19	20	21	26	24	25	26	.	29	30	31	.	40
																					A				9			

RDT&E SAR/Classification Nomenclature Formats

UNCLASSIFIED

CONSTRUCTION APPENDIX (\$000)				NUMBER	ALTERNATIVE	
APPN	BUD ACT	FAC CAT	LOCATION AND PROJECT	FISCAL YEAR 19CY	FISCAL YEAR 19BY1	FISCAL YEAR 19BY2

UNCLASSIFIED

Construction Appendix

SD 463-2 Construction System Database Decision Recording Instructions

1. **Columns 1 thru 20: Treasury Code, Component Code, Suffix, Budget Activity Code, Location and Project ID.** - Code exactly as it appears in the Construction Nomenclature List.
2. **Column 21: Action Code** - This position is always coded "9".
3. **Columns 22 thru 23: Program Fiscal Year** - Enter the last two digits of the applicable fiscal year.
4. **Columns 24 thru 25: Reserved** - Leave these positions blank.
5. **Column 26: Cost Type** - Cost Type codes authorized for use are:

<u>Cost Type Code</u>	<u>Cost Type</u>
A	Program Cost (Adds to appropriation as well as authorization totals.)
M	Memo Non Add (Included in authorization totals but <u>not</u> included in appropriation totals.)

6. **Columns 27 thru 28: Action Document Code** - Enter one of the following codes:

01	Program Change Decision
02	Program Budget Decision
04	Program Decision Memorandum
16	Congressional Action

7. **Columns 29 thru 34: Document Decision Number** - Enter the decision number as follows: (The initial budget data must show the PBD wherein the resources for this project will be addressed, and position 32 must contain an "S".)

<u>PBD No. Illust.</u>	<u>Decision Number</u>					
	<u>29</u>	<u>30</u>	<u>31</u>	<u>32</u>	<u>33</u>	<u>34</u>
PBD	3	0	1			
PBD, Change (1st)	3	0	1	C		
PBD, Change (2nd)	3	0	1	C	2	
Other SecDef Decision	P	0	1			

8. **Columns 35 thru 40: Approval Date** - Enter the date of the document decision in the format - year month day, i.e. 860823. (For the initial budget submission, use the date of the Program decision Memorandum.)
9. **Columns 41 thru 48: Program Cost** - Enter the amount (total or delta to previous figure) in thousands of dollars, right justified. If the value to be entered is negative, enter a minus sign in the column to the immediate left of the dollar value (e.g. -4328).

Construction System Database **NOMENCLATURE RECORDING FORM** (Coding Instructions appear on reverse side)

COMPONENT ANALYST

OSD ANALYST

Name: _____ **Phone:** _____ **Date:** _____

Name: _____ Phone: _____ Date: _____

[illegible]SD FORM 463-2N
MAY96

Exhibit SD 462-2N Construction System Data Base

SD 463-2N Construction System Nomenclature recording Instructions

1. **Columns 1 thru 9:** Treasury Code, Component Code, Suffix, Budget Activity Code - Enter as shown in DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation.
2. **Column 10 thru 11:** State and Country Code - Enter the two character code as given in DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation.
3. **Columns 12 thru 14:** Installation Code - Enter a three digit (numeric only) code that will uniquely identify the installation within the state/country.
4. **Columns 15 thru 20:** Project Identification Number - Enter a six digit (numeric only) code that will uniquely identify a project for the installation.
5. **Column 21:** Action Code - Enter a one digit code as follows (see DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation).
 - 1 - To identify the addition of a major command;
 - 2 - To identify a change to a major command title already on file;
 - 3 - To identify the addition of an installation title record;
 - 4 - To identify a change to an installation title already on file;
 - 5 - To identify changes to a project record already on file. (Complete columns 1-23 and one or more of the following to be changed: command, major FYDP program, facility category, special interest, authorization code, and/or project title.)
6. **Columns 22 thru 23:** Program Fiscal Year - Enter the last two digits of the applicable year.
7. **Columns 24 thru 25:** Major Command - Enter the two digit command code.
8. **Columns 26 thru 27:** Major FYDP Program - Enter the two digits of the applicable major FYDP program.
9. **Columns 35 thru 37:** Facility Category Code - Enter the appropriate three digit facility category code as prescribed in DoDI 4165.14.
10. **Column 38:** Special Interest - Leave blank or enter one of the following codes, as appropriate:
 - 1 - Energy Conservation
 - 2 - Air Pollution Abatement
 - 3 - Water Pollution Abatement
 - 4 - Noise Pollution Abatement
11. **Column 39:** Authorization - Enter an "X" if the project is subject to authorization. Enter a "P" if the project was authorized for Appropriation in prior year. Enter a "Y" if the project was authorized in prior year.
12. **Columns 40 thru 81:** Title - Enter the title of the major command, installation or project as appropriate.

FYDP Data Format

[illegible]

Note on Program Element:

Note on Fiscal Year:

Notes on Change Value:

- **Left Justify.**
- **Include four digits, e.g., 1995 for FY 1995: 2002 for FY 2002.**
- **Right Justify.**
- **Use leading minus sign (-) for negative values.**
- **TOA values in thousands.**
- **Forces and manpower in units.**

CHAPTER 2
MILITARY PERSONNEL APPROPRIATIONS
Table of Contents

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CHAPTER 2

MILITARY PERSONNEL APPROPRIATIONS

0201 GENERAL

020101 Purpose

A. This Chapter prescribes the justification materials required for the Military Personnel appropriations for both the Active and the Reserve Forces to support the budget estimates submission and the presentation of the President's budget submission to the Congress.

B. The following appropriations and accounts are covered:

Section

020201

- Active Military Personnel, Army, Navy, Marine Corps, Air Force

020301

- Reserve Military Personnel
- Army, Navy, Marine Corps, Air Force
- National Guard Military Personnel, Army, Air Force

020401

- Military Personnel Retirement Requirements

020502

- Military Retirement Fund/Education Benefits Fund

C. Fund requirements for the Military Personnel appropriations will be presented using the budget and fiscal accounting classifications as set forth in sections 0202 and 0203. Budget estimates will be based upon approved military personnel/strength programs as contained in the exhibits required in this Chapter, and in accordance with such special instructions as may be issued by the Office of the Under Secretary of Defense (P&R) as part of the call for the services' military strength programs. **All exhibits will be on a gross basis; i.e., include both direct and reimbursable personnel.**

D. Computation of Subsistence-in-kind Rates. For the September 15 submission, subsistence-in-kind average daily food allowances will be developed by using the Food Cost Index to compute the August Basic Daily Food Allowance (BDFA). The rates should be increased by one-half of the FY 19CY military personnel non-pay price escalation to determine the CY budget rates for subsistence-in-kind. Any costs that exceed the amount projected in the FY 19CY President's budget will be included in the estimates within current availability.

E. Budgeting for Inflation. Anticipated inflation will be included in the September 15 estimates for clothing, subsistence-in-kind, the commercial portions of permanent change of station travel, and temporary lodging allowances overseas. The inflation rates to be used will be based upon approved price escalation indices provided as an enclosure to the annual FY 19CY revised and FY 20BY1/BY2 Budget Estimates Guidance memorandum. *To ensure adequate funding for the basic allowance for housing, anticipated housing cost inflation will be added.*

F. Military End Strength Guidance for the Budget Estimates Submission. The requirements for military manpower end strength for the Office of the Secretary of Defense, and the DoD Field Activities under the purview of the Washington Headquarters Service (WHS), will be developed and assigned by the Director for Administration and Management. WHS will provide the Services with end strength numbers for the WHS agencies approximately 45 days prior to the submission of the machine readable input to the Budget Review System (BRS) and will identify the data by fiscal year, military service, and officer/enlisted designation. The end strength provided by WHS represents controls that will be met by the Services in their machine readable BRS submission. The following organizations are currently subject to this guidance:

Office of the Secretary of Defense (OSD)
Washington Headquarters Services (WHS)
Defense Legal Services Agency (DLSA)
Office of Economic Adjustment (OEA)
American Forces Information Service (AFIS)
Defense Technology Security Administration (DTSA) (*FY 1998 and prior*)
Defense Prisoner of War/Missing In Action Office (DPMO)

0202 ACTIVE MILITARY PERSONNEL APPROPRIATIONS**020201 General**

A. The purpose of this section is to provide general information applicable to the Active Military Personnel appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Chapter 1. The Military Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the Other Special Analysis chapter (Chapter 19).

B. This section provides the budget and fiscal accounting classifications for the military personnel appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification, which shall be used on a uniform basis for the military personnel appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Military Personnel appropriations.

020202 Uniform Budget and Fiscal Accounting Classification

A. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in section 020101. Variations in the activity and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described below.

B. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same sequence as will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

C. Chart of Accounts - The chart of accounts that follows represents a summary of the accounting and reporting structure under the Active Military Personnel appropriations. For purposes of presentation of budget estimates, however, as distinguished from monthly reporting, additional statistical breakdown will be required as shown in Section 020203.

Budget Activity (BA) and Budget Subactivity (BSA) ^{a/}BA/BSA1 Pay and Allowances of Officers

- 1-A Basic Pay
- 1-B Retired Pay Accrual
- 1-C Incentive Pay for Hazardous Duty
- 1-D Special Pay
- 1-E Basic Allowance for Quarters (*FY 1998 and prior years only, not valid after January 1, 1998*)
- 1-E-1 Basic Allowance for Housing (*Effective January 1, 1998, FY 1998 and subsequent years only*)
- 1-F Variable Housing Allowance (*FY 1998 and prior years only, not valid after January 1, 1998*)
- 1-G Basic Allowance for Subsistence
- 1-H Station Allowances, Overseas
- 1-I CONUS COLA
- 1-J Clothing Allowances
- 1-K Family Separation Allowances
- 1-L Separation Payments
- 1-M Social Security Tax - Employer's Contribution

2 Pay and Allowances of Enlisted Personnel

- 2-A Basic Pay
- 2-B Retired Pay Accrual
- 2-C Incentive Pay for Hazardous Duty
- 2-D Special Pay
- 2-E Special Duty Assignment Pay
- 2-F Reenlistment Bonus
- 2-G Enlistment Bonus
- 2-H Basic Allowance for Quarters (*FY 1998 and prior years only, not valid after January 1, 1998*)
- 2-H-1 Basic Allowance for Housing (*Effective January 1, 1998, FY 1998 and subsequent years only*)
- 2-I Variable Housing Allowance (*FY 1998 and prior years only, not valid after January 1, 1998*)
- 2-J Station Allowances, Overseas
- 2-K CONUS COLA
- 2-L Clothing Allowances
- 2-M Family Separation Allowances
- 2-N Separation Payments
- 2-O Social Security Tax - Employer's Contribution

3 Pay and Allowances of Cadets and Midshipmen

- 3-A Academy Cadets and Midshipmen

4 Subsistence of Enlisted Personnel

- 4-A Basic Allowance for Subsistence
- 4-B Subsistence in Kind

5 Permanent Change of Station Travel

- 5-A Accession Travel
- 5-B Training Travel
- 5-C Operational Travel Between Duty Stations (within CONUS and within Overseas)
- 5-D Rotational Travel to and from Overseas
- 5-E Separation Travel
- 5-F Travel of Organized Units

6 Other Military Personnel Costs

- 6-A Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners
- 6-B Interest on Uniformed Services Savings Deposits
- 6-C Death Gratuities
- 6-D Unemployment Benefits
- 6-E Survivor Benefits
- 6-F Education Benefits
- 6-G Adoption Expenses

a/ Proper coding will be assigned to each Military Department in accordance with fiscal codes for all appropriation activities.

D. Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions are provided on the following pages.

E. Object Classification - The object classifications that follow the Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

BA/BSA

- 1. Pay and Allowances of Officers** - For the pay and allowances authorized by law to be paid to officers, including commissioned and warrant of the Regular Forces and officers of the Reserve Components on extended active duty:

1-A. Basic Pay: For basic compensation of officers, including length of service increments, under provisions of 37 U.S.C. 201, 203 and 205.

1-B. Retired Pay
Accrual: For the Department of Defense's Contribution to its Military Retirement Fund under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay. Retired pay accrual does not apply to academy cadets or midshipmen.

1-C. Incentive Pay for Hazardous

Duty: For pay of officers for performance of hazardous duty required by competent authority under provisions of 37 U.S.C. 301, 301a, 301b and 301c. Includes:

- a. Duty as a crew member as determined by the Secretary concerned, involving frequent and regular participation in aerial flight.
- b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.
- c. For the frequent and regular performance of operational or proficiency flying duty required by orders.
- d. For the written agreement to remain on active duty in aviation service for at least one year in an aviation specialty designated as critical.
- e. Duty while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.
- f. Duty involving parachute jumping as an essential part of military duty.
- g. Duty involving the demolition of explosives as a primary duty, including training for such duty.
- h. Duty inside a high or low pressure chamber.
- i. Duty as a human acceleration or deceleration experimental subject.
- j. Duty as human test subject in thermal stress experiments.
- k. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

- l. Duty involving service as an air weapons controller.
- m. Duty involving use of toxic fuel or waste.
- n. Duty involving highly toxic pesticides or live, hazardous organisms.

1-D. Special Pay:

For special pay to officers on active duty as physicians, dentists, optometrists, veterinarians, nurses and psychologists under the provisions of 37 U.S.C. 302, 302a, 302b, 302c, 302d, 302e and 303; certain designated officers in positions of unusual responsibility which are of a critical nature to the service concerned under provisions of 37 U.S.C. 306; officers on duty subject to hostile fire or imminent danger under provisions of 37 U.S.C. 310; personal money allowance to certain Generals and Admirals under provisions of 37 U.S.C. 414; for diving duty pay under the provisions of 37 U.S.C. 304; for sea duty pay under the provisions of 37 U.S.C. 305a; for nuclear officer incentive pay under the provisions of 37 U.S.C. 312, 312b and 312c.; for engineering and scientific duty performed by officers under the provisions of 37 U.S.C. 315; and for foreign language proficiency under the provisions of 37 U.S.C. 316.

1-E. Basic Allowance for Quarters:

For quarters allowances payable to officers under the provisions of 37 U.S.C. 403. *Effective January 1, 1998, the Basic Allowance for Quarters is replaced by the Basic Allowance for Housing.*

1-E-1 Basic Allowance for Housing:

The FY 1998 National Defense Authorization Act combined BAQ and VHA into one housing allowance called the Basic Allowance for Housing (BAH) beginning January 1, 1998.

1-F Variable Housing Allowance:

For variable housing allowances payable to officers under the provisions of 37 U.S.C. 403a. *Effective January 1, 1998, the Variable Housing Allowance is replaced by the Basic Allowance for Housing.*

1-G. Basic Allowance for Subsistence:

For subsistence allowances payable to officers under the provisions of 37 U.S.C. 402.

1-H. Station Allowances, Overseas:

For payment to officers outside the United States or in Hawaii or Alaska of per diem allowances based on cost of living and housing allowances for members stationed outside the United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 405.

1-I. CONUS Cost of Living Allowance:

For payments to eligible officers assigned to high cost areas under the provisions of 37 U.S.C 403b.

1-J. Clothing Allowances:

For payments to officers for purchase of required uniform under the provisions of 37 U.S.C. 415 - 419

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION**1-K. Family Separation****Allowances:**

For family separation allowances payable to officers under the provision of 37 U.S.C. 427.

1-L. Separation Payments:

- a. For payments to officers for accumulated annual leave under the provisions of 37 U.S.C. 501.
- b. For severance pay to officers, including elimination severance pay to officers not eligible for retirement under any provision of law on the date of elimination by promotion list passover, under the provisions of 10 U.S.C. 1174; elimination severance pay for cause under the provisions of 10 U.S.C. 1181; disability severance pay under the provisions of 10 U.S.C. 1212.
- c. For lump sum readjustment payments to Reserve officers under the provisions of 10 U.S.C. 12312.
- d. Voluntary Separation Incentive (VSI) - For payment of an annuity to officers voluntarily separating from active duty during the drawdown under the provisions of 10 U.S.C. 1175.
- e. Special Separation Benefit (SSB) - For a lump sum payment to officers separating from active duty during the drawdown under the provisions of 10 U.S.C. 1174a.
- f. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty members who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Authorized by Section 4403 of the FY 1993 National Defense Authorization Act (P.L. 102-484).

1-M. Social Security Tax Employer's**Contribution:**

For payment of tax of employer to Social Security Administration as provided by Federal Insurance Contributions Act (including wage credits).

- 2. Pay and Allowances of Enlisted Personnel** - For the pay and allowances authorized by law to be paid to enlisted personnel of the Regular forces and enlisted members of the Reserve components on extended active duty.

2-A. Basic Pay:

For basic compensation of enlisted personnel, including length of service increments, under the provisions of 37 U.S.C. 201, 203 and 205.

2-B. Retired Pay**Accrual:**

For the Department of Defense's Contribution to its Military Retirement Fund, under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

2-C. Incentive Pay for Hazardous**Duty:**

For pay of enlisted personnel for performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 and 301c. Includes:

- a. Duty as a crew member as determined by the Secretary concerned, involving frequent and regular participation in aerial flight.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

- b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.
- c. Duty while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.
- d. Duty involving parachute jumping as an essential part of military duty.
- e. Duty involving the demolition of explosives as a primary duty, including training for such duty.
- f. Duty inside a high or low pressure chamber.
- g. Duty as a human acceleration or deceleration experimental subject.
- h. Duty as human test subject in thermal stress experiments.
- i. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.
- j. Duty involving service as an air weapons controller.
- k. Duty involving use of toxic fuel or waste.
- l. Duty involving highly toxic pesticides or live, hazardous organisms.

2-D. Special Pay:

For pay to enlisted personnel while on sea duty or duty outside the contiguous 48 States and the District of Columbia at places designated by the Secretary of Defense under the provisions of 37 U.S.C. 305 and 305a; for diving duty pay under the provisions of 37 U.S.C. 304; for duty subject to hostile fire or imminent danger under the provisions of 37 U.S.C. 310; for nuclear-trained and qualified, and for nuclear career accession and annual incentive bonuses under the provisions of 37 U.S.C. 312a; for qualified enlisted members extending duty at designated locations overseas under the provisions of 37 U.S.C. 314 and for foreign language proficiency under the provisions of 37 U.S.C. 316.

2-E. Special Duty Assignment**Pay:**

For pay to enlisted personnel for possessing special proficiency in a military skill, under the provisions of 37 U.S.C. 307.

2-F. Reenlistment**Bonus:**

For payment to enlisted personnel of a bonus for reenlistment, under the provisions of 37 U.S.C. 308.

2-G. Enlistment**Bonus:**

For payment to enlisted personnel of a bonus for enlistment (or extension) in a skill designated as critical, in accordance with the provisions of 37 U.S.C. 308a and 308f.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

**2-H. Basic Allowance
for Quarters:**

For quarters allowances payable to enlisted personnel under the provisions of 37 USC 403. *Effective January 1, 1998, the Basic Allowance for Quarters is replaced by the Basic Allowance for Housing.*

2-H-1 Basic Allowance for Housing:

The FY 1998 National Defense Authorization Act combined BAQ and VHA into one housing allowance called the Basic Allowance for Housing (BAH) beginning January 1, 1998.

**2-I. Variable Housing
Allowance:**

For quarters and variable housing allowances payable to enlisted personnel or to dependents under the provisions of 37 U.S.C. 403a. *Effective January 1, 1998, the Variable Housing Allowance is replaced by the Basic Allowance for Housing.*

**2-J. Station Allowances,
Overseas:**

For payment to enlisted personnel outside the United States or in Hawaii or Alaska of per diem allowances based on cost of living and housing allowances for members stationed outside the United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 405.

**2-K. CONUS Cost of Living
Allowance:**

For payments to eligible members assigned to high cost areas under the provisions of 37 U.S.C. 403b.

**2-L. Clothing
Allowances:**

For payment to enlisted personnel of cash allowance for purchase of prescribed clothing, for cost of clothing issued in kind, and for cash payment of maintenance allowances for clothing under the provisions of 37 U.S.C. 418. (Excludes replacement of clothing lost, damaged, or destroyed.)

**2-M. Family Separation
Allowances:**

For family separation allowances payable to enlisted personnel under the provisions of 37 U.S.C. 427.

2-N. Separation Payments:

- a. For payments to enlisted personnel for accumulated unused annual leave under the provisions of 37 U.S.C. 501.
- b. For severance pay to enlisted personnel for disability under the provisions of 10 U.S.C. 1212.
- c. For authorized donations for discharge under certain conditions under the provisions of 10 U.S.C. 1048.
- d. Voluntary Separation Incentive (VSI) - For payment of an annuity to enlisted members voluntarily separating from active duty under the provisions of 10 U.S.C. 1175.
- e. Special Separation Benefit (SSB) - For a lump sum payment to enlisted members separating from active duty under the provisions of 10 U.S.C. 1174a.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

f. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty members who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Authorized by Section 4403 of the FY 1993 National Defense Authorization Act (P.L. 102-484).

2-O. Social Security Tax - Employer's

Contribution: For payment of tax on employer to Social Security Administration as provided by Federal Insurance Contributions Act (including wage credits).

3. Pay and Allowances of Cadets and Midshipmen - For the pay and allowances of cadets and midshipmen at the United States Military Academy, United States Naval Academy, and the United States Air Force Academy.

a. For basic pay, commuted ration allowance, and employer's share of FICA tax for cadets appointed to the United States Military Academy, United States Naval Academy, and United States Air Force Academy, under the provisions of 37 U.S.C., 203 and 422.

b. For payment of nuclear accession bonus under the provisions of 37 U.S.C. 312b.

c. For the difference between the value of the commuted ration allowance and the cost of operational rations.

4. Subsistence of Enlisted Personnel - For the payment of authorized basic allowances for subsistence to enlisted personnel and for the cost of procuring food and beverage supplies for issue as rations to enlisted personnel on extended active duty, including emergency and operational rations; also includes the payment of meals furnished under contract (when approved by competent authority) at commercial facilities where the payment of commuted rations would create an individual hardship and/or the costs for establishment of a Government mess facility are prohibitive or the contract feeding of enlisted personnel is determined to be more economical or advantageous.

4-A. Basic Allowance for

Subsistence: For subsistence allowances payable to enlisted personnel under the provisions of 37 U.S.C. 402.

4-B. Subsistence in

Kind: For cost of subsistence issued as rations to enlisted personnel, including emergency and operational rations, and for payment of meals furnished under contract by commercial facilities under the provisions of 10 U.S.C. 4561, 6081 and 9561.

5. Permanent Change of Station (PCS) Travel - For expenses incident to permanent change of station travel of military personnel, individually or as part of organized units. The PCS travel costs include mileage; monetary allowance in lieu of transportation; transportation by common carrier (rail, bus, air, or water, including Air Mobility Command and Military Sealift Command); per diem allowances, actual and necessary expenses and cost of subsistence while in a PCS travel status; issue of meal tickets in lieu of subsistence; temporary lodging expense; travel of dependents and transportation of baggage and household goods, port handling charges for personnel, their household goods, baggage and privately owned automobiles passing through CONUS MTMC terminals; payments of dislocation allowances; authorized transportation of dependents and personal and household effects of deceased military personnel; costs of contract packing, crating, handling and temporary storage of household goods; cost of nontemporary storage of household goods; cost of trailer allowances; travel incident to organizational movements on permanent change of station whether for training or non-training purposes; expenses incident to PCS movement of any military group traveling under one order from the same point of origin to the same destination; minor supplies and services incident to troop or organizational PCS

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

movements; expenses and allowances incident to separation travel, discharge or release. Also included is all authorized Temporary Duty Travel directly related to and an integral part of PCS movement of individuals or organizational units. Excludes Temporary Duty Travel other than that directly related to and an integral part of PCS movements. All authorized PCS travel expenses provided for under this budget program account shall be charged to the same subprogram account cited in PCS travel order of the military member. The term "CONUS" (Continental United States) referred to herein applies to the United States Territory, "including the adjacent territorial waters located within the North American Continent between Canada and Mexico."

5-A. Accession Travel:**Officers.**

Covers PCS movements of (1) officers appointed to a commissioned grade from civil life, military academies or ROTC/NROTC, Reserve and National Guard officers called or recalled to extended active duty from home or a point where orders were received to first permanent duty station or training school of 20 weeks or more duration and (2) officers or warrant officers appointed or recalled from enlisted status from station where they served as enlisted to new permanent duty station or training school of 20 weeks or more duration. (Includes officers appointed from enlisted status upon graduation from OCS, OTS, or basic flying training.) (Marine Corps basic military training for officers will be a part of an accession move; this is the only exception to the 20-week rule.)

Enlisted.

Covers PCS movements of (1) enlistees, reenlistees, and prior service personnel from recruiting station or place of enlistment to first permanent duty station or training school of 20 weeks or more duration and (2) recalled enlisted reservists from home to first permanent duty station or training school of 20 weeks or more.

Cadets and Midshipmen.

Covers PCS movements of (1) individuals selected as academy cadets or midshipmen upon entry into the academies and (2) individuals who travel to the academies but fail to pass the entrance physical examinations and are required to return home.

5-B. Training Travel:**Officers.**

Covers PCS movements of (1) officers and warrant officers from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction of 20 weeks duration or more; and (2) officer and warrant officer school graduates and eliminates from school to their next permanent CONUS duty station. (Excludes academy graduates, OCS or OTC graduates, flying training graduates, ROTC graduates and others chargeable to Accession Travel.)

Enlisted.

Covers PCS movements of (1) enlisted personnel from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction, of 20 weeks duration or more; (2) enlisted school graduates and eliminates from school to their next CONUS permanent duty station; and (3) enlisted personnel ordered to training leading to a commission if such training period is of 20 weeks duration or more.

5-C. Operational Travel:

Between Duty Stations (within CONUS and within Overseas):

Officers.

Covers PCS movements of (1) officers, and warrant officers to and from permanent duty stations located within the United States; (2) officers and warrant officers to

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing, or captured when no transoceanic travel is involved.

Enlisted.

Covers PCS movements of (1) enlisted personnel to and from permanent duty stations located within the United States; (2) enlisted personnel to and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of enlisted personnel who are interned, missing, or captured when no transoceanic travel is involved.

5-D. Rotational Travel to and from Overseas:**Officers.**

Covers PCS movements of (1) officers and warrant officers from permanent duty stations in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) officers and warrant officers from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) officers and warrant officers from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing or captured when transoceanic travel is involved.

Enlisted.

Covers PCS movements of (1) enlisted personnel from permanent duty stations in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) enlisted personnel from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) enlisted personnel from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects, and privately owned vehicles of enlisted personnel who are interned, missing, or captured when transoceanic travel is involved.

5-E. Separation Travel:**Officers.**

Covers PCS movements of (1) officers and warrant officers upon release or separation from the Service from last permanent duty station to home of record or point of entry into service, or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of officers and warrant officers who are deceased.

Enlisted.

Covers PCS movements of (1) enlisted personnel upon release or separation from the Service from last permanent duty station to home of record or point of entry into service or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of enlisted personnel who are deceased.

Cadets and Midshipmen.

Covers PCS movements of eliminated academy cadets/midshipmen to home of record or point of entry into service.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

5-F. Travel of Organized Units:

Officers. Covers PCS movements of (1) officers and warrant officers directed to move as members of an organized unit movement; and (2) officer and warrant officer fillers and replacements directed to move as part of the unit move.

Enlisted. Covers PCS movements of (1) enlisted personnel directed to move as members of an organized unit movement; and (2) enlisted fillers and replacements directed to move as part of the unit move.

6. Other Military Personnel Costs - For costs incident to the apprehension of military deserters, absentees, and escaped prisoners; interest on uniformed services savings deposits; death gratuities; unemployment benefits; and survivor benefits.

6-A. Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners:

For the expenses of apprehension and delivery of military deserters, absentees, and escaped military prisoners, including the payment for travel of guards; payment of rewards or reimbursement of reasonable and actual expenses to persons or agencies apprehending and detaining or delivering absentees or deserters to military control.

6-B. Interest on Uniformed Services Savings

Deposits: For the payment of interest at a rate not to exceed ten percent per annum on any sum of not less than \$5 deposited by members of the uniformed services under the provisions of 10 U.S.C. 1035.

6-C. Death

Gratuities: For the payment of death gratuities to beneficiaries of military personnel under the provisions of 10 U.S.C. 1475-80.

6-D. Unemployment Benefits:

For the payment of unemployment benefits to ex-service members who are discharged or released under honorable conditions under the provisions of 5 U.S.C. 8521.

6-E. Survivor Benefits:

For payment of funds for restored social security benefits to widows and orphans under the provisions of 10 U.S.C. 1450-1451 and P.L. 98-94, Sec. 943.

6-F. Education Benefits:

For payment to the DoD Education Benefits Fund, a trust fund, as prescribed by 10 U.S.C. 2006. This program is governed by 38 U.S.C., Chapter 30 and is budgeted on an accrual basis by the Department of Defense.

6-G Adoption Expenses:

To provide reimbursement for qualifying adoption expenses under the provisions of 10 U.S.C. 1052.

OBJECT CLASSIFICATION
ACTIVE MILITARY PERSONNEL APPROPRIATIONS

<u>Budget Subactivity</u>	<u>Object Class</u>
Accrued Retirement Benefits	12.2
Adoption Expenses	12.2
Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners: Rewards and Expenses	11.8
Travel of Guards	21.0
<i>Basic Allowance for Housing</i>	<i>11.7</i>
Basic Allowance for Quarters	11.7
Basic Allowance for Subsistence	11.7
Basic Pay	11.7
CONUS Cost of Living Allowance	11.7
Death Gratuities	42.0
Education Benefits	12.2
Enlistment Bonuses	12.2
Family Separation Allowances	12.2
Incentive Pay	11.7
Interest on Uniformed Services Savings Deposits	43.0
Permanent Change of Station, Travel:	
Dislocation Allowance	12.2
Non-temporary Storage	25.0
Port Handling Charges	25.0
Trailer Allowances	22.0
Transportation of Household Goods	22.0
Transportation of POVs	22.0
Travel of Military Members and Dependents	21.0
Temporary Lodging Expense	12.2
Monetary Allowance in Lieu of Transportation	21.0
Reenlistment Bonuses	12.2
Separation Payments: Lump Sum Terminal Leave Payments	11.7
All Others	12.2
Social Security Tax-Employer's Contribution	12.2
Special Duty Assignment Pay	11.7
Special Pay: Medical, Dental, Nurse, Optometrists and Veterinarians Pay, Nuclear Officer Incentive Pay, Nuclear Accession Bonus, Aviation Retention Bonus, Scientific/Engineering Bonus, and Personal Money Allowances for General/Flag Officers	12.2
Special Pay: All Others	11.7
Station Allowances, Overseas	12.2
Subsistence: In Kind	11.7
Monetary Allowances	11.7
Survivor Benefits	13.0
Unemployment Compensation	13.0
Uniform and Clothing Allowances: In Kind	26.0
Monetary Allowances	12.2
Variable Housing Allowance	11.7

020203 Budget Presentation Structure Requirements

A. For purposes of preparing certain material for presentation and justification of budget estimates, the following budget activities will be used:

1. Pay and Allowances of Officers
2. Pay and Allowances of Enlisted
3. Pay and Allowances of Cadets and Midshipmen
4. Subsistence of Enlisted Personnel
5. Permanent Change of Station Travel
6. Other Military Personnel Costs

B. The following additional breakdown of each budget activity is required to be shown in the applicable justification exhibits:

BA/BSA**1. Pay and Allowances of Officers:**

- a. Basic Pay
- b. Retired Pay Accrual
- c. Incentive Pay for Hazardous Duty
 - (1) Flying Duty
 - (a) Crew
 - (b) Noncrew
 - (c) Aviation Continuation Pay
 - (d) Crew (Nonrated)
 - (2) Submarine Duty
 - (3) Parachute Jumping
 - (a) Parachute Jumping (regular)
 - (b) Parachute Jumping (High Altitude/Low Opening)
 - (c) Other Incentive Pay
 - (4) Duty inside a high or low pressure chamber inside observer, human acceleration or deceleration, experimental subject and test subject in thermal stress experiments
 - (5) Demolition Duty
 - (6) Flight Deck Duty
 - (7) Air Weapons Controller Duty
 - (8) Duty Involving Toxic Fuel/Waste
 - (9) Duty Involving Live/Hazardous Biological Organisms
- d. Special Pay
 - (1) Medical Pay
 - (a) Variable Special Pay
 - (b) Additional Special Pay
 - (c) Board Certified Pay
 - (d) Medical Incentive Pay
 - (e) Multi-Year Special Pay
 - (2) Dental Pay
 - (a) Variable Special Pay
 - (b) Additional Special Pay
 - (d) Board Certified Pay
 - (e) Accession Bonus
 - (f) Multi-Year Retention Bonus
 - (3) Nurse Pay
 - (a) Accession Bonus

- (b) Anesthetist Pay
- (4) Special Pay for Optometrists
- (5) Special Pay for Veterinarians
- (6) Board Certified Pay for Non-Physician Health Care Providers
- (7) Personal Money Allowances - General/Flag Officers
- (8) Responsibility Pay
- (9) Diving Duty
 - (a) Basic Scuba
 - (b) Pararescue
- (10) Special Pay - Nuclear Officer Incentive Pay
- (11) Scientific/Engineering Bonus
- (12) Sea Duty Pay
 - (a) Career Sea Pay
 - (b) Premium Sea Pay
- (13) Foreign Language Proficiency Pay
- (14) Hostile Fire Pay
- (15) Other Special Pay
- e. Basic Allowance for Quarters (*FY 1998 and prior only*)
 - (1) With Dependents
 - (2) Without Dependents
 - (3) Partial Allowance - Bachelor
 - (4) Substandard Housing
- e.1 Basic Allowance for Housing (*Effective January 1, 1998*)
 - (1) With Dependents
 - (2) Without Dependents
 - (3) Partial Allowance - Bachelor
 - (4) Substandard Housing
- f. Variable Housing Allowance (*FY 1998 and prior only*)
- g. Basic Allowance for Subsistence
- h. Station Allowances, Overseas
 - (1) Cost of Living
 - (2) Housing
 - (3) Temporary Lodging
- i. CONUS Cost of Living Allowances
- j. Clothing Allowances
 - (1) Initial Military Allowance
 - (2) Additional Military Allowance
 - (3) Civilian Clothing Allowance
- k. Family Separation Allowances
 - (1) On permanent change of station with dependents not authorized, Government quarters not available.
 - (2) On permanent change of station with dependents not authorized.
 - (3) On board ship for more than 30 days.
 - (4) On temporary duty for more than 30 days with dependents not residing near temporary duty station.
- l. Separation Payments
 - (1) Lump sum terminal leave payments.
 - (2) Lump sum readjustment payments.
 - (3) Lump sum payments to reservists
 - (4) Severance pay, failure of promotion.
 - (5) Severance pay, disability.
 - (6) Severance pay, non-disability
 - (6) Voluntary Separation Incentive (VSI)
 - (7) Special Separation Benefit (SSB)
 - (8) 15 Year Temporary Early Retirement Authority

- m. Social Security Tax - Employer's Contribution
 - (1) Employers contribution of tax on basic pay
 - (2) Wage Credits
- 2. Pay and Allowances of Enlisted Personnel:
 - a. Basic Pay
 - b. Retired Pay Accrual
 - c. Incentive Pay for Hazardous Duty
 - (1) Flying Duty
 - (a) Crew
 - (b) Noncrew
 - (2) Submarine Duty
 - (3) Parachute Jumping
 - (a) Parachute Jumping (regular)
 - (b) Parachute Jumping (High Altitude/Low Opening)
 - (c) Other Incentive Pay
 - (4) Duty inside a high or low pressure chamber inside observer, human acceleration or deceleration, experimental subject and test subject in thermal stress experiments
 - (5) Demolition Duty
 - (6) Flight Deck Duty
 - (7) Air Weapons Controller Duty
 - (8) Duty Involving Toxic Fuel/Waste
 - (9) Duty Involving Live/Hazardous Biological Organisms
 - d. Special Pay
 - (1) Diving Duty
 - (a) Basic Scuba
 - (b) Pararescue
 - (2) Sea Duty Pay
 - (a) Career Sea Pay
 - (b) Premium Sea Pay
 - (3) Duty at Certain Places
 - (4) Overseas Extension Pay
 - (5) Nuclear Accession Bonus
 - (6) Foreign Language Proficiency Pay
 - (7) Hostile Fire Pay
 - (8) Other Special Pay
 - e. Special Duty Assignment Pay
 - f. Reenlistment Bonus
 - g. Enlistment Bonus
 - (1) New Payments
 - (2) Residual New
 - (3) Anniversary
 - h. Basic Allowance for Quarters (*FY 1998 and prior only*)
 - (1) With Dependents
 - (2) Without Dependents
 - (3) Partial Allowance - Bachelor
 - (4) Substandard Housing
 - h-1 Basic Allowance for Housing (*Effective January 1, 1998*)
 - (1) With Dependents
 - (2) Without Dependents
 - (3) Partial Allowance - Bachelor
 - (4) Substandard Housing
 - i. Variable Housing Allowance (*FY 1998 and prior only*)
 - j. Station Allowances, Overseas

- (1) Cost of Living
 - (2) Housing
 - (4) Temporary Lodging
 - k. CONUS Cost of Living Allowances
 - l. Clothing Allowances
 - (1) Initial
 - (a) Military
 - (b) Civilian
 - (2) Maintenance Allowances
 - (a) Basic Allowance
 - (b) Standard Allowance
 - (c) Special Allowance
 - (3) Supplementary Allowances
 - (4) Other Allowances
 - m. Family Separation Allowances
 - (1) On permanent change of station with dependents not authorized, Government quarters not available.
 - (2) On permanent change of station with dependents not authorized.
 - (3) On board ship for more than 30 days.
 - (4) On temporary duty for more than 30 days with dependents not residing near temporary duty station.
 - n. Separation Payments
 - (1) Lump sum terminal leave payments.
 - (2) Severance pay, disability
 - (3) Severance pay, non-disability
 - (4) Authorized donations
 - (5) Voluntary Separation Incentive (VSI)
 - (6) Special Separation Benefit (SSB)
 - (7) 15 Year Temporary Early Retirement Authority
 - o. Social Security Tax - Employer's Contribution
 - (1) Employers contribution of tax on basic pay
 - (2) Wage Credits
- 3. Pay and Allowances of Cadets and Midshipmen:
Academy Cadets and Midshipmen
 - (1) Basic Pay
 - (2) Subsistence - Commuted Ration
 - (3) Operational rations
 - (4) Social Security Tax - Employer's Contribution
 - (5) Nuclear Accession Bonus
- 4. Subsistence of Enlisted Personnel:
 - a. Basic Allowance for Subsistence
 - (1) When Authorized to Mess Separately
 - (2) Leave Rations
 - (3) When Rations in Kind Not Available
 - (4) Augmentation of Commuted Ration Allowance for Meals Taken Separately
 - (5) Partial BAS
 - b. Subsistence in Kind
 - (1) Subsistence in Messes
 - (a) CONUS
 - (b) Overseas
 - (2) Operational Rations
 - (3) Augmentation Rations

5. Permanent Change of Station Travel:
- a. Summary of Move Requirements. For each type of move reflected in c through h below, show the number of moves and the dollar amount for the PY, CY, BY1, and BY2 at the aggregate level (combine officers, enlisted and officer candidates).
 - b. Summary of Requirements by Types of Costs. Show the number and amount of the following entries for the PY, CY, BY1, and BY2, regardless of the type of move.
 - (1) Travel of Military Members (include cadets and midshipmen)
 - Mileage and Per Diem 1/
 - AMC 2/
 - Commercial Air 3/
 - (2) Travel of Dependents (family)
 - Mileage 4/
 - AMC 5/
 - Commercial Air 6/
 - (3) Transportation of Household Goods
 - M Tons - MSC
 - S Tons - AMC
 - Other Shipments
 - (4) Dislocation Allowance
 - (5) Trailer Allowance
 - (6) Transportation of POV's
 - (7) Port Handling Charges
 - (8) Nontemporary storage
 - (9) Temporary Lodging Expense
 - (10) Total Obligations
 - (11) Less Reimbursements
 - (12) Total Direct Obligations
 - c. Accession Travel 7/
 - (1) Officers
 - (2) Enlisted
 - (3) Officer Candidates
 - d. Training Travel 7/
 - (1) Officers
 - (2) Enlisted
 - e. Operational Travel Between Duty Station 7/
 - (1) Officers
 - (2) Enlisted
 - f. Rotational Travel to and from Overseas 7/
 - (1) Officers
 - (2) Enlisted
 - g. Separation Travel 7/
 - (1) Officers
 - (2) Enlisted
 - (3) Officer Candidates
 - h. Travel of Organized Units 7/
 - (1) Officers
 - (2) Enlisted

1/ Mileage and Per Diem - The costs of travel relating to use of privately owned vehicle or commercial modes other than air or sea. Includes per diem paid to the individual member. It excludes movement of mobile trailers even if the trailer is moved by the member. The unit of measurement is number of member moves.

2/ Air Mobility Command (AMC) - The costs of travel for movement of an individual member reimbursed to AMC. The unit of measurement is number of member moves.

- 3/ Commercial Air - The costs for movement of an individual member paid directly to a commercial company. (Excludes any costs paid to AMC.) The unit of measurement is number of member moves.
- 4/ Mileage - The costs of travel relating to the use of privately owned vehicles or commercial modes other than air or sea for the dependents of an individual member. Includes per diem paid to dependents. The unit of measurement is number of family moves.
- 5/ Air Mobility Command (AMC) - The costs of travel for movement of dependents reimbursed to AMC. The unit of measurement is number of dependents.
- 6/ Commercial Air - The costs for movement of dependents paid directly to a commercial company (excludes any costs paid to AMC). The unit of measurement is number of dependents.
- 7/ For each permanent change of station travel account, the following data will be shown, as applicable, for officers, enlisted and cadets:
 - (1) Member Travel - Costs related to the movement of each member of a military service making a permanent change of station move.
 - (2) Dependent Travel - Costs related to the movement of dependents when authorized as part of a permanent change of station of a member of a military service. The number of dependent moves should reflect the number of families moved as a unit of measure.
 - (3) Transportation of Household Goods - Costs related to movement of household goods as authorized by Joint Federal Travel Regulations including shipment of unaccompanied baggage.
 - (a) Land Shipments, CONUS and Overseas - The costs of shipment of goods for the portion in CONUS and overseas of shipments other than International Through Government Bill of Lading (ITGBL). The unit of measurement is member move.
 - (b) ITGBL - The costs of shipment from point of origin to destination on ITGBL. Includes both land and overwater portion of the movement. The unit of measurement is member move.
 - (c) Overseas - The costs of shipments, including unaccompanied and excess baggage, either reimbursed to the Military Sealift Command (MSC), Air Mobility Command (AMC), or paid directly to a commercial company.
 - (4) Dislocation Allowance - The costs of dislocation allowance as authorized in the JTR. The unit of measurement is number of members paid.
 - (5) Trailer Allowance - The costs of movement of mobile trailers whether moved by commercial contract or moved by the individual member. The unit of measurement is number of trailer moves.
 - (6) Privately Owned Vehicles (POV) - The costs to the Government of transporting a POV to or from overseas.
 - (a) Military Sealift Command (MSC) - The cost of shipping POVs reimbursed to MSC. The unit of measurement is number of POVs shipped. If number of POVs shipped is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.
 - (b) Port Handling (Military Traffic Management Command) - The cost of port processing of vehicles reimbursed to MTMC. The unit of measurement is number of POVs processed. If number of POVs processed is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.
 - (7) Port Handling Costs (HHGs) - The port handling costs for household goods and unaccompanied baggage reimbursed to MTMC. The unit of measure is measurement tons.
 - (8) Nontemporary Storage - The costs to the government of placing goods in storage or moving them to another specified destination under the provisions of 37 U.S.C. 406 when a member entitled to a PCS move is ordered to a duty station to which the shipment of household goods is not authorized. No unit of measure will be shown for nontemporary storage, only costs.
 - (9) Temporary Lodging Expense (TLE) - The cost of reimbursing the member for expenses incurred as a result of a PCS move, not to exceed \$110 per day for up to 10 days under the provisions of 37 U.S.C. 404a. TLE requirements should reflect members paid as the unit of measure.
6. Other Military Personnel Costs:
 - a. Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners
 - b. Interest on Uniformed Services Savings Deposits
 - c. Death Gratuities
 - (1) Officers

- (2) Enlisted
 - (3) Cadets and Midshipmen
- d. Unemployment Benefits
- e. Survivor Benefits
- f. Education Benefits
 - (1) Four Year Obligation
 - (2) Three Year Obligation
 - (3) Two Year Obligation
 - (4) Two Years Active/Four Years Selected Reserve
- g. Adoption Expenses

020204 Budget Estimates Submission

A. This section prescribes the justification materials required for the Active Military Personnel appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in sections 020202 and 020203.

B. Exhibits in Support of Budget Estimates - The following justification exhibits will be prepared and submitted in support of budget estimates submission for the OSD/OMB budget review (usually September 15). These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in Section 020602. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of Contents

Section 1 - Summary of Requirements by Budget Program (PB-30A)

Section 2 - Introduction (The statement should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses and promotion and assignments policies. It also should address strength changes in programmatic terms such as force structure and other matters of an overall nature as considered appropriate by the Service.)

Section 3 - Summary Tables (examples provided Section 020602)

- Personnel Summaries (PB-30B through PB-30F-2)
- Summary of Entitlements by Subactivity (PB-30J)
- Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)
- Schedule of Increases and Decreases (PB- 30Q)

Section 4 - Detail of Military Personnel Entitlements

Justification materials will be provided for each entitlement as prescribed in Sections 020202 and 020203 for each of the following six budget activities for military personnel:

1. Pay and Allowances of Officers
2. Pay and Allowances of Enlisted Personnel
3. Pay and Allowances of Cadets
4. Subsistence of Enlisted Personnel
5. Permanent Change of Station Travel
6. Other Military Personnel Costs

Each of the military personnel budget activities above will be introduced by a schedule of increases and decreases (PB-30P). See Section 020602 for format.

Section 5 - Special Analyses (examples provided in Section 020602)

- Schedule of Military Assigned Outside DoD (PB-30Q)
- Reimbursable Programs (PB-30R)

C. Justification material for each subactivity will contain a purpose and scope section as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.). Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year (PY), current year (CY), and both budget years (BY1 and BY2).

D. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in Section 020602:

- MP-1 Reconciliation of Fund Changes with Prior Year
- MP-2 Dependents, Housing, and BAQ Estimates
- MP-3 Summary of Outyear Data
- MP-4 Military Personnel by Region and Country
- MP-5 Active Duty Military Personnel Stationed Ashore By Regional Area
- MP-6 Education Benefits - Additional Basic Benefits (Title 38 USC, Chapter 30).
- MP-7 Aviation Retention Bonus
- MP-9 Summary of Basic Pay and Retired Pay Accrual Costs
- MP-10 Summary of Military Personnel Separation Payments
- PB-18 Foreign Currency Exchange Data (See Chapter 19 for format)

E. Chapter 1, Section 010302, identifies copies required of the above.

F. A submission of machine-readable data, or “automated data”, is required in conjunction with the paper copy submission. It is conducted in conjunction with and in support of the OSD Budget Estimates Submission and the President’s budget submission for the four active military personnel appropriations. All questions surrounding the submission of the automated data should be referred to:

OUSDC(C), Directorate for Ops & Pers
Attn. MilPers Associate Director
1100 Defense, Pentagon, Room 3D868
Washington, DC 20301-1100
Telephone (703) 697-3101 ext. 30

1. The automated data shall be generated by the computer software provided. The data may be entered into the software manually or loaded from an external file. Directions for its use, as well as the information presented here, are included in the software.

2. When loading external data, it must conform to prescribed criteria.

a. The records must be in the following format.

Columns 1-1: Service Code (1-Army, 2-Navy, 3-Marines, 4-AF)

Columns 2-3: Fiscal Year (last two digits)

Columns 4-5: Budget Year (last two digits) (for a biennial budget submission use BY1 as the budget, e.g. FY 2000/2001 Biennial Budget use 00)

Columns 6-11: Identification Code (six digit code)

Columns 12-21: Average number, moves, or entitlements

Columns 22-36: Unit price showing price in dollars and cents including decimal point and minus sign, if appropriate.

b. Data entered will be right justified within the data field. Adjusting entries to convert total program dollars to direct program dollars should be entered with a negative sign immediately preceding the unit price.

c. In addition to the above:

- Decimal points should appear where required.
- Negative entries should be identified with a minus sign adjacent to the left most digit.
- No commas in numbers over 999.
- Zero padding is unnecessary.
- Records that have all zero data fields are unnecessary.

3. The submitted data must be either delivered on a standard, DOS-formatted diskette (3.5" or 5.25") or mailed electronically. If delivered on a diskette, the diskette must identify the office of origin, the responsible personnel, and a telephone number.

4. The software provides reports which duplicate the PB-30J exhibit, as well as other reports of the Military Personnel Justification Book. These reports must be reviewed, compared against the submitted justification book, and corrections and adjustments made before submitting the data. THE REPORTS GENERATED BY THE SOFTWARE MUST MATCH, AMOUNT FOR AMOUNT, THE DATA INCLUDED IN THE REPORTS IN THE JUSTIFICATION BOOK.

5. Identification codes are provided in the software. Any new codes which are required will be assigned by the OUSD(C), Director for Operations & Personnel (Associate Director) upon request.

020205 Congressional Justification/Presentation

- A. Justification books will be organized by Service military personnel account.
- B. Justification Book, other exhibit requirements, and submission of machine readable data in support of the congressional submission are identical to what is shown in Section 020204, Budget Estimate Submission.

C. M-1 Exhibit. Section 8104 of the FY 1998 DoD Appropriations Act (P.L. 105-56) requires the submission of an M-1 exhibit in support of the FY 1999 President's budget. The OUSD(Comptroller) Operations and Personnel Directorate will prepare and submit the required exhibit using the automated submission required by section 020204 above.

0203 RESERVE MILITARY PERSONNEL APPROPRIATIONS**020301 General**

A. The purpose of this chapter is to provide general information applicable to the Reserve Military Personnel appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Chapter 1. The Military Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the Other Special Analysis chapter (Chapter 19).

B. This section provides the budget and fiscal accounting classifications for the Reserve and National Guard Personnel appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification which shall be used on a uniform basis for the Reserve Component personnel appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Reserve and National Guard Personnel appropriations.

020302 Uniform Budget and Fiscal Accounting Classification

A. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in this section. Variations in the budget program, activity, and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described below.

B. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same sequence as will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

C. Chart of Accounts - The chart of accounts represents a summary of the accounting and reporting structure under the Reserve Components Personnel appropriations. Obligations and disbursements for individual clothing and uniform gratuities, and for subsistence of enlisted personnel may be allocated by activity on a statistical basis if not reported by the different types of training. Subactivities may be combined in reporting on the status of funds, providing subactivity is maintained for budget review and presentation purposes:

Budget Activity (BA) and Budget Subactivity (BSA)

Budget Activity and Subactivity**1. UNIT AND INDIVIDUAL TRAINING****1-A Training - Pay Group A**

- 1-A-1 Basic pay, active duty for training, officers
- 1-A-2 Other pay and allowances, active duty for training, officers
- 1-A-3 Basic pay, active duty for training, enlisted
- 1-A-4 Other pay and allowances, active duty for training, enlisted
- 1-A-5 Basic pay, inactive duty training, officers
- 1-A-6 Basic pay, inactive duty training, enlisted
- 1-A-7 Individual clothing and uniform gratuities, officers

- 1-A-8 Individual clothing and uniform gratuities, enlisted
- 1-A-9 Subsistence of enlisted personnel
- 1-A-10 Travel, active duty for training, officers
- 1-A-11 Travel, active duty for training, enlisted
- 1-A-12 Retired pay accrual, officers
- 1-A-13 Retired pay accrual, enlisted

1-B Training - Pay Group B

- 1-B-1 Basic pay, active duty for training, officers
- 1-B-2 Other pay and allowances, active duty for training, officers
- 1-B-3 Basic pay, active duty for training, enlisted
- 1-B-4 Other pay and allowances, active duty for training, enlisted
- 1-B-5 Basic pay, inactive duty training, officers
- 1-B-6 Basic pay, inactive duty training, enlisted
- 1-B-7 Individual clothing and uniform gratuities, officers
- 1-B-8 Individual clothing and uniform gratuities, enlisted
- 1-B-9 Subsistence of enlisted personnel
- 1-B-10 Travel, active duty for training, officers
- 1-B-11 Travel, active duty for training, enlisted
- 1-B-12 Retired pay accrual, officers
- 1-B-13 Retired pay accrual, enlisted

1-F Training - Pay Group F

- 1-F-1 Basic pay, active duty for training, enlisted
- 1-F-2 Other pay and allowances, active duty for training, enlisted
- 1-F-3 Individual clothing and uniform gratuities, enlisted
- 1-F-4 Subsistence of enlisted personnel
- 1-F-5 Travel, active duty for training, enlisted
- 1-F-6 Retired pay accrual, enlisted

1-P Training - Pay Group P

- 1-P-1 Basic pay, inactive duty training, enlisted
- 1-P-2 Individual clothing and uniform gratuities, enlisted
- 1-P-3 Subsistence of enlisted personnel
- 1-P-4 Retired pay accrual, enlisted

2. OTHER TRAINING AND SUPPORT

2-E Mobilization Training

- 2-E-1 Basic pay, active duty for training, officers
- 2-E-2 Other pay and allowances, active duty for training, officers
- 2-E-3 Basic pay, active duty for training, enlisted
- 2-E-4 Other pay and allowances, active duty for training, enlisted
- 2-E-5 Individual clothing and uniform gratuities, officers
- 2-E-6 Individual clothing and uniform gratuities, enlisted
- 2-E-7 Subsistence of enlisted personnel
- 2-E-8 Travel, active duty for training, officers
- 2-E-9 Travel, active duty for training, enlisted
- 2-E-10 Retired pay accrual, officers
- 2-E-11 Retired pay accrual, enlisted

- 2-E-12 Muster pay stipend, officers
- 2-E-13 Muster pay stipend, enlisted

2-R School Training

- 2-R-1 Basic pay, active duty for training, officers
- 2-R-2 Other pay and allowances, active duty for training, officers
- 2-R-3 Basic pay, active duty for training, enlisted
- 2-R-4 Other pay and allowances, active duty for training, enlisted
- 2-R-5 Individual clothing and uniform gratuities, officers
- 2-R-6 Individual clothing and uniform gratuities, enlisted
- 2-R-7 Subsistence of enlisted personnel
- 2-R-8 Travel, active duty for training, officers
- 2-R-9 Travel, active duty for training, enlisted
- 2-R-10 Retired pay accrual, officers
- 2-R-11 Retired pay accrual, enlisted

2-S Special Training

- 2-S-1 Basic pay, active duty for training, officers
- 2-S-2 Other pay and allowances, active duty for training, officers
- 2-S-3 Basic pay, active duty for training, enlisted
- 2-S-4 Other pay and allowances, active duty for training, enlisted
- 2-S-5 Individual clothing and uniform gratuities, officers
- 2-S-6 Individual clothing and uniform gratuities, enlisted
- 2-S-7 Subsistence of enlisted personnel
- 2-S-8 Travel, active duty for training, officers
- 2-S-9 Travel, active duty for training, enlisted
- 2-S-10 Retired pay accrual, officers
- 2-S-11 Retired pay accrual, enlisted

2-T Administration and Support

- 2-T-1 Basic pay of officers
- 2-T-2 Other pay and allowances of officers
- 2-T-3 Basic pay of enlisted
- 2-T-4 Other pay and allowances of enlisted
- 2-T-5 Subsistence of enlisted personnel
- 2-T-6 Permanent change of station travel
- 2-T-7 Death gratuities, officers
- 2-T-8 Death gratuities, enlisted
- 2-T-9 Disability and hospitalization benefits, officers
- 2-T-10 Disability and hospitalization benefits, enlisted
- 2-T-11 Reenlistment Bonus
- 2-T-12 Enlistment Bonus
- 2-T-13 Educational Assistance (Other than Montgomery G.I. Bill)
- 2-T-14 Loan Repayment
- 2-T-15 NROTC Nuclear Bonus
- 2-T-16 Affiliation Bonus
- 2-T-17 Individual Ready Reserve Enlistment/Reenlistment Bonus (PS)
- 2-T-18 Individual Ready Reserve Enlistment Program Bonus (NPS)
- 2-T-19 Health Professionals Stipend (SELRES)
- 2-T-20 Health Professionals Stipend (IRR)
- 2-T-21 Health Professionals Loan Repayment

- 2-T-22 Retired Pay accrual, officers
- 2-T-23 Retired Pay accrual, enlisted
- 2-T-24 Adoption Expenses

2-U Education Benefits

- 2-U-1 Officer Personnel
- 2-U-2 Enlisted Personnel

2-A Senior R.O.T.C.

- 2-A-1 Subsistence allowance
- 2-A-2 Uniforms -- issue in kind
- 2-A-3 Uniforms -- commutation
- 2-A-4 Pay and allowance (Summer training camp)
- 2-A-5 Subsistence of reserve officer candidates
- 2-A-6 Travel of reserve officer candidates

2-B Scholarship R.O.T.C.

- 2-B-1 Subsistence allowance
- 2-B-2 Uniforms -- issue in kind
- 2-B-3 Uniforms -- commutation
- 2-B-4 Pay and allowances (Summer training camp)
- 2-B-5 Subsistence of reserve officer candidates
- 2-B-6 Travel of reserve officer candidates

2-C Platoon Leaders' Class or Reserve Officer Candidates

- 2-C-1 Uniforms -- issue in kind
- 2-C-2 Basic pay (Summer training camp)
- 2-C-3 Other pay and allowances (Summer training camp)
- 2-C-4 Subsistence of reserve officer candidates
- 2-C-5 Travel of reserve officer candidates
- 2-C-6 Retired pay accrual

2-D Branch Officer Basic Course

- 2-D-1 Basic pay, active duty for training
- 2-D-2 Other pay and allowances, active duty for training
- 2-D-3 Uniform allowances
- 2-D-4 Travel and per diem
- 2-D-5 Retired pay accrual

2-I Armed Forces Health Professions Scholarship/Financial Assistance Program

- 2-I-1 Stipend
- 2-I-2 Individual clothing and uniform gratuities, officers
- 2-I-3 Basic pay, active duty for training, officers
- 2-I-4 Other pay and allowances, active duty for training, officers
- 2-I-5 Travel, active duty for training, officers
- 2-I-6 Retired pay accrual, officers
- 2-I-7 Financial Assistance Grant

2-G Junior R.O.T.C.

2-G-1 Uniforms -- issue in kind

2-H Chaplain Candidate Program

2-H-1 Basic pay, active duty for training

2-H-2 Other pay and allowances, active duty for training

2-H-3 Uniform allowances

2-H-4 Travel

2-H-5 Retired pay accrual

D. Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions are provided on the following pages.

E. Object Classification - The object classifications that follow the Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION**A. Budget Program**

There will be a separate budget program for each Reserve Component of the Department of Defense and for each military service having those programs listed in paragraph 020302 as appropriate.

B. Budget Activities

The budget activities are established to present all of the military type costs associated with a particular type of training within the unit and individual training or other training and support programs. The following descriptions are for the chart of accounts listed in paragraph 020302.

1. Unit and Individual Training

Training, Pay Groups A, B, F and P. The Pay Group activities contained in paragraph 020302 are for costs, including retired pay, accrual associated with the uniform training/pay categories within the National Guard and Reserve Personnel programs as defined in DoD Directive 1215.6, "Uniform Reserve Categories and Training and/or Retirement Categories Within the Reserve Components."

2. Other Training and Support

The activities within this program are defined as follows:

a. Mobilization Training

Costs, including retired pay accrual, associated with the professional development mobilization specialty training. Also included are costs associated with the allowance for annual muster duty as provided by 37 U.S.C. 433.

b. School Training

Include tours of paid active duty for training as students at regular, associate, refresher and technical courses of service schools, area schools, unit schools, officer candidate schools, and other installations that provide training applicable to the individual's assignment. Retired pay accrual costs are included.

c. Special Training

Include all authorized paid active duty for training, other than those covered by pay groups and school training. These include the staff and faculty for schools; special field, fleet and joint exercises; indoctrination training; promoting or policy boards; administrative support of training programs; and tours of not more than 45 days for failure to perform reserve training duty satisfactorily. Retired pay accrual costs are included.

d. Administration and Support

Include the costs, including retired pay accrual, of active duty military personnel authorized to be funded in the Reserve Component personnel appropriations, all death and disability gratuities for officer and enlisted Reserve Component personnel, reserve incentives, and bonus programs.

e. Senior R.O.T.C.

All the military personnel-type costs associated with the Senior Reserve Officers' Training Corps (except the scholarship program) of an armed force, provided for in 10 U.S.C. 2101-2111. Retired pay accrual does not apply to R.O.T.C. personnel.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

f. Scholarship R.O.T.C.

All the military personnel costs associated with the financial assistance program for specially selected members of the Senior R.O.T.C. program. This program is intended to offer regular commissions to cadets and midshipmen successfully completing the academic and military requirements of the 4-year program. Authority for the program is contained in 10 U.S.C. 2107. Retired pay accrual does not apply to R.O.T.C. personnel.

g. Platoon Leaders' Class or Reserve Officer Candidates

All military personnel costs, including retired pay accrual, associated with the Marine Corps Reserve or the Naval Reserve. This activity also will include the military personnel costs of other similar types, such as all of the relatively small programs such as the Navy Officer Candidate WAVE College Junior program and the Marine Corps Woman Officers Candidates class.

h. Branch Officers Basic Course

Will include funds, including retired pay accrual, for R.O.T.C. Officers Basic Course of the active components.

i. Armed Forces Health Profession Scholarship and Financial Assistance Program

All the military personnel costs, including retired pay accrual, associated with the financial assistance program to obtain adequate numbers of officers for the active forces who are qualified in various health professions. Qualifications are that the candidate be a citizen of the United States, be accepted for or be enrolled in an accredited institution in a course of study designated for a health profession, and meet moral and physical qualifications for an officer. Such recipients are commissioned as a Second Lieutenant and remain in that grade for the duration of the scholarship program. Authority for the program is contained in 10 U.S.C. 2120-2127. In addition to the stipend, also provides for the annual grant authorized under 10 U.S.C. 2121.

j. Junior R.O.T.C.

All the military personnel costs associated with the Junior R.O.T.C. units at public and private secondary educational institutions provided for in 10 U.S.C. 2031. Retired pay accrual does not apply to J.R.O.T.C. personnel.

k. Chaplain Candidate Program

Includes funds, including retired pay accrual, for the Chaplain Officer Basic Course of the active components.

l. Education Benefits (New G.I. Bill)

Includes funds for payment to the DoD Education Benefits Fund, a trust fund, as prescribed by 10 U.S.C. 2006. The program is governed by 10 U.S.C., Chapter 106 and is budgeted on an accrual basis. Also includes payments for vocational/technical training under the Reserve Compensation G.I. Bill as provided by 10 U.S.C. 2131.

C. Budget Subactivities

The budget subactivities are grouped to present all of the military personnel-type costs for the particular activity. Rather than repeat the same definitions for each activity, the descriptions of the subactivities are shown below by their various titles:

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION**1. Pay and Allowances, Active Duty for Training, Officers**

For the pay and allowances of commissioned and warrant officers of the Reserve Components on active duty for training. These include:

a. Basic Pay

For basic compensation, including length of service increments, under the provision of 37 U.S.C. 201 and 203-205.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 and 301a.

d. Special Pay

For special pay to officers on duty as physicians, dentists, or veterinarians under the provisions of 37 U.S.C. 302, 302b and 303.

e. Basic Allowance for Quarters, Variable Housing Allowance, and *Basic Allowance for Housing*

Payable under the provisions of 37 U.S.C. 403 and 403a. *Effective January 1, 1998, the Basic Allowance for Quarters and the Variable Housing Allowance were merged to become the Basic Allowance for Housing.*

f. Family Separation Allowances

Payable under the provisions of 37 U.S.C. 427.

g. Basic Allowance for Subsistence

Payable under the provisions of 37 U.S.C. 402.

h. Separation Payments

Payments for accumulated annual leave under the provisions of 37 U.S.C. 501.

i. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION**2. Pay and Allowances, Active Duty for Training, Enlisted**

For the pay and allowances of enlisted personnel of the Reserve Components on active duty for training. These include:

a. Basic Pay

For basic compensation, including length of service increments, under the provision of 37 U.S.C. 203-205.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301.

d. Special Pay

For pay while on sea and foreign duty and for diving duty pay under the provisions of 37 U.S.C. 304, 305 and 305a.

e. Basic Allowance for Quarters, Variable Housing Allowance and *Basic Allowance for Housing*

Payable under the provisions of 37 U.S.C. 403 and 403a. *Effective January 1, 1998, the Basic Allowance for Quarters and the Variable Housing Allowance were merged to become the Basic Allowance for Housing.*

f. Family Separation Allowances

Payable under the provisions of 37 U.S.C. 427.

g. Separation Payments

For accumulated unused annual leave under the provisions of 37 U.S.C. 501.

3. Pay, Inactive Duty Training, Officers**a. Basic Pay**

For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 201-203,205, and 206.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONc. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301.

d. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

4. Pay, Inactive Duty Training, Enlisteda. Basic Pay

For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 203 and 206.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301.

d. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

5. Individual Clothing and Uniform Gratuities, Officers

Payments of allowances for the purchase of required uniforms under the provisions of 37 U.S.C. 415-417.

6. Individual Clothing and Uniform Gratuities, Enlisted

For the costs of uniform clothing authorized to be issued in kind to enlisted personnel under the provisions of 37 U.S.C. 418.

7. Subsistence of Enlisted Personnel

For the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations under the provisions of 37 U.S.C. 402.

8. Travel, Active Duty Training, Officers, and Travel, Active Duty for Training, Enlisted

For expenses incident to training travel of Reserve Component officer or enlisted member, individually or as an organized unit. Travel costs include mileage; per diem; transportation by common carrier (rail, bus, air, water including Air Mobility Command and Military Sealift Command); actual and necessary expenses and costs of subsistence while in a travel status; issue of meal tickets; transportation of baggage; port

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

handling charges; and expenses incident to movement of any military group traveling under one order from the same point of origin to the same destination.

9. Pay and Allowances of Officers, Enlisted and Permanent Change of Station Travel for Active/Guard and Reserve (AGR)

These subactivities are to provide for the AGR military personnel expenses financed from the Reserve Components personnel appropriations. The descriptions of these subactivities are identical to those shown for the activities with the same titles in section 020202.

10. Death Gratuities, Officers, and Death Gratuities, Enlisted

For the payment of death gratuities to beneficiaries of Reserve Component personnel under the provisions of 10 U.S.C. 1475-1480.

11. Disability and Hospitalization Benefits, Officers, and Disability and Hospitalization Benefits, Enlisted

For payment of disability and hospitalization benefits for Reserve Component personnel, except for costs covered by orders to active duty for training or inactive duty training under the provisions of 37 USC 204 and 206.

12. Reserve Incentives

Provides reenlistment, enlistment, educational, loan repayment, NROTC Nuclear Officer Accession Bonus (NOAB), affiliation bonuses and health professions stipend to qualified individuals.

13. Other

Items that are not accounted for in numbers 1 through 12.

D. Reserve Officer Candidates Program - The subactivities for this activity are as follows:

1. Subsistence Allowance

For the subsistence allowance per month authorized by 37 U.S.C. 209.

2. Uniforms -- Issue in Kind, and Uniforms -- Commutation

For the costs of uniform clothing authorized by 10 U.S.C. 2109-2110.

3. Pay and Allowances (Summer Camp Training)

For the pay and allowances authorized by 37 U.S.C. 209.

4. Subsistence of Reserve Officer Candidates

For the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations authorized by 10 U.S.C. 2109-2110.

5. Travel of Reserve Officer Candidates

For expenses incident to travel authorized by 10 U.S.C. 2109-2110.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

E. Health Professions Scholarship Program - The subactivities for this activity are as follows:

1. Stipend

For the allowances of commissioned officers while attending school under the Armed Forces Health Professions Scholarship Program under the provisions of 10 USC 2120-2122. These include:

a. Stipend. For the monthly allowance as authorized by 10 U.S.C. 2121.

b. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

2. Individual Clothing and Uniform Gratuities, Officers

Payments of allowances for the purchase of required uniforms under the provisions of 37 U.S.C. 415-417.

3. Pay and Allowances, Active Duty for Training, Officers

For the pay and allowances of commissioned officers of the Reserve Components on active duty for training.

4. Travel, Active Duty Training, Officers

For expenses incident to travel of Reserve Component officers.

**OBJECT CLASSIFICATION
RESERVE PERSONNEL APPROPRIATIONS**

In addition to the object classifications prescribed in Section 020202, the object classifications prescribed herein shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts:

Object Class

Disability and Hospitalization Benefits (See the various components of this pay, i.e. basic pay, BAH, BAS, etc.)	-
Education Benefits (Montgomery G.I. Bill)	12.2
Financial Assistance Grant	41.0
Inactive Duty Pay (Exclusive of Incentive and Special Pays)	11.7
Reserve Incentives (Reenlistments, Enlistment, and Educational Bonuses)	12.2
Stipend (Health Professions Scholarship Program)	11.7
Subsistence Allowance (ROTC, PLC, Etc.)	11.7
Uniform, Commutations	26.0

020303 Budget Estimates Submission

A. This section prescribes the justification materials required for the Reserve Components' Military Personnel appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in Section 020302.

B. Exhibits in Support of Budget Estimates - The following justification exhibits will be prepared and submitted in support of budget estimates submission for the OSD/OMB budget review (usually September 15). These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in Section 020602 and 020603. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of ContentsSection 1 - Summary of Requirements by Budget Program (PB-30A)

Section 2 - Introduction (The statement should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses, and promotion and assignment policies. It also should address strength changes in programmatic terms such as force structure and other matters of an overall nature as considered appropriate by the Service.)

Section 3 - Summary Tables (examples provided Section 020602/3)

- Personnel Summaries (PB-30G, PB-30H, PB-30I, PB-30F)
- Summary of Entitlements by Subactivity (PB-30J)
- Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)
- Summary of Basic Pay and Retired Pay Accrual Costs (Reserve Components Only) (PB-30L)
- Summary of Basic Allowance for Housing (BAH) Costs (Reserve Components Only) (PB-30M)
- Summary of Travel Costs (Reserve Components Only) (PB-30N)
- Schedule of Increases and Decreases (PB-30Q)

Section 4 - Detail of Reserve Personnel Entitlements

Justification materials will be provided in support of entitlements for each of the following applicable Reserve Component activities:

Training - Pay Group A
Training - Pay Group B
Training - Pay Group F
Training - Pay Group P
Mobilization Training
School Training
Special Training
Administration and Support

- AGR/TAR Personnel
- Death and disability gratuities

- Reserve incentives and bonuses
- Education Benefits
- Senior ROTC
- Scholarship ROTC
- Platoon Leaders Class
- Reserve Officer Candidates
- Branch Officers Basic Course
- Health Professions Scholarship
- Junior ROTC
- Chaplain Candidate Program

Justification material for each activity will contain a purpose and scope section, a schedule of increases and decreases (PB-30P), as well as data in support of the funds requested. Generally, this data will include appropriate narrative comments relative to program/pricing as well as supporting computational data. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for, i.e., statutory change, program enhancements, solving deficiencies, etc. and should also explain decreases programmatically. Also provide a general explanation for each type of entitlement. Data should be shown for the prior year (PY), current year (CY), and budget years (BY1 and BY2). School, Special and Mobilization Training data will be grouped by similar types of training and will be fully explained and justified. At the end of each section for School, Special and Mobilization Training provide a total that summarizes the training categories. Within the Administration and Support subactivity, subtotals are required for AGR/TAR personnel and for total incentives and bonuses. See Section 020603 for format.

Section 5 - Special Analyses (examples provided in Section 020602 and 020603)

- Reimbursable Programs (PB-30R)
- Reserve Officer Candidates (ROTC Enrollment) (PB-30S)
- Reserve Officer Candidates (ROTC Program) (PB-30T)
- Reserve Officer Candidates (PB-30U)
- Selective Reenlistment Bonuses (PB-30V) Use this form for other applicable bonus programs.
- Full-Time Support Personnel (PB-30W)

C. Justification material for each subactivity will contain a purpose and scope section as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for, i.e., statutory, program enhancements, solving deficiencies, etc. and should also explain decreases programmatically. Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year (PY), current year (CY), and both budget years (BY1 and BY2).

D. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in Section 020603:

MPR-1 Initial Active Duty for Training Program

MPR-2 Additional Training Assemblies

MPR-3 Reconciliation of Fund Changes with Prior Year

MPR-4 Education Benefits (Title 10 USC, Chapter 106)

MPR-5 Retired Pay Accrual Costs

MPR-6 Active/Guard Reserve (AGR)/TAR Costs

E. Chapter 1, Section 010302, identifies required copies of the above material.

020304 Congressional Justification/Presentation

A. Justification books will be organized by Service military personnel account.

B. Justification Book, and other exhibit requirements in support of the congressional submission are identical to those shown in Section 020302 and 020303, Budget Estimate Submission.

C. M-1 Exhibit. Section 8104 of the FY 1998 DoD Appropriations Act (P.L. 105-56) requires the submission of an M-1 exhibit in support of the FY 1999 President's budget. The OUSD(Comptroller) Operations and Personnel Directorate will prepare and submit the required exhibit using the budget justification material.

0204 DOD MILITARY PERSONNEL RETIREMENT REQUIREMENTS**020401 Uniform Budget and Fiscal Accounting Classifications**

A. This Section prescribes the budget and fiscal accounting classifications for the Military Retirement Fund for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 USC 1461-1467.

B. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification which shall be used on a uniform basis for military retired pay throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds under this Trust Fund as required by the FMR Volume 4 and DoD Instruction 7720.20, "Status of Funds and Other Data for Retired Pay."

C. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in paragraph E below. Variations in the activity and subactivity classification and titles shall not be made except that additional accounts consistent with this budget and accounting classification may be established in order to meet administrative requirements of the various elements of the Military Departments. The scope of each account is described in later in this section.

D. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same sequence as will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

E. The chart of accounts represents a summary of the accounting and reporting structure under the Military Retirement Fund arranged in the order and in the detail for which reporting in accordance with DoD 7000.14R, Financial Management Regulation is required.

Budget Activity and Subactivity**1. Nondisability**

- 1-A - Regular Officers
- 1-B - Regular Enlisted
- 1-C - Nonregular Officers
- 1-D - Nonregular Enlisted

2. Temporary Disability

- 2-A - Regular Officers
- 2-B - Regular Enlisted
- 2-C - Nonregular Officers
- 2-D - Nonregular Enlisted

3. Permanent Disability

- 3-A - Regular Officers
- 3-B - Regular Enlisted
- 3-C - Nonregular Officers
- 3-D - Nonregular Enlisted

4. Fleet Reserve

4-A - Regular Enlisted

4-B - Nonregular Enlisted

5. Survivors' Benefits

5-A - Old Plan (RSFPP)

5-B - New Plan (SBP)

5-C - Guaranteed Minimum
Income

5-D - DIC Supplemental
Payments

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS

A. Budget Activities. The budget activities are established to present the retirement benefits associated with a particular type of retirement. The following descriptions are for the chart of accounts as listed above.

1. Nondisability retirements, under applicable statutes, are given on the following basis:

- a. Voluntarily on or after completion of the required length of service.
- b. Involuntarily because of attainment of statutory age or completion of the maximum length of service authorized by law for the several grades.
- c. Automatically upon completion of 30 years of combined active service and service in the Fleet Reserve.

2. Temporary Disability retirements, under Title IV of the Career Compensation Act of 1949 (10 USC 1201-1221), are given on the following basis:

A. Interim classification in cases where there is doubt as to the degree or permanence of disability. Persons on temporary disability rolls are given periodic physical examinations at least once every 18 months and may be:

- 1) Restored to active duty.
- 2) Separated from the service with severance pay.
- 3) Transferred to permanent disability retired list.
- 4) Continued on temporary list for another 18-month period.

B. Final determination is required within five years of initial classification and temporary disability retirement.

3. Permanent Disability retirements, under Title IV of the Career Compensation Act of 1949 (10 USC 1201-1221), are given when:

- a. There is no doubt as to the degree or permanence of the disability at the time of initial retirement.
- b. By periodic examination of temporary disability and Fleet Reserve rolls, it is determined that permanent disability exists.

4. Fleet Reserve status, under Title II of the Naval Reserve Act of 1938, as amended (10 USC 6330, 6331), is given when:

Enlisted personnel of the Navy and Marine Corps having 20 but less than 30 years' service may be transferred to the inactive Fleet Reserve with retainer pay at rates prescribed by law. They remain in the Fleet Reserve until their status is changed by reason of:

- a. Completion of 30 years' service.
- b. Recall to active duty.
- c. Physical unfitness for further military service.
- d. Death.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS

5. Survivors' Benefits payments, under the old Retired Serviceman's Family Protection Plan, and the new Survivor Benefit Plan, are provided on the following basis:

a. Two of the benefits are contributory: the old Serviceman's Family Protection Plan and the new Survivor Benefit Plan (SBP). Under both of the contributory benefits, a member of the uniformed services may elect to receive a reduced amount of any retired pay that may be awarded him/her in order to provide one or more annuities to his/her survivors, as specified by law. The basic options include the choice of annuities to provide for (1) surviving spouse, (2) surviving children, (3) surviving family, including both spouse and children, or (4) other persons with insurable interest (under the new plan only).

b. The other two benefits are noncontributory, both the Guaranteed Minimum Income and the Dependency and Indemnity Compensation (DIC) Supplemental Payments. The Guaranteed Minimum Income has a special provision benefiting women who are now widows of deceased members of the Uniformed Services who were receiving, or were entitled to receive, retired pay. The provision guarantees these widow's annual incomes will not fall below a certain amount. The DIC Supplemental Payments provide supplemental payments to widows of retirement-eligible members who die on active duty if DIC payments (by VA) are less than the maximum payments the widow would have received if the member had been retired. SBP payments covering the difference between the two will be paid.

B. Budget Subactivities. The budget subactivities are established to show the retirement benefits associated with a particular personnel classification. Subactivities for Regular Officers, Regular Enlisted, Nonregular Officers, and Nonregular Enlisted are used for Budget Activities 1, 2 and 3; Budget Activity 4 has only the two enlisted classifications; and Budget Activity 5 now has four subactivities showing survivors covered under (1) the Old Plan (RSFPP), (2) the New Plan (SBP), (3) Guaranteed Minimum Income (to current widows), and (4) DIC Supplemental Payments (to future widows).

0205 DOD MILITARY PERSONNEL - CIVIL FUNCTIONS**020501 Purpose**

This Section prescribes the justification material required for the Military Personnel civil function trust fund accounts.

020502 Military Retirement Fund/Education Benefits Fund

A. Appropriate exhibits and schedules will be prepared by OUSD(C) P/B, Operations and Personnel Directorate unless specified otherwise in the annual OUSD(C) guidance memorandum.

B. Unless otherwise specified, exhibit requirements will only include the Program and Financing Schedule and a Status of Fund for the Military Retirement Fund and the Education Benefit Fund.

0206 MILITARY PERSONNEL APPROPRIATION SUBMISSION FORMATS**020601 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

020602 Exhibits in Support of Section 0202 - Active Military Personnel Appropriations

PB-30A Summary of Requirements by Budget Program (Active)	48
PB-30B Summary of Military Personnel Strength (Active)	49
PB-30C Military Personnel End Strength by Grade (Active).....	50
PB-30D Military Personnel Average Strength by Grade (Active)	51
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SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
(In Thousands of Dollars)

	FY 19PY <u>Actual</u>	FY 19CY <u>Estimate</u>	FY 20BY1 <u>Estimate</u>	FY 20BY2 <u>Estimate</u>
<u>DIRECT PROGRAM</u>				
Pay and Allowances of Officers				
Pay and Allowances of Enlisted Personnel				
Pay and Allowances of Cadets and Midshipmen				
Subsistence of Enlisted Personnel				
Permanent Change of Station Travel				
Other Military Personnel Costs				
Total Direct Program				
<u>REIMBURSABLE PROGRAM</u>				
Pay and Allowances of Officers				
Pay and Allowances of Enlisted Personnel				
Subsistence of Enlisted Personnel				
Permanent Change of Station Travel				
Total Reimbursable Program				
<u>TOTAL PROGRAM</u>				
Pay and Allowances of Officers				
Pay and Allowances of Enlisted Personnel				
Pay and Allowances of Cadets and Midshipmen				
Subsistence of Enlisted Personnel				
Permanent Change of Station Travel				
Other Military Personnel Costs				
Total Direct Program				

LEGISLATIVE PROPOSALS:

*The following legislative proposals are included in the above estimate and submitted for FY BY1 and/or FY BY2 consideration:
(List proposals and funding requested for each fiscal year.)*

Exhibit PB-30A Summary of Requirements by Budget Program (Active)

Summary of Military Personnel Strength
Military Personnel, _____

<u>FY 19PY Actual</u>		<u>FY 19CY Planned</u>		<u>FY 20BY1 Planned</u>		<u>FY 20BY2 Planned</u>	
<u>Average</u>	<u>End Strength</u>	<u>Average</u>	<u>End Strength</u>	<u>Average</u>	<u>End Strength</u>	<u>Average</u>	<u>End Strength</u>
<u>Strength</u>	<u>30 Sep 19</u>	<u>Strength</u>	<u>30 Sep 19</u>	<u>Strength</u>	<u>30 Sep 19</u>	<u>Strength</u>	<u>30 Sep 19</u>

DIRECT PROGRAM

Officers
 Enlisted
 Academy (Cadets/Midshipmen)
 Total Direct Program

REIMBURSABLE PROGRAM 1/

Officers
 Enlisted
 Total Reimbursable

TOTAL PROGRAM

Officers
 Enlisted
 Academy (Cadets/Midshipmen)

 Total Program

1/ Military personnel assigned to agencies outside of Department of Defense on a reimbursable basis.

Exhibit PB-30B Summary of Military Personnel Strength (Active)

Military Personnel, _____
End Strength by Grade 1/
Total Program

<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 20BY1</u>		<u>FY 20BY2</u>	
Reimb		Reimb		Reimb		Reimb	
<u>Total</u>	<u>Incl</u>	<u>Total</u>	<u>Incl</u>	<u>Total</u>	<u>Incl</u>	<u>Total</u>	<u>Incl</u>

Commissioned Officers

0-10 (enter rank)
0-9 " "
0-8 " "
0-7 " "
0-6 " "
0-5 " "
0-4 " "
0-3 " "
0-2 " "
0-1 " "
Total

Warrant Officers

W-4(enter rank)
W-3 " "
W-2 " "
W-1 " "
Total

Total Officers

Enlisted Personnel

E-9 (enter rank)
E-8 " "
E-7 " "
E-6 " "
E-5 " "
E-4 " "
E-3 " "
E-2 " "
E-1 " "
Total Enlisted

Cadets/Midshipmen

Total End Strength

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.

Exhibit PB-30C Military Personnel End Strength by Grade (Active)

Military Personnel, _____
Average Strength by Grade 1/
Total Program

		<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 20BY1</u>		<u>FY 20BY2</u>	
		Reimb		Reimb		Reimb		Reimb	
		<u>Total</u>	<u>Incl.</u>	<u>Total</u>	<u>Incl.</u>	<u>Total</u>	<u>Incl.</u>	<u>Total</u>	<u>Incl.</u>
<u>Commissioned Officers</u>									
0-10	(enter rank)								
0-9	" "								
0-8	" "								
0-7	" "								
0-6	" "								
0-5	" "								
0-4	" "								
0-3	" "								
0-2	" "								
0-1	" "								
Total									
<u>Warrant Officers</u>									
W-4	(enter rank)								
W-3	" "								
W-2	" "								
W-1	" "								
Total									
Total Officers									
<u>Enlisted Personnel</u>									
E-9	(enter rank)								
E-8	" "								
E-7	" "								
E-6	" "								
E-5	" "								
E-4	" "								
E-3	" "								
E-2	" "								
E-1	" "								
Total									
<u>Cadets/Midshipmen</u>									

Total Average Strength

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.

Exhibit PB-30D Military Personnel Average Strength by Grade (Active)

Military Personnel, (Complete)
Active Duty Strengths by Months 1/
(In Thousands)

	<u>FY 19PY</u>				<u>FY 19CY</u>				<u>FY 20BY1</u>				<u>FY 20BY2</u>			
	<u>Off</u>	<u>Enl</u>	<u>Cadet</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Cadet</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Cadet</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Cadet</u>	<u>Total</u>
September																
October																
November																
December																
January																
February																
March																
April																
May																
June																
July																
August																
September																
Average																
Strength																

Active Duty Special Work
of Mandays
Dollars in Millions

1/ Includes reimbursable active duty military pay strengths, but excludes active duty personnel paid from Civil Functions, Reserve, and National Guard Appropriations.

Note: Strength figures will be rounded to the nearest hundred. Table will be footnoted to indicate the month through which actual data is contained.

Exhibit PB-30E Active Duty Strengths by Month (Active)

MILITARY PERSONNEL, _____
GAINS AND LOSSES BY SOURCE AND TYPE

OFFICERS

FY 19PY FY 19CY FY 20BY1 FY 20BY2

BEGINNING STRENGTH

GAINS

Service Academies				
Reserve Officer's Training Corps				
Senior ROTC	()	()	()	()
Scholarship	()	()	()	()
Health Professions Scholarships				
Platoon Leaders Class				
Reserve Officer Candidates				
Other Enlisted Commissioning Programs				
Voluntary Active Duty				
Direct Appointments				
Warrant Officer Programs				
Other				
Gain Adjustments				
TOTAL GAINS				

LOSSES

Expiration of Contract/Obligation				
Normal Early Release				
Disability	()	()	()	()
Nondisability	()	()	()	()
Voluntary Separations - VSI				
Voluntary Separations - SSB				
Involuntary Separation - Reserve Officers				
Involuntary Separation - Regular Officers				
Reduction-in-Force				
Attrition				
Other				
Loss Adjustments				
TOTAL LOSSES				

END STRENGTH

MILITARY PERSONNEL, _____
GAINS AND LOSSES BY SOURCE AND TYPE

ENLISTED

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
BEGINNING STRENGTH				
<u>GAINS</u>				
Non-prior Service Enlistments				
Male	()	()	()	()
Female	()	()	()	()
Prior Service Enlistments				
Reenlistments				
Reserves				
Navy Reserve (2/3 x 6) Program				
Officer Candidate Programs				
Returned from Dropped from Rolls				
Other				
Gain Adjustments				
TOTAL GAINS				

LOSSES

Expiration of Term of Service (ETS)
Normal Early Release
Programmed Early Release
Separations - VSI
Separations - SSB
To Commissioned Officer
To Warrant Officer
Reenlistment
Retirement
Dropped from Rolls (Deserters)
Attrition (Adverse Causes)
Attrition (Other)
Reserve Components
Other
Loss Adjustments
TOTAL LOSSES

END STRENGTH

CADETS/MIDSHIPMEN

BEGINNING STRENGTH
GAINS

 Entering Cadets/Midshipmen

LOSSES

 Attrition
 Graduates

TOTAL LOSSES

END STRENGTH

Exhibit PB-30F Gains and Losses by Source and Type (Active)

(Page 2 of 2)

**Military Personnel, (Complete)
Total Officer Gains Phased by Month**

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
September				
October				
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
September				
Total				

Exhibit PB-30F-1 Total Officer Gains Phased by Month

Military Personnel, (Complete)
Enlisted Non-Prior Service (NPS) Accessions Phased by Month

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
September				
October				
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
September				
Total				

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY

(\$ in Thousands)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 20BY1</u>			<u>FY 20BY2</u>		
	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>
1. Basic Pay												
2. Retired Pay Accrual												
3. Basic Allowance for Quarters												
a. With Dependents												
b. Without Dependents												
c. Substandard Family Housing												
d. Partial												
4. Variable Housing Allowance												
4.1 <i>Basic Allowance for Housing</i>												
a. <i>With Dependents</i>												
b. <i>Without Dependents</i>												
c. <i>Substandard Family Housing</i>												
d. <i>Partial</i>												
5. Subsistence												
a. Basic Allowance for Subsistence												
1. Authorized to Mess Separately												
2. Leave Rations												
3. Rations-In-Kind not Available												
4. Augmentation for Separate Meals												
5. Partial BAS												
b. Subsistence-In-Kind												
1. Subsistence in Messes												
2. Special Rations												
3. Operational Rations												
4. Augmentation Rations												
5. Other Programs												

NOTE: Line 2. Retired Pay Accrual includes both direct and reimbursable costs.

Exhibit PB-30J Summary of Entitlements by Subactivity (Active)

(Page 1 of 4)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
(\$ in Thousands)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 20BY1</u>			<u>FY 20BY2</u>		
	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>
6. Incentive Pay, Hazardous Duty, and Aviation Career												
a. Flying Duty Pay												
1. Aviation Career, Officers												
2. Crew Members, Enlisted												
3. Noncrew Member												
4. Aviation Continuation Pay												
b. Submarine Duty Pay												
c. Parachute Jumping Pay												
d. Demolition Pay												
e. Other Pays												
7. Special Pays												
a. Medical Pay												
b. Dental Pay												
c. Optometrists Pay												
d. Veterinarians Pay												
e. Board Certified Pay for Non-Physician Health Care Providers												
f. Nurses Pay												
g. Nuclear Officer Incentive Pay												
h. Nuclear Accession Bonus												
i. Scientific/Engineering Bonus												
j. Responsibility Pay												
k. Sea and Foreign Duty, Total												
1. Sea Duty												
2. Duty at Certain Places												
3. Overseas Extension Pay												
l. Diving Duty Pay												
m. Foreign Language Proficiency Pay												
n. Hostile Fire Pay												

(Page 2 of 4)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
(\$ in Thousands)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 20BY1</u>			<u>FY 20BY2</u>		
	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>
o. Reenlistment Bonus												
1. Regular												
2. Selective												
p. Special Duty Assignment Pay												
q. Enlistment Bonus												
r. Other Special Pay												
8. Allowances												
a. Uniform or Clothing Allowances												
1. Initial Issue												
1. Military												
2. Civilian												
2. Additional												
3. Basic Maintenance												
4. Standard Maintenance												
5. Supplementary												
6. Civilian Clothing Maintenance												
b. Station Allowance Overseas												
1. Cost-of-Living												
2. Housing												
3. Temporary Lodging												
c. Family Separation Allowance												
1. On PCS, No Government Quarters												
2. On PCS, Dependents Not Authorized												
3. Afloat												
4. On TDY												
d. Personal Money Allowance, General & Flag Officers												

(Page 3 of 4)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)

(\$ in Thousands)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 20BY1</u>			<u>FY 20BY2</u>		
	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>
9. Separation Payments												
a. Terminal Leave Pay												
b. Lump-Sum Readjustment Pay												
c. Donations												
d. Severance Pay, Disability												
e. Severance Pay, Nonpromotion												
f. Severance Pay, Invol Half (5%)												
g. Severance Pay, Invol Full (10%)												
h. Severance Pay, VSI												
i. Severance Pay, SSB												
j. 15 Year Temporary Early Retirement												
10. Social Security Tax Payment												
(Military Service Wage Credits)												
11. Permanent Change of Station Travel												
12. Other Military Personnel Costs												
a. Apprehension of Deserters												
b. Interest on Uniformed Services												
Savings Deposits (MIA)												
c. Death Gratuities												
d. Unemployment Compensation												
e. Survivor Benefits												
f. Education Benefits												
g. Adoption Expenses												
13. Cadets/Midshipmen												
Military Personnel Appropriation Total												
14. Less Reimbursables:												
Retired Pay Accrual												
Other												

Military Personnel Appropriation Total, Direct

(Page 4 of 4)

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
MILITARY PERSONNEL, _____
FY 19CY
(\$ IN THOUSANDS)

<u>FY 19CY</u>	<u>CONGRES-</u>	<u>INTERNAL</u>	<u>PAY</u>	<u>OTHER PRICE/</u>	<u>FY 19CY COLUMN</u>		
<u>PRESIDENT'S</u>	<u>SIONAL</u>	<u>APPRO-</u>	<u>INCREASE</u>	<u>PROGRAM</u>	<u>FY 20BY1/BY2 PRES.</u>		
<u>BUDGET</u>	<u>ACTION</u>	<u>PRIATION</u>	<u>REPROGRAMMING</u>	<u>SUBTOTAL</u>	<u>COSTS</u>	<u>CHANGE</u>	<u>BUDGET</u>
<u>PAY AND ALLOWANCES OF OFFICERS</u>							
Basic Pay							
Retired Pay Accrual							
Incentive Pay							
Special Pay							
Basic Allowance for Housing							
Basic Allowance for Subsistence							
Station Allowances Overseas							
CONUS Cost of Living Allowances							
Uniform Allowances							
Family Separation Allowances							
Separation Payments							
Social Security Tax-Employer's Contribution							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
<u>PAY AND ALLOWANCES OF ENLISTED PERSONNEL</u>							
Basic Pay							
Retired Pay Accrual							
Incentive Pay							
Special Pay							
Special Duty Assignment Pay							
Reenlistment Bonus							
Enlistment Bonus							
Basic Allowance for Housing							
Station Allowances Overseas							
CONUS Cost of Living Allowances							

(Page 1 of 4)

(Page 1 of 4)

Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active)

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)
MILITARY PERSONNEL, _____

FY 19CY
(\$ IN THOUSANDS)

	<u>FY 19CY</u>	<u>CONGRES-</u>	<u>APPRO-</u>	<u>INTERNAL</u>		<u>PAY</u>	<u>OTHER PRICE/</u>	<u>FY 19CY COLUMN</u>
	<u>PRESIDENT'S</u>	<u>SIONAL</u>	<u>PRIATION</u>	<u>REALIGNMENT/</u>	<u>SUBTOTAL</u>	<u>INCREASE</u>	<u>PROGRAM</u>	<u>FY 20BY1/BY2 PRES.</u>
	<u>BUDGET</u>	<u>ACTION</u>		<u>REPROGRAMMING</u>		<u>COSTS</u>	<u>CHANGE</u>	<u>BUDGET</u>
Clothing Allowances								
Family Separation Allowances								
Separation Payments								
Social Security Tax-Employer's Contribution								
Total Obligations								
Less Reimbursements								
Total Direct Obligations								

PAY AND ALLOWANCES OF CADETS

Academy Cadets

SUBSISTENCE OF ENLISTED PERSONNEL

Basic Allowance for Subsistence

Subsistence-In-Kind

Total Obligations

Less Reimbursements

Total Direct Obligations

PERMANENT CHANGE OF STATION TRAVEL

Accession Travel

Training Travel

Operating Travel

Rotational Travel

Separation Travel

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)
MILITARY PERSONNEL, _____
FY 19CY
(\$ IN THOUSANDS)

<div style="display: flex; justify-content: space-between;"> FY 19CY PRESIDENT'S BUDGET CONGRES- SIONAL ACTION APPRO- PRIATION INTERNAL REALIGNMENT/ REPROGRAMMING SUBTOTAL PAY INCREASE COSTS OTHER PRICE/ PROGRAM CHANGE FY 19CY COLUMN FY 20BY1/BY2 PRES. BUDGET </div>							
Travel of Organized Units							
Nontemporary Storage							
Temporary Lodging Expense							
Total Obligations							
Less Reimbursements							
Total Direct Obligation							
 <u>OTHER MILITARY PERSONNEL COSTS</u>							
Apprehension of Military Deserters,							
Absentees and Escaped Military							
Prisoners							
Interest on Uniform Svcs Savings (MIA)							
Death Gratuities							
Unemployment Compensation							
Survivor Benefits							
Education Benefits							
Adoption Expenses							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
 Total Direct Obligations							
Amounts Applied to Finance							
Increased Costs							
Supplemental Request(s)/Transfers							

INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 19CY President's Budget - Show costs as included in the original FY 19CY President's Budget. The total of all such costs should equal the FY 19CY appropriation request.

Congressional Action - Show the delta(s) associated with final congressional action on the FY 19CY appropriation request.

Appropriation – *Show the final funding level appropriated by Congress for the FYCY. This value should tie explicitly by budget activity and total to the values reported on the DD 1414 Base for Reprogramming.*

Internal Realignment/Reprogramming - Include those adjustments, exclusive of pay raise absorption, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 19CY column of the FY 20BY1/BY2 President's budget exclusive of pay raise and other price/program changes described below. To the extent that such adjustments result in an asset that is available for application against either the pay raise or program supplemental, such costs should be displayed as a negative total for this column.

Subtotal - Amounts shown in this column should exclude any costs associated with either the pay raise or other price/program changes described below; and should be equal to amounts as shown as internal realignments/reprogrammings. This amount should also be equal to FY 19CY column of the FY 20BY1/BY2 President's budget, less all pay raise and other price changes.

Pay Increase Costs - Show the full costs of the FY 19CY military pay raise. Total direct obligations should agree with the full costs of the pay raise. To the extent that realignments/reprogramming adjustments result in the availability of assets to be applied against the pay raise, such assets should be included on the line "Amounts Applied to Finance Increased Costs."

Other Price/Program Changes - Amounts shown in this column would include inflation and related cost increases, supplemental legislation not included in the "Appropriation" column, appropriation transfers, etc. To the extent realignments or reprogramming adjustments result in the availability of funds to offset these inflation costs, such amounts should be included on the line, "Amounts Applied to Finance Increased Costs."

FY 19CY Column of FY 20BY1/BY2 President's Budget - Show amounts as included in the FY 19CY President's Budget. These amounts should be equal to the sum of the amounts shown in the preceding three columns.

NOTE: An explanation should be provided for each adjustment in excess of one million dollars included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the OUSD(C) (P/B) Operations and Personnel Directorate, Room 3D868, Pentagon.

MILITARY PERSONNEL, _____
SCHEDULE OF INCREASES AND DECREASES - SUMMARY
(In Thousands of Dollars)

Amount

\$

FY 19CY Direct Program

Increases:

Pricing Increases (List separately):

Annualization of CY Pay Raise (Identify rate and effective date)

BY Pay Raise (Identify rate and effective date)

Inflation Rate (Identify rate)

BAH Rates (Identify rate)

FICA Rates (Identify ceiling and rate changes)

Other Pricing Increases (List separately)

Total Pricing Increases

Program Increases (List separately):

Strength Related

New or Projected Increases to Programs/Compensation

Other (List separately, include grade structure and longevity, if significant)

Total Program Increases

Total Increases

Decreases:

Pricing Decreases (List separately):

Retired Pay Accrual (Percentage change)

Other Pricing Decreases (List separately)

Total Pricing Decreases

Program Decreases (List separately):

Strength Related

Other (List separately)

Total Program Decreases

Total Decreases

FY 20BY1 Direct Program

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and budget year funds in the applicable categories shown above. Show increases and decreases at the Total Direct Program (appropriation) level. Each increase and decrease should be followed by a narrative statement explaining the change.

NOTE: A separate exhibit should also be prepared showing increases and decreases from FY 20BY1 to FY 20BY2.

Exhibit PB-30Q Schedule of Increases and Decreases - Summary (Active & Reserve)

MILITARY PERSONNEL, _____
SCHEDULE OF INCREASES AND DECREASES
Pay and Allowances 1/
(In Thousands of Dollars)

Amount
\$

FY 19CY Direct Program

Increases:

Pricing Increases (List separately):

Annualization of CY Pay Raise (Identify rate and effective date)

BY Pay Raise (Identify rate and effective date)

Inflation Rate (Identify rate)

BAH Rates (Identify rate)

FICA Rates (Identify ceiling and rate changes)

Other Pricing Increases (List separately)

Total Pricing Increases

Program Increases (List separately):

Strength Related

New or Projected Increases to Programs/Compensation

Other (List separately, include grade structure and longevity, if significant)

Total Program Increases

Total Increases

Decreases:

Pricing Decreases (List separately):

Retired Pay Accrual (Percentage change)

Other Pricing Decreases (List separately)

Total Pricing Decreases

Program Decreases (List separately):

Strength Related

Other (List separately)

Total Program Decreases

Total Decreases

FY 20BY1 Direct Program

1/ Include full budget activity or subactivity title, e.g., Pay and Allowances of Officers, Pay and Allowances of Enlisted, Permanent Change of Station Travel, Pay Group A, Pay Group F, School Training, etc.

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and the budget year funds in the applicable categories shown above. A separate schedule should be provided for each of the six military personnel budget activities and each subactivity of the Reserve Components. Each increase and decrease should be followed by a narrative statement explaining the change.

NOTE: A separate exhibit should also be prepared showing increases and decreases from FY 20BY1 to FY 20BY2.

Exhibit PB-30P Schedule of Increases and Decreases (Active & Reserve)

MILITARY PERSONNEL ASSIGNED OUTSIDE DoD (END STRENGTH)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
<u>Assigned Outside DoD</u>				
<u>Nonreimbursable Personnel:</u>				
Executive Office of the President				
Vice President's Office				
State Department				
State Department (U.N. Truce Supervision)				
Transportation Department				
Commerce Department (NOAA)				
Justice Department				
Interior Department				
Labor Department				
Environmental Protection Agency				
Energy Department				
Federal Emergency Management Agency				
National Aeronautics & Space Administration				
National Oceanic & Atmospheric Administration				
National Foreign Intelligence Board				
National Science Council				
National Narcotics Border Interdiction				
Radio Technical Committee on Aeronautics				
Classified Activities				
 Subtotal - Nonreimbursable Program				
 <u>Reimbursable Personnel:</u>				
Executive Office of the President (OMB)				
Agency for International Development				
State Department				
U.S. Arms Control & Disarmament Agency				
Transportation Department				
Commerce Department				
Interior Department				
Energy Department				
Federal Emergency Management Agency				
Justice Department				
National Aeronautics & Space Administration				
Canal Zone Government				
Selective Service System				
American Battle Monuments Commission				
U.S. Soldiers' & Airmen's Home				
Environmental Protection Agency				
Office of the Attending Physician to Congress				
Classified Activities				
 Subtotal - Reimbursable Personnel				
Total Outside DoD				

Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength)(Active)
(Page 1 of 2)

MILITARY PERSONNEL ASSIGNED OUTSIDE DOD (END STRENGTH) (Continued)

FY 19PY

FY 19CY

FY 20BY1

FY 20BY2

**Assigned Outside DoD Activities in Support of
Non-DoD Functions**

Nonreimbursable Personnel:

State Department
(Embassy Security Guards)

Reimbursable Personnel:

State Department
(Construction Battalions)
Justice Department (LEAA)
National Science Foundation
(Antarctic Program)
Memorial Affairs
(Cemeterial Expense, Army)
General Services Administration (FEDSIM)
Foreign Military Sales
Military Assistance Program

Total Nonreimbursable Non-DoD Functions

Total Reimbursable Non-DoD Functions

**Assigned to DoD Activities in Support of
Non-DoD Functions**

NASA
Foreign Military Sales

Assigned to DoD Activities in Support of DoD Functions:

Working Capital Funds (WCF)
Information Services Activity Group (ISAG)
HQ US Transportation Command (TRANSCOM)
Military Traffic Management Command (MTMC)
Defense Courier Service (DCS)
Defense Commissary Agency (DeCA)
Defense Finance & Accounting Service (DFAS)
Defense Information Systems Agency (DISA)
Defense Logistics Agency (DLA)
Depot Maintenance Activity Group (DMAG)
Joint Logistics Systems Center (JLSC)
Supply Management Activity Group (SMAG)

Subtotal WCF

Grand Total Reimbursable

Grand Total Nonreimbursable

Grand Total

Exhibit PB-30Q (Page 2 of 2)

REIMBURSABLE PROGRAM

SERVICE _____
(\$ in Thousands)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
<u>SUBSISTENCE</u> (Specify source-Reserves, individual, etc.)	_____	_____	_____	_____
MEDICAL	_____	_____	_____	_____
FOREIGN MILITARY SALES	_____	_____	_____	_____
<u>OTHER NON-STRENGTH</u> *(Specify source-surcharge, clothing, etc.)	_____	_____	_____	_____
<u>STRENGTH RELATED</u> Officer -- Basic Pay -- Other Pays and Allowances Enlisted-- Basic Pay -- Other Pays and Allowances Retired Pay Accrual (Officer and Enlisted) PCS Travel				
SUBTOTAL	_____	_____	_____	_____
TOTAL PROGRAM	_____	_____	_____	_____

* Include reimbursements from administrative surcharge, training cases, etc. Exclude Technical Assistance Field Teams (TAFTS) or other programs for which end strength is specifically programmed. These should be included in the strength-related entry.

Exhibit PB-30R Reimbursable Program (Active & Reserve)

Selected Reenlistment Bonus (SRB)
(Dollars in Millions)

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 20BY1</u>		<u>FY 20BY2</u>		<u>FY 20BY2+*</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<u>Prior Obligations</u>	xxx	300.0	xxx	300.0	xxx	250.0	xxx	250.0	-	-
<u>Accelerated Payments</u>		5.0		5.0		5.0		-		-
<u>Prior Year</u>										
Initial Payments	xxx	40.0	-	-	-	-	-	-	-	-
Anniversary Payments	-	-	xxx	10.0	xxx	10.0	xxx	10.0	xxx	10.0
<u>Current Year</u>										
Initial Payments	-	-	xxx	40.0	-	-	-	-	-	-
Anniversary Payment	-	-	-	-	xxx	10.0	xxx	10.0	xxx	10.0
<u>Biennial Budget Year 1</u>										
Initial Payments	-	-	-	-	xxx	60.0	-	-	-	-
Anniversary Payments	-	-	-	-	-	-	xxx	20.0	xxx	20.0
<u>Biennial Budget Year 2</u>										
Initial Payments	-	-	-	-	-	-	xxx	60.0	-	-
Anniversary Payments	-	-	-	-	-	-	-	-	xxx	20.0
<u>Total</u>										
Initial Payments	xxx	40.0	xxx	40.0	xxx	60.0	xxx	60.0	-	-
Anniversary Payments	xxx	<u>305.0</u>	xxx	<u>315.0</u>	xxx	<u>275.0</u>	xxx	<u>290.0</u>	xxx	<u>60.0</u>
Total SRB		345.0		355.0		335.0		350.0		60.0

- A similar exhibit must be prepared for enlistment bonuses and other incentive/bonuses not covered by other formats (i.e., Active bonuses exceeding \$5,000 and Reserve component incentives and bonuses addressed in the Administration and Support subactivity).
 - This exhibit should be incorporated into the detailed justification material within the appropriate subactivity detail (i.e., Active within BA 2, Pay and Allowances of Enlisted, and Reserve component within BA 2, Administration and Support subactivity).
- * **Additional columns must be shown for FY 20BY2+1 thru FY 20BY2+4 so that outyear payment stream of bonus contracts granted in FY 19PY thru FY 20BY2 is shown.**

Exhibit PB-30V Incentive/Bonus Payment Stream (Active & Reserve)
(Page 1 of 2)

- NOTE:
1. Prior obligations are only anniversary payments associated with contracts entered into during preceding years.
 2. Number of bonus recipients (initial or anniversary payments) must be entered in any year funds are entered.
 3. Add additional BY columns as required for the total bonus contract period.
 4. Initial payments are not to be shown in the outyears.
 5. Accelerated payments are the remainder of entitlements due to enlisted personnel when separating early (not due to voluntary reasons or misconduct) and for advance payments related to financial hardship.

MILITARY PERSONNEL, _____

RECONCILIATION OF FUND CHANGES WITH PRIOR YEAR

(In Thousands of Dollars)

	<u>Amount</u>
	\$
FY 19PY Direct Program	
Increases:	
Pricing Increases	
(list separately - pay raise, inflation, etc. Provide the same level of detail as is required by the PB-30 exhibit.)	
Total Pricing Increases	
Program Increases	
(list separately - new programs, grade growth, etc. Provide the same level of detail as is required by the PB-30Q exhibit.)	
Total Program Increases	
Total Increases	
Decreases:	
Pricing Decreases	
(list separately - retired pay NCP, etc. Provide the same level of detail as is required by the PB-30Q exhibit.)	
Total Pricing Decreases	
Program Decreases	
(list separately - force structure, PCS moves, etc. Provide the same level of detail as is required by the PB-30Q exhibit.)	
Total Program Decreases	
Total Decreases	
FY 19CY Direct Program	

NOTE: This schedule will separately include pricing and principal program changes and other actions resulting in increases or decreases between the prior year and the current year. Show increases and decreases at the Total Direct Program (appropriation) level. Changes resulting from pay raises, changes to the retired pay accrual NCP, manpower levels, etc., should be separately identified and each programmatic increase and decrease should be followed by a narrative statement explaining the change. Narrative associated with pricing changes should identify applicable rates and effective dates. Changes due to pay raise, inflation, force structure, etc., should not be grouped together by subactivity. Separate identification is required.

Exhibit MP-1 Reconciliation of Fund Changes with Prior Year

Page 1 of 2

MILITARY PERSONNEL, _____

RECONCILIATION OF FUND CHANGES WITH PRIOR YEAR

Pay and Allowances 1/

(In Thousands of Dollars)

	<u>Amount</u> \$
FY 19PY Direct Program	
Increases:	
Pricing Increases (list separately - pay raise, inflation, etc. Provide the same level of detail as is required by the PB-30P exhibit.)	
Total Pricing Increases	
Program Increases (list separately - new programs, grade growth, etc. Provide the same level of detail as is required by the PB-30P exhibit.)	
Total Program Increases	
Total Increases	
Decreases:	
Pricing Decreases (list separately - retired pay NCP, etc. Provide the same level of detail as is required by the PB-30P exhibit.)	
Total Pricing Decreases	
Program Decreases (list separately - force structure, PCS moves, etc. Provide the same level of detail as is required by the PB-30P exhibit.)	
Total Program Decreases	
Total Decreases	

FY 19CY Direct Program

1/ Include full budget activity title, e.g., Pay and Allowances of Officers, Pay and Allowances of Enlisted, Permanent Change of Station Travel, etc.

NOTE: This schedule will include principal program changes and other actions resulting in increases or decreases between the prior year and the current year. Show increases and decreases within each of the six military personnel activities (Pay and Allowances of Officers, Enlisted, Cadets, etc.). Changes resulting from pay raises, changes to the retired pay NCP, manpower levels, etc., should be separately identified and each programmatic increase and decrease should be followed by a narrative statement explaining the change. Narrative associated with pricing changes should identify applicable rates and effective dates. Changes due to pay raise, inflation, force structure, etc., should not be grouped together by subactivity. Separate identification is required.

MILITARY PERSONNEL, _____(1)_____
DEPENDENTS, HOUSING AND BAH ESTIMATES
FY 19 ____ (2) _____

<u>Pay Grade</u> (3)	<u>Average Number</u> (3)	<u>Percent With Dependents</u> (3)	<u>Number with Dependents</u> <u>Occupying Housing Units</u>			<u>Number of Dependents</u> <u>Receiving BAH</u>		
			<u>Total</u> (3)	<u>Adequate</u> (3)	<u>Inadequate</u> (3)	<u>BAH</u> (3)	<u>Average Per Sponsor</u> (3)	<u>Total</u> (3)
(5)	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	_____	_____
Total	_____	_____	_____	_____	_____	_____	_____	_____

	<u>End Strength</u>	<u>Average Strength</u>
Total ____ (1) ____ Personnel occupying adequate and inadequate quarters	(6)	(6)
____ (1) ____ Personnel occupying other Services' quarters	-(7)	-(7)
____ (1) ____ controlled units occupied by others	+(8)	+(8)
Inactive Units	+(9)	+(9)
Average Unoccupied Units	<u>+(10)</u>	<u>+(10)</u>
Total Owned and Controlled Units	(11)	(11)

Exhibit MP-2 Dependents, Housing and BAH Estimates
(Page 1 of 2)

INSTRUCTIONS FOR COMPLETION OF EXHIBIT MP-2

1. Enter Army, Navy, Marine Corps, or Air Force, as applicable.
2. Enter the appropriate fiscal year. Data should be shown for PY, CY, BY1, and BY2.
3. Data should be provided for each officer and enlisted grade. Appropriate subtotals should be shown for officers and enlisted.
4. Exclude from "receiving BAH" those personnel occupying inadequate quarters and receiving BAH at the reduced rate.
5. Enter the total number of survivors of officer and enlisted personnel entitled to BAH or family housing under the provisions of P.L. 99-227. Data should be provided in a separate memo entry for officer and enlisted personnel.
6. Enter the total number of personnel with dependents occupying adequate and inadequate quarters.
7. Enter the number of personnel with dependents occupying units of other Service or agencies.
8. Enter the number of personnel, military and civilian, occupying family housing units who are members of another Service or agency.
9. Enter the number of inactive family housing units.
10. Enter the number of unoccupied family housing units.
11. Enter the total number of owned, leased, and contracted units. This should be equal to the sum of (6) through (10) and agree with family housing data provided in support of the Family Housing account.

MILITARY PERSONNEL (1)
SUMMARY OF OUTYEAR DATA

	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
<u>End Strength</u>						
Officer						
Enlisted						
Cadets/Midshipmen						
Total						
<u>Average Strength</u>						
Officer						
Enlisted						
Cadets/Midshipmen						
Total						
<u>Accessions</u>						
Nonprior Service						
Officer						
Enlisted						
Male						
Female						
Prior Service-Enlisted						
Officer Candidates						
Other						
<u>Losses</u>						
Officer						
Enlisted						
Officer Candidates						
Deserters						
Other						
<u>Reenlistments</u>						
First Term						
Career						
<u>Obligations</u> (in Thousands) (By Budget Activity)						
Direct						
Reimbursable						
Total						

Instructions for completion of Exhibit

1. Enter Army, Navy, Marine Corps, or Air Force as applicable.
2. Enter the applicable data requested for BY1 thru BY2+4.
3. Strength data and dollars will agree with similar data requested in the DoD FYDP.
4. Reenlistments within 90 days of separation should be excluded from both accession and losses manpower data. First term (first time) re-enlistments and career (all subsequent) re-enlistments should be separately identified.

Exhibit MP-3 Summary of Outyear Data

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>			<u>FY 19CY Est</u>			<u>FY 20BY1 Est</u>			<u>FY 20BY2 Est</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
<u>Western & Southern Europe</u>												
Austria												
Belgium												
Cyprus												
Denmark												
Finland												
France												
Germany (including Berlin)												
Gibraltar												
Greece (including Crete)												
Greenland												
Iceland												
Ireland												
Italy												
Luxembourg												
Netherlands												
Norway												
Portugal (including Azores)												
Spain												
Sweden												
Switzerland												
Turkey												
United Kingdom (excluding Ireland)												
Afloat												
Total												
<u>Africa, Near East, & South Asia</u>												
Afghanistan												
Algeria												
Bahrain												
Bangladesh												
British Indian Ocean Territory												
(Includes Diego Garcia)												
Cameroon												

(Page 1 of 5)

Exhibit MP-4 Military Personnel by Region and Country (End Strength)

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>			<u>FY 19CY Est</u>			<u>FY 20BY1 Est</u>			<u>FY 20BY2 Est</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
Chad												
Congo												
Egypt												
Ethiopia												
Gabon												
Ghana												
India												
Israel												
Ivory Coast												
Jordan												
Kenya												
Kuwait												
Lebanon												
Liberia												
Madagascar												
Malawi												
Mali												
Mauritius												
Morocco												
Nepal												
Niger												
Nigeria												
Oman												
Pakistan												
St. Helena (Includes Ascension Island)												
Saudi Arabia												
Senegal												
Seychelles												
Somalia												
South Africa												
Sri Lanka												
Sudan												

Exhibit MP-4 (Page 2 of 5)

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>			<u>FY 19CY Est</u>			<u>FY 20BY1 Est</u>			<u>FY 20BY2 Est</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
Syria												
Tanzania, United Republic of												
Tunisia												
United Arab (Emirates)												
Burkina Faso												
Yemen (Sanaa)												
Zaire												
Zambia												
Zimbabwe												
Afloat												
Total												
<u>East Asia & Pacific</u>												
Australia												
Burma												
China												
Hong Kong												
Indonesia												
Japan (Including Okinawa)												
Malaysia												
New Zealand												
Philippines												
Republic of Korea												
Singapore												
Thailand												
Tonga												
Afloat												
Total												

Exhibit MP-4 (Page 3 of 5)

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>			<u>FY 19CY Est</u>			<u>FY 20BY1 Est</u>			<u>FY 20BY2 Est</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
<u>Western Hemisphere</u>												
Antigua												
Argentina												
Bahamas, The												
Barbados												
Belize												
Bermuda												
Bolivia												
Brazil												
Canada												
Chile												
Colombia												
Costa Rica												
Cuba (Guantanamo)												
Dominican Republic												
Ecuador												
El Salvador												
Grenada												
Guatemala												
Guyana												
Haiti												
Honduras												
Jamaica												
Mexico												
Nicaragua												
Panama												
Paraguay												
Peru												
St. Christopher-Nevis-Anguilla												
Suriname												
Uruguay												
Venezuela												
Afloat												
Total												

Exhibit MP-4 (Page 4 of 5)

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>			<u>FY 19CY Est</u>			<u>FY 20BY1 Est</u>			<u>FY 20BY2 Est</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
<u>Antarctica</u>												
<u>Eastern Europe</u>												
Bulgaria												
Czechoslovakia												
German Democratic Republic												
Hungary												
Poland												
Romania												
Union of Soviet Socialist Republics												
Former Yugoslavia												
Total												
<u>U. S. Territory and Special Locations</u>												
Continental United States (CONUS)												
Alaska												
Hawaii												
American Samoa												
Guam												
Johnston Atoll												
Midway Islands												
Puerto Rico												
Trust Territory of the Pacific Islands												
Virgin Islands of the U.S.												
Wake Island												
Transients, Patients												
Prisoners												
Afloat												
Total												
<u>Total End Strength</u>												
(to include reimbursable end strength)												

Exhibit MP-4 (Page 5 of 5)

ACTIVE DUTY MILITARY PERSONNEL
STATIONED ASHORE BY REGIONAL AREA

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
Total End Strengths				
(Ashore)				
(Afloat) <u>1/</u>				
U.S. Territory and Special Locations				
Total Foreign Countries				
(1) Western and Southern Europe				
(1a) (European NATO)				
(2) East Asia and Pacific				
(3) Africa, Near East and South Asia				
(4) Western Hemisphere				
(5) Antarctica				
(6) Eastern Europe				
(7) Undistributed				

NOTE: Countries that constitute each geographical area are shown in Exhibit MP-4.

1/ With the exception of these entries, all other numbers are for personnel permanently stationed ashore.

Military Personnel, _____
Education Benefits - Additional Basic Benefits
(Title 38 USC, Chapter 30)

<u>Program</u>	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>	<u>FY 20BY2+1</u>	<u>FY 20BY2+2</u>	<u>FY 20BY2+3</u>	<u>FY 20BY2+4</u>
4-Year Enlistments # <u>1/</u>								
Rate - Per Capita Cost (\$)	_____	_____	_____	_____	_____	_____	_____	_____
Total Cost (\$000)								
3-Year Enlistments # <u>1/</u>								
Rate - Per Capita Cost (\$)	_____	_____	_____	_____	_____	_____	_____	_____
Total Cost (\$000)								
2-Year Enlistments # <u>1/</u>								
Rate - Per Capita Cost (\$)	_____	_____	_____	_____	_____	_____	_____	_____
Total Cost (\$000)								
Other Term of Enlistment # <u>1/2/</u>								
Rate - Per Capita Cost (\$)	_____	_____	_____	_____	_____	_____	_____	_____
Total Cost (\$000)								
Unfunded Liability (\$000)	_____	_____	_____	_____	_____	_____	_____	_____
Amortization Payment (\$000)								
Post-Vietnam Era Involuntary								
Separatees (\$000)	_____	_____	_____	_____	_____	_____	_____	_____
Post-Vietnam Era Voluntary								
Separatees (\$000)	_____	_____	_____	_____	_____	_____	_____	_____
Total Education	_____	_____	_____	_____	_____	_____	_____	_____
Benefit Program (\$000)								

1/ To reflect the number of enlistments offered the Additional Basic Benefit (Kicker).

2/ Other terms of service providing an Additional Basic Benefit (Kicker) must be separately identified by length of term and must be programs approved by USD(P&R).

NOTE: Per Capita Cost rates will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits including justification for Budget Activity and Subactivity 6-F, Education Benefits.

Exhibit MP-6 Education Benefits - Additional Basic Benefits

Military Personnel, _____
Aviation Retention Bonus (ARB)

	<u>FY 19PY (Actual)</u>		<u>FY 19CY (Est.)</u>		<u>FY 20BY1 (Est.)</u>		<u>FY 20BY2 (Est.)</u>		<u>FY 20BY2+1 thru +4</u>	
<u>FY 19PY</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>7/Number</u>	<u>Amount</u>
2-Year Contract	*xxx	*	xxx	xxx	-	-	-	-	-	-
3-Year Contract	*xxx	*	xxx	xxx	xxx	xxx	-	-	-	-
4-Year Contract	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx	-	-
5-Year Contract	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
6-Year Contract	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
7-Year Contract	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<u>FY 19CY</u>										
2-Year Contract	-	-	*xxx	*	xxx	xxx	-	-	-	-
3-Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx	-	-
4-Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx
5-Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx
6-Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx
7-Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx
<u>FY 20BY1</u>										
2-Year Contract	-	-	-	-	*xxx	*	xxx	xxx	-	-
3-Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
4-Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
5-Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
6-Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
7-Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
<u>FY 20BY2</u>										
2-Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
3-Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
4-Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
5-Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
6-Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
7-Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
<u>Total</u>										
Initial Payments	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Anniversary Payments	xxx	—	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total ARB										

* Initial payments.

Exhibit MP-7 Aviation Retention Bonus

Page 1 of 2

Military Personnel,
Aviation Retention Bonus

FY 19PY (Actual) <u>Number</u>	FY 19CY (Est.) <u>Number</u>	FY 20BY1 (Est.) <u>Number</u>	FY 20BY2 (Est.) <u>Number</u>	FY 20BY2+1 thru +4 <u>Number 5/</u>
-----------------------------------	---------------------------------	----------------------------------	----------------------------------	--

Peacetime Requirements

1/ 2/

Total

Projected Inventory

2/

Total

Projected New Bonus Eligibles

2/ 3/

Total

Projected Bonus Acceptance

2/ 4/

Total

Page 1 NOTES:

1. Anniversary payments should reflect contracts entered into during preceding years.
2. Number of bonus recipients (initial or anniversary payments) must be entered in any year funds are entered.
3. Add additional BY columns as required for the total bonus contract period.
4. Initial payments are not to be shown in the outyears.
5. Exhibit to be included in budget submission to support Aviation Retention Bonus (ARB).
6. Navy should submit a separate MP-7 for pilot and non-flying officer (NFO) requirements.
7. Identify data for FY 20BY2+1 thru FY 20BY+4 in separate columns

Page 2 NOTES:

1. Provide explanation as to the content of numbers. For example: total requirements including funded and unfunded manpower authorizations, funded manpower authorizations, etc.
2. In support of Aviation Retention Bonus, Navy should provide break by pilot and NFO totals.
3. Projected to be newly eligible in fiscal year.
4. To reflect the numbers of individuals accepting bonuses during the fiscal year.
5. Identify data for FY 20BY2+1 thru FY 20BY+4 in separate columns

EXHIBIT MP-7 (Page 2 of 2)

MILITARY PERSONNEL,

SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS

(In Thousands of Dollars)

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 20BY1</u>		<u>FY 20BY2</u>	
	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>
	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>
Total Direct Program								
Officer								
Enlisted								
Total Reimbursable Program								
Officer								
Enlisted								
Total Program								
Officer								
Enlisted								
	<u>FY 20BY2+1</u>		<u>FY 20BY2+2</u>		<u>FY 20BY2+3</u>		<u>FY 20BY2+4</u>	
	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>
	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>
Direct Program								
Officer								
Enlisted								
Total Reimbursable Program								
Officer								
Enlisted								
Total Program								
Officer								
Enlisted								

Exhibit MP-9 Summary of Basic Pay and Retired Pay Accrual Costs

MILITARY PERSONNEL, _____
SUMMARY OF MILITARY PERSONNEL SEPARATION PAYMENTS

(In Thousands of Dollars)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 20BY1</u>			<u>FY 20BY1</u>		
	Average			Average			Average			Average		
	<u>No Pymts</u>	<u>Rate</u>	<u>Amt</u>	<u>No Pymts</u>	<u>Rate</u>	<u>Amt</u>	<u>No Pymts</u>	<u>Rate</u>	<u>Amt</u>	<u>No Pymts</u>	<u>Rate</u>	<u>Amt</u>
<u>Total Officers</u>												
Lump Sum Terminal Leave												
Severance Pay - Disability												
Separation Pay - Involuntary												
Half-Pay (5%)												
Full-Pay (10%)												
Severance Pay- Non Promotion (10%)												
Lump Sum Payments to Reserves												
Separation Pay - Voluntary												
Voluntary Separation Incentive												
Special Separation Benefits (15%)												
15 Year Temporary Early Retirement												
<u>Total Enlisted</u>												
Lump Sum Terminal Leave												
Severance Pay - Disability												
Authorized Donations												
Separation Pay - Involuntary												
Half-Pay (5%)												
Full-Pay (10%)												
Separation Pay - Voluntary												
Voluntary Separation Incentive												
Special Separation Benefits (15%)												
15-Year Temporary Early Retirement												
<u>Grand Total</u>												
Lump Sum Terminal Leave												
Severance Pay -Disability												
Authorized Donations												
Separation Pay - Involuntary												
Half Pay (5%)												
Full Pay (10%)												
Severance Pay - Non Promotion (10%)												
Lump Sum Payments to Reserves												
Separation Pay - Voluntary												
Voluntary Separation Incentive												
Special Separation Benefits (15%)												
15 year Temporary Early Retirement												

Exhibit MP-10 Summary of Military Personnel Separation Payments

SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
(In Thousands of Dollars)

	<u>FY 19PY</u> <u>Actual</u>	<u>FY 19CY</u> <u>Estimate</u>	<u>FY 20BY1</u> <u>Estimate</u>	<u>FY 20BY2</u> <u>Estimate</u>
<u>DIRECT PROGRAM</u>				
Unit and Individual Training				
Other Training and Support				
TOTAL Direct Program				
<u>REIMBURSABLE PROGRAM</u>				
Unit and Individual Training				
Other Training and Support				
TOTAL Reimbursable Program				
<u>TOTAL PROGRAM</u>				
Unit and Individual Training				
Other Training and Support				
TOTAL Obligations				

LEGISLATIVE PROPOSALS:

*The following legislative proposals are included in the above estimate and submitted for FY BY1 and/or FY BY2 consideration:
(List proposals and funding requested for each fiscal year.)*

Exhibit PB-30A Summary of Requirements by Budget Program (Reserves)

RESERVE PERSONNEL _____,

SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTH

OFFICERS

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
BEGINNING STRENGTH				

GAINS

Non-prior Service Personnel				
Male				
Female				
Prior Service Personnel				
Civilian Life				
Active Component				
Enlisted Commissioning Programs				
Pay Group D (IMA)				
Other Reserve Status/Component				
All Other				
Full-Time Active Duty				
TOTAL GAINS				

LOSSES

Civilian Life				
Active Component				
Retired Reserves				
Pay Group D (IMA)				
Other Reserve Status/Component				
All Other				
Full-Time Active Duty				
TOTAL LOSSES				

Accounting Adjustment

END STRENGTH

RESERVE PERSONNEL, _____

SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTHS

ENLISTED

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
BEGINNING STRENGTH				

GAINS

- Non-prior Service Personnel
 - Male
 - Female
- Prior Service Personnel
 - Civilian Life
 - Active Component
 - Reenlistments/Extensions
 - Pay Group D (IMA)
 - Other Reserve Status/Component
 - All Other
- Full-Time Active Duty
- TOTAL GAINS**

LOSSES

- Expiration of Selected Reserve Service
- Active Component
- To Officer Status
- Retired Reserves
- Reenlistments/Extensions
- Attrition
- Pay Group D (IMA)
- Other Reserve Status/Component
- All Other
- Full-Time Active Duty
- TOTAL LOSSES**

Accounting Adjustment

END STRENGTH

SUMMARY OF PERSONNEL
RESERVE PERSONNEL, _____

PERSONNEL IN PAID STATUS	No. of Drills	No. of A/D Days Training	(Strength)									
			FY 19PY			FY 19CY		FY 20BY1		FY 20BY2		
			Begin	Average	End	Average	End	Average	End	Average	End	
<u>Selected Reserve</u>												
Paid Drill/Individual Training												
Pay Group A - Officers	48	1/										
Pay Group A - Enlisted	48	1/										
Subtotal Pay Group A												
Pay Group B - Officers	2/	1/										
Pay Group B - Enlisted	2/	1/										
Subtotal Pay Group												
Pay Group F - Enlisted	--	1/										
Pay Group P - Enlisted- Paid	3/	--										
Pay Group P - Enlisted- Non Paid												
Subtotal Pay Group F/P												
Subtotal Paid Drill/Ind Tng												
<u>Full-time Active Duty</u>												
Officers												
Enlisted												
Subtotal Full-time												
Total Selected Reserve												
Officers												
Enlisted												
Total												
<u>Individual Ready Reserve/Inactive National Guard</u>												
Officers												
Enlisted												
Total												

GRAND TOTAL

1/ Show average length of training for the budget years (BY1 and BY2).

2/ Combine all IMAs into training category B. Components should reflect weighted average of drills performed by all IMAs under "No. of Drills" that support the funds requested.

3/ Show average number of drills for the budget years (BY1 and BY2).

NOTE: Data is required for direct and reimbursable funded end strength. **End strength data must agree with the end strength data submitted to support the Five Year Defense Plan (FYDP).** Averages are computed by doubling the end strengths of the first 11 months of the fiscal year, adding the last month strengths of the previous year and the year under consideration, and dividing the total by 24.

Exhibit PB-30G Summary of Personnel (Reserves)

RESERVE COMPONENT PERSONNEL ON TOURS OF ACTIVE DUTY
STRENGTH BY GRADE

Reserve Personnel, _____

		<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 20BY1</u>		<u>FY 20BY2</u>	
		<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>
<u>Commissioned Officers</u>									
0-8	(enter rank)								
0-7	" "								
0-6	" "								
0-5	" "								
0-4	" "								
0-3	" "								
0-2	" "								
0-1	" "								
Total		—	—	—	—	—	—	—	—
<u>Warrant Officers</u>									
W-4	(enter rank)								
W-3	" "								
W-2	" "								
W-1	" "								
Total		—	—	—	—	—	—	—	—
Total Officers									
<u>Enlisted Personnel</u>									
E-9	(enter rank)								
E-8	" "								
E-7	" "								
E-6	" "								
E-5	" "								
E-4	" "								
E-3	" "								
E-2	" "								
E-1	" "								
Total Enlisted		—	—	—	—	—	—	—	—
Total Personnel on Active Duty		—	—	—	—	—	—	—	—

Exhibit PB-30H Reserve On Active Duty - Strength by Grade (Reserves)

FY 19__ STRENGTH

	<u>Pay Group A</u>			<u>Pay Group B (IMA)</u>				<u>Pay Group P</u>		<u>Total</u>	<u>Full-</u>	<u>Total</u>
	<u>Officer</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officer</u>	<u>Enlisted</u>	<u>Total</u>	<u>Group F</u>	<u>Paid</u>	<u>NonPaid</u>	<u>Drill/REP</u>	<u>Time</u>	<u>Selected</u>
											<u>Active</u>	<u>Reserve</u>
September												
30,19__												
October												
November												
December												
January												
February												
March												
April												
May												
June												
July												
August												
September												
30, 19__												
Average												

Note: A separate Exhibit will be prepared for the prior year, current year, and both budget years (BY1 and BY 2). The Exhibit displaying current data will be footnoted to indicate the month through which actual date is reflected.

Exhibit PB-30I Strength by Month (Reserves)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
(\$ in Thousands)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 20BY1</u>			<u>FY 20BY2</u>		
	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>
<u>UNIT AND INDIVIDUAL TRAINING</u>												
<u>PAY GROUP A</u>												
Active Duty Training												
Inactive Duty Training												
Unit Training Assemblies												
Flight Training												
Training Preparation												
Civil Disturbance												
Jump Proficiency												
Clothing												
Subsistence of Enlisted Personnel												
Travel												
TOTAL DIRECT OBLIGATIONS												
<u>PAY GROUP B</u>												
Active Duty Training												
Inactive Duty Training												
Clothing												
Subsistence of Enlisted Personnel												
Travel												
TOTAL DIRECT OBLIGATIONS												
<u>PAY GROUP F</u>												
Active Duty Training												
Clothing												
Subsistence of Enlisted Personnel												
Travel												
TOTAL DIRECT OBLIGATIONS												
<u>PAY GROUP P</u>												
Inactive Duty Training												
Clothing												
Subsistence of Enlisted Personnel												
TOTAL DIRECT OBLIGATIONS												
TOTAL UNIT AND INDIVIDUAL TRAINING												

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
(\$ in Thousands)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 20BY1</u>			<u>FY 20BY2</u>		
	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>
OTHER TRAINING AND SUPPORT												
<u>MOBILIZATION TRAINING</u>												
IRR Screening												
Health Professions Training												
Exercises												
IRR Mission Support												
Professional Dev. Training												
Readiness Training												
Refresher Training												
Merchant Marine Training												
TOTAL DIRECT OBLIGATIONS												
<u>SCHOOL TRAINING</u>												
Career Development Training												
Initial Skill Acquisition Training												
Officer Candidate School												
Refresher and Proficiency Training												
Undergraduate Pilot Training												
Unit Conversion Training												
TOTAL DIRECT OBLIGATIONS												
<u>SPECIAL TRAINING</u>												
Competitive Events												
Command/Staff Supervision												
Exercises												
Management Support												
Operational Training												
Recruiting												
Retention												
Unit Conversion Training												
TOTAL DIRECT OBLIGATIONS												

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
(\$ in Thousands)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 20BY1</u>			<u>FY 20BY2</u>		
	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>
<u>ADMINISTRATION AND SUPPORT</u>												
Active Guard/Reserve												
Clothing												
Travel												
Death Gratuities												
Disability and Hospitalization Benefits												
Reserve Incentives												
Adoption Expenses												
TOTAL DIRECT OBLIGATIONS												
<u>EDUCATION BENEFITS</u>												
Benefit Accrual												
<u>SENIOR ROTC</u>												
Subsistence Allowance												
Uniforms												
Commutation												
Issue-In-Kind												
Summer Camp Training												
Travel												
TOTAL DIRECT OBLIGATIONS												
<u>SCHOLARSHIP ROTC</u>												
Subsistence Allowance												
Uniforms												
Commutation												
Issue-In-Kind												
Summer Camp Training												
Travel												
TOTAL DIRECT OBLIGATIONS												

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
(\$ in Thousands)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 20BY1</u>			<u>FY 20BY2</u>		
	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officers</u>	<u>Enlisted</u>	<u>Total</u>
<u>BRANCH OFFICER BASIC COURSE -RESERVE COMPONENTS</u>												
Active Duty Training												
Uniform Allowance												
Travel and Per Diem												
TOTAL DIRECT OBLIGATIONS												
<u>HEALTH PROFESSIONS SCHOLARSHIP</u>												
Stipend												
Financial Assistance Grant												
Uniform Allowance												
Active Duty Training												
Travel												
TOTAL DIRECT OBLIGATIONS												
<u>JUNIOR ROTC</u>												
Uniforms, Issue-In-Kind												
<u>CHAPLAIN CANDIDATE PROGRAM</u>												
Pay and Allowances, Active												
Duty Training												
Uniform Allowance												
Travel												
TOTAL DIRECT OBLIGATIONS												
TOTAL OTHER TRAINING AND SUPPORT												
 TOTAL DIRECT PROGRAM												

**ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
RESERVE PERSONNEL, _____**

**FY 19CY
(\$ IN THOUSANDS)**

	FY 19CY PRESIDENT'S BUDGET	CONGRES- SIONAL ACTION	APPROPRI- ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PAY INCREASE COSTS	OTHER PRICE/ PROGRAM CHANGE	FY 19CY COL FY 20BY1/BY2 PRES. BUDGET
<u>UNIT AND INDIVIDUAL TRAINING</u>								
<u>PAY GROUP A</u>								
Active Duty Training								
Inactive Duty Training								
Unit Training Assemblies								
Flight Training								
Training Preparation								
Civil Disturbance								
Jump Proficiency								
Clothing								
Subsistence of Enlisted Personnel								
Travel								
TOTAL Direct Obligations								
<u>PAY GROUP B</u>								
Active Duty Training								
Inactive Duty Training								
Clothing								
Subsistence of Enlisted Personnel Travel								
TOTAL Direct Obligations								
<u>PAY GROUP F</u>								
Active Duty Training								
Clothing								
Subsistence of Enlisted Personnel Travel								
TOTAL Direct Obligations								
<u>PAY GROUP P</u>								
Inactive Duty Training								
Clothing								
Subsistence of Enlisted Personnel								
TOTAL Direct Obligations								
TOTAL UNIT AND INDIVIDUAL TRAINING								

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
RESERVE PERSONNEL, _____
FY 19CY
(\$ IN THOUSANDS)

	FY 19CY PRESIDENT'S <u>BUDGET</u>	CONGRES- SIONAL <u>ACTION</u>	APPROPRI- ATION <u>ATION</u>	INTERNAL REALIGNMENT/ <u>REPROGRAMMING</u>	<u>SUB</u> <u>TOTAL</u>	PAY INCREASE <u>COSTS</u>	OTHER PRICE/ PROGRAM <u>CHANGE</u>	FY 19CY COL FY 20BY1/BY2 PRES. <u>BUDGET</u>
<u>OTHER TRAINING AND SUPPORT</u>								
<u>MOBILIZATION TRAINING</u>								
IRR Screening								
Health Professions Training								
Exercises								
IRR Mission Support								
Readiness Training								
Refresher Training								
Merchant Marine Training								
TOTAL Direct Obligations								
 <u>SCHOOL TRAINING</u>								
Career Development Training								
Initial Skill Acquisition Training								
Officer Candidate School								
Refresher and Proficiency Training								
Undergraduate Pilot Training								
Unit Conversion Training								
TOTAL Direct Obligations								
 <u>SPECIAL TRAINING</u>								
Competitive Events								
Command/Staff Supervision								
Exercises								
Management Support								
Operational Training								
Recruiting								
Retention								
Unit Conversion Training								
TOTAL Direct Obligations								

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
RESERVE PERSONNEL, _____
FY 19CY
(\$ IN THOUSANDS)

	FY 19CY PRESIDENT'S <u>BUDGET</u>	CONGRES- SIONAL <u>ACTION</u>	APPROPRI- ATION <u>ATION</u>	INTERNAL REALIGNMENT/ <u>REPROGRAMMING</u>	<u>SUB</u> <u>TOTAL</u>	PAY INCREASE <u>COSTS</u>	OTHER PRICE/ PROGRAM <u>CHANGE</u>	FY 19CY COL FY 20BY1/BY2 PRES. <u>BUDGET</u>
<u>ADMINISTRATION AND SUPPORT</u>								
Active Guard/Reserve								
Clothing								
Subsistence								
Travel								
Death Gratuities								
Disability and Hospitalization Benefits								
Reserve Incentives								
Adoption Expenses								
TOTAL Direct Obligations								
<u>EDUCATION BENEFITS</u>								
Benefit Accrual								
<u>SENIOR ROTC</u>								
Subsistence Allowance								
Uniforms								
Commutation								
Issue-In-Kind								
Summer Camp Training								
Travel								
TOTAL Direct Obligations								
<u>SCHOLARSHIP ROTC</u>								
Subsistence Allowance								
Uniforms								
Commutation								
Issue-In-Kind								
Summer Camp Training								
Travel								
TOTAL Direct Obligations								

**ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
RESERVE PERSONNEL, _____**

FY 19CY

(\$ IN THOUSANDS)

FY 19CY PRESIDENT'S <u>BUDGET</u>	CONGRES- SIONAL <u>ACTION</u>	APPROPRI- ATION <u>ATION</u>	INTERNAL REALIGNMENT/ <u>REPROGRAMMING</u>	SUB <u>TOTAL</u>	PAY INCREASE <u>COSTS</u>	OTHER PRICE/ PROGRAM <u>CHANGE</u>	FY 19CY COL FY 20BY1/BY2 PRES. <u>BUDGET</u>
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BRANCH OFFICER BASIC COURSE - RESERVE COMPONENTS

Active Duty Training
Uniform Allowance
Travel and Per Diem
TOTAL Direct Obligations

HEALTH PROFESSIONS SCHOLARSHIP

Stipend
Financial Assistance Grant
Uniform Allowance
Active Duty Training
Travel
TOTAL Direct Obligations

JUNIOR ROTC

Uniforms, Issue-In-Kind

CHAPLAIN CANDIDATE PROGRAM

Active
Duty Training
Uniform Allowance
Travel
TOTAL Direct Obligations

TOTAL OTHER TRAINING AND SUPPORT

TOTAL DIRECT PROGRAM

INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 19CY President's Budget - Show costs as included in the original FY 19CY President's Budget. The total of all such costs should equal the FY 19CY appropriation request.

Congressional Action - Show the delta(s) associated with final congressional action on the FY 19CY appropriation request.

Appropriation – *Show the final funding level appropriated by Congress for the FYCY. This value should tie explicitly by budget activity and total to the values reported on the DD 1414 Base for Reprogramming.*

Internal Realignment/Reprogramming - Include those adjustments, exclusive of pay raise absorption, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 19CY column of the FY 20BY President's budget exclusive of pay raise and other price/program changes described below. To the extent that such adjustments result in an asset that is available for application against either the pay raise or program supplemental, such costs should be displayed as a negative total for this column.

Subtotal - Amounts shown in this column should exclude any costs associated with either the pay raise or other price/program changes described below; and should be equal to amounts as shown as internal realignments/reprogramings. This amount should also be equal to FY 19CY column of the FY 20BY1/BY2 President's budget, less all pay raise and other price changes.

Pay Increase Costs - Show the full costs of the FY 19CY military pay raise. Total direct obligations should agree with the full costs of the pay raise. To the extent that realignments/reprogramming adjustments result in the availability of assets to be applied against the pay raise, such assets should be included on the line "Amounts Applied to Finance Increased Costs."

Other Price/Program Changes - Amounts shown in this column would include inflation and related cost increases, supplemental legislation not included in the "Appropriation" column, appropriation transfers, etc. To the extent realignments or reprogramming adjustments result in the availability of funds to offset these inflation costs, such amounts should be included on the line, "Amounts Applied to Finance Increased Costs."

FY 19CY Column of FY 20BY1/BY2 President's Budget - Show amounts as included in the FY 19CY President's Budget. These amounts should be equal to the sum of the amounts shown in the preceding three columns.

NOTE: An explanation should be provided for each adjustment in excess of one million dollars included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the OUSD(C) (P/B) Operations and Personnel Directorate, Room 3D868, Pentagon.

RESERVE PERSONNEL
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
(In, Thousands of Dollars)

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 20BY1</u>		<u>FY 20BY2</u>	
	Basic	Retired	Basic	Retired	Basic	Retired	Basic	Retired
	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>
<u>Pay Group A</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Pay Group B</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Pay Group F</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Pay Group P</u>								
Enlisted								
<u>Mobilization Training</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>School Training</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Special Training</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Administration and Support</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								

RESERVE PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS (Continued)

(In Thousands of Dollars)

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 20BY1</u>		<u>FY 20BY2</u>	
	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>
	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>
<u>Full-time Support (Non-Add)</u>								
(Officer)								
(Enlisted)								
Subtotal	_____	_____	_____	_____	_____	_____	_____	_____
<u>ROTC</u>								
Platoon Leaders Class (Enlisted)								
Branch Officers Basic Course (Officer)								
Health Professions Scholarship (Officer)								
Chaplain Candidate Program (Officer)								
Subtotal	_____	_____	_____	_____	_____	_____	_____	_____
<u>Total Direct Program</u>								
Officers								
Enlisted								
Total								
<u>Total Reimbursable Program</u>								
Officers								
Enlisted								
Total	_____	_____	_____	_____	_____	_____	_____	_____
<u>Total Program</u>								
Officers								
Enlisted								
Total								

NOTE: Accrual costs as a percent of basic pay to be used for each year will be provided separately.

NOTE: For development of Military Service Wage Credit costs, basic pay costs for Reserve and Guard active duty for training should be shown parenthetically under each pay group subtotal separately for officers and enlisted.

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR HOUSING (BAH)
(In Thousands of Dollars)

		<u>FY 19PY</u>		<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
	<u>BAQ</u>	<u>VHA</u>	<u>BAH</u>	<u>BAH</u>	<u>BAH</u>	<u>BAH</u>
<u>Pay Group A</u>						
Officers						
Enlisted	_____	_____	_____	_____	_____	_____
Subtotal						
<u>Pay Group B</u>						
Officers						
Enlisted	_____	_____	_____	_____	_____	_____
Subtotal						
<u>Pay Group F</u>						
Officers						
Enlisted	_____	_____	_____	_____	_____	_____
Subtotal						
<u>Pay Group P</u>						
Enlisted	_____	_____	_____	_____	_____	_____
<u>Mobilization Training</u>						
Officers						
Enlisted	_____	_____	_____	_____	_____	_____
Subtotal						
<u>School Training</u>						
Officers						
Enlisted	_____	_____	_____	_____	_____	_____
Subtotal						
<u>Special Training</u>						
Officers						
Enlisted	_____	_____	_____	_____	_____	_____
Subtotal						
<u>Administration and Support</u>						
Officers						
Enlisted	_____	_____	_____	_____	_____	_____
Subtotal						

Exhibit PB-30M Summary of BAH Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR HOUSING (BAH) (Continued)
(In Thousands of Dollars)

	<u>BAQ</u>	<u>FY 19PY</u> <u>VHA</u>	<u>BAH</u>	<u>FY 19CY</u> <u>BAH</u>	<u>FY 20BY1</u> <u>BAH</u>	<u>FY 20BY2</u> <u>BAH</u>
<u>ROTC</u>						
Senior ROTC						
Scholarship ROTC						
Branch Officers Basic Course						
Health Professions Scholarship						
Chaplain Candidate Program	_____	_____	_____	_____	_____	_____
Subtotal						
 <u>Total Program</u>						
Officers						
Enlisted						
ROTC/Other	_____	_____	_____	_____	_____	_____
 Total						

EXHIBIT PB-30M (Reserves) (page 2 of 2)

RESERVE PERSONNEL, _____
SUMMARY OF TRAVEL COSTS
(In Thousands of Dollars)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
<u>Pay Group A</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
 <u>Pay Group B</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
 <u>Pay Group F</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
 <u>Pay Group P</u>				
Officers				
 <u>Mobilization Training</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
<u>School Training</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
<u>Special Training</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				

RESERVE PERSONNEL,**SUMMARY OF TRAVEL COSTS (Continued)**

(In Thousands of Dollars)

	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY</u>	<u>FY 19BY2</u>
<u>Administration and Support</u>				
Officers				
Enlisted				
Subtotal				
<u>ROTC</u>				
Senior ROTC				
Scholarship ROTC				
Branch Officers Basic Course				
Health Professions Scholarship				
Chaplain Candidate Program				
Subtotal				
<u>Total Travel</u>				
Officers				
Enlisted				
ROTC/Other				
Total				

EXHIBIT PB-30N (Reserves) (page 2 of 2)

RESERVE OFFICER CANDIDATES (ROTC) ENROLLMENT

	<u>FY 19PY Actual</u>			<u>FY 19CY Estimate</u>			<u>FY 20BY1 Estimate</u>			<u>FY 20BY2 Estimate</u>		
	<u>Begin</u>	<u>Average</u>	<u>End</u>	<u>Begin</u>	<u>Average</u>	<u>End</u>	<u>Begin</u>	<u>Average</u>	<u>End</u>	<u>Begin</u>	<u>Average</u>	<u>End</u>
<u>Senior ROTC (Excluding Scholarship Program)</u>												
First Year												
Second Year												
Total Basic ROTC												
Third Year												
Fourth Year												
Total Advanced ROTC												
Total Senior ROTC Enrollment												
<u>Scholarship Program</u>												
First Year												
Second Year												
Total Basic ROTC												
Third Year												
Fourth Year												
Total Advanced ROTC												
Total Scholarship Enrollment												
<u>Total Enrollment</u>												
First Year												
Second Year												
Total Basic ROTC												
Third Year												
Fourth Year												
Total Advanced ROTC												
Total ROTC Enrollment												
Completed ROTC and Commissioned:												
Completed ROTC Commission Deferred:												

Exhibit PB-30S Reserve Officer Candidates (ROTC) Enrollment (Reserves)

RESERVE OFFICER CANDIDATES (ROTC) PROGRAM

Number of schools, civilian and military personnel associated with the ROTC program follow:

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>
Schools				
Civilian Personnel (End Strength)				
Military Personnel (End Strength)				

Note: These personnel are not paid by the Reserve Personnel appropriations. They are funded under the O&M and Active Military Personnel appropriations

Exhibit PB-30T Reserve Officer Candidates (ROTC) Program (Reserves)

RESERVE OFFICER CANDIDATES 1/

	<u>FY 19PY Actual</u>			<u>FY 19CY Estimate</u>		<u>FY 20BY1 Estimate</u>		<u>FY 20BY2 Estimate</u>	
	<u>Begin</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>
Navy Reserve Officer Candidates <u>2/</u>									
Aviation Reserve Officer Candidates									
Women Officer Candidates									
Total Reserve Officer Candidates									

1/ These personnel are college students who attend Reserve Officer Candidate Classes consisting of 45 days of summer training in each of two years.

2/ Or Platoon Leaders Class (RPMC).

Exhibit PB-30U Reserve Officer Candidates (Reserves)

FULL-TIME SUPPORT PERSONNEL
Reserve Personnel, _____
(End Strength)

FY _____

<u>ASSIGNMENT</u>	<u>AGR/TAR OFFICERS</u>	<u>AGR/TAR ENLISTED</u>	<u>AGR/TAR TOTAL</u>	<u>MILITARY TECHNICIANS*</u>	<u>MILITARY</u>	<u>CIVILIAN</u>	<u>TOTAL</u>
Individuals							
Pay/Personnel Centers							
Recruiting/Retention							
<u>Units:</u>							
Units							
RC Unique Mgmt Hqs							
Unit Spt-Navy RC							
Maint Act (non-unit)							
Subtotal							
<u>Training:</u>							
RC Non-unit Institutions							
RC Schools							
ROTC							
Subtotal							
<u>Headquarters:</u>							
Service Hqs							
AC Hqs							
AC Instal/Activities							
RC Chiefs Staff							
Others							
Subtotal							
Other							
TOTAL							

*Excludes ___ military technicians assigned to USSOCOM who are associated with the Special Operations Forces. (Identify the specific number of USSOCOM military technicians.)

Notes: Exhibit should be provided for each Reserve Component justification book. Data must be provided for prior year (PY), current year (CY), and budget years (BY1 and BY2). Civilian end strength should exclude military technicians.

Exhibit PB-30W Full-Time Support Personnel (Reserves)

Reserve Personnel,
Initial Active Duty For Training (IADT) Program
and Prior Service Enlistments
FY 19_____

	Nonprior Service <u>Enlistments</u> ^{1/}	Losses Prior to <u>IADT</u>	Awaiting IADT			Enter <u>IADT</u>	Losses During <u>IADT</u>	Completed <u>IADT</u>	In IADT <u>End Month</u>	Prior Service <u>Enlistments</u>
		<u>"L"</u>	<u>"P"</u>	<u>Total</u>						
Begin Strength										
October										
November										
December										
January										
February										
March										
April										
May										
June										
July										
August										
September										
Total										

Average Strength _____ Average Length of IADT _____ in days Average Number Trainees _____

NOTE: For ease in reading, a blank space of one or more lines should be left between each line where data is shown on a monthly basis.

^{1/} Include only initial enlistments.

Instructions for the Completion of Exhibit MPR-1

1. Separate exhibits should be prepared for the Prior Year (PY), Current Year (CY), Biennial Year 1 (BY1), and Biennial Year 2 (BY2).
2. Prior Year or Current Year Exhibits, as appropriate, should be footnoted to indicate the month through which actual data is shown.
3. If separate exhibits are prepared for male, female, etc. for any year, an additional exhibit which summarizes and combines the data from these separate exhibits will also be prepared for that year.
4. Accounting adjustments necessary to allow begin strength plus gains less losses to equal end strength for those months where actual data is shown should be included in the loss column(s). The exhibit should be footnoted to indicate that such an adjustment is included in the loss column and the amount of the adjustment for that fiscal year.
5. Monthly strengths shown for personnel "awaiting IADT" in a "P" status and "in IADT End of Month ("F" status) will agree with monthly strengths for Training Categories/Pay Groups "P" and "F", respectively, as shown in the Services' justification book.
6. Average number of trainees will be determined by dividing the average strength by the result of the average length of IADT in days divided by 360 days, i.e.:

Average Strength

Average Length of IADT in days
360 days

MPR-1, (Page 2 of 2)

Reserve Personnel, _____

Additional Training Assemblies

	<u>FY19PY</u>		<u>FY19CY</u>		<u>FY19BY1</u>		<u>FY 20BY2</u>	
	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>
<u>Flight Training Assemblies:</u>								

Authorized Number of:

Participants

Assemblies per individual

1. For flight training assemblies show the authorized number of participants and the authorized number of additional assemblies per individual.

Actual/Programmed:

Number of Participants

Average Number of Assemblies

2. For flight training and each type of additional training assembly show the actual (prior year) or estimated (current and budget (years (BY1 and BY2)) number of participants, actual or estimates average number of assemblies per participant, and the total number of assemblies

Total Assemblies

Civil Disturbance:

Number of Participants

Average Number of Assemblies

Total Assemblies

Training Preparation Assemblies:

Number of Participants

Average Number of Assemblies

Total Assemblies

Etc.

Exhibit MPR-2 Additional Training Assemblies

RESERVE PERSONNEL, _____

RECONCILIATION OF FUND CHANGES WITH PRIOR YEAR

(In Thousands of Dollars)

	<u>Amount</u>
FY 19PY Direct Program	\$
Increases:	
Pricing Increases	
(list separately - pay raise, inflation, etc. Provide the same level of detail as is required by the PB-30Q exhibit.)	
Total Pricing Increases	
Program Increases	
(list separately - new programs, grade growth, etc. Provide the same level of detail as is required by the PB-30Q exhibit.)	
Total Program Increases	
Total Increases	
Decreases:	
Pricing Decreases	
(list separately - retired pay NCP, etc. Provide the same level of detail as is required by the PB-30Q exhibit.)	
Total Pricing Decreases	
Program Decreases	
(list separately - force structure, PCS moves, etc. Provide the same level of detail as is required by the PB-30Q exhibit.)	
Total Program Decreases	
Total Decreases	
FY 19CY Direct Program	

NOTE: This schedule will separately include pricing and principal program changes and other actions resulting in increases or decreases between the prior year and the current year. Show increases and decreases at the Total Direct Program (appropriation) level. Changes resulting from pay raises, changes to the retired pay accrual NCP, manpower levels, etc., should be separately identified and each programmatic increase and decrease should be followed by a narrative statement explaining the change. Narrative associated with pricing changes should identify applicable rates and effective dates. Changes due to pay raise, inflation, force structure, etc., should not be grouped together by subactivity. Separate identification is required. When program changes are end strength related show the associated average strength changes.

Exhibit MPR-3 Reconciliation of Fund Changes with Prior Year
(page 1 of 2)

RESERVE PERSONNEL, _____

RECONCILIATION OF FUND CHANGES WITH PRIOR YEAR

Pay Group A 1/

(In Thousands of Dollars)

	<u>Amount</u>
FY 19PY Direct Program	\$
Increases:	
Pricing Increases	
(list separately - pay raise, inflation, etc. Provide the same level of detail as is required by the PB-30P exhibit.)	
Total Pricing Increases	
Program Increases	
(list separately - new programs, grade growth, etc. Provide the same level of detail as is required by the PB-30P exhibit.)	
Total Program Increases	
Total Increases	
Decreases:	
Pricing Decreases	
(list separately - retired pay NCP, etc. Provide the same level of detail as is required by the PB-30P exhibit.)	
Total Pricing Decreases	
Program Decreases	
(list separately - force structure, PCS moves, etc. Provide the same level of detail as is required by the PB-30P exhibit.)	
Total Program Decreases	
Total Decreases	

FY 19CY Direct Program

1/ Provide for each subactivity and show the full subactivity title, e.g., Pay Group A, Pay Group F, etc.

NOTE: This schedule will include principal program changes and other actions resulting in increases or decreases between the prior year and the current year. Show increases and decreases for each of the subactivities included in the Reserve/Guard Personnel. Changes resulting from pay raises, changes to the retired pay NCP, manpower levels, etc., should be separately identified and each programmatic increase and decrease should be followed by a narrative statement explaining the change. Narrative associated with pricing changes should identify applicable rates and effective dates. Changes due to pay raise, inflation, force structure, etc., should not be grouped together by subactivity. Separate identification is required. When program changes are end strength related show the associated average strength changes.

EXHIBIT MPR-3 (page 2 of 2)

Reserve Personnel, _____
Education Benefits
(Title 10 USC, Chapter 106)

<u>Program</u>	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 20BY1</u>	<u>FY 20BY2</u>	<u>FY 20BY2+1</u>	<u>FY 20BY2+2</u>	<u>FY 20BY2+3</u>	<u>FY 20BY2+4</u>
Enlistments (6-Year Contracts) # <u>1/</u>								
Reenlistments (6-Year Contracts) # <u>1/</u>								
Extensions (6-Year Contracts) # <u>1/</u>	_____	_____	_____	_____	_____	_____	_____	_____
Total Number 6-Year Commitments								
Rate - Per Capita Amount (\$)								
Total Per Capita Amount (\$000)								
Unfunded Liability (\$000)								
Total Education Benefit Program (\$000)	_____	_____	_____	_____	_____	_____	_____	_____

1/ To reflect the number of enlistments, reenlistments and extensions of at least six years.

NOTE: Per Capita Cost rates will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits including justification for Budget Activity 2U, Education Benefits.

Exhibit MPR-4 Education Benefits (Title 10 USC, Chapter 106)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
(In Thousands of Dollars)

	<u>FY 19PY</u>						<u>FY 19CY</u>						<u>FY 20BY1</u>						<u>FY 20BY2</u>					
	<u>Basic Pay</u>			<u>Retired Pay</u>			<u>Basic Pay</u>			<u>Retired Pay</u>			<u>Basic Pay</u>			<u>Retired Pay</u>			<u>Basic Pay</u>			<u>Retired Pay</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
<u>Total Direct Program</u>																								
Full-time																								
Part-time																								
Total																								
<u>Total Reimbursable Program</u>																								
Full-time																								
Part-time																								
Total																								
<u>Total Program</u>																								
Full-time																								
Part-time																								
Total																								
	<u>FY 20BY2+1</u>						<u>FY 20BY2+2</u>						<u>FY 20BY2+3</u>						<u>FY 20BY2+4</u>					
	<u>Basic Pay</u>			<u>Retired Pay</u>			<u>Basic Pay</u>			<u>Retired Pay</u>			<u>Basic Pay</u>			<u>Retired Pay</u>			<u>Basic Pay</u>			<u>Retired Pay</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
<u>Total Direct Program</u>																								
Full-time																								
Part-time																								
Total																								
<u>Total Reimbursable Program</u>																								
Full-time																								
Part-time																								
Total																								
<u>Total Program</u>																								
Full-time																								
Part-time																								
Total																								

Exhibit MPR-5 Summary of Basic Pay and Retired Pay Accrual Costs

Active Reserve/Guard (AGR) Personnel Costs
Reserve Personnel, _____1/

OFFICERS

	<u>PY Actual</u>			<u>CY Estimate</u>			<u>BY1 Estimate</u>			<u>BY2 Estimate</u>		
	<u>Average</u>			<u>Average</u>			<u>Average</u>			<u>Average</u>		
	<u>Strength</u>	<u>Rate</u>	<u>Amount</u>	<u>Strength</u>	<u>Rate</u>	<u>Amount</u>	<u>Strength</u>	<u>Rate</u>	<u>Amount</u>	<u>Strength</u>	<u>Rate</u>	<u>Amount</u>
<u>Basic Pay By Grade</u>												
0-8												
0-7												
0-6												
etc.												
Subtotal												
<u>Retired Pay 2/</u>												
<u>Special/Incentive</u>												
Pay 2/												
Clothing Allowances 2/												
BAS 2/												
BAH 2/												
FICA 2/												
Other (Specify by listing separately) 2/												
Subtotal												
TOTAL 3/												

ENLISTED (Same format as for Officers)

1/ Required for Reserve and Guard personnel appropriations.

2/ Composite total. By grade data not required except for basic pay.

3/ Total must be consistent with total Pay and Allowances included in Administration and Support section of justification book.

Exhibit MPR-6 Active Reserve/Guard (AGR) Personnel Cost

CHAPTER 3
OPERATION AND MAINTENANCE
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CHAPTER 3

★July 1998

OPERATION AND MAINTENANCE APPROPRIATIONS**0301 GENERAL****030101 Purpose**

A. This Chapter covers the budget formulation and congressional justification requirements for operation and maintenance appropriations.

B. The following appropriations and accounts are covered:

Section

030201

- Operation and Maintenance, Army
- Operation and Maintenance, Army Reserve
- Operation and Maintenance, Army National Guard
- Operation and Maintenance, Navy
- Operation and Maintenance Navy Reserve
- Operation and Maintenance, Marine Corps
- Operation and Maintenance, Marine Corps Reserve
- Operation and Maintenance, Air Force
- Operation and Maintenance, Air Force Reserve
- Operation and Maintenance, Air National Guard
- Operation and Maintenance, Defense-Wide
- Office of the Inspector General
- Defense Health Program
- Former Soviet Union Threat Reduction
- Overseas Contingency Fund
- Overseas Humanitarian, Disaster, and Civic Aid
- Support of International Sporting Competition, Defense

030202

- United States Court of Military Appeals for the Armed Forces

030203

- Civil Functions

030102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 3 covers specific back-up material requirements for the above accounts. The Components should also consult all of the other chapters for exhibit requirements for the above appropriations/accounts that are not specifically addressed in this chapter including Chapter 19 - Other Special Analyses.

030103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapters 8 (Real Property Maintenance/Minor Construction), 12 (Defense Health Program), and 19 provide additional specific guidance with regard to the back-up material required in this section of the manual.

030104 References

Section 010212 provides policies and definitions concerning costs that are to be financed by the O&M appropriations as opposed to other appropriations in the Research, Development, Test and Evaluation (RDT&E) area. Section 010201 provides policies and definitions regarding the application of expenses and investment criteria for budgetary purposes.

0302 BUDGET ESTIMATES SUBMISSION**030201 Operations Accounts**

A. Purpose. This Section prescribes justification materials required to support the budget estimates for the following operations accounts.

- Operation and Maintenance, Army; Army Reserve; and Army National Guard
- Operation and Maintenance, Navy and Navy Reserve
- Operation and Maintenance, Marine Corps and Marine Corps Reserve
- Operation and Maintenance, Air Force; Air Force Reserve; and Air National Guard
- Operation and Maintenance, Defense-Wide
- Office of the Inspector General
- Defense Health Program
- Former Soviet Union Threat Reduction
- Support for International Sporting Competitions, Defense
- U.S. Court of Appeals for the Armed Forces

B. Submission Requirements. All Operation and Maintenance appropriations are required to submit the back-up exhibits listed in the following table, if appropriate. Examples of these exhibits, along with instructions for their preparation, are provided in Section 0304. The Components should also consult all of the other chapters for exhibit requirements which are not specifically addressed in this chapter including Chapter 19 - Other Special Analyses.

OPERATIONS ACCOUNTS EXHIBITS

Exhibit Number	Exhibit Title	Components Required to Submit
O-1	O&M Funding by Budget Activity/Activity Group/Subactivity Group	All including DW
OP-5	<i>Detail by Subactivity Group</i>	All
OP-5	Attachment 1 - JCS Exercise Program	All
OP-5	Attachment 2 - Base Operation Support	All
OP-5	Attachment 3 - Transportation Costs	All
OP-5	Attachment 4 - Real Property Maintenance (RPM) and Minor Construction (Chapter 8)	All
OP-5	Attachment 5 - Training	All
OP-8	Civilian Personnel Costs	All*
OP-8	Reimbursable Civilian Personnel Costs, Part 2	All*
OP-9	<i>Analysis of Changes in Full-Time Equivalent (FTE) Costs</i>	All*
OP-14	Individual Training Data (Parts A – F, Attachments 1 & 2)	All
OP-15,A,B	Department of Defense Overseas Dependents' Schools	OUSD(P&R)
OP-16	Department of Defense Section 6 Schools	OUSD(P&R)
OP-20	Analysis of Navy Flying Hour Program - Summary	Navy
OP-20A	Analysis of Navy Flying Hour Program - Tactical Aircraft	Navy
OP-20B	Analysis of Navy Flying Hour Program - Fleet Training	Navy
OP-20C	Analysis of Navy Flying Hour Program - Fleet Support	Navy
OP-20D	<i>Analysis of Army Flying Hour Program</i>	Army
OP-20E	<i>Analysis of Air Force Flying Hour Program</i>	Air Force
OP-24	<i>Emergency and Extraordinary Expense Limitation</i>	All**
OP-26	POL Consumption and Costs	All*
OP-27	Real Property Maintenance (RPM) Activities (Chapter 8)	All
OP-27P	Real Property Maintenance and Minor Construction - Projects Costing More than \$500,000 (Chapter 8)	All
OP-28	Summary of Major Repair Projects (Chapter 8)	All
OP-30	<i>Depot Maintenance Program</i>	All
OP-31	Funding for Defense Working Capital Funded Depot Level Repairables (DLRs)	All
OP-32	<i>Summary of Price and Program Changes</i>	All
OP-33	Reconciliation of Average Strength/FTEs in NATO European Countries	All
OP-34	<i>Appropriated Fund Support for Morale, Welfare, & Recreation (MWR) Activities</i>	All
OP-40	Ship Fuel and Operating Tempo Data	Navy
OP-41	Ship Operating Cost Data	Navy
OP-44	Military Personnel Assigned to Ship and Aircraft Squadrons	Navy
OP-50	Operation and Maintenance, Air Force – Units by Program Element	Air Force
OP-58	Operation and Maintenance, Air Force – Analysis of Air Force POL	Air Force
OP-71	Organizational Clothing and Equipment	Army Reserve/Guard
OP-73	Repair Parts	Army Reserve/Guard
OP-78	<i>Force Structure Data</i>	Air Force
OP-80	<i>Aircraft Repair/Modification and Engine Overhaul</i>	Air Force
PB-31D	<i>Summary of Increases and Decreases</i>	All

* Also required to be submitted by applicable RDT&E, Military Construction, Family Housing, Defense Working Capital Fund, etc., accounts.

** Include BY2 on this exhibit as information is required for the public law.

C. Preparation of Material. The following instructions pertain to the back-up material required by this Section.

1. The information will cover the prior year (PY), current year (CY), biennial budget year 1 (BY1), and biennial budget year 2 (BY2), unless otherwise indicated.

2. Operation and Maintenance data will be submitted in terms of obligations.

3. Additional data may be provided by expanding the prescribed formats and exhibits, or by cross-referencing to additional exhibits, where prescribed material is considered inadequate to justify requested programs or estimates. No prescribed material may be omitted unless inapplicable or unless the omission is specifically approved by the OUSD(C) P/B. The inapplicable stubs and column headings may be omitted but will not be redesignated when completing standard exhibits.

4. The purpose of the back-up exhibits is to describe the program and justify the estimates. If the data collection systems or management systems utilized provide for cost accounts or program units or workload indicators different from those specified in this section, Components should request OUSD(C) P/B to change the provisions of this regulation.

5. The use of annex exhibits to reduce bulk is encouraged providing the required material is fully covered and presented in a logical manner. Machine printouts of required data will be accepted but should be designed to minimize bulk. Narrative data related to machine printouts should be assembled with the most appropriate page of the printout in a consistent manner.

D. OMB Circular No. A-11.

The Components must submit any additional exhibits required by OMB Circular No. A-11. Consult OMB Circular No. A-11 for instructions pertaining to the completion of the required exhibits.

E. Real Property Maintenance and Minor Construction.

All Components (i.e., Active Forces, Defense-Wide, National Guard and Reserve Forces) shall submit justification data and exhibits to support budget estimates for real property maintenance and minor construction, in a separate bound attachment, as prescribed in Chapter 8. Two additional copies of this attachment will be delivered to: Director for Military Construction, OUSD(C) P/B, Room 3D840, Pentagon, on the same date as all other submissions required under this chapter. Examples of these exhibits, along with instructions for their preparation, are provided in Chapter 8. Additionally, each Component must ensure that the OP-5 (Part 2) attachment 5 (Real Property Maintenance and Minor Construction) in Section 030402 of this regulation is submitted to the Military Construction Directorate (Room 3D840).

OP-27 Real Property Maintenance Activities (Each O&M Appropriation)

OP-27P Real Property Maintenance and Minor Construction Projects (All Appropriations – Projects Costing More than \$500,000)

OP-28 Summary of Major Repair Projects (Each O&M Appropriation)

F. Copies of back-up material in support of budget estimates will be submitted as identified in Section 010302. Two additional copies of the OP-5 exhibits for Information Security Programs will be delivered to Director for Military Construction, OUSD(C) P/B, Rm 3D840, Pentagon, on the same date as all other submissions required under this Chapter.

G. Automated Submissions.

1. Automated submissions are required for the following exhibits for both the OSD/OMB Budget Estimate Submission and the President's budget request:

OP-8 Civilian Personnel Costs
OP-26 POL Consumption and Costs
OP-32 Price and Program Growth

All questions about the automated submission should be referred to:

OUSD(C), Operations and Personnel Directorate
Attn. O&M Production Assistant
1100 Defense, Pentagon, Room 3D868
Washington, D.C., 20301-1100
Telephone (703) 697-3101, Ext 18

2. In addition to the appropriations and accounts listed in Section 030201, an OP-32, Price and Program Growth, Exhibit for both the OSD/OMB submission and the President's budget request will be submitted for the following appropriations and accounts:

- Environmental Restoration, Army
- Environmental Restoration, Navy
- Environmental Restoration, Air Force
- Environmental Restoration, Defense
- Environmental Restoration, Formerly Used Sites
- Defense Against Weapons of Mass Destruction
- Emergency Response Fund, Defense
- OPPLAN 34 A-35 P.O.W.
- Overseas Contingency Operations Transfer Fund, Defense
- Special Olympics World Games
- Quality of Life Enhancements, Defense

3. The automated data should be generated by the *Comptroller* computer software provided by *downloading it from the Internet Website*. If this cannot be done, alternative arrangements must be made beforehand. The data may be entered into the software manually or *imported* from an external file. Directions for its use, as well as the information presented here, are included in the software.

4. When *importing* external data, it must conform to prescribed criteria. The precise format of the data varies between the exhibits. Specific information is provided in the software. For ASCII data files, the following general guidelines apply:

Negative entries should be identified with a minus sign adjacent to the left most digit.

Data entered will be right justified within the data field.

No commas in numbers over 999.

Zero padding is unnecessary.

Records that have all zero data fields are unnecessary.

5. The submitted data must be either delivered on a standard, DOS-formatted diskette (3.5" or 5.25") or mailed electronically. If delivered on a diskette, the diskette must identify the office of origin and the name and telephone number for who is capable of answering questions about the automated submission.

6. The software provides reports, which duplicate the related exhibits, as well as other reports. *The responsible personnel must review and compare the automated data against the submitted official paper copy*

exhibits and make corrections and adjustments prior to submitting the data to the Comptroller POC. THE REPORTS GENERATED BY THE SOFTWARE MUST MATCH THE SUBMITTED OFFICIAL PAPER COPY SUBMISSION EXHIBITS. Any deviations must be approved in advance. Data with deviations that is submitted without prior approval will be returned to the responsible personnel to be corrected and resubmitted.

7. Identification codes are provided in the software. Any new codes, which are required, will be assigned by the Director for Operations and Personnel, OUSD(C) upon request.

030202 U.S. Court of Military Appeals for the Armed Forces

A. Purpose. This Chapter prescribes budget justification backup requirements for the appropriation “United States Court of Appeals for the Armed Forces.”

B. Submission Requirements.

1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following:

- Appropriation Language. Submit justification for proposed changes.
- Purpose and Scope. Describe the missions and functions of the Court of Military Appeals.
- Summary of Obligations by Object Classification.
- Summary of Personnel by Grades. Show the number of civilian positions in each grade, the number of statutory positions, total permanent positions, lapse, and workyears.
- Summary of Price and Program Changes.
- Explanation of Estimate. Explain changes in costs and provide a statement of case workload and opinions rendered.
- Also include applicable exhibits required by Section 030201 and any of the other chapters of this regulation including Chapter 19 – Other Special Analyses.

2. Chapter 1 identifies copies of the above material required.

030203 Civil Functions-Operation and Maintenance

A. Purpose. This Chapter prescribes budget justification backup requirements for the civil functions appropriations.

B. Cemeterial Expenses (Department of the Army).

1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following. All data will be provided for the past, current, biennial budget year 1, and biennial budget year 2 fiscal years.

- Appropriation Language. Submit justification for proposed changes.
- Multiyear Financial Plans. Show budget authority and outlays by budget project and in total for the past, current, biennial budget year 1, and biennial budget year 2 fiscal years and for four subsequent fiscal years. Also show planned end-of-year employment (permanent positions and other positions) by budget project and in total for the same years.

- Analysis of Budget Authority (BA) and Outlays. Show BA and outlays by budget project and in total. Also show the difference between the biennial budget year 1 and the current year and the outlays in the biennial budget year 1 resulting from BA in the biennial budget year 1. Also show the difference between the biennial budget year 2 and the biennial budget year 1 and the outlays in the biennial budget year 2 resulting from BA in the biennial budget year 2.

- Program and Performance. Describe the major workload considerations and activity factors on which the estimates for each budget project have been based.

- Summary of Obligations by Object Classification.

- Statement Relating Past Year, Current Year, Biennial Budget Year 1, and Biennial Budget Year 2 Programs. List the increases and decreases necessary to reconcile the obligations incurred in each year with an analysis by budget project showing the obligations for each year and the related increases and decreases between each year.

- Project 0861 - Operation and Maintenance. Provide narrative justification and amounts for each project classification within the project. Separately identify yearend employment and workyears for supervisory, interment and maintenance categories.

- Project 0864 - Administration. Provide narrative justification and amounts for each object classification within the project. Separately identify year end employment and workyear for National Cemetery activities, headstone activities, and administrative services and staff planning.

- Project 0865 - Special Construction, Arlington National Cemetery.

a. Provide amounts by each object classification within the project. Separately identify yearend employment and workyears.

b. List and provide a narrative justification and amount for each planned construction or development project.

- Report of Motor Vehicle Data. Provide the following summary:

a. Fleet as of October 1.

b. Acquisitions:

(1) New orders placed

(2) By forfeiture

(3) By transfer

c. Number disposed of (deduct):

(1) Disposals accomplished (carryover)

(2) Disposals accomplished (newly scheduled)

d. Vehicles replaced (newly scheduled).

e. Active fleet, September 30 (a + b + c).

f. Vehicles unused on a term basis (add).

g. Total vehicles available full-time (e + f).

h. Obligations for vehicles ordered.

- Personnel Justification. Submit Exhibit OP-8, which is described in Section 030201 and an example of which is found in Section 0304

2. Chapter 1 identifies copies required of the above material.

C. Wildlife Conservation, Etc., Military Reservations.

1. In addition to the Program and Financing Schedule and Personnel Summary, submit an Exhibit OP-5 prescribed in Section 030201 and an example of which is provided in Section 0304.

2. Chapter 1 identifies copies required of the above material.

0303 CONGRESSIONAL JUSTIFICATION/PRESENTATION**030301 Purpose**

This Section presents the justification book organization and the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 0304.

030302 Organization of Justification Books

A. Justification Books will be organized into separate books for each appropriation. The only exceptions to organizing justification books into separate books for each appropriation are for the United States Court of Military Appeals for the Armed Forces, Office of the Inspector General, and the Environmental Restoration appropriations. These should be included in the same book as the Defense-Wide. The Defense Health Program (DHP) will be a separate justification book. The procurement and RDT&E DHP budget activities will follow the organization prescribed for the procurement and RDT&E appropriations in Chapters 4 and 5, respectively.

B. *Justification books for the Active Component of each Military Service should be organized into two volumes (in separate books) as follows:*

Volume I - "Justification of Estimates for Fiscal Years BY1 and BY2"

Volume II - "Data Book"

Reserve and National Guard Components should combine the above volumes into one book for each Component.

C. *The justification books for the Operation and Maintenance, Defense-Wide appropriation will include a classified volume in addition to the two volumes required for the active components.*

D. Volume I - Justification of O&M Estimates for Fiscal Years BY1 and BY2. The Operation and Maintenance (O&M) Justification Books will be submitted on an operations basis to include active military force personnel strength, Reserve and National Guard personnel strength, and civilian personnel. (Related dollars financed from the active and Reserve military personnel appropriations, however, should not be included.) The content and arrangement of exhibits for the operations accounts are indicated at the end of this section. Applicable exhibits for the Reserve and Guard Component operations accounts will be consistent with the active operations accounts. Exhibit formats are provided in Section 0304. Separate volumes for active and reserve component operation appropriations will be submitted. Funds for the National Foreign Intelligence Program (NFIP), Tactical Intelligence Related Activities (TIARA), or Joint Military Intelligence Program (JMIP) will be specifically identified. Justification classification will not exceed that required for other operations funds.

E. Volume II - Data Book. *The Data Book will include summary and special interest exhibits as well as the Real Property and Minor Construction exhibits. The content and arrangement of exhibits for the operations accounts are included at the end of this section.*

Two copies of exhibits required for the Real Property Maintenance and Minor Construction section of Volume II, including the Reserve and National Guard Component exhibits, will be submitted for review and approval to the Directorate for Construction, OUSD(C) P/B, Pentagon, Room 3D840. In addition, the OP-28, Summary of Major Repair Projects (Chapter 8) will be provided with the review copies of Volume II.

F. Additional Accompanying Exhibits. Although not to be included in any of the Justification Books submitted to Congress, the exhibits at the end of this section are required to be submitted to the OUSD(C) P/B Directorate for Operations and Personnel, Pentagon, Room 3D868, simultaneously with the submission of the other budget justification material. These exhibits are not to be included in Justification Books submitted to the Congress.

Examples are provided in Section 0304 (O&M), Chapter 13 (Defense Environmental Restoration Program), or Chapter 19 (Other Special Analyses).

G. O&M Overview. The Operation and Maintenance Overview exhibits (PBA-xx) are required for submission to the OUSD(C) P/B Directorate for Operations and Personnel, Pentagon, Room 3D868. Specific suspense dates will be furnished in the annual budget justification call memorandum supporting the President's budget request. The parent service is responsible for ensuring that all required data including Reserve Component appropriations are submitted.

Exhibit formats are provided in Section 0304. Each exhibit must provide narrative data to explain price and program changes between all fiscal years displayed. *In addition, Components are responsible for cross checking data among the exhibits to ensure data provided is consistent among all PBA exhibits and all other exhibits supporting the President's budget request, including the backup exhibits.*

Two copies of each exhibit are required and will identify the Component, exhibit number and title, *date prepared*, and name/telephone number of the responsible point of contact for the exhibit. The exhibits will be consolidated at the Operation & Maintenance title level for printing and submission to the Congress. The Defense Agencies should provide as a minimum the PBA-19 and the PBA-20 *exhibits* and address resource requirements in one or more of the major mission categories as appropriate.

ORGANIZATION/EXHIBIT REQUIREMENTS**VOLUME I - JUSTIFICATION OF O&M ESTIMATES FOR FISCAL YEARS BY1 AND BY2**Table of Contents

Section I	Introductory Statement (use the PBA 19 exhibit - Appropriation Highlights)
Section II	O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group
Section III	OP-5 Operation and Maintenance Detail by Subactivity Group (Exhibit formats are provided in Section 0304)

VOLUME II - DATA BOOKTable of ContentsSection I - Special Analyses (examples provided in Section 0304 and Chapters 13 and 19)

<i>OP-30</i>	<i>Depot Maintenance Program (pages 1 and 2 only)</i>	
<i>OP-32*</i>	<i>Appropriation Summary of Price/Program Growth</i>	
<i>OP-34</i>	<i>Appropriated Fund Support for MWR Activities</i>	
<i>PB-15</i>	<i>Advisory and Assistance Services</i>	(CH. 19)
<i>PB-22**</i>	<i>DoD Management Headquarters</i>	(CH. 19)
<i>PB-55</i>	<i>International Military Headquarters</i>	(CH. 19)
<i>PB-28/28A</i>	<i>Summary of Budgeted Environmental Projects</i>	(CH. 19)
<i>PB-31D</i>	<i>Summary of Funding Increases and Decreases</i>	
<i>PB-31M</i>	<i>Military Bands</i>	
<i>PB-31Q**</i>	<i>Manpower Changes in FTEs</i>	
<i>PB-24</i>	<i>Professional Military Education</i>	(CH. 19)
<i>Env-30A-C</i>	<i>Defense Environmental Restoration Program</i>	(CH. 13)

* Automated submission is also required.

** **Input from Reserve and Guard organizations are to be consolidated by the parent Component (i.e., Army, Navy, Air Force) for submission to OSD. Guard and Reserve organizations should not include these exhibits in their submission.**

Section II - Real Property and Minor Construction (examples provided in Chapter 8)

OP-27	Backlog of Maintenance and Repair
OP-27P	Real Property Maintenance and Minor Construction Projects (All Appropriations - Projects Costing more than \$500,000)
PB-34	Revenue from Transfer or Disposal of DoD Real Property and Revenue from Leasing Out DoD Assets

ADDITIONAL ACCOMPANYING EXHIBITS *

OP-8**	Civilian Personnel Costs (All Appropriations/Funds)	
OP-9	<i>Analysis of Changes in FTE Costs (All Appropriations/Funds)</i>	
OP-14	Individual Training Data (Parts A – F, Attachments 1 & 2)	
OP-15,A,B	Department of Defense Overseas Dependents' Schools	
OP-16	Department of Defense Section 6 Schools	
OP-20,A,B,C	Analysis of Navy Flying Hour Program	
OP-20D	Army Flying Hour Program	
OP-20E	<i>Air Force Weapon Systems/Flying Hour Cost Data</i>	
OP-24	Emergency and Extraordinary Expense Limitation	
OP-26**	POL Consumption and Costs (All Appropriations/Funds)	
OP-28	Maintenance of Real Property Facilities	(CH. 8)
OP-31	Funding for Defense Working Capital Funded Depot Level Repairables (DLRS)	
OP-33	Reconciliation of Increases and Decreases in workyears/FTEs in NATO European Countries	
OP-34	<i>Appropriated Fund Support for Morale, Welfare, and Recreation Activities</i>	
OP-40	Ship Fuel Data	
OP-41	Ship Operating Data	
OP-44	Military Personnel Assigned to Ship and Aircraft Squadrons	
OP-50	Operation and Maintenance, Air Force – Units by Program Element	
OP-53, 53A	Overseas Cost Report	(CH. 15)
OP-58	Operation and Maintenance, Air Force – Units by Program Element	
OP-71	Organizational Clothing and Equipment – Army Reserve	
OP-73	Repair Parts – Army Reserve	
OP-78	<i>Force Structure Data</i>	
OP-80	<i>Aircraft Repair/Modification & Engine Overhaul</i>	
PB-14	<i>Functional Transfers</i>	(CH. 19)
PB-16	<i>Legislative Proposals</i>	(CH. 19)
PB-17	<i>Employee Relocation Expenses</i>	(CH. 19)
PB-18	<i>Foreign Currency Exchange Data</i>	(CH. 19)
PB-19	<i>Contract Reporting by Appropriation</i>	(CH. 19)
PB-25	<i>Host Nation Support</i>	(CH. 19)
PB-41	<i>Administrative Motor Vehicle Operations</i>	(CH. 19)
PB-42	<i>Competition and Privatization (formerly Commercial Activities)</i>	(CH. 19)
PB-50	<i>Child Development, School-Age Care (SAC), Family Centers, and Family Advocacy Programs</i>	(CH. 19)
PB-54	<i>Civilian Personnel Hiring Plan</i>	(CH. 19)

* To be submitted separately to OUSD(C) P/B, Operations and Personnel Directorate (Pentagon, Room 3D868)

** Automated submission is also required.

O&M OVERVIEW

<u>PBA #</u>	<u>TITLE</u>
PBA 2	Air Operations
PBA 3	Ship Operations
PBA 4	Land Forces
PBA 5	Depot Maintenance Program
PBA 7	Real Property Maintenance (Chapter 8)
PBA 8	Training and Education
PBA 9	Defense Health Program
PBA 10	Base Operations Support
PBA 11	Reserve Forces
<i>PBA 12</i>	<i>Command, Control, and Communications</i>
PBA 13	Transportation
<i>PBA 15</i>	<i>Commissary Support</i>
PBA 16	Management Headquarters
PBA 17	Recruiting, Advertising, and Examining
PBA 19	Appropriation Highlights
PBA 20	Manpower Data (Civilian, Military, Selected Reserve/National Guard)
PBA 21	Key Activity Indicators
PBA 22	Mobilization
PBA 25	Summary of Functional Transfers and Realignments
PBA 26	Special Operations Forces (USSOCOM only)

Note: All exhibits have been revised to reflect price and program changes.

0304 OPERATION AND MAINTENANCE APPROPRIATION SUBMISSION FORMATS**030401 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in submission budget call memoranda, these formats should be utilized.

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<i>PB-31M Military Bands</i>	<i>187</i>
<i>PB-31Q Manpower Changes in Full-Time Equivalent</i>	<i>188</i>

O-1 EXHIBIT

FY ____ Budget Estimates
Operation and Maintenance, _____

(\$ in Thousands)

FY PY

FY CY

FY BY1

FY BY2

Budget Activity 1, Operating Forces

Provide Budget Activity, Activity Group, and
Subactivity subtotals funding levels.

Activity Group

Subactivity

Subactivity

etc.

Subtotal

Total Activity Group

Activity Group

Subactivity

Subactivity

etc.

Subtotal

Total Activity Group

Budget Activity 2, Mobility Operations

etc.

Budget Activity 3, Training and Recruiting

etc.

Budget Activity 4, Administration and Servicewide Support

etc.

Total Operation and Maintenance, _____

Exhibit O-1
(Page 1 of 2)

Instructions for O-1

All O&M Components except Defense Agencies must submit a hard copy O-1 for both the OSD/OMB and congressional submissions. In addition, the O-1 must be submitted in automated format for the congressional submission. This should be done in Excel or Lotus format, according to the instructions below:

Lotus Format:

- 3 1/2 inch high density disk with a blank O-1 in Excel or Lotus format will be provided to Components to enter funding amounts by subactivity.
- Enter funding data in thousands of dollars.
- Subtotals will automatically calculate for Budget Activity and Appropriation; do not enter any subtotals.
- The existing numerical line item identifiers must be maintained for each subactivity. Only if a particular subactivity no longer applies for the current submission should the line be deleted.
- New subactivities may be entered by inserting a line with an additional line item identifier, following the existing line item sequence. Enter the title of the new subactivity in all capital letters. The funding entered for each new line will be included in the subtotals and totals.

INSTRUCTIONS FOR PREPARATION OF OP-5

1. The OP-5 is a multi-purpose summary document. The Operation and Maintenance account is generally stratified into three levels: Level 1, Budget Activity (BA); Level 2, Budget Activity Group (BAG); and Level 3, Subactivity Group (SAG). The OP-5 is to be submitted at the SAG level by Service for each of the Operation and Maintenance appropriations for both the Budget Estimates Submission (BES) and the President's budget submission. The Defense Agencies/Activities are required to submit this exhibit at the lowest level of their budget structure. The purpose of the OP-5 is to provide a summary of and justification for changes in the level of resources required for each SAG.

2. Each of the O&M appropriations listed below, will be supported by OP-5 Exhibits.

Operation & Maintenance, Army, Army Reserve, and Army National Guard
Operation & Maintenance, Navy and Navy Reserve
Operation & Maintenance, Marine Corps and Marine Corps Reserve
Operation & Maintenance, Air Force, Air Force Reserve, and Air National Guard
Operation & Maintenance, Defense-Wide
Defense Health Program
Former Soviet Union Threat Reduction
Office of the Inspector General
United States Court of Military Appeals for the Armed Forces
Wildlife Conservation, Etc., Military Reservations
Overseas Humanitarian, Disaster, and Civic Aid
Support of International Sporting Competition, Defense

3. The OP-5 provides essential information for justification of the OSD and President budget estimates. The "Reconciliation of Increases and Decreases" portions of Section III should identify what changes are occurring and explain why the changes are occurring and why they are necessary.

4. The FY PY estimate column of the OSD submit should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submit, the FY PY column will reflect actuals and agree with the data reflected in the certified DD Comp 1002 report for September.

5. The "Reconciliation of Increases and Decreases" section will be included in the OP-5 for both the OSD budget submission and the President's budget submission. Reconciliations will show all changes from fiscal year to fiscal year and, for the current year, a track from the estimate requested in the previous President's budget. Specifically display:

- The FY BY estimate in the previous President's budget submission to the current FY CY estimate included in this submission,
- The current FY CY estimate to FY BY1 estimate reflected in this submission,
- The FY BY1 estimate to the FY BY2 estimate included in this budget submission.

6. Performance criteria are required on the OP-5 *and should support the dollar amounts being requested*. Performance criteria for some subactivity groups are specified in the attachments to the OP-5.

7. Personnel summaries are required for each subactivity group and for each Defense Agency.

8. Classified information will be eliminated from all O&M justification books except for Defense Agencies.

COMPONENT NAME 1/
Operation and Maintenance, _____
Budget Activity _____
Activity Group _____
Detail by Subactivity Group _____

I. Description of Operations Financed: Provide a narrative explanation characterizing the mission and major functions funded in the subactivity group. Include a separate explanation for each subactivity shown in Section IIIA. below. These explanations should address significant program initiatives/actions included in the budget.

II. Force Structure Summary: Provide a narrative explanation and identification of force structure supported by funding in this subactivity group.

III. Financial Summary (O&M: \$ See note): 2/

		<u>FY CY</u>				
		<u>FY PY</u>	<u>Budget</u>	<u>Current</u>	<u>FY BY1</u>	<u>FY BY2</u>
		<u>Request</u>	<u>Appropriation</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
A. <u>Subactivity Group</u>	<u>Actuals</u>					
1. Subactivity						
2. Subactivity						
3. Etc.						
Total						
B. <u>Reconciliation Summary:</u>		<u>Change</u>		<u>Change</u>		<u>Change</u>
		<u>FY CY/FY CY</u>		<u>FY CY/FY BY1</u>		<u>FY BY1/FY BY2</u>
Baseline Funding						
Congressional Adjustments		NA	NA			
Supplemental Request						
Price Change						
Functional Transfer						
Program Changes						
Current Estimate						

Instructions: For the changes in the Current Fiscal Year (FY CY), provide information from the President's budget request for that fiscal year to the current estimate in this submission for that same fiscal year. For the changes from the FY CY to the FY BY1 and from the FY BY1 to the FY BY2, use the current estimate.

1/ The O&M budget is generally stratified into three levels: Level 1, Budget Activity (BA); Level 2, Budget Activity Group (BAG); and Level 3, Subactivity Group (SAG). The O&M budget structure for some Defense Agencies/Activities stops at the BA or BAG level. The Defense Agencies/Activities are required to submit this exhibit at the lowest level of their budget structure.

2/ Services: \$ in Tenths of Millions; **Defense Agencies/Activities:** \$ in Thousands.

COMPONENT NAME 1/

Operation and Maintenance, _____

Budget Activity_____

Activity Group_____

Detail by Subactivity Group_____

C. Reconciliation of Increases and Decreases: Provide a trail of changes from the previous President's budget request for the current FY CY in this submission to the appropriated amount for the current FY CY in this submission to the current estimate for FY CY in this submission; from the FY CY current estimate to the FY BY1 estimate; and from the FY BY1 estimate to the FY BY2 estimate. Provide a single entry in each year for price changes. Itemize and justify the major program changes in each year (**provide the baseline in dollars to which the increase or decrease applies**). Such justification should clearly explain programmatic changes in resource levels including why increases are required or decreases occur. Additionally, the narrative justification should relate cost to force structure changes, performance criteria, work load and manpower data, as well as identify the impact if requested changes are not funded. Also see the general instructions for the OP 5 Exhibit. **The Services should report in tenths of millions; Defense Agencies/Activities in thousands.** Use the following format:

1. **FY CY President's Budget Request** (Amended, if applicable)
2. Congressional Adjustment (List items)
3. **FY CY Appropriation Enacted**
4. Proposed Supplementals (Show Pay and Program Supplementals separately.)
5. Transfers In
 - (1)
 - (2)
 - etc.
6. Transfers Out
 - (1)
 - (2)
 - etc.
7. Price Growth
8. Program Increases
 - a. Annualization of New FY CY Program
 - (1)
 - (2)
 - etc.
 - b. One-Time FY CY Costs
 - (1)
 - (2)
 - etc.

COMPONENT NAME 1/
Operation and Maintenance, _____
Budget Activity _____
Activity Group _____
Detail by Subactivity Group _____

C. Reconciliation of Increases and Decreases (Continued):

- c. Program Growth in FY CY
 - (1)
 - (2)
 - etc.
- 9. Total Increases
- 10. Program Decreases
 - a. Annualization of New FY CY Program
 - (1)
 - (2)
 - etc.
 - b. One-Time FY CY Costs
 - (1)
 - (2)
 - etc.
 - c. Program Growth in FY CY
 - (1)
 - (2)
 - etc.
- 11. Total Decreases
- 12. Revised FY CY Estimate** (Must agree with the CY column of the FY BY1/BY2 President's budget.)
- 13. Price Growth
- 14. Transfers In
 - (1)
 - (2)
 - etc.
- 15. Transfers Out
 - (1)
 - (2)
 - etc.

Exhibit OP-5 Detail by Subactivity Group
Page 3 of 9

COMPONENT NAME 1/
Operation and Maintenance, _____
Budget Activity _____
Activity Group _____
Detail by Subactivity Group _____

C. Reconciliation of Increases and Decreases (Continued):

- 16. Program Increases
 - a. Annualization of New FY CY Program
 - (1)
 - (2)
 - etc.
 - b. One-Time FY BY1 Costs
 - (1)
 - (2)
 - etc.
 - c. Program Growth in FY BY1
 - (1)
 - (2)
 - etc.
- 17. Total Increases
- 18. Program Decreases:
 - a. One-Time FY CY Costs
 - (1)
 - (2)
 - etc.
 - b. Annualization of FY CY Program Decreases
 - (1)
 - (2)
 - etc.
 - c. Program Decreases in FY BY1
 - (1)
 - (2)
 - etc.
- 19. Total Decreases

Exhibit OP-5 Detail by Subactivity Group
Page 4 of 9

COMPONENT NAME 1/
Operation and Maintenance, _____
Budget Activity _____
Activity Group _____
Detail by Subactivity Group _____

C. Reconciliation of Increases and Decreases (Continued):

- 20. FY BY1 Budget Request**
- 21. Price Growth
- 22. Transfers In
 - (1)
 - (2)
 - etc.
- 23. Transfers Out
 - (1)
 - (2)
 - etc.
- 24. Program Growth
 - a. Annualization of New FY BY1 Program
 - (1)
 - (2)
 - etc.
 - b. One-Time FY BY2 Costs
 - (1)
 - (2)
 - etc.
 - c. Program Growth in FY BY2
 - (1)
 - (2)
 - etc.
- 25. Total Increases
- 26. Program Decreases:
 - a. One-Time FY BY1 Costs
 - (1)
 - (2)
 - etc.

Exhibit OP-5 Detail by Subactivity Group
Page 5 of 9

COMPONENT NAME 1/
Operation and Maintenance, _____
Budget Activity _____
Activity Group _____
Detail by Subactivity Group _____

C. Reconciliation of Increases and Decreases (Continued):

b. Annualization of FY BY1 Program Decreases

(1)

(2)

etc.

c. Program Decreases in FY BY2

(1)

(2)

etc.

27. Total Decreases

28. FY BY2 Budget Estimate

NOTE: Substitute appropriate fiscal years to show current year and biennial budget years.

Exhibit OP-5 Detail by Subactivity Group
Page 6 of 9

COMPONENT NAME 1/
Operation and Maintenance, _____
Budget Activity _____
Activity Group _____
Detail by Subactivity Group _____

IV. Performance Criteria and Evaluation Summary: Provide meaningful performance and work load data by SAG for each year FY PY, FY CY, FY BY1, and FY BY2 where appropriate. Performance criteria and evaluation summary data should be provided by subactivity where applicable. The following subactivity groups have specific performance criteria required (See attachments 1-5 to the OP-5 in the FMR):

JCS Exercise Program (Attachment 1)
Base Operations Support (Attachment 2)
Transportation (Attachment 3)
Real Property Maintenance(Attachment 4)
Training (includes multiple subactivity groups) (Attachment 5)

For depot maintenance, show data as required by page 1 of the OP-30 exhibit.

For other subactivity groups, display comparable/appropriate data.

COMPONENT NAME 1/
Operation and Maintenance, _____
Budget Activity _____
Activity Group _____
Detail by Subactivity Group _____

V. <u>Personnel Summary:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Change FY CY/FY BY1</u>	<u>Change FY BY1/FY BY2</u>
<u>Active Military End Strength (E/S) (Total)</u>						
Officer						
Enlisted						
<u>Reserve Drill Strength (E/S) (Total)</u>						
Officer						
Enlisted						
(Military Technician Included Above (Memo))						
<u>Reservists on Full Time Active Duty (E/S) (Total)</u>						
Officer						
Enlisted						
<u>Civilian End Strength (Total)</u>						
U.S. Direct Hire						
Foreign National Direct Hire						
Total Direct Hire						
Foreign National Indirect Hire						
(Military Technician Included Above (Memo))						
(Reimbursable Civilians Included Above (Memo))						
Additional Military Technicians Assigned to USSOCOM						
<u>Active Military Average Strength (A/S) (Total)</u>						
Officer						
Enlisted						
<u>Reserve Drill Strength (A/S) (Total)</u>						
Officer						
Enlisted						
(Military Technician Included Above (Memo))						

Civilian end strength and Full Time Equivalent (FTE) data will agree with the direct and reimbursable funded data reflected on lines 1 through 5 of the OP-8 entitled, "Civilian Personnel Costs." The reimbursable civilian end strength and FTE data will agree with the data reflected on line 6 of the OP-8 exhibit.

These military technicians are included in the civilian end strength and average strength to USSOCOM.

COMPONENT NAME 1/
Operation and Maintenance, _____
Budget Activity _____
Activity Group _____
Detail by Subactivity Group _____

V. <u>Personnel Summary (Cont'd):</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Change FY CY/FY BY1</u>	<u>Change FY BY1/FY BY2</u>
Reservists on Full Time Active Duty (A/S) (Total)						
Officer						
Enlisted						
<u>Civilian FTEs (Total)</u>						
U.S. Direct Hire						
Foreign National Direct Hire						
Total Direct Hire						
Foreign National Indirect Hire						
(Military Technician Included (Memo))						
(Reimbursable Civilians Included Above (Memo))						

Provide an explanation of changes between the years for military and civilian personnel for the BES submission only.

VI. <u>Outyear Summary:</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
O&M (\$ Tenthhs of Millions)				
Military End Strength				
Reserve Drill End Strength				
Reservists on Full Time Active Duty (E/S)				
Civilian FTEs				

(Include Part VI in the OSD/OMB submission only)

VII. <u>OP 32 Line Items as Applicable (Dollars in Thousands):</u>	<u>Change from FY PY to FY CY</u>				<u>Change from FY CY to FY BY1</u>				<u>Change from FY BY1 to FY BY2</u>			
	Foreign				Foreign				Foreign			
<u>FY PY</u>	<u>Currency</u>	<u>Price</u>	<u>Program</u>	<u>FY CY</u>	<u>Currency</u>	<u>Price</u>	<u>Program</u>	<u>FY BY1</u>	<u>Currency</u>	<u>Price</u>	<u>Program</u>	<u>FY BY2</u>
<u>Actuals</u>	<u>Rate Diff</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Rate Diff</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Rate Diff</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>

- List each applicable OP-32 line item number and title. *To be submitted for both the OSD and President's budget submissions. For the President's budget submission, number the OP-32 section "VI" since the "Outyear Summary" is not provided.*
- Do not include the percentage of price growth.

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)

JCS EXERCISE PROGRAM - O&M COSTS
(FY PY, FY CY, FY BY1 and BY2)

IV. Performance Criteria and Evaluation

(*Defense Agencies in thousands/Military departments in millions)

<u>Exercise Name & Location</u> ^{1/}	<u>Time Period of Exercise</u>	<u>Work Load Measure</u> ^{2/}	<u>Cost (\$ *)</u>		
			<u>Transportation</u>	<u>Other</u>	<u>Total</u> ^{3/}
<u>Directed Exercises</u>					
(List by exercise)	1/	Identify each initiative by category, CINC, and exercise name.			
Total	2/	<u>Airlift</u> : Reflect C-130, C-141, C-17, or C-5 hours, as appropriate, for transportation costs. Separately identify C-130, C-141, C-17, or C-5 hour requirements, as appropriate, for commercial augmentation effort. Indicate in footnote JCS Exercise rate used for pricing.			
		<u>Sealift</u> : Express work measurement tons (differentiate between break bulk and containers) to be transported via MSC and MSC per diem ship days as applicable. In footnote indicate rates used for each.			
		<u>Land Transportation</u> : Express program values, in measurement tons to be transported overland. Indicate rates used in footnote.			
<u>Coordinated Exercises</u>					
(List by exercise)		<u>Port Operations</u> :			
Total		<u>CONUS</u> : Express work load in terms of measurement tons to be transported through CONUS Ports. Indicate rates used in footnote.			
		<u>Overseas</u> : Express work load in terms of measurement tons to be transported through Overseas Ports. Indicate rates used in footnote.			
<u>Total Directed and Coordinated Exercises</u>	3/	For FY PY and FY CY: Show by footnote both the amount appropriated for FY PY and the amount requested for the FY CY in the FY CY President's budget. For FY CY, explain the difference between the amount requested in the President's budget and the current estimate.			
		For FY BY1 and FY BY2: Briefly describe changes in the program from that of the previous year. To the extent that specific exercises have not been approved at the time of the budget submission, estimate total program levels. Estimated amounts should be distributed between transportation and other costs, as applicable, and should be related to estimated work load. Explanations of changes in both costs and work load are required between the FY CY and FY BY1 and between the FY BY1 and FY BY2. This information should be provided in sufficient detail to justify the budget estimate.			

Exhibit OP-5 JCS Exercise Program (Attachment 1)

Page 1 of 1

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)
BASE OPERATIONS SUPPORT PROGRAM
(Dollars in Thousands)

IV. <u>Performance Criteria and Evaluation:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
A. Administration (\$000)				
Military Personnel Average Strength				
Civilian Personnel FTEs				
Number of Bases, Total				
(CONUS)				
(Overseas)				
Population Served, Total				
(Military, Average Strength)				
(Civilian, FTEs)				
B. Retail Supply Operations (\$000)				
Military Personnel Average Strength				
Civilian Personnel FTEs				
C. Bachelor Housing Ops./Furn. (\$000)				
Military Average Strength				
Civilian FTEs				
No. of Officer Quarters				
No. of Enlisted Quarters				
D. Other Morale, Welfare and Recreation (\$000)				
Military Average Strength				
Civilian FTEs				
Population Served, Total				
(Military, Average Strength)				
(Civilian/Dependents, FTEs)				

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)
BASE OPERATIONS SUPPORT PROGRAM
(Dollars in Thousands)

IV. <u>Performance Criteria and Evaluation:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
(continued)				
E. Maintenance of Installation Equipment (\$000)				
Military Average Strength				
Civilian FTEs				
F. Other Base Services (\$000)				
Military Average Strength				
Civilian FTEs				
Number of Motor Vehicles, Total				
(Owned)				
(Leased)				
G. Other Personnel Support (\$000)				
Military Average Strength				
Civilian FTEs				
Population Served, Total				
(Military, Average Strength)				
(Civilian, FTEs)				
H. Payments to GSA (000)				
Standard Level User Charges (\$000)				
Leased Space (000 sq ft)				
Recurring Reimbursements (\$000)				
One-time Reimbursements (\$000)				
I. Non-GSA Lease Payments for Space				
Leased Space (000 sq ft)				
Recurring Reimbursements (\$000)				
One-time Reimbursements (\$000)				
J. Other Engineering Support (\$000)				
Military Personnel Average Strength				
Civilian Personnel FTEs				

Exhibit OP-5 Base Operations Support Program (Attachment 2)
Page 2 of 3

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)
BASE OPERATIONS SUPPORT PROGRAM
(Dollars in Thousands)

IV. <u>Performance Criteria and Evaluation:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
(continued)				
K. Operation of Utilities (\$000)				
Military Personnel Average Strength				
Civilian Personnel FTEs				
Electricity (MWH)				
Heating (MBTU)				
Water, Plants & Systems (000 gals)				
Sewage & Waste Systems (000 gals)				
Air Conditioning and Refrigeration (Ton)				
L. Child and Youth Development Programs				
Number of Child Development Centers				
Number of Family Child Care (FCC) Homes				
Total Number of Children Receiving Care				
Percent of Eligible Children Receiving Care				
Number of Children on Waiting List				
Total Military Child Population (Infant to 12 years)				
Number of Youth Facilities				
Youth Population Served (Grades 1 to 12)				

ADDITIONAL INSTRUCTIONS

This schedule should exclude those funds supporting maintenance and repair of real property and minor construction.

Additional performance criteria and work load indicators may be included for any of the above functional categories as applicable. Additional criteria/indicators are especially encouraged for "Other Base Services" and "Other Personnel Support" categories as they relate to more important or unique support functions.

Include direct Operation and Maintenance funds only (Exclude amounts funded from Military Personnel appropriations.)

This format should be followed in preparing an OP-5 Exhibits for Base Support.

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)
TRANSPORTATION PROGRAM
(Dollars in Thousands)

IV. Performance Criteria and Evaluation

FY PY
Units (\$ in 000)

FY CY
Units (\$ in 000)

FY BY1
Units (\$ in 000)

FY BY2
Units (\$ in 000)

First Destination Transportation (FDT) (by Mode of Shipment):

This should include only FDT supporting O&M purchases.

Military Traffic Management Command:
Port Handling (MT)

NOTE: Abbreviate units of measure as follows:
Short Tons= ST
Measurement Tons = MT
Missions = MSN
Ship Days = SD

Military Sealift Command:
Regular Routes (MT)
Per Diem (SD)

Military Airlift Command:
Regular Channel (ST)
SAAM (MSN)

Provide subtotals for all modes of shipment (MTMC, MSC, MAC & Commercial)

Commercial:
Air (ST)
Surface (ST)

Amounts should be consistent with amounts shown in applicable OP-5 Exhibits in each Service's/Components budget justification books and agree with amounts provided in PBA-13, Transportation.

TOTAL FDT

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)
TRANSPORTATION PROGRAM
(Dollars in Thousands)

IV. Performance Criteria and Evaluation
(continued)

<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Units</u> <u>(\$ in 000)</u>	<u>Units</u> <u>(\$ in 000)</u>	<u>Units</u> <u>(\$ in 000)</u>	<u>Units</u> <u>(\$ in 000)</u>

Second Destination Transportation (SDT) (by Mode of Shipment):

Military Traffic Management Command: Port Handling (MT)	Provide <u>subtotals</u> for all modes of shipment (MTMC, MSC, MAC & Commercial)
--	--

Military Sealift Command:
Regular Routes (MT)
Per Diem (SD)

Military Airlift Command:
Regular Channel (ST)
SAAM (MSN)

Commercial:
Air (ST)
Surface (ST)

TOTAL SDT

Second Destination Transportation by Selected Commodities):

Cargo (Military Supplies and Equipment)	For each commodity, show amounts separately by Short Tons (ST), Measurement Tons (MT), Missions (MSN), or Ship Days of Per Diem (SD), as applicable.
Base Exchanges	
Subsistence	
Overseas Mail	

TOTAL FDT AND SDT

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)

REAL PROPERTY MAINTENANCE AND MINOR CONSTRUCTION

Activity Group: Real Property Maintenance and Minor Construction

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
I. <u>Narrative Description:</u> (Same as for the basic OP-5 exhibit)				
II. <u>Description of Operations Financed:</u> (Same as for the basic OP-5 exhibit)				
III. <u>Financial Summary</u> (O&M \$ thousands):				
A. <u>Subactivity Breakout</u> (Same column headings as the basic OP-5 exhibit) Total				
B. <u>OP-32 Line items as applicable</u> (Same as for the basic OP-5 exhibit)				
C. <u>Reconciliation of Increases and Decreases</u> (Same as for the basic OP-5 exhibit)				
IV. <u>Performance Criteria and Evaluation:</u>				
A. <u>Maintenance & Repair</u> Utilities (XXX) Buildings (KSF) Pavements (KSY) Land (AC) Other Facilities (KSF) Railroad Trackage (KLF) Recurring Maintenance Major Repair				
B. <u>Minor Construction</u> Number of Projects				

Exhibit OP-5 Real Property Maintenance and Minor Construction (Attachment 4)

Page 1 of 2

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)

REAL PROPERTY MAINTENANCE AND MINOR CONSTRUCTION

- | | <u>FY PY</u> | <u>FY CY</u> | <u>FY BY1</u> | <u>FY BY2</u> |
|---|---------------------|---------------------|----------------------|----------------------|
| IV. <u>Performance Criteria and Evaluation (continued):</u> | | | | |
| C. <u>Administration and Support</u> | | | | |
| Number of A&E Contracts | | | | |
| Planning and Design Funds | | | | |
| Military E/S | | | | |
| Civilian FTE | | | | |
| Total Personnel FTE | | | | |
| Number of Installations | | | | |
| Backlog of Maintenance and Repair (thousands) | | | | |
|
V. <u>Personnel Summary:</u> | | | | |
| (Same as for basic OP-5 exhibit) | | | | |
|
VI. <u>Outyear Data:</u> | | | | |
| (Same as for basic OP-5 exhibit) | | | | |

ADDITIONAL INSTRUCTIONS

This schedule is for all repair, maintenance, and minor construction funding and support for real property. Additional performance criteria and work load indicators may be included for any functional category. Include direct Operation and Maintenance costs, contractual costs of RPM & MC projects, including planning and design contracts supporting RPM & MC projects, and direct personnel costs (exclude amounts funded from Military Personnel appropriations).

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)

TRAINING

IV. Performance Criteria and Evaluation:

	<u>FY PY</u>			<u>FY CY</u>			<u>FY BY1</u>			<u>FY BY2</u>		
	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>
<u>Recruit Training:</u>												
Active												
Guard												
Reserve												
Other												
Subtotal												
<u>One Station Unit Training:</u>												
Active												
Guard												
Reserve												
Other												
Subtotal												
<u>Specialized Skill Training:</u>												
<u>Initial Skill</u>												
Active												
Guard												
Reserve												
Other												
Subtotal												
<u>Skill Progression</u>												
Active												
Guard												
Reserve												
Other												
Subtotal												
<u>Functional</u>												
Active												
Guard												
Reserve												
Other												
Subtotal												

Exhibit OP-5 Training (Attachment 5)

Page 1 of 4

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)

TRAINING

IV. Performance Criteria and Evaluation (continued):

	<u>FY PY</u>			<u>FY CY</u>			<u>FY BY1</u>			<u>FY BY2</u>		
	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>
<u>Specialized Skill Training (continued):</u>												
Other												
Active												
Guard												
Reserve												
Other												
Subtotal												
<u>Officer Acquisition:</u>												
Officer Candidate School/												
Officer Training School												
Academy Preparatory School												
BOOST (Navy)												
Flight Screening (AF)												
Other College Commissioning Programs												
<u>Senior ROTC:</u>												
Scholarship												
College												
<u>Service Academy</u>												
			<u>FY PY</u>			<u>FY CY</u>			<u>FY BY1</u>			<u>FY BY2</u>
Beginning End Strength (1 October)												
Attrition												
Graduates												
Entries												
End Strength (30 September)												
Average Onboard												

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)

TRAINING

IV. Performance Criteria and Evaluation (continued):

	<u>FY PY</u>			<u>FY CY</u>			<u>FY BY1</u>			<u>FY BY2</u>		
	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>
<u>Specialized Skill Training (continued):</u>												
<u>Professional Military Education: (Identify schools separately)</u>												
Active												
Guard												
Reserve												
Other												
Subtotal												
<u>Flight Training:</u>												
Undergraduate Pilot Training - Active												
STRIKE/Jet												
Helicopter												
Maritime												
Subtotal												
Undergraduate Pilot Training - Guard												
STRIKE/Jet												
Helicopter												
Maritime												
Subtotal												
Undergraduate Pilot Training - Reserve												
STRIKE/Jet												
Helicopter												
Maritime												
Subtotal												
Undergraduate NFO/Navigator Tng (by type):												

OPERATION AND MAINTENANCE, (SERVICE/COMPONENT)

TRAINING

IV. Performance Criteria and Evaluation (continued):

	<u>FY PY</u>			<u>FY CY</u>			<u>FY BY1</u>			<u>FY BY2</u>		
	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>
<u>Specialized Skill Training (continued):</u>												
<u>Flight Training (cont)</u>												
Advanced Flight Tng												
Active												
Guard												
Reserve												
Other												
Subtotal												
Other Flight Tng												
Active												
Guard												
Reserve												
Other												
Subtotal												
Flying Hours			<u>FY PY</u>			<u>FY CY</u>			<u>FY BY1</u>			<u>FY BY2</u>
Undergraduate Pilot Tng												
STRIKE/Jet												
Helicopter												
Maritime												
Undergraduate NFO/Navigator Tng:												
(by type)												
Other Flying Hours												

(Appropriation Title)

DEPARTMENT OF _____
CIVILIAN PERSONNEL COSTS
FY BY1/FY BY2 Budget Submit/President's Budget
FY (PY/CY/BY1/BY2) (as appropriate)
(\$ in Thousands)

	<u>Begin</u> <u>Strength</u>	<u>End</u> <u>Strength</u>	<u>Full-Time</u> <u>Equivalent (FTE)</u>		<u>Basic</u> <u>Compensation</u>	<u>Overtime</u> <u>Pay</u>	<u>Holiday</u> <u>Pay</u>	<u>Other</u> <u>OC 11</u>	<u>Total</u> <u>Variables</u>	<u>Total</u> <u>Compensation</u> <u>OC 11</u>	<u>Benefits</u> <u>OC 12</u>	<u>Compensation</u> <u>& Benefits</u>	
	<u>a</u>	<u>b</u>	<u>c</u>	<u>d</u>	<u>e</u>	<u>f</u>	<u>g</u>	<u>h</u>	<u>i</u>	<u>j</u>	<u>k</u>	<u>l</u>	<u>m</u>
	<u>Use these formulas to calculate average salaries and rates (col x/col y)</u>												
1. Direct Hire Civilians						(f/d)				(j/f)	(k/d)	(l/f)	(m/d)
a. U.S. Employees													
(1) Classified and Administrative													
(a) Senior Executive Schedule													
(b) General Schedule													
(c) Special Schedule *													
Subtotal													
(Rate)													
(2) Wage System													
(Rate)													
(3) Other													
(Rate)													
Subtotal United States													
(Rate)													
b. Direct Hire Foreign Nationals													
(Rate)													
c. Total Direct Hire													
(Rate)													
2. Indirect Hire Program													
(Rate)													
3. Foreign National Separation Liability Accrual													
a. Foreign Nationals Direct Hire													
b. Foreign Nationals Indirect Hire													

Do not display FTP or benefit data for FNIH.

Exhibit OP-8 Civilian Personnel Costs
(Page 1 of 7)

(Appropriation Title)

DEPARTMENT OF _____
CIVILIAN PERSONNEL COSTS
FY BY1/FY BY2 Budget Submit/President's Budget
FY (PY/CY/BY1/BY2) (as appropriate)
(\$ in Thousands)

(continued)

4. Benefits for Former employees(OC-13): Voluntary separation incentives will be shown in OC-13.
 - a. *Foreign National Direct Hire*
 - b. *U.S. Direct Hire*
 - c. *Vol. Sep. Pay*
 - d. *\$80 Surcharge*
 - e. *Percent Early Retirement*
5. TOTAL CIVILIAN PERSONNEL
(Rate)
6. Reimbursable data
 - a. U.S. Direct Hire Reimbursable data will be provided for end strength, workyears, and funding and will be shown by appropriation and by Component/Agency.
 - b. Foreign National Direct Hire
 - c. Total Direct Hires Provide reimbursable sources, by appropriation and by Component/Agency, on separate page.
 - d. Foreign Nationals Indirect Hire
7. DIRECT FUNDED CIVILIAN PERSONNEL
(Rate)

Exhibit OP-8 Civilian Personnel Costs
(Page 2 of 7)

CIVILIAN PERSONNEL COSTS

OP-8 Instructions

Separate OP-8 exhibits must be prepared for PY, CY, BY1, BY2 for each Military Department in total and for each appropriation/fund in which civilian personnel are funded. Each Defense Agency, including those Defense Agencies that have only RDT&E funded civilian personnel, and the Court of Military Appeals must also provide a separate exhibit. If a Defense Agency has civilian personnel financed in more than one appropriation/fund then a total for the Defense Agency must be provided.

Rate data on the OP-8 should be shown parenthetically. To calculate the required rate data, use the formulas displayed on the OP-8 exhibit. Show the average salary for Basic Compensation, overall salary for Total Compensation, and workyear cost for Compensation and Benefits. Show the other rate data, as a percentage in decimals to five places, for total variables and benefits.

End strength onboard as of September 30 vice end strength authorizations will be displayed for all beginning and ending end strengths. The beginning end strength must agree with previous FY's September 30 end strength.

In accordance with OMB Circular A-11, full-time equivalent (FTE) employment is the total number of hours (worked or to be worked) divided by the number of compensable hours applicable to each fiscal year. FTE is synonymous with workyear.

Data formerly reported for General Merit Pay category will be merged in the General Schedule line.

In accordance with the Federal Employees Part-time Career Employment Act of 1978 (Public Law 95-437), part-time permanent employees are counted on a full time equivalent basis, i.e., an individual working 30 hours a week becomes .75 of an end strength. There is no adjustment for other part-time or intermittent employees - these employees would be counted on an individual basis not on a fractional basis.

Consult either DoDI 7330.18 or the Office of Personnel Management's Federal Personnel Manual (FPM) for definitions of full-time employees with permanent appointments (FTP). FTP (Full-Time Permanent), according to OMB Circular A-11, is the number of full-time employees with permanent appointments that are on-board, or planned to be on-board, as of the end of each fiscal year. Such entries will exclude anticipated vacancies. Do not display FTP for Indirect Hire Foreign Nationals. Consult the DoDI or FPM to determine if your Foreign National Direct Hire employees are considered FTP employees.

Voluntary separation incentives must be reported in Benefits for Former Employees (Object Class 13).

Do not include overtime workyears in *FTE* totals. The *FTEs* on the OP-8 are straight time workyears only.

FTEs (direct and reimbursable) in the OP-8 exhibits must agree with the *FTEs* reported in the OMB galley used for the printed budget. (OMB Circular A-11.)

Exhibit OP-8 Civilian Personnel Costs
(Page 3 of 7)

CIVILIAN PERSONNEL COSTS

OP-8 Instructions

(continued)

For the PY supporting the FY BY President's budget request, the end strength data must agree with the SF-113A, Monthly Report of Federal Civilian Employment, provided to OPM to report military functions employment levels as of September 30.

- Direct hire end strength data on the OP-8 must agree with data provided on the September 30th supplement to the SF-113A report. This supplement is entitled, Report of Part-Time Permanent Employees on a Fractional Basis.
- Indirect hire end strength data must agree with the Indirect Hire supplement to the September 30th SF-113A report.
- The FTP end strength data must agree with data provided on line 30, Full-Time with Permanent Appointments, of the September 30th SF-113A.

Civilian Personnel Direct Funding (#7) will be total Civilian Personnel (#5) less reimbursable funding (#6). Provide end strength, workyear and funding reimbursable data for all of the columns. Appropriations/funds (e.g., Defense Working Capital Fund, etc.) that are not funded with budget authority show all of the data as reimbursable so that "0" will be displayed in every column on the "Civilian Personnel Direct Funding" (#7) line.

On a separate page, provide reimbursable sources by appropriation, and by Component/Agency.

An automated submission for the OP-8 Exhibit is also required. See section 030201 for both the OSD/OMB budget submission and the FY BY1/BY2 President's budget request.

Department of Defense Education Activity (DoDEA) will submit separate OP-8 exhibits for: Department of Defense Dependents Schools (DoDDS) and DoD Domestic Dependent Elementary and secondary Schools (DDESS), in addition to consolidated OP-8 exhibits for the total DoDEA program. For the required automated submission, DoDEA is only required to submit the consolidated OP-8 exhibit, not individual exhibits for DoDDS and DDESS.

Reimbursable Civilian Personnel Costs, Part 2

Fiscal Year: FY _____ (PY, CY, BY1, BY2)

Appropriation Account _____

A. SUMMARY OF CIVILIAN PAY:

- 1. Total Civilian Pay _____
- 2. Reimbursable Civilian Pay _____

B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:

- 3. INTRA ACCOUNT _____
- 4. INTRA SERVICE _____
 - 4a. _____
 - 4b. _____
 - 4c. _____
- 5. INTER SERVICE _____
 - 5a. _____
 - 5b. _____
 - 5c. _____
- 6. ALL OTHER _____
 - 6a. _____
 - 6b. _____

C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE-WIDE AGENCIES:

- 7. Civilian Pay REIMBURSED from _____ to _____
 - 7a. _____
 - 7b. _____
 - 7c. _____

Reimbursable Civilian Personnel Costs, Part 2

Instructions for Preparation of the OP-8 Part 2 Reimbursable Pay

This is mandatory for the Military Departments and the Defense Agencies. If a Service shows that civilian pay is to be reimbursed from a Defense Agency that does not submit this form, then the agency coordination must be shown on this form. This is required only for the Budget Estimates Submission (BES).

Each appropriation account in the prior year, current year, biennial budget year (BY1), and biennial budget year (BY2) for which civilian pay is reimbursed, must identify the following in thousand of dollars:

On line 1, total civilian pay *.

On line 2, total reimbursable pay *.

On line 3, the amount of line 2 that is reimbursed within the account.

On line 4, the amount by account of line 2 that is reimbursed from accounts within the Service or Defense Agency. The sum of all accounts must equal the total intra service.

On line 5, the amount by account of line 2 that is reimbursed from other Services or Defense Agency accounts. The sum of all accounts must equal the total inter service.

On line 6, the amount of line 2 that is reimbursed from all other sources. The sum from all Defense Agencies must equal the total all other.

On line 7, the total civilian pay that is reimbursed to other Services or Defense Agencies **.

Notes:

* Lines 1 and 2 **MUST** agree with the totals reported by the Service of Defense Agency on the OP-8 and the sum of lines 3 through 6 of this must equal line 2.

** Any amounts identified on line 5 **MUST** appear on line 7 of the reimbursing Service or Defense Agency submission of this exhibit.

Reimbursable Civilian Personnel Costs, Part 2

SAMPLE

Fiscal Year: FY 1999

Appropriation Account: Operation & Maintenance, Army

A. SUMMARY OF CIVILIAN PAY:

1. Total Civilian Pay	7,599,374
2. Reimbursable Civilian Pay	2,086,470

B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:

3. INTRA ACCOUNT	1,500,000	
4. INTRA SERVICE		286,470
4a. O&M, Army Reserve	136,470	
4b. O&M, Army Guard	50,000	
4c. RDT&E, Army	50,000	
4d. Mil Con, Army	50,000	
5. INTER SERVICE		200,000
5a. Defense Health Program (DHP)	50,000	
5b. RDT&E, Navy	50,000	
5c. Mil Con, Air Force	50,000	
5d. USSOCOM	50,000	
6. ALL OTHER		100,000
6a. GSA	50,000	
6b. OPM	50,000	

C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE AGENCIES:

7. Civilian Pay <u>REIMBURSED</u> from O&M Army to		650,000
7a. O&M, Navy Reserve	200,000	
7b. O&M, Air Force Guard	250,000	
7c. RDT&E, Defense Mapping Agency	150,000	
7d. OMB	50,000	

Exhibit OP-8 (Part 2)
(Page 7 of 7)

Appropriation

DEPARTMENT OF _____

Date: _____

ANALYSIS OF CHANGES IN *FULL-TIME EQUIVALENT (FTE)* COSTS

<u>FY PY (No. Compensable Days)</u>	<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
1. End Strength						
A. Budgeted	XX					
B. Actual	XX					
2. FTEs						
A. Budgeted	XX					
B. Actual	XX					
3. Basic Compensation (\$ in Thousands)						
A. Budgeted	XX					
B. Actual	XX					
4. Average Basic Annual Salary (Basic Comp)						
A. Budgeted	XX					
B. Actual	XX					
5. Average Other OC-11 Variables Adjustments						
A. Budgeted	XX	XX 1/				
B. Actual	XX	XX 1/				
6. Overall Average Annual Salary (OC-11)						
A. Budgeted	XX					
B. Actual	XX					
7. Average Benefits						
A. Budgeted	XX	XX 1/				
B. Actual	XX	XX 1/				
8. Average FTE Cost (OC-11 & OC-12)						
A. Budgeted	XX					
B. Actual	XX					
9. Separately identify factors that account for changes in average basic salary, other OC-11 variables, benefits, and workyear cost between the budgeted rates and the actual rates.						

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 1 of 5)

Appropriation _____

DEPARTMENT OF _____
ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

Date: _____

	<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>Adjustment to PY Average Salary</u>						
10 + Annualization of PY Pay Raise(s)	XX	XX 2/				
11. +/- Extra Day	XX	XX 3/				
12. Total Other Adjustments (if applicable)	XX	XX 3/				
12a. Within Grade Adjustments	(XX)					
12b. High Grade Reduction	(XX)					
12c. Separately identify other factors that account for changes in the basic average salary from the PY to the CY.	(XX)					
13. Subtotal Adj. to PY Basic Average Salary	XX	(Total of lines 10, 11, and 12)				
14. Adjusted Basic Average Salary for CY	XX	(Total of lines 4 and 13)				
<u>Other Adjustments to Derive FY CY FTE Cost</u>						
15. CY Pay Raise (Basic Comp)	XX	XX 2/ (Rate times line 14)				
16. Other OC-11 Variables Adjustments 4/	XX	XX 1/				
17. Benefits 4/	XX	XX 1/				
17a. Health Insurance Increase	(XX)					
17b. FERS	(XX)					
17c. Separately identify other factors that account for major changes in benefits from the PY to the CY.	(XX)					
18. Change in Foreign Currency Budget Rates		XX				
19. Total CY Adjustments to FTE Cost	XX	(Total of lines 15, 16, 17, and 18)				
20. Average FTE Cost in CY	XX	(Total of lines 8, 13, and 19)				
21. Total FTE Cost in CY (⌘ in Thousands) (line 23 x line 20)	XX					
<u>FY CY (No. Compensable Days)</u>						
22. End Strength	XX					
23. FTEs	XX					
24. Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 14 and 15)				
25. Overall Average Annual Salary (OC-11)	XX	(Total of lines 6, 13, 15 and 16)				
26. Average FTE Cost (OC-11 & OC-12)	XX	(Same as line 20)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 2 of 5)

Appropriation _____

DEPARTMENT OF _____
ANALYSIS OF CHANGES IN *FULL-TIME EQUIVALENT (FTE)* COST

Date: _____

	<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>Adjustment to CY Average Salary</u>						
27 + Annualization of CY Pay Raise(s)	XX	XX 2/				
28. +/- Extra Day	XX	XX 3/				
29. Total Other Adjustments (if applicable)	XX	XX 3/				
29a. Within Grade Adjustments	(XX)					
29b. High Grade Reduction	(XX)					
29c. Separately identify other factors that account for changes in the basic average salary from the CY to the BY1.	(XX)					
30 Subtotal Adj. to CY Basic Average Salary	XX	(Total of lines 27, 28, and 29)				
31. Adjusted Basic Average Salary for BY1	XX	(Total of lines 24 and 30)				
<u>Other Adjustments to Derive FY BY1 FTE Cost</u>						
32. BY1 Pay Raise (Basic Comp)	XX	XX 2/ (Rate times line 31)				
33. Other OC-11 Variables Adjustments 4/	XX	XX 1/				
34. Benefits 4/	XX	XX 1/				
34a. Health Insurance Increase	(XX)					
34b. FERS	(XX)					
34c. Separately identify other factors that account for major changes in benefits from the CY to the BY1.	(XX)					
35. Change in Foreign Currency Budget Rates	-	XX				
36. Total BY1 Adjustments to WY Cost	XX	(Total of lines 32, 33, 34, and 35)				
37. Average FTE Cost	XX	(Total of lines 26, 30, and 36)				
38. Total FTE Cost in BY (⌘ in Thousands) (line 37 x line 40)	XX					
<u>FY BY1 (No. Compensable Days)</u>						
39. End Strength	XX					
40. FTEs	XX					
41. Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 31 and 32)				
42. Overall Average Annual Salary (OC-11)	XX	(Total of lines 25, 30, 32, and 33)				
43. Average FTE Cost	XX	(Same as line 37)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 3 of 5)

Appropriation

DEPARTMENT OF
ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

Date: _____

	<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>Adjustment to BY1 Average Salary</u>						
44 + Annualization of BY1 Pay Raise(s)	XX	XX 2/				
45 +/- Extra Day	XX	XX 3/				
46 Total Other Adjustments (if applicable)	XX	XX 3/				
46a. Within Grade Adjustments	(XX)					
46b. High Grade Reduction	(XX)					
46c. Separately identify other factors that account for changes in the basic average salary from the BY1 to the BY2.	(XX)					
47 Subtotal Adj. to BY1 Basic Average Salary	XX	(Total of lines 44, 45, and 46)				
48 Adjusted Basic Average Salary for BY2	XX	(Total of lines 41 and 47)				
<u>Other Adjustments to Derive FY BY2 FTE Cost</u>						
49. BY2 Pay Raise (Basic Comp)	XX	XX 2/	(Rate times line 48)			
50. Other OC-11 Variables Adjustments 4/	XX	XX 1/				
51. Benefits 4/	XX	XX 1/				
51a. Health Insurance Increase	(XX)					
51b. FERS	(XX)					
51c. Separately identify other factors that account for major changes in benefits from the BY1 to the BY2.	(XX)					
52. Change in Foreign Currency Budget Rates	-	XX				
53. Total BY2 Adjustments to FTE Cost		XX (Total of lines 49, 50, 51 and 52)				
54. Average FTE Cost	XX	(Total of lines 43, 47, and 53)				
55. Total FTE Cost in BY2 (⌘ in Thousands) (line 54 x line 57)	XX					
<u>FY BY2 (No. Compensable Days)</u>						
56. End Strength	XX					
57. FTEs	XX					
58. Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 48 and 49)				
59. Overall Average Annual Salary (OC-11)	XX	(Total of lines 42, 47, 49, and 50)				
60. Average FTE Cost	XX	(Same as line 54)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 4 of 5)

ANALYSIS OF CHANGES IN *FULL-TIME EQUIVALENT (FTE)* COST
INSTRUCTIONS

1. The intent of the OP-9 is to identify the factors that have an impact on changes in average salary and average FTE cost from fiscal year to fiscal year.
2. Prepare separately for each appropriation and Fund account for U.S. direct hire, classified and wage system, and Foreign National Direct Hire (FNDH). Complete amounts and rates for WS, etc., as in SES/GS column.
3. All end strength will be displayed as actual or planned to be onboard as of September 30. Do not use end strength authorizations.
4. Cost, FTEs, and end strength should be consistent with those shown on OP-8, Analysis of Civilian Personnel Costs.
5. Show each classified pay raise in separate stub.
6. Data is to be reflected at appropriation or account.
7. The “Average Basic Annual Salary” for a FY is computed by dividing the “Basic Compensation” total by the number of straight time workyears.
8. The “Overall Average Annual Salary” for a FY is computed by dividing the “Total Compensation” (Object Class 11) by the number of straight time workyears.
9. The “Average FTE Cost” for a FY is computed by dividing “Total Compensation and Benefits” (Object Class 11 and 12) by the number of straight time FTEs.
10. The OP-9 will be prepared for both the Budget Submission and the President’s budget. However, for the latter the OP-9 will be submitted separately to OSD and will not be included in the congressional justification material.

Footnotes

- 1/ Reflect as % rate of basic compensation.
- 2/ Express as decimal to five places. Develop effective pay raise as ratio of No. applicable days to total compensable days in year times pay raise percentage. Identify computation in footnote.
- 3/ Show computation - derivation of rate.
- 4/ Provide an explanation if the rate is different from the previous fiscal year rate, e.g. changes in overtime rate, changes in health benefits, FERS, etc.

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 5 of 5)

**INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE
PART A: SERVICE ACADEMY ATTRITION BY CLASS**

	<u>PY Actual</u>			<u>CY ESTIMATE</u>			<u>BY1 ESTIMATE</u>			<u>BY2 ESTIMATE</u>		
	<u>ENTRS</u>	<u>GRADS</u>	<u>LOADS</u>	<u>ENTRS</u>	<u>GRADS</u>	<u>LOADS</u>	<u>ENTRS</u>	<u>GRADS</u>	<u>LOADS</u>	<u>ENTRS</u>	<u>GRADS</u>	<u>LOADS</u>
ACADEMY NEW ENTRANTS												
NEW ENTRANTS LOST BEFORE AUTUMN TERM												
FOURTH CLASS LOSS												
FOURTH CLASS CARRYOVER												
THIRD CLASS LOSS												
THIRD CLASS CARRYOVER												
SECOND CLASS LOSS												
SECOND CLASS CARRYOVER												
FIRST CLASS LOSS												
GRADUATES												
GRADUATES COMMISSIONED												
CADET/MIDSHIPMAN END STRENGTH												
GRADUATION LOAD												
AUTUMN LOAD												
<u>PREP SCHOOL</u>												
ENTRANTS TO PREP SCHOOL												
GRADS ENTERED ACADEMY												
PREP SCHOOL LOAD												
PREP SCHOOL GRADS ATTRIT AS FOURTH CLASSMEN												

NOTE: Carryover is to be calculated as of graduation (unless another time is specified uniformly for an academy).

"Graduation Load" is the sum of carryover for each class plus graduates.

"Autumn Load" is the sum of carryover for each class plus net new entrants at the beginning of the autumn term.

Reconcile and explain in footnotes differences between Autumn Load and "Cadet/Midshipman End Strength" reflected here and in the FYDP update.

"Prep School Load" is to be a forecast of average onboard students on a "best estimate" basis (specify formula).

If this table is presented on an academic year basis, so state.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET
(Service)

Page _____

PART B: TRAINING MANPOWER

Program Element: _____

	<u>Actual (PY)</u>			<u>Estimated (CY)</u>			<u>Estimated (BY1)</u>			<u>Estimated (BY2)</u>		
	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>
FTEs												
INSTRUCTORS												
TRNG AND ED SUPP												
TOTAL FTEs												

NOTE: A basic Part B format will be submitted for each of the other Program Elements listed at Attachment 1 in Mission Program Elements (Load-Related) and for institutions in Attachment 2.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-1: UNDERGRADUATE FLIGHT TRAINING REQUIREMENTS (End Strength)

	<u>ACTUAL (PY)</u>	<u>ESTIMATE (CY)</u>	<u>ESTIMATE (BY1)</u>	<u>ESTIMATE (BY2)</u>
<u>Pilot, Navigators/Naval Flight Office (NFO) (Specify)</u>				
<u>Authorized Rated Wartime Requirements (0-5 and below; yearend)</u>				
Force				
Seat factor flying billets <u>1/</u>				
Other flying billets <u>2/</u>				
Training <u>3/</u>				
Supervision/staff <u>4/</u>				
Individuals				
Students <u>5/</u>				
Others				
 Total Requirement				
 <u>Inventories (0-5 and below; end strength basis)</u>				
Active force				
Reserve				
National Guard				
 Total Inventory				
 <u>Undergraduate Pilot Training (UPT)/Undergraduate Navigator Training (UNT) Graduates of Year Included in Inventory</u>				
<u>1/</u> Based upon aircraft x pilots per crew x crew ratio.				
<u>2/</u> Other operational flying includes overhead operational flying, miscellaneous support logistics, and research and development (R&D).				
<u>3/</u> Includes instructor and staff positions in undergraduate and advanced flight training.				
<u>4/</u> Includes non-flying billets requiring aviation expertise in administration, command/control and operational supervision/staff above the squadron level.				
<u>5/</u> Include advance flight students only.				

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART C-2: FLIGHT TRAINING

	Syllabus Course Length (In calendar days)	Number of Flight Instructors <u>Mil.</u> <u>Civ.</u> <u>Contract</u>	Output			
			Active Duty	Reserve	Guard	Other (Specify)
A. <u>Undergraduate Training</u>						
Jet						
Propeller (including turbo prop)						
Rotary Wing						
TOTAL						
B. <u>Advanced Training</u>						
First Seat (i.e., post-UFT training prior to first operational unit assignment)						
Transition (i.e., conversion from one aircraft type to another or upgrading of skills in the same aircraft type)						
Instructor Training Course						
Other (Specify)						
TOTAL						

- Notes:
- (1) Display pilot and navigator/NFO training separately.
 - (2) Submit data for PY, CY, BY1, BY2.
 - (3) If instructors for any course are other than U.S. active duty military, so indicate.
 - (4) Separately indicate output of another Service's personnel or foreign military. For the Navy and Marine Corps, this should be on consolidated undergraduate flight training displays. "Instructor" means instructor pilots and navigator/NFO instructors only.
 - (5) For advanced training, show a weighted average syllabus course length for each subcategory (first seat, transition, etc.)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-3: UNDERGRADUATE PILOT TRAINING PHASE FACTORS
 (LINE: Specify Jet, Prop, Helo)
 (YEAR: Provide data for PY, CY, BY1, BY2)

	<u>PREFLIGHT</u>	<u>PRIMARY</u>	<u>BASIC</u>	<u>PRIMARY</u>	<u>ADVANCED</u>	<u>TOTAL</u>
Student Calendar Days to Complete						
Student Flight Hours to Complete						
Aircraft (Specify Model)						
Simulator (Specify Model)						
Student Input *						
Student Output *						
Percent Phase Attrition						
Average Load *						
Instructor Pilots *						
Other Officers *						
Enlisted *						
Aircraft Hours*						
O&M Cost/Hour						
Instructor Hours Per Student						

* Factors per graduate (final completion)
 NOTE: Omit phases not applicable.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

**PART C-4: FLIGHT TRAINING RESOURCE DATA
(LINE)**

	<u>ACTUAL (PY)</u>	<u>ESTIMATE (CY)</u>	<u>ESTIMATE (BY1)</u>	<u>ESTIMATE (BY2)</u>
<u>AIRCRAFT AND FLYING</u>				
<u>HOURS BY TYPE/MODEL/SERIES</u>				
Authorized				
Assigned				
Flying Hours				
 Total Flying Hours				

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)

ROTC (Note: Parenthetical numbers refer to paragraphs in instructions following this portion of Exhibit.)

(1) ROTC

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>
A. <u>ROTC Unit Staff</u>				
Officers			(3)	(4)
Enlisted Personnel			(3)	(4)
Civilians			(3)	(4)
Total (3)			(4)	
Avg. Staff/Cost per Unit			(5)	(5)
B. <u>ROTC Command Level Staff</u>				
Officers			(3)	(4)
Enlisted Personnel			(3)	(4)
Civilians			(3)	(4)
Total (3)			(4)	
Avg. Staff/Cost per Unit			(5)	(5)
C. <u>Units</u> (6)				
D. <u>ROTC Program Costs</u>				
1. <u>O&M</u>				(7)
a. Scholarships				(8)
b. Administrative Expense				
(1) Unit Operating. Expense				
(2) Unit Texts and Ref.				(9)
(3) Admin. Travel				(9)
2. <u>Reserve Personnel</u>				(10)
a. Scholarships				(11)
b. Summer Training				(12)
c. Other				(13)
3. <u>Other</u>				(14)
TOTAL				(15)
E. <u>Flight Instruction Program</u>			(16)	(16)
F. <u>Aviation Indoctrination Program</u>			(16)	(16)
G. <u>Average Enrollment</u>				
1. Scholarship				(17)
MS I				(17)
II				(17)
III				(17)
IV				(17)
Subtotal				(17)
2. Non-Scholarship				
MS I				(17)
II				(17)
III				(17)
IV				(17)
Subtotal				(17)

Exhibit OP-14 Part D: ROTC Program Data

(Page 7 of 14)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230) (Continued)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>
H. <u>Total Costs</u>			(18)	
I. <u>Cost Per Graduate</u>				
Scholarship			(19)	
Non-Scholarship			(19)	
Combined			(19)	
J. <u>Cost Per Grad Commissioned</u>				
Scholarship			(19)	
Non-Scholarship			(19)	
Combined			(19)	

Instructions for Completion of Preceding

1. Enter Army, Navy, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior, Current, and Biennial (BY1 and BY2) Budget fiscal years).
3. Enter the average number (many year average) of officers, enlisted personnel, civilians, and combined total, respectively, assigned to ROTC units and ROTC command level staffs, respectively. ROTC command level staff should include all personnel up to the departmental level who are associated with the ROTC program but are not assigned to a ROTC unit.
4. Enter the total costs of pay and allowances/salary of military and civilian personnel, as applicable, plus any related O&M support costs. Pay and allowances/salaries will be determined through the use of standard rates for military and civilian personnel, respectively.
5. Enter the average staff and the average cost of the staff per unit. Average staff will be determined by dividing the applicable total staff (unit or command level) by the number of units shown in C (see paragraph 6, below). The average cost of staff per unit will be arrived at by dividing the applicable total costs for the unit and command level staffs, respectively, by the number of units shown in C.
6. Enter the applicable number of operating units.
7. Enter the total ROTC costs, other than those shown in A or B, included in the Service's O&M appropriation(s). (This should be equal to the sum of D.1.a and b discussed below in paragraphs 8 and 9.)
8. Show in parenthesis () the total applicable costs of ROTC scholarships (include only tuition, fees, books, and other related student expenses).
9. Show in parenthesis () the applicable O&M administrative costs, by categories shown, related to the ROTC program.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)
(Continued)

10. Enter the total ROTC costs included in the Service's applicable Reserve Component appropriations. This should be equal to the sum of D.2.a, b, and c, as discussed in paragraphs. 11, 12, and 13 below.
11. Enter in parenthesis () the total costs relative to the monthly subsistence allowance paid to college freshmen and sophomores who are recipients of ROTC scholarships.
12. Enter in parenthesis () the aggregate sum included in the Service's applicable Reserve Component appropriations for ROTC Pay and Allowance (Summer Training), Subsistence of Reserve Officer Candidates (Summer Training), and Travel of Reserve Officer Candidates (Summer Training).
13. Enter in parenthesis () all costs of the ROTC program, other than those discussed in paragraphs. 11 and 12, above, included in the Service's Reserve Component appropriations.
14. Enter and detail by appropriation, and explain by footnote, any costs attributable to the ROTC program which have not been included in either A, B, or D (1 and 2).
15. Enter the total cost data shown in D.1, 2, and 3.
16. Enter in parenthesis () the number of candidates participating in and total costs of Flight Instruction Program and the Aviation Indoctrination Program, respectively, included in the above data.
17. Enter by the scholarship and non-scholarship programs, respectively, the average number of candidates participating in MS I, II, III, IV, and applicable totals, respectively. Leave dollar columns blank.
18. Enter the total costs of the ROTC program. Total costs should be equal to the aggregate sum of A, B, and D, above.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART E: JUNIOR ROTC PROGRAM DATA (PE 897210)

(1) JUNIOR ROTC (HIGH SCHOOL) PROGRAM

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
A. <u>Average Enrollment</u>				
Freshman		(3)		
Sophomore				
Junior				
Senior				
Total				
B. <u>Number of Units</u>		(4)		
C. <u>Total Program Cost</u>		(5)		
D. <u>Average Cost/Unit</u>		(6)		

Instructions for Completion of Preceding

1. Enter Army, Navy, Marine Corps, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior-1, Prior, Current, and Budget years).
3. Enter the average enrollment during the year by year (of high school) and in total.
4. Enter the number of JROTC units.
5. Enter by appropriation, and in the total, the costs to DoD of the JROTC program.
6. Enter the average costs per JROTC unit. (Total costs in 5 divided by units in 4.)

**INDIVIDUAL TRAINING DATA FOR FY ____ (SERVICE
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)**

	<u>PY/CY/BY1/BY2 *</u>	
	<u>Number</u>	<u>Funding (\$000)</u>
<u>Post-Secondary Programs</u>		
<u>Tuition Assistance</u>		
Graduate Level Course Enrollments		
Undergraduate Level Course Enrollments		
Vocational/Technical Course Enrollments		
Totals		
<u>Instructor Hire (Group Study)</u>		
Enrollments	X	
Instructor Funding	X	
Other Funding	X	
Total Funding	X	
<u>Contract Education (e.g., PACE)</u>		
(Detail by program)		
<u>Education Services Personnel (counselors, ESOs, enlisted clerical, etc.)</u>		
Full-time equivalent Civilian		
Average Strength Military		
<u>Testing – DANTES</u>		
CLEP Tests Administered		
DSST Tests Administered		
Other (Specify) Test Administered		
<u>Other Education-Related Supplies and Materials</u>		
Total Post-Secondary Program Funding	X	X
<u>High School Programs</u>		
<u>Tuition Assistance</u>		
Free/Nominal Course Enrollments		
Group Study Course Enrollments		
Other (Specify) Course Enrollments		
GED Tests Administered		
Total		

**INDIVIDUAL TRAINING DATA FOR FY ____ (SERVICE
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)**

(Continued)

	<u>PY/CY/BY1/BY2 *</u>	
	<u>Number</u>	<u>Funding (\$000)</u>
<u>High School Programs (Continued)</u>		
<u>Basic Skills Development</u>		
Free/Nominal Course Enrollments		
Group Study Course Enrollments		
Other (Specify) Course Enrollments		
Total		
Total High School Program Funding		
<u>New Educational Levels Reported Achieved</u>		
<u>During Past Year (FY __)Through</u>		
<u>Voluntary Programs</u>	<u>Officer</u>	<u>Enlisted</u>
High School Completion		
Diploma		
GED		
Two Years College		
Baccalaureate Degree		
Masters Degree		
Doctorate Degree		
Professional Degree (e.g., JD)		
Other (Specify)		

* Provide the required data for each fiscal year.

PROGRAM 8 INDIVIDUAL TRAINING ELEMENTS

Mission Program Elements (Load Related)

847110	Recruit Training Units
847210	Service Academies
847220	Officer Candidate/Training Schools (OCS/OTS)
847240	Other College Commissioning Programs
847310	General Skill Training
847330	General Intelligence Skill Training
847340	Crypto/SIGINT-Related Skill Training
847410	Undergraduate Pilot Training (UPT)
847420	Undergraduate Navigator/NFO Training (UNT)
847430	Other Flight Training
847510	Professional Military Education
847520	Other Professional Education
847610	Integrated Recruit and Skill Training Units

DOD PROFESSIONAL DEVELOPMENT EDUCATION INSTITUTIONS

Service Institutions

Army

Sergeants Major Academy, Ft Bliss, TX
Command and General Staff College, Ft Leavenworth, KA
War College, Carlisle, PA

Navy

College of Naval Command and Staff, Newport, RI
War College, Newport, RI
Naval Postgraduate School, Monterey, CA*

Marine Corps

Staff NCO Academy, Quantico, VA
Command and Staff College, Quantico, VA

Air Force

Senior NCO Academy, Gunter AFS, AL
Air Command and Staff College, Maxwell AFB, AL
Air War College, Maxwell AFB, AL
Air Force Institute of Technology, Dayton, OH*

Defense Institutions (Service Providing Budgetary Support)

(Army)

Industrial College of the Armed Forces, Ft McNair, DC
National War College, Ft McNair, DC
Information Resources Management College, Ft. McNair, DC
Institute for National Strategic Studies, Ft. McNair, DC

(Navy)

Armed Forces Staff College, Norfolk, VA
Defense Resources Management Education Center, Monterey, CA

OTHER DEFENSE TRAINING INSTITUTIONS (Service Providing Budgetary Support)

(Army)

Defense Language Institute - Foreign Language Center, Monterey, CA
Joint Military Packaging Training Center, Aberdeen, MD

(Navy)

Department of Defense Computer Institute, Washington, DC

(Air Force)

Defense Language Institute - English Language Center, Lackland AFB, TX
Defense Institute of Security Assistance Management, Dayton, OH
Defense Race Relations Institute, Patrick AFB, FL

*Prepare separate exhibits for resident and civilian institution programs.

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

(\$ in Thousands)

		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	Change <u>FY CY/BY1</u>	Change <u>FY BY1/BY2</u>
Administrative Costs							
1.	A.	<u>Salaries of Personnel Above School Level</u>					
	B.	<u>Personnel Benefits</u>					
	C.	<u>Temporary Duty Travel (TDY)</u>					
		(1) Per Diem					
		(2) Other Travel Costs					
		(3) MAC Passenger					
	D.	<u>Supplies & Materials (non-ADP)</u>					
	E.	<u>Equipment Purchases (non-ADP)</u>					
		(1) Furniture					
		(2) All Others					
	F.	<u>Rental & Contractual Services (non-ADP)</u>					
		(1) Rents					
		(2) Maintenance Contracts					
		(3) Other Service Contracts					
	G.	<u>ADP-Management Information System</u>					
		(1) Supplies & Materials					
		(2) Equipment Purchases					
		(3) Equipment Rental Contracts					
		(4) Maintenance Contracts					
		(5) Software Purchases					
		(6) Contract Consultants					
		(7) Studies & Analysis Contracts					
		(8) Professional & Management Services and Contracts					
	H.	<u>Special Analyses (non-ADP)</u>					
		(1) Contract Consultants					
		(2) Studies & Analysis Contracts					
		(3) Professional & Management Services and Contracts					
	I.	<u>Other</u>					
		(1) Training					
		(2) Advertising					
		(3) Other					

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

(\$ in Thousands)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	Change <u>FY CY/BY1</u>	Change <u>FY BY1/BY2</u>
Administrative Costs						
2. A. <u>Salaries of Teaching Personnel</u>						
(1) Teaching Personnel						
(2) Substitutes						
B. <u>Salaries of Principals</u>						
C. <u>Salaries of Clerical Personnel</u>						
(1) Clerical Personnel						
(2) Paraprofessionals						
D. <u>Salaries of Others</u>						
E. <u>Personnel Benefits</u>						
F. <u>Textbooks and Library Books</u>						
(1) Textbooks						
(2) Library Books (Newspaper/Periodicals)						
G. <u>Educational Supplies</u>						
(1) Educational Supplies						
(2) Audiovisual Supplies						
(3) ADP-School Administration						
(4) ADP-Classroom						
H. <u>Educational Equipment</u>						
(1) Educational Equipment						
(a) Equipment Rental						
(b) Equipment Purchases						
(c) Maintenance Contracts						
(2) Audiovisual Equipment						
(a) Equipment Rental						
(b) Equipment Purchases						
(c) Maintenance Contracts						
(3) ADP-School Administration						
(a) Equipment Rental						
(b) Equipment Purchases						
(c) Maintenance Contracts						
(4) ADP-Classroom						
(a) Equipment Rental						
(b) Equipment Purchases						
(c) Maintenance Contracts						

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

Administrative Costs	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	Change <u>FY CY/BY1</u>	Change <u>FY BY1/BY2</u>
2. I. <u>Contractual Services</u>						
(1) Contract Instructional Services						
(2) Non-Instructional Contract Services						
(a) Contract Consultants						
(b) Studies & Analysis Contracts						
(c) Professional & Management Services						
(d) Contract Engineering & Technical Services Contracts						
(e) Other Contracts (Specify)						
J. <u>Research & Innovation</u>						
(1) TDY						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						
(2) Projects (Specify)						
K. <u>Summer School</u>						
(1) Salaries of Teaching Personnel						
(2) Educational Activities						
L. <u>Other Temporary Duty Travel</u>						
(1) Itinerant Education Services						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						
(2) Recruiting						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						
(3) Accreditation						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION COST SUMMARY

(\$ in Thousands)

					Change	Change
Administrative Costs					<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>		
2. L. (4) Curriculum Review						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						
(5) Union Deliberation/Negotiation						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						
(6) Other						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						
M. <u>In-Service Training</u>						
(1) Temporary Duty Travel						
(a) Per Diem						
(b) Other Travel Cost						
(c) MAC Passenger						
(2) Contracts						
(a) Contract Consultant						
(b) Professional & Management Services Contracts						
(c) Other Contracts (Specify)						
(3) Tuition Assistance						
(4) Other (Specify)						
N. <u>Other Costs & Compensation</u>						
(1) Compensation for Extra-Curricular School Activities						
(2) Cost for Correspondence Courses						
(3) Other (Specify)						

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

(\$ in Thousands)

Administrative Costs	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
3. A. <u>Salaries</u>						
(1) Salaries of Logistics Personnel						
(2) Benefits						
B. <u>Custodial/Maintenance</u>						
(1) Contracts						
(2) Non-Contract Supplies						
C. <u>Repair and Maintenance</u>						
(1) R&M of School Facilities						
(a) Less than \$100,000						
(b) More than \$100,000						
(2) Minor Construction Projects						
(b) More than \$100,000						
(a) Less than \$100,000						
(3) Recurring R&M						
(4) Other (Specify)						
D. <u>Transportation Services</u>						
(1) Transportation of Things						
(a) MAC Cargo						
(b) MSC Cargo						
(c) Commercial Land						
(d) Commercial Ship						
(e) Commercial Air						
(f) Other						
(2) Second Destination Transportation						
(a) MAC Cargo						
(b) MSC Cargo						
(c) Commercial Land						
(d) Commercial Ship						
(e) Commercial Air						
(f) Other						
(3) Transportation of People						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passengers						

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

(\$ in Thousands)

Administrative Costs	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
3.	D.	(4) <u>Daily Student Commuting</u>				
		(a) Reimbursable				
		(b) Contract				
		(5) Bus Monitors				
	E.	<u>Rents, Communications and Utilities</u>				
		(1) Rents & Leases				
		(2) Utilities				
		(3) Communications				
	F.	<u>Local Costs and Purchases</u>				
		(1) Supplies & Materials				
		(2) Equipment				
		(a) Furniture				
		(b) All Others				
		(3) Printing & Reproduction				
		(4) Other				
	G.	<u>Reimbursable for Services Received</u>				
		(1) ADP Automated Supply System				
		(2) Accounting/Payroll				
		(3) Civilian Personnel Services				
		(4) Other Base Support				
		(5) NATO/SHAPE/AFCENT Contributions				
		(6) Furniture Maintenance				
		(7) Equipment Maintenance				
		(8) Section Six Schools				
4.		<u>DoDDS-Unique Costs</u>				
	A.	<u>Salaries for Host Nation Personnel</u>				
		(1) Salaries				
		(2) Benefits				
	B.	<u>Allowance</u>				
		(1) Cost of Living Allowance				
		(2) Housing Allowance				
		(3) Area Differentials				

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

						Change	Change
Administrative Costs		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
4.	C. <u>Permanent Change of Station Costs</u>						
	(1) Transportation of People						
	(a) Per Diem						
	(b) Other Travel Costs						
	(c) MAC Passengers						
	(2) Transportation of Things						
	(a) MAC Cargo						
	(b) MSC Cargo						
	(c) Commercial Land						
	(d) Commercial Ship						
	(e) Commercial Air						
	(f) Other						
	D. <u>DoDDS-Operated Dormitories</u>						
	(1) <u>Salaries of Dormitory Personnel</u>						
	(a) Dormitory Counselors						
	(b) Dormitory Aides						
	(c) Compensation for Irregular Hours						
	(2) Benefits						
	(3) Student Room & Board						
	(4) Transportation Services						
	(a) Activity Transportation						
	(b) To/Fro 5-day Dormitories						
	(c) To/From 7-day Dormitories						
	(5) Equipment						
	(a) Furniture						
	(b) All Others						

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 7 of 11)

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA ***

		0 to	125 to	350 to	500 to	750 to	1,000 to	1,300 to	1,600 to	1,900 to	
<u>Elementary Schools (K-8)</u>		<u>124</u>	<u>349</u>	<u>499</u>	<u>749</u>	<u>999</u>	<u>1,299</u>	<u>1,599</u>	<u>1,899</u>	<u>2,199</u>	<u>TOTAL</u>
No. of Schools	FY PY FY CY FY BY1 FY BY2										
Total Enrollment	FY PY FY CY FY BY1 FY BY2										
<u>Middle Schools (4-8)</u>											
No. of Schools	FY PY FY CY FY BY1 FY BY2										
Total Enrollment	FY PY FY CY FY BY1 FY BY2										
<u>Junior High Schools (7-10, must have 9th grade)</u>											
No. of Schools	FY PY FY CY FY BY1 FY BY2										
Total Enrollment	FY PY FY CY FY BY1 FY BY2										

*Excludes Tuition-Fee Schools and Section Six Schools

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA***

		0	125	350	500	750	1,000	1,300	1,600	1,900	
		to	to	to	to	to	to	to	to	to	
		<u>124</u>	<u>349</u>	<u>499</u>	<u>749</u>	<u>999</u>	<u>1,299</u>	<u>1,599</u>	<u>1,899</u>	<u>2,199</u>	<u>TOTAL</u>
<u>Secondary Schools (7-12)</u>											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>High Schools (9 or 10-12)</u>											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Combined Schools (K-9, K-10)</u>											
or K-12)											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA***

		0	125	350	500	750	1,000	1,300	1,600	1,900	
		to	to	to	to	to	to	to	to	to	
		<u>124</u>	<u>349</u>	<u>499</u>	<u>749</u>	<u>999</u>	<u>1,299</u>	<u>1,599</u>	<u>1,899</u>	<u>2,199</u>	<u>TOTAL</u>
<u>Junior College (Non-Add)</u>											
No. of Locations	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment*	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Kindergarten (Memo Entry)</u>											
No. of Locations	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Summary</u>											
No. of Locations	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
*Full-Time Equivalents											

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
PUPIL ENROLLMENT TO TEACHER RATIOS**

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
I. <u>Summary</u>				
Elementary School (K-8)				
Middle School (4-8)				
Jr. High (7-10, must have 9th grade)				
Secondary Schools (7-12)				
High Schools (9 or 10-12)				
Combined (K-9, K-10 or K-12)				
Special Education Program (Self-Contained)				
Junior College				
TOTAL				
II. <u>Detail of Special Education Classes</u>				
Self Contained Environment				
Physically Handicapped				
Hearing Impaired				
Mentally Handicapped (Educ./Trainable)				
Emotionally Handicapped				
Multi-handicapped (at least two categories)				
Pre-School Handicapped				
TOTAL				
<u>Non-Self Contained Environment</u>				
Physically Handicapped				
Hearing Impaired				
Visually Handicapped				
Learning Disabled				
Mildly Handicapped				
Mentally Handicapped (Educ./Trainable)				
Emotionally Handicapped				
Multi-handicapped				
TOTAL				
III. <u>Certain Special Programs Teachers</u>				
Speech Therapist				
ESL				
Compensatory Education				
Talented & Gifted				
TOTAL				

Exhibit OP-15B DoD Dependents Education: Pupil/Teacher Ratio
(Page 11 of 11)

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
1. <u>ADMINISTRATION COST</u>			
a. Salaries for Administration			
(1) Superintendent			
(2) Associate Superintendent			
(3) Other Administrators			
(4) Secretaries and Clerks			
b. Other Expenses for Administration			
(1) TDY Travel			
(2) Supplies			
2. <u>INSTRUCTION COSTS</u>			
a. Salaries of Principals			
(1) Supervising Principals			
(a) Elementary			
(b) Secondary			
(2) Assistant Principals			
b. Salaries of Teachers			
(1) Elementary			
(a) Kindergarten			
(b) Specialists (Special Subject matter Areas)			
(c) Classroom Teachers			
(2) Secondary			
(3) Special Education Teachers			
(4) Summer School			
c. Salaries of Other Instructional Staff			
(1) Librarian Salaries			
(a) Librarians			
(b) Assistant Librarians			
(2) Counselors			

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
2. <u>INSTRUCTION COSTS (continued)</u>			
d. Salaries of Secretarial and Clerical Staff			
(1) Principal's Office Secretarial and Clerical Staff			
(2) Library Clerks			
e. Other Salaries for Instruction			
(1) Teacher Aides			
(2) Substitute Teachers			
f. Student Fees			
(1) Special Education (EMR) and Special Education (LD)			
(2) Reading & Motor Perception Program			
g. School Library & Audio Visual Materials			
(1) Library Books			
(a) Replacement			
(b) Rebinding			
(2) Periodicals and Newspapers			
(3) Audio Visual Materials			
(4) Library Supplies			
h. Teaching Supplies			
(1) Kindergarten			
(2) Elementary School			
(3) Secondary School			
(4) Special Education Supplies			

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
2. <u>INSTRUCTION COSTS (continued)</u>			
i. Other Expenses for Instruction			
(1) Professional Library			
(2) Supplies (Office Supplies Related to Instruction			
(3) Workshop			
(4) Outdoor Education Program Supplies			
(5) TDY for Instruction			
3. <u>AUXILIARY</u>			
a. Health Services			
(1) Salaries			
(2) Supplies and expenses			
b. School Lunch Service Salaries (Cafeteria Manager)			
4. <u>PUPIL TRANSPORTATION SERVICES</u>			
a. Salaries for Pupil Transportation			
b. Contracted Services for Pupil Transportation			
5. <u>OPERATION OF PLANT</u>			
a. Salaries for Operation of Plant			
(1) Salary of Head Custodian			
(2) Salaries of Assistant Custodians			
b. Contracted Services for Operation of Plant			

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
5. <u>OPERATION OF PLANT (continued)</u>			
c. Utilities			
(1) Heat			
(2) Water			
(3) Electricity			
(4) Gas			
(5) Sewage and/or Trash Removal Service			
(6) Phone			
d. Supplies for Operation of Plant			
6. <u>MAINTENANCE OF PLANT</u>			
a. Salaries for Maintenance of School Plant			
b. Contracted Services for Maintenance			
(1) Pest Control			
(2) Rug, Mop, and Linen			
(3) Fire Control			
c. Replacement of Equipment			
(1) Administrative Equipment			
(2) Instructional Equipment			
(3) Non-Instructional Equipment			
(4) Audio Visual Equipment			
d. Supplies for Maintenance of Plant			
(1) Supplies for Building Maintenance			
(2) Supplies for Equipment Maintenance			
7. <u>FIXED CHARGES</u>			
a. Government Contribution to Retirement			
(1) Civil Service Retirement			
(2) FICA			

Exhibit OP-16 DoD Defense Agencies Section 6 Schools
(Page 4 of 5)

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
7. <u>FIXED CHARGES (continued)</u>			
b. Government Contribution to Insurance			
(1) FEGLI			
(2) FEHB			
(3) Fidelity Bond Premiums			
c. Workmen's Compensation			
d. Rental of Land and Buildings			
(1) Rent for Instructional Purposes			
(2) Rent for Non-Instructional Purposes			

SUBTOTAL (costs for Section 6 Schools)
Less reimbursements for non-Section 6 School pupils
(This Pertains to Puerto Rico Schools Only)

NET Section 6 Schools Costs
(Estimated number of pupils in Section 6 Schools)
(Costs per pupil)

8. COSTS UNIQUE TO SECTION 6 SCHOOLS
(Puerto Rico Schools Only)
- a. Overseas Allowances
(cost of living, quarters, and post differential)
 - b. Permanent Change of Station (PCS) Costs

TOTAL SECTION 6 SCHOOLS COSTS
Estimated Number of Pupils (including Tuition Paying Pupils)
Per Pupil Cost

INSTRUCTIONS: Exhibit OP-16 in its entirety will be submitted for both the OSD and the President's budget submissions. This exhibit will be incorporated into the OP-5 Exhibit for the Section 6 Schools.

DEPARTMENT OF THE NAVY

Claimant: _____

Analysis of Navy Flying Hour Program

FY _____

Summary

Program Element/ Type A/C	Average Operating A/C	Utilization Rate (Monthly)	Flying Hours	Fuel	<u>Hourly Costs</u>			<u>Annual Cost</u>			<u>BBL's of Fuel</u>
					<u>DLR</u>	<u>Other</u>	<u>Total Fuel</u>	<u>DLR</u>	<u>Other</u>	<u>Total</u>	
Exhibit	OP-20A										
	OP-20B										
	OP-20C										

INSTRUCTIONS

Separate exhibits will be submitted for the active and the reserve flying hour programs. The OP-20 exhibit is supported by three schedules, each one of which is designed to display the principal elements affecting the development of requirements. All data are required for the prior year, current year, biennial budget year 1 (BY1), and biennial budget year 2 (BY2).

- (a) Exhibit OP-20A relates to those requirements which are computed principally on the basis of numbers of tactical aircraft, crew ratios and the hours per crew required to maintain combat readiness.
- (b) Exhibit OP-20B relates to those requirements which are computed principally on the basis of the production of trained pilots. In addition to Undergraduate Pilot Training requirements, this schedule should also include requirements to support CCTS, CRAW, and RTU's.
- (c) Exhibit OP-20C covers all other fleet support requirement.

Include the flying hours actually flown or programmed to be flown in support of the drug interdiction program in the proper section of the flying hour report (i.e. tactical flying hours in support of the drug program are to be reflected in the tactical/ASW section of the OP-20). At the end of the OP-20 exhibit, include a memo entry reflecting the number of flying hours and the dollars by Type/Model/Series that are funded in the centralized drug account.

Exhibit OP-20 Analysis of Navy Flying Hour Program: Summary

DEPARTMENT OF THE NAVY
Analysis of Navy Flying Hour Program
Tactical Aircraft

Claimant: _____

FY _____

<u>T/M/S</u>	<u>Avg. Op.</u>	<u>Crew</u>	<u>No</u>	<u>MR</u>	<u>Primary</u>	<u>Overhead</u>	<u>Cost</u>	<u>Annual</u>	<u>PMR Factor</u>			
<u>A/C</u>	<u>A/C</u>	<u>Seat</u>	<u>of</u>	<u>Crew</u>	<u>Mission</u>	<u>Crews/</u>	<u>Per</u>	<u>Budget</u>	<u>SIM</u>	<u>Budget</u>	<u>Budget/</u>	
		<u>Ratio</u>	<u>Crews</u>	<u>Hours</u>	<u>Hour</u>	<u>Staff Hours</u>	<u>Reg. Budget</u>	<u>Hour</u>	<u>Cost</u>	<u>Hours</u>	<u>Hours</u>	<u>SIM Hrs.</u>

Provide an explanation of changes in crew seat ratios, crew hours, and overhead crew/staff hours between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2. Also explain changes in such factors for the current year between the estimate included in the previous President's budget request and current year estimate for each Type/Model/Series (T/M/S) included in this budget submission.

Exhibit OP-20A Analysis of Navy Flying Hour Program: Tactical Aircraft

DEPARTMENT OF THE NAVY
Analysis of Navy Flying Hour Program
Fleet Training

Claimant: _____

FY _____

Budget

<u>T/M/S</u>	<u>Avg Op</u> <u>A/C</u>	<u>Pilot Hours</u>			<u>NFO Hours</u>			<u>Other</u> <u>Hours</u>	<u>Budget</u> <u>Hours</u>	<u>SIM</u> <u>Hours</u>	<u>Total</u> <u>Hours</u> <u>Required</u>	<u>Cost</u> <u>Per</u> <u>Hour</u>	<u>Total</u> <u>Cost</u>	<u>Hrs as % of</u> <u>Total Hrs.</u> <u>Required</u>
		<u>No.</u> <u>Pilots</u>	<u>Per</u> <u>Pilot</u>	<u>Annual</u> <u>Hours</u>	<u>Per</u> <u>NFO's</u>	<u>No.</u> <u>NFO</u>	<u>Annual</u> <u>Hours</u>							
	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>2/</u>								
	<u>1/</u>	<u>3/</u>	<u>3/</u>											

1/ Data required for each category; i.e., category I, II, III, IV, V

2/ Provide an explanation for each T/M/S

3/ Provide an explanation of changes in Pilot/NFO hours between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2. Also explain changes in the current year between the estimate included in the previous President's budget request and the current estimate in this budget submission for each category of student by T/M/S.

Exhibit OP-20B Analysis of Navy Flying Hour Program: Fleet Training

DEPARTMENT OF THE NAVY
Analysis of Navy Flying Hour Program
Fleet Support Requirements

Claimant: _____
FY _____

<u>P.E./TMS</u>	Monthly Utilization Rate	Avg. Op A/C	Cost Per Hour	Required Hours	<div style="display: inline-block; text-align: center;"> <u>Budget</u> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <u>Hours</u> <u>Cost</u> </div> </div>	Hours Budgeted as a <u>% of Requirement</u>
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Exhibit OP-20C Analysis of Navy Flying Hour Program: Fleet Support

DEPARTMENT OF ARMY FLYING HOUR PROGRAM
FY ____ (PY/CY/BY1/BY2)

<u>Type A/C</u>	<u>Average No of Aircraft</u>	<u>Utilization Rate</u>	<u>Flying Hours</u>	<u>Hourly Costs</u>				<u>Annual Cost</u>				<u>BBL's of Fuel</u>
				<u>Fuel</u>	<u>DLR</u>	<u>Other</u>	<u>Total</u>	<u>Fuel</u>	<u>DLR</u>	<u>Other</u>	<u>Total</u>	
FW												
C-12												
RC-12												
RC-7 ARL												
UC-35												
etc.												
Total FW												
RW												
AH-1												
AH-64												
AH-64D												
CH-47D												
EH-60												
OH-58AC												
OH-58D												
TH-67												
UH-1												
UH-60A												
UH-60L												
etc.												
Total RW												

TOTAL: ALL AIRCRAFT

NARRATIVE EXPLANATION OF CHANGE: Provide a succinct description of changes in resources and program requirements between years and deviation between actual and program data. Particular emphasis should be placed upon actual data.

Instructions. Exhibit OP-20D is for Army use only. Exhibits OP-20, 20A, 20B, and 20C are not required for Army. A separate exhibit will be submitted for the Active Army, Army Reserve, and Army National Guard. Provide for prior year, current year, biennial budget year 1, and biennial budget year 2.

Include the flying hours actually flown or programmed to be flown in support of the drug interdiction program in the appropriate section of the flying hour report. At the end of the OP-20D exhibit, include a memo entry reflecting the number of flying hours and the dollars by Type/Model/Series that are funded in the centralized drug account.

Exhibit OP-20D Analysis of Army Flying Hour Program
 (Page 1 of 2)

**DEPARTMENT OF ARMY FLYING HOUR PROGRAM
SUMMARY BY COMMAND AND AGENCY**

MAJOR COMMAND/AGENCY

<u>FY PY ACTUAL</u>	<u>CHANGE</u>	<u>FY CY ESTIMATE</u>	<u>CHANGE</u>	<u>FY BY1 ESTIMATE</u>	<u>CHANGE</u>	<u>FY BY2 ESTIMATE</u>
---------------------	---------------	-----------------------	---------------	------------------------	---------------	------------------------

MACOM _____

I. Number of Aircraft

II. Flying Hours

III. Annual Cost

NARRATIVE EXPLANATION OF CHANGE: *Provide a succinct description of changes in resources and program requirements between years. Explanations should include Particular emphasis should be placed upon actual data.*

Instructions. *Include the flying hours and annual costs by each major command for Army for prior year actual, current year estimate, biennial budget year 1, and biennial budget year 2.*

Exhibit OP-20D Analysis of Army Flying Hour Program
(Page 2 of 2)

AIR FORCE WEAPON SYSTEMS/FLYING HOUR COST DATA

		<u>PAA</u>	<u>PAI</u>	<u>APAI</u>	<u>Crew</u> <u>Ratio</u>	<u>No.</u> <u>of</u> <u>Crews</u> <u>Mo.</u>	<u>Hours/</u> <u>Crew/</u> <u>Rate</u>	<u>Avg.</u> <u>Util</u> <u>Required</u>	<u>Total Hours</u> <u>Budget</u>	<u>POL</u>	<u>Unit Cost Factors</u>			<u>Annual</u> <u>Budget</u> <u>(\$000)</u>
MFP	PY-1 1 QTR													
PE	PY-1 2 QTR													
WSC	PY-1 3 QTR													
	PY-1 4 QTR													
&	TOTAL PY-1													
TOTAL PE														
	PY 1 Qtr													
&	PY 2 Qtr													
	PY 3 Qtr													
MFP	PY 4 Qtr													
	TOTAL PY													
	CY 1 Qtr													
	CY 2 Qtr													
	CY 3 Qtr													
	CY 4 Qtr													
	TOTAL CY													
	BY1 1 Qtr													
	BY1 2 Qtr													
	BY1 3 Qtr													
	BY1 4 Qtr													
	TOTAL BY1													
	BY2 1 Qtr													
	BY2 2 Qtr													
	BY2 3 Qtr													
	BY2 4 Qtr													
	TOTAL BY2													
	TOTAL BY2+1													
	TOTAL BY2+2													
	TOTAL BY2+3													
	TOTAL BY2+4													

Prior Year -1 is to reflect actual execution data and should include the crew ratio, no. of crews, hours per crew per month as well as the hours actually flown and the actual cost per hour.

Total prior year flying hour data is to be expanded to separately identify programmed (a/o the last Presidents budget submit) and actual execution data.

Expand the exhibit to include outyear data for the annual program only (not required by quarter).

Include CREW RATIOS, NUMBERS OF CREWS, HOURS PER CREW/MONTH, and REQUIRED vs. BUDGETED F/Hs.

Data will be arrayed by BA/Program Element/WSC with a Total array identified for each Program Element and Budget Activity.

The exhibit will identify O&M activities exclusive of Foreign Government Owned (FGO) and Special Operations Forces (SOF) aircraft.

FGO and MFP-10 data will be identified in separate arrays.

A Grand Total section will aggregate the O&M, FGO, and SOF information for each fiscal year by quarter.

Separate sections (with the same data array) will also identify the AFR and ANG programs.

This exhibit will be submitted for both the OSD submission and the President's budget submission.

Include the flying hours actually flown or programmed to be flown in support of the drug interdiction program in the proper section of the flying hour report (i.e. tactical flying hours in support of the drug program are to be reflected in the tactical section of the OP-20E). At the end of the OP-20E exhibit, include a memo entry reflecting the number of flying hours and the dollars by Type/Model/Series that are funded in the centralized drug account.

Exhibit OP-20E Analysis of Air Force Weapon Systems/Flying Hour Program

OPERATION AND MAINTENANCE, _____

EMERGENCY AND EXTRAORDINARY EXPENSE LIMITATION

Scope: Covers all expenses subject to the congressional limitation on "Emergency and Extraordinary Expenses"

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
1. Cryptologic Intelligence				
2. HUMINT				
3. Counterintelligence and Investigative Activities				
4. Scientific and Technical				
5. Intelligence and Management Support				
6. Mapping and Charting Activity				
7. Attaché Activities				
8. Tactical Intelligence				
a/ 9. Other Intelligence				
Subtotal, Intelligence Type				
10. Representation Allowance				
11. Criminal Investigations				
a/ 12. Other Non-Intelligence Activities				
Total				

a/ "Other" categories should be specifically identified with their related purpose as a footnote. DoD Components are invited to provide additional appropriate standard categories in lieu of using "Other" category.

NARRATIVE EXPLANATION OF CHANGE. *Provide written explanation/justification for changes from one FY to the next.*

Exhibit OP-24 Emergency and Extraordinary Expense Limitation

DEPARTMENT of _____
FY BY1/FY BY2 OSD Submit/President's Budget
POL Consumption and Costs
(Flying Hours, Barrels and \$ in Thousands)

Appropriation/Fund

<u>Activity</u>	<u>FY PY Actual</u>			<u>FY CY Estimate</u>			<u>FY BY1 Estimate</u>			<u>FY BY2 Estimate</u>		
	<u>F/H</u>	<u>BBLs</u>	<u>\$</u>	<u>F/H</u>	<u>BBLs</u>	<u>\$</u>	<u>F/H</u>	<u>BBLs</u>	<u>\$</u>	<u>F/H</u>	<u>BBLs</u>	<u>\$</u>
Aircraft Operations												
Separately identify each petroleum product												
Ship Operations												
Separately identify each petroleum product												
Vehicle Operations												
Separately identify each petroleum product												
Other (Identify each activity separately)												
Separately identify each petroleum product												
Total												
Separately identify each petroleum product												

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including the Defense Working Capital Fund, family housing, and RDT&E accounts. Customer accounts should include direct consumption only and should not include industrial fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provide a total for the Component.

1. Subtotals
 - a. Operation and Maintenance Appropriations
 - b. Research, Development, Test and Evaluation Appropriations
 - c. Family Housing Appropriations
 - d. Defense Working Capital Fund (Provide a breakout for each industrial fund activity group and a total for the Industrial Fund.)
 - (1) Depot Maintenance
 - (2) MSC
 - (3) Other Industrial Fund Activities (Separately identify each Defense Working Capital Fund activity group.)
2. Total Military Service or Defense Agency

The OP-26a exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26 exhibit will not be included in justification material forwarded to the Congress. Each Component is also required to submit an electronic version of the OP-26. See section 0302 for specific instructions.

Exhibit OP-26 POL Consumption and Costs
 (Page 1 of 3)

Department of _____

**FY BY1/BY2 OSD Submit President's Budget
POL Consumption and Costs
(Flying Hours, Barrels and \$ in Thousands)**

Appropriation/Fund

	<u>FY PY Actual</u>			<u>FY CY Estimate</u>			<u>FY BY1 Estimate</u>			<u>FY BY2 Estimate</u>		
		Unit			Unit			Unit			Unit	
<u>Activity</u>	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>
Aircraft Operations												
Separately identify each petroleum product												
Ship Operations												
Separately identify each petroleum product												
Vehicle Operations												
Separately identify each petroleum product												
Other (Identify each activity separately)												
Separately identify each petroleum product												
Total												
Separately identify each petroleum product												

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including Defense Working Capital Fund, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include Defense Working Capital Fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provide a total for the Component.

1. Subtotals
 - a. Operation and Maintenance Appropriations
 - b. Research, Development, Test and Evaluation Appropriations
 - c. Family Housing Appropriations
 - d. Defense Working Capital Fund (Provide a breakout for each Defense Working Capital Fund activity group and a total for the Industrial Fund.)
 - (1) Depot Maintenance
 - (2) MSC
 - (3) Other Defense Working Capital Fund Activities (Separately identify each Industrial Fund activity group.)
2. Total Military Service or Defense Agency

The OP-26b exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26a exhibit will not be included in justification material forwarded to the Congress.

Exhibit OP-26 POL Consumption and Costs
(Page 2 of 3)

Department of
FY BY1/FY BY2 OSD Submit/President's Budget
Source of Purchases for POL Consumption
(Barrels in Thousands)

<u>Appropriation/Fund</u>		<u>FY PY Actual</u>			<u>FY CY Estimate</u>			<u>FY BY1 Estimate</u>			<u>FY BY2 Estimate</u>		
		<u>Local</u>			<u>Local</u>			<u>Local</u>			<u>Local</u>		
<u>Activity</u>	<u>WCF</u>	<u>Sources</u>	<u>Total</u>	<u>WCF</u>	<u>Sources</u>	<u>Total</u>	<u>WCF</u>	<u>Sources</u>	<u>Total</u>	<u>WCF</u>	<u>Sources</u>	<u>Total</u>	
Aircraft Operations													
Separately identify each petroleum product													
Ship Operations													
Separately identify each petroleum product													
Vehicle Operations													
Separately identify each petroleum product													
Other (Identify each activity separately)													
Separately identify each petroleum product													
Total													
Separately identify each petroleum product													

Instructions: This exhibit will be submitted by each Military Department and Defense Agency for both the OSD Submit and the President's budget submit. Complete for each appropriation and fund, including working capital funds, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include industrial fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provide a total for the Component. **The total purchases will agree with the barrels consumed or planned for consumption reflected on the OP-26 exhibit.**

1. Subtotals
 - a. Operation and Maintenance Appropriations
 - b. Research, Development, Test and Evaluation Appropriations
 - c. Family Housing Appropriations
 - d. Defense Working Capital Fund (Provide a breakout for each Defense Working Capital Fund activity group and a total for the Defense Working Capital Fund.)
 - (1) Depot Maintenance
 - (2) MSC
 - (3) Other Defense Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.
2. Total Military Service or Defense Agency

The OP-26 exhibit will not be included in justification material forwarded to the Congress. **Include a copy of the SM-4, Fuel Data, exhibit.**

Exhibit OP-26 POL Consumption and Costs
 (Page 3 of 3)

DEPOT MAINTENANCE PROGRAM SUMMARY
(Service/Component)

Part I - Funded Requirements:

	<u>FY PY-1</u>		<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>	
	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>
<u>Aircraft</u> (Army, Navy, Air Force)	Use these categories for both the Funded and <i>Unfunded Executable</i> Requirements;									
Airframe Maintenance	the Method of Accomplishment; and the Summary of Unfunded Deferred Requirements.									
Engine Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Combat Vehicle</u> (Army, Marine Corps)										
Vehicle Overhaul										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Ships</u> (Navy only)										
Overhaul										
Selected Restricted Availability										
Phased Maintenance Availability										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Missile Maintenance</u> (Army, Navy, Marine Corps, Air Force)										
<i>Strategic</i> Missile Maintenance										
<i>Tactical</i> Missile Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Ordnance Maintenance</u> (Army, Navy, Marine Corps, Air Force)										
Ordnance Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Other</u> (Army, Navy, Marine Corps, Air Force)										
Other End Item Maintenance										
<i>Software Maintenance</i>										

Exhibit OP-30 Depot Maintenance Summary
(Page 1 of 12)

DEPOT MAINTENANCE PROGRAM SUMMARY
(Service/Component)

Part II - Unfunded Executable Requirements *:

	<u>FY PY-1</u>		<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>	
	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>
<u>Aircraft</u> (Army, Navy, Air Force)										
Airframe Maintenance										
Engine Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Combat Vehicle</u> (Army, Marine Corps)										
Vehicle Overhaul										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Ships</u> (Navy only)										
Overhaul										
Selected Restricted Availability										
Phased Maintenance Availability										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Missile Maintenance</u> (Army, Navy, Marine Corps, Air Force)										
Strategic Maintenance										
Tactical Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Ordnance Maintenance</u> (Army, Navy, Marine Corps, Air Force)										
Ordnance Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Other</u> (Army, Navy, Marine Corps, Air Force)										
Other End Item Maintenance										
<i>Software Maintenance</i>										

* Include only those requirements that are executable but unfunded due to funding constraints. Exclude reporting of requirements that are not executable due to capacity constraints, operating schedules, or for reasons other than fiscal constraints

Exhibit OP-30 Depot Maintenance Summary
(Page 2 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
METHOD OF ACCOMPLISHMENT**

<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Funded Requirement</u>	<u>Funded Requirement</u>	<u>Funded Requirement</u>	<u>Funded Requirement</u>
<u>Contract* Organic* Total</u>	<u>Contract* Organic* Total</u>	<u>Contract* Organic* Total</u>	<u>Contract* Organic* Total</u>

(Insert the same stub entries as contained on Page 1 of the OP-30 Exhibit)

* Show percentage of total requirement in parentheses after funded requirement.

**COMPONENT
DEPOT MAINTENANCE PROGRAM
SUMMARY OF UNFUNDED DEFERRED REQUIREMENTS**

<u><i>Unexecutable Unfunded Requirement</i></u>			<u><i>Executable Unfunded Requirement/</i></u>			<u><i>Total Unfunded Requirement 3/</i></u>	
<u><i>Units</i></u>	<u><i>(\$000)</i></u>	<u><i>Explanation 1/</i></u>	<u><i>Units</i></u>	<u><i>(\$000)</i></u>	<u><i>Organic/Private 2/</i></u>	<u><i>Units</i></u>	<u><i>(\$000)</i></u>

(Insert the same stub entries as are contained
on Page 1 of Exhibit OP-30 for fiscal years
FY PY, FY CY, FY BY1, & FY BY2.)

- 1/ Describe the reason the requirement is unexecutable (plant capacity, operational commitment, or “other.”) “Other” must specifically identify constraint.
- 2/ Identify where work would be performed if funding were available: Organic - in house or Private – contracted out
- 3/ Total of unexecutable unfunded and executable unfunded requirements.

Exhibit OP-30 Depot Maintenance Summary
(Page 4 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
AIRCRAFT SUMMARY DATA**

	<u>FY PY-1</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
1. Aircraft Inventory (<i>report number of aircraft</i>)					
2. Total Aircraft Maintenance/Rework Required					
3. Program Extensions					
4. Total Aircraft Maintenance/Rework Required (Item 2 less Item 3)					
5. Funded Aircraft Maintenance/Reworks					
6. Unfunded Maintenance/Rework Requirements (Executable Unfunded Deferred Requirements) (Item 4 less Item 5)					
7. Total Aircraft on Extensions (Item 3 plus Item 6)					
8. Planned Retirements					
9. Total Aircraft on Extension (Item 7 less Item 8)					
10. Percentage of A/C on Extension - Total (Item 9 divided by Item 1)					
12. Percentage of A/C on Extension - Backlog (Item 6 divided by Item 1)					
12. Average Unit Cost (\$000)					

Exhibit OP-30 Depot Maintenance Summary
(Page 5 of 12)

COMPONENT
DEPOT MAINTENANCE PROGRAM
Aircraft Maintenance

Aircraft/Engine/ <u>Other (Describe)</u>	<u>Fiscal</u> <u>Year 1/</u>	<u>Inventory</u>	<u>Flying</u> <u>Hours</u>	<u>Maintenance</u> <u>Rework Cycle 2/</u>	<u>Maintenance/Rework</u> <u>Requirement (Units)</u>			<u>Method 4/</u>	<u>Manhours</u> <u>(Organic Only)</u>	<u>Unit</u> <u>Cost</u>	<u>Total</u> <u>Cost</u>
					<u>Total</u>	<u>Unfunded 3/</u>	<u>Funded</u>				

1/ Provide data for the PY-1, PY, CY, BY1, & BY2

2/ Show data in months, flying hours, etc. as applicable.

3/ Executable unfunded deferred requirement.

4/ Show whether work is performed commercially or organically. If organically, indicate whether work is performed by Army, Navy, Marine Corps, or Air Force Working Capital Fund. If performed by more than one method show quantities and unit costs separately for each activity.

Exhibit OP-30 Depot Maintenance Summary
 (Page 6 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
SHIP MAINTENANCE SUMMARY**

<u>Category</u>	<u>Method</u>	<u>Unit of Measure</u>	<u>FY PY Unit (\$000)</u>	<u>FY CY Unit (\$000)</u>	<u>FY BY1 Unit (\$000)</u>	<u>FY BY2 Unit (\$000)</u>
Overhauls	Public Private WESTPAC (Subtotal)	Hull				
Restricted/ Technical Availabilities	Public Private WESTPAC (Subtotal)	Hull				
Phased Maintenance Availabilities	Public Private WESTPAC (Subtotal)	Hull				
Emergent Repairs	Public Private WESTPAC (Subtotal)	Ship Operating Months				
Miscellaneous RA/TA	Public Private WESTPAC (Subtotal)	Not Applicable	Show dollars estimates only for this category.			
Total Program	Public Private WESTPAC (Total)					

Exhibit OP-30 Depot Maintenance Summary
(Page 7 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
Ship Maintenance**

<u>Program Elements</u>	<u>Ship Type</u>	<u>Hull No.</u>	<u>Class</u>	<u>Overhaul Completed</u>	<u>Scheduled O/H Date</u>	<u>Estimated Cost</u> <u>PY CY BY1 BY2</u>	<u>Naval/Private Shipyard</u>
------------------------------------	-----------------------------	----------------------------	---------------------	--------------------------------------	--------------------------------------	---	--

1. For each ship show data separately for advance funding for the Advanced Engineering Repair Planning (AERP) and Planning Estimating and Repair Activity (PERA), change orders, overhaul costs, maintenance carry forward (if applicable), and total. Identify amounts for maintenance carry forward on summary.

2. Show in parentheses the amount reserved for scope changes in subsequent years by hull number for overhauls, SRA's, and PMA's. Identify the amounts reserved for scope changes in the summary also.

Exhibit OP-30 Depot Maintenance Summary
(Page 8 of 12)

COMPONENT
DEPOT MAINTENANCE PROGRAM 4/ 1/
Ship Maintenance (Working Capital Fund and Pilot Program Mission Funded)

Type of Maintenance _____.

<u>Ship</u>	<u>Date</u>	<u>Total</u>	<u>Last ROH /SRA/PMA</u> <u>Workdays</u>	<u>Baseline</u> <u>Workdays</u>	<u>Current Workday Estimate</u> <u>"D" Alts</u> <u>Unique Reps</u> <u>Total</u>	<u>Stabilized Rate</u> <u>Total</u> <u>(Mat'l Incl.)</u>	<u>AERP/PERA</u> <u>Cost</u>	<u>Total</u> <u>Cost of ROH,</u> <u>SRA,PMA</u>
				2/	3/			4/

- 1/ *All Depot Maintenance. Distinguish that funded through the Working Capital Fund and that which is mission funded.*
This exhibit should be completed for ROH, SRA, and PMA's. Provide information for fiscal years FY PY, FY CY, FY BY1, & FY BY2
- 2/ This is the net of total workdays on the last overhaul less depot alteration workdays.
- 3/ This is the sum of the Baseline workdays plus the current estimate of depot alterations and unique repairs.
- 4/ Equals the sum of (Total current workday estimate times the stabilized workday rate) plus AERP/PERA costs.

Exhibit OP-30 Depot Maintenance Summary
(Page 9 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
Ship Maintenance (Commercial)**

Type of Maintenance ____.

Ship	Date	Labor						Total
		Last OH/SRA/PMA	Adjustments		Adjusted Baseline	Econ./Loc. Factor		
			Unique					
			"D" Alts	Reps				

- (1) A separate form should be completed for overhauls, PMA's, and SRA's. Indicate whether form addresses ROH, PMA, or SRA's.
- (2) Provide information for fiscal years FY PY, FY CY, FY BY1, & FY BY2.

Exhibit OP-30 Depot Maintenance Summary
(Page 10 of 12)

DEPOT MAINTENANCE PROGRAM

Instructions and Definitions

A separate exhibit should be completed for *the following* Operation and Maintenance appropriations: *Army, Navy, Marine Corps, Air Force, Defense-wide (SOCOM), Army Reserve, Navy Reserve, Marine Corps Reserve, Air Force Reserve, Army National Guard, and Air National Guard.*

Include depot maintenance programs only. In accordance with 10 USC 2460, *depot maintenance and repair is defined as material maintenance or repair requiring the overhaul, upgrade, or rebuilding of parts, assemblies, or subassemblies, and the testing and reclamation of equipment as necessary. Depot maintenance includes the installation of parts for the purpose of safety modifications, all aspects of software maintenance, and interim contractor support or contractor logistics support. Depot maintenance may include the installation of modifications (when done concurrent with other depot maintenance task) all aspects of software maintenance and the depot maintenance portion of interim contractor support (ICS) and contractor logistics support (CLS). Depot maintenance does not include procurement of major modifications or upgrades of weapon systems that are designed to improve program performance, the procurement of parts for safety modification, or the nuclear refueling of an aircraft carrier. Do not include maintenance support programs, second destination transportation amounts, or depot maintenance funded in appropriations other than Operation and Maintenance in this exhibit.*

Depot maintenance amounts *displayed in this exhibit* should be consistent with amounts shown in applicable OP-5 Exhibits in each Component's budget justification book and agree with amounts provided in Exhibit PBA-5, Depot Maintenance, Chapter 3.

All O&M depot maintenance requirements are to be displayed in one of the following categories:

- 1. Funded requirements – depot maintenance requirements for which funds are assigned.*
- 2. Unfunded executable requirements – depot maintenance requirements that are deferred due only to funding constraints.*
- 3. Unexecutable requirements – depot maintenance requirements that cannot be accomplished for reasons other than funding constraints to include operational commitments and lack of capacity. Unexecutable requirements are to be explained on page three of this exhibit.*

Total O&M depot maintenance requirement is the sum of the three categories listed above. Total executable requirement is the sum of the funded and the unfunded executable depot maintenance requirements.

Depot maintenance funded and *unfunded executable requirements* for the FY PY, FY CY, FY 20 BY1 and FY 20 BY2 should also be included in the Workload and Performance Criteria section of applicable OP-5 Exhibits for those Activity Groups which include depot maintenance programs. (The Workload and Performance Criteria section of the OP-5 should utilize the OP-30 format.)

Exhibit OP-30 Depot Maintenance Summary
(Page 11 of 12)

DEPOT MAINTENANCE PROGRAM

Instructions and Definitions (continued)

For the following reporting categories/subcategories only weapon system depot maintenance should be reported (i.e., requirements specifically for work on the end item that is the weapon system). Do not include work on related equipment, assemblies or subassemblies (such requirements should be reflected in the appropriate “other” category).

- Aircraft
- Combat vehicle
- Ships
- Missiles
- Ammunition
- Other

Depot Level Reparable Maintenance will only include non-stock funded items.

Include FY PY-1 data for the OSD budget submission only.

For the President’s budget submission, only submit pages 1 through 3 and pages 6 and 7 of the OP-30 Exhibit.

DEPARTMENT OF _____
OPERATION AND MAINTENANCE, _____
FUNDING FOR DEFENSE WORKING CAPITAL FUNDED DEPOT LEVEL REPARABLES (DLRs)
(Dollars in Millions)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>CY-BY1 CHANGE</u>	<u>BY1-BY2 CHANGE</u>
<u>COMMODITY:</u>						
SHIPS						
AIRFRAMES						
AIRCRAFT ENGINES						
COMBAT VEHICLES						
OTHER						
MISSILES						
COMMUNICATIONS EQUIPMENT						
OTHER MISC.						
TOTAL						

Provide the funding for each commodity group within each O&M appropriation used to purchase depot level reparable from the Defense Working Capital Fund.

Exhibit OP-31 Funding For Defense Working Capital Funded Depot Level Reparables (DLRs)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ____ (2)
(\$ in Thousands)

	FY ____ (3) <u>Program</u> 4)	Foreign Currency <u>Rate Difference</u> (5)	<u>Price Growth</u> <u>Percent</u> (6)	<u>Amount</u> (7)	<u>Program</u> <u>Growth</u> (8)	FY ____ (3) <u>Program</u> (9)
<u>CIVILIAN PERSONNEL COMPENSATION</u>						
101				(11)		
103				(11)		
104				(11)		
105				(11)		
106				(11)		
107				(11)		
110				(11)		
111				(11)		
117				(11)		
199				(10)		
<u>TRAVEL</u>						
308				(12)		
399				(10)		
<u>DEFENSE WORKING CAPITAL FUND (Fund) SUPPLIES & MATERIALS PURCHASES</u>						
401				(15)		
402				(15)		
411				(16)		
412				(16)		
414				(16)		
415				(16)		
416				(17)		
417				(21)		
421				(21)		
499				(10)		
<u>DEFENSE WORKING CAPITAL FUND EQUIPMENT PURCHASES</u>						
502				(18)		
503				(18)		
505				(18)		
506				(18)		
507				(19)		
599				(10)		
<u>OTHER FUND PURCHASES (EXCLUDE TRANSPORTATION)</u>						
601-693	(As applicable)			(23), (13)		
679	Cost Reimbursable Purchases			(24)		
680	Purchases from Building Maintenance Fund			(27)		
699	Total Purchases			(27)		
				(10)		

Exhibit OP-32 Summary of Price and Program Change
(Page 1 of 8)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ____ (2)
(\$ in Thousands)

	FY ____ (3) Program 4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Amount (7)	Program Growth (8)	FY ____ (3) Program (9)
<u>CIVILIAN PERSONNEL COMPENSATION</u>						
<u>TRANSPORTATION</u>						
701	MAC Cargo (Fund)			(13)		
702	MAC SAAM (Fund)			(13)		
703	JCS Exercises			(14)		
704	Defense Courier Service					
711	MSC Cargo (Fund)			(13)		
721	MTMC (Port Handling-Fund)			(13)		
725	MTMC (Other-Non-Fund)			(22)		
771	Commercial Transportation			(28)		
799	Total Transportation			(10)		
<u>OTHER PURCHASES</u>						
901	Foreign National Indirect Hire (FNIH)			(29)		
902	Separation Liability (FNIH)			(29)		
912	Rental Payments to GSA (SLUC)			(30)		
913	Purchased Utilities (non-Fund)			(31), (32)		
914	Purchased Communications (Non-Fund)			(31), (33)		
915	Rents (Non-GSA)			(31), (34)		
917	Postal Services (U.S.P.S.)			(31), (35)		
920	Supplies & Materials (Non-Fund)			(36)		
921	Printing & Reproduction			(37)		
922	Equipment Maintenance by Contract			(38)		
923	Facility Maintenance by Contract			(39)		
925	Equipment Purchases (Non-Fund)			(40)		
926	Other Overseas Purchases			(41)		
927	Air Defense Contracts & Space Support (AF)			(42)		
928	Ship Maintenance by Contract			(43)		
929	Aircraft Reworks by Contract			(44)		
930	Other Depot Maintenance (Non-Fund)			(45)		
931	Contract Consultants			(46)		
932	Management & Professional Support Services			(46)		
933	Studies, Analysis, & Evaluations			(46)		
934	Engineering & Technical Services			(46)		
937	Locally Purchased Fuel (Non-Fund)			(15), (51)		
988	Grants			(47)		
989	Other Contracts			(48)		
991	Foreign Currency Variance			(49)		
998	Other Costs			(52)		
999	Total Other Purchases			(10)		
9999	<u>TOTAL</u>			(50)		

Note: Include support for value engineering in applicable line item elements of expense.

Exhibit OP-32 Summary of Price and Program Change
(Page 2 of 8)

**Elements of Expense for Purchases from
Defense Working Capital Fund (Fund)***

	<u>Element of Expense</u>
<u>DEPOT MAINTENANCE</u>	
Army Armament Command	601
Army Depot System Command: Maintenance	602
DLA Distribution Point (Army Only)	603
Naval Aviation Depots	613
Naval Ordnance Facilities	632
Naval Shipyards	637
Marine Corps Depot Maintenance	640
Depot Maintenance (Air Force): Organic	(25) 661
Depot Maintenance (Air Force): Contract	662
<u>BASE SUPPORT</u>	
Naval Public Work Centers: Utilities	634
Naval Public Work Centers: Public Works	635
<u>RESEARCH AND DEVELOPMENT ACTIVITIES</u>	
Naval Air Warfare Center	610
Naval Surface Warfare Center	611
Naval Undersea Warfare Center	612
Naval Command, Control, & Ocean Surveillance Center	614
Naval Research Laboratory	630
Naval Facilities Engineering Service	631
<u>INFORMATION SERVICES</u>	
Navy Information service	615
Defense Automatic Addressing Systems	670
Communications Services (DISA)	671
DISA Information Services	647
Army Information Services	648
Air Force Information Services	649
DLA Information Services	650
DFAS Information Services	651
<u>TRANSPORTATION</u>	
Military Sealift Command:	
Fleet Auxiliary Force	620
Afloat Prepositioning Ships	621
Special Mission Support	623
Other MSC Purchases	624
MSC Rebate	625
Airlift Services:	
Other AMC Purchases	(26) 653
<u>PRINTING AND PUBLICATION SERVICES</u>	
Defense Publication & Printing Service	633
<u>FINANCIAL OPERATIONS</u>	
Defense Financing and Accounting Services	673
<u>OTHER</u>	
Pentagon Reservation Maintenance Revolving Fund	672
Distribution Depots	674
Defense Reutilization and Marketing Services (DRMS)	675
<i>Defense Commissary Operations</i>	676
<i>Defense Security Service</i>	678

* These lines should include only Defense Working Capital Fund purchases made at stabilized rates. Cost reimbursable purchases should be included in line 679.

Exhibit OP-32 Summary of Price and Program Change
(Page 3 of 8)

INSTRUCTIONS FOR COMPLETION OF OP-32

- (1) Enter the applicable component, i.e., Army, Navy, Marine Corps Reserve, Air National Guard, etc.
- (2) Enter the fiscal year for which this exhibit is being prepared.

NOTE: A separate exhibit should be submitted for each O&M appropriation for the current year, for biennial budget year 1, and for biennial budget year 2. This exhibit should be prepared at the appropriation level for the President's budget.

- (3) Enter the prior year (PY), current year (CY), biennial budget year 1 (BY1), or biennial budget year 2 (BY2), as applicable.
- (4) For the CY exhibit, amounts entered in this column should agree with the prior year actual costs as shown in the prior year column of the applicable budget submission. For the BY1 exhibit, these amounts should agree with the far right hand column of the CY exhibit. For the BY2 exhibit, these amounts should agree with the far right hand column of the BY1 exhibit.
- (5) The amount shown for each appropriate line (exclusive of line 991) in the Foreign Currency Rate Difference column will reflect the difference in the budgeted foreign currency exchange rates between the two years. For the prior and current years, the budgeted foreign currency exchange rates are the exchange rates that have been approved for recording obligations during execution. If the current year execution rates have not yet been established by the Congress in time for the budget submission, the foreign currency exchange rates reflected in that fiscal year's President's budget request will be used. For the biennial budget years, the budgeted foreign currency exchange rates are the exchange rates reflected in the OUSD (C) budget call memorandum for the budget submission or in the PBD issued during the budget review in the formulation of the President's budget request. (Note: Variances from the budgeted rates will be reflected only on line 991. These variances do not enter into the calculation on any of the other lines.) The column total, including line 991, will reflect (1) for the PY to the CY: the difference between prior year actuals and the current year budgeted rates, (2) for the CY to the BY1: the difference between budgeted rates in each year, and (3) for the BY1 to the BY2: the difference between budgeted rates in each year. If transfers are approved for the current year, the column total will reflect (1) for the PY to the CY: the difference between PY actuals and CY anticipated expenditures and (2) for the CY to the BY1: the difference between the CY anticipated expenditures and the BY1 budgeted rates. No foreign currency rate difference will be shown for Defense Working Capital Fund Purchases and Travel or Transportation for MAC, MSC or MTMC. Only in unusual circumstances should an amount for foreign currency rate difference be shown for other travel and/or transportation costs. (See end notes for further discussion of foreign currency entries.)
- (6) This column should show the rate (percent) of price growth for various items. The general price escalation indices prescribed by OSD (as provided by OMB) should be used for items 416, 417, 507, 679, 725, 771, 913-915, 920-925, 927-989, and 998. Other price growth rates may be used for these items when actual experience supports a rate of increase different from that prescribed For the OSD/OMB submit. In those instances, supporting documentation for the rate used should be provided. If the rate is approved during the budget review, the revised rate may be used in the President's budget. To the extent that a separate rate of increase is used for any portion of a line item, Equipment Maintenance by Contract for example, the applicable item should be subdivided into appropriate subcategories for each separate rate of increase used. The rate of price change for lines 401, 402, 411-415, 502-506, 601-673, and 701-721 should agree with applicable rates approved by OSD. Applicable rates of price growth, as prescribed by OSD, or as estimated and justified, as appropriate, should be shown for all items where there is a price change. The rate of price growth included in the President's budget will in all instances reflect the rate of increase approved during the OSD budget review.

Exhibit OP-32 Summary of Price and Program Change
(Page 4 of 8)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

- (7) The price growth column should show the amount of price growth for various items. **Where a percent increase by line item is shown in column 6, the amount included in column 7 will be the sum/difference of the previous fiscal year's program amount (column 4) and the foreign currency rate difference amount (column 5) times the percent shown in column 6.** The amount of the price growth will be consistent with the rate of change prescribed by OSD. The price increase for all items should be the additional/reduced funds, as a result of price changes, that would be required to accomplish the previous year's program at applicable fiscal year rates.
- (8) Enter the amount of program growth for each item. Program growth is to be priced in current year dollars for the current year exhibit, biennial budget year 1 dollars for the biennial budget year 1 exhibit, and biennial budget year 2 dollars for the biennial budget year 2 exhibit.
- (9) Enter the sum of (4), (5), (7) and (8) for each item.
- (10) Subtotals should be included in (4), (5), (7), (8) and (9) for Civilian Personnel, Travel, Defense Working Capital Fund Supplies and Materials Purchases, Defense Working Capital Fund Equipment Purchases, Other Defense Working Capital Fund Purchases, Transportation, and Other Purchases, as applicable.
- (11) Program amounts for Civilian Personnel compensation should be consistent with amounts shown in both the object class distribution reflected in the Program and Financing Schedules for Object Classes 11, 12 and 13 (Direct Obligations only) and in the OP-8 Exhibit, Civilian Personnel Costs, Chapter 3 of the Financial Management Regulation for the applicable fiscal year. Payments made to the Department of Labor for expenses associated with employee's disability compensation are included in Object Class 12. Change in the number of compensable days per fiscal year will be reflected as program growth not price growth. The annualization of the prior year's pricing changes (i.e., the previous fiscal year's pay raise), merit pay, bonuses, FERS participation, etc. will be reflected as changes in price growth.
- (12) Program amounts for travel should be consistent with amounts shown in Object Class 21 (including subclasses), for the applicable fiscal year.
- (13) AMC, MSC, and MTMC costs displayed for items 624, 653, 701, 702, 703, 711, 721, 725, and 771 should include all purchases from these transportation funds. These amounts should exclude all non-Defense Working Capital Fund purchases such as reimbursement to MTMC of non-Defense Working Capital Fund (overseas) port operations.
- (14) Line 703 JCS Exercises includes only those services in support of JCS exercises and paid only by The Joint Staff (TJS).
- (15) The total of the program amounts for DFSC Fuel, Defense Working Capital Fund Fuel, and Locally Procured Fuel (Non-Fund) line items must agree with the amounts shown on the OP-26 Exhibit, POL Consumption and Costs, Chapter 3, Financial Management Regulation.
- (16) Include Object Class 26 supplies and materials purchased from each DoD Defense Working Capital Fund, including DLA.
- (17) Include Object Class 26 supplies and materials purchased from GSA.
- (18) Include all equipment (including furniture) purchased from Defense Working Capital Fund, including DLA.
- (19) Include all equipment (including furniture) purchased from GSA.

Exhibit OP-32 Summary of Price and Program Change

(Page 5 of 8)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

- (20) Include amounts to be paid for motor vehicles leased from both commercial services and the General Services Administration (GSA) Interagency Fleet Management System (IFMS). These amounts are to be consistent with the estimates provided on the "Commercial Leases" and the "IFMS Leases from GSA" lines of the Motor Vehicle Operations (PB-41) exhibit.
- (21) Includes centrally managed items procured by Defense Working Capital Fund from sources other than Defense Working Capital Fund or non-Defense Stock Funds.
- (22) Include purchases of MTMC services for non-Fund services such as overseas port terminal operations.
- (23) Program amounts should be consistent with Fund purchases included in Object Class 25.3.
- (24) Biennial budget years' (BY1/BY2) program amounts should reflect stabilized rates as requested by the Service (OSD submission) or as approved by OSD (President's Budget), as applicable, to include the impact of biennial budget years' pay raises. Cost reimbursable purchases should be included on line 679. Separate elements of expense for each Defense Working Capital Fund activity group are shown on page 3. Include only those elements of expense for Defense Working Capital Fund activity groups from which purchases were made or are planned, as applicable.
- (25) Includes the Aerospace Maintenance & Regeneration Center (AMARC).
- (26) Line 653, Airlift Services, Other AMC Purchases, includes Medical Evacuation Operations, Training, Search and Rescue, and other AMC costs not provided for in lines 701, or 702.
- (27) Includes all Defense Working Capital Fund purchases made on a cost reimbursable (rather than stabilized rate) basis.
- (28) Includes contractual charges for transportation of things via commercial air, sea, or surface mode and payments for commercial port operations and other transportation services exclusive of payments to the Defense Working Capital Fund.
- (29) Program amounts should be consistent with direct obligation amounts shown in the OP-8 Exhibit, Civilian Personnel Costs, Chapter 3.
- (30) Charges for rental of space and related services assessed by GSA as SLUC charges. Program amounts will be consistent with the amount shown in Object Class 23.1.
- (31) Program amounts included for items 913-915 and 917 will be consistent with the amounts shown in Object Class 23.3.
- (32) Purchases from non-Defense Working Capital Fund sources heat, light, power, water, gas, electricity and other utility services, exclusive of transportation and communication services.
- (33) Purchases of communication services from non-Defense Working Capital Fund sources.
- (34) Payments for possession and use of land, structures, and equipment (other than transportation equipment) owned by another, except for SLUC charges assessed by GSA.

Exhibit OP-32 Summary of Price and Program Change

(Page 6 of 8)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

- (35) Purchases from the U.S. Postal Service including postage (other than Parcel Post), rental of post office boxes, postage meter machines and mailing machines. Also includes payments made to the U.S. Postal Service for handling of officially franked mail (i.e., Indicia Mail).
- (36) Includes supplies and materials purchased from other than Defense and non-Defense Working Capital Fund.
- (37) Program amounts should be consistent with the amounts shown in Object Class 24.
- (38) Covers contractual equipment maintenance other than depot level (e.g., ADP/office equipment, etc.)
- (39) Includes costs for repairs and maintenance to buildings, facilities, pavement, airfields and like items when done by contracts with the private sector.
- (40) Equipment purchased from the private sector, including equipment included in Federal Supply Group 71, Furniture. Program amounts should be consistent with amounts reported under Object Class 31.07.
- (41) Covers overseas contractor operated installation costs when covered in a single contractual agreement or when service is provided by a single contractor (excludes separate contracts for specific, limited services such as contract ADP services).
- (42) Covers contracted service cost of Air Force Air Defense Systems (e.g., BMEWS, DEW Line, Spacetrack, Thule AFB base maintenance contracts, DSP) and Space Support programs.
- (43) Includes the cost of ship related repair and the performance of regularly scheduled ship overhauls at commercial shipyards.
- (44) Includes the cost to Depot Maintenance to purchase aircraft maintenance from commercial sources.
- (45) Includes payments for all other non-Defense Working Capital Fund depot maintenance costs whether performed in-house or by contract which have not been reported under lines 928 or 929.
- (46) Program amounts should be consistent with Exhibit PB-15, (Advisory and Assistance Services), Chapter 19 of the Financial Management Regulation). The amounts reflected should agree with Object Class 25.1.
- (47) Program amounts should be consistent with the amounts shown in Object Class 41.
- (48) Charges for contractual services not otherwise reported elsewhere.
- (49) Amounts on line 991 will reflect variances from budgeted rates, as prescribed by OUSD(C) guidance, which have actually occurred in the prior year or which have been approved (by DD-1415 or PBD) for the current year. There will be no amounts reflected on line 991 in the price and program growth columns. For the President's budget, the amount in the prior year column will be the realized variance on the 30 Sep DD Comp(M) 1506 report. Under no circumstances will there be an entry on line 991 in the biennial budget year. (For a further discussion, see Foreign Currency notes at the end of these instructions).
- (50) Total program amounts, in (4) and (9), will be equal to the total direct program for prior year, current year, biennial budget year 1, and biennial budget year 2, as applicable.
- (51) Includes fuel purchased from sources other than the Defense Working Capital Fund.
- (52) Includes amounts for items not otherwise reported elsewhere.

Exhibit OP-32 Summary of Price and Program Change
(Page 7 of 8)

Foreign Currency Notes

- A. The Total for Foreign Currency Rate Difference (Column 2) must reflect the difference between:
1. PY to CY: Prior year actuals and current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the Current Year. (For the latter, individual line items in column 2 (except for line 991) will reflect the difference in budgeted rates and line 991 in column 2 will reflect the transfer amount.)
 2. CY to BY1: Current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the current year, and biennial budget year 1 budgeted rates.
 3. BY1 to BY2: Change in budgeted exchange rates from biennial budget year 1 to biennial budget year 2.
- B. Individual line items in Column 2 (except for line 991) must reflect the difference in program costs that are caused only by a difference in budgeted foreign currency exchange rates between fiscal years.
- C. Line 991 - Foreign Currency Variance
1. Prior Year (PY) to Current Year (CY)
 - a. PY column = Realized variance (DD Comp(M) 1506 Report 30 Sep).
Column 2 = Reverse the realized variance amount in the PY column.
CY column = zero
 - b. If transfers have been approved in the CY,
PY column = Realized variance (DD Comp(M) 1506 Report 30 Sep).
Column 2 = Reverse the realized variance amount in the PY column and add the transfer amount approved for the CY to determine the total.
CY column = the transfer amount approved for the CY.
 2. Current Year (CY) to Biennial Budget Year 1 (BY1)
 - a. If the budgeted rates change between the CY and the BY1 and transfers from the Foreign Currency Fluctuations, Defense (FCF,D) appropriation are not reflected in the budget, then the CY column, Column 2 , and the BY1 column for line 991 are all zero.
 - b. If budgeted rates change between the CY and the BY1 and the FCF,D transfers have been reflected in the budget for the CY, then the CY column for line 991 will reflect the value of the transfers and Column 2 for line 991 will reflect the reversal of the transfers. The BY1 column for line 991 will be zero.

**RECONCILIATION OF INCREASES AND DECREASES IN AVERAGE STRENGTH (A/S) AND FULL
TIME EQUIVALENTS (FTES) IN NATO EUROPEAN COUNTRIES**

	<u>Military (A/S)</u>	<u>Civilian (FTEs)</u> <u>Direct Hire</u> <u>Indirect Hire</u>
<u>FY PY Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-	This data provides a reconciliation of changes in U.S. personnel strengths in NATO European countries. NATO European countries are defined in DODI 7730.58.	
-		
Total Decrease		
<u>FY CY Estimate</u>		
<u>Increases</u>	Only personnel permanently stationed ashore are to be included. Show increases and decreases separately and by unit, activity, or function. Detail justification for each change should be readily available. Estimates are subject to congressional ceilings.	
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		
<u>FY BY1 Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		
<u>FY BY2 Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		

Exhibit OP-33 Reconciliation in Average Strength/FTEs in NATO European Countries

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

FY: <u>Prior Year</u>		<u>APPROPRIATIONS</u>				Total <u>APF Oper.</u>	<u>Mil Constr.</u>	Total <u>APF Spt</u>
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY B	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY C	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY D	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

FY: <u>Current Year</u>		<u>APPROPRIATIONS</u>				Total <u>APF Oper.</u>	<u>Mil Constr.</u>	Total <u>APF Spt</u>
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY B	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY C	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY D	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

FY: <u>Budget</u>		<u>APPROPRIATIONS</u>				Total <u>APF Oper.</u>	<u>Mil Constr.</u>	Total <u>APF Spt</u>
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY B	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY C	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY D	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

(Page 1 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

Provide for PY, CY, BY1, & BY2

	Total	<u>APPROPRIATIONS</u>				<u>APF Oper.</u>	Total <u>Mil Constr.</u>	<u>APF Spt</u>
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<u>MISSION SUSTAINING PROGRAMS</u>								
A.1 Armed Forces Prof. Entertainment O/S	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.2 Physical Fitness	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.3 Free Admission Motion Picture	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.4 Libraries (REC)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.5 <i>Rec Centers Prog.</i>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.6 Parks/Picnic areas	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.7 Shipboard/Company/ Unit level prog./activities	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.8 Sports/Athletics-self directed, unit level and intramural	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Common Support	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 2 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

Provide for PY, CY, BY1, BY2

<u>APPROPRIATIONS</u>					<u>Total APF Oper.</u>	<u>Mil Constr.</u>	<u>Total APF Spt</u>
MWR CATEGORY	_____	_____	_____	_____	_____	_____	_____
CATEGORY B	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<u>BASIC COMMUNITY SUPPORT PROGRAMS</u>							
B.1 Child Care Programs							
Child Dev. Centers	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Family Child Care	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Supp Program/Resource & <i>Referral/Other</i>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<i>School Aged Care</i>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B.2 <i>Youth Activities</i>							
B.3 Community Programs							
Cable/Community TV	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rec/tickets/tour	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rec Swimming	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B 4 Outdoor Recreation							
Outdoor Recreation	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Outdoor Rec Equip Checkout	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Boating w/o Resale	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Camping (Primitive)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Riding Stables (Gov't owned/ or Leased)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B.5 Individual Skill Recreation							
Amateur Radio	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Performing Arts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Arts and Crafts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Automotive Crafts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Bowling <12 lanes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B.6 Sports Programs							
(Above Intramural)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Common Support	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

(Page 3 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

Provide for PY, CY, BY1, & BY2

		<u>APPROPRIATIONS</u>				<u>Total</u> <u>APF Oper.</u>	<u>Mil Constr.</u>	<u>Total</u> <u>APF Spt</u>
MWR CATEGORY	_____	_____	_____	_____	_____	_____	_____	_____
CATEGORY C	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<u>REVENUE-GENERATING PROGRAMS</u>								
C.1 Food, Beverage, & Entertainment								
Military Open Mess (Clubs)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other Food Outlets	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C 2 Lodging Programs (Part of MWR NAFI)								
Joint Service/Armed								
Forces/Serv Rec Ctrs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
PCS Lodging	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Recreational Lodging	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.3 Special Interest Clubs:								
Flying Program	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Parachute/Sky Diving	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rod and Gun Program	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Scuba/Diving Program	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Horseback Riding	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Video Program	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.4 Other Revenue Generating Activities								
Resale	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Amusement/Rec Machines	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Bowling (over 12 lanes)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Golf	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Boating (With Resale or								
Private Boat Berthing	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Equipment Rental	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Unofficial Comm Tvl Service	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Common Support	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

(Page 4 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

Provide for PY, CY, BY1, & BY2

<u>APPROPRIATIONS</u>					Total <u>APF Oper.</u>	<u>Mil Constr.</u>	Total <u>APF Spt</u>
<i>Other MWR And NAFI Programs Category D</i>							
<i>D 1 Support For</i>							
<i>Commissaries</i>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D-2 Armed Serv Exchange	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D.3 Civilian MWR Programs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D 4 Stars and Stripes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D 5 TDY Lodging	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D 6 PCS Lodging	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D 7 Mission Supplemental Programs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 5 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

INSTRUCTIONS:

1. In preparing the OP-34 exhibit, the Services/Defense Agencies should use the program definitions contained in the DoD Directive 1015.10, subject: Programs for Military Morale, Welfare, and Recreation (MWR), DoDI 1015.12, subject: Lodging Program Resource Management; and DoDD 1015.8, subject: DoD Civilian Employee Morale, Welfare, and Recreation (MWR) and Supporting Nonappropriated Fund Instrumentalities (NAFIs).

2. *APF support should include both direct and indirect APF support provided to MWR activities and should include the cost categories reported on the Appropriated and Nonappropriated Fund Expense Summary required by DoDI 7000.12. Direct costs include those costs that can be directly attributable to the activity and include civilian and military pay and benefits, travel, training, supplies and equipment, contracts, and Family Child Care subsidy. Indirect costs include costs that are attributed to more than one activity and include rents, utilities, communications, minor construction, repair and maintenance, contracts, engineering support, etc.*

3. APF Common Support - That appropriated fund support, identified as APF support used in the management, administration and operation of more than one MWR program, however, that support or cost is not easily nor readily identifiable to a specific MWR program.

Some examples of APF common support would include: *managerial operational functions and positions at an installation, major command or Service, executive and upper management supervision that is functionally located above the operating program manager level and having responsibility for several MWR programs; an installation's civilian personnel functions; and central accounting office functions.*

4. The OP-34 Exhibits should be submitted for the OSD/OMB budget submission each year. The OP-34 exhibit should also be included in the congressional justification books each year.

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

(Page 6 of 6)

**DEPARTMENT OF THE NAVY
 OPERATION AND MAINTENANCE, NAVY/NAVY RESERVE
 SHIP FUEL AND OPERATING TEMPO DATA**

	<u>Deployed Fleet</u>				<u>Non-Deployed Fleet</u>			
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Operating Tempo (Hours/Quarter)								
<u>Conventional</u>								
Total Steaming Hours								
Cost of Fuel Consumed (\$000)								
<u>Nuclear</u>								
Total Steaming Hours								
Cost of Fuel Expended (\$000)								

Include the costs actually provided or programmed in support of the drug interdiction program. At the end of the OP-40 exhibit, provide a memo entry reflecting the amounts included in these costs for conventional and nuclear ships that are funded in the centralized drug account.

Exhibit OP-40 Ship Fuel and Operating Tempo Data

**DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE, NAVY/NAVY RESERVE
SHIP OPERATING COST DATA
(Dollars in Thousands)**

Fiscal Year _____

<u>Type Inv</u>	<u>Ship Years</u>	<u>Operating Months</u>	<u>Fuel</u>	<u>Utilities</u>	<u>Repair Parts</u>	<u>OPTAR</u>	<u>Total Cost</u>
-----------------	-----------------------	-----------------------------	-------------	------------------	-------------------------	--------------	-----------------------

Provide data for the prior year, current year, budget year 1, and budget year 2.

Include the ship operations actually provided or programmed in support of the drug interdiction program. At the end of the OP-41 exhibit, provide a memo entry reflecting the amounts included in ship operations that are funded in the centralized drug account.

Exhibit OP-41 Ship Operating Cost Data

**MILITARY PERSONNEL ASSIGNED
TO
SHIPS & AIRCRAFT SQUADRONS**

Ship Type & Class and Aircraft <u>Type/Model/Series</u>	Basis of <u>Requirement</u>	No. of Ships <u>Aircraft Squadrons</u>				Requirement Per <u>Unit</u>		Prior Year <u>Strength</u>		Current Year <u>Strength</u>		BY 1 <u>Strength</u>		BY 2 <u>Strength</u>		BY2+1 <u>Strength</u>	
		<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>
DD 931 Class	Manning Document																
DD 963 Class	Allowances																
SSN 688	Commissioning																
A7's	MO Factors																
F-6's																	
F-14's																	
Subtotal by Subactivity Group																	
Total by Budget Activity Group																	

Exhibit OP-44 Military Assigned to Ships & Aircraft Squadrons

OPERATION AND MAINTENANCE, AIR FORCE

FY ____ ESTIMATE

UNITS BY PROGRAM ELEMENT

(Dollars in Thousands)

Program Element: _____

	PY-1	PY	CY	BY1	BY2	BY2+1	BY2+2	BY2+3	BY2+4
	<u>Actuals</u>	<u>Actuals</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
<u>Program Units</u>									
Forces Wings									
Forces Squadrons									
Unit Equipment									
Flying Hour Total									
Manpower (End Strength)									
Officers									
Enlisted									
Academy Cadets									
Total Military Personnel									
U.S. Direct Hire									
FN Direct Hire									
FN Indirect Hire									
Total Civilian Personnel									
Manpower (Average Strength/FTE)									
Officers									
Enlisted									
Academy Cadets									
Total Military Personnel									
U.S. Direct Hire									
FN Direct Hire									
FN Indirect Hire									
Total Civilian Personnel									
<u>Cost Data</u>									
Operation and Maintenance									
Provide by DoD Element of Expense									
Total Operation and Maintenance									
Total Military Personnel									
Total O&M and Military Personnel									

This Exhibit should be provided for:

1. Total Operations Air Force
2. Major Force Program
3. Program Element

Exhibit OP-50 Units by Program Element

OPERATION AND MAINTENANCE, AIR FORCE
ANALYSIS OF AIRCRAFT POL
FY _____ Estimate
(Dollars in Thousands)

Analysis of Aircraft Petroleum, Oil and Lubricants (POL)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
A. Flying Hour Program Requirements:				
1. Number of Flying Hours				
a. Active Forces (excl. FGO and SOF)				
b. Foreign Gov't Owned				
2. Flying Hours at Std. Price				
Adjustments: (Explain)				
3. Funding for Flying Hour Program				
a. Active Forces (excl. FGO and SOF)				
b. Foreign Gov't Owned				
B. Non-Fly				
C. Special Fuels				
D. Grand Total-Aircraft POL				
1. Direct				
2. Reimbursements				

OPERATION AND MAINTENANCE, AIR FORCE
ANALYSIS OF AIRCRAFT POL
FY _ _____ Estimate
(Dollars in Thousands)

Analysis of Non-Fly Program

	PY/CY/BY1/BY2	
	<u>QTY(bbls)</u>	<u>Cost</u>
Major Force Program:		
1. a. Offensive Forces		
b. Defensive Forces		
Total Strategic Forces		
2. General Purpose Forces		
3. a. Intelligence		
b. Communications		
c. Other		
Total Program 3		
4. Airlift		
5. Reserves		
7. Central Supply and Maintenance		
8.		
a. Training		
b. Other		
Total Program 8		
9. Administration		
10. Support of Other Nations		
TOTAL		

Exhibit OP-58 Analysis of Aircraft POL
(Page 2 of 2)

**OPERATION AND MAINTENANCE
ORGANIZATIONAL CLOTHING AND EQUIPMENT (OCE)
Army Reserve Components 1/
(Dollars in Millions)**

<u>ITEM</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
1. Backlog carried forward from prior years								
Less:								
2. Backlog of obsolete equipment								
Add:								
3. Inflation	_____	_____	_____	_____	_____	_____	_____	_____
4. Adjusted prior year backlog								
Add:								
5. Inventory change due to Average Strength adjustments								
6. Replacement of equipment issues								
7. Force modernization initiatives								
8. Other	_____	_____	_____	_____	_____	_____	_____	_____
9. Annual requirement	_____	_____	_____	_____	_____	_____	_____	_____
10. Total funding required								
Less:								
11. Funds budgeted for OCE	_____	_____	_____	_____	_____	_____	_____	_____
12. Backlog, end of year								

1/ Identify applicable Reserve Component. Separate OP-71 exhibits required for Army National Guard and Army Reserve Components.

Exhibit OP-71 Organizational Clothing and Equipment - Army Reserve Components
(Page 1 of 2)

INSTRUCTIONS FOR COMPLETION OF OP-71

1. **Backlog Carried Over from Prior Year** - unfunded requirements at the end of the previous fiscal year.
2. **Backlog of Obsolete Equipment** - backlog associated with equipment no longer being issued to the Service. (e.g., if the Army Guard decided to replace steel helmets with kevlar helmets and has budgeted for the kevlar helmets as a force modernization initiative. The value for steel helmets included in the backlog would be reflected in this category.)
3. **Inflation** - backlog carried over from previous year less backlog associated with equipment no longer being issued to the Service times the OSD rate for “general purchases inflation-O&M” or the appropriate Defense Working Capital Fund rate, whichever is applicable.
4. **Adjusted Prior Year Backlog** - backlog carried over from previous year less backlog associated with equipment no longer being issued to the Service plus inflation (1-2+3).
5. **Average Strength Change Adjustment**- change in OCE requirements resulting from increases or decreases in total workyears.
6. **Replacement of Previous Issues** - inventory purchased to replace equipment that is consumed during the year through normal wear and tear (including inventory losses).
7. **Force Modernization Initiatives** - OCE requirements related to equipment modernization. This might include such items as new cold weather clothes or chemical protective clothing.
8. **Other - only those requirements that do not fit the above categories.** This would include increases and decreases resulting from changes in authorized numbers of units or individual equipment authorizations.
9. **Annual Requirement** - the sum of the “end strength change adjustment,” “replacement of previous issues,” “force modernization initiatives,” and “other.” (5+6+7+8)
10. **Total Fund Required** - the “adjusted prior year backlog” plus the “annual requirement.” (4+9)
11. **Funds Budgeted for OCE** - amount planned for OCE each year.
12. **Backlog, End of Year** – “total funding required” less “funds budgeted” for OCE.

Exhibit OP-71 Organizational clothing and Equipment – Army Reserve Components
(Page 2 of 2)

**OPERATION AND MAINTENANCE
REPAIR PARTS, ARMY RESERVE COMPONENTS 1/
(Dollars in Millions)**

<u>ITEM</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
1. Backlog carried forward from prior years								
Less:								
2. Backlog of obsolete parts								
Add:								
3. Inflation	_____	_____	_____	_____	_____	_____	_____	_____
4. Adjusted prior year backlog								
Add:								
5. Recurring requirements	()	()	()	()	()	()	()	()
a. Annual consumption								
b. Change in equipment inventories								
c. Change in stockage levels								
6. Nonrecurring requirements	()	()	()	()	()	()	()	()
a. Force modernization initiatives								
b. Introduction of other new equipment								
7. Total funding required								
Less:								
8. Funds budgeted for repair parts	_____	_____	_____	_____	_____	_____	_____	_____
9. Backlog, end of year								

Exhibit OP-73 Repair Parts, Army Reserve Components
(Page 1 of 2)

INSTRUCTIONS FOR COMPLETION OF OP-73

1. **Backlog carried forward from prior years** - unfunded requirements at the end of the previous fiscal year.
2. **Backlog of obsolete parts** - backlog of repair parts associated with equipment that is being retired from the Reserve Forces.
3. **Inflation** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces times the OSD rate for “general purchases inflation--O&M” or the Defense Working Capital Fund, whichever is applicable.
4. **Adjusted prior year backlog** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces plus inflation (1-2+3)
5. **Recurring requirements** - annual repair parts requirements to support equipment fielded in previous years.
 - a. **Annual consumption** - those parts consumed annually to support weapons systems fielded in previous years.
 - b. **Change in equipment inventories** - increases or decreases in annual consumption requirements necessary to reflect changes in equipment inventory levels (e.g., retirement of equipment).
 - c. **Change in stockage levels** - increases or decreases in requirements due to changes in the level of repair parts support required annually for a particular equipment.
6. **Nonrecurring requirements** - one time requirements associated with introduction of new equipment to the Reserve Force.
 - a. **Force modernization initiatives** - initial inventory of repair parts associated with fielding of force modernization systems.
 - b. **Introduction of other new equipment** - introduction of other equipment not previously provided to the Reserve Force.
7. **Total funding required** - adjusted prior year backlog plus recurring requirements and nonrecurring requirements.
8. **Funds budgeted for repair parts** - amount budgeted for repair parts each year.
9. **Backlog, end of year** - “total funding required” less “funds budgeted for repair parts”.

Exhibit OP-73 Repair Parts, Army Reserve Components
(Page 2 of 2)

**OPERATION AND MAINTENANCE
FORCE STRUCTURE DATA**

<u>PE</u>	<u>MDS</u>	<u>CMD</u>	<u>PURPOSE</u>																
<u>PY</u>					<u>CY1</u>				<u>BY1</u>				<u>BY2</u>				<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>
	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>			

INSTRUCTIONS

Report force structure for each model/design/series (MDS) aircraft within each program element. Also identify the command to which the equipment is assigned and the purpose code for the equipment. The force structure should be reported at end of year for the prior year and the outyears and at the end of each quarter for the current year and the budget years (BY1 and BY2). Totals should be provided for MDS and each PE.

Separate exhibits are required for Active Air Force, Air Force Reserve, and Air National Guard.

Exhibit OP-78 Force Structure Data

**AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
OPERATION AND MAINTENANCE, _____**
Aircraft Type/Summary _____

	Number Of Aircraft				Depot Hours				Cost (\$ in Thousands)			
	PY	CY	BY1	BY2	PY	CY	BY1	BY2	PY	CY	BY1	BY2
ACI Tasks												
PDM Tasks												
Strip/Paint												
Other												
Total												
Depot Rates Per Hour												

Provide a brief explanation of changes between the CY and BY1 and between BY1 and BY2. Summary totals should agree with the OP-30.

This exhibit has been replaced in its entirety.

Exhibit OP-80 Aircraft Repair/Modification and Engine Overhaul
(Page 1 of 2)

**AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
OPERATION AND MAINTENANCE, _____**
Engine Overhauls/Other Depot Maintenance

Engine Type	Number Of Engines				Depot Hours				Cost (\$ in Thousands)			
	PY	CY	BY1	BY2	PY	CY	BY1	BY2	PY	CY	BY1	BY2
Total												
Depot Rates Per Hour												

Provide an explanation of changes between the CY and the BY1 and between BY1 and BY2. Totals should agree with the OP-30.

This exhibit is replaced in its entirety.

AIR OPERATIONS
COMPONENT TITLE

	(\$ in Millions)									
	FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
	<u>Actual</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>
Army										
Army Reserve										
Army National Guard										
Navy										
Navy Reserve										
Air Force										
Air Force Reserve										
Air National Guard										
USSOCOM										
Defense Health Program										
Total										

(Report on this exhibit all flying hours costs direct funded in the O&M appropriations including those funded in the Air Operations Activity Groups as well as those funded in the flying hour programs of the Army, USSOCOM, and the Defense Health Program. Include all other direct funded flying hour-related costs (fuel, supplies/DLRs, depot maintenance) in other Activity Groups. Price and Program changes should agree with those on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5.)

Description of Operations Financed: (Provide an explanation of the air operations financed by each Component. Break out each component by Budget Activity, Activity Group, and Subactivity Group. List each subactivity group for Air Operations Activity Groups and include separate lines for Mobility Operations, Training Operations, and Other to identify all the flying hour related costs (fuel, supplies/DLRs, depot maintenance) included in all other Activity Groups that are direct funded in the O&M appropriation. See example below.)

Budget Activity 1
 Activity Group: Air Operations
 Mission/Flight Operations
 Intermediate Maintenance
Budget Activity 3
 Activity Group: Basic Skills and Advance Training
 Flight Training
 Training Support
 Total

Exhibit PBA-2 Air Operations
(Page 1 of 3)

AIR OPERATIONS
COMPONENT TITLE
 (Cont'd)

PROGRAM DATA

Inventory (PAA *end of FY*)

Bombers

Fighters

Training

Mobility

Other (e.g., Army Flight Pgm)

Inventory (Total Aircraft Inventory end of FY)

Bombers

Fighters

Training

Mobility

Other (e.g., Army Flight Pgm)

Flying Hours (000)

Tac Fighter Wing Equivalents

Crew Ratio (Average)

Bombers

Fighters

OPTEMPO (Hrs/Crew/Month)

Bombers

Fighters

Primary Mission Readiness (%)

ICBM Inventory

Minuteman I

Minuteman II

Peacekeeper

(Instructions on the following page.)

FY PY

Actual

Change

FY CY

Estimate

Change

FY BY1

Estimate

Change

FY BY2

Estimate

Exhibit PBA-2 Air Operations

(Page 2 of 3)

AIR OPERATIONS
COMPONENT TITLE
(Cont'd)

Narrative Explanation of Changes: (Explain/describe/narrate by subactivity, the major program changes reflected in the budget (for \$ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the BY1 and from BY1 to FY BY2 as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Identify on the bottom of the exhibit *the preparation date and* a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit. *Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Analysis of Flying Hour Program (OP-20), Funding for Depot Level Repairables (OP-31), and Special Operations Forces (OP 52).*)

Exhibit PBA-2 Air Operations
(Page 3 of 3)

SHIP OPERATIONS
COMPONENT TITLE

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Active Forces

(List by subactivity group Operation and Maintenance, Navy funding for Activity Group Ship Operations. Total O&M,N funding (*including price and program changes*) must match the O-1 total for Ship Operations.)

Reserve Forces

(List by subactivity group Operation and Maintenance, Navy Reserve funding for Activity Group Ship Operations. Total O&M,NR funding (*including price and program changes*) must match the O-1 total for Ship Operations.)

Grand Total

Description of Operations Financed: (Provide narrative explanation of activities included and succinctly describe significant *price and* program changes from the current year (CY) to budget year 1 (BY1) and from BY1 to budget year 2 (FY BY2) for each subactivity group).

PROGRAM DATA

(Provide applicable program data and explain program changes.)

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

Ship Inventory (End of Year)

Navy Active
 MSC Charter/Support
 Battle Force Ships (Active)

Mobilization Cat A
 Mobilization Cat B
 Naval Reserve Force

Battle Force Ships (Active plus Mob Cat A)

Exhibit PBA-3 Ship Operations
(Page 1 of 4)

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

Battle Force Ships Inventory Adjustments by Category

Between FY CY and FY BY1

	<u>FY CY</u> <u>Inventory</u>	<u>Gains</u>	<u>Losses</u>	<u>FY BY1</u> <u>Inventory</u>
Strategic				
Carriers				
Surface Combatants				
Submarines				
Amphibious				
Mine Warfare, Patrol				
Support Ships				
Total				

Between FY BY1 and FY BY2

	<u>FY BY1</u> <u>Inventory</u>	<u>Gains</u>	<u>Losses</u>	<u>FY BY2</u> <u>Inventory</u>
Strategic				
Carriers				
Surface Combatants				
Submarines				
Amphibious				
Mine Warfare, Patrol				
Support Ships				
Total				

Exhibit PBA-3 Ship Operations
 (Page 2 of 4)

SHIP OPERATIONS
COMPONENT TITLE
 (Con't)

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

Operating Tempo (Days per Quarter)

Non-Deployed Fleet
 Deployed Fleet
 Reserve Fleet (except CV)
 Reserve Fleet (CV)

Shipyears

Conventional, O&M, N
 Nuclear, O&M, N
 Conventional, O&M, NR

Operating Months (Less Charter Ships)

Conventional, O&M, N
 Nuclear, O&M, N
 Conventional, O&M, NR

Underway Steaming Hours (Thousands)

Conventional, O&M, N
 Nuclear, O&M, N
 Conventional, O&M, NR

Depot Maintenance

Active

Overhauls
 Selected Restricted Availabilities
 Phased Maintenance Availabilities

Reserve

Overhauls
 Selected Restricted Availabilities
 Phased Maintenance Availabilities

Exhibit PBA-3 Ship Operations
 (Page 3 of 4)

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

Base Support

CONUS (List number of bases funded from this activity group.)
Overseas

Instructions

Reflect program data under “Description of Operations Financed” and “Program Data” sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Budget Year 1 and between Biennial Budget Year 1 and Biennial Budget Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Explanation of price and program changes should be provided separately for the Active Fleet as well as the Reserve Fleet.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 (performance criteria), Ship Fuel Data and OPTEMPO Data (OP-40), Ship Operating Cost Data (OP-4), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52).

Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-3 Ship Operations
(Page 4 of 4)

LAND FORCES
COMPONENT TITLE

(\$ in Millions)									
FY PY	Price	Program	FY CY	Price	Program	FY BY1	Price	Program	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

List by Budget Activity, Activity Group, and Subactivity Group.

Description of Operations Financed: *(Provide a narrative explanation of the land operations financed by each Component. List each subactivity group and include separate descriptions for each functional program within the subactivity group. Identify land forces operating costs by major category of costs (repair parts, fuel, contractor logistics support, etc.) and explain changes for specific program increases/decreases.)*

PROGRAM DATA

ARMY

	<u>FY-PY</u>		<u>FY-CY</u>		<u>FY-BY1</u>		<u>FY BY2</u>	
	C-1/C-2	Actual	C-1/C-2	Budgeted	C-1/C-2	Budgeted	C-1/C-2	Budgeted
<u>Battalion:</u>	<u>Reqmnt</u>	<u>Miles</u>	<u>Reqmnt</u>	<u>Miles</u>	<u>Reqmnt</u>	<u>Miles</u>	<u>Reqmnt</u>	<u>Miles</u>
Armor (M1)								
Mech. Infantry (M2)								
Cavalry Squadron (M3)								

MARINE CORPS

	<u>FY-PY</u>		<u>FY-CY</u>		<u>FY-BY1</u>		<u>FY-BY2</u>	
	No. of	No. of	No. of	No. of	No. of	No. of	No. of	No. of
<u>Battalion:</u>	<u>Units</u>	<u>Days</u>	<u>Units</u>	<u>Days</u>	<u>Units</u>	<u>Days</u>	<u>Units</u>	<u>Days</u>
Infantry								
Artillery								
Tank								
Assault, Amphibian								
Combat Engineer								
Light Armored Infantry								

Exhibit PBA-4 Land Forces
(Page 1 of 2)

LAND FORCES
COMPONENT TITLE
(Con't)

<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

PERSONNEL DATA

Active Force Personnel

End Strength

Officer
 Enlisted
 Cadets
 Total

Civilian Personnel

Full Time Equivalent

U.S. Direct Hires
 Foreign National Direct Hire
 Total Direct Hire
 Foreign National Indirect Hire
 Total

Narrative Explanation of Changes:

Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. *For personnel data, explain the changes in terms of programs affected and identify changes in functional requirements.*

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits) Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits as appropriate. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 performance criteria.

Identify on the bottom of the exhibit *preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-4 Land Forces
 (Page 2 of 2)

DEPOT MAINTENANCE PROGRAM
COMPONENT TITLE
(\$ in Millions)

<u>FY PY (1)</u>			<u>FY CY (1)</u>			<u>FY BY1 (1)</u>			<u>FY BY2 (1)</u>	
Executable			Executable			Executable			Executable	
Funded	Unfunded		Funded	Unfunded		Funded	Unfunded		Funded	Unfunded
Executable	Deferred		Executable	Deferred		Executable	Deferred		Executable	Deferred
<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Change</u>	<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Change</u>	<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Change</u>	<u>Rqmt*</u>	<u>Rqmt*</u>

*Requirements

Description of Operations Financed (Provide a narrative explanation of activities included.)

Operation & Maintenance (2)

Aircraft

Combat Vehicles

Ships (3)

Other (Specify)

Missiles, Software, Ordnance, Other end-item maintenance, other

Total

- (1) Follow the general guidelines that apply to the OP-30 Exhibit, Chapter 3 of the DoD Financial Management Regulation.
- (2) Indicate appropriation (Army, Army Reserve, etc.). Show amounts for each appropriation separately.
- (3) Navy and Navy Reserve only. Ship maintenance for all other Components should be included in "Other".

Narrative Explanation of Changes: Show changes in the funded requirement by price and program using the following format:

<u>Category</u>	(\$ in Millions)									
	<u>FY PY</u>	<u>Price</u>	<u>Program</u>	<u>FY CY</u>	<u>Price</u>	<u>Program</u>	<u>FY BY1</u>	<u>Price</u>	<u>Program</u>	<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Aircraft										
Combat Vehicles										
Ships										
Other										
Total										

Succinctly explain any program change of plus or minus \$5 million in any category. Relate the change to the number of units if applicable. For example, "Aircraft depot maintenance increase of \$11.2 million funds an additional ten airframes required because of the increasing average age of the aircraft inventory." Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit). Identify on the bottom of the exhibit preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-5 Depot Maintenance

REAL PROPERTY MAINTENANCE
COMPONENT TITLE

(\$ in Millions)

	<u>FY PY</u>	<i>Price</i>	<i>Program</i>	<u>FY CY</u>	<i>Price</i>	<i>Program</i>	<u>FY BY1</u>	<i>Price</i>	<i>Program</i>	<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

Operation and Maintenance, Submit a separate exhibit for each O&M appropriation.

Description of Operations Financed: Separately describe maintenance and repair of real property and minor construction.

PROGRAM DATA

Maintenance and Repair of Real Property	(Provide applicable program data)
Minor Construction	
Backlog of Maintenance and Repair (BMAR)	

PERSONNEL DATA

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

Active Force Personnel (End Strength)

Officer
Enlisted
Cadets
Total

Civilian Personnel (Full Time Equivalent)

U.S. Direct Hires
Foreign National Direct Hire
Total Direct Hire
Foreign National Indirect Hire
Total

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19), Backlog of Maintenance and Repair (OP-27), and the Maintenance of Real Property (OP-28) exhibits.* Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-7 Real Property Maintenance

TRAINING AND EDUCATION
COMPONENT TITLE

(\$ in Millions)

	FY PY <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY CY <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY BY1 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY BY2 <u>Estimate</u>
--	------------------------	------------------------	--------------------------	--------------------------	------------------------	--------------------------	---------------------------	------------------------	--------------------------	---------------------------

Appropriation Summary:

Operation and Maintenance, SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: (Provide narrative explanation of activities.)

Individual Training by Category by Service

(\$ in Millions)

	FY PY <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY CY <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY BY1 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY BY2 <u>Estimate</u>
--	------------------------	------------------------	--------------------------	--------------------------	------------------------	--------------------------	---------------------------	------------------------	--------------------------	---------------------------

Recruit Training

Army (1)

Navy

Marine Corps

Air Force

Total

Specialized Skill Training

Army

Navy

Marine Corps

Air Force

Defense Health Program

SOCOM

Total

Professional Development

Army

Navy

Marine Corps

Air Force

Defense Health Program

SOCOM

DAU

Total

Exhibit PBA-8 Training and Education

(Page 1 of 4)

TRAINING AND EDUCATION

COMPONENT TITLE

(\$ in Millions)

	<u>FY PY</u>	<u>Price</u>	<u>Program</u>	<u>FY CY</u>	<u>Price</u>	<u>Program</u>	<u>FY BY1</u>	<u>Price</u>	<u>Program</u>	<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Officer Acquisition										
Army										
Navy										
Marine Corps										
Air Force										
Defense Health Program (2)										
Total										
Flight Training										
Army										
Navy										
Marine Corps										
Air Force										
Total										
Training Support										
Army										
Navy										
Marine Corps										
Air Force										
Total										
Senior ROTC										
Army										
Navy										
Air Force										
Total										
Base Operating Support (3)										
Army										
Navy										
Marine Corps										
Air Force										
SOCOM										
Total										

(1) Includes Army One Station Unit Training (OSUT).

(2) Includes Uniformed Services University of Health Sciences (USUHS).

(3) Includes Base Operations and Real Property Maintenance in support of training.

Exhibit PBA-8 Training and Education

(Page 2 of 4)

TRAINING AND EDUCATION
COMPONENT TITLE

(Hours in thousands)

	FY PY		FY CY		FY BY1		FY BY2
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Flying Hours: (Include hours flown in Flight Training.)							
Army							
Navy							
Air Force							
Total							

WORKLOAD INDICATORS ^{1/}

	FY PY		FY CY		FY BY1		FY BY2
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
(Include data by Component for Army, Navy, Marine Corps, Air Force, Defense Health Program, SOCOM, and DAU)							
Recruit Training							
One Station Unit Training							
Specialized Skill <u>2/</u>							
Officer Acquisition <u>3/</u>							
Flight Training							
Professional Development							

TRAINING AND EDUCATION
COMPONENT TITLE

1/ Workload should agree with the Military Manpower Training Report (MMTR) and reflect direct and reimbursable workload associated with the dollars reported under training and education.

2/ Specialized skill includes initial skill, skill progression, and functional training for both officer and enlisted.

3/ Officer Acquisition includes Service academies, platoon leaders course, Officer Candidate/Training Schools, and other enlisted commissioning programs. Also includes USUHS and the Health Professional Scholarship Program..

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19), Backlog of Maintenance and Repair (OP-27), and the Maintenance of Real Property (OP-28) exhibits.* Identify on the bottom of the exhibit *the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.*

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

	(\$ in Millions)									
	FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Operation and Maintenance (CHAMPUS)										
Procurement										
RDT&E										
Total, Defense Health Program										

Description of Operations Financed: (Provide narrative explanation of activities)

WORKLOAD INDICATORS

	FY PY		FY CY		FY BY1		FY BY2
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
<u>CHAMPUS Workload Indicators (In Thousands)</u>							
Paid Inpatient Admissions							
Paid Outpatient Visits							

Direct Medical Care Programs

Hospitals/Medical Centers
 PRIMIS/NAVCARE Clinics
 Medical Clinics
 Dispositions
 Inpatient Work Units
 Occupied Bed Days
 Average Length of Stay
 Total Ambulatory Visits

Eligible Population

Active Duty Personnel
 Dependents of Active Duty Personnel
 Retired Personnel
 Dependents of Retired and Deceased Military
 Personnel
 Total

Exhibit PBA-9 Defense Health Program
 (Page 1 of 2)

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

PERSONNEL DATA

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
<u>Civilian Personnel (FTEs)</u>							
U.S. Direct Hires							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
<u>Military Personnel (Average Strength)</u>							
Officers							
Enlisted							
Total							
<u>CHAMPUS PROGRAM</u>							
CHAMPUS Health Care							
CHAMPUS Dental Program							
Subtotal Medical							
OCHAMPUS COSTS							
Total							

DIRECT CARE PROGRAMS/CHAMPUS PROGRAM NARRATIVE EXPLANATION OF CHANGES. For both the direct care and CHAMPUS programs, provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5).* Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual..

Note: Procurement, RDT&E and Major OT&E justification material should be presented in accordance with the requirements in the applicable chapters of the Financial Management Regulation.

Exhibit PBA-9 Defense Health Program
(Page 2 of 2)

BASE OPERATIONS SUPPORT (BOS)
COMPONENT TITLE

			(\$ in Millions)						
FY PY	Price	Program	FY CY	Price	Program	FY BY1	Price	Program	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation: (Submit a separate exhibit for each O&M appropriation.)

Operation and Maintenance, _____

Base Operating Support ^{1/}

Description of Operations Financed - Discuss by BOS functional categories. Note that real property maintenance (RPM) functions are excluded from this exhibit. The RPM functions are reflected in Exhibit PBA-7. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit).*

PROGRAM DATA

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>	
<u>Number of Installations</u>	<u>CONUS</u>	<u>Overseas</u>	<u>CONUS</u>	<u>Overseas</u>	<u>CONUS</u>	<u>Overseas</u>	<u>CONUS</u>	<u>Overseas</u>
Active Forces								
Reserve Forces								

Personnel Assigned to BOS (End Strength/FTEs)

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>	
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	
Military End Strength								
Officer								
Enlisted								
Cadets								
Total								
Civilian Full time Equivalents								
U.S. Direct Hires								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								

Exhibit PBA-10 Base Operations Support
(Page 1 of 2)

BASE OPERATION SUPPORT (BOS)

Narrative Explanation of Changes: *(Explain/describe/narrate by functional category of BOS and provide succinct narrative explanation of total resource changes reflected in the budget (for \$ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Specifically identify by base, name and location, any change in the number of installations. Explain changes in price and program from the current estimate (CY) to the BY1 and from FY BY1 to FY BY2 as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Analysis of Flying Hour Program (OP-20), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52).) Identify on the bottom of the exhibit the preparation date and a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.*

1/ This category includes those *Operation and Maintenance* program elements normally ending in “94”, “95”, and “96”. This includes those costs associated with utility operations and Other Engineering Support. This category specifically excludes those activities associated with Real Property Maintenance, both maintenance and repair of real property and minor construction, as reported in the PBA-7, *Real Property Maintenance* exhibit.

Exhibit PBA-10 Base Operations Support
(Page 2 of 2)

RESERVE FORCES
COMPONENT TITLE

				(\$ in Millions)							
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2		
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>		

Appropriation Summary:

A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: (Provide narrative explanation of activities.)

PROGRAM DATA

(Provide applicable program data)

Aircraft Authorized (End FY)
 Flying Hours
 Air Wings
 Air Squadrons
 Flying Units
 Operating Tempo (List separately applicable ground, flying, steaming)
 Ship Inventory (End FY)
 Steaming Hours
 Divisions
 Student Training Loads
 Major Installations
 Reserve Centers
 Training Centers
 Other Operating Locations
 Major Equipment/Ships/Aircraft (End FY) (List Separately)

Depot Maintenance Repair Backlog (\$)
 Backlog of Maintenance and Repair (\$)
 Backlog of Repair Parts
 Backlog of Organizational Clothing and Equipment

RESERVE FORCES
COMPONENT TITLE

PERSONNEL DATA

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
<u>Selected Reserve and National Guard Personnel (Avg Strength)</u>							
Drill Strength							
Individual Mobilization Augmentees							
(2 week Active Duty)							
Full Time Duty							
Total							
Selected Reserve Average Strength							
Full-time Included (Memo)							
<u>Civilian Personnel (FTEs)</u>							
U.S. Direct Hires							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
(Military Technicians Included (Memo)							
Military Technicians Assigned to USSOCOM (FTEs)							
<u>Civilian Personnel (End Strength)</u>							
U.S. Direct Hires							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
(Military Technicians Included (Memo)							
Military Technicians Assigned to USSOCOM (E/S)							

Exhibit PBA-11 Reserve Forces
(Page 2 of 3)

RESERVE FORCES
COMPONENT TITLE

Narrative Explanation of Changes: (Provide a succinct narrative explanation of total resource changes reflected in the budget (for \$ provide in nearest tenths of millions). *Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the BY1 and from FY BY1 to FY BY2 as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Analysis of Flying Hour Program (OP-20), Funding for Depot Level Repairables (OP-31), and Special Operations Forces (OP-52). Identify on the bottom of the exhibit the preparation date and a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.*

Exhibit PBA-11 Reserve Forces
(Page 3 of 3)

COMMAND, CONTROL, AND COMMUNICATIONS (C3)
COMPONENT TITLE

			(\$ in Millions)						
FY PY	Price	Program	FY CY	Price	Program	FY BY1	Price	Program	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

Operation and Maintenance, _____

Description of Operations Financed: A separate format is required for each appropriation which has C³ identifiable costs. Provide narrative explanation of activities by category as listed below. *Explain each category and associated funding and identify by Budget Activity, Activity Group, and Subactivity Group. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data should be consistent with the guidance provided in Chapter 17 and Chapter 19, Section 1910.*

PROGRAM DATA

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

- Communications
 - Sustaining base communications
 - Long haul communications
 - Deployable and mobile communications
- Command and Control
 - National
 - Operational
 - Tactical
- C3 Related
 - Navigation
 - Meteorology
 - Combat identification
 - Information assurance activities
- Total

Exhibit PBA-12 Command, Control, and Communications
 (Page 1 of 2)

COMMAND, CONTROL, AND COMMUNICATIONS
COMPONENT TITLE

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes reflected in the budget (for \$ provide in nearest tenths of millions). *Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups.* Explain changes in price and program from the current estimate (CY) to the BY1 and from BY1 to BY2. *The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5) and the data provided to support preparation of the C3 Congressional Justification Book.* Identify on the bottom of the exhibit *the preparation date and a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.*

Exhibit PBA-12 Command, Control, and Communications
(Page 2 of 2)

TRANSPORTATION
COMPONENT TITLE

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

Description of Operations Financed. Provide a separate exhibit for each O&M appropriation (including Guard, Reserve, and Defense-wide). For purposes of this exhibit, transportation amounts for the active components include only those funded from the Servicewide Transportation Sub Activity Group (SAG) in Budget Activity 4 of the operation and maintenance appropriations.

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

FIRST DESTINATION TRANSPORTATION (FDT) Only FDT supporting O&M purchases should be included.

- *Major Commodity (Commodity Transported)*
 - Military Supplies and Equipment*
 - Total Major Commodity FDT*
- *Mode of Shipment*
 - Military Commands*
 - Military Traffic*
 - Surface*
 - Sealift*
 - Airlift*
 - Commercial*
 - Surface*
 - Sea*
 - Air*
 - Total Mode of Shipment FDT*

Exhibit PBA-13 Transportation
(Page 1 of 2)

TRANSPORTATION
COMPONENT TITLE

(\$ in Millions)

<u>FY PY</u>	<i>Price</i>	<i>Program</i>	<u>FY CY</u>	<i>Price</i>	<i>Program</i>	<u>FY BY1</u>	<i>Price</i>	<i>Program</i>	<u>FY BY2</u>
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

SECOND DESTINATION TRANSPORTATION (SDT) JCS exercises are included in Second Destination Transportation.

- Major Commodity (Commodity Transported)
 - Military Supplies & Equipment
 - Mail Overseas
 - Subsistence
 - Base Exchanges
- Total Major Commodity SDT*

- Mode of Shipment
 - Military Commands
 - Military Traffic
 - Surface
 - Sealift
 - Airlift
 - Commercial
 - Surface
 - Sea
 - Air
- Total Mode of Shipment SDT*

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Budget Year 1 and between Biennial Budget Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.* Identify on the bottom of the exhibit *the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.*

Exhibit PBA-13 Transportation
(Page 2 of 2)

COMMISSARY SUPPORT
COMPONENT TITLE

	(\$ in Millions)									
	FY PY	Price	Program	FY CY	Price	Program	FY BY1	Price	Program	FY BY2
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
<u>Component Funding</u>										
DeCA										
Army										
Navy										
Marine Corps										
Air Force										
Total										

Description of Operations Financed: Provide a narrative explanation of operations financed.

PROGRAM DATA

	FY PY		FY CY		FY BY1		FY BY2
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Number of Commissary Stores in Operation at End of Year							

Narrative Explanation of Changes:

Provide appropriated dollars budgeted for commissaries in each year as well as price and program growth. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.). Also, provide the preparation date and the name and phone number of the person who can answer questions on the exhibit.

Exhibit PBA-15 Commissary Support

MANAGEMENT HEADQUARTERS
COMPONENT TITLE

		(\$ in Millions)								
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2	
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	

Appropriation Summary:

Operation and Maintenance	SEPARATELY IDENTIFY EACH O&M APPROPRIATION
Total	

Description of Operations Financed: This exhibit will provide manpower, payroll, and cost data directly related to the management headquarters mission. Data will be displayed for all organizations listed in the DoD Directive 5100.73, "Department of Defense Management Headquarters Activities." Additionally, this exhibit will separately identify the manpower and costs data by Combatant and Non-Combatant Management Headquarters Activities. Resources for international military headquarters are not to be reported in this exhibit; these costs are to be reported on the PB-55. A narrative explanation is required for all increases and decreases. Non-labor costs that are not directly related to the management headquarters mission such as pentagon renovation should not be reported in this exhibit. Components should footnote the items that are excluded. Organizations will be displayed according to the following categorization of Management Headquarters Activities.

PROGRAM DATA

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

I. Combatant Management Headquarters Activities

1. Combatant Commands*

O&M Cost (\$ in Millions) (Dollars and personnel data should be provided for each category I, II, and III.)

Personnel

Military (A/S)

Civilian (FTEs)

2. Service Combatant Commands*

II. Non-Combatant Management Headquarters Activities

1. Defense-Wide Activities*

a. Department Activities

b. Departmental Support Activities

c. Functional Activities (Defense Agencies/Other)

Exhibit PBA-16 Management Headquarters

(Page 1 of 2)

MANAGEMENT HEADQUARTERS
COMPONENT TITLE

II. Non-Combatant Management Headquarters Activities (continued)

2. Military Department Activities*
 - a. Departmental Activities
 - b. Departmental Support Activities
 - c. Functional Activities

III. Narrative Explanation of Changes: (Provide a succinct narrative explanation of total resource changes.)

* Include direct reporting units, as appropriate.

Instructions:

- TOA should be limited to costs directly in support of management headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the department. Classified data will be reported. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.*
- Under each O&M appropriation, manpower will be identified as direct or reimbursable. Totals will be provided by categories listed above. Numbers reported in this exhibit must be consistent with the numbers reported in the components' budgets and should agree with the O&M data reported in the PB-22 exhibit.
- Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

POC _____ Phone _____

Exhibit PBA-16 Management Headquarters
(Page 2 of 2)

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

Operation and Maintenance A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: Provide narrative description of Recruiting, Advertising, and Examining activities. In addition, provide brief description of the principal functions performed under each category.

PROGRAM DATA

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

The following program data shows workload indicator for Recruiting, Advertising and Examining.

- A. Recruiting:
 Show enlisted accession plan, by appropriation, included in the O&M congressional justification books. Include non-prior and prior service in the same detail as for the O&M Congressional Justification books.
- B. Advertising:
- C. Examining: Provide Production Testing Workload and Medical Testing Workload (# in 000) for each Service)

Exhibit PBA-17 Recruiting, Advertising, and Examining
 (Page 1 of 2)

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE

Narrative Explanation of Changes: Provide narrative explanation of total resource change (tenths of \$ Millions) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, average strength, etc.) for the period. Also identify any applicable major pricing changes between years. The discussion of program growth should address recruiting, advertising and examining separately. Financial data excludes Command, Control, Communications; Real Property Maintenance; and Base Operations costs reflected separately in the overview. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.* Identify on the bottom of the exhibit *the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.*

Exhibit PBA-17 Recruiting, Advertising, and Examining
(Page 2 of 2)

APPROPRIATION HIGHLIGHTS
COMPONENT TITLE
Operation and Maintenance,

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>

Appropriation Summary:

A separate exhibit must be provided for each appropriation included in the O&M Title.

Description of Operations Financed: Provide a narrative description of the type of functions financed by the Appropriation, explain the major reasons for price growth, and separately identify significant inter-appropriation transfers-in and transfers-out from program growth.

(\$ in Millions)									
<i>FY PY</i>	<i>Price</i>	<i>Program</i>	<i>FY CY</i>	<i>Price</i>	<i>Program</i>	<i>FY BY1</i>	<i>Price</i>	<i>Program</i>	<i>FY BY2</i>
<u><i>Actual</i></u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u><i>Estimate</i></u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u><i>Estimate</i></u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u><i>Estimate</i></u>

Budget Activity 1: Operating Forces

Budget Activity 2: Mobilization

Budget Activity 3: Training and Recruiting

Budget Activity 4: Administration and Servicewide Activities

Narrative Explanation of Changes: For each budget activity, provide a succinct narrative explanation of total resource change (for \$ provide in nearest tenth of a million) between the current year and biennial year 1 and between biennial year 1 and biennial year 2 by relating it to program changes (force structure, average strength/FTEs, etc.) for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.)*

Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-19 Appropriation Highlights

MANPOWER TABLES

DEPARTMENT OF _____

Civilian Personnel

Instructions: Civilian Personnel data is to be displayed by U.S. Direct Hire, Foreign Direct Hire and Indirect Hire, and by type of appropriation. All civilian personnel are to be shown as full-time equivalents. Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

	<u>FY PY</u> <u>Actual</u>	<u>Change</u>	<u>FY CY</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY1</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY2</u> <u>Estimate</u>
<u>By Appropriation and Type of Hire</u>							
Operation and Maintenance, Active							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
Operation and Maintenance, Reserve							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
Operation and Maintenance, Guard							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							

Exhibit PBA-20A Civilian Manpower Tables
(Page 1 of 3)

MANPOWER TABLES

DEPARTMENT OF _____

Civilian Personnel

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Defense Working Capital Fund							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
Research, Development, Test and Evaluation							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
Etc. (Identify all appropriations/funds that finance civilian personnel.)							
<u>Component Total</u>							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							

Exhibit PBA-20A Civilian Manpower Tables
(Page 2 of 3)

MANPOWER TABLES

DEPARTMENT OF _____

Civilian Personnel

Summary of Increases/Decreases

***CY-BY1
Change***

***BY1-BY2
Change***

Total Changes

Instructions: Identify specific increases/decreases to the Component's civilian full time equivalent strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). Changes are to address all appropriations/funds that finance civilian personnel as well as direct and indirect hires employees. The total for each column will be the difference between fiscal years. All numbers shown will be full-time equivalent strength. **Stub entries such as "OSD/OMB reduction" are not acceptable.** Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

MANPOWER TABLES

DEPARTMENT OF _____

Military Personnel - Active

	(End Strength)						
	FY PY <u>Actual</u>	<u>Change</u>	FY CY <u>Estimate</u>	<u>Change</u>	FY BY1 <u>Estimate</u>	<u>Change</u>	FY BY2 <u>Estimate</u>
<u>Military Personnel, (A/N/MC/AF)</u>							
Officer							
Enlisted							
Cadets							
Total							
<u>Summary of Increases/Decreases</u>				<i>CY-BY1 Change</i>		<i>BY1-BY2 Change</i>	

Total Changes

Instructions: Identify specific increases/decreases to the Component's military average strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). The total for each column will be the difference between fiscal years. **Stub entries such as "OSD/OMB reduction" are not acceptable.** Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

	(Average Strength)						
	FY PY <u>Actual</u>	<u>Change</u>	FY CY <u>Estimate</u>	<u>Change</u>	FY BY1 <u>Estimate</u>	<u>Change</u>	FY BY2 <u>Estimate</u>
<u>Military Personnel, (A/N/MC/AF)</u>							
Officer							
Enlisted							
Cadets							
Total							

Exhibit PBA-20B Military Personnel Active Manpower Tables

MANPOWER TABLES

DEPARTMENT OF _____

Selected Reserve and National Guard Personnel

				(End Strength)					
		FY PY		FY CY		FY BY1		FY BY2	
		<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	
<u>By Appropriation and Drill Status</u>									
Drill Strength									
Individual Mobilization Augmentees									
(2 week Active Duty)									
Full Time Duty									
Total	Provide for each appropriation and a grand total for the Service								
					<u>CY-BY1</u>		<u>BY1-BY2</u>		
<u>Summary of Increases/Decreases</u>					<u>Change</u>		<u>Change</u>		
Total Changes									

Instructions: Identify specific increases/decreases to the Component's military end strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). The total for each column will be the difference between fiscal years. **Stub entries such as "OSD/OMB reduction" are not acceptable.** Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-20C Guard/Reserve Manpower Tables

KEY ACTIVITY INDICATORS

	<u>FY PY</u> <u>Actual</u>	<u>Change</u>	<u>FY CY</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY1</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY2</u> <u>Estimate</u>
<u>Operation and Maintenance, Army</u>							
Active Duty Military Personnel (End Strength)							
Civilian Personnel (FTEs)							
Primary Authorized Aircraft (PAA)							
Total Aircraft Inventory (TAI)							
Flying Hours (000's)							
Training Workloads <u>1</u> /							
Major Installations							
<u>Operation and Maintenance, Navy</u>							
Active Duty Military Personnel (End Strength)							
Civilian Personnel (FTEs)							
Primary Authorized Aircraft (PAA)							
Total Aircraft Inventory (TAI)							
Flying Hours (000's)							
Ship Inventory							
Steaming Hours (000's)							
Training Workloads <u>1</u> /							
Major Installations							
<u>Operation and Maintenance, Marine Corps</u>							
Active Duty Military Personnel (End Strength)							
Civilian Personnel (FTEs)							
Training Workloads <u>1</u> /							
Major Installations							

Exhibit PBA-21 Key Activity Indicators
(Page 1 of 4)

KEY ACTIVITY INDICATORS

	<u>FY PY</u> <u>Actual</u>	<u>Change</u>	<u>FY CY</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY1</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY2</u> <u>Estimate</u>
<u>Operation and Maintenance, Air Force</u>							
Active Duty Military Personnel (End Strength)							
Civilian Personnel (FTEs)							
Primary Authorized Aircraft (PAA)							
Total Aircraft Inventory (TAI)							
Flying Hours (000's)							
Training Workloads <u>1</u> /							
Major Installations							
<u>Operation and Maintenance, Army Reserve</u>							
Total Selected Reserve Strength (End Strength)							
Civilian Personnel (FTEs)							
(Technicians Included Above)							
Flying Hours (000's)							
Primary Authorized Aircraft (PAA)							
Reserve Centers							
Major Installations							
<u>Operation and Maintenance, Navy Reserve</u>							
Total Selected Reserve Strength (End Strength)							
Civilian Personnel (FTEs)							
Primary Authorized Aircraft (PAA)							
Flying Hours (000's)							
Ship Inventory							
Steaming Hours (000's)							
Training Centers							
Major Installations							

Exhibit PBA-21 Key Activity Indicators
(Page 2 of 4)

KEY ACTIVITY INDICATORS

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

Operation and Maintenance, Marine Corps Reserve

Reserve Personnel (End Strength)
 Civilian Personnel (FTEs)
 Division/Wing Team
 Training Centers

Operation and Maintenance, Air Force Reserve

Total Selected Reserve Strength (End Strength)
 Civilian Personnel (FTEs)
 (Technicians Included Above)
 Primary Authorized Aircraft (PAA)
 Total Aircraft Inventory (TAI)
 Flying Hours (000's)
 Major Installations

Operation and Maintenance, Army National Guard

Total Selected Reserve Strength (End Strength)
 Civilian Personnel (FTEs)
 (Technicians Included Above)
 Aircraft Inventory (End FY)
 Flying Hours (000's)
 Training Locations

Exhibit PBA-21 Key Activity Indicators
 (Page 3 of 4)

KEY ACTIVITY INDICATORS

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
<u>Operation and Maintenance, Air National Guard</u>							
Total Selected Reserve Strength (End Strength)							
Civilian Personnel (FTEs)							
(Technicians Included Above)							
Primary Authorized Aircraft (PAA)							
Total Aircraft Inventory (TAI)							
Flying Hours (000's)							
Major Installations							
Other Operating Locations							

Defense Health Program

Primary Authorized Aircraft (PAA)
Flying Hours (000's)
Training Workloads
Medical Centers and Hospitals
Average Daily Patient Load

All numbers are to be consistent with other supporting exhibits.

1/ Training workloads should agree with those to be reflected in the budget year's Military Manpower Training Report.

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

FY PY	<i>Price</i>	<i>Program</i>	<i>(\$ in Millions)</i>	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

This exhibit includes all of Budget Activity 2, Mobilization plus the Marine Corps Prepositioning activity group including in Budget Activity 1. Dollar amounts for Army, Navy, and Air Force shown in this table should match the total of Budget Activity 2.

Army
Navy
Marine Corps
Air Force
Defense-Wide
Total

Narrative Description: Provide a brief description of programs financed and an explanation of major changes between the CY and BY1 and between BY1 and BY2 for each program listed below.

	FY PY	<i>Change</i>	FY CY	<i>(\$ in Millions)</i>	FY BY1	<i>Change</i>	FY BY2
	<u>Actual</u>		<u>Estimate</u>		<u>Estimate</u>		<u>Estimate</u>

AIRLIFT AND SEALIFT PROGRAMS

Airlift Forces:

AIR FORCE:

Show the amount of the direct payment (subsidy) made for airlift to the U.S. Transportation Command.

Sealift Forces:

ARMY:

Afloat Prepositioned Fleet (#/\$)	1/
Training Exercises (#/\$)	2/
Other	
Total	

Exhibit PBA-22 Mobilization
 (Page 1 of 4)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

		(\$ in Millions)						
		<i><u>FY PY</u></i>		<i><u>FY CY</u></i>		<i><u>FY BY1</u></i>		<i><u>FY BY2</u></i>
		<i><u>Actual</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>
<u>NAVY:</u>								
Maritime Prepositioned Ships (#/\$)	1/							
Fast Sealift Ships (#/\$)	1/							
Hospital Ships (#/C)	1/							
Aviation Logistics Support (#/\$)	1/							
Prepositioned Fleet Hospital (#/\$)	1/							
Training Exercises (#/\$)	2/							
Other								
<u>AIR FORCE:</u>								
Afloat Prepositioned Fleet (#/\$)	1/							
Training Exercises (#/\$)	2/							
Other	3/							
Total (There is no corresponding subactivity group within the Air Force O-1 structure.)								
<u>DEFENSE-WIDE:</u>								
Afloat Prepositioned Fleet (#/\$)	1/							
Training Exercises (#/\$)	2/							
Other	3/							
Total (There is no corresponding subactivity group within the Defense-Wide O-1 structure.)								

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

(\$ in Millions)

<i><u>FY PY</u></i>		<i><u>FY CY</u></i>		<i><u>FY BY1</u></i>		<i><u>FY BY2</u></i>
<i><u>Actual</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>

OTHER MOBILIZATION PROGRAMS - Budget Activity 2

(Do not include dollars in this section that are shown in the Airlift or Sealift Forces above.)

Activations/Inactivations
 War Reserve Activities
 Industrial Preparedness
 Fleet Hospital Program
 Industrial Readiness
 Coast Guard Support
 Airlift Operations
 Airlift Operations C3I
 Airlift Operations Training
 Mobilization Preparedness
 Base Support

Memo Entries - Not Funded in BA

Show as a memo entry funding in other than Budget Activity 2 for the maintenance or replacement of equipment and supplies on board prepositioned ships or POMCUS. Also show funding (outside of BA 2) for exercises of the fast sealift ships, the hospital ships, the aviation logistics support ships, or any of the prepositioning ships.

USMC Prepositioning
 Joint Exercise Program
 Other (e.g., preposition exercises)

Exhibit PBA-22 Mobilization
 (Page 3 of 4)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

Footnotes/Additional Guidance:

1/ Show the total number of ships (at the end of the fiscal year) for this category and the total amount of per diem payments made to the National Defense Sealift Fund (NDSF) or the U.S. Transportation Command. The Defense Logistics Agency (DLA) should report the cost of afloat prepositioned tankers used by the Defense Fuel Supply Center.

2/ Show the number of planned exercises and the total amount budgeted. Do not include JCS funded exercises in the Service submissions. JCS exercises and funding will be reported as Defense-Wide.

3/ Show Service-funded costs not included as part of the per diem payment to the NDSF but which are directly related to the sealift program. This would include enhancements and modifications to on-board systems.

Identify on the bottom of the exhibit *the preparation date* and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-22 Mobilization
(Page 4 of 4)

SUMMARY OF FUNCTIONAL TRANSFERS AND FUNDING REALIGNMENTS
INCLUDED IN FY BY1/FY FY BY2

	(TOA, Dollars in Millions) <u>AMOUNT</u>	CIVILIAN <u>FTE</u>	MILITARY <u>END STRENGTH</u> <u>(Memo only)</u>
FY BY1			
<u>Reason for Transfer</u>			
Into: (Appropriation)	From: (Appropriation)		
<u>Reason for Transfer</u>			
Into: (Appropriation)	From: (Appropriation)		
<u>Summary</u>			
<u>Net Transfer by Appropriation:</u>			
Appropriation			
Appropriation			
FY BY2			
<u>Reason for Transfer</u>			
Into: (Appropriation)	From: (Appropriation)		
<u>Reason for Transfer</u>			
Into: (Appropriation)	From: (Appropriation)		
<u>Summary</u>			
<u>Net Transfer by Appropriation:</u>			
Appropriation			
Appropriation			

Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-25 Functional Transfers and Realignments

SPECIAL OPERATIONS FORCES
COMPONENT TITLE

			(\$ in Millions)							
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2	
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	

Appropriation Summary:

Operation and Maintenance

Description of Operations Financed: (Provide narrative explanation of activities included.)

PROGRAM DATA

<i>FY PY</i>		<i>FY CY</i>		<i>FY BY1</i>		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

Manpower
End Strength

Active Force Personnel

Army
Navy
Marine Corps
Air Force
Total

Civilian Personnel

Army
Navy
Air Force

Total

Full Time Equivalent

SPECIAL OPERATIONS FORCES
COMPONENT TITLE

<i><u>FY PY</u></i>		<i><u>FY CY</u></i>		<i><u>FY BY1</u></i>		<i><u>FY BY2</u></i>
<i><u>Actual</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>

Manpower (con't)

Selected Reserve

Army Reserve
Navy Reserve
Marine Corps Reserve
Air Force Reserve
Army National Guard
Air National Guard
Total

Total Aircraft Inventory (End FY)

Aircraft (PAA End FY)

Flying Hours (# in thousands)

Flying Hours Cost (\$ in millions)

Ship Inventory

Steaming Hours (000's)

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (\$ in tenths of millions) between each fiscal year by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32, OP-5, and OP-52 exhibits.

Exhibit PBA-26 Special Operations Forces
(Page 2 of 2)

OPERATION AND MAINTENANCE, _____
SUMMARY OF INCREASES AND DECREASES

(\$000s)

	<u>BA 1</u>	<u>BA 2</u>	<u>BA 3</u>	<u>BA 4</u>	<u>Total</u>
1 FY CY President's Budget Request					
2. Congressional Adjustment (List items)					
3. FY CY Appropriation Enacted					
4. Proposed Supplementals (Show Pay and Program Supplementals Separately)					
5. Transfers In					
6. Transfers Out					
7. Price Growth					
8. Program Increases					
a. Annualization of New FY CY Program					
b. One-Time FY CY Costs					
c. Program Growth in FY CY					
9. Total Increases					
10. Program Decreases					
a. Annualization of New FY CY Program					
b. One-Time FY CY Costs					
b. Program Growth in FY CY					
11. Total Decreases					
12. Revised FY CY Estimate					
13. Price Growth					
14. Transfers In					
15. Transfers Out					
16. Program Increases					
a. Annualization of New FY CY Program					
b. One-Time FY BY1 Costs					
c. Program Growth in FY BY1					
17. Total Increases					
18. Program Decreases:					
a. One-Time FY CY Costs					
b. Annualization of FY CY Program Decreases					
c. Program Decreases in FY BY1					
19. Total Decreases					
20. FY BY1 Budget Request					
21. Price Growth					
22. Transfers In					
23. Transfers Out					
24. Program Growth					
a. Annualization of New FY BY1 Program					
b. One-Time FY BY2 Costs					
c. Program Growth in FY BY2					
25. Total Increases					
26. Program Decreases:					
a. One-Time FY BY1 Costs					
b. Annualization of FY BY1 Program Decreases					
b. Program Decreases in FY BY2					
27. Total Decreases					
28. FY BY2 Budget Estimate					

NOTE: Substitute appropriate fiscal years to show current year and biennial budget years.

INSTRUCTIONS:

1. Report by Budget Activity and total for the appropriation. The Services should report in tenth of millions; Defense Agencies in thousands.
2. Line 12 will reflect the FY CY column of the FY BY1/BY2 President's budget including all proposed Supplementals.
3. Detailed explanations of increases and decreases are not required on this exhibit.

DATE: _____

DEPARTMENT OF _____
MILITARY BANDS
FY BY1/FY BY2 PRESIDENT'S BUDGET

	<u>FY PY</u> <u>Actual</u>	<u>Change</u>	<u>FY CY</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY1</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY2</u> <u>Estimate</u>
<u>Number of Bands</u>							
CONUS							
Overseas							
Total							
<u>Military Personnel</u>							
Officers							
Enlisted							
Total							
<u>Annual Performances (in Thousands)</u>							
(Identify Number by Type of Function)							
<u>Resource Requirements by Appropriation (\$ in Millions)</u>							
Military Personnel							
Operation and Maintenance							
Total							

Description of Operations Financed: Provide a brief statement explaining the activities. Address both dollars and personnel.

Narrative Explanation of Change: Provide a succinct narrative explanation of changes in terms of performances, dollars, and personnel from year to year.

Exhibit PB-31M Military Bands

DEPARTMENT OF _____
FY BY1/FY BY2 PRESIDENT'S BUDGET
MANPOWER CHANGES IN FULL-TIME EQUIVALENT
FY PY through FY BY2

	<u>US Direct Hire</u>	<u>Foreign National</u>	<u>Total</u>
	<u>Direct Hire</u>	<u>Indirect Hire</u>	
1. FY PY FTEs <u>a/</u> <u>b/</u>			
--			
-- (changes)			
--			
--			
2. FY CY FTEs			
--			
-- (changes)			
--			
3. FY BY1 FTEs			
--			
-- (changes)			
--			
4. FY BY2 FTEs			
5. SUMMARY (Summarize FTEs by Fiscal Year, by Appropriation/Fund, and Total.)			
FY PY			
O&M Total			
Direct Funded			
Reimbursable Funded			
Other appropriations (Reserve, Guard, RDT&E, Defense Working Capital Fund, etc.. Identify each appropriation/fund separately.)			
Direct Funded			
Reimbursement Funded			
Total Component			
Direct Funded			
Reimbursable Funded			
(Repeat for FY CY, FY BY1, and FY BY2)			

NOTE: The Full Time Equivalent (FTE) on this exhibit will agree with the FTE data provided on the OP-8, Civilian Personnel Costs.

Exhibit PB-31Q Manpower Changes in Full-Time Equivalent

VOLUME 2A

ARCHIVED SECITONS

Chapter	Title	Issue Date
	COVER SHEET	
	FOREWORD	July 1996
	VOLUME STRUCTURE	July 1996
	SUMMARY OF CHANGES	July 1996
1	GENERAL INFORMATION	July 1996
2	MILITARY PERSONNEL APPROPRIATIONS	July 1996
3	OPERATION AND MAINTENANCE APPROPRIATIONS	July 1996
	Expanded Table of Contents	
	FOREWORD VOLUME STRUCTURE SUMMARY OF CHANGES	June 1998
3	OPERATION AND MAINTENANCE APPROPRIATIONS	June 1998

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

***FINANCIAL MANAGEMENT
REGULATION***

VOLUME 2A

**BUDGET PRESENTATION
AND
FORMULATION**

JULY 1996

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



JUL - 9 1996

FOREWORD

Volume 2 of the Department of Defense "Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures" which governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It identifies financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. In addition, it identifies statutory and regulatory financial reporting requirements.

This volume of the Regulation establishes procedures for DoD Components to use in budget presentation and formulation and applies to the Office of the Secretary of Defense, the Military Departments, the Joint Staff, the Unified Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

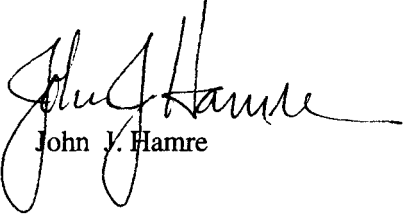
This update is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

This Volume of the "Financial Management Regulation" is not stocked in the defense publications system. DoD Components as defined above will be provided copies of Volume 2 through Component central points of contact, generally within the Components' comptroller organization. Changes in Component Volume 2 distribution requirements or points of contact names should be provided directly to the Office of the Under Secretary of Defense (Comptroller), Plans and Systems Directorate, 1100 Defense Pentagon, Washington D.C. 20301-1100 (DSN 227-3345, Com. (703)697-3345). Other federal agencies and the public may obtain copies of this Volume from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; telephone (703)487-4650.


John J. Hamre

Budget Formulation and Presentation

Volume 2 Structure

ChapterTitleVolume 2A

- | | |
|---|--|
| 1 | General Information |
| 2 | Military Personnel Appropriations |
| 3 | Operation and Maintenance Appropriations |

Volume 2B

- | | |
|----|---|
| 4 | Procurement Appropriations |
| 5 | Research, Development and Evaluation Appropriations |
| 6 | Military Construction/Family Housing Appropriations |
| 7 | Base Realignment and Closure Appropriations |
| 8 | Real Property Maintenance/Minor Construction |
| 9 | Defense Business Operations Fund Business Area Analysis |
| 10 | Public Enterprise, Management and Trust Funds |
| 11 | Offsetting Receipts |
| 12 | Defense Health Program |
| 13 | Defense Environmental Restoration Program |
| 14 | Drug Interdiction and Counter-drug Activities |
| 15 | Overseas Cost Report |
| 16 | Intelligence Programs/Activities |
| 17 | Command, Control and Communications |
| 18 | Information Technology |
| 19 | Other Special Analyses |

Volume 2 has been divided into two books for the convenience of the user because of the Volume size. Volume 2A and 2B are both necessary for the formulation and preparation of the budget.

Volume 2
, Table of Contents

Foreword.....	i
Volume Structure.....	ii
Table of Contents.....	iii
Summary of Changes.....	iv

Chapter detail Table of Contents are at the beginning of each chapter. Each chapter is identified with a tab. Chapter page numbers are preceded by the number of the chapter (e.g. 9-2 and 19-50.)

SUMMARY OF VOLUME 2 CHANGES

Section Number	Changes
010107	Budget Terminology/Definitions updated.
010108	Reemphasizes the proper use of classification cover sheets on justification material.
010200	Procurement Glossary added with additional terms and definitions.
010201	Adds dollar thresholds for expense/investment criteria.
010202	Expands full funding definition and policy. Allows use of advance procurement exception to the full funding policy to fund EOQ procurements outside multiyear contracts. Adds additional rationale (sustain a production line, to support low rate initial production, etc.) as reasons for EOQ. Allows use of Advance Economic Order Quantity (EOQ) Procurement in Advance Procurement requests where warranted.
010203	Adds section for multiyear procurement and moves related information from Section 04 to Section 01. Renumbers remaining paragraphs.
010209	Adds clarification for Non-Developmental Item (NDI) procurement funding.
010210	Moves and expands the definition and discussion regarding direct and reimbursable plans from Chapter 4 to Chapter 1.
010211	Moves information regarding Direct and Reimbursable Budget Plans from Chapter 4.
010212	Adds a section regarding funding LRIP test articles with RDT&E.
010215	Unutilized capacity added.
010217	Updates guidance for pricing military personnel at DBOF activities.
010219	Revises capital budget threshold. Includes changes to 10 U.S.C. 2805(c) for minor construction projects at activities designated under the DoD Laboratory Demonstration Program. Includes changes to 10 U.S.C. 2805(c) for minor construction projects intended solely to correct a deficiency that is life-threatening, health-threatening, or safety threatening. Adds minor construction policy guidance concerning project planning and design costs for DBOF activities.
010220	Provides guidance for base support services provided to and funded by DBOF activities.
010221	Provides funding guidance for dual funded organizations.

Section Number	Changes
010222	Provides guidance for customer funding of DBOF costs associated with canceled or reduced scope work order caused by customer mandated schedules.
010301	Printing requirements by Title expanded and clarified. Includes the use of screw posts in lieu of Acco fasteners when assembling budget books.
010302	Distribution updated to reflect account and exhibit changes. Emphasizes that <u>copies of Op-32, R-32, and P-32 are to be provided to the Revolving Funds Directorate.</u>
010303	Freedom of Information Act (FOIA) reference added.
010304	Pay Increases - Section Deleted. Related to pay supplemental.
010305	PB-5 Requirement deleted.
010306	Budget supplemental guidance rewritten. Pay supplemental no longer included.
010308	Major Budget Issue (MBI) section added (format in Section 0107). Old section 010308 renumbered to 010309.
010309	Budget estimate submissions require civilian full time equivalent (FTE) data in lieu of civilian end strengths.
010401	Reemphasizes the proper use of classification cover sheets on justification material. Printing requirements by Title expanded and clarified. Includes the use of screw posts in lieu of Acco fasteners when assembling budget books. FOIA reference added. Reference to Congressional Data Sheets (CDS) deleted.
010403	Distribution updated to reflect account and exhibit changes.
010406	Appeals process - electronic format changed. Clarifies input requirement - Single position to be taken by inputting Component.
010502	Cost Type codes added/revised for submittal of Procurement (P-1) programs.
010504	Expands applicability of Construction Program database to the DoD Family Housing Improvement Fund.
010505	Record layouts for civilian full time equivalents (FTEs) will be as formatted on DD Forms 2235, 2236 and 2236-1, as applicable. Updates list of accounts which require an Obligation Plan as part of the budget estimate submission.

**Section
Number****Changes**

Provides table displaying relationship between OMB's restructured Program and Financing (P&F) Schedule in OMB Circular A-11 and DoD's Budget Review System.

ARPA changed to DARPA.

Provides updated Object Classification Default Table and updated extracts from the "Budget Accounts Title File Listing."

010602 Applied Research replaces Exploratory Development as a subdivision (budget activity) of RDT&E programs.

010603 Updates appropriations and budget activities by functional title for military functions.

010702 PB-4 Schedule of Civilian and Military Personnel. Changed to reflect Full-time Equivalents (FTE) for civilian strength.

PB-5 Format deleted.

PB-1, PB-8 and PB-10 exhibit guidance revised.

010703 PB-37D through PB-37P Formats deleted.

010704 Instructions added to DD Forms 2232 and 2233 for coding supplemental requests.

Instruction for DD Forms 2235, 2236, and 2236-1 revised for civilian FTEs to replace civilian end-strengths.

Instructions for SD Form 463 updated for added/revised Cost Type codes.

020101 Subsistence-in-kind (SIK) - Both Active and Reserve Components are to budget for SIK within the Military Personnel or Reserve Personnel appropriations. This reflects a shift of costs for the Active Components back to the Military Personnel accounts.

020101 Added paragraph (F) "Military end strength Guidance for the BES".

020204 Exhibit MP-8 "Medical Officer Retention Bonus" requirement deleted.

Paragraph F covering machine readable data rewritten.

020602 Deleted requirement for MP-8 "Medical Officer Retention Bonus".

030100 Military and civilian end strengths changed to WYs and FTEs respectively, except in those instances where both E/S and WYs/FTEs are shown on exhibits.

030201 Exhibit OP-21(A-D) exhibit requirements deleted.

Automated submission language in paragraph G revised.

030202 Promotion of Rifle Practice section deleted. Renumbered subsequent sections.

Section Number	Changes
030402	Exhibit OP-17 Audit and Criminal Investigative Services deleted. Exhibit OP-19 O&M DBOF Contracts > \$50M deleted. Exhibit OP-32 Elements of Expense revised. Exhibit OP-45 New Programs deleted.
030403	Deleted first page of O-1 exhibit requirement. Exhibit PBA-6 Environmental deleted. Exhibit PBA-18 Other deleted.
040103	Biennial Budgeting/Direct and Reimbursable Budget Plans - Moved sections from Chapter 4 to Chapter 1. MDAP PE Crosswalk requirement section added.
040105	Updates the requirements regarding submission of multiyear procurement exhibits.
040200	Moves the list of procurement exhibits from Section 040402 to Section 0402.
040300	Renumbers previous Section 0402 to 0403. Identifies a dollar threshold for preparation of budget exhibits. Updates what exhibits each backup book will include and in what order. Includes requirement for a report to compare data between submissions. Requires that all P-20 Requirement Study exhibits be consolidated into a single backup book by Service, or by appropriation.
040301	Deletes requirement for congressional data sheets and modification obligation data.
040302	Requires that the budget justification material be unclassified and that any classified material be submitted separately.
040401	Deletes Exhibit PB-32D Congressional Data Sheet.
040403	Adds section regarding classification of budget exhibits.
040404	Adds section regarding comparison report requirements.
040500	Adds paragraph regarding dollar threshold for preparation of budget exhibits.
040502	Exhibit P-1 Includes amplifying instructions for advance procurement entries. Requires that the appropriate quantity code is included.

**Section
Number**

Changes

Exhibit P-1C	Adds new exhibit to compare data between submissions.
Exhibit P-1M	Procurement Program - Modification Summary added.
Exhibit P-5	Requires the Exhibit P-5 to show costs for prior years, CY-2, CY-1, CY, BY1, BY2, BY2+1, BY2+2, BY2+3, BY2+4, To Complete, and Total, consistent with the P-40 requirement for all ACAT I programs. Requires that the P-5 exhibit reflect support cost estimates formulated by the developing Service when that Service retains management responsibility for those ammunition items that are procured through the Conventional Ammunition Working Capital Fund (CAWCF). Requires that these support costs be separately identified.
Exhibit P-5a.	Requires that the P-5 entries include information for all prior years through budget year 2. Amplifies information requirements. Requires that the ammunition information for prior years be updated to reflect actual contract data and/or the most recent estimated forecasted contract price.
Exhibit P-10/P-10a	Deletes P-10a. Revises the P-10 advance procurement requirements.
Exhibit P-11	Adds new exhibit to summarize Electronic Warfare funding.
Exhibits P-14/P-20/P-23b	Combines P-20, P-14, and P-23b Requirements Study into one P-20 exhibit. Requires memo entries to show the inventory objectives that were approved in the POM process by PA&E. Revamps P-20 to show changing asset position by fiscal year, making it easier to read and understand. The revision allows comparison of the end of year asset position to the Inventory Objective.
Exhibits P-15/P-25	Deletes P-15 exhibit for production facilities projects and includes the requirement in the P-25 provision of industrial facilities project exhibit.
Exhibit P-21	Amplifies the requirement to show the actual projected deliveries rather than the procurement quantity divided by 12. Defines line item entry requirements.
Exhibit P-21a	Adds new exhibit to show a production schedule for “all types” ammunition items by major end item (5.56mm, 7.62mm, .50 cal, etc.).

Section Number	Changes
Exhibit P-21b	Adds new exhibit to show a GOGO/GOCO facility's production for all items produced at that facility.
Exhibit P-22	Ammunition Inventory exhibit added.
Exhibit P-26	Adds new exhibit to reflect costs to support the maintenance of inactive facilities.
Exhibit P-40	Revises the P-40 exhibit to add quantities being procured in RDT&E and to show related PEs. Deletes the requirement for the Inventory Gain/Loss/Consumption statement for ammunition items from the P-40. Includes requirement to show the identification code. Provides amplifying instructions for advance procurement entries. Requires that an additional P-40 exhibit be provided listing all items being procured in an aggregated or rolled ammunition P-1 line item. Requires that the P-40 list all Service and Other Small Craft Items (SCN only).
Exhibit P-40a	Adds exhibit to list items included in a rolled P-1 line item.
Exhibit P-43	Revises exhibit to delete information contained in other exhibits.
Exhibits MYP	Deletes Exhibit MYP-2 and combines its information on MYP-1. Renumbers MYP-3, 4 and 5.
Various Exhibits	P-1S, P-1N, P-3N, P-6, P-19, P-23b, P-8, P-20a, P-15, and PB-32C deleted
MDAP	PE Crosswalk added.
050102	Other Chapter Requirements Identifies requirements for exhibits required by Chapter 19- Special Analyses, Chapter 3 - Operation and Maintenance and by OMB Circular A-11, Preparation and Submission of Budget Estimates.
050103	MDAP Crosswalk requirement explained.
	MDAP Adds requirement for a Major Defense Acquisition Program (MDAP) Automated Submission.
050201	Budget Activity Titles - Reflects revised titles of budget activities.
050302	BES Submission Requirements:

Section Number	Changes
	<p>Requires that the budget justification material be unclassified and that any classified material be submitted separately.</p> <p>Requires R&D Project Listings to include totals by (1) Program Element, (2) Budget Activity, and (3) Appropriation.</p> <p>Requires a comparison report of the current OSD/OMB budget estimates submission to the previous President's budget submission that identifies the changes for each RDT&E appropriation by R-1 line item and by project.</p> <p>Requires the table of contents to include the program element number, program element title, R-1 line item number and the appropriate page number.</p> <p>Identifies the preferred method to print RDT&E material for those Components that have a large number of PEs for which printing the RDT&E material all in one volume is impractical.</p> <p>Requires that each PE package begin on the front side of a new page.</p> <p>Requires an Exhibit R-32, Purchases from DBOF.</p> <p>Deletes requirement for Exhibit 44-C because OMB Circular No. A-11 incorporated the requirements for this RDT&E exhibit into the automated MAX schedule C. Subsequent instruction will be provided by the Director for Investment, OUSD(C), regarding the specific requirements for this submission to OMB's MAX system.</p> <p>Requires Project comparison reports and diskettes.</p>
050402	<p>Organization of RDT&E Congressional Justification Books:</p> <p>Requires that each of the RDT&E table of contents listings include the program element number, program element title, R-1 line item number and the appropriate page number.</p> <p>Requires that a copy of the OSD-generated R-1 report be included.</p> <p>Requires that each PE package must begin on the front side of a new page.</p> <p>Requires RDT&E material be unclassified and that any classified material be submitted separately..</p> <p>Provides printing instructions and requirement for 40 advance copies to be distributed to congressional committees.</p>
050403	<p>Adds new section for comparison report requirements.</p>
050404	<p>Adds new section for Defense Technical Information Center requirements.</p>
050501	<p>Formats Allows the DoD Components to use formats currently being used in lieu of the formats contained in Section 050502 as long as all of the</p>

Section Number	Changes
	information required by the exhibits in Section 050502 is provided.
050502	<p>Exhibit R-2 Revised to add quantities being procured in both RDT&E and procurement.</p> <p>Changed to include a requirement to identify the forecasted beginning and ending timeframe that the funds will be obligated at the end of the bulletized narratives.</p> <p>Changed to include the quantity of RDT&E articles being procured each year. The cost, by fiscal year, associated with the procurement of the end items should be available upon request.</p> <p>Program's milestone chart can be submitted in lieu of the Exhibit R-2 schedule section as long as the information required by this section is included.</p> <p>MDAP PE crosswalk instructions added.</p>
060101	<p>NATO Infrastructure account name changed to NATO Security Investment Program.</p> <p>Family Housing Improvement Fund added. Budget formulation and justification instructions to be issued under separate cover.</p>
060105	Reference to financing of indebtedness deleted.
060106	Disposition of proceeds from disposal of family housing updated.
060201	Minor Construction limits raised for projects correcting life, health or safety-threatening deficiencies.
060202	<p>Solar Energy Demonstration reference deleted - no longer applicable.</p> <p>Capehart Mortgages and Wherry Housing subordinate accounts deleted -no longer applicable.</p>
060301	<p>Large hospital construction project exemption from full funding deleted to comply with OMB Circular A-11</p> <p>New requirement for outyear project level detail in accordance with DEPSECDEF direction added.</p> <p>Requirement to identify construction projects as new or current mission added</p> <p>Resolution Trust Corporation determination requirement deleted - RTC was disestablished</p>
060302	<p>Family Housing Summary of Price and Program Changes (OP-32) exhibit deleted.</p> <p>Requirement to identify family housing construction projects as new or current mission</p>

Section Number	Changes
	added
	Requirement to prepare Tri-Service Family Housing Cost Models using metric units of measure added.
	Capehart and Wherry mortgages data tables deleted.
	Component responsibilities for budgeting Homeowners Assistance Program costs added.
	Section 801 exhibit no longer required, exhibits renumbered.
060304	NATO Security Investment Program project level detail now required for budget submissions.
060401	Resolution Trust Corporation certification reference deleted.
	Requirement to prepare Military Construction and Family Housing budget submissions using metric units of measure added.
	Requirement to include name and phone number of project civil engineer on DD Forms 1391 added.
	Justification material printing/assembling instructions revised.
060502	New outyear project level exhibit added
	Tri-Service Family Housing Cost Model revised to reflect metric units of measure.
070201	Comptroller prior approval requirement for increases to BRAC environmental effort amounts added.
070301	Best projection of BRAC saving estimates based on what savings will actually accrue required
	35 percent design complete or parametric estimate required for BRAC projects included in budget submission.
	State list of BRAC construction projects required.
070502	Homeowners Assistance Program added to Exhibit BC-02.
080105	Minor Construction threshold updated.
080201	Minor Construction threshold updated.
090102	Clarifies guidance for establishment of DBOF activities.
	Provides codification of DBOF in Chapter 131 of Title 10 U.S.C.

Section Number	Changes
090103	<p>Updates cash management policies and procedures.</p> <p>Clarifies guidance for depreciation of capital assets.</p> <p>Updates guidance associated with software capital investments.</p> <p>Updates the capital investment threshold.</p> <p>Updates guidance for preinvestment analysis requirements for capital investments.</p> <p>Updates guidance for post-investment analysis requirements for capital investments.</p> <p>Updates capital budget reprogramming thresholds during budget execution.</p> <p>Updates exclusions from the capital purchases program.</p> <p>Includes changes to 10 U.S.C. 2805(c) for minor construction projects at activities designated under the DoD Laboratory Demonstration Program.</p> <p>Includes changes to 10 U.S.C. 2805(c) for minor construction projects intended solely to correct a deficiency that is life-threatening, health-threatening, or safety threatening.</p> <p>Adds minor construction policy guidance concerning project planning and design costs for DBOF activities.</p> <p>Clarifies mobilization capability costs.</p> <p>Includes guidance on unutilized and underutilized plant equipment.</p> <p>Updates guidance for pricing of military personnel at DBOF activities and for reimbursement of the Military Personnel appropriation.</p> <p>Provides guidance for inclusion of non-organic contract costs in setting DBOF prices.</p> <p>Includes guidance for unbillable expenses and operational losses for inclusion in calculating net operating results.</p> <p>Updates and clarifies guidance associated with base realignment and closure costs and DBOF rates.</p> <p>Updates guidance for base support provided to and funded by DBOF activities.</p> <p>Includes guidance for funding of first line supervision at DBOF activities.</p> <p>Includes guidance for funding of DBOF management Headquarters Costs.</p> <p>Provides funding guidance for dual funded organizations.</p> <p>Provides guidance for revenue recognition.</p> <p>Provides guidance for customer funding of DBOF costs associated with canceled or</p>

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reduced scope work order caused by customer mandated schedules.

Provides guidance for extraordinary write-offs.

090203	Exhibit Fund-1	Deletes requirement for President's Budget.
	Exhibit Fund-9a	Deletes requirement for backup to President's Budget.
	Exhibit Fund-9b	Deletes requirement for backup to President's Budget
	Exhibit Fund-9c	Adds requirement for backup to President's Budget.
	Exhibit Fund-9d	Requirement added.
	Exhibit Fund-11	Deletes requirement for backup to President's Budget.
	Exhibit Fund-13	Adds requirement for backup to President's Budget.
	Exhibit Fund-14	Deletes requirement for backup to President's Budget.
	Exhibit Fund-16	Requirement deleted.
	Exhibit Fund-21	Adds requirement for backup to President's Budget.
	Exhibit Fund-23	Deletes requirement for backup to and President's Budget.
	Exhibit Fund-26	Requirement added.
	Exhibit Fund-27	Requirement added.
	Exhibit Fund-28	Requirement added.
	Exhibit Fund-29	Requirement added.

Clarifies latest acquisition cost (LAC) guidance.

090204	Exhibit Fund-1	Deletes requirement for President's Budget.
	Exhibit Fund-2	Adds requirement for President's Budget.
	Exhibit Fund-5	Adds requirement for backup to President's Budget.
	Exhibit Fund-7a	Adds requirement for President's Budget.
	Exhibit Fund-9a	Deletes requirement for backup to President's Budget.
	Exhibit Fund-9b	Deletes requirement for backup to President's Budget
	Exhibit Fund-9c	Adds requirement for backup to President's Budget.
	Exhibit Fund-9d	Requirement added.
	Exhibit Fund-11	Deletes requirement for backup to President's Budget.
	Exhibit Fund-13	Adds requirement for backup to President's Budget.
	Exhibit Fund-14	Deletes requirement for backup to President's Budget.
	Exhibit Fund-16	Deletes requirement for backup to President's Budget.
	Exhibit Fund-21	Adds requirement for backup to President's Budget.
	Exhibit Fund-23	Deletes requirement for backup to and President's Budget.
	Exhibit Fund-26	Requirement added.
	Exhibit Fund-27	Requirement added.
	Exhibit Fund-28	Requirement added.
	Exhibit Fund-29	Requirement added.

090402	Exhibit Fund-5a	Clarifies guidance for on sales at latest acquisition cost/latest repair cost. Deletes exemption for Army to submit using gross sales at cost.
	Exhibit Fund-5b	Clarifies guidance for computing wholesale supply management customer prices changes.
	Exhibit Fund-1	Provides revised exhibit.
	Exhibit Fund-1a	Updates exhibit to reflect new DBOF business areas and changes to

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	the Fund-1.
Exhibit Fund-3	Changes civilian workyears to full-time equivalencies.
Exhibit Fund-7a	Updates exhibit to reflect new order accepted but not worked to provide clarifying guidance.
Exhibit Fund-7b	Provides guidance for Navy Research and Development Rates.
Exhibit Fund-8a	Requirement eliminated.
Exhibit Fund-9a	Updates capital investment threshold.
Exhibit Fund-9c	Provides updated exhibit and guidance for completion of exhibit.
Exhibit Fund-11	Updates exhibit and provides clarifying guidance.
Exhibit Fund-13	Deletes requirement for Statement of Cash Flows.
Exhibit Fund-14	Updates the exhibit to reflect revised Fund-1 expenses and provides clarifying guidance. Deletes exemption for Army to submit using gross sales at cost. Deletes category for Negotiated Purchases from Customers.
Exhibit Fund-16	Deletes the requirement for supply management business areas. Updates the exhibit for non-supply business areas (depot maintenance, etc.)
Exhibit Fund-19	Changes civilian workyears to full-time equivalencies.
Exhibit Fund-21	Changes civilian workyears to full-time equivalencies.
Exhibit Fund-23	Adds a requirement for a statement of financial condition.
Exhibit Fund-24	Changes civilian workyears to full-time equivalencies.
Exhibit Fund-25	Changes civilian workyears to full-time equivalencies.
Exhibit Fund-26	Adds requirement for Revenue and Expense Phasing Plan.
Exhibit Fund-27	Adds requirement for DFAS Customer Funding Summary.
Exhibit Fund-28	Adds requirement for Execution Performance Monthly Analysis.
Exhibit Fund-29	Adds requirement for Civilian Personnel Execution Performance Quarterly Analysis.
100101	Deletes William Langer Jewel Bearing Plant Revolving Fund, ADP Equipment Management Fund, Department of the Army Trust Funds, Department of the Navy Trust Funds, and Department of the Air Force General Gift Fund from the requirements

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	of this Chapter.
	Adds Buildings Maintenance Fund to the requirements of this Chapter.
100102	Provides definition of unavailable collections for trust funds and O&M special funds which are required to be reported by Federal agencies in each annual budget submission to OMB in accordance with OMB Circular A-11, Sec 36.6.
100103	Deletes reference to Department of the Navy General Gift Fund, Profits from Sale of Ships Stores, Navy, U.S. Naval Academy Museum Fund and General Gift Fund, and Department of the Army General Gift Fund.
100202	Includes exhibit requirements for the Buildings Maintenance Fund.
	Includes exhibit requirements for the National Defense Sealift Fund, Procurement/Slip Acquisition, and National Defense Features.
	Deletes the PR-3 exhibit.
	Includes new exhibits for the National Defense Sealift Fund Ready Reserve Force (RRF-1, RRF-2 and RRF-3).
	Provides guidance for submission of all National Defense Sealift Fund Exhibits.
100301	Updates exhibit/schedule requirements for the Congressional justification/presentation.
150302	Exhibit OP-53(A) "Overseas Dependent Data" requirement and exhibit format deleted in section 1504
160301	JMIP added
160302	JMIP Congressional justification books will be prepared in accordance with supplemental instructions by C ³ I.
180104	Update references to reflect revised Life Cycle Management policy and procedures for information technology. The March 1996 edition of DoDD 5000.1 and DoD Regulation 5000.2-R are the new references.
180202	Paragraph C, Narrative Statement, is revised to reflect prior guidance/clarification.
180203	Automated Information System definition is updated.
	Current Services definition is revised for clarification.
	Depreciation Expense definition is revised to reflect prior guidance changes. Special instructions for the Defense Information Systems Agency are added to display metacenter capital asset depreciation.
	Information Technology Resources definition and Information Technology Resources

Section Number	Changes
	Reporting Exemptions definition are revised to cover prior guidance on allowable inclusions/exclusions.
	LCM Milestones definition is revised per DoDD 5000.1 and 5000.2-R.
	LCM Phases definition is revised per DoDD 5000.1 and 5000.2-R.
	Major AIS definition is revised per DoDD 5000.1 and 5000.2-R.
	Non Major AIS definition is revised to reflect prior guidance on having the reporting threshold for the BES equal the POM.
	All Other definition is revised to reflect prior guidance/clarification.
180204	Revised to reflect prior guidance/clarification.
180205	Section, CIM Infrastructure and Functional Areas, is rewritten to reflect prior guidance/clarification. The POM Core Infrastructure CIM functional areas were added to track with the POM data.
180206	A new Section on Financial Management Activities or Systems is added to highlight the need to reconcile data to Volume 2, Chapter 19.
180303	Section on Submission Requirements is updated to reflect the current office/organizational name changes.
180304	Section on Input for Summary IT Justification Books is updated for current office/organizational name changes, clarification, and to reflect prior guidance on the review /approval and distribution of exhibits including use of the of the electronic format and data base.
180402	Exhibit 43ES Instructions: Paragraph 3, Entries, is revised to reflect prior guidance/clarification on providing better explanation and summaries.
	Exhibit 43 Item 6, Personnel and summary item Workyears are expanded to reflect prior guidance.
	Exhibit 43 Instructions: Delete last sentence of paragraph 5.d, Software, so that software maintenance is reported under paragraph 5. e, Services or 5. f, Support Services. Item 5.h., Personnel, is expanded to breakout software, equipment maintenance, processing, communications, and other to reflect prior guidance. Reporting is not only for AIS resources but to all related IT resources such as base level management staffs, operations, engineering and maintenance. Item 5.i, Workyears, is expanded into Non-DBOF and DBOF to reflect prior guidance.
	Exhibit 43(IT-1) Last item XX on exhibit is revised to reflect prior guidance to display the appropriation and fund for development/modernization and

Section Number	Changes
	current services.
Exhibit 43(IT-1)	Instructions (par.2., par. 3.c., par 3.d., par 3.e., and par. 3.g.) are revised to reflect prior guidance/clarification.
Exhibit 43(IT-2)	Paragraph C is revised to eliminate the reporting of “Current Estimate” and adds clarification to paragraph F on displaying LCM Milestones.
Exhibit 43(IT-2)	Instructions: Paragraphs 1. Purpose and 2. Submission are revised for clarification, Paragraphs 3.b. and 3.c.(5.) are revised for clarification. Paragraph 3.c. is revised to eliminate the reporting of “current estimate” for both life cycle and program cost since it is not being used. Also, changes are made to reflect prior guidance/clarification on better explanations.
Exhibit 43(IT-2)	Instructions Paragraphs 3.e., System Description, and 3.f., Program Accomplishments and Plans are revised to reflect prior guidance/clarification. Paragraph 3.h, Changes, is revised to reflect prior guidance/clarification. Both areas need better explanations of changes.
Exhibit 43(IT-4)	Exhibit and Instructions Workyears is added to each CDA subtotal to reflect prior guidance. Also adds clarification on reporting total cost, both contractor and in-house.
190101	Revised to reflect Chapter 19 content changes.
190200	Security Activities - Section deleted.
190400	Exhibit T&E-1 Added requirement for 2 copies of Exhibit T&E-1 for DTSE&E, DOT&E, and OUSD(C) P/B.
190501	Revised for changed Comptroller responsible office and data requirement changes.
190502	Credit management and Debt Collection Activities section deleted - not required by OMB A-11.
190600	GPRA Guidance added.
190700	Civilian Civil Rights Programs - Section deleted.
190802	Revises guidance and provides additional definitions on Federal credit programs.
190902	Exhibit requirements and titles revised.
191001	Intelligence and Communications Program Elements updated
191202	Security Activities exhibits (SA-1 thru 11) deleted.

Section Number	Changes
191203	Old section renumbered as 191202
191204	Old section renumbered as 191203
191204	New section 191204 with the following changes: Exhibit PB-15 title changed from “Consulting Services” to “Advisory and Assistance Services”. Exhibit PB-19 Intermediate Range Nuclear Force deleted. Exhibit PB-20 External Public Affairs deleted. Exhibit PB 28 Environmental revised. Exhibit PB-50 Child Development Programs revised and retitled to Child Development, Family Centers, and Family Advocacy Programs.
191205	Old section: Civilian Civil Rights exhibits (53 series) deleted.
191206	Renumbered as 191204
191207	Renumbered as 191205

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CHAPTER 1

GENERAL INFORMATION

0101 GENERAL POLICIES

010101 Purpose

A. Volume 2 of the Financial Management Regulation (FMR) provides general guidance on the formulation and submission of the budget requests to the Office of the Secretary of Defense for the fall budget review and the presentation and justification of the budget requests to the Congress. This volume is established under the authority of DoD Instruction 7000.14.

B. Volume 2 of the FMR is intended as a comprehensive reference book on budget matters of the Department of Defense. Budget policy memoranda issued throughout the year will provide any necessary changes or revisions to this standing document, as well as special instructions and nonrecurring requirements unique to that year's budget cycle.

C. The provisions of Volume 2 apply to all military and civil functions of the Department of Defense including military assistance.

D. An introduction to the total Financial Management Regulation, DoD 7000.14-R can be found in Volume 1 of the Regulation.

010102 Organization

A. Volume 2 is organized into 19 chapters that provide specific guidance, required budget exhibits and formats along with instructions for their preparation, and automated submission requirements.

010103 Changes to Volume 2

A. Changes to Volume 2 will be issued biennially, prior to the fall budget review of the initial biennial budget cycle. Pen and ink changes will not be used.

B. Generally, significant changes on a page will be indicated by the paragraph or section containing a change being printed in *ITALICS*.

010104 Reports Control Symbol

Data requirements established by this volume are exempt from the requirement for assignment of a Report Control Symbol.

010105 Requests for Exceptions to OMB Circular A-11

A. Each year the Office of Management and Budget (OMB) issues Circular No. A-11 which addresses the preparation and submission of budget estimates for all Federal Agencies.

B. Federal agencies are allowed to request exceptions to the requirements of Circular A-11 by submitting in writing to OMB all required exceptions by August 1. Exceptions approved by OMB are valid only for 1 year.

C. Each year the USD(Comptroller) requests certain exceptions to OMB Circular A-11. Generally, these exceptions concern special situations that are unique to the Department of Defense.

1. Subsequent to the issuance of Circular A-11 by OMB each year, any DoD Component requiring an exception to the requirements of Circular A-11 should submit in writing the specific section for which an exception is required and provide adequate rationale to justify the exception. The memorandum addressing the requested exceptions should be submitted directly to the Office of the USD(Comptroller), Program/Budget, Plans and Systems Directorate (Room 3A862, telephone (703) 697-9171) no later than July 15 of each year.

2. If the requested exception is acceptable to the USD(Comptroller), these proposals will be consolidated and forwarded to OMB for approval. Components will be advised of any exceptions approved by OMB.

3. All DoD Components are required to comply with any requested exceptions not approved and to properly reflect the information in the budget submissions.

010106 Proposed Changes in Budget Structure and Appropriation Language

A. Under the provisions of OMB Circular A-11, the following types of changes must be cleared with OMB:

1. Changes in the appropriation pattern, including proposed new accounts and changes in the titles and sequence of existing accounts.
2. Changes in the methods of funding a program.
3. Changes in program or budget activity classifications for the program and financing schedules for all appropriation accounts and funds.

B. Any proposed changes on the items listed above must be submitted in a memorandum to the Office of the USD(Comptroller), that explains the proposal and the rationale for the changes. If acceptable to the USD(Comptroller), these proposals will be forwarded to OMB for approval.

C. Proposed changes in the wording of appropriation language should be submitted to the Office of the Deputy General Counsel (Fiscal) (Room 3D961, telephone (703)695-5864) as soon as possible after the passage of the current year's appropriation act. ODGC(Fiscal) will accomplish coordination with OMB.

010107 Budget Terminology/Definitions

A. Standard Government-wide definitions of budget terminology are provided in the Office of Management and Budget issuance's, most notably Circulars A-11 (*Section 14.1*) and A-34 (Chapter 2).

B. For the Department of Defense, some of the more common budget concepts applicable to budget formulation follow:

1. Accrual Basis of Accounting:
A method of accounting in which revenues are recognized in the period earned and costs are recognized in the period incurred, regardless of when payment is received or made. There have been many initiatives over the years to convert the

Federal Budget to an accrual accounting basis. Although the budget is on a cash basis, DoD accounting is on the accrual basis.

2. Advance Procurement:
Authority provided in an appropriations act to obligate and disburse during a fiscal year before that in which the related end item is procured. The funds are added to the budget authority for the fiscal year and deducted from the budget authority of the succeeding fiscal year. Used in major acquisition programs for advance procurement of components whose long-lead-time require purchase early in order to reduce the overall procurement lead-time of the major end item. Advance procurement of long lead components is an exception to the DoD "full funding" policy and must be part of the President's budget request.

3. Appeal: A request for reconsideration of an action taken to adjust, reduce, or delete funding for an item during the congressional review of the defense budget (authorization and appropriation). This process is discussed in Section 010406.

4. Apportionment: A distribution by the Office of Management and Budget of amounts available for obligation in appropriation or fund accounts of the Executive Branch. The distribution makes amounts available on the basis of specified time periods, programs, activities, projects, objects, or combinations thereof. The apportionment system is intended to achieve an effective and orderly use of funds. The amounts so apportioned limit the obligations that may be incurred.

5. Appropriations: A provision of legal authority by an act of the Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the most common means of providing budget authority (see Budget Authority). Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent limitations of amounts which agencies may obligate during the time period specified in the respective appropriation acts.

6. Authorization (Authorizing Legislation): Basic substantive legislation enacted by the Congress which sets up or continues the legal operation of a Federal program or agency either indefinitely or for a specific period of time or sanctions a particular type of obligation or expenditure within a program. Such legislation is normally a prerequisite for subsequent appropriations or other kinds of budget authority to be contained in appropriation acts. It may limit the amount of budget authority to be provided subsequently or may authorize the appropriation of "such sums as may be necessary."

7. Biennial Budget: The FY1986 Department of Defense Authorization Act required the submission of two-year budgets for the Department of Defense and related agencies beginning with FY 1988/FY 1989. The Department has fully institutionalized a biennial cycle for the Planning, Programming, and Budgeting System (PPBS), including the Defense Guidance (DG), the Program Objective Memorandum (POM), Volume 2 of the Financial Management Regulation (FMR) and budget formulation memoranda. A biennial budget, as currently structured, represents program budget estimates for a two-year period in which fiscal year requirements remain separate and distinct.

8. Budget Activity: Categories within each appropriation and fund account which identify the purposes, projects, or types of activities financed by the appropriation or fund.

9. Budget Amendment: A formal request submitted to the Congress by the President, after his formal budget transmittal but prior to completion of appropriation action by the Congress, that revises previous requests, such as the amount of budget authority.

10. Budget Authority: The authority becoming available during the year to enter into obligations that result in immediate or future outlays of Government funds.

11. Budget Deficit: The amount by which the Government's budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by Treasury borrowing from the public.

12. Budget Receipts: Amounts received by the Federal Government from the public that arise from the exercise of governmental or sovereign power (primarily tax revenues, but also receipts from premiums of compulsory social insurance programs, court fines, license fees, etc.); premiums from voluntary participants in Federal social insurance programs; and gifts and contributions. Excluded from budget receipts are collections resulting from business-type transactions and payments between government accounts as a result of intragovernmental transactions.

13. Closed (Canceled) Accounts: An appropriation that is no longer available for the adjustment or payment of obligations. Appropriations are closed (canceled) after being in the expired status for five years. Once these appropriations are closed (canceled), no payments or adjustments maybe made. (See Expired Appropriation.)

14. Concurrent Resolution: A resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth, reaffirming, or revising the congressional budget for the United States Government for a fiscal year. A concurrent resolution on the budget, due by April 15, must be adopted before legislation providing new budget authority, new spending authority, new credit authority or changes in revenues or the public debt limit is considered. Other concurrent resolutions for a fiscal year may be adopted at any time following the first required concurrent resolution for that fiscal year.

15. Constant Dollars: A dollar value adjusted for changes in prices. Constant dollar series are derived by dividing current dollar estimates by appropriate price indices, a process generally known as deflating. The result is a time series as it would presumably exist if prices were the same throughout as in the base year -in other words, as if the dollar had constant purchasing power. Any changes in such a series would reflect only changes in the real (physical) volume of output. Constant dollar figures are commonly used for gross national product and its components.

16. Continuing Resolution: Legislation enacted by the Congress to provide

budget authority for specific ongoing activities in cases where the regular fiscal year appropriation for such activities has not been enacted by the beginning of the fiscal year. The continuing resolution usually specifies a maximum rate at which the agency may incur obligations, based on the rate of the prior year, the President's budget request, or an appropriation bill passed by either or both Houses of the Congress.

17. Controllability: The ability under existing law to control budget authority or outlays during a given fiscal year. "Relatively uncontrollable" usually refers to spending that cannot be increased or decreased without changes in existing substantive law. At the Federal budget level, the largest part of such spending is the result of open-ended programs and fixed costs, such as social security and veterans' benefits. For defense, controllability is limited by the payments due under obligations incurred during prior years.

18. Current Services Estimates: Estimated budget authority and outlays for the upcoming fiscal year based on continuation of existing levels of service, i.e., assuming that all programs and activities will be carried on at the same level as in the fiscal year in progress and without policy changes in such programs and activities. These estimates of budget authority and outlays, accompanied by the underlying economic and programmatic assumptions upon which they are based (such as the rate of inflation, the rate of real economic growth, pay increases, etc.), are required to be transmitted by the President to the Congress.

19. Deferral of Budget Authority: Any action or inaction by any officer or employee of the United States that withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources, including the establishment of reserves under the Antideficiency Act, as amended by the Impoundment and Control Act. Section 1013 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting a proposed deferral of budget authority. Deferrals may not extend beyond the end of the fiscal year in which the message reporting the deferral is transmitted and may be overturned by the passage of an impoundment resolution by either House of Congress.

20. Disbursements: In budgetary usage, gross disbursements represent the amount of checks issued, cash, or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided.

21. Expenditures/ Disbursements: A term generally used interchangeably with outlays.

22. Expired Appropriation: An appropriation whose period of availability for incurring new obligations has expired but the appropriation is not closed (canceled). During this period, the appropriation is available for adjustment to, or payment of, existing obligations. Appropriations remain in an expired status for five years as shown in the table below. At the end of the five-year expiration period, the appropriation is closed (canceled) and is no longer available for the payment of unliquidated obligations. (See Closed (Canceled) Accounts.)

Life Cycle of Appropriations:

	New Obliga- tions	Years For	
		Obligation Adjust. & Disburse.	Closed End of Year
<u>Approp</u>	<u>Unexpired</u>	<u>Expired</u>	<u>Canceled</u>
MilPers	1	2-6	6
O&M.	1	2-6	6
RPM,D	2	3-7	7
RDT&E	2	3-7	7
Proc.	3	4-8	8
SCN	5	6-10	10
Mil. Con.	5	6-10	10

23. Federal Debt: Federal debt consists of public debt and agency debt. Public debt is that portion of the Federal debt incurred when the Treasury Department or Federal Financing Bank (FFB) borrows funds directly from the public or another fund or account. Agency debt is that portion of the Federal debt incurred when a Federal agency authorized by law, other than Treasury or the Federal Financing Bank, borrows funds directly from the public or another fund or account.

24. Fiscal Year: Any yearly accounting period without regard to its relationship to a calendar year. The fiscal year for the Federal Government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends. Fiscal years are further designated as follows:

Past Year-1: Also referred to as Prior Year-1, the fiscal year immediately preceding the past year.

Past Year (PY): Also referred to as Prior Year, the fiscal year immediately preceding the current year; the last completed fiscal year.

Current Year (CY): The fiscal year in progress. Immediately precedes the budget year.

Budget Year (BY): *The next fiscal year for which estimates are submitted if not a biennial budget.*

Budget Year 1 (BY1): *In a biennial budget submission (Department of Defense), the first fiscal year of a two-year period for which the budget is being considered.*

Budget Year 2 (BY2): *In a biennial budget submission (Department of Defense), the second fiscal year of a two-year period for which the budget is being considered*

Budget Year(s)+1 (BY(s)+1): *The fiscal year immediately following the budget year(s). This format continues through Budget Year +5 (BY+5), the fifth fiscal year following the budget year(s).*

25. Full Funding Policy: The practice of funding the total cost of major procurement and construction projects in the fiscal year in which they will be initiated. See Section 010202 for further information.

26. Full-time Equivalent (FTE). *Reflects the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave and compensatory time of and other approved leave categories are considered to be "hours worked" for purposes of defining full-time equivalent employment.*

27. Future Years Defense Program (FYDP): The Future Years Defense Program is the program and financial plan for the Department of Defense as approved by the Secretary of Defense. The FYDP arrays cost data and force structure over a six-year period (force structure for an additional 3 years), portraying this data by major force program for internal DoD review and by appropriation for congressional review.

28. Impoundment: Any action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by the Congress,

29. Impoundment Resolution: A resolution of the House of Representatives or the Senate disapproving a deferral of budget authority set forth in a special message ordinarily transmitted by the President under section 1013 of the Impoundment Control Act of 1974. Passage of an impoundment resolution by either House of Congress has the effect of overturning the deferral and requires that such budget authority be made available for obligation.

30. Incremental Funding: The phasing of total funding of programs or projects over two or more fiscal years based upon levels and timing of obligational requirements for the funds. Differs from full funding concept where total funds for an end item, program or project are provided in the fiscal year of program or project initiation, regardless of the obligational requirement for the funds.

31. Multiyear Procurement: Procurement of a particular end item or system under a multiyear contract approved by specific provision of law. For the Department of Defense, multiyear procurement contracting of military hardware or systems must be specifically, and individually, approved by the Congress.

32. Object Classification: A uniform classification identifying the transactions of the Federal Government by the nature of the goods or services purchased without regard to the agency involved or the purpose of the programs for which they are used.

33. Obligations: Amounts of orders placed, contracts awarded, services received, or similar transactions made by Federal

agencies during a given period, which will require outlays during the same or some future period.

34. Outlays: The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements. Outlays are net of amounts that are adjustments to obligational authority. The terms “expenditure” and “net disbursement” are frequently used interchangeably with the term “outlay”. Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

35. President’s Budget: The budget for a particular fiscal year transmitted to the Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended. Some elements of the budget, such as the estimates for the legislative branch and the judiciary, are required to be included without review by the Office of Management and Budget or approval by the President.

36. Program Budget Decision (PBD): A budget decision document issued during the joint review of Service budget submissions by analysts of the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB). PBDs reflect the decisions of the Secretary of Defense as to appropriate program and funding to be included in the annual defense budget request which, in turn, is included in the President’s Budget.

37. Program Decision Memorandum (PDM): A document containing the decisions by the Secretary of Defense on the program and resource levels identified in the Program Objectives Memorandum.

38. Program Objectives Memorandum (POM): The final product of the programming process within the Department of Defense, the Program Objectives Memorandum (POM) displays the resource allocation decisions of the Military Departments in response to and in accordance with Defense Guidance.

39. Program Year: The fiscal year in which authorization was provided and in which funds were appropriated for a particular program, regardless of the fiscal year in which funds for that program might be obligated.

40. Reapportionment: A revision by the Office of Management and Budget of a previous apportionment of budgetary resources for an appropriation or fund account. A revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

41. Reappropriation: Congressional action to restore the obligational availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire in an annual or multi-year account. Obligational authority in a current account may also be extended by a subsequent appropriation act.

42. Reconciliation Process: A process used by the Congress to reconcile amounts determined by tax, spending, and debt legislation for a given fiscal year with the ceilings enacted in the second and required ‘concurrent resolution on the budget for that year. Section 310 of the Congressional Budget and Impoundment Control Act of 1974 provides that the second required concurrent resolution on the budget, which sets binding totals for the budget, may direct committees to determine and recommend changes to laws, bills, and resolutions, as required to conform with the binding totals for budget authority, revenues, and the public debt.

43. Recovery of Prior Year Obligations: Amounts made available in no year and unexpired multi-year accounts through downward adjustment of prior year obligations.

44. Reimbursements: Sums received by the Government for commodities sold or services furnished either to the public or to another Government account that are authorized by law to be credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts.

45. Reprogramming: Utilization of funds in an appropriation account for purposes other than those contemplated at the time of appropriation. Reprogramming is generally accomplished pursuant to consultation with and approval by appropriate congressional

committees. Instructions will be contained in Volume 3 of this regulation.

46. Rescission: The consequence of enacted legislation which cancels budgetary resources previously provided by the Congress prior to the time when the authority would otherwise lapse. Section 1012 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting any proposed rescission of budgetary resources. These proposals may be accepted in whole or in part through the passage of a rescission bill by both Houses of the Congress.

47. Rescission Bill: A bill or joint resolution that provides for cancellation, in whole or in part, of budgetary resources previously granted by the Congress. Under Section 1012 of the Impoundment Control Act of 1974, unless Congress approves a rescission bill within 45 days of continuous session after receipt of the proposal, the budgetary resources must be made available for obligation.

48. Revolving Fund: A fund established to finance a cycle of operations through amounts received by the fund. Within the Department of Defense, such funds include the Defense Business Operations Fund, as well as other working capital funds.

49. Sequestration: The reduction or cancellation of new budget authority; unobligated balances, new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; spending authority; and obligation limitations. OMB Circular A-11, section 14.2(e) provides additional guidance on sequestration rules of the Budget Enforcement Act of 1990 (BEA).

50. Supplemental Appropriation: An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until enactment of the next regular appropriation act.

51. Total Obligational Authority (TOA) Availability: The sum of (1) all budget authority granted (or requested) from the Congress in a given year, (2) amounts authorized to be credited to a specific fund, and (3) unobligated balances of budget authority from previous years which remain available for obligation. In practice, this term is used primarily in discussing the Department of Defense budget, and most often refers to TOA as "program" which equates to only (1) and (2) above.

52. Transfer Authority: Authority provided by the Congress to transfer budget authority from one appropriation or fund account to another.

010108 Security Classifications

A. General

1. Instructions concerning premature disclosure of budget information prior to presentation to the Congress are contained in OMB Circular A-11.

2. Instructions concerning security classification of the budget estimates submissions to OSD are contained in Section 010305.

3. Instructions concerning security classification of congressional justification material are contained in Section 010401.

B. Classification of Procurement Exhibit P-1 line items, RDT&E Exhibit R-1 line items, and the Construction Programs (C-1):

1. Procurement Exhibit P-1 line items: P-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program's Security Classification Guide so dictates and when conditions in paragraph C.1. (below) apply.

2. RDT&E Exhibit R-1 line items: R-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program's Security Classification Guide so dictates and when conditions in paragraph C.1. (below) apply.

3. The Construction Programs (C-1) is designed to be an unclassified document. See Section 010504 for instructions.

C. Security Classification of National Foreign Intelligence Program (NFIP) Budget Resource Information:

1. Unless other specific NFIP program guidance in effect requires a higher classification

a. Information which, standing alone or in aggregate, reveals any Program Element total of the funding or manpower requirements of any program in the NFIP will be classified SECRET.

b. Information which permits the disclosure of any Program Element total of the funding or manpower requirements of any program in the NFIP, for example, through a subtractive process, will be classified SECRET.

c. Information which, standing alone or in aggregate, reveals overall DoD Component funding or manpower levels of the NFIP or its programs will be classified SECRET.

d. Whenever NFIP funding and manpower resource detail is combined with other unclassified programs in such a way as to effectively mask the NFIP resource Program Element total, such combined resource Program Element total may be treated as unclassified.

2. Documents containing NFIP resource detail that is classified on the basis of this guidance shall be marked, for example:

CLASSIFIED BY DCI memo on 22 Dec 96
DECLASSIFY ON OADR

3. The above guidance applies only to the program and budget preparatory process.

4. Requests for clarification of the foregoing classification guidance should be forwarded to ASD(C³I), Director of Information Security. Questions of application will be coordinated with the Intelligence Community

Management Staff and responses will be disseminated to all interested DoD components.

5. *Classified justification material must use the appropriate classified cover sheet for all copies.*

0102 FUNDING POLICIES

010201 Criteria for Determining Expense and Investment Costs

A. Appropriation or fund accounts form the structure for the President's budget request and are the basis for congressional action. The appropriations are further organized into budget titles of appropriations with programs, projects or activities of similar purposes. To support management of the Department of Defense's programs, projects or activities, resource requirements should be organized and categorized consistently within the appropriation and budget title structure. The following sections provide guidance for categorizing resource requirements into the various appropriations.

B. Basic Distinctions Between Expense and Investment Costs. The following guidance is provided to determine whether a cost is either an expense or an investment. All costs are classified as either an expense or an investment.

1. Expenses are the costs incurred to operate and maintain the organization, such as personal services, supplies and utilities.

2. Investments are the costs that result in the acquisition of, or an addition to, end items. These costs benefit future periods and generally are of a long-term character such as real property and personal property.

The criteria for cost definitions consider the intrinsic or innate qualities of the item such as durability in the case of an investment cost or consumability in the case of an operating cost and the conditional circumstances under which an item is used or the way it is managed. In all cases where the definitions appear to conflict, the conditional circumstances will prevail.

C. Policy for Expense and Investment Costs.

1. DoD policy requires cost definition criteria that can be used in determining the content of the programs and activities that comprise the Defense budget. The primary reasons for these distinctions are to allow for more informed resource allocation decisions and to

establish criteria for determining which costs are appropriate to the various defense appropriations.

2. The cost definition criteria contained in this policy are only applicable to the determination of the appropriation to be used for budgeting and execution. Cost definitions for accounting purposes are contained in Volume I of this regulation.

3. Costs budgeted in the Operation and Maintenance (O&M) and Military Personnel appropriations are considered expenses. Costs budgeted in the Procurement and Military Construction appropriations are considered investments. Costs budgeted in the Research, Development, Test and Evaluation (RDT&E), Base Realignment and Closure (BRAC), and Family Housing appropriations include both expenses and investments. Definitions for costs within the Defense Business Operations Fund are provided in Chapter 9 and Section 010212.

4. Items procured from the Defense Business Operations Fund will be treated as expenses in all cases except when intended for use in weapon system outfitting, government furnished material (GFM) on new procurement contracts, or for installation as part of a weapon system modification, major reactivation or service life extension.

D. Procedures for Determining Expenses Versus Investments. The following criteria will be used to distinguish those types of costs to be classified as expenses from those to be classified as investments for budgeting purposes:

1. Expenses. Expenses are costs of resources consumed in operating and maintaining the Department of Defense. When costs generally considered as expenses are included in the production or construction of an investment item, they shall be classified as investment costs. Military personnel costs are an exception to this rule. The following guidelines shall be used to determine expense costs:

- Labor of civilian, military, or contractor personnel.
- Rental charges for equipment and facilities.

- Food, clothing, and fuel.
 - Supplies and materials designated for supply management of the Defense Business Operations Fund.
 - Maintenance, repair, overhaul, and rework of equipment, with the exception of investment funded parts.
 - Assemblies, spares and repair parts, and other items of equipment that are not designated for centralized item management and asset control and which have a system unit cost less than the currently approved dollar threshold of \$25,000 for FY 1994 (Section 8092 of the FY 1994 DoD Appropriations Act), \$50,000 for FY 1995 (Section 8076 of the FY 1995 DoD Appropriations Act) and \$100,000 for FY 1996 (Section 8065 of the FY 1996 DoD Appropriations Act) for expense and investment determinations. *Beginning in FY 1997, subject to congressional approval, there is no dollar threshold.* This criterion is applied on the basis of the unit cost of a complete system rather than on individual items of equipment or components that, when aggregated, become a system. The concept of a system must be considered in evaluating the procurement of an individual end item. A system shall be considered to exist if a number of components are part of and function within the context of a whole to satisfy a documented requirement; in this case, system unit cost applies to the aggregate cost of all equipment items being acquired as a new system.
 - Real property maintenance, including facility maintenance and repair and Operation and Maintenance funded minor construction projects,
2. Investments. Investments are acquisition costs of capital assets of the Department of Defense such as real property and equipment. The following criteria shall be used to determine those costs to be classified as investments:
- All items of equipment, including assemblies, ammunition and explosives, modification kits, spares and repair parts not managed by the Defense Business Operations Fund, that are subject to centralized item management and asset control to satisfy Servicewide, Defense Agency, Defense Field Activity requirements.
 - All equipment items that are not subject to centralized item management and asset control and that have a system unit cost equal to or greater than the currently approved expense and investment dollar threshold of \$25,000 for FY 1994 (Section 8092 of the FY 1994 DoD Appropriations Act), \$50,000 for FY 1995 (Section 8076 of the FY 1995 DoD Appropriations Act) and \$100,000 for FY 1996 (Section 8065 of the FY 1996 DoD Appropriations Act). *Beginning in FY 1997, subject to congressional approval, there is no dollar threshold.* The validated requirement may not be fragmented or acquired in a piecemeal fashion in order to circumvent the expense and investment criterion's policy.
 - Construction, including the cost of land and rights therein (other than leasehold). Construction includes real property equipment installed and made an integral part of such facilities, related site preparation, and other land improvements. (See paragraph F below for special guidance concerning real property facilities.)
 - The costs of kits, assemblies, equipment, and material for modernization programs, ship conversions, major reactivation, major remanufacture programs, major service life extension programs, and the labor associated with incorporating these efforts into or as part of the end item is considered investments. All items included in the modification kit are considered investment even though some of the individual items may otherwise be considered as an expense. The cost of labor, incidental material and items required by the installing activity for the installation of modification kits and assemblies is an investment.
 - Supply management items of the Defense Business Operations Fund designated for weapon system outfitting, government-furnished material on new procurement contracts, or for installation as part of a weapon system modification or modernization, major reactivation or service life extension.
 - Also considered as investments are support elements such as data, factory training, support equipment and interim contractor support (ICS), which are required to support the procurement of a new weapon system, modification, overhaul, etc.

3. Conditional Cases. The following are conditional cases that take precedence over the criteria contained in paragraphs 1 and 2 above:

- Initial outfitting of an end item of investment equipment, such as a ship or aircraft, with the furnishings, fixtures, and equipment necessary to make it complete and ready to operate is a part of the initial investment cost. Material procured through the Defense Business Operations Fund for initial outfitting will be financed by procurement appropriations when drawn from the supply system. This concept includes changes to the allowance lists of ships, vehicles, and other equipment. Changes to allowance lists will be budgeted as investment costs.
- Initial outfitting of a facility construction project financed by a Military Construction appropriation is financed as either expense or investment based on the general criteria. Collateral equipment and furnishings are not considered construction costs since these items are movable and are not installed as an integral part of the facility.
- When family housing is initially outfitted with kitchen equipment to include refrigerator, shades, carpeting, etc., these items are considered part of the construction costs.
- Construction program costs, associated with construction management in general, as distinguished from supervision of specific construction projects, are expenses. Costs incident to the acquisition (i.e., design, direct engineering, technical specifications) and construction of a specific project are investments. The cost of administering the real property maintenance program is an expense at all levels.
- Costs of minor construction projects, not financed by Military Construction appropriations, meeting the current criterion for funding from appropriations available for operation and maintenance are considered expenses. However, this definition does not abrogate the prohibition against the planned acquisition of, or improvements to, a real property facility through a series of minor construction projects (i.e., incremental construction).

- The cost of civilian personnel compensation and other direct expenses (i.e., travel, office equipment leasing, maintenance, printing and reproduction) incurred in support of procurement and/or production programs by departmental headquarters staff, contracting offices, contract audit offices, system project offices, and acquisition managers are expenses. Procurement and/or production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly, whether performed under contract or by in-house personnel funded on a reimbursable basis are investments.
- When investment equipment is to be installed in a real property facility, the costs of both the equipment and its installation are considered investments.

E. Special Guidance Concerning General Purpose Communications and ADPE Procurement.

The following is guidance to apply the expense and investment criteria to general purpose communications and automatic data processing equipment procurement.

1. New Equipment and System Procurement. The aggregate cost of new equipment and systems, including peripherals and system unique software, procured to address a validated requirement as stated in an approved requirement document will be used to determine whether it should be treated as an expense or investment cost. The determination of expense or investment cost will be applied on the basis of each system in the requirements document, if the document includes more than one system.

2. Additional or Replacement Equipment and System Procurement. When new requirements necessitate adding, replacing or modifying equipment or software that is a component of, or supports the functioning of an existing system, only the additional equipment and software procurement costs will be used to determine whether it should be treated as an expense or investment cost. Upgrades to an existing system involving multiple equipment component and software changes that are

combined to address validated system deficiencies or to improve system performance will be treated as new equipment or system procurement in determining the applicability of the expense and investment criteria.

3. Requirements Determinations.

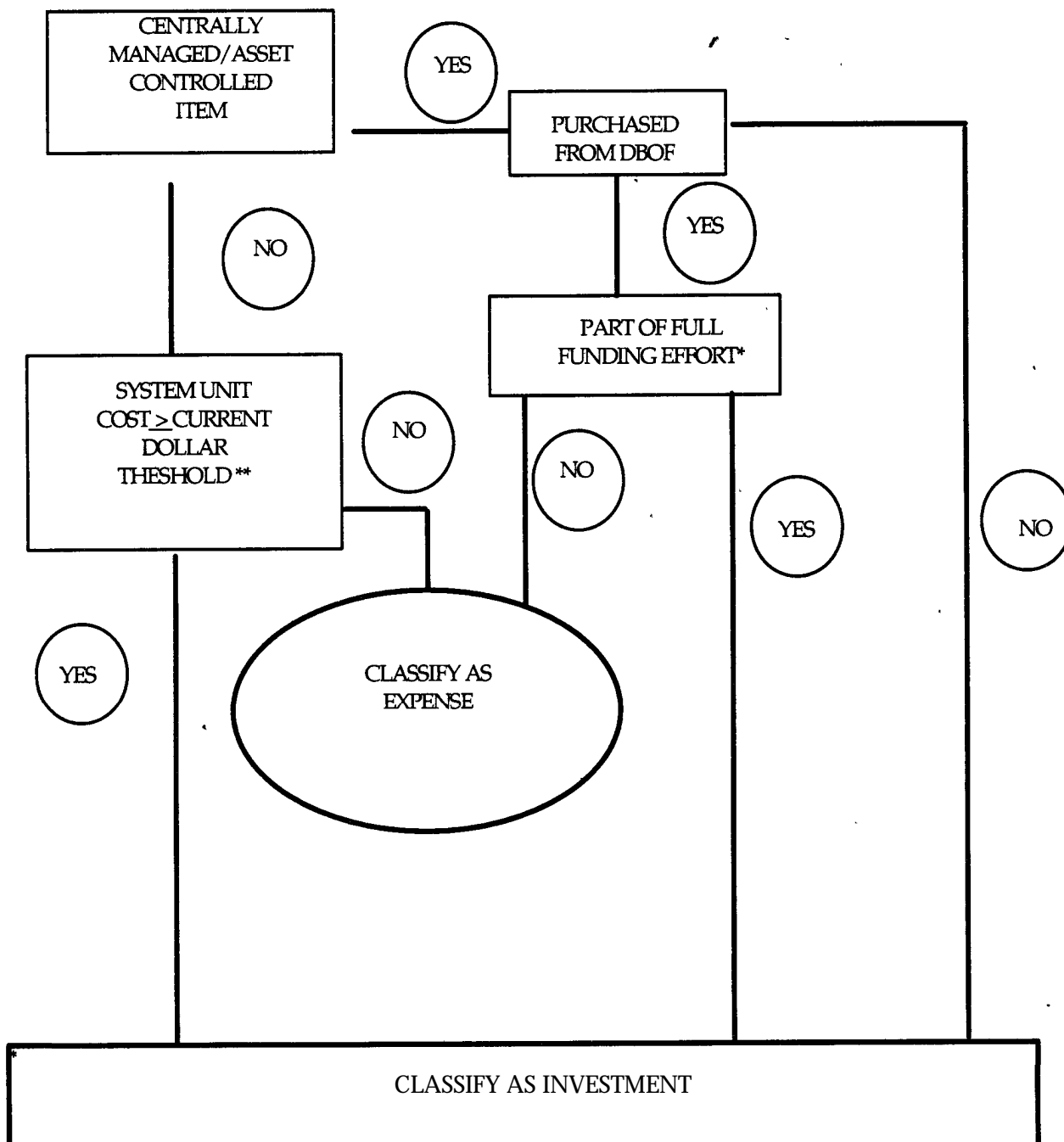
The validated requirement for, or upgrade to, a communications or automatic data processing system may not be fragmented or acquired in a piecemeal fashion in order to circumvent the expense and investment criteria policy.

F. Special Guidance Concerning Real Property Facilities

1. Construction includes real property equipment (often called installed equipment) which is affixed and built into a facility as an integral part of a facility. The cost of this equipment and its installation is part of the construction cost.

2. Items of equipment that are movable in nature and not affixed as an integral part of a facility are not normally considered construction costs, except for initial outfitting of family housing, as detailed in Paragraph 3.c. above. This equipment includes all types of production, processing, technical, ADPE, communications, training, servicing and RDT&E equipment. The cost of this equipment is an expense or an investment according to the policy criteria above. In addition, modifications to an existing facility required to support the installation of movable equipment, such as the installation of false floors or platforms, prefabricated clean rooms, or utilities, will be considered an integral part of the equipment costs and, as such, either expense or investment, as long as the modifications do not include structural changes to the building. If the modifications include structural changes, they will be considered investment costs and budgeted as construction.

INVESTMENT COST DECISION



* When intended for use in weapon system outfitting government furnished material on new procumbent contracts or for installation as part of a weapon as part of a weapon system modification, major deactivation of service life extension.

** The threshold is \$25,000 for FY 1994 Section 8092 of the FY 1994 DoD Appropriations Act), \$50,000 for FY 1995 (Section 8076 of the FY 1995 DoD Appropriations Act), and \$100,000 for FY 1996 (Section 8065 of the FY 1996 DoD Appropriations Act). Beginning in FY 1997, subject to congressional approval, there is no dollar threshold.

010202 Full Funding of Procurement Programs

A. Policy for Full Funding.

It is the policy of the Department of Defense to fully fund procurements that are covered within the procurement title of the annual DoD Appropriations Act. There are 2 basic policies concerning full funding.

1. The first is to provide funds at the outset for the total estimated cost of a given program so that the Congress and the public can be fully aware of the dimensions and cost when the program is first presented in the budget.

2. *The second is to provide funding each fiscal year to procure a complete, usable end item. In other words, an end item budgeted in a fiscal year cannot depend upon a future year's funding to complete the procurement. However, efficient production of major defense systems has necessitated two general exceptions to this policy--advance procurement for long lead-time items and advance economical order quantity (EOQ) procurement. EOQ is normally associated with multiyear procurements but can be requested for annualized procurements on an exception basis for unusual circumstances. Both efforts must be identified in an Exhibit P-10, Advance Procurement, when the Budget Estimates Submission is submitted to OSD and when President's budget request is submitted to Congress.*

B. Procedures for Full Funding

1. Cost Estimates. Full funding applies to an initial estimate and can exist only at a point in time because estimates change. However, the Future Years Defense Program (FYDP) shall be a consistently reliable foundation for stating the total cost of acquiring defense systems. Thus, the FYDP shall reflect a DoD Component's best estimate of the end cost of a program. The estimate should reflect the most likely cost of a procurement. Program estimates shall be kept current and fully financed through the Planning, Programming, and Budgeting System (PPBS) process and established reprogramming procedures.

2. Time-Phased Procurement. Within defense system acquisition programs, nonrecurring costs and costs of certain production items related to, but not integral to, the end item of equipment are considered part of the overall acquisition cost. DoD Components shall plan and

budget in a manner to ensure completion of the nonrecurring effort or delivery of such production items consistent with the planned delivery of the associated end items. That is, the programming and budgeting shall be on a time-phased "leadtime away" or "need to commit" basis. The Funded Delivery Period is part of the process to determine the quantities required to be budgeted in a particular fiscal year. DoD Components may not budget funds for obligation for items such as support, trainers, or data before the design or specifications of such items are essentially complete. These items shall be budgeted on an "ability to contract" basis as well as on a "leadtime away" basis.

3. Advance Procurement (Long Leadtime Items). Advance procurement requests for long leadtime items shall be limited to the end items in major procurement appropriations. Long leadtime procurements shall be for components, parts, and material whose leadtimes are greater than the life of the appropriation (3-5 years). In some circumstances, Advance Procurement is also warranted when items have significantly longer leadtimes than other components, parts, and material of the same end item or when effort must be funded in an advance procurement timeframe in order to maintain a planned production schedule. For new development programs, the planned production schedule should be based on a full funding basis. The cost of components, material, parts, and effort budgeted for advance procurement shall be relatively low compared to the remaining portion of the cost of the end item. Each budget request for advance procurement shall represent, at a minimum, the termination liability associated with the total cost of the long leadtime components, material, parts, and effort for which the advance procurement request is being made. The termination liability should not cover the cost of the end item budgeted in the following fiscal year(s). The full cost of components, material, parts, and effort included in the advance procurement request should be budgeted in the FYDP consistent with full funding procedures. The budget requests will properly debit and credit advance procurement budget requests as defined in Exhibits P-1, P-5, P-10 and P-40 instructions.

4. Advance Economic Order Quantity (EOQ) Procurement. The Deputy Secretary of Defense Memorandum dated May 1, 1981, and this volume address the general program criteria for multiyear procurement. It is the general policy of the Department of Defense not to create unfunded contract liabilities for EOQ procurements.

Rather, funding for EOQ procurements shall be included in advance procurement budget requests unless an exception to the general policy is granted by the USD(Comptroller). The EOQ procurement may satisfy procurement requirements for no more than 5 program years. The advance procurement budget for an EOQ procurement shall cover the estimated termination liability of the EOQ procurement unless it would be more effective to fully fund the EOQ or the USD(Comptroller) has granted an exception to the general policy to allow inclusion of EOQ costs in an unfunded cancellation clause.

5. Relationship of Budgeting and Contracting. An end item is fully funded only when funds are budgeted, programmed and available to cover the total estimated cost of the item at the time the procurement action is begun. Contracting, on the other hand, is a part of the execution phase or acquisition process within the framework of a program. The number of contracts required to procure a defense system, the type of contract awarded, and the timing of the award have no bearing upon whether or not an item is fully funded. In executing a program, no procurement of material or equipment, or work or services therefor, shall be directed or implemented unless the full program amount is available, except for authorized economical order quantity (EOQ) and advance procurement. For multiyear contracts, the test of full funding does not include the cancellation ceiling associated with items in the FYDP to be procured in fiscal years not yet funded (that is, beyond the budget year). When multiyear contracts are being considered that would exceed the approved FYDP funding in the outyears, the DoD Component concerned shall notify the USD(Comptroller) of this fact before awarding the contract. This notification shall include identification of specifically programed outyear funding offsets in an amount equal to that by which the multiyear contract exceeds the FYDP funding.

010203 Multiyear Procurement.

A. Multiyear procurement (MYP) is a generic term describing the process, planning, and contract under which the government may contract for the purchase of property or services for more than one, but not more than 5, program years. Such a contract may provide that performance during the second and subsequent years of the contract is contingent upon the appropriation of funds and may provide for a cancellation

payment to be made to the contractor if such appropriations are not made. Multiyear procurements are budgeted and funded annually.

B. Requirements for MYP Approval. MYP approval is predicated on:

- Substantial savings.*
- The requirement is expected to remain substantially unchanged in terms of production rate, procurement rate, and total quantities.*
- Funding will be included in the President's budget request to avoid contract cancellation;*
- A stable design and low technical risks.*
- Realistic estimates of both the MYP contract cost and the anticipated cost avoidance.*
- The use of MYP contract will promote the national security of the United States.*

C. Congressional Requirements. Section 8010 of Public Law 104-61, the FY 1996 DoD Appropriations Act requires that:

- An MYP contract cannot be initiated if it employs economical order quantity procurement in excess of \$20.0 million in any one year of the contractor that includes an unfunded contingent liability in excess of \$20.0 million.*
- Congressional defense committees must be notified at least 30 days in advance of a proposed contract award for advance procurement leading to an MYP contract that employs economical order quantity procurement in excess of \$20.0 million in any one year.*
- An MYP contract cannot be initiated for which the economical order quantity advance procurement is not funded at least to the limits of the government's liability.*
- MYP contracts cannot be initiated for any systems or component thereof if the value of the MYP contract would exceed \$500.0 million unless specifically provided for in an Appropriations Act.*
- MYP contracts cannot be terminated without a 10-day prior notification to the congressional defense committees.*

- A present value analysis must be used to determine lowest cost compared to an annual procurement.

D. Defense Acquisitions Specifically

Authorized by Law. As specified in 10 U.S.C. 2306b, if for any fiscal year a multiyear contract to be entered into under this section is authorized by law for a particular procurement program and that authorization is subject to certain conditions established by law (including a condition as to cost savings to be achieved under the multiyear contract in comparison to specified other contracts) and if it appears (after negotiations with contractors) that such savings cannot be achieved, but that substantial savings could nevertheless be achieved through the use of a multiyear contract rather than specified other contracts, the President may submit to Congress a request for relief from the specified cost savings that must be achieved through multiyear contracting for that program.

E. MYP Contract Cancellations. As specified in 10 U.S.C. 2306b, MYP contracts may provide for cancellation provisions to the extent that such provisions are necessary and in the best interests of the United States. The cancellation provisions may include consideration of both recurring and nonrecurring costs of the contractor associated with the production of the items to be delivered under the contract.

F. Multiyear Contract Cancellation Ceilings Exceeding \$100.0 million. Under 10 U.S.C. 2306b, before any MYP contract that contains a clause setting forth a cancellation ceiling in excess of \$100.0 million may be awarded, written notification of the proposed contract and of the proposed cancellation ceiling for that contract must be provided to the Committees on Armed Services and on Appropriations of the Senate and House of Representatives. The contract may not be awarded until the end of a 30-day waiting period beginning on the date of such notification.

010204 Transportation

A. First Destination Transportation (FDT) is that transportation required to deliver production items from the manufacturer's plant or source of procurement to the first point of delivery where the Military Service or Defense Agency takes possession and/or ownership of that item. The procurement source, as used herein, is any supplier outside the DoD supply system or any DoD industrial activity that fabricates new materiel. The

procurement source or the first point of delivery may be in the Continental United States (CONUS) or overseas. FDT is not applicable to components or items reworked by an industrial activity. In the case where the Government accepts the production item at the manufacturer's plant or source of production and legally owns the item, FDT extends to the first point of delivery for either use or storage by the Military Service or Defense Agency. For shipments destined to overseas locations that will enter the Defense Transportation System, FDT terminates at the port of embarkation (CONUS or overseas).

B. Second Destination Transportation (SDT) is any transportation other than FDT.

C. Budgeting Responsibilities for Transportation

1. Transportation of Supply Management Materiel of the Defense Business Operations Fund. Transportation among the 50 states is financed by the supply management business area responsible for the shipment. Transportation of supply management standard items overseas is financed by the appropriation or fund ordering the materiel if within the definition of FDT, otherwise it is financed as SDT. Transportation of DBOF nonstandard items overseas is financed in the same manner as transportation of standard items overseas except for items that are shipped on a free-on-board (FOB) destination basis. In this case, the overseas shipment transportation cost is included in the cost of the nonstandard item and no additional transportation charges should be incurred for the overseas shipment.

2. Transportation of Items Procured by Other Than Procurement and Operation and Maintenance (O&M) Appropriations, or Defense Business Operations Fund. In general, FDT is financed by the appropriation which financed acquisition of the item, i.e., Research, Development, Test and Evaluation (RDT&E) appropriations for RDT&E materiel and Military Construction appropriations for items that are shipped to support such construction projects. All over-ocean shipment of subsistence items financed by the Military Personnel appropriations is considered as an exception and is financed as SDT.

3. Transportation of Items Procured by Procurement Appropriations. FDT is

normally financed by the Procurement appropriation which financed acquisition of the item. SDT is normally financed by the Operation & Maintenance (O&M) appropriations. The following additional guidance applies:

- a. Transportation costs integral to production contract price such as FOB destination charges are considered part of the end item contract price and are financed by the procurement appropriation which financed acquisition of the item.
- (b) All transportation of government furnished equipment (GFE) and government furnished materiel (GFM) prior to installation into an end item is considered FDT and is financed by the procurement appropriation which financed acquisition of the item.
- (c) For items that are not owned by DoD such as nuclear materials and warheads which DOE provides to DoD but retains owner-ship, the transportation of such items to the Military Service or Defense Agency is considered FDT and is financed by the procurement appropriation which financed the acquisition of the end item into which the item will be incorporated.

4. Transportation of Items

Procured by O&M Appropriations. Transportation is financed by the O&M appropriation according to the FDT and SDT definitions.

010205 Intrusion Detection Systems

Intrusion Detection Systems should be budgeted and funded only in the Other Procurement appropriations or, as applicable, in the Capital Budget of the DBOF business area.

010206 Factory Training

Factory training course costs for initial cadre training are considered investment costs and should be budgeted and funded in the investment appropriation and the specific program used to procure the development, acquisition, or modification of the related end item. Temporary Duty (TDY) travel costs of military or civilian personnel attending factory training courses are funded in the Operation and Maintenance appropriations. Factory training courses acquired for end items no longer in production are to be

funded in the Operation and Maintenance appropriations.

010207 Interim Contractor Support

Interim contractor support (ICS) is the maintenance and support of new weapon systems provided by a commercial vendor pending transition to organic support. Because ICS is a major component of the initial logistics support of a newly fielded system and integral to program acquisition, ICS funding requirements should be budgeted in the Procurement appropriations. However, ICS is intended to provide support for the brief period between initial item deployment and the permanent organic support. All acquisition strategies should attempt to minimize ICS requirements and duration. ICS will only be funded in Procurement appropriations until the organic support date specified in the acquisition program baseline is achieved. Continued funding of ICS after the baseline support transition date will be approved on an exception basis.

010208 Defense Acquisition Pilot Programs

Programs included in or nominated for the Defense Acquisition Pilot Program are required to submit all budget justification material.

010209 Non-Developmental Item Procurement

A. Items purchased directly from a commercial source that can be utilized without alteration or modification are classified as non-developmental items (NDI). All non-developmental items, including the first article and associated first article acceptance testing should be funded in the Procurement appropriations. *If an end item requires design and development in order to accept the NDI item, then the entire effort is not NDI and funding for that effort should be budgeted in RDT&E.*

B. Commercially available items that must be modified to satisfy user requirements are classified as "modified NDI" articles. In this instance, the first article, modification of the first article, and first article testing should be budgeted in RDT&E. Follow-on purchases should be budgeted in the Procurement appropriations. The number of first articles procured will not exceed the quantity needed to conduct the acceptance tests.

010210 Spares and Repair Parts

A. This Section provides instructions applicable to funding requests for spares and repair parts procured with direct appropriations in the Procurement Title.

1. Initial Spares and Repair Parts.

Initial spares and repair parts will include those repairable components, assemblies, and subassemblies required as initial stockage at all levels including the pipeline to permit fielding of new end items. Whole spare engines will be classified as initial spares through the life of system. Funding will be budgeted based on a first year obligation rate of 92 percent.

2. Replenishment Spares and Repair Parts. Replenishment spares and repair parts will include those repairable components, assemblies, and subassemblies required to re-supply initial stockage or increased stockage for reasons other than support of newly fielded end items. Replenishment would include additional stockage due to increases such as usage, readiness initiatives and redeployment of end items. Funding will be budgeted based on a first year obligation rate of 92 percent.

3. War Reserve Spares and Repair Parts. War reserve material (WRM) spares and repair parts for initial stockage will be budgeted in replenishment except for whole spare engines in accordance with the above definitions and DoD Instruction 4140.47. See Section 010215, Defense Business Operations Fund - War Reserve Materiel, for additional budgeting WRM policies.

B. Spares budgeting can be aggregated by weapon systems except for Selected Acquisition Report (SAR) Systems.

010211 Direct and Reimbursable Budget Plans.

A. Direct Budget Plan. This plan includes those items of materiel to be purchased for delivery to service inventory and those procurement programs that support the acquisition of materiel for US forces. Financing for the direct budget plan is derived from: new budget authority provided by the Congress, the transfer of resources from other appropriations, and reimbursements. When dealing with reimbursements involving the sale of materiel, three situations can arise:

- Replacement in Kind. In this situation an item of materiel is sold which will require replacement with an item of the identical type, model, and series or "mod" designation (i.e., the sale of C-130E aircraft and purchase of C-130E aircraft). In this situation the reimbursement from the sale will be included in reimbursable financing and the buy-back of the item in the reimbursable program. There will be no reflection of this transaction in the Direct Budget Plan. For an ammunition item, the replacement in kind policy permits replacement of a round with any round that provides the same warfighting mission capability, providing the round to be purchased has been previously approved by the Congress for procurement, and the inventory objective presented to the Congress would not be exceeded.

- Replacement. In this situation an item of materiel is sold which will require replacement to compensate DoD inventories for the resultant loss of capability or readiness. However, because of one or more of a number of circumstances, the replacement item will not be identical to the item sold. It must, however, be a later series or "mod" designation of the same basic model (e.g., sale of a C-130A aircraft and purchase of a C-130E) or an acceptable substitute item used against the same inventory objective or authorized acquisition objective in requirements computations (e.g. sale of an M-48 tank and purchase of an M-60 tank). In this situation the reimbursement from the sale will be included under reimbursable financing but the buy-back of the replacement item must be shown under the Direct Budget Plan and must comply with reprogramming requirements.

-- Items sold from inventory with a unit cost less than \$5,000 will be treated as a replacement-in-kind if an improved model of the same end item is being procured, it provides the same warfighting capability, and the inventory objective presented to Congress is not exceeded.

-- If an item is eligible for replacement or replacement in kind and is not replaced, the reimbursement should be treated as a "free asset."

- Free Assets. In this situation an item of materiel is sold which will not require replacement. All free assets from FMS transactions are required to be deposited into the Miscellaneous Receipts of the US Treasury in accordance with 10 U.S.C. 114(c)(2) except for assets that can be retained in the Special Defense Acquisition Fund.

B. Reimbursable Budget Plan. This plan includes those items of materiel to be purchased for delivery to and

use by customers. These items will be included on the Exhibit P-45, Reimbursable Budget Plan. Financing for the reimbursable budget plan is derived from:

- Anticipated reimbursement based upon customer orders received for items (not stocked by or purchased for procuring service use) to be purchased for direct delivery to a customer. (Direct citation of customer funds for procurement against this type of order is encouraged where common components and/or common assembly with service production of similar items are not involved.)
- Anticipated reimbursement based upon customer orders received or to be received for items common to the procuring service and customer, for direct delivery to the customer.
- Where the materiel item is to be made available from on-order quantities under an existing contract of a Military Department, the sales transactions will be entirely reflected as reimbursable transactions. The quantities and dollar costs of the replacement procurement will be included as a part of the reimbursable program.
- Where the materiel item is to be made available directly from a contract awarded subsequent to the date of the sales agreement and within which the particular quantity of the item has been included in order to fulfill the sales agreement, the transaction will be reflected as a direct cite transaction.
- In "Replacement in Kind" situations, the proceeds from the sale will be included under reimbursable financing and the buy-back program will be included in the Reimbursable Budget Plan.
- In "Replacement" situations, the proceeds from the sale will be included under reimbursable financing but the buy-back program will be included under the Direct Budget Plan (not the Reimbursable Budget Plan).
- Reimbursements from customer orders for secondary items, because of the nature of such commodities and the way they must be managed, will always be treated as a generic category requiring, by definition, "replacement in kind." Accordingly the proceeds from such transactions will be included under reimbursable financing and the buy-back of an equivalent value of such commodities will be included in the Reimbursable Budget Plan.

GLOSSARY OF TERMS - PROCUREMENT

<u>Term</u>	<u>Meaning/Funding Connotation</u>
<i>Advance Procurement (Long Lead Items)</i>	<i>A pre-approved exception to the full funding policy that allows procurement of long leadtime components, material, parts, and effort in a fiscal year before that in which the related end item is to be procured.</i>
<i>Full Funding</i>	<i>At the time of contract award, funds are available to cover the total estimated cost to deliver the contract quantity of complete, militarily usable end items. If a future year's appropriation is required for delivery of the end items, the end items are not fully funded.</i>
<i>Economic Order Qty (EOQ) Procurement</i>	<i>An exception to the full funding policy that allows the use of advance procurement to purchase more than 1 fiscal year's program increment of components, materials, and parts in order to obtain the economical advantages, sustain a production line, to support low rate initial production, etc.</i>
<i>Nonrecurring Costs</i>	<i>Those production costs generally incurred on a one-time basis including such costs as plant or equipment relocation; plant rearrangement; special tooling and special test equipment; preproduction engineering; initial spoilage and rework; pilot runs; allocable portions of the costs of facilities to be acquired or established for the conduct of the work; costs incurred for the assembly, training, and transportation of a specialized work force to and from the job site; and unrealized labor learning.</i>
<i>Recurring Costs</i>	<i>Production costs that vary with the quantity being produced, such as labor and materials.</i>
<i>Termination</i>	<i>A procedure that may apply to any government contract, including multiyear contracts. Unlike cancellation, which is commonly effected between fiscal years and must apply to all subsequent fiscal years' quantities of items, termination maybe effected at any time during the life of a contract and may apply to the total quantity or to a partial quantity of items.</i>
<i>Termination Liability</i>	<i>The maximum cost the government would incur if a contract is terminated.</i>
<i>Termination Liability Funding</i>	<i>A budgeting technique that would provide funds on a contract to cover the maximum value of outlays that could be incurred for work accomplished by the end of the budget year plus the maximum cost to the government associated with termination of the contract at the end of the budget year.</i>
<i>Centralized Item Management and Asset Control</i>	<i>The management in the central supply system or a DoD-wide or Service-wide acquisition and control system in which the manager has the authority for management and procurement of items of equipment. This includes such functions as requirement determination, distribution management, procurement direction, configuration control and disposal direction. Asset control includes the authority to monitor equipment availability and take such actions as necessary to restock to approved stockage levels.</i>
<i>Modification</i>	<i>The alteration, conversion, or modernization of an end item of investment equipment which changes or improves the original purpose or operational capacity in relation to effectiveness, efficiency, reliability or safety of that item.</i>
<i>Maintenance</i>	<i>The routine, recurring effort conducted to maintain an end item of investment equipment at its intended capability or designed performance level.</i>

Construction	The erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility; or the relocation of a facility from one installation to another.
Real Property Maintenance	The various functions for the maintenance and repair of facilities and the accomplishment of minor construction financed by an Operation and Maintenance appropriation.
Facility Maintenance	The recurrent, day-to-day, periodic or scheduled work required to preserve real property in such condition that it may be used for its designated purpose.
Facility Repair	The restoration of real property to such condition that it may be used for its designated purpose.
System	The combination of a number of components that are functioning with the context of a whole to satisfy a documented requirement.
Production Rates	<u>Minimum Sustaining Rate.</u> This is the quantity that will preclude a production break while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost. <u>1-8-5/2-8-5/3-8-5.</u> This refers to the number of shifts per day, the number of hours per shift, and the number of days per week that the manufacturer will use to deliver the items according to the deliveries reflected on the Exhibit P-21 Production Schedule. <u>Economical Production Rate.</u> This is the most economical rate that the contractor can produce using 1-8-5 shifts. <u>Maximum Production Rate.</u> This is the maximum capacity rate that a contractor can produce with extant or prior year funded tooling. Include the number of shifts.
Leadtimes	<u>Administrative Leadtime (ALT).</u> This is the amount of time required to complete the administrative actions leading to contract award. Since these actions do not require funding, the ALT can be separately identified into prior to October 1 and after October 1. The ALT is used to forecast contract awards. Longer leadtimes require that a larger quantity be purchased to support yearly requirements. Leadtimes should therefore reflect an accurate assessment of the time required to process the administrative actions. <u>Production Leadtime (PLT).</u> Leadtimes should be based on a realistic projection of a contractor's capability to produce an item once a contract is awarded. This is the amount of time required by a contractor to produce the first item after contract award until deliveries begin. <u>Procurement Leadtime.</u> This is the total of ALT (post October 1) and PLT.
Funded Delivery Period (FDP)	A funded delivery period encompasses a 12-month period that begins when the contractor delivers the first item of a fiscal year procurement. Confusion exists regarding this time period because, in many instances, accurate administrative and production leadtimes (ALT/PLT) have not been included in the calculation. The calculation should begin with October 1. From this point in time, the ALT and PLT should be added. This amount of time plus the next 12 months are included in the funded delivery period. When excessive leadtimes are included in the calculation, additional quantities are procured that could have been funded in the following fiscal year with no change in the delivery schedule.
010212 Research, Development, Test and Evaluation (RDT&E) - Definitions and Criteria	agency or by private individuals or organizations under a contractual or grant arrangement with the government. It includes R&D in all fields, including the physical sciences, engineering, etc.
A. <u>Definitions.</u> The term "research and development (R&D)" is intended broadly to include the work performed by a government	

1. "Research" is systematic study directed toward fuller scientific knowledge or understanding of the subject studied.

2. "Development" is systematic use of the knowledge and understanding gained from research, for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

B. Policy. R&D programs are funded based on the principle that all RDT&E related efforts should be funded in the RDT&E appropriations so that the program can be assessed from a priority standpoint with other similar programs. When, after consideration of the following criteria, there is doubt as to the proper assignment of costs between appropriations, the issue should be resolved in favor of using RDT&E funding.

C. General Criteria. In general, the types of costs to be financed by RDT&E and related appropriations are:

1. RDT&E Appropriations

a. The costs of research, development, test and evaluation efforts performed by contractors and government installations, including procurement of end items, weapons, equipment, components, materials and services required for development of equipment, material, or computer application software; its Development Test and Evaluation (DT&E); and its Initial Operational Test and Evaluation (IOT&E) as provided for in paragraph D.5. (Test Articles and Test Support) below.

b. The operation of R&D installations and activities engaged in the conduct of R&D programs, including direct and indirect efforts, expense and investment costs.

c. The acquisition or construction of industrial facilities costing less than \$300,000 at government owned, government operated (GOGO) facilities under the criteria of DoD Directive 4275.5 as provided for under 10 U.S.C. 2805 (unspecified minor construction). Use of RDT&E funds for acquisition and construction at contractor owned or contractor operated government facilities is authorized under

10 U.S.C. 2353, Contracts; Acquisition, Construction, or Furnishings of Test Facilities and Equipment.

2. Related Appropriations

a. All construction at R&D installations and activities other than that covered above will be funded in the Military Construction appropriations.

b. Equipment and material approved for production and intended for operational use or inventory upon delivery, and product improvement within the current performance envelope on systems in production, will be funded in the Procurement appropriations.

c. Family housing construction, operation and maintenance at R&D installations and activities will be funded in the Family Housing appropriations.

d. Expenses of Headquarters R&D management, organizational management analyses, Follow-on Operational and Test and Evaluation (FOT&E) personnel and command support, and product improvement within the current performance envelope for systems out of production will be funded in the Operation and Maintenance (O&M) appropriations.

e. Research projects qualifying for financing as specific undertakings under the procedures and within the criteria established for the Special Foreign Currency Program will be funded in the Special Foreign Currency appropriation.

D. Specific Determinations. Additional details on the determination of proper funding for specific items or efforts are provided in the following paragraphs.

1. Organizational Funding

Criteria

a. The RDT&E appropriation will finance expenses and investments for the operation and maintenance of R&D organizations, equipment (including R&D aircraft, ships and ship type vehicles), installations and activities (including those operated by contract).

b. Expenses for the support of tenant activities will be funded in accordance with the following:

(1) Expenses for the support of tenant activities at R&D installations and activities will be RDT&E funded by the host activity, pending the establishment of reimbursable arrangements. Subsequent to the establishment of reimbursable arrangements, expenses for the support of the tenant will be funded by the tenant or as mutually agreed with the host.

(2) Where reimbursable arrangements exist, expenses for the support of R&D activities or organizations that are tenant activities at installations having a primary function other than research, development, test and evaluation will be funded by RDT&E.

(3) Expenses for the support of R&D activities or organization which are tenant activities at installations having a primary function other than R&D will be funded by the host, pending the establishment of reimbursable arrangements.

c. Expenses of R&D management and administrative organizations at major systems commands, headquarters organizations and administrative organizations at DoD component departmental headquarters levels (except for the Defense Advanced Research Projects Agency and the Ballistic Missile Defense Organization) will be financed in the Operation and Maintenance (O&M) appropriations.

d. Expenses and investments for the operation and maintenance of major range and test facilities, as defined under DoD Directive 3200.11, which have as a primary mission, as determined by workload, the conduct of development testing will be financed by the RDT&E appropriation. Major range and test facilities that primarily support follow-on operational testing or training exercises will be financed in the O&M appropriations.

e. Costs of evaluating organizational structure and distribution of function, administrative operating policies, procedures, methods and systems (management

studies) and applications of the management sciences to improve effectiveness in carrying out assigned functions are to be financed in the O&M appropriations.

f. Expenses of operational military forces having a primary mission other than R&D and not specifically assigned to R&D that may, from time to time, be incidentally engaged in or support R&D activities, will be funded in the O&M appropriations.

2. Facilities Construction and Modification. When it is determined that DoD financing of real property projects is required, they shall be programmed, budgeted, and financed as follows:

a. Government-Owned, Government-Operated (GOGO) Facility on Government Land. When GOGO property is to be constructed on government-owned land, such construction will normally be financed as a Military Construction project. Construction of facilities for RDT&E costing \$300,000 or less may be funded with RDT&E appropriations. Such expenditures are authorized under 10 U.S.C. 2805 (unspecified minor construction). All minor construction must result in a complete and usable facility. In no event are two or more construction projects or minor and major construction projects to be contrived to be a usable facility. Construction projects at R&D installations and activities whose costs are greater than \$300,000 will be financed by the Military Construction appropriation in accordance with Chapter 6.

b. Government-Owned, Contractor-Operated (GOCO) Facility

(1) When the GOCO facility is on a military installation (post, camp or station) the primary funding is the Military Construction appropriation. However, under unusual circumstances and if for the convenience of the government, the facilities are contractor operated and the contractor is solely responsible for the complete and total operation and maintenance of the facility complex, construction may be financed under Procurement or RDT&E funds under the criteria of DoD Directive 4275.5 and 10 U.S.C. 2353. Construction or improvements having general utility are not permitted under 10 U.S.C. 2353.

(2) When GOCO facilities are constructed on Government property, other than a military installation, the Procurement or RDT&E appropriation will finance the construction under the criteria of DoD Directive 4275.5.

c. Contractor-Owned, Contractor-Operated Facility. Under 10 U.S.C. 2353, a contract of a Military Department for research or development may provide for the acquisition or construction by, or furnishing to, the contractor of RDT&E facilities and equipment that are necessary for the performance of the contract. New construction or improvements having general utility are not authorized under 10 U.S.C. 2353. Facilities that would not be readily removable or separable without unreasonable expense may not be installed or constructed on property not owned by the government, unless the contract contains:

(1) A provision to reimburse the government for the fair value of the facilities;

(2) An option for the government to acquire the underlying land; or

(3) An alternative provision that protects the interests of the United States in the facilities.

d. All proposed RDT&E real property facilities will be identified to Congress in accordance with Chapter 5, Section 050402.

e. The Family Housing appropriation will provide for Family Housing construction and Family Housing O&M at R&D installations and activities.

3. Equipment. RDT&E appropriations will finance the development, design, purchase, installation, and acceptance testing of equipment or instrumentation required to support RDT&E activities. Costs of specialized equipment and instrumentation required for the support of research, development, test and evaluation contractor effort at government-owned, contractor-operated (GOCO) activities will be financed in RDT&E. DoD Directive 4275.5 applies. Installation costs include directly related

foundations, shielding, environmental control, weather protection, structural adjustments, utilities and assets. Installation costs are excluded from RDT&E financing if the effort is accomplished concurrently with a military construction project, and in these instances, the military construction appropriation finances the installation cost. To the extent that the equipment installation occurs at a government activity and the cost exceeds \$300,000, no new facility or physical outer dimension expansion to an existing facility shall result from an RDT&E-funded equipment installation project.

4. Establishment of Pilot Line and Tooling Requirements

a. The costs associated with establishing an initial pilot line, which are necessary to acquire a limited number of representative items for test purposes, including the test items, will be financed by RDT&E. All items and costs associated with maintaining the initial pilot line beyond the quantity sufficient to test for operational acceptability will be financed from other appropriations.

b. When an end item under development has also been approved for procurement, operational use, and included in the force structure, then hard tooling requirements common to both the development and procurement phases will be financed by Procurement appropriations. When an end item under development has not been approved for procurement, operational use and included in the force structure, then tooling and other preliminary production facilities required to produce realistic development hardware for test and evaluation will be financed by RDT&E, even though such tooling and facilities might later be used in whole or in part for production if and when the item is subsequently approved for procurement, operational use and included in the force structure.

5. Test Articles and Test Support

a. As a general rule, the procurement of test articles and test support, including "Special Support" costs and "Command Support" costs (see Glossary), for all RDT&E tests preceding and leading to acceptance for

operational use (i.e., through IOT&E) will be RDT&E funded.

(1) Development and preproduction prototypes (RDT&E financed) will be used for Development Test and Evaluation (DT&E), including scientific, technical and weapons effects tests. DT&E programs must provide complete and reliable data that can be used to estimate the military utility of new items as a basis for considering decisions to continue engineering development. To this end, it is essential to plan, program, budget and fund for an adequate number of R&D articles for development, test and evaluation that will be fabricated, manufactured or produced in a realistic preliminary production manner and thus provide such data.

(2) Development and preproduction prototypes (RDT&E financed) will be used for IOT&E. When so used, they must be sufficiently representative of the expected production items to provide from IOT&E a valid estimate of production items operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

(3) *Low Rate Initial Production (LRIP) assets. LRIP, as defined in DoD Instruction 5000.2, is to provide production configured or representative articles for operation test, to establish an initial production base for the system, and to permit an orderly increase in production rate for the system sufficient to lead to full rate production upon the successful completion of operational test. LRIP quantity will be determined as part of the Engineering and Manufacturing Development (EMD) approval (Milestone II). RDT&E funds will be budgeted to procure the items required for operational test to facilitate the testing of LRIP assets in the EMD phase. LRIP test articles must be specifically identified in the budget documentation. Should LRIP items beyond the test quantity be required, they would need to be included in the Milestone II decision and a determination made at that time with respect to the more appropriate funding source. This policy applies only to the LRIP for Acquisition Category (ACAT) 1 programs. For non-ACAT 1 programs, all pre-operational evaluation testing will be financed in RDT&E.*

b. Conduct of testing that is not associated with RDT&E, such as the examples noted below, will be financed in Procurement and/or Operation and Maintenance (O&M) appropriations, as appropriate.

(1) Acceptance, quality control and surveillance testing of articles obtained for other than RDT&E purposes.

(2) Routine testing in connection with logistic support.

(3) Testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.

(4) Testing required to prove the capability of facilities to produce items which have been approved for production will be funded by procurement as part of the initial acquisition cost.

c. The acquisition of commercial items for testing and operational evaluation that do not require RDT&E engineering, design or integration effort will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria). Personnel and command support costs will be financed by O&M appropriations for testing and operational evaluation of commercial items by field units for doctrine, operational or organizational purposes.

d. Articles (including end items, weapons, equipment, major test vehicles such as ballistic missile boosters or upper stages, components and materials) of types regularly procured to meet established general requirements such as operational training, operational use, or inventory which are assigned or allocated on a priority basis for use in support of approved R&D programs and which are not consumed in testing, may be financed by Procurement or O&M appropriations using the expense and investment criteria. In addition, excess items that can be made available on a priority basis from existing inventory will be reassigned for use in R&D test and evaluation programs without reimbursement. However, all items, expected to be consumed in

R&D test and evaluation will be financed by RDT&E appropriations.

e. Consumable rounds of ammunition or rounds of similar tactical missiles otherwise procured in quantity for inventory under existing procedures, may be issued on a priority basis for use in R&D testing without reimbursement.

f. The acquisition of test articles will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria), and personnel and command support costs will be financed by O&M appropriations for all test and evaluation (T&E) subsequent to acceptance for operational use and T&E to demonstrate the operational employment or develop operational tactics (i.e., subsequent to IOT&E).

6. Modification and Refurbishment of Test Articles.

a. Costs associated with modifying or reconfiguring an existing item for R&D test purposes will be funded in RDT&E. When an item that has been diverted from another use is not consumed in R&D testing, any costs necessary to return the item to serviceable condition or to its pre-existent configuration will be financed by RDT&E.

b. If an article initially acquired with RDT&E is still available at the completion of the test program it may be reassigned for operational use or inventory, in which case the cost to modify such an article for operational use would be borne by the Procurement and O&M appropriations, as appropriate.

7. Product Improvement

a. "Product improvement" of major end items and major components of major end items, except "aircraft engine component improvement" that is addressed in paragraph d. below, currently in production or in the operational inventory, is subject to the, following:

(1) Redesign of an item to increase the then current performance envelope,

including related development, test and evaluation effort, will be financed by RDT&E appropriations.

(2) Engineering services and related efforts by the producing contractor or manufacturing installation, applied to an item currently in production for the purpose of extending the useful military life of such items within the then current performance envelope, should be funded by Procurement appropriations. The phrase "an item currently in production," implies that the item has end item procurement funding in the year the product improvement effort is to take place.

(3) Engineering services and related efforts by a manufacturing or operations type installation, applied to an item no longer in production but still in the operational inventory for the purpose of extending the useful military life of such item within the then current performance envelope, should be financed by O&M appropriations.

b. While existing off-the-shelf equipment may be procured with Procurement funds, items which require engineering design, integration, test, or evaluation effort shall be procured with RDT&E funds in sufficient numbers to support such effort.

c. Costs of procurement of fully developed and tested modification kits and associated installation costs should be financed from Procurement appropriations.

d. Aircraft engine component improvement costs are budgeted in the RDT&E appropriations to provide for continuing improvements in the aircraft engines in the areas of reliability, maintainability, durability, correction of Service-revealed deficiencies, safety of flight, time-between-overhaul, etc. The criterion for "Component Improvement" is established at the point in time when:

(1) There has been a Government acceptance of the first procurement funded engine, and

(2) The engine has successfully completed to the satisfaction of DoD, stringent qualification or verification testing to

demonstrate initial production suitability subject to:

(a) Compliance with contractual specifications, performance guarantees and Military Specifications as applicable to individual Service requirements;

(b) Completion of endurance testing representative of the anticipated Service use to include completion of specified post test inspections, certification, and penalty runs;

(c) Demonstration of prescribed performance capability; and

(d) Accomplishment of prescribed durability, reliability, and environmental testing.

8. Ships and Ship-type Vehicles

a. An experimental test bed type of ship or an experimental ship will be financed by RDT&E appropriations. This will include all such experimental ships required to support an approved R&D program or for the purpose of experimenting with new or radical ship concepts or to demonstrate the military usefulness of new ship designs, configurations or fabrication techniques, when the ship-type test vehicle itself can be predicted to be consumed or expended in testing, or to have little or no operational usefulness in the force structure. Prototype ships, when designated by the Secretary of Defense, are included.

b. A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using procurement funds. A ship of demonstrated conventional concept and design temporarily or permanently assigned from inventory to support R&D effort will be furnished without reimbursement, but the cost of providing all R&D types of equipment or instrumentation, the cost of “nonstandard modifications of the ship required to make the ship suitable for R&D support, as well as the cost of any related restoration to conventional or operational ship conditions upon release from assignment to R&D, will be financed by RDT&E appropriations.

c. Preliminary or contract design for new ship construction will be financed by RDT&E appropriations, including contractor and “field activity” effort costs. Detail design for ships appropriate for procurement funding will be funded by procurement accounts.

d. Land-based or sea-based combat system test installations will be financed by RDT&E appropriations.

9. Automatic Data Processing Costs

a. RDT&E Funded Facilities:

Funds required for the operation of ADP units at RDT&E funded facilities and for the acquisition of ADP resources, including development, lease or purchase of Automatic Data Processing Equipment (ADPE) by such ADP units should be financed by RDT&E.

b. Other Facilities/Activities:

For all other facilities/activities, the following rules apply:

(1) Development ADPE.

ADPE is categorized as either General Purpose or Special Purpose.

- Normally, General Purpose ADPE is commercially available off-the-shelf, easily adaptable to a variety of applications by configuring existing executive software and programming languages. For purposes of definition, embedded computers in Maintenance, Supply Handling, and Logistics Equipment are considered “General Purpose.” Except as provided in paragraph D.7.b. (Aircraft Engine Component Improvement) above, acquisition of this type of ADPE is not considered developmental and normally will be financed to include the initial set of executive software that meets system operational specifications by Procurement or Operation and Maintenance (O&M) appropriations subject to the expense and investment criteria. Subsequent modifications to executive software and development of applications programs should be financed by Operation and Maintenance appropriations except as indicated in paragraph D.9.a. (RDT&E Funded Facilities) above.

- Development test and evaluation of Special Purpose ADPE, i.e., specially designed to meet a specific military operational requirement or to perform a predetermined set or series of computational functions only, and which maybe required to meet specific physical or environmental conditions, and which are physically or functionally integral to a higher order system will be financed by RDT&E. Purchase for operational use should be funded by Procurement appropriations.

(2) Acquisition of Software.

Software is categorized as either “Executive Software” or “Applications Software.”

(a) Executive Software.

Where there is a standard, existing executive software package available with the purchase of General Purpose ADPE and this package will be used without modification in the intended application, its acquisition with procurement funds is appropriate. If modifications to the executive software are required, the modification effort should be Operation and Maintenance (O&M) financed. (The foregoing assumes that the General Purpose ADPE hardware is properly procurement funded. If the hardware should be RDT&E funded based on paragraphs D.7.b. (Aircraft Engine Component Improvement) above or D.9.a. (RDT&E Funded Facilities) above, then the acquisition of the executive software package and/or any modification of it should also be RDT&E funded.) The preparation or modification of executive software for Special Purpose ADPE should be RDT&E funded.

(b) Applications

Software. Preparation of applications software for General Purpose ADPE will normally be financed by Operation and Maintenance. Where General Purpose ADPE is financed by RDT&E appropriations in accordance with paragraph D.7.b. (Aircraft Engine Component Improvement) above, such applications software development will be RDT&E financed. Preparation of applications software for Special Purpose ADPE will be financed by RDT&E.

(3) Product Improvement of Special Purpose ADPE and its associated software should be funded in accordance with paragraph D.7.a. (Product Improvement).

(4) Proprietary software carries a copyright from the vendor that prohibits duplication or modification. Essentially, the purchaser is buying a license from the vendor to use the software on a particular system. Proprietary software financed on an “upfront payment” basis is an investment, subject to the expense-investment criteria. However, when financed on an “annual fee” basis, it is an expense item properly financed within appropriations available for expenses.

10. Training Devices. A training device is composed of components and software that have been designed, or modified, exclusively for training purposes, involving to some degree, simulation or stimulation in its construction or operation, so as to demonstrate or illustrate a concept or simulate an operational circumstance or environment. The initial or prototype training device and all its support costs through service acceptance will be funded in RDT&E. RDT&E will not fund beyond the initial system unless more than one full system is required to demonstrate the training device performance. The initial or prototype training device that employs new or off-the-shelf computers and system components, but has training system unique software and interface components, will be developed and procured with RDT&E funds. Typically, these training devices have small quantity requirements and the initial or prototype device is used for operational training. Modifications or updates to existing training devices will normally be funded in the applicable Procurement and O&M appropriations. Any necessary development effort for these modifications or updates will be funded in RDT&E.

11. Joint Test and Evaluation

a. Joint Test and Evaluation (JT&E) refers to T&E conducted jointly by two or more DoD components as directed by the Director for Test, Systems, Engineering, and Evaluation (DTSE&E) or the Director of Operational Test and Evaluation (DOTE). JT&E will be conducted to test and evaluate capabilities of developmental and deployed systems in a joint environment, to evaluate joint operations concepts, and to determine requirements and interoperability of systems and forces. Testing will be accomplished in realistic operational conditions when feasible

and essential to the evaluation. Testing will be in accordance with established joint doctrine and will be consistent with the assigned missions of the participating Components. Tests involving alternative concepts, organization, tactics, or procedures will be coordinated with the Components and TJS. As such, JT&E should not be construed to encompass the DT&E - IOT&E - OT&E - FOT&E process for hardware oriented weapon system acquisition. Further, DTSE&E/DOTE-directed JT&E does not include that joint testing initiated by and mutually agreed to by two or more Components for their own purposes.

b. Funding for DTSE&E-directed JT&E is financed in the Developmental Test and Evaluation (DT&E), Defense appropriation (program element 0605804D). DOTE-directed JOT&E is financed in the Operational Test & Evaluation (OT&E) Defense appropriation. The costs incurred are for the direction, supervision, and performance of JT&E and will be for those areas that are unique to the needs of the JT&E. In the accomplishment of Joint Tests, the Components will be reimbursed from these funds for those unique costs as defined in the Glossary of Terms. When directed as Executive Agent for a particular JT&E, the Component will be responsible to the Secretary of Defense for ensuring that all resources necessary for the successful accomplishment of the JT&E are available to the Joint Test Director (JTD). This includes administrative management support and facilities for the JTD. The Components' support costs (O&M, Procurement, and RDT&E) are to be programmed and budgeted for in accordance with established budgetary procedures.

12. Manufacturing Technology. The Department of Defense Manufacturing Technology program, which demonstrates factory application of new or improved technology in producing defense items, will be financed in the RDT&E appropriations.

13. Development Efforts Related to Future Leased Services. When the ultimate product to be secured by the government is a leased service to be budgeted and funded in an Operation and Maintenance (O&M) appropriation, and the provider of that service requires up-front funding in order to design or develop major changes or improvements to meet the

government's requirement, then the costs of such development efforts will be budgeted and funded in the RDT&E appropriation.

14. Subsystem Integration into Weapon Systems. Research and development necessary for the integration of subsystems into weapon systems should be financed from the weapon system program. For example, the R&D cost of integrating an electronic warfare black box into an aircraft should be borne by the aircraft R&D program.

GLOSSARY OF TERMS - RDT&E

<u>Term</u>	<u>Meaning/Funding Connotation</u>
Developmental Test and Evaluation (DT&E)	DT&E is that test and evaluation conducted to assist the engineering design and development process and to verify attainment of technical performance specifications and objectives.
Operational Test and Evaluation (OT&E)	OT&E is that test and evaluation conducted to estimate a system's operational suitability, identify needed modifications, and provide information on tactics, doctrine, organization, and personnel requirements.
Initial Operational Test and Evaluation (IOT&E)	It is DoD policy that there shall be conducted, before commitment of a system to production, at least an initial phase of operational test and evaluation (OT&E) adequate to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements). This early phase (or phases) of the normally longer, overall OT&E program shall be known as IOT&E.
Prototype	This term connotes an item from an R&D program and also connotes RDT&E financing.
Product Improvement	This term embraces all efforts of a research, development, design, or engineering nature that have the objective of improving major end items or major components of major end items.
Aircraft Engine Component Improvement	This term, while logically included within Product Improvement, is a specialized term that applies only to the RDT&E-financed improvement of aircraft engines.
Government Acceptance of the First Procurement-Funded Engine	This term, which is one of the two minimum requirements for initiation of CIP funding, refers to the date of Government signature of DD Form 250 whereby the Government formally accepts delivery of the first engine funded under procurement appropriations.
R&D Installation or Activity	This term refers to those installations or activities whose support and operating costs are financed predominantly with RDT&E funds.
Special Support Costs	This term is used in the context of test and evaluation programs. It refers to those acquisition or hardware costs, other than those associated with the item(s) that is (are) the subject of the test, which are incurred in direct support of the T&E effort. A good example would be special range instrumentation costs.

Command Support Costs	This term also is used in the context of the T&E programs. It refers to the “people-related” costs of the command and operational units providing collateral support to the T&E effort. These are additional costs incurred because of this test support. Examples are per diem pay, travel allowances, overtime, etc.
Preliminary Design Costs	This term refers to those costs incurred in shipbuilding programs in the early stages of the cycle. They should result in a design that, on a performance or requirement basis, approaches the Navy’s goal. These costs are RDT&E-funded.
Contract Design Costs	The contract design phase of shipbuilding programs follows the preliminary design phase. It should result in a design that carries the <u>equipment specifications</u> necessary to meet the Navy requirements. These costs are RDT&E-funded.
Detail Design Costs	The final design effort on ships normally performed in conjunction with lead ship construction, is called “detail design.” This effort is procurement funded (SCN).
Accepted for Service Use	This is the major milestone in a development program that represents the formal acceptance of an item for operational use by the Service forces. In some instances items are approved for Service use with qualifying restrictions or provisions pending completion of specific development deficiencies. In such instances the cost of funding the correction and test must be determined on a case-by-case basis. Typically, all post-Service acceptance effort will be funded in Procurement appropriations.
Unique Joint Test and Evaluation (JT&E) Costs	This refers to costs such as: feasibility determinations of proposed joint tests; the provision for test design and planning support for joint tests selected; the development, procurement, installation, and operation of special instrumentation; transportation, travel, and per diem costs for the Test Director’s staff; the modification of test articles as surrogates and to permit obtaining test data; transportation of equipment from permanent bases to the test site and return; and the provision for data collection/collectors, data reduction, analysis, and test reporting services. Transportation and per diem of participating personnel and maintenance and supply costs are not considered unique.
Performance Envelope	The demonstrated capability of a system, system components, and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc.

010213 RDT&E - Incremental Programming and Budgeting Basis

A. Purpose This Chapter specifies the principles to be followed, and establishes the criteria and definitions to be used, in the preparation of the annual Research, Development, Test and Evaluation (RDT&E) budget estimates on an incrementally funded basis. The incremental budgeting policy provides that only those funds required for work in a given fiscal year shall be included in the RDT&E budget request for that fiscal year for most classes of effort.

B. Policy The annual budget estimates for Research, Development, Test and Evaluation (RDT&E) projects and programs, including Developmental and Operational Test and Evaluation programs, are to be prepared on an incrementally programmed basis (as opposed to the fully funded program basis used in preparing procurement budget estimates).

C. Guidance

1. The budget year estimates of the amounts to be programmed for research and development projects or programs to be performed either by agencies of the government or by contract will be formulated to cover all “costs” expected to be incurred during a 12-month period, including those costs which are necessary to further the project towards its objective during that increment of the total schedule. The term “costs” includes work performed during the period and other liabilities that will accrue to the government, such as long leadtime orders to be placed for project related material and equipment’s and subcontracts awarded, except as described below.

2. If a major weapon system with a development program in excess of \$100 million is being developed over several years utilizing a prime contractor, then first-tier subcontract costs on reimbursable type contracts of \$5 million or more will be limited to a 12-month period not necessarily coincident with the fiscal year in which funds are requested, but not more than 12 months beyond the end of the fiscal year for which funds are authorized (i.e., the subcontractor must be incrementally funded). The amounts of all first-tier subcontracts executed on a fixed-price basis

may be considered as “costs” under the above definition. However, the application of the incremental programming policy for fixed-price first-tier subcontractors is encouraged for all DoD components.

3. The budget request for DoD projects and programs will be developed and presented in accordance with the following principles:

a. Annual estimates of initial financing needed for new major weapon systems and other development programs and projects requiring several years to complete, and which involve multiyear contracts, should be formulated to cover costs expected to be incurred during that fiscal year. Generally this will represent a 9-month or lesser period for the initial, first year increment of the program. The second and succeeding increments will be programmed and financed for the entire fiscal year. However, on an exception basis that must be specifically approved by the Secretary of the Department involved, the period to be financed for major weapons systems may extend up to 3 months beyond the end of the fiscal year for which funds are requested. In this regard, DoD components should make every effort to align subsequent years’ funding requirements on an annual basis coincident with the fiscal year, although it is recognized that there may be circumstances where this will not be feasible.

b. In cases of research and development projects to be performed by private concerns (but not including Research Budget Activity 1 projects to be performed by educational institutions), the budget request may provide for financing of more than 12 months, but will not exceed 18 months. Financing in excess of 12 months may be requested when full completion of the project is expected within a maximum period of 18 months, and when either (1) it is considered that there is no logical way to divide the work and therefore it is in the best interests of the government to finance the project in full; (2) it is expected to be clearly unfeasible to limit the contract to a shorter period; or (3) the planned technical effort makes it clearly evident that no responsible contractor can be found who will accept a contract for a less-than-completion increment.

c. In cases of projects included within the research category which are to be performed by educational institutions or institutes affiliated with educational institutions, where it is considered in the best interest of both the government and the institution to provide necessary stability to attract and retain the required skilled personnel to work on problems of vital interest to the Department of Defense, the budget request may provide for initial financing of such research projects up to a maximum increment of 36 months with annual renewal increments limited to no more than 12 months.

d. In general, the budget request covering the cost of operation and maintenance of government-owned research, development, and test installations will provide for financing of such installations on an annual basis coincident with the fiscal year concerned. However, in the case of research and development tasks and projects issued to governmental installations by Project Order or other authorized Government Work Order, the budget request may provide financing for governmental installation labor, material and support to carry on these tasks for projects for 12 month increments which extend no more than the first 3 months in the year succeeding the budget year.

e. While it is intended that the foregoing guidelines will be applicable to program execution as well as program formulation, it is recognized that there may be circumstances that could delay the start of an annual increment (such as legal, administrative, or technical problems). The 2-year availability of funds authorized for the Research, Development, Test and Evaluation appropriation provides the necessary flexibility for program execution in those circumstances.

4. Special Termination Cost Clause (STCC). DoD FAR Parts 249.50170 and 252.249-7000 permit the use of STCC in fixed-price incentive contracts and incrementally funded cost reimbursement contracts. If contracts containing an STCC are terminated before completion, the special termination charges are covered by the unobligated balance of the applicable appropriation, subject to any congressional approval required for reprogramming. The extent to which the STCC can be used is limited to the ability of the Service or Agency to cover expected termination costs from unobligated balances. A

recordable obligation under the STCC arises when the contract is actually terminated. If a proposed STCC would require an above threshold reprogramming action when a program is terminated, the approval to use the STCC shall be obtained from the USD (Comptroller) before the contract or contract modification is awarded.

D. Detailed Criteria and Definitions.

Under paragraph C., above:

1. The term “amounts to be budgeted” means the estimated Total Obligational Authority (TOA) required for the initiation or renewal in the budget year of the individual R&D project under consideration.

2. The dollar amount of the TOA estimate for an individual project must also always be equal to the dollars planned to be obligated for the project.

3. The described incremental time period also includes any time period that may exist between the date of obligation of funds and the actual commencement of work.

4. The estimate of the financing required in the budget year for continuing development projects must always take into account any changes, such as slippages, that have occurred in current and prior year programs.

5. It is not mandatory to base estimates in every case on the full incremental period options described under paragraph C. Lesser periods may be used. For example, if it appears that (1) the award of the work and first obligation will not occur until the second half of the budget year, and (2) a work statement and development schedule encompassing 6 months or some other period of less than 12 months appears appropriate and logical, then a budget estimate providing for financing of the lesser period is in order. In the case of multiyear research, exploratory development, and advanced development tasks and projects awarded to government installations by Project Order or other authorized government Work Order, the budget estimate will provide financing for government installation labor, material and support to carry on these tasks or projects limited to no more than the first 3 months in the year succeeding the budget year. (Financing for contractual liabilities for

weapons system development effort by government installations will be governed by paragraphs C., C.3.a and C.3.b.).

010214 Defense Business Operations Fund - Operating Budget

The operating budget represents the annual operating costs of an Activity or Component, including depreciation and amortization expenses. Detailed requirements and guidance can be found in Chapter 9.

010215 Defense Business Operations Fund - Mobilization/Surge Costs

A. Separate funding is provided for those costs related to mobilization and wartime surge capacity that would not otherwise be incurred to meet peacetime requirements. The prices of services and products provided to peacetime customers exclude these costs, to more appropriately reflect consistent pricing between competing activities. Similarly, better visibility is provided to decision makers at every level of surge or readiness requirements. These “mobilization” costs, although funded and justified as non-Fund direct appropriation to Component budgets, are elements of business area costs and must be fully justified on the SM-3 and Fund-8 schedule. Detailed requirements and guidance can be found in *Volume 2B*, Chapter 9.

B. *Unutilized capacity that is associated with the ability to satisfy a projected surge capability is considered a mobilization requirement that is to be funded by appropriated funds provided by the DoD Component having management responsibility for the Fund activity. Costs applicable to unutilized plant and equipment, such as depreciation, or maintenance, are not to be charged to the customers of the Fund activity.*

C. The justification for costs related to mobilization and wartime surge capacity must identify the scenario assumptions or other basis for the requirement under which these costs were calculated. Additionally, a description of how these costs will be collected and accounted for in execution must be provided.

D. *Volume 2B, Chapter 9 provides additional guidance and instructions associated with mobilization/surge requirements.*

010216 Defense Business Operations Fund - War Reserve Materiel

War reserves are procured and maintained to meet wartime requirements as determined by the Defense Guidance. These costs will be funded with direct appropriations in the Components’ budgets, not through customer rates. However, since the war reserve materiel will be under the management of supply management businesses, war reserve requirements will also be described and justified on the SM-3 and Fund-8b. Detailed requirements and guidance can be found in *Volume 2B*, Chapter 9.

010217 Defense Business Operations Fund - Military Personnel Costs

A. Military personnel costs have been included in revolving funds since FY 1991. This change was made to ensure that the total costs of the business were being captured. *The cost of military personnel assigned to DBOF activities will be included in the total cost of operations of DBOF activities at civilian equivalent rates and reflected in the stabilized rates charged to customers. This policy is based on the concept of total costing, which is designed to ensure that the total cost of producing products and services is being identified to both DBOF activities and customers.*

B. *The amount expensed for military personnel by DBOF activities and the amount reimbursed to the appropriate military personnel will be the same as the amount budgeted. No adjustments will be made to the DBOF cost of operations to reflect the actual cost of military personnel employed by DBOF activities.*

C. *See Volume 2B, paragraph 090103, for budget formulation, execution, and reimbursement procedures.*

010218 Defense Business Operations Fund - Full Recovery of Costs/Setting Prices

A. All business areas in the Fund are required to set their prices based upon full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process and remain fixed during the year of execution; actual costs are

evaluated against revenue generated by work load at established prices; and the financial condition *of the business* assessed accordingly. Profits or losses will be determined at the end of the year and will be employed as a basis for evaluating operating efficiency.

A. Prices for every Defense

Component business activity are established for each fiscal year. Once established, these prices are held constant (stabilized) through program execution. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher than anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective utilization of Fund resources.

B. Prices for the budget year(s) will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result (AOR) in the budget year(s) of zero. During budget execution, business areas will have either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either make up actual/projected losses or to give back actual/projected gains in the budget year(s).

C. In the supply management businesses, the price setting process will be consistent with the rate changes approved during the budget review.

D. Detailed requirements and guidance can be found in Chapter 9.

010219 Defense Business Operations Fund - Capital Budgeting

A. Budgetary resources for capital investments will be separately identified in an approved capital budget. Any investment in equipment, other than ADPE and telecommunications equipment; ADPE and telecommunications resources; software development; minor construction; and *depot reliability, maintainability, and sustainability (RM&S) program* investments having a value of \$100,000 or more, and having a useful life of two years or

greater, will be funded through the capital budget and its costs will be amortized or depreciated over a predetermined period. The *\$100,000 threshold* is based on congressional actions *and policy*. Depreciation of capital equipment will be fully reflected in the operating costs and rates of Fund businesses.

B. Minor Construction

1. Minor Construction projects costing \$100,000 but less than \$300,000 will be funded through the capital budget and depreciated.

2. *Effective in FY 1996, 10 U.S.C. 2805(c)(1) was amended to increase the threshold for unspecified military construction projects funded by appropriations available for operations (including DBOF) and intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening from \$300,000 to \$1,000,000.*

3. *Effective in FY 1996, 10 U.S.C. 2805(c)(1)(B) was amended to increase the threshold for minor construction projects from \$300,000 to \$1,000,00 for activities designated under the DoD Laboratory Demonstration Program. Fund activities may be designated to participate in the DoD Laboratory Revitalization Demonstration Program. The authority for the Laboratory Revitalization Demonstration Program expires on September 30, 1998.*

4. *Project planning and design costs are considered a capital investment cost that is capitalized by the DBOF activity and financed in the minor construction portion of the capital budget. Planning and design costs are not included as part of the statutory threshold for minor construction projects.*

5. *See Volume 2B, paragraph 090103, for budget formulation and execution procedures.*

C. Depreciation

All capital assets owned by activities in the Fund will be depreciated or amortized by the individual Component business area. Depreciation will be on a straight-line basis and based on the acquisition cost, *less residual value when residual value is expected to be 10 percent or more of the acquisition cost*, including installation

and related costs. The following is the depreciation schedule:

Facilities construction (including minor construction) projects - 20 years

Equipment Purchases, Other than ADPE and Telecommunications Equipment - 10 years

ADPE and Telecommunications Resources - 5 years

General Purpose Vehicles - 5 years
Software Development - 5 years

Reliability, Maintainability, and Sustainability - 10 years

010220 Base Support

Interservice and intragovernmental support, as identified in DODI 4000.19, is reimbursable by the DBOF activity to the extent that the specified support for the DBOF activity increases the host activity's direct costs (i.e., incremental direct cost). Costs associated with common use infrastructure are nonreimbursable, except for support provided solely for the benefit of one or more tenants. Support costs that are charged to a tenant DBOF activity (i.e., reimbursable cost) must be measurable and directly attributable to the DBOF activity. Indirect costs will not be included in reimbursement charges, except those included in stabilized rates charged for DBOF mission products and services. Host activities (suppliers of base support) are permitted to waive reimbursement from tenants who use or benefit from available support without appreciably increasing the host activities' costs (i.e., revenues would be less than the anticipated expense of billing and disbursing funds).

DBOF activities that use any of the common base support functions identified in DoDI 4000.19 (Interservice and Intragovernmental Support) are to reimburse host activities for this support. Reimbursement for DBOF mission products and services (e.g., depot supply, depot maintenance, public works center services, information processing, communications, and software development) shall be based on the approved stabilized rate. Other support incidental to the DBOF activity's primary mission or purpose is to be budgeted and reimbursed based on direct costs measurable and directly attributable to the DBOF activity. Only the incremental change in cost attributable to the DBOF activity (incremental direct

cost) shall be chargeable to the DBOF activity. Indirect costs are not to be included as a cost to the DBOF activity.

Volume 2B, Chapter 9 provides budget formulation and execution procedures.

010221 Dual Funded Organizations

A dual funded organization is an organization that is funded (including reimbursable funding) by both the DBOF and other appropriations or accounts. In those instances where a function is funded with a combination of both DBOF and appropriated funds, the function initially will be funded in its entirety either by the DBOF or by appropriated funds. The determination of whether the particular function initially is to be funded by the DBOF or appropriated funds will be based on the predominance of definable units of measure for the function. Examples of definable units of measure include work load, productive hours, outputs, or ultimate use. The appropriation or account initially funding the function shall be reimbursed by the other account(s) at the same unit of measure as was used to determine the initial funding source. The amount of reimbursement shall be determined based on the relative portion of that unit of measure attributable to each part of the organization (or funding source) involved.

This policy does not change the policy for reimbursement for base support services provided by the DBOF to tenant activities. DoDI 4000.19, Volume 2A, paragraph 0102020 and Volume 2B, paragraph 090103.K provide guidance for funding base support services.

010222 Customer Mandated Schedule

When a job order is canceled or reduced in scope after a DBOF activity has commenced work or incurred costs on the order, the costs incurred, plus the applied overhead (that is indirect and other normally allocated overhead (G&A) costs)), plus costs associated with the cancellation or reduction shall be charged to the customer.

Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, noncreditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction (e.g., salvaging of material). In addition, costs charged to customers should include the costs of salaries payable to

employees hired specifically to work on the canceled order until the employees are or could have been separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with the cancellation or reduced customer orders, underapplied overhead costs that may result in a DBOF activity as a whole from a reduced work load base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DBOF activity.

0103 BUDGET ESTIMATES SUBMISSION

010301 General

A. This section, Budget Estimates Submission, provides guidance for the development and submission of the biennial budget estimates to OSD. Much of the budget guidance material formerly included in the “guidance” and “call” memoranda are now included in this Part of Volume 2. The USD(Comptroller) guidance memorandum, transmitted in June or July of each year, will hereafter include only specialized instructions such as program basis for the estimates, key assumptions to be used, and special supporting material requirements. Likewise, “supplementary instructions” memoranda issued on an “as needed” basis (usually in August) by OUSD(Comptroller) Program/Budget will be limited to specific instructions which amplify guidance included in the OUSD(Comptroller) memorandum and in this volume. The use of other memoranda to transmit budget guidance will be restricted to new or nonrecurring requirements.

B. Budget guidance for the National Foreign Intelligence Program will be issued by the Director of Central Intelligence.

C. The instructions for submitting certain summary schedules are provided in Section 010305. The instructions for back-up material tailored to each appropriation or fund category are provided in subsequent chapters. Materials required by OMB Circular A-11, which are not otherwise required by this manual, will be submitted in accordance with that Circular, unless specific exception is granted by the OMB. This is covered in Section 010105.

D. A budget work schedule will be forwarded by separate memorandum at the beginning of each budget formulation cycle. This schedule will show the dates to be used for planning the various phases involved in the formulation process.

E. Budget Material

1. The material required for the biennial budget estimates submission will be prepared in the formats prescribed in this Part.

Material submitted in accordance with OMB Circular A-11 will follow the format prescribed by that Circular. All material, with the exception of fold-in charts and tables which may be included, will be prepared on 8.5” x 11” paper. Material fulfilling Circular A-11 requirements will be bound on the left side. All exhibit books, except for Military Construction, Family Housing, Base Closure, and Information Technology, will be printed horizontally (landscape) on 11” x 8½” paper. Addressees will reduce all larger pages to the standard 11” x 8.5” size. All pages in each book are to be consistent in size. The following identifies specific requirements:

- (1) Military Personnel - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- (2) Operation and Maintenance (to include the Defense Health Program) - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- (3) Research, Development, Test and Evaluation - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Begin each program element on a facing page. Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material

will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

- (4) Procurement - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.
- (5) Military Construction - The justification material for Military Construction will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- (6) Family Housing - The justification material for Family Housing will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.
- (7) Base Closure - The justification material for Base Closure will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins.

Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

- (8) Revolving Funds - Material submitted for the budget estimate submission for **revolving funds** is to be submitted by business area on 8.5" x 11" paper, with 3 holes punched along the 11 inch side to fit standard three-hole binders. Budget submitting offices should ensure that all narrative type is consistent. Revolving funds justification books prepared by the Components are to be unclassified. Classified exhibits will be submitted under separate cover.
- (9) Information Technology - The justification material for Information Technology will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) and bound on the left side with staple, screw posts or Acco fasteners.

2. Whenever revisions or correction sheets are necessary, the revised pages showing the date of the change will be inserted in each budget book by a staff member of the DoD Component submitting the change. OUSD(Comptroller) Program/Budget staff will instruct the DoD Component's staff member as to the location of the budget books. Corrections should be held to a minimum and are not necessary for minor typographical errors which make no material difference in the analysis and evaluation of the estimates.

010302 Distribution

Distribution of budget estimates submission material will be made in accordance with the charts on the following pages. All required copies will be delivered directly by each Military Department/Defense Agency to the appropriate offices at the room numbers listed on the following page:

DISTRIBUTION DELIVERY POINTS

SecDef (OSD Correspondence Control)	3A948	
USD(Comptroller)		
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Investment (INV)	4B916	695-5507
Military Construction (MILCON)	3D841	697-4829
Revolving Funds (REV FUNDS)	3B866	697-1880
Program & Financial Control (P&FC)	3B872	697-0021
Accounting Policy (AP)	3A882	695-7000
Information Technology		
Financial Management (ITFM)	1B650	693-8343
Performance Measures and Results	1A658	614-9153
Chief Financial Officer (CFO) Support Office	1B728	614-0358
Director, PA&E	2D278	695-7710
USD(Acquisition & Technology) Mail Room	3D139	697-6112
USD(Policy)	4B926	697-9478
ASD(C ³ I) Mail Room	3E209	695-6549
USD(Personnel & Readiness)	3C980	697-0617
ASD(HA)	3E321	697-8979
ASD(RA)	2D528	697-3962
ASD(LA)	3D918	614-8423
ASD(PA)	2E811	697-5007
The Joint Staff (J-8)	1E963	695-7064
DOT&E	3E333	695-1565
Ballistic Missile Defense Office (BMDO)	1E1037	693-1640
OMB	Executive Office of the President	202-395-4734
OMB National Security Division		
NEOB, Room 10001		
Washington, D.C. 20503		

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SUMMARY DATA REQUIREMENTS**

	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	S3 EA C9 D4 E8 F	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E														
Transmittal Memorandum to SecDef with the following attachments: Summary of Budget Estimates (PB-1), Schedule of Military and Civilian Personnel (PB-4), Supplemental Appropriation Requirements (PB-8)	1	2	5	1	1	1	2				2	8	2	22	1	20	8	2		2	15	1	1	6	102	
Overview Booklets	1	5	5	1	1	1	1				2	8	2	22	3	20	7	2		2	50	1	1		134	
Program and Financing/Object Classification Exhibits (PB-2/2A)	1						2				2			6	1										11	
Analysis of Pay Increase Costs (PB-5)	1	2	2								2	1	2				2				15				26	
Additional Budget Submission (PB-10)	1	2	2	1	1	1	4				2	1	2	6	1	9	1			2	15				50	
Automation Submission Requirements	1						**					.													**	

* Provide unclassified data only.

** See Section 0105 for the Budget Automation Submission requirements.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
MILITARY PERSONNEL ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I -	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L	
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O														P A & E
Mil Pers, Army	2	1	2			1					2	1	2	3	1	6	8	2			1	15			45
Mil Pers, Navy	2	1	2			1					2	1	2	3	1	6	8	2			1	15			45
Mil Pers, MC	2	1	2			1					2	1	2	3	1	6	8				1	15			43
Mil Pers, AF	2	1	2			1					2	1	2	3	1	6	8	2			1	15			45
Res Pers, Army	2	1	2								2	1	2	3	1	6	4	2			5	15			44
Res Pers, Navy	2	1	2								2	1	2	3	1	6	4	2			5	15			44
Res Pers, MC	2	1	2								2	1	2	3	1	6	4				5	15			42
Res Pers, AF	2	1	2								2	1	2	3	1	6	4	2			5	15			44
Natl Gd Pers, Army	2	1	2								2	1	2	3	1	6	4	2			5	15			44
Natl Gd Pers, AF	2	1	2								2	1	2	3	1	6	4	2			5	15			44
DoD Military Retirement Fund	2	1	2									1	2	1			2					15			24
Military Civil Functions (Education Benefits)	2	1	2								2	1	2				2				1	15			26

* Provide unclassified data only.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
OPERATION AND MAINTENANCE**

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E													
O&M, Army**	3/8	1	3			1			1		2	1	2	14	1	12	8				2	15			63
O&M, Navy**	3/8	1	3			1			1		2	1	2	14	1	12	8				2	15			63
O&M, MC**	3/8	1	3			1			1		2	1	2	14	1	12	8				2	15			63
O&M, AF**	3/8	1	3			1			1		2	1	2	14	1	12	8				2	15			63
O&M, Defense Agencies**	3/8	1	2			1			1		2	1	2	12	1	12	4				1	15			55
US Court of Appeals for the Armed Forces	3	1	2									1	2			2	1					15			24
Inspector General**	3	1	2									1	2	12			1					15			34
O&M, Army Reserve**	3/8	1	3			1					2	1	2	8	1	7	5				5	15			51
O&M, Navy Reserve**	3/8	1	3			1					2	1	2	8	1	7	5				5	15			51
O&M, MC Reserve**	3/8	1	3			1					2	1	2	8	1	7	5				5	15			51
O&M, AF Reserve**	3/8	1	3			1					2	1	2	8	1	7	5				5	15			51
O&M, Army National Guard**	3/8	1	3			1					2	1	2	8	1	7	5				5	15			51
O&M, Air National Guard**	3/8	1	3			1					2	1	2	8	1	7	5				5	15			51
Drug Interdiction & Counter-drug Activities	14	1	2	1							2	1	2	10	2	10	1	1			1	15			49
Cemeterial Expenses (Army)	3	1	2									1	2	1			2					15			24
Wildlife Conservation	3	1	2									1	2	1			1					15			23

* Provide unclassified data only.

** OP-32 copy must also be provided to the Revolving Funds Directorate.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
PROCUREMENT ACCOUNTS - ARMY**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E												
Acft Proc, Army	4	1		3		**					2	2	2	18	2	11	1			2	15	1		60
Missile Proc, Army	4	1		3		**					2	2	2	18	2	11	1				15	1		58
Proc of W&TCV, Army	4	1		3		**					2	2	2	18	1	11	1				15	1		57
Proc of Ammunition, Army	4	1		3		**					2	2	2	11	1	7	2				15	1		47
Other Proc, Army	4	1		3	1	**			1		2	2	2	18	1	12	2			2	15	1		63

* Provide unclassified data only.

** Provide a copy of Exhibit P-32, Procurement Purchases from DBOF, to the Revolving Funds Directorate.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
PROCUREMENT ACCOUNTS - NAVY**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E												
Acft Proc, Navy	4	1		3		**					2	2	2	18	2	11	1			2	15	1		60
Weapons Proc, Navy	4	1		3		**					2	2	2	18	1	11	1			1	15	1		58
SCN, Navy	4	1		3		**					2	2	2	18	1	6	1			2	15	1		54
Other Proc, Navy	4	1		3	1	**			1		2	2	2	18	1	12	2			2	15	1		63
Procurement, MC	4	1		3		**					2	2	2	18	1	11	1			1	15	1		58

* Provide unclassified data only.

** Provide a copy of Exhibit P-32, Procurement Purchases from DBOF, to the Revolving Funds Directorate.

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
PROCUREMENT ACCOUNTS - AIR FORCE

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A	R A *	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E												
Acft Proc, AF	4	1		3		**					2	2	2	18	2	11	1			2	15	1		60
Weapons Proc, AF	4	1		3		**					2	2	2	18	2	11	1				15	1		58
Other Proc, AF	4	1		3	1	**			1		2	2	2	18	1	12	2			2	15	1		63

*Provide unclassified data only.

** Provide a copy of Exhibit P-32, Procurement Purchases from DBOF, to the Revolving Funds Directorate.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
PROCUREMENT ACCOUNTS - DEFENSE-WIDE**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E												
Procurement, Defense-wide	4	1		3	1	**			1		2	2	2	18	1	12	1			3	15	1		63
National Guard & Reserve Eq	4	1		3		**					2	2	2	18	1	11	1			3	15	1		60
Defense Production Act	4	1		3							2	2	2	18	1	11	1				15	1		57
Chemical Agents & Munitions Destruction, Defense-wide	4	1		3	1						2	2	2	18	1	6	1				15	1		53

* Provide unclassified data only. ** Provide a copy of Exhibit P-32, Procurement Purchases from DBOF, to the Revolving Funds Directorate.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E													
RDT&E, Army Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 3 3 1	1 1	1 					2 2 2	2 1 1	2 29 2	29 2 2	11 1 1					1 1 1	15 15	1 1			71 4 6 6 2
RDT&E, Navy Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 3 3 1	1 1	1 					2 2 2	2 1 1	2 29 2	29 2 2	11 1 1					1 1 1	15 15	1 1			71 4 6 6 2
RDT&E, AF Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 3 3 1	1 1	1 					2 2 2	2 1 1	2 29 2	29 2 2	11 1 1					1 1 1	15 15	1 1			71 4 6 6 2

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JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS

Appropriation	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E													
RDT&E,Defense Agencies Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 1 2 2 1	1 1	1 					2 	2 2 2	1 1	29	2	11	1				1	15	1		69 2 5 5 2
Director,of OT & E Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 1 2 2 1	 1	1 					2 	2 2 2	2 1 1	29	2	11	1					15			68 2 5 5 2
Director,of DT & E Budget Item Justification Bk R-32 Project Listing R-1 Facility Exhibits	5	1		3 1 2 2 1	 1	1 					2 	2 2 2	2 1 1	29	2	11	2					15	1		70 2 5 5 2

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**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
DEFENSE BUSINESS OPERATIONS FUND & WORKING CAPITAL FUNDS**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E												
Defense Business Operations Fund	9																							
Army	9	1	1	1		8			1		2	2	2	9	1	16	5				15	1		65
Navy	9	1	1	1		8			1		2	2	2	9	1	16	5				15	1		65
Air Force	9	1	1	1		8			1		2	2	2	9	1	16	5				15	1		65
Defense Agencies	9	1	1	1		8			1		2	2	2	9	1	16	5	1			15	1		66
National Defense Stockpile Fund	10	1	1	1		2					2	2	2	4	1	16	5				15			52
Building Maintenance Fund	10	1	1	1		2					2	2	2	4	1	16	5				15			52
Pentagon Reservation Maintenance Revolving Fund	10	1	1	1		2					2	2	2	4	1	16	5				15			52
National Defense Sealift Fund	10	1	1	1		2					2	2	2	4	1	6	5				15			42
Management Funds	10	1	1	1		2					2	2	2	4	1	16	5				15			52
Trust Funds	10	1	1	1		2	1				2	2	2	4	1	16	5				15			53

* Provide unclassified data only.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNTS

Appropriation	C H A P T E R	USD(Comptroller)												U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E	O M B											
Military Construction, Army	6	1			2						2	1	2	9	1	11	2	1		1	15			48
Military Construction, Navy	6	1			2						2	1	2	9	1	11	2	1		1	15			48
Military Construction, MC	6	1			2						2	1	2	9	1	11	2			1	15			47
Military Construction, AF	6	1			2						2	1	2	9	1	11	2	1		1	15			48
Military Construction, Def Agencies **	6	1			2						2	1	2	9	1	11	2	1		1	15			48
Military Construction, Army Reserve	6	1			2						2	1	2	9	1	7	2			2	15			43
Military Construction, Navy Reserve	6	1			2						2	1	2	9	1	7	2			2	15			44
Military Construction, MC Reserve	6	1			2						2	1	2	9	1	7	2			2	15			44
Military Construction, AF Reserve	6	1			2						2	1	2	9	1	7	2			2	15			44
Military Construction, Army National Guard	6	1			2						2	1	2	9	1	7	2			2	15			44
Military Construction, Air National Guard	6	1			2						2	1	2	9	1	7	2			2	15			44
Family Housing, Army	6	1			2						2	1	2	9	1	7	2				15			42
Family Housing, Navy	6	1			2						2	1	2	9	1	7	2				15			42
Family Housing, MC	6	1			2						2	1	2	9	1	7	2				15			42
Family Housing, AF	6	1			2						2	1	2	9	1	7	2				15			42
Family Housing, NSA, DIA, or DLA	6	1			2						2	1	2	9	1	7	2				15			42
Homeowners Assistance (Army)	6	1			2						2	1	2	3			2				15			28
NATO Security Investment Program	6	1			2						2	1	2	3	1		2				15			29

* Provide unclassified data only. ** Any Defense Agency submitting a Military Construction Budget should make same distribution as Military Services.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

**JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
BASE REALIGNMENTS AND CLOSURES (BRAC)**

Appropriation	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S .	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E												
BRAC - ARMY	7	1	2								2	1	2	9	1	10	2	1		1	15			49
BRAC - NAVY	7	1	2								2	1	2	9	1	10	2	1		1	15			49
BRAC - AF	7	1	2								2	1	2	9	1	10	2	1		1	15			49
BRAC - DLA	7		2								2	1	2	9	1	10	2	1		1	15			49
BRAC - DISA	7	1	2								2	1	2	9	1	10	2	1		1	15			49

* Provide unclassified data only.

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SPECIAL INTEREST REQUIREMENTS

PROGRAM	C H A P T E R	USD(Comptroller)											O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E													
Real Property Maintenance	8	1	1		2						2	1	2	3	1	12	1				2	15			43
Offsetting Receipts	11	1		1			1					1	2			6	2					15			29
Information Technology	18	1	1	1					1		2	1	2	2		7	2	1			1	15			37
Defense Intelligence Programs (DIP)	16	1		1							2	1	2	1	1	4	1					15			29
Defense Health Programs	12	1	2	1					1		2	1	2	1		1	3					15			30
O&M Foreign Currency Exchange Data	19	1	2	1								1	2	2		4	2					15			30
HQs Operation & Admin Exhibit	19	1	2								2	1	2	1	1		3					15			28
Legislative Affairs Exhibit	19	1	2								2	1	2				3		1		1	15			28
Budgeted Environ. Projects (Non-ER,D)	19	1	2								2	1	2	5			1					15			29
Waste Minimization Capitalization Account (WMCA) Exhibit	19	1	2									1	2	5			1					15			27

* Provide unclassified data only.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SPECIAL INTEREST REQUIREMENTS

PROGRAM	C H A P T E R	USD(Comptroller)										O M B	A & T	U S D (P)	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E												
Dependents Student Meal Prog Exh	19	1	2								2	1	2	1		3					15			27
Administrative Motor Vehicle Operations Exhibit	19	1	2									1	2	1	1	1					15			24
Commercial Activities Exhibit	19	1	2								2	1	2	1		2					15			26
Professional Military Education Schools Exhibit	19	1	2								2	1	2		1	3					15			27
Child Development, Family Centers, and Family Advocacy Programs	19	1	2								2	1	2			3					15			26
Budgeted Military and Civilian Pay Raise Exhibit	19	1	3								2	1	2			5					15			29
Major Range and Test Facility Base	19	1		1							1	1	1	6	1	1						1		14
Productivity Improvements	19	1	1	1		1					2	1	2	8	1	7	3				15	1		44
Test & Evaluation Fund	19	1		1							2	1	2	5	1	2					15	1		31

* Provide unclassified data only.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SPECIAL INTEREST REQUIREMENTS

PROGRAM	C H A P T E R	USD(Comptroller)										O M B	U S D (A)	A & T	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	T O T A L
		P & S	O P S	I N V	M I L C O N	R E V F U N D S	P & F C	A P	I T F M		C F O	P A & E												
Defense Environmental Restoration Program	13	1	2								2	1	2	10		1	1				15			35
Federal Credit Program	19	1				1	1				2	1	2			1					15			24

*Provide unclassified data only.

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

010303 Preparation of the Biennial Budget Estimates

A. General Guidance

1. A revision of the current year budget will be submitted by DoD Components concurrently with submission of estimates for the biennial budget years. This revision will permit a complete reassessment of current year financial requirements to be conducted during the review of requirements for the biennial budget years.

2. Estimates for the biennial budget years and outyears will be based upon the force levels, program decisions, and the TOA levels contained in the Program Objective Memorandums (POMs) as modified by the Program Decision Memorandums (PDMs).

3. At various organizational levels throughout the Department of Defense, a systematic cost-benefit analysis of proposed expenditures can be of significant value in program formulation. Investments and expenditures in each appropriation category will normally be supported by an analysis which matches estimated costs with benefits (outputs), subject to the following criteria:

a. Funding is, for the first time, shown as required in the period covered by the fiscal guidance, or

b. Previously established funding requirements in these years are significantly altered by changed program or project plans.

The criteria in DoDI7041.3, "Economic Analysis and Program Evaluation for Resource Management," will apply. Budget submissions will, as a minimum, be accompanied by a statement that (1) the submission is supported by an economic analysis, or (2) an economic analysis is not required, citing the reason. Submission of detailed backup information to OSD will be on "as requested" basis.

4. Transfers of functions between DoD Components will not be reflected in the September 15 submissions unless they have been approved by the Secretary of Defense and the dollar amounts and personnel spaces to be

transferred in the current year are fully decided upon by all DoD Components concerned when the estimates are prepared. Under these circumstances, both the gaining and losing Components will reflect the decisions in their estimates with equal and offsetting manpower and dollar amounts. The gaining DoD Component is responsible to confirm that this is the case. If this cannot be confirmed, then neither Component will reflect the transfer in their budget estimates. Each Component will notify OUSD(Comptroller) Program/Budget of the planned functional transfers not reflected.

5. Adjustments necessary to properly reflect functional transfers agreed upon by the parties, but not included in the September 15 estimates, will be accomplished in the budget review process. Components should ascertain that any pending Program Change Proposals (PCRs) as defined in DoDI7045.7 are folded into the budget review. To assure that the necessary adjustments are made, the gaining Component will report the necessary information to OUSD(Comptroller) Program/Budget. This information will cite the Secretary of Defense prior approval and include identification by fiscal year, appropriation and budget activity of the "to" and "from" amounts and associated personnel spaces to be transferred. Each gaining DoD Component must assure that all such transfers approved through November 15 are reported as soon as possible but not later than November 20, Exhibit PB-10, as prescribed in Section 010307 and provided in Section 0107, will be used for this purpose by being suitably adapted to show separately "to" and "from" changes. Functional transfers approved after November 15 will be financed by reimbursement in the current year and the budget year. Necessary exceptions to this general rule will be authorized on a case-by-case basis.

6. Material should be "Unclassified" "For Official Use Only" unless contents otherwise require a higher classification. *All Budget Estimates Submission material is subject to DoD 5400.7-R, DoD Freedom of Information Act Program, Chapter II, Exemptions and in particular exemption number 5.*

B. Pricing in the Biennial Budget Estimates

1. It is DoD policy to reflect the most likely or expected full costs (including military and civilian personnel pay) for the current year, the biennial budget years, and outyear estimates for all appropriations.

2. Estimated price level changes will be based on data provided by DoD (Comptroller). These indices, which will be updated as economic conditions warrant, will be used to (1) determine the amount of price escalation for a procurement line item, major RDT&E system, or construction item over a given time period, and (2) project inflation in other noncompensation areas of all other appropriations.

3. Military and civilian personnel compensation will be fully funded in the biennial budget estimates using the rates provided by the DoD (Comptroller).

4. Biennial budget estimates for goods and services will in all cases reflect the following considerations:

a. Cost-quantity relationships as they affect unit prices -- e.g., the unit price forecast in the biennial budget estimates will be higher or lower than the unit price current when the estimates are prepared, if differences in the quantities involved are price-significant.

b. The state of development or production and the learning curve.

c. Specific price changes, to take effect at a future date -- e.g., a specific and authoritative rate or tariff schedule to take effect on a definite future date, which may involve higher or lower prices than those in effect at the time estimates are prepared.

d. Predictable cost increases due to risk.

C. Preparation of Biennial Budget Estimates - Multiple Appropriations

1. Section 0107 contains formats for those exhibits applicable to more than one appropriation.

2. In addition to those exhibits identified in Section 0107, there are exhibits required by other chapters and included, in other appendices which require identification of budget estimates/requirements for more than one appropriation. This is particularly true of requirements discussed in Chapter 19. Offices responsible for budget estimates submissions must ensure that all such exhibits reflect total requirements for all appropriations.

D. Preparation of Biennial Budget Estimates - Operations

1. Separate identification and justification (including cost-benefit studies) are required for management actions such as data automation and systems engineering. The development, implementation and expansion of automated data systems will be based on an economic analysis which should show that the proposed management action will produce an early and demonstrably high return on investment or result in substantial increases in mission performance and effectiveness. Savings from previously approved investments and management actions will be separately identified.

2. The Dependents' Education Program in the budget years would be based on the best estimate of student load and planned at the current year program level in accordance with the criteria for the regular school program which will be set forth in a separate USD(P&R) memorandum.

E. Preparation of Biennial Budget Estimates - Procurement

1. In development of requirements for procurement of modern equipment to offset consumption or attrition of older items, all assets of the older items as well as acceptable substitutes, will be applied against gross requirements in determining net procurement requirements.

2. Administrative leadtime requirements in the budget years for any principal item should not exceed the leadtime used in the development of the current year budget program.

3. Production leadtimes utilized in preparation of estimates for the budget years

should be based on the latest contract experience and current conditions, and generally should not be greater than those used for the same item in the development of the current year budget program. Any increases should be clearly identified and accompanied by an explanation of the reason along with an identification of the pacing components/manufacturers causing the increase.

4. Use of long leadtime component procurement will be consistent with the full funding policy expressed in DoD Directive 7200.4. In this regard, long leadtime component procurement will be limited to those few critical components whose leadtimes exceed the obligation availability of the appropriation or are significantly longer than other components of the same end item.

5. For comparability purposes the P-1 Exhibit will show the prior fiscal year program in amounts to reflect reprogramming actions planned to be accomplished through the first quarter of the current year. To the extent that such reprogramming actions are not approved for budget purposes, the changes will be documented by PBD action to adjust the prior year program in the computer record.

6. Budget estimates will reflect economic production rates, unless there is strong justification (other than funding constraints) for the use of other rates.

F. Preparation of Biennial Budget Estimates - Research, Development, Test and Evaluation

1. In the development and review of RDT&E programs, special attention will be devoted to the numbers of civilian and military personnel required for support of those programs.

2. Increased emphasis will be placed on application of standards and austere limitations to housekeeping and support activities including real property maintenance, facilities operations, equipment replacement and maintenance, and supply inventory levels.

G. Preparation of Biennial Budget Estimates - Revolving and Management Funds

1. Revolving and management fund programs and biennial budget estimates will be consistent with, and justified by, related support requirements; that is, program and budget estimates will be based on anticipated customer needs for associated supplies, equipment, and services, loan purchase requirements for production guarantee accounts, scope of operations to be financed through management funds, etc. Biennial budget estimates will be consistent with the anticipated customer needs that can be financed by the related program included in the customers' budget estimates. Increased emphasis should be directed toward assuring that customers are getting maximum value for their appropriated funds.

2. Appropriations funded requirements for the Defense Business Operations Fund will be computed under the same guidance as outlined above for the specific appropriations.

010305 Budget Estimates Summaries and Transmittal

A. Budget Estimates Transmittal

1. The budget estimates will be transmitted by memorandum to the Secretary of Defense from the Secretary of each Military Department, the Director of each Defense Agency, the Assistant Secretary of Defense (Health Affairs), the Deputy Assistant Secretary of Defense (Environment), the Deputy Assistant Secretary of Defense (Administration), the Deputy Assistant Secretary of Defense (Drug Enforcement Policy and Support), and the Director, The Joint Staff. While it is mandatory that the exhibits below be submitted in the precise formats specified, any explanations or highlight information that the submitting official considers appropriate may accompany the transmittal. Exhibits PB-1, PB-4, and PB-8 include budget estimates summary data and will be "Unclassified", "For Official Use Only" unless the contents otherwise require a higher classification.

PB-1. Summary of FY 19PY thru 19BY2 Budget Estimates. [Section 010702]

PB-2. Program and Financing Schedule, Annual Accounts. (FY 19PY thru 19BY2) [Section 010702]

PB-2A Program and Financing Schedule, Other Accounts. (FY 19PY thru 19BY2) [Section 010702]

PB-4. FY 19BY1 and 19BY2 Budget Estimates - Schedule of Civilian and Military Personnel. (FY 19PY thru 19BY2+4) [Section 010702]

PB-8. FY 19CY Supplemental Appropriation Requirements (Described in Section 010306). [Section 010702]

2. The specified exhibits, transmittal memorandum to the Secretary of Defense, and other explanatory or highlight information will be submitted as follows:

a. Secretary of Defense transmittal memorandum, with exhibits PB-1, PB-4, and PB-8 attached. Deliver six copies to OSD Correspondence Control, Room 3A948. Other copy requirements are identified in Section 010302.

b. Secretary of Defense transmittal memorandum, with exhibits PB-1, PB-4, and PB-8 attached. Copy requirements are identified in Section 010302.

c. Overview booklets, such as the Air Force "Highlights," Navy "Blue Book," etc. Copy requirements are identified in Section 010302.

d. Exhibits PB-2 and PB-2A for each appropriation account. Deliver two copies to Office of the USD(Comptroller), Directorate for Program and Financial Control, Room 3B872.

3. Budget estimates for the Defense portion of the National Foreign Intelligence Program will be submitted as prescribed by the Director of Central Intelligence (DCI). In addition to budget exhibits specified by the DCI, the Office of the Secretary of Defense requires certain other materials as outlined in Chapter 16.

4. Machine-readable data will be submitted to support Exhibits PB-2, PB-2A, and PB-4 (see Section 010505). A hard-copy

submission of these exhibits, including FY 19PY, 19CY, 19BY1 and 19BY2 for the PB-2, PB-2A, and PB-4, will also be required. The hard copy submission should be a computer-prepared print-out of the machine data using the exhibit formats specified herein. Extreme care must be exercised to assure that the machine-readable data and the exhibits are identical in data content. As described in Section 010505, the machine data are the basis for the OSD budget review.

B. Program and Financing Schedules

1. Data for the program and financing schedules (Exhibits PB-2 & 2A) are required on the due date established for the budget submission for each appropriation and fund. Section 32.8 of OMB Circular A-11 requires the separate submission of supplementary program supplemental and proposed rescissions.

2. Program data will be presented in the program and financing schedule on an obligation basis consistent with the presentation in the President's Budget of previous years, unless other directions are transmitted by separate memorandum.

3. Actual prior year data will be required when available in accordance with specific update instructions issued separately.

4. Budget subactivities will be shown on program and financing schedules in all cases as they appear in the "Budget Account Title File Listing" of the Name Edit System structure referenced in Section 010506.

5. Special care should be taken to assure that data presented in the object classification schedule (Section 010506) is consistent with information required on special exhibits. For example, object class data provided for advisory and assistance services (BRS Object Class Tx2511) is the basis for Exhibit PB-15 (Chapter 19).

6. The hard-copy and machine-readable submissions of the section entitled "Relation of Obligations to Outlays" (commonly called the "expenditure tail") is required only from the Military Departments. It will show the budget activities/subactivities used as computer input

and will also show the various computed subtotals and totals as described in Section 010506. (Hard-copy and machine-readable input are not required for "Relation of Obligations to Outlays" for Defense accounts with a component identification code of "97" except for the three Defense accounts required by paragraph F of Section 010506.)

010306 Supplemental Appropriation Submission

A. Budget Estimates Transmittal

1. *Supplemental appropriations are normally allowed to meet unforeseen contingencies of a magnitude that cannot be absorbed or accommodated through reprogrammings and transfers. Specific guidance on this will be provided on a case-by-case basis.*

2. OMB Circular A-11 provides additional policy guidance on supplemental estimates.

B. Supplemental appropriation requirements will be submitted on a schedule in the format of Exhibit PB-8, provided in Section 010702. This exhibit will be transmitted in the same manner as the budget estimate summaries (see Section 010305).

C. Material Included for Informational Purposes

1. Under the 41 U.S. Code authorizations (formerly Section 3732 of the revised statute), the law provides that the President may exempt appropriations, funds, and contract authorizations which are available for military functions under the Department of Defense from the antideficiency provisions of 31 U.S. Code 1517 (formerly Section 3679 of the revised statute) whenever he deems such action necessary in the interests of national defense. Upon determination by the President that such action is necessary, the Secretary of Defense is authorized to provide for the cost as an accepted expense. For example, if the President determines that it is necessary to increase the number of military personnel on active duty beyond the number for which funds are provided in the annual appropriation act, the Secretary of Defense is authorized to provide for the cost of such increased military personnel as an accepted

expense. Obligations are then authorized to be incurred in excess of amounts appropriated. After substantially all obligations have been liquidated, an appropriation is requested to liquidate any unfinanced balances.

2. The law provides essentially that, notwithstanding the balances available, revolving funds may incur obligations to provide for making issues through the production lead-time period (10 USC 2210(b)). As a technical matter, this constitutes a form of contract authorization, and is so displayed in the President's Budget.

010307 Additional Budget Submissions

A. General Guidance. Following the initial biennial budget estimates submission (initial submit), normally on September 15, additional budget estimates submissions (additional submits) may be made, where warranted by specific changes in circumstances, within approved TOA control totals established by the USD(Comptroller) and under the following restrictions:

1. Additional budget submissions must be submitted as adjustments to, not substitutes for, the initial submit.

2. Unless otherwise directed by the USD(Comptroller), additional budget submissions must be offset with equal or greater cost tradeoffs, and must clearly indicate the areas of increase and decrease consistent with the justifications submitted as part of the initial submit.

3. Proposed decreases may not consist of reductions already effected or imminently planned to be effected as part of the budget review.

4. Additional budget submissions may not be used to compensate for incomplete or inadequate initial submits.

5. Additional budget submissions may not be used to appeal budget decisions.

6. If an additional budget submission results in an impact on revolving funds, those related requirements must be incorporated in the additional budget submission.

B. Submission Requirements In order to be considered during the budget review, all additional budget submissions must be received no later than September 30 or as specified in the annual guidance. Additional budget estimates for the current year or biennial years 1 and 2 will be accompanied by Exhibit PB-10, provided in Section 010702, plus the necessary justification material. This should take the form of a complete narrative justification and may be included on the transmittal memorandum or as an attachment to Exhibit PB-10. The applicable out-year impact of the additional budget submission will also be shown on Exhibit PB-10. The additional estimates will be transmitted in two copies (plus two additional copies for each appropriation affected) by memorandum to the USD(Comptroller) and signed by the same official who submitted the initial budget estimates or his appointed deputy. All additional budget submissions will be hand carried to the Office of the USD(Comptroller), Directorate for Program and Financial Control, Room 3B872, for OSD processing. The additional budget submission will be addressed in subsequent budget decision document(s).

010308 Major Budget Issues (MBIs)

Near the end of the budget review process, the Secretary of Defense and the Deputy Secretary of Defense may provide for the review of Component major policy or budget issues that have not yet been resolved. Resolution of these issues may displace other programs within the fixed DoD topline. Copy requirements of Component issues will be provided if an MBI review is scheduled. A general format is provided in Section 0107.

010309 Budget Review Procedures

A. Budget Review System. The automated Budget Review System is the official OSD record of the budget estimates as submitted by the DoD Components and adjusted by Secretary of Defense decisions known as Program Budget Decisions (PBDs). The data contained in the Budget Review System is the base for preparation of the Program and Financing Schedules, Relation of Obligations to Outlays, Object Classification Schedules, and the data required for OMB MAX Budget System, as required by OMB Circular No. A-11. These

documents are forwarded to OMB for preparation of the President's Budget. In addition, the automated Budget Review System is used to prepare a comprehensive set of management information summaries used to support the budget press release, statements to the Congress and other information requirements. Financial data, military end strength, and *civilian full time equivalent (FTE)* data are provided. Budget estimate submissions are entered into the system through machine readable inputs from the DoD Components. The formats and requirements are prescribed in Sections 010505 and 010506. During the joint OMB/OSD Budget Review, budget decision documents are recorded into the computer system and the current status of the budget review is available on a recurring basis.

B. Development of Out-year Data During the Budget Review

1. The automated Budget Review also includes a continuing update of the out-year TOA and manpower, adjusted to reflect the extension of CY, BY1, and BY2 decisions made during the budget review.

2. TOA, military end strength and *civilian FTE* data for the initial out-year data base are provided by each of the DoD Components (reference Section 010505). During the budget review, as budget decision documents are approved and recorded into the automated record, the TOA and manpower out-year impact of each decision is addressed on the decision document and is also entered into the automated record. The budget decision document will contain one of the following descriptors of out-year impact:

a. The estimated out-year impact for each year in millions of dollars and end strength.

b. Substantive program direction for the out-years as a basis for DoD Component determination of dollar amounts and manpower involved (to be used if out-years are not specifically addressed in a budget decision document).

c. No known out-year impact.

3. As with the CY, BY1, and BY2 decisions, the out-year adjustments approved in the Secretary of Defense decisions are entered into the automated Budget Review System using record layouts shown in DD Form 2234, Out-year Recording Form (\$\$), and DD Form 2236-1, End Strength Out-year Recording Form. TOA adjustments are recorded at the appropriation account level by budget subactivity, and by program budget decision number. Manpower data is recorded at the appropriation account level by budget subactivity, and by program budget decision number with active military manpower detailed by officer, enlisted and cadets; selected reserve manpower detailed by officer and enlisted personnel category; and civilian *FTE* detailed by U.S. direct hire, foreign national direct hire, and foreign national indirect hire.

4. The automated Budget Review System produces Out-year Impact Status Reports on a recurring basis throughout the budget review. These reports, which are distributed to the applicable DoD Components, show TOA & manpower data by appropriation, budget activity/subactivity and personnel category for the budget submission base and all adjustments to the base resulting from decisions made during the budget review. The final reports at the conclusion of the budget review reflect the out-year numbers (TOA and manpower) which are the control numbers for the President's Budget update of the Future Years Defense Program (FYDP). It is essential that the Out-year Impact Status Reports be reviewed by the DoD Components on a recurring basis during the budget review so the out-year numbers are, under continuous scrutiny and the President's Budget update for the FYDP may proceed in a timely manner.

C. Printing Schedule for Budget Material

1. OMB Circular No. A-11 prescribes the requirements for materials to be included in the President's Budget document. Annually, the ODC(P/B), OUSD(Comptroller) publishes instructions on the procedures to be followed during the budget review. These instructions detail the sequence of events necessary to finalize the budget review and complete the printing phase of the budget. All

actions concerning printing of budget material will be accomplished in accordance with these references and the following paragraphs.

2. OMB will provide ODC(P/B), OUSD(Comptroller) with reprinted galleys based on last year's President's Budget document. These galleys will omit all amounts in the schedules and tables. The submission of marked-up reprinted galley and new material is intended to fill technical budget preparation needs (i.e., determine that all lines, account titles, text, and appropriation language are correct and that all required schedules are in print). Additionally, by representing the best estimate of the current status of programs, the impact of any further changes, as final decisions are made, will be minimized. The reprinted galleys will be marked-up by the ODC(P/B), OUSD(Comptroller) staff, probably in mid-December, to show the current status of the budget after the prior year column has been updated and validated. The data in the current year and both biennial year columns will be blank at this time.

3. There will be no changes to the prior year column of the budget after reprinted galley, except to, correct printer errors. In some cases, new print materials may be required after reprinted galleys, (e.g., new accounts, accounts with supplemental requiring separate schedules, rescission proposals and other material to be presented in the President's Budget document for the first time).

4. OMB will cycle the reprinted galley and provide galley proofs to ODC(P/B), OUSD(Comptroller). Further instructions on processing galley beyond the first step will be contained in the ODC(P/B), OUSD(Comptroller) instructions cited in 1. above or some other appropriate guidance memorandum.

0104 CONGRESSIONAL
JUSTIFICATION/PRESENTATION

010401 General

A. Purpose

1. This section provides instructions for the preparation of justification material for presentation to congressional committees. Justification material should be developed using the guidelines established herein as the minimum requirements to be included in the Justification Books. Any exception to these minimum requirements must be cleared with OUSD(Comptroller) Program/Budget.

2. Justification of proposed supplemental appropriations and budget amendments are covered in OMB Circular A-11 and Section 010402; however, separate instructions will be issued by OUSD(Comptroller) Program/Budget as the need arises.

3. General preparation and submission instructions pertaining to individual appropriations, Intelligence Programs and Communications, Command and Control (C³) Programs are contained in Chapters 2 thru 7,9,10, 16 and 17.

4. *All congressional budget/presentation material is subject to DoD 5400.7-R, DoD Freedom of Information Act(FOIA) Program requirements. Chapter II, Exemptions of this regulation should be reviewed carefully before denial of any FOIA request. Exemptions will generally fall into category 5.a.9 in section 3-200. Use of For Official Use Only (FOUO) must meet the requirements of DoD 5400.7-R Chapter IV.*

B. Preparation of Material

1. Separate Justification Books will be furnished for each Public Law title relating to each Military Department. An O&M Overview book will be developed within OUSD(Comptroller) Program/Budget as well as a consolidated overview of Multiyear Procurement programs based on submissions of the Military Departments. Material prepared by the individual Defense Agencies also will be consolidated by

OUSD(Comptroller) Program/Budget into a single Justification Book for each Public Law title. Material for the Operation and Maintenance, Defense Agencies; U.S. Court of Appeals for the Armed Forces, Defense; Environmental Restoration, Defense; Office of the Inspector General; and Contingencies, Defense; appropriations will be consolidated into a single Justification Book. Additionally, information technology material prepared by the Military Departments and other DoD Components will be consolidated by DASD(C³I) (Information Technology Resources) into a single Justification Book. The Department of the Army will prepare a justification book for Chemical Demilitarization programs and will consolidate material for the Family Housing and Homeowners' Assistance Fund, Defense appropriations into a single Justification Book. Each Department will prepare a Justification Book for each Base Closure Account. In addition, separate Justification Books will be prepared for Intelligence-Related Activities and the Defense portion of the National Foreign Intelligence Program, the latter as prescribed by the Director of Central Intelligence. All other Justification Books will be annotated as appropriate to indicate items and resources supported in Intelligence Program Justification Books. Also, a separate Justification Book will be prepared for C³ programs, with DoD component input as prescribed in Chapter 17.

2. Classified and unclassified data will be included in the single volume or set of volumes for each title with the classified pages bearing the appropriate security classification, except that all materials contained in the Military Personnel and Operation and Maintenance justification books will be unclassified. Classified exhibits will be submitted separately and explanation provided for their being classified. Fiscal data pertaining to explicitly identified portions of the Defense Intelligence Program, e.g., Consolidated Cryptologic Program, shall be classified SECRET.

The highest security classification of data included in Justification Books will be SECRET. Information requiring a higher classification will be discussed with OUSD(Comptroller) Program/Budget on an individual situation basis. Classified data will be bracketed by pencil as thus [] to permit the congressional committees to publish an unclassified version. Data not

bracketed will be assumed to be unclassified. In bracketing classified columnar data, each column will be individually bracketed. Care must be taken to assure that unclassified data are not bracketed. Security classification markings should be centered at the top and bottom of applicable pages using gummed-back markings to assure clarity. The appropriate automatic downgrading notation will be used in accordance with DoD 5200.1-R "Information Security Program Regulation". The *appropriate classification cover sheet must be utilized.*

3. Military Departments will be responsible for clearing the justification material with the Directorate for Freedom of Information and Security Review, OASD(Public Affairs) prior to transmittal to the congressional committees. OUSD(Comptroller) Program/Budget will be responsible for the security clearance of the consolidated Defense Agencies Justification Books, as necessary.

Although Defense resources included in the NFIP and TIARA are justified in specially classified and separately furnished Congressional Justification Books in accordance with Chapter 16, they are also included in the overall Defense appropriation books. NFIP and TIARA entries in conventional justification materials must be clearly annotated to indicate that they are part of intelligence or intelligence-related activities to facilitate Congressional oversight.

4. The Program and Financing, Object Classification and Personnel Summary schedules will reflect the full current year program, including those parts which require, supplemental appropriation action.

5. Computer-prepared print-outs of the Program and Financing and Object Classification Schedules (Budget Review System Report 21) will be available from OUSD(Comptroller) P/B and will be used in the Justification and Backup Books as specified for each appropriation title in the following chapters. Computer print-outs will be reduced to the size specified herein.

6. Printing of Congressional Budget

Material:

- General. Tabs will be used only where specified by OSD; McCall (edge) indexing will be used as appropriate. Justification material should be printed on both sides of the page wherever feasible. Headings for an appropriation or budget activity will appear on the initial page of the subdivision and will not be repeated on subsequent pages, except RDT&E Program Element Listings. The Components will work with DPS to determine the most appropriate and quickest method of printing and fastening each of the books subject to the guidance by appropriation title below.

- Military Personnel. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

- Operation and Maintenance. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

- Research, Development, Test and Evaluation. Material is to be printed horizontally (landscape) on both sides of the page on 11" x 8½" paper using a 1" margin on the side to be bound and 1/2" for other edges. Components will request DPS to reduce all larger pages to the standard 11" x 8½" size so that all of the pages in each book are consistent in size. The material will be printed head to toe with 3 holes punched across the top margin. The following is the fastening preference:: staples, screw posts, ACCO fasteners, etc.. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Books are to be a maximum range of about 600-650 pages where possible (300-325 sheets of paper printed both sides).

Since the justification material is printed double sided, then each PE package must begin on the

front side of a new page. " When the last page of a PE package does not end on the backside of the paper, then a blank page must be inserted with the wording "This page intentionally left blank in bold letters, centered on the page. The reason for this is so that the justification material can be easily broken apart and sorted by PE with all of the pertinent exhibits.

For those Components that have a large number of PEs and printing the material all in one volume is impractical, it is preferred that the justification material be submitted by budget activity with the science and Technology budget activities (BA 1 through BA 3) printed in one volume and the remaining budget activities printed in a separate volume or in individual volumes. Each separate book should include an R-1 listing and a table of content indicating which volume and page the applicable program element can be found.

- Procurement. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

- Military Construction. The justification material for Military Construction will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. All exhibits will be printed utilizing white paper. . Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

- Family Housing. The justification material for Family Housing will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. . Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

- Base Closure. The justification material for Base Closure will be provided on 8.5" x 11" paper,

typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

- Revolving Funds. Justification books for revolving funds are to be submitted in one volume with 3 sections: Component Overview; Operating Budget and Capital Budget. Component Overview and Operating Budget sections are to be printed in portrait format (vertically) on 8.5" x 11" paper head to head on 2 sides. Capital budget exhibits are to be printed in landscape format (horizontally) on 11" x 8.5" paper head to toe on 2 sides. Budget submitting offices should ensure that all narrative type is consistent. All justification material will be punched to fit standard three-hole binders. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

- Information Technology. Justification material will be provided on 8.5" x 11" paper typed across the short dimension of the paper (portrait) and bound on the left side with stapless, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Copies to be provided to OUSD (C) for congressional distribution should not be bound but should have 3 holes punched in the left margin for use in standard 3-ring binders.

7. Justification book cover inserts will be 220 index stock using the following colors: Army - green; Navy - buff; Air Force -blue; Defense Agencies (including the U.S. Special Operations Command and the U.S. Transportation Command) - white. Covers will bear the appropriate security markings, title of the volume as specified herein, the phrase "Submitted to Congress February 19...", and the appropriations included.

8. The use of acronyms and abbreviations in the justification material should be held to a minimum. However, where acronyms and abbreviations are used, they must be identified on the page on which they appear.

9. The exhibit numbers used in this section are for reference purposes only and should not be used in the Justification Books.

C. Submission of Justification Books for Review

1. Before the justification material can be released to the Congress, it must be reviewed by the appropriate DoD (Comptroller) directorate to ensure that policies and decisions made by the President and Secretary of Defense are fully reflected. Accordingly, three advance sets of Justification Books will be forwarded to the appropriate DoD(Comptroller) directorate for review. The following is a list of the directorates:

Directorate for Operations,
3D868, 697-9317

Directorate for Investment,
4B916, 695-5507

Directorate for Revolving Funds,
3B866, 697-1880

Directorate for Construction,
3D841, 697-4829

Directorate for Information
Technology Financial Management,
1B650, 693-8344

In addition, 5 sets of the Communications, Command and Control (C³) Programs Justification Books will be delivered to the ASD(C³I), Room 3D228; 3 sets of Information Technology justification material will be delivered to the ASD(C³I), Director, Information Technology Resources, Room 3D200; and 1 set of the Military Personnel Justification Books for the Reserve Components will be delivered to OASD(RA), Room 2D528.

The Military Departments should also send two copies of advance sets of justification books to Directorate for Freedom of Information and Security Review (Room 2C757, Pentagon) for clearance. Clearing material through this Directorate should be accomplished piecemeal to expedite the final review. Clearance by OUSD(Comptroller) P/B will be evidenced by an approval from the applicable Program/Budget Director, initialed on one of the advance copies of each Justification Book and returned to the applicable service. Upon advice from OUSD(Comptroller) P/B and Directorate for Freedom of Information and Security Review that the advance sets of justification books are acceptable, the DoD components will complete preparation and assembly of Justification Books.

Under no circumstances will justification material be released to congressional committees or the public prior to receipt of these clearances.

The Communications, Command and Control (C³) Justification Books will be reviewed by ASD(C³I). Ordinarily, the OUSD(Comptroller) P/B Director will not initial the advances for release until these reviews are accomplished.

2. Except as specified herein, submission dates will be provided in separate correspondence from OUSD(Comptroller) Program/Budget.

010402 Supplemental and Amended
Appropriations Requests

A. Organization of Supplemental Appropriations Requests Justification Books

1. Justification Books in support of supplemental appropriations requests will be prepared by OUSD(Comptroller) P/B, based on material furnished by the DoD Components. Justification materials will be addressed in separate correspondence from OUSD(Comptroller) P/B.

2. The Justification Book will be arranged as follows:

a. Table of Contents and Summaries. These items will be prepared by OUSD(Comptroller) P/B.

b. Section 1 - Title I - Proposed Appropriations for Various Programs. This section will contain appropriate language, narrative justifications, and any special exhibits in support of program supplemental requests. The appropriation language will be extracted by OUSD(Comptroller) P/B from the Budget Appendix. Supplemental appropriation requests related to all program supplemental will be supported by a narrative justification in the format of Exhibit PB-37A, provided in Section 010603.

B. Organization of Amended Appropriations Requests Justification Books

1. A separate abbreviated Justification Book will be prepared by OUSD(Comptroller) each Military Department for each affected appropriation title;

e.g., Operation and Maintenance; Procurement; RDT&E; etc. (Additional justification materials required of Defense Agencies and for Defensewide accounts will be identified in separate correspondence from OUSD(Comptroller). Related Justification Books will be prepared by OUSD(Comptroller) P/B.) Each Book should be stapled but must contain holes punched to fit existing Justification Book binders. (NOTE: Depending on the magnitude of a particular budget amendment; i.e., number of DoD components and appropriation accounts affected, single Justification Books may be prescribed for each DoD component, or a single Justification Book may be prepared by OUSD(Comptroller) P/B with input from the affected DoD components.)

2. Each Justification Book will contain the following, as a minimum:

a. A single Table of Contents

b. By individual appropriation account:

(1) Revised appropriation language (retyped from Budget Appendix to reflect revised request).

(2) Budget Amendment Summary, in the format of Exhibit PB-37R (see Sec 0107), highlighting changes to the pending request.

(3) Program and Financing Schedule (abbreviated) in the format of Exhibit PB-37S (see Section 010603). Both the Budget Plan and Obligation Plan will be shown for multi-year accounts.

(4) Narrative Justification by Budget Activity in the format of Exhibit PB-37T (see Section 010603). Narrative will discuss dollar, quantity, personnel changes, etc., at least at the level of changes indicated on the Budget Amendment Summary (Exhibit PB-37R).

(5) Existing P-1 and R-1 Exhibits will be marked up to indicate changes resulting from the proposed amendment.

(6) Procurement Justification material and R&D Descriptive

Summaries will be retyped, where applicable, to encompass changes resulting from the proposed amendment.

3. Three advance sets of materials will be forwarded to the Directorate for Plans and Systems, OUSD(Comptroller), Room 3A862. Two copies should also be submitted at that time to Directorate for Freedom of Information and Security Review, Room 2C757, for security clearance. Other appropriate provisions of Section 010401 of this Regulation pertain. Military Departments will make the same distribution of above Books as for regular congressional justification materials.

C. References Additional instructions are contained in OMB Circular A-11.

010403 Distribution

A. Copies of OSD-generated justification materials for congressional distribution will be delivered to OUSD(Comptroller), Plans and Systems, Room 3A862.

B. Copies for congressional committees, GAO, Library of Congress, CBO, and OMB, etc. will be delivered directly by each Military Department. OUSD(Comptroller) (P/B) will distribute copies of the consolidated Defense Agencies justification material. The DASD(C3I) (Information Technology Resources) will distribute copies of the Information Technology Justification Book.

C. In addition, copies of the unclassified and/or declassified justification material are to be provided to the Defense Technical Information Center (DTIC) and the National Technical Information Service (NTIS) for their utilization in responding to requests for such material. This excludes Procurement Backup Books and the O&M Data Books. With this procedure, all requests for justification book material that are received under the Freedom of Information Act by DoD components should be referred to DTIC or NTIS. A distribution limitation statement "UNCLASSIFIED, DISTRIBUTION UNLIMITED, APPROVED FOR PUBLIC RELEASE" must accompany copies provided to DTIC. As a reminder, for Freedom of Information requests received prior to DTIC/NTIS

being provided the unclassified or declassified material, it is the responsibility of the DoD component to comply with the request in accordance with DoD 5400.7-R. Distribution of material will be made after the congressional copies have been provided for justifications that initially are unclassified, and as soon as possible after declassification has been completed for those books that are classified. Eleven (11) copies to NTIS and two (2) to DTIC are required.

D. Copies identified in the “Reserve” column of the distribution tables should be retained by components for unanticipated requests for copies that would be inappropriate to send to DTIC or NTIS.

E. Copies for OSD will be delivered directly by each Military Department to the offices listed. Total distribution including the number of copies are also provided on the following tables. *Advance books (40) are required to be produced by the due dates so that immediate distribution may be made to the congressional committees. The remaining quantities will be delivered/distributed 3 to 5 days thereafter.*

Distribution Delivery Points

USD(Comptroller)		
Plans & Systems (P&S)	3A862	697-2124
Operations (OPS)	3D868	697-9317
Investment (INV)	4B916	695-5507
Military Construction (MILCON)	3D841	697-4829
Revolving Funds (REV FUNDS)	3B866	697-1880
Program & Financial Control (P&FC)	3B872	697-0021
Accounting Policy (AP)	3A882	695-7000
Information Technology		
Financial Management (ITFM)	1B650	693-8343
Performance Measures and Results	1A658	614-9153
Chief Financial Officer (CFO) Support Office	1B728	614-0358
Director, PA&E	2D278	695-7710
USD(Acquisition & Technology) Mail Room	3D139	697-6112
USD(Policy)	4B926	697-9478
ASD(C ³ I) Mail Room	3E209	695-6549
USD(Personnel & Readiness)	3C980	697-0617
ASD(HA)	3E321	697-8979
ASD(RA)	2D528	697-3962
ASD(LA)	3D918	614-8423
ASD(PA)	2E811	697-5007
The Joint Staff (J-8)	1E963	695-7064
DOT&E	3E333	695-1565
Ballistic Missile Defense Office (BMDO)	1E1037	693-1640
DMA	HQ DMA Program/Budget Office Attn: HQ DMA(CM) (Stop A-4) 8613 Lee Highway Fairfax, VA 22031-2137	(703) 285-9209
OIG, DoD	Attn: A&IM/FMD 400 Army Navy Drive Arlington, VA 22202-2884	(703) 614-0494
DARPA	Comptroller 3701 North Fairfax Drive., 9th Floor Arlington, VA 22203-1714	(703) 696-2393
OMB	Executive Office of the President OMB National Security Division, NEOB, Room 10001 Washington, D.C. 20503	(202) 395-4734
Arms Control & Disarmament Agency (ACDA)	ACDA/VI Room 5741 320 21st Street, N.W. Washington, D.C. 20451	(202) 647-8090

GAO	Assistant Comptroller General for National Security and International Affairs Attn: Director, NSIAD/DMTAG 441 G Street, NW --Room 5001 Washington, DC 20548	(202) 275-8428
Library of Congress	Rm. LM-208 (202) Attn: Bruce Krafte James Madison Library Bldg. 1st St. & Independence Ave., S.E. Washington, D.C. 20540	(202)707-8831
Defense Technical Information Center (DTIC)	ATTN: OCC Ft Belvoir Headquarters Complex (FBHC) Suite 0928 8725 John J Kingman Rd Ft Belvoir, VA 22060-6220	(703)767-9030
National Technical Information Service (NTIS)	ATTN: Military Publications 5285 Port Royal Road Springfield VA, 22161	(703)487-4684

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
MILITARY PERSONNEL ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O E T S A L
		P & S	O P S	I N V	M I L C O N	M E V F U N D	P & F C	A P	I T F M		C F O	P A & E															
<u>Military Personnel Army</u>																											
Justification Book	2	1	4								2	1	3	1	6	8	2	1	2	2	2				1		36
In-house Backup Exhibits (MP)		1	4									1	3	1	6	8	2			2	2				1		31
<u>Military Personnel Navy</u>																											
Justification Book	2	1	4								2	1	3	1	6	8	2	1	2	2	2				1		36
In-house Backup Exhibits (MP)		1	4									1	3	1	6	8	2			2	2				1		31
<u>Military Personnel MC</u>																											
Justification Book	2	2	4								2	1	3	1	6	8	2	1	2	2	2				1		36
In-house Backup Exhibits (MP)		1	4									1	3	1	6	8	2			2	2				1		31
<u>Military Personnel AF</u>																											
Justification Book	2	1	4								2	1	3	1	6	8	2	1	2	2	2				1		36
In-house Backup Exhibits (MP)		1	4									1	3	1	6	8	2			2	2				1		31
<u>Reserve Personnel Army</u>																											
Justification Book	2	1	4								2	1	3	1	6	4	2	1	2	5	2				1		35
In-house Backup Exhibits (MPR)		1	4									1	3	1	6	4	2			2	2				1		27
<u>Reserve Personnel Navy</u>																											
Justification Book	2	1	4								2	1	3	1	6	4	2	1	2	5	2				1		35
In-house Backup Exhibits (MPR)		1	4									1	3	1	6	4	2			2	2				1		27
<u>Reserve Personnel MC</u>																											
Justification Book	2	1	4								2	1	3	1	6	4	2	1	2	5	2				1		35
In-house Backup Exhibits (MPR)		1	4									1	3	1	6	4	2			2	2				1		27
<u>Reserve Personnel AF</u>																											
Justification Book	2	1	4								2	1	3	1	6	4	2	1	2	5	2				1		35
In-house Backup Exhibits (MPR)		1	4									1	3	1	6	4	2			2	2				1		27
<u>Natl Guard Personnel Army</u>																											
Justification Book	2	1	4								2	1	3	1	6	4	2	1	2	5	2				1		35
In-house Backup Exhibit (MPR)		1	4									1	3	1	6	4	2			2	2				1		27
<u>Natl Guard Personnel AF</u>																											
Justification Book	2	1	4								2	1	3	1	6	4	2	1	2	5	2				1		35
In-house Backup Exhibits (MPR)		1	4									1	3	1	6	4	2			2	2				1		27

* Provide unclassified/declassified data only.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
MILITARY PERSONNEL ACCOUNTS**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B G R R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F S U B	D E F M I N	M C N M I N	M C N M I N	D E F S U B	D E F M I N	M C N M I N	M C N M I N												
Military Personnel, Army Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	92
Military Personnel, Navy Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	92
Military Personnel, MC Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	92
Military Personnel, AF Justification Book	2	2		3	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	92
Reserve Personnel, Army Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	89
Reserve Personnel, Navy Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	89
Reserve Personnel, MC Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	89
Reserve Personnel, AF Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	89
Natl Guard Personnel, Army Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	89
Natl Guard Personnel, AF Justification Book	2	2		2	3	1			2	1			5	6	1	1	2	2	2	1	2	11	10	89

* Provide unclassified/declassified data only.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O E T N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E															
O&M Army	3																										
Justification Book (Vol 1)		1	5						1		2	1	14	1	12	6		1	2	2	2				1		51
Data Book (Vol 2)		1	5								2	1	14	1	12	6		1		2	2				1		48
Real Property Maint & Minor Construction (Vol 3)		1	5		2						2	1	14	1	12	2		1	2		2				1		46
In-house Backup Exhibits		1	5								2	1	14	1	12	6					2				1		45
O&M Navy	3																										
Justification Book (Vol 1)		1	5						1		2	1	14	1	12	6		1	2	2	2				1		51
Data Book (Vol 2)		1	5								2	1	14	1	12	6		1		2	2				1		48
Real Property Maint & Minor Construction (Vol 3)		1	5		2						2	1	14	1	12	2		1	2		2				1		46
In-house Backup Exhibits		1	5								2	1	14	1	12	6					2				1		45
O&M Marine Corps	3																										
Justification Book (Vol 1)		1	5						1		2	1	14	1	12	6		1	2	2	2				1		51
Data Book (Vol 2)		1	5								2	1	14	1	12	6		1		2	2				1		48
Real Property Maint & Minor Construction (Vol 3)		1	5		2						2	1	14	1	12	2		1	2		2				1		46
In-house Backup Exhibits		1	5								2	1	14	1	12	6					2				1		45
O&M Air Force	3																										
Justification Book (Vol 1)		1	5						1		2	1	14	1	12	6		1	2	2	2				1		51
Data Book (Vol 2)		1	5								2	1	14	1	12	6		1		2	2				1		48
Real Property Maint & Minor Construction (Vol 3)		1	5		2						2	1	14	1	12	2		1	2		2				1		46
In-house Backup Exhibits		1	5								2	1	14	1	12	6					2				1		45

* Provide unclassified/declassified data only.

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)														A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O R E T N A S L E	
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E																			
<u>O&M, Defensewide</u>	3																														
Justification Book (Vol 1) (Unclassified)**		1	3								2	1	14	1	12	3			1	2	2	2				1	2			47	
Justification Book (Vol 1) (Classified-DIA/NSA/DCA)**		1	3									1	14	1	12	3			1		2	2					1			41	
Data Book (Vol 2)**		1	3								2	1	14	1	12	3			1		2	2				1	2			45	
Real Property Maint & Minor Construction (Vol 3)**		1	3		2						2	1	14	1	12	1			1	2		2				1	1			44	
In-house Backup Exhibits		1	3								2	1	14	1	12	3						2					1	1			40
<u>O&M, Army Reserve</u>	3																														
Justification Book		1	4								2	1	9	1	7	4			1	2	5	2					1				40
In-house Backup Exhibits		1	4									1	9	1	7	4					5	2					1				35
<u>O&M, Navy Reserve</u>	3																														
Justification Book		1	4								2	1	9	1	7	4			1	2	5	2					1				40
In-house Backup Exhibits		1	4									1	9	1	7	4					5	2					1				35
<u>O&M, Marine Corps Reserve</u>	3																														
Justification Book		1	4								2	1	9	1	7	4			1	2	5	2					1				40
In-house Backup Exhibits		1	4									1	9	1	7	4					5	2					1				35
<u>O&M, Air Force Reserve</u>	3																														
Justification Book		1	4								2	1	9	1	7	4			1	2	5	2					1				40
In-house Backup Exhibits		1	4									1	9	1	7	4					5	2					1				35

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** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS**

Appropriations	C H A P T E R	USD(Comptroller)												A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O E T N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E																
O&M, Army National Guard	3																											
Justification Book		1	4								2	1	9	1	7	4		1	2	5	2					1		40
In-house Backup Exhibits		1	4									1	9	1	7	4				5	2					1		35
O&M, Air National Guard	3																											
Justification Book		1	4								2	1	9	1	7	4		1	2	5	2					1		40
In-house Backup Exhibits		1	4									1	9	1	7	4				5	2					1		35
Operation & Maintenance Overview**	3	2	20	1	1	4	1				2	1	1	1	11	10	10	2	2	2	2		1	1	1	1	1	77

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** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B G R R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N												
					S U B	S U B	S U B	S U B	S U B	S U B	S U B	S U B												
<u>O&M Army</u>	3																							
Justification Book (Vol 1)		2		7	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	116
Data Book (Vol 2)		2		7	3	1			2	1			10	6	1	1	2	2	2	1			10	100
Real Property Maintenance & Minor Construction (Vol 3)		2		7	3	1			2	1			10	6	1	1	2	2	2	1			10	98
<u>O&M Navy</u>	3																							
Justification Book (Vol 1)		2		7	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	116
Data Book (Vol 2)		2		7	3	1			2	1			10	6	1	1	2	2	2	1			10	100
Real Property Maintenance & Minor Construction (Vol 3)		2		7	3	1			2	1			10	6	1	1	2	2	2	1			10	98
<u>O&M Marine Corps</u>	3																							
Justification Book (Vol 1)		2		7	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	116
Data Book (Vol 2)		2		7	3	1			2	1			10	6	1	1	2	2	2	1			10	100
Real Property Maintenance & Minor Construction (Vol 3)		2		7	3	1			2	1			10	6	1	1	2	2	2	1			10	98
<u>O&M Air Force</u>	3																							
Justification Book (Vol 1)		2		7	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	116
Data Book (Vol 2)		2		7	3	1			2	1			10	6	1	1	2	2	2	1			10	100
Real Property Maintenance & Minor Construction (Vol 3)		2		7	3	1			2	1			10	6	1	1	2	2	2	1			10	98

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JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST

OPERATION AND MAINTENANCE ACCOUNTS

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B R R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
Q&M. Defensewide	3																							
Justification Book (Vol 1)- Unclassified**		2		10	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	115
Justification Book (Vol 1)- Classified**		2		10	3	1			2	1			10	6	1	1	2	2	2				10	94
Data Book (Vol 2)**		2		10	3	1			2	1			10	6	1	1	2	2	2	1			10	100
Real Property Maint & Minor Construction (Vol 3)**		2		10	3	1			2	1			10	6	1	1	2	2	2	1			10	99
Q&M. Army Reserve	3																							
Justification Book		2		5	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	102
Q&M. Navy Reserve	3																							
Justification Book		2		5	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	102
Q&M. Marine Corps Reserve	3																							
Justification Book		2		5	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	102
Q&M. Air Force Reserve	3																							
Justification Book		2		5	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	102
Q&M. Army National Guard	3																							
Justification Book		2		5	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	102
Q&M. Air National Guard	3																							
Justification Book		2		5	3	1			2	1			10	6	1	1	2	2	2	1	2	11	10	102
Operation & Maintenance Overview**	3	10			5	1			5	2			25	6	1	1	2	2	2	1	2	11	10	164

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - ARMY**

Appropriation	C H A P T E R	USD(Comptroller)										A & T	P O E I C Y	C 3 I	P & R	H A	L A	P A	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O E T N A L S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O															
<u>Aircraft Procurement, Army</u> Committee Staff Procurement Backup Book	4	1		3							2	18	1	11	1		1		2	2				1		43
<u>Missile Procurement, Army</u> Committee Staff Procurement Backup Book	4	1		3							2	18	1	11	1		1		2	2				1		43
<u>Proc of W&TCV, Army</u> Committee Staff procurement Backup Book	4	1		3							2	18	1	11	1		1		2	2				1		43
<u>Proc of Ammunition, Army</u> Committee Staff Procurement Backup Book	4	1		3							2	18	1	7	2		1		2	2				1		40
<u>Other Procurement, Army</u> Committee Staff Procurement Backup Book	4	1		3							2	18	1	12	1		1		2	2				1		44

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - ARMY**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N G B R R A E S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N												
					S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N												
Aircraft Procurement, Army Committee Staff Procurement Backup Book	4	2	1	9	4	1			3	1			6	6								10	85	
Missile Procurement, Army Committee Staff Procurement Backup Book	4	2	1	9	4	1			3	1			6	6								10	85	
Proc of W&TCV, Army Committee Staff Procurement Backup Book	4	2	1	9	4	1			3	1			6	6								10	85	
Proc of Ammunition, Army Committee Staff Procurement Backup Book	4	2	1	9	4	1			3	1			6	6								10	83	
Other Procurement, Army Committee Staff Procurement Backup Book	4	2	1	9	4	1			3	1			6	6								10	87	

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JUSTIFICATION MATERIAL SUPPORTING
THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - NAVY

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O R E T N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E															
<u>Aircraft Procurement, Navy</u> Committee Staff Proc. Backup Book	4	1		3								2	18	1	11	1		1		2	2				1		43
<u>Weapons Procurement, Navy</u> Committee Staff Proc. Backup Book	4	1		3								2	18	1	11	1		1		2	2				1		43
<u>Shipbldg & Conversion, Navy</u> Committee Staff Proc. t Backup Book	4	1		3								2	18	1	7	1		1		2	2				1		39
<u>Other Procurement, Navy</u> Committee Staff Proc. Backup Book	4	1		3								2	18	1	12	2		1		2	2				1		45
<u>Procurement, MC</u> Committee Staff Proc. Backup Book	4	1		3								2	18	1	11	2		1		2	2				1		44

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - NAVY**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B G R R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>Aircraft Procurement, Navy</u>	4																							
Committee Staff Proc. Backup Book		2	1	9	4	1			3	1			6	6									10	85
<u>Weapons Procurement, Navy</u>	4																							
Committee Staff Proc. Backup Book		2	1	9	4	1			3	1			6	6									10	85
<u>Shipbuilding & Conversion, Navy</u>	4																							
Committee Staff Proc. Backup Book		2	1	9	4	1			3	1			6	6									10	81
<u>Other Procurement, Navy</u>	4																							
Committee Staff Proc. Backup Book		2	1	9	4	1			3	1			6	6									10	88
<u>Procurement, MC</u>	4																							
Committee Staff Proc. Backup Book		2	1	9	4	1			3	1			6	6									10	87

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - AIR FORCE**

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E															
<u>Aircraft Procurement, AF</u> Committee Staff Proc. Backup Book	4	1		3								2	18	1	11	1		1		2	2				1		43
<u>Weapons Procurement, AF</u> Committee Staff Proc. Backup Book	4	1		3								2	18	1	11	1		1		2	2				1		43
<u>Other Procurement, AF</u> Committee Staff Proc. Backup Book	4	1		3								2	18	1	12	2		1		2	2				1		45

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - AIR FORCE**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L I N B G R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N												
					S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N												
<u>Aircraft Procurement, AF</u> Committee Staff Procurement Backup Book	4	2	1	12	4	1			3	1			6	6									10	88
<u>Weapons Procurement, AF</u> Committee Staff Procurement Backup Book	4	2	1	12	4	1			3	1			6	6									10	88
<u>Other Procurement, AF</u> Committee Staff Procurement Backup Book	4	2	1	12	4	1			3	1			6	6									10	91

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENTS BUDGET REQUEST
PROCUREMENT ACCOUNTS - OTHER**

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E															
<u>Procurement, Def Agencies**</u> Committee Staff Proc. Backup Book	4	1		2								2	18	1	11	1		1		2	2				1		42
<u>Natl Guard & Reserve Eq</u> Justification Book**	4	1		2							2	2	18	1	7	1		1	2	2	2				1		42
<u>Defense Production Act</u> Justification Book	4	1		2							2	2		1	10	1		1	2	2	2				1		27
<u>Chemical Agents & Munitions</u> <u>Destruction, Def</u> Committee Staff Proc. Backup Book	4	1		2								2	9	1	5	1		1		2	2				1		27
<u>Multiyear Procurement</u> Justification Book**	4	1		2							2	2	18	1	11	1		1	2		2				1		44
P-1, Procurement Programs**	1	1		17	4						2	2	29	3	20	1		1	2	2	2	1		1	1		89

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - DEFENSE-WIDE**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B R R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>Procurement, Def-wide</u> Committee Staff Procurement Backup Book**	4	2	1	9	4	1			2	1			6	6									10	85
<u>Natl Guard & Reserve Eq</u> Justification Book**	4	2	1		2	1			2	1			6	6	1	1	2	2	2	1	2	11	10	95
<u>Defense Production Act</u> Justification Book	4	2			2	1			2	1			3	3	1	1	2	2	2	1	2	11	10	73
<u>Chemical Agents & Munitions</u> Destruction, Def Committee Staff Procurement Backup Book	4	2	1	4	4	1			2	1			3	3									10	58
<u>Multiyear Procurement</u> Justification Book**	4	2	1	8	6	1			3	2			6	6	1	1	2	2	2	1	2	11	10	111
<u>P-1, Procurement Programs**</u>	1	6	1	14	20	1			20	2			70	30	1	1	2	2	3	2			25	290

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E															
RDT&E, Army Budget Item Justification Book Project Listing	5	1		3 2	1						2	2 2	27	1	11	1		1	2		2	1	1		1	1	58 4
RDT&E, Navy Budget Item Justification Book Project Listing	5	1		3 2	1						2	2 2	27	1	11	1		1	2		2	1	1		1	1	58 4
RDT&E, AF Budget Item Justification Book Project Listing	5	1		3 2	1						2	2 2	27	1	11	1		1	2		2	1	1		1	1	58 4
RDT&E, Defense Agencies Budget Item Justification Book** Project Listing	5	1		3 2	1						2	2 2	27	1	11	1		1	2		2	1	1	1	1	1	59 4
R-1, RDT&E Programs**	5	1		17	4						2 *	2	34	3	20	1		1	2		2	1	1	1	1	1	94

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O N B R R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F	D E F	M C N	M C N	D E F	D E F	M C N	M C N												
					S U B	M I N	S U B	M I N	S U B	M I N	S U B	M I N												
<u>RDT&E Army</u> Budget Item Justification Book	5	3	1	14	4	1			3	1			10	6	1	1	2	2	3	1	2	11	60	184
<u>RDT&E Navy</u> Budget Item Justification Book	5	3	1	6	4	1			3	1			10	6	1	1	2	2	3	1	2	11	60	176
<u>RDT&E AF</u> Budget Item Justification Book	5	3	1	10	4	1			3	1			10	6	1	1	2	2	3	1	2	11	60	180
<u>RDT&E Defense Agencies</u> Budget Item Justification Book**	5	3	1	12	2	1			2	1			5	4	1	1	2	2	3	1	2	11	60	182
<u>R-1 RDT&E Programs**</u>	5	6	1	13	20	1			20	2			70	30	1	1	2	2	3	2			60	329

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JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
REVOLVING AND MANAGEMENT FUNDS

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O E T N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E															
<u>Defence Business Operations Fund</u> Justification Book-Army, Navy, Air Force, Defensewide	9	1	1	1		15			1		2	5	6	1	12	4	2	1	2		2				1		57
<u>Public Enterprise, Management Fund, and Trust Fund</u> Justification Book	10	1	1	1		10					2	5	6	1	11	1		1	2		2				1		45

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
REVOLVING AND MANAGEMENT FUNDS**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	L I B R A R Y C O N G.	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>Defense Business Operations Fund</u> Justification Book -Army, Navy, Air Force, Defensewide	9	2		7	4	1			2	2			10	4			2	2	2	1	2	11	10	129
<u>Public Enterprise, Management Fund and Trust Fund</u> Justification Book	10	2		7	2	1			2	1			5	2			2	2	2	1	2	11	10	98

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNTS**

Appropriation	C H A P T E R	USD(Comptroller)										A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O E T N A S L E	
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O																P A & E
<u>MilCon, FH, & Homeowners Assist, A</u> Justification Book	6	1			2						2	1	8	1	7	2	1	1	2		2				1		31
<u>Mil Const & Family Housing, N & MC</u> Justification Book	6	1			2						2	1	8	1	7	1	1	1	2		2				1		30
<u>Mil Const & Family Housing, AF</u> Justification Book	6	1			2						2	1	8	1	7	1	1	1	2		2				1		30
<u>Mil Const & Family Housing, Defencewide</u> Justification Book**	6	1			2						2	1	8	1	7	1	1	1	2		2				1		30
<u>Military Construction, Army Reserve</u> Justification Book	6	1			2						2	1	8	1	7	1		1	2	2	2				1		31
<u>Mil Construction N & MC Reserve</u> Justification Book	6	1			2						2	1	8	1	7	1		1	2	2	2				1		31
<u>Military Construction, AF Reserve</u> Justification Book	6	1			2						2	1	8	1	7	1		1	2	2	2				1		31
<u>Military Const, Army National Guard</u> Justification Book	6	1			2						2	1	8	1	7	1		1	2	2	2				1		31
<u>Military Const, Air National Guard</u> Justification Book	6	1			2						2	1	8	1	7	1		1	2	2	2				1		31
<u>NATO Security Investment Program</u> Justification Book	6	1			2						2	1	8	2	6	1		1	2		2				1		29
<u>C-1 Construction Programs**</u>	6	1		1	10						2	1	8	3	16	1		1	2	2	2			1	1		52

* Provide unclassified/declassified data only.

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits to the appropriate USD (comptroller) Directorate for consolidation and subsequent distribution.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNTS**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B 0	C L O N G R R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>MilCon, Family Hsg. Homeowners Assist. Army</u> - Justification Book	6	2		5			1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	89
<u>Mil Const & Family Housing, N & MC</u> Justification Book	6	2		5			1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	88
<u>Mil Const & Family Housing, AF</u> Justification Book	6	2		5			1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	88
<u>Mil Const & Family Housing, Defensewide</u> - Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	85
<u>Military Construction, Army Reserve</u> Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	85
<u>Military Construction, N & MC Reserve</u> - Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	85
<u>Military Construction, AF Reserve</u> Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	85
<u>Military Const, Army National Guard</u> Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	85
<u>Military Const, Air National Guard</u> Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	85
<u>NATO Security Investment Program</u> Justification Book	6						1	1			1	1	7	2	1	1	2	2	2	1	2	11	15	81
<u>C-1, Construction Program</u>	6	2		4			6	1			10	5	30	20	1	1	2	2	2	1		15		155

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
BASE REALIGNMENTS AND CLOSURES (BRAC)**

Appropriation	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O R E T N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E															
<u>BRAC - Army</u> Justification Book	7	1	1		2						2	1	6	1	10	2	1	1	2	1	2				1		34
<u>BRAC - Navy</u> Justification Book	7	1	1		2						2	1	6	1	10	2	1	1	2	1	2				1		34
<u>BRAC - Air Force</u> Justification Book	7	1	1		2						2	1	6	1	10	2	1	1	2	1	2				1		34
<u>BRAC - DLA</u> Justification Book	7	1	1		2						2	1	6	1	10	2	1	1	2	1	2				1		34
<u>BRAC - DISA</u> Justification Book	7	1	1		2						2	1	6	1	10	2	1	1	2	1	2				1		34

*Provide unclassified/declassified data only.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
BASE REALIGNMENTS AND CLOSURES (BRAC)**

Appropriation	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N G R R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U N T M A L
					D E F S U B	D E F M I N	M C N S M I N	M C N S M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>BRAC - Army</u> Justification Book	7	2					2	1			1	1	10	6	1	1	2	2	2	1	2	11	15	94
<u>BRAC - Navy</u> Justification Book	7	2					2	1			1	1	10	6	1	1	2	2	2	1	2	11	15	94
<u>BRAC - Air Force</u> Justification Book	7	2					2	1			1	1	10	6	1	1	2	2	2	1	2	11	15	94
<u>BRAC - DLA</u> Justification Book	7	2					2	1			1	1	10	6	1	1	2	2	2	1	2	11	15	94
<u>BRAC - DISA</u> Justification Book	7	2					2	1			1	1	10	6	1	1	2	2	2	1	2	11	15	94

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JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS

PROGRAM	C H A P T E R	USD(Comptroller)											A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E F O R E N S I A L S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E															
<u>Information Technology</u> Justification Book	18	1	1	1				1	1			2	1		6	2	1	1	2	1	2				2		25
<u>Intelligence Programs (DIP/TIARA)</u> Justification Book	16	1		1	2							1	4	1		1		1	2		2			1	1		18
<u>Comm., Command & Control</u> Justification Book	17	1	3	1	1							1	5	1		1		1	2		2				1		20
<u>Defense Health Programs</u> Justification Book	12	1	3	1				1			2	1			2		1	2	1	2				1		18	
<u>Drug Interdict. & Counter-drug Actys</u> Justification Book	14	1	2	1	1						2	1			11	1		1	2	1	2			1	1		28
<u>Overseas Cost Report</u> Report	15	1	5		5			1			2			1			1										16
<u>Advisory and Assistance Services</u> Exhibit	19	1	2	1																							4
<u>Overview Booklets</u> Army, Navy, and Air Force	1	5	5	4	1	1	1				2	8	22	3	20	7	2	2	2	2	50	1	1			1	140

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	O M B	A C D A	G A O	HAC(HNS)				SAC				H N S C	S A S C	H P S C I	S S C I	H B C	S B C	C B O	C L O I N B G R R A E R S Y S	D T I C *	N T I S *	R E S E R V E	T C O U T M A L
					D E F S U B	D E F M I N	M C N S U B	M C N M I N	D E F S U B	D E F M I N	M C N S U B	M C N M I N												
<u>Information Technology</u> Justification Book **	18	3		4	1	1			1	1			2	2						1	2	11	5	62
<u>Intelligence Programs (DIP/TIARA)</u> Justification Book	16				1	1			1	1			2	2	1	1			1	1	2	11	10	53
<u>Communications, Command & Control</u> - Justification Book	17	2		11	3	1			3	1			5	4	1	1	2	2	1	1	2	11	10	81
<u>Defense Health Programs</u> Justification Book	12	2			2	1			2	1			12	4	1	1	2	2	1	1	2	11	10	73
<u>Drug Interdiction & Counter-drug Actys</u> - Justification Book	14	2			2	1			2	1			10	6	1	1	2	2	1	1	2	11	10	83
<u>Overseas Cost Report</u> Report**	15	2			3	1			3	2			10	4	1	1	2	2	1	1	2	11	10	72
<u>Advisory and Assistance Services</u> Exhibit**	19	2																						6
<u>Overview Booklets</u> Army, Navy, and Air Force	1	2			2	1	1	1	2	1	1	1	5	2	1	1	2	2	1	1			10	177

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**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)										A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O	P A & E														
<u>Administrative Motor Vehicle Operations</u> In-house Backup Exhibit	19	1	2								2	1	1		1				2				1			11
<u>Commercial Activities</u> In-house Backup Exhibit	19	1	2								2	1	1		3				2				1			13
<u>Host Nation Support Costs</u> In-house Backup Exhibit	19	1	3									1			1				2				1			9
<u>Professional Mil Education Schools</u> In-house Backup Exhibit	19	1	2							1	2	1			4				2				1			14
<u>Child Development, Family Centers, and Family Advocacy Programs</u> In-house Backup Exhibit	19	1	2								2	1			4				2				1			13
<u>Budgeted Mil & Civilian Pay Raise</u> In-house Backup Exhibit	19	1	2								2	1			5				2				1			14
<u>Aeronautical & Space Programs</u> In-house Backup Exhibit	19	1		2								1	1		1				2				1			9

*Provide unclassified/declassified data only.

**JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS**

PROGRAM	C H A P T E R	USD(Comptroller)										A & T	P O L I C Y	C 3 I	P & R	H A	L A	P A *	R A	T J S	D O T & E	B M D O	D M A	O I G	D A R P A	D E T F O N A S L E
		P & S	O P S	I N V	M I L C O N	R E V F U N D	P & F C	A P	I T F M		C F O															
<u>O&M Foreign Currency Exch. Data</u> In-house Backup Exhibit	19	1	2								2	1				3				2				1		12
<u>Legislative Affairs</u> In-house Backup Exhibit	19	1	2									1				2		1		2	2			1		12
<u>Bdgt Environ Projects (Non-ER.D)</u> In-house Backup Exhibit	19	1	2								2	1				1				2				1		10
<u>Waste Minimization Capitalization Account (WMCA)</u> In-house Backup Exhibit	19	1	2									1				1				2				1		8
<u>Dependent Student Meal Pgm</u> In-house Backup Exhibit	19	1	2								2	1	1			3				2				1		13

*Provide unclassified/declassified data only.

010404 Witness Statements

A. Purpose This section provides instructions for preparation of witness statements for testimony at hearings before congressional committees.

B. Preparation

1. Each witness statement should contain a cover page that includes the name, grade/rank, and position title of the witness; the full title of the congressional committee or subcommittee before which the witness is to appear; the date the witness is to testify; the subject of the hearing; and an embargo statement "Not for Publication Until Released by the Committee" (or Subcommittee, if applicable).

2. The following line-spacing guidelines should be followed in typing statements:

a. Double space statements prepared for presentation to the committees, for easy reading by the members.

b. Single space statements that will be returned with transcripts or those prepared solely for inserting into the record.

3. The various congressional committees publish instructions for preparation of witness statements for their committee. These instructions, unique to each committee, are available from the following offices:

a. House and Senate National Security/Defense and Military Construction Appropriations Subcommittees - Directorate for Plans and Systems, USD(Comptroller) and Service Budget Liaison offices.

b. House National Security and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

c. Other Congressional committees - Instructions are normally included in the letter requesting the hearing.

4. In order to provide some background on the witness for a committee, a biographical sketch of the witness should be included in the witness statement following the cover page. This is normally not necessary for witnesses such as Service Secretaries unless they are appearing for the first time before the committee.

C. Security Review

1. DoD Directive 5400.4 calls for DoD witnesses to submit their prepared statements to the Office of the Assistant Secretary of Defense (Public Affairs) for clearance as far in advance of the required date of transmittal to a congressional committee as possible, usually 5 or more working days prior to the date clearance is desired. Upon completion of the review process, the originating office should ensure that 75 copies of unclassified statements are delivered to the Directorate for Defense Information, Office of the Assistant to the Secretary of Defense (Public Affairs), Room 2E757, Pentagon, at least 24 hours in advance of the scheduled appearance of the witness before the congressional committee. Be prepared to provide additional copies on short notice.

2. These procedures will allow the Office of the Assistant Secretary of Defense (Public Affairs) to meet news media requirements as soon as statements are released by the congressional committee or subcommittee.

D. Number of Copies

1. A chart identifying the various oversight committees' copy requirements for witness statements and the date that the statements are due to the committee is republished periodically by the Directorate for Plans and Systems, USD(Comptroller), as committee requirements change. Be careful to use the most recent chart.

2. Special care should be exercised to ensure that specified due dates are met. The committees use the witness statement in preparing for the hearing and so suspense dates are important. Committees will routinely predicate cooperation in discussing or releasing possible hearing questions or topics on the timely delivery of these statements.

3. Offices responsible for arranging the attendance of principal and supporting witnesses at a hearing normally prepare a listing of witnesses known as the Witness List. These offices will contact all involved parties to obtain the names and positions of the witnesses for the Witness List.

010405 Transcript Processing

A. Purpose This section provides instructions for processing transcripts of witness testimony at hearings before congressional committees.

B. Initial Receipt

1. The House and Senate Appropriations subcommittees on National Security/Defense, and Military Construction Appropriations provide hearing transcripts directly to Budget Liaison offices of the Services and to the Director for Plans and Systems, Under Secretary of Defense (Comptroller). All other hearing transcripts are provided directly to the Legislative Affairs office of the Services and to the Office of the Assistant Secretary of Defense (Legislative Affairs).

2. The original copy of the transcript is then provided to the office of the principal witness utilizing DD Form 1587, Record of Congressional Transcript Review, as the transmittal document. To meet committee requirements and allow time for final review by the Directorate for Freedom of Information and Security Review, Office of Assistant to the Secretary of Defense (Public Affairs), each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. DoD Directive 5400.4 provides guidance utilizing DD Form 1587. Instructions are also printed on DD Form 1587.

3. The various committees publish instructions for processing transcripts for their committee hearings. These instructions, unique to each committee, are available from the following offices:

a. House and Senate National Security/Defense and Military

Construction Appropriations Subcommittees - Directorate for Plans and Systems, USD(Comptroller) and Service Budget Liaison offices.

b. House National Security and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

c. Other congressional committees - Instructions are normally included in the letter requesting the hearing.

C. Processing Procedures

1. Upon receipt of the transcript in the office of the primary witness, that office will review and edit the transcript and prepare the necessary inserts including questions for the record. At the same time, those staff offices required to provide input to the transcript should be tasked, in writing, for their specific portion. Page and line number/question number should be referenced when tasking inserts for the record.

2. Offices providing input to transcripts should clear their internal security review office prior to providing their input to the principal witness office. After consolidation of the edit/review of the transcript and inclusion of necessary inserts, the office of the principal witness will then need to obtain the proper security clearance for the transcript and inserts from Directorate for Freedom of Information and Security Review, Office of the Assistant Secretary of Defense (Public Affairs). ADD 1790, Prepared Testimony Review must be used. DoD Directive 5400.4 provides instructions to be followed in processing the transcript through the security review process.

3. Plain bond (5-13/16" x 9-3/4") Insert for the Record, will be utilized for all inserts to congressional testimony and questions/answers for the record. Formats for completing these for the four oversight committees are provided in Section 010703.

4. After completing the security review process and required coordination's, the completed transcript should be returned to the office from which the transcript was received

(Transcript Action Monitor) for final review and delivery to the congressional committee.

5. Special care should be exercised to ensure that transcript processing suspense dates are met. The committees emphasize that the deadline dates imposed by them must be met. As the committees approach mark-up, the importance of meeting deadlines becomes even more critical. Transcripts should not be unduly delayed while gathering information for the record. If a delay is encountered, a note that the data will be furnished at some specified date should accompany the transcript and processing should proceed.

D. Page Proofs/Galleys Often committees allow DoD to review "page proof" / "galleys" of congressional testimony to ensure that changes have been incorporated and that classified data has been deleted from the version that will be made public. Extreme care must be exercised to ensure that all classified data have been excised.

010406 Appeal Process on Congressional Actions

A. Purpose Each year the actions taken by congressional committees during consideration of the DoD authorization and appropriation bills are reviewed by DoD components. This Section provides policy guidance and procedures for appealing such congressional actions.

B. Scope of Material

1. DoD appeals to congressional committees may be in the form of a letter to the appropriate committee chairman (or chairmen in the case of appeals to joint conferees), which sets forth the Department's position on the most significant programs/items impacted by congressional actions. This letter is prepared for the signature of the Secretary of Defense. Only the Secretary will provide the Department's position on appeal items.

2. DoD appeals also may be in the form of an appeal package consisting of as many as 100 or more pages, one for each action being appealed. This package is submitted to the appropriate committee by the USD(Comptroller).

It is not submitted as an enclosure to an appeal letter, but may be referred to in the letter.

3. The submission of appeal material can vary each year and is primarily dependent upon the timing of each committee's actions on the budget request. The preparation of appeal items begins when the actions of the committees become known, usually with release of the committee's report. Normally, appeal material will be modified to reflect final floor action since amendments adopted on the floor can significantly change positions reported out by the committees. In most cases, the process is as follows:

a. To Senate Armed Services Committee. This appeal is based on the actions of the House National Security Committee, as modified by House floor action.

b. To Authorization Conferees. This appeal is based on the actions of both the House National Security and Senate Authorization Committees, as modified by House and Senate floor action.

c. To Senate Appropriations Committee. This appeal is based on the actions of the House Appropriations Committee, as modified by House floor action.

d. To Appropriations Conferees. This appeal is based on the actions of both the House and Senate Appropriations Committees, as modified by House and Senate floor actions.

C. Preparation of Appeals

1. Once the actions of an oversight committee become known, DoD components normally will be requested to provide input for incorporation into the Secretary's appeal letter or appeal package. *Appeal input will be submitted in the general format of Exhibit PB-39A-1 and PB-39A-2 (provided in Section 0107) in both hard copy and on floppy disk in either Microsoft Word or WordPerfect format for DOS (with no graphics).* Components may be asked to assign a priority to the actions they want appealed.

2. All appeal materials must be unclassified. Verification that materials are

entirely unclassified must be obtained by the DoD component from the component's security review prior to submission to OSD. USD(Comptroller) will obtain clearance of the consolidated appeal package from the Directorate for Freedom of Information and Security Review, Room 2C757, the Pentagon.

D. Policy Guidance, Preparation and Coordination of Budget Appeals

1. By memorandum of May 27, 1983, Subject: "Congressional Justification of the President's Annual Defense Budget," the Secretary of Defense charged the Comptroller with the responsibility to coordinate all justification actions for his consideration that may be interpreted as reprogramming, supplementals, amendments, or appeals to the Defense budget. Therefore, in order to ensure that the Department speaks to the Congress in this area with one voice and remains consistent with the Secretary's policy direction, all appeals to congressional committees will be prepared by the USD(Comptroller).

2. The Directorate for Plans and Systems, within the Office of the USD(Comptroller) (Program/Budget), will issue instructions for submission of appeal input. Along with other Comptroller directorates, Plans and Systems will review the input and prepare a draft appeal letter and appeal package. Normally, these drafts will be sent for comments to the appropriate DoD offices. Clearance on all appeal materials will be requested from the Office of Management and Budget.

3. While responsibility for consolidation and coordination of appeal materials resides with the USD(Comptroller), all offices are responsible for ensuring that the materials they submit remain up to date. *Submitting components e.g. The Joint Staff) should provide only one position on each issue submitted.*

0105 AUTOMATION REQUIREMENTS

010501 Automated Future Years Defense Program (FYDP) Data Base

A. Purpose and Objectives. This Section provides for the maintenance of the Future Years Defense Program (FYDP) as an automated database and provides the procedures and technical guidance for the submission of program element change data as required in DoD Instruction 7045.7, "Implementation of the Planning, Programming, and Budgeting System (PPBS)" dated May 23, 1984.

B. Applicability and Scope. The provisions of this Section apply to the Office of the Secretary of Defense (OSD), the Military Departments and the Defense Agencies (hereafter referred to as "DoD Components") that contribute data to the Future Years Defense Program.

C. Reporting Requirements. Updates are required coincident with submission of the (1) Program Objective Memoranda, (2) Budget Estimates, and (3) President's Budget, and, when appropriate, (4) for major restructures of the Future Years Defense Program itself. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the DoD Comptroller amounting each update. Furthermore, Section 221 of Title 10 of the United States Code requires that: "The Secretary of Defense shall submit to Congress each year, at or about the time that the President's budget is submitted to Congress that year under section 1105(a) of title 31, a future-years defense program, (including associated annexes) reflecting the estimated expenditures and proposed appropriations included in that budget."

D. Update and Publication of Future Years Defense Program (Historical). Since the basic Future Years Defense Program Summary and Program Element Detail document reflects only the most recent prior year column of a budget cycle; and since procurement, RDT&E and military construction appropriations are available for obligational authority for multiple years; it is periodically necessary to update and publish a historical version of the Future Years Defense

Program Summary and Program Element Detail. The update and publication of this document enables the FYDP to reflect transfers, rescissions, reappropriations and other authorized adjustments to total obligational authority which might occur in multiyear appropriations, as well as to reflect actual accounting obligations.

E. Related Databases to the Future Years Defense Program. Consistent with the FYDP are separate but related databases and documents comprising the Procurement Annex, RDT&E Annex, and Construction Programs. These related databases produce the Procurement Programs Report (P-1), RDT&E Programs Report (R-1), and Construction Programs Report (C-1). Detailed information regarding these databases is provided in Sections 010502 through 010504.

F. Instructions - Preparation and Processing of Program Data for Updating the Future Years Defense Program Data File

1. General

a. Future Years Defense program data shall be submitted by DoD Components to the Directorate for Program and Financial Control (P&FC), Office of the Deputy Comptroller (Program/Budget), Room 3B872, on floppy disk as directed. The submission of code sheets (FYDP Data Format in Section 010704) will not be accepted unless specifically authorized by the Director for P&FC. If approved, the code sheets must be legible and be accompanied by Total Obligational Authority (TOA), *Defense Business Operations Fund Costs*, and Manpower Controls Format provided in Section 010704.

Floppy Disk Format:

- ASCII file.
- Character fixed record length --(length of record on code sheet -- i.e. 28 for the FYDP data transactions)
- Formatted PC DOS -- Releases 2.0 or higher.
- 5¼ Floppy disk or 3 1/2" diskette Double Sided/Double Density
or

Double Sided and High Density.

- Indicate on the front of the disk the file name, the number of transactions the file contains and level of security classification.

b. All resource changes to the data file shall be on a net change basis; that is, data currently in the file shall be revised (plus or minus) by an incremental amount to reflect the new approved position.

c. Program element codes and titles, resource identification codes, and DoD Component identifier codes are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook *dated January 1996*) and in approved decision documents not yet reflected in the handbook.

2. Submission of Changes

a. Record changes to (a) establish a new program element or (b) revise the title of an existing program element or resource identification code shall be recorded by P&FC staff.

b. Changes submitted for net change/add record resource data (FYDP Data Format as prescribed in Section 010704) need only provide specific identification of quantitative resource information by program element, resource identification code, and fiscal year.

3. TOA and Manpower Controls.

To ensure that the values of all net change data submitted by the DoD Components result in the correct revised totals when updated in the OSD data base, a hard-copy summary of controls (format in Section 010704) is required.

4. Military Pay Rates. Hard-copy average annual military pay rates and Permanent Change of Station (PCS) data, rounded to the nearest dollar for each fiscal year, is required from each Military Department with submission of each Future Years Defense Program update. A sample format is shown in Section 010704.

A. Purpose and Objectives. This section provides for the maintenance of the Future Years Defense Program (FYDP) Procurement Annex as an automated database which will be the primary structure for quantity and program cost at line item level of detail for a number of related procurement program documents. The Procurement Annex supports and should be consistent with the following documents: (1) Procurement Programs (P-1) Report and all supporting budget backup exhibits, (2) Congressional Data Sheets, (3) Selected Acquisition Report (SAR), and (4) Procurement Program and Financing Schedules of the President's Budget.

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies (hereafter referred to as "DOD Components") that contribute data to the Procurement Annex.

C. Reporting Requirements. The initial automated database was established consistent with the procurement data submitted to the Congress in support of the FY 1974 Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program Objective Memoranda, (2) Budget Estimates, and (3) President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Procurement Annex. The Procurement Annex complements the Summary and Program Element Detail Future Years Defense Program by providing resources in a line item level of detail with appropriation identification. A detailed description of line item entries is listed in Chapter 4, Section 0402 of the Budget FMR. The minimum information required in the Procurement Annex is as follows:

1. A summary by appropriation account with subtotals for DOD Components.

010502 Automated Procurement Annex Database

2. A summary of each appropriation account by budget activity with an appropriation total.

3. A detailed line item listing in budget activity / subactivity sequence.

4. Entries for the individual line items should be on the same basis as that used for budget submissions. Multiyear procurements (MYP) are identified for P-1 line items with *MYP as defined in Section 010203*. Advance procurement entries should be used as specified in *Section 040502*. Initial spares listed with the procurement item (post delivery and outfitting costs for Shipbuilding and Conversion, Navy) should be shown immediately following the line as a memorandum entry--non-add to the budget activity total.

5. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations and upward obligation adjustments as appropriate after the appropriation expires but before it is canceled.

6. Cost to complete column provides the data necessary to obtain the total procurement cost for acquisition of weapon items. It is necessary to estimate the cost of completing the approved program for major weapon systems included in the Selected Acquisition Report (SAR) reporting system and for multiyear contracts utilizing economic order quantity advance procurement. Such costs will be entered in the "cost to complete" column of the Future Years Defense Program Procurement Annex. Entries in the "cost to complete" column are not required for other procurement line entries. The "cost to complete" estimate will include: (1) the portion of the "approved quantity" to be procured beyond the FYDP, and (2) costs to complete acquisition of units procured in prior years such as outfitting and post delivery requirements for ships which will not deliver during the FYDP.

7. Security classification of line items is determined by the submitting component subject to OSD Security review. Except for information published in the unclassified version of the P-1 Report, data contained in the Procurement Annex may not be released outside

the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller). (In the case of the Procurement Annex update for the Program Objectives Memorandum, this consent must come from the Director of Program Analysis and Evaluation.)

E. General Instructions - Preparing the Procurement Programs (P-1). The P-1 document is derived from and consistent with the Future Years Defense Program Procurement Annex database. The P-1 is provided annually to the DOD Oversight Committees of the Congress coincident with the transmission by the President of the Budget of the United States Government. An unclassified version is provided to OATSD(PA) under the provisions established by the Freedom of Information Act. The unclassified P-1 is the only document from the annex data base available for public distribution. The minimum information required in the P-1 is as follows:

1. Identification codes and a detailed description of line item entries are explained in *paragraph F* below.

2. The line item data provided is PY, CY, BY1 and BY2 with an entry for unit cost data, calculated by the computer, for each line item with BY1 or BY2 data. *Ensure quantities are coded in accordance with paragraph F.8.c to ensure that a correct unit cost is calculated.*

3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. Procurement Data Elements and Record Formats

1. Codes - Appropriation Code Component Code, and Budget Activity Code are as specified in Section 010506. Budget Subactivity Code will be assigned by the responsible Military Department or Agency.

2. Item Control Number - This control number will be assigned by the responsible Military Department or Agency. Since this control number will serve to identify the item and relate it to its respective nomenclature, it will be assigned in such a way as to serve for the life of the line item in the data base. It is not to be confused with

the numeric, sequential, line item number printed in the first column of the procurement exhibit P-1. Care should be exercised by each Department that the Item Control Number be assigned to provide for additions, deletions, and generic and/or logical sequencing of line items within the budget subactivity. Uniformity among the Military Departments or Agencies will not be necessary but the code will not exceed ten (10) alphanumeric characters. The code will be entered in the data field left justified.

3. Cost Type Codes.

Authorized for use are:

Code Cost Type:

- A Weapon System Cost
- B Advance Procurement (PY)
- C Advance Procurement (CY)
- D Contract design - Historical SCN only
- E Contract Cancellation - SCN only
- F PY Unfunded Deficiencies*
- G Over Target*
- I *Future Cost/Growth Escalation* - SCN only
- J Initial Spares* (Outfitting for SCN)
(Memo non- add)
- K Post Delivery - SCN only
- L Cost Growth - SCN only
- M Shipping Escalation - SCN only
- N Completion of PY Programs*
- P Unfunded NSSN (Memo)*
- S Anticipated Escalation (Memo for historical updates)*

*Initial Spares must be identified by weapon system. The Item Control Number for each

initial spare entry must be identical to its parent weapons system.

4. Fiscal Year - The four digits of the applicable fiscal year.

5. Advance Procurement Fiscal Year - Enter the future fiscal year to which the advance procurement cost is associated.

6. Action Code -To ensure proper action against each Nomenclature Record and/or procurement data record, the following action codes are to be used:

Code 1 - Use only for nomenclature record.

Code 9 - Use only for changes to procurement program resources - Identifies all data changes either added to the file or net changes to an existing data record.

7. Program Budget Decision (PBD) Number - During the Program Budget Decision cycle only, enter PBD number (to include any revised PBDs).

8. Nomenclature Record - Enter only the proper English language title of the item to be procured which is most commonly used. Abbreviations, acronyms and codes will be avoided where possible. The item nomenclature will not exceed 45 alphanumeric characters:

a. SAR Item Designator - The single character "X" in the appropriate data field will indicate a SAR item.

b. Security Classification - Secret will be indicated as "S"; Confidential will be indicated as "C"; Unclassified will be indicated as "U."

c. Program Quantity - The quantity for a line item which has a quantity designator of "U" will be expressed in units; for a quantity designator of "T" enter the units quantity divided by 1,000; and for a quantity of "M" enter the units quantity divided by 1,000,000.

d. Identification Record -

Entries will be limited to "A" or "B" as specified and defined in Section 0401.

9. Formats are provided in Section 010704.

G. Instructions for Response to Procurement Appendix

1. General. Budget decision documents for procurement appropriations will contain a Procurement Appendix as an attachment. The Appendix requires DoD Components to record line item net changes to both quantity and TOA on SD Form 463 consistent with the expressed intent of the Program Budget Decisions (PBDs).

2. Instructions Pertaining to SD Form 463. Instructions for preparation of SD Form 463 appear on the reverse of the form. Floppy disk submissions should be made in accordance with SD Form 463 and meet the following criteria:

Floppy Disk Format:

- ASCII file.
- Character record length -- (length of record on code sheet -- i.e. 56 for the Procurement Annex data transactions).
- Formatted PC DOS - releases 2.0 or higher.
- 5¼ floppy disk or 3 1/2" diskette and
Double Sided and Double Density.
or
Double Sided and High Density.
- Attach a printed label showing the file name and the number of transactions it contains to the front of the disk.

3. All submissions will be in accordance with Procurement Data Elements and Record Formats printed in this chapter.

010503 Automated RDT&E Annex Database

A. Purpose and Objectives. This

Section provides for the maintenance of the Future Years Defense Program (FYDP) RDT&E Annex as an automated database which will be the primary structure for program element detail in a number of related RDT&E program documents. Included are the (1) RDT&E Programs (R-1) and all supporting budget backup exhibits, (2) FYDP Summary and Program Element Detail, (3) Selected Acquisition Reports, and (4) RDT&E Program and Financing Schedules of the President's Budget. The RDT&E Annex database also will be used to reconcile differences with the automated update of the Future Years Defense Program Summary and Program Element Detail for RDT&E accounts.

B. Applicability. The provisions of this Section apply to the Office of the Secretary of Defense (CSD), the Military Departments and the Defense Agencies (hereafter referred to as "DoD Components") that contribute data to the RDT&E Annex.

C. Reporting Requirements. The initial automated database was established consistent with the RDT&E data submitted to the Congress in support of the FY1976/1977 Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program Objective Memoranda, (2) Budget Estimates, and (3) President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the RDT&E Annex. The RDT&E Annex is consistent with the program element identification of resources contained in the Future Years Defense Program Summary and Program Element Detail. Data in the RDT&E Annex is summarized by appropriation account with recaps by budget activity, FYDP programs, and research category. Security classification of line items is determined by the submitting component *subject to OSD Security review*. Except for information published in the unclassified version of the RDT&E Programs (R-1) report, data contained in the RDT&E Annex may not be released outside the DoD without the written consent of the Under Secretary of Defense

(Comptroller). (In the case of the RDT&E Annex update for the Program Objectives Memorandum, this consent must come from the Director of Program Analysis and Evaluation.)

E. General Instructions - Preparing the RDT&E Programs (R-1). The R-1 document is derived from and consistent with the FYDP RDT&E Annex. The R-1 is provided annually to the DoD Oversight Committees of the Congress coincident with the transmission by the President of the Budget of the United States Government. An unclassified version is provided to OATSD (PA) under the provisions established by the Freedom of Information Act. The unclassified R-1 is the only document from the annex database available for public distribution. The minimum information required in the R-1 is as follows:

1. The program element line item data provided is PY, CY, BY1 and BY2.
2. The security classification shall be in accordance with the criteria set forth in Section 010108.
3. A detailed program element listing in budget activity sequence.

F. RDT&E Data Elements and Record Formats

1. Codes - Treasury Code, Component Code, and Budget Activity Code are as specified in Section 010506.
2. Program Element - These program element (PE) codes are published in the DoD 7045.7-H (FYDP Program Structure Handbook).
3. SAR Item Designator - The single character "X" in card column 31 in the Nomenclature Format, SD Form 463-1N, (Section 010704) will indicate a SAR item.
4. Action Code - To ensure proper action against each nomenclature record and/or RDT&E data record, the following action codes will indicate the desired action against the data base:

Code 1 - Use only for Nomenclature Record

Code 9 - Use Only for Changes to RDT&E Program Resources

5. Cost Type - Use cost type code A for program value.
6. Formats are provided in section 010704.

G. Instructions for Response to RDT&E Appendix

1. General. Budget decision documents for RDT&E appropriation will contain an RDT&E appendix as an attachment. The appendix requires the DoD components to record program element net changes to TOA on SD Form 463-1 consistent with the expressed intent of the Program Budget Decisions (PBDs).

2. Instructions Pertaining to SD Form 463-1. Instructions for preparation of SD Form 463-1 appear on the reverse side of the form. Floppy disk submissions should be made in accordance with SD Form 463-1 and meet the following criteria:

Floppy Disk Format:

- ASCII file.
- Character record length --
(length of record on code sheet -- i.e. 40 for the RDT&E Annex data transactions).
- Formatted PC DOS -- releases 2.0 or higher.
- 5¼ Floppy disk or 3 1/2" diskette
and
Double Sided and Double Density.
or
Double Sided and High Density.
- Attach a printed label showing the file name and the number of transactions it contains to the front of the disk.

3. All submissions, regardless of media will be in accordance with RDT&E data

elements and record formats printed in this chapter.

010504 Automated Construction Program Database

A. Purpose and Objectives. This section provides for the establishment of an Automated Construction Program Database to supplement the Defense components' military construction justification materials. The Construction Program also will be used to track Program Budget Decisions at the project level, track congressional action on the President's budget submissions, and provide the baseline data required for special analysis.

B. Applicability. The provisions of this section apply to all requirements financed by the Military Construction, NATO *Security Investment* Program, Base Realignment and Closure, Family Housing, *DoD Family Housing Improvement Fund* and Homeowners Assistance appropriations of the Departments of Army, Navy, Air Force and Defense-Wide as applicable.

C. Responsibilities. The DoD components will submit Construction Program data for their Active, Guard and Reserve forces construction projects, their portions of the Family Housing, *DoD Family Housing Improvement Fund* and Homeowners Assistance programs, and multi-service or national level projects for which they are executive agent as described in DoD Directive 7150.5, "Responsibilities for Programming and Financing Facilities at DoD Installations Utilized by Two or More DoD Components."

D. Reporting Requirements. Update submissions will coincide with the September budget submissions and the January budget presentation. Detailed requirements not contained herein will be specified by memorandum for all update submissions.

E. Construction Data Elements and Record Formats. The data elements authorized for entry into the Automated Construction Program Database are as follows:

1. Appropriation Code - As specified in Section 010506.

2. Component / Suffix Code - Same as above.

3. Budget Activity Code - Same as above.

4. Major Command Code - Any two digit numeric code (01 through 99) that will uniquely identify a major command for that component.

5. Location Code

a. State/Country Code - Use the applicable code given at Tables II and III at the end of Section 010504, Exigent minor construction and all other lump-sum amounts should use the worldwide unspecified state/country code "ZU."

b. Installation Code - Use any three digit numeric code, right justified zero filled, that will uniquely identify the installation within the state or country. The installation code for exigent minor construction and all other lump-sum amounts should be 9's filled.

6. Project Identification Code - Use any six digit numeric code, right justified zero filled, that will uniquely identify the project for this location. Code lump-sum values as described in Table I at the end of Section 010504. Classified projects should have a valid project identification code, but the title associated with the code should be "classified project."

7. Facility Category Code - Use the three digit code as specified in DoD Instruction 4165.14. This field will be 9's filled for "Exigent Minor Construction" and all Lump-Sum Records. Family Housing new construction projects (budget activity 01) must have a valid facility category code.

8. Fiscal Year Program - The two digits of the applicable fiscal year.

9. Action Code - To ensure proper action against each Nomenclature Record and/or Decision Record, the following action code (not to be confused with Action Document Code) will indicate the desired action against the database.

Code 1 - Use only for nomenclature record - Identifies the addition of major command.

Code 2 - Use only for nomenclature record - Identifies a change to a major command title already on file.

Code 3 - Use only for nomenclature record - Identifies the addition of an installation title record.

Code 4 - Use only for nomenclature record - Identifies a change to an installation title already on file.

Code 5 - Use only for nomenclature record - Identifies the addition of a project to the database.

Code 6 - Use only for nomenclature record - Identifies changes to a project record already on the file.

Code 9 - Use only for changes to construction program resources - Identifies all data changes either added to the file or net changes to an existing data record.

10. Cost Type - Cost type codes authorized for use are:

<u>Code</u>	<u>Cost Type</u>
A	Project Value
M	Memo non-add projects

Use the "M" code for projects proposed for authorization under the Military Construction Act but for which funding under the Military Construction Act is not proposed. (For instance, a project to be funded with prior year military construction savings or to be funded in another appropriation, such as procurement.)

11. Action Document Code - Each change, introduction of new data, or deletion of existing data to the database must be substantiated by an approved decision document. These documents are the only approved sources to reflect Secretary of Defense decisions and thereby authorize changes to the base file. The following codes are assigned to identify the appropriate documents.

- 01 Program Change Decision
- 02 Program Budget Decision
- 04 Program Decision Memorandum
- 16 Congressional Action

12. Document Decision Number - All transactions necessary to reflect the decision document directing the change will be coded consistently in this six character alphanumeric data element. Examples include, but are not restricted to the following:

<u>Type of Decision</u>	<u>Document Decision Number</u>					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
PBD	3	0	1			
PBD,Revision (1st)	3	0	1	C		
PBD,Revision (2nd)	3	0	1	C	2	
PBD,Reclama (1st)	3	0	1	R		
PBD,Reclama (2nd)	3	0	1	R	2	
PBD, Rev to 2nd Reclama	3	0	1	R	2	C

13. Approval Date - The date of the decision document which approved the changes in six digits representing year, month, and day in that order.

14. Program Cost - The TOA amount will be expressed in thousands of dollars. Negative values should be represented by a minus sign to the immediate left of the dollar amount (e.g., -4328).

15. Title - This will be the Command, Installation or Project title, depending on the action code.

16. Authorization Indicator - Code "X" in this field if the project is subject to authorization. Code "P" in this field if the project, was authorized for appropriation in a prior year or code Y if the project was authorized in a prior year.

17. Major FYDP Program - Use the two digits of the applicable major Defense Program the project supports.

18. Special Interest Indicator - Use this code to indicate if the project falls into one of the special categories given below:

- 1 = Energy Conservation
- 2 = Air Pollution Abatement
- 3 = Water Pollution Abatement
- 4 = Noise Pollution Abatement

19. Formats are provided in section 019704.

F. Level of Detail

1. Data will be reported at the level specified for the justification material (DD Form 1391) in Chapters 6 and 7. A summary of the levels required follows:

2. Military Construction 1/

- Major Construction - project detail
- Minor Construction - lump-sum for exigent minor construction
- Planning and Design - lump-sum
- Supporting Activities - project detail

3. NATO Security Investment Program - lump-sum 1/

4. Base Realignment and Closure - lump-sum 1/

5. Family Housing Construction 1/

- Construction of new housing - project detail. Under normal conditions the project title should indicate the number of units to be constructed, e.g. "NEW CONSTRUCTION (265)"

- Construction Improvements - lump-sum
- Planning - lump-sum

6. Family Housing Debt, Operation & Maintenance 1/ Lump-sum for each budget activity except Operating Expenses, which will be reported by account as shown below:

- Operating Expense

- Management Account
- Services Account
- Utilities Account
- Furnishings Account
- Miscellaneous Account

- Leasing
- Maintenance of Real Property
- Interest Payments
- Mortgage Insurance Premiums

7. Homeowners Assistance

Fund 1/

- Payment to Homeowners
- Other Operating Costs
- Acquisition of Real Property
- Mortgages Assumed

8. DoD Family Housing Improvement Fund -lump sum 1/

1/ Nomenclature records for all lump-sum values will be generated by the OSD computer system; DoD Components should not submit nomenclature records for lump-sum values.

G. General Instructions - Updating the Construction Program Database.

1. General

a. Nomenclature Records - Nomenclature or title records are used to assign names to major commands, installations and projects, and are submitted by the components on Construction System Database Nomenclature Recording Form, SD Form 463-2N. The system will determine what is being assigned a name by examining the action code.

(1.) Major Commands - To assign a major command title, specify the treasury code, component/suffix code, two digit command code, action code 1 and title. Defense-Wide, Guard and Reserve accounts should have a command of "99" and a title of the account name. To change an existing command title, specify the same data as above, but use action code 2.

(2.) Installation - To assign an installation title, specify the Treasury code, component/suffix code, location code, action

code 3, command code and title. The title should not contain the state, e.g., "Fort Bragg, North Carolina." If an installation houses elements of several commands, there should be an installation transaction for each command having a project at that installation. To change an installation title, specify the same data as above, but use action code 4. (Note - the command code cannot be changed with a "4" record.)

(3.) Project - To assign a project title specify the treasury code, component/suffix code, budget activity, location code, project identification code, action code 5, major command, major FYDP Program, facility category code, special interest indicator, authorization indicator and title. An explanation of the data elements is given in paragraph E. of this section. The following items in a project nomenclature record may be changed by using action code 6: command code, major FYDP Program, facility category, special interest and authorization indicator codes, and project title. To change any or all of these data items, specify (from the record to be changed) the Treasury code, component/suffix code, budget activity, location code, project code, action code 6, fiscal year, and one or more of the items to be changed.

b. Decision Data Records -

The data records are used to assign values or adjust values for specific projects identified by the location and project identification and are submitted by the Components on Construction System Database Decision Reading Form, SD Form 463-2. An explanation of the data elements is given in paragraph E. of this section.

2. Classification. A project may be classified due to the nature of the project, the location of the project, or both. Since the Construction Programs (C-1) is an unclassified document generated from an unclassified database, use the conventions given below to desensitize the data:

a. If the location is classified, use the applicable special State/Country code given in Tables II and III at the end of this section.

b. If the project is classified, assign the project a title of "Classified Project."

c. If both location and project are classified, use both conventions given above.

d. The various DoD Components are responsible for ensuring that the database describing their projects does not contain classified information.

3. Initial Budget Submission. The initial September budget submission of Construction Program data will be consistent with data submitted for the budget. The document serial number (positions 29-31 of SD Form 463-2) will be the PBD wherein the resources for this project will be addressed, and position 32 of the record will contain an S. (Note - Additional requirements may be specified by the Memorandum calling for the update submissions.)

4. Decisions

a. PBDs for Military Construction, *NATO Security Investment Program*, Base Realignment and Closure, Family Housing, *DoD Family Housing Improvement Fund*, and Homeowners Assistance Fund will contain a Construction Appendix sheet as an attachment. The DoD components will record net changes to TOA by project on SD Form 463-2 consistent with the intent of the PBD. The SD Form 463-2 will be submitted to OUSD(C) (P/B) within five working days after the date of the PBD. This response will be shortened toward the end of the budget review.

b. If the Construction decision is reclamaed, it must be definitized to the level of detail contained in the PBD Construction Appendix. Reclama decisions will be processed in the same manner as the original decision document; however, SD Form 463-2 must be submitted by the DoD components to OUSD(C) (P/B) within 24 hours after receipt of the reclama decision.

5. Instructions Relating to SD Form 463-2 and SD Form 463-2N. Instructions for the preparation of SD Form 463-2 and SD Form 463-2N appear on the reverse side of the forms. Floppy disks are preferred in lieu of the forms. Floppy disk format: **MUST BE** ASCII; Character record length will be the same as the length of the record on the code sheet; formatted PC DOS -

release 2.0 or higher; 5 1/4" floppy disk or 3 1/2" diskette, (double sided and double density or double sided and high density - attach an outside printed label showing the file name, Component and number of transactions). All submissions, regardless of media, will be in accordance with Construction data elements and record formats outlined in paragraph E. of this section.

6. Status Reporting. Periodic status reports in the form of an updated C-1 and audit trail reports reflecting these decision adjustments will be provided. It is essential that these status reports be reviewed by the components on a recurring basis during the Budget Review to assure all concerned that PBDs and related decisions are accurately reflected in the Construction database.

TABLE I

<u>P.L.</u>	<u>Treasury Code</u>	<u>BA</u>	<u>Valid State/Country</u>	<u>Valid Installation</u>	<u>Valid Project ID</u>
50	All	01	ALL	See Note 1	See Note 2
*		02	"ZU"	"999"	"999902"
*		03	"ZU"	"999"	"999903"
*		04	ALL	See Note 1	See Note 2
60	See Note 4	01	ALL	See Note 1	See Note 2
*		03	"ZU"	"999"	"999903"
*		04	"ZU"	"999"	"999904"
*	See Note 5	09	"ZU"	"999"	"999909"
*		10	"ZU"	"999"	"999910"
*		11	"ZU"	"999"	"999911"
*		06	"ZU"	"999"	See Note 3
*		07	"ZU"	"999"	"999907"
*		08	"ZU"	"999"	"999908"
*	4090	01	"ZU"	"999"	"999901"
*		02	"ZU"	"999"	"999902"
*		03	"ZU"	"999"	"999903"
*		04	"ZU"	"999"	"999904"
*	0834	01	"ZU"	"999"	"999901"

* Denote Budget Activities that are represented as Lump-Sum Amounts.

Note 1 - If State/Country Code is any of the special codes, installation maybe "999."

Note 2 - Must be a valid project number assigned via a nomenclature record.

Note 3 - Must be one of the following:
888805 Management Account
88810 Services Account
888815 Utilities Account
88820 Furnishings Account
88825 Miscellaneous Account

Note 4 - For 0702A - Use 7020A
For 0703N - Use 7030N
For 0704F - Use 7040F
For 0706D - Use 7060D

Note 5 - For 0702A - Use 7025A
For 0703N - Use 7035N
For 0704F - Use 7045F
For 0706D - Use 7065D

TABLE II

STATE ABBREVIATIONS

Alabama	AL	Washington	WA
Alaska	AK	West Virginia	WV
Arizona	AZ	Wisconsin	WI
Arkansas	AR	Wyoming	WY
California	CA		
Colorado	CO	District of Columbia	DC
Connecticut	CT		
Delaware	DE		
Florida	FL		
Georgia	GA		
Hawaii	HI		
Idaho	ID		
Illinois	IL		
Indiana	IN		
Iowa	IA		
Kansas	KS		
Kentucky	KY		
Louisiana	LA	<u>Special Conus Location</u>	
Maine	ME		
Maryland	MD	Conus Classified	XC
Massachusetts	MA	Conus Various	XV
Michigan	MI	Conus Unspecified	XU
Minnesota	MN		
Mississippi	MS		
Missouri	MO		
Montana	MT		
Nebraska	NE		
Nevada	NV		
New Hampshire	NH		
New Jersey	NJ		
New Mexico	NM		
New York	NY		
North Carolina	NC		
North Dakota	ND		
Ohio	OH		
Oklahoma	OK		
Oregon	OR		
Pennsylvania	PA		
Rhode Island	RI		
South Carolina	SC		
South Dakota	SD		
Tennessee	TN		
Texas	TX		
Utah	UT		
Vermont	VT		
Virginia	VA		

TABLE III

Overseas Abbreviations

Antigua	AN	Kenya	KE
Ascension Island	AI	Korea	KR
Australia	AU	Kwajalein	KW
Azores Islands	AO	Liberia	LI
Bahamas	BA	Luxembourg	LX
Bahrain Island	BI	Mariana Islands	ML
Barbados WI	BR	Midway Island	MW
Belgium	BE	Morocco	MR
Berlin	BW	Netherlands	NL
Bermuda	BM	New Zealand	NZ
Canada	CD	Norway	NW
Denmark	DN	Oman	MU
Diego Garcia	DG	Panama	PN
Egypt	EG	Philippines	PI
France	FR	Portugal	PO
Germany	GY	Puerto Rico	PR
Greece	GR	Scotland	SL
Greenland	GL	Seychelle Islands	SI
Guam	GU	Somalia	SO
Guantanamo Bay,	Cuba	GB	Spain SP
Honduras	HO	Taiwan	TA
Iceland	IC	Turkey	TK
Italy	I T	United Kingdom	UK
Japan	JA	Virgin Islands	VI
Johnston Island	JI	Wake Island	WK

Special Overseas and Worldwide Locations

Overseas Classified	YC
Overseas Various	YV
Overseas Unspecified	YU
Worldwide Classified	ZC
Worldwide Various	ZV
Worldwide Unspecified	ZU

010505 Automation Requirements for the Biennial Budget Estimates Submission

A. Purpose. The budget estimates submissions are entered in the Budget Review System from machine-readable magnetic media provided by the Military Departments and Defense Agencies. This chapter prescribes the specifications for submission of machine-readable data.

B. Submission Requirements

1. Exhibits PB-2, PB-2A, and PB-4 (on-board yearend strength only), as prescribed in Section 010305, will be supported by automated records in the record layouts specified in Section 010704 and in the detail prescribed by the Budget Account Title File Listing. All data will be listed.

2. Machine-readable data must follow the record layouts shown in Section 010704. Negative numeric values will be preceded by a minus sign. A hard copy listing of each data type must accompany the machine-readable data which will be one of the following magnetic media:

- a. 5¼ inch floppy or
3½ inch microdiskette:

Must be IBM PC/AT/386/486/*Pentium* compatible in PC DOS releases 2.0 or higher, double sided, double density, or high density format. Data will be in one or more DOS ASCII files with up to 70 characters per record. Unused portions of the record will be blank filled.

b. Data submitted must have each record followed by a carriage return and tabs between appropriated fields. *Templates with fill-in capability are available on floppy disks for use with MS Word.*

3. In addition to the hard copy exhibits specified in Section 010305, a single hard copy, listing each record, will be provided. Separate listings will be prepared for financial data, *civilian full-time equivalent (FTE)* data, and military end strength data. The format for the hard copy printout will show data in the same order as that prescribed for the record layouts. Control totals will not be included in the machine-readable data.

4. Machine-readable data conforming to paragraph B.2. of this section for all accounts, the corresponding hard copy printout, two copies of Exhibit PB-1, *two copies* each of Exhibits PB-2 and PB-2A, and two copies of Exhibits PB-4 and PB-8 will be submitted concurrently with the budget estimates and delivered to Room 3B872, Pentagon. The delivery should be made by the component designated principal or alternate coordinator for budget submissions.

5. Components unable to provide machine-readable input as specified in paragraph B.2. of this section should make prior arrangements with the Directorate for Program and Financial Control, Room 3B872, Pentagon.

C. Record Layouts

1. The following transcript sheets provide the record layout required for input on machine-readable media. Examples of these transcript sheets and their coding instructions are provided in Section 010704.

DD Form 2232	Budget Estimates Recording Form (\$), PY, CY, BY1, and BY2.
DD Form 2233	Decision Recording Form (\$), PY, CY, BY1, and BY2.
DD Form 2234	Outyear Recording Form (\$), BY+1, BY+2, BY+3, and BY+4.
DD Form 2235	Budget Estimates Recording Form (End Strength), PY, CY, BY1, and BY2.
DD Form 2236	Decision Recording Form (End Strength), CY, BY1, and BY2.
DD Form 2236-1	Outyear Recording Form (End Strength), BY+1, BY+2, BY+3, and BY+4.

2. Coding Instructions.

Coding instructions for preparation of the transcript sheets are included on the reverse of

each form. These codes are precise and must be coded as shown in the “Budget Account Title File Listing,” which lists the valid budget activity/budget subactivity codes for each appropriation as well as all valid financing and object classification codes. This listing will be distributed by the Directorate for Program and Financial Control prior to the September budget submission. In addition, Section 010506 provides a sample budget activity/budget subactivity structure as well as a listing of all valid financing and object classification codes.

D. Technical Instructions

1. Submission of Budget Estimates

a. Budget Submission

(Dollars): Coincident and consistent with the hard copy submission of the budget estimates, Military Departments and Defense Agencies, as applicable, will submit machine-readable data entries for all schedules and for all applicable budget accounts for all years. Detailed data entries only will be submitted since subtotals and summary totals are computer generated. Input data will be formatted in accordance with DD Form 2232 on a media type specified in paragraph B.2. of this section. All TOA values for PY, CY, BY1, and BY2 will be submitted on DD Form 2232 in accordance with the detail prescribed by the Budget Account Title File Listing. Amounts will be in agreement with the PB-2 and PB-2A exhibits.

b. Budget Submission

(Personnel Data): Budget estimates submission of on-board year end personnel data entries for military end strength and *civilian full-time equivalents (FTEs)* will be formatted in accordance with DD Form 2235 and will be in exact agreement with the PB-4 exhibit. Personnel data will be submitted for all years in accordance with the detail prescribed by the Budget Account Title File Listing.

2. Submission of Outyear Estimates

a. Budget Submission

(Dollars): The submission for By+1 through BY+4 TOA will be made coincident with the budget submission. Input to the database will be formatted in accordance with DD Form 2234 at the

PDM level, by appropriation account and budget subactivity.

b. Budget Submission

(Personnel Data): Budget estimates for BY+1 through BY+4 military end strength and *civilian full-time equivalents (FTEs)* will be made coincident with the budget submission. Input to the database will be formatted in accordance with DD Form 2236-1 and agree with the PB-4 exhibit.

3. Decision Recording

a. DD Form 2233 and DD Form 2236 will not be used for budget estimates submissions. These forms are used to record decisions documented by Program Budget Decisions (PBDs).

b. DD Form 2234 and DD Form 2236-1 are used for budget estimates submissions and for recording PBD decisions.

010506 Name Edit System (NES) Structure and Description

A. Purpose The NES File reflects the official Department of Defense budget account structure for submission of the budget estimates in machine-readable form (as described in Section 010505, paragraph B.2.). The structure is documented in the Budget Accounts Title File Listing, a sample of which is provided in Section 010506. The complete Budget Accounts Title File Listing will be distributed by the Directorate for Program and Financial Control to the Services and Defense Agencies prior to the September budget submission.

B. Organization of the NES File The NES File is structured to validate Budget Plan, Obligation Plan, Financing, Budget Authority, Expenditure Tail, and Object Classification input. Valid Budget Plan and Obligation plan entries are present for each appropriation account and are established at the budget activity level (in some cases, budget subactivity). These entries comprise the “Program by Activities” section for each account and must be identical to the entries shown in the hard copy Program and Financing Schedule submission. Financing, Budget Authority, Expenditure Tail, and Object Classification entries are valid for use in any applicable appropriation account. Where specific Financing, Budget

Authority and Expenditure Tail entries are restricted for use, the appropriate accounts and/or fund types against which these entries may be used are identified in the "comments" section of the Budget Accounts Title File Listing.

C. Responsibility. Responsibility for the accuracy of the NES File rests with the OUSD(C)(P/B). Components should notify the Directorate for Program and Financial Control, OUSD(C)(P/B), of any changes considered to be necessary to properly reflect budget estimates through budget subactivity level prior to transmission to OSD.

D. Input Requirements

1. Input coding for all budget estimates will be entered precisely as listed in the Budget Accounts Title File Listing. Features which should be considered in the preparation of data are:

a. The presence of a "P" and/or a "\$" in the "PER/\$\$ Inputs" column indicates those budget activities/ subactivities (program budget decision) against which resources (\$ or personnel data) maybe entered. Requests to add a "P" or a "\$" to an existing line may be made to the Directorate for Program and Financial Control, OUSD(C)(P/B), through the respective Program/Budget Directorate responsible for that appropriation.

b. Military Personnel Accounts:

(1) The Military Departments will prepare and submit the military personnel account data on a total obligation basis, not on an operations basis (see Budget Accounts Title File Listing). Machine-readable input for military personnel dollars should not be submitted by Defense Agencies.

(2) In addition, military personnel costs associated with intelligence programs will be entered under budget activity 20 (see Budget Accounts Title File Listing). An offsetting entry must be made against the "NFIP Offset" budget subactivity such that the sum of these intelligence program entries net to zero.

(3) The Military Departments. will prepare and submit end strength

data on a component basis; i.e., Army submits data on personnel assigned to Army as well as Army personnel assigned to each Defense Agency (see Budget Accounts Title File Listing). The Defense Agencies must coordinate their end strength requirements with the Military Departments prior to the Military Departments' data submissions.

c. Input coding for the Defense Business Operations Fund must include the appropriate three position budget subactivity code assigned to each business area for operating and capital expenses, *civilian full-time equivalents (FTEs)*, and military end strengths.

d. Obligation Plan data will be coded with a "2" over the preprinted "1" in column 1 for all accounts listed below and for any other "multiyear" account

0107D	Office of the Inspector General
0116D	<i>Summer Olympics</i>
0130D	Defense Health Program
0131D	Real Property Maintenance
0132D	Disaster Relief
0819D	Humanitarian Assistance
0828D	Reinvestment for Economic Growth
2031A	Aircraft Procurement, Army
2032A	Missile Procurement, Army
2033A	Procurement of Weapons and Tracked Combat Vehicles, Army
2034A	Procurement of Ammunition, Army
2035A	Other, Procurement, Army
1506N	Aircraft Procurement, Navy
1507N	Weapons Procurement, Navy
1508N	<i>Procurement of Ammunition, Navy and Marine Corps</i>
1611N	Shipbuilding and Conversion, Navy
1810N	Other Procurement, Navy
0380N	Coastal Defense Augmentation
1109N	Procurement, Marine Corps
3010F	Aircraft Procurement, Air Force
3020F	<i>Missile Procurement, Air Force</i>
3011F	<i>Procurement of Ammunition, Air Force</i>
3080F	Other Procurement, Air Force
0300D	Procurement, Defense-Wide
0350D	National Guard and Reserve Equipment, Defense
0360D	Defense Production Act

	Purchases
0390D	Chemical Agents and Munitions Destruction, Defense
2040A	RDT&E, Army
1319N	RDT&E, Navy
3600F	RDT&E, Air Force
0400D	RDT&E, Defense-Wide
0450D	Developmental Test and Evaluation, Defense
0460D	Operational Test and Evaluation, Defense
2050A	Military Construction, Army
1205N	Military Construction, Navy
3300F	Military Construction, Air Force
0500D	Military Construction, Defense- Wide
2085A	Military Construction, Army National Guard
3830F	Military Construction, Air National Guard
2086A	Military Construction, Army Reserve
1235N	Military Construction, Navy Reserve
3730F	Military Construction, Air Force Reserve
0103D	Base Realignment and Closure Account, Part I
0510A	<i>Base Realignment and Closure, Army</i>
0510N	<i>Base Realignment and Closure, Navy</i>
0510F	<i>Base Realignment and Closure, Air Force</i>
0510D	<i>Base Realignment and Closure, Defense</i>
7020A	Family Housing, Construction, Army
7030N	Family Housing, Construction, Navy
7040F	Family Housing, Construction, Air Force
7060D	Family Housing, Construction, Defense-Wide

Budget activities/subactivities F11020, F13020, F14020, F17020, F21020, and F24020 may be used only in the obligation plan for these accounts. Conversely, F17010 and F21910 may be used only in the Budget Plan. Where budget activity Rxx, Reimbursable Program, applies to both Budget Plan and Obligation Plan, separate data entries must be coded with a "1" in column 1 for Budget

Plan, and a "2" coded over the preprinted "1" in column 1 for Obligation Plan. All other financing budget activities not listed above apply to both budget plan and obligation, and therefore will be coded only once.

e. Concept Obligations will be coded budget activity C1x for Direct, C2x for Reimbursable, or C3x for the Special Fund accounts as follows:

Direct - BA C1x

8008N	Office of Naval Records& History
8063A	Ainsworth Library Trust Fund
8064A	Fisher Houses Trust Fund
8165D	Foreign National Employee Separation Pay Trust Fund
8168D	National Security Education Trust Fund
8174A	National Science Center Gift Fund
8335D	Voluntary Separation Trust Fund
8361D	<i>Reserve Mobilization Income Insurance Fund</i>
8716N	Navy General Gift Fund
8723N	Ships Stores Profits, Navy
8730N	USN Academy Museum Fund
8733N	USN Academy General Gift Fund
8927A	Army General Gift Fund
8928F	Air Force General Gift Fund
9082N	Interfund Transactions, Navy
9086D	Interfund Transactions, Defense
9088D	Interfund Transactions Foreign National Employee Separation Fund
9089D	Interfund Transactions for Voluntary Separation Trust Fund
0001A	Offsetting Receipts, Army
0002N	Offsetting Receipts, Navy
0003F	Offsetting Receipts, Air Force
0004D	Offsetting Receipts, Defense Agencies
0006A	Receipts Civil, Army
0007N	Receipts Civil, Navy
0008F	Receipts Civil, Air Force
0021A	Rocky Mountain Arsenal Receipts
0024D	Defense Cooperation Receipts
0025D	Interest on Defense Cooperation Receipts
0085N	Offsetting Receipts Kaho' Olawe

	Island Fund
0086A	Fees collected for use of National Science Center
0088D	Offsetting Receipts Disposal of Real Property, Def
0089D	Offsetting Receipts Lease of Real Property, Def
0093D	Offsetting Receipts DoD Overseas Military Facility Recovery, Def
0094A	Royalties for use of DoD Military Insignia and Trademark
0095D	Proceeds from Transfer or Disposal of Commissary Facilities

Reimbursable - BA C2X

8146D	Surcharge Collections, Sales of Commissary Stores, Defense
8418F	Air Force Cadet Fund
8423N	Midshipmen's Store, USN Academy

Special Fund (Direct) - BA C3X

5098A	Restoration of the Rocky Mountain Arsenal, Army
5185N	Kaho 'Olawe Island Fund, Navy
5188D	Disposal of Real Property
5189D	Lease of Real Property
5193D	DoD Overseas Military Facility Investment Recovery
5194A	DoD 50th Anniversary of WWII Commemoration Account, Army
5195D	Transfer/Disposal Commissary Facilities, Defense
5286A	National Science Center, Army
5441D	<i>Burdesharing and Other Cooperative Activities, Defense</i>
0041D	<i>Contributions for Burdensharing and Other Cooperative Activities, Defense (Special Fund Receipts)</i>

E. Object Classification Schedules

1. The traditional object classification numbers which are specified in OMB Circular A-11 and identify the specific object classes are augmented in the automated budget review record by a prefix code which identifies Direct Obligations (Prefix T1x), Reimbursable Obligations (Prefix T2x), Allocation Accounts (Prefix T3x), and Distribution by Component or Agency (Prefix T5x).

2. Object classification schedules with Allocation Accounts will be coded so that the sum of object classes T1xxxx, T2xxxx, and T3xxxx equals the sum of T5xxxx.

3. All revolving and management accounts will be coded in the reimbursable (Prefix T2xxxx) object class series followed by the appropriate object class number.

4. Object class data will be submitted for all accounts listed in the NES File which reflect obligations (including concept obligations) in the Program and Financing data in the PY, CY, BY1 or BY2.

F. Expenditure Tail.

1. The Expenditure Tail section of the Program and Financing Schedule (Exhibits PB-2 and 2a as shown in Section 010702) will be supported by automated records in the detail specified in Section 010506, paragraph H. The amount of this detail has been minimized to the extent possible by computer processing certain basic data. These basic data are identified as "DIRECT INPUT." All other entries are identified as "COMPUTER SUM . . ." and need not be coded by submitting components.

2. Care will be exercised in the handling and coding of arithmetic signs.

3. For revolving funds with TOA, payments in all years which are attributable to appropriations will be entered against the current year (F90110). With this exception, all remaining revolving and management fund data entries for both payments and collections will be made against the prior year and not the current year, and will be entered against F90111.

4. Expenditure tail data is required to be submitted for the following Defense Accounts:

0390D	Chemical Agents& Munitions Destruction, Defense
0804D	NATO Security Investment Program
4090D	Homeowners Assistance Fund

Components should not submit expenditure tail data for remaining Defense accounts with a

component code of D; this data will be prepared by the Directorate for Program and Financial Control, OUSD(C)(P/B).

G. Stub entries for OMB Circular A-11, Exhibit 32A, Program and Financing (excluding Expenditure Tail)

	BUDGET PLAN				OBLIGATION PLAN			
	PY	CY	BY1	BY2	PY	CY	BY1	BY2
Program by Activities:								
Direct Program:								
1. Combat Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
2. Airlift Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
3. Trainer Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
4. Other Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
5. Modification of Aircraft	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
6. Aircraft spares and repair parts	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
7. Aircraft support equipment and facilities	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
20. Undistributed	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
Total direct program (appears only if BA R0x follows)	/--	--Com	puter	sum of	Lines	1 thru	20--	---/
R01.000 Reimbursable (Total)	DI 1	DI 1	DI 1	DI 1	DI 2	DI 2	DI 2	DI 2
10.00 Total obligations	/--	--Com	puter	sum of	Lines	1 thru	Rxx--	---/
Financing:								
Receipts and reimbursements from:								
F11.000 Federal funds (-)								
F11.010 New federal fund orders	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F11.020 Adjustment to prior year federal fund orders	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F13.000 Trust funds (-)								
F13.010 New Trust fund orders	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F13.020 Adjustment to prior year trust fund orders	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F14.000 Non-federal sources (-)								
F14.010 New non-federal sources	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F14.020 Adjustment to non-federal sources	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F17.000 Recovery of prior year obligations (-)								
F17.010 Recoveries of prior year program (obligations) (-)	DI 1	DI 1	DI 1	DI 1	BLANK	BLANK	BLANK	BLANK
F17.020 Recoveries of prior year obligations (-)	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F21.000 Unobligated balance available, start of year (-):								
F21.010 Unobligated balance available, start of year (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21.020 For completion of prior year budget plans	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F21.030 Available to finance new budget plans	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21.040 Treasury balance	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21.050 U.S. Securities:								
F21.051 Par (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21.052 Unrealized discounts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21.057 Unamortized premium (-) or discount, net	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21.058 Interest purchased	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21.910 Reprogramming from or to prior year budget plans	DI 1	DI 1	DI 1	DI 1	BLANK	BLANK	BLANK	BLANK
F21.980 Unobligated balance, SOY, Fund balance	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21.983 Available	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F21.984 Unavailable	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22.000 Unobligated balance transferred, net								
F22.402 Portion applied to meet foreign currency fluctuations in exp. accts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22.405 Unobligated balance transferred to other accounts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22.410 Unobligated balance transferred from other accounts (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22.980 Fund balance transferred to other accounts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F22.985 Fund balance transferred from other accounts (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F23.000 Unobligated balance reductions								
F23.800 Red. pursuant to P.L. 99-177 in unob bal (disc)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F23.850 Reduction pursuant to P.L. 99-177 in unob bal (mand)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1

* DI means Direct Input; the number following is the required code in column 1 (1 is Budget Plan; 2 is Obligation Plan).

(continued)

	BUDGET PLAN				OBLIGATION PLAN			
	PY	CY	BY1	BY2	PY	CY	BY1	BY2
F24.000 Unobligated balance available, end of year:								
F24.010 Unobligated balance available, end of year	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.020 For completion of prior year budget plans	BLANK	BLANK	BLANK	BLANK	DI 2	DI 2	DI 2	DI 2
F24.030 Available to finance subsequent year budget plans	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.040 Treasury balance	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.050 U.S. Securities:								
F24.051 Par	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.052 Unrealized discounts (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.057 Unamortized premium or discount (-), net	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.058 Interest purchased	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.980 Unobligated balance, EOY: Fund balance	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.983 Available	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F24.984 Unavailable	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F25.000 Unobligated balance expiring:								
F25.010 Unobligated balance expiring	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F25.450 Unobligated balance expiring, reappropriation	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F27.000 Capital transfer to general fund								
F27.800 Reduction pursuant to P.L. 99-177 from off. coll (disc)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F27.850 Reduction pursuant to P.L. 99-177 from off. coll (mand)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F30.000 Deficiency (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F31.000 Redemption of debt	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F32.000 Balance of authority withdrawn								
F32.470 Balance of authority to borrow withdrawn	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F32.490 Balance of contract authority withdrawn	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F39.000 Budget Authority	/---	--Com	puter	sum of	Lines	1 thru	39--	---/
F39.010 P&FC Rounding, budget plan	DI 1	BLANK	BLANK	BLANK	BLANK	BLANK	BLANK	BLANK
F39.020 P&FC Rounding, obligation plan	BLANK	BLANK	BLANK	BLANK	DI 2	BLANK	BLANK	BLANK
F40.000 Current Authority								
F40.010 Appropriation	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.030 Offsetting receipts	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.050 Appropriation (indefinite)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.200 Appropriation (special fund)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.250 Appropriation (special fund, indefinite)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.260 Appropriation (trust fund, definite)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.270 Appropriation (trust fund, indefinite)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.350 Appropriation rescinded (-)(Current Year)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.355 Appropriation rescinded (Prior Year)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.360 Appropriation rescinded (unob bal) (Current Year)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.365 Appropriation rescinded (unob bal) (Prior Year)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.470 Portion applied to debt reduction (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.480 Portion applied to liquidate deficiencies (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.490 Portion applied to liquidate contract authority	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.500 Balance of appropriation to liquidate contract auth withdrawn	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.7xx Reduction pursuant to P.L. xxx-xxx	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.800 Reduction pursuant to P.L. 99-177 (disc) (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.850 Reduction pursuant to P.L. 99-177 (mand) (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F40.950 Undistributed FOR P&FC USE ONLY	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F41.000 Transferred to other accounts (-)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1
F41.220 Transferred to other accounts (unob bal) (specific language)	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1	DI 1

* DI means Direct Input; the number following is the required code in column 1 (1 is Budget Plan; 2 is Obligation Plan).

H. P&F Schedule Computational Checks Diagnostic Report Entries

1. Three BRS reports have been developed to provide diagnostic and balancing checks for appropriation accounts. A description of these checks and corresponding diagnostic messages follows for each report.

2. Report 22 performs a series of balancing checks between types/groups of data within an account and, in certain cases, within a Defense Agency. There are currently 20 checks:

Number

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Budget plan budget authority vs. obligation plan budget authority. 2. Obligation plan budget authority vs. financing budget authority. 3. Budget plan budget authority vs. financing budget authority. 4. Total direct program vs. total direct object classification. 5. Total reimbursable program vs. total reimbursable object classification. 6. Line 10.00, total program vs. line 99, total object classification. 7. Line 10.00, total program plus total orders vs. obligations incurred, net. 8. Recovery of prior year obligations (-) vs. adjustments in unexpired accounts (-). 9. Current year budget authority vs. current year outlays. 10. Budget plan total reimbursable program vs. budget plan offsetting collections (orders) (-). 11. Unobligated balance, end of year vs. unobligated balance, start of year one year forward. 12. Obligated balance, end of year vs. obligated balance, start of year one year forward. | <ol style="list-style-type: none"> 13. Contract authority obligated balance, end of year vs. contract authority obligated balance, start of year one year forward. 14. Contract authority obligated balance, end of year vs. contract authority obligated balance, start of year plus adjustments. 15. Obligated balances, end of year (net) vs. obligated balances, start of year (net) plus adjustments minus outlays. 16. Revolving fund TOA vs. financing budget authority, excluding contract authority and unob. bal. BA transfers. 17. Revolving fund TOA vs. TOA offset (R00). 18. Receipt budget authority vs. receipt current year outlays. 19. Deficiency balance, start of year vs. deficiency balance, end of year in the previous year. 20. Deficiency balance, end of year vs. deficiency balance, start of year plus adjustments. <p>3. The number of checks actually performed for an account will vary depending on the type of account:</p> <p>Annual (single year)
Multi-year
Revolving fund with TOA
Other revolving & management fund
Trust fund
Civil trust fund
Trust revolving fund
Offsetting receipts, military
Offsetting receipts, civil</p> <p>For example, diagnostic 6 compares Program& Financing line 10.00, total program to Object Classification line 99, total object classification. For an annual account, total program is the sum of budget plan direct (TOA) and reimbursable budget activities; for a multi-year account, the sum of obligation plan direct and reimbursable budget</p> |
|---|---|

activities; and for a trust fund, the sum of budget plan concept obligations budget activities.

4. Each diagnostic will display at a minimum a message detailing the data used, the diagnostic error message, the amounts accumulated for the check and the difference(s) found.

5. The tables that follow list the diagnostics performed for each type of account. For each diagnostic, the data used and error message(s) are displayed. The data used will be specified as budget activity (BA) or budget activity/subactivity (BASA). Error messages will describe the data type/group being tested and the test condition that fails.

Diagnostic Number	Diagnostic Description	
	ANNUAL ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03*	B3A Oxx + Rxx + (F1x thru F3x) Budget Plan Bud. Auth.	BA F4x + F5x + F6x Not = Financing Bud. Auth.
	Budget Plan	Object Classification
04*	BA Oxx Total Direct	BA T1x Not = Total Direct
05*	BA Rxx Total Reimbursable	BA T2x Not = Total Reimbursable
06*	BA 0xx + Rxx Line10.00, Total Prog.	BA Txx, excluding T5x Not = Line 99, Total Obj. C1.
	Budget Plan	Expenditure Tail
07	BA 0xx+Rxx + F11 + F13 + F14 Total Program+Orders	BASA F71010 Not = Obligations incurred, net
08	BA F17 Recovery of PY Oblig. (-)	BA F78 Not = Adj in unexpired accts (-)
09 (Warning)	Absolute (BA F4x + F5x + F6x) Curr. yr Budget Auth.	Absolute (BASA F91M10) < Curr. yr Outlays
	BUDGET PLAN	
10* (Warning)	BA Rxx, BASA F11010, F13010, F14010 REIMBURSABLE PROGRAM AND ORDERS 00 NOT OFFSET In PY, Rxx + (F11010+F13010+F14010) Not = 0 In CY, Rxx + (F11010+F13010+F14010) Not = 0 In BY1, Rxx (F11010+F13010+F14010) Not = 0 In BY2, Rxx = (F11010-F13010-F14010) Not = 0	

* - Performed at Agency level for Defense Agency accounts

Diagnostic Number	Diagnostic Description
	START/END OF PERIOD BALANCES (BUDGET PLAN)
11*	<p>BA F24, F21</p> <p>UNOBLIGATED BALANCES</p> <p>F24(py) + F21(cy) Not = 0</p> <p>F24(cy) + F21(by1) Not = 0</p> <p>F24(by1) + F21(by2) Not = 0</p>
12	<p>BA F74, F72</p> <p>OBLIGATED BALANCSS</p> <p>F74110(py) Not = F72110(CY)</p> <p>F74110(cy) Not = F72110(by1)</p> <p>F74110(by1) Not = F72110(by2)</p>
15	<p>BA F74, F71, F72, F73, F77, F78, F83, F84, F85, F90</p> <p>OBLIGATED BALANCE, EOY (NET) NOT = OBLIGATED BALANCE, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year:</p> <p>F74110 Not = F71010+F72110+F73110+F77110+F78110+F83+F84+F85-(F90110+F90111)</p> <p>In Current Year:</p> <p>F74110 No t= F71010+F72110+F73110+F77110+F78110+F83+F84+F85-(F90110+F90111)</p> <p>In Biennial Yr 1:</p> <p>F74110 Not = F71010+F72110+F73110+F77110+F78110+F83+F84+F85-(F90110+F90111)</p> <p>In Biennial Yr 2:</p> <p>F74110 Not = F71010+F72110+F73110+F77110+F78110+F83+F84+F85-(F90110+F90111)</p>
19	<p>BA F30, F83, F84</p> <p>DEFICIENCY BALANCES</p> <p>F83(cy) Not = F30(py) - F84(Py)</p> <p>F83(by1) Not = F30(cy) - F84(cy)</p> <p>F83(by2) Not = F30(by1) - F84(by1)</p>
20	<p>BA F83, F84, F85</p> <p>DEFICIENCY BALANCES, EOY NOT = DEFICIENCY BALANCES, SOY + ADJUSTMENTS</p> <p>In Prior Year: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Current Year: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Biennial Yr 1: F84100 Not = 0 - (FS3100+F83150+F85100)</p> <p>In Biennial Yr 2: F84100 Not = 0 - (F83100+F83150+F85100)</p>

* - Performed at Agency level for Defense Agency accounts

Diagnostic Number	Diagnostic Description	
	MULTI-YEAR ACCOUNT DIAGNOSTICS	
	Budget Plan	Obligation Plan
01*	BA 0xx + Rxx + (F1x thru F3x) Budget Plan Bud Auth	BA 0xx + Rxx + (F1x thru F3x) Not = Obligation Plan Bud Auth
	Obligation Plan	Obligation Plan
02*	BA 0xx + Rxx + (F1x thru F3x) Oblig. Plan Bud. Auth.	BA F4x + F5x + F6x Not = Financing Bud. Auth.
	Budget Plan	Obligation Plan
03*	BA 0xx + Rxx + (F1x thru F3x) Budget Plan Bud. Auth.	BA F4x + F5x + F6x Not = Financing Bud. Auth.
	Obligation Plan	Object Classification
04*	BA 0xx Total Direct	BA T1x + T3x Not = Total Direct+Allocations
05*	BA Rxx Total Reimbursable	BA T2x Not = Total Reimbursable
06*	BA 0xx + Rxx Line10.00, Total Prog.	BA Txx, excluding T5x Not = Line 99, Total Obj. Cl.
	Obligation Plan	Expenditure Tail
07	BA 0xx + Rxx + F11 + F13 + F14 Total Program+Orders	BASA F71010 Not = Obligations incurred, net
08	BA F17 Recovery of PY Oblig. (-)	BA F78 Not = Adj in unexpired accts (-)
09 (Warning)	Absolute (BA F4x + F5x + F6x) Curr. yr Budget Auth.	Absolute (BASA F90110) < Curr. yr Outlays

* - Performed at Agency level for Defense Agency accounts

Diagnostic Number	Diagnostic Description
	BUDGET PLAN
10* (Warning)	<p>BA Rxx, BASA F11010, F13010, F14010</p> <p>REIMBURSABLE PROGRAM AND ORDERS DO NOT OFFSET</p> <p>In PY, Rxx + (F11010+F130010+F14010) Not = 0</p> <p>In CY, Rxx + (F11010+F13010+F14010) Not = 0</p> <p>In BY1, Rxx + (F11010+F13010+F14010) Not = 0</p> <p>In BY2, Rxx + (F11010+F13010+F14010) Not = 0</p>
	START/END OF PERIOD BALANCES (OBLIGATION PLAN)
11*	<p>BA F24, F21</p> <p>UNOBLIGATED BALANCES</p> <p>F24(py) + F21(cy) Not = 0</p> <p>F24(cy) + F21(by1) Not = 0</p> <p>F24(by1) + F21(by2) Not = 0</p> <p>F24020(py) + F21020(cy) Not = 0</p> <p>F24020(cy) + F21020(by1) Not = 0</p> <p>F24020(by1) + F21020(by2) Not = 0</p> <p>F24030(py) + F21030(cy) Not = 0</p> <p>F24030(cy) + F21030(by1) Not = 0</p> <p>F24030(by1) + F21030(by2) Not = 0</p>
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
12	<p>BA F74, F72</p> <p>OBLIGATED BALANCES</p> <p>F74(py) Not = F72(cy)</p> <p>F74(cy) Not = F72(by1)</p> <p>F74(by1) Not = F72(by2)</p>
15	<p>BA F74, F71, F72, F73, F77, F78, F83, F84, F85, F90</p> <p>OBLIGATED BALANCE, EOY (NET) NOT = OBLIGATED BALANCE, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year:</p> <p>F74 Not = F71010+F72+F73110+F77110+F78110+F83+F84+F85-(F90110-F90111)</p> <p>In Current Year:</p> <p>F74 Not = F71010+F72+f73110+F77110+F78110+F83+F84+F85-(F90110-F90111)</p> <p>In Biennial Yr 1:</p> <p>F74 Not = F71010+F72+F73110+F77110+F78110+F83+F84+F85-(F90110+F90111)</p> <p>In Biennial Yr 2</p> <p>F74 Not = F71010+F72+F73110+F77110+F78110+F83+F84+F85-(F90110+F90111)</p>
19	<p>BA F30, F83, F84</p> <p>DEFICIENCY BALANCES</p> <p>F83(cy) Not = F30(py) - F84(py)</p> <p>F83(by1) Not = F30(cy) - F84(cy)</p> <p>F83(by2) Not = F30(by1) - F84(by1)</p>

* - Performed at Agency level for Defense Agency accounts

Diagnostic Number	Diagnostic Description
20	<p>BA F83, F84, F85</p> <p>DEFICIENCY BALANCES, EOY NOT = DEFICIENCY BALANCES, SOY + ADJUSTMENTS</p> <p>In Prior Year: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Current Year: F84100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Biennial Yr 1: FE4100 Not = 0 - (F83100+F83150+F85100)</p> <p>In Biennial Yr 2: F84100 Not = 0 - (F83100+F83150+F85100)</p>

Diagnostic Number	Diagnostic Description
	REVOLVING FUND WITH TOA ACCOUNT DIAGNOSTICS
	Budget Plan Budget Plan
03*	BA Rxx excl. R00) + (F1x thru F3x) BA F4x + F5x + F6x Budget Plan Bud. Auth. Not = Financing Bud. Auth
	Budget Plan Object Classification
05*	BA Rxx (excl. R00) BA T2x Total Reimbursable Not = Total Reimbursable
06*	BA Rxx (excl. R00) BA Txx, excluding T5x Line10.00, Total Prog. Not = Line 99, Total Obj. Cl.
	Budget Plan Expenditure Tail
07	BA Rxx (excl. R00)+F11+F13+F14 BASA F71010 Total Program+Orders Not = Obligations incurred, net
08	BA F17 BA F78 Recovery of PY Oblig.(-) Not = Adj in unexpired accts(-)
09 (Warning)	Absolute (BA F4x + F5x + F6x) Absolute (BASA F90110) Curr. yr Budget Auth. < Curr. yr Outlays
	START/END OF PERIOD BALANCES (BUDGET PLAN)
11*	BA F24, F21 UNOBLIGATED BALANCES F24(py) + F21(cy) Not = 0 F24(cy) + F21(by1) Not = 0 F24(by1) + F21(by2) Not = 0
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
12	BA F74, F72 OBLIGATED BALANCES F74410(py) Not = F72410(cy) F74410(cy) Not = F72410(by1) F74410(by1) Not = F72410(by2)

*- Performed at Agency level for Defense Agency accounts

Diagnostic Number	Diagnostic Description
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
13	<p>BASA F74310, F72310</p> <p>OBLIGATED BALANCES (CONTRACT AUTH.)</p> <p>F72310(cy) Not = F74310(py)</p> <p>F72310(by1) Not = F74310(cy)</p> <p>F72310(by2) Not = F74310(by1)</p>
	Expenditure Tail Expenditure Tail
14	<p>BASA F74310 BASA F72310 - F32490 + F69100</p> <p>CA Oblig. Bal., EOY Not = CA Oblig. Bal., SOY + Adja</p>
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
15	<p>BA F74, F71, F72, F73, F77, F78, F90</p> <p>OBLIGATED BALANCE, EOY (NET) NOT = OBLIGATED BALANCE, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year:</p> <p>F74410+F74310 Not = F71010+F72310+F73310+F72410+F73410+F77110+F78-(F90110+F90111)</p> <p>In Current Year:</p> <p>F74410+F74310 Not = F71010+F72310+F73310+F72410+F73410+f77110+F78-(F90110+F90111)</p> <p>In Biennial Yr 1:</p> <p>F74410+F74310 Not = F71010+F72310+F73310+F72410+F73410+F77110+F78-(F90110+F90111)</p> <p>In Biennial Yr 2:</p> <p>F74410+F74310 Not = F71010+F72310+F73310+F72410+F73410+F77110+F78-(FW0110+F90111)</p>
	Budget Plan Budget Plan
16	<p>BA 0xx BA F4x + F5x + F6x, excl. F69,</p> <p>Rev. Fund TOA unob. bal. BA Transfers, and rescissions</p> <p>Not = Budget Auth.</p>
17	<p>BA 0xx R00</p> <p>Rev. Fund TOA Not offset by R00</p>

* - Performed at Agency level for Defense Agency accounts

Diagnostic Number	Diagnostic Description
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
15	<p>BA F74, F71, F72, F73, F77, F78, F90</p> <p>OBLIGATED BALANCE, EOY (NET) NOT = OBLIGATED BALANCE, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year: F74410 Not = F71010+F72410+F73410+F77110+F78110-(F90110+F90111)</p> <p>In Current Year: F74410 Not = F71010+F72410+F73410+F77110+F78110-(F90110+F90111)</p> <p>In Biennial Yr 1:F74410 Not = F71010+F72410+F73410+F77110+F78110-(F90110+F90111)</p> <p>In Biennial Yr 2:F74410 Not = F71010+F72410+F73410+F77110+F78110-(F90110+F90111)</p>

Diagnostic Number	Diagnostic Description
	TRUST FUND ACCOUNT DIAGNOSTICS
	<div>Budget Plan</div> <div>Budget Plan</div>
03	BA Cxx + F1x thru F3x) BA F4x + F5x + F6x Budget Plan Bud. Auth. Not = Financing Bud. Auth.
	<div>Budget Plan</div> <div>Object Classification</div>
04	BA Cxx BA T1x Total Direct Not = Total Direct
06	BA Cxx BA Txx, excluding T5x Line10.00, Total Prog. Not = Line 99, Total Obj. Cl.
	<div>Budget Plan</div> <div>Expenditure Tail</div>
07	BA Cxx + F11 + F13 + F14 BASA F71010 Total Program+Orders Not = Obligations incurred, net
08	BA F17 BA F78 Recovery of PY Oblig. (-) Not = Adj in unexpired accts (-)
09	Absolute (BA F4x + F5x + F6x) Absolute (BASA F90110) Curr. yr Budget Auth. < Curr. yr Outlays
(Warning)	
	START/END OF PERIOD BALANCES (BUDGET PLAN)
11	BA F24, F21 UNOBLIGATED BALANCES F24(py) +F21(cy) Not = 0 F24(cy) +F21(by1) Not = 0 F24(by1) +F21(by2) Not = 0 F24040(py) +F21040(cy) Not = 0 F24040(cy) +F21040(by1) Not = 0 F24040(by1)+F21040(by2) Not = 0 F24051(py) +F21051(cy) Not = 0 F240521(cy)+F21051(by1) Not = 0 F24051(by1)+F21051(by2) Not = 0 F24052(py) +F21052(cy) Not = 0 F24052(cy) +F21052(by1) Not = 0 F24052(by1)+F21052(by2) Not = 0

Diagnostic Number	Diagnostic Description
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
12	<p>BA F74, F72</p> <p>OBLIGATION BALANCES</p> <p>F74(py) Not = F72(cy)</p> <p>F74(cy) Not = F72(by1)</p> <p>F74(by1) Not = F72(by2)</p> <p>F74240(py) Not = F72240(cy)</p> <p>F74240(cy) Not = F72240(by1)</p> <p>F74240(by1) Not = F72240(by2)</p> <p>F74260(py) Not = F72260(cy)</p> <p>F74260(cy) Not = F72260(by1)</p> <p>F74260(by1) Not = F72260(by2)</p> <p>F74265(py) Not = F72265(cy)</p> <p>F74265(cy) Not = F72265(by1)</p> <p>F 7 4 2 6 5 (b y 1) Not = F72265(by2)</p>
15	<p>BA F74, F71, F72, F73, F77, F78, F90</p> <p>OBLIGATED BALANCES, EOY (NET) NOT= OBLIGATED BALANCES, SOY (NET) + ADJS - OUTLAYS</p> <p>In Prior Year:</p> <p>F74240+F74260+F72265 Not = F71010+F72240+F72260+F72265+F73110+F77110+F78110</p> <p>-(F90110+F90111)</p> <p>In Current Year:</p> <p>F74240+F74260+F72265 Not = F71010+F72240+F72260+F72265+F73110+F77110+F78110</p> <p>-(F90110+F90111)</p> <p>In Biennial Yr 1:</p> <p>F74240+F74260+F72265 Not = F71010+F72240+F72260+F72265+F73110+F77110+F78110</p> <p>-(F90110+F90111)</p> <p>In Biennial Yr 2:</p> <p>F74240+F74260+F72265 Not = F71010+F72240+F72260+F72265+F73110+F77110+</p> <p>-(F90110+F90111)</p>

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Diagnostic Number	Diagnostic Description																														
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)																														
12	<p>BA F74, F72 OBLIGATED BALANCES</p> <table> <tr><td>F74(py)</td><td>Not = F72(cy)</td></tr> <tr><td>F74(cy)</td><td>Not = F72(by1)</td></tr> <tr><td>F74(by1)</td><td>Not = F72(by2)</td></tr> <tr><td>F74240(py)</td><td>Not = F72240(cy)</td></tr> <tr><td>F74240(cy)</td><td>Not = F72240(by1)</td></tr> <tr><td>F74240(by1)</td><td>Not = F72240(by2)</td></tr> <tr><td>F74260(py)</td><td>Not = F72260(cy)</td></tr> <tr><td>F74260(cy)</td><td>Not = F72260(by1)</td></tr> <tr><td>F74260(by1)</td><td>Not = F72260(by2)</td></tr> <tr><td>F74270(py)</td><td>Not = F72270(cy)</td></tr> <tr><td>F74270(cy)</td><td>Not = F72270(by1)</td></tr> <tr><td>F74270(by1)</td><td>Not = F72270(by2)</td></tr> <tr><td>F74280(py)</td><td>Not = F72280(cy)</td></tr> <tr><td>F74280(cy)</td><td>Not = F72280(by1)</td></tr> <tr><td>F74280(by1)</td><td>Not = F72280(by2)</td></tr> </table>	F74(py)	Not = F72(cy)	F74(cy)	Not = F72(by1)	F74(by1)	Not = F72(by2)	F74240(py)	Not = F72240(cy)	F74240(cy)	Not = F72240(by1)	F74240(by1)	Not = F72240(by2)	F74260(py)	Not = F72260(cy)	F74260(cy)	Not = F72260(by1)	F74260(by1)	Not = F72260(by2)	F74270(py)	Not = F72270(cy)	F74270(cy)	Not = F72270(by1)	F74270(by1)	Not = F72270(by2)	F74280(py)	Not = F72280(cy)	F74280(cy)	Not = F72280(by1)	F74280(by1)	Not = F72280(by2)
F74(py)	Not = F72(cy)																														
F74(cy)	Not = F72(by1)																														
F74(by1)	Not = F72(by2)																														
F74240(py)	Not = F72240(cy)																														
F74240(cy)	Not = F72240(by1)																														
F74240(by1)	Not = F72240(by2)																														
F74260(py)	Not = F72260(cy)																														
F74260(cy)	Not = F72260(by1)																														
F74260(by1)	Not = F72260(by2)																														
F74270(py)	Not = F72270(cy)																														
F74270(cy)	Not = F72270(by1)																														
F74270(by1)	Not = F72270(by2)																														
F74280(py)	Not = F72280(cy)																														
F74280(cy)	Not = F72280(by1)																														
F74280(by1)	Not = F72280(by2)																														
15	<p>BA F74, F71, F72, F73, F77, F78, F90 OBLIGATED BALANCE, EOY (NET) NOT= OBLIGATED BALANCE, SOY (NET)+ ADJS - OUTLAYS</p> <p>In Prior Year: F74... Not = F71010+F72...+F73110+F77110+F78110-(F90110+F90111)</p> <p>In Current Year: F74... Not = F71010+F72...+F73110+F77110+F78110-(F90110+F90111)</p> <p>In Biennial Yr 1: F74... Not = F71010+F72...+F73110+F77110+F78110-(F90110+F90111)</p> <p>In Biennial Yr 2: F74... Not = F71010+F72...+F73110+F77110+F78110-(F90110+F90111)</p> <p>Note: . . . = sum of budget subactivities 240, 260, 270, and 280.</p>																														

Diagnostic Number	Diagnostic Description	
	TRUST REVOLVING FUND ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03	BA Cxx + (F1x thru F3x) Budget Plan Bud. Auth	BA F4x + F5x + F6x Not = Financing Bud. Auth.
	Budget Plan	Object Classification
05	BA Cxx Total Reimbursable	BA T2x Not = Total Reimbursable
06	BA Cxx Line10.00, Total Prog.	BA Txx, excluding T5x Not = Line 99, Total Obj. Cl.
	Budget Plan	Expenditure Tail
07	BA Cxx + F11 + F13 + F14 Total Program+Orders	BASA F71010 Not = Obligations incurred, net
08	BA F17 Recovery of PY Oblig. (-)	BA F78 Not = Adj in unexpired accts (-)
09	Absolute (BA F4x + F5x + F6x) (Warning) Curr. yr Budget Auth.	Absolute (BASA F90110) < Curr. yr Outlays
	START/END OF PERIOD BALANCES (BUDGET PLAN)	
11	BA F24, F21 UNOBLIGATED BALANCES F24(py) + F21(cy) Not = 0 F24(cy) + F21(by1) Not = 0 F24(by1) + F21(by2) Not = 0	
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)	
12	BA F74, F72 OBLIGATED BALANCES F74410(py) Not = F72410(cy) F74410(cy) Not = F72410(by1) F74410(by1) Not = F72410(by2)	
	Expenditure Tail	Expenditure Tail
13	BASA F74310, F72310 OBLIGATED BALANCES (CONTRACT AUTH.) F72310(cy) Not = F74310(py) F72310(by1) Not = F74310(cy) F72310(by2) Not = F74310(by1)	
14	BASA F74310 CA Oblig. bal., EOY	BASA F72310 - F32490 + F69100 Not = CA Oblig. bal., SOY + Adjs

Diagnostic Number	Diagnostic Description
	START/END OF PERIOD BALANCES (EXPENDITURE TAIL)
15	<p>BA F74, F71, F72, F73, F77, F78, F90 OBLIGATED BALANCE, EOY (NET) NOT= OBLIGATED BALANCE, SOY (NET)+ ADJS - OUTLAYS</p> <p>In Prior Year: F74410+F74310 Not = F71010+F72410+F72310+F73310+F73410+F77110+F78-(F90110+F90111)</p> <p>In Current Year: F74410+F74310 Not = F71010+F72410+F72310+F73310+F73410+F77110+F78-(F90110+F90111)</p> <p>In Biennial Yr 1: F74410+F74310 Not = F71010+F72410+F72310+F73310+F73410+F77110+F78-(F90110+F90111)</p> <p>In Biennial Yr 2: F74410+F74310 Not = F71010+F72410+F72310+F73310+F73410+F77110+F78-(F90110+F90111)</p>

Diagnostic Number	Diagnostic Description	
	OFFSETTING RECEIPT (MILITARY) ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03	BASA C10000 Budget Plan Bud. Auth	BASA F40030+F60030 * Financing Bud. Auth. * - Receipts for Restoration of Rocky Mountain Arsenal, Army, will be entered against F60030.
	Budget Plan	Object Classification
04	BASA C10000 Total Direct	BASA T49701 Total Direct
	Budget Plan	Expenditure Tail
07	BASA C10000 Line10.00, Total Prog.	BASA F71010 Obligations incurred (net)
18	BASA F40030+F60030 * Budget Authority	BASA F90110 Current Year Outlays * - Receipts for Restoration of Rocky Mountain Arsenal, Army, will be entered against F60030.
	OFFSETTING RECEIPT (CIVIL) ACCOUNT DIAGNOSTICS	
	Budget Plan	Budget Plan
03	BASA C11000 Budget Plan Bud. Auth	BASA F60030 Financing Bud. Auth.
	Budget Plan	Object Classification
04	BASA C11000 Total Direct	BASA T49701 Total Direct
	Budget Plan	Expenditure Tail
07	BASA C11000 Line10.00, Total Prog.	BASA F71010 Obligations incurred (net)
18	BASA F60030 Budget Authority	BASA F90110 Current year outlays

I. Report 23 performs three basic types of obligation plan tests for multi-year accounts.

1. The first test checks the prior year (PY), current year (CY), and the two biennial year (BY1, BY2) columns for each obligation plan budget activity (BA) within an account, searching for negative amounts. If one or more negative amounts are found within a BA, a diagnostic message is generated. This test is performed at the agency level for Defense Agency accounts.

2. The second test checks the spendout rate for the PY, CY, BY1, and BY2 fiscal year programs (FYP) for each budget activity and in total. The formulas used for this test are as follows:

Two year accounts:

Budget Plan PY = Obligation Plan
PY + CY

CY = CY + BY1

BY1 = BY1 + BY2

BY2 ≥ BY2

Three year accounts:

Budget Plan PY = Obligation Plan
PY + CY + BY1

CY = CY + BY1 + BY2

BY1 ≥ BY1 + BY2

BY2 ≥ BY2

Five year accounts:

Budget Plan PY = Obligation Plan
PY + CY + BY1 + BY2

CY ≥ CY + BY1 + BY2

BY1 ≥ BY1 + BY2

BY2 ≥ BY2

3. These checks are performed at the agency and account level for Defense Agency accounts.

4. A final check is made to ensure that an obligation plan exists when budget plan amounts are present in a multi-year account. For each fiscal year program from the prior year thru the second biennial year, if budget plan program is present (a non-zero amount), then obligation plan program must also be present. This check is made at the account total level.

I. Report 24 performs the following series of miscellaneous diagnostic tests:

Number

1. For most accounts, unobligated balance, end of year entries (F24xxx) must be positive. Entries for the exceptions must be negative.

2. For most accounts, unobligated balance, start of year entries (F21xxx) must be negative. Entries for the exceptions must be positive.

3. Undistributed object classification entries (T19201, T29201, T39201) must not be present.

4. For most accounts, object classification entries must not be negative. Entries for the exceptions must be negative.

5. For multi-year accounts, the F17020 entry (Recovery of prior year obligations) cannot have a Fiscal Year Program (FYP) value greater than that of the prior year FYP value.

6. The F32490 and F69100 entries in an account must be positive.

7. Appropriation rescission proposal, enacted rescission, and GRH reduction entries (currently F40350, F40355, F40360, F40365, F40800, and F40850) must be negative.

8. Except for revolving funds with TOA and Military Personnel NFIP and NFIP offset entries, undistributed budget activity (020) entries must not be present.

9. For most accounts, Direct Program (TOA), Reimbursable Program, and Concept Obligations must be positive at the budget activity level. In most cases the exceptions must be negative.

10. Except for revolving and management fund and trust revolving fund accounts, obligated balance, start of year (F72xxx) and obligated balance, end of year (F74xxx) entries must be positive.

11. The TOA offset entry (R00000) for revolving funds with TOA must be negative.

12. With certain exceptions, the Fiscal Year Program (FYP) value for current appropriation entries (F40xxx) in multi-year accounts cannot be less than that of the prior year FYP value.

Execution Reports (DD 1176/1002/725 reports). The P&F Schedule for each DoD account is printed annually in the Appendix of the US. Government as part of the President's Budget.

13. In the obligation plan for multi-year accounts, an unobligated balance, end of year, should not be present in the last year of availability.

If one or more of the above tests fail for an account, an appropriate diagnostic message will be generated. Except for the obligated balance test (number 10), all tests are performed at the agency level for Defense Agency accounts.

J. Financial Accounting Record Reconciliation to the President's Budget Submission Data

1. Primary checkpoints as defined in the following tables will be accomplished to insure internal consistency between the financial accounting position and the submission of Prior Year (PY) actuals that will be shown in the President's Budget submission.

2. Section 32.9 of OMB Circular A-11 requires actual data for past periods. A special update of the PY column, providing the PY actual values consistent with the official departmental accounting reports (DD Form 1176, DD Comp 1002, and DD Comp 725), will be made. The date of submission to OUSD(C) via machine-readable input of these changes will be determined and provided by OUSD(C). The data will be input to the OUSD(C) Budget Review System (BRS). Verification will be performed by OUSD(C)(P/B) using BRS and accounting reports. The impact of these prior year changes on the current and biennial year 1 and 2 columns shall relate to financing. Therefore, application to these columns will be limited to the financing section of the program and financing schedules containing the budget estimates. In the event that a change to any budget plan is indicated, it will be made by PBDs issued subsequent to this PY update.

3. *The following table displays the relationship between the restructure Program and Financing (P&F) Schedule in OMB Circular No. A-11 dated June 1995 and DoD's Budget Review System database. The table also displays the source of the actual data reconciled with yearend DoD Budget*

RECONCILIATION BETWEEN OMB CIRCULAR NO. A-11, DOD'S BUDGET REVIEW SYSTEM (BRS)
AND DOD'S BUDGET EXECUTION REPORTS (DD1176/1002/725)

PROGRAM AND FINANCING SCHEDULE (OMB Circular No. A-11 dated June 1995)			Report on Budget Execution (DD 1176)	Appropriation Status by FY and Subacct (DD 1002)	Report on Reimbursable Transactions (DD 725)
BRS NES Code	A-11 Code	Description			
00000	10.00	Obligations by program activity *a Obligations (Direct and Reimbursable)	Line 7	Col e + Recov Schedule *b	
F21000	21.99	Budgetary resources available for obligation *a Total unobligated balance; start of year	Line 2A		
F39000	22.00	New budget authority (gross)	*c		
F17020	22.10	Resources available from recoveries of prior year obligations	Line 4		
F22XXX	22.20	Unobligated balance transferred (+/-)	*d		
F25010	22.30	Unobligated balance expiring (-)	-Lines 8&9 *e		
F31000	22.60	Redemption of debt (-) (DBOF and Family Housing accounts excluding Homeowners Asst Fd)	Supplemental Schedule		
F32470	22.70	Balance of authority to borrow withdrawn (-) (Homeowners Asst Fd only)	Line 5A		
F32490	22.75	Balance of contract authority withdrawn (-) (R.S. 3732, Working Cap Fds and Trust Rev Fds)	Line 5B		
F23800	23.80	Reduction pursuant PL 99-177 unobligated balances (discretionary accounts) (-)	*f		
F23850	23.85	Reduction pursuant PL 99-177 unobligated balances (mandatory accounts) (-)	*f		
F23900	23.90	Total budgetary resources available for obligation	*g		
F23950	23.95	New obligations (-)	-Line 7		
F24000	24.99	Total unobligated balance, end of year	*h		
		New budget authority (gross), detail:			
		Current:			
F40000	40.00	Appropriation (definite)	Line 1A *i		
F41000	41.00	Transferred to other accounts (-)	*j		
F42000	42.00	Transferred from other accounts	*j		
F43000	43.00	Appropriation (total)	*k		
		Permanent:			
F68000	68.00	Spending from offsetting collections: Offsetting collections (cash)	Line 14B *l		
F68100	68.10	Change in orders on hand from Federal sources	*m		
F77120	68.15	Adjustment to expired accounts orders (-)	-Line 3 *n		
F68900	68.90	Spending authority from offsetting collections (total)	Line 3 *o		
F70000	70.00	Total new budget authority (gross)	*v		

RECONCILIATION BETWEEN OMB CIRCULAR NO. A-11, DOD'S BUDGET REVIEW SYSTEM (BRS)
AND DOD'S BUDGET EXECUTION REPORTS (DD 1176/1002/725) - (CONTINUED)

PROGRAM AND FINANCING SCHEDULE (OMB Circular No. A-11 dated June 1995)			Report on Budget Execution (DD 1176)	Appropriation Status by FY and Subacct (DD 1002)	Report on Reimbursable Transactions (DD 725)
BRS NES Code	New A-11 Code	Description			
		Change in unpaid obligations:			
		Unpaid obligations, start of year:			
F72110	72.40	Obligated balance: Appropriation	Line 11 *p		
F72105	72.95	Orders on hand from Federal sources	Line 11B *p		
F72000	72.99	Total Unpaid obligations, start of year	Line 11A *p		
F73010	73.10	New obligations (Equals A-11 code 10.00)	Line 7 *a		
F73200	73.20	Total outlays (gross) (-)	-Line 14A *q		
F77110	73.40	Adjustments in expired accounts	Line 7-4 *r		
F78110	73.45	Adjustments in unexpired accounts (-)	-Line 4 *s		
		Unpaid obligations, end of year:			
F74110	74.40	Obligated balance: Appropriation	Line 13 *p		
F74105	74.95	Orders on hand from Federal sources	Line 13B *p		
F74000	74.99	Total unpaid obligations, end of year	Line 13A *p		
		Outlays (gross):			
F87000	87.00	Total outlays (gross)	Line 14A *q		
		Offsets:			
		Against gross budget authority and gross outlays:			
F88000	88.00	Offsetting collections (cash) from Federal sources			Col H *t
F88400	88.40	Offsetting collections (cash) from non-Federal sources			Col H *t
F88900	88.90	Total offsetting collections (cash)	Line 14B *l		
		Against budget authority only:			
F88950	88.95	Change in orders on hand from Federal sources	*m		
F88960	88.96	Adjustment to expired accounts orders (-)	-Line 3 *n		
		Net budget authority and outlays:			
F89000	89.00	Budget authority (net)	*w		
F90000	90.00	Outlays (net)	Line 14 *u		

Note: This table pertains to budgetary data which DoD must submit to OMB. Separate instructions are provided annually to the Services and Defense Agencies for updating prior year actuals in DoD's Budget Review System (BRS) database. Below footnotes pertain to FY 1996 actuals as of 30 Sep 96 in the FY 1998/1999 Budget.

Footnotes:

- *a Unexpired accounts
- *b Direct program obligations of unexpired accounts plus recoveries
- *c Equals F70000 (A-11 code 70.00), for computation see new budget authority gross, detail
- *d Unobligated bal transfers from (+) or to (-) other accounts, use FY 1996 Transfer Status Report (FAD 743-96-1), see Budget Account Title (NES) listing for F22XXX codes for Unob bal transfers
- *e Refers to those accounts whose obligation life ends 30 Sep 96
- *f Based on G-R-H sequestration of unobligated balances

Footnotes (Continued)

- *g Sum of F21000 to F23900 (A-11 codes 21.99 to 23.85)
- *h Equals net of F23900 and F23950 (A-11 codes 23.90 and 23.95), must equal Lines 8&9 of accounts not expiring on 30 Sep 96
- *i Appropriated amount, less general congressional reductions, less rescissions should net to Line 1A, and amounts on Line 5 applicable to general reductions, see OMB Circular A-11, Sec 32.3, for 40.xx codes for general fund accts and 60.xx for special fund and trust fund accts
- *j Transfers F41000 & F42000 (A-11 codes 41.00 & 42.00) use FY 1996 Transfer Status Report (FAD 743-96-1)
- *k Equals sum of F40000 to F42000 (A-11 codes 40.00 to 42.00)
- *l Applies to all years as shown on Line 14B, Total Column, DD 1176
- *m Change in orders from start of year to end of year, equals Line 13B, DD 1176, Total Column (exclude canceled accounts) less Line 11B, DD 1176, Total Column
- *n Equals minus (Line 3 for expired accounts minus canceled account amount(s) on Line 13B, DD 1176)
- *o Must equal Line 3, DD 1176, unexpired accounts
- *p Unpaid obligation balances at start of year apply to Total Column, DD 1176, and at end of year to Total Column less canceled account amounts, on DD 1176. Orders are negative (-) in BRS.
- *q Total gross outlays equal Line 14A, Total Column, DD 1176
- *r Equals Line 7 less Line 4, DD 1176, of expired accounts less Line 13A, DD 1176, of canceled accounts
- *s Minus (Line 4, DD 1176, unexpired accounts) (equals recoveries for multi-year and revolving fund accts)
- *t Non-Federal collections result from orders received from outside the Government that are accompanied by cash advances and are included as part of Line 1, Column H, DD 725, all years; Federal collections equal total of Column H for all years less non-Federal amounts
- *u Net outlays equal Line 14, DD 1176, Total Column and must agree with Treasury's Annual Report
- *v Gross budget authority equals sum of A-11 codes 43.00 for general fund accts (63.00 for trust and special fund accts) plus A-11 code 68.90
- *w Net budget authority equals A-11 codes 70.00 minus amounts for codes (88.90 to 88.96)
- *x BRS codes used above are not all inclusive. See Budget Account Title Listing (NES File) for latest codes

K Program and Financing Entries for Multi-Year Accounts Necessary To Reflect Unexpired Submission.

(4 Columns)			
<u>(FY 98/FY 99 Budget Submit)</u>			
<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>
<u>Procurement Accounts less SCN</u>			
94/96			
95/97	95/97		
96/98	96/98	96/98	
	97/99	97/99	97/99
		98/00	98/00
			99/01

Shipbuilding and Conversion, Navy

92/96			
93/97	93/97		
94/98	94/98	94/98	
95/99	95/99	95/99	95/99
96/00	96/00	96/00	96/00
	97/01	97/01	97/01
		98/02	98/02
			99/03

Research, Development, Test, and Evaluation and two year O&M Accounts

94/95			
95/96	95/96		
	96/97	96/97	
		97/98	97/98
			98/99

Military Construction, Family Housing Construction

92/96			
93/97	93/97		
94/98	94/98	94/98	
95/99	95/99	95/99	95/99
96/00	96/00	96/00	96/00
	97/01	97/01	97/01
		98/02	98/02
			99/03

NOTE: Use the second digit of the first number for the FYP entry on any of the budget data entry forms.

L. Component /Suffix Codes for use in The President's Budget Estimates Submission.

The following component/suffix codes are the only acceptable entries in columns 6 thru 8 of the budget data entry forms.

<u>Component/ Suffix Codes</u>	<u>Component</u>
A	Army
N	Navy
F	Air Force

DB	DMA
DBA	OSIA
DBB	SOCOM
DBC	DECA
DBD	DFAS
DBE	TRANSCOM
DBF	DEPS
DBP	CBDP
DC	BMDO
DD	DASD
D1	OSD
D2	WHS
D12	DPMO
D21	CIM
D3	AFIS
D4	DLSA
D5	DoDDE
D6	OEA
D7	CHAMPUS
D8	DSAA
D81	DFMS
D9	DMSA
D92	DTSA
D95	FEMP
DE	DARPA
DG	NSA
DH	DNA
DHP	DHP
DI	DSPO
DJ	TJS
DK	DISA
DK1	DISA DSAs
DL	DIA
DL1	DIA DSAs
DLC	CIO
DR	DCAA
DS	DLA
DSA	JLSC
DSB	DAU
DSC	DBMU
DSD	DTIC
DSE	CPMS
DS1	DSA
DV	DIS
DW	USUHS
DX	OIG
DU	Undistributed
DA	Army Budgeted by DoD
DN	Navy Budgeted by DoD
DM	MC Budgeted by DoD
DF	AF Budgeted by DoD

M. Object Classification Balancing. The Budget Review System (BRS) balances direct obligations (prefix "T1"), reimbursable obligations (prefix "T2"), and, in special cases, prefix "T3" and prefix "T4" in the Object Classification schedule to direct program and reimbursable program, respectively, in the budget plan for single year accounts, and in the obligation plan for multi-year accounts. Differences between "plan" and object classification direct program and reimbursable program are added to/subtracted from default direct obligation and reimbursable obligation object classification lines, respectively. The following table lists these default lines for each account. When no default is specified for direct obligations for an account, that account will have no object classification direct obligations. Similarly, when no default is specified for reimbursable obligations for an account, that account will have no object classification reimbursable obligations.

Object Classification Default Lines Table

BRS Default Object Class Code	BRS Account by Component							
	Army		Navy		Air Force		Defense	
Tx1111 - Personnel compensation: Full-time permanent	1705a 1805a	2065a 2080a			3740f 3840f	5095f	0104d	
Tx1171 - Personnel compensation: Military personnel	2010a 2060a	2070a	1105n 1108n	1405n 1453n	3500f 3700f	3850f		
Tx1301 - Benefits for former personnel							0040d 8098d	
Tx2201 - Transportation of things			3980n					
Tx2321 - Rental payments to others					7045f		7065d	
Tx2541 - Contract O&M of facilities							5188d	5189d
Tx2601 - Supplies and material	2032a 2034a 4528a 8064a		1107n 1507n 1806n 5095n	8008n 8423n 8716n			0360d 4555d 4930d 4931d	4950d 4965d 8164d 8311d
Tx3101 - Equipment	2030a 2031a 2033a 2035a		0380n 1109n 1505n 1506n	1508n 1611n 1810n 4557n	3010f 3011f 3020f 3080f	8928f	0107d 0300d 0350d 0390d	3910d
Tx3201 - Land and structures	2050a 2085a 2086a 7020a		1205n 1235n 1236n 7030n		3300f 3730f 3830f 7040f		0500d 0803d 0804d 7060d	
Tx4101 - Grants, subsidies and contributions	8174a 8927a		8723n				0826d 8168d 8335d	
Tx4201 - Insurance claims and indemnities							8097d	
Tx4401 - Refunds					8418f			
Tx9201 - Undistributed	8063a						0100d 4093d 8165d	
T49701 - Offsetting receipts	0001a 0006a 0021a 0086a	0094a	0002n 0007n 0085n 9082n		0003f 0008f		0004d 0024d 0025d 0036d 0044d 0088d	0089d 0093d 0095d 9086d 9088d 9089d
Tx2521 - Other services with the private sector	Default for all other BRS accounts							

Notes:

- (1) 'x' value of 1 = Direct obligations, 2 = Reimbursable obligations, 3 = Allocation obligations, 4 = Offsetting receipts, and 5 = Distributed obligations
- (2) Exceptions to above table for reimbursable default object class codes: (a) for accounts 2065a and 2080a the reimbursable default code is T22601, and (b) for accounts 1806n and 3840f the reimbursable default code is T22321

N. Budget Accounts Title File Listing

The “Budget Accounts Title File Listing” documents the official Defense budget account structure for submission of budget estimates in machine-readable form. An extract of this listing is included on the following pages. The extract contains the following listings: (1) *a partial list* of current appropriation accounts, (2) a sampling of Budget Plan Obligation Plan Name/Codes, (3) listing of valid Financing, Budget Authority, Expenditure Tail codes, and (4) Object Classification entries. The complete “Budget Accounts Title File Listing” will be distributed separately to the Military Departments and Defense Agencies prior to the September budget submission by OUSD(C) (P/B) Program and Financial Control Directorate.

BUDGET ACCOUNT TITLE FILE (APPROPRIATION ACCOUNT NAME/CODES) AS OF MARCH 1996

TREAS CODE	C/S	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME
****	*	* *	MIL PERSONNEL	MILITARY PERSONNEL
2010	A	P \$	Mil Per,Army	Military Personnel, Army
1453	N	P \$	Mil Per,Navy	Military Personnel Navy
1105	N	P \$	Mil Per, MC	Military Personnel, Marine Corps
3500	F	P \$	Mil Per, AF	Military Personnel, Air Force
2070	A	P \$	Res Pers,A	Reserve Personnel, Army
1405	N	P \$	Res Pers,N	Reserve Personnel, Navy
1108	N	P \$	Res Pers,MC	Reserve Personnel, Marine Corps
3700	F	P \$	Res Pers,AF	Reserve Personnel, Air Force
2060	A	P \$	NG Pers,A	National Guard Personnel, Army
3850	F	P \$	NG Pers,AF	National Guard Personnel, Air Force
****	*	* *	OPR & MAINT	OPERATION AND MAINTENANCE
2020	A	P \$	O&M,Army	Oper. & Maint., Army
1804	N	P \$	O&M,Navy	Oper. & Maint., Navy
1106	N	P \$	O&M,MC	Oper. & Maint., Marine Corps
3400	F	P \$	O&M,AF	Oper. & Maint., Air Force
0100	D	P \$	O&M,Def-Wide	Oper. & Maint., Defense-Wide
0107	D	P \$	IG	Office of the Inspector General
2080	A	P \$	O&M, Army Res	Oper. & Maint., Army Reserve
1806	N	P \$	O&M, Navy Res	Oper. & Maint., Navy Reserve
1107	N	P \$	O&M, MC Res	Oper. & Maint., Marine Corps Reserve
3740	F	P \$	O&M, AF Res	Oper. & Maint., Air Force Reserve
2065	A	P \$	O&M, Army NG	Oper. & Maint., Army Nat'l Guard
3840	F	P \$	O&M,Air NG	Oper. & Maint., Air Nat'l Guard

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS	CODE	C/S	BA/BSA	PER/\$\$	INPUTS	ABBREVIATED NAME	FULL NAME
MILITARY PERSONNEL							
2010	A		00 000			Mil Per,Army	Military Personnel, Army
2010	A		01 000			P/A OF OFFICERS	Pay and allowances of officers
2010	A		01 540	\$		Ret Pay Accrual	Retired Pay Accrual
2010	A		01 777	\$		BUDGETED AMTS	Budgeted Amounts
2010	A		02 000			P/A OF ENLISTED	Pay and allowances of enlisted
2010	A		02 540	\$		Ret Pay Accrual	Retired Pay Accrual
2010	A		02 777	\$		BUDGETED AMTS	Budgeted Amounts
2010	A		03 000			P/A OF CADETS	Pay and allowances of cadets
2010	A		03 777	\$		BUDGETED AMTS	Budgeted Amounts
2010	A		04 000			SUBS OF ENL PER	Subsistence of enlisted personnel
2010	A		04 777	\$		BUDGETED AMTS	Budgeted Amounts
2010	A		05 000			PCS TRAVEL	Permanent change of station travel
2010	A		05 777	\$		BUDGETED AMTS	Budgeted Amounts
2010	A		06 000			OTHER MIL PERS	Other military personnel costs
2010	A		06 777	\$		BUDGETED AMTS	Budgeted Amounts
2010	A		20 000			UNDISTRIBUTED	Undistributed
2010	A		20 314	P		Plng & Dsgn/Min Cons	Planning and Design/Minor Construction
2010	A		20 321	P		Fam House,O&M	Family Housing, Operation &Maintenance
2010	A		20 330	P	\$	C C P	Consolidated Cryptologic Program (CCP)
2010	AG		20 330	P	\$	C C P	Consolidated Cryptologic Program (CCP)
2010	A		20 331	P	\$	G D I P	General Defense Intelligence Program (GDIP)
2010	AL		20 331	P	\$	G D I P	General Defense Intelligence Program (GDIP)
2010	AL1		20 331	P	\$	G D I P	General Defense Intelligence Program (GDIP)
2010	A		20 333	P	\$	SpecI Acts,AF	Special Activities Air Force
2010	A		20 335	P	\$	F C I	Foreign Counter Intelligence (FCI)
2010	ABA		20 335	P	\$	F C I	Foreign Counter Intelligence (FCI)
2010	AL		20 335	P	\$	F C I	Foreign Counter Intelligence (FCI)
2010	AL1		20 335	P	\$	F C I	Foreign Counter Intelligence (FCI)
2010	A		20 336	P	\$	CIO	Central Imagery Office (CIO)
2010	ALC		20 336	P	\$	CIO	Central Imagery Office (CIO)
2010	A		20 337	P	\$	NFIP Tech Adj	NFIP Technical Adjustment

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS CODE	C/S	BA/BSA	PER/\$ INPUTS	ABBREVIATED NAME	FULL NAME
MILITARY PERSONNEL (CONTINUED)					
2010	AG	20 337	P \$	NFIP Tech Adj	NFIP Technical Adjustment
2010	AL	20 337	P \$	NFIP Tech Adj	NFIP Technical Adjustment
2010	A	20 350	P	Info security	Information Security
2010	AG	20 350	P	Info Security	Information Security
2010	AK	20 350	P	Info Security	Information Security
2010	AL	20 350	P	Info Security	Information Security
2010	AG	20 360	P	T C P	Tactical Cryptologic Program
2010	AS	20 401	P	Joint Log Sys Cntr	Joint Logistics Systems Center
2010	ASA	20 401	P	Joint Log Sys Cntr	Joint Logistics Systems Center
2010	AS	20 402	P	DLA Dist Depots	Defense Logistics Agency Distribution Depots
2010	A	20 407	P	Depot Maint-ord	Depot Maintenance - ordnance
2010	A	20 408	P	Depot Maint-oth	Depot Maintenance - other
2010	A	20 409	P	Base Support	Base Support
2010	A	20 410	P	Transportation	Transportation
2010	ABE	20 410	P	Transportation	Transportation
2010	AS	20 412	P	Def Reutil&Mktg Svc	Defense Reutilization and Marketing Service
2010	ABD	20 416	P	Def Fin Ops	Defense Financial Operations
OPERATION AND MAINTENANCE					
1804	N	00 000		O&M,Navy	Oper. & Maint., Navy
1804	N	01 000		OPERATNG FORCES	Operating Forces
1804	N	01 777	\$	BUDGETED AMTS	Budgeted Amounts
1804	N24	01 777	\$	Navy (*)	Department of the Navy (*)
1804	N56	01 777	\$	Navy (*)	Department of the Navy (*)
1804	N57	01 777	\$	Navy (*)	Department of the Navy (*)
1804	N	02 000		MOBILIZATION	Mobilization
1804	N	02 777	\$	BUDGETED AMTS	Budgeted Amounts
1804	N24	02 777	\$	Navy (*)	Department of the Navy (*)
1804	N56	02 777	\$	Navy (*)	Department of the Navy (*)
1804	N57	02 777	\$	Navy (*)	Department of the Navy (*)

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS CODE	C/S	BA/BSA	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME
OPERATION AND MAINTENANCE (CONTINUED)					
1804	N	03 000		TRN & RECRUITNG	Training and Recruiting
1804	N	03 777	\$	BUDGETED AMTS	Budgeted Amounts
1804	N24	03 777	\$	Navy (*)	Department of the Navy (*)
1804	N56	03 777	\$	Navy (*)	Department of the Navy (*)
1804	N57	03 777	\$	Navy (*)	Department of the Navy (*)
1804	N	04 000		ADMN & SRVWD ACT	Administration and Servicewide Activities
1804	N	04 330	\$	C C P	Consolidated Cryptologic Program (CCP)
1804	N	04 331	\$	G D I P	General Defense Intelligence program (GDIP)
1804	N	04 333	\$	SpecI Acts,AF	Special Activities, Air Force
1804	N	04 335	\$	F C I	Foreign Counter Intelligence (FCI)
1804	N	04 337	\$	NFIP Tech Adj	NFIP Technical Adjustment
1804	N	04 350	\$	Info security	Information Security
1804	N	04 777	\$	BUDGETED AMTS	Budgeted Amounts
1804	N24	04 777	\$	Navy (*)	Department of the Navy (*)
1804	N56	04 777	\$	Navy (*)	Department of the Navy (*)
1804	N57	04 777	\$	Navy (*)	Department of the Navy (*)
1804	N	20 000		UNDISTRIBUTED	Undistributed
1804	N	20 050	P	SOF	Special Operations Forces
1804	N	20 098	P	JLSC	Joint Logistics Systems Center
1804	N	20 099	P	DHP	Defense Health Program
1804	N	20 330	P \$	C C P	Consolidated Cryptologic Program (CCP)
1804	N	20 331	P \$	G D I P	General Defense Intelligence Program (GDIP)
1804	NL	20 331	P \$	G D I P	General Defense Intelligence Program (GDIP)
1804	N	20 333	P \$	SpecI Acts,AF	Special Activities, Air Force
1804	N	20 335	P \$	F C I	Foreign Counter Intelligence (FCI)
1804	N	20 337	P \$	NFIP Tech Adj	NFIP Technical Adjustment
1804	N	20 350	P \$	Info security	Information Security
1804	N	20 777	P \$	BUDGETED AMTS	Budgeted Amounts
1804	N	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
1804	N56	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
1804	N57	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS			PER/\$\$		
CODE	C/S	BA/BSA	INPUTS	ABBREVIATED NAME	FULL NAME
PROCUREMENT					
1804	N	R01 000	\$	REIMB PROGRAM	Reimbursable program
1804	N	R02 000	\$	REIMB PROG (SOF)	Reimbursable program for SOF
3010	F	00 000	Aircraft, AF	Aircraft Procurement, Air Force	
3010	F	01 000	\$	COMBAT AIRCRAFT	Combat aircraft
3010	F	01 777	\$	BUDGETED AMTS	Budgeted Amounts
3010	F	02 000	\$	AIRLIFT AIRCRFT	Airlift aircraft
3010	F	02 777	\$	BUDGETED AMTS	Budgeted Amounts
3010	F	03 000	\$	TRAINER ACFT	Trainer aircraft
3010	F	03 777	\$	BUDGETED AMTS	Budgeted Amounts
3010	F	04 000	\$	OTHER AIRCRAFT	Other aircraft
3010	F	04 330	\$	C C P	Consolidated Cryptologic Program (CCP)
3010	F	04 331	\$	G D I P	General Defense Intelligence Program (GDIP)
3010	F	04 337	\$	NFIP Tech Adj	NFIP Technical Adjustment
3010	F	04 777	\$	BUDGETED AMTS	Budgeted Amounts
3010	F	05 000	\$	MOD OF AIRCRAFT	Modification of inservice aircraft
3010	F	05 331	\$	G D I P	General Defense Intelligence Program (GDIP)
3010	F	05 337	\$	NFIP Tech Adj	NFIP Technical Adjustment
3010	F	05 350	\$	Info security	Information Security
3010	F	05 777	\$	BUDGETED AMTS	Budgeted Amounts
3010	F	06 000	\$	AIRCRAFT SPARES	Aircraft spares and repair parts
3010	F	06 330	\$	C C P	Consolidated Cryptologic Program (CCP)
3010	F	06 331	\$	G D I P	General Defense Intelligence Program (GDIP)
3010	F	06 337	\$	NFIP Tech Adj	NFIP Technical Adjustment
3010	F	06 350	\$	Info Security	Information Security
3010	F	06 777	\$	BUDGETED AMTS	Budgeted Amounts
3010	F	07 000	\$	AIRCRAFT SUPT EQ	Aircraft support equipment and facilities
3010	F	07 331	\$	G D I P	General Defense Intelligence Program (GDIP)
3010	F	07 337	\$	NFIP Tech Adj	NFIP Technical Adjustment
3010	F	07 350	\$	Info Security	Information Security
3010	F	07 777	\$	BUDGETED AMTS	Budgeted Amounts
3010	F	20 000	\$	UNDISTRIBUTED	Undistributed

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS CODE	C/S	BA/BSA	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME
PROCUREMENT (CONTINUED)					
3010	F	20 330	\$	C C P	Consolidated Cryptologic Program (CCP)
3010	F	20 331	\$	G D I P	General Defense Intelligence Program (GDIP)
3010	F	20 337	\$	NFIP Tech Adj	NFIP Technical Adjustment
3010	F	20 350	\$	Info security	Information Security
3010	F	20 777	\$	BUDGETED AMTS	Budgeted Amounts
3010	F	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
3010	F	R01 000	\$	REIMB PROGRAM	Reimbursable program
RESEARCH, DEV, TEST & EVAL					
0400	D	00 000		RDT&E ,Def-Wide	RDT&E, Defense-Wide
0400	D	01 000		BASIC RES.(6.1)	Basic research
0400	DBP	01 000	\$	BASIC RES.(6.1)	Basic research
0400	DD	01 000	\$	BASIC RES.(6.1)	Basic research
0400	DH	01 000	\$	BASIC RES.(6.1)	Basic research
0400	DDX	01 000	\$	BASIC RES.(6.1)	Basic research
0400	DE	01 000	\$	BASIC RES.(6.1)	Basic research
0400	DU	01 000	\$	BASIC RES.(6.1)	Basic research
0400	DW	01 000	\$	BASIC RES.(6.1)	Basic research
0400	DBP	01 777	\$	CBDP	Chemical and Biological Defense Program
0400	DD	01 777	\$	DASD	Dept of Def(OSD & OASDs)
0400	DH	01 777	\$	DNA	Defense Nuclear Agency
0400	DDX	01 777	\$	DASD	Dept of Def(OSD & OASDs)
0400	DE	01 777	\$	DARPA	Defense Advanced Research Projects Agency
0400	DU	01 777	\$	UNDD	Undistributed
0400	DW	01 777	\$	USUHS	Uniformed Services University of the Health Scienc
0400	D	02 000		APPL RESEARCH(6.2)	Applied Research
0400	DBP	02 000	\$	APPL RESEARCH(6.2)	Applied Research
0400	DC	02 000	\$	APPL RESEARCH(6.2)	Applied Research
0400	DD	02 000	\$	APPL RESEARCH(6.2)	Applied Research
0400	DE	02 000	\$	APPL RESEARCH(6.2)	Applied Research

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS			PER/\$\$		
CODE	C/S	BA/BSA	INPUTS	ABBREVIATED NAME	FULL NAME
RESEARCH, DEV, TEST& EVAL (CONTINUED)					
0400	DH	02 000	\$	APPL RESEARCH(6.2)	Applied Research
0400	DJ	02 000	\$	APPL RESEARCH(6.2)	Applied Research
0400	DK	02 000	\$	APPL RESEARCH(6.2)	Applied Research
0400	DBP	02 777	\$	CBDP	Chemical and Biological Defense Program
0400	DC	02 777	\$	BMDO	Ballistic Missile Defense Organization
0400	DD	02 777	\$	DASD	Dept of Def(OSD & OASDs)
0400	DE	02 777	\$	DARPA	Defense Advanced Research Projects Agency
0400	DH	02 777	\$	DNA	Defense Nuclear Agency
0400	DJ	02 777	\$	JCS	The Joint Staff
0400	DK	02 777	\$	DISA	Defense Information Systems Agency
0400	D	03 000		ADV TECH DEV(6.3A)	Advanced technology development
0400	DBP	03 000	\$	ADV TECH DEV(6.3A)	Advanced technology development
0400	DC	03 000	\$	ADV TECH DEV(6.3A)	Advanced technology development
0400	DD	03 000	\$	ADV TECH DEV(6.3A)	Advanced technology development
0400	DE	03 000	\$	ADV TECH DEV(6.3A)	Advanced technology development
0400	DG	03 000	\$	ADV TECH DEV(6.3A)	Advanced technology development
0400	DH	03 000	\$	ADV TECH DEV(6.3A)	Advanced technology development
0400	DJ	03 000	\$	ADV TECH DEV(6.3A)	Advanced technology development
0400	DS	03 000	\$	ADV TECH DEV(6.3A)	Advanced technology development
0400	DG	03 350	\$	Info Security	Information Security
0400	DBP	03 777	\$	CBDP	Chemical and Biological Defense Program
0400	DC	03 777	\$	BMDO	Ballistic Missile Defense Organization
0400	DD	03 777	\$	DASD	Dept of Def(OSD & OASDs)
0400	DE	03 777	\$	DARPA	Defense Advanced Research Projects Agency
0400	DG	03 777	\$	NSA	National Security Agency
0400	DH	03 777	\$	DNA	Defense Nuclear Agency
0400	DJ	03 777	\$	JCS	The Joint Staff
0400	DS	03 777	\$	DLA	Defense Logistics Agency
0400	D	04 000		DEM/VAL(6.3B)	Demonstration/validation
0400	DBP	04 000	\$	DEM/VAL(6.3B)	Demonstration/validation
0400	DC	04 000	\$	DEM/VAL(6.3B)	Demonstration/validation

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS			PER/\$\$		
CODE	C/S	BA/BSA	INPUTS	ABBREVIATED NAME	FULL NAME
RESEARCH, DEV, TEST & EVAL (CONTINUED)					
0400	DD	04 000	\$	DEM/VAL(6.3B)	Demonstration/validation
0400	DH	04 000	\$	DEM/VAL(6.3B)	Demonstration/validation
0400	DJ	04 000	\$	DEM/VAL(6.3B)	Demonstration/validation
0400	DBP	04 777	\$	CBDP	Chemical and Biological Defense Program
0400	DC	04 777	\$	BMDO	Ballistic Missile Defense Organization
0400	DD	04 777	\$	DASD	Dept of Def(OSD & OASDs)
0400	DH	04 777	\$	DNA	Defense Nuclear Agency
0400	DJ	04 777	\$	JCS	The Joint Staff
0400	D	05 000		ENG MAN DEV(6.4)	Engineering and manufacturing development
0400	DBP	05 000	\$	ENG MAN DEV(6.4)	Engineering and manufacturing development
0400	DC	05 000	\$	ENG MAN DEV(6.4)	Engineering and manufacturing development
0400	DD	05 000	\$	ENG MAN DEV(6.4)	Engineering and manufacturing development
0400	DH	05 000	\$	ENG MAN DEV(6.4)	Engineering and manufacturing development
0400	DK	05 000	\$	ENG MAN DEV(6.4)	Engineering and manufacturing development
0400	DLC	05 000	\$	ENG MAN DEV(6.4)	Engineering and manufacturing development
0400	DLC	05 336	\$	CIO	Central Imagery Office (CIO)
0400	DLC	05 355	\$	CIO (TIARRA)	Central Imagery Office (TIARRA)
0400	DBP	05 777	\$	CBDP	Chemical and Biological Defense Program
0400	DC	05 777	\$	BMDO	Ballistic Missile Defense Organization
0400	DD	05 777	\$	DASD	Dept of Def(OSD & OASDs)
0400	DH	05 777	\$	DNA	Defense Nuclear Agency
0400	DK	05 777	\$	DISA	Defense Information Systems Agency
0400	D	06 000		MGMT SUPPT(6.5)	Management support
0400	DBP	06 000	\$	MGMT SUPPT(6.5)	Management support
0400	DC	06 000	\$	MGMT SUPPT(6.5)	Management support
0400	DD	06 000	\$	MGMT SUPPT(6.5)	Management support
0400	DE	06 000	\$	MGMT SUPPT(6.5)	Management support
0400	DH	06 000	\$	MGMT SUPPT(6.5)	Management support
0400	DS	06 000	\$	MGMT SUPPT(6.5)	Management support
0400	DSD	06 000	\$	MGMT SUPPT(6.5)	Management support
0400	DS1	06 000	\$	MGMT SUPPT(6.5)	Management support

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS			PER/\$\$		
CODE	C/S	BA/BSA	INPUTS	ABBREVIATED NAME	FULL NAME
RESEARCH, DEV, TEST& EVAL (CONTINUED)					
0400	DBP	06 777	\$	CBDP	Chemical and Biological Defense Program
0400	DC	06 777	\$	BMDO	Ballistic Missile Defense Organization
0400	DD	06 777	\$	DASD	Dept of Def(OSD & OASDs)
0400	DE	06 777	\$	DARPA	Defense Advanced Research Projects Agency
0400	DH	06 777	\$	DNA	Defense Nuclear Agency
0400	DS	06 777	\$	DLA	Defense Logistics Agency
0400	DSD	06 777	\$	DTIC	Defense Technical Information Center
0400	DS1	06 777	\$	DSA	DoD Support Activities
0400	D	07 000		OPER SYS DEV(6.6)	Operational system development
0400	DB	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DBB	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DBP	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DD	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DG	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DI	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DJ	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DK	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DL	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DLC	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DL1	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DS	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DV	07 000	\$	OPER SYS DEV(6.6)	Operational system development
0400	DK	07 172	\$	Space Programs	Space Programs
0400	DI	07 172	\$	Space Programs	Space Programs
0400	DG	07 330	\$	C C P	Consolidated Cryptologic Program (CCP)
0400	DL	07 331	\$	G D I P	General Defense Intelligence Program (GDIP)
0400	DL1	07 331	\$	G D I P	General Defense Intelligence Program (GDIP)
0400	DV	07 335	\$	F C I	Foreign Counter Intelligence (FCI)
0400	DLC	07 336	\$	C I O	Central Imagery Office (CIO)
0400	DG	07 350	\$	Info Security	Information Security
0400	DLC	07 355	\$	C I O (TIARRA)	Central Imagery Office (TIARRA)

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS CODE	C/S	BA/BSA	PER/\$\$ INPUTS	ABBREVIATED NAME	FULL NAME
RESEARCH, DEV, TEST & EVAL (CONTINUED)					
0400	DG	07 360	\$	T C P	Tactical Cryptologic Program
0400	DB	07 777	\$	DMA	Defense Mapping Agency
0400	DBB	07 777	\$	SOCOM	Special Operations Command
0400	DBP	07 777	\$	CBDP	Chemical and Biological Defense Program
0400	DD	07 777	\$	DASD	Dept of Def(OSD & OASDs)
0400	DG	07 777	\$	NSA	National Security Agency
0400	DI	07 777	\$	DSPO	Defense Support Project Office
0400	DJ	07 777	\$	JCS	The Joint Staff
0400	DK	07 777	\$	DISA	Defense Information Systems Agency
0400	DL	07 777	\$	DIA	Defense Intelligence Agency
0400	DL1	07 777	\$	DIA-DSA	Defense Intelligence Agency, Defense Support Activ
0400	DLC	07 777	\$	CIO	Central Imagery Office
0400	DS	07 777	\$	DLA	Defense Logistics Agency
0400	DV	07 777	\$	DIS	Defense Investigative Service
0400	D	20 000		UNDISTRIBUTED	Undistributed
0400	DB	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DBB	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DBP	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DC	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DD	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DDX	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DE	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DG	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DH	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DI	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DJ	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DK	20 000	\$	UNDISTRIBUTED	Undistributed
0460	DL	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DL1	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DLC	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DS	20 000	\$	UNDISTRIBUTED	Undistributed

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS			PER/\$\$		
CODE	C/S	BA/BSA	INPUTS	ABBREVIATED NAME	FULL NAME
RESEARCH, DEV, TEST & EVAL (CONTINUED)					
0400	DSD	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DS1	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DU	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DV	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DW	20 000	\$	UNDISTRIBUTED	Undistributed
0400	DK	20 172	\$	Space Programs	Space Programs
0400	DI	20 172	\$	Space Programs	Space Programs
0400	DG	20 330	\$	C C P	Consolidated Cryptologic Program (CCP)
0400	DL	20 331	P \$	G D I P	General Defense Intelligence Program (GDIP)
0400	DV	20 335	P \$	F C I	Foreign Counter Intelligence (FCI)
0400	DLC	20 336	P \$	C I O	Central Imagery Office (CIO)
0400	DG	20 350	\$	Info Security	Information Security
0400	DLC	20 355	P \$	C I O (TIARRA)	Central Imagery Office (TIARRA)
0400	DG	20 360	\$	T C P	Tactical Cryptologic Program
0400	DB	20 777	\$	DMA	Defense Mapping Agency
0400	DBB	20 777	\$	SOCOM	Special Operations Command
0400	DBP	20 777	\$	CBDP	Chemical and Biological Defense Program
0400	DC	20 777	P \$	BMDO	Ballistic Missile, Defense Organization
0400	DD	20 777	P \$	DASD	Dept of Def(OSD & OASDs)
0400	DDX	20 777	\$	DASD	Dept of Def(OSD & OASDs)
0400	DE	20 777	P \$	DARPA	Defense Advanced Research Projects Agency
0400	DG	20 777	\$	NSA	National Security Agency
0400	DH	20 777	P \$	DNA	Defense Nuclear Agency
0400	DI	20 777	\$	DSPO	Defense Support Project Office
0400	DJ	20 777	\$	JCS	The Joint Staff
0400	DK	20 777	P \$	DISA	Defense Information Systems Agency
0400	DL	20 777	\$	DIA	Defense Intelligence Agency
0400	DL1	20 777	\$	DIA-DSA	Defense Intelligence Agency, Defense Support Activ
0400	DLC	20 777	\$	C I O	Central Imagery Office
0400	DS	20 777	P \$	DLA	Defense Logistics Agency
0400	DSD	20 777	P \$	DTIC	Defense Technical Information Center

BUDGET ACCOUNT TITLE FILE (BUDGET PLAN AND OBLIGATION PLAN NAME/CODES) AS OF MARCH 1996

TREAS			PER/\$\$		
CODE	C/S	BA/BSA	INPUTS	ABBREVIATED NAME	FULL NAME
0400	DS1	20 777	P \$	DSA	DoD Support Activities
0400	DU	20 777	\$	UNDD	Undistributed
0400	DV	20 777	\$	DIS	Defense Investigative Service
0400	DW	20 777	P \$	USUHS	Uniformed Services University of the Health Scienc
0400	DB	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DBB	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DBP	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DC	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DD	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DE	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DG	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DH	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DI	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DJ	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DK	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DS1	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DU	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DW	20 888	\$	UNDD Congress Adj	Undistributed Congressional Adjustment
0400	DB	R01 000	\$	REIMB PROG	Reimbursable program
0400	DBB	R01 000	\$	REIMB PROG	Reimbursable program
0400	DBP	R01 000	\$	REIMB PROG	Reimbursable program
0400	DC	R01 000	\$	REIMB PROG	Reimbursable program
0400	DD	R01 000	\$	REIMB PROG	Reimbursable program
0400	DE	R01 000	\$	REIMB PROG	Reimbursable program
0400	DG	R01 000	\$	REIMB PROG	Reimbursable program
0400	DH	R01 000	\$	REIMB PROG	Reimbursable program
0400	DK	R01 000	\$	REIMB PROG	Reimbursable program
0400	DL	R01 000	\$	REIMB PROG	Reimbursable program
0400	DLC	R01 000	\$	REIMB PROG	Reimbursable program
0400	DSD	R01 000	\$	REIMB PROG	Reimbursable program
0400	DS1	R01 000	\$	REIMB PROG	Reimbursable program
0400	DW	R01 000	\$	REIMB PROG	Reimbursable program

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1996

\$\$ IN	BA/BSA	ABBREVIATED NAME	FULL NAME	COMMENTS
	F11 000	ORDERS FEDERAL	Federal funds(-)	
\$	F11 010	ORDERS FED, NEW	New federal fund orders	
\$	F11 020	ORD FED, ADJ PY	Adjustment to prior year federal fund orders	
	F11 030	UNREALIZED DISC	Unrealized discounts	
	F13 000	ORDERS TRUST	Trust funds(-)	
\$	F13 010	ORDERS TRST,NEW	New trust fund orders	
	F13 011	ORDERS FMS, NEW	New FMS trust fund orders	
\$	F13 020	ORD TRST,ADJ PY	Adjustment to prior year trust fund orders	
	F13 021	ORD FMS ADJ PY	Adjustment to prior year FMS trust fund orders	
	F14 000	ORDERS NONFED	Non-Federal sources(-)	
\$	F14 010	ORD NONFED, NEW	New non-federal sources	
\$	F14 020	ORD NONFD,ADJPY	Adjustment to non-federal sources	
	F17 000	RECOV PY OBS	Recovery of prior year obligations	
\$	F17 010	RECOV PY BAL BP	Recoveries of prior year program(obligations)(-)	All except multi-yr accts&NATO Infrastructure
\$	F17 020	RECOV PY BAL OP	Recoveries of prior year obligations(-)	Multi-yr accts & NATO Infrastructure only
	F17 021	REC PYR OBLG OP	Recovery of prior year FMS obligations	
	F21 000	UNOBL BAL ST YR	Unobligated balance available, start of year:	
\$	F21 010	UNOBL BAL ST YR	Unobligated balance available, start of year(-)	
\$	F21 020	UNOB ST,PY PLAN	For completion of prior year budget plans	Multi-yr accts and NATO Infrastructure only
\$	F21 030	UNOB ST,NEWPLAN	Available to finance new budget plans	Multi-yr accts and NATO Infrastructure only
\$	F21 040	UNOB ST,TREABAL	Treasury balance	Trust funds w/invests in U.S. Securities only
	F21 050	UNOB ST,USSECUR	U.S. Securities:	
\$	F21 051	PAR	Par (-)	Trust funds w/invests in U.S. Securities only
\$	F21 052	UNREALIZED DISC	Unrealized discounts	Trust funds w/invests in U.S. Securities only
\$	F21 057	UNAMRT PRM/DISC	Unamortized premium (-) or discount, net	Mil Retirement&Educ Benefits Trust Funds only
\$	F21 058	INT PURCHASED	Interest Purchased	Mil Retirement&Educ Benefits Trust Funds only
	F21 400	UNOB ST,APPROP	Appropriation	
\$	F21 910	REPRO FM-/TO PY	Reprogramming from/to prior year budget plans	Multi-yr accts and NATO Infrastructure only
	F21 950	UNOB STYR,UNDD	Undistributed	
\$	F21 980	UNOB SOY,F/B	Unobligated balance, SOY: Fund balance	Homeowners,rev & mgmt,trust rev only
\$	F21 983	AVAIL	Available	Stockpile revolving funds only
\$	F21 984	UNAVAIL	Unavailable	Stockpile revolving funds only

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1996

\$\$	ABBREVIATED			
IN	BA/BSA	NAME	FULL NAME	COMMENTS
	F21 990	UNOB,SOY F/B	Unobligated Balance, start of year: Fund balance	
	F22 000	NET UNOB TRF	Unobligated balance transferred, net	
	F22 400	NET UNOB TRF-APN	Unobligated balance transferred, net (appropriatio	
\$	F22 402	UNOB TRF-FCF	Portion applied to meet FCF in expired acctsExpired	O&M accts only w/transfers from FCF
\$	F22 405	UNOB TO OTH-APN	Unobligated balance transferred to other accounts	Unob bal trnsfrs under gen trnsfr auth
\$	F22 410	UNOB FM OTH-APN	Unobligated balance transferred from other account	Unob bal trnsfrs under gen trnsfr auth
	F22 900	NET UNOB TRF-FB	Net fund balance transferred	
\$	F22 980	UNOB TO OTH-FB	Fund balance transferred to other accounts	Homeowners,rev & mgmt,trust rev only
\$	F22 985	UNOB FM OTH-FB	Fund balance transferred from other accounts (-)	Homeowners,rev & mgmt,trust rev only
	F23 000	UNOB REDUCTIONS	Unobligated balance reductions	
\$	F23 800	UNOB RED-DISC	Red. pursuant to P.L. 99-177 in unob bal (discr)	
\$	F23 850	UNOB RED-MAND	Red. pursuant to P.L. 99-177 in unob bal (mand)	
	F24 000	UNOBL BAL,ENDYR	Unobligated balance available, end of year:	
\$	F24 010	UNOBL BAL,ENDYR	Unobligated balance available, end of year	
\$	F24 020	UNOB EN,PY PLAN	For completion of prior year budget plans	Multi-yr accts and NATO Infrastructure only
\$	F24 030	UNOB EN,SUBPLAN	Available to finance subsequent year budget plan	Multi-yr accts and NATO Infrastructure only
\$	F24 040	UNOB EN,TREABAL	Treasury balance	Trust funds w/invests in U.S. Securities only
	F24 050	UNOB EN,USSECUR	U.S. Securities:	
\$	F24 051	PAR	Par	Trust funds w/invests in U.S. Securities only
\$	F24 052	UNREALIZED DISC	Unrealized discounts (-)	Trust funds w/invests in U.S. Securities only
\$	F24 057	UNAMRT PRM/DISC	Unamortized premium or discount (-), net	Mil Retirement&Educ Benefits Trust Funds only
\$	F24 058	INT PURCHASED	Interest Purchased	Mil Retirement&Educ Benefits Trust Funds only
	F24 400	UNOB EN, APPROP	Appropriation	
	F24 950	UNOB ENYR,UNDD	Deficiency supplemental	
\$	F24 980	UNOB EOY,F/B	Unobligated balance, EOY: Fund balance	Homeowners,rev & mgmt,trust rev only
\$	F24 983	AVAIL	Available	Stockpile revolving funds only
\$	F24 984	UNAVAIL	Unavailable	Stockpile revolving funds only
	F24 990	UNOB,EOY F/B	Unobligated Balance, end of year: Fund balance	
	F25 000	U/BAL EXPIRING	Unobligated balance expiring:	
\$	F25 010	U/BAL EXPIRING	Unobligated balance expiring	
	F25 030	U/BAL RST	Unobligated balance restored(-)	
\$	F25 450	UB EXPIRING,REAPPN	Unobligated balance expiring, reapprop.	To offset reapprop. from transfers

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1996

\$\$ IN	BA/BSA	ABBREVIATED NAME	FULL NAME	COMMENTS
	F27 000	CAP TR TO GENFD	Capital transfer to general fund	
	F27 800	RED RCPTS-DISC	Red. pursuant to P.L. 99-177 from off. coll. (disc	
	F27 850	RED RCPTS-MAND	Red. pursuant to P.L. 99-177 from off. coll. (mand	
\$	F30 000	DEFICIENCY	Deficiency(-)	
\$	F31 000	REDEM AGCY DEBT	Redemption of debt	
	F32 000	AUTH W/D	Balance of authority withdrawn	
\$	F32 470	BAL AUTH W/D	Balance of authority to borrow withdrawn	Homeowners Assistance only
\$	F32 490	BAL C/A W/D	Balance of contract authority withdrawn	Stock and commissary trust rev. funds only
	F39 000	BUDGET AUTHORITY	Budget authority	
\$	F39 010	P&FC ROUNDG,BP	P&FC Rounding, Budget Plan	
\$	F39 020	P&FC ROUNDG,OP	P&FC Rounding, Obligation Plan	
	F40 000	BUD AUTH,CURRNT	Current authority	
\$	F40 010	APPROP EN/EST	Appropriation	
\$	F40 030	OFFSETTG RCPT	Offsetting receipts	A,N,AF,D receipts & Navy interfund receipts
\$	F40 050	APPN INDEF	Appropriation (indefinite)	
\$	F40 200	APPN SP FND	Appropriation (special fund)	
\$	F40 250	APPN SP INDEF	Appropriation (special fund,indefinite)	
\$	F40 260	APPN TR FD DEF	Appropriation (trust fund, definite)	
\$	F40 270	APPN TR FD INDEF	Appropriation (trust fund, indefinite)	
\$	F40 350	APPN RESCINDED-CY	Appropriation rescinded (-)	Use for enacted/proposed rescissions in CY
\$	F40 355	APPN RESCINDED-PY	Appropriation rescinded (-)	Use for enacted rescissions in PY
\$	F40 360	APPN RESC. UB-CY	Appropriation rescinded (unob bal)	Use for enacted/proposed rescissions in CY
\$	F40 365	APPN RESC. UB-PY	Appropriation rescinded (unob bal)	Use for enacted rescissions in PY
\$	F40 470	DEBT REDUCTION	Portion applied to debt reduction (-)	Family housing only
\$	F40 480	POR LIQ DEF	Portion applied to liquidate deficiencies (-)	
\$	F40 490	POR LIQ CON AUT	Portion applied to liquidate contract authority	
\$	F40 500	BAL LIQ C/A WDN	Balance of appr to liquidate contract auth withal	
\$	F40 700	RED PL 104-6	Reduction pursuant to P.L. 104-6 (-)	
\$	F40 710	RED PL 104-19	Reduction pursuant to P.L. 104-19 (-)	
\$	F40 720	RED PL 104-61	Reduction pursuant to P.L. 104-61 (-)	
	F40 730	REDUCT PL 101-511	Reduction pursuant to P.L. 101-511 (-)	
	F40 740	S.8141 PL 101-511	Appropriation (Sec. 8141, P.L.101-511)	

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1996

\$\$	ABBREVIATED			
IN	BA/BSA	NAME	FULL NAME	COMMENTS
	F40 750	RED PL 102-172	Reduction pursuant to P.L. 102-172 (-)	
	F40 760	RED PL 102-396	Reduction pursuant to P.L. 102-396 (-)	
	F40 770	RED PL 103-139	Reduction pursuant to P.L. 103-139 (-)	
\$	F40 780	RED PL 103-335	Reduction pursuant to P.L. 103-335 (-)	
\$	F40 790	RED PL 103-307	Reduction pursuant to P.L. 103-307 (-)	
\$	F40 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc) (-)	
\$	F40 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand) (-)	
\$	F40 888	SUPP ADJUST	Supplemental adjustment	
\$	F40 950	BUD AUTH,UNDD	Undistributed FOR P&FC USE ONLY!!	
\$	F41 000	TRF TO OTH ACCT	Transferred to other accounts (-)	
\$	F41 980	TRF TO OTH ACCT-UN B	Transferred to other accounts (-)*	Unob fund bal transfer
\$	F42 000	TRF FM OTH ACCT	Transferred from other accounts	
\$	F42 980	TRF FM OTH ACCT-UN B	Transferred from other accounts*	Unob fund bal transfer
	F43 000	APPROP ADJUSTED	Appropriation (adjusted)	
	F47 000	AUTH BORROW	Authority to borrow	
	F47 050	AUTH BOR INDEF	Authority to borrow (indefinite)	
	F47 350	AUTH BR RESCND	Authority to borrow rescinded	
	F47 360	AUTH BR RESCND-UB	Authority to borrow rescinded (unob bal)	
	F47 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
	F47 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
	F49 000	CONTRCT AUTHRTY	Contract authority	
\$	F49 050	CONT AUTH INDEF	Contract authority (indefinite)	
	F49 350	CONT AUTH RESCND	Contract authority rescinded	
	F49 360	CA RESCINDED-UB	Contract authority rescinded (unob bal)	
	F49 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
	F49 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
\$	F50 000	REAPPROPRIATION	Reappropriation	
\$	F50 020	REAPPN-FCF	Portion applied to meet FCF in expired accts	Use only in FCF&FCF,C for tsfrs to exp accts
\$	F50 030	REAPPN-TSFR	Transferred to other accounts	
\$	F50 050	REAPPN INDEF	Reappropriation (indefinite)	
\$	F50 200	REAPPN SP FND	Reappropriation (special fund)	
\$	F50 250	REAPPN SP INDEF	Reappropriation (special fund, indefinite)	

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1996

\$\$	ABBREVIATED			
IN	BA/BSA	NAME	FULL NAME	COMMENTS
\$	F50 260	REAPPN TR FD DEF	Reappropriation (trust fund, definite)	
\$	F50 270	REAPPN TR FD INDEF	Reappropriation (trust fund, indefinite)	
\$	F50 350	REAPPN RESCINDED	Reappropriation rescinded	
\$	F50 360	REAPPN RESCND-UB	Reappropriation rescinded (unob bal)	
\$	F50 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
\$	F50 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
	F53 000	REAPPN ADJUSTED	Reappropriation (adjusted)	
	F60 000	BUD AUTH,PERMNT	Permanent authority	
\$	F60 010	APPN	Appropriation	Advance appn., i.e. Ft. Drum, MC Army
\$	F60 030	OFFSETTG RCPT	Offsetting receipts	Rocky Mtn Ars & Wildlife receipts
\$	F60 050	APPN INDEF	Appropriation (indefinite)	Trust funds
\$	F60 200	APPN SP FND	Appropriation (special fund, definite)	
\$	F60 250	APPN SP INDEF	Appropriation (special fund, indefinite)	Rocky Mtn Ars&wildlife conserv.
\$	F60 260	APPN TR FD DEF	Appropriation (trust fund, definite)	
\$	F60 270	APPN TR FD INDEF	Appropriation (trust fund, indefinite)	
\$	F60 280	APPN UNAVAIL BAL	Appropriation (unavailable balances)	
\$	F60 350	APPN RESCINDED	Appropriation rescinded	
\$	F60 360	APPN RESCND-UB	Appropriation rescinded (unob bal)	
\$	F60 450	PRECLUDE FM OBLIG	Portion precluded from obligation (-)	Trust Fund w/benefit formula
	F60 490	APP LIQ CONAUTH	Portion applied to liquidate contract authority(
\$	F60 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
\$	F60 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
\$	F61 000	TRF TO OTH ACCT	Transferred to other accounts(-)	
\$	F62 000	TRF FM OTH ACCT	Transferred from other accounts	
	F63 000	APPROP (ADJ)	Appropriation (Adjusted)	
\$	F65 100	ADV APPN	Advance appropriation	
\$	F65 200	ADV APPN-TRANSFR	Transferred to other accounts	
\$	F65 260	ADV APPN TR FD DEF	Advance appropriation (trust fund, definite)	
\$	F65 270	ADV APPN TR FD INDEF	Advance appropriation (trust fund, indefinite)	
	F65 900	ADV APPN-TOTAL	Total appropriation	
\$	F67 100	AUTH TO BORROW	Authority to borrow	
\$	F67 150	AUTH BR INDEF	Authority to borrow (indefinite)	Homeowners assistance only

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1996

\$\$ IN	BA/BSA	ABBREVIATED NAME	FULL NAME	COMMENTS
\$	F67 350	AUTH BR RESCINDED	Authority to borrow rescinded	
\$	F67 360	AUTH BR RESCND-UB	Authority to borrow rescinded (unob bal)	
\$	F67 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
\$	F67 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
\$	F68 260	OFFSET COLL-BAL	Spending auth. from offsetting coll. (bal)	
\$	F68 450	OFFSET COLL-LIM	Port. not avail. (lim. on oblig.) (-)	
	F68 900	OFFSET COLL-TOTL	Spend. auth. from offsetting coll. (total)	
	F69 100	CONTRACT AUTHOR	Contract authority	
\$	F69 150	CONT AUTH INDEF	Contract authority (indefinite)	3732, stock and commissary trust
\$	F69 350	CA RESCINDED	Contract authority rescinded	
\$	F69 360	CA RESCND-UB	Contract authority rescinded (unob bal)	
\$	F69 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
\$	F69 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
\$	F71 010	OBLIG INCUR NET	Obligations incurred, net	
	F72 000	OBL BAL, SOY	Obligated balance, start of year	
\$	F72 105	ORDERS ON HAND, SOY	Orders on hand, SOY	
\$	F72 110	OB BAL SOY,UNPD OBS	Unpaid Obls, SOY	
	F72 199	OB BAL SOY,NET	Obligated balance, start of year (net)	
	F72 200	OBLIG BAL SOY	Obligated balance, start of year:	
\$	F72 240	OB ST:TREAS BAL	Treasury Balance	Trust funds w/invests in U.S. Securities only
	F72 250	OB ST US SEC:	U.S. Securities:	
\$	F72 260	PAR	Par	Trust funds w/invests in U.S. Securities only
\$	F72 265	UNREAL DISC	Unrealized discounts (-)	Trust funds w/invests in U.S. Securities only
\$	F72 270	UNAMRT PRM/DISC	Unamortized premium or discount (-), net	Mil Retirement&Educ Benefits Trust Funds only
\$	F72 280	INT PURCHASED	Interest Purchased	Mil Retirement&Educ Benefits Trust Funds only
	F72 299	OBLIG BAL SOY	Obligated balance, start of year	
\$	F72 310	OB BAL SOY,C/A	Obligated balance, start of year, contract auth	3732, stock and trust revolving funds only
\$	F72 410	OB BAL SOY,F/B	Obligated balance, start of year, fund balance	Homeowners,rev & mgmt,trust rev only
	F72 999	OB BAL,NET	Obligated balance, start of year	
	F73 000	OB BALTRANS,NET	Obligated balance transferred, net	
\$	F73 110	OBL BAL,TRAN(NET)	Obligated balance transferred (net)	
\$	F73 310	OB BALTRANS,C/A	Obligated balance transferred, contract auth	Stock and trust revolving funds only

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1996

\$\$	ABBREVIATED			
IN	BA/BSA	NAME	FULL NAME	COMMENTS
\$	F73 410	OB BALTRANS,F/B	Obligated balance transferred, fund balance	Homeowners,rev & mgmt,trust rev only
	F73 999	OBL BALTRAN,NET	Obligated balance transfered, net	
	F74 000	OBL BAL,EOY	Obligated balance, end of year	
\$	F74 105	ORDERS ON HAND, EOY	Orders on hand, EOY	
\$	F74 110	OB BAL EOY,UNPD OBS	Unpaid Obs, EOY	
	F74 199	OB BAL EOY,NET	Obligated balance,end of year (net)	
	F74 200	OBLIG BAL EOY	Obligated balance, end of year:	
\$	F74 240	OB END:TREAS BAL	Treasury Balance	Trust funds w/invests in U.S. Securities only
	F74 250	OB END US SECS:	U.S. Securities:	
\$	F74 260	PAR	Par	Trust funds w/invests in U.S. Securities only
\$	F74 265	UNREAL DISC	Unrealized discounts (-)	Trust funds w/invests in U.S. Securities only
\$	F74 270	UNAMRT PRM/DISC	Unamortized premium or discount (-), net	Mil Retirement&Educ Benefits Trust Funds only
\$	F74 280	INT PURCHASED	Interest Purchased	Mil Retirement&Educ Benefits Trust Funds only
	F74 299	OBLIG BAL EOY,A	Obligated balance, end of year	
\$	F74 310	OB BAL EOY,C/A	Obligated balance, end of year, Contract Auth	3732, stock and trust revolving funds only
\$	F74 410	OB BAL EOY,F/B	Obligated balance, end of year, fund balance	Homeowners,rev & mgmt,trust rev only
	F74 999	OBL BAL,EOY	Obligated balance, end of year	
\$	F77 110	ADJ EXP ACCT,NET	Adjustments in expired accounts (net)	
\$	F77 120	ADJ EXP ACCT ORDERS	Adjustments to expired accounts orders	
\$	F78 110	ADJ,UNEXP ACCTS	Adjustments in unexpired accounts	
	F82 000	CHG IN DEF	Change in deficiency	
	F82 100	CHG IN DEF	Change in deficiency	
	F82 199	CHG IN DEF	Change in unfilled orders	
\$	F83 100	DEF EXP ACT,SOY	Deficiency in prior year expired accounts, start o	
\$	F83 150	DEF ADJ	Deficiency adjustment	
	F83 199	DEF EXP ACT,SOY	Deficiency in prior year expired accounts, start o	
	F83 999	DEF EXP ACT,SOY	Deficiency in prior year expired accounts, start o	
	F84 000	DEF EXP ACT,EOY	Deficiency in prior year expired accounts, end of	
\$	F84 100	DEF EXP ACT,EOY	Deficiency in prior year expired accounts, end of	
	F84 199	DEF EXP ACT,EOY	Deficiency in prior year expired accounts, end of	
	F84 999	DEF EXP ACT,EOY	Deficiency in prior year expired accounts, end of	
	F85 000	DEFICIENCY APPN	Deficiency appropriation	

BUDGET ACCOUNT TITLE FILE (FINANCING, BUDGET AUTHORITY, AND EXPENDITURE TAIL NAME/CODES) AS OF MARCH 1996

\$\$ IN	BA/BSA	ABBREVIATED NAME	FULL NAME	COMMENTS
\$	F85 100	DEFICIENCY APPN	Deficiency appropriation	
	F85 199	DEFICIENCY APPN	Deficiency appropriation	
	F85 999	DEFICIENCY APPN	Deficiency appropriation	
	F86 000	PORT APPL TO LIQ	Portion applied to liquidate deficiencies	
\$	F86 100	PORT APPL TO LIQ	Portion applied to liquidate deficiencies	
	F86 199	PORT APPL TO LIQ	Portion applied to liquidate deficiencies	
	F86 999	PORT APPL TO LIQ	Portion applied to liquidate deficiencies	
	F88 900	ORDERS TOTAL	Total, offsetting collections (-)	
	F90 000	OUTLAYS	Outlays (net)	
\$	F90 110	OUTLAYS CY PROG	Net outlays from current year programs	Include offsetting receipts on this line
\$	F90 111	OUTLAYS PY PROG	Net outlays from prior year programs	
	F90 119	OUTLAYS	Outlays (net)	
	F90 199	OUTLAY	Outlays (net)	
	F90 999	OUTLAYS	Outlays (net)	
	F91 100	OUT PR PL 99-177	Outlays prior to reduction pursuant to P.L. 99-177	
	F91 800	RED PL 99-177-DISC	Reduction pursuant to P.L. 99-177 (disc)	
	F91 850	RED PL 99-177-MAND	Reduction pursuant to P.L. 99-177 (mand)	
	F91 999	TOT OUTLAYS	Total Outlays	

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BUDGET ACCOUNT TITLE FILE (OBJECT CLASSIFICATION NAME/CODES) AS OF MARCH 1996

\$\$ IN	BA/BSA	ABBREVIATED NAME	FULL NAME	COMMENTS
	T00 000	OBJECT CLASS	Object Classification	
	T10 000	DIRECT OBLIG	Direct obligations:	
	T11 100	PERS COMP	Personnel compensation:	
\$	T11 111	PERM POSNS	Full-time permanent	
\$	T11 131	OTH THAN PERM	Other than full-time permanent	
\$	T11 151	OTH PERS COMP	Other personnel compensation	
\$	T11 171	MIL PERS	Military personnel	
\$	T11 181	SP PER SVC PMTS	Special personal services payments	
	T11 199			
	T11 200	PER BEN	Personnel Benefits:	
\$	T11 211	PER BEN CIV	Personnel Benefits: Civilian personnel	
	T11 220	PER BEN MIL	Personnel Benefits: Military personnel	
\$	T11 221	ACC RET BEN	Accrued retirement benefits	
\$	T11 222	OTHER	Other personnel benefits	
\$	T11 301	BEN FORMER PERS	Benefits for former personnel	
\$	T12 101	TVL OF PERSONS	Travel and transportation of persons	
\$	T12 201	TRANSP/THINGS	Transportation of things	
\$	T12 311	RENT GSA	Rental payments to GSA	
\$	T12 321	RENTAL PYMNTS TO OTH	Rental payments to others	
\$	T12 331	COMM,UTIL&OTH	Communications, utilities, and miscellaneous charg	
\$	T12 401	PRINT & REPRO	Printing and reproduction	
\$	T12 511	ADVISORY/ASST SRVCS	Advisory and assistance services	
\$	T12 521	OTHER SERVICES	Other services with the private sector	Excludes advisory and assistance services
	T12 530	PURCH GDS/SVS FM FED	Purchases goods/services (inter/intra) Fed account	Excludes advisory and assistance services
\$	T12 531	GDS/SVCS FM OTH AGNS	Purchase of goods/services from other Fed agenci	
\$	T12 532	PAY-FORGN NATL	Payments to foreign national indirect hire perso	
\$	T12 533	BUY FR REVOLVING FDS	Purchases from revolving funds	
\$	T12 541	O&M OF FACILITIES	Contract O&M of facilites including GOCOS	Excludes alterations and construction
\$	T12 551	R&D CONTRACTS	Research & Development Contracts	Excludes advisory and assistance services
\$	T12 561	MEDICAL CARE	Payments to contractors for medical care incl CHAM	Excludes advisory and assistance services
\$	T12 571	O&M OF EQUIPMENT	Contract O&M of equip. including ADP hard/software	Excludes advisory and assistance services
\$	T12 581	SUBSISTENCE OF PERS	Contract for subsistence and support of persons	Excludes advisory and assistance services
\$	T12 601	SUPS & MATLS	Supplies and materials	

BUDGET ACCOUNT TITLE FILE (OBJECT CLASSIFICATION NAME/CODES) AS OF MARCH 1996

\$\$	ABBREVIATED			
IN	BA/BSA	NAME	FULL NAME	COMMENTS
	T13 000	ACQ,CAP ASSETS	Acquisition of capital assets	
\$	T13 101	EQUIPMENT	Equipment	
\$	T13 201	LAND & STRUCTS	Land and structures	
\$	T13 301	INVESTS & LOANS	Investments and loans	
\$	T14 101	GRANTS-SUBS-ETC	Grants, subsidies, and contributions	
\$	T14 201	INS CLAIMS-ETC	Insurance claims and indemnities	
\$	T14 301	INTEREST & DIVS	Interest and dividends	
\$	T14 401	REFUNDS	Refunds	
\$	T19 001	BELOW THRESHOLD	Below Reporting Threshold	
\$	T19 101	UNVOUCHERED	Unvouchered	
\$	T19 201	UNDISTRIBUTED	Undistributed	
\$	T19 301	LIMIT ON EXPENSES	Annual Limit on admin. or nonadmin. expenses	Revolving and Trust funds
	T19 900			
	T19 991	TOTAL OBLIG	Total obligations	
	T20 000	REIMB OBLIG	Reimbursable obligations:	
	T21 100	PERS COMP	Personnel Compensation:	
\$	T21 111	PERM POSNS	Full-time permanent	
\$	T21 131	OTH THAN PERM	Other than full-time permanent	
\$	T21 151	OTH PERS COMP	Other personnel compensation	
\$	T21 171	MIL PERS	Military personnel	
\$	T21 181	SP PER SVC PMTS	Special personal services payments	
	T21 199			
	T21 200	PER BEN	Personnel Benefits:	
\$	T21 211	PER BEN CIV	Personnel Benefits: Civilian Personnel	
	T21 220	PER BEN MIL	Personnel Benefits: Military Personnel	
\$	T21 221	Acc Ret Bene	Accrued retirement benefits	
\$	T21 222	Other	Other personnel benefits	
\$	T21 301	BEN FORMER PERS	Benefits for former personnel	
\$	T22 101	TVL OF PERSONS	Travel and transportation of persons	
\$	T22 201	TRANSP/THINGS	Transportation of things	
\$	T22 311	RENT GSA	Rental payments to GSA	
\$	T22 321	RENTAL PYMNTS TO OTH	Rental payments to others	
\$	T22 331	COMM,UTIL&OTH	Communications, utilities, and miscellaneous charg	

BUDGET ACCOUNT TITLE FILE (OBJECT CLASSIFICATION NAME/CODES) AS OF MARCH 1996

\$\$	IN	BA/BSA	ABBREVIATED NAME	FULL NAME	COMMENTS
\$		T22 401	PRINT & REPRO	Printing and reproduction	
\$		T22 511	ADVISORY/ASST SRVCS	Advisory and assistance services	
\$		T22 521	OTHER SERVICES	Other services with the private sector	Excludes advisory and assistance services
		T22 530	PURCH GDS/SVS FM FED	Purchases goods/services (inter/intra) Fed account	Excludes advisory and assistance services
\$		T22 531	GDS/SVCS FM OTH AGNS	Purchase of goods/services from other Fed agenci	
\$		T22 532	PAY-FORGN NATL	Payments to foreign national indirect hire perso	
\$		T22 533	BUY FR REVOLVING FDS	Purchases from revolving funds	
\$		T22 541	O&M OF FACILITIES	Contract O&M of facilities including GOCOS	Excludes alterations and construction
\$		T22 551	R&D CONTRACTS	Research & Development Contracts	Excludes advisory and assistance services
\$		T22 561	MEDICAL CARE	Payments to contractors for medical care incl CHAM	Excludes advisory and assistance services
\$		T22 571	O&M OF EQUIPMENT	Contract O&M of equip. including ADP hard/software	Excludes advisory and assistance services
\$		T22 581	SUBSISTENCE OF PERS	Contract for subsistence and support of persons	Excludes advisory and assistance services
\$		T22 601	SUPS & MATLS	Supplies and materials	
		T23 000	ACQ,CAP ASSETS	Acquisition of capital assets	
\$		T23 101	EQUIPMENT	Equipment	
\$		T23 201	LAND & STRUCTS	Land and structures	
\$		T23 301	INVESTS & LOANS	Investments and loans	
\$		T24 101	GRANTS-SUBS-ETC	Grants, subsidies, and contributions	
\$		T24 201	INS CLAIMS-ETC	Insurance claims and indemnities	
\$		T24 301	INTEREST & DIVS	Interest and dividends	
\$		T24 401	REFUNDS	Refunds	
\$		T29 001	BELOW THRESHOLD	Below reporting threshold	
\$		T29 101	UNVOUCHERED	Unvouchered	
\$		T29 201	UNDISTRIBUTED	Undistributed	
\$		T29 301	LIMIT ON EXPENSES	Annual limit on admin. or nonadmin. expenses	Revolving and trust funds
		T29 900			
		T29 991	TOTAL OBLIG	Total obligations	
		T30 000	ALLOCATION	Allocation Accounts	
		T31 100	PERS COMP	Personnel compensation:	
\$		T31 111	PERM POSNS	Full-time permanent	
\$		T31 131	OTH THAN PERM	Other than full-time permanent	
\$		T31 151	OTH PERS COMP	Other personnel compensation	
\$		T31 181	SP PER SVC PMTS	Special personal services payments	

BUDGET ACCOUNT TITLE FILE (OBJECT CLASSIFICATION NAME/CODES) AS OF MARCH 1996

\$\$ IN	BA/BSA	ABBREVIATED NAME	FULL NAME	COMMENTS
		T31 199		
		T31 200		
\$		T31 211 PER BEN CIV	Personnel benefits: Civilian personnel	
\$		T31 301 BEN FORMER PERS	Benefits for former personnel	
\$		T32 101 TVL OF PERSONS	Travel and transportation of persons	
\$		T32 201 TRANSP/THINGS	Transportation of things	
\$		T32 311 RENT GSA	Rental payments to GSA	
\$		T32 321 RENTAL PYMNTS TO OTH	Rental payments to others	
\$		T32 331 COMM,UTIL&OTH	Communications, utilities, and miscellaneous charg	
\$		T32 401 PRINT & REPRO	Printing and reproduction	
\$		T32 511 ADVISORY/ASST SRVCS	Advisory and assistance services	
\$		T32 521 OTHER SERVICES	Other services with the private sector	Excludes advisory and assistance services
		T32 530 PURCH GDS/SVS FM FED	Purchases goods/services (inter/intra) Fed account	Excludes advisory and assistance services
\$		T32 531 GDS/SVCS FM OTH AGNS	Purchase of goods/services from other Fed agenci	
\$		T32 532 PAY-FORGN NATL	Payments to foreign national indirect hire person	
\$		T32 533 BUY FR REVOLVING FDS	Purchases from revolving funds	
\$		T32 541 O&M OF FACILITIES	Contract O&M of facilities including GOCOS	Excludes alterations and construction
\$		T32 551 R&D CONTRACTS	Research & Development Contracts	Excludes advisory and assistance services
\$		T32 601 SUPS & MATLS	Supplies and materials	
\$		T33 101 EQUIPMENT	Equipment	
\$		T33 201 LAND & STRUCTS	Land and structures	
\$		T33 301 INVESTS & LOANS	Investments and loans	
\$		T34 101 GRANTS-SUBS-ETC	Grants, subsidies, and contributions	
\$		T34 201 INS CLAIMS-ETC	Insurance claims and indemnities	
\$		T34 301 INTEREST & DIVS	Interest and dividends	
\$		T34 401 REFUNDS	Refunds	
\$		T39 001 BELOW THRESHOLD	Below reporting threshold	
\$		T39 101 UNVOUCHERED	Unvouchered	
\$		T39 201 UNDISTRIBUTED	Undistributed	
\$		T39 301 LIMIT ON EXPENSES	Annual limit on admin. or nonadmin. expenses	Revolving and trust funds
		T39 399		
		T39 900		
		T39 991 TOTAL OBLIG	Total obligations	

BUDGET ACCOUNT TITLE FILE (OBJECT CLASSIFICATION NAME/CODES) AS OF MARCH 1996

\$\$	BA/BSA	ABBREVIATED NAME	FULL NAME	COMMENTS
	T40 000	OFFSETTING RCPT	Offsetting receipts	
\$	T49 701	OFFSETTING RCPTS	Offsetting receipts	
	T49 991	TOT OBLIGATION	Total obligations	
	T50 000	DISTRIBUTED	Obligations are distributed as follows:	
\$	T50 011	ARMY	Defense-Military:Army	
\$	T50 021	NAVY	Defense-Military:Navy	
\$	T50 031	AIR FORCE	Defense-Military:Air Force	
\$	T50 041	DEFENSE-WIDE	Defense-Military:Defense-Wide	
\$	T51 021	DEPT OF TRANS	Department of Transportation	
\$	T51 031	USIA	United States Information Agency	
\$	T51 041	RSVD(SEE P/B)	Department of (specify agency)	
\$	T51 051	RSVD(SEE P/B)	Department of (specify agency)	
\$	T51 061	RSVD(SEE P/B)	Department of (specify agency)	
\$	T51 071	RSVD(SEE P/B)	Department of (specify agency)	
\$	T51 081	RSVD(SEE P/B)	Department of (specify agency)	
	T51 091	RSVD(SEE P/B)	Department of (specify agency)	
	T99 951		Adjustments below report threshold	

0106 UNIFORM BUDGET AND FISCAL
ACCOUNTING CLASSIFICATIONS

010601 General

A. This Section establishes the functional title classifications and subdivisions thereof by which appropriation and fund accounts of the Department of Defense are required to be arranged, grouped, or classified in budgetary and fiscal presentations. These classifications are designed to permit consolidation of budget and fiscal data for the several components of the Department of Defense into over-all Departmental summaries. This Section also delineates the Defense-Wide/Defense Agencies related account structures.

B. These instructions cover all appropriation and fund accounts for military functions of the Department of Defense.

010602 Functional Titles and Subdivisions

The following functional titles and subdivisions thereof are prescribed for use in appropriate budgetary and fiscal presentations:

Military Personnel

- Active Forces
- Reserve Forces

Operation and Maintenance

- Operating Forces
- Mobilization
- Training and Recruiting
- Administration and Service-Wide
- Activities

Procurement

- Aircraft
- Missiles
- Weapons and Tracked Combat Vehicles
- Procurement of Ammunition
- Other Procurement
- Chemical Agents Munitions Destruction
- Weapons
- Shipbuilding & Conversion
- Procurement, Marine Corps
- Procurement, Defense-Wide
- National Guard & Reserve Equipment

Research, Development, Test, and Evaluation

- Basic Research
- *Applied Research*
- Advanced Technology Development
- Demonstration/Validation
- Engineering and Manufacturing Development
- *RDT&E* Management Support
- Operational System Development

Military Construction

Family Housing

Special Foreign Currency Program

Revolving and Management Funds

Defense-Wide Contingencies

Offsetting Receipts

Trust Funds

Interfund Transactions

010603 Definitions of Functional Titles and Subdivisions

This Section provides definitions of functional titles and subdivisions thereof by enumerating the appropriations, budget activities, programs and projects which are classified thereunder. These definitions are provided on the following pages.

FUNCTIONAL TITLE AND SUBDIVISION DEFINITIONS

FUNCTIONAL TITLE - MILITARY PERSONNEL

1. The functional title "Military Personnel" for military functions is defined as comprising the appropriations listed below. Since each appropriation, in its entirety, is classified within a single first level subdivision of the functional title, the appropriations are grouped by the subdivisions.

Active Forces

21_2010	Military Personnel, Army
17_1453	Military Personnel, Navy
17_1105	Military Personnel, Marine Corps
57_3500	Military Personnel, Air Force

Reserve Forces

21_2070	Reserve Personnel, Army
17_1405	Reserve Personnel, Navy
17_1108	Reserve Personnel, Marine Corps
57_3700	Reserve Personnel, Air Force
21_2060	National Guard Personnel, Army
57_3850	National Guard Personnel, Air Force

2. Lower level subdivisions susceptible to consolidation are available under the uniform budget and accounting structure prescribed for these appropriations in Chapter 2.

FUNCTIONAL TITLE - OPERATION AND MAINTENANCE

1. The functional title "Operation and Maintenance" for military functions is defined as comprising the appropriations listed below:

21_2020	Operation and Maintenance, Army
17_1804	Operation and Maintenance, Navy
17_1106	Operation and Maintenance, Marine Corps
57_3400	Operation and Maintenance, Air Force
97_0100	Operation and Maintenance, Defense-Wide
97/_0107	Office of the Inspector General
21_2080	Operation and Maintenance, Army Reserve
17_1806	Operation and Maintenance, Navy Reserve
17_1107	Operation and Maintenance, Marine Corps Reserve
57_3740	Operation and Maintenance, Air Force Reserve
21_2065	Operation and Maintenance, Army National Guard
57_3840	Operation and Maintenance, Air National Guard
21_1705	National Board for the Promotion of Rifle Practice, Army
97_0104	<i>U.S. Court of Appeals for the Armed Forces</i>
97_0105	Drug Interdiction, Defense
97_0106	Goodwill Games
97/_0116	Summer Olympics
97/_0130	Defense Health Program
97/_0131	Real Property Maintenance, Defense
97/_0132	Disaster Relief
97_0133	Payment to Coast Guard

FUNCTIONAL TITLE AND SUBDIVISION DEFINITIONS
FUNCTIONAL TITLE - OPERATION AND MAINTENANCE (CONTINUED)

97_0134	Former Soviet Union Threat Reduction
97X0801	Foreign Currency Fluctuations, Defense
17X0810	<i>Environmental Restoration Fund, Navy</i>
21X0810	<i>Environmental Restoration Fund, Army</i>
57X0810	<i>Environmental Restoration Fund, Air Force</i>
97X0810	Environmental Restoration Fund, Defense
97/_0819	<i>Overseas Humanitarian, Disaster and Civil Aid</i>
97_0827	World University Games
97/_0828	Defense Reinvestment for Economic Growth
97_0829	World Cup USA 1994
97_0832	<i>1995 Special Olympics World Games</i>
21X5098	Restoration of the Rocky Mountain Arsenal
97X5187	Defense Cooperation Account
97X5188	Disposal of DoD Real Property
97X5189	Lease of DoD Real Property
97X5193	Overseas Military Facility Investment Recovery
21X5194	DoD 50th Anniversary of WW II Commemoration
21X5286	National Science Center, Army
17X5185	Kaho' Olowe Island Conveyance Remed Env Rest Fd
97X5195	Transfer/Disposal Commissary Fac Fd.
97X5441	<i>Burdensharing and Other Cooperative Activities, Defense</i>

FUNCTIONAL TITLE - PROCUREMENT

1. The functional title "Procurement" for military functions is defined as comprising the following appropriations:

21/_2031	Aircraft Procurement, Army -Aircraft -Modification of Aircraft -Spares and Repair Parts -Support Equipment and Facilities
21/_2032	Missile Procurement, Army -Other Missiles -Modification of Missiles -Spares and Repair Parts -Support Equipment and Facilities
21/_2033	Procurement of Weapons and Tracked Combat Vehicles, Army -Tracked Combat Vehicles -Weapons and Other Combat Vehicles - <i>Spares and Repair Parts</i>
21/_2034	Procurement of Ammunition, Army -Ammunition -Ammunition Production Base Support

FUNCTIONAL TITLE AND SUBDIVISION DEFINITIONS

21/_/2035	Other Procurement, Army -Tactical and Support Vehicles -Communications and Electronics Equipment -Other Support Equipment <i>-Spares and Repair Parts</i>
17/_/1506	Aircraft Procurement, Navy -Combat Aircraft -Trainer Aircraft -Other Aircraft -Modification of Aircraft -Aircraft Spares and Repair Parts -Aircraft Support Equipment and Facilities
17/_/1507	Weapons Procurement, Navy -Ballistic Missiles -Other Missiles -Torpedoes and Related Equipment -Other Weapons -Other Ordnance -Spares and Repair Parts
17/_/1508	<i>Procurement of Ammunition, Navy and Marine Corps</i> <i>-Ammunition, Navy</i> <i>-Ammunition, Marine Corps</i>
17/_/1611	Shipbuilding and Conversion, Navy -Other Warships -Amphibious Ships -Auxiliaries, Craft and Prior-Year Program Costs
17/_/1810	Other Procurement, Navy -Ships Support Equipment -Communications and Electronics Equipment -Aviation Support Equipment -Ordnance Support Equipment -Civil Engineering Support Equipment -Supply Support Equipment -Personnel and Command Support Equipment -Spares and Repair Parts
17/_/0380	Coastal Defense Augmentation
17/_/1109	Procurement, Marine Corps -Ammunition -Weapons and Combat Vehicles -Guided Missiles and Equipment -Communications and Electronics Equipment -Support Vehicles

FUNCTIONAL TITLE AND SUBDIVISION DEFINITIONS

	-Engineer and Other Equipment
	-Spares and Repair Parts
57_/_3010	Aircraft Procurement, Air Force
	-Combat Aircraft
	-Airlift Aircraft
	-Trainer Aircraft
	-Other Aircraft
	-Modification of In-Service Aircraft
	-Aircraft Spares and Repair Parts
	-Aircraft Support Equipment and Facilities
57_/_3011	<i>Procurement of Ammunition, Air Force</i>
	<i>-Ammunition, Air Force</i>
57_/_3020	<i>Missile Procurement, Air Force</i>
	-Ballistic Missiles
	-Other Missiles
	-Modification of In-Service Missiles
	-Spares and Repair Parts
	-Other Support
	-Munitions and Munitions-Related Equipment
57_/_3080	Other Procurement, Air Force
	-Vehicular Equipment
	-Electronics and Telecommunications Equipment
	Other Base Maintenance and Support Equipment
	<i>-Spares and Repair Parts</i>
97_/_0300	Procurement, Defense-Wide
	Major Equipment
	-Special Operations Command
	<i>-Chemical/Biological Defense</i>
97_/_0350	National Guard and Reserve Equipment
	-Reserve Equipment
	-National Guard Equipment
97_/_0360	Defense Production Act Purchases
97_/_0390	Chemical Agents and Munitions Destruction, Defense
	Chemical Agents & Munitions Destruction,
	RDT&E
	Chemical Agents & Munitions Destruction, Proc
	Chemical Agents & Munitions Destruction,
	O&M
97X0117	<i>Defense Modernization Account</i>

FUNCTIONAL TITLE - RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

The functional title "Research, Development, Test, and Evaluation" for military functions is defined as comprising the following appropriations and budget activities:

21/_/2040	Research, Development, Test, and Evaluation, Army
17/_/1319	Research, Development, Test, and Evaluation, Navy
57/_/3600	Research, Development, Test, and Evaluation, Air Force
97/_/0400	Research, Development, Test, and Evaluation, Defense-Wide
97/_/0450	Developmental Test and Evaluation, Defense
97/_/0460	Operational Test and Evaluation, Defense

Budget Activity

Basic Research

Applied Research

Advanced Technology Development

Demonstration/ Validation

Engineering and Manufacturing Development

RDT&E Management Support

Operational System Development

FUNCTIONAL TITLE - MILITARY CONSTRUCTION

1. The functional title "Military Construction" for military functions is defined as comprising the appropriations listed below. Since each appropriation, in its entirety, is classified within a single first level subdivision of the functional title, the appropriations are grouped by the subdivisions.

Active Forces

21/_/2050	Military Construction, Army
17/_/1205	Military Construction, Navy
57/_/3300	Military Construction, Air Force
97/_/0500	Military Construction, Defense-Wide
97/_/0103	Base Realignment and Closure Account I
97X0510	Base Realignment and Closure Account, <i>Army, Navy, Air Force, and Defense</i>
97X0803	Foreign Currency Fluctuations, Construction, Defense
97X0804	North Atlantic Treaty Organization <i>Security Investment Program</i>

Reserve Forces

21/_/2085	Military Construction, Army National Guard
57/_/3830	Military Construction, Air National Guard
21/_/2086	Military Construction, Army Reserve
17/_/1235	Military Construction, Naval Reserve
57/_/3730	Military Construction, Air Force Reserve

2. Lower level subdivisions susceptible to consolidation are available under the uniform accounting classifications prescribed for these appropriations in Chapter 6, Section 0602, and Chapter 7, Section 0702.

FUNCTIONAL TITLE AND SUBDIVISION DEFINITIONS

FUNCTIONAL TITLE - FAMILY HOUSING

The functional title "Family Housing" for military functions is defined as comprising the appropriations listed below:

97X0834	<i>DoD Family Housing Improvement Fund</i>
21_/_7020	Family Housing, Construction, Army
21_7025	Family Housing, Operations and Debt, Army
17_/_7030	Family Housing, Construction, Navy
17_7035	Family Housing, Operations and Debt, Navy
57_/_7040	Family Housing, Construction, Air Force
57_7045	Family Housing, Operations and Debt, Air Force
97_/_7060	Family Housing, Construction, Defense-Wide
97_7065	Family Housing, Operations and Debt, Defense-Wide
97X4090	Homeowners' Assistance Fund, Defense
97X4166	<i>DoD Family Housing Improvement Fund, Direct Loan Financing Account</i>
97X4167	<i>DoD Family Housing Improvement Fund, Guaranteed Loan Financing Account</i>

FUNCTIONAL TITLE - SPECIAL FOREIGN CURRENCY PROGRAM

The functional title "Special Foreign Currency Program" for military functions is defined as comprising the appropriation listed below:

97_/_0800	Special Foreign Currency Program
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FUNCTIONAL TITLE - REVOLVING AND MANAGEMENT FUNDS

The functional title "Revolving and Management Funds" for military functions is defined as comprising the accounts listed below. Since each account, in its entirety, is classified within a single first level subdivision of the functional title, the accounts are grouped by the subdivisions.

Public Enterprise Funds

97X4555	National Defense Stockpile Transaction Fund
97X4093	William Langer Jewel Bearing Plant Fund
97X4950	Pentagon Reservation Maintenance Fund
17X4557	National Defense Sealift Fund

Intragovernmental Funds

97X4930	Defense Business Operations Fund
97_3910	ADP Equipment Management Fund
97X4965	Emergency Response Fund, Defense
17X3980	Navy Management Fund
21X4528	Army Conventional Ammunition Working Capital Fund
97X4931	<i>Buildings Maintenance Fund</i>

FUNCTIONAL TITLE AND SUBDIVISION DEFINITIONS
FUNCTIONAL TITLE - DEFENSE-WIDE CONTINGENCIES

The functional title “Defense-Wide Contingencies” for military functions is defined as comprising the accounts listed below:

97 9912	Other Legislation (including Management Improvements)
97 9918	<i>General Transfer Authority Outlay Allowance</i>
97 9925	<i>DoD-wide Savings Proposals</i>

FUNCTIONAL TITLE - OFFSETTING RECEIPTS

The functional title “Offsetting Receipts” for military functions is defined as comprising the accounts listed below:

21 0001	Offsetting Receipts, Army
17 0002	Offsetting Receipts, Navy
57 0003	Offsetting Receipts, Air Force
97 0004	Offsetting Receipts, Defense Agencies
21 0021	Rocky Mountain Arsenal Offsetting Receipts
97 0024	Defense Cooperation Receipts
97 0025	Interest on Defense Cooperation Receipts
97 0041	<i>Contributions for Burdensharing and Other Cooperative Activities, Defense</i>
17 0085	Offsetting Receipts, Kaho’ Olawe Island Fund
21 0086	National Science Center Receipts, Army
97 0088	Offsetting Receipts, Disposal of DoD Real Property
97 0089	Offsetting Receipts, Lease of DoD Real Property
97 0093	Offsetting Receipts, DoD Overseas Military Facility Investment Recovery
21 0094	Offsetting Receipts, WWII Anniversary, Army
97 0095	Proceeds from Transfer/Disposal Commissary Facilities

NOTE: Offsetting receipt accounts 002x, 004x, 008x and 009x listed above are for Special Fund accounts. The account numbering for these Special Fund receipt accounts are bogus and are unique to the Budget Review System *because the database will not accept a Treasury code with a decimal suffix.*

FUNCTIONAL TITLE - TRUST FUNDS

The functional title “Trust Funds” for military functions is defined as comprising the accounts listed below:

21X8063	Ainsworth Library (Trust)
97X8335	Voluntary Separation Incentive Fund
21X8927	Army General Gift Fund
17X8733	USN Academy General Gift Fund
17X8730	USN Academy Museum Fund
17X8716	Navy General Gift Fund
17X8723	Ships Stores Profit, Navy
17X8008	Office of Naval Records and History Fund
57X8928	Air Force General Gift Fund
17X8423	Midshipmen’s Store, USN Academy (Trust Revolving)
57X8418	Air Force Cadet Fund (Trust Revolving)
97X8361	<i>Reserve Mobilization Income Insurance Fund</i>

FUNCTIONAL TITLE AND SUBDIVISION DEFINITIONS

97X8164	Surcharge Collections, Sales of Commissary Stores, Defense (Trust Revolving)
97X8165	Foreign National Employees Separation Pay, Defense
97X8168	National Security Education Trust Fund, Defense
21X8064	Fisher Houses Trust Fund, Army
21X8174	National Science Center Gift Fund, Army

FUNCTIONAL TITLE - INTERFUND TRANSACTIONS

The functional title "Interfund Transactions" for military functions is defined as comprising the accounts listed below:

17 9082	Interfund Transactions, Navy
97 9086	Interfund Transactions, Defense
97 9088	Interfund Transactions, For Nat Empl Sep Pay
97 9089	Interfund Transactions, Vol Sep Incentive

NOTE: Interfund Transaction receipt accounts listed above are for Trust Fund accounts. The account numbering for these Interfund Transactions are bogus and are unique to the Budget Review System *because the database will not accept a Treasury code with a decimal suffix.*

The accounts listed below are delineated between Defense-Wide coverage and Defense Agencies related accounts:

Defense-wide

U. S. Court of Appeals for the Armed Forces
 Foreign Currency Fluctuations, Defense
 Summer Olympics
 Environmental Restoration, Defense
 Goodwill Games
 World University Games
 Defense Health Program
 Disaster Relief
 Emergency Expenses
Overseas Humanitarian, Disaster and Civil Aid
 Drug Interdiction, Defense
 Defense Health Program
 Defense Cooperation Account
 Real Property Maintenance, Defense
 Defense Reinvestment for Economic Growth
 Former Soviet Union Threat Reduction
 Disposal and Lease of DoD Real Property
 DoD Overseas Military Facility Investment Recovery Account
Burdensharing and Other Cooperative Activities, Defense
 Defense Production Act Purchases
 National Guard and Reserve Equipment, Defense
Defense Modernization Account
 Chemical Agents and Munitions Destruction, Defense

Special Foreign Currency Program
Base Realignment and Closure Accounts
Foreign Currency Fluctuations, Construction, Defense
NATO Security Investment Program
DoD Family Housing Improvement Fund
Homeowners Assistance Fund, Defense
National Defense Stockpile Transaction Fund
William Lager Jewel Bearing Plant Revolving Fund
Pentagon Reservation Maintenance Fund
Emergency Response Fund, Defense
Buildings Maintenance Fund, Defense
ADP Equipment Management Fund, Defense
Defense Business Operations Fund
Foreign National Separation Pay Trust Fund
National Security Education Trust Fund
Surcharge Collections, Sales of Commissary Stores, Defense
Interfund Transactions, Defense
Voluntary Separation Incentive Fund
Reserve Mobilization Income Insurance Fund

Defense Agencies/Defense-Wide Related

Operation and Maintenance
Office of the Inspector General
Procurement
Research, Development, Test, and Evaluation
Developmental Test and Evaluation, Defense
Operational Test and Evaluation, Defense
Military Construction
Family Housing
Offsetting Receipts, Defense

**0107 GENERAL GUIDANCE SUBMISSION
FORMATS****010701 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

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(Name of Component)
SUMMARY OF FY 19BY BUDGET ESTIMATES

Appropriation Account Title	Direct Budget Plan (TOA)				Budget Authority				Outlays			
<i>BRS Account Title</i>	<u>FY 19PY</u> <u>Actual</u>	<u>FY 19CY</u> <u>Estimate</u>	<u>FY 19BY1</u> <u>Estimate</u>	<u>FY 19BY2</u> <u>Estimate</u>	<u>FY 19PY</u> <u>Actual</u>	<u>FY 19CY</u> <u>Estimate</u>	<u>FY 19BY1</u> <u>Estimate</u>	<u>FY 19BY2</u> <u>Estimate</u>	<u>FY 19PY</u> <u>Actual</u>	<u>FY 19CY</u> <u>Estimate</u>	<u>FY 19BY1</u> <u>Estimate</u>	<u>FY 19BY2</u> <u>Estimate</u>
Mil Per, (Component)	<p style="text-align: center;"><u>INSTRUCTIONS</u></p> <p><i>This exhibit will display all accounts (MilPers, O&M, Procurement, RDT&E, Military Construction, Family Housing, Revolving/Management Funds, Trust Funds, Offsetting Receipts and Interfund Transactions) included in the Service/Defense Agency Budget Estimates Submission.. Dollar amounts in FY 19PY will represent the best estimate available since the submission is required prior to the close of the fiscal year. FY 19CY will be consistent will enacted appropriation bills. Initial budget submission estimates for FY 19BY1 and FY 19BY2 and the outyears will be consistent with Service/Defense Agency funding totals as set forth in the Defense Planning Guidance (DPG) and Fiscal Guidance and as modified by Program Decision Memoranda (PDMs).</i></p> <p>Stub entries, by appropriation account title and revolving fund account title, will be listed individually in the same sequence as shown in the FY 19CY Budget Document.</p> <p>All amounts will be shown in rounded thousands of dollars. Do not use decimals. The "Budget Plan (TOA)," the "Budget Authority" and the "Outlay" amounts for FY 19PY thru 19BY2 will agree with those shown in exhibits PB-2 and PB-2A. Trust Funds and applicable receipts need not be listed individually, but the totals shown will be supported by exhibit PB-2 to be transmitted to Office of the Under Secretary of Defense (Comptroller) at the same time that Exhibit PB-1 is submitted.</p>											
.												
O&M, (Component)												
.												
Procurement, (Component)												
.												
RDT&E, (Component)												
.												
MilCon, (Component)												
.												
Fam Hsg, (Component)												
.												
Revolving Fd, (Component)												
.												
Trust Funds, (Component)												
.												
Offset Receipts, (Component)												
.												
Total, (Component)												

Exhibit PB-1 Summary of FY 19BY Budget Estimates

Military Personnel, Army
Program and Financing (in Thousands of dollars)

15 Sep 19PY

Identification code 21-2010-0-1-051	19PY actual	19CY est.	19BY1 est.	19BY2 est
Program by activities:				
Direct program:				
00.0101 Pay and allowances of officers	6,837,887	6,413,543	5,732,136	4,553,087
00.0201 Pay and allowances of enlisted	16,516,867	14,309,001	13,336,974	13,689,336
00.0301 Pay and allowances of cadets	36,299	36,356	36,729	37,874
00.0401 Subsistence of enlisted personnel	857,109	778,285	751,384	766,326
00.0501 Permanent change of station travel	1374,171	1248,467	1,145,303	1,123,222
00.0601 Other military personnel costs	<u>304,075</u>	<u>450,005</u>	<u>204,074</u>	<u>183,155</u>
00.9101 Total direct program	25,926,408	23,235,657	21,206,600	20,353,000
01.0101 Reimbursable program	<u>146,800</u>	<u>165,900</u>	<u>249,800</u>	<u>217,400</u>
10.0001 Total obligations	26,073,208	23,401,557	21,456,400	20,570,400
Financing:				
Offsetting collections from				
11.0001 Federal funds(-)	-101,942	-99,635	-193,892	-158,247
13.0001 Trust funds(-)	-32,626	-31,007	-41,608	-44,027
14.0001 Non-Federal sources(-)	-12,232	-35,258	-14,300	-15,126
25.0001 Unobligated balance expiring	<u>29</u>			
39.0001 Budget authority (net)	25,926,437	23,235,657	21,206,600	20,353,000
Budget authority:				
40.0001 Appropriation	24,176,100	23,238,457	21,206,600	20,353,000
41.0001 Transferred to other accounts (-)		-2,800		
42.0001 Transferred from other accounts	<u>1,750,337</u>			
43.0001 Appropriation (adjusted)	25,926,437	23,235,657	21,206,600	20,353,000
Relation of obligations to outlays:				
71.0001 Obligations incurred (net)	25,926,408	23,235,657	21,206,600	20,353,000
72.4001 Obligated balance, start of year (net)	1,712,782	1,485,769	1,555,952	1,498,942
74.4001 Obligated balance, end of year (net)	-1,485,769	-1,555,952	-1,498,942	-1,497,822
77.0001 Adjustments in expired accounts (net)	<u>-16,290</u>			
90.0001 Outlays (net)	26,137,131	23,165,474	21,263,610	20,354,120

Sample
Exhibit PB-2 Program and Financing/Object Class
(Page 1 of 2)

Military Personnel, Army
Object Classification (in Thousands of dollars)

15 Sep 19PY

Identification code	21-2010-0-1-051	19PY actual	19CY est.	19BY1 est.	19BY2 est.
	Direct obligations:				
	Personnel compensation:				
111.701	Military personnel	<u>16,679,261</u>	<u>15,610,800</u>	<u>14,155,602</u>	<u>13,304,614</u>
111.901	Total personnel compensation	<u>16,679,261</u>	<u>15,610,800</u>	<u>14,155,602</u>	<u>13,304,614</u>
	Personnel Benefits Military personnel				
112.201	Accrued retirement benefits	5,265,578	4,080,179	3,817,961	3,514,866
112.202	Other personnel benefits	2,475,056	2,186,517	1,949,146	2,232,601
113.001	Benefits for former personnel	158,029	158,251	153,323	149,893
121.001	Travel and transportation of persons	392,341	341,348	287,743	290,063
122.001	Transportation of things	859,261	747,436	732,697	744,708
125.201	Other services with the private sector	30,442	26,594	24,208	22,940
126.001	Supplies and materials	62,470	80,830	83,243	90,767
142.001	Insurance claims and indemnities	<u>3,970</u>	<u>3,702</u>	<u>2,677</u>	<u>2,548</u>
199.001	Total Direct obligations	<u>25,926,408</u>	<u>23,235,657</u>	<u>21,206,600</u>	<u>20,353,000</u>
	Reimbursable obligations:				
	Personnel Compensation:				
211.701	Military personnel	<u>95,672</u>	<u>104,777</u>	<u>158,769</u>	<u>148,213</u>
211.901	Total personnel compensation	<u>95,672</u>	<u>104,777</u>	<u>158,769</u>	<u>148,213</u>
	Personnel Benefits Military Personnel				
212.201	Accrued retirement benefits	39,399	50,889	73,658	50,577
212.202	Other personnel benefits	7,831	6,834	10,873	12,110
221.001	Travel and transportation of persons	1,720	1,500	2,700	2,700
222.001	Transportation of things	1,720	1,500	3,000	3,000
225.201	Other services with the private sector	172	150	300	300
226.001	Supplies and materials	<u>286</u>	<u>250</u>	<u>500</u>	<u>500</u>
299.001	Total Reimbursable obligations	<u>146,800</u>	<u>165,900</u>	<u>249,800</u>	<u>217,400</u>
999.901	Total obligations	<u>26,073,208</u>	<u>23,401,557</u>	<u>21,456,400</u>	<u>20,570,400</u>

Sample
Exhibit PB-2 Program and Financing/Object Class
(Page 2 of 2)

Procurement of Ammunition, Army
Program and Financing (in Thousands of dollars)

15 Sep 19PY

Identification code 21-2034-0-1-051		Budget Plan (amounts for PROCUREMENT actions programmed)			
		19PY actual	19CY est.	19BY1 est.	19BY2 est.
Program by activities:					
Direct program:					
00.0101	Ammunition	1,179,936	705,774	527,218	928,147
00.0201	Ammunition production base support	<u>204,823</u>	<u>388,486</u>	<u>207,209</u>	<u>228,015</u>
00.9101	Total direct program	1,384,759	1,094,260	734,427	1,156,162
01.0101	Reimbursable program	<u>7,036</u>	<u>8,000</u>	<u>10,700</u>	<u>10,700</u>
10.0001	Total	1,391,795	1,102,260	745,127	1,166,862
Financing:					
Offsetting collections from:					
11.0001	Federal funds(-)	-5,776	3,252	-10,600	-10,600
13.0001	Trust funds(-)	-15	-9,700	-100	-100
14.0001	Non-Federal sources(-)	-1,245	-1,552		
17.0001	Recovery of prior year obligations				
Unobligated balance available, start of year:					
21.4002	For completion of prior year budget plans				
21.4003	Available to finance new budget plans	-23,700			
21.4009	Reprogramming from/to prior year budget plans	-6,673			
Unobligated balance available, end of year:					
24.4002	For completion of prior year budget plans				
25.0001	Unobligated balance expiring	<u>6,673</u>			
39.0001	Budget authority (net)	1,361,059	1,094,260	734,427	1,156,162
Budget authority:					
40.0001	Appropriation	1,345,380	1,094,260	734,427	1,156,162
42.0001	Transferred from other accounts	<u>15,679</u>			
43.0001	Appropriation (adjusted)	1,361,059	1,094,260	734,427	1,156,162

Sample
Exhibit PB-2A Program and Financing/Object Class
(Page 1 of 3)

Procurement of Immunities, Army
Program and Financing (in Thousands of dollars)

15 Sep 19PY

		Obligations			
Identification code	21-2034-0-1-051	19PY actual	19CY est.	19BY1 est.	19BY2 est.
Program by activities:					
Direct program:					
00.0101	Ammunition	1,281,678	558,591	662,448	968,506
00.0201	Ammunition production base support	<u>262,631</u>	<u>371,493</u>	<u>210,093</u>	<u>226,887</u>
00.9101	Total direct program	1,544,309	930,084	872,541	1,195,393
01.0101	Reimbursable program	<u>7,113</u>	<u>9,029</u>	<u>10,700</u>	<u>10,700</u>
10.0001	Total	1,551,422	939,113	883,241	1,206,093
Financing:					
Offsetting collections from:					
11.0001	Federal funds(-)	-5,718	3,252	-10,600	-10,600
13.0001	Trust funds(-)	92	-9,700	-100	-100
14.0001	Non-Federal sources(-)	-1,238	-1,552		
17.0001	Recovery of prior year obligations	-145,770			
Unobligated balance available, start of year:					
21.4002	For completion of prior year budget plans	-165,505	-144,803	-307,950	-169,836
21.4003	Available to finance new budget plans	-23,700			
21.4009	Reprogramming from/to prior year budget plans				
Unobligated balance available, end of year:					
24.4002	For completion of prior year budget plans	144,803	307,950	169,836	130,605
25.0001	Unobligated balance expiring	<u>6,673</u>			
39.0001	Budget authority (net)	1,361,059	1,094,260	734,427	1,156,162
Budget authority:					
40.0001	Appropriation	1,345,380	1,094,260	734,427	1,156,162
42.0001	Transferred from other accounts	<u>15,679</u>			
43.0001	Appropriation (adjusted)	1,361,059	1,094,260	734,427	1,156,162
Relation of obligations to outlays:					
71.0001	Obligations incurred (net)	1,544,558	931,113	872,541	1,195,393
72.4001	Obligated balance, start of year (net)	3,005,004	2,384,875	1,988,595	1,659,249
74.4001	Obligated balance, end of year (net)	-2,384,875	-1,988,595	-1,659,249	-1,670,948
77.0001	Adjustments in expired accounts (net)	-23,346			
78.0001	Adjustments in unexpired accounts	<u>-145,770</u>			
90.0001	Outlays (net)	1,995,571	1,327,393	1,201,887	1,183,694

Sample Exhibit PB-2A Program and Financing/Object Class (Page 2 of 3)

Procurement of Ammunities Army
Object Classification (in Thousands of dollars)

15 Sep 19PY

Identification code 21-2034-0-1-051	19PY actual	19CY est.	19BY1 est.	19BY2 est.
Direct obligations:				
122.001 Transportation of things	7,495			
125.204 Other services with the private sector	322,147	244,149	50,873	51,675
126.00 Supplies and materials	1,208,070	677,644	820,933	1,142,971
131.001 Equipment	<u>6,597</u>	<u>8,291</u>	<u>735</u>	<u>747</u>
199.001 Total Direct obligations	1,544,309	930,084	872,541	1,195,393
Reimbursable obligations:				
225.204 Other services with the private sector	1,484	7,425	2,658	2,658
226.001 Supplies and materials	5,599	1,352	8,004	8,004
231.001 Equipment	<u>30</u>	<u>252</u>	<u>38</u>	<u>38</u>
299.001 Total Reimbursable obligations	7,113	9,029	10,700	10,700
999.901 Total obligations	<u>1,551,422</u>	<u>939,113</u>	<u>883,241</u>	<u>1,206,093</u>

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
I. CIVILIAN PERSONNEL (Full-time Equivalents (FTE))								
Operation and Maintenance, Army								
U.S. Direct hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, O&M Army								
RDT&E, Army								
U.S. direct hire								
: :								
: :								
ARMY TOTAL								
U.S. Direct hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total Army								
II. ACTIVE MILITARY PERSONNEL (End Strength)								
Military Personnel, Army								
Officers								
Enlisted								
Cadets								
Total Military Personnel								

List appropriations/accounts in the normal budget order on the basis of where personnel are budgeted.

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
III. SELECTED RESERVE PERSONNEL (End Strength)								
Reserve Personnel, Army								
Trained in Units								
Officers								
Enlisted								
Total Trained in Units								
Individual Mobilized Augmentees								
Officers								
Enlisted								
Total Individual Mobilized Augmenters								
Training Pipeline								
Officers								
Enlisted								
Total Training Pipeline								
Full-time Active Duty								
Officers								
Enlisted								
Total Full-time Active Duty								
TOTAL ARMY RESERVE PERSONNEL								
Officers								
Enlisted								
Total Reserve Personnel, Army								

Exhibit PB-4 (page 2 of 3)

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
III. SELECTED RESERVE PERSONNEL (Cont'd)								
National Guard Personnel, Army								
Trained in Units								
Officers								
Enlisted								
Total Trained in Units								
Training Pipeline								
Officers								
Enlisted								
Total Training Pipeline								
Full-time Active Duty								
Officers								
Enlisted								
Total Full-time Active Duty								
TOTAL ARMY NATIONAL GUARD PERSONNEL								
Officers								
Enlisted								
Total National Guard Personnel, Army								
ARMY TOTAL SELECTED RESERVE								
Officers								
Enlisted								
Total								

Exhibit PB-4 (page 3 of 3)

(Component)
 FY 19CY SUPPLEMENTAL APPROPRIATION REQUIREMENTS
 (\$ Thousands)

Appropriation Account Title <u> </u> (1)	Existing Availability <u>FY 19CY</u> (2)	Supplemental Budget Authority (BA) <u>Requirements</u>			
		Military	Civilian		
		<u>Pay</u>	<u>Pay</u>	<u>Other</u>	<u>Total</u>
		(3)	(4)	(5)	(6)
Mil. Pers., Army					
Budget Authority (\$)					
Outlays (\$)					
Military E/S					
O&M, Army					
Budget Authority (\$)					
outlays (\$)					
Civilian FTE					
RDT&E, Army					
Budget Authority (\$)					
Outlays (\$)					
Civilian FTE					

INSTRUCTIONS

- Column (1): Stub lines will be the same as those on Exhibit PB-1 on a budget basis. *Three lines of data (BA, outlays and military/civilian personnel impacts) are required for each account included in the supplemental proposal.*
- Column (2): *The dollar amounts in this column for BA and outlays must agree with FY 19CY amounts on Exhibit PB-2/PB-2A for the Budget Estimates Submission. Likewise, civilian FTE and Military E/S data must agree with amounts reported in the component's Budget Estimates Submission.*
- Column (3),
(4) and (5): *Show supplemental requirements (BA, military E/S, and civilian FTE) by program.*
- Column (6): Represents the sum of Columns (3), (4) and (5). *The BA, outlays and military E/S and civilian FTE amounts in this column represent the total supplemental request impacting FY 19CY.*

TOTALS

BA (\$)
 Outlays (\$)
 Mil E/S
 Civ FTE

Exhibit PB-8 FY 19CY Supplemental Appropriation Requirements

(Name of Component)
ADDITIONAL FY 19BY BUDGET ESTIMATES

Date _____
Component Control No. _____
DoD Comptroller Serial No. _____

Appropriation
Budget Subactivity Number

Line Items
(1)
INCREASES
Military Personnel Army
777 Budgeted Amounts (ES)
540 Retired Pay Accrual (\$)
Operation and Maintenance, Army
350 Info Security (\$ and FTE)
777 Budgeted Amounts (\$ and FTE)
Total Increases

Chance (\$000)
19CY 19BY1 19BY2
(2) (3) (4)

Change Personnel
19CY Change 19BY1 Change 19BY2 Change
Category ES WY Rate ES WY Rate E S WY Rate
(5) (6) (7) (8) (9) (10) (11) (12) (13) (14)

XX	-	-	-	XX	XX	XX	XX	XX	XX	XX
----	---	---	---	----	----	----	----	----	----	----

DECREASES
Other Procurement, Army
777 Budgeted Amounts (\$)
Maintenance Kit, MK-673
Total Decreases
Outyear Impact

INCREASES
Military Personnel, Army
777 Budgeted Amounts (ES)
540 Retired Pay Accrual (\$)
Operation & Maintenance, Army
350 Info Security (\$ and FTE)
Total Increases

DECREASES
Other Procurement, Army
777 Budgeted Amounts (\$)
Maintenance Kit, MK-673
Total Decreases

Change \$000
19BY2+1 19BY2+2 19BY2+3 19BY2+4

Notes:
ES = Military end-strengths
FTE = Civilian full time equivalents
\$ = Dollars in thousands

INSTRUCTIONS FOR PREPARATION
OF EXHIBIT PB-10

The following instructions apply to all appropriations and funds:

Indicate in the heading the name of the submitting component, subject, date, and component submission control number. Leave "DoD Comptroller Serial No." blank.

Column (1): List the appropriation or fund and the Budget Subactivity Number. For the procurement appropriations, P-1 line items will be shown. For the RDT&E appropriations, program elements will be shown.

Columns (2), (3) and (4): List the TOA changes. If there are also changes in financing adjustments, show these separately and then show the change in budget authority. The military personnel amount to be used here will be the sum of the products of the workyears/\$ rates shown to the right, using the standard rate.

Column (5): List the military or civilian personnel categories affected by the change. *Military personnel change will be in end-strength (E/S) and civilian personnel change in full time equivalent (FTE).* Use the categories illustrated in Exhibit PB-4.

Columns (6), (7), (9), (10), (12) and (13): List the military end strength and workyear changes, by activity. *Likewise, list civilian FTE changes by activity.*

Columns (8), (11) and (14): Show the average salary at which these changes were priced.

If there are no personnel changes, Columns (5) through (14) will be left blank.

Show a total for increases and decreases.

The outyear impact of the additional budget submission will be included at the end of Exhibit PB-10. This will show the net change by appropriation budget subactivity number for each of the applicable outyears.

Narrative justification must also accompany Exhibit PB-10.

DEPARTMENT/AGENCY _____

MAJOR BUDGET ISSUE

PBD No. _____

Subject _____

(BA, \$ in Millions)

	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY+1</u>	<u>FY BY+2</u>	<u>FY BY+3</u>	<u>FY BY+4</u>
Component Budget (As Adjusted by PDM)	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
PBD Adjustment	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Amount Approved in PBD	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Amount Appealed (Change to amount approved in PBD)	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

Brief Description of Issue:

(Limit entire issue to one page.)

Component Recommendation:

Major Budget Issue Format

Department of the _____
Military Personnel, _____

(Dollars in Thousands)

FY 19CY Presently Available
FY 19CY Revised Estimate
FY 19CY Proposed Supplemental

Budget Activity: Subsistence of Enlisted Personnel

Justification of Supplemental Requirements.

For increased feeding costs resulting from rising food prices. Ration rates increased from \$x.xx to \$x.xx in CONUS, and from \$x.xx to \$x.xx Overseas.

Exhibit PB-37A Justification of Supplemental Requirements

DEPARTMENT OF THE AIR FORCE
WEAPONS PROCUREMENT,AIR FORCE
BUDGET AMENDMENT SUMMARY
(\$ in thousands)

FY 19XX Pending Request

SRAM

ALCM

FY 19XX Revision

FY 19XX Revised Request

Exhibit PB-37R Budget Amendment Summary

DEPARTMENT OF THE AIR FORCE
 WEAPONS PROCUREMENT, AIR FORCE
 PROGRAM AND FINANCING SCHEDULE (abbreviated)
 (Dollars in thousands)

<u>OBLIGATION PLAN</u>				<u>BUDGET PLAN</u>		
FY 19XX				FY 19XX FY 19XX		FY 19XX FY 19XX FY 19XX
Revised				Pending	Proposed	Revised Pending Proposed
<u>Program by Activities</u>				<u>Request</u>	<u>Amendment</u>	<u>Request Request Amendment</u>
<u>Request</u>						
Direct						
1. Ballistic Missiles						
2. Other Missiles						
3. Modification of In-Service Missiles						
4. Spares and Repair Parts						
5. Other Support						
6. Ammunition						
TOTAL DIRECT						
Reimbursable (Total)						
TOTAL						
Financing (Net)						
BUDGET AUTHORITY						
OUTLAYS						
1 / Object Class 31.0: Equipment						

Exhibit PB-37S Program and Financing Schedule (Abbreviated)

**DEPARTMENT OF AIR FORCE
WEAPONS PROCUREMENT, AIR FORCE
NARRATIVE JUSTIFICATION**

(Dollars in Thousands)

FY 19XX Pending Request

FY 19XX Proposed Amendment

FY 19XX Revised Request

Budget Activity: Other Missiles

Justification of proposed amendment.

AGM-69B SRAM. Deletes the \$xx,xxx,xxx FY 19XX requirement. Due to the recent evolution of the Air Launch Guise Missile (ALCM) as an effect weapon system and the continued ability to use the B-52 bomber well into the 1980's, the President directed the B-1 production be halted. With the decision to not deploy the B-1, the Air Force requirement for the SRAM-B which was to be used on the B-1 is no longer valid.

Air Launched Cruise Missile. The Air Launched Cruise Missile (ALCM) is an aerodynamic air-to-ground strategic missile propelled by a turbo-fan engine. It has a high degree of accuracy through the combination of inertial guidance and terrain correlation update. The missile is designed to be carried internally and/or externally on the B-52. The ALCM is to be employed from a stand-off position against a wide variety of preselected lightly or undefended ground hard targets. This budget amendment requests an additional \$xx,xxx,xxx to accelerate the ALCM Initial Operating Capability (IOC).

Exhibit PB-37T Narrative Justification

_____ (DoD Component) _____

Appeal

Subject: _____

Appropriation(s): _____

Summary:

Briefly describe the congressional action and the apparent reasons behind it.

<u>Item</u>	<u>Request</u>	<u>Budget Authority</u> <u>(Dollars in Millions)</u>		<u>Appeal</u>
		<u>House</u>	<u>Senate</u>	

DoD Position:

Concise description of our rationale for restoration. Continuations and supplements are not necessary and will not be used.

_____(DoD Component)_____

Appeal (language/general provision item)

Subject: _____

Language/Provision:

Briefly describe language or general provision and its apparent intent.

DoD Position:

Concise description of our rationale for revision or removal of language/general provision item as proposed.

Exhibit PB-39A-2 Format - Appeal Input (Language Items)

RECORD OF CONGRESSIONAL TRANSCRIPT REVIEW			
TRANSCRIPT ACTION MONITOR <i>(Name, agency and telephone number)</i>			DATE RECEIVED FROM CONGRESS
To: <i>(In turn)</i> 1. _____ 2. _____ 3. DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW, OASD (PA)		DATE ACTION MUST BE COMPLETED 1. _____ 2. _____ 3. _____	
DESCRIPTION OF DOCUMENT COMMITTEE/SUBCOMMITTEE	HEARING DATE AND SUBJECT		PAGES _____ THRU _____ HEARING: CLOSED/OPEN CLASSIFICATION
<p>The attached transcript of testimony is forwarded for editorial and security review in accordance with DoD Directive 5400.4. To meet committee requirements and allow time for final review by the Directorate for Freedom of Information and Security Review, OASD(PA), your action must be completed as indicated. Each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. An advance copy of this DD Form has been sent to DFOISR, OASD(PA).</p>			
GUIDELINES			
I. SECURITY A. GENERAL. Review must be accomplished by officials competent to judge the security aspects of the subjects involved and to provide a consistent and defensible security position. B. MARKING 1. Use black lead pencil. 2. Enclose with brackets [] information to be deleted. 3. Make deletions as limited as possible, considering whether the total context may contain clues to the information deleted.		II EDITORIAL A. GENERAL. Edit to correct inaccuracies. B. MARKING. 1. Use black lead pencil. 2. Line through all words or figures for which substitute language or figures are entered. Do not use brackets. 3. Print or write all entries legibly. 4. Use standard proofreaders markings. 5. Do not change statements by committee members. Note inaccuracies in the margin.	
REMARKS			
FORWARDING CERTIFICATE			
TO: Director, Freedom of Information and Security Review, OASD (PA)			Date: _____
Portions of the attached transcript which require deletion in the interests of national security before publication have been rocketed. This action represents the considered judgement of this department/agency that the information so marked warrants the protection of security classification.			
SIGNATURE		OFFICE	

DD Form 1587, MAR 78

REPLACES DD FORM 1587, 1 APR 74, WHICH IS OBSOLETE.

DD 1587 Record of Congressional Transcript Review

Exhibit DD 1587 Record of Congressional Transcript Review

PREPARED TESTIMONY REVIEW	
TO: DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW, OASD (PA)	DATE
The attached document is forwarded for review in accordance with paragraph D.2.a.(2), DoD Directive 5400.4.	
DESCRIPTION OF DOCUMENT	
WITNESS	
COMMITTEE/SUBCOMMITTEE	
HEARING DATE AND SUBJECT	
PAGE COUNT	THIS DOCUMENT IS FOR <input type="checkbox"/> CLASSIFIED <input type="checkbox"/> UNCLASSIFIED PRESENTATION (Check applicable term)
UPON COMPLETION NOTIFY (Name, agency and telephone number)	
DIRECT QUESTIONS TO (Name, agency and telephone number)	
REQUEST CLEARANCE NLT (Date)	
The attached material has department/agency approval for the purpose specified. Any portions requiring security protection have been appropriately marked.	
ATTACHMENT	SIGNATURE

DD Form 1790, MAR 78

REPLACES DD FORM 1790, JAN 71, WHICH IS OBSOLETE

DD 1790 Prepared Testimony Review

Exhibit DD 1790 Prepared Testimony Review

Committee: House Appropriations Committee
Hearing Date:
Subject:
Member:
Witness:
Question#:

Question:
Answer:

HAC QFR

Committee: House National Security Committee

Hearing Date:

Subject:

Question#:

Mr. Congressman:

Witness:

HNSC QFR

Committee: Senate Appropriations Committee

Hearing Date:

Subject:

Senator:

Witness:

Question#:

Question:

Answer:

NOTE: Images can be no larger than 5-13/16" X 9-3/4".

SAC QFR

Committee: Senate Armed Services Committee

Hearing Date:

Subject:

Question#:

Senator:

Witness:

SASC QFR

Committee:
Hearing Date:
Subject:
Insert (Page#, Line#):

The information follows:

Insert - All Committees

Prepared by _____
NAME

Phone Number _____

Checked By _____
NAME

P&FC
Analyst _____
NAME

B U D G E T	P L A N
----------------------------	------------------

[illegible][illegible][illegible]

1-215

DD Form 2232 (\$\$\$) Budget Estimates Recording/Coding Instructions (\$\$\$)

1. Column 1, Budget Plan: Obligation Plan data for Direct and Reimbursable budget activities will be indicated by coding a 2 over the preprinted 1 in Column 1.
2. Columns 2 thru 14, budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing".
Columns 2 thru 5 will be the Appropriation (Treasury) Code.
Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of Volume 2A of the DoD Financial Management Regulation, DoD 7000.14-R). Values will be entered left justified.
Columns 9 thru 11 will be the Budget Activity Code. Column 9 will be blank for 2 digit Budget Activity Codes listed therein.
Columns 12 thru 14 will be the Budget Subactivity Code.
3. Column 15, Fiscal Year Program: For Procurement, RDT&E, Military Construction Family Housing, and those Operation and Maintenance accounts with multiple year availability, enter the last digit of the applicable fiscal year program.
4. Column 16, Supplementary Code: Enter a value only when the transaction is associated with a supplemental program. The following are valid supplemental codes:

 Q- Supplemental,
 P - Legislative proposal, not subject to PAYGO,
 L - Appropriation language to be transmitted later,
 S - Legislative proposal, subject to PAYGO,
 R - Rescission Proposal.
5. Columns 32 thru 70: Are used for recording submission estimates for PY, CY, BY1, and BY2.
Minus signs: When appropriate, will be coded to the left of the most significant digit.

NOTE: Entries in columns 32-70 for Obligation Plan, Expenditure Tail, Object Classification and Budget Plan for all Financing and Budget Authority lines will beat the level of the PB-2 & PB-2A Exhibits shown in Section 010702 of the Financial Management Regulation.

Prepared by _____
NAME

Phone Number _____

Checked By _____
NAME

P&FC
Analyst _____
NAME

Date _____
(YY/MM/DD)

[illegible]**Exhibit DD 2233 Decision Recording Form**

DD Form 2233 (\$\$\$) Decision Recording/Coding Instructions (\$\$\$)

1. Column 1, Budget Plan: Obligation Plan data for Direct and Reimbursable budget activities will be indicated by coding a 2 over the preprinted 1 in Column 1.

2. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing."
 Columns 2 thru 5 will be the Appropriation (Treasury) Code.
 Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of Volume 2A of the DoD Financial Management Regulation DoD 7000.14-R).
 Columns 9 thru 11 will be the Budget Activity Code. Column 9 will be blank for 2 digit Budget Activity Codes listed therein.
 Columns 12 thru 14 will be the Budget Subactivity Code.

3. Column 15, Fiscal Year Program: for Procurement, RDT&E, Military Construction, Family Housing, and those Operation and Maintenance accounts with multiple year availability, enter the last digit of the applicable fiscal year program.

4. Column 16, Supplemental Code: enter a value only when the transaction is associated with a supplemental program. The following are valid supplemental codes:
 Q - Supplemental,
 P - Legislative proposal, not subject to PAYGO,
 L - Appropriation language to be transmitted later,
 S - Legislative proposal, subject to PAYGO,
 R - Rescission Proposal.

5. Columns 17 thru 22 (OSD Use): Decision Number is the number identifying Secretarial decisions.

<u>DCN No. Illust.</u>	<u>1 7</u>	<u>1 8</u>	<u>1 9</u>	<u>2 0</u>	<u>2 1</u>	<u>2 2</u>
DCN	0	0	1			
DCN, Change (1 st)	0	0	1	C		
DCN, Change (2 nd)	0	0	1	C	2	
Other Sec Def Decision	P	0	1			

6. Column 23, Alternative Number (OSD Use): When preparing data for the numbered alternatives in a decision, use this field to identify the specific alternative. When the alternative is the service estimate, use the code "S"; otherwise use the alternative number referred to in the decision document.

7. Columns 32 thru 70: Are used for recording decision changes for PY, CY, BY1, and BY2
Minus signs: When appropriate, will be coded to the left of the most significant digit.

NOTE: Entries in columns 32-70 for Obligation Plan, Expenditure Tail, Object Classification and Budget Plan for all Financing and Budget Authority lines will be at the level of the PB-2 & PB-2A Exhibits shown in Section 010702 of the Financial Management Regulation.

DD Form 2234 (\$\$\$) Outyear Recording/Coding Instructions (\$\$\$)

1. Columns 2 thru 14. Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title Listing".
Columns 2 thru 5 will be the Appropriation (Treasury) Code.
Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of the DoD Financial Management Regulation, DoD 7000.14-R). Values will be entered left justified.
Column 9 will be blank.
Columns 10 and 11 will be "20".
Columns 12 thru 14 will be the Budget Subactivity Code.

2. Columns 17 thru 22 (OSD Use): Decision Number is the number identifying Secretarial decisions.

<u>DCN No. Illust.</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>
DCN	0	0	1			
DCN, Change (1 st)	0	0	1	C		
DCN, Change (2 nd)	0	0	1	C	2	
Other Sec Def Decision	P	0	1			

3. Column 23, Alternative Number (OSD Use): When preparing data for the numbered alternatives in a decision, use this field to identify the specific alternative. When the alternative is the service estimate, use the code "S"; otherwise use the alternative number referred to in the decision document.
4. Columns 32 thru 70: Are used for recording dollar amounts for BY+1, BY+2, BY+3, and BY+4.
Entries will be coded right justified with leading spaces in these columns, for each amount.
Minus signs: When appropriate, will be coded to the left of the most significant digit.

(Coding Instructions Appear on Reverse Side)

NAME _____

NAME

NAME _____

DD Form 2235 Personnel Budget Submission Recording/Coding Instructions

1. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing."
Columns 2 thru 5 will be the Appropriation (Treasury Code).
Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of the DoD Financial Management Regulation, DoD 7000.14-R) for *civilian full-time equivalents (FTEs)*. For military end strengths code the military component value in combination with the valid defense agency Suffix Code. Values will be entered left justified.
Column 9 will be blank.
Columns 10 and 11 will be "20".
Columns 12 thru 14 will be the Budget Subactivity Code.

2. Columns 15 and 16, Civilian FTE Personnel Category Codes are as follows:

01	Civ, US DH	03	Civ, Fgn DH	05	Civ, Fgn Ind
----	------------	----	-------------	----	--------------

3. Columns 15 and 16, Military End Strength Personnel Category Codes areas follows:

21	Off, A	23	Enl, A	25	Cadets, A
31	Off, N	33	Enl, N	35	Cadets, N
41	Off, MC	43	Enl, MC	55	Cadets, AF
51	Off, AF	53	Enl, AF		

4. Columns 15 and 16, Selected Reserve Personnel Category Codes are as follows:

61	Off, Trained in Units	71	Off, Training Pipeline
62	Enl, Trained in Units	72	Enl, Training Pipeline
63	Off, IMAs	81	Off, Full-time Active Duty
64	Enl, IMAs	82	Enl, Full-time Active Duty

These codes are valid for all Reserve appropriation accounts, and with the exception of 63 and 64, are also valid for all National Guard appropriation accounts.

5. Columns 32 thru 70: Are used for recording initial *FTE estimates for Civilian Personnel* and initial end strength estimates Military and Selected Reserve Personnel for PY, CY, BY1, and BY2. Entries will be coded right justified with leading spaces in these columns, for each amount.

Minus signs: When appropriate, will be coded to the left of the most significant digit.

DD Form 2236 Personnel Decision Recording/Coding Instructions

1. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing".
Columns 2 thru 5 will be the Appropriation (Treasury) Code.
Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of the DoD Financial Management Regulation, DoD 7000.14-R) for *civilian full-time equivalent (FTE) personnel data*. For military end strengths, code the military component value in combination with the valid defense agency Suffix Code. Values will be entered left justified.
Column 9 will be blank.
Columns 10 and 11 will be "20".
Columns 12 thru 14 will be the Budget Subactivity Code.
2. Columns 15 and 16, Civilian FTE Personnel Category Codes are as follows:

01 Civ, US DH	03 Civ, Fgn DH	05 Civ, Fgn Ind
---------------	----------------	-----------------
3. Columns 15 and 16, Military End Strength Personnel Category Codes are as follows:

21 Off, A	23 Enl, A	25 Cadets, A
31 Off, N	33 Enl, N	35 Cadets, N
41 Off, MC	43 Enl, MC	55 Cadets, AF
51 Off, AF	53 Enl, AF	
4. Columns 15 and 16, Selected Reserve Personnel Category Codes are as follows:

61 Off, Trained in Units	71 Off, Training Pipeline
62 Enl, Trained in Units	72 Enl, Training Pipeline
63 Off, IMAs	81 Off, Full-time Active Duty
64 Enl, IMAs	82 Enl, Full-time Active Duty

These codes are valid for all Reserve appropriation accounts, and with the exception of 63 and 64, are also valid for all National Guard appropriation accounts.
5. Columns 17 thru 22 (OSD Use): Decision Number is the number identifying Secretarial decisions.

<u>DCN No. Illust.</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>
DCN	0	0	1			
DCN, Change (1 st)	0	0	1	C		
DCN, Change (2 nd)	0	0	1	C	2	
Other Sec Def Decision	P	0	1			
6. Column 23, Alternative Number (OSD Use): When preparing data for the numbered alternatives in a decision, use this field to identify the specific alternative. When the alternative is the service estimate, use the code "S"; otherwise use the alternative number referred to in the decision document.
7. Columns 42 thru 70: Are used for recording *FTE estimates for Civilian Personnel* and end strength estimates for Military and Selected Reserve Personnel for CY, BY1, and BY2.
Minus signs: When appropriate, will be coded to the left of the most significant digit.

Prepared by _____
NAME

Phone Number _____

Checked By _____
NAME

P&FC Analyst _____
NAME

DD Form 2236-1 Personnel Outyear Recording Form

DD Form 2236-1 Personnel Outyear Recording/Coding Instructions

1. Columns 2 thru 14, Budget Name/Code File: Enter the code exactly as it appears in the "Budget Account Title File Listing."
 Columns 6 thru 8 will be the DoD Component/Suffix Codes (Section 010506 of the DoD Financial Management Regulation, DoD 7000.14-R) for *civilian full-time equivalent (FTE) personnel data*. For military end strengths code the military component value in combination with the valid defense agency Suffix Code. Values will be entered left justified.
 Column 9 will be blank.
 Columns 10 and 11 will be "20".
 Columns 12 thru 14 will be the Budget Subactivity Code.

2. Columns 15 and 16, Civilian FTE Personnel Category Codes are as follows:

01 Civ, US DH	03 Civ, Fgn DH	05 Civ, Fgn Ind
---------------	----------------	-----------------

3. Columns 15 and 16, Military End Strength Personnel Category Codes are as follows:

21 Off, A	23 Enl, A	25 Cadets, A
31 Off, N	33 Enl, N	35 Cadets, N
41 Off, MC	43 Enl, MC	55 Cadets, AF
51 Off, AF	53 Enl, AF	

4. Columns 15 and 16, Selected Reserve Personnel Category Codes are as follows:

61 Off, Trained in Units	71 Off, Training Pipeline
62 Enl, Trained in Units	72 Enl, Training Pipeline
63 Off, IMAs	81 Off, Full-time Active Duty
64 Enl, IMAs	82 Enl, Full-time Active Duty

These codes are valid for all Reserve appropriation accounts, and with the exception of 63 and 64, are also valid for all National Guard appropriation accounts.

5. Columns 17 thru 22 (OSD Use): Decision Number is the number identifying Secretarial decisions.

<u>DCN No. Illust.</u>	<u>1 7</u>	<u>1 8</u>	<u>1 9</u>	<u>2 0</u>	<u>2 1</u>	<u>2 2</u>
DCN	0	0	1			
DCN, Change (1 st)	0	0	1	C		
DCN, Change (2 nd)	0	0	1	C	2	
Other Sec Def Decision	P	0	1			

6. Column 23, Alternative Number (OSD Use): When preparing data for the numbered alternatives in a decision, use this field to identify the specific alternative. When the alternative is the service estimate, use the code "S"; otherwise use the alternative number referred to in the decision document.

7. Columns 32 thru 70: Are used for recording *FTE estimates for Civilian Personnel* and end strength estimates for Military and Selected Reserve Personnel for BY+1, BY+2, BY+3, and BY+4. Entries will be coded right justified with leading spaces in these columns, for each amount.
Minus signs: When appropriate, will be coded to the left of the most significant digit.

[illegible]

- **Left Justify.**
- **Include four digits, e.g., 1995 for FY 1995: 2002 for FY 2002.**
- **Right Justify.**
- **Use leading minus sign (-) for negative values.**
- **TOA values in thousands.**
- **Forces and manpower in units.**

- Include four digits, e.g., 1995 for FY 1995: 2002 for FY 2002.
- Right Justify.
- Use leading minus sign (-) for negative values.
- TOA values in thousands.
- Forces and manpower in units.

- Right Justify.
- Use leading minus sign (-) for negative values.
- TOA values in thousands.
- Forces and manpower in units.

TOTAL OBLIGATIONAL AUTHORITY/*DBOF COSTS* AND MANPOWER
CONTROLS FORMAT

<u>Appropriation Totals (\$000)</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
-------------------------------------	-----------	-----------	------------	------------	--------------	--------------	--------------	--------------

Military Personnel

Operation & Maintenance

RDT&E Procurement

Military Construction

Revolving Funds

Total TOA

Manpower End Strength Totals

Active Military Manpower

Active Officer

Active Enlisted

Cadet/Midshipmen

National Guard/Reserve Manpower

National Guard

Officer

Enlisted

Total National Guard Manpower

Reserve

Officer

Enlisted

Total Reserve Manpower

Civilian Manpower

Direct Hire US

Direct Hire Foreign

Indirect Hire Foreign

Total Manpower

TOA and Manpower Controls Format

**MILITARY PERSONNEL, SERVICE
AVERAGE ANNUAL PAY/PCS RATES**

<u>Pay and Allowances</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
Officers								
Enlisted								
Cadets/Midshipmen								
Trainees								
<u>PCS and HHG</u>								
Officers								
Enlisted								
Cadets/Midshipmen								
Trainees								

Military Personnel Average Annual Pay/PCS Rates

UNCLASSIFIED

Procurement Appendix (\$Millions)Qty()			NUMBER				Alternative	
Line Item	Current Year	Biennial Year 1	Biennial Year 2	Biennial Year 2 + 1	Biennial Year 2 + 2	Biennial Year 2 + 3	Biennial Year 2 + 4	

UNCLASSIFIED

Procurement Appendix

PROCUREMENT DATA FORMAT

[illegible]SD FORM 463
MAY 96

Use leading minus (-) sign for negative values.

Exhibit SD 463 Procurement Data Format

SD 463 Procurement Data Format Instructions

1. Columns 1 thru 20: - Code exactly as appears in the FYDP Procurement Annex Nomenclature List.
2. Column 21: -

A = Weapon System Cost (Gross) B = Advance Procurement (PY) C = Advance Procurement (CY) D = Contract Design(Historical SCN only) E = Contract Cancellation (SCN only) F = PY Unfunded Deficiencies G = Over Target	I = <i>Future Cost/Growth Escalation</i> (SCN only) J = Initial Spares Outfitting for SCN) (<i>Memo non-add</i>) K = Post Delivery(SCN only) L = Cost Growth(SCN only) M = Shipbuilding Escalation(SCN only) N = Completion of PY Programs P = <i>Unfunded NSSN (Memo)</i> S = <i>Anticipated Escalation (Memo for historical updates)</i>
---	---
3. Column 22 thru 25: - Enter the four digits of the applicable fiscal year.
4. Column 26 thru 29: - Enter the fiscal year program against which the advance applies.
5. Column 30: - Enter "9" for all data changes.
6. Column 31 thru 36: - Enter the Program Budget Decision (PBD) Number as follows. NOTE: This only applies for the Presidential Budget Cycle.

EXAMPLE:

<u>DCN No.</u>	<u>Illust.</u>	<u>DECISION NUMBER</u>					
		<u>3 1</u>	<u>3 2</u>	<u>3 3</u>	<u>3 4</u>	<u>3 5</u>	<u>3 6</u>
PBD		0	0	1			
PBD, Revision(1st)		0	0	1	C		
PBD, Revision(2nd)		0	0	1	C	2	
Other Sec Def Decision		P	0	1			

7. Column 37 thru 46: - Enter the program quantity in units. If the value is negative, enter a leading minus sign.(Right Justify)
8. Column 47 thru 56: - Enter the program cost in thousands of dollars. If the value is negative, enter a leading minus sign.(Right Justify)

Exhibit SD 463-N Procurement Nomenclature Format

1-233

1. Columns 1 thru 4 - Appropriation Code
2. Column 5 - Component Code
3. Column 6 - Leave Blank
4. Columns 7 thru 8 - Budget Activity
5. Columns 9 thru 10 - Budget Sub-Activity
6. Columns 11 thru 20 - Item Control Number
7. Column 21 - Selected Acquisition Reports Item designator. Enter "X" or leave blank
8. Column 22 - Leave Blank

- 1-234

Procurement Nomenclature Transaction Record												
APPN/5	RSV/1	BA/2	BSA/ 2	ITEM CONT. NUM/10	SAR/ 1	RSV/1	SEC/1	QTY/1	ID/1	RSV	ACOD/1	TITLE/45
1-5	6	7-8	9-10	11-20	21	22	23	24	25	26-29	30	31-76

Procurement Data Transaction Record											
APPN/5	RSV/1	BA/2	BSA/ 2	ITEM CONT. NUM/10	CTYP/1	PGFY/2	AVFY/2	ACOD/1	PBD NUMBER/6	QUAN/9	COST/9
1-5	6	7-8	9-10	11-20	21	22-25	26-29	30	31-36	37-46	47-56

Procurement Nomenclature/Data Transaction Record

UNCLASSIFIED

RDT&E APPENDIX			NUMBER			Alternative	
Line Item	Current Year	Biennial Year	Biennial Year 1	Biennial Year 2 +1	Biennial Year 2+ 2	Biennial Year 2 + 3	Biennial Year 2 + 4

UNCLASSIFIED

RDT&E Appendix

RDT&E Data Format

Treasury Code				Comp	Res	Bud Act	Program Element												PBD								Cost Type	Fiscal Year				AC	Change Value											
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40					
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- Notes:
- Left justify Program Element.
 - Action Code (AC) is 9.
 - Left justify PBD.
 - Right justify the Change Value and use a leading minus sign (-) for negative values

Exhibit SD 463-1 RDT&E Data Format

SD 463-1 RDT&E Data Format Instructions

1. Columns 1 thru 8: Treasury Code, Component Code, and Budget Activity Code - These areas specified in *DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation*. Columns 1 through 4 will be the Treasury Code. Column 5 will be the Component Code. Column 6 is blank. Columns 7 through 8 will be the Budget Activity.
2. Columns 9 through 18: Program Element - These program element (PE) codes are published in the FYDP Program Structure Handbook (DoDI 7045.7-H) dated January 1996. Left justify this field.
3. Columns 19 through 24: Program Budget Decision (PBD) - This is the number identifying the Program Budget decisions. Left justify this field. Note This only applies for the Presidential Budget Cycle.

Example: PBD No. Illust.

PBD

PBD, Change (1st)

PBD, Change (2nd)

Other SecDef Decision

Decision Number

<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>	<u>23</u>	<u>24</u>
0	0	1			
0	0	1	C		
0	0	1	C	2	
P	0	1			

4. Column 25: Cost Type - Cost Type codes authorized for use are:

Cost Type Code

A

Cost Type

Program Value (Gross)

5. Columns 26 thru 29 Fiscal Year - Enter the applicable fiscal year. Example: 1996
6. Column 30: Action Code (AC) - AC is 9.
7. Columns 31 thru 40: Change Value - Enter the program cost in thousands of dollars. If the value is negative, enter a leading minus sign (-). Right justify this field.

RDT&E SAR/Classification Nomenclature

Treasury Code				Comp	Res	Bud Act		Program Element										Reserved										AC	Sar	Sec Class	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32

Notes: ● Left justify Program Element.
● Action Code (AC) is 1.

Exhibit SD 463-1N RDT&E SAR/Classification Nomenclature Formats

SD 463-1N RDT&E SAR/Classification Nomenclature Instructions

1. Columns 1 thru 8: Treasury Code, Component Code, and Budget Activity Code - These areas specified in *DoD 7000.24-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation*. Columns 1 thru 4 will be the Treasury Code. Column 5 will be the Component Code. Column 6 is a Reserved space. Leave it blank. Columns 7 thru 8 will be the Budget Activity.
2. Columns 9 thru 18: Program Element - These program element (PE) codes are published in the FYDP Program Structure Handbook (DoDI 7045.7-H) dated January 1996. Left justify this field.
3. Columns 19 thru 29: Reserved - Leave blank.
4. Column 30: Action Code - AC is 1.
5. Column 31: SAR Item Designator - The single character "X" in column 31 will indicate a SAR item.
6. Column 32: Security Classification - The security classification shall be in accordance with the criteria set forth in DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation. Its value can be either "S", "C" or "U".

RDT&E SAR/Classification Nomenclature

Treasury Code				Comp	Res	Bud Act		Program Element										Reserved										AC	Sar	Sec Class
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	.	.	27	29	30	31	32

RDT&E Data Format

Treasury Code				Comp	Res	Bud Act		Program Element								PBD				Cost Type	Fiscal Year			AC	Change Value			
1	2	3	4	5	6	7	8	9	10	11	12	13			18	19	20	21	26	24	25	26		29	30	31		40
																					A				9			

RDT&E SAR/Classification Nomenclature Formats

UNCLASSIFIED

CONSTRUCTION APPENDIX (\$000)				NUMBER	ALTERNATIVE	
APP N	BUD ACT	FAC CAT	LOCATION AND PROJECT	FISCAL YEAR 19CY	FISCAL YEAR 19BY1	FISCAL YEAR 19BY2

UNCLASSIFIED

Construction Appendix

Construction System Data Base
COMPONENT ANALYST

DECISION RECORDING FORM

(Coding Instructions appear on reverse side)

OSD ANALYST

NAME: _____ PHONE: _____ DATE: _____

NAME: _____ PHONE: _____ DATE: _____

Treasury Code				C O M P	Suffix	Bud Act	Location		Project ID					AC	Program		Res	CT	Action Doc. Code	Document Decision Number					Approval Date			Program Cost (\$ Thousands)																	
1	2	3	4				State & Country	Installation							Fiscal Year	Year									Year	Month	Day																		
5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48		
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SD 463-2 Construction System Database Decision Recording Instructions

1. **Columns 1 thru 20: Treasury Code, Component Code, Suffix, Budget Activity Code, Location and Project ID.** - Code exactly as it appears in the Construction Nomenclature List.
2. **Column 21: Action Code** - This position is always coded "9".
3. **Columns 22 thru 23: Program Fiscal Year** - Enter the last two digits of the applicable fiscal year.
4. **Columns 24 thru 25: Reserved** - Leave these positions blank.
5. **Column 26: Cost Type** - Cost Type codes authorized for use are:

<u>Cost Type Code</u>	<u>Cost Type</u>
A	Program Cost (Adds to appropriation as well as authorization totals.)
M	Memo Non Add (Included in authorization totals but <u>not</u> included in appropriation totals.)

6. **Columns 27 thru 28: Action Document Code** - Enter one of the following codes:

01	Program Change Decision
02	Program Budget Decision
04	Program Decision Memorandum
16	Congressional Action

7. **Columns 29 thru 34: Document Decision Number** - Enter the decision number as follows: (The initial budget data must show the PBD wherein the resources for this project will be addressed, and position 32 must contain an "S".)

<u>PBD No. Illust.</u>	<u>Decision Number</u>					
	<u>29</u>	<u>30</u>	<u>31</u>	<u>32</u>	<u>33</u>	<u>34</u>
PBD	3	0	1			
PBD, Change (1st)	3	0	1	C		
PBD, Change (2nd)	3	0	1	C	2	
Other SecDef Decision	P	0	1			

8. **Columns 35 thru 40: Approval Date** - Enter the date of the document decision in the format - year month day, i.e. 860823. (For the initial budget submission, use the date of the Program decision Memorandum.)
9. **Columns 41 thru 48: Program Cost** - Enter the amount (total or delta to previous figure). in thousands of dollars, right justified. If the value to be entered is negative, enter a minus sign in the column to the immediate left of the dollar value (e.g. -4328).

Construction System Database

NOMENCLATURE RECORDING FORM

(Coding Instructions appear on reverse side)

COMPONENT ANALYST

OSD ANALYST

Name: _____ Phone: _____ Date: _____

Name: _____ Phone: _____ Date: _____

[illegible]SD FORM 463-2N
MAY96

Exhibit SD 462-2N Construction System Data Base

SD 463-2N Construction System Nomenclature recording Instructions

1. **Columns 1 thru 9:** Treasury Code, Component Code, Suffix, Budget Activity Code - *Enter as shown in DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation.*
2. **Column 10 thru 11:** State and Country Code - *Enter the two character code as given in DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation.*
3. **Columns 12 thru 14:** Installation Code - Enter a three digit (numeric only) code that will uniquely identify the installation within the state/country.
4. **Columns 15 thru 20:** Project Identification Number - Enter a six digit (numeric only) code that will uniquely identify a project for the installation.
5. **Column 21:** Action Code - Enter a one digit code as follows (see *DoD 7000.14-R, Volume 2A, Chapter 1, the DoD Financial Management Regulation*).
 - 1 - To identify the addition of a major command;
 - 2 - To identify a change to a major command title already on file;
 - 3 - To identify the addition of an installation title record;
 - 4 - To identify a change to an installation title already on file;
 - 5 - To identify changes to a project record already on file. (Complete columns 1-23 and one or more of the following to be changed: command, major FYDP program, facility category, special interest, authorization code, and/or project title.)
6. **Columns 22 thru 23:** Program Fiscal Year - Enter the last two digits of the applicable year.
7. **Columns 24 thru 25:** Major Command - Enter the two digit command code.
8. **Columns 26 thru 27:** Major FYDP Program - Enter the two digits of the applicable major FYDP program.
9. **Columns 35 thru 37:** Facility Category Code - Enter the appropriate three digit facility category code as prescribed in DoDI 4165.14.
10. **Column 38:** Special Interest - Leave blank or enter one of the following codes, as appropriate:
 - 1 - Energy Conservation
 - 2 - Air Pollution Abatement
 - 3 - Water Pollution Abatement
 - 4 - Noise Pollution Abatement
11. **Column 39:** Authorization - Enter an "X" if the project is subject to authorization. Enter a "P" if the project was authorized for Appropriation in prior year. Enter a "Y" if the project was authorized in prior year.
12. **Columns 40 thru 81:** Title - Enter the title of the major command, installation or project as appropriate.

CHAPTER 2
MILITARY PERSONNEL
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CHAPTER 2

MILITARY PERSONNEL APPROPRIATIONS

0201 GENERAL

020101 Purpose

A. This Chapter prescribes the justification materials required for the Military Personnel appropriations for both the Active and the Reserve Forces to support the budget estimates submission and the presentation of the President's budget submission to the Congress.

B. The following appropriations and accounts are covered:

Section

020201

- Active Military Personnel, Army, Navy, Marine Corps, Air Force

020301

- Reserve Military Personnel
- Army, Navy, Marine Corps, Air Force
- National Guard Military Personnel, Army, Air Force

020401

- Military Personnel Retirement Requirements

020502

- Military Retirement Fund/Education Benefits Fund

C. Fund requirements for the Military Personnel appropriations will be presented using the budget and fiscal accounting classifications as set forth in sections 0202 and 0203. Budget estimates will be based upon approved military personnel/strength programs as contained in the exhibits required in this Chapter, and in accordance with such special instructions as may be issued by the Office of the Under Secretary of Defense Secretary of Defense (P&R) as part of the call for the services' military strength programs. **All exhibits will be on a gross basis; i.e., include both direct and reimbursable personnel.**

D. Commutation of Subsistence-in-kind Rates. For the September 15 submission, subsistence-in-kind average daily food allowances will be developed by using the Food Cost index to compute the August Basic Daily Food Allowance (BDFA). The rates should be increased by one-half of the FY 19CY military personnel non-pay price escalation to

determine the CY budget rates for subsistence-in-kind. Any costs that exceed the amount projected in the FY 19CY President's budget will be included in the estimates within current availability.

E. Budgeting for Inflation.

Anticipated inflation will be included in the September 15 estimates for clothing, subsistence-in-kind, the commercial portions of permanent change of station travel, and temporary lodging allowances overseas. To ensure adequate funding for variable housing allowances, anticipated housing cost inflation will be added. The inflation rates to be used will be based upon approved price escalation indices provided as an enclosure to the annual FY 19CY revised and FY 19BY1/BY2 Budget Estimates Guidance memorandum.

F. Military End Strength Guidance for the Budget Estimates Submission. The requirements for military manpower end strength for the Office of the Secretary of Defense, and the DoD Field Activities under the purview of the Washington Headquarters Service (WHS), will be developed and assigned by the Director for Administration and Management. WHS will provide the Services with end strength numbers for the WHS agencies approximately 45 days prior to the submission of the machine readable input to the Budget Review System (BRS) and will identify the data by fiscal year, military service, and officer/enlisted designation. The end strength provided by WHS represents controls that will be met by the Services in their machine readable BRS submission. The following organizations are currently subject to this guidance:

Office of the Secretary of Defense (OSD)
Washington Headquarters Services (WHS)
Defense Legal Services Agency (DLSA)
Office of Economic Adjustment (OEA)
American Forces information Service (AFIS)
Defense technology Security Administration (DTSA)
Defense Prisoner of War/Missing In Action Office (DPMO)

0202 ACTIVE MILITARY PERSONNEL
APPROPRIATIONS020201 General

A. The purpose of this section is to provide general information applicable to the Active Military Personnel appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Chapter 1. The Military Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the special interest chapter.

B. This section provides the budget and fiscal accounting classifications for the military personnel appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification which shall be used on a uniform basis for the military personnel appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Military Personnel appropriations.

020202 Uniform Budget and Fiscal Accounting
Classification

A. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in section 020202. Variations in the activity and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described in Section 020202.

B. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same

sequence as will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

C. Chart of Accounts - The chart of accounts that follows represents a summary of the accounting and reporting structure under the Active Military Personnel appropriations. For purposes of presentation of budget estimates, however, as distinguished from monthly reporting, additional statistical breakdown will be required as shown in Section 020203.

Budget Activity (BA) and Budget Subactivity (BSA) *BA/BSA1 Pay and Allowances of Officers

- 1-A Basic Pay
- 1-B Retired Pay Accrual
- 1-C Incentive Pay for Hazardous Duty
- 1-D Special Pay
- 1-E Basic Allowance for Quarters
- 1-F Variable Housing Allowance
- 1-G Basic Allowance for Subsistence
- 1-H Station Allowances, Overseas
- 1-I Uniform Allowances
- 1-J Family Separation Allowances
- 1-K Separation Payments
- 1-L Social Security Tax - Employer's Contribution

2 Pay and Allowances of Enlisted Personnel

- 2-A Basic Pay
- 2-B Retired Pay Accrual
- 2-C Incentive Pay for Hazardous Duty
- 2-D Special Pay
- 2-E Special Duty Assignment Pay
- 2-F Reenlistment Bonus
- 2-G Enlistment Bonus
- 2-H Basic Allowance for Quarters
- 2-I Variable Housing Allowance
- 2-J Station Allowances, Overseas
- 2-K Clothing Allowances
- 2-L Family Separation Allowances
- 2-M Separation Payments
- 2-N Social Security Tax - Employer's Contribution

3 Pay and Allowances of Cadets and
Midshipmen

- 3-A Academy Cadets and Midshipmen

4 Subsistence of Enlisted Personnel

- 4-A Basic Allowance for Subsistence
- 4-B *Subsistence in Kind*

5 Permanent Change of Station Travel

- 5-A Accession Travel
- 5-B Training Travel
- 5-C Operational Travel Between Duty Stations (within CONUS and within Overseas)
- 5-D Rotational Travel to and from Overseas
- 5-E Separation Travel
- 5-F Travel of Organized Units

6 Other Military Personnel Costs

- 6-A Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners
- 6-B Interest on Uniformed Services Savings Deposits
- 6-C Death Gratuities
- 6-D Unemployment Benefits
- 6-E Survivor Benefits
- 6-F Education Benefits
- 6-G Adoption Expenses

a/ Proper coding will be assigned to each Military Department in accordance with fiscal codes for all appropriation activities.

D. Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions are provided on the following pages.

E. Object Classification - The object classifications that follow the Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

BA/BSA

1. **Pay and Allowances of Officers** - For the pay and allowances authorized by law to be paid to officers, including commissioned and warrant of the Regular Forces and officers of the Reserve components on extended active duty

1-A. Basic Pay: For basic compensation of officers, including length of service increments, under provisions of 37 U.S.C. 201,203 and 205.

**1-B. Retired Pay
Accrual:** For the Department of Defense's Contribution to its Military Retirement Fund, under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay. Retired pay accrual does not apply to academy cadets or midshipmen.

**1-C. Incentive Pay for Hazardous
Duty:**

For pay of officers for performance of hazardous duty required by competent authority under provisions of 37 U.S.C. 301, 301a, 301b and 301c. Includes:

- a. Duty as a crew member as determined by the Secretary concerned, invoking frequent and regular participation in aerial flight.
- b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.
- c. For the frequent and regular performance of operational or proficiency flying duty required by orders.
- d. For the written agreement to remain on active duty in aviation service for at least one year in an aviation specialty designated as critical.
- e. Duty while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.
- f. Duty involving parachute jumping as an essential part of military duty.
- g. Duty involving the demolition of explosives as a primary duty, including training for such duty.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

- h. Duty inside a high or low pressure chamber.
- i. Duty as human acceleration or deceleration experimental subject.
- j. Duty as human test subject - thermal stress experiments.
- k. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.
- l. Duty involving service as an air weapons controller.
- m. Duty involving use of toxic fuel or waste.
- n. Duty invoking live/hazardous organisms.

1-D. Special Pay:

For special pay to officers on active duty as physicians, dentists, optometrists, veterinarians, nurses and psychologists under the provisions of 37 U.S.C. 302, 302a, 302b, 302c, 302d, 302e and 303; certain designated officers in positions of unusual responsibility which are of a critical nature to the service concerned under provisions of 37 U.S.C. 306; officers on duty subject to hostile fire or imminent danger under provisions of 37 U.S.C. 310; personal money allowance to certain Generals and Admirals under provisions of 37 U.S.C. 414; for diving duty pay under the provisions of 37 U.S.C. 304; for sea duty pay under the provisions of 37 U.S.C. 305a; for nuclear officer incentive pay under the provisions of 37 U.S.C. 312, 312b and 312c.; for engineering and scientific duty performed by officers under the provisions of 37 U.S.C. 315; and for foreign language proficiency under the provisions of 37 U.S.C. 316.

1-E. Basic Allowance for Quarters:

For quarters allowances payable to officers under the provisions of 37 U.S.C. 403.

1-F Variable Housing Allowance

For variable housing allowances payable to officers under the provisions of 37 U.S.C 403a.

1-G. Basic Allowance for Subsistence:

For subsistence allowances payable to officers under the provisions of 37 U.S.C. 402.

1-H. Station Allowances, Overseas:

For payment to officers outside the United States or in Hawaii or Alaska of per diem allowances based on cost of living and housing allowances for members stationed outside the United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 405.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

- 1-I. Uniform Allowances:** For payments to officers for purchase of required uniform under the provisions of 37 U.S.C. 415.
- 1-J. Family Separation Allowances:** For family separation allowances payable to officers under the provision of 37 U.S.C. 427.
- 1-K. Separation Payments:**
- a. For payments to officers for accumulated annual leave under the provisions of 37 U.S.C. 501.
 - b. For severance pay to officers, including elimination of severance pay to officers not eligible for retirement under any provision of law on the date of elimination by promotion list passover, under the provisions of 10 U.S.C. 1174; elimination severance pay for cause under the provisions of 10 U.S.C. 1181; disability severance pay under the provisions of 10 U.S.C. 1212.
 - c. For lump sum readjustment payments to Reserve officers under the provisions of 10 U.S.C. 680.
 - d. Voluntary Separation Incentive (VSI) - For payment of an annuity to officer and enlisted members voluntarily separating from active duty during the drawdown under the provisions of 10 U.S.C. 1175.
 - e. Special Separation Benefit (SSB) - For a lump sum payment to officer and enlisted members separating from active duty during the drawdown under the provisions of 10 U.S.C. 1174a.
 - f. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty members who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Authorized by Section 4403 of the FY 1993 National Defense Authorization Act (P.L. 102-484).
- 1-L. Social Security Tax Employer's Contribution:** For payment of tax of employer to Social Security Administration as provided by Federal Insurance Contributions Act (including wage credits).
- 2. Pay and Allowances of Enlisted Personnel** - For the pay and allowances authorized by law to be paid to enlisted personnel of the Regular forces and enlisted members of the Reserve components on extended active duty.
- 2-A. Basic Pay:** For basic compensation of enlisted personnel, including length of service increments, under the provisions of 37 U.S.C. 201, 203 and 205.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

2-B. Retired Pay

Accrual:

For the Department of Defense's Contribution to its Military Retirement Fund, under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

2-C. Incentive Pay for Hazardous

Duty:

For pay of enlisted personnel for performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 and 301C. Includes:

- a. Duty as a crew member as determined by the Secretary concerned, involving frequent and regular participation in aerial flight.
- b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.
- c. Duty while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.
- d. Parachute jumping as an essential part of military duty.
- e. Duty involving the demolition of explosives as a primary duty, including training for such duty.
- f. Duty inside a high or low pressure chamber.
- g. Human acceleration or deceleration experimental subject.
- h. Duty as human test subject, thermal stress experiments.
- i. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.
- j. Duty involving use of toxic fuel or waste.
- k. Duty involving live/hazardous biological organisms.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

2-D. Special Pay:	For pay to enlisted personnel while on sea duty or duty outside the contiguous 48 States and the District of Columbia at places designated by the Secretary of Defense under the provisions of 37 U.S.C. 305 and 305a; for diving duty pay under the provisions of 37 U.S.C. 304; for duty subject to hostile fire or imminent danger under the provisions of 37 U.S.C. 310; for nuclear-trained and qualified, and for nuclear career accession and annual incentive bonuses under the provisions of 37 U.S.C. 312a; for qualified enlisted members extending duty at designated locations overseas under the provisions of 37 U.S.C. 314 and for foreign language proficiency under the provisions of 37 U.S.C. 316.
2-E. Special Duty Assignment Pay:	For pay to enlisted personnel for possessing special proficiency in a military skill, under the provisions of 37 U.S.C. 307.
2-F. Reenlistment Bonus:	For payment to enlisted personnel of a bonus for reenlistment, under the provisions of 37 U.S.C. 308.
2-G. Enlistment Bonus:	For payment to enlisted personnel of a bonus for enlistment (or extension) in a skill designated as critical, in accordance with the provisions of 37 U.S.C. 308a and 308f.
2-H. Basic Allowance for Quarters:	For quarters allowances payable to enlisted personnel under the provisions of 37 USC 403.
2-I. Variable Housing Allowance:	For quarters and variable housing allowances payable to enlisted personnel or to dependents under the provisions of 37 U.S.C. 403a.
2-J. Station Allowances, Overseas:	For payment to enlisted personnel outside the United States or in Hawaii or Alaska of per diem allowances based on cost of living and housing allowances for members stationed outside the United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 405.
2-K. Clothing Allowances:	For payment to enlisted personnel of cash allowance for purchase of prescribed clothing, for cost of clothing issued in kind, and for cash payment of maintenance allowances for clothing under the provisions of 37 U.S.C. 418. (Excludes replacement of clothing lost, damaged, or destroyed.)

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

2-L. Family Separation Allowances:

For family separation allowances payable to enlisted personnel under the provisions of 37 U.S.C. 427.

2-M. Separation Payments:

- a. For payments to enlisted personnel for accumulated unused annual leave under the provisions of 37 U.S.C. 501.
- b. For severance pay to enlisted personnel for disability under the provisions of 10 U.S.C. 1212.
- c. For authorized donations for discharge under certain conditions under the provisions of 10 U.S.C. 1048.
- d. Voluntary Separation Incentive (VSI) - For payment of an annuity to officer and enlisted members voluntarily separating from active duty during the drawdown under the provisions of 10 U.S.C. 1175.
- e. Special Separation Benefit (SSB) - For a lump sum payment to officer and enlisted members separating from active duty during the drawdown under the provisions of 10 U.S.C. 1174a.
- f. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty members who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Authorized by Section 4403 of the FY 1993 National Defense Authorization Act (P.L. 102-484).

2-N. Social Security Tax - Employer's Contribution:

For payment of tax on employer to Social Security Administration as provided by Federal Insurance Contributions Act (including wage credits).

3. Pay and Allowances of Cadets and Midshipmen - For the pay and allowances of cadets and midshipmen at the United States Military Academy, United States Naval Academy, and the United States Air Force Academy.

- a. For basic pay, commuted ration allowance, and employer's share of FICA tax for cadets appointed to the United States Military Academy, United States Naval Academy, and United States Air Force Academy, under the provisions of 37 U.S.C., 203 and 422.
- b. For payment of nuclear accession bonus under the provisions of 37 U.S.C. 312b.
- c. For the difference between the value of the commuted ration allowance and the cost of operational rations.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

4. **Subsistence of Enlisted Personnel** - For the payment of authorized basic allowances for subsistence to enlisted personnel and for the cost of procuring food and beverage supplies for issue as rations to enlisted personnel on extended active duty, including emergency and operational rations; also includes the payment of meals furnished under contract (when approved by competent authority) at commercial facilities where the payment of commuted rations would create an individual hardship and/or the costs for establishment of a Government mess facility are prohibitive or the contract feeding of enlisted personnel is determined to be more economical or advantageous.

**4-A. Basic Allowance for
Subsistence:**

For subsistence allowances payable to enlisted personnel under the provisions of 37 U.S.C. 402.

**4-B. Subsistence in
Kind:**

For cost of subsistence issued as rations to enlisted personnel, including emergency and operational rations, and for payment of meals furnished under contract by commercial facilities under the provisions of 10 U.S.C. 4561, 6081 and 9561.

5. **Permanent Change of Station Travel** - For expenses incident to permanent change of station travel of military personnel, individually or as part of organized units. PCS travel costs include mileage; monetary allowance in lieu of transportation; transportation by common carrier (rail, bus, air, or water, including Military Airlift Command and Military Sealift Command); per diem allowances, actual and necessary expenses and cost of subsistence while in a PCS travel status; issue of meal tickets in lieu of subsistence; temporary lodging expense; travel of dependents and transportation of baggage and household goods, port handling charges for personnel, their household goods, baggage and privately owned automobiles passing through CONUS MTMC terminals; payments of dislocation allowances; authorized transportation of dependents and personal and household effects of deceased military personnel; costs of contract packing, crating, handling and temporary storage of household goods; cost of nontemporary storage of household goods; cost of trailer allowances; travel incident to organizational movements on permanent change of station whether for training or non-training purposes; expenses incident to PCS movement of any military group traveling under one order from the same point of origin to the same destination; minor supplies and services incident to troop or organizational PCS movements; expenses and allowances incident to separation travel, discharge or release. Also included is all authorized Temporary Duty Travel directly related to and an integral part of PCS movement of individuals or organizational units. Excludes Temporary Duty Travel other than that directly related to and an integral part of PCS movements. All authorized PCS travel expenses provided for under this budget program account shall be charged to the same subprogram account cited in PCS travel order of the military member. The term "CONUS" (Continental United States) referred to herein applies to the United States Territory, "including the adjacent territorial waters located within the North American Continent between Canada and Mexico."

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

5-A. Accession Travel:

Officers.

Covers PCS movements of (1) officers appointed to a commissioned grade from civil life, military academies or ROTC/NROTC, Reserve and National Guard officers called or recalled to extended active duty from home or a point where orders were received to first permanent duty station or training school of twenty weeks or more duration and (2) officers or warrant officers appointed or recalled from enlisted status from station where they served as enlisted to new permanent duty station or training school of twenty weeks or more duration. (Includes officers appointed from enlisted status upon graduation from OCS, OTS, or basic flying training.) (Marine Corps basic military training for officers will be a part of an accession move; this is the only exception to the twenty-week rule.)

Enlisted.

Covers PCS movements of (1) enlistees, reenlistees, and prior service personnel from recruiting station or place of enlistment to first permanent duty station or training school of twenty weeks or more duration and (2) recalled enlisted reservists from home to first permanent duty station or training school of twenty weeks or more.

Cadets and Midshipmen.

Covers PCS movements of (1) individuals selected as academy cadets or midshipmen upon entry into the academies and (2) individuals who travel to the academies but fail to pass the entrance physical examinations and are required to return home.

5-B. Training Travel:

Officers.

Covers PCS movements of (1) officers and warrant officers from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction of 20 weeks duration or more; and (2) officer and warrant officer school graduates and eliminates from school to their next permanent CONUS duty station. (Excludes academy graduates, OCS or OTC graduates, flying training graduates, ROTC graduates and others chargeable to Accession Travel.)

Enlisted.

Covers PCS movements of (1) enlisted personnel from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction, of 20 weeks duration or more; (2) enlisted school graduates and eliminates from school to their next CONUS permanent duty station, and (3) enlisted personnel ordered to training leading to a commission if such training period is of 20 weeks duration or more.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

5-C. Operational Travel: Between Duty Stations (within CONUS and within Overseas):

Officers.

Covers PCS movements of (1) officers, and warrant officers to and from permanent duty stations located within the United States; (2) officers and warrant officers to and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing, or captured when no transoceanic travel is involved.

Enlisted.

Covers PCS movements of (1) enlisted personnel to and from permanent duty stations located within the United States; (2) enlisted personnel to and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of enlisted personnel who are interned, missing, or captured when no transoceanic travel is involved.

5-D. Rotational Travel to and from Overseas:

Officers.

Covers PCS movements of (1) officers and warrant officers from permanent duty stations in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) officers and warrant officers from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) officers and warrant officers from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing or captured when transoceanic travel is involved.

Enlisted.

Covers PCS movements of (1) enlisted personnel from permanent duty stations in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) enlisted personnel from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) enlisted personnel from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects, and privately owned vehicles of enlisted personnel who are interned, missing, or captured when transoceanic travel is involved.

5-E. Separation Travel:

Officers.

Covers PCS movements of (1) officers and warrant officers upon release or separation from the service from last permanent duty station to home of record or point of entry into service, or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of officers and warrant officers who are deceased.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

Enlisted. Covers PCS movements of (1) enlisted personnel upon release or separation from the service from last permanent duty station to home of record or point of entry into service or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of enlisted personnel who are deceased.

Cadets and Midshipmen.

Covers PCS movements of eliminated academy cadets/midshipmen to home of record or point of entry into service.

5-F. Travel of Organized Units:

Officers. Covers PCS movements of (1) officers and warrant officers directed to move as members of an organized unit movement; and (2) officer and warrant officer fillers and replacements directed to move as part of the unit move.

Enlisted. Covers PCS movements of (1) enlisted personnel directed to move as members of an organized unit movement; and (2) enlisted fillers and replacements directed to move as part of the unit move.

6. Other Military Personnel Costs - For costs incident to the apprehension of military deserters, absentees, and escaped prisoners; interest on uniformed services savings deposits; death gratuities; unemployment benefits; and survivor benefits.

6-A. Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners:

For the expenses of apprehension and delivery of military deserters, absentees, and escaped military prisoners, including the payment for travel of guards; payment of rewards or reimbursement of reasonable and actual expenses to persons or agencies apprehending and detaining or delivering absentees or deserters to military control.

**6-B. Interest on Uniformed Services Savings
Deposits:**

For the payment of interest at a rate not to exceed ten percent per annum on any sum of not less than \$5 deposited by members of the uniformed services under the provisions of 10 U.S.C. 1035. This program has been phased out for all members other than for those continued in a MIA status.

6-C. Death

Gratuities: For the payment of death gratuities to beneficiaries of military personnel under the provisions of 10 U.S.C. 1475-78.

**6-D. Unemployment
Benefits:**

For the payment of unemployment benefits to ex-service members who are discharged or released under honorable conditions under the provisions of 5 U.S.C. 8521.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

6-E. Survivor

Benefits:

For payment of funds for restored social security benefits to widows and orphans under the provisions of 10 U.S.C. 1450 and P.L. 98-94, Sec. 943.

6-F. Education

Benefits:

For payment to the DoD Education Benefits Fund, a trust fund, as prescribed by 10 U.S.C. 2006. This program is governed by 38 U.S.C., Chapter 30 and is budgeted on an accrual basis by the Department of Defense.

6-G Adoption

Expenses:

To provide reimbursement for qualifying adoption expenses under the provisions of P.L. 100-180, Sec 638 and P.L. 100-202 Sec 8111.

OBJECT CLASSIFICATION
ACTIVE MILITARY PERSONNEL APPROPRIATIONS

<u>Budget Subactivity</u>	<u>Object Class</u>
Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners: Rewards and Expenses	11.8
Travel of Guards	21.0
Basic Allowance for Quarters	11.7
Basic Allowance for Subsistence	11.7
Variable Housing Allowance	11.7
Basic Pay	11.7
Accrued Retirement Benefits	12.2
Death Gratuities	42.0
Enlistment Bonuses	12.2
Family Separation Allowances	12.2
Incentive Pay	11.7
Interest on Uniformed Services Savings Deposits	43.0
Permanent Change of Station, Travel:	
Dislocation Allowance	12.2
Non-temporary Storage	25.0
Port Handling Charges	25.0
Trailer Allowances	22.0
Transportation of Household Goods	22.0
Transportation of POVs	22.0
Travel of Military Members and Dependents	21.0
Temporary Lodging Expense	12.2
Monetary Allowance in Lieu of Transportation	21.0
Special Duty Assignment Pay	11.7
Reenlistment Bonuses	12.2
Separation Payments: Lump Sum Terminal Leave Payments	11.7
All Others	12.2
Survivor Benefits	13.0
Unemployment Compensation	13.0
Education Benefits	12.2
Social Security Tax-Employer's Contribution	12.2
Adoption Expenses	12.2
Special Pay: Medical, Dental, Nurse, Optometrists and Veterinarians Pay, Nuclear Officer Incentive Pay, Nuclear Accession Bonus, Aviation Retention Bonus, Scientific/Engineering Bonus, and Personal Money Allowances for General/Flag Officers	12.2
Special Pay: All Others	11.7
Station Allowances, Overseas	12.2
<i>Subsistence: In Kind</i>	11.7
Monetary Allowances	11.7
Uniform and Clothing Allowances: In Kind	26.0
Monetary Allowances	12.2

020203 Budget Presentation Structure Requirements

A. For purposes of preparing certain material for presentation and justification of budget estimates, the following budget activities will be used:

1. Pay and Allowances of Officers
2. Pay and Allowances of Enlisted
3. Pay and Allowances of Cadets and Midshipmen
4. Subsistence of Enlisted Personnel
5. Permanent Change of Station Travel
6. Other Military Personnel Costs

B. The following additional breakdown of each budget activity is required to be shown in the applicable justification exhibits:

BA/BSA

1. Pay and Allowances of Officers:

- a. Basic Pay
- b. Retired Pay Accrual
- c. Incentive Pay for Hazardous Duty
 - (1) Flying Duty
 - (a) Crew
 - (b) Noncrew
 - (c) Aviation Continuation Pay
 - (2) Submarine Duty
 - (3) Parachute Jumping
 - (4) Duty inside a high or low pressure chamber inside observer, human acceleration or deceleration, experimental subject and test subject in thermal stress experiments
 - (5) Demolition Duty
 - (6) Flight Deck Duty
 - (7) Air Weapons Controller Duty
 - (8) Duty Involving Toxic Fuel/Waste
 - (9) Duty Involving Live/Hazardous Biological Organisms
- d. Special Pay
 - (1) Medical Pay
 - (a) Variable Special Pay
 - (b) Additional Special Pay
 - (c) Board Certified Pay
 - (d) Medical Incentive Pay

- (e) Medical Officer Retention Bonus (or successor)
- (2) Dental Pay
 - (a) Variable Special Pay
 - (b) Additional Special Pay
 - (c) Board Certified Pay
- (3) Nurse Pay
 - (a) Accession Bonus
 - (b) Special Pay
- (4) Special Pay for Optometrists
- (5) Special Pay for Veterinarians
- (6) Personal Money Allowances - General/Flag Officers
- (7) Responsibility Pay
- (8) Diving Duty
 - (a) Basic Scuba
 - (b) Pararescue
- (9) Special Pay - Nuclear Officer Incentive Pay
- (10) Scientific/Engineering Bonus
- (11) Sea Duty Pay
 - (a) Career Sea Pay
 - (b) Premium Sea Pay
- (12) Foreign Language Proficiency Pay
- (13) Other Special Pay
- e. Basic Allowance for Quarters
 - (1) With Dependents
 - (2) Without Dependents
 - (3) Partial Allowance - Bachelor
 - (4) Substandard Housing
- f. Variable Housing Allowance
- g. Basic Allowance for Subsistence
- h. Station Allowances, Overseas
 - (1) Cost of Living
 - (2) Housing
 - (3) Temporary Lodging
- i. Uniform Allowances
 - (1) Initial
 - (2) Maintenance
 - (3) Supplementary
- j. Family Separation Allowances
 - (1) On permanent change of station with dependents not authorized, Government quarters not available.
 - (2) On permanent change of station with dependents not authorized.
 - (3) On board ship for more than 30 days.
 - (4) On temporary duty for more than 30 days with dependents not residing

- near temporary duty station.
 - k. Separation Payments
 - (1) Lump sum terminal leave payments.
 - (2) Lump sum readjustment payments.
 - (3) Lump sum payments to reservists
 - (4) Severance pay, failure of promotion.
 - (5) Severance pay, disability.
 - (6) Voluntary Separation Incentive (VSI)
 - (7) Special Separation Benefit (SSB)
 - (8) 15 Year Temporary Early Retirement Authority
 - l. Social Security Tax - Employer's Contribution
 - (1) Employers contribution of tax on basic pay
 - (2) Wage Credits
- 2. Pay and Allowances of Enlisted Personnel:
 - a. Basic Pay
 - b. Retired Pay Accrual
 - c. Incentive Pay for Hazardous Duty
 - (1) Flying Duty
 - (a) Crew
 - (b) Noncrew
 - (2) Submarine Duty
 - (3) Parachute Jumping
 - (4) Duty inside a high or low pressure chamber inside observer, human acceleration or deceleration, experimental subject and test subject in thermal stress experiments
 - (5) Demolition Duty
 - (6) Flight Deck Duty
 - d. Special Pay
 - (1) Diving Duty
 - (a) Basic Scuba
 - (b) Pararescue
 - (2) Sea Duty Pay
 - (a) Career Sea Pay
 - (b) Premium Sea Pay
 - (3) Duty at Certain Places
 - (4) Overseas Extension Pay
 - (5) Nuclear Accession Bonus
 - (6) Foreign Language Proficiency Pay
 - (7) Other Special Pay
 - e. Special Duty Assignment Pay
 - f. Reenlistment Bonus
 - g. Enlistment Bonus
 - h. Basic Allowance for Quarters
 - (1) With Dependents
 - (2) Without Dependents
 - (3) Partial Allowance - Bachelor
 - (4) Substandard Housing
 - i. Variable Housing Allowance
 - j. Station Allowances, Overseas
 - (1) Cost of Living
 - (2) Housing
 - (3) Temporary Lodging
 - k. Uniform Allowances
 - (1) Initial
 - (a) Military
 - (b) Civilian
 - (2) Maintenance Allowances
 - (a) Basic Allowance
 - (b) Standard Allowance
 - (c) Special Allowance
 - (3) Supplementary Allowances
 - l. Family Separation Allowances
 - (1) On permanent change of station with dependents not authorized, Government quarters not available.
 - (2) On permanent change of station with dependents not authorized.
 - (3) On board ship for more than 30 days.
 - (4) On temporary duty for more than 30 days with dependents not residing near temporary duty station.
 - m. Separation Payments
 - (1) Lump sum terminal leave payments.
 - (2) Severance pay, disability
 - (3) Authorized donations
 - (6) Voluntary Separation Incentive (VSI)
 - (7) Special Separation Benefit (SSB)
 - (8) 15 Year Temporary Early Retirement Authority
 - n. Social Security Tax - Employer's Contribution
 - (1) Employers contribution of tax on basic pay
 - (2) Wage Credits
- 3. Pay and Allowances of Cadets and Midshipmen:
 - Academy Cadets and Midshipmen
 - (1) Basic Pay

- (2) Subsistence - Commuted Ration
 - (3) Operational rations
 - (4) Social Security Tax - Employer's Contribution
 - (5) Nuclear Accession Bonus
4. Subsistence of Enlisted Personnel:
- a. Basic Allowance for Subsistence
 - (1) When Authorized to Mess Separately
 - (2) Leave Rations
 - (3) When Rations in Kind Not Available
 - (4) Augmentation of Commuted Ration Allowance for Meals Taken Separately
 - b. *Subsistence in Kind*
5. Permanent Change of Station Travel:
- a. Summary of Project Requirement Moves a/
 - b. Summary of Requirements by Types of Costs b/
 - c. Accession Travel c/
 - (1) Officers
 - (2) Enlisted
 - (3) Officer Candidates
 - d. Training Travel c/
 - (1) Officers
 - (2) Enlisted
 - e. Operational Travel Between Duty Station c/
 - (1) Officers
 - (2) Enlisted
 - f. Rotational Travel to and from Overseas c/
 - (1) Officers
 - (2) Enlisted
 - g. Separation Travel c/
 - (1) Officers
 - (2) Enlisted
 - (3) Officer Candidates
 - h. Travel of Organized Units c/
 - (1) Officers
 - (2) Enlisted
6. Other Military Personnel Costs:
- a. Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners
 - b. Interest on Uniformed Services Savings Deposits
 - c. Death Gratuities
 - (1) Officers
- (2) Enlisted
 - (3) Cadets and Midshipmen
- d. Unemployment Benefits
- e. Survivor Benefits
- f. Education Benefits
- (1) Four Year Obligation
 - (2) Three Year Obligation
 - (3) Two Year Obligation
 - (4) Two Years Active/Four Years Selected Reserve
- g. Adoption Expenses
- a/ For each type of move show the number of moves and the dollar amount for the PY, CY and BYs.
- b/ The "Summary of Requirements by Types of Costs" will show the number and amount of the following entries for the PY, CY and BYs:
- Travel of Military Members (include cadets and midshipmen)
- Mileage and Per Diem 1/
-
- MAC 2/
- Commercial Air 3/
- Travel of Dependents (family)
- Mileage 4/
- MAC 5/
- Commercial Air 6/
- Transportation of Household Goods
- M Tons - MSC
- S Tons - MAC
- Other Shipments
- Dislocation Allowance
- Trailer Allowance
- Transportation of POV's
- Port Handling Charges
- Contemporary storage
- Temporary Lodging Expense
- Total Obligations
- Less Reimbursements
- Total Direct Obligations

- 1/ Mileage and Per Diem - The costs of travel relating to use of privately owned vehicle or commercial modes other than air or sea. Includes per diem paid to the individual member. It excludes movement of mobile trailers even if the trailer is moved by the member. The unit of measurement is number of member moves.
- 2/ Military Airlift Command (MAC) - The costs of travel for movement of an individual member reimbursed to MAC. The unit of measurement is number of member moves.
- 3/ Commercial Air - The costs for movement of an individual member paid directly to a commercial company. (Excludes any costs paid to MAC.) The unit of measurement is number of member moves.
- 4/ Mileage - The costs of travel relating to the use of privately owned vehicles or commercial modes other than air or sea for the dependents of an individual member. Includes per diem paid to dependents. The unit of measurement is number of family moves.
- 5/ Military Airlift Command (MAC) - The costs of travel for movement of dependents reimbursed to MAC. The unit of measurement is number of dependents.
- 6/ Commercial Air - The costs for movement of dependents paid directly to a commercial company (excludes any costs paid to MAC). The unit of measurement is number of dependents.
- 7/ For each permanent change of station travel account, the following data will be shown, as applicable, for officers, enlisted and cadets:
- (1) Member Travel - Costs related to the movement of each member of a military service making a permanent change of station move.
 - (2) Dependent Travel - Costs related to the movement of dependents when authorized as part of a permanent change of station of a member of a military service. The number of dependent moves should reflect the number of families moved as a unit of measure.
- (3) Transportation of Household Goods - Costs related to movement of household goods as authorized by Joint Federal Travel Regulations including shipment of unaccompanied baggage.
- (a) Land Shipments, CONUS and Overseas - The costs of shipment of goods for the portion in CONUS and overseas of shipments other than ITGBL. The unit of measurement is member move.
 - (b) International Through Government Bill of Lading (ITGBL) - The costs of shipment from point of origin to destination on ITGBL. Includes both land and overwater portion of the movement. The unit of measurement is member move.
 - (c) Overseas - The costs of shipments, including unaccompanied and excess baggage, either reimbursed to the Military Sealift Command (MSC), Military Airlift Command (MAC), or paid directly to a commercial company.
- (4) Dislocation Allowance - The costs of dislocation allowance as authorized in the JTR. The unit of measurement is number of members paid.
- (5) Trailer Allowance - The costs of movement of mobile trailers whether moved by commercial contract or moved by the individual member. The unit of measurement is number of trailer moves.
- (6) Privately Owned Vehicles (POV) - The costs to the Government of transporting a POV to or from overseas.

- (a) Military Sealift Command (MSC) - The cost of shipping POVs reimbursed to MSC. The unit of measurement is number of POVs shipped. If number of POVs shipped is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.
- (b) Port Handling (Military Traffic Management Command) - The cost of port processing of vehicles reimbursed to MTMC. The unit of measurement is number of POVs processed. If number of POVs processed is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.
- (7) Port Handling Costs (HHGs) - The port handling costs for household goods and unaccompanied baggage reimbursed to MTMC. The unit of measure is measurement tons.
- (8) Nontemporary Storage - The costs to the government of placing goods in storage or moving them to another specified destination under the provisions of 37 U.S.C. 406 when a member entitled to a PCS move is ordered to a duty station to which the shipment of household goods is not authorized. No unit of measure will be shown for contemporary storage, only costs.
- (9) Temporary Lodging Expense (TLE) - The cost of reimbursing the member for expenses incurred as a result of a PCS move, not to exceed \$110 per day for up to four days under the provisions of 37 U.S.C. 404a (limited to two days within CONUS when member moves from CONUS to overseas). TLE requirements should reflect members paid as the unit of measure.

020204 Budget Estimates Submission

A. This section prescribes the justification materials required for the Military Personnel

appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in sections 020202 and 020203.

B. Exhibits in Support of Budget Estimates - The following justification exhibits will be prepared and submitted in support of budget estimates for the September 15 budget submission. These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in Section 020602. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of Contents

Section 1 - Summary of Requirements by Budget Program (PB-30A)

Section 2 - Introduction (The statement should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses and promotion and assignments policies. It also programmatic terms such as force structure and other matters of an overall nature as considered appropriate by the Service.)

Section 3 - Summary Tables (examples provided Section 020602)

- Personnel Summaries (PB-30B to PB-30J)
- Summary of Entitlements by Subactivity (PB-30J)
- Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)
- Schedule of Increases and Decreases (PB-30Q)

Section 4 - Detail of Military Personnel Entitlements

Justification materials will be provided for each entitlement as prescribed in Sections

020202 and 020203 for each of the following six budget activities for military personnel:

1. Pay and Allowances of Officers
2. Pay and Allowances of Enlisted Personnel
3. Pay and Allowances of Cadets
4. Subsistence of Enlisted Personnel
5. Permanent Change of Station Travel
6. Other Military Personnel Costs

Each of the military personnel budget activities above will be introduced by a schedule of increases and decreases (PB-30P). See Section 020602. for format.

Section 5 - Special Analyses (examples provided in Section 020602)

- Schedule of Military Assigned Outside DoD (PB-30Q)
- Reimbursable Programs (PB-30R)

C. Justification material for each subactivity will contain a purpose and scope section as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for, i.e., statutory, program enhancements, solving deficiencies, etc. Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year, current year, and both budget years.

D. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in Section 020602:

- | | |
|------|---|
| MP-1 | Reconciliation of Fund Changes with Previous Year |
| MP-2 | Dependents, Housing, and BAQ Estimates |
| MP-3 | Summary of Outyear Data |

MP-4 Military Personnel by Region and Country

MP-5 Active Duty Military Personnel Stationed Ashore By Regional Area

MP-6 Education Benefits - Additional Basic Benefits (Title 38 USC, Chapter 30).

MP-7 Aviation Retention Bonus

MP-9 Retired Pay Accrual Costs

MP-10 Summary of Military Personnel Separation Payments

E. Chapter 1, Section 010302, identifies copies required of the above.

F. A submission of machine-readable data, or "automated data", is required. It is conducted in conjunction with and in support of the OSD Budget Estimates Submission and the Winter President's Budget Submission for the four military personnel appropriations. All questions surrounding the submission of the automated data should be referred to:

*OUSDC(C), Directorate for Ops & Pers
Attn. MilPers Associate Director
1100 Defense, Pentagon, Room 3d868
Washington, DC 20301-1100
telephone (703)697-3101.*

1. The automated data shall be generated by the computer software provided. The data may be entered into the software manually or loaded from an external file. Directions for its use, as well as the information presented here, are included in the software.

2. When loading external data, it must conform to prescribed criteria.

a. The records must be in the following format.

Columns 1-1: Service Code (1-Army, 2-Navy, 3-Marines, 4-AF)

Columns 2-3: Fiscal Year (last two digits)

Columns 4-5: Budget Year (last two digits)

Columns 6-11: Identification Code (six digit code)

A. Justification books will be organized by Service military personnel account.

Columns 12-21: Average number, moves, or entitlements

B. Justification Book, other exhibit requirements, and submission of machine readable data in support of the congressional submission are as shown in Section 020204, Budget Estimate Submission.

Columns 22-36: Unit price showing price in dollars and cents including decimal point and minus sign, if appropriate.

b. Data entered will be right justified within the data field. Adjusting entries to convert total program dollars to direct program dollars should be entered with a negative sign immediately preceding the unit price.

c. In addition to the above:

- *Decimal points should appear where required.*
- *Negative entries should be identified with a minus sign adjacent to the left most digit.*
- *No commas in numbers over 999.*
- *Zero padding is unnecessary.*
- *Records that have all zero data fields are unnecessary.*

3. The submitted data must be either delivered on a standard, DOS-formatted diskette (3.5" or 5.25") or mailed electronically. If delivered on a diskette, the diskette must identify the office of origin and responsible personnel.

4. The software provides reports which duplicate the PB-30J exhibit, as well as other reports of the Military Personnel Justification Book. These reports must be reviewed, compared against the submitted justification book, and corrections and adjustments made before submitting the data. THE REPORTS GENERATED BY THE SOFTWARE MUST MATCH, AMOUNT FOR AMOUNT, THE REPORTS IN THE JUSTIFICATION BOOK.

5. Identification codes are provided In the software. Any new codes which are required will be assigned by the OUSD(C), Director for Operations & Personnel (Associate Director) upon request.

020205 Congressional Justification/Presentation

0203 RESERVE MILITARY PERSONNEL APPROPRIATIONS

020301 General

A. The purpose of this chapter is to provide general information applicable to the Reserve Military Personnel appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Chapter 1. The Military Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the special interest chapter.

B. This section provides the budget and fiscal accounting classifications for the military personnel appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification which shall be used on a uniform basis for the reserve component personnel appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Reserve and National Guard Personnel appropriations.

020302 Uniform Budget and Fiscal Accounting Classification

A. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in Section 020302. Variations in the budget program, activity and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described in Section 020302.

B. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same sequence as will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

C. Chart of Accounts - .The chart of accounts represents a summary of the accounting and reporting structure under the Reserve Component Personnel appropriations. Obligations and disbursements for individual clothing and uniform gratuities, and for subsistence of enlisted personnel maybe allocated by activity on a statistical basis if not reported by the different types of training. Subactivities may be combined in reporting on the status of funds, providing subactivity is maintained for budget review and presentation purposes:

Budget Activity (BA) and Budget Subactivity (BSA)

Budget Activity and Subactivity

1. UNIT AND INDIVIDUAL TRAINING

1-A Training - Pay Group A

- 1-A-1 Basic pay, active duty for training, officers
- 1-A-2 Other pay and allowances, active duty for training, officers
- 1-A-3 Basic pay, active duty for training, enlisted
- 1-A-4 Other pay and allowances, active duty for training, enlisted
- 1-A-5 Basic pay, inactive duty training, officers
- 1-A-6 Basic pay, inactive duty training, enlisted
- 1-A-7 Individual clothing and uniform gratuities, officers
- 1-A-8 Individual clothing and uniform gratuities, enlisted
- 1-A-9 Subsistence of enlisted personnel
- 1-A-10 Travel, active duty for training, officers
- 1-A-11 Travel, active duty for training, enlisted
- 1-A-12 Retired pay accrual, officers and enlisted

1-B Training - Pay Group B

- 1-B-1 Basic pay, active duty for training, officers
- 1-B-2 Other pay and allowances, active duty for training, officers
- 1-B-3 Basic pay, active duty for training, enlisted
- 1-B-4 Other pay and allowances, active duty for training, enlisted
- 1-B-5 Basic pay, inactive duty training, officers
- 1-B-6 Basic pay, inactive duty training, enlisted
- 1-B-7 Individual clothing and uniform gratuities, officers
- 1-B-8 Individual clothing and uniform gratuities, enlisted
- 1-B-9 Subsistence of enlisted personnel
- 1-B-10 Travel, active duty for training, officers
- 1-B-11 Travel, active duty for training, enlisted
- 1-B-12 Retired pay accrual, officers and enlisted

1-F Training - Pay Group F

- 1-F-1 Basic pay, active duty for training, enlisted
- 1-F-2 Other pay and allowances, active duty for training, enlisted
- 1-F-3 Individual clothing and uniform gratuities, enlisted
- 1-F-4 Subsistence of enlisted personnel
- 1-F-5 Travel, active duty for training, enlisted
- 1-F-6 Retired pay accrual, enlisted

1-P Training - Pay Group P

- 1-P-1 Basic pay, inactive duty training, enlisted
- 1-P-2 Individual clothing and uniform gratuities, enlisted
- 1-P-3 Subsistence of enlisted personnel
- 1-P-4 Retired pay accrual, enlisted

2. OTHER TRAINING AND SUPPORT

2-E Mobilization Training

- 2-E-1 Basic pay, active duty for training, officers

- 2-E-2 Other pay and allowances, active duty for training, officers
- 2-E-3 Basic pay, active duty for training, enlisted
- 2-E-4 Other pay and allowances, active duty for training, enlisted
- 2-E-5 Individual clothing and uniform gratuities, officers
- 2-E-6 Individual clothing and uniform gratuities, enlisted
- 2-E-7 Subsistence of enlisted personnel
- 2-E-8 Travel, active duty for training, officers
- 2-E-9 Travel, active duty for training, enlisted
- 2-E-10 Retired pay accrual, officers and enlisted
- 2-E-11 Muster pay stipend, officers and enlisted

2-R School Training

- 2-R-1 Basic pay, active duty for training, officers
- 2-R-2 Other pay and allowances, active duty for training, officers
- 2-R-3 Basic pay, active duty for training, enlisted
- 2-R-4 Other pay and allowances, active duty for training, enlisted
- 2-R-5 Individual clothing and uniform gratuities, officers
- 2-R-6 Individual clothing and uniform gratuities, enlisted
- 2-R-7 Subsistence of enlisted personnel
- 2-R-8 Travel, active duty for training, officers
- 2-R-9 Travel, active duty for training, enlisted
- 2-R-10 Retired pay accrual, officers and enlisted

2-S Special Training

- 2-S-1 Basic pay, active duty for training, officers
- 2-S-2 Other pay and allowances, active duty for training, officers
- 2-S-3 Basic pay, active duty for training, enlisted
- 2-S-4 Other pay and allowances, active duty for training, enlisted
- 2-S-5 Individual clothing and uniform gratuities, officers

- 2-S-6 Individual clothing and uniform gratuities, enlisted
- 2-S-7 Subsistence of enlisted personnel
- 2-S-8 Travel, active duty for training, officers
- 2-S-9 Travel, active duty for training, enlisted
- 2-S-10 Retired pay accrual, officers and enlisted
- 2-T Administration and Support
 - 2-T-1 Basic pay of officers
 - 2-T-2 Other pay and allowances of officers
 - 2-T-3 Basic pay of enlisted
 - 2-T-4 Other pay and allowances of enlisted
 - 2-T-5 Subsistence of enlisted personnel
 - 2-T-6 Permanent change of station travel
 - 2-T-7 Death gratuities, officers
 - 2-T-8 Death gratuities, enlisted
 - 2-T-9 Disability and hospitalization benefits, officers
 - 2-T-10 Disability and hospitalization benefits, enlisted
 - 2-T-11 Reenlistment Bonus
 - 2-T-12 Enlistment Bonus
 - 2-T-13 Educational Assistance (Other than Montgomery G.I. Bill)
 - 2-T-14 Loan Repayment
 - 2-T-15 NROTC Nuclear Bonus
 - 2-T-16 Affiliation Bonus
 - 2-T-17 Individual Ready Reserve Enlistment/Reenlistment Bonus (PS)
 - 2-T-18 Individual Ready Reserve Enlistment Program Bonus (NPS)
 - 2-T-19 Health Professionals Stipend (SELRES)
 - 2-T-20 Health Professionals Stipend (IRR)
 - 2-T-21 Health Professionals Loan Repayment
 - 2-T-22 Retired Pay accrual, officers and enlisted
 - 2-T-23 Adoption Expenses
- 2-U Education Benefits
 - 2-U-1 Officer Personnel
 - 2-U-2 Enlisted Personnel
- 2-A Senior R.O.T.C.
 - 2-A-1 Subsistence allowance
 - 2-A-2 Uniforms -- issue in kind
 - 2-A-3 Uniforms -- commutation
 - 2-A-4 Pay and allowance (Summer training camp)
 - 2-A-5 Subsistence of reserve officer candidates
- 2-A-6 Travel of reserve officer candidates
- 2-B Scholarship R.O.T.C.
 - 2-B-1 Subsistence allowance
 - 2-B-2 Uniforms -- issue in kind
 - 2-B-3 Uniforms -- commutation
 - 2-B-4 Pay and allowances (Summer training camp)
 - 2-B-5 Subsistence of reserve officer candidates
 - 2-B-6 Travel of reserve officer candidates
- 2-C Platoon Leaders' Class or Reserve Officer Candidates
 - 2-C-1 Uniforms -- issue in kind
 - 2-C-2 Basic pay (Summer training camp)
 - 2-C-3 Other pay and allowances (Summer training camp)
 - 2-C-4 Subsistence of reserve officer candidates
 - 2-C-5 Travel of reserve officer candidates
 - 2-C-6 Retired pay accrual
- 2-D Branch Officer Basic Course
 - 2-D-1 Basic pay, active duty for training
 - 2-D-2 Other pay and allowances, active duty for training
 - 2-D-3 Uniform allowances
 - 2-D-4 Travel and per diem
 - 2-D-5 Retired pay accrual
- 2-I Armed Forces Health Professions Scholarship/Financial Assistance Program
 - 2-I-1 Stipend
 - 2-I-2 Individual clothing and uniform gratuities, officers
 - 2-I-3 Basic pay, active duty for training, officers
 - 2-I-4 Other pay and allowances, active duty for training, officers
 - 2-I-5 Travel, active duty for training, officers
 - 2-I-6 Retired pay accrual, officers
 - 2-I-7 Financial Assistance Grant
- 2-G Junior R.O.T.C.
 - 2-G-1 Uniforms -- issue in kind

2-H Chaplain Candidate Program

- 2-H-1 Basic pay, active duty for training
- 2-H-2 Other pay and allowances, active
duty for training
- 2-H-3 Uniform allowances
- 2-H-4 Travel
- 2-H-5 Retired pay accrual

D. Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions are provided on the following pages.

E. Object Classification - The object classifications that follow the Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

A. Budget Program

There will be a separate budget program for each reserve component of the Department of Defense and for each military service having those programs listed in paragraph **513.3** as appropriate.

B. Budget Activities

The budget activities are established to present all of the military type costs associated with a particular type of training within unit and individual training or other training and support programs. The following descriptions are for the chart of accounts listed in paragraph 513.3.

1. Unit and Individual Training

Training, Pay Groups A, B, F and P. The Pay Group activities contained in paragraph 513.3 are for costs, including retired pay, accrual associated with the uniform training/pay categories within the National Guard and Reserve Personnel programs as defined in DoD Directive 1215.6, "Uniform Reserve Categories and Training and/or Retirement Categories Within the Reserve Components."

2. Other Training and Support

The activities within this program are defined as follows:

a. Mobilization Training

Costs, including retired pay accrual, associated with the professional development mobilization specialty training. Also included are costs associated with the allowance for annual muster duty as provided by 37 U.S.C. 433.

b. School Training

Include tours of paid active duty for training as students at regular, associate, refresher and technical courses of service schools, area schools, unit schools, officer candidate schools and other installations which provide training applicable to the individual's assignment. Retired pay accrual costs are included.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

c. Special Training

Include all authorized paid active duty for training, other than those covered by pay groups and school training. These include the staff and faculty for schools, special field, fleet and joint exercises, indoctrination training, promoting or policy boards, administrative support of training programs, and tours of not more than 45 days for failure to perform reserve training duty satisfactorily. Retired pay accrual costs are included.

d. Administration and Support

Include the costs, including retired pay accrual, of active duty military personnel authorized to be funded in the reserve component personnel appropriations, all death and disability gratuities for officer and enlisted reserve component personnel, reserve incentives and bonus programs.

e. Senior R.O.T.C.

All the military personnel-type costs associated with the Senior Reserve Officers' Training Corps (except the scholarship program) of an armed force, provided for in 10 U.S.C. 2101-2111. Retired pay accrual does not apply to R.O.T.C. personnel.

f. Scholarship R.O.T.C.

All the military personnel costs associated with the financial assistance program for specially selected members of the Senior R.O.T.C. program. This program is intended to offer regular commissions to cadets and midshipmen successfully completing the academic and military requirements of the four-year program. Authority for the program is contained in 10 U.S.C. 2107. Retired pay accrual does not apply to R.O.T.C. personnel.

g. Platoon Leaders' Class or Reserve Officer Candidates

All military personnel costs, including retired pay accrual, associated with the Marine Corps Reserve or the Naval Reserve. This activity also will include the military personnel costs of other similar types. All the of relatively small programs such as the Navy Officer Candidate WAVE College Junior program and the Marine Corps Woman Officers Candidates class.

h. Branch Officers Basic Course

Will include funds, to include retired pay accrual, for R.O.T.C. Officers Basic Course of the active components.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

i. Armed Forces Health Profession Scholarship and Financial Assistance Program

All the military personnel costs, including retired pay accrual, associated with the financial assistance program to obtain adequate numbers of officers for the active forces who are qualified in various health professions. Qualifications are that the candidate be a citizen of the United States, be accepted for or be enrolled in an accredited institution in a course of study designated for a health profession, and meet moral and physical qualifications for an officer. Such recipients are commissioned as a Second Lieutenant and remain in that grade for the duration of the scholarship program. Authority for the program is contained in 10 U.S.C., 2120-2127. In addition to the stipend, also provides for the annual grant authorized under 10 U.S.C. 2121.

j. Junior R.O.T.C.

All the military personnel costs associated with the Junior R.O.T.C. units at public and private secondary educational institutions provided for in 10 U.S.C. 2031.

k. Chaplain Candidate Program

Will include funds, including retired pay accrual, for the Chaplain Officer Basic Course of the active components.

l. Education Benefits (New G.I. Bill)

Will include funds for payment to the DoD Education Benefits Fund, a trust fund, as prescribed by 10 U.S.C. 2006. The program is governed by 10 U.S.C., Chapter 106 and is budgeted on an accrual basis. Also includes payments for vocational/technical training under the Reserve Compensation G.I. Bill as provided by 10 U.S.C. 2131.

C. Budget Subactivities

The budget subactivities are grouped to present all of the military personnel-type costs for the particular activity. Rather than repeat the same definitions for each activity, the descriptions of the subactivities are shown below by their various titles:

1. Pay and Allowances, Active Duty for Training Officers

For the pay and allowances of commissioned and warrant officers of the reserve components on active duty for training. These include:

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

a. Basic Pay

For basic compensation, including length of service increments, under the provision of 37 U.S.C. 201 and 203-205.

b. Retired Pay Accrual

For the Department of Defense contribution to its military retirement fund, under the provisions of 10 U.S.C 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 and 301a.

d. Special Pay

For special pay to officers on duty as physicians, dentists or veterinarians under the provisions of 37 U.S.C. 302, 302b and 303.

e. Basic Allowance for Quarters and Variable Housing Allowance

Payable under the provisions of 37 U.S.C. 403 and 403a.

f. Family Separation Allowances

Payable under the provisions of 37 U.S.C. 427.

g. Basic Allowance for Subsistence

Payable under the provisions of 37 U.S.C. 402.

h. Separation Payments

Payments for accumulated annual leave under the provisions of 37 U.S.C. 501.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

i. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

2. Pay and allowances, active duty for training, enlisted

For the pay and allowances of enlisted personnel of the reserve components on active duty for training. These include:

a. Basic Pay For basic compensation, including length of service increments, under the provision of 37 U.S.C. 203-205.

b. Retired Pay Accrual

For the Department of Defense contribution to its military retirement fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301.

d. Special Pay

For pay while on sea and foreign duty and for diving duty pay under the provisions of 37 U.S.C. 304, 305 and 305a.

e. Basic Allowance For Quarters and Variable Housing Allowance

For quarters allowances payable to enlisted personnel or to dependents under the provisions of 37 U.S.C. 403 and 403a.

f. Family Separation Allowances

Payable under the provisions of 37 U.S.C. 427.

g. Separation Payments

For accumulated unused annual leave under the provisions of 37 U.S.C. 501.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

3. Pay, Inactive Duty Training, Officers

- a. Basic Pay For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 201-203,205, and 206.

- b. Retired Pay Accrual

For the Department of Defense contribution to its military retirement fund, under the provisions of 10 U.S.C 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

- c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301.

- d. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

4. Pay, Inactive Duty Training, Enlisted

- a. Basic Pay For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 203 and 206.

- b. Retired Pay Accrual

For the Department of Defense contribution to its military retirement fund, under the provisions of 10 U.S.C 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

- c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301.

- d. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

5. Individual clothing and Uniform Gratuities, Officers

Payments of allowances for the purchase of required uniforms under the provisions of 37 U.S.C. 415-417.

6. Individual Clothing and Uniform Gratuities, Enlisted

For the costs of uniform clothing authorized to be issued in kind to enlisted personnel under the provisions of 37 U.S.C. 418.

7. Subsistence of Enlisted Personnel

For the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations under the provisions of 37 U.S.C. 402.

8. Travel, Active Duty Training, Officers, and Travel, Active Duty for Training, enlisted

For expenses incident to training travel of reserve component officer or enlisted member, individually or as an organized unit. Travel costs include mileage; per diem; transportation by common carrier (rail, bus, air, water, including Military Airlift Command and Military Sealift Command); actual and necessary expenses and costs of subsistence while in a travel status; issue of meal tickets; transportation of baggage; port handling charges; and expenses incident to movement of any military group traveling under one order from the same point of origin to the same destination.

9. Pay and Allowances of Officers, Enlisted and Permanent Change of Station Travel for Active/Guard and Reserve (AGR)

These subactivities are to provide for the AGR military personnel expenses financed from the reserve components personnel appropriations. The descriptions of these subactivities are identical to those shown for the activities with the same titles in Chapter 512.

10. Death Gratuities, Officers, and Death Gratuities, Enlisted

For the payment of death gratuities to beneficiaries of reserve component personnel under the provisions of 10 U.S.C. 1475-1480.

11. Disability and Hospitalization Benefits, Officers, and Disability and Hospitalization Benefits, Enlisted

For payment of disability and hospitalization benefits for reserve component personnel, except for costs covered by orders to active duty for training or inactive duty training under the provisions of 37 USC 204 and 206.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

12. Reserve Incentives

Provides reenlistment, enlistment, educational, loan repayment, NROTC Nuclear Officer Accession Bonus (NOAB), affiliation bonuses and health professions stipend to qualified individuals.

13. Other

D. Reserve Officer Candidates Program - The subactivities for this activity areas follows:

1. Subsistence Allowance

For the subsistence allowance of \$100 per month authorized by 37 U.S.C. 209.

2. Uniforms -- Issue in Kind, and Uniforms -- Commutation

For the costs of uniform clothing authorized by 10 U.S.C. 2109-2110.

3. Pay and Allowances (Summer Camp Training)

For the pay and allowances authorized by 37 U.S.C. 209.

4. Subsistence of Reserve Officer Candidates

For the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations authorized by 10 U.S.C. 2109-2110.

5. Travel of Reserve Officer Candidates

For expenses incident to travel authorized by 10 U.S.C. 2109-2110.

E. Health Professions Scholarship Program - The subactivities for this activity areas follows:

1. Stipend

For the allowances of commissioned officers while attending school under the Armed Forces Health Professions Scholarship Program under the provisions of 10 USC 2120-2122. These include:

a. Stipend For the monthly allowance as authorized by 10 U.S.C. 2121.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

b. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

2. Individual Clothing and Uniform Gratuities, Officers

Payments of allowances for the purchase of required uniforms under the provisions of 37 U.S.C. 415-417.

3. Pay and Allowances, Active Duty for Training, Officers

For the pay and allowances of commissioned officers of the reserve components on active duty for training.

4. Travel, Active Duty Training, Officers

For expenses incident to travel of reserve component officers.

**OBJECT CLASSIFICATION
RESERVE PERSONNEL APPROPRIATIONS**

In addition to the object classifications prescribed in Section 020202 the object classifications prescribed herein shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts:

Object Class

Disability and Hospitalization Benefits
(See the various components of this pay,
i.e. basic pay, BAQ, BAS, etc.)

Inactive Duty Pay (Exclusive of Incentive and Special Pays)	11.7
Reserve Incentives (Reenlistments, Enlistment, and Educational Bonuses)	12.2
Stipend (Health Professions Scholarship Program)	11.7
Financial Assistance Grant	41.0
Subsistence Allowance (ROTC, PLC, Etc.)	11.7
Uniform, Commutations	26.0
Education Benefits (Montgomery G.I. Bill)	12.2

020303 Budget Estimates Submission

A. This section prescribes the justification materials required for the Military Personnel appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in Section 020302.

B. Exhibits in Support of Budget Estimates - The following justification exhibits will be prepared and submitted in support of budget estimates for the September 15 budget submission. These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in Section 020602 and 020603. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of ContentsSection 1 - Summary of Requirements by Budget Program (PB-30A)

Section 2 - Introduction (The statement should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses, and promotion and assignment policies. It also should address strength changes in programmatic terms such as force structure and other matters of an overall nature as considered appropriate by the Service.)

Sections 3 - Summary Tables (examples provided Section 020602/3)

- Personnel Summaries (PB-30F to PB-30I)
- Summary of Entitlements by Subactivity (PB-30J)
- Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)

- Summary of Basic Pay and Retired Pay Accrual Costs (Reserve Components Only) (PB-30L)
- Summary of Basic Allowance for Quarters (BAQ) and Variable Housing Allowance (VHA) Costs (Reserve Components Only) (PB-30M)
- Summary of Travel Costs (Reserve Components Only) (PB-30N)
- Schedule of Increases and Decreases (PB-30Q)

Section 4 - Detail of Reserve Personnel Entitlements

Justification materials will be provided in support of entitlements as prescribed in Chapter 513 for each of the following applicable reserve component activities:

Training - Pay Group A
 Training - Pay Group B
 Training - Pay Group F
 Training - Pay Group P
 Mobilization Training
 School Training
 Special Training
 Administration and Support
 - AGR/TAR Personnel
 - Death and disability gratuities
 - Reserve incentives and bonuses
 Education Benefits
 Senior ROTC
 Scholarship ROTC
 Platoon Leaders Class
 Branch Officers Basic Course
 Reserve Officer Candidates
 Health Professions Scholarship
 Junior ROTC
 Chaplain Candidate Program

Justification material for each activity will contain a purpose and scope section, a schedule of increases and decreases (PB-30P), as well as data in support of the funds requested. Generally, this data will include appropriate narrative comments relative to program/pricing as well as supporting computational data. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what

the increases will provide for, i.e., statutory change, program enhancements, solving deficiencies, etc. Also provide a general explanation for each type of entitlement. Data should be shown for the prior year, current year and budget years. School, Special and Mobilization Training data will be grouped by similar types of training and will be fully explained and justified. At the end of each section for School, Special and Mobilization Training provide a total that summarizes the training categories. Within the Administration and Support subactivity, subtotals are required for AGR/TAR personnel and for total incentives and bonuses. See Section 020603 for format.

Section 5 - Special Analyses (examples provided in Section 020602 and 020603)

- Reimbursable Programs (PB-30R)
- Reserve Officer Candidates (ROTC Enrollment) (PB-30S)
- Reserve Officer Candidates (ROTC Program) (PB-30T)
- Reserve Officer Candidates (PB-30U)
- Selective Reenlistment Bonuses (PB-30V)
- Full-Time Support Personnel (PB-30W)

C. Justification material for each subactivity will contain a purpose and scope section as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for, i.e., statutory, program enhancements, solving deficiencies, etc. Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year, current year, and both budget years.

D. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in Section 020603:

MPR-1 Initial Active Duty for Training Program

MPR-2 Additional Training Assemblies

MPR-3 Reconciliation of Fund Changes with Prior Year

MPR-4 Education Benefits (Title 10 USC, Chapter 106)

MPR-5 Retired Pay Accrual Costs

MPR-6 Active/Guard Reserve (AGR)/TAR Costs

E. Chapter 1, Section 010302, identifies required copies of the above material.

020304 Congressional Justification/Presentation

A. Justification books will be organized by Service military personnel account.

B. Justification Book, and other exhibit requirements in support of the congressional submission are as shown in Section 020302, Budget Estimate Submission.

0204 DOD MILITARY PERSONNEL RETIREMENT REQUIREMENTS

020401 Purpose.

A. This Chapter prescribes the justification material required to support budget estimates for the DoD Military Retirement Fund.

B Fund requirements under this appropriation will provide for items of expense set forth in Section 020403. Budget estimates will be based on planned numbers and estimated rates.

020402 Submission Requirements

A. The budget exhibits for military retired personnel will show data for the prior year, current year, biennial year 1 and biennial year 2 under the DoD Military Retirement Fund.

B. Exhibits in Support of Budget Estimates. Exhibit RP-1 will be prepared and submitted in support of budget estimates. An example of this exhibit is provided in Appendix A. Be prepared to submit supplementary information insufficient detail to permit review of the computations resulting in the funds requested.

RP-1 Summary of Retired Military Personnel Strength and Obligations by Category

C. Exhibit RP-1 will be submitted on September 15 or as specified in the Annual Budget Call. An updated submission will be submitted no later than the first working day in November and will include actual data for the prior year.

D. Section 010302 identifies required copies of the above material.

020403 Uniform Budget and Fiscal Accounting Classifications

A. This Section prescribes the budget and fiscal accounting classifications for the Military Retirement Fund for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 USC 1461-1467.

B. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification which shall be used on a uniform basis for military retired pay throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds under this Trust Fund as required by the DoD Accounting Manual, DoD 7220.9-M (FMR Volume 4 when published), and DoD Instruction 7720.20, "Status of Funds and Other Data for Retired Pay."

C. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in paragraph E below. Variations in the activity and subactivity classification and titles shall not be made except that additional accounts consistent with this budget and accounting classification may be established in order to meet administrative requirements of the various elements of the Military Departments. The scope of each account is described in later in this section.

D. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same sequence as will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

E. The chart of accounts represents a summary of the accounting and reporting structure under the Military Retirement Fund arranged in the order and in the detail for which reporting in accordance with DoD 7000.14R, Financial Management Regulation is required.

Budget Activity and Subactivity

1. Nondisability

1-A - Regular Officers

1-B - Regular Enlisted

1-C - Nonregular Officers

1-D - Nonregular Enlisted

2. Temporary Disability

2-A - Regular Officers

2-B - Regular Enlisted

2-C - Nonregular Officers

2-D - Nonregular Enlisted

3. Permanent Disability

3-A - Regular Officers

3-B - Regular Enlisted

3-C - Nonregular Officers

3-D - Nonregular Enlisted

4. Fleet Reserve

4A - Regular Enlisted

4B - Nonregular Enlisted

5. Survivors' Benefits

5-A - Old Plan (RSFPP)

5-B - New Plan (SBP)

5-C - Guaranteed Minimum
Income

5-D - DIC Supplemental
Payments

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

A. Budget Activities. The budget activities are established to present the retirement benefits associated with a particular type of retirement. The following descriptions are for the chart of accounts as listed above.

1. Nondisability retirements, under applicable statutes, are given on the following bases:

- a. Voluntarily on or after completion of the required length of service.
- b. Involuntarily because of attainment of statutory age or completion of the maximum length of service authorized by law for the several grades.
- c. Automatically upon completion of 30 years of combined active service and service in the Fleet Reserve.

2. Temporary Disability retirements, under Title IV of the Career Compensation Act of 1949 (10 USC 1201-1221), are given on the following basis:

Interim classification in cases where there is doubt as to the degree or permanence of disability. Persons on temporary disability rolls are given periodic physical examinations at least once every eighteen months and may be:

- a. Restored to active duty.
- b. Separated from the service with severance pay.
- c. Transferred to permanent disability retired list.
- d. Continued on temporary list for another eighteen-month period.

Final determination is required within five years of initial classification and temporary disability retirement.

3. Permanent Disability retirements, under Title IV of the Career Compensation Act of 1949 (10 USC 1201-1221), are given when:

- a. There is no doubt as to the degree or permanence of the disability at time of initial retirement.
- b. By periodic examination of temporary disability and Fleet Reserve rolls, it is determined that permanent disability exists.

4. Fleet Reserve status, under Title II of the Naval Reserve Act of 1938, as amended (10 USC 6330, 6331), is given on the following basis:

Enlisted personnel of the Navy and Marine Corps having twenty but less than thirty years' service maybe transferred to the inactive Fleet Reserve with retainer pay at rates prescribed by law. They remain in the Fleet Reserve until their status is changed by reason of:

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTION

- a. Completion of thirty years' service.
- b. Recall to active duty.
- c. Physical unfitness for further military service.
- d. Death.

5. Survivors' Benefits payments, under the old Retired Serviceman's Family Protection Plan, and the new Survivor Benefit Plan, are provided on the following basis:

a. Two of the benefits are contributory the old Serviceman's Family Protection Plan and the new Survivor Benefit Plan. (SBP) Under both of the contributory benefits, a member of the uniformed services may elect to receive a reduced amount of any retired pay that maybe awarded him in order to provide one or more annuities to his survivors, as specified by law. The basic options include the choice of annuities to provide for (1) surviving spouse, (2) surviving children, (3) surviving family, including both spouse and children, or (4) other persons with insurable interest (under the new plan only).

b. The other two benefits are noncontributory, both the Guaranteed Minimum Income and the Dependency and Indemnity Compensation (DIC) Supplemental Payments. The Guaranteed Minimum Income has a special provision benefiting women who are now widows of deceased members of the Uniformed Services who were receiving, or were entitled to receive, retired pay. The provision guarantees these widow's annual incomes will not fall below a certain amount. The DIC Supplemental Payments provide supplemental payments to widows of retirement-eligible members who die on active duty if DIC payments (by VA) are less than the maximum payments the widow would have received if the member had been retired. SBP payments covering the difference between the two will be paid.

B. Budget Subactivities. The budget subactivities are established to show the retirement benefits associated with a particular personnel classification. Subactivities for Regular Officers, Regular Enlisted, Nonregular Officers, and Nonregular Enlisted are used for Budget Activities 1, 2 and 3; Budget Activity 4 has only the two enlisted classifications; and Budget Activity 5 now has four subactivities showing survivors covered under (1) the Old Plan (RSFPP), (2) the New Plan (SBP), (3) Guaranteed Minimum Income (to current widows), and (4) DIC Supplemental Payments (to future widows).

0205 DOD MILITARY PERSONNEL - CIVIL
FUNCTIONS

020501 Purpose

This Section prescribes the justification material required for the Military Personnel civil function trust fund accounts.

020502 Military Retirement Fund/Education
Benefits Fund

A. Appropriate exhibits and schedules will be prepared by DoD(C) P/B, Operations Directorate unless specified otherwise in the annual Comptroller guidance memorandum.

B. Unless otherwise specified, exhibit requirements will only include the Program and Financing Schedule and a Status of Fund for the Military Retirement Fund and the Education Benefit Fund.

0206 MILITARY PERSONNEL
APPROPRIATION SUBMISSION
FORMATS

020601 Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

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020604 Exhibits in Support of Section 0204 - Military Personnel Retirement Requirements

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SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
(In Thousands of Dollars)

	<u>FY 19PY</u> <u>Actual</u>	<u>FY 19CY</u> <u>Estimate</u>	<u>FY 19BY1</u> <u>Estimate</u>	<u>FY 19BY2</u> <u>Estimate</u>
<u>DIRECT PROGRAM</u>				
Pay and Allowances of Officers				
Pay and Allowances of Enlisted Personnel				
Pay and Allowances of Cadets				
Subsistence of Enlisted Personnel				
Permanent Change of Station Travel				
Other Military Personnel Costs				
Total Direct Program				
<u>REIMBURSABLE PROGRAM</u>				
Pay and Allowances of Officers				
Pay and Allowances of Enlisted Personnel				
Subsistence of Misted Personnel				
Permanent Change of Station Travel				
Total Reimbursable Program				
<u>TOTAL PROGRAM</u>				
Pay and Allowances of Officers				
Pay and Allowances of Enlisted Personnel				
Pay and Allowances of Cadets				
Subsistence of Enlisted Personnel				
Permanent Change of Station Travel				
Other Military Personnel Costs				
Total Direct Program				

Exhibit PB-30A Summary of Requirements by Budget Program (Active)

Summary of Military Personnel Strength
Military Personnel, _____

<u>FY 19PY Actual</u>		<u>FY 19CY Planned</u>		<u>FY 19BY1 Planned</u>		<u>FY 19BY2 Planned</u>	
<u>Average</u>	<u>End Strength</u>	<u>Average</u>	<u>End Strength</u>	<u>Average</u>	<u>End Strength</u>	<u>Average</u>	<u>End Strength</u>
<u>Strength</u>	<u>30 Sep 19</u>	<u>Strength</u>	<u>30 Sep 19</u>	<u>Strength</u>	<u>30 Sep 19</u>	<u>Strength</u>	<u>30 Sep 19</u>

DIRECT PROGRAM

Officers
 Enlisted
 Academy (Cadets/Midshipmen)
 Total Direct Program

REIMBURSABLE PROGRAM 1/

Officers
 Enlisted
 Total Reimbursable

TOTAL PROGRAM

Officers
 Enlisted
 Academy (Cadets/Midshipmen)

 Total Program

1/ Military personnel assigned to agencies outside of Department of Defense on a reimbursable basis.

Exhibit PB-30B Summary of Military Personnel Strength (Active)

Military Personnel, _____
End Strength by Grade 1/
Total Program

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	Reimb	Reimb	Reimb	Reimb
	<u>Total</u>	<u>Incl</u>	<u>Total</u>	<u>Incl</u>
<u>Commissioned Officers</u>				
0-10 (enter rank)				
0-9 “ “				
0-8 “ “				
0-7 “ “				
0-6 “ “				
0-5 “ “				
0-4 “ “				
0-3 “ “				
0-2 “ “				
0-1 “ “				
Total				

Warrant Officers

W-4 (enter rank)	
W-3 “ “	
W-2 “ “	
W-1 “ “	
Total	

Total Officers

Enlisted Personnel

E-9 (enter rank)	
E-8 “ “	
E-7 “ “	
E-6 “ “	
E-5 “ “	
E-4 “ “	
E-3 “ “	
E-2 “ “	
E-1 “ “	
Total Enlisted	

Cadets/Midshipmen

Total End Strength

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.

Exhibit PB-30C Military Personnel End Strength by Grade (Active)

Military Personnel, _____
Average Strength by Grade 1/
Total Program

<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>	
<u>Total</u>	<u>Reimb Incl.</u>	<u>Total</u>	<u>Reimb Incl.</u>	<u>Total</u>	<u>Reimb Incl.</u>	<u>Total</u>	<u>Reimb Incl.</u>

Commissioned Officers

1-10 (enter rank)		
0 - 9	"	"
0-8	"	"
0-7	"	"
0-6	"	"
0-5	"	"
0-4	"	"
0 - 3	"	"
0-2	"	"
0-1	"	"
Total		

Warrant Officers

W-4 (enter rank)		
W-3	"	"
W - 2	"	"
W-1	"	"
Total		

Total Officers

Enlisted Personnel

E-9 (enter rank)		
E-8	"	"
E - 7	"	"
E-6	"	"
E-5	"	"
E-4	"	"
E-3	"	"
E-2	"	"
E-1	"	"
Total		

Cadets/Midshipmen

Total Average Strength

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.

Exhibit PB-30D Military Personnel Average Strength by Grade (Active)

**Military Personnel, (Complete)
Active Duty Strengths by Months ^{1/}
(In Thousands)**

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	<u>Off Enl Cadet Total</u>	<u>Off Enl Cadet Total</u>	<u>Off Enl Cadet Total</u>	<u>Off Enl Cadet Total</u>
September				
October				
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
September				
Average				
Strength				

^{1/} Includes reimbursable active duty military pay strengths, but excludes active duty personnel paid from Civil Functions, Reserve, and National Guard Appropriations.

Note: Strength figures will be rounded to the nearest hundred. Table will be footnoted to indicate the month through which actual data is contained.

Exhibit PB-30E Active Duty Strengths by Month (Active)

MILITARY PERSONNEL, _____
GAINS AND LOSSES BY SOURCE AND TYPE

OFFICERS

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
BEGINNING STRENGTH				
 <u>GAINS</u>				
Service Academies				
Reserve Officer's Training Corps				
Senior ROTC	()	()	()	()
Scholarship	()	()	()	()
Health Professions Scholarships				
Platoon Leaders Class				
Reserve Officer Candidates				
Other Enlisted Commissioning Programs				
Voluntary Active Duty				
Direct Appointments				
Warrant Officer Programs				
Other				
Gain Adjustments				
TOTAL GAINS				
 <u>LOSSES</u>				
Expiration of Contract/Obligation				
Normal Early Release				
Disability	()	()	()	()
Nondisability	()	()	()	()
Voluntary Separations - VSI				
Voluntary Separations - SSB				
Involuntary Separation - Reserve Officers				
Involuntary Separation - Regular Officers				
Reduction-in-Force				
Attrition				
Other				
Loss Adjustments				
TOTAL LOSSES				
 END STRENGTH				

Exhibit PB-30F Gains and Losses by Source and Type (Active)
 (Page 1 of 2)

MILITARY PERSONNEL
GAINS AND LOSSES BY SOURCE AND TYPE

ENLISTED

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
--	-----------------------	-----------------------	------------------------	------------------------

BEGINNING STRENGTH

GAINS

Non-prior Service Enlistments				
Male	()	()	()	()
Female	()	()	()	()
Prior Service Enlistments				
Reenlistments				
Reserves				
Navy Reserve (2/3 x 6) Program				
Officer Candidate Programs				
Returned from Dropped from Rolls				
Other				
Gain Adjustments				
TOTAL GAINS				

LOSSES

Expiration of Term of Service (ETS)				
Normal Early Release				
Programmed Early Release				
Separations - VSI				
Separations - SSB				
To Commissioned Officer				
To Warrant Officer				
Reenlistment				
Retirement				
Dropped from Rolls (Deserters)				
Attrition (Adverse Causes)				
Attrition (Other)				
Reserve Components				
Other				
Loss Adjustments				
TOTAL LOSSES				

END STRENGTH

CADETS/MIDSHIPMEN

BEGINNING STRENGTH

GAINS

Entering Cadets/Midshipmen				
----------------------------	--	--	--	--

LOSSES

Attrition				
Graduates				
TOTAL LOSSES				

END STRENGTH

(Page 2 of 2)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
(\$ in Thousands)

	<u>FY 19PY</u> <u>Officers Enlisted Total</u>	<u>FY 19CY</u> <u>Officers Enlisted Total</u>	<u>FY 19BY1</u> <u>Officers Enlisted Total</u>	<u>FY 19BY2</u> <u>Officers Enlisted Total</u>
1. Basic Pay				
2. Retired Pay Accrual				
3. Basic Allowance for Quarters				
a. With Dependents				
b. Without Dependents				
c. Substandard Family Housing				
d. Partial				
4. Variable Housing Allowance				
5. Subsistence				
a. Basic Allowance for Subsistence				
1. Authorized to Mess Separately				
2. Leave Rations				
3. Rations-In-Kind not Available				
4. Augmentation for Separate Meals				
b. Subsistence-In-Kind				
1. Subsistence in Messes				
2. Special Rations				
3. Operational Rations				
4. Augmentation Rations				
5. Other Programs				

NOTE: Line 2. Retired Pay Accrual includes both direct and reimbursable costs.

Exhibit PB-30J Summary of Entitlements by Subactivity (Active)
(Page 1 of 4)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
(\$ in Thousands)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	<u>Officers Enlisted Total</u>	<u>Officers Enlisted Total</u>	<u>Officers Enlisted Total</u>	<u>Officers Enlisted Total</u>
6. Incentive Pay, Hazardous Duty, and Aviation Career				
a. Flying Duty Pay				
1. Aviation Career, Officers				
2. Crew Members, Enlisted				
3. Noncrew Member				
4. Aviation Continuation Pay				
b. Submarine Duty Pay				
c. Parachute Jumping Pay				
d. Demolition Pay				
e. Other Pays				
7. Special Pays				
a. Medical Pay				
b. Dental Pay				
c. Optometrists Pay				
d. Veterinarians Pay				
e. Psychologist Pay				
f. Nurses Pay				
g. Nuclear Officer Incentive Pay				
h. Nuclear Accession Bonus				
i. Scientific/Engineering Bonus				
j. Responsibility Pay				
k. Sea and Foreign Duty, Total				
1. Sea Duty				
2. Duty at Certain Places				
3. Overseas Extension Pay				
l. Diving Duty Pay				
m. Foreign Language Proficiency Pay				

(Page 2 of 4)

(Page 2 of 4)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
(\$ in Thousands)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>
n. Reenlistment Bonus				
1. Regular				
2. Selective				
o. Special Duty Assignment Pay				
p. Enlistment Bonus				
q. Other Special Pay				
8. Allowances				
a. Uniform or Clothing Allowances				
1. Initial Issue				
1. Military				
2. Civilian				
2. Additional				
3. Basic Maintenance				
4. Standard Maintenance				
5. Supplementary				
6. Civilian Clothing Maintenance				
b. Station Allowance Overseas				
1. Cost-of-Living				
2. Housing				
3. Temporary Lodging				
c. Family Separation Allowance				
1. On PCS, No Government Quarters				
2. On PCS, Dependents Not Authorized				
3. Afloat				
4. On TDY				
d. Personal Money Allowance, General & Flag Officers				

(Page 3 of 4)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)

(\$ in Thousands)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	<u>Officers Enlisted Total</u>	<u>Officers Enlisted Total</u>	<u>Officers Enlisted Total</u>	<u>Officers Enlisted Total</u>
9. Separation Payments				
a. Terminal Leave Pay				
b. Lump-Sum Readjustment Pay				
c. Donations				
d. Severance Pay, Disability				
e. Severance Pay, Nonpromotion				
f. Severance Pay, Invol Half (5%)				
g. Severance Pay, Invol Full (10%)				
h. Severance Pay, VSI				
i. Severance Pay, SSB				
j. 15 Year Temporary Early Retirement				
10. Social Security Tax Payment				
(Military Service Wage Credits)				
11. Permanent Change of Station Travel				
12. Other Military Personnel Costs				
a. Apprehension of Deserters				
b. Interest on Uniformed Services				
Savings Deposits (MIA)				
c. Death Gratuities				
d. Unemployment Compensation				
e. Survivor Benefits				
f. Education Benefits				
g. Adoption Expenses				
13. Cadets/Midshipmen				
Military Personnel Appropriation Total				
14. Less Reimbursables: Retired Pay Accrual				
Other				
Military Personnel Appropriation Total, Direct				

(Page 4 of 4)

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
MILITARY PERSONNEL, _____
FY 19CY
(\$ IN THOUSANDS)

FY 19CY <u>BUDGET</u>	CONGRES- SIONAL <u>ACTION</u>	APPRO- PRIATION <u>REPROGRAMMING</u>	INTERNAL REALIGNMENT/ <u>SUBTOTAL</u>	PAY INCREASE <u>COSTS</u>	OTHER PRICE/ PROGRAM <u>CHANGE</u>	FY 19CY COLUMN FY 19BY1/BY2 PRES. <u>BUDGET</u>
--------------------------	----------------------------------	---	---	------------------------------	---------------------------------------	---

PAY AND ALLOWANCES OF OFFICERS

Basic Pay
Retired Pay Accrual
Incentive Pay
Special Pay
Basic Allowance for Quarters
Variable Housing Allowance
Basic Allowance for Subsistence
Station Allowances Overseas
Uniform Allowances
Family Separation Allowances
Separation Payments
Social Security Tax-Employer's
Contribution
Reimbursables

Total Obligations
Less Reimbursements
Total Direct Obligations

PAY AND ALLOWANCES OF ENLISTED PERSONNEL

Basic Pay
Retired Pay Accrual
Incentive Pay
Special Pay
Special Duty Assignment Pay
Reenlistment Bonus
Enlistment Bonus
Basic Allowance for Quarters
Variable Housing Allowance
Station Allowances Overseas

(Page 1 of 4)

Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active)

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)

MILITARY PERSONNEL, _____

FY 19CY

(\$ IN THOUSANDS)

FY 19CY CONGRES-	INTERNAL	PAY	OTHER PRICE/	FY 19CY COLUMN
PRESIDENT'S	SIONAL	APPRO-	REALIGNMENT/	INCREASE PROGRAM
<u>BUDGET</u>	<u>ACTION</u>	<u>PRIATION</u>	<u>REPROGRAMMING</u>	<u>SUBTOTAL</u>
		<u>COSTS</u>	<u>CHANGE</u>	<u>BUDGET</u>

Clothing Allowances
 Family Separation Allowances
 Separation Payments
 Social Security Tax-Employer's
 Contribution

Reimbursables

Total Obligations
 Less Reimbursements

PAY AND ALLOWANCES OF CADETS

Academy Cadets

SUBSISTENCE OF ENLISTED PERSONNEL

Basic Allowance for Subsistence
 Subsistence-In-Kind
 Reimbursables

Total Obligations
 Less Reimbursements
 Total Direct Obligations

PERMANENT CHANGE OF STATION TRAVEL

Accession Travel
 Training Travel
 Operating Travel
 Rotational Travel
 Separation Travel

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)
MILITARY PERSONNEL, _____
FY 19CY
(\$ IN THOUSANDS)

<div style="display: flex; justify-content: space-between;"> FY 19CY CONGRES- INTERNAL PAY OTHER PRICE/ FY 19CY COLUMN </div> <div style="display: flex; justify-content: space-between;"> PRESIDENT'S SIONAL APPRO- REALIGNMENT/ INCREASE PROGRAM FY 19BY1/BY2 PRES. </div> <div style="display: flex; justify-content: space-between;"> <u>BUDGET</u> <u>ACTION</u> <u>PRIATION</u> <u>REPROGRAMMING</u> <u>SUBTOTAL</u> <u>COSTS</u> <u>CHANGE</u> <u>BUDGET</u> </div>	
Travel of Organized Units	
Nontemporary Storage	
Temporary Lodging Expense	
Reimbursables	
Total Obligations	
Less Reimbursements	
Total Direct Obligation	
 <u>OTHER MILITARY PERSONNEL COSTS</u>	
Apprehension of Military Deserters,	
Absentees and Escaped Military	
Prisoners	
Interest on Uniform Svcs Savings (MIA)	
Death Gratuities	
Unemployment Compensation	
Survivor Benefits	
Education Benefits	
Adoption Expenses	
Reimbursables	
Total Obligations	
Less Reimbursements	
Total Direct Obligations	
 Total Direct Obligations	
Amounts Applied to Finance	
Increased Costs	
Supplemental Request(s)/Transfers	

(Page 3 of 4)

INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 19CY President's Budget - Show costs as included in the original FY 19CY President's Budget. The total of all such costs should equal the FY 19CY appropriation request.

Congressional Action - Show the delta(s) associated with final Congressional action on the FY 19CY appropriation request.

Internal Realignment/Reprogramming - Include those adjustments, exclusive of pay raise absorption, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 19CY column of the FY 19BY President's Budget exclusive of pay raise and other price/program changes described below. To the extent that such adjustments result in an asset that is available for application against either the pay raise or program supplemental, such costs should be displayed as a negative total for this column.

Subtotal - Amounts shown in this column should exclude any costs associated with either the pay raise or other price/program changes described below; and should be equal to amounts as shown as internal realignments/reprogramings. This amount should also be equal to FY 19CY column of the FY 19BY1/BY2 President's Budget, less all pay raise and other price changes.

Pay Increase Costs - Show the full costs of the FY 19CY military pay raise. Total direct obligations should agree with the full costs of the pay raise. To the extent that realignments/reprogramming adjustments result in the availability of assets to be applied against the pay raise, such assets should be included on the line "Amounts Applied to Finance Increased Costs."

Other Price/Program Changes - Amounts shown in this column would include inflation and related cost increases, supplemental legislation not included in the "Appropriation" column, appropriation transfers, etc. To the extent realignments or reprogramming adjustments result in the availability of funds to offset these inflation costs, such amounts should be included on the line, "Amounts Applied to Finance Increased Costs."

FY 19CY Column of FY 19BY1/BY2 President's Budget - Show amounts as included in the FY 19CY President's Budget. These amounts should be equal to the sum of the amounts shown in the preceding three columns.

NOTE: An explanation should be provided for each adjustment in excess of one million dollars included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the DoD(C) (P/B) Operations Directorate, Room 3D-868, Pentagon.

MILITARY PERSONNEL, _____
SCHEDULE OF INCREASES AND DECREASES - SUMMARY
(In Thousands of Dollars)

Amount

FY 19CY Direct Program

\$

Increases:

Pricing Increases (List separately):

Annualization of CY Pay Raise (Identify rate and effective date)

BY Pay Raise (Identify rate and effective date)

Inflation Rate (Identify rate)

VHA Rates (Identify rate)

FICA Rates (Identify ceiling and rate changes)

Other Pricing Increases (List separately)

Total Pricing Increases

Program Increases (List separately):

Strength Related

New or Projected Increases to Programs/Compensation

Other (List separately, include grade structure and longevity, if significant)

Total Program Increases

Total Increases

Decreases:

Pricing Decreases (List separately):

Retired Pay Accrual (Percentage change)

Other Pricing Decreases (List separately)

Total Pricing Decreases

Program Decreases (List separately):

Strength Related

Other (List separately)

Total Program Decreases

Total Decreases

FY 19BY1 Direct Program

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and budget year funds in the applicable categories shown above. Show increases and decreases at the Total Direct Program (appropriation) level. Each increase and decrease should be followed by a narrative statement explaining the change.

NOTE: A separate exhibit should be prepared showing increases and decreases from FY 19BY1 to FY 19BY2.

Exhibit PB-30Q Schedule of Increases and Decreases - Summary (Active & Reserve)

MILITARY PERSONNEL, _____
SCHEDULE OF INCREASES AND DECREASES
Pay and Allowances 1/
(In Thousands of Dollars)

Amount
\$

FY 19CY Direct Program

Increases:

Pricing Increases (List separately):

Annualization of CY Pay Raise (Identify rate and effective date)

BY Pay Raise (Identify rate and effective date)

Inflation Rate (Identify rate)

VHA Rates (Identify rate)

FICA Rates (Identify ceiling and rate changes)

Other Pricing Increases (List separately)

Total Pricing Increases

Program Increases (List separately):

Strength Related

New or Projected Increases to Programs/Compensation

Other (List separately, include grade structure and longevity, if significant)

Total Program Increases

Total Increases

Decreases:

Pricing Decreases (List separately):

Retired Pay Accrual (Percentage change)

Other Pricing Decreases (List separately)

Total Pricing Decreases

Program Decreases (List separately):

Strength Related

Other (List separately)

Total Program Decreases

Total Decreases

FY 19BY1 Direct Program

1/ Include full budget activity or subactivity title, e.g., Pay and Allowances of Officers, Pay and Allowances of Enlisted, Permanent Change of Station Travel, Pay Group A, Pay Group F, School Training, etc.

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and the budget year funds in the applicable categories shown above. A separate schedule should be provided for each of the six military personnel budget activities and each subactivity of the Reserve Components. Each increase and decrease should be followed by a narrative statement explaining the change.

NOTE: A separate exhibit should be prepared showing increases and decreases from FY 19BY1 to FY 19BY2.

Exhibit PB-30P Schedule of Increases and Decreases (Active & Reserve)

MILITARY PERSONNEL ASSIGNED OUTSIDE DoD (END STRENGTH)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
<u>Assigned Outside DoD</u>				
<u>Nonreimbursable Personnel:</u>				
Executive Office of the President				
Vice President's Office				
State Department				
State Department (U.N. Truce Supervision)				
Transportation Department				
Commerce Department (NOAA)				
Justice Department				
Interior Department				
Labor Department				
Environmental Protection Agency				
Energy Department				
Federal Emergency Management Agency				
National Aeronautics & Space Administration				
National Oceanic & Atmospheric Administration				
National Foreign Intelligence Board				
National Science Council				
National Narcotics Border Interdiction				
Radio Technical Committee on Aeronautics				
Classified Activities				
Subtotal - Nonreimbursable Program				
<u>Reimbursable Personnel:</u>				
Executive Office of the President (OMB)				
Agency for International Development				
State Department				
U.S. Arms Control & Disarmament Agency				
Transportation Department				
Commerce Department				
Interior Department				
Energy Department				
Federal Emergency Management Agency				
Justice Department				
National Aeronautics & Space Administration				
Canal Zone Government				
Selective Service System				
American Battle Monuments Commission				
U.S. Soldiers' & Airmen's Home				
Environmental Protection Agency				
Office of the Attending Physician to Congress				
Classified Activities				
Subtotal - Reimbursable Personnel				
Total Outside DoD				

Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength)(Active)
(Page 1 of 2)

MILITARY PERSONNEL ASSIGNED OUTSIDE DOD (END STRENGTH) (Continued)

FY 19PY

FY 19CY

FY 19BY1

FY 19BY2

Assigned Outside DoD Activities in Support of

Non-DoD Functions

Nonreimbursable Personnel:

State Department
(Embassy Security Guards)

Reimbursable Personnel:

State Department
(Construction Battalions)
Justice Department (LEAA)
National Science Foundation
(Antarctic Program)
Memorial Affairs
(Cemeterial Expense, Army)
General Services Administration (FEDSIM)
Foreign Military Sales
Military Assistance Program

Total - Other Activities

Total Nonreimbursable

Total Reimbursable

Grand Total

Exhibit PB-30Q (Page 2 of 2)

REIMBURSABLE PROGRAM

SERVICE _____
(\$ in Thousands)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
<u>SUBSISTENCE</u>				
(Specify source-Reserves, individual, etc.)	_____	_____	_____	_____
MEDICAL	_____	_____	_____	_____
FOREIGN MILITARY SALES	_____	_____	_____	_____
<u>OTHER NON-STRENGTH</u>				
*(Specify source-surcharge, clothing, etc.)	_____	_____	_____	_____
<u>STRENGTH RELATED</u>				
Officer -- Basic Pay				
-- Other Pays and Allowances				
Enlisted-- Basic Pay				
-- Other Pays and Allowances				
Retired Pay Accrual (Officer and Enlisted)				
PCS Travel				
SUBTOTAL	_____	_____	_____	_____
TOTAL PROGRAM	_____	_____	_____	_____

* Include reimbursements from administrative surcharge, training cases, etc. Exclude TAFTS or other programs for which end strength is specifically programmed. These should be included in the strength-related entry.

Exhibit PB-30R Reimbursable Program (Active & Reserve)

Selected Reenlistment Bonus (SRB)

(Dollars in Millions)

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>		<u>FY 19BY2+*</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<u>Prior Obligations</u>	xxx	300.0	xxx	300.0	xxx	250.0	xxx	250.0	-	-
<u>Accelerated Payments</u>		5.0		5.0		5.0		-		-
<u>Prior Year</u>										
Initial Payments	xxx	40.0	-	-	-	-	-	-	-	-
Anniversary Payments	-	-	xxx	10.0	xxx	10.0	xxx	10.0	xxx	10.0
<u>Current Year</u>										
Initial Payments	-	-	xxx	40.0	-	-	-	-	-	-
Anniversary Payment	-	-	-	-	xxx	10.0	xxx	10.0	xxx	10.0
<u>Biennial Budget Year 1</u>										
Initial Payments	-	-	-	-	xxx	60.0	-	-	-	-
Anniversary Payments	-	-	-	-	-	-	xxx	20.0	xxx	20.0
<u>Biennial Budget Year 2</u>										
Initial Payments	-	-	-	-	-	-	xxx	60.0	-	-
Anniversary Payments	-	-	-	-	-	-	-	-	xxx	20.0
<u>Total</u>										
Initial Payments	xxx	40.0	xxx	40.0	xxx	60.0	xxx	60.0	-	-
Anniversary Payments	xxx	<u>305.0</u>	xxx	<u>315.0</u>	xxx	<u>275.0</u>	xxx	<u>290.0</u>	xxx	<u>60.0</u>
Total SRB		345.0		355.0		335.0		350.0		60.0

- A similar exhibit should be prepared for enlistment bonuses and other incentive/bonuses not covered by other formats (i.e., Active bonuses exceeding \$5,000 and Reserve component incentives and bonuses addressed in the Administration and Support subactivity).
- This exhibit should be incorporated into the detailed justification material within the appropriate subactivity detail (i.e., Active within BA 2, Pay and Allowances of Enlisted, and Reserve component within BA 2, Administration and Support subactivity).

* Additional columns must be shown for FY 19BY2+1 thru FY 19BY2+4 so that outyear payment stream of bonus contracts granted in FY 19PY thru FY 19BY2 is shown.

Exhibit PB-30V Incentive/Bonus Payment Stream (Active & Reserve)

(Page 1 of 2)

- NOTE:
1. Prior obligations are only anniversary payments associated with contracts entered into during preceding years.
 2. Number of bonus recipients (initial or anniversary payments) must be entered in any year funds are entered.
 3. Add additional BY columns as required for the total bonus contract period.
 4. Initial payments are not to be shown in the outyears.
 5. Accelerated payments are the remainder of entitlements due to enlisted personnel when separating early (not due to voluntary reasons or misconduct) and for advance payments related to financial hardship.

Exhibit PB-30V (Active & Reserve

(page 2 of 2)

MILITARY PERSONNEL, _____

RECONCILIATION OF FUND CHANGES WITH PRIOR YEAR

(In Thousands of Dollars)

	<u>Amount</u>
FY 19PY Direct Program	\$
Increases:	
Pricing Increases	
(list separately - pay raise, inflation, etc. Provide the same level of detail as is required by the PB-30 exhibit.)	
Total Pricing Increases	
Program Increases	
(list separately - new programs, grade growth, etc. Provide the same level of detail as is required by the PB-30 <u>Q</u> exhibit.)	
Total Program Increases	
Total Increases	
Decreases:	
Pricing Decreases	
(list separately - retired pay NCP, etc. Provide the same level of detail as is required by the PB-30 <u>Q</u> exhibit.)	
Total Pricing Decreases	
Program Decreases	
(list separately - force structure, PCS moves, etc. Provide the same level of detail as is required by the PB-30 <u>Q</u> exhibit.)	
Total Program Decreases	
Total Decreases	

FY 19CY Direct Program

NOTE: This schedule will separately include pricing and principal program changes and other actions resulting in increases or decreases between the prior year and the current year. Show increases and decreases at the Total Direct Program (appropriation) level. Changes resulting from pay raises, changes to the retired pay accrual NCP, manpower levels, etc., should be separately identified and each programmatic increase and decrease should be followed by a narrative statement explaining the change. Narrative associated with pricing changes should identify applicable rates and effective dates. Changes due to pay raise, inflation, force structure, etc., should not be grouped together by subactivity. Separate identification is required.

Exhibit MP-1 Reconciliation of Fund Changes with Prior Year

MILITARY PERSONNEL, _____

RECONCILIATION OF FUND CHANGES WITH PRIOR YEAR

Pay and Allowances 1/

(In Thousands of Dollars)

	<u>Amount</u>
	\$

FY 19PY Direct Program

Increases:

Pricing Increases

(list separately - pay raise, inflation, etc. Provide the same level of detail as is required by the PB-30P exhibit.)

Total Pricing Increases

Program Increases

(list separately - new programs, grade growth, etc. Provide the same level of detail as is required by the PB-30P exhibit.)

Total Program Increases

Total Increases

Decreases:

Pricing Decreases

(list separately - retired pay NCP, etc. Provide the same level of detail as is required by the PB-30P exhibit.)

Total Pricing Decreases

Program Decreases

(list separately - force structure, PCS moves, etc. Provide the same level of detail as is required by the PB-30P exhibit.)

Total Program Decreases

Total Decreases

FY 19CY Direct Program

1/ Include full budget activity title, e.g., Pay and Allowances of Officers, Pay and Allowances of Enlisted, Permanent Change of Station Travel, etc.

NOTE: This schedule will include principal program changes and other actions resulting in increases or decreases between the prior year and the current year. Show increases and decreases within each of the six military personnel activities (Pay and Allowances of Officers, Enlisted, Cadets, etc.). Changes resulting from pay raises, changes to the retired pay NCP, manpower levels, etc., should be separately identified and each programmatic increase and decrease should be followed by a narrative statement explaining the change. Narrative associated with pricing changes should identify applicable rates and effective dates. Changes due to pay raise, inflation, force structure, etc., should not be grouped together by subactivity. Separate identification is required.

MILITARY PERSONNEL, (1)
DEPENDENTS, HOUSING AND BAQ ESTIMATES
FY 19 (2)

<u>Pay Grade</u> (3)	<u>Average Number</u> (3)	<u>Percent With Dependents</u> (3)	<u>Number with Dependents</u> <u>Occupying Housing Units</u>			<u>Receiving BAO</u> (4)	<u>Number of Dependents</u>	
			<u>Total</u> (3)	<u>Adequate</u> (3)	<u>Inadequate</u> (3)		<u>Average Per Sponsor</u> (3)	<u>Total</u> (3)
(5)	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	_____	_____
Total	_____	_____	_____	_____	_____	_____	_____	_____
							<u>End Strength</u>	<u>Average Strength</u>
Total <u>(1)</u> Personnel occupying adequate and inadequate quarters							(6)	(6)
<u>(1)</u> Personnel occupying other Services' quarters							-(7)	-(7)
<u>(1)</u> controlled units occupied by others							+(8)	+(8)
Inactive Units							+(9)	+(9)
Average Unoccupied Units							<u>+(10)</u>	<u>+(10)</u>
Total Owned and Controlled Units							(11)	(11)

Exhibit MP-2 Dependents, Housing and BAQ Estimates
(Page 1 of 2)

INSTRUCTIONS FOR COMPLETION OF EXHIBIT MP-2

1. Enter Army, Navy, Marine Corps, or Air Force, as applicable.
2. Enter the appropriate fiscal year. Data should be shown for PY, CY, BY1 and BY2.
3. Data should be provided for each officer and enlisted grade. Appropriate subtotals should be shown for officers and enlisted.
4. Exclude from "receiving BAQ" those personnel occupying inadequate quarters and receiving BAQ at the reduced rate.
5. Enter the total number of survivors of officer and enlisted personnel entitled to BAQ or family housing under the provisions of P.L. 99-227. Data should be provided in a separate memo entry for officer and enlisted personnel.
6. Enter the total number of personnel with dependents occupying adequate and inadequate quarters.
7. Enter the number of personnel with dependents occupying units of other Service or agencies.
8. Enter the number of personnel, military and civilian, occupying family housing units who are members of another Service or agency.
9. Enter the number of inactive family housing units.
10. Enter the number of unoccupied family housing units.
11. Enter the total number of owned, leased, and contracted units. This should be equal to the sum of (6) through (10) and agree with family housing data provided in support of the Family Housing account.

MILITARY PERSONNEL (1)
SUMMARY OF OUTYEAR DATA

	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
<u>End Strength</u>						
Officer						
Enlisted						
Cadets/Midshipmen						
Total						
<u>Average Strength</u>						
Officer						
Enlisted						
Cadets/Midshipmen						
Total						
<u>Accessions</u>						
Nonprior Service						
Officer						
Enlisted						
Male						
Female						
Prior Service-Enlisted						
Officer Candidates						
Other						
<u>Losses</u>						
Officer						
Enlisted						
Officer Candidates						
Deserters						
Other						
<u>Reenlistments</u>						
First Term						
Career						
<u>Obligations</u> (in Thousands) (By Budget Activity)						
Direct						
Reimbursable						
Total						

Instructions for completion of Exhibit

1. Enter Army, Navy, Marine Corps, or Air Force as applicable.
2. Enter the applicable data requested for BY1 thru BY +3.
3. Strength data and dollars will agree with similar data requested in the DoD FYDP.
4. Reenlistments within 90 days of separation should be excluded from both accession and losses manpower data Reenlistments should be separately identified as to first term (first time) and career (all subsequent).

Exhibit MP-3 Summary of Outyear Data

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>			<u>FY 19CY Est</u>			<u>FY 19BY1 Est</u>			<u>FY 19BY2 Est</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
<u>Western & Southern Europe</u>												
Austria												
Belgium												
Cyprus												
Denmark												
Finland												
France												
Germany (including Berlin)												
Gibraltar												
Greece (including Crete)												
Greenland												
Iceland												
Ireland												
Italy												
Luxemburg												
Netherlands												
Norway												
Portugal (including Azores)												
Spain												
Sweden												
Switzerland												
Turkey												
United Kingdom (excluding Ireland)												
Afloat												
Total												
<u>Africa, Near East, & South Asia</u>												
Afghanistan												
Algeria												
Bahrain												
Bangladesh												
British Indian Ocean Territory												
(Includes Diego Garcia)												
Cameroon												

(Page 1 of 5)

Exhibit MP-4 Military Personnel by Region and Country (End Strength)

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>			<u>FY 19CY Est</u>			<u>FY 19BY1 Est</u>			<u>FY 19BY2 Est</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
Chad												
Congo												
Egypt												
Ethiopia												
Gabon												
Ghana												
India												
Israel												
Ivory Coast												
Jordan												
Kenya												
Kuwait												
Lebanon												
Liberia												
Madagascar												
Malawi												
Mali												
Mauritius												
Morocco												
Nepal												
Niger												
Nigeria												
Oman												
Pakistan												
St. Helena (Includes Ascension Island)												
Saudi Arabia												
Senegal												
Seychelles												
Somalia												
South Africa												
Sri Lanka												
Sudan												

Exhibit MP-4 (Page 2 of 5)

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>			<u>FY 19CY Est</u>			<u>FY 19BY1 Est</u>			<u>FY 19BY2 Est</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
Syria												
Tanzania, United Republic of												
Tunisia												
United Arab (Emirates)												
Burkina Faso												
Yemen (Sanaa)												
Zaire												
Zambia												
Zimbabwe												
Afloat												
Total												
<u>East Asia & Pacific</u>												
Australia												
Burma												
China												
Hong Kong												
Indonesia												
Japan (Including Okinawa)												
Malaysia												
New Zealand												
Philippines												
Republic of Korea												
Singapore												
Thailand												
Tonga												
Afloat												
Total												

Exhibit MP-4 (Page 3 of 5)

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>			<u>FY 19CY Est</u>			<u>FY 19BY1 Est</u>			<u>FY 19BY2 Est</u>		
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
<u>Western Hemisphere</u>												
Antigua												
Argentina												
Bahamas, The												
Barbados												
Belize												
Bermuda												
Bolivia												
Brazil												
Canada												
Chile												
Colombia												
Costa Rica												
Cuba (Guantanamo)												
Dominican Republic												
Ecuador												
El Salvador												
Grenada												
Guatemala												
Guyana												
Haiti												
Honduras												
Jamaica												
Mexico												
Nicaragua												
Panama												
Paraguay												
Peru												
St. Christopher-Nevis-Anguilla												
Suriname												
Uruguay												
Venezuela												
Afloat												
Total												

Exhibit MP-4 (Page 4 of 5)

Military Personnel by Region and Country (End Strength)

	<u>FY 19PY</u>	<u>FY 19CY Est</u>	<u>FY 19BY1 Est</u>	<u>FY 19BY2 Est</u>
	<u>Off Enl Total</u>	<u>Off Enl Total</u>	<u>Off Enl Total</u>	<u>Off Enl Total</u>
<u>Antarctica</u>				
<u>Eastern Europe</u>				
Bulgaria				
Czechoslovakia				
German Democratic Republic				
Hungary				
Poland				
Romania				
Union of Soviet Socialist Republics				
Yugoslavia				
Total				
<u>U.S. Territory and Special Locations</u>				
Continental United States (CONUS)				
Alaska				
Hawaii				
American Samoa				
Guam				
Johnston Atoll				
Midway Islands				
Puerto Rico				
Trust Territory of the Pacific Islands				
Virgin Islands of the U.S.				
Wake Island				
Transients, Patients				
Prisoners				
Afloat				
Total				
<u>Total End Strength</u>				
(to include reimbursable end strength)				

Exhibit MP-4 (Page 5 of 5)

ACTIVE DUTY MILITARY PERSONNEL
STATIONED ASHORE BY REGIONAL AREA

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
Total End Strengths				
(Ashore)				
(Afloat) <u>1/</u>				
U.S. Territory and Special Locations				
Total Foreign Countries				
(1) Western and Southern Europe				
(1a) (European NATO)				
(2) East Asia and Pacific				
(3) Africa, Near East and South Asia				
(4) Western Hemisphere				
(5) Antarctica				
(6) Eastern Europe				
(7) Undistributed				

NOTE: Countries that constitute each geographical area are shown in Exhibit MP-4.

1/ With the exception of these entries, all other numbers are for personnel permanently stationed ashore.

Exhibit MP-5 Active Duty Military Personnel Stationed Ashore by Regional Area

Military Personnel, _____
Education Benefits - Additional Basic Benefits
(Title 38 USC, Chapter 30)

<u>Program FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>	<u>FY 19BY2+1</u>	<u>FY 19BY2+2</u>	<u>FY 19BY2+3</u>	<u>FY 19BY2+4</u>
4 Year Enlistments # <u>1/</u>							
Rate - Per Capita Cost (\$)	_____	_____	_____	_____	_____	_____	_____
Total Cost (\$000)							
3 Year Enlistments # <u>1/</u>							
Rate - Per Capita Cost (\$)	_____	_____	_____	_____	_____	_____	_____
Total Cost (\$000)							
2 Year Enlistments # <u>1/</u>							
Rate - Per Capita Cost (\$)	_____	_____	_____	_____	_____	_____	_____
Total Cost (000)							
Other Term of Enlistment # <u>1/2/</u>							
Rate - Per Capita Cost (\$)	_____	_____	_____	_____	_____	_____	_____
Total Cost (000)							
Unfunded Liability (\$000)	_____	_____	_____	_____	_____	_____	_____
Amortization Payment (\$000)							
Post-Vietnam Era Involuntary							
Separates (\$000)	_____	_____	_____	_____	_____	_____	_____
Post-Vietnam Era Voluntary							
Separates (\$000)	_____	_____	_____	_____	_____	_____	_____
Total Education	_____	_____	_____	_____	_____	_____	_____
Benefit Program (\$000)							

- 1/ To reflect the number of enlistments offered the Additional Basic Benefit (Kicker). DoD Accounting Manual 7220.9M, Chapter 47, Section D paragraph 16.b.(1) provides the definition of personnel to be counted as eligible for purposes of programming and budgeting.
- 2/ Other terms of service providing an Additional Basic Benefit (Kicker) must be separately identified by length of term and must be programs approved by USD(P&R).
- NOTE: Per Capita Cost rates will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits including justification for Budget Activity and Subactivity 6-F, Education Benefits.

Exhibit MP-6 Education Benefits - Additional Basic Benefits

Military Personnel, _____
Aviation Retention Bonus (ARB)

	<u>FY 19PY (Actual)</u>		<u>FY 19CY (Est.)</u>		<u>FY 19BY1 (Est.)</u>		<u>FY 19BY2 (Est.)</u>		<u>FY 19BY2+1 thru +4</u>	
<u>FY 19PY</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Z/Number</u>	<u>Amount</u>
2 Year Contract	*xxx	*	xxx	xxx						
3 Year Contract	*xxx	*	xxx	xxx	xxx	xxx				
4 Year Contract	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx		
5 Year Contract	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
6 Year Contract	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
7 Year Contract	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<u>FY 19CY</u>										
2 Year Contract	-	-	*xxx	*	xxx	xxx				
3 Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx		
4 Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx
5 Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx
6 Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx
7 Year Contract	-	-	*xxx	*	xxx	xxx	xxx	xxx	xxx	xxx
<u>FY 19BY1</u>										
2 Year Contract	-	-	-	-	*xxx	*	xxx	xxx		
3 Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
4 Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
5 Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
6 Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
7 Year Contract	-	-	-	-	*xxx	*	xxx	xxx	xxx	xxx
<u>FY 19BY2</u>										
2 Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
3 Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
4 Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
5 Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
6 Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
7 Year Contract	-	-	-	-	-	-	*xxx	*	xxx	xxx
<u>Total</u>										
Initial Payments	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Anniversary Payments	xxx	—	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total ARB										

* Initial payments.

Exhibit MP-7 Aviation Retention Bonus

(Page 1 of 2)

Military Personnel, _____
Aviation Retention Bonus

FY 19PY (Actual) <u>Number</u>	FY 19CY (Est.) <u>Number</u>	FY 19BY1 (Est.) <u>Number</u>	FY 19BY2 (Est.) <u>Number</u>	FY 19BY2+1 thru +4 <u>Number 5/</u>
-----------------------------------	---------------------------------	----------------------------------	----------------------------------	--

Peacetime Requirements

1/ 2/

Total

Projected Inventory

2/

Total

Projected New Bonus Eligibles

2/ 3/

Total

Projected Bonus Acceptance

2/ 4/

Total

Page 1 NOTES:

1. Anniversary payments should reflect contracts entered into during preceding years.
2. Number of bonus recipients (initial or anniversary payments) must be entered in any year funds are entered.
3. Add additional BY columns as required for the total bonus contract period.
4. Initial payments are not to be shown in the outyears.
5. Exhibit to be included in budget submission to support Aviation Retention Bonus (ARB).
6. Navy should submit a separate MP-7 for pilot and NFO requirements.
7. Identify FY 19BY2+1 thru FY 19BY+4 in separate columns

Page 2 NOTES:

1. Provide explanation as to content of numbers. For example: total requirements including funded and unfunded manpower authorizations, funded manpower authorizations, etc.
2. in support of Aviation Retention Bonus, Navy should provide break by pilot and NFO totals.
3. Projected to be newly eligible in fiscal year.
4. To reflect the numbers accepting bonus during fiscal year.
5. Identify FY 19BY2+1 thru FY 19BY+4 in separate columns

EXHIBIT MP-7 (Page 2 of 2)

MILITARY PERSONNEL,
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
(In Thousands of Dollars)

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>	
	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>
	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>
Total Direct Program								
Officer								
Enlisted								
Total Reimbursable Program								
Officer								
Enlisted								
Total Program								
Officer								
Enlisted								
	<u>FY 19BY2+1</u>		<u>FY 19BY2+</u>		<u>FY 19BY2+</u>		<u>FY 19BY2+4</u>	
	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>
	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>
Total Direct Program								
Officer								
Enlisted								
Total Reimbursable Program								
Officer								
Enlisted								
Total Program								
Officer								
Enlisted								

Exhibit MP-9 Summary of Basic Pay and Retired Pay Accrual Costs

MILITARY PERSONNEL, _____
SUMMARY OF MILITARY PERSONNEL SEPARATION PAYMENTS

(In Thousands of Dollars)

	<u>FY 19PY</u>				<u>FY 19CY</u>				<u>FY 19BY1</u>				<u>FY 19BY1</u>			
	Average				Average				Average				Average			
	<u>No</u>	<u>Pymts</u>	<u>Rate</u>	<u>Amt</u>	<u>No</u>	<u>Pymts</u>	<u>Rate</u>	<u>Amt</u>	<u>No</u>	<u>Pymts</u>	<u>Rate</u>	<u>Amt</u>	<u>No</u>	<u>Pymts</u>	<u>Rate</u>	<u>Amt</u>
<u>Total Officers</u>																
Lump Sum Terminal Leave																
Severance Pay - Disability																
Separation Pay - Involuntary																
Half-Pay (5%)																
Full-Pay (10%)																
Severance Pay- Non Prom (10%)																
Lump Sum Payments to Reserves																
Separation Pay - Voluntary																
VSI																
SSB (15%)																
15 Year Temporary Early Ret.																
<u>Total Enlisted</u>																
Lump Sum Terminal Leave																
Severance Pay - Disability																
Authorized Donations																
Separation Pay - Involuntary																
Half-Pay (5%)																
Full-Pay (10%)																
Separation Pay - Voluntary																
VSI																
SSB (15%)																
15 Year Temporary Early Ret.																
<u>Grand Total</u>																
Lump Sum Terminal Leave																
Severance Pay -Disability																
Authorized Donations																
Separation Pay - Involuntary																
Half Pay (5%)																
Full Pay (10%)																
Severance Pay - Non Promotion (10%)																
Lump Sum Payments to Reserves																
Separation Pay - Voluntary																
VSI																
SSB (15%)																
15 Year Temporary Early Ret.																

Exhibit MP-10 Summary of Military Personnel Separation Payments

SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
(In Thousands of Dollars)

	<u>FY 19PY</u> <u>Actual</u>	<u>FY 19CY</u> <u>Estimate</u>	<u>FY 19BY1</u> <u>Estimate</u>	<u>FY 19BY2</u> <u>Estimate</u>
<u>DIRECT PROGRAM</u>				
Unit and Individual Training				
Other Training and Support				
TOTAL Direct program				
<u>REIMBURSABLE PROGRAM</u>				
Unit and Individual Training				
Other Training and Support				
TOTAL Reimbursable Program				
<u>TOTAL PROGRAM</u>				
Unit and Individual Training				
Other Training and Support				
TOTAL Obligations				

Exhibit PB-30A Summary of Requirements by Budget Program (Reserves)

RESERVE PERSONNEL _____

SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTH

OFFICERS

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
BEGINNING STRENGTH				

GAINS

Non-prior Service Personnel				
Male				
Female				
Prior Service Personnel				
Civilian Life				
Active Component				
Enlisted Commissioning Programs				
Pay Group D (IMA)				
Other Reserve Status/Component				
All Other				
Full-Time Active Duty				
TOTAL GAINS				

LOSSES

Civilian Life				
Active Component				
Retired Reserves Pay Group D (IMA)				
Other Reserve Status/Component				
All Other				
Full-Time Active Duty				
TOTAL LOSSES				

Accounting Adjustment

END STRENGTH

Exhibit PB-30F Schedule of Gains and Losses to Selected Reserve Strength

RESERVE PERSONNEL, _____

SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTHS

ENLISTED

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
BEGINNING STRENGTH				
<u>GAINS</u>				
Non-prior Service Personnel				
Male				
Female				
Prior Service Personnel				
Civilian Life				
Active Component				
Reenlistments/Extensions				
Pay Group D (IMA)				
Other Reserve Status/Component				
All Other				
Full-Time Active Duty				
TOTAL GAINS				
<u>LOSSES</u>				
Expiration of Selected Reserve Service				
Active Component				
To Officer Status Retired Reserves				
Reenlistments/Extensions				
Attrition Pay Group D (IMA)				
Other Reserve Status/Component				
All Other				
Full-Time Active Duty				
TOTAL LOSSES				
Accounting Adjustment				
END STRENGTH				

SUMMARY OF PERSONNEL
RESERVE PERSONNEL, _____

<u>PERSONNEL IN PAID STATUS</u>	No. of		(Strength)									
	A/D DAYS		<u>FY 19PY</u>			<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>		
	<u>Drills</u>	<u>Training</u>	<u>Begin</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	
<u>Selected Reserve</u>												
Paid Drill/Individual Training												
Pay Group A - Officers	4 8	1/										
Pay Group A - Enlisted	4 8	1/										
Subtotal Pay Group A												
Pay Group B - Officers	2/	1/										
Pay Group B - Enlisted	2/	1/										
Subtotal Pay Group B												
Pay Group F - Enlisted	--	1/										
Pay Group P - Enlisted- Paid	3/	--										
Pay Group P - Enlisted- Non Paid												
Subtotal Pay Group F/P												
Subtotal Paid Drill/Ind Tng												
<u>Full-time Active Duty</u>												
Officers												
Enlisted												
Subtotal Full-time												
<u>Total Selected Reserve</u>												
Officers												
Enlisted												
Total												
<u>Individual Ready Reserve/Inactive National Guard</u>												
Officers	-	-										
Enlisted	-	-										
Total												

GRAND TOTAL

1/ Show average length of training for the budget years.

2/ Combine a IMAs into training category B. Components should reflect weighted average of drills performed by all IMAs under "No. of Drills" that support the funds request.

3/ Show average number of drills for the budget years.

NOTE: Data is required for direct and reimbursable funded end strength. **End strength data must agree with the end strength data submitted to support the Five Year Defense Plan (FYDP).** Averages are computed by doubling the end strengths of the first 11 months of the fiscal year, adding the last month strengths of the previous year and the year under consideration, and dividing the total by 24.

Exhibit PB-30G Summary of Personnel (Reserves)

RESERVE COMPONENT PERSONNEL ON TOURS OF ACTIVE DUTY
STRENGTH BY GRADE

Reserve Personnel, _____

		<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>	
		<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>
<u>Commissioned Officers</u>									
0-8	(enter rank)								
0-7	" "								
0-6	" "								
0-5	" "								
0-4	" "								
0-3	" "								
0-2	" "								
0-1	" "								
Total		—	—	—	—	—	—	—	—
<u>Warrant Officers</u>									
W-4	(enter rank)								
W-3	" "								
W-2	" "								
W-1	" "								
Total		—	—	—	—	—	—	—	—
Total Officers									
<u>Enlisted Personnel</u>									
E-9	(enter rank)								
E-8	" "								
E-7	" "								
E-6	" "								
E-5	" "								
E-4	" "								
E-3	" "								
E-2	" "								
E-1	" "								
Total Enlisted		—	—	—	—	—	—	—	—
Total Personnel on Active Duty		—	—	—	—	—	—	—	—

Exhibit PB-30H Reserve On Active Duty - Strength by Grade (Reserves)

FY19__ STRENGTH

	<u>Pay Group A</u>			<u>Pay Group B (IMA)</u>			Reserve <u>Enlistment Program</u>	Total Paid	Full- Time	Total selected
	<u>Officer</u>	<u>Enlisted</u>	<u>Total</u>	<u>Officer</u>	<u>Enlisted</u>	<u>Total</u>	<u>Pay Group P</u> <u>Group F Pay NonPay</u>	<u>Drill/REP</u>	<u>Active</u>	<u>Reserve</u>
September 30, 19__										
October										
November										
December										
January										
February										
March										
April										
May										
June										
July										
August										
September 30, 19__										
Average										

Note: A separate Exhibit will be prepared for the prior year, current year, and both budget years. The Exhibit displaying current data will be footnoted to indicate the month through which actual date is reflected.

Exhibit PB-30I Strength by Month (Reserves)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
(\$ in Thousands)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>
<u>UNIT AND INDIVIDUAL TRAINING</u>				
<u>PAY GROUP A</u>				
Active Duty Training				
Inactive Duty Training				
Unit Training Assemblies				
Flight Training				
Training Preparation				
Civil Disturbance				
Jump Proficiency				
Clothing				
Subsistence of Enlisted Personnel				
Travel				
TOTAL DIRECT OBLIGATIONS				
<u>PAY GROUP B</u>				
Active Duty Training				
Inactive Duty Training				
Clothing				
Subsistence of Enlisted Personnel				
Travel				
TOTAL DIRECT OBLIGATIONS				
<u>PAY GROUP E</u>				
Active Duty Training				
Clothing				
Subsistence of Enlisted Personnel				
Travel				
TOTAL DIRECT OBLIGATIONS				
<u>PAY GROUP P</u>				
Inactive Duty Training				
Clothing				
Subsistence of Enlisted Personnel				
TOTAL DIRECT OBLIGATIONS				
TOTAL UNIT AND INDIVIDUAL TRAINING				

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves)

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
(\$ in Thousands)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>
OTHER TRAINING AND SUPPORT				
<u>MOBILIZATION TRAINING</u>				
IRR Screening				
Health Professions Training				
Exercises				
IRR Mission Support				
Professional Dev. Training				
Readiness Training				
Refresher Training				
Merchant Marine Training				
TOTAL DIRECT OBLIGATIONS				
<u>SCHOOL TRAINING</u>				
Career Development Training				
Initial Skill Acquisition Training				
Officer Candidate School				
Refresher and Proficiency				
Training				
Undergraduate Pilot Training				
Unit Conversion Training				
TOTAL DIRECT OBLIGATIONS				
<u>SPECIAL TRAINING</u>				
Competitive Events				
Command/Staff Supervision				
Exercises				
Management Support				
Operational Training				
Recruiting				
Retention				
Unit Conversion Training				
TOTAL DIRECT OBLIGATIONS				

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
(\$ in Thousands)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>	<u>Officers</u> <u>Enlisted</u> <u>Total</u>
<u>ADMINISTRATION AND SUPPORT</u>				
Active Guard/Reserve				
Clothing				
Travel				
Death Gratuities				
Disability and Hospitalization				
Benefits				
Reserve Incentives				
Adoption Expenses				
TOTAL DIRECT OBLIGATIONS				
<u>EDUCATION BENEFITS</u>				
Benefit Accrual				
<u>SENIOR ROTC</u>				
Subsistence Allowance				
Uniforms				
Commutation				
Issue-In-Kind				
Summer Camp Training				
Travel				
TOTAL DIRECT OBLIGATIONS				
<u>SCHOLARSHIP ROTC</u>				
Subsistence Allowance				
Uniforms				
Commutation				
Issue-In-Kind				
Summer Camp Training				
Travel				
TOTAL DIRECT OBLIGATIONS				
<u>BRANCH OFFICE BASIC COURSE - RESERVE COMPONENTS</u>				
Active Duty Training				
Uniform Allowance				
Travel and Per Diem				
TOTAL DIRECT OBLIGATIONS				

SUMMARY OF ENTITLEMENTS BY SUBACTIVITY

(\$ in Thousands)

	<u>FY 19PY</u> <u>Officers Enlisted Total</u>	<u>FY 19CY</u> <u>Officers Enlisted Total</u>	<u>FY 19BY1</u> <u>Officers Enlisted Total</u>	<u>FY 19BY2</u> <u>Officers Enlisted Total</u>
<u>HEALTH PROFESSIONS SCHOLARSHIP</u>				
Stipend				
Financial Assistance Grant				
Uniform Allowance				
Active Duty Training				
Travel				
TOTAL DIRECT OBLIGATIONS				
<u>JUNIOR ROTC</u>				
Uniforms, Issue-In-Kind				
<u>CHAPLAIN CANDIDATE PROGRAM</u>				
Pay and Allowances, Active				
Duty Training				
Uniform Allowance				
Travel				
TOTAL DIRECT OBLIGATIONS				
TOTAL OTHER TRAINING AND SUPPORT				
 TOTAL DIRECT PROGRAM				

**ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
RESERVE PERSONNEL, _____**

FY 19CY

(\$ IN THOUSANDS)

	FY 19CY PRESIDENT'S BUDGET	CONGRES- SIONAL ACTION	APPROPRI- ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PAY INCREASE COSTS	OTHER PRICE/ PROGRAM CHANGE	FY 19CY COL FY 19BY1/BY2 PRES. BUDGET
<u>UNIT AND INDIVIDUAL TRAINING</u>								
<u>PAY GROUP A</u>								
Active Duty Training								
Inactive Duty Training								
Unit Training Assemblies								
Flight Training								
Training Preparation								
Civil Disturbance								
Jump Proficiency								
Clothing								
Subsistence of Enlisted Personnel								
Travel								
TOTAL Direct Obligations								
<u>PAY GROUP B</u>								
Active Duty Training								
Inactive Duty Training								
Clothing								
Subsistence of Enlisted Personnel Travel								
TOTAL Direct Obligations								
<u>PAY GROUP F</u>								
Active Duty Training								
Clothing								
Subsistence of Enlisted Personnel Travel								
TOTAL Direct Obligations								
<u>PAY GROUP P</u>								
Inactive Duty Training								
Clothing								
Subsistence of Enlisted Personnel								
TOTAL Direct Obligations								
TOTAL UNIT AND INDIVIDUAL TRAINING								

Exhibit PB-30K Analysis of Appropriation Changes (Reserves)

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

RESERVE PERSONNEL, _____

FY 19CY

(\$ IN THOUSANDS)

	FY 19CY PRESIDENT'S <u>BUDGET</u>	CONGRES- SIONAL <u>ACTION</u>	APPROPRI- ATION <u>ATION</u>	INTERNAL REALIGNMENT <u>REPROGRAMMING</u>	<u>SUB</u> <u>TOTAL</u>	PAY INCREASE <u>COSTS</u>	OTHER PRICE/ PROGRAM <u>CHANGE</u>	FY 19CY COL FY 19BY1/BY2 PRES. <u>BUDGET</u>
<u>OTHER TRAINING AND SUPPORT</u>								
<u>MOBILIZATION TRAINING</u>								
IRR Screening								
Health Professions Training								
Exercises								
IRR Mission Support								
Readiness Training								
Refresher Training								
Merchant Marine Training								
TOTAL Direct Obligations								
<u>SCHOOL TRAINING</u>								
Career Development Training								
Initial Skill Acquisition Training								
Officer Candidate School								
Refresher and Proficiency								
Training								
Undergraduate Pilot Training								
Unit Conversion Training								
TOTAL Direct Obligations								
<u>SPECIAL TRAINING</u>								
Competitive Events								
Command/Staff Supervision								
Exercises								
Management Support								
Operational Training								
Recruiting								
Retention								
Unit Conversion Training								
TOTAL Direct Obligations								

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

RESERVE PERSONNEL, _____

FY 19CY

(\$ IN THOUSANDS)

	FY 19CY PRESIDENT'S BUDGET	CONGRES- SIONAL ACTION	APPROPRI- ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PAY INCREASE COSTS	OTHER PRICE/ PROGRAM CHANGE	FY 19CY COL FY 19BY1/BY2 PRES. BUDGET
<u>ADMINISTRATION AND SUPPORT</u>								
Active Guard/Reserve								
Clothing								
Subsistence								
Travel								
Death Gratuities								
Disability and Hospitali- zation Benefits								
Reserve Incentives								
Adoption Expenses								
TOTAL Direct Obligations								
<u>EDUCATION BENEFITS</u>								
Benefit Accrual								
<u>SENIOR ROTC</u>								
Subsistence Allowance								
Uniforms								
Commutation								
Issue-In-Kind								
Summer Camp Training								
Travel								
TOTAL Direct Obligations								
<u>SCHOLARSHIPS ROTC</u>								
Subsistence Allowance								
Uniforms								
Commutation								
Issue-In-Kind								
Summer Camp Training								
Travel								
TOTAL Direct Obligations								

ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

RESERVE PERSONNEL, _____

FY 19CY

(\$ IN THOUSANDS)

FY 19CY PRESIDENT'S BUDGET	CONGRES- SIONAL ACTION	APPROPRI- ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PAY INCREASE COSTS	OTHER PRICE/ PROGRAM CHANGE	FY 19CY COL FY 19BY1/BY2 PRES. BUDGET
<u>BRANCH OFFICE BASIC - RESERVE COMPONENTS</u>							
Active Duty Training							
Uniform Allowance							
Travel and Per Diem							
TOTAL Direct Obligation							
<u>HEALTH PROFESSIONS SCHOLARSHIP</u>							
Stipend							
Financial Assistance Grant							
Uniform Allowance							
Active Duty Training							
Travel							
TOTAL Direct Obligations							
<u>JUNIOR ROTC</u>							
Uniforms, Issue-In-Kind							
<u>CHAPLAIN CANDIDATE PROGRAM</u>							
Active							
Duty Training							
Uniform Allowance							
Travel							
TOTAL Direct Obligations							
TOTAL OTHER TRAINING AND SUPPORT							
TOTAL DIRECT PROGRAM							

INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 19CY President's Budget - Show costs as included in the original FY 19CY President's Budget. The total of all such costs should equal the FY 19CY appropriation request.

Congressional Action - Show the delta(s) associated with final Congressional action on the FY 19CY appropriation request.

Internal Realignment/Rerprogramming - Include those adjustments, exclusive of pay raise absorption, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 19CY column of the FY 19BY President's Budget exclusive of pay raise and other price/program changes described below. To the extent that such adjustments result in an asset that is available for application against either the pay raise or program supplemental, such costs should be displayed as a negative total for this column.

Subtotal - Amounts shown in this column should exclude any costs associated with either the pay raise or other price/program changes described below; and should be equal to amounts as shown as internal realignments/reprogramings. This amount should also be equal to FY 19CY column of the FY 19BY1/BY2 President's Budget, less all pay raise and other price changes.

Pay Increase Costs - Show the full costs of the FY 19CY military pay raise. Total direct obligations should agree with the full costs of the pay raise. To the extent that realignment/reprogramming adjustments result in the availability of assets to be applied against the pay raise, such assets should be included on the line "Amounts Applied to Finance Increased Costs."

Other Price/Program Changes - Amounts shown in this column would include inflation and related cost increases, supplemental legislation not included in the "Appropriation" column, appropriation transfers, etc. To the extent realignments or reprogramming adjustments result in the availability of funds to offset these inflation costs, such amounts should be included on the line, "Amounts Applied to Finance Increased Costs."

FY 19CY Column of FY 19BY1/BY2 President's Budget - Show amounts as included in the FY 19CY President's Budget. These amounts should be equal to the sum of the amounts shown in the preceding three columns.

NOTE: An explanation should be provided for each adjustment in excess of one million dollars included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the DoD(C) (P/B) Operations Directorate, Room 3D-868, Pentagon.

RESERVE PERSONNEL**SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS**

(In, Thousands of Dollars)

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>	
	Basic	Retired	Basic	Retired	Basic	Retired	Basic	Retired
	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>
<u>Pay Group A</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Pay Group B</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Pay Group F</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Pay Group P</u>								
Enlisted								
<u>Mobilization Training</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>School Training</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Special Training</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								
<u>Administration and Support</u>								
Officers								
Enlisted	—	—	—	—	—	—	—	—
Subtotal								

Exhibit PB-30L Summary of Basic Pay and Retired Pay Accrual Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS (Continued)
(In Thousands of Dollars)

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>	
	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>	<u>Basic</u>	<u>Retired</u>
	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>	<u>Pay</u>
<u>Full-time Support (Non-Add)</u>								
(Officer)								
(Enlisted)								
Subtotal								
 <u>ROTC</u>								
Platoon Leaders Class (Enlisted)								
Branch Officers Basic Course (Officer)								
Health Professions Scholarship (Officer)								
Chaplain Candidate Program (Officer)								
Subtotal								
 <u>Total Direct Program</u>								
Officers								
Enlisted								
Total								
 <u>Total Reimbursable Program</u>								
Officers								
Enlisted								
Total								
 <u>Total Program</u>								
Officers								
Enlisted								
Total								

NOTE: Accrual costs as a percent of basic pay to be used for each year will be provided separately.

NOTE: For development of Military Service Wage Credit costs, basic pay costs for Reserve and Guard active duty for training should be shown parenthetically under each pay group subtotal separately for officers and enlisted.

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR QUARTERS (BAQ) AND VARIABLE HOUSING ALLOWANCE (VHA) COSTS
(In Thousands of Dollars)

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>	
	<u>BAQ</u>	<u>VHA</u>	<u>BAQ</u>	<u>VHA</u>	<u>BAQ</u>	<u>VHA</u>	<u>BAQ</u>	<u>VHA</u>
<u>Pay Group A</u>								
Officers								
Enlisted	_____	_____	_____	_____	_____	_____	_____	_____
Subtotal								
<u>Pay Group B</u>								
Officers								
Enlisted	_____	_____	_____	_____	_____	_____	_____	_____
Subtotal								
<u>Pay Group F</u>								
Officers								
Enlisted	_____	_____	_____	_____	_____	_____	_____	_____
Subtotal								
<u>Pay Group P</u>								
Enlisted								
<u>Mobilization Training</u>								
Officers								
Enlisted	_____	_____	_____	_____	_____	_____	_____	_____
Subtotal								
<u>School Training</u>								
Officers								
Enlisted	_____	_____	_____	_____	_____	_____	_____	_____
Subtotal								
<u>Special Training</u>								
Officers								
Enlisted	_____	_____	_____	_____	_____	_____	_____	_____
Subtotal								
<u>Administration and Support</u>								
Officers								
Enlisted	_____	_____	_____	_____	_____	_____	_____	_____
Subtotal								

Exhibit PB-30M Summary of BAQ and VHA Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR QUARTERS (BAQ) AND VARIABLE HOUSING ALLOWANCE (VHA) COSTS (Continued)
(In Thousands of Dollars)

	<u>FY19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>	
	<u>BAQ</u>	<u>VHA</u>	<u>BAQ</u>	<u>VHA</u>	<u>BAQ</u>	<u>VHA</u>	<u>BAQ</u>	<u>VHA</u>
<u>ROTC</u>								
Senior ROTC								
Scholarship ROTC								
Branch Officers Basic Course								
Health Professions Scholarship								
Chaplain Candidate Program	_____	_____	_____	_____	_____	_____	_____	_____
Subtotal								
<u>Total Program</u>								
Officers								
Enlisted								
ROTC/Other	_____	_____	_____	_____	_____	_____	_____	_____
Total								

RESERVE PERSONNEL, _____
SUMMARY OF TRAVEL COSTS
(In Thousands of Dollars)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
<u>Pay Group A</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
 <u>Pay Group B</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
 <u>Pay Group F</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
 <u>Pay Group P</u>				
Officers				
 <u>Mobilization Training</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
<u>School Training</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
<u>Special Training</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				

Exhibit PB-30N Summary of Travel Costs (Reserves)

PB-30N Summary of Travel Costs (Reserves)

(page 1 of 2)

RESERVE PERSONNEL, _____
SUMMARY OF TRAVEL COSTS (Continued)
(In Thousands of Dollars)

	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY</u>	<u>FY 19BY2</u>
<u>Administration and Support</u>				
Officers				
Enlisted	_____	_____	_____	_____
Subtotal				
<u>ROTC</u>				
Senior ROTC				
Scholarship ROTC				
Branch Officers Basic Course				
Health Professions Scholarship				
Chaplain Candidate Program	_____	_____	_____	_____
Subtotal				
<u>Total Travel</u>				
Officers				
Enlisted				
ROTC/Other	_____	_____		
Total				

RESERVE OFFICER CANDIDATES (ROTC) ENROLLMENT

	<u>FY 19PY Actual</u>	<u>FY 19CY Estimate</u>	<u>FY 19BY1 Estimate</u>	<u>FY 19BY2 Estimate</u>
	<u>Begin Average End</u>	<u>Begin Average End</u>	<u>Begin Average End</u>	<u>Begin Average End</u>
<u>Senior ROTC (Excluding Scholarship Program)</u>				
First Year				
Second Year				
Total Basic ROTC				
Third Year				
Fourth Year				
Total Advanced ROTC				
Total Senior ROTC Enrollment				
<u>Scholarship Program</u>				
First Year				
Second Year				
Total Basic ROTC				
Third Year				
Fourth Year				
Total Advanced ROTC				
Total Scholarship Enrollment				
<u>Total Enrollment</u>				
First Year				
Second Year				
Total Basic ROTC				
Third Year				
Fourth Year				
Total Advanced ROTC				
Total ROTC Enrollment				
Completed ROTC and Commissioned:				
Completed ROTC Commission Deferred:				

Exhibit PB-30S Reserve Officer Candidates (ROTC) Enrollment (Reserves)

RESERVE OFFICER CANDIDATES (ROTC) PROGRAM

Number of schools, civilian and military personnel associated with the ROTC program follow:

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
Schools				
Civilian Personnel (End Strength)				
Military Personnel (End Strength)				

Note: These personnel are not paid by Reserve Personnel Appropriation. They are funded under O&M and Military Personnel Appropriations

Exhibit PB-30T Reserve Officer Candidates (ROTC) Program (Reserves)

RESERVE OFFICER CANDIDATES 1/

	<u>FY 19PY Actual</u>			<u>FY 19CY Estimate</u>		<u>FY 19BY1 Estimate</u>		<u>FY 19BY2 Estimate</u>	
	<u>Begin</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>	<u>Average</u>	<u>End</u>
Navy Reserve Officer Candidates <u>2/</u>									
Aviation Reserve Officer Candidates									
Women Officer Candidates									
Total Reserve Officer Candidates									

- 1/ These personnel are college students who attend Reserve Officer Candidate Classes consisting of 45 days of summer training in each of two years.
- 2/ Or Platoon Leaders Class (RPMC).

Exhibit PB-30U Reserve Officer Candidates (Reserves)

FULL-TIME SUPPORT PERSONNEL
Reserve Personnel, _____
(End Strength)

FY _____

<u>ASSIGNMENT</u>	<u>AGR/TAR OFFICERS</u>	<u>AGR/TAR ENLISTED</u>	<u>AGR/TAR TOTAL</u>	<u>MILITARY TECHNICIANS*</u>	<u>MILITARY</u>	<u>CIVILIAN</u>	<u>TOTAL</u>
Individuals							
Pay/Personnel Centers							
Recruiting/Retention							
<u>Units:</u>							
Units							
RC Unique Mgmt Hqs							
Unit Spt-Navy RC							
Maint Act (non-unit)							
Subtotal							
<u>Training:</u>							
RC Non-unit Institutions							
RC Schools							
ROTC							
Subtotal							
<u>Headquarters:</u>							
Service Hqs							
AC Hqs							
AC Instal/Activities							
RC Chiefs Staff							
Others							
Subtotal							
Other							
TOTAL							

*Excludes ____military technicians assigned to USSOCOM who are associated with the Special Operations Forces. (Identify the specific number of USSOCOM military technicians.)

Notes: Exhibit should be provided for each reserve component justification book. Data must be provided for prior year, current year, and budget years. Civilian end strength should exclude military technicians.

Exhibit PB-30W Full-Time Support Personnel (Reserves)

Reserve Personnel, _____
Initial Active Duty For Training (IADT) Program
and Prior Service Enlistments
FY 19 _____

	Nonprior Service Enlistments <u>1/</u>	Losses Prior to IADT	Awaiting IADT "L" "P" Total	Enter IADT	Losses During IADT	Completed IADT	In IADT End Month	Prior Service Enlistments
Begin Strength								
October								
November								
December								
January								
February								
March								
April								
May								
June								
July								
August								
September								
Total								

Average Strength _____ Average Length of IADT _____ in days Average Number Trainees _____

NOTE: For ease in reading, a blank space of one or more lines should be left between each line where data is shown on a monthly basis.

1/ Include only initial enlistments.

Exhibit MPR-1 IADT Program and Prior Service Enlistments

Instructions for the Completion of Exhibit MPR-1

1. Separate exhibits should be prepared for the Prior Year, Current Year, Biennial Year 1, and Biennial Year 2.
2. Prior Year or Current Year Exhibits, as appropriate, should be footnoted to indicate the month through which actual data is shown.
3. If separate exhibits are prepared for male, female, CASP, etc. for any year, an additional exhibit which summarizes and combines the data from these separate exhibits will also be prepared for that year.
4. Accounting adjustments necessary to allow begin strength plus gains less losses to equal end strength for those months where actual data is shown should be included in the loss column(s). The exhibit should be footnoted to indicate that such an adjustment is included in the loss column and the amount of the adjustment for that fiscal year.
5. Monthly strengths shown for personnel "awaiting IADT" in a "P" status and "in IADT End of Month ("F" status) will agree with monthly strengths for Training Categories/Pay Groups "P" and "F", respectively, as shown in the Services' justification book.
6. Average number of trainees will be determined by dividing the average strength by the result of the average length of IADT in days divided by 360 days, i.e.:

Average Strength

Average Length of IADT in days
360 days

(Page 2 of 2)

Reserve Personnel, _____

Additional Training Assemblies

	<u>FY19PY</u>		<u>FY19CY</u>		<u>FY19BY1</u>		<u>FY 19BY2</u>	
	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>
<u>Flight Training Assemblies:</u>								
<u>Authorized Number of:</u>								
Participants								
Assemblies per individual								
1. For flight training assemblies show the authorized number of participants and the authorized number of additional assemblies per individual.								
<u>Actual/Programmed:</u>								
Number of Participants								
Average Number of Assemblies								
2. For flight training and each type of additional training assembly show the actual (prior year) or estimated (current and budget (year) number of participants, actual or estimates average number of assemblies per participant, and the total number of assemblies								
Total Assemblies								
<u>Civil Disturbance:</u>								
Number of Participants								
Average Number of Assemblies								
Total Assemblies								
<u>Training Preparation Assemblies:</u>								
Number of Participants								
Average Number of Assemblies								
Total Assemblies								
<u>Etc.</u>								

Exhibit MPR-2 Additional Training Assemblies

RESERVE PERSONNEL, _____

RECONCILIATION OF FUND CHANGES WITH PRIOR YEAR

(In Thousands of Dollars)

	<u>Amount</u>
FY 19PY Direct Program	\$
Increases:	
Pricing Increases	
(list separately - pay raise, inflation, etc. Provide the same level of detail as is required by the PB-300 exhibit.)	
Total Pricing Increases	
Program Increases	
(list separately - new programs, grade growth, etc. Provide the same level of detail as is required by the PB-300 exhibit.)	
Total Program Increases	
Total Increases	
Decreases:	
Pricing Decreases	
(list separately - retired pay NCP, etc. Provide the same level of detail as is required by the PB-300 exhibit.)	
Total Pricing Decreases	
Program Decreases	
(list separately - force structure, PCS moves, etc. Provide the same level of detail as is required by the PB-300 exhibit.)	
Total Program Decreases	
Total Decreases	

FY 19CY Direct Program

NOTE: This schedule will separately include pricing and principal program changes and other actions resulting in increases or decreases between the prior year and the current year. Show increases and decreases at the Total Direct Program (appropriation) level. Changes resulting from pay raises, changes to the retired pay accrual NCP, manpower levels, etc., should be separately identified and each programmatic increase and decrease should be followed by a narrative statement explaining the change. Narrative associated with pricing changes should identify applicable rates and effective dates. Changes due to pay raise, inflation, force structure, etc., should not be grouped together by subactivity. Separate identification is required. When program changes are end strength related show the associated average strength changes.

Exhibit MPR-3 Reconciliation of Fund Changes with Prior Year
(page 1 of 2)

RESERVE PERSONNEL, _____

RECONCILIATION OF FUND CHANGES WITH PRIOR YEAR

Pay Group A1/

(In Thousands of Dollars)

Amount

FY 19PY Direct Program

\$

Increases:

Pricing Increases

(list separately - pay raise, inflation, etc. Provide the same level of detail as is required by the PB-30P exhibit.)

Total Pricing Increases

Program Increases

(list separately - new programs, grade growth, etc. Provide the same level of detail as is required by the PB-30P exhibit.)

Total Program Increases

Total Increases

Decreases:

Pricing Decreases

(list separately - retired pay NCP, etc. Provide the same level of detail as is required by the PB-30P exhibit.)

Total Pricing Decreases

Program Decreases

(list separately - force structure, PCS moves, etc. Provide the same level of detail as is required by the PB-30P exhibit.)

Total Program Decreases

Total Decreases

FY 19CY Direct Program

1 / Provide for each subactivity and show the full subactivity title, e.g., Pay Group A, Pay Group F, etc.

NOTE: This schedule will include principal program changes and other actions resulting in increases or decreases between the prior year and the current year. Show increases and decreases for each of the subactivities included in the Reserve/Guard Personnel. Changes resulting from pay raises, changes to the retired pay NCP, manpower levels, etc., should be separately identified and each programmatic increase and decrease should be followed by a narrative statement explaining the change. Narrative associated with pricing changes should identify applicable rates and effective dates. Changes due to pay raise, inflation, force structure, etc., should not be grouped together by subactivity. Separate identification is required. When program changes are end strength related show the associated average strength changes.

EXHIBIT MPR-3 (page 2 of 2)

Reserve Personnel, _____
Education Benefits
(Title 10 USC, Chapter 106)

<u>Program</u>	<u>FY 19PY</u>	<u>FY 19CY</u>	FY 19BY1	FY 19BY2	FY 19BY2+1	FY 19BY2+2	FY 19BY2+3	FY 19BY2+4
Enlistments (Six Year Contracts) # <u>1/</u>								
Reenlistments (Six Year Contracts) # <u>1/</u>								
Extensions (Six Year Contracts) # <u>1/</u>	_____	_____	_____	_____	_____	_____	_____	_____
Total Number Six Year Commitments								
Rate - Per Capita Amount (\$)								
Total Per Capita Amount (\$000)								
Unfunded Liability (\$000)								
Total Education Benefit Program (\$000)	_____	_____	_____	_____	_____	_____	_____	_____

1/ To reflect the number of enlistments, reenlistments and extensions of at least six years. DoD Accounting Manual 7220.9M, Chapter 47, Section D paragraph 16.b.(2) provides the definition of personnel to be counted as eligible for purposes of programming and budgeting.

NOTE: Per Capita Cost rates will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits including justification for Budget Activity 2U, Education Benefits.

Exhibit MPR-4 Education Benefits (Title 10 USC, Chapter 106)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
(In Thousands of Dollars)

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 19BY1</u>			<u>FY 19BY2</u>		
	<u>Basic Pay</u>		<u>Retired Pay</u>	<u>Basic Pay</u>		<u>Retired Pay</u>	<u>Basic Pay</u>		<u>Retired Pay</u>	<u>Basic Pay</u>		<u>Retired Pay</u>
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
<u>Total Direct Program</u>												
Full-time												
Part-time												
Total												
<u>Total Reimbursable Program</u>												
Full-time												
Part-time												
Total												
<u>Total Program</u>												
Full-time												
Part-time												
Total												
	<u>FY 19BY2+1</u>			<u>FY 19BY2+2</u>			<u>FY 19BY2+3</u>			<u>FY 19BY2+4</u>		
	<u>Basic Pay</u>		<u>Retired Pay</u>	<u>Basic Pay</u>		<u>Retired Pay</u>	<u>Basic Pay</u>		<u>Retired Pay</u>	<u>Basic Pay</u>		<u>Retired Pay</u>
	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>	<u>Off</u>	<u>Enl</u>	<u>Total</u>
<u>Total Direct Program</u>												
Full-time												
Part-time												
Total												
<u>Total Reimbursable Program</u>												
Full-time												
Part-time												
Total												
<u>Total Program</u>												
Full-time												
Part-time												
Total												

Exhibit MPR-5 Summary of Basic Pay and Retired Pay Accrual Costs

Active Reserve/Guard (AGR) Personnel Costs
Reserve Personnel, _____1/

OFFICERS

	<u>PY Actual</u>	<u>CY Estimate</u>	<u>BY1 Estimate</u>	<u>BY2 Estimate</u>
	<u>Average</u>	<u>Average</u>	<u>Average</u>	<u>Average</u>
	<u>Strength Rate Amount</u>	<u>Strength Rate Amount</u>	<u>Strength Rate Amount</u>	<u>Strength Rate Amount</u>
<u>Basic Pay By Grade</u>				
0-8				
0-7				
0-6				
etc.				
Subtotal				
<u>Retired Pay 2/</u>				
<u>Special/Incentive</u>				
Pay 2/				
Clothing Allowances 2/				
BAS 2/				
BAQ 2/				
VHA 2/				
FICA 2/				
Other (Specify by listing separately) 2/				
Subtotal				
<u>TOTAL 3/</u>				

ENLISTED (Same format as for Officers)

1/ Required for Reserve and Guard personnel appropriations.

2/ Composite total. By grade data not required except for basic pay.

3/ Total must be consistent with total Pay and Allowances included in Administration and Support section of justification book.

Exhibit MPR-6 Active Reserve/Guard (AGR) Personnel Costs

SUMMARY OF RETIRED MILITARY PERSONNEL STRENGTH AND OBLIGATIONS BY CATEGORY

(Dollars in Thousands)

Service _____

DoD Military Retirement Fund

<u>Category</u>	<u>Prior Year</u>			<u>Current Year</u>			<u>Biennial Year 1</u>			<u>Biennial Year 1</u>		
	No. on Rolls	Average	Total	No. on Rolls	Average	Total	No. on Rolls	Average	Total	No. on Rolls	Average	Total
	<u>End of FY</u>	<u>Number</u>	<u>Oblig</u>	<u>End of FY</u>	<u>Number</u>	<u>Oblig</u>	<u>End of FY</u>	<u>Number</u>	<u>Oblig</u>	<u>End of FY</u>	<u>Number</u>	<u>Oblig</u>
NONDISABILITY												
TEMPORARY DISABILITY												
PERMANENT DISABILITY												
FLEET RESERVE												
SURVIVORS' BENEFITS												
GRAND TOTAL												

Exhibit RP-1 Summary of Retired Military Personnel Strength and Obligations by Category

CHAPTER 3
OPERATION AND MAINTENANCE
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CHAPTER 3

OPERATION AND MAINTENANCE APPROPRIATIONS

0301 GENERAL

030101 Purpose

A. This chapter covers the budget formulation and congressional justification requirements for operation and maintenance appropriations.

B. The following appropriations and accounts are covered:

Section
030201

- Operation and Maintenance, Army,
Operation and Maintenance, Army Reserve
Operation and Maintenance, Army National Guard
Operation and Maintenance, Navy
Operation and Maintenance Navy Reserve
- Operation and Maintenance, Marine Corps
Operation and Maintenance, Marine Corps Reserve
- Operation and Maintenance, Air Force,
Operation and Maintenance, Air Force Reserve
Operation and Maintenance, Air National Guard
- Operation and Maintenance, Defense-Wide
- Office of the Inspector General
- Defense Health Program
- Former Soviet Union Threat Reduction
Summer Olympics

030202

United States Court of Military Appeals for the Armed Forces, Defense

030203.

- Civil Functions

030102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 3 covers Specific back-

up material requirements for the above accounts. The above appropriations/accounts should also submit applicable exhibits required in Chapter 19- Other special Analyses.

030103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapters 8,12, and 19 provide additional specific guidance with regard to the back-up material required in this section of the manual.

030104 References

Section 010210 provides policies and definitions concerning costs that are to be financed by the O&M appropriations as opposed to other appropriations in the R&D area. Section 010201 provides policies and definitions regarding the application of expenses and investment criteria for budgetary proposes

0302 BUDGET ESTIMATES SUBMISSION

030201 Operations Accounts

A. Purpose This Section prescribes justification materials required to support the budget estimates for the following operations accounts.

- Operation and Maintenance, Army, Army Reserve, and Army National Operation and Army National Guard.
- Operation and Maintenance, Navy and Navy Reserve
- Operation and Maintenance, Marine Corps and Marine Corps Reserve
- Operation and Maintenance, Air Force, Air Force Reserve; and Air National
- Operation and Maintenance, Defense-Wide
- Office of the Inspector General
- Defense Health Program

B. Submission Requirements All Operation and Maintenance appropriations are required to submit the back-up exhibits listed in the following table, if appropriate. Examples of these exhibits, along with instructions for their preparation, are provided in Section 0304.

OPERATIONS ACCOUNTS EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Title</u>	<u>Components Required to Submit</u>
O-1	O&M Funding by Budget Activity/Activity Group	All, Except Defense-Wide
OP-5	Program Budget Decision, Part 1	All
OP-5	Detail by Activity Group, Part 2	All
OP-5	Operation and Maintenance Defense-Wide, Part 3	Defense-Wide
OP-5	Attachment 1 - Reconciliation of Increases and Decreases	All
OP-5	Attachment 2 - JCS Exercise Program	All
OP-5	Attachment 3 - Base Operation Support	All
OP-5	Attachment 4 - Transportation Costs	All
OP-5	Attachment 5 - Real Property Maintenance (RPM) and Minor Construction	All
OP-5	Attachment 6 - Training	All
OP-8	Civilian Personnel Costs	*All
OP-8	Reimbursable Civilian Personnel Costs, Part 2	All
OP-9	Analysis of Changes in Workyear Cost	*All
OP-14	Individual Training Data	All
OP-15,A,B	Department of Defense Overseas Dependents' Schools	OUSD(P&R)
OP-16	Department of Defense Section 6 Schools	OUSD(P&R)
OP-20	Analysis of Navy Flying Hour Program - Summary	Navy
OP-20A	Analysis of Navy Flying Hour Program - Tactical Aircraft	Navy
OP-20B	Analysis of Navy Flying Hour Program - Fleet Training	Navy
OP-20C	Analysis of Navy Flying Hour Program - Fleet Support	Navy
OP-20D	Army Flying Hour Program	Army
OP-20E	Air Force Weapons Systems/Flying Hour Cost Program	Air Force
OP-24	Emergency and Extraordinary Expense Limitation	All
OP-26A-C	POL Consumption and Costs	All
OP-27	Real Property Maintenance (RPM) Activities (Chap 8)	All
OP-27H	Historic Building Costs (Chap 8)	All
OP-27P	Real Property Maintenance and Minor Construction - Projects Costing More than \$500,000 (Chap 8)	All
OP-28	Summary of Major Repair Projects	All
OP-30	Depot Maintenance Program and Backlog	All
OP-31	Funding for Defense Business Operations Funded Depot Level Repairables (DLRs)	All
OP-32	Summary of Price and Program Changes	All
OP-33	Reconciliation of Increases and Decreases in End Strength in NATO European Countries	All
OP-34	Appropriated Fund Support for Morale, Welfare, and Recreation (MWR) Activities	All
OP-40	Ship Fuel Data and Operating Tempo Data	Navy
OP-41	Ship Operating Cost Data	Navy
OP-44	Military Assigned to Ship and Aircraft Squadrons	Navy
OP-50	Operations, Air Force - Program Element	Air Force
OP-52	Special Operations Forces	USSOCOM
OP-58	Operations, Air Force - Analysis of Air Force POL	Air Force
OP-71	Organizational Clothing and Equipment	Army Reserve/Guard
OP-73	Repair Parts	Army Reserve/Guard
OP-78	Three Year Force Data	Air Force
OP-80	Aircraft Repair/Modification and Engine Overhaul	Air Force

* Also required to be submitted by applicable RDT&E, Military Construction, Family Housing, Defense Business Operations Fund, etc. accounts.

C. Preparation of Material The following instructions pertain to the back-up material required by this Section.

1. The information will cover the prior year (PY), current year (CY), biennial year 1 (BY1) and biennial year 2 (BY2), unless otherwise indicated.

2. Operation and Maintenance data will be submitted in terms of obligations.

3. Additional data may be provided by expanding the prescribed formats and exhibits, or by cross-referencing to additional exhibits, where prescribed material is considered inadequate to justify requested programs or estimates. No prescribed material may be omitted unless inapplicable or unless the omission is specifically approved by the OUSD(C) P/B. The inapplicable stubs and column headings may be omitted but will not be redesignated when completing standard exhibits.

4. The purpose of the back-up exhibits is to describe the program and justify the estimates. If the data collection systems or management systems utilized provide for cost accounts or program units or workload indicators different from those specified in this section, components should request OUSD(C) P/B to change the provisions of this Manual.

5. The use of annex exhibits to reduce bulk is encouraged providing the required material is fully covered and presented in a logical manner. Machine printouts of required data will be accepted but should be designed to minimize bulk. Narrative data related to machine printouts should be assembled with the most appropriate page of the printout in a consistent manner.

D. OMB Circular No. A-11

The Components must submit any additional exhibits required by OMB Circular No. A-11. Consult OMB Circular No. A 11 for instructions pertaining to the completion of the required exhibits.

E. Real Property Maintenance and Minor Construction All components (i.e., Active Forces, Defense-Wide, National Guard and Reserve Forces) shall submit justification data and exhibits to support budget estimates for real

property maintenance and minor construction, in a separate bound attachment, as prescribed in Chapter 8. Two additional copies of this attachment will be delivered to: Director for Military Construction, OUSD(C) P/B, Room 3D840, Pentagon, on the same date as all other submissions required under this chapter. Examples of these exhibits, along with instructions for their preparation are provided in Chapter 8. Additionally ensure that the OP-5 (Part 2) attachment 5; Real Property Maintenance and Minor Construction in section 030402 of this manual is submitted to the Military Construction Office.

- OP-27 Real Property Maintenance Activities (Each O&M Appropriation)
- OP-27P Real Property Maintenance and Minor Construction Projects (All Appropriations - Projects Costing More than \$500,000)
- OP-27H Historic Building Costs (All Appropriations)
- OP-28 Summary of Major Repair Projects (Each O&M Appropriation)

F. Copies of back-up material in support of budget estimates will be submitted as identified in Section 010302. Two additional copies of the OP-5 exhibits for Information Security Programs will be delivered to Director for Military Construction, OUSD(C) P/B, Rm 3D840, Pentagon, on the same date as all other submissions required under this Chapter.

G. Automated Submissions

1. *Automated submissions are required for the following exhibits for both the OSD submission and the President's Budget:*

- OP-8 Civilian Personnel Costs
- OP-26 POL Consumption and Costs
- OP-32 Price and Program Growth

All questions about the automated submission should be referred to:

OUSD(C), Operations Directorate
Attn. O&M Production Assistant
1100 Defense, Pentagon, Room 3D868
Washington, D.C., 20301-1100
Telephone (703) 697-3101

2. The automated data should be generated by the computer software provided. If this cannot be done, alternative arrangements must be made beforehand. The data may be entered into the software manually or loaded from an external file. Directions for its use, as well as the information presented here, are included in the software.

3. When loading external data, it must conform to prescribed criteria. The precise format of the data varies between the exhibits. Specific information is provided in the software. For ASCII data files, the following general guidelines apply:

Negative entries should be identified with a minus sign adjacent to the left most digit.

Data entered will be right justified within the data field.

No commas in numbers over 999.

Zero padding is unnecessary.

Records that have all zero data fields are unnecessary.

4. The submitted data must be either delivered on a standard, DOS-formatted diskette (3.5" or 5.25") or mailed electronically. If delivered on a diskette, the diskette must identify the office of origin and responsible personnel.

5. The software provides reports which duplicate the related exhibits, as well as other reports. These reports must be reviewed, compared against the submitted exhibits, and corrections and adjustments made before submitting the data. THE REPORTS GENERATED BY THE SOFTWARE SHOULD MATCH THE SUBMITTED EXHIBITS. Any deviations must be approved in advance.

6. Identification codes are provided in the software. Any new codes which are required will be assigned by the Director for Operations, OUSD(C) upon request.

H. Non-Defense Business Operation Fund (non-Fund) Unit Cost Areas In addition, to the schedules provided above, non-Fund unit cost areas will submit the schedules required in Chapter 9.

030202 U.S. Court of Military Appeals for the Armed Forces, Defense

A. Purpose This Chapter prescribes budget justification backup requirements for the appropriation "Court of Military Appeals, Defense."

B. Submission Requirements

1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following:

- Appropriation Language. Submit justification for proposed changes.
- Purpose and Scope. Describe the missions and functions of the Court of Military Appeals.
- Summary of Obligations by Object Classification.
- Summary of Personnel by Grades. Show the number of civilian positions in each grade, the number of statutory positions, total permanent positions, lapse, and workyears.
- Summary of Price and Program Changes.
- Explanation of Estimate. Explain changes in costs and provide a statement of case workload and opinions rendered.
- Also include applicable exhibits required by Section 030201.

2. Chapter 1 identifies copies of the above material required.

030203 Civil Functions-Operation and Maintenance

A. Purpose This Chapter prescribes budget justification backup requirements for the civil functions appropriations.

B. Cemeterial Expenses (Department of the Army)

1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following. All data will be provided for the past, current, biennial year 1, and biennial year 2 fiscal years.

- Appropriation Language. Submit justification for proposed changes.
- Multiyear Financial Plans. Show budget authority and outlays by budget project and in total for the past, current, biennial year 1 and biennial year 2 fiscal years and for three subsequent fiscal years. Also show planned end-of-year employment (permanent positions and other positions) by budget project and in total for the same years.
- Analysis of Budget Authority and Outlays. Show BA and outlays by budget project and in total. Also show the difference between the biennial year 1 and the current year and the outlays in the biennial year 1 resulting from BA in the biennial year 1. Also show the difference between the biennial year 2 and the biennial year 1 and the outlays in the biennial year 2 resulting from BA in the biennial year 2.
- Program and Performance. Describe the major workload considerations and activity factors on which the estimates for each budget project have been based.
- Summary of Obligations by Object Classification.
- Statement Relating Past Year, Current Year, Biennial Year 1, and Biennial Year 2 Programs. List the increases and decreases necessary to reconcile the obligations incurred in each year with an analysis by budget project showing the obligations for each year and the related increases and decreases between each year.
- Project 0861 - Operation and Maintenance. Provide narrative justification and amounts for each project classification within the project. Separately identify year end

employment and workyears for supervisory, interment and maintenance categories.

- Project 0864 - Administration. Provide narrative justification and amounts for each object classification within the project. Separately identify year end employment and workyear for National Cemetery activities, headstone activities, and administrative services and staff planning.
- Project 0865 - Special Construction, Arlington National Cemetery

a. Provide amounts by each object classification within the project. Separately identify year end employment and workyears.

b. List and provide a narrative justification and amount for each planned construction or development project.

- Report of Motor Vehicle Data. Provide the following summary:

a. Fleet as of October 1.

b. Acquisitions:

- (1) New orders placed.
- (2) By forfeiture.
- (3) By transfer.

c. Number disposed of (deduct):

- (1) Disposals accomplished (carryover).
- (2) Disposals accomplished (newly scheduled).

d. Vehicles replaced (newly scheduled).

e. Active fleet, September 30 (a + b + c).

f. Vehicles unused on a term basis (add).

g. Total vehicles available full-time (e + f).

h. Obligations for vehicles

ordered.

Personnel Justification. Submit Exhibit OP-8, which is described in Section 030201 and an example of which is found in Section 0304

2. Chapter 1 identifies copies required of the above material.

C. Wildlife Conservation, Etc., Military Reservations

1. In addition to the Program and Financing Schedule and Personnel Summary, submit an Exhibit OP-5 prescribed in Section 030201 and provided in Section 0304.

2. Chapter 1 identifies copies required of the above material.

0303 CONGRESSIONAL JUSTIFICATION/PRESENTATION

030301 Purpose

This Section presents the justification book organization and the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 0304.

030302 Organization of Justification Books

A. Justification Books will be organized into separate books for each appropriation. (The only exceptions to organizing justification books into separate books for each appropriation are for the United States Court of Military Appeals for the Armed Forces, Office of the Inspector General, and the Environmental Restoration, Defense appropriations. These should be included in the same book as the Defense-Wide. The Defense Health Program (DHP) will be a separate justification book. The procurement and RDT&E DHP budget activities will follow the organization prescribed for the procurement and RDT&E appropriations in Chapters 4 and 5 respectively.

B. Justification books for the Active Component of each Military Service and the Defense-Wide should be organized into three volumes (in separate binders) as follows:

- "Justification of Estimates for Fiscal Years 19BY1 and 19BY2"
- "Data Book"
- "Real Property Maintenance and Minor Construction"

Reserve and National Guard components should combine the above volumes into one binder for each component.

C. Volume I - Justification of O&M Estimates Fiscal Years 19BY1 and 19BY2
Operation and Maintenance (O&M) Justification Books will be submitted on an operations basis to include active military force personnel strengths, Reserve and National Guard personnel on full-time active duty, and civilian personnel. (Related dollars financed from Military Personnel

appropriations, however, should not be included). The content and arrangement of exhibits for the operations accounts are indicated at the end of this section. Applicable exhibits for the reserve and guard component operations accounts will be consistent with the active operations accounts. Exhibit formats are provided in Section 0304. Separate volumes for active and reserve component operation appropriations will be submitted. Funds for NFIP or TIARA will be specifically identified. Justification classification will not exceed that required for other operations funds.

D. Volume II - Data Book The content and arrangement of exhibits for the operations accounts are included at the end of this section.

E. Volume III - Real Property Maintenance and Minor Construction Two Copies of the Operation and Maintenance Book-Volume III, including the Reserve and National Guard component exhibits, will be submitted for review and approval to the Directorate for Construction, D6D(C) P/B, Room 3D840, Pentagon. In addition, the OP-28, Summary of Major Repair Projects (Chapter 8) will be provided with the review copies of Volume III.

F. Additional Accompanying Exhibits
Although not to be included in Volume I, Volume II, or Volume III of the Justification Books, the exhibits at the end of this section are required to be submitted to the OUSD(C) P/B Directorate for Operations, Pentagon, Room 3D868, simultaneously with the submission of the other Budget Justification material. These exhibits are not to be included in Justification Books submitted to the Congress. Examples are provided in Section 0304 (O&M) or, Chapter 19. (Special Analyses).

H. O&M Overview The following Operation and Maintenance Overview exhibits are required for submission to the OUSD(C) P/B Directorate for Operations. Specific suspense dates will be furnished in the annual Budget Justification Call letter. The parent service is responsible for providing all required data including Reserve Component appropriations. Exhibit formats are provided in Section 0304. Narrative data must be included to explain price/program changes between all fiscal years displayed. Two copies of each exhibit are required and will identify the Component, exhibit number

and title, and name/telephone number of the point of contract. The exhibits will be consolidated at the Operation & Maintenance title level for printing and submission to the Congress. The Defense Agencies should provide as a minimum PBA 19, 20, 24, and address resource requirements in one or more of the major mission categories as appropriate.

ORGANIZATION/EXHIBIT REQUIREMENTS

VOLUME I - JUSTIFICATION OF O&M ESTIMATES FOR FISCAL YEARS 19BY1 AND 19BY2

Table of Contents

Narrative Justification:

Introductory Statement

OP-5 Detail by Budget Activity and Activity Group: (Exhibit formats are provided in Section 0304)

-PB-31C Personnel Summary

-OP-5 (Section 030201)

VOLUME II - DATA BOOK

Table of Contents

Special Analyses (examples provided in Section 0304 and Chapters 14 and 19)

OP-30	Depot Maintenance Program (pages 1 and 2 only)	
OP-32	Appropriation Summary of Price/Program Growth	
OP-34	Appropriated Fund Support for MWR Activities	
PB-22	DoD Management Headquarters **	(CH. 19)
PB-31D	Summary of Increases and Decreases	
PB-31M	Military Bands	
PB-31Q	Manpower Changes in FTEs **	
PB-31R	Civilian Personnel Budget Calculations **	
Env-30	Defense Environmental Restoration Program **	(CH. 13)

**** Input from Reserve and Guard organizations are to be consolidated by the parent component (i.e. Army, Navy, Air Force) for submission to OSD. Guard and Reserve organizations should not include in their submission.**

VOLUME III - REAL PROPERTY MAINTENANCE AND MINOR CONSTRUCTION

Table of Contents

Special Analyses (examples provided in Chapter 8)

OP-27	Backlog of Maintenance and Repair
OP-27P	Real Property Maintenance and Minor Construction Projects (All Appropriations - Projects Costing More than \$500,000)
OP-27H	Historic Building Costs (All Appropriations)
PB-34	Revenue from Transfer or Disposal of DoD Real Property and Revenue from Leasing Out DoD Assets.

ADDITIONAL ACCOMPANYING EXHIBITS

OP-8	Civilian Personnel Costs (All Appns.)	
OP-9	Analysis of Changes in FTE Costs	
OP-20,A,B,C	Analysis of Navy Flying Hour Program	
OP-20D	Army Flying Hour Program	
OP-20E	Air Force Weapon Systems/Flying Hour Cost Data	
OP-20H	Reimbursement - Rates for DoD on Helicopters*	
OP-26	POL Consumption and Costs (All Appns/Funds)	
OP-28	Maintenance of Real Property Facilities	(CH. 8)
OP-31	Funding for Defense Business Operations Funded Depot Level Repairables (DLRS)	
OP-33	Reconciliation of Increases and Decreases in workyears/FTEs in NATO European Countries	
OP-40	Ship Fuel Data	
OP-41	Ship Operating Cost Data	
OP-50	Operations Air Force - Program Element	
OP-52	Special Operations Forces (USSOCOM only)	
OP-53, B	Overseas Cost Report	(CH. 15)
OP-71	Organizational Clothing and Equipment	
OP-73	Repair Parts	
OP-78	Three Year Force Data	
OP-80	Aircraft Repair/Modification & Engine Overhaul	
PB-18	Foreign Currency Exchange Data	(CH. 19)
PB-23	Legislative Affairs Activities	(CH. 19)
PB-24	Professional Military Education	(CH. 19)
PB-25	Host Nation Support	(CH. 19)
PB-28	Summary of Budgeted Environmental Projects	(CH. 19)
PB-28	Waste Minimization Capitalization Account (WMCA)	(CH. 19)
PB-41	Administrative Motor Vehicle Operations	(CH. 19)
PB-42	Commercial Activities	(CH. 19)
PB-50	Child Development, Family Centers, and Family Advocacy Programs	(CH. 19)

* Submit this exhibit directly to OUSD(C)/DCFO Accounting Policy Directorate,
RM 3A882

O&M OVERVIEW

<u>PBA #</u>	<u>TITLE</u>
PBA 2	Air Operations
PBA 3	Ship Operation
PBA 4	Land Forces
PBA 5	Depot Maintenance Program
PBA 7	Real Property Maintenance
PBA 8	Training and Education
PBA 9	Medical Programs
PBA 10	Base Operating Support
PBA 11	Reserve Forces
PBA 12	Command, Control, and Communications
PBA 13	Transportation
PBA 16	Management Headquarters
PBA 17	Recruiting Advertising, and Examining
PBA 19	DoD Appropriation Highlights
PBA 20	Manpower Data (Civilian, Military, Selected Reserve/National Guard)
PBA 21	Key Activity Indicator
PBA 22	Mobilization
PBA 25	Summary of Functional Transfers and Realignment
PBA 26	Special Operations Forces (USSOCOM only)

0304 OPERATION AND MAINTENANCE
APPROPRIATION SUBMISSION
FORMATS

030401 Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be utilized.

030402 Exhibits in Support of Section 0302 - Budget Estimates Submission

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OP-5 Instructions	19
OP-5 (Part 1) Budget Activity/Program Budget Decision Summary.....	21
OP-5 Part 2: Detail by Activity Group	25
OP-5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases.....	29
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OP-5 (Part 2) Attachment 3: Base Operations Support.....	33
OP-5 (Part 2) Attachment 4: Transportation O&M Costs.....	36
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OP-5 (Part 2) Attachment 6: Training (page 1 of 4).....	40
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OP-8 Civilian Personnel Costs	48
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OP-20A Analysis of Navy Flying Hour Program: Tactical Aircraft	89
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OP-20C Analysis of Navy Flying Hour Program: Fleet Support	91
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OP-78 Three Year Force Data.....	139
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030403 Additional Exhibits in Support of Section 0303 - Congressional Justification/Presentation

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O-1

FY 19XX Budget Estimates
Operation and Maintenance,_____

	(\$ in Thousands)			
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Budget Activity 1. Operating Forces</u>	Provide Budget Activity and Activity Group subtotals, as well as Subactivity funding levels.			
Activity Group				
Subactivity				
Subactivity				
Subactivity				
etc.				
<u>Activity Group</u>				
Subactivity				
Subactivity				
Subactivity				
etc.				
<u>Budget Activity 2. Mobility Operations</u>				
etc.				
<u>Budget Activity 3. Training and Recruiting</u>				
etc.				
<u>Budget Activity 4. Administration and Servicewide Support</u>				
etc.				
Total Operation and Maintenance,_____				

Exhibit O-1

Exhibit O-1 (Page 1 of 2)

Instructions for O-1

All O&M components except Defense Agencies must submit a hard copy O-1 for both the OSD/OMB and Congressional submissions. In addition, the O-1 must be submitted in automated format for the Congressional submission. This should be done in Excel or Lotus format, according to the instructions below:

Lotus Format:

- 3 1/2 inch high density disk with a blank O-1 in Excel or Lotus format will be provided to components to enter funding amounts by subactivity.
- Enter funding data in thousands of dollars.
- Subtotals will automatically calculate for Budget Activity and Appropriation; do not enter any subtotals.
- The existing numerical line item identifiers must be maintained for each subactivity. Only if a particular subactivity no longer applies for the current submission, should the line be deleted.
- New subactivities maybe entered by inserting a line with an additional line item identifier, following the existing line item sequence. Enter the title of the new subactivity in all capital letters. The funding entered for each new line will be included in the subtotals and totals.

INSTRUCTIONS FOR PREPARATION OF OP-5
(PART 1) BUDGET ACTIVITY SUMMARY AND
(PART 2) DETAIL BY ACTIVITY/SUB-ACTIVITY GROUP

1. The OP-5 is a multi-purpose summary document. It's main purpose is to reflect a summary of the resources for each Appropriation, Budget Activity, Activity Group, and Sub-Activity. For the OSD budget submission, a form OP-5 (Part 1) will be submitted for each Appropriation and Budget Activity. For the President's budget submission, an OP-5 (Part 1) should be prepared for each Budget Activity. An OP-5 (Part 2) will be submitted for each Sub-Activity Group for the OSD budget submission and at the Activity Group level for the President's budget. Base Support and Real Property Maintenance will be treated as separate Sub-Activities Groups. In addition, the Services will prepare, at the appropriation level, an OP-5 (Part 2), Section IV (Attachment 3) for Base Support, and an Attachment 5 for Real Property Maintenance. An OP-5 (Part 3) will be submitted for each Defense-Wide agency.

2. Each of the O&M appropriations listed below, will be supported by OP-5 Exhibits, (Part 1), (Part 2), and or (Part 3) as appropriate. (Specific Sub-Activities will be provided separately on an annual basis.)

Operations, Army, Army Reserve, and Army National Guard
Operations, Navy and Navy Reserve
Operations, Marine Corps and Marine Corps Reserve
Operations, Air Force, Air Force Reserve and Air National Guard
Operations, Defense-Wide
Defense Health Program
Former Soviet Union Threat Reduction
Office of the Inspector General
United States Court of Military Appeals for the Armed Forces, Defense
Wildlife Conservation, Etc., Military Reservations

3. The OP-5 (Part 2) provides essential information for justification of the OSD and President budget estimates. The Reconciliation of Increases and Decreases portions of Section III and Section V should identify what changes are occurring and explain both why the changes are occurring and why they are necessary. The narrative should discuss the relationship of performance criteria in Section IV to program objectives. The FY 19PY estimate column of the OSD submit should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter.

4. Current year data for the "Reconciliation of Increases and Decreases" will be included in the OP-5 (Part 2) for both the President's budget submission and the OSD budget submission. Reconciliations will show all changes from the: FY 19CY estimate in the previous President's Budget submission to the current FY 19CY estimate, the current FY 19CY estimate to FY 19BY1 estimate, and from the FY 19BY1 estimate to the FY 19BY2 estimate.

5. Performance criteria are required on the OP-5 (Part 2), but maybe omitted on the OP-5 (Part 1). Performance criteria for Defense-Wide agencies will be included at the agency level. Performance criteria for some sub-activity groups are specified in the attachments to the OP-5.

Exhibit OP-5 Instructions

(page 1 of 2)

6. Personnel summaries are required at the Appropriation, Budget Activity, Activity Group, and Sub-Activity Group levels. Personnel summaries are also required for each Defense Agency.
7. For those Activity Groups with aircraft, a one line total of flying hours may be provided. If this option is selected, details by type/model must be included in the Data Book (Volume II).
8. Classified information will be eliminated from all O&M justification books except for Defense Agencies.
9. Defense-Wide agencies with Defense Support Activities (DSA) must clearly describe and justify the activities within the organization which supports them. Information will identify manpower and funding for each DSA.

BUDGET ACTIVITY: _____

- I. Description of Operations Financed:** Provide a narrative explanation of activities included.
- II. Force Structure Summary:** Provide force structure supported by the Budget Activity. For example, the number of bases, the number and types of schools, the ships and aircraft squadrons supported.
- III. Financial Summary O&M: \$ in Thousands):**

	FY 19PY <u>Actuals</u>	FY 19CY		Current <u>Estimate</u>	FY 19BY1 <u>Estimate</u>	FY 19BY2 <u>Estimate</u>
		Budget <u>Request</u>	<u>Appropriation</u>			
A. Budget Activity Group						
1. Activity Group						
2. Activity Group						
3. Etc.						
Total						
B. <u>Reconciliation Summary:</u>	Change FY 19CY/FY 19CY	Change FY 19CY/FY 19BY1		Change FY19BY1/FY 19BY2		
Baseline Funding						
Congressional Adjustments		NA		NA		
Supplemental Request						
Price Change						
Functional Transfer						
Program Changes						
Current Estimate						

For the Change in the Current Year, provide information from the President's budget request to the current estimate. For the changes from FY 19CY/FY 19BY1 and FY 19BY1/FY 19BY2, use the current estimate from the previous year as the baseline.

C. OP-32 Line Item as Applicable:

<u>Change FY 19PY/FY 19CY</u>					<u>Change FY 19CY/FY 19BY1</u>					<u>Change FY 19BY1/FY 19BY2</u>				
Foreign					Foreign					Foreign				
FY 19PY	Currency	Price	Program	FY 19CY	Currency	Price	Program	FY 19BY1	Currency	Price	Program	FY 19BY2		
<u>Actuals</u>	<u>Rate</u>	<u>Diff</u>	<u>Growth</u>	<u>Estimate</u>	<u>Rate</u>	<u>Diff</u>	<u>Growth</u>	<u>Estimate</u>	<u>Rate</u>	<u>Diff</u>	<u>Growth</u>	<u>Estimate</u>		

- (List Applicable OP-32 Line Items) SECTION B IS REQUIRED FOR THE OSD SUBMISSION ONLY AND IS NOT TO BE INCLUDED IN THE
 - (List Applicable OP-32 Line Items) PRESIDENT'S BUDGET OP-5
 - Etc.
- Total

Exhibit OP-5 (Part 1) Budget Activity/Program Budget Decision Summary

BUDGET ACTIVITY
Activity Group (Continued): _____

- D. **Reconciliation Increases and Decreases:** List separately major pricing and program changes from the FY 19CY President's budget request to the current FY 19CY estimate, from the current FY 19CY estimate to the FY 19BY1 estimate, and from the FY 19BY1 estimate to the FY 19BY2 estimate. When possible program changes should address adjustments to force structure, end strength, workyears, etc. Utilize the format for OP-5 (Attachment 1). Also see the general instructions for the OP-5 Exhibit.

IV. Performance Criteria and Evaluation Summary: Provide meaningful performance and workload data for each year FY 19PY, FY 19CY, FY 19BY1 and FY 19BY2 where appropriate. Performance criteria and evaluation summary data need not be provided at the Appropriation or Budget Activity levels, but should be provided for various Activity Groups where applicable. (See Attachments 2 through 7 for criteria required for Activity Groups.)

BUDGET ACTIVITY
Activity Group (Continued)

				Change		Change
V. Personnel Summary:	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>	<u>FY 19CY/FY 19BY1</u>	<u>FY 19BY1/FY 19BY2</u>
<u>Active Military End Strength (Total)</u>						
Officer						
Enlisted						
<u>Reserve Drill Strength (Total)</u>						
Officer						
Enlisted						
(Military Technician Included Above Memo)						
<u>Reservists on Full-time Active Duty (Total)</u>						
Officer						
Enlisted						
<u>Civilian End Strength (Total)</u>						
U.S. Direct Hire						
Foreign National Direct Hire						
Total Direct Hire						
Foreign National Indirect Hire						
(Military Technician Included Memo)						
(Reimbursable Civilians Included Above Memo)						
Additional Military Technician Assigned to USSOCOM						
<u>Military Average Strength (Total)</u>						
Officer						
Enlisted						
<u>Civilian FTEs (Total)</u>						
U.S. Direct Hire						
Foreign National Direct Hire						
Total Direct Hire						
Foreign National Indirect Hire						
(Military Technician Included Memo)						
(Reimbursable Civilians Included Above Memo)						

Civilian end strength and workyear data will agree with the direct and reimbursable funded data reflected on lines 1 through 5 of the OP-8 entitled, "Civilian Personnel Costs." The reimbursable civilian end strength and workyear data will agree with the data reflected on line 6 of the OP-8 exhibit.

These military technicians are included in the civilian end strength and FTE totals for USSOCOM.

BUDGET ACTIVITY
Activity Group (Continued)

V. <u>Outyear Impact Summary:</u>	<u>FY 19BY2+1</u>	<u>FY 19BY2+2</u>	<u>FY 19BY2+3</u>	<u>FY 19BY2+4</u>
O&M (\$ Thousands)				
Military End Strength				
Reserve Drill End Strength				
Reservists on Full Time Active Duty E/S				(Provide only for OSD/OMB submission.)
Civilian FTE				

BUDGET ACTIVITY/ACTIVITY GROUP _____

Detail By Activity/Sub-Activity Group: _____

I. Description of Operations Financed: Provide a narrative explanation of activities included.

II. Force Structure Summary: Provide a narrative explanation of activities included.

III. Financial Summary (O&M: \$ in Thousands):

A. Activity/Sub Activity Group	FY 19PY Actuals	FY 19CY		FY 19BY1 Estimate	FY 19BY2 Estimate
		Budget Request	Current Appropriation		
1. Sub-Activity					
2. Sub-Activity					
3. Etc.					
Total					

B. Reconciliation Summary:

	Change FY 19CY/FY 19CY	Change FY 19CY/FY 19BY1	Change FY 19BY1/FY 19BY2
Baseline Funding			
Congressional Adjustments		NA	NA
Supplemental Request			
Price Change			
Functional Transfer			
Program Changes			
Current Estimate			

For the Change in the Current Year, provide information from the Presidents budget request to the current estimate. For the changes from FY 19CY/FY 19BY1 and FY 19BY1/FY 19BY2, use the current estimate from the previous year as the baseline.

C. OP 32 Line Item as Applicable:

Change FY 19PY/FY 19CY					Change FY 19CY/FY 19BY1				Change FY 19BY1/FY 19BY2				
Foreign					Foreign				Foreign				
FY 19PY	Currency	Price	Program	FY 19CY	Currency	Price	Program	FY 19BY1	Currency	Price	Program	FY 19BY2	
Actuals	Rate	Diff	Growth	Estimate	Rate	Diff	Growth	Estimate	Rate	Diff	Growth	Estimate	

1. (List Applicable OP 32 Line Items) SECTION B IS REQUIRED FOR THE OSD SUBMISSION ONLY AND IS NOT TO BE INCLUDED IN THE

2. (List Applicable OP 32 Line Items) PRESIDENT'S BUDGET OP-5

3. Etc.

Total

Exhibit OP-5 Part 2: Detail by Activity Group
(page 1 of 4)

BUDGET ACTIVITY _____

Activity Group (Continued): _____

D. Reconciliation Increases and Decreases: (See Attachment 1 for format and level of detail required) List separately major pricing and program changes from the FY 19CY President's budget request to the current FY 19CY estimate, from the current FY 19CY estimate to the FY 19BY1 estimate, and from the FY 19BY1 estimate to the FY 19BY2 estimate. When possible program changes should address adjustments to force structure, end strength, FTEs, etc. Such justification should clearly explain programmatic changes in resource levels including why increases are required or decreases occur. Additionally, the narrative justification should relate cost to performance criteria, workload and manpower data, as well as identify the impact if requested changes are not funded. Also see the general instructions for the OP 5 Exhibit.

IV. Performance Criteria and Evaluation Summary: Provide meaningful performance and workload data for each year FY 19PY, FY 19CY, FY 19BY1 and FY 19BY2 where appropriate. Performance criteria and evaluation summary data should be provided for various Activity Groups where applicable. (See Attachments 2 through 7 for criteria required for Activity Groups.) For depot maintenance show data as required by page 1 of the OP-30 exhibit. For other Activity Groups, display comparable/appropriate data.

Exhibit OP-5 (Part 2) (page 2 of 4)

BUDGET ACTIVITY

Activity/Sub Activity Group (Continued)

V. Personnel Summary:

FY 19PY

FY 19CY

FY 19BY1**FY 19BY2**

Change

~~FY 19CY/FY 19BY1 FY 19BY1/FY 19BY2~~

Change

	BY1/FY 19	BY2
1		
2		
3		
4		
5		
6		
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96		
97		
98		
99		
100		

Active Military End Strength (Total)

Officer	Enlisted
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10
11	11
12	12
13	13
14	14
15	15
16	16
17	17
18	18
19	19
20	20
21	21
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89	89
90	90
91	91
92	92
93	93
94	94
95	95
96	96
97	97
98	98
99	99
100	100

Reserve Drill Strength (E/S) (Total)

Officer
Enlisted

(Military Technician Included Above Memo)

Reservists on Full Time Active Duty (E/S) (Total)

Officer
Enlisted

Civilian End Strength (Total)

U.S. Direct Hire

Foreign National Direct Hire

Total Direct Hire

Foreign National Indirect Hire

(Military Technician Included Memo)

(Reimbursable Civilians Included Above Memo)

Civilian end strength and workyear data will agree with the direct and reimbursable funded data reflected on lines 1 through 5 of the OP 8 entitled, "Civilian Personnel Costs."

The reimbursable civilian end strength and workyear data will agree with the data reflected on line 6 of the OP 8 exhibit.

Additional Military Technicians Assigned to USSOCOM

These military technicians are included in the civilian end strength and average strength to USSOCOM.

Military Average Strength (Total)

Officer
Enlisted

Civilian FTEs (Total)

U.S. Direct Hire

Foreign National Direct Hire

Total Direct Hire

Foreign National Indirect Hire

(Military Technician Included Memo)

(Reimbursable Civilians Included Above Memo)

Exhibit OP-5 (Part 2) (page 3 of 4)

BUDGET ACTIVITY/PROGRAM BUDGET DECISION _____

Activity Group (Continued) _____

<u>V. Outyear Impact Summary:</u>	<u>FY 19BY2+1</u>	<u>FY 19BY2+2</u>	<u>FY 19BY2+3</u>	<u>FY 19BY2+4</u>
O&M (\$ Thousands)				
Military End Strength				
Reserve Drill End Strength				
Reservists on Full Time Active Duty (E/S)				
Civilian FTEs				

(Provide only for OSD/OMB submission)

Reconciliation of Increases and Decreases

(Dollars in Thousands)

1. FY 19CY President's Budget Request (Amended)

2. Congressional Adjustments:

- a.
- b.
- c.
- etc.

3. FY 19CY Appropriated Amount

4. Proposed Supplemental:

- a. Civilian Pay Raise
 - 1) Classified
 - 2) Wage Board
- b. Program Supplemental
 - 1)
 - 2)
 - etc.

(To the extent that supplemental requests reflect an amount that is less than the requirement show (parenthetically) both the total requirement and the amount absorbed to arrive at the amount of the supplemental.)

5. Price Growth:

6. Functional Program Transfers:

- a. Transfers in
 - 1)
 - 2)
 - etc.
- b) Transfers Out
 - 1)
 - 2)
 - etc.

(This category should be used only when a program function is transferred between activity groups or Services. This category should not be used to show the transfer of funds between activity groups in instances where the transfer of funds is not accompanied by a functional transfer of the program for which the funds were initially requested. Also see end "NOTE" on next page)

Exhibit OP-5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases

Reconciliation of Increases and Decreases (Continued)

(Dollars in Thousands)

7. Program Increases:
 - a. Annualization of New FY 19CY Program
 - (1) (For each program increase or
 - (2) decrease provide quantitative and
 - etc. qualitative information relative
 - b. One-Time FY 19BY1 Costs to the proposed change, as well as
 - (1) the baseline (in dollars) to which
 - (2) the increase or decrease applies.
 - etc. Increases and decreases should
 - c. Program Growth in FY 19BY1 address specific adjustments
 - (1) in program particularly changes
 - (2) in force structure, number of
 - etc. compensable days, FTEs, etc.
 - d. New FY 19BY1 Program Where possible show specific
 - (1) average strength/FTE adjustments
 - (2) for both military and civilians.)
 - etc.
8. Program Decreases:
 - a. One-Time FY 19CY Costs
 - (1)
 - (2)
 - etc.
 - b. Annualization of FY 19CY program Decreases
 - (1)
 - (2)
 - etc.
 - c. Program Decreases in FY 19BY1
 - (1)
 - (2)
 - etc.
9. FY 19CY Current Estimate
10. Price Growth should agree with price growth on the QP-32 exhibit.
11. Functional Program Transfers (See 6 above)
12. Program Increases (See 7 above)
13. Program Decreases (See 8 above)
14. FY 19BY1 Budget Request
15. Price Growth (See 5 above)
16. Functional Program Transfers (See 6 above)
17. Program Increases (See 7 above)

Reconciliation of Increase and Decreases (Continued)

18. Program Decreases (See 8 above)

19. FY 19 BY2 Budget Request

NOTE: If a particular category of increase or decrease does not apply leave it off the OP-5 (rather than include it on the OP-5 with a value of zero). Reprogramming actions included in the budget submission for the Current Year other than 1415-IR functional transfers should be shown separately. Except for this, categories of increases and/or decreases other than those shown above should not be used.

JCS Exercise Program - O&M Costs
(FY 19PY, FY 19CY, FY 19BY1 and 19BY2)

<u>Exercise Name & Location</u> ^{1/}	<u>Time Period of Exercise</u>	<u>Workload Measure</u> ^{2/}	<u>Cost (\$ Thousands)</u>		
			<u>Transportation</u>	<u>Other</u>	<u>Total</u> ^{3/}
<u>Directed Exercises</u>					
(List by exercise)	1/	Identify RDE initiatives.			
Total	2/	<p><u>Airlift:</u> Reflect C-130, C-141, or C-5 hours, as appropriate, for transportation costs. Separately identify C-130, C-141, or C-5 hour requirements, as appropriate for commercial augmentation effort. Indicate in footnote JCS Exercise rate used for pricing.</p> <p><u>Sealift:</u> Express work measurement tons (differentiate between break bulk and containers) to be transported via MSC; and MSC per diem ship days as applicable. In footnote indicate rates used for each.</p> <p><u>Land Transportation:</u> Express program values, in measurement tons to be transported overland. Indicate rates used in footnote.</p>			
<u>Coordinated Exercises</u>					
(List by exercise)		<u>Port Operations:</u>			
Total		<p><u>CONUS:</u> Express workload in terms of measurement tons to be transported through CONUS Ports. Indicate rates used in footnote.</p> <p><u>Overseas:</u> Express workload in terms of measurement tons to be transported through Overseas Ports. Indicate rates used in footnote.</p>			
<u>Total Directed and Coordinated Exercises</u>	3/	<p><u>For FY 19PY and FY 19CY:</u> Show by footnote both the amount appropriated for FY 19PY and the amount requested for the FY 19CY in The FY 19CY President's budget. For FY 19CY, explain the difference between the amount requested in the President's budget and the current estimate.</p> <p><u>For FY 19BY1 and FY 19BY2:</u> Briefly describe changes in the program from that of the previous year. To the extent specific exercises have not been approved at the time of the budget submission, estimate total program levels. Estimated amounts should be distributed between transportation and other costs, as applicable, and should be related to estimated workload. Explanations of changes in both costs and workload are required between the FY 19CY and FY 19BY1 and between the FY 19BY1 and FY 19BY2. This information should be provided in sufficient detail to justify the budget estimate.</p>			

Exhibit OP-5 (Part 2) Attachment 2: JCS Exercise Program - O&M Costs

BASE OPERATION SUPPORT

IV. Performance Criteria and Evaluation

- A. Administration (\$000)
 - Military Personnel Average Strength
 - civilian Personnel FTEs

 - Number of Bases, Total
 - (CONUS)
 - (O/S)

 - (Military, Average Strength)
 - (Civilian, FTEs)

- B. Retail Supply Operations (\$000)
 - Military Personnel Average Strength
 - Civilian Personnel FTEs

- C. Bachelor Housing Ops./Furn. (\$000)
 - Military Average Strength
 - Civilian FTEs

 - No. of Officer Quarters
 - No. of Enlisted Quarters

- D. Other Morale, Welfare and Recreation (\$000)
 - Military Average Strength
 - Civilian FTEs

 - Population Served, Total
 - (Military, Average Strength)
 - (Civilian/Dependents, FTEs)

Exhibit OP-5 (Part 2) Attachment 3: Base Operations Support

Activity Group: Base Operation Support (Continued)

E. Maintenance of Installation Equipment (\$000)
 Military Average Strength
 Civilian FTEs

F. Other Base Services (\$000)
 Military Average Strength
 Civilian FTEs

 Number of Motor Vehicles, Total
 (Owned)
 (Leased)

G. Other Personnel Support (\$000)
 Military Average Strength
 Civilian FTEs

 Population Served, Total
 (Military, Average Strength)
 (Civilian, FTEs)

H. Payments to GSA (000)
 Standard Level User Charges (\$000)
 Leased Space (000 sq ft)
 Recurring Reimbursements (\$000)
 One time Reimbursements (\$000)

I. Non-GSA lease payments for space
 Leased Space (000 sq ft)
 Recurring Reimbursements (\$000)
 One time Reimbursements (\$000)

J. Other Engineering Support (\$000)
 Military Personnel Average Strength
 Civilian Personnel FTEs

Exhibit OP-5 Attachment 3: Base Operations Support

(page 2 of 3)

Activity Group: Base Operation Support (Continued)

- K. Operation of Utilities (\$000)
 - Military Personnel Average Strength
 - Civilian Personnel FTEs
 - Electricity (MWH)
 - Heating (MBTU)
 - Water, Plants & Systems (000 gals)
 - Sewage & Waste Systems (000 gals)
 - Air Conditioning and Refrigeration (Ton)
- L. Child and Youth Development Programs
 - Number of Child Development Centers
 - Number of Family Child Care (FCC) Homes
 - Total Number of Children Receiving Care
 - Percent of Eligible Children Receiving Care
 - Number of Children on Waiting List
 - Total Military Child Population (Infant to 12 years)
 - Number of Youth Facilities
 - Youth Population Serviced (Grades 1 to 12)

ADDITIONAL INSTRUCTIONS

This schedule should exclude those funds supporting maintenance and repair of real property and minor construction

Additional performance criteria and workload indicators may be included for any of the above functional categories as applicable. Additional criteria/indicators are especially encouraged for “Other Base Services” and “Other Personnel Support” categories as they relate to more important or unique support functions.

Include direct Operation and Maintenance funds only (Exclude amounts funded from Military Personnel appropriations.)

For the OSD submission, this format should be followed in preparing an OP-5 Exhibits for Base Support.

Exhibit OP-5 Attachment 3: Base Operations Support

<u>FY 19PY</u> <u>Units (\$ in 000)</u>	<u>FY 19CY</u> <u>Units (\$ in 000)</u>	<u>FY 19BY1</u> <u>Units (\$ in 000)</u>	<u>FY 19BY2</u> <u>Units (\$ in 000)</u>
--	--	---	---

This should include only PDT supporting O&M purchases.

NOTE: Abbreviate units of measure as follows:
Short Tons= ST
Measurement Tons = MT
Missions = MSN
Ship Days = SD

Provide subtotals for all modes of shipment (MTMC, MSC, MAC & Commercial)

Amounts should be consistent with amounts shown in applicable OP-5 Exhibits in each Service's/Components budget justification books and agree with amounts provided in PBA-13, Transportation.

TOTAL FDT

Exhibit OP-5 (Part 2) Attachment 4: Transportation O&M Costs

OPERATION AND MAINTENANCE (SERVICE/COMPONENT)
TRANSPORTATION PROGRAM
(Dollars in Thousands)

<u>FY 19PY</u> <u>Units (\$ in 000)</u>	<u>FY 19CY</u> <u>Units (\$ in 000)</u>	<u>FY 19BY1</u> <u>Units (\$ in 000)</u>	<u>FY 19BY2</u> <u>Units (\$ in 000)</u>
--	--	---	---

Second Destination Transportation (SDT) (by Mode of Shipment):

Military Traffic Management Command: Port Handling (MT)	Provide <u>subtotals</u> for all modes of shipment (MTMC, MSC, MAC & Commercial)
Military Sealift Command: Regular Routes (MT) Per Diem (SD)	
Military Airlift Command: Regular Channel (ST) SAAM (MSN)	
Commercial: Air (ST) Surface (ST)	
TOTAL SDT	

Second Destination Transportation
(by Selected Commodities):

Cargo (Military Supplies and Equipment) Base Exchanges Subsistence Overseas Mail	For each commodity, show amounts separately by Short Tons (ST), Measurement Tons (MT), Missions (MSN), or Ship Days of Per Diem (SD), as applicable.
TOTAL FDT AND SDT	

OP-5 Attachment 4: Transportation O&M Costs

(page 2 of 2)

REAL PROPERTY MAINTENANCE AND MINOR CONSTRUCTION

Activity Group: Real Property Maintenance and Minor Construction

I. Narrative Description:

(Same as for the basic OP-5 exhibit)

II. Description of Operations Financed:

(Same as for the basic OP-5 exhibit)

III. Financial Summary (O&M \$ thousands):

A. Subactivity Breakout (Same column headings as the basic OP-5 exhibit)

Total

B. OP-32 Line items as applicable

(Same as for the basic OP-5 exhibit)

C. Reconciliation of Increases and Decreases

(Same as for the basic OP-5 exhibit)

IV. Performance Criteria and Evaluation:

A. Maintenance & Repair

Utilities (XXX)

Buildings (KSF)

Pavements (KSY)

Land (AC)

Other Facilities (KSF)

Railroad Trackage (KLF)

Reaming Maintenance

Major Repair

B. Minor Construction

Number of Projects

Exhibit OP-5 (Part 2) Attachment 5: Real Property Maintenance & Minor Construction

REAL PROPERTY MAINTENANCE AND MINOR CONSTRUCTION

C. Administration and Support

Number of A&E Contracts

Planning and Design Funds

Military E/S

Civilian E/S

Total Personnel E/S

Number of Installations

Backlog of Maintenance and Repair (thousands)

V. Personnel Summary:

(Same as for basic OP-5 exhibit)

VI. Outyear Data:

(Same as for basic OP-5 exhibit)

ADDITIONAL INSTRUCTIONS

This schedule is for all repair, maintenance and minor construction funding and support for real property. Additional performance criteria and workload indicators may be included for any functional category. Include direct Operations and Maintenance costs, contractual costs of RPM & MC projects, including planning and design contracts supporting RPM & MC projects, and direct personnel costs (exclude amounts funded from Military Personnel appropriations).

OP-5 Attachment 5: Real Property Maintenance & Minor Construction

Operation and Maintenance (Service
Training

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 19BY1</u>			<u>FY 19BY2</u>		
	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>I n p u t</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>	<u>Input</u>	<u>Output</u>	<u>Work Load</u>
<u>Recruit Training:</u>												
Active												
Guard												
Reserve												
Other												
Subtotal												
<u>One Station Unit Training:</u>												
Active												
Guard												
Reserve												
Other												
Subtotal												
<u>Specialized Skill Training:</u>												
Initial Skill												
Active												
Guard												
Reserve												
Other												
Subtotal												
Skill Progression												
Active												
Guard												
Reserve												
Other												
Subtotal												
Functional												
Active												
Guard												
Reserve												
Other												
Subtotal												

Exhibit OP-5 (Part 2) Attachment 6: Training (page 1 of 4)

Operation and Maintenance (Service)

Training

	<u>FY 19FY</u>				<u>FY 19CY</u>				<u>FY 19BY1</u>				<u>FY 19BY2</u>		
	Input	Output	Work Load		Input	Output	Work Load		Input	Output	Work Load		Input	Output	Work Load
Specialized Skill Training (cont):															
Other															
Active															
Guard															
Reserve															
Other															
Subtotal															
Officer Acquisition:															
Officer Candidate School/															
Officer Training School															
Academy Preparatory School															
BOOST (Navy)															
Flight Screening (AF)															
Other College Commissioning Programs															
Senior ROTC:															
Scholarship															
College															
Service Academy															
		FY 19FY				FY 19CY				FY 19BY1				FY 19BY2	
Beginning End Strength (1 October)															
Attrition															
Graduates															
Entries															
End Strength (30 September)															
Average On Board															

Operation and Maintenance (Service)														
Training														
FY 19PY			Work Load	FY 19CY			Work Load	FY 19BY1			Work Load			
Input	Output			Input	Output			Input	Output	Load				
Professional Military														
Education: (Identify schools separately)														
Active														
Guard														
Reserve														
Other														
Subtotal														
Flight Training:														
Undergraduate Pilot														
Training - Active														
STRIKE/Jet														
Helicopter														
Maritime														
Subtotal														
Undergraduate Pilot														
Training - Guard														
STRIKE/Jet														
Helicopter														
Maritime														
Subtotal														
Undergraduate Pilot														
Training - Reserve														
STRIKE/Jet														
Helicopter														
Maritime														
Subtotal														
Undergraduate NFO/														
Navigator Tng (by type):														

Operation and Maintenance (Service)

Training

	<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 19BY1</u>			<u>FY 19BY2</u>		
	Work			Work			Work			Work		
	<u>Input</u>	<u>Output</u>	<u>Load</u>	<u>Input</u>	<u>Output</u>	<u>Load</u>	<u>Input</u>	<u>Output</u>	<u>Load</u>	<u>Input</u>	<u>Output</u>	<u>Load</u>
<u>Flight Training (cont)</u>												
Advanced Flight Tng												
Active												
Guard												
Reserve												
Other												
Subtotal												
Other Flight Tng												
Active												
Guard												
Reserve												
Other												
Subtotal												
		<u>FY 19PY</u>			<u>FY 19CY</u>			<u>FY 19BY1</u>			<u>FY 19BY2</u>	
Flying Hours												
Undergraduate Pilot Tng												
STRIKE/Jet												
Helicopter												
Maritime												
Undergraduate NFO/ Navigator Tng:												
(by type)												
Other Flying Hours												

OPERATION AND MAINTENANCE, DEFENSEWIDE

Defense Agency/Activity Group:

I. Narrative Description:

II. Description of Operations Financed: Provide a narrative explanation of activities included.

III. Financial Summary (O&M: \$ in Thousands):

		FY 19CY		FY 19BY1	FY 19BY2
		Budget	Current		
A. Defense Agency/Activity Group		<u>Actuals</u>	<u>Request</u>	<u>Appropriation</u>	<u>Estimate</u>
1.	Sub-Activity				
2.	Sub-Activity				
3.	Etc.				
Total					

B. Reconciliation Summary:

Reconciliation Summary:	Change FY 19CY/FY 19CY	Change FY 19CY/FY 19BY1	Change FY 19BY1/FY 19BY2
Baseline Funding			
Congressional Adjustments		NA	NA
Supplemental Request			
Price Change			
Functional Transfer			
Program Changes			
Current Estimate			

For the Change in the Current Year provide information from the President's budget request to the current estimate. For the changes from FY 19CY/FY 19BY1 and FY 19BY1/FY 19BY2, use the current estimate from the previous year as the baseline.

C. Summary of Price and Price Changes:

<u>Change FY 19PY/FY 19CY</u>				<u>Change FY 19CY/FY 19BY1</u>				<u>Change FY 19BY1/FY 19BY2</u>			
Foreign				Foreign				Foreign			
FY 19PY Currency Price		Program FY 19CY Currency Price		Program FY 19BY1		Currency Price		Program FY 19BY2			
<u>Actuals</u>	<u>Rate</u>	<u>Diff</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Rate</u>	<u>Diff</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	

Agencies should list each applicable OP-32 line item number and title. Do not include the percentage of price growth.

Exhibit OP-5 Part 3: Defense Agencies

OPERATION AND MAINTENANCE, DEFENSEWIDE
Defense Agency/Activity Group (Continued):

D. Reconciliation: Increases and Decreases: (See Attachment 1 for format and level of detail required) List separately major pricing and program changes from the FY 19CY President's budget request to the current FY 19CY estimate, from the current FY 19CY estimate to the FY 19BY1 estimate, and from the FY 19BY1 estimate to the FY 19BY2 estimate. When possible, program changes should address adjustment to force structure, end strength, workyears, etc. Such justification should clearly explain programmatic changes in resource levels including why increases are required or decreases occur. Additionally, the narrative justification should relate cost to performance criteria, workload and manpower data, as well as identify the impact if requested changes are not funded. Also see the general instructions for the OP 5 Exhibit.

IV. Performance Criteria and Evaluation Summary: Provide meaningful performance and workload data for each year FY 19PY, FY 19CY, FY 19BY1 and FY 19BY2 where appropriate. Performance criteria and evaluation summary data should be provided for various Activity Groups where applicable. (See Attachments 2 through 7 for criteria required for Activity Groups.) For depot maintenance show data as required by page 1 of the OP-30 exhibit. For other Activity Groups, display comparable/appropriate data.

OP-5 (Part 3: Defense Agencies)

OPERATION AND MAINTENANCE, DEFENSEWIDE
Defense Agency/Activity Group (Continued)

V. <u>Personnel Summary:</u>	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>	<u>Change FY 19CY/FY 19BY1</u>	<u>Change FY 19BY1/FY 19BY2</u>
<u>Active Military End Strength (Total)</u>						
Officer						
Enlisted						
<u>Reserve Drill Strength (E/S) (Total)</u>						
Officer						
Enlisted						
(Military Technician Included Above Memo)						
<u>Reservists on Full Time Active Duty (E/S) (Total)</u>						
Officer						
Enlisted						
<u>Civilian End Strength (Total)</u>						
U.S. Direct Hire						
Foreign National Direct Hire						
Total Direct Hire						
Foreign National Indirect Hire						
(Military Technician Included Memo)						
(Reimbursable Civilians Included Above Memo)						
Additional Military Technicians Assigned to USSOCOM						
						These military technicians are included in the civilian end strength and workyears totals for USSOCOM.
<u>Military Average Strength (Total)</u>						
Officer						
Enlisted						
<u>Civilian FTEs (Total)</u>						
U.S. Direct Hire						
Foreign National Direct Hire						
Total Direct Hire						
Foreign National Indirect Hire						
(Military Technician Included Memo)						
(Reimbursable Civilians Included Above Memo)						

OP-5 (Part 3: Defense Agencies)

OPERATION AND MAINTENANCE, DEFENSEWIDE
Defense Agency/Activity Group (Continued) _____

V. <u>Outyear Impact Summary:</u>	<u>FY 19BY2+1</u>	<u>FY 19BY2+2</u>	<u>FY 19BY2+3</u>	<u>FY 19BY2+4</u>
O&M (\$ Thousands)				
Military End Strength				
Reserve Drill Strength (E/S)				
Reservists on Full Time Active Duty (E/S)				(Provide only for OSD/OMB submission)
Civilian FTEs				

(Appropriation Title)

DEPARTMENT OF _____
CIVILIAN PERSONNEL COSTS
FY 19BY1/FY 19BY2 Budget Submit/President's Budget
FY 19_(PY/CY/BY1/BY2)
(\$ in Thousands)

DATE: _____

<u>Begin</u> <u>Strength</u>	<u>End</u> <u>Strength</u> <u>Total FTP</u>	<u>Full-Time</u> <u>Equivalent (FTE)</u> <u>Total</u> <u>FTP</u>	<u>Basic</u> <u>Compensation</u>	<u>Over-</u> <u>time</u> <u>Pay</u>	<u>Holiday</u> <u>Pay</u>	<u>Other</u> <u>OC 11</u>	<u>Total</u> <u>Variables</u>	<u>Total</u> <u>Compensation</u> <u>OC 11</u>	<u>Benefits</u> <u>OC 12</u>	<u>Compensation</u> <u>& Benefits</u> <u>m</u>
<u>a</u>	<u>b</u> <u>c</u>	<u>d</u> <u>e</u>	<u>f</u>	<u>g</u>	<u>h</u>	<u>i</u>	<u>j</u>	<u>k</u>	<u>l</u>	
<u>Use these formulas to calculate avreage salaries and rates (col x/col y)</u>										
(f/d) (j/f) (k/d) (l/f) (m/d)										
1. Direct Hire Civilians										
a. U.S. Employees										
(1) Classified and Administrative										
(a) Senior Executive Schedule										
(b) General Schedule										
(c) Special Schedule *										
Subtotal										
(Rate)										
(2) Wage System										
(Rate)										
(3) Other										
(Rate)										
Subtotal United States										
(Rate)										
b. Direct Hire Foreign Nationals										
(Rate)										
c. Total Direct Hire										
(Rate)										
d. Disadvantaged Employment										
(Rate)										
2. Indirect Hire Program										
(Rate)										
3. Foreign National Separation										
Liability Accrual										
a. Foreign Nationals Direct Hire										
b. Foreign Nationals Indirect Hire										
4. Benefits for Former employees(OC-13):										
a. U.S. Direct Hire										
b. Foreign National Direct Hire										
5. TOTAL CIVILIAN PERSONNEL										
(Rate)										
6. Reimbursable data										
a. U.S. Direct Hire										
b. Foreign National Direct Hire										
c. Total Direct Hires										
d. Foreign Nationals Indirect Hire										
7. DIRECT FUNDED CIVILIAN PERSONNEL										
(Rate)										

Data formerly shown for General Merit Pay will be reported in the General Schedule line.

*(Such as Mariners, Intergovernmental Personnel Act (IPA) individuals, etc.)

Display end strength, workyear, and funding data for disadvantaged employment. Data will be shown for all years (PY/CY/BY1/BY2).

Do not display FTP or benefit data for FNIH.

Voluntary separation incentives will be shown in OC-13.

Reimbursable data will be provided for end strength, workyears, and funding and will be shown by appropriation and by Component/Agency.

Provide reimbursable sources, by appropriation and try Component/Agency, on separate page

Exhibit OP-8 Civilian Personnel Costs

(page1 of 3)

CIVILIAN PERSONNEL COSTS

OP-8 Instructions

Separate OP-8 exhibits must be prepared for PY, CY, BY1, BY2 for each Military Department in total and for each appropriation/fund in which civilian personnel are funded.

Each Defense Agency, including those Defense Agencies that have only RDT&E funded civilian personnel, and the Court of Military Appeals must also provide a separate exhibit. If a Defense Agency has civilian personnel financed in more than one appropriation/fund then a total for the Defense Agency must be provided.

Rate data on the OP-8 should be shown parenthetically. To calculate the required rate data, use the formulas displayed on the OP-8 exhibit. Show the average salary for Basic Compensation, overall salary for Total Compensation, and workyear cost for Compensation and Benefits. Show the other rate data, as a percentage in decimals to five places, for total variables and benefits.

End strength on board as of September 30 vice end strength authorizations will be displayed for all beginning and ending end strengths. The beginning end strength must agree with previous FY's September 30 end strength.

In accordance with OMB Circular A-11, full-time equivalent (FTE) employment is the total number of hours (worked or to be worked) divided by the number of compensable hours applicable to each fiscal year. FTE is synonymous with workyear.

Data formerly reported for General Merit Pay category will be merged in the General Schedule line.

For Disadvantaged employment category, display end strength, workyear, and funding data for all years.

In accordance with the Federal Employees Part-time Career Employment Act of 1978 (Public Law 95-437), part-time permanent employees are counted on a full time equivalent basis, i.e., an individual working 30 hours a week becomes .75 of an end strength. There is no adjustment for other part-time or intermittent employees - these employees would be counted on an individual basis not on a fractional basis.

Consult either DoDI 7330.18 or the Office of Personnel Management's Federal Personnel Manual (FPM) for definitions of full-time employees with permanent appointments (FTP). FTP (Full-Time Permanent), according to OMB Circular A-11, is the number of full-time employees with permanent appointments that are on-board, or planned to be on-board, as of the end of each fiscal year. Such entries will exclude anticipated vacancies. Do not display FTP for Indirect Hire Foreign Nationals. Consult the DoDI or FPM to determine if your Foreign National Direct Hire employees are considered FTP employees.

Voluntary separation incentives must be reported in Benefits for Former Employees (Object Class 13).

Do not include overtime workyears in workyear totals. The workyears on the OP-8 are straight time workyears only. Overtime and holiday workyears are reported in OMB program and financing schedules (galleys).

Workyears (direct and reimbursable) in the OP-8 exhibits must agree with the workyears reported in the OMB galleys used for the printed budget. (See OMB Circular A-11.)

For the PY supporting the FY 19BY President's budget request, the end strength data must agree with the SF-113A, Monthly Report of Federal Civilian Employment, provided to OPM to report military functions employment levels as of September 30.

- Direct hire end strength data on the OP-8 must agree with data provided on the September 30th supplement to the SF-113A report. This supplement is entitled, Report of Part Time Permanent Employees on a Fractional Basis.
- Indirect hire end strength data must agree with the Indirect Hire supplement to the September 30th SF-113A report.
- The FTP end strength data must agree with data provided on line 30, Full-Time with Permanent Appointments, of the September 30th SF-113A.

Civilian Personnel Direct Funding (#7) will be total Civilian Personnel (#5) less reimbursable funding (#6). Provide end strength, workyear and funding reimbursable data for all of the columns. Appropriations/funds (e.g., Defense Business Operations Fund, etc.) that are not funded with budget authority show all of the data as reimbursable so that "0" will be displayed in every column on the "Civilian Personnel Direct Funding" (#7) line.

On a separate page, provide reimbursable sources by appropriation, and by Component/Agency.

Reimbursable Civilian Personnel Costs, Part 2

Fiscal Year: FY 19_____

Appropriation Account _____

A. SUMMARY OF CIVILIAN PAY:

1. Total Civilian Pay _____

2. Reimbursable Civilian Pay _____

B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:

3. INTRA ACCOUNT _____

4. INTRA SERVICE _____

4a. _____

4b. _____

4c. _____

4d. _____

5. INTER SERVICE _____

5a. _____

5b. _____

5c. _____

5d. _____

6. ALL OTHER _____

6a. _____

6b. _____

C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE-WIDE AGENCIES:

7. Civilian Pay REIMBURSED from _____ to _____

7a. _____

7b. _____

7c. _____

Instructions for Preparation of the OP-8 Part 2 Reimbursable Pay

This is mandatory for the Military Departments and is optional for the Defense-Wide agencies. If a Service shows that civilian pay is to be reimbursed from a Defense-Wide agency that does not submit this form, then the agency coordination must be shown on this form. This is required only for the Budget Estimates Submission (BES).

Each appropriation account in both the current year and the budget year, for which civilian pay is reimbursed, must identify the following in thousand of dollars:

On line 1, total civilian pay*.

On line 2, total reimbursable pay*.

On line 3, the amount of line 2 that is reimbursed within the account.

On line 4, the amount by account of line 2 that is reimbursed from accounts within the Service or Defense-Wide agency. The sum of all accounts must equal the total intra service.

On line 5, the amount by account of line 2 that is reimbursed from other Services or Defense-Wide agency accounts. The sum of all accounts must equal the total inter service.

On line 6, the amount of line 2 that is reimbursed from all other sources. The sum from all Defense-Wide agencies must equal the total all other.

Online 7, the total civilian pay that is reimbursed to other Services or Defense-Wide agencies **.

Notes:

* Lines 1 and 2 **MUST** agree with the totals reported by the Service of Defense-wide agency on the OP8 and the sum of lines 3 through 6 of this must equal line 2.

** Any amounts identified on line 5 **MUST** appear on line 7 of the reimbursing Service or Defense-Wide agency submission of this exhibit.

SAMPLE

Fiscal Year: FY 1996

Appropriation Account: Operation & Maintenance, Army

A. SUMMARY OF CIVILIAN PAY:

1. Total Civilian Pay	7,599,374
2. Reimbursable Civilian Pay	2,086,470

B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:

3. INTRA ACCOUNT	1,500,000
4. INTRA SERVICE	286,470
4a. O&M, Army Reserve	136,470
4b. O&M, Army Guard	50,000
4c. RDT&E, Army	50,000
4d. Mil Con, Army	50,000
5. INTER SERVICE	150,000
5a. Defense Health Program (DHP)	50,000
5b. RDT&E, Navy	50,000
5c. Mil Con, Air Force	50,000
5d. USSOCOM	50,000
6. ALL OTHER	100,000
6a. GSA	50,000
6b. OPM	50,000

C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE AGENCIES:

7. Civilian Pay <u>REIMBURSED</u> from O&M Army to	650,000
7a. O&M, Navy Reserve	200,000
7b. O&M, Air Force Guard	250,000
7c. RDT&E, Defense Mapping Agency	150,000
7d. OMB	50,000

OP-8, PART - 2

Appropriation

DEPARTMENT OF _____

Date: _____

ANALYSIS OF CHANGES IN WORKYEAR COST

		<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
		<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>FY PY (No. Compensable Days)</u>							
1.	End Strength						
	A. Budgeted	XX					
	B. Actual	XX					
2.	FTEs						
	A. Budgeted	XX					
	B. Actual	XX					
3.	Basic Compensation (\$ in Thousands)						
	A. Budgeted	XX					
	B. Actual	XX					
4.	Average Basic Annual Salary (Basic Comp)						
	A. Budgeted	XX					
	B. Actual	XX					
5.	Average Other OC-11 Variables Adjustments						
	A. Budgeted	XX	XX <u>1/</u>				
	B. Actual	XX	XX <u>1/</u>				
6.	Overall Average Annual Salary (OC-11)						
	A. Budgeted	XX					
	B. Actual	XX					
7.	Average Benefits						
	A. Budgeted	XX	XX <u>1/</u>				
	B. Actual	XX	XX <u>1/</u>				
8.	Average FTE Cost (OC-11 & OC-12)						
	A. Budgeted	XX					
	B. Actual	XX					
9.	Separately identify factors that account for changes in average basic salary, other OC-11 variables, benefits, and workyear cost between the budgeted rates and the actual rates.						

Exhibit OP-9 Analysis of Change in Workyear Costs

(page 1 of 5)

Appropriation**DEPARTMENT OF _____
ANALYSIS OF CHANGES IN WORKYEAR COST**

Date: _____

	<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>Adjustment to PY Average Salary</u>						
10 + Annualization of PY Pay Raise(s)	XX	XX <u>2/</u>				
11. +/- Extra Day	XX	XX <u>3/</u>				
12. Total Other Adjustments (if applicable)	XX	XX <u>3/</u>				
12a. Within Grade Adjustments	(XX)					
12b. High Grade Reduction	(XX)					
12c. Separately identify other factors that account for changes in the basic average salary from the PY to the CY.	(XX)					
13. Subtotal Adj. to PY Basic Average Salary	XX (Total of lines 10, 11, and 12)					
14. Adjusted Basic Average Salary for CY	XX (Total of lines 4 and 13)					
<u>Other Adjustments to Derive FY CY Workyear Cost</u>						
15. CY Pay Raise (Basic Comp)	XX	XX <u>2/</u>	(Rate times line 14)			
16. Other OC-11 Variables Adjustments ^{4/}	XX	XX <u>1/</u>				
17. Benefits ^{4/}	XX	XX <u>1/</u>				
17a. Health Insurance Increase	(XX)					
17b. FERS	(XX)					
17c. Separately identify other factors that account for major changes in benefits from the PY to the CY.	(XX)					
18. Change in Foreign Currency Budget Rates	-	XX				
19. Total CY Adjustments to FTE Cost	XX (Total of lines 15, 16, 17, and 18)					
20. Average FTE Cost in CY	XX (Total of lines 8, 13, and 19)					
21. Total FTE Cost in CY (a in Thousands) (line 23 x line 20)	XX					
<u>FY CY (No. Compensable Days)</u>						
22. End Strength	XX					
23. FTEs	XX					
24. Average Basic Annual Salary (Basic Comp)	XX (Total of lines 14 and 15)					
25. Overall Average Annual Salary (OC-11)	XX (Total of lines 6, 13, 15 and 16)					
26. Average FTE Cost (OC-11 & OC-12)	XX (Same as line 20)					

Appropriation

DEPARTMENT OF _____
ANALYSIS OF CHANGES IN WORKYEAR COST

Date: _____

	SES/GS		WS		FNDH	
	Amount	Rate	Amount	Rate	Amount	Rate
<u>Adjustment to CY Average Salary</u>						
27 + Annualization of CY Pay Raise(s)	XX	XX 2/				
28. +/- Extra Day	XX	XX 3/				
29. Total Other Adjustments (if applicable)	XX	XX 3/				
29a. Within Grade Adjustments	(XX)					
29b. High Grade Reduction	(XX)					
29c. Separately identify other factors that account for changes in the basic average salary from the CY to the BY1.	(XX)					
30 Subtotal Adj. to CY Basic Average Salary	XX (Total of lines 27, 28, and 29)					
31. Adjusted Basic Average Salary for BY1	XX (Total of lines 24 and 30)					
<u>Other Adjustments to Derive FY BY1 Workyear Cost</u>						
32. BY1 Pay Raise (Basic Comp)	XX	XX 2/	(Rate times line 31)			
33. Other OC-11 Variables Adjustments ^{4/}	XX	XX 1/				
34. Benefits ^{4/}	XX	XX 1/				
34a. Health Insurance Increase	(XX)					
34b. FERS	(XX)					
34c. Separately identify other factors that account for major changes in benefits from the CY to the BY1.	(XX)					
35. Change in Foreign Currency Budget Rates		XX				
36. Total BY1 Adjustments to WY Cost	XX (Total of lines 32, 33, 34, and 35)					
37. Average FTE Cost	XX (Total of lines 26, 30, and 36)					
38. Total FTE Cost in BY (□ in Thousands) (line 37 x line 40)	XX					
<u>FY BY1 (No. Compensable Days)</u>						
39. End Strength	XX					
40. FTEs	XX					
41. Average Basic Annual Salary (Basic Comp)	XX (Total of lines 31 and 32)					
42. Overall Average Annual Salary (OC-11)	XX (Total of lines 25, 30, 32, and 33)					
43. Average FTE Cost	XX (Same as line 37)					

Appropriation

DEPARTMENT OF _____
ANALYSIS OF CHANGES IN WORKYEAR COST

Date: _____

	<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>Adjustment to BY1 Average Salary</u>						
44 + Annualization of BY1 Pay Raise(s)	XX	XX <u>2/</u>				
45. +/- Extra Day	XX	XX <u>3/</u>				
46. Total Other Adjustment (if applicable)	XX	XX <u>3/</u>				
46a. Within Grade Adjustment	(XX)					
46b. High Grade Reduction	(XX)					
46c. Separately identify other factors that account for changes in the basic average salary from the BY1 to the BY2.	(XX)					
47 Subtotal Adj. to BY1 Basic Average Salary	XX	(Total of lines 44,45, and 46)				
48. Adjusted Basic Average Salary for BY2	XX	(Total of lines 41 and 47)				
<u>Other Adjustments to Derive FY BY2 FTE Cost</u>						
49. BY2 Pay Raise (Basic Comp)	XX	XX <u>2/</u>	(Rate times line 48)			
50. Other OC-11 Variables Adjustments ✓	XX	XX <u>1/</u>				
51. Benefits ✓	XX	XX <u>1/</u>				
51a. Health Insurance Increase	(XX)					
51b. FERS	(XX)					
51c. Separately identify other factors that account for major changes in benefits from the BY1 to the BY2.	(XX)					
52. Change in Foreign Currency Budget Rates		XX				
53. Total BY2 Adjustments to FTE Cost	XX	(Total of lines 49, 50, 51 and 52)				
54. Average FTE Cost		XX (Total of lines 43, 47, and 53)				
55. Total FTE in BY2 (in Thousands) (line 54 x line 57)	XX					
<u>FY BY2 (No. Compensable Days).</u>						
56. End Strength	XX					
57. FTEs	XX					
58. Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 48 and 49)				
59. Overall Average Annual Salary (OC-11)	XX	(Total of lines 42, 47, 49, and 50)				
60. Average FTE Cost	XX	(Same as line 54)				

EXHIBIT OP-9, (page 4 of 5)

INSTRUCTIONS

1. The intent of the OP-9 is to identify the factors that have an impact on changes in average salary and average FTE cost from fiscal year to fiscal year.
2. Prepare separately for each appropriation and Fund account for U.S. direct hire, classified and wage system, and Foreign National Direct Hire (FNDH). Complete amounts and rates for WS, etc., as in SES/GS column.
3. All end strength will be displayed as actual or planned to be on board as of September 30. Do not use end strength authorizations.
4. Cost, FTEs and end strengths should be consistent with those shown on OP-8, Analysis of Civilian Personnel Costs.
5. Show each classified pay raise in separate stub.
6. Data is to be reflected at appropriation or account.
7. The "Average Basic Annual Salary" for a FY is computed by dividing the "Basic Compensation" total by the number of straight time workyears.
8. The "Overall Average Annual Salary" for a FY is computed by dividing the "Total Compensation" (Object Class 11) by the number of straight time workyears.
9. The "Average FTE Cost" for a FY is computed by dividing "Total Compensation and Benefits" (Object Class 11 and 12) by the number of straight time FTEs.
10. The OP-9 will be prepared for both the Budget Submission and the Presidents Budget. However, for the latter the OP-9 will be submitted separately to OSD and will not be included in the congressional justification material.

Footnotes

- 1/ Reflect as % rate of basic compensation.
- 2/ Express as decimal to five places. Develop effective pay raise as ratio of No. applicable days to total compensable days in year times pay raise percentage. Identify computation in footnote.
- 3/ Show computation - derivation of rate.
- 4/ Provide an explanation if the rate is different from the previous fiscal year rate, e.g. changes in overtime rate, changes in health benefits, FERS, etc.

**INDIVIDUAL TRAINING DATA FOR FY 19_ BUDGET (SERVICE
PART A: SERVICE ACADEMY ATTRITION BY CLASS**

	<u>PY Actual</u>	<u>CY ESTIMATE</u>	<u>BY1 ESTIMATE</u>	<u>BY2 ESTIMATE</u>
	<u>ENTRS</u> <u>GRADS</u> <u>LOADS</u>	<u>ENTRS</u> <u>GRADS</u> <u>LOADS</u>	<u>ENTRS</u> <u>GRADS</u> <u>LOADS</u>	<u>ENTRS</u> <u>GRADS</u> <u>LOADS</u>
<u>ACADEMY</u> NEW ENTRANTS				
NEW ENTRANTS LOST BEFORE AUTUMN TERM				
FOURTH CLASS LOSS				
FOURTH CLASS CARRYOVER				
THIRD CLASS LOSS				
THIRD CLASS CARRYOVER				
SECOND CLASS LOSS				
SECOND CLASS CARRYOVER				
FIRST CLASS LOSS				
GRADUATES				
GRADUATES COMMISSIONED				
CADET/MIDSHIPMAN END STRENGTH				
GRADUATION LOAD				
AUTUMN LOAD				
<u>PREP SCHOOL</u>				
ENTRANTS TO PREP SCHOOL				
GRADS ENTERED ACADEMY				
PREP SCHOOL LOAD				
PREP SCHOOL GRADS ATTRIT AS FOURTH CLASSMEN				

NOTE: Carryover is to be calculated as of graduation (unless another time is specified uniformly for an academy).

“Graduation Load” is the sum of carryover for each class plus graduates.

“Autumn Load” is the sum of carryover for each class plus net new entrants at the beginning of the autumn term.

Reconcile and explain in footnotes differences between Autumn Load and “Cadet/Midshipman End Strength” reflected here and in the FYDP update.

“Prep School Load” is to be a forecast of average on board students on a “best estimate” basis (specify formula).

If this table is presented on an academic year basis, so state.

Exhibit OP-14 Part A: Service Academy Attrition by Class

INDIVIDUAL TRAINING DATA FOR FY 19_ BUDGET

(Service)

Page _____

PART B: TRAINING MANPOWER

Program Element: _____

	<u>Actual (PY)</u>			<u>Estimated (CY)</u>			<u>Estimated (BY1)</u>			<u>Estimated (BY2)</u>		
	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>
FTEs												
INSTRUCTORS												
TRNG AND ED SUPP												
TOTAL FTEs												

NOTE: A basic Part B format for each of the other Programs Elements listed at Attachment 1 in Mission Program Elements (Load Related) and for institutions in Attachment 2.

**INDIVIDUAL TRAINING DATA FOR FY 19_ BUDGET (SERVICE
PART C-1: UNDERGRADUATE FLIGHT TRAINING REQUIREMENTS (End Strength)**

	<u>ACTUAL (PY)</u>	<u>ESTIMATE (CY)</u>	<u>ESTIMATE (BY1)</u>	<u>ESTIMATE (BY2)</u>
<u>PILOT; Navigators/Naval Flight Office (NFO) (Specify)</u>				
<u>Authorized Rated Wartime Requirements (0-5 and below; year end)</u>				
Force				
Seat factor flying billets <u>1/</u>				
Other flying billets <u>2/</u>				
Training <u>3/</u>				
Supervision/staff <u>4/</u>				
Individuals				
Students <u>5/</u>				
Others				
 Total Requirement				
 <u>Inventories (0-5 and below; end strength basis)</u>				
Active force				
Reserve				
National Guard				
 Total Inventory				
 <u>Undergraduate Pilot Training (UPT)/Undergraduate Navigator Training (UNT) Graduates of Year Included in Inventory</u>				
<u>1/</u> Based upon aircraft x pilots per crew x crew ratio.				
<u>2/</u> Other operational flying includes overhead operational flying, miscellaneous support logistics and R&D.				
<u>3/</u> Includes instructor and staff positions in undergraduate and advanced flight training.				
<u>4/</u> Includes nonflying billets requiring aviation expertise in administration, command/control and operational supervision/staff above the squadron level.				
<u>5/</u> Include advance flight students only.				

Exhibit OP-14 Part C: Undergraduate Flight Training Requirements

INDIVIDUAL TRAINING DATA FOR FY 19_ BUDGET (SERVICE)

PART C-2: FLIGHT TRAINING

Syllabus Course Length (In calendar days)	Number of Flight <u>Instructors</u> <u>Mil. Civ. Contact</u>	Output	<u>Active</u> <u>Duty</u>	<u>Other</u> <u>Reserve</u>	<u>Guard</u>	<u>Specify</u>
--	--	--------	------------------------------	--------------------------------	--------------	----------------

A. Undergraduate Training

Jet
Propeller (including turb prop)
Rotary Wing
TOTAL

B. Advanced Training

First Seat (i.e., post-UFT training prior
to first operational unit assignment)
Transition (i.e., conversion from one
aircraft type to another or upgrading
of skills in the same aircraft type)
Instructor Training Course
Other (Specify)
TOTAL

Notes:

- (1) Display pilot and navigator/NFO training separately.
- (2) Submit data for PY, CY, BY1, BY2.
- (3) If instructors for any course are other than U.S. active duty military, so indicate.
- (4) Separately indicate output of another Service's personnel or foreign military. For the Navy and Marine Corps, this should be on consolidated undergraduate flight training displays. "Instructor" means instructor pilots and navigator/NFO instructors only.
- (5) For advanced training, show a weighted average syllabus course length for each subcategory (first seat, transition, etc.)

**INDIVIDUAL TRAINING DATA FOR FY 19_ BUDGET (SERVICE)
PART C-3: UNDERGRADUATE PILOT TRAINING PHASE FACTORS**

**(LINE: Specify Jet, Prop, Helo)
(YEAR: Provide data for PY, CY, BY1, BY2)**

	<u>PREFLIGHT</u>	<u>PRIMARY</u>	<u>BASIC</u>	<u>PRIMARY</u>	<u>ADVANCED</u>	<u>TOTAL</u>
Student Calendar Days to Complete						
Student Flight Hours to Complete						
Aircraft (Specify Model)						
Simulator (Specify Model)						
Student Input *						
Student Output *						
Percent Phase Attrition						
Average Load *						
Instructor Pilots *						
Other Officers *						
Enlisted *						
Aircraft Hours*						
O&M Cost/Hour						
Instructor Hours Per Student						

* Factors per graduate (final completion).

NOTE: Omit phases not applicable.

INDIVIDUAL TRAINING DATA FOR FY 19_ BUDGET (SERVICE)

PART C-4: FLIGHT TRAINING RESOURCE DATA
(LINE)

	<u>ACTUAL (PY)</u>	<u>ESTIMATE (CY)</u>	<u>ESTIMATE (BY1)</u>	<u>ESTIMATE (BY2)</u>
<u>AIRCRAFT AND FLYING</u>				
<u>HOURS BY TYPE/MODEL/SERIES</u>				
Authorized				
Assigned				
Flying Hours				
 Total Flying Hours				

INDIVIDUAL TRAINING DATA FOR FY 19_ BUDGET (SERVICE

PART D: ROTC PROGRAM DATA (PE 847230)

ROTC (Note: Parenthetical numbers refer to paragraphs in instructions following this portion of Exhibit.)

(1) ROTC

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>
A. <u>ROTC Unit Staff</u>				
Officers		(3)	(4)	
Enlisted Personnel		(3)	(4)	
Civilians		(3)	(4)	
Total (3)		(4)		
Avg. Staff/Cost per Unit		(5)	(5)	
B. <u>ROTC Command Level Staff</u>				
Officers		(3)	(4)	
Enlisted Personnel		(3)	(4)	
Civilians		(3)	(4)	
Total (3)		(4)		
Avg. Staff/Cost per Unit		(5)	(5)	
C. <u>Units (6)</u>				
D. <u>ROTC Program Costs</u>				
1. <u>O&M</u>			(7)	
a. Scholarships			(8)	
b. Administrative Expense				
(1) Unit Operating Expense				
(2) Unit Texts and Ref.			(9)	
(3) Admin. Travel			(9)	
2. <u>Reserve Personnel</u>			(10)	
a. Scholarships			(11)	
b. Summer Training			(12)	
c. Other			(13)	
3. <u>Other</u>			(14)	
TOTAL		(15)		
E. <u>Flight Instruction Program</u>		(16)	(16)	
F. <u>Aviation Indoctrination Program</u>		(16)	(16)	
G. <u>Average Enrollment</u>				
1. Scholarship			(17)	
MS I			(17)	
II			(17)	
III			(17)	
IV			(17)	
Subtotal			(17)	
2. Non-Scholarship				
MS I			(17)	
II			(17)	
III			(17)	
IV			(17)	
Subtotal			(17)	

Exhibit OP-14 Part D: ROTC Program Data

(page 1 of 3)

Part D (Continued)

	<u>FY 19PY</u> <u>Avg. No. (\$000)</u>	<u>FY 19CY</u> <u>Avg. No. (\$000)</u>	<u>FY 19BY1</u> <u>Avg. No. (\$000)</u>	<u>FY 19BY2</u> <u>Avg. No. (\$000)</u>
H. <u>Total Costs</u>			(18)	
I. <u>Cost Per Graduate</u>				
Scholarship			(19)	
Non-Scholarship			(19)	
Combined			(19)	
J. <u>Cost Per Grad Commissioned</u>				
Scholarship			(19)	
Non-Scholarship			(19)	
Combined			(19)	

Instructions for Completion of Preceding

1. Enter Army, Navy, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior-1, Prior, Current, and Biennial Budget fiscal years).
3. Enter the average number (many year average) of officers, enlisted personnel, civilians, and combined total, respectively, assigned to ROTC units and ROTC command level staffs, respectively. ROTC command level staff should include all personnel up to the departmental level who are associated with the ROTC program but are not assigned to a ROTC unit.
4. Enter the total costs of pay and allowances/salary of military and civilian personnel, as applicable, plus any related O&M support costs. Pay and allowances/salaries will be determined through the use of standard rates for military and civilian personnel, respectively.
5. Enter the average staff and the average cost of the staff per unit. Average staff will be determined by dividing the applicable total staff (unit or command level) by the number of units shown in C (see paragraph 6, below). The average cost of staff per unit will be arrived at by dividing the applicable total costs for the unit and command level staffs, respectively, by the number of units shown in C.
6. Enter the applicable number of operating units.
7. Enter the total ROTC costs, other than those shown in A or B, included in the Service's O&M appropriation(s). (This should be equal to the sum of D.1.a and b discussed below in paragraphs 8 and 9.)
8. Show in parenthesis () the total applicable costs of ROTC scholarships (include only tuition, fees, books, and other related student expenses).
9. Show in parenthesis () the applicable O&M administrative costs, by categories shown, related to the ROTC program.

OP-14 (Part D)

10. Enter the total ROTC costs included in the Service's applicable reserve component appropriation. This should be equal to the sum of D.2.a, b, and c, as discussed in paragraphs. 11, 12, and 13 below.
11. Enter in parenthesis () the total costs relative to the monthly subsistence allowance paid to college freshmen and sophomores who are recipients of ROTC scholarships.
12. Enter in parenthesis () the aggregate sum included in the Service's applicable reserve component appropriation for ROTC Pay and Allowance (Summer Training), Subsistence of Reserve Officer Candidates (Summer Training), and Travel of Reserve Officer Candidates (Summer Training).
13. Enter in parenthesis () all costs of the ROTC program, other than those discussed in paragraphs. 11 and 12, above, included in the Service's reserve component appropriation.
14. Enter and detail by appropriation, and explain by footnote, any costs attributable to the ROTC program which have not been included in either A, B, or D (1 and 2).
15. Enter the total cost data shown in D.1, 2 and 3.
16. Enter in parenthesis () the number of candidates participating in and total costs of Flight Instruction Program and the Aviation Indoctrination Program, respectively, included in the above data.
17. Enter by the scholarship and non-scholarship programs, respectively, the average number of candidates participating in MS I, II, III, IV, and applicable totals, respectively. Leave dollar columns blank.
18. Enter the total costs of the ROTC program. Total costs should be equal to the aggregate sum of A, B, and D, above.

INDIVIDUAL TRAINING DATA FOR 19_ BUDGET (SERVICE)

PART E: JUNIOR ROTC PROGRAM DATA (PE 897210)

(1) JUNIOR ROTC (HIGH SCHOOL) PROGRAM

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
A. <u>Average Enrollment</u>				
Freshman				(3)
Sophomore				
Junior				
Senior				
Total				
B. <u>Number of Units</u>				(4)
C. <u>Total Program Cost</u>				(5)
D. <u>Average Cost/Unit</u>				(6)

Instructions for Completion of Preceding

1. Enter Army, Navy, Marine Corps, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior-1, Prior, Current, and Budget years).
3. Enter the average enrollment during the year by year (of high school) and in total.
4. Enter the number of JROTC units.
5. Enter by appropriation, and in the total, the costs to DoD of the JROTC program.
6. Enter the average costs per JROTC unit. (Total costs in 5 divided by units in 4.)

**INDIVIDUAL TRAINING DATA FOR FY_ (SERVICE
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)**

	<u>PY/CY/BY1/BY2</u>	
	<u>Number</u>	<u>Funding (\$000)</u>
<u>Post-Secondary Programs</u>		
<u>Tuition Assistance</u>		
Graduate Level Course Enrollments		
Undergraduate Level Course Enrollments		
Vocational/Technical Course Enrollments		
Totals		
<u>Instructor Hire (Group Study)</u>		
Enrollments	X	
Instructor Funding	X	
Other Funding	X	
Total Funding	X	
<u>Contract Education (e.g., PACE)</u>		
(Detail by program)		
<u>Education Services Personnel (counselors, ESOs, enlisted clerical, etc.)</u>		
Full-time equivalent Civilian		
Average Strength Military		
<u>Testing - DANTES</u>		
CLEP Tests Administered		
DSST Tests Administered		
Other (Specify) Test Administered		
<u>Other Education-Related Supplies and Materials</u>		
Total Post-Secondary Program Funding	X	X
<u>High School Programs</u>		
<u>Tuition Assistance</u>		
Free/Nominal Course Enrollments		
Group Study Course Enrollments		
Other (Specify) Course Enrollments		
GED Tests Administered		
Total		

PART F (Continued)

PY/CY/BY1/BY2
Number Funding (\$000)

High School Programs (Continued)

Basic Skills Development

Free/Nominal Course Enrollments
 Group Study Course Enrollments
 Other (Specify) Course Enrollments

Total

Total High School Program Funding

New Educational Levels Reported Achieved

During Past Year (FY)Through
Voluntary Programs

Officer

Enlisted

High School Completion
 Diploma
 GED

Two Years College

Baccalaureate Degree
 Masters Degree
 Doctorate Degree
 Professional Degree (e.g., JD)
 Other (Specify)

PROGRAM 8 INDIVIDUAL TRAINING ELEMENTS

Mission Program Elements (Load Related)

847110	Recruit Training Units
847210	Service Academies
847220	Officer Candidate/Training Schools (OCS/OTS)
847240	Other College Commissioning Programs
847310	General Skill Training
847330	General Intelligence Skill Training
847340	Crypto/SIGINT-Related Skill Training
847410	Undergraduate Pilot Training (UPT)
847420	Undergraduate Navigator/NFO Training (UNT)
847430	Other Flight Training
847510	Professional Military Education
847520	Other Professional Education
847610	Integrated Recruit and Skill Training Units

Exhibit OP-14 Attachment 1: Individual Training Program Elements

DOD INSTITUTIONS

PROFESSIONAL DEVELOPMENT EDUCATION INSTITUTIONS

Service Institutions

Army

Sergeants Major Academy, Ft Bliss, TX
Command and General Staff College, Ft Leavenworth, KA
War College, Carlisle, PA

Navy

College of Naval Command and Staff, Newport, RI
War College, Newport, RI
Naval Postgraduate School, Monterey, CA*

Marine Corps

Staff NCO Academy, Quantico, VA
Command and Staff College, Quantico, VA

Air Force

Senior NCO Academy, Gunter AFS, AL
Air Command and Staff College, Maxwell AFB, AL
Air War College, Maxwell AFB, AL
Air Force Institute of Technology, Dayton, OH*

Defense Institutions (Service Providing Budgetary Support)

(Army)

Industrial College of the Armed Forces, Ft McNair, DC
National War College, Ft McNair, DC
Information Resources Management College, Ft. McNair, DC
Institute for National Strategic Studies, Ft. McNair, DC

(Navy)

Armed Forces Staff College, Norfolk, VA
Defense Resources Management Education Center, Monterey, CA

OTHER DEFENSE TRAINING INSTITUTIONS (Service Providing Budgetary Support)

(Army)

Defense Language Institute - Foreign Language Center, Monterey, CA
Joint Military Packaging Training Center, Aberdeen, MD

*Prepare separate exhibits for resident
and civilian institution programs.

(Navy)

Department of Defense Computer Institute, Washington, DC

(Air Force)

Defense Language Institute - English Language Center, Lackland AFB, TX
Defense Institute of Security Assistance Management, Dayton, OH
Defense Race Relations Institute, Patrick AFB, FL

Attachment 2: to OP-14 (page 2 of 2)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
(\$ in Thousands)

						Difference
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
1.	Administrative Costs					
	A. <u>Salaries of Personnel Above School Level</u>					
	B. <u>Personnel Benefits</u>					
	C. <u>Temporary Duty Travel (TDY)</u>					
	(1) Per Diem					
	(2) Other Travel Costs					
	(3) MAC Passenger					
	D. <u>Supplies & Materials (non-ADP)</u>					
	E. <u>Equipment Purchase (non-ADP)</u>					
	(1) Furniture					
	(2) All Others					
	F. <u>Rental & Contractual Services (non-ADP)</u>					
	(1) Rents					
	(2) Maintenance Contracts					
	(3) Other Service Contracts					
	G. <u>ADP-Management Information System</u>					
	(1) Supplies & Materials					
	(2) Equipment Purchases					
	(3) Equipment Rental Contracts					
	(4) Maintenance Contracts					
	(5) Software Purchases					
	(6) Contract Consultants					
	(7) Studies & Analysis Contracts					
	(8) Professional & Management services Contracts					
	H. <u>Special Analyses (non-ADP)</u>					
	(1) Contract Consultants					
	(2) Studies & Analysis Contracts					
	(3) Professional & Management Services Contracts					
	I. <u>Other</u>					
	(1) Training					
	(2) Advertising					
	(3) Other					

Exhibit OP-15 DoD Dependents Education Cost Summary

(page 1 of 7)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION

COST SUMMARY

(\$ in Thousands)

						Difference	
		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
2.	Administrative Costs						
	A. <u>Salaries of Teaching Personnel</u>						
	(1) Teaching Personnel						
	(2) Substitutes						
	B. <u>Salaries of Principals</u>						
	C. <u>Salaries of Clerical Personnel</u>						
	(1) Clerical Personnel						
	(2) Paraprofessionals						
	D. <u>Salaries of Others</u>						
	E. <u>Personnel Benefits</u>						
	F. <u>Textbooks and Library Books</u>						
	(1) Textbooks						
	(2) Library Books (Newspaper/Periodicals)						
	G. <u>Educational Supplies</u>						
	(1) Educational Supplies						
	(2) Audiovisual Supplies						
	(3) ADP-School Administration						
	(4) ADP-Classroom						
	H. <u>Educational Equipment</u>						
	(1) Educational Equipment						
	(a) Equipment Rental						
	(b) Equipment Purchases						
	(c) Maintenance Contracts						
	(2) Audiovisual Equipment						
	(a) Equipment Rental						
	(b) Equipment Purchases						
	(c) Maintenance Contracts						
	(3) ADP-School Administration						
	(a) Equipment Rental						
	(b) Equipment Purchases						
	(c) Maintenance Contracts						
	(4) ADP-Classroom						
	(a) Equipment Rental						
	(b) Equipment Purchases						
	(c) Maintenance Contracts						

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY

						Difference
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
3.	Administrative Costs					
I.	<u>Contractual Services</u>					
	(1) Contract Instructional Services					
	(2) Non-Instructional Contract Services					
	(a) Contract Consultants					
	(b) Studies & Analysis Contracts					
	(c) Professional & Management Services					
	(d) Contract Engineering & Technical Services Contracts					
	(e) Other Contracts (Specify)					
J.	<u>Research & Innovation</u>					
	(1) TDY					
	(a) Per Diem					
	(b) Other Travel Costs					
	(c) MAC Passenger					
	(2) Projects (Specify)					
K.	<u>Summer School</u>					
	(1) Salaries of Teaching Personnel					
	(2) Educational Activities					
L.	<u>Other Temporary Duty Travel</u>					
	(1) Itinerant Education Services					
	(a) Per Diem					
	(b) Other Travel Costs					
	(c) MAC Passenger					
	(2) Recruiting					
	(a) Per Diem					
	(b) Other Travel Costs					
	(c) MAC Passenger					
	(3) Accreditation					
	(a) Per Diem					
	(b) Other Travel Costs					
	(c) MAC Passenger					

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
(\$ in Thousands)

		Difference					
		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
4.	Administrative Costs						
	(4) Curriculum Review						
	(a) Per Diem						
	(b) Other Travel Costs						
	(c) MAC Passenger						
	(5) Union Deliberation/Negotiation						
	(a) Per Diem						
	(b) Other Travel Costs						
	(c) MAC Passenger						
	(6) Other						
	(a) Per Diem						
	(b) Other Travel Costs						
	(c) MAC Passenger						
	<u>M. In-Service Training</u>						
	(1) Temporary Duty Travel						
	(a) Per Diem						
	(b) Other Travel Cost						
	(c) MAC Passenger						
	(2) Contracts						
	(a) Contract Consultant						
	(b) Professional & Management Services Contracts						
	(c) Other Contracts (Specify)						
	(3) Tuition Assistance						
	(4) Other (Specify)						
	<u>N. Other Costs & Compensation</u>						
	(1) Compensation for Extra-Curricular School Activities						
	(2) Cost for Correspondence Courses						
	(3) Other (Specify)						

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
(\$ in Thousands)

							Difference
		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
5.	Administrative Costs						
	A. <u>Salaries</u>						
	(1) Salaries of Logistics Personnel						
	(2) Benefits						
	B. <u>Custodial/Maintenance</u>						
	(1) Contracts						
	(2) Non-Contract Supplies						
	C. <u>Repair and Maintenance</u>						
	(1) R&M of School Facilities						
	(a) Less than \$100,000						
	(b) More than \$100,000						
	(2) Minor Construction Projects						
	(b) More than \$100,000						
	(a) Less than \$100,000						
	(3) Recurring R&M						
	(4) Other (Specify)						
	D. <u>Transportation Services</u>						
	(1) Transportation of Things						
	(a) MAC Cargo						
	(b) MSC Cargo						
	(c) Commercial Land						
	(d) Commercial Ship						
	(e) Commercial Air						
	(f) Other						
	(2) Second Destination Transportation						
	(a) MAC Cargo						
	(b) MSC Cargo						
	(c) Commercial Land						
	(d) Commercial Ship						
	(e) Commercial Air						
	(f) Other						
	(3) Transportation of People						
	(a) Per Diem						
	(b) Other Travel Costs						
	(c) MAC Passengers						

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
(\$ in Thousands)

		Difference					
		<u>FY PY</u>	<u>FYCY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
6.	Administrative Costs						
	(4) <u>Daily Student Commuting</u>						
	(a) Reimbursable						
	(b) Contract						
	(5) Bus Monitors						
E.	<u>Rents, Communications and Utilities</u>						
	(1) Rents & Leases						
	(2) Utilities						
	(3) Communications						
F.	<u>Local Costs and Purchases</u>						
	(1) Supplies & Materials						
	(2) Equipment						
	(a) Furniture						
	(b) All Others						
	(3) Printing & Reproduction						
	(4) Other						
G.	<u>Reimbursable for Services Received</u>						
	(1) ADP Automated Supply System						
	(2) Accounting/Payroll						
	(3) Civilian Personnel Services						
	(4) Other Base Support						
	(5) NATO/SHAPE/AFCENT Contributions						
	(6) Furniture Maintenance						
	(7) Equipment Maintenance						
	(8) Section Six Schools						
4.	<u>DoDDS-Unique Costs</u>						
A.	<u>Salaries for Host Nation Personnel</u>						
	(1) Salaries						
	(2) Benefits						
B.	<u>Allowance</u>						
	(1) Cost of Living Allowance						
	(2) Housing Allowance						
	(3) Area Differentials						

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY

						Difference	
		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
7.	Administrative Costs						
	<u>C. Permanent Change of Station Costs</u>						
	(1) Transportation of People						
	(a) Per Diem						
	(b) Other Travel Costs						
	(c) MAC Passengers						
	(2) Transportation of Things						
	(a) MAC Cargo						
	(b) MSC Cargo						
	(c) Commercial Land						
	(d) Commercial Ship						
	(e) Commercial Air						
	(f) Other						
	<u>D. DoDDS-Operated Dormitories</u>						
	(1) <u>Salaries of Dormitory Personnel</u>						
	(a) Dormitory Counselors						
	(b) Dormitory Aides						
	(c) Compensation for Irregular Hours						
	(2) Benefits						
	(3) Student Room & Board						
	(4) Transportation Services						
	(a) Activity Transportation						
	(b) To/Fro 5-day Dormitories						
	(c) To/From 7-day Dormitories						
	(5) Equipment						
	(a) Furniture						
	(b) All Others						

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA*

		<u>0</u> to <u>124</u>	<u>125</u> to <u>349</u>	<u>350</u> to <u>499</u>	<u>500</u> to <u>749</u>	<u>750</u> to <u>999</u>	<u>1,000</u> to <u>1,299</u>	<u>1,300</u> to <u>1,599</u>	<u>1,600</u> to <u>1,899</u>	<u>1,900</u> to <u>2,199</u>	<u>TOTAL</u>
<u>Elementary Schools (K-8)</u> No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Middle Schools (4-8)</u> No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Junior High Schools</u> <u>(7-10, must have 9th grade)</u> No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										

*Excludes Tuition-Fee Schools and Section Six Schools

Exhibit OP-15A DoD Dependents Education: Schools and Enrollment Data

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA*

		0	125	350	500	750	1,000	1,300	1,600	1,900	
		to	to	to	to	to	to	to	to	to	
		<u>124</u>	<u>349</u>	<u>499</u>	<u>749</u>	<u>999</u>	<u>1,299</u>	<u>1,599</u>	<u>1,899</u>	<u>2,199</u>	<u>TOTAL</u>
<u>Secondary Schools (7-12)</u>											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>High Schools (9 or 10-12)</u>											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Combined Schools (K-9, K-10)</u>											
or K-12)											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA*

		0 to <u>124</u>	125 to <u>349</u>	350 to <u>499</u>	500 to <u>749</u>	750 to <u>999</u>	1,000 to <u>1,299</u>	1,300 to <u>1,599</u>	1,600 to <u>1,899</u>	1,900 to <u>2,199</u>	<u>TOTAL</u>
<u>Junior College (Non-Add)</u>											
No. of Locations	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment*	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Kindergarten (Memo Entry)</u>											
No. of Locations	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Summary</u>											
No. of Locations	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
* Full-Time Equivalents											

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
PUPIL ENROLLMENT TO TEACHER RATIOS

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
I. <u>Summary</u>				
Elementary School (K-8)				
Middle School (4-8)				
Jr. High (7-10, must have 9th grade)				
Secondary Schools (7-12)				
High Schools (9 or 10-12)				
Combined (K-9, K-10 or K-12)				
Special Education Program (Self-Contained)				
Junior College				
TOTAL				
II. <u>Detail of Special Education Classes</u>				
Self Contained Environment				
Physically Handicapped				
Hearing Impaired				
Mentally Handicapped (Educ./Trainable)				
Emotionally Handicapped				
Multihandicapped (at least two categories)				
Pre-School Handicapped				
 SUBTOTAL				
<u>Non-Self Contained Environment</u>				
Physically Handicapped				
Hearing Impaired				
Visually Handicapped				
Learning Disabled				
Mildly Handicapped				
Mentally Handicapped (Educ./Trainable)				
Emotionally Handicapped				
Multihandicapped				
SUBTOTAL				
III. <u>Certain Special Programs Teachers</u>				
Speech Therapist				
ESL				
Compensatory Education				
Talented & Gifted				
SUBTOTAL				

Exhibit OP-15B DoD Dependents Education: Pupil/Teacher Ratio
EXHIBIT OP-15B

Defense Agencies
Department of Defense
Section 6 Schools
Cost Summary
(\$ Thousands)

PY/CY/BY1/BY2

Diff.
CY/BY1

Diff.
BY1/BY2

1. ADMINISTRATION COST

- a. Salaries for Administration
 - (1) Superintendent
 - (2) Associate Superintendent
 - (3) Other Administrators
 - (4) Secretaries and Clerks
- b. Other Expenses for Administration
 - (1) TDY Travel
 - (2) Supplies

2. INSTRUCTION COSTS

- a. Salaries of Principals
 - (1) Supervising Principals
 - (a) Elementary
 - (b) Secondary
 - (2) Assistant Principals
- b. Salaries of Teachers
 - (1) Elementary
 - (a) Kindergarten
 - (b) Specialists (Special Subject matter Areas)
 - (c) Classroom Teachers
 - (2) Secondary
 - (3) Special Education Teachers
 - (4) Summer School
- c. Salaries of Other Instructional Staff
 - (1) Librarian Salaries
 - (a) Librarians
 - (b) Assistant Librarians
 - (2) Counselors
- d. Salaries of Secretarial and Clerical Staff
 - (1) Principal's Office Secretarial and Clerical Staff
 - (2) Library Clerks
- e. Other Salaries for Instruction
 - (1) Teacher Aides
 - (2) Substitute Teachers
- f. Student Fees
 - (1) Special Education (EMR) and Special Education (LD)
 - (2) Reading & Motor Perception Program

- g. School Library & Audio
Visual Materials
 - (1) Library Books
 - (a) Replacement
 - (b) Rebinding
 - (2) Periodical and Newspapers
 - (3) Audio Visual Materials
 - (4) Library Supplies
 - h. Teaching Supplies
 - (1) Kindergarten
 - (2) Elementary School
 - (3) Secondary School
 - (4) Special Education Supplies
 - i. Other Expenses for Instruction
 - (1) Professional Library
 - (2) Supplies (Office Supplies Related
to Instruction
 - (3) Workshop
 - (4) Outdoor Education Program Supplies
 - (5) TDY for Instruction
3. AUXILIARY
- a. Health Services
 - (1) Salaries
 - (2) Supplies and expenses
 - b. School Lunch Service Salaries
(Cafeteria Manager)
4. PUPIL TRANSPORTATION SERVICES
- a. Salaries for Pupil Transportation
 - b. Contracted Services for Pupil
Transportation
5. OPERATION OF PLANT
- a. Salaries for Operation of Plant
 - (1) Salary of Head Custodian
 - (2) Salaries of Assistant Custodians
 - b. Contracted Services for Operation
of Plant
 - c. Utilities
 - (1) Heat
 - (2) Water
 - (3) Electricity
 - (4) Gas
 - (5) Sewage and/or Trash
Removal Service
 - (6) Phone
 - d. Supplies for Operation of Plant

	<u>PY/CY/BY1/BY2</u>	<u>Diff. CY/BY1</u>	<u>Diff. BY1/BY2</u>
6. <u>MAINTENANCE OF PLANT</u>			
a. Salaries for Maintenance of School Plant			
b. Contracted Services for Maintenance			
(1) Pest Control			
(2) Rug, Mop, and Linen			
(3) Fire Control			
c. Replacement of Equipment			
(1) Administrative Equipment			
(2) Instructional Equipment			
(3) Non-Instructional Equipment			
(4) Audio Visual Equipment			
d. Supplies for Maintenance of Plant			
(1) Supplies for Building Maintenance			
(2) Supplies for Equipment Maintenance			

7. FIXED CHARGES
- a. Government Contribution to Retirement
 - (1) Civil Service Retirement
 - (2) FICA
 - b. Government Contributon to Insurance
 - (1) FEGLI
 - (2) FEHB
 - (3) Fidelity Bond Premiums
 - c. Workmen's Compensation
 - d. Rental of Land and Buildings
 - (1) Rent for Instructional Purposes
 - (2) Rent for Non-Instructional Purposes

SUBTOTAL (costs for Section 6 Schools)
 Less reimbursements for non-Section 6 School pupils
 (This Pertains to Puerto Rico Schools Only)

NET Section 6 Schools Costs
 (Estimated number of pupils in Section 6 Schools)
 (Costs per pupil)

8. COST UNIQUE TO SECTION 6 SCHOOLS
(Puerto Rico Schools Only)
- a. Overseas Allowances
 (cost of living, quarters, and post differential)
 - b. Permanent Change of Station (PCS) Costs

TOTAL SECTION 6 SCHOOLS COSTS
 Estimated Number of Pupils,
 including Tuition Paying Pupils
 Per Pupil Cost

INSTRUCTIONS

Exhibit OP-16 in its entirety will be submitted for both the OSD and the President's budget submissions. This exhibit will be incorporated into the OP-5 Exhibit for the Section 6 Schools.

DEPARTMENT OF THE NAVY

Claimant: _____

Analysis of Navy Flying Hour Program

FY _____

Summary

Program Element/ Type A/C	Average Operating A/C	Utilization Rate Monthly	Flying Hours	Hourly Costs				Annual Cost				BBL's of Fuel
				Fuel	DLR	Other	Total	Fuel	DLR	Other	Total	
Exhibit OP-20A												
OP-20B												
OP-20C												

INSTRUCTIONS

Separate exhibits will be submitted for the active and the reserve flying hour programs. The OP-20 exhibit is supported by three schedules, each one of which is designed to display the principal elements affecting the development of requirements. All data are required for the prior year, current year, biennial year 1, and biennial year 2.

- Exhibit OP-20A relates to those requirements which are computed principally on the basis of numbers of tactical aircraft, crew ratios and the hours per crew required to maintain combat readiness.
- Exhibit OP-20B relates to those requirements which are computed principally on the basis of the production of trained pilots. In addition to Undergraduate Pilot Training requirements, this schedule should also include requirements to support CCTS, CRAW, and RTU's.
- Exhibit OP-20C covers all other fleet support requirement.

Include the flying hours actually flown or programmed to be flown in support of the drug interdiction program in the proper section of the flying hour report (i.e. tactical flying hours in support of the drug program are to be reflected in the tactical/ASW section of the OP-20). At the end of the OP-20 exhibit, include a memo entry reflecting the number of flying hours and the dollars by Type/Model/Series that are funded in the centralized drug account.

Exhibit OP-20 Analysis of Navy Flying Hour Program: Summary

EXHIBIT OP-16 (page 3 of 3)

DEPARTMENT OF THE NAVY
Analysis of Navy Flying Hour Program
Tactical Aircraft

Claimant: _____

FY _____

<u>T/M/S</u>	<u>Avg. Op.</u>	<u>Crew Seat</u>	<u>No Of</u>	<u>MR Crew</u>	<u>Primary Mission</u>	<u>Overhead</u>	<u>Cost</u>	<u>Annual</u>	<u>PMR Factor</u>
<u>A/C</u>	<u>A/C</u>	<u>Ratio</u>	<u>Crews</u>	<u>Hours</u>	<u>Hour Required</u>	<u>Crews/ Staff Hours</u>	<u>Total Hour Per Reg. Budget Hour</u>	<u>Budget Cost</u>	<u>SIM Budget Budget/ Hours Hours SIM Hrs.</u>

Provide an explanation of changes in crew seat ratios, crew hours, and overhead crew/staff hours between the current year and biennial year 1 and between biennial year 1 and biennial year 2. Also explain changes in such factors for the current year between the President's Budget and current year estimate for each Type/Model/Series (T/M/S).

Exhibit OP-20A Analysis of Navy Flying Hour Program: Tactical Aircraft

EXHIBIT OP-16 (page 3 of 3)

DEPARTMENT OF THE NAVY
Analysis of Navy Flying Hour Program
Fleet Training

Claimant: _____

FY _____

Budget

<u>T/M/S</u>	<u>Avg Op No.</u>		<u>Pilot Hours</u>		<u>NFO Hours</u>		<u>Annual Hours</u>	<u>Other Hours</u>	<u>Budget Hours</u>	<u>SIM Hours</u>	<u>Total Cost</u>		<u>Hrs as% of</u>
			<u>Per</u>	<u>Annual</u>	<u>Per</u>	<u>No.</u>					<u>Hours</u>	<u>Per Total</u>	<u>Total Hrs.</u>
	<u>A/C</u>	<u>Pilots</u>	<u>Pilot</u>	<u>Hours</u>	<u>NFO's</u>	<u>NFO</u>					<u>Required</u>	<u>Hour Cost</u>	<u>Required</u>
	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>2/</u>							
	<u>1/</u>	<u>3/</u>	<u>3/</u>										

1/ Data required for each category; i.e., category I, II, III, IV, V

2/ Provide an explanation for each T/M/S

3/ Provide an explanation of changes in Pilot/NFO hours between the current year and biennial year 1 and between biennial year 1 and biennial year 2. Also explain changes in the current year between the President's Budget and current estimate for each category of student by T/M/S.

Exhibit OP-20B Analysis of Navy Flying Hour Program: Fleet Training

EXHIBIT OP-16 (page 3 of 3)

DEPARTMENT OF THE NAVY
Analysis of Navy Flying Hour Program
Fleet Support Requirements

Claimant: _____
 FY _____

<u>P.E./TMS</u>	Monthly Utilization <u>Rate</u>	Avg. Op <u>A/C</u>	Cost Per <u>Hour</u>	Required <u>Hours</u>	<div style="display: inline-block; text-align: center;"> <u>Budget</u> <hr style="width: 100%;"/> <u>Hours</u> </div> <div style="display: inline-block; text-align: center;"> <u>Cost</u> </div>	Hours Budgeted as a <u>% of Requirement</u>
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Exhibit OP-20C Analysis of Navy Flying Hour Program: Fleet Support

EXHIBIT OP-16 (page 3 of 3)

DEPARTMENT OF ARMY
FLYING HOUR PROGRAM 1/
FY 19__

Program Element/ <u>Type A/C</u> PE	Average Number of <u>Aircraft</u>	Utilization <u>Rate</u>	Flying <u>Hours</u>	<u>Hourly Costs</u>			<u>Annual Cost</u>				<u>BBL's of</u>	
				<u>Fuel</u>	<u>DLR</u>	<u>Other</u>	<u>Total</u>	<u>Fuel</u>	<u>DLR</u>	<u>Other</u>	<u>Total</u>	<u>Fuel</u>
<u>Type of A/C</u>												
C-12												
C-20												
RC-12												
U-8/9												
T-42												
U-21												
etc.												
Total FW												
AH-1												
AH-64												
CH-54												
U-8/9												
UH-1												
UH-60												
etc.												
Total RW												

TOTAL AIRCRAFT

NARRATIVE JUSTIFICATION

A brief description to explain changes in programs between years and deviation between actual and program data. Particular emphasis should be placed upon actual data.

INSTRUCTIONS

Exhibit OP-20D is for Army use only. Exhibits OP-20, 20A, 20B, and 20C are not required for Army. A separate exhibit will be submitted for the Active Army, Army Reserve, and Army National Guard.

Provide for prior year, current year, biennial year 1, and biennial year 2.

Include the flying hours actually flown or programmed to be flown in support of the drug interdiction program in the proper section of the flying hour report (i.e. tactical flying hours in support of the drug program are to be reflected in the tactical section of the OP-20D). At the end of the OP-20D exhibit, include a memo entry reflecting the number of flying hours and the dollars by Type/Model/Series that are funded in the centralized drug account.

1/ Major or sub-FYDP program.

Exhibit OP-20D Analysis of Army Flying Hour Program

(page 1 of 2)

DEPARTMENT OF ARMY
FLYING HOUR PROGRAM
SUMMARY BY COMMAND AND AGENCY

MAJOR COMMAND/AGENCY

FYDP PROGRAM ELEMENT

FY 19PY ACTUAL

FY 19CY ESTIMATE

FY 19BY1 ESTIMATE

FY 19BY2 ESTIMATE

INSTRUCTIONS

Flying hour data by each command/agency for Army will be listed by FYDP Program Element.

Exhibit OP-20D (page 2 of 2)

AIR FORCE WEAPON SYSTEMS/FLYING HOUR COST DATA

		<u>PAA</u>	<u>PAI</u>	<u>APAI</u>	<u>Crew</u> <u>Ratio</u>	<u>No.</u> <u>o f</u> <u>Crews</u>	<u>Hours/</u> <u>Crew/</u> <u>Mo.</u>	<u>Avg.</u> <u>Util</u> <u>Rate</u>	<u>Total Hours</u> <u>Required</u> <u>Budget</u>	<u>Unit Cost Factors</u> <u>POL</u> <u>GS+SS</u> <u>DLR</u> <u>Total</u>	<u>Annual</u> <u>Budget</u> <u>(\$000)</u>
MFP	PY-1 Qtr										
PE	PY-2 Qtr										
WSC	PY-3 Qtr										
	PY-4 Qtr										
&	TOTAL PY										
TOTAL PE	CY-1 Qtr										
	CY-2 Qtr										
&	CY-3 Qtr										
	CY-4 Qtr										
MFP	TOTAL CY										
	BY1-1 Qtr										
	BY1-2 Qtr										
	BY1-3 Qtr										
	BY1-4 Qtr										
	TOTAL BY1										
	BY2-1 Qtr										
	BY2-2 Qtr										
	BY2-3 Qtr										
	BY2-4 Qtr										
	TOTAL BY2										
	TOTAL OY1										
	TOTAL OY2										
	TOTAL OY3										
	TOTAL OY4										
	TOTAL OY5										

- Total prior year flying hour data is to be expanded to separately identify programmed (a/o the last Presidents Budget submit) and actual execution data.
- Expand the exhibit to include outyear data for the annual program only (not required by quarter).
- Exhibit has been modified to include CREW RATIOS, NUMBERS OF CREWS, HOURS PER CREW/MONTH, and REQUIRED vs. BUDGETED F/Hs.
- Data will be arrayed by BA/Program Element/WSC with a Total array identified for each Program Element and Budget Activity.
- The exhibit will identify O&M activities exclusive of Foreign Government Owned (FGO) and SON aircraft.
- FGO and MFP-10 data will be identified in separate arrays.
- A Grand Total section will aggregate the O&M, FGO, and SON information for each fiscal year by quarter.
- Separate sections (with the same data array) will also identify the AFR and ANG programs.
- This exhibit will be submitted for both the OSD submission and the President's budget submission.
- Include the flying hours actually flown or programmed to be flown in support of the drug interdiction program in the proper section of the flying hour report (i.e. tactical flying hours in support of the drug program are to be reflected in the tactical section of the OP-20E). At the end of the OP-20E exhibit, include a memo entry reflecting the number of flying hours and the dollars by Type/Model/Series that are funded in the centralized drug account.

Exhibit OP-20E Analysis of Air Force Flying Hour Program

DoD Component
Operations, _____

EMERGENCY AND EXTRAORDINARY EXPENSE LIMITATION

Scope: Covers all expenses subject to the Congressional limitation on “Emergency and Extraordinary Expenses”

Format: The format is identical to Exhibit OP-5, except that the following functions will be substituted for the common functional categories in Part B:

FY PF FY CY FY BY1 FY BY2

1. Cryptologic Intelligence
2. HUMINT
3. Counterintelligence and Investigative Activities
4. Scientific and Technical
5. Intelligence and Management Support
6. Mapping and Charting Activity
7. **Attaché** Activities
8. Tactical Intelligence
- a/ 9. Other Intelligence
- Subtotal, Intelligence Type
10. Representation Allowance
11. Criminal Investigations
- a/ 12. Other Non-Intelligence Activities

Total

The narrative justification in Part D will address each of the above functions separately, and address the variances from the approved program and justification for any variances over the PY and CY functional amounts.

Total of the functional line items in Part B should equal the Program Element aggregation in Part A.

- a/ “Other” categories should be specifically identified with their related purpose as a footnote. DoD Components are invited to provide additional appropriate standard categories in lieu of using “Other” category.

Exhibit OP-24 Emergency and Extraordinary Expense Limitation

DATE _____

DEPARTMENT of _____
FY 19BY1/FY 19BY2 OSD Submit/President's Budget

Appropriation/Fund

POL Consumption and Costs
(Flying Hours, Barrels and \$ in Thousands)

Activity	<u>FY 19PY Actual</u>			<u>FY 19CY Estimate</u>			<u>FY19BY1 Estimate</u>			<u>FY 19BY2 Estimate</u>		
	<u>F/H</u>	<u>BLLs</u>	<u>\$</u>	<u>F/H</u>	<u>BLLs</u>	<u>\$</u>	<u>F/H</u>	<u>BLLs</u>	<u>\$</u>	<u>F/H</u>	<u>BLLs</u>	<u>\$</u>
Aircraft Operations												
Separately identify each petroleum product												
Ship Operations												
Separately identify each petroleum product												
Vehicle Operations												
Separately identify each petroleum product												
Other (Identify each activity separately)												
Separately identify each petroleum product												
Total												
Separately identify each petroleum product												

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including DBOF family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include industrial fund consumption. Provide for each type of petroleum product consumed (for example JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provide a total for the Component.

1. Subtotals
 - a. Operation and Maintenance Appropriations
 - b. Research, Development, Test and Evaluation Appropriations
 - c. Family Housing Appropriations
 - d. DBOF (Provide a breakout for each industrial fund activity group and a total for the Industrial Fund.)
 - (1) Depot Maintenance
 - (2) MSC
 - (3) Other Industrial Fund Activities (Separately identify each DBOF activity group.
2. Total Military Service or Defense Agency

The OP-26a exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26a exhibit will not be included in justification material forwarded to the Congress.

Exhibit OP-26 POL Consumption and Costs

DATE _____

Department of _____
FY 19BY1/19BY2 OSD Submit President's Budget

Appropriation/Fund

POL Consumption and Costs
(Flying Hours, Barrels and \$ in Thousands)

Activity	<u>FY 19PY Actual</u>			<u>FY 19CY Estimate</u>			<u>FY19BY1 Estimate</u>			<u>FY 19BY2 Estimate</u>		
	Unit			Unit			Unit			Unit		
	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>	<u>B B L s</u>	<u>C o s t</u>	<u>\$</u>	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>	<u>B B L s</u>	<u>C o s t</u>	<u>\$</u>
Aircraft Operations												
Separately identify each petroleum product												
Ship Operations												
Separately identify each petroleum product												
Vehicle Operations												
Separately identify each petroleum product												
Other (Identify each activity separately)												
Separately identify each petroleum product												
Total												
Separately identify each petroleum product												

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including DBOF funds, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include DBOF consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provide a total for the Component.

1. Subtotals
 - a. Operation and Maintenance Appropriations
 - b. Research, Development, Test and Evaluation Appropriations
 - c. Family Housing Appropriations
 - d. DBOF (Provide a breakout for each DBOF fund activity group and a total for the Industrial Fund.)
 - (1) Depot Maintenance
 - (2) MSC
 - (3) Other DBOF Activities (Separately identify each Industrial Fund activity group.
2. Total Military Service or Defense Agency

The OP-26b exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26a exhibit will not be included in justification material forwarded to the Congress.

DATE _____

Department of
FY 19BY1/FY 19BY2 OSD Submit/President's Budget

Appropriation/Fund

**Source of Purchases for POL Consumption
(Barrels in Thousands)**

<u>Activity</u>	<u>FY 19PY Actual</u>			<u>FY 19CY Estimate</u>			<u>FY 19BY1 Estimate</u>			<u>FY 19BY2 Estimate</u>		
	<u>Stock</u>	<u>Local</u>	<u>Total</u>	<u>Stock</u>	<u>Local</u>	<u>Total</u>	<u>Stock</u>	<u>Local</u>	<u>Total</u>	<u>Stock</u>	<u>Local</u>	<u>Total</u>
	<u>Fund</u>	<u>Sources</u>		<u>Fund</u>	<u>Sources</u>		<u>Fund</u>	<u>Sources</u>		<u>Fund</u>	<u>Sources</u>	
Aircraft Operations												
Separately identify each petroleum product												
Ship Operations												
Separately identify each petroleum product												
Vehicle Operations												
Separately identify each petroleum product												
Other (Identify each activity separately)												
Separately identify each petroleum product												
Total												
Separately identify each petroleum product												

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including industrial funds, family housing and RTD&E accounts. Customer accounts should include direct consumption only and should not include industrial fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.) Provide for each of the following appropriations/funds and when more than one appropriation/fund provide a total for the Component. **The total purchases will agree with the barrels consumed or planned for consumption reflected on the OP-26a and OP-26b exhibits.**

1. Subtotals
 - a. Operation and Maintenance Appropriations
 - b. Research, Development, Test and Evaluation Appropriations
 - c. Family Housing Appropriations
 - d. Industrial Funds (Provide a breakout for each industrial fund activity group and a total for the Industrial Fund.)
 - (1) Depot Maintenance
 - (2) MSC
 - (3) Other Industrial Fund Activities (Separately identify each Industrial Fund activity group.
2. Total Military Service or Defense Agency

The OP-26c exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26c exhibit will not be included in justification material forwarded to the Congress.

With the OP-26c exhibit include a copy of the SM-4, Fuel Data, exhibit.

DEPOT MAINTENANCE PROGRAM SUMMARY
(Service & Component)

Part I - Funded Requirements:

FY 19PY-1 Funded Requirement <u>Units \$ M</u>	FY 19PY Funded Requirement <u>Units \$M</u>	FY 19CY Funded Requirement <u>Units \$M</u>	FY 19BY1 Funded Requirement <u>Units \$M</u>	FY 19BY2 Funded Requirement <u>Units \$M</u>
--	---	---	--	--

Part II - Deferred Requirements:

FY 19PY-1 Deferred Requirement <u>Units \$M</u>	FY 19PY Deferred Requirement <u>Units \$M</u>	FY 19CY Deferred Requirement <u>Units \$M</u>	FY 19BY1 Deferred Requirement <u>Units \$M</u>	FY 19BY2 Deferred Requirement <u>Units \$M</u>
---	---	---	--	--

Aircraft (Army, Navy, Air Force)
Airframe Maintenance
Engine Maintenance
Other Maintenance

Use these categories for both the Funded and
Deferred Requirements; the Method of Accomplishment;
and the Summary of Unfunded Deferred Requirements.

Combat Vehicle (Army, Marine Corps)
Vehicle Overhaul
Other Maintenance

Ships (Navy only)
Overhaul
Selected Restricted Availability
Phased Maintenance Availability
Other Maintenance

Other (Army, Navy, Marine Corps, Air Force)
Missile Maintenance
Software Maintenance
Ordnance Maintenance
Other End Item Maintenance
Depot-Level Reparable Maintenance
Other Maintenance

Exhibit OP-30 Depot Maintenance Program

EXHIBIT OP-30 (page 1 of 11)

**DEPOT MAINTENANCE PROGRAM
METHOD OF ACCOMPLISHMENT**

<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
<u>Funded Requirement</u>	<u>Funded Requirement</u>	<u>Funded Requirement</u>	<u>Funded Requirement</u>
<u>Contract* Organic* Total</u>	<u>Contract*Organic* Total</u>	<u>Contract*Organic* Total</u>	<u>Contract* Organic* Total</u>

(Insert the same stub entries as contained on Page 1 of the OP-30 Exhibit)

*Show percentage of total requirement in parentheses after funded requirement.

**DEPOT MAINTENANCE PROGRAM
SUMMARY OF UNFUNDED DEFERRED REQUIREMENTS**

Total Unfunded Deferred		<u>REASON FOR DEFERRAL OF REQUIREMENTS</u>			
		<u>Unfunded Deferred Requirements Constraints</u>			
		<u>Unexecutable</u>			<u>Executable</u>
*	<u>Requirements</u>	<u>Operational</u>	<u>Organic Capacity, E/S, etc.</u>		<u>UNFUNDED 2/</u>
	<u>Units (\$000)</u>	<u>Units (\$000)</u>	<u>Units</u>	<u>(\$000)</u>	<u>Units (\$000)</u>
			<u>Other 1/</u>		
			<u>Units (\$000)</u>		

*(Insert the same stub entries as are contained
on Page 1 of Exhibit OP-30 for fiscal years
FY 19PY, FY 19CY, FY 19BY1, & FY 19BY2.)

- 1/ Exclude funding constraints
2/ Enter these units and amounts (\$000) on Page 1 of Exhibit OP-30

**DEPOT MAINTENANCE PROGRAM
AIRCRAFT SUMMARY DATA**

FY PY-1

FY 19PY

FY 19CY

FY 19BY1

FY 19BY2

1. Aircraft Inventory
2. Total Aircraft Maintenance/Rework Required
3. Program Extensions
4. Total Aircraft Maintenance/Rework Required (2-3)
5. Funded Aircraft Maintenance/Reworks
6. Unfunded Maintenance/Rework Requirements (Executable Unfunded Deferred Requirements) (4-5)
7. Total Aircraft on Extensions (3+6)
8. Planned Retirements
9. Total Aircraft on Extension (7-8)
10. Percentage of A/C on Extension - Total (9 divided by 1)
11. Percentage of A/C on Extension - Backlog (6 divided by 1)
12. Average Unit Cost (\$000)

DEPOT MAINTENANCE PROGRAM
Aircraft Maintenance

Aircraft/Engine/Fiscal Other (Describe)Year 1/	Flying Inventory	Hours	Maintenance Rework Cycle 2/	Maintenance/Rework Requirement (Units) Total Unfunded 4/ Funded Method 3/ (Organic Only)	Manhours	Unit	Total Cost Cost
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- 1/ Provide data for the PY-1, PY, CY, BY1, & BY2
- 2/ Show data in months, flying hours, etc. as applicable.
- 3/ Show whether work is performed commercially or organically. If organically, indicate whether work is performed by Army, Navy, Marine Corps or Air Force Business Operation Fund. If performed by more than one method show quantities and unit costs separately for each activity.
- 4/ Executable unfunded deferred requirement.

**DEPOT MAINTENANCE PROGRAM
SHIP MAINTENANCE SUMMARY**

<u>Category</u>	<u>Method</u>	<u>Unit of Measure</u>	<u>FY 19PY Unit (\$000)</u>	<u>FY 19CY Unit (\$000)</u>	<u>FY 19BY1 Unit (\$000)</u>	<u>FY 19BY2 Unit (\$000)</u>
Overhauls	Public Private WESTPAC (Subtotal)	Hull				
Restricted/ Technical Availabilities	Public Private WESTPAC (Subtotal)	Hull				
Phased Maintenance Availabilities	Public Private WESTPAC (Subtotal)	Hull				
Emergent Repairs	Public Private WESTPAC (Subtotal)	Ship Operating Months				
Miscellaneous RA/TA	Public Private WESTPAC	Not Applicable	Show dollars estimates only for this category.			
Total Program	Public Private WESTPAC					

DEPOT MAINTENANCE PROGRAM
Ship Maintenance

Program Elements	Ship <u>Type</u>	Hull <u>No.</u>	<u>Class</u>	Overhaul <u>Completed</u>	Scheduled <u>O/H Date</u>	Estimated Cost <u>PY CY BY1 BY2</u>	Naval/Private <u>Shipyard</u>
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1. For each ship show data separately for advance funding AERP/PERA, change orders, overhaul costs, maintenance carry forward (if applicable), and total. Identify amounts for maintenance carry forward on summary.

2. Show in parentheses the amount reserved for scope changes in subsequent years by hull number for overhauls, SRA's, and PMA's. Identify the amounts reserved for scope changes in the summary also.

DEPOT MAINTENANCE PROGRAM ⁴
Ship Maintenance (Business Operations Fund)

Type of Maintenance____.

<u>Ship</u>	<u>Date</u>	<u>Last ROH/SRA/PMA</u>		<u>Baseline</u>	<u>Current Workday Estimate</u>			<u>Stabilized Rate</u>		<u>AERP/PERA</u>	<u>Cost of ROH,</u>
		<u>Workdays</u>	<u>"D" Alts</u>		<u>"D" Alts</u>	<u>Unique</u>	<u>Reps</u>	<u>Total</u>	<u>(Mat'l Incl.)</u>		
		<u>Total</u>		<u>Workdays</u>						<u>Cost</u>	<u>SRA,PMA</u>
				<u>1/</u>			<u>2/</u>				<u>3/</u>

1/ This is the net of total workdays on the last overhaul less "D" alt workdays.

2/ This is the sum of the Baseline workdays plus the current estimate of "D" alts and unique reps.

3/ Equals the sum of (Total current workday estimate times the stabilized workday rate) plus AERP/PERA costs.

4/ This exhibit should be completed for ROH, SRA, and PMA's. Provide information for fiscal years FY 19PY, FY 19CY, FY 19BY1, & FY 19BY2.

**DEPOT MAINTENANCE PROGRAM
Ship Maintenance (Commercial)**

Type of Maintenance ____.

		Labor					
		Adjustments					
<u>Ship</u>	<u>Last ROH/SRA/PMA Date</u>	<u>Last ROH/SRA/PMA</u>	<u>"D" Ats</u>	<u>Unique Reps</u>	<u>Adjusted Baseline</u>	<u>Econ./Loc. Factor</u>	<u>Total</u>
		Material (\$000)					
		<u>Less previous</u>	Plus Current				
<u>Last O/H/SRA/PMA</u>	<u>"D" Alts</u>	<u>Unique Reps</u>	<u>Subtotal (Baseline)</u>	<u>"D" Alts</u>	<u>Unique Reps</u>	<u>Adjusted Baseline</u>	<u>Escal. Factor</u>
			<u>Total (\$000)</u>				<u>Total</u>
			<u>Labor</u>	<u>Material</u>	<u>AERP/PERA</u>	<u>Total Cost, ROH, PMA, SRA</u>	

- (1) A separate form should be completed for overhauls, PMA's, and SRA's. Indicate whether form addresses ROH, PMA, or SRA's.
- (2) Provide information for fiscal years FY 19PY, FY 19CY, FY 19BY1, & FY 19BY2.

DEPOT MAINTENANCE PROGRAM

Other Maintenance

<u>Description</u>	<u>Fiscal Year</u>	<u>Total Requirements</u>	<u>Units Funded</u>	<u>Method of Accomplishment</u>	<u>Manhours (Organic Only)</u>	<u>Unit Costs</u>	<u>Total Costs</u>	<u>Executable Unfunded Deferred Requirement Units \$(000)</u>
Commercial, Army Business Operations Fund. Navy Business Operations Fund, etc.								

(Use the same sub categories for stub entries for “other” as contained on Page 1 of the OP-30 Exhibit)

Provide information for fiscal years FY 19PY, FY 19CY, FY 19BY1, & FY 19BY2.

Instructions

- A separate exhibit should be completed for each Operation and Maintenance appropriation.
- Include depot maintenance programs only (exclude from this exhibit Maintenance Support programs, second destination transportation amounts or depot maintenance amounts which are funded in appropriations other than Operation and Maintenance).
- Depot maintenance amounts should be consistent with amounts shown in applicable OP-5 Exhibits in each Service's/Component's budget justification book and agree with amounts provided in Exhibit PBA-5, Depot Maintenance, Chapter 3.
- Total executable depot maintenance requirements should equal the funded requirement plus the unfunded executable deferred requirement (including prior year unfunded executable deferred requirements). Unfunded Executable Deferred Requirements are only those requirements deferred due to funding constraints. Do not include requirements deferred because of operational commitments, lack of capability or other nonfunding constraints which are Unexecutable Unfunded Deferred Requirements identified separately on this Exhibit OP-30.
- Depot maintenance funded and unfunded deferred amounts for the FY 19PY, FY 19CY, FY 19BY1 and FY 19BY2 should also be included in the Workload and Performance Criteria section of applicable OP-5 Exhibits for those Activity Groups which include depot maintenance programs. (The Workload and Performance Criteria section of the OP-5 should utilize the OP-30 format.)
- Include amounts associated with that portion of Defense Business Operation Fund rates which are attributable to civilian pay raise amounts even though such amounts may not be funded within the appropriation total.
- Depot Level Repairable Maintenance will only include non-stock funded items.
- Include FY 19PY-1 data for the OSD budget submission only.
- Pages 1 through 3, and pages 6 and 7 of the OP-30 Exhibit should be submitted in support of the President's Budget.

DEPARTMENT OF _____
 OPERATION AND MAINTENANCE, _____
FUNDING FOR DEFENSE BUSINESS OPERATIONS FUNDED DEPOT LEVEL REPARABLE (DLRs)
 (Dollars in Millions)

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>	<u>CY-BY1 CHANGE</u>	<u>BY1-BY2 CHANGE</u>
<u>COMMODITY:</u>						
SHIPS						
AIRFRAMES						
AIRCRAFT ENGINES						
COMBAT VEHICLES						
OTHER						
MISSILES						
COMMUNICATIONS EQUIPMENT						
OTHER MISC.						
TOTAL						

Provide the funding for each commodity group within each O&M appropriation used to purchase depot level repairables from the DBOF.

Exhibit OP-31 Funding For Defense Business Operations Funded Depot Level Repairables (DLRs)

OPERATION AND MAINTENANCE - (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY 19(2)
(\$ in Thousands)

	FY 19(3)	Currency	Foreign	Program	FY 19(3)
	<u>Program</u>	<u>Rate Difference</u>	<u>Price Growth</u>	<u>Growth</u>	<u>Program</u>
	(4)	(5)	(6)	(7)	(8)
	<u>CIVILIAN PERSONNEL COMPENSATION</u>				
101	Executive, General and Special Schedules			(11)	
103	Wage Board			(11)	
104	Foreign National Direct Hire (FNDH)			(11)	
105	Separation Liability (FNDH)			(11)	
106	Benefits to Former Employees			(11)	
107	Voluntary Separation Incentive Pay			(11)	
110	Unemployment Compensation			(11)	
111	Disability Compensation			(11)	
117	Civilian Pay Offset			(11)	
199	Total Civilian Personnel Compensation.			(10)	
	<u>TRAVEL</u>				
308	Travel of Persons			(12)	
399	Total Travel			(10)	
	<u>DEFENSE BUSINESS OPERATIONS FUND (Fund) SUPPLIES & MATERIALS PURCHASES</u>				
401	DFSC Fuel			(16)	
402	Service Fund Fuel			(16)	
411	Army Managed Supplies & Materials			(17)	
412	Navy Managed Supplies & Materials			(17)	
414	Air Force Managed Supplies & Materials			(17)	
415	DLA Managed Supplies & Materials			(17)	
416	GSA Managed Supplies & Materials			(18)	
417	Locally Procured Fund Managed Supplies & Materials			(25)	
421	DLA Rebates			(25)	
499	Total Fund Supplies & Materials Purchases			(10)	
	<u>DEFENSE BUSINESS OPERATIONS FUND EQUIPMENT PURCHASES</u>				
502	Army Fund Equipment			(22)	
503	Navy Fund Equipment			(22)	
505	Air Force Fund Equipment			(22)	
506	DLA Fund Equipment			(22)	
507	GSA Managed Equipment			(23)	
599	Total Fund Equipment Purchases			(10)	
	<u>OTHER Fund PURCHASES (EXCLUDE TRANSPORTATION)</u>				
601-693	(As applicable)			(30), (15)	
679	Cost Reimbursable Purchases			(31)	
680	Purchases from Building Maintenance Fund			(35)	
699	Total Purchases			(35)	
				(10)	

Exhibit OP-32 Summary of Price and Program Change

(Continued)

Note: Include support for value engineering in applicable line item elements of expense.

**Elements of Expense for Purchases from
Defense Business Operations Fund (Fund)***

	<u>Element of Expense</u>
<u>DEPOT MAINTENANCE</u>	
Army Armament Command	601
Army Depot System Command: Maintenance	602
DLA Distribution Point (Army Only)	603
Naval Aviation Depots	613
Naval Ordnance Facilities	632
Naval Shipyards	637
Marine Corps Depot Maintenance	640
Depot Maintenance (Air Force): Organic	(33) 661
Depot Maintenance (Air Force): Contract	662
<u>BASE SUPPORT</u>	
Naval Public Work Centers Utilities	634
Naval Public Work Centers Public Worka	635
Public Works (Composite Rate)	639
<u>RESEARCH AND DEVELOPMENT ACTIVITIES</u>	
Naval Air Warfare Center	610
Naval Surface Warfare Center	611
Naval Undersea Warfare Center	612
Naval Command, Control, & Ocean Surveillance Center	614
Naval Research Laboratory	630
Naval Facilities Engineering Service	631
<u>INFORMATION SERVICES</u>	
Navy Information service	615
Defense Automatic Addressing Systems	670
Communications Services (DISA)	671
DISA Information Services	647
Army Information Services	648
Air Force Information Services	649
DLA Information Services	650
DFAS Information Services	651
<u>TRANSPORTATION</u>	
Military Sealift Command:	
Fleet Auxiliary Force	620
Afloat Prepositioning Ships	621
Special Mission Support	623
Other MSC Purchases	624
MSC Rebate	625
Airlift Services:	
Other AMC Purchases	(34) 653
<u>PRINTING AND PUBLICATION SERVICES</u>	
Defense Publication & Printing Service	633
<u>FINANCIAL OPERATIONS</u>	
Defense Financing and Accounting Services	673
<u>OTHER</u>	
Pentagon Reservation Maintenance Revolving Fund	672
Distribution Depots	674
Defense Reutilization and Marketing Services (DRMS)	675
Joint Logistics Systems Center	677

*These lines should include only Defense Business Operations Fund purchases made at stabilized rates. Cost reimbursable purchases should be included in line 679.

INSTRUCTIONS FOR COMPLETION OF OP-32

- (1) Enter the applicable component, i.e., Army, Navy, Marine Corps Reserve, Air National Guard, etc.
- (2) Enter the fiscal year for which this exhibit is being prepared.

NOTE: A separate exhibit should be submitted for each O&M appropriation for the current year, for biennial year 1, and for biennial year 2. This exhibit should be prepared at the appropriation level for the President's Budget.

- (3) Enter the prior year (PY), current year (CY), biennial year 1 (BY1), or biennial year 2 (BY2), as applicable.
- (4) For the CY exhibit, amounts entered in this column should agree with the prior year actual costs as shown in the prior year column of the applicable budget submission. For the BY1 exhibit, these amounts should agree with the far right hand column of the CY exhibit. For the BY2 exhibit, these amounts should agree with the far right hand column of the BY1 exhibit.
- (5) The amount shown for each appropriate line (exclusive of line 991) in the Foreign Currency Rate Difference column will reflect the difference in the budgeted foreign currency exchange rates between the two years. For the prior and current years the budgeted foreign currency exchange rates are the exchange rates that have been approved for recording obligations during execution. If the current year execution rates have not yet been established by the Congress in time for the budget submission, the foreign currency exchange rates reflected in that fiscal year's President's budget request will be used. For the biennial years, the budgeted foreign currency exchange rates are the exchange rates reflected in the OUSD (C) budget call memorandum for the budget submission or in the PBD issued during the budget review in the formulation of the President's budget request. (Note: Variances from the budgeted rates will be reflected only on line 991. These variances do not enter into the calculation on any of the other lines.) The column total, including line 991, will reflect (1) for the PY to the CY: the difference between prior year actuals and the current year budgeted rates, (2) for the CY to the BY1: the difference between budgeted rates in each year, and (3) for the BY1 to the BY2: the difference between budgeted rates in each year. If transfers are approved for the current year, the column total will reflect (1) for the PY to the CY: the difference between PY actuals and CY anticipated expenditures and (2) for the CY to the BY1: the difference between the CY anticipated expenditures and the BY1 budgeted rates. No foreign currency rate difference will be shown for Defense Business Operations Fund Purchases, and Travel or Transportation for MAC, MSC or MTMC. Only in unusual circumstances should an amount for foreign currency rate difference be shown for other travel and/or transportation costs. (See end notes for further discussion of foreign currency entries.)

- (6) This column should show the rate (percent) of price growth for various items. The general price escalation indices prescribed by OSD (as provided by OMB) should be used for items 302, 307, 416-417, 507, 679, 725-771, 913-915, 920-925, 927-989, and 998. Other price growth rates may be used for these items when actual experience supports a rate of increase different from that prescribed For the OSD/OMB submit. In those instances, supporting documentation for the rate used should be provided. If the rate is approved during the budget review, the revised rate may be used in the President's budget. To the extent that a separate rate of increase is used for any portion of a line item, Equipment Maintenance by Contract for example, the applicable item should be subdivided into appropriate subcategories for each separate rate of increase used. The rate of price change for lines 401-402, 411-415, 502-506, 601-673, and 701-721 should agree with applicable rates approved by OSD. Applicable rates of price growth, as prescribed by OSD, or as estimated and justified, as appropriate, should be shown for all items where there is a price change. The rate of price growth included in the President's Budget will in all instances reflect the rate of increase approved during the OSD budget review.
- (7) The price growth column should show the amount of price growth for various items. **Where a percent increase by line item is shown in column 6, the amount included in column 7 will be the sum/difference of the previous fiscal year's program amount (column 4) and the foreign currency rate difference amount (column 5) times the percent shown in column 6.** The amount of the price growth will be consistent with the rate of change prescribed by OSD. The price increase for all items should be the additional/reduced funds, as a result of price changes, that would be required to accomplish the previous year's program at applicable fiscal year rates.
- (8) Enter the amount of program growth for each item. Program growth is to be priced in current year dollars for the current year exhibit, biennial year 1 dollars for the biennial year 1 exhibit, and biennial year 2 dollars for the biennial year 2 exhibit.
- (9) Enter the sum of (4), (5), (7) and (8) for each item.
- (10) Subtotals should be included in (4), (5), (7), (8) and (9) for Civilian Personnel, Travel, Defense Business Operations Fund Supplies and Materials Purchases, Defense Business Operations Fund Equipment Purchases, Other Defense Business operations Fund Purchases, Transportation, and Other Purchases, respectively, as applicable.
- (11) Program amounts for Civilian Personnel compensation should be consistent with amounts shown in both the object class distribution reflected in the Program and Financing Schedules for Object Classes 11, 12 and 13 (Direct Obligations only) and in the OP-8 Exhibit, Civilian Personnel Costs, Chapter 3 of the Budget Guidance Manual for the applicable fiscal year. Payments made to the Department of Labor for expenses associated with employee's disability compensation are included in Object Class 12. Change in the number of compensable days per fiscal year will be reflected as program growth not price growth. The annualization of the prior year's pricing changes (i.e., the previous fiscal year's pay raise), merit pay, bonuses, FERS participation, etc. will be reflected as changes in price growth.

- (12) Program amounts for travel should be consistent with amounts shown in Object Class 21 (including subclasses), for the applicable fiscal year.
- (13) Include only per diem travel costs as provided for in standard DoD definitions.
- (14) Include other (commercial) travel costs.
- (15) AMC, MSC, and MTMC costs displayed for items 303, 624, 653, and 701-721 should include all purchases from these transportation funds. These amounts should exclude all non-Defense Business Operations Fund purchases such as reimbursement to MTMC of non-Defense Business Operations Fund (overseas) port operations.
- (15a) Line 703 JCS Exercises includes only those services in support of JCS exercises and paid only by The Joint Staff (TJS).
- (16) The total of the program amounts for DFSC Fuel, Service Defense Business Operations Fund Fuel, and Locally Procured Fuel (Non-Fund) line items must agree with the amounts shown on the OP-26 Exhibit, POL Consumption and Costs, Chapter 3, DoD Budget Guidance Manual.
- (17) Include Object Class 26 supplies and materials purchased from each DoD Defense Business Operations Fund, including DLA.
- (18) Include Object Class 26 supplies and materials purchased from GSA.
- (19,20,21) These items have been intentionally left blank.
- (22) Include all equipment (including furniture) purchased from Defense Business Operations Fund, including DLA.
- (23) Include all equipment (including furniture) purchased from GSA.
- (24) Include amounts to be paid for motor vehicles leased from both commercial services and the General Services Administration (GSA) Interagency Fleet Management System (IFMS). These amounts are to be consistent with the estimates provided on the "Commercial Leases" and the "IFMS Leases from GSA lines of the Motor Vehicle Operations (PB-41) exhibit.

- (25) Includes centrally managed items procured by Defense Business Operations Fund from sources other than Defense Business Operations Fund or non-Defense Stock Funds.
- (26) Include purchases of MTMC services for non-Fund services such as overseas port terminal operations.
- (27) This item has been intentionally left blank.
- (28) This item has been intentionally left blank.
- (29) This item has been intentionally left blank.
- (30) Program amounts should be consistent with Fund purchases included in Object Class 25.3.
- (31) Biennial years' (BY1/BY2) program amounts should reflect stabilized rates as requested by the Service (OSD submission) or as approved by OSD (President's Budget), as applicable, to include the impact of biennial years' pay raises. Cost reimbursable purchases should be included on line 679. Separate elements of expense for each Defense Business Operations Fund activity group are shown on page 3. Include only those elements of expense for Defense Business Operations Fund activity groups from which purchases were made or are planned, as applicable.
- (32) This item has been intentionally left blank.
- (33) Includes the Aerospace Maintenance & Regeneration Center (AMARC).
- (34) Line 653, Airlift Services, Other AMC Purchases, includes Medical Evacuation Operations, Training, Search and Rescue, and other AMC costs not provided for in lines 303, 701, or 702.
- (35) Includes all Defense Business Operations Fund purchases made on a cost reimbursable (rather than stabilized rate) basis.
- (36, 37) These items have been intentionally left blank.
- (38) Includes contractual charges for transportation of things via commercial air, sea, or surface mode and payments for commercial port operations and other transportation services exclusive of payments to the DoD Defense Business Operations Fund.
- (39, 40, 41) These items have been intentionally left blank.
- (42) Program amounts should be consistent with direct obligation amounts shown in the OP-8 Exhibit, Civilian Personnel Costs, Chapter 232.
- (43) Charges for rental of space and related services assessed by GSA as SLUC charges. Program amounts will be consistent with the amount shown in Object Class 23.1.
- (44) Program amounts included for items 913-915 and 917 will be consistent with the amounts shown in Object Class 23.3.

- (45) Purchases from non-Defense Business Operations Fund sources heat, light, power, water, gas, electricity and other utility services, exclusive of transportation and communication services.
- (46) Purchases of communication services from non-Defense Business Operations Fund sources.
- (47) Payments for possession and use of land, structures, and equipment (other than transportation equipment) owned by another, except for SLUC charges assessed by GSA.
- (48) This item has been intentionally left blank.
- (49) Purchases from the U.S. Postal Service including postage (other than Parcel Post), rental of post office boxes, postage meter machines and mailing machines. Also includes payments made to the U.S. Postal Service for handling of officially franked mail (i.e., Indicia Mail).
- (50) Includes supplies and materials purchased from other than Defense and non-Defense Business Operations Funds.
- (51) Program amounts should be consistent with the amounts shown in Object Class 24.
- (52) Covers contractual equipment maintenance other than depot level maintenance (e.g., ADP equipment, office equipment, etc.)
- (53) Includes costs for repairs and maintenance to buildings, facilities, pavement, airfields and like items when done by contracts with the private sector.
- (54) Equipment purchased from the private sector, including equipment included in Federal Supply Group 71, Furniture. Program amounts should be consistent with amounts reported under Object Class 31.07.
- (55) This item has been intentionally left blank.
- (56) Covers overseas contractor operated installation costs when covered in a single contractual agreement or when service is provided by a single contractor (excludes separate contracts for specific, limited services such as contract ADP services).
- (57) Covers contracted service cost of Air Force Air Defense Systems (e.g., BMEWS, DEW Line, Spacetrack, Thule AFB base maintenance contracts, DSP) and Space Support programs.
- (58) Includes the cost of ship related repair and the performance of regularly scheduled ship overhauls at commercial shipyards.
- (59) Includes the cost to the Depot Maintenance Program to purchase aircraft maintenance from commercial sources.

- (60) Includes payments for all other non-Defense Business Operations Fund depot maintenance costs whether performed in-house or by contract which have not been reported under lines 928 or 929.
- (61) Program amounts should be consistent with Exhibit PB-15, (Advisory and Assistance Services), Chapter 19 of the DoD Budget Guidance Manual). The amounts reflected should agree with Object Class 25.1.
- (62) Program amounts should be consistent with the amounts shown in Object Class 41.
- (63) Charges for contractual services not otherwise reported elsewhere.
- (64) Amounts online 991 will reflect variances from budgeted rates, as prescribed by OUSD(C) guidance, which have actually occurred in the prior year or which have been approved (by DD-1415 or PBD) for the current year. There will be no amounts reflected on line 991 in the price and program growth columns. For the President's budget, the amount in the prior year column will be the realized variance on the 30 Sep DD Comp(M) 1506 report. Under no circumstances will there be an entry on line 991 in the biennial year. (For a further discussion, see Foreign Currency notes at the end of these instructions).
- (65) This item has been intentionally left blank.
- (66) Total program amounts, in (4) and (9), will be equal to the total direct program for prior year, current year, biennial year 1, and biennial year 2, as applicable.
- (67) Includes fuel purchased from sources other than Defense Business Operations Funds.
- (68) Includes amounts for items not otherwise reported elsewhere.

Foreign Currency Notes

A. The Total for Foreign Currency Rate Difference (Column 2) must reflect the difference between:

1. PY to CY: Prior year actuals and Current Year budgeted rates or anticipated expenditures in the Current Year if transfers have also been approved for the Current Year. (For the latter, individual line items in column 2 (except for line 991) will reflect the difference in budgeted rates and line 991 in column 2 will reflect the transfer amount.)
2. CY to BY1: Current Year budgeted rates or anticipated expenditures in the Current Year if transfers have also been approved for the Current Year, and Biennial year 1 budgeted rates.
3. BY1 to BY2: Change in budgeted exchange rates from Biennial year 1 to Biennial year 2.

B. Individual line items in Column 2 (except for line 991) must reflect the difference in program costs that are caused only by a difference in budgeted foreign currency exchange rates between fiscal years.

C. Line 991- Foreign Currency Variance

1. Prior Year (PY) to Current Year (CY)
 - a. PY column = Realized variance (DD Comp(M) 1506 Report 30 Sep).
Column 2 = Reverse the realized variance amount in the PY column.
CY column = zero
 - b. If transfers have been approved in the CY,
PY column = Realized variance (DD Comp(M) 1506 Report 30 Sep).
Column 2 = Reverse the realized variance amount in the PY column and add the transfer amount approved for the CY to determine the total.
CY column = the transfer amount approved for the CY.
2. Current Year (CY) to Biennial Year 1 (BY1)
 - a. If the budgeted rates change between the CY and the BY1 and transfers from the Foreign Currency Fluctuations, Defense (FCF,D) appropriation are not reflected in the budget, then the CY column, Column 2, and the BY1 column for line 991 are all zero.
 - b. If budgeted rates change between the CY and the BY1 and the FCF,D transfers have been reflected in the budget for the CY, then the CY column for line 991 will reflect the value of the transfers and Column 2 for line 991 will reflect the reversal of the transfers. The BY1 column for line 991 will be zero.

Reconciliation of Increases and Decreases in Average Strength/FTEs in NATO European Countries

	A / S <u>Military</u>	FTEs <u>Civilian</u>
		Direct Indirect <u>Hire Hire</u>
<u>FY PY Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		
<u>FY CY Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		
<u>FY BY1 Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		
<u>FY BY2 Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		

This data provides a reconciliation of changes in U.S. personnel strengths in NATO European countries. NATO European countries are defined in DODI 7730.58.

Only personnel permanently stationed ashore are to be included. Show increases and decreases separately and by unit, activity, or function. Detail justification for each change should be readily available. Estimates are subject to congressional ceilings.

Exhibit OP-33 Reconciliation in Average Strength/FTEs in NATO Eur. Countries

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)
(Dollars in Thousands)

	FY: <u>Prior Year</u>					Total APF Oper.	Mil Constr.	Total APF Support
	<u>APPROPRIATIONS</u>							
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
CATEGORY B	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
CATEGORY C	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
TOTAL APF SUPPORT	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry).	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----

	FY: <u>Current Year</u>					Total APF Oper.	Mil Constr.	Total APF Support
	<u>APPROPRIATIONS</u>							
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
CATEGORY B	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
CATEGORY C	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
TOTAL APF SUPPORT	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry)	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----

FY: <u>Biennial Year 1</u>						Total APF Oper.	Mil. Constr.	Total APF Support
<u>APPROPRIATIONS</u>								
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
CATEGORY B	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
CATEGORY C	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
TOTAL APF SUPPORT	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry).	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----	\$-----

	FY: Biennial Year 2					Total APR Oper.	Mil. Constr.	Total APF Support
	<u>APPROPRIATIONS</u>							
MWR CATEGORY	---	---	---	---	---	---	---	---
CATEGORY A	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY B	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY C	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry).	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Instructions Total APF support should include both direct and indirect APF support provided to MWR activities. Direct support should include the same category of costs as included on Format F-11, selected Quality of Life Resources submittal in the POM.

Exhibit OP-34 Appropriated Fund Support of MWR Activities

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)1
(Dollars in Thousands)

	Provide for PY, CY, BY1 and BY2 <u>APPROPRIATIONS</u>					Total APF Oper.	Mil. Constr.	Total APF Support
MWR CATEGORY CATEGORY A <u>MISSION SUSTAINING PROGRAMS</u>	----	----	----	----	----	----	----	----
A.1 Armed Forces Prof. Entertainment O/S	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.2 Physical Fitness	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.3 Community/Family Support Services	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.4 Libraries (REC)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.5 Rec Centers. Rooms	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.6 Parks/Picnic areas	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.7 Shipboard/isolated/ deployed unit motion pictures	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.8 Shipboard/Company/ Unit level prog./activities	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.9 Sports/Athletics-self directed, unit level and intramural	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Management Overhead 2	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Common Support 3	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)1
(Dollars in Thousands)

	Provide for PY, CY, BY1 and BY2 <u>APPROPRIATIONS</u>					Total APF Oper.	Mil. Constr.	Total APF Support
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY B								
<u>BASIC COMMUNITY SUPPORT PROGRAMS</u>								
B.1 Child Care Programs								
Child Dev. Centers	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Family Day Care & Other								
Child Related Serv.	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B.2 Community Programs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Community TV	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Music/Theater/Enter	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Marinas w/o Resale	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Outdoor Recreation	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rec/tickets/tour	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rec Swimming Pools	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Stars and Stripes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Youth Activities	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B.3 Individual Recreation								
Skill Programs:								
Amateur Radio	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Arts and Crafts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Automotive Crafts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Bowling <12 lanes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Riding Stables	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B.4 Sports Programs								
(Above Intramural)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Management Overhead 2	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Common Support 3	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)1
(Dollars in Thousands)

	Provide for PY, CY, BY1 and BY2 <u>APPROPRIATIONS</u>					Total APF Oper.	Mil. Constr.	Total APF Support
MWR CATEGORY	-----	-----	-----	-----	-----	-----	-----	-----
CATEGORY C								
<u>REVENUE-GENERATING PROGRAMS</u>								
C.1 Armed Serv Exchange	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.2 Billeting Funds								
C.3 Civilian Post								
Restaurants, Vending	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.4 Joint Service/Armed								
Forces/Serv Rec Ctrs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.5 Membership Clubs:								
Aero Clubs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Audio/Photo Clubs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Golf Course	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Parachute/Sky	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Diving Clubs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rod and Gun Clubs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Scuba/Diving Clubs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Riding Clubs/Stables	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.6 Military Open Messes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.7 Other Revenue								
Generating Activities								
Acad/Rec Bookstores	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Amusement/Rec Machines	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Bowling Centers	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Golf Courses	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Riding Stables	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Marinas/boating	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Motion Pictures	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)1
(Dollars in Thousands)

	Provide for PY, CY, BY1 and BY2 <u>APPROPRIATIONS</u>					Total APF Oper.	Mil. Constr.	Total APF Support
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY C								
<u>REVENUE-GENERATING PROGRAMS</u>								
Package Bev Fac	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rec Rental Equip	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Unofficial Comm								
Travel Services	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.8 Temporary Guest Facilities								
Cabin/Cottage/Cabanas	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Guest Houses/Lodges/								
Motels/Hotels	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Travel Camps	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.9 Supplemental Mission								
Funds	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Management Overhead 2	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Common Support 3	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Memo Entry 1. Provide total military and civilian end strength (all categories) for PY, CY, BY1 and BY2.
2. Identify the foreign currency exchange rates and baselines by country for PY, CY, BY1 and BY2.

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

1. In preparing the OP-34 exhibit, the Services/Defense Agencies should use the definitions contained in the DoD Directive, subject: Establishment, Management, Construction and Control of Non-Appropriated Fund Instrumentalities (NAFI's) and Operational Policy, Funding and Support of Morale, Welfare and Recreation (MWR) Activities.

2. Managerial operational functions and positions at an installation, major command or Service, that have direct program managerial and operational responsibility for individual MWR programs, that actively plan, organize, direct, coordinate, and control the operations of one or more MWR programs. These positions are identified and included on manning, staffing or personnel guides and documents. It includes direct control and supervision of the program(s), fiscal, logistical, and other management functions that are directly accomplished on a daily basis. Personally responsible for the success or failure of the program.

3. APF Common Support - That appropriated fund support, identified as direct APF support used in the management, administration and operation of more than one MWR program, however, that support or cost is not easily nor readily identifiable to a specific MWR program.

The total common support provided, however, is readily identifiable through various APF intra-agency or inter-agency fund transfer documents, personnel or manning authorization documents, common metering devices (electrical, pressure, mechanical, etc.), or through engineering, accounting, financial or statistical procedures, methods and standards.

Some examples of APF common support would include executive and upper management supervision that is functionally located above the operating program manager level and having responsibility for several MWR programs; an installation's civilian personnel functions; and central accounting office functions.

The OP-34 Exhibit should be submitted for the OSD/OMB budget submission each year. This exhibit should also be included in the congressional justification books each year.

**Department of the Navy
Operation and Maintenance, Navy/Navy Reserve
Ship Fuel and Operating Tempo Data**

	Deployed Fleet				Non-Deployed Fleet			
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Operating Tempo (Hours/Quarter)								
 <u>Conventional</u>								
Total Steaming Hours								
Cost of Fuel Consumed (\$000)								
 <u>Nuclear</u>								
Total Steaming Hours								
Cost of Fuel Expended (\$000)								

Include the costs actually provided or programmed in support of the drug interdiction program. At the end of the OP-40 exhibit, provide a memo entry reflecting the amounts included in these costs for conventional and nuclear ships that are funded in the centralized drug account.

Exhibit OP-40 Ship Fuel and Operating Tempo Data

**Department of the Navy
Operation and Maintenance, Navy/Navy Reserve
Ship Operating Cost Data
(Dollars in Thousands)**

Fiscal Year _____

Type	Inv	Ship Years	Operating Months	Repair Months	Fuel	Utilities	Repair Parts	OPTAR	Total Cost
------	-----	---------------	---------------------	------------------	------	-----------	-----------------	-------	---------------

Provide data for the prior year, current year, budget year 1 and budget year 2.

Include the ship operations actually provided or programmed in support of the drug interdiction program. At the end of the OP-41 exhibit, provide a memo entry reflecting the amounts included in ship operations that are funded in the centralized drug account.

Exhibit OP-41 Ship Operating Cost Data

**Military Personnel Assigned
to
Ships & Aircraft Squadrons**

Ship Type & Class and Aircraft	Basis of	No. of Ships	Requirement Per	Prior Year	Current Year	BY 1	BY 2	BY2+1
<u>Type/Model/Series</u>	<u>Requirement</u>	<u>Aircraft Squadrons</u>	<u>Unit</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>
		<u>P Y C Y B Y 1 B Y 2</u>	<u>Off Enl</u>	<u>Off Enl</u>	<u>Off Enl</u>	<u>Off Enl</u>	<u>Off Enl</u>	<u>Off Enl</u>
DD 931 Class	Manning Document							
DD 963 Class	Allowances							
SSN 688	Commissioning							
A7's	MO Factors							
F-6's								
F-14's								

Sub-Total by Budget Activity Group

Total by Program Budget Decision Unit

Exhibit OP-44 Military Personnel Assigned to Ships & Aircraft Squadrons

Operations, Air Force
FY 19_ _____ Estimate
Program Element
(Dollars in Thousands)

	<u>PY-1</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
	<u>Actuals</u>	<u>Actuals</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
<u>Program Units</u>									
Forces Wings									
Forces Squadrons									
Unit Equipment									
Flying Hour Total									
Manpower (End Strength)									
Officers									
Enlisted									
Academy Cadets									
Total Military Personnel									
U.S. Direct Hire									
FN Direct Hire									
FN Indirect Hire									
Total Civilian Personnel									
Manpower (Average Strength/FTE)									
Officers									
Enlisted									
Academy Cadets									
Total Military Personnel									
U.S. Direct Hire									
FN Direct Hire									
FN Indirect Hire									
Total Civilian Personnel									
<u>Cost Data</u>									
Operation and Maintenance									
Provide by DoD Element of Expense									
Total Operation and Maintenance									
Total Military Personnel									
Total O&M and Military Personnel									
This Exhibit should be provided for:									
1. Total Operations Air Force									
2. Major Force Program									
3. Program Element									

Exhibit OP-50 Units by Program Element

Operations, Air Force
FY 19 _____ Estimate
(Dollars in Thousands)

Analysis of Aircraft Petroleum, Oil and Lubricants (POL)

	<u>FY 19 PY</u>	<u>FY 19 CY</u>	<u>FY 19 BY1</u>	<u>FY 19 BY2</u>
A. Flying Hour Program Requirements:				
1. Number of Flying Hours				
a. Active Forces (excl. FGO and SON)				
b. Foreign Gov't Owned				
2. Flying Hours at Std. Price				
Adjustments: (Explain)				
3. Funding for Flying Hour Program				
a. Active Forces (excl. FGO and SON)				
b. Foreign Gov't Owned				
B. Non-Fly				
C. Special Fuels				
D. Grand Total-Aircraft POL				
1. Direct				
2. Reimbursements				

Exhibit OP-58 Analysis of Aircraft POL
(page 1 of 2)

Operations, Air Force
FY 19_ _____ Estimate
(Dollars in Thousands)

Analysis of Non-Fly Program

	QTY(bbls)	PY/CY/BY1/BY2	Cost
Major Force Program:			
1. a. Offensive Forces			
b. Defensive Forces			
Total Strategic Forces			
2. General Purpose Forces			
3. a. Intelligence			
b. Communications			
c. Other			
Total Program 3			
4. Airlift			
5. Reserves			
7. Central Supply and Maintenance			
8.			
a. Training			
b. Other			
Total Program 8			
9. Administration			
10. Support of Other Nations			
TOTAL			

Exhibit OP-58
(page 2 of 2)

**Operation and Maintenance
Organizational Clothing and Equipment
Army Reserve Components 1/
(Dollars in Millions)**

<u>ITEM</u>	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
1. Backlog carried forward from prior years								
Less:								
2. Backlog of obsolete equipment								
Add:								
3. Inflation	_____	_____	_____	_____	_____	_____	_____	_____
4. Adjusted prior year backlog								
Add:								
5. Inventory change due to workyear adjustments								
6. Replacement of equipment issues								
7. Force modernization initiatives								
8. Other	_____	_____	_____	_____	_____	_____	_____	_____
9. Annual requirement	_____	_____	_____	_____	_____	_____	_____	_____
10. Total funding required								
Less:								
11. Funds budgeted for OCE	_____	_____	_____	_____	_____	_____	_____	_____
12. Backlog, end of year								

1/ Identify applicable Reserve Component. Separate OP-71 exhibits required for National Guard and Reserve Components.

Exhibit OP-71 Organizational Clothing and Equipment - Army Reserve Components

INSTRUCTIONS FOR COMPLETION OF OP-71

1. **Backlog Carried Over from Prior Year** - unfunded requirements at the end of the previous fiscal year.
2. **Backlog of Obsolete Equipment** - backlog associated with equipment no longer being issued to the Service. (e.g., if the Army Guard decided to replace steel helmets with kevlar helmets and has budgeted for the kevlar helmets as a force modernization initiative. The value for steel helmets included in the backlog would be reflected in this category.)
3. **Inflation** - backlog carried over from previous year less backlog associated with equipment no longer being issued to the Service times the OSD rate for "general purchases inflation-O&M" or the appropriate DoD Stock Fund rate, whichever is applicable.
4. **Adjusted Prior Year Backlog** - backlog carried over from previous year less backlog associated with equipment no longer being issued to the Service plus inflation (1-2+3).
5. **Workyear Change Adjustment**- change in OCE requirements resulting from increases or decreases in total workyear.
6. **Replacement of Previous Issues** - inventory purchased to replace equipment that is consumed during the year through normal wear and tear (including inventory losses).
7. **Force Modernization Initiatives** - OCE requirements related to equipment modernization. This might include such items as new cold weather clothes or chemical protective clothing.
8. **Other** - **only those requirements that do not fit the above categories.** This would include increases and decreases resulting from changes in authorized numbers of units or individual equipment authorizations.
9. **Annual Requirement** - the sum of the "end strength change adjustment," "replacement of previous issues," "force modernization initiatives," and "other." (5+6+7+8)
10. **Total Fund Required** - the "adjusted prior year backlog" plus the "annual requirement." (4+9)
11. **Funds Budgeted for OCE** - amount planned for OCE each year.
12. **Backlog, End of Year** - "total funding required" less "funds budgeted for OCE."

Operation and Maintenance
Repair Parts, Army Reserve Components 1/
(Dollars in Millions)

ITEM	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
1. Backlog carried forward from prior years								
Less:								
2. Backlog of obsolete parts								
Add:								
3. Inflation	_____	_____	_____	_____	_____	_____	_____	_____
4. Adjusted prior year backlog								
Add:								
5. Recurring requirements ()	()	()	()	()	()	()	()	()
a. Annual consumption								
b. Change in equipment inventories								
c. Change in stockage levels								
6. Nonrecurring requirements()	()	()	()	()	()	()	()	()
a. Force modernization initiatives								
b. Introduction of other new equipment								
7. Total funding required								
Less:								
8. Funds budgeted for repair parts	_____	_____	_____	_____	_____	_____	_____	_____
9. Backlog, end of year								

Exhibit OP-73 Repair Parts, Army Reserve Components

INSTRUCTIONS FOR COMPLETION OF OP-73

1. **Backlog carried forward from prior years** - unfunded requirements at the end of the previous fiscal year.
2. **Backlog of obsolete parts** - backlog of repair parts associated with equipment that is being retired from the Reserve Forces.
3. **Inflation** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces times the OSD rate for "general purchases inflation--O&M" or the DoD Stock Fund, whichever is applicable.
4. **Adjusted prior year backlog** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces plus inflation (1-2+3)
5. **Recurring requirements** - annual repair parts requirements to support equipment fielded in previous years.
 - a. **Annual consumption** - those parts consumed annually to support weapons systems fielded in previous years.
 - b. **Change in equipment inventories** - increases or decreases in annual consumption requirements necessary to reflect changes in equipment inventory levels (e.g., retirement of equipment).
 - c. **Change in stockage levels** - increases or decreases in requirements due to changes in the level of repair parts support required annually for a particular equipment.
6. **Nonrecurring requirements** - one time requirements associated with introduction of new equipment to the Reserve Force.
 - a. **Force modernization initiatives** - initial inventory of repair parts associated with fielding of force modernization systems.
 - b. **Introduction of other new equipment** - introduction of other equipment not previously provided to the Reserve Force.
7. **Total funding required** - adjusted prior year backlog plus recurring requirements and nonrecurring requirements.
8. **Funds budgeted for repair parts** - amount budgeted for repair parts each year.
9. **Backlog, end of year** - "total funding required" less "funds budgeted for repair parts".

**OPERATION AND MAINTENANCE, 2/
THREE YEAR FORCE DATA**

		<u>PY</u>		<u>CY</u>				<u>BY1</u>					<u>BY2</u>					<u>Explanation of Changes</u> ^ν
<u>Forces</u>	<u>UE</u>	<u>PY/4</u>	<u>Total</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>Total</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>Total</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	
			<u>Unit</u>					<u>Unit</u>					<u>Unit</u>					
			<u>Qtrs.</u>					<u>Qtrs.</u>					<u>Qtrs.</u>					

INSTRUCTIONS

When the quarterly or total unit quarters program varies from that previously shown for the President's Budget, identify the old program in parenthesis next to the quarterly program and total unit quarters columns.

1/ Identify location(s) and type aircraft (to or from).

2/ Separate exhibits are required for Active Air Force, Air Force Reserve, and Air National Guard.

Exhibit OP-78 Three Year Force Data

**OPERATION AND MAINTENANCE,
AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL**

FY PY/CY/BY1/BY2

Aircraft Repair/Modifications

Aircraft Type ^u

Units/Unit Cat/Total Cost ^{1/}

Explanation of Changes ^{2/}

Engine Overhaul

Engine Type ^u

Units/Unit Cost/total Cost ^{1/}

Explanation of Changes ^{2/}

- 1/ Where data varies from previous program shown for the President's Budget, identify the old program in parenthesis next to the revised program columns and explain significant deviations.
- 2/ For the Budget, provide brief narrative justifying requirements. Explanation should address changes from CY to BY 1 and from BY 1 to BY2.
- 3/ Separate exhibits are required for Active Air Force, Air Force Reserve, and Air National Guard.
- 4/ Total should agree with OP-30.

Exhibit OP-80 Aircraft Repair/Modification and Engine Overhaul

AIR OPERATIONS
COMPONENT TITLE
(\$ in Millions)

	FY PY	FY CY	FY BY1	FY BY2	CY-BY1	BY1-BY2
	<u>Act</u>	<u>Est</u>	<u>Est</u>	<u>Est</u>	<u>Change</u>	<u>Change</u>
Army						
Army Reserve						
Army National Guard						
Navy						
Navy Reserve						
Air Force						
Air Force Reserve						
Air National Guard						
USSOCOM						
Defense Health Program						
Total						

This exhibit has been expanded to capture all other flying hour related costs funded in the O&M appropriation, as well as those in the Air Operations Activity Groups, to include the flying hour programs of the Army, USSOCOM, and the Defense Health Program (DHP).

List total funding for Activity Group Air Operations, as applicable, plus flying hour related costs (fuel, supplies/DLRs, depot maintenance) in all other Activity Groups, that are direct funded in the O&M appropriation.

SERVICE/USSOCOM/DHP

(Narrative Description of Operations/Programs financed.)

	(\$ in Millions)					
	FY PY	FY CY	FY BY1	FY BY2	CY-BY1	BY1-BY2
<u>SERVICE</u>	<u>Act</u>	<u>Est</u>	<u>Est</u>	<u>Est</u>	<u>Change</u>	<u>Change</u>
Sub-Activity Group						
Sub-Activity Group						
Sub-Activity Group						
Mobility Ops						
Training Ops						
Other						
(e.g., Army Flight Ops)						
Total						

List by sub-activity group for Activity Group Air Operations, as applicable, plus include separate lines for MOBILITY OPERATIONS, TRAINING OPERATIONS, and OTHER to identify the flying hour related costs (fuel, supplies/DLRs, depot maintenance) included in all other Activity Groups that are direct funded in the O&M appropriation.

	FY PY	FY CY	FY BY1	FY BY2	CY-BY1	BY1-BY2
<u>PROGRAM DATA</u>	<u>Act</u>	<u>Est</u>	<u>Est</u>	<u>Est</u>	<u>Change</u>	<u>Change</u>

Inventory (PAA)
Bombers
Fighters
Training
Mobility
Other (e.g., Army Flight Pgm)

AIR OPERATIONS
COMPONENT TITLE
(Cont'd)

<u>PROGRAM DATA (Cont'd)</u>	<u>FY</u>	<u>PY</u>	<u>FY</u>	<u>CY</u>	<u>FY</u>	<u>BY1</u>	<u>FY</u>	<u>BY2</u>	<u>CY-BY1</u>	<u>BY1-BY2</u>
	<u>Act</u>		<u>Est</u>		<u>Est</u>		<u>Est</u>		<u>Change</u>	<u>Change</u>
Flying Hours (000)										
Tac Fighter Wing Equivalents										
Crew Ratio (Average)										
Bombers										
Fighters										
OPTEMPO (Hrs/Crew/Month)										
Bombers										
Fighters										
Primary Mission Readiness (%)										
ICBM Inventory										
Minuteman I										
Minuteman II										
Peacekeeper										

FY BY1 Program: Explain/describe/narrate by sub-activity, the major **program** changes reflected in the budget.

Identify on the bottom of the exhibit a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.

SHIP OPERATIONS
COMPONENT TITLE

	(\$ in Millions)					
	FY PY	FY CY	FY BY1	FY BY2	CY-BY1	BY1-BY2
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>
<u>Active Forces</u>						
(List by subactivity group Operation and Maintenance, Navy funding for Activity Group Ship Operations. Total O&M,N funding must match the O-1 total for Ship Operations.)						

Reserve Forces
(List by subactivity group Operation and Maintenance, Navy Reserve funding for Activity Group Ship Operations. Total O&M,NR funding must match the O-1 total for Ship Operations.)

Grand Total

Description of Operations Financed: (Provide narrative explanation of activities included and succinctly describe significant program changes from the current year to budget year 1 and budget year 2.).

PROGRAM DATA
(Provide applicable program data and explain program changes.)

	FY PY	FY CY	FY BY1	FY BY2	CY-BY1	BY1-BY2
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>
<u>Ship Inventory</u> (End of Year)						
Navy Active						
MSC Charter/Support						
Battle Force Ships (Active)						
 Mobilization Cat A						
Mobilization Cat B						
Naval Reserve Force						
 Battle Force Ships (Active plus Mob Cat A)						

SHIP OPERATIONS

Battle Force Ships (Active) Inventory Adjustments by Category

Between FY CY and FY BY1

	<u>FY CY Inventory</u>	<u>Gains</u>	<u>Losses</u>	<u>FY BY1 Inventory</u>
Strategic				
Carriers				
Surface Combatants				
Submarines				
Amphibious				
Mine Warfare, Patrol				
Support Ships				
Total				

Between FY BY1 and FY BY2

	<u>FY BY1 Inventory</u>	<u>Gains</u>	<u>Losses</u>	<u>FY BY2 Inventory</u>
Strategic				
Carriers				
Surface Combatants				
Submarines				
Amphibious				
Mine Warfare, Patrol				
Support Ships				
Total				

	<u>FY PY Actual</u>	<u>FY CY Estimate</u>	<u>FY BY1 Estimate</u>	<u>FY BY2 Estimate</u>	<u>CY - BY1 Change</u>	<u>BY1 - BY2 Change</u>
<u>Operating Tempo (Days per Quarter)</u>						
Non-Deployed Fleet						
Deployed Fleet						
Reserve Fleet						

Ship Years

Conventional, O&M, N
Nuclear, O&M, N
Conventional, O&M, NR

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>	<u>CY-BY1</u> <u>Change</u>	<u>BY1-BY2</u> <u>Change</u>
<u>Underway Steaming Hours (Thousands)</u>						
Conventional, O&M, N						
Nuclear, O&M, N						
Conventional, O&M, NR						
<u>Depot Maintenance</u>						
Active						
Overhauls						
Selected Restricted Availabilities						
Phased Maintenance Availabilities						
Reserve						
Overhauls						
Selected Restricted Availabilities						
Phased Maintenance Availabilities						
<u>Base Support</u>						
CONUS (List number of bases funded from this activity group.)						
Overseas						

Directions

Reflect program data under "Description of Operations Financed" and "Program Data" sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also identify any applicable major pricing changes between years. Explanation of price and program changes should be provided separately for the Active Fleet as well as the Reserve Fleet.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

**LAND FORCES
COMPONENT TITLE**

(\$ in Millions)

**FY 19 PY
Actual**

**FY 19CY
Estimate**

**FY 19BY1
Estimate**

**FY 19BY2
Estimate**

Appropriation Summary:

SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: (Provide narrative explanation of activities included.)

PROGRAM DATA

(Provide applicable program data)

ARMY

	<u>FY-PY</u>	Actual	<u>FY-CY</u>	Budgeted	<u>FY-BY1</u>	Budgeted	<u>FY-BY2</u>	Budgeted
Program Data:	C-1/C-2		C-1/C-2		C-1/C-2		C-1/C-2	
Type Battalion:	<u>Requirement</u>	<u>Miles</u>	<u>Requirement</u>	<u>Miles</u>	<u>Requirement</u>	<u>Miles</u>	<u>Requirement</u>	<u>Miles</u>
Armor								
M60A3								
M1A1								
Mech. Infantry								
M2								
M113								
(etc.)								

MARINE CORPS

	<u>FY-PY</u>	Battalion/ Field	Training	<u>FY-CY</u>	Battalion/ Field	Training	<u>FY-BY1</u>	Battalion/ Field	Training	<u>FY-BY2</u>	Battalion/ Field	Training
Program Data:	Number			Number			Number			Number		
Type Unit:	<u>Days</u>	<u>Units</u>		<u>Days</u>	<u>Units</u>		<u>Days</u>	<u>Units</u>		<u>Days</u>	<u>Units</u>	
Armor Battalion												
Infantry Battalion												
(etc.)												

Exhibit PBA-4 Land Forces

**LAND FORCES
COMPONENT TITLE**

FY PY <u>Actual</u>	FY CY <u>Estimate</u>	FY BY1 <u>Estimate</u>	FY BY2 <u>Estimate</u>
--------------------------------------	--	---	---

PERSONNEL DATA

Active Force Personnel

Officer
Enlisted
Cadets
Total

Civilian Personnel

U.S. Direct Hires
Foreign National Direct Hire
Total Direct Hire
Foreign National Indirect Hire
Total

Directions

Reflect program data under "Description of Operations Financed" and "Program Data" sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also identify any applicable major pricing changes between years. Financial data excludes T&CCP, Real Property Maintenance, and Base Operations costs reflected separately in the overview.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-4

Depot Maintenance Program
COMPONENT TITLE
(\$ in Millions)

<u>FY 19PY (1)</u>		<u>FY 19CY (1)</u>		<u>FY 19BY1 (1)</u>		<u>FY 19BY2 (1)</u>		Change	Change
Executable		Executable		Executable		Executable		CY	BY1
Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	to	to
Executable	Deferred	Executable	Deferred	Executable	Deferred	Executable	Deferred	<u>BY1</u>	<u>BY2</u>
<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Rqmt*</u>		

*Requirements

Operation & Maintenance (2)

Aircraft

Combat Vehicles

Ships (3)

Other (Specify)

Missiles, Software, Ordnance, Other end-item maintenance, other

Total

(1) Follow the general guidelines that apply to the OP-30 Exhibit, Chapter 3 of the DoD Financial Management Regulation.

(2) Indicate appropriation (Army, Army Reserve, etc.). Show amounts for each appropriation separately.

(3) Navy and Navy Reserve only. Ship maintenance for all other components should be included in "Other".

Summary of Changes (FY 19CY to FY 19BY1 & FY 19BY1 to FY 19BY2):

Price/Program and Narrative Explanation of Changes: Show changes in the funded requirement by price and program using the following format:

<u>Category</u>	<u>FY 19CY</u>	<u>Program</u>	<u>Price</u>	<u>FY 19BY1</u>	<u>Program</u>	<u>Price</u>	<u>FY 19BY2</u>
		<u>Change</u>	<u>Change</u>		<u>Change</u>	<u>Change</u>	
Aircraft							
Combat Vehicles							
Ships							
Other							
Total							

Succinctly explain any program change of plus or minus \$ million in any category. Relate the change to the number of units if applicable. For example, "Aircraft depot maintenance increase of \$11.2 million funds an additional ten airframes required because of the increasing average age of the aircraft inventory."

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-5 Depot Maintenance Program

**REAL PROPERTY MAINTENANCE
COMPONENT TITLE**

(\$ in Millions)

	FY PY	FY CY	FY BY1	FY BY2
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

Appropriation Summary:

Operation and Maintenance, Submit a separate exhibit for each O&M appropriation.

Description of Operations Financed: Separately describe maintenance and repair of real property and minor construction.

PROGRAM DATA

(Provide applicable program data)

Maintenance and Repair of Real Property
Minor Construction
Backlog of Maintenance and Repair (BMAR)

PERSONNEL DATA

Active Force Personnel

Officer
Enlisted
Cadets
Total

Civilian Personnel

U.S. Direct Hires
Foreign National Direct Hire
Total Direct Hire
Foreign National Indirect Hire
Total

Discussion:

Directions

Reflect program data under "Description of Operations Financed" and "Program Data" sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also identify any applicable major pricing changes between years.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-7 Real Property Maintenance

TRAINING AND EDUCATION

COMPONENT TITLE

(\$ in Millions)

FY PY

FY CY

FY BY1

FY BY2

Actual

Estimate

Estimate

Estimate

Appropriation Summary:

Operation and Maintenance, SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: (Provide narrative explanation of activities.)

Individual Training by Category by Service

(\$ in Millions)

FY PY

FY CY

FY BY1

FY BY2

Actual

Estimate

Estimate

Estimate

Recruit Training

Army (1)

Navy

Marine Corps

Air Force

Total

Specialized Skill Training

Army

Navy

Marine Corps

Air Force

Defense Health Program

SOCOM

Total

Professional Development

Army

Navy

Marine Corps

Air Force

Defense Health Program

SOCOM

DAU

Total

Officer Acquisition

Army

Navy

Marine Corps

Air Force

Defense Health Program (2)

Total

Exhibit PBA-8 Training and Education(page 1 of 4)

EXHIBIT PBA-8 (page 2 of 4)

TRAINING AND EDUCATION
COMPONENT TITLE

Individual Training by Category by Service

		(\$ in Millions)			
		FY PY	FY CY	FY BY1	FY BY2
		<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Flight Training	Army				
	Navy				
	Marine Corps				
	Air Force				
	Total				
Training Support	Army				
	Navy				
	Marine Corps				
	Air Force				
	Total				
Senior ROTC	Army				
	Navy				
	Air Force				
	Total				
Base Operating Support (3)	Army				
	Navy				
	Marine Corps				
	Air Force				
	SOCOM				
	Total				

(1) Includes Army One Station Unit Training (OSUT).

(2) Includes Uniformed Services University of Health Sciences (USUHS).

(3) Includes Base Operations and Real Property Maintenance in support of training.

TRAINING AND EDUCATION
COMPONENT TITLE

		(Hours in thousands)				
		FY PY	FY CY	FY BY1	FY BY2	
		<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	
Flying Hours	Army					
	Navy					(Include hours flown in Flight Training.)
	Air Force					
	Total					
<u>Workload Indicators 1/</u>						
	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Defense Health Program</u>	<u>SOCOM</u>
						<u>DAU</u>
<u>FY 19PY Actuals</u>						
Recruit Training						
One Station Unit Training						
Specialized Skill <u>2/</u> Officer Acquisition <u>3/</u>						
Flight Training						
Professional Development						
<u>FY 19CY Estimate</u>						
Recruit Training						
One Station Unit Training						
Specialized Skill <u>2/</u> Officer Acquisition <u>3/</u>						
Flight Training						
Professional Development						
<u>FY 19BY1 Estimate</u>						
Recruit Training						
One Station Unit Training						
Specialized Skill <u>2/</u> Officer Acquisition <u>3/</u>						
Flight Training						
Professional Development						
<u>FY 19BY2 Estimate</u>						
Recruit Training						
One Station Unit Training						
Specialized Skill <u>2/</u> Officer Acquisition <u>3/</u>						
Flight Training						
Professional Development						

TRAINING AND EDUCATION
COMPONENT TITLE

1/ Workload should agree with the Military Manpower Training Report (MMTR) and reflect direct and reimbursable workload associated with the dollars reported under training and education.

2/ Specialized skill includes initial skill, skill progression, and functional training for both officer and enlisted.

3/ Officer Acquisition includes Service academies, platoon leaders course, Officer Candidate/Training Schools, and other enlisted commissioning programs. Also includes USUHS and the Health Professional Scholarship Program..

Narrative Explanation of Changes: Provide a succinct narrative explanation of resource changes (for \$ provide in nearest tenth of a million) for each category of training between the Prior Year and Current Year, the Current Year and Biennial Year 1, and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also identify any applicable major pricing changes between years.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DEFENSE HEALTH PROGRAM

	FY PY	FY CY	FY BY1	FY BY2	CY-BY1	BY1-BY2
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>
<u>Defense Health Program</u>						
Operation and Maintenance (CHAMPUS)						
Procurement						
RDT&E						
Total, Defense Health Program						

Description of Operations Financed: (Provide narrative explanation of activities)

CHAMPUS Workload Indicators (In Thousands)

Paid Inpatient Admissions
Paid Outpatient Visits

Direct Medical Care Programs

Hospitals/Medical Centers
PRIMIS/NAVCARE Clinics
Medical Clinics
Dispositions
Inpatient Work Units
Occupied Bed Days
Average Length of Stay
Total Ambulatory Visits

Eligible Population

Active Duty Personnel
Dependents of Active Duty Personnel
Retired Personnel
Dependents of Retired and Deceased Military
Personnel
Total

Exhibit PBA-9 Defense Health Program

(page 1 of 2)

DEFENSE HEALTH PROGRAM

PERSONNEL DATA

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>	<u>CY-BY1</u> <u>Change</u>	<u>BY1-BY2</u> <u>Change</u>
<u>Civilian Personnel (FTEs)</u>						
U.S. Direct Hires						
Foreign National Direct Hire						
Total Direct Hire						
Foreign National Indirect Hire						
Total						
<u>Military Personnel (Average Strength)</u>						
Officers						
Enlisted						
Total						

CHAMPUS PROGRAM

CHAMPUS Health Care
CHAMPUS Dental Program
Subtotal Medical
OCHAMPUS COSTS
Total

DIRECT CARE PROGRAMS/CHAMPUS PROGRAM NARRATIVE EXPLANATION OF CHANGES In a separate section for both the direct care and CHAMPUS programs, explain the program increases and decreases. Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also identify any applicable major pricing changes between years.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Note: Procurement, RDT&E and Major OT&E justification material should be presented in accordance with the requirements in the applicable chapters of the Budget Guidance Manual.

BASE OPERATION SUPPORT (BOS)

Submit a separate exhibit for each O&M appropriation.

<u>Appropriation</u>	(\$ in Millions)			
	FY 19PY	FY 19CY	FY 19BY1	FY 19BY2
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Operation and Maintenance, (Base Operating Support) (Utility Operations) (Other Engineering Support)				

Separately identify funds for Utility Operations and Other Engineering Support as shown above.

Description of Operations Financed- Discuss by BOS functional category. Note that real property maintenance (RPM) functions are excluded from this exhibit. The RPM functions are reflected in Exhibit PBA-7. Reference ^{1/}below.

<u>Program Data</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Number of Installations</u>	<u>CONUS Overseas</u>	<u>CONUS Overseas</u>	<u>CONUS Overseas</u>	<u>CONUS Overseas</u>
<u>Active Forces</u>				
<u>Reserve Forces</u>				
<u>Personnel Assigned to BOS (Avg Strength/FTEs)</u>				
Military				
Officer				
Enlisted				
Cadets				
Total				
Civilian				
U.S. Direct Hires				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				

Discussion Explain significant changes in price and program (force structure, end strength, etc.) from the current year to the biennial year 1 (BY1) and from BY1 to Biennial year 2 (BY2). Include a summary of functional transfers and funding realignments made between those years. Specifically identify by base, name and location, any change in the number of 'installations. This requirement applies to either a change between the current year and the prior year, between the current year and the BY1, or between the BY2 and BY1.

1/ This category includes only those BOS program elements normally ending in "96" and that portion of the Real Property Maintenance Activities (RPMA) program elements normally ending in "94" that are associated with utility operations and Other Engineering Support. This category specifically excludes those RPMA activities associated with Real Property Maintenance, both maintenance and repair of real property and minor construction.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-10 Base Operations Support

RESERVE FORCES
COMPONENT TITLE

		(\$ in Millions)		
	FY PY	FY CY	FY BY1	FY BY2
<u>Appropriation Summary:</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Descripton of Operations Financed: (Provide narrative explanation of activities.)

PROGRAM DATA

(Provide applicable program data)

Aircraft Authorized (End FY)
Flying Hours
Air Wings
Air Squadrons
Flying Units
Operating Tempo (List separately applicable ground, flying, steaming)
Ship Inventory (End FY)
Steaming Hours
Divisions
Student Training Loads
Major Installations
Reserve Centers
Training Centers
Other Operating Locations
Major Equipment/Ships/Aircraft (End FY) (List Separately)

Depot Maintenance Repair Backlog (\$)
Backlog of Maintenance and Repair (\$)
Backlog of Repair Parts Backlog of Organizational Clothing and Equipment

Exhibit PBA-11 Reserve Forces
(page 1 of 2)

RESERVE FORCES
COMPONENT TITLE

PERSONNEL DATA

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>
<u>Selected Reserve and National Guard Personnel</u> (Avg Strength)				
Drill Strength				
Individual Mobilization Augmentees				
(2 week Active Duty)				
Full Time Duty				
Total				
Selected Reserve Average Strength				
Full-time Included (Memo)				
Civilian Personnel (FTEs)				
U.S. Direct Hires				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
Total				
(Military Technicians Included (Memo)				
Military Technicians Assigned to USSOCOM				

Directions

Reflect program data under "Description of Operations Financed" and "Program Data" sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also identify any applicable major pricing changes between years.

Data presented must be consistent with data displayed in other overview exhibits such as Key Activity Indicators, Appropriation Highlights, Training and Education, Civilian and Selected Reserve Manpower, etc. as well as the Reserve Forces justification material.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

COMMAND, CONTROL, AND COMMUNICATIONS

COMPONENT TITLE

(\$ in Millions)

	FY PY	FY CY	FY BY1	FY BY2
<u>Appropriation Summary:</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

Instructions: A separate format is required for each appropriation which have C³ identifiable costs. The costs should be listed by budget activity as well as total.

Description of Operations Financed: (Provide narrative explanation of activities.)

Preparer should keep in mind that this format is a feeder to a consolidated exhibit which will be prepared in the office of the Secretary of Defense.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

PROGRAM DATA

(Provide applicable program data)

	FY PY	FY CY	FY BY1	FY BY2
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
WWMCCS/Data Automation				
Defense Communication System				
Base Communications				
Management				
Info Systems Security				
Total				

Instructions: Appropriate data should be inserted on these lines to reflect your components program as approved and reflected in the President's budget. The line item stubs must be conformed to without change.

Exhibit PBA-12 Command, Control, and Communications

COMMAND, CONTROL, AND COMMUNICATIONS
COMPONENT TITLE

Discussion of Program Data:

Instructions: In the following sections, each component preparer should insert **APPROPRIATE NARRATIVE EXPLANATIONS OF CHANGES BETWEEN BUDGET YEARS**. These changes should be discussed in terms of both content and program changes. In this regard, changes in funding levels should be discussed and quantified. The general types of program need not be described if they were properly covered in the preceding years consolidated write-up. However, if there are any new programs not covered in the preceding years narrative appropriate narrative should be provided. Your input should be provided for each of the captions shown below. These relate to the program data section.

- **WWMCCS/Data Automation** -

- **Defense Communication System** -

- **Base Communications** -

- **Management** -

- **Info Systems Security** -

**TRANSPORTATION
COMPONENT TITLE**

(\$ in Millions)

	FY PY	FY CY	FY BY1	FY BY2
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

Appropriation Summary:
Operation and Maintenance

Provide a separate exhibit for each O&M appropriation (including Guard, Reserve, and Defense-wide). For purposes of this exhibit, transportation amounts for the active components include only those funded from the Servicewide Transportation Sub Activity Group (SAG) in Budget Activity 4 of the operation and maintenance appropriations.

FIRST DESTINATION TRANSPORTATION (FDT) Only FDT supporting O&M purchases should be included.

(Mode of Shipment)

Military Traffic:

Surface

Sealift

Airlift

Commercial:

Surface

Sea

Air

Total FDT

SECOND DESTINATION TRANSPORTATION (SDT) JCS exercises are included in Second Destination Transportation.

(Mode of Shipment):

Military Traffic:

Surface

Sealift

Airlift

Commercial:

Surface

Sea

Air

Total SDT

Exhibit PBA-13 Transportation

**TRANSPORTATION
COMPONENT TITLE**

	FY PY <u>Actual</u>	FY CY <u>Estimate</u>	FY BY1 <u>Estimate</u>	FY BY2 <u>Estimate</u>
<u>SECOND DESTINATION TRANSPORTATION (SDT)</u>				
<u>(Commodity Transported):</u>				
(Base Exchanges)				
(Military Supplies and Equipment)				
(Overseas Mail)				
(Subsistence)				
(TOTAL SDT)				

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also identify any applicable major pricing changes between years.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Management Headquarters

COMPONENT TITLE

(\$ in Millions)

Appropriation Summary:

Operation and Maintenance

FY PY

Actual

FY CY

Estimate

FY BY1

Estimate

FY BY2

Estimate

IDENTIFY EACH O&M APPROPRIATION

Total

Description of Operations Financed:

This exhibit will provide manpower and cost data for all organizations listed in the DoD Directive 5100.73 "Department of Defense Management Headquarters."

Management Headquarters estimates will agree with those included in the PB-22 exhibit (DoD Management Headquarters).

These estimates will reflect total (direct/reimbursable) O&M costs, civilian end strength funded in the O&M accounts and military headquarters personnel.

Program Data:

FY 19PY

FY 19CY

FY 19BY1

FY 19BY2

Management Headquarters

O&M Cost (\$ in Millions)

Personnel

Military (A/S)

Civilian (FTEs)

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, WYs/FTEs, etc.) for the period. Also identify any applicable major pricing changes between years. Financial data excludes T&CCP, Real Property Maintenance, and Base Operations costs reflected separately in the overview.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-16 Management Headquarters

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE

		(\$ in Millions)		
<u>Appropriation Summary:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Operation and Maintenance	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed:

Recruiting:

Provide brief description of the principal functions performed under each category.

Advertising:

Examining:

		(\$ in Millions)		
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
<u>Recruiting:</u> Provide by appropriation.				
Total				
<u>Advertising:</u> Provide by appropriation.				
Total				
<u>Examining:</u> Provide by appropriation.				
Total				

Exhibit PBA-17 Recruiting, Advertising, and Examining

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE

Program Data: The following program data shows workload indicator for Recruiting, Advertising and Examining.

FY PY	FY CY	FY BY1	FY BY2
<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

A. Recruiting:

Show enlisted accession plan, by appropriation, included in the O&M congressional justification books. Include nonprior and prior service in the same detail as for the O&M Congressional Justification books.

B. Examining: Provide Production Testing Workload and Medical Testing Workload (#in 000) for each Service)

Narrative Explanation of Changes: Provide narrative explanation of total resource change (tenths of \$ Millions) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, average strength, etc.) for the period. Also identify any applicable major pricing changes between years. The discussion of program growth should address recruiting, advertising and examining separately. Financial data excludes Command, Control, Communications; Real Property Maintenance; and Base Operations costs reflected separately in the overview.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

**APPROPRIATION HIGHLIGHTS
COMPONENT TITLE**

Operation and Maintenance.

	(\$ in Millions)							
	FY PY	FY CY	Price	Program	FY BY1	Price	Program	FY BY2
<u>Appropriation Summary:</u>	<u>Actual</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>

A separate exhibit must be provided for each appropriation included in the O&M Title.

Description of Operations Financed: Provide a narrative description of the type of functions financed by the Appropriation, explain the major reasons for price growth, and separately identify significant inter-appropriation transfers-in and transfers-out from program growth.

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Budget Activity 1: Operating Forces				

Budget Activity 2: Mobilization

Budget Activity 3: Training and Recruiting

Budget Activity 4: Administration and Servicewide Activities

Narrative Explanation of Changes: For each budget activity, provide a succinct narrative explanation of total resource change (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, average strength/FTEs, etc.) for the period. Also identify any applicable major pricing changes between years.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-19 Appropriation Highlights

MANPOWER TABLES

DEPARTMENT OF _____
Civilian Personnel

Instructions: Civilian Personnel data is to be displayed by U.S. Direct Hire, Foreign Direct Hire and Indirect Hire, and by type of appropriation. All civilian personnel are to be shown as full-time equivalents.

	(Full-Time Equivalent)			
	FY 19PY	FY 19CY	FY 19BY1	FY 19BY2
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
<u>By Appropriation and Type of Hire</u>				
Operation and Maintenance, Active				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
Total				
Operation and Maintenance, Reserve				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
Total				
Operation and Maintenance, Guard				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
Total				
DBOF				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
Total				
Research, Development, Test and Evaluation				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
Total				

Etc. (Identify all appropriations/funds that finance civilian personnel.)

Component Total

U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
Total				

Exhibit PBA-20 Manpower Tables

DEPARTMENT OF _____
Civilian Personnel

		(End Strength)	
	PY to CY	CY to BY1	BY1 to 19BY2
<u>Summary of Increases/Decreases</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>

Total Changes

Instructions: Identify specific increases/decreases to the Component's civilian end strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). Changes are to address all appropriations/funds that finance civilian personnel as well as direct and indirect hires employees. The total for each column will be the difference between fiscal years. All numbers shown will be full-time equivalent end strength. **Stub entries such as "OSD/OMB reduction" are not acceptable.**

POC: Identify a Point of Contact who can answer questions on data provided in this exhibit.
Extension:

DEPARTMENT OF _____
Military Personnel - Active

	FY 19PY	FY 19CY	(Average Strength) FY 19BY1	FY 19BY2
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
<u>Military Personnel, (A/N/MC/AF)</u>				
Officer				
Enlisted				
Cadets				
Total				

	(Average Strength)
Officer	
Enlisted	
Cadets	
Total	

	(Average Strength) PY to CY	(Average Strength) CY to BY1	BY1 to 19BY2
<u>Summary of Increases/Decreases</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>

Total Changes

Instructions: Identify specific increases/decreases to the Component's military average strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). The total for each column will be the difference between fiscal years. **Stub entries such as "OSD/OMB reduction" are not acceptable.**

POC: Identify a Point of Contact who can answer questions on data provided in this exhibit.
Extension:

DEPARTMENT OF _____
Selected Reserve and National Guard Personnel

	FY 19PY <u>Actual</u>	FY 19CY <u>Estimate</u>	(End Strength) FY 19BY1 <u>Estimate</u>	FY 19BY2 <u>Estimate</u>
<u>By Appropriation and Drill Status</u>				
Drill Strength				
Individual Mobilization Augmenters (2 week Active Duty)				
Full Time Duty				
Total	Provide for each appropriation and a grand total for the Service			

(Average Strength)

Drill Strength	
Individual Mobilization Augmentees (2 week Active Duty)	
Full Time Duty	
Total	Provide for each appropriation and a grand total for the Service

	PY to CY <u>Change</u>	(End Strength) CY to BY1 <u>Change</u>	BY1 to 19BY2 <u>Change</u>
<u>Summary of Increases/Decreases</u>			

Total Changes

Instructions: Identify specific increases/decreases to the Component's military end strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). The total for each column will be the difference between fiscal years. **Stub entries such as "OSD/OMB reduction" are not acceptable.**

POC: Identify a Point of Contact who can answer questions on data provided in this exhibit.
Extension:

KEY ACTIVITY INDICATORS

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>
<u>Operation and Maintenance, Army</u>				
Active Duty Military Personnel (A/S)				
Civilian Personnel (FTEs)				
Aircraft Inventory (End FY)				
Flying Hours (000's)				
Training Workloads <u>1/</u>				
Major Installations				
<u>Operation and Maintenance, Navy</u>				
Active Duty Military Personnel (A/S)				
Civilian Personnel (FTEs)				
Aircraft Inventory (End FY)				
Flying Hours (000's)				
Ship Inventory				
Steaming Hours (000's)				
Training Workloads <u>1/</u>				
Major Installations				
<u>Operation and Maintenance, Marine Corps</u>				
Active Duty Military Personnel (A/S)				
Civilian Personnel (FTEs)				
Training Workloads <u>1/</u>				
Major Installations				
<u>Operation and Maintenance, Air Force</u>				
Active Duty Military Personnel (A/S)				
Civilian Personnel (FTEs)				
Aircraft Inventory (End FY)				
Flying Hours (000's)				
Training Workloads <u>1/</u>				
Major Installations				

1/ Training workloads should agree with those to be reflected in the budget year's Military Manpower Training Report.

Exhibit PBA-21 Key Activity Indicators

KEY ACTIVITY INDICATORS

FY PY
Actual

FYCY
Estimate

FY BY1
Estimate

FY BY2
Estimate

Operation and Maintenance, Army Reserve

Total Selected Reserve Strength (Average Strength)
Civilian Personnel (FTEs)
(Technicians Included Above)
Flying Hours (000's)
Aircraft Inventory (End FY)
Reserve Centers
Major Installations

Operation and Maintenance, Navy Reserve

Total Selected Reserve Strength (Average Strength)
Civilian Personnel (FTEs)
Aircraft Inventory (End FY)
Flying Hours (000's)
Ship Inventory
Steaming Hours (000's)
Training Centers
Major Installations

Operation and Maintenance, Marine Corps Reserve

Reserve Personnel (Average Strength)
Civilian Personnel (FTEs)
Division/Wing Team
Training Centers

Operation and Maintenance, Air Force Reserve

Total Selected Reserve Strength (Average Strength)
Civilian Personnel (FTEs)
(Technicians Included Above)
Aircraft Inventory (End FY)
Flying Hours (000's)
Major Installations
Other Operating Locations

Operation and Maintenance, Army National Guard

Total Selected Reserve Strength (Average Strength)
Civilian Personnel (FTEs)
(Technicians Included Above)
Aircraft Inventory (End FY)
Flying Hours (000's)
Training Locations

KEY ACTIVITY INDICATORS

FY PY
Actual

FY CY
Estimate

FY BY1
Estimate

FY BY2
Estimate

Operation and Maintenance, Air National Guard

Total Selected Reserve Strength (Average Strength)
Civilian Personnel (FTEs)
(Technicians Included Above)
Aircraft Inventory (End FY)
Flying Hours (000's)
Major Installations
Other Operating Locations

Defense Health Program

Aircraft Inventory, End FY
Flying Hours (000's)
Training Workloads
Medical Centers and Hospitals
Average Daily Patient Load

MOBILIZATION
Operation and Maintenance, (Service)

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	(\$ in Millions) <u>FY BY2</u> <u>Estimate</u>	<u>CY - BY1</u> <u>Change</u>	<u>BY1 - BY2</u> <u>Change</u>
Army						
Navy						
Air Force						
Defense-Wide						
Total						

This exhibit, formerly Airlift and Sealift Programs, has been expanded to include all of Budget Activity 2, Mobilization.

Dollar amounts shown in this table should match the total of Budget Activity 2, less Activations/Inactivations for the Navy.

Narrative Description: Provide a brief description of programs financed.

AIRLIFT AND SEALIFT PROGRAMS

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	(\$ in Millions) <u>FY BY2</u> <u>Estimate</u>	<u>CY - BY1</u> <u>Change</u>	<u>BY1 - BY2</u> <u>Change</u>
--	-------------------------------	---------------------------------	----------------------------------	--	----------------------------------	-----------------------------------

Airlift Forces:

AIR FORCE:

Show the amount of the direct payment (subsidy) made for airlift to the U.S. Transportation Command.

Sealift Forces:

ARMY:

Afloat Propositioned Fleet (#/\$) 1/

Training Exercises (#/\$) 2/

Other 3/

Total (This total should equal the Strategic Mobility sub-activity group of Budget Activity 2, Mobilization.)

NAVY:

Maritime Prepositioned Ships (#/\$) 1/

Fast Sealift Ships (#/\$) 1/

Hospital Ships (#/C) 1/

Aviation Logistics Support (#/\$) 1/

Prepositioned Fleet Hospital (#/\$) 1/

Training Exercises (#/\$) 2/

Other 3/

Total (This total should equal the Ship Prepositioning and Surge sub-activity group of Budget Activity 2, Mobilization.)

Exhibit PBA-22 Mobilization Programs

AIR FORCE:

Afloat Prepositioned Fleet (#/\$)	1/
Training Exercises (#/\$)	2/
Other	3/

Total (There is no corresponding sub-activity group within the Air Force O-1 structure.)

DEFENSE-WIDE:

Afloat Prepositioned Fleet (#/\$)	1/
Training Exercises (#/\$)	2/
Other	3/

Total (There is no corresponding sub-activity group within the Defense-Wide O-1 structure.)

OTHER MOBILIZATION PROGRAMS - Budget Activity 2

	FY PY <u>Actual</u>	FY CY <u>Estimate</u>	FY BY1 <u>Estimate</u>	(\$ in Millions) FY BY2 <u>Estimate</u>	CY-BY1 <u>Change</u>	BY1 - BY2 <u>Change</u>
Activations/Inactivations						
POMCUS						
War Reserve Activities						
Industrial Preparedness						
Fleet Hospital Program						
Industrial Readiness						
Coast Guard Support						
Airlift Operations						
Airlift Operations C3I						
Airlift Operations Training						
Mobilization Preparedness						
Base Support						

Do not include dollars in this section that are shown in the Airlift or Sealift Forces above.

Memo Entries - Not Funded in BA 2

USMC Prepositioning	
Joint Exercise Program	
Other (e.g., preposition exercises)	

Show as a memo entry funding in other than Budget Activity 2 for the maintenance or replacement of equipment and supplies on board prepositioned ships or in POMCUS. Also show funding (outside of BA 2) for exercises of the the fast sealift ships, the hospital ships, the aviation logistics support ships, or any of the prepositioning ships.

Exhibit PBA-22

(page 2 of 3)

PRICE/PROGRAM AND NARRATIVE EXPLANATION OF CHANGES

FY CY Estimate	\$	
Price Changes	\$	
Program changes	\$	Succinctly describe major program increases or decreases. Relate to performance factors if applicable, e.g. number of exercises.
Increases	\$	
Decreases	\$	
FY BY1 Estimate	\$	
Price Changes	\$	
Program changes	\$	
Increases	\$	
Decreases	\$	
FY BY2 Estimate	\$	

1/ Show the total number of ships (at the end of the fiscal year) for this category and the total amount of per diem payments made to the National Defense Sealift Fund (NDSF) or the U.S. Transportation Command. The Defense Logistics Agency (DLA) should report the cost of afloat prepositioned tankers used by the Defense Fuel Supply Center.

2/ Show the number of planned exercises and the total amount budgeted. Do not include JCS funded exercises in the Service submissions. JCS exercises and funding will be reported as Defense-Wide.

3/ Show Service-funded costs not included as part of the per diem payment to the NDSF but which are directly related to the sealift program. This would include enhancements and modifications to on-board systems.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-22

SUMMARY OF FUNCTIONAL TRANSFERS AND FUNDING REALIGNMENTS
INCLUDED IN FY 19BY1/FY 19BY2

(TOA, Dollars in Millions)

	<u>AMOUNT</u>	<u>CIVILIAN FTE</u>	<u>MILITARY END STRENGTH</u> <u>(Memo only)</u>
--	---------------	-------------------------	--

FY 19BY1

Reason for Transfer

Into:	From:
(Appropriation)	(Appropriation)

Reason for Transfer

Into:	From:
(Appropriation)	(Appropriation)

Summary

Net Transfer by Appropriation:

Appropriation
Appropriation

FY 19BY2

Reason for Transfer

Into:	From:
(Appropriation)	(Appropriation)

Reason for Transfer

Into:	From:
(Appropriation)	(Appropriation)

Summary

Net Transfer by Appropriation:

Appropriation
Appropriation

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-25 Functional Transfers and Realignments

SPECIAL OPERATIONS FORCES

		(\$ in Millions)		
BY2	FY PY	FY CY	FY BY1	FY
<u>Appropriation Summary:</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	

Estimate

Operation and Maintenance

Description of Operations Financed: (Provide narrative explanation of activities included.)

Manpower

Active Force Personnel

Army
Navy
Marine Corps
Air Force
Total

Civilian Personnel:

Army
Navy
Air Force
Total

Selected Reserve

Army Reserve
Navy Reserve
Marine Corps Reserve
Air Force Reserve
Army National Guard
Air National Guard
Total

Aircraft (End FY)

Flying Hours (# in thousands)

Flying Hours Cost (\$ in millions)

Ship Inventory

Steaming Hours (000's)

Directions

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (\$ in tenths of millions) between each fiscal year by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years.

Exhibit PBA-26 Special Operations Forces

DIRECT HIRE PERSONNEL SUMMARY
OPERATION AND MAINTENANCE, _____

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
Total number of full-time permanent positions (FTEs)				
Total compensable FTEs:				
Full-time equivalent employment				
U.S. Direct Hires				
Foreign Nationals				
Total Direct Hires				
Total Full-time equivalent employment				
Full-time equivalent of overtime and holiday hours (FTEs)				
Average FTE salary				
Average GM salary				
Average GS grade				
Average GS salary				
Average salary of ungraded positions				

Instruction: The above data will be in accordance with OMB Circular A-11. The data provided on this exhibit will agree with the data provided for the Personnel Summaries in the printed Program and Financing schedules and with the direct and reimbursable funded data reflected on the OP-8, Civilian Personnel Cost, exhibit. To determine average salary use the data reflected on the OP-8 exhibit for each type of employee and divide the total basic compensation data for each type by their total number of straight-time workyears.

Exhibit PB-31C Direct Hire Personnel
(page 1 of 3)

INDIRECT HIRE CIVILIAN EMPLOYMENT
OPERATION AND MAINTENANCE, _____

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
	End	End	End	End
<u>Detail by Budget Activity</u>	<u>Strength FTEs \$(000)</u>	<u>Strength FTEs \$(000)</u>	<u>Strength FTEs \$(000)</u>	<u>Strength FTEs \$(000)</u>
Full-time Permanent				
Other				
Total Direct Hire				
Foreign National Separation Liability (Only provide funding. Do not show end strength or FTE.)				
Total				
<u>Detail by Budget Activity</u>				
Total				
(Reimbursable Data included above)				

Instructions: The data provided on this exhibit will agree with the data provided on the OP-8, Civilian Personnel Cost, exhibit

Exhibit PB-31C (page 2 of 3)

INDIRECT HIRE CIVILIAN EMPLOYMENT

OPERATION AND MAINTENANCE, _____

	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
End		End	End	End
<u>Strength FTEs \$(000)</u>		<u>Strength FTEs \$(000)</u>	<u>Strength FTEs \$(000)</u>	<u>Strength FTEs \$(000)</u>
<u>Detail by Budget Activity</u>				

Foreign National Separation Liability (Only provide funding. Do not show end strength or workyears.)

Total Indirect Hire

(Reimbursable Data
included above)

Instructions: The data provided on this exhibit will agree with the Indirect Hire data provided on the OP-8, Civilian Personnel Costs, exhibit.

EXHIBIT PB-31C (page 3 of 3)

**Operation and Maintenance
Summary of Increases and Decreases
(\$000s)**

Appropriation: _____

1. FY 19CY President's Budget
2. Congressional Adjustment (List items)
3. FY 19CY Appropriation Enacted
4. Proposed Supplemental (Show Pay and Program Supplemental Separately)
5. Transfers In
6. Transfers Out
7. **Revised FY 19CY Estimate**
8. Price Growth
9. Transfers In
10. Transfers Out
11. Program Increases
 - a. Annualization of New FY 19CY Program
 - b. One-Time FY 19BY1 Costs
 - c. Program Growth in FY 19BY1
 - d. New FY 19BY1 Program
12. Total Increases
13. Program Decreases:
 - a. One-Time FY 19CY Costs
 - b. Annualization of FY 19CY Program Decreases
 - c. Program Decreases in FY 19BY1
14. Total Decreases
15. **FY 19BY1 President's Budget**
16. Price Growth
17. Transfers In
18. Transfers Out
19. Program Growth
 - a. Annualization of New FY 19CY Program
 - b. One-Time FY 19BY1 Costs
 - c. Program Growth in FY 19BY1
 - d. New FY 19BY1 Program
20. Total Increases
21. Program Decreases:
 - a. One-Time FY 19CY Costs
 - b. Annualization of FY 19CY Program Decreases
 - c. Program Decreases in FY 19BY1
22. Total Decreases
23. **FY 19BY2 President's Budget**

NOTE: Substitute appropriate fiscal years to show current year and biennial years.

INSTRUCTIONS

1. Line 7 will reflect the FY 19CY column of the FY 19BY1/19BY2 President's Budget including all proposed Supplemental.
2. This exhibit will beat the total appropriation level only for each appropriation in Title III of the FY 19BY1/BY2 DoD Appropriation request.

Exhibit PB-31D Summary Increases/Decreases

DATE: _____

DEPARTMENT OF _____
MILITARY BANDS
FY 19BY1/FY 19BY2 PRESIDENT'S BUDGET

FY 19PY **FY 19CY** **FY 19BY1** **FY 19BY2**

Number of Bands

CONUS
Overseas

Total

Military Personnel

Officers
Enlisted

Total

Annual Performance

(in Thousands)

(Identify Number by Type of Function)

Resource Requirements by Appropriation

(\$ in Millions)

Military Personnel
Operation and Maintenance

Total

Justification

Provide a brief statement justifying the dollars and personnel requested. Also explain changes in performances, dollars, and personnel from year to year.

Exhibit PB-31M Military Bands

EXHIBIT PB-31M Military Bands

DEPARTMENT OF _____
 FY 19BY1/FY 19BY2 PRESIDENT'S BUDGET
 MANPOWER CHANGES IN FULL-TIME EQUIVALENT STRENGTH
 FY 19PY through FY 19BY2

	<u>US Direct Hire</u>	<u>Foreign National</u> <u>Direct Hire</u>	<u>Indirect Hire</u>	<u>Total</u>
1. FY 19PY FTEs <u>a/ b/</u>				
-	a/Civilian personnel data includes both direct and indirect full			
- (changes)	time equivalent (FTE) end strength for all appropriations.			
-				
-	b/FTEs reported under Direct Funded will include full			
2. FY 19CY FTEs	time equivalent end strength financed on a direct and			
-	reimbursable basis.			
- (changes)				
-				
3. FY 19BY1 FTEs	Changes must be in sufficient detail to give the Congress an idea			
-	as to what specific programs are being impacted (e.g. TRIDENT, B-1B,			
- (changes)	MICOM Support, etc.). Do not provide data by Defense Planning,			
-	Programming Category (DPPC) or in broad generic categories (e.g.,			
4. FY 19BY2 FTEs	Force Modernization). Identify military-to-civilian conversions			
	and transfers separately. Stub entries such as "OSD/OMB Directed Reduction" are unacceptable.			
5. SUMMARY (Summarize FTEs by Fiscal Year, by Appropriation/Fund, and Total.)				
FY 19PY				
O&M Total				
Direct Funded				
Reimbursable Funded				
Other appropriations (Reserve, Guard, RDT&E, Defense Business Operations Fund, etc.. Identify each appropriation/fund separately.)				
Direct Funded				
Reimbursement Funded				
Total Component				
Direct Funded				
Reimbursable Funded				
(Repeat for FY 19CY, FY 19BY1, and FY 19BY2)				

NOTE: The Full Time Equivalent (FTE) end strength on this exhibit will agree with the FTE data provided on the OP-8, Civilian Personnel Costs, and the PB-31R, Civilian Personnel Budget Calculations.

Exhibit PB-31Q Manpower Changes in Full-time Equivalent End Strength

DEPARTMENT OF _____
CIVILIAN PERSONNEL BUDGET CALCULATION
FY 19BY1/FY 19BY2 PRESIDENT'S BUDGET
Fiscal Year PY/CY/BY1/BY2

		In thousands of dollars			
	End	Compensation	Benefits	Total	Average
	<u>Strength</u>	<u>FTEs</u>	<u>O.C. 11</u>	<u>O.C. 12</u>	<u>Compensation</u>
<u>SUMMARY</u>					
Direct Hire Civilians, United States:					
Classified and administrative					
Wage Board					
Total United States					
Direct Hire Foreign Nationals					
Total Direct Hire					
Disadvantaged Employment*					
Indirect Hire, Foreign Nationals					
Foreign National Separation Liability Accrual					
Benefits for Former Employees (O.C. 13)					
Total Civilian Personnel Costs					

OPERATION AND MAINTENANCE

(Identify each appropriation/fund separately.)

Direct Hire Civilians, United States:						
Classified and administrative						
Wage Board						
Total United States						
Direct Hire, Foreign Nationals						
Total Direct Hire						
Disadvantaged Employment*						
Indirect Hire, Foreign Nationals						
Foreign National Separation Liability Accrual						
Benefits for Former Employees (O.C. 13)						
Total Civilian Personnel Costs						

Instructions: The numbers on this exhibit must agree with the numbers on the OP-8, Civilian Personnel Costs. (*Display disadvantaged employment data [workyears and funding] for the PY only, since Components are not to budget for disadvantage employment.) All appropriations/funds containing civilian personnel shall be displayed in this exhibit, with a total shown in the summary section. All end strength shown on this exhibit shall be full-time equivalent end strength. The parent Service will show all appropriations, including guard and Reserve and all other appropriations. Defense Agencies will display all appropriations including RDT&E and Industrial Funds. Defense Agencies that have only RDT&E funded civilian must also submit this Exhibit as well as an OP-8 exhibit to Room 3D868 for inclusion in the Defense Agencies Data Book.

Exhibit PB-31R Civilian Personnel Budget Calculation

DEPARTMENT OF (1)
ACTUAL/PROPOSED HOURLY REIMBURSEMENT RATES FOR DOD-OWNED HELICOPTERS
FY 19(2)

<u>Hourly Costs</u>							<u>Reimbursable Rates</u>		
<u>Type A/C</u>	<u>Fuel</u>	<u>DLR</u>	<u>Depot Maintenance</u>	<u>Other</u>	<u>Crew Salary</u>	<u>Depreciation</u>	<u>DoD Rate</u>	<u>Other Fed. Agency Rate</u>	<u>Public Rate</u>
(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

Note: Submit this exhibit only for the President's Budget after DBOF rates have been established for the budget years. Submit the exhibit directly to DoD Office of the Comptroller, Director for Accounting Policy.

NARRATIVE JUSTIFICATION
(13)

INSTRUCTIONS

- (1) Insert Army, Navy or Air Force, as applicable.
- (2) Insert applicable fiscal year. Separate exhibits should be provided for the prior year, current year, and biennial year 1, and biennial year 2.
- (3) Separately list and provide data for each applicable type/model/series of helicopter in the Component's inventory.
- (4) Fuel costs should be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force). If for any reason, the OP-20 Exhibit series does not include an applicable Type/Model/Series of helicopter, fuel costs should be computed by dividing the total actual or budgeted cost of fuel for the fiscal year by the total number of actual or budgeted flying hours.
- (5) Depot-level reparable (DLR) costs should be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force). If for any reason, the OP-20 Exhibit series does not include an applicable Type/Model/Series of helicopter, DLR costs should be computed by dividing the total actual or budgeted DLR costs for the applicable fiscal year by the total number of actual or budgeted flying hours.
- (6) Include an hourly rate for Operation and Maintenance funded depot maintenance cost for airframes, engines, and components. This cost should be a fleet average for that Type/Model/Series, i.e. the amount of depot maintenance budgeted for each Type/Model/Series divided by the number of hours budgeted for that Type/Model/Series.
- (7) Other costs should equal corresponding other amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force--for Air Force, this is equal to the General Support/Systems Support [GS+SS] column in Exhibit OP-20E). If for any reason, the OP-20 Exhibit series does not include an applicable Type/Model/Series of helicopter, other costs should be computed by adding all operating costs (other than fuel and DLRs) and dividing the total actual or budgeted other costs for the applicable fiscal year by the total number of actual or budgeted flying hours.
- (8) Crew salary amounts should be computed based on the number and grade of military personnel operating the helicopter. Crew salary costs should be computed by:

Exhibit OP-20H Reimbursement Rates for DoD-Owned Helicopters
 (page 1 of 2)

(a) Multiplying the number of crew members in each applicable military grade times the annual Military Standard Composite Rate for that grade plus any applicable special pays or allowances that normally apply to helicopter crew members.

(b) Dividing the result of (a) by 2080 (hours) to convert the annual rate to an hourly rate, by grade.

(c) Multiplying the results of (b) by a factor of 120 percent for officers and 132 percent for enlisted personnel (This calculation increases the hourly rate by 20 and 32 percent for fringe benefits for officers and enlisted personnel, respectively. These factors are composed of 14 percent for leave and holiday for both officers and enlisted, plus 6 percent for officers, and 18 percent for enlisted personnel, for other fringe benefits.)

(d) Adding the sum of the amounts arrived at in (c) for each grade.

The computation of crew salary amounts should be supported by a separate table attached to Exhibit OP-20H.

(9) Depreciation shall be computed by dividing the total capital costs of the helicopter by the helicopter's useful life (not to exceed 20 years). Total capital costs are the sum of

(a) The initial acquisition cost of the helicopter, plus

(b) The cost of modification and modernization efforts on the helicopter, less

(c) The estimated residual value of the helicopter at the expiration of its useful life.

In the absence of a known useful life, or capitalized modification and modernization amounts, depreciation should be computed by applying 5.5 percent to the initial acquisition cost. Exhibit

OP-20H should be footnoted for each model/type/series of helicopter when this approach (the use of 5.5 percent of acquisition cost) is used in lieu of actual depreciation.

(10) The DoD rate should be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6)--Dept Maintenance, and (7)--Other.

(11) The Other Federal Agency Rate should be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6) Depot Maintenance, (7)--Other, and (8)--Crew Salary.

(12) The Public Rate should be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6) Depot Maintenance, (7)--Other, (8)--Crew Salary, and (9)--Depreciation.

(13) A brief description should be provided to explain changes, of 10 percent or more, between previously budgeted and actual amounts for the prior fiscal year, deviations between previously budgeted and currently budgeted amounts for the current year, deviation between previously budgeted and currently budgeted amounts for biennial year 1 or biennial year 2, as well as previously unexplained deviations between fiscal years (prior year to current year, current year to biennial year 1, and biennial year 1 to biennial year 2).

Exhibit OH-20H (page 2 of 2)

VOLUME 2A

BUDGET PRESENTATION AND FORMULATION

JULY 1996

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

FOREWORD

SUMMARY OF CHANGES

CHAPTER 1 GENERAL INFORMATION

0101 GENERAL POLICIES

0102 FUNDING POLICIES

0103 BUDGET ESTIMATES SUBMISSION

0104 CONGRESSIONAL JUSTIFICATION/PRESENTATION

0105 AUTOMATION REQUIREMENTS

0106 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATIONS

0107 GENERAL GUIDANCE SUBMISSION FORMATS

CHAPTER 2 MILITARY PERSONNEL

0201 GENERAL

0202 ACTIVE MILITARY PERSONNEL APPROPRIATIONS

0203 RESERVE MILITARY PERSONNEL APPROPRIATIONS

0204 DOD MILITARY PERSONNEL RETIREMENT REQUIREMENTS

0205 DOD MILITARY PERSONNEL - CIVIL FUNCTIONS

0206 MILITARY PERSONNEL APPROPRIATION SUBMISSION FORMATS

CHAPTER 3 OPERATION AND MAINTENANCE

0301 GENERAL

0302 BUDGET ESTIMATES SUBMISSION

0303 CONGRESSIONAL JUSTIFICATION/PRESENTATION

0304 OPERATION AND MAINTENANCE APPROPRIATION SUBMISSION FORMATS

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Return to [ComptrollerLINK](#)



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

JUN 26 1998



FOREWORD

Volume 2 of the Department of Defense Financial Management Regulation is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures" which governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It identifies financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. In addition, it identifies statutory and regulatory financial reporting requirements.

This volume of the Regulation establishes procedures for DoD Components to use in budget presentation and formulation and applies to the Office of the Secretary of Defense, the Military Departments, the Joint Staff, the Unified Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

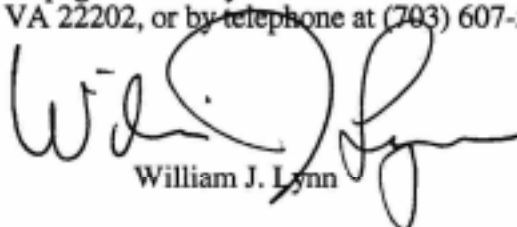
This update is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
Director for Plans and Systems
1100 Defense Pentagon
Washington, DC 20301-1100

All 15 volumes of the DoD Financial Management Regulation are available on the Internet at: <http://www.dtic.mil/comptroller/fmr>. Printed or CD-ROM copies of the regulation may be ordered through this Internet homepage or directly from the Defense Automated Printing Service, at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.


William J. Lynn

Budget Formulation and Presentation**Volume 2 Structure**

<u>Chapter</u>	<u>Title</u>
<u>Volume 2A</u>	
1	General Information
2	Military Personnel Appropriations
3	Operation and Maintenance Appropriations
<u>Volume 2B</u>	
4	Procurement Appropriations
5	Research, Development and Evaluation Appropriations
6	Military Construction/Family Housing Appropriations
7	Base Realignment and Closure Appropriations
8	Real Property Maintenance/Minor Construction
9	Defense Working Capital Funds Activity Group Analysis
10	Public Enterprise, Management and Trust Funds
11	Offsetting Receipts
12	Defense Health Program
13	Defense Environmental Restoration Program
14	Drug Interdiction and Counter-drug Activities
15	Overseas Cost Report
16	Intelligence Programs/Activities
17	Command, Control and Communications
18	Information Technology
19	Other Special Analyses

Volume 2 has been divided into two books for the convenience of the user because of the Volume size. Volume 2A and 2B are both necessary for the formulation and preparation of the budget.

Volume 2**Table of Contents**

Foreword	i
Volume Structure	ii
Table of Contents	iii
Summary of Changes	iv

Chapter detail Table of Contents are at the beginning of each chapter. Chapter page numbers are preceded by the number of the chapter (e.g., 9-2 and 19-50.)

SUMMARY OF VOLUME 2 CHANGES

Section Number	Changes
0101	All References to the Defense Business Operations Fund (DBOF) have been changed to the Defense Working Capital Funds (DWCF).
010108	Identifies revised location of security classification instructions for intelligence programs/activities.
010201	<p>Adds expense/investment criteria to determine financing for engineering efforts to satisfy deficiency.</p> <p>Adds expense/investment criteria to clarify funding policy for incidental material and conditional requirements identified during a modification.</p> <p>Defines service life extension programs that can be funded in Procurement and in O&M.</p> <p>Clarifies software funding policy.</p> <p>Deletes "with the exception of investment funded parts" to eliminate confusion.</p> <p>Updates the expense/investment dollar threshold.</p>
010202	<p>Expands discussion on the use of long lead material.</p> <p>Clarifies economic order quantity purchase requirements.</p>
010203	Clarifies multiyear procurement requirements for stable configuration, realistic cost estimates, present value analysis, support cost certification, cancellation ceilings, and economic order quantity purchase requirements.
010205	<p>Deletes section requiring Intrusion Detection Systems to be funded only in the Other Procurement appropriations or in the Capital Budget of the DWCF business area.</p> <p>Adds section regarding engineering change order funding.</p>
010205	Adds paragraph acknowledging engineering change order funding requirements.
010208	<p>Deletes requirement for acquisition pilot program documentation. Renumbers remaining sections.</p> <p>Clarifies funding policy for nondevelopmental item (NDI) procurement.</p> <p>Clarifies appropriation that can be used to procure NDI items.</p>
010209	Deletes paragraph regarding funding replenishment spares in procurement.
010210	Deletes statement that assets can be retained in the Special Defense Acquisition Fund.

Section Number	Changes
010212	<p>Updates Low Rate Initial Production (LRIP) reference and clarifies appropriations that can be used for LRIP.</p> <p>Adds sentence regarding lack of competition and prioritization if efforts are not properly categorized in RDT&E.</p> <p>Clarifies when it is appropriate to use procurement or O&M funding for product improvements (as long as no development or initial operational tests are required).</p> <p>Clarifies funding policy for low rate initial production assets.</p> <p>Adds paragraph for test article funding for space systems. Renumbers remaining paragraphs.</p>
010213	<p>Adds another method to fund RDT&E requirements.</p> <p>Adds paragraph acknowledging engineering change order funding requirements.</p>
010217	Clarifies the method for computing military personnel costs.
010218	<p>Policy allowing the recovery of Accumulated Operating Results over a 2-year period is added.</p> <p>Policy concerning recovery of unplanned losses in Depot Maintenance activity groups is explained.</p>
010219	<p>Revises capital budget thresholds.</p> <p>Upper limits for Minor Construction Project is increased to \$500,000.</p> <p>Upper Limit for minor construction projects intended solely to correct a deficiency that is life threatening, health threatening, or safety threatening is increased to \$1,000,000.</p> <p>Depreciation schedules are updated for changes in Software Development. New Depreciation schedules which comply with FASAB #6 are listed for use beginning in FY 2000.</p>
010223	<p>Procurement Glossary: Established as separate section.</p> <p>Adds and clarifies several definitions.</p>
010224	<p>RDT&E Glossary: Established as separate section.</p> <p>Adds definition for test article.</p>
010301	Modified to indicate that Capital budgets are to be submitted in landscape format.
010302	<p>Distribution addresses revised.</p> <p>Distribution copy requirements revised.</p> <p>Guidance to call budget receiving office prior to delivery added.</p>

Section Number	Changes
010401	Information Technology budget requirements revised and reviewing organization changed. Intelligence and C ³ program guidance referred to Chapters 16 and 17.
010403	Guidance on distribution of President's budget justification material significantly revised. Requirements for Internet sites <u>and</u> CD-ROM for President's budget justification material added. Distribution requirements changed for copy quantities. Internal DoD paper copy distribution essentially limited to classified budget documents. Unclassified will be placed on Internet sites. Guidance to call budget receiving office prior to delivery added.
010404	Security review procedures clarified.
010405	Processing procedures updated.
010406	Guidance on classified appeals added. Reference to individual oversight committees deleted. Appeals will be to conferees.
010501	Deletes FYDP from Budget Automation Requirements reporting. New Section 0107 established for the Automated Future Years Defense Program (FYDP).
010502	Procurement Annex renamed to Procurement Programs. Adds P-1R report and Procurement Cost Type codes "S" for Reserve Equipment (Memo Non-Add) and "T" for National Guard Equipment (Memo Non-Add).
010503	RDT&E Annex renamed to RDT&E Programs.
010505	Updates list of accounts which require an Obligation Plan as part of the budget estimate submission. Updates financing code stub entries for Budget Review System (BRS) Programming and Financing schedule and updates the table displaying relationship between OMB's Program and Financing (P&F) Schedule in OMB Circular A-11 and DoD's Budget Review System. Updates diagnostics for BRS error messages. Budget execution report SF 133 replaces the DD 1176. Adds Component/Suffix codes for NIMA, DTRTCA and DMEA. Changes DNA to DSWA, DIS to DSS and CPMS to DHRFA. Adds default object class Tx2551 – R&D Contracts for accounts 2040a, 1319n, 3600f and 0400d. General default object class has been changed to Tx26.01 – Supplies and Materials. Provides updated extracts from the "Budget Accounts Title File Listing."

Section Number	Changes
010506	Name Edit System (NES) Structure and Description, subparagraph O. – Object Class 25.2 has been restricted to no more than 15 percent of the total Object Class 25 resources.
010603	Updates appropriations and budget activities by functional title for military functions. Under the Heading Functional Title – Revolving and Management Funds, the William Langer Jewel Bearing Plant Fund, ADP Equipment Management Fund, Emergency Response Fund – Defense, and the Navy Management Fund are eliminated. The Army Conventional Ammunition Working Capital Fund is listed until closed.
0107	Automated Future Years Defense Program Database section added.
0108	Automated C ³ ISR Database section added.
0109	Renumbered from 0107.
010903	PB-39 appeal formats modified. Congressional Insert formats modified.
010904	Title changed for forms DD2235, DD2236 and DD2236-2 to include both End Strength and Full-Time Equivalent data. Instructions for SD Form 463 updated to include Cost Type codes “R” and “T” for Reserve and National Guard Equipment memo non-add entries.
020202	Adds new verbiage to reflect the consolidation of the Basic Allowance for Quarters (BAQ) and the Variable Housing Allowance (VHA) into the Basic Allowance for Housing (BAH). Also adjusts required exhibits to reflect the change.
020205	Adds guidance regarding the M-1 exhibit for Active Personnel appropriations.
020304	Adds guidance regarding the M-1 exhibit for Reserve Personnel appropriations.
0204	Deletes exhibit and requirement for submission for the Military Retirement Fund.
020602	Incorporates legislative proposals on Military Personnel summary exhibits. Includes Active Duty for Special Work on Milpers Summary exhibits. Adds new exhibit (PB-30F-1) on officer gains by month. Adds new exhibit (PB-30F-2) on enlisted accessions by month.
020603	Incorporates legislative proposals on Reserve Personnel summary exhibits.
030201	Incorporates new instructions for downloading the Comptroller computer software from the Internet website for submission of the automated exhibits and emphasizes review requirements for submission. Also updates appropriations and accounts required to submit automated data. Deletes section and requirement for non-DBOF (now Defense Working Capital Fund) unit cost

Section Number	Changes
	areas.
030302	<p>Corrects paragraph numbering by remarking “H” as “G” and adds narrative to reiterate that Components are responsible for cross checking data among the exhibits.</p> <p>Updates to Organization/Exhibit Requirements for Justification Books for following requirements: Vol I – adds O-1 and deletes PB-31C; Vol II – adds PB-15 and PB-28 and deletes PB-31R; Vol III – deletes OP-27H requirement in this volume. Requirement now in Vol. 11A.</p> <p>Updates Additional Accompanying Exhibits by deleting requirement for PB-28 (sic), Waste Minimization Capitalization Account which should have been PB-29.</p> <p>Adds requirement for all O&M Overview exhibits to reflect price and program changes.</p>
0304	<p>OP-5 Indicates that this exhibit is under revision. Additional guidance will be issued separately.</p> <p>OP-8 Updates to reflect changes in FTE reporting.</p> <p>OP-20H Removes exhibit from Chapter 3 and includes requirement in Chapter 11A.</p> <p>OP-24 Adds narrative, “Provide written explanation/justification for changes between fiscal years.”</p> <p>OP-30 Revises exhibit in its entirety.</p> <p>OP-32 Updates line items to reflect current expense categories.</p> <p>OP-34 Adds requirement to identify costs associated with Category D Commissary Support.</p> <p>OP-78 Revises exhibit in its entirety.</p> <p>OP-80 Replaces exhibit in its entirety.</p> <p>PBA Exhibits Adds requirement to include price and program changes and verify data on related exhibits.</p> <p>PBA-2 Adds new requirement and section on inventory.</p> <p>PBA-4 Adds requirement to identify costs and explanations at the subactivity group level.</p> <p>PBA-5 Adds requirements and section on description of operations financed.</p> <p>PBA-11 Adds requirement to include civilian end strength.</p> <p>PBA-12 Revises program data for consistency with guidance in Chapters 17 and 19.</p> <p>PBA-13 Clarifies section on First Destination Transportation major commodity.</p> <p>PBA-15 Adds new requirement and exhibit for Commissary Support.</p>

Section Number	Changes
	PBA-26 Adds requirement and section to identify total aircraft inventory.
	PB-31Q Adds requirement to include narrative explanation for changes in direct and indirect hires.
0403	Increases budget exhibit threshold from \$2 million to \$5 million.
0405	Reduces justification material requirements for programs with a funding value less than \$5 million (only the P-40 and P-40a exhibits are required.)
040502	<p>P-1 Deletes the unit cost column from the exhibit.</p> <p>P-3a Adds clarifying instructions for modifications.</p> <p>P-8a Reinstates P-8a, Analysis of Ship Cost Estimates - Major Equipment.</p> <p>P-11 Deletes requirement for P-11, Electronic Warfare (EW) Funding Summary.</p> <p>P-21b Deletes requirement for P-21b, Production Schedule by Facility (Ammunition.)</p> <p>P-26 Eliminates requirement for unneeded information.</p> <p>Multiyear Exhibits Adds clarifying instructions for multiyear programs.</p>
050403	Deletes the paragraphs regarding comparison reports and project listing and establishes the comparison report as an exhibit.
050404	Deletes requirement for electronic file submission to Defense Technical Information Center (DTIC). Requirement is accomplished through internet posting by Military Departments and by OUSD(Comptroller) for Defense-wide (Defense Agency, etc.) accounts.
0505	<p>R-2a Adds new exhibit for project information. Information requirements have not changed; however, the new exhibit clarifies previous information requirements.</p> <p>R-3 Modifies the exhibit to portray information in a different format and adds clarifying instructions.</p>
060201	<p>Threshold raised from \$300,000 to \$500,000 for unspecified minor construction that may be funded with O&M.</p> <p>Design status milestones added. Projects using parametric cost estimates should be considered zero percent designed.</p>
060202	<p>Scope of the Family Housing New Construction account increased to include design costs of contractors when performing a turnkey contract.</p> <p>NFIP Budget Subactivities added.</p>

Section Number	Changes
060301	<p>Deletes requirement to include Program and Financing schedules in Military Construction justification books.</p> <p>Requirement that all requested construction projects be at least 35 percent designed at the time of the budget estimate submission is deleted. However, requested projects that will not obtain the 35 percent design stage by January 1 must be identified to the OUSD(C) Military Construction Directorate.</p>
060302	<p>Deletes requirement to include Program and Financing schedules in family housing justification books.</p> <p>Updates number of family housing leases allowed and calculations of maximum lease costs.</p> <p>Adds the FY 1988 budgeted foreign currency exchange rates used in the calculation of maximum lease costs in foreign countries.</p> <p>Requires a PB-18 Exhibit be submitted with the Budget Estimate Submission for family housing O&M accounts participating in the Foreign Currency Fluctuations, Construction, Defense appropriation.</p>
060305	<p>Requirement for the NATO Security Investment Program to submit a list of all requirements, construction and procurement, associated with NATO expansion added.</p>
060306	<p>Budget estimate submission requirements for the Family Housing Improvement Fund added.</p>
060402	<p>Deletes requirement to include Program and Financing schedules and Object Classification schedules in justification books provided to Congress.</p>
060403	<p>Construction completion date added to DD Form 1391 Supplemental data.</p> <p>Requirement to provide an updated Military Construction/Family Housing Outyear Project Data exhibit added.</p> <p>Requirement added to DD Form 1391 Design Data to indicate whether an energy study and a life-cycle cost analysis was performed in support of the design of the proposed facility.</p>
060502	<p>Requirement to identify antiterrorism force protection/physical security measures on the DD Form 1391, Military Construction Project Data, added.</p> <p>Military Construction/Family Housing Outyear Project Data Exhibit revised.</p> <p>Exhibit FH-1, Tri-Service Family Housing Cost Model, revised.</p>
070302	<p>Revised Budget Estimate Submission guidance requires separate justification books for each Base Closure account vice each Base Closure Commission action.</p> <p>Requirement for a BRAC Cost and Saving Exhibit (BC-02) added.</p> <p>Requirement to update prior year estimated savings to reflect actual savings added.</p> <p>BRAC O&M Summary OP-5 Exhibit no longer required.</p>

Section Number	Changes
	OP-5 Attachment 1, Reconciliation of Increases and Decreases, no longer required.
	OP-32 Exhibit, Summary of Price and Program Changes, no longer required.
	BRAC ENV-1A/B exhibits requirement added to provide environmental progress and funding priority for BRAC sites.
070502	DD Form 1391 Military Construction Project Data - requirement to identify antiterrorism force protection/physical security measures on the added.
	BRAC ENV-1A/B Exhibits added to provide environmental progress and funding priority for BRAC sites.
	OP-5 Exhibit deleted.
080105	Real Property Maintenance, Defense account deleted – no longer applicable.
	Definition of Repair and Maintenance added.
080201	Threshold raised from \$300,000 to \$500,000 for unspecified minor construction that may be funded with O&M.
080202	OP-27H, Historic Buildings and Housing Costs, no longer required.
090102	The establishment of the Defense Working Capital Funds (DWCF) is noted.
090103	Provides a formula for calculating the appropriate cash level for a DWCF organization. Adds requirement for notification to Revolving Funds Directorate and the Congress when advance billing of customers is required.
	Adds depreciation schedules for fiscal year 2000 and beyond.
	Establishes a new threshold of \$1,000,000 and above for requirement to prepare an economic analysis to justify a Capital Investment Program (CIP) project. A cost analysis must be prepared for projects below \$1,000,000.
	Revises upper limits for minor construction projects.
	Changes requirements for preparation and submission of post investment analysis.
	Provides guidance for requesting carryover authority for CIP.
	Updates guidance for Unutilized and Underutilized Plant Capacity.
	Clarifies guidance for computing military personnel costs.
	Specifies the use of Percentage of Completion Method for Revenue Recognition starting in the year 2000 for all nonsupply activity groups.
	Specifies rules related to AOR loss recovery over a 2-year period.

Section Number	Changes
	Provides for the recovery of unplanned losses at Depot Maintenance Activities during the year of execution.
	Specifies prior approval of extraordinary write-offs.
090104	Provides option for developing rates at the activity level or product line level within an activity group.
090203	SM-5A Adds requirement for backup for President's Budget.
	SM-8 Deletes requirement for OSD/OMB submit. Still required for backup to President's Budget.
090204	SM-8 Deletes requirement for OSD/OMB submit. Still required for backup to President's Budget.
	Fund-7a Adds requirement for back up to President's Budget. Deletes requirement for inclusion in President's Budget.
090402	Fund-5a Requires breakout of individual amounts for DLSC, DAASC, and DRMS.
	Fund-1A Modifies exhibit to bring it in line with OP-32 format.
	Fund-3 Changes format to include Unit cost information.
	Fund-6 Exhibit deleted.
	Fund-7b Updated to reflect impact of revised AOR loss recovery.
	Fund-9a Updates capital investment threshold. Lists new category for Software Development. Provides guidance for dollar threshold reporting within categories.
	Fund 9b Updates reporting requirements.
	Fund-14 Updates exhibit to reflect adjustments to NOR and AOR. Also provides for a new category to display items recommended for exclusion from rate recovery.
	Fund-14A Adds exhibit for Supply Management Business Areas. Two Part Format.
	Fund-20 Updates exhibit to report workyears vice end-strength by grade.
	Fund-21 Updates exhibit to include revised reporting for Disadvantaged employment and other personnel programs previously excluded.
	Fund-28 Updates Format.
	Fund-29 Updates Format.
100101	Clarified status of the Conventional Ammunition Working Capital Fund.
100102	Deletes Navy Management Fund, Emergency Stock Fund, Department of the Navy Trust Revolving Fund, and Department of the Air Force Revolving Trust Fund.

Section Number	Changes
100202	Deletes Navy Management Fund, Emergency Stock Fund, Department of the Navy Trust Revolving Fund, and Department of the Air Force Revolving Trust Fund.
100402	Deleted exhibits related to the Army Conventional Ammunition Working Capital Fund. Exhibit CT-1 Revised formulas for calculations. Added line items for Unobligated balances at beginning and end of year. Exhibit SP-1 Modified format.
120402	Significantly revises exhibits to reflect creation of TRICARE Management Activity and the realignment of program elements into new budget activities.
130105	Revises and expands actions included under Installation Restoration Program. Revises section on Other Hazardous Waste.
130202	Adds narrative requirement for submission of the OP-32, Price and Program Growth, exhibit as instructed in Chapter 3.
130302	Changes submission requirements for ENV 30D-E from OUSD (Comptroller), Operations and Personnel, to DUSD (Environmental Security.)
130401	Revises to clarify format for environmental restoration submission.
130402	Renames and revises exhibits ENV-30A-E.
140202	Adds requirement for Counter-drug Enforcement, Policy, and Support (CDEP&S) to provide copies of procurement and RDT&E budget exhibits to OUSD(C) Operations and Personnel Directorate.
140302	Revises PB-43, PB-44, PB-45, and PB-47 exhibits in their entirety.
150402	Adds instructions concerning OP-53 and OP-53A.
160101	Replaces Defense Intelligence Program (DIP) with National Foreign Intelligence Program (NFIP). Adds Joint Military Intelligence Program (JMIP).
160104	Guidance on changing Intelligence program elements added.
160105	Definitions of NFIP, JMIP and TIARA added.
160202	Provides a more complete listing of the NFIP Components.
160203	JMIP submission requirements added.
160302	Replaces DIP with NFIP. Provides a more complete listing of NFIP Components.

Section Number	Changes
160304	Services and Defense Agencies required to provide an electronic file of Budget Line Items to maintain Automated Command, Control, Communications, Intelligence, Surveillance and Reconnaissance (C ³ ISR) database.
160402	Provides guidance on classified appeals to congressional action on NFIP, JMIP, and TIARA programs.
160502	Provides guidance on Automated C ³ ISR database.
160602	Updates crosswalk exhibit IP Form 1.
170101	Updates Information Systems Security Program to include the newly established Defense-wide Information Assurance Program and updates remaining references to same.
170103	Adds a paragraph regarding the composition of C ³ programs. Renumbers remaining section.
170201	Adds a paragraph regarding the composition of C ³ programs. Renumbers remaining section.
170305	Adds paragraph to define relationship of C ³ Congressional Justification Book with Military Department and Defense Agency Justification Material.
1704	Adds section on automated reporting requirements.
1801	Chapter 18 has been rewritten in its entirety. Significant changes are as follows: <ul style="list-style-type: none"> - Elimination of the requirement to submit an IT-43; IT-2, 3, 4, 5 formats. - The Executive Summary is renamed to the IT Overview, and contains expanded justification materials, as well as a simple audit trail of changes from last submission to current. (Similar to the O&M trails). Requires a crosswalk to other exhibits. - The IT-1 is updated to meet new OMB Circular A-11 requirements. - The Mission categorization reporting is accommodated by the IT/DII Reporting Categories. - IT/DII reporting levels eliminate the defunct CIM terminology, and reflects the DII Master Plan categories that align to DoD Missions and IT Backbone Activities. - Definitions reflect the Clinger-Cohen Act of 1996 terminology and requirements. - The IT-2 is eliminated. - The category Major is aligned with DoD 5000 terminology. - Major Initiatives must be reported on new IT(300b) Capital Investment Justification Exhibit. This exhibit incorporates some of the information requirements of OMB Circular A-11, Exhibit 40B, on financial systems. - PY, CY, BY1, BY2 data are required; BY2+1-3 are required on the IT 300b, and are optional on the other exhibits.

Section Number	Changes	
1902	Adds new section on Combating Terrorism.	
190301	Updates the list of activities that are designated as Major Range and Test Facility Bases.	
190402	Expands the types of programs for which an Exhibit T&E-1 must be submitted.	
190902	PB-14	Adds Functional Transfer exhibit.
	PB-15	Revises definitions for Advisory & Assistance Services and revises exhibit in its entirety.
	PB-16	Adds new exhibit to summarize legislative proposals.
	PB-17	Adds new exhibit for Employee Relocation Expenses.
	PB-18	Adds Singapore to country list.
	PB-19	Adds new exhibit for Contract Reporting by Appropriation
	PB-22	Revises exhibit to reflect changes of Management Headquarters Working Group.
	PB-25	Deleted section on Indirect Support.
	PB-28	Amplifies guidance for submission requirement.
	PB-28A	Adds new exhibit for Environmental Security Technology.
	PB-41	Adds requirement to submit the Congressional Justification/Presentation input by January 5 th of each year.
	PB-42	Indicates that this exhibit is under revision. Additional guidance will be issued separately. Renamed as Competition and Privatization.
	PB-50	Expands data requirements.
	PB-54	Adds new exhibit for Civilian Personnel Hiring Plan.
	PB-55	Adds new exhibit for International Military Headquarters.
191203	MRTFB-2a	Element of Expense Listing revised to include a FY PY-1 column.
	MRTFB-2d	Source of Direct Funds revised to include a FY PY-1 column.
191204	T&E-1	Revised to include FY PY-1, BY2+1, BY2+2, BY2+3 and BY2+4 columns.
	T&E-1	Revises guidance on Instructions for Exhibit T&E-1.

CHAPTER 3
OPERATION AND MAINTENANCE
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0301 GENERAL**030101 Purpose**

A. This Chapter covers the budget formulation and congressional justification requirements for operation and maintenance appropriations.

B. The following appropriations and accounts are covered:

Section

030201

- Operation and Maintenance, Army
- Operation and Maintenance, Army Reserve
- Operation and Maintenance, Army National Guard
- Operation and Maintenance, Navy
- Operation and Maintenance Navy Reserve
- Operation and Maintenance, Marine Corps
- Operation and Maintenance, Marine Corps Reserve
- Operation and Maintenance, Air Force
- Operation and Maintenance, Air Force Reserve
- Operation and Maintenance, Air National Guard
- Operation and Maintenance, Defense-Wide
- Office of the Inspector General
- Defense Health Program
- Former Soviet Union Threat Reduction
- Overseas Contingency Fund
- Overseas Humanitarian, Disaster, and Civic Aid
- Support of International Sporting Competition, Defense

030202

- United States Court of Military Appeals for the Armed Forces

030203

- Civil Functions

030102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 3 covers specific back-up material requirements for the above accounts. The Components should also consult all of the other chapters for exhibit requirements for the above appropriations/accounts that are not specifically addressed in this chapter including Chapter 19 - Other Special Analyses.

030103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapters 8 (Real Property Maintenance/Minor Construction), 12 (Defense Health Program), and 19 provide additional specific guidance with regard to the back-up material required in this section of the manual.

030104 References

Section 010212 provides policies and definitions concerning costs that are to be financed by the O&M appropriations as opposed to other appropriations in the Research, Development, Test and Evaluation (RDT&E) area. Section 010201 provides policies and definitions regarding the application of expenses and investment criteria for budgetary purposes.

0302 BUDGET ESTIMATES SUBMISSION**030201 Operations Accounts**

A. Purpose. This Section prescribes justification materials required to support the budget estimates for the following operations accounts.

- Operation and Maintenance, Army; Army Reserve; and Army National Guard
- Operation and Maintenance, Navy and Navy Reserve
- Operation and Maintenance, Marine Corps and Marine Corps Reserve
- Operation and Maintenance, Air Force; Air Force Reserve; and Air National Guard
- Operation and Maintenance, Defense-Wide
- Office of the Inspector General
- Defense Health Program
- Former Soviet Union Threat Reduction
- Support for International Sporting Competitions, Defense
- U.S. Court of Appeals for the Armed Forces

B. Submission Requirements. All Operation and Maintenance appropriations are required to submit the back-up exhibits listed in the following table, if appropriate. Examples of these exhibits, along with instructions for their preparation, are provided in Section 0304. The Components should also consult all of the other chapters for exhibit requirements which are not specifically addressed in this chapter including Chapter 19 - Other Special Analyses.

OPERATIONS ACCOUNTS EXHIBITS

Exhibit Number	Exhibit Title	Components Required to Submit
O-1	O&M Funding by Budget Activity/Activity Group/Subactivity Group	All, Except Defense-Wide
OP-5	Detail by Budget Activity, Part 1	All
OP-5	Detail by Activity Group/Subactivity Group, Part 2	All
OP-5	Detail by Defense Agencies, Part 3	Defense-Wide
OP-5	Attachment 1 - Reconciliation of Increases and Decreases	All
OP-5	Attachment 2 - JCS Exercise Program	All
OP-5	Attachment 3 - Base Operation Support	All
OP-5	Attachment 4 - Transportation Costs	All
OP-5	Attachment 5 - Real Property Maintenance (RPM) and Minor Construction (Chapter 8)	All
OP-5	Attachment 6 - Training	All
OP-8	Civilian Personnel Costs	*All
OP-8	Reimbursable Civilian Personnel Costs, Part 2	*All
OP-9	<i>Analysis of Changes in Full-Time Equivalent (FTE) Costs</i>	*All
OP-14	Individual Training Data (Parts A – F, Attachments 1 & 2)	All
OP-15,A,B	Department of Defense Overseas Dependents' Schools	OUSD(P&R)
OP-16	Department of Defense Section 6 Schools	OUSD(P&R)
OP-20	Analysis of Navy Flying Hour Program - Summary	Navy
OP-20A	Analysis of Navy Flying Hour Program - Tactical Aircraft	Navy
OP-20B	Analysis of Navy Flying Hour Program - Fleet Training	Navy
OP-20C	Analysis of Navy Flying Hour Program - Fleet Support	Navy
OP-20D	<i>Analysis of Army Flying Hour Program</i>	Army
OP-20E	<i>Analysis of Air Force Flying Hour Program</i>	Air Force
OP-24	<i>Emergency and Extraordinary Expense Limitation</i>	All
OP-26	POL Consumption and Costs	*All
OP-27	Real Property Maintenance (RPM) Activities (Chapter 8)	All
OP-27P	Real Property Maintenance and Minor Construction - Projects Costing More than \$500,000 (Chapter 8)	All
OP-28	Summary of Major Repair Projects (Chapter 8)	All
OP-30	<i>Depot Maintenance Program</i>	All
OP-31	Funding for Defense Working Capital Funded Depot Level Repairables (DLRs)	All
OP-32	<i>Summary of Price and Program Changes</i>	All
OP-33	Reconciliation of Average Strength/FTEs in NATO European Countries	All
OP-34	<i>Appropriated Fund Support for Morale, Welfare, and Recreation (MWR) Activities</i>	All
OP-40	Ship Fuel and Operating Tempo Data	Navy
OP-41	Ship Operating Cost Data	Navy
OP-44	Military Personnel Assigned to Ship and Aircraft Squadrons	Navy
OP-50	Operation and Maintenance, Air Force – Units by Program Element	Air Force
OP-58	Operations and Maintenance, Air Force – Analysis of Air Force POL	Air Force
OP-71	Organizational Clothing and Equipment – Army Reserve	Army Reserve/Guard
OP-73	Repair Parts – Army Reserve	Army Reserve/Guard
OP-78	<i>Force Structure Data</i>	Air Force
OP-80	<i>Aircraft Repair/Modification and Engine Overhaul</i>	Air Force

* Also required to be submitted by applicable RDT&E, Military Construction, Family Housing, Defense Working Capital Fund, etc. accounts.

C. Preparation of Material. The following instructions pertain to the back-up material required by this Section.

1. The information will cover the prior year (PY), current year (CY), biennial budget year 1 (BY1), and biennial budget year 2 (BY2), unless otherwise indicated.

2. Operation and Maintenance data will be submitted in terms of obligations.

3. Additional data may be provided by expanding the prescribed formats and exhibits, or by cross-referencing to additional exhibits, where prescribed material is considered inadequate to justify requested programs or estimates. No prescribed material may be omitted unless inapplicable or unless the omission is specifically approved by the OUSD(C) P/B. The inapplicable stubs and column headings may be omitted but will not be redesignated when completing standard exhibits.

4. The purpose of the back-up exhibits is to describe the program and justify the estimates. If the data collection systems or management systems utilized provide for cost accounts or program units or workload indicators different from those specified in this section, Components should request OUSD(C) P/B to change the provisions of this regulation.

5. The use of annex exhibits to reduce bulk is encouraged providing the required material is fully covered and presented in a logical manner. Machine printouts of required data will be accepted but should be designed to minimize bulk. Narrative data related to machine printouts should be assembled with the most appropriate page of the printout in a consistent manner.

D. OMB Circular No. A-11.

The Components must submit any additional exhibits required by OMB Circular No. A-11. Consult OMB Circular No. A-11 for instructions pertaining to the completion of the required exhibits.

E. Real Property Maintenance and Minor Construction.

All Components (i.e., Active Forces, Defense-Wide, National Guard and Reserve Forces) shall submit justification data and exhibits to support budget estimates for real property maintenance and minor construction, in a separate bound attachment, as prescribed in Chapter 8. Two additional copies of this attachment will be delivered to: Director for Military Construction, OUSD(C) P/B, Room 3D840, Pentagon, on the same date as all other submissions required under this chapter. Examples of these exhibits, along with instructions for their preparation, are provided in Chapter 8. Additionally, each Component must ensure that the OP-5 (Part 2) attachment 5 (Real Property Maintenance and Minor Construction) in Section 030402 of this regulation is submitted to the Military Construction Directorate (Room 3D840).

- OP-27 Real Property Maintenance Activities (Each O&M Appropriation)
- OP-27P Real Property Maintenance and Minor Construction Projects (All Appropriations – Projects Costing More than \$500,000)
- OP-28 Summary of Major Repair Projects (Each O&M Appropriation)

F. Copies of back-up material in support of budget estimates will be submitted as identified in Section 010302. Two additional copies of the OP-5 exhibits for Information Security Programs will be delivered to Director for Military Construction, OUSD(C) P/B, Rm 3D840, Pentagon, on the same date as all other submissions required under this Chapter.

G. Automated Submissions.

1. Automated submissions are required for the following exhibits for both the OSD/OMB Budget Estimate Submission and the President's budget request:

- OP-8 Civilian Personnel Costs

OP-26 POL Consumption and Costs
OP-32 Price and Program Growth

All questions about the automated submission should be referred to:

OUSD(C), Operations and Personnel Directorate
Attn. O&M Production Assistant
1100 Defense, Pentagon, Room 3D868
Washington, D.C., 20301-1100
Telephone (703) 697-3101, Ext 18

2. In addition to the appropriations and accounts listed in Section 030201, an OP-32, Price and Program Growth, Exhibit for both the OSD/OMB submission and the President's budget request will be submitted for the following appropriations and accounts:

- Environmental Restoration, Army
- Environmental Restoration, Navy
- Environmental Restoration, Air Force
- Environmental Restoration, Defense
- Environmental Restoration, Formerly Used Sites
- Defense Against Weapons of Mass Destruction
- Emergency Response Fund, Defense
- OPPLAN 34 A-35 P.O.W.
- Overseas Contingency Operations Transfer Fund, Defense
- Special Olympics World Games
- Quality of Life Enhancements, Defense

3. The automated data should be generated by the *Comptroller* computer software provided by *downloading it from the Internet Website*. If this cannot be done, alternative arrangements must be made beforehand. The data may be entered into the software manually or *imported* from an external file. Directions for its use, as well as the information presented here, are included in the software.

4. When *importing* external data, it must conform to prescribed criteria. The precise format of the data varies between the exhibits. Specific information is provided in the software. For ASCII data files, the following general guidelines apply:

Negative entries should be identified with a minus sign adjacent to the left most digit.

Data entered will be right justified within the data field.

No commas in numbers over 999.

Zero padding is unnecessary.

Records that have all zero data fields are unnecessary.

5. The submitted data must be either delivered on a standard, DOS-formatted diskette (3.5" or 5.25") or mailed electronically. If delivered on a diskette, the diskette must identify the office of origin and the name and telephone number for who is capable of answering questions about the automated submission.

6. The software provides reports, which duplicate the related exhibits, as well as other reports. *The responsible personnel must review and compare the automated data against the submitted official paper copy exhibits and make corrections and adjustments prior to submitting the data to the Comptroller POC.* THE REPORTS GENERATED BY THE SOFTWARE MUST MATCH THE SUBMITTED OFFICIAL PAPER COPY

SUBMISSION EXHIBITS. Any deviations must be approved in advance. *Data with deviations that is submitted without prior approval will be returned to the responsible personnel to be corrected and resubmitted.*

7. Identification codes are provided in the software. Any new codes, which are required, will be assigned by the Director for Operations and Personnel, OUSD(C) upon request.

030202 U.S. Court of Military Appeals for the Armed Forces

A. Purpose. This Chapter prescribes budget justification backup requirements for the appropriation “United States Court of Appeals for the Armed Forces.”

B. Submission Requirements.

1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following:

- Appropriation Language. Submit justification for proposed changes.
- Purpose and Scope. Describe the missions and functions of the Court of Military Appeals.
- Summary of Obligations by Object Classification.
- Summary of Personnel by Grades. Show the number of civilian positions in each grade, the number of statutory positions, total permanent positions, lapse, and workyears.
- Summary of Price and Program Changes.
- Explanation of Estimate. Explain changes in costs and provide a statement of case workload and opinions rendered.
- Also include applicable exhibits required by Section 030201 and any of the other chapters of this regulation including Chapter 19 – Other Special Analyses.

2. Chapter 1 identifies copies of the above material required.

030203 Civil Functions-Operation and Maintenance

A. Purpose. This Chapter prescribes budget justification backup requirements for the civil functions appropriations.

B. Cemeterial Expenses (Department of the Army).

1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following. All data will be provided for the past, current, biennial budget year 1, and biennial budget year 2 fiscal years.

- Appropriation Language. Submit justification for proposed changes.
- Multiyear Financial Plans. Show budget authority and outlays by budget project and in total for the past, current, biennial budget year 1, and biennial budget year 2 fiscal years and for four subsequent fiscal years. Also show planned end-of-year employment (permanent positions and other positions) by budget project and in total for the same years.

- Analysis of Budget Authority (BA) and Outlays. Show BA and outlays by budget project and in total. Also show the difference between the biennial budget year 1 and the current year and the outlays in the biennial budget year 1 resulting from BA in the biennial budget year 1. Also show the difference between the biennial budget year 2 and the biennial budget year 1 and the outlays in the biennial budget year 2 resulting from BA in the biennial budget year 2.

- Program and Performance. Describe the major workload considerations and activity factors on which the estimates for each budget project have been based.

- Summary of Obligations by Object Classification.

- Statement Relating Past Year, Current Year, Biennial Budget Year 1, and Biennial Budget Year 2 Programs. List the increases and decreases necessary to reconcile the obligations incurred in each year with an analysis by budget project showing the obligations for each year and the related increases and decreases between each year.

- Project 0861 - Operation and Maintenance. Provide narrative justification and amounts for each project classification within the project. Separately identify yearend employment and workyears for supervisory, interment and maintenance categories.

- Project 0864 - Administration. Provide narrative justification and amounts for each object classification within the project. Separately identify year end employment and workyear for National Cemetery activities, headstone activities, and administrative services and staff planning.

- Project 0865 - Special Construction, Arlington National Cemetery.

a. Provide amounts by each object classification within the project. Separately identify yearend employment and workyears.

b. List and provide a narrative justification and amount for each planned construction or development project.

- Report of Motor Vehicle Data. Provide the following summary:

a. Fleet as of October 1.

b. Acquisitions:

- (1) New orders placed
- (2) By forfeiture
- (3) By transfer

c. Number disposed of (deduct):

- (1) Disposals accomplished (carryover)
- (2) Disposals accomplished (newly scheduled)

d. Vehicles replaced (newly scheduled).

e. Active fleet, September 30 (a + b + c).

f. Vehicles unused on a term basis (add).

g. Total vehicles available full-time (e + f).

h. Obligations for vehicles ordered.

- Personnel Justification. Submit Exhibit OP-8, which is described in Section 030201 and an example of which is found in Section 0304

2. Chapter 1 identifies copies required of the above material.

C. Wildlife Conservation, Etc., Military Reservations.

1. In addition to the Program and Financing Schedule and Personnel Summary, submit an Exhibit OP-5 prescribed in Section 030201 and an example of which is provided in Section 0304.

2. Chapter 1 identifies copies required of the above material.

0303 CONGRESSIONAL JUSTIFICATION/PRESENTATION**030301 Purpose**

This Section presents the justification book organization and the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 0304.

030302 Organization of Justification Books

A. Justification Books will be organized into separate books for each appropriation. (The only exceptions to organizing justification books into separate books for each appropriation are for the United States Court of Military Appeals for the Armed Forces, Office of the Inspector General, and the Environmental Restoration appropriations. These should be included in the same book as the Defense-Wide. The Defense Health Program (DHP) will be a separate justification book. The procurement and RDT&E DHP budget activities will follow the organization prescribed for the procurement and RDT&E appropriations in Chapters 4 and 5, respectively.

B. Justification books for the Active Component of each Military Service and the Defense-Wide should be organized into three volumes (in separate books) as follows:

- “Justification of Estimates for Fiscal Years BY1 and BY2”
- “Data Book”
- “Real Property Maintenance and Minor Construction”

Reserve and National Guard Components should combine the above volumes into one book for each Component.

C. Volume I - Justification of O&M Estimates for Fiscal Years BY1 and BY2. The Operation and Maintenance (O&M) Justification Books will be submitted on an operations basis to include active military force personnel strengths, Reserve and National Guard personnel on full-time active duty, and civilian personnel. (Related dollars financed from the Military Personnel appropriations, however, should not be included). The content and arrangement of exhibits for the operations accounts are indicated at the end of this section. Applicable exhibits for the Reserve and Guard Component operations accounts will be consistent with the active operations accounts. Exhibit formats are provided in Section 0304. Separate volumes for active and reserve component operation appropriations will be submitted. Funds for the National Foreign Intelligence Program (NFIP), Tactical Intelligence Related Activities (TIARA), or Joint Military Intelligence Program (JMIP) will be specifically identified. Justification classification will not exceed that required for other operations funds.

D. Volume II - Data Book. The content and arrangement of exhibits for the operations accounts are included at the end of this section.

E. Volume III - Real Property Maintenance and Minor Construction. Two copies of the Operation and Maintenance Book - Volume III, including the Reserve and National Guard Component exhibits, will be submitted for review and approval to the Directorate for Construction, OUSD(C) P/B, Room 3D840, Pentagon. In addition, the OP-28, Summary of Major Repair Projects (Chapter 8) will be provided with the review copies of Volume III.

F. Additional Accompanying Exhibits. Although not to be included in Volume I, Volume II, or Volume III of the Justification Books, the exhibits at the end of this section are required to be submitted to the OUSD(C) P/B Directorate for Operations and Personnel, Pentagon, Room 3D868, simultaneously with the submission of the other budget justification material. These exhibits are not to be included in Justification Books submitted to the Congress. Examples are provided in Section 0304 (O&M) or Chapter 19 (Other Special Analyses).

G. O&M Overview. The Operation and Maintenance Overview exhibits (PBA-xx) are required for submission to the OUSD(C) P/B Directorate for Operations and Personnel (Pentagon, Room 3D868). Specific suspense dates will be furnished in the annual budget justification call memorandum supporting the President's budget request. The parent service is responsible for providing all required data including Reserve Component appropriations.

Exhibit formats are provided in Section 0304. Each exhibit must provide narrative data to explain price and program changes between all fiscal years displayed. *In addition, Components are responsible for cross checking data among the exhibits to ensure data provided is consistent among all PBA exhibits and all other exhibits supporting the President's budget request.*

Two copies of each exhibit are required and will identify the Component, exhibit number and title, *date prepared*, and name/telephone number of the responsible point of contact for the exhibit. The exhibits will be consolidated at the Operation & Maintenance title level for printing and submission to the Congress. The Defense Agencies should provide as a minimum PBA *exhibits* 19 and 20, and address resource requirements in one or more of the major mission categories as appropriate.

ORGANIZATION/EXHIBIT REQUIREMENTS**VOLUME I - JUSTIFICATION OF O&M ESTIMATES FOR FISCAL YEARS BY1 AND BY2**Table of ContentsNarrative Justification:

Introductory Statement

O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group

OP-5 Detail by Budget Activity and Activity Group: (Exhibit formats are provided in Section 0304)

- OP-5 (Section 030201)

VOLUME II - DATA BOOKTable of ContentsSpecial Analyses (examples provided in Section 0304 and Chapters 14 and 19)

<i>OP-30</i>	<i>Depot Maintenance Program (pages 1 and 2 only)</i>	
<i>OP-32*</i>	<i>Appropriation Summary of Price/Program Growth</i>	
<i>OP-34</i>	<i>Appropriated Fund Support for MWR Activities</i>	
<i>PB-15</i>	<i>Advisory and Assistance Services</i>	(CH. 19)
<i>PB-22**</i>	<i>DoD Management Headquarters</i>	(CH. 19)
<i>PB-55</i>	<i>International Military Headquarters</i>	(CH. 19)
<i>PB-28/28A</i>	<i>Summary of Budgeted Environmental Projects</i>	(CH. 19)
<i>PB-31D</i>	<i>Summary of Funding Increases and Decreases</i>	
<i>PB-31M</i>	<i>Military Bands</i>	
<i>PB-31Q**</i>	<i>Manpower Changes in FTEs</i>	
<i>PB-24</i>	<i>Professional Military Education</i>	(CH. 19)
<i>Env-30A-C</i>	<i>Defense Environmental Restoration Program</i>	(CH. 13)

* Automated submission is also required.

** **Input from Reserve and Guard organizations are to be consolidated by the parent Component (i.e., Army, Navy, Air Force) for submission to OSD. Guard and Reserve organizations should not include in their submission.**

VOLUME III - REAL PROPERTY MAINTENANCE AND MINOR CONSTRUCTIONTable of ContentsSpecial Analyses (examples provided in Chapter 8)

OP-27	Backlog of Maintenance and Repair
OP-27P	Real Property Maintenance and Minor Construction Projects (All Appropriations - Projects Costing More than \$500,000)
PB-34	Revenue from Transfer or Disposal of DoD Real Property and Revenue from Leasing Out DoD Assets

ADDITIONAL ACCOMPANYING EXHIBITS *

OP-8**	Civilian Personnel Costs (All Appropriations/Funds)	
OP-9	<i>Analysis of Changes in FTE Costs (All Appropriations/Funds)</i>	
OP-14	Individual Training Data (Parts A – F, Attachments 1 & 2)	
OP-15,A,B	Department of Defense Overseas Dependents' Schools	
OP-16	Department of Defense Section 6 Schools	
OP-20,A,B,C	Analysis of Navy Flying Hour Program	
OP-20D	Army Flying Hour Program	
OP-20E	<i>Air Force Weapon Systems/Flying Hour Cost Data</i>	
OP-24	Emergency and Extraordinary Expense Limitation	
OP-26**	POL Consumption and Costs (All Appropriations/Funds)	
OP-28	Maintenance of Real Property Facilities	(CH. 8)
OP-31	Funding for Defense Working Capital Funded Depot Level Repairables (DLRS)	
OP-33	Reconciliation of Increases and Decreases in workyears/FTEs in NATO European Countries	
OP-34	<i>Appropriated Fund Support for Morale, Welfare, and Recreation Activities</i>	
OP-40	Ship Fuel Data	
OP-41	Ship Operating Data	
OP-44	Military Personnel Assigned to Ship and Aircraft Squadrons	
OP-50	Operation and Maintenance, Air Force – Units by Program Element	
OP-53, 53A	Overseas Cost Report	(CH. 15)
OP-58	Operation and Maintenance, Air Force – Units by Program Element	
OP-71	Organizational Clothing and Equipment – Army Reserve	
OP-73	Repair Parts – Army Reserve	
OP-78	<i>Force Structure Data</i>	
OP-80	<i>Aircraft Repair/Modification & Engine Overhaul</i>	
PB-14	<i>Functional Transfers</i>	(CH. 19)
PB-16	<i>Legislative Proposals</i>	(CH. 19)
PB-17	<i>Employee Relocation Expenses</i>	(CH. 19)
PB-18	<i>Foreign Currency Exchange Data</i>	(CH. 19)
PB-19	<i>Contract Reporting by Appropriation</i>	(CH. 19)
PB-25	<i>Host Nation Support</i>	(CH. 19)
PB-41	<i>Administrative Motor Vehicle Operations</i>	(CH. 19)
PB-42	<i>Competition and Privatization (formerly Commercial Activities)</i>	(CH. 19)
PB-50	<i>Child Development, School-Age Care (SAC), Family Centers, and Family Advocacy Programs</i>	(CH. 19)
PB-54	<i>Civilian Personnel Hiring Plan</i>	(CH. 19)

* To be submitted separately to OUSD(C) P/B, Operations and Personnel Directorate (Pentagon, Room 3D868)

** Automated submission is also required.

O&M OVERVIEW

<u>PBA #</u>	<u>TITLE</u>
PBA 2	Air Operations
PBA 3	Ship Operations
PBA 4	Land Forces
PBA 5	Depot Maintenance Program
PBA 7	Real Property Maintenance (Chapter 8)
PBA 8	Training and Education
PBA 9	Defense Health Program
PBA 10	Base Operations Support
PBA 11	Reserve Forces
<i>PBA 12</i>	<i>Command, Control, and Communications</i>
PBA 13	Transportation
<i>PBA 15</i>	<i>Commissary Support</i>
PBA 16	Management Headquarters
PBA 17	Recruiting, Advertising, and Examining
PBA 19	Appropriation Highlights
PBA 20	Manpower Data (Civilian, Military, Selected Reserve/National Guard)
PBA 21	Key Activity Indicators
PBA 22	Mobilization
PBA 25	Summary of Functional Transfers and Realignments
PBA 26	Special Operations Forces (USSOCOM only)

Note: All exhibits have been revised to reflect price and program changes.

0304 OPERATION AND MAINTENANCE APPROPRIATION SUBMISSION FORMATS**030401 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in submission budget call memoranda, these formats should be utilized.

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O-1 EXHIBIT

FY ____ Budget Estimates
Operation and Maintenance, _____

(\$ in Thousands)

FY PY FY CY FY BY1 FY BY2

Budget Activity 1, Operating Forces

Provide Budget Activity, Activity Group, and
Subactivity subtotals funding levels.

Activity Group

Subactivity

Subactivity

etc.

Subtotal

Total Activity Group

Activity Group

Subactivity

Subactivity

etc.

Subtotal

Total Activity Group

Budget Activity 2, Mobility Operations

etc.

Budget Activity 3, Training and Recruiting

etc.

Budget Activity 4, Administration and Servicewide Support

etc.

Total Operation and Maintenance, _____

Exhibit O-1
(Page 1 of 2)

Instructions for O-1

All O&M Components except Defense Agencies must submit a hard copy O-1 for both the OSD/OMB and congressional submissions. In addition, the O-1 must be submitted in automated format for the congressional submission. This should be done in Excel or Lotus format, according to the instructions below:

Lotus Format:

- 3 1/2 inch high density disk with a blank O-1 in Excel or Lotus format will be provided to Components to enter funding amounts by subactivity.
- Enter funding data in thousands of dollars.
- Subtotals will automatically calculate for Budget Activity and Appropriation; do not enter any subtotals.
- The existing numerical line item identifiers must be maintained for each subactivity. Only if a particular subactivity no longer applies for the current submission should the line be deleted.
- New subactivities may be entered by inserting a line with an additional line item identifier, following the existing line item sequence. Enter the title of the new subactivity in all capital letters. The funding entered for each new line will be included in the subtotals and totals.

INSTRUCTIONS FOR PREPARATION OF OP-5

THIS EXHIBIT IS UNDER REVISION. ADDITIONAL GUIDANCE WILL BE ISSUED SEPARATELY.

Exhibit OP-5 Instructions

(Appropriation Title)

DEPARTMENT OF _____
CIVILIAN PERSONNEL COSTS
FY BY1/FY BY2 Budget Submit/President's Budget
FY (PY/CY/BY1/BY2) (as appropriate)
(\$ in Thousands)

	<u>Begin</u> <u>Strength</u>	<u>End</u> <u>Strength</u>	<u>Full-Time</u> <u>Equivalent (FTE)</u>		<u>Basic</u> <u>Compensation</u>	<u>Overtime</u> <u>Pay</u>	<u>Holiday</u> <u>Pay</u>	<u>Other</u> <u>OC 11</u>	<u>Total</u> <u>Variables</u>	<u>Total</u> <u>Compensation</u> <u>OC 11</u>	<u>Benefits</u> <u>OC 12</u>	<u>Compensation</u> <u>& Benefits</u>	
	<u>a</u>	<u>b</u>	<u>c</u>	<u>d</u>	<u>e</u>	<u>f</u>	<u>g</u>	<u>h</u>	<u>i</u>	<u>j</u>	<u>k</u>	<u>l</u>	<u>m</u>
	<u>Use these formulas to calculate average salaries and rates (col x/col y)</u>												
1. Direct Hire Civilians						(f/d)				(j/f)	(k/d)	(l/f)	(m/d)
a. U.S. Employees													
(1) Classified and Administrative													
(a) Senior Executive Schedule													
(b) General Schedule													
(c) Special Schedule *													
Subtotal													
(Rate)													
(2) Wage System													
(Rate)													
(3) Other													
(Rate)													
Subtotal United States													
(Rate)													
b. Direct Hire Foreign Nationals													
(Rate)													
c. Total Direct Hire													
(Rate)													
2. Indirect Hire Program													
(Rate)													
3. Foreign National Separation Liability Accrual													
a. Foreign Nationals Direct Hire													
b. Foreign Nationals Indirect Hire													

Do not display FTP or benefit data for FNIH.

Exhibit OP-8 Civilian Personnel Costs
(Page 1 of 7)

(Appropriation Title)

DEPARTMENT OF _____
CIVILIAN PERSONNEL COSTS
FY BY1/FY BY2 Budget Submit/President's Budget
FY (PY/CY/BY1/BY2) (as appropriate)
(\$ in Thousands)

(continued)

4. Benefits for Former employees(OC-13): Voluntary separation incentives will be shown in OC-13.
 - a. *Foreign National Direct Hire*
 - b. *U.S. Direct Hire*
 - c. *Vol. Sep. Pay*
 - d. *\$80 Surcharge*
 - e. *Percent Early Retirement*
5. TOTAL CIVILIAN PERSONNEL
(Rate)
6. Reimbursable data
 - a. U.S. Direct Hire Reimbursable data will be provided for end strength, workyears, and funding and will be shown by appropriation and by Component/Agency.
 - b. Foreign National Direct Hire
 - c. Total Direct Hires Provide reimbursable sources, by appropriation and by Component/Agency, on separate page.
 - d. Foreign Nationals Indirect Hire
7. DIRECT FUNDED CIVILIAN PERSONNEL
(Rate)

Exhibit OP-8 Civilian Personnel Costs
(Page 2 of 7)

CIVILIAN PERSONNEL COSTS

OP-8 Instructions

Separate OP-8 exhibits must be prepared for PY, CY, BY1, BY2 for each Military Department in total and for each appropriation/fund in which civilian personnel are funded. Each Defense Agency, including those Defense Agencies that have only RDT&E funded civilian personnel, and the Court of Military Appeals must also provide a separate exhibit. If a Defense Agency has civilian personnel financed in more than one appropriation/fund then a total for the Defense Agency must be provided.

Rate data on the OP-8 should be shown parenthetically. To calculate the required rate data, use the formulas displayed on the OP-8 exhibit. Show the average salary for Basic Compensation, overall salary for Total Compensation, and workyear cost for Compensation and Benefits. Show the other rate data, as a percentage in decimals to five places, for total variables and benefits.

End strength onboard as of September 30 vice end strength authorizations will be displayed for all beginning and ending end strengths. The beginning end strength must agree with previous FY's September 30 end strength.

In accordance with OMB Circular A-11, full-time equivalent (FTE) employment is the total number of hours (worked or to be worked) divided by the number of compensable hours applicable to each fiscal year. FTE is synonymous with workyear.

Data formerly reported for General Merit Pay category will be merged in the General Schedule line.

In accordance with the Federal Employees Part-time Career Employment Act of 1978 (Public Law 95-437), part-time permanent employees are counted on a full time equivalent basis, i.e., an individual working 30 hours a week becomes .75 of an end strength. There is no adjustment for other part-time or intermittent employees - these employees would be counted on an individual basis not on a fractional basis.

Consult either DoDI 7330.18 or the Office of Personnel Management's Federal Personnel Manual (FPM) for definitions of full-time employees with permanent appointments (FTP). FTP (Full-Time Permanent), according to OMB Circular A-11, is the number of full-time employees with permanent appointments that are on-board, or planned to be on-board, as of the end of each fiscal year. Such entries will exclude anticipated vacancies. Do not display FTP for Indirect Hire Foreign Nationals. Consult the DoDI or FPM to determine if your Foreign National Direct Hire employees are considered FTP employees.

Voluntary separation incentives must be reported in Benefits for Former Employees (Object Class 13).

Do not include overtime workyears in *FTE* totals. The *FTEs* on the OP-8 are straight time workyears only.

FTEs (direct and reimbursable) in the OP-8 exhibits must agree with the *FTEs* reported in the OMB galley used for the printed budget. (OMB Circular A-11.)

Exhibit OP-8 Civilian Personnel Costs
(Page 3 of 7)

CIVILIAN PERSONNEL COSTS

OP-8 Instructions

(continued)

For the PY supporting the FY BY President's budget request, the end strength data must agree with the SF-113A, Monthly Report of Federal Civilian Employment, provided to OPM to report military functions employment levels as of September 30.

- Direct hire end strength data on the OP-8 must agree with data provided on the September 30th supplement to the SF-113A report. This supplement is entitled, Report of Part-Time Permanent Employees on a Fractional Basis.
- Indirect hire end strength data must agree with the Indirect Hire supplement to the September 30th SF-113A report.
- The FTP end strength data must agree with data provided on line 30, Full-Time with Permanent Appointments, of the September 30th SF-113A.

Civilian Personnel Direct Funding (#7) will be total Civilian Personnel (#5) less reimbursable funding (#6). Provide end strength, workyear and funding reimbursable data for all of the columns. Appropriations/funds (e.g., Defense Working Capital Fund, etc.) that are not funded with budget authority show all of the data as reimbursable so that "0" will be displayed in every column on the "Civilian Personnel Direct Funding" (#7) line.

On a separate page, provide reimbursable sources by appropriation, and by Component/Agency.

An automated submission for the OP-8 Exhibit is also required. See section 030201 for both the OSD/OMB budget submission and the FY BY1/BY2 President's budget request.

Department of Defense Education Activity (DoDEA) will submit separate OP-8 exhibits for: Department of Defense Dependents Schools (DoDDS) and DoD Domestic Dependent Elementary and secondary Schools (DDESS), in addition to consolidated OP-8 exhibits for the total DoDEA program. For the required automated submission, DoDEA is only required to submit the consolidated OP-8 exhibit, not individual exhibits for DoDDS and DDESS.

Reimbursable Civilian Personnel Costs, Part 2

Fiscal Year: FY _____ (PY, CY, BY1, BY2)

Appropriation Account _____

A. SUMMARY OF CIVILIAN PAY:

- 1. Total Civilian Pay _____
- 2. Reimbursable Civilian Pay _____

B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:

- 3. INTRA ACCOUNT _____
- 4. INTRA SERVICE _____
 - 4a. _____
 - 4b. _____
 - 4c. _____
- 5. INTER SERVICE _____
 - 5a. _____
 - 5b. _____
 - 5c. _____
- 6. ALL OTHER _____
 - 6a. _____
 - 6b. _____

C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE-WIDE AGENCIES:

- 7. Civilian Pay REIMBURSED from _____ to _____
 - 7a. _____
 - 7b. _____
 - 7c. _____

Reimbursable Civilian Personnel Costs, Part 2

Instructions for Preparation of the OP-8 Part 2 Reimbursable Pay

This is mandatory for the Military Departments and the Defense Agencies. If a Service shows that civilian pay is to be reimbursed from a Defense Agency that does not submit this form, then the agency coordination must be shown on this form. This is required only for the Budget Estimates Submission (BES).

Each appropriation account in the prior year, current year, biennial budget year (BY1), and biennial budget year (BY2) for which civilian pay is reimbursed, must identify the following in thousand of dollars:

On line 1, total civilian pay *.

On line 2, total reimbursable pay *.

On line 3, the amount of line 2 that is reimbursed within the account.

On line 4, the amount by account of line 2 that is reimbursed from accounts within the Service or Defense Agency. The sum of all accounts must equal the total intra service.

On line 5, the amount by account of line 2 that is reimbursed from other Services or Defense Agency accounts. The sum of all accounts must equal the total inter service.

On line 6, the amount of line 2 that is reimbursed from all other sources. The sum from all Defense Agencies must equal the total all other.

On line 7, the total civilian pay that is reimbursed to other Services or Defense Agencies **.

Notes:

* Lines 1 and 2 **MUST** agree with the totals reported by the Service of Defense Agency on the OP-8 and the sum of lines 3 through 6 of this must equal line 2.

** Any amounts identified on line 5 **MUST** appear on line 7 of the reimbursing Service or Defense Agency submission of this exhibit.

Reimbursable Civilian Personnel Costs, Part 2

SAMPLE

Fiscal Year: FY 1999

Appropriation Account: Operation & Maintenance, Army

A. SUMMARY OF CIVILIAN PAY:

1. Total Civilian Pay	7,599,374
2. Reimbursable Civilian Pay	2,086,470

B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:

3. INTRA ACCOUNT	1,500,000	
4. INTRA SERVICE		286,470
4a. O&M, Army Reserve	136,470	
4b. O&M, Army Guard	50,000	
4c. RDT&E, Army	50,000	
4d. Mil Con, Army	50,000	
5. INTER SERVICE		200,000
5a. Defense Health Program (DHP)	50,000	
5b. RDT&E, Navy	50,000	
5c. Mil Con, Air Force	50,000	
5d. USSOCOM	50,000	
6. ALL OTHER		100,000
6a. GSA	50,000	
6b. OPM	50,000	

C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE AGENCIES:

7. Civilian Pay <u>REIMBURSED</u> from O&M Army to		650,000
7a. O&M, Navy Reserve	200,000	
7b. O&M, Air Force Guard	250,000	
7c. RDT&E, Defense Mapping Agency	150,000	
7d. OMB	50,000	

Exhibit OP-8 (Part 2)
(Page 7 of 7)

Appropriation

DEPARTMENT OF _____

Date: _____

ANALYSIS OF CHANGES IN *FULL-TIME EQUIVALENT (FTE)* COSTS

		<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
		<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>FY PY (No. Compensable Days)</u>							
1.	End Strength						
	A. Budgeted	XX					
	B. Actual	XX					
2.	FTEs						
	A. Budgeted	XX					
	B. Actual	XX					
3.	Basic Compensation (\$ in Thousands)						
	A. Budgeted	XX					
	B. Actual	XX					
4.	Average Basic Annual Salary (Basic Comp)						
	A. Budgeted	XX					
	B. Actual	XX					
5.	Average Other OC-11 Variables Adjustments						
	A. Budgeted	XX	XX <u>1/</u>				
	B. Actual	XX	XX <u>1/</u>				
6.	Overall Average Annual Salary (OC-11)						
	A. Budgeted	XX					
	B. Actual	XX					
7.	Average Benefits						
	A. Budgeted	XX	XX <u>1/</u>				
	B. Actual	XX	XX <u>1/</u>				
8.	Average FTE Cost (OC-11 & OC-12)						
	A. Budgeted	XX					
	B. Actual	XX					
9.	Separately identify factors that account for changes in average basic salary, other OC-11 variables, benefits, and workyear cost between the budgeted rates and the actual rates.						

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 1 of 5)

Appropriation _____

DEPARTMENT OF _____
ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

Date: _____

	<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>Adjustment to PY Average Salary</u>						
10 + Annualization of PY Pay Raise(s)	XX	XX <u>2/</u>				
11. +/- Extra Day	XX	XX <u>3/</u>				
12. Total Other Adjustments (if applicable)	XX	XX <u>3/</u>				
12a. Within Grade Adjustments	(XX)					
12b. High Grade Reduction	(XX)					
12c. Separately identify other factors that account for changes in the basic average salary from the PY to the CY.	(XX)					
13. Subtotal Adj. to PY Basic Average Salary	XX	(Total of lines 10, 11, and 12)				
14. Adjusted Basic Average Salary for CY	XX	(Total of lines 4 and 13)				
<u>Other Adjustments to Derive FY CY FTE Cost</u>						
15. CY Pay Raise (Basic Comp)	XX	XX <u>2/</u>				(Rate times line 14)
16. Other OC-11 Variables Adjustments ^{4/}	XX	XX <u>1/</u>				
17. Benefits ^{4/}	XX	XX <u>1/</u>				
17a. Health Insurance Increase	(XX)					
17b. FERS	(XX)					
17c. Separately identify other factors that account for major changes in benefits from the PY to the CY.	(XX)					
18. Change in Foreign Currency Budget Rates	-	XX				
19. Total CY Adjustments to FTE Cost	XX	(Total of lines 15, 16, 17, and 18)				
20. Average FTE Cost in CY	XX	(Total of lines 8, 13, and 19)				
21. Total FTE Cost in CY (x in Thousands) (line 23 x line 20)	XX					
<u>FY CY (No. Compensable Days)</u>						
22. End Strength	XX					
23. FTEs	XX					
24. Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 14 and 15)				
25. Overall Average Annual Salary (OC-11)	XX	(Total of lines 6, 13, 15 and 16)				
26. Average FTE Cost (OC-11 & OC-12)	XX	(Same as line 20)				

Exhibit OP-9 Analysis of Changes in FTE Costs
 (Page 2 of 5)

Appropriation

DEPARTMENT OF _____
ANALYSIS OF CHANGES IN *FULL-TIME EQUIVALENT (FTE)* COST

Date: _____

	<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>Adjustment to CY Average Salary</u>						
27 + Annualization of CY Pay Raise(s)	XX	XX <u>2/</u>				
28. +/- Extra Day	XX	XX <u>3/</u>				
29. Total Other Adjustments (if applicable)	XX	XX <u>3/</u>				
29a. Within Grade Adjustments	(XX)					
29b. High Grade Reduction	(XX)					
29c. Separately identify other factors that account for changes in the basic average salary from the CY to the BY1.	(XX)					
30 Subtotal Adj. to CY Basic Average Salary	XX	(Total of lines 27, 28, and 29)				
31. Adjusted Basic Average Salary for BY1	XX	(Total of lines 24 and 30)				
<u>Other Adjustments to Derive FY BY1 FTE Cost</u>						
32. BY1 Pay Raise (Basic Comp)	XX	XX <u>2/</u>		(Rate times line 31)		
33. Other OC-11 Variables Adjustments ^{4/}	XX	XX <u>1/</u>				
34. Benefits ^{4/}	XX	XX <u>1/</u>				
34a. Health Insurance Increase	(XX)					
34b. FERS	(XX)					
34c. Separately identify other factors that account for major changes in benefits from the CY to the BY1.	(XX)					
35. Change in Foreign Currency Budget Rates	-	XX				
36. Total BY1 Adjustments to WY Cost	XX	(Total of lines 32, 33, 34, and 35)				
37. Average FTE Cost	XX	(Total of lines 26, 30, and 36)				
38. Total FTE Cost in BY (x in Thousands) (line 37 x line 40)	XX					
<u>FY BY1 (No. Compensable Days)</u>						
39. End Strength	XX					
40. FTEs	XX					
41. Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 31 and 32)				
42. Overall Average Annual Salary (OC-11)	XX	(Total of lines 25, 30, 32, and 33)				
43. Average FTE Cost	XX	(Same as line 37)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 3 of 5)

Appropriation

DEPARTMENT OF
ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

Date: _____

	<u>SES/GS</u>		<u>WS</u>		<u>FNDH</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
<u>Adjustment to BY1 Average Salary</u>						
44 + Annualization of BY1 Pay Raise(s)	XX	XX 2/				
45. +/- Extra Day	XX	XX 3/				
46. Total Other Adjustments (if applicable)	XX	XX 3/				
46a. Within Grade Adjustments	(XX)					
46b. High Grade Reduction	(XX)					
46c. Separately identify other factors that account for changes in the basic average salary from the BY1 to the BY2.	(XX)					
47 Subtotal Adj. to BY1 Basic Average Salary		XX (Total of lines 44, 45, and 46)				
48. Adjusted Basic Average Salary for BY2		XX (Total of lines 41 and 47)				
<u>Other Adjustments to Derive FY BY2 FTE Cost</u>						
49. BY2 Pay Raise (Basic Comp)	XX	XX 2/		(Rate times line 48)		
50. Other OC-11 Variables Adjustments ^{4/}	XX	XX 1/				
51. Benefits ^{4/}	XX	XX 1/				
51a. Health Insurance Increase	(XX)					
51b. FERS	(XX)					
51c. Separately identify other factors that account for major changes in benefits from the BY1 to the BY2.	(XX)					
52. Change in Foreign Currency Budget Rates	-	XX				
53. Total BY2 Adjustments to FTE Cost	XX	(Total of lines 49, 50, 51 and 52)				
54. Average FTE Cost	XX	(Total of lines 43, 47, and 53)				
55. Total FTE Cost in BY2 (α in Thousands) (line 54 x line 57)	XX					
<u>FY BY2 (No. Compensable Days)</u>						
56. End Strength	XX					
57. FTEs	XX					
58. Average Basic Annual Salary (Basic Comp)		XX (Total of lines 48 and 49)				
59. Overall Average Annual Salary (OC-11)	XX	(Total of lines 42, 47, 49, and 50)				
60. Average FTE Cost	XX	(Same as line 54)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 4 of 5)

ANALYSIS OF CHANGES IN *FULL-TIME EQUIVALENT (FTE)* COST
INSTRUCTIONS

1. The intent of the OP-9 is to identify the factors that have an impact on changes in average salary and average FTE cost from fiscal year to fiscal year.
2. Prepare separately for each appropriation and Fund account for U.S. direct hire, classified and wage system, and Foreign National Direct Hire (FNDH). Complete amounts and rates for WS, etc., as in SES/GS column.
3. All end strength will be displayed as actual or planned to be onboard as of September 30. Do not use end strength authorizations.
4. Cost, FTEs, and end strength should be consistent with those shown on OP-8, Analysis of Civilian Personnel Costs.
5. Show each classified pay raise in separate stub.
6. Data is to be reflected at appropriation or account.
7. The “Average Basic Annual Salary” for a FY is computed by dividing the “Basic Compensation” total by the number of straight time workyears.
8. The “Overall Average Annual Salary” for a FY is computed by dividing the “Total Compensation” (Object Class 11) by the number of straight time workyears.
9. The “Average FTE Cost” for a FY is computed by dividing “Total Compensation and Benefits” (Object Class 11 and 12) by the number of straight time FTEs.
10. The OP-9 will be prepared for both the Budget Submission and the President’s budget. However, for the latter the OP-9 will be submitted separately to OSD and will not be included in the congressional justification material.

Footnotes

- 1/ Reflect as % rate of basic compensation.
- 2/ Express as decimal to five places. Develop effective pay raise as ratio of No. applicable days to total compensable days in year times pay raise percentage. Identify computation in footnote.
- 3/ Show computation - derivation of rate.
- 4/ Provide an explanation if the rate is different from the previous fiscal year rate, e.g. changes in overtime rate, changes in health benefits, FERS, etc.

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 5 of 5)

**INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE
PART A: SERVICE ACADEMY ATTRITION BY CLASS**

	<u>PY Actual</u>			<u>CY ESTIMATE</u>			<u>BY1 ESTIMATE</u>			<u>BY2 ESTIMATE</u>		
	<u>ENTRS</u>	<u>GRADS</u>	<u>LOADS</u>	<u>ENTRS</u>	<u>GRADS</u>	<u>LOADS</u>	<u>ENTRS</u>	<u>GRADS</u>	<u>LOADS</u>	<u>ENTRS</u>	<u>GRADS</u>	<u>LOADS</u>
ACADEMY NEW ENTRANTS												
NEW ENTRANTS LOST BEFORE AUTUMN TERM												
FOURTH CLASS LOSS												
FOURTH CLASS CARRYOVER												
THIRD CLASS LOSS												
THIRD CLASS CARRYOVER												
SECOND CLASS LOSS												
SECOND CLASS CARRYOVER												
FIRST CLASS LOSS												
GRADUATES												
GRADUATES COMMISSIONED												
CADET/MIDSHIPMAN END STRENGTH												
GRADUATION LOAD												
AUTUMN LOAD												
<u>PREP SCHOOL</u>												
ENTRANTS TO PREP SCHOOL												
GRADS ENTERED ACADEMY												
PREP SCHOOL LOAD												
PREP SCHOOL GRADS ATTRIT AS FOURTH CLASSMEN												

NOTE: Carryover is to be calculated as of graduation (unless another time is specified uniformly for an academy).
 "Graduation Load" is the sum of carryover for each class plus graduates.
 "Autumn Load" is the sum of carryover for each class plus net new entrants at the beginning of the autumn term.
 Reconcile and explain in footnotes differences between Autumn Load and "Cadet/Midshipman End Strength" reflected here and in the FYDP update.
 "Prep School Load" is to be a forecast of average onboard students on a "best estimate" basis (specify formula).
 If this table is presented on an academic year basis, so state.

**INDIVIDUAL TRAINING DATA FOR FY __ BUDGET
(Service)**

Page _____

PART B: TRAINING MANPOWER

Program Element: _____

	<u>Actual (PY)</u>			<u>Estimated (CY)</u>			<u>Estimated (BY1)</u>			<u>Estimated (BY2)</u>		
	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>	<u>Off.</u>	<u>Enl.</u>	<u>Civ.</u>
FTEs												
INSTRUCTORS												
TRNG AND ED SUPP												
TOTAL FTEs												

NOTE: A basic Part B format will be submitted for each of the other Program Elements listed at Attachment 1 in Mission Program Elements (Load-Related) and for institutions in Attachment 2.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-1: UNDERGRADUATE FLIGHT TRAINING REQUIREMENTS (End Strength)

	<u>ACTUAL (PY)</u>	<u>ESTIMATE (CY)</u>	<u>ESTIMATE (BY1)</u>	<u>ESTIMATE (BY2)</u>
<u>Pilot, Navigators/Naval Flight Office (NFO) (Specify)</u>				
<u>Authorized Rated Wartime Requirements (0-5 and below; yearend)</u>				
Force				
Seat factor flying billets <u>1/</u>				
Other flying billets <u>2/</u>				
Training <u>3/</u>				
Supervision/staff <u>4/</u>				
Individuals				
Students <u>5/</u>				
Others				
 Total Requirement				
 <u>Inventories (0-5 and below; end strength basis)</u>				
Active force				
Reserve				
National Guard				
 Total Inventory				
 <u>Undergraduate Pilot Training (UPT)/Undergraduate Navigator Training (UNT) Graduates of Year Included in Inventory</u>				
<u>1/</u> Based upon aircraft x pilots per crew x crew ratio.				
<u>2/</u> Other operational flying includes overhead operational flying, miscellaneous support logistics, and research and development (R&D).				
<u>3/</u> Includes instructor and staff positions in undergraduate and advanced flight training.				
<u>4/</u> Includes non-flying billets requiring aviation expertise in administration, command/control and operational supervision/staff above the squadron level.				
<u>5/</u> Include advance flight students only.				

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART C-2: FLIGHT TRAINING

	Syllabus Course Length (In calendar days)	Number of Flight Instructors <u>Mil.</u> <u>Civ.</u> <u>Contract</u>	Output			
			Active Duty	Reserve	Guard	Other (Specify)
A. <u>Undergraduate Training</u>						
Jet						
Propeller (including turbo prop)						
Rotary Wing						
TOTAL						
B. <u>Advanced Training</u>						
First Seat (i.e., post-UFT training prior to first operational unit assignment)						
Transition (i.e., conversion from one aircraft type to another or upgrading of skills in the same aircraft type)						
Instructor Training Course						
Other (Specify)						
TOTAL						

- Notes:
- (1) Display pilot and navigator/NFO training separately.
 - (2) Submit data for PY, CY, BY1, BY2.
 - (3) If instructors for any course are other than U.S. active duty military, so indicate.
 - (4) Separately indicate output of another Service's personnel or foreign military. For the Navy and Marine Corps, this should be on consolidated undergraduate flight training displays. "Instructor" means instructor pilots and navigator/NFO instructors only.
 - (5) For advanced training, show a weighted average syllabus course length for each subcategory (first seat, transition, etc.)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-3: UNDERGRADUATE PILOT TRAINING PHASE FACTORS
 (LINE: Specify Jet, Prop, Helo)
 (YEAR: Provide data for PY, CY, BY1, BY2)

	<u>PREFLIGHT</u>	<u>PRIMARY</u>	<u>BASIC</u>	<u>PRIMARY</u>	<u>ADVANCED</u>	<u>TOTAL</u>
Student Calendar Days to Complete						
Student Flight Hours to Complete						
Aircraft (Specify Model)						
Simulator (Specify Model)						
Student Input *						
Student Output *						
Percent Phase Attrition						
Average Load *						
Instructor Pilots *						
Other Officers *						
Enlisted *						
Aircraft Hours*						
O&M Cost/Hour						
Instructor Hours Per Student						

* Factors per graduate (final completion)
 NOTE: Omit phases not applicable.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

**PART C-4: FLIGHT TRAINING RESOURCE DATA
(LINE)**

	<u>ACTUAL (PY)</u>	<u>ESTIMATE (CY)</u>	<u>ESTIMATE (BY1)</u>	<u>ESTIMATE (BY2)</u>
<u>AIRCRAFT AND FLYING</u>				
<u>HOURS BY TYPE/MODEL/SERIES</u>				
Authorized				
Assigned				
Flying Hours				
 Total Flying Hours				

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)

ROTC (Note: Parenthetical numbers refer to paragraphs in instructions following this portion of Exhibit.)

(1) ROTC

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>
A. <u>ROTC Unit Staff</u>				
Officers			(3)	(4)
Enlisted Personnel			(3)	(4)
Civilians			(3)	(4)
Total (3)			(4)	
Avg. Staff/Cost per Unit			(5)	(5)
B. <u>ROTC Command Level Staff</u>				
Officers			(3)	(4)
Enlisted Personnel			(3)	(4)
Civilians			(3)	(4)
Total (3)			(4)	
Avg. Staff/Cost per Unit			(5)	(5)
C. <u>Units</u> (6)				
D. <u>ROTC Program Costs</u>				
1. <u>O&M</u>				(7)
a. Scholarships				(8)
b. Administrative Expense				
(1) Unit Operating. Expense				
(2) Unit Texts and Ref.				(9)
(3) Admin. Travel				(9)
2. <u>Reserve Personnel</u>				(10)
a. Scholarships				(11)
b. Summer Training				(12)
c. Other				(13)
3. <u>Other</u>				(14)
TOTAL				(15)
E. <u>Flight Instruction Program</u>			(16)	(16)
F. <u>Aviation Indoctrination Program</u>			(16)	(16)
G. <u>Average Enrollment</u>				
1. Scholarship				(17)
MS I				(17)
II				(17)
III				(17)
IV				(17)
Subtotal				(17)
2. Non-Scholarship				
MS I				(17)
II				(17)
III				(17)
IV				(17)
Subtotal				(17)

Exhibit OP-14 Part D: ROTC Program Data

(Page 7 of 14)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230) (Continued)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>	<u>Avg. No. (\$000)</u>
H. <u>Total Costs</u>			(18)	
I. <u>Cost Per Graduate</u>				
Scholarship			(19)	
Non-Scholarship			(19)	
Combined			(19)	
J. <u>Cost Per Grad Commissioned</u>				
Scholarship			(19)	
Non-Scholarship			(19)	
Combined			(19)	

Instructions for Completion of Preceding

1. Enter Army, Navy, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior, Current, and Biennial (BY1 and BY2) Budget fiscal years).
3. Enter the average number (many year average) of officers, enlisted personnel, civilians, and combined total, respectively, assigned to ROTC units and ROTC command level staffs, respectively. ROTC command level staff should include all personnel up to the departmental level who are associated with the ROTC program but are not assigned to a ROTC unit.
4. Enter the total costs of pay and allowances/salary of military and civilian personnel, as applicable, plus any related O&M support costs. Pay and allowances/salaries will be determined through the use of standard rates for military and civilian personnel, respectively.
5. Enter the average staff and the average cost of the staff per unit. Average staff will be determined by dividing the applicable total staff (unit or command level) by the number of units shown in C (see paragraph 6, below). The average cost of staff per unit will be arrived at by dividing the applicable total costs for the unit and command level staffs, respectively, by the number of units shown in C.
6. Enter the applicable number of operating units.
7. Enter the total ROTC costs, other than those shown in A or B, included in the Service's O&M appropriation(s). (This should be equal to the sum of D.1.a and b discussed below in paragraphs 8 and 9.)
8. Show in parenthesis () the total applicable costs of ROTC scholarships (include only tuition, fees, books, and other related student expenses).
9. Show in parenthesis () the applicable O&M administrative costs, by categories shown, related to the ROTC program.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)
(Continued)

10. Enter the total ROTC costs included in the Service's applicable Reserve Component appropriations. This should be equal to the sum of D.2.a, b, and c, as discussed in paragraphs. 11, 12, and 13 below.
11. Enter in parenthesis () the total costs relative to the monthly subsistence allowance paid to college freshmen and sophomores who are recipients of ROTC scholarships.
12. Enter in parenthesis () the aggregate sum included in the Service's applicable Reserve Component appropriations for ROTC Pay and Allowance (Summer Training), Subsistence of Reserve Officer Candidates (Summer Training), and Travel of Reserve Officer Candidates (Summer Training).
13. Enter in parenthesis () all costs of the ROTC program, other than those discussed in paragraphs. 11 and 12, above, included in the Service's Reserve Component appropriations.
14. Enter and detail by appropriation, and explain by footnote, any costs attributable to the ROTC program which have not been included in either A, B, or D (1 and 2).
15. Enter the total cost data shown in D.1, 2, and 3.
16. Enter in parenthesis () the number of candidates participating in and total costs of Flight Instruction Program and the Aviation Indoctrination Program, respectively, included in the above data.
17. Enter by the scholarship and non-scholarship programs, respectively, the average number of candidates participating in MS I, II, III, IV, and applicable totals, respectively. Leave dollar columns blank.
18. Enter the total costs of the ROTC program. Total costs should be equal to the aggregate sum of A, B, and D, above.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART E: JUNIOR ROTC PROGRAM DATA (PE 897210)

(1) JUNIOR ROTC (HIGH SCHOOL) PROGRAM

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
A. <u>Average Enrollment</u>				
Freshman		(3)		
Sophomore				
Junior				
Senior				
Total				
B. <u>Number of Units</u>		(4)		
C. <u>Total Program Cost</u>		(5)		
D. <u>Average Cost/Unit</u>		(6)		

Instructions for Completion of Preceding

1. Enter Army, Navy, Marine Corps, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior-1, Prior, Current, and Budget years).
3. Enter the average enrollment during the year by year (of high school) and in total.
4. Enter the number of JROTC units.
5. Enter by appropriation, and in the total, the costs to DoD of the JROTC program.
6. Enter the average costs per JROTC unit. (Total costs in 5 divided by units in 4.)

**INDIVIDUAL TRAINING DATA FOR FY ____ (SERVICE
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)**

	<u>PY/CY/BY1/BY2 *</u>	
	<u>Number</u>	<u>Funding (\$000)</u>
<u>Post-Secondary Programs</u>		
<u>Tuition Assistance</u>		
Graduate Level Course Enrollments		
Undergraduate Level Course Enrollments		
Vocational/Technical Course Enrollments		
Totals		
<u>Instructor Hire (Group Study)</u>		
Enrollments	X	
Instructor Funding	X	
Other Funding	X	
Total Funding	X	
<u>Contract Education (e.g., PACE)</u>		
(Detail by program)		
<u>Education Services Personnel (counselors, ESOs, enlisted clerical, etc.)</u>		
Full-time equivalent Civilian		
Average Strength Military		
<u>Testing – DANTES</u>		
CLEP Tests Administered		
DSST Tests Administered		
Other (Specify) Test Administered		
<u>Other Education-Related Supplies and Materials</u>		
Total Post-Secondary Program Funding	X	X
<u>High School Programs</u>		
<u>Tuition Assistance</u>		
Free/Nominal Course Enrollments		
Group Study Course Enrollments		
Other (Specify) Course Enrollments		
GED Tests Administered		
Total		

**INDIVIDUAL TRAINING DATA FOR FY ____ (SERVICE
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)**

(Continued)

	<u>PY/CY/BY1/BY2 *</u>	
	<u>Number</u>	<u>Funding (\$000)</u>
<u>High School Programs (Continued)</u>		
<u>Basic Skills Development</u>		
Free/Nominal Course Enrollments		
Group Study Course Enrollments		
Other (Specify) Course Enrollments		
Total		
Total High School Program Funding		
<u>New Educational Levels Reported Achieved</u>		
<u>During Past Year (FY __)Through</u>		
<u>Voluntary Programs</u>	<u>Officer</u>	<u>Enlisted</u>
High School Completion		
Diploma		
GED		
Two Years College		
Baccalaureate Degree		
Masters Degree		
Doctorate Degree		
Professional Degree (e.g., JD)		
Other (Specify)		

* Provide the required data for each fiscal year.

PROGRAM 8 INDIVIDUAL TRAINING ELEMENTS

Mission Program Elements (Load Related)

847110	Recruit Training Units
847210	Service Academies
847220	Officer Candidate/Training Schools (OCS/OTS)
847240	Other College Commissioning Programs
847310	General Skill Training
847330	General Intelligence Skill Training
847340	Crypto/SIGINT-Related Skill Training
847410	Undergraduate Pilot Training (UPT)
847420	Undergraduate Navigator/NFO Training (UNT)
847430	Other Flight Training
847510	Professional Military Education
847520	Other Professional Education
847610	Integrated Recruit and Skill Training Units

DOD PROFESSIONAL DEVELOPMENT EDUCATION INSTITUTIONS

Service Institutions

Army

Sergeants Major Academy, Ft Bliss, TX
Command and General Staff College, Ft Leavenworth, KA
War College, Carlisle, PA

Navy

College of Naval Command and Staff, Newport, RI
War College, Newport, RI
Naval Postgraduate School, Monterey, CA*

Marine Corps

Staff NCO Academy, Quantico, VA
Command and Staff College, Quantico, VA

Air Force

Senior NCO Academy, Gunter AFS, AL
Air Command and Staff College, Maxwell AFB, AL
Air War College, Maxwell AFB, AL
Air Force Institute of Technology, Dayton, OH*

Defense Institutions (Service Providing Budgetary Support)

(Army)

Industrial College of the Armed Forces, Ft McNair, DC
National War College, Ft McNair, DC
Information Resources Management College, Ft. McNair, DC
Institute for National Strategic Studies, Ft. McNair, DC

(Navy)

Armed Forces Staff College, Norfolk, VA
Defense Resources Management Education Center, Monterey, CA

OTHER DEFENSE TRAINING INSTITUTIONS (Service Providing Budgetary Support)

(Army)

Defense Language Institute - Foreign Language Center, Monterey, CA
Joint Military Packaging Training Center, Aberdeen, MD

(Navy)

Department of Defense Computer Institute, Washington, DC

(Air Force)

Defense Language Institute - English Language Center, Lackland AFB, TX
Defense Institute of Security Assistance Management, Dayton, OH
Defense Race Relations Institute, Patrick AFB, FL

*Prepare separate exhibits for resident and civilian institution programs.

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

(\$ in Thousands)

		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	Change <u>FY CY/BY1</u>	Change <u>FY BY1/BY2</u>
Administrative Costs							
1.	A. <u>Salaries of Personnel Above School Level</u>						
	B. <u>Personnel Benefits</u>						
	C. <u>Temporary Duty Travel (TDY)</u>						
	(1) Per Diem						
	(2) Other Travel Costs						
	(3) MAC Passenger						
	D. <u>Supplies & Materials (non-ADP)</u>						
	E. <u>Equipment Purchases (non-ADP)</u>						
	(1) Furniture						
	(2) All Others						
	F. <u>Rental & Contractual Services (non-ADP)</u>						
	(1) Rents						
	(2) Maintenance Contracts						
	(3) Other Service Contracts						
	G. <u>ADP-Management Information System</u>						
	(1) Supplies & Materials						
	(2) Equipment Purchases						
	(3) Equipment Rental Contracts						
	(4) Maintenance Contracts						
	(5) Software Purchases						
	(6) Contract Consultants						
	(7) Studies & Analysis Contracts						
	(8) Professional & Management Services and Contracts						
	H. <u>Special Analyses (non-ADP)</u>						
	(1) Contract Consultants						
	(2) Studies & Analysis Contracts						
	(3) Professional & Management Services and Contracts						
	I. <u>Other</u>						
	(1) Training						
	(2) Advertising						
	(3) Other						

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

(\$ in Thousands)

		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	Change <u>FY CY/BY1</u>	Change <u>FY BY1/BY2</u>
Administrative Costs							
2.	A. <u>Salaries of Teaching Personnel</u>						
	(1) Teaching Personnel						
	(2) Substitutes						
	B. <u>Salaries of Principals</u>						
	C. <u>Salaries of Clerical Personnel</u>						
	(1) Clerical Personnel						
	(2) Paraprofessionals						
	D. <u>Salaries of Others</u>						
	E. <u>Personnel Benefits</u>						
	F. <u>Textbooks and Library Books</u>						
	(1) Textbooks						
	(2) Library Books (Newspaper/Periodicals)						
	G. <u>Educational Supplies</u>						
	(1) Educational Supplies						
	(2) Audiovisual Supplies						
	(3) ADP-School Administration						
	(4) ADP-Classroom						
	H. <u>Educational Equipment</u>						
	(1) Educational Equipment						
	(a) Equipment Rental						
	(b) Equipment Purchases						
	(c) Maintenance Contracts						
	(2) Audiovisual Equipment						
	(a) Equipment Rental						
	(b) Equipment Purchases						
	(c) Maintenance Contracts						
	(3) ADP-School Administration						
	(a) Equipment Rental						
	(b) Equipment Purchases						
	(c) Maintenance Contracts						
	(4) ADP-Classroom						
	(a) Equipment Rental						
	(b) Equipment Purchases						
	(c) Maintenance Contracts						

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

Administrative Costs		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	Change <u>FY CY/BY1</u>
2.	I. <u>Contractual Services</u>					
	(1) Contract Instructional Services					
	(2) Non-Instructional Contract Services					
	(a) Contract Consultants					
	(b) Studies & Analysis Contracts					
	(c) Professional & Management Services					
	(d) Contract Engineering & Technical Services Contracts					
	(e) Other Contracts (Specify)					
	J. <u>Research & Innovation</u>					
	(1) TDY					
	(a) Per Diem					
	(b) Other Travel Costs					
	(c) MAC Passenger					
	(2) Projects (Specify)					
	K. <u>Summer School</u>					
	(1) Salaries of Teaching Personnel					
	(2) Educational Activities					
	L. <u>Other Temporary Duty Travel</u>					
	(1) Itinerant Education Services					
	(a) Per Diem					
	(b) Other Travel Costs					
	(c) MAC Passenger					
	(2) Recruiting					
	(a) Per Diem					
	(b) Other Travel Costs					
	(c) MAC Passenger					
	(3) Accreditation					
	(a) Per Diem					
	(b) Other Travel Costs					
	(c) MAC Passenger					

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION COST SUMMARY

(\$ in Thousands)

Administrative Costs					Change	Change
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
2. L. (4) Curriculum Review						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						
(5) Union Deliberation/Negotiation						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						
(6) Other						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passenger						
M. <u>In-Service Training</u>						
(1) Temporary Duty Travel						
(a) Per Diem						
(b) Other Travel Cost						
(c) MAC Passenger						
(2) Contracts						
(a) Contract Consultant						
(b) Professional & Management Services Contracts						
(c) Other Contracts (Specify)						
(3) Tuition Assistance						
(4) Other (Specify)						
N. <u>Other Costs & Compensation</u>						
(1) Compensation for Extra-Curricular School Activities						
(2) Cost for Correspondence Courses						
(3) Other (Specify)						

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

(\$ in Thousands)

Administrative Costs	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
3. A. <u>Salaries</u>						
(1) Salaries of Logistics Personnel						
(2) Benefits						
B. <u>Custodial/Maintenance</u>						
(1) Contracts						
(2) Non-Contract Supplies						
C. <u>Repair and Maintenance</u>						
(1) R&M of School Facilities						
(a) Less than \$100,000						
(b) More than \$100,000						
(2) Minor Construction Projects						
(b) More than \$100,000						
(a) Less than \$100,000						
(3) Recurring R&M						
(4) Other (Specify)						
D. <u>Transportation Services</u>						
(1) Transportation of Things						
(a) MAC Cargo						
(b) MSC Cargo						
(c) Commercial Land						
(d) Commercial Ship						
(e) Commercial Air						
(f) Other						
(2) Second Destination Transportation						
(a) MAC Cargo						
(b) MSC Cargo						
(c) Commercial Land						
(d) Commercial Ship						
(e) Commercial Air						
(f) Other						
(3) Transportation of People						
(a) Per Diem						
(b) Other Travel Costs						
(c) MAC Passengers						

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

(\$ in Thousands)

Administrative Costs	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY CY/BY1</u>	<u>FY BY1/BY2</u>
3.	D.	(4) <u>Daily Student Commuting</u>				
		(a) Reimbursable				
		(b) Contract				
		(5) Bus Monitors				
	E.	<u>Rents, Communications and Utilities</u>				
		(1) Rents & Leases				
		(2) Utilities				
		(3) Communications				
	F.	<u>Local Costs and Purchases</u>				
		(1) Supplies & Materials				
		(2) Equipment				
		(a) Furniture				
		(b) All Others				
		(3) Printing & Reproduction				
		(4) Other				
	G.	<u>Reimbursable for Services Received</u>				
		(1) ADP Automated Supply System				
		(2) Accounting/Payroll				
		(3) Civilian Personnel Services				
		(4) Other Base Support				
		(5) NATO/SHAPE/AFCENT Contributions				
		(6) Furniture Maintenance				
		(7) Equipment Maintenance				
		(8) Section Six Schools				
4.		<u>DoDDS-Unique Costs</u>				
	A.	<u>Salaries for Host Nation Personnel</u>				
		(1) Salaries				
		(2) Benefits				
	B.	<u>Allowance</u>				
		(1) Cost of Living Allowance				
		(2) Housing Allowance				
		(3) Area Differentials				

**DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY**

Administrative Costs		<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	Change <u>FY CY/BY1</u>	Change <u>FY BY1/BY2</u>
4.	C. <u>Permanent Change of Station Costs</u>						
	(1) Transportation of People						
	(a) Per Diem						
	(b) Other Travel Costs						
	(c) MAC Passengers						
	(2) Transportation of Things						
	(a) MAC Cargo						
	(b) MSC Cargo						
	(c) Commercial Land						
	(d) Commercial Ship						
	(e) Commercial Air						
	(f) Other						
	D. <u>DoDDS-Operated Dormitories</u>						
	(1) <u>Salaries of Dormitory Personnel</u>						
	(a) Dormitory Counselors						
	(b) Dormitory Aides						
	(c) Compensation for Irregular Hours						
	(2) Benefits						
	(3) Student Room & Board						
	(4) Transportation Services						
	(a) Activity Transportation						
	(b) To/Fro 5-day Dormitories						
	(c) To/From 7-day Dormitories						
	(5) Equipment						
	(a) Furniture						
	(b) All Others						

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 7 of 11)

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA ***

		0	125	350	500	750	1,000	1,300	1,600	1,900	
		to	to	to	to	to	to	to	to	to	
		<u>124</u>	<u>349</u>	<u>499</u>	<u>749</u>	<u>999</u>	<u>1,299</u>	<u>1,599</u>	<u>1,899</u>	<u>2,199</u>	<u>TOTAL</u>
<u>Elementary Schools (K-8)</u>											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Middle Schools (4-8)</u>											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Junior High Schools</u> <u>(7-10, must have 9th grade)</u>											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										

*Excludes Tuition-Fee Schools and Section Six Schools

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA***

		0	125	350	500	750	1,000	1,300	1,600	1,900	
		to	to	to	to	to	to	to	to	to	
		<u>124</u>	<u>349</u>	<u>499</u>	<u>749</u>	<u>999</u>	<u>1,299</u>	<u>1,599</u>	<u>1,899</u>	<u>2,199</u>	<u>TOTAL</u>
<u>Secondary Schools (7-12)</u>											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>High Schools (9 or 10-12)</u>											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Combined Schools (K-9, K-10)</u>											
or K-12)											
No. of Schools	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA***

		0	125	350	500	750	1,000	1,300	1,600	1,900	
		to	to	to	to	to	to	to	to	to	
		<u>124</u>	<u>349</u>	<u>499</u>	<u>749</u>	<u>999</u>	<u>1,299</u>	<u>1,599</u>	<u>1,899</u>	<u>2,199</u>	<u>TOTAL</u>
<u>Junior College (Non-Add)</u>											
No. of Locations	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment*	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Kindergarten (Memo Entry)</u>											
No. of Locations	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
<u>Summary</u>											
No. of Locations	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
Total Enrollment	FY PY										
	FY CY										
	FY BY1										
	FY BY2										
*Full-Time Equivalents											

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
PUPIL ENROLLMENT TO TEACHER RATIOS**

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
I. <u>Summary</u>				
Elementary School (K-8)				
Middle School (4-8)				
Jr. High (7-10, must have 9th grade)				
Secondary Schools (7-12)				
High Schools (9 or 10-12)				
Combined (K-9, K-10 or K-12)				
Special Education Program (Self-Contained)				
Junior College				
TOTAL				
II. <u>Detail of Special Education Classes</u>				
Self Contained Environment				
Physically Handicapped				
Hearing Impaired				
Mentally Handicapped (Educ./Trainable)				
Emotionally Handicapped				
Multi-handicapped (at least two categories)				
Pre-School Handicapped				
TOTAL				
<u>Non-Self Contained Environment</u>				
Physically Handicapped				
Hearing Impaired				
Visually Handicapped				
Learning Disabled				
Mildly Handicapped				
Mentally Handicapped (Educ./Trainable)				
Emotionally Handicapped				
Multi-handicapped				
TOTAL				
III. <u>Certain Special Programs Teachers</u>				
Speech Therapist				
ESL				
Compensatory Education				
Talented & Gifted				
TOTAL				

Exhibit OP-15B DoD Dependents Education: Pupil/Teacher Ratio
(Page 11 of 11)

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
1. <u>ADMINISTRATION COST</u>			
a. Salaries for Administration			
(1) Superintendent			
(2) Associate Superintendent			
(3) Other Administrators			
(4) Secretaries and Clerks			
b. Other Expenses for Administration			
(1) TDY Travel			
(2) Supplies			
2. <u>INSTRUCTION COSTS</u>			
a. Salaries of Principals			
(1) Supervising Principals			
(a) Elementary			
(b) Secondary			
(2) Assistant Principals			
b. Salaries of Teachers			
(1) Elementary			
(a) Kindergarten			
(b) Specialists (Special Subject matter Areas)			
(c) Classroom Teachers			
(2) Secondary			
(3) Special Education Teachers			
(4) Summer School			
c. Salaries of Other Instructional Staff			
(1) Librarian Salaries			
(a) Librarians			
(b) Assistant Librarians			
(2) Counselors			

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
2. <u>INSTRUCTION COSTS (continued)</u>			
d. Salaries of Secretarial and Clerical Staff			
(1) Principal's Office Secretarial and Clerical Staff			
(2) Library Clerks			
e. Other Salaries for Instruction			
(1) Teacher Aides			
(2) Substitute Teachers			
f. Student Fees			
(1) Special Education (EMR) and Special Education (LD)			
(2) Reading & Motor Perception Program			
g. School Library & Audio Visual Materials			
(1) Library Books			
(a) Replacement			
(b) Rebinding			
(2) Periodicals and Newspapers			
(3) Audio Visual Materials			
(4) Library Supplies			
h. Teaching Supplies			
(1) Kindergarten			
(2) Elementary School			
(3) Secondary School			
(4) Special Education Supplies			

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
2. <u>INSTRUCTION COSTS (continued)</u>			
i. Other Expenses for Instruction			
(1) Professional Library			
(2) Supplies (Office Supplies Related to Instruction			
(3) Workshop			
(4) Outdoor Education Program Supplies			
(5) TDY for Instruction			
3. <u>AUXILIARY</u>			
a. Health Services			
(1) Salaries			
(2) Supplies and expenses			
b. School Lunch Service Salaries (Cafeteria Manager)			
4. <u>PUPIL TRANSPORTATION SERVICES</u>			
a. Salaries for Pupil Transportation			
b. Contracted Services for Pupil Transportation			
5. <u>OPERATION OF PLANT</u>			
a. Salaries for Operation of Plant			
(1) Salary of Head Custodian			
(2) Salaries of Assistant Custodians			
b. Contracted Services for Operation of Plant			

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
5. <u>OPERATION OF PLANT (continued)</u>			
c. Utilities			
(1) Heat			
(2) Water			
(3) Electricity			
(4) Gas			
(5) Sewage and/or Trash Removal Service			
(6) Phone			
d. Supplies for Operation of Plant			
6. <u>MAINTENANCE OF PLANT</u>			
a. Salaries for Maintenance of School Plant			
b. Contracted Services for Maintenance			
(1) Pest Control			
(2) Rug, Mop, and Linen			
(3) Fire Control			
c. Replacement of Equipment			
(1) Administrative Equipment			
(2) Instructional Equipment			
(3) Non-Instructional Equipment			
(4) Audio Visual Equipment			
d. Supplies for Maintenance of Plant			
(1) Supplies for Building Maintenance			
(2) Supplies for Equipment Maintenance			
7. <u>FIXED CHARGES</u>			
a. Government Contribution to Retirement			
(1) Civil Service Retirement			
(2) FICA			

Exhibit OP-16 DoD Defense Agencies Section 6 Schools
(Page 4 of 5)

**DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY**

(\$ Thousands)

	<u>PY/CY/BY1/BY2</u>	<u>Change CY/BY1</u>	<u>Change BY1/BY2</u>
7. <u>FIXED CHARGES (continued)</u>			
b. Government Contribution to Insurance			
(1) FEGLI			
(2) FEHB			
(3) Fidelity Bond Premiums			
c. Workmen's Compensation			
d. Rental of Land and Buildings			
(1) Rent for Instructional Purposes			
(2) Rent for Non-Instructional Purposes			
 SUBTOTAL (costs for Section 6 Schools)			
Less reimbursements for non-Section 6 School pupils			
(This Pertains to Puerto Rico Schools Only)			
 NET Section 6 Schools Costs			
(Estimated number of pupils in Section 6 Schools)			
(Costs per pupil)			
 8. <u>COSTS UNIQUE TO SECTION 6 SCHOOLS</u>			
<u>(Puerto Rico Schools Only)</u>			
a. Overseas Allowances			
(cost of living, quarters, and post differential)			
b. Permanent Change of Station (PCS) Costs			
 TOTAL SECTION 6 SCHOOLS COSTS			
Estimated Number of Pupils (including Tuition Paying Pupils)			
Per Pupil Cost			

INSTRUCTIONS: Exhibit OP-16 in its entirety will be submitted for both the OSD and the President's budget submissions. This exhibit will be incorporated into the OP-5 Exhibit for the Section 6 Schools.

DEPARTMENT OF THE NAVY

Claimant: _____

Analysis of Navy Flying Hour Program

FY _____

Summary

Program Element/ Type A/C	Average Operating A/C	Utilization Rate (Monthly)	Flying Hours	Fuel	<u>Hourly Costs</u>			<u>Annual Cost</u>			<u>BBL's of Fuel</u>
					<u>DLR</u>	<u>Other</u>	<u>Total Fuel</u>	<u>DLR</u>	<u>Other</u>	<u>Total</u>	
Exhibit	OP-20A										
	OP-20B										
	OP-20C										

INSTRUCTIONS

Separate exhibits will be submitted for the active and the reserve flying hour programs. The OP-20 exhibit is supported by three schedules, each one of which is designed to display the principal elements affecting the development of requirements. All data are required for the prior year, current year, biennial budget year 1 (BY1), and biennial budget year 2 (BY2).

- (a) Exhibit OP-20A relates to those requirements which are computed principally on the basis of numbers of tactical aircraft, crew ratios and the hours per crew required to maintain combat readiness.
- (b) Exhibit OP-20B relates to those requirements which are computed principally on the basis of the production of trained pilots. In addition to Undergraduate Pilot Training requirements, this schedule should also include requirements to support CCTS, CRAW, and RTU's.
- (c) Exhibit OP-20C covers all other fleet support requirement.

Include the flying hours actually flown or programmed to be flown in support of the drug interdiction program in the proper section of the flying hour report (i.e. tactical flying hours in support of the drug program are to be reflected in the tactical/ASW section of the OP-20). At the end of the OP-20 exhibit, include a memo entry reflecting the number of flying hours and the dollars by Type/Model/Series that are funded in the centralized drug account.

Exhibit OP-20 Analysis of Navy Flying Hour Program: Summary

DEPARTMENT OF THE NAVY
Analysis of Navy Flying Hour Program
Tactical Aircraft

Claimant: _____

FY _____

T/M/S	Avg. Op.	Crew	No	MR	Primary	Overhead		Cost	Annual	<u>PMR Factor</u>		
<u>A/C</u>	<u>A/C</u>	<u>Seat</u>	<u>of</u>	<u>Crew</u>	<u>Mission</u>	<u>Crews/</u>	<u>Total Hour</u>	<u>Per</u>	<u>Budget</u>	<u>SIM</u>	<u>Budget</u>	<u>Budget/</u>
		<u>Ratio</u>	<u>Crews</u>	<u>Hours</u>	<u>Hour</u>	<u>Staff Hours</u>	<u>Reg. Budget</u>	<u>Hour</u>	<u>Cost</u>	<u>Hours</u>	<u>Hours</u>	<u>SIM Hrs.</u>

Provide an explanation of changes in crew seat ratios, crew hours, and overhead crew/staff hours between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2. Also explain changes in such factors for the current year between the estimate included in the previous President's budget request and current year estimate for each Type/Model/Series (T/M/S) included in this budget submission.

Exhibit OP-20A Analysis of Navy Flying Hour Program: Tactical Aircraft

DEPARTMENT OF THE NAVY
Analysis of Navy Flying Hour Program
Fleet Training

Claimant: _____

FY _____

Budget

<u>T/M/S</u>	<u>Avg Op</u> <u>A/C</u>	<u>Pilot Hours</u>			<u>NFO Hours</u>			<u>Other</u> <u>Hours</u>	<u>Budget</u> <u>Hours</u>	<u>SIM</u> <u>Hours</u>	<u>Total</u> <u>Hours</u> <u>Required</u>	<u>Cost</u> <u>Per</u> <u>Hour</u>	<u>Total</u> <u>Cost</u>	<u>Hrs as % of</u> <u>Total Hrs.</u> <u>Required</u>
		<u>No.</u> <u>Pilots</u>	<u>Per</u> <u>Pilot</u>	<u>Annual</u> <u>Hours</u>	<u>Per</u> <u>NFO's</u>	<u>No.</u> <u>NFO</u>	<u>Annual</u> <u>Hours</u>							
	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>2/</u>								
	<u>1/</u>	<u>3/</u>	<u>3/</u>											

1/ Data required for each category; i.e., category I, II, III, IV, V

2/ Provide an explanation for each T/M/S

3/ Provide an explanation of changes in Pilot/NFO hours between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2. Also explain changes in the current year between the estimate included in the previous President's budget request and the current estimate in this budget submission for each category of student by T/M/S.

Exhibit OP-20B Analysis of Navy Flying Hour Program: Fleet Training

DEPARTMENT OF THE NAVY
Analysis of Navy Flying Hour Program
Fleet Support Requirements

Claimant: _____
FY _____

<u>P.E./TMS</u>	Monthly Utilization Rate	Avg. Op A/C	Cost Per Hour	Required Hours	<div style="display: inline-block; text-align: center;"> <u>Budget</u> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <u>Hours</u> <u>Cost</u> </div> </div>	Hours Budgeted as a <u>% of Requirement</u>
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Exhibit OP-20C Analysis of Navy Flying Hour Program: Fleet Support

DEPARTMENT OF ARMY FLYING HOUR PROGRAM
FY ____ (PY/CY/BY1/BY2)

<u>Type A/C</u>	<u>Average No of Aircraft</u>	<u>Utilization Rate</u>	<u>Flying Hours</u>	<u>Hourly Costs</u>				<u>Annual Cost</u>				<u>BBL's of Fuel</u>
				<u>Fuel</u>	<u>DLR</u>	<u>Other</u>	<u>Total</u>	<u>Fuel</u>	<u>DLR</u>	<u>Other</u>	<u>Total</u>	
FW												
C-12												
RC-12												
RC-7 ARL												
UC-35												
etc.												
Total FW												
RW												
AH-1												
AH-64												
AH-64D												
CH-47D												
EH-60												
OH-58AC												
OH-58D												
TH-67												
UH-1												
UH-60A												
UH-60L												
etc.												
Total RW												

TOTAL: ALL AIRCRAFT

NARRATIVE EXPLANATION OF CHANGE: Provide a succinct description of changes in resources and program requirements between years and deviation between actual and program data. Particular emphasis should be placed upon actual data.

Instructions. Exhibit OP-20D is for Army use only. Exhibits OP-20, 20A, 20B, and 20C are not required for Army. A separate exhibit will be submitted for the Active Army, Army Reserve, and Army National Guard. Provide for prior year, current year, biennial budget year 1, and biennial budget year 2.

Include the flying hours actually flown or programmed to be flown in support of the drug interdiction program in the appropriate section of the flying hour report. At the end of the OP-20D exhibit, include a memo entry reflecting the number of flying hours and the dollars by Type/Model/Series that are funded in the centralized drug account.

Exhibit OP-20D Analysis of Army Flying Hour Program
 (Page 1 of 2)

**DEPARTMENT OF ARMY FLYING HOUR PROGRAM
SUMMARY BY COMMAND AND AGENCY**

MAJOR COMMAND/AGENCY

<u>FY PY ACTUAL</u>	<u>CHANGE</u>	<u>FY CY ESTIMATE</u>	<u>CHANGE</u>	<u>FY BY1 ESTIMATE</u>	<u>CHANGE</u>	<u>FY BY2 ESTIMATE</u>
---------------------	---------------	-----------------------	---------------	------------------------	---------------	------------------------

MACOM _____

I. Number of Aircraft

II. Flying Hours

III. Annual Cost

NARRATIVE EXPLANATION OF CHANGE: *Provide a succinct description of changes in resources and program requirements between years. Explanations should include Particular emphasis should be placed upon actual data.*

Instructions. *Include the flying hours and annual costs by each major command for Army for prior year actual, current year estimate, biennial budget year 1, and biennial budget year 2.*

Exhibit OP-20D Analysis of Army Flying Hour Program
(Page 2 of 2)

AIR FORCE WEAPON SYSTEMS/FLYING HOUR COST DATA

		<u>PAA</u>	<u>PAI</u>	<u>APAI</u>	<u>Crew</u> <u>Ratio</u>	<u>No.</u> <u>of</u> <u>Crews</u> <u>Mo.</u>	<u>Hours/</u> <u>Crew/</u> <u>Rate</u>	<u>Avg.</u> <u>Util</u> <u>Required</u>	<u>Total Hours</u> <u>Budget</u>	<u>POL</u>	<u>Unit Cost Factors</u>			<u>Annual</u> <u>Budget</u> <u>(\$000)</u>
MFP	PY-1 1 QTR													
PE	PY-1 2 QTR													
WSC	PY-1 3 QTR													
	PY-1 4 QTR													
&	TOTAL PY-1													
TOTAL PE														
	PY 1 Qtr													
&	PY 2 Qtr													
	PY 3 Qtr													
MFP	PY 4 Qtr													
	TOTAL PY													
	CY 1 Qtr													
	CY 2 Qtr													
	CY 3 Qtr													
	CY 4 Qtr													
	TOTAL CY													
	BY1 1 Qtr													
	BY1 2 Qtr													
	BY1 3 Qtr													
	BY1 4 Qtr													
	TOTAL BY1													
	BY2 1 Qtr													
	BY2 2 Qtr													
	BY2 3 Qtr													
	BY2 4 Qtr													
	TOTAL BY2													
	TOTAL BY2+1													
	TOTAL BY2+2													
	TOTAL BY2+3													
	TOTAL BY2+4													

Prior Year -1 is to reflect actual execution data and should include the crew ratio, no. of crews, hours per crew per month as well as the hours actually flown and the actual cost per hour.

Total prior year flying hour data is to be expanded to separately identify programmed (a/o the last Presidents budget submit) and actual execution data.

Expand the exhibit to include outyear data for the annual program only (not required by quarter).

Include CREW RATIOS, NUMBERS OF CREWS, HOURS PER CREW/MONTH, and REQUIRED vs. BUDGETED F/Hs.

Data will be arrayed by BA/Program Element/WSC with a Total array identified for each Program Element and Budget Activity.

The exhibit will identify O&M activities exclusive of Foreign Government Owned (FGO) and Special Operations Forces (SOF) aircraft.

FGO and MFP-10 data will be identified in separate arrays.

A Grand Total section will aggregate the O&M, FGO, and SOF information for each fiscal year by quarter.

Separate sections (with the same data array) will also identify the AFR and ANG programs.

This exhibit will be submitted for both the OSD submission and the President's budget submission.

Include the flying hours actually flown or programmed to be flown in support of the drug interdiction program in the proper section of the flying hour report (i.e. tactical flying hours in support of the drug program are to be reflected in the tactical section of the OP-20E). At the end of the OP-20E exhibit, include a memo entry reflecting the number of flying hours and the dollars by Type/Model/Series that are funded in the centralized drug account.

Exhibit OP-20E Analysis of Air Force Weapon Systems/Flying Hour Program

OPERATION AND MAINTENANCE, _____

EMERGENCY AND EXTRAORDINARY EXPENSE LIMITATION

Scope: Covers all expenses subject to the congressional limitation on "Emergency and Extraordinary Expenses"

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
1. Cryptologic Intelligence				
2. HUMINT				
3. Counterintelligence and Investigative Activities				
4. Scientific and Technical				
5. Intelligence and Management Support				
6. Mapping and Charting Activity				
7. Attaché Activities				
8. Tactical Intelligence				
a/ 9. Other Intelligence				
Subtotal, Intelligence Type				
10. Representation Allowance				
11. Criminal Investigations				
a/ 12. Other Non-Intelligence Activities				
Total				

a/ "Other" categories should be specifically identified with their related purpose as a footnote. DoD Components are invited to provide additional appropriate standard categories in lieu of using "Other" category.

NARRATIVE EXPLANATION OF CHANGE. *Provide written explanation/justification for changes from one FY to the next.*

Exhibit OP-24 Emergency and Extraordinary Expense Limitation

DEPARTMENT of _____
FY BY1/FY BY2 OSD Submit/President's Budget
POL Consumption and Costs
(Flying Hours, Barrels and \$ in Thousands)

Appropriation/Fund

<u>Activity</u>	<u>FY PY Actual</u>			<u>FY CY Estimate</u>			<u>FY BY1 Estimate</u>			<u>FY BY2 Estimate</u>		
	<u>F/H</u>	<u>BBLs</u>	<u>\$</u>	<u>F/H</u>	<u>BBLs</u>	<u>\$</u>	<u>F/H</u>	<u>BBLs</u>	<u>\$</u>	<u>F/H</u>	<u>BBLs</u>	<u>\$</u>
Aircraft Operations												
Separately identify each petroleum product												
Ship Operations												
Separately identify each petroleum product												
Vehicle Operations												
Separately identify each petroleum product												
Other (Identify each activity separately)												
Separately identify each petroleum product												
Total												
Separately identify each petroleum product												

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including the Defense Working Capital Fund, family housing, and RDT&E accounts. Customer accounts should include direct consumption only and should not include industrial fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provide a total for the Component.

1. Subtotals
 - a. Operation and Maintenance Appropriations
 - b. Research, Development, Test and Evaluation Appropriations
 - c. Family Housing Appropriations
 - d. Defense Working Capital Fund (Provide a breakout for each industrial fund activity group and a total for the Industrial Fund.)
 - (1) Depot Maintenance
 - (2) MSC
 - (3) Other Industrial Fund Activities (Separately identify each Defense Working Capital Fund activity group.)
2. Total Military Service or Defense Agency

The OP-26a exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26 exhibit will not be included in justification material forwarded to the Congress. Each Component is also required to submit an electronic version of the OP-26. See section 0302 for specific instructions.

Department of _____

**FY BY1/BY2 OSD Submit President's Budget
POL Consumption and Costs
(Flying Hours, Barrels and \$ in Thousands)**

Appropriation/Fund

	<u>FY PY Actual</u>			<u>FY CY Estimate</u>			<u>FY BY1 Estimate</u>			<u>FY BY2 Estimate</u>		
		Unit			Unit			Unit			Unit	
<u>Activity</u>	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>	<u>BBLs</u>	<u>Cost</u>	<u>\$</u>
Aircraft Operations												
Separately identify each petroleum product												
Ship Operations												
Separately identify each petroleum product												
Vehicle Operations												
Separately identify each petroleum product												
Other (Identify each activity separately)												
Separately identify each petroleum product												
Total												
Separately identify each petroleum product												

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including Defense Working Capital Fund, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include Defense Working Capital Fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provide a total for the Component.

1. Subtotals
 - a. Operation and Maintenance Appropriations
 - b. Research, Development, Test and Evaluation Appropriations
 - c. Family Housing Appropriations
 - d. Defense Working Capital Fund (Provide a breakout for each Defense Working Capital Fund activity group and a total for the Industrial Fund.)
 - (1) Depot Maintenance
 - (2) MSC
 - (3) Other Defense Working Capital Fund Activities (Separately identify each Industrial Fund activity group.)
2. Total Military Service or Defense Agency

The OP-26b exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26a exhibit will not be included in justification material forwarded to the Congress.

Exhibit OP-26 POL Consumption and Costs
(Page 2 of 3)

Department of
FY BY1/FY BY2 OSD Submit/President's Budget
Source of Purchases for POL Consumption
(Barrels in Thousands)

<u>Appropriation/Fund</u>		<u>FY PY Actual</u>			<u>FY CY Estimate</u>			<u>FY BY1 Estimate</u>			<u>FY BY2 Estimate</u>		
		Local			Local			Local			Local		
<u>Activity</u>	<u>WCF</u>	<u>Sources</u>	<u>Total</u>		<u>WCF</u>	<u>Sources</u>	<u>Total</u>	<u>WCF</u>	<u>Sources</u>	<u>Total</u>	<u>WCF</u>	<u>Sources</u>	<u>Total</u>
Aircraft Operations													
Separately identify each petroleum product													
Ship Operations													
Separately identify each petroleum product													
Vehicle Operations													
Separately identify each petroleum product													
Other (Identify each activity separately)													
Separately identify each petroleum product													
Total													
Separately identify each petroleum product													

Instructions: This exhibit will be submitted by each Military Department and Defense Agency for both the OSD Submit and the President's budget submit. Complete for each appropriation and fund, including working capital funds, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include industrial fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provide a total for the Component. **The total purchases will agree with the barrels consumed or planned for consumption reflected on the OP-26 exhibit.**

1. Subtotals
 - a. Operation and Maintenance Appropriations
 - b. Research, Development, Test and Evaluation Appropriations
 - c. Family Housing Appropriations
 - d. Defense Working Capital Fund (Provide a breakout for each Defense Working Capital Fund activity group and a total for the Defense Working Capital Fund.)
 - (1) Depot Maintenance
 - (2) MSC
 - (3) Other Defense Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.
2. Total Military Service or Defense Agency

The OP-26 exhibit will not be included in justification material forwarded to the Congress. **Include a copy of the SM-4, Fuel Data, exhibit.**

Exhibit OP-26 POL Consumption and Costs
 (Page 3 of 3)

DEPOT MAINTENANCE PROGRAM SUMMARY
(Service/Component)

Part I - Funded Requirements:

	<u>FY PY-1</u>		<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>	
	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>
<u>Aircraft</u> (Army, Navy, Air Force)	Use these categories for both the Funded and <i>Unfunded Executable</i> Requirements;									
Airframe Maintenance	the Method of Accomplishment; and the Summary of Unfunded Deferred Requirements.									
Engine Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Combat Vehicle</u> (Army, Marine Corps)										
Vehicle Overhaul										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Ships</u> (Navy only)										
Overhaul										
Selected Restricted Availability										
Phased Maintenance Availability										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Missile Maintenance</u> (Army, Navy, Marine Corps, Air Force)										
<i>Strategic</i> Missile Maintenance										
<i>Tactical</i> Missile Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Ordnance Maintenance</u> (Army, Navy, Marine Corps, Air Force)										
Ordnance Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Other</u> (Army, Navy, Marine Corps, Air Force)										
Other End Item Maintenance										
<i>Software Maintenance</i>										

Exhibit OP-30 Depot Maintenance Summary
(Page 1 of 12)

DEPOT MAINTENANCE PROGRAM SUMMARY
(Service/Component)

Part II - Unfunded Executable Requirements *:

	<u>FY PY-1</u>		<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>	
	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>	<u>Units</u>	<u>\$M</u>
<u>Aircraft</u> (Army, Navy, Air Force)										
Airframe Maintenance										
Engine Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Combat Vehicle</u> (Army, Marine Corps)										
Vehicle Overhaul										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Ships</u> (Navy only)										
Overhaul										
Selected Restricted Availability										
Phased Maintenance Availability										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Missile Maintenance</u> (Army, Navy, Marine Corps, Air Force)										
Strategic Maintenance										
Tactical Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Ordnance Maintenance</u> (Army, Navy, Marine Corps, Air Force)										
Ordnance Maintenance										
<i>Software Maintenance</i>										
Other Maintenance										
<u>Other</u> (Army, Navy, Marine Corps, Air Force)										
Other End Item Maintenance										
<i>Software Maintenance</i>										

* Include only those requirements that are executable but unfunded due to funding constraints. Exclude reporting of requirements that are not executable due to capacity constraints, operating schedules, or for reasons other than fiscal constraints

Exhibit OP-30 Depot Maintenance Summary
(Page 2 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
METHOD OF ACCOMPLISHMENT**

<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Funded Requirement</u>	<u>Funded Requirement</u>	<u>Funded Requirement</u>	<u>Funded Requirement</u>
<u>Contract* Organic* Total</u>	<u>Contract* Organic* Total</u>	<u>Contract* Organic* Total</u>	<u>Contract* Organic* Total</u>

(Insert the same stub entries as contained on Page 1 of the OP-30 Exhibit)

* Show percentage of total requirement in parentheses after funded requirement.

**COMPONENT
DEPOT MAINTENANCE PROGRAM
SUMMARY OF UNFUNDED DEFERRED REQUIREMENTS**

<u><i>Unexecutable Unfunded Requirement</i></u>			<u><i>Executable Unfunded Requirement/</i></u>			<u><i>Total Unfunded Requirement 3/</i></u>	
<u><i>Units</i></u>	<u><i>(\$000)</i></u>	<u><i>Explanation 1/</i></u>	<u><i>Units</i></u>	<u><i>(\$000)</i></u>	<u><i>Organic/Private 2/</i></u>	<u><i>Units</i></u>	<u><i>(\$000)</i></u>

(Insert the same stub entries as are contained
on Page 1 of Exhibit OP-30 for fiscal years
FY PY, FY CY, FY BY1, & FY BY2.)

- 1/ Describe the reason the requirement is unexecutable (plant capacity, operational commitment, or “other.”) “Other” must specifically identify constraint.
- 2/ Identify where work would be performed if funding were available: Organic - in house or Private – contracted out
- 3/ Total of unexecutable unfunded and executable unfunded requirements.

Exhibit OP-30 Depot Maintenance Summary
(Page 4 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
AIRCRAFT SUMMARY DATA**

	<u>FY PY-1</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
1. Aircraft Inventory (<i>report number of aircraft</i>)					
2. Total Aircraft Maintenance/Rework Required					
3. Program Extensions					
4. Total Aircraft Maintenance/Rework Required (Item 2 less Item 3)					
5. Funded Aircraft Maintenance/Reworks					
6. Unfunded Maintenance/Rework Requirements (Executable Unfunded Deferred Requirements) (Item 4 less Item 5)					
7. Total Aircraft on Extensions (Item 3 plus Item 6)					
8. Planned Retirements					
9. Total Aircraft on Extension (Item 7 less Item 8)					
10. Percentage of A/C on Extension - Total (Item 9 divided by Item 1)					
12. Percentage of A/C on Extension - Backlog (Item 6 divided by Item 1)					
12. Average Unit Cost (\$000)					

Exhibit OP-30 Depot Maintenance Summary
(Page 5 of 12)

COMPONENT
DEPOT MAINTENANCE PROGRAM
Aircraft Maintenance

Aircraft/Engine/ <u>Other (Describe)</u>	Fiscal <u>Year 1/</u>	<u>Inventory</u>	Flying <u>Hours</u>	Maintenance <u>Rework Cycle 2/</u>	Maintenance/Rework Requirement (Units)			<u>Method 4/</u>	Manhours <u>(Organic Only)</u>	Unit <u>Cost</u>	Total <u>Cost</u>
					<u>Total</u>	<u>Unfunded 3/</u>	<u>Funded</u>				

1/ Provide data for the PY-1, PY, CY, BY1, & BY2

2/ Show data in months, flying hours, etc. as applicable.

3/ Executable unfunded deferred requirement.

4/ Show whether work is performed commercially or organically. If organically, indicate whether work is performed by Army, Navy, Marine Corps, or Air Force Working Capital Fund. If performed by more than one method show quantities and unit costs separately for each activity.

Exhibit OP-30 Depot Maintenance Summary
 (Page 6 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
SHIP MAINTENANCE SUMMARY**

<u>Category</u>	<u>Method</u>	<u>Unit of Measure</u>	<u>FY PY Unit (\$000)</u>	<u>FY CY Unit (\$000)</u>	<u>FY BY1 Unit (\$000)</u>	<u>FY BY2 Unit (\$000)</u>
Overhauls	Public Private WESTPAC (Subtotal)	Hull				
Restricted/ Technical Availabilities	Public Private WESTPAC (Subtotal)	Hull				
Phased Maintenance Availabilities	Public Private WESTPAC (Subtotal)	Hull				
Emergent Repairs	Public Private WESTPAC (Subtotal)	Ship Operating Months				
Miscellaneous RA/TA	Public Private WESTPAC (Subtotal)	Not Applicable	Show dollars estimates only for this category.			
Total Program	Public Private WESTPAC (Total)					

Exhibit OP-30 Depot Maintenance Summary
(Page 7 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
Ship Maintenance**

<u>Program Elements</u>	<u>Ship Type</u>	<u>Hull No.</u>	<u>Class</u>	<u>Overhaul Completed</u>	<u>Scheduled O/H Date</u>	<u>Estimated Cost</u> <u>PY CY BY1 BY2</u>	<u>Naval/Private Shipyard</u>
------------------------------------	-----------------------------	----------------------------	---------------------	--------------------------------------	--------------------------------------	---	--

1. For each ship show data separately for advance funding for the Advanced Engineering Repair Planning (AERP) and Planning Estimating and Repair Activity (PERA), change orders, overhaul costs, maintenance carry forward (if applicable), and total. Identify amounts for maintenance carry forward on summary.

2. Show in parentheses the amount reserved for scope changes in subsequent years by hull number for overhauls, SRA's, and PMA's. Identify the amounts reserved for scope changes in the summary also.

Exhibit OP-30 Depot Maintenance Summary
(Page 8 of 12)

COMPONENT
DEPOT MAINTENANCE PROGRAM 4/ 1/
Ship Maintenance (Working Capital Fund and Pilot Program Mission Funded)

Type of Maintenance _____.

<u>Ship</u>	<u>Date</u>	<u>Total</u>	<u>Last ROH /SRA/PMA</u>		<u>Current Workday Estimate</u>			<u>Stabilized Rate</u>		<u>AERP/PERA</u>	<u>Total</u>
			<u>Workdays</u>	<u>Baseline</u>	<u>"D" Alts</u>	<u>Unique Reps</u>	<u>Total</u>	<u>Total</u>	<u>(Mat'l Incl.)</u>	<u>Cost</u>	<u>Cost of ROH,</u>
			<u>"D" Alts</u>	<u>Workdays</u>							<u>SRA,PMA</u>
				2/			3/				4/

- 1/ All Depot Maintenance. Distinguish that funded through the Working Capital Fund and that which is mission funded.
This exhibit should be completed for ROH, SRA, and PMA's. Provide information for fiscal years FY PY, FY CY, FY BY1, & FY BY2
- 2/ This is the net of total workdays on the last overhaul less depot alteration workdays.
- 3/ This is the sum of the Baseline workdays plus the current estimate of depot alterations and unique repairs.
- 4/ Equals the sum of (Total current workday estimate times the stabilized workday rate) plus AERP/PERA costs.

Exhibit OP-30 Depot Maintenance Summary
(Page 9 of 12)

**COMPONENT
DEPOT MAINTENANCE PROGRAM
Ship Maintenance (Commercial)**

Type of Maintenance ____.

Ship	Date	Labor						Total
		Last OH/SRA/PMA	Adjustments		Adjusted Baseline	Econ./Loc. Factor		
			Unique					
			"D" Alts	Reps				

- (1) A separate form should be completed for overhauls, PMA's, and SRA's. Indicate whether form addresses ROH, PMA, or SRA's.
- (2) Provide information for fiscal years FY PY, FY CY, FY BY1, & FY BY2.

Exhibit OP-30 Depot Maintenance Summary
(Page 10 of 12)

DEPOT MAINTENANCE PROGRAM

Instructions and Definitions

A separate exhibit should be completed for *the following* Operation and Maintenance appropriations: *Army, Navy, Marine Corps, Air Force, Defense-wide (SOCOM), Army Reserve, Navy Reserve, Marine Corps Reserve, Air Force Reserve, Army National Guard, and Air National Guard.*

Include depot maintenance programs only. In accordance with 10 USC 2460, *depot maintenance and repair is defined as material maintenance or repair requiring the overhaul, upgrade, or rebuilding of parts, assemblies, or subassemblies, and the testing and reclamation of equipment as necessary. Depot maintenance includes the installation of parts for the purpose of safety modifications, all aspects of software maintenance, and interim contractor support or contractor logistics support. Depot maintenance may include the installation of modifications (when done concurrent with other depot maintenance task) all aspects of software maintenance and the depot maintenance portion of interim contractor support (ICS) and contractor logistics support (CLS). Depot maintenance does not include procurement of major modifications or upgrades of weapon systems that are designed to improve program performance, the procurement of parts for safety modification, or the nuclear refueling of an aircraft carrier. Do not include maintenance support programs, second destination transportation amounts, or depot maintenance funded in appropriations other than Operation and Maintenance in this exhibit.*

Depot maintenance amounts *displayed in this exhibit* should be consistent with amounts shown in applicable OP-5 Exhibits in each Component's budget justification book and agree with amounts provided in Exhibit PBA-5, Depot Maintenance, Chapter 3.

All O&M depot maintenance requirements are to be displayed in one of the following categories:

- 1. Funded requirements – depot maintenance requirements for which funds are assigned.*
- 2. Unfunded executable requirements – depot maintenance requirements that are deferred due only to funding constraints.*
- 3. Unexecutable requirements – depot maintenance requirements that cannot be accomplished for reasons other than funding constraints to include operational commitments and lack of capacity. Unexecutable requirements are to be explained on page three of this exhibit.*

Total O&M depot maintenance requirement is the sum of the three categories listed above. Total executable requirement is the sum of the funded and the unfunded executable depot maintenance requirements.

Depot maintenance funded and *unfunded executable requirements* for the FY PY, FY CY, FY 20 BY1 and FY 20 BY2 should also be included in the Workload and Performance Criteria section of applicable OP-5 Exhibits for those Activity Groups which include depot maintenance programs. (The Workload and Performance Criteria section of the OP-5 should utilize the OP-30 format.)

Exhibit OP-30 Depot Maintenance Summary
(Page 11 of 12)

DEPOT MAINTENANCE PROGRAM

Instructions and Definitions (continued)

For the following reporting categories/subcategories only weapon system depot maintenance should be reported (i.e., requirements specifically for work on the end item that is the weapon system). Do not include work on related equipment, assemblies or subassemblies (such requirements should be reflected in the appropriate “other” category).

- Aircraft
- Combat vehicle
- Ships
- Missiles
- Ammunition
- Other

Depot Level Reparable Maintenance will only include non-stock funded items.

Include FY PY-1 data for the OSD budget submission only.

For the President’s budget submission, only submit pages 1 through 3 and pages 6 and 7 of the OP-30 Exhibit.

DEPARTMENT OF _____
OPERATION AND MAINTENANCE, _____
FUNDING FOR DEFENSE WORKING CAPITAL FUNDED DEPOT LEVEL REPARABLES (DLRs)
(Dollars in Millions)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>CY-BY1 CHANGE</u>	<u>BY1-BY2 CHANGE</u>
<u>COMMODITY:</u>						
SHIPS						
AIRFRAMES						
AIRCRAFT ENGINES						
COMBAT VEHICLES						
OTHER						
MISSILES						
COMMUNICATIONS EQUIPMENT						
OTHER MISC.						
TOTAL						

Provide the funding for each commodity group within each O&M appropriation used to purchase depot level reparables from the Defense Working Capital Fund.

Exhibit OP-31 Funding For Defense Working Capital Funded Depot Level Reparables (DLRs)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ____ (2)
(\$ in Thousands)

	FY ____ (3)	Foreign Currency	Price Growth		Program	FY ____ (3)
	Program	Rate Difference	Percent	Amount	Growth	Program
	4)	(5)	(6)	(7)	(8)	(9)
<u>CIVILIAN PERSONNEL COMPENSATION</u>						
101	Executive, General and Special Schedules			(11)		
103	Wage Board			(11)		
104	Foreign National Direct Hire (FNDH)			(11)		
105	Separation Liability (FNDH)			(11)		
106	Benefits to Former Employees			(11)		
107	Voluntary Separation Incentive Pay			(11)		
110	Unemployment Compensation			(11)		
111	Disability Compensation			(11)		
117	Civilian Pay Offset			(11)		
199	Total Civilian Personnel Compensation			(10)		
<u>TRAVEL</u>						
308	Travel of Persons			(12)		
399	Total Travel			(10)		
<u>DEFENSE WORKING CAPITAL FUND (Fund) SUPPLIES & MATERIALS PURCHASES</u>						
401	DFSC Fuel			(15)		
402	Service Fund Fuel			(15)		
411	Army Managed Supplies & Materials			(16)		
412	Navy Managed Supplies & Materials			(16)		
414	Air Force Managed Supplies & Materials			(16)		
415	DLA Managed Supplies & Materials			(16)		
416	GSA Managed Supplies & Materials			(17)		
417	Locally Procured Fund Managed Supplies & Materials			(21)		
421	DLA Rebates			(21)		
499	Total Fund Supplies & Materials Purchases			(10)		
<u>DEFENSE WORKING CAPITAL FUND EQUIPMENT PURCHASES</u>						
502	Army Fund Equipment			(18)		
503	Navy Fund Equipment			(18)		
505	Air Force Fund Equipment			(18)		
506	DLA Fund Equipment			(18)		
507	GSA Managed Equipment			(19)		
599	Total Fund Equipment Purchases			(10)		
<u>OTHER FUND PURCHASES (EXCLUDE TRANSPORTATION)</u>						
601-693	(As applicable)			(23), (13)		
679	Cost Reimbursable Purchases			(24)		
680	Purchases from Building Maintenance Fund			(27)		
699	Total Purchases			(27)		
				(10)		

Exhibit OP-32 Summary of Price and Program Change
 (Page 1 of 8)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ____ (2)
(\$ in Thousands)

	FY ____ (3) Program 4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Amount (7)	Program Growth (8)	FY ____ (3) Program (9)
<u>CIVILIAN PERSONNEL COMPENSATION</u>						
<u>TRANSPORTATION</u>						
701	MAC Cargo (Fund)			(13)		
702	MAC SAAM (Fund)			(13)		
703	JCS Exercises			(14)		
704	Defense Courier Service					
711	MSC Cargo (Fund)			(13)		
721	MTMC (Port Handling-Fund)			(13)		
725	MTMC (Other-Non-Fund)			(22)		
771	Commercial Transportation			(28)		
799	Total Transportation			(10)		
<u>OTHER PURCHASES</u>						
901	Foreign National Indirect Hire (FNIH)			(29)		
902	Separation Liability (FNIH)			(29)		
912	Rental Payments to GSA (SLUC)			(30)		
913	Purchased Utilities (non-Fund)			(31), (32)		
914	Purchased Communications (Non-Fund)			(31), (33)		
915	Rents (Non-GSA)			(31), (34)		
917	Postal Services (U.S.P.S.)			(31), (35)		
920	Supplies & Materials (Non-Fund)			(36)		
921	Printing & Reproduction			(37)		
922	Equipment Maintenance by Contract			(38)		
923	Facility Maintenance by Contract			(39)		
925	Equipment Purchases (Non-Fund)			(40)		
926	Other Overseas Purchases			(41)		
927	Air Defense Contracts & Space Support (AF)			(42)		
928	Ship Maintenance by Contract			(43)		
929	Aircraft Reworks by Contract			(44)		
930	Other Depot Maintenance (Non-Fund)			(45)		
931	Contract Consultants			(46)		
932	Management & Professional Support Services			(46)		
933	Studies, Analysis, & Evaluations			(46)		
934	Engineering & Technical Services			(46)		
937	Locally Purchased Fuel (Non-Fund)			(15), (51)		
988	Grants			(47)		
989	Other Contracts			(48)		
991	Foreign Currency Variance			(49)		
998	Other Costs			(52)		
999	Total Other Purchases			(10)		
9999	<u>TOTAL</u>			(50)		

Note: Include support for value engineering in applicable line item elements of expense.

Exhibit OP-32 Summary of Price and Program Change
(Page 2 of 8)

**Elements of Expense for Purchases from
Defense Working Capital Fund (Fund)***

	<u>Element of Expense</u>
<u>DEPOT MAINTENANCE</u>	
Army Armament Command	601
Army Depot System Command: Maintenance	602
DLA Distribution Point (Army Only)	603
Naval Aviation Depots	613
Naval Ordnance Facilities	632
Naval Shipyards	637
Marine Corps Depot Maintenance	640
Depot Maintenance (Air Force): Organic	(25) 661
Depot Maintenance (Air Force): Contract	662
<u>BASE SUPPORT</u>	
Naval Public Work Centers: Utilities	634
Naval Public Work Centers: Public Works	635
<u>RESEARCH AND DEVELOPMENT ACTIVITIES</u>	
Naval Air Warfare Center	610
Naval Surface Warfare Center	611
Naval Undersea Warfare Center	612
Naval Command, Control, & Ocean Surveillance Center	614
Naval Research Laboratory	630
Naval Facilities Engineering Service	631
<u>INFORMATION SERVICES</u>	
Navy Information service	615
Defense Automatic Addressing Systems	670
Communications Services (DISA)	671
DISA Information Services	647
Army Information Services	648
Air Force Information Services	649
DLA Information Services	650
DFAS Information Services	651
<u>TRANSPORTATION</u>	
Military Sealift Command:	
Fleet Auxiliary Force	620
Afloat Prepositioning Ships	621
Special Mission Support	623
Other MSC Purchases	624
MSC Rebate	625
Airlift Services:	
Other AMC Purchases	(26) 653
<u>PRINTING AND PUBLICATION SERVICES</u>	
Defense Publication & Printing Service	633
<u>FINANCIAL OPERATIONS</u>	
Defense Financing and Accounting Services	673
<u>OTHER</u>	
Pentagon Reservation Maintenance Revolving Fund	672
Distribution Depots	674
Defense Reutilization and Marketing Services (DRMS)	675
<i>Defense Commissary Operations</i>	676
<i>Defense Security Service</i>	678

* These lines should include only Defense Working Capital Fund purchases made at stabilized rates. Cost reimbursable purchases should be included in line 679.

Exhibit OP-32 Summary of Price and Program Change
(Page 3 of 8)

INSTRUCTIONS FOR COMPLETION OF OP-32

- (1) Enter the applicable component, i.e., Army, Navy, Marine Corps Reserve, Air National Guard, etc.
- (2) Enter the fiscal year for which this exhibit is being prepared.

NOTE: A separate exhibit should be submitted for each O&M appropriation for the current year, for biennial budget year 1, and for biennial budget year 2. This exhibit should be prepared at the appropriation level for the President's budget.

- (3) Enter the prior year (PY), current year (CY), biennial budget year 1 (BY1), or biennial budget year 2 (BY2), as applicable.
- (4) For the CY exhibit, amounts entered in this column should agree with the prior year actual costs as shown in the prior year column of the applicable budget submission. For the BY1 exhibit, these amounts should agree with the far right hand column of the CY exhibit. For the BY2 exhibit, these amounts should agree with the far right hand column of the BY1 exhibit.
- (5) The amount shown for each appropriate line (exclusive of line 991) in the Foreign Currency Rate Difference column will reflect the difference in the budgeted foreign currency exchange rates between the two years. For the prior and current years, the budgeted foreign currency exchange rates are the exchange rates that have been approved for recording obligations during execution. If the current year execution rates have not yet been established by the Congress in time for the budget submission, the foreign currency exchange rates reflected in that fiscal year's President's budget request will be used. For the biennial budget years, the budgeted foreign currency exchange rates are the exchange rates reflected in the OUSD (C) budget call memorandum for the budget submission or in the PBD issued during the budget review in the formulation of the President's budget request. (Note: Variances from the budgeted rates will be reflected only on line 991. These variances do not enter into the calculation on any of the other lines.) The column total, including line 991, will reflect (1) for the PY to the CY: the difference between prior year actuals and the current year budgeted rates, (2) for the CY to the BY1: the difference between budgeted rates in each year, and (3) for the BY1 to the BY2: the difference between budgeted rates in each year. If transfers are approved for the current year, the column total will reflect (1) for the PY to the CY: the difference between PY actuals and CY anticipated expenditures and (2) for the CY to the BY1: the difference between the CY anticipated expenditures and the BY1 budgeted rates. No foreign currency rate difference will be shown for Defense Working Capital Fund Purchases and Travel or Transportation for MAC, MSC or MTMC. Only in unusual circumstances should an amount for foreign currency rate difference be shown for other travel and/or transportation costs. (See end notes for further discussion of foreign currency entries.)
- (6) This column should show the rate (percent) of price growth for various items. The general price escalation indices prescribed by OSD (as provided by OMB) should be used for items 416, 417, 507, 679, 725, 771, 913-915, 920-925, 927-989, and 998. Other price growth rates may be used for these items when actual experience supports a rate of increase different from that prescribed For the OSD/OMB submit. In those instances, supporting documentation for the rate used should be provided. If the rate is approved during the budget review, the revised rate may be used in the President's budget. To the extent that a separate rate of increase is used for any portion of a line item, Equipment Maintenance by Contract for example, the applicable item should be subdivided into appropriate subcategories for each separate rate of increase used. The rate of price change for lines 401, 402, 411-415, 502-506, 601-673, and 701-721 should agree with applicable rates approved by OSD. Applicable rates of price growth, as prescribed by OSD, or as estimated and justified, as appropriate, should be shown for all items where there is a price change. The rate of price growth included in the President's budget will in all instances reflect the rate of increase approved during the OSD budget review.

Exhibit OP-32 Summary of Price and Program Change
(Page 4 of 8)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

- (7) The price growth column should show the amount of price growth for various items. **Where a percent increase by line item is shown in column 6, the amount included in column 7 will be the sum/difference of the previous fiscal year's program amount (column 4) and the foreign currency rate difference amount (column 5) times the percent shown in column 6.** The amount of the price growth will be consistent with the rate of change prescribed by OSD. The price increase for all items should be the additional/reduced funds, as a result of price changes, that would be required to accomplish the previous year's program at applicable fiscal year rates.
- (8) Enter the amount of program growth for each item. Program growth is to be priced in current year dollars for the current year exhibit, biennial budget year 1 dollars for the biennial budget year 1 exhibit, and biennial budget year 2 dollars for the biennial budget year 2 exhibit.
- (9) Enter the sum of (4), (5), (7) and (8) for each item.
- (10) Subtotals should be included in (4), (5), (7), (8) and (9) for Civilian Personnel, Travel, Defense Working Capital Fund Supplies and Materials Purchases, Defense Working Capital Fund Equipment Purchases, Other Defense Working Capital Fund Purchases, Transportation, and Other Purchases, as applicable.
- (11) Program amounts for Civilian Personnel compensation should be consistent with amounts shown in both the object class distribution reflected in the Program and Financing Schedules for Object Classes 11, 12 and 13 (Direct Obligations only) and in the OP-8 Exhibit, Civilian Personnel Costs, Chapter 3 of the Financial Management Regulation for the applicable fiscal year. Payments made to the Department of Labor for expenses associated with employee's disability compensation are included in Object Class 12. Change in the number of compensable days per fiscal year will be reflected as program growth not price growth. The annualization of the prior year's pricing changes (i.e., the previous fiscal year's pay raise), merit pay, bonuses, FERS participation, etc. will be reflected as changes in price growth.
- (12) Program amounts for travel should be consistent with amounts shown in Object Class 21 (including subclasses), for the applicable fiscal year.
- (13) AMC, MSC, and MTMC costs displayed for items 624, 653, 701, 702, 703, 711, 721, 725, and 771 should include all purchases from these transportation funds. These amounts should exclude all non-Defense Working Capital Fund purchases such as reimbursement to MTMC of non-Defense Working Capital Fund (overseas) port operations.
- (14) Line 703 JCS Exercises includes only those services in support of JCS exercises and paid only by The Joint Staff (TJS).
- (15) The total of the program amounts for DFSC Fuel, Defense Working Capital Fund Fuel, and Locally Procured Fuel (Non-Fund) line items must agree with the amounts shown on the OP-26 Exhibit, POL Consumption and Costs, Chapter 3, Financial Management Regulation.
- (16) Include Object Class 26 supplies and materials purchased from each DoD Defense Working Capital Fund, including DLA.
- (17) Include Object Class 26 supplies and materials purchased from GSA.
- (18) Include all equipment (including furniture) purchased from Defense Working Capital Fund, including DLA.
- (19) Include all equipment (including furniture) purchased from GSA.

Exhibit OP-32 Summary of Price and Program Change

(Page 5 of 8)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

- (20) Include amounts to be paid for motor vehicles leased from both commercial services and the General Services Administration (GSA) Interagency Fleet Management System (IFMS). These amounts are to be consistent with the estimates provided on the "Commercial Leases" and the "IFMS Leases from GSA" lines of the Motor Vehicle Operations (PB-41) exhibit.
- (21) Includes centrally managed items procured by Defense Working Capital Fund from sources other than Defense Working Capital Fund or non-Defense Stock Funds.
- (22) Include purchases of MTMC services for non-Fund services such as overseas port terminal operations.
- (23) Program amounts should be consistent with Fund purchases included in Object Class 25.3.
- (24) Biennial budget years' (BY1/BY2) program amounts should reflect stabilized rates as requested by the Service (OSD submission) or as approved by OSD (President's Budget), as applicable, to include the impact of biennial budget years' pay raises. Cost reimbursable purchases should be included on line 679. Separate elements of expense for each Defense Working Capital Fund activity group are shown on page 3. Include only those elements of expense for Defense Working Capital Fund activity groups from which purchases were made or are planned, as applicable.
- (25) Includes the Aerospace Maintenance & Regeneration Center (AMARC).
- (26) Line 653, Airlift Services, Other AMC Purchases, includes Medical Evacuation Operations, Training, Search and Rescue, and other AMC costs not provided for in lines 701, or 702.
- (27) Includes all Defense Working Capital Fund purchases made on a cost reimbursable (rather than stabilized rate) basis.
- (28) Includes contractual charges for transportation of things via commercial air, sea, or surface mode and payments for commercial port operations and other transportation services exclusive of payments to the Defense Working Capital Fund.
- (29) Program amounts should be consistent with direct obligation amounts shown in the OP-8 Exhibit, Civilian Personnel Costs, Chapter 3.
- (30) Charges for rental of space and related services assessed by GSA as SLUC charges. Program amounts will be consistent with the amount shown in Object Class 23.1.
- (31) Program amounts included for items 913-915 and 917 will be consistent with the amounts shown in Object Class 23.3.
- (32) Purchases from non-Defense Working Capital Fund sources heat, light, power, water, gas, electricity and other utility services, exclusive of transportation and communication services.
- (33) Purchases of communication services from non-Defense Working Capital Fund sources.
- (34) Payments for possession and use of land, structures, and equipment (other than transportation equipment) owned by another, except for SLUC charges assessed by GSA.

Exhibit OP-32 Summary of Price and Program Change

(Page 6 of 8)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

- (35) Purchases from the U.S. Postal Service including postage (other than Parcel Post), rental of post office boxes, postage meter machines and mailing machines. Also includes payments made to the U.S. Postal Service for handling of officially franked mail (i.e., Indicia Mail).
- (36) Includes supplies and materials purchased from other than Defense and non-Defense Working Capital Fund.
- (37) Program amounts should be consistent with the amounts shown in Object Class 24.
- (38) Covers contractual equipment maintenance other than depot level (e.g., ADP/office equipment, etc.)
- (39) Includes costs for repairs and maintenance to buildings, facilities, pavement, airfields and like items when done by contracts with the private sector.
- (40) Equipment purchased from the private sector, including equipment included in Federal Supply Group 71, Furniture. Program amounts should be consistent with amounts reported under Object Class 31.07.
- (41) Covers overseas contractor operated installation costs when covered in a single contractual agreement or when service is provided by a single contractor (excludes separate contracts for specific, limited services such as contract ADP services).
- (42) Covers contracted service cost of Air Force Air Defense Systems (e.g., BMEWS, DEW Line, Spacetrack, Thule AFB base maintenance contracts, DSP) and Space Support programs.
- (43) Includes the cost of ship related repair and the performance of regularly scheduled ship overhauls at commercial shipyards.
- (44) Includes the cost to Depot Maintenance to purchase aircraft maintenance from commercial sources.
- (45) Includes payments for all other non-Defense Working Capital Fund depot maintenance costs whether performed in-house or by contract which have not been reported under lines 928 or 929.
- (46) Program amounts should be consistent with Exhibit PB-15, (Advisory and Assistance Services), Chapter 19 of the Financial Management Regulation). The amounts reflected should agree with Object Class 25.1.
- (47) Program amounts should be consistent with the amounts shown in Object Class 41.
- (48) Charges for contractual services not otherwise reported elsewhere.
- (49) Amounts on line 991 will reflect variances from budgeted rates, as prescribed by OUSD(C) guidance, which have actually occurred in the prior year or which have been approved (by DD-1415 or PBD) for the current year. There will be no amounts reflected on line 991 in the price and program growth columns. For the President's budget, the amount in the prior year column will be the realized variance on the 30 Sep DD Comp(M) 1506 report. Under no circumstances will there be an entry on line 991 in the biennial budget year. (For a further discussion, see Foreign Currency notes at the end of these instructions).
- (50) Total program amounts, in (4) and (9), will be equal to the total direct program for prior year, current year, biennial budget year 1, and biennial budget year 2, as applicable.
- (51) Includes fuel purchased from sources other than the Defense Working Capital Fund.
- (52) Includes amounts for items not otherwise reported elsewhere.

Exhibit OP-32 Summary of Price and Program Change
(Page 7 of 8)

Foreign Currency Notes

- A. The Total for Foreign Currency Rate Difference (Column 2) must reflect the difference between:
1. PY to CY: Prior year actuals and current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the Current Year. (For the latter, individual line items in column 2 (except for line 991) will reflect the difference in budgeted rates and line 991 in column 2 will reflect the transfer amount.)
 2. CY to BY1: Current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the current year, and biennial budget year 1 budgeted rates.
 3. BY1 to BY2: Change in budgeted exchange rates from biennial budget year 1 to biennial budget year 2.
- B. Individual line items in Column 2 (except for line 991) must reflect the difference in program costs that are caused only by a difference in budgeted foreign currency exchange rates between fiscal years.
- C. Line 991 - Foreign Currency Variance
1. Prior Year (PY) to Current Year (CY)
 - a. PY column = Realized variance (DD Comp(M) 1506 Report 30 Sep).
Column 2 = Reverse the realized variance amount in the PY column.
CY column = zero
 - b. If transfers have been approved in the CY,
PY column = Realized variance (DD Comp(M) 1506 Report 30 Sep).
Column 2 = Reverse the realized variance amount in the PY column and add the transfer amount approved for the CY to determine the total.
CY column = the transfer amount approved for the CY.
 2. Current Year (CY) to Biennial Budget Year 1 (BY1)
 - a. If the budgeted rates change between the CY and the BY1 and transfers from the Foreign Currency Fluctuations, Defense (FCF,D) appropriation are not reflected in the budget, then the CY column, Column 2 , and the BY1 column for line 991 are all zero.
 - b. If budgeted rates change between the CY and the BY1 and the FCF,D transfers have been reflected in the budget for the CY, then the CY column for line 991 will reflect the value of the transfers and Column 2 for line 991 will reflect the reversal of the transfers. The BY1 column for line 991 will be zero.

**RECONCILIATION OF INCREASES AND DECREASES IN AVERAGE STRENGTH (A/S) AND FULL
TIME EQUIVALENTS (FTES) IN NATO EUROPEAN COUNTRIES**

	<u>Military (A/S)</u>	<u>Civilian (FTEs)</u> <u>Direct Hire</u> <u>Indirect Hire</u>
<u>FY PY Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-	This data provides a reconciliation of changes in U.S. personnel strengths in NATO European countries. NATO European countries are defined in DODI 7730.58.	
-		
Total Decrease		
<u>FY CY Estimate</u>		
<u>Increases</u>	Only personnel permanently stationed ashore are to be included. Show increases and decreases separately and by unit, activity, or function. Detail justification for each change should be readily available. Estimates are subject to congressional ceilings.	
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		
<u>FY BY1 Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		
<u>FY BY2 Estimate</u>		
<u>Increases</u>		
-		
-		
Total Increase		
<u>Decreases</u>		
-		
-		
Total Decrease		

Exhibit OP-33 Reconciliation in Average Strength/FTes in NATO European Countries

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

FY: <u>Prior Year</u>		<u>APPROPRIATIONS</u>				Total <u>APF Oper.</u>	<u>Mil Constr.</u>	Total <u>APF Spt</u>
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY B	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY C	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY D	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

FY: <u>Current Year</u>		<u>APPROPRIATIONS</u>				Total <u>APF Oper.</u>	<u>Mil Constr.</u>	Total <u>APF Spt</u>
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY B	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY C	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY D	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

FY: <u>Budget</u>		<u>APPROPRIATIONS</u>				Total <u>APF Oper.</u>	<u>Mil Constr.</u>	Total <u>APF Spt</u>
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY B	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY C	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
CATEGORY D	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
DIRECT SUPPORT INCLUDED								
ABOVE (Memo Entry)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

(Page 1 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

Provide for PY, CY, BY1, & BY2

	Total	<u>APPROPRIATIONS</u>				<u>APF Oper.</u>	Total <u>Mil Constr.</u>	<u>APF Spt</u>
MWR CATEGORY	----	----	----	----	----	----	----	----
CATEGORY A	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<u>MISSION SUSTAINING PROGRAMS</u>								
A.1 Armed Forces Prof. Entertainment O/S	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.2 Physical Fitness	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.3 Free Admission Motion Picture	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.4 Libraries (REC)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.5 <i>Rec Centers Prog.</i>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.6 Parks/Picnic areas	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.7 Shipboard/Company/ Unit level prog./activities	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
A.8 Sports/Athletics-self directed, unit level and intramural	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Common Support	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 2 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

Provide for PY, CY, BY1, BY2

<u>APPROPRIATIONS</u>					<u>Total APF Oper.</u>	<u>Mil Constr.</u>	<u>Total APF Spt</u>
MWR CATEGORY	_____	_____	_____	_____	_____	_____	_____
CATEGORY B	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<u>BASIC COMMUNITY SUPPORT PROGRAMS</u>							
B.1 Child Care Programs							
Child Dev. Centers	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Family Child Care	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Supp Program/Resource & <i>Referral/Other</i>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<i>School Aged Care</i>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B.2 <i>Youth Activities</i>							
B.3 Community Programs							
Cable/Community TV	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rec/tickets/tour	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rec Swimming	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B 4 Outdoor Recreation							
Outdoor Recreation	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Outdoor Rec Equip Checkout	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Boating w/o Resale	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Camping (Primitive)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Riding Stables (Gov't owned/ or Leased)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B.5 Individual Skill Recreation							
Amateur Radio	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Performing Arts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Arts and Crafts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Automotive Crafts	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Bowling <12 lanes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B.6 Sports Programs							
(Above Intramural)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Common Support	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

(Page 3 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

Provide for PY, CY, BY1, & BY2

		<u>APPROPRIATIONS</u>				<u>Total</u> <u>APF Oper.</u>	<u>Mil Constr.</u>	<u>Total</u> <u>APF Spt</u>
MWR CATEGORY	_____	_____	_____	_____	_____	_____	_____	_____
CATEGORY C	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<u>REVENUE-GENERATING PROGRAMS</u>								
C.1 Food, Beverage, & Entertainment								
Military Open Mess (Clubs)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other Food Outlets	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C 2 Lodging Programs (Part of MWR NAFI)								
Joint Service/Armed								
Forces/Serv Rec Ctrs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
PCS Lodging	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Recreational Lodging	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.3 Special Interest Clubs:								
Flying Program	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Parachute/Sky Diving	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Rod and Gun Program	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Scuba/Diving Program	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Horseback Riding	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Video Program	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C.4 Other Revenue Generating Activities								
Resale	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Amusement/Rec Machines	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Bowling (over 12 lanes)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Golf	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Boating (With Resale or								
Private Boat Berthing	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Equipment Rental	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Unofficial Comm Tvl Service	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Common Support	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

(Page 4 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

Provide for PY, CY, BY1, & BY2

<u>APPROPRIATIONS</u>					Total <u>APF Oper.</u>	<u>Mil Constr.</u>	Total <u>APF Spt</u>
<i>Other MWR And NAFI Programs Category D</i>							
<i>D 1 Support For</i>							
<i>Commissaries</i>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D-2 Armed Serv Exchange	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D.3 Civilian MWR Programs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D 4 Stars and Stripes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D 5 TDY Lodging	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D 6 PCS Lodging	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D 7 Mission Supplemental Programs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL APF SUPPORT	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 5 of 6)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

(Dollars in Thousands)

INSTRUCTIONS:

1. In preparing the OP-34 exhibit, the Services/Defense Agencies should use the program definitions contained in the DoD Directive 1015.10, subject: Programs for Military Morale, Welfare, and Recreation (MWR), DoDI 1015.12, subject: Lodging Program Resource Management; and DoDD 1015.8, subject: DoD Civilian Employee Morale, Welfare, and Recreation (MWR) and Supporting Nonappropriated Fund Instrumentalities (NAFIs).

2. *APF support should include both direct and indirect APF support provided to MWR activities and should include the cost categories reported on the Appropriated and Nonappropriated Fund Expense Summary required by DoDI 7000.12. Direct costs include those costs that can be directly attributable to the activity and include civilian and military pay and benefits, travel, training, supplies and equipment, contracts, and Family Child Care subsidy. Indirect costs include costs that are attributed to more than one activity and include rents, utilities, communications, minor construction, repair and maintenance, contracts, engineering support, etc.*

3. APF Common Support - That appropriated fund support, identified as APF support used in the management, administration and operation of more than one MWR program, however, that support or cost is not easily nor readily identifiable to a specific MWR program.

Some examples of APF common support would include: *managerial operational functions and positions at an installation, major command or Service, executive and upper management supervision that is functionally located above the operating program manager level and having responsibility for several MWR programs; an installation's civilian personnel functions; and central accounting office functions.*

4. The OP-34 Exhibits should be submitted for the OSD/OMB budget submission each year. The OP-34 exhibit should also be included in the congressional justification books each year.

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

(Page 6 of 6)

**DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE, NAVY/NAVY RESERVE
SHIP FUEL AND OPERATING TEMPO DATA**

	<u>Deployed Fleet</u>				<u>Non-Deployed Fleet</u>			
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Operating Tempo (Hours/Quarter)								
<u>Conventional</u>								
Total Steaming Hours								
Cost of Fuel Consumed (\$000)								
<u>Nuclear</u>								
Total Steaming Hours								
Cost of Fuel Expended (\$000)								

Include the costs actually provided or programmed in support of the drug interdiction program. At the end of the OP-40 exhibit, provide a memo entry reflecting the amounts included in these costs for conventional and nuclear ships that are funded in the centralized drug account.

Exhibit OP-40 Ship Fuel and Operating Tempo Data

**DEPARTMENT OF THE NAVY
OPERATION AND MAINTENANCE, NAVY/NAVY RESERVE
SHIP OPERATING COST DATA
(Dollars in Thousands)**

Fiscal Year _____

<u>Type Inv</u>	<u>Ship Years</u>	<u>Operating Months</u>	<u>Fuel</u>	<u>Utilities</u>	<u>Repair Parts</u>	<u>OPTAR</u>	<u>Total Cost</u>
-----------------	-----------------------	-----------------------------	-------------	------------------	-------------------------	--------------	-----------------------

Provide data for the prior year, current year, budget year 1, and budget year 2.

Include the ship operations actually provided or programmed in support of the drug interdiction program. At the end of the OP-41 exhibit, provide a memo entry reflecting the amounts included in ship operations that are funded in the centralized drug account.

Exhibit OP-41 Ship Operating Cost Data

**MILITARY PERSONNEL ASSIGNED
TO
SHIPS & AIRCRAFT SQUADRONS**

Ship Type & Class and Aircraft <u>Type/Model/Series</u>	Basis of <u>Requirement</u>	No. of Ships <u>Aircraft Squadrons</u>				Requirement Per <u>Unit</u>		Prior Year <u>Strength</u>		Current Year <u>Strength</u>		BY 1 <u>Strength</u>		BY 2 <u>Strength</u>		BY2+1 <u>Strength</u>	
		<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>
DD 931 Class	Manning Document																
DD 963 Class	Allowances																
SSN 688	Commissioning																
A7's	MO Factors																
F-6's																	
F-14's																	
Subtotal by Subactivity Group																	
Total by Budget Activity Group																	

Exhibit OP-44 Military Assigned to Ships & Aircraft Squadrons

OPERATION AND MAINTENANCE, AIR FORCE

FY ____ ESTIMATE

UNITS BY PROGRAM ELEMENT

(Dollars in Thousands)

Program Element: _____

	PY-1	PY	CY	BY1	BY2	BY2+1	BY2+2	BY2+3	BY2+4
	<u>Actuals</u>	<u>Actuals</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
<u>Program Units</u>									
Forces Wings									
Forces Squadrons									
Unit Equipment									
Flying Hour Total									
Manpower (End Strength)									
Officers									
Enlisted									
Academy Cadets									
Total Military Personnel									
U.S. Direct Hire									
FN Direct Hire									
FN Indirect Hire									
Total Civilian Personnel									
Manpower (Average Strength/FTE)									
Officers									
Enlisted									
Academy Cadets									
Total Military Personnel									
U.S. Direct Hire									
FN Direct Hire									
FN Indirect Hire									
Total Civilian Personnel									
<u>Cost Data</u>									
Operation and Maintenance									
Provide by DoD Element of Expense									
Total Operation and Maintenance									
Total Military Personnel									
Total O&M and Military Personnel									

This Exhibit should be provided for:

1. Total Operations Air Force
2. Major Force Program
3. Program Element

Exhibit OP-50 Units by Program Element

OPERATION AND MAINTENANCE, AIR FORCE
ANALYSIS OF AIRCRAFT POL
FY _____ Estimate
(Dollars in Thousands)

Analysis of Aircraft Petroleum, Oil and Lubricants (POL)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
A. Flying Hour Program Requirements:				
1. Number of Flying Hours				
a. Active Forces (excl. FGO and SOF)				
b. Foreign Gov't Owned				
2. Flying Hours at Std. Price				
Adjustments: (Explain)				
3. Funding for Flying Hour Program				
a. Active Forces (excl. FGO and SOF)				
b. Foreign Gov't Owned				
B. Non-Fly				
C. Special Fuels				
D. Grand Total-Aircraft POL				
1. Direct				
2. Reimbursements				

OPERATION AND MAINTENANCE, AIR FORCE
ANALYSIS OF AIRCRAFT POL
FY _ _____ Estimate
(Dollars in Thousands)

Analysis of Non-Fly Program

	PY/CY/BY1/BY2	
	<u>QTY(bbls)</u>	<u>Cost</u>
Major Force Program:		
1. a. Offensive Forces		
b. Defensive Forces		
Total Strategic Forces		
2. General Purpose Forces		
3. a. Intelligence		
b. Communications		
c. Other		
Total Program 3		
4. Airlift		
5. Reserves		
7. Central Supply and Maintenance		
8.		
a. Training		
b. Other		
Total Program 8		
9. Administration		
10. Support of Other Nations		
TOTAL		

Exhibit OP-58 Analysis of Aircraft POL
(Page 2 of 2)

**OPERATION AND MAINTENANCE
ORGANIZATIONAL CLOTHING AND EQUIPMENT (OCE)
Army Reserve Components 1/
(Dollars in Millions)**

<u>ITEM</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
1. Backlog carried forward from prior years								
Less:								
2. Backlog of obsolete equipment								
Add:								
3. Inflation	_____	_____	_____	_____	_____	_____	_____	_____
4. Adjusted prior year backlog								
Add:								
5. Inventory change due to Average Strength adjustments								
6. Replacement of equipment issues								
7. Force modernization initiatives								
8. Other	_____	_____	_____	_____	_____	_____	_____	_____
9. Annual requirement	_____	_____	_____	_____	_____	_____	_____	_____
10. Total funding required								
Less:								
11. Funds budgeted for OCE	_____	_____	_____	_____	_____	_____	_____	_____
12. Backlog, end of year								

1/ Identify applicable Reserve Component. Separate OP-71 exhibits required for Army National Guard and Army Reserve Components.

Exhibit OP-71 Organizational Clothing and Equipment - Army Reserve Components
(Page 1 of 2)

INSTRUCTIONS FOR COMPLETION OF OP-71

1. **Backlog Carried Over from Prior Year** - unfunded requirements at the end of the previous fiscal year.
2. **Backlog of Obsolete Equipment** - backlog associated with equipment no longer being issued to the Service. (e.g., if the Army Guard decided to replace steel helmets with kevlar helmets and has budgeted for the kevlar helmets as a force modernization initiative. The value for steel helmets included in the backlog would be reflected in this category.)
3. **Inflation** - backlog carried over from previous year less backlog associated with equipment no longer being issued to the Service times the OSD rate for “general purchases inflation-O&M” or the appropriate Defense Working Capital Fund rate, whichever is applicable.
4. **Adjusted Prior Year Backlog** - backlog carried over from previous year less backlog associated with equipment no longer being issued to the Service plus inflation (1-2+3).
5. **Average Strength Change Adjustment**- change in OCE requirements resulting from increases or decreases in total workyears.
6. **Replacement of Previous Issues** - inventory purchased to replace equipment that is consumed during the year through normal wear and tear (including inventory losses).
7. **Force Modernization Initiatives** - OCE requirements related to equipment modernization. This might include such items as new cold weather clothes or chemical protective clothing.
8. **Other - only those requirements that do not fit the above categories.** This would include increases and decreases resulting from changes in authorized numbers of units or individual equipment authorizations.
9. **Annual Requirement** - the sum of the “end strength change adjustment,” “replacement of previous issues,” “force modernization initiatives,” and “other.” (5+6+7+8)
10. **Total Fund Required** - the “adjusted prior year backlog” plus the “annual requirement.” (4+9)
11. **Funds Budgeted for OCE** - amount planned for OCE each year.
12. **Backlog, End of Year** – “total funding required” less “funds budgeted” for OCE.

Exhibit OP-71 Organizational clothing and Equipment – Army Reserve Components
(Page 2 of 2)

**OPERATION AND MAINTENANCE
REPAIR PARTS, ARMY RESERVE COMPONENTS 1/
(Dollars in Millions)**

<u>ITEM</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
1. Backlog carried forward from prior years								
Less:								
2. Backlog of obsolete parts								
Add:								
3. Inflation	_____	_____	_____	_____	_____	_____	_____	_____
4. Adjusted prior year backlog								
Add:								
5. Recurring requirements	()	()	()	()	()	()	()	()
a. Annual consumption								
b. Change in equipment inventories								
c. Change in stockage levels								
6. Nonrecurring requirements	()	()	()	()	()	()	()	()
a. Force modernization initiatives								
b. Introduction of other new equipment								
7. Total funding required								
Less:								
8. Funds budgeted for repair parts	_____	_____	_____	_____	_____	_____	_____	_____
9. Backlog, end of year								

Exhibit OP-73 Repair Parts, Army Reserve Components
(Page 1 of 2)

INSTRUCTIONS FOR COMPLETION OF OP-73

1. **Backlog carried forward from prior years** - unfunded requirements at the end of the previous fiscal year.
2. **Backlog of obsolete parts** - backlog of repair parts associated with equipment that is being retired from the Reserve Forces.
3. **Inflation** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces times the OSD rate for “general purchases inflation--O&M” or the Defense Working Capital Fund, whichever is applicable.
4. **Adjusted prior year backlog** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces plus inflation (1-2+3)
5. **Recurring requirements** - annual repair parts requirements to support equipment fielded in previous years.
 - a. **Annual consumption** - those parts consumed annually to support weapons systems fielded in previous years.
 - b. **Change in equipment inventories** - increases or decreases in annual consumption requirements necessary to reflect changes in equipment inventory levels (e.g., retirement of equipment).
 - c. **Change in stockage levels** - increases or decreases in requirements due to changes in the level of repair parts support required annually for a particular equipment.
6. **Nonrecurring requirements** - one time requirements associated with introduction of new equipment to the Reserve Force.
 - a. **Force modernization initiatives** - initial inventory of repair parts associated with fielding of force modernization systems.
 - b. **Introduction of other new equipment** - introduction of other equipment not previously provided to the Reserve Force.
7. **Total funding required** - adjusted prior year backlog plus recurring requirements and nonrecurring requirements.
8. **Funds budgeted for repair parts** - amount budgeted for repair parts each year.
9. **Backlog, end of year** - “total funding required” less “funds budgeted for repair parts”.

Exhibit OP-73 Repair Parts, Army Reserve Components
(Page 2 of 2)

**OPERATION AND MAINTENANCE
FORCE STRUCTURE DATA**

PE MDS CMD PURPOSE

<u>PY</u>					<u>CY1</u>					<u>BY1</u>					<u>BY2</u>					<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>
	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>		<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>		<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>		<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>			

INSTRUCTIONS

Report force structure for each model/design/series (MDS) aircraft within each program element. Also identify the command to which the equipment is assigned and the purpose code for the equipment. The force structure should be reported at end of year for the prior year and the outyears and at the end of each quarter for the current year and the budget years (BY1 and BY2). Totals should be provided for MDS and each PE.

Separate exhibits are required for Active Air Force, Air Force Reserve, and Air National Guard.

Exhibit OP-78 Force Structure Data

**AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
OPERATION AND MAINTENANCE, _____**
Aircraft Type/Summary _____

	Number Of Aircraft				Depot Hours				Cost (\$ in Thousands)			
	PY	CY	BY1	BY2	PY	CY	BY1	BY2	PY	CY	BY1	BY2
ACI Tasks												
PDM Tasks												
Strip/Paint												
Other												
Total												
Depot Rates Per Hour												

Provide a brief explanation of changes between the CY and BY1 and between BY1 and BY2. Summary totals should agree with the OP-30.

This exhibit has been replaced in its entirety.

Exhibit OP-80 Aircraft Repair/Modification and Engine Overhaul
(Page 1 of 2)

**AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
OPERATION AND MAINTENANCE, _____**
Engine Overhauls/Other Depot Maintenance

[illegible]

Provide an explanation of changes between the CY and the BY1 and between BY1 and BY2. Totals should agree with the OP-30.

This exhibit is replaced in its entirety.

AIR OPERATIONS
COMPONENT TITLE

	(\$ in Millions)									
	FY PY	Price	Program	FY CY	Price	Program	FY BY1	Price	Program	FY BY2
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Army										
Army Reserve										
Army National Guard										
Navy										
Navy Reserve										
Air Force										
Air Force Reserve										
Air National Guard										
USSOCOM										
Defense Health Program										
Total										

(Report on this exhibit all flying hours costs direct funded in the O&M appropriations including those funded in the Air Operations Activity Groups as well as those funded in the flying hour programs of the Army, USSOCOM, and the Defense Health Program. Include all other direct funded flying hour-related costs (fuel, supplies/DLRs, depot maintenance) in other Activity Groups. Price and Program changes should agree with those on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5.)

Description of Operations Financed: (Provide an explanation of the air operations financed by each Component. Break out each component by Budget Activity, Activity Group, and Subactivity Group. List each subactivity group for Air Operations Activity Groups and include separate lines for Mobility Operations, Training Operations, and Other to identify all the flying hour related costs (fuel, supplies/DLRs, depot maintenance) included in all other Activity Groups that are direct funded in the O&M appropriation. See example below.)

Budget Activity 1
 Activity Group: Air Operations
 Mission/Flight Operations
 Intermediate Maintenance
Budget Activity 3
 Activity Group: Basic Skills and Advance Training
 Flight Training
 Training Support
 Total

Exhibit PBA-2 Air Operations
(Page 1 of 3)

AIR OPERATIONS
COMPONENT TITLE
 (Cont'd)

PROGRAM DATA

Inventory (PAA *end of FY*)

Bombers

Fighters

Training

Mobility

Other (e.g., Army Flight Pgm)

Inventory (Total Aircraft Inventory end of FY)

Bombers

Fighters

Training

Mobility

Other (e.g., Army Flight Pgm)

Flying Hours (000)

Tac Fighter Wing Equivalents

Crew Ratio (Average)

Bombers

Fighters

OPTEMPO (Hrs/Crew/Month)

Bombers

Fighters

Primary Mission Readiness (%)

ICBM Inventory

Minuteman I

Minuteman II

Peacekeeper

(Instructions on the following page.)

FY PY

Actual

Change

FY CY

Estimate

Change

FY BY1

Estimate

Change

FY BY2

Estimate

Exhibit PBA-2 Air Operations

(Page 2 of 3)

AIR OPERATIONS
COMPONENT TITLE
(Cont'd)

Narrative Explanation of Changes: (Explain/describe/narrate by subactivity, the major program changes reflected in the budget (for \$ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the BY1 and from BY1 to FY BY2 as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Identify on the bottom of the exhibit *the preparation date and* a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit. *Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Analysis of Flying Hour Program (OP-20), Funding for Depot Level Repairables (OP-31), and Special Operations Forces (OP 52).*)

Exhibit PBA-2 Air Operations
(Page 3 of 3)

SHIP OPERATIONS
COMPONENT TITLE

FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Active Forces

(List by subactivity group Operation and Maintenance, Navy funding for Activity Group Ship Operations. Total O&M,N funding (*including price and program changes*) must match the O-1 total for Ship Operations.)

Reserve Forces

(List by subactivity group Operation and Maintenance, Navy Reserve funding for Activity Group Ship Operations. Total O&M,NR funding (*including price and program changes*) must match the O-1 total for Ship Operations.)

Grand Total

Description of Operations Financed: (Provide narrative explanation of activities included and succinctly describe significant *price and* program changes from the current year (CY) to budget year 1 (BY1) and from BY1 to budget year 2 (FY BY2) for each subactivity group).

PROGRAM DATA

(Provide applicable program data and explain program changes.)

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

Ship Inventory (End of Year)

Navy Active
 MSC Charter/Support
 Battle Force Ships (Active)

Mobilization Cat A
 Mobilization Cat B
 Naval Reserve Force

Battle Force Ships (Active plus Mob Cat A)

Exhibit PBA-3 Ship Operations
(Page 1 of 4)

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

Battle Force Ships Inventory Adjustments by Category

Between FY CY and FY BY1

	<u>FY CY</u> <u>Inventory</u>	<u>Gains</u>	<u>Losses</u>	<u>FY BY1</u> <u>Inventory</u>
Strategic				
Carriers				
Surface Combatants				
Submarines				
Amphibious				
Mine Warfare, Patrol				
Support Ships				
Total				

Between FY BY1 and FY BY2

	<u>FY BY1</u> <u>Inventory</u>	<u>Gains</u>	<u>Losses</u>	<u>FY BY2</u> <u>Inventory</u>
Strategic				
Carriers				
Surface Combatants				
Submarines				
Amphibious				
Mine Warfare, Patrol				
Support Ships				
Total				

Exhibit PBA-3 Ship Operations
 (Page 2 of 4)

SHIP OPERATIONS
COMPONENT TITLE
 (Con't)

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

Operating Tempo (Days per Quarter)

Non-Deployed Fleet
 Deployed Fleet
 Reserve Fleet (except CV)
 Reserve Fleet (CV)

Shipyears

Conventional, O&M, N
 Nuclear, O&M, N
 Conventional, O&M, NR

Operating Months (Less Charter Ships)

Conventional, O&M, N
 Nuclear, O&M, N
 Conventional, O&M, NR

Underway Steaming Hours (Thousands)

Conventional, O&M, N
 Nuclear, O&M, N
 Conventional, O&M, NR

Depot Maintenance

Active

Overhauls
 Selected Restricted Availabilities
 Phased Maintenance Availabilities

Reserve

Overhauls
 Selected Restricted Availabilities
 Phased Maintenance Availabilities

Exhibit PBA-3 Ship Operations
 (Page 3 of 4)

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

Base Support

CONUS (List number of bases funded from this activity group.)
Overseas

Instructions

Reflect program data under “Description of Operations Financed” and “Program Data” sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Budget Year 1 and between Biennial Budget Year 1 and Biennial Budget Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Explanation of price and program changes should be provided separately for the Active Fleet as well as the Reserve Fleet.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 (performance criteria), Ship Fuel Data and OPTEMPO Data (OP-40), Ship Operating Cost Data (OP-4), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52).

Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-3 Ship Operations
(Page 4 of 4)

LAND FORCES
COMPONENT TITLE

(\$ in Millions)									
FY PY	Price	Program	FY CY	Price	Program	FY BY1	Price	Program	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

List by Budget Activity, Activity Group, and Subactivity Group.

Description of Operations Financed: *(Provide a narrative explanation of the land operations financed by each Component. List each subactivity group and include separate descriptions for each functional program within the subactivity group. Identify land forces operating costs by major category of costs (repair parts, fuel, contractor logistics support, etc.) and explain changes for specific program increases/decreases.)*

PROGRAM DATA

ARMY

	<u>FY-PY</u>		<u>FY-CY</u>		<u>FY-BY1</u>		<u>FY BY2</u>	
	C-1/C-2	Actual	C-1/C-2	Budgeted	C-1/C-2	Budgeted	C-1/C-2	Budgeted
<u>Battalion:</u>	<u>Reqmnt</u>	<u>Miles</u>	<u>Reqmnt</u>	<u>Miles</u>	<u>Reqmnt</u>	<u>Miles</u>	<u>Reqmnt</u>	<u>Miles</u>
Armor (M1)								
Mech. Infantry (M2)								
Cavalry Squadron (M3)								

MARINE CORPS

	<u>FY-PY</u>		<u>FY-CY</u>		<u>FY-BY1</u>		<u>FY-BY2</u>	
	No. of	No. of	No. of	No. of	No. of	No. of	No. of	No. of
<u>Battalion:</u>	<u>Units</u>	<u>Days</u>	<u>Units</u>	<u>Days</u>	<u>Units</u>	<u>Days</u>	<u>Units</u>	<u>Days</u>
Infantry								
Artillery								
Tank								
Assault, Amphibian								
Combat Engineer								
Light Armored Infantry								

Exhibit PBA-4 Land Forces
(Page 1 of 2)

LAND FORCES
COMPONENT TITLE
(Con't)

<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

PERSONNEL DATA

Active Force Personnel

End Strength

Officer
 Enlisted
 Cadets
 Total

Civilian Personnel

Full Time Equivalent

U.S. Direct Hires
 Foreign National Direct Hire
 Total Direct Hire
 Foreign National Indirect Hire
 Total

Narrative Explanation of Changes:

Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. *For personnel data, explain the changes in terms of programs affected and identify changes in functional requirements.*

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits) Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits as appropriate. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 performance criteria.

Identify on the bottom of the exhibit *preparation date* and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-4 Land Forces
 (Page 2 of 2)

DEPOT MAINTENANCE PROGRAM
COMPONENT TITLE
(\$ in Millions)

<u>FY PY (1)</u>			<u>FY CY (1)</u>			<u>FY BY1 (1)</u>			<u>FY BY2 (1)</u>	
Executable			Executable			Executable			Executable	
Funded	Unfunded		Funded	Unfunded		Funded	Unfunded		Funded	Unfunded
Executable	Deferred		Executable	Deferred		Executable	Deferred		Executable	Deferred
<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Change</u>	<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Change</u>	<u>Rqmt*</u>	<u>Rqmt*</u>	<u>Change</u>	<u>Rqmt*</u>	<u>Rqmt*</u>

*Requirements

Description of Operations Financed (Provide a narrative explanation of activities included.)

Operation & Maintenance (2)

Aircraft

Combat Vehicles

Ships (3)

Other (Specify)

Missiles, Software, Ordnance, Other end-item maintenance, other

Total

- (1) Follow the general guidelines that apply to the OP-30 Exhibit, Chapter 3 of the DoD Financial Management Regulation.
- (2) Indicate appropriation (Army, Army Reserve, etc.). Show amounts for each appropriation separately.
- (3) Navy and Navy Reserve only. Ship maintenance for all other Components should be included in "Other".

Narrative Explanation of Changes: Show changes in the funded requirement by price and program using the following format:

<u>Category</u>	(\$ in Millions)									
	<u>FY PY</u>	<u>Price</u>	<u>Program</u>	<u>FY CY</u>	<u>Price</u>	<u>Program</u>	<u>FY BY1</u>	<u>Price</u>	<u>Program</u>	<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Aircraft										
Combat Vehicles										
Ships										
Other										
Total										

Succinctly explain any program change of plus or minus \$5 million in any category. Relate the change to the number of units if applicable. For example, "Aircraft depot maintenance increase of \$11.2 million funds an additional ten airframes required because of the increasing average age of the aircraft inventory." Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit). Identify on the bottom of the exhibit preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-5 Depot Maintenance

REAL PROPERTY MAINTENANCE
COMPONENT TITLE

(\$ in Millions)

	<u>FY PY</u>	<u>Price</u>	<u>Program</u>	<u>FY CY</u>	<u>Price</u>	<u>Program</u>	<u>FY BY1</u>	<u>Price</u>	<u>Program</u>	<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

Operation and Maintenance, Submit a separate exhibit for each O&M appropriation.

Description of Operations Financed: Separately describe maintenance and repair of real property and minor construction.

PROGRAM DATA

Maintenance and Repair of Real Property (Provide applicable program data)

Minor Construction

Backlog of Maintenance and Repair (BMAR)

PERSONNEL DATA

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

Active Force Personnel (End Strength)

Officer

Enlisted

Cadets

Total

Civilian Personnel (Full Time Equivalent)

U.S. Direct Hires

Foreign National Direct Hire

Total Direct Hire

Foreign National Indirect Hire

Total

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19), Backlog of Maintenance and Repair (OP-27), and the Maintenance of Real Property (OP-28) exhibits.* Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-7 Real Property Maintenance

TRAINING AND EDUCATION
COMPONENT TITLE

(\$ in Millions)

FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

Operation and Maintenance, SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: (Provide narrative explanation of activities.)

Individual Training by Category by Service

(\$ in Millions)

FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Recruit Training

Army (1)

Navy

Marine Corps

Air Force

Total

Specialized Skill Training

Army

Navy

Marine Corps

Air Force

Defense Health Program

SOCOM

Total

Professional Development

Army

Navy

Marine Corps

Air Force

Defense Health Program

SOCOM

DAU

Total

Exhibit PBA-8 Training and Education

(Page 1 of 4)

TRAINING AND EDUCATION

COMPONENT TITLE

(\$ in Millions)

	<u>FY PY</u>	<u>Price</u>	<u>Program</u>	<u>FY CY</u>	<u>Price</u>	<u>Program</u>	<u>FY BY1</u>	<u>Price</u>	<u>Program</u>	<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Officer Acquisition										
Army										
Navy										
Marine Corps										
Air Force										
Defense Health Program (2)										
Total										
Flight Training										
Army										
Navy										
Marine Corps										
Air Force										
Total										
Training Support										
Army										
Navy										
Marine Corps										
Air Force										
Total										
Senior ROTC										
Army										
Navy										
Air Force										
Total										
Base Operating Support (3)										
Army										
Navy										
Marine Corps										
Air Force										
SOCOM										
Total										

(1) Includes Army One Station Unit Training (OSUT).

(2) Includes Uniformed Services University of Health Sciences (USUHS).

(3) Includes Base Operations and Real Property Maintenance in support of training.

Exhibit PBA-8 Training and Education

(Page 2 of 4)

TRAINING AND EDUCATION
COMPONENT TITLE

(Hours in thousands)

	FY PY		FY CY		FY BY1		FY BY2
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Flying Hours: (Include hours flown in Flight Training.)							
Army							
Navy							
Air Force							
Total							

WORKLOAD INDICATORS ^{1/}

	FY PY		FY CY		FY BY1		FY BY2
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
(Include data by Component for Army, Navy, Marine Corps, Air Force, Defense Health Program, SOCOM, and DAU)							
Recruit Training							
One Station Unit Training							
Specialized Skill <u>2/</u>							
Officer Acquisition <u>3/</u>							
Flight Training							
Professional Development							

TRAINING AND EDUCATION
COMPONENT TITLE

1/ Workload should agree with the Military Manpower Training Report (MMTR) and reflect direct and reimbursable workload associated with the dollars reported under training and education.

2/ Specialized skill includes initial skill, skill progression, and functional training for both officer and enlisted.

3/ Officer Acquisition includes Service academies, platoon leaders course, Officer Candidate/Training Schools, and other enlisted commissioning programs. Also includes USUHS and the Health Professional Scholarship Program..

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19), Backlog of Maintenance and Repair (OP-27), and the Maintenance of Real Property (OP-28) exhibits.* Identify on the bottom of the exhibit *the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.*

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

(\$ in Millions)

	<u>FY PY</u>	<i>Price</i>	<i>Program</i>	<u>FY CY</u>	<i>Price</i>	<i>Program</i>	<u>FY BY1</u>	<i>Price</i>	<i>Program</i>	<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Operation and Maintenance (CHAMPUS)										
Procurement										
RDT&E										
Total, Defense Health Program										

Description of Operations Financed: (Provide narrative explanation of activities)

WORKLOAD INDICATORS

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
<u>CHAMPUS Workload Indicators (In Thousands)</u>							
Paid Inpatient Admissions							
Paid Outpatient Visits							

Direct Medical Care Programs

Hospitals/Medical Centers
PRIMIS/NAVCARE Clinics
Medical Clinics
Dispositions
Inpatient Work Units
Occupied Bed Days
Average Length of Stay
Total Ambulatory Visits

Eligible Population

Active Duty Personnel
Dependents of Active Duty Personnel
Retired Personnel
Dependents of Retired and Deceased Military
Personnel
Total

Exhibit PBA-9 Defense Health Program
(Page 1 of 2)

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

PERSONNEL DATA

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
<u>Civilian Personnel (FTEs)</u>							
U.S. Direct Hires							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
<u>Military Personnel (Average Strength)</u>							
Officers							
Enlisted							
Total							
<u>CHAMPUS PROGRAM</u>							
CHAMPUS Health Care							
CHAMPUS Dental Program							
Subtotal Medical							
OCHAMPUS COSTS							
Total							

DIRECT CARE PROGRAMS/CHAMPUS PROGRAM NARRATIVE EXPLANATION OF CHANGES. For both the direct care and CHAMPUS programs, provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5).* Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual..

Note: Procurement, RDT&E and Major OT&E justification material should be presented in accordance with the requirements in the applicable chapters of the Financial Management Regulation.

Exhibit PBA-9 Defense Health Program
(Page 2 of 2)

BASE OPERATIONS SUPPORT (BOS)
COMPONENT TITLE

(\$ in Millions)									
FY PY	Price	Program	FY CY	Price	Program	FY BY1	Price	Program	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation: (Submit a separate exhibit for each O&M appropriation.)

Operation and Maintenance, _____

Base Operating Support ^{1/}

Description of Operations Financed - Discuss by BOS functional categories. Note that real property maintenance (RPM) functions are excluded from this exhibit. The RPM functions are reflected in Exhibit PBA-7. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit).*

PROGRAM DATA

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>	
	<u>CONUS</u>	<u>Overseas</u>	<u>CONUS</u>	<u>Overseas</u>	<u>CONUS</u>	<u>Overseas</u>	<u>CONUS</u>	<u>Overseas</u>
Number of Installations								
Active Forces								
Reserve Forces								

Personnel Assigned to BOS (End Strength/FTEs)

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>	
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	
Military End Strength								
Officer								
Enlisted								
Cadets								
Total								
Civilian Full time Equivalents								
U.S. Direct Hires								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								

Exhibit PBA-10 Base Operations Support
(Page 1 of 2)

BASE OPERATION SUPPORT (BOS)

Narrative Explanation of Changes: *(Explain/describe/narrate by functional category of BOS and provide succinct narrative explanation of total resource changes reflected in the budget (for \$ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Specifically identify by base, name and location, any change in the number of installations. Explain changes in price and program from the current estimate (CY) to the BY1 and from FY BY1 to FY BY2 as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Analysis of Flying Hour Program (OP-20), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52).) Identify on the bottom of the exhibit the preparation date and a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.*

1/ This category includes those *Operation and Maintenance* program elements normally ending in “94”, “95”, and “96”. This includes those costs associated with utility operations and Other Engineering Support. This category specifically excludes those activities associated with Real Property Maintenance, both maintenance and repair of real property and minor construction, as reported in the PBA-7, *Real Property Maintenance* exhibit.

Exhibit PBA-10 Base Operations Support
(Page 2 of 2)

RESERVE FORCES
COMPONENT TITLE

(\$ in Millions)

FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: (Provide narrative explanation of activities.)

PROGRAM DATA

(Provide applicable program data)

Aircraft Authorized (End FY)
 Flying Hours
 Air Wings
 Air Squadrons
 Flying Units
 Operating Tempo (List separately applicable ground, flying, steaming)
 Ship Inventory (End FY)
 Steaming Hours
 Divisions
 Student Training Loads
 Major Installations
 Reserve Centers
 Training Centers
 Other Operating Locations
 Major Equipment/Ships/Aircraft (End FY) (List Separately)

Depot Maintenance Repair Backlog (\$)
 Backlog of Maintenance and Repair (\$)
 Backlog of Repair Parts
 Backlog of Organizational Clothing and Equipment

RESERVE FORCES
COMPONENT TITLE

PERSONNEL DATA

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
<u>Selected Reserve and National Guard Personnel (Avg Strength)</u>							
Drill Strength							
Individual Mobilization Augmentees							
(2 week Active Duty)							
Full Time Duty							
Total							
Selected Reserve Average Strength							
Full-time Included (Memo)							
<u>Civilian Personnel (FTEs)</u>							
U.S. Direct Hires							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
(Military Technicians Included (Memo)							
Military Technicians Assigned to USSOCOM (FTEs)							
<u>Civilian Personnel (End Strength)</u>							
U.S. Direct Hires							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
(Military Technicians Included (Memo)							
Military Technicians Assigned to USSOCOM (E/S)							

Exhibit PBA-11 Reserve Forces
(Page 2 of 3)

RESERVE FORCES
COMPONENT TITLE

Narrative Explanation of Changes: (Provide a succinct narrative explanation of total resource changes reflected in the budget (for \$ provide in nearest tenths of millions). *Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the BY1 and from FY BY1 to FY BY2 as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Analysis of Flying Hour Program (OP-20), Funding for Depot Level Repairables (OP-31), and Special Operations Forces (OP-52). Identify on the bottom of the exhibit the preparation date and a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.*

Exhibit PBA-11 Reserve Forces
(Page 3 of 3)

COMMAND, CONTROL, AND COMMUNICATIONS (C3)
COMPONENT TITLE

		(\$ in Millions)								
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2	
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	

Appropriation Summary:

Operation and Maintenance, _____

Description of Operations Financed: A separate format is required for each appropriation which has C³ identifiable costs. Provide narrative explanation of activities by category as listed below. *Explain each category and associated funding and identify by Budget Activity, Activity Group, and Subactivity Group. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data should be consistent with the guidance provided in Chapter 17 and Chapter 19, Section 1910.*

PROGRAM DATA

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

- *Communications*
 - *Sustaining base communications*
 - *Long haul communications*
 - *Deployable and mobile communications*
- *Command and Control*
 - *National*
 - *Operational*
 - *Tactical*
- *C3 Related*
 - *Navigation*
 - *Meteorology*
 - *Combat identification*
 - *Information assurance activities*
- Total*

Exhibit PBA-12 Command, Control, and Communications
 (Page 1 of 2)

COMMAND, CONTROL, AND COMMUNICATIONS
COMPONENT TITLE

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes reflected in the budget (for \$ provide in nearest tenths of millions). *Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups.* Explain changes in price and program from the current estimate (CY) to the BY1 and from BY1 to BY2. *The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5) and the data provided to support preparation of the C3 Congressional Justification Book.* Identify on the bottom of the exhibit *the preparation date and a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.*

Exhibit PBA-12 Command, Control, and Communications
(Page 2 of 2)

TRANSPORTATION
COMPONENT TITLE

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

Description of Operations Financed. Provide a separate exhibit for each O&M appropriation (including Guard, Reserve, and Defense-wide). For purposes of this exhibit, transportation amounts for the active components include only those funded from the Servicewide Transportation Sub Activity Group (SAG) in Budget Activity 4 of the operation and maintenance appropriations.

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

FIRST DESTINATION TRANSPORTATION (FDT) Only FDT supporting O&M purchases should be included.

- *Major Commodity (Commodity Transported)*
 - Military Supplies and Equipment*
 - Total Major Commodity FDT*
- *Mode of Shipment*
 - Military Commands*
 - Military Traffic*
 - Surface*
 - Sealift*
 - Airlift*
 - Commercial*
 - Surface*
 - Sea*
 - Air*
 - Total Mode of Shipment FDT*

Exhibit PBA-13 Transportation
(Page 1 of 2)

TRANSPORTATION
COMPONENT TITLE

(\$ in Millions)

<u>FY PY</u>	<i>Price</i>	<i>Program</i>	<u>FY CY</u>	<i>Price</i>	<i>Program</i>	<u>FY BY1</u>	<i>Price</i>	<i>Program</i>	<u>FY BY2</u>
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

SECOND DESTINATION TRANSPORTATION (SDT) JCS exercises are included in Second Destination Transportation.

- Major Commodity (Commodity Transported)
 - Military Supplies & Equipment
 - Mail Overseas
 - Subsistence
 - Base Exchanges
- Total Major Commodity SDT*

- Mode of Shipment
 - Military Commands
 - Military Traffic
 - Surface
 - Sealift
 - Airlift
 - Commercial
 - Surface
 - Sea
 - Air
- Total Mode of Shipment SDT*

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Budget Year 1 and between Biennial Budget Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.* Identify on the bottom of the exhibit *the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.*

Exhibit PBA-13 Transportation
(Page 2 of 2)

COMMISSARY SUPPORT
COMPONENT TITLE

(\$ in Millions)										
	<u>FY PY</u>	<u>Price</u>	<u>Program</u>	<u>FY CY</u>	<u>Price</u>	<u>Program</u>	<u>FY BY1</u>	<u>Price</u>	<u>Program</u>	<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
<u>Component Funding</u>										
DeCA										
Army										
Navy										
Marine Corps										
Air Force										
Total										

Description of Operations Financed: Provide a narrative explanation of operations financed.

PROGRAM DATA

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Number of Commissary Stores in Operation at End of Year							

Narrative Explanation of Changes:

Provide appropriated dollars budgeted for commissaries in each year as well as price and program growth. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.). Also, provide the preparation date and the name and phone number of the person who can answer questions on the exhibit.

Exhibit PBA-15 Commissary Support

MANAGEMENT HEADQUARTERS
COMPONENT TITLE

		(\$ in Millions)								
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2	
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	

Appropriation Summary:

Operation and Maintenance	SEPARATELY IDENTIFY EACH O&M APPROPRIATION
Total	

Description of Operations Financed: This exhibit will provide manpower, payroll, and cost data directly related to the management headquarters mission. Data will be displayed for all organizations listed in the DoD Directive 5100.73, "Department of Defense Management Headquarters Activities." Additionally, this exhibit will separately identify the manpower and costs data by Combatant and Non-Combatant Management Headquarters Activities. Resources for international military headquarters are not to be reported in this exhibit; these costs are to be reported on the PB-55. A narrative explanation is required for all increases and decreases. Non-labor costs that are not directly related to the management headquarters mission such as pentagon renovation should not be reported in this exhibit. Components should footnote the items that are excluded. Organizations will be displayed according to the following categorization of Management Headquarters Activities.

PROGRAM DATA

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

I. Combatant Management Headquarters Activities

1. Combatant Commands*

O&M Cost (\$ in Millions) (Dollars and personnel data should be provided for each category I, II, and III.)

Personnel

Military (A/S)

Civilian (FTEs)

2. Service Combatant Commands*

II. Non-Combatant Management Headquarters Activities

1. Defense-Wide Activities*

a. Department Activities

b. Departmental Support Activities

c. Functional Activities (Defense Agencies/Other)

Exhibit PBA-16 Management Headquarters

(Page 1 of 2)

MANAGEMENT HEADQUARTERS
COMPONENT TITLE

II. Non-Combatant Management Headquarters Activities (continued)

2. Military Department Activities*
 - a. Departmental Activities
 - b. Departmental Support Activities
 - c. Functional Activities

III. Narrative Explanation of Changes: (Provide a succinct narrative explanation of total resource changes.)

* Include direct reporting units, as appropriate.

Instructions:

- TOA should be limited to costs directly in support of management headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the department. Classified data will be reported. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.*
- Under each O&M appropriation, manpower will be identified as direct or reimbursable. Totals will be provided by categories listed above. Numbers reported in this exhibit must be consistent with the numbers reported in the components' budgets and should agree with the O&M data reported in the PB-22 exhibit.
- Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

POC _____ Phone _____

Exhibit PBA-16 Management Headquarters
(Page 2 of 2)

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

Operation and Maintenance A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: Provide narrative description of Recruiting, Advertising, and Examining activities. In addition, provide brief description of the principal functions performed under each category.

PROGRAM DATA

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

The following program data shows workload indicator for Recruiting, Advertising and Examining.

- A. Recruiting:
 Show enlisted accession plan, by appropriation, included in the O&M congressional justification books. Include non-prior and prior service in the same detail as for the O&M Congressional Justification books.
- B. Advertising:
- C. Examining: Provide Production Testing Workload and Medical Testing Workload (# in 000) for each Service)

Exhibit PBA-17 Recruiting, Advertising, and Examining
 (Page 1 of 2)

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE

Narrative Explanation of Changes: Provide narrative explanation of total resource change (tenths of \$ Millions) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, average strength, etc.) for the period. Also identify any applicable major pricing changes between years. The discussion of program growth should address recruiting, advertising and examining separately. Financial data excludes Command, Control, Communications; Real Property Maintenance; and Base Operations costs reflected separately in the overview. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.* Identify on the bottom of the exhibit *the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.*

Exhibit PBA-17 Recruiting, Advertising, and Examining
(Page 2 of 2)

APPROPRIATION HIGHLIGHTS
COMPONENT TITLE
Operation and Maintenance,

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>

Appropriation Summary:

A separate exhibit must be provided for each appropriation included in the O&M Title.

Description of Operations Financed: Provide a narrative description of the type of functions financed by the Appropriation, explain the major reasons for price growth, and separately identify significant inter-appropriation transfers-in and transfers-out from program growth.

(\$ in Millions)									
FY PY	<i>Price</i>	<i>Program</i>	FY CY	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>	<u><i>Change</i></u>	<u><i>Change</i></u>	<u>Estimate</u>

Budget Activity 1: Operating Forces

Budget Activity 2: Mobilization

Budget Activity 3: Training and Recruiting

Budget Activity 4: Administration and Servicewide Activities

Narrative Explanation of Changes: For each budget activity, provide a succinct narrative explanation of total resource change (for \$ provide in nearest tenth of a million) between the current year and biennial year 1 and between biennial year 1 and biennial year 2 by relating it to program changes (force structure, average strength/FTEs, etc.) for the period. Also, identify any applicable major pricing changes between years. *Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.)*

Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-19 Appropriation Highlights

MANPOWER TABLES

DEPARTMENT OF _____

Civilian Personnel

Instructions: Civilian Personnel data is to be displayed by U.S. Direct Hire, Foreign Direct Hire and Indirect Hire, and by type of appropriation. All civilian personnel are to be shown as full-time equivalents. Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

	<u>FY PY</u> <u>Actual</u>	<u>Change</u>	<u>FY CY</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY1</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY2</u> <u>Estimate</u>
<u>By Appropriation and Type of Hire</u>							
Operation and Maintenance, Active							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
Operation and Maintenance, Reserve							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
Operation and Maintenance, Guard							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							

Exhibit PBA-20A Civilian Manpower Tables
(Page 1 of 3)

MANPOWER TABLES

DEPARTMENT OF _____

Civilian Personnel

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Defense Working Capital Fund							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
Research, Development, Test and Evaluation							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							
Etc. (Identify all appropriations/funds that finance civilian personnel.)							
<u>Component Total</u>							
U.S. Direct Hire							
Foreign National Direct Hire							
Total Direct Hire							
Foreign National Indirect Hire							
Total							

Exhibit PBA-20A Civilian Manpower Tables
(Page 2 of 3)

MANPOWER TABLES

DEPARTMENT OF _____

Civilian Personnel

<u>Summary of Increases/Decreases</u>	<i><u>CY-BY1</u></i> <i><u>Change</u></i>	<i><u>BY1-BY2</u></i> <i><u>Change</u></i>
--	--	---

Total Changes

Instructions: Identify specific increases/decreases to the Component's civilian full time equivalent strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). Changes are to address all appropriations/funds that finance civilian personnel as well as direct and indirect hires employees. The total for each column will be the difference between fiscal years. All numbers shown will be full-time equivalent strength. **Stub entries such as "OSD/OMB reduction" are not acceptable.** Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

MANPOWER TABLES

DEPARTMENT OF _____

Military Personnel - Active

	(End Strength)						
	FY PY <u>Actual</u>	<u>Change</u>	FY CY <u>Estimate</u>	<u>Change</u>	FY BY1 <u>Estimate</u>	<u>Change</u>	FY BY2 <u>Estimate</u>
<u>Military Personnel, (A/N/MC/AF)</u>							
Officer							
Enlisted							
Cadets							
Total							
<u>Summary of Increases/Decreases</u>				<i>CY-BY1</i> <i>Change</i>		<i>BY1-BY2</i> <i>Change</i>	

Total Changes

Instructions: Identify specific increases/decreases to the Component's military average strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). The total for each column will be the difference between fiscal years. **Stub entries such as "OSD/OMB reduction" are not acceptable.** Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

	(Average Strength)						
	FY PY <u>Actual</u>	<u>Change</u>	FY CY <u>Estimate</u>	<u>Change</u>	FY BY1 <u>Estimate</u>	<u>Change</u>	FY BY2 <u>Estimate</u>
<u>Military Personnel, (A/N/MC/AF)</u>							
Officer							
Enlisted							
Cadets							
Total							

Exhibit PBA-20B Military Personnel Active Manpower Tables

MANPOWER TABLES

DEPARTMENT OF _____

Selected Reserve and National Guard Personnel

				(End Strength)			
		FY PY		FY CY		FY BY1	FY BY2
		<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Estimate</u>
<u>By Appropriation and Drill Status</u>							
Drill Strength							
Individual Mobilization Augmentees							
(2 week Active Duty)							
Full Time Duty							
Total	Provide for each appropriation and a grand total for the Service						

<u>Summary of Increases/Decreases</u>	<u>CY-BY1</u>	<u>BY1-BY2</u>
	<u>Change</u>	<u>Change</u>

Total Changes

Instructions: Identify specific increases/decreases to the Component's military end strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). The total for each column will be the difference between fiscal years. **Stub entries such as "OSD/OMB reduction" are not acceptable.** Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-20C Guard/Reserve Manpower Tables

KEY ACTIVITY INDICATORS

	<u>FY PY</u> <u>Actual</u>	<u>Change</u>	<u>FY CY</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY1</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY2</u> <u>Estimate</u>
<u>Operation and Maintenance, Army</u>							
Active Duty Military Personnel (End Strength)							
Civilian Personnel (FTEs)							
Primary Authorized Aircraft (PAA)							
Total Aircraft Inventory (TAI)							
Flying Hours (000's)							
Training Workloads <u>1</u> /							
Major Installations							
<u>Operation and Maintenance, Navy</u>							
Active Duty Military Personnel (End Strength)							
Civilian Personnel (FTEs)							
Primary Authorized Aircraft (PAA)							
Total Aircraft Inventory (TAI)							
Flying Hours (000's)							
Ship Inventory							
Steaming Hours (000's)							
Training Workloads <u>1</u> /							
Major Installations							
<u>Operation and Maintenance, Marine Corps</u>							
Active Duty Military Personnel (End Strength)							
Civilian Personnel (FTEs)							
Training Workloads <u>1</u> /							
Major Installations							

Exhibit PBA-21 Key Activity Indicators
(Page 1 of 4)

KEY ACTIVITY INDICATORS

	<u>FY PY</u> <u>Actual</u>	<u>Change</u>	<u>FY CY</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY1</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY2</u> <u>Estimate</u>
<u>Operation and Maintenance, Air Force</u>							
Active Duty Military Personnel (End Strength)							
Civilian Personnel (FTEs)							
Primary Authorized Aircraft (PAA)							
Total Aircraft Inventory (TAI)							
Flying Hours (000's)							
Training Workloads <u>1</u> /							
Major Installations							
<u>Operation and Maintenance, Army Reserve</u>							
Total Selected Reserve Strength (End Strength)							
Civilian Personnel (FTEs)							
(Technicians Included Above)							
Flying Hours (000's)							
Primary Authorized Aircraft (PAA)							
Reserve Centers							
Major Installations							
<u>Operation and Maintenance, Navy Reserve</u>							
Total Selected Reserve Strength (End Strength)							
Civilian Personnel (FTEs)							
Primary Authorized Aircraft (PAA)							
Flying Hours (000's)							
Ship Inventory							
Steaming Hours (000's)							
Training Centers							
Major Installations							

Exhibit PBA-21 Key Activity Indicators
(Page 2 of 4)

KEY ACTIVITY INDICATORS

FY PY		FY CY		FY BY1		FY BY2
<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>

Operation and Maintenance, Marine Corps Reserve

Reserve Personnel (End Strength)
 Civilian Personnel (FTEs)
 Division/Wing Team
 Training Centers

Operation and Maintenance, Air Force Reserve

Total Selected Reserve Strength (End Strength)
 Civilian Personnel (FTEs)
 (Technicians Included Above)
 Primary Authorized Aircraft (PAA)
 Total Aircraft Inventory (TAI)
 Flying Hours (000's)
 Major Installations

Operation and Maintenance, Army National Guard

Total Selected Reserve Strength (End Strength)
 Civilian Personnel (FTEs)
 (Technicians Included Above)
 Aircraft Inventory (End FY)
 Flying Hours (000's)
 Training Locations

Exhibit PBA-21 Key Activity Indicators
 (Page 3 of 4)

KEY ACTIVITY INDICATORS

	<u>FY PY</u>		<u>FY CY</u>		<u>FY BY1</u>		<u>FY BY2</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
<u>Operation and Maintenance, Air National Guard</u>							
Total Selected Reserve Strength (End Strength)							
Civilian Personnel (FTEs)							
(Technicians Included Above)							
Primary Authorized Aircraft (PAA)							
Total Aircraft Inventory (TAI)							
Flying Hours (000's)							
Major Installations							
Other Operating Locations							

Defense Health Program

Primary Authorized Aircraft (PAA)
Flying Hours (000's)
Training Workloads
Medical Centers and Hospitals
Average Daily Patient Load

All numbers are to be consistent with other supporting exhibits.

1/ Training workloads should agree with those to be reflected in the budget year's Military Manpower Training Report.

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

FY PY	<i>Price</i>	<i>Program</i>	<i>(\$ in Millions)</i>	<i>Price</i>	<i>Program</i>	FY BY1	<i>Price</i>	<i>Program</i>	FY BY2
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

This exhibit includes all of Budget Activity 2, Mobilization plus the Marine Corps Prepositioning activity group including in Budget Activity 1. Dollar amounts for Army, Navy, and Air Force shown in this table should match the total of Budget Activity 2.

Army
Navy
Marine Corps
Air Force
Defense-Wide
Total

Narrative Description: Provide a brief description of programs financed and an explanation of major changes between the CY and BY1 and between BY1 and BY2 for each program listed below.

	FY PY	<i>Change</i>	FY CY	<i>(\$ in Millions)</i>	FY BY1	<i>Change</i>	FY BY2
	<u>Actual</u>		<u>Estimate</u>		<u>Estimate</u>		<u>Estimate</u>

AIRLIFT AND SEALIFT PROGRAMS

Airlift Forces:

AIR FORCE:

Show the amount of the direct payment (subsidy) made for airlift to the U.S. Transportation Command.

Sealift Forces:

ARMY:

Afloat Prepositioned Fleet (#/\$)	1/
Training Exercises (#/\$)	2/
Other	
Total	

Exhibit PBA-22 Mobilization
 (Page 1 of 4)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

		(\$ in Millions)						
		<i><u>FY PY</u></i>		<i><u>FY CY</u></i>		<i><u>FY BY1</u></i>		<i><u>FY BY2</u></i>
		<i><u>Actual</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>
<u>NAVY:</u>								
Maritime Prepositioned Ships (#/\$)	1/							
Fast Sealift Ships (#/\$)	1/							
Hospital Ships (#/C)	1/							
Aviation Logistics Support (#/\$)	1/							
Prepositioned Fleet Hospital (#/\$)	1/							
Training Exercises (#/\$)	2/							
Other								
 <u>AIR FORCE:</u>								
Afloat Prepositioned Fleet (#/\$)	1/							
Training Exercises (#/\$)	2/							
Other	3/							
 Total (There is no corresponding subactivity group within the Air Force O-1 structure.)								
 <u>DEFENSE-WIDE:</u>								
Afloat Prepositioned Fleet (#/\$)	1/							
Training Exercises (#/\$)	2/							
Other	3/							
 Total (There is no corresponding subactivity group within the Defense-Wide O-1 structure.)								

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

(\$ in Millions)

<i><u>FY PY</u></i>		<i><u>FY CY</u></i>		<i><u>FY BY1</u></i>		<i><u>FY BY2</u></i>
<i><u>Actual</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>

OTHER MOBILIZATION PROGRAMS - Budget Activity 2

(Do not include dollars in this section that are shown in the Airlift or Sealift Forces above.)

Activations/Inactivations
 War Reserve Activities
 Industrial Preparedness
 Fleet Hospital Program
 Industrial Readiness
 Coast Guard Support
 Airlift Operations
 Airlift Operations C3I
 Airlift Operations Training
 Mobilization Preparedness
 Base Support

Memo Entries - Not Funded in BA

Show as a memo entry funding in other than Budget Activity 2 for the maintenance or replacement of equipment and supplies on board prepositioned ships or POMCUS. Also show funding (outside of BA 2) for exercises of the fast sealift ships, the hospital ships, the aviation logistics support ships, or any of the prepositioning ships.

USMC Prepositioning
 Joint Exercise Program
 Other (e.g., preposition exercises)

Exhibit PBA-22 Mobilization
 (Page 3 of 4)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

Footnotes/Additional Guidance:

1/ Show the total number of ships (at the end of the fiscal year) for this category and the total amount of per diem payments made to the National Defense Sealift Fund (NDSF) or the U.S. Transportation Command. The Defense Logistics Agency (DLA) should report the cost of afloat prepositioned tankers used by the Defense Fuel Supply Center.

2/ Show the number of planned exercises and the total amount budgeted. Do not include JCS funded exercises in the Service submissions. JCS exercises and funding will be reported as Defense-Wide.

3/ Show Service-funded costs not included as part of the per diem payment to the NDSF but which are directly related to the sealift program. This would include enhancements and modifications to on-board systems.

Identify on the bottom of the exhibit *the preparation date* and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-22 Mobilization
(Page 4 of 4)

SUMMARY OF FUNCTIONAL TRANSFERS AND FUNDING REALIGNMENTS
INCLUDED IN FY BY1/FY FY BY2

	(TOA, Dollars in Millions) <u>AMOUNT</u>	CIVILIAN <u>FTE</u>	MILITARY <u>END STRENGTH</u> <u>(Memo only)</u>
FY BY1			
<u>Reason for Transfer</u>			
Into: (Appropriation)	From: (Appropriation)		
<u>Reason for Transfer</u>			
Into: (Appropriation)	From: (Appropriation)		
<u>Summary</u>			
<u>Net Transfer by Appropriation:</u>			
Appropriation			
Appropriation			
FY BY2			
<u>Reason for Transfer</u>			
Into: (Appropriation)	From: (Appropriation)		
<u>Reason for Transfer</u>			
Into: (Appropriation)	From: (Appropriation)		
<u>Summary</u>			
<u>Net Transfer by Appropriation:</u>			
Appropriation			
Appropriation			

Identify on the bottom of the exhibit *the preparation date and* a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-25 Functional Transfers and Realignment

SPECIAL OPERATIONS FORCES
COMPONENT TITLE

<u>FY PY</u>	<i>Price</i>	<i>Program</i>	<u>FY CY</u>	<i>Price</i>	<i>Program</i>	<u>FY BY1</u>	<i>Price</i>	<i>Program</i>	<u>FY BY2</u>
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>

Appropriation Summary:

Operation and Maintenance

Description of Operations Financed: (Provide narrative explanation of activities included.)

PROGRAM DATA

<i>FY PY</i>		<i>FY CY</i>		<i>FY BY1</i>		<i>FY BY2</i>
<u>Actual</u>	<i>Change</i>	<u>Estimate</u>	<i>Change</i>	<u>Estimate</u>	<i>Change</i>	<u>Estimate</u>

Manpower
End Strength

Active Force Personnel

Army
Navy
Marine Corps
Air Force
Total

Civilian Personnel

Army
Navy
Air Force

Total

Full Time Equivalent

Exhibit PBA-26 Special Operations Forces
(Page 1 of 2)

SPECIAL OPERATIONS FORCES
COMPONENT TITLE

<i><u>FY PY</u></i>		<i><u>FY CY</u></i>		<i><u>FY BY1</u></i>		<i><u>FY BY2</u></i>
<i><u>Actual</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>	<i><u>Change</u></i>	<i><u>Estimate</u></i>

Manpower (con't)

Selected Reserve

Army Reserve
Navy Reserve
Marine Corps Reserve
Air Force Reserve
Army National Guard
Air National Guard
Total

Total Aircraft Inventory (End FY)

Aircraft (PAA End FY)

Flying Hours (# in thousands)

Flying Hours Cost (\$ in millions)

Ship Inventory

Steaming Hours (000's)

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (\$ in tenths of millions) between each fiscal year by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32, OP-5, and OP-52 exhibits.

Exhibit PBA-26 Special Operations Forces
(Page 2 of 2)

OPERATION AND MAINTENANCE, _____
SUMMARY OF INCREASES AND DECREASES

(\$000s)

Appropriation: _____

- 1. FY CY President's Budget**
2. Congressional Adjustment (List items)
3. FY CY Appropriation Enacted
4. Proposed Supplementals (Show Pay and Program Supplementals Separately)
5. Transfers In
6. Transfers Out
- 7. Revised FY CY Estimate**
8. Price Growth
9. Transfers In
10. Transfers Out
11. Program Increases
 - a. Annualization of New FY CY Program
 - b. One-Time FY BY1 Costs
 - c. Program Growth in FY BY1
 - d. New FY BY1 Program
12. Total Increases
13. Program Decreases:
 - a. One-Time FY CY Costs
 - b. Annualization of FY CY Program Decreases
 - c. Program Decreases in FY BY1
14. Total Decreases
- 15. FY BY1 President's Budget**
16. Price Growth
17. Transfers In
18. Transfers Out
19. Program Growth
 - a. Annualization of New FY CY Program
 - b. One-Time FY BY1 Costs
 - c. Program Growth in FY BY1
 - d. New FY BY1 Program
20. Total Increases
21. Program Decreases:
 - a. One-Time FY CY Costs
 - b. Annualization of FY CY Program Decreases
 - c. Program Decreases in FY BY1
22. Total Decreases
- 23. FY BY2 President's Budget**

NOTE: Substitute appropriate fiscal years to show current year and biennial budget years.

INSTRUCTIONS

1. Line 7 will reflect the FY CY column of the FY BY1/BY2 President's Budget including all proposed Supplementals.
2. This exhibit will be at the total appropriation level only for each appropriation in Title III of the FY BY1/BY2 DoD Appropriation request.

Exhibit PB-31D Summary Increases/Decreases

DATE: _____

DEPARTMENT OF _____
MILITARY BANDS
FY BY1/FY BY2 PRESIDENT'S BUDGET

	<u>FY PY</u> <u>Actual</u>	<u>Change</u>	<u>FY CY</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY1</u> <u>Estimate</u>	<u>Change</u>	<u>FY BY2</u> <u>Estimate</u>
<u>Number of Bands</u>							
CONUS							
Overseas							
Total							
<u>Military Personnel</u>							
Officers							
Enlisted							
Total							
<u>Annual Performances (in Thousands)</u>							
(Identify Number by Type of Function)							
<u>Resource Requirements by Appropriation (\$ in Millions)</u>							
Military Personnel							
Operation and Maintenance							
Total							

Description of Operations Financed: Provide a brief statement explaining the activities. Address both dollars and personnel.

Narrative Explanation of Change: Provide a succinct narrative explanation of changes in terms of performances, dollars, and personnel from year to year.

Exhibit PB-31M Military Bands

DEPARTMENT OF _____
FY BY1/FY BY2 PRESIDENT'S BUDGET
MANPOWER CHANGES IN FULL-TIME EQUIVALENT
FY PY through FY BY2

	<u>US Direct Hire</u>	<u>Foreign National</u> <u>Direct Hire</u>	<u>Indirect Hire</u>	<u>Total</u>
1. FY PY FTEs <u>a/</u> <u>b/</u>				
--				
-- (changes)				
--				
--				
2. FY CY FTEs				
--				
-- (changes)				
--				
3. FY BY1 FTEs				
--				
-- (changes)				
--				
4. FY BY2 FTEs				
5. SUMMARY (Summarize FTEs by Fiscal Year, by Appropriation/Fund, and Total.)				
FY PY				
O&M Total				
Direct Funded				
Reimbursable Funded				
Other appropriations (Reserve, Guard, RDT&E, Defense Working Capital Fund, etc.. Identify each appropriation/fund separately.)				
Direct Funded				
Reimbursement Funded				
Total Component				
Direct Funded				
Reimbursable Funded				
(Repeat for FY CY, FY BY1, and FY BY2)				

NOTE: The Full Time Equivalent (FTE) on this exhibit will agree with the FTE data provided on the OP-8, Civilian Personnel Costs.

Exhibit PB-31Q Manpower Changes in Full-Time Equivalent

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6	<u>MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS</u>	JUNE 1998
7	<u>BASE REALIGNMENT AND CLOSURE APPROPRIATIONS</u>	JUNE 1998
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9	<u>DEFENSE WORKING CAPITAL FUNDS ACTIVITY GROUP ANALYSIS</u>	JULY 1998
10	<u>PUBLIC ENTERPRISE, MANAGEMENT AND TRUST FUNDS</u>	JUNE 1998
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DOD 7000.14-R



DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 2B

**BUDGET FORMULATION
AND
PRESENTATION**

JUNE 1998

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**

CHAPTER 4
PROCUREMENT APPROPRIATIONS
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CHAPTER 4

PROCUREMENT APPROPRIATIONS**0401 GENERAL****040101 Purpose**

This chapter provides instructions applicable to budget formulation and congressional justification for procurement and production activities.

040102 Submission Requirements.

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 4 covers specific back-up material requirements for procurement accounts. The procurement accounts should also submit applicable exhibits required by other chapters in the FMR.

040103 Major Defense Acquisition Programs

Major Defense Acquisition Program (MDAP) Automated Submission. In order to provide consolidated funding information on DoD's major acquisition programs, automated data submissions are required to provide the approved funding level for each MDAP. These programs include all Acquisition Category (ACAT) ID, ACAT IC, and Pre-MDAP designated programs. For joint programs, the lead service/agency is to coordinate the reporting effort, but each Service and Defense Agency involved in the program is responsible for reporting the portion of the program that it funds. In an annual memorandum (usually published in mid-summer), the USD(A&T) will identify the MDAPs required for submission. Specific data format instructions are also included in Section 040502. These are similar to the automated submissions currently required by the Program Objective Memorandum (POM) Preparation Instructions (PPI) for the POM submission. The required automated submissions should be on a 3 1/2 inch floppy, high or double density disks and delivered directly to OUSD(A&T), Room 1E474 (POC: Mr. Steve Dratter, telephone (703) 697-8020). The submission should agree with data submitted to the OUSD(Comptroller) for the FYDP and associated annexes. The final submission must agree with the supporting justification material submitted to the Congress.

040104 Guard and Reserve Procurement

Exhibit P-1R, Procurement Program - Reserve Components. A separate P-1R exhibit showing quantities and costs of procurement items planned for the National Guard and Reserve will be prepared with the budget estimate submission and with the President's budget submission. The P-1R exhibit is a subset of the Exhibit P-1, Procurement Program. The format is contained in Section 040502. Each Service will provide exhibits in spreadsheet format in both a hard copy and on a 3 1/2 inch floppy disk. The information submitted in the budget estimate submission will be reviewed in conjunction with the procurement appropriation reviews. OUSD(C) will consolidate the information into a single P-1R exhibit for the President's budget.

040105 Subsystem Budget Estimates

Any platform that includes funding for subsystems that are designated as Defense Acquisition Executive Summary (DAES) or Selected Acquisition Reporting (SAR) programs must identify the specific subsystem funding by fiscal year and by subsystem on the P-5 exhibits.

040106 References

Chapter 1, Section 0102, provides policies and definitions concerning costs that are to be financed by the procurement appropriations.

0402 PROCUREMENT EXHIBIT REQUIREMENTS

SUMMARY OF EXHIBIT REQUIREMENTS

	<u>Exhibit</u>	<u>Appropriation</u>
P-1	Procurement Program	All
P-1C	Procurement Program - Comparison Report	All
P-1M	Procurement Program- Modification Summary	Aircraft/Missiles
P-1R	Procurement Program-Reserve Components	All, except SCN
P-3a	Individual Modification Program	All, except SCN
P-5	Cost Analysis	All
P-5a	Procurement History and Planning	All, except SCN
P-5b	Analysis of Cost Estimates-Basic/Escalation	SCN
P-8a	<i>Analysis of Ship Cost Estimates - Major Equipment</i>	SCN
P-10	Advance Procurement Analysis	All, as applicable
P-17	Layaway and/or Distribution	All, as applicable
P-18	Initial and Replenishment Spares Requirements	All, except SCN
P-20	Requirements Study	All, as applicable
P-21	Production Schedule	All
P-21a	Production Schedule, All Types	PAA
P-22	Ammunition Inventory	Ammunition Accounts
P-23	Time Phased Requirements Schedule	All, as applicable
P-23a	Installations Data	All, as applicable
P-25	Production Support & Industrial Facilities Cost Analysis	All, as applicable
P-26	Maintenance of Inactive Facilities	PAA & as applicable
P-27	SCN Ship Production Schedule	SCN
P-29	SCN Outfitting Costs	SCN
P-29a	SCN Outfitting Costs-Comparison	SCN
P-30	SCN Post Delivery Costs	SCN
P-30a	SCN Post Delivery Costs-Comparison	SCN
P-32	Procurement Purchases from DWCF	All
P-35	Major Ship Component Fact Sheet	SCN
P-36	Depot Level Ship Maintenance Schedule	OPN
P-40	Budget Item Justification Sheet	All
P-40a	Budget Item Justification for Aggregated Items	All
P-45	Summary of Reimbursables	All, as applicable
MYP-1	Multiyear Procurement Criteria	All, as applicable
MYP-2	Total Program Funding Plan	All, as applicable
MYP-3	Contract Funding Plan	All, as applicable
MYP-4	Present Value Analysis	All, as applicable
MDAP	Program Element to Proc Line Items Cross-Track Data	All (Automated Submission)
PB-32B	Comparison of FY 19CY Program Requirements	All

0403 BUDGET ESTIMATE SUBMISSION

A. This Section provides guidance for the preparation of material to support the budget estimate submission and President's budget request. Information contained in the budget requests should be unclassified. Where classified information is required in order to explain the program, the classified material will be provided under separate cover and appropriately marked.

B. Each backup book will include an Exhibit P-1, Procurement Program, specific exhibits for those items covered by the backup book, and a listing of acronyms and definitions in the front of each back-up book to preclude spelling the acronyms on each exhibit page.

C. All applicable budget exhibits will be prepared for those programs with a funding value of \$5 million or greater. For programs with a funding value less than \$5 million, only the P-40 and P-40a exhibits are required.

D. All Exhibits P-20, Requirements Study, *can* be submitted in a separate backup book. The P-20 exhibits can also be consolidated by appropriation or as a single back-up book by each Service. If consolidated by Service, however, increase the number of copies provided to OUSD(C) P/B Investment by the number of appropriations included in the backup book.

E. Exhibits will display the actual fiscal years (i.e., PYs, FY 1997, FY 1998, FY 1999, FY 2000, FY 2001, FY 2002, FY 2003, and FY 2004.) rather than the template entries (i.e., PYs, PY, CY, BY1, BY2, BY2+1, BY2+2, BY2+3, and BY2+4).

F. If an amended budget is submitted, identify the revised budget exhibits accordingly.

G. All pages will be annotated with the applicable P-1 line item number and page number within the line item (Item 1-1 of 5, 1-2 of 5, 2-1 of 1, 3-1 of 20, etc.) at the bottom center or bottom right of each exhibit page. Be consistent for all pages of the backup book.

H. The exhibits will be aggregated in the following order for each P-1 line item, as applicable to that line item and submitted in P-1 line item order.

Arrangement of Exhibits - General

P-1	Procurement Program
P-1C	Procurement Program - Comparison Report
P-40	Budget Item Justification
P-40a	Budget Item Just for Aggregated Items
MYP 1-4	Multiyear Procurement Analysis
P-10	Advance Procurement Analysis
P-5	Cost Analysis
P-5a	Procurement History and Planning
P-21	Production Schedule
P-23	Time Phased Requirements Schedule
P-23a	Installations Data
P-36	Depot Level Ship Maintenance Schedule (OPN only)
P-25	Production Support and Industrial Facilities Cost Analysis
P-17	Layaway and/or Distribution
P-18	Initial and Replenishment Spares Requirements
P-32	Procurement Purchases from DWCF
P-45	Summary of Reimbursables
P-20	Requirements Study

Arrangement of Exhibits for Modifications

P-1	Procurement Program
P-1M	Modification Summary
P-40	Budget Item Justification
MYP 1-4	Multiyear Procurement Analysis
P-3a	Individual Modification Program
P-40a	Budget Item Just for Aggregated Items
P-32	Procurement Purchases from DWCF

Arrangement for Ship Procurement Accounts

P-1	Procurement Program
P-1C	Procurement Program - Comparison Report
P-40	Budget Item Justification
MYP 1-4	Multiyear Procurement Analysis
P-10	Advance Procurement Analysis
P-5	Cost Analysis
P-5b	Analysis of Cost Estimate-Basic/Escalation
P-27	Ship Production Schedule
P-8a	Analysis of Ship Cost Estimates - Major Equipment
P-29	Outfitting Costs
P-30	Post Delivery Estimates
P-35	Major Ship Component Fact Sheet
P-45	Summary of Reimbursables
P-32	Procurement Purchases from DWCF

Arrangement for Ammunition Accounts

P-1	Procurement Program
P-1C	Procurement Program - Comparison Report
P-40	Budget Item Justification
P-40a	Budget Item Just for Aggregated Items
P-5	Cost Analysis
P-5a	Procurement History and Planning
P-21	Production Schedule
P-21a	Production Schedule, All types
MYP 1-4	Multiyear Procurement Analysis
P-25	Production Support and Industrial Facilities Cost Analysis
P-17	Layaway and/or Distribution
P-26	Maintenance of Inactive Facilities
P-22	Ammunition Inventory
P-18	Initial and Replenishment Spares Requirements
P-32	Procurement Purchases from DWCF
P-45	Summary of Reimbursables
P-20	Requirements Study

For ammunition "Items Under \$5 Million" P-1 line items, only the P-40 and P-40a, showing both quantity and funding for each item, will be included in the backup book. Even though individual P-21 exhibits are not required for these items, their deliveries should be included in the Exhibit P-21a.

Chemical Agents and Munitions Destruction

The Chemical Agents and Munitions Destruction, Defense appropriation contains multiple types of funds (RDT&E, procurement, and O&M) in separate budget activities. While the RDT&E and O&M efforts may be incrementally funded, the procurement program must comply with the full funding policy. The Army is to provide the justification book in accordance with the following.

Table of Contents
Appropriation Language
Program and Financing
Object Classification
Appropriation Justification
Part I Purpose and Scope
Part II Justification of Funds Required
Part III Program Description and Milestone Chart

Budget Activity 1: Research and Development

Part I Purpose and Scope
Part II Justification of Funds Required
Part III Financial Summary
RDT&E RDT&E Exhibits (See Chapter 5)

Budget Activity 2: Procurement

Part I Purpose and Scope
Part II Justification of Funds Required
Part III Financial Summary
P-40 Budget Item Justification
P-5 Cost Analysis
P-5a Procurement History & Planning

Budget Activity 3: Operation and Maintenance

Part I Purpose and Scope
Part II Justification of Funds Required
Part III Financial Summary
OP-5 (Pt 1) Decision Unit/Budget Activity Summary (See Chapter 3)
OP-5 (Pt 2) Activity Group Detail, Including a Reconciliation of Increases and Decreases (See Chapter 3)
OP-32 Summary of Price and Program Changes (See Chapter 3)

C. Preparation of Material. Formats and examples of the exhibits are contained in Section 0404. Except for the items listed below, instructions are included either on the exhibit or following the exhibit.

1. Repricing Report. One copy of the “Ship Cost Adjustment Report” must be submitted by 1 July. The report must include the following information:

a. A comparison of the previously approved SCA position to the recommended SCA position, by ship type (end cost/subhead) by P-5 category. In addition to individual program adjustments, this comparison should be summarized by total TOA adjustments in each fiscal year.

b. The SCA position by ship type by P-5 category with associated accounting data, i.e., gross obligations and expenditures.

c. A listing of all transfers, both below threshold and those requiring congressional approval (DD 1415s) for the current and expired years.

- d. All adjustments within a cost growth or escalation line by ship program.
 - e. Latest delivery date information and percentage of physical completion of all undelivered ships.
 - f. Amount of required extended obligation authority for the expiring program year by line item and the associated Obligation Work Limiting Date by ship hull.
 - g. A list of all major shore spares and characteristic changes, and associated costs, included in the SCA.
 - h. A report on basic construction costs estimated at completion (EAC) by individual contract for all ships still within the SCN envelope. This report should compare the current contract status to the Navy's SCA projection as well as the contractor's estimate. This report should be submitted on July 1 and quarterly thereafter.
2. A 4-column ship list and Derivation of Cost Growth/Escalation exhibit will be provided with each budget submission.
3. For each ship basic construction award during the current program period, contract award information referred to as the "Stevens Report" must be submitted to OSD at the same time the report is forwarded to Congress.

0404 CONGRESSIONAL JUSTIFICATION/PRESENTATION**040401 Purpose**

This Section presents the backup book organization and the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 040502. See Chapter 1, Section 0104 for specific printing requirements.

040402 Organization of Justification Books

Justification material will be organized into a Committee Staff Procurement Backup Book. Section 010403 provides a detailed distribution schedule for the procurement backup books. A separate congressional committee backup book will be prepared for the President's budget request for each procurement appropriation. These books should be assembled with the following:

Committee Staff Procurement Backup Book
FY 19BY1/BY2 Budget Request
_____Appropriation

Section 1 - Summary Material

Table of Contents

P-1 listing (P-1 Exhibits will be prepared using the OUSD(C) automated system with input from the Services and Defense Agencies)

Section 2 - Budget Appendix Extract Language

Section 3 - Comparison of Program Requirements and Financing. This section will include the following 4 schedules as illustrated in Exhibit PB-32B, Comparison of FY 19CY Program Requirements (Section 0405).

- Comparison of FY 19CY Program Requirements as reflected in FY 19CY Budget with FY 19CY Program Requirements as shown in FY 19BY Budget.
- Comparison of FY 19CY Financing as reflected in FY 19CY Budget with FY 19CY Financing as shown in FY 19BY Budget.
- Comparison of FY 19PY Program Requirements as reflected in FY 19CY Budget with FY 19PY Program Requirements as shown in FY 19BY Budget.
- Comparison of FY 19PY Financing as reflected in FY 19CY Budget with FY 19PY Financing as shown in FY 19BY Budget.

Section 4 - Status of Completion of Prior Year Shipbuilding Program (if applicable). Provide a list of uncompleted ships as of Dec 31, 19PY. The first column should segregate the uncompleted ships by prior years, past years, and current year. The second and subsequent columns should identify the fiscal year in which the ships are to be completed.

Section 5 - P-1 Line Item Detail. Except for specific changes addressed below, these books will contain the budget exhibits as specified in Section 040502, for all procurement line items for which a budget request of \$5 million or greater is reflected in either of the two biennial budget years on the P-1 exhibit. For programs with a funding value less than \$5 million, only the P-40 and P-40a exhibits are required. For current and past year programs, exhibits will be prepared for programs with a dollar value of \$5 million or more in either year. The exhibits will be aggregated in the following order for each P-1 line item, as applicable to that line item and submitted in P-1 line item order.

Arrangement of Exhibits - General

PB-32B	Comparison of FY 19CY Program Requirements
P-1	Procurement Program
P-40	Budget Item Justification
P-40a	Budget Item Just for Aggregated Items
MYP 1-4	Multiyear Procurement Analysis
P-10	Advance Procurement Analysis
P-5	Cost Analysis
P-5a	Procurement History and Planning
P-21	Production Schedule (for ACAT I programs only)
P-25	Production Support and Industrial Facilities Cost Analysis
P-17	Layaway and/or Distribution
P-18	Initial and Replenishment Spares Requirements
P-45	Summary of Reimbursables

Arrangement of Exhibits for Modifications

P-1	Procurement Program
P-1M	Modification Summary
P-40	Budget Item Justification
MYP 1-4	Multiyear Procurement Analysis
P-3a	Individual Modification Program
P-40a	Budget Item Just for Aggregated Items

Arrangement for Ship Procurement Accounts

PB-32B	Comparison of FY 19CY Program Requirements
P-1	Procurement Program
P-40	Budget Item Justification
MYP 1-4	Multiyear Procurement Analysis
P-10	Advance Procurement Analysis
P-5	Cost Analysis
P-5b	Analysis of Cost Estimate-Basic/Escalation
P-27	Ship Production Schedule
P-8a	Analysis of Ship Cost Estimates - Major Equipment
P-29	Outfitting Costs
P-30	Post Delivery Estimates
P-35	Major Ship Component Fact Sheet
P-45	Summary of Reimbursables

Arrangement for Ammunition Accounts

PB-32B	Comparison of FY 19CY Program Requirements
P-1	Procurement Program
P-40	Budget Item Justification
P-40a	Budget Item Just for Aggregated Items
P-5	Cost Analysis
P-5a	Procurement History and Planning
MYP 1-4	Multiyear Procurement Analysis
P-25	Production Support and Industrial Facilities Cost Analysis
P-45	Summary of Reimbursables

Chemical Agents and Munitions Destruction

The Chemical Agents and Munitions Destruction, Defense appropriation contains multiple types of funds (RDT&E, procurement, and O&M) in separate budget activities. While the RDT&E and O&M efforts may be incrementally

funded, the procurement program must comply with the full funding policy. The Army is to provide the justification book in accordance with the following.

Table of Contents	
Appropriation Language	
Program and Financing	
Object Classification	
Appropriation Justification	
Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Program Description and Milestone Chart

Budget Activity 1: Research and Development

Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Financial Summary
RDT&E	RDT&E Exhibits (See Chapter 5)

Budget Activity 2: Procurement

Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Financial Summary
P-40	Budget Item Justification
P-5	Cost Analysis
P-5a	Procurement History & Planning

Budget Activity 3: Operation and Maintenance

Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Financial Summary
OP-5 (Pt 1)	Decision Unit/Budget Activity Summary (See Chapter 3)
OP-5 (Pt 2)	Activity Group Detail, Including a Reconciliation of Increases and Decreases (See Chapter 3)
OP-32	Summary of Price and Program Changes (See Chapter 3)

Section 6 - Military Construction. This section will be prepared for military construction projects (DD Form 1391) funded in the procurement appropriations.

040403 Classification

The budget justification material should be unclassified. All classified material should be submitted separately.

040404 Comparison Reports

A. Each Component will provide 3 copies of a computer run that compares the current President's budget submission to the previous President's budget submission and identifies the changes for each Procurement appropriation by P-1 line item and for those items that are aggregated in a P-1 line item (such as "Items Less than \$5.0 Million). The report should also identify appropriation and budget activity totals for each fiscal year for the PY through BY2+4 timeframe. The totals for the appropriation and budget activities should also compare the current President's budget submission to the previous President's budget and provide the applicable changes. The comparison reports should be provided directly to OUSD(C), Director for Investment, Room 4B915, when the Component has finalized the current President's budget submission but no later than when the justification material receives final approval from the OUSD(C) for submission to the Congress. This report will not be included in the justification material provided to the Congress.

0405 PROCUREMENT APPROPRIATION SUBMISSION FORMATS**040501 Purpose.**

A. The formats provided on the following pages reflect guidance presented in previous sections of this chapter.

B. Budget exhibits contained in this section will be prepared for all procurement line items for which a budget request of \$5 million or greater is reflected in either of the two biennial budget years on the P-1 exhibit. For programs with a funding value less than \$5 million, only the P-40 and P-40a exhibits are required.

C. Service-generated and Defense Agency-generated exhibits can be used in lieu of the following exhibits as long as they include all the information required by the following exhibits.

D. All formats will be prepared on 8 1/2 inch by 11 inch paper in landscape format.

E. Except for paragraph C above and unless modified in a submission budget call, these exhibits should be adhered to.

040502 Exhibits in Support of Section 0401 - General

P-1, Procurement Program	12
P-1M, Procurement Program - Modification Summary	13
P-1R, Procurement Program- Reserve Components.....	14
P-1C, Procurement Program - Comparison Report	17
P-3a, Individual Modification	18
P-5, Cost Analysis	22
P-5a, Procurement History and Planning	30
P-5b, Analysis of Ship Cost Estimate - Basic/Escalation.....	34
P-8a, Analysis of Ship Cost Estimate - Major Equipment.....	35
P-10, Advance Procurement Requirements Analysis	36
P-17, Layaway and/or Distribution	44
P-18, Initial and Replenishment Spares and Repair Parts Justification	46
P-20, Requirements Study	48
P-21, Production Schedule	51
P-21a, Production Schedule, All Types.....	53
P-22, Ammunition Inventory.....	54
P-23, Time Phased Requirements Schedule	56
P-23a, Installation Data.....	57
P-25, Production Support and Industrial Facilities Cost Analysis.....	60
P-26, Maintenance of Inactive Facilities	62
P-27, SCN - Ship Production Schedule.....	64
P-29, SCN Outfitting Costs	65
P-29a, SCN Outfitting Costs-Comparison.....	66
P-30, SCN Post Delivery Costs	67
P-30a, SCN Post Delivery Costs-Comparison	68
P-32, Procurement Purchases from DWCF	69
P-35, Major Ship Component Fact Sheet.....	72
P-36, Depot Level Ship Maintenance Schedule	74
P-40, Budget Item Justification	75
P-40a, Budget Item Justification for Aggregated Items	78
P-45, Summary of Reimbursables	80
MYP-1, Multiyear Procurement Criteria.....	82
MYP-2, Total Program Funding Plan	84
MYP-3, Contract Funding Plan.....	85
MYP-4, Present Value Analysis.....	86
PB-32B, Comparison of FY 19CY Program Requirements	90
MDAP Program Elements to Procurement Line Items Cross-Track Data	91

Exhibit P-1, Procurement Program

Department of the _____

Appropriation: _____

Date: _____

Budget Activity: _____

<u>P-1 Line</u> <u>Item No</u>	<u>Item</u> <u>Nomenclature</u>	<u>Ident</u> <u>Code</u>	<u>Past Year</u>		<u>Current Year</u>		<u>TOA, \$ in Millions</u> <u>Budget Year 1</u>		<u>Budget Year 2</u>	
			<u>Qty</u>	<u>Cost</u>	<u>Qty</u>	<u>Cost</u>	<u>Qty</u>	<u>Cost</u>	<u>Qty</u>	<u>Cost</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)

Exhibit P-1, Procurement Program

(Exhibit P-1, page 1 of 6)

Exhibit P-1M, Procurement Programs - Modification Summary
(TOA, \$ in Millions)

<u>System/ Modification</u>	<u>Prior Years</u>	<u>PY-1</u>	<u>PY</u>	<u>CY</u>	<u>BY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>	<u>To Complete</u>	<u>Total Program</u>
EXAMPLE:													
<u>A-10 Modifications</u>													
AIM-9L Capability							2.3	16.6	9.1				28.0
Chem/Bio Protection							-	-	2.0	3.3			5.3
Outer Wing Fatigue Reskin						0.6	2.5	2.8	2.9				8.8
Integrated Drive Generator							-	1.2	4.8	5.3			11.3
ALE-40 Correction of Def						-	2.7	3.7	4.2				10.6
Engine Monitoring Sys							32.7	26.5	26.8	29.2			115.2
Skin & Lgnrn Strengthening						-	-	0.6	1.7			2.3	
Total for A-10							35.6	48.3	46.1	46.1	5.3		181.4
<u>S-3 Modifications</u>													
AIM-9L Capability						-	2.3	16.6	9.1				28.0
Chem/Bio Protection						-	-	2.0	3.3				5.3
Total for S-3						-	2.3	18.6	12.4				33.3

Exhibit P-1M, Procurement Program - Modification Summary

(Exhibit P-1, page 2 of 6)

Exhibit P-1R Procurement Program - Reserve Components

Department of the _____

Appropriation: _____

Date: _____

Budget Activity: _____

<u>P-1 Line</u> <u>Item No</u>	<u>Item</u> <u>Nomenclature</u>	<u>Ident</u> <u>Code</u>	<u>TOA, \$ in Millions</u>							
			<u>Past Year</u>		<u>Current Year</u>		<u>Budget Year 1</u>		<u>Budget Year 2</u>	
			<u>Qty</u>	<u>Cost</u>	<u>Qty</u>	<u>Cost</u>	<u>Qty</u>	<u>Cost</u>	<u>Qty</u>	<u>Cost</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	F-16 Modifications									
	National Guard									
	Reserve									

Exhibit P-1R, Procurement Program- Reserve Components

(Exhibit P-1, page 3 of 6)

Instructions
Exhibit P-1, Procurement Program
Exhibit P-1C, Procurement Program - Comparison
Exhibit P-1M, Procurement Program - Modification Summary
Exhibit P-1R, Procurement Program - Reserve Components

I. General

A. A summary by budget project/activity will be prepared for each appropriation, showing the amount for each project/activity and the total program for each appropriation. The detail of the consolidated line items in this entry should be available upon request. There should be no consolidation into a "Less than \$5.0 million" line item for any line item requiring specific quantity authorization and for any Code B item.

B. Unless otherwise prescribed for a specific commodity area, only procurement line items with funding of \$5.0 million or more will be listed individually. An item should be separately listed if funding of more than \$5.0 million is included in any past or current year. Items less than \$5.0 million should be consolidated into a single line item entry, "Items less than \$5.0 million," under each budget activity.

C. Advance Procurement. Advance procurement should be debited and credited according to the leadtimes of the advance procurement. For instance, if FY 1996 and FY 1997 advance procurement funds are required for an FY 1998 procurement, the FY 1996 AP funds would be debited in FY 1996, the FY 1997 AP funds would be debited in FY 1997, and the total of the FY 1996 and FY 1997 AP funds would be credited in FY 1998.

Advance Procurement

FY TOA	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>
FY 1996 for FY 1998 (memo)	0.4				
FY 1997 for FY 1998 (memo)		0.4			
FY 1997 for FY 1999 (memo)		0.4			
FY 1998 (memo)			-0.8		
FY 1998 for FY 1999 (memo)			0.4		
FY 1998 for FY 2000 (memo)			0.4		
FY 1999 (memo)				-0.8	
FY 1999 for FY 2000 (memo)				0.4	
FY 1999 for FY 2001 (memo)				0.4	

D. List each aircraft and missile type and model separately, for both new procurement and modifications. Each ship type, Outfitting, Post Delivery, Cost Growth, Escalation, Service Craft, and Landing Craft will be listed as separate line items.

E. Include initial and replenishment spares financed in procurement appropriations in a single line item. Indicate the amounts included for initial and replenishment spares separately as subentries. For this purpose, all spare aircraft engines shall be considered initial spares.

F. All line items will be double spaced.

G. Costs will be expressed in millions of dollars using one decimal place, i.e.:

(\$ in millions)

15.6

(Exhibit P-1, page 4 of 6)

Exhibit P-1 Instructions (Continued)

H. List the following Support Equipment and Facilities as separate line items:

- Common Ground Equipment
- Industrial Facilities
- War Consumables
- Other Production Charges
- Classified Projects
- Production Base Support
- Space Programs (list separately)
- Astronautics

I. Specific instructions.

Appropriation. Include the title and number of the appropriation, i.e., 2034A, Procurement of Ammunition, Army.

Budget Activity. Include the number and title of the budget activity, i.e., Budget Activity 04, Spare and Repair Parts.

Column 1: Include the P-1 line item number.

Column 2: Item Nomenclature. Identify the name of the program.

Column 3: Identification Code. The letter "A" or "B" will be entered in this column. Line items will be appropriately coded according to the status of the item at the time the exhibit is prepared as follows:

Code "A". Line items of material that have been approved for Service use. The term "approved for service use" means that:

Army. The item has been "type-classified as adopted type" (Standard) and excludes Limited Production type that is included in the development category.

Navy. The item has been approved for full rate production.

Air Force. The item has been approved for full rate production.

USSOCOM. The system is effective, suitable, safe, and logistically supportable. Release for Special Operations Forces is in conjunction with Milestone III production decision.

Code "B". Line items or material that have not been approved for Service use.

Columns 4-11: Self-explanatory.

(Exhibit P-1, page 5 of 6)

Exhibit P-1 Instructions (Continued)

Exhibit P-1C, Procurement Program - Comparison Report

In addition to the instructions for the P-1, the P-1C Comparison Report will provide a comparison between the last President's budget request and the budget estimate submission (BES) for the BES and between the last President's budget (PB) request and the current PB request for the PB. The comparison should be performed at the lowest level (by Procurement line item) and should include quantities. The report should also identify appropriation and budget activity totals for each fiscal year for the PY through BY2+4 timeframe. This report will not be included in the justification material provided to the Congress.

Exhibit P-1C, Procurement Program - Comparison Report

Exhibit P-1M, Procurement Program - Modification Summary

This exhibit will be prepared for all years reflected on the sample P-1M exhibit and will represent a summary by weapon system of all individual modifications that are requested for that weapon system.

Show the total procurement cost in millions using at least one decimal place for each individual modification and total cost for that weapon system or family of models of that weapon system. For example, all models of the F-4 aircraft would be included in the F-4 line (e.g. RF-4B, F-4B, F-4E, F-4G, etc., and all models of the AIM-7 missile would be included in the AIM-7 line (e.g. AIM-7E, AIM-7F, AIM-7M, etc.). Total modification cost will include only those costs budgeted in the individual P-1 line item, including installation costs.

Exhibit P-1R, Procurement Program - Reserve Components

In addition to the instructions for the P-1, Procurement Program, the P-1R line item entries will be exactly the same line item entries as the P-1. The Exhibit P-1R line items will include 2 sub-line items. One is for the National Guard and one is for the Reserve. Subtotal of the two lines is not required, but the total for the Reserve Components cannot exceed the amount of funding included in the P-1 line item. All procurement line items having funding for National Guard and Reserve requirements, including advance procurement, ammunition, and spares and repair parts, will be included in the P-1R exhibit.

(Exhibit P-1, page 6 of 6)

Exhibit P-3a, Individual Modification

MODELS OF SYSTEMS AFFECTED: _____ TYPE MODIFICATION: _____ MODIFICATION TITLE: _____

DESCRIPTION/JUSTIFICATION:

DEVELOPMENT STATUS/MAJOR DEVELOPMENT MILESTONES:

FINANCIAL PLAN: (TOA, \$ in Millions)

	Prior Yrs		PY-1		PY		CY		BY1		BY2		BY2+1		BY2+2		BY2+3		BY2+4		TC		Total	
	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$
RDT&E																								
PROC																								
A Kit NRE			25	2.0	10	1.0	15	1.5	15	1.5	25	2.0	25	2.0	25	2.0	25	2.0	90	7.5			255	21.5
A Kit			25	2.0	10	1.0	15	1.5	15	1.5	25	2.0	25	2.0	25	2.0	25	2.0	90	7.5			255	21.5
Comp A			25	2.5	10	1.0	15	1.5	15	1.5	25	2.5	25	2.5	25	2.5	25	2.5	90	9.0			255	25.5
Comp B			50	1.0	20	0.4	30	0.6	30	0.6	50	1.0	50	1.0	50	1.0	50	1.0	180	3.6			510	10.2
Comp C			75	3.6	30	1.5	45	2.2	45	2.2	45	2.2	45	2.2	45	2.2	45	2.2	270	13.0			765	36.7
Eqpt NRE																								
Eqpt																								
Eqpt A																								
Eqpt B																								
ECP 1 Gp A																								
ECP 1 Gp B																								
ECP 2 Gp A																								
ECP 2 Gp B																								
ECP 3 Gp A																								
ECP 3 Gp B																								
Data																								
Training Eq																								
SE																								
Other																								
Other																								
Other																								
ICS																								
Install Cost					25	.3	10	.1	15	.2	15	.2	25	.3	25	.3	25	.3	115	1.5			255	3.2
Total Proc																								

P-1 Shopping List - Item No 20-3 of 4

Exhibit P-3a, Individual Modification
(Exhibit P-3a, page 1 of 4)

Exhibit P-3a, Individual Modification (Continued)

MODELS OF SYSTEMS AFFECTED: _____ MODIFICATION TITLE: _____

INSTALLATION INFORMATION:

METHOD OF IMPLEMENTATION: _____

ADMINISTRATIVE LEADTIME: _____ Months

PRODUCTION LEADTIME: _____ Months

CONTRACT DATES: Prior Year: _____ Current Year: _____ Budget Year 1: _____ Budget Year 2: _____

DELIVERY DATES: Prior Year: _____ Current Year: _____ Budget Year 1: _____ Budget Year 2: _____

(\$ in Millions)

Cost:	Prior Yrs		PY-1		PY		CY		BY1		BY2		BY2+1		BY2+2		BY2+3		BY2+4		TC		Total	
	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$			Qty	\$
(PY-25 kits)					15	0.2	10	0.1																
(FY(CY) 10 kits)									10	0.2														
(FY(BY1) - 15 kits)											10	0.2	5	0.1										
(FY(BY2) - 15 kits)													5	0.1	10	0.2								
(FY(BY2+1) - 25 kits)															10	0.2	15	0.3						
etc.																								
					15	0.2	10	0.1	10	0.2	10	0.2	10	0.2	20	0.4	15	0.3						

Installation Schedule

	PY	CY				BY1				BY2				BY2+1				BY2+2				BY2+3 etc.				TC	Total
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
In																											
Out																											

P-1 Shopping List - Item No 20-4 of 4

Exhibit P-3a, Individual Modification
(Exhibit P-3a, page 2 of 4)

Instructions - Exhibit P-3a, Individual Modification

This exhibit will be submitted for all individual modification programs whose costs are greater than \$5.0 million in budget year 1 or budget year 2. Because congressional approval must be obtained for new start programs costing more than \$10 million, a P-3a must be submitted for specific approval even though individual yearly costs are less than \$5 million if the total cost of the modification is \$10.0 million or more. Use as many pages as necessary.

For Other Procurement appropriations, when only a simple modification kit is being procured and installation is being performed at the organizational level, there is no need to submit an Exhibit P-3a as long as the P-5 and P-21 include the necessary information.

The sample exhibit displays additional line items for equipment and group A installation kits. Tailor line item entries to the modification content. Use additional lines when quantities for these components differ from the quantity of end items being procured or when a unit cost comparison between years cannot be performed.

Model. Enter the model and series designation (i.e. A-10, AGM-86, F/A-18, etc.).

Classification. Enter the modification classification or type, i.e., safety, reliability, added capability, etc., as applicable.

Modification No. And Title: Identify the modification number and title.

Description/Justification: Provide a description of what additional capability is added to the system by this modification, and why the modification is necessary (i.e., to increase reliability, maintainability, or mission capability). If the modification is related to reliability and maintainability, indicate the current Mean-Time Between Failure (MTBF) rate of the system, what MTBF will be specified in the development/production contract, and the estimated annual savings. *Identify all engineering change proposals included in the modification and provide a brief description of each and how they relate to the particular overall effort. Identify the operational requirement document (ORD) that validates the modification. Identify the quantity of aircraft in the inventory and the quantity that will receive the modification, as identified in the ORD. For example, the total objective for a radar modification might be 75 units at an estimated unit cost of \$300,000 each or total cost of \$23.5 million. Twenty units have been procured in prior years, 10 units are included in the budget year leaving 45 units to be procured in subsequent years. Identify when a different number of Group A and Group B kits are being procured (the ORD should also include this information). Identify the applicable quantity of National Guard and Reserve end items. Do not use abbreviations or acronyms of a highly technical nature. Spell the acronyms the first time and abbreviate thereafter.*

Development Status/Major Development Milestones: Provide status of engineering effort testing and data package availability as of the budget submission date. Provide significant accomplished and planned milestone dates such as Preliminary Design Review (PDR), Critical Design Review (CDR), completion of Contractor Test and Evaluation (CTE), completion of Development Test and Evaluation (DTE), completion of Initial Operational Test and Evaluation (IOT&E), etc.

Financial Plan:

Note: Prior year column includes all funding from beginning of program through the Past Year -2 (PY-2). Quantities and costs should be provided for all applicable line items. PY-1, PY, and CY are the fiscal years currently available for obligation.

(Exhibit P-3a, page 3 of 4)

Exhibit P-3a Instructions (Continued)

RDT&E: Enter programmed RDT&E resources by fiscal year. These resources should be consistent with the Program Element Summary Data Sheets for RDT&E programs.

Procurement: *Categories of cost shall be tailored to the individual system consistent with the program's approved work breakdown structure (WBS) elements or modification content. Sample categories are shown on the draft exhibit. Use as many line items as necessary to show this data. Enter the recurring and nonrecurring cost of the installation kits. Installation kits (Group A kits) are the provisions (cables, brackets, interface devices) necessary to prepare the system to accept the new equipment. Enter the recurring and nonrecurring cost of the equipment (Group B kits) to be installed (radar, ECM, engine etc.). If different quantities of kits are being procured for various engineering change proposals within a modification (or operational system improvement program), list the ECP A kit and ECP B kit as separate line item entries (i.e., a line item for the A kit and a line item for the B kit). Do not use an asterisk to indicate that the quantity cannot be shown because a mix of end items with different procurement quantities is being procured. This precludes the need for an addendum and presents all cost information together. Exhibits should reflect all costs and quantities from prior year (PY) through to complete (TC) because modifications procure a finite quantity.*

Installation. The installation costs should be portrayed in the year of actual installation so that the total cost of the installation is portrayed for each year's procurement of end items. Procurement quantities and installation quantities reflected in the procurement detail should equal the quantity displayed in the installation schedule.

Method Of Implementation: Indicate how installation will be accomplished (Contractor, Depot field team, Depot modification line, etc.).

Contract Date: Enter the actual/estimated contract date (month/year, not quarter) for the item with the longest leadtime.

Production Delivery Date: Enter the actual/estimated production delivery dates (month/year, not quarter) for the initial item of installed equipment for the current year, budget year 1 (BY1), and BY2.

Installation Schedule: For all years of the program, show system inductions and modification completions by quarter. An installation schedule is required for all programs requiring installation funds, i.e., if the modification is being installed organically and no installation funds are required, then no schedule is required. The schedule will include completed inductions for total prior years, as well as planned inductions for all uninstalled equipment for CY, BY1, BY2, BY2+1, BY2+2, BY2+3, and BY2+4, To Complete and Total Program. Input and output must equal each other, as well as equal the total quantity of kits procured. Input and output refer to the start and end date of the modification into the aircraft (or end item). This information is required to determine when kits need to be procured. The input and output date is used as a barometer to determine the feasibility of the schedule (and thus, the procurement profile). For ongoing programs, identify the separate program using alpha or alpha-numeric suffixes to the current modification number. Include separate installation schedules for those items that have more than one method of implementation.

The P-3a should be readable after reproducing in a reduction mode. Use more than one page when necessary.

Delete all references and funding for those ECPs that were completed in prior years and for which no current or future year funding is required.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-3a, page 4 of 4)

Exhibit P-5 Cost Analysis (Page 1)			Weapon System				Date:				
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number						ID Code	P-1 Line Item Nomenclature				
WBS COST ELEMENTS (Tailor to System/Item Rqmts)	PYs Total Cost	PY-1 Unit Cost	PY-1 Total Cost	PY Unit Cost	PY Total Cost	CY Unit Cost	CY Total Cost	BY1 Unit Cost	BY1 Total Cost	BY2 Unit Cost	BY2 Total Cost
Quantity											
Airframes/CFE											
Engine/Accessories											
CFE Avionics											
GFE Avionics											
Armament											
ECO (Flyaway)											
Nonrecurring Costs											
Tooling											
Software Costs											
Other Costs											
Subtotal Flyaway											
Airframe PGSE											
Engine PGSE											
Avionics PGSE											
Peculiar Training Eqpt											
Publications/Tech Data											
ECO (Support Items)											
Other											
Subtotal Support Costs											
Gross-P-1 End Item Cost											
Less PY Adv Proc (by PY FY)											
Net P-1 Full Funding Cost											
Plus CY Adv Proc											
Other Non-P-1 Costs											
Initial Spares											
Total											

P-1 Shopping List - Item No 20-5 of 20-10

Exhibit P-5, Cost Analysis
(Exhibit P-5, page 1 of 8)

Exhibit P-5 Cost Analysis (Page 2)			Weapon System			P-1 Line Item Nomenclature				
WBS COST ELEMENTS (Tailor to Sys/Item Rqmts)	BY2+1 Unit Cost	BY2+1 Total Cost	BY2+2 Unit Cost	BY2+2 Total Cost	BY2+3 Unit Cost	BY2+3 Total Cost	BY2+4 Unit Cost	BY2+4 Total Cost	To Complete Costs	Total Costs
Quantity										
Airframes/CFE										
Engine/Accessories										
CFE Avionics										
GFE Avionics										
Armament										
ECO (Flyaway)										
Nonrecurring Costs										
Tooling										
Software										
Other Costs										
Subtotal Flyaway										
Airframe PGSE										
Engine PGSE										
Avionics PGSE										
Peculiar Training Eqpt										
Publications/Tech Data										
ECO (Support Items)										
Other										
Subtotal Support Costs										
Gross-P-1 End Item Cost										
Less PY Adv Proc (by PY FY)										
Net P-1 Full Funding Cost										
Plus CY Adv Proc										
Other Non-P-1 Costs										
Initial Spares										
Total										

P-1 Shopping List - Item No 20-6 of 10

Exhibit P-5, Cost Analysis
(Exhibit P-5, page 2 of 8)

Instructions - Exhibit P-5, Cost Analysis

Purpose. The purpose of this exhibit is to provide detailed cost information in support of Exhibit P-1 line items consistent with the appropriate work breakdown structure (WBS) elements for the program. It is essential that this exhibit be complete and accurate, as it is the most important exhibit in the backup book. Requirement exhibits and production schedules are related to the entries on this exhibit and it is used as the framework for line item review. The budget estimate submission will include P-5 exhibits containing information for all fiscal years (FYs) from prior years (PYs) through to complete years for all major (Acquisition Category (ACAT) 1) programs and through BY2 (as a minimum) for all other programs. The President's budget request backup justification books will include P-5 exhibits containing information for the FYs through BY2 for all programs including ACAT 1 programs. However, a P-5 exhibit (or an AF Form 1537) containing information for all FYs from PYs through to complete years for all ACAT 1 programs will be provided separately to OUSD(C) P/B, Room 4B915.

General. This exhibit will be prepared for all procurement programs for which funding is requested in the P-1. If two or more Services procure the same system, the P-5 exhibit cost elements should be as identical as possible except for Service unique requirements. *A P-5 is not required for those programs that use a P-40a to display items included in an aggregated line item or if an Exhibit P-3a Modification Summary, has been prepared for a line item.* If two or more Services procure the same system, the P-5 exhibit cost elements should be as identical as possible except for Service-unique requirements.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the P-1) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Elements of Cost. Categories of cost shall be tailored to the individual system consistent with the program's approved work breakdown structure (WBS) elements. Standard categories are to be used for similar type systems; i.e. aircraft, ships, missiles, tanks, satellites, ammunition, etc.

Production support services. Use generic entries such as Production Engineering, Engineering Services, Quality Assurance, Acceptance Testing, Product Improvement, etc. Include the name of the performing activity (for example, Production Support - NOP Indian Head, or Material Handling - Iowa AAP) only when needed to further clarify the generic categories.

Quantity/Total Cost entries. The quantity related to any cost element will be stated in units (not thousands). Only those entries where quantitative measurement is applicable should have entries in the quantity column. For example, the term "1 set" should not be used for publications, entries, documentation, etc. If the item is not subject to quantitative measurement, leave the column blank. The total cost for a cost element entry will be shown in millions, using 3 decimal places, i.e., 1.225. Cost columns will be totaled.

Advance Procurement Funding. Add (debit) the advance procurement funding in each fiscal year and subtract the advance procurement funding (credit) from the fiscal year the advance procurement supports. Ensure the credit is against the correct fiscal year (check leadtimes). Generally, Advance Procurement debits and credits will net to zero in the "total costs" column.

Initial Spares. Add initial spares funding to the net weapon system/end item cost.

Unit Cost. *The unit cost should be displayed for each flyaway cost element on the P-5. This should be a manual entry, not computed. Otherwise, there could be lost budget authority if a reviewer (OSD, GAO, or congressional staff) asks to see the unit cost for a particular item from the contract. The last entry line, or overall weapon system unit cost, for each FY is the procurement unit cost.*

(Exhibit P-5, page 3 of 8)

Exhibit P-5 Instructions (Continued)

Aircraft Cost Element Categories.

Airframes/Contractor Furnished Equipment (CFE): Enter estimate for recurring airframe cost, airframe contractor furnished equipment, and engineering changes.

Engine/Accessories: Enter total engine cost including accessories. As part of stub entry, enter quantity of engines per aircraft and indicate model designation including all “dash” designators (example: Engines (4) 53-L-13). Engine unit cost column will reflect the cost of one engine.

Avionics: Separately identify CFE and GFE avionics equipment.

Armament: Enter costs for all armament.

Software: Software costs are to be separately identified.

Other Government Furnished Equipment (GFE): Enter costs for all Other GFE.

Engineering Change Orders (ECOs) - Flyaway: Include cost of anticipated, but unknown ECOs and value engineering changes for all installed aircraft components (CFE or GFE). ECOs should be funded commensurate with the level of risk in the program.

Nonrecurring Costs: Enter total nonrecurring costs associated with production of the flyaway article. Identify and separately display funds budgeted for production tooling in the nonrecurring cost category.

Other Costs: Use as many line items as necessary to identify elements and associated costs.

Airframe Peculiar Ground Support Equipment (PGSE): Enter cost of peculiar airframe ground support equipment.

Engine PGSE: Enter cost of peculiar engine ground support equipment.

Peculiar Training Equipment: Enter cost of all peculiar training equipment.

Publications/Technical Data: Enter cost of all CFE/GFE publications and technical data.

ECOs - All Support Items. Enter cost of ECOs anticipated but unknown for all support and training equipment.

Other: Use as many line items as necessary (example: aerial cameras, or jammer transmitter sets, receiver sets or sensor sets for special mission aircraft). These items are not necessarily procured on a one-for-one basis with aircraft.

Missile Cost Analysis

A missile P-5 exhibit will be submitted by all Services for each missile/drone type and model. If more than one model or configuration is procured in the same P-1 line item, then individual P-5 exhibits will be prepared for each model or configuration and a summary P-5 exhibit will also be prepared for the P-1 line item. Weapon systems that are composed of fire units or launchers that are procured in the same P-1 line item as the missile will provide

(Exhibit P-5, page 4 of 8)

Exhibit P-5 Instructions (Continued)

separate cost identification for each vehicle of the fire unit or launching system (launcher, launch control center, radar set, vehicle, etc.). The cost categories on the P-5 exhibit represent a number of elements and the list should be tailored as appropriate to adequately depict the missile system cost. The flexibility exists to revise the elements to depict unique system characteristics, but a comparable cost detail to that shown in the P-5 exhibit format should be maintained.

Missile P-5 Cost Element Categories

Missile Hardware - Recurring

- Airframe
- Propulsion (By stage, where applicable)
- Target Detection Device
- Guidance & Control
- Warhead
- Fuze
- Safe & Arm
- Engineering Change Orders
(Value Engineering)
- Government Costs
 - Integration & Assembly (Labs, etc.)
 - Acceptance Test Program
- Other (Specify)
- Subtotal Missile Hardware

Nonrecurring and Ancillary Equipment

- Tooling and Test Equipment
- Missile Ancillary Hardware
(Containers, etc.)
- Total Missile Flyaway

Command and Launch Hardware

- Launcher
- Launch Control Center
- Radar Set
- Platform/Track Vehicle
- Engineering Change Orders
- Other (Specify)
- Subtotal Command and Launch Equipment

Support Costs

- Peculiar Support Equipment (Specify, e.g., test, handling, etc.)
- Special Handling Equipment
- Training Equipment
- Publications/Technical Data
- Engineering Change Orders
- Other (Specify)
- Subtotal Support

(Exhibit P-5, page 5 of 8)

Exhibit P-5 Instructions (Continued)

Missile P-5 Cost Element Categories (Continued)

Gross P-1 End Cost
Less: Prior Year Adv. Procurement (Breakout by Prior FY of funding)
Net P-1 Full Funding Cost (Must equal FY amount displayed on the P-40 exhibit)
Plus Current Year Advance Procurement.
Other Non-P-1 Weapon System Costs
Initial Spares

Ship Cost Element Categories

Include the following format for every year from construction inception for which there are undelivered ships through the end of the FYDP:

Plan Costs
Basic Construction/Conversion
Change Orders
Electronics
Propulsion Equipment
HM&E
Other Cost
Ordnance
Escalation
Project Manager's Growth
Total Ship Estimate
Less: Advance Procurement FY (specify by individual fiscal year)
Net P-1 Line Item
Ship/Unit Cost

Space System Cost Analysis.

A P-5 exhibit is required for each space weapon system employing a launch vehicle or satellite.

Satellite Cost Element Categories

Launch Vehicle:

Airframe/Integ & Assembly
Stage I
Stage II
Stage III
Stage IV
Guidance and Control
Other (specify)
Nonrecurring (specify)

Stage Vehicle:

Airframe/Integ & Assembly
Propulsion
Guidance and Control
Other (specify)
Nonrecurring (specify)

(Exhibit P-5, page 6 of 8)

Exhibit P-5 Instructions (Continued)

Satellite Cost Element Categories (Continued)

Space Vehicle:

- Integration & Assembly
- Spacecraft
- Payload
- Reentry Vehicle
- Other (specify)
- Nonrecurring (specify)

Satellite P-5 Cost Element Categories (continued)

- Engineering Change Orders (ECO)
- In-House Production Support
- Total Flyaway Cost

Ground Support Equipment:

- Support Equipment
- Installation and Checkout
- Nonrecurring (specify)
- Engineering Change Orders
- Other (specify)
- Total Ground Support Equipment

Support:

- Training
- Publications/Tech. Data
- Operational/Site Activation
- Computer Software
- Other (specify)
- Total Support

- Total Systems Cost
- Less Advance Procurement, Prior Year
- Net P-1 Line Item Cost

Other Procurement Cost Analysis.

A. Unique entries will vary depending on the nature of the procurement item. Most line items require more than one procurement action to complete the program. If only one contract is involved, the line item is composed of several separate cost elements such as the end item itself, publications, engineering services, production support, etc. Each of these elements (called "building blocks" for simplicity) carries its own dollar value. The sum of the building block values equals the line item value. In general, entries on this form should be structured in the same way that procurement has been accomplished (or is planned) and/or the way that the cost estimate for the line item was derived. For new programs, it is not always possible to predict exactly how procurement will be accomplished but the cost estimate for the line item is built up through price out of separate cost elements that are known to be required.

B. Care should be taken to ensure that the building block title accurately describes the effort. Frequently, attempts are made to use the same building block entry for more than one year when the program effort in the following year is not exactly the same. For example, Model A of particular equipment is procured in one year and an improved Model B version planned for the following year. Separate stub entries should be used to avoid comparisons of unlike items.

(Exhibit P-5, page 7 of 8)

Exhibit P-5 Instructions (Continued)

Ammunition Procurement Cost Analysis.

A. For items to be procured through the Single Manager for Conventional Ammunition (SMCA), the P-5 will be used to display the program cost breakdown. The Service is responsible for justifying and defending its budget request for ammunition even if the item has transitioned to the SMCA for procurement. The production support section should depict the cost of production support materials and services that are included in the P-1 line item. When the developing Service retains configuration management responsibility for a SMCA-procured item, the developing Service will formulate the production engineering cost estimate, but all other estimates will be formulated by the SMCA.

B. *The Army's P-Form exhibit formats included in the Army's Program Budget Documentor (PBD OC) will be utilized for all Services' ammunition procurements for items procured through the SMCA.*

C. *Quantities will be displayed in each unless the item is being procured in millions (the quantities will then be displayed in thousands). Dollars will be displayed in millions, using 3 decimal places, i.e., 1.225. Normal rounding methodology will be utilized.*

D. *The hardware section should include the full cost of hardware incorporated into the round or item that is included in the P-1 item line. The hardware section entries should be tailored to match the major components of the ammunition item and should reflect the acquisition strategy. If two or more services procure the same ammunition/ordnance round, the P5 exhibit should be as identical as possible except for Service-unique requirements. If the round is to be procured using a component breakout strategy, the entries should include, as applicable, the following: load-assemble-pack, major metal parts, fuzes, explosives, propellants and shipping containers. Any small-dollar value components that are non-significant/non-problem can be rolled up into an Other, Miscellaneous line (the dollar amount of this line will not exceed 20 percent of the program value). Where an all-up round is to be delivered under a systems contract, the cost of the all-up round may be displayed as a single entry.*

E. *The production support section should depict the cost of production support materials and services that are included in the P-1 line item. The following standard entries should be used as applicable: production engineering, quality assurance, proof and acceptance testing, interim transportation and industrial stock support. Any other categories (i.e., special testing) should be added as required and identified accordingly. When configuration management responsibility is retained by the Navy or Air Force as developing Service, the production engineering cost estimate will be formulated by the developing Service, but all other estimates will be formulated by the SMCA.*

F. *The nonrecurring cost section should depict the cost of such items as first article testing, product improvement, value engineering, tooling and test equipment, procurement technical data package updates, start-up/layaway costs and/or other special requirements identified accordingly. In the event that applying government-furnished material or components can reduce the cost of the round, the negative entry will be shown in this section.*

G. *Each section's subtotal should be displayed at the end of the subentries listing.*

H. *The total P-1 line item is equal to the sum of subtotal cost of hardware, procurement support and nonrecurring less the GFM applications. This entry must agree with the P-1 value for the ammunition item.*

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-5, page 8 of 8)

Exhibit P-5a, Procurement History and Planning (Page 1)					Weapon System			DATE:		
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number						P-1 Line Item Nomenclature				
WBS COST ELEMENTS Tailor to System/Item Requirements)	Qty	Unit Cost	Location of PCO	RFP Issue Date	Contract Method and Type	Contractor and Location	Award Date	Date of First Delivery	Tech Data Available Now?	Date Revisions Available
Past Year (or last yr of proc)										
Airframes/CFE										
Engine/Accessories										
CFE Avionics										
GFE Avionics										
Armament										
Tooling										
Airframe PGSE										
Engine PGSE										
Avionics PGSE										
Peculiar Training Equipment										
Current Year										
Airframes/CFE										
Engine/Accessories										
CFE Avionics										
GFE Avionics										
Armament										
Tooling										
Airframe PGSE										
Engine PGSE										
Avionics PGSE										
Peculiar Training Equipment										

P-1 Shopping List - Item No 20-7 of 10

Exhibit P-5a, Procurement History and Planning
(Exhibit P-5a, page 1 of 4)

Exhibit P-5a, Procurement History and Planning (Page 2)				Weapon System			DATE:		
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					P-1 Line Item Nomenclature				
WBS COST ELEMENTS Tailor to System/Item Requirements)	Qty	Unit Cost	Location of PCO	Contract Method and Type	Contractor and Location	Award Date	Date of First Delivery	Tech Data Available Now?	Date Revisions Available
Budget Year 1									
Airframes/CFE									
Engine/Accessories									
CFE Avionics									
GFE Avionics									
Armament									
Tooling									
Airframe PGSE									
Engine PGSE									
Avionics PGSE									
Peculiar Training Equipment									
Budget Year 2									
Airframes/CFE									
Engine/Accessories									
CFE Avionics									
GFE Avionics									
Armament									
Tooling									
Airframe PGSE									
Engine PGSE									
Avionics PGSE									
Peculiar Training Equipment									

P-1 Shopping List - Item No 20-8 of 10

Exhibit P-5a, Procurement History and Planning
(Exhibit P-5a, page 2 of 4)

Instructions - Exhibit P-5a, Procurement History & Planning

1. Purpose. This exhibit provides detailed information on the P-5 entries regarding all prior years having contracts with undelivered assets, current year (CY), budget year 1 (BY1), and BY2. Contract information is used to compare cost estimates between fiscal years by comparing unit costs on previous contracts. For example, if an item was awarded in FY 1997 using FY 1995 funding, is the FY 1998 cost based on an FY 1995 cost inflated 3 years, or to an FY 1997 cost inflated one year? The contract information is used to determine if there has been a problem awarding the contract early or late in the fiscal year and if it occurred as planned. The contract information also is used to identify potential current year assets and to answer congressional inquiries.
2. Submission. Exhibit P-5a will be submitted for all P-5 elements of cost (building block) entries involving quantities in the current or budget years. Information for past years, CYs, and BYs will be updated for each succeeding submission.
3. Entries.

Cost Elements (Building Blocks)/Fiscal Year. The cost element/building block title is to be taken from the Exhibit P-5 Cost Analysis for items meeting the criteria of paragraph 2 above. For each cost element, provide information for the PY, CY, BY1 and BY2. The first fiscal year line will provide information on the last buy prior to the current year (if the item was procured in a fiscal year that is no longer available for obligation, identify the fiscal year for which the item was last procured. Update current and prior years entries to show actual contractor and contract award dates. For the budget years, use best estimates.

If Advance Procurement funding is part of the program, then provide contract data for each subsequent year to support the leadtime of the advance procurement. For example, if advance procurement is required 2 years in advance of BY2, then provide contract data through BY2+2.

Quantity and Unit Cost. Insert actual quantity procured and actual unit cost for last actual line entry. For the CY, BY1 and BY2 lines, insert actual or estimated unit costs. The quantities and unit costs should agree with entries on the Exhibit P-5 Cost Analysis exhibit, except for the ammunition items that are fixed standard priced. For these ammunition items, the entries should be the actual unit costs that were negotiated and/or estimated. This update is necessary for the initial starting point for computing future fixed standard prices. Provide an explanation in the remarks block for all items for which the actual unit costs vary significantly with the forecasted unit costs.

Procurement Contracting Office (PCO) Location. Identify the organization that will award the contract. Also identify the organization preparing the purchase request, if different.

Contractor. For each fiscal year, insert actual contractor name, and facility or plant location (city and state). For the current year, insert contractor name if item is to be sole source or if procurement has been accomplished; otherwise insert "Unknown". For budget year(s), insert contractor name if sole source; otherwise use "Unknown". Identify the city/state location of the contractor plant.

(Exhibit P-5a, page 3 of 4)

Exhibit P-5a Instructions (Continued)

Contract Method/Type. The following codes will be used to identify the "Contract Method/Type":

Contract Method

SS	-	Sole Source
C	-	Competitive
MIPR	-	Military Interdepartmental Purchase Request (use only if MIPR obligates funding)
PO	-	Project Order
WR	-	Work Request
Allot	-	Allotment
Reqn	-	Requisition
Other	-	Explain by footnote

Contract Type

FP	-	Fixed Price
CPIF	-	Cost Plus Incentive Fee
CPAF	-	Cost Plus Award Fee
FPI	-	Fixed Price Incentive
Option	-	Option to prior year contract
Other	-	Explain by footnote

Follow the pattern of the "Contractor" block in displaying actual and estimated contract method and type. "Option" refers to an existing contract that contains an option clause for future procurement. Identify whether the option is priced (already negotiated) or unpriced.

Award Date. For the last actual buy, provide the date that the contract was awarded. For the current year, provide the actual or estimated date. Provide estimated contract award dates for BY1 and BY2. If the contract is a multiyear contract or a contract with options, identify the date that the option will be exercised.

Date of First Delivery. Same basis as Award Date.

Technical Data Package Available Now. Answer "yes" or "no" for the current year and budget years. No entry is required for prior year or BY2. The answer is to be provided as of the time the exhibit is prepared. The term "specifications" refers to full competitive specifications (or their equivalent in the case of a sole source contract).

Date Revisions Available. No entry is required for the prior year line if the contract has been awarded. If revisions are required, provide in last column the date or estimated date when they will be available.

Use Footnotes to provide reasons for Sole Source procurement; to provide reasons for use of letter contracts; to provide reasons why a multiyear contract cannot be used; to explain significant variations in unit cost from year to year, etc.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-5a, page 4 of 4)

Date:

Shipbuilding and Conversion, Navy
Exhibit P-5b, Analysis of Ship Cost Estimate - Basic/Escalation

FY 19BY

Ship Type: _____

I.	<u>Design Schedule:</u> Issue date for TLR Issue date for TLS Preliminary Design Contract Design Detail Design Request for Proposals Design Agent	<u>Start/Issue</u>	<u>Complete/Response</u>	<u>Reissue</u>	<u>Complete/Response</u>
II.	<u>Classification of Cost Estimate</u> (e.g. Class C Budget Estimate)				
III.	<u>Basic Construction/Conversion</u> A. Assumed Award Date B. Contract Type (and Share Line if applicable)		<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
IV.	<u>Escalation</u> Escalation Termination Date Escalation Requirement Labor/Material Split Allowable Overhead Rate	<u>Hull 9201</u>	<u>Hull 9202</u>	<u>Base Date</u>	<u>Escalation Target Cost</u>
V.	<u>Other Basic (Reserves/Miscellaneous)</u> Item Item	<u>Amount</u> xxxx xxxx			

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

Exhibit P-5b, Analysis of Ship Cost Estimate - Basic/Escalation

(Exhibit P-5b, page 1 of 1)

Date:

Shipbuilding and Conversion, Navy
Exhibit P-8a, Analysis of Ship Cost Estimate - Major Equipment

Ship Type: _____

	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>	
	<u>Qty</u>	<u>Amt</u>	<u>Qty</u>	<u>Amt</u>	<u>Qty</u>	<u>Amt</u>	<u>Qty</u>	<u>Amt</u>
Electronics Equipment								
Ordnance Equipment								
Propulsion Equipment								
HME Equipment								

Instructions: List the major equipment for each of these cost codes shown on the P-35 exhibit and include the next 10 high dollar value items. All other items can be summarized in one line item. System engineering, spares, documentation, and other equipment costs should be included in the equipment estimate. Value engineering changes should be included in the change order cost category.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

Exhibit P-8a, Analysis of Ship Cost Estimate - Major Equipment

(Exhibit P-8a, page 1 of 1)

Exhibit P-10 Advance Procurement Requirements Analysis (Page 2 - Budget Justification)							Date:		
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					Weapon System		P-1 Line Item Nomenclature		
(TOA, \$ in Millions)									
	PLT	QPA	Unit Cost	BY1 QTY* (BY2 qty)	BY1 Contract Forecast Date	BY1 Total Cost Request	BY2 QTY* (BY2+1 qty)	BY2 Contract Forecast Date	BY2 Total Cost Request
End Item		N/A				N/A			N/A
CFE									
GFE									
GFE									
GFE									
EOQ									
Design									
Termination Liability									
Other									
Other									
Other									
Other									
Total Advance Proc									
Description:									
<p>*When the advance procurement funding supports more than one subsequent program year end item, then the funding for each line item entry must be separately identified for each applicable end item fiscal year (i.e., when leadtimes are greater than one year).</p> <p>(Use continuation pages, as necessary)</p>									

Exhibit P-10, Advance Procurement Requirements Analysis (Page 3 - Present Value Analysis)						Date:						
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No						Weapon System			P-1 Line Item Nomenclature			
(TOA, \$ in Millions)												
	FY 1996 & Prior Years	PY-1 FY 1997	PY FY 1998	CY FY 1999	BY1 FY 2000	BY2 FY 2001	BY2+1 FY 2002	BY2+2 FY 2003	BY2+3 FY 2004	BY2+4 FY 2005	To Comp	Total
Proposal w/o AP												
Then Year Cost												
Constant Year Cost												
Present Value												
AP Proposal												
Then Year Cost												
Constant Year Cost												
Present Value												
Difference												
Then Year Cost												
Constant Year Cost												
Present Value												
AP Savings												
Remarks Present value analysis will be calculated in accordance with DoD Instruction 7041.3.												

P-1 Shopping List Item No 20-5 of 10

Exhibit P-10 Advance Procurement
(Exhibit P-10, page 3 of 8)

Exhibit P-10, Advance Procurement Requirements Analysis (Page 4 - Execution)								Date:							
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number								Weapon System		P-1 Line Item Nomenclature					
(TOA, \$ in Millions)															
	PLT	PY QTY	PY-1 Contract Forecast Date	PY-1 Actual Contract Date	PY-1 Total Cost Request	PY-1 Actual Contract Cost	CY QTY	PY Contract Forecast Date	PY Actual Contract Date	PY Total Cost Request	PY Actual Contract Cost	CY QTY	CY Contract Forecast Date	BY1 QTY	BY1 Contract Forecast Date
End Item					N/A	N/A				N/A	N/A				
CFE															
GFE															
GFE															
GFE															
EOQ															
Design															
Term Liab															
Other															
Total AP															
<p>Description:</p> <p>Explain reasons for any delays and why delays did not result in end item delays.</p>															

P-1 Shopping List Item No 20-6 of 10

Exhibit P-10, Advance Procurement Funding
(Exhibit P-10, page 4 of 8)

Exhibit P-10, Advance Procurement Requirements Analysis (Page 5 - Execution (Obligations/Expenditures))								Date:					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number								Weapon System		P-1 Line Item Nomenclature			
(TOA, \$ in Millions)													
	Oct PY	Nov PY	Dec PY	Jan PY	Feb PY	Mar PY	Apr PY	May PY	Jun PY	Jul PY	Aug PY	Sep PY	Total
PY Termination Liability Schedule													
PY Expenditures													
	Oct CY	Nov CY	Dec CY	Jan CY	Feb CY	Mar CY	Apr CY	May CY	Jun CY	Jul CY	Aug CY	Sep CY	Total
CY Termination Liability Schedule													
CY Expenditures													
	Oct BY1	Nov BY1	Dec BY1	Jan BY1	Feb BY1	Mar BY1	Apr BY1	May BY1	Jun BY1	Jul BY1	Aug BY1	Sep BY1	Total
BY1 Termination Liability Schedule													
	Oct BY2	Nov BY2	Dec BY2	Jan BY2	Feb BY2	Mar BY2	Apr BY2	May BY2	Jun BY2	Jul BY2	Aug BY2	Sep BY2	Total
BY1 Termination Liability Schedule													
Narrative:													

P-1 Shopping List Item No 20-7 of 10

Exhibit P-10, Advance Procurement Funding
(Exhibit P-10, page 5 of 8)

Instructions - Exhibit P-10, Advance Procurement Requirements Analysis

This Exhibit should be submitted for each BY1 and BY2 in which Advance Procurement funds are being requested. The exhibit contains 5 pages. Only pages 1 and 2 need to be submitted in the congressional procurement backup books.

Page 1 - Budget Justification entries.

This format will include funding for all years of the program.

Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number. This entry should match the procurement annex.

P-1 Line Item Nomenclature: Self explanatory.

Weapon System Type: End item for which advance procurement is required.

First System Award and Completion Date: Enter the month/year (do not use quarters) of the projected contract award for the end item for which the funds in the budget years support. For example: FY 1998 advance procurement funds are required in support of an FY 1999 procurement. The FY 1998 AP supporting the FY 1999 end item procurement will be awarded in March 1998 and the FY 1999 procurement will be awarded in January 1999. Enter March 1998. If the manufacturing processes require 24 months, then the item will be delivered in March 2000. Enter March 2000.

Interval Between Systems: Enter the time between end item deliveries.

Column 1. The first entry should be the procurement quantity budgeted for each year (use the actual fiscal year rather than template years) for the end item for which the advance procurement is requested. In addition, list the items that are required to be purchased ahead of the end item. Be specific as possible. Some examples are:

Contractor Furnished Equipment (CFE): This entry includes all advance procurement funding associated with effort accomplished by the prime weapon system contractor. (e.g. airframe contractor for aircraft; guidance and control contractor for missiles, satellites; chassis contractor for tanks, engines, nuclear propulsion equipment for ships, etc.)

Government Furnished Equipment (GFE): This entry should include a separate entry for each major subcomponent furnished by the government (e.g. engines and radars for ships and aircraft; warhead, fuzes, and rocket motors for missiles; engines and major electronic subsystems for tanks, satellites, etc.).

Economic Order Quantity (EOQ): This entry includes items for which an economic order is justified. List each item separately. The entry will require additional justification showing the analysis that supports an EOQ procurement in an advance procurement line.

Other Advance Funding. This would normally include non-EOQ funding that is requested in advance of authorization of the end item and is not based on leadtime considerations but based on price/cost considerations only.

Column 2. Production Leadtime (PLT). Enter the number of months required to manufacture the end item.

Column 3. Enter the number of months after the manufacturing process begins that the item is required for incorporation into the end item.

Columns 4-15. Enter the approved funding for all years of the program.

(Exhibit P-10, page 6 of 8)

Instructions-Exhibit P-10, Advance Procurement Requirements Analysis (Continued)

Page 2 Entries:

Column 1. List the items that need to be purchased ahead of the end item. This column should match the entries in column 1 on page 1.

Column 2. Production Leadtime (PLT): Enter the production leadtime of this particular item.

Column 3. Quantity Per Assembly (QPA): Indicate the quantity of the item required for each end item.

Column 4. Unit Cost: Enter the unit cost in tenths of millions.

Column 5. BY1 Qty: Enter the total quantity being procured in BY1. For the end item enter the quantity of end items being procured in BY2 (or subsequent years and identify by qty and year) for which the advance procurement in BY1 supports.

Column 6. BY1 Contract Forecast Date: Enter the date of the planned contract award for each of the items listed in column 1. For the end item enter the date of planned contract award of the end items being procured in BY2 (or subsequent years) for which the advance procurement in BY1 supports.

Column 7. Cost: Enter the cost in millions with one decimal place.

Columns 8-10. Repeat the entries above for BY2.

Description. Describe the technique used to estimate the termination liability request. If advance procurement funding is to be applied to years beyond the immediately succeeding year, the amounts and quantities by year should be specified and explained.

Page 3 Entries:

This page will provide a comparison of the advance procurement request to the cost of the program without advance procurement.

Page 4 Entries:

This page will provide a comparison of the request and actual program execution. If actual data is not available for the following items then provide the contract date or latest program manager's (PM) estimate and indicate with a footnote whether the data represents an actual date, a contract date or a PM projection.

Column 1. List the items that need to be purchased ahead of the end item. Include all items in the previous President's budget request and any items procured subsequently.

Column 2. Production Leadtime (PLT): Enter the production leadtime of this particular item. This column should match the entries in column 2 on page 2.

Column 3. PY-1 Quantity: Enter the quantity budgeted for the past year-1.

Column 4. PY-1 Contract Forecast Date: Enter the date of the planned contract award that was included in the previous President's budget request for the past year-1.

Column 5. PY-1 Actual Contract Date: Enter the date that the contract was actually awarded. Explain any differences in the Narrative for the past year-1.

Column 6. PY-1 Total Cost Request: Enter the cost estimated for this particular item that was included in the previous President's budget request for the past year-1.

Columns 7-14. Include the same type of information for the past year and current year as explained in columns 3-6.

(Exhibit P-10, page 7 of 8)

Instructions-Exhibit P-10, Advance Procurement Requirements Analysis (Continued)

Column 15. BY1 Quantity. Identify the quantity to be procured in BY1.

Column 16. BY1 Contract Forecast Date. Identify when the contract will be awarded for BY1.

Narrative. Provide explanations for differences between requested leadtimes and actual leadtimes, requested contract award dates and actual contract award dates and requested cost and actual contract cost. Include any items that were not identified in the previous President's budget request and provide an explanation for the change. Also, address why items were not procured if funding was requested for any items in the previous President's budget request. If advance procurement funding is to be applied to years beyond the immediately succeeding program year, the amounts by year should be specified on the applicable FY BY exhibit and addressed.

Page 5 Entries

Provide the termination liability schedule from the contractor. If one is not available, then explain how the requirement for advance procurement was determined. Provide actual expenditures by month for the amount of advance procurement funding including termination liability. Use additional columns as required to complete the period of execution performance for the advance procurement funding (i.e. until program is 100% executed).

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-10, page 8 of 8)

Exhibit P-17 Layaway and/or Distribution						Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number						P-1 Line Item Nomenclature					
Project:	Prior Years	PY FY 1998	CY FY 1999	BY1 FY 2000	BY2 FY 2001	BY2+1 FY 2002	BY2+2 FY 2003	BY2+3 FY 2004	BY2+4 FY 2005	To Complete	Total
Funding											
Description: Provide a brief description of this project.											
Manufacturer (Name and Location)				Production Lines being laid way: (include location)				Production ends:			
Layaway Cost:				Other Costs:				Annual Maintenance Cost:			
Project:	Prior Years	PY FY 1998	CY FY 1999	BY1 FY 2000	BY2 FY 2001	BY2+1 FY 2002	BY2+2 FY 2003	BY2+3 FY 2004	BY2+4 FY 2005	To Complete	Total
Funding											
Description: Provide a brief description of this project.											
Manufacturer (Name, Location)				Production Lines being laid way: (include location)				Production ends::			
Layaway Cost:				Other Costs:				Annual Maintenance Cost:			

P-1 Shopping List Item No 23-5 of 5

Exhibit P-17, Layaway and/or Distribution
(Exhibit P-17, page 1 of 2)

Instructions - Exhibit P-17, Layaway and/or Distribution

1. The purpose of this exhibit is to provide the funding requirements for layaway and distribution projects at government-owned, government-operated (GOGO) facilities, at government-owned, contractor-operated (GOCO) facilities, and contractor-owned, contractor-operated (COCO) facilities.
2. For each project, provide information as to the type of action, i.e., in place, on site, central storage, complete layaway or increment, state of readiness, future cost, estimated completion date, background, and work to be accomplished. If reactivated, is the facility or line scheduled to produce new items? If so, list the items.
3. Group projects under each appropriate subclassification, such as facility expansion, machine tool replacement, etc.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-17, page 2 of 2)

Exhibit P-18 Initial and Replenishment Spare and Repair Parts Justification						Date: Month/Year					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No					Weapon System	P-1 Line Item Nomenclature					
End Item P-1 Line Item	Prior Years	PY FY 1998	CY FY 1999	BY1 FY 2000	BY2 FY 2001	BY2+1 FY 2002	BY2+2 FY 2003	BY2+3 FY 2004	BY2+4 FY 2005	To Complete	Total
<u>INITIAL</u>											
B-1											
B-2											
F/A-18											
P-3											
UH-60											
Etc.											
TOTAL INITIAL											
<u>REPLENISHMENT</u>											
B-1											
B-2											
F-15											
Etc.											
TOTAL REPLEN											
Remarks											
(Use continuation pages, as necessary)											

P-1 Shopping List Item No 27-1 of 27-1

Exhibit P-18, Initial and Replenishment Spares and Repair Parts Justification

(Exhibit P-18, page 1 of 2)

Instructions - Exhibit P-18, Initial/Replenishment Spares Requirements

The purpose of this exhibit is to provide the funding requirements for the procurement of initial and replenishment spares and repair parts in support of end items of equipment and in support of modifications to existing end items of equipment where end items of equipment are being supported by procurement appropriations. A copy of this exhibit will be included in the budget justification book for the end item.

Entries:

Column 1. Enter the budget Exhibit P 1 line item and end items of equipment for which the initial spares and repair parts are required.

Columns 3 through 13. Enter the total cost of the initial or replenishment spares and repair parts for each fiscal year displayed in support of the end items procured. Funding must be consistent with the P-1 and P-40 exhibits.

If some of the initial spares and repair parts are to be financed by the DWCF or for buy-out by a procurement appropriation, provide a memorandum entry to indicate the DWCF-financed portion or footnote accordingly.

Include the following information in the remarks block.

Procurement Requirement:

- Funded Initial Spares.
- Funded Replenishment Spares.
- Funded Mobilization (War Reserve) Spares.
- Total Funded.
- Repair Turnaround time.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-18, page 2 of 2)

Exhibit P-20, Requirements Study		Appropriation (Treasury) Code/CC/BA/BSA/Item Control No				Date		
P-1 Line Item Nomenclature (Include DODIC for Ammunition Items)		Admin Leadtime (after Oct 1): xx months				Prod Leadtime: xx months		
	PY FY 1998	CY FY 1998	BY1 FY 2000	BY2 FY 2001	BY2+1 FY 2002	BY2+2 FY 2003	BY2+3 FY 2004	BY2+4 FY 2005
Quantity Budgeted	500	500	500	545	605	605	605	605
Unit Cost	.1	.1	.1	.1	.1	.1	.1	.1
Total Cost	.5	.5	.5	.5	.6	.6	.6	.6
Asset Dynamics								
Beginning Asset Position	500	545	545	460	355	295	295	295
Deliveries from all prior year funding	150	500						
Deliveries from CY funding			500					
Deliveries from BY1 funding				500				
Deliveries from BY2 funding					545	605	605	605
Deliveries from subsequent years' funding						605	605	605
Other Gains	50	10	20					
Combat Losses/Usage	0	0	0	0	0	0	0	0
Training Losses/Usage	-150	-500	-600	-600	-600	-600	-600	-600
Test Losses/Usage	-5	-10	-5	-5	-5	-5	-5	-5
Other Losses/Usage	0	0	0	0	0	0	0	0
Disposals/Retirements/Attritions/etc.								
End of Year Asset Position	545	545	460	355	295	295	295	295
Inventory Objective or Current Authorized Allowance	545	545	545	545	545	545	190	190
Inventory Objective	Actual Training Expenditures	Other than Training Usage	Disposals (Vehicles/Other)	Vehicles Eligible for BY1 Replacement: 50	Aircraft: TOAI:			
Assets Rqd for Combat Loads: 500	PY thru _____: 350	PY thru _____: 5	PY thru _____: 50	Vehicles Eligible for BY2 Replacement: 50	PAA: TAI			
WRM Rqmt: 500	PY-1: 450	PY-1: 4	PY-1: 40	Vehicle Augment: 50	Attrition Res:			
Pipeline: 45	PY-2: 650	PY-2: 6	PY-2: 60		BAI			
Other:	PY-3: 200	PY-3: 2	PY-3: 20		Inactive Inv:			
TOTAL: 545					Storage:			
REMARKS: For ammunition items, list all substitute items for the round.								

P-1 Shopping List Item No 10-10 of 10

Exhibit P-20, Requirements Study
(Exhibit P-20, page 1 of 3)

Instructions - Exhibit P-20, Requirements Study

1. Purpose. The purpose of this form is to provide detailed information with regard to the determination of asset availability and requirements.

2. Submission. *The P-20 is required only for the budget estimate submission. A P-20 will be prepared and reviewed by the Services and Defense Agencies for all items being procured, even if the item is included in an aggregated P-1 line item, such as "Items Less Than \$5 million." Submittal of the P-20 is required for only those items costing \$5.0 million or more in budget year 1 or budget year 2. For aircraft and missile modifications, a P-20 is not required as long as the Exhibit P-3a description includes the inventory objective contained in the validated operational requirements document (ORD). Vehicle P-20 exhibits can be modified to accommodate the numerous vehicle types.*

3. Entries.

Leadtimes: Administrative leadtime is the amount of time after October 1 that is required to award a contract. Procurement leadtime is the amount of time from contract award until delivery of the first unit.

Quantity Budgeted. Show the quantities, unit cost, and funding approved for this program.

Asset Dynamics. This section will reflect the changing asset position starting with the assets on hand and adjusting for gains and losses. Tailor the entries to the program being represented.

Beginning Asset Position. Use the inventory position as of the end of the past fiscal year, or specify other date. As a memo entry in the remarks section, identify assets that are not in a serviceable condition.

Deliveries from all prior year funding and deliveries from CY, BY1 and BY2 funding. Enter the quantity funded during all prior years that are not yet delivered. Show the deliveries or other gains in the fiscal year in which they will be received. The analyst can then compare these entries to the P-21 Production Schedule (deliveries and leadtimes).

Deliveries from subsequent years' funding. Enter the quantity in the appropriate fiscal year. The due-ins should match the P-21 Production Schedule and be reflective of the procurement leadtimes and planned delivery schedules to be included on the contract.

Other Gains. Quantity due in for loans to other Services, other receipts, etc.

Usage. Identify projected annual usage, disposals, retirements, etc. that are projected for each fiscal year. There should be some correlation of the projected usage to actual expenditures. For aircraft, usage equates to attrition, retirement, FMS sales, etc. For vehicles, usage equates to disposals (quantity of vehicles scheduled for disposal through sale, salvage or transfer to another agency).

End of Year Asset Position. Add the gains and subtract the losses from the beginning of the year asset position.

Inventory Objective (IO). Identify the elements of the IO and the Approved Acquisition Objective, as applicable and approved through the Program Objective Memorandum process. For missiles, munitions, and munitions-related items, use the capabilities based munitions requirements process. Annotate in the Remarks block if the IO is different for any of the FYDP years. Cite the document and the date of the document that established the IO.

Actual Expenditures (for ammunition items). Identify actual expenditures for training and other than training for at least three years. For example, for the FY 1998 submission, FY 1997 will be the current year but no usage will have occurred. FY 1996 would be the past year but data will probably not be available for the entire fiscal year prior to the submission. Therefore, show actual usage for FY 1996 through June 30, 1996 and the usage for 3 fiscal years (FY 1995 (past year minus one, PY-1), FY 1994 (past year minus two, PY-2), and FY 1993 (past year minus three, PY-3)).

(Exhibit P-20, page 2 of 3)

Exhibit P-20 Instructions (Continued)

Authorized Allowances. Enter the authorized Vehicle allowances for units, installations, and activities supported by the appropriations of the service preparing the form. Replacement requirements will be excluded.

Vehicles Eligible for Replacement: Enter the quantity of vehicles eligible for replacement during the budget year(s) funded leadtime based upon the age, repair limits and mileage criteria of DoD 4500.36-R.

Vehicle Augmentation. Enter the quantity that represents an augmentation to the inventory. On a separate sheet, list the organizational units and quantities for each unit involved in the augmentation and include a full justification for the augmentation.

Aircraft. Include memo entries for each configuration of aircraft. Identify the acquisition objective by The Joint Staff (TJS) inventory category for each FY. Explain the basis for the approved acquisition objective and identify the applicable requirements document and approval authority (i.e. TJS/Service) that provides the basis for the approved acquisition objective number

Also each Service should submit documentation, by aircraft type, that provides the average age and average hours projected for the aircraft and the current age and hours. This documentation is required for all aircraft being procured and modified, as well as for the aircraft that are being replaced. Identify Active, National Guard and Reserve aircraft. Each Service can submit this documentation in formats currently used by each Service, as long as the above information is incorporated.

Entries should include: (1) total overall aircraft inventory; (2) active aircraft inventory, including primary aircraft inventory (with appropriate subcategories for mission aircraft, training aircraft, dedicated test aircraft, etc.), backup aircraft inventory, and attrition/reconstitution reserve; (3) inactive aircraft inventory, including bailments, drones, foreign military sales or other transfers, leases, loans, maintenance training, reclamation, and storage; and (4) the Joint Staff approved inventory requirements.

Not Installed Nonconsumables. Tailor the asset position to elements that pertain to this category. Include a brief explanation in the remarks block to explain why the entire quantity to meet the IO is not being procured. Include memo entries for the entire program inventory objective. Where applicable, the IO will be supported by showing the number of units or activities, by type and quantity required per unit or activity. Example:

	<u>Required</u>
20 Units	40
30 Activities	60
Spares	10
Total IO	110

REMARKS: Identify any items that can be substituted and explain why substitutes cannot be used to satisfy the IO, why expenditures do not represent an accurate portrayal of usage, and any other anomalies.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-20, page 3 of 3)

Exhibit P-21, Production Schedule																	Date															
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No										Weapon System					P-1 Line Item Nomenclature																	
									PRODUCTION RATE					PROCUREMENT LEADTIMES																		
Item		Manufacturer's Name and Location							MSR	ECON	MAX	ALT Prior to Oct 1			ALT After Oct 1			Initial Mfg PLT			Reorder Mfg PLT			Total			Unit of Measure					
List each end item																																
Fiscal Year									Fiscal Year																							
Calendar Year									Calendar Year									Calendar Year														
ITEM	F Y	S V C	Q T Y	D E L	B A L	O C T	N O V	D E C	J A N	F E B	M A R	A P R	M A Y	J U N	J U L	A U G	S E P	O C T	N O V	D E C	J A N	F E B	M A R	A P R	M A Y	J U N	J U L	A U G	S E P	B A L		
5.56	94	A	.5	.2	.3	.1	.1	.1																								
	95	A	.5	0	.5									.1	.1	.1	.1	.1														
	96	A	.5	0	.5																		.1	.1	.1	.1	.1					
	94	M	.5	0	.5				.1	.1	.1	.1	.1																			
	95	M	.5	0	.5													.1	.1	.1	.1	.1										
	96	M	.5	0	.5																								.1	.4		
	96	F	.5	0	.5																										.5	
Fiscal Year									Fiscal Year																							
Calendar Year									Calendar Year									Calendar Year														
ITEM	F Y	S V C	Q T Y	D E L	B A L	O C T	N O V	D E C	J A N	F E B	M A R	A P R	M A Y	J U N	J U L	A U G	S E P	O C T	N O V	D E C	J A N	F E B	M A R	A P R	M A Y	J U N	J U L	A U G	S E P	B A L		
5.56	94	A	.5	.2	.3	.1	.1	.1																								
	95	A	.5	0	.5									.1	.1	.1	.1	.1														
	96	A	.5	0	.5																		.1	.1	.1	.1	.1					
	95	M	.5	0	.5													.1	.1	.1	.1	.1										
	96	M	.5	0	.5																								.1	.4		

REMARKS: Use continuation pages as necessary to complete all procurements. If only one component or item is being delivered, show deliveries on one page.

P-1 Shopping List - Item No 25-5 of 6

Exhibit P-21, Production Schedule
(Exhibit P-21, page 1 of 3)

Instructions - Exhibit P-21, Production Schedule

1. **Purpose.** The purpose of this exhibit is to provide detailed information with regard to the monthly production of all applicable items.

2. **Submission.** *Exhibit P-21 will be submitted for the budget estimate submission to show the planned contractual production deliveries for Exhibit P-5 cost elements that have a value of \$5.0 million or more in budget year 1 or budget year 2. Those items that are supported by an exhibit P-23 do not need a P-21 unless multiple manufacturers produce the items. Exhibit P-21 will be submitted for the President's budget for all Acquisition Category 1 programs and for any other program requiring specific quantity authorization. Each Service, whether a leader or follower, is to provide the delivery schedule for the entire program. This ensures that each Service has the opportunity to adjust procurement quantities in terms of contractor capability to deliver all assets during the funded delivery period.*

3. **Entries.**

- a. Entries will be displayed in the same order as they appear on the Exhibit P-5 Cost Analysis.
- b. Use "E" for "each," "M" for "millions" and "K" for "thousands" for unit of measure.
- c. Production rates should be yearly rates. The following definitions apply.

Minimum Sustaining Rate. This is the production rate that is necessary to keep production lines open while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost

Economical Production Rate. This is the most efficient production rate for each budget year at which the item can be produced with existing or planned plant capacity and tooling, with one shift a day running for eight hours a day and five days a week (1-8-5).

Maximum Production Rate. This is the maximum capacity rate that a contractor can produce with extant or PY planned tooling. Indicate the number of shifts.

- d. The following leadtime definitions apply.

Administrative Leadtime (ALT). This is the amount of time required to complete the administrative actions leading to contract award. Since these actions do not require funding, the ALT can be separately identified into prior to October 1 and after October 1. The ALT is used to forecast contract awards. Longer leadtimes require that a larger quantity be purchased to support yearly requirements. Leadtimes should therefore reflect an accurate assessment of the time required to process the administrative actions.

Production Leadtime (PLT). This is the amount of time required by a contractor to produce an item once a contract is awarded. Leadtimes should be based on a realistic projection of a contractor's capability.

Procurement Leadtime. This is the total of ALT (post October 1) and PLT.

- e. Where procurements are being made for customers such as the FMS program or another Service, a separate line will be used to reflect each customer's planned buy and phased deliveries with a total provided by item by manufacturer. Use A for Army, N for Navy, AF for Air Force, F for FMS, and O for Other (and explain in the remarks section).

(Exhibit P-21, page 2 of 3)

Exhibit P-21 Instructions (Continued)

f. Enter respective schedules for all prior fiscal years with undelivered assets, for CY, BY1, and BY2. In addition, Acquisition Category 1 programs and programs requesting advance procurement funding will also enter schedules for all years of the future years defense plan. Show detail of production by month so that analysis can be accurately performed.

g. Missile Delivery Schedule. A separate P-21 exhibit will be prepared for each missile system reflecting the latest actual deliveries and scheduled outyear requirements. When the missile system includes the procurement of fire units or launching systems within the P-1 line item, the missiles and the major components of the fire unit or launching system (launcher, launch control center, radar set, track vehicle) will be depicted on the P-21 exhibit.

h. Ammunition. The total production plan for hardware items should be displayed to include time-phased schedules for LAP and the major limiting or pacing component as applicable. For Improved Conventional Munitions, display schedules for all major components. Provide separate information in those cases where procurement leadtimes for LAP and major components differ.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

Instructions - Exhibit P-21a, Production Schedule, All Types

In addition to the P-21, the Army will submit a P-21a showing “all types” ammunition deliveries for all Services for those items procured through the Single Manager for Conventional Ammunition.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

Exhibit P-21a, Production Schedule, All Types

(Exhibit P-21, page 3 of 3)

[illegible]

Instructions - Exhibit P-22, Ammunition Inventory

1. Purpose. The purpose of this exhibit is to provide visibility into the Single Manager for Conventional Ammunition (SMCA)-owned component inventory and into each of the Service's ammunition inventory.
2. The Services can submit the inventory listing format it currently produces, as long as the information required by this exhibit is presented.
3. Each Service will submit an inventory position listing of all Service-owned ammunition assets. The Army will also provide the SMCA-owned component inventory listing. The Exhibit is not required for the President's budget request.
4. The inventory position will be submitted in support of the Budget Estimate Submission and will be current as of June 30, Past Year (or later, if available).
5. Entries.

Columns 1-4. Enter the appropriate Nomenclature, SSN, DODIC, and Condition Code of each ammunition round in the Service or SMCA-owned inventory.

Columns 5 and 6. Enter the Capability Based Munitions Requirement (CBMR) and the training and testing requirements included in the CBMR.

Columns 7 and 8. Enter the quantity of rounds that the Service or SMCA is retaining for contingency level requirements and economic level considerations. Should these quantities be inordinately large, narrative should be provided to rationalize the quantity.

Column 9. Enter the total quantity of assets on hand.

Column 10. Enter the quantity that could be reutilized.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-22, page 2 of 2)

Exhibit P-23, Time Phased Requirements Schedule					Appropriation/Budget Activity					P-1 Item Nomenclature								Date										
CY					BY1				BY2				BY2+1				BY2+2				BY2+3				BY2+4			
1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
ACTIVE FORCE INVENTORY																												
SCHOOLS/OTHER TRAINING																												
OTHER																												
TOTAL PHASED REQ																												
ASSETS ON HAND																												
DELIVERY FY & PRIOR																												
FY & PRIOR																												
CY																												
BY1																												
BY2																												
BY2+1																												
BY2+2																												
BY2+3																												
BY2+4																												
TC																												
TOTAL ASSETS																												
QTY OVER (+) OR SHORT (-)																												
D. REMARKS												Rqmt (Qty)		Total Rqmt		Installed		On Hand		PY Prior Undelivered		Unfunded						
								APPN -																				
								APPN -																				
								APPN -																				
								PROC LEADTIME				Admin				Initial Order				Reorder								

DD Form 2447, JUN 86

P-1 Shopping List - Item No 20-9 of 10

Exhibit P-23, Time Phased Requirements Schedule
(Exhibits P-23 and P-23a, page 1 of 4)

Exhibit P-23a, Installation Data				P-1 Item Nomenclature						Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number								Installing Agent							
1st Qtr		2d Qtr		3d Qtr		4th Qtr		1st Qtr		2d Qtr		3d Qtr		4th Qtr	
End Item Facility	Qty	End Item Facility	Qty	End Item Facility	Qty	End Item Facility	Qty	End Item Facility	Qty	End Item Facility	Qty	End Item Facility	Qty	End Item Facility	Qty

DD Form 2447S. JUN 86

P-1 Shopping List - Item No 5-6 of 9

Exhibit P-23a, Installation Data
(Exhibits P-23 and P-23a, page 2 of 4)

Instructions - Exhibits P-23, Time Phased Requirements Schedules, and P-23a, Installations Data

1. Purpose. The purpose of these exhibits is to provide detailed information with regard to the quarterly requirements and production of all applicable installed items.
2. Submission. The exhibit P-23, supplemented by Exhibit P-23a, will be submitted for all P-1 line items installed and/or components. A P-23 is not required if a P-3a modification exhibit is submitted for the installed item because a schedule is included on the P-3a.
3. Entries.

Time Period Covered by Exhibit P-23. The first fiscal year block represents the current fiscal year. The form provides for a total of 7 years. If the phased requirement for the equipment extends beyond 7 years, insert an additional column at the right edge of the form entitled "Later." Use this last column to reflect the balance of the requirement and/or deliveries.

Line #1. Active Force Inventories. The purpose of this line is to show by quarter, "installation opportunities" for a particular equipment based upon an established schedule. The quantities to be reflected are installed equipment quantities. The line entry is non-cumulative. In those cases where the actual or planned equipment procurement program will not provide sufficient units to meet total opportunities in a particular quarter, the missed opportunities will be shown in parentheses. For example, total opportunities might be 10, but only 6 can be met. This will be shown as 6 (4). Appropriate offsets will be made in this line when it is necessary to have the equipment to be installed on hand in advance of beginning of installation.

Line #2. This line is to be used for installation opportunities not in established schedules and is to be completed in the same manner as line 1.

Line #3. Schools and Other Training. Insert in the appropriate fiscal quarter units required for Schools and Other Training. Indicate "Other" unit requirements by use of an asterisk.

Line #4. Other. This line should reflect phased requirements for all other commodity users such as new construction of end items or MAP/FMS etc.

Line #5. Time Phased Requirements. This is a cumulative line entry and in the first quarter of the first fiscal year on the form is the sum of lines 1 through 4. For the second quarter, line 5 is equal to amount shown on line 5 in the first quarter plus sum of lines 1 through 4 in the second quarter.

Line #6. Assets on Hand. In the first quarter block on line 6, insert the number of equipment on hand at the beginning of the current fiscal year.

Line #7. Enter the planned deliveries from the prior fiscal year and prior programs. This is a non-cumulative line. Indicate appropriation on lines 7-16 when columns are filled.

Line #8. Reflect on this line deliveries from other appropriations financed by prior year programs.

Line #9. Reflect planned deliveries from the current fiscal year program. Also, indicate in the appropriate quarter when the contract for the current fiscal year quantity will be awarded. Identify the type of contract with the following codes:

C	Competitive procurement
SS	Sole Source
CMYP	Competitive multiyear
SSMYP	Sole Source multiyear

(Exhibits P-23 and P-23a, page 3 of 4)

Exhibits P-23/P-23a Instructions (Continued)

Line #10. Same as line 9 for current fiscal year when a different appropriation from line 9 is involved.

Lines #11-16. Follow the pattern of lines 9 and 10. Lines 15 and 16 may cover more than one fiscal year program and will reflect the equipment quantity required to fill the total requirement in the "Later" column.

Line #17. For each quarter, this line is the sum of lines 6 through 16 expressed on a cumulative basis as was line 5.

Line #18. Enter the difference between line 5 (total phased requirements) and line 17 (total assets).

Requirement Block (Lower right corner) - This block recaps total requirements by appropriation.

Total Requirement - This is the total ultimate quantity required for installation without regard to when installation will take place.

Installed Qty - Number of units installed prior to the beginning of the current fiscal year.

On Hand Qty - Units that have been delivered but not yet installed.

Prior Years Undelivered - This is the sum of all units due in from prior year, past years, and current year programs plus planned BY1 and BY2 procurements.

Unfunded - This is the quantity still required after BY2.

Reconciliation - The cumulative quantity shown on line 5 is equal to the sum of the on hand quantity, the FY(BY1) and undelivered quantity plus the unfunded quantity.

Procurement Leadtimes. Administrative leadtime is the amount of time after October 1 that is required to award a contract. Initial Order Leadtime means production or manufacturing leadtime and is measured from date of contract award to date of first delivery of equipment. Reorder Leadtime is production leadtime when follow-on procurement is made from previous source.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

P-23a, Time Phased Requirements Schedule

List the end item and/or facilities that are to receive the equipment. Include the quantity to be installed by quarter. Identify the installing agent.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibits P-23 and P-23a, page 4 of 4)

Exhibit P-25, Production Support and Industrial Facilities Cost Analysis					Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					P-1 Line Item Nomenclature and Project Number					
Project Title/Type					End Item Supported Model					
Project Number			Annual Capacity Before Project (1-8-5)		Annual Capacity after Project (1-8-5)					
ELEMENT OF COST	PY FY 1998	CY FY 1999	BY1 FY 2000	BY2 FY 2001	Facility Name: _____					
Construction					Location: _____					
Equipment					Type: (GOGO, GOCO, COCO): _____					
Equipment					Related Projects					
Equipment					Project # and Title	FY & Appn	Value	Facing	Start Date	Compl Date
Equipment										
Equipment Install										
Contract Support										
Corps of Engrs										
Other										
Total Fac Costs										
Other-Prove-out										
MILCON					Principal Milestones					
					Concept Design Complete: _____					
					Final Design Complete: _____					
					Initial/Final Project Award: _____					
					Construction Complete: _____					
					Equipment Installation Complete: _____					
					Prove out begins: _____					
					Prove out completes: _____					
Narrative Explanation										

P-1 Shopping List - Item No 20-1 of 20-20

Exhibit P-25, Production Support and Industrial Facilities Cost Analysis
(Exhibit P-25, page 1 of 2)

Instructions - Exhibit P-25, Production Support and Industrial Facilities Cost Analysis

The P-25 exhibit will be used to display costs for each funded production facilities project at all government owned, government operated (GOGO) and government owned, contractor operated (GOCO) facilities. In addition the exhibit will display the costs associated with a facilities project for those government owned lines that are located at contractor owned, contractor operated (COCO) facilities. The cost categories on the P-25 exhibit represent a number of elements and the list should be tailored to adequately depict the production facility project cost. The sections on the P-25 exhibit are to be completed as follows.

Construction cost should depict the cost for construction that is funded in this line. If construction funds are required that are programmed in another appropriation, these funds and the associated amount should be identified in the Other Costs section.

Equipment Cost should identify the cost for individual equipment (list separately) costing more than \$0.5 million and a cumulative cost line for all equipment costing less than \$0.5 million.

Equipment Installation Cost should identify the cost to install all the equipment listed.

Contractor Support Cost should identify any cost for contractor support included in the production facility project.

Corps of Engineers Support Cost should identify any cost for the Corps of Engineers support included in the production facility project.

Other In-house Support Cost should identify any cost for other in-house support (excluding the Corps of Engineers support costs) included in the production facility project.

The Other Cost section reflects other costs associated with the project such as facility prove-out cost, military construction appropriation costs, etc.

Facility - Self explanatory.

Related Projects should include prior year and outyear funding required to complete the project.

Industrial Facilities - Provide specific line item identification for each project. Group projects under each appropriate subclassification, such as facility expansion, machine tool replacement, etc.

A DD Form 1391, Military Construction Project Data, is required for each project for proposed construction, alteration, expansion, or modernization of government owned facilities.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-25, page 2 of 2)

Exhibit P-26, Maintenance of Inactive Facilities				Appropriation (Treasury) Code/CC/BA/BSA/Item Control No						Date	
Inactive Lines at Active Plants			Facility			Facility Contractor:					
	Prior Years	PY FY 1998	CY FY 1999	BY1 FY 2000	BY2 FY 2001	BY2+1 FY 2002	BY2+2 FY 2003	BY2+3 FY 2004	BY2+4 FY 2005	To Complete	Total
Funding											
Description:											
Inactive Lines at Contractor Plants						Contractor					
	Prior Years	PY FY 1998	CY FY 1999	BY1 FY 2000	BY2 FY 2001	BY2+1 FY 2002	BY2+2 FY 2003	BY2+3 FY 2004	BY2+4 FY 2005	To Complete	Total
Funding											
Description:											
Inactive Plants			Facility			Facility Contractor:					
	Prior Years	PY FY 1998	CY FY 1999	BY1 FY 2000	BY2 FY 2001	BY2+1 FY 2002	BY2+2 FY 2003	BY2+3 FY 2004	BY2+4 FY 2005	To Complete	Total
Funding											
Description:											

P-1 Shopping List - Item No 19-9 of 9

Exhibit P-26, Maintenance of Inactive Facilities
(Exhibit P-26, page 1 of 2)

Instructions - Exhibit P-26, Maintenance of Inactive Facilities

1. The purpose of this exhibit is to provide the funding requirements for the maintenance of inactive facilities, inactive lines at active facilities, and inactive lines at contractor facilities.
2. Provide information as to the types of costs that require funding.
3. List the inactive lines and the ammunition that will be produced if the line is reactivated.
4. Provide description of environmental requirements.
5. Provide detail by facility.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-26, page 2 of 2)

Exhibit P-27, SCN - Ship Production Schedule							Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number							P-1 Line Item Nomenclature					
	Prior Years	PY-1 FY 1995	PY FY 1996	CY FY 1997	BY1 FY 1998	BY2 FY 1999	BY2+1 FY 2000	BY2+2 FY 2001	BY2+3 FY 2002	BY2+4 FY 2003	To Comp	Total
Description												
(Use continuation pages, as necessary)												

P-1 Shopping List - Item No 21-3 of 5

Exhibit P-27, SCN - Ship Production Schedule
(Exhibit P-27, page 1 of 1)

[illegible]

P-1 Shopping List - Item No 22-4 of 22-20

Exhibit P-29, SCN Outfitting Costs

(Exhibit P-29, page 1 of 1)

Exhibit P-29a, Shipbuilding and Conversion (SCN) Outfitting Costs - Comparison									Date:						
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number									P-1 Line Item Nomenclature						
Ship Type	Hull No	Prog Year	Del Date	Prior Years	PY	CY	BY1	BY2	BY2+1	BY2+2	BY2+3	BY2+4	To Complete	Total	
97PB															
xxx															
xxx															
98BES															
xxx															
xxx															
Delta															
xxx															
xxx															
Comments															
<p>This exhibit compares the previous President's budget request to the current Budget Estimate Submission or the current President's budget request as, appropriate.</p> <p>A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.</p>															

[illegible]

Exhibit P-30a, Shipbuilding and Conversion (SCN) Post Delivery Costs-Comparison									Date:						
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number									P-1 Line Item Nomenclature						
Ship Type	Hull No	Prog Year	Del Date	Prior Years	PY	CY	BY1	BY2	BY2+1	BY2+2	BY2+3	BY2+4	TC	Total	I D
97PB															
xxx															
xxx															
98BES															
xxx															
xxx															
Delta															
xxx															
xxx															
Comments This exhibit compares the previous President’s budget request to the current Budget Estimate Submission or the current President’s budget request as, appropriate. ID Codes: S=NNS; I=INGALLS; E=ELECTRIC BOAT; B=BATH IRON WORKS; A=AVONADE; N=NASCO; O-OTHER A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.															

P-1 Shopping List - Item No 25-10 of 25-11

Exhibit P-30a, SCN Post Delivery Costs-Comparison
(Exhibit P-30a, page 1 of 1)

Exhibit P-32, Procurement Purchases from DWCF
(TOA, \$ in Millions)

Appropriation: _____

Business Areas	Current Year	Budget Year 1					Budget Year 2				
	CY Program	Price Growth	%	Program Growth	%	BY1 Program	Price Growth	%	Program Growth	%	BY2 Program
<u>Army</u>											
411 Army Supply Management											
601 Army Depot Maint-Ord Arm Com											
602 Army Depot Maintenance-Other											
648 Army Information Services											
<u>Navy</u>											
412 Navy Supply Management											
615 Navy Information Services											
633 Defense Printing Service (FY 1996 only)											
<u>Research and Development</u>											
610 Naval Air Warfare Center											
611 Naval Surface Warfare Center											
612 Naval Undersea Warfare Center											
614 Naval Cmd, Ctrl & Ocean Surv Ctr											
630 Naval Research Laboratory											
631 Naval Facilities Engineering Service Ctr											
<u>Depot Maintenance</u>											
613 Depot Maintenance- Aircraft											
632 Depot Maintenance-Ordnance											
637 Depot Maintenance-Ships											
640 Depot Maintenance-Other (USMC)											
<u>Transportation (Sealift Services):</u>											
620 Fleet Auxiliary Force											
621 Afloat Prepositioning Ships											
623 Special Mission Supports											
624 Other Sealift Purchases											
<u>Navy Base Support Services:</u>											
634 Public Works - Utilities											
635 Public Works - Other											
639 Public Works (Composite Rate)											

Page No xxx

Exhibit P-32, Procurement Purchases from DWCF

(Exhibit P-32, page 1 of 3)

Exhibit P-32, Procurement Purchases from DWCF
(TOA, \$ in Millions)

Business Areas	Current Year	Budget Year 1					Budget Year 2				
	CY Program	Price Growth	%	Program Growth	%	BY1 Program	Price Growth	%	Program Growth	%	BY2 Program
<u>Air Force</u>											
414 Air Force Supply Management											
649 Air Force Information Services											
653 Transportation (Airlift Svcs (Training))											
Air Force Depot Maintenance:											
661 Organic Operations											
662 Contract											

<u>Defense</u>											
402 Fuel Purchases (DFSC)											
415 DLA Supply Management											
633 Defense Printing Services (beg FY 1997)											
647 Defense Megacenters (DISA)											
650 DLA Information Services											
651 DFAS Information Services											
670 Defense Automatic Addressing Systems											
671 Communications Services (DISA)											
672 Purchases from Pentagon Reservation Maintenance Revolving Fund											
673 Financial Operations (DFAS)											
674 Distribution Depots (DLA)											
675 Def Reutilization & Mktg Svcs (DRMS)											
676 Def Industrial Plant Eqpt (FY 1996 only)											
677 Joint Logistics Systems											
680 Purchases from the Bldg Maint Fund											
<u>USTRANSCOM</u>											
701 AMC Cargo/Passenger (Fund)											
702 AMC SAAM/TJS (Fund)											
711 MSC Cargo (Fund)											
721 MTMC Port Handling (Fund)											

Page No xxx

(Exhibit P-32, page 2 of 3)

Instructions - Exhibit P-32, Procurement Purchases from DWCF

1. Purpose. The purpose of this exhibit is to estimate the amount of new orders planned to be sent to the Defense Business Operations Fund (DWCF) business areas. The Procurement appropriations will report estimates of funding for DWCF business areas on the Purchases from DWCF Exhibits. For each appropriation, the Component will estimate by DWCF business area the amount of new orders planned to be sent to DWCF business areas for the CY, BY1 and BY2. The amounts provided should reflect the amount shown by the DWCF activity on the Fund-11 exhibit. Price growth will reflect the amount of inflation on the difference between fiscal years funding (change in DWCF rates). Program growth will show the change in program absent the effect of inflation. For further guidance, see the instructions for completing the OP-32 exhibit (Chapter 030402). A copy of the P-32 exhibit will also be provided directly to the Revolving Funds Directorate, Room 3B866, the Pentagon.

2. Specific Instructions:

In addition to the guidance above and in the OP-32 Exhibit instructions, the following provides by business area, the types of purchases reported on the P-32 exhibits:

- (1) Army, Navy and Air Force Supply Management: obligations for supply purchases from wholesale and retail supply organizations.
- (2) DLA Supply Management: obligations for purchases of consumable supplies.
- (3) Fuel Purchases (Defense Fuel Supply Center): obligations for fuel for purchases of fuel for aircraft, automobiles, non-nuclear ships, trucks, and heating fuel.
- (4) US Transportation Command: travel and transportation obligations for movement of people or goods by military air (Air Mobility Command owned C-17, C-5, or C-141 aircraft or leased commercial aircraft) and military sealift (through Military Traffic Management Command operated port facilities, in Military Sealift Command owned or operated ships).
- (5) Defense Finance and Accounting Service (DFAS): obligations for services rendered by DFAS.
- (6) Communications Services (DISA): obligations to pay for services provided by the for the Defense Switched Network (formerly AUTOVON, AUTODIN, Bulk Encrypted Communications, Defense Switched Network, Washington Area Wideband System, Defense Information Systems Network, and Defense Data Network) and for information processing, computer services, and software development support provided by the Defense Information Technology Services Organization (DITSO).
- (7) Fund Purchases not reported on P-32: Do not report purchases from the following Fund business areas: Defense Logistics Agency Distribution Depots; Navy Distribution Depots; Commissary Operations; and the Defense Reutilization and Marketing Services.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-32, page 3 of 3)

Exhibit P-35, Major Ship Component Fact Sheet
(TOA, \$ in Millions)

Ship Type - (SSN-21)

Equipment Item - (AN/BSY-2 Combat System)

PARM Code - (NAVSEA PMS XXX)

Description/Characteristics/Purpose:

<u>Current Funding</u>	<u>FY 19PY</u>		<u>FY 19CY</u>		<u>FY 19BY1</u>		<u>FY 19BY2</u>	
Major Hardware	Hull	Total FY	Hull	Total FY	Hull	Total FY	Hull	Total FY
Hardware								
Warranty								
Battle Spare/Trainer								
GFE								
Ancillary Equipment								
Test Equipment								
Shipping and Installation Fix								
Technical Data and Documentation								
Spares								
Installation & Checkout								
Installation & Sup Spt								
System Engineering								
Technical Engineering Services								
Contract Field Services								
Govt Field Services								
Other Costs (List separately)								
Other Costs								

<u>Contract Data</u> <u>(major hardware)</u>	<u>Prime Contractor</u>	<u>Contract Award Date</u> <u>(indicate if estimated)</u>	<u>Contract Type</u>	<u>New/Option</u>	<u>Contract Qty</u>	<u>Contract</u> <u>Hardware Unit</u> <u>Cost</u>
PY						
CY						
BY1						
BY2						

<u>Delivery Data</u>	<u>Earliest Ship Delivery Date</u>	<u>Months Required before Delivery</u>	<u>Production Leadtime</u>	<u>Required Award Date</u>
PY				
CY				
BY1				
BY2				

V. Competition/Second-Source Initiatives:

P-1 Shopping List - Item No 30-9 of 30-9

Exhibit P-35, Major Ship Component Fact Sheet
(Exhibit P-35, page 1 of 2)

Instructions - Exhibit P-35, Major Ship Component Fact Sheet

Item: A separate sheet is to be submitted for each component having a unit cost of \$3.0 million or more.

Description/Characteristics/Purpose. Self explanatory.

Current Funding. The cost details will be provided for each ship type for which equipment is being procured on a hull basis for the prior year (PY), current year (CY), budget year 1 (BY1) and BY2.

Identify estimates on an end item cost basis. If an equipment was procured in a prior year with advance procurement funds, it should be reflected on the exhibit next to the end cost estimates in parenthesis. The equipment costs in this section of the exhibit will include the building block elements listed below:

- Major Hardware
- Ancillary Equipment
- Technical Data and Documentation
- Spares
- System Engineering
- Technical Engineering Services
- Other Costs

Major hardware costs in excess of \$20 million must be broken down into sub-element hardware components that comprise the equipment cost estimate included on the P-5a cost analysis.

Contract Data. This section will be prepared for the major hardware procurement. The exhibit will include the contract plans for BY1 and BY2, the planned or actual contract information for the current year (CY) and the actual information for the last buy prior to the current year. The last buy should be included even though it is two or more years prior to the current year. The following codes should be used for indicating contract types: Fixed Price Incentive (FPI); Cost Plus Incentive Fee (CPIF); Fixed Price (FP); Sole Source (SS); and Competitive (C). Indicate whether it is a new contract or an option to an existing contract. Also indicate estimated or actual award dates and item delivery dates. List quantities for each fiscal year and the production leadtime associated with each equipment.

Delivery Data. This section should indicate delivery plans for BY1 and BY2, CY and past year (PY) programs contained in Section II of this exhibit. The required award date entry is determined by subtracting the months required before delivery and production leadtime from the earliest ship delivery date.

Competition/Second Source Initiatives. Describe any competition or second source initiatives associated with major hardware items.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-35, page 2 of 2)

Date: _____

Exhibit P-36, Depot Level Ship Maintenance Schedule
From PY to BY2 + 4

<u>Ship</u> <u>Type</u>	<u>Class</u>	<u>Hull</u>	<u>Name</u>	<u>HP</u>	<u>FY</u>	<u>Type of</u> <u>Avail.</u>	<u>Exec.</u> <u>Act.</u>	<u>Start</u> <u>Date</u>	<u>End</u> <u>Date</u>	<u>O&MN</u> <u>Costs</u>	<u>OPN</u> <u>Costs</u>	<u>Total</u> <u>Mandays</u>
----------------------------	--------------	-------------	-------------	-----------	-----------	---------------------------------	-----------------------------	-----------------------------	---------------------------	---------------------------------	----------------------------	--------------------------------

Purpose: The purpose of this exhibit is to provide schedule and budgetary data for the ships planned for a modernization availability using past year (PY), current year (CY), or budget years (BY1 and BY 2) funds in support of the availability.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

Exhibit P-36, Depot Level Ship Maintenance Schedule

(Exhibit P-36, page 1 of 1)

Exhibit P-40, Budget Item Justification							Date						
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number							P-1 Line Item Nomenclature						
Program Element for Code B Items:					Other Related Program Elements								
	ID Code	Prior Years	PY FY 1998	CY FY 1999	BY1 FY 2000	BY2 FY 2001	BY2+1 FY 2002	BY2+2 FY 2003	BY2+3 FY 2004	BY2+4 FY 2005	To Complete	Total	
Proc Qty													
Gross Cost													
Less PY Adv Proc													
Plus CY Adv Proc													
Net Proc (=P-1)													
Initial Spares													
Total Proc Cost													
Flyaway U/C													
Wpn Sys Proc U/C													
Description													
(Use continuation pages, as necessary)													

P-1 Shopping List - Item No 17-1 of 17-5

Exhibit P-40, Budget Item Justification

(Exhibit P-40, page 1 of 4)

Instructions - Exhibit P-40, Budget Item Justification

1. **Purpose.** The purpose of this exhibit is to provide overall narrative justification and total procurement costs for each P-1 line item. Include all advance procurement, initial spares and repair parts for acquisition category 1 programs.

2. **Submission.** A separate P-40 will be submitted to support each P-1 line item with funding of \$5.0 million or more in budget year 1 or budget year 2 or \$5.0 million or more in either the PY or CY. Funding will be provided for all years displayed on the P-40 for all programs for both the Budget Estimate Submission and the President's budget. *If prior year and to complete data are not relevant (i.e., items have a continuing requirement such as vehicles or ammunition), then leave those fields blank. In order to ensure compliance with the Department's policy to fully fund procurement programs, exhibits should reflect all costs and quantities from prior year (PY) through to complete (TC) for those programs buying a finite quantity.*

3. **Entries.**

a. Enter the applicable information that identifies the appropriation number and title, budget activity, procurement line item number, and serial number (the combination of these codes should match the procurement annex). Include the P-1 line item title and identify nicknames in parenthesis. Identify the program element for all Code B items shown on the P-5. Also list all other PEs associated with this procurement.

b. Funding will be presented for all prior years, past year, current year, budget years, FYDP years, to complete, and total on all line items having a finite quantity requirement. It is not relevant to show funding or quantities for items that are continuing requirements such as ammunition or vehicles. It is relevant to show funding for all fiscal years for items being procured to specified quantity, such as aircraft, missiles, or modifications. The funding should agree with the funding approved in the FYDP Procurement Annex. Omit line items that do not apply (for example, ammunition items would not include an initial spares line).

c. A complete narrative description of the line item will be provided. The description will include, but not be limited to, the nature, purpose and intended use of the item with sufficient depth of information to serve as a justification for funding.

d. If the item is a Code B item, provide the month and calendar year, actual or projected, for each applicable DTE, IOT&E, OTE and technical data package (TDP) or performance specification milestone date. TDP is assumed to be the date when all data necessary to initiate the procurement is available. Also provide the planned date for type classification as Standard or Alternate Standard (Army and Air Force) or approved by the CNO or other responsible official (Navy). Provide the nomenclature and model number of each item (as applicable) which will be replaced, as well as the comparative information in definitive terms with units of measure such as range, speed, cycle rate, meantime before failure, useful life, etc. Enter a brief but specific discussion of pertinent test results and development effort to date (successful firings, slippages, test failures, cost overruns, etc.).

e. For those programs that include advance procurement funds that support more than just the next or one subsequent FY program, specific FY detail needs to be provided to identify which FY programs are supported by prior year advance procurement. Advance procurement should be debited and credited according to the leadtimes of the advance procurement. For instance, if FY 1996 and FY 1997 advance procurement funds are required for an FY 1998 procurement, the FY 1996 AP funds would be debited in FY 1996, the FY 1997 AP funds would be debited in FY 1997, and the total of the FY 1996 and FY 1997 AP funds would be credited in FY 1998.

(Exhibit P-40, page 2 of 4)

P-40 Instructions (Continued)

Advance Procurement

FY TOA	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>
FY 1996 for FY 1998 (memo)	0.4				
FY 1997 for FY 1998 (memo)		0.4			
FY 1997 for FY 1999 (memo)		0.4			
FY 1998 (memo)			-0.8		
FY 1998 for FY 1999 (memo)			0.4		
FY 1998 for FY 2000 (memo)			0.4		
FY 1999 (memo)				-0.8	
FY 1999 for FY 2000 (memo)				0.4	
FY 1999 for FY 2001 (memo)				0.4	

4. Specific Guidance by Program Type.

- a. Shipbuilding and Conversion, Navy Programs. Include the following information:

Mission
 Characteristics (hull length overall, beam, displacement, draft)
 Armament
 Major Electronics
 Production status, by hull
 Contract Award Planned (Month/Year)
 Months to Complete
 a) Award to Delivery
 b) Construction
 Start to Delivery
 Delivery Date
 Completion of Fitting Out
 Obligation Work Limiting Date (OWLD)

The P-40 must list all Service and Other Small Craft Items by types and provide funding for all years still being executed.

- b. Modification Programs. For procurement modification programs the P-40 exhibit shall include the following information. A complete narrative description of the weapon system, its overall mission, number of aircraft in the inventory (include a breakout by Active, National Guard and Reserve), *the designed service life, and the average service life remaining*. The exhibit will, just below the narrative, include the specific modifications budgeted and programmed displayed in the format provided below:

Mod/	Total (TOA, \$ in Millions)											
<u>OSIP No.</u>	<u>Title</u>	<u>PYs</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>	<u>TC</u>	<u>Total</u>

Mod/OSIP No. Enter the modification number as applicable. List each modification on the aircraft P-40 exhibit. All P-3a exhibits must be included in the budget backup book in this numerical order.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-40, page 4 of 4)

Instructions - Exhibit P-40a, Budget Item Justification for Aggregated Items

1. Purpose. The purpose of this exhibit is to provide the quantities and funding covering the procurement programs included in aggregated P-1 line items such as "Items Less Than \$5.0 million." A P-5 is not required for items included on a P-40a.

2. Entries.

a. Enter the applicable information that identifies the appropriation, budget activity, and title. There should be no Code B (not approved for service use) items on the P-40a. If an item is a Code B item, however, the item must be listed as separate line items in the P-1, P-5 and P-40 exhibits.

b. Funding will be presented for all prior years, past years (PY), current year (CY), budget years (BY1 and BY2). The funding should agree with the funding approved in the FYDP Procurement Annex.

c. Spares. Funding will be presented for PY, CY, BY1 and BY2.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-40a, page 2 of 2)

Exhibit P-45, Summary of Reimbursables
(TOA, Dollars in Millions)

Appropriation:

<u>P-1 Line Item</u>	<u>Qty</u>	<u>PY</u> <u>Actual Reimb.</u>	<u>Qty</u>	<u>CY</u> <u>Est. Reimb.</u>	<u>Qty</u>	<u>BY1</u> <u>Est. Reimb.</u>	<u>Qty</u>	<u>BY2</u> <u>Est. Reimb.</u>
P-1 Program Title								
Customer A								
Customer B								
Total								

Exhibit P-45, Summary of Reimbursables

(Exhibit P-45, page 1 of 2)

Instructions - P-45, Summary of Reimbursables

This exhibit will be prepared for all procurement appropriations for which reimbursable authority has been used in the PY or CY or is requested for the BY1 or BY2.

This exhibit will reflect reimbursable funding received or requested for each customer from a P-1 line item. For FMS customers, specify each country as a separate customer. Specifically identify other customers.

The totals on this exhibit should reflect the total amount of reimbursements anticipated as submitted in the Budget Estimates Submission and the President's budget request.

Verify that funding included on the P-45 from other Services is in fact budgeted in that Service's budget. With the exception of ammunition being procured through the Single Manager for Conventional Ammunition, explain why a procurement for another Service is being financed through a reimbursable order rather than a direct cite purchase.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-45, page 2 of 2)

Date: _____

Exhibit MYP-1, Multiyear Procurement Criteria

Program _____

1. Multiyear Procurement Description.

2. Benefit to the Government.

- a. Substantial Savings
- b. Stability of Requirement
- c. Stability of Funding
- d. Stable Configuration
- e. Realistic Cost Estimates
- f. National Security

3. Source of Savings

\$ in Millions

Inflation
Vendor Procurement
Manufacturing
Design/Engineering
Tool Design
Support Equipment
Other
Total

P-1 Shopping List - Item No 20-1 of 20-5

Exhibit MYP-1, Multiyear Procurement Criteria
(MYP, page 1 of 8)

Exhibit MYP-1, Multiyear Procurement Criteria (Continued)

Program _____

4. Advantages of the MYP

5. Impact on Defense Industrial Base

6. Multiyear Procurement Summary

Annual Contracts

Multiyear Contract

Quantity

Total Contract Price

Cancellation Ceiling (highest point)

Funded

Unfunded

\$ Cost Avoidance Over Annual

% Cost Avoidance Over Annual

P-1 Shopping List - Item No 20-2 of 20-5

(MYP, page 2 of 8)

Exhibit MYP-2, Total Program Funding Plan						Date				
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No						P-1 Line Item Nomenclature				
	BY 1	BY 2	BY 2+1	BY 2+2	BY 2+3	BY 2+4	BY 2+5	BY 2+6	BY 2+7*	Total
Procurement Quantity										
Annual Procurement										
Gross Cost										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Plus CY Adv Procurement										
Weapon System Cost										
Multiyear Procurement										
Gross Cost (P-1)										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Advance Procurement										
For BY 1	19.0									19.0
For BY 2		37.8								37.8
For BY 2+1		48.2	67.4							115.6
For BY 2+2		48.7	54.3	41.4						144.4
For BY 2+3		48.2	54.3	28.2	37.2					167.8
Plus CY Adv Procurement	19.0	182.9	176.0	69.6	37.2					484.7
Weapon System Cost										
Multiyear Savings (\$)										
Multiyear Savings (%) (total only)										
<i>Cancellation Ceiling -Funded</i>										
<i>Cancellation Ceiling -Unfunded</i>										
Outlays										
Annual										
Multiyear										
Savings										
Remarks.										

P-1 Shopping List - Item No 20-3 of 20-5

Exhibit MYP-2, Total Program Funding Plan
(MYP, page 3 of 8)

Exhibit MYP -3, Contract Funding Plan						Date				
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No						P-1 Line Item Nomenclature				
	BY 1	BY 2	BY 2+1	BY 2+2	BY 2+3	BY 2+4	BY 2+5	BY 2+6	BY 2+7*	Total
Procurement Quantity										
Annual Procurement										
Gross Cost										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Plus CY Adv Procurement										
Contract Price										
Multiyear Procurement										
Gross Cost (P-1)										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Advance Procurement										
For BY 1	18.6									18.6
For BY 2		30.0								30.0
For BY 2+1		48.2	54.3							102.5
For BY 2+2		48.7	54.3	28.2						131.1
For BY 2+3		48.2	54.3	28.2	23.7					154.3
Plus CY Adv Procurement	18.6	175.1	162.8	56.4	23.7					436.5
Contract Price										
Multiyear Savings (\$)										
Multiyear Savings (%) (total only)										
<i>Cancellation Ceiling -Funded</i>										
<i>Cancellation Ceiling -Unfunded</i>										
Outlays										
Annual										
Multiyear										
Savings										
Remarks. Explain assumptions (outlay rate, contractor termination liability, other - explain what's behind the numbers).										

P-1 Shopping List - Item No 20-4 of 5

Exhibit MYP-3, Contract Funding Plan
(MYP, page 4 of 8)

Exhibit MYP-4 Present Value Analysis						Date				
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No						P-1 Line Item Nomenclature				
	BY 1	BY 2	BY 2+1	BY 2+2	BY 2+3	BY 2+4	BY 2+5	BY 2+6	BY 2+7	Total
Annual Proposal										
Then Year Cost										
Constant Year Cost										
Present Value										
Multiyear Procurement										
Then Year Cost										
Constant Year Cost										
Present Value										
Difference										
Then Year Cost										
Constant Year Cost										
Present Value										
Remarks										
Explain assumptions (outlay rate, contractor termination liability, other - explain what's behind the numbers).										

P-1 Shopping List - Item No 20-5 of 20-5

Exhibit MYP-4, Present Value Analysis
(MYP, page 5 of 8)

Multiyear Procurement Guidance

1. All multiyear procurements, regardless of cost, require the use of a present value analysis (MYP-4) to determine lowest cost compared to an annual procurement. Exhibits MYP-1 through MYP-4 will be included for all MYP candidate systems in the budget estimate submission. The President's budget request will include P-5a MYP-annotated entries for those multiyear programs not requiring congressional authority and Exhibits MYP-1 through MYP-4 for all multiyear candidate systems for which any of the following is true:
 - The anticipated multiyear procurement contract is \$500 million or greater.
 - There are economic order quantity (EOQ) procurements in excess of \$20 million in any one year.
 - There are economic order quantity (EOQ) procurements in advance of an MYP contract in excess of \$20 million in any one year.
 - There will be an unfunded contingent liability in excess of \$20 million in any one year.
 - The procurement quantities of a previously approved MYP have been adjusted.
2. If a system proposed for a multiyear contract includes more than one P-1 line item, prepare combined MYP-1 and MYP-2 exhibits. Prepare separate exhibits for the remaining MYP exhibit formats. All the exhibits associated with this system should be combined in one package, and submitted in numerical order, i.e., MYP-1, MYP-2, MYP-3¹, MYP-3², etc.
3. If multiple MYPs are proposed for components of the same P-1 line item, prepare a separate set of exhibits for each. Note that the MYP-3 will be the same in each package.
4. If a joint Service program is proposed for multiyear procurement, the executive Service is responsible for submission of all multiyear exhibits.
5. *Exhibits are to display actual fiscal years rather than the template years.*
6. Exhibits will be submitted in landscape format.
7. See Section 0102 for additional multiyear procurement guidance.

Instructions - MYP-1 Multiyear Procurement Criteria

1. Description: Provide a brief statement describing the multiyear procurement, i.e., this multiyear procurement will procure "x" number of units over "x" number of fiscal years by using one (or more) multiyear contract.

2. Benefit to the Government. The process of deciding to use or not to use a multiyear procurement (MYP) for production programs as well as how best to tailor and structure MYP requires management judgment. A multiyear procurement should yield substantial cost avoidance or other benefits when compared to conventional annual contracting methods. MYP structures with greater risk to the government should demonstrate increased cost avoidance or other benefits over those with lower risk. Savings can be defined as significant either in terms of dollars or percentage of total cost. This paragraph must include as a minimum the following narrative justification and data:

a. Substantial Savings. The use of a multiyear contract will result in substantial savings of the total anticipated costs of carrying out the program through annual contracts.

b. Stability of Requirement. The minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities. *The item should be technically mature, have completed RDT&E (including development testing, or equivalent) and Initial Operational, Test and Evaluation (IOT&E), with relatively few changes in item design anticipated. Deliveries of production items will indicate that the underlying technology is stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile*

c. Stability of Funding. There is a reasonable expectation that throughout the contemplated contract period, the head of the agency will request funding for the contract at the level required to avoid contract cancellation.

d. Stable Design. There is a stable design for the property to be acquired and the technical risks associated with such property are not excessive.

e. Realistic Cost Estimates. The estimates of the cost of the contract and the anticipated cost avoidance through the use of a multiyear contract are realistic. *Estimates should be based on prior cost history for the same or similar items or proven cost estimating techniques. Normally, production assets should have been delivered in order to obtain actual costs for the comparisons (exceptions include satellites and ships).*

f. National Security. Use of a multiyear contract will promote the national security of the United States.

3. Source of Savings. Identify the detailed sources of savings, to include, as appropriate, inflation, vendor procurement, manufacturing, design/engineering, tool design, and support equipment. Each identified source of savings must include a narrative description of the specific savings, an estimate for that specific source and how the estimate was derived. The sum of the detailed sources of savings should equal the total savings.

4. Advantages of MYP. Identify the advantages the MYP will achieve and how they will achieve them. These advantages could include: production of items in economic order quantities, thereby resulting in lower costs; enhancement of standardization; reduction of administrative burden in the placement and administration of contracts; substantial continuity of production or performance, thus avoiding annual startup costs, pre-production testing costs, make-ready expenses, and phase-out costs; stabilization of contractor and subcontractor work forces; avoiding the need to establish quality control techniques and procedures for a new contractor each year; broadening the competitive base with opportunity for participation by firms not otherwise willing or able to compete for lesser quantities, particularly in cases involving high startup costs; providing incentives to contractors to improve productivity through investment in capital facilities, equipment, and advanced technology; enhancing partnering efforts between contractors/government and prime contractor/subcontractor; providing stable environment; and enhancing best commercial practices.

5. Impact on Industrial Base. The MYP justification should include a narrative that addresses the impact of the MYP on the industrial base in terms of both the prime contractor and the vendors/subcontractors, to include the following topics: improved competition, enhanced investment, improvement in vendor skills, training programs, use of multiyear contractors (vendors), and increased production capacity.

6. Multiyear Procurement Summary. List all comparisons from the MYP exhibits. *The Department's policy is to not have unfunded cancellation ceilings; however, if a program is structured with an unfunded cancellation, reflect those costs on this exhibit and explain fully why the program must be structured with one.*

Instructions - MYP 2 Total Program Funding

This chart will compare the funding for the annual proposal and the multiyear proposal. If there are multiple MYPs proposed for the same line item, the annual program should reflect only annual procurements and the multiyear program should reflect funding for all the proposed multiyear programs. Compare the same number of procurement years and same quantity in each year for the annual proposal and for the multiyear proposal. Explain the categories of costs included in the cancellation ceiling. Use as many columns as necessary to display outlays until liquidated. Use the same number of years for both annual and multiyear contract.

Instructions - MYP 3 Total Contract Funding

This chart will compare the funding for the annual proposal and the multiyear proposal for the multiyear contract. Compute savings for the same number of procurement years and same quantity in each year under an annual proposal and under a multiyear proposal. Explain the categories of costs included in the cancellation ceiling. Use as many columns as necessary to display outlays until liquidated. Use the same number of years for both annual and multiyear contract. The Services and Defense Agencies should perform an independent analysis of the cost and benefits of the contractor's proposal. Explain assumptions (outlay rate, contractor termination liability, other - explain what's behind the numbers). The total TOA difference on this chart will agree with the cost avoidance over annual line on Exhibit MYP-2 for each MYP contract. The Department's policy is to not have unfunded cancellation ceilings; however, if a program is structured with an unfunded cancellation, reflect those costs on this exhibit and explain fully why the program must be structured with one.

An exception, to be approved by the USD Comptroller, is needed to structure a contract with an unfunded cancellation ceiling. Justification explaining why an unfunded cancellation ceiling is the chosen acquisition strategy should be provided. This justification should specify what costs comprise the unfunded cancellation ceiling and why these costs are not funded under the full funding policy.

- *Funds obligated for multiyear contracts must be sufficient to cover any potential termination costs. The costs of cancellation or termination may be paid from (1) appropriations originally available for the performance of the contract concerned; (2) appropriations currently available for procurement of the type of property concerned, and not otherwise obligated; or (3) funds appropriated for those payments.*

Instructions - MYP 4 Present Value Analysis

This exhibit will be prepared for the contract values. Then year costs will agree with the outlay amounts contained on MYP-3. Constant costs will be expressed in budget year costs unless specified otherwise in the memorandum requesting submission of the budget. Compute savings for the same number of procurement years and same quantity in each year under an annual proposal and under a multiyear proposal. Present value analysis will be calculated in accordance with DoD Instruction 7041.3 and OMB Circular A-94.

(MYP, page 7 of 7)

Comparison of FY 19CY Program Requirements as Reflected in FY 19CY Budget Request
with FY 19CY Program Requirements as shown in FY 19BY Budget Request

		(TOA, \$ in Millions)	
	Total Program Requirements	Program Requirements	Increase (+) or Decrease (-)
	<u>Per 19CY Budget*</u>	<u>Per 19BY1 Budget*</u>	
Combat Aircraft			
Airlift Aircraft			
Trainer Aircraft			
Other Aircraft			
Modification of In-Service Aircraft			
Aircraft Spares and Repair Parts			
Aircraft Support Equipment and Facilities			
Reimbursable Program			
Total Fiscal Year Program			

Explanation by Budget Activity

1. Combat Aircraft

Explain. Include quantity and funding in explanation.

2. Airlift Aircraft

Explain. Include quantity and funding in explanation.

Instructions: For the second year of the biennial budget, the comparisons will be between BY1 and BY2. For example, in submitting the FY 1998/FY 1999 President's budget request, this exhibit is required as follows:

FY 1997: Compare FY 1997 in the FY 1997 PB request to FY 1997 in the FY 1998/FY 1999 PB request.

FY 1998: Compare FY 1997 in the FY 1998/FY 1999 PB to FY 1998 in the FY 1998/FY 1999 PB.

FY 1999: Compare FY 1998 to FY 1999 in the FY 1998/FY 1999 PB.

Exhibit PB-32B, Comparison of FY 19CY Program Requirements

Major Defense Acquisition Program (MDAP)
Program Elements (PE) to Procurement Line Items Cross-Track Data

Each Component must submit for each designated MDAP/pre-MDAP an automated data base that maps the FYDP Program Elements (PEs) to Procurement Line Items (PLIs or PALIs) and identifies their common funding and quantity. This FYDP PE-to-PALI Cross-Track data base must reconcile to the Budget Estimates Submission/President's budget Procurement Annex and FYDP data bases and the supporting congressional justification material. The PE to PALI (PE-PALI) Cross-Track data base should be submitted for past year (PY), current year (CY), budget years (BY1 and BY2), and FYDP years (BY2+1 thru BY2+4), and should be formatted as specified below. The PE-to-PALI Cross-Track quantity and funding data should be submitted as 2 flat ASCII files on either a 5 1/4 or 3 1/2 inch floppy, high or double density disk and submitted directly to OUSD(A&T), Steve Dratter, Room 1E474 , 697-8020.

CROSS-TRACK

<u>DATA</u>	<u>COLUMNS</u>
PE: Major Force Program	1:2
PE: PE ID	3:7
PE: Service Code	8:10
PLI/PALI: Treasury Code (Appropriation Code)	11:14
PLI/PALI: PLI/PALI Department Code	15:15
PLI/PALI: Budget Activity Code	16:17
PLI/PALI: Budget Sub Activity Code	18:19
PLI/PALI: PLI/PALI ID	20:29
PNO (Program number identified on attached listing of required MDAPs)	30:32
FY	33:36
Budget/Funding (in thousands)	37:46
Quantity	47:56

Formatting Guidelines:

1. Columns 1 thru 10 make up the complete PE number.
2. Columns 11 thru 29 make up the complete PLI/PALI number.
3. Left justify Service Codes and PLI/PALI ID.
4. Right justify Dollars and Quantities and **DO NOT** use commas.
5. FY should be formatted as 1996, 1997, etc.
6. Data are requested for PY thru BY2+4 (e.g. FY 1996 - 2003).
7. All alphanumeric characters are to be in UPPERCASE.

MDAP Program Elements to Procurement Line Items Cross-Track Data

(PE to Procurement Line Crosstrack, page 1 of 2)

FYDP Cross-Track

Cross-tracks between submissions must be provided whenever PE or PLI/PALI structures have changed (e.g., if a program's funding appears in a new or different PE/PLI/PALI) from the previous President's budget submission. The Components must submit to the OUSD(A&T) automated cross-track data bases for the FYDP Procurement Annexes that allow direct comparisons of PLIs/PALIs.

Old PLI/PALI to New PLI/PALI Crosswalk Data: A data file containing only those Procurement Line Items (PLIs or PALIs) which have been renumbered since the last submission of the FYDP/Procurement Annex must be submitted. It is to be submitted as a flat ASCII file on either a 5 1/4 or 3 1/2 inch floppy, high or double density disk to OUSD(A&T), Room 1E474.

OLD TO NEW PLI

<u>DATA</u>	<u>COLUMNS</u>
PLI: Old Treasury Code	1:4
PLI: Old Department Code	5:5
PLI: Old Budget Activity Code	6:7
PLI: Old Budget Sub Activity Code	8:9
PLI: Old PLI Identifier	10:19
PLI: Old PLI Name	20:64
PLI: New Treasury Code	65:68
PLI: New Department Code	69:69
PLI: New Budget Activity Code	70:71
PLI: New Budget Sub Activity Code	72:73
PLI: New PLI Identifier	74:83
PLI: New PLI Name	84:128

CHAPTER 5
RESEARCH, DEVELOPMENT, TEST AND EVALUATION APPROPRIATIONS
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CHAPTER 5

RESEARCH, DEVELOPMENT, TEST AND EVALUATION APPROPRIATIONS**0501 GENERAL****050101 Purpose**

This chapter provides instructions applicable to budget formulation and congressional justification for Research, Development, Test, and Evaluation (RDT&E) appropriations. The following appropriations and accounts are included in RDT&E:

- RDT&E, Army (2040A)
- RDT&E, Navy (1319N)
- RDT&E, Air Force (3600F)
- RDT&E, Defense-Wide (0400D)
- Developmental Test and Evaluation, Defense (0450D)
- Operational Test and Evaluation, Defense (0460D)

050102 Submission Requirements

General guidance on submission requirements is in Chapter 1. Chapter 5 provides additional specific requirements on justification material for the above appropriations and accounts. The above appropriations and accounts shall also submit applicable exhibits required by other chapters in the FMR. The Components will also submit any exhibits required by OMB Circular A-11, Preparation and Submission of Budget Estimates.

050103 Major Defense Acquisition Programs (MDAP)

MDAP Automated Submission. In order to provide consolidated funding information on DoD's major acquisition programs, automated data submissions are required to provide the approved funding level for each MDAP. These programs include all Acquisition Category (ACAT) ID, ACAT IC, and pre-MDAP designated programs. For joint programs, the lead service/agency is to coordinate the reporting effort, but each Service and Defense Agency involved in the program is responsible for reporting the portion of the program that it funds. In an annual memorandum (usually published in mid-summer), the USD(A&T) will identify the MDAPs required for submission. Specific data format instructions are included in Section 050502. These are similar to the automated submissions currently required by the Program Objective Management (POM) Preparation Instructions (PPI) for the POM submission. The required automated submissions should be on a 3 1/2 inch floppy, high or double density disks and delivered directly to OUSD(A&T), Room 1E474 (POC: Mr. Steve Dratter, telephone (703) 697-8020). The submission should agree with data submitted to the OUSD(Comptroller) for the FYDP and associated annexes. The final submission must agree with the supporting justification material that is submitted to the Congress.

050104 Preparation of Material

General guidance on format and preparation of material is presented in Chapter 1. Chapter 5 provides additional specific requirements on justification material required for RDT&E appropriations. All funding associated with each major system new start shall be identified in a unique program element.

050105 References

Section 010210 provides policies and definitions concerning costs that are to be financed in RDT&E.

0502 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION**050201 RDT&E Budget Activities**

Definitions for RDT&E budget activities are contained in OMB Circular A-11, paragraph 25.4.

Budget Activity 1, Basic Research. Basic research is defined as systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. Program elements in this category involve pre-Milestone 0 efforts. Explanation: Basic research includes all effort of scientific study and experimentation directed toward increasing fundamental knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long-term national security needs. It provides farsighted, high payoff research that provides the basis for technological progress. It forms a part of the base for: (a) subsequent applied research and advanced technology developments in Defense-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support. Program elements in this category involve pre-Milestone 0 efforts.

Budget Activity 2, Applied Research. Applied research is defined as systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met. It is a systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements. Explanation: This activity translates promising basic research into solutions for broadly defined military needs, short of development projects. This type of effort may vary from systematic mission-directed research beyond that in Budget Activity 1 to sophisticated bread-board hardware, study, programming and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and non-system specific technology efforts. The dominant characteristic of this category of effort is that it be pointed toward specific military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Applied Research precedes the system specific research described in DoDD 5000.1. Program control of the Applied Research program element will normally be exercised by general level of effort. Program elements in this category involve pre-Milestone 0 efforts, but not all pre-Milestone 0 efforts are funded in Budget Activity 2. Some efforts are introduced by field activities.

Budget Activity 3, Advanced Technology Development. Includes all efforts that have moved into the development and integration of hardware for field experiments and tests. The results of this type of effort are proof of technological feasibility and assessment of operability and producibility rather than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs. Advanced Technology Development is used to demonstrate the general military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. Advanced Technology Development also includes evaluation and synthetic environment and proof-of-principle demonstrations in field exercises to evaluate system upgrades or provide new operational capabilities. Program elements in this category involve pre-Milestone I efforts, *but not all pre-Milestone I efforts are funded in Budget Activity 3.* Some efforts are introduced by field activities. Projects in this category do not necessarily lead to subsequent development or procurement phases.

Budget Activity 4, Demonstration and Validation. The demonstration and validation (Dem/Val) phase includes all efforts necessary to evaluate integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology. The Dem/Val phase is system specific and also includes advanced technology demonstrations that help expedite technology transition from the laboratory to operational use. Program elements in this category involve efforts between Milestone I and Milestone II. A logical progression of program phases and (development and/or production) funding must be evident in the FYDP.

Budget Activity 5, Engineering and Manufacturing Development (EMD). Includes those projects in engineering and manufacturing development for Service use but which have not received approval for full-rate

production. This area is characterized by major line item projects and program control will be exercised by review of individual projects. Engineering Development includes engineering and manufacturing development projects consistent with the definitions within DoDD 5000.1. Program elements in this category involve efforts between Milestone II and Milestone III. A logical progression of program phases and (development and/or production) funding must be evident in the FYDP consistent with the Department's full funding policy.

Budget Activity 6, RDT&E Management Support. Includes research and development effort directed toward support of installations or operations required for general research and development use. Included would be test ranges, military construction, maintenance support of laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the R&D program. Costs of laboratory personnel, either in-house or contractor operated, would be assigned to appropriate projects or as a line item in the Basic Research, Applied Research, or Advanced Technology Development program areas, as appropriate. Military construction costs directly related to a major development program will be included in the appropriate element.

Budget Activity 7, Operational System Development. Includes those development projects in support of development acquisition programs or upgrades still in engineering and manufacturing development, but which have received Defense Acquisition Board (DAB) or other approval for production, or production funds have been included in the DoD budget submission for the budget or subsequent fiscal year. All items in this area are major line item projects that appear as RDT&E Costs of Weapon System Elements in other programs. Program control will be exercised by review of individual projects. Program Elements in this category involve efforts that involve post-Milestone III. A logical progression of program phases and (development and/or production) funding must be evident in the FYDP, consistent with the Department's full funding policy.

0503 BUDGET ESTIMATES SUBMISSION**050301 Purpose**

This Section prescribes instructions for the preparation and submission of the budget estimates for the RDT&E appropriations. Unless otherwise specified, these instructions apply to all RDT&E appropriations and to all budgets. See Chapter 1, Section 0104, for specific printing requirements.

050302 Submission Requirements**A. Administrative Requirements.**

1. Classification. Information contained in the budget requests should be unclassified. Where classified information is required in order to explain the program, the classified material will be provided under separate cover and appropriately marked.
2. Exhibits will display the actual fiscal years (i.e., PYs, FY 1997, FY 1998, FY 1999, FY 2000, FY 2001, FY 2002, FY 2003, and FY 2004.) rather than the template entries (i.e., PYs, PY, CY, BY1, BY2, BY2+1, BY2+2, BY2+3, and BY2+4).
3. *If an amended budget is submitted, identify the revised budget exhibits accordingly.*
4. All pages will be annotated with the applicable R-1 line item number and page number within the line item (Item 1-1 of 5, 1-2 of 5, 2-1 of 1, 3-1 of 20, etc.) at the bottom center or bottom right of each page. Be consistent for all pages of the backup book.
5. If printing the RD&TE material in one volume is impractical, the justification material can be submitted by budget activity with the Science and Technology budget activities (BA 1 through BA 3) printed in one volume and the remaining budget activities printed in a separate volume or in individual volumes. Each volume should include an R-1 listing and a table of contents indicating which volume and page the applicable program element can be found. The justification material will be entitled

Fiscal Year 19BY1/19BY2 Budget Estimate Submission
RDT&E Descriptive Summaries, Volume I
February 1999

B. Service-generated and Defense Agency-generated exhibits can be used in lieu of the following exhibits as long as they include all the information required by the exhibits. The exhibits will be aggregated in the following order for each R-1 line item and submitted in R-1 line item order. The required exhibits shall be packaged in the following order, as applicable: R-2 (PE 1), R-2a (PE 1, Project A), R-3 (PE 1, Project A), R-2a (PE 1, Project B), R-3 (PE 1, Project B), etc.

Arrangement of Exhibits - General

R-33	Introduction and Explanation of Contents
R-1	RDT&E Program
R-1C	RDT&E Program - Comparison Report
R-2	RDT&E Budget Item Justification
R-2a	RDT&E Project Justification
R-3	RDT&E Project Cost Analysis
R-32	RDT&E Purchases from DWCF
MDAP	Major Defense Acquisition Programs RDT&E Project Level Data
DD 1391	Military Construction Project Data

C. Facilities Exhibit. For improvements to and construction of government-owned facilities funded in RDT&E, a DD Form 1391, Military Construction Project Data, will be provided separately for each budget year project and any PY or CY projects not previously reported. These exhibits will be included with the program element justification. In addition, a copy of all DD Forms 1391 should be packaged together and a copy provided to the OUSD(C) P/B Investment Directorate (4B915) and to the Military Construction Directorate (3D840). A copy of the form and the instructions are in Chapter 6.

D. MAX Schedule C. OMB Circular No. A-11 has incorporated the requirements for this research and development exhibit into the automated MAX schedule C. Subsequent instructions will be provided by the Director for Investment, OUSD(C) regarding the specific requirements for this submission to OMB's MAX system.

0504 CONGRESSIONAL JUSTIFICATION/PRESENTATION**050401 Purpose**

This Section presents the justification book organization and the exhibit requirement for submission to Congress. Preferred budget exhibit formats can be found in Section 0505. See Chapter 1, Section 0104, for specific printing requirements.

050402 Organization of Justification Books**A. Administrative Requirements.**

1. Classification. Information contained in the budget requests should be unclassified. Where classified information is required in order to explain the program, the classified material will be provided under separate cover and appropriately marked.
2. Exhibits will display the actual fiscal years (i.e., PYs, FY 1997, FY 1998, FY 1999, FY 2000, FY 2001, FY 2002, FY 2003, and FY 2004.) rather than the template entries (i.e., PYs, PY, CY, BY1, BY2, BY2+1, BY2+2, BY2+3, and BY2+4).
3. All pages will be annotated with the applicable R-1 line item number and page number within the line item (Item 1-1 of 5, 1-2 of 5, 2-1 of 1, 3-1 of 20, etc.) at the bottom center or bottom right of each page. Be consistent for all pages of the backup book.
4. If printing the RD&TE material in one volume is impractical, the justification material can be submitted by budget activity with the Science and Technology budget activities (BA 1 through BA 3) printed in one volume and the remaining budget activities printed in a separate volume or in individual volumes. Each volume should include an R-1 listing and a table of contents indicating which volume and page the applicable program element can be found.

B. Justification material will be entitled:

RDT&E Descriptive Summaries for
Fiscal Year 19BY1/19BY2 President's Budget
February 1999
Volume I

C. Service-generated and Defense Agency-generated exhibits can be used in lieu of the following exhibits as long as they include all the information required by the exhibits. The exhibits will be aggregated in the following order for each R-1 line item and submitted in R-1 line item order. The required exhibits shall be packaged in the following order, as applicable: R-2 (PE 1), R-2a (PE 1, Project A), R-3 (PE 1, Project A), R-2a (PE 1, Project B), R-3 (PE 1, Project B), etc.

Arrangement of Exhibits - General

R-33	Introduction and Explanation of Contents
R-1	RDT&E Program (OSD Generated) (Include in the backup book, if available.)
R-2	RDT&E Budget Item Justification
R-2a	RDT&E Project Justification
R-3	RDT&E Project Cost Analysis
DD 1391	Military Construction Project Data

D. Facilities Exhibit. For improvements to and construction of government-owned facilities funded in RDT&E, a DD Form 1391, Military Construction Project Data, will be provided separately for each budget year

project and any PY or CY projects not previously reported. These exhibits will be included with the program element justification. In addition, a copy of all DD Forms 1391 should be packaged together and a copy provided to the Military Construction Directorate (3D840). A copy of the form and the instructions are in Chapter 6.

E MAX Schedule C. OMB Circular No. A-11 has incorporated the requirements for this research and development exhibit into the automated MAX schedule C. Subsequent instructions will be provided by the Director for Investment, OUSD(C) regarding the specific requirements for this submission to OMB's MAX system.

0505 RDT&E APPROPRIATION SUBMISSION FORMATS**050501 Purpose**

The formats provided on the following pages reflect requirements presented in previous sections of this chapter. Formats currently being used within each Service and Defense Agency may be used in lieu of the formats contained in Section 050502 as long as all of the information required by the exhibits in Section 050502 is provided. With this exception and unless modified in an Office of the Under Secretary of Defense (Comptroller) budget submission memorandum, the formats in these exhibits shall be adhered to.

050502 Exhibits in Support of Section 0503 - Budget Estimates Submission

R-33, Program Element Comparison Summary	10
R-1, RDT&E Programs	12
R-1C, RDT&E Programs - Comparison Report	13
R-2, RDT&E Budget Item Justification	14
R-2a, RDT&E Project Justification	15
R-3, Project Cost Analysis	18
R-32, RDT&E Purchases from DWCF	22
MDAP RDT&E Project Level (PL) Data	25

050503 Exhibits in Support of Section 0504 - Congressional Justification

R-33, Program Element Comparison Summary	10
R-1, RDT&E Programs	12
R-2, RDT&E Budget Item Justification	14
R-2a, RDT&E Project Justification	15
R-3, Project Cost Analysis	18
MDAP RDT&E Project Level (PL) Data	25

INTRODUCTION AND EXPLANATION OF CONTENTS

1. **General.** This document provides summary information on RDT&E programs for the (Component/Defense Agency Research, Development, Test and Evaluation (RDT&E) program elements and projects in the) FY 19BY1/19BY2 budget. The R-2, R-2a, and R-3 exhibits provide narrative information on all RDT&E program elements and projects.
2. **Comparison of FY 19PY and 19CY Data.** A direct comparison of FY 19PY and FY 19CY data in the R-1 exhibit dated (a year previous) will reveal significant differences. Many of the differences are attributable to the following factors:
 - a. FY 19CY reductions as a result of Congressional action on the appropriation (if applicable).
 - b. FY 19PY funding changes subsequent to October 1, 19CY, including RDT&E Reprogramming Actions and a Supplemental Appropriation (if applicable).
 - c. Reclassification of FY 19PY and FY 19CY data to achieve comparability with the program structure for FY 19BY1/19BY2. (If applicable, add short explanation.)
3. **Relationship of FY 19BY1/19BY2 Budget Structure to the FY 19CY Budget Approved by Congress.**
 - a. Provide a list explaining the origin of all program elements that do not appear on the Base for Reprogramming Action (DD 1414) for RDT&E (DoD Component) which was prepared pursuant to final Congressional action of the FY 19CY DoD Budget Submission to Congress.
 - b. Provide a list of all new starts, identified at the project level.
 - c. Provide a list explaining any program terminations or anticipated terminations.
4. **Classification.** Classified information is identified by use of brackets as []. It is preferred that this information be unclassified. If it is necessary to provide classified information, then it should be submitted separately. Identify the program elements that contain classified information to be submitted separately.
5. **Table of Contents.** The Table of Contents is presented in two different formats - by R-1 line item order and alphabetically. Each of these listings must include the program element number, program element title, R-1 line item number, the appropriate page number, and volume.

Exhibit R-33, Program Element Comparison Summary
(Exhibit R-33, page 1 of 2)

INTRODUCTION AND EXPLANATION OF CONTENTS

<u>Program Element</u>	<u>Remarks</u>
<u>Budget Activity 3: Advanced Technology Development</u>	
0603710N Man-Machine Technology	Provide the PE number and title of the previous PE(s). Example: New program element for effort previously included in Program Elements 0603707N, Acoustics, 0603720N, Communications, and 0603727N, Training.
<u>Budget Activity 4: Demonstration and Validation</u>	
0603209N Underwater Weapons	New program proposed for FY 19BY1 Acceptance Testing
0603382N Battle Group Anti-Air Warfare Coordination	New program element for Project S0324, Battle Group Anti-Air Warfare Coordination, previously included in Program Element 0604303N.
0603506N Surface Ship Torpedo Defense	Existing program element for effort last funded in FY 19PY
0603576N CHALK EAGLE	New program proposed for FY 19BY2
0603590N Wide Aperture Array (Advanced) 0603504N	New program element for Project S0222, Wide Aperture Array previously included in PE
0604228N SH-60 Carrier Variant	New program proposed for FY 19BY1

(Exhibit R-33, page 2 of 2)

Exhibit R-1, RDT&E Programs

Department of the _____

Appropriation: _____

Date: _____

R-1 Line Item No	Program Element Number	Item	Budget Activity	Past Year Cost	<u>TOA, \$ in Millions</u>		
					Current Year Cost	Budget Year 1 Cost	Budget Year 2 Cost

Exhibit R-1, RDT&E Programs
(Exhibit R-1, page 1 of 2)

Instructions - Exhibit R-1, RDT&E Programs

I. General.

A. Unless otherwise specified, this format will be used to present the Research, Development, Test and Evaluation (RDT&E) program to:

1. The Office of the Under Secretary of Defense (Comptroller) in support of the OSD/OMB budget review.
2. The Congress, in support of the President's budget request.

II. RDT&E Line Item Content.

A. The basic document for presenting RDT&E requirements is the Exhibit R-1, RDT&E Programs, provided to the Congress as supporting justification for budget requests. The R-1 line items are program elements, which define a development effort with specific design, cost, schedule and capability parameters. All costs of basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, and lease/operation of facilities and equipment will be included in appropriate R-1 line items.

B. The R-1 exhibit will contain the following information:

1. Program element title and number. Appropriate security classification coding should be included as part of each program element title listed. All classified material should be bracketed.
2. Line items will be arranged in ascending program element order within each budget activity.
3. Approved funding for the past year (PY), the current year (CY), budget year 1 (BY1), and BY2.
4. Summaries by (1) Budget Activities and (2) FYDP Programs.

Exhibit R-1C, RDT&E Programs - Comparison Report

In addition to the instructions for the R-1, the R-1C Comparison Report will provide a comparison between the last President's budget request and the budget estimate submission (BES) for the BES and between the last President's budget (PB) request and the current PB request for the PB. The comparison should identify the changes for each RDT&E appropriation by R-1 line item and by project. If a line item has more than one project, then a comparison total should be provided at the project level, the R-1 line item, the budget activity total level, and the appropriation level. The report should also identify appropriation and budget activity totals for each fiscal year for the PY through BY2+4 timeframe. If it is necessary to submit classified data, then it should be submitted in a separate report. The unclassified report must match the total for the appropriation/account being submitted. This report will not be included in the justification material provided to the Congress. The R-1C replaces the project listing.

Exhibit R-1C, RDT&E Programs - Comparison Report

(Exhibit R-1, page 2 of 2)

Exhibit R-2, RDT&E Budget Item Justification									Date: Month/Year	
APPROPRIATION/BUDGET ACTIVITY					R-1 ITEM NOMENCLATURE Program Element (PE) Name and No.					
COST (\$ in Millions)	FY PY	FY CY	FY BY1	FY BY2	FY BY2 +1	FY BY2 +2	FY BY2 + 3	FY BY2 + 4	Cost to Complete	Total Cost
Total PE Cost										
Project A Name/No. & subtotal cost										
Project B Name/No. & subtotal cost										
Project C Name/No. & subtotal cost										
Quantity of RDT&E Articles										
A. Mission Description and Budget Item Justification					[The software should be embedded for web site formatting.]					
Provide a description of the program and narrative justification. Identify the military requirement(s) that this program is being designed to meet. Identify new start efforts for the budget year(s) within the program element. Also identify new start efforts since the previous President's budget. This information can be displayed on the R-2a, if one is submitted, rather than on the R-2.										
B. Program Change Summary: (show total funding, schedule, and technical changes for the program element that have occurred since the last submission).										
C. Other Program Funding Summary										
<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>	<u>To</u> <u>Complete</u>	<u>Total</u> <u>Cost</u>	
P-1 Procurement Line Item No, Name. Provide related funding detail as indicated. Use a continuation page as necessary.										
C-1 Milcon Project No, Name. Provide related funding detail as indicated. Use a continuation page as necessary.										
Related RDT&E: List PE numbers and names. It is not necessary to include the related RDT&E funding profile unless there is a funding dependency between the RDT&E programs.										
D. Acquisition Strategy: *										
E. Schedule Profile. Include the program milestone chart that reflects Engineering Milestones, T&E Milestones, and Other Program Events for all years of the program, not just through BY2. *										
*Not required for Budget Activities 1, 2, 3, and 6.										
If an Exhibit R-2a is required, complete only sections A and B on the R-2 (summarize for the program element). With the exception of the program change summary, all sections are required on the R-2a for each project.										

R-1 Shopping List - Item No 20-1 of 20-4

Exhibit R-2, RDT&E Budget Item Justification
(Exhibit R-2, page 1 of 4)

Instructions
Exhibit R-2, RDT&E Budget Item Justification
Exhibit R-2a, RDT&E Budget Item Justification (Project)

General. An Exhibit R-2 shall be prepared for each program element. For budget activities 4, 5, and 7, an Exhibit R-2a shall be prepared for each project that has funding greater than \$1 million in budget year 1 or budget year 2. Care should be taken to see that exhibits are clear and concise. Abbreviations shall be identified on the page on which they occur.

These pages shall be printed on 8 1/2 by 11 inch paper in landscape format. Classified material shall be submitted separately so that the RDT&E backup book can be submitted in an unclassified version.

Date. Include the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

Appropriation (Treasury) Code Budget Activity. Identify the appropriation and budget activity. The budget activity must match the RDT&E service annex and data base lock position.

R-1 Item Nomenclature. Identify the name of the R-1 line item.

Program Element Number. Identify the program element.

Project Number and Nomenclature. Identify the project number and nomenclature.

Resource Summary. The Exhibit R-2 shall include a fiscal resource summary total for the total program element and, if there is more than one project in that program element, a fiscal resource summary for each project in that program element. The Exhibit R-2a shall include a resource summary for each project with funding greater than \$1 million in budget year 1 or budget year 2. Ensure the funding matches the RDT&E service annex and data base lock position and that total costs for Acquisition Category 1 programs are consistent with Selected Acquisition Reports. If this program element represents continuing similar efforts without distinct program or project initiations and completions, the "To Complete" and "Total Program" columns shall be marked "Continuing."

Test Articles. Include the quantity of RDT&E test articles that is being procured each year. Show the quantity in the first year of funding for that quantity of end items. Identify in the description the test articles (engineering development models, test articles, low rate initial production test articles, government furnished equipment articles, etc.) that are being procured and why. *The cost, by fiscal year, associated with the procurement of the test articles, may also be shown as a non-add entry.*

Mission Description and Budget Item Justification. The R-2 shall include a description and justification of the efforts included in the program element. The R-2a shall include a description and justification of the efforts included in the specific project. The justification narratives shall be included for the past year (PY), the current year (CY), and the budget year 1 (BY1) and BY2 in a bullet format. At least three, and preferably more, activities, and the associated funding, shall be identified for each program element (or project if on the R-2a) in each fiscal year. The total of funding reflected in the bullet narratives should match the total of program element (or project) funding. Identify when a program element or a project was previously funded in a different program element and so annotate in the index/cross track. If program element restructuring and project realignment diminish the value of cumulative fiscal resource information for FY PY, this column shall be footnoted with an explanation of the program elements that were restructured and realigned. Identify the test articles (engineering development models, test articles, low rate initial production test articles, government furnished equipment articles, etc.) that are being procured and why.

(Exhibit R-2, page 3 of 4)

Instructions - Exhibits R-2 and R-2a (Continued)

Program Change Summary. If there have been changes to the total funding, schedule, or technical parameters since the previous President's budget submission, the Exhibit R-2 shall include a concise narrative summary explaining the changes in the total program element.

Other Program Funding Summary. Development projects often lead to subsequent development phases, production, and military construction. Also, some projects may depend on concurrent development in other projects. These related efforts and the funding profiles for other appropriation efforts shall be identified by appropriation, budget activity, R-1 line item and program element, and P-1 line item title and number. If there are funding dependencies among related research, development, test, and evaluation programs, then the funding profiles for these related programs shall be included.

Acquisition Strategy. An explanation of acquisition, management, and contracting strategies shall be provided for each project.

Schedule Profile. A milestone chart shall be provided for each project shown on the R-2 exhibit. It is preferred that the milestone chart used by the program office be submitted. The chart should display all planned major milestones and test and evaluation events, such as LRIP approval, Milestone III, IOC, Developmental Test and Evaluation, and Operational Test and Evaluation for the total program. For non-acquisition programs, meaningful data should be provided. The software for the milestone chart should be embedded for web site formatting.

Formats currently being used within each Service and Defense Agency may be used in lieu of this format.

(Exhibit R-2, page 4 of 4)

Exhibit R-3 Cost Analysis (page 2)										Date:			
APPROPRIATION/BUDGET ACTIVITY			PROGRAM ELEMENT							PROJECT NAME AND NUMBER			
Cost Categories (Tailor to WBS, or System/Item Requirements)	Contract Method & Type	Performing Activity & Location	Total PYs Cost	CY Cost	CY Award Date	BY1 Cost	BY1 Award Date	BY2 Cost	BY2 Award Date	Cost To Complete	Total Cost	Target Value of Contract	
Developmental Test & Evaluation													
Operational Test & Evaluation													
Tooling													
GFE													
Subtotal T&E													
Remarks													
Contractor Engineering Support													
Government Engineering Support													
Program Management Support													
Program Management Personnel													
Travel													
Labor (Research Personnel)													
Overhead													
Subtotal Management													
Remarks													
Total Cost													
Remarks													

R-1 Shopping List - Item No 20-4 of 20-4

(Exhibit R-3, page 2 of 4)

Instructions - Exhibit R-3, RDT&E Project Cost Analysis

General: The R-3 exhibit is required only for projects with funding greater than \$1 million in budget year 1 or budget year 2 for programs funded in budget activities 4, 5, and 7. A separate R-3 exhibit shall be prepared for each project in an applicable R-1 line item. These exhibits shall be printed on 8 1/2 by 11 inch paper in landscape format. If a program element is not divided into projects, then the program element itself is defined as a project for purposes of submitting an R-3 exhibit, and the R-3 exhibit and instructions apply to the entire program element. Classified material shall be submitted separately so that the RDT&E backup book can be submitted in an unclassified version.

Date: Identify the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

Appropriation/Budget Activity. Identify the appropriation and budget activity. The budget activity must match the RDT&E service annex and data base lock position.

R-1 Item Nomenclature: Identify the name of the R-1 line item.

Program Element Number: Identify the number of the program element.

Project Number and Nomenclature: Identify the project number and nomenclature on each R-3 page.

Project Cost Categories. Cost information shall be provided for each project with funding greater than \$1 million in budget year 1 or budget year 2, with project costs broken down into cost categories. Sample cost categories shown are typical of various types of defense research and development efforts. Costs shall be distributed among categories in accordance with the project work breakdown structure (WBS) or other categories used by the project office in project execution. The illustrated sample cost categories may be used if these correspond to the project's structure; however, there is no requirement to use cost categories other than those used by the project office in project execution. Sample cost categories not used in project execution need not be included in the exhibit for that project. If the program office tracks efforts by major contract, then display the information accordingly. The cost categories shall be separated into 4 information categories as follows:

Product Development. Efforts associated with the delivery of a fully integrated system that are in direct support of the system and essential to the development, training, operation, and maintenance of the system. Include all efforts directly supporting system development and delivery to include primary contracts, major component contracts, contracted services, in-house support, and government furnished property. Contracts or government efforts greater than \$1 million in any displayed budget year shall be reported individually.

Support Costs. Efforts not directly associated with the delivery of the primary product, including technical engineering services, research studies, and technical support not related directly to product development or to testing and evaluation. Contracts or government efforts greater than \$1 million in any displayed budget year shall be reported individually.

Test and Evaluation. Efforts (other than those included within contracts or government efforts included above) associated with engineering or support activities to determine the acceptability of a system, subsystem, or component. Contracts or government efforts greater than \$1 million in any displayed budget year shall be reported individually.

Management Services. Efforts associated with services provided in support of program office management and administration processes such as: program oversight, resource justification, budget and programming, milestone and schedule tracking. Federally Funded Research and Development Centers (FFRDCs) are in this category. Contracts or government efforts greater than \$1 million in any displayed budget year shall be reported individually.

(Exhibit R-3, page 3 of 4)

Instructions - Exhibit R-3, RDT&E Project Cost Analysis (Continued)

Government Furnished Property. Property, such as hardware, software, or information, which the government is contractually obligated to furnish a contractor or government performing activity shall be identified. Provide a brief identification of the item to be provided, and the contractor or government activity providing the item. Provide estimated date that the government furnished property will be provided to the requiring contractor or activity. Provide the name of the requiring contractor or activity.

Award Fees. Identify amounts budgeted for award fees and indicate contractor performance and percentage of award fees actually awarded in past award fee periods.

Contract Method/Type or Funding Vehicle. The following codes shall be used to identify the contract method, contract type, and funding vehicle:

<u>Contract Type</u>	<u>Contract Method</u>
FP - Fixed Price	SS - Sole Source
CPIF - Cost Plus Incentive Fee	C- Competitive
FPI - Fixed Price Incentive	
CPAF - Cost Plus Award Fee	
CPFF - Cost Plus Fixed Fee	
FFP - Firm Fixed Price	

Funding Vehicle (when a government agency is the performing activity)

MIPR - Military Interdepartmental Purchase Request
PO - Project Order
WR - Work Request
Allot - Allotment
Reqn - Requisition

Performing Organizations. Identify each contractor and government or performing activity and the location for each effort greater than \$1 million in any of the displayed years.

Total PY Cost. Provide actual amounts for the total of all years before the current year (CY).

CY - BY2. Provide actual or budget amounts for each year for current year (CY), budget year (BY1), and BY2.

Award or Obligation Date. Provide actual or estimated date of contract award or the estimated date that funds will be obligated to government performing activities.

To Complete. Provide the amount required to complete this effort beyond BY2.

Total Program. Provide the cumulative total of all budgeted funds for the program (including funds obligated/budgeted for PYs, CY, BY1, BY2, and to complete). Provide a comment in the Remarks section when the Project Office Estimate at Completion (EAC) differs from the total cost. Also provide a comment when the Performing Activity EAC differs from the Project Office EAC.

Target Value of Contract. Identify the target value of the contract and explain those cases where total cost differs significantly. For example, if the budget is at ceiling value of the contract vice target value or if budget is "program manager's best estimate" vice target value, then explain.

Formats currently being used within each Service and Defense Agency may be used in lieu of this format.

(Exhibit R-3, page 4 of 4)

Exhibit R-32, RESEARCH, DEVELOPMENT, TEST & EVALUATION (RDT&E) Purchases from DWCF

(TOA, \$ in Millions)

Business Areas	Current Year	Budget Year 1					Budget Year 2				
		Price Growth	%	Program Growth	%	BY1 Program	Price Growth	%	Program Growth	%	BY2 Program
<u>Army</u>	CY Program										
411 Army Supply Management											
601 Army Depot Maint-Ord Arm Com											
602 Army Depot Maintenance-Other											
648 Army Information Services											

<u>Navy</u>											
412 Navy Supply Management											
615 Navy Information Services											
633 Defense Printing Service (FY 1996 only)											
<u>Research and Development</u>											
610 Naval Air Warfare Center											
611 Naval Surface Warfare Center											
612 Naval Undersea Warfare Center											
614 Naval Cmd, Ctrl & Ocean Surv Ctr											
630 Naval Research Laboratory											
631 Naval Facilities Engineering Service Ctr											
<u>Depot Maintenance</u>											
613 Depot Maintenance- Aircraft											
632 Depot Maintenance-Ordnance											
637 Depot Maintenance-Ships											
640 Depot Maintenance-Other (USMC)											
<u>Transportation (Sealift Services):</u>											
620 Fleet Auxiliary Force											
621 Afloat Prepositioning Ships											
623 Special Mission Supports											
624 Other Sealift Purchases											
<u>Navy Base Support Services:</u>											
634 Public Works - Utilities											
635 Public Works - Other											
639 Public Works (Composite Rate)											

R-1 Shopping List - Item No 20-10 of 11

Exhibit R-32, RDT&E Purchases from DWCF

(Exhibit R-32, page 1 of 3)

Exhibit R-32, RESEARCH, DEVELOPMENT, TEST & EVALUATION (RDT&E) Purchases from DWCF
(TOA, \$ in Millions)

Business Areas	Current Year	Budget Year 1					Budget Year 2				
	CY Program	Price Growth	%	Program Growth	%	BY1 Program	Price Growth	%	Program Growth	%	BY2 Program
<u>Air Force</u>											
414 Air Force Supply Management											
649 Air Force Information Services											
653 Transportation (Airlift Svcs (Training))											
<u>Air Force Depot Maintenance:</u>											
661 Organic Operations											
662 Contract											

<u>Defense</u>											
402 Fuel Purchases (DFSC)											
415 DLA Supply Management											
633 Defense Printing Services (beg FY 1997)											
647 Defense Megacenters (DISA)											
650 DLA Information Services											
651 DFAS Information Services											
670 Defense Automatic Addressing Systems											
671 Communications Services (DISA)											
672 Purchases from Pentagon Reservation Maintenance Revolving Fund											
673 Financial Operations (DFAS)											
674 Distribution Depots (DLA)											
675 Def Reutilization & Mktg Svcs (DRMS)											
676 Def Industrial Plant Eqpt (FY 1996 only)											
677 Joint Logistics Systems											
680 Purchases from the Bldg Maint Fund											
<u>USTRANSCOM</u>											
701 AMC Cargo/Passenger (Fund)											
702 AMC SAAM/TJS (Fund)											
711 MSC Cargo (Fund)											
721 MTMC Port Handling (Fund)											

R-1 Shopping List - Item No 20-11 of 11

(Exhibit R-32, page 2 of 3)

Instructions - Exhibit R-32, RDT&E Purchases from DWCF

1. Purpose. The purpose of this exhibit is to estimate the amount of new orders planned to be sent to the Defense Working Capital Funds (DWCF) business areas. The RDT&E appropriations will report estimates of funding for DWCF business areas on the Purchases from DWCF Exhibits. For each appropriation, the Component will estimate by DWCF business area the amount of new orders planned to be sent to DWCF business areas for the CY, BY1 and BY2. The amounts provided should reflect the amount shown by the DWCF activity on the Fund-11 exhibit. Price growth will reflect the amount of inflation used for each fiscal year so that the change in DWCF rates is clearly identified. Program growth will show the change in program absent the effect of inflation. For further guidance, see the instructions for completing the OP-32 exhibit (Chapter 030402). A copy of the R-32 exhibit will also be provided directly to the Revolving Funds Directorate, Rm 3B866, the Pentagon.

2. Specific Instructions:

In addition to the guidance above and in the OP-32 Exhibit instructions, the following provides by business area, the types of purchases reported on the R-32 exhibits:

- (1) Army, Navy and Air Force Supply Management: obligations for supply purchases from wholesale and retail supply organizations.
- (2) DLA Supply Management: obligations for purchases of consumable supplies.
- (3) Fuel Purchases (Defense Fuel Supply Center): obligations for fuel for purchases of fuel for aircraft, automobiles, non-nuclear ships, trucks, and heating fuel.
- (4) US Transportation Command: travel and transportation obligations for movement of people or goods by military air (Air Mobility Command owned C-17, C-5, or C-141 aircraft or leased commercial aircraft) and military sealift (through Military Traffic Management Command operated port facilities, in Military Sealift Command owned or operated ships).
- (5) Defense Finance and Accounting Service (DFAS): obligations for services rendered by DFAS.
- (6) Communications Services (DISA): obligations to pay for services provided by the for the Defense Switched Network (formerly AUTOVON, AUTODIN, Bulk Encrypted Communications, Defense Switched Network, Washington Area Wideband System, Defense Information Systems Network, and Defense Data Network) and for information processing, computer services, and software development support provided by the Defense Information Technology Services Organization (DITSO).
- (7) Fund Purchases not reported on R-32: Do not report purchases from the following Fund business areas: Defense Logistics Agency Distribution Depots; Navy Distribution Depots; Commissary Operations; and the Defense Reutilization and Marketing Services.

(Exhibit R-32, page 3 of 3)

MAJOR DEFENSE ACQUISITION PROGRAMS (MDAP)
RDT&E PROJECT LEVEL (PL) DATA

Each Component must submit for each designated MDAP/pre-MDAP an automated RDT&E Project Level Funding (PL) data base that reconciles to the RDT&E Annex and FYDP data bases and the supporting congressional justification material. The RDT&E PL data base should be submitted for past year (PY), current year (CY), budget years (BY1 and BY2), and FYDP years (BY2+1 through BY2+4), and should be formatted as specified below. The RDT&E Project Level funding data should be submitted as 2 flat ASCII files on either a 3 1/2 inch floppy, high or double density disk and submitted directly to OUSD(A&T), Mr. Steve Dratter, Room 1E474, telephone (703) 697-8020.

<u>DATA</u>	<u>PROJECT TITLE</u>	<u>COLUMNS</u>
PE: Major Force Program		1:2
PE: PE ID		3:7
PE: Service Code		8:10
Project Number		11:16
Project Title		17:76
Project Classification		77:77

<u>PROJECT FUNDING</u>	
Budget Activity Code	1:2
PE: Major Force Program	3:4
PE: PE ID	5:9
PE: Service Code	10:12
Project Number	13:18
FY	19:22
Budget/Funding Request (in thousands)	23:32
Project Classification	33:33
Program Number (Identified on OUSD(A&T)'s MDAP listing).	34:36

Formatting Guidelines:

1. Left justify Service Code and Project Number.
2. Right justify Dollar Amounts and **DO NOT** use commas.
3. FY should be formatted as 1996, 1997, etc.
4. Data are requested for PY through BY2+4 (e.g. FY 1998 - FY 2005).
5. All alphanumeric characters are to be in UPPERCASE.

Old PE to New PE Crosswalk Data: A data file containing only those Program Elements (PEs) which have been renumbered since the last submission of the FYDP/RDT&E Annex must be submitted. It is to be submitted as a flat ASCII file on a 3 1/2 inch floppy, high or double density disk directly to OUSD(A&T), Mr. Steve Dratter, Room 1E474, telephone (703) 697-8020.

<u>DATA</u>	<u>OLD TO NEW PE</u>	<u>COLUMNS</u>
PE: Old Major Force Program		1:2
PE: Old PE Identifier		3:7
PE: Old Service Code		8:10
PE: Old PE Name		11:70
PE: New Major Force Program		71:72
PE: New PE Identifier		73:77
PE: New Service Code		78:79
PE: New PE Name		80:139

MDAP RDT&E Project Level (PL) Data

CHAPTER 6
MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS
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CHAPTER 6

MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS**0601 GENERAL****060101 Purpose**

A. This chapter provides instructions applicable to budget formulation and congressional justification for Military Construction, Family Housing and Homeowners Assistance appropriations.

B. The following appropriations and accounts are covered:

Section**060201 Military Construction**

- Military Construction, Army
- Military Construction, Navy
- Military Construction, Air Force
- Military Construction, Defense-Wide
- Military Construction, Army National Guard
- Military Construction, Air National Guard
- Military Construction, Army Reserve
- Military Construction, Navy Reserve
- Military Construction, Air Force Reserve

060202 Family Housing

- Family Housing, Army
- Family Housing, Navy & Marine Corps
- Family Housing, Air Force
- Family Housing, Defensewide

060203 Homeowners' Assistance

- Homeowners' Assistance Fund, Defense

060304 NATO Security Investment Program

- North Atlantic Treaty Organization (NATO) Security Investment Program

060305 *NATO Security Investment Program*

- *NATO Enlargement*

060306 *Family Housing Improvement Fund***060102 Submission Requirements**

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 6 covers specific back-up material requirements for the above accounts. The above appropriations/accounts should also submit any applicable exhibits required in Chapter 19 - Special Analyses.

060103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 6 provides additional specific guidance with regard to the back-up material required for Military Construction, Family Housing and Homeowners Assistance appropriations.

060104 References

Section 010210 provides policies and definitions concerning costs that are to be financed by the Military Construction appropriations as opposed to other appropriations for R&D facilities.

060105 Family Housing Program Policies and Guidelines**A. Purpose**

1. This section outlines the service aspects of the Family Housing Program; establishes policies and guidelines for program financial management, budgeting, accounting, and reporting; and assigns responsibilities for executing the program. Specific procedures for the administration and management of program funds are set forth in section 060106.

2. The Family Housing Program encompasses Military Family Housing as defined and authorized by the provisions of Title 10, United States Code, Chapter 169, and includes all DoD Component family housing in the Defense Family Housing Property Account, leases of real property utilized by DoD Components for family housing, and associated family housing support services programs.

B. Policy

1. It is DoD Policy: 1) to provide military family housing for military families and for eligible civilian families only when suitable housing in the community does not exist; 2) to provide for the housing and support services, as authorized by law, that are necessary to meet the requirements of the Department of Defense; 3) that the program shall be financed and managed in the most cost effective and efficient manner possible in order to support these requirements and to maximize the use of available program resources; 4) that the program shall include the provision of assistance to all military personnel and certain eligible civilians in locating and utilizing privately owned housing including leasing; 5) that the program shall include, within available resources, the provision of Government-owned or leased family housing and furnishings (referred to as Defense Family Housing Property); and 6) that the program shall include the efficient and effective financial and program management of Defense Family Housing Property, including acquisition, operation, improvement, maintenance, debt financing, leasing, and family housing support programs.

C. Responsibilities

1. The Under Secretary of Defense (Acquisition and Technology) (USD(A&T)) is responsible for program management as set forth in DoD Directive 4165.63 and DoD 4165.63-M. The Under Secretary of Defense (Comptroller) (USD(C)) is responsible for financial management, program budget policies, program accounting policies, and financial reporting. As prescribed by the USD(C), the Director, Defense Finance and Accounting Service, is responsible for central accounting and financial reporting for the program. The Secretaries of the Military Departments and the Directors of the Defense Agencies, as prescribed by DoD Directive 4165.63, are responsible for execution of the program for personnel under their respective jurisdictions, including program and financial management, accounting and reporting.

2. In the financial management and execution of the program, DoD Components shall conduct program budget formulation, presentation, and execution in accordance with the guidance and provisions contained in Chapter 6 of this manual and adhere to the program accounting and financial reporting guidance and provisions contained in Volume 4 of this manual.

D. Objectives and Procedures

1. This section outlines the objectives and procedures of the Family Housing Program and is divided into the following subsections: assistance in locating and utilizing privately owned family housing; Defense Family Housing Property; and, management of Defense Family Housing Property.

a. Assistance in Locating and Utilizing Privately Owned Family Housing. Assistance provided to DoD personnel to obtain privately owned family housing under the program includes housing referral service including administration of private rental housing for DoD personnel overseas; DoD leasing of private housing; rental guarantee payments pursuant to section 507, Public Law 88-174, as amended, and mortgage guarantee payments under sections 809 and 810 of the National Housing Act, as amended (OMB scoring of Sections 2667 and 2836 for Family Housing is at the end of this section); and, service members' mortgage insurance payments on their privately owned housing made pursuant to section 222 of the National Housing Act, as amended.

b. Defense Family Housing Property. All DoD-owned or DoD-controlled physical property described below will be managed and controlled under the Family Housing Program. The properties will be recorded in a property account entitled the Defense Family Housing Property Account. Guidance for the maintenance of property accounting records is contained in Volume 4 of this manual. A continuing permanent accounting record will be maintained of the real property included in each installation's Family Housing Property Account. Appropriate classifications will be entered on the records to distinguish between real and personal property. Property will be removed from the Defense Family Housing Property account when the property is disposed of (as DoD property), or when it is transferred to DoD non-family housing use. The Report Control Symbol assigned to the special record keeping requirements is DD-COMP(AR)1501.

(1) The Defense Family Housing Property Account includes the following properties, under the jurisdiction of the Department of Defense, to which the Government has a right, title, or interest, with exceptions noted in paragraph 060105D.1.b.(2) below.

(a) All types of family dwelling units and mobile home park facilities, without regard to the military status of the occupant and including housing that is: located on or off station, owned or leased, occupied or unoccupied; situated in dispersed locations or in community-type areas; located at an active, inactive, standby, or reserve facility; or, operated or maintained by the Government, directly or by contract.

(b) Nondwelling buildings directly associated with family dwelling units or a family housing area, including structures outside the housing area required solely for family housing support.

(c) Roads, driveways, walks, and utility systems which primarily serve family housing units or areas.

(d) The grounds area of a group of family housing units and the yards of dispersed family housing units or areas.

(e) Community facilities which are integral to a family housing area and are available for use only by family housing area residents and their house guests.

(f) Fixtures and other appliances or equipment in a housing unit that are either integral components or movable items, such as: refrigerators, kitchen ranges and, when authorized, food freezers, room air- conditioners, washing machines, clothes dryers, dishwashing machines, garbage disposals, exhaust fans, roof or attic television antennas; and those appliances provided for family housing rented privately by DoD personnel in areas outside the conterminous United States, pursuant to DoD 4165.63-M.

(g) Furniture, furnishings, and other personal property that are directly associated with providing and supporting family housing units, including personal property provided for use outside the conterminous United States, pursuant to DoD 4165.63-M.

(2) The Defense Family Housing Property Account excludes the following properties, irrespective of the Government's right, title, or interest therein:

(a) Aerial roads, public walks, utility lines, and utility mains that may pass through or in front of family housing locations but serve those locations as an incidental or secondary purpose to other station requirements.

(b) Facilities similar to hotels or motels, which are provided for temporary family occupancy.

(c) Community facilities which are not integral to a family housing area or are available for use by other than family housing area residents and their house guests.

(d) Educational facilities.

(e) Telephone and other communication facilities for official use, and telephone facilities for unofficial use, installed in a family housing unit.

(f) Community Antenna Television distribution service by other Government agency, commercial cooperative, or private enterprise.

(g) Properties financed by and supporting the Defense Security Assistance Program.

(h) Food service facilities.

(I) Facilities used primarily for religious services or religious activities.

c. Management of Defense Family Housing Property. Management undertakings, which arise in connection with the DoD responsibility for and jurisdiction over Defense Family Housing Property, include:

(1) The acquisition, construction, and replacement of family housing facilities and the preliminary planning and design studies on prospective projects, including housing requirement surveys.

(2) The conversion of other real property facilities to family housing quarters.

(3) The upgrading to "adequate public quarters" of those family dwelling units designated as rental, substandard, or inadequate.

(4) The alteration of, or addition, expansion, or extension to, family housing facilities.

(5) The outfitting of family housing facilities, as defined in paragraph 060105D.1.b above, with fixtures and other equipment that are either integral components or movable items of major equipment of a housing unit, including major appliances; and furniture, furnishings, and other personal property. This function includes maintenance and repair.

(6) The maintenance and repair of family housing facilities.

(7) The furnishing of the following services to family housing facilities: utilities services, except telephone service and cable television; refuse collection and disposal; insect and rodent control; snow removal; handling and moving Government-owned furnishings; police and fire protection; and, administrative, supervisory and clerical services related to the performance of services rendered the family housing facilities.

(8) The maintenance and security of family housing property declared excess to DoD needs, which rests with the DoD Component until the Department of Defense is relieved of this responsibility. The following rules and principles apply:

(a) If the property is being disposed of by the General Services Administration, the transfer of financial responsibility to GSA will be in accordance with Federal Property Management Regulations, Part 101-47, 402.

(b) When the Department of Defense recommends to GSA that disposal of excess property be delayed because of economic considerations and a contract has been made with a local agency to rent the property and to protect and maintain it, the residual financial responsibility for maintenance and security rests with the Department of Defense.

(c) It has been agreed with the GSA that, in interpreting property disposal regulations, the Department of Defense will be deemed to have declared the property excess to GSA on the date that the protection and maintenance contract is discontinued.

OMB Scoring of Sections 2667 and 2836 for Family Housing

	<u>Section 2667</u>	<u>Section 2836</u>
Term of land lease	50 years	25 years with 25 year government renewal option
Rental rate for government owned land	fair market	none, unless government terminates housing contract
Priority given to military families for occupancy	yes; below market rents for military families	same as Section 2667
Rental guarantee	None	97%
General public units	Contractor may build additional units for rent to public	Available to public when military does not meet rental guarantee
Termination or base closure	Government waives termination right. Contractor would remain in property for remainder of lease, renting to the general public while paying fair market rental to government	Government can terminate guarantee. Contractor paid termination costs specified in contract, contractor remains in property, paying rent as in section 2667
Appropriation restrictions	None	Subject to annual appropriations
First year scoring	BA and Outlays: fair market land rental offsetting receipts (mandatory)	BA: termination liability included in contract. Outlays: none (discretionary)
Subsequent year scoring	BA and Outlays: fair market rental offsetting receipts (mandatory)	BA and Outlays: Government provided utilities/services and possible rental guarantees (discretionary)
Budget Process	Projects included in of budget and submitted to OMB for review of economic viability	Same as Section 2667

060106 Family Housing Procedures for Administration and Management of Program Funds**A. Purpose.**

This section outlines the procedures for the administration and management of funds appropriated or otherwise made available to the Department of Defense for the Family Housing Program including: authorized reimbursements; application of proceeds from sales or handling of excess family housing for debt service; administration of separate “fixed year” and “annual” accounts; and clarification and amplification of certain financial administration procedures.

B. Treasury Accounts

1. For construction and improvement of family housing facilities, funds are appropriated to remain available for five years. For Operation and Maintenance (O&M) of family housing facilities, funds are appropriated with annual account limitations. These and other funds made available for family housing are administered under the Treasury accounts outlined in section 010603 of this manual.

2. In accordance with current Federal budget concepts, transactions relating to debt assumption and repayment of debt principal are recorded and reported in a “Borrowing Account.” Other family housing financial transactions are treated in an expenditure account (hereafter referred to as the “Budget Account”). Reports to the Treasury Department, as specified in Volume 4 of this manual, will identify transactions under these accounts by means of a code prefix to the symbols as follows: (87) Borrowing Account decreases and (97) Borrowing Account increases.

C. Financing the Family Housing Program**1. The Family Housing Program will be financed from:**

a. Those funds primarily appropriated for family housing purposes.

b. Authorized reimbursements and collections from housing rentals and services furnished as set forth below:

(1) Charges will be made for rentals and services furnished certain occupants or users of family housing facilities. The amount of rent charged shall be determined in accordance with the provisions of DoD 4165.63-M. Disposition of the proceeds of handling or disposal of excess family housing property is treated in paragraph C.1.c of this section.

(2) Those collections for rents and services which will be utilized to finance family housing expenses in accordance with applicable statutes are listed below. Such reimbursements will be utilized within the financial authority issued by the Deputy Comptroller (P/B) but limited to the amount of reimbursements earned.

(3) Proceeds received for rental of Defense housing shall be utilized within the applicable DoD Component family housing account to defray O&M expenses. If the housing is rented with Government furniture provided, the combined total charge for shelter rent and furniture rent shall be treated as indicated above.

(4) Proceeds from the sale of utilities and services will be utilized within the applicable DoD Component family housing account to defray O&M expenses in accordance with the authority set forth in 10 U.S.C. 2481.

(5) Collections from other agencies related to O&M charges pursuant to 31 U.S.C. 686 will be effected.

(6) When nonexcess family housing property is leased, pursuant to 10 U.S.C. 2667, disposition of moneys received for rents will be deposited to the U.S. Treasury as miscellaneous receipts. Moneys received for utilities or services will be deposited to the applicable DoD Component family housing account.

(7) For accounting purposes, those reimbursements described above to be used for O&M purposes will be identified as financing the operations portion of the O&M expenses.

(8) All collections for family housing rents or services, other than those described above and in paragraph C.1.c of this section will be deposited to Treasury Miscellaneous Receipt Account 1830, "Rent of Real Property not Otherwise Classified," under a citation which includes the appropriate DoD Component two-digit prefix symbol. Such collections include those to cover costs of repairing damages to family housing facilities (including replacement of items) caused by family housing occupants.

c. Other funds which are available from disposal of excess family housing property as set forth below:

(1) In the case of family housing in the United States disposed of pursuant to title II of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law 100-526) or the Defense Base Closure and Realignment Act of 1990 (Public Law 101-510), the proceeds should be deposited in the Department of Defense Base Closure Account 1990.

(2) In the case of family housing disposed of under authorities contained in 10 U.S.C. 2871-2885, as added by section 2801 of the National Defense Authorization Act for FY 1996, for purposes of using the proceeds to carry out activities authorized under those provisions, the proceeds should be deposited in the DoD Family Housing Improvement Fund.

(3) In the case of family housing overseas disposed of under circumstances which fall within the provisions of section 2921 of Public Law 101-510, as amended, the proceeds should be deposited in the Defense Overseas Military Facility Investment Account.

(4) In the case of family housing disposed of under other circumstances, the proceeds should be deposited in the appropriate military family housing account.

2. Family Housing Program costs will be programmed, budgeted and accounted for by the DoD Component having responsibility for the Defense installation or housing area, regardless of the DoD Component of the housing occupant. Reimbursement for such costs will not be made between DoD Components.

3. Financing will be on a program-year basis. The detailed program-year criteria for the major functional categories and for the immediate subordinate accounts is set forth below:

a. The program year for the undertakings (projects for new construction, acquisition of housing, construction improvements, and minor construction) shall be the same as the year of the applicable annual Military Construction Authorization Act.

b. After the program year for a specific project is established as provided above, the financing and related appropriation accounting for that project will be administered under the designated program year, irrespective of when the work is undertaken or completed.

c. For planning and design, which is a "level of effort" type activity, the following program year concept applies:

(1) Budget estimates for the budget year and each future year will include the planning and design work programmed to be placed on contract or intragovernmental order during the program year and the planning and design work expected to be performed with in-house capabilities during the program year. The dollar value of a planned program will be determined on the basis of estimated obligations to be incurred during the program year for the program scope embraced by (a) and (b), above.

(2) Obligation authorities will be requested and issued by program year on the basis of obligations estimated to be incurred as a result of the issuance during the program year of contracts or other orders which constitute valid obligations pursuant to Volume 4 of this Regulation for planning and design work, irrespective of when the work is to be performed and the accomplishment during the program year of planning and design work with in-house capability. Obligations will be charged by program year on these same bases.

(3) Adjustments to obligations charged against a prior program year will be made only to the extent of an adjustment in the amount of an obligation recorded for specific work ordered in that prior program year or deobligations to reflect cancellation of work ordered in that prior year. New obligations for planning and design work for a particular project which are in addition to that ordered in prior program years for that project are charges against the program year in which those new obligations are incurred.

d. For rental guarantee payments, the program year shall be the fiscal year in which the rental guarantee payments are obligated. No new obligations may be incurred under a program year obligation authority after the close of that program fiscal year. Adjustments to obligations for rental guarantee payments may be made as necessary to reflect actual obligations incurred during the fiscal program year in accordance with existing procedures covering adjustment to annual accounts.

e. The major functional categories of operation and maintenance and debt payment are considered “level of effort” type activities. Program planning and budget estimates for these categories will be developed in accordance with that concept. Obligational authority for operation and maintenance and debt payment will be requested and issued by program year and will not be available for new obligations after the close of the fiscal year for which such authority is issued. Adjustments to obligations for operation and maintenance and debt payment may be made as necessary to reflect actual obligations incurred during the fiscal program year in accordance with existing procedures covering adjustment to annual accounts.

4. Economic analysis will be applied to all program investment proposals in accordance with this manual which sets forth budget submission requirements.

5. Apportionment of funds and issuance of financial authorities will be obtained as follows: each DoD Component (except Defense Agencies) shall submit to the Deputy Comptroller (P/B) an apportionment request, then the Deputy Comptroller (P/B) will issue specific financial authority to the DoD Components concerned in such amounts and at such levels as appropriate for efficient and economical administration of the Family Housing Program.

6. For the Construction category, OSD program approval and obligating authority will be provided by fiscal year, generally at the construction element level (immediate subordinate account level) or at project level where circumstances warrant. Volume 3 of this Regulation defines the scope of realignment authority delegated to the DoD Components. All program/fund realignments will be reported in accordance with Volume 4 of this Regulation and this volume.

7. Obligations, incurred costs, accrued expenditures, accrued revenues, disbursements and receipts will be recorded and reported in accordance with Volume 4 of this Regulation. When another appropriation, e.g., Operation and Maintenance, initially incurs a funded cost, the applicable DoD Component family housing account will be billed at least monthly. Obligations, incurred costs, accrued expenditures and disbursements will be charged to the applicable accounts.

8. The balance due on indebtedness previously assumed should be in a “Borrowing Account” in conformance with Federal budget concepts.

a. The acquisition of property will be recorded in accordance with Volume 4 of this Regulation. The amount of the mortgage assumed will be recorded as an increase in the “Borrowing Account” and will be reported to the Treasury under Code (97).

b. Payments on mortgage principal will be recorded as decreases in the Borrowing Account (Treasury Code (87)) and in accordance with Volume 4 of this Regulation. Payment of debt principal will be reported in separate format as prescribed in Volume 4 of this Regulation.

c. Receipts from sale, lease, or handling of excess property will be reported in separate format as prescribed in Volume 4 of this Regulation.

0602 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION**060201 Military Construction Appropriations**

Programming, budgeting, financing and accounting for the Military Construction Program will be accomplished under an account structure uniformly used for these purposes by all DoD Components. The uniform account structure and scope of each account prescribed for the administration of the Military Construction Program are as follows:

A. Major Functional Category: Construction

1. Immediate Subordinate Account: Major Construction. Includes construction projects authorized under 10 U.S.C. 2802 for the purposes of erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; or the relocation of a facility from one installation to another. Includes equipment installed and made a part of such facilities, and related site preparation, demolition, excavation, filling and landscaping, or other land improvements.

2. Immediate Subordinate Account: Minor Construction. Includes any urgently required construction project not otherwise authorized by law having a cost equal to or less than \$ 1,500,000. However, if the military construction project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, a minor military construction project may have an approved cost equal to or less than \$3,000,000. Minor construction projects costing more than \$500,000 may not be carried out unless 10 U.S.C. 2805 requirements are met. This includes advance approval by the Secretary concerned and notification to the Congress. An unspecified military construction project costing not more than \$500,000 may be funded from appropriations available for operation and maintenance. However, if the project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, up to \$1,000,000 may be funded from operation and maintenance accounts.

3. Immediate Subordinate Account: Planning and Design. Includes architectural and engineering services, construction design, planning, study, working drawings, specifications and estimates for construction projects. 10 U.S.C 2807 pertains to architectural and engineering services and construction design.

a. Design Status. Projects using parametric cost estimates should be considered zero (0) percent designed. Projects using the traditional method of design, being designed in-house, using a standardized design, or site adapting a previous design should use the milestone chart below to gauge their design status.

<i>1% Design Complete:</i>	<i>Design instructions issued to major command.</i>
<i>2% Design Complete:</i>	<i>Major command design instructions issued to design agent.</i>
<i>3% Design Complete:</i>	<i>Notice to proceed issued to architect/engineering firm (A&E) by the design agent.</i>
<i>30% Design Complete:</i>	<i>Concept plan, early preliminary working drawings, design analyses, and outline specifications issued by the designer.</i>
<i>35% Design Complete:</i>	<i>Concept or early preliminary review comments forwarded to the design agent.</i>
<i>60% Design Complete:</i>	<i>Regular preliminary working drawings, design analyses, and updated cost estimate and outline specifications issued by the designer.</i>
<i>65% Design Complete:</i>	<i>Regular preliminary review comments forwarded to the design agent</i>

90% Design Complete: Final design (working drawings, design analyses, cost estimates, and specifications) completed by the designer.

95% Design Complete: Final design review comments forwarded to the design agent.

100% Design Complete: Corrected final design accepted by the DoD Component.

4. Immediate Subordinate Account: Supporting Programs. Includes Defense access roads and land acquisitions.

B. Major Functional Category: North Atlantic Treaty Organization Security Investment Program

Includes contributions for the United States share of the cost of multilateral programs for the acquisition and construction of military facilities and installations (including international military headquarters) and for the related expenses for the collective defense of the North Atlantic Treaty Area. 10 U.S.C. 2806 pertains to contributions for North Atlantic Treaty Organization Security Investment Program.

060202 Family Housing

Programming, budgeting, financing and accounting for the Family Housing Program will be accomplished under an account structure uniformly used for these purposes by all DoD Components. Such account structure is designed and will be administered so as to provide within each of those accounts for program and financial administration of the Family Housing Program as necessary for the effective administration of the family housing program on a Defensewide basis and compliance with applicable statutes. The uniform account structure and scope of each account prescribed for the administration of the Family Housing Program are as follows:

A. Major Functional Category: Construction

1. Immediate Subordinate Account: New Construction (by Installation and Project). Includes the erection, installation, assembly, relocation or replacement of single or multifamily dwelling units; related land acquisition, site preparation, excavation, filling and landscaping, or other land improvements. Also included are the initial outfitting during construction of a dwelling unit with fixtures and other requirements which are either integral components or movable items of major equipment thereof, including major appliances; and architectural and engineering supervision and inspection of construction. *Includes design costs of contractor to perform a turnkey contract.* New construction also includes the construction of items included in section 060105D.1.b.(1) (a), (b), (c), and (e).

2. Immediate Subordinate Account: Post Acquisition Construction. Includes major construction projects (projects beyond those authorized under the minor construction program) for the following (by installation and project): upgrading inadequate public quarters, rental housing and acquired Wherry Housing units to produce adequate public quarters; conversion of existing facilities to public quarters; alterations, additions-expansions-extensions; construction of family housing real property, other than dwelling units required subsequent to and because of previously acquired dwelling units; and the payments made to military personnel for telephone reconnection charges shall be included in project costs under this subaccount when a construction project involves relocation, alteration, improvement, or other work necessitating Government directed, non-Permanent Change of Station moves between Government quarters. However, in cases where concurrent maintenance/repair work is involved, telephone reconnection costs shall be charged to the maintenance account.

3. Immediate Subordinate Account: Planning and Design. Includes the design, working drawings, specifications and estimates for construction projects approved by the Secretary of Defense for inclusion in the President's Budget. Also includes consolidated DoD guide drawings, specifications, and planning and design efforts on projects which are not subsequently constructed.

4. Immediate Subordinate Account: Rental Guarantee Payments. Payments which become due under rental guarantees to sponsors of family housing projects built in foreign countries for use by DoD personnel.

C. Major Functional Category: Operation and Maintenance

1. Immediate Subordinate Account: Operation. This account includes the following: initial acquisition, maintenance, repair and replacement of furniture, furnishings and other personal property (see section 060105D.1.b.(1)(g)); the furnishing of services included in section 060105D.1.c.(7); inspection of construction and administration of rental guarantee projects; and, leasing of family housing facilities by the Government as outlined in section 060105D.1.a.

2. Immediate Subordinate Account: Maintenance of Real Property Facilities. This account includes maintenance and repair of buildings, roads, driveways, walks, exterior and interior utility systems and grounds care; and maintenance, repair and replacement of fixtures and other equipment which are integral components of a housing unit. This account also finances the costs of reimbursements made to military personnel for telephone reconnection charges when maintenance or repair work necessitates Government-directed, non-PCS moves. This includes such charges resulting from improvement/repair projects funded in part from the family housing construction account.

C. Major Functional Category: Debt Payment (Interest and Other Charges)

1. Immediate Subordinate Account: Servicemen's Mortgage Insurance Premiums. This account includes payments of servicemen's mortgage insurance premiums pursuant to Section 222 of the National Housing Act as amended.

060203 Homeowners' Assistance Fund, Defense

The program/budget account classification structure for the Homeowners' Assistance program is prescribed in Exhibits HA-1 through HA-4, found in Section 060504.

0603 BUDGET ESTIMATES SUBMISSION**060301 Military Construction****A. Purpose**

1. This Section prescribes instructions for the preparation and submission of budget estimates for the Military Construction, appropriations.

2. Unless otherwise specified, these instructions apply to all Military Construction appropriations and to all budget estimates. Data submitted must be consistent with the budget estimate being supported.

B. Submission Requirements

1. General Guidance. Supporting data for each of the military construction appropriation requests will be submitted concurrently with all other Department of Defense appropriation requests. To facilitate the review and decision making process, it is essential that the packaging of justification materials conform to the uniform facility category structure established by DoD Instruction 4165.3.

a. Construction requirements will be determined in consonance with PDM guidance and with applicable Executive Orders, OMB Circulars, and DoD 4270.1-M.

b. Each proposed construction project will be supported by DD Form 1391/1391C, Military Construction Project Data. These will be prepared in accordance with guidance contained in Section 060502. Projects associated with intelligence or intelligence-related operations will be so identified. Block 5, Program Element, DD Form 1391, will include the annotation "NFIP", "JMIP", or "TIARA" as appropriate. DD Form 1390, Military Construction Program, will be prepared for each installation at which major construction is planned, utilizing the format prescribed in Section 060502. DD Form 1390S, Guard and Reserve Forces Military Construction, will be utilized by the Guard and Reserve Components.

c. Lump sum requests for a number of construction projects at a single location or for related projects at several locations will not be considered.

d. Budget estimates for military construction will continue to reflect fully funded requirements, regardless of their size, as directed by OMB Circular A-11. Incremental funding of construction projects is not acceptable unless justification coincident with the budget submission demonstrates that each segment would satisfy a fully definable mission objective without subsequent funding, or unless an exception to the provisions of OMB Circular A-11 has been requested and granted specifically.

e. In order to ensure prudent and economic investments a life-cycle, net present value economic cost analysis is required to support all new construction or renovation projects estimated to cost in excess of \$ 2 million dollars. Copies of these studies are to be retained by the DoD Components and must be available, when requested, during the OSD - OMB budget review. In accordance with Section 010303, components are required to indicate on the justification page for each individual construction project whether or not an economic analysis is applicable or pertinent. If not applicable, a statement is required indicating why.

f. In accordance with guidance provided under Section VI.D. of DoD Directive 2010.5, components are required to indicate on the justification page for each individual construction project for U.S. forces committed to NATO a statement whether or not the project is planned for prefinancing, with appropriate explanation as to: (a) why U.S. unilateral financing is being proposed; and (b) as appropriate, follow-on actions planned to seek reimbursement through NATO channels. A similar statement is required for any other overseas construction, describing why the project is not eligible for host nation funding. More specific guidance is provided in DoDD 2010.5.

g. Justification materials (DD 1390/1391/1391C) will be submitted in book form, with appropriate cover, bound on the left margin. Classified materials are to be submitted in separate volumes, with appropriate security classification markings on covers.

h. The following sections outline the specific materials to be provided including special guidance as to formats to be followed. The numbers of copies required are identified in Chapter 1. Other special materials required are outlined under related Chapter 16.

i. It is recognized that it may be necessary to revise construction project costs subsequent to the budget submission which have changed significantly because of Congressional action, design changes, etc. Such changes will be considered as an additional budget submission and all ground rules, including cut-off dates, will apply.

j. For the biennial budget, separate sections or volumes will be provided for Biennial Year 1 (BY1) and Biennial Year 2 (BY2). For the Biennial Year 2 (BY2) section, BY1 will be considered as the prior year and BY2 as the budget year.

k. All budget submissions for military construction and family housing programs should include outyear project level detail in the format specified in Section 060502.

2. Construction Programs for the Active Forces and Defense Agencies. The books containing the DD Forms 1391/1391C will be arranged by facility category, following the guidelines established by DoD Instruction 4165.3. *For each project, the DD Form 1390 will immediately precede the DD Form 1391/1391C.* In each DD Form 1391/1391C provided for the OSD submission, the following design status is required: (1) date of design initiation; (2) percentage of design complete on the OSD submission date; (3) date on which 35 percent design will be or has been completed (including review and approval of 35 percent drawings); (4) projected or actual date of design completion; (5) percentage of design utilizing standard design, and (6) if the project cost is based on parametric estimates, include the annotation "Parametric estimates have been used to develop project costs." Projects proposed for alternative construction methods such as turnkey, or private financing alternatives, for which percent design is not appropriate, should be noted in place of the design status required for normal projects. *Prior to the submission of the President's Budget to Congress, the OUSD(C) Military Construction Directorate shall be notified if any projects will not be at the 35 percent design status by January 1.*

a. Major Construction. For purposes of the OSD/OMB review:

(1) Each DD Form 1391 must show on the upper right hand corner, above the black borderline, the appropriate decision document (PBD) number applicable to that particular construction project or item. No project will reflect more than one number. No project will be identified or listed under more than one facility category.

(2) The "Operation and Training Facilities" category is to be packaged in the justification books as two separate categories, i.e., "Operation Facilities" followed by "Training Facilities."

(3) Books containing the Forms DD 1391/1391C are to include omnibus packages for the energy conservation investment, and air and water pollution abatement programs. The total requested for each of these programs will be identified separately on single DD 1391s with the detail of program (installation, location, cost, and project description) provided on continuation pages (DD 1391C). None of the projects included in these categories are to be listed under any other facility category.

(4) All specified projects shall be included in the appropriate major construction decision document (PBD) section regardless of the actual dollar cost of the project. There will be no special section for such projects. Projects costing less than \$1 million may be included with more than one project per page, as long as the projects are thoroughly justified. The amounts requested for projects costing less than \$1 million should be supported in detail (installation, location, cost, facility category code, and project description). The projects should be listed separately on the summary sheet preceding each major construction decision document (PBD) section.

b. Minor Construction. The total minor construction program request should be submitted as an omnibus package on a single Form DD 1391, specifying the lump-sum amount proposed for unspecified (unforeseen) minor construction projects costing up to \$ 1.5 million per project.

c. Supporting Activities. The funding request for Supporting Activities will continue to be reflected as a lump sum amount on DD Form 1391. Supporting detail (location/cost) will be shown parenthetically following the lump sum estimate. While this item will be addressed for decision making purposes in the document covering Utilities and Real Estate, it should be listed separately and not included in the indexes for either Utilities or Real Estate, which fall under different facility category codes.

d. Restrictions on Omnibus Construction Packages. Apart from the specific exceptions noted for the pollution abatement, energy conservation, and minor construction programs, which are discrete decisions, there are to be no other omnibus packages or breakouts in the DD 1391 justification books. All other projects are to be listed under the appropriate facility category. In this respect, the Marine Corps facilities program is to be integrated with the Navy facilities program so that all Navy and Marine facilities are included in a single Department of Navy facility category listing covering the entire "Military Construction, Navy" appropriation request. However, a separate "non-add" listing or index of all Marine Corps unique facilities, similar to those provided in the past, is both useful and desired.

e. Budget Summary and Indexing. Each Component will provide a one page Budget Summary at the front of the justification book that provides a summary of the total construction program request. The summary will show, by column, the total obligation authority (TOA), budget authority (BA), and authorization requested by PBD decision unit (301, 302, etc.) with subtotals by budget activity. Additionally, the books containing the Forms DD 1391/1391C should provide, immediately preceding each category section, an index showing facility category code numbers, installation and location, project number and title, cost, and DD 1391 page number. The index should also identify each project as either new mission or current mission.

f. Multi-service and National Level Support Programs. Projects providing multi-service or national level support are to be programmed/budgeted under the appropriation, "Military Construction, Defense-Wide", or, in the case of NATO Security Investment Program, under the appropriation "North Atlantic Treaty Organization Security Investment Program." These are to be determined on a case-by-case basis, and should be identified as early as possible in the program planning phase. Such items will be identified in the POM/PDM process with appropriate programmatic adjustment or treatment during that phase of the review.

g. Should, on rare occasions, other candidates surface following completion of the POM/PDM process, they will require review in the budget review process. The following guidelines apply:

(1) The individual military departments will serve in an executive agency capacity for support of those construction items. The military department assigned executive agency responsibility will continue to provide all necessary and appropriate management support for such projects, including preparation of budget justification materials, and will continue to fully manage and execute the program including the preparation of all budget justification materials and defense of estimates submitted to Congress.

(2) For those projects which have been identified and programmed as multi-service or national level support programs during the POM/PDM process, the executive agent will provide, at the time of its own budget submission, a separate submission consisting of all justification materials (DD 1391/1391C) necessary for OSD/OMB review. Such projects are not to be reflected (duplicated) in the submission covering the department's own program (i.e., financial program, facility category listings, etc.).

(3) For those projects which may surface following the POM/PDM process as possible additional candidates, the sponsoring military departments will include these in their own construction program submissions as outlined earlier in this chapter, within their own fiscal levels, and separately highlight such items, providing a narrative explaining the basis for change.

3. Construction Programs for the Guard and Reserve Forces. Justification materials for the Guard and Reserve construction programs will be submitted on DD Forms 1391/1391C (Project Data). A separate justification book is required for each of the five Guard and Reserve appropriations.

a. The DD Forms 1391/1391C will be in a single volume covering total requirements for each appropriation. The materials will be sequenced in alphabetical order, by state and by installation within state. The justification pages covering the lump-sum amount requested for minor construction will appear last. The DD Forms 1390S will be in a separate section following the DD Forms 1391/1391C. Each book is to include an index in the front, showing the installation and location, project title, project cost, DD 1391 page number, and arranged in alphabetical order by state.

b. Each Guard and Reserve program submission is to include separate listings identifying amounts requested in the budget year for: (a) air and water pollution abatement; and (b) energy conservation investment programs. Each listing is to show the installation and location, project title, project cost, and DD 1391 page number. "Negative response" listings are required to assure complete coverage.

4. Construction Planning and Design. The annual estimates for planning and design are to be identified and justified on DD Form 1391. In preparing the annual estimates, full consideration should be given to the lead-time required to meet the objective of having each construction project at the 35% to 50% design stage at the time the Budget is submitted to OSD. Guard and Reserve component construction projects will meet the design criteria established in DoDD 1225.7, "Reserve Component Facilities Programs," at the time the budget request is submitted to OSD.

a. The Military Departments will develop and submit planning estimates in support of the construction programs for the individual Active Forces, Guard and Reserve programs.

b. The Office of the Secretary of Defense will prepare a DD Form 1391, consolidating estimates to be submitted by the Defense Components having justified requirements for Defense Agencies planning and design funds.

(1) Each Defense Agency having a requirement for planning funds during the current and budget years is to submit its estimates on a DD Form 1391.

(2) The individual Military Departments may have a justified requirement for use of Defense-Wide planning funds under circumstances where the Military Departments serve as executive agents for certain multi-service or national-level support projects if funding is required to design a project which will be constructed using Military Construction, Defense-Wide funds. Under such circumstances, the Military Department should submit its estimates on a separate DD Form 1391.

5. Automated Data Requirement. All Military Construction estimates for the Active Forces, Defense Agencies, Guard and Reserve Components shall be addressed in the Exhibit C-1 Construction Annex input prescribed in Chapter 1.

6. Depot Maintenance Projects. For each military construction project involving a depot maintenance facility, include on the Form 1391 a statement that interservicing alternatives were fully considered by the Joint Military Construction Review Board. The purpose of this statement is to assure that facilities being constructed do not duplicate facilities built or being built by another DoD component.

7. Long-Term Facilities Contracts. A DD Form 1390 and 1391 must be submitted for each project proposed under the authorities of 10 U. S. C., Chapter 169. All additional supporting justification should be included in the DD 1390 Form and DD 1391 Justifications. These include Section 2809 ("Long-term facilities contracts for certain activities and services"), Section 2812 ("Lease-Purchase of Facilities"), Section 2835 (Long-term leasing of military family housing to be constructed"), Section 2836 ("Military housing rental guarantee program"), and other third party financed construction authorities. Private financing initiatives will be closely reviewed to ensure their programmatic and budgetary viability. So that an informed decision regarding inclusion of the project in the budget may be made during the budget review, proposed projects must be supported by an

economic analysis. In addition, to establish a reasonable expectation that the long-term facility project meets Congressional guidance that all third party financed projects, including proposed child care facilities, be at least five percent less expensive than regular military construction appropriation, a lease-versus-buy analysis conducted in accordance with the provisions of OMB Circular A-94 must also be submitted as backup documentation for the DD 1391.

a. In development of cost estimates, military construction alternatives should not exceed the published DoD pricing guidance. Private sector construction estimates should be fully supported by documentation and include all pertinent cost factors.

b. Guidance for development of the basic economic analysis required to support these long-term facility contracts is contained in DoDI 7041.3. The separate lease-versus-buy analysis must conform with OMB Circular A-104, and include full life-cycle costs and net present value discounting of each alternative.

c. Proposed child care facilities should also include in their justification the results of a market survey of child care services available in the local community, and the results of a need assessment and installation interest survey that documents and supports the need for the proposed project.

d. Authorization and appropriation procedures for long-term lease and lease-purchase contracts are special cases and may not be treated as regular military construction in some respects. General guidance for the treatment of budget authority, outlays, and scorekeeping guidelines for lease-purchase and capital lease contracts is contained in OMB Circular A-11.

(1) Under the provisions of public law these contracts may, depending on the authority used, be for periods of up to thirty-two years exclusive of the period of construction. However, for projects proposed under the authority of 10 U.S.C., Sections 2809, 2835, and 2836 the obligation of the United States to make payments under the contract in any fiscal year is subject to appropriations being provided specifically for that fiscal year and specifically for that project.

(2) Annual lease or annual lease-purchase payments commence at the time of beneficial occupancy, usually after the budget year in which the project is proposed for authorization.

(3) Components will request authorization for the full asset value of the contract (the estimated construction or acquisition cost, the differential cost of financing, and any contract termination liability costs). Components will request budget authority for each project in the amount equal to the full extent of the Government's first year liability under the contract (the sum of all cost and contract termination liability costs), in the budget year the project is submitted for approval.

e. Components shall submit proposals for long-term facilities contracts in a separate section in the OSD/OMB Justification books. The section shall be entitled "Long-Term Facilities Contracts". The section will include all DD Form 1390 and DD 1391s for newly proposed projects, and be preceded with an index showing facility category code numbers, installation and location, project number and title, estimated military construction cost and DD Form 1391 page number. Long-term leases and lease-purchases will be separately summarized in the index. In order to assess the long term financial impact of these proposals the section should also include a financial table that provides project data and cumulative totals for; total estimated project authorization, estimated annual lease payment, and year of planned beneficial occupancy.

f. Congressional budget presentation Justification Book guidance is provided in section 0604 of this manual.

g. Following approval of projects for inclusion in the President's Budget, Components may then proceed with project development.

h. In accordance with 10 U. S. C. these projects must be submitted to Congress for final review or approval 21 days in advance of contract award. Unless denied by Congress, Components may make contract award following the 21 day notification period.

(1) Components will submit these projects for approval to the Under Secretary of Defense for Acquisition and Technology, and the DoD Comptroller, prior to congressional notification, and again prior to the final submission to Congress.

(2) In order to ensure that only economical investments are approved, and that budget requests are sufficient to cover the full financing of the contract, only those projects demonstrated to be more cost effective than regular Military Construction will be approved for submission to Congress.

8. Construction Programs for Working Capital Funds

The Working Capital Funds related capital construction projects costing over \$300,000 will be included in the component military construction appropriation (including budget authority) budget estimates submission for review.

a. Military construction projects supporting the Working Capital Funds must be clearly labeled as Working Capital Fund projects. The C-1 Annex will include the Working Capital Fund projects (annotated as such) with their associated budget authority.

b. A separate copy of military construction projects supporting the Working Capital Funds will be provided to the Directorate for Revolving Funds, Program/Budget, OUSD(C) (Pentagon, room 3B866).

c. Copies of associated economic analysis studies supporting the construction requirements for Fund projects will be separately provided to the Directorate for Construction, Program/Budget, OUSD(C) (Pentagon, room 3D840).

9. Facilities Programming and Financing at DoD Installations Utilized by Two or More DoD Components. This section establishes the policy for programming and financing facilities at DoD installations where utilization by more than one DoD Component is involved, including host-tenant relationships.

a. Responsibilities

(1) **Single-Use Facilities.** The DoD Component requiring a facility for its own use shall program and budget for the construction project involved.

(2) **Joint-Use Facilities.** The DoD Component which has jurisdiction over the host command shall program and budget for a facility which is planned for the joint use or joint occupancy of two or more DoD Components.

(3) **Common-Purpose Facilities.** On a case-by-case basis, the individual DoD Components shall function as executive agents for programs whose output directly and uniquely operates to the benefit of two or more DoD Components. The executive agent shall be responsible for planning and programming all facilities.

(4) **Required Facilities.** Generally, the host Military Department will program and budget an extension, expansion, and/or increase the capacity of the main utilities and communications or transportation systems, consistent with the master plan of the installation, to support any required facilities, including those required by a tenant. However, programming and budgeting for such connecting utilities and communications or transportation systems as an integral part of any single-use facility are the responsibilities of the DoD Components requiring the facility.

(5) **Siting Facilities.** Siting of any facility for a tenant will conform to the master plan of the installation or will be in accordance with an agreed-upon location by the DoD Components concerned.

(6) **Design.** Standards of design and construction will conform to those of the host Military Department, consistent with the master plan of the installation; however, exceptions will be made in those

instances where tactical or other operational considerations requiring limited duration of occupancy economically would not justify construction of facilities to higher standards.

b. Utilization

(1) The tenant DoD Component will have exclusive use of any facility constructed for the duration of the tenants requirement. Upon termination of tenancy or use by the tenant, the facility will revert to the host Military Department for utilization without fee.

(2) Should the tenant DoD Component, at a later date have a requirement for use of the same facility, the host Military Department will make the facility, or an acceptable existing facility, available within a reasonable time period to the tenant. The host Military Department will not reconstruct or acquire a new facility for the tenant instead of returning the original facility or an acceptable existing substitute. If the host Military Department is not able to make a facility available to the tenant without creating unacceptable conditions for the host, the tenant will be responsible for obtaining a new facility.

c. Maintenance and Service Support Determination as to the levels of maintenance and service support and reimbursement therefore will be made by the DoD Components concerned consistent with DoD policies for host-tenant agreements.

060302 Family Housing

A. Purpose

1. This Section prescribes instructions for the preparation and submission of budget estimates for the Services' Family Housing, appropriations.

2. Budget estimates will be submitted by the Services and Agencies which have requirements for financing the Family Housing Program as defined in Section 060106.

B. Submission Requirements

1. Budget Estimates. Each DoD Component is to submit data to support the budget requirement for Family Housing on the basis of the accounts and account structure set forth in the detail prescribed in Section 060302 B.3 (Preparation of Material). In addition, each DoD Component will address Family Housing estimates in the Exhibit C-1 Construction Annex input prescribed in Section 010504.

2. General

a. All data (including the OP-5 exhibit) will be provided on 8-1/2 inch by 11 inch size paper, typed across the short dimension of the paper, except for the formal exhibits contained in Section 0605 which have been formatted across the long dimension of the paper (FH-2, FH-3, FH-4, and FH-5). All pages will be bound on the 11 inch side.

b. The family housing budget data will be bound in separate books for the Army, Navy (including Marine Corps, with Debt Payment and Operations and Maintenance Cost for Marine Corps shown separately), Air Force, and Defense Agencies.

c. The number of required copies of the above material is specified in Section 010302.

d. For the biennial budget, separate sections or volumes will be provided for Biennial Year 1 (BY1) and Biennial Year 2 (BY2). For the Biennial Year 2 (BY2) section, BY1 will be considered as the prior year and BY2 as the budget year.

3. Preparation of Material. Submit data using forms and formats as indicate below. Separate tabbed sections will be submitted for each of the categories below (a, b, and 4-18).

- a. Index Provide a detailed index to the submission.
- b. Summary

(1) Provide a short narrative summary (no more than one page) describing the most significant features of the request. This summary need not cover every facet of the request and is intended to highlight those items of special significance.

(2) Provide a one-page financial summary of the entire request. This should include, as a minimum, the amounts requested for authorization and appropriation for the major programs (Construction, Operation and Maintenance, Utilities, Leasing, Debt and Reimbursable) and for the major subdivisions of these programs, as described below.

4. Legislative Language. Submit the requested authorization and appropriation language. Existing language should serve as a base, with changes and omissions bracketed.

5. New Construction

a. Summary. Provide a brief summary of the New Construction program. The summary should include, as a minimum: a short narrative highlighting the most significant features of the request, a comparison of the prior year program with the request, and a listing of each project requested showing location, number of units and the estimated cost. The index should also identify each project as either new mission or current mission.

b. Project Justification. For each New Construction project, including the construction of mobile home spaces, the following forms and exhibits are required. Additionally, in accordance with Sections 2823 and 2824 of Title 10 U.S.C., provide documentation of consultations with the Secretary of Housing and Urban Development on the availability of suitable alternative housing at each construction location.

(1) Military Construction Project Data -- DD Form 1391. Form will be prepared in accordance with the instructions contained in Section 0605 of this manual. It is important to avoid the use of "boiler-plate" justification. Cost estimates for new construction projects will include the maximum level of detail practicable. Any unusual features impacting on the cost of the project must be fully justified. In order to ensure prudent and economic investments a life-cycle, net present value economic cost analysis is required to support all new construction projects estimated to cost in excess of \$2 million dollars. Copies of these studies are to be provided with the Family Housing budget estimates. Each DD Form 1391 will (1) state if an economic analysis has been prepared and provide a summary of the results of that analysis, including the calculated savings-to-investment ratio, or (2) provide the specific reasons why an economic analysis is not required. Assemble the DD Form 1391's in the same sequence as the listing of projects on the summary page.

(2) Military Family Housing Justification - DD Form 1523. Form will be prepared in accordance with DoD Housing Management 4165.64-M. Data supplied should be in agreement with the latest formal housing survey for the location, and with the information provided on the DD Form 1390. The date of the survey should be specified. The form must include a statement indicating whether a private sector housing market analysis has been conducted and the date the market analysis was completed. When a market analysis has been conducted and is used as justification for new construction, a copy of the analysis must be available for review upon request. Since this form deals with housing deficit calculations, the DD Form 1523 is required for housing unit and mobile home space projects only.

(3) Tri-Service Family Housing Cost Model - Exhibit FH-1. Provide, for each housing project, the calculations on which the budget estimate is based, using the "Tri-Service Family Housing Cost Model", Exhibit FH-1. The appropriate DoD cost factors should be used in the calculations. In addition, Tri-Service Family Housing Cost Models should be prepared using metric units of measure.

6. Post-Acquisition Construction

a. Summary. Provide a general summary of the Post-Acquisition Construction program being requested. The summary should include, as a minimum: a short narrative highlighting the most significant features of the request, and a comparison of the prior year program with the request. For consistency, the program should be referred to as “Post-Acquisition Construction” rather than “Improvements” or any other title.

b. Project Justification. Provide a DD Form 1391 covering the entire Post-Acquisition Construction program and DD Form(s) 1391C listing each project requested. Project description should be specific with regard to the work which is to be done (specify the number of units to be improved by the intended occupant grade; senior officer, junior officer, or enlisted), and note planned concurrent RPM non-routine costs. Projects should be arranged alphabetically by state and country. Federal Energy Management Program (FEMP) funding, if any, must be separately totaled. Projects, or portions of projects, for General and Flag Officer Quarters (G&FOQ) must be identified separately. For improvement projects where the cost per unit will exceed sixty percent of the current replacement value of the unit the project must be supported by a life-cycle economic analysis that demonstrates that renovation is more cost effective than new replacement construction or other available alternatives, such as demolition and reliance on housing allowances.

c. Projects in Excess of \$50,000 Per Unit. A separate DD Form 1391 is required for each project for which the per unit cost is in excess of \$50,000, multiplied by the appropriate DoD area cost construction index. In the case of improvements necessary to make the unit suitable for habitation by a handicapped person this threshold is increased to \$60,000 multiplied by the applicable area cost factor. The cost estimate should also include concurrent repair to be funded under O&M. The justification for the project must detail the findings of an economic analysis and the resulting savings-to-investment ratio. Any unusual features impacting on the cost of the project must be clearly cited. Additionally, note the total Post-Acquisition Construction and non-routine maintenance for the unit or set of units over the past five years.

d. Restriction on the Amount Invested in Improving Foreign Source Housing Units. The three-year limitation on overseas units is \$35,000. If the Services intend to program improvements to specific units which exceed \$35,000 over a period of three years, total funding should be requested in one year. The justification for each unit should identify all improvements and major maintenance work done in the past three years, and all improvements and major maintenance planned in the following three years.

7. Rental Guarantee Housing. For each rental guarantee housing project, both foreign and domestic, provide a listing showing: (1) location, (2) number of units (by intended occupants (senior officer, junior officer, enlisted), (3) term of contract, (4) fiscal year and month of contract renewal, and (5) maximum termination costs.

8. Advance Planning and Design. All requirements for Advance Planning and Design should be submitted in the format prescribed for military construction.

9. Operation and Maintenance Summary

a. Narrative Summary. Provide a brief general summary of the entire Operations and Maintenance program being requested, excluding leasing and debt. The summary should include, as a minimum: a short narrative highlighting the most significant features of the request, and a comparison of the prior year program with the request.

b. Inventory and Funding Summary.

(1) Provide the data called for on the attached Exhibit FH-2, "Operation and Maintenance, Summary." Separate exhibits should be provided for: (1) Conterminous U.S., (2) U.S. Overseas and Possessions, (3) Foreign, and (4) Total.

(2) Provide the total civilian personnel compensation for all U.S. Direct Hires, Foreign National Direct Hires and Foreign National Indirect Hires. This information should be provided for the prior year, current year and budget years in the format of Exhibit OP-8, Civilian Personnel Costs, shown in Section 030402 of this manual. This exhibit is only required for inclusion in the OMB/OSD review, but should be provided separately for the President's Budget submission.

c. Historic Housing Costs. The Statement of the Managers 101-345, on the DoD Appropriations Act for FY 1990, directed changes in the reporting of maintenance and repair costs associated with historic housing. Costs associated with Family Housing maintenance (improvements and repairs), should be reported on Exhibit FH-6 for both the OMB/OSD review, and for the President's Budget submission.

10. Operations. The sub-elements of Operations are Management, Services, Furnishings and Miscellaneous. For each of these provide:

a. Summary. A short narrative describing what the funds will be used for and highlighting the most significant features of the request. For the Furnishings program only, provide additional information in the format of Exhibit FH-3, "Furnishings Summary".

b. Reconciliation of Increases and Decreases. A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the current year and budget years. The format of this reconciliation is to be identical to Attachment 1 to the OP-5 shown in Section 0605 of this manual. For each program increase or decrease, quantitative and qualitative information relative to the proposed change should be provided. Increases and decreases should address specific adjustments in the program, particularly changes in the number of family housing units being supported, changes in the FH-2 and FH-3 exhibits, etc.

11. Utilities. For the Utilities program, separate from Operations, provide the following:

a. A short narrative describing what the funds will be used for and highlighting the most significant features of the request. This should contain a section dealing with energy consumption reductions accomplished and progress made towards meeting Congressional and Defense energy conservation goals.

b. A breakout of KWH of electricity, tons of coal, cubic feet of gas, barrels of oil and other energy usage which supports the request for utilities.

c. Reconciliation of Increases and Decreases. A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the current year and budget years. The format of this reconciliation is to be identical to Attachment 1 to the OP-5 shown in Section 0605 of this manual. For each program increase or decrease, quantitative and qualitative information relative to the proposed change should be provided. Increases and decreases should address specific adjustments in the program, particularly changes in the number of family housing units being supported, changes in the FH-2 exhibit, etc.

12. Maintenance

a. Provide a short narrative describing what the funds will be used for and highlighting the most significant features of the request.

b. Reconciliation of Increases and Decreases. A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the current year and budget years. The format of this reconciliation is to be identical to Attachment 1 to the OP-5 shown in Section 0605 of this manual. For each program increase or decrease, quantitative and qualitative information relative to the proposed

change should be provided. Increases and decreases should address specific adjustments in the program, particularly changes in the number of family housing units being supported, changes in the FH-2 exhibit, etc.

c. Provide a summary on the backlog of deferred maintenance. Describe the plans for reducing the backlog to a manageable level. Provide an analysis of types of projects, type and accuracy of reporting and special efforts to reduce the backlog. Provide a table showing, for BY-3 through BY2, (1) backlog at beginning of year, (2) recurring maintenance arising during the year, (3) maintenance funds approved or planned, (4) backlog at end of year, and (5) backlog reduction (-) or growth (+) during the fiscal year.

13. Maintenance and Repair Over \$15,000 Per Unit

a. Using DD Forms 1391 and 1391C, provide data on maintenance and repair projects for which the per unit cost exceeds \$15,000. As a minimum, the 1391C should provide, for each project: (1) location, (2) number of units, (3) age of units, (4) per unit cost, (5) total square footage of unit and square footage of project, (6) total cost, and (7) short narrative description and justification of the work, including results of economic analysis and savings-to-investment ratio. Additionally, note the total Post-Acquisition Construction and non-routine maintenance for the unit or set of units over the past five years. Projects should be listed alphabetically by state and country, as with the Post Acquisition Construction projects.

b. Projects which appear as concurrent maintenance and repair on the 1391's for Post-Acquisition Construction (see Section 060302 B.7 above) will be shown here if they exceed the \$15,000 per unit threshold, with a notation stating that the project is also shown in the post acquisition construction section.

14. G&FOQ O&M Costs Over \$25,000 Per Unit

a. Provide a summary statement detailing your efforts to control and reduce expenditures for these "high-cost" units.

b. Provide a listing of all General and Flag Officer Quarters (G&FOQ) for which total Operation and Maintenance cost exceeds \$25,000 for the Budget Year. Listing should include, for each: (1) location, (2) quarters identification, (3) size of unit, (4) age of unit, (5) operations total, (6) utilities total, (7) maintenance total, (8) total O&M, and (9) short narrative description and justification of the work, including results of economic analysis and savings-to-investment ratio. Additionally, note the total Post-Acquisition Construction and maintenance costs for the unit or set of units over the past five years.

c. This listing will include all G&FOQ projects for which total Operation and Maintenance exceeds \$25,000, including those listed in other sections of the submission.

d. Provide a similar listing for the Prior Year and Current Year units with O&M over \$25,000 and which were not included in the previous budget request.

15. Reimbursable Program. Provide a detailed justification for the Reimbursable Authority requested. Include information on what precisely is funded through the reimbursable program and details on the sources of receipts for the prior year, current year and budget year.

16. Leasing

a. Provide a brief summary statement describing the program and highlighting major initiatives for which funds are being requested.

b. For domestic and foreign leases, provide a summary justification statement. Also provide data on the leasing program in the format of Exhibit FH-4, "Analysis of Leased Units." Information should be provided at the installation or community level, whichever is most applicable. For each new project requested, also include a full justification and description, in the same format as for a New Construction project (see Section 060302 B.6 above).

c. Reconciliation of Increases and Decreases. A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the current year and budget years. The format of this reconciliation is to be identical to Attachment 1 to the OP-5 shown in Section 0605 of this manual. For each program increase or decrease, quantitative and qualitative information relative to the proposed change should be provided. Increases and decreases should address specific adjustments in the program, particularly changes in the number of family housing units being supported

d. For each new Section 801 lease project requested, include a full justification and description, in the same format as for a New Construction project (see Section 060302 B.6 above) , including the results of the economic analysis.

e. *Under Section 2828 of 10 U.S.C. the Components are allowed not more than 10,000 domestic (United States, Puerto Rico, or Guam) leased units. The cost of domestic leases may not exceed \$12,000 (including the cost of utilities, maintenance, and operation) per unit per year. Section 2828 permits an exception for 500 of these domestic leased units that may exceed \$12,000 per unit per year but can not exceed \$14,000 per unit per year. Beginning in FY 1994, these maximum lease amounts are adjusted each year by the percentage (if any) by which the Consumer Price Index (CPI) for All Urban Consumers, published by the Bureau of Labor Statistics, during the preceding fiscal year exceeds the CPI for the fiscal year before the preceding fiscal year. For example, the FY 1994 cap of \$12,000 is adjusted by the following formula: $\$12,000 * [FY\ 1993\ average\ annual\ CPI / FY\ 1992\ average\ annual\ CPI] = new\ cap$. The average annual CPI is calculated by adding the CPI for each month in a fiscal year and dividing by 12. Beginning in FY 1998, the Army has authority to lease 8 units in Miami, Florida. The lease cost of these units may not exceed \$280,000 per year, and no lease on any individual housing unit may exceed \$60,000 per year. These limits will be adjusted for increases in the CPI, using the above formula, beginning in FY 1999.*

f. *Also Under Section 2828 of 10 U.S.C. the Components are allowed not more than 53,000 foreign leased units. Foreign leases may not exceed \$20,000 per unit per year (including the cost of utilities, maintenance, and operation). Section 2828 permits exceptions for 450 leased units that may exceed \$20,000 but that can not exceed \$25,000 per unit per year and for 350 leases that may exceed \$25,000 per unit per year. The Navy also has authority to lease an additional 2,000 units in Italy that may not exceed \$25,000 per unit per year. These dollar limits are adjusted for the annual percentage change in the CPI as shown in section 060302 B.17.e. and for foreign currency fluctuations from October 1, 1987. To determine the impact of foreign currency fluctuation on the rental rate, these high cost "cap" rental rates must be computed for each foreign country, each year to adjust for the impact of foreign currency fluctuation. After the caps of \$20,000 and \$25,000 U.S. dollars are adjusted by country, the adjusted rates becomes the new cap for determining whether a lease must be counted against the exception limits for a given budget year. Then, if a rental exceeds the adjusted maximum costs, it counts against the high cost ceiling limitations of 450 and 350, units, respectively, DoD-wide. For each nation the formula that is to be applied is: $\$20,000\ adjusted\ for\ CPI\ changes\ or\ \$25,000\ adjusted\ for\ CPI\ changes * [FY\ 1988\ exchange\ rate / current\ budget\ exchange\ rate] = new\ cap\ limit$.*

(1) Where the "FY 1988 exchange rate" is the exchange rate that was published by the USD(C) for use in preparing the FY 1988 budget estimates, stated in units of foreign currency for one (1) U.S. dollar:

<i>Country</i>	<i>Monetary Unit</i>	<i>FY 1988 Exchange Rate</i>
<i>Belgium</i>	<i>Franc</i>	<i>42.77</i>
<i>Canada</i>	<i>Dollar</i>	<i>1.39</i>
<i>Denmark</i>	<i>Krone</i>	<i>7.75</i>
<i>Germany</i>	<i>Mark</i>	<i>2.06</i>
<i>France</i>	<i>Franc</i>	<i>6.72</i>

<u>Country</u>	<u>Monetary Unit</u>	<u>FY 1988 Exchange Rate</u>
Greece	Drachma	139.90
Italy	Lira	1,423.00
Japan	Yen	163.10
Netherlands	Guilder	2.33
Norway	Krone	7.52
Portugal	Escudo	150.5
Spain	Peseta	137.60
Turkey	Lira	743.50
United Kingdom	Pound	0.70

For countries not listed, use the October 1, 1987 exchange rate.

(2) Where the “current budget exchange rate” is the rate published by the USD(C) for use in preparing the fiscal year budget estimates for which the lease funds are being requested, stated in units of foreign currency for one (1) U.S. dollar.

(3) The new cap limit is the maximum amount in dollars that a lease may cost per unit per annum for each nation, before that unit must count against the worldwide 350 and 450 unit limits on exceptions for high cost leases for the fiscal year for which the budget resources are being requested.

(4) Provide a summary table showing application of the above formula for each nation where high cost leases exist or are proposed, and the total number of such leases.

17. Debt Payments

- a. Provide a brief justification statement describing the requested program.
- b. Provide a table identifying separately the total of the principal payments, and interest charges, and the totals for the Servicemen’s Mortgage Insurance Premium program for the prior, current, and budget years.
- c. For the Servicemen’s Mortgage Insurance Premium program provide a listing showing, for each fiscal year: the number of terminations, the number of mortgages on which payments are to be made, the average payment per mortgage, and the estimated payments for the year. This table should start with the prior year, and end with BY+1.

18. Foreign Currency Exchange Data All Family Housing Operation and Maintenance appropriations that participate in the Foreign Currency Fluctuations, Construction, Defense appropriation are required to prepare and submit a PB-18 Exhibit using the approved foreign currency exchange rates. The format for the PB-18 Exhibit is in section 191204 of Chapter 19 of Volume 2 of the DoD Financial Management Regulation (DoD 7000.14-R).

060303 Homeowners’ Assistance Fund, Defense

A. Purpose

1. This Section provides guidance for the preparation and submission of Homeowners’ Assistance Fund, Defense budget estimates under the Department of the Army allocation account.
2. Budget estimates will be submitted only by the Department of the Army since that Department has been assigned the overall responsibility for the administration and management of the Department of Defense Homeowners’ Assistance program by DoD Directive 4165.50.
3. Each Component is responsible for including sufficient resources in their budget estimate to fund Homeowners Assistance Program (HAP) costs related to their Component’s actions associated with base

closures, realignments, and force reductions. The level of resources required to fund HAP costs shall be developed in consultation with the Army, as the HAP executive agent. Budget estimates for HAP shall be separately identified and submitted in Component BRAC submissions for HAP costs associated with realignments and closures and in the O&M submission for non-BRAC related HAP costs.

B. Submission Requirements

1. Submit a narrative explanation and description for current and budget years, setting forth estimated cases of assistance by type and location, including a summary of management and disposal actions by the Federal Housing Administration relating to acquired property.

2. The following exhibits, provided in Section 0605, will be submitted:

HA-1	Workload and Obligation Data
HA-2	Status of Accounts
HA-3	Work Unit Data
HA-4	Program and Financing

In addition, the Army will address Homeowners' Assistance Fund estimates in the Exhibit C-1 Construction Annex input prescribed in Section 010504.

3. Required copies of the above material are identified in Section 010302.

4. For the biennial budget, separate sections or volumes will be provided for Biennial Year 1 (BY1) and Biennial Year 2 (BY2). For the Biennial Year 2 (BY2) section, BY1 will be considered as the prior year and BY2 as the budget year.

C. Preparation of Material. All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper, while Exhibits HA-1, 2, 3 and 4 will be typed across the long dimension.

060304 North Atlantic Treaty Organization (NATO) Security Investment Program

A. Purpose

1. This section provides guidance for preparation and submission of the NATO Security Investment Program budget estimates.

2. Budget estimates will be submitted by the OUSD(A&T) since that office has been assigned the overall responsibility for the oversight and management of the NATO Security Investment Program by DoDD 2010.5.

B. Submission Requirements. Submit a list of requirements at the project level. The listing should be sufficiently detailed to identify discrete projects and initiatives. Aggregations at the capability package level i.e., Defense of the Mediterranean, are not sufficiently detailed and should be broken down further to show the individual projects/initiatives comprising the capability packages. A narrative explanation and description of each of the requirements for the current and budget years should be provided.

C. Preparation of Material. All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper.

060305 North Atlantic Treaty Organization (NATO) Security Investment Program Expansion Costs

A. Expansion Costs. Submit a list of all requirements, construction and procurement, associated with NATO expansion. The listing should be sufficiently detailed to identify discrete projects and initiatives. Aggregations at the capability package level i.e., Defense of the Southern Region, are not sufficiently detailed and

should be broken down further to show the individual projects/initiatives comprising the capability packages. A narrative explanation and description of each of the requirements for the budget years should be provided. The budget estimate for NATO Expansion Costs should be identified in Budget Activity (BA) 02 as presented in Chapter 1.

060306 Family Housing Improvement Fund

A. Purpose

1. This section prescribes instructions for the preparation and submission of budget estimates for the Family Housing Improvement Fund.

2. The Housing Revitalization Support Office (HRSO), ODUSD(IA&I), is responsible for preparing justification material for the Family Housing Improvement Fund.

B. Submission Requirements

1. Justification material for the Fund should include

a. the expenditures and receipts of for the Prior Year (PY) and estimated expenditures and receipts for the Current Year (CY) and the Budget Year (BY)

b. a description of the methodology for evaluating the extent and effectiveness of the use of the authorities provided in Chapter 169 of Title 10 U.S.C., subchapter IV

c. a statement of the objectives of the Department for providing military family housing for members of the armed forces

d. any requested appropriation amounts for the fund in the BY, as well as a description of the intended use of, and justification for, requested appropriations

e. funding requirements for the HRSO in the CY and BY, along with justification of those requirements

f. Federal credit data for direct and guaranteed loans as prescribed in section 33 of OMB circular A-11.

0604 CONGRESSIONAL JUSTIFICATION/PRESENTATION

060401 Purpose

A. This Section presents the justification book organization and the exhibit requirement for submission to Congress. Examples of budget exhibits can be found in Section 0605.

060402 Organization of Justification Books

A. Justification material will be organized into one volume entitled:

Supporting Data for Fiscal Year
19BY1/19BY2 Budget Estimates
Descriptive Summaries

B. This volume will be divided into two sections, organized as shown on the following pages.

A. Organization

Table of Contents and Summary Data

The summary data will include a state list of all major, minor and family housing construction projects.

Section 1 Special Program Considerations

This section will include the following topics with a short narrative or summary table, and other special interest items as applicable.

Facilities Funded Through Other Than Military Construction
Pollution Abatement Program
Energy Conservation Program
Drug Interdiction Program

Section 2 Budget Appendix Extract

Legislative Language

**Section 3 Installation and Project Justification Data
DD Forms 1390 and 1391**

Section 4 Architectural and Engineering Services and Construction Design

Section 5 Unspecified Minor Construction

Section 6 Defense Access Roads

Section 7 Family Housing

Section 8 Homeowners' Assistance (Army Only)

Section 9 Long-Term Facilities Contracts

Section 10 Working Capital Fund Capital Construction

B. Biennial Budget Submission. For the biennial budget, separate sections or volumes will be provided for Biennial Year 1 (BY1) and Biennial Year 2 (BY2). For the Biennial Year 2 (BY2) section, BY1 will be considered as the prior year and BY2 as the budget year.

C. The volume will be organized by state/country and location. Projects should be shown in precisely the same order as they appear in the State List portion of the Construction Annex (C-1).

D. All construction line items included in the funding program in support of the total obligational authority for the Military Construction appropriations in the President's Budget will be summarized on Installation and Project Justification Data, DD Forms 1390 and 1391/1391C. In addition to data provided on DD Forms 1390 and 1391, justification books submitted to the House and Senate Appropriations, the House National Security Committee, and the Senate Armed Services Committees in support of Military Construction Program requests will contain supplemental data prepared in the formats prescribed below on the reverse of DD Form 1391. The Guard and Reserve Forces will use a DD Form 1390S continuation page in lieu of DD Form 1390. All forms required for a project will be grouped and combined in the same book arranged in category code order within state and station.

E. Section 5 will include an exhibit entitled "Long-Term Facilities Contracts", separately listing projects proposed under 10 U. S. C. Sections 2809 and 2812 authorities, arranged in the same order as they would appear in

the State list portion of the Construction Annex (C-1). This exhibit will be followed by the DD Forms 1390 and 1391 for each new project proposed. The section will also include a special financing table reflecting both prior approved long-term facility contracts and new requests, as specified in Section 060301 B.7.

F. Section 060502 contains detailed instructions for preparation of DD Forms 1390 and 1391/1391C. Detailed instructions for preparation of the supplementary justification material are given in Section 060405. The following additional instructions apply:

1. In addition to other data requirements, components are required to indicate on the DD Form 1391C for each individual project a statement indicating whether or not an economic analysis has been utilized in evaluating the project. In those instances where an economic analysis has not been prepared, a statement is required indicating why such analysis is not applicable or pertinent.

2. Lump-sum requests for a number of construction projects at a single location or for related projects at several locations will not be considered.

3. Projects associated with intelligence or intelligence-related operations will be so identified. Block 5, Program Element, DD Form 1391, will include the annotation "NFIP", "JMIP", or "TIARA" as appropriate.

4. Consistent with Executive Order 12770 of July 25, 1991, Military Construction and Family Housing budget submissions, including DD Forms 1390 and 1391, should be prepared using metric units of measure.

5. All DD Forms 1391 should include a name and phone number of the civil engineer at the installation responsible for the requested project. This information should be displayed in the bottom left hand corner on the last page of the 1391.

G. Justification Book Covers and Binding of Data

1. Justification materials will be provided on 8-1/2" x 11" white paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with Acco fasteners. Material is to be printed on both sides of the page using 1" margins. The DD Form 1390 should be printed on white paper, not on yellow paper as previously required.

2. Justification book covers will be 220 index stock using the following colors: Army - green; Navy - buff; Air Force - blue; Defense-Wide - white. Covers will bear the appropriate security classification (should any volume require such classification), title of the appropriation and fiscal year, and the phrase "Justification data submitted to Congress." The designation "For Official Use Only" will not be used.

3. Separate justification books will be prepared for those projects which require classified information on the DD Forms 1390 and 1391/1391C.

4. The individual Defense Agencies will submit either originals of DD Forms 1390 and 1391/1391C, or copies of a quality suitable for printing. These are to be used for preparation of consolidated justification books for submission to Congress. These submissions are not to be punched or bound. Pages are not to be numbered. Covers are not required. One complete set of each is to be delivered to: the OUSD(C) Program/Budget, Directorate for Construction; and the ODUSD(Industrial Affairs and Installations).

5. Each justification book (and each submission of the Defense Agencies described in Paragraph 4, above) is to include an index of installations and projects by state and country, arranged alphabetically, in precisely the same order as the projects appear in the State List portion of the Construction Annex (C-1).

060403 Submission of Military Construction Justification Books

A. Review by OSD. Before the justification material can be released by the Military Departments to the Congress, it must be reviewed by USD (Comptroller) to assure that policies and decisions made by the President

and Secretary of Defense are fully reflected. Justification material prepared by the individual Defense Agencies will be submitted to USD(C) as requested for preparation of consolidated justification books for submission to the Committees on Appropriations.

B. Security Clearances. Each Military Department will be responsible for the clearance of its justification books through OSD Security Review. OUSD(C) will be responsible for the clearance of the Defense Agencies justification books through OSD Security Review.

C. Number of Copies. Three advance sets of justification books will be forwarded for review to the Directorate for Construction, OUSD(C), Room 3D841, Pentagon. See Chapter 1 for the detailed instructions on number of copies and distribution of printed material.

D. Instructions for Preparation of Supplemental Justification Data in Support of Annual Military Construction Programs. Each data requirement shall be filled in as appropriate including negative responses to indicate that the item has been addressed.

1. Instructions for Preparation of Summary Lists Each Military Service and Defense Agency shall prepare a State List and an Installation List. These lists shall include every project for which funds have been requested.

2. Instructions for Preparation of DD Form 1390 Supplemental Installation Data. The following data shall be provided in an appropriate place on DD Form 1390:

a. Outstanding Pollution and Safety (OSHA) Deficiencies

(1) Air Pollution. Enter cost of all air pollution abatement projects for the out years. Do not include cost of budget year projects.

(2) Water Pollution. Follow instructions for Air Pollution, a.1., above.

(3) Safety and Occupational Health Deficiencies. Follow instructions for a.1 above and use definitions cited in Section 060403 above for this data.

3. Instructions for Preparation of DD Form 1391 Supplemental (Facility) Data. The following data shall be provided for each facility in the program using the back of standard DD Form 1391.

a. Design Data (Estimates)

(1) Status

(a) Enter date design was started (i.e., date when all appropriate design contracting procedures have been completed and the designer directed to proceed with design).

(b) Enter the percent of design completed as of January 1, of the year in which the budget is submitted to the Congress (e.g., January 2, 1992, for FY 1993 projects).

(c) Enter date design expected to be 35% completed.

(d) Enter date design will be completed (i.e., date when all reviews will be completed and construction contract ready for advertising).

(e) Include the annotation "parametric estimates have been used to develop project cost" if the cost estimate is based on parametric estimates in lieu of the traditional 35% design.

(f) *Indicate whether an energy study and a life-cycle analysis was performed in support of the design of the proposed facility.*

(2) Basis.

(a) Indicate whether or not design is based on a standard or definitive design.

(b) If answer to (a) is affirmative, indicate where design was previously used.

(3) Total Design Cost. Indicate total federal cost (all costs to be charged to planning and design accounts) as follows:

(a) Cost of the production of plans and specifications (those costs included within the 6 percent statutory cost limitations).

(b) All other costs of design

(c) Total Cost (a + b or d + e).

(d) Amount of cost estimated to be spent on contracts.

(e) Amount of cost to be spent in-house (total cost if design is all within house; overhead and administration costs if design is contracted out, or other breakout).

(4) Construction Start Date. Indicate month and year construction is planned to start.

(5) Construction Completion Date. Indicate month and year construction is planned to be completed.

b. Equipment Associated with This Project Which Will be Provided From Other Appropriations List only those items which support the cost shown in Block 9 of the DD Form 1391, for Equipment Provided from Other Appropriations. Enter the equipment nomenclature, procuring appropriation, fiscal year in which the equipment was appropriated or is to be requested and the cost in thousands of dollars.

c. Working Capital Fund Projects. DD 1391s submitted in support of Working Capital Fund Capital Budget requirements will be labeled as such in Block 4, above the project title.

E. FYDP Project Listing. An updated Military Construction/Family Housing Outyear Project Data exhibit in the format specified in section 060502 should be provided separately to the OUSD(C) Military Construction Directorate for all Active Force and Defense Agency military construction and family housing programs at the time justification materials are submitted for OSD review. The outyear project data exhibits for the Active Forces and Defense Agencies will not be included in the justification books provided to Congress. However, the justification book for each component of the National Guard and Reserve will contain a listing of all projects that are funded in the Future Years Defense Program (FYDP). The listing should be compiled by year and show the location, type of facility, and cost. The listing should contain only the projects that are funded in the FYDP. The Military Construction/Family Housing Outyear Project Data Exhibit to be used is contained in section 060502.

060404 Submission of Family Housing Justification Books

A. Family Housing Justification, Military Departments. The format for the Congressional justification books for Family Housing will be identical to that detailed in Section 060302 for the budget estimates, with the following exceptions:

1. Submission Requirements. Family Housing Congressional justification material will be submitted with the Military Construction justification books for each military department. The Family Housing material should follow that provided for Military Construction. (See Section 060302B.2.b)
2. Military Construction Program -- DD Form 1390. Form will be prepared in accordance with section 060502. One form is required for each location. Personnel data should be based on latest approved totals for the installation or area. Inventory data should include only Family Housing assets. The form should be printed on white paper, and should precede the DD 1391.
3. Tri-Service Family Housing Cost Model. This form is not required. (See Section 060302B.6.b.(3)).
4. Civilian Personnel Costs -- Exhibit OP-8. This form is not required. (See Section 060302B.10.b.(2)).
5. Furnishings Summary -- Exhibit FH-3. This form is not required. (See Section 060302B.11.a)
6. Submission by Department of the Army Only. Since the Department of the Army has been designated as the agent to execute the Homeowners' Assistance Program for the Department of Defense, only the Department of the Army will submit justification material as described in Section 060303.

B. Family Housing Justification, Defense Agencies

1. Component Responsibilities. Separate justification material, in the format described in Section 060302 and similar to that specified above for the Military Departments, will be provided by the individual Defense Agencies. The submissions will provide separate Construction, Operation and Maintenance, and Leasing exhibits, as appropriate, for Defense Intelligence Agency, Defense Logistics Agency, and National Security Agency.
2. Consolidation and Review by OSD. Original pages of justification material prepared by the individual Defense Agencies will be submitted to the Directorate for Construction, OUSD(C) Program/Budget, Room 3D841, as requested by the call letter for the preparation of consolidated justification books for submission to the Congress. One copy of the justification material should be submitted concurrently to the ODUSD(Industrial Affairs and Installations).
3. Justification Material Format. Justification material submitted by the Defense Agencies will be unbound. Covers are not required. Pages will not be numbered. All data will be provided on 8-1/2 inch by 11 inch paper, typed across the short dimension of the paper with 1 inch margins, except for the FH-2, and FH-4 exhibits, which will be typed across the long dimension.
4. Classification. All justification material will be unclassified.

060405 Submission of Justification Books for the Homeowners' Assistance Fund, Defense Appropriation

A. Organization of Justification Books. Justification data will include items detailed in Section 060303 for the budget estimates. Material will be incorporated as the final section of the Army's book.

B. Submission by Department of the Army Only. Since the Department of the Army has been designated as the agent to execute the Homeowners' Assistance Program for the Department of Defense, only the Department of the Army will submit justification data.

C. Review by OSD. Before the justification material can be released to the Congress, it must be reviewed by the USD(C) to assure that policies and decisions made by the President and Secretary of Defense are fully reflected.

D. Security Clearances. The Department of the Army will be responsible for clearance of the justification book through OSD Security Review.

E. Number of Copies. See Section 010401 for instructions on the number of copies required and the distribution.

0605 MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATION SUBMISSION FORMATS**060501 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of the chapter. Unless modified in a submission budget call, these formats should be adhered to.

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1. COMPONENT	FY 19___ MILITARY CONSTRUCTION PROGRAM					2. DATE 22 Apr 96																				
3. INSTALLATION AND LOCATION					4. COMMAND					5. AREA CONSTRUCTION COST INDEX																
6. PERSONNEL a. AS OF b. END FY 19					PERMANENT			STUDENTS			SUPPORTED			TOTAL												
					OFFICER	ENLISTED	CIVILIAN	OFFICER	ENLISTED	CIVILIAN	OFFICER	ENLISTED	CIVILIAN													
7. INVENTORY DATA (\$000)																										
a. TOTAL ACREAGE..... b. INVENTORY TOTAL AS OF..... c. AUTHORIZATION NOT YET IN INVENTORY..... d. AUTHORIZATION REQUESTED IN THIS PROGRAM..... e. AUTHORIZATION INCLUDED IN THE FOLLOWING PROGRAM..... f. PLANNED IN NEXT THREE PROGRAM YEARS..... g. REMAINING DEFICIENCY..... h. GRAND TOTAL.....																										
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9. FUTURE PROJECTS:																										
10. MISSION OR MAJOR FUNCTIONS:																										
11. OUTSTANDING POLLUTION AND SAFETY DEFICIENCIES:																										

INSTRUCTIONS FOR PREPARATION OF
DD FORM 1390, "FY_ MILITARY CONSTRUCTION PROGRAM"

The DD Form 1390 will be used by the active services to list the projects proposed for inclusion in the Military Construction Program, including requests for (1) new authorization; (2) funding of new authorization; and (3) funding of prior years' authorization. The Guard and Reserve Forces will use a DD Form 1390s instead of the DD Form 1390.

Instructions for preparation of DD Form 1390 follow:

Items 1 and 2 - Component and Date: Self explanatory. Date prepared or the date the budget estimate submission is due to OSD.

Item 3 - Installation and Location: Enter the official name of the installation. Enter the name of the state if within the United States or the name of the country or island chain if outside the United States. In the case of Guard and Reserve facilities, enter the city and state if the facility is not to be constructed on a military installation. Use "classified location" only when necessary to meet security classification guidelines.

Item 4 - Command: Enter the name of the host major command responsible for management control of the installation.

Item 5 - Area Construction Cost Index: Enter the construction cost index used in estimating the cost of the project(s). Consult the latest guidance published by DUSD(IA&I).

Item 6 - Personnel Strength: Enter personnel strengths for permanent, student, and support activities. Include transient personnel where applicable.

- a. As of: Enter September 30 of the year of submittal to OSD.
- b. End FY 19__: Enter end of the budget year, plus 5 years.

Item 7 - Inventory Data (\$000):

a. Total Acreage: Enter the number of acres owned and/or leased by the Government, under accountability of the Military Department concerned, as shown in the latest Inventory of Military Real Property.

b. Inventory Total As Of September 30 __: Enter the date and the current real property inventory total (except land rent). These totals should include inventory amounts for family housing.

c. Authorization Not Yet In Inventory: Enter the amount of funded and unfunded authorization for the construction of facilities or acquisition of land which have not been included in the September 30 Inventory of Real Property. This amount will include only such authorization as is related to either the Military Construction Program or the Family Housing Program as the case may be.

d. Authorization Requested In This Program: Enter the total cost for construction and land acquisition being requested for authorization in the budget year.

e. Authorization Included in Following Program: Enter the total estimated cost of construction and land acquisition required for authorization for the program year following the budget year.

(page 2 of 4)

f. Planned in Next Three Program Years: Enter the total estimated cost of construction and land acquisition required for the three years beyond the budget year and following year programs (i.e., second, third, and fourth years beyond the budget year). This amount should agree with the data used in the preparation of the military construction or family housing estimates contained in the Future Years Defense Program.

g. Remaining Deficiency: Enter the total estimated cost of construction and land acquisition required for existing facilities deficiencies remaining beyond the three program years covered in 7.f., above.

h. Grand Total: Enter the total of items 7.b. through 7.g..

Item 8 - Projects Requested In This Program: Installation or activity projects for the budget year shall be listed individually with attendant information provided in the appropriate column. Both major and minor construction projects are to be included as shown on the sample form.

a. Column 1 - Category Code: Enter the applicable category code consistent with the category code shown in Item 6 of the DD Form 1391 for the project.

b. Column 2 - Projects Title: Enter the project title consistent with the title shown in Item 4 of the DD Form 1391.

c. Column 3 - Scope: Enter the same quantity shown in Item 9 of the DD Form 1391, "Cost Estimates," and include the unit of measure (e.g., SM, SY, LF, PR, EA, CY, etc.). In those instances where a specific quantity cannot be satisfactorily identified, enter LS for lump sum.

d. Column 4 - Cost (\$000): Enter the project cost consistent with the cost shown in Item 8 of the DD Form 1391. If two or more projects are listed, enter the total in this column, and use this figure in Item 7.d., above.

e. Column 5 - Design Status: Enter the most accurate possible dates for the start and completion of design using numerals (e.g., 6/94, 11/95).

Item 9 - Future Projects:

a. Included in Following Program (FY_): List all installation projects regardless of the number and include columnar data comparable to that provided in Item 8, but leave design status blank.

b. Planned Next Three Years: List projects planned for next three years in 9.b. and include columnar data comparable to that provided in Item 8., but leave design status blank. The total costs of the projects listed under Items 9.a. and 9.b. should be identical to the entries under Items 7.e. and 7.f., respectively. If additional space is required to list all projects under Items 9.a. and 9.b., a separate sheet of paper should be utilized.

Item 10 - Mission or Major Functions: Enter the principal types of peacetime units and/or functions assigned or scheduled for assignment to the installation that require facilities or substantially contribute to the base population. Also enter the current mission stating precisely what the activity will do and list the major functions performed. All entries should address the time period shown in Items 6.a. and 6.b..

Item 11 - Outstanding Pollution and Safety Deficiencies (\$000): List all projects included in the budget request and planned for the next three years that are programmed for outstanding pollution and safety deficiencies. Use the format in Item 8.

Notes:

1. Space requirements for Items 8, 9, 10, and 11 may vary. Therefore, remaining space on the DD Form 1390 may be utilized as necessary for the specific entries and continued on a separate sheet of paper. A solid black line should be used to set Items 8, 9, 10, and 11 apart and individual item titles and subheadings should be added.

2. Projects that were authorized (but not appropriated) in prior years will be listed in the same manner as projects for which new authorization is requested. The fiscal year in which the project was authorized will be shown after the project title in Item 8.

1. COMPONENT	FY 19___ MILITARY CONSTRUCTION PROGRAM					2. DATE 22 Apr 96																
3. INSTALLATION AND LOCATION					4. COMMAND					5. AREA CONSTRUCTION COST INDEX												
6. PERSONNEL a. AS OF b. END FY 19					PERMANENT			STUDENTS			SUPPORTED			TOTAL								
					OFFICER	ENLISTED	CIVILIAN	OFFICER	ENLISTED	CIVILIAN	OFFICER	ENLISTED	CIVILIAN									
7. INVENTORY DATA (\$000)																						
a. TOTAL ACREAGE..... b. INVENTORY TOTAL AS OF..... c. AUTHORIZATION NOT YET IN INVENTORY..... d. AUTHORIZATION REQUESTED IN THIS PROGRAM..... e. AUTHORIZATION INCLUDED IN THE FOLLOWING PROGRAM..... f. PLANNED IN NEXT THREE PROGRAM YEARS..... g. REMAINING DEFICIENCY..... h. GRAND TOTAL.....																						
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9. FUTURE PROJECTS:																						
10. MISSION OR MAJOR FUNCTIONS:																						
11. OUTSTANDING POLLUTION AND SAFETY DEFICIENCIES:																						

INSTRUCTIONS FOR PREPARATION OF
DD FORM 1390s, "FY_ GUARD AND RESERVE FORCES MILITARY CONSTRUCTION"

The DD Form 1390 will be used by the Guard and Reserve Forces to supplement the data entered in the DD Form 1391, FY 19_ Military Construction Program..

Instructions for preparation of DD Form 1390s follow:

Item 1 - Component: Enter the specific Guard or Reserve Forces component of the active services. Recognized abbreviations such as ARNG (Army National Guard); ANG (Air National Guard); etc., are acceptable.

Item 2 - Date: Date prepared or the date the budget estimate submission is due to OSD.

Item 3 - Installation and Location: For facilities not located at DoD installations or commercial airfields, enter the name of the city and State in which the projects are located. For other facilities, enter the name of the DoD installation and its geographical location to the extent that it is not included in the installation name.

Item 4 - Area Construction Cost Index: Enter the construction cost index used in estimating the cost of the project(s). Consult the latest guidance published by DUSD(IA&I).

Item 5 - Frequency And Type Of Utilization: Enter the type of utilization (e.g., weekend drill, weeknight drill, unit training activities, annual active duty for training, etc.) and indicate number of days the installation is used per month/year, as appropriate.

Item 6 - Other Active/Guard/Reserve Installations Within 15 Mile Radius: List the nearest six existing Active and existing or programmed (within the next five years) Reserve component facilities and their distances, within a fifteen mile radius of the proposed construction site. If no facilities exist within the fifteen mile radius, identify the three closest installations. Indicate the year the facilities were constructed and the size of the facility.

Item 7 - Projects Requested In This Program: Installation or activity projects for the budget year shall be listed individually with attendant information provided in the appropriate column. Both major and minor construction projects are to be included.

a. Column 1 - Category Code: Enter the applicable category code consistent with the category code shown in Item 6 of the DD Form 1391.

b. Column 2 - Project Title: Enter the project title consistent with the title shown in Item 4 of the DD Form 1391.

c. Column 3 - Scope: Enter the same quantity shown in Item 9 of the DD Form 1391, Cost Estimates, and include the unit of measure (e.g., SM, SY, LF, PR, EA, CY, etc.). In those instances where a specific quantity cannot be satisfactorily identified, enter LS for lump sum.

d. Column 4 - Cost (\$000): Enter the project cost consistent with the cost shown in Item 8 of the DD Form 1391. If two or more projects are listed, enter the total in this column. In the case of Army National Guard projects where part of the financing is from other than Federal sources, enter only the Federal share.

e. Column 5 - Design Status: Enter the most accurate possible dates for the start and completion of design using numerals (e.g., 6/94, 11/95).

Item 8 - State Guard/Reserve Forces Facilities Board Recommendations (Date): Enter the following statement “facilities identified in Item 6 have been examined by the State Reserve Forces Facilities Board for possible joint use/expansion. The Board recommendations are ____.” (Note: Project folders will contain justification data to support the recommendation.)

Item 9 - Land Acquisition Required (Number of Acres): Enter the acreage required for the project and the method of acquisition (e.g., fee, title, donation, lease, etc.). For all projects involving land acquisition, a site survey must be conducted in accordance with DoD Directive 1225.5 and the following statement must be entered, either in Item 9 or Item 10: “Site survey has been completed and site is suitable for constructing the proposed project at the estimated cost indicated.”

Item 10 - Projects Planned In Next Four Years: Enter the Project Title and Estimated Cost for projects planned at the installation identified in Item 3 for the next four years beyond this program year. A maximum of five projects should be identified. For armory-type projects, list those facilities which are programmed for replacement within the next four years within a fifteen mile radius of the proposed project as well as the year the facilities were constructed. If none are planned, so indicate. Items shall contain columnar data comparable to that provided in Item 7 with the exception of design status which should be left blank.

Item 11 - Personnel Strength As Of _____: In the appropriate columns, enter the number of authorized and actual personnel at this facility as of six months prior to project submission.

Item 12 - Reserve Unit Data: List the designated units assigned and/or scheduled to be trained in the requested facilities. Enter the corresponding authorized and actual strengths of each unit, indicating actual strength as of the date listed in Item 11.

Item 13 - Major Equipment and Aircraft: List the vehicular and/or other large equipment and aircraft which are to be accommodated at the installation and which have a bearing on the type and/or scope of the facility requirement. When vehicle maintenance shops are being requested, the Weighted Equipment Density (WED) for the vehicles to be maintained will be included in this item.

1.COMPONENT	FY 19__ MILITARY CONSTRUCTION PROJECT DATA				2. Date
3.INSTALLATION AND LOCATION				4. PROJECT TITLE	
5. PROGRAM ELEMENT	6. CATEGORY CODE	7. PROJECT NUMBER		PROJECT COST (\$000)	
9. COST ESTIMATES					
ITEM		U/M	QUANTITY	Unit Cost	Cost (\$000)
10. DESCRIPTION OF PROPOSED CONSTRUCTION					

1.COMPONENT	FY 19__ MILITARY CONSTRUCTION PROJECT DATA			2. Date
3.INSTALLATION AND LOCATION			4. PROJECT TITLE	
5. PROGRAM ELEMENT	6. CATEGORY CODE	7. PROJECT NUMBER	PROJECT COST (\$000)	

INSTRUCTIONS FOR PREPARATION OF
DD FORM 1391/1391C
"FY __MILITARY CONSTRUCTION PROJECT DATA"

1. The DD Form 1391 will be used, as applicable, by the Active, Guard, and Reserve Forces to support each project proposed for inclusion in the Military Construction Program. This includes both new authorization projects in the program as well as urgent unforeseen projects using emergency or contingency authorization. This form will also be used to transmit supporting data for the following types of projects:

- a. Minor construction projects, 10 U.S.C. 2805.
- b. Operation and maintenance type projects required to be submitted to OSD in accordance with the provisions of DoD Directives 4270.36, 1225.7 and 4165.6.
- c. Nonappropriated fund construction projects requiring OSD concurrence or approval.
- d. Nonappropriated fund construction projects requiring OSD concurrence or approval.
- e. Family housing projects.

2. The continuation sheet (DD Form 1391c) will be used as required for explanation of the requirement for the project (item 11.) and other mandatory statements concerning flood plains and wetlands environmental impact, accessibility to the handicapped, fallout shelters, etc. However, when submitting an annual Military Construction Program, these mandatory statements may be included in the front of the program book.

3. Instructions for preparation of DD Form 1391 are outlined below:

- a. ITEMS 1 and 2 - COMPONENT AND DATE: Self-evident.
- b. ITEM 3 - INSTALLATION AND LOCATION: Enter the official name of the installation. Use code name or designations only when necessary to preclude security classification or when an official name is not available. Enter the name of the State if within the United States or the name of the country or island chain if outside the United States. In the case of Guard and Reserve Forces facilities, enter the city and State if the facility is not to be constructed on a military installation.
- c. ITEM 4 - PROJECT TITLE: Enter the title used in item 8, column 2 of the DD Form 1390, assuring that it corresponds to the category code in item 6.

(1) Except for new construction, the type of work, such as "addition," "conversion," "alteration," or "modernization" shall be used in the title.

(2) Where a single structure is to serve more than one purpose, the title should reflect the predominate use.

(3) The scope of a project or number of buildings involved will not be shown in the title (i.e., and "Enlisted Quarters" project will not be shown as "Two 250 Man Enlisted Quarters.")

(4) Avoid the inclusion of acronyms.

(5) If a project requires land acquisition estimated to cost in excess of \$50,000, the project title will be suffixed with "With Land Acquisition". Land to be acquired for the construction of several projects or for other purposes shall be programmed as a separate project and identified on a separate DD Form 1391.

d. ITEM 5 -PROGRAM ELEMENT: Enter the appropriate number as it relates to the "Five Year Defense Program," except when inclusion of this number would require classification of an otherwise unclassified form.

e. ITEM 6 - CATEGORY CODE: Enter the applicable category code using no less than three nor more than six digits consistent with item 8, column 1 on DD Form 1390.

f. ITEM 7 -PROJECT NUMBER: Enter the number of the project assigned by the Component concerned. If no number has been assigned, indicate N/A (not applicable).

g. ITEM 8 - PROJECT COST: Enter the estimated cost in thousands of dollars (excluding design except for family housing) for which funding is being requested. The amount indicated should be identical to that shown in item 8., column 4, of the DD Form 1390 and should include the costs of the primary facilities, supporting facilities, contingencies, supervision, inspection, and overhead. Figure will be the Total Request entered in item 9. and will not include the figure entered for "Equipment Provided From Other Appropriations."

h. ITEM 9 - COST ESTIMATES: This portion of the DD Form 1391 is comprised of several elements which collectively comprise the Total Request. Each element will be identified, quantified, and costed in a series of five column entries as follows:

(1) Item: Identity of the Primary or Supporting Facility, etc. as described in item 9., line 1.

(2) U/M (unit of Measure): Each entry in the "item" column will be followed in the "U/M" column by the accepted two-character abbreviation for the unit of measure associated with the quantity of the item concerned (e.g., SM, SY, LF, KV, etc.). Where it is not feasible to show a specific unit of measure, use LS (Lump Sum).

(3) Quantity: Enter the required number of units of measure comprising the "item" entry. Where "LS" is the unit of measure, enter a dash (-).

(4) Unit Cost: Enter the appropriate unit cost for each "item" entry where a unit of measure is indicated. Where the unit of measure is "LS" enter a dash in the unit cost column.

(5) COST (\$000):

(a) Enter the cost, in thousands of dollars, represented by the product of the "Quantity" and "Unit Cost" entries.

(b) When a single primary facility is listed enter the cost of the facility without parentheses. If unusual features or functional areas of the primary facility are listed, the cost of each shall be enclosed with parentheses. The sum total cost of these features shall equal the figure entered for the primary facility.

(c) When more than one primary facility is listed, the cost of each facility will be entered in the cost column without parentheses.

(d) The cost entry for the item "Supporting Facilities" shall be entered without parentheses and shall be the total of the various supporting facilities listed. However, each of the individual supporting facility costs shall be enclosed by parentheses.

(e) The cost entered for items such as "Subtotal," "Contingency," "Contract Cost," "SIOH," and "Total Request" shall be entered without parentheses. However, the cost for Equipment Provided From Other Appropriations" shall be entered as a nonadd item.

(f) Projects in category Code 500 will have separately identified the equipment purchased for the Surgeons General as "Category Equipment" showing the total cost of such equipment added to the "Total Request". Labor cost for installation of "Category E" equipment should be included in the unit cost for the primary facility because it is part of the "Total Contract Cost."

(6) PRIMARY FACILITY: Enter the identity and required columnar data for the primary facility. When the primary facility consists of two or more components the cost of the primary facility will be the sum of the costs of the individual components. In addition, subordinate components will be entered under the primary facility after indenting two spaces.

(a) Normally, the cost of fixed equipment provided as part of the construction contract (e.g., cooling, heating, and electrical systems, etc.) will be included in the cost of the primary facility. However, when the primary facility includes unusual features of significant cost, such as hyperbaric vessels and standby cooling, such features should be identified under the primary facility.

(b) Land acquisition required specifically for the project and estimated to cost \$50,000 or more shall be listed in the same manner as an unusual feature. Conversely, land acquisitions estimated to cost less than \$50,000 are to be accomplished under 10 U.S.C. 2672 and should not be listed.

(c) For family housing new construction, the entry under primary facility will show the total number of units in the project. As subordinate components to the primary facility "Units to 5' line," "GFE," and "Land Acquisition" will be shown in parentheses in the cost column to add up to the cost of the primary facility shown. Item 10 will be used to show the numbers and cost computations for the various types of living units which comprise the primary facility.

(d) "Lump-sum" funding requests are prohibited. The only instance for which separate construction projects can be combined under a single DD 1391 is when each of the projects is in the same general facility category (i.e., supply facilities, maintenance and production facilities, unaccompanied personnel housing, etc.). Programs such as "facility upgrades," "ATB Beddown Facilities," and others combining a number of disparate construction efforts must be justified as separate projects. If it is planned, in execution, to construct several of these projects at a single location under one contract, a statement to that effect should be included in the "Additional" section of Item 10.

(e) *Antiterrorism Force Protection/physical security measures: the entry under primary facility will show physical security improvements (e.g. special structural improvements, ballistic glass, etc.). Where land acquisition serves a specific purpose such as stand-off distance for force protection, the acquisition shall be listed as an antiterrorism force protection subordinate component to the primary facility.*

(7) SUPPORTING FACILITIES: List those items of construction directly related to and required for the support of the primary facility. Such items should include (a) special construction features (piles, spread footings, seismic, fill, etc.); (b) utilities (gas, oil, steam, electric, and water supply lines as well as sanitary and storm sewers); (c) site preparation; (d) roads, sidewalks, and parking; (e) site improvements (seeding, sodding, landscaping, etc.); (f) *antiterrorism force protection/physical security measures such as physical security site improvements (e.g. fencing, perimeter/area lighting, blast mitigation barriers, berms and landscaping, etc.);* and (g) demolition. All supporting facility items should be listed in terms of accepted units of measure and quantity whenever practicable. For family housing, design cost will be identified under "Supporting Facilities."

(8) SUBTOTAL: Enter the sum of the costs shown for all primary and supporting facilities.

(9) CONTINGENCY: Enter the appropriate contingency rate, in parentheses, immediately following the item designation in column 1, and enter the cost equivalent in the proper column. While the normal contingency rate is 5 percent, contingency rates may vary with unusual conditions. Therefore, rates in excess of 5 percent shall be adequately justified.

(10) TOTAL CONTRACT COST: Enter the sum of the "Subtotal" and the "Contingency" costs. In the case of Army National Guard, armory projects which are funded, in part, from other than Federal funds, enter the Federal costs on the first line and the State or other cost on the next line below.

(11) SUPERVISION, INSPECTION, AND OVERHEAD (SIOH): Enter the appropriate SIOH rate in column 1 after the item designation and reflect the cost equivalent in the proper column.

(12) TOTAL REQUEST: Enter the sum of the "Total Contract Cost" and the "SIOH". This figure should be identical to the entry in item 8., "Project Cost (\$1000)". Total request should be rounded-off to provide a more realistic approach to the presentation of MILCON programs. The following guidance is provided for "rounding-off" a projects' total request:

Project (P) Estimate (\$000)		Rounding Guidance (\$000)
< 1,000		Nearest \$ 10K
1,000 to 5,000		Nearest \$ 50K
5,000 to 10,000		Nearest \$ 100K
10,000 to 15,000		Nearest \$ 200K
15,000 to 20,000		Nearest \$ 500K
> 20,000		Nearest \$ 1,000K

(13) EQUIPMENT PROVIDED FROM OTHER APPROPRIATIONS: Enter the total cost of equipment which is procured with other than MILCON funds and which is essential to the mission of the facility. DD Form 1391 should reflect only the cost of equipment identified in the Associated Equipment Report. If no such major equipment is associated with the project, enter a "zero" in the appropriate space. Note that this figure is not included in the "Total Request" above. This excludes minor items procured with O&M funds, and in the case of Army National Guard, excludes equipment provided from other than Federal appropriations.

i. ITEM 10 - DESCRIPTION OF PROPOSED CONSTRUCTION:

(1) In a clear and concise manner, provide a complete outline of all principal features of the work and its correlation with the various data entered in item 9.

(2) *List specific antiterrorism force protection measures and antiterrorism force protection considerations that this project provides.*

(3) Begin with an accurate description of the primary facility. For buildings, indicate the materials planned to be used for the frame, walls, roof, and foundations, and identify the major functions for which space is being provided. For structures other than buildings, describe each major element required to produce a complete and usable facility. Avoid the use of generalities such as "most economical means" or "modern methods and materials."

(4) Provide only such additional descriptive details as are necessary for clarity.

(5) Identify and list the buildings or structures to be demolished in connection with the proposed construction, if applicable.

(6) For single person quarters projects, indicate the grade mix of personnel, officer or enlisted, who will occupy the facilities.

(7) For projects involving additions, alterations, or conversions, describe the changes to be made.

(8) At the last entry in item 10., indicate the amount of air conditioning required (e.g., air conditioning - 15 tons).

j. ITEM 11 - REQUIREMENT: This portion of the DD Form 1391 is comprised of five elements which are to be set forth in the following format:

(1) Immediately after the item title "Requirement" indicate, in appropriate units of measure, the total facility requirement (e.g., 77, 366 SF), followed by two additional entries giving the status of the existing facility (e.g., adequate: 66,134 SF; substandard: -0-).

(2) PROJECT: Provide a one-sentence statement indicating what this project provides.

(3) REQUIREMENT: Provide detailed, informative statements as to precisely why the project is needed. Use positive statements to support the requirement and avoid the use of such words as "inadequate," "uneconomical," and "necessary" unless they are fully explained. Similarly, when identifying contributing factors, assure that the presentation leaves no pertinent questions unanswered (e.g., *vulnerability to terrorist threats (reference threat/vulnerability assessment)*; excessive maintenance (show cost comparison); self-liquidation (show amortization); or advanced deterioration (describe effects)). The requirements must establish maximum utilization of existing facilities and identify alternatives considered, along with reasons for their rejection.

(4) CURRENT SITUATION. Describe how and under what conditions the requirement is presently being met. Comments should support the stated requirement and include the identity and description of current assets as well as the reason they are considered unsuitable for continued use. For Guard and Reserve Forces projects which are to replace existing facilities, identify and describe the disposition to be made of them. Similarly, for Guard and Reserve Forces facilities to be constructed and/or utilized jointly with other Guard/Reserve components, include pertinent information and status of coordination or negotiations.

(5) IMPACT IF NOT PROVIDED. Describe the manner and extent to which mission accomplishment would be affected if the project were not approved.

(6) ADDITIONAL. If the project is justified on an economic basis (primary economic analysis), so state and indicate the projected payback period. As a minimum, all renovation, upgrade, and replacement projects must be supported by an economic analysis. For all other projects, state precisely why a primary economic analysis cannot be applied to the project. When providing supporting documentation for the OSD budget submission, enter appropriate statements on commercial/industrial operations in accordance with the OMB Circular A-76 and as required by applicable DoD Instruction. Entry of this information on the DD 1391 or on a separate DD 1391c is optional. For all overseas projects, state whether or not the project is eligible for NATO Infrastructure or other host nation funding.

NOTE: Space requirements for items 10. and 11. will vary. Therefore, remaining space on the DD Form 1391 may be used as necessary for the specific entries and continued on a DD Form 1391c as appropriate. A solid, black line should be used to set items 10. and 11. apart, and individual item titles and subheadings should be added.

Military Construction/Family Housing Outyear Project Data

Component	Fiscal Year	Appropriation	Installation	Location	Project Title	Facility Category	Program Element	Budgeted Amount	Change from Previous submission

Instructions:

1. This exhibit will be executed at the project level for each of the program years included in the Future Years Defense Program (FYDP) for which the Component has programmed funding (do not include projects for which funding is not programmed except as noted in instruction number 11 below) in MilCon (Major Construction & Supporting Activities and Family Housing Construction accounts) No project level detail is required for Minor Construction, Planning and Design, Family Housing Improvement or BRAC. List the totals for these as line items.
2. Data should be submitted in hard copy and on a disk in a Microsoft Access format or in Microsoft Excel format.
3. Text data should be in title case.
4. Component should be the specific Service Active, Guard or Reserve Force component or Defense Agency. Recognized abbreviations such as ARNG (Army National Guard), etc. are acceptable.
5. Fiscal year should be a four-digit number.
6. Appropriation should be a four digit number (treasury code).
7. Location is the two digit state or country code.
8. Facility category should be the three-digit code from the list in DoDI 4165.3.
9. Program element should be the appropriate number as it relates to the FYDP except when inclusion of this number would require classification of an otherwise unclassified form.
10. Budgeted amount is in thousands.
11. The change from previous submission column should show any changes from the budgeted amount in the previous submission. If a project from the previous submission is deleted, list the project and show a zero in the budgeted amount column and the amount previously programmed in the change column.
12. For the hard copy, the data should be sorted by location and then by installation. The hard copy should also include a total for each fiscal year.

TRI-SERVICE FAMILY HOUSING COST MODEL

SERVICE _____ LOCATION _____

BASELINE:

$$\begin{aligned} & (\quad) (\quad) (\quad) = \$ \quad \\ & (\# \text{ of units}) (\text{Avg Net SM}) (\$/\text{NSM}) = \underline{5' \text{ Line Cost}} \end{aligned}$$

PROJECT FACTORS:

$$\begin{aligned} & (\quad) (\quad) (\quad) = \quad \\ & (\text{ACF}) (\text{Proj Size Factor}) (\text{Unit Size Factor}) = \underline{\text{Project Factor}} \end{aligned}$$

HOUSING COST:

$$\begin{aligned} & (\quad) (\quad) = \$ \quad \\ & (5' \text{ Line Cost}) (\text{Project Factor}) = \underline{\text{Housing Cost}} \end{aligned}$$

$$\begin{aligned} & (\quad) (\quad) (\quad) = \$ \quad \\ & (\text{Solar Unit Cost}) (\text{ACF}) (\# \text{ of units}) = \underline{\text{Solar Cost}} \end{aligned}$$

$$\begin{aligned} & (\quad) + (\quad) - (\quad) = \$ \quad \\ & (\text{Housing Cost}) + (\text{Solar Cost}) - (\# \text{ of units}) = \underline{\text{Average Unit Cost}} \end{aligned}$$

SUPPORTING COSTS:

Site Preparation	_____
Roads and Paving	_____
Utilities	_____
Recreation	_____
Landscaping	_____
Special Construction Features	_____
Other (Specify)	_____
<u>Support Cost</u>	_____

SUMMARY:

$$\begin{aligned} & (\quad) + (\quad) + (\quad) = \$ \quad \\ & (\text{Housing Cost}) + (\text{Solar Cost}) + (\text{Support Cost}) = \underline{\text{Subtotal}} \end{aligned}$$

$$\begin{aligned} & (\quad) (\quad) (\quad) = \$ \quad \$ \quad \\ & (\text{Subtotal}) (\text{Contingency}) (\text{SIOH}) = \underline{\text{Project Cost}} \quad \underline{(\text{Round})} \end{aligned}$$

$$\begin{aligned} & (\quad) + (\quad) (\quad) (\quad) = \$ \quad \\ & (\text{Project Cost}) + (\# \text{ of units}) (\text{ANSM}) (\text{ACF}) = \underline{\text{Project Cost/SM}} \end{aligned}$$

The Unit Cost Per Square Meter, Project Size Factors, Unit Size Factors, and Area Cost Factors will be provided under separate cover by the ODUSD(IA&I) each year.

Family Housing, _____
Operation and Maintenance, Summary
(Excludes Leased Units and Costs)
FY 19____

	<u>FY(PY)</u>		<u>FY(CY)</u>		<u>FY(BY)</u>
A. <u>Inventory Data</u>					
Units in Being Beginning of Year					
Units in Being at End of Year					
Average Inventory for Year					
Units Requiring O&M Funding:					
a. Conterminous U.S.					
b. U.S. Overseas					
c. Foreign					
d. Worldwide					
	<u>Unit</u>		<u>Unit</u>		<u>Unit</u>
	<u>Cost*</u>	<u>Total</u>	<u>Cost*</u>	<u>Total</u>	<u>Cost*</u>
					<u>Total</u>
B. <u>Funding Requirement</u>					
1. Operations					
a. Management					
b. Services					
c. Furnishings					
d. Miscellaneous					
Subtotal-- Direct Obligations					
Anticipated Reimbursements					
Gross Obligations--Operations					
2. Utility Operations					
Anticipated Reimbursements					
Gross Obligations--Utilities					
3. Maintenance					
a. M&R, Dwellings					
b. M&R, Exterior Utilities					
c. M&R, Other Real Property					
d. Alterations & Additions					
Subtotal--Direct Obligations					
Anticipated Reimbursements					
Gross Obligations--Maintenance					
Grand Total, O&M - TOA					
Grand Total, O&M - NOA					

* Based on number of units requiring O&M funding

Exhibit FH-2 Family Housing Operation and Maintenance

Family Housing, _____
 Furnishings Summary
 (Dollars in Thousands)
 FY _____

	<u>Furnishings less Household Equipment</u>					<u>Household Equipment</u>					<u>Total Furnishings</u>				
	<u>Movg/ Hdling</u>	<u>Maint/ Repair</u>	<u>Replace ment</u>	<u>Initial Issue</u>	<u>Total</u>	<u>Movg/ Hdling</u>	<u>Maint/ Repair</u>	<u>Replace ment</u>	<u>Initial Issue</u>	<u>Total</u>	<u>Movg/ Hdling</u>	<u>Maint/ Repair</u>	<u>Replace ment</u>	<u>Initial Issue</u>	<u>Total</u>
(PY)															
CONUS															
US O/S															
Foreign															
Public															
Private															
Total															
(CY)															
CONUS															
US O/S															
Foreign															
Public															
Private															
Total															
(BY)															
CONUS															
US O/S															
Foreign															
Public															
Private															
Total															

INSTRUCTIONS FOR PREPARATION OF
FAMILY HOUSING FURNISHINGS SUMMARY
EXHIBIT FH-3

General. Furnishings to be included in Exhibit FH-3 are defined in Enclosure 6 to DoD Instruction 4165.43. For Unaccompanied Personnel Housing furnishings, see Exhibit OP-21, Chapter 232, this Manual.

Prior Year Data. For the prior year, enter estimated end year obligations.

Current, and Budget Year Data. Estimates should be based on requirements determined to be in accordance with Section XI of DoD Instruction 4165.43 and applicable experience data. Provide a short narrative explaining differences of more than \$1 million or 10%, whichever is less, between the total amount shown for furnishings in the current year and the budget year.

Moving and Handling. All identifiable transportation, handling and storage costs should be included here.

Initial Issue. Certain initial issue movable equipment, such as stoves and refrigerators, is usually procured as part of a construction project with construction funds, instead of operation funds. Likewise, in some circumstances leasing funds are utilized for furnishings in leased quarters. The FH-3 should reflect all Family Housing, Defense resources applied to furnishings, with memo entries to indicate the amounts funded from accounts other than the Furnishings portion of Operations and Maintenance.

Family Housing, _____
Analysis of Leased Units
FY 19__

	<u>FY(PY)</u>			<u>FY(CY)</u>			<u>FY(BY)</u>		
<u>Location</u>	<u>Unit</u>	<u>Lease</u>	<u>Cost</u>	<u>Unit</u>	<u>Lease</u>	<u>Cost</u>	<u>Unit</u>	<u>Lease</u>	<u>Cost</u>
	<u>Auth</u>	<u>Months</u>	<u>(\$000)</u>	<u>Auth</u>	<u>Months</u>	<u>(\$000)</u>	<u>Auth</u>	<u>Months</u>	<u>(\$000)</u>

Domestic Leases

(list each location
and month in which the
annual award is exercised)

Total Domestic Leases

Foreign Leases

(list each location
and month in which the
annual award is exercised)

Total Foreign Leases

Grand Total

Exhibit FH-4 Analysis of Leased Units

DoD Component:
Appropriation:

**REAL PROPERTY MAINTENANCE ACTIVITIES
FY XXXX PRESIDENT'S BUDGET
OPERATION & MAINTENANCE COSTS
Real Property Maintenance and Minor Construction Projects
(HISTORIC HOUSING COSTS)**

HISTORIC HOUSING COST

FY(CY) **(\$000)** **FY (BY)**

- A. No. of Units: _____**
- B. Improvements:**
- C. Maintenance and Repair:**

Grand Total:

Exhibit FH-5 Historic Housing Costs

Reconciliation of Increases and Decreases

(Dollars in Thousands)

1. FY 19CY President's Budget Request (Amended)

2. Congressional Adjustments:

- a.
- b.
- c.
- etc.

3. FY 19CY Appropriated Amount

4. Proposed Supplementals:

- a. Civilian Pay Raise
 - 1) Classified
 - 2) Wage Board
- b. Program Supplemental
 - 1)
 - 2)
 - etc.

(To the extent that supplemental requests reflect an amount that is less than the requirement show (parenthetically) both the total requirement and the amount absorbed to arrive at the amount of the supplemental.)

5. Price Growth:

(Should agree with price growth on the OP-32 exhibit. It is not necessary to provide a distribution of the price growth into categories.)

6. Functional Program Transfers:

- a) Transfers in
 - 1)
 - 2)
 - etc.
- b) Transfers Out
 - 1)
 - 2)
 - etc.

(This category should be used only when a program function is transferred between activity groups or Services. This category should not be used to show the transfer of funds between activity groups in instances where the transfer of funds is not accompanied by a functional transfer of the program for which the funds were initially requested. Also see end "NOTE" on next page)

Reconciliation of Increases and Decreases (Continued)

(Dollars in Thousands)

7. Program Increases: (For each program increase or decrease provide
a. quantitative and qualitative information relative
b. to the proposed change, as well as the baseline
c. (in dollars) to which the increase or decrease
etc. applies. Increases and decreases should address
specific adjustments in program particularly
changes in inventory, management initiatives, transfers, and
statutory requirements.
8. Program Decreases:
a.
b.
c.
etc.
9. FY 19CY Current Estimate
10. Price Growth (See 5 above)
11. Functional Program Transfers (See 6 above)
12. Program Increases (See 7 above)
13. Program Decreases (See 8 above)
14. FY 19BY1 Budget Request
15. Price Growth (See 5 above)
16. Functional Program Transfers (See 6 above)
17. Program Increases (See 7 above)
18. Program Decreases (See 8 above)
19. FY 19 BY2 Budget Request

NOTE: If a particular category of increase or decrease does not apply leave it off the Exhibit OP-5 (rather than include it on the Exhibit OP-5 with a value of zero). Reprogramming actions included in the budget submission for the Current Year other than 1415-IR functional transfers should be shown separately. Except for this, categories of increases and/or decreases other than those shown above should not be used.

HOMEOWNERS' ASSISTANCE FUND, DEFENSE
WORKLOAD AND OBLIGATION DATA
FY 19 _____

	Actual			Estimated			Estimated		
	FY (PY)			FY (CY)			FY (BY)		
	Dollars	Average		Dollars	Average		Dollars	Average	
	<u>Units</u>	<u>(000)</u>	<u>(\$)</u>	<u>Units</u>	<u>(000)</u>	<u>(\$)</u>	<u>Units</u>	<u>(000)</u>	<u>(\$)</u>
1. Investment									
a. Equity Payments									
b. Liquidation of Second Mortgages									
c. Total Payments									
d. Mortgages Assumed									
e. Total Investment									
2. Expense - Corps of Engineers									
a. Paymts - Private Sales									
b. Paymts - Foreclosures									
c. Subtotal - Reimbursements to Homeowners									
d. Appraisals									
e. Administrative Expense									
f. Total Expense - CoE									
3. Expense - FHA									
a. Management & Maintenance of Homes									
b. Sales Expense									
c. Administrative Expense									
d. Total Expense - FHA									
4. Total Expense									
5. Total Program - Investment and Expense									

Exhibit HA-1 Homeowners Assistance - Workload and Obligation Data

**HOMEOWNERS' ASSISTANCE FUND, DEFENSE
STATUS OF ACCOUNTS
FY 19__**

<u>ITEM</u>	<u>Cash</u> <u>(\$000)</u>	<u>Authority to</u> <u>Spend Agency</u> <u>Debt Receipts</u> <u>(\$000)</u>	<u>Total</u> <u>(\$000)</u>
1. EXPENDITURE ACCOUNT - RESOURCES AND APPLICATIONS (OBLIGATION BASIS)			
a. Resources			
(1) Unobligated balance, start of year			
(2) Appropriations			
(3) New authorization to spend Agency debt receipts			
(4) Revenue			
(a) Sales (Cash)			
(b) Other Revenue			
(5) Principal payments on mortgages (retirement of debt)			
(6) Total			
b. Applications			
(1) Payments on acquisition of properties			
(2) Value of mortgages payable assumed			
(3) Expenses			
(4) Transfer to miscellaneous receipts			
(5) Total			
c. Unobligated balance, end of period (line 1a(6) minus 1b(5))			
2. PROPERTY ACCOUNT			
a. On hand, start of year			
b. Payments for equity and second mortgages on acquisition of properties			
c. Value of mortgages payable assumed			
d. Less acquisition price of properties sold or disposed of otherwise (line 5b(1) below)			
e. On hand; end of period			
3. BORROWING ACCOUNT (MORTGAGES PAYABLE)			
a. Balance payable, start of year			
b. Value of mortgages payable assumed			
c. Less payments on principal			
d. Less value of mortgages liquidated			
e. Subtotal - Principal payments (retirement of debt)			
f. Balance payable, end of period			
4. NET EQUITY IN PROPERTY (line 2e minus line 3f)			
		Total	
		(\$000)	Average (\$)
5. RECAPITULATION FOR PROPERTIES SOLD			
a. Sales price			
b. Less:			
(1) Acquisition Price			
(2) FHA or ACE Administrative Expenses			
c. Net gain or (loss)			

* Excludes Corps of Engineers Expense and FHA Expense

Exhibit HA-2 Homeowners Assistance Status of Accounts

HOMEOWNERS' ASSISTANCE FUND, DEFENSE
WORK UNIT DATA
FY 19_____

<u>ITEM</u>		<u>MILITARY</u>	<u>CIVILIAN</u>	<u>TOTAL</u>
1.	APPLICATIONS FOR ASSISTANCE			
a.	On hand - start of	_____	_____	_____
b.	Received	_____	_____	_____
c.	Less Actions Completed			
(1)	Homes Acquired - For Outstanding Mortgage Balances	_____	_____	_____
(2)	Homes Acquired - At 75%	_____	_____	_____
(3)	Homes Acquired - No Mortgage	_____	_____	_____
(4)	Reimbursements for Losses on Private Sales	_____	_____	_____
(5)	Payments in Foreclosure Cases	_____	_____	_____
(6)	Settlements - No Payment Due	_____	_____	_____
(7)	Other (Not Eligible)	_____	_____	_____
d.	On hand - end of period	_____	_____	_____
2.	ACQUIRED HOMES			
a.	On hand - start of year			_____
b.	Acquired			_____
c.	Disposed of			_____
d.	On hand - end of period			_____
3.	MORTGAGES PAYABLE			
a.	On hand - start of year			_____
b.	Assumed			_____
c.	Less Liquidations			_____
d.	On hand - end of period			_____
4.	OTHER DATA			
a.	Second Mortgages Liquidated			_____
b.	Appraisals Made			_____
c.	Appeals processed			_____
	(Approved)			_____
	(Disapproved)			_____

Exhibit HA-3 Homeowners Assistance Work Unit Data

**Homeowners' Assistance Fund, Defense
Program and Financing
FY____**

	<u>FY 19PY</u> <u>Actual</u>	<u>FY 19CY</u> <u>Estimate</u>	<u>FY 19BY</u> <u>Estimate</u>
	<u>Obligations</u>	<u>Obligations</u>	<u>Obligations</u>
<u>Units</u>	<u>(\$000)</u>	<u>Units</u>	<u>(\$000)</u>
Payments to homeowners <u>1/</u>			
Other operating costs <u>2/</u>			
Acquisition of properties <u>3/</u>			
Mortgages assumed <u>4/</u>			
 Total program			
 Available from prior year			
Estimated revenue <u>5/</u>			
Available for other years			
Budget Authority			
Authorization to spend agency			
debt receipts			
Appropriation			

NOTES: 1/ Reimbursements to homeowners for losses; private sales or foreclosures. Work unit, "number of payments."
2/ DoD and FHA expenses. Work unit, "total number of applications processed, including rejections."
3/ Payments to homeowners for equity in properties acquired by the Government. Work unit, "number of properties."
4/ Value of mortgage balances assumed by the Government on properties acquired. Work unit "number of mortgages assumed."
5/ Recovery of Government's investment by the sale of properties. Work unit, "number of properties sold."

Exhibit HA-4 Homeowners Assistance Program and Financing

CHAPTER 7
BASE REALIGNMENT AND CLOSURE APPROPRIATIONS
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CHAPTER 7

BASE REALIGNMENT AND CLOSURE APPROPRIATIONS**0701 GENERAL****070101 Purpose**

A. This chapter provides instructions applicable to budget formulation and congressional justification for Base Realignment and Closure (BRAC) appropriations.

B. The following appropriations and accounts are covered:

Section

070201

- DoD Base Closure Account (1988 Commission)
- DoD Base Closure Account 1990 (1991, 1993 & 1995 Commissions)

070102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 7 covers specific back-up material requirements for the above accounts. The above appropriations/accounts should also submit any applicable exhibits required in Chapter 19 - Special Analyses.

070103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 7 provides additional specific guidance with regard to the back-up material required for Base Realignment and Closure appropriations.

070104 References

Chapter 3 provides guidance related to costs and Chapter 6 provides guidance and formats related to Military Construction and Family Housing costs.

0702 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION**070201 Base Closure Account, Defense Appropriations**

The budget account classification structure for the Base Closure Account, Defense is prescribed in Comptroller of the Department Of Defense Memorandum, dated December 21, 1993 and outlined below.

A. Overview

The Director for Budget and Finance, Washington Headquarters Services (WHS), is responsible for departmental-level accounting and reporting for the DoD Base Closure Account. The Military Departments are responsible for implementing all base closure and realignment actions, and administering their allocations of base closure funds.

B. Guidance

1. WHS shall be responsible for obtaining and recording the appropriation warrant (TFS Form 6200) for the DoD Base Closure Accounts. The Directorate for Construction, ODC(P/B), is responsible for initiating the Apportionment and Reapportionment Schedule (DD Form 1105) for the DoD Base Closure Accounts and providing it to WHS for recording in the departmental-level accounting records.

2. The Comptroller of the Department of Defense shall make funds available to the Military Departments based on their official financial plans. Financial plans shall be prepared by the Military Departments in cooperation with and at the direction of the Deputy Assistant Secretary of Defense (Industrial Affairs & Installations). Military Department financial plans and the subsequent allocation of funds shall be supported by the Format 460-BC, "DoD Base Closure Account Financial Plan". For planned military construction and family housing construction requirements, each project to be executed with the funds requested will be individually listed on the plan. A separate narrative explanation for other planned expenditures shall also be submitted to the Directorate for Military Construction, ODC(P/B), in sufficient detail on the Format 460-BC to support the Military Department financial plan.

3. In response to a request from the DoD Comptroller, WHS shall allocate DoD Base Closure Account funds to the Military Departments on SD Form 477, "Fund Authorization," with a Format 460-BC and supporting documentation attached. The Military Departments may re-phase planned execution as the situation dictates but shall notify DUSD(Industrial Affairs and Installations) and Directorate for Construction, Deputy Comptroller (P/B) of all changes. Where a military construction or family housing project is to be executed, but does not appear on the current approved financial plan, the prior approval of the Directorate for Military Construction is required. This will ensure that the Department has complied with the notification requirements of House of Representatives Report 101-176, Military Construction Bill, July 26, 1989, prior to the expenditure of DoD base Closure Account funds. To keep the Comptroller and DUSD(Industrial Affairs and Installations) apprised of these changes, the Military Departments shall submit a revised Format 460-BC and supporting documentation as required to reflect the status of the current plan being as required executed. The Military Departments and Defense Agencies will be allocated BRAC funds by subaccounts. The amounts allocated represent limitations subject to the provisions of section 1517 of 31 U.S.C., the Anti-Deficiency Act. Obligations are not to be incurred beyond the approved allocation amounts. However, Components may adjust amounts between BRAC subaccounts by up to 5 percent per quarter without prior Comptroller approval with the exception of the amounts provided for environmental efforts which may not be decreased or increased without OUSD(C) prior approval.

4. The Military Departments and Defense Agencies shall receive and record the suballocations of base closure funds received from the WHS and allot that suballocation to respective installations. The Military Departments and Defense Agencies shall subdivide their allocations of the base closure accounts by subaccount, and distribute the base closure funds to the installations responsible for base closure actions. Each Military Department and Defense Agency shall distribute the base closure funds to its installations in accordance with its normal fund

distribution procedures. This distribution process shall include allotment, or suballotment, as appropriate, of the suballocation for the WHS. The applicable subaccounts are as follows:

- Military Construction:
 - a. Construction
 - (1) (Project)
 - (2) (Project)
 - b. Planning and Design

NOTE: The military construction subaccount should be reserved for projects listed individually on the Format 460 accompanying the fund allocation document.

- Family Housing:
 - a. Construction
 - (1) (Project)
 - (2) (Project)
 - b. Planning and Design
 - c. Operations
- Operation and Maintenance (O&M):
 - a. Civilian Severance Pay
 - b. Civilian Permanent Change of Station (PCS)
 - c. Transportation of Things
 - d. Real Property Maintenance
 - e. Program Management (civilian workyears, travel, and related support dedicated to implementation efforts)
- Environmental: Includes environmental restoration, including reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris; Memoranda of Agreements between Defense and States (DSMOA), and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR); and mitigation efforts associated with a military installation closure or realignment. Mitigation efforts do not apply to the DoD Base Closure Account.
- Community Programs:
 - a. Community Planning Assistance: For communities located near a military installation to which functions will be transferred as a result of a closure or realignment of a military installation.
 - b. Economic Adjustment Assistance: For communities located near a military installation being closed or realigned.
- Federal Agencies Reimbursement: Includes reimbursements to other Federal agencies for actions, other than for environmental activity discussed above, performed with respect to any closure or realignment.
- Military Personnel: Limited to PCS and TDY expenses dedicated to implementation efforts.
- Procurement-type Items: The procurement account should be limited to those items costing more than \$5,000 each and normally capitalized on installation-level accounting.
- Other Costs: Expenses, other than those above, associated with base closure and realignment efforts.

5. The general criterion to apply when deciding whether to charge specific costs to the DoD Base Closure Account is that the cost in question is a one-time implementation cost associated with the overall base closure effort. If the increased cost is a recurring one driven by the transfer of workload from one location to another, it should be documented to the extent practicable, but budgeted for and charged to the applicable Military

Department appropriation. A legitimate one-time cost of base closure implementation should be charged to the subaccount of the DoD Base Closure Account consistent with the cost category under which the item has been justified in the President's Budget. For example, the one-time operations and maintenance-type costs at R&D funded installations should be allocated to the appropriate subaccount of "Operations and Maintenance." Low dollar value construction projects budgeted as a lump sum under the real property maintenance category should be charged to that subaccount and not the construction subaccount of military construction, which should be reserved for projects listed individually on the Format 460-BC accompanying the fund allocation document. Charges to the procurement account should include items normally charged to procurement accounts.

6. Proceeds resulting from transfer or disposal of property or facilities (including buildings and structures) due to the base closure process shall be deposited as reimbursements into the DoD Base Closure Account. These reimbursements shall be reprogrammed from reimbursable to direct before distribution to the Military Departments. The detailed accounting and financial management procedures relating to the revenues from asset sales are prescribed in Comptroller of the Department of Defense memorandum, dated December 21, 1993.

C. Accounting Entries (see end of this section).

D. Reporting Requirements WHS is responsible for preparation of the departmental-level appropriation and fund status reports for the DoD Base Closure Account that are required by Volume 6 and Volume 12 (to be issued) of this Regulation. The specifications for any additional reports required by the Base Closure and Realignment Act are to be issued by the DUSD(Industrial Affairs and Installations).

1. The budget execution reports required for the DoD Base Closure Account are as follows: a) Year-end Closing Statement, FMS Form 2108; b) Report on Budget Execution, Acct Rpt(M)1176; c) Flash Report on Obligation Status, Acct Rpt(M)1445; d) Report on Obligations, SF-225, IRCN 1183-TD-QU; e) Report on Appropriation Status by Fiscal Year Program and Subaccounts, Acct Rpt (M)1002; and, f) Report on Reimbursements, Acct Rpt(M)725.

2. WHS shall prepare the required reports based on accounting information held at the departmental level and feeder reports from the Military Departments and Defense Agencies. Each Military Department/Defense Agency shall provide feeder reports to WHS on the status of its allocation. These reports shall be submitted in accordance with a schedule of due dates to be published by WHS.

3. Special Instructions for Reports on Appropriation Status by Fiscal Year Program and Subaccounts, Acct Rpt(M)1002. Each Military Department will receive an allocation from OSD/WHS at the subaccount level. The Military Departments are required to distribute their allocations by the subaccounts shown below, and prepare the feeder Acct Rpt (M)1002's by those subaccounts within each fiscal year program specified in Section 070201 B.4.

4. Line Entries for the 1002 are as follows:

a. Column (a). The DoD Base Closure Account must be subclassified to show, where applicable, the following: Fiscal Year Program, Direct Program and Subaccounts (as specified above).

b. Columns (b) through (j). follow the instructions contained in Volume 6 of this Regulation.

ACCOUNTING ENTRIES

1. Departmental Level (WHS)

- a. Dr 4119 Other Appropriations Realized
Cr 4450 Authority Available for Apportionment
and

Dr 1013 Funds with Treasury
Cr 3100 Appropriated Capital

To record an appropriation realized.

- b. Dr 4450 Authority Available for Apportionment
Cr 4511 Unallocated Apportionment – Direct Program - Current Period

To record the Apportionment and Reapportionment Schedule (DD Form 1105).

- c. Dr 4511 Unallocated Apportionment - Direct Program - Current Period
Cr 4541 Allocations Issued - Direct Program - Current Period

To record the allocation of obligational authority to an intermediate command.

2. Intermediate Level (Military Departments)

- a. Dr 4550 Internal Fund Distributions Received
Cr Unallotted Allocations - Direct Program - Current Period

To record receipt of an allocation of direct program obligational authority.

- b. Dr 4561 Unallotted Allocations - Direct Program - Current Period

Cr 4571 Allotments Issued - Direct Program - Current Period

To record the allotment of direct program obligational authority to a subordinate activity.

3. Installation Level (Military Departments)

- a. Dr 4580 Allotments Received
Cr 4610 series Allotments Available for Commitment/Obligation

To record receipt of an allotment.

0703 BUDGET ESTIMATES SUBMISSION**070301 Purpose**

A. This Section prescribes instructions for the preparation and submission of budget estimates for the Base Realignment and Closure appropriations.

B. Unless otherwise specified, these instructions apply to all Base Realignment and Closure appropriations and to all budget estimates. Data submitted must be consistent with the budget estimate being supported.

C. Examples of budget exhibits can be found in Section 0705.

070302 Submission Requirements

A. General Guidance. *Each Service will prepare separate justification books for each Base Closure Account. For Base Closure Account-Part I, information is required for FY 1990 through FY 1995. For Base Closure Account-Part II, information is required for FY 1992 through FY 1997. For Base Closure Account-Part III, information is required for FY 1994 through FY 1999. For Base Closure-Part IV, information is required for FY 1996 through FY 2001.* The justification books will be organized by closure package with narrative and financial summary exhibits. Section 070502 contains sample exhibits BC 01 through BC 03 for use in preparation of justification books. Included in the sample exhibits are instructions pertaining to the substance and format of the information to be displayed. In addition, detailed Form 1391s (with design status for each project noted on the Form) are to be provided by closure package for all military and family housing projects to be executed in biennial budgets subsequent to FY 1991 with Base Closure Account funding.

B. Base Realignment and Closure Service Overview Exhibit (BC-01). Each Service will prepare an overview exhibit (BC-01) for each Base Closure round summarizing by fiscal year, the names and locations of the affected bases, and how much of the DoD Base Closure Account will be expended in the fiscal year. The overview will also address mission impact and environmental considerations affecting closures and realignments for that round.

C. Base Realignment and Closure Cost and Saving Exhibit (BC-02). Each Service will prepare a cost and saving exhibit (BC-02) for each base closure package included in a Base Closure round *and a BC-02 exhibit summarizing the packages contained in that round of closures.* BRAC saving estimates reported in Exhibit BC-02 must be based on the best projection of what savings will actually accrue from approved realignments and closures. *Prior year estimated savings must be updated to reflect actual savings when available.*

D. Base Realignment and Closure Package Description Exhibit (BC-03) Each Service will prepare a short narrative for each package describing the actions necessary to complete the realignment or closure at that location. The narrative will also address one-time implementation costs and anticipated savings that will accrue from the partial or complete closure of the base.

E. Base Realignment and Closures Military Construction/Family Housing Construction Projects. There will be an individual Form 1391 for each military construction/family housing construction project. The 1391s will be prepared in accordance with guidance contained in DoD Instruction 7040.4 and reproduced in Section 0605 of this volume. As a minimum, BRAC construction projects should be at least 35-percent design complete or based on the Congressionally-approved parametric estimation process to be included in the budget submission. Components will also prepare a state list for BRAC construction projects being requested in the budget year similar to the Construction Annex (C-1). This project list must be included in the back section of each BRAC justification book.

F. Base Realignment and Closure Environmental Exhibits. Each service will prepare environmental progress and funding by priority exhibits BRAC Env-1A and 1B as provided in section 070502. These BRAC environmental exhibits include requirements by relative risk category and each phase of environmental restoration, as well as requirements for environmental compliance and planning. A diskette with installation level detail for environmental restoration activities at BRAC installations, similar to that identified for submission in Chapter 13 of the DoD FMR for environmental restoration activities at active installations, should be forwarded together with hard copy versions to OUSD(Comptroller) (P/B), Military Construction Directorate (Room 3D840). Questions concerning the data file structure should be addressed to OUSD(A&T), Deputy Under Secretary of Defense (Environmental Security), Director for Program Integration ((703)695-2195.)

G. Budget Submission. Coincident with the hard copy submission of the Base Closure budget estimates, Military Departments and Defense Agencies, as applicable, will submit machine-readable data entries for all applicable budget accounts for budget years only. Detailed data entries only will be submitted since subtotals and summary totals are computer generated. Input data will be formatted in accordance with DD Form 2232 on a media type specified in Section 010506, Name Edit System (NES) structure and description, of this manual. An example of the Name Code File Listing for Base Realignment and Closure Accounts can be found in Section 010506. A full listing will be made available periodically from the DoD Comptroller, Directorate for program and Financial Control (rm 3B872, com:(703)697-7564, DSN:227-7564). All TOA values for BY1 and BY2 will be submitted on DD Form 2232 in accordance with the detail prescribed by the Name Edit System (Structure documented in the "Budget Accounts Title File Listing"). Amounts will be in agreement with the PB-2 and PB-2A exhibits.

1. Submission of Outyear Estimates. The submission for BY+1 through BY+4 TOA will be made coincident with the budget submission. Input to the data base will be formatted in accordance with DD Form 2234 using the Name Edit System structure and description by base closure round, base closure account and subactivity.

2. Decision Rounding. DD Form 2233 and DD Form 2236 will not be used for budget estimates submissions. These forms are used to record decisions documented by Program Budget Decisions (PBDs).

0704 CONGRESSIONAL JUSTIFICATION/PRESENTATION**070401 Purpose**

A. This Section presents the justification book organization and the exhibit requirement for submission to Congress. Examples of budget exhibits can be found in Section 0705 and reflect those addressed in Section 0703.

070402 Organization of Justification Books

A. Justification material will be organized into four volumes entitled:

1. DoD Base Realignment and Closure (1988 Commission)
2. DoD Base Realignment and Closure (1991 Commission)
3. DoD Base Realignment and Closure (1993 Commission)
4. DoD Base Realignment and Closure (1995 Commission)

B. Each justification book will be organized as shown on the following page for each base realignment and closure round contained in the book

ORGANIZATION/EXHIBIT REQUIREMENTS

A. Organization

- Table of Contents
- Base Realignment and Closure Overview
- Financial Summary
- Base Realignment and Closure Detail:

By Package (Each package will include appropriate 1391/1391C Military/Family Housing Construction Exhibits).

- Base Realignment and Closure Construction Projects

By Component, State, Project Description, Project Number, BRAC Round and Dollar Amount.

0705 BASE REALIGNMENT AND CLOSURE APPROPRIATION SUBMISSION FORMATS**070501 Purpose**

The formats provided on the following page reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

070502 Exhibits in Support of Section 0703 - Budget Estimates Submission

BC-01 BRAC Service Overview.....	12
BC-02 BRAC Implementation Costs	13
BC-03 BRAC Package Description	15
DD 1391/1391C Military Construction Project Data.....	17
BRAC ENV-1A	24
BRAC ENV-1B.....	26

INSTRUCTIONS FOR PREPARATION OF
EXHIBIT BC-01
"FY ____ BASE REALIGNMENT AND CLOSURE DATA"
19__ COMMISSION

Service Overview

Schedule: Summarize by fiscal year, the names and locations of the affected bases, and how much of the DoD Base Closure Account will be expended in the fiscal year. Discuss possible problems in meeting the schedule. Highlight realignment/closure actions where the estimated implementation costs and impacts significantly differ from those determined by the Commission.

Mission Impact: Describe possible mission impact in completing the realignment/closure.

Environmental Considerations: Describe potential problems in closing an installation due to the complexity in cleaning up environmental wastes and hazards.

Address any other items/issues appropriate for the overview section.

Exhibit BC-01 BRAC Service Overview

BASE REALIGNMENT AND CLOSURE ACCOUNT - 19__ COMMISSION - 1/

2/
(DOLLARS IN 3/)

	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
<u>ONE-TIME IMPLEMENTATION COSTS:</u>				
Military Construction				
Family Housing - Construction				
Operations				
Environmental				
Operation and Maintenance				
Military Personnel - PCS				
Other				
Homeowners Assistant Program				
TOTAL ONE-TIME COSTS				
Revenues From Land Sales(-)				
Budget Authority Request				
<u>FUNDED OUTSIDE OF THE ACCOUNT:</u>				
Military Construction				
Family Housing - Operations				
Operation and Maintenance				
Other				
Homeowners Assistant Program				
TOTAL OUTSIDE THE ACCOUNT				
<u>SAVINGS:</u>				
Military Construction				
Family Housing - Construction				
Operations				
Operation and Maintenance				
Military Personnel				
Other				
Homeowners Assistance Program				
Civilian ES				
Military ES				
TOTAL SAVINGS				
<u>NET IMPLEMENTATION COSTS:</u>				
Military Construction				
Family Housing - Construction				
Operations				
Environmental				
Operation and Maintenance				
Military Personnel				
Other				
Homeowners Assistance Program				
Revenues From Land Sales				
NET IMPLEMENTATION COSTS				
Less Estimated Land Revenues:				

Exhibit BC-02 BRAC Implementation Costs
(page 1 of 2)

BASE REALIGNMENT AND CLOSURE ACCOUNT - 19__ Commission _ 1/
2/

(DOLLARS IN 3/)

	<u>FY 1994</u>	<u>FY 1995</u>	<u>Total</u> <u>FY 1990-1995</u>
ONE-TIME IMPLEMENTATION COSTS:			
Military Construction			
Family Housing - Construction			
Operations			
Environmental			
Operation and Maintenance			
Military Personnel - PCS			
Homeowners Assistant Program			
Other			
TOTAL ONE-TIME COSTS			
Revenues From Land Sales(-)			
Budget Authority Request			
FUNDED OUTSIDE OF THE ACCOUNT:			
Military Construction			
Family Housing - Operations			
Operation and Maintenance			
Homeowners Assistance Program			
Other			
TOTAL OUTSIDE THE ACCOUNT			
SAVINGS:			
Military Construction			
Family Housing - Construction			
Operations			
Operation and Maintenance			
Military Personnel			
Other			
Civilian End Strength			
Military End Strength			
TOTAL SAVINGS			
NET IMPLEMENTATION COSTS:			
Military Construction			
Family Housing - Construction			
Operations			
Environmental			
Operation and Maintenance			
Military Personnel			
Other			
Homeowners Assistance Program			
Revenues From Land Sales			
NET IMPLEMENTATION COSTS			
Less Estimated Land Revenues:			
1/ 1988 Commission, 1991 Commission, 1993 Commission, etc.			
2/ Identification, e.g., DoD Financial Summary, Army Summary or Pease AFB Package, etc.			
3/ Dollars in thousands.			

BASE REALIGNMENT AND CLOSURE
19__ COMMISSION
PACKAGE DESCRIPTION

Service/Location/Package: Cross-reference to standard terminology employed in the Commission's report.

Closure/Realignment Package: Brief description of the actions necessary to complete the realignment or closure at this location. A package is defined as all actions, costs and savings associated with the closing or realignment of a base or installation as recommended by the Commissions. Include how the physical plant will be affected and the missions that must be terminated or transferred to other locations. Reflect planning and design and management overhead costs in a separate package covering, overall one-time implementation cost. All military construction savings should also be addressed in this same package.

One-time Implementation Costs:

Military Construction: New facilities that must be constructed to accommodate a realignment or closure action. List the construction projects associated with the package as follows:

<u>Location/Project Title</u>	<u>Fiscal Year</u> <u>of Award</u>	<u>Amount</u> <u>(\$ in 000)</u>
-------------------------------	---------------------------------------	-------------------------------------

Subtotal for Each Fiscal Year

Conjunctively-Funded Construction: Identify each project that is funded conjunctively, the total cost of each project and the amounts funded by non-Base Closure Account sources. These projects will also appear on the above list, which will reflect only that portion of the project to be funded by the Base Closure Account.

Family Housing Construction: Specify the number of units and location. As with military construction, list each family housing construction project.

Family Housing Operations: The one-time family housing operations costs associated with package implementation.

Operation and Maintenance: Includes PCS of civilian personnel, civilian severance costs, transportation of things, RPM and other one-time implementation costs as a result of closure or realignment. Program management costs should also be addressed, but only in the separate package covering overall one-time implementation costs.

Procurement Items: Items normally funded from procurement appropriations.

Revenues From Land Sales: Provide statistics and narrative to adequately describe the land being proposed for sale. Describe the method and date of appraisal.

Exhibit BC-03 BRAC Package Description
(page 1 of 2)

Environmental: Indicate the environmental restoration actions that will occur at both the losing and gaining locations, the funding requirements and status of all such restoration actions.

Savings: Demonstrated savings that will accrue from the partial or complete closure of the base.

Military Construction: To be addressed in the single package addressing overall/program management costs.

Family Housing Construction: Self-explanatory.

Family Housing Operations: Savings (offset by increased recurring costs).

Operation and Maintenance: One-time and recurring savings (offset by increased recurring costs) in civilian personnel, base operations, RPMA and other costs as a result of closure or realignment. Be specific as to the category,

Military Personnel: One-time and recurring savings (offset by increased recurring costs) in military personnel as a result of closure or realignment. Be specific as to the category.

Other: Self-explanatory.

1. COMPONENT	FY 19__ MILITARY CONSTRUCTION PROJECT DATA			2. Date	
3. INSTALLATION AND LOCATION			4. PROJECT TITLE		
5. PROGRAM ELEMENT	6. CATEGORY CODE	7. PROJECT NUMBER	PROJECT COST (\$000)		
9. COST ESTIMATES					
ITEM		U/M	QUANTITY	Unit Cost	Cost (\$000)
10. DESCRIPTION OF PROPOSED CONSTRUCTION					

1.COMPONENT	FY 19__ MILITARY CONSTRUCTION PROJECT DATA			2. Date
3. INSTALLATION AND LOCATION			4. PROJECT TITLE	
5. PROGRAM ELEMENT	6. CATEGORY CODE	7. PROJECT NUMBER	PROJECT COST (\$000)	

INSTRUCTIONS FOR PREPARATION OF
DD FORM 1391/1391C
"FY __MILITARY CONSTRUCTION PROJECT DATA"

- (5) The DD Form 1391 will be used, as applicable, by the Active, Guard, and Reserve Forces to support each project proposed for inclusion in the Military Construction Program. This includes both new authorization projects in the program as well as urgent unforeseen projects using emergency or contingency authorization. This form will also be used to transmit supporting data for the following types of projects:
 - (5) Minor construction projects, 10 U.S.C. 2805.
 - (5) Operation and maintenance type projects required to be submitted to OSD in accordance with the provisions of DoD Directives 4270.36, 1225.7 and 4165.6.
 - (5) Nonappropriated fund construction projects requiring OSD concurrence or approval.
 - (5) Nonappropriated fund construction projects requiring OSD concurrence or approval.
 - (5) Family housing projects.
- (5) The continuation sheet (DD Form 1391c) will be used as required for explanation of the requirement for the project (item 11.) and other mandatory statements concerning flood plains and wetlands environmental impact, accessibility to the handicapped, fallout shelters, etc. However, when submitting an annual Military Construction Program, these mandatory statements may be included in the front of the program book.
- (5) Instructions for preparation of DD Form 1391 are outlined below:
 - (5) ITEMS 1 and 2 – COMPONENT AND DATE: Self-evident.
 - (5) ITEM 3 – INSTALLATION AND LOCATION: Enter the official name of the installation. Use code name or designations only when necessary to preclude security classification or when an official name is not available. Enter the name of the State if within the United States or the name of the country or island chain if outside the United States. In the case of Guard and Reserve Forces facilities, enter the city and State if the facility is not to be constructed on a military installation.
 - (5) ITEM 4 - PROJECT TITLE: Enter the title used in item 8, column 2 of the DD Form 1390, assuring that it corresponds to the category code in item 6.
 - (1) Except for new construction, the type of work, such as "addition," "conversion," "alteration," or "modernization" shall be used in the title.
 - (2) Where a single structure is to serve more than one purpose, the title should reflect the predominate use.
 - (3) The scope of a project or number of buildings involved will not be shown in the title (i.e., and "Enlisted Quarters" project will not be shown as "Two 250 Man Enlisted Quarters.")
 - (4) Avoid the inclusion of acronyms.
 - (5) If a project requires land acquisition estimated to cost in excess of \$50,000, the project title will be suffixed with "With Land Acquisition". Land to be acquired for the construction of several projects or for other purposes shall be programmed as a separate project and identified on a separate DD Form 1391.

d. ITEM 5 -PROGRAM ELEMENT: Enter the appropriate number as it relates to the "Five Year Defense Program," except when inclusion of this number would require classification of an otherwise unclassified form.

e. ITEM 6 - CATEGORY CODE: Enter the applicable category code using no less than three nor more than six digits consistent with item 8, column 1 on DD Form 1390.

f. ITEM 7 -PROJECT NUMBER: Enter the number of the project assigned by the Component concerned. If no number has been assigned, indicate N/A (not applicable).

g. ITEM 8 - PROJECT COST: Enter the estimated cost in thousands of dollars (excluding design except for family housing) for which funding is being requested. The amount indicated should be identical to that shown in item 8., column 4, of the DD Form 1390 and should include the costs of the primary facilities, supporting facilities, contingencies, supervision, inspection, and overhead. Figure will be the Total Request entered in item 9. and will not include the figure entered for "Equipment Provided From Other Appropriations."

h. ITEM 9 - COST ESTIMATES: This portion of the DD Form 1391 is comprised of several elements which collectively comprise the Total Request. Each element will be identified, quantified, and costed in a series of five column entries as follows:

(1) Item: Identity of the Primary or Supporting Facility, etc. as described in item 9., line 1.

(2) U/M (unit of Measure): Each entry in the "item" column will be followed in the "U/M" column by the accepted two-character abbreviation for the unit of measure associated with the quantity of the item concerned (e.g., SM, SY, LF, KV, etc.). Where it is not feasible to show a specific unit of measure, use LS (Lump Sum).

(3) Quantity: Enter the required number of units of measure comprising the "item" entry. Where "LS" is the unit of measure, enter a dash (-).

(4) Unit Cost: Enter the appropriate unit cost for each "item" entry where a unit of measure is indicated. Where the unit of measure is "LS" enter a dash in the unit cost column.

(5) COST (\$000):

(a) Enter the cost, in thousands of dollars, represented by the product of the "Quantity" and "Unit Cost" entries.

(b) When a single primary facility is listed enter the cost of the facility without parentheses. If unusual features or functional areas of the primary facility are listed, the cost of each shall be enclosed with parentheses. The sum total cost of these features shall equal the figure entered for the primary facility.

(c) When more than one primary facility is listed, the cost of each facility will be entered in the cost column without parentheses.

(d) The cost entry for the item "Supporting Facilities" shall be entered without parentheses and shall be the total of the various supporting facilities listed. However, each of the individual supporting facility costs shall be enclosed by parentheses.

(e) The cost entered for items such as "Subtotal," "Contingency," "Contract Cost," "SIOH," and "Total Request" shall be entered without parentheses. However, the cost for Equipment Provided From Other Appropriations" shall be entered as a nonadd item.

(f) Projects in category Code 500 will have separately identified the equipment purchased for the Surgeons General as "Category Equipment" showing the total cost of such equipment added to the "Total Request". Labor cost for installation of "Category E" equipment should be included in the unit cost for the primary facility because it is part of the "Total Contract Cost."

(6) PRIMARY FACILITY: Enter the identity and required columnar data for the primary facility. When the primary facility consists of two or more components the cost of the primary facility will be the sum of the costs of the individual components. In addition, subordinate components will be entered under the primary facility after indenting two spaces.

(a) Normally, the cost of fixed equipment provided as part of the construction contract (e.g., cooling, heating, and electrical systems, etc.) will be included in the cost of the primary facility. However, when the primary facility includes unusual features of significant cost, such as hyperbaric vessels and standby cooling, such features should be identified under the primary facility.

(b) Land acquisition required specifically for the project and estimated to cost \$50,000 or more shall be listed in the same manner as an unusual feature. Conversely, land acquisitions estimated to cost less than \$50,000 are to be accomplished under 10 U.S.C. 2672 and should not be listed.

(c) For family housing new construction, the entry under primary facility will show the total number of units in the project. As subordinate components to the primary facility "Units to 5' line," "GFE," and "Land Acquisition" will be shown in parentheses in the cost column to add up to the cost of the primary facility shown. Item 10 will be used to show the numbers and cost computations for the various types of living units which comprise the primary facility.

(d) "Lump-sum" funding requests are prohibited. The only instance for which separate construction projects can be combined under a single DD 1391 is when each of the projects is in the same general facility category (i.e., supply facilities, maintenance and production facilities, unaccompanied personnel housing, etc.). Programs such as "facility upgrades," "ATB Beddown Facilities," and others combining a number of disparate construction efforts must be justified as separate projects. If it is planned, in execution, to construct several of these projects at a single location under one contract, a statement to that effect should be included in the "Additional" section of Item 10.

(e) *Antiterrorism Force Protection/physical security measures: the entry under primary facility will show physical security improvements (e.g. special structural improvements, ballistic glass, etc.). Where land acquisition serves a specific purpose such as stand-off distance for force protection, the acquisition shall be listed as an antiterrorism force protection subordinate component to the primary facility.*

(7) SUPPORTING FACILITIES: List those items of construction directly related to and required for the support of the primary facility. Such items should include (a) special construction features (piles, spread footings, seismic, fill, etc.); (b) utilities (gas, oil, steam, electric, and water supply lines as well as sanitary and storm sewers); (c) site preparation; (d) roads, sidewalks, and parking; (e) site improvements (seeding, sodding, landscaping, etc.); (f) *antiterrorism force protection/physical security measures such as physical security site improvements (e.g. fencing, perimeter/area lighting, blast mitigation barriers, berms and landscaping, etc.);* and (g) demolition. All supporting facility items should be listed in terms of accepted units of measure and quantity whenever practicable. For family housing, design cost will be identified under "Supporting Facilities."

(8) SUBTOTAL: Enter the sum of the costs shown for all primary and supporting facilities.

(9) CONTINGENCY: Enter the appropriate contingency rate, in parentheses, immediately following the item designation in column 1, and enter the cost equivalent in the proper column. While the normal contingency rate is 5 percent, contingency rates may vary with unusual conditions. Therefore, rates in excess of 5 percent shall be adequately justified.

(10) TOTAL CONTRACT COST: Enter the sum of the "Subtotal" and the "Contingency" costs. In the case of Army National Guard, armory projects which are funded, in part, from other than Federal funds, enter the Federal costs on the first line and the State or other cost on the next line below.

(11) SUPERVISION, INSPECTION, AND OVERHEAD (SIOH): Enter the appropriate SIOH rate in column 1 after the item designation and reflect the cost equivalent in the proper column.

(12) TOTAL REQUEST: Enter the sum of the "Total Contract Cost" and the "SIOH". This figure should be identical to the entry in item 8., "Project Cost (\$1000)". Total request should be rounded-off to provide a more realistic approach to the presentation of MILCON programs. The following guidance is provided for "rounding-off" a projects' total request:

Project (P) Estimate (\$000)		Rounding Guidance (\$000)
< 1,000		Nearest \$ 10K
1,000 to 5,000		Nearest \$ 50K
5,000 to 10,000		Nearest \$ 100K
10,000 to 15,000		Nearest \$ 200K
15,000 to 20,000		Nearest \$ 500K
> 20,000		Nearest \$ 1,000K

(13) EQUIPMENT PROVIDED FROM OTHER APPROPRIATIONS: Enter the total cost of equipment which is procured with other than MILCON funds and which is essential to the mission of the facility. DD Form 1391 should reflect only the cost of equipment identified in the Associated Equipment Report. If no such major equipment is associated with the project, enter a "zero" in the appropriate space. Note that this figure is not included in the "Total Request" above. This excludes minor items procured with O&M funds, and in the case of Army National Guard, excludes equipment provided from other than Federal appropriations.

i. ITEM 10 - DESCRIPTION OF PROPOSED CONSTRUCTION:

(1) In a clear and concise manner, provide a complete outline of all principal features of the work and its correlation with the various data entered in item 9.

(2) *List specific antiterrorism force protection measures and antiterrorism force protection considerations that this project provides.*

(3) Begin with an accurate description of the primary facility. For buildings, indicate the materials planned to be used for the frame, walls, roof, and foundations, and identify the major functions for which space is being provided. For structures other than buildings, describe each major element required to produce a complete and usable facility. Avoid the use of generalities such as "most economical means" or "modern methods and materials."

(4) Provide only such additional descriptive details as are necessary for clarity.

(5) Identify and list the buildings or structures to be demolished in connection with the proposed construction, if applicable.

(6) For single person quarters projects, indicate the grade mix of personnel, officer or enlisted, who will occupy the facilities.

(7) For projects involving additions, alterations, or conversions, describe the changes to be made.

(8) At the last entry in item 10., indicate the amount of air conditioning required (e.g., air conditioning - 15 tons).

j. ITEM 11 - REQUIREMENT: This portion of the DD Form 1391 is comprised of five elements which are to be set forth in the following format:

(1) Immediately after the item title "Requirement" indicate, in appropriate units of measure, the total facility requirement (e.g., 77, 366 SF), followed by two additional entries giving the status of the existing facility (e.g., adequate: 66,134 SF; substandard: -0-).

(2) PROJECT: Provide a one-sentence statement indicating what this project provides.

(3) REQUIREMENT: Provide detailed, informative statements as to precisely why the project is needed. Use positive statements to support the requirement and avoid the use of such words as "inadequate," "uneconomical," and "necessary" unless they are fully explained. Similarly, when identifying contributing factors, assure that the presentation leaves no pertinent questions unanswered (e.g., *vulnerability to terrorist threats (reference threat/vulnerability assessment)*; excessive maintenance (show cost comparison); self-liquidation (show amortization); or advanced deterioration (describe effects)). The requirements must establish maximum utilization of existing facilities and identify alternatives considered, along with reasons for their rejection.

(4) CURRENT SITUATION. Describe how and under what conditions the requirement is presently being met. Comments should support the stated requirement and include the identity and description of current assets as well as the reason they are considered unsuitable for continued use. For Guard and Reserve Forces projects which are to replace existing facilities, identify and describe the disposition to be made of them. Similarly, for Guard and Reserve Forces facilities to be constructed and/or utilized jointly with other Guard/Reserve components, include pertinent information and status of coordination or negotiations.

(5) IMPACT IF NOT PROVIDED. Describe the manner and extent to which mission accomplishment would be affected if the project were not approved.

(6) ADDITIONAL. If the project is justified on an economic basis (primary economic analysis), so state and indicate the projected payback period. As a minimum, all renovation, upgrade, and replacement projects must be supported by an economic analysis. For all other projects, state precisely why a primary economic analysis cannot be applied to the project. When providing supporting documentation for the OSD budget submission, enter appropriate statements on commercial/industrial operations in accordance with the OMB Circular A-76 and as required by applicable DoD Instruction. Entry of this information on the DD 1391 or on a separate DD 1391c is optional. For all overseas projects, state whether or not the project is eligible for NATO Infrastructure or other host nation funding.

NOTE: Space requirements for items 10. and 11. will vary. Therefore, remaining space on the DD Form 1391 may be used as necessary for the specific entries and continued on a DD Form 1391c as appropriate. A solid, black line should be used to set items 10. and 11. apart, and individual item titles and subheadings should be added.

BASE REALIGNMENT AND CLOSURE ENVIRONMENTAL PROGRAM**FY ____ BUDGET ESTIMATE****PROGRESS REPORT****COMPONENT: _____****(\$ In Thousands)**

FY PY	FY CY			FY BY2	FY BY2	FY BY2	FY BY2
<u>Actual</u>	<u>Estimate</u>	<u>FY BY1</u>	<u>FY BY1</u>	<u>+1</u>	<u>+2</u>	<u>+3</u>	<u>+4</u>

I. CLEANUP**A. ASSESSMENTS**

1. STARTS - # OF SITES
2. COMPLETIONS - # OF SITES
3. FUNDING LEVEL - \$

ANALYSIS/INVESTIGATIONS

1. STARTS - # OF SITES
2. COMPLETIONS - # OF SITES
3. FUNDING LEVEL - \$

C. INTERIM ACTIONS

1. STARTS - # OF SITES
2. COMPLETIONS - # OF SITES
3. FUNDING LEVEL - \$

D. REMEDIAL DESIGNS

1. STARTS - # OF SITES
2. COMPLETIONS - # OF SITES
3. FUNDING LEVEL - \$

E. REMEDIAL ACTION

1. STARTS - # OF SITES
2. COMPLETIONS - # OF SITES
3. FUNDING LEVEL - \$

F. REMEDIAL ACTION

1. STARTS - # OF SITES
2. COMPLETIONS - # OF SITES
3. FUNDING LEVEL - \$

G. LONG TERM OPERATIONS

1. STARTS - # OF SITES
2. COMPLETIONS - # OF SITES
3. FUNDING LEVEL - \$

H. PRP

1. STARTS - # OF SITES
2. COMPLETIONS - # OF SITES
3. FUNDING LEVEL - \$

I. BDDR - \$**J. SUBTOTAL - \$****II. COMPLIANCE - \$****III. PLANNING - \$****IV. ADMINISTRATION****A. MANAGEMENT - \$****B. WORKYEARS - \$****C. DSMOA - \$****D. ATSDR - \$****E. EPA - \$****F. FINES - \$**

FY PY	FY CY			FY BY2	FY BY2	FY BY2	FY BY2
<u>Actual</u>	<u>Estimate</u>	<u>FY BY1</u>	<u>FY BY1</u>	<u>+1</u>	<u>+2</u>	<u>+3</u>	<u>+4</u>

V. TOTAL

- A. # OF SITES AT BEGINNING OF**
- B. # INSTALLATIONS BEGINNING**
- C. FUNDING REQUIREMENTS - \$**

Exhibit BRAC Env-1A
(Page 2 of 2)

BASE REALIGNMENT AND CLOSURE ENVIRONMENTAL PROGRAM**FY ____ BUDGET ESTIMATE****FUNDING BY PRIORITY****COMPONENT: _____****(\$ In Thousands)**

	FY PY	FY CY		FY BY2	FY BY2	FY BY2	FY BY2
	<u>Actual</u>	<u>Estimate</u>	<u>FY BY1</u>	<u>FY BY1</u>	<u>+1</u>	<u>+2</u>	<u>+2</u>
I. INSTALLATION RESTORATION PROGRAM (IRP)							
A. High Relative Risk with Reuse Plan							
1. Total # of sites at beginning of FY							
2. Funding requirements (\$)							
(a) Analysis (\$)							
(b) Cleanup (\$)							
B. High Relative Risk without Reuse Plan							
1. Total # of sites at beginning of FY							
2. Funding requirements (\$)							
(a) Analysis (\$)							
(b) Cleanup (\$)							
C. Medium Relative Risk with Reuse Plan							
1. Total # of sites at beginning of FY							
2. Funding requirements (\$)							
(a) Analysis (\$)							
(b) Cleanup (\$)							
D. Medium Relative Risk without Reuse Plan							
1. Total # of sites at beginning of FY							
2. Funding requirements (\$)							
(a) Analysis (\$)							
(b) Cleanup (\$)							
E. Low Relative Risk with Reuse Plan							
1. Total # of sites at beginning of FY							
2. Funding requirements (\$)							
(a) Analysis (\$)							
(b) Cleanup (\$)							
F. Low Relative Risk without Reuse Plan							
1. Total # of sites at beginning of FY							
2. Funding requirements (\$)							
(a) Analysis (\$)							
(b) Cleanup (\$)							
G. Not Evaluated for risk with Reuse Plan							
1. Total # of sites at beginning of FY							
2. Funding requirements (\$)							
(a) Analysis (\$)							
(b) Cleanup (\$)							
H. Not Evaluated for risk without Reuse Plan							
1. Total # of sites at beginning of FY							
2. Funding requirements (\$)							
(a) Analysis (\$)							
(b) Cleanup (\$)							
I. Remedial Action Operations							
Funding Requirements (\$)							
J. Long Term Monitoring							
Funding Requirements (\$)							
K. PRP							
Funding Requirements (\$)							

	FY PY	FY CY			FY BY2	FY BY2	FY BY2	FY BY2
	<u>Actual</u>	<u>Estimate</u>	<u>FY BY1</u>	<u>FY BY1</u>	<u>+1</u>	<u>+2</u>	<u>+2</u>	<u>+4</u>
L. No Further Action								
Total # of sites at beginning of FY								
M. TOTAL IRP (\$)								
II. OTHER HAZARDOUS WASTE (UXO CLEANUP)								
Priority 1. Imminent Threats to Human Safety								
Priority 2. Possible Threats to Human Safety								
Priority 3. Marginal Threats to Human Safety								
Priority 4. Remote Threats to Human Safety								
Not Evaluated								
Subtotal - Other Hazardous Waste (\$)								
III. BUILDING DEMOLITION / DEBRIS REMOVAL PROGRAM (BDDR)								
A. Imminent Threats to Human Safety, Health, or to the Environment								
B. Other								
Subtotal - BDDR (\$)								
IV. TOTAL PROGRAM (\$)								

CHAPTER 8
REAL PROPERTY MAINTENANCE/MINOR CONSTRUCTION
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CHAPTER 8

REAL PROPERTY MAINTENANCE/MINOR CONSTRUCTION**0801 GENERAL****080101 Purpose**

A. This chapter provides instructions applicable to budget formulation and congressional justification for Real Property Maintenance and Minor Construction.

B. The following appropriations and accounts are covered:

Section

0802

- Operation and Maintenance Appropriations
- Research, Development, Test, and Evaluation Appropriations

080102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 8 covers specific additional back-up material requirements for the above Real Property Maintenance and Minor Construction accounts.

080103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 8 provides additional specific guidance with regard to the back-up material required for Real Property Maintenance and Minor Construction.

080104 References

Chapter 3 provides guidance related to Operation and Maintenance costs and submission organization and Chapter 5 provides guidance, submission organization and formats related to Research, Development, Test, and Evaluation appropriations.

080105 Definition of Repair and Maintenance

A. *Repair means "to restore a real property facility, system or component to such a condition that it may effectively be used for its designated functional purpose".*

B. *When repairing a facility, the components of the facility may be repaired by replacement, and the replacement can be up to current standards or codes. For example, Heating, Ventilation, and Air Conditioning (HVAC) equipment can be repaired by replacement, can be state-of-the-art, and provide for more capacity than the original unit due to increased demand/standards. Interior rearrangements (except for load-bearing walls) and restoration of an existing facility to allow for effective use of existing space or to meet current building code requirements (for example, accessibility, health, safety, or environmental) may be included as repair.*

C. *Additions, new facilities and functional conversions must be done as construction. Construction projects may be done concurrent with repair projects as long as the projects are complete and useable.*

0802 BUDGET ESTIMATES SUBMISSION**080201 Purpose**

A. This Section prescribes instructions for the preparation and submission of budget estimates for Real Property Maintenance and Minor Construction requirements.

B. Guidance covers all Operation and Maintenance, RDT&E, Real Property Maintenance (RPM) and minor construction costs. Real Property Maintenance and minor construction includes: all recurring maintenance costs and repair projects (MRP), minor construction (MC) costs, real property renovation project costs (that combine minor construction and repair costs), and planning and design costs associated with projects; providing funding support to maintain and repair buildings, structures, warehouses, roadways, aprons, railway trackage, utility plants, distribution systems, and other real property. O&M funded minor construction includes funding for the erection, installation, or assembly of new facilities, and for the alteration, or conversion of existing facilities and can cost up to a maximum of \$500,000 per project, or up to \$1,000,000 if the project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening and \$300,000 for reserve accounts. These categories do not include RPM funds included in Defense Working Capital Funded activities. These accounts also do not include operation of utilities, utility charges, annual lease payments, or other support services (such as custodial contracts, snow removal, etc.) included in Base Operations Support. For analysis purposes, RPM expenditures fall into two general categories: (1) annual operational expenses which include all recurring maintenance costs and contracts, and minor repair or minor construction projects costing up to \$15,000 per project, and (2) RPM facility investments which include major repair projects (costing more than \$15,000 per project) and minor construction projects costing between \$5,000 and \$500,000 per project.

C. Program funding submitted in Component justification materials must reflect the approved funding levels identified in the RPM Program Elements in the current FYDP.

D. Examples of special budget exhibits can be found in Section 0806.

080202 Submission Requirements

A. General Guidance. All Components (i.e., active forces, defense agencies, national guard and reserve forces) shall submit justification data and exhibits to support budget estimates for Real Property Maintenance and Minor Construction, in a separate bound attachment (reference Chapter 3, Section 030201). Two copies of this attachment will be delivered to: Directorate for Construction, Program/Budget, OUSD(C) Room 3D840, Pentagon, on the same date as all other submissions required for O&M Appropriations. Exhibits required include:

- | | |
|--------|--|
| OP-27 | Real Property Maintenance Activities |
| OP-27P | Real Property Maintenance and Minor Construction Projects (All Appropriations - Projects Costing More than \$ 500,000) |
| OP-28 | Summary of RPM and PRV (All Appropriations) |
| OP-5 | Part 2 Attachment 5: Real Property Maintenance and Minor Construction |

B. Military and civilian personnel costs reflected on Exhibit OP-28, will include only those personnel assigned in support of RPM and minor construction accounts. It will include those personnel performing planning and design functions for both projects and installation RPM surveys and RPM master planning, but will exclude those involved in other base operating services or support services.

C. For the biennial budget, separate sections or volumes will be provided for Biennial Year 1 (BY1) and Biennial Year 2 (BY2). For the Biennial Year 2 (BY2) section, BY1 will be considered as the prior year and BY2 as the budget year.

080203 Preparation of Material

All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper, while exhibits will be typed across the long dimension.

0803 CONGRESSIONAL JUSTIFICATION/PRESENTATION**080301 General**

Components are required to conform to the PBD approved funding levels when submitting final budget exhibits to Congress.

080302 Organization of Justification Books

See chapters covering specific appropriation (Operation and Maintenance - Chapter 3, RDT&E Chapter 5, RPMD same as O&M in Chapter 3). In addition to exhibits cited in section 0802, a PBA-7, Real Property Maintenance exhibit is also required.

0804 REVENUE FROM TRANSFER OR DISPOSAL OF DOD REAL PROPERTY AND REVENUE FROM LEASING OUT OF DOD ASSETS**080401 General**

Sections 2805 and 2806 of the FY 1991 National Defense Authorizations Act, P.L. 101-510, require detailed information on revenues, transfers, and the use of proceeds derived from these authorities as follows:

080402 Revenue From Transfer or Disposal of DoD Real Property (Section 2805)

When revenue from the transfer or disposal of DoD Real property is received, there is a requirement to identify each transfer and disposal made during the fiscal year, including a detailed explanation of each such transfer and disposal and of the use of the proceeds received. An estimate for the current and budget year transfers or disposals should also be included.

080403 Revenue From Leasing Out of DoD Assets (Section 2806)

When revenue from leasing out of DoD assets is received, there is a requirement to identify each lease entered into during the fiscal year, including a detailed explanation of each lease and amendments, and of the use of the lease proceeds that were expended. An estimate for the current and budget year leases and revenues should also be included.

080404 Deposit and Accounting Procedures

Cash receipts obtained from the transfer or disposal of real property will be deposited into the Disposal of DoD Real Property Account, 97X5188. Cash receipts obtained from leasing out of DoD assets will be deposited into the Lease of DoD Real Property, 97X5189. Accounting instructions are included in Volume 12, Chapter 14, of the DoD Financial Management Regulation.

080405 Funds Release Procedures

Funds deposited into these accounts are available only for purposes of maintenance and repair and environmental restoration at U.S. facilities as specified in the Act. The Components may request release of funding, based on verifiable deposits, by memorandum to the USD Comptroller, Director for Construction.

080406 Budget Exhibits for Congressional Submission

To comply with this requirement, a PB-34 exhibit must be completed by each component and included in the O&M RPM Justification Book (Volume II) for both the revenue from the transfer or disposal of DoD real property (Section 2805) and for the revenue from leasing out of DoD assets (Section 2806).

0805 DOD OVERSEAS MILITARY FACILITY INVESTMENT RECOVERY ACCOUNT**080501 General**

Section 2921 of the FY 1991 National Defense Authorizations Act, P.L. 101-510, established the Department of Defense Overseas Military Facilities Investment Recovery account. The purpose of the account is to collect payments from host nations for the value of new construction and improvements made by the United States at overseas military installations being returned.

080502 Deposit and Accounting Procedures

Cash receipts obtained from return of overseas real property and improvements to host nations will be deposited into the DoD Overseas Military Facility Investment Recovery Account, 97X5193. Accounting instructions are included in USD Comptroller letter, dated 17 June 1991, subject: Guidance for Department of Defense Overseas Military Facility Investment Recovery Account (which will be superseded by Volume 12 of the DoD Financial Management Regulation when published).

080503 Funds Release Procedures

Funds deposited into the DoD Overseas Military Facility Investment Recovery Account are available only for purposes of maintenance and repair and environmental restoration at U.S. facilities and maintenance and repair and environmental compliance at military facilities outside the U.S. as specified in the Act. The Components may request release of funding, based on verifiable deposits, by memorandum to the USD Comptroller, Director for Construction.

080504 Budget Estimate Submission Exhibit

Components returning overseas military facilities to host nations that have resulted in collections to this account must complete OP-29. This exhibit provides information on the cost and improvements, depreciation, residual value, and amount collected from the host nation that is necessary in accomplishing an annual report to the Congress. It also documents proposed real property maintenance or environmental restoration/compliance projects at military installations to be financed from the proceeds deposited into this account.

0806 REAL PROPERTY MAINTENANCE/MINOR CONSTRUCTION FORMATS**080601 Purpose**

The special formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

080602 Exhibits in Support of Section 0802 - Budget Estimates Submission

OP-27 Real Property Maintenance Activities	9
OP-27P Real Property Maintenance and Minor Construction - Projects Over \$ 500,000	11
OP-28 Summary of Major Repair Projects	13
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080603 Additional Exhibits in Support of Section 0803 - Congressional Justification/Presentation

PBA-7 Real Property Maintenance	17
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080604 Exhibit in Support of Section 0804 - Revenue From Transfer or Disposal of DoD Real Property and Revenue from Leasing out DoD Assets: Congressional Justification/Presentation

PB-34 Revenue from Leasing Out of Department of Defense Assets	18
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080605 Exhibit in Support of Section 0805 - DoD Overseas Military Facility Investment Recovery Account: Budget Estimates Submission

OP-29 Overseas Military Facility Investment Recovery Account.....	19
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Real Property Maintenance Activities

DoD Component _____

Appropriation _____

Program Element Number(s) _____

FY 19 _____

Date _____

Functional Category

at Work Functions

Workload

Operation & Maintenance Costs (\$000)

Civilian

Military

Personnel

Data

Personnel

Contracts

Other

Total

(\$000)

BMAR

Active Installations

1. Maintenance & Repair

a. Utilities

XXX

b. Other Real Property

XXX

(1) Buildings

KSF

(2) Other Facilities

XXX

(3) Pavements

KSY

(4) Land

ac

(5) Railroad Trackage

KLF

2. Minor Construction

3. Operation of Utilities

a. Electricity-Purchased

KWH

b. Electricity-In House

KWH

c. Heat-Purchased Steam/Water

MBTU

d. Heat-In House Generated Steam/Water

MBTU

e. Water Plants & Systems

KGAL

f. Sewage Plants & Systems

KGAL

g. Air Conditioning & Refrigeration

TONS

h. Other

XXX

4. Other Engineering Support

a. Services

XXX

b. Admin & Overhead

XXX

c. Rentals, Leases & Easements

XXX

Total Active Installations

Inactive Installations

Grand Total

Instruction:

(1) Complete for each O&M and RPMD appropriation and provide applicable program element numbers.

(2) Cost data to reflect obligations.

(3) Data required for past, current and budget years. Definitions to be in accordance with DoD Instruction 4165.58.

Exhibit OP-27 Real Property Maintenance Activities
(page 1 of 2)

BACKLOG OF MAINTENANCE AND REPAIR (BMAR) OF REAL PROPERTY
(\$ in Thousands)

DoD Component: _____

Appropriation: _____

	(Prior) <u>PY</u> \$	(Current) <u>CY</u> \$	(Budget) <u>BY1</u> \$	(Budget) <u>BY2</u> \$
A. BACKLOG - BEGINNING OF YEAR				
(BACKLOG CARRIED FORWARD FROM PRIOR YEARS)				
(MINUS BACKLOG MORE THAN FOUR YEARS OLD)				
(ADJUSTED BACKLOG CARRIED FORWARD)				
(INFLATION ADJUSTMENT)				
(FOREIGN CURRENCY REVALUATION)				
B. <u>REQUIREMENTS:</u>				
(RECURRING MAINTENANCE & REPAIR)				
(MAJOR REPAIR PROJECTS)				
(BACKLOG DETERIORATION)				
C. TOTAL REQUIREMENTS (A + B)				
D. <u>PROGRAM ADJUSTMENTS:</u>				
(DIRECT PROGRAM FUNDING)				
(FUNDS MIGRATION FROM OTHER PROGRAM AREAS)				
(NET OTHER ADJUSTMENTS) <u>a/</u>				
E. <u>BACKLOG - END OF YEAR</u> (C - D) <u>b/</u>				
F. <u>PERCENT BMAR CHANGE</u> (E , A)				

a/ Net other adjustments - Projects dropped from BMAR program, project cost changes, new BMAR projects added, non-qualifying unfinanced work, other changes. Attach a footnote highlighting the major items reflected in the estimate.

b/ BMAR is defined as the total maintenance and repair which remains as a verified firm requirement that was not started during the fiscal year due to lack of resources.

EXHIBIT OP-27 (page 2 of 2)

DoD Component _____
Appropriation: _____

REAL PROPERTY MAINTENANCE ACTIVITIES
FY XXXX/FY XXXX PRESIDENT'S BUDGET
Major Repair/Major Repair With Concurrent Minor Construction Projects
(Costing more than \$ 500,000.00)

<u>State</u> <u>a/</u>	<u>Location/Installation</u>	<u>Project Title</u> <u>b/</u>	(\$ 000) <u>Cost</u>
<u>Justification: c/</u>			

Total Minor Construction: d/
Total Repair and Maintenance: e/
Total Active Installations: f/
Total Inactive Installations: g/

Grand Total:

Exhibit OP-27P Real Property Maintenance and Minor Construction - Projects Over \$ 500,000
(page 1 of 2)

Notes:

a/ Prepare this exhibit by State, in alphabetical order, following the same format as the MilCon C-1 Annex.

b/ The Project Title. A short title that describes the nature of the project (example; "Repair Roof, Bldg. 15").

c/ The Justification is a short narrative that describes the nature of the project, scope of the project, and the reason it is required (example; Title - "Repair Roof, Bldg. 15", Justification - "Projects repairs 40,000 SF roof on warehouse. Repairs required to fix trusses and roof leaks. Repairs needed due to age of facility (37 years), and normal deterioration from weather and other causes").

d/ Minor Construction. This is the total cost of minor construction being used concurrently for major repair projects appearing in this exhibit.

e/ Total Repair and Maintenance This column is the total of costs for all projects listed in this exhibit. It includes only projects costing more than \$500,000. All totals will be listed only at the end of the exhibit.

f/ Total Active Installations. This column is the sum of Minor Construction costs, and the total costs of Repair and Maintenance projects costing more than \$500,000, for active installations.

g/ Total Inactive Installations. This column is computed in the same manner as "f" above, for inactive installations. The Grand Total is the sum of costs reflected in this exhibit, for both active and inactive installations.

Exhibit OP-27P (page 2 of 2)

**Maintenance of Real Property Facilities
(Dollars in Thousands)**

SUMMARY

	<u>FY 19PY Actual</u>	<u>FY 19CY Estimate</u>	<u>FY 19BY1 Estimate</u>	<u>FY BY2 Estimate</u>
1. <u>Funded Program</u>				
a. <u>Category of Maintenance</u>				
(1) Recurring Maintenance	_____	_____	_____	_____
(2) Repair Projects:				
a. up to \$15,000 per project	_____	_____	_____	_____
b. greater than \$15,000	_____	_____	_____	_____
(3) Minor Construction:				
a. up to \$15,000 per project	_____	_____	_____	_____
b. greater than \$15,000	_____	_____	_____	_____
Total RPM:	_____	_____	_____	_____
b. <u>Budget Activity</u>				
BA	_____	_____	_____	_____
BA	_____	_____	_____	_____
Total RPM:	_____	_____	_____	_____
c. <u>Staffing (in end strength)</u>				
military personnel	_____	_____	_____	_____
civilian personnel	_____	_____	_____	_____
2. <u>Backlog of Maintenance and Repair</u>	_____	_____	_____	_____

**Exhibit OP-28 Summary of Major Repair Projects
(page 1 of 2)**

3. <u>Facility Category</u>	Plant Replacement Value (Dollars in Millions)				Funded Program (Dollars in Millions)			
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Operational								
Communications/Aviation								
Waterfront and Harbor								
Training								
Aviation Maintenance								
Shipyard Maintenance								
Other Maintenance								
Production								
POL Supply/Storage								
Ammo Supply/Storage								
Other Supply/Storage								
Hospital/Medical								
Administrative								
Troop Housing/Dining								
Other Personnel Support								
Services								
Utility Systems								
Real Estate/Structures								
Land Improvements								
Rail Trackage								
Minor Construction								
O&M Funded RDT&E								
RDT&E Funded RPM (PE XXXXXX)								

Total:

NOTE: Part 1. will include three sections; one by category as specified, and one by budget activity, and one reflecting manpower. Part 2. will be the backlog of maintenance repair at the end of the fiscal year. Part 3. will identify Plant Replacement Value (PRV), and repair, maintenance and minor construction funding by facility investment code, as specified in DoD real property investment categories as defined by DODI 4165.3 and the DoD Accounting Manual (which will be superseded by Volume 4 of this manual when published).

REAL PROPERTY MAINTENANCE AND MINOR CONSTRUCTION

Activity Group: Real Property Maintenance and Minor Construction

I. Narrative Description:

(Same as for the basic OP-5 exhibit)

II. Description of Operations Financed:

(Same as for the basic OP-5 exhibit)

III. Financial Summary (O&M in thousands):

A. Subactivity Breakout (Same column headings as the basic OP-5 exhibit)

Total

B. OP-32 Line items as applicable

(Same as for the basic OP-5 exhibit)

C. Reconciliation of Increases and Decreases

(Same as for the basic OP-5 exhibit)

IV. Performance Criteria and Evaluation:

A. Maintenance & Repair

Utilities (XXX)

Buildings (KSF)

Pavements (KSY)

Land (AC)

Other Facilities (KSF)

Railroad Trackage (KLF)

Recurring Maintenance

Major Repair

B. Minor Construction

Number of Projects

REAL PROPERTY MAINTENANCE AND MINOR CONSTRUCTION

C. Administration and Support

Number of A&E Contracts

Planning and Design Funds

Military E/S

Civilian E/S

Total Personnel E/S

Number of Installations

Backlog of Maintenance and Repair (thousands)

V. Personnel Summary:
(Same as for basic OP-5 exhibit)

VI. Outyear Data:
(Same as for basic OP-5 exhibit)

ADDITIONAL INSTRUCTIONS

This schedule is for all repair, maintenance and minor construction funding and support for real property. Additional performance criteria and workload indicators may be included for any functional category. Include direct Operations and Maintenance costs, contractual costs of RPM & MC projects, including planning and design contracts supporting RPM & MC projects, and direct personnel costs (exclude amounts funded from Military Personnel appropriations).

**REAL PROPERTY MAINTENANCE
COMPONENT TITLE**

(\$ in Millions)

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>
<u>Appropriation Summary:</u> Operation and Maintenance,	Submit a separate exhibit for each O&M appropriation.			

Description of Operations Financed: Separately describe maintenance and repair of real property and minor construction.

PROGRAM DATA

(Provide applicable program data)

Maintenance and Repair of Real Property
Minor Construction
Backlog of Maintenance and Repair (BMAR)

PERSONNEL DATA

Active Force Personnel

Officer
Enlisted
Cadets
Total

Civilian Personnel

U.S. Direct Hires
Foreign National Direct Hire
Total Direct Hire
Foreign National Indirect Hire
Total

Discussion:

Directions

Reflect program data under "Description of Operations Financed" and "Program Data" sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for \$ provide in nearest tenth of a million) between the Current Year and Biennial Year 1 and between Biennial Year 1 and Biennial Year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also identify any applicable major pricing changes between years.

Identify on the bottom of the exhibit a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

Exhibit PBA-7 Real Property Maintenance

DEPARTMENT OF _____
REVENUE FROM LEASING OUT OF DEPARTMENT OF DEFENSE ASSETS
FY 1995 PRESIDENT'S BUDGET

	<u>(Rental Amount Received in \$ Thousands)</u>		
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY</u>
1. Lease	\$XX,XXX	\$XX,XXX	\$XX,XXX
(a) <u>Explanation of Lease</u>			
(b) <u>Explanation of Anticipated Expenditures Resulting from Rentals by Fiscal Year</u>			
(c) <u>Actual Use of Revenue Generated from Rentals in Prior Year</u>			
(d) <u>Explanation of Amendments Made to Existing Leases</u>			
Total Department of _____	\$XX,XXX	\$XX,XXX	\$XX,XXX

Instructions: Each revenue-generating lease should be listed above with an estimate of rental amount to be received in each fiscal year in thousands of dollars. For **Explanation of Lease**, include the name of the location, state, and a brief description/purpose of the lease. For **Explanation of Anticipated Expenditures Resulting from Rentals**, a description of anticipated uses for revenues collected is required. Include different explanations by fiscal year, if the purpose is anticipated to differ. For **Actual Use of Revenue Generated from Rentals in Prior Year**, this entry would be negative for FY 1992 since FY 1993 is the first year of entry. For **Explanation of Amendments Made to Existing Leases**, include a description of any changes made to leases in prior years, or as an update to a present or future year lease described during the past submission.

(NOTE: The same exhibit would also be prepared for Revenue from Transfer or Disposal of DoD Real Property)

Exhibit PB-34 Revenue from Leasing Out of Department of Defense Assets

DEPARTMENT OF _____
OVERSEAS MILITARY FACILITY INVESTMENT RECOVERY ACCOUNT

	(Dollars in Thousands)	
PART A: REAL PROPERTY ASSETS DISPOSED	<u>FY PY-1</u>	<u>FY PY</u>
<u>Host nation providing consideration/payment</u>		
1. Description of facility, location, and amount received:	\$XX,XXX	
(a) Total amount of the investment (cost plus improvements) in the facility:	\$XX,XXX	
(b) Depreciated value of facility (facility cost (a) adjusted for inflation and depreciation):	\$XX,XXX	
(c) Explanation of any difference between amount received from host nation and the depreciated value:		
Total payments by host nation:	\$XX,XXX	\$XX,XXX
Total payments by all host nations:	\$XX,XXX	\$XX,XXX

**PART B: PROPOSED REAL PROPERTY MAINTENANCE OR ENVIRONMENTAL RESTORATION/COMPLIANCE PROJECTS AT
MILITARY INSTALLATIONS PROPOSED TO BE FUNDED FROM PROCEEDS:**

<u>State</u>	<u>Installation</u>	<u>Project Title</u>	Cost (Dollars in Thousands)	
			<u>FY CY</u>	<u>FY BY</u>
			\$XX,XXX	\$XX,XXX
		<u>(Description/Justification)</u>		

Exhibit OP-29 Overseas Military Facility Investment Recovery Account

CHAPTER 9
DEFENSE WORKING CAPITAL FUNDS
ACTIVITY GROUP ANALYSIS
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CHAPTER 9

★July 1998

DEFENSE WORKING CAPITAL FUNDS
ACTIVITY GROUP ANALYSIS**0901 GENERAL****090101 Purpose**

This chapter highlights the policies and justification procedures underlying budget formulation for the Defense *Working Capital Funds (DWCF)*.

090102 Background

A. Revolving funds were established to satisfy recurring Department of Defense requirements using a businesslike buyer-and-seller approach. The generators of requirements justify the need for funds to the Congress, but are not always the organizations that execute the requirement. In some instances, the "customers" or "buyers" contract with DoD "provider" or "seller" organizations that have expertise in the service or product required, and operate under business financial management principles. Unlike profit-oriented commercial businesses, the revolving funds goal is to break even over the long term. Revolving fund selling prices established in the budget are stabilized or fixed during execution to protect customers from unforeseen fluctuations that would impact on their ability to execute the programs approved by the Congress.

B. The basic tenet of the revolving fund structure is to create a customer-provider relationship between military operating units and support organizations. This relationship is designed to make managers of support organizations funded through DWCF and decision-makers at all levels more concerned with the costs of goods and services. Requiring the operating forces to pay for support they receive provides increased assurance that services supplied and paid for are actually needed.

Prior to the establishment of an activity under DWCF, a charter, which sets forth the scope of the activity group shall be prepared and signed by the Secretary or Assistant Secretary of the Military Department or by the Director of a Defense Agency, as applicable. The charter is submitted to the Comptroller of the Department of Defense for approval. Four criteria are used in evaluating potential activity groups for inclusion into the Fund. The four criteria are: identification of outputs that relate to products or services provided by the business to customers; establishment of a cost accounting system to collect costs of producing outputs; identification of customers so that resources can be aligned with the requirements; and evaluation of buyer-seller advantages and disadvantages to include assessment of the customers' ability to influence cost by changing demand.

C. Revolving funds have been in use by the Military Components for a considerable period of time. Modern day revolving fund authority is provided by the National Security Act of 1947, as amended (Title 10 U.S.C., Section 2208). The FY 1996 DoD Authorization Act (Public Law 104-106) codified the Defense Business Operations Fund (the predecessor of the Defense Working Capital Fund) in Chapter 131 of Title 10, U.S.C.

D. Revolving fund activities evolved from two distinct categories. The first type, Stock Funds, dealt with procuring material in volume from commercial sources and holding an inventory. Subsequently, activities sold to the authorized customer who needed the item in order to achieve weapon systems readiness or provide required personnel support items. The second type, Industrial Funds, provided industrial and commercial goods and services such as depot maintenance, transportation, and research and development. Both types of revolving funds were financed primarily by reimbursements from customers' appropriated accounts.

E. The Department of Defense expanded the use of businesslike financial management practices through the establishment of the Defense Business Operations Fund (DBOF) on October 1, 1991. Building on revolving fund principles, cost and performance are linked together and the Fund's managers are expected to operate within cost goals established in operating and capital budgets.

F. DBOF combined existing commercial or business operations that were previously managed as individual revolving funds into a single revolving, or business management, fund. The Fund Treasury account has five subaccounts (one for each Military Department and Defense-wide). *On December 11, 1996, the Under Secretary of Defense (Comptroller) reorganized DBOF and created four Working Capital Funds: Army, Navy, Air Force, and Defense-Wide. Further, on December 16, 1997, a separate Working Capital Fund was established for the Defense Commissary Agency effective in FY 1999. This change retains the numerous benefits and improvements resulting from the implementation of DBOF while clearly establishing the Component's responsibility for managing the functional and financial aspects of their activities.*

G. Prior to FY 1992, industrially funded activities did not receive funding documents. All funding authority was provided through customer orders. With the implementation of the Funds, annual operating budgets that provide official management cost goals *and capital budgeting limitations* are issued to the Services and Agencies for each activity group.

H. For businesses within the Fund, high level unit cost goals and fixed prices make it possible to measure changes in cost based on financial operating results. This cost-oriented approach encourages management to look at all costs, including overhead, in terms of the output of the business and provides visibility of cost drivers.

090103 Policy

These policy statements are provided for budget formulation and are to be used as the basis for preparing Budget Estimate Submissions (BES).

A. Cash Management

The cash management policy is to maintain the minimum cash balance necessary to meet both operational requirements and disbursement requirements in support of the capital program. Cash generated from operations is the primary means of maintaining adequate cash levels. The ability to generate cash is dependent on setting rates to recover full costs to include prior year losses; accurately projecting work load; and meeting established operational goals.

The responsibility for *DWCF* cash management was returned to the Components and Agencies effective February 1, 1995. This provides activity group managers additional control of and accountability for their operations, since cash management is an integral part of operational and cost management. Since cash management has been decentralized, there is no longer a requirement for the Defense Finance and Accounting Service (DFAS) to implement automatic advance billing procedures when overall Departmental cash levels fall below \$1 billion, and it has been determined that the cash shortage was not caused by an anomaly. Volume 11B will be updated to reflect this change in policy.

The major points included in the policy are:

- Effective cash management is directly dependent on the availability of accurate and timely data on cash levels and operational results.

- Cash levels *should* be maintained at 7 to 10 days of operational cost and cash adequate to meet six months of capital disbursements. *Cash levels will be calculated using the following formula: Total operating budget disbursements for a fiscal year divided by either 260 or 261 available workdays in a fiscal year (as documented in OMB Circular A-11) multiplied by the number of days cash desired. This amount is then added to the projected disbursements for six months of Capital Investment Program Outlays.*

- Cash plans will be developed to facilitate the cash management process. Plans consider collections, disbursements, appropriations, and other cash transactions based on Component estimates. This annual plan will be initially developed during the budget process and will be an integral part of the budget document.

- In addition, a monthly phasing analysis of collections and disbursements as part of the cash plan will be required to monitor execution. This monthly execution review will lead to increased management attention in reducing costs, emphasizing timely billing, collecting revenue, and disbursing.

A goal of the DWCF is to eliminate the use of Advance Billing of Customers to maintain cash solvency unless required to avoid Anti-Deficiency Act Violations. The DoD Authorization Act of FY 1998 Section 1011 requires that the Secretary of the Military Department notify Congress within 30 days after an advance billing is made. Any requirements for advance billings by a Service Component or Activity Group will be coordinated in advance with the Director for Revolving Funds. A copy of the letter to Congress will also be provided to the Revolving Funds Directorate.

- The operational control of actions taken by each DWCF activity, which result in cash disbursements and collections, always has and continues to reside with the Components and Agencies. Decentralizing cash management was done to provide the Components' and Agencies' managers additional control of and responsibility for their operations, as cash management is an integral part of operational management. The policy requires that each level of management within the Department participate in the execution of the policy in order to insure results are achieved to improve the management of DWCF cash.

B. Operating Budget

The operating budget contains the annual operating costs of an activity or Component, including depreciation or amortization expenses. To minimize costs within activity groups, all goods and services should be purchased, whenever possible, from the source that provides them at least cost, unless there are some other considerations such as mobilization or readiness that prohibit this flexibility. Of course, the performance and quality of the source must be considered as well. When comparing costs of organic or commercial sources, both direct and indirect costs are to be included in the evaluation.

1. Depreciation expenses shall be calculated and accumulated using the straight-line method based on the capitalized amount less residual value, and divided equally among accounting periods during the asset's useful life based on established depreciation schedules. *Residual value will be used in the calculation only if it exceeds 10% of the cost of the asset.* The depreciation schedules to be used for Fund activities are as follows: *For assets acquired prior to October 1, 1999: Facilities Construction (including Minor Construction) – 20 years; Equipment purchases, other than ADPE and Telecommunications Equipment – 10 years; ADPE, Commercial Software, and Telecommunications Resources – 5 years; General Purpose Vehicles – 5 years; Internally Developed Software – 10 years. For assets acquired on or after October 1 1999: General Purpose Vehicles (includes heavy duty trucks and buses), ADP Systems and Hardware (Computers and Peripherals), High Tech Medical Equipment, Equipment used in RDT&E, Radio and Television Broadcasting Equipment, Commercial Software – 5 years; Printing, Publishing, and Duplicating Equipment; Telecommunications Equipment and Towers, Internally Developed Software – 10 years; All Other Equipment, Machinery, and Automated Warehouse Retrieval Systems – 12 years; Vessels, Tugs, Barges, and Similar Water Transportation Equipment (non-national Defense PP&E vessels/ships) – 20 years; Steam (12.5K pounds per hour or more) and Electrical Generation Equipment (500 Kilowatt or more) – 20 years; Improvements made or added to Land (i.e. Fences, Roads, Bridges, Sewers, Ships and Railroad Wharves and Docks, Dry Docks) including improvements made to Stewardship Land – 20 years; Buildings, Leasehold Improvements to Buildings (includes improvements to Heritage Buildings), Hangars, Warehouses, Fuel Storage Facilities, Air Traffic Control Towers, and Other Real Property Structures – 40 years.*

2. *These depreciation rules are consistent with Federal Accounting Standards Advisory Board Statement on Federal Financial Accounting Standard No.6.*

a. For equipment transferred into a activity group that has preexisting depreciation schedules, depreciation will be based on the remaining book value plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use.

b. For capital assets that are transferred to a activity group that have no preexisting depreciation schedules, depreciation will be calculated based on the net value (original acquisition cost less

calculated accumulated depreciation) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use

c. Depreciation of capital equipment will be fully reflected in the operating costs and rates of Fund businesses.

C. Capital Investments

1. With the exception of major construction and items listed in paragraph D.1, acquisition of all capital assets for use by businesses within the Fund are financed through the Fund. The Capital budget shall not be used to establish a new or to expand organic capability except as specifically approved in a capital budget. Capital assets include depreciable property, plant, equipment, and software developed, manufactured, transferred or acquired during a fiscal year for a determinable cost of \$100,000 or more, effective October 1, 1995, and having a useful life of two years or greater. *Once assets are capitalized by the DWCF activity, they will continue as a capital asset and depreciated until the book value of the asset reaches zero or its salvage value as appropriate. Changes in the capitalization threshold will not impact existing capital assets unless directed by higher authority.*

2. These assets will be funded through the capital budget and their costs will be depreciated according to depreciation schedules *found above and in Volume 2a, paragraph 010219C*. Fund resources necessary for capital assets shall be derived primarily from depreciation of existing Fund assets. The estimated depreciation expense shall be included in stabilized rates and prices billed to Fund customers. A capital purchase positive or negative surcharge, if required, shall also be included to fund the increment, if any, in excess of, or less than, depreciation when necessary to fund the approved capital investment.

3. Purchase and installation costs for the initial procurement of any and all depot maintenance capital equipment unique to newly introduced platforms or weapon systems will continue to be funded in the appropriate procurement account. Once transferred to or otherwise capitalized by the depot, the capital equipment becomes the property of the depot. The depot will treat the equipment as a capital asset, depreciate the equipment, and fund subsequent replacement and maintenance of the equipment in its capital and operating budgets in the Fund.

4. The term “software” includes both operating software and application software. As defined in OMB Circular A-11, software includes systems programs, application programs, commercial-off-the-shelf (COTS) software, independent subroutines, data bases, and software documentation. Software that is integrated into hardware, and is necessary to operate the hardware, rather than to perform an application, should be budgeted with, and capitalized as part of the hardware. Systems application software, however, should be budgeted separately either as an expense or as a capital investment depending on whether it meets the criteria for a capital asset. Systems application software may be acquired through (1) the purchase of COTS system; (2) the development of new applications through either in-house or contractual effort; or (3) the modernization of existing software that expands and/or enhances its existing capabilities.

a. Software development/modernization will be budgeted by project. The full scope of a software development project may consist of efforts in any or all of the following four phases: (1) planning and system design, (2) management and technical support during development, (3) system development including software modification and conversion, and (4) deployment, including environmental and operational test and installation. The inclusion of these phases and related cost elements will ensure that software development budgets are properly prepared. Technical and maintenance software support occurring after system installation are treated in *DWCF* as operational expenses. (Refer to the instructions for the Fund-9a exhibit of the Capital Investment Summary, paragraph C, Software Development/Modernization, of this chapter for those detailed costs to be captured in software development budgets).

b. Software amounts included in *DWCF* capital budget submissions should include those software development or acquisition efforts for the benefit of the *DWCF* activity, and exclude software developed or acquired for a specific customer order. (Software developed or acquired for a specific customer order should be charged to and reimbursed by the requesting customer.) Types of cost to be included in a software development project include total labor and non-labor costs such as: (1) all direct costs for civilian and military personnel;

(2) contractor labor; (3) supplies; (4) travel; (5) processing support for testing; (6) indirect costs; and (7) general and administrative costs (e.g., base operations support, higher headquarters, and depreciation for central design activity-owned assets). Exclude from the capital budget all costs incurred prior to Milestone 0, Concept Exploration and Definition. Costs such as basic research, study, exploratory development establishing feasibility and practicality of proposed solutions, rough order of magnitude estimates, etc., are treated in *DWCF* as operational expenses.

c. Software projects may be accomplished by modules. A module is an application that may be operated or used independent of other modules within a system. Where an entire system consists of more than one severable module, the request for capital budget authority (Fund-9b) for each deliverable module should be requested in the budget year the module is started, and should be funded in an amount sufficient to finance the specific module to its completion. However, budget justification material for development of *DWCF* capital investment projects involving software must disclose the total estimated costs of all software development efforts associated with the applicable system with which the software is to be utilized, including the cost of software development efforts of other modules funded separately from the specific *DWCF* capital investment project being justified.

d. While the costs of acquiring ADP equipment should be excluded from the cost of software development projects, such costs also should be disclosed in the *DWCF* capital investment budget justification material for the software development project.

e. Budget submission and justification should be documented on Exhibit Fund-9a, 9b, and 9c. Exhibit Fund -9a, "Capital Investment Summary," represents the summary data of all software deliverables requested for a system. Exhibit Fund-9b, "Capital Investment Justification," provides detailed cost data and narrative justification for each module of a system. Exhibit Fund-9a and Fund-9b data should agree with, and also may be used for cross referencing, Exhibit 43-IT2 of the Information Technology budget. Exhibit Fund-9c, "Capital Investment and Financing Summary," outlines authority obligations, outlays, unobligated balances, and unexpended obligations by fiscal year.

f. The following shows, as an example, severable deliverable modules of a fictitious financial management system:

- XYZ FINANCIAL MANAGEMENT SYSTEM SOFTWARE MODULES

SOFTWARE DEVELOPMENT, MODIFICATION, OR CONVERSION PHASE

Deliverables

- a. Cash Management Module
- b. Property Control
- c. Inventory Control
- d. Receivables
- e. Payables
- f. Cost Accounting
- g. Reporting

g. Software development and modernization costs incurred by Fund activities for projects installed and operational after October 1 of a specific fiscal year will be depreciated beginning in the month the project is installed and operational (even though it may not be used in operations that month). Incremental deliveries of these projects will be depreciated if the cost of the delivery exceeds \$100,000.

5. Facility investment of \$100,000 or more but less than \$500,000 for a new or replacement facility, or for changes in the function of a facility, will be funded through the minor construction line of the capital budget and depreciated. *For minor construction projects involving the correction of life threatening, health, or safety problems, the upper limit is increased to \$1,000,000.*

6. Each proposed acquisition of a capital asset shall be reviewed to ensure that it satisfies all of the following criteria:

a. It is more economically feasible to purchase rather than to lease the capital asset. While leasing is not a part of the Capital Purchases Program, it may be appropriate for areas of fast changing technology or when work loads are expected to cease before the end of the program or payback period. Leasing also may be used as a means of obtaining near-term benefits from productivity improvement opportunities until sufficient data to verify the benefits of procurement can be developed.

b. The acquisition of a capital asset meets the Department's long-range planning and programming objectives and results in satisfying a documented need for capability to perform valid operations, functions, or services that cannot be performed as effectively or economically by the use of existing equipment and facilities or by contract.

c. The acquisition of a capital asset complies with policies and regulations governing the acquisition and management of facilities, special tooling, and special test equipment as established by DoD Directive 4275.5, "Acquisition and Management of Industrial Resources" as well as other applicable policies and regulations governing the lease and acquisition of equipment and facilities.

7. Work load projections used to justify capital purchases must take into account the results of interservice decisions, work load posture planning decisions, readily available commercial alternatives, and other reasonable options available for accomplishing applicable work load.

8. Capital assets recommended for acquisition shall be those deemed to most efficiently and effectively accomplish the objective for which they are justified. The criteria are: improved efficiency (savings) or effectiveness; required new capability and capacity that cannot be met with current equipment and facilities; replacement of unsafe (locally determined), beyond economical repair, or inoperative and unusable assets; and environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements.

9. A formal pre-investment analysis or a cost comparison is required to justify investment projects for Capital Budget submissions in the four Capital budget investment categories. In addition to budget formulation, either an economic analysis or cost comparison shall be used to support a project substitution or to accomplish a reprogramming request. *An economic analysis shall be used for all project of \$1,000,000 and over. A cost analysis will be used for projects under \$1,000,000.* This pre-investment analysis must be completed prior to inclusion of the capital asset in the capital budget submission, accomplishment of a reprogramming action, or a project substitution. The scope of analysis shall be tailored depending on the dollar value of the project. These analyses shall be maintained by the originating office of the DoD Component as projects documentation support for the Capital Budget submission as well as program execution.

a. The four capital budget investment categories are: Automated Data Processing (ADP) and Telecommunications Equipment; Non-ADP Equipment; Minor Construction (\$500,000 or less for most projects, \$1,000,000 or less for projects impacting health, safety or environment); and Software development.

b. Capital budget projects in the four investment categories shall also identify one of the following primary reasons for justifying the investment: replacement; productivity; new mission; or environmental.

c. There are two exceptions that may apply in lieu of performing a pre-investment analysis. In both instances, an exception justification statement shall be prepared documenting the requirement or authority for the exemption claimed. Exemption statements shall be validated as would a pre-investment analysis and approved through DoD Component review channels.

(1) Environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements including directed action by higher DoD or Component authority which precludes choice among alternatives.

(2) DoD instruction or directive waives the requirement (e.g., equipment age or condition replacement criteria).

d. A cost comparison shall be prepared for investment projects under \$1,000,000. The cost comparison initially shall be prepared in constant base year dollars and shall present a differential cost display by year for up to a six-year evaluation period beginning with the budget year for which investment funds are requested.

- Documentation for a cost comparison shall describe the functional process performed; define the need/requirement/objective; identify work load projections; address feasible alternatives; present total costs attributed to each alternative and the differential costs/monetary benefits expected in constant and current dollars over the six-year evaluation period; and provide significant assumptions, constraints, estimating methods, and rational and data sources.

- Payback shall be the primary economic indicator used for cost comparisons to rank order projects up to \$1,000,000 within the investment categories of each activity group.

e. An economic analysis shall be prepared to justify capital investment projects of \$1,000,000 or more. The economic analysis shall be prepared on a net present value (NPV) basis and shall comply with applicable DoD or Component guidance as well as functional program guidance. The economic analysis initially shall be prepared in constant base year dollars and shall present a differential cost display by year over the project's expected economic life beginning with the budget year for which investment funds are requested.

- Documentation shall describe the functional process performed; define the need/requirement/objective; present and explain work load projections; identify feasible alternatives; present total costs and the differential costs/monetary benefits in constant, discounted, and current dollars over the expected economic life of the project; present estimating methods/relationships, and data sources; identify significant constraints, assumptions, and variables; treat sensitivity and uncertainty of key parameters; and address all other quantifiable benefits as well as any intangible benefits influencing the recommended course of action.

- Quantifiable benefits are all outputs/results achieved in return for investment dollars associated with an alternative.

- Benefit to Investment Ratio (BIR) shall be the primary economic indicator used to rank order projects of \$100,000 or more within the investment categories of each activity group.

- Automated economic analysis programs and reports may be used if the programs provide comparable information to that of standard economic analysis reports.

10. Annually, each activity within the DWCF shall prepare post-investment analyses. *Post investment analysis will only be prepared for those projects with a unit cost over \$1,000,000 and should be limited to recurring type investments where lessons learned in prior projects would influence future investment decisions. For example, an activity is investing \$5 million in similar new equipment over a 3 year period. A post investment analysis would be required to show how equipment being purchased in the last year of the purchase cycle has demonstrated cost savings over purchases at the beginning of the buying periods.* The format and technique for each post-investment analysis shall be similar to the cost comparison or economic analysis used for the project justification. The post-investment analyses shall be retained for ready review for five years.

11. The total annual capital budget approved for each Component by the Congress during review of the Fund may only be exceeded to the extent that projects which were included in the operating budget based on approved expense/investment criteria must be executed as capital budget items due to revised cost estimates. Transfer of projects from the operating budget to the capital budget reduces the amount earned in the operating budget. Exceeding the total capital budget (the total includes amounts reprogrammed) is an Anti-Deficiency Act violation.

Each Component may reprogram capital funds between activity groups; however, the maximum annual increase in any one activity group must be less than \$10 million for each capital investment category

approved in the President's budget; i.e., ADP equipment and telecommunications, non-ADP equipment, minor construction, and software development. Reprogramming into an activity group's capital budget from the operating budget does not count against the \$10 million threshold.

Only those capital asset projects that have been included in a President's budget for the DoD Component may be financed through the Capital Investment Program (CIP). However, in the year of execution, substitutions may be made for projects when delays are incurred in placing the approved projects on contract or when operational necessity warrants. The following approval levels and dollar threshold apply to changes to projects approved in the capital budget section of the AOB including re-programming, substitutions, cancellations and additions:

(1) All *current year* adjustments or changes to capital projects that are equal to, or greater than \$1,000,000 shall be approved by the *Director for Revolving Funds*.

(2) All *current year* adjustments or changes between categories of capital projects (i.e., minor construction, equipment, ADP equipment and telecommunications, non-ADP equipment and software development) or activity groups that increase a category or a activity group by a cumulative amount equal to, or greater than \$1,000,000 within a program year shall be approved by the *Director for Revolving Funds*.

If either of these thresholds is breached, then substitutions must be approved by the *Director for Revolving Funds* prior to their initiation. Subdividing of projects is not allowed.

(3) *Capital obligation adjustments must be charged to the program year cited in the President's Budget for the original project. The prior year capital investment program limitation is equal to actual obligations at September 30 of that fiscal year plus adjustments approved by the Director for Revolving Funds to the prior year program. Other than these approved adjustments, the only time after September 30 that a prior year CIP authority will exceed its obligations is when de-obligations occur in a prior year CIP after September 30.*

(4) *Capital obligation authority is automatically provided for prior year within-scope increases of less than \$100,000 provided the unobligated balance in the prior fiscal year capital program is sufficient to finance the increase. Prior year within-scope increases of \$100,000 or greater or increases of less than \$100,000 for which there is no unobligated balance will be approved by the Directorate for Revolving Funds. The request should propose, when possible, equal offsetting reductions to the current year capital authority to finance the prior year increase. If an activity cannot fully obligate its current year program and can justify a request for additional current year authority in the following fiscal year, the activity should submit such a request (including justification) to the Revolving Funds Directorate for each capital purchase line item NLT August 5 of each fiscal year. Approved adjustments to the prior year CIP will be included in the subsequent year's capital purchase apportionment request to OMB. Normally, prior year CIP authority will not be approved above the level requested by DoD in the President's Budget and approved by the Congress. However, prior year CIP authority may be increased above the President's Budget approved levels for high priority and unanticipated purposes (e.g. retroactive safety, environmental, or audit finding related requirements). Requests to increase prior year CIP authority received after August 5th (for which there is no apportioned contract authority) should propose offsetting decreases to the current year CIP authority.*

D. Exclusions from the Capital Purchases Program

The following are mandatory exclusions from the Fund capital purchases program and must be financed directly from appropriated funds:

1. Major Range and Test Facility Activities Items (equipment and minor construction) that meet the DoD investment capitalization criteria for use by major ranges and test facility bases operating within the Fund.
2. Military and tenant support functions.
3. Aircraft, ships, barges, and general-purpose passenger-type vehicles.

4. Equipment and minor constructions projects purchased to meet mobilization requirements, but not used during peacetime operations.
5. Equipment initially procured and usually furnished as part of a weapon system and/or support system to include initial common support equipment for depot maintenance support of new weapon systems.
6. Equipment normally funded by appropriated funds and provided to contractors as Government-furnished equipment to be incorporated into, used in conjunction with, or consumed in the production of, an end product. (Such equipment should be funded by appropriated funds and provided to the applicable *DWCF* activity at no cost to the *DWCF* activity.)
7. Minor construction projects for a non-*DWCF* activity or military support function.
8. Construction and facility investment projects that exceed the amount specified in 10 U.S.C. 2805 for funding from accounts available for operations and therefore must be funded by the Military Construction appropriation.
9. Environmental projects financed or submitted for funding by the Defense Environmental Restoration Account.
10. Capital investments for morale, welfare and recreation activities.
11. Such other exclusions as may be approved by the USD (C).

E. Construction

1. Minor construction projects of \$500,000 or more shall be funded within the Military Construction appropriation.
2. Effective in FY 1996, 10 U.S.C. 2805(c)(1) was amended to increase the threshold for unspecified military construction projects funded by the Fund and intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening from \$300,000 to \$1,000,000. However, projects costing \$500,000 or more must still be approved by the USD (C) and identified on the AOB prior to execution to avoid an Anti-Deficiency Act violation. Reprogramming thresholds identified in paragraph 090103.C.11 still apply.
3. Effective in FY 1996, 10 U.S.C. 2805(c)(1)(B) was amended to increase the threshold for minor construction projects from \$300,000 to \$1,000,000 for activities designated under the DoD Laboratory Demonstration Program. Fund activities designated to participate in the DoD Laboratory Revitalization Demonstration Program must still obtain prior USD(C) for projects costing over \$500,000 and have it separately identified on the AOB prior to execution of the project to avoid an Anti-Deficiency Act violation. Reprogramming thresholds for the capital asset program identified in paragraph 090103.C.11 still apply. The authority for the Laboratory Revitalization Demonstration Program expires on September 30, 1998.
4. Project planning and design costs are considered a capital investment cost that is capitalized by the *DWCF* activity and financed in the minor construction portion of the capital budget. Planning and design costs are not included as part of the statutory threshold for minor construction projects. The amount of planning and design funds should be separately identified from individual projects in the Budget Estimates Submission.

F. Mobilization/Surge Costs and War Reserve Material

Mobilization capability costs include the costs to maintain a surge capacity, to procure and maintain approved war reserve material levels, and/or to maintain other assets, functions, or capabilities required to meet an operational contingency as documented in Defense Planning guidance or operational plans.

All costs at businesses within the Fund related to maintaining a capacity to meet mobilization requirements will be reimbursed by funds that are from direct appropriations and will not be financed through customer rates.

1. War Reserve Material. Initial procurement of war reserve material will be funded by a direct appropriation to the Fund. Such appropriated amounts for secondary items shall be reflected as a separate goal within the applicable Supply Management or Commissary Resale activity group AOB.

2. Unutilized and Underutilized Plant Capacity.

- As provided in Program Budget Decision 407 dated December 11, 1996, Unutilized Plant Capacity (UPC) represents costs associated with maintaining facilities to meet necessary surge capacity due to mobilization or war. UPC costs are not to be included in the DWCF rate structure. Rather, budget these costs in the Operations and Maintenance Accounts. As a general rule, any month during which these mobilization facilities are not used, or if utilized only 20% or less of available work days, the pro-rata support costs for those facilities will be included in the UPC funding. Unutilized capacity is considered a mobilization requirement that is to be funded by appropriated funds provided by the DoD Component having management responsibility for the Fund activity

- Mobilization Program expenses related to UPC may include both maintenance and labor costs related to the Program.

G. Military Personnel

1. Since the majority of military personnel at DWCF activities are there for reasons other than DWCF business requirements (e.g., mobilization, rotational training, command opportunities), the full cost of military personnel should not be included in the DWCF cost of operations or customer rates. Instead, for development of customer rates, a civilian equivalent rate, provided by the USD (C), will be used to price military personnel at DWCF activities during budget formulation. The difference between the civilian equivalent costs, included in the DWCF budget, and the actual military personnel cost will be budgeted directly in the appropriate military personnel appropriation. The number of military included in the budget will be the number of military average strength assigned to the DWCF business. *The budget amount will equal the average strength multiplied by the civilian equivalency rate for each grade. The average strength for the budget year(s) will be calculated using the average fill rate for the three prior years. The fill rate is calculated by dividing actual average strength by the authorized strength for each grade. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities.*

2. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel appropriation will be the same as the amount budgeted. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities. Military Departments having military personnel assigned to other Components will provide to each Component the number of workyears that should be included in the DWCF budget submission.

3. The civilian equivalent costs are provided by the OUSD(Comptroller) and are calculated as follows: (a) The current General Schedule of civilian pay rates, step 5 or Executive Service pay rates of the equivalent grade are used. (b) The amount in (a) should be multiplied by any proposed pay raise effective in future periods that may impact the level and cost for negotiated military support. (c) The amount calculated in (b) is to be multiplied by the civilian personnel fringe benefits factor applicable to the Military Service or Defense Business Operations Fund to arrive at the total civilian cost. The 14.7 percent for unfunded civilian retirement is not to be included in the calculation. (d) Civilian personnel fringe benefit rates and military composite rates are provided by the OUSD(Comptroller).

4. See Volume 2A, paragraph 010217 for military personnel pricing policy.

H. Full Recovery of Costs and the Setting of Prices

1. Managers of activity groups within the Fund are required to set their prices based upon full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process and *except for the Depot Maintenance Activity Group*, remain fixed during the year of execution. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher-than-anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective use of Fund resources.

2. Prices for the budget year will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result (AOR) in the budget year of zero. During budget execution, activity groups will record either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either make up actual or projected losses or to return actual or projected gains in the budget year(s).

3. *An activity group may request that AOR losses be recovered over a two year period. The request must be included in the budget submission, may recover no more than 50% of the loss in the second fiscal year, and must demonstrate that the delay in the recovery of losses will not adversely effect the cash balance of the activity group. A phased recovery schedule must be provided with the budget. The Directorate for Revolving Funds will provide final approval for any extended AOR loss recovery plans.*

4. *Unbudgeted Depot Maintenance operating losses and operating gains of \$10 million or more per activity group will be recouped or returned as appropriate, in the current fiscal year or, in the case of fourth quarter gains and losses, in the subsequent quarter of the next fiscal year. This rate adjustment will increase financial discipline, encourage depot commanders to implement cost controls more rapidly, and provide the right incentives to set rates correctly in the budget, eliminate the routine use of advance billing to cover execution losses, and improve operational efficiency.*

5. *The established procedures will impose a surcharge on customer bills to recoup losses. The amount of the losses to be recouped will be determined at the first budget execution review meeting of the fiscal year. Additional adjustments will be determined during the mid-year review as needed. Customers will be required to absorb or finance all cost increases*

6. Non-Organic Contract Costs

As stated above, DWCF policy requires that Components budget for total costs incurred for activity groups. Thus, Components will include in prices contract costs for effort funded at a DWCF activity group by the customer but performed by contractor (non-organic effort) in the total cost of that DWCF activity group. In addition, the budget estimate will recover all costs associated with contract award and administration through prices charged to the customer.

7. Unbillable Expenses and Operational Losses.

Expenses that cannot be billed to an identifiable customer or that were generated from unforeseen cost overruns are to be treated as expenses in the fiscal year in which the costs were incurred. The operating losses accruing, therefore, will be included in calculating net operating results.

8. The prices set for all activity groups processes will match the rate changes approved during the budget review.

I. Base Realignment and Closure (BRAC)

1. BRAC Costs - Costs incurred in implementing the recommendations of the Base Realignment and Closure (BRAC) Commissions will be funded by the appropriate BRAC account and are not to be included in the rates and costs of businesses within the Fund. Prior year, current year, or budget year operating losses in DWCF

are not to be budgeted in the base closure accounts. Costs attributable to base closure actions at *DWCF* activities to be budgeted in BRAC may include:

- BRAC directed reductions-in-force, separation incentives, plant closures, plant layaway or custody costs or other BRAC related expenses, such as all costs not associated with a valid work order during the year of closure.
- Environmental Restoration and Mitigation. This includes reducing, removing, and recycling hazardous waste, and removing unsafe building debris.
- Planning. Conduct of such advance planning and design as may be required to transfer from an activity being closed to another military installation.
- Outplacement Assistant. Assistance in relocation, training, or other necessary assistance to civilian employees employed by the Department at installations being closed.
- Community Programs. This includes economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions will be transferred as a result of closure of a military installation.

2. BRAC and DWCF Rates - Overhead, not specific to BRAC and not in support of producing goods or services for customers, will be financed in the year the costs are incurred with the Components' Operation and Maintenance (O&M) appropriations. *DWCF* losses occurring in years prior to closure will be recovered through the rate structure to the extent that there are new customer orders. When there are no new customer orders in the budget year, all overhead not included in rates supported by ongoing work or prior year losses to be recovered in the budget year must be financed as a pass through to the *DWCF* from the O&M appropriations of the Military Department or Component responsible for the activity incurring the loss. All costs at a closing activity in the year of closure that are not associated with a valid work order or are not valid BRAC costs are O&M costs and must be budgeted in the fiscal year when they will be incurred. BRAC costs are defined in the paragraph above.

J. Funding of Civilian Voluntary Separation Incentive Program.

The Fund will finance and include costs in stabilized rates for civilian separation incentive requirements of assigned employees unless they must be offered as a result of directed base realignment and closure action. If the offering is a result of a base realignment and closure action then the appropriate Base Realignment and Closure Account will fund the civilian separation incentive.

K. Base Support

DWCF activities that use any of the services as listed in Exhibit Fund-22 must reimburse host activities in accordance with DoDI 4000.19 (Interservice and Intragovernmental Support) to the extent that the specified support for the *DWCF* activity increases the host activity's direct costs. Costs for *DWCF* mission products and services (e.g., depot supply, depot maintenance, Public Works Center services, information processing, communications, and software development) shall be based on the approved stabilized rate. Other support incidental to the *DWCF* activity's primary mission or purpose shall be budgeted based on direct costs measurable and directly attributable to the *DWCF* activity (incremental direct cost). Only the incremental change in cost attributable to the *DWCF* activity (incremental direct cost) shall be chargeable to the *DWCF* activity. Indirect costs are not to be included as a cost to the *DWCF* activity. The cost of operations budgeted for these services either as a host or tenant activity should be noted by activity group in Exhibit Fund-22 (Summary of Base Support) that is provided to OSD/OMB with the fall budget submission.

L. First Line Supervision

First line supervision is that level immediately over non-supervisory workers. First line supervisors and above are official supervisory positions and, when acting in a supervisory capacity, their labor costs shall always be budgeted and charged as an indirect cost of the cost center supervised. Crew chiefs, snappers, team leaders, and

other subordinate job leaders are not considered first line supervisors. Volume 11B, Chapter 63, paragraph K contains additional information related to charging labor costs.

M. *DWCF* Management Headquarters Costs

A *DWCF* management headquarters is a discrete organization or part of an organization that has authority over the management of the *DWCF* activity group. OSD and Service Departmental activities normally do not have this direct responsibility. All the major systems/logistics organizations in the Services include headquarters elements directly supporting *DWCF* activities that should be funded or reimbursed by *DWCF* activity groups.

Costs for discrete *DWCF* management headquarters organizations and parts of organizations that perform direct *DWCF* management headquarters functions should be directly funded by *DWCF*, if feasible, or reimbursed by *DWCF*. Only significant costs (exceeding 1 percent of the total activity group costs, or if less than 1 percent, costs that exceed \$1 million) should be reimbursed. In addition, significant costs for common support functions (e.g., counsel, personnel, etc.) at organizations partially funded or reimbursed by *DWCF* (i.e., that have direct *DWCF* management responsibilities) should also be allocated, if feasible.

N. Dual Funded Organizations

A dual funded organization is an organization that is funded (including reimbursable funding) by both the *DWCF* and other appropriations or accounts. In those instances where a function is funded with a combination of both *DWCF* and appropriated funds, the function initially will be funded in its entirety either by the *DWCF* or by appropriated funds. The determination of whether the particular function initially is to be funded by the *DWCF* or by appropriated funds will be based on the predominance of definable units of measure for the function--e.g., work load, productive hours, outputs, or ultimate use. The part of the organization (or funding source provided) initially funding the function shall be reimbursed for appropriate amounts by other parts of the organization (or financing sources or customers) involved. Reimbursement (and the allocation of costs) between the provider and customer shall be made based on the same unit of measure--e.g., work load, productive hours, outputs, or ultimate use--as was used to determine which organization (or funding source) initially funded the applicable costs; and the amount of reimbursement shall be determined based on the relative portion of that unit of measure attributable to each part of the organization (or funding source) involved. Notwithstanding this policy, the amount of reimbursement for base support services provided by the *DWCF* to tenant activities shall be determined in accordance with the policies in paragraph 090103.K and DoDI 4000.19.

For example, if the part of an organization that is within the *DWCF* account for 60 percent of the unit of measure for a function shared with the part of the organization funded through appropriated funds, then the *DWCF* portion of the organization initially would fund all of the costs of performing that function. However, the applicable part of the organization funded through appropriated funds would reimburse the *DWCF* for (and be allocated) 40 percent of the costs.

When a capital asset purchased by the *DWCF* is also used by the appropriated fund part of the organization, the Fund activity will capitalize the capital asset and bill the appropriated fund customer for the use of the capital asset. Such billings will utilize a stabilized rate that recoups both depreciation and operating costs.

When a capital asset purchased by an appropriated fund part of the organization is also used by the *DWCF* part of the organization, the appropriated fund side will capitalize the asset and bill the *DWCF* for operating costs only. (Appropriated fund activities do not bill DoD activities for depreciation of capital assets.)

O. Revenue Recognition

Revenue and associated costs must be recognized in the same accounting period. Revenue must be recognized in the same manner (that is, a standard policy for recognizing and reporting revenue must apply) for all activities within a *DWCF* activity group. *Beginning in FY 2000, the "Percentage of Completion Method" will be the only method of Revenue Recognition used by non-Supply DWCF activities.* The amount of revenue recognized cannot exceed the amount specified in the order. The policy varies based on the type of customer order, the length

of time necessary to complete the order, and the value of the order. There are two types of customer orders: (1) end-product (end-item) type orders which, at the completion of the customer order, produce a usable end-product (an overhaul, repair, manufacture, construction, modification, etc.); and (2) service type orders which provide a service over a specified period of time.

It is important that current period net income/loss include revenues earned and costs incurred in the same periods in order for the activity group manager to better evaluate the performance of an organization for the period(s) in which the work is performed. The revenue recognition policy does not encompass or establish policies for billings to customers or payments from customers.

DoD Financial Management Regulation (DoD 7000-14R), Volume 11B, Chapter 61 provides specific revenue recognition guidance by *DWCF* activity group.

P. Customer Mandated Schedule

When a job order is canceled or reduced in scope after a *DWCF* activity has commenced work or incurred costs on the order, the costs incurred, plus the applied overhead (that is indirect and other normally allocated overhead (G&A) costs)), plus costs associated with the cancellation or reduction shall be charged to the customer.

DoD 7000-14R, Chapter 1, paragraph 010222, provides specific guidance for the types of directly associated cancellation or reduction costs that can be charged to customers.

Q. Extraordinary Write-offs.

Extraordinary write-offs of losses, chargeable against AOR in accordance with accounting policies, shall not be recovered through increases in customer rates in the following circumstances: losses resulting from the disposal or divestiture of capital budget items that have not been fully depreciated at the time they are taken out of service due to BRAC action; gains from customer returns without credit; or losses associated with systematic inventory reductions by disposal of assets associated with force draw downs. All such extraordinary write-offs will be separately identified in the Component's budget submission using either Form SM-5B or Fund-7B and will include an attached explanation which cites the fiscal year, the action which precipitated the divestiture action, the basis of the proposed write-off, and the dollar value. *All requests for extraordinary write-offs must be approved by the OUSD(C). Any out of cycle requests for extraordinary write-offs should be forwarded to the Directorate for Revolving Funds, Program and Budget for review and approval.*

R. Funding policies reflecting relationships with, and requirements of, other appropriations are provided in Chapter 1, Section 0102.

090104 Rate Setting in the Activity Groups

A. In accordance with paragraph 090103, stabilized rates reflecting full costing will be set during the budget process for all activity groups. The Fund includes a variety of activity groups that are categorized in two groups for rate setting purposes.

1. Supply Management Activity groups. Utilize commodity costs in conjunction with a surcharge to establish customer rates (see paragraph 090203 Supply Management).

2. Non-Supply Management Activity groups: Depot Maintenance, Research and Development, Transportation, Distribution Depots, Base Support, and all other activity groups have unit cost rates established based on identified output measures or representative outputs. These output measures establish fully cost burdened rates per output, such as a cost per direct labor hour, cost per product, cost per item received, cost per item shipped, etc. These activity groups establish both their output rates and the stabilized customer rates through the same general process. An example of this process is described below, and a more detailed explanation is provided in paragraph 090204.

B. Definitions and Procedures

1. Stabilized Rate. The stabilized rate is the cost per direct labor hour (or other output measure) customers are charged for the products and services provided by the depot or activity group. A stabilized rate is established for the fiscal year(s) budget being formulated during the budget review process. The stabilized rate is determined by taking the approved Direct Labor Hour rate (or other cost per output measure) for the budget year and adjusting it for both inter-Fund transactions (adjustments to reflect changes in the costs of purchases between activity groups within the Fund), and for the impact of prior year gains or losses as reflected by the AOR. This annual stabilized rate is the rate that will be charged for all new customer orders received and accepted during that specific fiscal year, regardless of the fiscal year the work is actually executed and billed. *The only exception to this stabilized rate policy is for unplanned losses in the Depot Maintenance Activity Groups. See paragraph 010218B or 090103H for more specific guidance.* In Supply Management, customers are charged the stabilized price in effect when the item is dropped from inventory.

2. Rate Change. The annually published rate change for activity groups is the percentage change of the stabilized rate or price between fiscal years. As an example, for depot maintenance, the budget year rate is determined by dividing the approved Direct Labor Hour rate proposed for the budget year by the stabilized Direct Labor Hour rate in effect for the current execution year. That value, expressed as a percentage (plus or minus from a base of one), is the composite price change rate customers will use in their appropriated funds submissions.

C. Budgeted Rates. DoD(C) will review and approve all final rates and prices developed for the President's budget submission during the Budget Review. Rates to be charged customers will be developed by the Components in their budget estimate submission to recoup all costs associated with the Activity group operating and capital budgets including all labor and non-labor, direct, indirect, and general and administrative overhead costs. Following the determination of required costs and proposed rate structures necessary to recover the full costs of executing the Components' planned support program. *During budget formulation, Components may propose more detailed rates that break out overall composite rates by activity or product line within an activity group. If approved, these rates would be used in final budget development and execution.* Components will make corresponding adjustments in appropriated customer account budget requests to ensure the customer and Fund business budgets are in balance.

D. Budget Formulation Rates and Prices. Rates will be established in a multiple step process as described below:

1. Each Service or DoD Component managing a activity group should carefully review all projected costs for all operations projected for the fiscal year, and propose the most cost-efficient operation possible.

2. Customer requirements must be projected to include all anticipated work load programmed for accomplishment during the budget year based on identified outputs such as direct labor hours by product, tons shipped, line items received, and all other approved output measures for each activity group.

3. Adjustments required to conform to OSD and OMB guidance on the impact of inflation, projected pay changes, and other programmatic and policy changes will also be included by Components in developing proposed rates.

4. DoD Components will propose costs, program levels, and rate changes by activity group in their budget estimate submissions. *Components may propose that customer unique, non-labor direct costs be excluded from the stabilized rates charged to customers. These costs would instead be charged on an actual cost reimbursable basis. Components should show the impact the change in rates structure would have on overall stabilized rates. Final approval of any rate structure proposal will be made by the OUSD(C) P/B in the budget process.*

5. Final approved costs, program levels, and rate changes will be established by Program Budget Decision documents, after adjustments required to balance changes to the customer account program levels with anticipated Fund costs, inter-Fund sales and transactions, and adjustments for NOR in order to bring Accumulated

Operating Result to zero for the Budget Year for each activity group. *Exceptions to this policy are found in paragraph 090103H.*

090105 Preparation of Materials

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 9 provides additional specific guidance with regard to the back-up material required for the Fund and other unit cost budget areas.

090106 References

Chapter 1 provides funding policies to be adhered to include those that impact other appropriations and accounts. Chapter 2 provides guidance related to Military Personnel costs. Chapter 3 provides guidance related to Operation and Maintenance costs and Chapter 8 provides guidance related to Real Property Maintenance and Minor Construction.

0902 BUDGET FORMULATION**090201 Purpose**

This section provides guidance for preparation and submission of fall budget and execution review estimates for the Defense *Working Capital Funds (DWCF)*

090202 General

A. Copies. Number of copies of the required materials to be submitted with the annual budget estimates are identified in Chapter 1. Four (4) copies of relevant materials will be submitted with the execution review when a separate review is required. An execution review will be conducted when approved by DoD(C).

B. Classification. The *DWCF* justification books prepared by the Components are to be unclassified. Any classified exhibits will be submitted under separate cover.

C. Formats. Exhibits will be submitted on 8-1/2 x 11 inch paper, with 3 holes punched along the 11-inch side. Minor variations in format to facilitate automation must be approved by OUSD(Comptroller) prior to September 1. Provide written request for variations to the Director for Revolving Funds no later than August 1. The response to the request will be forthcoming within 10 working days.

D. Automated Requirements. Consistent with the guidance contained in paragraph 010505, the *DWCF* budget estimates will be entered into the Budget Review System (BRS). BRS entries are in obligations.

1. *DWCF* Operating Budgets will be entered into the BRS as new obligations. However, the hard copy submission should reflect costs with a correlation provided of the relationship between obligations and cost.

2. *DWCF* Capital Budgets will be entered into the BRS as obligations regardless of program year. Do not enter into the BRS the program year totals. However, the hard copy submission should reflect the full costs of the project or item with Exhibit Fund-9c providing the correlation between the program and obligations.

3. Enter estimates of civilian full-time equivalents (FTEs) for civilian personnel data and military end strength for military personnel data.

4. During the budget review, the alternative estimate contained within Program Budget Decisions will be expressed as obligations, FTEs for civilian personnel, and end strength for military personnel, and will adjust the BRS. Program Budget Decisions will also, based on the proper correlation provided by the Components, contain compatible cost adjustment summaries to be used for rate and price adjustments and for adjusting financial statements used for budget justification.

090203 Supply Management Activity Groups

A. The methodology formerly contained in DoD Instruction 4140.24, "Requirements Priority and Asset Application for Secondary Items," will be used to develop budgetary requirements until updated. Stratification products will be submitted on a routine basis. A copy of the transition from the stratification to the budget will be provided for each wholesale division.

B. The following statements/tables/exhibits are prescribed for the supply management activity groups of the Fund.

		OSD/OMB Budget	Backup to Pres Budget	President's Budget	Execution Review
SM-1	Supply Management Summary by Division	yes	yes	yes	yes
SM-2	General Narrative Justification by Division	yes	no	no	yes
SM-3a	Operating Budget	yes	no	no	no
SM-3b	Operating Requirement by Weapon System by Division	yes	yes	yes	no
SM-3c	Mobilization by Division	yes	no	no	no
SM-4	Inventory Status	yes	yes	yes	no
SM-5a	Surcharge Computation	yes	yes	no	no
SM-5b	Customer Price Change	yes	yes	yes	no
SM-8	Collections/Disbursements	no	yes	no	no
SM-10	Commodity Summary	yes	no	no	no
SM-16	Total Cost Per Out Summary	yes	no	no	no
Fund-1	Summary of Price, Program, & Other Changes	yes	yes	no	no
Fund-1a	Details of Price, Program, & Other Changes	yes	no	no	no
Fund-9a	Capital Investment Summary	yes	no	yes	no
Fund-9b	Capital Investment Justification	yes	no	yes	no
Fund-9c	Capital Investment & Financing Summary	yes	yes	no	no
Fund-9d	Capital Budget Execution	yes	no	yes	no

		OSD/OMB Budget	Backup to Pres Budget	President's Budget	Execution Review
Fund-11	Source of Revenue	yes	no	yes	no
Fund-12	Performance & Quality Measures	yes	yes	no	no
Fund-13	Cash Management Plan	yes	yes	no	no
Fund-14	Revenue and Expenses	yes	no	yes	no
<i>Fund-14A</i>	<i>Revenue and Expenses for Supply Management Activity Group</i>	<i>yes</i>	<i>yes</i>	<i>no</i>	<i>no</i>
Fund-15	Fuel Data	yes	yes	yes	no
Fund-19	Military & Civilian Personnel by End Strength & FTEs	yes	no	no	no
Fund-20	Military Personnel End Strength	yes	no	no	no
Fund-21	Civilian Personnel Costs by Activity group	yes	yes	no	no
Fund-22	Summary of Base Support	yes	no	no	no
Fund-23	Statement of Financial Condition	yes	no	no	no
Fund-25	Headquarters Cost	yes	no	no	no
Fund-26	Revenue and Expense Phasing Plan	yes	yes	no	no
Fund-27	DFAS Customer Funding Summary	yes	no	no	no
Fund-28	Execution Performance Monthly Analysis	no	no	no	yes
Fund-29	Civilian Personnel Execution Performance Quarterly Analysis	no	no	no	yes
OP-32	Operation & Maintenance Budget Activity (Part of the O&M submission, Chapter 3)	yes	no	no	no
R-32	RDT&E Appropriation Budget Budget Activity (Part of the RDT&E submission, Chapter 5)	yes	no	no	no
P-32	Procurement Appropriation Budget Activity (Part of the Procurement submission, Chapter 4)	yes	no	no	no

C. Definition of Terms Used in Supply Management Activity groups

Acquisition Lead Time. The interval in months between the initiation of procurement action and the receipt into the supply system of the production model (excludes prototypes) purchased as the result of such actions. Acquisition Lead Time is composed of two elements, production lead time and administrative lead time.

Administrative Leadtime. That portion of the procurement leadtime that begins with the identification of the need to buy and the awarding of the contract.

Allocation. Under the appropriations act, direct funds may be appropriated to the *DWCF*; therefore, obligations may be made against *DWCF* to procure war reserve material inventory. Obligation authority for Mobilization purposes should be separately identified in annual funding documents. Obligations shall be separately accounted for and reported as mobilization and operating.

Beginning of Period (BOP, BP). The start of a specified fiscal year normally on October 1 used to determine the opening "snapshot" status of resources.

Capitalized Inventory. On-hand and on-order inventories of supplies funded by other appropriations and funds are considered as contributed capital as of the date when management responsibility for the items is undertaken.

Capitalization. The process whereby the Fund assumes management responsibility and ownership without reimbursement for inventories financed from other DoD appropriations or funds.

Commitment. A firm administrative reservation of funds, based upon firm procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. The recording of a commitment reserves funds for future obligations.

Contingency Retention Stock. That portion of the quantity of an item excess to the Approved Acquisition Objective and for which there is no predictable demand or quantifiable requirement and which normally would be allocated as potential reutilization stock, except for a determination that the quantity will be retained for possible contingencies.

Cost of Goods Sold (COGS). COGS represents the latest acquisition price *or the latest repair price* of the items sold *at the standard or exchange price respectively*. This matches the sales revenue in one period with the transactions affecting costs, which may have occurred in several previous periods. COGS is not affected by surcharge rates, obligations for replenishment, or net outlays. COGS is the essential baseline to establish prices.

Decapitalization. The transfer of Fund inventories to other appropriations or funds without reimbursement.

Demands. An indication of a requirement (requisition, request, issue, repairable generation, etc.) for issue of serviceable material. Demands are categorized as either recurring or nonrecurring and are also referred to as orders. Demands for repairable items should indicate whether or not a carcass will be returned.

Direct Appropriations. Amounts appropriated by the Congress to the Fund for war reserve material, Defense Commissary Agency, or other purposes.

Economic Retention Stock. That portion of the quantity of an item greater than the Approved Acquisition Objective determined to be more economical to retain for future peacetime issue than to dispose and satisfy projected future requirements through procurement or repair. To warrant economic retention, items must have a reasonably predictable demand rate.

End of Period (EOP, EP). The last day of a specified fiscal year normally on September 30 used to determine the closing status of resources.

Exchange Price. This is the price charged to customers exchanging a repairable item (DLR) for a serviceable one (new or repaired). Equates to the latest repair price plus wash out costs per item plus the surcharges necessary to recover other *operating* costs in the supply management activity group.

Expendable Supplies and Material. Supplies which are consumed in use, such as paint, fuel, cleaning, preserving materials, surgical dressing, drugs, and medicines, etc., or which lose their identity in use, such as spare parts, etc. They are sometimes referred to as consumable supplies and material.

Initial Spare and Repair Parts. Those spares and repair parts introduced through the provisioning process to sustain material systems programmed operations until requirements are forecast based on actual demands (i.e., replenishment).

Insurance Item. A non-demand-based stocked essential item for which no failure is predicted through normal usage. However, if a failure were to be experienced or a loss occur through accident, abnormal equipment or system failure, or other unexpected occurrence, lack of replacement would seriously hamper the operational capability of a weapon system.

Inventory (Supply). An aggregation of material (supplies, equipment or end items) which is maintained for the primary purpose of issue to replace a failed, lost, or consumed item, or to provide initial stockage or stock replenishment to supported or supporting units or activities.

- Consumer Level of Inventory: An inventory, usually of limited range and depth, held only by the final element in an established supply distribution system for the sole purpose of internal consumption. Inventory at the consumer level is normally no longer considered Fund inventory.

- Intermediate Level of Inventory: An inventory between the wholesale and consumer levels, regardless of funding source.

- Wholesale Level of Inventory: Inventory, regardless of funding sources, over which the inventory manager at the inventory control point level has asset knowledge and exercises unrestricted asset control to meet worldwide inventory management responsibilities.

Inventory Cost Categories

- Operating Costs, other than initial purchase of war reserve material, consist of orders placed, contracts awarded, and similar transactions which legally encumber the government to a specified future outlay of funds.

- Mobilization Costs cover fiscal year New Budget Authority to procure items with funds appropriated specifically for war reserve stocks. These quantities of material are required to support approved force mobilization objectives. The approved force mobilization objective is the quantity required, in addition to peacetime assets normally available on any given date, to equip and support the approved force structure in accordance with current Defense Guidance.

Numeric Retention Stock. Formerly, the quantity of an item in excess of all identified requirement objectives but for which disposal is currently infeasible or uneconomical or for which a management decision has been made to retain stock in the supply system. This category of stock is no longer valid.

Latest Acquisition Cost (LAC)). The price paid for each item the last time it was purchased from a supplier (latest invoice price), unless the last purchase is not a representative purchase. Can be based on an earlier buy if the latest purchase is considered nonrepresentative. Does not include any surcharges or inflation factors.

Numeric Stockage Objective (NSO) Item. A nondemand-based, stocked, essential item for which, although failure may be predicted, the probability of demand is so low that it does not meet the stockage criteria at a given activity and, as a demand-based item, would not be stocked. Since the lack of a replacement item would

seriously hamper the operational capability of a weapon or weapon systems, the item is therefore stocked; but as non-demand-based. Also included in this category are:

- Items needed to support particular programs of a nonrecurring or sporadic nature (e.g., set assembly, non-repetitive overhaul programs) where re-procurement is not required once the particular program has been completed.
- Items that are procured on a life-of-type basis or which are “bought out” at the termination of a production program.
- Items that are not fully consumed during a one-time or non-repetitive program but which should be retained for possible future need on a similar program.

Other War Reserve Material Requirements. The total war reserve material requirement less the sum of the pre-positioned war reserve requirements.

Outlays. Checks issued or other payments made by the government for goods and services received. Gross outlays are equal to the cumulative amount of disbursements made for the fiscal period to date. Net outlays are equal to gross outlays less the cumulative amount of collections received for the fiscal period to date.

Peacetime Operating Level of Supply. The quantities of material required to sustain operations in the interval between requisitions and the arrival of successive shipments. These quantities should be based on the established replenishment period (monthly, quarterly, etc.).

Pre-positioned War Reserve Material Requirement (PWRMR). That portion of the war reserve stocks required to be on hand on M-Day which approved Defense Guidance dictates be reserved and/or positioned at or near the point of planned use or issued to the user prior to hostilities, to reduce reaction time and to assure timely support of a specific force/project until replenishment can be effected.

Price Stabilization. The policy through which the standard price of each cataloged item shall remain constant throughout each fiscal year except for correction of errors.

Production Lead Time. The time interval between the letting of a contract or the placing of an order and the first significant receipt into the supply system of material purchased as a result of such action.

Provisioning Item. Spares and repair parts required as both demand and nondemand-based levels in the supply system to support new fielding of end items.

Provisioning Item (Outfitting). That portion of Provisioning consisting of items for which a sale is anticipated to an appropriated outfitting (buy-out) account.

Reclassification. The transfer of assets between inventory strata.

Repair Cycle Level. The quantity of repairable items required to sustain operations during the repair cycle that commences when a maintenance replacement takes place and ends when the unserviceable asset is returned to stock in a serviceable condition. This includes such stages as removed, awaiting shipment, in transit, in pre-repair screening, in process of repair, and being returned to serviceable stock. Any extraordinary awaiting-parts delays and any intentional extended-transit, storage, or repair-process delays should be excluded from the repair cycle.

Repairable Item. An item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level.

Requisitioning Objective. The maximum quantities of material to be maintained on hand and on order to sustain current operations and core war reserve. It will consist of the sum of stocks represented by the operating level, safety level, and the order and shipping time or procurement time, as appropriate.

Retail Inventory. Supplies/material held below the wholesale level (e.g., the intermediate and consumer levels of inventory).

Replenishment Spare and Repair Parts. Those spare and repair parts required to resupply or increase initial stockage of reparable or consumable parts in support of fielded items.

Safety Level of Supply. The quantity of material required to be on hand to permit continuous operations in the event of minor interruption of normal replenishment or unpredictable fluctuations in demand.

Standard Price. The price customers are charged which, for DoD ICP managed item (excluding subsistence), remains constant throughout a fiscal year except for the correction of significant errors. The standard price is computed based on various factors which include the latest acquisition cost of the item plus surcharges to recover costs for transportation; inventory loss, obsolescence and maintenance; depreciation; and supply operations. Customers are ultimately charged exchange price for DLRs unless the carcass is not returned. If the carcass is not returned, the customer is charged the full standard price.

Stockage Objective. The maximum authorized quantity of material on hand to sustain current operations. It consists of the sum of stock represented by the operating level, the safety level, the repair cycle level, and authorized additive levels.

Stratification Process. A uniform portrayal of requirements and asset application that is a computer-generated simulation of actions causing changes in the supply position, e.g., procurement, repair, receipt, issue, terminations, and disposal of material.

Surcharge. Factors added to the latest acquisition cost or repair cost price of an item to arrive at the customer's standard or exchange price. Surcharges will include:
(1) transportation, for such costs as deliveries from production site to points of use or storage; (2) inventory obsolescence and loss, for the costs of pilferage, damage, deterioration, physical inventory shortages and excess; (3) inventory maintenance; (4) supply operations support costs; (5) inventory augmentation; (6) depreciation; and (7) DLR carcass attrition costs, if applicable.

Unfunded Requirement. The difference between the spare and/or repair parts requirement computed in accordance with DoD Policy (such as, DoDI 4110.24, DoDI 4140.39, and DoDI 4140.24) and the amount of that requirement that is funded.

Unobligated Commitments. Amount of commitments incurred this fiscal year to date which have not resulted in obligation at the end of the report period.

War Reserves. War reserves are stocks of material amassed in peacetime to meet the increase in military requirements forecasts contingent on an outbreak of war. War reserves are intended to provide the interim support essential to sustain operations until resupply can be effected.

D. Budget Submission Formats are provided in Section 0904.

090204 Non-Supply Activity Groups

A. The following statements/tables/exhibits are prescribed for the remaining activity groups of the Fund other than Supply Management. Exhibits Fund-7a and Fund-7b are to be included for all activity groups which use direct labor hours in their rate computation. Exhibit Fund-8b is to be included only for the Transportation activity groups.

		OSD/OMB Budget	Backup to Pres Budget	President's Budget	Execution Review
SM-8	Collections/Disbursements	<i>no</i>	yes	no	no
Fund-1	Summary of Price, Program, and Other Changes	yes	yes	no	no
Fund-1a	Details of Price, Program, and Other Changes	yes	no	no	no
Fund-2	Changes in Cost of Operations	yes	no	yes	no
Fund-3	Labor Cost Breakdown	yes	no	no	no
Fund-4	Summary of General & Administrative Costs	yes	no	no	no
Fund-5	Total Cost Per Output Summary	yes	yes	no	no
Fund-7a	Summary of Source of Revenue	yes	<i>yes</i>	<i>no</i>	no
Fund-7b	Customer Rate Computations	yes	no	no	no
Fund-8a	Appropriation Request Summary	yes	no	no	no
Fund-8b	Air Mobility Command	yes	no	no	no
Fund-9a	Capital Investment Summary	yes	no	yes	no
Fund-9b	Capital Investment Justification	yes	no	yes	no
Fund-9c	Capital Investment & Financing Summary	yes	yes	no	no
Fund-9d	Capital Budget Execution	yes	no	yes	no
Fund-10	Price Changes	yes	no	no	no
Fund-11	Source of Revenue	yes	no	yes	no
Fund-12	Performance & Quality Measures	yes	no	no	no
Fund-13	Cash Management Plan	yes	yes	no	no

		OSD/OMB Budget	Backup to Pres Budget	President's Budget	Execution Review
Fund-14	Revenue and Expenses	yes	no	yes	no
Fund-15	Fuel Data	yes	no	no	no
Fund-16	Material Inventory Data	yes	no	yes	no
Fund-17	Summary of Real Property Maintenance	yes	no	no	no
Fund-18	Fund Summary by Component	yes	no	no	no
Fund-19	Military & Civilian Personnel by End Strength and FTEs	yes	no	no	no
Fund-20	Military Personnel End Strength	yes	no	no	no
Fund-21	Civilian Personnel Costs by Activity Group	yes	yes	no	no
Fund-22	Summary of Base Support	yes	no	no	no
Fund-23	Statement of Financial Condition	yes	no	no	no
Fund-24	Summary of Personnel Data	yes	no	no	no
Fund-25	Headquarters Cost	yes	no	no	no
Fund-26	Revenue and Expense Phasing Plan	yes	yes	no	no
Fund-27	DFAS Customer Funding Summary	yes	no	no	no
Fund-28	Execution Performance Monthly Analysis	no	no	no	yes
Fund-29	Civilian Personnel Execution Performance Quarterly Analysis	no	no	no	yes
OP-32	Operation & Maintenance Budget Activity Chapter 3)	yes	no	no	no
R-32	RDT&E Appropriation Budget Budget Activity (Chapter 5)	yes	no	no	no
P-32	Procurement Appropriation Budget Activity (Chapter 4)	yes	no	no	no

B. Definitions Used in Non-Supply Activity groups

Maintenance Depot. Industrial facilities of the Defense Business Operations Fund including; Army and Marine Corps Multiple Commodity Maintenance Depots, Ordnance Depots, Arsenal, Navy and Air Force Aviation Depots, Shipyards, and DLA Industrial Plant Equipment Repair Sites.

Direct Labor Hour Rate. The fully burdened cost per direct labor hour used as the initial basis for establishing stabilized rates. The direct labor hour rate is computed by dividing the sum of all labor, nonlabor, and material direct, indirect, general and administrative expenses projected to be incurred by the depot (or other activity group) during the fiscal year, by the total number of direct labor hours (or other outputs) anticipated to be accomplished during the fiscal year.

Direct Labor Hour (DLH). DLHs, sometimes referred to as Direct Product Standard Hours, are the number of hours required to perform the direct work on a product, or to perform a billable service for customers. Direct labor hours generally include the hands-on maintenance, repair, overhaul, test, and related direct production effort that follows the established sequence and content of work necessary to accomplish the billable job. Direct Labor Hours do not include the support work or manhours identified as either indirect or general and administrative in nature. DLHs are estimated for budget purposes, by product or service, based on industrial or management engineering standards developed using time, method, and motion studies, historical usage averages, or professional estimating and evaluation (E&E) techniques.

Fixed Price Catalogs. Depot Maintenance activity groups may maintain a catalog of products and services (major end items, components, depot level repairables, modification kits, etc.) with their associated rework, repair, overhaul, installation, etc., based on the Standard Depot Level Maintenance (SDLM) or Planned Depot Maintenance (PDM), work package Direct Labor Hours (DLHs). The DLHs associated with the product or service multiplied by the stabilized composite rate for a fiscal year constitutes the firm fixed price for the catalog item. Catalogs may be maintained in hard copy or in electronic data bases accessible to customers.

Total Cost of Goods Sold. Refers to the total costs incurred in the operating budget of the activity group associated with the revenue planned to be recognized for the budgeted fiscal year.

C. Component Estimates of Rates. Each Activity group will include proposed new customer order rates for each budget year in accordance with paragraph 090104. The rates will be established during the budget review process and will remain stabilized through the execution year.

1. Total direct labor hours (DLHs) required to accomplish the budget year's work program will be identified by the Component in their OSD/OMB submission. The work program is the total number of DLHs planned to be executed in support of known and projected customer requirements during execution of the budget.

2. Total costs estimated to be incurred in execution of this work load will also be projected. This process should include application of general inflation, pay raise, and other inflation or DoD(C)-directed price adjustments, as specified in the DoD(C) budget formulation Budget Call. The sum of all these costs (including supplies, materials, pay, depreciation, and other charges, etc.) is the estimate of the total cost of goods sold.

3. Customer requirements must be projected and separately identified to include: current (on hand) unfilled customers orders expected to be executed during the budget year (carry-in or backlog), and work in process that will be completed; new orders anticipated to be accepted and executed during the budget year; and orders anticipated to be accepted but will not be executed during the year (anticipated carry-over).

4. Work load mix, availabilities, and production schedules must be assessed, along with any other factors that may impact program outputs such as policy changes, productivity initiatives, planned work load competitions, plant capacity, and other factors. Based on this analysis the total anticipated work load both by major work load category (or product), and the associated Direct Labor Hours needed to accomplish this work during the program year will be identified and reported.

5. Total costs required to execute the planned program to produce the outputs in the approved execution program will be identified and reported in budget exhibits, with significant changes from the prior year highlighted in the Exhibit Fund-2, Changes in the Costs of Operations.
6. To determine program financing requirements and initial rates, the estimate of the total cost of goods sold will be divided by the programmed output (total Direct Labor Hours), to identify an initial cost per direct labor hour.
7. The number of DLHs associated with carry-in work load (unfilled customer orders on hand at the start of the year), times the prior year stabilized rate (rate in effect when the carry-in orders were accepted) will be identified. Since this work load is already financed, its DLHs and associated dollars will be subtracted from the FY total DLHs and Cost identified in step 5 above.
8. The orders anticipated to be accepted but not recognized as revenue during the fiscal year (the carry-over) will be identified in the same manner as the carry-in orders. The initial cost per direct labor hour for these carry-over DLHs (set in step 5 above) will be inflated in accordance with DoD(C) guidance for the following fiscal year when the work will actually be executed. The value of this additional inflation cost for these carry-over DLHs will be added to the total program base cost identified in step 4.
9. The revised base cost from step 7 above, plus the additional inflation cost for carry-over orders will be divided by the total number of DLHs associated with new program orders planned to be accepted whether scheduled to be worked or carried-over to the next fiscal year (all orders planned for acceptance or execution in the fiscal year program except unfilled customer orders that were carried-in to the fiscal year). The resulting cost per direct labor hour should be used as the basis for the DoD Components' proposed initial rate. The proposed initial rate is adjusted for prior year gains or losses necessary to achieve an end-of-year AOR of zero for the budget year. The end result is a proposed New Customer Order Stabilized Rate.
10. Components may develop, report, and use subsidiary rates (engine rate, airframe rate, missile rate, etc.) as long as these subsidiary rates are rolled into a single composite rate for activity group rate setting.

090205 Submission Requirements

A. All businesses, except Supply Management, operating within the Fund or under Unit Cost will provide a Summary by Component in table form. For part I, each Component will provide a summary *table* for each of its Activity Groups.

Component Activity Group Narrative Analysis - For each activity group, the Component will submit a narrative analysis that, as a minimum, addresses the following areas: a general description of the activity group, its outputs and customers, and significant changes in the nature of the business over the period encompassed by the President's budget submission; an analysis of the budget statements covering revenue and expenses, costs of operation, and the statement of financial condition. The analysis should focus on the changes from year to year and how these changes are related to work load and productivity trends; an analysis of any special business-type schedules requested in the Budget Call letter; and a discussion of work load and manpower trends, productivity initiatives/cost reductions, unit costs, and customer prices incorporated in activity group budgets.

B. Section 090203 listed submission requirements for Supply Management and Section 090204 listed submission requirements for the remaining activity groups.

C. Budget Submission Formats are provided in Section 0904.

0903 CONGRESSIONAL JUSTIFICATION/PRESENTATION**090301 Purpose**

This chapter provides the policies and procedures to guide the development of budget justification and supporting narrative to be submitted by Components to the OUSD(Comptroller) in development of congressional justification material. The OUSD(Comptroller) will prepare the executive overview. Each Component will prepare a separate volume including their operating and capital budgets for direct submission to the Congress following review and approval by the OUSD(Comptroller). The Defense-wide volume material will be prepared by each Defense Agency and submitted to DoD(C), Revolving Funds Directorate, for review and approval prior to submission to DLA. DLA, with appropriate support from the submitting organization, will assemble the volume containing Defense-wide businesses and supervise its printing and distribution.

090302 Organization of Justification Books**A. Background**

1. The OSD/OMB budget review focuses on a set of business-type schedules as a means of evaluating progress towards meeting cost and productivity targets, developing (with Component financial management personnel) unit cost goals by activity group and setting prices for the budget year(s).
2. The Budget Call for budget justification and supporting narrative will request that selected Fund schedules be updated for inclusion in congressional justification material.
3. All data submitted for the President's budget should be consistent with approved costs, work load and productivity assumptions, customer prices, and unit costs. Any deviation from the approved level must be completely justified and coordinated with the appropriate Revolving Fund Directorate activity group analyst.
4. The justification books submitted to Congress are to be unclassified, will be in one volume organized into three sections: Component Overview, Operating Budget, and Capital Budget.
5. Justification books should follow the guidance contained in the DoD Financial Management Regulation, volume 2, paragraph 010401 for preparation of budget materials to Congress.
6. Financial exhibits required by Chapter 9 will agree with the Annual Financial Statements required by the Chief Financial Officers Act of 1990. Proposed deviations from data reported on the Annual Financial Statements are to be coordinated with the Revolving Funds analyst responsible for the affected activity group.

B. Component Operating and Capital Budgets

1. **Component Overview:** This volume summary section and other Component justification will be submitted to Congress during February. The Component summary will consist of individual Component inputs in the following main sections:
 - a. **Component Activity Group Narrative Analysis** - For each activity group, the Component will submit a narrative analysis that, as a minimum, addresses the following areas: a general description of the activity group, its outputs and customers, and significant changes in the nature of the business over the period encompassed by the President's budget submission; an analysis of the budget statements covering revenue and expenses, costs of operation, analysis of government equity, and the statement of financial condition. The analysis should focus on the changes from year to year and how these changes are related to work load and productivity trends; an analysis of any special business-type schedules requested in the Budget Call letter; and a discussion of work load and manpower trends, productivity initiatives/cost reductions, unit costs, and customer prices incorporated in activity group budgets.

b. Budget Statements - The Component will submit summary budget statements requested to support the external budget submission.

c. Special Schedules - For the Supply Management activity groups, the narrative must include a section on work load and economic assumptions. These assumptions must include the following data for the prior, current, and budget fiscal years: items managed (#), requisitions received (⌘), receipts (#), issues (#), contracts executed (#), purchase inflation (%), and supply material availability (%).

2. Component Operating Budget: For each activity group, the Component will submit a narrative description that explains the activity group as well as the budget statements indicated in Section 0904.

0904 ACTIVITY GROUP ANALYSIS FORMATS**090401 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. These formats should be adhered to unless modified in a submission budget call.

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(Dollars in Millions)

[illegible]

INSTRUCTIONS FOR PREPARATION OF
SUPPLY MANAGEMENT SUMMARY (EXHIBIT SM-1)

The purpose of the SM-1, Supply Management Summary by Division, is to provide summary justification for the Service or Defense Agency request. Instructions for preparation of SM-1 and SM-1a follow:

1. Prepare the SM-1 for each year being reviewed.
2. Dollars in millions and tenths of a million.
3. Both approved and proposed should be shown if they differ.
4. Peacetime Inventory will reflect the numbers shown on SM-2, line 6C.
5. Net Customer Orders will reflect the numbers shown on SM-2, line 2B.
6. Net Sales will reflect the numbers shown on SM-2, line 1.
7. Obligation Targets will reflect the targets shown on SM-2, lines 3A, 3B, 3C, 3D, and 3E. An obligation target total (*excludes capital obligations*) will be shown and be equal to line 3F of the SM-2. Only obligations will be shown on this form. Any other cost data, such as depreciation, will not be shown on this form.
8. Other Obligation Target includes appropriated dollars for any purpose other than mobilization.
9. Commitment Targets will reflect the numbers shown on SM-2, line 4.
10. Target Total will reflect the numbers shown on SM-2, line 5.

FY _____ Budget (DoD Component) SUPPLY MANAGEMENT Justification by Division	DIVISION				DATE	
	FY____	FY____	FY____	FY____	FY____	FY____
1. NET SALES						
2. CUSTOMER ORDERS						
a. GROSS CUSTOMER ORDERS						
b. NET CUSTOMER ORDERS						
3. OBLIGATION TARGETS						
a. OPERATING (except repair of DLRs)						
b. REPAIR OF DLRs						
c. PROVISIONING						
d. MOBILIZATION						
e. OTHER						
f. TOTAL						
4. COMMITMENT TARGET						
5. TOTAL AUTHORITY						
6. PEACETIME INVENTORY						
a. OPERATING INVENTORY EOP						
b. OTHER INVENTORY EOP						
c. SUBTOTAL PEACETIME INVENTORY						
7. MOBILIZATION INVENTORY EOP						
8. TOTAL INVENTORY EOP						
9. GENERAL DESCRIPTION						
10. NUMBER OF ITEMS MANAGED						
11. MEASURE OF EFFECTIVENESS						
12. OPERATING TEMPO (Flying hours by aircraft type, steaming days, etc.)						
13. NARRATIVE EXPLANATION						

Exhibit SM-2 Justification by Division

INSTRUCTIONS FOR PREPARATION OF
GENERAL NARRATIVE JUSTIFICATION (EXHIBIT SM-2)

The purpose of the General Narrative Justification, SM-2 is to provide the basic justification for the budget request. Instructions for preparation of SM-2, General Narrative Justification follows:

1. Prepare an SM-2 for each supply management material division except for the Defense Logistics Agency and the Army, which may submit a consolidated statement for the retail divisions for the President's budget and the apportionment and midyear review. No summary SM-2 is required. An SM-2 is not required for a supply operations division.
2. Dollars in millions and tenths of a million except the Air Force Academy Division exhibits will be prepared in thousands.
3. For Net Sales use reimbursable issues minus stock fund credits and allowances (line 1). Amount entered will agree with the amount entered on SM-1.
4. For Gross Customer Orders (Demands) use gross sales (reimbursable issues) plus or minus the change (from the prior year) in unfilled orders (line 2A). An unfilled order is an unsatisfied requisition which upon issue of the material will become a sale. For Net Customers Orders (line 2B) subtract credits and allowances.
5. Obligation Targets will be divided into Operating less Repair of DLRs (line 3A), Repair of DLRs (line 3B), Provisioning (line 3C), Mobilization (War Reserves) (line 3D), and Other (line 3E). Other obligations include appropriated dollars for any purpose other than mobilization. These categories may be subdivided if approved by OSD. The total requested by division will reflect the total obligations shown on the Program and Financing Statement for the OSD/OMB Review and the President's budget *for Operating Budget*. See definitions of terms Section 090203, Supply Management Activity groups, for description of categories.
6. Commitment Targets will provide an administrative reservation of authority which when approved authorizes the supply management activity group to incur additional obligations on a dollar-for-dollar basis if customer orders (demands) increase without the requirement for a revised apportionment and reapportionment request. Commitment targets will also provide for normal unobligated end-of-year commitments (line 4).
7. Total Authority (line 5) is the total of obligations (line 3F) and commitment target (line 4).
8. Operating Inventory EOP (End Of Period) is the total applicable peacetime on hand and in transit inventory at standard price (include any provisioning inventory on hand or in transit) (line 6C). Peacetime inventory EOP (End Of Period) is the total Operating Inventory (line 6A) and Other Inventory (line 6B). Mobilization Inventory is shown on line 7. Total Inventory is line 6C plus line 7.
9. General Description (item 9) is a short narrative describing what the supply management division covers and supports.
10. Number of Items Managed (item 10) should provide quantitative data and narrative explanation of major changes.

11. Measures of Effectiveness (item 11) should provide quantitative data and narrative explanation of major changes in measures of supply effectiveness. The following measures of effectiveness will be used:

Percent stock availability (fill rate)--The number of units requisitioned that are immediately available expressed as a percent of the total units demanded for the period. This percent should be shown for both the wholesale and the retail level of supply.

Requisition delay time--The length of time between the date a supplier receives a requisition for an item and the date he ships the item. This should be expressed as a number of days for all stock funded items.

Mission capable rate supply--The number of weapon systems either fully or partially mission capable because of a stock funded item expressed as a percent of the total number of weapon systems. This measure should be shown for each major weapon system.

Quality Deficiency Reports (QDRs)--This measures the percentage of discrepancies in customer receipts in comparison to total item issuances by the ICP (in response to customer requisitions). It is a measure of customer satisfaction.

QDR Processing Time--This measures the time interval from ICP receipt of QDR to the issuance of corrective action. It is a measure of timeliness and customer satisfaction.

12. Operating Tempo Assumptions (item 12) should provide quantitative data such as flying hours (by aircraft type), steaming days, programmed overhauls, training days, etc., which may impact the supply management division's requirements.

13. Narrative Explanation (item 13) should cover an explanation of major changes between fiscal years as well as in the relationship between sales, orders (demands), and obligations.

FY _____ (DoD Component) BUDGET SUPPLY MANAGEMENT Operating Budget	DIVISION			DATE	
	(Dollars in Millions)				
	FY _____	FY _____	FY _____	FY _____	FY _____
A. INVENTORY REQUIREMENT (Standard Price)					
1. Operating Requirement					
a. New Customer Orders (Net)					
b. Unfilled Orders (BOP)					
c. Operating Objectives					
d. Other, including Provisioning (List)					
e. Total					
2. Mobilization					
3. Other					
4. Total Inventory Requirements					
B. APPLICABLE RESOURCES (Standard Price)					
1. ON HAND BOP					
2. CHANGES DURING PERIOD					
3. ON ORDER BOP					
4. TOTAL APPLICABLE RESOURCES					
C. REQUIREMENT (Standard price)					
1. TOTAL REQUIREMENT (Standard price)					
2. SURCHARGES (-)					
D. FUNDING REQUIREMENT (At Cost)					
1. FUNDING REQUIREMENT AT COST					
2. TRANSPORTATION COST (+)					
3. REPAIR COST (+)					
4. OTHER (List)					
5. TOTAL FUNDING REQUIREMENT					
6. UNFUNDED OPERATING REQUIREMENT					
7. UNFUNDED MOBILIZATION PROTECTABLE					
8. UNFUNDED PROVISIONING & OTHER PROTECTABLE					

Exhibit SM-3a Operating Budget

FY _____ (DoD Component)		BUDGET		DIVISION		DATE	
SUPPLY MANAGEMENT Operating Budget (Continued)		(Dollars in Millions)					
		FY _____	FY _____	FY _____	FY _____	FY _____	FY _____
E. COMMITMENT TARGET (At Cost)							
F. OBLIGATION TARGET (At Cost)							
1. OPERATING (Includes DLR repair)							
2. PROVISIONING							
3. OTHER							
4. MOBILIZATION							
5. TOTAL							
G. BASIS OF OPERATING OBJECTIVES (Standard Price)							
1. SAFETY LEVEL	dollars						
	days						
2. ADMINISTRATIVE LEADTIME	dollars						
	days						
3. PRODUCTION LEADTIME	dollars						
	days						
4. PROCUREMENT CYCLE	dollars						
	days						
5. OPERATING LEVEL	dollars						
	days						
6. REPAIR CYCLE	dollars						
	days						
7. OTHER OBJECTIVES (List)	dollars						
	days						
8 TOTAL OPERATING OBJECTIVES							
H. NARRATIVE EXPLANATION (Indicate item number to which explanation applies. If more space is needed, attach additional pages.)							

INSTRUCTIONS FOR PREPARATION OF
OPERATING BUDGET REQUIREMENTS (EXHIBIT SM-3a)

The purpose of the SM-3a, Operating Budget Requirements is to provide backup information to support the obligations. Instructions for preparation of the SM-3a:

1. Prepare an SM-3a for each supply management material division except for the Defense Logistics Agency and the Army, which may submit a consolidated statement for the retail divisions. An SM-3a is not required for a supply cost of operations division. For the requested columns for the current year, display estimated actuals. For budget year and budget year plus one display revised request.

2. Dollars in millions and tenths of a million except the Air Force Academy Division exhibits will be prepared in thousands.

3. See Section 090203, Supply Management, for definitions of inventory categories.

4. Operating Requirements (line A1E) should include the total requirements for new customer orders (demands), unfilled orders at the beginning of the period, operating inventory requirement to replace sales, and others (listed and explained as necessary) at standard price.

5. Mobilization Requirement (line A2) should be the funded requirement as of the end of the period. Show unfunded mobilization requirement on line D7.

6. Total Inventory Requirement (line A4) should be the total of lines A1E, A2, and A3.

7. Applicable Resources should be shown in Section B.

8. Requirement (Standard Price) is shown on line C1. Line C1 is line A4 minus line B4. Line C2 is the surcharges amount included in line C1.

9. Line D1, Funding Requirement at Cost, is line C1 minus line C2. It includes obligations plus commitments for inventory requirements. Lines D2 through D4 are other obligation requirements for noninventory requirements. Line D5 is the total obligation requirement (the sum of D1 through D4). Line D6 is any unfunded operating requirement included in D5. (Explain in narrative.) D7 will reflect line 4C on SM-3C. D8 will reflect line 6B on SM-3a.

10. Line F5 is the total obligation target, line D5 minus lines D6 through D8 and E, and will agree with SM-2 (line 3F) total obligation target.

11. Basis of Operating Objectives. (Section G) This section contains an analysis in financial terms of peacetime on-hand and on-order objectives for the end of the past year, current year, and the budget year. Objectives will be based on subsequent fiscal year estimated demands, and will be constructed by element (e.g., safety levels, production leadtime, review cycle, repair cycle, and the like). Column 1 will reflect the actual end-of-period objectives for the past fiscal year.

The purpose of this exhibit is to portray statistically computed supply inventory objectives which will be used to test the reasonableness of the total inventory objectives computed by means of the simulation-of-buy stratification process. Substitute formats may be used provided they present substantially the same information, and provided that prior approval for substitution is obtained from the Director for Revolving Funds, USD(C).

The following is an explanation of specific entries.

a. Safety Level. (Days/Dollars) This entry will reflect the relationship between the dollar value of issues/transfers, and the dollar value of the safety level, to the average number of days of supply contained in the safety level. Requirements for numeric stockage objectives are excluded. Provision is made for more than one echelon of supply by permitting the safety level at the highest echelon to consider, in addition to issues, transfers to lower echelons. This section is applicable to both repairable and consumable items. The narrative should describe significant changes in safety level requirements or average days from one fiscal period to the next period.

b. Leadtime. (Days/Dollars) The requirement to support demands (requiring replacement through acquisition) over the acquisition leadtime period of procurement or order and ship time, depending on the echelon of supply, is included in this entry. No leadtime requirement is to be included for issues replaced through the repair cycle or for issues which will not be replaced. Therefore, these types of issues are subtracted from gross demands in the computation. The narrative should describe significant changes in leadtime requirements or average days from one fiscal period to the next period.

c. Procurement Cycle/Operating Level. (Days/Dollars) The procurement cycle applies to the first echelon of supply. This requirement supports demands from the end of the fiscal year until the next scheduled procurement. For each fiscal year it represents the dollar value of that portion of the procurement cycle which requires funding during that fiscal year. The operating level applies to the second echelon of supply. The operating level requirement support demands during the interval, between arrival of successive replenishment shipments. Only one-half of the dollar value of the operating level requirement is included here since it is assumed that on the average one-half of this requirement would be on order at any given period in time.

No procurement cycle or operating level requirement is to be included for issues replaced through the repair cycle. The narrative should describe significant changes in procurement cycle/operating levels or average days from one fiscal period to the next period.

d. Repair Cycle. (Days/Dollars) This entry will consist of the requirement for material to be on hand at the end of the fiscal year to accomplish repair operations during the repair turnaround period. This will include the time interval required to generate, through returns, sufficient stocks of an item to warrant an economical repair work order (accumulation time), and the time interval between approval of a work order for repair until the item is reclassified as serviceable (repair leadtime). The repair cycle will consist of the time interval between pickup of the unserviceable item on inventory control records and the time when the item is reclassified as serviceable. In those instances where asset visibility has been extended below the wholesale (first) echelon of supply, repair cycle requirements should include the full range of funding needed to support the visible portions of the repair cycle as first echelon requirements. A repair cycle for both a first and second echelon of supply should be described in those cases where the requirements process does not comprehend all repair cycle requirements within the first echelon. The narrative should describe significant changes in repair cycle requirements or average days from one fiscal period to the next period.

e. Other Operating Inventory Objectives. (Days/Dollars) Objectives included here will be limited to those which cannot be properly assigned to any of the objectives identified above. The narrative analysis will include appropriate data to support each objective listed under this classification. This entry excludes requirements/funding for peacetime inventory augmentation or mobilization. The narrative should describe significant changes in other operating inventory objectives from one fiscal period to the next period.

f. Total Operating Inventory Objective. (Days/Dollars) This entry is the sum of total computed on-hand and on-order peacetime operating inventory requirements as of the end of each fiscal period. (Sums of lines G1 through G7.)

12. Narrative. This provides a narrative explanation of significant changes. Also, this narrative provides a presentation of the adjustment required to the basic stratification tables prescribed by DoDI 4140.24 in order to adjust the basic data or to add data not considered. A detailed explanation of operating obligation requirements in excess of orders will be provided. The narrative should describe significant revisions or additions to the stratification tables which provide the basis for budget review and analysis. Individual statements for each budget submission should be prepared for each budget category.

Exhibit SM-3b By Weapon System

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INSTRUCTIONS FOR PREPARATION OF
OPERATING REQUIREMENT BY WEAPON SYSTEM (EXHIBIT SM-3B)

The purpose of the SM-3B, Operating Requirement by Weapon System is to provide a breakout of the operating obligation request by type of supply system action (procurement versus repair) and by weapon system or category.

1. For the OSD/OMB budget review, prepare SM-3B for each Service stock fund wholesale division which provides military spare parts. (This excludes fuel, medical/dental, subsistence, etc.). For each division, one Exhibit SM-3B should be prepared for each fiscal year (CY, BY1, BY2).

2. Definitions.

a. Basic Replenishment consist of the sales replacement spares.

b. Outfits are initial outfittings to support a new weapon system or modification to an existing weapon system. This material is anticipated to be sold to an appropriated outfitting (buy-out) account which finances the lay-in of authorized allowances at the outfitting site.

c. Special Programs are instances where special management action is required, such as a Service initiative responding to abnormally high wear-out rates.

d. Basic Rework is repair obligations for sales replacement.

3. Dollars in millions and tenths of a million. Weapon systems, as defined by the applicable Service, may be aggregated into categories when individual systems are less than \$25 million. Appropriate levels of aggregation will be approved by the Director for Revolving Funds. Common parts may be grouped by category such as radios or may be allocated to specific systems such as F-16 aircraft. Obligational authority requests for nonweapon system-related requirements such as reverse engineering and forgings & castings must be separately identified.

4. Estimated data may be used and noted as such until accurate systems can be developed to provide accurate data.

5. This form will be prepared at latest acquisition cost or repair cost as appropriate.

FY_____ BUDGET _____ (DoD Component) Date:	MOBILIZATION REQUIREMENT BY DIVISION (Dollars in Millions)					
	CY	BY1	BY2	BY3	BY4	BY5
1. REQUIRED						
a. PREPOSITIONED						
b. SUSTAINING						
c. TOTAL						
2. ASSETS						
a. PREPOSITIONED						
b. SUSTAINING						
c. TOTAL						
3. FUNDED DEFICIT						
a. PREPOSITIONED						
b. SUSTAINING						
c. TOTAL						
4. UNFUNDED DEFICIT						
a. PREPOSITIONED						
b. SUSTAINING						
c. TOTAL						
5. NARRATIVE						

Exhibit SM-3c By Division

INSTRUCTIONS FOR PREPARATION OF
MOBILIZATION REQUIREMENT (EXHIBIT SM-3C)

The purpose of the SM-3C, Mobilization Requirement is to provide a breakout of the funded and unfunded mobilization requirement.

1. Prepare SM-3C for each supply management division which has a mobilization requirement.
2. Dollars in millions and tenths of a million.
3. Provide for current year through FYDP. Only totals for each category (1 through 4) need be shown for FYDP years.
4. Show all data at cost.
5. See Section 090203, Supply Management, for definition of prepositioned. All other war reserve requirements will be included under sustaining.
6. The unfunded deficit is that portion of the total requirement for which no funds are available. The total requirement will encompass the minimum number of days specified in the Defense Guidance. Explain in narrative any constraints not due to funding.

FY _____	BUDGET	DIVISION			DATE
SUPPLY MANAGEMENT		(Dollars in Millions)			
(DoD Component) INVENTORY STATUS	TOTAL	MOBILIZATION	PEACETIME OPERATING	PEACETIME OTHER	
1. INVENTORY BOP					
2. BOP INVENTORY ADJUSTMENTS					
a. RECLASSIFICATION CHANGE (Memo)					
b. PRICE CHANGE AMOUNT (Memo)					
c. INVENTORY RECLASSIFIED AND REPRICED					
3. RECEIPTS AT STANDARD					
4. SALES AT STANDARD					
5. INVENTORY ADJUSTMENTS					
a. CAPITALIZATIONS + or (-)					
b. RETURNS FROM CUSTOMERS FOR CREDIT +					
c. RETURNS FROM CUSTOMERS WITHOUT CREDIT					
d. RETURNS TO SUPPLIERS (-)					
e. TRANSFERS TO PROPERTY DISPOSAL (-)					
f. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)					
g. OTHER (LIST/EXPLAIN)					
h. TOTAL ADJUSTMENTS					
6. INVENTORY EOP					
7. INVENTORY EOP, REVALUED (LAC, DISCOUNTED)					
a. ECONOMIC RETENTION (Memo)					
b. CONTINGENCY RETENTION (Memo)					
c. POTENTIAL DOD REUTILIZATION (Memo)					
8. INVENTORY ON ORDER EOP (Memo)					
9. NARRATIVE (Explanation of unusual changes)					

Exhibit SM-4 Inventory Status

INVENTORY STATUS (EXHIBIT SM-4)

The purpose of the Inventory Status, SM-4 Exhibit is to show estimated inventory levels that will result from the proposed budgets and operating levels. Prepare SM-4 for each budget submission or review. This report shall be submitted for the prior fiscal year, the current fiscal year to date, the total current year, and the budget year for each supply management division. For each fiscal year, the form will be prepared at standard price. Line 7 will show the ending inventory converted to cost with discounting factors for repair cost and salvage value applied as appropriate. A consolidated summary for the total fund will be prepared for the OSD/OMB Review. The prior fiscal year and the current fiscal year to date exhibits shall reflect in column (1) the amount, at standard price, from supply management general ledgers used in preparation of fiscal and accounting reports. Amounts in columns (2), (3), and (4) may be statistically derived based upon related inventory stratification reports. Instructions for preparation of SM-4 Inventory Status at standard price are as follows:

1. Inventory, BOP at Standard Price. (Beginning of Period) Amounts of inventory on hand and in transit reported must equal amounts reported as of the end of the prior year. If not, explain any difference in a footnote. The Component must have title to all inventory listed here.
2. Inventory, Repriced at New Standard Price. Stratified inventory, valued at new standard price. Memorandum entry for amount due to price change (line 2B) and for change due to reclassification (line 2A) will be shown. Reclassification nets to zero in total column.
3. Receipts. Add the amount of inventory value on which title has passed or will pass to the reporting supply management division during the period of the report. Use standard price.
4. Gross Sales. Material sold to customer during the period of the report at standard price.
5. Inventory Adjustments.
 - a. Capitalization (Net). Report at standard price the inventory value of material capitalized or decapitalized during the period of the report. Show a net decapitalization with (-) preceding value.
 - b. Returns from Customers for Credit. Show the cumulative amount of material returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit has been given. Use standard price.
 - c. Returns from Customers without Credit. Show the cumulative amount of material returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit was not given. Use standard price.
 - d. Returns to Suppliers. Show as a negative number the cumulative amount of material returned to supplier during the period of the report. Use standard price.
 - e. Transfers to Property Disposal. Show the net amount of material transferred to/from the Defense Reutilization and Marketing Service (DRMS) on which title has been passed to DRMS. Use standard price.
 - f. Issues/Receipts Without Reimbursement. Show the net cumulative amount of material issued or received without reimbursement during the period of the report. This item could include transfers from other divisions or material categories, etc., as required. Show net issued with (-) preceding value. Use standard price.

g. Other Adjustments. Identify and report the amounts of other adjustments to inventory. Include all other adjustments to inventory such as adjustments to record for physical inventory count and extraordinary losses (fire, weather). Explain with footnotes if necessary. Show (+) or (-) as appropriate. Use standard price.

h. Total. Add 5a through 5g.

6. Inventory EOP. (End of Period) Report the amount of inventory available as of the end of the reporting period. Includes all on hand, in transit, work-in-process, and other stocks on which title is rested in the reporting stock fund division. Use standard price.

7. Inventory EOP at Approved Valuation Method. Convert the inventory at standard price in line 6 to latest acquisition cost. Then apply the discounting factors for repair cost and salvage value as appropriate. Provide breakout of Peacetime Other Inventory (column 4, line 6) value as economic retention, policy retention, potential excess, and other for OSD/OMB review only.

8. Inventory on Order, EOP at Cost. (End of Period) Report the amount of peacetime (operating and other) and mobilization undelivered orders (excluding in transit) for material outstanding at the end of the period.

Supply Management
Wholesale Only - Surcharge Calculation

DIVISIONS/ICP	(\$M) PY	(% of Sales) PY	(\$M) CY	(% of Sales) CY	(\$M) BY1	(\$ of Sales) BY1	(\$M) BY2	(% of Sales) BY2
Composite								
1. Sales at LAC/LRC								
2. Surcharge Elements								
a. Supply Ops Obs (May List)								
b. Distribution Depot Obs								
c. DLSC/DAASC/DRMS Obs								
<i>1. Defense Logistics Systems Cntr</i>								
<i>2. Defense Automtd Address Sys Ctr</i>								
<i>3. Defense Reutilization & Marketing</i>								
d. DFAS Obs								
e. Depreciation								
f. Material Inflation Adjustment								
g. Loss/Obsolescence Obs								
h. Condemnation Obs								
i. Transportation Obs								
j. Capital Surcharge								
k. AOR Recovery								
l. Other (List)								
m. Total Surcharge								

Exhibit SM-5a Wholesale Only - Surcharge Calculation

INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-5a SURCHARGE COMPUTATION

The purpose of the SM-5a, Surcharge Computation Exhibit, is to show the surcharge elements for the wholesale divisions of supply management activity groups. This form will be prepared for each wholesale division. Each Service/Agency will provide a consolidated form for the sum of all wholesale divisions managed by that Service/Agency.

1. *Components* will provide the estimated surcharge and customer price changes on this form and the SM-5B, Customer Price Change, that will be reflected in the upcoming budget years to OUSD(C) by August 1. OUSD(C) will review these estimates and distribute pricing factors to all Components in seven working days after receipt of these products.
2. On line 1 of the form, enter net sales at cost for that wholesale division. If the division is consumable, the sales at cost should be at latest acquisition cost (LAC). For example, in estimating FY 2000 costs, FY 1998 contract prices plus FY 1999 inflation should be used. If the division is repairable, separate exhibits should be prepared for sales at standard price and sales at exchange price. For the estimated sales at standard price, the net sales reflected should represent sales at LAC. (Note: Since Air Force pricing computation modules can compute only forecast acquisition price, the Air Force must manually compute the difference between latest acquisition cost and forecast acquisition price and provide that computation for review with the rest of the exhibits required. That calculation of latest acquisition cost will be used as sales at cost in the Air Force budget exhibits). For sales at exchange price, the net sales reflected should represent sales at latest repair cost (LRC). For example, in setting FY 2000 prices, FY 1998 repair prices plus approved depot rate changes should be used. The surcharge elements described below should be allocated to sales at standard price or sales at exchange price. There should also be a composite exhibit for repairables that sums both the sales at LAC and LRC and the surcharge elements. For the Current Year (CY) the sales at cost should reflect the number approved in the President's budget for that fiscal year. This is the only form in which President's budget approved numbers are required. All other forms will reflect actual, estimated actual, or new projections as appropriate. For the BY1/BY2 the sales at cost should reflect the Components' best estimate of sales for that fiscal year including the approved inflation for that fiscal year only. On this line do not fill out the percent of sales column. For the composite supply management surcharge, the net sales at cost line will be comprised of a mix of consumable and repairable sales at LRC and LAC based on the estimated standard price and exchange price sales.
3. On line 2A enter obligations for supply operations approved in the President's budget for the CY less other supply operations obligations separately identified such as distribution depots obligations and transportation obligations. For the BY1/BY2 enter the estimated obligations for the budget year less obligations reflected under other categories. For the percent of sales column, divide the dollar amount in each category by the sales at cost in line one for each column. Inflation for each fiscal year should be included in the obligations cited for each surcharge element. At Component discretion, obligations for supply operations may be further broken down and displayed on this form.
4. On line 2B enter obligations to reimburse DLA distribution depots for receipts and issues approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations to reimburse DLA distribution depots for receipts and issues. Work with DLA as you develop your rates to identify the number of receipts and issues and the price DLA plans to charge in estimating the budget year amount. During the budget review these estimates will be adjusted based on the budget decisions.
5. On line 2C enter the sum of obligations to reimburse DLSC, DAASO, and DRMS approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations to reimburse DLSC, DAASO, and DRMS. *List the amounts applicable to each of these organization on lines 2C1, 2C2, and 2C3.* Work with DLA as

you develop your rates to determine the amount of funding required to support these activities in the budget year. During the budget review these estimates will be adjusted based on the budget decisions.

6. On line 2D enter obligations to reimburse DFAS for accounting services approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations to reimburse DFAS. Work with DFAS as you develop your rates to identify the obligations required to reimburse DFAS for the budget year. During the budget review these estimates will be adjusted based on the budget decisions.

7. On line 2E enter depreciation expense approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated depreciation expense.

8. On line 2F enter the obligational impact associated with the approved inflation related to material for the PY and CY. For the BY1/BY2 inflation should be calculated based on several factors: (1) actual experience over production leadtime preceding the CY setting of prices; (2) approved inflation over the production leadtime preceding the CY setting of prices; and (3) a combination of these two factors based on an estimation of the gain/loss resulting from the inflation estimate in prior year price setting. Inflation for supply operations and other surcharge elements should be included within the supply operations element listed above.

9. On line 2G enter the obligations required to replace items that have either been lost, pilfered, or have become obsolescent approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations associated with replacing items that have become lost or obsolete. If the carcass return rate is less than 100 percent for repairables, obligations required to replace items should be included in this category.

10. On line 2H, for repairable items only, enter the obligations required to replace items that have attrited through the repair process approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations associated with replacing items that have attrited in the repair process. Attrition for repairable items occurs on items that have been sold at exchange price. Subsequently, the items wash out in the repair process and some must be replaced.

11. On line 2I enter the obligations required for first and second destination transportation of secondary items approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated obligations associated with transportation of secondary items. Obligations for first destination transportation of secondary items should only be included as a surcharge element if not included in the price of the item.

12. On line 2J enter the capital surcharge required to support disbursements for capital investments that will not be covered by depreciation approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated surcharge amount required to support disbursements for capital investments that will not be covered by depreciation.

13. On line 2L enter the amount added to prices to adjust for prior year gains/losses approved in the President's budget for the PY and the CY. For the BY1/BY2 enter anticipated surcharge amount required to adjust prices for prior year gains/losses. This estimate for the BY1/BY2 must be based on actual PY results and revised CY estimates in the President's budget.

14. This form is not intended to limit the Component in the display of surcharge elements. The Other (List) category permits the Component to display other costs as required.

15. On line 2M sum up line 2A through 2L across the columns.

Note: 1/ Exclude direct reimbursable costs such as tenant base support. Identify the amount excluded by footnote on this form.

SUPPLY MANAGEMENT
Wholesale Only
Customer Price Change

	CY	BY1	BY2
1. Net Sales at Cost			
2. Less: Material Inflation Adj.	XXXXXXXX		
3. Revised Net Sales at Cost	XXXXXXXX		
4. Surcharge (\$)			
5. Change to Customers			
a. Previous Year's Surcharge (%)			
b. This year's Surcharge and material inflation divided by line 3 above (\$)			
c. Percent change to customer			

Line 1. On this line enter the net sales at cost for each fiscal year. The dollar value on this line should match the net sales at cost line on the composite line 1, SM-5A and include an estimate for material inflation.

Line 2. This line should have the dollar value of the material inflation adjustment applicable between the previous year and the fiscal year of the column, i.e., in the budget year column, enter the amount of material inflation included in line 1 between BY and CY.

Line 3. Subtract line 2 from line 1.

Line 4. Enter the surcharge (\$) for that fiscal year from the SM-5A, i.e., for the budget year enter the composite total surcharge for line 2M of the SM-5A.

Line 5a. Enter the percentage (decimal) of the previous fiscal year's surcharge, i.e., for the budget year enter the percentage (decimal) from the CY line 2M of the SM-5A.

Line 5b. Add together line 4 and line 2. Divide the total of line 4 and line 2 by line 3 to get the entry for this line.

Line 5c. Divide line 5b plus one by line 5a plus one and subtract one from the result.

Exhibit SM-5b Customer Price Change

FY _____ (Activity group) _____ (DoD Component)	COLLECTIONS/DISBURSEMENTS WORKSHEET (Dollars in Millions)			
	OPERATING	OTHER	MOBILIZATION	TOTAL
1.				
a. BALANCE, BOP FY				
b. APPROPRIATIONS				
c. TRANSFERS				
d. COLLECTIONS				
e. DISBURSEMENTS				
f. NET OUTLAYS				
g. CASH, EOP				
2.				
a. BALANCE, BOP FY				
b. APPROPRIATIONS				
c. TRANSFERS				
d. COLLECTIONS				
e. DISBURSEMENTS				
f. NET OUTLAYS				
g. CASH, EOP				
3.				
a. BALANCE, BOP FY				
b. APPROPRIATIONS				
c. TRANSFERS				
d. COLLECTIONS				
e. DISBURSEMENTS				
f. NET OUTLAYS				
g. CASH, EOP				
4.				
a. BALANCE, BOP FY				
b. APPROPRIATIONS				
c. TRANSFERS				
d. COLLECTIONS				
e. DISBURSEMENTS				
f. NET OUTLAYS				
g. CASH, EOP				

Exhibit SM-8 Collections/Disbursements

INSTRUCTIONS FOR PREPARATION OF
COLLECTIONS/DISBURSEMENTS (EXHIBIT SM-8)

The purpose of the Collections/Disbursements Exhibit, SM-8, is to provide detailed backup for cash impacts. Instructions are:

1. The exhibit is required to be submitted with each budget submission or review. It may be determined based upon computation from amounts recorded in general ledgers, from memorandum records, or projections of recent experiences. Amounts shall be rounded to the nearest tenth of a million dollars. Prepare SM-8 for prior fiscal year and each succeeding fiscal year through the FYDP.

a. Prior Fiscal Year:

- (1) Balance, BOP. Report the balance at the beginning of the period.
- (2) Appropriations. Report the amount of appropriations realized in the prior fiscal year.
- (3) Transfers. Report the amount of transfers from or to other funds during the prior fiscal year.
- (4) Collections. Report the amount of collections received.
- (5) Disbursements. Report the amount of disbursements made.
- (6) Net Outlays. Report the amount of net outlays for columns 1 and 4 by subtracting the estimated collections line 1.d from expenditures line 1.e.
- (7) Cash Balance, EOP. (End of Period). Report the fund balance as of the end of the reporting period.

b. Current Fiscal Year. Provide the same data as for the prior fiscal year, allowing balance EOP + BOP to compute based on transactions.

c. Budget Year. Provide the same data as for the current fiscal year.

d. Outyears. Provide the same data for the year following the budget year for the OSD/OMB Budget Review only.

2. Other Fund Balance (column 2) includes appropriated dollars for any purpose other than mobilization.

FY _____ BUDGET COMMODITY SUMMARY				A. Supply Management		B. AS OF (Enter date)	
	SPARE PARTS	SUBSISTENCE	CLOTHING	MEDICAL/ DENTAL	FUEL	OTHER	TOTAL
CONTRACT AUTHORITY - SOURCE:							
OPERATING PURCHASES FROM DIA							
OPERATING PURCHASES FROM OTHER STOCK FUND							
OPERATING PURCHASES FROM OWN STOCK FUND							
OPERATING PURCHASES FROM SUPPLIERS							
OPERATING COSTS							
TOTAL OBLIGATIONS							
NEW APPROPRIATION (MEMO)							
MOBILIZATION							
OTHER							
SALES - BY CUSTOMER							
TO NON-DOD AND FMS							
TO OWN STOCK FUND							
TO ARMY							
TO NAVY							
TO AIR FORCE							
TO MARINE CORPS							
TO OTHER DOD							
<i>To Other Non-DoD (list)</i>							
TOTAL SALES							

Exhibit SM-10 Commodity Summary

INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-10
COMMODITY SUMMARY

The purpose of the SM-10, Commodity Breakout Chart, is to provide a breakout of Appropriation, *Costs and Sales* including sales for each Service and the Defense Logistics Agency. This exhibit will be prepared in million of dollars and cover the prior, current, and budget year.

Total Cost Per Output Summary

Component: _____ Activity Group: _____

Date: _____

(\$ in Millions)

Gross Sales
PY CY BY1 BY2

Unit Cost
PY CY BY1 BY2

Total Cost
PY CY BY1 BY2

Output
Operating Budget

Cost per dollar of sales

Divide Total Cost by
Gross Sales

Cost equals obligations
(except capital budget)
plus depreciation,
and credit returns.

Exhibit SM-16 Total Cost Per Output Summary

Summary of Price, Program, and Other Changes (Operating Budget) - Costs

Component: _____

Activity group: _____

Date: _____

(\$ in Millions)

	<u>Cost of</u> <u>Opns</u> <u>FY PY</u>	<u>Cost of</u> <u>Opns</u> <u>FY CY</u>	<u>Price</u> <u>Growth</u>	<u>Program</u> <u>& Other</u> <u>Changes</u>	<u>Cost of</u> <u>Opns</u> <u>FY BY1</u>	<u>Price</u> <u>Growth</u>	<u>Program</u> <u>& Other</u> <u>Changes</u>	<u>Cost of</u> <u>Opns</u> <u>FY BY2</u>
Military Personnel Compensation (Fund-1a lines 010-050)								
Civilian Personnel Compensation and Benefits (including FNIH personnel) (Fund- 1a lines 101-113)								
Travel and Transportation of Personnel (Fund-1a lines 301-307)								
Material & Supplies (For Internal Operations) (Fund-1a lines 401-422)								
Equipment (Fund-1a lines 502-550)								
Other Purchases from Revolving Funds (Fund-1a lines 601-699, except 633, 634, and 671)								
Transportation of Things (Fund-1a lines 701-761)								
Depreciation (Fund-1a lines 802-805)								
Printing and Reproduction (Fund-1a lines 633 and 921)								
Advisory and Assistance Services (Fund-1a line 931)								
Rent, Communications, Utilities, and Miscellaneous Charges (Fund-1a lines 634, 671, 912, 913, 914, and 915)								
Other Purchased Services (All other Fund-1a lines)								
Total Operating Budget ^{A/}								
Less Depreciation								
Inventory Procurement Expenses (Supply Management Only)								
Total Obligations								

A/ For Supply Management Activity groups, Total Operating Budget is for supply operations only. All entries on this form are obligations except for the costs of depreciation.

Exhibit Fund-1 Summary of Price and Program Changes - Costs

Instructions for Preparation of Exhibit Fund-1
Summary of Price, Program, and Other Changes

This exhibit reflects the total operating costs (including reimbursements for non-Fund activity groups) to accomplish the work load represented by all measured and unmeasured outputs. Measured outputs are those for which total costs for the output are estimated on the basis of the average total cost per unit. Unmeasured outputs are those remaining outputs which are expressed only in terms of total program costs. The operating budget will show depreciation for all capital benefiting the activity group. Both the Summary Exhibit (Fund-1) and the Detail Exhibit (Fund-1a), which reflect the costs incurred to support sales activity, are required for all activity groups except for Supply Management activity groups. For Supply Management Activity groups, all entries on this form are obligations except for depreciation.

Details of Price, Program, and Other Changes (Operating Budget) - Costs
(\$ in Millions)

	<u>Cost of Operations FY --</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Percent</u> <u>Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY --</u>
	<u>MILITARY PERSONNEL COMPENSATION</u>				
010	Officer Composite – <i>Civilian Equivalent</i> Rates				
050	Enlisted Composite – <i>Civilian Equivalent</i> Rates				
	Total Military Personnel Compensation				
	<u>CIVILIAN PERSONNEL COMPENSATION</u>				
101	Executive, General, and Special Schedule				
103	Wage Board				
104	Foreign National Direct Hire (FNDH)				
105	Separation Liability (FNDH)				
106	Benefits to Former Employees				
107	Voluntary Separation Incentive Program				
110	Unemployment Compensation				
111	Disability Compensation				
112	Retirement Fund Offset (15% of Employee’s final basic pay)				
113	Retirement Fund Offset (\$80 per year per employee) (Not required after FY 1998)				
	Total Civilian Personnel Compensation				
	<u>TRAVEL</u>				
308	<i>Travel of Persons</i>				
	Total Travel				
	<u>MATERIAL & SUPPLIES (FOR INTERNAL OPERATIONS)</u>				
401	<i>DFSC (Fuel)</i>				
402	Service Fuel (Purchases <i>From Other than DFSC</i>)				
411	<i>Army Managed Supplies and Materials</i>				
412	<i>Navy Managed Supplies and Materials</i>				
413	Non-capitalized Equipment Procured from DoD Sources				
414	<i>Air Force Managed Supplies and Materials</i>				
415	<i>DLA Managed Supplies and Materials</i>				
416	<i>GSA Managed Supplies and Materials</i>				
421	Locally Purchased Supplies & Materials (Other than from Supply Management)				
422	Locally Purchased Non-capitalized Equipment				
	Total Material, Equipment & Supplies				

Note: For Supply Management Activity groups, all entries on this form are obligation except for the costs of depreciation.

Note: For Supply Management Activity groups, all entries on this form are obligation except for the costs of depreciation.

Details of Price, Program, and Other Changes (Operating Budget) - Cost
(\$ in Millions)

	<u>Cost of Operations FY --</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Percent</u> <u>Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY --</u>
<u>EQUIPMENT PURCHASES</u>					
502 Army (Fund) Equipment					
503 Navy (Fund) Equipment					
505 Air Force (Fund) Equipment					
506 DLA (Fund) Equipment					
507 GSA Managed Equipment					
550 Commercial Purchases of Equipment					
Total Equipment Purchased from the Fund					
<u>OTHER INTRAFUND (FUND) PURCHASES</u>					
601-699 (As follows:)				<u>Component</u>	
601 Army Ordnance-Armament Command				Army	
602 Army Depot Maintenance				Army	
603 <i>DLA Distribution Depot (Army only)</i>				<i>Defense</i>	
610 Naval Air Warfare Center				Navy	
611 Naval Surface Warfare Center				Navy	
612 Naval Undersea Warfare Center				Navy	
613 Naval Aviation Depots				Navy	
614 Naval Command, Control & Ocean Surveillance Center				Navy	
615 Navy Information Services				Navy	
<u>Transportation (Sealift Services):</u>					
620 Fleet Auxiliary Force				Navy	
621 Afloat Prepositioning Ships				Navy	
623 Special Mission Support				Navy	
624 <i>Military Sealift Command</i>				Navy	
653 Transportation (Airlift Services (Training))				Air Force	
630 Naval Research Laboratory				Navy	
631 Naval Facilities Engineering Service Center				Navy	
632 Naval Ordnance/Weapon Stations				Navy	

Details of Price, Program, and Other Changes (Operating Budget) - Cost
(\$ in Millions)

	<u>Cost of Operations FY --</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Percent Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY --</u>
<u>Navy Base Support Services:</u>			<u>Component</u>		
634 Public Works - Utilities			Navy		
635 Public Works - Other			Navy		
639 Public Works (Composite Rate)			Navy		
637 Naval Shipyards			Navy		
640 Marine Corps Depot Maintenance			Marine Corps		
647 DISA Information Systems (Megacenters)			Defense		
648 Army Information Services			Army		
649 Air Force Information Services			Air Force		
650 DLA Information Services			Defense		
651 DFAS Information Services			Defense		
<u>Depot Maintenance:</u>					
661 Organic Operations			Air Force		
662 Contract			Air Force		
633 Defense Printing Services (FY 1997 and out)			Defense		
670 Defense Automatic Addressing Systems			Defense		
671 Communications Services (DISA)			Defense		
672 Purchases From Pentagon Reservation Maintenance Revolving Fund			Defense		
673 Financial Operations (DFAS)			Defense		
674 Distribution Depots (DLA)			Defense		
675 Defense Reutilization and Marketing Services (DRMS)			Defense		
676 <i>Defense Commissary Operations</i>			Defense		
678 <i>Defense Security Service</i>			<i>Defense</i>		
680 Purchases from the Buildings Maintenance Fund			Defense		
679 Cost Reimbursable Purchases			All		
680-689 Other Activity groups (List)			All		
Total Other Fund Purchases					

Details of Price, Program, and Other Changes (Operating Budget) - Cost
(\$ in Millions)

	<u>Cost of Operations FY --</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Percent</u> <u>Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY --</u>
<u>TRANSPORTATION</u>					
701					<i>MAC Cargo (Fund)</i>
702					<i>MAC SAAM (Fund)</i>
703					<i>JCS Exercises</i>
704					<i>Defense Courier Service</i>
709					<i>Afloat Prepositioning Ships (MSC)</i>
710					<i>Fast Sealift Ships</i>
711					<i>MSC (Cargo – USTRANSCOM)</i>
712					<i>Other MSC Purchases (POL)</i>
721					<i>MTMC Port Handling (Fund)</i>
725					<i>MTMC (Other non-Fund)</i>
771					<i>Commercial Transportation</i>
					<i>Total Transportation</i>
					<i>OCONUS Transportation-Supply Mgt only (Memo)</i>
<u>CAPITAL INVESTMENT DEPRECIATION</u>					
802					<i>Equipment, except ADPE and Telecommunications Equipment (depreciation)</i>
803					<i>ADPE and Telecom Resources (depreciation)</i>
804					<i>Software Development (depreciation)</i>
805					<i>Minor Construction (depreciation)</i>
806					<i>Improvements Made to Land</i>
					<i>Total Capital Investment Depreciation</i>

Details of Price, Program, and Other Changes (Operating Budget) - Cost
(\$ in Millions)

	<u>Cost of Operations FY --</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Percent</u> <u>Amount</u>	<u>Program & Other Changes</u>	<u>Cost of Operations FY --</u>
<u>OTHER PURCHASED SERVICES</u>					
901 Foreign National Indirect Hire (FNIH)					
902 Separation Liability (FNIH)					
912 SLUC (GSA Leases)					
913 Purchased Utilities (non-Fund)					
914 Purchased Communications (non-Fund)					
915 Rents & Leases (non-GSA)					
917 <i>Postal Services (U.S.P.S.</i>					
921 Printing & Reproduction					
922 Equipment Maintenance by Contract					
923 Facility Maintenance by Contract					
927 <i>Air Defense Contracts and Space Support (AF)</i>					
928 Ship Maintenance by Contract					
929 Aircraft Rework by Contract					
930 Other Depot Maintenance (non-Fund)					
931 <i>Contract Consultants</i>					
932 <i>Management and Professional Support Services</i>					
933 <i>Studies, Analysis, and Evaluation</i>					
934 <i>Engineering Technical Services</i>					
941 Technical Drawings (Supply Operations only)					
942 Forgings & Castings (Supply Operations only)					
969 Other Engineering Services & Support					
989 Other Contracts					
998 Other Costs (List and identify items over \$10,000)					
Total Other Purchases					
TOTAL COST OF OPERATIONS (Includes Reimbursements)					

Definitions of Fund-1a Categories - Cost
Details of Price, Program, and Other Changes (Operating Budget)

General. The Fund-1 and Fund-1a Exhibits reflect the total costs (expenses) of supporting the applicable activity group for each fiscal years PY, CY, BY1, and BY2. All activity groups will report the amortized capital costs of the activity for the capital investments benefiting the activity group. All entries on this form are costs except for Supply Management activity groups. For Supply Management activity groups, all entries on this form are obligations except for the costs of depreciation. Round data to the nearest tenth of a million (e.g., show \$10.4 million, not \$10 million).

Military Personnel Compensation - The elements of cost to be included in the calculation of Military Personnel composite enlisted and officer rates can be found in chapter 26 of the DoD Accounting Manual.

Civilian Personnel Compensation - The elements of cost now include VERA and RIF costs as well as the costs to offset the short-term costs of buyouts.

109 - 15 percent of the final basic pay of each employee who takes a buyout and voluntary early retirement under the Civil Service Retirement System (CSRS) during fiscal year 1995. ***This line item was 9% prior to FY 1998.***

110 - \$80 per year for each employee on an agency's rolls under CSRS and the Federal Employees Retirement System as of March 31 of fiscal years 1995 - 1998, of whether an agency offers buyouts. ***Discontinued after FY 1998.***

Material, Equipment, & Supplies - These elements support the internal material, equipment, and supply costs associated with operation of the associated supply activity. Distinguish between expenses associated with material purchased from Fund businesses and that purchased from non-Fund businesses.

413 - For equipment purchases of less than \$100,000 per item. Equipment costing more than \$100,000 per item will be capitalized and depreciated under element 801.

Other Purchases

941 - The amount entered for Technical Drawings will agree with the amount for this element in supporting budget justification materials.

942 - The amount entered for Forgings and Castings will agree with the amount for this element in supporting budget justification materials.

War Reserve Material Sales - Enter the amount for this element of expense supported by budget justification materials and included in operating budget totals.

Other pertinent information is explained below:

- Exhibits are required to show changes from the prior year to the current year, the current year to the BY1, and from the BY1 to the BY2.

- Elements of expense for which there are no costs should be excluded from the data submitted (rather than included with an amount of zero).

- Elements of expense 601-699 should be used for purchases from Working Capital Fund Activity Groups other than supply operations to support the internal operations of the activity group. Purchases by supply operations from depot maintenance businesses should be included in category 600. Purchases from the supply operations business to support the internal operations of the business should be reported in category 400.

Lines 601-676 and 680-689 should include purchases made at stabilized rates. Cost reimbursable purchases should be included in line 699.

- Purchases of engineering services, other than those shown on lines 931-934 should be included on line 969, Other Engineering Services and Support.

Changes in the Costs of Operation
Component/Activity group:_____
Date:_____
(Dollars in Millions)

Expenses

FY PY Estimated Actual

FY CY Estimate in President's Budget:

Estimated Impact in FY CY of Actual
FY PY Experience:
List

Pricing Adjustments:
Civilian Personnel
Fuel Price

Program Changes:
List

FY CY Current Estimate:

Pricing Adjustments:
Annualization of Prior Year Pay Raises
FY BY1 Pay Raise
Civilian Personnel
Military Personnel

Fund Price Changes
General Purchase Inflation
Other Price Changes (list)

Productivity Initiatives and Other Efficiencies:
Productivity Initiative 1
Fund Productivity
Etc.

Program Changes:
Change 1
Etc.

Other Changes:
Depreciation
Other (list)

FY BY1 Estimate:

Pricing Adjustments:
Annualization of Prior Year Pay Raises
FY BY2 Pay Raise
Civilian Personnel
Military Personnel
Fund Price Changes

Exhibit Fund-2 Changes in the Costs of Operation

Page 1 of 2

Changes in the Costs of Operation (Cont)
Component/Activity group:_____
Date:_____
(Dollars in Millions)

Expenses

General Purchase Inflation
Other Price Changes (list)

Productivity Initiatives and Other Efficiencies:
 Productivity Initiative 1
 Fund Productivity
 Etc.

Program Changes:
 Change 1
 Etc.

Other Changes:
 Depreciation
 Other (list)

FY BY2 Estimate:

This exhibit will explain the changes in the operating budget (expenses) from one fiscal year to the next at a meaningful level of detail, relating program changes to changes in the level of work load (Unit Cost outputs) to the maximum extent possible. A Fund-2 exhibit for each Fund activity group is required. Of particular interest are the strategies and plans to improve activity group productivity and quality. Accordingly, the cost impacts of productivity initiatives (Defense Management Reviews (DMR) and other) should be separately identified on this schedule. Each activity group should include a paragraph outlining major productivity improvement plans and associated resources including but not limited to capital investment, education and training initiatives, process improvement, consolidation and streamlining, work force motivation, and incentives.

Provide a narrative explanation for changes. Round data to the nearest tenth of a million (e.g., show \$ 10.4 million, not \$ 10 million).

For changes in cost due to productivity initiatives, list the detailed initiatives and amounts for each. Distinguish the cost reductions associated with individual DMR's from other productivity initiatives.

Labor and Unit Cost Breakdown
Component: _____
Activity group: _____
Date: _____

(\$ in Millions)									
	<u>Direct</u>		<u>Indirect</u>		<u>Gen & Adm</u>			<i>Workload</i>	<i>Unit</i>
	<u>Labor 1/</u>	<u>Nonlabor</u>	<u>Labor 1/</u>	<u>Nonlabor</u>	<u>Labor 1/</u>	<u>Nonlabor</u>	<u>Total</u>	<u>Indicator</u>	<u>Cost</u>
FY PY									
	1/ Includes military and civilian compensation								
FY CY									
	List total Direct, Indirect, and General and Administrative expenses by year. The distinction between these elements of cost should be based on the 15 October 1990 Unit Cost Resourcing Guidance, or approved Unit Cost Task Group Mapping.								
FY BY1	For Supply Management Activity groups, all entries on this form are in obligations with the exception of depreciation.								
	Workload may be expressed in Direct Labor Hours or other meaningful measure for the activity group.								
	Unit Cost will equal total cost divided by total workload measure for each fiscal year.								

FY BY2

Area Personnel Breakdown

	<u>Direct</u>	<u>Indirect</u>	<u>Gen & Adm</u>	<u>Total</u>
<u>FY PY</u>				
Civilian FTEs				
Civilian End Strength				
Military End Strength				
<u>FY CY</u>				
Civilian FTEs				
Civilian End Strength				
Military End Strength				
<u>FY BY1</u>				
Civilian FTEs				
Civilian End Strength				
Military End Strength				
<u>FY BY2</u>				
Civilian FTEs				
Civilian End Strength				
Military End Strength				

Exhibit Fund-3 Labor Cost Breakdown

Instruction for the Preparation of Exhibit Fund-3
Labor and Unit Cost Breakdown

This exhibit *combines the requirements of Fund-6 exhibit (Derivation of Unit Costs)*. Accordingly, the Fund 6 exhibit will no longer be required. The Fund-3 exhibit stratifies, by fiscal year, the total activity group costs in the operating budget by Direct, Indirect, and General and Administrative (G&A) categories, which respond differently to changes in work load. *In addition it displays total workload in terms of direct labor hours or other measure and the applicable unit cost.* For the G&A category, only the personnel carried in and paid for by the activity group should be reflected in the personnel strength numbers. This includes personnel paid from the activity group payroll such as assigned security guards and personnel working in the office of the activity group director, but not the personnel assigned to a G&A activity that provides base operations support to the activity group unless they are carried in the end strength of the business activity.

Summary of General and Administrative Costs

Component:_____

Activity group:_____

Date:_____

(\$ in Millions)

FY PY

FY CY

FY BY1

FY BY2

List those elements of cost, including purchased services and base operations, which will be distributed as General and Administrative Overhead Costs to measured and unmeasured outputs. Where appropriate, also include headquarters costs. Separately identify categories that are significant cost drivers; summarize less significant cost drivers in the "other" category. Examples of General and Administrative Costs include *but are not limited to*:

ADP Support
Telecommunications
Installation Services
Travel/Training
Equipment Maintenance
Civilian Personnel Office
Comptroller/Accounting and Finance
Real Property Maintenance
Utilities
Headquarters Support
Internal Supply or Inventory Management
Other

Total

Note: Significant differences between years should be explained.

* Includes higher headquarters operating expenses above the activity level command elements -- usually at the major command, systems command or other comparable organizational levels (see definition on Fund 25 exhibit).

Total Cost Per Output Summary

Component: _____

Activity group: _____

Date: _____

(\$ Millions)

	Work load				Unit Cost				Total Cost			
	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>
Output												
Operating Budget												
List each output whether measured or not.	Estimated work load for measured outputs.				Estimated unit cost for measured outputs.				Estimated total cost for measured and unmeasured outputs. O&M functions must include reimbursable outputs.			
	-----				-----				-----			
Total Operating Budget	No Data Entry				No Data Entry				Sum the total estimated cost for all outputs. O&M-funded activities must include reimbursable outputs.			
	=====				=====				=====			
Capital Budget	No Data Entry				No Data Entry				List the estimated total capital budget.			
	=====				=====				=====			

This exhibit specifies, by fiscal year, the operating budget by the costs and outputs associated with each activity group. Total costs on this exhibit will add to the operating budget total. Enter the total capital budget amount (authority) as the last item in the table. Exhibit Fund-5 corresponds to the funding document that will be issued for those activity groups that have a limited number of outputs. Exhibit Fund-5a should be used for activity groups with multiple outputs, which includes most of the activity groups that were formerly Industrial Fund activities.

Exhibit Fund-5 Total Cost Per Output Summary

Total Cost Per Output Summary
Component: _____
Activity group _____
Date: _____

1. Description of How Products are Priced:

Examples: Price list for items repaired
 Cost per billable hour
 Cost per item manufactured
 Cost per ton/mile by route

Activity groups should provide descriptions for as many of the primary outputs as practical.

2. Explanation of Average Change in Cost:

FY CY Average Changes in Cost

Provide a narrative explanation of how the data displayed in Exhibit Fund-1 and changes in work load affect the average cost of products in FY CY, FY BY1, and FY BY2.

FY BY1 Average Changes in Cost

FY BY2 Average Changes in Cost

Exhibit Fund-5a Total Cost Per Output Summary

Activity group: _____

FY ____

Prior Year Stabilized Rate (\$)	Direct Labor Hours (000) Carry-in	Revenue Carry-in Orders (\$ Mil)	Proposed New Order Rate (\$)	Direct Labor Hours (000) Total New Orders Accepted	Revenue Total New Orders (\$ Mil)	New Orders Accepted but Not Worked (\$ Mil) <u>1/</u>	Proposed Carry-out Rate (\$ Mil)	DLHs (000) Carry- out <u>2/</u>
--	---	---	---------------------------------------	---	---	--	---	--

Funding Source

Parent Service (List customers by appropriation, fund, or other sources. All orders must match the OP-21, R-32, and P-32 exhibits in total.)

Other DoD Services (List by Service. Show by appropriations, fund, or other source.)

Other DoD Agencies (List by agency.)

Other DoD Funds (List by Fund, i.e., Navy Supply Management, Air Force Depot Maintenance, etc.)

**Non DoD Agencies,
Individuals & Others**

Total

1/ These orders are included within Total New Orders Accepted, but are not programmed for execution during the budget year.

2/ This column would include all orders from column 7 (New Orders Accepted but Not Worked), plus any additional multi-year orders funded in prior years (FY-1, etc.), but still not programmed for execution in this fiscal year.

Exhibit Fund-7a Summary of Sources of Revenue

Instructions for Completing the Fund-7a, Summary of Sources of Revenue

Separate fiscal year exhibits are required for the prior year, current year, and budget year.

Revenue from carry-in orders at the beginning of the fiscal year must equal the carry-out balance at year-end for the previous fiscal year. New customer orders should be priced at the rate used in the Components' customer account request (see guidance on setting rates). Carry-out orders should be priced based on the pricing guidance. Because carry-out orders cannot be billed until accomplished, the sum of the revenue derived from carry-in orders, new orders planned for execution in this fiscal year, and the other column should equal total revenue from orders for the fiscal year. Other revenue includes pass-through, direct funding, and cost reimbursable orders that are not subject to stabilized rates.

Direct labor hours (DLHs) for carry-in work include only carry-in (balance on hand beginning of the year) anticipated to be executed during the program year. For multiyear projects, that portion of carry-in programmed for execution in future years should be added to carry-out work load. Show new customer order received from each appropriation, agency, or fund, as applicable. Any new customer orders not programmed for execution during the programmed fiscal year should be included in the carry-out category.

Revenue amounts must agree with the applicable Revenue and Expense Exhibits (Fund-11) and with Summary of Price and Program Changes Exhibits (OP-32, R-32, and P-32). (See pricing and customer account guidance in the DoD Financial Management Regulation and in the budget guidance.)

The prior year stabilized rate is the DoD composite revenue rate set in the prior year(s) budget(s). If carry-in from more than one year is involved, provide the weighted average based on the number of DLHs and the rate applicable for each year. If all carry-in was at the same rate, then only one entry is required at the top of the column. If the business has established subcomposite rates (that make up the DoD stabilized rate) such as a rate by major commodity or product (engines, airframes, components, etc.), these subcomposite rates may be used in the "Prior Year Stabilized Rate" column if grouped by customer or appropriation.

The column "New Orders Accepted but not Worked" will reflect carry-out orders.

Funded carry-in showing excess of three months in FY PY - FY BY2+1 should be explained in a narrative footnote to this exhibit.

The formula for determining carryover as it applies to the three-month carry over rule is:

Gross Unfilled Orders at end of prior FY

+ *New Orders for Current FY*

- *Revenue for Current FY*

- *Work in Process for Current FY*

= *Gross Orders carried over to Next FY*

- *Non-Supply Intra-DWCF Orders*

- *Non-Supply Inter-DWCF Orders*

- *FMS Orders*

- *BRAC Orders*

- *Non-DoD Orders*

- *Direct Contact Obligations*

= *Adjusted Orders Carried-over to Next FY*

Months of Carryover = Adjusted Orders Carried-over to Next FY divided by (Current Year Revenue divided by 12)

CUSTOMER RATE COMPUTATIONS
Department of (Component Name)
Activity group: _____

<u>Adjustment</u>	<u>Direct Labor Hours</u>	<u>Program Cost</u>	<u>Rate (\$)</u>
Prior Year Stabilized Rate:			\$xx.xx
1. Total programmed Direct Labor Hours (DLHs) anticipated to be executed during the fiscal year:	xxx,xxx,xxx		
2. Total Cost of Goods Sold during year:		\$xxx,xxx,xxx	
3. Minus DLHs associated with carry-in orders:	- xxx,xxx		
4. Minus nonstabilized rate revenue and revenue from carry-in orders at prior year composite rate: (including BRAC funding, direct reimbursables, UPC funds, pass-throughs, etc.) <i>with related DLHs:</i>		-\$ xx,xxx,xxx	
BRAC	xxx.xxx	xxx,xxx	
Passthroughs	xxx,xxx	xxx,xxx	
Direct Reimbursables (List)	xxx,xxx	xxx,xxx	
5. Total Direct Labor Hours for New Orders accepted and programmed for execution this year (Line 1 minus line 3 minus line 4):	xxx,xxx,xxx		
6. Adjusted Cost of Goods Sold (Line 2 minus line 4):		\$xxx,xxx,xxx	
7. Initial Cost Per Direct Labor Hour for New Orders: (line 6 divided by line 5).			\$xx.xx
8. DLHs associated with new orders to be carried-over* for execution in the next fiscal year:		xxx,xxx	
9. Add inflation differential value for New Orders accepted but programmed for carry-over to next fiscal year. (Line 7 times Line 8 times inflation rate).		+\$xxx,xxx	
10. Adjusted Cost of Goods Sold (Line 6 plus line 9):		\$xxx,xxx,xxx	

Exhibit Fund-7b Customer Rate Computations

CUSTOMER RATE COMPUTATIONS

Department of (Component Name)

Activity group: _____

<u>Adjustment</u>	<u>Direct Labor Hours</u>	<u>Program Cost</u>	<u>Rate (\$)</u>
11. Adjusted Cost Per Direct Labor Hour: (Line 10 divided by the sum of the DLHs from Step 5 and step 8).			\$xx.xx
12. Adjustment for prior year gains or losses necessary to achieve an end-of-year AOR of zero for the budget year: Step 12 is calculated as follows:		+/- \$xxx,xxx,xxx	
(a) Take the previous year end-of-year AOR and add to that any gains or losses in the budget year(s) and new surcharges required. (b) The resulting dollar value (from "a" above) is then multiplied by the following ratio: (Line 5 DLHs + Line 8 DLHs) / Line 5 DLHs			
The resulting dollar value, either positive (if your AOR is negative) or negative (if your AOR is positive), is then used as an adjustment to program cost in Item 12. The adjustment for capital surcharges is positive. This will ensure that all prior year gains or losses planned to be recouped or distributed will be accomplished during the budget year for which rates are being set. <i>If an activity proposes to recover an operating loss over more than one fiscal year, the total operating loss and the amount carried to the next fiscal fiscal year must be displayed.</i>			
13. Adjusted Cost of Goods Sold (the sum of Line 10 and line 12):d		\$xxx,xxx,xxx	
14. New Customer Order Stabilized Rate (Cost Per Direct Labor Hour): This rate is calculated by dividing line 13 by the sum of the DLHs from line 5 and line 8.			\$xx.xx
15. Percentage rate change from prior year: (line 14 rate divided by Line 1 rate) minus 1.			+/- xx.xx%

*Note - When determining inflation adjustments for carry-over orders you may include those orders from multiple year projects that were carried-in from the prior year, but will not be accomplished in the current year. The total carry-over DLHs should match the number reported on the Fund-7a exhibit.

Navy Research and Development Rates. The Navy will include the total composite rate change for the Research and Development activity group in addition to the stabilized rate (for work performed in-house only) in the budget estimates submission. *Activity groups may separately propose and justify rates by activity or product line provided that the total for all rates ties back to the activity group composite rate.*

**AIR MOBILITY COMMAND (AMC)
COMMON USER TRANSPORTATION SERVICES
DEFENSE BUSINESS OPERATIONS FUND SUMMARY**

DATE: _____

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
I. Cost of Operations				
Outputs:				
Cost per Trained Flight Crew (1)				
• C-5				
• C-130 (CONUS)				
• C-141				
• C-17				
Other Outputs/Augmentation				
• Channel Passenger Movement				
• Channel Cargo				
• Special Assignment Airlift				
Missions (SAAMs)				
• Joint Chiefs of Staff				
Exercises				
Other Outputs/Organic (2)				
• Channel Passenger Movement				
• Channel Cargo				
Special Assignment Airlift				
Missions (SAAMs)				
• Joint Chiefs of Staff				
Exercises				
Support to Others/Base Operations (3)				
Air Refueling Tankers				
Aeromedical Evacuation				
Commercial Mail Service				
Total Costs				

II. Revenue
Channel Passenger Movement
Channel Cargo
Special Assignment Airlift
Missions (SAAMs)
Joint Chiefs of Staff Exercises
Commercial Mail
Base Support (Reimbursements from
Tenants)
Other
Total Based Revenue

III. Appropriation Request (Total Costs - Revenue): This request should be listed by output. The objective is to determine the request which is needed to fund the difference between the actual cost of flying AMC planes versus the revenue which is generated by commercially based rates.

Exhibit Fund-8b Air Mobility Command Common User Services

Notes:

- (1) The cost per trained flight crew includes all organic airlift costs including estimated overhead for Base Operations and AMC Headquarters).
- (2) Provide estimated costs for airlift missions required solely for purposes of meeting customer demand such as disaster relief (e.g., Provide Hope, Provide Comfort, etc.).
- (3) Estimated Base Operations costs incurred in support of tenants. Base Operations costs in support of the AMC missions should be included in the total cost of the missions supported.

Activity group Capital Investment Summary Component: _____ Activity group: _____ Date: _____ (\$ in Millions)									
<u>Line Number</u>	<u>Item Description</u>	FY PY		FY CY		FY BY1		FY BY2	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	Equipment - Replacement - Productivity - New Mission - Environmental * \$1,000,000 and over – list separately * \$500,000 to \$999,999.99 – one line * \$100,000 to \$499,999.99 – one line ADPE & Telecommunications Equipment Software Development Internally Developed Externally Developed Minor Construction TOTAL								

* This break-out applies to all CIP categories. Fund 9b Justification Requirements are found in Paragraph I of Instructions.

Exhibit Fund 9a Activity group Capital Investment Summary (Page 1 of 4)

Instructions for the Fund-9a Exhibit
Capital Investment Summary

I. General - Each line item shown on the Fund-9a Exhibit represents the summary data associated with an individual capital investment reported on the Fund-9b Exhibit (Capital Investment Justification). The line number assigned to the item from the Fund-9b Exhibit will be cross-referenced in the first column of the Fund-9a Exhibit. In addition, the ADPE and Telecommunications equipment and software development Fund-9b Exhibit line number assigned should also be used for cross-referencing within the Information Technology Exhibits as outlined in Chapter 18 of this regulation. Use the approved *Defense Working Capital Fund* name for the activity group. All individual projects with a cost of \$1,000,000 or more will be separately justified on Fund-9b Exhibit. *All projects with a cost of \$500,000 to \$999,999.99 may be included together on one line. However, each project making up the total of this line item will be listed separately on the Fund 9b exhibit showing project name, location where the project will be used and the dollar amount by fiscal year. All project with a cost between \$100,000 and \$499,999.99 may be included on one line. Listing of individual projects in this category is not required. However, sufficient back-up data should be maintained to identify these projects, if requested. Provide the number of projects included in the total for each fiscal year.* Section 090103, Policy, provides specific guidelines in deciding whether or not to include an item in the capital budget, and the necessary pre- and post-investment analysis required to substantiate a capital budget request. *Specific rules regarding depreciation of Capital Assets are found in paragraphs 010219C and 090103B.* Definitions for these capital budget categories are provided below:

A. Equipment, other than ADPE and Telecommunications Resources, costing \$100,000 or more will be capitalized and depreciated. Equipment will be categorized by the primary reason justifying the purchase: Replacement, Productivity, New Mission, or Environmental Compliance.

(1) Replacement Equipment should be systematically analyzed and alternatives considered to meet the replacement requirement in the most cost-effective manner supported by an economic analysis. The level of effort devoted to this analysis should be related to the dollar value of the proposed investment and should employ traditional capital investment evaluation techniques such as net present value and internal rate of return analysis. In the situation where a new piece of equipment being considered significantly exceeds the capability of existing equipment, the repair versus purchase decision should be justified in the category "Productivity Equipment."

(2) Productivity Equipment consists of equipment that significantly exceeds the efficiency or capability of existing equipment and should be supported by an economic analysis comparing the net present values of alternatives considered by the decision maker. Productivity equipment reduces the cost of operations of the business activity, thereby reducing cost per unit of output, or results in a product or service improvement that reduces the customer's cost of use.

(3) New Mission Equipment is equipment needed to support an increase in work load or a new mission that cannot be adequately accomplished with the existing equipment. Purchase decisions should be supported, where applicable, with a thorough and systematic analysis of the alternatives available to satisfy the requirement in the most cost-effective manner.

(4) Environmental Compliance Equipment is equipment needed to correct or forestall a condition in violation of local, state or federal statutes and regulations. Rather than an economic analysis, a description of the possible violation ought to be included and how the particular item of equipment will remedy the situation.

B. ADPE and Telecommunications Equipment having a system unit or life cycle cost of \$100,000 or more will be capitalized and depreciated.

(1) ADPE and telecommunications resources consist of computer hardware, operating system software (including utility and communications software) and telecommunications equipment as defined in OMB Circular A-11.

(2) ADPE costs will be displayed in four parts: (1) Computer Hardware (Production), (2) Computer Software (Operating System), (3) Telecommunications, and (4) Other Computer and Telecommunications Support Equipment. The last category includes investments such as uninterrupted power sources and air conditioning that must be purchased to support computer and telecommunications resources.

C. Software Development/Modernization with a system unit or life cycle cost of \$100,000 or more will be capitalized and depreciated. *Internally developed software and externally developed Software will be listed separately.*

(1) Software development includes the actual development and acquisition of the information system as defined in OMB circular A-11. This category does not include software developed for a customer for use in a weapon system.

(2) Software development/modernization will be budgeted by project. A project is defined as any change, modernization, or improvement to a system or subsystem that by itself will provide an economic benefit or improvement in a business process. This must include all changes or improvements needed to interface or integrate with other ancillary systems. A project has a start and stop date, a specific amount of funds, and results in a usable end product. The full scope of a software development project may consist of efforts in any or all of the following four phases: (1) planning and system design; (2) system development including software modification and conversion; (3) deployment, including environmental and operational test and installation; and (4) management and technical support.

(3) Costs to be included in a software development project include the total labor and nonlabor costs such as: (1) all direct cost for civilian and military personnel; (2) contractor labor; (3) supplies; (4) travel; (5) processing support for testing; (6) indirect costs; and (7) general and administrative costs (e.g., base operations support, higher headquarters, and depreciation for central design activity-owned assets). Software development/modernization projects will exclude ADPE and maintenance/operations costs. These will be identified separately in the ADPE and telecommunications section of the Fund-9a and Fund-9b.

D. Minor Construction projects financed by the activity group and costing from \$100,000 to \$500,000 will be capitalized and depreciated. *Minor Construction projects costing up to \$1,000,000 may be financed by the DWCF if the project is required to correct a deficiency that is life-threatening, health threatening, or safety threatening.* Where appropriate, minor construction decisions should be supported by an economic analysis.

E. Column Entries

(1) Item Description. Enter the category - Equipment \$1.0 million or more, Minor Construction, etc., and the proper nomenclature, or descriptive title, of the item to be procured or service to be purchased.

(2) Quantity. As applicable, enter the quantity of items procured/estimated to be procured during , as FY PY, FY CY, FY BY1, and FY BY2. The quantity shown in this exhibit should reflect all program changes through the date of preparation of the exhibit regardless of whether such changes have been previously reported.

(3) Cost. Enter the estimated total cost of the applicable quantities procured/estimated to be procured during FY PY, FY CY, FY BY1, and FY BY2, as applicable. This amount should reflect all costs associated with program changes through the date of preparation of the exhibit regardless of whether such changes have been previously reported. Costs will be expressed in millions of dollars, to the nearest tenth (i.e., \$2.6 million).

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)										A. Budget Submission		
B. Component / Business Area / Date				C. Line No. & Item Description			D. Activity Identification					
	FY PY			FY CY			FY BY1			FY BY2		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost

Narrative Justification:

This exhibit will provide detailed justification by line item in support of summary capital investment purchases shown on the Fund-9a Exhibit.

- Describe the capability afforded by the existing equipment/ADPE and telecommunications resources/software development/facility and the shortcomings inherent in the current situation.
- Describe the benefits to be realized from the proposed capital investment.
- Indicate whether an economic analysis or *cost analysis* has been performed and, if not, why not. Summarize the net present value advantages of the proposed investment over alternatives considered and discarded. Be prepared to provide a copy of supporting economic analysis upon request.
- For MilCon projects, provide a copy of the supporting Form 1391 for new projects not previously submitted or identified.
- Describe the impact of not making the proposed capital investment.
- For computer software, separately identify license fees.

Exhibit Fund-9b Activity group Capital Purchase Justification

Instructions for the Preparation of Exhibit Fund-9b
Capital Investment Justification

I. General

A. The purpose of this exhibit is to provide detailed cost data and narrative justification in support of each line item in Fund-9a. Separately justify each capital investment which costs \$1,000,000 or more. It is important that the Fund-9b be complete and accurate as it is the primary justification for business capital purchases.

B. Separate Fund-9b exhibits will be submitted for each line item on the Fund-9a where there is an entry in either the current year or budget year(s) columns. *Line items over \$1,000,000 are justified separately. For line items for projects costing between \$500,000 and \$999,999.99, list each project making up line item total separately. Show project name, location where it will be installed, fiscal year and amount of project. For projects costing between \$100,000 and \$499,999.99, indicate the number of projects making up the total for each fiscal year.*

II. Headings

A. For "Budget Estimate Submission," insert "FY XX OSD/OMB submission" (XX is used for illustration purposes only. Insert the applicable fiscal year in lieu of XX.)

B. Identify the applicable Component/Activity group for the proposed capital investment. Use the approved Business Operating Fund name for the activity group. Identify the activity that will benefit from the capital item, if possible. Specific activities need not be identified for Equipment, ADPE, and telecommunications resources, Software Development, and Minor Construction Purchases costing under \$500,000 each.

C. For each item (e.g., five new forklifts), indicate the item description contained in Exhibit Fund-9a.

D. Line Item No. & Item Description. Enter a line item identification number to cross-reference the corresponding entry on the Fund-9a along with a description of the investment.

III. Column Entries

A. Element of Cost. Purchases of equipment and systems often require more than one procurement action to complete the program or, if only one contract is involved, there may be several cost elements such as the end item itself, publications, installation, minor construction support, etc. Each of these elements should be shown separately in the "Elements of Cost" section with related costs shown separately under the total cost sections. Quantity and unit cost should be shown for these elements when appropriate.

B. Quantity. The quantity related to any cost element should be stated in units. Cost columns will be totaled.

C. Per Unit Cost. Enter the actual or estimated unit cost, when appropriate, for each element listed. Express unit costs in thousands of dollars, to the nearest tenth (i.e., \$20.1 thousand). Unit costs should be expressed in terms of "then year" costs.

D. Total Costs. Enter the total cost of each building block entry taking into consideration quantity to be procured/estimated to be procured and unit costs.

IV. Narrative Justification

A. Provide complete narrative description for each applicable item. The description should include, but not be limited to, the nature, purpose, and intended use of the item. This narrative justification should include sufficient information to serve as the sole justification for funding the item. The narrative must indicate whether a pre-investment economic analysis was performed. The narrative must also indicate the dollar value of associated estimated savings/cost avoidance after the equipment is installed or the project is complete and the fiscal year when the savings/cost avoidance should begin. If no savings/cost avoidance should result from the purchase, an explanation must be provided to indicate why. The narrative must also provide a clear, concise statement relating planned procurement to the total objective for the applicable item/program. For example, the total objective for a type of supply management equipment might be 40 units at an estimated cost of \$300,000 each for a total cost of \$12.0 million. Ten units have been procured in prior years, 15 units are included in the budget year, leaving 15 units to be procured in subsequent years. If the items are to be used/installed at more than one Activity, a list of the applicable Activities that are to receive the equipment/system should be provided.

Capital Investment and Financing Summary

Component: _____

Activity group: _____

(Dollars in Thousands)

Category: _____

	PY-X	PY	Fiscal Year		BY2	Outyears	Total Program
			CY	BY1			
Program Year Authority	100	125	140	150	160		
Program Year Obs (\$/%)							
PY-X	80/80%	20/20%					100/100%
PY		100/80%	25/20%				125/100%
CY			100/79%	20/14%	10/7%		140/100%
BY1				115/77%	35/23%		150/100%
BY2					120/75%	40/25%	160/100%
Total by FY	80	120	135	135	165	40	
Program Year Outlays (\$/%)							
PY-X	40/40%	40/40%	20/20%				100/100%
PY		50/40%	50/40%	25/20%			125/100%
CY			55/39%	45/32%	30/21%	10/8%	140/100%
BY				60/40%	60/40%	30/20%	150/100%
BY2					65/41%	95/59%	160/100%
Total by FY	40	90	125	130	155	135	
Program Yr. Unoblig Balance							
PY-X	20						N/A
PY		25					N/A
CY			30	10			N/A
BY1				35			N/A
BY2					40		N/A
Total by FY	20	25	30	45	40		N/A
Program Year Unexpended Obs							
PY-X	40	20					
PY		50	25				
CY			55	30	10		
BY1				55	30		
BY2					55		
Total by FY	40	70	80	85	95		

A separate page will be submitted for each category of Capital Purchases as well as a summary page. The categories are Equipment-Non-ADPE, Equipment-ADPE and Telecommunications, Minor Construction, and Software Development. (PY-X should go back to, and include, FY 1992. Although the sample exhibit reflects program year obligations of 100% of CY, PY, and PY-X program authority, that need not be the case; CY, PY, and PY-X program year obligations should reflect your best estimates.

The percentages used above are for display purposes only. The actual amounts used will vary by activity group.

Exhibit Fund-9c Capital Investment and Financing Summary

Department of (Component Name)
Activity group: _____
FY 19 ____
FY 19 ____ **Budget Estimate**

PROJECTS ON THE FY __ PRESIDENT’S BUDGET

(Dollars in Millions)						
<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
	Equipment except ADPE and TELECOM					
	Equipment - ADPE and TELECOM					
	Software Development					
	Minor Construction					
	Total FY __					

Instructions:

Complete the form for each fiscal year required in the Budget Submission. The “Approved Project Column” is the program approved in the President’s Budget.

FY	Fiscal Year of the Project.
Approved Project	Project title and amount from the President’s budget.
Reprogs	Amount of reprogramming which have occurred since the President’s budget.
Approved Project Cost	Approved Project Cost plus/minus Reprogramming.
Current Proj Cost	Current estimate of project cost
Asset/Deficiency	Asset: funds excess to current project cost estimate. Excess funds may be reprogrammed to other projects that show a deficiency in this column.

Prepare the Fund-9d exhibit to show the changes between the FY PY President’s Budget Submission the FY BY1/BY2 OSD/OMB Budget Submission.

Exhibit Fund-9d Capital Budget Execution

Price Changes
Component: _____
Activity group: _____
Date: _____

<u>Output</u>	Rate/Price Change (%)		
	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Output 1	Break each rate change into its detailed components (i.e., general inflation, productivity, etc.) on a percentage basis. Rate changes should be consistent with Fund-2.		
Output 2			
Etc.			

Explanation

This exhibit should list each output and the computed change in customer price from the previous year. The components of price contributing to changes in customer prices should be explained. All Fund customer rates for FY CY will be those reflected in the President's budget. FY BY1 and FY BY2 price changes should be based on cost reflected in this submission to achieve an accumulated operating result (AOR) of zero in both FY BY1 and FY BY2.

Exhibit Fund-10 Price Changes

ACTIVITY GROUP ANALYSIS
COMPONENT/ACTIVITY GROUP: _____
SOURCE OF *NEW ORDERS AND REVENUE*
(Dollars in Millions)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
1. New Orders				
a. Orders from DoD Components:				
Own Component				
Appn 1				
Continue List by Appropriation				
Other Services (List by Appropriation)				
b. Orders from other Fund Activity groups				
(List by Activity group)				
c. Total DoD				
d. Other Orders:				
Other Federal Agencies				
Trust Fund				
Non Federal Agencies				
Foreign Military Sales				
Total New Orders				
2. Carry-In Orders				
3. Total Gross Orders				
4. Funded Carry-over				
5. Total Gross Sales				

Exhibit Fund-11 Source of *New Orders & Revenue*

Instructions for the Preparation of Exhibit Fund-11
Source of Revenue

This Exhibit will identify the customers of each activity group at the level of detail indicated. Appropriated fund customers should be identified at the appropriation level. Be specific as to the source of funding. Entries such as OSD or Army are not acceptable on this Exhibit. Lack of specificity will indicate that the funding source is unknown and may not be considered as a legitimate source of funding. The identification will be on the basis of funded orders so that activity group activity may be linked to the appropriations for goods and services.

For line 1.a (Orders from DoD Components), show the amounts by appropriation (e.g., Army National Guard Operation and Maintenance, Army RDT&E, etc.) for orders accepted within the submitting Service/Component. For orders accepted from other Components, show the appropriation detail for significant customers.

For line 1.b (Orders from Other Fund Activity groups), show the orders accepted from other Defense Business Operations Fund Activity groups. Be specific as to the activity group.

Total New Orders on Line 1 must match data provided in the OP-32, R-32, and P-32 exhibits.

For line 2, display the carry-in orders from prior fiscal years. For the Supply Management activity groups, carry-in orders represent back orders.

For line 3, add the sum of lines 1 and 2.

Line 4 should equal orders from line 3 that will not be sold in the current year. For the Supply Management activity groups, funded carry-over represents backorders.

Line 5 will equal total gross sales shown on the Revenue and Expense Statement.

Components will submit summary Fund-11 exhibits for activity groups (such as Navy Research and Development) that have subdivisions and will submit a summary Fund 11 at the Component level.

Performance and Quality Measures

Component _____

Activity group _____

Output Measure _____

Performance Effectiveness Measure Definitions

<u>Category</u>	<u>Title</u>	<u>Description</u>
1. Net Operating Results (NOR)		
2. Timeliness		Provide a brief description of the
3. Quality		performance measure and identify the
4. Customer		source of the data. Include how the
Satisfaction		measure will be used to influence work process
	improvement, customer feedback, and	
	management control.	

Performance Measures

<u>Performance Measure</u>	<u>Goal</u>	<u>FY PY Actual</u>	<u>FY CY Estimate</u>	<u>FY BY1 Estimate</u>	<u>FY BY2 Estimate</u>
----------------------------	-------------	-------------------------	---------------------------	----------------------------	----------------------------

Criteria: These measures should identify the critical characteristics of the product or service from the customer's perspective for activity groups. Each activity group should use the performance effectiveness measures submitted in the March 1, 1993, Milestone II Report to Congress and those measures mandated for use in financial statements by the Chief Financial Officers Act. Each performance effectiveness measure should: (1) describe the final product as it is received by the customer, (2) be a discrete straightforward indicator, (3) be critical to the outcome goals, (4) be controllable by the business activity manager, (5) be distinguishable from work process measures, and (6) be automated to the maximum extent possible. Measures of sub-processes or internal operations should not be used unless they have a major predictable impact on the final output characteristics. Timeliness measures are typically expressed as average days it takes for a customer to receive a product or service or as the percentage goods or services provided within prescribed time frames. Quality measures gauge conformance to objective use requirements and are typically expressed as the number of defects in the product as reported by the customer or number of customer complaints reported. Customer satisfaction is a measure of conformance to customer expectations. Customer satisfaction is best measured directly with customer surveys.

Exhibit Fund-12 Performance & Quality Measures

CASH MANAGEMENT PLAN

Component: _____

Activity group: _____
(Dollars in Thousands)

Provide a monthly *and* cumulative phasing of disbursements, collections, and net outlays for the current and budget year(s). *Put each year on a separate page.*

	Current Year		
	<u>Disbursements</u>	<u>Collections</u>	<u>Net Outlays</u>
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			

	<u>Disbursements</u>	<u>Collections</u>	<u>Net Outlays</u>
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			

Exhibit Fund-13 Cash Management Plan

DEFENSE BUSINESS OPERATIONS FUND
COMPONENT/ACTIVITY GROUP: _____
REVENUE AND EXPENSES
(Dollars in Millions)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Revenue				
Gross Sales	XX,XXX.X ^{A/}			
Operations	(XX,XXX.X)			
Capital Surcharge	(XX,XXX.X) ^{B/}			
Depreciation excluding Major Construction	(XX,XXX.X)			
Major Construction Depreciation	(XX,XXX.X)			
Other Income	XXX.X ^{C/}			
Refunds/Discounts (-)	- XXX.X			
Total Income:	XX,XXX.X ¹			
Expenses				
Cost of Material Sold from Inventory	XX,XXX.X ^{D/}	(DeCA Resale and Supply Management Only)		
Salaries and Wages:				
Military Personnel Compensation & Benefits	XX,XXX.X			
Civilian Personnel Compensation & Benefits	XX,XXX.X			
Travel & Transportation of Personnel	XX,XXX.X			
Materials & Supplies (For internal Operations)	XX,XXX.X			
Equipment	XX,XXX.X			
Other Purchases from Revolving Funds	XX,XXX.X			
Transportation of Things	XX,XXX.X			
Depreciation - Capital	XX,XXX.X ^{E/}			
Printing and Reproduction	XX,XXX.X			
Advisory and Assistance Services	XX,XXX.X			
Rent, Communication, Utilities, & Misc. Charges	XX,XXX.X			
Other Purchased Services	<u>XX,XXX.X</u>			
Total Expenses	XX,XXX.X ^{2/}			
Operating Result	XX,XXX.X ^{F/}			
Less Capital Surcharge Reservation	XXX.X ^{G/}			
Plus <i>Passthroughs or Other</i> Appropriations Affecting NOR	X,XXX.X ^{H/}			
Other Adjustments Affecting NOR (Specify)	X,XXX.X ^{I/}			
Net Operating Result	XX,XXX.X ^{J/ 3/}			
<i>Prior Year Adjustments</i>	XX,XXX.X			
Other Changes Affecting AOR (Specify)	XX,XXX			
Accumulated Operating Result	XX,XXX.X			
<i>Non-Recoverable Adjustment Impacting AOR (Specify)</i>	XX,XXX.X			
Accumulated Operating Results for Budget Purposes	<u>XX,XXX.X</u>			

Note: For Supply Management, expense estimates should be consistent with estimated surcharge elements included in Exhibit SM-5a except for the current year. Current year should reflect current estimates and should not necessarily be identical to the previous budget submissions as required for the SM-5a.

Instructions for Statement of Revenue and Expenses
Keyed to Statement Footnotes

- A. For supply management activity groups, the line should reflect **Gross** sales at standard. *Credit returns should be displayed in the Refunds/Discounts line.*
- B. Capital Surcharge represents the increase in prices (and projected revenue) due to surcharging the capital budget requirement to provide sufficient cash to support the capital budget. This line should be left blank if a capital surcharge is not included in price (also see note F).
- C. Other income is to include passthroughs.
- D. Cost of material sold from inventory includes the value of material sold from inventory and the cost of repair. Both wholesale and retail costs should be included. The cost of material sold from inventory will be computed differently for wholesale and retail divisions. For wholesale divisions, the surcharge shall be subtracted from the sale and the inflation added. For consumable items, the intent is to reflect anticipated sales at latest acquisition price plus inflation. For repairable items, the computation becomes more complex. Sales for repairable items shall be split between sales at standard and sales at exchange price. For sales at standard, the surcharge is removed from the sales and inflation is added similar to consumable items. For sales at exchange price, the cost of material sold reflects the sales at repair cost including rate changes for the appropriate year. For retail divisions, the cost of material sold from inventory is the obligations recorded during the fiscal year.
- E. Depreciation expenses reflect actual or estimated depreciation of all assets defined by the capital program.
- F. This represents the “gross” result from operations, prior to adjustments.
- G. Capital Surcharge reservation here should offset capital surcharge in revenue. This line is left blank when there is no capital surcharge revenue.
- H. This represents any appropriations realized to offset current period expenses (e.g., *Passthroughs*, appropriations to cover underutilized plant capacity). Appropriations for war reserve material do not offset current period expenses, do not affect NOR, and should therefore be reported as an adjustment below NOR.
- I. This represents (1) transfers to correct for prior period over- or under-pricing, (2) other approved transfers for collections from customers for which an expense has not been recorded, (3) other collections (that are not transferred out, but placed in some sort of reserve) from customers for which an expense has not been recorded, or (4) for unfunded expenses resulting from a policy change, which must be deleted prior to determining NOR.
- J. The Net Operating Result (NOR) is the net result from operations. Only NOR will be carried into AOR in the Government Equity portion of the balance sheet. We are using NOR as a performance indicator of how activity groups perform in relation to the standard established.

For the supply management activity groups, expenses shall be recorded as obligations, except for depreciation and cost of material sold from inventory.

Additional line entries are required for supply management activity groups. For each element in the surcharge applying to material such as condemnations or inventory maintenance, a separate line should be added reflecting the obligations for these items.

1. *Line 8 of the CFO Statement of Operations*
2. *Line 15 of the CFO Statement of Operations*
3. *Line 18 of the CFO Statement of Operations*

New Supply Management Exhibits Fund 14A. New exhibits will be submitted for the Supply Management Activity Groups. These new exhibits have been prepared to refine the concept of a financial management (rather than fiduciary) net operating result in supply management. Its chief features are a simpler definition of material costs, an increased emphasis and more detail on “other than material” costs, and specific information on the impact of sales volume changes on financial results. The purpose of these modifications are to help focus attention on elements of supply operation that are subject to more direct management control. These forms are substitutes for the current Fund 14 exhibit in the OSD budget submission for the supply activity group. The Fund 14 is still required for uniform displays of operating results in the President’s budget.

Page 3 of 3

Fund 14A Exhibit Part 1
SUPPLY OPERATIONS NET OPERATING RESULTS

		PY		CY		BY1	BY2
	Pres	Revised	Revised				
	<u>BUDGET</u>	<u>SALES</u>	<u>COSTS</u>	<u>BUDGET</u>	<u>REVISED</u>	<u>BUDGET</u>	<u>BUDGET</u>
Gross Sales							
Reimbursements							
Other Income							
Less Credits							
Less Allowances/Discounts							
Plus Appropriations							
<u>NET REVENUE</u>							
Sales at LAC/LRC							
Inflation							
Repair Price Change							
Condemnations							
Less Credits							
Net Cost of Goods Sold Whsl							
Net Cost of Goods Sold Retail							
Supply Ops (Net)							
Payroll (mil/civ)							
Service Contracts							
RPM							
Depreciation							
Other							
Dist Depots							
Lines							
Storage							
DLSC/DAASO/DRMS							
DISA							
DFAS							
Transportation							
Other							
<u>Subtotal Expenses</u>							

Fund 14A Operating Results Worksheet

Part 1

Page 1 of 3

SUPPLY OPERATIONS NET OPERATING RESULTS

		PY		CY		BY1	BY2
	Pres	Revised	Revised				
	<u>BUDGET</u>	<u>SALES</u>	<u>COSTS</u>	<u>BUDGET</u>	<u>REVISED</u>	<u>BUDGET</u>	<u>BUDGET</u>
Loss/Damage/Spoilage							
Wholesale							
Retail							
AOR Adjustment							
Capital Surcharge							
Subtot Surcharge (\$)							
Surcharge (%)							
<u>Subtot Net Sales/Actual</u>							
Less AOR Adj							
Reimb Expenses							
Other							
<u>NET DEDUCTIONS</u>							
<u>NET OPERATING RESULT</u>							

**Fund 14A Exhibit – Part 2
(Worksheet for Actual AOR)
SUPPLY OPERATING PRICING**

	PY Est	Actual
+ Gross Sales (At Standard)	_____	_____
+ Reimbursables (At Cost)	_____	_____
+ Other Income	_____	_____
- Credit Returns	_____	_____
- Allowances/Discounts	_____	_____
+ Appropriations/Other	_____	_____
Subtotal Net Revenues (1176)	_____	_____
Collections (check)	_____	_____
 <u>Wholesale Materiel Costs</u>		
@ LAC _____	_____	
@ LRC _____	_____	
Inflation	_____	_____
Repair Price Change	_____	_____
Condemnations	_____	_____
- Credit Returns	_____	_____
Subtotal Net Cost of Goods Sold (Wholesale)	_____	_____
Subtotal Net Cost of Goods Sold (Retail obs/sales)_____		_____
 Operating Costs	_____	_____
+Other Gains/Losses	_____	_____
 Capital Surcharge	_____	_____
 Net Deductions	_____	_____
Disbursements (check)	_____	_____
 Supply Operating Result (SOR) _____	_____	
 Pricing Adjustment Required (Act SOR-PY Est SOR)		_____

This worksheet will be used to prepare and justify adjustments to Accumulated Operating Results for rate calculation purposes

FY ____ BUDGET FUEL DATA	PROCURED FROM DFSC			PROCURED BY SERVICE			DATE
PRODUCT	BARRELS (millions)	COST PER BARREL (\$)	EXTENDED PRICE (\$ millions)	BARRELS (millions)	COST PER BARREL (\$)	EXTENDED PRICE (\$ millions)	STABILIZED PRICE
TOTAL							

Exhibit Fund-15 Fuel Data
Page 1 of 2

Instructions for the Preparation of Exhibit Fund-15 Fuel Data

The purpose of Fund-15, Fuel Data, is to provide a reconciliation between the supply management, the Defense Logistics Agency, and the customer budgets. Prepare Fund-15 for prior year actual, current year, and budget year. The Defense Stock Fund will prepare the exhibit for those stocks procured by DFSC only. Prepare exhibit for each division which procures fuel and a consolidated exhibit. Instructions for preparation of Fund-15, Fuel Data:

1. Barrels. Use 42 gallons per barrel. Show barrels in nearest tenth of million barrels.
2. Cost Per Barrel. Use cost in dollars and cents per barrel.
3. Extended Price. Multiply number of barrels by cost per barrel. Use dollars in millions and tenths of a million.
4. Product. List by product.
5. Stabilized Price. Show current approved stabilized price.

DEFENSE BUSINESS OPERATIONS FUND
COMPONENT/ACTIVITY GROUP: _____

MATERIAL INVENTORY DATA

(Dollars in Millions)
FISCAL YEAR

	<u>Total</u>	<u>Mobilization</u>	----- Peacetime ----- <u>Operating</u> <u>Other</u>
--	---------------------	----------------------------	---

Material Inventory BOP

Purchases

- A. Purchases to Support Customer Orders (+)
- B. Purchase of long lead items in advance of customer orders (+)
- C. Other Purchases (list) (+)
- D. Total Purchases

Material Inventory Adjustments

- A. Material Used in Maintenance (and billed/charged to customer orders) (-)
- B. Disposals, theft, losses due to damages (-) *
- C. Other reductions (list) (-)
- D. Total inventory adjustments

Material Inventory EOP

Complete one exhibit for each fiscal year, FY PY, FY CY, FY BY1, and FY BY2 for the **non-supply** activity groups (depot maintenance, etc.). Price inventory based on current policy on inventory valuation.

* This would also include reductions due to obsolescence. All other reasons for inventory reductions would be listed in item C.

Exhibit Fund-16 Material Inventory Data

DEPARTMENT OF (COMPONENT NAME)

Activity group: _____

Summary of Real Property Maintenance Expenses
(\$ in Millions)

FY PY **FY CY** **FY BY1** **FY BY2**

Amount Funded:

Recurring Maintenance (preventive/cyclical)

Major Repair Projects (put things back to the way they were)

Total Funded Amount

Backlog - End of Year (BMAR) (not more than 4 years old)

[Provide narrative explanations of changes in the funded program and the unfunded backlog. Also discuss existing policies, if any, relative to acceptable levels of backlogs or goals to eliminate backlogs, as applicable. Provide milestones where appropriate.]

Exhibit Fund-17 Summary of Real Property Maintenance

**Fund Summary by
Component:_____**
Date:_____

(\$ in Millions)

Part I Operating and Capital Budget

<u>Activity group</u>	Operating Budget (<u>Total Cost</u>)				Capital Budget (<u>Obligations</u>)				Appropriation <u>Request</u>			
	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>

Summarize data from detail schedules. Round data to the nearest tenth of a million (e.g., show \$10.4 million, not \$10 million).

Component Total

Part II Work Load Assumptions

Indicate, by activity group, the overall work load change (in percent) from year to year. Describe the basis for the estimated changes.

Part III Productivity Assumptions Incorporated into Estimated Costs and Prices

Summarize, by activity group and in percentage terms, the estimated productivity assumed in estimating costs and setting prices.

Part IV Performance Measures

Summarize, by activity group, primary performance measures for business outputs which describe effectiveness, timeliness, quality, or customer satisfaction.

Exhibit Fund-18 Fund Summary

Military and Civilian Personnel
by End Strength and Full-Time Equivalencies (FTEs)

Service or Agency: _____

Activity group: _____

<u>Personnel Summary:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Change FY CY/FY BY1</u>	<u>Change FY BY1/FY BY2</u>
Active Military End Strength						
Army						
Officer						
Enlisted						
Navy						
Officer						
Enlisted						
Marine Corps						
Officer						
Enlisted						
Air Force						
Officer						
Enlisted						
Total Active Military End Strength <u>1/</u>						
<u>Civilian End Strength</u>						
U.S. Direct Hire						
Foreign National Direct Hire						
Foreign National Indirect Hire						
Total Direct Hire						
Total Civilian End Strength <u>2/</u>						

1/ Military end strength will agree with the amounts shown on the Fund-20 Exhibit entitled, "Military Personnel, End Strength by Grade."

2/ Civilian end strength and FTE data will agree with the directly funded amounts reflected on lines 1 through 5 of the Fund-21 Exhibit entitled, "Civilian Personnel Costs by Activity group."

Exhibit Fund-19 Military and Civilian Personnel by End Strength and FTEs

Page 1 of 2

**Military and Civilian Personnel
by End Strength and Workyears/FTEs**

Service or Agency: _____

Activity group: _____

<u>Personnel Summary:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Change FY CY/FY BY1</u>	<u>Change FY BY1/FY BY2</u>
<u>Military Workyears</u>						
Army						
Officer						
Enlisted						
Navy						
Officer						
Enlisted						
Marine Corps						
Officer						
Enlisted						
Air Force						
Officer						
Enlisted						
Total Military Workyears						
<u>Civilian FTEs</u>						
U.S. Direct Hire						
Foreign National						
Direct Hire						
Total Direct Hire						
Foreign National Indirect Hire						
Total Civilian FTEs						

**Military Personnel, Work years by Grade 1/
Total Program**

Service or Agency: _____

Activity group: _____

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Commissioned Officers</u>				
0-10 (enter rank)				
0-9 " "				
0-8 " "				
0-7 " "				
0-6 " "				
0-5 " "				
0-4 " "				
0-3 " "				
0-2 " "				
0-1 " "				
Total				
<u>Warrant Officers</u>				
W-4 (enter rank)				
W-3 " "				
W-2 " "				
W-1 " "				
Total				
Total Officers				
<u>Enlisted Personnel</u>				
E-9 (enter rank)				
E-8 " "				
E-7 " "				
E-6 " "				
E-5 " "				
E-4 " "				
E-3 " "				
E-2 " "				
E-1 " "				
Total				

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.

2/ Entry rank if different from Service.

3/ The workyears shown will be calculated bases on the prior three years average fill rate. The fill rate is calculated by dividing actual on board by the authorized amount for each grade. Reimbursement will be calculated based upon the workyears multiplied by the civilian equivalency rate for each grade..

Exhibit Fund-20 Military Personnel, Work Years by Grade (Active)

Service or Agency: _____
 Activity group: _____

Civilian Personnel Costs by Activity group
FY BY1/FY BY2 Budget Submit/President's Budget
FY_(PY/CY/BY1/BY2)
(\$ in Thousands)

		<u>FTE Begin</u> <u>Strength</u>		<u>FTE End</u> <u>Strength</u>		<u>FTEs</u>	<u>Basic</u> <u>Comp</u>	<u>Over-</u> <u>time</u> <u>Pay</u>	<u>Holiday</u> <u>Pay</u>	<u>Other</u>	<u>Total</u> <u>Variables</u>	<u>Total</u> <u>Comp</u>	<u>Benefits</u>	<u>Compensation</u> <u>& Benefits</u>											
		<u>Total</u>	<u>FTP</u>	<u>Total</u>	<u>FTP</u>																				
		a	b	c	d	e	f	g	h	i	j	k	l	m											
1.	Direct Hire Civilian:																								
	a. U.S. Employees	<u>Use these formulas to calculate average salaries and rates (col x/col y)</u>																							
	(1) Classified & Admin																								
	(a) Senior Executive																								
	(b) General Schedules																								
	(c) Special Schedules																								
	Subtotal Classified & Admin						(F/E)				(J/F)	(K/E)	(L/F)	(M/E)											
	(Rate)																								
	(2) Wage Board																								
	(Rate)																								
	(3) Other																								
	(Rate)																								
	Subtotal U.S. Employees																								
	(Rate)																								
	b. Foreign National Direct Hire																								
	(Rate)																								
	c. Total Direct Hire																								
	(Rate)																								
	d. Disadvantaged Employment																								
	(Rate)	<i>Display end strength, workyear, and funding data for disadvantaged employment. Show data for all years.</i>																							
2.	Foreign National Indirect Hire																								
	(Rate)	Do not display FTP or benefit data for FN Indirect Hire																							
3.	FN Separation Liability Accrual																								
	a. FN Direct Hire																								
	b. FN Indirect Hire																								
4.	Benefits for Former Employees (OC-13)																								
	a. U.S. Direct																								
	b. FN Direct Hire																								
5.	TOTAL CIVILIAN PERSONNEL																								
	(Rate)																								

CIVILIAN PERSONNEL COSTS

Fund-21 Exhibit Instructions

Separate Fund-21 exhibits must be prepared for PY, CY, BY1, BY2 for each Military Department in total and for each appropriation/fund in which civilian personnel are funded. Exhibit Fund-21 is a modified OP-8 Exhibit. A modified OP-8 Exhibit can be submitted in lieu of the Fund-21 Exhibit.

Rate data on the Fund-21 exhibit should be shown parenthetically. To calculate the required rate data, use the formulas displayed on the Fund-21 Exhibit. Show the average salary for Basic Compensation, overall salary for Total Compensation, and FTE cost for Compensation and Benefits. Show the other rate data, as a percentage in decimals to five places, for total variables and benefits.

Full-time equivalent end strength (FTE) vice end strength authorizations will be displayed for all beginning and ending end strengths. FTE end strength is the actual or estimated number of employees on board as of 30 September. The beginning FTE end strength must agree with previous FY's September 30 FTE end strength.

Display end strength for disadvantaged employment. Display disadvantaged employment for all years. The approved FTE employment estimates will include persons appointed under the Workers Trainee Opportunity Program, Federal Cooperative Education Program, and the Federal Junior Fellowship Program, as well as certain other programs that in the past were referred to as "Ceiling Exempt"

In accordance with the Federal Employees Part-Time Career Employment Act of 1978 (Public Law 95-437), only part-time permanent employees are counted on a full time equivalent basis, i.e., an individual working 30 hours a week becomes .75 of an end strength. There is no adjustment for other part-time or intermittent employees - these employees would be counted on an individual basis not on a fractional basis.

Consult either DoDI 7330.18 or the Office of Personnel Management's Federal Personnel Manual (FPM) for definitions of full-time employees with permanent appointments (FTP). FTP (Full-Time Permanent), according to OMB Circular A-11, is the number of full-time employees with permanent appointments that are on board, or planned to be on board, as of the end of each fiscal year displayed. Such entries will exclude anticipated vacancies. Do not display FTP for Indirect Hire Foreign Nationals. Consult the DoDI or FPM to determine if your Foreign National Direct Hire employees are considered FTP employees.

Do not include overtime workyears in FTE totals. The FTEs on the Fund-21 exhibit are straight-time FTEs only. Where applicable, the BA-3 exhibit supporting the President's budget must agree with the FTE on the automated computer reports printed from the "Budget Review System" (BRS) and with the personnel summary data included in the program and financing schedules (galleys) for the printed budget. (See OMB Circular A-11.)

For the PY supporting the FY BY President's budget request, the end strength data must agree with the SF-113A, Monthly Report of Federal Civilian Employment, provided to OPM to report military functions employment levels as of 30 September.

- Direct hire FTE end strength data on the Fund-21 exhibit must agree with data provided on the 30 September supplement to the SF-113A report. This supplement is entitled, Report of Part-Time Permanent Employees on a Fractional Basis.
- Indirect hire end strength data must agree with the Indirect Hire supplement to the 30 September SF-113A report.
- The FTP end strength data must agree with data provided on line 30, Full-Time with Permanent Appointments, of the 30 September SF-113A.

Civilian Personnel Direct Funding (#7) will be total Civilian Personnel (#5) less reimbursable funding (#6). Provide end strength, FTE, and funding reimbursable data for all of the columns. Appropriations/funds (e.g., Defense Business Operations Fund, etc.) that are not funded with budget authority show all of the data as reimbursable so that "0" will be displayed in every column on the "Civilian Personnel Direct Funding" (#7) line.

DEPARTMENT OF (COMPONENT NAME)

Activity group: _____

**Summary of Base Support
(\$ in Millions)**

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Chapel & Chaplain Services				
Command Element				
Common Use Facility Operations,				
Maintenance, Repair, & Construction				
Disaster Preparedness				
Environmental Compliance				
Fire Protection				
Libraries				
Morale & Fitness Support				
Police Services				
Safety				
Shuttle Services				
Admin Services				
Audio/Visual Services				
ADP/Automation Services				
Civilian Personnel Services				
Clubs				
Communication Services				
Community Support Services				
Confinement & Detention Centers				
Custodial Services				
Education Services				
Engineering Support				
Equipment, Operation, Maintenance, & Repair				
Explosive Ordnance				
Facilities & Real Property Support				
Facility Maintenance & Repair				
Finance & Accounting				
Food Services				
Health Services				
Housing & Lodging Services				
Information Services				
Installation Retail Supply & Storage Operation				
Laundry & Dry Cleaning				
Legal Services				
Military Personnel Support				
Mobilization Support				
Mortuary Services				
Printing & Reproduction				
Purchasing & Contracting Services				
Refuse Collection & Disposal				
Resource Management				
Training Services				
Transportation Services				
Utilities				
Weather Services				
Other Support				

Provide narrative explanations of changes in levels of support that, as a tenant, is a reimbursable cost of operation paid to a host activity or, as the host activity, is financed as a direct cost of operation.

Exhibit Fund-22 Summary of Base Support

Department of: (Service or Component Name)

Activity group: _____

**Statement of Financial Condition
Part I**

(Dollars in Millions)

FY PY FY CY FY BY1 FY BY2

Revenues and Financing Sources

1. Appropriated Capital Used
2. Revenues from Sales of Goods and Services
 - a. Gross Revenue from Sales
 - b. Less: Credits Allowed on Sales
3. Other Revenue and Financing Sources
4. Total Revenues and Financing Sources

Expenses

5. Program or Operating Expenses
6. Cost of Goods Sold and Services Provided
7. Depreciation and Amortization
8. Bad Debts and Write-offs
9. Other Expenses
10. Total Expenses
11. Revenue Less Cost Incurred Before Extraordinary Items
12. Plus (Minus) Extraordinary Items
13. Net Operating Results
14. Plus (Minus) Nonrecoverable Amounts
15. Recoverable Operating Results

Department of: (Service or Component Name)

Activity group: _____

**Statement of Financial Condition
Part II**

(Dollars in Millions)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Assets:				
Selected Assets:				
Cash				
(Available for Operations)				
(Required for Capital Purchases)				
Accounts Receivable				
Advances Made				
Inventories				
Other Assets				
Capital Property (Net)				
Total Assets <u>1/</u>				
Liabilities:				
Selected Liabilities:				
Accounts Payable				
Accrued Liabilities				
Advances Received				
Unfunded Liabilities				
Other Liabilities				
Total Liabilities <u>2/</u>				
Government Equity:				
Appropriations/Reappropriations				
Paid-in Capital (Assets Capitalized				
Less Liabilities Assumed)				
Earnings Used for Operations				
Accumulated Operating Results				
Total Government Equity				
Total Liabilities and Equity <u>3/</u>				

1/ Line 1M of the CFO Statement of Financial Position

2/ Line 4C of the CFO Statement of Financial Position

3/ Line 7F of the CFO Statement of Financial Position

DEPARTMENT OF (COMPONENT NAME)
ACTIVITY GROUP:_____

Summary of Personnel Data - Part I

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Direct Labor:</u>	Show civilian personnel data in hours, FTEs, workyears, or end strength, as requested. Exclude military personnel from all data.			
Regular Hours				
Paid Leave Hours				
Overtime Hours				
Total Hours				
FTEs				
<u>Production Overhead (Indirect):</u>	Show the percent of total FTEs which are direct labor, production overhead, general & administrative, and the sum of production overhead plus general and administrative FTEs.			
Regular Hours				
Paid Leave Hours				
Overtime Hours				
Total Hours				
FTEs				
<u>General & Administrative (G&A):</u>	Show total end strength levels.			
Regular Hours				
Paid Leave Hours				
Overtime Hours				
Total Hours				
Full-time Equivalencies (FTEs)				
<u>Total:</u>	FTE utilization rates are calculated by dividing the total number of FTEs by the quotient of:			
Regular Hours				
Paid Leave Hours				
Overtime Hours				
Total Hours				
<u>Total FTEs:</u>	$\frac{E/S \text{ Begin year} + E/S \text{ End Year}}{2}$			
Percent Direct Labor				
Percent Production Overhead				
Percent G&A Labor				
Percent Production Overhead and General and Administrative				
<u>Hours per FTE</u>				
<u>End Strength</u>				
<u>FTE Utilization Rate</u>				

DEPOT MAINTENANCE
DEPARTMENT OF (COMPONENT NAME)
ACTIVITY GROUP:_____

Summary of Personnel Data - Part II

	<u>Civilian Personnel</u> FTEs	<u>Military Personnel</u> Workyears
1. FY PY Actual Levels: (Direct Labor) Production Overhead (General & Administrative)	Enter total FY PY FTEs. Also show FTEs by direct labor, production overhead, and general and administrative efforts.	
2. FY CY President's Budget (Direct Labor) (Production Overhead) (General & Administrative)	Enter total FY CY FTEs provided for in the FY CY President's budget. Also show FTEs by direct labor, production overhead, and general and administrative efforts.	
3. Productivity Initiatives and Other Efficiencies: a. b. c. (etc.)	Show changes in FY CY FTEs due to productivity initiatives or other efficiencies.	
4. Program Changes: a. b. c. (etc.)	Show changes in FY CY FTEs due to all changes other than productivity initiatives or other efficiencies shown in 3. above.	
5. FY CY Current Estimate (Direct Labor) (Production Overhead) (General & Administrative)	Enter total FY CY FTEs provided for in the current FY CY estimate. Also show FTEs by direct labor, production overhead, and general and administrative efforts.	
6. Productivity Initiatives and Other Efficiencies: a. b. c. (etc.)	Show changes in FY BY1 FTEs due to productivity initiatives or other efficiencies.	
7. Program Changes: a. b. c. (etc.)	Show changes in FY BY1 FTEs due to all changes other than productivity initiatives or other efficiencies shown in 6. above.	
8. FY BY1/FY BY2 Estimates (Direct Labor) (Production Overhead) (General & Administrative)	Enter total FY BY1/FY BY2 FTEs by direct labor, overhead, & general & administrative efforts. Provide the same track between BY1 & BY2 as is required between CY & BY1.	

Headquarters
Component: _____
Activity group: _____
Date: _____

	(\$ in Millions)			
Headquarters Organization (specify)	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Cost of Operations:				
Civilian and Military Personnel				
Travel				
Contract Services				
Supplies				
Equipment				
Other				
Total				
Capital Purchases (Program Year Authority):				
ADP & Telecommunications Equipment				
Non-ADP & Telecommunications Equipment				
Minor Construction				
Software Development				
Total				
End Strength/FTEs:				
Civilian				
SES				
GS				
WB				
Total				
Military				
Officers				
Enlisted				
Total				

(This exhibit should be filled out for each organizational headquarters whose costs are financed through the Fund, i.e., HQ Staff, Major Command, Intermediate Level Command, or Base Level. Headquarters should include support organizations whose incremental costs are necessitated by the existence of *DWCF* activities, such as Regions, Service Centers, or Divisions, but which do not directly provide goods or services.)

Exhibit Fund-25 Headquarters Cost

Revenue and Expense Phasing Plan
Component: _____
Activity group: _____

FY _____

(Dollars in Thousands)

	<u>Revenue</u>	<u>Monthly Plan Costs</u>	<u>Net Operating Result</u>
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			

Instructions: Provide a monthly and cumulative phasing of revenue, costs, and net operating results for the current and budget years.

Cumulative Plan by Month

	<u>Revenue</u>	<u>Costs</u>	<u>Net Operating Result</u>
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			

Exhibit Fund-26 Revenue and Expense Phasing Plan

**Defense Finance and Accounting Service
Customer Funding Summary
Component: _____**

FY _____

<u>Billing Rate (\$)</u>	<u>Estimated Workload</u>	<u>Total Cost (\$ in thousands)</u>
-------------------------------------	--------------------------------------	--

Output Measure

(List DFAS output measures and billing rates for budget years.)

Funding Requirement

Appropriation/Activity group

Amount

(List by appropriation DFAS reimbursements from *DWCF* activity groups)

The Components should provide in their budget narrative an estimate of the DFAS cost for each business are and complete the Fund-27, DFAS Customer Funding Summary.

Exhibit Fund-27 DFAS Customer Funding Summary

EXECUTION PERFORMANCE
Quarterly Analysis

For Quarter:_____

FY CY

_____(Component and Activity group name)

<u>PERFORMANCE MEASURES</u>	<u>PLAN CURRENT QUARTER</u>	<u>ACTUAL</u>	<u>DEVIATION</u>	<u>ANNUAL PLAN</u>	<u>PROJECTED END YEAR</u>	<u>PROJECTED DEVIATION</u>
---------------------------------	-------------------------------------	---------------	------------------	------------------------	-------------------------------	--------------------------------

UNIT COST

% OF FY PY COSTS

TOTAL ORDERS RECEIVED *Show actual fiscal year to date, Budget amount and Projected year end amount only.*

NOR (\$ in M)

REVENUE (\$ in M)

COST (\$ in M)

OUTLAYS (\$ in M)

COLLECTIONS (\$ in M)

DISBURSEMENTS (\$ in M)

ACCOUNTS RECEIVABLES (\$ in M)

NEW ADVANCE BILLINGS CURRENT FY

TOTAL UNLIQUIDATED ADVANCE BILLINGS

ANALYSIS

RECOMMENDED ACTIONS:

YEAR END PROJECTION ASSUMPTIONS:

IMPACT IN FY BY:

Exhibit Fund-28 Execution Performance Quarterly Analysis

**Civilian Personnel Execution Performance
Quarterly Analysis**

Activity group_____

Date_____

<u>End Strength</u>		<u>Work Years (FTE's)</u>	
<u>PLAN</u>	<u>ACTUAL</u>	<u>PLAN</u>	<u>ACTUAL</u>

As of End of PY
As of End of Current Quarter
Projected as End of Current FY

RIF's (E/S and date)
(Cost \$ in Millions)

VSIP/VERA (E/S and date)
(Cost \$ in Millions)

ATTRITION RATE (Plan vs. Actual)

DIRECT LABOR HOURS Show Actual Fiscal Year to Date hours only. This DLH section does not apply to Supply, DeCA, DISA, or
TRANSCOM Activity Groups.

Regular Hours
Overtime Hours

ANALYSIS

RECOMMENDED CORRECTIVE ACTIONS

Exhibit Fund-29 Civilian Personnel Execution Performance Quarterly Analysis

CHAPTER 10
PUBLIC ENTERPRISE, MANAGEMENT, AND TRUST FUNDS
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CHAPTER 10

PUBLIC ENTERPRISE, MANAGEMENT, AND TRUST FUNDS**1001 GENERAL****100101 Purpose**

A. This chapter highlights the policies and justification procedures underlying budget formulation and congressional justification.

B. The following accounts are covered:

Section

1002

Public Enterprise Funds

- National Defense Stockpile Transaction Fund
- Pentagon Reservation Maintenance Revolving Fund
- National Defense Sealift Fund
- Buildings Maintenance Fund

Management Funds

- Conventional Ammunition Working Capital Fund (*Ceases operating as a revolving fund at the end of FY 1998. Will process existing orders on hand through Revolving Fund Accounts until complete.*)

Trust Funds

- National Security Education Trust Fund
- Surcharge Collections, Sales of Commissary Stores, Defense
(see Section 010603 for listing of all current trust fund accounts)

100102 Background

A. Public Enterprise Funds are expenditure accounts authorized by Congress to be credited with collections, primarily from the public, that are generated by, and earmarked to finance, a continuing cycle of business-type operations.

B. Trust Funds. The following definitions apply to trust fund accounts.

1. Trust fund receipt account. Trust fund receipt accounts are credited with receipts generated by the terms of a trust agreement or statute. At the point of collection, these receipts are available for transfer to a trust fund expenditure account or are not available for transfer depending upon the terms of the trust agreement or statutory authority.

2. Trust fund expenditure account. Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

3. Trust revolving fund account. A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by Congress.

4. Unavailable collections. Are either (1) unappropriated receipts or receipts that are precluded from obligation because of a provision of law, such as a benefit formula or limitation on obligations in PY, CY, or BY1/BY2, or (2) collections unavailable for obligation because of limitations on obligations in PY, CY, or BY1/BY2. Section 36.6 of OMB Circular A-11 provides instructions on MAX Schedule N on unavailable collections for trust funds and O&M special funds which Federal agencies must include in their annual budget submission to OMB.

100103 General

A. In general, DoD trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by OMB. However, the Surcharge Collections, Sales of Commissary Stores, Defense trust revolving fund, and the National Security Education Trust Fund are subject to apportionment by OMB. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation.

B. Trust funds have been assigned account symbols between 8000 and 8999. Within this range trust revolving funds have been assigned symbols between 8400 and 8499. Some trust funds used by DoD are:

- Surcharge Collections, Sales of Commissary Stores, Defense
- National Security Education Trust Fund

C. *The Conventional Ammunition Working Capital Fund ceases operations as a Revolving Fund at the end of FY 1998. This activity will become a direct funded activity under the cognizance of the Single Manager for Conventional Ammunition. The SMCA will provide budget data for this revised organization.*

100104 Submission Requirements

General guidance with regard to submission requirements is presented in the DoD Financial Management Regulation (DOD 7000.14-R), Chapter 1. Chapter 10 covers specific back-up material requirements for the above areas.

100105 Preparation of Material

General guidance with regard to format and preparation of material is presented in the DoD Financial Management Regulation (DOD 7000.14-R), Chapter 1. Chapter 10 provides additional specific guidance with regard to the back-up material required for Public Enterprise, Management Fund and Trust Fund accounts.

100106 References

The DoD Financial Management Regulation (DOD 7000.14-R), Chapter 1 provides funding policies to be adhered to include those that impact other appropriations/accounts. Chapter 9 provides guidance related to Defense Working Capital Funds accounts. Certain exhibits required by this chapter are found in Section 0904 of Chapter 9.

1002 BUDGET ESTIMATES SUBMISSION**100201 Purpose**

A. This section highlights the policies and justification procedures underlying budget formulation for Public Enterprise, Management Fund, and Trust Fund accounts.

100202 Submission Requirements

A. Public Enterprise Funds.

1. The Defense Working Capital Funds (Fund) schedules referenced here are in the DoD Financial Management Regulation (DOD 7000.14-R), Chapter 9. *The O&M type exhibits (PB, OP) are found in Volume 2A, Chapter 3 and Volume 2B, Chapter 19.* Fund budget-type exhibits as noted below should be submitted for the OSD/OMB budget review.

- National Defense Stockpile Transaction Fund
Exhibits Fund-1, 1a, 2, 4, 11, 14, 17, 21, & 23.
- Pentagon Reservation Maintenance Revolving Fund
Exhibits Fund-1, 1a, 2, 3, 7, 9a, 9b, 11, 12, 14, & 23. *OP-8 & 9. PB-22.*
- Building Maintenance Fund
Exhibits Fund-1, 1a, 2, 3, 7, 9a, 9b, 11, 12, 14, & 23. *OP-8 & 9. PB-22.*
- National Defense Sealift Fund (NDSF)
Exhibits Fund-1a, 2, 11, & 12.

2. The instructions and formats for the preparation of the NDSF required procurement and RDT&E exhibits are included in the DoD Financial Management Regulation (DoD 7000.14-R), Chapters 4 and 5, respectively.

Procurement/Ship Acquisition:

- Budget Item Justification Sheet (P-40)
- Weapon System Cost Analysis (P-5)
- Analysis of Ship Cost Estimates (P-8a/8b)
- Advance Procurement Analysis (P-10/10a)
- Ship Production Schedule (P-27)
- Ship Outfitting Costs (P-29)
- Ship Post Delivery Estimates (P-30)

National Defense Features (NDF):

- Budget Item Justification Sheet (P-40)

RDT&E:

- Budget Item Justification Sheet (R-2)
- Program Element/Project Cost Breakdown (R-3)

3. Additional data required by OMB Circular A-11 will be submitted in the fall in accordance with annual DoD Comptroller budget guidance.

B. Management and Trust Funds - For Trust Funds, Trust Revolving Funds and other Management Funds, program and financing, and object classification schedules will be submitted for each account. The budget authority for each trust fund account must agree with the amounts reported against the applicable receipt accounts as required by DoD accounting guidance related to offsetting receipts. The receipt accounts are published in Treasury's Federal Account Symbols and Titles. For the Defense Commissary Agency, a footnote to the program and financing schedule will show the value of the obligations for renovation/construction of commissaries included in total obligations of the trust revolving fund.

C. Special Budget Exhibits - Unique data pertaining to a particular fund are required as follows:

National Defense Stockpile

- Stockpile Financial Status Report (SP-1)

Pentagon Reservation Maintenance Revolving Fund

- Cost of Services (PR-1)
- Summary Statement (PR-2)

Buildings Maintenance Fund

- Cost of Services (PR-1)
- *Summary Statement (PR-2)*

Surcharge Collections, Sales of Commissary Stores, Defense

- Summary (CT-1)
- Facility Programs Justification (CT-2)

National Defense Sealift Fund (NDSF)

Ready Reserve Force (RRF):

- Budget Item Justification Sheet (RRF-1)
- Ship Composition Funding Requirements (RRF-2)
- Ship Readiness Operational Status (ROS) Composition (RRF-3)

D. Budget exhibits will be submitted in accordance with the schedule published annually in DoD Comptroller budget guidance. Formats and instructions for preparation of the Special Exhibits are provided Section 1004.

E. All NDSF related budget justification materials should be submitted directly to the Director for Investment, room 4B917. In addition to the DWCF schedules, procurement, and RDT&E exhibits referenced in paragraph 100202.A above, the special exhibits identified above must be included in the NDSF justification budget backup book for both the OSD and Congressional submissions. The backup book should include a table of contents, a computer generated FYDP funding report identifying each business area, and each business area/section should be tabbed.

1003 CONGRESSIONAL JUSTIFICATION/PRESENTATION**100301 Purpose**

This chapter provides the policies and procedures to guide the development of budget justification and supporting narrative to be submitted by Components to the DoD Comptroller in development of congressional justification material.

100302 Submission Requirements

A. Guidance is applicable to the following DoD Public Enterprise, Management Funds, and Trust Funds:

Public Enterprise Funds

- (1) National Defense Stockpile Transaction Fund
- (2) Buildings Maintenance Fund
- (3) Pentagon Reservation Maintenance Revolving Fund
- (4) National Defense Sealift Fund

Management Funds

- (5) Conventional Ammunition Working Capital Fund
Ceases operations as a Revolving Fund on September 30, 1998.

Trust Funds

- (6) National Security Education Trust Fund
- (7) Surcharge Collections, Sales of Commissary Stores, Defense

B. The table on the following page presents the exhibit requirements to be submitted as part of the President's budget for the Funds identified in paragraph A. above. Additional budget justification material to accompany the President's budget may be prescribed by separate DoD Comptroller budget guidance.

EXHIBIT/SCHEDULE REQUIREMENTS

<u>Fund</u>	<u>Prog & Financ.</u>	<u>Rev & Exp.</u>	<u>Finan. Cond.</u>	<u>Obj Class</u>	<u>Pers Summary</u>	<u>Status of Contr Auth</u>
(1)	X	X	X	X		
(2)	X	X	X	X	X	
(3)	X	X	X	X	X	
		Fund-2, Fund 9a/9b, Fund-11, PR-1, PR-2				
(4)	X			X		
	P-5, P-8a/8b, P-10/10a, P-27, P-29, P-30, P-40, R-2, R-3, RRF-1, RRF-2, RRF-3					
(5)	X			X		
(6)	X			X		
(7)	X			X		

Public Enterprise Funds

- (1) National Defense Stockpile Transaction Fund
- (2) Building Maintenance Fund
- (3) Pentagon Reservation Maintenance Revolving Fund
- (4) National Defense Sealift Fund

Management Funds

- (4) Conventional Ammunition Working Capital Fund
Ceases operations as a Revolving Fund on September 30, 1998.

Trust Funds

- (5) National Security Education Trust Fund
- (6) Surcharge Collections, Sales of Commissary Stores, Defense

1004 PUBLIC ENTERPRISE, MANAGEMENT AND TRUST FUND FORMATS**100401 Purpose**

The special formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

100402 Exhibits in Support of Section 1002 - Budget Estimates Submission

CT-1 Surcharge Collections, Sales of Commissary Stores Summary.....	9
CT-2 Facility Programs Justification.....	10
PR-1 Pentagon Reservation Maintenance Revolving Fund Cost of Services.....	11
PR-2 Pentagon Reservation Maintenance Revolving Fund Summary Statement.....	12
SP-1 Stockpile Financial Status Report.....	13
RRF-1 Budget Item Justification.....	15
RRF-2 Ship Composition Funding Requirements	16
RRF-3 Ship Readiness Operational Status (ROS) Composition	17

Surcharge Collections, Sales of Commissary Stores, Defense

Summary

(\$ in Millions)

	<u>FY PY col. of CY PB</u>	<u>FY PY</u>	<u>FY CY col. of CY PB</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>OBLIGATIONS</u>						
Operating Expenses			Provide operations, equipment, and construction			
Equipment			obligations for the PY column of the CY President's			
Construction			budget, the PY, the CY column of the CY President's			
Total Obligations (a)			budget, the CY, the BY1, and the BY2.			
<u>DISBURSEMENTS</u>						
Disbursement of			Provide disbursements of prior year obligations and			
Prior Year Obligations			current year disbursements for the PY column of the CY			
Current Year Disbursements			President's budget, the PY, the CY column of the CY			
Total Disbursements (b)			President's budget, the CY, the BY1, and the BY2.			
<u>COLLECTIONS</u>						
Revenue (c)			Provide revenue for the six years above.			
<u>NET OUTLAYS (d) (b-c=d)</u>						
CASH: Begin Year (e)						
Net Outlays (f)			Provide cash estimates for the six years above.			
End Year (g) (e-f=g)						
Unliquidated Obligations			Provide year-end unliquidated obligations for the six years above.			
Unobligated Balance Beginning of Year (h)			Provide unfunded contract authority for the six years above.			
Unobligated Balance End of Year (i)						
Unfunded Contract Authority Requested (j) (a-c-h+I=j)						

Exhibit CT-1 Surcharge Collections, Sales of Commissary Stores Summary

**Surcharge Collections, Sales of Commissary Stores, Defense
Facility Programs Justification
(\$ in Millions)**

<u>LOCATION</u>	<u>DESCRIPTION</u>	<u>TOTAL COST</u>	<u>REMARKS</u>
------------------------	---------------------------	--------------------------	-----------------------

Provide a DD Form 1391 for each FY BY1 and FY BY2 proposed project.

List the location of each proposed construction project for FY CY, FY BY1, and FY BY2.

Description should include whether each project is a new store, add/alter, minor construction, energy conservation, etc.

Total cost is self-explanatory.

Remarks should provide narrative justification for and a description of each project.

Exhibit CT-2 Facility Programs Justification

Pentagon Reservation Maintenance Revolving Fund
Cost of *Basic* Services
(\$ in Millions)

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>
1. Operated Space (Average Square Feet) *			
2. Unit Cost of Operations (\$) **			
Cleaning			
Maintenance			
Utilities & Fuel			
Protection			
Other Building Services			
Administration			
Total Unit Cost for Basic Services			
(Multiply by) Billable Space (Sq. Ft.)			
(Equals) Total Cost of Basic Services			

* Excludes reimbursable “above standard” services.

** Cleaning, maintenance, utilities and fuel, protection, other building services, and administration estimates should equal the cost of each function divided by the billable space square feet for the relevant fiscal year.

Exhibit PR-1 Pentagon Reservation Maintenance Revolving Fund Cost of Services

**Pentagon Reservation Maintenance Revolving Fund
Summary Statement
(\$ in Millions)**

	<u>Obs.</u>	<u>Orders</u>	<u>Rev.</u>	<u>Cost</u>	(Disbursements by Fiscal Year)							
					<u>FYPY</u>	<u>FYCY</u>	<u>FYBY1</u>	<u>FYBY2</u>	<u>FYBY2+1</u>	<u>FYBY2+2</u>	<u>FYBY2+3</u>	<u>FYBY2+4</u>
Pentagon Renovation												
FY PY			N/A	N/A								
FY CY			N/A	N/A								
FY BY1			N/A	N/A								
FY BY2			N/A	N/A								
Other Capital Purchases (specify each)												
FY PY			N/A	N/A								
FY CY			N/A	N/A								
FY BY1			N/A	N/A								
FY BY2			N/A	N/A								
Operating Budget												
FY PY												
FY CY												
FY BY1												
FY BY2												
Total												
FY PY BY2												
FY CY												
FY BY1												
Cash					<u>BOY</u>	<u>Collections</u>		<u>Disbursements</u>		<u>EOY</u>		
FY PY												
FY CY												
FY BY1												
FY BY2												

Obligations, new customer orders, revenue, and costs for the PY, CY, BY1, and BY2 years for the Pentagon Renovation, Other Capital Purchases, and Operating Budget (reimbursable services and basic services noted in Exhibit PR-1) should be provided. Disbursements of PY, CY, BY1, and obligations for each category are also requested. Beginning of Year (BOY) cash, collections, disbursements, and End of Year (EOY) cash for the PY, CY, BY1, and BY2 years is also requested.

Exhibit PR-2 Pentagon Reservation Maintenance Revolving Fund Summary Statement

NATIONAL DEFENSE STOCKPILE TRANSACTION FUND
Stockpile Financial Status Report
YEAR (CY, BY1, BY2)
(Dollars in Millions)

	<u>CY</u>	<u>BY1</u>	<u>BY2</u>
<i>Treasury Cash Balance, End of Prior Year</i>			
<i>Plus Collections</i>			
<i>Minus Disbursements</i>			
<i>Plus/Minus:</i>			
<i>Transfer 1 (label)</i>			
<i>Transfer 2 (label)</i>			
<i>.</i>			
<i>.</i>			
<i>.</i>			
<i>Transfer n label</i>			
<i>Sub-Total Transfers</i>			
<i>Equals: Cash Balance</i>			
<i>Costs</i>			
<i>Labor</i>			
<i>Non-labor</i>			
<i>Acquisitions and Upgrades</i>			
<i>Unliquidated Obligations</i>			
<i>Total Costs</i>			
<i>Cash Balance</i>			

1. **Purpose.** *The purpose of this report is to provide information on the financial status of the National Defense Stockpile.*
2. **Submission.** *This exhibit will reflect information starting from the end of the prior year, the Current Year (CY), the budget year (BY1), and the Budget Year plus 1 (BY2) in support of the OSD/OMB and President's budget submissions. End of prior year should be the actual amount reflected on approved accounting reports.*

Exhibit SP-1 Stockpile Financial Status Report

INSTRUCTION FOR PREPARATION OF EXHIBIT SP-1
STOCKPILE FINANCIAL STATUS REPORT

1. Purpose. The purpose of this report is to provide information on financial status of the National Defense Stockpile.
2. Submission. This exhibit will be submitted for the prior year (PY), the current year (CY), budget year 1 (BY1), and budget year 2 (BY2) in support of the OSD/OMB and President's budget submissions.
3. Entries:
 - a. Annual Program addresses transaction during the year involving current year funds only.
 - b. Total addresses all transactions including adjustments and balances from previous years' transactions.

Ready Reserve Force (RRF)
Budget Item Justification

<u>RRF</u>	<u>FY PY-1</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
------------	----------------	--------------	--------------	---------------	---------------	-----------------	-----------------	-----------------	-----------------

O&M

Acquisition	Provide annual funding requirements for the RRF.								
-------------	--	--	--	--	--	--	--	--	--

Other (specify)

Total RRF

Purpose: Justification for the FYs BY-BY+5 budget request: Provide a narrative justification and sufficient justification for the funding requested

Ready Reserve Force (RRF)
Ship Composition Funding Requirements

<u>RRF</u>	<u>FY PY-1</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
------------	----------------	--------------	--------------	---------------	---------------	-----------------	-----------------	-----------------	-----------------

O&M
Ship Types
Breakbulk
ROS-4
ROS-5
etc.

Provide annual funding requirements for each ship type by ROS category.
Specify funding by O&M, acquisition and other (specify Other categories consistent with the RRF-1 exhibit).

Ro/Ros
ROS-4
ROS-5
etc.

Total O&M

Acquisition
Ship Types

Total Acquisition

Other
Ship Types

Total Other

Total RRF

Exhibit RRF-2 Ship Composition Funding Requirements

Ready Reserve Force (RRF)
Ship Readiness Operational Status (ROS) Composition

<u>RRF</u>									
<u>Ship Types</u>	<u>FY PY-1</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
Ro/Ros									
(ROS Status ROS-4)									
(ROS Status ROS-5)									
(ROS Status etc.)									
Total Ro/Ros									
Breakbulk									
(ROS Status ROS-4)									
(ROS Status ROS-5)									
(ROS Status etc.)									
Total Breakbulk									
etc.									
	Provide the composition of the RRF by FY for each ship type, i.e.; Breakbulk, Ro/Ros Tankers etc. Specify ships consistent with the RRF-2 exhibit.								
Totals									
(ROS Status ROS-4)									
(ROS Status ROS-5)									
(ROS Status etc.)									
Total RRF Fleet									
New Acquisitions									
Retirements									

Exhibit RRF-3 Ship Readiness Operational Status (ROS) Composition

CHAPTER 11
OFFSETTING RECEIPTS
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CHAPTER 11

OFFSETTING RECEIPTS**1101 GENERAL****110101 Purpose**

This chapter prescribes budget justification requirements for offsetting receipts consistent with the provisions of OMB Circular No. A-11.

1102 BUDGET ESTIMATES SUBMISSION**110201 General Instructions**

A. Each Military Department will include offsetting receipts in their annual September initial budget submission. See Volume 2A, Chapter 1, for general guidance on submission requirements.

B. Each Military Department will also submit actual data on receipts in millions of dollars for the prior year and estimated receipts for the current year, biennial budget years 1 and 2, and the outyears. These estimates will include the impact of all known proposed legislation. A copy of the receipts listing in the form of a spreadsheet as of the end of the prior fiscal year will be provided to the Military Departments by OUSD(C). The Military Departments will update these listings (legible, hand-written markup is acceptable) and return them to the Directorate for Program and Financial Control, Office of the Deputy Comptroller (Program/Budget), Room 3B872 for review and, ultimately, input to OMB. Submittal due date will be established by OSD based on certification to the Treasury of actual execution data for the prior fiscal year.

C. If a DoD component proposes legislation which would impact DoD offsetting receipts and such impact is not included in the estimates submitted by the Military Departments, then the DoD component proposing the legislation will submit to OUSD(C) P/B the impact of the proposed legislation for each Treasury receipt account affected.

D. Amounts reported should include all collections credited to the component's receipt accounts, including "F" (clearing) accounts if applicable (e.g., receipt account 3875), and should exclude collections credited to receipt accounts of other DoD components. Receipts will be reported on the basis of collections credited to receipt accounts during the year, plus or minus any adjustments during the year. Amounts for the prior year will agree with receipts reported to Treasury on the Treasury Combined Statement. Only zero (0) estimates are permitted in the current year, biennial years 1 and 2, and the outyears for "F" accounts. For indefinite appropriations of receipts (Wildlife Conservation, Military Reservations; special fund accounts; and trust fund accounts), the amount of estimated collections will be equal to the related estimates of appropriations (budget authority).

E. New entries will be titled in accordance with Treasury's Federal Account Symbols and Titles. Include the 2-digit Treasury agency prefix for each account, but do not include the "F" in clearing-account codes. Enter in the appropriate columns the type of receipt and applicable function and the amounts for each account involved. Proposed legislation will be identified by the addition after the Treasury receipt account symbol of the letter "L" for new legislation.

F. Where the Treasury Department has assigned decimal suffixes to the symbol (e.g., 21-8927.1, etc.), amounts will be reported separately for each suffix.

G. Each receipt account will be identified as to governmental, proprietary, intragovernmental, Federal intrafund, trust intrafund, inter-fund transactions, etc., as specified in OMB Circular A-11.

H. Receipts data is required for DoD-Military as well as DoD-Civil accounts.

110202 Special Instructions - Receipt account 3041, Recoveries under the Foreign Military Sales Program

Additional detail is required for this account, subdivided into the following categories for PY, CY, BY, BY+1, and the outyears:

1. Nonrecurring RDT&E and production costs and royalty fee collections;
2. Sale of principal/major items from stock which do not require replacement;
3. Sale of excess stock fund and procurement secondary items from stock;
4. Charges for the use of DoD assets (including asset use charges or contractor rental payments); and
5. Charges for unfunded civilian retirement costs.

CHAPTER 12
DEFENSE HEALTH PROGRAM
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CHAPTER 12
DEFENSE HEALTH PROGRAM

1201 GENERAL**120101 Purpose**

A. This chapter provides instructions applicable to budget formulation and congressional justification for the Defense Health Program.

B. The following appropriations are covered as subsections of the Defense Health Program appropriation:

- Operation and Maintenance
- Procurement

120102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 12 covers specific backup material requirements for the above accounts. The ASD(HA) should also consult all of the other chapters of this regulation for exhibit requirements that are not specifically addressed in this chapter including Chapter 19 - Special Analyses. The ASD(HA) is also responsible for providing data to update the Budget Review System (BRS) and the Future Years Defense Plan (FYDP) automated systems for the Defense Health Program appropriation. The Military Components must submit any proposed military and civilian medical end strength changes to the BRS and FYDP through Health Affairs -- *TRICARE Management Activity (Resource Management)*.

120103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 12 provides additional specific guidance with regard to the back-up material required for the Defense Health Program.

120104 References

Chapter 3 provides guidance related to Operation and Maintenance costs and Chapter 4 provides guidance and formats related to Procurement appropriations.

1202 BUDGET ESTIMATES SUBMISSION**120201 Purpose**

This Section provides guidance for preparation and submission of budget estimates for the Defense Health Program. The budget estimates consist of all operation and maintenance and procurement resources that support the medical activities that were consolidated into the Defense Health Program.

120202 Submission Requirements

A. The Assistance Secretary of Defense (Health Affairs) is responsible for submitting all exhibits required for the operation and maintenance and procurement appropriations as specified in Chapters 3 and 4, respectively. *The Assistant Secretary of Defense (Health Affairs) is also responsible for submitting exhibit requirements specified in the other chapters of this regulation including Chapter 19 – Special Analyses.*

B. In addition, the Cost of Medical Activities Exhibit (PB-11, PB-11A, PB-11B) will be prepared and submitted to the Office of the USD(Comptroller). Formats for these exhibits are provided at the end of this Chapter. Two copies of each exhibit should be provided to Office of the USD(C) P/B Operations and Personnel Directorate, Room 3D868, the Pentagon.

1203 CONGRESSIONAL JUSTIFICATION/PRESENTATION**120301 Purpose**

A. This Section presents the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 1204.

120302 Submission Requirements

A. The Assistant Secretary of Defense (Health Affairs) is responsible for submitting all exhibits required for the operation and maintenance and procurement appropriations as specified in Chapters 3 and 4, respectively. *The Assistant Secretary of Defense (Health Affairs) is also responsible for submitting exhibit requirements specified in the other chapters of this regulation including Chapter 19 – Special Analyses.*

B. In addition, the cost of Medical Activities Exhibit (PB-11, PB-11A, PB-11B) will be prepared and submitted to the Office of the Under Secretary of Defense (Comptroller) (USD(C)). Formats for these exhibits are provided at the end of this Chapter. Two copies of each exhibit are provided at the end of this Chapter. Two copies of each exhibit should be provided to the OUSD (C) , Program/Budget, Operations and Personnel Directorate, Room 3D868, the Pentagon.

C. Two Copies of the PBA-9 (Medical Programs Exhibit for the O&M Overview) will be due to the OUSD(C), Program/Budget, Operations and Personnel Directorate at the time that the President's budget exhibits are due. The required format for the PBA-9 is provided at Chapter 3, Section 0304.

D. The OP-5 exhibit and other supporting exhibits will be prepared for each of the following activities. Meaningful performance criteria should be displayed for each activity.

- *In-House Care*
- *Private Sector Care*
- *Consolidated Health Support*
- *Information Management*
- *Management Activities*
- *Education and Training*
- *Base Operations/Communications*

1204 DEFENSE HEALTH PROGRAM SUBMISSION FORMATS**120401 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, the formats should be followed.

120402 Unique Exhibits in Support of the Defense Health Program

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**DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM**

Defense Health Program Funding Summary
(Dollars in Thousands)

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>	<u>PY-CY Change</u> \$ (%)	<u>CY-BY1 Change</u> \$ (%)	<u>BY1-BY2Change</u> \$ (%)
Operation and Maintenance							
In-House Care							
Private Sector Care							
Consolidated Health Support							
Information Management							
Management Activities							
Education and Training							
Base Operations/Communications							
Subtotal Operation and Maintenance							
Procurement							
Dental Equipment							
Food Ser,Preventive Med,Pharmacy Equip							
Medical Information System Equipment							
Medical Patient Care Administrative Equip							
Medical/Surgical Equipment							
Other Equipment							
Pathology/Lab Equipment							
Radiographic Equipment							
Subtotal Procurement							
 Total Defense Health Program							

Exhibit PB-11 Defense Health Program Funding Summary
(page 1 of 5)

**DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM**

Operation and Maintenance Funding by Subactivity Group
(Dollars in Thousands)

FY PY <u>Actual</u>	FY CY <u>Estimate</u>	FY BY1 <u>Estimate</u>	FY BY2 <u>Estimate</u>	<u>PY-CY Change</u> \$ (%)	<u>CY-BY1 Change</u> \$ (%)	<u>BY1-BY2 Change</u> \$ (%)
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IN-HOUSE CARE

08077000 Defense Medical Centers, Hospitals & Medical Clinics - CONUS
08079000 Defense Medical Centers, Hospitals & Medical Clinics - OCONUS
08077150 Dental Care Activities - CONUS
08079150 Dental Care Activities - OCONUS
Subtotal In-House Care

PRIVATE SECTOR CARE

08077230 Managed Care Support (MCS) Contracts
08077120 CHAMPUS
08077130 Care in Non-Defense Facilities
Subtotal Private Sector Care

CONSOLIDATED HEALTH SUPPORT

08017200 Examining Activities
08077140 Other Health Activities
08077050 Military Public/Occupational Health
08077600 Veterinary Services
08077240 Military Unique Requirements - Other Medical
08077250 Aeromedical Evacuation System
08077850 Armed Forces Institute of Pathology (AFIP)
Subtotal Consolidated Health Support

INFORMATION MANAGEMENT

08077910 Central Information Management/Information Technology

Exhibit PB-11 Defense Health Program Funding Summary
(Page 2 of 5)

**DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM**

Operation and Maintenance Funding by Subactivity Group
(Dollars in Thousands)

	FY PY <u>Actual</u>	FY CY <u>Estimate</u>	FY BY1 <u>Estimate</u>	FY BY2 <u>Estimate</u>	<u>PY-CY Change</u> \$ (%)	<u>CY-BY1 Change</u> \$ (%)	<u>BY1-BY2 Change</u> \$ (%)
<u>MANAGEMENT ACTIVITIES</u>							
08077980 Management Headquarters							
08077090 TRICARE Management Activity							
Subtotal Management Activities							
<u>EDUCATION AND TRAINING</u>							
08067220 Armed Forces Health Professions Scholarship Program							
08067210 Uniformed Services University of the Health Sciences							
08067610 Other Education and Training							
Subtotal Education and Training							
<u>BASE OPERATIONS/COMMUNICATIONS</u>							
08077760 Minor Construction - CONUS							
08079760 Minor Construction - OCONUS							
08077780 Maintenance and Repair - CONUS							
08079780 Maintenance and Repair - OCONUS							
08077790 Real Property Services - CONUS							
08079790 Real Property Services - OCONUS							
08077950 Base Communications - CONUS							
08079950 Base Communications - OCONUS							
08077960 Base Operations - CONUS							
08079960 Base Operations - OCONUS							
08077530 Environmental Conservation							
08077540 Pollution Prevention							
08077560 Environmental Compliance							
08077900 Visual Information Systems							
Subtotal Base Ops/Comm							
TOTAL DHP - OPERATION AND MAINTENANCE							

Exhibit PB-11 Defense Health Program Funding Summary
(Page 3 of 5)

**DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM**

Operation and Maintenance Funding by Subactivity Group

(Dollars in Thousands)

<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>PY-CY Change</u>	<u>CY-BY1 Change</u>	<u>BY1-BY2 Change</u>
<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>\$</u> <u>(%)</u>	<u>\$</u> <u>(%)</u>	<u>\$</u> <u>(%)</u>

SPECIAL INTEREST O&M ITEMS

Uniformed Services Treatment Facilities (USTFs)

08077140 Other Health Activities

Regional Management (Lead Agents, Healthcare Support Offices, Regional Medical Commands)

Central Medical Laboratories

Army Medical Department Field Procurement Offices and Central Design Activity

Patient Related Travel

Other

Total Other Health Activities

08077240 Military Unique Requirements - Other Medical

Physiological Training Units

Drug Abuse Detection Laboratories

Military Blood Program Agency

Optical Repair/Fabrication Laboratories

Readiness Activities (including Medical Wartime Hospital Integration Office)

Walter Reed Army Institute of Research

Other

Total Military Unique Requirements – Other Medical

Per Capita Cost per user (Source: Resource Analysis & Planning System (RAPS) database)

Exhibit PB-11 Defense Health Program Funding Summary
(Page 4 of 5)

**DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM**

Procurement Funding

(Dollars in Thousands)

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>	<u>PY-CY Change</u> \$ (%)	<u>CY-BY1 Change</u> \$ (%)	<u>BY1-BY2 Change</u> \$ (%)
807720 Initial Outfitting							
Dental Equipment							
Food Svc, Preventive Med, Pharmacy Equip							
Medical Information System Equipment							
Medical Patient Care Administrative Equip							
Medical/Surgical Equipment							
Other Equipment							
Pathology/Lab Equipment							
Radiographic Equipment							
Subtotal Initial Outfitting							
807721 Replacement & Modernization							
Dental Equipment							
Food Svc, Preventive Med, Pharmacy Equip							
Medical Information System Equipment							
Medical Patient Care Administrative Equip							
Medical/Surgical Equipment							
Other Equipment							
Pathology/Lab Equipment							
Radiographic Equipment							
Subtotal Replacement & modernization							
Total - Procurement							

This exhibit has been revised in its entirety.

Exhibit PB-11 Defense Health Program Funding Summary
(Page 5 of 5)

**DEPARTMENT OF DEFENSE
DEFENSE HEALTH PROGRAM**

Personnel Summary

	<u>FY PY Actual</u>		<u>FY CY Estimate</u>		<u>FY BY1 Estimate</u>		<u>FY BY2 Estimate</u>		<u>CY-BY1 Change</u>		<u>BY1-BY2 Change</u>	
	<u>End</u>	<u>Avg</u>	<u>End</u>	<u>Avg</u>	<u>End</u>	<u>Avg</u>	<u>End</u>	<u>Avg</u>	<u>End</u>	<u>Avg</u>	<u>End</u>	<u>Avg</u>
	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>	<u>Strength</u>
<u>Active Military – Assigned to DHP</u>												
<u>Army Total</u>												
Officers												
Enlisted												
<u>Navy Total</u>												
Officers												
Enlisted												
<u>Air Force Total</u>												
Officers												
Enlisted												
<u>Total Active Duty</u>												
Officers												
Enlisted												
<u>Active Military - Non DHP Medical</u>												
<u>Army Total</u>												
Officers												
Enlisted												
<u>Navy Total</u>												
Officers												
Enlisted												
<u>Air Force Total</u>												
Officers												
Enlisted												
<u>Total Active Duty</u>												
Officers												
Enlisted												

Exhibit PB-11A Defense Health Program Personnel Summary
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DEPARTMENT OF DEFENSE

DEFENSE HEALTH PROGRAM

Personnel Summary

	<u>FY PY Actual</u>		<u>FY CY Estimate</u>		<u>FY BY1 Estimate</u>		<u>FY BY2 Estimate</u>		<u>CY-BY1 Change</u>		<u>BY1-BY2 Change</u>	
	End		End		End		End		End		End	
	<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>
I. Civilian Personnel - US Direct Hire												
Army												
Navy												
Air Force												
TRICARE Management Activity												
Total												
II. Civilian Personnel - Foreign National Direct Hire												
Army												
Navy												
Air Force												
Total												
III. Civilian Personnel - Foreign National Indirect Hire												
Army												
Navy												
Air Force												
Total												
IV. Total Civilian Personnel												
Army												
Navy												
Air Force												
TRICARE Management Activity												
Total <i>1/</i>												
V. Summary Civilian Personnel												
U.S. Direct Hire												
Foreign National Direct Hire												
Foreign National Indirect Hire												
Total, Civilians <i>1/</i>												

1/ Includes reimbursable civilians - memo

*Exhibit PB-11A Defense Health Program Personnel Summary
(Page 2 of 3)*

**DEPARTMENT OF DEFENSE
DEFENSE HEALTH PROGRAM**

Personnel Summary

<u>FY PY Actual</u>		<u>FY CY Estimate</u>		<u>FY BY1 Estimate</u>		<u>FY BY2 Estimate</u>		<u>CY-BY1 Change</u>		<u>BY1-BY2 Change</u>	
End		End		End		End		End		End	
<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>	<u>Strength</u>	<u>FTEs</u>

SPECIAL INTEREST MANPOWER (End Strength)

TRICARE Regional Lead Agents:

Military End Strength

Civilian End Strength

*Exhibit PB-11A Defense Health Program Personnel Summary
(Page 3 of 3)*

DEFENSE HEALTH PROGRAM

Medical Workload Data

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>CY-BY1</u>	<u>BY1-BY2</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>
<u>Population - Average Eligible Beneficiaries</u>						
Active Duty						
Active Duty Dependents						
CHAMPUS Eligible Retirees						
CHAMPUS Eligible Dependents of Retirees						
Subtotal CHAMPUS Eligibles						
Over 65 Eligible Beneficiaries						
Total Average Eligible Beneficiaries						
<u>Population - Average MHSS Reliants/Users</u>						
Active Duty						
Active Duty Dependents						
CHAMPUS Eligible Retirees						
CHAMPUS Eligible Dependents of Retirees						
Subtotal CHAMPUS Eligibles						
Over 65 Eligible Beneficiaries						
Total Average MHSS Reliants/Users						
<u>Enrollees - Direct Care (Enrollment Based Capitation)</u>						
TRICARE Region 1						
TRICARE Region 2						
TRICARE Region 3						
TRICARE Region 4						
TRICARE Region 5						
TRICARE Region 6						
TRICARE Region 7						
TRICARE Region 8						
TRICARE Region 9						
TRICARE Region 10						
TRICARE Region 11						
Total Regions 1-11						

Exhibit PB-11B Medical Workload Data
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DEFENSE HEALTH PROGRAM

Medical Workload Data

FY PY	FY CY	FY BY1	FY BY2	CY-BY1	BY1-BY2
<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>

Enrollees - Direct Care (Enrollment Based Capitation)

Overseas

Total Direct Care

Enrollees (Managed Care Support Contract)

TRICARE Region 1

TRICARE Region 2

TRICARE Region 3

TRICARE Region 4

TRICARE Region 5

TRICARE Region 6

TRICARE Region 7

TRICARE Region 8

TRICARE Region 9

TRICARE Region 10

TRICARE Region 11

Total Regions 1-11

Overseas

Total MCS Contracts

Infrastructure

Hospitals/Medical Centers

Operating Beds

Medical Clinics

Exhibit PB-11B Medical Workload Data

(Page 2 of 4)

DEFENSE HEALTH PROGRAM

Medical Workload Data

FY PY	FY CY	FY BY1	FY BY2	CY-BY1	BY1-BY2
<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>

Direct Care System Workload

Dispositions (from MEPRS)
Inpatient Work Units (IWUs)
Occupied Bed Days (from MEPRS)
Average Length of Stays (Bed Days/Disposition)
Total Ambulatory Visits (from MEPRS)
Occupational Health AWUs

Dental Workload (Composite Time Values (CTVs))

CONUS
OCONUS
Total CTVs

CONUS
Active Duty
Non-Active Duty
Total CONUS

OCONUS
Active Duty
Non-Active Duty
Total OCONUS

Uniformed Services Treatment Facilities (USTFs)

Enrollees (DoD only)

Exhibit PB-11B Medical Workload Data
(Page 3 of 4)

**DEFENSE HEALTH PROGRAM
Medical Workload Data Exhibit**

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>	<u>CY-BY1</u> <u>Change</u>	<u>BY1-BY2</u> <u>Change</u>
<u>Private Sector Workload</u>						
Standard CHAMPUS Workload - Total						
Inpatient Admissions						
Outpatient Visits						
<i>Family Member Dental Program</i>						
Enrollees						
<i>Selective Reserve Dental Program</i>						
Enrollees						
Managed Health Care Support Contracts						
Inpatient Admissions						
Outpatient Visits						

Exhibit PB-11B Medical Workload Data
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CHAPTER 13
DEFENSE ENVIRONMENTAL RESTORATION
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CHAPTER 13

DEFENSE ENVIRONMENTAL RESTORATION**1301 GENERAL****130101 Purpose**

A. This chapter provides instructions applicable to budget formulation and congressional justification for the Defense Environmental Restoration Program. The National program to manage hazardous wastes and cleanup old hazardous wastes extends to the Department of Defense. The Congress is interested in assuring that the DoD Program is complying with all the requirements levied by the Resource Conservation and Recovery Act (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), and the Superfund Amendments and Reauthorization Act (SARA) legislation. This Chapter provides the funding data necessary to respond to congressional concerns.

B. The appropriations that finance the Defense Environmental Restoration Program include the following subsections:

- Operation and Maintenance
- Procurement
- Research, Development, Test, and Evaluation (RDT&E)
- Military Construction

130102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 13 covers specific backup material requirements for the Defense Environmental Restoration Program. The Deputy Under Secretary of Defense, Environmental Security (DUSD(ES)) of the USD(A&T) is responsible for all submission requirements for this program.

130103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 13 provides additional specific guidance with regard to the back-up material required for the Defense Environmental Restoration Program.

130104 References

Chapter 1 provides general funding policies, Chapter 3 provides specific policies related to Operation and Maintenance costs, Chapter 4 provides specific policies related to Procurement appropriations, Chapter 5 provides specific policies related to RDT&E funding, and Chapter 6 provides specific policies related to Military Construction appropriations.

130105 Definitions

A. Installation Restoration Program (IRP). This subelement is a comprehensive program to identify, investigate, and cleanup contamination from hazardous substances and wastes resulting from past DoD activities on active installations and formerly-used DoD lands. This includes requirements incident to remedial action, both on-installation and off-installation (e.g., provision of permanent alternate potable water supplies to communities affected by groundwater contamination that resulted from DoD activity). Actions under this element may include:

1. Investigations to identify, confirm and quantify contamination; feasibility studies; remedial action plans and designs; and remedial or removal actions.
2. Research, development and technology demonstrations necessary to conduct cleanups.
3. Expenses associated with cooperative multi-party cleanup plans and activities.
4. Remedial actions to protect or restore natural resources damaged by contamination from past hazardous waste disposal activities.
5. Cleanup of low-level radioactive waste sites which meet the criteria of the CERCLA, as amended.
6. *Remedial action construction costs.*
7. *Remedial action operations costs.*
8. *Costs of long-term monitoring.*
9. Immediate actions necessary to address health and safety concerns such as providing alternate water supplies or treatment of contaminated drinking water, when the hazard results from a release from DoD property.
10. CERCLA assessments necessary prior to excessing real property assets.
11. Proportion of RCRA permit preparation associated with solid waste management units which would meet the definition of a past disposal site under CERCLA, as amended.
12. *Management expenses associated with IRP, including civilian salaries.*

B. Building Demolition and Debris Removal Program (BD/DR). This subelement applies to both active installations and formerly-used DoD lands. The purpose of this subelement is to plan and execute a comprehensive program to demolish and remove unsafe buildings and structures. Expenses incident to complete restoration, such as restoration of natural resources are included if such expenses are clearly and directly related to the demolition and debris removal. Demolition that is required as part of a new construction project is excluded. Actions under this element may include:

1. The demolition of buildings or the removal of debris that constitute a safety hazard on active installations.
2. The demolition of buildings or the removal of debris which constitute a safety hazard on lands formerly-used by the Department of Defense, provided such lands were transferred to state or local governments or native corporations.

C. Other Hazardous Waste (OHW). *This subelement is intended primarily to capture DoD clearance and cleanup requirements for Unexploded Ordnance (UXO). Currently, only the Formerly-Used Defense Sites program budgets for these type requirements within its Environmental Restoration account. As the Department incorporates recent policy changes to require the Components to program and budget for UXO cleanup at closed, transferring, and transferred ranges in the United States and its territories, the OHW subelement will be used by all Components participating in the Environmental Restoration Program, including FUDS, beginning with the FY 2001 budget estimate submission in September 1999. This does not include cleanup of active and inactive ranges at active installations.*

1302 BUDGET ESTIMATES SUBMISSION**130201 Purpose**

This Section provides guidance for preparation and submission of budget estimates for the Defense Environmental Restoration Program. The budget estimates consist of all operation and maintenance, procurement, RDT&E, and Military Construction resources that support the Defense Environmental Restoration Program. The Components should consult all of the other Chapters for exhibit requirements that are not specifically addressed in this Chapter including Chapter 19, Other Special Analyses.

130202 Submission Requirements

A. Based on the Department's decision to devolve the centralized Environmental Restoration, Defense (ER,D) appropriation, the Military Departments and applicable Defense Agencies shall incorporate separate narrative justification material for their respective programs and the Environmental Restoration Exhibits (ENV 30a-30e) in their Budget Estimates Submission. The DUSD (Environmental Security) is responsible for consolidating the Defense Agency budget submissions and for preparing the ENV 30a-30e exhibits for the Formerly-Used Defense Sites (FUDS). The diskette of installation level detail required by the DUSD(ES) should be forwarded together with the Components' justification material to the OUSD (C) P/B Operations and Personnel Directorate, Room 3D868, Pentagon.

B. The Components and DUSD(ES) are also responsible for providing data to update the Budget Review System (BRS) and the Future Year Defense Plan (FYDP) automated systems for the various Environmental Restoration appropriations as identified in Chapter 1 *and for updating the OP-32 exhibit (Summary of Price and Program Change) identified in Chapter 3.*

C. In addition to submitting the above items, the DUSD(ES) is responsible for establishing policy for the Defense Environmental Restoration Program.

1303 CONGRESSIONAL JUSTIFICATION/PRESENTATION**130301 Purpose**

This Section presents the exhibit requirement for submission to the Congress.

130302 Submission Requirements

A. Based on the Department's decision to devolve the centralized Environmental Restoration, Defense (ER,D) appropriation, the Military Departments and applicable Defense Agencies shall incorporate separate narrative justification material for their respective programs and Environmental Restoration Exhibits (ENV 30a-30c) in their O&M justification books, Volume II. *Environmental Restoration Exhibits (ENV 30d-e) should be submitted separately to the DUSD (Environmental Security).* The DUSD (Environmental Security) is responsible for consolidating the congressional justification material for the Defense Agencies and for preparing the ENV 30a-30e exhibits for the Formerly-Used Defense Sites (FUDS).

B. The diskette of installation level detail required by the DUSD(ES) should be forwarded together with the Components' justification material to the OUSD (Comptroller) P/B Operations and Personnel Directorate, Room 3D868, Pentagon. Copy requirements are identified in Chapter 1.

C. Examples of budget exhibits can be found in Section 1304.

1304 DEFENSE ENVIRONMENTAL RESTORATION PROGRAM SUBMISSION FORMATS**130401 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to. *Formats should be titled as “Budget Estimates” for the fall budget estimate submission and as “President’s Budget” for the final budget submission due the following February.*

130402 Exhibits in Support of Defense Environmental Restoration

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ENVIRONMENTAL RESTORATION PROGRAM

FY ____ BUDGET ESTIMATE

FUNDING BY PRIORITIES

Department/Activity

(\$ in Thousands)

	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY1-CY</u>	<u>BY2-BY1</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>CHANGE</u>	<u>CHANGE</u>
I. Installation Restoration Program (IRP)						
A. Program Management and Support						
B. Hazardous and Petroleum Waste Products						
Priority 1A. High Relative Risk with Agreements						
Priority 1B. High Relative Risk without Agreements						
Priority 2A. Medium Relative Risk with Agreements						
Priority 2B. Medium Relative Risk without Agreements						
Priority 3A. Low Relative Risk with Agreements						
Priority 3B. Low Relative Risk without Agreements						
Priority 4A. Not Evaluated with Agreements						
Priority 4B. Not Evaluated without Agreements						
<i>Remedial Action Operations</i>						
<i>Long Term Monitoring</i>						
<i>Potentially Responsible Party</i>						
Recovery Account						
Subtotal Hazardous and Petroleum Waste Products						
Subtotal Installation Restoration Program (A+B)						
II. Other Hazardous Waste (UXO Cleanup)						
<i>Priority 1. Imminent Threats to Human Safety</i>						
<i>Priority 2. Possible Threats to Human Safety</i>						
<i>Priority 3. Marginal Threats to Human Safety</i>						
<i>Priority 4. Remote Threats to Human Safety</i>						
<i>Not Evaluated</i>						
Subtotal Other Hazardous Waste						
III. Building Demolition/Debris Removal Program						
A. Imminent threats to Human Safety, Health, or to the Environment						
B. Other						
Subtotal Building Demolition/Debris Removal						
Total Program						

Exhibit ENV-30A Funding by Priorities

ENVIRONMENTAL RESTORATION PROGRAM

FY ____ *BUDGET ESTIMATE*

FUNDING BY WORK PHASE

Department/Activity

(\$ in Thousands)

PY	CY	BY1	BY2
<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

A. Assessments

Funding Level

Starts – # of Sites

Underway – # of Sites

Completions – # of Sites

Note: Starts = sites begun in a fiscal year

Underway = sites underway at the beginning of the fiscal year

Completions = sites completed each fiscal year

Starts + Underway - Completions for PY = Underway for the next FY.

B. Analysis/Investigations

Funding Level

Starts – # of Sites

Underway - # of Sites

Completions - # of Sites

C. Interim Actions

Funding Level

Starts - # of Sites

Underway - # of Sites

Completions - # of Sites

D. Remedial Designs

Funding Level

Starts - # of Sites

Underway - # of Sites

Completions - # of Sites

E. Remedial Action Construction

Funding Level

Starts - # of Sites

Underway - # of Sites

Completions - # of Sites

F. Remedial Action Operations

Funding Level

Starts - # of Sites

Underway - # of Sites

Completions - # of Sites

Exhibit ENV-30B Summary by Phase

(Page 1 of 2)

ENVIRONMENTAL RESTORATION PROGRAM
FY ____ BUDGET ESTIMATE
FUNDING BY WORK PHASE
Department/Activity
(\$ in Thousands)

	<u>PY</u> <u>Actual</u>	<u>CY</u> <u>Estimate</u>	<u>BY1</u> <u>Estimate</u>	<u>BY2</u> <u>Estimate</u>
G. Long Term Monitoring				
<i>Funding Level</i>				
<i>Starts - # of Sites</i>				
<i>Underway - # of Sites</i>				
<i>Completions - # of Sites</i>				
H. Potentially Responsible Party				
<i>Funding Level</i>				
<i>Starts - # of Sites</i>				
<i>Underway - # of Sites</i>				
<i>Completions - # of Sites</i>				
I. Building Demolition & Debris Removal				
<i>Funding Level</i>				
<i>Starts - # of Sites</i>				
<i>Underway - # of Sites</i>				
<i>Completions - # of Sites</i>				
J. Program Management And Support Funding Level				
Management ¹				
Workyears ²				
DSMOA ³				
ATSDR ⁴				
Fines				
TOTAL (All Appropriations)				
<i>Funding Level</i>				

1. Management includes program administrative costs such as travel, training, and other support costs.
2. Workyears: costs associated with workyears for DoD salaries.
3. Defense and State Memorandums of Agreement
4. Agency for Toxic Substance and Disease Registry

Exhibit ENV-30B Funding by Phase
(Page 2 of 2)

ENVIRONMENTAL RESTORATION PROGRAM
FY ____ *BUDGET ESTIMATE*
DEPARTMENT OF _____
(\$ in Thousands)

Reconciliation of Increases/Decreases

Amount

I. Current Fiscal Year Estimate

- A. Functional Program Transfers (Indicate the transfers from/to other appropriations)
 - 1) Transfers in
 - 2) Transfers out
- B. Price Growth (Reflect changes in inflation rate/pay raise assumptions)
- C. Program Increases (List, by relative risk category, the program increases)
- D. Program Decreases (List, by relative risk category, the program decreases)

II. Budget Year 1 (BY1) Request

- A. Functional Program Transfers (Indicate the transfers from/to other appropriations)
 - 1) Transfers in
 - 2) Transfers out
- B. Price Growth (Reflect changes in inflation rate/pay raise assumptions)
- C. Program Increases (List, by relative risk category, the program increases)
- D. Program Decreases (List, by relative risk category, the program decreases)

III. Budget Year 2 (BY2) Request

Exhibit ENV-30C Reconciliation of Increases/Decreases

ENVIRONMENTAL RESTORATION PROGRAM
FY _____ *BUDGET ESTIMATE*
OUTYEAR FUNDING BY PRIORITIES
Department/Activity
(\$ in Thousands)

	<u>BY2 + 1</u> <u>Estimate</u>	<u>BY2 + 2</u> <u>Estimate</u>	<u>BY2 + 3</u> <u>Estimate</u>	<u>BY2 + 4</u> <u>Estimate</u>
I. Installation Restoration Program				
A. Program Management & Support				
B. Hazardous and Petroleum Waste Products				
1. High Relative Risk				
2. Medium Relative Risk				
3. Low Relative Risk				
4. Not Evaluated				
5. <i>Remedial Action Operations</i>				
6. <i>Long term Monitoring</i>				
7. Potentially Responsible Party				
II. Other Hazardous Waste (<i>UXO Cleanup</i>)				
III. Building Demolition/Debris Removal				
Total Funding				

Exhibit ENV-30D Outyear Funding by Priorities

**ENVIRONMENTAL RESTORATION PROGRAM
FY ____ BUDGET ESTIMATE
OUTYEAR FUNDING BY PHASE
DEPARTMENT/ACTIVITY**

(\$ in Thousands)

	BY2 + 1	BY2 + 2	BY2 + 3	BY2 + 4
	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
A. Assessments				
B. Analysis/Investigations				
C. Interim Actions				
D. Remedial Designs				
E. Remedial Action Construction				
F. Remedial Action Operations				
G. Long Term Monitoring				
H. Potentially Responsible Party				
I. Building Demolition & Debris Removal				
J. Program Management and Support				
1. Management ¹				
2. Workyears ²				
3. DSMOA ³				
4. ATSDR ⁴				
5. Fines				

TOTAL

1. Management includes program administrative costs such as travel, training, and other support costs.

2. *Workyears: costs associated with workyears for DoD salaries.*

3. Defense and State Memorandums of Agreement

4. Agency for Toxic Substance and Disease Registry

Note: Exhibit has been revised in its entirety

Exhibit ENV-30E Outyear Funding by Phase

CHAPTER 14
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES
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CHAPTER 14

DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES**1401 GENERAL****140101 Purpose**

A. This chapter provides instructions applicable to budget formulation and congressional justification for Drug Interdiction and Counter-drug Activities.

B. The following accounts are covered as subsections of the Drug Interdiction and Counter-drug Activities, Defense appropriation:

- Military Personnel
- Operation and Maintenance
- Procurement
- Research, Development, Test, and Evaluation (RDT&E)
- Military Construction

140102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 14 covers specific backup material requirements for the Drug Interdiction and Counter-drug Activities program. The Coordinator for Drug Enforcement Policy and Support (CDEP&S) is responsible for all submission requirements for this program. The Components are responsible for providing all needed input to CDEP&S consistent with the submission requirements and due dates established by CDEP&S.

140103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 14 provides additional specific guidance with regard to the back-up materials required for the Drug Interdiction and Counter-drug Activities program.

140104 References

Chapter 1 provides general funding policies. Chapter 2 provides specific policies and formats for the Military Personnel appropriations. Chapter 3 provides specific policies and formats related to Operation and Maintenance costs. Chapter 4 provides specific policies and formats related to Procurement appropriations. Chapter 5 provides specific policies and formats related to RDT&E funding. Chapter 6 provides specific policies and formats related to Military Construction appropriations. Chapter 16 provides specific instructions applicable to budget formulation, implementation, and congressional justification for intelligence program aggregations, and is applicable to the Defense Intelligence Counterdrug Program (DICP) of the Joint Military Intelligence Program (JDMIP) aggregation.

1402 BUDGET ESTIMATES SUBMISSION**140201 Purpose**

This Section provides guidance for preparation and submission of budget estimates for the Drug Interdiction and Counter-drug Activities program. The budget estimates consist of all military personnel, operation and maintenance, procurement, RDT&E, and Military Construction resources that support the Drug Interdiction and Counter-drug Activities Program.

140202 Submission Requirements

A. The Coordinator for Drug Enforcement Policy and Support (CDEP&S) is responsible for submitting all exhibits required supporting military personnel, operation and maintenance, procurement, RDT&E, and Military Construction requirements as specified in this Chapter to the OUSD(C) Operations and Personnel Directorate, Room 3D868 for the OSD budget submission. This includes the various exhibits for the Drug Interdiction and Counter-drug Activities program found in Section 1404, as well as other exhibits identified below but contained in Chapters 2 through 6 and the Program and Financing (P&F) Schedule requirements identified in Chapter 1. The CDEP&S is also responsible for providing data to update the Budget Review System (BRS) and the Future Years Defense Plan (FYDP) automated systems for the Drug Interdiction and Counter-drug Activities appropriation as identified in Chapter 1. *The CDEP&S should check all of the chapters of this regulation for exhibit requirements, especially Chapter 19 – Special Analyses.*

B. The DoD counternarcotics program will be financed in a central transfer appropriation (CTA). However, the OSD submission will reflect the actual or planned distribution of counternarcotics funds by appropriation. The following exhibits are required for the OSD submission. *In addition, the CDEP&S will provide the OUSD(C) Operations and Personnel Directorate with copies of procurement and RDT&E budget exhibits for programs funded in the prior year in the Military Departments' budget that were financed with CTA funds.*

Drug Interdiction and Counter-drug Activities Unique Exhibits:

PB-43 Drug Interdiction and Counter-drug Activities by Appropriation by Goal (Chapter 14)

PB-44 Drug Interdiction and Counter-drug Appropriation Summary (Chapter 14)

PB-45 Drug Interdiction and Counter-drug Summary by Project Listing by Fiscal Year (Chapter 14)

PB-47 Drug Interdiction and Counter-drug Detailed Project Description (Chapter 14)

Operation and Maintenance Exhibits:

OP-32 Summary of Price and Program Changes (Chapter 3) (automated submission also required)

Military Construction Exhibits:

DD 1390 Military Construction Program (Chapter 6)

DD 1391 Military Construction Project (Chapter 6)

Procurement Exhibits:

P-1 Procurement Programs (Chapter 4)

Research, Development, Test & Evaluation Exhibits:

R-1 RDT&E Programs (Chapter 5)

1403 CONGRESSIONAL JUSTIFICATION/PRESENTATION**140301 Purpose**

This Section presents the exhibit requirement for submission to Congress.

140302 Submission Requirements

The Coordinator for Drug Enforcement Policy and Support (CDEP&S) is required to include the following exhibits in the justification book(s) to Congress. Copy requirements are identified in Chapter 1. Examples of budget exhibits can be found in Section 1404 or as identified below:

- PB-43 Drug Interdiction and Counter-drug Activities by Appropriation by Goal (Chapter 14)
- PB-44 Drug Interdiction and Counter-drug Appropriation Summary (Chapter 14)
- PB-47 Drug Interdiction and Counter-drug Detailed Project Description (Chapter 14)
- OP-32 Summary of Price and Program Changes (Chapter 3) (automated submission also required)
- DD 1390 Military Construction Program (Chapter 6)
- DD 1391 Military Construction Project Data (Chapter 6)

1404 DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES SUBMISSION FORMATS**140401 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

140402 Unique Exhibits in Support of Drug Interdiction and Counter-drug Activities

<i>PB-43 Appropriation by Goal</i>	<i>5</i>
<i>PB-44 Appropriation Summary</i>	<i>7</i>
<i>PB-45 Project Listing by Fiscal Year.....</i>	<i>9</i>
<i>PB-47 Detailed Project Description</i>	<i>10</i>

CLASSIFICATION
FY (BY1/BY2) Budget Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

ONDCP Goal: Title _____ *

I. Narrative Description (Statement of Requirements and Mission):

II. Description of Operations Financed/Rationale for the Budget Request:

III. Financial Summary (\$ in Thousands):

		<u>FY CY</u>		<u>Current Estimate</u>	<u>FY BY1 Estimate</u>	<u>FY BY2 Estimate</u>	<u>FY CY/ FY BY1 Change</u>	<u>FY BY1/FY BY2 Change</u>
<u>A. Goal</u>	<u>FY PY</u>	<u>Budget Request</u>	<u>Approp.</u>					
<u>Appropriation</u>								

B. Reconciliation of Increases and Decreases: (See Attachment 1 for the OP-5 exhibit in Chapter 3 for format and level of detail required)

Instructions: Accompanying narrative explanations should fully justify the program. Such justification should clearly explain why increases are required or decreases occur.

* Provide a separate exhibit for each National (ONDCP) counterdrug goal by appropriation that has or will receive funds from the central drug transfer account.

IV. Performance Criteria and Evaluation:

Performance criteria should be established for each functionally area, and approval obtained from OUSD(Comptroller) prior to the budget submission. If possible, performance criteria should relate measures of effectiveness established for the counter drug program.

PB-43 Appropriation by Goal
 (Page 1 of 2)

V. <u>Outyear Data:</u> (\$ in Thousands)				
	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
Total				

CLASSIFICATION
FY (BY1/BY2) Budget Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

I. Description of Operations Financed:

II. Financial Summary (\$ Thousands):

A. <u>Subactivity</u>	<u>FY PY</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>	<u>FY CY/ FY BY1</u> <u>Change</u>	<u>FY BY1/FY BY2</u> <u>Change</u>
Goal 1						
Goal 2						
Goal 3						
Goal 4						
Goal 5						
Total						

Instructions: Provide summary of counternarcotics activities by the Office National Drug Control Policy (ONDCP) Goal. Goals may be changed if necessary to meet the requirements ONDCP. No change should be made, however, without prior approval of the Office of the USD(Comptroller). For FY PY, show the amounts actually obligated and/or the amounts still available for obligation.

B. Reconciliation of Increases and Decreases:

Instructions: Prepare this section in accordance with the instructions for OP-5 Attachment 1 in Chapter 3 of the Financial Management Regulation (Volume 2A). Provide a narrative description of the increases and decreases to fully justify the program.

III. Performance Criteria and Evaluation:

Instructions: Key performance criteria from various functional areas should be displayed here.

CLASSIFICATION
FY (BY1/BY2) Budget Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

IV. Personnel Summary:

	<u>FY PY</u>	<u>FY CY Estimate</u>	<u>FY BY1 Estimate</u>	<u>FY BY2 Estimate</u>	<u>FY CY/ FY BY1 Change</u>	<u>FY BY1/FY BY2 Change</u>
Civilian FTE						

V. Outyear Data:

	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>
Total (\$ In Thousands)				
Civilian FTE				

This exhibit has been revised in its entirety.

PB 44 Appropriation Summary
 (Page 2 of 2)

CLASSIFICATION
FY (BY1/BY2) Budget Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

Fiscal Year XXXX

ONDCP Goal
(\$ in Thousands)

<u>Project Number</u>	<u>JMIP</u>	<u>Service/Agency</u>	<u>Project Title</u>	<u>MILPERS</u>	<u>O&M</u>	<u>PROCUREMENT</u>	<u>RDT&E</u>	<u>TOTAL</u>
Project XXXX								
Total								

Instructions: Complete exhibit for each fiscal year (Prior Year, Current Year, Budget Year 1, and Budget Year 2) and ONDCP goal.
Separately list all DEP&S counterdrug projects.

This exhibit has been revised in its entirety.

PB-45 Project Listing by Fiscal Year

CLASSIFICATION

CLASSIFICATION
FY (BY1/BY2) Budget Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

PROJECT CODE: (CDEP&S code number)

JMIP: (Yes/No)

PROJECT TITLE:

GOAL: (ONDCP Goal Category/ number & title)

COMPONENT/AGENCY:

A. (U) REQUIREMENT.

B. (U) PROGRAM DESCRIPTION.

C. (U) MANAGEMENT.

D. (U) MILESTONES.

E. (U) PRIOR ACCOMPLISHMENTS.

F. (U) PLANNED ACTIVITIES.

G. (U) RESOURCE SUMMARY. (\$ in Thousands)

<u>Appropriation</u>	<u>FY PY</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>	<u>FY CY/ FY BY1</u> <u>Change</u>	<u>FY BY1/FY BY2</u> <u>Change</u>
----------------------	--------------	---------------------------------	----------------------------------	----------------------------------	---------------------------------------	---------------------------------------

(List each appropriation separately and provide a total for all appropriations.)

This exhibit has been revised in its entirety.

PB-47 Detailed Project Description

CLASSIFICATION

CHAPTER 15
OVERSEAS COST REPORT
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CHAPTER 15

OVERSEAS COST REPORT**1501 GENERAL****150101 Purpose**

A. This chapter provides instructions applicable to congressional justification material for the Overseas Cost Report *which consists of the OP-53 Exhibit (Overseas Funding) and the OP-53A (Basing Costs)*.

B. The following appropriations and accounts are covered in the scope of the subsections of the Overseas Cost Report:

Section
150301

- Military Personnel appropriations (including Reserves and National Guard)
- Operation and Maintenance appropriations
- Family Housing Construction and Family Housing Operations appropriations
- Military Construction appropriations

150102 Submission Requirements

Chapter 1 provides the general guidance about submission requirements for justification material. Chapter 15 covers specific material requirements for the Overseas Cost Report.

150103 Preparation of Material

Chapter 1 stipulates the general guidance concerning format and preparation of material. Chapter 15 provides additional specific guidance with regard to the material required for the Overseas Cost Report.

150104 References

Chapter 1 provides general funding policies, Chapter 2 provides specific policies related to Military Personnel appropriations, Chapter 3 provides specific policies related to Operation and Maintenance costs, and Chapter 6 provides specific policies and formats related to Military Construction and Family Housing appropriations.

1502 BUDGET ESTIMATES SUBMISSION

150201 General

At this time there is no budget estimate submission requirement.

1503 CONGRESSIONAL JUSTIFICATION/PRESENTATION**150301 Purpose**

This Section presents the exhibit requirement for submission to Congress and formats for the Overseas Cost report. Section 8125 of the FY 1989 DoD Appropriations Act (P.L. 100-463) requires that the Department of Defense separately identify the amounts necessary for payment of all personnel, operations, maintenance, facilities, and support costs for all DoD overseas military units and the costs of supporting all dependents who accompany DoD personnel outside the United States.

150302 Submission Requirements

A. The Overseas Cost Report consists of the OP-53 exhibit (Overseas Funding) and the *OP-53A exhibit (Basing Costs)*. Chapter 1 contains general guidance on congressional justification material. The exhibits will include a biennial budget year 2 (FY BY2) column or section as shown in Section 1504 for all submissions in support of a biennial budget. Alternate year budget submissions will exclude the FY BY2 column or section.

B. The OP-53 addresses all funding and personnel resources related to overseas activities as defined below. *The OP-53A displays basing costs.*

C. Provide these exhibits to OUSD(C) P/B, Operations and Personnel Directorate, Room 3D868, the Pentagon.

D. The Military Departments will report all military personnel permanently assigned overseas and associated costs to include those assigned to Defense Agencies. Input must be identified to those countries listed later in this Chapter. Therefore, the Defense Agencies should not report data citing military personnel appropriations or line items.

150303 Definitions

The following definitions pertain to the costs to be included in Military Department and Defense Agency input:

A. Overseas costs will include amounts only from the following appropriations: military personnel; operation and maintenance; family housing operation and maintenance; family housing construction; and military construction.

B. Overseas amounts include the appropriated support of all DoD activities located outside the United States that are being performed on a permanent basis.

C. Overseas amounts also include the cost of transporting personnel, material, and equipment to and from overseas locations.

D. The United States includes all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

E. Military and civilian personnel amounts will be based on the number of personnel assigned to permanent duty ashore outside the United States. Accordingly, personnel on temporary duty outside the United States are not included in the overseas amounts. Because personnel assigned to the deployed fleet are excluded from overseas troop strengths, amounts for deployed steaming days are not included.

F. Generally, funding for DoD activities in the United States in support of overseas activities is excluded. For example, overseas amounts exclude the funding of depot maintenance performed in the United States

on components/aircraft used by an overseas unit. Similarly, flight/specialized training that is conducted in the United States would be excluded.

G. Basing costs include overseas Defense funding in the following areas:

- (1) Family Housing Operations and Construction (All)
- (2) Military Construction (All)
- (3) Base Operating Support (All)
- (4) Real Property Management (All)
- (5) Base Communications (All)
- (6) Real Estate Management (All)
- (7) Environmental Activities (All)

1504 OVERSEAS COST REPORT SUBMISSION FORMATS**150401 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

150402 Exhibits in Support of Overseas Cost Report

<i>Exhibit OP-53 Overseas Funding</i>	<i>6</i>
<i>Exhibit OP-53A Basing Costs</i>	<i>13</i>

Department of the _____

Overseas Funding

Summary

	(\$ in Millions) ^{1/2/}			
<u>Appropriation:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u> ^{3/}
Military Personnel (By Appn)	xxx.x	xxx.x	xxx.x	xxx.x
Operation & Maintenance (By Appn)	xxx.x	xxx.x	xxx.x	xxx.x
Family Housing, Operations	xxx.x	xxx.x	xxx.x	xxx.x
Family Housing, Construction	xxx.x	xxx.x	xxx.x	xxx.x
Military Construction	xxx.x	xxx.x	xxx.x	xxx.x
Total	xxx.x	xxx.x	xxx.x	xxx.x

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified and include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation identify significant changes in programs to include functional transfers and force level changes between the current estimate(CY) and the biennial budget year 1 (BY1) and between the BY1 and the biennial budget year (BY2).

Summarize Requirements For Each Country Listed Below and in Total:

Australia				
Belgium				
Bermuda				
Canada				
Cuba				
Denmark				
Egypt				
France				
Germany				
Greece				
Iceland				
Italy				
Japan				
Korea				
Luxembourg				
Netherlands				
Norway				
Panama				
Philippines				
Portugal				
Saudi Arabia				
Spain				
Turkey				
United Kingdom				
Other				
Total	xxx.x	xxx.x	xxx.x	xxx.x

Exhibit OP-53 Overseas Funding
(Page 1 of 7)

Department of the _____

Overseas Funding

Summary (Cont'd)

<u>END STRENGTH SUMMARY:</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u> ^{3/}
<u>Military</u>				
Officer				
Enlisted				
Total	_____	_____	_____	_____
<u>Civilian</u>				
USDH				
FNDH				
FNIH				
Total	_____	_____	_____	_____

- 1/ Funding data must be rounded to nearest tenth of a million. *Because data from the “by country section” of this exhibit is consolidated, the totals included on the summary exhibit must equal the total of individual country exhibits when added together in tenth of millions.*
- 2/ All OP-53 appropriation exhibits should be grouped together in the submission.
- 3/ Exclude this column for non-biennial budget submissions.

Department of the _____

Overseas Funding - Country by Category

Military Personnel Overseas Funding

Appropriation: _____

Country: _____ ^{2/}	FY PY	(\$ in Millions) ^{1/} FY CY	FY BY1	FY BY2
------------------------------	-------	---	--------	--------

Funding Category:

Pay and Allowances, Officers

Pay and Allowances, Enlisted

Permanent Change of Station

Total

End Strength:

Officer

Enlisted

Total

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY1 and between the BY1 and the BY2.

^{1/} For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

^{2/} Provide funding and strength data by country by categories shown. For the Active components, funding categories equate to budget activities. For the Guard and Reserve Components, the above funding break should also be used to categorize military personnel costs. Applicable countries are listed on page 1 of exhibit OP-53. Excludes funding and end strength for personnel in country in a temporary duty or field duty status.

Department of the _____

Overseas Funding - Country by Category _____

Operation and Maintenance Overseas Funding

Appropriation: _____

Country: _____ ^{2/}			(\$ in Millions) ^{1/}	
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>

Funding Category:

Budget Activity

Budget Activity

Etc. (list all applicable budget activities)

Total

Civilian Full-Time Equivalents:

USDH

FNDH

FNIH

Total

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY1 and between the BY1 and the BY2.

^{1/} For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

^{2/} Provide funding and strength data by country by categories shown above. Funding categories equate to budget activities. Applicable countries are listed on page 1 of exhibit OP-53.

Exhibit OP-53 Overseas Funding
(Page 4 of 7)

Department of the _____

Overseas Funding - Country by Category

Family Housing, Operation and Maintenance

Appropriation: _____

Country: _____ ^{2/}	<u>FY PY</u>	(\$ in Millions) ^{1/}		<u>FY BY2</u>
		<u>FY CY</u>	<u>FY BY1</u>	

Funding Category:

Operations

Utilities

Leasing

Maintenance and Repair

Total

Civilian Full-Time Equivalents:

USDH

FNDH

FNIH

Total

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY1 and between the BY1 and the BY2.

^{1/} For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

^{2/} Provide funding and strength data by country by categories shown above. Funding categories equate to budget activities. The Navy and Marine Corps resources for Family Housing operations should be treated as one appropriation. Applicable countries are listed on page 1 of exhibit OP-53.

Department of the _____

Overseas Funding - Country by Category

Family Housing, Construction

Appropriation: _____

Country: _____ ^{2/}	FY PY	FY CY	FY BY1	FY BY2
------------------------------	-------	-------	--------	--------

(\$ in Millions)^{1/}

Funding Category:

New Construction

Improvements

Planning and Design

Total

Civilian Full-Time Equivalents:

USDH

FNDH

FNIH

Total

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY1 and between the BY1 and the BY2.

^{1/} For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

^{2/} Provide funding and strength data by country by categories shown above. Funding categories equate to budget activities. The Navy and Marine Corps resources for Family Housing operations should be treated as one appropriation. Applicable countries are listed on page 1 of exhibit OP-53. **Data on this exhibit must match the Family Housing, Construction data on the Military Construction budget exhibit (C-1) submitted in support of the President's budget.**

Department of the _____

Overseas Funding - Country by Category

Military Construction

Appropriation: _____

Country: _____ ^{2/}	FY PY	(\$ in Millions) ^{1/}		
		FY CY	FY BY1	FY BY2

Funding Category:

Major Construction

Minor Construction

Planning and Design

Supporting Activities

Total

Civilian Full-Time Equivalents:

USDH

FNDH

FNIH

Total

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY1 and between the BY1 and the BY2.

^{1/} For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

^{2/} Provide funding and strength data by country by categories shown above. Funding categories equate to budget activities. Applicable countries are listed on page 1 of exhibit OP-53. **Data on this exhibit must match the Family Housing, Construction data on the Military Construction budget exhibit (C-1) submitted in support of the President's budget.**

Department of the _____

Basing Costs Summary

Total

(\$ in Millions)

FY PY

FY CY

FY BY1

FY BY2

Operation and Maintenance:

Basing Costs BA-1 ^{1/}

Basing Costs BA-2

Basing Costs BA-3

Basing Costs BA-4

O&M Basing Costs Total

(Total O&M Costs) ^{2/}

(O&M Basing Costs as a % of Total O&M costs) ^{2/}

Family Housing - Operations (All Basing)

Family Housing - Construction (All Basing)

Military Construction (All Basing)

Total Basing Costs ^{2/}

Total All Costs

(Total Basing Costs as a % of Total costs) ^{2/}

- ^{1/} Base Operating Support (All)
- Real Property Maintenance (All)
- Base Communications (All)
- Real Estate Management (All)
- Environmental Activities (All)

- ^{2/} Memo entry only for overseas activities at the total O&M appropriation level.

Exhibit OP-53A Basing Costs
(Page 1 of 2)

Department of the _____

Basing Costs (con't)

Country _____

			(\$ in Millions)	
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
<u>Operation and Maintenance:</u>				
Basing Costs BA-1 ^{1/}				
Basing Costs BA-2				
Basing Costs BA-3				
Basing Costs BA-4				
O&M Basing Costs Total				
(Total O&M Costs) ^{2/}				
(O&M Basing Costs as a % of Total O&M costs) ^{2/}				
Family Housing - Operations (All Basing)				
Family Housing - Construction (All Basing)				
Military Construction (All Basing)				
Total Basing Costs ^{2/}				
Total All Costs				
(Total Basing Costs as a % of Total costs) ^{2/}				

^{1/} Base Operating Support (All)
Real Property Maintenance (All)
Base Communications (All)
Real Estate Management (All)
Environmental Activities (All)

^{2/} Memo entry only.

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation identify significant changes in programs to include functional transfers and force level changes between the current estimate(CY) and the biennial budget year 1 (BY1) and between the BY1 and the biennial budget year (BY2).

Exhibit OP- 53A Basing Costs
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INTELLIGENCE PROGRAM/ACTIVITIES
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CHAPTER 16

INTELLIGENCE PROGRAM/ACTIVITIES**1601 GENERAL****160101 Purpose**

A. This chapter provides instructions applicable to budget formulation, implementation, and congressional justification for Intelligence Program Aggregations.

B. The following Program Aggregations are covered in this Chapter:

- *National Foreign Intelligence Program (NFIP) – Defense elements*
- *Joint Military Intelligence Program (JMIP)*
- *Tactical Intelligence and Related Activities (TIARA)*

160102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 16 covers specific material requirements for the NFIP, JMIP and TIARA.

160103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 16 provides additional specific guidance with regard to the material required for the Intelligence Program Aggregations.

160104 References

The Office of the Director for Program Analysis and Evaluation maintains a listing of program elements (PEs) in the Future Years Defense Program (FYDP) making up certain intelligence programs. For details, please contact the POC for the FYDP Structure Management (FSM) system. The FSM system and its Web site are described in FMR Volume 2A, Section 010702.

160105 Definitions and Classification

General guidance with regard to classification of budget material is presented in Chapter 1. Chapter 16 provides additional specific guidance with regard to the material required for the Intelligence Program Aggregations.

A. *National Foreign Intelligence Program (NFIP).*

The NFIP provides integrated intelligence that covers broad aspects of national policy and national security. The portion of the NFIP contained in the DoD Budget contributes substantially to meeting Defense intelligence requirements, but also contains programs/activities in support of elements of the US Government outside the DoD.

B. *Joint Military Intelligence Program (JMIP).*

The JMIP funds joint, defense-wide activities and programs that provide intelligence information and support to multiple Defense components.

C. *Tactical Intelligence and Related Activities (TIARA).*

TIARA encompasses those programs/activities outside the NFIP and JMIP that: 1) respond to operational commanders' tasking for time sensitive information on foreign entities; 2) respond to national intelligence community tasking of systems whose primary mission is support to operating forces; 3) train personnel for intelligence duties; 4) provide an intelligence reserve; or 5) are devoted to research and development of intelligence or related capabilities. Specifically excluded are programs which are so closely integrated with a weapon system that their primary function is to provide immediate-use targeting data. TIARA programs/activities are funded as part of normal Service budget development, and as a result are often embedded in larger force structure or weapon system budget lines.

D. *Classification. Classification of US Intelligence budget information is determined by the Director of Central Intelligence (DCI) pursuant to Executive Order 12958, Section 1.5(c), Executive Order 12333, Section 1.5(g), and the DCI's authorities under the National Security Act of 1947.*

1. NFIP Budget Resource Information:

- a. Unless other specific NFIP program guidance in effect requires a higher classification
- b. Information which, standing alone or in aggregate, reveals any Program Element total of the funding or manpower requirements of any program in the NFIP will be classified SECRET.
- c. Information which permits the disclosure of any Program Element total or the funding or manpower requirements of any program in the NFIP, for example, through a subtractive process, will be classified SECRET.
- d. Information which, standing alone or in aggregate, reveals overall DoD Component funding or manpower levels of the NFIP or its programs will be classified SECRET.
- e. Whenever NFIP funding and manpower resource detail is combined with other unclassified programs in such a way as to effectively mask the NFIP resource Program Element total, such combined resource Program Element total may be treated as unclassified.
- f. Documents containing NFIP resource detail that is classified on the basis of this guidance shall be marked, for example:

CLASSIFIED BY DCI memo on 22 Dec 96
DECLASSIFY ON OADR

g. Requests for clarification of the foregoing classification guidance should be forwarded to ASD(C3I). Questions of application will be coordinated with the Intelligence Community Management Staff and responses will be disseminated to all interested DoD components.

2. Joint Military Intelligence Program information

- a. Total funding for JMIP is SECRET.
- b. Total funding for JMIP sub-programs and Program Elements may be classified or unclassified according to content, unless disclosure of such a total would allow derivation of classified totals.

3. Tactical Intelligence and Related Activities.

- a. Total funding of this program aggregation is SECRET.

b. Individual Program Elements and line items may classified or unclassified according to content, unless disclosure of such a total would allow derivation of classified totals.

1602 BUDGET ESTIMATES SUBMISSION**160201 Purpose**

This Section provides guidance for presentation of annual budget estimates for the JMIP, TIARA, and Defense elements of the *NFIP*.

160202 NFIP Submission Requirements

A. The NFIP manpower and resource levels submitted in the budget for the Military Departments and Defense Agencies shall be identical to the manpower and resource levels included in BES FYDP *and should be identified as Budget Subactivities 330-336 as shown in section 160202 C*. Any PBDs other than 330 through 339 affecting elements of the NFIP must be coordinated with the Director for Construction. The approved resource levels will include all pay raises, inflation, and any other fact-of-life or miscellaneous adjustments.

B. When developing *NFIP* Military *personnel* cost estimates for the budget submission, the Components will apply the most current pay and PCS rates for military personnel consistent with DoD policy for manpower pricing. If applying the correct pricing causes the program to differ from fiscal guidance for that program, an undistributed wedge, either plus or minus, will be identified against program element 0305180D.

C. Data submitted by each Military Department and Defense Agency to OSD will be assembled and submitted in separate packages as follows:

1. Consolidated Cryptologic Program (CCP) – BSA 330
2. General Defense Intelligence Program (GDIP) – BSA 331
3. *National Reconnaissance Program (NRP) – BSA 333*
4. Special Activities, Navy (SA/N) – BSA 332
5. *National, Selected, Federal Activities (NSFA) – BSA 334*
6. Foreign Counterintelligence Program (FCIP) – BSA 335
7. *National Imagery and Mapping Agency Program (NIMAP) – BSA 336*

D. Copies of *NFIP* budget materials prescribed by the Director of Central Intelligence (DCI) will be delivered by each *Program Manager* to the Under Secretary of Defense (Comptroller) (Program/Budget), Directorate for Construction, Room 3D841, Pentagon, concurrent with submission to the DCI. *Copies should also be provided to the Director, Program Analysis and Evaluation, and the Assistant Secretary of Defense, Command and Control, Communications and Intelligence ASD (C³I)*. For the Consolidated Cryptologic Program, two copies should also be made available for OSD use at NSA Fort Meade (N22). Copy requirements are identified in Section 010301.

160203 JMIP Submission Requirements

JMIP Programs/Activities are contained in budget materials developed in accordance with guidance contained in Chapters 1 through 7. Chapter 16 includes additional specific guidance with regard to the material required.

A. *In order to maintain the C³ISR data base, each Military Department and Defense Agency contributing to the JMIP will report BES data to the ASD(C³I) in intelligence project code (PC) detail*

simultaneously with their BES input to USD(C). In accordance with Section 1605, the OASD(C³I) will maintain this data and make it available to other elements of OSD/JCS as required.

B. Data submitted by each Component to OSD in support of JMIP program estimates will include all manpower and resource requirements consistent with the FYDP and will be assembled and submitted in separate packages as follows:

- 1. Defense Airborne Reconnaissance Program (DARP)*
- 2. Defense Cryptologic Program (DCP)*
- 3. Defense Imagery and Mapping Program (DIMAP)*
- 4. Defense Intelligence Special Technology Program (DISTP)*
- 5. Defense Intelligence Counterdrug Program (DICP)*
- 6. Defense Intelligence Tactical Program (DITP)*
- 7. Defense Space Reconnaissance Program (DSRP)*

C. Copies of supplementary JMIP budget materials will be delivered to the ASD(C³I), Room 3C200, Pentagon and the Directorate for Construction, USD (Compt) (Program/Budget), Room 3D841, Pentagon.

160204 TIARA Submission Requirements

TIARA Programs/Activities are contained in Budget materials developed in accordance with guidance contained in Chapters 1 through 7. Additionally, in order to maintain the C³ISR database, an electronic file of all applicable Budget Line Items sorted by Program Element will be provided the ASD(C³I) simultaneously with the BES. In accordance with section 1605, the OASD(C³I) will maintain this data and make it available to other elements of OSD/JCS as required.

1603 CONGRESSIONAL JUSTIFICATION/PRESENTATION**160301 Purpose**

This Section provides guidance for the organization of justification material for the National Foreign Intelligence Program, Joint Military Intelligence Program, and Tactical Intelligence and Related Activities.

160302 Organization of Justification Books

A. National Foreign Intelligence Program (NFIP). Congressional Budget Justification Books will be prepared in accordance with instructions issued by the Director of Central Intelligence. Generally, justification material for the defense elements of the NFIP will be organized as follows:

"Consolidated Cryptologic Program"

"General Defense Intelligence Program"

"*National Reconnaissance Program*"

"Special Activities, Navy"

"*National, Selected, Federal Activities*"

"Foreign Counterintelligence Program"

"*National Imagery and Mapping Agency Program*"

B. Joint Military Intelligence Program (JMIP). The Congressional Justification Book for JMIP will be prepared in accordance with supplemental instructions issued by the Assistant Secretary of Defense (C³I). *It will consist of sections on each of the major sub-programs (Defense Cryptologic Program, Defense General Intelligence and Applications Program, and Defense Imagery and Mapping Program).*

C. Tactical Intelligence and Related Activities (TIARA). Congressional Justification Books for TIARA will be prepared in accordance with supplemental instructions issued by the Assistant Secretary of Defense (C³I). *It will consist of separate chapters for each TIARA component, such as Army TIARA, Navy TIARA, Air Force TIARA, Marine Corps TIARA, and SOCOM TIARA.*

D. A summary Volume of JMIP and TIARA will be prepared by ASD(C³I).

160303 Classification and Submission of Justification Books

A. Classification. The justification books for Intelligence Program Aggregations will be prepared at whatever level of classification is necessary to fully explain and justify the budget.

B. Justification Book Preparation and Summarization. Justification book preparation assignments for the Defense portions of the National Foreign Intelligence Program (NFIP) are as follows:

1. Consolidated Cryptologic Program – National Security Agency (NSA) with Department of the Army, Department of the Navy, and Department of the Air Force.

2. General Defense Intelligence Program (GDIP) – Defense Intelligence Agency (DIA) with Department of the Army, Department of the Navy, and Department of the Air Force.

3. *National Reconnaissance Program – National Reconnaissance Organization (NRO)*
4. *Navy Special Activities – Navy*
5. *National, Selected, Federal Activities (NSFA) -- NSFA*
6. *Foreign Counterintelligence Program (FCIP) - ASD(C³I), with Army, Navy, Air Force, DTRTCA, DIA, and DSS.*
7. *National Imagery and Mapping Program - NIMA with Army, Navy, Marine Corps, and Air Force*

C. Printing of Copies.

1. NFIP. Number of copies required, printing specifications, distribution, and delivery of Justification books will be as specified by the Director of Central Intelligence.
2. JMIP. Number of copies required and printing specifications for Justification books will be in accordance with supplemental instructions issued by the Assistant Secretary of Defense (C³I).
3. Tactical Intelligence and Related Activities. Number of copies required and printing specifications for Justification books will be in accordance with supplemental instructions issued by the Assistant Secretary of Defense (C³I).

160304 Relationship of Intelligence Congressional Justification Books with Military Department and Defense Agency Justification Books

- A. *The NFIP justification books are developed in accordance with the direction and responsibilities assigned to the DCI by E.O. 12333.*
- B. *JMIP and TIARA justification books are supplements to the material contained in Defense appropriation justification documents. They display budget information in a programmatic context and at a classification level that facilitates congressional oversight.*
- C. *A cross reference listing of R-1, P-1, C-1 line items will be incorporated into the NFIP, JMIP, and TIARA justification books to facilitate cross-referencing to the Defense appropriations. The crosswalk format is in section 160602.*
- D. *Services and Defense Agencies identified in Sections 160203 and 160204 will provide an electronic file of Budget Line Items as required to maintain Automated C³ISR data base to the ASD(C³I) to support development of the JMIP and TIARA Congressional Justification Books. This data should be submitted as soon as possible after the completion of Program Budget Decisions, but not later than submission of the President's Budget FYDP update. The OASD(C³I) will maintain this data and provide it to other elements of OSD/JCS as required. To ensure consistency between the JMIP and TIARA justification book and Military Department and Defense Agency justification material, an advance copy of Component generated related budget exhibits should be provided to the Office of the ASD(C³I) Resource Management Directorate at the same time advance copies are provided to the OUSD(Comptroller) for review.*

1604 APPEAL PROCESS ON CONGRESSIONAL ACTIONS**160401 Purpose**

This Section provides specific guidance for preparation of classified appeals to congressional committees on intelligence programs.

160402 Classified Appeals.

A. Actions of Congressional committees documented in classified annexes relating to NFIP, JMIP or TIARA (such as by the Intelligence Committees) to reports or classified letters may be addressed in Classified Appeals prepared by the ASD(C³I) and coordinated with the Community Management Staff of the Director of Central Intelligence. Classified Appeals may also supplement actions included in the overall Defense Appeal where security considerations have dictated a less than complete justification. Classified Appeals will be prepared at whatever level of classification is necessary to fully explain and justify the action.

B. The Classified Appeal may be in the form of a letter, or in the form of an appeals package consisting of multiple items. In the latter case, appeal input will be submitted in the general format of PB-39-A1 or A2.

C. Classified Appeals will be completely consistent with the Secretary of Defense's policy direction as articulated by the USD(Comptroller). All such appeals will be coordinated with the Comptroller prior to release.

1605 AUTOMATION REQUIREMENTS**160501 Purpose**

This Section provides specific automation requirements guidance for submission of intelligence resources to OASD(C³I).

160502 Automated Command, Control, Communications, Intelligence, Surveillance and Reconnaissance (C³ISR) Database

A. *Purpose and Objectives. The C³ISR database is the only complete, automated source of resource data for Command, Control, Communications, Intelligence and related activities for use by the Office of the Secretary of Defense and the Joint Staff. For a variety of reasons, the FYDP structure (and to a lesser extent Budget structure) is not capable of identifying fully C³ISR costs. As a result, the ASD(C³I) maintains a hybrid database that integrates both budget and program resource detail organized by program/project/activity and functional categories, among other things. Included are budget lines and Program Elements dedicated to C³ISR, as well as portions of similar data elements dedicated to other activities but which also include C³ISR funding. The C³ISR database is essential to the preparation of the Intelligence and C³ Justification Books required by Section 0104. It facilitates functional analyses for OSD and the Joint staff, and is fully compatible with the NFIP resource database used by the Director of Central Intelligence.*

B. *Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies (hereafter referred to as Components) that fund Command, Control, Communications, Intelligence and related activities.*

C. *Reporting Requirements. Updates are required coincident with submission of the (1) Program Objective Memorandum, (2) Budget Estimate Submission, and (3) President's Budget.*

D. *Related Databases. Data in the C³ISR database is fully consistent with data contained in the FYDP, R&D and Procurement Annexes, and Biennial Budget databases, and is electronically matched to relevant data in these databases prior to use.*

E. *Instructions – C³ISR Data Update.*

1. *General. An electronic file of budget line items, sorted by Appropriation and Program Element will be submitted by Components to OASD(C³I) via on line electronic data transfer or floppy disk as appropriate. Since this is an iterative process, each update will consist of those budget lines and Program Elements included in the previous update, plus any new data identified by either OASD(C³I) or Component as appropriate.*

2. *Technical. Data will be formatted as ASCII, comma delimited files (or if this is impracticable in a spreadsheet) and consist of the following elements:*

a. *Dollars: RIC/Appn; budget activity; line item code (R&D project number or procurement line number); Program Element; PY; CY; BY1 (and BY2 when appropriate); BY+1; BY+2; BY+3; and BY+4.*

b. *Manpower: RIC/Appn; Category; Program Element; PY; CY; BY1 (and BY2 when appropriate); BY+1; BY+2; BY+3; and BY+4.*

(1) *New or changed titles/labels for data elements (e.g. line items, Program Elements, etc.) should be included separately, but as part of the Update*

1606 INTELLIGENCE PROGRAM/ACTIVITIES SUBMISSION FORMATS

160601 Purpose The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

160602 Exhibits in Support of Section 1603 – Congressional Justification/Presentation

IP Form 1 <i>National Foreign Intelligence Program/JMIP/TIARA Crosswalk</i>	12
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INTELLIGENCE PROGRAM CROSSWALK

NATIONAL FOREIGN INTELLIGENCE PROGRAM (NFIP)

--OR--

JOINT MILITARY INTELLIGENCE PROGRAM (JMIP)

-OR-

TACTICAL INTELLIGENCE AND RELATED ACTIVITIES (TIARA)

Appropriation Summary

Cross Reference to _____ Program (____-1)

FY XXXX

Page	Budget	Line				<u>(TOA \$ in Millions)</u>		
							Other Than	
							NFIP/JMIP/	NFIP/JMIP/
<u>No.</u>	<u>Activity</u>	<u>Item</u>	<u>Nomenclature</u>	<u>Functional Area</u>	<u>Total</u>	<u>TIARA</u>	<u>TIARA</u>	<u>TIARA</u>

CLASSIFICATION IS IN ACCORDANCE WITH SECTION 160105

Exhibit IP Form 1 NFIP/JMIP/TIARA Crosswalk

CHAPTER 17
COMMAND, CONTROL AND COMMUNICATIONS
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CHAPTER 17

COMMAND, CONTROL AND COMMUNICATIONS

1701 GENERAL

170101 Purpose

This chapter provides instructions applicable to congressional budget justification and supporting budgetary material for Command, Control and Communications (C³) programs, the Defense-wide Information Assurance Program (DIAP), and its largest component, the Information Systems Security Program (ISSP).

170102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 17 covers specific requirements for the Command, Control and Communications (C³) programs and the Defense-wide Information Assurance Program (DIAP), and the Information Systems Security Program (ISSP).

170103 Composition and Content of Command, Control and Communications (C³) Programs/Activities.

A. *The C³ program aggregation includes communications, warning, command and control, and information systems necessary for military decision-making, force management, and related activities. C³ Programs and Activities are comprised of operations, personnel, training and supporting systems and processes that are essential for achieving dominant battlespace awareness and for exercising decisive command. C³ capabilities are further defined when identifying pertinent budget lines and funding levels*

(1) *Command and Control (C²). The facilities, systems and manpower essential to a commander for planning, directing, coordinating and controlling operations of assigned forces. C² capabilities cover the National Command authority, through the joint/tactical operations echelon and down to front line tactical elements.*

(2) *Communications. Communications are an integral element of C², but are sufficiently distinct and sizable to warrant separate treatment. The DoD Budget funds programs/activities that provide the ability to convey information of many kinds from one person or place to another by visual, cable, radio or other electromagnetic systems. Communications capabilities include: a fixed plant, sustaining base infrastructure in the US and selected overseas locations; long haul transmissions via Defense-owned or leased terrestrial facilities; deployable transmissions via satellite or other radio systems; and mobile, tactical transmission systems that allow war fighters to exchange information while on the move wherever they might be located.*

(3) *C³ Related Activities. Although not explicitly covered by the definitions of Command and Control or Communications, there are a number of programs and activities funded in the DoD Budget that are considered intrinsic to C³ functionality and traditionally accounted for as part of C³. They include facilities, systems and manpower for Navigation, Meteorology, Combat Identification, Information Assurance activities.*

B. *Excluded from the C³ Programs and Activities are programs, projects, and activities that are so closely integrated with a weapon system or embedded in Service force structure that they are not readily identifiable in the budget. Determination of the composition of C³ programs resides with the ASD(C³I) and is defined by the content of the C³ISR Resource System database.*

170104 References

The Office of the Director for Program Analysis and Evaluation maintains a listing of program elements (PEs) in the Future Years Defense Program (FYDP) making up C³ programs. For details, please contact the POC for the FYDP Structure Management (FSM) system. The FSM system and its Web site are described in FMR Volume 2A, Section 010702. In addition, Chapter 1 provides general funding policies. Chapter 3 provides specific policies and formats related to Operation and Maintenance. Chapter 4 provides specific policies and formats related to Procurement appropriations. Chapter 5 provides specific policies and formats related to RDT&E. Chapter 6 provides specific policies and formats related to Military Construction appropriations.

1702 BUDGET ESTIMATES SUBMISSION

170201 General

C³ programs and activities will be incorporated within the regular documentation for budget estimate submissions. Additionally, in accordance with Section 1704, Automation Requirements, each Military Department and Defense Agency will provide an electronic file of all budget lines and appropriations to the ASD(C³I) for the C³ programs/activities. This data should be submitted simultaneously with the BES, but not later than submission of the appropriate FYDP update. This data will be used for developing Congressional Justification Books (CJBs), for responding to inquiries directed to OASD(C³I) regarding department C³ programs and related activities, and for ASD(C³I) analysis and oversight.

1703 CONGRESSIONAL JUSTIFICATION/PRESENTATION

170301 Purpose

This Section provides guidance for the organization of justification material for the Command, Control and Communications (C³) programs.

170302 Justification Book Preparation

The office of the Assistant Secretary of Defense for Command Control, Communications and Intelligence (C³I) will annually prepare a C³ Congressional Justification Book in support of selected C³ programs contained in the President's budget request to the Congress. Similarly, the National Security Agency (NSA), as the largest component of the Defense-wide Information Assurance Program, will, in coordination with the Director, Information Assurance, ASD(C³I), and the Defense-wide Information Assurance Program Staff, prepare a Defense-wide Information Assurance Program Congressional Justification Book (DIAP CJB). The DIAP CJB will describe the resources and activities associated with the conduct of Information Assurance efforts throughout the Department, as well as those associated with the Information Systems Security Program.

170303 Submission of Justification Books

The C³ congressional justification books will consist of a DoD C³ Congressional Justification Book and a Defense-wide Information Assurance Congressional Justification Book. These instructions relate only to the preparation of the C³ Budget Justification Book. Instructions for the Defense-wide Information Assurance Program Congressional Justification Book will, in coordination with the Information Systems Security Program Manager, be published separately by the DoD Chief Information Officer.

170304 Input for C³ Congressional Justification Books

A. The Services' and Defense Agencies' inputs to the C³ congressional justification book will be provided to the OASD(C³I) as required by the ASD(C³I) guidance and supplemental instructions published separately. This input will consist of a program justification which describes the program, a graphic or schematic of the program, its performance characteristics, management oversight, milestones and schedules, contract information, and program highlights describing activities and plans for the funds by fiscal year. Its contents must be consistent with the Service and Agency exhibits prepared for all appropriations (RDT&E, Procurement, MILCON, and O&M) budget justification material included in the President's budget request.

B. The Services and Defense Agencies will provide an electronic file of C³ and related projects and Budget Line Items in accordance with Section 1704, Automation Requirements, to the ASD(C³I) to support development of the C³ congressional justification book. This data should be submitted as soon as possible after the Service/Agency President's Budget database lock.

170305 Relationship of C³ Congressional Justification Book with Military Department and Defense Agency Justification Material.

The C³ congressional justification book is not intended to duplicate the individual Service or Defense Agency justification material. Rather, it supplements them by displaying budget information in a programmatic context that facilitates congressional understanding. To ensure consistency between the C³ justification book and Military Department and defense agency justification material, an advance copy of C³I program related budget exhibits should be provided to the Office of the ASD(C³I) Resource Management Directorate at the same time advance copies are provided to the OUSD(Comptroller) for review.

1704 AUTOMATION REQUIREMENTS

170401 Purpose

This Section provides guidance for submission of specific C³ resources to OASD(C³I), in accordance with Section 010505, Automated C³ISR Requirements.

170402 Automated Communications, Command and Control, Intelligence, Surveillance and Reconnaissance (C³ISR) Database

A. *Purpose and Objectives. The C³ISR database is the only complete, automated source of resource data for Communications, Command and Control, Intelligence and related activities for use by the Office of the Secretary of Defense and the Joint Staff. For a variety of reasons, the FYDP structure (and to a lesser extent Budget structure) is not capable of identifying fully C³ISR costs. As a result, the ASD(C³I) maintains a hybrid database that integrates both budget and program resource detail organized by program/project/activity and functional categories, among other things. Included are budget lines and Program Elements dedicated to C³ISR, as well as portions of similar data elements dedicated to other activities but which also include C³ISR funding. The C³ISR database is essential to the preparation of the Intelligence and C³ Justification Books required by Section 0104. It facilitates functional analyses for OSD and the Joint staff.*

B. *Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, and the Defense Agencies (hereafter referred to as Components) that fund Communications, Command and Control, and related activities.*

C. *Reporting Requirements. Updates are required coincident with submission of the (1) Program Objective Memorandum, (2) Budget Estimates, and (3) President's Budget.*

D. *Related Databases. Data in the C³ISR database is fully consistent with data contained in the FYDP, R&D and Procurement Annexes, and Biennial Budget databases.*

E *Instructions – C³ISR Data Update.*

1. *General. An electronic file of budget line items, sorted by Appropriation and Program Element will be submitted by Components to OASD(C³I) via on line electronic data transfer or floppy disk as appropriate. Since this is an iterative process, each update will consist of those budget lines and Program Elements included in the previous update, plus any new data identified by either OASD(C³I) or Component as appropriate.*

2. *Technical. Data will be formatted as ASCII, comma delimited files (or if this is impracticable in a spreadsheet) and consist of the following elements:*

a. *Dollars: Resource Identification Code (RIC)/Appn; budget activity; line item code (R&D project number or procurement line number); Program Element; PY; CY; BY1 (and BY2 when appropriate); BY+1; BY+2; BY+3; and BY+4.*

b. *Manpower: RIC/Appn; Category; Program Element; PY; CY; BY1 (and BY2 when appropriate); BY+1; BY+2; BY+3; and BY+4.*

c. *New or changed titles/labels for data elements (e.g. line items, Program Elements, etc.) should be included separately, but as part of the Update.*

CHAPTER 18
INFORMATION TECHNOLOGY
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CHAPTER 18

INFORMATION TECHNOLOGY

1801 GENERAL**180101 Purpose**

1. This chapter provides instructions applicable to budget formulation and congressional justification for Information Technology programs.
2. These instructions apply to the Office of the Secretary of Defense (OSD), the Military Departments (including their National Guard and reserve components), the Joint Staff, Unified Commands, the Inspector General DoD, the Defense Agencies, the DoD Field Activities, the Joint Service Schools, the Defense Health Program, and the Court of Military Appeals. All DoD appropriation accounts and funds are encompassed with the exception of non-appropriated funds (NAF).
3. All Defense Components that have Information Technology (IT) resource obligations that equal or exceed \$2 million in a fiscal year will report an Information Technology Overview and an IT-1. All Components with resource obligations for major systems and special interest initiatives/acquisitions as designated by the ASD(C³I) or other milestone decision authority (MDA) will report Part I of the Capital Investment Exhibit, referred to as the IT(300b). Components that serve as the executive or principal funding agent in the major systems and special interest initiatives/acquisitions will report all sections of the IT(300b).

180102 Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. However, this chapter covers specific distribution instructions for the Information Technology Programs. All applicable exhibits and automated data base/formats will be submitted for both the OSD Budget Estimates Submission (BES) and the congressional justification submission or President's Budget (PB).

180103 Preparation of Material

General guidance with regard to the preparation of material is presented in Chapter 1 of the FMR. This section covers specified formats and specific material reporting requirements for the Information Technology programs.

180104 References

1. Chapter 1 provides general funding and appropriation policies; Chapter 3 provides specific policies related to Operation and Maintenance costs; Chapter 4 provides specific policies related to Procurement appropriations; Chapter 5 provides specific policies related to RDT&E; Chapter 6 provides specific policies related to Military Construction appropriations; and Chapter 9 provides specific policies related to the Defense Working Capital Fund (DWCF).
2. DoD Directive 5000.1, "Defense Acquisition," and DoD Regulation 5000.2-R, "Defense Acquisition Programs (MDAPs) and Major Automated Information System (MAIS) Acquisition Programs" should be referenced in fulfilling acquisition process reporting requirements.
3. Requirements are also generally addressed in Chapter 42 of the Office of Management and Budget (OMB) Circular No. A-11, "Preparation and Submission of Budget Estimates," as well as "A-11, Part III, Capital Asset Plan and Justification."
4. The Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996 (formerly referred to as the Information Technology Management Reform Act (ITMRA)) should be referenced for supporting definitions regarding IT Resources.

180105 Definitions

Chapter 1 provides policies and definitions regarding the application of expenses and investment criteria for budgetary purposes. The Office of Management and Budget Circular A-11 uses the term Information Technology (IT) Resources to describe the resources covered by the Public Law 104-106 (Clinger-Cohen Act of 1996).

1. **(Automated) Information System (AIS).** A combination of elements that will function together to produce the capabilities required to fulfill a mission need, including functional user, computer hardware and computer software, data and/or telecommunications links, personnel, procedures that are designed, built, operated, and maintained to perform the functions such as collecting, recording, processing, storing, retrieving, transmitting, and displaying information. The term AIS is sometimes used interchangeably with program, initiative, or strategy.
2. **Collections.** Identifies collections between executive, judicial, and legislative branches for information technology (IT) services; between Defense Components; and between activities within a DoD Component. Collections shall be categorized by system or business area. Should payments and collections be made between activities within a DoD Component, please provide an explanation in a footnote. For use in business areas and systems that are funded by fee-for-service, working capital fund and other industrial funds. Offset by payments in order to not overstate the total IT budget.
3. **Communications and Computing Infrastructure (C&CI).** Reportable category of C&CI provides the information processing (computing) and transport services (communications) used by functional applications. DoD common services, including most of what has historically been categorized as “value-added services”, are considered to be part of the C&CI this year. These common services are communications applications such as voice, data transfer (including EC/EDI), video teleconferencing, and messaging. Within the C&CI category, there is a further division by Program Areas and Functions.
4. **Communications Infrastructure.** The C&CI provides the information processing (computing) and transport services (communications) used by functional applications. DoD common services, including most of what has historically been categorized as “value-added services”, are considered to be part of the C&CI this year. These common services are communications applications such as voice, data transfer (including EC/EDI), video teleconferencing, and messaging. Within the C&CI category, there is a further division by Program Functions and Areas.
5. **Computing Infrastructure.** Program Function/Area of Communications and Computing Infrastructure (C&CI). Automated information processing operations reported in this section generally perform one or more of the following functions: processing associated with agency-approved automated information systems; time-sharing services; centralized office automation; records management services; or network management support. Staff associated with the operations here include computer operators, computer system programmers, telecommunications specialists, helpdesk personnel, and administrative support personnel.
6. **Current Services (CS).** Current Services represents the cost of operations at a current capability and performance level of the AIS, program and/or initiative when the budget is submitted. That is, what the cost would be if nothing changes from the baseline other than fact-of-life reductions, termination’s or replacement systems becoming operational. Current Services include: (1) Those personnel whose duties relate to the general management and operations of information technology, (2) maintenance of existing AIS, program or initiative, (3) corrective software maintenance which includes all efforts to diagnose and correct actual errors (i.e., processing or performance errors) in a system (4) maintenance of existing voice and data communications capabilities, (5) replacement of broken IT equipment needed to continue operations at the current service level, and (6) all other related costs not identified as Development/Modernization.

7. **Data Administration.** Program Area of Related Technical Activities. Activities reported in this area include: Data sharing and data standardization. Component data administration programs are defined in the Data Administration Strategic Plans.
8. **Development/Modernization (Dev/Mod).** Any change or modification to an existing AIS, program, and/or initiative which results in improved capability or performance of the baseline activity. Improved capability or performance achieved, as a by-product of the replacement of broken IT equipment to continue operations at the current service levels is not categorized as Development/Modernization. Development/Modernization includes: (1) program costs for new AISs that are planned or under development. (2) any change or modification to an existing AIS which is intended to result in improved capability or performance of the activity. These changes include (a) all modifications to existing operational software (other than corrective software maintenance); (b) acquiring technologically newer IT equipment to replace outdated IT equipment regardless of the age of the equipment or its commercial availability; and (c) expansion of existing capabilities to new users. (3) changes mandated by Congress or the Office of the Secretary of Defense. (4) personnel from the project management office and other direct support personnel involved with Development/Modernization.
9. **Economic Replacement.** Economic replacement of outdated IT equipment is not considered “Current Services” and shall be reported under “Development/Modernization.”
10. **Functional Area Applications (Func Appl).** Reportable category of Functional area applications, also referred to as AISs, are associated with all DoD mission areas—C2, Intelligence and combat support areas. They rely upon the information processing, common services, and transport capabilities of the Communications and Computing Infrastructure. Related technical activities provide the architectures, standards, interoperability, and information assurance that these systems require to operate effectively as part of the Defense Information Infrastructure. Although an application/system may serve more than one function, it is classified according to its predominate function. Within the Functional Application category, there is a further division into Functional Areas that equate to principal staff functions and activities.
11. **General Management Personnel.** Includes those people who are in policy, oversight, and/or other functions such as review of AIS program plans, life-cycle management oversight, strategic planning, headquarters staff, base level operators, engineers, etc. For the purposes of this reporting, resources associated with general management personnel will be categorized as “Current Services.”
12. **Information Security/Assurance.** Program Area of Communications and Computing Infrastructure (C&CI). Efforts include all efforts that protect and defend information and information systems by ensuring their availability, integrity, authentication, confidentiality, and non-repudiation. These efforts include providing for the restoration of information systems by incorporating protection, detection, and reaction capabilities. As such IA is broader in scope than information systems security and reflects the realities of assuring the timely availability of accurate information and the reliable operation of DoD information systems in increasingly globally inter networked information environments.
13. **Information Technology Resources.** The Information Technology (IT) Resources that must be reported under this chapter are defined by OMB Circular A-11 and described by Clinger-Cohen Act of 1996, P.L.104-106. In particular, Information Technology means any equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. It includes computers, ancillary equipment, software, firmware and similar procedures, services, and related resources whether performed by in-house, by contractor, by other intra-agency, or intergovernmental agency resources/personnel. Both system and non-system IT resources including base level units (communications, engineering, maintenance, and installation) and management staffs at all levels are included in IT reporting.
14. **Initiative Number (IN).** (Also referred to as the Resource Identification Number for IT Initiatives.) A four digit initiative number is assigned to initiatives, programs and systems that are reported in the IT budget. To register a new initiative or program not previously reported in the IT exhibits and not yet assigned a number, the OASD(C³I) will review and, if necessary, assign a number during the Budget or POM development process in

coordination with the Service or Agency POC. Initiative numbers are associated with the name, functional area/C&CI category; system grouping; migration status; and other pertinent management information. The current and archived lists of IN's is maintained on the C³I WEB page.

15. **Life-Cycle Cost (LCC).** The total cost to the government for an AIS, program and/or initiative over its full life. It includes the cost of requirements analyses, design, development, training, acquisition and/or lease, operations, support and, where applicable, disposal. It encompasses both contract and in-house costs, all cost categories and all related appropriations/funds. The costs may be broken down into useable increments describing the costs associated with delivering a certain capability or segment of an IT activity.
16. **Life-Cycle Management (LCM)/Acquisition Process Management.** A management process applied throughout the life of an AIS, program, or initiative, that bases all programmatic decisions on the anticipated mission-related and economic benefits derived over the life of the activity. Elements of this management are defined in the DoD Directive 5000 series.
17. **Major Category.** A program, initiative or information system is categorized as major if: (1) has anticipated or actual program costs, computed in FY 1996 constant dollars, in excess of \$120 million; or (2) has estimated program costs, computed in FY 1996 constant dollars, in excess of \$30 million dollars in any single year; or (3) has estimated life-cycle costs, computed in FY 1996 constant dollars, in excess of \$360 million; or (4) is designated by the DoD milestone decision authority (MDA) based on special interest assessments. All systems, programs and initiatives designated major by the OSD or Component milestone decision authority will be reported. Regardless of actual investment by an individual submitting activity, all funding for major category IT activities will be reported by all Components in the Major category in the IT-1. All executive agents must report IT(300b) formats for major category activities and include total funding for the Department on these exhibits.
18. **Non major Category.** For the purposes of IT budget reporting (1) in the Budget Estimate Submission, a non major AIS is reported at the same threshold as provided in the for the Program Objective Memorandum preparation instructions (e.g., an AIS that does not meet the criteria for a major system yet has a total of \$2 million (to include both Development/Modernization and Current Services) obligations (costs) per fiscal year), and (2) for the congressional justification submission, a non major AIS is an AIS that does not meet the criteria for a major system yet has a total of \$10 million (to include both Development/Modernization and Current Services) obligations (costs) per fiscal year. DoD standard systems (referred to as objective or approved migration systems, not already covered in this category or in the Major category, will be reported regardless of funding investment.
19. **Obligations/Cost.** For the purpose of IT budget reporting, obligations are the amount an agency has committed to spend on information technology in a given fiscal year. For the DWCF, cost applies wherever "obligations" is used in this guidance.
20. **Office Automation.** Facilities that support local area networks (LANs), file servers, or desktop computers, and that support administrative processing (i.e. word processing, spreadsheets, etc) rather than application processing, should be reported as Office Automation (listed as a separate function). This reporting category includes communications and computing resources, usually at the tenant level. Include communications and Automated Data Processing Equipment (ADPE) at the base/deployable/shipboard computing level.
21. **Other Category.** For those "Development/Modernization" and/or "Current Services" costs/obligations as well as initiatives not designated in the major and non-major categories. All IT resources will be categorized by the applicable IT/DII Reporting Structure-- functional/mission area (see Section 180106) under the IT-1.
22. **Other Related Technical Activities (RTAs).** All Defense Information Infrastructure (DII) initiatives that do not fit into any of the other C&CI Infrastructure Functions/and Related Technical Activities are reported here. These include but are not limited to BPR, Training, CIO Support Activities, and Pre Acquisition Decision Activities.

23. **Payments.** Identifies payments between executive, judicial, and legislative branches for information technology (IT) services; between Defense Components; and between activities within a DoD Component. Payments shall be categorized by system or business area. Should payments and collections be made between activities within a DoD Component, please provide an explanation in a footnote. For use in business areas and systems that are funded by fee-for-service, working capital fund and other industrial funds. Offset by collections in order to not overstate the total IT budget.
24. **Program Cost (also referred to as Initiative Cost).** The total of all expenditures, in any appropriation and fund, directly related to the AIS, program, or initiative definition, design, development, and deployment, and incurred from the beginning of the "Concept Exploration" phase through deployment at each separate site. For incremental and evolutionary program strategies, program cost includes all funded increments. Program cost is further defined in DoD 5000 documents.
25. **Related Technical Activities (RTAs).** Related Technical Activities service the DoD C&CI and AISs. While these activities do not directly provide functional applications, data processing, or connectivity, they are required to ensure that the infrastructure functions as an integrated whole and meets DoD mission requirements. RTAs include information assurance, spectrum management, development of architectures, facilitation of interoperability, and technical integration. RTAs could be considered as "overhead" services that are necessary to the DII. See Section 180106 for IT/DII Structure Table. Within the RTA category there is a further division into Program Areas.
26. **Special Interest Communications Programs.** Program Area of the IT/DII Communications and Computing Infrastructure (C&CI) division. Programs of special interest that should be reported here are Defense Message System, Electronic Commerce/Electronic Data Interchange, Distance Learning Systems, Video Teleconferencing. The resource category "Other" may not be used with this program area.
27. **Spectrum Management.** Program Area of Related Technical Activities. This refers to activities that deal with management of the military frequency spectrum.
28. **Standard Systems.** Refers to systems designated as OSD approved migration or objective systems; or Candidate migration or objective systems that are required to be reported. OSD approved systems are designated by an OSD Principal Staff Assistant (PSA) and subsequently approved by the ASD(C³I) as a migration or objective system. Candidate Migration Systems are those that have been nominated by a PSA but not yet approved by the ASD(C³I); or nominated by a service or agency that are pending PSA review. Migration or objective systems are discussed in DoD 8000 series.
29. **Technical Activities.** Program Area of Related Technical activities. This refers to activities that deal with testing, engineering, architectures and inter-operability.

180106 Reporting Structure

All information technology resources that are to be reported will be identified under one of the following Information Technology/Defense Information Infrastructure (IT/DII) Reporting Structure at the level designated in this structure. Reporting will be at the lowest level indicated in this table, by major, non-major and other categories based on the business rules provided in the IT Reporting software. For those resources that cross more than one area, the functional area, C&CI or RTA area is designated in the Master Initiative/System List maintained by ASD(C³I). The reporting area is based on the preponderance of the mission concept.

Information Technology/Defense Information Infrastructure (IT/DII) Reporting Structure

<u>A. Functional Area Applications Area (Funct Appl)</u>	<u>B. Communications and Computing Infrastructure (C&CI)</u>	<u>C. Related Technical Activities (RTAs)</u>
1. Civilian Personnel 2. Command and Control 3. Economic Security 4. Environmental Security 5. Finance 6. Health 7. Information Management 8. Information Operations/Warfare 9. Intelligence 10. Logistics 11. Military Personnel & Readiness 12. Nuclear, Chemical and Biological (NBC) Defense Programs 13. Other (not otherwise specified) 14. Policy 15. Procurement/Contract Administration 16. Reserve Affairs 17. Science and Technology 18. Space 19. Systems Acquisition Management 20. Test and Evaluation	1. Special Interest Communications Programs (a) Defense Message System (b) Electronic Commerce/ Electronic Data Interchange (c) Distance Learning Systems (d) Video-Teleconferencing 2. Communications Infrastructure (a) Long Haul/Wide Area (b) Deployable/Tactical/Shipboard (c) Base Level 3. Computing Infrastructure (a) Main-frame Processing (b) Mid Tier Processing (c) Deployable/Tactical/Shipboard Computing 4. Office Automation 5. Information Security/Assurance	1. Spectrum Management 2. Data Administration 3. Technical Activities (e.g. Testing Engineering Architectures Interoperability) 4. Other (e.g. BPR Training CIO Support Activities)

- ◆ Functional Area Applications are further classified into Functional Areas which equate to major functions or missions of the Department and are aligned with OSD Principal staff responsibilities.
- ◆ C&CI are further divided into Program Functions and Areas such as Special Communications, Communications Infrastructure, Computing Infrastructure, Office Automation and Information Security/Assurance.
- ◆ Related Technical Activities are subdivided into Program Functions and Areas such as Spectrum Management, Data Administration, Technical Activities and Other (see examples in table above.)
- ◆ Numbered or Lettered levels indicate the reporting level in the IT-1.

1802 BUDGET ESTIMATES SUBMISSION**180201 Purpose**

This section provides guidance for preparation and submission of budget estimates for the Information Technology resources to OSD. Supplemental guidance will be issued, if required, to effect any reporting requirements resulting from congressional or Office of Management and Budget (OMB) A-11 guidance updates will be provided through the ASD(C³I) designated WEB page (<http://www.dtic.mil:80/c3i/>) as designated in the budget call memo.

180202 Submission Requirements

A. The following exhibits, for which specified formats and detailed submission formats are provided in Section 180402, are required. Automated submission is required.

IT OV	Information Technology Overview
IT-1	Information Technology Resources by Functional/Mission Area
IT-300b	IT Capital Investment Exhibit (Capital Asset Plan and Justification Reporting)

B. Distribution of the OSD budget estimates material will be made in accordance with the charts contained in Chapter 1. Specific instructions will be provided for the automated submission of the exhibits identified above. Limited hard copies of exhibits may be requested and will be prepared in landscape (8.5 by 11 inches); double-sided; and three hole punched at the top for assembly in three ring binders.

C. IT OV, Information Technology Overview provides a narrative summary that all Components will provide. Specific requirements are discussed in Section 180402. The IT Overview will address, at a minimum, the following areas: (1) characterization of your Component's overall IT program within the overall mission context, the CIO/IT priorities and prioritization process; (2) description of the investment in and the use of IT supporting your Component's mission (i.e. those described in strategic/business plans as well as the IT Management Strategic Plan); (3) discussion of the projected and actual accomplishments of IT investments by functional/mission areas (include mission performance measures); (4) explanation of the major initiatives/investment portfolio supported in the budget year estimate, including the accomplishments; and (5) accounting for changes to the prior baseline budget submitted to Congress, particularly significant changes in investments including those for major programs, systems, and/or initiatives.

The baseline will also identify, in simple table format, the previous submission's appropriated funds by fiscal year, the current submission's appropriated funds, the total difference and a brief explanatory audit trail of the differences (e.g. transfers to and from the component, major changes in funding, congressional reductions, system increases, decreases, or terminations) within and between Fiscal Years. A similar section should be included for other than appropriated fund resources (Defense Working Capital Fund, other industrial funds, or resources from other Federal Agencies). A management section should discuss implementation activities and accomplishments in addressing the CCA, GPRA and related reforms; actions taken to integrate the CCA requirements into the PPBS; performance measures activities; and CIO management framework. The management section will also identify any system, program or initiative additions, consolidations, deletions, and name modifications from the prior year congressional justification baseline.

D. IT-1, Information Technology Resources by Functional or Program Area/Mission and Category, resources are reported using the IT/DII Reporting Structure that is divided into three primary divisions or resource areas: Functional Area Applications (Func Appl); Communications and Computing Infrastructure (C&CI); and Related Technical Activities (RTAs). Functional Area Application are further divided into Functional Areas. For C&CI and RTA's, these are grouped into Program Functional Activities. Exhibit IT-1 must be prepared using these

categorization requirements and by appropriation/fund source and submitted electronically using the IT Budget automation. This electronic submission is based on the IT master system list that identifies and groups the separate systems, program, or initiatives by primary functional/mission areas as identified in Section 180106. IT-1 will record the appropriate initiative number and title registered in the IT budget automation master tables. Software and additional guidance is provided through the ASD(C³I) designated WEB page (<http://www.dtic.mil:80/c3i/>) and as discussed in the call memo.

E. IT-300b, Capital Investment Exhibit, requirements are defined in OMB's A-11, part 3, Capital Asset Plan and Justification. Section 1804, IT Program Submission formats, contain the DoD requirements for this reporting.

F. Additional reporting requirements will be identified in the call memorandum, as necessary. Additional management and supporting data may be designated by the Chief Information Officer (CIO) to support detailed justification requirements.

G. The following IT resources are generally exempted from IT reporting:

1. Acquired by a Federal Contractor which are incidental to the performance of a Federal Contract;
2. Physically part of, dedicated to, or essential in real time to the mission performance of a weapon system. Radar, sonar, radio, or television equipment are similarly exempted.
3. Highly sensitive, special access AIS programs whose resources are specifically exempted from budget reporting by the ASD(C³I). In general, these resources are reviewed through the separate Intelligence budget processes.

180203 Arrangement of Backup Exhibits

Exhibits will be assembled in the sequence shown in Section 180202, as applicable. Submissions will include appropriate summary and exhibit indices (e.g. Exhibits IT-1 and IT-300b).

1803 CONGRESSIONAL JUSTIFICATION/PRESENTATION**180301 Purpose**

This section provides guidance for the organization of justification material for the Information Technology programs submitted in support of the President's budget. The Department will submit a final, consolidated report to OMB and Congress.

180302 Justification Book Preparation

Justification Books will be prepared in the same manner as specified in Section 1802. In addition, the justification books submitted to Congress are to be unclassified or declassified.

180303 Submission Requirements

Submission requirements are as specified in Section 180202 except as noted below:

A. For President's Budget Congressional Justification Materials only: National Security Systems that involve the command and control of military forces which are critical to the direct fulfillment of military or intelligence missions and which is primarily acquired or designed to support the Commander after deployment and has been given written exemption from this reporting by the ASD(C³I). These exclusions will be addressed in separate C³ justification materials (Note: there is some overlap between the IT and C³ Justification books). This exclusion shall not include IT Resources used for routine administrative and business applications such as payroll, finance, logistics and personnel management.

B. Advance transmissions are required to be reviewed and approved by the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (OASD(C³I)) prior to the DoD Component's official submission and production. Three advance hard copies of the exhibits with required electronic submissions are to be provided to the OASD(C³I), Room 3D228, Pentagon.

180304 Input for Summary Information Technology Justification Books

A. General. All exhibit data shall be submitted in automated form. The OASD(C³I) is responsible for providing the DoD Information Technology summary tables of the IT data in accordance with prior congressional direction and Section 1804 of this Chapter. To accomplish this requirement, electronic formats will be used by the Defense Components to generate their submission. The OASD(C³I) will maintain the electronically submitted IT Budget database. Other specific guidance for the IT budget materials will be provided as required.

B. Distribution of the final justification material will be made to Congress, the Office of Management and Budget (OMB), the Government Accounting Office (GAO) and the DoD Inspector General.

1. Distribution of consolidated information will be made by the OASD(C³I) once reviewed and approved. Services ensure final Security Review is performed and provide a copy of the appropriate release form to OASD(C³I).

2. OASD(C³I) will consolidate the electronic submissions from the Defense Components to prepare the individual activity, summary information and graphics and make distribution to OMB, Congress (House National Security Appropriations Subcommittee (2 copies), Senate Defense Appropriations Subcommittee (2 copies), House National Security Committee (2 copies), Senate Armed Services Committee (2 copies).

3. All submitting Defense Components are to provide 10 copies of the final IT exhibits in landscape orientation, three hole punch at the top (ready for placement in three ring binders), without staples or other fasteners to the OASD(C³I), Room 3D228 for distribution. Colors of covers will follow guidance in Chapter 1 or applicable budget guidance.

C. Once the justification books have been released to the Congress and the OMB, the remaining distribution will be made in accordance with the format, table and media guidance (Justification Material Supporting the President's Budget Request) in Volume 2, Chapter 1.

1804 INFORMATION TECHNOLOGY PROGRAM SUBMISSION FORMATS**180401 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Further clarification is also provided within the specific detailed instructions for the exhibits under Section 180402. Unless modified in a subsequent budget call, these formats should be adhered to.

180402 Exhibits in Support the Information Technology Budget Submission

IT OV Information Technology Overview	13
IT Resources by IT/DII Category Exhibit (IT-1)	14
IT Capital Investment Justification Exhibit (IT 300b)	23

(Name of DoD Component)
Information Technology Overview
(Appropriate Submission Heading)

1. **Purpose.** Provide a justification of each Component's Information Technology resources.
2. **Submission.** An Information Technology Overview is required from all Defense Components who have obligations/costs of \$2 million or more in any single PY, CY, BY-1, and/or BY-2 for information technology activities. The information will be submitted electronically as indicated in technical guidance on the C³I web page. Hard copy and electronic data views will be *landscape oriented*.
3. **Entries.** IT OV, Information Technology Overview provides a narrative summary that all Components will provide. Specific requirements are discussed in Section 180402. The IT Overview will address, at a minimum, the following areas: (1) characterize your Component's overall IT program within the overall mission context, the CIO/IT priorities and prioritization process; (2) describe the investment in and the use of IT supporting your Component's mission (i.e. those described in strategic/business plans as well as the IT Management Strategic Plan); (3) discuss the projected and actual accomplishments of IT investments by functional/mission areas (include mission performance measures); (4) explain the major initiatives/investment portfolio supported in the budget year estimate, including the accomplishments; and (5) account for changes to the prior baseline budget submitted to Congress, particularly significant changes in investments including those for major programs, systems, and/or initiatives.

The baseline will also identify, in simple table format, the previous submission's appropriated funds by fiscal year, the current submission's appropriated funds, the total difference and a brief explanatory audit trail of the differences (e.g. transfers to and from the component, major changes in funding, congressional reductions, system increases, decreases, or terminations) within and between Fiscal Years. A similar section should be included for other than appropriated fund resources (Defense Working Capital Fund, other industrial funds, or resources from other Federal Agencies). A management section should discuss implementation activities and accomplishments in addressing the CCA, GPRA and related reforms; actions taken to integrate the CCA requirements into the PPBS; performance measures activities; and CIO management framework. The management section will also identify any system, program or initiative additions, consolidations, deletions, and name modifications from the prior year congressional justification baseline.

The IT OV should be done in a way that is most useful to provide understanding of the Component's IT activities as well as to convey why funding has changed from the prior year baseline. Changes (including administrative changes and transfer of function activities) related to the IT-1 or the IT-300b exhibit section (e.g., deleting major AIS's from reporting) will be explained in the management section.

Appropriation Submission Heading will follow the terminology required in the budget call memorandum. Additional reporting and formatting requirements will be identified in the call memorandum, as necessary.

INSTRUCTIONS FOR PREPARATION OF INFORMATION TECHNOLOGY (IT) RESOURCES BY IT/DII CATEGORY EXHIBIT (IT-1)

1. **Purpose.** This exhibit provides a more detailed resource reporting by mission category of a component's estimates for information technology (IT) activities for FY PY, FY CY, FY BY1, FY BY2, (FY BY3, FY BY4, and FY BY5 for selected systems). The total by appropriation and fund reported in this exhibit shall equal the total reportable IT resources used by the submitting agency, unless specifically exempted stated in the Overview. Major System reporting in the IT-1 will be equal to the non-memo entry information recorded in Part 1 of the IT(300b).
2. **Submission.** The exhibit is required from each Defense component that obligates or incurs costs for information technology (IT) activities totaling \$2 million in FY PY, FY CY, FY BY1, FY BY2, (FY BY3, FY BY4, and FY BY5 for selected systems). for major, non-major and other, by appropriation within the IT/DII reporting structure. Dollars are to be displayed in thousands. The electronic submission will generate this format for this exhibit as well as intermediate subtotals by required divisions and categories.
3. **Entries.** For each IT/DII Reporting Division (or Mission), the estimates for Development/Modernization (D/M), and Current Services (CS), listed by Major Systems/Initiatives, Non-major Systems/Initiatives, and total of all other information technology (IT) resources, at appropriation/fund level of detail are displayed (see detailed Resource Information note on this format). The following guidance is applicable:
 - a. **Name of DoD Component.** Identify the name of DoD Component required to submit this exhibit on each page of the Exhibit in header format.
 - b. **IT/DII Structure.** The IT/DII is divided into three primary divisions or resource areas:
 - **Functional Area Applications (Func Appl) :** Functional area applications, or AISs, are associated with all DoD mission areas—C2, Intelligence and combat support areas. They rely upon the information processing, common services, and transport capabilities of the Communications and Computing Infrastructure. Although a Functional Application may serve more than one function, it is classified according to its predominate function. Within the Functional Application category, there is a further division into Functional Areas.
 - **The Communications and Computing Infrastructure (C&CI):** The C&CI provides the information processing (computing) and transport services (communications) used by functional applications. DoD common services, including most of what has historically been categorized as “value-added services”, are considered to be part of the C&CI this year. These common services are communications applications such as voice, data transfer (including EC/EDI), video teleconferencing, and messaging. Within the C&CI category, there is a further division by Program Functions and Areas.
 - **Related Technical Activities (RTAs):** Related Technical Activities service the DoD C&CI and AISs. While these activities do not directly provide functional applications, data processing, or connectivity, they are required to ensure that the infrastructure functions as an integrated whole and meets DoD mission requirements. RTAs include information assurance, spectrum management, development of architectures, facilitation of interoperability, and technical integration. RTAs could be considered as “overhead” services that are necessary to the DII. Within the RTA category there is a further division into Program Functions.

See Section 180106 for IT/DII Structure Table.

c. Major System/Initiatives. For each Functional Application Area, identify the major initiative by name and initiative number (Note an Initiative Number (IN) will be assigned for use in the electronic submission. IN's are assigned by OASD(C³I)) and maintained in the C³I Web page. A major initiative is defined in Section 180105, "Preparation of Material." For each initiative listed ("1 through N") identify estimates for the D/M, CS, with breakout of the subtotal by type or appropriation and fund for each fiscal year. The data entry into the electronic format will require appropriation and fund data by D/M and CS.

d. Non-Major Systems/Initiatives. For each Functional Area Application (Func Appl), alphabetically identify the non-major Initiatives by name and designated system number (from the electronic database). A non-major Initiative is defined in Section 180105, "Preparation of Material." For each initiative listed (1 through N) identify estimates for the D/M, CS, with breakout of the subtotal by type or appropriation and fund for each fiscal year. The data entry into the electronic format will require appropriation and fund data by D/M and CS. IN's are assigned by OASD(C³I)

e. All Other. The purpose of this entry is to aggregate estimates within Functional Areas or Programs for those initiatives or program initiatives that fall outside the designated reporting for Major Initiatives and Non-Major Initiatives, usually below reporting level total cost in a fiscal year (for the OSD/OMB Budget Estimate Submission this will be the POM Tab G threshold). Also, include all other IT related obligations (costs) not normally associated with an initiative but part of the total IT. Identify estimates for the D/M, CS, with breakout of the subtotal by type or appropriation and fund for each fiscal year. The data entry into the electronic format will require appropriation and fund data by D/M and CS. **Note: Special Interest Communications programs are never reported in Other category.**

f. Submittor Grand and IT/DII Resource Area Totals. The software will generate at the beginning of the exhibit various totals of the estimated obligations (costs) for all IT activities reported. The grand total shall equal the sum of the Functional Area totals. Identify "Development/Modernization" and "Current Services" by type of appropriation and fund by fiscal year.

g. Total Functional Area X. For each Functional Area, display total D/M, total CS, with breakout of type of appropriation and fund by fiscal year, subtotalling this category.

h. Basic Details for Electronic Interface. The following table shows the basic interface for the new electronic IT reporting system. For those Components who provide a direct electronic interface to the system, the following reporting criteria need to be submitted for each line of data being reported.

Budget Year (XXXX)	Char(4) (XXXX)
Submission (BES or President's Budget)	Char(1) (B, P)
Component Code (From IT Reporting System)	Char(3) (XXX)
Initiative Number (From IT Reporting System)	Char(4) (XXXX)
Category Code (Major, Non-Major, Other)	Char(1) (M, N, O)
Standard (Legacy or Migration System)	Char(1) (L, M)
D/M or CS (Dev/Mod or Current Service)	Char(2) (DM, CS)
Appropriation (Appropriation Code)	Char(5) (XXXXX)
PY (Prior Year) (Dollars in Thousands)	Number (XXXXXX) (Value)
CY (Current Year) (Dollars in Thousands)	Number (XXXXXX) (Value)
BY1 (Budget Year 1) (Dollars in Thousands)	Number (XXXXXX) (Value)
BY2 (Budget Year 2) (Dollars in Thousands)	Number (XXXXXX) (Value)
BY3 (Budget Year 3) (Dollars in Thousands)	Number (XXXXXX) (Value)
BY4 (Budget Year 4) (Dollars in Thousands)	Number (XXXXXX) (Value)
BY5 (Budget Year 5) (Dollars in Thousands)	Number (XXXXXX) (Value)

i. Details in the Initiative Master Table. The following table shows the data that will be stored for each initiative in the Initiative Master table.

Initiative Number	Char(4) (XXXX)
Initiative Title (Full Title of Initiative)	Char(75) (XXXXXXXXXXXXXXXXXXXXX)
Initiative Acronym (Acronym for Initiative)	Char(10) (XXXXXXXXXX)
Service Reporting Number (System number the Services use for the Initiative in their own databases)	Char(10) (XXXXXXXXXX)
IT/DII Code (Appropriate IT/DII Reporting Structure Code for the Initiative e.g. Functional Area Application - Civilian Personnel)	Char(3) (XXX)
Component Code (From IT Reporting System)	Char(3) (XXX)
Reported at POM and BES	Char(2) (PM, BS)
Reserved	Char(9) (XXXXXXXXX)
NSS Exemption (5 possible breaks - Exempt from NSS Reporting, Reportable, C2 Exempt, C2 Reportable)	Char(2) (NE, NR, CE, CR,)
Standard Number (Standard Initiative Number to be defined later)	Number (XXXXXXXX)
Established Date (Date Initiative was Established in the system)	Date
Archive Date (Date Initiative was Archived in the system)	Date
Archive Code (Code used for Archival Identification)	Char(1) (D for duplicate, M for migration, R for retire)

(Name of DoD Component)
Information Technology Resources by IT/DII Category
(Appropriate Submission Heading)
(Dollars in Thousands)

FY PY FY CY FY BY1 FY BY2 Total PY-PY3

I. GRAND TOTAL

Total Resources

Total by Appropriation/Fund (specify)

Development/Modernization
Appropriation/Fund (specify)
Subtotal Dev/Mod
Current Services
Appropriation/Fund (specify)
Subtotal Current Services

- *Provide Detailed Resource Information refers to the resource breakouts listed above.*

II. TOTALS BY IT/DII REPORTING

STRUCTURE DIVISIONS

- *Reporting Structure Divisions are defined in Section 180106 IT/DII Reporting Structure Table. Functional Application Areas are Further broken down into Functional Areas. Communications and Computing Infrastructure and Related Technical Activities are further broken down into Program Functions and Areas.*

A. Functional Applications Area (Func Appl)

Total Funct Appl
Total Funct Appl by Appropriation/Fund (specify)

- Provide Detailed Resource Information

IT Resources by IT/DII Category Exhibit (IT-1)

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	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Total PY-PY3</u>
B. Communications and Computing Infrastructure (C&CI)					
Total C&CI					
Total C&CI by Appropriation/Fund (specify)					

- Provide Detailed Resource Information

C. Related Technical Activities (RTA)
 Total RTA
 Total RTA by Appropriation/Fund (specify)

- Provide Detailed Resource Information

III. DETAIL WITHIN IT/DII REPORTING STRUCTURE DIVISIONS BY FUNCTIONAL APPLICATIONS; FUNCTIONAL AREA, OR PROGRAM

A. Reporting Structure Division --Functional Applications (Funct Appl)
 Total Functional Applications
 Total Functional Applications by Appropriation/Funds (Specify)

- Provide Detailed Resource Information

(System will provide subtotals at above level of detail
 by Funct Appl Functional Area)

(1) Functional Area 1-N (Report by each Functional Area listed on IT/DII Table)

(a) Major Systems/Initiatives Functional Area 1-N
 Total Major Resources
 Total Major by Appropriations/Funds (Specify)
 Development/Modernization and/or Current Services

- Provide Detailed Resource Information

Initiative Number and Name 1-N
 Total Initiative Resources
 Total by Appropriation/Fund (specify)

- Provide Detailed Resource Information

IT Resources by IT/DII Category Exhibit (IT-1)

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	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Total PY-PY3</u>
(b) Non-major Systems/Initiatives Functional Area 1-N Total Non major Resources Total Non major by Appropriations/Funds (Specify) Development/Modernization and/or Current Services • Provide Detailed Resource Information Initiative Number and Name 1-N Total Initiative Resources Total by Appropriation/Fund (specify) • Provide Detailed Resource Information (c) Other Functional Area 1-N Total Other Resources Total Other by Appropriations/Funds (Specify) Development/Modernization and/or Current Services • Provide Detailed Resource Information Initiative Number and Name 1-N Total Initiative Resources Total by Appropriation/Fund (specify) • Provide Detailed Resource Information					
B. Reporting Structure Division –Communications and Computing Infrastructure (C&CI) Total C&CI Total C&CI by Appropriation/Funds (Specify) • Provide Detailed Resource Information (System will provide subtotals at above level of detail by C&CI Program Area) (1) C&CI Program Functions/Area 1-X (Report by each Program Area listed on IT/DII Table) (a) Major Systems/Initiatives C&CI Program Functions/Area 1-X Total Major Resources Total Major by Appropriations/Funds (Specify) Development/Modernization and/or Current Services • Provide Detailed Resource Information					
IT Resources by IT/DII Category Exhibit (IT-1) Page 7 of 9					

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Total PY-PY3</u>
Initiative Number and Name 1-N					
Total Initiative Resources					
Total by Appropriation/Fund (specify)					
• Provide Detailed Resource Information					
(b) Non-major Systems/Initiatives C&CI Program Functions/Area 1-X					
Total Non major Resources					
Total Non major by Appropriations/Funds (Specify)					
Development/Modernization and/or Current Services					
• Provide Detailed Resource Information					
Initiative Number and Name 1-N					
Total Initiative Resources					
Total by Appropriation/Fund (specify)					
• Provide Detailed Resource Information					
(2) Other C&CI Program Functions/Area 1-X					
Total Other Resources					
Total Other by Appropriations/Funds (Specify)					
Development/Modernization and/or Current Services					
• Provide Detailed Resource Information					
Initiative Number and Name 1-N					
Total Initiative Resources					
Total by Appropriation/Fund (specify)					
• Provide Detailed Resource Information					
C. Reporting Structure Division –Related Technical Activities (RTA)					
Total RTA					
Total RTA by Appropriation/Funds (Specify)					
• Provide Detailed Resource Information					
(System will provide subtotals at above level of detail by RTA Program Activity)					

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>Total PY-PY3</u>
(1) Program Area RTA Program Functions/Area 1-X (Report by each Program Area listed on IT/DII Table)					

(a) **Major Systems/Initiatives Program Functions/Area RTA 1-X**

Total Major Resources
Total Major by Appropriations/Funds (Specify)
Development/Modernization and/or Current Services

- Provide Detailed Resource Information

Initiative Number and Name 1-N

Total Initiative Resources

Total by Appropriation/Fund (specify)

- Provide Detailed Resource Information

(b) **Non-major Systems/Initiatives Program Functions/Area RTA 1-X**

Total Non major Resources
Total Non major by Appropriations/Funds (Specify)
Development/Modernization and/or Current Services

- Provide Detailed Resource Information

Initiative Number and Name 1-N

Total Initiative Resources

Total by Appropriation/Fund (specify)

- Provide Detailed Resource Information

(c) **Other RTA Program Functions/Area 1-X**

Total Other Resources
Total Other by Appropriations/Funds (Specify)
Development/Modernization and/or Current Services

- Provide Detailed Resource Information

Initiative Number and Name 1-N

Total Initiative Resources

Total by Appropriation/Fund (specify)

- Provide Detailed Resource Information

- NOTE: Provide Detail Resource Information to be reported within specified Break

Development/Modernization

Appropriation/Fund (specify)

Subtotal

Current Services

Appropriation/Fund (specify)

Subtotal

IT Resources by IT/DII Category Exhibit (IT-1)

Page 9 of 9

IT Capital Investment

Preparation of OMB A-11, 300b Report—Updated instructions are maintained on the C³I Web Page, and are based on changes to the A-11, Part 3, Capital Investment Justification and the Capital Programming Guide. Financial terms are consistent with this FMR, specifically this Chapter. Acquisition and Program Management information are based on the DoD 5000 series and Deskbook.

1. Purpose. This report provides detailed project information on major DoD IT System/Initiative investments. This reporting requirement is described on the C³I web page. Descriptive information will be compatible with the Master Initiative list maintained on the C³I Web page.
2. Submission. The exhibit is required for each major DoD IT initiative/program reported in the Exhibit IT-1. Current major DoD/IT initiative/program can be identified in the Master Initiative Table found on the C³I web page.
3. Entries. For each major DoD/IT initiative/program, the following guidance is applicable:
 - a. Description Information: The initiative/project name is the name of the major initiative/project being reported; the initiative number is the number currently registered on the Master Initiative list (this can be found on the C³I Web page.); the Program Activity/Mission Area refers to IT/DII categories, functional and program activities; the Project status refers to the date the project was initiated, date of last Acquisition Decision Memorandum (ADM) and the milestone/phase of the current review; whether or not the project is a financial management system; current Year 2000 phase; Mission Critical status; Standard System status; and the Organizational POC/Program Manager. Further information for filling out this section of the 300b can be found in the following exhibits and on the C³I Web page.
 - b. Part I: The Summary of Spending for Project Stages requires the budget authority and outlay estimates in millions of dollars. This section provides a detailed report of the initiative/programs funds for Summary of Prior Years –1; Data FY PY, FY CY, FY BY1, FY BY2, FY BY3, FY BY4, FY BY5, within each stage, and at selected detail. The stages shown in the table are Planning, Full Acquisition, Current Service/Maintenance, Total Budget Authority and Total Outlays. Further instructions for filling out this section of the 300b can be found on the following exhibits and the C³I Web page. As applicable, these data must correlate with the IT-1 Exhibit information.
 - c. Part II: The Budget Justification Materials section requires detailed information on Justification, Program Management, Contract Strategy and Architecture, Infrastructure Standards, and Financial Basis for Selecting the Project. Further instructions for filling out this section of the 300b can be found the C³I Web page. Many terms relate to the DoD 5000 series, Deskbook, and acquisition management products.
 - d. Part III: The Cost, Schedule, and Performance Goals section requires baseline cost, schedule, and performance goals for all proposed and ongoing acquisitions. The agency planning process is expected to produce acquisition plans that have a high probability of successfully achieving goals. In this section you are required to give a Description of Performance based systems, Previous Baseline, Baseline, Current Estimate and Variance from Baseline Goals in Dollars Million for PY-1, PY, CY, BY, BY1 BY2 BY3 and BY4-n. There is also a section for Corrective actions and Year 2000 Phase. Further instructions for filling out this section of the 300b can be found on the C³I Web page.

IT Capital Investment Justification Exhibit (IT 300b)

Page 1 of 7

(Name of DoD Component)
Capital Investment Exhibit (A11, Part 3, 300b report)
(Appropriate Submission Heading)

Description Information:

Initiative/Project Name and Acronym

Initiative Number:

Program Activity/Mission Area:

Date Project was Initiated:

Date of Last Acquisition Decision Memorandum (ADM)

Project is in ____ Milestone ,_____ Phase as of current review .

Project Status: New ☐ Ongoing ☐

Date Project was Initiated:

Date of Last Acquisition Decision Memorandum (ADM)

Project is in ____ Milestone ,_____ Phase as of current review .

Information Technology Project:

Yes ☐ No ☐

Is this project a financial management system?

Yes ☐ No ☐

If yes, what percentage is financial _____%

- Current Year 2000 Phase:
- Mission Critical Status:
- Standard System Status:
- Organizational POC/Program Manager:

(Name of DoD Component)
Capital Investment Exhibit (A11, Part 3, 300b report)
(Appropriation Submission Heading)

Part 1. Summary of Spending For Project Stages:

Program Activity: (IT/DII Framework Category)
Project Name and Acronym

		Dollars in Millions.								
	Cum total PY-1 and prior	PY	CY	BY	BY +1	BY +2	BY +3	BY +4	BY +5	Total
Planning										
APPN or Fund 1 to n- Dev Mod										
Total Dev Mod										
Full Acquisition										
APPN or Fund 1 to n- Dev Mod										
Total Dev Mod										
Total Resources By Fiscal Year										
Current Services/Maintenance										
APPN or Fund 1 to n-Current Services										
Total Current Service										
Total Resources by FY.										
Total Budget Authority										
Total Outlays										
If funded thru payments and collections Include this information as memo entry.										

Part II: Justification

Provide Requested Justification Materials:

A. Justification:

1. Section E. Investment Description.
2. Statement of how this project helps the agency meet the agency/DoD mission; long term strategic goals and objectives (DPG, Mission goals and/or IT strategic plan). This should be beyond the Mission Element Needs or requirements described above.
3. Describe the pre milestone O/ Planning activities that lead up to this decision. Business Process Reengineering, Migration plan; other approaches.
4. Basis for selecting the project, including demonstration that the investment is required for inherently government function; demonstrate that the work processes have been redesigned to reduce costs and improve effectiveness:

B. Program Management:

5. Identify the process owner (business activity, military mission), executive agent, program manager, and contracting office that manages this project if not, how is this project managed?
6. Does this project use Integrated Project Teams approach? If not, how is the project/initiative accomplishments monitored; how are resources reviewed.

C. Contract Strategy:

7. Identify major contract names; prime contractor and City, State, if awarded.
8. Identify the type of contract and why it was chosen.
9. Identify whether the contract is performance-based and summarize the performance goals in the contract.

D. Architecture and Infrastructure Standards:

10. Does this system meet current Government wide, DoD and Agency interoperability requirements? Describe current compliance levels, target levels, and date target will be accomplished. (Map to agency's technology vision.)
11. Infrastructure Strategy:
12. Are HW requirements included in this funding? If not, how?
13. Transport (Communications and Computing) requirements are met by what means?
14. What are the interdependencies with other acquisitions (such as base level infrastructure requirements.
15. Is this system based on COTS; mix of COTS and custom, or custom only. Provide justification for custom components

E. Financial Basis for Selecting the Project

Provide the Analysis of Full Life-Cycle costs (estimates of total cost of ownership. Include current rebaselining information and basis for rebaselining. APB, and date

Dollars in Millions

Program Year 1	Program Year 2	Program Year 3	Program Year 4-	Program Year N	Total
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Increment 1-N if applicable.

APB Total Resources by FY

Increment 1-N if applicable.

Rebaseline Total Resources by FY

1. Cost/benefit analysis (including return on investment (ROI), replaced system or process savings, recovery schedule and any intangible (mission) returns that benefit the organization/mission but are difficult to quantify.
2. Analysis of alternative options. (Describe preliminary activities if AOA not yet performed.)
3. Underlying assumptions.
4. Estimate of Risks.

Part III: Cost, Schedule, and Performance Goals

- A. Description of Performance based system(s) used to monitor the achievement of, or deviation from, goals during the life-cycle of the planning, acquisition, and use of the project.
 - Baseline Information (FY that project was established in)
 - Management oversight—or the system used to monitor the achievement or deviation from goals during the life cycle of the project. Earned value or alternate approach. (if not earned value what is used?)

	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+3-n
B. Previous Baseline								
Cost Goals (\$M)								
Schedule Goals (milestones)								
C. Baseline								
Cost Goals (\$M)								
Schedule Goals (months)								
D. Current Estimate								
Cost Goals (\$M)								
Schedule Goals (months)								
E. Variance from Baseline Goals								
Cost Goals (\$M)								
Schedule Goals (months)								

IT Capital Investment Justification Exhibit (IT 300b)

Page 5 of 7

- Has this system been rebaselined since initial program establishment. If so, when and why.
- Has this system had milestone slippages since the last president's budget.
- Cost Goals of current approved milestone/phase: Have their been changes (10% from last submission) since the last President's Budget submission?
- What was the basis of the dollar change and how did this impact the milestone/phase/increment objectives?
- Variance from last submission (identify which submission): If there has been a 10% change, discuss variance in G.. below.
- Describe how the CIO/CFO and MDA/IPT will be/has been informed of this variance. (Include when and by what means).
- If there has been a 10% change in the FYDP program, or in any fiscal year, describe and justify the variance.
- If Year 2000 implementation has impacted cost and schedule goals you may describe in the Y2K section attached. Justify variance , if any, particularly those which cause "opportunity costs".
- If the cost variance is caused by contract price/quantity changes, describe.

- ❖ Performance Goals (report for same years/groupings as the Cost and Schedule Goals) —Summarize the Performance goals of the acquisition and show how the assess will help the agency meet its overall mission, strategic goals, and annual performance plan. Summarize the in house and contract work goals here.
- ❖ Describe goal accomplishments.

F. Corrective actions.

- Identify and discuss corrective actions that have been or will be taken if the current cost or schedule estimates have a negative variance.
- Identify the effect the actions will have on cost, schedule and performance.
- Include barriers or risks to meeting funding/cost goals. Describe methods to reduce risk.

1) Schedule Goals:

- Milestones---

Baseline (Milestone) Schedule	Last President's Budget (Month Year)		Current Submission (Month Year)
	Approved	Achieved	Approved/Estimated
Milestone, phase; increment 1-N			

- Since the current approved position, is there a change to the estimate. Describe reason and impact. What process will be used/was used to notify the CIO/CFO and MDA/IPT of this change? (When and by what means?)
- Variance from schedule from last submission (identify which submission). Justify variance.
- Describe Corrective Actions. Include barriers or risks to meeting schedule goals. Describe methods to reduce risks.

- 2) Performance Goals: Summarize the performance goals of the acquisition as stated by the current requirement. Discuss both mission and system performance goals.
- Identify accomplishments to date; describe mission and system performance goals against the milestone schedule, or other schedule.
 - Variance from performance from last submission (identify which submission): Are the performance goals on track since last president's budget submission/last milestone or phase change? Identify any barriers/risks which must be accommodated. Justify variance.
 - Describe corrective actions. Include barriers or risks to meeting schedule goals. Describe methods to reduce risk.

G. Year 2000 Special Information:

Previous President's Budget	Current Submission
--------------------------------	--------------------

- Y2K Phase
 - date of accomplishment
 - funding estimate by phase
 - Estimated time that for Full Y2K Compliance:
 - Has funding been accomplished within project funding? By reprogramming from other IT; other agency dollars? Are their interface or other inter-dependencies for this project? Other assumptions?
 - What opportunity costs in terms of cost, schedule and performance has Y2K requirements effected (if discussed above, so state.)

CHAPTER 19
OTHER SPECIAL ANALYSES
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CHAPTER 19

★July 1998

OTHER SPECIAL ANALYSES

1901 GENERAL**190101 Purpose**

A. This chapter provides instructions applicable to budget formulation and congressional back-up justification for various special interest areas not covered in preceding chapters.

B. The exhibit requirements cover resources crossing DoD appropriations and are generally functional in nature.

C. Areas covered in this chapter are as follows:

Section

- 1902 *Combating Terrorism*
- 1903 Major Range and Test Facility Base
- 1904 Test and Evaluation Funding
- 1905 Financial Management Activities
- 1906 Government Performance and Results Act (GPRA)
- 1908 Federal Credit Programs
- 1909 Other Special Analyses
- 1910 Classifications and Definitions Special Programs Major Force Program 3
- 1911 Overseas Military Banking Program

190102 Submission Requirements

Unless indicated in individual sections of this chapter and submission distribution in Chapter 1, exhibits are required for both the Budget Estimates Submission and for the Congressional Justification/Presentation submission. General guidance with regard to submission requirements is presented in Chapter 1.

190103 Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 19 provides additional specific guidance with regard to the material required for these special exhibits.

190104 References

Chapter 1 provides general funding policies, Chapter 3 provides specific policies related to Operation and Maintenance costs, Chapter 4 provides specific policies related to Procurement appropriations, Chapter 5 provides specific policies related to RDT&E, Chapter 6 provides specific policies related to Military Construction appropriations, and Chapter 9 provides specific policies related to the Defense Business Operations Fund. Certain requirements are also addressed in OMB Circular No. A-11

1902 COMBATING TERRORISM**190201 Purpose**

A. This chapter provides instructions applicable to budget formulation for the DoD Combating Terrorism funding requirements included in the DoD Components' budget requests. These instructions apply to all Components and all DoD appropriations.

B. Information on combating terrorism resource levels is required by the Chairman of the Joint Chiefs of Staff to review annually the adequacy of combating terrorism resources proposed by the Components and to determine if any changes are required to meet force protection requirements. The data collected through this reporting process will also be used to comply with OMB requirements to report to Congress on Governmentwide Spending to Combat Terrorism.

190202 Submission Requirements

A. Submission of exhibits is required for the Budget Estimates Submission and an update (using an abbreviated exhibit format) is required for the President's budget submission. Each Component will complete the CbT-1 Exhibit, Combating Terrorism Resources, for the Budget Estimates Submission and for the President's budget submission. The President's budget submission exhibit will be included in the applicable Service and Agency congressional justification book. Specific instructions for completing these exhibits are included in Section 1912.

B. Copy requirements are identified in Chapter 1. In addition, 1 copy of the CbT-1 Exhibit will be provided to the OUSD(C) P/B Operations and Personnel, Room 3D868.

190203 Special Instructions

A. The Joint Staff Deputy Director for Combating Terrorism (J-34) will participate with representatives of the OUSD(C), ODPA&E, and OMB in the review of all budget submissions for combating terrorism to ensure that the DoD combating terrorism and force protection programs are funded adequately.

B. The ASD(C3I) will validate tactical counterintelligence resources identified by the Components and advise the OUSD(C) P/B Operations and Personnel Directorate that reported resources are accurate. Additionally, the ASD(C3I) will prepare a separate CbT-1 Exhibit to report DoD Foreign Counterintelligence Program (FCIP) resources. The ASD(SO/HA) will prepare a separate CbT-1 Exhibit to report DoD counterterrorism resources. The ASD(C3I) and ASD(SO/HA) will provide copies of their respective exhibits to the OUSD(C) P/B Operations and Personnel Directorate in Room 3D868. Additionally, these exhibits will be included in the appropriate counterintelligence and counterterrorism congressional justification books.

1903 MAJOR RANGE AND TEST FACILITY BASE**190301 Purpose**

A. This Chapter provides instructions applicable to budget formulation for the DoD Major Range and Test Facility Base (MRTFB) funding requirements included in the DoD Components' budget requests. The exhibit formats submitted in support of the Budget Estimates Submission (BES) will be the same as those submitted to the Director, Test, Systems Engineering, and Evaluation, USD(A&T) (DTSE&E) in support of the POM estimates.

B. These instructions apply to the major ranges and test facility activities included in the MRTFB:

ARMY:

Yuma Proving Ground (YPG)
White Sands Missile Range (WSMR)
Kwajalein Missile Range (KMR)
Dugway Proving Ground (DPG)
Aberdeen Test Center (ATC)
High Energy Laser Systems Test Facility (HELSTF)

NAVY:

Naval Air Warfare Center-Aircraft Division (NAWCAD)
Atlantic Undersea T&E Center (AUTEC)
Naval Air Warfare Center-Weapons Division (NAWCWD)
Atlantic Fleet Weapons Training Facility (AFWTF)

AIR FORCE:

Eastern Space & Missile Center (ESMC)
Western Space & Missile Center (WSMC)
Arnold Engineering Development Center (AEDC)
Air Force Development Test Center (AFDTC)
Air Force Flight Test Center (AFFTC)
46th Test Group, Holloman AFB NM
Air Warfare Center Range, Nellis AFB (AWC)

DEFENSE INFORMATION SERVICESAGENCY

Joint Test Interpretability Center (JTIC)

C. The DTSE&E is charged with administering OSD responsibilities for the MRTFB. Modifications to these instructions, requests for deviations from their provisions, or requirements for their clarification or applicability should be directed to and coordinated with DTSE&E and OUSD(C) Program/Budget.

D. Budget estimates will be developed in accordance with guidance contained in Chapter 1 and the various chapters for appropriations and accounts.

E. It is extremely important that the data reported in the MRTFB exhibits be consistent with the funding included in the Component's Research, Development, Test & Evaluation (RDT&E) Exhibit R-1 project listing and in the Descriptive Summary as well as other budget submission material.

190302 Submission Requirements

Copies of the following exhibits will be submitted in support of the Budget Estimates Submission only for each major range and test facility. Copy requirements are identified in Chapter 1. Exhibit formats are provided in Section 1912.

- A. Exhibit MRTFB-1, (Activity Title) Financial Summary.
- B. Exhibit MRTFB-2 Set, (Activity Title) Financial Details.
- C. Exhibit MRTFB-3 Set, (Activity Title) Improvement and Modernization Analysis.

190303 Preparation of Material

Budget estimate data submitted by each DoD Component for the MRTFB will be assembled separately and identified by a cover sheet specifically entitled "Major Range and Test Facility Base (Army/Navy/Air Force/DISA) Program Budget Estimate."

190304 Special Instructions

The DTSE&E will participate with representatives of the OUSD(C), DOT&E, and OMB in the review of all budget submissions for the major ranges and test facilities to insure that:

- A. Excess capability is not being unnecessarily maintained in the MRTFB.
- B. Unnecessary duplication does not exist among DoD Component assets.
- C. Test facility capability needed in the future is being planned and supported.
- D. All new major test facilities are thoroughly coordinated prior to their approval to reflect the needs of all DoD components.

1904 TEST AND EVALUATION FUNDING**190401 Purpose**

A. This Chapter provides instructions applicable to budget formulation for the Test and Evaluation Budget Estimate, T&E-1, as shown in Section 1912, needed for review and analysis of Test and Evaluation (T&E) funding requirements included in the DoD Components' requests. The instructions contained here specify the requirements for budget submission.

B. The USD(A&T) Director, Test, Systems Engineering, and Evaluation (DTSE&E) and the Director, Operational Test and Evaluation (DOT&E), are charged with oversight of the DoD T&E resources and funding of T&E by each major DoD program. Modifications to these instructions, requests for deviations from their provisions, or requirement for their clarification or applicability should be directed to and coordinated with USD(A&T), DTSE&E, DOT&E and OUSD(C) Program/Budget.

190402 Submission Requirements

A. *Each DoD Component will, for the Budget Estimate Submission only, complete an Exhibit T&E-1, Test and Evaluation, (provided in Section 1912) for (1) each Major Defense Acquisition Program (MDAP) listed in Table C-1 of the latest Program Objective Memorandum (POM) Preparation Instructions (PPI), (2) each non-MDAP Special Interest Program listed in Table C-2 of the PPI, and (3) for additional programs currently under test oversight that are listed in the section, "Test and Evaluation Planning Information" in Tab C, "Modernization and Investment" in the latest PPI.*

B. Copy requirements are identified in Chapter 1. In addition, 2 copies of the T&E-1 Exhibit will be provided to DTSE&E, Room 3E1060, to DOT&E, Room 3E333, and to OUSD(C) P/B Investment, Room 4B915. Specific instructions for completion of the T&E-1 Exhibit are included in Section 1912.

190403 Preparation of Material

Data submitted by each DoD component in support of estimates for all weapons systems will be assembled separately and identified by a cover sheet specifically entitled "Test and Evaluation (Army, Navy, Air Force, Defense Agencies) Budget Estimate."

190404 Special Instructions

The USD(A&T) will participate with representatives of OUSD(C), DOT&E, DUSD(Environmental Security), ASD(Economic Security), and OMB in the review of all budget submissions for T&E to ensure that:

- A. Resources required for the test and evaluation of the MDAP and Special Interest Programs, as identified in the Test and Evaluation Master Plan (TEMP), are adequately funded.
- B. Unwarranted test capability is not being maintained at private industry facilities.
- C. Unwarranted duplication does not exist among DoD Component assets and private industry.
- D. Test facilities and capabilities required are adequately funded and supported.
- E. All new major test facilities are approved by the Defense Test and Evaluation Steering Group to ensure they are warranted and meet the needs of all DoD components.

1905 FINANCIAL MANAGEMENT ACTIVITIES**190501 Financial Management Activities**

A. This Section provides guidance for presenting budget estimates related to Financial Management Activities. It is designed to fulfill the requirements of Section 40, Data on Financial Management Activities, of OMB Circular A-11.

B. Information on resources (budget authority and full-time equivalent (FTE) employment data) for financial management activities is required for oversight and review of component resources devoted to these activities and to ensure that their use is in accordance with the government-wide 5-year financial management plan prepared by OMB as required by the Chief Financial Officers Act of 1990.

C. *Submission of the exhibit 40, Report on Resources for Financial Management Activities, is required for the Budget Estimates Submission and an update is required for the President's budget submission (Congressional Justification/ Presentation.) This exhibit should meet the definitions/descriptions contained in Section 40 of OMB Circular A-11.*

D. Copies are to be provided directly to the Office of the USD(Comptroller), Office of the Deputy Chief Financial Officer (ODCFO), rm 3E831 (Commercial (703)693-6503; DSN 223-6503).

1906 GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)**190601 Purpose**

The purpose of this section is to establish basic guidance for incorporation of GPRA requirements into the budget review process and budget presentation to the Congress.

190602 Submission Requirements

The Government Performance and Results Act (GPRA) requires the Department to submit a strategic plan (updated at least once every three years), an annual performance plan, and a performance report that corresponds to each performance plan. DoD has prepared corporate level goals, to be validated/updated annually, which will appear in the Defense Planning Guidance (DPG). During the POM/program review an assessment of how well the Department is meeting the goals will be conducted and, performance measures that indicate progress towards meeting the corporate level goals will be selected/validated. Additional guidance will be published by the Office of the Under Secretary of Defense (Comptroller), Director for Program Analysis and Evaluation.

1907 NOT USED

1908 FEDERAL CREDIT PROGRAMS**190801 Purpose**

This Section provides guidance for presentation of annual budget estimates for Federal credit programs. Credit programs in the Department of Defense consist of direct loans and guaranteed loans.

190802 Submission Requirements

A. Military Departments and Defense Agencies, as appropriate, will submit to OSD in support of Federal credit programs all materials required by, and in the format specified in, OMB Circular No. A-11, Section 33. Copies of appropriate exhibits will be submitted in support of the Budget Estimates Submission only.

B. Definitions: The following definitions apply to the credit account structure. Agencies should refer to OMB Circular A-34 and A-11 for a more detailed explanation of terminology and budget instructions.

1. A direct loan is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by a non-Federal lender. It also includes the sale of a Government asset on credit terms of more than 90 days duration.

2. A direct loan obligation is a legal or binding agreement by a Federal agency to make a direct loan when specified conditions are fulfilled by the borrower.

3. A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawal accounts in financial institutions.

4. A loan guarantee commitment is a legally binding agreement by a Federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

5. Financing Account is the non-budget account or accounts associated with each credit program account for post-1991 direct loans or loan guarantees. It holds balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and from the Government. Separate financing accounts are required for direct loans and loan guarantees.

6. Modifications are any Government action that alters the estimated subsidy cost, compared to the estimate contained in the most recent budget submitted to Congress, of an outstanding direct loan (or direct loan obligation) or an outstanding loan guarantee (or loan guarantee commitment). Actions permitted within the terms of an existing contract are the only exception. Modifications to pre-1992 direct loans and loan guarantees are included in this definition, as well as modifications to post-1991 direct loans and loan guarantees. For pre-1992 direct loans and loan guarantees, the loan asset or guarantee liability will be transferred from the liquidating account to the appropriate financing account. A one-time adjusting payment will be made between the liquidating and financing accounts. The subsequent cash flows will be recorded in the financing account.

7. Program Account is the budget account into which an appropriation to cover the subsidy cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account. Usually, a separate amount for administrative expenses is also appropriated to the program account. Each program account is associated with one or two financing accounts, depending on whether the program account makes both direct loans and loan guarantees. The program account pays subsidies to the financing account for post-1991 direct

loans and loan guarantees, for modifications, and for reestimates. These subsidy payments are counted in calculating budget outlays and the deficit.

8. Subsidy is the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs. In net present value terms, it is the portion of the direct loan disbursement that the Government does not expect to recover, or the portion of expected payments for loan guarantees that will not be offset by collections. The subsidy may be for post-1991 direct loan obligations or loan guarantee commitments, for reestimates of post-1991 loans or guarantees, or for modifications of any direct loans or loan guarantees.

9. Reestimates are the recalculation of the subsidy cost of each risk category within the cohort of direct loans or guaranteed loans. Reestimates must be made at the beginning of each fiscal year following the year in which the initial disbursement was made and as long as the loans are outstanding, unless a different plan is approved by OMB.

10. Cohort - Direct loans obligated or loan guarantees committed by a program in the same year, even if disbursements occur in subsequent years or the loans are modified. Modified pre-1992 direct loans will constitute a single cohort; modified pre-1992 loan guarantees will constitute a single cohort. For loans subsidized by no-year or multi-year appropriations, the cohort may be defined by the year of appropriation or the year of obligation. The Program and Financial Control Directorate of OUSD(C) P/B will contact OMB for proper determination.

C. Materials required by this Section will be provided for credit programs for Navy Federal Financing Bank ship loans (pre-1992) in the Defense Business Operations Fund using the simplified pre-1992 guidelines. For the DoD Family Housing Improvement program and for any additional accounts involved in direct loans or guaranteed loans the post-1991 guidance currently contained in OMB Circular A-11 must be followed by federal agencies. OUSD(C) will include post-1991 credit program requirements on specific programs in the annual budget call submission memorandum.

D. Copies of these materials are required as part of the September submission in the quantities identified in Chapter 1.

1909 OTHER SPECIAL INTEREST AREAS**190901 Purpose**

This Chapter prescribes instructions for the preparation and submission of budget justification backup data for special areas in which the Congress or OMB has expressed interest. Most of these requirements affect more than a single appropriation.

190902 Submission Requirements

A. Data in the exhibit formats provided in Section 1912 are required for the following program areas:

- PB-14 Functional Transfers*
- PB-15 Advisory and Assistance Services*
- PB-16 Legislative Proposals*
- PB-17 Employee Relocation Expenses*
- PB-18 Foreign Currency Exchange Data*
- PB-19 Contract Reporting by Appropriation*
- PB-22 Management Headquarters*
- PB-24 Professional Military Education*
- PB-25 Host Nation Support*
- PB-28 Funds Budgeted for Environmental Quality (Non-ER, Army, Navy, AF or Defense-wide)*
- PB-28A Funds Budgeted for Environmental Security Technology*
- PB-41 Administrative Motor Vehicle Operation*
- PB-42 Competition and Privatization (formerly Commercial Activities)*
- PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs*
- PB-52A Aeronautics Budget*
- PB-52B Space Budget*
- PB-53 Budgeted Military and Civilian Pay Raise Amounts*
- PB-54 Civilian Personnel Hiring Plan*
- PB-55 International Military Headquarters*

B. Definitions are to be identical to those most recently used in furnishing data to the Congress.

C. The PB-24 is required with the congressional justification/presentation only. All other exhibits are required for the Budget Estimates Submission and the congressional justification/presentation submission. Copies of exhibits are required with the submissions in the quantities identified in Chapter 1.

**1910 CLASSIFICATIONS AND DEFINITIONS – COMMAND, CONTROL, COMMUNICATIONS,
AND INTELLIGENCE PROGRAMS****191001 Purpose**

The Office of the Director for Program Analysis and Evaluation maintains a listing of program elements (PEs) in the Future Years Defense Program (FYDP) making up C³I programs. For details, please contact the POC for the FYDP Structure Management (FSM) system. The FSM system and its Web site are described in FMR Volume 2A, Section 010702.

1911 OVERSEAS MILITARY BANKING PROGRAM (OMBP)**191101 Purpose**

This Section provides guidance for the preparation and submission of budget estimates for the funding of the contract(s) with a financial institution(s) in support of the Overseas Military Banking Program (OMBP). It identifies the budgeting requirements necessary to fund the OMBP contract(s) awarded and maintained by the Under Secretary of Defense (Comptroller) for the participating Military Departments (Army, Navy and Air Force). The budget estimates for the contract(s) consists of Operation and Maintenance, Procurement and other resources that support the OMBP.

191102 Submission Requirements

A. The three sponsoring Military Departments shall budget for OMBP contract costs applicable to that Department. The sponsoring Military Departments shall transfer funding to the Washington Headquarters Services upon receipt of their appropriation for the fiscal year. The three Military Departments shall submit required budget estimates in the format specified as the "Overseas Military Banking Program (OMBP)" (Exhibit OMBP-01), and as modified by OUSD (Comptroller) annual guidance.

B. Submissions shall be consistent with any additional guidance provided by the Office of the Deputy Chief Financial Officer.

C. Exhibits shall be prepared and submitted by each Military Department. Exhibits shall be prepared to show prior year, current year, and budget years (19BY1 and 19BY2) in the format specified as "Overseas Military Banking Program (OMBP)" (Exhibit OMBP-01).

D. An original and five copies of the Military Department's OMBP submission are required as part of the Budget Estimates submission and for the congressional Justification/Presentation (President's budget) submission.

E. Copies are to be provided directly to the Defense Finance and Accounting Service (DFAS), Code – HQ/F, 1931 Jefferson Davis Hwy, Arlington, VA, 22240-5291.

1912 OTHER SPECIAL ANALYSES SUBMISSION FORMATS**191201 Purpose**

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

191202 Exhibits in Support of Section 1902 – Combating Terrorism

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191203 Exhibits in Support of Section 1903 - Major Range and Test Facility

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191204 Exhibits in Support of Section 1904 - Test and Evaluation

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191205 Exhibits in Support of Section 1909 - Other Special Interest Areas

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<i>PB-16 Legislative Proposals</i>	41
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191206 Exhibits in Support of Section 1911 - Overseas Military Banking

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COMBATING TERRORISM
COMPONENT TITLE
APPROPRIATION TITLE

FY PY-1 <u>Actual</u>	FY PY <u>Estimate</u>	FY CY <u>Estimate</u>	FY BY1 <u>Estimate</u>	FY BY2 <u>Estimate</u>	FY BY2+1 <u>Estimate</u>	FY BY2+2 <u>Estimate</u>	FY BY2+3 <u>Estimate</u>	FY BY2 +4 <u>Estimate</u>
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Total Obligational Authority (TOA) for FY PY-1 through FY BY2+4 should be provided for the Budget Estimates Submission. TOA for FY PY through FY BY2 should be provided for the President's budget submission.

A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION

- Military Personnel – report at combating terrorism (CbT) category level only.
- O&M/Defense Health Program – report at each applicable CbT category by budget activity.
- Procurement – report at each applicable CbT category by budget activity/P1 line item.
- RDT&E – report at each applicable CbT category by budget activity/Program Element.
- Military Construction – report as Site Improvement by location and project title.
- Defense Working Capital Fund – report at each applicable CbT category at the Working Capital Activity level.

Appropriation Summary:

Appropriation Title (\$ in Millions)

Budget Activity

Budget Activity

Total

Financial Summary (\$ in Million):

Physical Security Equipment

Budget Activity, Title

Budget Subactivity/line item (where applicable)

Budget Activity, Title

Budget Subactivity/line item (where applicable)

Budget Subactivity/line item (where applicable)

Physical Security Site Improvements

Enter applicable budget activities and subactivities

Exhibit CbT-1 Combating Terrorism
 (Page 1 of 6)

COMBATING TERRORISM
COMPONENT TITLE
APPROPRIATION TITLE

FY PY-1	FY PY	FY CY	FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY 2 +4
<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

Physical Security Management & Planning

Enter applicable budget activities and subactivities/line item

Security Forces & Technicians

Enter applicable budget activities and subactivities/line item

Law Enforcement

Enter applicable budget activities and subactivities/line item

Security and Investigative Matters

Enter applicable budget activities and subactivities/line item

Counterintelligence

Enter applicable budget activities and subactivities/line item

Total Funding

Personnel Summary:

Physical Security Management & Planning

Civilian Full-Time Equivalent

Active Military End Strength

Selected Reserve Component End Strength

Security Forces & Technicians

Civilian Full-Time Equivalent

Active Military End Strength

Selected Reserve Component End Strength

Exhibit CbT-1 Combating Terrorism
 (Page 2 of 6)

COMBATING TERRORISM
COMPONENT TITLE
APPROPRIATION TITLE

FY PY-1	FY PY	FY CY	FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY 2 +4
<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

Law Enforcement

Civilian Full-Time Equivalent
Active Military End Strength
Selected Reserve Component End Strength

ETC. (Enter only those combating terrorism categories with personnel resources)

Total Personnel:

Civilian Full-Time Equivalent
Active Military End Strength
Selected Reserve Component End Strength

Description of Major New Starts/One-Time Upgrades/Program Decreases:

FY BY1:

- List, in bullet format, significant new starts (efforts with recurring costs), one-time starts, or program decreases from the previous fiscal year.
- Include cost of change and appropriation in parentheses at the end of each statement (\$+3.5 million, O&M, Navy; \$+1.0 million, O&M, Marine Corps).
- When appropriate, include the personnel resources in parentheses along with fiscal data (\$+3.5 million, O&M, D-W; +35 civilian FTEs).

FY BY2:

- List, in bullet format, significant new starts (efforts with recurring costs), one-time starts, or program decreases from the previous fiscal year.
- Include cost of change and appropriation in parentheses at the end of each statement (\$+3.5 million, O&M, Navy; \$+1.0 million, O&M, Marine Corps).
- When appropriate, include the personnel resources in parentheses along with fiscal data (\$+3.5 million, O&M, D-W; +35 civilian FTEs).

Exhibit CbT-1 Combating Terrorism
(Page 3 of 6)

INSTRUCTIONS

EXHIBIT CBT-1, COMBATING TERRORISM

The CbT-1 is the exhibit used to identify the Department's combating terrorism resources, dollars and personnel. It consists of tabular and narrative data.

1. **Scope:**

This exhibit will report only those resources (including civilian and military pay) associated with DoD's Combating Terrorism Program. This program consists of the following activities: physical security equipment, physical security site improvement, physical security management and planning, physical security forces and technicians, law enforcement, security and investigative matters, combating terrorism RDT&E, counterintelligence, and counterterrorism. These functional categories are described below.

2. **Definitions:**

A. **Physical Security Equipment** - Any item, device, or system that is used primarily for the protection of assets, personnel, information, or facilities to include alarms, sensors, protective lighting and their control systems and the assessment of the reliability, accuracy, timeliness and effectiveness of those systems, such as (but not limited to): exterior surveillance and/or intrusion detection systems; lighting systems; access controls and alarms systems; residential security equipment; equipment for executive protection, to include added doors, increased ballistic protection at offices/residences, personal body armor, and armored vehicles; and detection devices.

B. **Physical Security Site Improvements** - Any facility improvements (using O&M or MILCON funding) or new construction whose purpose is to protect DoD assets, personnel, or information to include walls, fences, barricades, or other fabricated or natural impediments to restrict, limit, delay or deny entry into a Defense installation or facility, such as (but not limited to): installation perimeter barriers, vehicle barriers, and interior barriers; safe havens; evacuation facilities; and surveillance platforms.

C. **Physical Security Management and Planning** - Personnel who manage physical security programs, resources, and assets such as, but not limited to, headquarters staff.

D. **Security Forces/Technicians** - All personnel and operating costs associated with *protective forces* whose primary or supporting mission is to safeguard assets, personnel or information. Included, but not limited to, are costs for: salaries, overtime, benefits, materials, supplies, travel, support equipment, facilities, training, communications equipment, and management, for the personnel engaged in the following activities such as (but not limited to): dedicated response forces and security forces; locksmiths; perimeter, installation or facility access control; inspection and maintenance of barriers and security system components; antiterrorism training for security forces; and antiterrorism awareness programs and training.

E. **Law Enforcement** - All personnel and operating costs associated with law enforcement to include, but not limited to, salaries, overtime, benefits, material and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to): protective service details, including advance work; response forces; and military police.

F. **Security & Investigative Matters Category** - Includes Defense criminal investigative resources, conduct of vulnerability assessments (periodic high level reviews and physical security assessments), security and intelligence activities, and any cross-discipline security functions which do not easily fit into other security categories, such as (but not limited to): terrorism investigations; executive antiterrorism training; surveillance and countersurveillance teams; protective service details, including advance work; route surveys; and antiterrorism awareness programs and training.

Exhibit CbT-1 Combating Terrorism
(Page 4 of 6)

G. **Combating Terrorism RDT&E Category** - Includes any RDT&E resources expended in the area of physical security or counterterrorism.

H. **Counterintelligence** - Includes personnel and funding associated with Tactical Intelligence and Related Activities (TIARA) and National Foreign Intelligence Program (NFIP) counterintelligence (CI) activities. These activities include terrorism investigations, surveillance and countersurveillance teams, terrorism analysis and production, force protection source operations, threat assessments, terrorism collection, route surveys, and intelligence staff support to deployed forces. Only those counterintelligence resources directly supporting force protection/combating terrorism activities are to be reported in this resource summary. Army and Marine Corps tactical CI resources and Army Security and Intelligence Activities CI resources will be reported by the Army and Marine Corps. The Director, Counterintelligence, ASD(C3I) will separately report all DoD Foreign Counterintelligence Program (FCIP) NFIP resources that map to the Force Protection sub-mission area in the NFIP Capabilities, Programming, and Budgeting System (CPBS).

I. **Counterterrorism** - Includes offensive measures taken to prevent, deter and respond to terrorism. The sensitive and compartmental programs of counterterrorism (CT) will be reported separately in the appropriate classified program submissions. The ODASD(SO&HA) is responsible for consolidating and reporting all combating terrorism CT resources.

3. Entries:

A. **General:** DoD Components should prepare a separate summary for each applicable appropriation. Each summary will report resources (funding and personnel) by the combating terrorism functional categories described above.

B. **Appropriation Summary:** For the O&M, Procurement, and RDT&E appropriations, report the total combating terrorism funds by budget activity. For the Military Personnel and Military Construction appropriations, report resources at the appropriation level only. For DWCF accounts, report resources at the Working Capital Fund business area.

C. **Financial Summary Section:**

- (1) Military Personnel. Report resources by functional category at the appropriation level.
- (2) Operation and Maintenance. Report resources by functional category and budget activity.
- (3) Procurement. Report resources by functional category, budget activity, and budget subactivity (P1 line item)
- (4) RDT&E. Report resources by functional category, budget activity, and budget subactivity (program element (PE)/R-1 line item).
- (5) Military Construction. Report resources by functional category, State/Country, and project title.
- (6) Defense Working Capital Fund. Report resources by working capital fund business area level.

D. Personnel Summary Section:

(1) For each applicable appropriation, civilian personnel full-time equivalents (FTEs) and military (active and reserve component) end strength should be reported by functional category. If an appropriation does not finance any personnel resources, enter “None” on the Personnel Summary line as follows:

II. Personnel Summary: None.

(2) At a *minimum*, personnel in the following generic Military Occupational Series (MOS) and civilian job series should be reported as full-time Combating Terrorism assets – even if these persons spend only a portion of their time on combating terrorism activities. Additionally, personnel not in these MOS’s and/or job series who are assigned permanently or detailed to force protection offices and who spend at least 51% of their time directly supporting combating terrorism activities should be reported on this exhibit.

(a) MOS to be reported: Military Police, Physical Security, Criminal Investigator, Interrogator, Counterintelligence Officer, Military Investigations, Dog Handler, Kennel Master, Patrol Dog Handler, Security Guard, Locksmith, Master at Arms, Law Enforcement, Crime Prevention, Accident Investigator, Security Police, Security Policy, Nuclear Weapons Custodian, Interpreter/Translator, and Special Investigations.

(b) Civilian Job Series to be reported: Physical Security Manager (GS-0080), Civilian Police (GS-0083), Security Guard (GS-0085), Physical Security Manager (GS-0086), Locksmith (GS-48004), General Inspection and Investigation (GS-1801), Compliance Inspection (GS-1802), General Investigation (GS-1810), and Criminal Investigation (GS-1811).

(c) Personnel data associated with classified combating terrorism programs will be reported as follows: Army and Marine Corps tactical counterintelligence resources and all Army Security and Intelligence Activities counterintelligence resources will be reported in the CbT-1 exhibit by the applicable Components. The ASD(C3I) will separately report all DoD Foreign Counterintelligence Program (FCIP) resources using the CbT-1 format. All special operations counterterrorism personnel data will be reported by the ASD(SO/HA) using the CbT-1 format.

E. Description of Major New Starts/One-Time Upgrades/Program Decreases:

For BY1 and BY2, provide a bulletized listing of major new starts (new efforts that will continue or recur in future years), one-time purchases or upgrades, and program decreases (termination or transitioning of efforts). Following each statement, the dollar amount and appropriation(s) and (when applicable) personnel resources associated with the change or new effort should be reported in parentheses. The intent of this section is to identify key combating terrorism initiatives contained in each year of the budget submission and to describe any significant changes between fiscal years.

DOD Component
MRTFB (Activity Title) Financial Summary
(\$ Millions)

<u>Funding Source</u>	<u>FY PY-1</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Total Institutional Funding					
Institutional (P.E. _____)					
In-House Effort					
Contractor Effort					
BOS					
RPMA					
Minor Construction					
Military Personnel					
Total					
Improvement and Modernization					
Minor I&M (P.E. _____)					
Major I&M					
Military Construction					
Base Realignment and Closure					
Direct (User Funding)					
Parent Service					
Other DoD					
Other U.S. Government					
FMS					
Foreign Government					
Commercial					
Total					
Total Institutional & Direct (I&D)					
Direct to Total I&D (less I&M)					
Other Funds					
Non-T&E Mission BOS					
Non-T&E Mission RPMA					
Family Housing					
Milcon					
Base Realignment and Closure					
Other - Specify					
Total Other Funds					
Total MRTFB Activity (TOA)					

(page 1 of 4)

Exhibit MRTFB-1 Installation Financial Summary

INSTRUCTIONS
EXHIBIT MRTFB-1, MAJOR RANGE TEST FACILITY BASE

The MRTFB-1 is the basic, central exhibit for the Major Range Test Facility Base budget estimate submission and consists of tabular and narrative data. All other exhibits are related to it.

This exhibit reflects total funds from all sources to be expended at each MRTFB activity. The instructions for preparation are in the following paragraph and definitions. For each line entry, a fully comparable figure will be entered in each of the five columns.

Definitions:

Institutional Funding - This category should reflect all of the funding *to be expended* to support the MRTFB activity's mission, whether the funds are directly allocated to the activity or whether they are expended by another activity in support of the MRTFB.

Institutional (P.E. _____) - This entry denotes the funding which each Component provides directly to the activity for ongoing effort which cannot be ascribed to users of the activity. The financing program element number is to be entered in the parenthesis.

In-House Effort - This line reflects that amount of the activity's T&E Institutional funding which is devoted to supporting efforts conducted by government personnel at the activity.

Contractor Effort - Indicates the amount of Institutional funding expended by any contractor in support of the activity's mission, either on-site or elsewhere.

Base Operating Support (BOS), Real Property Maintenance Activities (RPMA) and Minor Construction - The amounts shown in these lines should reflect that funding either paid by the MRTFB activity for their share of these costs to a host activity or the costs that would be allocated to the MRTFB activity if they were required to reimburse their BOS and RPMA costs to the host activity. For those MRTFB activities which are host activities, the costs in these categories should reflect the share of BOS, RPMA and minor construction that would be allocated to only the MRTFB activity if costs were distributed to all activities at the installation. Reflecting these costs as part of the institutional costs at the MRTFB is intended to more completely reflect the costs of the MRTFB mission and to make the activities more comparable across the Services. If additional categories are required to reflect the total "institutional" funding that is required for the activity, such as Environmental Compliance, additional lines should be added. Provide the program element number for each entry.

Military Personnel - This category should also reflect the amount of funding that would be required to support the military personnel which are primarily assigned to the MRTFB activity.

(page 2 of 4)

Improvement and Modernization (I&M) - This section should reflect all funding provided to the MRTFB activity for improvement and modernization efforts.

Minor I&M - This category should reflect funding provided directly to the MRTFB activity for I&M projects which are less than \$2 million in any one fiscal year and less than \$10 million in cumulative funding. For the RDT&E-funded activities, the minor I&M funding should be a portion of only the MRTFB program elements. The funding needs to be identified by specific program element. For the O&M-funded activities, the minor I&M funding should be identified by P-1 line item title. If there is minor I&M in more than one program element or more than one P-1 line item, a summary of the minor I&M funding should be provided on the MRTFB-1 with a detailed listing provided on the MRTFB-3a. Any funding provided by users for minor I&M projects should be included as direct (user) funding.

Major I&M - This funding category should include all major I&M projects funded by RDT&E or procurement appropriations, including those funded by users or by the Central T&E Investment Program. Major I&M projects are those which exceed \$2 million in any single fiscal year or \$10 million cumulatively. The MRTFB-1 should reflect a total for all major I&M projects, regardless of funding source. The MRTFB-3A, I&M Funds, Major I&M Projects, requests a listing of each of the projects by appropriation and program element or P-1 line item that adds to the total on this line.

Direct (User Funding) - This line is for header purposes only, to denote the section dealing with funds from activity customers for MRTFB activity mission efforts.

Parent Service - Indicates the funds which come to the activity from users who are from within the same service but distinguished from the institutional base.

Other DoD - Indicates those customers within the DoD but not from the same service as the activity.

Other U.S. Government - Indicates those government customers from other than DoD activities.

FMS - Indicates those customers from FMS cases.

Foreign Government - Indicates those customers from foreign governments for other than FMS cases.

Commercial - Indicates funds received from commercial customers.

Total Institutional and Direct (I&D) - This line provides the sum of the amounts in the Total Institutional and Total Direct lines.

% Direct to Total I&D (Less I&M) - This line provides the percentage which Total Direct funding constitutes of the Total Institutional (less I&M) and Direct funding.

Other Funds - This line is for header purposes only, to denote all other activity financing that does not fall in the I&D categories. The funding included in this category should be strictly funding received by the MRTFB for efforts other than those associated with the MRTFB mission. These categories should only be used, therefore, when the MRTFB is a host activity and receives funding, such as BOS, RPMA or Family Housing funds, to support *other* activities. All funding received in support of the MRTFB activity should be included in the Institutional, I&M or Direct Funding categories above. If any funding is reported as "Other" funding in this category, a separate listing should be provided that identifies the "Other" funding by appropriation and program element or customer.

(Page 3 of 4)

Total MRTFB Activity - This line reflects the sum of the amounts in the Total I&D and Total Other Funds lines. This should represent the total amounts supporting the activity to perform its MRTFB mission and to provide common services to *others*, if appropriate. These amounts need not flow through the activity itself but should reflect all funding associated with supporting the MRTFB.

The amounts reflected in the lines above are to be directly relatable to those amounts included in the appropriation submissions of budget estimates to OSD/OMB or the appropriation submissions of apportionment requests to OSD.

DoD Component
(Activity Title) Element of Expense Listing

For each of the Institutional entries; e.g., Institutional Funding, Base Operating Support, and Real Property Maintenance; and the Total Direct entry on Exhibit MRTFB-1, provide a subitem listing by element of expense, as shown below.

		(\$ Millions)				
<u>ELEMENT OF EXPENSE</u>		<u>FY PY-1</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
Military Pay (Non-Add)						
04	Civilian Pay					
05	Travel					
06	Transportation					
07	Utilities/Rental					
08	Communications					
09	Purchased Equipment Maintenance					
10	Purchased Equipment Other					
11	Printing & Reproduction					
12	Other Purchased Services					
13	Aircraft POL					
14	Ships POL					
15	Supplies					
16	Equipment					
17	Other Expenses					

Exhibit MRTFB-2a Element of Expense Listing

MRTFB ACTIVITY SCHEDULE OF INCREASES & DECREASES

Provide a schedule of increases and decreases, as shown below, covering year-to-year changes in the total Institutional entry on Exhibit MRTFB-1 to include changes in workyears, maintenance and repair and other items with changes in excess of \$1 million. Ensure that the narrative explanations are each unique to changes in only one entry on the MRTFB-1. Specifically, there should be at least one increase and/or decrease statement for each entry on the MRTFB-1 exhibit but may be more than one increase and/or decrease for any or all entries on the MRTFB-1.

	<u>FY PY</u> <u>Actual</u>	<u>FY CY</u> <u>Pres. Budget</u>	<u>FY CY</u> <u>Approp.</u>	<u>FY BY1</u>	<u>FY BY2</u>
1. FY PY actual to FY CY President's Budget.					
a.					
b. (Several sentence description/justification of each major item of increase <u>and</u> decrease.)					
c.					
d.					
etc.					
2. FY CY President's Budget to FY CY Appropriation (or BES amount if different from FY CY Appropriation).					
a.					
b. (Congressional or supplemental action as of date of submission. Include rationale.)					
etc.					
3. FY CY Appropriation (or BES amount) to FY BY program.					
a. Inflation					
b. Payraise					
c. (Several sentence description/justification of each major item of increase <u>and</u> decrease.)					
etc.					
4. FY BY to FY BY+1.					
a. Inflation					
b. Payraise					
c. (Several sentence description/justification of each major item of increase <u>and</u> decrease.)					
etc.					

Exhibit MRTFB-2b MRTFB Activity Schedule of Increases & Decreases

DoD Component
(Activity Title) Workyears

Submit a numerical summary of military, civilian, and contractor workyears in the format shown below. Civilian and contractor workyears should be divided into those that are institutionally funded and those that are reimbursed by users (direct). Changes in workyears between years and among categories should be addressed in the MRTFB-2b, Schedule of Increases and Decreases. The workyears reported in the Institutional category should reflect only those workyears funded from the institutional program element for the activity. Workyears funded by other “Institutional” funding, such as BOS or RPMA should be reported in the Other category. Workyears funded by sources identified on the MRTFB-1 as “Other Funds” should not be reflected on this exhibit.

<u>Category</u>	<u>FY PY</u>		<u>Other</u>	<u>Total</u>	<u>FY CY</u>			<u>FY BY1</u>		<u>Inst.</u>	<u>Direct</u>	<u>FY BY2</u>		<u>Inst.</u>	<u>Direct</u>	<u>Other</u>	<u>Total</u>
	<u>Inst.</u>	<u>Direct</u>			<u>Inst.</u>	<u>Direct</u>	<u>Other</u>	<u>Total</u>				<u>Other</u>	<u>Total</u>				
Military																	
Officer																	
Enlisted																	
Civilian																	
Contractor																	
Total																	

Exhibit MRTFB-2c Workyears

DoD Component
(Activity Title) Source of Direct Funds
(\$ Millions)

This exhibit shows by major program, the sources of the Direct Funds contained in Exhibit MRTFB-1, Direct (User) Funding. Provide a subtotal for each appropriation or category shown on the MRTFB-1 Exhibit. For the significant customer appropriations, such as RDT&E or Procurement accounts, provide a subtotal by budget activity. Customers in the FMS, Foreign Government and Commercial categories need to be identified separately by individual customer. The All Other category should not exceed approximately 10% of the Total Direct Funding on this Exhibit and on the MRTFB-1. For the RDT&E appropriations, a breakout by Program Element is mandatory.

<u>Appn</u>	<u>Program</u>	<u>PE</u>	<u>FY PY-1</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
All Other			_____	_____	_____	_____	_____
Total Direct							

Exhibit MRTFB-2d Source of Direct Funds

DoD Component
(Activity Title) Improvement and Modernization Funds Summary
Improvement and Modernization Projects
 (\$Millions)

<u>Appn</u>	<u>PE</u>	<u>Project Title</u>	<u>Total</u> <u>Prior Years</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>Cost to</u> <u>Complete</u>	<u>Total</u> <u>Est. Cost</u>
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This Exhibit has been selected for separate analysis due to its importance in determining the capability of an activity to meet future test and evaluation requirements. Provide an I&M priority listing for FY PY, CY, BY1, and BY2 for all funding at the MRTFB activity for I&M. Minor I&M should be listed in the first line(s) of this exhibit by each program element funding minor I&M at the activity. For the major I&M (greater than \$ 2 million in any single fiscal year or greater than \$ 10 million cumulatively), each project should be listed in priority order. Ensure that the listing includes all I&M anticipated for the activity, whether the funding source is the parent Service T&E program element(s), customer funding or CTEIP funding. Show cumulative funds spent for each project prior to the PY and total cost to completion after BY2, if applicable.

Exhibit MRTFB-3a Improvement and Modernization Funds Summary

DoD Component
(Activity Title) Improvement and Modernization Listing
Military Construction and Base Realignment and Closure Projects
 (\$ Millions)

<u>Appropriation</u>	<u>Program Element</u>	<u>Title</u>	<u>Programmed Fiscal Year</u>	<u>Estimated Cost at Completion</u>	<u>Programmed Funds</u>
----------------------	------------------------	--------------	-----------------------------------	---	-----------------------------

For all the Military Construction and Base Closure and Realignment projects that are programmed to support the MRTFB mission at the activity and are funded in either the prior year, current year, budget year 1 or budget year 2 of the budget estimates submission, provide the summary data indicated above. The total projects listed on this exhibit will match the MRTFB-1 Military Construction and BRAC funding included in the Improvement and Modernization category.

Exhibit MRTFB-3b, Military Construction and BRAC Projects

DoD Component
(Activity Title) Improvement and Modernization Funds Detail
Improvement and Modernization Projects
(\$ Millions)

For any item exceeding \$2 million in any year or cumulative funding of \$10 million, provide summary data that includes the following. Indicate potential benefits, cost savings and capability improvements. Quad charts prepared for TERIB reviews can be used for the BES submission as long as the requested information is provided.

Project Title

- (1) Description - Concise description of what is to be acquired, where it will be located, its relationship to other upgrades at this facility or other DoD facilities. Identify whether the effort is required to provide an enhanced capability or whether it modernizes an existing capability.
- (2) Requirements/Payoffs - Specify the operational requirement being addressed by the project. If it is required to provide an enhanced capability, list the programs that will benefit and provide the required operating date. If required as an improvement to an existing capability, provide a payback date and the schedule for retirement of existing equipment that will become obsolete as a result of the upgrade. Discuss what other alternatives and what cross-service opportunities were considered in the review of this requirement.
- (3) Tests to be Supported - List the programs and tests to be supported by the I&M project. Indicate the acquisition category for each program that will be using the upgraded equipment or facility.
- (4) Schedule - Provide the critical milestones for the project. Include the approval date of the operational requirements document, the date of TERIB review, the contract award dates, IOC and FOC.
- (4) Funding Profile - Provide total funding plan, including all funding sources, for development through FOC. Funding should be consistent with that identified in the MRTFB-3a, Summary of I&M Projects., and with that included in the other R&D BES exhibits.

Exhibit MRTFB-3c Improvement and Modernization Detail

Classification

Exhibit T&E-1, Test and Evaluation

DoD Component: _____

Program Description: For each major program, describe any variations of T&E costs from those in the approved Test and Evaluation Master Plan (TEMP) or the current President's budget and the reasons for the changes. Divide the discussion into Developmental Test and Evaluation (DT&E), Operational Test and Evaluation (OT&E), and Live Fire Test and Evaluation (LFT&E).

Program Funding (by Program Element and Project Code)

TOA, Current \$ in Millions

<u>PY-1</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
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Total RDT&E

Total Procurement

T&E Funding (included in RDT&E/Procurement funding above)

DT&E: (Total of Contractor, Government and Targets and Threat Simulators funding below)

Contractor

T&E Facilities/

Instrumentation

T&E Costs

Government

T&E Facilities/

Instrumentation

T&E Costs

Targets and Threat

Simulators

OT&E: (Use same categories as above)

LFT&E: (Use same categories as above)

Exhibit T&E-1

Page 1 of 4

Test Articles (included in RDT&E/Procurement funding above)

Number of Test Articles Shown by Year of Delivery

	<u>PY-1</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
DT&E									
OT&E									
LFT&E									

Approved Test and Evaluation Master Plan (TEMP) Funding

TOA, Current \$ in Millions

	<u>PY-1</u>	<u>PY</u>	<u>CY</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
DT&E Funding (included above in program funding)									
OT&E Funding (included above in program funding)									
LFT&E Funding (included above in program funding)									

Classification

Instructions for
Exhibit T&E-1, Test and Evaluation

1. Purpose.

A. The Exhibit T&E-1 is the Test and Evaluation (T&E) exhibit for the budget estimate submission and the President's budget request. It consists of tabular and narrative data related to the funding for T&E of the Major Defense Acquisition Programs (MDAP) as specified in DoD 5000.1 and Special Interest Programs identified in the Program Objective Memorandum Instructions, Table C-1.

B. This exhibit reflects total funds included in the above specified systems/programs for T&E regardless of what organization performs the T&E. It does not include funds in T&E programs, such as MRTFB direct funding, used to provide services on a nonreimbursable basis to weapon systems.

2. Entries.

A. Program Description: For each Program Element/Project describe any major changes from the most recent President's budget request or the most recently approved TEMP and the reasons for the changes. Divide the discussions into Developmental Test and Evaluation (DT&E), Operational Test and Evaluation (OT&E), and Live Fire Test and Evaluation (LFT&E).

B. Program Funding (by Appropriation and Program Element/Project)

(1) Total RDT&E: Show total RDT&E funding for this program with a line for each Program Element/Project showing the Program Element/Project Codes (T&E portion included in these amounts will also be broken out below under T&E Funding.)

(2) Total Procurement: Show total Procurement funding for this program showing each Procurement Line Number amount. (T&E portion included in these amounts will also be broken out below under T&E funding.)

(3) T&E Funding Included Above (May be a combination of RDT&E and Procurement):

(a) DT&E: (Total of Contractor and Government *and Targets and Threat Simulators* funding below)

Contractor

T&E Facilities/Instrumentation: Provide all funding for provision of T&E capability through investments in plant and equipment at contractor facilities. *As necessary, provide the rationale for funding facilities at contractor installations rather than at Government activities in the program description section of this exhibit.*

T&E Costs: Provide funding for performing T&E at contractor facilities (exclude investment funding included above.)

Government

T&E Facilities/Instrumentation: Provide all funding for investments in T&E capability for plant and equipment at government facilities. Indicate whether such capabilities exist elsewhere, why duplication is warranted (if that is the case), and whether the requirement for this investment has been endorsed through the Joint Commanders Group (Test and Evaluation) review.

T&E Costs: Provide funding for performing T&E at Government facilities. These costs include all funding provided as reimbursable orders to Major Range and Test Facility Bases and other installations.

(b) Targets and Threat Simulators: Provide all funding identified for targets and threat simulators.

(c) OT&E: Provide all funding for conducting OT&E. Provide information requested in paragraph 2.b.(3)(a) above for new facilities, if applicable.

(d) LFT&E: Provide all funding for conducting LFT&E. Provide information requested in paragraph 2.b.(3)(a) above for new facilities, if applicable.

C. Test Articles: Provide the number of test articles to support the T&E planned for the system by year of delivery of the article. Multi-use articles should be identified as such. *Components, subsystems, and surrogates should be separated from complete, combat-configured articles.*

(1) DT&E: Show number of test articles by year of delivery to be used primarily for support of DT&E.

(2) LFT&E: Show number of test articles by year of delivery to be primarily for support of LFT&E.

(3) OT&E: Show number of test articles by year of delivery to be used primarily for support of OT&E.

D. Approved T&E Master Plan Funding: Provide funding included in the most recently approved T&E Master Plan (TEMP). Significant variations from the TEMP funding for T&E included in this entry and the amount reported in T&E funding above are to be addressed in the program description section of this exhibit.

FUNCTIONAL TRANSFERS

Component: _____

FY BY1 **FY BY2** **FY BY2+1** **FY BY2+2** **FY BY2+3** **FY BY2+4**

PART I

Adjustment as result of Functional Transfers:

(Show total adjustment to Component topline as a result of inter-component functional transfers included in the budget submission but not included in the Program Review. In addition, show the adjustment to each appropriation separately.)

PART II

(Show the following adjustments for each inter-component functional transfer impacting all accounts included in Part I.)

Functional Transfer Title

Description

Gaining Appropriation(s)

Civilian Full-Time Equivalent (FTE)

Military Average Strength

Funding (\$ 000)

Losing Appropriation (s)

Civilian Full-Time Equivalent (FTE)

Military Average Strength

Funding (\$ 000)

Exhibit PB-14 Functional Transfers

ADVISORY AND ASSISTANCE SERVICES

DEPARTMENT/AGENCY

<u>Appropriation/Fund</u>	FY PY <u>Actuals</u>	(Dollars in Thousands)		FY BY2 <u>Estimate</u>
		FY CY <u>Estimate</u>	FY BY1 <u>Estimate</u>	
1. Management & Professional Support Services				
FFRDC Work*				
Non-FFRDC Work*				
Subtotal				
2. Studies, Analysis & Evaluations				
FFRDC Work*				
Non-FFRDC Work*				
Subtotal				
3. Engineering & Technical Services				
FFRDC Work*				
Non-FFRDC Work*				
Subtotal				
TOTAL				
FFRDC Work*				
Non-FFRDC Work*				

Explanation of Funding Changes.

* Provide a narrative explanation (in program terms) for any increase/decrease that is in excess of the estimated rate of inflation. This explanation of increase/decrease is required for changes between the CY and BY1 and from BY1 to BY2.

Notes:

1. All totals displayed must equal amounts reported in object class 25.1.
2. FFRDC = Federally Funded Research & Development Centers.
3. A separate PB-15 must be prepared for each appropriation/fund.
4. A summary PB-15 must be prepared when consulting services are funded from more than one appropriation/fund.

This exhibit has been revised in its entirety.

Exhibit PB-15 Advisory and Assistance Services
(Page 1 of 3)

ADVISORY AND ASSISTANCE SERVICES

Instructions For Exhibit PB-15

BACKGROUND: The purpose of the exhibit is to provide Congress with actual estimates on the amount spent by DoD on advisory and assistance services which are utilized to enhance, assist, or improve the ability of government employees to make decisions on governmental processes, programs, and systems. Congressional concern stems from both the cost and nature of advisory and assistance services. When contractors provide advice or assistance that may affect decisionmaking, influence policy development, or provide support to project or program management, it is essential to ensure that the contractor's performance is free of potential conflicts of interest and does not impinge upon the performance of inherently governmental functions by government employees. As such, advisory and assistance services require an appropriate degree of enhanced management and oversight. When using contractor-provided products, final decisions, or actions must reflect the independent conclusions of DoD officials. Advisory and Assistance Services (object class 25.1) include services acquired by contract from non-governmental sources that provide management and professional support services; studies, analyses, and evaluations; and engineering and technical services, as defined below.

ADVISORY AND ASSISTANCE SERVICES DEFINITION (Object Class 25.1): Obligations for advisory and assistance services acquired by contract from non-governmental sources (including Federally Funded Research and Development Centers (FFRDCs) and non-FFRDCs) to support or improve organization policy development, decisionmaking, management, and administration; support program and/or project management and administration; provide management and support services for Research and Development (R&D) activities; provide engineering and technical support services; or improve the effectiveness of management processes or procedures. The products of advisory and assistance services may take the form of information, advice, opinions, alternatives, analyses, evaluations, recommendations, training, and technical support. Object class 25.1 consists of the following three categories:

Management and Professional Support Services: *This category includes funding for contractual services that provide assistance, advice, or training for the efficient and effective management and operation of organizations, activities (including management and support services for R&D activities), or systems. These efforts contribute to improved organization of program management, logistics, project monitoring and reporting, data collection, budgeting, accounting, performance auditing, and administrative/technical support for conferences and training programs.*

Studies, Analyses, and Evaluations: *This category includes funding for contractual services to provide organized, analytic assessments/evaluations in support of policy development, decisionmaking, management, or administration. It includes studies in support of R&D activities and the development of models and methodologies.*

Engineering and Technical Services: *This category includes funding for contractual services used to support program offices during the acquisition cycle by providing systems engineering and technical direction (FAR 9.505-1(b)) to ensure the effective operation and maintenance of a weapon system or major system as defined in OMB Circular A-109 or to provide direct support of a weapons system that is essential to the R&D, production, or maintenance of the system.*

ADDITIONAL GUIDANCE: The following describes various contracted services that are not advisory and assistance services for the purposes of this reporting requirement.

- Contracted services for routine maintenance and engineering and engineering and services for routine ADP and telecommunications efforts unless they are an integral part of advisory and assistance services. For example, installation, operation, or maintenance of systems; monitoring day-to-day hardware (or software) performance; and support services required to accomplish these particular actions. However,

Exhibit PB-15 Advisory and Assistance Services
(Page 2 of 3)

services that recommend to the government decisionmaker which modification or repair may be necessary (especially if assisting in evaluating contractor A's proposal versus contractor B's), or whether to repair, modify or do nothing, are examples of "consulting services" that should be reported.

- Training which maintains skills necessary for normal operations and training obtained for individual professional development.
- Advisory and assistance services obtained through personnel appointments and chartered Federal advisory committees.
- Architectural and engineering services as defined in FAR 36-102, which are for construction, alteration, or repair (including dredging, excavating and painting) of buildings, structures or other real property.
- Research on theoretical mathematics and basic medical, biological, physical, social psychological or other phenomena.
- Services supporting the Foreign Military Sales program paid with funds that will be reimbursed by the foreign customer or services citing other non-appropriated funds.

COVERAGE: This reporting requirement covers all DoD appropriations and funds. Consulting services acquired from contracts managed by other Government Agencies and paid for with DoD appropriations must be reported.

PREPARATION REQUIREMENTS FOR EXHIBIT PB-15: *Every* DoD Component must submit the PB-15 exhibit even if they are not procuring advisory and assistance services. A separate exhibit is required for each appropriation and fund. For annual and multiyear appropriations, planned obligations should be shown in the year of the appropriation rather than the year the obligation is planned. Prior year columns should reflect actual obligations incurred plus additional obligations planned over the remaining life of that fiscal year appropriations. Current and budget year columns should reflect all obligations planned over the life of those appropriations. The Defense Working Capital Fund (DWCF) business areas should identify budgeted obligations in the year those obligations are planned for contracts in support of DWCF activity functions but not those in support of customer workload. The identification of advisory and assistance services in support of appropriations managed by one Component but executed by another Component, fund (e.g., DWCF), or through federally funded research and development centers is the responsibility of the appropriation fund manager. In determining whether a contract is for advisory and assistance services, the contracting or executing organization is not relevant. For example, advisory and assistance services in support of one of the Environmental Restoration transfer appropriations but executed by the Military Departments must be identified in appropriation exhibits submitted for that Environmental appropriation. Each Component will provide overall summary displays for their Component appropriations/funds totals.

SUBMISSION REQUIREMENTS: *For the OSD/OMB budget submission, the PB-15 exhibit will be submitted as a separate exhibit. For the President's budget submission to the Congress, the PB 15 exhibit will be included as an exhibit in Volume II – Data Book.* Each Military Department and Defense Agency will provide an exhibit for each appropriation/fund. In addition, each Military Department and Defense Agency will provide a consolidated exhibit for all appropriations/funds under their control.

** The PB-15 exhibit should reflect the same resource amounts as identified in Object Class 25.1. Any discrepancies between the PB-15 and Object Class 25.1 must be fully explained. Each PB-15 exhibit is required to contain each appropriation manager's name and telephone number.**

Exhibit PB-15 Advisory and Assistance Services
(Page 3 of 3)

LEGISLATIVE PROPOSALS

(Dollars in Millions)

<u>PROPOSAL</u>	<u>APPN(s)</u>	<u>BY1</u>	<u>BY2</u>	<u>BY2+1</u>	<u>BY2+2</u>	<u>BY2+3</u>	<u>BY2+4</u>
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Amounts should reflect cost or savings (-) included in the budget submission if proposal is approved by the Congress. Provide a total for each proposal, a total for each appropriation/fund, and a grand total.

All proposed legislation, including those submitted through the Unified Legislation and Budgeting (ULB) process, should be included in the Component's budget submission. The proposals must be fully funded for the budget year(s) and throughout FYDP.

Each proposal must provide narrative justification identifying the merits of the proposal and the issue/problem being addressed. If the proposal impacts manpower, provide the end strength and workyear adjustments (average strength for military and FTE for civilians) by type of employment status.

Exhibit PB-16 Legislative Proposals

DOD COMPONENT _____

EMPLOYEE RELOCATION EXPENSES

The Office of Management and Budget (OMB) requires all Federal agencies to report all costs associated with relocating employees. Therefore, all Components are required to use the format below to report total obligations for the expenses of employee relocations associated with the past, current, and budget years (BY1 and BY2). Employee relocation expenses are payments to Federal employees (military and civilian) for costs related to permanent change in a workstation; i.e., when the Federal government pays a person to move his/her residence because he or she is assigned to work in a different place (e.g., city, state, or country).

These obligations are normally reported as part of the following object classes (OC):

- Travel and transportation of persons (OC 21)
- Transportation of things (e.g., movement of household goods, except for storage costs, which are under OC 25.7) (OC 22)
- Civilian personnel benefits (e.g., various relocations allowances, expenses associated with the sale of residence, breaking a lease) (OC 12.1)
- Military personnel benefits (same as OC 12.1, except that it applies to military personnel only) (OC 12.2)
- Operation and Maintenance of equipment (includes contractual services for storage and care of vehicles and storage of household goods, but only those associated with relocation) (OC 25.7)

(Dollars in Thousands)

Appropriation*	FY PY Actuals			FY CY Estimate			FY BY1 Estimate			FY BY2 Estimate		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
1. O&M												
2. Military Personnel												
3. RDT&E												
4.												
5.												
TOTAL												

*List all applicable appropriations/funds.

THIS EXHIBIT IS REQUIRED WITH THE BUDGET ESTIMATES SUBMISSION (BES) AND WITH THE PRESIDENT'S BUDGET SUBMISSION. HOWEVER, FOR THE PRESIDENT'S BUDGET SUBMISSION, THIS EXHIBIT MUST BE PROVIDED TO THE OPERATIONS AND PERSONNEL DIRECTORATE NO LATER THAN JANUARY 15 IN ORDER TO COMPLY WITH OMB REQUIREMENTS.

Exhibit PB-17 Relocation Expenses

Component: _____

DATE: _____

FOREIGN CURRENCY EXCHANGE DATA
FY BY1/FY BY2 Budget Submit/President's Budget
Identify Appropriation

Country	(\$ in Thousands)							
	FY PY		FY CY		FY BY1		FY BY2	
	U.S. \$ Requiring	Approved	U.S. \$ Requiring	Approved	U.S. \$ Requiring	Budgeted	U.S. \$ Requiring	Budgeted
	<u>Conversion</u>	<u>Execution Rates</u>	<u>Conversion</u>	<u>Execution Rates</u>	<u>Conversion</u>	<u>Exchange Rates</u>	<u>Conversion</u>	<u>Exchange Rates</u>
	1/	2/	1/	2/	1/	2/	1/	2/
Belgium								
Denmark								
France								
Germany								
Greece								
Italy								
Japan								
Netherlands								
Norway								
Portugal								
Singapore								
South Korea								
Spain								
Turkey								
United Kingdom								
TOTAL								

1/ U.S. dollar value of program purchased with foreign currency at prescribed exchange rate. For the FY PY Actuals, the value of the overseas program will agree with the obligations incurred at the budget rate reflected on the DD-Comp(M) 1506 report as of 30 Sep.

2/ As prescribed in OSD guidance issued by OUSD(C) P/B. Express the foreign currency exchange rates in terms of units of foreign currency that can be purchased with one (1) U.S. dollar (e.g., 200.00 Japanese yen per one U.S. dollar).

Exhibit PB-18 Foreign Currency Exchange Data

Contract Reporting by Appropriation

	FY 19PY Actual			FY 19CY			FY 20BY1			FY 20BY2		
	Total	Other Services	% of Total	Total	Other Services	% of Total	Total	Other Services	% of Total	Total	Other Services	% of Total
<u>Appn</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts*</u>	<u>Contract</u> <u>s</u>	<u>Contracts</u>	<u>Contracts*</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts*</u>	<u>Contracts</u>	<u>Contracts</u>	<u>Contracts*</u>

"Total Contracts" will equal the sum of all Object Class 25.X resources reflected on the Program and Financing Schedule. Direct and reimbursable should be shown on separate lines and identified with a (D) for direct or (R) for reimbursable after the appropriation title. Direct object class codes to be included in "Total Contracts" are: T12511, T12521, T12531, T12532, T12533, T12541, T12551, T12561, T12571, and T12581. Reimbursable object class codes to be included in "Total Contracts" are: T22511, T22521, T22531, T22532, T22533, T22541, T22551, T22561, T22571, and T22581.

"Other Services Contracts" will equal Object Class 25.2 (T12521 for direct and T22521 for reimbursable) resources reflected on the Program and Financing Schedule.

Note: * If percentage of other services contracts (object class 25.2) exceeds 15% of total contracts a narrative explanation is also required.

Exhibit to be submitted to OUSD(C) Operations and Personnel Directorate, room 3D868

Exhibit PB-19 Contract Reporting by Appropriation

DEPARTMENT OF DEFENSE MANAGEMENT HEADQUARTERS

FY PY Actual				FY CY Estimate				FY BY1 Estimate				FY BY2 Estimate			
Military			Total	Military			Total	Military			Total	Military			Total
Avg	Civ	Total	Obligation	Avg	Civ	Total	Obligation	Avg	Civ	Total	Obligation	Avg	Civ	Total	Obligation
Strength	FTEs	Mpwr	(\$ 000)	Strength	FTEs	Mpwr	(\$ 000)	Strength	FTEs	Mpwr	(\$ 000)	Strength	FTEs	Mpwr	(\$ 000)

INSTRUCTIONS

Category/Organization/Appropriation/Fund: This exhibit provides manpower, payroll, and non-labor cost data directly related to the Management Headquarters mission. Data will be displayed by appropriation/fund (including Military Personnel) for all organizations listed in the DoD Directive 5100.73, Department of Defense Management Headquarters Activities. Additionally, this exhibit will separately identify the manpower and cost data by Combatant and Non-Combatant Management Headquarters Activities. Resources for International Military Headquarters are not to be reported in this exhibit; these costs are to be reported on the PB-55. A narrative explanation is required for all increases and decreases. Non-labor costs that are not directly related to the Management Headquarters mission such as Pentagon Renovation should not be reported in this exhibit. Components should footnote the items that are excluded. Organizations will be displayed according to the following categorization of Management Headquarters Activities. Manpower and TOA will be identified by appropriation or fund for each management headquarters category.

I. Combatant Management Headquarters Activities

1. Combatant Commands*
2. Service Combatant Commands*

II. Non-Combatant Management Headquarters Activities

1. Defense-Wide Activities
 - a. Departmental Activities
 - b. Departmental Support Activities
 - c. Functional Activities (Defense Agencies, Other)
2. Military Department Activities*
 - a. Departmental Activities
 - b. Departmental Support Activities
 - c. Functional Activities

III. Reconciliation of Increases and Decreases

* To include direct reporting units, as appropriate.

- Under "Total Obligations" TOA should be limited to costs directly in support of management headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the Department. Classified data will be reported.
- Under each appropriation/fund, manpower strengths and funds will be identified as direct or reimbursable.
- Totals will be provided by categories listed above, e.g., Combatant Commands, Service Combatant Commands, etc.
- Revolving funds that support headquarters activities will be reflected in the same fashion as appropriated funds.
- A total summary by appropriation/fund and category (Combatant/Non-Combatant) must be provided.
- National Guard and Reserve officers serving on active duty and performing duties described in 10 U.S.C. 10211 will be excluded from this exhibit.
- Numbers reported in this exhibit must be consistent with the numbers reported in the Components' budgets and accompanying FYDP, as identified by program elements designated as management headquarters. This data should also agree with the data reported in the PBA-16 exhibit.

POC: _____ Phone No. _____

Exhibit PB-22 Management Headquarters

PROFESSIONAL MILITARY EDUCATION SCHOOLS

SERVICE _____

SCHOOL _____

(Provide a separate exhibit for each school)

I. Narrative Description (Statement of Requirements and Mission):

II. Description of Operations Financed: Provide a description of what is funded below. Include the course length and frequency. Indicate whether or not short courses, correspondence courses, and non-resident courses are included. Indicate other activities funded by the school such as wargaming facilities and other support activities.

III. Financial Summary (\$ Thousands):

	<u>FY CY</u>			<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>	<u>FY CY/FY BY1</u> <u>Change</u>	<u>FY CY/FY BY2</u> <u>Change</u>
	<u>FY PY</u>	<u>Budget</u> <u>Request</u>	<u>Appn</u>				
Mission (O&M)							
Base Operations							
Military Personnel							
O&M							
Military Personnel ^{1/}							
School Personnel							
Total Direct Program							
Total Reimbursable Program ^{2/}							
Total Direct and Reimbursable							

^{1/} Use standard rates (i.e. average cost per officer and average cost per enlisted) to calculate military personnel assigned.

^{2/} As a minimum, include costs of courses that are being reimbursed from acquisition training funds and reimbursement from Foreign Military Sales (FMS). Identify reimbursements from acquisition training separately.

Provide a description of changes between the current year appropriation and current estimate as well as between the current year and the budget year 1 (BY1) and between the BY1 and budget year 2 (BY2).

Exhibit PB-24 Professional Military Education Schools
(Page 1 of 3)

PROFESSIONAL MILITARY EDUCATION SCHOOLS

SERVICE _____

SCHOOL _____

IV. Performance Criteria and Evaluation:

	<u>FY PY</u>	<u>FY CY</u> <u>Estimate</u>	<u>FY BY1</u> <u>Estimate</u>	<u>FY BY2</u> <u>Estimate</u>	<u>FY CY/FY BY1</u> <u>Change</u>	<u>FY CY/FY BY2</u> <u>Change</u>
<u>Direct Funded:</u>						
Student Input						
Student Load						
Graduates						
<u>Reimbursable Funded:</u>						
Student Input						
Student Load						
Graduates						

Average Cost per Student Load (Total Direct and Reimbursable from Part III divided by the total direct and reimbursable student load.)

Include student input, load, and graduates for resident course only.

III. Personnel Summary: (Exclude students)

	FY CY						
	Budget		Current	FY BY1	FY BY2	FY CY/FY BY1	FY CY/FY BY2
FY PY	Request	Appn	Estimate	Estimate	Estimate	Change	Change
<u>Military End Strength (Total)</u>							
Officers							
Enlisted							
<u>Military Average Strength (Total)</u>							
Officers							
Enlisted							
<u>Civilian End Strength (Total)</u>							
USDH							
<u>Civilian FTEs (Total)</u>							
USDH							

Exhibit PB-24 Professional Military Education Schools

(Page 2 of 3)

Instructions for Professional Military Education (PB-24)

A Separate Exhibit is to be submitted for each of the following schools:

1. National War College
2. Industrial College of the Armed Forces
3. Army War College
4. College of Naval Warfare
5. Air War College
6. U.S. Army Command and General Staff College
7. College of Naval Command and Staff
8. Air Command and Staff College
9. Marine Corps Command and Staff College

In addition, the Army will provide a consolidated exhibit for the National Defense University.

This exhibit is required for the President's budget submission only.

Exhibit PB-24 Professional Military Education Schools

FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET
HOST NATION SUPPORT (HNS) COST EXHIBIT 1/

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____
(\$ in Millions)

I. GENERAL INFORMATION

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
A. EXCHANGE RATE USED				
B. INFLATION RATES USED				
1. Labor				
2. Non-Labor				

II. DIRECT SUPPORT

- A. RENT
- B. LABOR
 - 1. Foreign National Labor Cost Sharing
 - 2. Percent of Labor Covered
 - 3. KATUSA Labor (Korea Only)
- C. UTILITIES
 - 1. Dollar value of HNS
 - 2. Percent of Utilities Covered
- D. FACILITIES
 - 1. Maintenance and Repair
 - 2. Facilities Improvement Program
 - 3. Relocation Construction
 - 4. Other (List)
- E. Miscellaneous (List)
- F. Total
- G. MEMO - Identify amount of cash contribution included above.

Exhibit PB-25 Host Nation Support
(Page 1 of 5)

FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET
HOST NATION SUPPORT (HNS) COST EXHIBIT 1/

COUNTRY (And SUMMARY) _____

DOD COMPONENT _____

FY PY

FY CY

FY BY1

FY BY2

III. END STRENGTH (E/S)

A. FOREIGN NATIONAL DIRECT HIRES

1. E/S funded solely by U.S. 2/
2. E/S funded by host nation cash payments to U.S.
3. E/S funded by host nation assistance-in-kind

B. FOREIGN NATIONAL INDIRECT HIRES

1. E/S funded solely by U.S. 2/
2. E/S funded by host nation cash payments to U.S.
3. E/S funded by host nation assistance-in-kind

C. U.S. DIRECT HIRES

1. E/S funded solely by U.S. 2/
2. E/S funded by host nation cash payments to U.S.
3. E/S funded by host nation assistance-in-kind

D. TOTAL HIRES

1. E/S funded solely by U.S. 2/
2. E/S funded by host nation cash payments to U.S.
3. E/S funded by host nation assistance-in-kind

Exhibit PB-25 Host Nation Support
(Page 2 of 5)

FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET
HOST NATION SUPPORT (HNS) COST EXHIBIT 1/

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____

	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
IV. FULL-TIME EQUIVALENTS (FTEs)				
A. <u>FOREIGN NATIONAL DIRECT HIRES</u>				
1. FTEs funded solely by U.S. <u>2/</u>				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				
B. <u>FOREIGN NATIONAL INDIRECT HIRES</u>				
1. FTEs funded solely by U.S. <u>2/</u>				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				
C. <u>U.S. DIRECT HIRES</u>				
1. FTEs funded solely by U.S. <u>2/</u>				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				
D. <u>TOTAL HIRES</u>				
1. FTEs funded solely by U.S. <u>2/</u>				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				

Exhibit PB-25 Host Nation Support
(Page 3 of 5)

FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET
HOST NATION SUPPORT (HNS) COST EXHIBIT 1/

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____
(\$ in Millions)

FY PY FY CY FY BY1 FY BY2

V. TOTAL COMPENSATION 3/

A. FOREIGN NATIONAL DIRECT HIRES

1. FTEs funded solely by U.S. 2/
2. FTEs funded by host nation cash payments to U.S.
3. FTEs funded by host nation assistance-in-kind

B. FOREIGN NATIONAL INDIRECT HIRES

1. FTEs funded solely by U.S. 2/
2. FTEs funded by host nation cash payments to U.S.
3. FTEs funded by host nation assistance-in-kind

C. U.S. DIRECT HIRES

1. FTEs funded solely by U.S. 2/
2. FTEs funded by host nation cash payments to U.S.
3. FTEs funded by host nation assistance-in-kind

D. TOTAL HIRES

1. FTEs funded solely by U.S. 2/
2. FTEs funded by host nation cash payments to U.S.
3. FTEs funded by host nation assistance-in-kind

1/ HNS is defined as those amounts paid in cash to the U.S. or provided as assistance-in-kind by a Host Nation to defray the costs of U.S. forces permanently assigned in that country during peacetime. Assistance-in-kind (AIK) includes any support provided without charge by the Host Nation, i.e., Japanese local national labor cost sharing. This exhibit is to be completed by country. Part II of the Exhibit is to be completed by country by appropriation. Additionally, complete the exhibit summarizing data for all countries. Similarly, provide a summary of Part II by appropriation. Cost and civilian end strength estimates are to reflect host nation support contributions only for activities supported by appropriated funds.

2/ Excludes non-appropriated funded activities.

3/ Personnel costs are to be consistent with OP-8 budget exhibits.

Exhibit PB-25 Host Nation Support
(Page 4 of 5)

DEFINITIONS

Exchange Rate Used – Rates should be based on approved budgeted rates.

Inflation Rates Used - Indicate the inflation factor used in all calculations provided in the HNS exhibit. If there is a different rate used within non-labor categories, list the items separately. Be sure all amounts shown are adjusted for inflation.

DIRECT SUPPORT

Rents - The amount of lease/rental payments by the Host Nation Government for the use of private property by U.S. forces.

Labor - The amount of payments by the Host Nation for U.S. Direct Hires, Foreign National Direct Hires, and Foreign National Indirect Hires.

Percent of Labor Covered Under Agreement - Indicate the percentage of U.S. forces labor costs paid by HNS.

KATUSA Labor - This category is for Korea only and is the amount of payments made by Korea for Korean Augmentees to the U.S. Army.

Utilities - The amount of payments by the Host Nation for U.S. forces use of on-base and off-base electricity, heating fuels, water, and sewer. Indicate the percentage of U.S. forces utility costs paid by HNS.

Facilities - The amount of Host Nation payments for the planning, design, construction (PDC) and maintenance and repair of facilities used by U.S. forces. Host nation payment for residual value of property turned over to host nations due to base closures is not to be included as HNS.

Maintenance and Repair - The amount of Host Nation payments for the maintenance and repair of U.S. forces' facilities.

Facilities Improvement Program - The amount of Host Nation payments for facilities for the PDC of projects such as family and bachelor housing, community support and recreation facilities, and utilities upgrade. It also includes operational support facilities such as hangars and hardened aircraft shelters.

Relocation Construction - The amount of payments by the Host Nation for facilities for the PDC of projects associated with the relocation of U.S. forces primarily for the convenience of the Host Nation.

Exhibit PB-25 Host Nation Support
(Page 5 of 5)

DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE

	(\$ in Thousands)					
	PY	CY	BY1	BY2	Change	Change
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>CY/BY1</u>	<u>BY1/BY2</u>
Environmental Quality:						
Appropriation: _____						
1. Recurring Costs - Class 0	(Enter Total of a + b)					
a. Manpower						
b. Education & Training						
2. Environmental Compliance - Recurring Costs (Class 0)	(Enter Total of a + b + c + d)					
a. Permits & Fees						
b. Sampling, Analysis, Monitoring						
c. Waste Disposal						
d. Other Recurring Costs						
3. Environmental Pollution Prevention - Recurring Costs (Class 0)						
4. Environmental Conservation - Recurring Costs (Class 0)						
Total Recurring Costs	(Enter Total of 1+2+3+4)					
5. Environmental Compliance - Nonrecurring (Class I/II)						
a. RCRA Subtitle C - Hazardous Waste						
b. RCRA Subtitle D - Solid Waste						
c. RCRA Subtitle I - Underground Storage Tanks						
d. Clean Air Act						
e. Clean Water Act						
f. Planning						
g. Other						
Total Nonrecurring (Class I/II)						

Exhibit PB-28 Funds Budgeted for Environmental Quality
(Page 1 of 2)

DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE

			(\$ in Thousands)			
	PY	CY	BY1	BY2	Change	Change
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>CY/BY1</u>	<u>BY1/BY2</u>
6. Pollution Prevention - Nonrecurring (Class I/II)						
a. RCRA Subtitle C - Hazardous Waste						
b. RCRA Subtitle D - Solid Waste						
c. Clean Air Act						
d. Clean Water Act						
e. Hazardous Material Reduction						
f. Other						
Total Nonrecurring (Class I/II)						
7. Environmental Conservation - Nonrecurring Costs - (Class I/II)						
a. T&E Species						
b. Wetlands						
c. Other Natural Resources						
d. Historical & Cultural Resources						
Total Nonrecurring (Class I/II)						
GRAND TOTAL ENVIRONMENTAL QUALITY						

Environmental Quality Program Outside the United States

(Memo entry for amounts included above) (The amounts entered in this item shall not include any of the 50 states, District of Columbia, Guam, Puerto Rico, or other territories and possessions of the U. S.)

- Notes:*
1. For each environmental security pillar, identify all funding by appropriation/fund that is budgeted for environmental projects/activities.
 2. Provide narrative justification supporting changes between fiscal years.
 3. This exhibit is to be submitted with the OSD Budget Submission and the President's Budget.
 4. Each Component must submit an exhibit for each appropriation/fund and a summary exhibit that includes all appropriation/funds.
 5. The funds requested for the President's budget is to be supported by an attachment identifying the budgeted Class I and Class II environmental projects over \$300,000.

All Cleanup Funds Budgeted for Environmental Security Technology are to be reported on PB 28A.

Exhibit PB-28 Funds Budgeted for Environmental Quality
(Page 2 of 2)

DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE

Environmental Security Technology <u>By Appropriation</u>	(\$ in Thousands)					
	<u>PY</u> <u>Actual</u>	<u>CY</u> <u>Estimate</u>	<u>BY1</u> <u>Estimate</u>	<u>BY2</u> <u>Estimate</u>	<u>Change</u> <u>CY/BY1</u>	<u>Change</u> <u>BY1/BY2</u>
1. Cleanup						
2. Compliance						
3. Pollution Prevention						
4. Conservation						
TOTAL						

1. Provide a summary sheet of all appropriations/funds.
2. Provide narrative justification for changes from year to year
3. For each appropriation, include applicable breakout categories. For example, for activities funded by RDT&E appropriations, separately identify the amounts for each budget activity:
BA1 - Basic Research, BA2 – Advanced Research, BA3 - Advanced Technology Development, BA4 - Demonstration/Validation, BA5 – Engineering and Manufacturing Development, BA6 - RDT&E Management Support, and BA7 - Operational Systems Development.

Exhibit PB-28A Funds Budgeted for Environmental Security Technology

ADMINISTRATIVE MOTOR VEHICLE OPERATIONS (PB-41)

(Name of Component)

(Dollar in Thousands)

<u>Cost Category</u>	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>CY-BY1 Change</u>	<u>BY1-BY2 Change</u>
1. Operating Costs for Non-Tactical Fleets						
2. Accident Damage (Net loss to Government)						
3. Vehicle Procurement Costs						
4. Commercial Leases						
5. IFMS Leases						
6. Disposal Costs						
7. Capital Expenditures for Facilities and Equipment						
8. Privately Operated Vehicles						
Total						

Distribution by Appropriation/Fund

(Identify the amounts included above by appropriation and fund.)

Total

BACKGROUND: The Consolidated Omnibus Budget Reconciliation Act of 1985, Subtitle C - Federal Motor Vehicle Expenditure Control of Public Law 99-272, requires that each Federal Agency establish and operate a central monitoring system for motor vehicle costs and establish a data collection system and to report such data in support of the President's budget. Guidance as to the definition and coverage of this requirement is provided by the General Services Administration in Federal Property Regulations. The Vehicles used for military training, combat or tactical purposes are specifically excluded.

PREPARATION REQUIREMENTS: Each Component of the Department is required to complete a PB-41 Motor Vehicle Operations Exhibit. These will be used by the Office of the Under Secretary of Defense (Comptroller), Operations & Personnel Directorate, 3D868 Pentagon, to prepare a consolidated exhibit, which will be provided to the Office of Management and Budget as required by OMB Circular A-11. *In order to meet the OMB schedule and include this information in the printed President's budget request, the PB-41 exhibit for the Congressional Justification/Presentation must be submitted by January 5th.*

Exhibit PB-41 Administrative Motor Vehicle Operations

DoD Component
FY BY1/BY2 OSD Submit/President's Budget
Competition and Privatization

DATE

Instructions: Each Service and Defense Agency/Activity is to submit this exhibit. Negative reports are required.

For Section I: Report the number of FTEs that are candidates for competition. This should reflect the results of the Inventory of Commercial Activities required by OMB in a memorandum dated May 12, 1998.

For Section II: Report baseline manpower and dollars for all single function studies completed (in PY) and scheduled (FY CY, BY1, BY2, etc.) for outsourcing or privatization. Each activity should be reported in the year that the study is scheduled to be initiated. The annual cost for each activity should be reported even if you plan to outsource during the fiscal year. For civilian substitution, report the military end strength converted to civilian positions. Report personnel data by appropriation, (e.g., O&M, Revolving Funds, etc.) The cost of activities to be studied represents the total cost of operating the competed activity.

For Section III: Report the same information as Section II for multi-function studies.

For Section IV: The cost to conduct studies is the cost associated with conducting the competition and privatization (C&P) study. The costs should reflect actual costs in the PY and the amounts budgeted in the other years to conduct the studies. In the narrative description section, discuss the methodology used to develop study costs and provide justification for deviations from the average of \$2,000 per FTE. Costs should be reported by appropriation.

For Section V: Report costs of transition to Most Efficient Organization (MEO) or contract. Such costs include severance pay, Voluntary Separation Incentive Pay (VSIP), etc. In the narrative section, discuss the methodology used to determine transition costs including the categories of cost included.

For Section V: Show personnel and dollar savings from competitions completed in the year being reported plus the annualized savings from previous years. An example follows:

	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>
FY 1998 Savings	-50	-100	-100	-100	-100	-100	-100
FY 1999 Savings		-50	-100	-100	-100	-100	-100
FY 2000 Savings			-50	-100	-100	-100	-100
Etc.							
Total Savings (To be included in exhibit)	-50	-150	-250	-300	-300	-300	-300

Gross savings should not be offset by the cost of studies or transition costs. In the narrative description, include a discussion of the methodology used to develop both manpower and dollar savings. Also indicate whether the savings have been distributed to specific program.

Net savings should be offset by the cost of studies and transition costs.

Part I A-76 Studies

	Actual	Estimates							
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>	<u>Total</u>
I. Commercial Activities Inventory									
II. Single Function Studies:									
A. Total Positions Studied/to be Studied									
<u>Manpower:</u> (Identify applicable appropriations separately)									
Military									
Civilian Substitution (Report the number of military positions that are being converted to civilian positions. Exclude end strength reported above.)									
Civilian									
Total Civilians and Military									
B. <u>Cost for Activities to be Studied (\$ in Thousands):</u> (Identify applicable appropriations separately)									
Mil Pers									
O&M									
Revolving Funds									
Etc.									
Total Cost									
III. Multi-Function Studies:									
A. Total Positions Studied/to be Studied									
<u>Manpower:</u> (Identify applicable appropriations separately)									
Military									
Civilian Substitution (Report the number of military positions that are being converted to civilian positions. Exclude end strength reported above.)									
Civilian									
Total Civilians and Military									
B. <u>Cost for Activities to be Studied:</u> (\$ in Thousands) (Identify applicable appropriations separately)									
Mil Pers									
O&M									
Revolving Funds									
Etc.									
Total Cost									
IV. <u>Cost to Conduct Studies</u> (\$ in Thousands) (Identify applicable appropriation separately)									
<u>Number of Studies Conducted</u>									
V. <u>Transition Costs</u> (\$ in Thousands) (Identify applicable appropriation separately)									
VI. <u>Projected/Actual Savings Reflected in Budget</u>									
A. <u>Manpower:</u> (Identify applicable appropriation separately)									
Military E/S									
Civilian FTEs									
Total Civilians and Military									

Part I A-76 Studies (continued)

	Actual	Estimates							
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	FY BY2	<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>	<u>Total</u>
B. <u>Gross Dollar Savings</u> (\$ in Thousands) (Identify applicable appropriation separately)									
Mil Pers									
O&M									
Revolving Funds									
Etc.									
Total Dollar Savings									
C. <u>Net Dollar Savings</u> (\$ in Thousands) (Identify applicable appropriation separately)									
Mil Pers									
O&M									
Revolving Funds									
Etc.									
Total Dollar Savings									

Direct Conversions (specify by appropriation)**Narrative Description:**

Part II Other

	Actual					Estimates				
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>		<u>FY BY2+1</u>	<u>FY BY2+2</u>	<u>FY BY2+3</u>	<u>FY BY2+4</u>	<u>Total</u>
<u>Baseline Information</u> (Amount budgeted in each year) (Specify Appropriation)										
Depot Maintenance										
Utilities										
Housing										
<u>Amount Subject to Privatization</u> (Specify appropriation)										
Depot Maintenance (Amount budgeted in each year that will be subject to competition)										
Utilities (Operation and Maintenance costs of utilities to be privatized by appropriation)										
Housing (Cost of Housing Being Privatized)										
<u>Cost of Privatization</u> (Specify Appropriation)										
Depot Maintenance										
Utilities										
Housing										
<u>Savings Included in the Budget</u> (Specify Appropriation)										
Depot Maintenance										
Utilities										
Housing										

DATE _____

CHILD DEVELOPMENT, *SCHOOL-AGE CARE*, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS

Identify Component

(TOA, \$ in Millions)

FY PY

FY CY

FY BY1

FY BY2

I. CHILD CARE PROGRAMS

(Child Development Program (CDP) & School Aged Care (SAC) Programs for children 0-12)

A. CHILD DEVELOPMENT CENTERS

Appropriation (Identify costs by appropriation (i.e., O&M, Mil Con, etc.) and total)

Total Direct Costs ^{1/}

Total Indirect Costs ^{2/}

Total (should include the expense elements in DoDI 7000.12)

Child Care Parent Fee Revenue

Non-Appropriated Fund Subsidy

Workload

No. of Child Care Spaces (operational capacity)

Personnel

Civilian FTEs (Appropriated Fund Employees)

Nonappropriated Fund (NAF) FTEs funded thru URD/USA with Appropriated Funds (APF)

Total

B. FAMILY CHILD CARE

Appropriation (Identify costs by appropriation and total)

Personnel

Civilian FTEs (Appropriated Fund Employees Only)

Nonappropriated Fund (NAF) FTEs funded thru URD/USA with Appropriated Funds (APF)

Total

Workload

No. of Child Care Spaces (operational capacity)

C. SUPPLEMENTAL PROGRAM SERVICES/RESOURCE & REFERRAL/OTHER

Appropriation (Identify costs by appropriation and total)

Personnel

Civilian FTEs (Appropriated Fund Employees Only)

Nonappropriated Fund (NAF) FTEs funded thru URD/USA with Appropriated Funds (APF)

Total

Workload

No. of Child Care Spaces (operational capacity)

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs

(Page 1 of 5)

CHILD DEVELOPMENT, *SCHOOL-AGE CARE*, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS

Identify Component

		(TOA, \$ in Millions)		
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
D. <i>SCHOOL-AGE CARE (SAC)</i>				

Appropriation (Identify costs by appropriation (i.e., O&M, Mil Con, etc.) and total)

Total Direct Costs ^{1/}

Total Indirect Costs ^{2/}

Total (should include the expense elements in DoDI 7000.12)

SAC Parent Fee Revenue

Non-Appropriated Fund Subsidy

Personnel

Civilian FTEs (Appropriated Fund Employees)

Nonappropriated Fund (NAF) FTEs reimbursed with Appropriated Funds (APF)

Total

Workload

No. of SAC Spaces (operational capacity)

No. of SAC Care Spaces Required (100%)

% of Spaces to Required Spaces

TOTAL CHILD CARE PROGRAM

Appropriation

Total Direct Costs ^{1/}

Total Indirect Costs ^{2/}

Total (should include the expense elements in DoDI 7000.12)

Total Parent Fee Revenue

NAF Subsidy

Personnel

Civilian FTEs (Appropriated Fund Employees Only)

Workload

No. of Child Care Spaces (operational capacity)

No. of Child Care Spaces Required (100%)

% of actual Spaces to Required Spaces

Explanation of Changes: For each category, provide an explanation of the changes between current & budget year 1 (BY1) and between BY1 and budget year 2 (BY2); identify price & program growth between each year.

^{1/} *Direct costs include those costs that can be directly attributed to the activity and include civilian pay and benefits, travel, training, supplies and equipment, contracts, FCC subsidy, etc.*

^{2/} *Indirect cost includes costs that are attributed to more than one activity and include rents, utilities, communications, minor construction, repair and maintenance, contracts, and engineering support.*

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs

(Page 2 of 5)

CHILD DEVELOPMENT, *SCHOOL-AGE CARE, (SAC)* FAMILY CENTERS, AND FAMILY ADVOCACY
PROGRAMS

Identify Component

		(TOA, \$ in Millions)		
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>

II. YOUTH PROGRAMS

Appropriation (Identify costs by appropriation (i.e. O&M, Mil Con, etc.) and total)

Total Direct Costs ^{1/}

Total Indirect Costs ^{2/}

Total (should include the expense elements in DoDI 7000.12)

Estimated Youth Fee Revenue

Non-Appropriated Fund Subsidy

Personnel

Civilian FTEs (Appropriated Fund Employees)

Nonappropriated Fund (NAF) FTEs reimbursed with Appropriated Funds (APF)

Total

Narrative: Explain changes between current year and budget year (BY1) and between BY1 and BY 2. Identify price and program growth between each year.

III. FAMILY CENTERS

Appropriation (Identify costs by appropriation and total)

Personnel

Military (E/S)

Civilian FTEs

Workload (Excludes workload supported by OSD funds (i.e. Relocation, Transition, Family Advocacy). These are documented separately.

- A. The number of single transactions which take approximately 10-15 minutes or less.
- B. Cases (assessment/case management/counseling) which take longer than 10-15 minutes (each session is counted as one).
- C. Number of people involved in command consultation (briefings, meetings, unit visits).
 - D1. Number of classes
 - D2. Number of participants in classes.

Narrative: Explain changes between current year and budget year (BY1) and between BY1 and BY 2. Identify price and program growth between each year.

IV. FAMILY ADVOCACY PROGRAM *(To be completed by the DoD Dependent Schools) (Services should not fill in unless they have funds separate from DoD Dependent Schools funding.)*

- A. CORE FAMILY ADVOCACY PROGRAM (Prevention, Direct Services, Training, Evaluation and Administration)

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs
(Page 3 of 5)

CHILD DEVELOPMENT, *SCHOOL-AGE CARE, (SAC)* FAMILY CENTERS, AND FAMILY ADVOCACY
PROGRAMS

Identify Component

	(TOA, \$ in Millions)			
	<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>
A.1. Prevention Services				
<u>Appropriation</u> (Identify costs by appropriation and total)				
<u>Personnel</u>				
Military (E/S)				
Civilian FTEs				
Contract Employees FTEs				
<u>Workload</u>				
Number Served (Actual population contacts)				
Workload per Prevention Services Provider (Number Served divided by the Number (FTE) of Prevention Services Providers)				
A.2 Direct Services				
<u>Appropriation</u> (Identify costs by appropriation and total)				
<u>Personnel</u>				
Military (E/S)				
Civilian FTEs				
Contract Employees FTEs				
<u>Workload</u>				
Number Served (Actual population contacts)				
Workload per Direct Services Staff				
A.3. Training, Evaluation, and Administration				
<u>Appropriation</u> (Identify costs by appropriation and total)				
<u>Personnel</u>				
Military (E/S)				
Civilian FTEs				
Contract Employees FTEs				
B. <u>NEW PARENT SUPPORT</u>				
<u>Appropriation</u> (Identify costs by appropriation and total)				
<u>Personnel</u>				
Military E/S				
Civilian FTEs				
Contract Employees FTEs				
<u>Workload</u>				
Number Served				

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs

(Page 4 of 5)

CHILD DEVELOPMENT, *SCHOOL-AGE CARE, (SAC)* FAMILY CENTERS, AND FAMILY ADVOCACY
PROGRAMS

Identify Component

		(TOA, \$ in Millions)	
<u>FY PY</u>	<u>FY CY</u>	<u>FY BY1</u>	<u>FY BY2</u>

C. YOUTH AT RISK

Appropriation (Identify costs by appropriation and total)

Personnel

Military E/S

Civilian FTEs

Contract Employees FTEs

Workload

Youth Served

TOTAL FAMILY ADVOCACY PROGRAM

Appropriation (by appropriation and total)

Personnel

Military E/S

Civilian FTEs

Contract Employees FTEs

Narrative: Explain changes between current year and budget year (BY1) and between BY1 and BY2 at the total program level. Identify price and program growth between each year.

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs

(Page 5 of 5)

(\$ Millions)

Exhibit PB-52A DoD Aeronautics Budget
Page 1 of 2

Instructions
Exhibit PB-52A_DoD Aeronautics Budget

1. Purpose. This exhibit identifies research and development funding for Aeronautics programs. The data are used to prepare the overall DoD input into the annual President's Aeronautics and Space Report which is prepared by the Office of Management and Budget (OMB). A copy of the final report is available for information in the OUSD(Comptroller) Investment Directorate.

2. Submission.

a. Exhibit PB-52A should separately identify all RDT&E program elements providing funds in support of the development of systems, subsystems and components used in rotary and fixed wing aircraft.

b. Data are to be provided in millions of dollars, using 3 decimal points.

c. Submission of the required exhibit will be made in hard paper copy and in a DOS/Excel format. [Floppy disk: 360K, 5 1/4"; or 1.44MB, 3 1/2"].

d. The submission of the completed exhibits to the OUSD(Comptroller) is due no later than 15 working days after transmission of the President's budget to the Congress.

3. Entries.

Exhibit PB-52A (Aeronautics Programs)

a. Program Title. Insert the official program title as reflected in the R-1 budget exhibit.

b. Program Element Number. Insert the official 8-digit program element designator as reflected in the R-1 budget exhibit.

c. Budget Estimate. The completed exhibits are to reflect the estimated cost, as funded in the Future Year Defense Program (FYDP), by fiscal year for the period FY 19PY-2 through FY 19BY2 (the three prior years, the current year and the budget years). All amounts should be in then years (TY)

DoD Space Budget
(Name of DoD Component)

<u>Appropriation Summary:</u>		FY 19PY-2	FY 19PY-1	FY 19PY	FY 19CY	FY 19BY1	FY 19BY2
		<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
<p>(List by appropriation)</p>							
<u>Program Data</u>							
Program:	Program	FY 19PY-2	FY 19PY-1	FY 19PY	FY 19CY	FY 19BY1	FY 19BY2
<u>Title</u>	<u>Element</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>

Exhibit PB-52B DoD Space Budget

Page 1 of 4

Instructions for Preparation of Exhibit PB-52B
DoD Space Budget

1. Purpose. This exhibit identifies all funding for Space programs. The data will be used to prepare an exhibit which reflects total DoD funding for Space Programs. The data from the DoD exhibit is used to support a myriad of Space Budget Justification requirements including Congressional Space Budget Justification and the DoD input into the President's Aeronautics and Space Report which is prepared by the Office of Management and Budget (OMB). The data are also used to support congressional hearings on space programs and to fulfill other various information requests regarding space-related funding.

2. Submission.

a. Exhibit PB-52B is required to identify funding in all DoD appropriations directly or indirectly related to space based systems.

b. The data are to be provided in millions of dollars, using 3 decimal points.

c. Submission of the required exhibit will be made in hard paper copy and in a DOS/Excel format. [Floppy disk: 360K, 5 1/4"; or 1.44MB, 3 1/2"].

d. The submission of the completed exhibit to the OUSD(Comptroller) is due no later than fifteen (15) working days after transmission of the President's Budget to the Congress.

3. Entries.

Exhibit PB-52B

a. Program Title. Insert the official program title as reflected in the P-1, R-1, C-1, Military Personnel, and Operation & Maintenance budget justification exhibits.

b. Program Element Number. Insert the official 8-digit program element number related to the program/activity.

c. Appropriation. Insert the funding appropriation of the program/activity entry. Below are the valid appropriations for this exhibit:

<u>Air Force</u>	<u>Navy</u>	<u>Army</u>	<u>Defense Agencies</u>
APAF	SCN	APA	PDA
WPAF	APN	MPA	NG&RE
OPAF	WPN	PW&TCV	DPA
RDT&E,AF	OPN	OPA	RDT&E,DA
O&M,AF	PMC	RDT&E,A	O&M,DA
MILPER,AF	RDT&E,N	O&M,A	MILPERS,DA
MILCON,AF	O&M,N	MILPERS,A	MILCON,DA
	MILPER,N	MILCON,A	
	MILCON,N		

e. Factor. If the funding for a Space related activity is only a fraction on the total in a given program element, identify the percent of the total program relating to Space activity. (Example: in most cases the proper response is 100%, however if only half the funds budgeted in a given budget line is related to space, enter 50%).

f. Category. Categorize the line entries by the following Space activity:

Navigation consists primarily of programs related to Space based navigation and positioning systems. This category would include funding for development, procurement, operations and use of TRANSIT and NAVSTAR/GPS satellite: satellite ground control costs to include operations and maintenance; costs of contractor technical and engineering support; Federal civilian and Milpers costs; construction of peculiar system support facilities and equipment; development and procurement of user terminals; development, procurement and installation of antennas and command and control hardware and software.

Communication includes programs related to providing a satellite communications service. This category would include funding for satellite development and procurement and operation of MILSTAR, DSCS, FLTSATCOM, UHF Follow-on, etc.; satellite ground control costs to include operations and maintenance; costs of contractor technical and engineering support; Federal civilian and Milpers costs; construction of peculiar system support facilities and equipment; development and procurement of user terminals; development, procurement and installation of antennas and command and control hardware and software.

Mapping includes programs related efforts to obtain more accurate data for geographic maps and charts and provide geophysical information to strategic and tactical weapon systems. This category would include funding for system to identify size, shape, and gravity field of the earth. This category would include funding for satellite development and procurement; satellite ground control costs to include operations and maintenance; costs of contractor technical and engineering support; Federal civilian and Milpers costs; construction of peculiar system support facilities and equipment; development and procurement of user terminals; development, procurement and installation of antennas and command and control hardware and software.

Meteorology consists of programs that supply timely weather information such as the DMSP satellite. Would include procurement and development of satellites; satellite ground control costs to include operations, and maintenance; costs of contractor technical and engineering support; Federal civilian and Milpers costs; construction of dedicated system support facilities; development and procurement of user terminals; development, procurement and installation of antennas and command and control hardware and software.

Launch Vehicles includes the cost of developing and procuring expendable launch vehicles; costs of DoD use of the NASA Space Shuttle vehicle. This category would include the cost of Titan IV, Atlas II, Delta II, the National Launch System, Pegasus and other space launch vehicles.

Surveillance includes those costs related to providing detection of land, sea and air surveillance. Would include costs of DSP, Brilliant Eyes, Improved Space Based TW/AA satellite, ALARM and other strategic and tactical satellite procurement and development programs; satellite ground control costs to include operations and maintenance; costs of contractor technical and engineering support; Federal civilian and Milpers costs; construction of peculiar system support facilities; development and procurement of user terminals; development, procurement and installation of antennas and command and control hardware and software.

Intelligence includes those costs relating to providing space based intelligence service. This category would include cost of user systems procurement and development; command & control costs to include operations and maintenance costs; costs of contractor technical and engineering support; Federal civilian and Milpers costs; construction of peculiar system support facilities; development and procurement of user terminals; development, procurement and installation of antennas and associated hardware and software. Note: the completed exhibit should not exceed a SECRET clearance level.

Missile Defense includes those costs relating to providing a defense from strategic and tactical ballistic missiles. This would include cost of developing and procuring space based interceptor such as Brilliant Pebbles and space based kinetic and directed energy weapons. This would also include: cost of technical and engineering studies and architecture development; cost of ground control to include operations and maintenance; costs of contractor technical and engineering support; Federal civilian and Milpers costs; construction of peculiar system support facilities; development and procurement of terminals; development, procurement and installation of antennas and command and control hardware and software.

General Support includes various functions such as costs for support the deployment and sustainment of space based systems. This category would include operations and maintenance cost of space launch facilities and infrastructure; the cost of maintaining and operating the west and east coast ranges. This would include the cost of contractor technical and engineering support; Federal civilian and Milpers costs; construction of facilities; development and procurement of terminals; development, procurement and installation of antennas and command and control hardware and software.

Supporting RDT&E includes those costs relating to space systems technology not directly associated with a particular spacecraft or vehicle. This would include the development of common components; developing generic technologies for space based components and launch vehicles; Technological Base development; and the cost of space test programs.

- g. Budget Estimate. Insert in millions (3 decimals) the approved funding for the three prior budget years, current year, the budget years, and four outyears. All amounts should be in then years (TY).

DEPARTMENT OF _____
FY 19BY1/FY 19BY2 PRESIDENT'S BUDGET

BUDGETED MILITARY AND CIVILIAN PAY RAISE AMOUNTS (\$ IN THOUSANDS)

<u>MILITARY PERSONNEL</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
<u>Military Personnel</u> , Army, Navy, MC, Air Force			
CY	(Specify date and percentage of pay raise)		
BY1	(Specify date and percentage of pay raise)		
BY2	(Specify date and percentage of pay raise)		
Total			
<u>Reserve Personnel</u> , Army, Navy, MC, Air Force			
CY	(Specify date and percentage of pay raise)		
BY1	(Specify date and percentage of pay raise)		
BY2	(Specify date and percentage of pay raise)		
Total			
<u>National Guard Personnel</u> , Army, Air Force			
CY	(Specify date and percentage of pay raise)		
BY1	(Specify date and percentage of pay raise)		
BY2	(Specify date and percentage of pay raise)		
Total			
TOTAL MILITARY PERSONNEL			
<u>CIVILIAN PERSONNEL</u>			
<u>Operations and Maintenance</u> , Army, Navy, MC, Air Force Defense Agencies			
<u>Classified</u>			
CY	(Specify date and percentage of pay raise)		
BY1	(Specify date and percentage of pay raise)		
BY2	(Specify date and percentage of pay raise)		
Total			
<u>Wage Board</u>			
CY	(Specify date and percentage of pay raise)		
BY1	(Specify date and percentage of pay raise)		
BY2	(Specify date and percentage of pay raise)		
Total			
<u>Foreign National</u>			
CY			
BY1			
BY2			
Total			
Total Operation and Maintenance			
<u>Research, Development, Test, and Evaluation (RDT&E)</u> , Defense Business Operations Fund, Family Housing, etc.			
TOTAL CIVILIAN PERSONNEL			

Exhibit PB-53 Budgeted Military and Civilian Pay Raise Amounts

CIVILIAN PERSONNEL HIRING PLAN
 COMPONENT _____
 FY _____

APPROPRIATION: _____

<u>Month</u>	<u>E/S</u> <u>Beginning</u>	<u>Gains</u>	<u>Separations</u>			<u>Total</u>	<u>Net</u> <u>Change</u>	<u>E/S</u> <u>Revised</u>	<u>FTE</u>
a	b	c	<u>Attrition</u> d	<u>Retire</u> e	<u>RIF</u> f	g	h	i	j
Oct									
Nov	<u>Definitions</u>								
Dec	<u>Column</u>	<u>Title</u>	<u>Definition</u>						
Jan									
Feb	a	Month	Month of the fiscal year						
Mar	b	E/S Beginning	Civilian end strength at the beginning of the month						
Apr	c	Gains	Civilian end strength hires during the month						
May		Separations	Column d-f; civilian personnel losses during the month						
Jun	d	Attrition	Civilian end strength monthly losses not covered in columns e and f						
Jul	e	Retire	Number of civilian employees who retired during the month						
Aug	f	RIF	Number of civilian employees who separated due to reductions in force during the month.						
Sep	g	Total	Sum of columns d-e; total number of civilian separations during month						
Total	h	Net Change	Net change of gains and separations (column c less column g)						
	i	E/S Revised	End Strength at the end of the month (column b plus column h)						
	j	FTE	Full time equivalents. Enter full time equivalent for month.						

The October, E/S Beginning (column b) is the same as the September E/S Revised (column i) of the previous fiscal year.

The September E/S Revised (column i) must match the end strength reported on other budget exhibits (OP-5, OP-8).

The Total annual FTE (total of column j) must match FTE reported on other budget exhibits (OP-5, OP-8).

This exhibit must be provided for the current year (FY CY) and the budget years (FY BY1 and FY BY2) for both the OSD/OMB Budget Estimates Submission and for the President's budget submission.

Exhibit PB-54 Civilian Personnel Hiring Plan

INTERNATIONAL MILITARY HEADQUARTERS

FY PY Actual				FY CY Estimate				FY BY1 Estimate				FY BY2 Estimate			
Military			Total	Military			Total	Military			Total	Military			Total
Avg	Civ	Total	Obligation	Avg	Civ	Total	Obligation	Avg	Civ	Total	Obligation	Avg	Civ	Total	Obligation
Strength	FTEs	Mpwr	(\$ 000)	Strength	FTEs	Mpwr	(\$ 000)	Strength	FTEs	Mpwr	(\$ 000)	Strength	FTEs	Mpwr	(\$ 000)

INSTRUCTIONS

Category/Organization/Appropriation: This exhibit will provide manpower, payroll, and non-labor cost data directly related to DoD personnel serving in the International Military Headquarters mission. Data will be displayed by appropriation/fund (including Military Personnel). A narrative explanation is required for all increases and decreases.

Manpower and TOA will be identified by appropriation or fund as displayed in the following example:

	FY BY1 Estimate			
	Military A/S	Civilian FTEs	Total Mpwr	Total Obl. (\$000)
<u>International Military Headquarters</u>	<u>1,225</u>	<u>256</u>	<u>1,481</u>	<u>89,517</u>
MPMC	255		255	15,600
MPN	970		970	59,031
OMN		256	256	14,886
(DIR)		(250)	(250)	(14,461)
(REIMB)		(6)	(6)	(425)

- Under “Total Obligations” TOA should be limited to costs directly in support of International Military headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the Department.
- Under appropriation, manpower strengths and funds will be identified as direct or reimbursable.
- Revolving funds that support headquarters activities will be reflected in the same fashion as appropriated funds.
- A total summary by appropriation, as well as a grand total, will be provided.
- Classified data will be reported.
- National Guard and Reserve officers serving on active duty and performing duties described in 10 U.S.C. 10211 will be *excluded* from this exhibit.
- Attached an addendum to provide a listing of organizational acronyms and their meanings used in this exhibit.

POC: _____ Phone No. _____

Exhibit PB-55 International Military Headquarters

OVERSEAS MILITARY BANKING PROGRAM (OMBP)
[MILITARY DEPARTMENT] BUDGET ESTIMATE

	(Dollars in Millions)			
<u>ELEMENT</u>	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
<u>INCOME</u>				
• Interest Income				
• Less Interest Expense				
• Net Interest Income				
• F/X Earnings				
• Account Charges				
• Other Income				
TOTAL NET INCOME				
<u>OPERATING EXPENSES</u>				
• Staff Expenses				
• Salaries and Wages				
• Employment Expenses				
• Severance Payments				
• Other				
• Equipment Expenses				
• Purchases Under ₪25,000 Unit Price				
• Purchases Over ₪25,000 Unit Price				
• Rental/Maintenance				
• Premise Expenses				
• Other Operating Expenses				
• Loss & Damage (Bad Debt Expenses)				
• Administrative Expenses				
• Direct				
• Indirect Allocation for Mil Bnkng Admin, Home/District Office and DP)				
• Transition Costs (As Appropriate)				
TOTAL OPERATING EXPENSES				
NET OPERATING COST [Total Net Income Minus Total Operating Expenses]				
MANAGEMENT FEE				
PERFORMANCE/INCENTIVE FEE				
<u>TOTAL OMBP COSTS</u>				

Exhibit OMBP-01 Overseas Military Banking Program

OVERSEAS MILITARY BANKING PROGRAM (OMBP)
[MILITARY DEPARTMENT] BUDGET ESTIMATE

<u>ELEMENT</u>	<u>FY 19PY</u>	<u>FY 19CY</u>	<u>FY 19BY1</u>	<u>FY 19BY2</u>
<u>FUNDING PROFILE (Dollars in Millions)</u>				
<ul style="list-style-type: none">• <u>Operation and Maintenance</u>• <u>Procurement</u>• <u>Other</u> (Specify)				
<u>NUMBER OF OVERSEAS MILITARY BANKING FACILITIES</u>				
<ul style="list-style-type: none">• Full-Time Military Banking Facilities (MBFs)• Part-Time Military Banking Facilities (MBFs)• Pay Day Service Facilities• Automated Teller Machines (ATMs)				
<u>OTHER</u>				
<ul style="list-style-type: none">• Full Time Equivalents (FTEs)				

Exhibit OMBP-01 Overseas Military Banking Program

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5	RESEARCH, DEVELOPMENT AND EVALUATION APPROPRIATIONS	July 1996
6	MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS	July 1996
7	BASE REALIGNMENT AND CLOSURE APPROPRIATIONS	July 1996
8	REAL PROPERTY MAINTENANCE/MINOR CONSTRUCTION	July 1996
9	DEFENSE BUSINESS OPERATIONS FUND BUSINESS AREA ANALYSIS	July 1996
10	PUBLIC ENTERPRISE, MANAGEMENT AND TRUST FUNDS	July 1996
11	OFFSETTING RECEIPTS	July 1996
12	DEFENSE HEALTH PROGRAM	July 1996
13	DEFENSE ENVIRONMENTAL RESTORATION PROGRAM	July 1996
14	DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES	July 1996
15	OVERSEAS COST REPORT	July 1996
16	INTELLIGENCE PROGRAMS/ACTIVITIES	July 1996
17	COMMAND, CONTROL AND COMMUNICATIONS	July 1996
18	INFORMATION TECHNOLOGY	July 1996
19	OTHER SPECIAL ANALYSES	July 1996
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19	OTHER SPECIAL ANALYSES	JUNE 1998

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VOLUME 3

BUDGET EXECUTION--AVAILABILITY AND USE OF BUDGETARY RESOURCES

DECEMBER 1996

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 3

BUDGET EXECUTION -- AVAILABILITY AND USE OF BUDGETARY RESOURCES

DECEMBER 1996

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



DEC 31 1996

FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Volume 3 of the "DoD Financial Management Regulation" establishes procedures for DoD Components to use in budget execution. Specifically, it details the availability and use of budgetary resources.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Unified Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

The Defense Finance and Accounting Service will provide copies of this Volume, and other previously unpublished volumes, of this Regulation through its normal publication channels. Early in 1997, all 15 volumes of the Financial Management Regulation will be available on the Internet at <http://www.dtic.mil/comptroller/fmr>. Printed or CD-Rom copies of the Regulation may be ordered through the Internet Homepage or directly from the Defense Automated Printing Service, at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.


John J. Hamre

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INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD Components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller) (USD(C)). The Regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation and Presentation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations, Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Appropriations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A.1.a.(1)(a)
SUBPARAGRAPHS

PUBLICATIONS INCORPORATED

This Volume of the “DoD Financial Management Regulation” incorporates the policy and procedures contained in the following publications:

DoD 7110.1-M “DoD Budget Guidance Manual” (Chapters: 412, 422, 423, 425, 431, 432, 441, 442, and 451)

DoD 7220.9-M “DoD Finance and Accounting Manual” (Chapters: 25, 27, 32 and 77)

CHAPTER 1**TEMPORARY APPROPRIATION WARRANTS****0101 GENERAL**

This Chapter provides general background information on appropriation warrants, general guidance on requesting temporary appropriation warrants under continuing resolutions, and specific guidance on the submission requirements for temporary appropriation warrants.

0102 BACKGROUND

An appropriation warrant is a financial control document, issued pursuant to law (usually appropriation acts) by the Treasury Department, that establishes the amount of monies authorized to be withdrawn (disbursed) from the central accounts that are maintained by the Treasury Department. The warrant is the basis for recording appropriations (cash) on the books of the Treasury Department and the Department of Defense. However, if legislation on new appropriations is not completed by the beginning of the fiscal year, continuing resolution legislation typically is enacted by the Congress and requires a different warrant procedure. Treasury Department procedures usually require that temporary appropriation warrants be prepared by the Agency. Such warrants are submitted to the Treasury Department, reviewed, and countersigned by a representative of the General Accounting Office (GAO) on behalf of the Comptroller General of the United States. Authenticated copies of the temporary appropriation warrants then are furnished to the Agency. Additional background information can be found in the "Treasury Financial Manual," Part II, Chapter 2000, Section 2030.

0103 GENERAL GUIDANCE

Temporary appropriation warrants will be prepared when the Department of Defense is operating under the provisions of a continuing resolution and is advised by the Office of Management and Budget to proceed in establishing Treasury balances. Within the Department of Defense, each Military Service and the Defense Finance and Accounting Service - Indianapolis Center (on behalf of Treasury Index 97 Secretary of Defense accounts) shall submit warrant requests directly to the Treasury Department Fund Management Division. Obligations and disbursements will be incurred consistent with the provisions and authority contained in the continuing resolution legislation and also in accordance with specific guidance issued by Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

0104 SPECIFIC GUIDANCE

The following guidance applies to requests for temporary appropriation warrants:

010401. When advised by the OUSD(C), the aforementioned organizations will prepare temporary appropriation warrant requests when under a continuing resolution. Dollar values will relate only to appropriations pending enactment. The request shall be submitted to the Treasury Department within 10 days.

010402. The temporary appropriation warrant value is *normally* an annual amount that is derived by formula for each account. The warrant amount is determined by taking the lower of the direct amount available for obligation for the previous fiscal year, the House-passed appropriations bill and the Senate passed appropriations bill by individual account. Estimates for reimbursable requirements are not included in temporary appropriation warrants.

010403. As required by the “Treasury Financial Manual,” requests for temporary appropriation warrants will contain, as a minimum, the following information:

- A. The legislative authority for the request (Public Law number).
- B. The account symbols for the current fiscal year and the annualized amounts requested for each account. Unless otherwise indicated by the OUSD(C), amounts will be determined by paragraph 010402
- C. The amounts appropriated in the prior fiscal year.
- D. The amounts of formal budget requests for the account for the current year (as transmitted in the budget and any subsequent amendments by the President) relating to the accounts involved.
- E. The numbers, status of, and amounts allowed by any related appropriation bills.
- F. The amount of unobligated balances that are carried over into and out of the new fiscal year. Since the budget estimates of unobligated balances at the end of the year usually are not finalized at this time, the amount carried out of the old fiscal year will equal the amount carried over into the new fiscal year.

010404. The requests shall be sent directly to:

Department of the Treasury
Financial Management Service
Funds Management Division
Room 6F06
3700 East-West Highway
Hyattsville, MD 20782-1849

010405. One copy of the temporary appropriation warrant, as approved by the Treasury Department, will be submitted to the OUSD(C), Office of the Deputy Comptroller (Program/Budget), Directorate for Program and Financial Control. The DoD Component shall immediately notify the OUSD(C) of any discrepancy between their request and the approved Treasury warrant.

010406. Amounts reflected on the temporary appropriation warrant shall be reported on line 1.A of the Report of Budget Execution (SF 133) and also on line 1.A of the Apportionment and Reapportionment Schedule (SF 132).

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CHAPTER 2

APPORTIONMENT AND REAPPORTIONMENT SCHEDULE0201 GENERAL

020101. This Chapter provides information for the preparation and submission of the Apportionment and Reapportionment Schedule (Standard Form (SF) 132) as required by Office of Management and Budget (OMB) Circular No. A-34 and includes all exceptions to Circular No. A-34 procedures approved by the OMB National Security Division.

020102. Apportionment is part of the government-wide system for the administrative control of appropriations and funds. It is a distribution of an amount available for obligation and/or commitment in an appropriation or fund account into amounts available for specified time periods, activities, projects or combinations thereof as approved by the OMB and the OUSD(C). The amounts so apportioned limit the obligations that may be incurred. Revisions to the previous apportionment, called reapportionment, reflect changes in the amount of financial resources previously authorized for obligation. Both apportionment and reapportionment are subject to further controls in the form of specified footnotes and scheduled rates of obligation.

0202 COVERAGE

020201. Accounts Requiring SF 132. The Apportionment and Reapportionment Schedule (as specified in Appendix A) will be used for the following types of accounts that are required to be apportioned:

- A. Military function accounts.
- B. Civil function accounts (e.g., Wildlife Conservation).
- C. Credit financing (e.g., direct loan or loan guarantees).

020202. Accounts Exempted from Requirements of SF 132. The following accounts are exempted from apportionment on SF 132:

- A. Accounts that are available only for nonexpenditure transfer to other accounts.
- B. Expired accounts.
- C. Accounts that have been fully obligated before the beginning of the year.
- D. Foreign currency accounts.

E. Trust funds, including deposit funds, unless the OMB notifies the Department that specific accounts will be apportioned. The National Security Education Trust Fund shall require apportionment.

F. Consolidated working funds.

G. Other accounts individually exempted by the OMB (e.g., payment to the Military Retirement Fund).

020203. Availability of Balances Beyond the Fiscal Year. The balances of apportionments made in previous years will not be used to initiate or enlarge programs identified in appropriations for the current year. Such programs will be financed only to the extent permitted by the new appropriation (including joint resolutions making continuing appropriations).

020204. Adjustments Without Submission of SF 132. Unless the OMB determines otherwise, amounts apportioned will be adjusted as follows without submission of an SF 132:

A. Adjustments in the amount of unobligated balances brought forward, up to \$200,000 or one percent of total budgetary resources, whichever is lower, may be added to or subtracted from the apportionment for the period in progress when the adjustment is made. (Memorandum type forms may be prepared at the option of the DoD Component for internal Component use.)

B. Amounts of supplemental appropriations or other authority enacted in the last quarter will be added to the apportionment for the last time period. (Memorandum type forms may be prepared at the option of the DoD Component for internal Component use.) Inter-appropriation transfers specified in the language of appropriations acts enacted in the last period are excluded from the provisions of this paragraph.

C. Amounts of budget authority adjustments (line 1.D) or unobligated balances transferred (line 2.B), up to \$200,000 or one percent of total budgetary resources, whichever is lower, may be added to, or subtracted from the apportionment for the period in progress when the adjustment is made. (Memorandum type forms may be prepared at the option of the DoD Component for internal Component use.)

D. Amounts of indefinite budget authority, and reimbursements, that are realized above or below anticipated amounts, up to \$200,000 or one percent of budgetary resources, whichever is lower, may be added to or subtracted from the amount apportioned for the last time period.

E. Anticipated transfers previously apportioned on lines 1.E or 2.C which become realized do not require submission of an SF 132 for that purpose. The transfer should be reflected as realized on lines 1.D or 2.B when subsequent reapportionments are submitted.

F. Amounts of estimated unobligated balances which are footnoted in accordance with paragraph 020301.C, above, are adjusted to the actual amounts (+ or -) brought forward.

G. If the Congress completes action on a rescission proposal within the 45-day period prescribed in law and rescinds the exact amount proposed by the President, reapportionment action is not required to reflect the reduction in budget authority or unobligated balances. The SF 132 will be adjusted to reflect the enacted rescission when reapportionment action is requested for other reasons.

H. Actual recoveries of prior year obligations in multi-year and no-year accounts will be reflected in the unobligated balance in the initial SF 132 for the second, third, etc., year of an account. Recoveries occurring during the year will be apportioned automatically if so footnoted by the OMB on the SF 132. As reapportionments are generated for other purposes during the year, amounts for recoveries will be reflected in all columns on Line 4A, Actual Recoveries of Prior Obligations. A change to Line 4A will not result in the initiation of an SF 132 reapportionment action. The following footnote will be included on all multi-year and no-year accounts containing unobligated balances:

“In addition to amounts apportioned herein, actual recoveries of prior-year obligations are automatically apportioned.”

NOTE: If recoveries have been realized, subsequent footnotes will be amended to change the word “actual” to “additional.”

I. Amounts transferred from/to the Foreign Currency Fluctuations, Defense; Foreign Currency Fluctuations, Construction, Defense; Environmental Restoration Fund, Defense; or ADP Equipment Management Fund accounts are apportioned upon approval of the subject internal reprogramming action by the OUSD(C). Accounts for which these transfers are applicable are to include the following footnote in Section 8 of the SF 132.

“This apportionment is adjusted automatically to reflect transfers to or from the Foreign Currency Fluctuations, Defense; Foreign Currency Fluctuations, Construction, Defense; Environmental Restoration Fund, Defense, or ADP Equipment Management Fund accounts.”

As reapportionments are generated for other purposes during the year, amounts of actual transfers will be reflected in all columns of the SF 132. Subsequent footnotes will be amended to insert the word “additional” before “transfers.”

J. Reprogramming of resources for payment of obligations that otherwise would have been chargeable to canceled accounts shall be made in accordance with the purposes stated in Section 8080 of P.L. 101-511, as supplemented by current DoD reprogramming policies, accounting directives and guidance. Accounts for which these obligations are permissible are to include the following footnote in Section 8 of the SF 132.

“Up to one percent of the original appropriation or the unobligated balance, whichever is less, may be utilized for the purpose of obligation adjustments and payments, that otherwise would have been chargeable (both to purpose and amount) to a canceled appropriation.”

K. Amounts reported as orders received for the reimbursable programs of accounts listed in paragraph 0206, below.

0203 SUBMISSION REQUIREMENTS

020301. Initial Apportionment Request. Initial SF 132 will be submitted to the OUSD(C), Directorate for Program and Financial Control (P&FC), at the following times:

A. Within five calendar days after completion of congressional action on a DoD appropriations act or substantive act or not later than August 14 where congressional action on a new appropriations act is completed prior to August 9. At the direction of the OUSD(C), the SF 132 also are to include certain transfers specified in the appropriations act on lines 1.E or 2.C (1.A and 6.E (-) additionally for reappropriations).

B. Not later than August 14 for revolving and public enterprise funds, and for other accounts having unobligated balances carried forward. In addition, an SF 132 for the new fiscal year shall be submitted on all accounts that have amounts withheld on Line 9 or 10 in the current fiscal year, and for which balances will be withheld in the next fiscal year. The amounts reported should be the best estimate of the balances withheld at the close of the fiscal year and if amounts differ from those currently withheld, a revised SF 132 for the current fiscal year should accompany the submission to bring the amounts into agreement.

C. Not later than August 14 for multi-year appropriations and other accounts having balances available for obligation in the next fiscal year that are not requested by OUSD(C) letter apportionment. The following footnote should be included:

“Amounts apportioned are automatically adjusted by the difference between the estimated and actual unobligated balance brought forward (+ or -).”

The footnote, if appropriate, will apply to the amount shown on line 2A.

NOTE: Obligations incurred will not exceed the amount(s) in section 8 of the above SF 132 plus or minus adjustments between estimated and actual unobligated balance brought forward. Obligations incurred in excess will be in violation of Title 31, United States Code, section 1517.

D. At such time and in such manner as determined by the OUSD(C) and/or the OMB for apportionments required under Continuing Resolution Authority, and for other reasons.

020302. Reapportionment Request. Reapportionment requests will be submitted on SFs 132 to the OUSD(C), under the following circumstances:

A. Whenever a change in the apportionments previously made becomes necessary because of changes in amounts available (e.g., actual reimbursements differ significantly from estimates), program requirements, cost factors or rescissions.

B. Whenever there have been significant changes in estimates shown on the form for appropriation receipts or reimbursements, or when there has been any change in the amount of transfers.

C. Whenever a change is required to quarterly apportioned amounts in Military Personnel, Operation and Maintenance, Defense Health Program or Family Housing Operation and Maintenance accounts.

D. Whenever a change is required to budget activity level (construction category) amounts in Military Construction and Family Housing Construction accounts.

E. Whenever a change is required to contract authority authorizations.

F. Whenever a change is required to borrowing authorities.

G. Whenever a change is required in credit financing accounts.

H. Within five calendar days after completion of congressional action on an Appropriations Act, or substantive act providing additional budget authority, except for adjustments covered by paragraph 020204.B of this Volume.

I. Not later than November 30 to correct an estimated unobligated balance brought forward to agree with the amount shown on the final Report on Budget Execution (SF 133) for the previous year, except for adjustments covered by paragraph 020204.F of this Volume.

H. Revised SFs 132 will be submitted to the OUSD(C) immediately upon completion of congressional action or inaction on proposed rescissions identified on the SFS 132 only upon expiration of 45 calendar days of continuous session without completion of action on a proposed rescission or upon rescission of an amount different from that proposed by the President. Revised SFs 132 also will be required should the Congress rescind all or a portion of the amount proposed by the President subsequent to the expiration of the prescribed 45 days of continuous session. SFs 132 must be prepared in advance and be held for immediate processing to assure that they reach the OMB upon enrollment of the rescission bill, upon expiration of the 45 days where congressional action on a rescission is incomplete, or on the day following the passage of a resolution disapproving an executive deferral. SFs 132 relating to these actions will include only those changes relating to congressional action on the amount reserved. No other changes are to be included on these actions.

Congressionally initiated rescissions may occur as the result of the reconciliation process established by the Congressional Budget Act (2 U.S.C. 641) or because of changing priorities or economic conditions during the year. Where the Congress takes such action, and an apportionment action for the involved account is not in process at the OUSD(C) or the OMB, a revised SF 132 will be submitted on the date of enactment of the reconciliation or rescission bill. The DoD Components will ensure that reduced appropriations are not exceeded.

020303. Number of Copies. Submit an original and one copy of SF 132 and supporting schedules. The SF 132 shall be produced utilizing the OUSD(C) supplied Microsoft Excel template or other software subject to OUSD(C) approval.

020304. Signature. An official not below the level of the Assistant Secretary (Financial Management and Comptroller) will sign the original of SF 132 submitted by the Military Department. Signature authority may be redeligated to another official in the Comptroller organization.

020305. Supporting Schedules. The following supporting schedules are required. These will be collated with the SF 132.

A. Each apportionment document shall be accompanied by an informal written explanation of the requested apportionment action and the appropriate points of contact for program content and administration.

B. Exhibit PB-48, "Analysis of Reimbursements" (see Appendix B). This schedule is required with SF 132 whenever there is a request to increase or decrease previously apportioned amounts of reimbursable authority. A short statement will be provided at the bottom of the PB-48 explaining why the change is requested.

C. Exhibit PB-49, "Schedule of Transfers" (see Appendix C). This schedule is required whenever there are transfer or reappropriation amounts reflected on lines 1.D, 1.E, 2.B and/or 2.C.

D. For the Army Conventional Ammunition Working Capital Fund, a schedule is required showing division or materiel category, sales, obligations, and total authority,

E. For the Working Capital Funds, a schedule is required showing Service/Agency business areas by appropriations, obligations, orders, capital and contract authority.

0204 NOTIFICATION TO COMPONENT OF OUSD(C) AND OMB ACTION

020431. Notification to DoD Components of OUSD(C) Action. Upon submission of the SF 132 to the OMB, the OUSD(C) will notify the Component involved of amounts recommended by the OUSD(C) if such amounts differ significantly from those requested by the DoD Component.

020402. Action by OMB. The OMB will indicate to the OUSD(C) the action taken in regard to the initial request for apportionment within the time prescribed by law, and in regard to reapportionment, generally within fifteen days after receipt of the request.

020403. Notification to DoD Component of OMB Action. Upon receipt of the written notification of OMB action on the SF 132, the OUSD(C) will provide a copy of the SF 132 reflecting such action, together with correspondence relating thereto, to the DoD Component.

0205 SPECIAL INSTRUCTIONS

020501. In certain instances, apportionment requests may anticipate the need for supplemental budget authority. In such instances, the following footnote will be made to the SF 132:

“This apportionment request indicates a necessity for a supplemental appropriation now estimated at \$_____.”

Approval of the above footnote on the apportionment request does not authorize exceeding the apportioned available resources in an account.

020502. Military Construction, NATO and Family Housing

A. Completion of SF 132

1. Military construction apportionment or reapportionment requests will be structured to correspond to the budget activities approved for use in the President's Budget, utilizing lines under Category B of the SF 132, as follows:

8B(1). Major construction. This summary estimate will cover the acquisition of land for, and construction of, major construction projects usually authorized in specific dollar amounts in Military Construction Authorization Acts.

8B(2). Minor construction. This summary estimate will cover unspecified minor construction projects which have a funded cost of \$1 million or less including construction, alteration or conversion of permanent or temporary facilities as authorized under Title 10, United States Code, section 2805.

8B(3). Planning. This program will cover planning and design activities.

8B(4). Supporting activities. This summary estimate will cover general authorizations not included in 8.B(2) and 8.B(3) above, for all other activities which directly or indirectly support the military construction

program when financed from these appropriations. Examples are the defense access road program and minor land acquisitions.

8B(5). Reimbursable construction work. This summary estimate will cover any construction work and service orders undertaken for others on a reimbursable basis.

2. NATO Recoupments. NATO Infrastructure recoupments will be reported as available for apportionment on line 3.A, SF 132, for the “NATO Security Investment Fund” apportionment and will be used to finance the United States’ share of NATO Infrastructure programs.

3. Family Housing. Family Housing multi-year funds (Construction), Family Housing annual funds (Debt Payment, Operations and Maintenance) and the Family Housing Improvement Fund (Program and Credit Financing accounts) will require separate apportionment requests.

(a) Family Housing Construction. Family Housing Construction apportionment requests will be structured to correspond to the budget activities approved for use in the President’s Budget, utilizing lines under Category B of the SF 132, as follows:

8B(1). Construction of new housing. This summary estimate will cover the cost of new construction projects authorized in the appropriate Military Construction Authorization Acts.

8B(2). Construction improvements. This summary estimate will cover the cost of regular improvements, energy conservation improvements, and minor construction.

8B(3). Planning. This summary estimate will cover planning and design activities.

(b) Family Housing Operation and Maintenance. The Family Housing Support apportionment request will be structured utilizing Category A lines of the SF 132 as follows:

8A(1-4). Operation, Maintenance, Leasing. The estimate will be the amount required to operate, maintain and lease family housing units on a fiscal year quarter basis. The amounts should not be cumulative.

(c) Family Housing Improvement Fund. Apportionment and Reapportionment requests shall be submitted for the FHIF Program account and, when necessary, the FHIF Direct Loan Financing account and the FHIF Guaranteed Loan Financing account. Category B apportionment shall be used to reflect applicable administrative expenses, direct loan

subsidy, guaranteed loan subsidy and other miscellaneous items for the FHIF Program account. Category A and B combinations may be used for direct loan and guaranteed loan financing accounts, when appropriate.

020503. Commissary Store Facility Construction - Trust Revolving Fund. Public Law 97-321 (October 15, 1982) amended 10 U.S.C. 2685 to permit obligation of anticipated proceeds from the adjustments or surcharges authorized by Section 2685. Prior to any such obligation of funds, the amounts must be apportioned as contract authority on line 1.C of the SF 132.

020504. Credit Limitations. The applicable OMB instructions may prescribe an annual limitation on the amounts of direct loans and loan guarantees for Federal credit programs. These limitations will be apportioned unless specifically exempted by the OMB, and will be in addition to the apportionment of the related program account. Further, these limitations will be apportioned either as Category A or B. The OUSD(C) will provide additional guidance as necessary.

020505. Letter Apportionments. Letter apportionments may be requested by OUSD(C) and/or issued by the OMB under certain circumstances, such as, periods under Continuing Resolution Authority, for multi-year estimated/actual unobligated balance approvals, for sequestration, for prior approval reprogramming actions or internal reprogramming actions. Subsequent requests for reapportionment will reflect the amounts approved on the letter apportionment in all columns of the SF 132.

020506. Interim Apportionment Authority for Initial Appropriations Act. In cases where an apportionment request that reflects initial appropriations act resources is still pending after the start of the fiscal year, the authority to obligate resources is automatically apportioned, until the receipt of an OMB approved apportionment, to a level that is reasonable and customary for the time period. This authority may be further limited by OUSD(C) and OMB direction.

0206 AUTOMATIC APPORTIONMENT OF REIMBURSEMENTS

020601. In May 1992, the OMB repealed all policies addressing automatic apportionment of reimbursables. Only the accounts listed in paragraph 020602, below, can continue with automatic reimbursable authority.

020602. Reimbursable authority will be automatically apportioned to the extent orders are received for the following accounts:

- A. Military Personnel, Navy
- B. Military Personnel, Marine Corps
- C. Operation and Maintenance, Army
- D. Operation and Maintenance, Navy
- E. Operation and Maintenance, Marine Corps
- F. Operation and Maintenance, Air Force

- G. Operation and Maintenance, Army Reserve
- H. Operation and Maintenance, Navy Reserve
- I. Operation and Maintenance, Marine Corps Reserve
- J. Operation and Maintenance, Air Force Reserve
- K. Operation and Maintenance, Army National Guard
- L. Operation and Maintenance, Air National Guard
- M. Defense Health Program*
- N. Research, Development, Test and Evaluation, Army
- O. Research, Development, Test and Evaluation, Navy
- P. Military Construction, Army
- Q. Military Construction, Navy

* Approved October 28, 1992

020603. A footnote shall be included on all SF 132 submissions as follows:

“In addition to the amounts apportioned herein, an amount or amounts equal to the value or orders received and accepted within the fiscal year is hereby automatically apportioned upon receipt and acceptance of such orders pursuant to the OMB letter of May 15, 1992.”

and as follows for the ensuing years of an unexpired account:

“In addition to the amounts apportioned herein, an amount or amounts equal to the value of adjustments to prior year orders received and accepted within the fiscal year is hereby automatically apportioned upon receipt and acceptance of adjustments to such orders pursuant to the OMB letter of May 15, 1992.”

020604. Amounts automatically apportioned shall be included on subsequent reapportionment documents in all columns.

0207 DEFERRALS AND RESCISSIONS

020701. Deferrals

A. Available budgetary resources may be withheld from obligation temporarily through the apportionment process with the intent of apportioning them for use later, before they expire. Such deferral action may be taken by the OMB on its own initiative or at the request of the Department. Budgetary resources may be deferred as reserves to provide for contingencies under provisions of 31 U.S.C. 1512; or they may be deferred for other reasons under the Impoundment Control Act (2 U.S.C. 684), except that funds available for only one fiscal year may not be deferred throughout that year.

B. All funds deferred through the apportionment process must be reported to the Congress in special messages. The Congress may overturn a deferral at any time by passing a law disapproving the deferral. If the Congress takes no action to disapprove reported deferrals,

those deferrals may remain in effect until the end of the fiscal year unless a special message indicates that an earlier release is planned. For annual accounts and the last year of multiple-year accounts, however, funds may be deferred only for part of the year.

C. As the fourth quarter approaches, Components should review all deferrals (particularly of funds expiring at the end of the year) to ensure that amounts deferred for only part of the year will be released in time to be used prudently before the year ends. If a determination is made that such amounts should not be used, a rescission will be proposed prior to the beginning of the fourth fiscal quarter. Only in exceptional cases will rescissions be proposed during the fourth quarter. All proposed rescissions must be approved by the OMB.

D. If amounts actually becoming available are less than anticipated for indefinite budget authority, transfers, reimbursements, or recoveries, the difference will be deducted from amounts apportioned and not from amounts deferred or otherwise unapportioned, unless specific provision is made for a different treatment on the approved apportionment form or reapportionment action is taken. Whenever it is determined that a deferred amount will not be required to carry out the purposes of the appropriation or other authority, it will be recommended for rescission as required by law (31 U.S.C. 1512 and 2 U.S.C. 683).

020702. Rescissions

A. The Impoundment Control Act specifies that, whenever the President determines that all or part of any budget authority will not be required to carry out the full objectives or scope of programs for which it is provided, the President will propose to the Congress that the funds be rescinded. Likewise, if all or part of any budget authority limited to a fiscal year (e.g., annual appropriations or budget authority for the last year of multiple-year accounts) is to be reserved for the entire fiscal year, a rescission will be proposed. Budget authority also may be proposed for rescission for other reasons. Generally, amounts proposed for rescission will be withheld during the time the proposals are being considered by the Congress. This may be accomplished through OMB apportionment action and through agency withholding action.

B. All funds proposed for rescission, including those withheld, must be reported to the Congress in special messages. Positive action in the form of an enacted law must be completed to rescind funds. If both houses of the Congress have not completed action on a rescission proposed by the President within 45 calendar days of continuous session, any funds being withheld must be made available for obligation.

020703. DoD Policy

OMB Circular No. A-34 recognizes the possibility of agency deferrals that are not identified in connection with the apportionment process. These are categorized as deferrals of funds provided for a specific purpose or project when such deferral would result in obligation for such specific purpose or project at a pace significantly slower than intended by the Congress. Since it is the policy of the Secretary of Defense to obligate programs consistent with

the expressed intent of the Congress, this category of action should not take place within the Department. Strict adherence to this policy, however, does not preclude the continuance of prudent administrative actions reflected on financial authorizations that affect the timing of obligations for reasons related to the routine financial management of an appropriation, program, or project or to comply with procurement regulations or sound procurement practices. Any action taken in this regard must consider the intent of the Congress in providing funds as the primary criterion in determining whether a reportable deferral exists. Accordingly, DoD officials responsible for such actions must, at all times, be ready to support these judgments to any reviewing authority.

Standard form 132 (Revised September 1995) Office of Management and Budget Circular No. A-34		Fiscal Year: 1996 OSD No.		
APPORTIONMENT AND REAPPORTIONMENT SCHEDULE				
AGENCY DEPARTMENT OF DEFENSE BUREAU DEPARTMENT OF THE AIR FORCE		APPROPRIATION OR FUND TITLE AND SYMBOL <div style="text-align: center;"> Aircraft Procurement, Air Force 57 6/8 3010 </div>		
DESCRIPTION	AMOUNT ON LATEST SF 132	SUBMITTED BY COMPONENT	REQUESTED BY SECDEF	ACTION BY CMB
BUDGETARY RESOURCES 1. Budget authority A. Appropriations..... B. Borrowing Authority..... C. Contract authority..... D. Net transfers, current year authority (+ or -)..... E. Other..... 2. Unobligated balance A. Brought forward October 1..... B. Net transfers prior year balance, actual (+ or -)..... C. Anticipated transfers prior year balance (+ or -)..... 3. Spending Authority from offsetting collections (Gross) A. Earned 1. Collected..... 2. Receivable from federal sources..... B. Change in unfilled customers' orders (+ or -) 1. Advance received..... 2. Without advance from federal sources..... C. Anticipated for rest of year: 1. Advance for anticipated orders..... 2. Without advance..... D. Transfers from trust funds: 1. Collected..... 2. Anticipated..... 4. Recoveries of prior year obligations A. Actual..... B. Anticipated..... 5. Temporarily unavailable pursuant to P.L. 6. Permanently not available A. Cancellations of expired and no-year accounts (-)..... B. Enacted rescissions of prior year balances (-)..... C. Capital transfers and redemption of debt (-)..... D. Other authority withdrawn (-)..... E. Pursuant to P.L. (-)..... F. Anticipated for rest of year (+ or -)..... 7. Total Budgetary Resources.....				
APPLICATION OF BUDGETARY RESOURCES 8. Apportioned Category A: Memorandum Obligations: (1) First quarter (2) Second quarter (3) Third quarter (4) Fourth quarter Category B: (1) (2) (3) (4) (5) 9. Withheld pending rescission..... 10. Deferred..... 11. Unapportioned balance of revolving fund..... 12. Total Budgetary Resources.....				
Submitted.....		Apportioned.....		
Date:		Date:		

Exhibit PB-46

INSTRUCTIONS FOR PREPARATION OF SF 132
“APPORTIONMENT AND REAPPORTIONMENT SCHEDULE,”
IDENTIFIED AS EXHIBIT PB-46

1. Headings. All headings are self-explanatory.
2. Units of Entries. Display all amounts to the nearest dollar.
3. Column Entries. The DoD Components will make entries in the “Amount On Latest SF 132” and the “Submitted By Component” columns. The OUSD(C) will make entries in the “Requested By SecDef” column. Entries in the “Amount On Latest SF 132” column will be transcribed from the “Action By OMB” column of the most recently OMB approved SF 132 as adjusted by the OMB approved amounts on a Letter Apportionment or certain transfers which are automatically apportioned, if applicable. If it is necessary to request reapportionment when SFs 132 are pending at the OMB, the entries for the “Amount On Latest SF 132” column will be the amounts reflected in the “Requested By SecDef” column on the pending SF 132. All footnotes of a limitation nature relating to entries in the “Action By OMB” column of the most recently approved apportioned position will also be transcribed (if not being revised or deleted in the current action). Complete all entries in the “Amount On Latest SF 132” column even though OMB has not entered the values in the “Action By OMB” column (Lines 1 through 7).
4. Line Entries. The SF 132 contains 12 major lines of data. Lines 1 through 7 represents the value of actual and future budgetary resources contained within an account (usually by program year). Lines 8 through 12 represent the status of these same resources as relating to what is apportioned, what is withheld and what is not apportioned. Most lines are further subdivided in order to display a more definitive representation of a resource.
 - a. Line 1A - “Appropriations”
 - (1) Enter the amount of appropriations (excluding appropriations to liquidate contract authority) specified in an appropriations act or in a substantive act and becoming available on or after October 1 of the fiscal year and net of amounts of appropriations earmarked for payments on the principal of agency debt.
 - (2) Include any enacted supplemental appropriations and the portion of indefinite appropriations warranted by the Treasury Department. In the case of special fund accounts and trust fund accounts which have been designated as “available by the Treasury Department”, enter the amount of receipts credited to the appropriation accounts (excluding amounts to liquidate contract authority).
 - (3) Include rescissions specifically identified to the account that are directed in appropriation language.
 - (4) This line is also used to reflect a reapportionment as the result of a nonexpenditure transfer or appropriation language.

(5) Enter the annualized level of budget authority provided by a Continuing Resolution prior to an appropriations act.

b. Line 1.B - "Borrowing authority." Enter the amount of new borrowing authority planned for the fiscal year. The amount can be definite or indefinite Treasury borrowing authority.

(1) For direct loan financing accounts, enter the estimated amount of Treasury borrowing needed to cover direct loan obligations not financed by offsetting collections.

(2) For guaranteed loan financing accounts, enter the amount of Treasury borrowing needed to cover any default claims that cannot be financed by unobligated balances or specific offsetting collections.

(3) For other revolving fund accounts, such as Homeowners' Assistance, enter the amount of indefinite borrowing authority anticipated to be obligated during the year.

c. Line 1.C - "Contract authority." Enter the amount of contract authority anticipated to be obligated during the year. New budget authority will be reflected even though subsequent appropriations or collections credited to the account are used to liquidate contract authority obligated balances.

d. Line 1.D - "Net transfers, current year authority (+ or -)." Enter the net amount of transfers to (+) or from (-) the account when the source appropriations were made available in the current fiscal year. The entries on this line reflect nonexpenditure transfers between two Federal Government accounts (with the exception of trust funds). This line is also used to reflect reappropriations, as transfers, in the gaining and losing accounts. Individually list the transfer source or receiving account on Exhibit PB-49.

e. Line 1.E - "Other." Enter amounts of anticipated new budget authority under existing law, such as anticipated indefinite appropriations, anticipated new authority to spend agency debt receipts, or anticipated transfers of current year authority as specified by an OUSD(C) implementation document (data sheet). Do not include anticipated supplemental appropriations. As anticipated resources are realized, the amounts move from this line to the applicable realized resources line.

f. Line 2.A - "Brought forward October 1." Enter the unobligated balance of the account brought forward as of October 1 of the current fiscal year. When it is necessary to submit an SF 132 prior to the availability of data to be shown in the final SF 133 report as of September 30, use an estimate of the unobligated balance and identify as "EST." Otherwise, the entry on this line must agree with the unobligated balance shown in the September 30 final SF 133 report. This line applies only to no-year and unexpired multiple-year accounts.

g. Line 2.B - "Net transfers prior year balance, actual (+ or -)." Enter the amount of any unobligated balance of prior year authority actually transferred to (+) or from (-)

the account. This line is also used to reflect, as a transfer, a reappropriation in the gaining and losing accounts. The entry will not include transfers of appropriations enacted for the current fiscal year (shown on line 1.D). The entries on this line are nonexpenditure transfers. Individually list the transfer source or receiving account on Exhibit PB-49.

h. Line 2.C - “Anticipated transfers prior year balances (+ or -).” Enter the amounts of anticipated transfers of prior year balances as specified by an OUSD(C) implementation document (data sheet). Informal clearance by the OUSD(C) is required for inclusion of any anticipated transfer not specified in an implementation memo.

i. Line 3.A.1 - “Collected.” Entries on this line will include a specific category of earnings whether or not subject to automatic apportionment.

(1) Enter the amount of (a) reimbursements and other income earned to date as reported on the most recent SF 133 for deliveries of goods or services that were recorded as collected, and (b) other income collected (as may be appropriate for certain accounts)

earned to date whether or not subject to automatic apportionment. This entry will include any amounts collected from the disposition of assets.

(2) For financing accounts, this will include the subsidy collected from the program account when loans are disbursed.

j. Line 3.A.2 - “Receivable from federal sources.”

(1) Enter the amount of (a) reimbursements and other income earned to date as reported on the most recent SF 133 for deliveries of goods or services that were recorded as earned but not collected, and (b) other income earned but not collected.

(2) For direct loan financing accounts, enter the loan subsidy receivable as reflected on the SF 133. The entry is valid only prior to loan disbursement.

k. Line 3.B.1 - “Advance received.” Enter the change in unfilled customer orders since October 1 accompanied by an advance as reflected on the SF 133.

l. Line 3.B.2 - “Without advance from federal sources.”

(1) Enter the change in unfilled orders since October 1 not accompanied by an advance as reflected on the SF 133.

(2) For direct loan financing accounts, this amount will include the loan subsidy from the program account when the loan is obligated in the financing account.

m. Line 3.C.1 - “Advance for anticipated orders.” There should not be a DoD entry on this line. Advances without orders are held in a deposit account until the order is received.

n. Line 3.C.2 - "Without advance." Enter the current estimate of all other orders to be received during the remainder of the fiscal year. The sum of lines 3.A.1 through 3.C.2 will equal the offsetting collection estimate approved in the President's Budget unless the SF 132 amends that position. There will be no entry on this line for which reimbursements are subject to automatic apportionment.

o. Line 3.D.1 - "Collected." There should not be a DoD entry on this line. No trust fund transfer to a general fund account currently is applicable in the Department.

p. Line 3.D.2 - "Anticipated." There should not be an entry on this line. No anticipated trust fund transfer to a general fund account currently is applicable in the Department.

q. Line 4.A - "Actual." Enter the amount shown as recoveries of prior year obligations from line 4.A of the latest SF 133.

r. Line 4.B - "Anticipated." Do not use this line without prior approval of the OUSD(C).

s. Line 5 - "Temporarily unavailable pursuant to P.L. _____ (-)." Enter as a minus amount the portion of budgetary resources to be temporarily withheld from availability for obligation pursuant to a specific provision in law.

(1) This entry includes amounts not available for obligation in accordance with continuing resolution legislation. Enter as a negative, that portion of the annualized level not available for obligation.

(2) This entry will also include amounts whose availability for obligation is contingent by law upon the occurrence of a specified event, such as enactment of authorizing legislation, final sequestration determination, offsetting collection not available because of obligation limitations or other events specified by law.

Identify in the stub column the public law containing the restriction. The Impoundment Control Act and 31 U.S.C. 1512 are not valid authorizing citations for this entry.

t. Line 6.A - "Cancellation of expired and no-year accounts (-)." This line typically is left blank for apportionment and reapportionment requests.

u. Line 6.B - "Enacted rescissions of prior year balances (-)." This line will be used as necessary to reflect amounts of enacted prior year balance rescissions. Include rescissions of current year amounts on line 1.A.

v. Line 6.C - "Capital transfers and redemption of debt (-)." This line will be used as necessary to identify amounts transferred for principal repayments to the Treasury for borrowing outstanding. Do not include interest payments on this line.

w. Line 6.D - "Other authority withdrawn (-)." This line typically is left blank for apportionment and reappropriation requests and is used to reflect contract authority and borrowing authority withdrawals.

x. Line 6.E - "Pursuant to P.L. (-)." Enter amounts permanently canceled by law that are not included on other lines.

(1) When a general provision specifies a specific amount is to be reduced from more than one account and authorizes the agency head to distribute the reduction, enter the canceled amount on this line.

(2) Enter the amount permanently canceled to due final presidential sequestration order.

(3) Enter the amount of reappropriation to eliminate any double counting of authority due to entries included on lines 1.D or 2.B.

y. Line 6.F - "Anticipated for rest of year (+ or -)." This line typically is left blank when submitting DoD apportionment or reappropriation requests. Use of this line requires OUSD(C) approval.

z. Line 7 - "Total Budgetary Resources." Enter the sum of entries on lines 1.A through 6.F. This represents the total amount of budgetary resources available for apportionment in the current fiscal year.

aa. Apportioned: Category A - Lines 8.A.(1) through 8.A.(4). These lines are used for accounts designated to be apportioned on a calendar quarter basis.

(1) Enter the amounts requested to be apportioned for each calendar quarter in the fiscal year.

(2) When an account has been operating under a continuing resolution beyond the first quarter of the fiscal year, the line entries for the first and subsequent quarters will be bracketed and a single amount shown for the continuing resolution period.

(3) Reappropriation requests submitted for the purpose of revising amounts previously apportioned will show changes for current and subsequent periods only;

apportionments previously established are not subject to change after the close of the period for which the apportionment was made. When a reappropriation schedule is submitted for the purpose of revising the cumulative amount through the current period to an amount below the cumulative amount for the previous period, a minus figure for the current period will be shown.

(4) In the stub column, enter as a memorandum entry the amount of obligations incurred for the fiscal year as of the latest available date from the SF 133.

bb. Apportioned: Category B - Lines 8.B(1) through 8.B(5). These lines are used for accounts designated to be apportioned on a basis other than calendar quarters.

(1) When authority is apportioned on a basis other than quarterly time periods, identify in the stub column, the activity, function, project, object, or combination thereof on which apportionments will be based. When there is no subdivision of the amount apportioned, line 8.B(1), will be amended to read “Lump Sum.”

(2) In the stub column, enter as a memorandum entry the amount of obligations incurred for the fiscal year as of the latest available date from the SF 133. Obligations will be displayed by the activity, function, project, object, or combination thereof on which the Category B apportionment is based upon.

cc. Line 9 - “Withheld pending rescission.” Enter the amounts which are to be withheld in the current fiscal year and reported as proposed rescissions of budgetary resources. Refer to paragraph 020702 of this volume.

dd. Line 10 - “Deferred.” Enter the amounts which are not requested for apportionment at the present time and which are reported as deferrals of budgetary resources. Refer to paragraph 020701 of this Volume.

ee. Line 11 - “Unapportioned balance of revolving fund. Enter the amount of budgetary resources available or creditable to the fund for the fiscal year but not apportioned in Categories A or B or restrictively being withheld. This line primarily is used for public enterprise funds and intragovernmental revolving funds. Additionally, for guaranteed loan financing accounts, enter the uninvested funding used as a reserve against guaranteed loan defaults.

ff. Line 12 - “Total Budgetary Resources.” Enter the sum of entries on lines 8.A(1) through 11. This entry will be the same as the entry on line 7.

5. Footnotes. Footnotes to entries in all columns will be shown in an addendum that immediately should follow the SF 132.

APPENDIX BINSTRUCTIONS FOR PREPARATION OF EXHIBIT PB-48
“ANALYSIS OF REIMBURSEMENTS”

1. Entries in column b will be the sum of entries in columns c and d.
2. Line 1 - “Total reimbursements.” Enter in each respective column the totals of lines 2, 3, and 4.
3. Line 2 - “Earned.” Enter in column b the sum of lines 3.A.1 and 3.A.2, SF 132, “Submitted By Component” column. Enter in columns c and d the appropriate amounts from column e, Reimbursements Earned, of the most recent “Report on Reimbursements” (DD-Comp(M) 725).
4. Line 3 - “Change in unfilled customer orders.” Enter in column b the sum of lines 3.B.1 and 3.B.2, SF 132, “Submitted By Component” column. Enter in columns c and d the appropriate amounts from column f, Change in Unfilled Orders, of the most recent “Report on Reimbursements.”
5. Line 4 - “Anticipated orders or earnings for rest of year.” Enter in column b the amount from line 3.C.2, SF 132, “Submitted By Component” column. Enter the sum of lines 4.a and 4.b for each column.
 - a. Line 4.a - “As of the most recent SF 133 (Report On Budget Execution).” Enter in columns c and d, the appropriate amounts from column g, Anticipated Orders for Rest of Year, of the most recent “Report on Reimbursements.”
 - b. Line 4.b - “Additional orders (or orders no longer anticipated).” Enter in columns c and d, the estimate of any additional orders or, as a negative number, orders no longer anticipated, based on information becoming available after preparation of the most recent “Report on Reimbursements” and SF 133.
6. Whenever there is an increase or decrease requested for reimbursable authority, a short explanatory statement is required at the bottom of the PB-48 or on a separate sheet of paper to provide reasons why the change to reimbursable authority is being requested.

APPENDIX B
ANALYSIS OF REIMBURSEMENTS

[Appropriation Title & Fiscal Year Program]
In Support of Apportionment No. _____
(In Dollars)

Reimbursements and Other Income	Reimbursements Subject to Apportionment		
	Total (Shown on S.F 132)	Foreign Military Sales Orders and Income	Other Orders and Income
(a)	(b)	(c)	(d)
1. Total reimbursements			
2. Earned or received			
3. Change in unfilled customer orders			
4. Anticipated orders or earnings for rest of year			
a. As of most recent SF 133			
b. Additional orders (or orders no longer anticipated) based on information which became available after preparation of most recent SF 133*			

An Analysis of Reimbursements is required with the SF 132 for each current year account requesting increases to the reimbursable program. Submit one copy of the analysis for each copy of the SF 132.

* When this line is used, a footnote explaining the supporting data for the estimate must be shown. The explanation should be based upon specific orders or cases where appropriate, or upon historical data where the estimate is based upon trends. A reference to such historical accounting data must be included.

Exhibit PB-48

APPENDIX C

SCHEDULE OF TRANSFERS

(In Dollars)

INSERT ACCOUNT TITLE HERE

19XX/19XX

This schedule is required whenever there are transfer amounts reflected on lines 1.D, 1.E, 2.B, or 2.C of the SF 132. Display: (a) the funding source and/or destination account; (b) dollar amounts; (c) description; (d) approval dates and (e) statutory authorities. Differentiate budget authority (B/A) transfers from unobligated balance (PY) transfers. Refer to information contained in appropriations act or on the "Data Sheet" which is enclosed with reprogramming action approval letters when preparing this schedule. Include not only the change requested on the SF 132 in process, but all transfers for the fiscal year to date.

(a)	Amount (b)	Project/Description (c)	Approval (d)	Statutory Authority (e)
B/A TRANSFERS (lines 1.D and/or 1.E) TO: Research, Dev, Test & Eval, Navy 19xx/19xx	-6,000,000	DD1415, 96-XXPA	Sec Def, Aug 2, 199-	P.L. 102-172, Sec 8006, 105 Stat. 1171 P.L. 102-190, Sec 1001, 105 Stat. 1454
FROM: Aircraft Procurement, Air Force 19xx/19xx	8,000,000	DD1415, 96-XXPA	Sec Def, July 10, 199-	P.L. 102-172, Sec 8006, 105 Stat. 1171 P.L. 102-190, Sec 1001, 105 Stat. 1454
TOTAL	<u>2,000,000</u>			
TRANSFERS OF PY BALANCES (lines 2.B and/or 2.C)				
FROM: Environmental Restoration Fund, Defense	6,000,000	DD1415-96-XXIR	Sec Def, July 10, 199-	P.L. 102-172, Sec XXX 105 Stat. 1158
TOTAL	<u>6,000,000</u>			

CHAPTER 3

APPROPRIATION TRANSFER AUTHORITIES0301 GENERAL

In addition to the regular and supplemental appropriations that make funds available, the Congress has provided authority for transfers of funds, i.e., moving funds from one appropriation to another. This section identifies and describes the various transfer authorities that are available to the Department and prescribes action required to exercise transfer authority.

0302 TYPES OF TRANSFER AUTHORITIES

030201. Authority for nonexpenditure transfers maybe included in permanent, one-time or recurring provisions of law. Most of the transfers within the Department, however, are made pursuant to authority granted in the annual Appropriations Act. Some of the transfer authorities are provided solely for administrative convenience and some allow no discretionary action. Basic responsibility for transfer of funds relating to nonexpenditure transfers will be assigned to the DoD Components from which the funds are transferred.

030202. Authority for Transfers Affecting Budget AvailabilityA. Congressionally Directed Transfers

This type of transfer is included in the applicable DoD Appropriations Acts, either in the General Provisions or in the language that enacts the individual appropriations. The Act itself then becomes the authority for DoD Components to process the transfer documents.

B. General Transfer Authority

The General Revisions sections of DoD Appropriations and Authorization Acts provide authority to transfer funds between appropriations, or between appropriation subdivisions approved in the Acts, upon determination by the Secretary of Defense that such action is necessary in the national interest; provided that such authority to transfer may not be used unless for higher priority items, based on unforeseen military requirements, than the items for which funds were originally appropriated, and in no case where the item for which funds are requested has been denied by the Congress. The Congress must be notified promptly of all transfers made under this authority. The Appropriations Act authority requires approval of the OMB; the Authorization Act authority does not include that requirement.

C. Transfers Between Working Capital Funds

Generally, the DoD Appropriations Act provides authority, during the current fiscal year, to transfer cash balances between working capital funds and the Foreign Currency Fluctuations, Defense and Operation and Maintenance appropriation accounts. Transfers may be made

between such funds in such amounts as may be determined by the Secretary of Defense, with the approval of the OMB, except that transfers may not be made unless the Secretary of Defense has notified the Congress of the proposed transfer. Except in amounts equal to the amounts appropriated to working capital funds in the Act, no obligations may be made against a working capital fund to procure war reserve material inventory, unless the Secretary of Defense has notified the Congress prior to any such obligation.

D. Transfer of Funds for Intelligence Activities

See Chapter 6, section 0606 of this Volume for intelligence-related transfer authorities.

E. Transfer Accounts

Various Appropriation and Authorization Acts have included language making funds available or transfer authority available for accounts such as Environmental Restoration, Defense; Drug Interdiction and Counter-Drug Activities, Defense; Foreign Currency Fluctuations, Defense; Foreign Currency Fluctuations, Construction, Defense; and the Defense Modernization Account.

F. Transfer of Funds and Personnel for Functional Transfers Within the Department of Defense

When a transfer of function, power, or duty is made within the Department of Defense from one Military Department or Defense Agency to another, pursuant to the authority of Title 10, United States Code, section 125, balances of appropriations and civilian employee positions, that the Secretary of Defense determines are available and needed to finance and perform that function, power, duty, or activity, may be transferred, with the approval of the President (as delegated to the OMB). Funds transferred to the department or agency to which that function, power, duty, or activity, as the case may be, is transferred, and used for any purpose for which those appropriations were originally available shall be made in accordance with Title 10, United States Code, section 126 (see Chapter 4 of this Volume).

G. Transfer of Funds for Functional Transfers Between Government Agencies

Title 31, United States Code, section 1531 (a) provides similar authority to 10 U.S.C. 126, above, limited to appropriations. Title 31, United States Code, section 1531 (b) provides that the head of the agency, with the President's approval, determines the amounts to be transferred in the case of intra-agency transfers and that the President determines the amounts to be transferred in the case of inter-agency transfers.

H. Transfer of Funds to Other Departments and Agencies: Limitation

Title 10, United States Code, section 2215 provides that funds available for military functions of the Department of Defense may not be made available to any other department or agency of the Federal Government pursuant to a provision of law enacted after November 29, 1989, unless, not less than 30 days before such funds are made available to such other department or agency, the Secretary of Defense submits to the House National Security and Senate Armed Services Committees and the Committees on Appropriations of the Senate and House of Representatives a certification that making those funds available to such other department or agency is in the national security interest of the United States.

0303 STATUS REPORT ON TRANSFER ACTIONS

In order to ensure that all required actions relating to transfers are accomplished in a timely manner, the OUSD(C)/P&FC will maintain and publish periodically a status report on transfer actions.

0304 ACTIONS RELATED TO EXERCISE OF TRANSFER AUTHORITY

030401. Proposals to exercise transfer authority should be submitted formally by the DoD Components to the OUSD(C) for processing. The submission must state the statutory authority for the proposed transfer.

030402. Secretary of Defense Determination

In most cases, authority is provided for transfer by the Secretary of Defense in amounts determined by the Secretary of Defense, or upon determination by the Secretary of Defense that certain conditions exist. Secretary of Defense determinations, when required, either will be obtained or signed by the OUSD(C). In processing SF 1151 transfer documents to the Treasury Department, the statutory authority for the transfer must be cited, with references to documents constituting determinations and copies of the associated OMB or Presidential approvals when required.

030403. OMB/Presidential Approval

Where the statutory authority requires a determination or OMB/Presidential approval for the transfer, the OUSD(C) will obtain the necessary approval. The OMB approval may also include the apportionment of funds.

030404. Reprogramming Actions

Reprogramming actions (DD 1415) made pursuant to provisions of Chapter 6 of this Volume, will be submitted whenever necessary to provide accountability for increases or decreases between DoD appropriations. Accordingly, reprogramming actions are required to reflect transfer amounts that are not congressionally directed. The timing for submission of the DD 1415 depends upon the nature of the transfer and the amount involved.

030405. Processing of SF 1151 Documents

A. Except as stated below, SF 1151 documents transferring funds between DoD appropriation and fund accounts should not be processed prior to the receipt of an OUSD(C) memorandum directing that such action be taken. The following types of transfers may be made without prior approval of the OUSD(C):

1. Transfers of funds for functional transfers between government agencies (31 U.S.C. 1531) - when the request is initiated by a government agency other than the Department of Defense.

2. Transfers of obligational authority from one agency to a transfer appropriation account that is established in another agency to carry out the purposes of the parent appropriation or fund. Such transfers are not adjustments to budget authority or balances of budget authority.

B. DoD Components must assure that a copy of each SF 1151 is be furnished to the OUSD(C)/P&FC concurrent with distribution of the SF 1151 to the Treasury and affected organizations.

C. The memorandum from the OUSD(C) directing that an SF 1151 be processed will be addressed both to the transferring office and the recipient office, and will include the following information.

1. Identity of the transferring office.
2. Account from which funds are to be transferred and the recipient account.
3. Amount of the transfer in dollars.
4. Statutory references for the transfer authority.
5. Reference to enclosure of a Secretary of Defense determination, if applicable.
6. Reference to enclosure of an OMB approval, if applicable.
7. Statement of whether the action is a budget authority transfer, a reappropriation, or transfers of obligated or unobligated balances.
8. Request that a copy of the SF 1151 be provided to OUSD(C).
9. Statement as to the reprogramming action (DD 1415) serial number on which transfers are reflected.

10. Statement as to the applicable lines on the Apportionment and Reapportionment Schedule (SF 132) on which the transfer amounts must be reflected, when submitting the required schedule or subsequent reapportionments.

11. Statement as to the applicable lines on the Report on Budget Execution (SF 133) on which the transfer amounts must be reflected, when the transfer is made.

12. Statement as to the official responsible for issuance of the applicable fund authorization documents (e.g., EOB, DD 440, approval/deferral memos).

13. Statement that either the OUSD(C) or other applicable designee will make formal notification to the Congress of the amount transferred, if required by law.

030406. Notification to the Congress

A. When there is a statutory requirement that transfers be reported to the Congress, such notification is made to the President of the Senate and to the Speaker of the House of Representatives promptly by the OUSD(C) upon completion of transfer action. In accordance with informal arrangements between the Department of Defense and the cognizant Subcommittees of the Committees on Appropriations, a copy of the report is transmitted to those cognizant Subcommittees and to the House National Security and Senate Armed Services Committees.

B. It should be noted that, although transfers of funds pursuant to Title 10, United States Code, section 126 need not be reported to the Congress, transfers of functions pursuant to 10 U.S.C. 125 must be reported when there is a substantial reduction or elimination of a major weapons system. The OSD office submitting the transfer of function documents to the Secretary of Defense for approval is responsible for preparing documents to notify the Congress.

03047. Apportionment and Reapportionment Schedules

A. Pursuant to provisions of OMB Circular A-34 and Chapter 2 of this Volume, all approved and/or appropriated transfers will be reflected on Apportionment and Reapportionment Schedules (SF 132). For certain transfers specified in Chapter 2 (e.g., Foreign Currency Fluctuations, Defense or Environmental Restoration), the gaining and losing accounts automatically are apportioned and transfers will be reflected on subsequent schedules that are generated for other purposes during the year.

B. Each Apportionment and Reapportionment Schedule submitted must show all transfers processed to date. The SF 132 is processed concurrently for both the gaining and losing appropriations.

030408. Guidance on SF 133 Treatment

Although OMB Circular A-34 does not contemplate that transfers will be included on the “Report on Budget Execution” (SF 133) until the SF 1151 action is completed, transfers may be included on the SF 133 on an anticipated basis when all statutory requirements for the transfer have been met but prior to the processing of the SF 1151. Decisions relating to anticipated transfers on the SF 133 will reflect the agreed-upon position of the OUSD(C) and the OMB.

030409. Fund Authorization Documents

Changes will be made to the EOB, DD 440, etc., to reflect program adjustments resulting from the transfers, as determined by the cognizant Program/Budget appropriation director in the OUSD(C).

CHAPTER 4**FUNCTIONAL TRANSFERS****0401 STATUTORY AUTHORITY**

Under the provisions of Title 10, United States Code, section 125, the Secretary of Defense is authorized to transfer, reassign, consolidate or abolish any function, power or duty vested in the Department. Whenever a transfer of function, power or duty is accomplished under the authority of Title 10, U.S.C. 125, balances of appropriations and civilian employees, that the Secretary of Defense determines are available and needed to finance and perform that function, power, duty or activity, maybe transferred, with the approval of the President as delegated to the OMB in accordance with Title 10, United States Code, section 126.

0402 TYPES OF TRANSFER AUTHORITIES

040201. Fund adjustments necessitated by a transfer of functions during a current year should be handled to the extent possible on a reimbursable basis. Only when financing of such transfers through the reimbursement process presents serious burdens or involves significant amounts should a transfer of funds be requested.

040202. When transfers of funds are necessary as a result of transfer of functions under Title 10, United States Code, section 125, it will be the responsibility of the receiving DoD Component to request that the USD(C) obtain the necessary determination and approval for the transfer of funds. The request shall be prepared in accordance with Title 10, United States Code, section 126 and the provisions of Chapter 3 of this Volume and contain a statement that the DoD Components concerned have agreed to the amounts proposed for transfer. A copy of the Secretary of Defense approval of the transfer of functions (under 10 U.S.C. 125) should accompany the request.

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CHAPTER 5

SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND
RELEASE PROCEDURES0501 GENERAL

This chapter provides guidance on the fund release and the project approval procedures applicable to the military construction and family housing appropriations.

0502 OVERVIEW

050201. Fund approval for the military construction and family housing construction accounts will be accomplished by the submission of a request from the cognizant DoD Component in a format 460 to the ODC(P/B), Directorate for Construction, OUSD(C). An example of this format, and the instructions for its completion, are included in Appendix A of this chapter.

050202. A format 460 need not be submitted for the family housing annual accounts. Fund approvals providing quarterly limitations by budget activity for these accounts will continue to be accomplished by OUSD(C) memoranda.

050203. Upon OUSD(C) review of the DoD Component submission, a fund approval will be issued to the requesting Component to provide obligational authority corresponding to the action taken on the request as reflected in the OSD approved column of the format 460. A copy of the format 460 will be attached to the fund approval. A sample of the fund approval is provided in Appendix B.

050204. The approval document limits the authority to incur obligations. Further, obligations will not be incurred prior to the receipt of the fund approval document or in excess of the amounts shown therein.

0503 SUBMISSION REQUIREMENTS

A fund release will be required whenever a DD Form 1105 is submitted, when resource realignments exceed the established below threshold reprogramming limitations, or when requesting fund release for projects previously apportioned but for which funds were withheld by OUSD(C) on a previous fund release request.

APPENDIX A
INSTRUCTIONS FOR FORMAT 460
“MILITARY CONSTRUCTION/FAMILY HOUSING PROGRAM
FUND APPROVAL”

1. Requirement. A format 460 is required for all Military and Family Housing Construction accounts. It will be executed in project detail for the major construction and new construction budget activities and executed as a lump sum for all other budget activities. The format is intended to provide a complete listing of all the disposition of the funds provided by the applicable appropriation act and includes all reprogrammings.

2. Entries. Columnar entries shall be as follows:

a. Installation/Projects. Display the name of the installation and the project title. If there is more than one project at an installation or activity, the installation or activity title should not be repeated. The project listing should be in state sequence with the same installation and project nomenclature appearing in the Construction Annex C-1. The centrally managed allotment (CMA) for foreign currency fluctuation should be shown as a separate entry at the end of the project listing.

b. Special Interest. The special interest column should contain an asterisk if the project was reduced by either chamber of the Congress during the enactment process or was indicated to be of special interest in a congressional report.

c. Appropriated Amount. The amount shown in this column must be consistent with the amount shown for the project in the C-1. The total of all amounts shown in this column must correspond to the amount provided in the applicable appropriation act covered by the apportionment/reapportionment exhibit. If the amount appropriated and authorized for a project differs, the amount authorized will appear parenthetically below the amount appropriated. For the foreign currency fluctuation CMA this line is blank.

d. Formal Reprogramming. If the project appears in a formal reprogramming request, either as a recipient of funds or as a source of funds, enter the adjustment in this column which shall be consistent with the amount shown in the reprogramming request. Split funding refers to a project funded using more than one appropriation. If projects have been split funded, only the amount of resources covered by the apportionment should be identified against the project and the project appropriately footnoted.

e. Below Threshold Reprogramming. This column is similar to the previous column; however, it is used when the project never appeared in a formal reprogramming request, i.e., resources have been realigned below the threshold requiring prior approval.

f. Previously Approved. This column represents the amount currently apportioned against the project--the amount appearing on the latest format 460 formally

submitted to OUSD(C). Split funded projects will show only the resources from the fiscal year covered by the apportionment and will be footnoted to indicate where the balance of resources resides. This column will be totaled and the sum will equal the amount reflected on the appropriate line in block 8, column b of the most recent DD Form 1105. Apportionment is automatic for the foreign currency fluctuation CMA and is to be reflected in the next DD Form 1105 submission.

g. Proposed. This column represents the amount being requested for apportionment against this project. The column will be totaled and the sum will equal the amount reflected on the appropriate line in block 8, column c of the DD Form 1105.

h. Quarter Award. Enter the quarter and fiscal year in which the project was awarded or is expected to be awarded. For the foreign currency fluctuation CMA this column is blank.

i. OSD Approved. OUSD(C) will indicate the amount approved in this column.

j. Symbol. Enter the Treasury code for the account for which obligational authority is being sought. For example, 21 8/2 2050 would represent the FY 1988 Military Construction Army account. The Defense Agencies should include the limitation separated by a period from the 4-digit Treasury code. For example, 97 8/2 0500.1400 would represent FY 1988 Military Construction Defense Agency funds provided to the Defense Medical Facilities Office.

k. Submission No. The first two digits of the submission number should equate to the last two digits of the fiscal year in which the format 460 is submitted. The middle digit(s) should equate to a period of availability or program year of the funds. For example, the FY 1988 program would be 8/2. The last digit(s) represent the submission number in that fiscal year. For example, the initial submission would be "1" and all subsequent submissions incremented accordingly.

MILITARY CONSTRUCTION AND FAMILY HOUSING PROGRAM/FUND APPROVAL		APPROPRIATION TITLE: SYMBOL:		(j) (Dollars)		SUBMISSION NO. As of:		(k)	
INSTALLATIONS /PROJECT(S) (a)	SPEC INT (b)	APPROPRIATED AMOUNT (c)	FORMAL REPROGRAMMING (d)	BELOW THRESHOLD REPROGRAMMING (e)	PREVIOUSLY APPROVED (f)	PROPOSED (g)	QTR AWD (h)	OSD APPROVED (i)	

Format 460

MEMORANDUM FOR:

MILITARY CONSTRUCTION			
PROGRAM YEAR		OBLIGATION AUTHORITY	
BUDGET ACTIVITY	OBLIGATION LIMITATION		
	Previously Approved	This Adjustment	Revised Approved *
Major Construction	\$	\$	\$
Minor Construction	\$	\$	\$
Planning	\$	\$	\$
Supporting Activities	\$	\$	\$
Foreign Currency CMA	\$	\$	\$
Total	\$	\$	\$
* The amounts shown in the revised approved column represent limitations subject to the provision of Title 31, United States Code, Section 1517, the Antideficiency Act. Obligations are not to be incurred beyond the revised approach amounts shown for each budget activity without the specific prior approval of the Office of the Under Secretary of Defense (Comptroller).			
Authorization No.	Date	Approved	

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CHAPTER 6

REPROGRAMMING OF DOD APPROPRIATED FUNDS0601 PURPOSE

060101. This chapter establishes the policies of the Department for the reprogramming of appropriated funds. Guidance in this chapter reflects recognition by the Congress of the practice of reprogramming DoD funds covered in DoD Appropriations Acts as a necessary, desirable and timely device for achieving flexibility in the execution of DoD programs. (See Chapter 7 for reprogramming policy for military construction and family housing funds covered by the Military Construction Acts.)

060102. Procedures are provided for establishing the base for reprogramming actions; submitting, approving, and processing reprogramming actions; and submitting a semiannual report of programs reflecting all reprogramming actions.

060103. The policy herein replaces reprogramming guidance formerly printed in the June 1992, Budget Guidance Manual (DoD 7110-1-M), that reflected policy contained in the DoD Directive 7250.5, dated February 5, 1990, and DoD Instruction 7250.10, dated January 10, 1980, which were canceled effective July 17, 1990.

0602 REPROGRAMMING DOCUMENTS IN GENERAL

060201. Base for Reprogramming Actions (DD 1414). The DD 1414 establishes the base from which reprogramming actions may be taken based on the DoD Appropriations Act. A Revised Base for Reprogramming Actions (DD 1414-R) also is prepared as required to reflect subsequent supplemental appropriations acts. These documents should be footnoted to identify those items known to be of special interest to one or more of the congressional committees and those items specifically denied by the Congress.

060202. Reprogramming Actions (DD 1415). Reprogramming actions, upon approval of the Department, will be used to request the prior approval of (DD 1415-1) or provide prior notification (DD 1415-2) to the congressional committees. In addition, internal actions requiring audit-trail type actions (DD 1415-3) will be implemented by the Department.

060203. Report of programs (DD 1416). This report reflects the congressionally approved programs as enacted, reprogramming actions which have been approved, congressionally directed undistributed amounts and transfers, and reprogramming of funds that are implemented by a DoD Component using below threshold reprogramming flexibility. This report is prepared twice yearly, as of March 31 and September 30.

0603 DETAILED PROCEDURES FOR BASE FOR REPROGRAMMING ACTIONS

060301. General. The Base for Reprogramming Actions (DD 1414) establishes the base from which reprogramming actions may be taken. It identifies line items for each appropriation covered in the DoD Appropriations Acts, except those appropriations having no budget activity subdivisions in the budget document presentation. In addition, accounts which are available solely for transfer to another appropriation for a specified purpose are excluded. A Revised Base for Reprogramming Actions (DD 1414-R) is prepared as required to reflect supplemental appropriations acts.

060302. Due Date. Following completion of congressional action on the DoD Appropriations Act, or a DoD Supplemental Appropriations Act, a memorandum will be transmitted to the Components to establish the due date and address any specific guidance, as appropriate. The DoD Components shall submit two copies (not the original) of the "Base for Reprogramming Actions" to the OUSD(C)/P&FC for review prior to submission to the congressional committees.

060303. Transmittal. Upon notification from the OUSD(C)/P&FC that the advance copy of the Base for Reprogramming Action is acceptable, or after the DoD Components have made any necessary changes, the originals and one copy of the DD 1414 will be submitted to the OUSD(C)/P&FC for printing and transmittal to the congressional committees. In some instances, copies of the DD 1414s are provided to the congressional committees for clearance prior to final printing. Each DoD Component shall provide an index and number the pages within each appropriation account and in sequence. Final printed copies will be distributed to the DoD Components.

060304. Security Classification. Each DoD Component will be responsible for proper security review and classification of its DD 1414. Each page will be given an appropriate security classification based solely on the data shown on that page, except for the first page of an account section having classified pages. In this instance, the first page shall be marked with the highest classification of the following pages and be footnoted to state that upon removal of pages (classified page numbers) the document will become unclassified. All other pages not having classified data shall be marked "Unclassified." Classified data listed may not be higher than "SECRET" and should be bracketed using black lead pencil. The classifying activity and the appropriate downgrading instruction shall be shown on each page that is classified.

060305. Detailed Instructions for Preparation of the DD 1414. Detailed instructions for the Base for Reprogramming Actions for the initial appropriations act are provided beginning with page 6-19. Detailed instructions for documenting supplemental appropriations acts using the DD 1414-R are provided at page 6-22.

0604 REPROGRAMMING ACTIONS

060401. Reprogramming Actions Requiring Congressional Approval. Two types of reprogramming actions, when approved by the Department, will be used to request the prior approval of, or notification to, the congressional committees. During FY 1991, the concept of an "omnibus" reprogramming action (prior approval) was initiated to streamline the reprogramming process for the congressional committees and the Department. Specific approval of the USD(C) is required on all reprogramming actions prior to submission for approval to the House National Security and Senate Armed Services Committees, House and Senate Committees on Appropriations, and House and Senate Committees on Intelligence. The following defines those actions requiring prior congressional approval or congressional notification.

A. Reprogramming actions requiring prior approval of the congressional committees (DD 1415-1) are actions involving the application of funds, regardless of the amount, which:

1. Increase the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (In such cases where specific congressional language is provided allowing for additional quantities to be procured within

appropriated funds, increases to quantities for major end items shall be submitted to the USD(C) for approval as an internal reprogramming action.)

2. Affect an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees. (In rare instances, when funds from special interest items are required to be reprogrammed within the same program line item or program element, to an existing program or project, notification to the congressional committees may be made by letter. Letters shall be submitted to the congressional committees by the DoD Component involved only after advance coordination with the applicable OUSD(C)/(P/B) Directorate.)

3. Involve the use of general transfer authority. The DoD Appropriations and Authorization Acts include a general provision to transfer funds, known as general transfer authority. Transfers may be made between appropriations, or appropriation subdivisions approved in the Acts, to be merged with and to be available for the same purposes, and for the same time period, as the appropriation or fund to which transferred. Transfer may be made upon determination by the Secretary of Defense that such action is necessary in the national interest; provided that such authority to transfer may not be used unless for higher priority items, based on unforeseen military requirements, than the items for which funds were originally appropriated, and in no case where the item for which funds are requested has been denied by the Congress. The Congress must be notified promptly of all transfers made under this authority. The general provisions of the Appropriations Acts require approval of the transfers from the OMB. (Exceptions to the use of a prior approval reprogramming action may apply for reclassification of programs to the proper appropriation for execution of the intended program or congressional adds and do not change the purpose for which the funds were originally appropriated. These actions, however, still require the use of general transfer authority and compliance with the provision in law.)

Reprogramming actions requiring notification to congressional committees (DD 1415-2) are actions involving changes in the application of funds within an appropriation in amounts (thresholds) greater than those agreed upon between the committees and the Department, as follows:

1. Military Personnel: A cumulative increase of \$10 million or more in a budget activity.

2. Operation and Maintenance: A cumulative increase of \$20 million or more in a budget activity. (In the past, the congressional committees have imposed a reprogramming decrease threshold from specific subactivity group categories. When this is the case, these threshold amounts are separately identified on the Base for Reprogramming Actions, DD 1414.)

3. Procurement: For any program year, a cumulative increase of \$10 million or more in a procurement line item, the addition of a new procurement program of \$2 million or more; an addition of a new procurement program estimated to cost \$10 million or more within a three-year period; a cumulative decrease of more than \$10 million, or 20 percent of the appropriated amount (inclusive of supplemental appropriations and rescissions), whichever of the two is greater or the termination of any program which results in the elimination of a procurement program, or elimination of a subprogram \$10 million or greater within a procurement program. (For new start programs less than \$2 million for the entire effort, a notification letter to the congressional committees is required in advance of initiating the

program. For terminations of programs falling within the amounts normally allowed by “below threshold” reprogramming, then notification prior to any reprogramming shall be made by letter. Letters for new start programs or program terminations shall be signed by the notifying Component, after coordination of the OUSD(C).)

4. RDT&E: For any program year, a cumulative increase of \$4 million or more in an existing program element; the initiation of a new program of \$2 million or more, the addition of a new program whose cost is estimated to be \$10 million or more within a three-year period; a cumulative decrease of more than \$4 million, or 20 percent of the appropriated amount (inclusive of supplemental appropriations and rescissions), whichever of the two is greater; or the termination of any program which is equal to the total amount of the program element, or elimination of a subprogram or project \$10 million or greater within such a program element. (For new start programs less than \$2 million for the entire effort, a notification letter to the congressional committees is required in advance of initiating the program. For terminations of programs falling within the amounts normally allowed by “below threshold” reprogramming, then notification prior to any reprogramming shall be made by letter. Letters for new start programs or program terminations shall be signed by the notifying Component, after coordination of the OUSD(C).)

060402. Internal Reprogramming Actions. Reprogramming actions internal to the Department are audit-trail type actions (DD 1415-3) processed within the Department and serve various needs. One type is a reclassification of funds, not otherwise constrained by law or other provisions, and the action does not involve any change from the purpose justified in budget presentations to the Congress and appropriated by the Congress. This reclassification may involve the realignment between different DoD appropriations and require the use of general transfer authority. Other internal actions include those involving reprogramming to or from transfer accounts, such as Foreign Currency Fluctuations, Environmental Restoration, and Drug Interdiction. A third type of reclassification reflects approval to increase quantities, when not otherwise requiring prior approval of the congressional committees.

A. Reclassification Actions. In certain instances, it is necessary to reclassify the application of funds, different from that shown in the budget justification material presented to the Congress and subsequently appropriated by the Congress. Such reclassifications do not involve any change in the substance of the program or amounts from the purposes originally contemplated and budgeted for, testified to, and described in the justifications submitted to the congressional committees, and subsequently appropriated by the Congress. These actions may also involve realignment of congressionally added programs that are more appropriately executed in a different program line or in a different account from which the funds were appropriated. In cases where the realignment is between DoD appropriations, then the use of general transfer authority would be involved, along with the legal requirements thereof.

B. Foreign Currency. Transfers are approved pursuant to authority provided by the Foreign Currency Fluctuations, Defense appropriation, as enacted in Public Laws 95-457 (92 Stat. 1236), 96-38 (93 Stat. 100), 97-377 (96 Stat. 1865), and 99-500 and 99-591 (100 Stat. 3341-116), to reflect fluctuations in currency exchange rates.

C. Environmental Restoration. Transfers are approved pursuant to the authority provided in the appropriation language for the Environmental Restoration, Defense appropriation, as enacted in DoD Appropriations Acts.

D. Drug Interdiction. Transfers are approved pursuant to the authority provided in the appropriation language for the Drug Interdiction and Counter-Drug Activities, Defense appropriation, as enacted in DoD Appropriations Acts.

E. Procurement Quantities. Approval for increases to procurement quantities for major end items, not otherwise requiring prior approval of the congressional committees, shall be provided through the use of an internal reprogramming action. A sample reprogramming action is provided at page 6-29.

060403. Detailed Instructions and Formats for Preparation of DD 1415. Detailed instructions for DD 1415s submitted for prior approval, notification, or as internal reprogramming actions are provided beginning with page 6-23. Incoming requests for the DD 1415-1, 2 and 3 reprogramming actions should be submitted in Microsoft Word format with a disk to be provided along with the original DD 1415. Templates are available by contacting the OUSD(C)/P&FC point of contact for reprogramming,

060404. Submittal by Components. Military Departments must submit their proposed DD 1415 action formally by memorandum addressed to the USD(C) from the Assistant Secretary (Financial Management and Comptroller) of the Military Department. Requests from a Defense Agency should be signed by its Comptroller (or equivalent official). The due date for the "omnibus" reprogramming action will be addressed by separate memorandum. For all reprogramming actions, the original, two copies, and the security review copy are to be handcarried to the OUSD(C)/ P&FC for processing.

A. The DoD Component memorandum shall include the following:

1. Exceptions outside the "omnibus" process, before or after the submission date to the congressional committees, will only be made for those actions involving critical requirements or unforeseen circumstances that due to contract award dates or other time sensitive reasons cannot wait for implementation of the "omnibus." In these cases, individual reprogramming actions will be entertained, and the transmittal memorandum must clearly define the urgency of the requirement.

2. A statement that the reprogramming document has been cleared by the Director for Security Review, Office of the Assistant Secretary of Defense (Public Affairs). The copy showing the original security stamp of approval should accompany the transmittal memorandum.

3. A statement to the effect that the reprogramming document has been coordinated with the appropriate intelligence activities within the respective DoD Component and that the action does or does not affect an intelligence related activity.

4. Identification of any "new starts" being requested, and whether they were approved by PBD or other action.

B. All reprogramming actions that propose to use O&M resources as a source of funding for other requirements will be transmitted to the Director for Operations, J-3, The Joint Staff for review prior to submission to the OSD. The DoD Component memorandum transmitting the reprogramming action to the OSD will include the evaluation of The Joint Staff and indicate either that the O&M reprogramming should have no impact on readiness or that the

benefit to readiness from the reprogramming increase should outweigh any negative readiness impact from the reprogramming decrease.

060405. OMB Approval. For the purposes of Prior Approval Reprogramming Actions (DD 1415-1), any reprogramming action requiring the use of general transfer authority will be forwarded by the USD(C) to the OMB for endorsement of the proposed transfer of funds. Such action will be taken prior to the OSD forwarding the action to the cognizant congressional committees. The USD(C) shall obtain formal OMB approval for the specific transfer of funds after congressional responses on the action are received and final results on implementation of the action are determined. For the purposes of Internal Actions (DD 1415-3), that do not require the approval of the congressional committees, but do use general transfer authority, the approval of OMB is received after signature of the reprogramming action by the USD(C).

060406. Signed DD 1415s. The USD(C) has authority to sign all reprogramming actions and upon signature the reprogrammings are returned to OUSD(C)/P&FC for dissemination. A DoD Serial Number, in sequence, will be assigned to the signed DD 1415. When the use of general transfer authority is involved, the DoD Serial Number is not assigned to the reprogramming action until after the endorsement or approval of the transfers is received from OMB.

060407. Distribution of the DD 1415. After receipt of the DD 1415 by the congressional committees a copy of the signed DD 1415 will be provided to the submitting DoD Component, with a note indicating the date the action was submitted to the committees.

060408. Congressional Committee Approval of DD 1415 Requests

A. Copies of the congressional committee approval letters will be forwarded to the applicable DoD Components and OUSD(C)/(P/B) appropriation directors. When the final committee approval has been received, an OSD implementation memorandum will be prepared.

B. No reprogramming request will be approved if the funds requested have been obligated or committed prior to congressional committee review and approval. The obligation of funds prior to consideration by the cognizant committees denies them a realistic option to deny the request. Such a procedure places the committee(s) in the position of having to approve the request or deny all funds for the continuation of the program in the latter part of the fiscal year. This practice is unfair and impinges upon the responsible committee's rights and responsibilities.

C. Approval for a Prior Approval Reprogramming Action (DD 1415-1) is obtained by letter from the congressional committees prior to implementation of the action. Each separate committee response is weighted the same and final implementation by OSD of the action reflects the lowest of the approvals received for proposed sources and increases. Often the action is implemented for less than originally requested due to the denial of sources.

D. Approval for a Notification Reprogramming (DD 1415-2) for the House Appropriations Committee, House National Security Committee, and House and Senate Intelligence Committees (when applicable) may be assumed after 15 days from receipt of the reprogramming action, unless a hold or objection is received from the committee. Senate Appropriations Committee (SAC) and Senate Armed Services Committee (SASC) approvals must be received in writing. An automatic hold is placed on each DD 1415-2 upon delivery to the SAC and SASC and may be removed only through correspondence obtained from the

committee. As is the case with the DD 1415-1, each separate committee response is weighted the same and final implementation of the results will be provided by OSD.

E. Reprogramming hearings and transcripts will be handled by each Component involved, unless there is an OSD principal witness.

F. If a reprogramming increase has been denied by the congressional committees, DoD policy prohibits use of a series of below threshold reprogramming actions as a means of financing the requested increase. However, in the case of the “omnibus,” an increase approved by the congressional committees, but not funded within DoD due to a lack of congressionally approved sources, may be funded using below threshold authority so long as the below threshold reprogramming otherwise does not exceed a threshold limitation.

G. Approvals for an Internal Action Reprogramming (DD 1415-3) are assumed upon signature by the USD(C), except for those actions using general transfer authority. For those actions, OMB approval of the transfers involved must be obtained prior to forwarding an implementation memorandum to the submitting Component.

060409. Implementation Memorandums for Reprogramming Actions

A. After all approvals have been obtained for a reprogramming action, a memorandum to be signed by the USD(C), Deputy Comptroller (P/B) or Director, Program and Financial Control will be provided to the applicable Components. The memorandum will include instructions as to what extent the reprogramming action maybe implemented.

B. If the reprogramming action includes an appropriation transfer, the memorandum will include instructions for processing the SF 1151 transfer document, and include a copy of the combined Secretary of Defense Determination and OMB Approval document approving the transfer.

C. When appropriate, the implementation memorandum to be signed will be coordinated through the appropriate OUSD(C)/(P/B) appropriation director, so that he or she will be aware that the DD 1415 has been approved by the Congress and funds maybe released.

060410. Alternate Letters or Revised Actions for New Sources

A. Reprogramming actions may be submitted prior to or after the “Omnibus” Reprogramming Action. When sources are denied by a congressional committee, new sources to fund the requested increase may be submitted in DD 1415 format or letter format. Except in the most unusual circumstances, alternate sources for items denied in the “Omnibus” Reprogramming Action will not be submitted to the congressional committees.

B. Revised actions or letters for the signature of the USD(C) should be prepared by the submitting DoD Component. Normal reprogramming procedures apply for processing the revised actions or letters to the congressional committees.

C. The committees have asked that the same data that is furnished with the original submission be provided when identifying a new source of funds.

060411. Appeal to Congressional Committees. The USD(C) may appeal the decision of a committee on a reprogramming action. All proposed appeals to committees

initiated by a DoD Component shall be forwarded by memorandum to the USD(C) for further processing within the Department. Any action on a reprogramming subsequent to its original submission to the committees is subject to the same procedures as the original reprogramming.

060412. Withdrawal of Reprogramming Actions

A. When approval of a reprogramming action that was submitted to the congressional committees, but not fully approved, is no longer required, then that action should be formally withdrawn from congressional committee consideration. The need for withdrawal may result when too much time has elapsed for the proposed increase to go under contract or when proposed sources are needed to fund a higher priority reprogramming than that originally submitted.

B. Withdrawal letters for the signature of the USD(C) should be prepared by the submitting DoD Component. Normal reprogramming procedures apply for processing the letters to the congressional committees.

C. Sufficient rationale on the reason for withdrawal should be provided to the congressional committees so they will not question why the action was originally submitted for their approval. If the action already has been approved by one or more committees, letters should be written to those committees expressing appreciation for their approval.

0605 REPORT OF PROGRAMS (DD 1416)

060501. General. The Report of programs (DD 1416) reflects the congressionally approved programs as enacted, reprogramming actions which have been approved by the Department and congressional committees, congressionally directed undistributed amounts and transfers, and reprogramming actions of lesser significance that are implemented by a DoD Component using below threshold reprogramming flexibility. The amounts on the DD 1416 for column “m” should be identical to the amounts on the Appropriation Status by Fiscal Year Program and Subaccounts, (DD 1002) for column “b” for comparable “as of dates” and stub entries. Amounts should only deviate when Secretary of Defense approved reprogramming actions have not received final congressional approval or when other reconcilable differences exist due to posting errors in the DD 1002.

060502. Due Date. The Report of Programs is submitted semi-annually as of March 31 and September 30 and will include all formal reprogramming actions approved by the Department through that date, together with below threshold reprogramming made by the DoD Components through that date. The due dates for these reports shall be approximately 30 working days after the “as of dates.” Specific dates will be announced by USD(C) memorandum to the DoD Components. The DoD Components will submit two copies (not the original) of the “Report of Programs” to the OUSD(C)/P&FC for review prior to submission to the congressional committees.

060503. Transmittal. Upon notification from OUSD(C)/P&FC that the advance copy of the Report of Programs is acceptable, or after the DoD Components have made any necessary changes, the original and one copy of the DD 1416 will be submitted to the OUSD(C)/P&FC for printing and transmittal to the congressional committees. Each DoD Component shall provide an index and number the pages within each appropriation account and in sequence. Final printed copies will be distributed to the DoD Components.

060504. Security Classification. Each DoD Component is responsible for proper security review and classification of its DD 1416. Each page will be given an appropriate security classification based solely on the data shown on that page, except for the first page of an account section having classified pages. In this instance, the first page shall be marked with the highest classification of the following pages and be footnoted to state that upon removal of pages (classified pages numbers) the document will become unclassified. All other pages not having classified data shall be marked "Unclassified." Classified data listed may not be higher than "SECRET" and should be bracketed using black lead pencil. The classifying activity and the appropriate downgrading instruction shall be shown on each page that is classified.

060505. Procurement Line Items "Items Less Than \$2,000,000." Beginning in FY 1987, the content of the "Items Less" line item was increased from \$900,000 to \$2,000,000. Program or cost growth will be accommodated within the \$9.999 million below threshold authority for the total line item value. The amount of growth of an individual program will not be restricted as long as the aggregate line item total does not exceed \$9.999 million.

060506 Program Base Columns Reflecting Congressional Action. Beginning with the March 31, 1996, Report of Programs, changes due to supplemental appropriations and rescissions, will be shown in a separate column from the basic Appropriations Act. The combination of the "Program Base Reflecting Basic Congressional Action" and "Program Base Adjustments Reflecting Enacted Supplementals and Rescissions" columns shall be used for determining how much of the procurement and RDT&E appropriations can be decreased based on percentages when determining the amount that can be reprogrammed using below threshold authority.

060507. Detailed Instructions for Preparation. Detailed instructions for the DD 1416 are provided beginning with page 6-30.

0606 REPROGRAMMING OF INTELLIGENCE RESOURCES

060601. Intelligence Reprogramming Authorities and Flexibilities

A. Section 504 of the National Security Act of 1947 (50 U.S.C. 414): This section provides the authority to reprogram funds provided for an intelligence or intelligence related activity only if the funds being reprogrammed were specifically authorized for an intelligence or intelligence related activity. Therefore, funds appropriated but not authorized for an intelligence or intelligence related activity cannot be reprogrammed unless authorization is obtained statutorily. Only activities specifically identified in the Congressional Justification Books as modified by the schedule of authorizations contained in the classified annex or specific statutory authority referencing section 504, or incorporated as law by reference in the Intelligence Authorization Act for NFIP activities, or activities contained in the classified annex to the National Defense Authorization Act for JMIP and TIARA activities are considered to be authorized. Funds that are both authorized and appropriated for one intelligence, or intelligence related activity, may be reprogrammed to an intelligence or intelligence related activity that is considered to be a higher priority unforeseen requirement. Funds may not be reprogrammed for an intelligence or intelligence related activity that was specifically denied by Congress.

B. Section 104(c) of the National Security Act of 1947 (50 U.S.C. 403-4): This section prohibits reprogramming National Foreign Intelligence Program (NFIP) resources without the approval of the Director of Central Intelligence (DCI) except in accordance with procedures issued by the Director. Therefore, reprogramming affecting NFIP resources must

contain the statement that “this reprogramming action affects elements of the National Foreign Intelligence Program and has the concurrence of the Director of Central Intelligence.” DCI approval is only required for reprogramming NFIP resources, not Joint Military Intelligence Program (JMIP) or Tactical Intelligence and Related Activities (TIARA) resources. A reprogramming action affecting JMIP or TIARA resources must contain the statement “this reprogramming affects intelligence programs.”

C. Section 104(d) of the National Security Act of 1947 (50 U.S.C. 403-4): This section provides the DCI with essentially the same authority as Section 5 of the Agency Act of 1949, described below; however, the section 104(d) authority is broader in that it provides the DCI with the authority to transfer funds appropriated for an NFIP program to another NFIP program with the approval of the Office of Management and Budget (OMB). Similar to the Section 5 authority, use of this authority does not require the submission of a reprogramming action (DD 1415), but does require notification to the House and Senate Appropriations Committees, House National Security and Senate Armed Services Committees and House and Senate Intelligence Committees.

D. Section 5 of the Agency Act of 1949 (50 U.S.C. 403f): This section gives the CIA authority to transfer to and receive from other government agencies such sums as may be approved by OMB for activities authorized under section 102(a)(B) and (C), 103(c)(5) and (d), 104(a) and (g), and 303 of the National Security Act of 1947. This authority applies only when the CIA is either the transferring or receiving agency, not to the other transactions involving the NFIP. Use of this authority does not require the submission of a reprogramming (DD 1415) or the use of transfer authority, but does require notification to the cognizant six committees of the Congress.

060602. Procedures. Depending on the reprogramming of funds involved, prior approval may be obtained using a reprogramming action (DD 1415) or maybe obtained through letters sent to the cognizant committees of the Congress.

A. The transmittal memorandum of an incoming reprogramming action from a DoD Component to the USD(C) shall state that the reprogramming document has been coordinated with the appropriate intelligence activities within the respective Military Departments or Defense Agencies and does (or does not) affect an intelligence related activity.

B. When intelligence resources are included in a reprogramming action, a statement regarding involvement of intelligence resources shall be included in the introductory paragraph of the DD 1415 reprogramming action. If the proposed reprogramming document has been National Foreign Intelligence Program (NFIP), the action must be coordinated with the Director of Central Intelligence and a statement to that effect must also appear in the first paragraph of the DD 1415.

C. The Office of Deputy Assistant Secretary of Defense (Intelligence and Security) shall develop, maintain, and distribute a composite listing of all JMIP and TIARA intelligence-related items. This list will be used by the OUSD(C)/(P/B) and all DoD Components to annotate the DD 1414, Base for Reprogramming Actions. The Assistant Secretary of Defense (Command, Control, Communications and Intelligence) has program responsibility for determining the applicability of these provisions to above or below threshold reprogramming actions that may affect intelligence or intelligence-related activities. Accordingly, the C4 Intelligence Support Activity (CISA) staff should be informed of all adjustments to intelligence programs prior to initiating an action.

D. National Reconnaissance program. The National Reconnaissance Program (NRP) budget is a single program element, comprised of a number of major functional activities, each of which is treated as a virtual program element (hereafter known as “NRP programs”). For purposes of the NRP only, there are two separate definitions and procedures that apply, i.e., reprogramming and reallocation:

1. A reprogramming is defined as a transfer of appropriated funds either in or out of the NRP program element. The reprogramming of NRP funds is subject to the same rules and procedures that apply to the reprogramming of other DoD funds.

2. A reallocation is the transfer of appropriated funds between NRP programs within the NRP program element. The reallocation of NRP resources is subject to the following rules:

(a) All reallocations of NRP resources require the approval of the Executive Director for Intelligence Community Affairs, and review by the offices of the Under Secretary of Defense (Comptroller), the Under Secretary of Defense (Acquisition and Technology), and the Assistant Secretary of Defense (Command, Control, Communications and Intelligence), prior to submission of justification documentation to the House Permanent Select Committee for Intelligence, the Senate Select Committee for Intelligence and the House and Senate Appropriations Committees.

(b) Prior approval of the House and Senate Committees on Intelligence and Appropriations is required for the reallocations of appropriated NRP funds that: (1) increase the procurement quantity of an individual satellite system for which funds are authorized and appropriated, (2) affect an item that is known to be or is designated as a matter of special interest to one or more of the Congressional committees, (3) initiate a new program or (4) involves an increase of \$4 million or more or a decrease of \$4 million or more in a NRP program.

(c) A separate justification document will be prepared for each proposed prior approval reallocation request and provided to the Executive Director for Intelligence Community Affairs and the Under Secretary of Defense (Comptroller). The justification documents will be submitted to the House Permanent Select Committee for Intelligence, the Senate Select Committee for Intelligence and the House and Senate Appropriations Committees. Each justification document will contain the following information: (1) why the action is being submitted for prior approval, (2) a concise statement of the purpose of the action, (3) identification of the amount and source of funds to be reallocated, (4) identification of how the funds will be used, and (5) an explanation of why the action proposed is consistent with the fiscal year budget approved by Congress and signed by the President.

060603. Oversight. Per agreements between the various congressional committees, the House Permanent Select Committee on Intelligence (HPSCI) has jurisdiction over the NFIP, Joint Military Intelligence Program (JMIP), and the TIARA programs, while the Senate Select Committee on Intelligence (SSCI) has jurisdiction over the NFIP only. Therefore, NFIP reprogrammings, other than below threshold actions, must receive prior approval, or at least notify, the HPSCI, SSCI, HAC, and SAC, while reprogramming affecting the JMIP and the TIARA program must receive prior approval, or at least notify, the HPSCI, SASC, HAC, and

SAC. However, as a matter of practice, the Department submits reprogramming actions to all six committees for the NFIP, JMIP, and TIARA programs for action and/or information.

060604. Below Threshold Reprogramming. Below threshold reprogramming limitations applicable to DoD appropriations (section 0608) also apply to the NFIP except when the below threshold action within an account crosses Agencies. In this instance, the below threshold transfer of funds between Agencies, but within the same account, requires the prior approval of all six committees. (Slight differences may apply for other than DoD funds.)

060605. Congressional Approval. Implementation of the requested actions; whether by reprogramming action, letter notification, or justification documentation will not take effect until the action has been approved or cleared by all applicable committees.

0607 REPROGRAMMING OF SPECIAL ACCESS PROGRAMS

060701. Provision in Law. Section 8008 of the FY 1996 DoD Appropriations Act states: "Funds appropriated by this Act may not be used to initiate a special access program without prior notification 30 calendar days in session in advance to the congressional defense committees."

060702. General. For other than reprogramming of new starts, normal reprogramming procedures as described in this chapter apply to special access programs.

0608 BELOW THRESHOLD REPROGRAMMINGS

060801. Purpose. To Provide DOD Components with the discretion flexibility to realign, within prescribed limits, congressionally approved finding to satisfy unforeseen, higher priority requirements. As with formal reprogrammings (DD 1415s), below threshold actions should net to zero.

060802. Guidelines

A. Below threshold reprogramming are minor actions not otherwise requiring congressional approval that may be accomplished within the DoD Components and are measured cumulatively over the entire obligational availability of the appropriation. Reprogramming thresholds apply to increases and decreases made to line items in the Procurement and RDT&E accounts. Below threshold amounts for the Military Personnel and Operation and Maintenance accounts are measured only by increases. Any action, when combined with other below threshold reprogramming for the same budget activity, line item or program element, must not exceed the established threshold in total, except when thresholds are exceeded due to the provisions of the Closing Accounts Legislation (P.L. 101-510).

B. Threshold amounts agreed upon among the committees and the Department that may be reprogrammed by the DoD Components without the approval of the Secretary of Defense or congressional committees areas follows:

1. Military Personnel: Cumulative increases of less than \$10 million in a budget activity for other than congressional special interest items.

2. Operation and Maintenance: Cumulative increases of less than \$20 million in a budget activity for other than congressional special interest items.

3. Procurement: Cumulative increases of less than \$10 million to a procurement program; or for decreases, the greater of either cumulative decreases of \$10 million or less or the decrease of 20 percent of the appropriated level of the procurement line item (inclusive of supplemental appropriations and rescissions) for other than congressional special interest items.

4. RDT&E: Cumulative increases of less than \$4 million to an existing program element; or for decreases, the greater of either cumulative decreases of \$4 million or less or the decrease of 20 percent of the appropriated level of the program element (inclusive of supplemental appropriations and rescissions) for other than congressional special interest items.

C. Normal reprogramming thresholds will not apply based on Closing Accounts Legislation (P.L. 101-510) when currently available appropriations are used to fund obligations or adjustments to obligations which would otherwise have been funded from a canceled account before it was canceled. Within an appropriation, reprogramming thresholds may be exceeded in currently available appropriations for increases or sources used to finance the "Canceled Account Adjustments" line item. If reprogramming thresholds are exceeded for increases or sources to finance these obligations or adjustments to obligations, then column "k," "Below Threshold Actions not Requiring Approval by the SecDef or Committees" of the DD 1416 should be footnoted to indicate that the threshold amount has been exceeded due to canceled account adjustments.

D. If a reprogramming increase has been denied by the congressional committees, DoD policy prohibits the use of a series of below threshold reprogramming actions finance the requested increase. However, below threshold reprogramming that preceded the congressional denial will be recognized as valid.

E. Below threshold reprogramming authority may be used to finance increases on reprogramming actions that were approved by the congressional committees, but were not able to be accommodated within the implementation process, so long as the below threshold reprogramming otherwise do not exceed a threshold limitation, affect an item of special congressional interest, or have not been specifically denied by a congressional committee as a reprogramming source. This policy has evolved out of recognition of there being congressionally-approved increases within the "omnibus" reprogramming action that were unable to be funded in the USD(C) implementation memorandum, due to a lack of congressionally-approved sources.

0609 REPROGRAMMING NEW STARTS

060901. General. Congressional committees discourage the use of the reprogramming process to initiate programs. Except for extraordinary situations, consideration will not be given new start reprogramming requests for which the follow-on funding is not budgeted or programmed.

060902. Identification of New Starts. New starts should be identified in the DoD Component memorandum and the reprogramming action submitted to the USD(C). If the new start is included in the budget, the memorandum shall identify that fact along with the PBD number in which the action was addressed. If not included in the budget, identify that fact and explain why the action now is necessary.

060903. New Start Criteria

A. A program not previously justified and appropriated by the Congress through the normal budget process is considered to be a new start. Funding for new programs may not be done without some type of prior notification, either by letter for those new starts under \$2 million for the entire cost of the new effort, or by notification reprogramming (DD 1415-2) for new starts \$2 million or more for the entire effort, or more than \$10 million over a three-year period.

B. The congressional committees expect to be notified whenever a DoD Component intends to initiate any new modification, except for those safety modifications which are expected to cost less than \$10 million over three years.

C. A program effort in one year in the Procurement and RDT&E accounts may be extended into a subsequent fiscal year without constituting a new start. This is considered an extension of the effort initiated in the prior year program. When this occurs, the program should be footnoted as such on the semi-annual Report of Programs.

D. Due to the characteristics of Military Personnel and Operation and Maintenance programs, new starts seldom occur. New starts would be significant new programs, contracts, or activities that have not been explicitly justified to the Congress in budget justification material. An example maybe the establishment of a Pacific Distribution System.

060904. Notification Reprogrammings (DD 1415-2). Notification Reprogrammings are required for actions, not otherwise requiring prior approval, for new programs or line items which:

A. Will result in estimated follow-on costs of \$10 million or more within a three-year period for any RDT&E subproject or project, and procurement program.

B. Are additions of \$2 million or more in any RDT&E subproject or project, or procurement program.

060905. Letter Notification. Advance notification by letter for new programs or line items not otherwise requiring prior approval (DD 1415-1) or notification action (DD 1415-2) will be made by the DoD Component involved to the House National Security and Senate Armed Services Committees and the House and Senate Committees on Appropriations.

A. Notification will be made by letter directly to the cognizant committees only after advance coordination with the applicable OUSD(C)/(P/B) Directorate. The letter must be signed by the same level authorized to transmit reprogramming actions to OSD. The signatory authority may be delegated to the senior financial manager or budget officer of the Component.

B. The notification letter should include a brief description of the total program being initiated, total program costs, proposed funding and procurement quantities by year, enough background information to demonstrate that the item is ready for research or procurement and an explanation of how subsequent years' funding will be provided, if the budget line is not included in the budget.

C. The notification letter should also provide a description of source of funds and why source funds are no longer needed and the impact.

D. Copies of the letters to the congressional committees must be furnished to the ODC(P/B) at the time of transmittal to the committees.

E. Approvals by the House and Senate Appropriations Committees and House National Security and Senate Armed Services Committees require a 30-day automatic hold.

F. The DoD Component may implement the subject reprogramming 30 calendar days after receipt by the cognizant committees unless notification to the contrary is received from a committee.

0610 PROGRAM TERMINATION

061001. Policy. The House and Senate Committees on Appropriations and the House National Security and Senate Armed Services Committees shall be notified of any program termination which results in the elimination of a procurement program or RDT&E program element, or a subprogram or project \$10 million or greater within such a program line item, prior to any reprogramming from that program.

061002 Guidelines. If elimination of a procurement or RDT&E program element, or subprogram or project \$10 million or greater within such a program line item, is reflected on a DD 1415 submitted to the congressional committees, then the DD 1415 serves the purpose of notification. If the amount of the termination falls within those amounts normally allowed through below threshold reprogrammings, then notification prior to any reprogramming may be made by letter. Procedures used for notification letters for below threshold new starts will apply. After coordination with ODC(P/B), the DoD Components shall transmit the notification letters directly to the congressional committees and transmit copies of the letters to ODC (P/B).

0611 REPLACEMENT OF ITEMS SOLD FROM INVENTORY

061101. Policy. The current budget policy requires that reimbursements cannot be used to replace end items sold from inventory if the replacement end item is not the identical type, model, and series designation unless a reprogramming action is approved by the congressional committees.

061102. Guidelines

A. The requirement for a reprogramming action for small dollar value end items where replacements vary only to a minor extent from the item sold has resulted in unnecessary paperwork and serves no substantive purpose. Replacement of items sold from inventory with a unit cost of less than \$5,000 will be treated as a replacement-in-kind (RIK) if an improved model of the same end item is being procured, performs the same warfighting capability, and the inventory objective presented to the Congress is not exceeded. Items satisfying all of these criteria will be financed with the reimbursable proceeds of the sale of the end items issued from inventory without processing a DD 1415 reprogramming action. The amount applied toward the RIK may not be increased beyond the proceeds of that sale.

B. The requirement for a reprogramming action exists when an item of materiel is sold which will require replacement to compensate DoD inventories for the resultant loss of capability or readiness and the replacement item will not be identical to the item sold. It must, however, be a later series of “mod” designation of the same basic model (e.g., sale of a C-130A aircraft and purchase of a C-130E) or an acceptable substitute item used against the same inventory objective or authorized acquisition objective in requirements computations (e.g., sale of an M-48 tank and purchase of an M-60 tank). In this situation, the reimbursement from the sale will be included under reimbursable financing but the buyback of the replacement items must be shown as direct program financing.

C. Exceptions to the above guidance occur when authorizing language is specified in law, as in the instance of the FY 1993 DoD Appropriations Act. As part of the language on Procurement of Weapons and Tracked Combat Vehicles, Army, the Army was authorized to use proceeds from the sale of M-48 and M-60 series tanks for the M-1 Series Tank Upgrade Program.

0612 REPROGRAMMING POLICY FOR CLOSING ACCOUNTS LEGISLATION
(P.L. 101-510)

061201. Definitions of Contract Changes for Reprogramming Purposes. For purposes of this reprogramming policy guidance, adjustments to amounts initially obligated in accounts, that now are expired, are categorized either as within-scope or change-in-scope contract changes. Within-scope changes generally are funded from the appropriation that originally financed the contract until cancellation. Change-in-scope contract changes are financed from appropriations currently available for obligation at the time the change is made. Specific guidelines for determining scope of work changes are defined in Chapter 8 of this Volume.

061202. Use of Currently Available Appropriations to Fund Contract Changes

A. Normal applicable reprogramming (DD 1415) procedures and thresholds will apply when currently available appropriations are used to fund contract changes.

B. Contract changes funded from currently available appropriations will be funded from, and reflected against, the current corresponding line item, program element or program applicable, or comparable, to the program for which the contract change is being made.

C. If an applicable corresponding program no longer exists in the currently available appropriation for the program for which the contract change is being made, a new line item for the program in question will be created to reflect the contract change adjustment. Reprogramming threshold procedures for this newly created line will be the same as for the creation of any other new line item.

D. Any line item or program can be the funding source for contract changes funded from currently available funds. However, the funding source line item or program will be subject to normal reprogramming thresholds.

061203. Use of Currently Available Appropriations to Fund Obligations or Adjustments to Obligations that Otherwise Would Have Been Funded from a Canceled Account Except it is Canceled.

A. Obligations or adjustments to obligations, which otherwise would be chargeable to an appropriation before it was canceled, shall be charged to an appropriation currently available for the same purpose. Specific limitations are as follows:

1. The sum of all such amounts funded from currently available appropriations shall not exceed the lower of (a) one percent of the originally appropriated amount of the current appropriation being charged or (b) the current unexpended balance of the canceled account.

2. For the purpose described in subparagraph 061203.A. 1. above, the unexpended balance is the net of (a) the sum of the unobligated balance plus the unliquidated obligated balance of the account at the time it was canceled and; (b) less any and all obligations incurred and payments made subsequent to the cancellation of the original account when such obligations and payments would otherwise have been properly charged to the appropriation had the appropriation not been canceled.

B. Normal reprogramming procedures (DD 1415) and thresholds will not apply when currently available appropriations are used to fund obligations or adjustments to obligations which would otherwise have been funded from a canceled account before it was canceled.

C. Charges to currently available appropriations for obligations or adjustments to obligations that would otherwise have been charged to canceled accounts shall be reflected in a line item on the Report of Programs (DD 1416) entitled "Canceled Account Adjustments."

1. Within an appropriation, reprogramming thresholds may be exceeded in currently available appropriations for increases or sources used to finance the "Canceled Account Adjustments" line item.

2. If reprogramming thresholds are exceeded for increases or sources to finance these obligations or adjustments to obligations, column "k," "Changes not Requiring Approval by Secretary of Defense" of the DD 1416 should be footnoted to indicate that the threshold amount has been exceeded due to canceled account adjustments.

3. The new line, "Canceled Account Adjustments," will be a separate line item or program element and added as an entry within a single budget activity. A memo line on the DD 1416 shall be shown under BA 5, PCS Travel for active military personnel appropriations, and under BA 4, Administration and Servicewide Activities for active O&M appropriations. For all other accounts which do not display line item detail, a memo line shall be shown under any single budget activity.

061204. Use of Expired Appropriations to Fund Contract Changes

A. An expired appropriation remains available for recording, adjusting and liquidating obligations properly chargeable to that appropriation until the appropriation is closed under 31 U.S.C. 1552. Accordingly, an expired appropriation may be used to fund within-scope contract changes properly chargeable to that appropriation in accordance with Chapter 8 of this Volume.

B. Expired Operation and Maintenance, Navy appropriations may be used to fund certain payments required because of changes in scope of work in connection with ship overhaul, maintenance, and repair work under 10 U.S.C. 7313.

C. For purposes of the Shipbuilding and Conversion, Navy appropriation, appropriation language normally provides for additional obligations to be incurred after the five years of obligational availability, for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction.

D. There has been no requirement to submit reprogramming actions for expired accounts, and this policy shall continue.

0613 NATIONAL GUARD AND RESERVE EQUIPMENT ACCOUNT NOTIFICATION PROCEDURES

061301. General. In the National Guard and Reserve Equipment appropriation (NGREA), the Congress typically appropriates funds in lump-sum amounts to be used for aircraft and miscellaneous equipment, and requests submission of a detailed assessment of modernization priorities by each of the Reserve Component (RC) Chiefs. The Assistant Secretary of Defense (Reserve Affairs) (ASD(RA)) forwards the RC acquisition plans to the congressional committees, along with a consolidated equipment requirements list for all Reserve Components, called the Summary NGREA Acquisition Report.

061302. Procedures for Revisions to the Summary NGREA Acquisition Report

A. Procurement of any item not included in the Summary NGREA Acquisition Report for allocation of the funds appropriated in lump-sum amounts for aircraft and miscellaneous equipment cannot be initiated by a Component until the proper notification to the congressional committees is made.

B. Letters requesting a change to the initial report should be submitted by the cognizant Military Department Assistant Secretary (Financial Management and Comptroller) for the respective Reserve Component requiring a change from the initial allocation directly to the ASD(RA). The ASD(RA) shall obtain coordination from ODC(P/B) and transmit letters to the congressional committees.

C. Consistent with other procedures in place for letter notifications pertaining to new starts (section 060905 of this chapter), the following procedures for assuming approval by the committees shall apply.

1. Approvals by the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees constitute a 30-day automatic hold.

2. The DoD Component may implement reprogramming 30 calendar days after receipt by these committees unless notification to the contrary is received from a committee.

061303. Program Line Items Specifically Identified in Congressional Committee Reports. Normal DoD reprogramming procedures apply for any reprogramming of funds affecting line items that specifically are identified by the Congress in committee report language.

6-19

BASE FOR REPROGRAMMING ACTIONS (Dollars in Thousands)								
Appropriation Account Title: <i>Enter the appropriation account title and program year.</i>						Fiscal Year program: <i>Enter the fiscal year.</i>		
Line Item	Program Base Presented to Congress in Printed Justification		Amended Changes Presented Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Basic Congressional Action	
	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i
<u>PROGRAM</u>								
<p><i>The Base for Reprogramming Actions (DD 1414) establishes the base from which reprogramming actions maybe taken. It identifies line items for each appropriation covered in the DoD Appropriations Acts, except those appropriations having no budget activity subdivisions in the budget document presentation. In addition, accounts which are available solely for transfer to another appropriation for a specified purpose are excluded. Details for this report follow:</i></p>								
<p><i>Line item nomenclature and accompanying amounts for programs appropriated vary by account and should be shown as follows:</i></p> <p style="margin-left: 40px;"><i>Active and reserve component military personnel appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown.</i></p> <p style="margin-left: 40px;"><i>Operation and maintenance (O&M) active and reserve appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown.</i></p> <p style="margin-left: 40px;"><i>Procurement appropriation line items will be the procurement line items shown on the "Procurement Programs" (P-1) document and arranged in the same order. The line items will be grouped by budget activity and a total will be shown for each budget activity.</i></p> <p style="margin-left: 40px;"><i>Research, Development, Test and Evaluation appropriation line items will be the program elements shown on the "RDT&E Programs" (R-1) document and arranged in the same order. The program elements will be grouped by budget activity and a total will be shown for each budget activity. New program titles due to congressional adds shall be as reflected in the congressional reports or as part of an existing program element, whichever is appropriate.</i></p>								
<p><i>Undistributed congressional reductions shall remain undistributed on the DD 1414. An entry will be shown under a category labeled "Undistributed Reductions" for each separate undistributed reduction made by Congress within the appropriation markup and for those undistributed reductions allocated by DoD based on provisions in law that reduced DoD funds for specific purposes. For O&M accounts, this normally applies for adjustments made by general provision. Undistributed reductions identified within an O&M account that are necessary to support the amount appropriated in an Act shall be distributed to the budget activity level. The "Undistributed Congressional Reductions" will be distributed on the subsequent March 31 DD 1416 in columns "h" and "i," "Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers." Sometimes congressionally undistributed adds are made. These should be treated similar to undistributed reductions, with the category label changed to "Undistributed Adjustments" when this is applicable.</i></p>								
<p><i>"Subtotal, Direct Program" follows the line item detail and is the sum of all program lines and the undistributed amounts.</i></p>								
<p><i>"Reimbursable Program" shall be the amount presented in the justification materials to support the President's budget request for the fiscal year shown.</i></p>								
<p><i>"Total Program, FY 19XX" is a total amount of the "Subtotal, Direct Program" and "Reimbursable Program" lines.</i></p>								

BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Amended Changes Presented Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Basic Congressional Action	
	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i
<u>PROGRAM</u>								
<p><i>“Program Base Presented to Congress in Printed Justification” (columns “b” and “c”). For each line item in the Procurement and RDT&E appropriations, enter the amounts reflected in the P-1 and R-1. The Procurement line items should include applicable line item quantities. Military Personnel and Operation and Maintenance (O&M) appropriations will be by budget activity level and amounts will be obtained from the printed congressional justification books.</i></p>								
<p><i>“Amended Changes Presented Prior to Final Congressional Action” (columns “d” and “e”). Enter the amount of increase (+) or decrease (-) to the line items or budget activities which were approved by the Secretary of Defense and formally presented to one or both of the Committees on Appropriations. Normally, such changes, involving a change in the budget estimate for the total appropriation, will be submitted to the Congress by the President as formal budget amendments, although in certain cases, such changes have been presented directly by the Secretary of Defense. Testimony on program changes by a DoD official other than the Secretary or Deputy Secretary of Defense shall be considered as an expression of personal opinion and not as an approved change, unless specifically approved by the Secretary of Defense for presentation to the Congress. This column shall only be used when directed by OSD.</i></p>								
<p><i>“Changes Reflecting Congressional Action/Intent” (columns “f” and “g”). Enter the amount of increase (+) or decrease (-) for each line item reflecting congressional action as indicated in the Conference Report accompanying the DoD Appropriations Actor any other information as may be available to determine congressional action or intent regarding line item detail. In cases where the Congress has made general reductions, the amounts shall be included in the “Undistributed Reduction” section. (The amounts will be distributed by line item in the subsequent March 31 DD 1416, Report of Programs.) In the case of O&M appropriations, general reductions refer to adjustments made in general provisions. Nonspecific congressional adjustments included in appropriated amounts for an O&M account shall be allocated to the budget activity level. A line item covering ‘fact-of-life adjustments’ may be included for each budget activity to reflect other changes including program changes, price changes and intra-appropriation transfers.</i></p>								
<p><i>“Program Base Reflecting Basic Congressional Action” (columns “h” and “i”). Entries will represent the arithmetic sum of the applicable entries from columns “b” through “f” and “c” through “g.” Quantities and amounts in this column will become the first column “Program Base Reflecting Congressional Action” (columns “b” and “c”) of the subsequent DD 1416 as of March 31 for the current fiscal year.</i></p>								
<p><i>Quantities (Columns “b,” “d” and “f”). Quantities are only applicable for the procurement accounts. When a procurement line item contains a quantitative measurement, then the quantity shall be reflected in the appropriate quantity columns for that line item. If no quantity is meaningful as a unit measurement, then the column value may be left blank. Quantities shall be obtained from the Conference Report accompanying the DoD Appropriations Act or Congressional Action FAD 728.</i></p>								

BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: <i>Enter the appropriation account title and program year.</i>						Fiscal Year Program: <i>Enter the fiscal year.</i>		
Line Item	Program Base Presented to Congress in Printed Justification		Amended Changes Presented Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Basic Congressional Action	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i
<u>PROGRAM</u>								
<p><i>Stub Entries for this Financing Section may include some or all of the following types of transactions:</i></p> <p>Budget Authority:</p> <p style="padding-left: 20px;">Appropriation, P.L. 103-335</p> <p style="padding-left: 20px;">P.L. 103-335, Sec. 8054(G)</p> <p style="padding-left: 20px;">Appropriation, P.L. 99-177</p> <p style="padding-left: 20px;">Transfers</p> <p style="padding-left: 20px;">Reimbursable Orders</p> <p style="padding-left: 40px;">Total Financing, FY 19XX Program</p>								
<p><i>Detail instructions for the above financing lines by column areas follows:</i></p> <p style="padding-left: 20px;">Column "c" for the appropriation and reimbursable orders lines shall be the same as the amounts in the President's budget Program and Financing statements.</p> <p style="padding-left: 20px;">Column "e" is rarely used; and when appropriate, instructions for this column will be provided.</p> <p style="padding-left: 20px;">Column "g" shall be the delta changes made by Congress or DoD for applicable appropriation or general provision changes.</p> <p style="padding-left: 20px;">Column "i" shall be the sum of the columns across and shall be column "c," "Program Base Reflecting Basic Congressional Action," on subsequent DD 1416s.</p> <p style="padding-left: 20px;">"Transfers" shown on the DD 1414 will only apply for those transfers included as part of the President's budget request or certain congressional action transfers. For example, these may include transfers in the budget from the National Defense Stockpile Fund or general provision transfers provided by the Congress in law that usually involve transfers to Shipbuilding and Conversion, Navy for newly established "micro" accounts from other appropriations. Generally, other congressionally-directed transfers are not reflected until preparation of the as of March 31 DD 1416, Report of Programs.</p>								
<p><u>Footnoted Items.</u> Extreme care should be used in footnoting items to ensure that congressional direction or intent is accurately reflected. Any congressional add or entire requested amount or partial requested amount that is fenced or identified as a special interest item is to be documented as such on the DD 1414. Footnotes will vary depending on congressional action/intent, i.e., an item may not be increased, or decrease, or increased or decreased, without congressional committee approval prior to implementation of a reprogramming of funds. The prior approval shall follow established reprogramming procedures. Congressionally denied items shall be noted by a single asterisk "*" or double asterisk "***" The single asterisk shall be used only if the item denied was denied without prejudice. Increases to a single asterisk item maybe made only after congressional prior approval. Double asterisk items are not available for reprogramming. All footnotes on the DD 1414 are to be carried over to the DD 1416 reports and remain in effect for subsequent DD 1416 reports unless documentation is provided indicating that the footnote is no longer applicable. Footnotes should be consolidated onto the last page of each account. This saves space and avoids repetition of the same footnote that may appear on several pages of an account.</p>								

DD 1414

REVISED BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)Appropriation Account Title: *Enter the appropriation account title and program year.*Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Reflecting Last Congressional Action		Increases to Program Reflecting Congressional Action/Intent		Decreases to Program Reflecting Congressional Action/Intent		Revised Program Base for Reprogramming	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i
<u>PROGRAM</u>								
<i>The Revised Base for Reprogramming Actions (DD 1414-R) is similar to the DD 1414, Base for Reprogramming Actions, and is prepared to document congressional action on supplemental appropriations acts, subsequent to the basic appropriations act. In general, the same report guidelines that apply to the DD 1414 are applicable to the DD 1414-R, i.e., undistributed congressional reductions and footnoted items. Details for this report follow:</i>								
<i>Line item nomenclature should be the same as that reflected on the DD 1414 or DD 1416 for the program year in which the DD 1414-R changes apply. Military Personnel and Operation and Maintenance program changes shall be shown by budget activity along with line item identification to reflect congressional action by programmatic change. Procurement appropriation line items shall be the line item (P-1) and Research, Development, Test and Evaluation appropriation line items shall be the program element (R-1), except when subprograms are also required in order to reflect congressional special interest items. Program lines shall be listed for all lines corresponding to either programs DoD requested or programs Congress added or reduced.</i>								
<i>"Program Base Reflecting Last Congressional Action" (columns "b" and "c"). For current year congressional action adjustments made prior to March 31, amounts shall be the last column of the current year DD 1414. For adjustments made to prior years, and to the current year after March 31, the combined first two numeric columns of the latest DD 1416 shall be the amount shown in this column of the DD 1414-R. The first two columns of the DD 1416 are the "Program Base Reflecting Basic Congressional Action" and "Program Base Adjustments Reelecting Enacted Supplemental and Rescissions."</i>								
<i>Two separate columns reelecting congressional action "Increases Reelecting Congressional Action/Intent" (columns "d" and "e") and "Decreases Reelecting Congressional Action Intent (columns "f" and "g") shall be used depending upon whether or not the congressional action was an increase or a decrease. If the same act provided supplemental appropriations and rescinded funds from the same program, show both increases and decreases to the program separately. These amounts will be reflected in subsequent DD 1416s in the column "Program Base Adjustments Reflecting Enacted Supplemental and Rescissions."</i>								
<i>"Program Base Adjustments Reelecting Enacted Supplemental and Rescissions" (columns "h" and "i"). Entries will represent the arithmetic sum of the applicable entries from columns "b" through "f" and columns "c" through "g." Quantities and amounts in this column will become the second column "Program Base Adjustments Reelecting Enacted Supplemental and Rescissions" (columns "d" and "e") of subsequent DD 1416s as of March 31 or September 30 for the affected program years.</i>								
<u>FINANCING</u>								
<i>Stub entries for this Financing Section should include the type of transaction from the public law, i.e., appropriation or rescission, or general provision section number.</i>								

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Page 1 of 4 Pages

REPROGRAMMING ACTION									
Appropriation Account Title: <i>Gaining Appropriation Titles with Year Designations</i> (Includes Transfers)						DoD Serial Number: <i>To be filled in just prior to going to committees</i>			
Component Serial Number: <i>Numbered by Component</i>		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by SecDef		Reprogramming Action		Revised Program	
LINE ITEM		Quantity Amount		Quantity Amount		Quantity Amount		Quantity Amount	
a		b c		d e		f g		h i	
<p style="text-align: center;"><u>PRIOR APPROVAL ACTION</u></p> <p><i>This is a sample with instructions on details required for preparation of a “Prior Approval” reprogramming action (DD 1415-1) which requires congressional committee approval in writing prior to implementation of the committee responses. Specific approval of the USD(Comptroller) is required on all prior approval reprogramming actions and OMB endorsement is required for those involving transfers.</i></p> <p><i>An introductory paragraph should include the following:</i></p> <ol style="list-style-type: none"> 1. <i>Why the action is being submitted for prior approval. (One or more of the following should apply.)</i> <ol style="list-style-type: none"> A. <i>Increases the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (Exceptions may apply when congressional language allows for procurement of as many missiles as funds will procure, which requires the submission of, and approval of an internal reprogramming action.)</i> B. <i>Affects an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees.</i> C. <i>Involves the use of general transfer authority and shall state which Acts are involved, for example, pursuant to Section 8005, Public Law 104-61, the FY 1996 DoD Appropriations Act and Section 1001, Public Law 104-106, the FY 1996 National Defense Authorization Act. When this is the case, the title of the DD 1415 shall include the phrase “Includes Transfers” to highlight the fact that transfers are involved, i.e., increases and decreases are from different DoD appropriations or legal subdivisions of an appropriation are being realigned.</i> 2. <i>A concise statement as to the purpose of the action.</i> 3. <i>A statement that the action is for a higher priority item, based on unforeseen military requirements, than that for which the funds were originally appropriated, meets all administrative and legal requirements of the Congress, and has not been denied by the Congress.</i> 4. <i>Indicate whether the action is (or is not) reflected in the President’s budget.</i> 									
Approved (Signature and Date)									

DD 1415-1

7 May 90

Unclassified
CLASSIFICATION

6-23

Unclassified**CLASSIFICATION****REPROGRAMMING ACTION**

Appropriation Account Title: Research, Development, Test and Evaluation, Air Force, 96/97 (Includes Transfer)					DoD Serial Number:				
Component Serial Number: FY 96-1 PA		(Amounts in Thousands of Dollars)							
		Program Base Reflecting Congressional Action		Program Previously Approved by SecDef		Reprogramming Action		Revised Program	
LINE ITEM		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a		b	c	d	e	f	g	h	i

PRIOR APPROVAL ACTION

5. A statement that the action affects the National Foreign Intelligence Program (NFIP), Joint Military Intelligence Program (JMIP) or Tactical Intelligence and Related Activities (TIARA), when such is the case. If the action affects NFIP, then a statement must be included that the action has the concurrence of the Director of Central Intelligence.

REPROGRAMMING INCREASES:

Appropriation and year designation

Budget Activity Number and Title

a b c d e f

Explanation:

Details for each separate increase are as follows:

a. Line item titles. The title will be identical to the title shown on the “Base for Reprogramming Actions” if the line item is listed therein.

b. Entries for “Program Base Reflecting Congressional Action” (columns “b” and “c”). For each line item, enter the procurement quantity (if applicable) and amount shown on the Base for Reprogramming Actions, for “Program Base Reflecting Basic Congressional Action.” When a Revised Base for Reprogramming Action (DD 1414-R) has been prepared and submitted to the congressional committees to reflect a supplemental appropriations act, the entries in this column for affected programs will be the last column of the applicable DD 1414-R, (columns “h” and “i”).

c. Entries for “Program Previously Approved by SecDef” (columns “d” and “e”). Entries will be the first column “Program Base Reflecting Congressional Action” of the document plus any changes made by reprogramming actions approved by the Department. Specifically, the entries in these columns will be the same as those in the “Revised Program” columns (columns “h” and “i”) of the most recently approved DD 1415 reprogramming action. If a reprogramming action is already in process in OSD affecting the same item, coordinate the revised program value to be used with the ODC(P/B)P&FC.

Unclassified**CLASSIFICATION****REPROGRAMMING ACTION**

Appropriation Account Title: Research, Development, Test and Evaluation, Air Force, 96/97 (Includes Transfer)						DoD Serial Number:			
Component Serial Number: FY 96-1 PA		(Amounts in Thousands of Dollars)							
		Program Base Reflecting Congressional Action		Program Previously Approved by SecDef		Reprogramming Action		Revised Program	
LINE ITEM		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a		b	c	d	e	f	g	h	i

PRIOR APPROVAL ACTION

d. Entries for “Reprogramming Action” (columns “f” and “g”). Enter the increase (+) or decrease (-) in quantity (if applicable) and amount of the proposed reprogramming action. The total increases and decreases must net to zero. Columns “f” and “g” are not allowed to contain classified quantities or amounts. Other material, if required, should be classified in order to allow columns “f” and “g” to remain unclassified.

e. Entries for “Revised Program” (columns “h” and “i”). Enter the adjusted quantity (if applicable) and the amount resulting from the proposed increase or decrease to the previously approved program.

f. The “Explanation” on the DD 1415 should include sufficient data to justify the proposed increase. The statements should be informative, clearly stated, and straightforward. The purpose of the written documentation should be to inform the reader; therefore, care must be taken to avoid confusing narratives. For each increase within the reprogramming, include explanations and justifications that are intended to serve the same basic purpose as “original budget justification.” Accordingly, concise, accurate, and clearly stated information should be provided for reviewing officials and the congressional committees as to the nature, extent, and necessity of the requirements, the costs, and the proposed application of resources to meet such costs. All program increases should be described in such a way as to distinguish between price changes and program scope changes. Statements should be prepared and reviewed on the basis that classified data will not be included unless essential to justification of the reprogramming change.

Research, Development, Test and Evaluation, Air Force, 95/96**Budget Activity 4: Demonstration/Validation**

0603851F ICBM - DEM/VAL 43,206 43,206 +10,000 53,206

Explanation: Funds are required to support the Rocket Systems Launch Program (RSLP) which converts surplus ICBMs into test launch vehicles for suborbital and sounding rocket launches. Funds are required to move 166 Minuteman II motors from Pueblo Depot, CO to Camp Navajo Depot, AZ because the Pueblo Depot is closing. As a result, proper storage and maintenance of environmental igloos for motor storage is no longer being maintained or guaranteed. Since the Camp Navajo Depot has been modified and is ready to accept motors, the motors must be moved to ensure proper storage and maintenance and to avoid unauthorized location of hazardous Air Force material.

Unclassified**CLASSIFICATION****REPROGRAMMING ACTION**

Appropriation Account Title: Research, Development, Test and Evaluation, Air Force, 96/97 (Includes Transfer)						DoD Serial Number:			
Component Serial Number: FY 96-1 PA		(Amounts in Thousands of Dollars)							
		Program Base Reflecting Congressional Action		Program Previously Approved by SecDef		Reprogramming Action		Revised Program	
LINE ITEM		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a		b	c	d	e	f	g	h	i

PRIOR APPROVAL ACTION

Total Reprogramming Increase +10,000

REPROGRAMMING DECREASE:

Missile Procurement, Air Force, 96/98

Budget Activity 3: Modification of In-Service Missiles

MM III Modifications	29,344	29,344	-10,000	19,344
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Explanation: These funds are excess to requirements as a result of the restructure of the Minuteman III Guidance Replacement Program (GRP). As a result of the restructure, procurement of long lead parts to support low rate initial production is not required until the second quarter of 1997. The MM III GRP program is adequately and appropriately funded to support a GRP production start in FY 1997. Accordingly, FY 1996 funds provided to procure long lead parts are available to finance higher priority requirements.

Note: All sources of financing will be clearly and explicitly identified in the DD 1415. A statement immediately following each proposed decrease in a line item shall include information as to the basis upon which it has been decided that the line item may be reduced.

Extreme care should be used in identification of sources to ensure that approved increases will be fully funded. For purposes of the "omnibus" reprogramming action, except in the most unusual circumstances, the USD(C) neither will request reconsideration of denied increases, nor submit alternative sources for any denied sources.

Total Reprogramming Decrease -10,000

APPROVAL POLICY FOR PRIOR APPROVAL REPROGRAMMINGS. For all congressional committees receiving the action, approval is obtained by letter from each committee prior to implementation of the action.

Unclassified**CLASSIFICATION****REPROGRAMMING ACTION****Appropriation Account Title:** *Gaining Appropriation Titles with Year Designations***DoD Serial Number:** *To be filled in just prior to going to committees.***Component Serial Number:**
*Numbered by Component**(Amounts in Thousands of Dollars)*

LINE ITEM	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

NOTIFICATION ACTION

This is a sample with instructions on details required for preparation of a “Notification Action” reprogramming action (DD 1415-2) which requires congressional committee notification for changes in the application of funds within an appropriation in amounts (thresholds) greater than those agreed upon between the committees and the Department. Thresholds by appropriation title are as follows:

Military Personnel: A cumulative increase of \$10 million or more in a budget activity.

Operation and Maintenance: A cumulative increase of \$20 million or more in a budget activity. (In the past, the congressional committees have imposed a reprogramming decrease threshold from specific subactivity group categories. When this is the case, these threshold amounts are separately identified on the Base for Reprogramming Actions, DD 1414.)

Procurement: For any program year, a cumulative increase of \$10 million or more in a procurement line item; the addition of a new procurement program of \$2 million or more; the addition of a new procurement program estimated to cost \$10 million or more within a three-year period; a cumulative decrease of more than \$10 million, or 20 percent of the appropriated amount (inclusive of supplemental appropriations and rescissions), whichever of the two is greater; or the termination of any program which results in the elimination of a procurement program, or elimination of a subprogram \$10 million or greater within a procurement program. (For new start programs less than \$2 million for the entire effort, a notification letter to the congressional committees is required in advance of initiating the program. For terminations of programs falling within the amounts normally allowed by “below threshold” reprogramming, notification shall be made by letter.)

RDT&E: For any program year, a cumulative increase of \$4 million or more in an existing program element; the initiation of a new program of \$2 million or more, the addition of a new program whose cost is estimated to be \$10 million or more within a three-year period; a cumulative decrease of more than \$4 million, or 20 percent of the appropriated amount (inclusive of supplemental appropriations and rescissions), whichever of the two is greater; or the termination of any program which is equal to the total amount of the program element, or elimination of a subprogram or project \$10 million or greater within such a program element. (For new start programs less than \$2 million for the entire effort, a notification letter to the committees is required in advance of initiating the program. For terminations of programs falling within the amounts normally allowed by “below threshold” reprogramming, notification shall be made by letter.)

Approved (Signature and Date)**DD 1415-2**

7 May 90

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REPROGRAMMING ACTION

Appropriation Account Title: Research, Development, Test and Evaluation, Air Force, 96/97						DoD Serial Number:			
Component Serial Number: FY 96-1 N		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
LINE ITEM		Quantity Amount		Quantity Amount		Quantity Amount		Quantity Amount	
a		b c		d e		f g		h i	

NOTIFICATION ACTION

An introductory paragraph should include the following:

- 1. Why the action is being submitted for notification, e.g., "This reprogramming action is submitted for notification because it proposes an increase of \$9.5 million to a program element, which exceeds the \$4 million threshold"; or "This reprogramming action is submitted for notification because it adds a new start program."*
- 2. A concise statement as to the purpose of the action.*
- 3. A statement that the action is for a higher priority item, based on unforeseen military requirements, than that for which the funds were originally appropriated, meets all administrative and legal requirements of the Congress, and has not been denied by the Congress.*
- 4. Indicate whether the action is (or is not) reflected in the President's budget.*
- 5. A statement that the action affects the National Foreign Intelligence Program (NFIP) or the Tactical Intelligence and Related Activities (TIARA), when such is the case. If the action affects NFIP, then a statement must be included that the action has the concurrence of the Director of Central Intelligence.*
- 6. Details for each increase and decrease item (a through f below) are the same as those shown on the "Prior Approval" instruction pages (see pages 6-22 and 6-23).*

Budget Activity Number and Title

a b c d e f

Explanation:

APPROVAL POLICY FOR NOTIFICATION REPROGRAMMINGS: For the House Appropriations Committee, House National Security Committee, and House and Senate Intelligence Committees (when applicable), approval may be assumed after 15 days from issuance of the reprogramming action, unless a hold or objection is received from the committee. In the case of the Senate Appropriations Committee and Senate Armed Services Committee, an automatic hold is placed on each action upon submittal to the committee and may be removed only through correspondence obtained from the committee.

Unclassified

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CLASSIFICATION

REPROGRAMMING ACTION																	
Appropriation Account Title: Procurement, Marine Corps, 95/97						DoD Serial Number:											
Component Serial Number: FY 95-1 IR		<i>(Amounts in Thousands of Dollars)</i>															
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program									
LINE ITEM		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount								
a	b	c	d	e	f	g	h	i									
<u>INTERNAL ACTION</u>																	
<p><i>SAMPLE IR FOR QUANTITY INCREASE:</i></p> <p>This internal reprogramming action increases the quantity of Avenger fire units to be procured. This action will be reflected in the FY 1996/1997 President's budget.</p> <p>REPROGRAMMING INCREASE:</p> <p>Budget Activity 3: Guided Missiles and Equipment</p> <p>Pedestal Mounted Stinger (Avenger)</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">61</td> <td style="text-align: right;">50,238</td> <td style="text-align: right;">61</td> <td style="text-align: right;">50,238</td> <td style="text-align: right;">+20</td> <td style="text-align: right;">-</td> <td style="text-align: right;">81</td> <td style="text-align: right;">50,238</td> </tr> </table> <p><u>Explanation:</u> Due to favorable contract negotiations on the Avenger missile system the Marine Corps will be able to procure an additional 20 Avenger fire units within the available FY 1995 funding.</p> <p>Total Reprogramming Increase +20</p>										61	50,238	61	50,238	+20	-	81	50,238
61	50,238	61	50,238	+20	-	81	50,238										
<p>Approved (Signature and Date)</p>																	

DD 1415-3

7 May 90

Unclassified**CLASSIFICATION**

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REPORT OF PROGRAMS

(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account tide and program year.*As of: *March 31, 19XX or September 30, 19XX*

Line Item	Program Base Reflecting Basic Congressional Action		Program Base Adjustments Reflecting Enacted Supplementals and Rescissions		Reprogramming Changes Approved by the SecDef and/or Congressional Committees		Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers		Below Threshold Changes Not Requiring Approval by the SecDef or Committees		Total Revised Program (Columns b and c through j and k)	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i	Qty j	Amount k	Qty l	Amount m
PROGRAM												
<i>The Report of Programs (DD 141 6) reflects the congressionally approved programs as enacted, reprogramming actions which have been approved by the SecDef and congressional committees, congressionally directed undistributed amounts and transfers, and reprogramming actions of lesser significance that are implemented by a DoD Component using below threshold reprogramming flexibility. Details for this report follow:</i>												
<i>Line item nomenclature for programs financed within the appropriation account should be as follows: For March 31, titles/line entries for annual accounts and multi-year accounts in the first year of availability shall be exactly as shown in the preceding "Base for Reprogramming Actions" report. Additionally, any "new starts" reported to the Congress by notification letter or reprogramming action shall be listed as presented to the Congress. For multi-year accounts in the second year of availability or beyond, enter line items from the preceding DD 1416 report, plus any new line items from reprogramming actions. For September 30, titles shall be exactly as shown on the March 31 DD 1416 report, plus any "new starts" reported to the Congress by notification letter or reprogramming action. New items added on a DD 1414-R to reflect congressional changes due to enactment of supplemental appropriations acts should be included on subsequent DD 1416s.</i>												
<i>Single line item for "Canceled Account Adjustments." This will reflect adjustments for purposes of the use of currently available appropriations to fund obligations or adjustments to obligations that otherwise would have been funded from a canceled account except it is canceled based on the Closing Accounts Legislation (P.L. 101-510). A line entitled "Canceled Account Adjustments" will be a separate line item or program element and added as an entry within a single budget activity. A memo line on the DD 1416 shall be shown under BA 5, PCS Travel for active military personnel appropriations, and under BA 4, Administration and Servicewide Activities for active O&M appropriations. For other accounts which do not display line item detail, a memo line shall be shown under any single budget activity.</i>												
<i>Undistributed amounts from the DD 1414 or DD 1414-R as a result of congressional action/intent shall be separately listed by subject matter and the lump sum amount shall be shown at the account level in columns "c" or "e" and netted out in column "i." The distribution by individual line item of this amount shall be reflected in column "i" of this report. Normally these undistributed adjustments do not impact quantities, but if there is a corresponding quantity change due to the undistributed amount, quantity adjustments shall be shown in column "h."</i>												
<i>"Subtotal, Direct Program" follows the line item detail and is the sum of all program lines and the undistributed amounts.</i>												
<i>"Reimbursable Program" is the amount carried forward from the DD 1414. Changes to the reimbursable program made by DD 1415, Reprogramming Action, shall be reflected in column "g" and all other changes to the reimbursable program, not requiring formal reprogramming actions shall be reflected in column "k."</i>												
<i>"Total Program - FY 19XX" is a total amount of the "Subtotal, Direct Program" and "Reimbursable Program" lines.</i>												

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Page 2 of 4 Pages

REPORT OF PROGRAMS (Dollars in Thousands)												
Appropriation Account Title: <i>Enter the appropriation account title and program year.</i>								As of: <i>March 31, 19XX or September 30, 19XX</i>				
Line Item	Program Base Reflecting Basic Congressional Action		Program Base Adjustments Reflecting Enacted Supplemental and Rescissions		Reprogramming Changes Approved by the SecDef and/or Congressional Committees		Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers		Below Threshold Changes Not Requiring Approval by the SecDef or Committees		Total Revised Program (Columns b and c through j and k)	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i	Qty j	Amount k	Qty l	Amount m
<p><i>“Program Base Reflecting Basic Congressional Action” (columns “b” and “c”). For both March 31 and September 30, line items shall be columns “h” and “i” of the DD 1414 for the applicable program year for annual and multi-year accounts. This amount shall remain unchanged throughout the existence of the DD 1416.</i></p>												
<p><i>“Program Base Adjustments Reflecting Enacted Supplemental and Rescissions (columns “d and “e”). Enter only deltas for those programs changed by congressional action outside the initial congressionally appropriated amount for amounts from subsequent erected supplementals and rescissions. Changes shall be the same as those shown on the Revised Base for Reprogramming Actions (DD 1414-R) which separately documents changes based on enacted laws after the basic appropriations act and is submitted to the congressional committees. In addition, this column shall include transfers directed in the general provisions for Shipbuilding Cost Adjustments reflected in the DoD Appropriations Acts for the Shipbuilding and Conversion, Navy appropriation.</i></p>												
<p><i>“Reprogramming Changes Approved by the SecDef and/or Congressional Committees” (columns “f” and “g”). Enter only delta numbers to reflect increases and decreases from DD 1415 reprogramming actions. This includes all DD 1415s, i.e. the Prior Approval (DD 1415-1), Notification Action (DD 1415-2), and Internal Action (DD 1415-3). For those reprogramming actions that have been approved by the SecDef (USD(C)) has been delegated authority to sign) and transmitted to the congressional committees, but are pending approval of one or more of the congressional committees, then the amount entered shall be the amount requested on the DD 1415 (increase and decrease) and be labeled as “a/” and footnoted with the following words: <u>a/</u> Includes reprogramming action pending approval of one or more of the congressional committees. If a DD 1415 reprogramming action that was reflected in the President’s budget is pending OSD approval, the amount entered should include the amount requested on the DD 1415 (increase and decrease) and be labeled as “b/” and footnoted with the following words: <u>b/</u> Includes reprogramming action reflected in the budget pending OSD approval. Reprogramming actions pending approval within OSD and not included in the President’s budget shall not be shown. Eventually, these columns will reflect the final results of approved reprogramming actions. In order to keep increases and decreases in balance, sometimes denials of proposed increases and decreases may not be reflected until the implementation of the reprogramming action has been finalized.</i></p>												
<p><i>“Changes Reelecting Congressionally Directed Undistributed Amounts and Transfers” (columns “h” and “i”). Delta entries may include the accumulation of several independent actions: (1) The spread by line item of any congressional undistributed add or reduction which depending on language, may affect only a few programs or all programs, (2) Congressionally directed transfers that are to be made to or from agencies outside DoD or any other transfers of funds, which are not included on a DD 1415 action, (3) Funds transferred by letter to DoD appropriations, i.e., from the Defense Cooperation Account or between NFIP funds, (4) The collection of Small Business innovation Research (SBIR) program resources into the SBIR program element, (5) Revised thresholds for expense/investment purchases. Internal controls within the DoD Components shall be maintained to identify the costs associated with each type of transaction. The distribution by line item of these columns may be changed to reallocate the undistributed amounts directed at account level if necessary, but only if not otherwise constrained by other guidance. Adjustments against congressional special interest items that require DD 1415s prior to implementing decreases (or increases), maybe made but only in pro-rata amounts for across-the-board type adjustments.</i></p>												

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CLASSIFICATION

REPORT OF PROGRAMS (Dollars in Thousands)												
Appropriation Account Title: <i>Enter the appropriation account title and program year.</i>								As of: <i>March 31, 19XX or September 30, 19XX</i>				
Line Item	Program Base Reflecting Basic Congressional Action		Program Base Adjustments Reflecting Enacted Supplemental and Rescissions		Reprogramming Changes Approved by the SecDef and/or Congressional Committees		Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers		Below Threshold Changes Not Requiring Approval by the SecDef or Committees		Total Revised Program (Columns b and c through j and k)	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i	Qty j	Amount k	Qty l	Amount m
<p><i>“Below Threshold Changes Not Requiring Approval by the SecDef or Committees” (columns “j” and “k”). Delta entries in these columns relate to direct program changes not requiring above threshold reprogramming, such as a DD 1415-1, DD 1415-2, or DD 1415-3. The amounts represent cumulative changes made within a DoD Components threshold authority, known as below threshold. Guidelines are as follows:</i></p> <p><i>Cumulative amounts for each line item may not exceed established threshold amounts, except for adjustments made for “canceled account adjustments.” When the threshold is exceeded due to canceled account adjustments, a footnote is required stating that the reprogramming threshold has been exceeded due to canceled account adjustments.</i></p> <p><i>Changes to the direct program shall net to zero, except when below threshold authority has been used by a DoD Component to finance a congressionally approved increase that was approved on a reprogramming action (usually in regard to the DoD Omnibus Reprogramming Action). This may occur when there is a lack of approved sources to finance all the approved increases. In this case, the total direct program in column “k” will not net to zero. The increase financed by the below threshold action shall be recorded in the DD 1415 column of this report, “Reprogramming Changes Approved by the SecDef and/or Congressional Committees. The sum of these adjustments, for the two separate columns, shall be included against the appropriation line in the “Financing” section.</i></p> <p><i>Changes to the reimbursable program or reimbursable orders, not requiring a formal DD 1415 are reflected in these columns.</i></p> <p><i>“Total Revised Program (Columns b and c through j and k)” (columns “l” and “m”). Entries will represent the arithmetic sum of the applicable entries from columns “b” through “j” and “c” through “k.” The revised program amount shall agree with the program amounts on the DD 1002, Appropriation Status by Fiscal Year Program and Subaccounts, as of the same time periods, March 31 and September 30, except for pending reprogramming actions.</i></p> <p><i>Footnoted Items. All footnotes on the preceding DD 1414, DD 1414-R and DD 1416 reports shall be brought forward. If any footnote is omitted, the reason for doing so must be documented and provided to ODC(P/B)P&FC along with the DD 1416 submission; unless the footnotes represent the status of a reprogramming action, such as pending congressional approval or OSD approval.</i></p>												

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REPORT OF PROGRAMS (Dollars in Thousands)												
Appropriation Account Title: <i>Enter the appropriation account title and program year.</i>								As of: <i>March 31, 19XX or September 30, 19XX</i>				
Line Item	Program Base Reflecting Basic Congressional Action		Program Base Adjustments Reflecting Enacted Supplemental and Rescissions		Reprogramming Changes Approved by the SecDef and/or Congressional		Changes Reflecting Congressionally Directed Undistributed Amounts and Transfers		Below Threshold Changes Not Requiring Approval by the SecDef or Committees		Total Revised Program (Columns b and c through j and k)	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i	Qty j	Amount k	Qty l	Amount m
<p><i>Stub Entries for this Financing Section may include some or all of the following types of transactions:</i></p> <p>Budget Authority:</p> <ul style="list-style-type: none"> Appropriation, P.L. 103-335 P.L. 103-335, Sec. 8054(G) Appropriation, P.L. 104-6 Rescission, P.L. 104-19 (Sec. 2007(b)) Transfers Reimbursable Orders Total Financing, FY 19XX Program 												
<p><i>Detail instructions for the above lines are as follows:</i></p> <p style="margin-left: 20px;"><i>The appropriation amount should agree with the amount enacted in the basic appropriations act. The amount will be the same for columns "c" and "m."</i></p> <p style="margin-left: 20px;"><i>General provisions in enacted laws that reduce the value of the appropriation level, additional appropriation from supplemental appropriations acts, and rescinded amounts in appropriations acts should be specifically identified by reference. The net change amounts shall be reflected in columns "c" and "m" and shall agree with the amounts enumerated by subject category in the program section.</i></p> <p style="margin-left: 20px;"><i>Transfers should be the net amount of transfers in or transfers out of the appropriation as of either March 31 or September 30. Transfer amounts for each column shall be reflective of what type of documentation directed the transfer of funds. Specific program transfers directed in law, i.e., Shipbuilding Cost Adjustments, will be reflected in column "c" or column "e" depending on whether the congressional action was in the basic appropriations act or subsequent enacted legislation. The net amount of transfers from all reprogramming actions, DD 1415-1, DD 1415-2, or DD 1415-3, shall be reflected in column "g."</i></p> <p style="margin-left: 20px;"><i>Transfer in or transfers out of the account processed by other than DD 1415, normally supported by a letter, shall be reflected in column "i." Below threshold authority by definition does not allow for changes between appropriations, so no transfers shall be shown in column "k." The "Total Revised Program" for transfers as of September 30 shall agree with the September 30 "Report of Budget Execution" (SF 133). Transfers as of March 31 may differ from the SF 133 as of March 31 due to pending actions.</i></p> <p style="margin-left: 20px;"><i>Reimbursable Orders shall be identical to the reimbursable program in the Program Section except when adjustments have been made to the reimbursable program by formal reprogramming action.</i></p>												

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CHAPTER 7

REPROGRAMMING OF MILITARY CONSTRUCTION
AND FAMILY HOUSING APPROPRIATED FUNDS

0701 GENERAL This chapter provides guidance for the preparation of reprogramming proposals for the appropriation of military construction and family housing funds.

0702 SUBMISSION REQUIREMENTS The congressional subcommittees concerned with the appropriation and authorization of military construction and family housing funds have agreed that, in executing approved programs, some flexibility is required in adjusting approved funding levels to comply with new conditions and to effectively plan programs to support assigned missions. Departmental adjustments or reprogramming measures may be required for a number of reasons including: responding to emergencies; restoring or replacing damaged or destroyed facilities; accommodating unexpected price increases; and implementing specific program provisions provided for by the congressional committees. While supporting DoD Component mission accomplishments reprogramming measures are intended to ensure that the use of DoD appropriations complies with congressional intent.

0703 PROCEDURES

070301. DoD Approvals. Proposed military construction and family housing Reprogramming actions shall be approved by the USD (C) before submission to the appropriate congressional committees for approval or for notification. Certain Reprogramming actions below threshold may be executed on approval of designated officials at the DoD Component level (see subparagraph 070302,B.3, below). Generally, the OUSD(C) shall not approve Reprogramming actions until compliance with the criteria delineated below has been fully documented by the DoD Components. When the House National Security and Senate Armed Services Committees are to be notified in accordance with Title 10, United States Code, the DoD Component shall be provided a copy of the associated Reprogramming action transmittal so that all committees and DoD Components may be notified concurrently.

070302. Determining Reprogramming Actions Requiring Prior Notification and Approval of Congressional Committees. The following definitions, procedures, and criteria shall apply.

A. Reprogramming Base. The specific dollar amount for any projector effort that has been jointly approved for appropriation by the Committees on Appropriations.

B. When Prior Approval Reprogramming is Required. Prior approval Reprogramming is required for the following:

1. For any increase exceeding 25 percent of the Reprogramming base or \$2.0 million, whichever is less, to military construction projects, family housing new

construction projects, or family housing improvement projects (exceeding \$2.0 million base value).

2. For any increase, regardless of percentage or dollar value, to a project or effort whose base has been increased by a previously approved congressional Reprogramming action.

3. For any increase, regardless of percentage or dollar amount, to a project whose base has been decreased by a previously approved congressional Reprogramming action.

4. For any increase, regardless of percentage or dollar value, to a project that has been previously reduced in scope by the Congress in acting on the appropriation request.

5. For any emergency construction project to be performed under 10 U.S.C. 2803.

6. For any restoration or replacement of damaged or destroyed facilities to be undertaken with military construction funds under 10 U.S.C. 2854.

7. For any acquisition of interests in land under 10 U.S.C. 2672a.

8. For any family housing relocation project to be accomplished under 10 U.S.C. 2827.

9. For any project authorized to be accomplished from savings, unless specifically exempted from such requirement by the Committees on Appropriations.

10. For any Reserve Component major construction project, regardless of amount, that was not among those justified to and approved by the Congress, or for an increase to an approved project that exceeds 25 percent of the Reprogramming base, or \$2.0 million, whichever is less.

11. To increase the amount appropriated for unspecified minor construction.

12. To increase the amount appropriated for architectural and engineering services and construction design.

13. For any Base Realignment and Closure projects.

C. When Prior Approval Reprogramming is Not Required. Prior approval Reprogramming is not required for the following:

1. When none of the criteria listed above, apply to the project or to the cost increase required.

2. For projects utilizing Environmental Restoration, Defense funds authorized under 10 U.S.C. 2810.”

3. For projects less than \$2.0 million within the Family Housing Improvements Program.

4. For decreases to a project or effort in response to “general reductions” imposed by the Congress for savings or other reasons.

5. When a DoD Component takes action to reprogram funds between or among family housing operations and maintenance accounts. However, the committees shall be notified within 30 days of any transfer (cumulative within a fiscal year) that exceeds 10 percent of the reprogramming base of the increased account.

6. When the cost increase necessitating a Reprogramming is due solely to final settlement of a contractor’s claim (Senate Report 100-200).

7. For any project being completed with expired funds. Cost increases are only allowable for valid upward price adjustments, which exclude any work not in the scope of the original contract (Senate Report 100-200).

8. For Reserve Component projects when the revised cost does not exceed \$400,000. Reprogramming action may be taken 21 days after the appropriate committees receive notification and do not object (Senate Report 100-200).

070303. When Reprogrammings Shall Not Be Submitted. Requests for Reprogrammings shall not be submitted by DoD Components when any of the following conditions exist.

A. For any project or effort that has not been authorized, with the following exceptions:

1. Projects constructed under 10 U. S. C., sections 2803, 2854, 2672a, or 2827.

2. Reserve Component projects that receive “lump-sum” authorization.

B. For any project or effort that, for any reason, has been denied specifically by the Congress, as indicated by report language or by the elimination of funds, unless all pertinent report language specifically states that a subsequent reprogramming shall be required or entertained, or when the requirement qualifies as an emergency, as defined in 10 U.S.C, 2803.

C. To initiate programs of major scope or base realignment actions, when such larger efforts have not been authorized by the Congress.

070304. Split-Year Funding Authority. As provided for by Conference Report 100-912, the committees have agreed to allow split-year funding for military construction and family housing construction projects. Split-year funding occurs when a project is financed by funds from more than one program year (appropriation). Resources made available for split-year funding shall remain in the original appropriation for fund control and accounting purposes. Projects that have been funded in phases by the Congress are not considered split-year funded.

070305. Appeals to Congressional Committees. An unfavorable congressional committee decision on a Reprogramming action may be appealed by the OUSD(C). Any appeal on a Reprogramming action taken after it is submitted to the congressional committees is subject to the same review and approval procedures as the original Reprogramming.

070306. Explanatory Statements. Each proposed Reprogramming action shall be fully justified and documented using the guidance in paragraph 0704, below. The required format should be closely followed to prevent unnecessary delays in processing.

070307. Administrative Processing Instructions

A. Reprogrammings normally shall be forwarded monthly to the Appropriation Committees. If exceptions to this monthly processing schedule are required, such as year-end Reprogrammings, the DoD Components shall be notified separately. DoD Component Reprogramming points of contact are responsible for ensuring that all required documentation has been provided to the OUSD(C), Military Construction Directorate, Room 3D841, Pentagon, Washington, DC 20301-1100, by the 10th day of the month. If the 10th falls on a weekend or holiday, the due date automatically is the next workday.

B. Urgent Reprogramming requests warranting that action in advance of the next regular cycle shall be evaluated and processed on a case-by-case basis. However, such out-of-cycle requests are expected to be extremely rare and in no case shall correctable situations, such as approaching bid expiration dates, be used to request out-of-cycle processing.

C. The documentation required by the 10th of the month consists of the following:

1. A transmittal memorandum signed by an appropriate DoD Component official. This memorandum must state specifically that the Reprogramming either does or does not require a cost variation notification in accordance with 10 U.S.C. 2853. If the Reprogramming requires a section 2853 notification, an updated copy of the notification also should be included in the required documentation, but should not be transmitted to the Congress by the DoD Component until the Reprogramming request is transmitted. The Reprogramming shall be provided in 12-pitch typeface and letter-quality format.

2. Two (2) copies of the Reprogramming request are necessary. The following information is required when developing the 2 copies of the Reprogramming request. The top page(s) should be the Reprogramming request (installation, project, authorization, et al.) (see paragraph 0704, below). Supplementary narrative information, if required, should be attached next. A DD Form 1391, FY 19XX "Military Construction Project Data," is required if committees are seeing this project for the first time. Generally, this shall be restricted to situations in which the Military Service Secretary is exercising the emergency provisions of 10 U.S.C. 2803; the DoD Component is citing section 2854 to replace a damaged or destroyed facility; a project is being funded from savings; or a project has been added by the Congress without the benefit of official records reflecting the scope of the project involved (i.e., without a DD Form 1391). Each of the required 2 copies should be assembled and individually stapled.

0704 REPROGRAMMING REQUEST FORMAT

Bid Expiration Date:

Military Construction, (Enter DoD Component)

Reprogramming Request

Installation Enter installation or base name, and location, consistent with data in the Construction Annex, C-1.

Project Enter project or program title consistent with data in the C-1 Annex, if project or program is in the funded program.

Authorization Show the fiscal year and public law that authorized the project or program or the appropriate sections of Title 10, United States Code for emergency or replacement projects. For Reserve component projects being accomplished under lump-sum authority, cite 10 U.S.C. 2233a(a)(1).

Estimated Cost:

Previously Appropriated \$

Previously Reprogrammed. \$

Requested Reprogramming. \$

Total Estimated Costs \$

Description Give a brief description of the project and requirement.

Justification Be clear and complete in describing the need for the Reprogramming. If appropriate, summarize the chronology of events leading to the request.

Source of Funds: Explain why the funds are no longer required for the purpose originally appropriated. With the exception of BRAC, funds may not be “borrowed” from a project temporarily, with the intention of later restoring a portion of the amount reprogrammed.

<u>Fiscal Year</u>	<u>Amount Appropriated (\$000)</u>	<u>Current Working Estimate (\$000)</u>	<u>Proposed Reprogramming (\$000)</u>
Location & Project			

CHAPTER 8

STANDARDS FOR RECORDING COMMITMENTS AND OBLIGATIONS0801 PURPOSE

The purpose of this chapter is to set forth the basis for determining the amount and accounting period in which commitments and obligations shall be recorded under various circumstances.

0802 COMMITMENTS

080201. General. The term “commitment” is defined in Chapter 15, paragraph 150202.A., of this Volume. The amount to be recorded as a commitment is the estimated procurement cost set forth in the commitment document. The date the commitment document is signed by an authorized official determines the accounting period in which the commitment is to be recorded.

080202. Special Provisions for Determining the Amounts of Commitments

A. Contingent Liabilities Remaining under Outstanding Contracts. There are contingent liabilities for price or quantity increases or other variables that cannot be recorded as valid obligations in the cases of (1) outstanding fixed-price contracts containing escalation, price redetermination, or incentive clauses, or of (2) contracts authorizing variations in quantities to be delivered, or of (3) contracts where allowable interest may become payable by the U.S. Government on contractor claims supported by written appeals pursuant to the “DISPUTES” clause contained in the contract (see section D., below). Amounts to cover these contingent liabilities should be carried as outstanding commitments pending determination of actual obligations. However, the amounts of such contingent liabilities need not be recorded at the maximum or ceiling prices under the contracts. Rather, amounts should be committed that are conservatively estimated to be sufficient to cover the additional obligations that probably will materialize, based upon judgment and experience. In determining the amount to be committed, allowances may be made for the possibilities of downward price revisions and quantity underruns. The contingent liability shall be supported by sufficient detail to facilitate audit.

B. Letter Contracts and Letters of Intent. When accepted, a letter contract or letter of intent shall be recorded as an obligation, but only in the amount of the maximum liability stated. The maximum liability amount may be required by other regulations to be limited to the costs that the contractor may incur pending execution of a definitive contract. In that case, the estimated amount of the definitive contract, over and above the obligation recorded under the letter contract or letter of intent, shall be carried as an outstanding commitment, pending execution of the definitive contract. If the letter provides that awarding of the definitive contract is dependent upon a congressional appropriation, then no funds are available to commit and no commitment may be recorded.

C. Open-end Contracts and Option Agreements. An authorization to incur an obligation under an open-end contract or option agreement (when either the items or quantities are not specified, but are to be the subject of subsequent orders) shall be recorded as a commitment only when the amount estimated is reasonably firm. The existence of a specific dollar amount in the procurement directive or request does not make the dollar amount reasonably firm. Rather, the required quantities and the quality specification must have been determined by competent authorized personnel so that reasonable prices may be estimated. An example is a planning estimate for spare parts. While it is known that an initial complement of spare parts will be acquired, the specification and quantity still must be determined. Experienced personnel can estimate an amount useful in planning, but this amount is not reasonably firm. The amount is recordable as a memorandum “initiation” (see Chapter 15), but not as a commitment.

D. Contract Amendments or Engineering Changes. An authorization to execute engineering change orders during the course of performance of a contract may be recorded as a commitment upon the basis of a stated cost limitation even though the scope and amount of such changes are not yet defined and require specific approval of the person authorizing the procurement (or another designee) before the execution of the change orders. However, in such circumstances it is necessary from time to time to revise the authorization (and the recorded commitment) as may be appropriate in the light of subsequent events, including change orders actually placed.

E. Intra-Governmental Requisitions and Orders. Intragovernmental requisitions and orders (such as DD Form 448, “Military Interdepartmental Purchase Request”) must be considered as commitments until validly obligated under the guidelines in section 0806., below.

F. Multiyear Contracts. Contingent liabilities for multiyear contracts that provide for cancellation charges when it is necessary for the government to cancel the contract for reasons other than contractor liability, are not recorded as commitments. Any such cancellation charge must be recorded as an obligation when it becomes necessary to cancel the contract and the contractor is so notified.

0803 OBLIGATIONS

080301. The term obligation is defined in Chapter 15. No amount shall be incurred as an obligation by any DoD Component except in accordance with this section; however, once an obligation is incurred, it shall be recorded promptly whether funds are or are not available.

080302. An amount shall be recorded as an obligation only when supported by documentary evidence of the transaction. A verbal order or agreement shall be reduced to writing and conform to the applicable provisions of this section before the obligation may be recorded. When the amount is not known or cannot be ascertained feasibly at the time it is to be recorded, the best estimate shall be used. The best estimate should be based on a sensitive reflection of the transaction that actually occurred.

080303. In recording obligations under this section, the following principles shall be applied:

A. Contracts or Orders for Goods, Supplies, or Services to Meet Bona Fide Need. DoD Components shall determine that the goods, supplies, or services required under contracts entered into, or orders placed obligating an annual or multiple-year appropriation, are intended to meet a bona fide need of the period for which funds were appropriated. Such determinations shall consider estimated current consumption, the requirements that may be foreseen for future years based upon the procurement lead time, authorized stock levels, and authorized mobilization reserves. However, if the Appropriation Act makes such appropriations available for payments under contracts for specified services for periods beyond the period for which the appropriation otherwise is available, the contract for such services extending into the ensuing period (fiscal year) may be charged to the appropriation current at the time the contract is signed.

B. Performance Under Contracts or Orders. Contracts entered into or orders placed for goods, supplies, or services shall be executed only with bona fide intent that the contractor (or other performing activity) shall commence work and perform the contract without unnecessary delay.

C. Specific Guidelines for Maintenance and Repair Projects. Current fiscal year appropriations may be obligated for those maintenance and repair contracts awarded near the end of the fiscal year, even though contractor performance may not begin until the following fiscal year. However, the contract must satisfy a bona fide need that arose in or before the fiscal year of the appropriation to be charged. In addition, contracts awarded near the end of the fiscal year must contain a specific requirement that work begin before January 1 of the following calendar year. The foregoing guidelines on required start dates do not apply to cases in which an installation or contracting officer is required to place an order or contract with a foreign government agency because of a legally binding provision in a treaty or other international agreement. Guidelines for the administrative contracting officer to use in determining the commencement of work are as follows:

1. Physical Onsite Evidence. A visual inspection of the work site discloses significant work has been accomplished, or contractor employees actually are engaged in work performance. (No further verification is necessary.)

2. Documentary Evidence. If physical onsite evidence of performance does not exist, and to prevent unwarranted default proceedings, the contractor may be requested to produce documentary evidence that cost has been incurred or material has been ordered to allow performance of the contract.

D. Contractor Default. In the event of contractor default and termination for default of the contract, the funds cited on the defaulted contract may be cited again on the replacement contract. The replacement contract must satisfy certain general criteria to be considered a replacement, as opposed to a new contract. The replacement contract shall be made

without undue delay after the termination of the original contract. Its purpose shall be to fulfill a bona fide need that has continued from the original contract, and the replacement contract shall be awarded on the same basis and be similar substantially to the original contract in its scope and size.

080304. Specific Guidelines for Determining Scope of Work Changes

A. Responsibilities for Making Determinations. The contracting officer is primarily responsible for determining whether a change is within the scope of a contract. In making such a determination, the contracting officer must be guided by appropriate provisions of the Federal Acquisition Regulation (FAR), the DoD FAR Supplement, legal principles applicable to scope changes, and the provisions of this Regulation. In cases where no clear cut determination can be made by the contracting officer, DoD Component general counsel should provide appropriate guidance and determinations concerning the scope of a contract.

B. Standards for Making Determinations. Statutes and DoD policies for the use of appropriations limit the period of availability to fund original obligations. However, unobligated balances that have expired for the purpose of original obligation are available to fund within scope cost growth or increases in costs arising from claims arising out of the original obligation. This paragraph provides standards for determining if cost growth or a price increase is within scope. The baseline scope of a contract is all work contracted for prior to the expiration of funds. This includes changes incorporated by modification provided that they are within the scope of the contract.

C. Increases in Quantities. Changes in the quantity of the major items called for by a contract generally are not authorized under the “CHANGES” clause. Therefore, if there are changes that increase the number of end items ordered on a contract, this is a change in the scope of the contract and would have to be funded from funds available at the time the change was made. For example, if the original contract provided for delivery of 50 items and a modification was issued to provide for the delivery of 70 items, the additional 20 items would represent a change in the scope of the contract. Thereafter, cost growth, or claims arising out of the delivery of the first 50 items, would be funded from the appropriation available at the time of the order of those items and those arising out of the additional 20 items would be funded from the appropriation charged for those items. The foregoing applies in general; however, changes in the quantity of subsidiary items under a contract, such as spare parts, generally are considered to be within the scope of a contract unless they are so significant that they alter the basic contractual undertaking.

D. Increases in Required Levels of Service Performance. Any modification of a service contract that increases deliverable services or reports is a change in the scope of the contract and must be funded by appropriations available at the time the change is made. Examples follow:

1. A modification of a contract to provide accounting and audit services to a government agency to add a requirement for on-site technical assistance and training

to grantees of the agency on financial management systems would be beyond the scope of the original contract, and would have to be funded from funds available at the time the additional requirement was added to the original contract. An increase in the number of people needed to complete the contract, or to their level of expertise, would be a within scope cost growth change, which could be funded as part of the original contract.

2. A modification of a contract to provide research and development for a new weapons system that is designed to meet a specified area of threats, and reach given levels of performance could be beyond the scope of the original contract. However, the “CHANGES” clause specifically authorizes unilateral changes, within the scope of the contract, in specifications, drawings, and designs pertaining to the contract. Therefore, the mere fact that there may be a change in the specifications regarding levels of performance or specifications regarding threats does not, thereby, automatically result in a change in scope. An increase in the number of people assigned to the project, or increased costs due to travel increases would be cost growth that would be within scope and could be funded as part of the original contract.

3. A modification of a cost type level of effort contract for a specified number of hours to be worked by personnel with a specific level of experience and training that called for a change in the number of hours to be worked or the level of experience and training called for under the contract could be a change in the scope of the original contract. An increase, however, in direct or indirect rates under the contract would be cost growth that would be within scope and could be funded as part of the original contract.

E. Claims. As reflected in paragraph 080304.C., above, claims arising out of an original undertaking, or resulting from a within-scope change, would be funded from the appropriation available at the time of the original undertaking. Claims arising out of a change-in-scope change to the original contract would be funded from the appropriation available and charged for the change-in-scope change.

F. Judgment Fund. Title 31, United States Code, section 1304 and Title 41, United States Code, section 612 provide that monetary judgments under the Contracts Disputes Act of 1978, as amended, that are awarded by the Armed Services Board of Contract Appeals (ASBCA) or the Court of Federal Claims are paid by the Department of the Treasury from the Permanent Judgment Appropriation (Judgment Fund): Claims for Contract Disputes (Treasury Symbol 20X1743). After such payment, the DoD Components are required to reimburse the Department of the Treasury’s Judgment Fund. The following provides guidance for reimbursement to the Judgment Fund.

1. The DoD Components first must determine what appropriation(s) originally funded the portion of the contract that led to the claim and subsequent judgment. Second, 63 Comp. Gen. 308 (1984) requires that the Judgment Fund be reimbursed with funds that were currently available for new obligation at the time of the judgment. Therefore, a then current year appropriation that is for the same purpose as that which originally funded the contract shall be used as the funding source. Expired appropriations that were current at the time of the judgment also may be used. If more than one appropriation is involved in the monetary

judgment, then the reimbursement is prorated against those appropriations. Any proration between or among appropriations must be based on the nature of the claim and the basis of the monetary judgment in the particular case.

2. Reimbursement to the Department of the Treasury is not an antecedent liability of the original contract. Therefore, reimbursements are not charged back to the original appropriation unless the original appropriation was available for new obligations at the time of the judgment. Further, judgments do not subject the original appropriation to a violation of the Anti-Deficiency Act.

3. In all official accounting and reporting systems, a separate and unique Sub-Activity Group (SAG) or P-1 / R-1 designator will be assigned for the recording and reporting of such reimbursements. These SAG or P-1/R-1 designator will be identified as a separate line on the Appropriation Status by Fiscal Year Program and Subaccounts (DD COMP (M) 1002). This new line of accounting is to be called "Judgment Fund Reimbursement." Funds are to be reprogrammed into this new line from existing allocated funds within the appropriation. These reprogrammed funds are not subject to normal reprogramming rules with respect to the increase, but must conform to reprogramming guidance governing delegated authority for program reductions. If sufficient funds do not exist within the appropriation, then supplemental funds must be sought.

4. Upon identification of funds to be charged and completion of any reprogramming actions, the documented package will be forwarded to the Operating Location (OPLOC) of the Defense Finance and Accounting Service (DFAS), having accounting responsibility for the designated fund accounts to process the payment. Ordinarily, a miscellaneous obligation document will be used to obligate the designated fund accounts. However, if programming actions have reserved funds, the DFAS OPLOC may be authorized to process the payment as an obligate-expend transaction. The DFAS OPLOC can process the transfer of funds for the payment to the Treasury's Judgment Fund, using the Treasury's Online Payment and Collection (OPAC) system.

5. Approval authority is required from the cognizant Assistant Secretary of the Military Department (Financial Management and Comptroller) or Defense Agency Comptroller for all Judgment Fund Reimbursements to the Department of the Treasury in excess of \$1,000,000.00.

0804 RECORDING OBLIGATIONS FOR COMMERCIAL PROCUREMENT CONTRACTS AND ORDERS

080401. Firm Fixed-Price Contract. When the contract is executed, an obligation must be recorded for the total amount stated in the contract.

080402. Fixed-Price Contract With an Escalation, Price Redetermination, or an Incentive Provision. When the contract is awarded, an obligation must be recorded for the amount of the target or billing price stated in the contract, even though the contract may contain a

ceiling price in a larger amount. Subsequently, a target or billing price should be adjusted (upward or downward) to a “best-cost estimate” whenever it is determined that, and documentary evidence supports, the actual cost of the contract will differ materially from the original target or ceiling price stated in the contract.

080403. Cost-Reimbursement and Time-and-Material Contracts. Cost-reimbursement and time-and-material contracts include: cost, cost-sharing, cost-plus-fixed-fee, cost-plus-incentive-fee, cost-plus-award-fee, time-and-material, and labor-hour contracts. When the contract is executed, an obligation must be recorded. The amount of the obligation is the total estimated payment provided by the contract. The amount recorded may not be in excess of the maximum current liability, which must include the fixed fee in the case of a cost-plus-fixed-fee contract, the target fee in the case of a cost-plus-incentive-fee contract, or the base fee in the case of a cost-plus-award-fee contract.

080404. Open-End Contracts and Option Agreements. When the quantity required under a contract or agreement is indefinite and is determined by subsequent orders, an order not requiring acceptance by the contractor shall be recorded as an obligation in the amount of the price stated in the order upon placement. When the contract or agreement requires acceptance of the order by the contractor, the amount of the order must be recorded as an obligation upon acceptance. In the case of indefinite quantity contracts for supplies or services that specify delivery of minimum quantities during a given period, an obligation must be recorded upon execution of the contract for the cost of the minimum quantity specified.

080405. Contract Authorizing Variations in Quantities to be Delivered. When the contract is executed, an obligation must be recorded for the price of the quantity specified for delivery, exclusive of the permitted variation.

080406. Multiyear Procurement Contract. An obligation for a multiyear procurement contract must be recorded in the amount of the price of the quantities specified for delivery under the first program year's requirement, and the amount must be identified with that program year. Unless the contract is funded fully at inception, each time the contractor is notified that funds are available to cover another program year's requirement, an obligation must be recorded in the amount of the price of the quantities specified for delivery and must be identified with that program year. If the contract is canceled, an obligation must be charged to the program year current at the time of cancellation to cover the government's liability under the terms of the contract.

080407. Letter Contract or a Letter of Intent

A. When the offer and acceptance are specific and definitive enough to show the purpose and scope of the final contract to be executed, a letter contract or a letter of intent and any amendments to them accepted in writing by the contractor are documentary evidence to support the recording of an obligation. The obligation must be recorded in the amount stated as the maximum liability under the letter or amendment.

B. The maximum liability may be a limitation on the amount of obligations that may be incurred pending execution of a definitive contract. In this case, the estimated amount of the definitive contract, over and above the obligation recorded under the letter of intent, must be carried as a commitment, pending execution of the definitive contract, unless the letter of intent provides that awarding of the definitive contract is dependent upon congressional appropriation action (see subsection 080302., above).

C. Commitments cannot be carried past the fiscal year end. A miscellaneous obligation document must be recorded at fiscal year end.

080408. Interest on Contractor Claims. Some contracts may contain a statement permitting the payment of interest by the government on contractor claims supported by a written appeal pursuant to the “DISPUTES” clause of the contract. When such an appeal has been settled in the contractor’s favor and the amount owed the contractor has been determined, an obligation for the interest payable to the contractor must be recorded under the appropriation that financed the contract.

080409. Interest Payable under the Prompt Payment Act (Public Law 92-177). Such interest payable is recorded as an obligation unless payments are made within specified payment due dates. Interest penalties will not continue to accrue and be obligated (1) after the filing of a claim for such penalties under section 611 of reference (s), or (2) for more than one year.

080410. Purchase Orders

A. A purchase order creates an obligation when issued in the amount stated, if the purchase order represents acceptance of a binding written offer of a vendor to sell specific goods or furnish specific services at a specific price, or the purchase order was prepared and issued in accordance with small purchase or other simplified acquisition procedures.

B. A purchase order requiring acceptance by the vendor before a firm agreement is reached must be recorded as an obligation in the amount specified in the order at the time of acceptance. Evidence of this acceptance must be retained in the files. If written acceptance is not received, delivery under the purchase order is evidence of acceptance to the extent of the delivery.

080411. Amendment of a Contract. A change in the amount of the government’s contractual liability resulting from an amendment to a contract is chargeable generally to the appropriation or other fund current at the time the contract was executed. Specific applications of and exceptions to this general rule follow:

A. The amount of the recorded obligation for a contract containing a provision for amendment or modification, within the general scope of the contract, must be increased or decreased by the amount specified by any and all amendments or modifications

when executed. The same source of funds that originally was obligated on the contract must be charged or credited.

B. The amount of a recorded obligation must be adjusted to reflect an increase or decrease resulting from a determination made pursuant to the provisions of 50 U.S.C. 1431-1435 that results in the correction of a mistake or the formalization of an informal agreement. These adjustments must be recorded against the same source of funds that originally was obligated when the amendments or modifications do not change the scope of the contract and, thus, do not result in a new procurement. When the scope of the contract is increased, the adjustment is chargeable properly to the appropriation or fund available at the time that the amendment is executed.

C. A contingent obligation, such as one existing under an indemnification clause or a clause involving an equitable adjustment, must be recorded as an obligation only in the amount of the contractual liability incurred when the amendment fixing the obligation is executed. If no amendment is required, the adjustment is recorded as an obligation when the event occurs that fixes the amount of the liability under the contingent obligation. The obligation must be recorded against the same obligation or fund that originally was obligated for the contract.

D. When an increase occurs in the price of one or more items in a fixed-price contract that contains an escalation clause, a price redetermination clause or an incentive provision, or in the fee in a cost-plus-award-fee or a cost-plus-incentive-fee contract, an obligation must be recorded in the amount of the increase at the time the changed price or fee is determined in accordance with the terms of the contract. The obligation must be recorded against the same appropriation or fund that originally was obligated for the contract.

E. In some instances it is appropriate to reduce a recorded obligation for firm fixed-price contracts with escalation, price redetermination, or incentive provisions, when a determination is made by the contracting officer (and approved by the allotment holder or his designee) that the anticipated amount of liability under the contract may be reduced and the amount of the recorded obligation maybe decreased by the amount so determined and approved. Such action is taken after taking all circumstances into consideration including available costs and production data or tentative offers from contractors.

F. Amounts for increases in cost reimbursement contracts that exceed the original contract ceiling price, and which are not based on an antecedent liability enforceable by the contractor, are chargeable to funds available when the price increase is granted, rather than funds from the fiscal year cited on the original contract.

080412. Termination of Contracts and Agreements. When a contractor agreement is terminated in whole or in part for the convenience of the government by the giving of a "Notice of Termination" to the other party to the contract or agreement, the obligation recorded for the contract or agreement must be decreased to an amount sufficient to meet the settlement costs under the termination. The obligation must not be decreased below the amount estimated

by the contracting officer, based on the best evidence then available, as the amount due as a result of the termination.

080413. Foreign Currency Exchange Fluctuations. Changes in obligations and contractual liabilities caused by foreign currency exchange fluctuations are determined and recorded when payment is made. For foreign currencies not specified in a special foreign currencies fluctuations appropriation account, adjustments also are made at fiscal yearend, and may be made at any other time a significant change occurs in order to help avoid overobligation of an allotment.

080414. Contracted Advisory and Assistance Services [CAAS]. See Section 2454 of the Federal Acquisition Act of 1994 (P.L. 103-355) stipulates that the OMB will establish funding for CAAS as a separate object class in each agency's budget. DoD Directive 4205.2 contains four basic categories for identifying and controlling CAAS. Volume 2 of this Regulation contains budget exhibit PB-27 for reporting CAAS expenditures and estimates to the Congress. In addition to the four basic CAAS categories, budget exhibit PB-27 includes a specific breakout of three additional categories: (a) ADP-related CAAS services, (b) contract systems engineering, and (c) total services procured from Federally Funded Research and Development Centers (FFRDCS). These additional services are reported because of general interest in the overall estimates for such services. DoD Components shall establish an accounting procedure to ensure that actual data for all seven categories of contract effort reported to the Congress as "CAAS and other Contract Support Services (CSS)" on the PB-27 budget exhibit are uniformly generated from the accounting data base. The accounting procedures also shall clearly delineate the PB-27 categories as listed below. Activities in categories a. through f. performed at an FFRDC shall be reported in category g. and not in any of the other six categories. Appropriate codes shall be entered on applicable requests for procurement and on the associated contracts. When CAAS/CSS is procured in a predominantly non-CAAS/CSS contract, the CAAS/CSS portion separately shall be identified and coded for identification in the PB-27 budget exhibit. The predominance rule which pertains to the assignment of codes for the Federal Procurement Data System (DD Form 350) has no bearing on the identification of CAAS/CSS for budget and accounting purposes. Expenditures shall be accumulated by budget exhibit category as they are entered into DoD accounting systems. The first four categories equate to the four CAAS categories (A, B, C, and D). The last three are the additional ones called for in the PB-27. The PB-27 categories areas follows:

- A. Individual Experts and Consultants
- B. Studies, Analyses, and Evaluations
- c. Management Support Services
- D. Engineering Technical Services
- E. Information Technology

F. Systems Engineering

G. Federally Funded Research and Development Centers (FFDRCs)

0805 RENTAL AGREEMENTS AND LEASES OF REAL AND PERSONAL PROPERTY

080501. The amount recorded as an obligation must be based on the agreement or lease, or on a written administrative determination of the amount due under its provisions.

080502. Under a rental agreement that maybe terminated by the U.S. Government at any time without notice and without incurring any obligation to pay termination costs, the obligation must be recorded each month in the amount of the rent for that month.

080503. Under a rental agreement providing for termination without cost upon giving a specified number of days notice of termination, an obligation must be recorded upon execution of the agreement in the amount of rent payable for the number of days notice called for in the agreement. In addition, an obligation must be recorded each month in the amount of the rent payable for that month. When the number of days remaining under the lease term is equal to the number of days advance notice required under it, no additional obligation need be recorded.

080504. Under a rental agreement providing for a specified dollar payment in the event of termination, an obligation must be recorded upon execution of the agreement in the amount of the specified minimum dollar payment. In addition, an obligation must be recorded each month in the amount of the rent payable for that month. When the amount of rent remaining payable under the terms of the agreement is equal to the obligation recorded for the payment in the event of termination, no additional monthly obligation need be recorded.

080505. For a domestic or foreign rental agreement not containing a termination clause, but which is financed under an annual appropriation, an obligation must be recorded at the time of its execution in the total amount of rent specified in the agreement even though the period of the lease (12 months maximum) extends into the subsequent fiscal year. Leases of structures and real property in foreign countries may be entered into for periods of up to 5 years (10 years for military family housing) under authority of 10 U.S.C. 2675. However, the period for which obligations may be recorded for leases without termination clauses may not exceed the period for which the applicable financing appropriation is available for obligation. Thus, a lease should be obligated for its full term when it is financed by a no-year appropriation. When the lease is financed by an annual or multiple-year appropriation, however, the obligation is limited by the period of availability of the appropriation. If the term of the lease is for more than 12 months and exceeds the availability of the financing appropriation, the amount of the obligation related to the excess term shall be recorded against the appropriation that becomes available for the same purpose in the subsequent year or years. If the laws and customs of a foreign country require advance payment for rent, the advance payment may be made in accordance with 10 U.S.C. 2395 for the full term of a foreign lease, and an obligation may be recorded against the current appropriation in the same amount at the time the lease is consummated.

080506. Domestic lease agreements entered into for periods greater than one year under authority delegated by the General Services Administration (GSA) under 40 U.S.C. 490 and 40 U.S.C. 614 need not include a provision to the effect that lease funding in future fiscal periods is subject to fund availability in those future fiscal periods. The obligation to be recorded is that of the applicable financing appropriation for the current fiscal year.

080507. When leasing ADP equipment without a purchase option, obligations in the amount of the contract are recorded when the contract offer is accepted.

080508. Obligations to the GSA for standard-level user charges are recorded from the GSA bill.

0806 REIMBURSABLE ORDERS PLACED WITH DOD COMPONENTS OR OTHER U.S. GOVERNMENT AGENCIES

080601. Reimbursable procurement means an order for supplies, material, or equipment placed by a requiring DoD Component for procurement by another DoD Component or Federal agency on a contract funded by the procuring DoD Component or Federal agency, without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and with subsequent delivery to and reimbursement by the requiring DoD Component. The reimbursable order is recorded as an obligation by the requiring DoD Component when the procuring DoD Component accepts the reimbursable order in writing. For GSA, see subsection 080604, below.

080602. Direct citation procurement means procurement accomplished by combining the requirements of one or more other DoD Components with those of the procuring DoD Component. The procuring DoD Component may issue one contract with separate schedules showing the quantities, prices, dollar amounts, and citation of funds of each requiring DoD Component. The direct citation order is recorded as an obligation by the requiring DoD Component when it is notified in writing that the procuring DoD Component's contract or project order has been executed, or when a copy of the contract or project order is received. Note: DD Forms 448, "Military Interdepartmental Purchase Requests" (MIPRs), are used for these orders. MIPRs are described in subpart 8.70 of the DoD FAR Supplement. MIPRs are Economy Act (31 U.S.C. 1535) orders subject to downward adjustment when the obligated appropriation is no longer available for obligation to the extent that the procuring component has not executed its agreed-upon contract or project order actions.

080603. An order for specific supplies, material, equipment, work, or services, may be placed either under the Project Order Act (41 U.S.C. 23), as implemented by DoD Instruction 7220.1, or under section 601(a) of the Economy Act. The reimbursable order must be recorded as an obligation against the appropriation of the ordering DoD accounting entity as follows.

A. Project Order. The fact that an order is a Project Order must be so identified on the document itself. A project order is treated as a contract. When it is accepted in

writing by the performing activity, the amount of the project order must be recorded as an obligation in the amount stated in the order.

B. Economy Act Order. An Economy Act order is an intragovernmental order that does not qualify as a project order on another Federal agency or on another DoD Component. It must be recorded as an obligation in the amount stated in the order when it is accepted in writing. Undelivered Economy Act orders issued against annual or multiple-year appropriations, or both, must be adjusted downward when the appropriation is no longer available for obligation in accordance with section 1210 of the General Appropriation Act of 1951 (subsection (d) of 31 U.S.C. 1535). The amount of the adjustment shall be the difference between the value of the order or orders and the obligations incurred by the performing agency.

080604. An order required by law to be placed with a U.S. Government agency, such as an order required to be placed with (a) Federal Prison Industries (18 U.S.C. 4124), (b) Government Printing Office (44 U.S.C. 111), (c) General Services Administration (GSA), or (d) U.S. Army Corps of Engineers -- Civil Functions Revolving Fund (33 U.S.C. 576), must be recorded as an obligation by the ordering agency in the amount stated in the order at the time it is issued. Note: This is a major difference from the acceptance requirement of normal project orders and Economy Act orders discussed in subsection 080603, above.

0807 ORDERS FOR MATERIEL PLACED WITH (OR THROUGH) STOCK FUNDS

080701. Placing an Order

A. An order placed with a stock fund may only be for a bona fide need of the period for which the ordering activity's financing appropriation is available.

B. An order placed for a stock-funded item shall be recorded as an undelivered order (obligation) when the order is placed. An order placed with a stock fund for a nonstock-numbered item (stock number not assigned at the time of placement of the order) shall be recorded as an undelivered order when the stock fund accepts the order.

080702. Change Notices

A. An undelivered order (obligation) placed with the stock fund shall be adjusted when a change notice affecting price, quantity, or an acceptable substitution of a like item is received from the stock fund. An undelivered order placed with the stock fund shall be canceled when the customer receives a notice of (1) substitution that is unacceptable, (2) transfer of a stock-funded item to funding by a centrally managed procurement appropriation within a DoD Component, or (3) advice that the stock fund is unable to perform under the terms of the order.

B. Conversely, an undelivered order (obligation) shall be recorded when a notice is received that an ordered item funded by a centrally managed procurement appropriation has been transferred to funding by the stock fund.

C. If a change notice results in a shortfall of customer funds, the customer may cancel the order or reduce the quantity on order. If the customer does not receive a change notice, or does not receive it in time to cancel or modify the quantity on order, the material may be refused or returned to the stock fund. Credit for returns to the stock fund shall be provided in accordance with the provisions of DoD Directive 7420.1. There is no violation of administrative control for customer funds if an apparent funding deficiency that results from a change notice is resolved with the stock fund by means of (1) cancellation or modification of the quantity on order, or (2) refusal or return to the stock fund of the material.

080703. Expiration of an Order. When the customer's financing appropriation expires, an undelivered order for a nonstock-numbered item for which the stock fund has not executed a procurement action (that is, incurred an obligation) also expires.

0808 PERSONAL SERVICES AND BENEFITS

080801. Obligations for the amounts payable to military members and civilian employees must be recorded in the month in which earned. These obligations must be supported by written administrative determinations of the amounts of the liabilities incurred for personal services based on payroll or personnel records. Payroll charges based on salaries and wages, such as civilian living and quarters allowances, equalization allowances under 5 U.S.C. 3584, and the employer's share of contributions to the retirement fund, insurance premiums, and FICA taxes also are obligations at the time that salaries and wages are earned. Enlistment bonuses, and allowances to military members for subsistence, quarters and clothing, as well as civilian uniform allowances and incentive awards, are obligated in the month that they become payable to the employee.

080802. An obligation must be recorded for subsistence in kind based on requisitions and orders when issued, or on a written administrative determination of the estimated cost of subsistence furnished by others.

080803. Annual leave must be reported as an obligation only when it becomes due and payable. Accruals of annual leave as it is earned are used in costing.

080804. Severance pay for U.S. Government civilian employees (and foreign national employees such as those German nationals covered by the German Tariff Agreement) shall be reported as an obligation on a pay-period-by-pay-period basis, that is, at the time the severance pay becomes payable, regardless of the time it is disbursed.

080805. Obligations for severance pay are incurred and reported after an employee has been separated and specified conditions (such as those set forth in the German Tariff Agreement) have been met. The organization that terminates the employment of such individuals shall be responsible for recording and reporting the severance pay obligation. If the liability for severance pay is significant, reasonable estimates shall be made and an unfunded liability recorded and reported IAW the Federal Agencies' Centralized Trial Balance System

(FACTS). In accordance with other foreign country contracts and agreements, certain foreign national employees earn a separation allowance, also sometimes called “severance pay” in some contracts and agreements, from inception of or during their employment. In such cases, a liability accrues from such date and obligations shall be recorded as indicated in the following paragraphs.

A. In general, obligations for separation allowances for foreign national employees shall be recorded against applicable current allotments in the full amount of the liability that accrues during the accounting period even though the amount may not currently be payable. However, when a foreign country is committed to fund part of the separation allowance for its nationals, DoD funds shall be obligated only for the Department’s portion of that cost. The amount chargeable to the applicable current allotment is the separation allowance liability incurred during the current accounting period and adjustments to outstanding liabilities for separation as a result of changes in pay. Adjustments for fluctuations in foreign currency exchange rates must be made at the time of the disbursement. However, see subsection 081110, below, for guidance on those currencies not covered by the foreign currency fluctuations appropriation.

B. Upon transfer of a foreign national employee from one DoD Component to another, the relinquishing DoD Component shall give detailed records to the gaining DoD Component on the unpaid accrued separation allowance for that employee. The detailed records must include the name of the employee, beginning and ending dates of employment, grade or classification, or both, amounts of the accrued liability by fiscal year appropriations and accounting classifications to be charged at the time of separation, and the name (or designation) and address of the activity that will be responsible for retaining the appropriation records. The relinquishing DoD Component must retain its liability for the accrued separation allowance, including the adjustment for any final fluctuation in the rate of foreign currency exchange, until notified of the employee’s separation and payment of the allowance by the DoD Component effecting the separation. The gaining DoD Component is responsible for obligating separation allowances earned from the date of an employee’s accession. Accrued separation allowances shall be paid when a foreign national employee is separated. The DoD Component effecting the separation of an employee must coordinate its payment actions with the other DoD Components whose funds are to be charged. DoD Components should designate one of their activities to maintain centrally the detailed employee and appropriation records for all transferred employees to facilitate the closeout and liquidation of liabilities.

C. Appropriated funds may not be obligated for separation allowances earned by foreign national employees during any period of employment by DoD non-appropriated fund instrumentalities. The accrued separation allowance shall be paid when a foreign national employee transfers from an appropriated fund organization to a nonappropriated fund instrumentality.

0809 PERMANENT CHANGE OF STATION

080901. Civilian Employees. At the time permanent change of station orders are issued to civilian employees, obligations shall be recorded against the current appropriation for all the authorized reimbursable expenses incident to relocation at the request of the U.S. Government and for transportation requests and bills of lading expected to be issued.

080902. Military Personnel. A report of estimated costs obtained from each individual or unit permanent change of station order shall be recorded as an obligation in the month of departure (relief) from the duty station. The date of relief shall be established and specified in the orders based on specific criteria consistently applied for the various types of moves, such as accessions, transfers, and losses. The obligation shall include the total cost for travel and transportation of the member, dependents, household goods, dislocation allowance, separation travel allowance, etc., whether performed by privately owned conveyance, common carrier, military air or sea lift, or other method. Any costs incurred by the U.S. Government before the date of relief shall be charged against the appropriation current at the time the payment is made with a subsequent adjustment to the proper fiscal year (appropriation current in the month of relief). The only exception is the cost of contemporary contract commercial storage of household goods which will be charged to the period during which the service is rendered.

0810 TEMPORARY DUTY TRAVEL

Tentative obligations for temporary duty travel shall be recorded from written administrative determinations, based on the travel authorizations issued, for the estimated transportation to be purchased and the estimated reimbursement to be earned by the traveler for per diem allowances, use of privately owned vehicles, and incidental travel expenses. When travel is performed under a blanket authorization (with the itinerary not definite), the amount of the tentative obligation recorded in the current month shall not exceed the estimate of the travel expenses to be incurred to the end of the current month. When the period covered by the travel authorization extends beyond the end of the fiscal year, and the travel costs are being paid by means of an annual appropriation or the final year of availability of a multiple-year appropriation, the amount of the recorded obligation shall be the cost of transportation purchased and reimbursements earned to the end of the fiscal year.

0811 OTHER OBLIGATIONS

081101. Loan Agreements. Under the Federal Credit Reform Act of 1990 (2 U.S.C. 661-661f), unless otherwise provided by statute, new direct loan obligations may be incurred only to the extent that budget authority to cover their costs is provided in advance. When a direct loan obligation is incurred, its cost (the estimated long-term cost of the loan to the government) is obligated against the "program account" established for the loan program. The actual funding of the loan is made through a revolving, non-budget "financing account." OMB Circular No. A-34 contains detailed guidance covering the obligation and disbursement of funds for direct and guaranteed loans.

081102. Grants and Subsidies. An obligation shall be recorded for grants and subsidies based on (a) a written administrative determination of the amount of the grant or

subsidy that is payable from an appropriation made available for payment of, or contribution toward, a sum required to be paid in a specific amount fixed by law or in accord with a formula prescribed by law; or (b) an agreement or plan covering a grant or subsidy authorized by law, provided the agreement or plan is approved in accordance with the law. In the case of a grant, the obligating action usually will be the execution of a grant agreement.

081103. Litigation. As a general rule, the amount of the liability expected to result from pending litigation shall be recorded as an obligation in cases where the government definitely is liable for the payment of money from available appropriations, and the pending litigation is for the purpose of determining the amount of the government's liability. In other cases, an obligation shall not be recorded until the litigation has been concluded or the government's liability finally is determined. A written administrative determination of the amount of the liability shall serve as documentary evidence of the obligation.

081104. Bills of Lading. A bill of lading issued to a commercial carrier shall be recorded, when issued, as a tentative obligation in an amount representing the estimated value of the transportation to be furnished, based on established rates. At yearend, any portion for transportation not yet commenced shall be eliminated from the account. (However, see subsection 080901, above.)

081105. Public Utility Services. Public utility services shall be recorded as an obligation based on billings received or on a written administrative determination of utility services furnished during the billing period ending in the monthly accounting period.

081106. Claims. A claim payable under law shall be recorded as an obligation, when finally approved, in the amount certified for such payment.

081107. Legal Determinations. A document evidencing a present legal liability of the U.S. Government, when the liability has been determined to exist by competent legal authority, shall be recorded as an obligation in the amount of the liability when that determination is made.

081108. Simultaneous Disbursement and Obligation. If a disbursement has been made (or is about to be made) without the related obligation having previously been recorded, an obligation shall be recorded immediately in the amount of the disbursement. Disbursement documents in payment of obligations not previously recorded shall be used to record the transaction as an Accrued Expenditure--Paid with a corresponding decrease in the uncommitted/unobligated balance of the affected allotment.

081109. Simultaneous Undelivered Order and Accrued Expenditure-Unpaid. If delivery or performance is due within a short period of time, contracts and other orders for \$1,000 or less may be entered into the budgetary accounts as Accrued Expenditures--Unpaid rather than Undelivered Orders. This will save one processing step when recording obligation transactions for small amounts.

081110. Foreign Currency Fluctuations

A. The foreign currency fluctuations appropriation was established to eliminate losses or gains to programs caused by fluctuation of specified foreign currency exchange rates from those used in the budget. (Working Capital Fund (WCF) foreign currency fluctuations are absorbed by the incurring WCF business area, not the foreign currency account.) Contractual obligations or other obligations payable in the specified foreign currencies may not be adjusted until disbursements are made from the appropriation account involved.

B. When foreign currencies not specified in the foreign currency fluctuations appropriation account are involved, any adjustments at the time of payment shall be supplemented with adjustments made at yearend and may be made at any other time a significant change occurs in order to avoid overobligation of an allotment.

081111. Security Guard and Firefighting Services

A. Title 10, United States Code, section 2465, prohibits the obligation or expenditure of appropriated funds for the purpose of entering into a contract for the performance of firefighting or security guard functions at any military installation or facility in the United States, including Alaska and Hawaii. This prohibition does not apply to (1) a contract that is to be performed in the commonwealths, territories, or possessions of the United States, or other locations outside the United States, when members of the Armed Forces otherwise would have to be used for the performance of firefighting or security guard services at the expense of unit readiness; (2) a contract to be carried out on a government-owned, contractor-operated (GOCO) installation; or (3) a contract (or renewal of a contract) for the performance of a function that was under contract on September 24, 1983.

B. Section 204(b) of the Defense Authorization Amendments and Base Closure and Realignment Act (P.L. 100-526), as amended by section 2905 (b)(8) of the Defense Base Closure and Realignment Act of 1990 (P.L. 100-510), as amended, authorizes special procedures for providing security guard (or firefighting) services 180 days before an installation closes under the Base Realignment and Closure initiative.

0812. APPROVAL OF ADJUSTMENTS IN EXPIRED APPROPRIATION ACCOUNTS

No automatic upward obligation adjustments in excess of \$1,000,000 that involve any individual action or contract shall be accomplished to expired appropriation accounts. Instead, such adjustments shall be submitted to, and approved by, the Head of the DoD Component. There shall be no “netting” of upward adjustments against downward adjustments to avoid this prior approval requirement. The prior approval authority may be delegated; however, a report of approvals must be submitted by the delegee to the Component Head since he or she ultimately is responsible for such approvals. This report to the Component Head shall be submitted no less frequently than annually prior to submission of the Year-End Closing Statement, TFS Form 2108 (see Volume 6, Chapter 4 of this Regulation). The Component Head shall confirm the actions taken by the delegee and evidence of the conflation shall be retained for audit.

CHAPTER 9

STATUS OF PRIOR YEAR CONSTRUCTION ACCOUNTS

0901 FUNDING REVIEW OF PRIOR YEAR PROGRAM EXECUTION

090101. Purpose

This chapter provides guidance for the submission of status reports concerning all prior year Military Construction and Family Housing Accounts. The intent is to adjust these accounts annually, during the August/September timeframe, to reflect the latest estimate of funding requirements for these programs.

090102. Reporting Requirements

Annually, by August 1, each DoD Component holding Military Construction and Family Housing funding authorities shall submit recommendations in the format of Exhibit MC-4 (see Appendix A) for financial adjustments to these authorities based on current cost estimates. Unobligated balances will be withdrawn unless supported by firm requirements. In all cases where unobligated balances for programs more than two years old are not being made available for withhold, a statement shall be transmitted to identify the status of each project and efforts made to complete the financing. Exhibits shall be submitted in duplicate to the ODC(P/B)MilCon.

Separate Exhibits MC-4 shall be prepared and submitted for the five active program years, categorized by budget activity. Instructions for the completion of the MC-4 exhibits are contained in Appendix A.

APPENDIX A

MILITARY CONSTRUCTION _____
 FUNDING REVIEW
 BUDGET ACTIVITY (SPECIFY)
 FISCAL YEAR _____

(1) Project & Location	(2) Current Estimate	(3) Obligational Authority Issued	(4) Cumulative Obligations as of the Past June 30	(5) + or - Authority Required for Completion	(6) Remarks
	<u>1/</u>	<u>2/</u>		<u>3/</u>	

1/ Enter the best estimate of the total amount this project will cost when complete.

2/ Enter the amount of obligational authority issued. This amount should agree with the amounts provided by project on the OSD funding documents. In certain cases funds may be realigned between the various projects in accordance with prescribed programming procedures. However, in no case should the total of the projects shown in this column for a given fiscal year exceed the amount provided on the OSD obligational authority document.

3/ Enter the amount of authority required to complete the project. If the total of this column for a fiscal year program is negative those funds will be withdrawn unless a justification is provided why they should not be withdrawn. If the total of this column for a fiscal year is positive, an explanation should be provided why the additional funds are required.

CHAPTER 10

ACCOUNTING REQUIREMENTS FOR EXPIRED AND CANCELED ACCOUNTS1001 INTRODUCTION

100101. Purpose. This chapter implements within the Department certain provisions of Title 31, United States Code, relating to expired and canceled accounts. The governmentwide amendments to Title 31 are contained in Title XIV of the National Defense Authorization Act for FY 1991 (Public Law 101-510, dated November 5, 1990).

100102. Terminology. Terms associated with accounting for expired and closed or canceled accounts are included in the definitions section (Appendix C) to this chapter.

1002 POLICY AND PROCEDURES100201. Implementation of Permanent Provisions

A. For 5 years after the time an appropriation expires for incurring new obligations, both the obligated and unobligated balances of that appropriation shall be available for adjusting and liquidating obligations properly chargeable to that account.

B. Certain appropriations are available for obligation for a specific period, i.e., annual and multi-year appropriations. Both the obligated and unobligated balances of such appropriations shall be canceled, and will no longer be available for obligation or expenditure for any purpose, on September 30th of the 5th fiscal year after an appropriation's period of availability for incurring new obligations expires (31 U.S.C. 1553(a)).

C. Certain appropriations are available for an indefinite period. Obligated and unobligated balances in such appropriations shall be canceled when (1) no disbursements have been made from the indefinite appropriation for a period of 2 years and (2) the President, the Secretary of Defense or his designee determines the purposes for which the appropriation was made have been carried out (31 U.S.C. 1555).

D. Before an account cancels, the affected DoD Component shall identify valid unliquidated obligations subject to cancellation to determine if (1) appropriations are available for future adjustments or payments against such obligations, or (2) other provisions for adequate resources have been made to pay for such obligations that will cancel with an account.

E. Following cancellation of an appropriation, should it become necessary to adjust an obligation which would otherwise have been properly chargeable (both as to purpose and amount) to an appropriation before cancellation, then the obligation shall be charged to an appropriation currently available for the same purpose, subject to certain limitations discussed in paragraph 100201.F., below.

F. When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation, the total of all such payments by that current appropriation may not exceed the lesser of:

1. The unexpended balance of the canceled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of cancellation, adjusted for obligations and payments which are incurred or made subsequent to cancellation, and which would otherwise have been properly charged to the appropriation except for the cancellation of the appropriation); or

2. The unexpired unobligated balance of the currently available appropriation; or

3. One percent of the total original amount appropriated to the current appropriation being charged.

- a. For annual accounts, the 1 percent limitation is of the annual appropriation for the applicable account--not total budgetary resources (e.g., reimbursable authority).

- b. For multi-year accounts, the 1 percent limitation applies to the total amount of the appropriation. As an example, if a multi-year account enacted for FY 1992 through FY 1994 is \$100 million, then the 1 percent limitation in FY 1992 would be \$1 million. If, at the end of FY 1992, \$650,000 was used for payment of obligations of canceled accounts, then the amount available to be used for such payments in FY 1993 would be \$350,000 (\$1,000,000 minus \$650,000).

- c. For contract changes (as specified in subsection 100202, below), charges made to currently available appropriations will have no impact on the 1 percent limitation rule. That is, the 1 percent (of the currently available appropriation) amount will not be decreased by the charges made to current appropriations for contract changes.

G. In order to prevent overpayments and ensure that applicable limitations are not exceeded, DoD Components shall:

1. Identify the unobligated balance and unpaid obligations of all expired appropriations at the time they expire.

2. Identify the unobligated balance and unpaid obligations of all canceled appropriations at the time they are canceled.

3. Identify to canceled accounts all obligations and payments charged to currently available appropriations, which otherwise would have been properly chargeable

(both as to purpose and amount) to a canceled appropriation (as provided for in paragraph 100201.F., above).

4. Maintain identification of the amount for which it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation. This amount is determined by subtracting, from the unexpended balance of the appropriation at the time it was canceled, all subsequent obligations and payments made as indicated in subparagraph 100201.G.3., above.

5. Maintain proper general ledger controls for valid unpaid obligations and receivables pertaining to canceled accounts. General ledger controls shall be perpetuated until all obligations are paid and accounts receivable collected. (This will ensure that valid liabilities continue to be tracked until satisfied, even though the accounts are canceled.)

100202. Implementation of Contract Change Provisions Within the Department of Defense

A. Public Law 101-510 defines a “contract change” as a change under which a contractor is required to perform additional work. Subsections 100204 and 100205, below, contain procedures for requesting approval of certain obligation adjustments for contract changes.

B. Obligation adjustments, such as incentive or award fees and price inflation (escalation or economic price adjustments), are not considered contract changes for purposes of paragraph 100202.A., above. To the extent otherwise appropriate, such amounts maybe charged to applicable accounts which otherwise have expired for incurring new obligation (but have not yet been canceled). Such charges or adjustments shall be supported by comprehensive written documentation containing a statement that the charges do not require, involve, or result in additional work or changes in scope. This statement shall explain the circumstances, contingencies, or management practices that necessitated the adjustment.

C. Title 10, United States Code, section 7313(b), and applicable appropriation language, permit expired appropriations available to the Department to be used for new obligations of appropriations for specific purposes. Those include payment to a Working Capital Fund activity and payment to a contractor for unusual cost overruns and changes in the scope of work for ship overhaul, maintenance, and repair.

1. While expired appropriations may be used in certain instances for new obligations, these appropriations are not available beyond the end of the fifth fiscal year following their expiration.

2. DoD appropriations--primarily Operation and Maintenance, Navy appropriations--covered by 10 U.S.C. 7313(b) expire and are canceled at the same time as other appropriations. These appropriations shall not be available for the payment of changes in the

scope of work for ship overhaul, maintenance, and repair beyond the end of the fifth fiscal year following the expiration of such appropriations for other purposes.

100203. Shipbuilding and Conversion (SCN). Navy Appropriation.

A. The period of availability to incur obligations in the SCN appropriations for all purposes normally is 5 years. However, for limited purposes, SCN finds are available for obligation after the 5-year period has ended. Appropriation language for the SCN appropriation often contains a provision to the effect that additional obligations for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction may be incurred after the appropriation otherwise would expire for obligation. This additional period allowed for incurring new obligations for such purposes is called “extended availability.”

B. The Department of Defense and the Department of the Treasury employ special procedures to establish extended availability authority for the SCN appropriations because not all work required to induct a ship into the fleet can be completed within the first 5 years of availability of an SCN appropriation. The procedures are summarized as follows:

1. The fiscal year of the latest obligation work limiting date (OWLD) for the last vessel financed by a particular SCN appropriation will represent the period of availability for obligation. After such date, the appropriation enters an expired status for 5 years and the balances are available only for obligational adjustments and payments.

2. An SCN appropriation is canceled/closed on September 30 of the fifth year following the year of the last OWLD. Before the end of each fiscal year, the Department of Defense notifies the Department of the Treasury of the last OWLD for the SCN appropriation that will be expiring on September 30 of that fiscal year. By the ninth workday of November of each year, the unobligated and obligated balances of that SCN appropriation are transferred by an SF 1151, “Non-Expenditure Transfer Authorization” to the new Treasury fiscal year symbol.

3. For example, on September 18, 1995, the Navy notified the Department of the Treasury that the last OWLD for the FY 1991/1995 SCN appropriation was September 30, 2001. Before November 14, 1995, the balances of that SCN appropriation were transferred to the FY 1991/2001 SCN appropriation with a cancellation date 5 years later--September 30, 2006.

C. The obligated and unobligated balances of the merged SCN account are not available for adjusting and disbursing purposes after September 30, 1993.

100204. Obligation Adjustments for a Contract Change in Excess of \$4 Million.

An obligation adjustment for a contract change under which a contractor is required to perform additional work, may be incurred only if the obligation has been approved by the USD(C), as designee of the Secretary of Defense. Approval shall be sought when the amount of the

obligation would cause the total amount of charges in any fiscal year for a single program, project, or activity to exceed \$4 million and the account being used to fund the obligations is no longer available for new obligation.

A. Requests for approval, if necessary, shall be submitted by the applicable DoD Component to the ODC(P/B).

B. Requests for approval shall include the following documentation:

1. The amount to be obligated,
2. The purpose for which the finds are to be obligated, and
3. An explanation of the obligation adjustment including the reason for the adjustment and the contingencies or management practices which caused the need for the adjustment.

C. Supporting documentation shall be retained for future reference.

100205. Obligation Adjustments for a Contract Change of \$25 Million or More. Special handling is required to process any obligation adjustment to an expired appropriation for a contract change, under which a contractor is required to perform additional work for amounts in any fiscal year of \$25 million or more. Such adjustments may be made only after the USD(C), as designee of the Secretary of Defense, submits a notice of intention to make the obligation--along with the legal basis and policy reasons for the obligation--to the Armed Services and Appropriation Committees of the Senate and National Security and Appropriations Committees of the House of Representatives.

A. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded (unless any cognizant congressional committee notifies the USD(C) of its disapproval).

B. Such charges or adjustments shall be supported by a written comprehensive statement concerning the reason for the adjustment. This statement should explain the circumstances, contingencies, or management practices which caused the need for the adjustment.

C. When notification to the Congress is necessary, the applicable DoD Component shall submit the required documentation (including letters to the appropriate congressional committees for the USD(C) signature) to the ODC(P/B).

100206. Reprocurements. Expired funds also may be used to fund a replacement action--replacement contract--under certain conditions. When a reprocurement action will result in a replacement contract, it may be funded from expired funds if all of the conditions in para-

graphs 100206.A.-D., below, are met. (If all of the conditions cannot be met, current year funds shall be used to fund the requested action.)

A. The DoD Component has a continuing bonafide need for the goods or services involved.

B. The original contract was made in good faith.

C. The original contract was terminated for default or for the convenience of the government. If the original contract was terminated for the convenience of the government, the termination shall have been the result of a:

1. Court order;

2. Determination by a contracting officer that the contract award was improper due to explicit evidence that the award was erroneous and when the determination is documented with appropriate findings of fact and of law; or

3. Determination by other competent authority (e.g., a Board of Contract Appeals) that the contract award was improper.

D. A repurchase contract is used to obtain the goods or services that originally had been ordered under another contract that was terminated either for default or convenience of the government. The replacement contract is:

1. Substantially of the same size and scope as the original contract and

2. Executed without undue delay after the original contract is terminated.

E. If a repurchase action will result in an obligation which exceeds \$4 million, such action shall be submitted to the USD(C) for approval.

F. If a repurchase action will result in an obligation that exceeds \$25 million, a notice of intention (as discussed in subsection 100205., above), shall be submitted to the congressional committees at least 30 days in advance. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless one of the cognizant congressional committees notifies the USD(C) of its disapproval.

100207. Obligation Adjustments or Payments from Current Appropriations for Canceled Accounts

A. When making payments from a current appropriation account for obligations of a canceled account, DoD Components must request a “subclass” account from the

Department of the Treasury, Requests for subclass accounts must be submitted in writing to the Treasury Department, through the Defense Finance and Accounting Service, and include the purpose for the payment. The address to which requests should be sent is listed in Treasury Bulletin No. 91-03. These subclass accounts will be used to record applicable payments on the books of the Treasury Department. Such payments shall be reported monthly on each Component's Statement of Transactions.

B. Amounts for obligations that otherwise would have been properly chargeable to a canceled account, but are required to be charged to current accounts, shall be recorded only in the current account when payment is imminent during the current fiscal year. Therefore, amounts for such obligations shall not be reported on the year-end FMS Form 2108 unless payment has been made. However, if at year-end, such amounts for obligations are known to be payable in the coming fiscal year, this information should be footnoted on the year-end FMS Form 2108.

C. Current year obligation adjustments required due to canceled balances shall be entered against specific applicable line items in column k of DD Form 1416, "Report of Programs," as a negative amount. If these adjustments cause the line item to exceed current year reprogramming thresholds, the amount in column k will be footnoted to indicate that the amount is "applicable to canceled account adjustments." No reprogramming action will be required. In addition, the total of all canceled account adjustments charged to the applicable appropriation will be entered in column k as a separate line item titled "Reduction to Finance canceled Account Adjustments." This amount shall be shown as a positive number.

100208. Use of Current Year Funds When Sufficient Obligational Authority Does Not Exist in a Expired Appropriations. Section 1004 of the National Defense Authorization Act for FY 1993 permits current year funds to be used when sufficient obligational authority does not exist in expired appropriations for Fiscal Years before 1992 whose availability for new obligations expired at the end of FY 1985 through FY 1992, and which are not canceled. That authority contains the following restrictions:

A. The amount charged to a current account may not exceed an amount equal to 1 percent of the total amount of the current appropriation being charged, or 1 percent of the total amount of the appropriation of the expired account, whichever is less. (The 1 percent limitation under section 1004 is in addition to the 1 percent limitation under Public Law 101-510 (see paragraph 100201.F., above) that applies to charges that can be made to a current account when the account that should have been charged has been canceled.)

B. The appropriate expired account shall be charged for obligations that are properly chargeable to an expired account whenever sufficient resources exist to find the obligation in the applicable expired account. There should be no charges against a current account if there is a sufficient balance remaining in an expired account.

C. Obligations that otherwise would be properly chargeable to an expired account, except that insufficient resources exist in the expired account to fund the applicable

obligation, should not be charged against a current account unless all of the following conditions have been met:

1. The obligation is charged to an appropriation available for the same purpose as the applicable expired account and is otherwise properly chargeable (except as to amount) to the applicable expired account before cancellation of the expired account.

2. The Military Department Assistant Secretary for Financial Management and Comptroller or the Comptroller of a Defense Agency has determined that sufficient obligational authority does not exist in the applicable expired account to fund the applicable obligation.

3. The obligation is not otherwise properly chargeable to any Department of Defense current appropriation.

4. The USD(C) has approved the charge to the applicable appropriation and notified the Congress of the proposed obligation, and 30 days have elapsed.

D. The Department must notify the Congress 30 days in advance of incurring such obligations. Therefore, DoD Components shall prepare, and submit to the USD(C) for subsequent transmittal to the Congress, notification of any proposed obligations against a current account for obligations that otherwise would be properly chargeable (except as to amount) to an expired account, except that insufficient resources exist to fund the obligation in the applicable expired account. As a minimum, such notifications shall:

1. Identify the amount to be charged,
2. Identify the purpose for which the funds are to be obligated, and
3. Include a summary of all relevant facts justifying the proposed obligation.

E. Within 60 days after the date of a request to charge an obligation is submitted to the Congress, DoD Components shall submit a report to the USD(C), for subsequent transmission to the Congress and the President, providing the status of an investigation of an Antideficiency Act violation when:

1. An obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account.

2. Insufficient resources exist to fund the obligation in the applicable expired account.

100209. Crediting of Collections After an Account is Canceled

A. Valid accounts receivable shall not be written off as a result of cancellations of appropriations with negative unliquidated obligations. Proprietary accounts must be maintained until settled by the debtor.

B. When collections that are authorized or required to be credited to an account are received after the cancellation of an account, those collections should be deposited in the departmental receipt account 3200, Collection of Receivables from Canceled Accounts. Accounting entries for crediting of collections after an account is canceled are contained in Appendix A.

100210. Exceptions to Periods of Availability of Accounts for Adjusting and Liquidating Obligations

A. Requirements applicable to the cancellation of appropriations apply to all appropriation accounts unless specifically exempted by statute. A provision of an appropriations act may exempt an appropriation from the provisions of the new requirements for the closing of accounts and may fix the period for which an appropriation remains available for expenditure (31 U.S.C. 1557). Additionally, an appropriations act applies only to a specific fiscal year's appropriation. However, in order to preclude application to an appropriation of the limitations on expenditure provided in the new provisions of Title 31, the statute must:

1. Identify the appropriation account for which the availability for expenditure is to be extended.
2. Provide that the appropriation account shall be available for adjusting and liquidating obligations properly chargeable to the account, and
3. Extend the availability for expenditure of the obligated balances.

B. The availability for expenditure of specific accounts maybe changed only through specific legislation. This authority shall be requested only when payment of old balances from unexpired funds (based on historical outlay data) regularly would exceed the 1 percent limitation or would severely impact the current program.

1. When the nature of a DoD Component's program requires disbursements beyond the 5-year period, the DoD Component shall submit proposed changes in appropriation language to the ODC(P/B). The ODC(P/B) shall submit the proposed changes to the Office of Management and Budget for approval.

2. Absent specific authority, DoD Components, through the ODC(P/B), may seek reappropriations of canceled balances and defer payment until the

appropriation is available. Receiving a reappropriation will be treated as adding new budget authority.

100211. Antideficiency Act Violations. DoD Components are required to investigate and report violations of the Antideficiency Act when certain limitations are exceeded in Public Law 101-510 and section 1004 of Public Law 102-484 as well as specific provisions in a number of sections of Title 31 of the United States Code. Explicit guidance is provided in Volume 14 of this Regulation.

100212. Control, Reporting, and Certification Requirements. Title 31, United States Code, sections 1554 and 1556, as amended, contains permanent audit, control and reporting requirements pertaining to the liquidation of obligations.

A. Control Requirements

1. Section 1554(a) stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation will continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. Thus, if an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose, then that limitation will continue to apply during the 5-year period following the period of availability for obligation of that appropriation. Additionally, the limitation will continue after the appropriation has been canceled.

2. DoD Components shall establish internal controls to ensure that an adequate review of obligated balances is performed to support the certification.

3. Proper general ledger controls shall be maintained for canceled valid unpaid obligations and accounts receivable in canceled accounts. Although balances in unexpired accounts may be used to fire canceled obligations, canceled obligated balances shall not be posted to unexpired accounts solely because the purposes may be related. Canceled obligations shall be posted to unexpired accounts only when a disbursement will be paid during the current year.

B. Reporting and Certification Requirements

1. Section 1554. Under the provisions of 31 U.S.C. 1554, the Secretary of Defense, or his designee, is required to submit a report to the President and the Secretary of the Treasury concerning the unliquidated obligations, unobligated balances, canceled balances and adjustments made to appropriation accounts during the preceding fiscal year.

a. Due Date. This report is due not later than 15 days after the President submits his budget to the Congress. The first report was due in 1992 for FY 1991 balances and transactions.

b. Distribution Requirements. A copy of the report is required to be submitted to the Speaker of the House of Representatives and to the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate (such as the Armed Services Committee).

c. Contents. Section 1554(b) requires that these reports shall contain:

(1) An itemization of related appropriation accounts, identified by fiscal year and the balances identified in each account. This itemization is reported on the fiscal year-end FMS Form 2108.

(2) A listing of each current and expired appropriation. This list is included in the fiscal year-end FMS Form 2108.

(3) Identification of payments made from each currently applicable appropriation account with respect to those amounts which would have been otherwise properly chargeable to another account, both as to purpose and amount, except that the other account has been canceled (31 U.S.C. 1553). These payments are reported on the DoD Components' Statement of Transactions.

(4) Separate identification of obligation adjustments made to each currently applicable appropriation account that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been canceled. These amounts are reported on the fiscal year-end FMS Form 2108.

(5) Identification of all balances canceled on September 30th of the fifth year following the expiration of an appropriation account's availability for incurring new obligations (31 U.S.C. 1552(a)). These balances are reported on the fiscal year-end FMS Form 2108.

(6) Identification of those appropriation accounts available for an indefinite period that have been canceled because (a) no disbursements have been made from the account for a period of 2 years and (b) the President or the Secretary of Defense has determined that the purposes for which the appropriation was made have been carried out (31 U.S.C. 1555).

(7) A certification by the DoD Components that the obligated balances in each appropriation account of the Department reflect properly existing obligations and that expenditures made from each account since the time of submission of the prior report were supported by a proper obligation of funds and otherwise were proper.

100213. Other Procedures. The following paragraphs provide detailed information about other review, accounting, and correction procedures regarding current and expired accounts.

A. Apportionment Procedures. The apportionment schedules (DD Form 1105) will reflect the following footnote: “Up to one percent of the original amount of the appropriation (\$ xxx.xx), or the unobligated balance, whichever is less, may be utilized for the purpose of obligation adjustments and payments, which would otherwise have been properly chargeable (both to purpose and amount) to a canceled appropriation.” To the extent that supplemental appropriations are enacted, reapportionment of the initial “one percent” amount may be requested.

B. Unliquidated Obligations. DoD Components shall review remaining unliquidated balances in expired accounts, and prior to cancellation, deobligate all amounts not supported by documentary evidence.

C. Payments After Cancellation of Appropriations. Amounts presented for payment that cite appropriations that have been canceled (appropriations beyond the end of the fifth year following the expiration of their availability for incurring new obligations) shall not be paid until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

D. Unmatched Disbursements for Canceled Accounts. When a disbursement is made properly before the cancellation of the appropriation to which an obligation was charged, but is not identified and matched with the proper obligation until after the cancellation of the appropriation, that disbursement shall be charged to the canceled appropriation. Appropriate corrections to accounting records and reports shall be made as necessary. See paragraph 100212.J., below, if an error is discovered in a canceled account for a disbursement made prior to the cancellation of that account.

E. Negative Unliquidated Obligations. Negative unliquidated obligation balances generally occur in an account when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. Negative balances represent error conditions which should be researched and corrected as quickly as possible. For additional guidance regarding negative unliquidated obligations, see chapter 11 of this volume.

F. Line Item Detail. The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail should facilitate cost determinations and program assessment and evaluation, while maintaining an appropriate level of visibility over expired accounts, providing an appropriate audit trail, and meeting the objectives of the closing accounts legislation.

G. Uncollectible Accounts Receivable. Appendix A contains appropriate entries to account for uncollectible accounts receivable in canceled accounts. A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary

accounts. However, such write-off would result in a reclassification, to a direct program obligation, of an obligation previously incurred.

H. Closing an Account with a Negative Balance. Existence of a negative balance does not excuse an account from being canceled. Such accounts should be canceled in accordance with applicable valid requirements and a receivable established for the amount of the negative balance.

1. Informational accounting reports (i.e., FMS 2108, SF 133, and SF 220-9) shall continue to be submitted for the applicable account until the negative balance is resolved. As appropriate, these informational reports should (a) indicate that the account is canceled, (b) show the amount of the negative balance at the time the account was canceled, and (c) show the current amount of the applicable receivable.

2. A negative balance may be liquidated by receiving offsetting collections. Collections of overpayments shall be deposited to Treasury account 3200. An account with a negative balance may indicate that a violation of the Antideficiency Act has occurred. A formal investigation should be initiated immediately. Additional information on Antideficiency Act violations may be found in Volume 14 of this Regulation.

I. Accounting for Uncollectible Accounts Receivable in Canceled Accounts. Budgetary accounts corresponding to accounts receivable shall be closed when an account is canceled. Total obligations within budgetary accounts should not change when the budgetary accounts are closed. The write-off of an uncollectible reimbursement receivable would result in a reclassification, to a direct program obligation, of an obligation previously incurred under the reimbursable program.

1. For refunds receivable, budgetary accounts established to track the status of obligational authority (i.e., undelivered orders, unpaid accrued expenditures and refunds due) shall not be closed since their continued identity is necessary to assure that cumulative payments, even though paid from a current account do not exceed the original appropriation of the closed account.

2. Propriety accounts established for accounts receivable and refunds receivable applicable to canceled accounts shall be reclassified as Accounts Receivable--Canceled Accounts. The subsequent collections of such amounts for this account shall be deposited to the Treasury Miscellaneous Receipts Account.

3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, the account should be written off by charging a bad debts account. The write-off of an uncollectible account or refund receivable applicable to the reimbursable program should result in a reclassification, to a direct program obligation, of obligations previously incurred under the reimbursable program.

J. Correction of Reporting Errors in Expired Accounts. Treasury Bulletin 94-04, "Account Closing Provisions of the FY 1991 National Defense Authorization Act" contains procedures for requesting a correction to an expired account that is now closed.

1. Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority and (b) errors made in classifying a payment made prior to the closing of an account, but not discovered until after the account was closed.

a. For clerical errors, the request must include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

b. For classification errors, the Treasury Department will accept reporting to (1) correctly classify payments previously reported to suspense/clearing accounts or (2) correct classification errors between current and closed accounts, when submitted by the deadline below.

2. Requests for the correction of errors must be received by the Treasury Department by March 31 of the year after the account in question was closed. For example, if an expired account was closed in FY 1996, a request for any corrections to that account must be received by the Treasury Department before March 31, 1997.

a. Requests for correction of a clerical error should be sent to the following address:

Finance Management Branch
Financial Management Service
Department of the Treasury
Liberty Center (UCP 723)
Washington, DC 20227

b. Requests for reporting to be allowed against a closed account shall be submitted, along with a hardcopy Statement of Transactions report, to the following address:

Budget Reports Branch
Financial Management Semite
Department of the Treasury
Liberty Center (UCP 749)
Washington, DC 20227

3. If a request for the correction of errors affects another DoD Component, such requests must be coordinated with the affected DoD Component and submitted to the Defense Finance and Accounting Service (DFAS), Deputy Director for Accounting, 1931 Jefferson Davis Highway, Arlington, VA 22240-5291. The DFAS will submit the requests to the Treasury Department after completion of its review.

4. Comptroller General Decision B-251287.3, dated November 1, 1995, stated support for Treasury Department adjustment of DoD canceled appropriation account balances, without regard to administratively established timeframes (contained in Treasury Bulletin 94-04, which is discussed above), to reflect disbursements made before cancellation of the accounts. The CG decision requires that any adjustment made by the Department of Defense be supported by documentary evidence and be able to withstand audit scrutiny. To implement this decision, the USD(C) had issued procedures on June 30, 1995, mandating the research and correction of unmatched disbursements and negative unliquidated obligation transactions and processing the resulting adjustments to the Treasury Department. For further information, see chapter 11 of this volume.

100214. Processing Invoices Involving Canceled Fiscal Year Funds. Appendix B, “Questions and Answers Pertaining to Recessing Invoices from Canceled Fiscal Year Funds,” provides detailed procedures for processing such invoices.

APPENDIX A

ACCOUNTING ENTRIES FOR CREDITING OF COLLECTIONS

1. Public Law 101-510, Section 1405 (31 U.S.C. 1552), "Procedure for appropriation accounts available for definite periods," stipulates the following:

"a. On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose."

"b. Collections authorized or required to be credited to an appropriation account, but not received before closing of the account under subsection (a) or under section 1555 of this title, shall be deposited in the Treasury as miscellaneous receipts."

2. As noted above, P.L. 101-510 requires that all balances are closed and any collections received after closing are deposited to the Treasury Miscellaneous Receipts Account following the end of the 5th year after expiration of an account. Thus, the following procedures are applicable to accounts receivable and refunds receivable. Accounts receivable are amounts due from others for goods furnished and services rendered. Refunds receivable are requested returns of advances or recoveries of erroneous disbursements that are directly related to, and reductions of, previously recorded payments from the accounts.

3. Budgetary Accounting Entries

a. Accounts Receivable. Budgetary accounts corresponding to accounts receivable shall be closed as follows:

Dr 4222 Customer Orders Accepted
Cr 4252 Reimbursements Earned - Uncollected

Total obligations within budgetary accounts should not change as a result of the above entry. However, the write-off of an uncollectible reimbursement receivable would result in a reclassification, to a direct program obligation, of an obligation previously incurred under the reimbursable program.

b. Refunds Receivable. Refunds receivable applicable to a direct program are recorded in general ledger account 4932, "Accrued Expenditures - Refunds Due - Direct Program." Refunds receivable applicable to the reimbursable program are recorded in general ledger account 4942, "Accrued Expenditures - Refunds Due - Reimbursable Program." These accounts represent amounts due to be returned from previously made liquidated obligations (Accrued Expenditures - Paid). Budgetary accounts established to track the status of obligational authority (i.e., undelivered orders, unpaid accrued expenditures and refunds due) shall not be

closed since their continued identity is necessary to assure that cumulative payments, even though paid from a current account, do not exceed the original appropriation of the closed account.

4. Proprietary Accounting Entries

Proprietary accounts established for "Accounts Receivable" and "Refunds Receivable" applicable to canceled accounts shall be reclassified as "Accounts Receivable - Canceled Accounts." The subsequent collections of such amounts should be deposited to the Treasury Miscellaneous Receipts Account. Until other formal accounting entries are published, the following entries should be used:

- a. To reclassify accounts receivable upon cancellation of the account and recognize the liability to deposit collections into the Treasury Miscellaneous Receipts Account.

Dr 1310X Accounts Receivable - Canceled Accounts 1/
Cr 1311-14 Accounts Receivable
Cr 1315-16 Refunds Receivable

and

Dr 3610 Uncollected Revenue - General Fund - Miscellaneous Receipts
Cr 2411 Deposit Fund Liabilities

1/ The "X" following account number 1310 indicates that a formal account for this purpose does not currently exist in the DoD Uniform Chart of Accounts.

- b. To record collection of canceled accounts receivable.

Dr 1011 Funds Collected
Cr 1310X Accounts Receivable - Canceled Accounts

- c. To record deposit after collection, of accounts receivable - canceled accounts to the Treasury Miscellaneous Receipts Account.

Dr 2411 Deposit Fund Liabilities
Cr 1012 Funds Disbursed

and

Dr 3620 Funds Returned to General Fund Miscellaneous Receipts
Cr 3610 Uncollected Revenue - General Fund -
Miscellaneous Receipts

5. If, after compliance with established collection procedures, it is determined that an account is uncollectible, the following entries should be made:

Dr 6129 Bad Debts
 Cr 1310X Accounts Receivable - Canceled Accounts

and

Dr 2411 Deposit Fund Liabilities
 Cr 3610 Uncollected Revenue - General Fund - Miscellaneous
 Receipts

The write-off of an uncollectible account or refund receivable applicable to the reimbursable program should result in a reclassification, to a direct program obligation, of obligations previously incurred under the reimbursable program. (The write-off of an uncollectible refund receivable applicable to the direct program does not require reclassification.) The reclassification of an uncollectible account or refund receivable applicable to the reimbursable program may be accomplished through the following two entries:

a. To eliminate unliquidated reimbursable program obligations, the following entries should be made. (Note: Liquidated reimbursable program obligations previously should have been eliminated through the account closing process.)

Dr 4820 Undelivered Orders - Reimbursable Program
Dr 4920 Accrued Expenditures - Unpaid - Reimbursable Program
Dr 4942 Accrued Expenditures - Refunds Due - Reimbursable Program
 Cr 4582 Allotted Reimbursable Program

b. To reclassify the canceled reimbursable program unliquidated and liquidated obligations as canceled direct program obligations, the following entries should be made.

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program
 Cr 4810 Undelivered Orders - Direct Program
 Cr 4910 Accrued Expenditures - Unpaid - Direct program
 Cr 4931 Accrued Expenditures - Paid - Direct program

6. It should be observed that a write-off of uncollectible accounts receivable does not increase total obligation balances in budgetary accounts. However, as noted previously, the write-off of a receivable would result in a reclassification of obligations from the reimbursable to the direct program.

7. A reimbursable order provides obligation authority. Obligation authority is provided by (a) the acceptance of a reimbursable order from other Federal Government accounts that represent obligations of the ordering account and (b) orders from the public, including state and local governments, to the extent accompanied by an advance. This obligation authority is used

(obligated) by the performing activity in fulfilling the accepted order. Fund resources to liquidate reimbursable obligations in the performing activity's account are obtained through payments from the ordering account. Payments may be in the form of advances, progress payments, or final payment upon completion of the order. In the absence of such a payment fund resources are paid from the direct program authority of the performing account.

8. To the extent that (a) obligations, due to the reclassification of reimbursable program obligations, are in excess of direct program obligation authority, or (b) expenditures (liquidation of obligations) are in excess of appropriated funds plus reimbursements expected to be earned and collected, there is a violation of the Antideficiency Act. For additional guidance on violations, see Volume 14 of this Regulation.

9. The status of obligated and unobligated balances in direct and reimbursable programs, even in an account which has been closed, must be continuously maintained. If direct program unobligated balances in a closed account are sufficient to absorb the reclassification of reimbursable program obligations, the charging of write-offs of uncollectible receivables to current year accounts does not appear necessary.

a. The presence of a sufficient existing unobligated balance in a closed account in a direct program is determined by deducting from the unobligated balance at the time of cancellation all amounts charged to current appropriations which otherwise would have been chargeable to the closed account, both as to purpose and in amount, except that the account was canceled. Thus, if obligations and/or expenditures are incurred against a reimbursable order, and if that reimbursable order later is declared uncollectible, then a violation would exist to the extent that appropriated (direct program) resources existing in a closed account are not sufficient to absorb those obligations and/or expenditures.

b. Thus, to avoid a violation of the Antideficiency Act, the presence of a sufficient unobligated balance in an existing direct program must exist in a closed account to absorb the reclassification of uncollectible reimbursable program receivables. However, in accordance with closing account legislation, the actual payment of an amount originally obligated in an account that has since closed shall be made from a current account available for the same purpose subject to the 1 percent limitation.

APPENDIX B

QUESTIONS AND ANSWERS PERTAINING TO PROCESSING INVOICES FROM
CANCELED FISCAL YEAR FUNDS

1. Should contract modifications be issued to obligate current year funds?

Answer: Contract modifications citing current year funds for unpaid amounts are not required simply because previous valid obligations were from appropriations subsequently canceled. The document providing the chargeable fund cite to the disbursing officer should be used as the obligation document at the time of payment. Additionally, applicable contracts should be annotated to indicate the appropriation from which the payment was made.

2. Are there invoice submission cut-offs for subsequent expiration dates?

Answer: Cut-off dates involving expired account transactions should be no different than for other transactions. However, special efforts should be made to ensure that all valid invoices citing accounts subject to cancellation are processed before the account is canceled. The official cancellation date is September 30. Therefore, all valid invoices dated as of September 30 may be charged against an account before it is canceled.

3. Are there any prohibitions against reallocating previous payments to oldest year funds in the contract?

Answer: The Department's current policy provides for progress payments to be identified to the appropriate contract line/fiscal year. Only when such an identification is not feasible should the amounts be allocated to contract lines or fiscal years. In the absence of contractor or program management identification, current guidance permits such allocations to be made to the oldest fiscal year. For previous allocations, if the benefiting fiscal year is known, the applicable amounts should have been charged to the benefiting fiscal year. However, if the benefiting fiscal year is unknown and amounts already have been allocated, there is little basis for reallocating those funds to the oldest fiscal year.

4. What is the definition of payment adjustments as they relate to Public Law 101-510?

Answer: Payment adjustments may result from escalation or economic price adjustments, or from final audit and settlement. Payment adjustments exclude contract changes and changes in scope as well as any other change that results in additional contractor billable costs.

5. How should adjustment billings submitted by a contractor as a result of definitization of a contract be handled?

Answer: If the definitization of a contract results in an additional amount due to the contractor, and the additional amount would be chargeable to a canceled appropriation, then

current year funds must be requested. If the definitization results in an amount due from the contractor which would have been credited to a canceled appropriation, that amount must be credited to miscellaneous receipts account 3210. However, amounts due to expired, but not yet canceled, appropriations should be credited to the expired appropriation.

6. What is the process for the payment office to request current year funds to pay an invoice in-house?

Answer: Within 48 hours after receipt of an invoice payable from canceled funds, the disbursing officer shall: (a) identify the budget office funding the contract by contacting the fiscal office and (b) notify the head of the office, installation, or activity in which the budget office is located of the need for funds. Only the net amount required (total amount less progress payments paid) shall be requested. Notification should be by message, express mail or facsimile and should include identification of the contract, contractor, invoice date, invoice amount, and payment due date (including DoD required payment data for progress payments and interim vouchers). The disbursing officer shall provide copies to the procurement contracting officer.

The office, installation, or activity funding the contract should notify the disbursing officer or replacement funds chargeable to an appropriation currently available for the same purpose. This notification should be transmitted by message, express mail or facsimile as soon as possible, but no later than 15 calendar days from the date of the disbursing officer's request. If replacement funds cannot be provided within 15 calendar days, an estimate should be provided as to when the funds are expected to be available.

APPENDIX C

DEFINITIONS

1. Adjustments to Expired or Closed Accounts. Increases or decreases to commitments, obligations, or expenditures. Adjustments include recording commitments, obligations, or expenditures that were made or incurred during the period prior to expiration or cancellation of the account but not recorded.
2. Closed/Canceled Accounts. Accounts with balances that have been canceled under Title 31, United States Code, sections 1552, 1555, or 1557. Once balances are canceled, the amounts are not available for obligation or expenditure for any purpose.
3. Expired Accounts. Appropriation or fund accounts in which the balances no longer are available for incurring new obligations because the time available for incurring such obligations has expired. There are various types of expired accounts:
 - a. Expired Accounts Established Under P.L. 101-510. Expired accounts that (1) contain unliquidated obligated and unobligated balances, (2) maintain their fiscal year identity for five years, and (3) are available for recording, adjusting, and liquidating obligations properly chargeable to that account. These accounts began with balances that expired on September 30, 1991.
 - b. Expired Accounts (established before November 5, 1990) that were not Transferred to the "M" Accounts or Canceled. Accounts that (1) contain obligated balances that expired on September 30, 1989, and September 30, 1990; (2) contain unobligated balances that were restored from surplus funds; and (3) maintain their fiscal year identity until their balances are canceled on September 30, 1994, and September 30, 1995, respectively.
 - c. "M" Accounts (Established before November 5, 1990). Expired accounts that (1) contain unliquidated obligated balances and (2) have been merged with unliquidated obligated balances from prior years. "M" accounts generally are established by appropriation title (e.g., Operation and Maintenance, Procurement, Research and Development) for the same general purpose. No new "M" accounts will be established; all such accounts were canceled on September 30, 1993.
 - d. Merged Surplus Authority (Established before November 5, 1990). Expired accounts with (1) balances that were available for upward adjustments to prior obligations that were previously incurred and (2) were canceled on December 5, 1990. These were obligated balances withdrawn by the Treasury Department for accounts which have been expired for more than two years.

4. Fixed Accounts. Appropriation or fund accounts with balances that are available for a definite period of time. The fixed accounts are comprised of annual and multi-year accounts. The universe of appropriation or fund accounts is made up of fixed accounts and no-year accounts.

5. Section 1004 Obligations. For purposes of implementing the provisions of section 1004 of P. L. 102-484, the term “obligation” means any binding agreement properly chargeable to a fiscal year that is expected to result in an outlay. An obligation includes, but is not limited to, an upward obligation adjustment or a reobligation.

6. Unexpired Accounts. Appropriation or fund accounts in which the balances are available for incurring obligations because the time available for incurring such obligations has not yet expired. Audit requirements, limitations on obligations, and reporting requirements applicable to unexpired accounts shall continue to apply after the end of the period of availability for obligation or expenditure of that account.

7. Unrecorded Obligations. Obligations that were incurred legitimately during the period of fund availability, but were not recorded in the Component’s records prior to expiration of the appropriation or fund. For purposes of this guidance, “unrecorded” obligations are included in obligation adjustments. Current accounts may be used to pay previously unrecorded obligations chargeable to a closed account.

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APPENDIX A

ACCOUNTING ENTRIES FOR CREDITING OF COLLECTIONS

1. Public Law 101-510, Section 1405 (31 U.S.C. 1552), "Procedure for appropriation accounts available for definite periods," stipulates the following:

"a. On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose."

"b. Collections authorized or required to be credited to an appropriation account, but not received before closing of the account under subsection (a) or under section 1555 of this title, shall be deposited in the Treasury as miscellaneous receipts."

2. As noted above, P.L. 101-510 requires that all balances are closed and any collections received after closing are deposited to the Treasury Miscellaneous Receipts Account following the end of the 5th year after expiration of an account. Thus, the following procedures are applicable to accounts receivable and refunds receivable. Accounts receivable are amounts due from others for goods furnished and services rendered. Refunds receivable are requested returns of advances or recoveries of erroneous disbursements that are directly related to, and reductions of, previously recorded payments from the accounts.

3. Budgetary Accounting Entries

a. Accounts Receivable. Budgetary accounts corresponding to accounts receivable shall be closed as follows:

Dr 4222	Customer Orders Accepted
Cr 4252	Reimbursements Earned - Uncollected

Total obligations within budgetary accounts should not change as a result of the above entry. However, the write-off of an uncollectible reimbursement receivable would result in a reclassification, to a direct program obligation, of an obligation previously incurred under the reimbursable program.

b. Refunds Receivable. Refunds receivable applicable to a direct program are recorded in general ledger account 4932, "Accrued Expenditures - Refunds Due - Direct Program." Refunds receivable applicable to the reimbursable program are recorded in general ledger account 4942, "Accrued Expenditures - Refunds Due - Reimbursable Program." These accounts represent amounts due to be returned from previously made liquidated obligations (Accrued Expenditures - Paid). Budgetary accounts established to track the status of obligational authority (i.e., undelivered orders, unpaid accrued expenditures and refunds due) shall not be

closed since their continued identity is necessary to assure that cumulative payments, even though paid from a current account, do not exceed the original appropriation of the closed account.

4. Proprietary Accounting Entries

Proprietary accounts established for “Accounts Receivable” and “Refunds Receivable” applicable to canceled accounts shall be reclassified as “Accounts Receivable - Canceled Accounts.” The subsequent collections of such amounts should be deposited to the Treasury Miscellaneous Receipts Account. Until other formal accounting entries are published, the following entries should be used:

- a. To reclassify accounts receivable upon cancellation of the account and recognize the liability to deposit collections into the Treasury Miscellaneous Receipts Account.

Dr 1310X	Accounts Receivable - Canceled Accounts	<u>1/</u>
Cr 1311-14	Accounts Receivable	
Cr 1315-16	Refunds Receivable	

and

Dr 3610	Uncollected Revenue - General Fund - Miscellaneous Receipts
Cr 2411	Deposit Fund Liabilities

1/ The “X” following account number 1310 indicates that a formal account for this purpose does not currently exist in the DoD Uniform Chart of Accounts.

- b. To record collection of canceled accounts receivable.

Dr 1011	Funds Collected
Cr 1310X	Accounts Receivable - Canceled Accounts

- c. To record deposit, after collection, of accounts receivable - canceled accounts to the Treasury Miscellaneous Receipts Account.

Dr 2411	Deposit Fund Liabilities
Cr 1012	Funds Disbursed

and

Dr 3620	Funds Returned to General Fund Miscellaneous Receipts
Cr 3610	Uncollected Revenue - General Fund - Miscellaneous Receipts

5. If, after compliance with established collection procedures, it is determined that an account is uncollectible, the following entries should be made:

Dr 6129 Bad Debts
 Cr 1310X Accounts Receivable - Canceled Accounts

and

Dr 2411 Deposit Fund Liabilities
 Cr 3610 Uncollected Revenue - General Fund - Miscellaneous
 Receipts

The write-off of an uncollectible account or refund receivable applicable to the reimbursable program should result in a reclassification, to a direct program obligation, of obligations previously incurred under the reimbursable program. (The write-off of an uncollectible refund receivable applicable to the direct program does not require reclassification.) The reclassification of an uncollectible account or refund receivable applicable to the reimbursable program may be accomplished through the following two entries:

a. To eliminate unliquidated reimbursable program obligations, the following entries should be made. (Note: Liquidated reimbursable program obligations previously should have been eliminated through the account closing process.)

Dr 4820 Undelivered Orders - Reimbursable Program
Dr 4920 Accrued Expenditures - Unpaid - Reimbursable Program
Dr 4942 Accrued Expenditures - Refunds Due - Reimbursable Program
 Cr 4582 Allotted Reimbursable Program

b. To reclassify the canceled reimbursable program unliquidated and liquidated obligations as canceled direct program obligations, the following entries should be made.

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program
 Cr 4810 Undelivered Orders - Direct Program
 Cr 4910 Accrued Expenditures - Unpaid - Direct Program
 Cr 4931 Accrued Expenditures - Paid - Direct Program

6. It should be observed that a write-off of uncollectible accounts receivable does not increase total obligation balances in budgetary accounts. However, as noted previously, the write-off of a receivable would result in a reclassification of obligations from the reimbursable to the direct program.

7. A reimbursable order provides obligation authority. Obligation authority is provided by (a) the acceptance of a reimbursable order from other Federal Government accounts that represent obligations of the ordering account and (b) orders from the public, including state and local governments, to the extent accompanied by an advance. This obligation authority is used (obligated) by the performing activity in fulfilling the accepted order. Fund resources to liquidate reimbursable obligations in the performing activity's account are obtained through payments from

the ordering account. Payments may be in the form of advances, progress payments, or final payment upon completion of the order. In the absence of such a payment, fund resources are paid from the direct program authority of the performing account.

8. To the extent that (a) obligations, due to the reclassification of reimbursable program obligations, are in excess of direct program obligation authority, or (b) expenditures (liquidation of obligations) are in excess of appropriated funds plus reimbursements expected to be earned and collected, there is a violation of the Antideficiency Act. For additional guidance on violations, see Volume 14 of this Regulation.

9. The status of obligated and unobligated balances in direct and reimbursable programs, even in an account which has been closed, must be continuously maintained. If direct program unobligated balances in a closed account are sufficient to absorb the reclassification of reimbursable program obligations, the charging of write-offs of uncollectible receivables to current year accounts does not appear necessary.

a. The presence of a sufficient existing unobligated balance in a closed account in a direct program is determined by deducting from the unobligated balance at the time of cancellation all amounts charged to current appropriations which otherwise would have been chargeable to the closed account, both as to purpose and in amount, except that the account was canceled. Thus, if obligations and/or expenditures are incurred against a reimbursable order, and if that reimbursable order later is declared uncollectible, then a violation would exist to the extent that appropriated (direct program) resources existing in a closed account are not sufficient to absorb those obligations and/or expenditures.

b. Thus, to avoid a violation of the Antideficiency Act, the presence of a sufficient unobligated balance in an existing direct program must exist in a closed account to absorb the reclassification of uncollectible reimbursable program receivables. However, in accordance with closing account legislation, the actual payment of an amount originally obligated in an account that has since closed shall be made from a current account available for the same purpose subject to the 1 percent limitation.

APPENDIX B

QUESTIONS AND ANSWERS PERTAINING TO PROCESSING INVOICES FROM
CANCELED FISCAL YEAR FUNDS

1. Should contract modifications be issued to obligate current year funds?

Answer: Contract modifications citing current year funds for unpaid amounts are not required simply because previous valid obligations were from appropriations subsequently canceled. The document providing the chargeable fund cite to the disbursing officer should be used as the obligation document at the time of payment. Additionally, applicable contracts should be annotated to indicate the appropriation from which the payment was made.

2. Are there invoice submission cut-offs for subsequent expiration dates?

Answer: Cut-off dates involving expired account transactions should be no different than for other transactions. However, special efforts should be made to ensure that all valid invoices citing accounts subject to cancellation are processed before the account is canceled. The official cancellation date is September 30. Therefore, all valid invoices dated as of September 30 may be charged against an account before it is canceled.

3. Are there any prohibitions against reallocating previous payments to oldest year funds in the contract?

Answer: The Department's current policy provides for progress payments to be identified to the appropriate contract line/fiscal year. Only when such an identification is not feasible should the amounts be allocated to contract lines or fiscal years. In the absence of contractor or program management identification, current guidance permits such allocations to be made to the oldest fiscal year. For previous allocations, if the benefiting fiscal year is known, the applicable amounts should have been charged to the benefiting fiscal year. However, if the benefiting fiscal year is unknown and amounts already have been allocated, there is little basis for reallocating those funds to the oldest fiscal year.

4. What is the definition of payment adjustments as they relate to Public Law 101-510?

Answer: Payment adjustments may result from escalation or economic price adjustments, or from final audit and settlement. Payment adjustments exclude contract changes and changes in scope as well as any other change that results in additional contractor billable costs.

5. How should adjustment billings submitted by a contractor as a result of definitization of a contract be handled?

Answer: If the definitization of a contract results in an additional amount due to the contractor, and the additional amount would be chargeable to a canceled appropriation, then

current year funds must be requested. If the definitization results in an amount due from the contractor which would have been credited to a canceled appropriation, that amount must be credited to miscellaneous receipts account 3210. However, amounts due to expired, but not yet canceled, appropriations should be credited to the expired appropriation.

6. What is the process for the payment office to request current year funds to pay an invoice in-house?

Answer: Within 48 hours after receipt of an invoice payable from canceled funds, the disbursing officer shall: (a) identify the budget office funding the contract by contacting the fiscal office and (b) notify the head of the office, installation, or activity in which the budget office is located of the need for funds. Only the net amount required (total amount less progress payments paid) shall be requested. Notification should be by message, express mail or facsimile and should include identification of the contract, contractor, invoice date, invoice amount, and payment due date (including DoD required payment data for progress payments and interim vouchers). The disbursing officer shall provide copies to the procurement contracting officer.

The office, installation, or activity funding the contract should notify the disbursing officer or replacement funds chargeable to an appropriation currently available for the same purpose. This notification should be transmitted by message, express mail or facsimile as soon as possible, but no later than 15 calendar days from the date of the disbursing officer's request. If replacement funds cannot be provided within 15 calendar days, an estimate should be provided as to when the funds are expected to be available.

APPENDIX C

DEFINITIONS

1. Adjustments to Expired or Closed Accounts. Increases or decreases to commitments, obligations, or expenditures. Adjustments include recording commitments, obligations, or expenditures that were made or incurred during the period prior to expiration or cancellation of the account but not recorded.
2. Closed/Canceled Accounts. Accounts with balances that have been canceled under Title 31, United States Code, sections 1552, 1555, or 1557. Once balances are canceled, the amounts are not available for obligation or expenditure for any purpose.
3. Expired Accounts. Appropriation or fund accounts in which the balances no longer are available for incurring new obligations because the time available for incurring such obligations has expired. There are various types of expired accounts:
 - a. Expired Accounts Established Under P.L. 101-510. Expired accounts that (1) contain unliquidated obligated and unobligated balances, (2) maintain their fiscal year identity for five years, and (3) are available for recording, adjusting, and liquidating obligations properly chargeable to that account. These accounts began with balances that expired on September 30, 1991.
 - b. Expired Accounts (established before November 5, 1990) that were not Transferred to the “M” Accounts or Canceled. Accounts that (1) contain obligated balances that expired on September 30, 1989, and September 30, 1990; (2) contain unobligated balances that were restored from surplus funds; and (3) maintain their fiscal year identity until their balances are canceled on September 30, 1994, and September 30, 1995, respectively.
 - c. “M” Accounts (Established before November 5, 1990). Expired accounts that (1) contain unliquidated obligated balances and (2) have been merged with unliquidated obligated balances from prior years. “M” accounts generally are established by appropriation title (e.g., Operation and Maintenance, Procurement, Research and Development) for the same general purpose. No new “M” accounts will be established; all such accounts were canceled on September 30, 1993.
 - d. Merged Surplus Authority (Established before November 5, 1990). Expired accounts with (1) balances that were available for upward adjustments to prior obligations that were previously incurred and (2) were canceled on December 5, 1990. These were obligated balances withdrawn by the Treasury Department for accounts which have been expired for more than two years.

4. Fixed Accounts. Appropriation or fund accounts with balances that are available for a definite period of time. The fixed accounts are comprised of annual and multi-year accounts. The universe of appropriation or fund accounts is made up of fixed accounts and no-year accounts.
5. Section 1004 Obligations. For purposes of implementing the provisions of section 1004 of P. L. 102-484, the term “obligation” means any binding agreement properly chargeable to a fiscal year that is expected to result in an outlay. An obligation includes, but is not limited to, an upward obligation adjustment or a reobligation.
6. Unexpired Accounts. Appropriation or fund accounts in which the balances are available for incurring obligations because the time available for incurring such obligations has not yet expired. Audit requirements, limitations on obligations, and reporting requirements applicable to unexpired accounts shall continue to apply after the end of the period of availability for obligation or expenditure of that account.
7. Unrecorded Obligations. Obligations that were incurred legitimately during the period of fund availability, but were not recorded in the Component’s records prior to expiration of the appropriation or fund. For purposes of this guidance, “unrecorded” obligations are included in obligation adjustments. Current accounts may be used to pay previously unrecorded obligations chargeable to a closed account.

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CHAPTER 11

CASH, UNMATCHED DISBURSEMENTS, AND
NEGATIVE UNLIQUIDATED OBLIGATIONS1101 GENERAL

110101. Purpose. This chapter prescribes the accounting standards and related management requirements necessary to establish and maintain financial control over disbursement, collection and adjustment transactions affecting the fund balances with the U. S. Treasury and cash resources not part of the fund balance with the U. S. Treasury. The applicable general ledger accounts are included in the DoD Uniform Chart of Accounts and their use is illustrated in Volume 4, chapter 2, of this Regulation. This chapter also prescribes the requirements for researching and correcting negative unliquidated obligations, unmatched disbursements, disbursements in suspense accounts, and disbursements in-transit.

1102 DEFINITIONS

A. Canceled Appropriation. An appropriation that has been canceled in accordance with the provisions of Public Law 101-510. This term also applies to appropriations that otherwise would have been canceled, but have not been closed by the Treasury Department because the appropriation has a negative balance.

B. Chargeable Account. The appropriation (Department Code, Fiscal Year, and Appropriation symbol) contained in the line of accounting cited on the obligation document that is the basis for a particular payment.

C. Currently Available Appropriation. An appropriation or fund against which new obligations may be incurred and recorded (as contrasted with an expired or canceled appropriation against which new obligations may not be incurred).

D. Disbursement In-Transit. A disbursement transaction that has been transmitted by a disbursing office to an accounting office, but has not yet been received by the accounting office.

E. Disbursement in Suspense Account. A disbursement transaction that (1) has been reported to the Treasury Department, (2) has not been identified to a specific fund holder or (3) is placed in a suspense account while research efforts are underway.

F. Disbursement Not Sent. A disbursement transaction that has been reported to the Treasury Department by a disbursing office, but has not yet been transmitted to the accounting office.

G. Expired Appropriation. An appropriation or fund that is not available for new obligation, but is available for disbursements, collections, and obligation adjustments as it has not yet been canceled.

H. Fund Holder. An individual holding an administrative subdivision of funds or an operating target, who is responsible for incurring obligations against the administrative subdivision or target and for managing the use of such funds.

I. Funding Account. The appropriation (Department Code, Fiscal Year, and Appropriation symbol) contained in the line of accounting cited on the obligation document provided to fund a disbursement that otherwise would have been chargeable to a canceled appropriation.

J. Negative Unobligated Balance. An appropriation or fund in which the amount of obligations exceeds the amount of obligational authority. (In canceled appropriations the available obligational authority is equal to the unobligated balance.)

K. Negative Unliquidated Obligation (NULO). A disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation.

L. Overaged Disbursement In-Transit. A disbursement that is not matched to the correct obligation within 180 days after the first indication that the disbursement cannot be routed to the correct installation level accounting office.

M. Unexpended Balance. The sum of the unobligated balance and the unliquidated obligation balance of an appropriation.

N. Unliquidated Obligation Balance. The amount of obligations that have not been liquidated by payments (disbursements).

O. Unmatched Disbursement (UMD). A disbursement transaction that has been received and accepted by an accounting office, but has not been matched to the correct detail obligation. This includes transactions that have been rejected back to the paying office or central disbursement clearing organization by an accounting office.

P. Unobligated Balance. The difference between the total appropriation availability and the total obligations. (In canceled appropriations, the unobligated balance is determined by reducing the unobligated balance at the time of cancellation by obligations/obligation adjustments that otherwise are properly chargeable to the canceled appropriation except that it is canceled.)

1103 DISBURSEMENT POSTING POLICY

110301. It is the Department's policy that all disbursements must be posted promptly to the correct obligation in the official accounting records. In addition, transaction research and corrections are to begin as soon as it is apparent that a disbursement transaction has

resulted in a NULO, a UMD, a disbursement not sent, a disbursement in a suspense account or a disbursement in-transit.

A. Negative unliquidated obligations, and unmatched disbursements must be researched and corrected within 180 days of the date of disbursement. An additional 120 days is permitted for researching and resolving cross disbursement transactions and interfund billings. Similarly, an additional 60 days is permitted for researching and resolving all other in-transit disbursements. All transactions exceeding these timeframes are considered overaged problem disbursements.

B. Obligations, obligation adjustments, or reductions in unobligated balances must be recorded for all NULOs that are not resolved and UMDs that are not matched to the correct obligation within the timeframes stated in paragraph 110301.A., above.

C. In addition to the above, and irrespective of the timeframes stated in paragraph 110301.A. above, obligations must be established by June 30 for all NULOs, UMDs, and in-transit transactions in appropriations scheduled to close (become canceled) at the end of the current fiscal year.

1104 TREATMENT OF OVERAGED PROBLEM DISBURSEMENTS

110401 Current and Expired Accounts

A. DoD Components are required to obligate funds for the amount of overaged, NULOs and UMDs (those over 180 days old--see paragraph 110301.A., above)--up to the amount of any unobligated balances remaining in the applicable account.

B. Unobligated overaged NULOs and UMDs have the first claim to the unobligated balances in any of these accounts. New obligations, or new upward obligation adjustments, may be executed only when, and to the extent that there is an unobligated balance remaining in an account after all overaged NULOs and UMDs have been obligated. Thus, no new obligations or obligation adjustments may be incurred in the account to the extent that unobligated balances in such accounts are zero, or overaged problem disbursements--if they are obligated--when added to obligated balances, would exceed the availability in such accounts.

C. If the overaged NULOs and UMDs requiring obligation equal or exceed the unobligated balance of an account, the appropriation manager shall ensure that further obligations are not incurred until there is an unobligated balance, over and above any unobligated, overaged NULOs and UMDs. One possible method for achieving this control is to withdraw any unobligated balances below the appropriation level and obligate such amounts at the appropriation level to cover the overaged NULOs and UMDs. Once problem disbursements have been resolved to the point there is an unobligated balance over and above the amount obligated to cover all overaged NULOs and UMDs, the remaining unobligated balance then could be redistributed.

D. Except as provided for in paragraphs 110401.E. through G., below, DoD Components may continue to research overaged problem disbursements without the need to initiate an investigation of a potential violation of the Antideficiency Act.

E. Should an account be obligated fully--but not overobligated--and have unresolved overaged NULOs and UMDs that, if obligated, would exceed the availability in an account, payments to vendors and others may continue, provided that the account is not in danger of being overdisbursed. However, in no case may disbursements exceed the unexpended balance of an account. Should the account become overdisbursed, payments from the account shall stop immediately, and the DoD Component involved shall report a potential violation of the Antideficiency Act. The DoD Component also shall initiate an investigation of the potential violation in accordance with Volume 14 of this Regulation.

F. Should a new obligation or obligation adjustment be incurred in an account that has been obligated fully as a result of unresolved, overaged NULOs or UMDs, such an obligation shall be recorded even though it will result in recorded obligations in excess of available resources. Additionally, the DoD Component involved shall report a potential violation of the Antideficiency Act and initiate an investigation of a potential violation in accordance with Volume 14 of this Regulation.

G. No guidance in this chapter should be construed as authorizing a delay in (1) the recording of an executed obligation that would result in an overobligation or (2) the requirement to conduct an investigation of a potential violation of the Antideficiency Act that results from any action other than the sole requirement to obligate amounts for problem disbursements.

110402. Canceled Accounts and Accounts Scheduled to Cancel at the End of the Current Fiscal Year

A. Obligations must be established by June 30 for all NULOs, UMDs, and in-transit transactions in appropriations scheduled to close (become canceled) at the end of the current fiscal year.

B. If such obligations result in obligations in excess of available funds, the DoD Components are permitted 6 months from the scheduled date of cancellation of the account to resolve the negative balance.

C. If the account is not returned to a positive balance within 6 months of the scheduled date of cancellation of the appropriation, the DoD Component involved shall report a potential violation of the Antideficiency Act and initiate an investigation in accordance with Volume 14 of this Regulation.

D. Each administrative subdivision of an appropriation carries with it the responsibility for any potential or actual violation of the Antideficiency Act that might be incurred. A DoD Component has the right to modify the number or level of administrative

subdivisions within an appropriation before the cancellation of an appropriation. However, once an appropriation cancels, no further modification or change may be made in the number or level of administrative subdivisions.

E. A new cash disbursement, which would be chargeable (both as to purpose and amount) to an appropriation except that the appropriation is canceled, must be paid from an appropriation that currently is available for the same purpose. However, a proposed payment may not exceed the:

1. Unexpended balance of the canceled appropriation.
2. Unobligated balance of the currently available appropriation charged.
3. One percent limitation, discussed in paragraph 110402.F.

F. The cumulative amount of payments charged to a currently available appropriation, because the original appropriation(s) that otherwise would have been charged has been canceled, may not exceed 1 percent of the total amount appropriated to the currently available appropriation being charged.

G. A payment shall not be made if it exceeds the amounts stipulated in either paragraphs 110402.E.1. or 110402.E.2., above. Instead, the office funding the proposed payment (contract) shall contact the Military Department Assistant Secretary for Financial Management and Comptroller or Defense Agency Comptroller for referral to the USD(C) for appropriate disposition.

H. Corrections of payments involving canceled appropriations shall be processed as inter- and intra-appropriation adjustments. Such corrections generally do not require the obligation of currently available funds or deposits to the miscellaneous receipts account if the payment occurred before the cancellation of the applicable appropriation, or appropriations available for new obligation already have been charged properly.

I. Inter- and intra-appropriation adjustments to correct accounting records shall not be accomplished by using a cash disbursement or cash collection.

J. A potential violation of the Antideficiency Act shall be reported and a preliminary review of an Antideficiency Act violation initiated if posting an adjustment to a current, expired or canceled appropriation would result in either (1) a negative unobligated balance or (2) disbursements that are in excess of the amount appropriated, at either the appropriation level or a portion thereof that has been subdivided for Antideficiency Act purposes.

K. Perpetual balances of unobligated amounts, and unliquidated amounts, shall be maintained for each canceled appropriation. Should the unobligated balance in a canceled appropriation be negative, or should the unexpended balance be negative, then a

potential violation of the Antideficiency Act would have occurred, and must be reported and investigated.

L. All disbursements or collections, or adjustments to disbursements and collections, involving current, expired, or canceled appropriations, shall be reported to the Treasury Department.

110403. Expenditure Controls

The DoD Components shall work with the Defense Finance and Accounting Service to implement effective controls to prevent overexpenditures in accounts that may be in an overobligated position or that have problem disbursement balances that exceed the unobligated balance in the account. This action is necessary because normal controls for determining expenditure availability are based on the unexpended balance of the detail obligations.

1105 RESPONSIBILITIES

110501. The Defense Finance and Accounting Service (DFAS) and Other Non-DFAS Accounting Stations

A. When an appropriation does not have sufficient unobligated balances available that equal, or exceed, the amount by which disbursements exceed recorded obligations, the cognizant accounting office must:

1. Begin research efforts to determine the cause of the condition and correct any accounting and/or disbursing errors identified.

2. Notify the appropriation manager that funds are required to be reserved, committed or obligated until the condition is satisfactorily resolved, to the extent that any availability exists in such appropriation.

3. If, at the end of 180 days from the date of discovery of the condition, research efforts fail to result in the correction and elimination of the condition, immediately notify the appropriation manager that:

a. Funds are required to be obligated within 5 days--to the extent that any availability exists in the appropriation--and the obligation shall remain until such time as the condition is satisfactorily resolved.

b. An obligation funding document is to be provided to the DFAS or applicable accounting station.

c. A potential violation of the Antideficiency Act shall be reported and an investigation initiated, if one already is not underway.

B. When the fund holder has sufficient unobligated balances available that equal, or exceed, the amount by which disbursements exceed recorded obligations at the appropriation/ fund holder level, the accounting office must:

1. Immediately begin research efforts to determine the cause of the condition and correct any accounting and/or disbursing errors identified.

2. Immediately notify the fund holder that the fund holder is required to reserve, commit or obligate funds in an amount equal to the amount of disbursements in excess of obligations and retain such amounts in the fund holder's account until such time as the condition is satisfactorily resolved. This may involve withdrawing funds already allotted or reserving unallotted amounts at higher command levels.

3. Notify the appropriation manager immediately with a copy to the fund holder if, at the end of 180 days from the date of discovery of the condition, research efforts fail to result in the correction and elimination of the condition. The fund holder must:

a. Obligate, within 5 days, funds in an amount equal to the amount of disbursements in excess of obligations or the unobligated balance available at the appropriation level, whichever is less, and retain such amounts in the fund holder's account until such time as the condition is satisfactorily resolved. This may involve withdrawing funds already allotted or reserving unallotted amounts at higher command levels.

b. Provide an obligation funding document to the DFAS or applicable accounting station.

4. Record an obligation after the receipt of a funding document from the applicable DoD Component.

C. When disbursements exceed obligations at the obligation level, the accounting office must:

1. Immediately begin research efforts to determine the cause of the condition.

2. Immediately notify the fund holder that disbursements exceed obligations at the obligation level if, at the end of 120 days from date of discovery of the condition, research effort fails to result in the correction and elimination of the condition.

3. If, at the end of 60 days from the date of the notification, further research efforts of the fund holder fail to result in the correction and elimination of the condition, the fund holder is required to immediately:

a. Obligate funds sufficient to cover the disbursement in excess of the obligation up to the amount of the unobligated balance of the account at the appropriation level.

b. Provide the cognizant accounting station an obligation finding document.

c. Maintain that obligation until such time as the condition is satisfactorily resolved. This may involve withdrawing funds already allotted or reserving unallotted amounts at higher command levels.

D. When a disbursement transaction is cross-disbursed, the accounting office shall, under the following conditions, initiate a correction document to charge the proper obligation, fund holder, appropriation or DoD Component if:

1. The cognizant accounting station that received the disbursement transaction agrees that the disbursement is a valid charge to the obligation, fund holder, appropriation or DoD Component.

2. The cognizant accounting station that received the disbursement transaction and the disbursing station that made the payment agree that the disbursement is not a valid charge to the obligation, fund holder, appropriation or DoD Component charged and also agree as to the proper obligation, fund holder, appropriation or DoD Component to be charged.

E. Shall maintain the official accounting records for all adjustments to the balances of canceled appropriations and funds, if the organization is serviced by DFAS.

F. Shall establish appropriate control over canceled appropriations by initiating the following actions:

1. Centralizing accounting for canceled appropriations, or portion thereof, at a single accounting office supporting the office responsible for violations of the Antideficiency Act. All adjustments for each canceled appropriation, or portion thereof, shall be transmitted to the applicable accounting office for posting.

2. Developing and implementing procedures to ensure that all detail transactions affecting canceled appropriation unobligated and unliquidated balances are provided to the appropriate accounting offices responsible for maintaining the unobligated and unliquidated obligation balances.

3. Ensuring that the beginning unobligated and unliquidated balances of each canceled appropriation accurately reflect the official U. S. Treasury balance of the appropriation on the date of cancellation.

4. Performing a one-time review of each canceled appropriation to ensure that the beginning unliquidated and unobligated balances of each canceled appropriation reflect accurately the balances on the Acct Rpt(M)1176 or SF 133 as of the date of cancellation.

5. Developing and implementing standard procedures for determining the timeframes and procedures for records retention applicable to detail accounting transaction records for canceled appropriations. These procedures shall ensure that required unobligated and unliquidated balances of each appropriation are accurately maintained while minimizing the cost associated with maintaining large databases or record files of completed transactions for records which no longer are required

6. Ensuring that an adequate audit trail is maintained for all adjustments affecting canceled appropriations, including the associated adjustments to current or expired appropriations.

G. Shall adjust the detailed contract records to reflect accounting corrections when contract records are still being maintained for contract payment purposes.

H. Shall record the corrections and complete the following actions for unmatched disbursements, negative unliquidated obligations, and disbursements in-transit transactions for which research actions have been completed and correcting accounting adjustments have been identified and submitted by a DoD Component:

1. Record such corrections within 30 days of receipt.

2. Except as provided for in subparagraph 110501.H.3., immediately below, do not delay the recording of corrections received from DoD Components pending the completion of contract reconciliations or other related actions.

3. Reject a proposed correction only if the proposed correction is in error, or otherwise inappropriate. (A proposed correction may not be rejected solely because a contract has not been reconciled fully or other actions have not been completed.)

4. Give a DoD Component 5 days to correct an error in the event that a proposed correction is rejected. If the error is not corrected within 5 days, the transaction shall be subject to such research and obligation requirements that otherwise would apply as a result of the disbursement (a) being over or under 180 days old; (b) being charged to an account that is closed (canceled); or (c) is scheduled to close, by operation of law, on September 30 of the current fiscal year.

110502. The Deputy Comptroller (Program/Budget), OUSD(C), shall ensure the following actions are taken when (a) funds in a particular Defense-wide account are allocated to a number of fund holders (limits) and (b) disbursements exceed obligations at the appropriation level, but not at a fund holder's level:

- A. The applicable DoD Component(s) reserves, commits, or obligates appropriate amounts against the fund holders' accounts.
- B. A report of potential violation is submitted to the USD(C), when applicable.
- C. An investigation of a potential violation of the Antideficiency Act is initiated.
- D. Corrective actions are taken by fund holders and the DFAS or applicable accounting station, as appropriate.

110503. The Deputy Comptroller Program/Budget) (ODC(P/B)), the Military Department Assistant Secretaries (Financial Management and Comptroller), Comptrollers of the Defense Agencies and DoD Field Activities and other Fund Holders shall:

- A. Designate an appropriation manager to receive, process and take actions on notifications from the DFAS or other accounting stations, and to take other appropriate action(s) regarding the stoppage of payments, the obligation of disbursement transactions within prescribed timeframes allotted for such action(s), and other actions provided for in this chapter.
- B. Reserve, commit, or obligate funds after the receipt of an initial notification from the cognizant accounting station that
 - 1. A disbursement exceeds an obligation at the appropriation/fund holder level.
 - 2. Sufficient unobligated balances are available that equal, or exceed, the amount by which the disbursements exceed recorded obligations at that level.
- C. Forward to the cognizant accounting station a commitment or obligation funding document, as appropriate, to cover the amount of the disbursement that exceeds the obligation.
- D. Obligate funds within 5 days after the receipt of a 120-day notification from the cognizant accounting station that a disbursement exceeds an obligation at the appropriation/fund holder level and:
 - 1. Initiate, immediately, a review of the circumstances to determine whether an investigation of a potential violation of the Antideficiency Act is warranted.
 - 2. Notify the OUSD(C), through appropriate funding channels, when an apparent/potential violation of the Antideficiency Act has occurred.

3. Initiate an investigation of an apparent violation of the Antideficiency Act when such investigation is deemed appropriate.

4. Provide the cognizant accounting station an obligation funding document to cover the amount of the disbursement that exceeds the obligation.

E. Forward to the cognizant accounting station an obligation funding document (to the extent that funds are available in the appropriation) to cover the amount of the disbursement that exceeds the obligation, within 60 days from the date of a 120-day notification from the cognizant accounting station that:

1. A disbursement exceeds an obligation at the obligation level, and
2. The condition has not been corrected.

F. Request a realignment of funds within an account or between accounts, a reprogramming of funds, a deficiency supplemental, or other acceptable funding solution, as applicable and appropriate, to the extent sufficient availability does not exist in the appropriation. Also forward supplemental funding documents to the cognizant accounting station to cover any funding shortfalls.

G. Initiate a review, immediately, of the circumstances to determine whether an investigation of a potential Antideficiency Act is warranted and, as appropriate, notify the USD(C) of the following conditions:

1. A fund holder may not have sufficient unobligated balances available that equal, or exceed, the amount by which disbursements exceed recorded obligations, and
2. A potential violation of the Antideficiency Act may have occurred.

H. Submit a report of violation in accordance with Volume 14 of this Regulation if the investigation reveals that an Antideficiency Act violation has occurred.

I. Advise the cognizant accounting station to correct any error(s) when applicable reviews or investigations identify these error(s) as the cause of the condition.

110505. DoD Components shall maintain detail and summary records of adjustments made in accordance with this chapter to ensure an adequate audit trail and to respond to inquiries from both inside and outside the Department.

110506. DoD Fund Holders shall obligate amounts to fund NULOs, UMDs, and any other type of problem disbursement transaction in accordance with the policies and procedures provided for in this chapter.

1106 PRIORITIES

The following priorities are established for researching and correcting all disbursement transactions that have not been properly matched to the correct obligation:

110601. First priority. Appropriations or funds specifically requested by the Office of the USD(C).

110602. Second priority. Appropriations or funds in an over-expended or overobligated status, regardless of whether the appropriation is in a current, expired or canceled status, as well as other appropriations, funds or transactions that have caused, or are anticipated to cause, stop payment orders or create a negative balance “condition” within the next 60 days.

110603. Third Priority. All other appropriations and funds, whether in a current, expired, or canceled status.

110604. Secondary Priorities. Within each priority group, appropriations or funds with the highest negative balance/amount of UMDs generally shall be researched ahead of appropriations or funds with lower balances/amounts. Within each appropriation or fund, prioritize transactions and documents beginning with the highest dollar value and continue to work the transactions and documents within that appropriation.

A. Continue this priority until all applicable transactions in the appropriation or fund are researched and corrected and the account is restored to a positive balance, NULO balances are eliminated and/or UMDs are matched, as applicable.

B. Not all transactions in an account must be matched or resolved before beginning research efforts in another account.

110605. Posting Procedures. Necessary corrections to transactions and accounts should be made in accordance with sections 1109 through 1112, below.

1107 MINIMUM RESEARCH EFFORTS REQUIRED FOR ALL OTHER DISBURSEMENTS

110701. General. The following research actions are the minimum steps required for all UMD and NULO transactions.

110702. Contracts

A. Accounting Office Actions

1. Select contract(s) for review based either on large individual UMD transaction or NULO condition and/or large aggregate total UMD transactions or NULO conditions.
2. Obtain the accounting system transaction history maintained in the accounting office and the payment transaction history from the disbursing office, or the output of obligation and payment differences from an accounting system/payment system comparison program if there are numerous unmatched disbursements showing incompatibility with the funds or amounts on the contract.
3. Review the output of a comparison program of the accounting and payment systems, when available. This can substitute for transaction histories from either system, and will reveal obligation modifications recorded in one system but not the other, as well as potentially omitted modifications.
4. Review obligation transactions recorded in the accounting system to determine that all contract modifications have been recorded.
5. Follow up with the contracting office and contract administration office to verify that all modifications have been recorded, and request that any contract modification errors and omissions be corrected or recorded when a missing contract modification is suspected.
6. Determine indicated error condition of each unmatched disbursement (e.g., wrong appropriation or insufficient funds) to guide further research.
7. For a UMD, make a systems inquiry, or request the accounting system closed contract history if there is no contract on the active accounting system records. If the contract is in the closed history file, take action to reopen the contract and record the transaction.
8. Review unmatched transactions for indications of specific error conditions. Such conditions include omitted progress payment recoupments for a contract having progress payments, inappropriate appropriation data configurations, or duplicate submission of payment data.
9. Report corrections made to transactions for accounting system recording, (e.g., changes to the appropriation data configuration) to the disbursing office for correction of its records.
10. Reject, back to the disbursing office for correction or recovery, those transactions that cannot be corrected, such as wrong accounting office or suspected overpayments. Take related required central reporting system actions.

11. Request selected voucher copies and supporting information when a centrally-administered contract is still open on the DFAS-Columbus Center's payment records and reconciliation cannot be accomplished between the accounting system transaction history and payment system transaction history.

B. Disbursing Office Actions

1. When a request for information on payment transactions is made by an accounting office, search the files for payment vouchers and, if available, provide a copy to the requesting office. If the payment records and files cannot be found due to age or apparent loss, respond as promptly as possible regarding these facts.

2. Review contract payment files promptly and verify whether the reported reject reason is correct when a disbursement transaction is rejected back from an accounting office with evidence that it was misrouted or is a duplicate or overpayment. If the rejection is valid, initiate a correction or recovery of funds for the duplicate or overpayment and respond as to the action taken.

110703. Reimbursable Orders/Military Interdepartmental Purchase Requests (MIPRs). The accounting office shall:

A. Check the UMD for error reason codes, such as insufficient funds or unmatched document number.

B. Refer the transaction for review to the ordering office or ordering command fund manager, as indicated by the obligation document number.

C. Record the transaction, when the ordering office or command validates the transaction and authorizes the obligation action.

D. Allow the ordering office up to 180 days from the date of disbursement to resolve and/or fund (obligate) the order/MIPR when the ordering office gives intent to do further research to resolve costs billed.

E. Refer the transaction to the disbursing office for additional information or correction when the ordering office cannot validate the transaction. -

110704. Travel Orders. The accounting office (unless otherwise indicated) shall:

A. Determine if a payment for personnel TDY, which results in a UMD transaction, identifies the traveler or is traceable to a separate travel system record.

B. Determine if the original obligation has been recorded in the accounting records when travel system records indicate closure of the travel order record with proper deduction of advances.

C. Record the amount of obligation (the initiating travel office) and record any UMDs (accounting office) when evidence shows that an obligation has not been recorded in the accounting system.

D. Request a copy of the travel settlement voucher from the disbursing office to support the transaction if travel system records do not indicate how a payment was used to liquidate a travel order record.

110705. MILSTRIP Requisitions. The accounting office shall:

A. Review transactions for discrepancy report and billing adjustment status. Submit billing adjustment requests, when required, in accordance with DoD 4000.25-7-M. Any billing adjustment request must be submitted within 1 year of the billing date (2 years for Foreign Military Sales).

B. Submit a follow-up request if a billing adjustment request previously has been made.

C. In accordance with MILSBILLS, DoD 4000.25-7-M, chapters 3 and 4, accept the transaction if a billing adjustment has not been requested, and the time period has expired.

110706. Unidentified Document Numbers. The accounting office shall:

A. Review the unmatched transaction for a disbursing station number, and other data to ascertain the source of the obligation, e.g., the voucher number and code.

B. If there is a valid disbursing station number, refer the transaction to that disbursing office for verification and the furnishing of supporting documentation.

C. Refer the transaction to the applicable office or command if there is an indication of the source of the obligation, even though the transaction has no disbursing station number or the disbursing station cannot identify the transaction.

D. Record the transaction when the disbursing station or obligating office can identify a properly recorded obligation document.

E. Record an obligation transaction when the obligating office can identify the obligation document, but there is no current open obligation.

110707. Other Transactions

A. Accounting Office Actions

1. Review transactions to determine their purpose and nature; for example, supplemental payroll payment, express or other transportation services or hearing officer examination reporting services.

2. Request the disbursing office to furnish missing documentation or any other material that would indicate the source of an obligation or basis for the payment when payment voucher support is missing or is incomplete.

3. Forward, to the funding office, transactions that have no matching accounting records, but have an indication of an obligation, such as an order number. Include an explanation of the apparent nature and purpose of the expenditure, request research of the circumstances of the unrecorded obligation and obtain support to show that the payment was not improper.

4. If there is no indication of an obligation, review the supporting documentation for any indication that the disbursement may have been incorrectly coded or other errors may have been made.

B. Funding Office Actions

1. Record a transaction when it can be matched to a prior unliquidated obligation.

2. If a transaction does not match, continue research efforts, including trying to identify erroneous document numbers, etc.

1108 REQUESTS TO DISCONTINUE UNSUCCESSFUL RESEARCH EFFORTS

110801. General. Notwithstanding the obligation of funds after 180 days, as required by paragraph 110301.B. and section 1104., above, UMDs and NULOs must continue to be researched and corrected unless written approval to discontinue research efforts is obtained from the Military Department Assistant Secretary for Financial Management and Comptroller, the Comptroller of a Defense Agency or DoD Field Activity in accordance with the provisions of subsection 110802 below. This responsibility may not be redelegate.

110802. Minimum criteria for requesting approval to discontinue further research efforts for disbursement and collection transactions are as follows:

A. There is no indication that an overpayment or a duplicate has been made and not fully collected.

B. For contracts closed by DFAS:

1. A preclosing payment review has been completed.

2. Unmatched disbursement(s) or negative unliquidated obligation conditions, which cannot be resolved, will not exceed the contract total if recorded.

C. For erroneous document numbers when neither the disbursing office, or indicated obligating office, can furnish information or support the disbursement.

D. For travel orders when an unmatched transaction contains insufficient information for research and cannot be traced due to age.

E. Requests to discontinue further research efforts may be forwarded when the research steps listed in section 1107, above, cannot be completed because of missing or insufficient documentation, and steps to request or obtain the missing documentation or clarification of the insufficient documentation were taken as specified but have not produced results, and further efforts appear fruitless and not cost-effective.

F. The following information shall be submitted in support of each request to discontinue research:

1. A separate report listing the individual transactions for each appropriation, by responsible accounting office, shall be provided.

2. A summary of research efforts and other steps taken to obtain missing documents or additional support for insufficient documentation shall be provided. As a minimum, the summary report shall include statements advising that the following actions were taken:

a. When applicable, transaction histories of the respective accounting and payment systems were obtained, reviewed, and compared for omitted transactions and other differences.

b. For omitted documents or noted differences, a request to obtain the documents or other clarifying evidence was made to the appropriate funding or contracting office for obligation documents and payment office for payment supporting documents.

c. Information regarding the research success achieved, as reported by the office to which requests were made, that the request for documentation and supporting information could not be accomplished due to invalid document number references, lost or misfiled documents, or inadequate data for searching files.

d. Sufficient actions were taken during the research efforts to provide reasonable assurance that no duplicate payments or other overpayments remain outstanding and no fraud has occurred involving the disbursement transactions for which research efforts are requested to be discontinued.

G. Requests to discontinue research must be coordinated with, and approved by, the DFAS, before the submission of such requests to the approving official.

1109 CORRECTIONS AND POSTINGS OF PRIOR DISBURSEMENTS INVOLVING APPROPRIATED FUNDS

110901. General. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements. The procedures in this section apply to disbursement transactions that have been or should have been charged to direct appropriations.

110902. Corrections of Prior Disbursements or Posting Errors when the Correct Obligation has been Identified and the Appropriation that should have been Chained is an Appropriation that is in a Current or Expired Status

A. To properly record a disbursement in an appropriation that should have been charged, adjust the records of the current or expired appropriation by taking one of the following two actions as appropriate:

1. If a disbursement exceeds a prior obligation (that is, if it has created a NULO), an adjustment to the prior obligation is required; therefore, increase the amount of obligation previously recorded to eliminate the negative unliquidated obligation.

2. If a disbursement was made for which an obligation previously was not recorded, or otherwise has not been identified, an obligation is required; therefore, record an obligation and match the disbursement to the obligation.

B. To correct the improper charge to a current or expired appropriation that was charged previously in error, adjust the records of the appropriation by taking one of the following two actions:

1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remains unmatched, record a recoupment reversing the prior disbursement.

2. If the recoupment applies to a previously UMD, NULO, or disbursement in-transit for which, after 180 days, an obligation or obligation adjustment was established in accordance with subsection 110905, below, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

110903. Corrections of Prior Disbursements or Posting Errors When the Correct Obligation has been Identified and the Appropriation that should have been Charged Is a

Canceled Appropriation and the Disbursement Occurred Before Cancellation of the Correct Chargeable Appropriation

A. To reflect the charge properly to the canceled appropriation that should have been charged initially (before it was canceled), process a memorandum charge to the canceled appropriation.

1. Adjust the records of the canceled appropriation to reflect the previous disbursement by taking one of the following two actions, as appropriate.

a. If the correct detail obligation was recorded in the canceled appropriation (prior to the cancellation of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the canceled appropriation and reduce the unliquidated balance of the canceled appropriation. (There should be no change in the unobligated balance of the canceled appropriation.)

b. If the correct detail obligation was not recorded in the canceled appropriation (prior to the cancellation of the appropriation) or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the canceled appropriation. (There should be no change in the unliquidated obligation balance of the canceled appropriation.)

2. If the adjustment required by subparagraphs 110903.A. 1.a. or b. above, would exceed the unexpended balance or unobligated balance of the canceled appropriation, or any administrative subdivision thereof, or if upon reducing the unobligated balance in accordance with subparagraph 110903.A.1 b., above, the unobligated balance is exceeded at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary review.

B. To reverse the erroneous charge, take the actions addressed in subparagraph 110903.B.1., below, if the disbursement was erroneously charged to an appropriation that is now current or expired. If the disbursement was erroneously charged to an appropriation that is now canceled, take the actions addressed in subparagraph 110903.B.2., below.

1. To correct an improper charge to a current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions, as appropriate:

a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or disbursement in-transit for which, after 180 days, an obligation or obligation adjustment was

established in accordance with subsection 110905, below, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. To correct an improper charge to a canceled appropriation that previously was charged in error, process a memorandum recoupment reversing the erroneous charge to the canceled appropriation. Adjust the records of the canceled appropriation to reflect the recoupment by taking one of the following two actions as appropriate.

a. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched (prior to the cancellation of the appropriation), record a memorandum recoupment to offset the disbursement and increase the unliquidated obligation balance of the canceled appropriation.

b. If the recoupment applies to a UMD, NULO, or disbursement in-transit for which, after 180 days, the unobligated balance of the canceled appropriation was reduced in accordance with subsection 110905, below, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and increase the unobligated balance of the canceled appropriation.

110904. Corrections Of Prior Disbursements or Posting Errors when the Correct Obligation has been Identified and the Appropriation that should have been Charged is a Canceled Appropriation and the Disbursement Occurred after Cancellation of the Correct Chargeable Appropriation

A. Availability of Funds at Time of Original Disbursement. Disbursements occurring after the cancellation of a chargeable appropriation must be funded from a current appropriation available for the same purpose as the chargeable appropriation that is canceled. This current appropriation, referred to in this chapter as the “funding appropriation,” must be, or have been, available for incurring new obligations at the time of the disbursement.

1. When corrections involve disbursements that occurred after the cancellation of the correct chargeable appropriation, care must be taken to ensure that a correction, if required, also is made to the funding appropriation that was charged, and/or should have been charged, in addition to the canceled chargeable appropriation.

2. For example, to correct a disbursement that was charged erroneously to an appropriation that was expired at the time of the disbursement, but that should have been charged to an appropriation that was canceled at the time of the disbursement, reduce the balance of the correct chargeable canceled appropriation, as well as charge the funding appropriation that was current at the time of the disbursement, and that should have been charged.

B. Charge the Correct Funding Account. To reflect the charge properly to the correct funding appropriation--that was current at the time of the original disbursement and available for the same purpose as the chargeable canceled appropriation that otherwise would

have been charged except that it was canceled--adjust the records of the funding appropriation by taking the following action:

1. Establish an obligation in the correct finding appropriation and record the disbursement against the obligation.

2. If the adjustment exceeds either the unexpended balance or the unobligated balance of the funding appropriation, or any administrative subdivision thereof, report a potential violation of the Antideficiency Act and initiate a preliminary review.

C. Charge the Correct Chargeable Canceled Account. To reflect the charge properly to the canceled appropriation that should have been charged initially except that it was canceled, process a memorandum charge to the canceled appropriation.

1. Adjust the records of the canceled appropriation by taking one of the following two actions, as appropriate.

- a. If the correct detail obligation was recorded in the canceled appropriation (prior to the cancellation of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the canceled appropriation and reduce the unliquidated balance of the canceled appropriation. (There should be no change in the unobligated balance of the canceled appropriation.)

- b. If the correct detail obligation was not recorded in the canceled appropriation (before the cancellation of the appropriation), or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the canceled appropriation. (There should be no change in the unliquidated obligation balance of the canceled appropriation.)

2. If the adjustment would exceed the unexpended balance or the unobligated balance of the canceled appropriation, or any administrative subdivision thereof, report a potential violation of the Antideficiency Act and initiate a preliminary review.

D. Reverse the Erroneous Charge. To reverse the erroneous charge, take the actions addressed in subparagraph 110904.D.1., below, if the disbursement was erroneously charged to an appropriation that is now current or expired. If the disbursement was erroneously charged to an appropriation that is now canceled, take the actions addressed in subparagraph 110904.D.2.b., below.

1. To correct an improper charge to the current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions:

a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or disbursement in-transit for which, after 180 days, an obligation or obligation adjustment was established in accordance with subsection 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. To correct the improper charge to a canceled appropriation that previously was charged in error, process a recoupment reversing the erroneous charge to the canceled appropriation. Adjust the records of the canceled appropriation by taking one of the following two actions, as appropriate.

a. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched in the accounting records (prior to the cancellation of the appropriation), record a memorandum recoupment offsetting the disbursement and increase the unliquidated obligation balance of the canceled appropriation.

b. If the recoupment applies to a UMD, NULO, or disbursement in-transit for which, after 180 days, the unobligated balance of the canceled appropriation was reduced in accordance with subsection 110904. E., record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and increase the unobligated balance of the canceled appropriation.

110905 Posting Procedures when the Correct Obligation has not been Identified within 180 Days. As stated in section 1104., obligations are to be established/adjusted, and/or unobligated balances reduced, as appropriate, for disbursements that have not been matched to the correct obligation within 180 days. These actions are to be taken consistent with the procedures described below.

A. Transactions in Canceled Accounts

1. Unmatched Disbursements

a. Charge the canceled appropriation in which the UMD resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

(1) If the summary method is used, the summary memorandum unobligated balance adjustments must be fully substantiated by detail transaction listings of each UMD making up the summary amount.

(2) If posted at the detail level, record a memorandum unobligated balance adjustment in the accounting records for each UMD being cleared.

b. Also increase the unliquidated obligation balance of the canceled appropriation by memorandum entry.

c. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

2. Negative Unliquidated Obligations

a. Charge the canceled appropriation in which the NULO resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

(1) If the summary method is used, the summary memorandum unobligated balance adjustments must be fully substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the detail level, record a memorandum unobligated balance adjustment in the accounting records for each NULO being cleared.

b. Also increase the unliquidated obligation balance of the canceled appropriation by memorandum entry.

c. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

3. Disbursements In-Transit

a. The unobligated balance of the cited canceled appropriation shall be reduced for disbursements in-transit. Disbursements in-transit shall be charged in the same manner as unmatched disbursements as provided for in subparagraph 110905A.1., above.

b. If a disbursement transaction identifies a specific finds holder, that funds holder must provide the supporting accounting office with a memorandum obligation document. If the finds holder did not hold funds for the fiscal year charged, or a funds holder was not identified in the transaction record, the appropriation manager shall designate a specific funds holder to take those actions required in subparagraph 110905A.1., above.

B. Transactions in Current and Expired Accounts

1. Unmatched Disbursements

a. Charge the current or expired appropriation in which the UMD resides by establishing a formal obligation for the UMD(s) in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, such summary obligation amounts must be fully substantiated by detail transaction listings of each UMD making up the summary amount.

(2) If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

b. Also increase the unliquidated obligation balance of the current or expired appropriation.

c. If, upon recording the obligation, the obligated balance exceeds the funds available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

2. Negative Unliquidated Obligations

a. Charge the current or expired appropriation in which the NULO resides by establishing a formal obligation adjustment for the NULO in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, such summary obligation amounts must be fully substantiated by detail transaction listings of each negative unliquidated obligation making up the summary amount.

(2) If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording a obligation adjustment in the accounting records.

b. Also increase the unliquidated obligation balance of the current or expired appropriation.

c. If, upon recording the obligation adjustment; the obligated balance exceeds the funds available at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

3. Disbursements In-Transit

a. Obligations must be established by June 30 for all in-transit transactions in appropriations scheduled to close (become canceled) at the end of the current fiscal year. Obligations for unresolved in-transit transactions shall be recorded in the same manner as UMDs as provided for in subparagraph 110905A.1., above.

b. If a disbursement transaction identifies a specific funds holder, that funds holder must provide the supporting accounting office with an obligation document. If the funds holder did not hold funds for the fiscal year charged, or if a funds holder was not identified in the transaction record, the appropriation manager shall designate a specific funds holder to take those actions required in subparagraph 110905A.1. and 2., above.

C. Continue Research Efforts. The requirement to establish obligations for unresolved overaged UMDs, and NULOs and in-transit disbursements does not eliminate the need to complete the research and post the disbursement to the correct obligation. Research efforts must be continued until the transaction is matched or approval to discontinue research is obtained in accordance with the procedures in section 1108.

D. Reporting Requirements when the Correct Obligation has not been Identified within 180 Days. When obligations are established in accordance with the procedures addressed in subsection 110905, above, the applicable transactions shall not be identified as closed out on monthly UMD and NULO status reports. Establishment of obligations for transactions addressed in subsection 110905 does not diminish or eliminate the need to match these transactions to the proper obligation. The DFAS will establish procedures to be used in identifying these transactions and amounts on the monthly problem disbursements reports.

110906. Posting Procedures when Required Research is Unsuccessful and Discontinuance of Further Research is Approved. The procedures addressed in paragraphs 110906A.-C., below, shall be applied when the actions stated in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the 180-Day Period. If approval to discontinue further research occurs before the expiration of the 180-day period, as discussed in subsection 110905, above, and amounts have not been obligated in accordance with the provisions of that section, obligations must be established in accordance with the provisions of that section. Additionally, such obligations must be reported in accordance with paragraph 110906. C., below.

B. Approval After the Expiration of the 180-Day Period. If approval to discontinue further research occurs after the expiration of the 180-day period discussed in subsection 110905, above, and amounts have been obligated in accordance with the provisions of that section, no further obligation action is required. However, such amounts are required to be reported in accordance with paragraph 110906. C., below.

C. Reporting Requirements when Required Research Was Unsuccessful and Discontinuance of Further Research is Approved. Transactions cleared in accordance with the procedures addressed in paragraphs 110906.A. and B., above, must be identified separately from those cleared through the normal research and matching process. Therefore, upon completion of the actions described in the two paragraphs cited above, the applicable transactions shall be identified and reported in monthly UMD and NULO status reports. Such amounts shall be reported separately from all other amounts/corrections, and reported separately as UMDs, NULOs, and disbursements in-transit.

1110 CORRECTIONS AND POSTINGS OF DISBURSEMENTS INVOLVING THE WORKING CAPITAL FUNDS

111001. General. Corrections and postings of disbursements in the Working Capital Funds may require adjustments to both disbursements and expenses. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

111002. Corrections of Prior Disbursements or Posting Errors when the Correct Obligation has been Identified

A. To record a disbursement properly against an activity that should have been charged, adjust the records of the applicable activity by making one of the budgetary account adjustments as well as one of the propriety account adjustments. These adjustments are addressed in paragraphs 111002.A.1. and 2., below:

1. Budgetary Account Adjustments

a. If a disbursement exceeds a prior obligation (that is, if it created a NULO), an adjustment to the prior obligation is required; therefore, increase the obligation previously recorded.

b. If a disbursement was made for which an obligation was not recorded previously, or otherwise has not been identified, an obligation is required; therefore, record an obligation and match the disbursement to the obligation.

2. Proprietary Account Adjustments

a. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment is required.

b. If the disbursement occurred in the current fiscal year, and the proprietary account adjustment(s) to charge the correct proprietary account properly in the correct amount is known, then make the required proprietary account adjustment(s).

c. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account should be adjusted to charge the correct proprietary account properly in the correct amount, then make the required proprietary account adjustment(s).

d. If none of the provisions of subparagraphs 111002.A.2.a. through c., above, apply, charge the “extraordinary loss” proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111002.A.1.a. or b., above, as applicable. This “extraordinary loss” should be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment addressed in subparagraphs 111002.A.1.a. or b., above, is made, irrespective of when the disbursement occurred. Exceptions to the requirements of this paragraph may be approved by the Director for Accounting Policy in the Office of the USD(C). Such exceptions must be in writing.

B. To correct the improper charge that was charged previously in error, adjust the records of the applicable activity by making one of the budgetary account adjustments addressed in subparagraph 111002.B.1., below, as well as one of the proprietary account adjustments addressed in subparagraph 111002.B.2., below:

1. Budget Account Adjustments

a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or disbursement in-transit for which, after 180 days, an obligation or obligation adjustment was established in accordance with subsection 111003, below, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. Proprietary Account Adjustments

a. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment(s) is required.

b. If the disbursement occurred in the current fiscal year, and the proprietary account adjustment(s) to relieve the incorrect proprietary account properly for the amount charged is known, then make the required proprietary account adjustment(s).

c. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account was charged (but should not have been charged and now should be adjusted to relieve the incorrect charge), then make the required proprietary account adjustment(s).

d. If none of the provisions of subparagraphs 111002.B.2.a. through c., above, apply, record an “extraordinary gain” in the proprietary account in an amount that is equal to the amount of the obligation/obligation adjustment provided for in subparagraphs 111002.B.1.a. or b., above, as applicable. This “extraordinary gain” should be recorded in the fiscal year that is current at the time that the obligation/obligation adjustment is made as addressed in subparagraphs 111002.B.1.a. or b., above, irrespective of when the disbursement occurred. Exceptions to the requirements of this paragraph may be approved by the Director for Accounting Policy in the OUSD(C). Such exceptions must be in writing.

111003. Posting Procedures when the Correct Obligation has not been Identified within 180 days. Except as provided for in paragraphs 111008.E. and F., above, obligations or adjustments to obligations, as well as expenses, are to be established for disbursements that have not been matched to the correct obligation within 180 days. These obligations or obligation adjustments and expenses are to be processed and recorded consistent with the procedures provided for in subparagraphs 111003.A.1. through 3., below.

A. Budget Account Adjustment

1. Unmatched Disbursements

a. Unmatched disbursements must be obligated and expensed against the Working Capital Fund activity where the UMD resides. (If a UMD has not been identified to a specific activity, it must be so assigned.)

b. Charge the activity in which the UMD resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each UMD making up the summary amount.

(2) If posted at the document level, record a obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

c. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

d. Record an “extraordinary loss” in the proprietary accounts in an amount equal to the amount of the UMD. This “extraordinary loss” should be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003.A. 1., above, irrespective of when the disbursement occurred.

2. Negative Unliquidated Obligations

a. Negative unliquidated obligations must be obligated and expensed against the Working Capital Fund activity where the NULOs reside.

b. Charge the activity in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording a obligation adjustment in the accounting records.

c. If, upon recording the obligation adjustment, the obligated balance exceeds the budgetary resources available at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

d. Record an “extraordinary loss” in the proprietary accounts in an amount equal to the amount of the NULO. This “extraordinary loss” should be recorded in the fiscal year that is current at the time that the adjustment is made as addressed in subparagraph 111003.A.2.b., above, irrespective of when the disbursement occurred.

3. Disbursements In-Transit

a. Disbursements in-transit must be obligated and expensed against the Working Capital Fund activity in which the transaction resides. If an activity is not identified in the transaction record, the DoD Component involved shall designate a specific activity.

b. Disbursements in-transit shall be charged in the same manner as UMDs. Charge the activity in which the disbursement in-transit resides by establishing a formal obligation.

c. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

d. Record an “extraordinary loss” in the proprietary accounts in an amount equal to the amount of the disbursement in-transit. This “extraordinary loss” should be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003A.3 b., above, irrespective of when the disbursement occurred.

e. The 180-day timeframe for posting disbursements in-transit begins on the earlier of (1) the date that the transaction exceeds the current distribution timeframe for disbursements--no more than 120 days for cross disbursement transactions and for MILSTRIP billings, and no more than 60 days for transactions by or for others (TBOs/TFOs) or (2) the date that the detail transaction fails an editor validation in the transmission or matching process. For example, if a detail transaction (hard copy or electronic) cannot be routed to an activity accounting system, the 180-day timeframe begins on the day that the routing system identifies that a problem is precluding the transaction from being routed to the activity accounting system. If a disbursement is transmitted to an activity, but is rejected by the activity accounting office or system, the 180-day timeframe starts on the day the transaction failed the initial attempt to match the correct obligation in the activity accounting system, or otherwise is rejected.

B. Proprietary Account Adjustments. Record an “extraordinary gain” in the proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111003.A.1. through 3., above, as applicable. This “extraordinary gain” should be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment is made as addressed in subparagraphs 111003.A.1. through 3., above, irrespective of when the disbursement occurred. Exceptions to the requirements of this paragraph may be approved by the Director of Accounting Policy in the Office of the USD(C). Such exceptions must be in writing.

C. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and disbursements in-transit that remain unmatched at the end of the 180-day timeframe does not eliminate the need to complete the research and post the disbursement to the correct obligation. Research efforts must be continued-until the transaction is matched to the correct obligation or approval to discontinue research is obtained in accordance with the procedures in section 1108.

D. Reporting Requirements when the Correct Obligation has not been Identified within 180 Days. When obligations are established in accordance with the procedures addressed in subparagraphs 111003.A.1. through 3., above, the applicable transactions shall not be identified as closed out on monthly UMD and NULO status reports. Establishment of obligations for transactions addressed in subsection 111003 does not diminish or eliminate the

need to match these transactions to the proper obligation. The DFAS will specify procedures for identifying these transactions and amounts on the monthly problem disbursements reports.

111004. Posting Procedures when Required Research is Unsuccessful and Discontinuance of Further Research is Approved. The procedures addressed in paragraphs 111004.A. through C., below, shall be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the 180-Day Period. If approval to discontinue further research occurs before the expiration of the 180-day period discussed in subsection 111003, above, and amounts have not been obligated and expensed in accordance with the provisions of that section, obligations and expenses must be established in accordance with the provisions of that section. Additionally, such obligations must be reported in accordance with paragraph 11 1004. C., below.

B. Approval After the Expiration of the 180-Day Period. If approval to discontinue further research occurs after the expiration of the 180-day period discussed in subsection 111003, above, and amounts have been obligated and expensed in accordance with the provisions of that section, no further obligation or expense action is required. However, such amounts are required to be reported in accordance with paragraph 111004. C., below.

C. Reporting Requirements when Required Research was Unsuccessful and Discontinuance of Further Research is Approved. Transactions cleared in accordance with the procedures addressed in sections 111004.A. and B., above, must be identified separately. from those cleared through the normal research and matching process. Therefore, upon completion of the actions described in those paragraphs, the applicable transactions shall be identified and reported in monthly UMD and NULO status reports. Such amounts shall be reported separately from all other amounts and corrections and reported separately as UMDs, NULOs, and in-transit disbursements.

1111 CORRECTIONS AND POSTINGS OF DISBURSEMENT INVOLVING THE FOREIGN MILITARY SALES (FMS) TRUST FUND

111101. General. Corrections and postings of disbursements in the FMS Trust Fund may require adjustments both to disbursements and charges to FMS cases or FMS surcharge accounts. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise posted erroneously. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

111102. Special Notification Requirements

A. If, at the end of 120 days after discovery of the UMD or NULO condition, the DFAS or other accounting office has not been able to resolve the transactions, the

transactions shall be forwarded to the fund holder for resolution. For FMS, both the Defense Security Assistance Agency (DSAA) and the fund holder are to be involved in the resolution. At this time, the fund holder should be notified that he or she must fund the transaction if the transaction is not properly matched within 60 days. For FMS, a draft case modification, if required, is prepared for DSAA countersignature.

B. Due to FMS case management requirements, disbursements and disbursement adjustments involving FMS funds shall be coordinated with the DFAS-Denver Center. The DFAS will establish notification and approval procedures.

111103. Corrections of Prior Disbursements or Posting Errors when the Correct Obligation has been Identified

A. To record a disbursement properly that previously was charged erroneously, adjust the records of the FMS case or FMS surcharge account that should have been charged by taking one of the following two actions:

1. If a disbursement exceeds a prior obligation (that is, if it created a NULO), an adjustment to the prior obligation is required; therefore, increase the obligation previously recorded and match the disbursement to the adjusted obligation.
2. If a disbursement was made for which an obligation was not recorded previously, or otherwise has not been identified, an obligation is required; therefore, record an obligation and match the disbursement to the obligation.
3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary review.

B. To correct an improper charge that previously was erroneously charged, adjust the records of the applicable FMS case or FMS surcharge account charged in error by taking one of the following two actions:

1. If a recoupment applies to a disbursement that was matched erroneously to an obligation, record a recoupment reversing the prior disbursement.
2. If the recoupment applies to a previously UMD, NULO, or disbursement in-transit for which, after 180 days, an obligation or obligation adjustment was established in accordance with subsection 111104, below, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

111104. Posting Procedures when the Correct Obligation has not been Identified within 180 Days. Except as provided for in paragraphs 110301.B. and 110501.H., obligations or obligation adjustments are to be established for disbursements that have not been matched to the

correct obligation within 180 days. These obligations or adjustments are to be processed and recorded consistent with the procedures provided for in paragraphs 111104.A. through E., below:

A. Unmatched Disbursements

1. Unmatched disbursements must be obligated against the FMS case or FMS surcharge account where the UMD resides. (If a UMD has not been identified to a specific FMS case or FMS surcharge account, it shall be assigned to the FMS administrative surcharge account.)

2. Charge the FMS case or FMS surcharge account in which the unmatched disbursement resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

a. If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each UMD making up the summary amount.

b. If posted at the document level, record a obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

B. Negative Unliquidated Obligations

1. Negative unliquidated obligations must be obligated against the FMS case or FMS surcharge account where the NULOs reside.

2. Charge the FMS case or FMS surcharge account in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

a. If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each NULO making up the summary amount.

b. If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording a obligation adjustment in the accounting records.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary review.

C. Disbursements In-Transit

1. Disbursements in-transit must be obligated against the FMS case or FMS surcharge account in which the transaction resides. If an FMS case or FMS surcharge account is not identified in the transaction record, it shall be assigned to the FMS administrative surcharge account.

2. Disbursements in-transit shall be charged in the same reamer as UMDs. Charge the FMS case or FMS surcharge account in which the disbursement in-transit resides by establishing a formal obligation.

3. The 180-day timeframe for posting disbursements in-transit begins on the earlier of (a) the date that the transaction exceeds the current distribution timeframe for disbursements--no more than 120 days for cross disbursement transactions and for MILSTRIP billings, and no more than 60 days for transactions by or for others (TBOs/TFOs) or (b) the date that the detail transaction fails an editor validation in the transmission or matching process.

a. For example, if a detail transaction (hard copy or electronic) cannot be routed to an FMS case or FMS surcharge account accounting system, the 180-day timeframe begins on the day that the routing system identifies that a problem is precluding the transaction from being routed to the FMS case or FMS surcharge account accounting system.

b. If a disbursement is transmitted to the Deputate for Security Assistance, DFAS-Denver Center, but is rejected by the Center, the 180-day timeframe starts on the day the transaction failed the initial attempt to match the correct obligation in the FMS case or FMS surcharge account accounting system, or otherwise is rejected.

4. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of Antideficiency Act violation responsibility, report a potential violation of the Antideficiency Act and initiate a preliminary investigation.

D. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and disbursements in-transit that remain unmatched at-the end of the 180-day timeframe does not eliminate the need to complete the research and post the disbursement to the correct obligation. Research efforts shall continue until the transaction is matched to the correct obligation or approval to discontinue research is obtained in accordance with the procedures in section 1108,

E. Reporting Requirements When The Correct Obligation Has Not Been Identified Within 180 Days. When obligations are established in accordance with the procedures

addressed in paragraphs 111104.A. through C., above, the applicable transactions shall not be identified as closed out on monthly UMD and NULO status reports. Establishment of obligations for transactions addressed in subsection 111104 does not diminish or eliminate the need to match these transactions to the proper obligation. The DFAS will provide detail procedures to be used in identifying these transactions and amounts on the monthly problem disbursements reports.

111105. Posting Procedures when Required Research is Unsuccessful and Discontinuance of Further Research is Approved. The procedures addressed in paragraphs 111105.A. through C., below, shall be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the 180-Day Period. If approval to discontinue further research occurs before the expiration of the 180-day period discussed in subsection 111104, above, and amounts have not been obligated and expensed in accordance with the provisions of that section, obligations must be established in accordance with these provisions. Additionally, such obligations must be reported in accordance with paragraph 11 1105. C., below.

B. Approval After the Expiration of the 180-Day Period. If approval to discontinue further research occurs after the expiration of the 180-day period discussed in section 111104, above, and amounts have been obligated and expensed in accordance with the provisions of that section, no further obligation or expense action is required. However, such amounts shall be reported in accordance with paragraph 111105. C., below.

C. Reporting Requirements When Required Research was Unsuccessful and Discontinuance of Further Research is Approved. Transactions cleared in accordance with the procedures addressed in paragraphs 111105.A. and B., above, must be identified separately from those cleared through the normal research and matching process. Therefore, upon completion of the actions described in that guidance, the applicable transactions shall be identified and reported in monthly UMD and NULO status reports. Such amounts shall be reported separately from all other amounts/corrections, and reported separately as UMD, NULOs, and in-transit disbursements.

1112 CORRECTIONS OF DISBURSEMENTS INVOLVING BOTH APPROPRIATED FUNDS AND REVOLVING OR TRUST FUNDS

The procedures used to correct disbursement transactions erroneously charged to one fund type (e.g., appropriated fund) that should have been charged to another fund type (e.g., working capital or trust fund), require the application of procedures from each fund type involved. For example, for a disbursement that was charged erroneously to an appropriated fund that should have been charged to a working capital fund, the recoupment to the appropriated fund should be processed in accordance with the applicable recoupment paragraph in section 1109,

while the charge to the working capital funds should be processed in accordance with the applicable paragraph in section 1110.

1113 CORRECTIONS REQUIRING NEW DISBURSEMENTS OR COLLECTIONS

111301. General. When the correction requires a new disbursement or collection, process the corrective action in accordance with sections, 1109, 1110, 1111, or 1112, as applicable. Additionally, process the new disbursement or collection in accordance with the provisions of subsection 111302, below, if the disbursement or collection does not involve a canceled appropriation. Process the transaction in accordance subsection 111303, below, if the disbursement or collection does involve a canceled appropriation.

111302. Disbursements or Collections that are Chargeable to a Current or Expired Appropriation or a Working Capital or Trust Fund

A. Disbursement. When a new cash disbursement involves a current or expired appropriation or a working capital or trust fund, and a canceled appropriation is not involved, process and record the disbursement in accordance with existing policies and procedures for new disbursements for such accounts.

B. Collection. When a new cash collection involves a current or expired appropriation or a working capital or trust fund, and a canceled account is not involved, process and record the collection in accordance with existing policies and procedures for collections for such accounts.

111303. Disbursements or Collections that are Properly Chargeable to a Canceled Appropriation (Except that the Appropriation is Canceled)

A. Disbursement. When a new disbursement involves an amount that otherwise is properly chargeable to a canceled appropriation except that the appropriation is canceled, comply with the provisions of the closing accounts legislation (summarized in paragraphs 110402.E.-G.) including:

1. Record and report the charge as a new obligation and a disbursement in a currently available appropriation that is available for the same purpose as the canceled appropriation. If the obligation causes the cumulative 1 percent limit (identified in paragraph 110402.LF.) to be exceeded, no disbursement can be made. The office funding the proposed payment (contract) must contact the cognizant Military Department (Assistant Secretary for Financial Management and Comptroller) or the Defense Agency Comptroller for referral to the Office of the USD(C) for appropriate disposition.

2. Adjust the records of the canceled appropriation to reflect the new disbursement by taking one of the following two actions, as appropriate.

a. Reduce the unliquidated balance of the canceled appropriation if the correct detail obligation was recorded in the canceled appropriation prior to the cancellation of the appropriation. (There should be no change in the unobligated balance of the canceled appropriation.) Match the current charge (disbursement) to the appropriate prior obligation in the canceled appropriation.

b. Make a memorandum record of the disbursement and reduce the unobligated balance of the canceled appropriation if the correct detail obligation was not recorded in the canceled appropriation prior to the cancellation of the appropriation. (There should be no change in the unliquidated obligation balance of the canceled appropriation.)

3. The disbursement shall not be issued if the adjustment required by subparagraphs 111303.A.2.a. or b., above, would exceed the unexpended balance of the canceled appropriation, or if reducing the unobligated balance in accordance with the provisions of subparagraph 111303.A.2.b., above, would result in a negative unobligated balance at the appropriation level.

4. The disbursement may be made, but a potential violation of the Antideficiency Act must be reported and a preliminary review initiated if the adjustments required by subparagraphs 111303.A.2.a. or b., above, (a) would not exceed the unexpended balance or the unobligated balance at the appropriation level, but (b) would exceed the unexpended balance or the unobligated balance of an administrative subdivision, of the appropriation, that has Antideficiency Act violation responsibility.

B. Collection. When a new cash refund or other collection involves an amount that otherwise would be refunded or collected to a canceled appropriation except that the appropriation is canceled, comply with the provisions of the closing accounts legislation including:

1. Deposit the collection to the Treasury receipts account 3200, "Collections of Receivables from Canceled Accounts."

2. Increase the unobligated or unliquidated balance of the canceled appropriation, as appropriate, to reflect each refund or collection deposited into the Treasury account. Adjust the records of the canceled appropriation to reflect the new refund or collection by taking one of the following two actions, as appropriate.

a. If the collection applies to an accounts receivable that had been established prior to the cancellation of the appropriation, record a memorandum collection offsetting the receivable and increase the unobligated balance of the canceled appropriation.

b. If the collection applies to a disbursement that was not established as an accounts receivable prior to the cancellation of the appropriation, record a memorandum collection as an offset to the previous disbursement and increase the unliquidated obligation balance of the appropriation.

1114 REPORTING REQUIREMENTS

111401. Data Collection Requirements. The DFAS shall be responsible for collecting and consolidating data and reporting on the amounts and the status of UMDs, NULOS, and disbursements in-transit.

111402. Recurring Monthly Reporting Requirements

A. DoD Component accounting offices shall transmit to the DFAS-HQ-A, on a monthly basis, a status report identifying all disbursement transactions that have not been matched to the correct obligation. The DFAS will specify the format and detail reporting requirements.

B. When, in accordance with the provisions of paragraphs 110904.F. and subsections 111003., and 111104., the correct obligation has not been identified within 180 days and [new] obligations have been established, the applicable transactions shall not be identified as closed out on monthly UMD and NULO status reports. Establishment of obligations for transactions addressed in the provisions cited above does not diminish or eliminate the need to match those transactions to the proper obligation. The DFAS will specify detail procedures to be used in identifying these transactions and amounts on the monthly problem disbursements reports.

1115 MAINTENANCE OF ADEQUATE RECORDS

DoD Components, and supporting accounting offices, shall maintain an audit trail with adequate records to substantiate all transactions, amounts and actions taken with respect to the research and clearing of UMDs, NULOs, and disbursements in-transit. This includes, but is not limited to, determinations that selected transactions meet the criteria for discontinuing further research.

Chapter 12

POLICIES AND PROCEDURES GOVERNING THE USE OF THE AUTHORITY OF
SECTION 3732, REVISED STATUTES (NOW 41 U.S.C. 11)

1201 OVERVIEW

120101. Purpose. This chapter establishes departmental policy and basic procedures to be followed with respect to the use of the authority of Section 3732, Revised Statutes (41 U.S.C. 11). That statute authorizes the Military Departments to incur obligations for specific purposes in excess of appropriations available.

120102. General

A. Title 41, United States Code, section 11, authorizes the Military Departments to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year.

B. Title 10, United States Code, section 2204, requires the Secretary of Defense to approve scheduled rates of obligations of funds appropriated to the Department for the purpose of restricting obligations and expenditures as may be necessary to prevent overdrafts and deficiencies in any fiscal year for which appropriations are made. Section 2204 does not prohibit the Department from incurring a deficiency as separately authorized by law.

C. Volume 14 of this Regulation (which implements 31 U.S.C. 1517(a)) establishes the basic system of controls and other fundamental requirements for the administration of appropriations and funds. The system of administrative controls was designed to (1) restrict obligations and expenditures against appropriations and funds to the amounts available therein or to the amounts apportioned, and (2) enable officials to fix responsibility in the officers and employees of the Department who may violate any provision of the law or regulation.

1202 POLICY AND PROCEDURES

120201. The Department shall limit its use of the authority in 41 U.S.C. 11 to emergency circumstances. The exigencies of those circumstances must be such that immediate action is imperative and action cannot be delayed long enough to obtain sufficient funds to cover the procurement or furnishing of those items in paragraph 120102.A., above, needed for the current fiscal year. In determining the urgency of the circumstances, due consideration shall be given in each specific case to the feasibility of obtaining funds by use of telephones, facsimile machines, or other electronic means. The authority of 41 U.S.C. 11 shall not be used to circumvent the provisions of 31 U.S.C. 1517(a).

120202. It is not considered practicable to define specifically the conditions and circumstances which conceivably could constitute an emergency. Each instance in which the authority of 41 U.S.C. 11 is to be used must be determined on a case-by-case basis in accordance with the policy guidelines in this chapter.

120203. Funds shall be administered in accordance with the system of administrative controls established by Volume 14 of this Regulation in such a manner that officials, responsible for administering each appropriation, allocation, allotment, and other fund subdivisions, may take timely action to prevent overobligation of any fund subdivision, notwithstanding 41 U.S.C. 11.

120204. Overobligation of any appropriation or fund subject to apportionment, or any subdivision thereof for procurement or furnishing of those items in paragraph 120102.A., above, shall be deemed to be a violation of the Antideficiency Act. There are two exceptions: (A) If the overobligation was made in emergency circumstances in accordance with the spirit and intent of provisions set forth above, and (B) if such procurements are not in excess of the necessities to relieve the period of emergency. However, for the second exception, the necessities for such period cannot exceed the necessities of the current fiscal year.

120205. When it is necessary to create or authorize an overobligation for the purposes set forth in 41 U.S.C. 11, the individual responsible shall determine, and so certify in writing, that all three of the following circumstances existed:

- A. An emergency existed within the spirit and intent of this section (1202).
- B. The purpose for which the overobligation was created or authorized was to meet other necessities of the period involved.
- C. It was not feasible to obtain in advance sufficient funds to cover such necessities.

120206. Such certification shall indicate the amount of the overobligation and shall be filed with the supporting records of the appropriation, allocation, or allotment involved. The overobligation shall be disclosed fully in the fiscal reports to the next higher level of command, indicating that the overobligation was incurred under authority of 41 U.S.C. 11.

120207. Having exercised the authority of 41 U.S.C. 11 pursuant to this chapter, the individual responsible shall advise the next higher level of command immediately and take appropriate steps to obtain additional funds.

CHAPTER 13

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES

DEPARTMENTAL-LEVEL

1301 GENERAL

130101. Purpose. The purpose of this chapter is to prescribe the standards for recording receipt and subsequent distribution of budgetary resources transactions in the departmental-level budgetary accounts.

130102. Applicability and Scope. The departmental-level budgetary accounts apply to the Military Departments and the Washington Headquarters Services at “headquarters” level. All of the departmental-level budgetary accounts are covered in this chapter.

130103. Overview. The main purpose of the budgetary accounts prescribed for a departmental-level accounting entity is to ensure that the budget execution accounting required by the Congress, the Office of Management and Budget (OMB), Treasury Department, and OSD is accomplished. Departmental-level accounting covers appropriation by the Congress, apportionment and reappropriation by OMB, and allocation to the execution level. In addition, budgetary accounts used at the departmental-level ensure that transfers between appropriation and fund accounts, and restorations and withdrawals or write-offs of unobligated balances are properly recorded. The monitoring of lower levels and consolidating reports for higher levels are facilitated by accounting at the departmental-level.

130104. Revisions. The Department currently is revising its general ledger account structure to ensure consistency with the U.S. Government Standard General Ledger published by the Treasury Department. Although that process has commenced, it has not yet completed. Therefore, before the accounts contained in this chapter are used in an automated system, the Director of Accounting Policy, Office of the Deputy Chief Financial Officer, should be contacted for the most current revision at (703) 697-6875 or DSN 227-6875.

1302 STANDARDS

130201. Accounts. The accounts established for use by departmental-level accounting entities implement the U.S. Government Standard General Ledger. In addition to detail level accounts used for routine posting of transactions, summary accounts are provided to facilitate aggregation of data for reporting purposes. Budgetary accounts have been established for recording appropriations and other budget authority realized, apportionments, allocations, transfers, and contract authority transactions. Amounts of budgetary resources received are debited to specifically titled accounts for each of these resources and credited to accounts that recognize the availability status of the resources. The departmental-level accounting entity also issues fund allocations to subordinate commands. In addition, the special actions of restorations and withdrawals or write-offs of unobligated balances are accomplished at departmental-level.

The following subsections set forth the standards for recording transactions in the departmental-level accounts.

130202. Appropriations

A. General. Appropriations are statutory authorities to incur obligations (see subparagraph 130202.A.4, below, for exceptions) and make payments from the U. S. Treasury for specified purposes. An appropriation act is the most common means of providing budget authority to Federal agencies. Budget authority has the following characteristics:

1. Period of Availability. Budget authority may be made available for obligation for varying periods.

a. One-Year (Annual) Authority. Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that period.

b. Multiple-Year Authority. Budget authority that is available for obligation for a specified period of time in excess of one fiscal year.

c. No-Year Authority. Budget authority that remains available for obligation for an indefinite period of time.

2. Determination of Amount. Budget authority may be granted for varying amounts.

a. Definite Authority. Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

b. Indefinite Authority. Authority for which a specific sum is not stated, but is determined by other factors such as the receipts from a certain source or obligations incurred. For a more complete discussion of indefinite authority, see subsection 130210, below.

3. Reappropriations. Reappropriations are statutory authorities that extend the obligating/paying authority for all or part of the unobligated balances of expiring and expired appropriations. (See subsection 130207, below, for the complete discussion of reappropriations.)

4. Exceptions. Exceptions to the general rule that appropriations provide budget authority to incur additional obligations are as follows:

a. Appropriations to liquidate contract authority (see paragraph 130205.B., below).

b. Appropriations to reduce outstanding debt (see figure 13-10, but generally inapplicable to the Department).

c. Appropriations for refunds of receipts (but generally inapplicable to the Department).

d. Appropriations made to an expired account (4112) to cover obligations in excess of available funds (see figure 13-11, but generally inapplicable to the Department).

5. Appropriation Warrants

a. FMS Form 6200, "Department of the Treasury Appropriation Warrant" (figure 13-1) is a convenient source document for entries into the accounts. To ensure agreement with Treasury Department accounts, warrants must be recorded exactly as received even if they are thought to be in error. Corrections shall be journalized and corrected warrants requested. However, amounts known to be enacted into law must be recorded for accounting period reports regardless of receipt of the warrant.

b. The Military Departments and Washington Headquarters Services (for the OSD/Defense Agencies) shall request FMS Forms 6200 from the Treasury Department during the period of a continuing resolution for a specified period of time less than a full fiscal year, or if the continuing resolution is for a full fiscal year with designated appropriation amounts. When there is a separate appropriation act, the Treasury Department will prepare and distribute the FMS Forms 6200 without a request from the applicable DoD Components.

B. Classification of Appropriations. Departmental-level appropriations and all other budgetary resources must be classified by appropriation account, fiscal year program, and obligation/expenditure limitation, at the level required by OSD for appropriation and fund status reporting (see Chapter 4 of Volume 6 of this Regulation). Needed classification requirements must be obtained from the legal requirements and program/budget documents such as the DD Form 1414 (Base for Reprogramming Action).

C. Recording an Appropriation. The most common departmental-level appropriation transaction is recorded as follows:

Dr 4119 Other Appropriations Realized
Cr 4450 Unapportioned Authority - Available

To record an appropriation realized - Treasury Warrant (figure 13-1).

NOTE: A separate entry is required to establish the fund balance with the Treasury.

D. However, complexities must be accommodated. The appropriation act itself may require withholding some of the appropriation; a rescission may be proposed, or the OMB may impose a deferral. Amounts not made available by apportionment must be so recorded. Credit accounts (4395, "Authority Unavailable Pursuant to Public Law," 4420, "Unapportioned Authority - Pending Rescission," and 4430, "Unapportioned Authority - OMB Deferral") are established to accommodate these complexities. Debit entries reclassifying these credit balances shall be recorded when evidence is received that the legal requirements have been met or the required administrative actions have been taken.

E. Figures 13-49 through 13-52 define the accounts discussed above and illustrate the transactions that affect them.

130203. Appropriation Transfers. Appropriation transfers are distributions of one agency's budgetary resources to another. From a consolidated reporting standpoint, it is important that the issuing and receiving agencies both record the allocation in the same accounting period. Once the transfer is accomplished, the appropriation making the transfer no longer has budgetary and proprietary control of the funds. Budgetary and proprietary responsibility now lies with the appropriation receiving the transfer. Appropriation transfers are non-expenditure transfers and, as such, must be authorized by legislation. Appropriation transfers can be anticipated and recorded as such or they can occur without being previously recorded as anticipated. An anticipated appropriation transfer does not provide any obligation authority, Obligation authority is provided only after the transfers is accomplished and the Office of Management and Budget (OMB) apportions the transferred finds. Figures 13-34 through 13-39 define the accounts used specifically for appropriation transfers and show entries for transactions that affect them, An illustration of the accounting process is:

A. Anticipation of Appropriation Transfer

Transferring Appropriation

Dr 4450 Unapportioned Authority Available

Cr 4160 Anticipated Transfers-Current Year Authority
or

Cr 4180 Anticipated Transfers-Prior Year Authority

Receiving Appropriation

Dr 4160 Anticipated Transfers-Current Year Authority

or

Dr 4180 Anticipated Transfers-Prior Year Authority

Cr 4450 Unapportioned Authority Available

B. Actual Appropriation Transfer

Transferring Appropriation

Dr 4160 Anticipated Transfers-Current Year Authority

Cr 4170 Transfers - Current Year Authority

or

Dr 4180 Anticipated Transfers-Prior Year Authority
Cr 4190 Transfers - Prior Year Authority

Receiving Appropriation

Dr 4170 Transfers - Current Year Authority
Cr 4160 Anticipated Transfers-Current Year Authority

or

Dr 4190 Transfers - Prior Year Authority
Cr 4180 Anticipated Transfers-Prior Year Authority

130204. Apportionments and Reapportionments

A. An apportionment or reapportionment is a distribution made by the OMB of amounts available for obligation in an appropriation or fund account. Except in certain instances, as specified in OMB Circular No. A-34, apportionments and reapportionments by the OMB are required before funds may be obligated. The distribution of apportionments is part of an overall financial plan for the year that is based on a forecast of obligations to be incurred within an appropriation. (The OMB'S apportioned amount is in response to a departmental request made on SF 132, "Apportionment and Reapportionment Schedule") Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or by combinations of these categories.

B. The completed SF 132, showing the OMB'S apportioned amounts, normally is the source document used to record apportionments and reapportionments. However, letter apportionments often are used during the period of a continuing resolution for unexpired unobligated balances brought forward, and for special circumstances such as transfers that occur near the end of a fiscal year.

C. The most common departmental-level apportionment transactions are as follows:

1. Appropriated (Direct Program) Authority

Dr 4450 Unapportioned Authority - Available
Cr 4511 Unallocated Apportionment - Direct Program - Current Period

To record the SF 132, Apportionment and Reapportionment Schedule.

2. Reimbursable Program Authority

Dr 4210 Anticipated Reimbursements
Cr 4593 Specifically Apportioned Reimbursable Program
Cr 4594 Automatically Apportioned Reimbursable program

DEPARTMENT OF THE TREASURY APPROPRIATION WARRANT	
Warrant No.	<hr/>
Accounting Date	<hr/>
<p>The Congress having, by the Acts hereon stated, made the appropriations hereunder specified. The amounts thereof are directed to be established in the general and detailed appropriation accounts, totaling in all \$ <hr/> and for so doing this shall be the warrant.</p>	
The Secretary of the Treasury	Comptroller General of the United States
By <hr/>	By <hr/>
<hr/>	<hr/>
(Date Signed)	(Date Countersigned)
<hr/>	
APPROPRIATION SYMBOL	AMOUNT
<hr/>	

TFS Form 6200
10-83
1 TFRM 2-2000

DEPARTMENT OF THE TREASURY - FISCAL SERVICES
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

Figure 13-1

D. However, complexities must be accommodated. Some of the amounts apportioned may be withheld subsequently by the OSD; some may be allocated for specific subsequent periods; and some may be for the reimbursable program. To accommodate these possibilities, several unallocated apportionment accounts are used. Figures 13-55 through 13-62 define the unallocated apportionment accounts and illustrate the entries for transactions affecting them.

1. The term “direct program” refers to the obligation authority specified in an appropriation act itself. The appropriation does not specify the amount of reimbursable work expected to be accomplished. Authority to accept a customer order for reimbursable work and use obligation authority provided through that acceptance must either be authorized specifically in the apportionment process or be of the type that becomes automatically apportioned and available upon acceptance of customer orders. Figure 13-41 defines the account for anticipated reimbursements and illustrates the entries for transactions affecting it. For a more complete discussion of reimbursements, see Chapter 15 of this volume.

2. The reimbursable program specifically apportioned shall be allocated subject to withholdings by the OSD. The entry to record a withholding of the reimbursable program is as follows:

Dr 4593	Specifically Apportioned Reimbursable Program
Cr 4514	Unallocated Apportionment - Reimbursable Program
	- Withheld from Allocation

E. Amounts apportioned through the current period of the fiscal year may be assumed to be allocable unless specific identification of withholding is made.

F. If SF 132s on hand are not yet processed with regard to the latest appropriations enacted, amounts necessary to cover valid commitments and obligations must be recorded at the end of the accounting period as apportioned and allocated. If an enacted supplemental appropriation is not included on the year-end SF 132, it nevertheless shall be recorded as fully apportioned.

G. In the absence of an appropriation, the Congress may pass a resolution providing authority for agencies to continue current operations. Continuing resolutions are subject to OMB apportionment in the same manner as appropriations. Within periods of continuing resolution authority, the President’s budget estimates of the unobligated balances are brought forward on October 1, and the reimbursable program for each appropriation account shall be recorded as apportioned and allocated to the extent that they remain within any amount specifically designated by the authority. If the estimates for each amount have been reduced from the President’s budget, apportionments and allocations shall be recorded at the reduced amount. Increases are to be considered available for subsequent apportionment, and shall not be allocated until an approved SF 132 containing the increase has been received.

H. In the Homeowners Assistance Fund, if amounts actually becoming available are less than anticipated for indefinite budget authority, transfers, reimbursements, or recoveries; the difference will be deducted from amounts apportioned and not from amounts deferred or otherwise unapportioned unless specific provision is made for a different treatment on the approved apportionment form or reapportionment action is taken.

I. Not all appropriations are apportioned. The accounting entry to record non-apportioned appropriations is as follows:

Dr 4119 Other Appropriations Realized
Cr 4620 Other Funds Available for Commitment/Obligation,
or
Cr 4630 Funds Not Available for Commitment/Obligation

To record an appropriation realized - Treasury Warrant (figure 13-1).

NOTE: A separate proprietary accounting entry is required to establish the fund balance with the Treasury.

130205. Indefinite Contract Authority

A. Contract authority is statutory authority to incur obligations prior to an appropriation (or the realization of revenues) for the future payment of such obligations. (See paragraph 130205.B., below.) Indefinite contract authority is that contract authority in which a specific amount of contract authority is not predetermined but, instead, is available as needed to cover the obligations incurred. Although indefinite contract authority is normally accounted for through a no-year appropriation account, contract authority must be apportioned each fiscal year. The major permanent indefinite authorities are as follows:

1. Emergency military procurement under 41 U.S.C. 11 ;
2. Inventory procurement in anticipation of succeeding fiscal year sales under 10 U.S.C. 2210(b); and,
3. Procurement for foreign military sales under 22 U.S.C. 2762.

B. Contract liquidating authority is an appropriation or reappropriation enacted to pay the obligations incurred under contract authority. However, within the Department of Defense, the realization of revenue, rather than an appropriation, normally is used to liquidate unfunded contract authority .

C. The accounting entry used to record the allocation of anticipated contract authority and the subsequent realization upon commitment or obligation action are as follows:

1. Contract Authority Allocation Entries
 - a. Dr 4032 Anticipated Contract Authority
Cr 4450 Unapportioned Authority - Available
 - b. Dr 4450 Unapportioned Authority - Available
Cr 4516 Unallocated Unfunded Contract Authority
 - c. Dr 4516 Unallocated Unfunded Contract Authority
Cr 4541 Allocations Issued - Direct Program - Current Period
Cr 4542 Allocations Issued - Direct Program - Subsequent Periods
2. Realization of Contract Authority (Upon Commitment or Obligation)
Dr 4132 Current Year Contract Authority Realized - Indefinite
Cr 4032 Anticipated Contract Authority

D. Contract authority retains its separate identity at departmental-level through the use of specifically designated accounts. Additionally, the date and number of the establishing public law must be entered into the records.

E. More specific guidance on accounting for each of the permanent indefinite contract authorities may be found as indicated below:

1. Emergency military procurement (41 U.S.C. 11 contract authority) is covered by DoD Directive 7220.8).
2. Working Capital Fund contract authority is covered in Volume 11B of this Regulation.
3. Foreign military sales contract authority is covered in Volume 15 of this Regulation.

F. Figures 13-2 and 13-3 and figures 13-19 through 13-25 define the accounts used for contract authority and illustrate the entries for transactions affecting them.

130206. Transfers of Funds. When specifically authorized by law, all or part of the budget authority in one account may be transferred to another account. These transfers shall be made on an expenditure or nonexpenditure basis, as appropriate.

A. Expenditure Transfers Between Appropriations. Expenditure transfers are made when the transfer benefits the transferring account. Since they are treated as payments and collections, expenditure transfers are not applicable to departmental-level accounting entities. These transactions include the following:

1. Withdrawals and credits between accounts not specifically defined as nonexpenditure transactions;
2. All transfers between U. S. Treasury budgetary and nonbudgetary accounts such as general fund accounts and deposit accounts; and,
3. Adjustments to correct errors in expenditure transactions. (Obligations must be transferred also, when appropriate.)

B. Appropriation Transfers

1. Appropriation transfers are distributions of one agency's budgetary resources to another. Transfers between appropriations must be authorized by law and represent a redistribution of unobligated balances of budget authority between appropriation accounts for the benefit of the gaining appropriation account. For purposes of this paragraph, they will not include transfers for establishment of transfer appropriation accounts for the benefit of the transferring account.

2. These transfers often are anticipated during apportionment development. Approved anticipated transfers are treated as authority available for apportionment, and prior year authority and current year authority are kept separate. Agreement between the transferring and receiving appropriation accounts must be maintained. Accordingly, anticipated and accomplished transfers must be recorded and reported in the transferring and receiving appropriation accounts in the same accounting period. Obligation authority is available only after the transfers is accomplished and the OMB apportions the transferred funds.

3. SF 1151, "Nonexpenditure Transfer Authorization" (figure 13-4) is used to document transfers. See I TFM 2-2035.20 for instructions relative to preparation of the SF 1151. Chapter 3 of this Volume contains additional information about appropriation transfers. An illustration of the accounting process is:

A. Anticipation of Appropriation Transfer

Transferring Appropriation

Dr 4450 Unapportioned Authority Available

Cr 4160 Anticipated Transfers-Current Year Authority

or

Cr 4180 Anticipated Transfers-Prior Year Authority

Receiving Appropriation

Dr 4160 Anticipated Transfers-Current Year Authority

or

Dr 4180 Anticipated Transfers-Prior Year Authority

Cr 4450 Unapportioned Authority Available

B. Actual Appropriation Transfer

Transferring Appropriation

Dr 4160 Anticipated Transfers-Current Year Authority

Cr 4170 Transfers - Current Year Authority

or

Dr 4180 Anticipated Transfers-Prior Year Authority

Cr 4190 Transfers - Prior Year Authority

Receiving Appropriation

Dr 4170 Transfers - Current Year Authority

Cr 4160 Anticipated Transfers-Current Year Authority

or

Dr 4190 Transfers - Prior Year Authority

Cr 4180 Anticipated Transfers-Prior Year Authority

4. Figures 13-34 through 13-39 define transfer accounts and illustrate entries for transactions affecting them.

130207. Reappropriations

A. General. A reappropriation is statutory authority to restore or extend the obligational availability, whether for the same or different purpose, of all or part of the unobligated balance of budget authority that has expired or would otherwise expire in an annual or multiple-year appropriation. Reappropriation transactions require nonexpenditure transfer of the funds involved from the expired or otherwise expiring account to the designated current account. Reappropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account.

B. Use of the SF 1151. The SF 1151 (figure 13-4), annotated “REAPPROPRIATION” in the top right-hand corner, shall be used to accomplish the reappropriation when a current year law extends the availability of part or all of a:

1. Current year appropriation;
2. Prior year unexpired appropriation; or,
3. Prior year expired or expiring appropriation when the unobligated balance has not been withdrawn previously to the surplus fund of the Treasury. See I TFM 2-2060 for instructions relative to preparation of the SF 1151.

C. Use of FMS Form 6200. The FMS Form 6200 (figure 13-1) shall be used when a current year law extends the availability of part or all of a prior year expired appropriation when an unobligated balance is available at fiscal year-end for reappropriation in a subsequent fiscal year.

Standard Form No. 1151 7 GAO 2000 1151-104		VOUCHER NO.	
NONEXPENDITURE TRANSFER AUTHORIZATION			
To			
You are hereby authorized to effect the transfer indicated below:			
TRANSFER FROM (D.O. SYMBOL) Dept. Bureau Address		TRANSFER TO (D.O. SYMBOL) Dept. Bureau Address	
APPROPRIATION OR FUND SYMBOL	AMOUNT	APPROPRIATION OR FUND SYMBOL	AMOUNT
AUTHORITY			
The above transfer is proper under the authority cited.			
_____ (Date)		_____ (Approving Officer)	
_____ (Treasury Form 593)		_____ (Dated)	

Figure 13-4

D. Obtaining Appropriation Warrants. An FMS Form 6200 must be requested from the Treasury Department for reappropriations. The letter of request must state the amount to be warranted and the statutory authority for the reappropriation. The address for this request letter is:

Director, Accounting Control Division
Finance Management Branch
Funds Management Division
Financial Management Service
Department of the Treasury
3700 East-West Highway, Room 6FO6
Hyattsville, MD 20782

Telephone (202) 874-9780

E. Timing of Actions

1. Necessary steps to initiate the source documents and record the reappropriation in the gaining and losing accounts normally must be undertaken in the month following the effective date of the legislation providing for the reappropriation.

2. If the available balance in a losing appropriation is not sufficient to cover prompt transfer, the reappropriation may be delayed, effected in part or, for good cause, not made at all. Decisions to delay or not make a reappropriation transfer require written notification to the USD(C), within five working days of the determination. The notification must set forth the circumstances requiring the delay or nonperformance of the reappropriation transfer.

F. Withdrawal of Unobligated Balances. Normally, unobligated balances in the losing accounts will be withdrawn from operating activities. However, formal withdrawal is not necessary when the operating activity has both the gaining and losing accounts, and the intent of the reappropriation is to extend the availability of funds for the same purposes as the losing account. In this case, local entries may be made to ensure that transactions, records, and reports cite the gaining account rather than the losing account.

G. Recording Reappropriations. Reappropriations are recorded as other new budget authority. Figure 13-34 defines the account for other new budget authority and illustrates the entries for the implementing transactions.

130208. Allocations

A. Allocations are distributions of apportionments or funds that do not require apportionment by the departmental-level accounting entity to an operating agency or other intermediate-level accounting entity.

B. Allocations carry the same legal and other limitations as apportionments.

C. Amounts allocated must be debited to the appropriate unallocated apportionment accounts and credited to the allocations issued accounts. Figures 13-63 through 13-67 define the allocations issued accounts and illustrate the entries for the implementing transactions.

D. Since an oral allocation generally has no validity, allocations shall be in writing. The format is determined by the departmental-level accounting entity issuing the allocation. However, see appendix A, subsection A.5.d. of Volume 14 of this Regulation for use of expedited means of communication in emergencies.

130209. Restorations and Withdrawals/Writeoffs

A. Congressionally enacted appropriations for the Department usually are available for a fixed period of one or more fiscal years. Authority to incur new obligations expires at the end of the period of availability. Upon expiration, an appropriation may have up to three distinct balances in its accounts: (1) accrued expenditures - paid, (2) accrued expenditures - unpaid, plus undelivered orders (the sum of (1) and (2) is called obligations) and (3) an unobligated balance.

B. Expired balances retain their fiscal year identity for the following five (5) fiscal years. During this 5-year period, the unobligated balance of an expired fund is available only for adjustments to obligations initially incurred during the fiscal year (or years) for which the appropriation account was available. The unobligated balance of an expired fund may not be used to create new obligations. Normally, at the end of the 5-year period, any remaining unobligated balance and unliquidated obligations shall be transferred to GLA 4350, "Canceled Authority."

C. The following definitions are for the specific terms applicable to restorations and withdrawals/writeoffs.

1. Restoration. A previously withdrawn unobligated amount that is again made available for obligation and outlay.

2. Write-off. The withdrawal from availability for obligation of an unobligated balance from a no-year appropriation pursuant to 31 U.S.C. 1555.

3. Withdrawal. Unobligated amounts that are withdrawn by administrative action (rather than by law) from obligation availability. A withdrawal excludes amounts of expired accounts and amounts rescinded by the Congress.

D. Amounts withdrawn or written off are credited to account 4391, "Restorations, Writeoffs and Withdrawals," and debited to account 4511, "Unallocated Apportionment - Direct Program - Current Period." Restorations are accounted for by contra entries to the write-off or withdrawal (i.e., debit account 4391, "Restorations, Writeoffs and Withdrawals," and credit account 4511, "Unallocated Apportionment - Direct Program - Current

Period.”). Figure 13-27 defines account 4391 and illustrates the entries for the implementing transactions.

E. The balance in GLA 4650, “Expired Authority,” is not a fund balance (i.e., cash) account available in the Treasury. Transfers into the account (withdrawals) and transfers out (restorations) do not, in and of themselves, affect the cash position of the U.S. Treasury. Expired authority is an available budgetary resource for the specific purpose of ensuring that valid obligations of expired and lapsed appropriation accounts can be met without recourse to individual appropriation action by the Congress.

130210. Indefinite Appropriations

A. Indefinite appropriations are appropriations of a current or permanent nature in which a definite amount is not stated, but is to be determined otherwise on the basis of stipulated subsequent events. One type of indefinite appropriation for which the Department currently is concerned derives from “available” receipts. For example, the receipts under the Federal Account Symbol and Title 215095, “Sale of Hunting and Fishing Permits, Military Reservations,” are, by permanent appropriation, available for expenditure under appropriation account 21X5095, “Wildlife Conservation, etc., Military Reservations, Army.” In other cases, the amount authorized may be all or a portion of the receipts under a receipt account, but they may not be available until they have been “warranted” by the Treasury Department: or, the amount authorized may be specified as the amount actually obligated for a specified purpose.

B. Amounts of indefinite appropriations derived from “available” receipts anticipated for the fiscal year ordinarily shall be recorded from administratively prepared journal vouchers based upon the best current estimates of receipts for the fiscal year by responsible officials. Amounts of those indefinite appropriations realized must be recorded monthly on the basis of amounts of receipts reported in Statements of Transactions, DD Form 1329 (see Volume 6, Chapter 3, of this Regulation), or equivalent instruments. These amounts are warranted by the Treasury Department on FMS Form 6200 (figure 13-1) at the end of the fiscal year. However, since they will have been recorded on the basis of statements of transactions, the warrants will be used merely to confirm the amounts recorded.

C. Anticipated amounts of indefinite appropriations derived from “available” receipts shall be reported as “anticipated” budgetary resources until the amounts are realized. The budget authority so generated will serve to increase the uncommitted/unobligated balance as reported on the Acct Rpt(M)133, “Report on Budget Execution;” however, such balances should not be recorded in the accounts as currently available for obligation until realization of the receipts. Figure 13-17 defines the account for recording anticipated indefinite appropriations and illustrates the entries for the implementing transactions.

130211. Reprogramming. The practice of reprogramming departmental funds covered in appropriation acts is a necessary, desirable and timely device for achieving flexibility in the execution of Defense programs. Specific guidance on the procedures for reprogramming of DoD appropriated funds is contained in chapters 6 and 7 of this Volume.

1303 ACCOUNT ADJUSTMENTS AND ACCOUNT CLOSING PROCEDURES130301. Adjustments to Expiring and Nonexpiring Accounts

A. Cancel appropriation transfers anticipated to be made to or from other accounts. Anticipated appropriation transfers shall be canceled as of the end of the fiscal year in which anticipated.

1. The entry to cancel unrealized anticipated appropriation transfers from other appropriations or funds is as follows:

Dr 4450 Unapportioned Authority - Available
Cr 4160 Anticipated Transfers of Current Fiscal Year Authority
Cr 4180 Anticipated Transfers of Prior Fiscal Year Authority

2. The entry to cancel unaccomplished anticipated appropriation transfers to other appropriations or funds is as follows:

Dr 4160 Anticipated Transfers of Current Fiscal Year Authority
Dr 4180 Anticipated Transfers of Prior Fiscal Year Authority
Cr 4450 Unapportioned Authority - Available

B. Eliminate unrealized anticipated indefinite appropriations. The entry to eliminate the amount of anticipated indefinite appropriations that were not realized is as follows:

Dr 4450 Unapportioned Authority - Available
Cr 4120 Appropriations Anticipated (Indefinite)

C. Cancel anticipated reimbursements in no-year, expiring annual, and multiple-year accounts as of the end of the fiscal year. The entry to eliminate the balance of automatically and specifically apportioned reimbursable program authority not allocated to lower levels is as follows:

Dr 4514 Unallocated Apportionment - Reimbursable Program
- Withheld from Allocation
Cr 4210 Anticipated Reimbursements

130302. Budget Execution Report Preparation. After completion of the adjustments identified above, budget execution reports shall be prepared as specified in Volume 6, Chapter 4, of this Regulation.

130303. Notification From Lower Levels. The departmental-level accounting entity shall be informed by the intermediate and installation levels of the following adjustments and account balances.

A. Installation-Level Notification To Be Provided Uncommitted and unobligated balances remaining in expiring accounts for direct authority (GLA 4611, “Uncommitted/Unobligated Allotments - Direct Program - Current Period,” GLA 4612, “Uncommitted/Unobligated Allotments - Direct Program - Subsequent Periods,” and GLA 4613, “Uncommitted/Unobligated Allotments - Withheld Programs.”) (See subparagraph 130304.A., below.)

B. Intermediate-Level Notification To Be Provided. Unallotted allocations of direct program authority to the installation level. (See subparagraphs 130304.A.(1) and (3), below, GLA 4561, “Unallotted Allocations - Direct Program - Current Period,” and GLA 4562, “Unallotted Allocations - Direct Program - Subsequent Periods”.)

130304. Closing Procedures. After preparation of the prescribed budget execution reports, the following entries shall be made, at the expiration of the period of availability for obligation, to close expended amounts to the authorizing account for the expenditures and to withdraw any remaining program authority.

A. Direct Program Closing Entries

1. Appropriated Authority

(a) The entry to recognize unallotted allocations held at the intermediate level, unobligated allotments held at the installation level, and unobligated allocations to other agencies is as follows:

Dr 4119 Other Appropriations Realized	<u>1/</u>
Dr 4150 Other New Budget Authority	<u>2/</u>
Dr 4530 Allocations From Others	<u>3/</u>
Cr 4511 Unallocated Apportionment - Direct Program - Current Period	
Cr 4520 Allocations To Others	

NOTES:

1/ The intermediate levels and the installation levels shall inform the departmental-level accounting entity of the unallotted allocations and unobligated allotments as described in subparagraph 130303.A. and paragraph 130303.B., above.

2/ This debit balance is eliminated through entries (b) and (c) below.

3/ This debit balance is eliminated through entries (b) and (d) below.

(b) The entry to close amounts allocated to lower levels and other agencies is as follows:

Dr 4520 Allocations To Others
Dr 4541 Allocations Issued - Direct Program - Current Period
Dr 4542 Allocations Issued - Direct Program -Subsequent Periods
Dr 4545 Allocations Issued - Withheld Programs
Cr 4119 Other Appropriations Realized
Cr 4150 Other New Budget Authority
Cr 4530 Allocations From Others

(c) The entry to close unapportioned budget authority realized through reappropriations is as follows:

Dr 4450 Authority Available for Apportionment
Cr 4150 Other New Budget Authority

(d) The entry to record return of unobligated interagency allocations to the agency from which received is as follows:

Dr 4511 Unallocated Apportionment - Direct Program - Current Period
Cr 4530 Allocations From Others

(e) The entry to record return of unobligated interagency allocations from the agency to which allocated is as follows:

Dr 4520 Allocations to Others
Cr 4450 Authority Available for Apportionment

(f) The entry to reduce appropriations realized by the amount of rescinded appropriations is as follows:

Dr 4113 Appropriations Rescinded
Cr 4119 Other Appropriations Realized

(g) The entry to reduce appropriations realized by the amount of budgetary resources withheld pursuant to public law is as follows:

Dr 4410 Budgetary Resources - Not Available Pursuant To Public Law
Cr 4119 Other Appropriations Realized

(h) The entry to record unobligated budget authority available of expired annual or multiple-year appropriations is as follows:

Dr 4430 Appropriations Available for Apportionment
- OMB Deferred Programs
Dr 4450 Authority Available for Apportionment

Dr 4511 Unallocated Apportionment - Direct Program - Current Period
Dr 4512 Unallocated Apportionment - Direct Program - Subsequent
Periods
Dr 4513 Unallocated Apportionment - OSD Withheld programs
Dr 4620 Other Funds Available for Commitment/Obligation
Dr 4630 Other Funds Unavailable for Commitment/Obligation
Cr 4650 Expired Authority

NOTE: The credit entry to GLA 4650, "Expired Authority," should be equal to the debit balance remaining in GLA 4119, "Other Appropriations Realized," upon completion of the closing entries specified above.

2. Transfer Authority

(a) The entry to close transfers accomplished to other appropriations or funds is as follows:

Dr 4170 Appropriation Transfers
Dr 4190 Transfers - Prior Year Budgetary Resources
Cr 4119 Other Appropriations Realized

(b) The entry to close appropriation transfers realized from other appropriations or funds is as follows:

Dr 4119 Other Appropriations Realized
Cr 4170 Appropriation Transfers
Cr 4190 Transfers - Prior Year Budgetary Resources

(c) The entry to recognize unallotted allocations of realized transfers held at the intermediate level and unobligated allotments of realized transfers held at the installation level is as follows:

Dr 4119 Other Appropriations Realized
Cr 4511 Unallocated Apportionment - Direct Program - Current
Period

NOTE: The intermediate levels and the installation levels shall inform the departmental-level accounting entity of the unallotted allocations and unobligated allotments as described in paragraph 130303. B., above.

B. Reimbursable Program Closing Entries. No closing entries shall be made for the reimbursable program at the departmental level. An adjusting entry, specified in paragraph 130301 .C., above, eliminates any departmental-level reimbursable program account balance.

130305. Adjustments to Expired Authority. GLA 4650, "Expired Authority," represents the unobligated balance in an appropriation at the time of its expiration. Expired

authority, prior to cancellation of an appropriation, authorizes a DoD Component to adjust upward previously under recorded obligations or to record obligations initially that should have been recorded (but were not) against an expired appropriation before its expiration. Authority to adjust obligations upward through use of expired budget authority is recorded in accounts as follows:

Dr 4650 Expired Authority
Cr 4114 Appropriations Realized But Withdrawn

Obligation, expenditure, and closing of expired authority is recorded in the same manner as prescribed for current year direct program appropriation accounts.

130306. Canceled Authority. The National Defense Authorization Act (P.L. 101-510) requires any balance remaining in an account in excess of 5 years to be canceled. GLA 4350, "Canceled Authority," represents the amount of canceled authority (includes both [1] unobligated and [2] obligated but unpaid). Payment of obligations incurred in a canceled appropriation shall be made from a current appropriation available for the same general purpose as the one from which the payables were canceled. The total of payments from a current appropriation for obligations and payables of a canceled appropriation should not exceed 1 percent of the new appropriation. If such payments to be made exceed the 1 percent limitation, additional authority must be sought from the Congress. An illustration of the entries are:

a. The entry to transfer expired authority at the time of cancellation of an appropriation is as follows:

Dr 4650 Expired Authority
Cr 4350 Canceled Authority

b. The entry to allocate budget authority at the departmental level from a current appropriation to pay obligations applicable to a canceled appropriation is as follows:

(1) Entry if the current account has been allocated in its entirety (reprogramming and withdrawal of funds is necessary to make funds available for payment of obligations applicable to canceled accounts):

Dr 4541 Allocations Issued - Direct Program - Current Period
Cr 4511 Unallocated Apportionment - Direct program - Current Period

(2) Entry if a portion [not to exceed 1 percent] of the current account has been previously withheld for the payment of obligations of canceled appropriations:

Dr 4395 Authority Unavailable Pursuant to Public Law (1 %)
Cr 4450 Authority Available for Apportionment

(3) In either case, the reduction of authority that was provided by the canceled appropriation must also be recorded through the following entry:

Dr 4350 Canceled Authority	
Cr 4119 Other Appropriations Realized (for canceled appropriation)	

NOTE: GLA 4119, "Other Appropriations Realized," should be maintained by both appropriation and by fiscal year.

ACCOUNT 4001 ANTICIPATED TOTAL RESOURCES

Debit Balance. The account used (for year-end closing) to consolidate the total amount of resources expected to be received by the financing fund from all sources.

DebitCredit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-1

ACCOUNT 4032 ANTICIPATED CONTRACT AUTHORITY

Debit Balance. The estimated amount of Indefinite Contract Authority during the fiscal year that permits a federal agency to incur obligations in advance of liquidating authority.

<u>Debit</u>	<u>Credit</u>
Amount of contract authority made available by statute for subsequent obligation.	1. Amount of commitments and obligations incurred against contract authority.
Contra: 4450 Unapportioned Authority - Available	Contra: 4132 Current Year Contract Authority Realized - Indefinite
	2. Write-off of lapsing contract authority.
	Contra: 4392 Rescissions

Figure 13-2

ACCOUNT 4034 ANTICIPATED REDUCTIONS TO CONTRACT AUTHORITY

Debit Balance. The estimated amounts of reductions during the fiscal year to Contract Authority.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-3

ACCOUNT 4042 ANTICIPATED BORROWING AUTHORITY

Debit Balance. The anticipated authority that permits a federal agency to incur obligations and make payments for specific purposes out of monies borrowed from Treasury.

<u>Debit</u>	<u>Credit</u>
Amount of borrowing authority made available by statute for subsequent obligation.	1. Amount of commitments and obligations incurred against borrowing authority.
Contra: 4450 Unapportioned Authority - Available	Contra: 4142 Current Year Borrowing Authority Realized - Indefinite
	2. Write-off of lapsing borrowing authority.
	Contra: 4392 Rescissions

Figure 13-4

ACCOUNT 4044 ANTICIPATED REDUCTIONS TO BORROWING AUTHORITY

Debit Balance. The estimated amounts of reductions during the fiscal year to Borrowing Authority.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-5

ACCOUNT 4047 ANTICIPATED PAYMENTS TO TREASURY

Debit Balance. The anticipated amounts to be paid to the Treasury Department during the fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-6

ACCOUNT 4060 ANTICIPATED COLLECTIONS FROM NON-FEDERAL SOURCES

Debit Balance. The amount anticipated to be collected from non-Federal sources in the current fiscal year for loan programs (fees, loan principal, loan interest, rent, and proceeds from the sales of collateral).

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-7

ACCOUNT 4070 ANTICIPATED COLLECTIONS FROM FEDERAL SOURCES

Debit Balance. The amount anticipated to be collected from Federal sources in the current fiscal year for loan programs (actual program loan subsidy-current, actual program loan subsidy-permanent, and interest from Treasury).

DebitCredit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-8

ACCOUNT 4110 APPROPRIATIONS REALIZED

Debit Balance. These accounts represent the amount of appropriations specified in an appropriation act and becoming available on or after October 1 of the fiscal year.

DebitCredit

This is a summary account

Do not post to this account

Figure 13-9

ACCOUNT 4111 DEBT LIQUIDATION APPROPRIATIONS

Debit Balance. Represents the amount appropriated to liquidate debt as specified in applicable appropriation language.

DebitCredit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-10

ACCOUNT 4112 DEFICIENCY APPROPRIATIONS

Debit Balance. Represents the amount appropriated to eliminate a prior year deficiency.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-11

ACCOUNT 4115 LOAN SUBSIDY APPROPRIATION - DEFINITE - CURRENT

Debit Balance. The amount of definite current budget authority appropriated by law for loan subsidies in direct loan and guarantee programs.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-12

ACCOUNT 4116 ENTITLEMENT LOAN SUBSIDY APPROPRIATION - INDEFINITE

Debit Balance. The amount of indefinite budget authority appropriated for subsidies in loan entitlement programs.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-13

ACCOUNT 4117 LOAN ADMINISTRATIVE EXPENSE APPROPRIATION
- DEFINITE - CURRENT

Debit Balance. The amount of definite current budget authority appropriated by law for administrative expenses in direct loan and loan guarantee programs.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-14

ACCOUNT 4118 RE-ESTIMATED DISCRETIONARY LOAN SUBSIDY APPROPRIATION
- INDEFINITE - PERMANENT

Debit Balance. The amount of indefinite permanent budget authority appropriated for direct loan and loan guarantee subsidies based upon re-estimates.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-15

ACCOUNT 4119 OTHER APPROPRIATIONS REALIZED

Debit Balance. Represents the amount of all appropriations not classified as debt liquidation appropriations, deficiency appropriations or appropriations to liquidate contract authority.

<u>Debit</u>	<u>Credit</u>
1. Amount of appropriation enacted.	1. Unobligated balance remaining upon cancellation of the appropriation.
Contra: 4450 Unapportioned Authority Available	Contra: 4350 Canceled Authority
2. Amount of capital appropriated to a revolving fund.	
Contra: 4440 Revolving Funds Available for Apportionment	
3. Amount of anticipated appropriations realized.	
Contra: 4120 Appropriations Anticipated (Indefinite)	
4. Amount of appropriations not subject to apportionment.	
Contra: 4620 Other Funds Available for Commitment/Obligation	
4630 Funds Not Available for Commitment/Obligation	

Figure 13-16

ACCOUNT 4120 APPROPRIATIONS ANTICIPATED (INDEFINITE)

Debit Balance. Represents the current estimate of amounts anticipated to become available under existing law.

<u>Debit</u>	<u>Credit</u>
Amount of an anticipated indefinite appropriation.	Amount of anticipated indefinite appropriation actually realized.
Contra: 4450 Unapportioned Authority Available	Contra: 4119 Other Appropriations Realized

Figure 13-17

ACCOUNT 4121 LOAN SUBSIDY APPROPRIATION - INDEFINITE - CURRENT

Debit Balance. The amount of current indefinite budget authority appropriated to the program fund for loan subsidies in direct loan and loan guarantee programs.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-18

ACCOUNT 4130 CONTRACT AUTHORITY

Debit Balance. Represents amounts of authority under which contracts or other obligations may be executed in advance of the receipt of an appropriation, or in excess of amounts otherwise available in a revolving fund.

DebitCredit

This is a summary account

Do not post to this account

Figure 13-19

ACCOUNT 4131 CURRENT YEAR CONTRACT AUTHORITY REALIZED - DEFINITE

Debit Balance. The amount of statutory authority during the fiscal year that permits federal agencies to incur obligations in advance of appropriations or collections where a specific sum or specific aggregate amount “not to exceed” is stated at the time the authority is granted. (As a rule, Definite Contract Authority is not used within the Department of Defense. Rather, Indefinite Contract Authority [GLA 4132] is used within the Department of Defense.)

DebitCredit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-20

ACCOUNT 4132 CURRENT YEAR CONTRACT AUTHORITY REALIZED - INDEFINITE

Debit Balance. The amount of statutory contract authority used during the fiscal year to incur obligations in advance of appropriations or collections. (As a rule, Indefinite Contract Authority, rather than Definite Contract Authority [GLA 4131], is used within the Department of Defense.)

<u>Debit</u>	<u>Credit</u>
Amount of commitments and obligations incurred against contract authority.	Amount of contract liquidating authority received.
Contra: 4032 Anticipated Contract Authority	Contra: 4610 Series Allotments - Realized Resources

Figure 13-21

ACCOUNT 4133 ACTUAL REDUCTIONS TO CONTRACT AUTHORITY

Credit Balance. The amount of contract authority reduced by legislation that cancels budget authority during the fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-22

ACCOUNT 4135 CONTRACT AUTHORITY CONVERTED TO CASH

Credit Balance. The amount of funds received during the fiscal year that liquidate contract authority.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-23

ACCOUNT 4138 RESOURCES REALIZED FROM CONTRACT AUTHORITY

Debit Balance. The amount of funds received during the fiscal year to fund contract authority at the time of disbursement. These will be contra to budgetary resources received to liquidate contract authority.

DebitCredit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-24

ACCOUNT 4139 CONTRACT AUTHORITY CARRIED FORWARD

Debit Balance. The amount of contract authority carried forward into the next fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-25

ACCOUNT 4140 BORROWING AUTHORITY

Debit Balance. This is a summary account. Accounts subsidiary to this summary account are used to record statutory authority that permits a federal agency to incur obligations and to make payments for specified purposes from the proceeds of borrowed funds.

DebitCredit

This is a summary account

Do not post to this account

Figure 13-26

ACCOUNT 4141 CURRENT YEAR BORROWING AUTHORITY REALIZED - DEFINITE

Debit Balance. The amount of statutory authority during the fiscal year that permits federal agencies to incur obligations and make payments to liquidate the obligations from borrowed monies where a specific sum or specific aggregate amount “not to exceed” is stated at the time the authority is granted. (As a rule, Indefinite Borrowing Authority [GLA 4142] rather than Definite Borrowing Authority is used within the Department of Defense.)

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-27

ACCOUNT 4142 CURRENT YEAR BORROWING AUTHORITY REALIZED -
INDEFINITE

Debit Balance. New statutory authority during the fiscal year that permits a federal agency to incur obligations and make payments for specified purposes out of borrowed monies where a specific sum is not stated when the authority is granted but is determinable only at some future date. (As a rule, Indefinite Borrowing Authority, rather than Definite Borrowing Authority [GLA 4142], is used within the Department of Defense.)

<u>Debit</u>	<u>Credit</u>
Amount of commitments and obligations incurred against borrowing authority.	Payments made to liquidate borrowing authority realized.
Contra: 4042 Anticipated Borrowing Authority	Contra: 4610 Series Allotments - Realized Resources

Figure 13-28

ACCOUNT 4143 ACTUAL REDUCTIONS TO BORROWING AUTHORITY

Credit Balance. The amount of borrowing authority reduced by legislation that cancels budget authority during the fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-29

ACCOUNT 4145 BORROWING AUTHORITY CONVERTED TO CASH

Credit Balance. The amount of nonexpenditure transfers during the fiscal year that reduce Borrowing Authority.

<u>Debit</u>	<u>Credit</u>
Closing entry at fiscal year end.	Cash drawn from U.S. Treasury to fund obligations incurred under Borrowing Authority.
Contra: 4201 Total Actual Resources	Contra: 4148 Resources Realized from Borrowing Authority

Figure 13-30

ACCOUNT 4147 ACTUAL PAYMENTS TO TREASURY

Credit Balance. Amounts paid to the Treasury Department during the fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-31

ACCOUNT 4148 RESOURCES REALIZED FROM BORROWING AUTHORITY

Debit Balance. The amount of funds drawn during the fiscal year to fund borrowing authority disbursements.

<u>Debit</u>	<u>Credit</u>
Cash drawn from U.S. Treasury to fund obligations incurred under borrowing authority.	Closing entry at fiscal year end.
Contra: 4148 Resources Realized from Borrowing Authority	Contra: 4201 Total Actual Resources

Figure 13-32

ACCOUNT 4139 CONTRACT AUTHORITY CARRIED FORWARD

Debit Balance. The amount of contract authority carried forward into the next fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-33

ACCOUNT 4150 REAPPROPRIATIONS

Debit Balance. Represents the amount of new budgetary authority (other than appropriations) derived from a law that extends the availability of unobligated budget authority that has expired or would otherwise expire.

DebitCredit

Amount of new budget authority
(such as a reappropriation) enacted.

Contra: 4450 Unapportioned Authority
Available

Figure 13-34

ACCOUNT 4160 ANTICIPATED TRANSFERS - CURRENT YEAR AUTHORITY

Debit or Credit Balance. Represents the net amount of anticipated nonexpenditure transfers to (debit balance) or from (credit balance) current year appropriations and funds.

<u>Debit</u>	<u>Credit</u>
1. Amount of anticipated nonexpenditure transfers of current year funds from other appropriations and funds.	1. Amount of anticipated nonexpenditure transfers of current year funds to other appropriations and funds.
Contra: 4450 Unapportioned Authority Available	Contra: 4450 Unapportioned Authority Available
2. Amount of accomplished nonexpenditure transfers of current year funds to other appropriations and funds.	2. Amount of accomplished nonexpenditure transfers of current year funds from other appropriations and funds.
Contra: 4170 Transfers - Current Year Authority	Contra: 4170 Transfers - Current Year Authority

Figure 13-35

ACCOUNT 4170 TRANSFERS - CURRENT YEAR AUTHORITY

Debit or Credit Balance. Represents the net amount of nonexpenditure transfers to (credit balance) or from (debit balance) current year appropriations and funds.

<u>Debit</u>	<u>Credit</u>
1. Amount of accomplished nonexpenditure transfers of current year funds from other appropriations and funds.	Amount of accomplished nonexpenditure transfers of current year funds to other appropriations and funds.
Contra: 4160 Anticipated Transfers Current Year Authority	Contra: 4160 Anticipated Transfers Current Year Authority
2. Amount of nonexpenditure transfers of current funds from other appropriations and funds that were not preceded by an anticipation of the transfer.	
Contra: 4450 Unapportioned Authority Available	

Figure 13-36

ACCOUNT 4175 ALLOCATION TRANSFERS

Debit or Credit Balance. The amount of budget authority transferred between a parent appropriation and a transfer appropriation via nonexpenditure transfers during the fiscal year for the accomplishment of work or projects in accordance with budget authority and negotiated agreements to carry out the purposes of the parent appropriation or fund. This includes amounts that are receivable or payable in which the nonexpenditure transfer has not yet been accomplished and amounts that are paid or collected in which the nonexpenditure transfer has been accomplished.

Debit

Amounts of nonexpenditure allocation transfers from other agencies.

Contra: 4511 Unallocated Apportionment -
Direct Program - Current
Period

Credit

Amounts of nonexpenditure allocation transfers granted to other agencies.

Contra: 4450 Unapportioned Authority -
Available

Figure 13-37

ACCOUNT 4180 ANTICIPATED TRANSFERS - PRIOR YEAR AUTHORITY

Debit or Credit Balance. Represents the net amount of anticipated nonexpenditure transfers of prior year unobligated balances to or from appropriations and funds.

<u>Debit</u>	<u>Credit</u>
1. Amount of anticipated non-expenditure transfers of prior year funds from other appropriations and funds.	1. Amount of anticipated nonexpenditure transfers of prior year funds to other appropriations and funds.
Contra: 4450 Unapportioned Authority Available	Contra: 4450 Unapportioned Authority Available
2. Amount of accomplished nonexpenditure transfers of prior year funds to other appropriations and funds.	2. Amount of accomplished nonexpenditure transfers of prior year funds from other appropriations and funds.
Contra: 4190 Transfers - Prior Year Authority	Contra: 4190 Transfers - Prior Year Authority

Figure 13-38

ACCOUNT 4190 TRANSFERS - PRIOR YEAR AUTHORITY

Debit or Credit Balance. Represents the net amount of accomplished nonexpenditure transfers to or from prior year appropriations and funds.

<u>Debit</u>	<u>Credit</u>
1. Amount of accomplished nonexpenditure transfers of prior year funds to other appropriations and funds.	Amount of accomplished nonexpenditure transfers of prior year funds from other appropriations and funds.
Contra: 4180 Anticipated Transfers of Prior Year Authority	Contra: 4180 Anticipated Transfers of Prior Year Authority
2. Amount of nonexpenditure transfers of prior year funds from other appropriations and funds not preceded by an anticipation of the transfer.	
Contra: 4450 Unapportioned Authority Available	

Figure 13-39

ACCOUNT 4201 TOTAL ACTUAL RESOURCES - COLLECTED

Debit Balance. This account is used to consolidate, at fiscal year end, the total amount of actual resources collected.

<u>Debit</u>	<u>Credit</u>
Total of actual resources remaining available at the Departmental level at fiscal year end.	Total of actual resources remaining not available at the Departmental level at fiscal year end.
Contra: 4111 Debt Liquidation Appropriation	Contra: 4392 Rescissions
4112 Deficiency Appropriations	4395 Authority Unavailable Pursuant to Public Law
4115 Loan Subsidy Appropriation - Definite - Current	
4116 Entitlement Loan Subsidy Appropriation - Indefinite	
4117 Loan Administrative Expense Appropriation - Definite - Current	
4118 Re-Estimated Discretionary Loan Subsidy Appropriation - Indefinite - Current	
4119 Other Appropriations Realized	
4121 Loan Subsidy Appropriation Indefinite - Current	

Figure 13-40

ACCOUNT 4210 ANTICIPATED REIMBURSEMENTS AND OTHER INCOME

Debit Balance. Represents the amount of anticipated reimbursements expected to be earned during the current fiscal year which are subject to specific OMB apportionment, and other authorized reimbursements for which obligational authority is automatically established on the basis of customer orders received and accepted.

<u>Debit</u>	<u>Credit</u>
1. Amount of estimated anticipated reimbursements that are subject to specific apportionment.	
Contra: 4593 Specifically Apportioned Reimbursable Program	
2. Amount of estimated anticipated reimbursements that are subject to automatic apportionment.	
Contra: 4594 Automatically Apportioned Reimbursable Program	

Figure 13-41

ACCOUNT 4215 ANTICIPATED TRUST FUND EXPENDITURE TRANSFERS

Debit Balance. The amount of anticipated appropriation expenditure transfers from a trust fund to a general fund during the fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-42

ACCOUNT 4225 APPROPRIATION TRUST FUND EXPENDITURE TRANSFERS -
RECEIVABLE

Debit Balance. The amount of uncollected expenditure transfers from a trust fund to a general fund.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 13-43

ACCOUNT 4350 CANCELED AUTHORITY

Credit Balance. Represents the amount of appropriation authority (unobligated and unliquidated obligated appropriation balance) which is canceled five years after the end of a current-year or multi-year appropriation with a set life.

Debit

Reduction due to liquidation (payment) from a current appropriation of obligations incurred against an appropriation that has since been canceled.

Contra: 4511 Unallocated Apportionment - Direct Program - Current Period

Credit

Balance of unobligated and unliquidated obligated balances of an appropriation upon cancellation of the appropriation.

Contra: 4511 Unallocated Apportionment - Direct Program - Current Period

Figure 13-44

ACCOUNT 4390 BALANCE AVAILABLE FOR RESTORATION, WRITE-OFF
AND WITHDRAWAL

Debit or Credit Balance. Represents the net difference between amounts previously written off which have been restored to the account during the current fiscal year and amounts actually written off to date as transactions of the current fiscal year.

Debit

Credit

This account is a summary account

Do not post to this account

Figure 13-45

ACCOUNT 4391 RESTORATIONS, WRITEOFFS AND WITHDRAWALS

Debit or Credit Balance. Represents the amount available for obligation during the year that ceased to be available during or at the end of the fiscal year, other than amounts rescinded by law. Includes unobligated balances expiring for obligation, amounts written off or withdrawn by administrative action, unobligated balances returned to unappropriated receipts, amounts withdrawn/lapsed from liquidating appropriations.

<u>Debit</u>	<u>Credit</u>
Amounts restored for net upward obligation adjustments.	Amounts written off pursuant to 31 U.S.C. 1555.
Contra: 4511 Unallocated Apportionment - Direct Program - Current Period	Contra: 4511 Unallocated Apportionment - Direct Program - Current Period

Figure 13-46

ACCOUNT 4392 RESCISSIONS - CURRENT YEAR

Credit Balance. Represents the amount of congressional rescissions of unobligated balances of current year budgetary resources. Statutory citation is to the rescission act.

DebitCredit

Amount of withdrawal of unobligated balances due to rescission.

Contra: 4420 Unapportioned Authority -
Pending Rescission

Figure 13-47

ACCOUNT 4393 WITHDRAWALS DUE TO RESCISSIONS - PRIOR YEAR OF
UNOBLIGATED BALANCES

Credit Balance. Represents the amount of congressional rescissions of unobligated balances of prior year budgetary resources. Statutory citation is to the rescission act.

Debit

Credit

Amount of withdrawal of unobligated
balances due to rescission.

Contra: 4420 Unapportioned Authority -
Pending Rescission

Figure 13-48

ACCOUNT 4395 AUTHORITY UNAVAILABLE PURSUANT TO PUBLIC LAW

Credit Balance. Represents the amount of appropriations/reappropriations withheld by a specific provision in law. Includes those appropriations for which availability is contingent by law upon the occurrence of a specified event such as: enactment of authorizing legislation, emergencies arising from national disasters, unanticipated increases in costs, or other events specified by law.

<u>Debit</u>	<u>Credit</u>
Amount released when legal requirements are met.	Amount withheld pursuant to public law.
Contra: 4450 Unapportioned Authority Available	Contra: 4450 Unapportioned Authority Available

Figure 13-49

ACCOUNT 4396 AUTHORITY PERMANENTLY UNAVAILABLE
PURSUANT TO PUBLIC LAW

Credit Balance. General permanent statutory reductions to budget authority other than rescissions that rescind the authority of more than one account; e.g., Gramm-Rudman-Hollings Act, and cancellation due to reappropriation.

<u>Debit</u>	<u>Credit</u>
Amount released when legal requirements are met.	Amount withheld pursuant to public law.
Contra: 4450 Unapportioned Authority Available	Contra: 4450 Unapportioned Authority Available

Figure 13-50

ACCOUNT 4420 UNAPPORTIONED AUTHORITY -
PENDING RESCISSION

Credit Balance. Represents the amount of budget authority withheld pending the enactment of legislation canceling the authority to obligate such funds.

<u>Debit</u>	<u>Credit</u>
1. Amount of budget authority rescinded by legislative action.	Amount of budget authority withheld pending rescission.
Contra: 4113 Appropriations Rescinded	Contra: 4440 Revolving Funds Available for Apportionment
2. Amount of withdrawals of unobligated balances of prior year budgetary resources due to rescission.	4450 Unapportioned Authority Available
Contra: 4392 Withdrawals Due to Rescission of Unobligated Balances	
3. Amount of budget authority made available for obligation through cancellation of rescission proposal or congressional direction.	
Contra: 4440 Revolving Funds Available for Apportionment	
4450 Unapportioned Authority Available	

Figure 13-51

ACCOUNT 4430 UNAPPORTIONED AUTHORITY -
OMB DEFERRED PROGRAMS

Credit Balance. Represents the amount of budget authority specifically withheld from apportionment by the Office of Management and Budget.

<u>Debit</u>	<u>Credit</u>
Amount of congressional impoundment resolution disapproving the OMB deferral.	Amounts deferred by the OMB.
Contra: 4450 Unapportioned Authority Available	Contra: 4440 Revolving Funds Available for Apportionment
	Contra: 4450 Unapportioned Authority Available

Figure 13-52

ACCOUNT 4440 REVOLVING FUNDS AVAILABLE FOR APPORTIONMENT

Credit Balance. Represents the total amount of budgetary resources used for public enterprise and intragovernmental revolving funds that are subject to apportionment.

<u>Debit</u>	<u>Credit</u>
1. Amount of budgetary authority apportioned by the OMB.	Amount of capital appropriated for revolving funds.
Contra: 4511 Unallocated Apportionment - Direct Program - Current Period	Contra: 4119 Other Appropriations Realized
2. Amounts deferred, or withheld for future rescission.	
Contra: 4430 Unapportioned Authority OMB Deferral	
4420 Unapportioned Authority Pending Rescission	

Figure 13-53

ACCOUNT 4450 UNAPPORTIONED AUTHORITY - AVAILABLE

Credit Balance. Represents the amount of appropriated, reappropriated, or transferred funds not yet apportioned by the OMB. Reductions are recorded in this account based on apportionments made and apportionment reserves established.

<u>Debit</u>	<u>Credit</u>
1. Amounts of funds apportioned by OMB.	1. Amount of appropriations, or other new budget authority received.
Contra: 4510 series Appropriation Available for Distribution	Contra: 4119 Other Appropriations Realized 4150 Reappropriations
2. Amounts deferred, or withheld for future recission	2. Amount of anticipated nonexpenditure transfers of current and prior year funds from other appropriations and funds.
Contra: 4430 Unapportioned Authority OMB Deferral 4420 Unapportioned Authority Pending Recission	Contra: 4160 Anticipated Transfers of Current Fiscal Year Authority 4180 Anticipated Transfers of Prior Fiscal Year Authority
3. Amount of transfers of current year funds to other agencies.	3. Amount of an anticipated indefinite appropriation.
Contra: 4520 Allocations to Others	Contra: 4120 Appropriations Anticipated
4. Amount withheld pursuant to public law (Indefinite).	4. Amount of statutory or administrative contract authority received.
Contra: 4395 Authority Unavailable Pursuant To Public Law	Contra: 4131 Current Year Contract Authority Realized

Figure 13-54

ACCOUNT 4450 UNAPPORTIONED AUTHORITY - AVAILABLE

Credit Balance. Continued from previous page.

DebitCredit

5. Amount of estimated anticipated reimbursements that are subject to OMB specific apportionment.

Contra: 4210 Anticipated Reimbursements

6. Amount of previously withheld budgetary resources released when legal requirements are met.

Contra: 4395 Authority Unavailable Pursuant to Public Law

7. Amount of congressional impoundment resolution disapproving an OMB deferral.

Contra: 4430 Unapportioned Authority OMB Deferred Programs

Figure 13-54 (Continued)

ACCOUNT 4510 APPORTIONMENTS

Credit Balance. Represents the amount of direct program obligational authority and current period reimbursable program specifically apportioned by the OMB and available at the departmental level for distribution to operating agencies or other intermediate levels.

DebitCredit

This is a summary account

Do not post to this account

Figure 13-55

ACCOUNT 4511 UNALLOCATED APPORTIONMENT - DIRECT PROGRAM -
CURRENT PERIOD

Credit Balance. Represent the amount of direct program obligational authority currently available at the departmental level for distribution to operating agencies or other intermediate levels.

<u>Debit</u>	<u>Credit</u>
1. The amount of allocations issued to subordinate levels.	1. The amount of direct program obligational authority apportioned for use in the current period.
Contra: 4541 Allocations Issued - Direct Program - Direct Program - Current Period	Contra: 4440 Revolving Funds Available for Apportionment
	4450 Unapportioned Authority Available
2. The amount of anticipated nonexpenditure transfers to other appropriations and funds.	2. The amount of nonexpenditure allocation transfers from other agencies.
Contra: 4160 Anticipated Transfers Of Current Fiscal Year Authority	
4180 Anticipated Transfers of Prior Fiscal Year	Contra: 4530 Allocations from Others
3. Amounts withdrawn upon expiration for obligation, or written off pursuant to 31 U.S.C. 1555.	3. Amounts restored for net upward obligation adjustments.
Contra: 4391 Restorations, Writeoffs and Withdrawals	Contra: 4391 Restorations, Writeoffs and Withdrawals
	4. Amounts of reductions in allocations issued.
	Contra: 4541 Allocations Issued - Direct Program - Current Period

Figure 13-56

ACCOUNT 4511 UNALLOCATED APPORTIONMENT - DIRECT PROGRAM -
CURRENT PERIOD

Credit Balance. Continued from previous page.

Debit

Credit

5. Release of funds previously set aside.

Contra: 4513 Unallocated Apportionment - OSD Withheld Programs

6. Amounts of anticipated resources realized.

Contra: 4517 Unallocated Apportionment - Reserve for Other Anticipated Resources

Figure 13-56 (Continued)

ACCOUNT 4512 UNALLOCATED APPORTIONMENT - DIRECT PROGRAM -
SUBSEQUENT PERIODS

Credit Balance. Represents the amount of direct program obligational authority available for subsequent periods at the departmental level for distribution to operating agencies or other intermediate levels.

<u>Debit</u>	<u>Credit</u>
The amount of allocations issued to subordinate levels.	1. The amount of direct program obligational authority apportioned for use in subsequent levels.
Contra: 4542 Allocations Issued - Direct Program - Subsequent Periods	Contra: 4450 Unapportioned Authority Available
	2. Amounts of reductions in allocations issued.
	Contra: 4542 Allocations Issued - Direct Program - Subsequent Periods
	3. Release of funds previously set aside.
	Contra: 4513 Unallocated Apportionment - OSD Withheld Programs
	4. Amounts of anticipated resources realized.
	Contra: 4517 Unallocated Apportionment - Reserve for Other Anticipated Resources

Figure 13-57

ACCOUNT 4513 UNALLOCATED APPORTIONMENT - OSD WITHHELD PROGRAMS

Credit Balance. Represents the amount of apportioned direct program obligational authority withheld by OSD.

<u>Debit</u>	<u>Credit</u>
1. Release of funds previously set aside.	1. Apportioned amounts set aside by OSD.
Contra: 4511 Unallocated Apportionment - Direct Program - Current Period	Contra: 4450 Unapportioned Authority Available
4512 Unallocated Apportionment - Direct Program-Subsequent Periods	2. Amounts of reductions in allocations issued.
	Contra: 4545 Allocations Issued - Withheld Programs
2. Amounts of allocations issued.	
Contra: 4545 Allocations Issued - Withheld Programs	

Figure 13-58

ACCOUNT 4514 UNALLOCATED APPORTIONMENT - REIMBURSABLE PROGRAM -
CURRENT PERIOD

Credit Balance. Represents the amount of the current period reimbursable program specifically apportioned, but unallocated.

<u>Debit</u>	<u>Credit</u>
The amount of specifically apportioned reimbursement authority allocated.	1. The amount of specifically apportioned reimbursement authority received for the current period.
Contra: 4543 Allocations Issued - Reimbursable Program - Current Period	Contra: 4450 Unapportioned Authority - Available
	2. Amounts of reductions in allocations issued.
	Contra: 4543 Allocations Issued - Reimbursable Program - Current Period

Figure 13-59

ACCOUNT 4515 UNALLOCATED APPORTIONMENT - REIMBURSABLE PROGRAM -
SUBSEQUENT PERIODS

Credit Balance. Represents the amount of subsequent period reimbursable program specifically apportioned, but unallocated.

<u>Debit</u>	<u>Credit</u>
The amount of specifically apportioned reimbursement authority allocated.	1. The amount of specifically apportioned reimbursement authority received for subsequent periods.
Contra: 4544 Allocations Issued - Reimbursable Program - Subsequent Periods	Contra: 4450 Unapportioned Authority - Available
	2. Amounts of reductions in allocations issued.
	Contra: 4544 Allocations Issued - Reimbursable Program - Subsequent Periods

Figure 13-60

ACCOUNT 4516 UNALLOCATED UNFUNDED CONTRACT AUTHORITY

Credit Balance. Represents the amount of unfunded contract authority apportioned.

<u>Debit</u>	<u>Credit</u>
Contract authority allocations.	Receipt of unfunded contract authority.
Contra: 4541 Allocations Issued - Direct Program - Current Period	Contra: 4450 Unapportioned Authority - Available
4542 Allocations Issued - Direct Program - Subsequent Periods	

Figure 13-61

ACCOUNT 4517 UNALLOCATED APPORTIONMENT - RESERVE FOR
OTHER ANTICIPATED RESOURCES

Credit Balance. Represents the amount of apportioned anticipated resources available, other than anticipated automatically apportioned reimbursements, that must be withheld from availability for obligation until the anticipated resource actually materializes.

<u>Debit</u>		<u>Credit</u>	
Amounts of anticipated resources realized.		Amounts of apportioned anticipated resources withheld.	
Contra: 4511	Unallocated Apportionment - Direct Program - Current Period	Contra: 4450	Unapportioned Authority - Available
4512	Unallocated Apportionment - Direct Program - Subsequent Periods	4160	Anticipated Transfers of Current Year Authority
		4180	Anticipated Transfers of Prior Year Authority

Figure 13-62

ACCOUNT 4541 ALLOCATIONS ISSUED - DIRECT PROGRAM - CURRENT PERIOD

Credit Balance. Represents the amount of current period, direct program, obligational authority allocated from departmental level to intermediate levels.

<u>Debit</u>	<u>Credit</u>
Amounts of reductions in allocations issued.	Amounts of allocations issued.
Contra: 4511 Unallocated Apportionment-Direct Program - Current Period	Contra: 4511 Unallocated Apportionment - Direct Program - Current Period
	4516 Unallocated Unfunded Contract Authority
	4620 Other Funds Available for Commitment/Obligation

Figure 13-63

ACCOUNT 4542 ALLOCATIONS ISSUED - DIRECT PROGRAM -
SUBSEQUENT PERIODS

Credit Balance. Represents the amount of subsequent period, direct program, obligational authority allocated from departmental level to intermediate levels.

<u>Debit</u>		<u>Credit</u>
Amounts of reductions in allocations issued.		Amounts of allocations issued.
Contra:	4512 Unallocated Apportionment-Direct Program - Subsequent Periods	4512 Unallocated Apportionment - Direct Program - Subsequent Period
		4516 Unallocated Unfunded Contract Authority

Figure 13-64

ACCOUNT 4543 ALLOCATIONS ISSUED - REIMBURSABLE PROGRAM -
CURRENT PERIOD

Credit Balance. Represents the amount of current period, specifically apportioned, reimbursable program authority allocated from departmental level to intermediate levels.

<u>Debit</u>		<u>Credit</u>	
Amounts of reductions in allocations issued.		Amounts of allocations issued.	
Contra:	4514 Unallocated Apportionment - Reimbursable Program - Current Period	Contra:	4514 Unallocated Apportionment - Reimbursable Program - Current Period

Figure 13-65

ACCOUNT 4544 ALLOCATIONS ISSUED - REIMBURSABLE PROGRAM -
SUBSEQUENT PERIODS

Credit Balance. Represents the amount of subsequent period, specifically apportioned, reimbursable program authority allocated from departmental level to intermediate levels.

<u>Debit</u>		<u>Credit</u>	
Amounts of reductions in allocations issued.		Amounts of allocations issued.	
Contra:	4515 Unallocated Apportionment - Reimbursable Program - Subsequent Periods	Contra:	4515 Unallocated Apportionment - Reimbursable Program - Subsequent Periods

Figure 13-66

ACCOUNT 4545 ALLOCATIONS ISSUED - WITHHELD PROGRAMS

Credit Balance. Represents the amount of withheld programs allocated from departmental level to intermediate levels.

<u>Debit</u>	<u>Credit</u>
Amounts of reductions in allocations issued.	Amounts of allocations issued.
Contra: 4513 Unallocated Apportionment - OSD Withheld Programs	Contra: 4513 Unallocated Apportionment - OSD Withheld Programs

Figure 13-67

ACCOUNT 4620 OTHER FUNDS AVAILABLE FOR COMMITMENT/OBLIGATION

Credit Balance. Represents the amount of appropriated funds, not subject to Apportionment, that are available for commitment/obligation.

<u>Debit</u>	<u>Credit</u>
Amounts of nonapportioned funds allocated.	1. Amounts of appropriations received that are not subject to apportionment.
Contra: 4541 Allocations Issued - Direct Program - Current Period	Contra: 4119 Other Appropriations Realized
	2. Amounts of appropriations received that are not subject to apportionment becoming available for commitment/obligation after being unavailable.
	Contra: 4630 Other Funds Unavailable for Commitment/Obligation

Figure 13-68

ACCOUNT 4630 OTHER FUNDS UNAVAILABLE FOR COMMITMENT/OBLIGATION

Credit Balance. Represents the amount of appropriated funds, not subject to apportionment, that are not available for commitment/ obligation.

<u>Debit</u>	<u>Credit</u>
Amounts of appropriations received that are not subject to apportionment becoming available for commitment/ obligation after being unavailable.	Amounts of appropriations received that are not subject to apportionment, but are unavailable for commitment or obligation.
Contra: 4620 Other Funds Unavailable for Commitment/ Obligation	Contra: 4119 Other Appropriations Realized

Figure 13-69

ACCOUNT 4650 EXPIRED AUTHORITY

Credit Balance. Represents the unobligated amount of expired appropriations prior to cancellation of the appropriation.

<u>Debit</u>	<u>Credit</u>
1. Amounts of an expired appropriation used for net upward obligation adjustments.	Unobligated amount of an appropriation at the time of its expiration for further obligation.
Contra: 4511 Unallocated Apportionment Realized	Contra: 4119 Other Appropriations Direct Program - Current Period
2. Close balance upon cancellation of the appropriation.	4450 Authority Available for Apportionment
Contra: 4350 Canceled Authority	4511 Unallocated Apportionment - Direct Program - Current Period
	4512 Unallocated Apportionment - Direct Program - Subsequent Periods
	4513 Unallocated Apportionment - OSD Withheld Programs
	4620 Other Funds Available for Commitment/Obligation
	4630 Other Funds Unavailable for Commitment or Obligation

Figure 13-70

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CHAPTER 14

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES

INTERMEDIATE-LEVEL

1401 GENERAL

140101. Purpose. The purpose of this chapter is to prescribe the standards for recording receipt and subsequent distribution of budgetary resources in the intermediate-level budgetary accounts, which are applicable to operating agencies or other intermediate-level accounting entities.

140102. Applicability and Scope. Only those DoD Components that are structured organizationally into three (or more) levels are required to use the intermediate-level accounts covered by this chapter.

140103. Overview. The intermediate-level budgetary accounts are used to record the receipt of allocations or suballocations from higher authority, and the subsequent issuance of allotments to installation-level activities.

140104. Revisions. The Department is currently revising its general ledger account structure to ensure consistency with that contained in the U.S. Government Standard General Ledger published by the Treasury Department. Although that process has commenced, it has not yet completed. Therefore, before the accounts contained in this chapter are used in an automated system, the Director of Accounting Policy, Office of the Deputy Chief Financial Officer, should be contacted for the most current revision at (703) 697-6875 or DSN 227-6875.

1402 STANDARDS140201. Allocations

A. As stated in Chapter 3 of this volume, an allocation or suballocation must be made in writing and contain an original grantor signature or the electronic equivalent. However, Volume 14, Appendix A, of this Regulation permits the use of an automated system to communicate and record such fund subdivisions as long as a confirmation copy is provided to the recipient within a reasonable time, usually one month.

B. Allocations, suballocations, or their parts, that are not required to be further subdivided may be treated and recorded as allotments.

C. Allocations received are debited to accounts in the 4550, "Internal Fund Distributions Received" series, and credited to the appropriate unallotted allocations accounts in the 4560, "Funds Available for Allotment" series. Entries to these accounts are supported by applicable DoD Component allocation and suballocation documents.

140202. Allotments

A. An allotment is a formal distribution of an allocation or suballocation and must contain at least the same legal and other limitations applicable to the allocation or suballocation.

B. Since, generally, an oral allotment has no validity, allotments must be in writing. However, see enclosure 5, subsection I.4. of DoD Directive 7200.1, for use of expedited means of communication in emergencies. No form is prescribed; it may be designed to meet the needs of the allotter.

C. Allotments issued are credited to applicable accounts in the 4570, "Allotments Issued" series, and debited to the appropriate unallotted allocation account. Entries to these accounts are supported by applicable DoD Component allotment documents.

140203. Accounts. Figures 14-1 through 14-13 define the accounts used by intermediate-level accounting entities, and illustrate the entries for the transactions affecting them.

1403 ACCOUNT CLOSING PROCEDURES

140301. Notification to Departmental Level. The departmental-level accounting entity shall be informed of unallotted allocations of direct program authority to the installation level. (See paragraph 140302.A., below, 4561, "Unallotted Allocations - Direct Program - Current Period," and 4562, "Unallotted Allocations - Direct Program - Subsequent Periods.")

140302. Closing Procedures. After preparation of the prescribed budget execution reports, the following entries shall be made, at the expiration of the period of availability for obligation, to close expended amounts to the authorizing account for the expenditures and to withdraw any remaining program authority.

A. Direct Program Closing Entries

1. The entry to close unissued allocations (unallotted and withheld) remaining at the intermediate level is as follows:

Dr 4561	Unallotted Allocations - Direct Program - Current Period
Dr 4562	Unallotted Allocations - Direct Program - Subsequent Periods
Dr 4565	Unallotted Allocations - Withheld Programs
Cr 4550	Internal Fund Distributions Received

NOTE: The departmental-level accounting entity shall be informed of the amount of appropriated authority remaining unissued at fiscal year end in GLA 4561, "Unallotted Allocations - Direct Program - Current Period," and GLA 4562, "Unallotted Allocations - Direct Program - Subsequent Periods."

2. The entry to close allotments made to the installation level is as follows:

Dr 4571 Allotments Issued - Direct Program -
Current Period
Dr 4572 Allotments Issued - Direct Program -
Subsequent Periods
Dr 4575 Allotments Issued - Withheld Programs
Cr 4550 Internal Fund Distributions Received

B. Reimbursable Program Closing Entries

1. The entry to close allocations remaining unallotted to the installation level is as follows:

Dr 4563 Unallotted Allocations - Reimbursable
Program - Current Period
Dr 4564 Unallotted Allocations - Reimbursable
Program - Subsequent Periods
Cr 4550 Internal Fund Distributions Received

2. The entry to close allotments made to the installation level is as follows:

Dr 4573 Allotments Issued - Reimbursable Program -
Current Period
Dr 4574 Allotments Issued - Reimbursable Program -
Subsequent Periods
Cr 4550 Internal Fund Distributions Received

ACCOUNT 4550 INTERNAL FUND DISTRIBUTIONS RECEIVED

Debit Balance. Represents the amount of direct and reimbursable program authority received from departmental level by an intermediate-level activity. It also can represent the amount of suballocations received from another intermediate-level activity.

DebitCredit

The amount of allocations received.

The amount of allocations withdrawn.

Contra: 4560 series Funds Available for
Allotment

Contra: 4560 series Funds Available for
Allotment

Figure 14-1

ACCOUNT 4560 FUNDS AVAILABLE FOR ALLOTMENT

Credit Balance. Represents the amount of direct and reimbursable program authority available at an intermediate-level activity for allotment to installation-level activities, or suballocation to other intermediate-level activities.

DebitCredit

This account is a summary account

Do not post to this account

Figure 14-2

ACCOUNT 4561 UNALLOTTED ALLOCATIONS - DIRECT PROGRAM -
CURRENT PERIOD

Credit Balance. Represents the amount of current period, direct program obligational authority available at an intermediate-level for allotment to installation-level activities, or suballocation to other intermediate-level activities.

<u>Debit</u>	<u>Credit</u>
1. The amount of direct program obligational authority allotted for use during the current period.	1. The amount of direct program obligational authority for use during the current period allocated and available for allotment.
Contra: 4571 Allotments Issued - Direct Program - Current Period	Contra: 4550 Internal Fund Distributions Received
2. The amount of reductions in allocations of direct program obligational authority for use during the current period.	2. The amount of reductions in current period direct program obligational authority allotted.
Contra: 4550 Internal Fund Distributions Received	Contra: 4571 Allotments Issued - Direct Program - Current Period
	3. The amount of withheld program released.
	Contra: 4565 Unallotted Allocations - Withheld Programs

Figure 14-3

ACCOUNT 4562 UNALLOTTED ALLOCATIONS - DIRECT PROGRAM -
SUBSEQUENT PERIODS

Credit Balance. Represents the amount of subsequent period direct program obligational authority available at an intermediate-level activity for allotment to installation-level activities, or suballocation to other intermediate-level activities.

<u>Debit</u>	<u>Credit</u>
1. The amount of direct program obligational authority allotted for use during subsequent periods.	1. The amount of direct program obligational authority for use during subsequent periods allocated and available for allotment.
Contra: 4572 Allotments Issued - Direct Program - Subsequent Periods	Contra: 4550 Internal Fund Distributions Received
2. The amount of reductions in allocations of direct program obligational authority for use during subsequent periods.	2. The amount of reductions in subsequent period direct program obligational authority allotted.
Contra: 4550 Internal Fund Distributions Received	Contra: 4572 Allotments Issued - Direct Program - Subsequent Periods

Figure 14-4

ACCOUNT 4563 UNALLOTTED ALLOCATIONS - REIMBURSABLE PROGRAM -
CURRENT PERIOD

Credit Balance. Represents the amount of specifically apportioned current period reimbursable program authority available at an intermediate-level activity for allotment to installation-level activities, or suballocation to other intermediate-level activities.

<u>Debit</u>	<u>Credit</u>
1. The amount of reimbursable program authority allotted for use during the current period.	1. The amount of reimbursable program authority for use during the current period allocated and available for allotment.
Contra: 4573 Allotments Issued - Reimbursable Program - Current Period	Contra: 4550 Internal Fund Distributions Received
2. The amount of reductions in allocations of reimbursable program authority for use during the current period.	2. The amount of reductions in reimbursable program authority allotted for use during the current period.
Contra: 4550 Internal Fund Distributions Received	Contra: 4573 Allotments Issued - Reimbursable Program - Current Period

Figure 14-5

ACCOUNT 4564 UNALLOTTED ALLOCATIONS - REIMBURSABLE PROGRAM -
SUBSEQUENT PERIODS

Credit Balance. Represents the amount of specifically apportioned subsequent period reimbursable program authority available at an intermediate-level activity for allotment to installation-level activities, or suballocation to other intermediate-level activities.

<u>Debit</u>	<u>Credit</u>
1. The amount of reimbursable program authority allotted for use during subsequent periods.	1. The amount of reimbursable program authority allocated for use during subsequent periods and available for allotment.
Contra: 4574 Allotments Issued - Reimbursable Program - Subsequent Periods	Contra: 4550 Internal Fund Distributions Received
2. The amount of reductions in allocations of reimbursable program authority for use during subsequent periods.	2. The amount of reductions in reimbursable program authority allotted for use during subsequent periods.
Contra: 4550 Internal Fund Distributions Received	Contra: 4574 Allotments Issued - Reimbursable Program - Subsequent Periods

Figure 14-6

ACCOUNT 4565 UNALLOTTED ALLOCATIONS - WITHHELD PROGRAMS

Credit Balance. Represents the amount of withheld program allocations received from departmental level by intermediate-level activities.

<u>Debit</u>	<u>Credit</u>
1. The amount of withheld program released.	1. The amount of withheld programs allocated.
Contra: 4561 Unallotted Allocations - Direct Program - Current Period	Contra: 4550 Internal Fund Distributions Received
2. The amount of withheld programs allotted.	2. The amount of reductions in withheld programs allotted or suballocated.
Contra: 4575 Allotments Issued - Withheld Programs	Contra: 4575 Allotments Issued - Withheld Programs
3. The amount of reductions in withheld programs allocated.	
Contra: 4550 Internal Fund Distributions Received	

Figure 14-7

ACCOUNT 4570 ALLOTMENTS ISSUED

Credit Balance. Represents the amount of direct and reimbursable program authority allotted by intermediate-level activities to installation-level activities.

DebitCredit

This account is a summary account

Do not post to this account

Figure 14-8

ACCOUNT 4571 ALLOTMENTS ISSUED - DIRECT PROGRAM - CURRENT PERIOD

Credit Balance. Represents the amount of current period direct program authority allotted by intermediate-level activities to installation-level activities.

<u>Debit</u>	<u>Credit</u>
The amount of reductions in current period direct program authority allotted.	The amount of current period direct program authority allotted.
Contra: 4561 Unallotted Allocations - Direct Program - Current Period	Contra: 4561 Unallotted Allocations - Direct Program - Current Period

Figure 14-9

ACCOUNT 4572 ALLOTMENTS ISSUED - DIRECT PROGRAM -
SUBSEQUENT PERIODS

Credit Balance. Represents the amount of subsequent period direct program authority allotted by intermediate-level activities to installation-level activities.

<u>Debit</u>	<u>Credit</u>
The amount of reductions in current period direct program authority allotted.	The amount of subsequent period direct program authority allotted.
Contra: 4562 Unallotted Allocations - Direct Program - Subsequent Periods	Contra: 4562 Unallotted Allocations - Direct Program - Subsequent Periods

Figure 14-10

ACCOUNT 4573 ALLOTMENTS ISSUED - REIMBURSABLE PROGRAM -
CURRENT PERIOD

Credit Balance. Represents the amount of current period reimbursable program authority allotted by intermediate-level activities to installation-level activities.

<u>Debit</u>	<u>Credit</u>
The amount of reductions in current period reimbursable program authority allotted.	The amount of current period reimbursable program authority allotted.
Contra: 4563 Unallotted Allocations - Reimbursable Program - Current Period	Contra: 4563 Unallotted Allocations - Reimbursable Program - Current Period

Figure 14-11

ACCOUNT 4574 ALLOTMENTS ISSUED - REIMBURSABLE PROGRAM -
SUBSEQUENT PERIODS

Credit Balance. Represents the amount of subsequent period reimbursable program authority allotted by intermediate-level activities to installation-level activities.

<u>Debit</u>	<u>Credit</u>
The amount of reductions in current period reimbursable program authority allotted.	The amount of subsequent period reimbursable program authority allotted.
Contra: 4564 Unallotted Allocations - Reimbursable Program - Subsequent Periods	Contra: 4564 Unallotted Allocations - Reimbursable Program - Subsequent Periods

Figure 14-12

ACCOUNT 4575 ALLOTMENTS ISSUED - WITHHELD PROGRAMS

Credit Balance. Represents the amount of withheld programs allotted by intermediate-level activities to installation-level activities.

<u>Debit</u>	<u>Credit</u>
The amount of withheld programs withdrawn.	The amount of withheld programs allotted.
Contra: 4565 Unallotted Allocations - Withheld Programs	Contra: 4565 Unallotted Allocations - Withheld Programs

Figure 14-13

CHAPTER 15

RECEIPT AND USE OF BUDGETARY RESOURCES

EXECUTION LEVEL1501 GENERAL

150101. Purpose. The purpose of this chapter is to prescribe departmental standards for recording transactions in the execution-level budgetary accounts.

150102. Applicability and Scope. All DoD accounting entities that are involved with budget execution transactions; that is, those transactions outlined in paragraph 150103.A., below, shall use the execution-level budgetary accounts prescribed in this chapter. However, not all of the accounts will apply to all accounting entities, and subsidiary accounts may be established, as needed, by an accounting entity.

150103. Overview

A. The execution-level budgetary accounts are used to record the majority of day-to-day budget execution transactions. This chapter discusses the accounting standards in the following order:

1. Receipt of allotments;
2. Commitments;
3. Obligations;
4. Reimbursements; and
5. Use of contract authority.

B. The transactions discussed frequently will require a compound entry; that is, entries must be made in both the budgetary accounts and in the asset, liability, and equity accounts. The entries in the asset, liability, and equity accounts will not be covered in this chapter.

C. Revisions. The Department currently is revising its general ledger account structure to ensure consistency with the U.S. Government Standard General Ledger published by the Treasury Department. Although that process has commenced, it has not yet completed. Therefore, before the accounts contained in this chapter are used in an automated system, the Director of Accounting Policy, Office of the Deputy Chief Financial Officer, should be contacted for the most current revision at (703) 697-6875 or DSN 227-6875.

1502 STANDARDS150201. Allotments ReceivedA. Requirements

1. An allotment is a distribution of budget authority to an execution-level accounting entity. It authorizes the incurrence of obligations within a specified amount. Suballotments may be used to further subdivide the budget authority. As accounting for a suballotment is the same as accounting for an allotment, only the term allotment will be used in this chapter.

2. Although an allotment document format is not prescribed, it must disclose specific classifications and limitations that must be tracked in the accounting records. For instance, an appropriation committee may state that a specific amount has been added to an appropriation for a certain purpose. To ensure that the congressional intent is accomplished, the accounting entity receiving an allotted share of such budget authority shall account for it, and for the undelivered orders and accrued expenditures incurred against that share.

B. Accounting Entries

1. GLA 4580, "Allotments Received," (figure 15-41) is used to record allotments of direct program authority received by an execution-level accounting entity.

2. Allotments of Appropriated Authority. If an allotment document provides the basis, the credits shall be segregated among the accounts established for the current period, subsequent periods, and withheld amounts (pending completion of action necessary for release). Figures 15-41 through 15-47 define the accounts used to classify uncommitted/unobligated allotments, and illustrate the entries for transactions affecting them. The general ledger accounting entry for recording receipt of an allotment of appropriated (direct program) authority follows:

a. Allotment Immediately Available for Obligation

Dr 4580 Allotments Received
Cr 4611 Uncommitted/Unobligated Obligation
Authority - Direct Program-Available

b. Allotment Not Immediately Available for Obligation

Dr 4580 Allotments Received
Cr 4591 Uncommitted/Unobligated Obligation Authority-
Available in Subsequent Periods
4592 Uncommitted/Unobligated Obligation Authority-
Availability Withheld

150202. CommitmentsA. Requirements

1. A commitment is an administrative reservation of funds based upon firm procurement requests, orders, directives, and equivalent instruments. Since an obligation equal to or less than the commitment may be incurred without further recourse to an authorizing official, commitments are required for some appropriations (see subparagraph 150202.A.5) and are permissible for others. Commitments, when recorded in the accounting records, reduce the uncommitted/unobligated balance. A commitment document shall be signed by a person authorized to reserve funds; that is, the official responsible for administrative control of funds for the affected subdivision of the appropriation. This helps ensure that the subsequent entry of an undelivered order or accrued expenditure will not exceed available funds.

2. Chapter 8 of this volume contains the detailed requirements for estimating and recording the amounts of commitments.

3. A commitment generally is not recordable from an action document approving a procurement program because execution of the program requires specific actions to reserve all or part of the subdivision of funds made available to the program. The program approval may be recorded as an initiation. (See subparagraph 150202.A.4., below.) Also, a commitment usually is not recordable from an order to commence procurement since such orders generally are not firm reservations permitting the recording of an obligation without recourse to the person authorized to reserve funds. Such orders also may be recorded as initiations.

4. Initiations are entered into memorandum accounts to ensure that precommitment actions, such as approved procurement programs and procurement orders, are maintained within the available subdivision of funds. An initiation results in an administrative reservation of funds based upon procurement orders, requests, or equivalent instruments. It authorizes preliminary negotiation of procurement actions, but requires that the action must be referred to the official responsible for administrative control of funds prior to incurrence of the obligation. Since initiations are not part of the official accounting requirements, allotment issuers or receivers who require initiation accounting shall ensure that the procedures and practices are cost effective. Synonyms for the term “initiation” may be used.

5. Commitment accounting is required by agreement with the OMB for the procurement appropriation accounts; military construction appropriation accounts; and the research, development, test and evaluation appropriation accounts. However, commitments need not be recorded for small purchases if, in the aggregate, they are not significant in the management of funds. Commitment accounting is not required for the operation and maintenance appropriation accounts, revolving fund accounts, or the military personnel appropriation accounts, but may be used if cost effective.

6. Outstanding commitments shall be canceled as of the end of the period that the appropriation is available for obligation. There can be no commitments in expired appropriation accounts.

B. Accounting Entries

1. Commitments are recorded as follows:

Dr 4611 Uncommitted/Unobligated Allotments -
 Direct Program - Current Period
 Dr 4614 Uncommitted/Unobligated Allotments -
 Reimbursable Program - Current Period
 Cr 4710 Outstanding Commitments - Direct Program
 Cr 4720 Outstanding Commitments - Reimbursable Program

2. Outstanding commitments are reduced when an undelivered order or Expended Authority entry is made. The entry is as follows:

Dr 4710 Outstanding Commitments - Direct Program
 Dr 4720 Outstanding Commitments - Reimbursable Program
 Cr 4811 Undelivered Orders - Unpaid - Direct Program
 Cr 4812 Undelivered Orders - Paid - Direct Program
 Cr 4821 Undelivered Orders - Unpaid - Reimbursable Program
 Cr 4822 Undelivered Orders - Paid - Reimbursable Program
 Cr 4910 Expended Authority-Unpaid - Direct Program
 Cr 4920 Expended Authority-Unpaid - Reimbursable Program
 Cr 4931 Expended Authority-Paid - Direct Program
 Cr 4941 Expended Authority-Paid - Reimbursable Program
 Dr/Cr 4611 Uncommitted/Unobligated Allotments -
 Direct Program - Current Period
 4614 Uncommitted/Unobligated Allotments -
 Reimbursable Program - Current Period
 (GLAs 4611/4614 are increased [credited] or decreased [debited] if the undelivered order or accrued expenditure differs from the outstanding commitment)

3. Figures 15-51 through 15-53 define the outstanding commitment accounts and illustrate the effect of entries 1 and 2.

150203. Obligations

A. Requirements

1. Obligations incurred are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require

payment during the same or a future period. Such amounts include payments for which obligations have not previously been recorded, and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations.

2. The execution-level budgetary account structure requires that the amount of obligations incurred be segregated into undelivered orders and Expended Authority - Paid or Expended Authority - Unpaid. The Expended Authority - Paid is the definitive final obligation incurred. It shall be recorded regardless of whether the preceding steps of ordering (undelivered order) and delivery (Expended Authority - Unpaid) were recorded. It is not necessary for the order and delivery transaction to be recorded in the budgetary accounts after the fact.

3. “Expended Authority” is the term used for the credits entered into the budgetary accounts to recognize liabilities incurred and payments made for (a) services performed by employees, contractors, other government accounting entities, vendors, carriers, grantees, lessors, etc.; (b) goods and other tangible property received; and (c) items such as annuities or insurance claims for which no current service is required. In the DoD execution-level budgetary accounts, Expended Authority is categorized either as paid or unpaid. Entries to the Expended Authority accounts require a compound entry to affect the asset, liability, and equity accounts. The asset, liability, and equity account entries are discussed in other parts of this Regulation.

4. Undelivered orders are contracts or orders issued for goods and services for which the liability has not yet accrued. The orders may be for any goods or services that are required to meet a bona fide need of the issuing entity.

5. Reductions or cancellations of prior year obligations in no-year and unexpired multiple-year accounts shall be reported specifically in budget execution reports. (See Volume 6, Chapter 4 of this Regulation.) GLA 4310, “Anticipated Recoveries of Prior Year Obligations,” shall not be used without prior approval of the Directorate for Accounting Policy, OUSD(C).

6. Chapter 8 of this volume contains the detailed requirements for determining and recording the amounts of obligations.

B. Accounting Entries. Obligations are recorded as follows:

1. The entry to record an undelivered order (without an advance payment) preceded by a commitment:

Dr 4710 Outstanding Commitments - Direct Program
Cr 4811 Undelivered Orders - Unpaid - Direct Program
Dr/Cr 4611 Uncommitted/Unobligated Allotments - Direct
Program - Current Period

Dr 4720 Outstanding Commitments - Reimbursable Program
Cr 4821 Undelivered Orders - Unpaid - Reimbursable Program
Dr/Cr 4614 Uncommitted/Unobligated Allotments - Reimbursable Program - Current Period
(GLAs 4611/4614 are increased [credited] or decreased [debited] if the undelivered order differs from the outstanding commitment)

2. The entry to record an undelivered order (without an advance payment) not preceded by a commitment:

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program - Current Period
Cr 4811 Undelivered Orders - Unpaid - Direct Program

Dr 4614 Uncommitted/Unobligated Allotments - Reimbursable Program - Current Period
Cr 4821 Undelivered Orders - Unpaid - Reimbursable Program

3. The entry to record an undelivered order (with an advance payment, such as a travel advance) not preceded by a commitment:

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program - Current Period
Cr 4812 Undelivered Orders - Paid - Direct Program (amount of advance)
Cr 4811 Undelivered Orders - Unpaid - Direct Program (net obligation)

Dr 4614 Uncommitted/Unobligated Allotments - Reimbursable Program - Current Period
Cr 4822 Undelivered Orders - Paid - Reimbursable Program (amount of advance)
Cr 4821 Undelivered Orders - Unpaid - Reimbursable Program (net obligation)

NOTE: Entries to GLAs 4812 and 4822 require a compound entry to debit the GLA series 1400, "Advances and Prepayments," and credit GLA 1012, "Funds Disbursed."

4. The entry to recognize an Expended Authority-Unpaid for delivery of goods or performance of services when an undelivered order-without advance has been recorded:

Dr 4811 Undelivered Orders - Unpaid - Direct Program
Cr 4910 Expended Authority-Unpaid - Direct Program
Dr/Cr 4611 Uncommitted/Unobligated Allotments -
Direct Program - Current Period

Dr 4821 Undelivered Orders - Unpaid - Reimbursable Program
Cr 4920 Expended Authority-Unpaid - Reimbursable
Program
Dr/Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period
(GLAs 4611/4614 are increased [credited] or decreased [debited] if the
Expended Authority-Unpaid differs from the undelivered order)

NOTE: Entries to GLAs 4910 and 4920 require a compound entry to credit the GLA series 2000, "Liabilities," and debit the GLA series 1000, "Assets," or GLA series 6000, "Expense," as appropriate.

5. The entry to recognize Expended Authority-Unpaid when an undelivered order or commitment has not been recorded:

Dr 4611 Uncommitted/Unobligated Allotments-Direct Program-
Current Period
Cr 4910 Expended Authority Unpaid - Direct Program

Dr 4614 Uncommitted/Unobligated Allotments - Reimbursable
Program - Current Period
Cr 4920 Expended Authority-Unpaid - Reimbursable
Program

NOTE: Entries to GLAs 4910 and 4920 require a compound entry to credit the GLA series 2000, "Liabilities," and debit the GLA series 1000, "Assets," or GLA series 6000, "Expense," as appropriate.

6. The entry to recognize Expended Authority-Paid when Expended Authority-Unpaid has been recorded:

Dr 4910 Expended Authority-Unpaid - Direct Program
Cr 4931 Expended Authority-Paid - Direct Program
Dr/Cr 4611 Uncommitted/Unobligated Allotments -
Direct Program Available

Dr 4920 Expended Authority-Unpaid - Reimbursable Program
Cr 4941 Expended Authority-Paid - Reimbursable Program
Dr/Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program

(GLAs 4611/4614 are increased [credited] or decreased [debited] if the Expended Authority-Paid differs from the Expended Authority-Unpaid)

7. The entry to recognize Expended Authority-Paid when an Undelivered Order-Paid has been recorded:

Dr 4812 Undelivered Orders - Paid - Direct Program
Cr 4931 Expended Authority-Paid - Direct Program

Dr 4822 Undelivered Orders - Paid - Reimbursable Program
Cr 4941 Expended Authority-Paid - Reimbursable Program

NOTE: Entries to GLAs 4931 and 4941 require a compound entry to debit GLA series 1400, "Advances and Prepayments," and to credit GLA 1012, "Funds Disbursed."

8. The entry to recognize Expended Authority-Paid when Expended Authority-Unpaid, an undelivered order, or commitment has not been recorded:

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program - Available
Cr 4931 Expended Authority-Paid - Direct Program

Dr 4614 Uncommitted/Unobligated Allotments - Reimbursable Program
Cr 4941 Expended Authority-Paid - Reimbursable Program

NOTE: Entries to GLAs 4931 and 4941 require a compound entry to debit GLA series 1000, "Assets," or GLA series 6000, "Expense," and to credit GLA 1012, "Funds Disbursed."

9. The entry to recognize a refund due of a previously made payment:

Dr 4931 Expended Authority-Paid - Direct Program
Cr 4932 Expended Authority - Refunds Due - Direct Program

Dr 4941 Expended Authority-Paid - Reimbursable Program
Cr 4942 Expended Authority - Refunds Due - Reimbursable Program

NOTE: Entries to GLAs 4932 and 4942 require a compound entry to debit GLA, 1315, "Refunds Receivable - Government" or GLA 1316, "Refunds Receivable - Public" and to credit the GLA series 1000, "Assets" or GLA series 6000, "Expense," as appropriate.

10. The entry to recognize the collection of a refund due of a previously made payment:

Dr 4932 Expended Authority - Refunds Due - Direct Program
Cr 4611 Uncommitted/Unobligated Allotments - Direct
Program - Current Period

Dr 4942 Expended Authority - Refunds Due - Reimbursable
Program
Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period

NOTE: Entries to GLAs 4932 and 4942 require a compound entry to debit GLA, 1011, "Funds Collected" and to credit the GLA 1315, "Refunds Receivable - Government" or GLA 1316, "Refunds Receivable - Public."

11. The entry to recognize disbursements reported by the Treasury Department and departmental (or other) finance network that are not immediately distributable at the execution level (such as, disbursements that fail local edit routines) is as follows:

Dr 4910 Expended Authority-Unpaid - Direct Program
Dr 4920 Expended Authority-Unpaid - Reimbursable Program
Cr 4950 Expended Authority-Paid - Undistributed

NOTE: Entries to GLA 4950 require a compound entry to debit GLA 1015, "Undistributed Disbursements," and credit GLA 1012, "Funds Disbursed."

12. Undistributed disbursements shall be researched to identify the proper fund to which they apply. Erroneously reported disbursements shall be reversed. The accounting entry to record disbursements after their proper identification is known is as follows:

Dr 4950 Expended Authority-Paid - Undistributed
Cr 4931 Expended Authority-Paid - Direct Program
Cr 4941 Expended Authority-Paid - Reimbursable Program

13. The entry to record recovery of a prior year direct program obligation in a no-year or unexpired multiple-year account is as follows:

Dr 4811 Undelivered Orders - Unpaid - Direct Program
Dr 4910 Expended Authority-Unpaid - Direct Program
Cr 4971 Downward Adjustments of Prior Year Expended
Authority - Unpaid

Dr 4931 Expended Authority-Paid - Direct Program
Dr 4812 Undelivered Orders - Paid -Direct Program
Cr 4972 Downward Adjustments of Prior Year Expended
Authority - Paid

14. The entry to record recovery of a prior year reimbursable program obligation in a no-year or unexpired multiple-year account is as follows:

Dr 4821 Undelivered Orders - Unpaid - Reimbursable Program
Cr 4871 Downward Adjustments of Prior Year
Undelivered Orders-Unpaid

Dr 4920 Expended Authority-Unpaid - Reimbursable Program
Cr 4971 Downward Adjustments of Prior Year Expended
Authority - Unpaid

Dr 4822 Undelivered Orders - Paid Reimbursable Program
Cr 4872 Downward Adjustments of Prior Year
Undelivered Orders-Paid

Dr 4941 Expended Authority-Paid - Reimbursable Program
Cr 4972 Downward Adjustment of Prior Year Expended
Authority - Paid

15. Figures 15-46 through 15-74 define the obligation accounts and illustrate the effects of entries (1) through (14).

150204 Reimbursements

A. Requirements

1. General

(a) Reimbursements to appropriations (appropriation reimbursements) are amounts earned and collected for property sold or services furnished either to the public or another federal accounting entity. To be considered an appropriation reimbursement, the collection must be authorized by law for credit to the specific appropriation or fund account. Within the Department, a reimbursement program must be authorized for the account by the USD(C) through the budget preparation process and statutory authorization of the budget through the authorization and appropriation process. Except for refunds, collections that are not authorized as appropriation reimbursements shall be deposited to the general fund of the U. S. Treasury as miscellaneous receipts. (Refunds normally are deposited to the appropriation account from which the original disbursement was made.)

(b) In general, collections in the absence of an authorized reimbursable program for DoD goods and services do not create budgetary resources. Except for refunds, such collections shall be deposited to the general fund of the U. S. Treasury as miscellaneous receipts unless the deposit to an appropriation or fund is authorized by law. Volume 11A, Chapter 3 of this Regulation contains the general statement of policy and requirements when work is performed or materiel is provided to private parties.

2. Anticipated Reimbursements

a. Anticipated reimbursements are, in the case of transactions with the public, estimated collections comprising advances expected to be received and reimbursements expected to be earned. In transactions between U.S. Government accounting entities, anticipated reimbursements consist of orders expected to be received, but for which no orders have been accepted. Anticipated reimbursements may not be used as a source of obligational authority until a customer order is accepted unless such use specifically is authorized in statute. The primary example of the use of anticipated reimbursements to create obligational authority is a revolving fund, in which anticipated reimbursements underlie apportionments of contract authority.

b. An allotted reimbursable program does not constitute authority to incur obligations. Obligations may be incurred only upon acceptance of a customer order. The reimbursable program does not have to be specifically allotted. Apportionment, allocation, and allotment of the reimbursable program may be treated as “automatic” when written OMB approval is obtained by the DoD Component responsible for the appropriation concerned. OMB approval is dependent upon meeting the criteria for automatic apportionment of reimbursements contained in Chapter 2 of this volume.

3. Customer Orders

a. Accepted customer orders establish obligational authority in a performing allotment. Unfilled customer orders are the amounts of orders accepted from other accounting entities within the U.S. Government for goods and services to be furnished on a reimbursable basis; or, in the case of transactions with the public, are amounts collected in advance for which the accounting entity has not yet performed as requested. On an exception basis, there may be orders from the public received and accepted without payment in advance, but only when specifically permitted by statute. Acceptance of a customer order requires that the performing accounting entity agree in writing to perform the work for the requesting (customer) accounting entity. Volume 11A of this Regulation discusses the forms that are used to document these requests and acceptances. GLA 4221, “Unfilled Customer Orders - Unpaid - Automatic Apportionment,” GLA 4222, “Unfilled Customer Orders - Unpaid - Specific Apportionment,” GLA 4223, “Unfilled Customer Orders - Paid - Automatic Apportionment,” and GLA 4224, “Unfilled Customer Orders - Paid - Specific Apportionment,” are the execution-level budgetary accounts that are used, as applicable, to record obligational authority for the reimbursable program. Corresponding amounts are recorded in GLA 4614, “Uncommitted/Unobligated Allotments - Reimbursable Program - Current Period.” An allotment of reimbursable program

authority, whether specific or automatic, authorizes the reimbursable program. It does not establish obligational authority.

b. In the case of multiple-year appropriation accounts whose periods of availability for obligation overlap, reimbursable customer orders and their related transactions shall be applied only to the most current account available during the period the orders were received. In other words, new customer orders may not be recorded in a multiple-year appropriation account after its first year of availability.

4. Unearned Revenue. Unearned revenue is the amount recognized as received by a performing organization in the form of advance payments for the future delivery of goods, services, or other assets. GLA 4223, “Unfilled Customer Orders - Paid - Automatic Apportionment,” and GLA 4224, “Unfilled Customer Orders - Paid - Specific Apportionment,” are the execution-level budgetary accounts that are used as applicable to record reimbursable orders accepted with advance payment. Compound entries must be made to recognize advance payments in both the budgetary accounts and asset and liability accounts. The proprietary accounting entries are illustrated in Volume 4, Chapter 13 of this Regulation. (See GLA 2300, “Unearned Revenues (Advances)”.)

5. Earned Reimbursements

a. An earned reimbursement is the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, it is at the point of recognition of an accrued expenditure--paid or unpaid--that compound entries must be made to record the performance and earnings in both the budgetary accounts and in the asset, liability, and equity accounts. However, reimbursable orders received and accepted with payment in advance require a compound entry to credit GLA 2300, “Unearned Revenues (Advances),” and debit GLA 1011, “Funds Collected.” (See subparagraph 150204 A.4., above.)

b. Generally, reimbursements shall recover the cost elements set forth in Volume 11A of this Regulation. However, other billing prices may be established when specifically authorized by a DoD issuance (e.g., directive or instruction). See Volume 11A for additional guidance.

c. Reimbursements shall be accounted for separately by the accounting entity having responsibility for collection. Appropriate billing documents indicating the specific property delivered or services rendered, quantities, dollar amounts, and reference to each customer order shall be maintained.

d. Earned reimbursements shall be recorded and billed promptly in the accounting period earned. However, see the waiver of billing of small amounts in Chapter 1, Volume 11A of this Regulation.

e. Collections from DoD accounting entities generally should be made without the use of checks through processing the billing and collecting entries simultaneously in the disbursing officers' accounts. The requesting accounting entity shall record its obligations in accordance with the standards for recognition of obligations in Volume 3, Chapter 8 of this Regulation.

6. Sales from Inventory. For FMS and non-FMS sales of items from inventory, a determination first must be made whether the item requires replacement, that there is a replacement-in-kind, or that it will not be replaced (free assets). FMS sales of free assets shall be deposited in the U. S. Treasury as miscellaneous receipts, or in the Special Defense Acquisition Fund. Earnings from all other sales from inventory (items requiring replacement, replacement-in-kind and non-FMS free assets) are available for obligation up to account expiration. Collections shall be made before obligations can be incurred for reprocurement. If the item sold is to be replaced with an identical item (replacement-in-kind), the reimbursement from the sale shall be included in reimbursable financing, and the buy-back of the item in the reimbursable program. If the replacement will not be identical to the item sold, the reimbursement from the sale will be included under reimbursable financing, but the buy-back of the replacement shall be shown under the direct budget program and reprogramming action taken prior to replacement.

B. Accounting Entries

1. Allotments of Anticipated Reimbursable Program Authority. At the beginning of each fiscal year an entry shall be made to record an allotment of anticipated reimbursable program authority. For an automatically apportioned reimbursable program (the predominant type within the Department), an estimate of the expected reimbursable program shall be entered. For a specifically apportioned reimbursable program, the exact amount specified in the allotment device shall be entered. An estimate of automatically apportioned reimbursable authority may be revised, upward or downward, by the performing activity at any time during a fiscal year to reflect the current estimate. The specifically apportioned reimbursable program authority may not be revised unless a revised allotment device is requested and received. The general ledger accounting entry for recording an allotment of authority to accept reimbursable orders is as follows:

Dr 4210 Anticipated Reimbursements
 Cr 4593 Specifically Apportioned Reimbursable Program
 or
 Cr 4594 Automatically Apportioned Reimbursable
 Program

NOTE: An allotment of anticipated reimbursable program authority does not provide obligation authority. An allotment of anticipated reimbursable program authority provides only authority to accept reimbursable orders. The accepted reimbursable order provides the obligation authority.

2. Acceptance of Customer Orders.

a. Specifically Apportioned Reimbursable Program. The entry for acceptance of a customer order under specific apportionment is as follows:

Dr 4593 Specifically Apportioned Reimbursable Program
Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program

Dr 4221 Unfilled Customer Orders - Unpaid

or

Dr 4222 Unfilled Customer Orders - Paid
Cr 4210 Anticipated Reimbursements

b. Automatically Apportioned Reimbursable Program. The entry for acceptance of a customer order when automatic apportionment is approved is as follows:

Dr 4594 Automatically Apportioned Reimbursable Program
Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable program

Dr 4221 Unfilled Customer Orders - Unpaid

or

Dr 4222 Unfilled Customer Orders - Paid
Cr 4210 Anticipated Reimbursements

3. The accounting entry for recording an earned reimbursement is as follows (collected and uncollected accounts are used as applicable):

Dr 4251 Reimbursements and Other Income Earned - Receivable
Cr 4221 Unfilled Customer Orders - Unpaid

Dr 4252 Reimbursements and Other Income Earned - Collected
Cr 4222 Unfilled Customer Orders - Paid

4. The accounting entry for acceptance of a progress payment (treated as an earned reimbursement) in advance of order completion is as follows:

Dr 4222 Unfilled Customer Orders - Paid
Cr 4221 Unfilled Customer Orders - Unpaid

5. The accounting entry for recording a collection reported by the Treasury Department and departmental (or other) finance network that is not immediately

distributable at the execution level; for example, a collection that fails a local edit routine, is as follows:

Dr 4253 Reimbursements and Other Income Earned - Collected -
Undistributed
Cr 4251 Reimbursements and Other Income Earned -
Receivable

6. Undistributed collections shall be researched to identify the proper fund to which they apply. Erroneously reported collections shall be reversed. The accounting entry to record collections after their proper identification is known is as follows:

Dr 4252 Reimbursements and Other Income Earned - Collected
Cr 4253 Reimbursements and Other Income - Collected -
Undistributed

7. Figures 15-11 through 15-17, 15-44 and 15-45 define the accounts used for reimbursements and illustrate the entries for the implementing transactions.

C. The standards for recording transactions in the Receivables and revenue accounts are in Volume 4, Chapters 3 and 18 of this Regulation.

150205 Borrowing Authority

A. Requirements

1. Borrowing authority is statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. Within the Department, borrowing authority is used for mortgage assumptions under the Homeowners Assistance Program. (See DoD Directive 5100.54.)

2. Borrowing authority shall be established as needed by the acquisition of property subject to a mortgage, and withdrawn upon payment of the mortgage principal. When the mortgage is assumed by a buyer, the borrowing authority is disestablished.

3. The Homeowners Assistance Fund has both an expenditure account and a borrowing account. The transaction classification codes for reporting to the Treasury Department are:

(22) 97X4090 - Expenditure account transactions

(87) 97X4090 - Borrowing account decreases

(97) 97X4090 - Borrowing account increases

4. The accrued expenditures for the acquisition of homes subject to mortgages payable that are assumed by the U.S. Government shall include the amount of the mortgage balance payable. The accrued revenues for the sale of homes subject to mortgages payable that are assumed by the buyer shall include the amount of the mortgage balance payable. Homes may be sold subject to another loan of all or part of the cash purchase price to the new buyer. In this case, the U.S. Government has a second mortgage on the home. The revenue for the sale includes this mortgage receivable.

5. The assumption of a mortgage payable by the U.S. Government is an increase in the borrowing account. The payments on the mortgage principal are decreases in the borrowing account. The assumption of the mortgage balance payable by a buyer is a decrease in the borrowing account. The borrowing account is equal to borrowing authority.

6. Simultaneous asset, liability, revenue, and expense accounting is required and described in the applicable chapters.

B. Accounting Entries

1. To record the acquisition of a home when a mortgage is assumed:

Dr 4142 Current Year Borrowing Authority Realized - Indefinite
(Mortgage Principal)

Dr 4611 Allotments Realized - Direct program (Cash Payments)
Cr 4931 Expended Authority-Paid - Direct Program

NOTE: The total acquisition cost of the property including the mortgage payable shall be coded (22) in disbursement reports to the Treasury Department in accordance with Volume 6, Chapter 3 of this Regulation. The amount of the mortgage assumed is reported as a reimbursement with prefix (97) - an increase in the borrowing account.

2. The entry when a mortgage payment is made is as follows:

Dr 4143 Borrowing Authority - Withdrawn
Cr 4142 Current Year Borrowing Authority Realized -
Indefinite

NOTE: To record payment on the principal. This is coded (87) in disbursement reports to the Treasury Department in accordance with Volume 6, Chapter 3 of this Regulation - a decrease in the borrowing account.

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program-
Available
Cr 4931 Expended Authority-Paid - Direct Program

NOTE: To record payment of interest on the mortgage. This is coded (22) in disbursement reports to the Treasury Department in accordance with Volume 6, Chapter 3 of this Regulation.

3. To record the sale of a home with divestment of the mortgage:

Dr 4252 Reimbursements and Other Income Earned - Collected
Cr 4142 Borrowing Authority - Indefinite

NOTE: The total sale price of the property including the mortgage payable shall be coded (22) in disbursement reports to the Treasury Department. The amount of the existing mortgage assumed by the buyer is reported as a disbursement with prefix (87) - a decrease in the borrowing account.

4. Figures 15-1 through 15-9 define the borrowing authority accounts and illustrate the entries for the above transactions.

1503 ACCOUNT ADJUSTMENTS AND ACCOUNT CLOSING PROCEDURES

150301. Adjustments to No-Year, Expiring, and Nonexpiring Multiple-Year Appropriation Accounts. At fiscal year end, installations shall ensure that obligational authority and obligations are accurately stated in view of the most current information available. Actions to accomplish these fiscal year end adjustments include the following:

A. Review and validate unfilled orders under the Economy Act (31 U.S.C. 1535). Cancel those orders funded from expiring accounts, or the portion thereof that will not be obligated by fiscal year end. Notify ordering activities of order reductions that affect their obligations and fund availability.

B. Review and validate unfilled project orders funded by expiring accounts. Cancel those orders that will not be started by January 1 of the ensuing fiscal year. Notify ordering activities of order reductions that affect their obligations and fund availability.

C. Review anticipated reimbursements to eliminate anticipated reimbursements for orders not accepted.

D. Review estimated obligations for possible overstatement or understatement.

E. Review obligations for goods and services ordered. Cancel orders or contracts for goods or services that are no longer needed or that are not likely to be delivered, and deobligate the appropriate amounts.

F. Review obligations for goods received for which payment has not yet been made. Return goods that are no longer needed and recover the amounts obligated.

150302. Adjustments to Expiring Accounts Only

A. Cancel outstanding commitments in expiring accounts. Outstanding commitments shall be canceled as of the end of the period that an appropriation is available for obligation. There can be no commitments in expired accounts. The entries to cancel outstanding commitments are as follows:

Dr 4710 Outstanding Commitments - Direct Program
Cr 4611 Uncommitted/Unobligated Allotments - Direct Program-
Available

Dr 4720 Outstanding Commitments - Reimbursable Program
Cr 4614 Uncommitted/Unobligated Allotments - Reimbursable
Program

B. Review completed customer orders to restore reimbursable program obligational authority made available that was in excess of performance cost. To the extent that restored funds are not returned, unobligated amounts that have been earned, but remain uncollected, shall be eliminated from the expiring appropriation account and established against the miscellaneous receipt account to which the collection is to be deposited. The unobligated balance associated with such earnings will thus be eliminated.

C. Reduce the balance in the Unfilled Orders accounts (GLA series 4220) to the amount of valid remaining uncompleted customer orders only.

D. Eliminate any balance remaining in Anticipated Reimbursements accounts (GLA series 4210).

150303. Adjustments to Canceled Appropriation Accounts Only. Upon cancellation of an appropriation, and prior to normal closing entries, cancel all obligations (undelivered orders and unpaid Expended Authority) and uncollected reimbursements. The entry to cancel obligations is:

Dr 4800 Series Undelivered Orders
Dr 4900 Series Expended Authority-Unpaid
Cr 4580 Allotments Received

The entry to cancel uncollected reimbursements is:

Dr 4220 Unfilled Customer Orders
Cr 4251 Reimbursements and Other Income Earned - Receivable

150305. Report Preparation. After completion of the adjustments identified above, budget execution reports shall be prepared as specified in Volume 6, Chapter 4 of this Regulation.

150306. Closing Procedures. After preparing the prescribed budget execution reports, the following entries shall be made for expired accounts and no-year accounts to close expended and unobligated amounts to the authorizing account.

A. Direct Program Closing Entries

1. Appropriated Authority

a. The entry to close the Expended Authority - Paid accounts is as follows:

Dr 4931 Expended Authority-Paid - Direct Program
Cr 4580 Allotments Received

b. The entry to close uncommitted and unobligated direct program allotment balances is as follows:

Dr 4611 Uncommitted/Unobligated Allotments -
Direct Program - Available
Dr 4591 Uncommitted/Unobligated Obligation Authority-
Available in Subsequent Periods
Dr 4592 Uncommitted/Unobligated Obligation Authority-
Availability Withheld
Cr 4650 Allotments - Expired Authority

c. The entry to close the accounts for recoveries of prior year direct program obligations and expenditures applicable to expired appropriations is as follows:

Entry to Close Upward Obligation Adjustments

Dr 4811 Undelivered Orders-Unpaid-Direct Program
Dr 4812 Undelivered Orders-Paid-Direct Program
Dr 4910 Expended Authority-Unpaid-Direct Program
Cr 4880 Upward Adjustments of Prior-Year Undelivered Orders

Entry to Close Upward Expenditure Adjustments

Dr 4931 Expended Authority-Paid-Direct Program
Cr 4981 Upward Adjustments of Prior-Year Expended Authority

Entry to Close Downward Obligation Adjustments

Dr 4870 Downward Adjustments of Prior-Year Obligations
Cr 4811 Undelivered Orders-Unpaid-Direct Program
Cr 4812 Undelivered Orders-Paid-Direct Program
Cr 4910 Expended Authority-Unpaid-Direct Program

Entry to Close Downward Expenditure Adjustments

Dr 4971 Downward Adjustments of Prior-Year Expended Authority
Cr 4931 Expended Authority-Paid-Direct Program

2. Borrowing Authority. The entry to reduce expenditures paid in the Homeowners' Assistance Program by the amount of principal payments received is as follows:

Dr 4931 Expended Authority-Paid - Direct Program
Cr Actual Reductions to Borrowing Authority

B. Reimbursable Program Closing Entries

1. Specifically Apportioned Reimbursable Authority

a. The entry to close unrealized anticipated reimbursable program authority is as follows:

Dr 4593 Specifically Apportioned Reimbursable Program
Cr 4210 Anticipated Reimbursements

b. The entry to close reimbursable program expenditures paid is as follows:

Dr 4941 Expended Authority-Paid - Reimbursable
Program
Cr 4201 Total Actual Resources

c. The entry to close earned reimbursements which have been collected is as follows:

Dr 4201 Total Actual Resources
Cr 4252 Reimbursements Earned - Collected

d. The entries to close the accounts for recoveries of prior year specifically apportioned reimbursable program obligations and expenditures of the unexpired portion of multiple-year and no-year appropriations are the same as those shown in subparagraph 150306.B.2.d. below.

2. Automatically Apportioned Reimbursable Authority

a. The entry to close unrealized anticipated reimbursable program authority is as follows:

Dr 4594 Automatically Apportioned Reimbursable
Program
Cr 4210 Anticipated Reimbursements

b. The entry to close the Expended Authority-Paid account is as follows:

Dr 4941 Expended Authority-Paid - Reimbursable
Program
Cr 4201 Total Actual Resources

c. The entry to close earned reimbursements which have been collected is as follows:

Dr 4201 Total Actual Resources
Cr 4252 Reimbursements Earned - Collected

d. The entries to close the accounts for recoveries of prior year reimbursable program obligations and expenditures of the unexpired portion of multiple-year and no-year appropriations are as follows:

Entry to Close Upward Obligation Adjustments

Dr 4821 Undelivered Orders- Unpaid - Reimbursable Program
Dr 4822 Undelivered Orders-Paid - Reimbursable Program
Dr 4910 Expended Authority-Unpaid- Reimbursable Program
Cr 4880 Upward Adjustments of Prior-Year Undelivered Orders

Entry to Close Upward Expenditure Adjustments

Dr 4941 Expended Authority-Unpaid - Reimbursable Program
Cr 4981 Upward Adjustments of Prior-Year Expended Authority

Entry to Close Downward Obligation Adjustments

Dr 4870 Downward Adjustments of Prior-Year Obligations
Cr 4821 Undelivered Orders-Unpaid - Reimbursable Program
Cr 4822 Undelivered Orders-Paid - Reimbursable Program
Cr 4921 Expended Authority-Unpaid - Direct Program

Entry to Close Downward Expenditure Adjustments

Dr 4971 Downward Adjustments of Prior-Year Expended Authority
Cr 4941 Expended Authority - Paid - Reimbursable Program

150307 Expired and Canceled Accounts. Prior to fiscal year 1990, unobligated obligation authority was withdrawn and returned to the U.S. Treasury at the end of an appropriation's availability for obligation. In November 1990, the National Defense Authorization Act (P.L. 101-510) was enacted. It changed the requirements cited above. This law provides for the following:

For 5 years after the time an appropriation expires for incurring new obligations, both the obligated and unobligated balances of that appropriation will be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

For appropriations that are available for obligation for a specific period, i.e., annual and multi-year appropriations, on September 30 of the fifth fiscal year after an appropriation's period of availability for incurring new obligations expires, both the obligated and unobligated balances of that appropriation are required to be canceled and will no longer be available for obligation or expenditure for any purpose.

Following cancellation of an appropriation, if it becomes necessary to record an obligation or an adjustment to an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before it was canceled, then the obligation should be charged to an appropriation currently available for the same purpose.

When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation, the total of all such payments by that current appropriation may not exceed the lesser of:

A. The unexpended balance of the canceled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of cancellation, adjusted for obligations and payments which are incurred or made subsequent to cancellation and which would otherwise have been properly charged to the appropriation except for the cancellation of the appropriation); or

B. The unexpired unobligated balance of the currently available appropriation; or

C. One percent of the total original amount appropriated to the current appropriation being charged.

1. For annual accounts, the 1 percent limitation is of the annual appropriation for the applicable account not total budgetary resources (e.g., reimbursable program authority).

2. For multi-year accounts, the 1 percent limitation applies to the total (multi-year) amount of the appropriation.

3. For contract changes, charges made to currently available appropriations will have no impact on the 1 percent limitation rule. That is, the 1 percent (of the currently available appropriation) amount will not be decreased by the charges made to current appropriations for contract changes.

150308. Accounting For Expired Authority. Expired authority is composed of (a) unobligated balances and (b) obligated, but unliquidated, balances remaining in

appropriations that no longer are available for incurring new obligations. The balances no longer are available because the time available for incurring such obligations has expired.

A. Elimination of Unobligated Balances. P.L. 101-510 requires separate accounts for each expired fixed appropriation to be maintained by its fiscal year identity for 5 years following the appropriation's period of availability for obligation. During this 5-year period, obligations may be adjusted upward and downward and disbursements may be made from these expired appropriations.

1. Direct Program. Unobligated budget authority of an expired appropriation, at the time of its expiration, shall be closed to GLA 4650, "Expired Authority," as follows:

Dr 4610 Series Allotments - Realized Resources
Dr 4620 Other Funds Available for Commitment & Obligation
Dr 4630 Other Funds Unavailable for Commitment & Obligation
Cr 4650 Expired Authority

2. Reimbursable Program. The closing entries shown in paragraph 150306.B, eliminate reimbursable program authority that has been expended. In addition to the elimination of expended reimbursable program authority, a change is necessary to eliminate unobligated reimbursable program authority existing at the time of expiration of the receiving appropriation. Unobligated reimbursable program authority shall be returned to the financing appropriation. The obligation authority necessary to finance any subsequent upward obligation adjustments shall be requested from that financing appropriation. The entry to eliminate unobligated reimbursable program authority amounts is:

Dr 4614 Uncommitted& Unobligated Allotments- Reimbursable
Program
Cr 4593 Specifically Apportioned Reimbursable Program
or
Cr 4594 Automatically Apportioned Reimbursable Program

B. Adjustments To Expired Authority. Expired accounts shall be maintained by fiscal year identity for 5 years following the expiration of the obligational period for the appropriation. During this 5-year period, obligations may be adjusted upward or downward and disbursements made.

1. Upward Adjustments (Obligations) of Expired Authority. GLA 4650, "Expired Authority," is a credit balance account that, prior to appropriation cancellation, is equal to the balance of unobligated expired direct program budget authority. Expired authority, prior to appropriation cancellation, provides the ability to a DoD Component to adjust obligations upward that were previously under recorded or to record obligations that should have been recorded (but were not) against an expired appropriation before its expiration. The following entry illustrates an upward obligation adjustment from expired authority.

Dr 4650 Expired Authority

Cr 4880 Upward Adjustments of Prior-Year Obligations
or
Cr 4980 Upward Adjustments of Prior-Year Expended Authority

2. Downward Adjustments (Deobligations) of Expired Authority. The entry to record downward adjustments (deobligations) of an obligation in an expired appropriation is as follows:

Dr 4870 Downward Adjustments of Prior-Year Obligations
Dr 4971 Downward Adjustments of Prior-Year Expended Authority
Cr 4650 Expired Authority

3. Closing Entries. The entry to close, at fiscal year end, the accounts for upward and downward adjustments to expired appropriation obligations is as follows:

Upward Adjustment Closing Entries

Dr 4811 Undelivered Orders-Unpaid-Direct Program
Dr 4812 Undelivered Orders-Paid-Direct Program
Dr 4910 Expended Authority-Unpaid-Direct Program
Cr 4880 Upward Adjustments of Prior-Year Undelivered Orders

Dr 4931 Expended Authority-Paid-Direct Program
Cr 4981 Upward Adjustments of Prior-Year Expended Authority

Downward Adjustment Closing Entries

Dr 4870 Downward Adjustments of Prior-Year Obligations
Cr 4811 Undelivered Orders-Unpaid-Direct Program
Cr 4812 Undelivered Orders-Paid-Direct Program
Cr 4910 Expended Authority-Unpaid-Direct program

Dr 4971 Downward Adjustments of Prior-Year Expended Authority
Cr 4931 Expended Authority-Paid-Direct Program

150309. Accounting For Canceled Authority. The FY 1990 National Defense Authorization Act (P.L. 101-510) requires that, on September 30th of the fifth fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and, thereafter, shall not be available for obligation or expenditure for any purpose. The obligational status of a canceled account continuously must be maintained even though no expenditures or collections may be made to that account. In addition, collections authorized, or required to be credited to an appropriation account but not received before closing of the account, shall be deposited in the miscellaneous receipt account "Collections of Receivables from Canceled Accounts" (Treasury Symbol 3200).

A. Accounting For Canceled Obligated and Unobligated Balances. Upon cancellation of an appropriation the balance in account 4650 shall be reclassified as canceled authority. The entry to accomplish this action is:

Dr 4650 Expired Authority
Cr 4350 Canceled Authority

NOTE: Expenditures from a current appropriation that are applicable to obligations incurred in a canceled appropriation will reduce the balance in GLA 4350 as discussed in subparagraph 150309.C, "Accounting for Expenditures Applicable to Canceled appropriations," below.

B. Accounting For Collections Applicable to Closed Accounts. In accordance with P.L. 101-510, any collections received after cancellation of an account shall be deposited to the miscellaneous receipt account, "Collections of Receivables from Canceled Accounts" (Treasury Symbol 3200).

C. Accounting For Expenditures Applicable To Canceled Appropriations. The status of direct program obligated and unobligated balances and reimbursable program obligated balances, even in an account which has been closed, must be continuously maintained. If payments (cash collections) are not received for obligations incurred in the reimbursable program, those obligations must be covered by direct program unobligated authority existing in the closed account.

The presence of a sufficient existing direct program unobligated balance in a closed account is determined by deducting from the unobligated balance at the time of cancellation all amounts charged to current appropriations that otherwise would have been chargeable to the closed account, both as to purpose and in amount, except that the account was canceled.

The total of payments from a current appropriation for obligations and payables of a canceled appropriation cannot exceed the lesser of (1) the unexpended balance of the canceled appropriation, (2) the unexpired unobligated balance of the currently available appropriation, or (3) 1 percent of the current appropriation being charged. Payables applicable to canceled appropriations must be paid from funds of subsequent appropriations that are available for the same general purpose as the one from which the payables were canceled. In accordance with Part XI of OMB Circular A-34, "Instructions on Budget Execution," the liabilities may not be recorded on the books of a subsequent appropriation until (1) valid bills are received for payment and (2) it is certain the payment will be made from that subsequent appropriation. If such payments to be made exceed the 1 percent limitation, additional authority must be sought from the Congress. It is important to note that the liability of a current account to pay an obligation of a canceled account is recorded only in the proprietary accounts of the current account pursuant to the above criteria. The obligation of a current account to pay, however, including upward obligation adjustments, must be recorded in the budgetary accounts at the time it is first known against the obligational authority of the canceled account that would have been available except for its cancellation.

ACCOUNT 4042 ANTICIPATED BORROWING AUTHORITY

Debit Balance. The anticipated authority that permits a federal agency to incur obligations and make payments for specific purposes out of monies borrowed from Treasury.

<u>Debit</u>	<u>Credit</u>
Amount of borrowing authority made available by statute for subsequent obligation.	1. Amount of commitments and obligations incurred against borrowing authority.
Contra: 4610 Allotments - Realized Resources	Contra: 4142 Current Year Borrowing Authority Realized - Indefinite
	2. Write-off of lapsing borrowing authority.
	Contra: 4392 Rescissions

Figure 15-1

ACCOUNT 4140 BORROWING AUTHORITY

Debit Balance. This is a summary account. Accounts subsidiary to this summary account are used to record statutory authority that permits a federal agency to incur obligations and to make payments for specified purposes from the proceeds of borrowed funds.

DebitCredit

This account is a summary account.

Do not post to this account.

Figure 15-2

ACCOUNT 4141 BORROWING AUTHORITY - DEFINITE

Debit Balance. The amount of statutory authority during the fiscal year that permits federal agencies to incur obligations and make payments to liquidate the obligations out of borrowed monies where a specific sum or specific aggregate amount “not to exceed” is stated at the time the authority is granted. (As a rule, Indefinite Borrowing Authority [GLA 4142] rather than Definite Borrowing Authority is used within the Department of Defense.

DebitCredit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-3

ACCOUNT 4142 CURRENT YEAR BORROWING AUTHORITY REALIZED -
INDEFINITE

Debit Balance. New statutory authority during the fiscal year that permits a federal agency to incur obligations and make payments for specified purposes out of borrowed monies where a specific sum is not stated when the authority is granted but is determinable only at some future date. Under the Homeowners Assistance Program, represents the amount of budget authority established by assumption of mortgages under the Homeowners Assistance Program. The account is increased when a mortgage is assumed and decreased by payments on mortgage principal, and upon sale of the mortgaged property. (As a rule, Indefinite Borrowing Authority, rather than Definite Borrowing Authority [GLA 4142], is used within the Department.)

Debit

Amount of commitments and obligations incurred against Borrowing Authority.

Contra: 4042 Anticipated Borrowing Authority

Credit

Payments made to liquidate borrowing authority realized.

Contra: 4610 Series Allotments - Realized

Figure 15-4

ACCOUNT 4143 ACTUAL REDUCTIONS TO BORROWING AUTHORITY

Credit Balance. The amount of borrowing authority reduced by legislation that cancels budget authority during the fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 15-5

ACCOUNT 4145 BORROWING AUTHORITY CONVERTED TO CASH

Credit Balance. The amount of nonexpenditure transfers during the fiscal year that reduce borrowing authority.

<u>Debit</u>	<u>Credit</u>
Closing entry at fiscal year end.	Cash drawn from U.S. Treasury to fund obligations incurred under Borrowing Authority.
Contra: 4201 Total Actual Resources	Contra: 4148 Resources Realized from Borrowing Authority

Figure 15-6

ACCOUNT 4147 ACTUAL PAYMENTS TO TREASURY

Credit Balance. Amounts paid to the Treasury Department during the fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 15-7

ACCOUNT 4148 RESOURCES REALIZED FROM BORROWING AUTHORITY

Debit Balance. The amount of funds drawn during the fiscal year to fund borrowing authority disbursements.

<u>Debit</u>	<u>Credit</u>
Cash drawn from U.S. Treasury to fund obligations incurred under borrowing authority.	Closing entry at fiscal year end.
Contra: 4145 Borrowing Authority Converted to Cash Authority	Contra: 4201 Total Actual Resources

Figure 15-8

ACCOUNT 4149 BORROWING AUTHORITY CARRIED FORWARD

Credit Balance. The amount of borrowing authority carried forward into the next fiscal year.

Debit

Credit

Do not use this account without prior approval from the
Director for Accounting Policy, OUSD(C).

Figure 15-9

ACCOUNT 4201 TOTAL ACTUAL RESOURCES

Debit Balance. Represents the net amount of resources available after consolidation (i.e., closing) of all collections and disbursements during a fiscal year.

<u>Debit</u>	<u>Credit</u>
The amount of resources collected during a fiscal year.	The amount of resources expended during a fiscal year.
Contra: 4252 Reimbursements and Other Income Earned - Collected	Contra: 4902 Expended Authority Paid

Figure 15-10

ACCOUNT 4210 ANTICIPATED REIMBURSEMENTS AND OTHER INCOME

Debit Balance. Represents the amount of anticipated reimbursements expected to be earned during the current fiscal year which are subject to specific OMB apportionment, and other authorized reimbursements for which obligational authority is automatically established on the basis of customer orders received and accepted.

<u>Debit</u>	<u>Credit</u>
1. Amount of estimated anticipated reimbursements that are subject to specific apportionment.	
Contra: 4593 Specifically Apportioned Reimbursable Program	
2. Amount of estimated anticipated reimbursements that are subject to automatic apportionment.	
Contra: 4594 Automatically Apportioned Reimbursable Program	

Figure 15-11

ACCOUNT 4221 UNFILLED CUSTOMER ORDERS - UNPAID

Debit Balance. Represents the balance of reimbursable orders accepted without advance payment or progress payment. Account is increased when a customer order is accepted and decreased as reimbursements are earned. Attributes are required to indicate the source of the reimbursement. These are:

Non-Federal Sources
 FMS Trust Fund
 All Other Trust Funds
 Off-Budget Federal Entities
 Other Defense Accounts
 Other Non-Defense Accounts
 Intrafund

<u>Debit</u>	<u>Credit</u>
Amounts of customer orders received and accepted not accompanied with an advance payment.	Amounts of goods delivered or services performed against a reimbursable order for which advance or progress payments were not received.
Contra: 4210 Anticipated Reimbursements	
4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period	Contra: 4251 Reimbursements Earned- Uncollected
	2. The amount of reductions in customer orders.
	Contra: 4210 Anticipated Reimbursements

Figure 15-12

ACCOUNT 4222 UNFILLED CUSTOMER ORDERS - PAID

Debit Balance. Represents the balance of reimbursable orders accepted with advance payment for which there is an automatic increase in obligational authority under an allotment. Account is increased when a customer order accompanied by an advance payment is accepted or progress payment made and decreased as reimbursements are earned. Attributes are required to indicate the source of the reimbursement. These are:

Non-Federal Sources
 FMS Trust Fund
 All Other Trust Funds
 Off-Budget Federal Entities
 Other Defense Accounts
 Other Non-Defense Accounts
 Intrafund

<u>Debit</u>	<u>Credit</u>
Amounts of customer orders received and accepted that are accompanied with an advance payment.	1. Amounts of goods delivered or services performed against a reimbursable order for which advance was received.
Contra: 4210 Anticipated Reimbursements	Contra: 4252 Reimbursements Earned- Collected-Current Period
	2. The amount of reductions in customer orders.
	Contra: 4210 Anticipated Reimbursements

Figure 15-13

ACCOUNT 4250 REIMBURSEMENTS AND OTHER INCOME EARNED

Debit Balance. Represents the amount of reimbursements and other income earned to date through the delivery of goods and performance of services, whether or not bills have been rendered or collections made. Includes reimbursements earned under both automatic and specific apportionment.

Debit

Credit

This account is a summary account.

Do not post to this account.

Figure 15-14

ACCOUNT 4251 REIMBURSEMENTS AND OTHER INCOME EARNED - RECEIVABLE

Debit Balance. Represents the amount of uncollected reimbursements earned during a fiscal year. Attributes are required to indicate the source of the reimbursement. They are:

Non-Federal Sources
 FMS Trust Fund
 All Other Trust Funds
 Off-Budget Federal Entities
 Other Defense Accounts
 Other Non-Defense Accounts
 Intrafund

<u>Debit</u>	<u>Credit</u>
1. Amount of goods delivered or services performed against a reimbursable order.	1. Amount of collections made against outstanding bills for reimbursable goods and services provided.
Contra: 4221 Unfilled Customer Orders - Unpaid 4223 Unfilled Customer Orders - Paid	Contra: 4252 Reimbursements Earned- Collected
2. Reversal of erroneous reported collections.	2. Amounts of collections reported by the finance network that are not distributable to any outstanding bills for reimbursable goods and services provided.
Contra: 4253 Reimbursements Earned- Receivable- Undistributed	Contra: 4253 Reimbursements Earned- Receivable- Undistributed
3. Amounts of goods delivered or services performed against a reimbursable order for which progress payments were not received.	3. Amounts of progress payments received prior to completion of the customer order.
Contra: 4221 Unfilled Customer Orders Unpaid	Contra: 4252 Reimbursements Earned- Collected

Figure 15-15

ACCOUNT 4252 REIMBURSEMENTS AND OTHER INCOME EARNED - COLLECTED

Debit Balance. Represents the amount of collected reimbursements earned during the fiscal year. Attributes are required to indicate the source of the reimbursement. They are:

Non-Federal Sources
 FMS Trust Fund
 All Other Trust Funds
 Off-Budget Federal Entities
 Other Defense Accounts
 Other Non-Defense Accounts
 Intrafund

DebitCredit

1. Amount of collections made against outstanding bills for reimbursable goods and services.

Contra: 4251 Reimbursements Earned-
 Receivable
 4221 Unfilled Customer
 Orders Unpaid
 4222 Unfilled Customer
 Orders Paid

2. Amounts of progress payments received prior to completion of a customer order.

Contra: 4251 Reimbursements Earned -
 Receivable

3. Identification of Undistributed Collections.

Contra: 4253 Reimbursements Earned-
 Collected - Undistributed

Figure 15-16

ACCOUNT 4253 REIMBURSEMENTS AND OTHER INCOME EARNED - COLLECTED -
UNDISTRIBUTED

Debit Balance. Represents the amount of collections reported by the Treasury Department, departmental, or other finance network that are not immediately distributable at the execution level.

<u>Debit</u>	<u>Credit</u>
The amount reported as collections by the finance network.	1. Reversal of erroneous reported collections.
Contra: 4251 Reimbursements Earned- Receivable	Contra: 4251 Reimbursements Earned- Receivable
	2. Identification of collections to proper account.
	Contra: 4252 Reimbursements Earned- Collected

Figure 15-17

ACCOUNT 4310 ANTICIPATED RECOVERIES OF PRIOR YEAR OBLIGATIONS

Debit Balance. Represents the estimated amount of cancellations or downward adjustments of prior year obligations anticipated for recovery in the current fiscal year.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-18

ACCOUNT 4261 ACTUAL COLLECTION OF FEES

Debit Balance. The amount of fees collected during the fiscal year from non-federal sources.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-19

ACCOUNT 4262 ACTUAL COLLECTION OF LOAN PRINCIPAL

Debit Balance. The amount of loan principal collected during the fiscal year from non-federal sources.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-20

ACCOUNT 4263 ACTUAL COLLECTION OF LOAN INTEREST

Debit Balance. The amount of loan interest collected during the fiscal year from non-federal sources for loan programs.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-21

ACCOUNT 4264 ACTUAL COLLECTION OF LOAN RENT

Debit Balance. The amount of rent collected during the fiscal year from non-federal sources for loan programs

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-22

ACCOUNT 4265 ACTUAL COLLECTIONS FROM SALE OF FORECLOSED PROPERTY

Debit Balance. The amount collected during the fiscal year from sale of foreclosed property.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-23

ACCOUNT 4266 OTHER ACTUAL COLLECTIONS - NON-FEDERAL

Debit Balance. The amount collected during the fiscal year from non-federal sources for which a specific general ledger account has not been established..

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-24

ACCOUNT 4271 ACTUAL PROGRAM FUND SUBSIDY COLLECTED -
DEFINITE - CURRENT

Debit Balance. The amount of current definite subsidy collected during the fiscal year by the financing fund from the program fund for loan programs.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-25

ACCOUNT 4272 ACTUAL PROGRAM FUND SUBSIDY COLLECTED -
INDEFINITE - PERMANENT

Debit Balance. The amount of permanent indefinite subsidy collected during the fiscal year by the financing fund from the program fund for loan programs.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-26

ACCOUNT 4273 INTEREST COLLECTED FROM TREASURY

Debit Balance. The amount of interest collected during the fiscal year by the financing fund from Treasury for loan programs.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-27

ACCOUNT 4274 ACTUAL PROGRAM FUND SUBSIDY COLLECTED -
INDEFINITE - CURRENT

Debit Balance. The amount of current indefinite subsidy collected during the fiscal year by the financing fund from the program fund for direct loan and loan guarantee programs.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-28

ACCOUNT 4275 ACTUAL COLLECTIONS FROM LIQUIDATING FUND

Debit Balance. The amount the financing fund collects during the fiscal year from the liquidating fund for assuming pre-credit reform loan programs for which the terms have been modified.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-29

ACCOUNT 4276 ACTUAL COLLECTIONS FROM THE FINANCING FUND

Debit Balance. The amount the liquidating fund collects during the fiscal year from the liquidating fund for transfers of modified direct loans to the financing fund.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-30

ACCOUNT 4277 OTHER ACTUAL COLLECTIONS - FEDERAL

Debit Balance. The amount collected during the fiscal year from federal sources for which a specific general ledger account has not been established.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-31

ACCOUNT 4281 ACTUAL PROGRAM FUND SUBSIDY RECEIVABLE -
DEFINITE - CURRENT

Debit Balance. The amount of current definite subsidy due, but not collected by the financing fund from the program fund for loan programs.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-32

ACCOUNT 4282 ACTUAL PROGRAM FUND SUBSIDY RECEIVABLE -
INDEFINITE - PERMANENT

Debit Balance. The amount of current definite subsidy due, but not collected by the financing fund from the program fund for loan programs.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-33

ACCOUNT 4283 INTEREST RECEIVABLE FROM TREASURY

Debit Balance. The amount of interest due, but not collected by the financing fund from Treasury for loan programs.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-34

ACCOUNT 4284 ACTUAL PROGRAM FUND SUBSIDY RECEIVABLE -
INDEFINITE - CURRENT

Debit Balance. The amount of current indefinite subsidy due, but not collected by the financing fund from the program fund for direct loan and loan guarantee programs.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-35

ACCOUNT 4285 RECEIVABLE FROM THE LIQUIDATING FUND

Debit Balance. The amount due the financing fund, but not collected from the liquidating fund for assuming pre-credit reform loan programs for which the terms have been modified.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-36

ACCOUNT 4286 RECEIVABLE FROM THE FINANCING FUND

Debit Balance. The amount due the liquidating fund, but not collected from the financing fund for transfers of modified direct loans to the financing fund.

DebitCredit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-37

ACCOUNT 4287 OTHER FEDERAL RECEIVABLES

Debit Balance. The amount of uncollected amounts due from federal sources for which a specific general ledger account has not been established.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-38

ACCOUNT 4310 ANTICIPATED RECOVERIES OF PRIOR YEAR OBLIGATIONS

Debit Balance. Estimated cancellations or downward adjustments of prior year obligations anticipated for recovery in the current fiscal year.

Debit

Credit

Do not use this account without prior approval from
the Director for Accounting Policy, OUSD(C).

Figure 15-39

ACCOUNT 4350 CANCELED AUTHORITY

Credit Balance. Represents the amount of appropriation authority (unobligated and unliquidated obligated appropriation balance) that is canceled five years after the end of a current-year or multi-year appropriation with a set life.

Debit

Reduction due to liquidation (payment) from a current appropriation of obligations incurred against an appropriation that has since been canceled.

Contra: 4902 Expended Authority -
Paid

Credit

Balance of unobligated and unliquidated obligated balances of an appropriation upon cancellation of the appropriation.

Contra: 4650 Expired Authority

Figure 15-40

ACCOUNT 4580 ALLOTMENTS RECEIVED

Debit Balance. Represents the amount of direct program allotments received for the fiscal year.

<u>Debit</u>	<u>Credit</u>
The amount of allotments received.	The amount of allotment decreases.
Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period	Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period
4591 Uncommitted/ Unobligated Authority - Subsequent Periods	4591 Uncommitted/ Unobligated Authority - Subsequent Periods
4592 Uncommitted/ Unobligated Authority - Withheld Programs	4592 Uncommitted/ Unobligated Authority - Withheld Programs

Figure 15-41

ACCOUNT 4591 UNCOMMITTED/UNOBLIGATED OBLIGATION AUTHORITY -
AVAILABLE IN SUBSEQUENT PERIODS

Credit Balance. Represents the amount of direct program obligational authority allotted for use in subsequent periods.

<u>Debit</u>	<u>Credit</u>
1. The amount of subsequent period, direct program obligational authority withdrawn.	1. The amount of direct program obligational authority allotted for use in subsequent periods.
Contra: 4580 Allotments Received	Contra: 4580 Allotments Received
2. Amount of subsequent period, direct program obligational authority becoming current.	2. The amount of direct program obligational authority for subsequent periods released from withheld status.
Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period	Contra: 4613 Uncommitted/ Unobligated Allotments - Withheld Programs

Figure 15-42

ACCOUNT 4592 UNCOMMITTED/UNOBLIGATED OBLIGATION AUTHORITY -
AVAILABILITY WITHHELD

Credit Balance. Represents the amount of withheld program allotted to an execution-level activity.

<u>Debit</u>	<u>Credit</u>
1. The amount of withheld program released.	The amount of withheld programs allotted.
Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period	Contra: 4580 Allotments Received
4591 Uncommitted/ Unobligated Authority - Subsequent Periods	
2. The amount of withheld programs withdrawn.	
Contra: 4580 Allotments Received	

Figure 15-43

ACCOUNT 4593 SPECIFICALLY APPORTIONED REIMBURSABLE PROGRAM

Credit Balance. Represents the amount of obligational authority required to cover the performance of reimbursable orders subject to specific apportionment.

<u>Debit</u>	<u>Credit</u>
1. The amount of reimbursable program authority withdrawn or customer orders reduced or canceled.	The amount of specifically apportioned reimbursable program authority allotted.
Contra: 4210 Anticipated Reimbursements	Contra: 4210 Anticipated Reimbursements
2. The amount of reimbursable customer orders accepted.	
Contra: 4614 Uncommitted/Unobligated Allotments - Reimbursable Program	
3. At fiscal year end, entry to close any remaining balance.	
Contra: 4210 Anticipated Reimbursements	

Figure 15-44

ACCOUNT 4594 AUTOMATICALLY APPORTIONED REIMBURSABLE PROGRAM

Credit Balance. Represents the balance of automatically apportioned reimbursable program authority.

<u>Debit</u>	<u>Credit</u>
1. The amount of reimbursable program authority withdrawn or customer orders reduced or canceled.	The amount of automatically apportioned reimbursable program authority anticipated.
Contra: 4210 Anticipated Reimbursements	Contra: 4210 Anticipated Reimbursements
2. The amount of reimbursable customer orders accepted.	
Contra: 4614 Uncommitted/Unobligated Allotments - Reimbursable Program	
3. At fiscal year end, entry to close any remaining balance.	
Contra: 4210 Anticipated Reimbursements	

Figure 15-45

ACCOUNT 4610 ALLOTMENTS - REALIZED RESOURCES

Credit Balance. Represents the amount of funds received and available for commitment/obligation or withheld programs allotted. Includes obligational authority available for both the direct and reimbursable programs.

Debit

Credit

This account is a summary account.

Do not post to this account.

Figure 15-46

ACCOUNT 4611 UNCOMMITTED/UNOBLIGATED ALLOTMENTS -
DIRECT PROGRAM - CURRENT PERIOD

Credit Balance. Represents the amount of direct program obligational authority received for the current period, but not yet committed or obligated.

<u>Debit</u>	<u>Credit</u>
1. The amount of current period, direct program obligational authority withdrawn.	1. The amount of direct program obligational authority received for use during the current period.
Contra: 4580 Allotments Received	Contra: 4580 Allotments Received
2. Amounts committed.	2. Amounts decommitted or deobligated.
Contra: 4710 Outstanding Commitments - Direct Program	Contra: 4710 Outstanding Commitments - Direct Program
3. Amounts obligated without a prior commitment	4810 Series: Undelivered Orders - Direct Program
Contra: 4810 Undelivered Orders - Direct Program	4910 Expended Authority - Unpaid - Direct Program
	4931 Expended Authority - Paid - Direct Program
4910 Expended Authority - Unpaid - Direct Program	3. Amount of subsequent period, direct program obligational authority becoming current, or withheld program released
4930 Expended Authority - Paid - Direct Program	Contra: 4591 Uncommitted/Unobligated Authority - Subsequent Periods
	4592 Uncommitted/Unobligated Authority - Withheld Programs

Figure 15-47

ACCOUNT 4614 UNCOMMITTED/UNOBLIGATED ALLOTMENTS -
REIMBURSABLE PROGRAM - CURRENT PERIOD

Credit Balance. Represents the amount of reimbursable program obligational authority established upon acceptance of reimbursable orders, but not yet committed or obligated.

<u>Debit</u>	<u>Credit</u>
1. The amount of reductions in customer orders.	1. The amount of customer orders accepted.
Contra: 4593 Specifically Apportioned Reimbursable Program	Contra: 4593 Specifically Apportioned Reimbursable Program
4594 Automatically Apportioned Reimbursable Program	4594 Automatically Apportioned Reimbursable Program
2. Amounts committed.	2. Amounts decommitted or deobligated.
Contra: 4720 Outstanding Commitments - Reimbursable Program	Contra: 4720 Outstanding Commitments - Reimbursable Program
3. Amounts obligated without a prior commitment.	4820 Series: Undelivered Orders - Reimbursable Program
Contra: 4820 Series: Undelivered Orders - Reimbursable Program	4920 Expended Authority - Unpaid - Reimbursable Program
4920 Expended Authority - Unpaid - Reimbursable Program	4941 Expended Authority - Paid - Reimbursable Program
4941 Expended Authority - Paid - Reimbursable Program	

Figure 15-48

ACCOUNT 4615 CONTRACT AUTHORITY AVAILABLE

Credit Balance. Represents the amount of obligational authority received from contract authority. Subaccounts to identify specific purposes for which the contract authority was made available may be established as needed.

<u>Debit</u>	<u>Credit</u>
1. The amount of contract authority withdrawn.	1. The amount of contract authority received for use.
Contra: 4032 Anticipated Contract Authority	Contra: 4032 Anticipated Contract Authority
2. Amounts committed.	2. Amounts decommitted or deobligated.
Contra: 4725 Outstanding Commitments -	Contra: 4725 Outstanding Commitments
3. Amounts obligated without a prior commitment.	4825 Series: Undelivered Orders
Contra: 4825 Undelivered Orders -	4925 Expended Authority
4925 Expended Authority - Unpaid - Reimbursable Program	
4825 Undelivered Orders	

Figure 15-49

ACCOUNT 4650 EXPIRED AUTHORITY

Credit Balance. Represents the unobligated amount of expired appropriations prior to cancellation of the appropriation.

<u>Debit</u>	<u>Credit</u>
1. Amounts of an expired appropriation used for net upward obligation adjustments.	Unobligated amount of an appropriation at the time of its expiration for further obligation.
Contra: 4511 Unallocated Apportionment Realized	Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program
2. Close balance upon cancellation of the appropriation.	
Contra: 4350 Canceled Authority	

Figure 15-50

ACCOUNT 4700 COMMITMENTS AVAILABLE FOR OBLIGATION

Credit Balance. Represents the amount of direct and reimbursable program authority committed in anticipation of obligation.

Debit

Credit

This account is a summary account.

Do not post to this account.

Figure 15-51

ACCOUNT 4710 OUTSTANDING COMMITMENTS - DIRECT PROGRAM

Credit Balance. Represents the amount of direct program unobligated commitments.

<u>Debit</u>	<u>Credit</u>
1. Amounts of contracts or other valid obligating documents for which a commitment was made.	Amounts of firm procurement directives, orders, requisitions, etc. issued.
Contra: 4811 Undelivered Orders - Unpaid - Direct Program	Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period
4812 Undelivered Orders - Paid - Direct Program	
2. Amounts decommitted.	
Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period	

Figure 15-52

ACCOUNT 4720 OUTSTANDING COMMITMENTS - REIMBURSABLE PROGRAM

Credit Balance. Represents the amount of reimbursable program unobligated commitments.

<u>Debit</u>	<u>Credit</u>
1. Amounts of contracts or other valid obligating documents for which a commitment was made.	Amounts of firm procurement directives, orders, requisitions, etc. issued.
Contra: 4821 Undelivered Orders - Unpaid - Reimbursable Program	Contra: 4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period
4822 Undelivered Orders - Paid - Reimbursable Program	
2. Amounts decommitted.	
Contra: 4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period	

Figure 15-53

ACCOUNT 4725 OUTSTANDING COMMITMENTS - CONTRACT AUTHORITY

Credit Balance. Represents the amount of contract authority unobligated commitments.
Subaccounts to identify specific purposes for which the contract authority was made available may be established as needed.

<u>Debit</u>	<u>Credit</u>
1. Amounts of contracts or other valid obligating documents for which a commitment was made.	Amounts of firm procurement directives, orders, requisitions, etc. issued.
Contra: 4825 Undelivered Orders - Contract Authority	Contra: 4615 Uncommitted/Unobligated Allotments -
2. Amounts decommitted.	
Contra: 4615 Uncommitted/Unobligated Allotments -	

Figure 15-54

ACCOUNT 4800 UNDELIVERED ORDERS

Credit Balance. Represents the amount of goods and services ordered and obligated, but which have not been received. This account includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

DebitCredit

This account is a summary account.

Do not post to this account.

Figure 15-55

ACCOUNT 4810 UNDELIVERED ORDERS - DIRECT PROGRAM

Credit Balance. Represents the amount of direct program orders for goods and services for which delivery or performance has not yet occurred.

Debit

Credit

This account is a summary of GLA 4811, “Undelivered Orders - Unpaid - Direct Program,” and GLA 4812, “Undelivered Orders - Paid - Direct Program”

Do not post to this account.

Figure 15-56

ACCOUNT 4811 UNDELIVERED ORDERS - UNPAID - DIRECT PROGRAM

Credit Balance. Represents the amount of direct program orders issued without an advance payment for goods and services for which delivery or performance has not yet occurred. This account is subsidiary to GLA 4810, "Undelivered Orders - Direct Program." For undelivered orders with advance record the amount of the obligation less the advance.

<u>Debit</u>	<u>Credit</u>
1. Amounts of goods and/or services received for which an advance payment was not made.	Amounts of orders, contracts, or other obligating documents issued without an advance payment.
Contra: 4910 Expended Authority - Unpaid - Direct Program	Contra: 4710 Outstanding Commitments - Direct Program
4931 Expended Authority - Paid - Direct Program	4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period
2. Amounts of progress payments made for undelivered orders.	
Contra: 4910 Expended Authority - Unpaid - Direct Program	
4931 Expended Authority - Paid - Direct Program	
3. Amounts deobligated.	
Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period	

Figure 15-57

ACCOUNT 4812 UNDELIVERED ORDERS - PAID - DIRECT PROGRAM

Credit Balance. Represents the amount of direct program orders issued with an advance payment for goods and services for which delivery or performance has not yet occurred. This account is subsidiary to GLA 4810, "Undelivered Orders - Direct Program." For undelivered orders with advance record the amount of the advance.

<u>Debit</u>	<u>Credit</u>
1. Amounts of goods and/or services received for which an advance payment was made.	Amounts of orders, contracts, or other obligating documents issued with an advance payment.
Contra: 4931 Expended Authority - Paid - Direct Program	Contra: 4710 Outstanding Commitments - Direct Program
2. Amounts deobligated.	4611 Uncommitted/Unobligated Allotments - Direct Program - Current Period
Contra: 4611 Uncommitted/Unobligated Allotments - Direct Program - Current Period	

Figure 15-58

ACCOUNT 4820 UNDELIVERED ORDERS - REIMBURSABLE PROGRAM

Credit Balance. Represents the amount of reimbursable program orders for goods and services for which delivery or performance has not yet occurred.

Debit

Credit

This account is a summary of GLA 4821, “Undelivered Orders - Unpaid - Reimbursable Program,” and GLA 4822, “Undelivered Orders - Paid - Reimbursable Program.”

Do not post to this account.

Figure 15-59

ACCOUNT 4821 UNDELIVERED ORDERS - UNPAID -
REIMBURSABLE PROGRAM

Credit Balance. Represents the amount of reimbursable program orders issued without an advance payment for goods and services for which delivery or performance has not yet occurred. This account is subsidiary to GLA 4820, "Undelivered Orders-Reimbursable Program." For undelivered orders with advances record the amount of the obligation less the amount of the advance.

<u>Debit</u>	<u>Credit</u>
1. Amounts of goods and/or services received for which an advance payment was not made.	Amounts of orders, contracts, or other obligating documents issued without an advance payment.
Contra: 4920 Expended Authority - Unpaid - Reimbursable Program	Contra: 4720 Outstanding Commitments - Reimbursable Program
4941 Expended Authority - Paid - Reimbursable Program	4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period
2. Amounts of progress payments made for undelivered orders.	
Contra: 4920 Expended Authority - Unpaid - Reimbursable Program	
4941 Expended Authority - Paid - Reimbursable Program	
3. Amounts deobligated.	
Contra: 4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period	

Figure 15-60

ACCOUNT 4822 UNDELIVERED ORDERS - PAID -
REIMBURSABLE PROGRAM

Credit Balance. Represents the amount of reimbursable program orders issued with an advance payment for goods and services for which delivery or performance has not yet occurred. This account is subsidiary to GLA 4820, "Undelivered Orders - Reimbursable Program." For undelivered orders with advances record the amount of the advance.

<u>Debit</u>	<u>Credit</u>
1. Amounts of goods and/or services received for which an advance payment was made.	Amounts of orders, contracts, or other obligating documents issued with an advance payment.
Contra: 4941 Expended Authority - Paid - Reimbursable Program	Contra: 4720 Outstanding Commitments - Reimbursable Program
2. Amounts deobligated.	4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period
Contra: 4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period	

Figure 15-61

ACCOUNT 4825 UNDELIVERED ORDERS -CONTRACT AUTHORITY

Credit Balance. Represents the amount of orders issued under contract authority for goods and services for which delivery or performance has not yet occurred. Subaccounts to identify specific purposes for which the contract authority was made available may be established as needed.

<u>Debit</u>	<u>Credit</u>
1. Amounts of goods and/or services received	Amounts of orders, contracts, or other obligating documents issued
Contra: 4925 Expended Authority Unpaid	Contra: 4725 Outstanding Commitments -
	4615 Uncommitted/ Unobligated Allotments
2. Amounts deobligated.	
Contra: 4615 Uncommitted/ Unobligated Allotments -	

Figure 15-62

ACCOUNT 4900 EXPENDED APPROPRIATIONS

Credit Balance. Represents the amount of paid and unpaid expenditures for (a) services performed by employees, contractors, vendors, carriers grantees, lessors, other government funds; (b) goods and tangible property received, and (c) amounts becoming owed under programs for which no current service or performance is required (that is, annuities, insurance claims, other benefit payments).

DebitCredit

This account is a summary account.

Do not post to this account.

Figure 15-63

ACCOUNT 4910 EXPENDED AUTHORITY - UNPAID - DIRECT PROGRAM

Credit Balance. Represents the amount of direct program goods and services received for which payment has not yet been made.

<u>Debit</u>	<u>Credit</u>
1. Amounts of goods and services received for which payment has been made.	Amounts of goods and services received for which payment has not yet been made.
Contra: 4931 Expended Authority - Paid - Direct Program	Contra: 4810 Series: Undelivered Orders - Direct Program
2. Amounts of reductions in obligations.	4611 Uncommitted/Unobligated Allotments - Direct Program - Current Period
Contra: 4611 Uncommitted/Unobligated Allotments - Direct Program - Current Period	

Figure 15-64

ACCOUNT 4920 EXPENDED AUTHORITY - UNPAID - REIMBURSABLE PROGRAM

Credit Balance. Represents the amount of goods and services received against the reimbursable program for which payment has not yet been made.

<u>Debit</u>	<u>Credit</u>
1. Amounts of goods and services received for which payment has been made.	Amounts of goods and services received for which payment has not yet been made.
Contra: 4941 Expended Authority - Paid - Reimbursable Program	Contra: 4820 Series: Undelivered Orders - Reimbursable Program
2. Amounts of reductions in obligations	4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period
Contra: 4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period	

Figure 15-65

ACCOUNT 4925 EXPENDED AUTHORITY - UNPAID - CAPITAL PROGRAM

Credit Balance. Represents the amount of goods and services received against contract authority for which payment has not yet been made. Subaccounts to identify specific purposes for which the contract authority was made available may be established as needed.

Debit

1. Amounts of goods and services received for which payment has been made.

Contra: 4940 Expended Authority -
Paid - Reimbursable
Program

2. Amounts of reductions in obligations

Contra: 4615 Uncommitted/
Unobligated Allotments

Credit

Amounts of goods and services received for which payment has not yet been made.

Contra: 4825 Undelivered Orders

4615 Uncommitted/
Unobligated Allotments

Figure 15-66

ACCOUNT 4930 EXPENDED AUTHORITY - PAID - DIRECT PROGRAM

Credit Balance. Represents the amount of direct program goods and services received for which (1) payment has been made; or (2) refunds are due of erroneous payments or unliquidated advances.

Debit

Credit

This account is a summary of GLA 4931, "Expended Authority-Paid - Direct Program," and GLA 4932, "Expended Authority - Refunds Due - Direct Program."

Do not post to this account.

Figure 15-67

ACCOUNT 4931 EXPENDED AUTHORITY - PAID - DIRECT PROGRAM

Credit Balance. Represents the amount of direct program goods and services received for which payment has been made. This account is subsidiary to GLA 4930, "Expended Authority-Paid - Direct Program."

<u>Debit</u>	<u>Credit</u>
1. Amounts of refunds due of payments previously made.	1. Amounts of goods and services received for which payment has been made.
Contra: 4932 Expended Authority - Refunds Due - Direct Program	Contra: 4910 Expended Authority - Unpaid - Direct Program
2. Amounts deobligated.	4811 Undelivered Orders - Unpaid - Direct Program
Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period	4812 Undelivered Orders - Paid - Direct Program
	4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period
	2. Amount of a mortgage assumed.
	Contra: 4142 Borrowing Authority - Indefinite

Figure 15-68

ACCOUNT 4932 EXPENDED AUTHORITY - REFUNDS DUE - DIRECT PROGRAM

Credit Balance. Represents the amount of direct program refunds due from U.S. Government organizations or funds, non-federal governmental organizations, commercial vendors, and private parties resulting from erroneous payments and unliquidated advances. This account is subsidiary to GLA 4930, "Expended Authority-Paid - Direct Program."

<u>Debit</u>	<u>Credit</u>
Amounts of refunds due that have been collected.	Amounts of refunds due of payments previously made.
Contra: 4611 Uncommitted/ Unobligated Allotments - Direct Program - Current Period	Contra: 4931 Expended Authority - Paid - Direct Program

Figure 15-69

ACCOUNT 4940 EXPENDED AUTHORITY - PAID - REIMBURSABLE PROGRAM

Credit Balance. Represents the amount of goods and services received against the reimbursable program for which (1) payment has been made; or (2) refunds are due of erroneous payments or unliquidated advances.

Debit

Credit

This account is a summary of GLA 4941, "Expended Authority-Paid - Reimbursable Program," and GLA 4942, "Expended Authority - Refunds Due - Reimbursable Program."

Do not post to this account.

Figure 15-70

ACCOUNT 4941 EXPENDED AUTHORITY - PAID - REIMBURSABLE PROGRAM

Credit Balance. Represents the amount of goods and services received against the reimbursable program for which payment has been made. This account is subsidiary to GLA 4940, "Expended Authority-Paid - Reimbursable Program."

<u>Debit</u>	<u>Credit</u>
1. Amounts of refunds due of payments previously made.	Amounts of goods and services received for which payment has been made.
Contra: 4942 Expended Authority-Paid - Refunds Due	Contra: 4920 Expended Authority - Unpaid - Reimbursable Program
2. Amounts deobligated	4820 Series: Undelivered Orders - Reimbursable Program
Contra: 4614 Uncommitted/Unobligated Allotments - Reimbursable Program - Current Program Reimbursable Program -	4614 Uncommitted/Unobligated Allotments - Current Period

Figure 15-71

ACCOUNT 4942 EXPENDED AUTHORITY - REFUNDS DUE -
REIMBURSABLE PROGRAM

Credit Balance. Represents the amount of reimbursable program refunds due from U.S. Government organizations or funds, non-federal governmental organizations, commercial vendors, and private parties resulting from erroneous payments and unliquidated advances. This account is subsidiary to GLA 4940, "Expended Authority-Paid - Reimbursable Program."

<u>Debit</u>	<u>Credit</u>
Amounts of refunds due that have been collected.	Amounts of refunds due of payments previously made.
Contra: 4614 Uncommitted/ Unobligated Allotments - Reimbursable Program - Current Period	Contra: 4941 Expended Authority - Paid - Reimbursable Program

Figure 15-72

ACCOUNT 4950 EXPENDED AUTHORITY - PAID - UNDISTRIBUTED

Credit Balance. Represents the amount of disbursements as reported by the U.S. Treasury, departmental or other finance network that are not immediately distributable at the execution level.

<u>Debit</u>	<u>Credit</u>
1. Reversal of erroneous reported disbursements.	The amount reported as disbursements by the finance network.
Contra: 4910 Expended Authority - Unpaid - Direct Program	Contra: 4910 Expended Authority - Unpaid - Direct Program
4920 Expended Authority - Unpaid - Reimbursable Program	4920 Expended Authority - Unpaid - Reimbursable Program
2. Identification of disbursements to proper account.	
Contra: 4931 Expended Authority - Paid - Direct Program	
4941 Expended Authority - Paid - Reimbursable Program	

Figure 15-73

ACCOUNT 4979 DOWNWARD ADJUSTMENT OF PRIOR YEAR
EXPENDED AUTHORITY

Credit Balance. Represents the actual amount of any cancellations or downward adjustments since October 1 of the current fiscal year for direct program obligations reported in prior years. This account applies only to the expired portion of multiple-year and no-year appropriations.

<u>Debit</u>	<u>Credit</u>
Close account at fiscal year end.	The amount of actual recoveries of prior year direct program obligations.
Contra: 4580 Allotments Received	Contra: 4811 Undelivered Orders - Unpaid - Direct Program
	4812 Undelivered Orders - Paid - Direct Program
	4910 Expended Authority - Unpaid - Direct Program
	4931 Expended Authority-Paid - Direct Program

Figure 15-74

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CHAPTER 16

ACCRUED EXPENDITURES FOR CONTRACTS1601 PURPOSE

The purpose of this chapter is to furnish supplementary departmental guidance on accounting for accrued expenditures for contract deliverables accepted on contracts administered by the Defense Contract Management Command (DCMC) and paid by the DFAS-Columbus Center.

1602 STANDARDS

160201. Accrued expenditures recorded in budgetary accounts must report, separately, the amounts paid and unpaid for all contract deliverables accepted during the fiscal year.

160202. Accrued expenditures for contracts must be recorded during the period in which the goods or services are received and accepted using appropriate accounting entries.

160203. Accrued expenditures shall be recorded in the records of the accountable entity for which the contract undelivered order is recorded and obligated.

1603 OPERATIONAL REQUIREMENTS

160301. The DFAS-Columbus Center will transmit accrued expenditure data to the applicable accounting station in accordance with the following:

A. Daily Reporting

1. Accrued Expenditures Paid. Contract Payment Notices or notices of prevalidated payment will be transmitted promptly after disbursement to designated accounting stations. These notices include the amounts of progress payments made and recouped so that the outstanding balance of progress payments can be recognized in the accounting records as non-accrued advances on undelivered orders.

2. Accrued Expenditures Unpaid. Shipment Performance Notices will be transmitted promptly after contract administration acceptance on the DD Form 250 (or equivalent acceptance document) to the designated logistics or program manager. These notices then are available to accounting systems that interface with logistics and program management systems, and have been designed with the capability to recognize shipment and receipt data as accounts payable and accrued expenditures unpaid liabilities. For certain large contracts, a notice of intended payment may be transmitted by the DFAS-Columbus Center to serve as the accrued expenditure unpaid notice for such payments. The accrued expenditures unpaid amount must equal the amount recorded as accounts payable in the proprietary accounts.

B. Monthly Reporting

1. At the end of each month, the DFAS-Columbus Center will prepare an accrued expenditure report. This report serves as an overall control on entries recorded by individual accounting entities and will report summary totals (at the appropriation subhead level) without reference to transactions or the contracts to which the amounts apply. The categories reflected in the report include:

- a. Outstanding acceptances;
- b. Undisbursed invoices without acceptance or in cash management status;
- c. Outstanding balance of unrecouped progress payments;
- d. Holdback amounts on cost/fee vouchers or non-final clearance on certain contract conditions; and
- e. Termination costs.

2. The accrued expenditure report is transmitted as follows:

For Army and Defense Appropriations:

Defense Finance and Accounting Service-Indianapolis Center
Directorate for Departmental Accounting
8899 East 56th Street
Indianapolis, IN 46249-0100

For Navy Appropriations:

Defense Finance and Accounting Service-Cleveland Center
Directorate for Departmental Accounting and Analysis
1240 East Ninth Street
Cleveland, OH 44199-2055

For Air Force Appropriations:

Defense Finance and Accounting Service-Denver Center
Departmental Accounting Directorate
6760 E. Irvington Place
Denver, CO 80279-8000

C. Transmission of both daily and monthly transactions shall be accomplished via the Defense Switched Network (DSN). The DFAS-Columbus Center shall transmit by close of business the workday following the action date. For example, activity for Tuesday would be transmitted on Wednesday and activity for Friday would be transmitted on the following Monday.

160302. Accrued expenditures must be recorded at least monthly at the level most useful to accounting entity management, e.g., contract line item. The entry, at a minimum, must be at the level used for recording the undelivered order. Reporting within and outside the accounting entity must be based on recorded data.

A. The amounts included in the daily transactions--transmitted by the DFAS-Columbus Center--will be used for maintenance of accrual accounting records. In addition, those accounting systems interfacing with logistics systems shall record unpaid accrued expenditures for destination contract deliverables (based on the logistics system recording of the DoD 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures") or for any delivery received prior to the DFAS-Columbus Center transmission of a transaction notice. The accounting entries required for accrued expenditure accounting are included in Chapter 15 of this Volume.

B. Summary amounts reported in the monthly accrued expenditure report by the DFAS-Columbus Center may not be used for accounting record maintenance, but shall be used at the DFAS Center reporting level for checking the reasonableness of amounts included in installation and intermediate level reports. This summary data may also be used to effect a temporary accrual of unpaid amounts for departmental level reporting when it is known that lower operational levels do not record accrued amounts for contracts administered by the DCMC and paid by the DFAS-Columbus Center.

160303. Particular attention must be paid to internal control procedures. Safeguards are necessary to ensure that transactions are recorded only once. Specifically, performance notices of DCMC acceptance of work, progress payments and shipment notices all may be "first documentation" used to record the accrued expenditure. One document should not be used to duplicate a transaction recorded from another, although any such document should be used to ensure completeness and to adjust accrued expenditures-unpaid and accrued expenditures-paid amounts and classification. Similarly non-DCMC sources of data may be used by the accounting entity to verify completeness, but must not create duplicate accrued expenditures.

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CHAPTER 17

ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS1701 GENERAL

170101. Purpose. This chapter identifies accounting requirement applicable to the acquisition and/or construction of real property. It addresses (A) costs to be charged to appropriations available for military construction (these costs are referred to as funded costs); (B) costs that, although financed by appropriations or funds other than those available for a specific construction project, are to be capitalized as part of the real property investment (these are referred to as unfunded costs); (C) preparation of accounting source documents required to support entries to real property accounts; (D) obligation and expenditure restrictions and limitations for military construction projects, and (E) various other related functions.

170102. OverviewA. Authorization Requirements

1. Each year an annual or biennial request for major construction projects and programs is submitted to the Congress. Requests presented are reviewed, adjusted, and approved through established command and staff channels, including the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB) before submission to the Congress for authorization. Guidance for submitting military construction projects for authorization is provided by the Assistant Secretary of Defense (Economic Security) in conjunction with the ODC(P/B).

2. Requests for authorization are confined to projects that reasonably can be expected to be executed within the fiscal year requested.

3. Authorization requests for major construction projects are supported by data on proposed physical capacity or other physical measurements, as well as data on estimated costs. Generally, the data for such projects shall be arranged by state and/or installation. These data shall be accompanied with comparative data on the existing real property inventory and projects expected to be subject to future authorization requests. Related data with respect to approved missions and proposed forces also should be provided. Programs also should be evaluated with respect to that portion of a project subject to request for immediate authorization and that portion deferred for future authorization requests.

B. Appropriation Requirements

1. Appropriation requests in support of all new military construction projects are submitted to the Congress annually or biennially, as required. Military construction appropriations generally are available for obligation for five fiscal years. Such appropriation requests are consistent with existing authorizations, authorization requests, or other requests for

funds, as applicable, and include specific budget estimates for those projects for which legislative authorization has been, or is being, requested.

2. Individual projects must be authorized and appropriated in consonance with Title 10, United States Code, sections 2821, 2822, 2824 and 2825.

3. Consistent with congressional authorization and the reprogramming criteria provided in Chapter 7 of this Volume, and within total amounts appropriated in each annual appropriation act, adjustments may be made as necessary to finance to completion the cost of (a) projects previously approved and started, (b) projects expected to be started during the current fiscal year, and (c) other project costs that represent valid unfinanced requirements for the budget year. Amounts previously appropriated in excess of the cost of performance may be reprogrammed to support the completion of other projects.

4. Individual projects cited as a source of funds for reprogramming shall be limited to the new total cost included in the estimate given to the Congress.

C. Planning and Design

1. Planning and design functions are efforts necessary to develop preliminary project cost estimates.

2. Title 10, United States Code, section 2807 authorizes the Secretary of the Military Department concerned to perform planning and design efforts for military construction or land acquisition projects. Such efforts, to the extent accomplished within amounts otherwise appropriated, may be accomplished without specific congressional authorization for the project involved. For projects where the estimated design costs exceed the amount established in 10 U.S.C. 2807, the Secretary of a Military Department shall notify the appropriate committees of the Congress not less than 21 days before the initial obligation of funds for such services. This provision applies only to the Military Service active components. There is no requirement for the Reserve Components to notify the committees at any design cost threshold.

3. Functions that may be performed under the authority of planning and design are as follows:

a. Architectural and engineering services and construction design required for site investigation, survey, mapping, or sketches.

b. Preparation of cost estimates for construction and land acquisition projects.

c. Preparation of plans, specifications, special studies, including value engineering, and construction contract documents.

- d. Construction management of projects that are funded by foreign governments for which elements of the Armed Forces of the United States are the primary user.
- e. Development and updating of design criteria and manuals.
- f. Preparation of standard designs and definitive drawings used on military construction projects.
- g. Management of military construction program design and contract administrative services for design.
- h. Certification of project cost.
- i. Administration of architectural and engineering service contracts for the design of construction and land acquisition projects.
- j. Printing and reproduction of bid documents, preparing pre-bid government estimates and liaison with prospective bidders prior to award of a construction contract.

D. Major Construction

1. Major military construction projects include all acquisition and/or construction, additions, expansions, extensions, conversions, alterations, or replacements of (a) facilities with costs in excess of the amount specified by law as the maximum amount for a minor construction project or (b) any project, regardless of cost, approved as a specific line item in the Military Construction budget request. Costs of a major construction project should include the following:

- a. Surveys, demolition and site preparation.
- b. Acquisition, conversion, rehabilitation, and installation of facilities.
- c. Acquisition and installation of equipment and appurtenances integral to the project.
- d. Acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project.
- e. Supervision, administration, and overhead incident to the project.

f. Design and support of design for construction projects after construction award (includes change orders, value engineering proposals, and as-built drawings).

2. Specifically excluded from major construction are those costs identified as minor construction, planning and design, or supporting activities. Efforts financed by other than military construction appropriations are discussed in section 1703, below.

E. Emergency Construction

1. The Secretaries of the Military Departments and Directors of Defense Agencies may carry out a major construction project under the authority of 10 U.S.C. 2803, after appropriate congressional notification. Additional guidance is contained in DoD Directive 4270.36, "DoD Emergency, Contingency, and Other Unprogrammed Construction." Emergency construction is limited to those projects where it is determined that:

a. The project is vital to national security, protection of health and safety, or quality of the environment.

b. The requirement for the project is so urgent that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security, protection of health and safety, or quality of the environment.

2. When a decision is made to request approval for an emergency construction project, the DoD Component concerned shall submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2803 and Chapter 7 of this Volume. Each reprogramming request shall include the following:

a. Justification for, and the current estimate of, the cost of the project.

b. Justification for carrying out the project as an emergency construction project.

c. A statement as to the source of funds to be used for the project.

3. Emergency construction projects shall be financed within amounts appropriated for military construction that have not been obligated for other purposes. The maximum amount that may be obligated by each Military Department in any fiscal year is established in 10 U.S.C. 2803.

4. Actual construction shall not commence prior to the receipt of appropriate DoD and congressional approval.

5. Except as otherwise specifically provided for, emergency construction projects shall be subject to the same restrictions and limitations as major construction projects. Additionally, the identification and treatment of costs for emergency construction projects shall be consistent with that for major construction projects.

6. There is no provision for emergency construction for the Reserve Components.

F. Contingency Construction

1. Title 10, United States Code, section 2804 and the annual Military Construction Appropriation Acts contain authority that authorized projects of an urgent nature to be funded from the Contingency Construction Account. Such efforts, to the extent accomplished within amounts appropriated for such purposes, may be accomplished without specific congressional authorization for the project involved. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress. In addition, there is a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

2. A project financed under this authority requires a determination that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or national interest. Additional guidance is contained in DoD Directive 4270.36.

3. When a decision is made to request approval for an contingency construction project, the DoD Component concerned shall submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2804 and Chapter 7 of this Volume. Each reprogramming request shall include the following:

a. Justification for, and the current estimate of, the cost of the project.

b. Justification for carrying out the project as an contingency construction project.

c. A statement as to the source of funds to be used for the project.

4. Actual construction shall not commence prior to the receipt of appropriate DoD and congressional approval.

G. Environmental Response Actions

1. Title 10, United States Code, section 2810 contains authority that authorizes the Secretary of Defense to carry out constructions projects for environmental response actions. Such efforts may be accomplished without specific congressional authorization for the project involved. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress. In addition, there is a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

2. When a decision is made to request approval for an environmental response action construction project, the applicable DoD Component concerned shall submit a request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2810 and Chapter 7 of this Volume. Each reprogramming request shall include:

a. Justification for, and the current estimate of, the cost of the project.

b. A statement as to the source of funds to be used for the project.

H. Construction in the Event of a Declaration of War or National Emergency

1. Title 10, United States Code, section 2808 contains authority that authorizes the Secretary of Defense to undertake military construction projects, without regard to any other provision of law, in the event of a declaration of war or the declaration by the President of a national emergency that requires use of the Armed Forces of the United States.

2. Such projects may be undertaken only within the total amount of funds that have been appropriated for military construction, including funds appropriated for family housing, that have not been obligated. (This authority shall terminate at the end of the war or national emergency). Use of this authority requires the Secretary of Defense to notify the appropriate committees of Congress. Additional guidance is contained in DoD Directive 4270.36.

I. Minor Construction

1. Projects that involve the acquisition (except land), new construction, addition, expansion, extension, alteration, conversion, replacement, or installation of permanent or temporary facilities (except family quarters) are considered to be minor construction projects when (a) the cost of the project does not exceed such amount as may be specified by 10 U.S.C. 2805 for the Active Components and 10 U.S.C. 18233a for the Reserve Components and (b) the project has not been included in the budget request as a specific line item.

2. When a minor construction project costing more than amounts established in 10 U.S.C. 18233a is undertaken, appropriate congressional committees shall be

notified prior to the start of the project. The project then may be carried out only after the end of the 21 day period beginning on the day the notification is received by the committees, or after each such committee approves the project, if the committees approve the project before the end of the 21 day period. Funds cannot be obligated for construction until committee approval is obtained.

3. Title 10, United States Code, section 2805 contains authority that authorizes the Secretary of Defense to carry out minor constructions projects within an amount equal to 125 percent of the amount authorized by law for such purposes without specific congressional authorization, except as provided in 10 U.S.C. 2805(a)(2). Use of this authority requires written notification to the appropriate committees of Congress and a statutory waiting period of 21 days following congressional notification before funds may be obligated for any project approved under this authority.

4. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects; however, design costs are not excluded from capitalization.

5. Each project accomplished under the minor construction authority must result in a complete real property facility or improvement. Further, each project must, to the maximum extent possible, be consistent with the appropriate installation master plan. Requests for project approval must fully disclose the relation of the project to the master plan and must detail further planned construction to the same or closely related facilities.

6. DoD Components are precluded from using materials, supplies, or items of installed capital equipment on their own minor construction projects on a nonreimbursable basis.

7. Prerequisites for establishing a minor construction project include identification of the required end result of the project and its correlation with the appropriate installation master plan.

8. It is not feasible to prescribe absolute criteria for determining what scope of work would, under all possible circumstances, properly constitute a separate minor construction project. However, minor construction projects undertaken under the authority of 10 U.S.C. 2805 must be consistent with the intent of the statute as to what constitutes a separate project.

9. The planned acquisition of, or improvement to, a real property facility through a series of minor construction projects; that is, incremental-type construction is prohibited.

Notwithstanding any other provisions for approval of minor construction projects, no project may be proposed to be accomplished under minor construction authority that previously has been

deleted by the Congress from proposed military construction authorization legislation or otherwise disapproved of by the Congress.

J. Restoration or Replacement of Damaged or Destroyed Facilities

1. The Secretaries of the Military Departments, with the approval of the Secretary of Defense, may request congressional approval to repair, restore or replace a facility that has been damaged or destroyed for which legislative authorization and appropriation has not been provided.

2. Title 10, United States Code, section 2854 requires that Congress be notified in writing when the cost of a project is greater than the amount specified in 10 U.S.C. 2805 for minor construction.

3. When a decision is made to request approval for restoration or replacement of damaged or destroyed facilities, the applicable DoD Component concerned shall submit a request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. 2854 and Chapter 7 of this Volume. Each reprogramming request shall include:

a. Justification for, and the current estimate of, the cost of the project.

b. A statement as to the source of funds to be used for the project.

4. Restoration or replacement projects shall be financed within amounts appropriated for military construction that have not been obligated for other purposes.

5. Actual construction shall not commence prior to the receipt of appropriate DoD and congressional approval.

K. Supporting Activities

1. Funding for supporting activities provides for access roads under authorization contained in 23 U.S.C. 210. Access roads may be required in conjunction with construction, expansion, improvement, replacement, or relocation of DoD facilities.

2. Highways located within the boundaries of a military reservation are not eligible for financing from these funds. Such highways shall be funded from major construction, emergency construction, or minor construction programs, as applicable. Additionally, projects in the regular Federal Air Primary Systems normally are not considered eligible for financing with these funds.

3. Funds available for Defense access roads can be provided to the Department of Transportation (DoT) via a Standard Form (SF) 1151, "Nonexpenditure Transfer Authorization" nonexpenditure cash transfer or the effort may be carried out by DoT on a reimbursable basis.

L. Scope of a Military Construction Project

1. All acquisitions of land, regardless of cost, maybe considered to be a military construction project. Submit all requests for purchase, withdrawal from public domain, lease or permit from individuals or government entities, or any other type of use agreement involving more than 1,000 acres, or land whose estimated purchase price or annual lease price exceeds \$1 million to the Deputy Secretary of Defense through the Deputy Assistant Secretary of Defense (Installations). Title 10, United States Code, section 2673 also authorizes use of Operation and Maintenance funds for land acquisition as defined in 10 U.S.C. 2672.

2. A military construction project includes all construction efforts, or any contribution authorized by law, necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility or improvement as specifically authorized by law.

3. Military construction project funding includes equipment installed in and made a part of real property structures or improvements. Construction project finding excludes all production and movable equipment. The source and cost of all production and movable equipment directly associated with construction projects shall be disclosed as additional information in presenting construction programs and budgets.

4. Construction applicable to one real property facility:

a. All construction proposed for a real property facility in which the same functional purpose or related functional purposes involved will be treated as one project.

b. All concurrent construction proposed for contiguous areas of a multi-use facility shall be treated as a single project even though the construction pertains to unrelated functional purposes. For this purpose, contiguous means "in actual contact" or "touching."

c. All construction proposed for a multi-use facility that is common to the facility as a whole, or common to areas in which the same or related functional purposes are performed, shall be treated as a single project.

d. Construction proposed for a multi-use facility may be divided into separate projects provided that each project can be clearly defined and the result is a complete and usable facility.

5. When construction is accomplished concurrent with repair and/or maintenance work as an integrated undertaking, the construction may be treated as a separate project. If the construction is treated as a separate project, cost limitations, notification, and other requirements associated with applicable construction projects apply. For this purpose, engineering estimates may be used to determine costs applicable to the construction portion.

6. A decision as to whether one or more projects are to be established for related efforts relating to subparagraph 170102.L.5, above, shall be submitted for approval to the Secretary of the cognizant Military Department.

1702. EFFORTS TO BE FINANCED BY MILITARY CONSTRUCTION APPROPRIATIONS

170201. All costs of the military construction program are financed from appropriations available for that purpose. These costs include design, major construction projects, supporting construction functions, construction overhead, and projects authorized in the United States Code for funding by appropriations available for military construction. Unfunded costs that are capitalized, but financed by appropriations other than those available for military construction, are addressed in section 1703, below.

170202. For other than family housing projects, the military construction appropriation shall be used when the cost of a minor construction project is greater than the amount established in Title 10, United States Code, section 2805.

170203. Funded Project Costs. Except as prescribed in section 1703, below, major construction costs incurred during the design and construction phases are funded from applicable military construction appropriations. These costs include, but are not necessarily limited to, the following:

- A. All materials, supplies, and services applicable to the project.
- B. All items of installed capital equipment.
- C. Transportation costs applicable to materials, supplies, installed capital type equipment, and government-owned equipment.
- D. Labor costs, including construction units composed of foreign nationals but excluding U.S. military labor.
- E. That portion of installation overhead or support costs that can be identified as representing additional costs that would not have been incurred were it not for the project.
- F. Supervision, inspection and overhead costs charged by the U.S. Army Corps of Engineers and the Naval Facilities Engineering Command when serving as the design and/or construction agent.

G. Travel and per diem related to applicable military or civilian labor.

H. That portion of costs applicable to the operation and maintenance of Government-owned equipment shall be computed on an hourly rate in accordance with guidance in Chapter 1, Volume 11A of this Regulation.

170204. Overhead Expenses. All overhead expenses for the military construction program, including work for others, initially are financed from the performing military construction appropriation. These expenses are distributed to projects, including work for others. Military construction overhead includes the following efforts:

A. Personal services (and support costs) at field and headquarters activities related to the military construction program.

B. Contract administration.

C. Military construction program and project management (including post construction evaluation).

D. Technical direction and coordination of projects.

E. Land planning studies or reports, appraisal, and title search after congressional authorization of a land acquisition or exchange.

F. Project management and administration not otherwise identified above.

170205. Reimbursable Project Costs. The appropriation or fund financing a construction project shall reimburse other appropriations or funds, as applicable, for costs initially financed by another appropriation or fund. Reimbursement between appropriations shall be made by use of an SF 1080, "Voucher for Transfers Between Appropriations and/or Funds," on a "no-check" basis.

1703. EFFORTS FINANCED BY OTHER THAN MILITARY CONSTRUCTION APPROPRIATIONS

170301. Unfunded Costs. Some efforts in support of military construction are identified as unfunded costs. However, such costs must be capitalized as part of the value of the property. Unfunded costs are those that (a) contribute to a military construction project, (b) are financed from appropriations other than military construction, and (c) are not reimbursed by appropriations available for military construction. Unfunded costs are capitalized as part of the real property investment and include the following:

A. Costs financed from military personnel appropriations.

B. Costs applicable to the depreciation of government-owned equipment shall be computed on an hourly rate in accordance with guidance in Chapter 1, Volume 11A of this Regulation.

C. Materials, supplies, and items of installed capital equipment that have been obtained specifically for a project on a nonreimbursable basis, either as excess distributions from another DoD Component or as excess distributions from other Federal agencies. A DoD Component is precluded from using materials, supplies, or items of installed capital type equipment on its own minor construction projects on a nonreimbursable basis.

D. Unfunded civilian fringe benefit rates for DoD civilian personnel as prescribed in Chapter 6, Appendix C, "Civilian Personnel Fringe Benefit," Volume 11A of this Regulation.

E. Gifts from private parties.

170302. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects.

170303. For other than family housing facilities, when the cost of a project is less than the amount specified in 10 U.S.C. 2805, the project shall be financed from applicable Operation and Maintenance (O&M) appropriations; Research, Development, Test and Evaluation (RDT&E) appropriations; or working capital fund resources, as appropriate.

170304. Items of equipment that are movable in nature and not affixed as an integral part of a facility shall be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate. This equipment includes all types of production, processing, technical, training, servicing, RDT&E, and pre-wired work stations.

170305. Any operational equipment for which installation mountings and connections are provided in the building design, and that are detachable without damage to the building or equipment, shall be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate.

170306. The costs of alterations to install movable equipment that is not affixed as an integral part of a facility shall be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriation or working capital fund resources, as appropriate.

170307. The following examples of installation or relocation items should be financed from applicable O&M appropriations; RDT&E appropriations; procurement appropriations; or working capital fund resources, as appropriate:

A. Prefabricated screens, partitions, false floors, platforms, and shielding for electromagnetic radiating services.

B. Temporary removal and reinstallation or portions of existing walls, roofs, utility systems, and appurtenances to permit installation of equipment.

C. Secondary utility work necessary to connect equipment to existing utilities services within a facility between the primary entry or source of utilities into the structure and the equipment to be served.

170308. Advance Planning. Advance planning costs should be financed through the O&M accounts and expensed in the period incurred. Working capital funds will finance advance planning costs through its operating account and expense these costs in the period incurred. (See Volume 11B of this Regulation). Advance planning is not encompassed by, and should not be performed under, the authority of military construction project planning and design efforts. Advance planning costs are not to be included in determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects. The following are examples of advance planning functions:

A. Developing the requirements for a military construction project (project formulation).

B. Developing a master plan for an installation.

C. Initial explorations of project alternatives and rough drawings.

D. Facilities related management studies.

E. Conceptual analysis.

E. Making alternative site studies.

F. Developing and validating military construction project documentation prior to commencing project design.

G. Preparing engineering analyses and studies to develop technical design parameters prior to commencing project design.

H. Preparing environmental impact assessments and statements.

170309. Family Housing. All family housing construction projects shall be funded from applicable family housing appropriations. Guidance concerning funding of family housing efforts is addressed in Chapter 6, "Military Construction/Family Housing Appropriations," Volume 2, of this Regulation.

170310. Projects for pollution abatement, energy conservation, and occupational safety and health activities may be funded from other than the military construction appropriation when the cost of a project:

A. Is funded from the proceeds of sales of recyclable material in accordance with Chapter 5, "Disposition of Proceeds From DoD Sales of Surplus Personal Property," Volume 11A of this Regulation, and 10 U.S.C. 2577.

B. Does not exceed 50 percent of the amount established by law as a maximum amount for minor construction projects in accordance with 10 U.S.C. 2577.

1704. AUTHORIZATION, APPROPRIATION, OBLIGATION, AND EXPENDITURE RESTRICTIONS

170401. Program Restrictions

A. Specific authorization shall be required for work to be performed under major construction programs unless the project is carried out under one of the authorities provided by Title 10, United States Code, sections 18233a, 2803, 2804, 2805, 2808, 2810, or 2854--or other authorities--to carry out a project not otherwise specifically authorized.

B. Each Act of Congress that provides authorization for work to be performed under major construction programs generally contains a limitation on total costs for work to be undertaken for each installation as a whole, for emergency construction work on a Department-wide basis and, in some cases for a type or category of construction. In certain circumstances, overruns, within stated percentages, may be authorized with respect to individual cost limitations, provided the total amount authorized for any appropriation is not exceeded.

170402. Obligation and Expenditure Restrictions

A. Appropriated funds authorized for obligation are subject to DoD Directive 7200.1 and the Antideficiency Act provisions addressed in Volume 14 of this Regulation. An adequate system of funds control shall be established in accordance with Volume 14. These controls shall be designed to ensure that individual projects are being carried out consistent with authorized purposes and within authorized and available funds.

B. Absent a specific provision of law, the cost estimate for each project approved by the Congress is not a separate statutory cost limitation. Major physical or financial changes in individual projects previously approved shall be reported in advance to the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees for their approval after proper clearance within the Department and the OMB.

C. Limitations shall be at the project level for major construction and budget activity for minor construction, planning and design, etc.

D. DoD Components have limited authority to realign resources between projects consistent with Chapter 6, Volume 2 of this Regulation.

E. Requests for apportionment of appropriated funds shall be based on estimates contained in applicable approved operating budgets.

F. Within each Military Department, funding authorizations to incur obligations shall be made by means of subdivisions of appropriated funds to operating agencies and operating units responsible for construction. Such funding authorizations shall be less than or equal to total obligation requirements for the respective approved operating budgets.

G. There shall be only one allocation of funds from the construction appropriation to any operating agency and only one allotment of funds from any such allocation to each operating unit. Each allocation or allotment should carry with it only such additional obligation limitations as may be established by the OMB or the Secretary of Defense, or as otherwise required by the Congress or the President. Separate limitations imposed on total costs by congressional authorizations and by administrative action must be observed at every level in connection with budgetary and funding actions as well as in program execution.

H. When a Military Department performs construction work or services for another DoD Component, or another Federal agency, such work or services shall be performed on a reimbursable basis pursuant to the orders received by the performing Military Department's construction appropriation. There is one exception: The Department of the Army (U.S. Army Corps of Engineers) and the Department of the Navy (Naval Facilities Engineering Command) may perform work or services for the Department of the Air Force and the Federal Emergency Management Agency under allocations or allotments. The performance of work under Air Force and Federal Emergency Management Agency allocations or allotments shall be in accordance with procedures applicable to the performance of construction programs of the Department of the Army or Department of the Navy, as appropriate. Transfer appropriation accounts shall not be established for any such work, nor shall there be advances of funds to finance orders given for work or services. No work or services shall be performed under a direct "citation of funds" (that is, direct charge by the performing unit and or activity to the funds of the ordering unit and or activity).

I. The following policies shall be followed with respect to the performance of all work or services on a reimbursable basis under a construction appropriation:

1. Reimbursements earned are an additional source of obligational authority under the appropriate budget program account. For purposes of establishing obligational authority, such reimbursements may be anticipated for orders received. Cost limitations for the performance of work shall be observed pursuant to the terms of the orders received. Operating budgets shall include estimates of reimbursable orders received or anticipated.

2. Reimbursements are to be budgeted and their use controlled at the Military Department level where management and control of a program is retained. In these cases, allocations and allotments of funds shall be expressed in terms of total obligational authority in operating budgets of the respective operating agencies and operating units responsible for carrying out the program.

J. Title 10, United States Code, sections 4540, 7212 and 9540 limit the amount of obligations that can be incurred on the production and delivery of design, plans, drawings and specifications for any public works or utilities project to not more than six percent of the estimated cost of the project. The 6 percent threshold does not include costs associated with activities such as design reviews, advertisements, preparation of invitations for bids, requests for proposals, land survey, soils and/or other investigations and model studies, determination of program or project requirements, design development criteria, environmental impact statements and supporting data, or travel and per diem.

170403. Certifications of Costs

A. Certifications of costs incurred shall be prepared in accordance with the format shown in Appendix A to this chapter. These certifications shall include statements of total cost incurred on the project, the funded portion of total costs, the unfunded portion of total costs, and a statement that funded costs incurred do not exceed authorized amounts. In connection with the statement of total costs and funded costs, authorized amounts shall also be disclosed. Such disclosure shall indicate the approving authority,

B. The certification shall be prepared within 60 days after physical completion of the project and shall be signed by the installation commander, the responsible engineering official (e.g., post engineer, civil engineer, or public works officer), and the responsible fiscal official.

C. A copy of the certification shall be retained in a project file at each level that maintains project files.

1705. DOCUMENTATION STANDARDS

170501. Project Files. Project files shall be maintained for each construction project. These project files shall represent a complete historical record of the project from inception to completion. Correspondence and other documentation pertinent to the project shall be incorporated into project files at all appropriate levels. Construction agents are responsible for holding the historical project files. These files may include memorandums for record pertaining to decisions resulting from discussions, meetings, and telephone conversations.

170502. Acceptance of Real Property. The acceptance of real property by a user organization, as well as the transfer between DoD Components, or to or from other Federal agencies, must be documented. The Transfer and Acceptance of Military Real Property format shown in Appendix B to this chapter shall be used as a basic source document for transferring the

value of a military construction project to the installation's real property records. In addition, the format shall be prepared at the point amounts are transferred from Construction in Progress accounts to the applicable asset account (e.g., Building). This will provide an audit trail for the recording of the capitalized assets in the applicable property accounts. A locally developed installation format may be used in lieu of the format in Appendix B, if it contains essentially the same information.

170503. Classification of Amounts for Accounting Purposes

A. Within each construction appropriation, there should be only one account structure for classifying costs for the joint purposes of planning, programming, budgeting and accounting (including reporting). Similarly, within each construction appropriation, there should be a single uniform classification of accounts for the purpose of summarizing costs and obligations in budgets, accounting for costs and reporting these costs. The management of an activity performing a construction project is responsible for ensuring that all significant costs (that is, both funded and unfunded costs) are recorded for the project and that all costs subject to capitalization are included in the real property asset accounts, property records, and reports submitted to the OSD and the Congress.

B. The OMB and the Treasury Department have mandated use of a standard general ledger chart of accounts. The DoD Standard General Ledger is identified in Chapter 7, Volume 1 of this Regulation. Use of these DoD accounts is required in order to classify costs for the joint purposes of planning, programming, budgeting, and accounting for construction projects. All organizational levels incurring any significant level of costs shall use the Standard General Ledger to accumulate the cost of performance of construction projects and programs.

c. Cost accounting modules for accumulating and controlling construction projects shall be integrated with an activity's overall accounting system. Cost accounting systems represent a subsidiary ledger of the general accounting system. Therefore, cost accounts, as appropriate, shall be established for each project. Cost identification and cost finding are prescribed in Chapters 19 and 22, Volume 4, of this Regulation.

D. Charges to an account shall be categorized in one of the four construction phases addressed in Appendix C to this chapter. The four phases addressed in Appendix C identify those costs that will be expensed and those costs that will be capitalized.

E. Amounts to be Expensed

(1) Costs incurred in the advance planning (discussed in subsection 170308, above), programming and budgeting phases shall be expensed in the period incurred.

(2) When a project is abandoned, the total cost incurred shall be expensed consistent with guidance contained in Chapter 6, Volume 4, of this Regulation.

(3) The basic expense accounts that should be used to subdivide a project and the use of these accounts maybe found in Chapter 17, Volume 4, of this Regulation

F. Amounts to be Capitalized

(1) Capitalization is a concept while recognizes that the costs incurred in a construction project are to be shown as an asset. Capitalization applies to those projects for which actual costs and expected useful life meet the criteria specified in Chapters 1 and 6, Volume 4, of this Regulation.

(2) All significant costs related to the construction or acquisition of an asset, including unfunded costs addressed in section 1703, above, shall be recognized in capitalizing the costs of a project.

(3) The cost of efforts associated with the design, construction contracting, and construction phases of a project shall be capitalized.

(4) Direct costs incurred in the design and construction phases of a project shall be charged to a specific project. Other costs (listed in subsection 170204, above) that are financed by military construction and subject to capitalization shall be identified to the appropriate indirect cost groups for subsequent allocation to supervision, inspection and overhead cost pools.

170504. Financial Reports

A. Accounting records at every level shall be designed to permit summarization of financial transactions that produce accurate and timely information from one system of accounts. Data produced shall be in formats required for preparation of prescribed budget and financial reports and for such other day-to-day management data as may be required in executing financial oversight. In addition, records and costs must be designed and maintained so as to facilitate audits of project amounts.

B. Each military construction appropriation account shall be reported monthly in the Report of Appropriation Status by Fiscal Year Program and Subaccounts, AR(M)1002. The report shall be prepared as prescribed in Chapter 4, Volume 6, of this Regulation.

170505. Specific Entries. Construction In Progress accounts in the general ledger account 1720 series will be used to accumulate and control costs as prescribed in Chapter 6, Volume 4, of this Regulation. Construction in Progress accounts may be subdivided as necessary to accumulate and control costs. Chapter 15 of this Volume prescribes the budgetary general ledger accounts to be used in recording military construction budget execution transactions. The illustrative entries below are to supplement the entries in Chapter 6, Volume 4, of this Regulation and chapter 15 of this Volume.

- A. Dr 4611 Uncommitted/Unobligated Allotments - Direct Program -
Current Period
Cr 4710 Outstanding Commitments - Direct Program

To record commitments when the direct program is used.

- B. Dr 4710 Outstanding Commitments - Direct Program
Cr 4810 Undelivered Orders - Direct Program

To record the award of a military construction contract.

- C. Dr 4810 Undelivered Orders - Direct Program
Cr 4910 Accrued Expenditures - Unpaid - Direct Program

Dr 1722 Construction in Progress - Contractor
Cr 2113 Accounts Payable - Public - Current

To record the receipt of a contractor's invoice for work performed.

- D. Dr 4910 Accrued Expenditures - Unpaid - Direct Program
Cr 4930 Accrued Expenditures - Paid - Direct Program

Dr 2113 Accounts Payable - Public - Current
Cr 1012 Funds Disbursed

To record the payment of a contractor's invoice (assumes no contract holdback requirement).

- E. Dr 1730 Buildings
Cr 1722 Construction in Progress - Contractors

To record the transfer from the Construction in Progress accounts to the Building account upon completion of the project.

APPENDIX A

EXAMPLE - CERTIFICATION OF COST INCURRED

(Minor Construction Projects Undertaken Under Authority of 10 U.S.C. 2805)

Military Department or Defense Agency: _____

Installation: _____

Project Description and Identification: _____

1. Approved and actual cost were as follows:

	Approved *	Actual
	<u>Costs</u>	<u>Costs</u>
Funded Costs		
Unfunded Costs		
Total Costs		

* The project was approved by (approving authority)

2. Funded costs do not exceed the limitations of 10 U.S.C. 2674 or any other legislative or administrative limitations.

I certify that, to the best of my information and belief, the above statements are true. I further certify that, in the discharge of my official duties, I have taken every reasonable action to verify and assure the accuracy of these statements.

<u>(Date)</u>	<u>(Installation or Base Commander)</u>	<u>(Signature)</u>
	Name, Rank, Position	

<u>(Date)</u>	<u>(Responsible Engineering Official)</u>	<u>(Signature)</u>
	Name, Rank, Position	

<u>(Date)</u>	<u>(Responsible Fiscal Official)</u>	<u>(Signature)</u>
	Name, Rank, Position	

NOTE: To be completed within 60 days after completion of project or, in the event of a contract dispute, as soon as such dispute is settled.

APPENDIX B
TRANSFER AND ACCEPTANCE OF MILITARY REAL PROPERTY

TRANSFER AND ACCEPTANCE OF MILITARY REAL PROPERTY								PAGE _____ OF _____ PAGES								
1. FROM (Installation/Activity/Service & Zip Code)			2. OPERATING UNIT		3. DISTRICT CODE		4. OPERATING AGENCY		5. DATE		6. JOB NUMBER		7. SERIAL NUMBER		8. CONTRACT NUMBER	
9. TO (Installation/Activity/Service & Zip Code)			10. OPERATING UNIT		11. DISTRICT CODE		12. OPERATING AGENCY		13. ACCTG. NUMBER		14. ACCTG. OFFICE NUMBER		15. TYPE OF TRANSACTION A. _____ B. _____		16. PROJECT NUMBER	
ITEM NO.	CATEGORY CODE	FACILITY	NO. OF UNITS	TYPE	UNIT OF MEAS.	TOTAL QUANTITY	COST		DRAWING NUMBERS	REMARKS						
17	18	19	20	21	22	23	24		25	26						
27. STATEMENT OF COMPLETION: The facilities listed hereon are in accordance with maps, drawings, and specifications and change orders approved by the authorized representative of the using agency except for the deficiencies listed on the attached.																
TRANSFERRED BY (Signature)					DATE:		28. ACCEPTED BY (Signature)					DATE				
TITLE (Area Engr./Base Engr./DPWO)							TITLE (Area Engr./Base Engr./DPWO)					29. PROPERTY VOUCHER NUMBER				

APPENDIX B
TRANSFER AND ACCEPTANCE OF MILITARY REAL PROPERTY

This exhibit sets forth the essential information required for the transfer and acceptance of military real property and should be completed to support entries into the real property accounts.

A. GENERAL INFORMATION ON THE TRANSFER AND ACCEPTANCE FORMAT

1. The page number and the total number of pages comprising each transfer transaction shall be shown in the space provided at the top right-hand part of the format.
2. When two or more pages are required, items 27 through 29 shall be completed only on the final page. In such cases, the bottom portion of the format (blocks 27 through 29) shall be excluded from each page except the final page.

B. PROCEDURES FOR COMPLETING THE TRANSFER AND ACCEPTANCE FORM

- | | |
|------------|---|
| ITEM 1 | Self-explanatory |
| ITEM 2 | To be assigned in accordance with DoD Component implementation. |
| ITEM 3 | Identify Intermediate Command, as necessary. |
| ITEM 4 | Primarily for Navy use. |
| ITEM 5 | Enter the date the transfer and acceptance document is prepared. |
| ITEM 6 | For Army use, enter appropriate Army job and directive number. For Air Force use, enter base job number, as appropriate, when form is used for transfer within the Air Force. |
| ITEM 7 | For Army use, or for transfer of construction to the Air Force, identify the fiscal year, and sequence number for each installation to which real property is being transferred; for example, for FY 1988, show 88-1, 88-2, etc. For the Navy, the serial number shall be assigned by the area or district public works office and shall represent the numerical sequence of submissions by respective contract number. |
| ITEM 8 | Insert appropriate contract number. |
| ITEM 9 | Self-explanatory. |
| ITEM 10-12 | Same as instructions for Items 2, 3 and 4. To be used by the gaining activity. (Not applicable for Air Force use.) |

- ITEM 13 For Navy use only. Insert the accounting number assigned to, or used by, the activity in Item 9.
- ITEM 14 For Navy use only. Insert the accounting number assigned to the activity performing the official property accounting for the activity shown in item 9.
- ITEM 15A Indicate whether the transfer is new construction, existing facilities, capital improvements to existing facilities, other. Additional remarks should be entered on a separate schedule if “other” is specified.
- ITEM 15B Indicate whether transfer is being made at time of beneficial occupancy, physical completion, financial completion (with respect to new construction), or “other.” Additional remarks should be entered on a separate schedule if “other” is specified.
- ITEM 16 Enter the code number assigned to identify the project with the statutory authority appropriate for the construction.
- ITEM 17 A separate item number will be assigned for each category code. Item numbers will be shown in column 17 and assigned sequentially starting with the number one.
- ITEM 18-19 Enter the category code and description that appropriately describes the primary use for which the facility (building, structure, utility) is designed. Not more than one category code (Item 18) will be listed per line item (Item 17). Category codes and descriptions should be consistent with DoD Instruction 4165.3, “Department of Defense Facility Classes and Construction Categories,” and enclosure 1 to DoD Instruction 4165.14, “Inventory of Military Real Property.”
- ITEM 20 Show number of units in terms of buildings or other structures.
- ITEM 21 Enter the type of construction; use “P” for permanent, “S” for semipermanent, or “T” for temporary, as appropriate.
- ITEM 22 Enter the unit of measure. Abbreviate such as “M2” for square feet, etc.
- ITEM 23 Enter total quantity for measure identified in Item 22.
- ITEM 24 Indicate cost for each item number, category code, and description. When a document includes some estimates, annotate each cost figure with an alphabetical suffix of “P” for preliminary or “F” for final.
- ITEM 25-29 Self-explanatory.

APPENDIX C PHASES OF MILITARY CONSTRUCTION

Congressional authorization of major construction projects typically represents the culmination of planning, programming, and budgeting efforts. A project evolves from a determination that additional facilities are needed. The need is defined, given a priority ranking, and placed in competition with other projects for available resources. The project definition effort begins at the installation level and moves through the chain of command until the project ultimately is included in the budget submittal. Attachment 1 to this appendix, "Evolution of a FY 1995 Military Construction Project," depicts the life-cycle of a military construction project and shows that the process of acquiring a military facility could take 3 to 7 years from conception to completion. The actual design phase could take 1 to 2 1/2 years, while the construction phase could take 1 to 3 years. The remaining time is for planning, programming, budgeting and procurement activities. The scope and cost of each project must be finalized before the annual budget submission to the Congress. The total construction process consists of four phases.

1. PLANNING AND PROGRAMMING

a. **Planning.** During planning, an installation's facility requirements are derived from the installation's mission. The need to acquire additional facilities is determined by an assessment of how existing facilities meet the installation's facility requirements. If additional facilities are needed, construction projects may be undertaken to build new facilities, or upgrade existing, substandard facilities to accommodate new missions, accept technological changes, and improve operational efficiency.

b. **Programming.** During programming, requirements--which are not met--are matched with anticipated resources and included in a long-range plan to acquire those facilities. Installation plans are combined into a Component-wide basis to ensure compatibility with the nation's military strategy, Component priorities and guidance, and in consideration of the DoD facilities investment goal.

c. **Investment Goal.** The Department and the Congress recognize that there is a minimum level of facilities investment that should be reached each year to protect the investment in existing facilities, ensure that facilities will continue to satisfy their designated purposes, and renew our installations. The physical plant must be capable of supporting operational requirements and readiness, both today and in the future. The investment goal is expressed as a percentage of plant replacement value.

d. **Plant Replacement Value (PRV).** See Attachment 2 to this appendix for further details.

e. **Master Planning.** Facility requirements are reflected in an installation master plan. This document is the installation's long-range strategy for development. It prescribes overall facility quality standards and architectural themes and addresses such areas as land use, utility systems, roads and parking.

f. **Project Planning and Programming.** After it is determined that a construction project is needed, a general description of the project requirement, its scope and a cost estimate are developed and, along with supporting documentation, submitted as part of the installation's military construction budget request. The project shall include associated equipment, furnishings (classified as equipment in place), and supporting facilities.

g. The cost of the above efforts normally is expensed and not capitalized.

2. BUDGETING

a. DoD Components determine which facility projects should be included in their Military construction budgets. Some facility projects may qualify for inclusion in other budgets, such as Procurement, RDT&E, or O&M or for accomplishment with nonappropriated funds.

b. The budget requests are forwarded to OSD, where all DoD Component programs are reviewed for compliance with DoD objectives and policy and refined and modified as necessary to ensure consistency and conformity. Once the program has been reviewed by the OSD, it becomes part of the budget request submitted to the OMB for transmission to the Congress as part of the President's Budget.

c. After receipt of the President's Budget, it is reviewed by oversight subcommittees of the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees. Often, witnesses from respective DoD Components, and sometimes from the private sector, appear before the subcommittees to furnish further information on specific programs and projects.

d. Upon completion of its review, each subcommittee marks up the budget request and forwards its recommendations for approval to the full committee and then to the full chamber. Differences between the projects approved by the House and Senate are resolved in joint conferences. The Congress passes separate authorization and appropriation bills that, when signed by the President, become the approved Military Construction program.

e. The cost of the above efforts normally is expensed and not capitalized.

3. DESIGN

a. Once a Military Department has validated the requirement and priority of a military construction project and inserted it in a specific fiscal year program, a design instruction is issued to the design agent who initiates the design process.

b. Design may be accomplished by contracting with an architect-engineer firm, a design build firm, or an in-house professional staff. If the design is to be contracted, 10 U.S.C. 2855 will be followed.

c. Design is accomplished in predetermined phases to assure that user requirements are addressed properly in the design and that established standards and criteria are met. The number of phases and detail required for each phase varies with each project, depending on complexity, special interest, high visibility, time constraints and funding level.

d. Normally, the critical point is at the preliminary design stage (referred to as the 35 percent stage) since this stage provides sufficient detail to define scope, criteria, and cost estimates for consideration in the budgeting process. The content of the 35 percent design submittal is defined in the contract scope of work and will vary depending on the contract delivery strategy to be used to acquire the facility. The most typical strategy is a design based on a unique one-of-a-kind effort. However, design could also be a site-adapt, a performance specification using commercially available building systems, a design-build, etc., but each of these contracting processes determines the content of the 35 percent design submittal.

e. Design includes such actions as the development of design manuals, software programs, guide specifications and standards, standard drawings, extensive site

investigation, analysis of alternative solutions, development of building systems layout, outline specifications, cost estimates, and special studies including value engineering.

f. The final design phase is initiated after thorough review by the using activities to ensure that requirements and criteria are addressed properly in the preliminary design documents and that the project has been revalidated and still is in the budget. Upon completion of the working drawings, contract specifications, and bidding documents, the project is ready to be advertised for construction. Projects require both congressional authorization and appropriation before a construction contract can be awarded.

g. The cost of the above efforts, including administrative and overhead support costs, shall be capitalized.

4. CONSTRUCTION

a. Normally, military construction projects are awarded through a competitive bid process that consists of advertising in the "Commerce Business Daily," using sealed bid procedures and awarding a firm fixed price contract to the responsible contractor submitting the lowest acceptable bid. However, as discussed previously for the design phase, alternative contracting delivery strategies may be followed in accordance with the Federal Acquisition Regulation (FAR) and congressional direction. Regardless of the method used, all requirements for construction contracts over \$250,000 must be advertised in the "Commerce Business Daily" to include details of the bidding procedures to be used.

b. Advertisement, award and administration of a construction contract require both in-house and contract efforts that include reproduction of bid documents, preparation and response to the advertisement, supervision, and administration and inspection throughout the life of the construction project, in addition to the total cost of the construction contract.

c. The cost of the above efforts shall be capitalized.

ATTACHMENT 1 TO APPENDIX C
EVOLUTION OF A FY 1995 MILITARY CONSTRUCTION PROJECT

PHASES	1990	1991	1992	1993	1994	1995	1996	1997
PLANNING, PROGRAMMING AND BUDGETING	User Identifies and Develops Project	Service Inserts Project in FYDP*	Service Completes Planning	Service Finalizes Program and Prepares Budget	OSD Submits Budget to the Congress			
LEGISLATION					Congressional Committees Hold Hearings & Enact Legislation			
DESIGN <u>1/</u>			Service Selects A&E** Negotiates Contract	A&E** Performs 0-35% Design. Service Reviews and Approves	A&E** Performs 35-100% Design. Service Reviews and Approves			
CONSTRUCTION					Service Solicits Bids and Awards Contract	Construction <u>2/</u>		User Occupies Facility
PHASES	1990	1991	1992	1993	1994	1995	1996	1997

* Future Years Defense Program

** Architect and/or Engineer

1/ Reserve Component facilities are to be at 65% design complete before inclusion in the DoD budget

2/ Contracts may not be awarded without congressional authorization and appropriations.

ATTACHMENT 2 TO APPENDIX C
PLANT REPLACEMENT VALUE

The Department and the Congress recognize that there is a minimum level of facilities investment that should be made each year to protect the investment in existing facilities, ensure that facilities will continue to satisfy their designated purposes, and renew our military installations. The physical plant must be capable of supporting operational requirements and readiness, both today and in the future. The plant replacement cycle is one indicator of an appropriate facility investment level. The methodology to determine the plant replacement cycle makes use of one indicator, plant replacement value which is described in this addendum.

1. PLANT REPLACEMENT VALUE (PRV)

The PRV is the cost of replacing the current physical plant with modern facilities built at today's construction costs using today's construction standards. It includes all buildings, structures, or other improvements to real property, regardless of funding source but does not include land value or leasing costs.

2. CALCULATION

a. The PRV shall be calculated by applying current construction pricing data to the total inventory of the current physical plant. This will yield the PRV.

b. The "Tri-Service Cost and Pricing Guide" should be consulted to determine current construction prices. Appropriate unit costs may not be available in the pricing guide. If this occurs, DoD Components shall use any other supportable sources available. DoD Components should use the most accurate estimates. The PRV shall not be calculated by inflating the original facility acquisition cost to the current year, unless no other reasonable method is available.

c. The PRV shall be identified for each of the following investment categories (ICs):

- IC 01 Aviation Operational
- IC 02 Communication Operational
- IC 03 Waterfront Operational
- IC 04 Other Operational
- IC 05 Training
- IC 06 Aviation Maintenance
- IC 07 Shipyard Maintenance
- IC 08 Other Maintenance and/or Production
- IC 09 Research, Development, Test, and Evaluation
- IC 10 Petroleum, Oil and Lubricant Supply and/or Storage
- IC 11 Ammunition Supply and/or Storage
- IC 12 Other Supply and/or Storage
- IC 13 Medical and/or Dental
- IC 14 Administration
- IC 15 Troop Housing and/or Messing
- IC 16 Other Personnel Support Services
- IC 17 Utilities
- IC 18 Real Estate and Ground Structures (less land)
- IC 19 Other Facility Costs
- IC 20 Family Housing

d. Facility acquisitions include all aspects to include construction, purchases, donations, and transfers in. In effect, include any transactions that increase the size of the physical plant.

e. Facility losses include demolitions, transfers out, sales, and losses because of fire or natural disaster. In effect, include any transactions that decrease the size of the physical plant.

f. The DoD Component shall maintain an audit trail of the calculations used to develop the PRV.

3. REPORTING REQUIREMENTS

PRV information is to be furnished to the Office of the Deputy Under Secretary of Defense (Installations) within 60 days after the end of each fiscal year. The following format will be used for submitting this information.

Plant Replacement Value (PRV) for FY 19____ (As of September 30, 19____) (Dollars in Millions)					
INSTRUCTIONS					
1. List the PRVs reported for the prior FY in column 2.			3. List acquisitions and losses for the current reporting FY in columns 3b and 3c.		
2. Calculate the prior year PRVs with current reporting year values and list in column 3a.			4. The current year PRVs in column 4 (columns 3a + 3b + 3c).		
1. Facility Categories (Enter totals for each category) (Use ICs & FCC cross reference list)	2. PRV Prior FY	3. Current FY Value			4. PRV Current FY
		a. PRV Prior FY	b. Acquisitions	c. Losses	
IC 01 Aviation Operational					
IC 02 Communication Operational					
IC 03 Waterfront Operational					
IC 04 Other Operational					
IC 05 Training					
IC 06 Aviation Maintenance					
IC 07 Shipyard Maintenance					
IC 08 Other Maintenance and/or Production					
IC 09 Research, Development, Test & Evaluation					
IC 10 Petroleum, Oil, & Lubricant Supply and/or Storage					
IC 11 Ammunition Supply and/or Storage					
IC 12 Other Supply and/or Storage					
IC 13 Medical and/or Dental					
IC 14 Administrative					
IC 15 Troop Housing/Messing					
IC 16 Other Personnel Support Services					
IC 17 Utilities					
IC 18 Real Estate & Ground Structure (less land)					
IC 19 Other Facility Costs					
IC 20 Family Housing					
Total					

INVESTMENT CATEGORIES (ICs) AND THREE-DIGIT FACILITY
CATEGORY CODE (FCC) CROSS REFERENCE LIST

Operations (all FCCs in the 100s except 171 and 179)

IC 01 - Aviation Operational Facilities

- 111 Airfield Pavements - Runways
- 112 Airfield Pavements - Taxiways
- 113 Airfield Pavements - Aprons
- 116 Airfield Pavements - Other
- 121 Airfield Fuel Dispensing
- 133 Navigation and Traffic Aids - Buildings
- 134 Navigation and Traffic Aids - Other than Buildings
- 136 Airfield Pavement Lighting
- 141 Operational - Buildings
- 149 Operational Facilities Other than Buildings

IC 02 - Communication Operational Facilities

- 131 Communications - Buildings
- 132 Communications - Other than Buildings
- 135 Communications - Lines

IC 03 - Waterfront Operational Facilities

- 122 Marine Fuel Dispensing
- 151 Piers
- 152 Wharfs
- 153 Cargo Handling or Staging Areas
- 154 Sea Walls, Bulkheads, and Quay Walls
- 155 Small Craft Berthing
- 156 Cargo Handling Facilities and/or Buildings
- 159 Other Waterfront Operational
- 161 Harbor Protection Facilities

162 Coastal Protection Facilities

163 Moorings

164 Marine Improvements

165 Dredging

169 Other Harbor and Coastal

IC 04 - Other Operational Facilities

123 Land Vehicle Fuel Dispensing

124 Operational Fuel Storage

125 Petroleum, Oil, and Lubricant (POL) Pipeline

126 Liquid Fuel and Dispensing - Other

137 Ship Navigation and Traffic Aids - Buildings

138 Ship Navigation and Traffic Aids - Other than Buildings

142 Operational - Helium Plants and Storage

143 Ship and Other Operational - Buildings

148 Ship and Other Operational - Other than Buildings

Training (FCCs 171 and 179)

IC 05 - Training Facilities

171 Training Buildings

179 Training Facilities - Other than Buildings

Maintenance and Production (all FCCs in the 200s)

IC 06 - Aviation Maintenance Facilities

211 Maintenance - Aircraft

221 Production - Aircraft

IC 07 - Shipyard Maintenance Facilities

213 Maintenance - Ships and Spares

223 Production - Ships and Spares

IC 08 - Other Maintenance and or Production Facilities

- 212 Maintenance - Guided Missiles
- 214 Maintenance - Tank and Automotive
- 215 Maintenance - Weapons and Spares
- 216 Maintenance - Ammunition, Explosives, and Toxic
- 217 Maintenance - Electronics and Communications Equipment
- 218 Maintenance - Facilities for Miscellaneous
- 219 Maintenance - Installation, Repair, and Operation
- 222 Production - Guided Missiles
- 224 Production - Tank and Automotive
- 225 Production - Weapons and Spares
- 226 Production - Ammunition, Explosives, and Toxic
- 227 Production - Electronics and Communications Equipment
- 228 Production - Facilities for Miscellaneous
- 229 Production - Installation, Maintenance, Repair, and Operations

Research, Development, Test and Evaluation (RDT&E) (all FCCs in the 300s)

IC 09 - RDT&E Facilities

- 310 Science Labs
- 311 Aircraft
- 312 Missile and Space
- 313 Ship and Marine Equipment
- 314 Tank and Automotive
- 315 Weapons and Weapon Systems
- 316 Ammunition, Explosives, and Toxic
- 317 Electronic, Communications, and Electrical Equipment
- 318 Propulsion
- 319 Miscellaneous Items and Equipment
- 320 Underwater Equipment

321 Technical Services

371 Range Facilities

390 Other than Buildings

Supply (all FCCs in the 400s)

IC 10 - POL Supply and or Storage Facilities

411 Liquid Fuel Storage - Bulk

412 Liquid Storage Other than Water, Fuel, and Propellants

IC 11 - Ammunition Supply and or Storage Facilities

421 Ammunition Storage - Depot and Arsenal

422 Ammunition Storage - Installation and Ready Issue

423 Ammunition Storage - Liquid Propellant

424 Weapon-Related Battery Storage

425 Open Ammunition Storage Pad (Other)

IC 12 - Other Supply and or Storage Facilities

431 Cold Storage - Depot and In-Transit

432 Cold Storage - Installation and Ready Issue

441 Storage - Covered - Depot and Arsenal

442 Storage - Covered - Installation and Organizational

451 Storage - Open - Depot

452 Storage - Open - Installation and Organizational

Hospital and Medical (all FCCs in the 500s)

IC 13 - Medical and or Dental Facilities

510 Medical Center and or Hospital

530 Laboratories

540 Dental Clinics

550 Dispensaries and/or Clinics

Administrative (all FCCs in the 600s)

IC 14 - Administrative Facilities

610 Administrative Buildings

620 Administrative Structures - Underground

690 Administrative Structures - Other than Buildings

Troop Housing and or Messing (all FCCs 721 through 725)

IC 15 - Troop Housing and or Messing Facilities

721 UPH - Enlisted Personnel

722 UPH - Mess Facilities

723 UPH - Detached Facilities

724 UPH - Officers Quarters

725 UPH - Emergency

Community (all FCCs 730 through 760)

IC 16 - Other Personnel Support Services Facilities

730 Personnel Support and Service

740 Morale, Welfare, and Recreational (MWR) - Interior

750 Morale, Welfare, and Recreational (MWR) - Exterior

760 Museums and Memorials

Utilities (all FCCs in the 800s except 851, 852, 860, 871, and 872)

IC 17 - Utilities Facilities

811 Electrical Power - Source

812 Electrical Power - Transmission and Distribution Lines

813 Electrical Power - Substations and Switching Stations

821 Heat - Source

822 Heat - Transmission and Distribution Lines

823 Heat and Gas - Source

824 Heat and Gas - Transmission

- 826 Refrigeration (Air Conditioning) - Source
- 827 Chilled Water (Air Conditioning) - Transmission and Distribution
- 831 Sewage and Industrial Waste - Treatment and Disposal
- 832 Sewage and Industrial Waste - Collection
- 833 Refuse and Garbage
- 841 Water - Supply, Treatment, and Storage - Potable
- 842 Water - Distribution System - Potable
- 843 Water - Fire Protection
- 844 Water - Supply and Storage - Nonpotable
- 845 Water - Distribution System - Nonpotable
- 880 Fire and Other Alarm Systems
- 890 Miscellaneous Utilities

Real Estate and/or Roads and/or Grounds (other than land) (all FCCs in the 900s plus 851, 852, 860, 871, and 872)

IC 18 - Real Estate and Ground Structures (less land)

- 851 Roads
- 852 Sidewalks and Other Pavement
- 860 Railroad Tracks
- 871 Grounds Drainage
- 872 Ground Fencing, Gates, and Guard Towers
- 912 Public Domain Withdrawal
- 923 Foreign Rights
- 931 Buildings
- 932 Site Improvement
- 933 Demolition
- 939 Other

Other

IC 19 - Other Facility Costs

Family Housing (FCCs 711 through 714)

IC 20 - Family Housing Facilities

711 Family Housing - Dwellings

712 Family Housing - Trailers

713 Family Housing - Trailer Sites

714 Family Housing - Detached Facilities

CHAPTER 18

PUBLIC ENTERPRISE AND TRUST FUNDS1801 GENERAL

This chapter identifies the policies and procedures to guide budget execution for public enterprise and trust funds.

1802 BACKGROUND

180201. This guidance is applicable to the following Funds:

Public Enterprise Funds

National Defense Stockpile Transaction Fund

Army Conventional Ammunition Working Capital Fund

Pentagon Reservation Maintenance Revolving Fund (PRMRF)

National Defense Sealift Fund

Buildings Maintenance Fund (BMF)

Trust Funds

National Security Education Trust Fund

Department of the Navy Trust Revolving Funds *

Department of the Air Force Trust Revolving Funds *

Surcharge Collections, Sales of Commissary Stores, Defense

* Exempt from apportionment

180202. Appropriations usually are provided to start, increase the size, or replace significant losses of a public enterprise or trust fund. Also, existing resources in other accounts may be transferred to a revolving fund as capitalized assets to serve these same purposes in lieu of an appropriation. The resources used to commence or increase the size of a revolving fund are commonly referred to as “the corpus of the public enterprise or trust fund.” The corpus forms the nucleus of resources used to acquire the items needed to perform the mission of the public enterprise or trust fund.

180203. Revenues are generated in DoD public enterprise or trust funds from customers buying goods or services. The funds collected from customers are used to pay for the acquisition of resources needed to operate the public enterprise or trust fund. In public enterprise or trust funds that are apportioned by the OMB, the ability to incur obligations is limited to the amount of authority approved for obligation during the budget review as amended by unanticipated events during execution. A DD Form 1105, “Apportionment and Reapportionment Schedule,” is required to be submitted to the OMB for approval of the amount of obligation authority needed for the operation of the public enterprise or trust fund for a fiscal period, usually a full fiscal year.

Budgetary resources available for apportionment action include:

- A. New budget authority (appropriations).
- B. Available unobligated balances at the beginning of the fiscal period.
- C. Reimbursements and other income (also known as offsetting collections credited to the appropriation or fund account).
- D. Recoveries of prior year obligations.
- E. Restorations.
- F. Anticipated contract authority.

180204. The apportionment of anticipated reimbursements as obligational authority in no way authorizes a public enterprise or trust fund to obligate in excess of the orders received from within the Federal Government and advances received for orders outside the Federal Government. Orders from state, local, and foreign governments are considered to be orders from the public.

180205. Other assets, whether of a working capital nature such as inventories of stock or of a fixed asset nature, are not considered as a budgetary resource. Such assets, therefore, do not enter into the determination of unobligated balances. However, claims against budgetary resources, such as accounts payable and undelivered orders, are obligations of a public enterprise or trust fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other public enterprise or trust fund assets, must be recognized, recorded, and reported along with other obligations.

180206. The amount of contract authority apportioned or the available balance of contract authority may be less than the total budgetary resources available in a working capital fund. The difference, which cannot be obligated unless it is apportioned, may be characterized either as an unapportioned balance of a public enterprise or trust fund or a restrictive withholding. The concept of an unapportioned balance is one of preserving a portion of the fund's capital so it may continue to revolve or represents those resources not scheduled for obligation within a fiscal year.

180207. The incurring of obligations or authorizing the incurrence of obligations in excess of apportioned budgetary resources must be reported as an apparent violation of the Antideficiency Act, as required by DoD Directive 7200.1. This reporting requirement applies whether or not a public enterprise or trust fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

1803 EXECUTION REQUIREMENTS

180301. Apportionment - A DD Form 1105 (Apportionment and Reapportionment Schedule) is to be prepared by the managing DoD Component and submitted to the ODC(P/B)

Directorate for Revolving Funds or Directorate for Investment for the National Defense Stockpile Transaction Fund the William Langer Jewel Bearing Plant Revolving Fund; the National Defense Sealift Fund (Investment); the Emergency Response Fund; the Surcharge Collections, Sales of Commissary Stores, Defense account; the Army Conventional Ammunition Working Capital Fund; the Pentagon Reservation Maintenance Revolving Fund; the Buildings Maintenance Funds; and any other Public Enterprise or Management Fund to which the Congress appropriates funds. The DD Form 1105 will be reviewed and submitted by the OUSD(C) to the OMB for approval.

180302. Annual Operating Budget - The ODC(P/B) Directorate for Revolving Funds or Directorate for Investment will issue funding documents to the applicable DoD Component granting authority to incur cost or obligate funds for the National Defense Stockpile Transaction Fund; the William Langer Jewel Bearing Plant Revolving Fund; the National Defense Sealift Fund (Investment); the Emergency Response Fund; the Surcharge Collections, Sales of Commissary Stores, Defense account; the Army Conventional Ammunition Working Capital Fund, the Buildings Maintenance Fund; and the Pentagon Reservation Maintenance Revolving Fund. Each operating budget provides an obligation limitation (subject to 31 U.S.C. 1517a) which, if exceeded, is a statutory violation. Each Component is responsible for taking actions that maintain a positive cash balance in order to remain solvent and enable operations (disbursements) to continue. It is a statutory violation for a Component's cash to go below zero at any time. A sample of a funding document is on the next page.

180303. Adjusting Component Resources Based on budget execution experience, Components periodically request the ODC(P/B) Directorate for Revolving Funds or Investment to adjust their obligation limitations. Unless the Congress has provided a specific limitation or other direction that would preclude making a requested adjustment, a Component's request will be evaluated on the merit of the justification provided. If approved by ODC(P/B), a revised apportionment will be requested from OMB and, if approved by OMB, the Component-requested revision will be reflected as a revised limitation of the applicable operating budget.

180304. Execution Review The ODC(P/B) Directorate for Revolving Funds or Investment receives a monthly DD Form 1176 Report (Report on Budget Execution) for each account (see Chapter 4, Volume 6 of this Regulation). In addition, revenue and expense statements, similar to the statement of operations for working capital funds (see Chapter 70, Volume 11B of this Regulation), are received for the PRMRF and BMF accounts. Each account is reviewed to determine actual results of operation in comparison with plans provided by the Components by month for obligations, disbursements, and collections, as well as revenue, expense, and net operating results for those using income statements, and for civilian full-time equivalents (FTEs) or military strength for those whose budgets include personnel support. When there are significant deviations from plan in actual execution, the ODC(P/B) analyst and the Component mutually determine the management actions that may be required to bring execution back into line with the plan, or the need for and justification to revise plans consistent with current and more realistic financial expectations.

(NAME OF FUND AND APPROPRIATION CODE)			
(FISCAL YEAR) RESOURCE AUTHORITY			
ACTIVITY	LIMITATIONS		
	Previously Approved	This Adjustment	Revised Approved
FY 19CY Program Cost of Goods/Services Produced Obligations Appropriation Capital Purchase	\$ \$ \$ \$	\$ \$ \$ \$	\$ \$ \$ \$
<p>LIMITATION: Although the Cost of Goods/Services Produced shown in the Revised Approved column does not represent a limitation subject to the provision of the Antideficiency Act (31 U.S.C. 1517), costs are not to be incurred in excess of the Revised Approved amounts shown without the specific prior approval of the Director for Revolving Funds, Office of the Deputy Comptroller (Program/Budget).</p> <p>The Revised Approved column for Obligations, Appropriation, and Capital Purchase authority do represent limitations subject to the provision of the Antideficiency Act (31 U.S.C. 1517).</p> <p>AUTHORITY: Resource Authority provided is no greater than the OMB-apportioned budgetary resources, if applicable, or is equal to current estimated requirements based on known workload and is within the scope and intent of the program approved by the Congress.</p> <p>DESCRIPTION OF SUPPORT: (A general description of goods or services provided for which obligation authority is required.)</p>			
Authorization No. ACCOUNT (FY)-1	Date		Approved

CHAPTER 19

WORKING CAPITAL FUNDS

1901 GENERAL

This chapter provides the policies and procedures to guide budget execution for working capital funds.

1902 BACKGROUND

190201. This guidance is applicable to working capital funds.

190202. Appropriations usually are provided to start, increase the size, or replace significant losses of a public enterprise or working capital fund. Also, existing resources in other accounts may be transferred to a working capital fund as capitalized assets to serve these same purposes in lieu of an appropriation. The resources used to commence or increase the size of a working capital fund are commonly referred to as “the corpus of the revolving fund.” The corpus forms the nucleus of resources used to acquire the items needed to perform the mission of the working capital fund.

190203. Revenues are generated in DoD revolving funds from customers buying goods or services. The funds collected from customers are used to pay for the acquisition of resources needed to operate the working capital fund. In working capital funds that are apportioned by the OMB, the ability to incur obligations is limited to the amount of authority approved for obligation during the budget review as amended by unanticipated events during execution. A DD Form 1105, “Apportionment and Reapportionment Schedule,” is required to be submitted to the OMB for approval of the amount of obligation authority needed for the operation of the working capital fund for a fiscal period, usually a full fiscal year.

Budgetary resources available for apportionment action include:

- A. New budget authority (appropriations).
- B. Available unobligated balances at the beginning of the fiscal period.
- C. Reimbursements and other income (also known as offsetting collections credited to the appropriation or fund account).
- D. Recoveries of prior year obligations.
- E. Restorations.
- F. Anticipated contract authority.

190204. The apportionment of anticipated reimbursements as obligational authority in no way authorizes a working capital fund to obligate in excess of the orders received from within the Federal Government and advances received for orders outside the Federal Government. Orders from state, local, and foreign governments are considered to be orders from the public.

190205. Other assets, whether of a working capital nature such as inventories of stock or of a fixed asset nature, are not considered as a budgetary resource. Such assets, therefore, do not enter into the determination of unobligated balances. However, claims against budgetary resources, such as accounts payable and undelivered orders, are obligations of a working capital fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other working capital fund assets, must be recognized, recorded, and reported along with other obligations.

190206. The amount of contract authority apportioned or the available balance of contract authority may be less than the total budgetary resources available in a working capital fund. The difference, which cannot be obligated unless it is apportioned, may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The concept of an unapportioned balance is one of preserving a portion of the fund's capital so it may continue to revolve or represents those resources not scheduled for obligation within a fiscal year.

190207. The incurring of obligations or authorizing the incurrence of obligations in excess of apportioned budgetary resources must be reported as an apparent violation of the Antideficiency Act, as required by DoD Directive 7200.1. This reporting requirement applies whether or not a working capital fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

1903 EXECUTION REQUIREMENTS

190301. Apportionment The OMB apportions to the USD(C) the Working Capital Funds appropriation and contract authority for the current fiscal year by means of a DD Form 1105 as shown later in the chapter. The DD Form 1105 is prepared by the Revolving Funds Directorate, reviewed by the Deputy Comptroller (Program/Budget), and submitted to the OMB for approval. Contract authority on the DD Form 1105, authority to obligate funds in anticipation of receipt of customer orders, is provided for Supply-type business area operations (Supply Management, Distribution Depots, the Defense Reutilization and Marketing Service, Navy Logistics Support, and DeCA Resale Operations), and the capital purchase authority of all business areas.

The initial apportionment of contract authority for a year normally is based on the operating and capital budget (obligation) estimates for each Supply-type business area and the Working Capital Funds appropriation request reflected in the budget year column of last year's President's budget (the Program and Financing statement). Contract authority is also requested and provided for Supply-type business area commitments based on the level of actual commitments incurred as reflected in current year accounting reports. Requested adjustments to the initial apportionment

are provided to OMB in February/March reflecting revised estimates in the current year column of the President's budget submission just provided to Congress, and at subsequent times during the year reflecting significant changes that are anticipated to occur as a result of budget execution experience.

The Defense Finance and Accounting Service receives a document from the Revolving Funds Directorate that notes 1105-approved resources and customer orders by business area reflected in the relevant President's budget, entitled "Working Capital Funds 1176 Controls" (shown later in this chapter). It is used to establish the level of anticipated resources on lines 1.D. (contract authority available) and 3.C. (anticipated orders for the rest of the year) of the DD Form 1176 and therein are part of the equation in determining budgetary resource totals.

190302. Annual Operating Budget The Revolving Funds Directorate issues initial Annual Operating Budgets (AOBs) for each Components' Working Capital Funds business area prior to the beginning of the fiscal year. A sample is shown later in this chapter. The AOB identifies an operating budget, net operating result, and unit cost(s) targets and capital budget limitation (subject to 31 U.S.C. 1517) for each business area.

Cash is centrally managed by the Army, Navy, Air Force, USTRANSCOM, and DLA for the Defense Agencies. Each is responsible for taking actions that enable their Component to maintain a positive balance in order to remain solvent and allow operations (disbursements) to continue. It is a violation of the Antideficiency Act if a Component's cash goes below zero at any time. Components shall maintain a positive budgetary resource balance, i.e., obligations do not exceed resources comprised of any appropriation, unobligated balances carried forward from a previous period, current or prior year transfers of balances from other accounts, current year unobligated balances, and recoveries from the de-obligation of prior year obligations. Additionally, the level of OMB-apportioned contract authority may be delineated specifically on applicable AOBs that provide authority for which budgetary resources are not required.

190303. Budgetary Resources Obligations or accrued expenses should not be authorized or incurred in a working capital fund business area unless available resources, or the "bank balance" as reflected in line 8.D. of the DD Form 1176 or the sum of lines 9.A.1., 9.B., and 9.C. of the SF 133 exceed the proposed obligation or accrued expense. Obligor funds or incurring an accrued expense that results in the business area account being "overdrawn" can result in a violation of the Antideficiency Act for the account manager. Such violations are reportable to the President and the Congress, and can involve criminal prosecution for the responsible person or people as well.

Calculating budgetary resources, which must remain positive at all times, is as follows:

DD Form 1176 Report Lines

Add: Line 6 - Total Budgetary Resources

Less: Line 1D - Anticipated Resources

Less: Line 2C - Anticipated Transfers of Prior Year Balances

Less: Line 3C - Anticipated Orders for the rest of the Year
 Less: Line 7 - Obligations Incurred
 Less: Line 9 - Unobligated Balances not Available
 Less: Line 8A - Commitments Outstanding
 Equals: **Line 8D - Budgetary Resources Available for Obligations**

SF133 Report Lines

Add: Line 7 - Total Budgetary Resources
 Less: Anticipated Borrowing Authority in Line 1B
 Less: Anticipated Contract Authority in Line 1C
 Less: Line 1E - Other (Anticipated) Budget Authority
 Less: Line 2C - Anticipated Transfers of Prior Year Balances
 Less: Line 3C - Anticipated Spending Authority
 Less: Line 3D - Anticipated Transfers from Trust Funds
 Less: Line 4B - Anticipated Recovery of Prior Year Obligations
 Less: Line 8 - Obligations Incurred
 Less: Line 9A2 - Anticipated Unobligated Apportionment
 Less: Line 10 - Unobligated Balances not Available
 Equals: **Line 9A1 - Available Unobligated Apportionment**
Plus: Line 9B - Balance Exempt from Apportionment
Plus: Line 9C - Other Available Unobligated Balances

190304. Adjusting Component Resources Based on budget execution experience, Components periodically request the Revolving Funds Directorate to adjust their targets and/or capital budget limitation. Unless the Congress has provided a capital purchase limitation or other direction that would preclude making a requested adjustment, a Component's request will be evaluated and approved or disapproved and reflected in a revised AOB based on the merit of the justification provided.

190305. Execution Review The Revolving Funds Directorate receives from DFAS a monthly DD Form 1176 (Report on Budget Execution) and AR(M)1307 Report (Working Capital Funds Accounting Report). See, respectively, Chapter 4, Volume 6, and Chapter 70, Volume 11B, of this Regulation. In some cases, a unit cost report also is delivered from a Component. Each is reviewed by the Revolving Funds Directorate to determine actual results of operation in comparison with plans by month for disbursements, collections, revenue, expense, net operating results, and unit costs. Typically in February, May, and August, each Component's results of operation (through the latest available accounting period) are formally reviewed by the Principal Deputy Under Secretary of Defense (Comptroller), Deputy Comptroller (Program/Budget), and Director for Revolving Funds to determine the financial operations that are proceeding according to plan and, when there are significant deviations from plan in actual execution, to determine the management actions that may be required to bring execution back into line with the plan or revise plans consistent with current and more realistic financial expectations.

APPORTIONMENT AND REAPPORTIONMENT SCHEDULE

FISCAL YEAR 1996

AGENCY

APPROPRIATION TITLE AND SYMBOL

APPROPRIATION SERIAL NO.

DEPARTMENT OF DEFENSEWorking Capital Funds
97 X 4930COMPONENT NO. 5
OSD NO. 5

COMPONENT

DESCRIPTION a	AMOUNT ON LATEST DD FORM 1105 b	SUBMITTED BY COMPONENT SECDEF c	REQUESTED BY OMB d	ACTION BY e
BUDGETARY RESOURCES				
BUDGET AUTHORITY				
1A APPROPRIATIONS REALIZED	878,700,000	878,700,000	878,700,000	
1B OTHER NEW AUTHORITY REALIZED ()		4,100,218,794	4,100,218,794	
1C NET TRANSFER OF CY AUTH REALIZED				
1D ANTICIPATED	43,631,490,000	30,721,876,469	30,721,876,469	
1 TOTAL BUDGET AUTHORITY	44,510,190,000	35,700,795,263	35,700,795,263	
UNOBLIGATED BALANCE				
2A BROUGHT FORWARD OCTOBER 1				
2B NET TRANSFERS OF PY BALANCES				
2C ANTICIPATED TRANSFERS OF PY BALANCES				
2 TOTAL UNOBLIGATED BALANCE				
REIMBURSEMENTS AND OTHER INCOME				
3A EARNED		9,338,251,428	9,338,251,428	
3B CHANGE IN UNFILLED CUSTOMER ORDERS		(299,181,890)	(299,181,890)	
3C ANTICIPATED ORDERS FOR REST OF YEAR				
3 TOTAL REIMBURSEMENTS AND OTHER INCOME		9,039,069,538	9,039,069,538	
RECOVERIES OF PRIOR OBLIGATIONS				
4A ACTUAL RECOVERIES		160,160	160,160	
4B ANTICIPATED RECOVERIES REST OF YEAR		38,474,039	38,474,039	
4 TOTAL RECOVERIES OF PRIOR OBLIGATIONS		38,634,199	38,634,199	
5A PORTION NOT AVAILABLE TO P.L. (.)				
5B ()				
5 TOTAL				
6 RESTORATIONS				
7 TOTAL BUDGETARY RESOURCES	44,510,190,000	44,778,499,000	44,778,499,000	44,778,499,000
APPLICATION OF BUDGETARY RESOURCES				
APPORTIONMENTS MEMORANDUM				
OBLIGATIONS INCURRED				
\$9,316,831,243				
8A				
8B				
8C				
8D				
8E				
8F				
8 TOTAL APPORTIONMENTS	44,510,190,000	44,778,499,000	44,778,499,000	44,778,499,000
WITHHOLDINGS				
9A DEFERRED				
9B WITHHELD PENDING RESCISSION				
9 TOTAL WITHHOLDING				
10 UNAPPORTIONED BAL OF REVOLVING FUNDS				
11 TOTAL BUDGETARY RESOURCES	44,510,190,000	44,778,499,000	44,778,499,000	44,778,499,000

a/ In addition to amounts apportioned herein, recoveries of prior year obligations are automatically apportioned.

b/ Amounts apportioned herein are applicable to Working Capital Funds Supply Management, Distribution Depots, Reutilization and Marketing Services, Commissary Resale Stocks, and Logistics Support Activities business area operating expenses, appropriations, and the entire Working Capital Funds capital investment budget.

c/ Pursuant to 10 U.S.C. 2210(b), obligations and commitments may be incurred in excess of apportioned resources actually realized in the amount of contract authority approved, but not in excess of the total apportioned. The actual unfunded balance of contract authority of \$9,529,049,107 on October 1, 1995 is increased by \$30,721,876,469 provided that this amount is automatically reduced to the extent that orders are received.

SUBMITTED TO OSD (Col c)

SIGNATURE (Authorized Officer - DoD Component)
OSD (Director for Revolving Funds)

REQUESTED OF OMB (Col d)

APPORTIONED

SIGNATURE (Authorized Officer - OSD) Deputy Comptroller (Program/Budget)

SIGNATURE(OMB) Dep. Assoc Dir. for Nat. Security

DATE

FY 1996 Working Capital Funds 1176 Controls, per Apportionment 96-5, dated March 25, 1996
(\$000)

	<u>Oper Obs</u>	<u>Cap Obs</u>	<u>Commitments</u>	<u>CA</u>	<u>New Cust Orders</u>
<u>ARMY</u>					
Supply Management	6,585,300	15,523	800,000	7,400,823	-
Depot Maintenance Other	-	53,158	-	53,158	1,467,400
Depot Maintenance Ord	-	21,762	-	21,762	494,800
Info Services	-	-	-	-	173,800
<u>NAVY</u>					
Supply Management	5,272,179	18,021	400,000	5,690,200	-
Logistics Support Act	100,048	20,152	-	120,200	-
Depot Maintenance Shipyards	-	43,336	-	43,336	2,714,200
Depot Maintenance Aviation	-	31,851	-	31,851	1,770,500
Depot Maintenance Ordnance	-	13,631	-	13,631	631,700
Depot Maintenance Other	-	4,160	-	4,160	150,000
Base Support	-	13,768	-	13,768	1,923,900
Transportation	-	5,950	-	5,950	1,252,800
RDT&E	-	105,945	-	105,945	6,877,600
Printing	-	8,400	-	8,400	393,700
Info Services	-	561	-	561	218,100
<u>AIR FORCE</u>					
Supply Management	9,228,494	8,311	300,000	9,536,805	-
Depot Maintenance	-	51,900	-	51,900	4,138,100
Info. Services	-	-	-	-	252,900
<u>DLA</u>					
Supply Management	10,327,900	51,600	2,800,000	13,179,500-	
Distribution Depots	1,329,200	70,100	-	1,388,300	-
DRMS	402,800	22,500	-	425,300	-
DIPEC	-	1,100	-	1,100	12,200
Info Services	-	3,000	-	3,000	130,800
<u>DFAS</u>					
Financial Services	-	233,844	-	233,844	1,597,500
Info Services	-	23,056	-	23,056	190,100
<u>DISA</u>					
CISA	-	41,100	-	41,100	1,619,400
DISO	-	109,600	-	109,600	674,300
<u>DeCA</u>					
Operations	-	-	-	-	-
Resale	5,000,000	-	-	5,000,000	-
<u>JLSC</u>					
	-	205,249	-	205,249	-
<u>USTRANSCOM</u>					
	-	176,300	-	176,300	4,012,200
	38,245,921	1,353,878	4,300,000		43,899,799

WORKING CAPITAL FUNDS AIR FORCE DEPOT MAINTENANCE FISCAL YEAR <u>1996</u> COST AUTHORITY			
BUSINESS AREA Output Measure	OPERATING BUDGET		
	Unit Cost (\$)	Number of Units (000)	Total Cost Approved (In Millions)
OPERATING BUDGET			
ORGANIC Maintenance			
Cost Per Direct Labor Hour	\$111.00	29,657	\$3,291.9
CONTRACT Maintenance			\$1,187.5
Direct Reimbursables/Other:	N/A	N/A	\$0.0
Total Operating Cost: <u>2/</u> <u>3/</u>			\$4,479.4
CAPITAL OBLIGATION AUTHORITY: <u>4/</u>			\$.4
FY 1992 (AFMC)			\$.065
FY 1993 (AMC)			\$ 1.63
FY 1995 (AFMC)			\$ 40.3
FY 1996 (AFMC)			
NET OPERATING RESULT: (NOR GOAL) <u>5/</u>			\$ -93.9
Authorization Number: AFDM-96-2	Date:	Approved:	

LIMITATIONS AND GUIDANCE:

1. This AOB revision reflects estimates contained in the FY 1996 column of the FY 1997 President's budget and \$.4 million in additional FY 1992 capital purchase authority as noted in a February 28, 1996 memo from the Director for Revolving Funds, subject: Request for \$3.2 Million Depot Maintenance Business Area FY 1996 Capital Funds. This AOB revision also includes \$65,000 in additional FY 1993 capital purchase authority for the Air Mobility Command to finance an Intrusion Detection System that the Air Force Audit Agency determined should have been a capital rather than operating budget requirement.
2. Operating costs are not to be incurred beyond the total approved amount shown for the Operating Budget without the specific prior approval of this office.
3. Major Maintenance and Repair. The FY 1996 obligations for major maintenance and repair will be treated as a direct expense within the operating budget authority.
4. The amount listed in the Total Cost Column for the Capital Obligation Authority represents a limitation subject to the provision of 31 U.S.C. 1517, the Antideficiency Act. Obligations are not to be incurred beyond the total approved amount shown for each year for the Capital Budget (as modified by reprogramming per authority provided in Chapter 9, Volume 2B, of this Regulation) without the specific prior approval of the ODC(P/B). No other funds are available for Capital Obligations except as provided in this document.
5. NOR: The NOR provides the overall net operating results expected to be achieved in the Business by the end of the year. The NOR provides a primary financial management goal and will be used in conjunction with other performance measures to assess the overall operational effectiveness of the business area, as identified and reported monthly on the AR 1307 Report. For each business area, the Component is responsible for preparing a monthly Revenue and Cost Plan. Joint execution reviews of this plan will be conducted by ODC(P/B) and the cognizant Component in May and August 1996.
6. CASH MANAGEMENT: The January 5, 1995, USD(C) memorandum, subject : Working Capital Funds Cash Management Responsibility, assigned the Services and DLA the responsibility for Working Capital Funds cash management for designated business areas effective February 1, 1995. This cash management responsibility for the Air Force entails taking action to maintain a positive cash balance for Air Force business areas, in total, at all times. Failure to maintain a positive balance will result in a statutory violation of 31 U.S.C. 1517 by the Component. The Component may require DFAS to vary its billing cycle or advance bill, when it is deemed necessary to do so, in order to maintain cash solvency. The magnitude, duration, and reason for advance billing by business area must be reported by the initiating Component to the Director for Revolving Funds within 15 calendar days of the end of the month in which the advance billing took place. The Component remains responsible for compliance with monthly execution of collections and disbursements in accordance with the monthly approved plan.
7. UNIT COST: The total cost for those outputs identified by a unit cost is predicated on a projected level of work load. Components may request increases in Cost Authority based on an increase in the number or value of orders accepted. Conversely, if actual work load declines below levels anticipated, appropriate reductions will be made to the total costs shown in this document.
8. PERFORMANCE GOALS: Descriptions of performance effectiveness measures are contained in the Working Capital Funds Milestone II report submitted to Congress on March 1, 1993.

<u>Measure</u>	<u>Goal</u>
Schedule Conformance	TBD
Quality Deficiency Reports (QDRs)	TBD
Net Operating Results	\$-93.9M

9. OTHER:

- a. No cost may be incurred to fund Base Realignment and Closure Program expenses.
- b. Included in the total operating cost authority in this document is \$105.8 million in anticipated depreciation costs, based on current estimates of actual depreciation expenses.
- c. By DoD policy, FY 1996 working capital fund costs for civilian separation incentives are to be financed by working capital funds.
- d. This document reflects capital program threshold of \$100,000.
- e. The procedures for the release of JLSC-related hardware capital authority are as follows: JLSC will identify the hardware required, the dollar value of the hardware, the site where the hardware will be installed, and the required installation date to the USD(C). DISA and the Component Comptroller will be notified and requested to verify the requirement. Subsequent to the DISA/Component Comptroller verification of the requirement, the capital authority will be released in an update to the AOB. \$11.6 million for DMSS is withheld pending the above-noted verification of requirement.

CAPITAL BUDGET PROGRAM

The Capital Budget is to be executed based on the approved annual programs contained in the President's budget as modified by approved budget decisions. Deviations from the President's budget, that are consistent with approved reprogramming criteria, must be identified to the ODC(P/B) Director for Revolving Funds during the scheduled execution review. Listed below is the approved project list for capital budget obligations.

Capital Project Within Scope Obligation Adjustments

Capital obligation adjustments must be charged to the program year cited for the original project. Capital obligation authority can be provided for any program year for within-scope increases if the following conditions are met; (1) the original program year must have sufficient unobligated budget authority (original program plus program adjustments less actual obligations) to accommodate the adjustment, and (2) the total obligations, including both new obligations and all adjustments, cannot exceed the total obligation authority for all program years issued on the AOB. If these conditions are met, this AOB automatically provides the authority to obligate prior year program funds for within scope capital adjustments of less than \$100,000. Since the adjustments must cite the original program year, the obligation authority for a currently issued program year must be reduced to offset the adjustments if sufficient funding for the original program year is not available on the AOB. The offset must be sufficient to limit total capital obligations during the fiscal year to the total obligation authority issued on the AOB. Subsequent AOBs may restore this authority by issuing the prior year program funds if appropriate.

Program Year FY 1992 - AFMC	
Program Year Total	.4
Program Year FY 1993 - Air Mobility Command	
Program Year Total	
AMC - Intrusion Detection System	.065
Program Year FY 1995 - AFMC	
Equipment - ADPE & TELCOM	
SAALC: TIMA (\$13,147) & LIMS (\$326,354)	
WRALC: FEM (\$895,173)	
SMALC: LIMS (\$142,820) & TIMA (\$49,889)	
OCALC: TIMA (\$23,927)	
OOALC: LIMS (\$145,066)	
AMARC: TIMA (\$31,270)	
Program Year Total	1.63
Program Year FY 1996 - AFMC	
Equipment - Except ADPE & TELCOM	
>\$.5 M	
Automated Test Stand, Medium Press (2) Replacement)	5.7
Advanced Fuel Accessories test System (Replacement)	.6
Deep Draw Stretch Press, 250 Ton (1) (Replacement)	1.3
Centralized Aircraft Support System (1) (Replacement)	3.1
Auto Shot Peening System (1) (Productivity)	.7
GCATS (3) (Replacement)	5.7
Servo Component Test Stand (1) (Replacement)	.8
VXIATS & MDA (1) (Replacement)	1.2
Servo Valve Hydraulic Test System (2) (Productivity)	.8
5-Axis CNC Machining Center (1) (Productivity)	<u>1.9</u>
Subtotal	21.8
</.5M	<u>11.5</u>
Subtotal	11.5
Equipment - ADPE & TELCOM	
DMBA Budget & Price Dev. System	<u>1.6</u>
Subtotal	1.6
Minor Construction	5.4
Program Year Total	40.3
Grand Total	(AFMC) 42.33
	(AMC) .065

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(with changes through October 1999)

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DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 4

**ACCOUNTING
POLICY AND PROCEDURES**

JANUARY 1995

(with changes through October 1999)

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDERSECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON DC 20301-1100



JAN 11 1995

FOREWORD

This Volume of the DoD Financial Management Regulation is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures." It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume of the Regulation applies to the Office of the Secretary of Defense; the Military Departments; the Chairman of the Joint Chiefs of Staff and the Joint Staff; the Unified and Specified Commands; the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

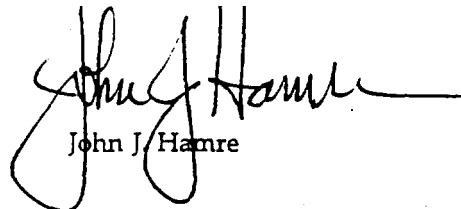
This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. The Heads of the DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without prior written approval from the Office of the Under Secretary of Defense

The reporting requirements contained in this regulation are exempt from licensing in accordance with paragraph E.4.f., of DoD 8910. I-M, "Procedures for Management of Information Requirements."

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

DoD Components will be provided copies of this Volume of the Regulation through their normal publications channels. Other Federal Agencies and the public may obtain copies of this volume from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; telephone (703) 487-4650,


John J. Hamre



INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller) (USD(C)). The Regulation consists of the following 15 volumes:

- | | |
|--|--|
| 1. General Financial Management Information, Systems, and Requirements | 7. Military Pay Policy and Procedures |
| 2. Budget Formulation and Presentation | 8. Civilian Pay Policy and Procedures |
| 3. Budget Execution - Availability and use of Budgetary Resources | 9. Travel Policy and Procedures |
| 4. Accounting Policy and Procedures | 10. Contract Payment Policy and Procedures |
| 5. Disbursing Policy and Procedures | 11. Reimbursable Operations, Policy and Procedures |
| 6. Reporting Policy and Procedures | 12. Special Accounts, Funds and Programs |
| | 13. Nonappropriated Funds Policy and Procedures |
| | 14. Administrative Control of Appropriations |
| | 15. Security Assistance Policy and Procedures |

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction

7000.14 "DoD Financial Management Policy and Procedures," dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The 6 digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A. 1. a. (1) (a)
SUBPARAGRAPHS

PUBLICATIONS SUPERSEDED

This Volume of the Regulation
(Volume 4) will supersede the following:

DoD 7220.9-M "DoD Finance and Accounting
Manual" (Chapters: 31, 32, 33, 34, 35, 36, 37, 41,
42, 43, 44, 45, 46, 51, 52, 61, 63, 64, 71, 72, 73, 74,
75,).

REFERENCES

All references used in this Volume are specifically cited in the text. The following listing is a summary of those references.

1. Title 31, United States Code, sections as follows:
 - 1108 Preparation and submission of appropriations requests to the President
 - 1341 Limitations on expending and obligating amounts
 - 1501 Documentary evidence requirement for Government obligations
 - 1517 Prohibited obligations and expenditures
 - 1535 Agency agreements
 - 1552 Procedure for appropriation accounts available for definite periods
 - 1553 Availability of appropriation accounts to pay obligations
 - 1554 Review of appropriation accounts
 - 1555 Withdrawal of unobligated balances of appropriations for indefinite periods
 - 3302 Custodians of money
 - 3342 Check cashing and exchange transactions
 - 3511 Prescribing accounting requirements and developing accounting systems
 - 3512 Executive agency accounting systems
 - 3513 Financial reporting and accounting system
 - 3522 Making and submitting accounts
 - 3716 Administrative offset
 - 3717 Interest and penalty on claims
 - 3720 Collection of payments
 - 3901-3906 Prompt payment
 - 6503 Transfer and deposit requirements
 - 9501 Government pension plan protection-purpose
 - 9503 Reports about Government pension plans
2. U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies
 - Title 2, Accounting
 - Title 4, Claims
 - Title 6, Pay, Leave, and Allowances
3. Office of Management and Budget Circulars as follows:
 - No. A-50, "Audit Followup," September 29, 1982
 - No. A-76, "Performance of Commercial Activities," August 4, 1983
 - No. A-97, "Rules and regulations permitting Federal agencies to provide specialized or technical services to State and local units of government under Title III of the Intergovernmental Cooperation Act of 1968," August 29, 1969 (P.L. 90-577; 82 Stat 1102)
 - No. A-102, "Uniform requirements for Grants to State and Local Governments," February 3, 1981
 - No. A-110, "Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations," July 30, 1976
 - No. A-123, "Internal Control Systems", August 16, 1983
 - No. A-129, "Managing Federal Credit Programs," November 25, 1988
 - No. A-130, "Management of Federal Information Resources," appendix II, "Cost Accounting, Cost Recovery, and Interagency Sharing of Information Technology Facilities," December 12, 1985
 - No. A-132, "Federal Productivity and Quality Improvement in Service Delivery"

4. DoD Military Pay and Entitlements Manual.
5. DoD 1340.12-M, "DoD Retired Pay Manual," September 1970.
6. Treasury Financial Manual; Volume I; and Supplemental, "Cash Management Review Guide."
7. DoD Directive 7330.1, "Voluntary Military Pay Allotments," January 14, 1986.
8. DoD Instruction 7045.18, "Collection of Indebtedness Due the United States," March 13, 1985.
9. Title 5, United States Code, sections as follows:
 - 301 Departmental regulations
 - 3132 Definitions and exclusions
 - 3373 Assignment of employees to State and local governments
 - 3584 Regulations
 - 4502 General provisions
 - 4507 Awarding of ranks in the Senior Executive Service
 - 5384 Performance awards in the Senior Executive Service
 - 5403 General pay increases
 - 5514 Installment deduction for indebtedness because of erroneous payment
 - 5517 Withholding State income taxes
 - 5520 Withholding of city or county income or employment taxes
 - 5522 Advance payments; rates; amounts recoverable
 - 5525 Allotment and assignment of pay
 - 5542 Overtime rates; computation
 - 5545(a)-(c) Night, standby, irregular, and hazardous duty differential
 - 5546(a)&(b) Pay for Sunday and holiday work
 - 5584 Claims for overpayment of pay and allowances, other than travel and transportation expenses and allowances and relocation expenses
 - 5705 Advancements and deductions
 - 5724 Travel and transportation expenses of employees transferred; advancement of funds; reimbursement on commuted basis
 - 5724a Relocation expenses of employees transferred or reemployed
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 - 5924 Cost-of-living allowances
 - 5941 Allowances based on living costs and conditions of environment; employees stationed outside continental United States or in Alaska
 - 8334 Deductions, contributions and deposits
 - 8339 Computation of annuity
 - 8340 Cost-of-living adjustment of annuities
 - 8341 Survivor annuities
 - 8342 Lump-sum benefits; designation of beneficiary; order of precedence
 - 8343 Additional annuities; voluntary contributions
 - 8344 Annuities and pay on reemployment
 - 8422 Deductions from pay; contributions for military service
 - 8432 Contributions
 - 8707 Employee deductions; withholding
 - 8714a Optional insurance
 - 8714b Additional optional life insurance

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- 8714c Optional life insurance on family members
 - 8906 Contributions
10. Title 42, United States Code, sections as follows:
 - 659 Enforcement of individual's legal obligations to provide child support or make alimony payments
 - 665 Allotments from pay for child and spousal support owed by members of uniformed services on active duty"
 - 3374 Acquisition of property at or near military bases which have been ordered to be closed
 - 4622 Moving and related expenses
 - 4623 Replacement housing for homeowner; mortgage insurance
 - 4624 Replacement housing for tenants and certain others
 11. DoD Directive 1340.17, "Allotments for Child and Spousal Support," June 3, 1986.
 12. Public Law 95-598, To establish a uniform law on the subject of bankruptcies.
 13. Title 11, United States Code, section as follows:
 - 1325 Confirmation of plan
 14. Title 26, United States Code, sections as follows:
 - 3102 Deduction of tax from wages
 - 3121 Employment Taxes - General Provisions - Definitions
 - 3402 Income tax collected at source
 - 6001 "Information and Returns"
 - 6331 Levy and distraint
 - 6334 Property exempt from levy
 15. Title 24, United States Code, section as follows:
 - 44c Pay deductions from enlisted members and warrant officers
 16. Title 38, United States Code. section as follows:
 - 765 Servicemen's Group Life Insurance - Definitions
 17. Title 37, United States Code, sections as follows:
 - 1006(h) Advance payments
 - 1007(c) Deductions from pay
 18. DoD Directive 1340.16, "Former Spouse Payments from Retired Pay," January 2, 1985.
 19. Title 50, United States Code, sections as follows:
 - 1431 Authorization; official approval; Congressional action; notification of committees of certain proposed obligations, resolution of disapproval, continuity of session, computation of period
 - 1432 Restrictions
 - 1433 Public record; examination of records by Comptroller General; exemptions: exceptional conditions; reports to Congress
 - 1434 Report to Congress; publication
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 - Appendix 530 Eviction or distress during military service; stay; penalty for noncompliance; allotment of pay for payment

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20. Title 10, United States Code, sections as follows:
- 138 Transactions, Reimbursable Purchases, and Sales Exchanges
 - 939 Redress of injuries
 - 1450 Payment of annuity; beneficiaries
 - 2208 Working-capital funds
 - 2233a Limitation on certain projects; authority to carry out small projects with operation and maintenance funds
 - 2210 Proceeds of sales of supplies: credits to appropriations
 - 2395 Advances of public moneys by Department of Defense for payments in compliance with laws of foreign countries, for rent and tuition
 - 2571 Interchange of property and services
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 - 2672 Acquisition: interests in land when cost is not more than \$200,000
 - 2672a Acquisition: interests in land when need is urgent
 - 2673 Acquisition of certain interests in land: availability of funds
 - 2674 Minor construction projects
 - 2675 Leases: foreign countries: structures not on a military base
 - 2804 Contingency construction
 - 2805 Unspecified minor construction
 - 2808 Construction authority in the event of a declaration of war or national emergency
 - 2810 Construction projects for environmental response actions
 - 2854 Restoration or replacement of damaged or destroyed facilities
 - 4540 Architectural and engineering services
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 - 9540 Architectural and engineering services
21. Public Law 99-500, "Making continuing appropriations for the Fiscal Year 1987, and for other purposes"
22. FPM Supplement 990-2, chapters as follows:
- 550 Pay Administration (General)
 - 610 Hours of Duty
23. Deputy Secretary of Defense memorandum, "Civilian Overtime," December 18, 1979.
24. DoD Directive 1418.4, "Civilian Pay Allotments," March 16, 1979.
25. DoD Directive 5035.1, "Fund-Raising within the Department of Defense," April 7, 1978.
26. DoD Instruction 5035.5, "DoD Combined Federal Campaign - Overseas Area (CFC-OA)," August 23, 1978
27. Executive Order 10903, "Delegating authority of the President with respect to regulations relating to certain allowances and benefits to Government personnel on overseas duty"
28. DoD Directive 7045.13, "DoD Credit Management and Debt Collection Program," August 22, 1983.
29. Office of Management and Budget Circular No. A-34, "Instructions on Budget Execution," August 1985

30. Title 41, United States Code, sections as follows:
 - 11 No contracts or purchases unless authorized or under adequate appropriation; report to the Congress
 - 23 Orders on contracts for material placed with Government-owned establishments deemed obligations
 - 611 Interest
31. Title 22, United States Code, section 2762, Procurement for Cash Sales
32. DoD Directive 7220.8, "Policies and Procedures Governing the Use of the Authority of Section 3732, Revised Statutes," August 16, 1956
33. DoD 7420.13-R, "Stock Fund Operations," June 1986, authorized by DoD Directive 7420.13, January 27, 1983
34. DoD 7290.3-M, "Foreign Military Sales Financial Management Manual," September 1986, authorized by DoD Instruction 7290.3, June 29, 1981
35. DoD Instruction 7250.10, "Implementation of Reprograming of Appropriated Funds," January 10, 1980
36. DoD Directive 1322.17, "Selected Reserve Educational Assistance Program," December 20, 1985
37. DoD 7110.1-M, "Budget Guidance Manual," July 1985, authorized by DoD Instruction 7110.1, October 30, 1980
38. DoD Directive 5100.54, "Homeowners Assistance Program," December 29, 1967
39. Public Law 92-177, "Prompt Payment Act," May 21, 1982 (96 Stat 85)
40. DoD Directive 3025.12, "Employment of Military Resources in the Event of Civil Disturbances," August 19, 1971
41. DoD Instruction 7220.1, "Regulations Governing the Use of Project Orders," May 4, 1971
42. DoD Directive 7420.1, "Regulations Governing Stock Fund Operations," January 26, 1967
43. DoD Instruction 7920.2, "Major Automated Information Systems Approval Process," October 20, 1978
44. DoD Directive 2140.2, "Recoupment of Nonrecurring Costs on Sales of U.S. Products and Technology," August 5, 1985
45. DoD Instruction 2010.1, "Support of International Military Activities," September 2, 1981
46. DoD Directive 1015.6, "Funding of Morale, Welfare, and Recreation Programs," August 3, 1984
47. DoD 4160.21-M, "Defense Utilization and Disposal Manual," September 1982, authorized by DoD Directive 4160.21, December 5, 1980

48. DoD Instruction 7310.1, "Disposition of Proceeds from Sales of DoD Excess and Surplus Personal Property," November 15, 1984
49. DoD Directive 4145.19, "Storage and Warehousing Facilities and Services," August 13, 1975
50. DoD Directive 3200.11, "Major Range and Test Facility Base," September 29, 1980
51. DoD Directive 3025.13, "Employment of Department of Defense Resources in Support of the United States Secret Service," September 13, 1985
52. DoD Directive 5525.5, "DoD Cooperation with Civilian Law Enforcement Officials," January 15, 1986
53. DoD Directive 1304.21, "Award of Enlisted Personnel Bonuses and Special Duty Assignment Pay," August 2, 1985
54. DoD FAR Supplement
55. Federal Acquisition Regulation (FAR)
56. The Foreign Assistance Act of 1961, Part II, as amended
57. Title III, Intergovernmental Cooperation Act of 1968
58. DoD Directive 2010.9, "Mutual Logistic Support Between the United States and Governments of Eligible Countries and NATO Subsidiary Bodies," September 30, 1988
DoD Directive 4270.24, "Unspecified Minor Construction, Emergency Construction, and Restoration or Replacement of Damaged or Destroyed Facilities," March 21, 1983
DoD Directive 4640.3, "Unofficial Telephone Service at DoD Activities," August 20, 1979
59. Title 10, U.S. Code, Chapter 138, Sections 2341 through 2350, "North Atlantic Treaty Organization Mutual Support Act of 1979," as amended
60. DoD 4105.63-M, "Military Standard Contract Administration Procedures (MILSCAP)," December 1977, authorized by DoD Directive 4000.25, November 18, 1983
61. DoD Directive 5530.3, "International Agreements," June 11, 1987
62. DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations," December 31, 1984
63. DoD Instruction 7360.9, "Procedures for Use of Foreign Currencies," September 8, 1981
64. Public Law 90-629, "Arms Export Control Act," October 22, 1968, as amended
65. Office of Management and Budget Circular No. A-11, "Preparation and Submission of Budget Estimates," updated annually
66. DoD Instruction 4165.14, "Inventory of Military Real Property," December 21, 1966
67. DoD 4140.22-M, "Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP)," January 1977, authorized by DoD Directive 4000.25, November 18, 1983

68. DoD Instruction 7200.10, "Guidance for Accounting and Reporting of Government Property Lost, Damaged, or Destroyed," May 16, 1977
69. Title 22, United States Code, section 2762, Procurement for Cash Sales
70. Public Law 97-365, "The Debt Collection Act of 1982," October 25, 1982
71. Office of Management and Budget Circular No. A-125, "Prompt Payment," August 19, 1982
72. Office of Management and Budget Circular No. A-129, "Managing Federal Credit Programs," May 9, 1985
73. DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987
74. DoD Directive 5100.57, "Delegation of Authority to Issue Substitutes of Checks Drawn on the Treasurer of the United States and on Certain Depository Banks," July 17, 1971
75. DoD Directive 7360.10, "Advancing Funds to Cashiers, Disbursing Officers or Individual Members of an Armed Force of a Friendly Foreign Nation," November 4, 1966
76. DoD Instruction 5100.71, "Delegation of Authority and Regulations Relating to Cash Held at Personal Risk Including Imprest Funds," March 5, 1973
77. Title 31, Code of Federal Regulations (31 CFR), parts as follows:
 - 202 Depositories and Financial Agents of the Government
 - 206 Management of Federal Agency Receipts and Operation of the Cash Management Improvements Fund
78. Joint Federal Travel Regulations (JFTR), Volume I, "Federal Military Travel Regulation," and Volume II, "Federal Travel Regulation," current edition
79. Internal Audit Policy Memorandum Number 1, "Detecting and Reporting Fraud and Illegal Acts," April 4, 1983
80. Treasury Financial Manual (TFM) supplement to chapter 6-8000, "Cash Management Review Guide," October, 1985
81. DoD Instruction 2140.4, "Collecting and Reporting of Foreign Indebtedness Within the Department of Defense," June 23, 1977
82. DoD Instruction 4165.3, "Department of Defense Facility Classes and Construction Categories," October 24, 1978
83. U.S. General Accounting Office - Federal Government Accounting Pamphlet Number 4, "Guidelines for Accounting for Automatic Data Processing Costs," 1978
84. DoD Instruction 4215.18, "Management of Defense-Owned Industrial Plant Equipment (IPE)," March 7, 1974
85. DoD Directive 4275.5, "Acquisition and Management of Industrial Resources," October 6, 1980

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86. DoD Directive 4160.21, "DoD Personal Property Utilization and Disposal Program," December 5, 1980
 87. DoD Directive 4160.22, "Recovery and Utilization of Precious Metals," December 1, 1976
 88. DoD Instruction 7150.6, "Financing the DoD Family Housing Program Administration and Management of Funds," July 25, 1978
 89. Title 42, United States Code, sections as follows:
 - 659 Enforcement of individual's legal obligations to provide child support or make alimony payments
 - 665 Allotments from pay for child and spousal support owed by members of uniformed services on active duty"
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 - 4622 Moving and related expenses
 - 4623 Replacement housing for homeowner; mortgage insurance
 - 4624 Replacement housing for tenants and certain others
 90. DoD Directive 4165.50, "Administration and Operation of the Homeowners Assistance Program (FM&P)," February 11, 1972
 91. Public Law 98-94, "Defense Authorization Act," September 24, 1983
 92. DoD 1340.12-M, "DoD Retired Pay Manual," September 1970
 93. DoD Instruction 7720.20, "Status of Funds and Other Data for Retired Pay," September 25, 1984
 94. Public Law 98-525, "Veterans' Educational Assistance Act of 1984"
 95. DoD Directive 1322.16, "Veterans' Educational Assistance Act of 1984 (GI Bill)," March 25, 1985
 96. DoD Directive 1322.17, "Selected Reserve Educational Assistance Program," December 20, 1985
 97. DoD Directive 7045.13, "DoD Credit Management and Debt Collection Program," August 22, 1983
 98. DoD Directive 5010.13, "DoD Productivity Program," April 27, 1979
 99. DoD Directive 5124.2, "Assistant Secretary of Defense (Force Management and Personnel)," March 13, 1989
 100. DoD Directive 7920.1, "Life Cycle Management of Automated Information Systems (AIS)," October 17, 1978
 101. DoD Directive 4151.16, "DoD Equipment Program," August 23, 1984
 102. DoD Instruction 5010.34, "Productivity, Enhancement, Measurement, and Evaluation - Operating Guidelines and reporting Instructions," August 4, 1975
 103. DoD Instruction 5010.37, "Efficiency Review, Position Management, and Resource Requirements Determination," November 17, 1987

104. DoD 5000.12-M, "DoD Manual for Standard Data Elements," July 1989 authorized by DoD Instruction 5000.12, April 27, 1965
105. DoD 7045.7-H, "FYDP Program Structure," August 1988, authorized by DoD Instruction 7045.7, "Implementation of the Planning, Programming, and Budgeting System (PPBS)," May 23, 1984
106. DoD Directive 4120.15, "Designating and Naming Military Aerospace Vehicles," May 2, 1985
107. DoD 4120.15-L, "Designation of Military Aerospace Vehicles," December 1987, authorized by DoD Instruction 4120.15, "Designating and Naming Military Aerospace Vehicles," May 2, 1985
108. DoD Instruction 7250.14, "Reprogramming of Military Construction and Family Housing Appropriated Funds," May 7, 1986
109. Title 23, United States Code, sections as follows:
 210 Defense access roads
110. DoD Instruction 7460.2, "Regulations Governing the Use of Management Funds," April 11, 1984
111. DoD Instruction 2010.10, "Mutual Logistic Support Between the United States and Other NATO Forces - Financial Policy," October 29, 1980 (NOTE: Cancelled and incorporated into Chapter 9 of this Volume.)
112. DoD 7600.7-M, "Internal Audit Manual," June 1986

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CHAPTER 1

FINANCIAL CONTROL OF ASSETS0101 GENERAL

010101. Purpose. This chapter sets forth overall standards to be followed in accounting for assets. One of the objectives of Department of Defense (DoD) accounting is establishing accounting control over all assets provided to, or acquired by, the DoD. Assets shall be under continuous accounting control from acquisition to disposition. Such control helps ensure proper and authorized use as well as adequate care and preservation, since no asset can be acquired, put into use, transferred, written down, written off, or disposed of, without the proper authorization necessary to document and record the transaction. All tangible assets provided to the DoD shall be accounted for, including assets in transit and assets in the hands of contractors, private parties, and other government agencies.

★ 010102. Overview. A DoD asset is any item of economic value owned by a DoD Component or held in a fiduciary capacity under the control of a DoD Component. The item may be physical in nature (tangible) or a DoD Component may have a right to control the item (intangible). The value of a DoD asset is expressed in terms of its acquisition cost and control of the asset by a particular DoD Component must be the result of a past transaction or event.

★ 010103. Entity vs. Nonentity Assets. Entity assets are those assets which the reporting DoD Component has authority to use in its operations. The authority to use assets in a DoD Component's operations means that the DoD Component has the authority to decide how the asset is used, or is legally obligated to use the asset to meet statutory obligations. Nonentity assets are those assets that are held by a DoD Component but are not available for the Component to use in its operations. In some circumstances, a DoD Component may maintain cash or other nonentity assets in a fiduciary capacity for the U.S. Treasury, other government agencies or nonfederal entities. Entity assets include real property assets used in the operations of the Defense Agencies (e.g., the Defense Logistics Agency Headquarters building located at Ft. Belvoir). Such real property assets are required by statute to be recorded in the real property databases of the Military Departments, but are predominately used by the Defense Agencies and are considered entity assets of the Defense Agencies for financial statement purposes. Entity cash and assets should be reported separately from nonentity cash and assets.

★ 010104. Intragovernmental vs. Public Transactions. Intragovernmental assets arise from transactions among federal agencies. Within the DoD, intragovernmental assets represent claims of a Military Department or Defense Agency against other DoD Components and other federal agencies. Intragovernmental liabilities represent claims of other federal agencies against the Department. Public assets arise from transactions between DoD Components and nonfederal entities. The term "nonfederal entities" encompasses domestic and foreign persons and domestic and foreign organizations outside the U.S. Government.

★ 010105. The transactions discussed in chapters 2 through 7 of this Volume frequently will require compound accounting entries; that is, accounting entries must be made simultaneously in both the proprietary accounts and the budgetary accounts. Both proprietary and budgetary entries will be shown, where applicable. Additional information on budgetary accounts not covered in this chapter are included in Volume 3, “Budget Execution - Availability and Use of Budgetary Resources” to this Regulation.

0102 ACCOUNTING STANDARDS

010201. The specific accounting standards for each category of assets are discussed in the sections that concern those assets. The following general standards apply to all assets.

010202. An asset is an economic resource available to the DoD and has three essential characteristics.

A. It has a capacity to contribute to the accomplishment of the DoD mission. This capacity often is called “service potential.”

B. The DoD can use the asset or control access of others to the asset.

C. The transaction or event giving rise to the DoD’s right to, or financial control over, the asset has already occurred.

010203. Noncash assets shall be valued promptly, once acquired by or taken into possession by the DoD, and subjected to monetary accounting control.

★0103 FUND BALANCE WITH TREASURY AND CASH

010301. The principal DoD cash account is its fund balance with the Treasury. “Fund Balance With Treasury” includes all funds on deposit with Treasury reported on the SF 224 Statement of Transactions, SF 1219 Statement of Accountability and/or Financial Management Service 2108 Year-end Closing Statement. The fund balance decreases when disbursements are made, transfers are issued, and rescissions are authorized by the Congress. The reporting entity will reconcile the Department’s “Fund Balance With Treasury” general ledger account at the appropriation level to Treasury. This section discusses standards for accounting for transactions affecting cash. The Treasury Financial Manual and Title 7 of the General Accounting Office Policies and Procedures Manual for the Guidance of Federal Agencies contain specific processing requirements for disbursing officers’ transactions.

★ 010302. In addition to “Fund Balance With Treasury,” DoD reporting entities may hold cash. Cash includes all monetary resources on hand or on deposit with banks and other financial institutions, including coins, currency, and readily negotiable instruments (such as checks and money orders). Cash must be recognized as an entity or nonentity asset and consists of the following:

★ A. Undeposited Collections. Coins, paper currency, and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit.

★ B. Imprest Funds. The authorized amount of cash held by disbursing officers at personal risk. (With the exception of contingency operations and exceptional circumstances, imprest funds are not authorized within the DoD.)

★ C. Other Cash. Cash holdings other than undeposited collections and imprest funds.

★ D. Other Monetary Assets. The balance of monetary assets, including gold (valued at market), special drawing rights, and U.S. Reserves in the International Monetary Fund.

★ E. Foreign Currency. The U.S. dollar equivalent of foreign government currency.

010303. Restricted Cash. Cash may be restricted. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Nonentity cash is always restricted cash. Entity cash may be restricted for specific purposes. Such cash may be in escrow or other special accounts. Financial reports should disclose the reasons and nature of restrictions.

010304. The following standards apply to accounting for cash.

A. Cash accounting shall:

1. Be complete, accurate and timely.
2. Cover cash receipts, cash disbursements, and cash balances.
3. Comply with applicable laws and regulations.
4. Disclose errors, losses, and gains.

B. Cash receipts shall be recorded immediately upon collection, kept under control, and deposited intact as soon as practicable. Cash collections shall not be held by the disbursing officer to cover cash disbursements.

C. Disbursements shall be made only after evidence of performance has been received or an advance payment has been authorized. Disbursements shall be recorded promptly in the applicable DoD accounting system and reported in the Statement of Transactions.

D. Cash receipts and disbursements are to be reconciled with appropriate documents and accounting records, as applicable within each accounting period.

E. Foreign currencies shall be accounted for in subsidiary accounts separate from U.S. currency. Foreign currencies shall be reported at the U.S. dollar equivalent using the exchange rates prescribed by the Secretary of the Treasury. The fact that a foreign currency is not freely exchangeable shall be footnoted on reports. Accounting entities may prepare financial statements for their own use, which may or may not be in U.S. dollars. These lower level statements shall be translated into U.S. dollars when used to prepare departmental financial statements.

F. Guidance relating to cash management procedures prescribed by the Treasury Department is in Chapter 2 of this Volume.

0104 RECEIVABLES

★ 010401. Amounts due the DoD shall be recorded accurately in the appropriate receivable account in the accounting period during which the transaction or event giving rise to the receivable occurs. Receivables arise from claims to cash or other assets and include accounts receivable, interest receivable, and loans receivable.

★ 010402. A receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date (e.g., taxes not received by the due date they are due), or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made.

★ 010403. Guidance relating to receivables is contained in Chapter 3 of this Volume.

★0105 INVENTORY AND RELATED PROPERTY

★ 010501. Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. Inventory includes items for sale or transfer to (1) entities outside the federal government, or (2) other federal entities.

★ A. Inventory shall be recognized as an asset when title passes to the purchasing entity or when the goods are delivered to the purchasing entity. Delivery or constructive delivery shall be based on the terms of the contract regarding shipping and/or delivery.

★ B. Inventory shall be valued at either (1) historical cost, or (2) latest acquisition cost.

★ 010502. Guidance relating to inventories is contained in Chapter 4 of this Volume as well as Volume 11B of this Regulation.

★ 010503. Related property includes operating materials and supplies, stockpile materials, seized and forfeited property, foreclosed property, and goods held under price support

and stabilization programs. Guidance on such related properties is contained in Chapter 4 of this Volume.

★0106 ADVANCES AND PREPAYMENTS

★ 010601. Advances. Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Common examples are travel advances which are made in contemplation of future travel expenses or advances to contractors which are made in contemplation of future receipt of inventory or fixed assets. Advances are reduced when related goods or services are received, contract terms are met, or progress is made under a contract, or prepaid expenses expire.

★ 010602. Prepayments. Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. Prepayments are reduced when goods or services are received, contract terms are met, or progress is made under a contract.

★ 010603. Advances and prepayments are assets of the paying entity.

★ 010604. Advances and prepayments made from one federal entity to another federal entity are intragovernmental transactions and should be accounted for and reported separately from those made to nonfederal entities.

★ 010605. Guidance relating to advances and prepayments is contained in Chapter 5 of this Volume.

★0107 PROPERTY, PLANT AND EQUIPMENT

★ 010701. Property, plant and equipment (PP&E) is composed of General PP&E and Stewardship PP&E. Accounting for property, plant and equipment in which the government has an ownership interest is important because public funds are invested. Property is accounted for in accounting systems and controlled in property accountability systems or records. The accounting system identifies the dollar value of property in summary terms. Property accountability systems and records should provide information as to quantities and costs which underlay the summary figures reflected in the accounting system. The DoD has an obligation to safeguard its property from theft, abuse, waste, and unauthorized use and otherwise manage the property efficiently and effectively.

★ 010702. All General PP&E assets are to be recorded in accounting records at cost. Such costs shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use in operations. The cost of Stewardship PP&E shall be expensed in the accounting period in which incurred. The acquisition cost and related expenses for property shall be recorded as specified in Chapter 6 of this Volume.

★ 010703. The accounting standards, policy and guidance relating to PP&E are contained in Chapter 6 of this Volume.

0108 OTHER ASSETS

★ 010801. Other assets are those assets that cannot be classified in a specific category identified in sections 0101 through 0107, above. Included in this category are investments and other miscellaneous assets not otherwise classified.

010802. The accounting standards to be followed for these assets are included in Chapter 7 of this Volume. The basic purpose is to ensure financial control over these assets and the recording of expenses or dispositions in the appropriate accounting periods.

CHAPTER 2

ACCOUNTING FOR CASH AND FUND BALANCES WITH TREASURY0201 GENERAL

020101 Purpose. This chapter prescribes the accounting policy and related management requirements necessary to establish financial control over fund balances with the U.S. Treasury and cash resources not part of the fund balance with the U.S. Treasury. The applicable general ledger accounts are included in the DoD Uniform Chart of Accounts in Chapter 7, Volume 1 of this Regulation and their use is illustrated in this chapter.

020102 Overview

A. Sections 0204 through 0206 below, prescribe procedures for DoD Components to follow to ensure proper accounting for cash.

B. The following definitions apply to fund balances with Treasury and cash:

1. Entity Cash. Entity cash is the amount of cash that the reporting entity holds and is authorized by law to spend.

2. Non-entity Cash. Non-entity cash is cash that a federal entity collects and holds on behalf of the U.S. Government or other entities. In some circumstances, the entity deposits cash in its accounts in a fiduciary capacity for the U.S. Treasury or other entities. Non-entity cash should be reported separately from entity cash.

3. Restricted Cash. Cash may be restricted. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Non-entity cash is always restricted cash. Entity cash may be restricted for specific purposes. Such cash may be in escrow or other special accounts. Financial reports should disclose the reasons and nature of restrictions.

C. Fund Balance with Treasury.

1. A federal entity's fund balance with the Treasury is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Fund balance with Treasury is an intra-governmental item. From the reporting entity's perspective, a fund balance with Treasury is an asset because it represents the entity's claim to the U.S. Government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability.

2. A federal entity's fund balance with Treasury includes clearing account balances and the dollar equivalent of foreign currency account balances. Foreign currency account balances should be translated into U.S. dollars at exchange rates determined by the Treasury and effective at the financial reporting date. A federal entity's fund balance with Treasury also includes balances for direct loan and loan guarantee activities held in the credit reform program, financing, and liquidating accounts.

3. Depending upon the level of the entity within the organization, a fund balance with Treasury may be increased by (a) receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, allocations, and allotments, and (b) receiving transfers and collections of reimbursements from other entities. An entity's fund balance with Treasury also may be increased by amounts borrowed from Treasury, Federal Financing Bank, or other entities, and amounts collected and credited to appropriation or fund accounts that the entity is authorized to spend or used to offset its expenditures.

4. An entity's fund balance with Treasury does not include contract authority or unused authority to borrow. Contract authority is a statutory authority under which contracts or obligations may be entered into prior to receiving an appropriation for the payment of obligations. The later enacted appropriation provides cash to liquidate obligations. Thus, contract authority merely permits a federal entity to incur certain obligations but does not, in itself, add funds to the agency's account with Treasury.

5. Authority to borrow is a statutory authority that permits a federal agency to incur obligations and make payments for specific purposes out of borrowed funds. Authority to borrow adds funds to an agency's accounts with Treasury only after the agency actually uses the authority to borrow a specific amount of funds. Thus, authority to borrow is included in an entity's fund balance with Treasury only to the extent that funds are actually borrowed under the authority.

6. An entity's fund balance with Treasury is reduced by (a) disbursements made to pay liabilities or to purchase assets, goods, and services, (b) investments in U.S. securities (securities issued by Treasury or other U.S. Government agencies), (c) cancellation of expired appropriations; (d) transfers and payments for reimbursements to other entities or to the Treasury, and (e) sequestration or rescission of appropriations, as applicable.

7. Disclosure should be made to distinguish two categories of funds within the entity's fund balance with Treasury: the obligated balance not yet disbursed and the unobligated balance. The obligated balance not yet disbursed is the amount of funds against which budgetary obligations have been incurred, but disbursements have not been made.

8. The unobligated balance is the amount of funds available to an entity against which no claims have been recorded. Unobligated balances are generally available to a federal entity for specific purposes stipulated by law. Unobligated balances may also include balances in expired accounts that are available only for approved adjustments to prior

obligations. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclosure should be provided on such restrictions.

9. Federal entities should explain any discrepancies between fund balance with Treasury in their general ledger accounts and the balance in the Treasury's accounts and explain the causes. (Discrepancies due to time lag should be reconciled and discrepancies due to error should be corrected.) Agencies also should provide information on unexpended balances in cancelled appropriations that are returned to Treasury at the end of a fiscal year.

0202 POLICY

The policy in Sections 0203. through 0206, below, of this chapter provide the basis for DoD Components' management of, accounting for, and reporting on collections and expenditures within the Department of Defense.

0203 FUND BALANCE WITH TREASURY STANDARD

020301 The Fund Balance with the U.S. Treasury is the amount available to the DoD Component through appropriations, transfers, collections, and disbursements. Standards for recording collections and disbursements are contained in other sections of this chapter. The following subsections provide guidance to be followed by DoD Components for recording appropriations and transfers.

020302 Fund Balance With Treasury (Account 1010). "Fund Balance With Treasury" represents the net funds available to a DoD entity and is increased due to appropriations, reappropriations, continuing resolutions, and collections of reimbursements or advances. The account is decreased due to rescissions, and disbursements. It is a summary control account for "Funds Collected" (Account 1011); "Funds Disbursed" (Account 1012); "Funds With Treasury" (Account 1013); "Undistributed Collections (Account 1014); and "Undistributed Disbursements" (Account 1015). The "Fund Balance With Treasury" account is for financial

reporting purposes. No entries are posted to this account.

020303 Funds With Treasury (Account 1013)

A. At the DoD Component level, "Funds With Treasury" is used to record funds made available by appropriation, reappropriation, continuing resolution, allocation, rescissions, and transfers with or without benefit to the transferring account.

B. Subsidiary accounts shall be

established for each appropriation. Documentation supporting each subsidiary account shall be maintained.

C. Table 2-1 illustrates the most common entries used for this account.

D. Sources of entries to the "Funds With Treasury" account include Appropriation Warrants (TFS 6200), allocation documents, and Nonexpenditure Transfer Authorizations (SF-1151).

**ACCOUNTING ENTRIES FOR ACCOUNT 1013 -
FUNDS WITH TREASURY**

Dr 1013 Funds With Treasury
Cr 3100 Appropriated Capital

To record the receipt of Appropriation Warrants (TFS 6200), nonexpenditure transfers (SF 1151), and other authority and fund transfers from current and prior year appropriations and funds.

Dr 3100 Appropriated Capital
Cr 1013 Funds With Treasury

To record nonexpenditure transfers and other authority and fund transfers to current and prior year appropriations and funds; and budgetary authority rescinded by legislative action.

Dr 1013 Funds With Treasury
Cr 1011 Funds Collected

To close funds collected at fiscal year end.

Dr 1012 Funds Disbursed
Cr 1013 Funds With Treasury

To close funds disbursed at fiscal year end.

TABLE 2-1

**0204 BILLINGS AND COLLECTION
POLICY**

020401 Charges and fees computed for collection from private parties and agencies outside the Federal Government for goods or services

furnished or the lease or sale of property shall be collected in advance, except as authorized by statute. When payment after performance is allowed, an accounts receivable shall be established to control collections. The following actions shall be taken to ensure proper collection:

020402 A discussion of the more significant accounting entries for fund collections is provided in paragraphs 020402.A through 020402.C, below.

A. Funds Collected (Account 1011)

1. "Funds Collected" is used to record funds received for advances from outside sources, performance of reimbursable work, collection of receivables, and sale of assets. This account is subsidiary to account 1010, "Fund

Balance with Treasury." Subaccounts shall be maintained for each appropriation or fund. This account is to be used by all DoD Components.

2. Table 2-2 illustrates the most common entries used for this account.

3. Sources of entries to the "Funds Collected" account include journal vouchers, cash collection vouchers, sales records, and documented gains and losses that have been reported to Treasury.

**ACCOUNTING ENTRIES FOR ACCOUNT 1011 -
FUNDS COLLECTED**

Dr 1011 Funds Collected
 Cr 2311 Unearned Revenue-Advances from Government Agencies and Funds
 Cr 2312 Unearned Revenue-Advances from the Public

To record funds received in advance of performance.

Dr 1011 Funds Collected
 Cr 5100 Revenue from Goods Sold
 Cr 5200 Revenue from Services Provided

To record funds received for performance of reimbursable agreements.

Dr 1011 Funds Collected
 Cr 1310 Applicable "Accounts Receivable" subsidiary accounts

To record collection of receivables.

Dr 1011 Funds Collected
 Cr 7210 Losses on Disposition of Assets
 Cr 1700 Applicable "Fixed Assets" account

To record sale of assets at a loss.

Dr 1011 Funds Collected
 Cr 1700 Applicable "Fixed Assets" account
 Cr 7110 Gains on Disposition of Assets

To record sale of assets at a gain.

Dr 1013 Funds With Treasury
 Cr 1011 Funds Collected

To close Funds Collected at fiscal year end.

TABLE 2-2

B. Undistributed Collections (Account 1014)
(To be published)

2. Table 2-3 illustrates the most common entries used for this account.

C. Undeposited Collections (Account 1110)

3. Sources of entries to the "Undeposited Collections" account are collection records and certificates of deposit that have been reported to Treasury.

1. "Undeposited Collections" is used to record amounts for which a deposit confirmation has not been issued by the U.S. Treasury. Subaccounts shall be maintained for each appropriation or fund. This account is to be used by all DoD Components.

0205 DISBURSEMENT POLICY

020501 Disbursement Accounting Entries. A discussion of the more significant accounting entries for fund disbursements is provided in paragraphs 020501.A through 020501.C, below.

**ACCOUNTING ENTRIES FOR ACCOUNT 1110 -
UNDEPOSITED COLLECTIONS**

Dr 1110 Undeposited Collections
Cr 1300 Applicable "Receivables" account

To record amounts received that have not yet been deposited.

Dr 1011 Funds Collected
Cr 1110 Undeposited Collections

To record amounts deposited.

TABLE 2-3

A. Funds Disbursed (Account 1012)

1. "Funds Disbursed" is used to record the amount of payments made (net of refunds, erroneous payments, and return of advances) from a DoD appropriation or fund account. This account is subsidiary to account 1010, "Fund Balance with Treasury." Subaccounts shall be maintained for each appropriation or fund. This account is to be used by all DoD Components.

2. Table 2-4 illustrates the most common entries used for this account.

3. Sources of entries to the "Funds Disbursed" account include journal vouchers and cash disbursement vouchers that have been reported to Treasury.

B. Undistributed Disbursements (Account 1015)
(To be published)

C. Foreign Currency (Account 1200)

1. "Foreign Currency" is used to record in U.S. dollar equivalents the purchase or exchange of foreign government currency and other transactions occurring through use of the foreign currency. Transactions shall be recorded at the current exchange rate specified by the U.S. Treasury. Foreign currency fluctuation gains or losses resulting from the settlement of foreign currency receivables or payables shall be recorded when the settlement occurs. This account is to be used by all DoD Components when foreign currencies are involved.

**ACCOUNTING ENTRIES FOR ACCOUNT 1012 -
FUNDS DISBURSED**

Dr 2100 Applicable "Accrued Liabilities-Other" subsidiary accounts
Cr 1012 Funds Disbursed

To record payment for goods or services received and previously accrued.

Dr 2900 Applicable "Other Liabilities" subsidiary accounts
Cr 1012 Funds Disbursed

To record payment for other accrued liabilities.

Dr 2200 Applicable "Accrued Liabilities-Payroll and Benefits" subsidiary accounts
Cr 1012 Funds Disbursed

To record payment for payroll liabilities.

Dr 1400 Applicable "Advances and Prepayments" subsidiary accounts
Cr 1012 Funds Disbursed

To record amounts advanced and prepaid to others.

Dr 1012 Funds Disbursed
Cr 1315 Refunds Receivable-Government
Cr 1316 Refunds Receivable-Public

To record refunds received as a result of overpayments and other erroneous payments.

Dr 1012 Funds Disbursed
Cr 1400 Applicable "Advances and Prepayments" subsidiary accounts

To record return of advances and prepayments.

Dr 1012 Funds Disbursed
Cr 1013 Funds With Treasury

To close Funds Disbursed at fiscal year end.

TABLE 2-4

2. Table 2-5 illustrates the most common entries used for this account.

3. Sources of entries to the

"Foreign Currency" account are reimbursement and disbursement vouchers, sales records, and documented foreign exchange gains and losses that have been reported to Treasury.

**ACCOUNTING ENTRIES FOR ACCOUNT 1200 -
FOREIGN CURRENCY**

Dr 1200 Foreign Currency
Cr 1012 Funds Disbursed

To record purchase of foreign currency funds.

Dr 1012 Funds Disbursed
Cr 1200 Foreign Currency

To record exchange of foreign currency funds.

Dr 1200 Foreign Currency
Dr 7293 Other Miscellaneous Losses
Cr 1300 Applicable "Receivables" subsidiary accounts

To record collection of receivables with a resulting exchange rate loss.

Dr 1200 Foreign Currency
Cr 1300 Applicable "Receivables" subsidiary accounts
Cr 7193 Other Miscellaneous Gains

To record collection of receivables with a resulting exchange rate gain.

Dr 2000 Applicable "Liabilities" subsidiary accounts
Dr 7293 Other Miscellaneous Losses
Cr 1200 Foreign Currency

To record payment of liabilities with a resulting exchange rate loss.

Dr 2000 Applicable "Liabilities" subsidiary accounts
Cr 1200 Foreign Currency
Cr 7193 Other Miscellaneous Gains

To record payment of liabilities with a resulting exchange rate gain.

Dr 1200 Foreign Currency
Cr 5000 Applicable "Revenue" subsidiary accounts

To record collection for goods or services provided.

TABLE 2-5

0206 CASH HELD OUTSIDE OF U.S. TREASURY POLICY020601 Accounting Entries for Disbursing Officer's Cash (Account 1191)

of a DoD Component for external statement purposes since it represents U.S. Treasury cash advanced to disbursing officers. A liability account for the total amount advanced by the U.S. Treasury shall be maintained.

A. "Disbursing Officer's Cash" is used to record the amount of U.S. Treasury cash held by disbursing officers at personal risk. The balance in this account is not considered an asset

B. Table 2-6 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1191 -
DISBURSING OFFICER'S CASH**

Dr 1191 Disbursing Officer's Cash
Cr 2410 Treasury Cash Advances to Disbursing Officers

To record amounts received from U.S. Treasury for disbursing officer's use.

Dr 1120 Imprest Funds
Cr 1191 Disbursing Officer's Cash

To record establishment or increase in imprest funds.

Dr 1191 Disbursing Officer's Cash
Cr 1120 Imprest Funds

To record reductions in imprest funds.

Dr 1191 Disbursing Officer's Cash
Cr 1310 Accounts Receivable

To record amounts received for reimbursement of disbursements. (Disbursing Officer's Cash is to be reimbursed by the appropriation or fund on whose behalf the disbursement was made.)

Dr 1310 Accounts Receivable
Cr 1191 Disbursing Officer's Cash

To record amounts disbursed. (Disbursing Officer's Cash is to be reimbursed by the appropriation or fund on whose behalf the disbursement was made.)

Dr 2410 Treasury Cash Advances to Disbursing Officers
Cr 1191 Disbursing Officer's Cash

To record amounts returned to U.S. Treasury due to reduction in authorized amount.

TABLE 2-6

C. Sources of entries to the "Disbursing Officer's Cash" account include requests for cash, invoices for transferred funds, reimbursement vouchers and disbursement records.

020602 Accounting Entries for Imprest Funds (Account 1120)

A. "Imprest Funds" is used to record the amount of cash advanced by disbursing officers and held by agency cashiers at personal risk. The balance in this account is not

considered an asset of a DoD Component for external statement purposes, since it represents U.S. Treasury cash advanced by disbursing officers.

B. Table 2-7 illustrates the most common entries used for this account.

C. Sources of entries to the "Imprest Funds" account include requests for cash, reimbursement and disbursement vouchers, and invoices for transferred funds.

**ACCOUNTING ENTRIES FOR ACCOUNT 1120 -
IMPREST FUNDS**

1. Dr 1120 Imprest Funds
Cr 1191 Disbursing Officer's Cash

To record establishment or increase in imprest funds.

2. Dr 1191 Disbursing Officer's Cash
Cr 1120 Imprest Funds

To record reductions in imprest funds.

TABLE 2-7

020603 Audit and Review

A. Managers who supervise personnel holding cash are responsible for maintaining appropriate accounting and internal controls for such assets. This responsibility includes insuring the legality, propriety, and correctness of disbursements and collections of public funds.

B. Audits, both announced and unannounced of each fund, shall determine whether:

1. All funds properly are accounted and reported.
2. The amount is not in excess of cash requirements.

3. Procedures are established and followed to protect the funds from loss or misuse.

The frequency of such audits shall be decided by management based on vulnerability assessments in DoD Directive 5010.38. Disbursing officers may make such inspection and reviews of imprest funds as they deem necessary to protect the interests of the U.S. Government.

C. Unannounced inspections, including cash counts, shall be made of each fund at least once each quarter by qualified individuals who are under the jurisdiction of the comptroller or the chief accounting officer of the installation (where such positions exist). These inspections may not be conducted by anyone subordinate to the fund custodian.

D. Any unauthorized use of, irregularity in, or improper accounting for a cash fund shall be investigated as prescribed in DoD Instruction 7200.10 and reported to the approving authority and to the disbursing officer involved. Reports should indicate if prescribed procedures were being followed and should recommend any actions considered necessary or desirable for preventing recurrence of the irregularity.

E. Each DoD Component shall delegate responsibility to a specific official for investigation of shortages or losses in imprest funds and instituting disciplinary actions. These matters shall be monitored centrally in each cognizant DoD Component.

ACCOUNT NO. 1010	
FUND BALANCE WITH TREASURY	
DESCRIPTION: Represents the net funds available to DoD from appropriations, reappropriations, continuing resolutions, advances, transfers-in, allocations, reimbursements less rescissions, transfers-out, and disbursements.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
SOURCE OF ENTRY:	
NORMAL BALANCE: DEBIT	
FIGURE 2-1	

ACCOUNT NO. 1011	
FUNDS COLLECTED	
DESCRIPTION: Represents the funds received due to advances from outside sources, performance of reimbursable work, collection of receivables, sale of assets, etc. Account is subsidiary to Fund Balance with Treasury. Subaccounts shall be maintained for each appropriation for fund.	
DEBIT	CREDIT
1. Advances accepted from Federal Government activities. Contra: 2311 2. Advances accepted from non-Federal Government activities. Contra: 2312 3. Revenue received in advance. Contra: 2320 4. Sale to a non-Federal Government activity through reimbursable agreement. Contra: 5100, 5200 5. Sale from a working capital fund through reimbursable agreement. Contra: 5100, 5200 6. Collection of fees and penalties. Contra: 5300, 5500 7. Cash donations received and designated for special fund purposes. Contra: 5600	1. Amounts accepted as collections for others. Contra: 1014 2. Close Funds Collected. Contra: 1013
SOURCE OF ENTRY: Cash collection vouchers and journal vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 2-2	

ACCOUNT NO. 1011	
FUNDS COLLECTED	
DESCRIPTION: Continued from previous page.	
DEBIT	CREDIT
<p>8. Sale of miscellaneous goods for cash.</p> <p>Contra: 5900, 7300</p> <p>9. Collection of receivables.</p> <p>Contra: 1310, 1350</p> <p>10. Liability for deposit funds.</p> <p>Contra: 2411</p> <p>11. Sale of assets. Loss.</p> <p>Contra: 1710, 1720, 1730, 1740, 1750, 1760, 1810, 1820, 1830, 1840, 1890, 7210</p> <p>12. Sale of assets. Gain.</p> <p>Contra: 1710, 1720, 1730, 1740, 1750, 1760, 1810, 1820, 1830, 1840, 1890, 7110</p> <p>13. Proceeds from sale of assets to be replaced.</p> <p>Contra: 2400</p> <p>14. Reimbursement to operating an appropriation or fund charged for the purchase of new asset.</p> <p>Contra: 7210</p> <p>15. Cash donations received.</p> <p>Contra: 5600</p>	
SOURCE OF ENTRY: Cash collection from vouchers and journal vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 2-2 (Cont)	

ACCOUNT NO. 1011	
FUNDS COLLECTED	
DESCRIPTION: Continued from the previous page.	
DEBIT	CREDIT
<p>16. Amounts recorded as collections for others.</p> <p>Contra: 1014</p> <p>17. Record sale of securities acquired at discount. Gain.</p> <p>Contra: 1610, 7192</p> <p>18. Record sale of securities acquired at discount. Loss.</p> <p>Contra: 1610, 7292</p> <p>19. Record sale of securities acquired at par or premium. Gain.</p> <p>Contra: 1610, 1611, 7192</p> <p>20. Record the sale of securities acquired at par or premium. Loss.</p> <p>Contra: 1610, 1611, 7292</p> <p>21. Record the sale of investment property and the liquidation of the mortgage under Homeowners Assistance Program - Mortgage Principal.</p> <p>Contra: 1691, 7192</p> <p>22. Record the sale of investment property and the liquidation of the mortgage under Homeowners Assistance Program - Revenue Earned.</p> <p>Contra: 1691, 7192</p>	
SOURCE OF ENTRY: Cash collection vouchers and journal vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 2-2 (Cont)	

ACCOUNT NO. 1012	
FUNDS DISBURSED	
DESCRIPTION: Represents the amount of payments made (net of refunds, erroneous payments, and returns of advances) from a DoD appropriation or fund account. Account is subsidiary to Fund Balance with Treasury. Subaccounts shall be maintained for each appropriation or fund.	
DEBIT	CREDIT
<p>1. Refunds received as a result of overpayments and other erroneous payments.</p> <p>Contra: 1500, 1510, 1530, 1580, 1560, 1570, 1580, 1710, 1720, 1730, 1740, 1750, 1760, 1810, 1820, 1830, 1840, 1890, 1990, 6100, 6320, 6330, 6500</p> <p>2. Exchange of foreign currency funds.</p> <p>Contra: 1200</p> <p>3. Amounts accepted as disbursements for others.</p> <p>Contra: 1014</p> <p>4. Advances/Prepayments settled - repayment or offset.</p> <p>Contra: 1410, 1450</p> <p>5. Close Funds Disbursed.</p> <p>Contra: 1013</p>	<p>1. Purchase of foreign currency funds.</p> <p>Contra: 1200</p> <p>2. Payment for interest earned by previous investor in federal securities.</p> <p>Contra: 1310</p> <p>3. Direct loan made.</p> <p>Contra: 1350</p> <p>4. Amounts advances to others.</p> <p>Contra: 1410</p> <p>5. Prepaid expenses and deferred charges.</p> <p>Contra: 1450</p> <p>6. Acquisition of federal securities or other investments at par or discount.</p> <p>Contra: 1610</p> <p>7. Acquisition of federal securities or other investments at a premium.</p> <p>Contra: 1610, 1611</p>
SOURCE OF ENTRY: Cash disbursement vouchers, journal vouchers.	
NORMAL BALANCE: CREDIT	
FIGURE 2-3	

ACCOUNT NO. 1012	
FUNDS DISBURSED	
DESCRIPTION: Continued from the previous page.	
DEBIT	CREDIT
	<p>8. Payment for goods or services received and previously accrued.</p> <p>Contra: 2110, 2130, 2140, 2190</p> <p>9. Disposition of deposit funds and suspense accounts to appropriate fund.</p> <p>Contra: 2400</p> <p>10. Transfer the proceeds from the sale of an asset from Treasury clearing account when the decision is made to replace the item.</p> <p>Contra: 2400</p> <p>11. Principal payments made on mortgages.</p> <p>Contra: 2591, 2592</p> <p>12. Payment of other accrued liabilities.</p> <p>Contra: 2910, 2920, 2990</p> <p>13. Payment of payroll liabilities.</p> <p>Contra: 2210</p> <p>14. Payment for late payment penalty or discounts lost.</p> <p>Contra: 6122</p>
SOURCE OF ENTRY: Cash disbursement vouchers, journal vouchers.	
NORMAL BALANCE: CREDIT	
FIGURE 2-3 (Cont)	

ACCOUNT NO. 1012	
FUNDS DISBURSED	
DESCRIPTION: Continued from previous page.	
DEBIT	CREDIT
	15. Demand for payment by lender - Loan Guarantee Default. Contra: 6129 16. Amounts recorded as disbursements for others. Contra: 1015
SOURCE OF ENTRY: Cash disbursement vouchers, journal vouchers.	
NORMAL BALANCE: CREDIT	
FIGURE 2-3 (Cont)	

ACCOUNT NO. 1013	
FUNDS WITH TREASURY	
DESCRIPTION: Represents the fund balances on the books of the U.S. Treasury. The account is increased for funds made available by appropriations, reappropriation, continuing resolution, transfers-in, and allocations. The account is decreased for rescissions and transfers-out. Subaccounts shall be maintained for each appropriation or fund.	
DEBIT	CREDIT
1. Nonexpenditure transfers from current year and prior year appropriations and funds. Contra: 3100 2. Warrant received. Contra: 3100 3. Capital appropriated for working capital funds. Contra: 3210 4. Funds transferred from other prior year appropriations and funds. Contra: 3100 5. Authority transferred from other current year appropriations and funds. Contra: 3100 6. Record appropriations not subject to apportionment. Contra: 3100 7. Record transfer of funds from other agencies. Contra: 3100	1. Nonexpenditure transfers to current year and prior year appropriations and funds. Contra: 3100 2. Funds transferred to other prior year appropriations and funds. Contra: 3100 3. Authority transferred to other current year appropriations and funds. Contra: 3100 4. Record decrease in trust fund equity - available receipts. Receipt of trust funds from state and local, public, and foreign governments for financing projects, programs, etc. Contra: 3100 5. Cash withdrawn per TFS-2108. Contra: 3100 6. Budgetary authority rescinded by legislative action. Contra: 3100
SOURCE OF ENTRY: Appropriation Warrant - TFS 6200, Nonexpenditure Transfer Authorizations - SF 1151, allocation documents, journal vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 2-4	

ACCOUNT NO. 1013	
FUNDS WITH TREASURY	
DESCRIPTION: Continued from the previous page.	
DEBIT	CREDIT
<p>8. Cash restored per TFS-2108.</p> <p>Contra: 3100</p> <p>9. Fund allocation from other agency.</p> <p>Contra: 2311</p> <p>10. Request for transfer of disbursing authority to expenditure account.</p> <p>Contra: 1920</p> <p>11. Record transfer from trust fund to operating fund.</p> <p>Contra: 1310</p> <p>12. Record increase in trust fund equity - available receipts. Receipt of trust funds from State and local, public, and foreign governments for financing projects, programs, etc.</p> <p>Contra: 3100</p> <p>13. Close Funds Collected.</p> <p>Contra: 1011</p>	<p>7. Return of all or portion of allocation of funds to parent account.</p> <p>Contra: 3100</p> <p>8. Close Funds Disbursed.</p> <p>Contra: 1012</p>
SOURCE OF ENTRY: Appropriation Warrant - TFS 6200, Nonexpenditure Transfer Authorizations - SF 1151, allocation documents, journal vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 2-4 (Cont)	

ACCOUNT NO. 1014	
UNDISTRIBUTED COLLECTIONS	
DESCRIPTION: Represents the amount of collections reported by the finance network which have not been accepted by the operating level accounting entity. Subaccounts shall be maintained for each appropriation or fund.	
DEBIT	CREDIT
SOURCE OF ENTRY: Journal vouchers.	
NORMAL BALANCE: CREDIT	
FIGURE 2-5	

ACCOUNT NO. 1015	
UNDISTRIBUTED DISBURSEMENTS	
DESCRIPTION: Represents the amount of disbursements as reported by the finance network which have not been accepted by the operating level accounting entity. Subaccounts shall be maintained for each appropriation or fund.	
DEBIT	CREDIT
SOURCE OF ENTRY: Journal vouchers.	
NORMAL BALANCE: CREDIT	
FIGURE 2-6	

ACCOUNT NO. 1100	
CASH	
DESCRIPTION: Represents the net funds available to DoD that are not yet deposited in the U.S. Treasury or are not considered as asset of a DoD Component.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
SOURCE OF ENTRY:	
NORMAL BALANCE: DEBIT	
FIGURE 2-7	

ACCOUNT NO. 1110	
UNDEPOSITED COLLECTIONS	
DESCRIPTION: Represents amounts received for which a deposit confirmation has not been issued by the U.S. Treasury. Account is supported by cashier's record of collection. Subaccounts shall be maintained for each appropriation, fund or receipt account.	
DEBIT	CREDIT
1. Amounts received. Contra: 1300	2. Deposits. Contra: 1011
SOURCE OF ENTRY: Collection records, certificates of deposit.	
NORMAL BALANCE: DEBIT	
FIGURE 2-8	

ACCOUNT NO. 1120	
IMPREST FUNDS	
DESCRIPTION: Represents the authorized amount of cash advanced by disbursing officers and held by Agency cashiers at personal risk. The balance in this account is not considered an asset of a DoD Component for external statement purposes since it represents U.S. Treasury cash advanced by disbursing officers.	
DEBIT	CREDIT
1. Imprest fund established. Contra: 1191	1. Imprest fund reduced. Contra: 1191
SOURCE OF ENTRY: Requests for cash, invoices for transferred funds, reimbursement, and disbursement records.	
NORMAL BALANCE: DEBIT	
FIGURE 2-9	

ACCOUNT NO. 1191	
DISBURSING OFFICERS' CASH	
DESCRIPTION: Represents the authorized amount of U.S. Treasury cash held by disbursing officers at personal risk. It includes U.S. Currency and coin on-hand, dollar equivalent of foreign currency and coin on-hand, cash in the hands of deputy disbursing officers, cashiers and agents, negotiable instruments on hand, military payments certificates, etc. The balance in this account is not considered an asset of a DoD Component for external statement purposes since it represents U.S. Treasury cash advanced to disbursing officers. A liability account for the total amount advanced by the U.S. Treasury shall be maintained.	
DEBIT	CREDIT
1. Amounts of checks for cash written by disbursing officers to establish authorized amount of cash required from Treasury. Contra: 2410 2. Transfer of cash from another Disbursing Officer Contra: 2410 3. Amounts received from appropriations/funds for reimbursement of disbursements. Contra: 1300 4. Cash collections. Contra: 2410 5. Amount received from Agency cashiers to reduce imprest funds. Contra: 1120	1. Cash disbursements. Contra: 1311 2. Transfer of cash to another disbursing officer. Contra: 2410 3. Confirmed deposits to an appropriation, fund or receipt account. Contra: 2410 4. Amount returned to Treasury due to reduction in amount of cash authorized. Contra: 2410 5. Amount transferred to Agency cashiers to establish imprest funds. Contra: 1120
SOURCE OF ENTRY: Requests for cash, invoices for transferred funds, and disbursement records.	
NORMAL BALANCE: DEBIT	
FIGURE 2-10	

ACCOUNT NO. 1200	
FOREIGN CURRENCY	
DESCRIPTION: Represents the U.S. dollar equivalent of foreign government currency and other transactions occurring through use of the foreign currency.	
DEBIT	CREDIT
1. Purchase of foreign currency funds. Contra: 1012 2. Advances settled - repayment or offset. Contra: 1410 3. Sale through reimbursable agreement. Contra: 5100, 5200 4. Collection of receivables. Contra: 1310, 1350 5. Revenue received in advance. Contra: 2320 6. Collection of fees and penalties. Contra: 5300, 5500 7. Cash donations received and designated for special fund purposes. Contra: 5600	1. Exchange of foreign currency funds. Contra: 1012 2. Payment for goods or services received and previously accrued. Contra: 2110, 2130, 2140, 2190, 2990 3. Payment for late payment penalty or discounts lost. Contra: 6122 4. Amounts advanced to others. Contra: 1410 5. Disposition of foreign currency funds resulting from transactions other than direct foreign currency purchases. Contra: 1310, 1350 6. Exchange losses of monetary transactions occurring between time of agreement and payment. Contra: 7293
SOURCE OF ENTRY: Reimbursement and disbursement vouchers, sales records, and documented foreign exchange gains and losses.	
NORMAL BALANCE: DEBIT	
FIGURE 2-11	

ACCOUNT NO. 1200	
FOREIGN CURRENCY	
DESCRIPTION: Continued from the previous page.	
DEBIT	CREDIT
<p>8. Refunds received as a result of overpayments and other erroneous payments.</p> <p>Contra: 1500, 1510, 1530, 1560, 1570, 1580, 1710, 1720, 1730, 1740, 1750, 1760, 1810, 1820, 1830, 1840, 1890, 1990, 6100, 6320, 6330, 6500</p> <p>9. Receipt of donated assets from public.</p> <p>Contra: 3400</p> <p>10. Exchange gains of monetary transactions occurring between time of agreement and payment.</p> <p>Contra: 7193</p>	
SOURCE OF ENTRY: Reimbursement and disbursement vouchers, sales records, and documented foreign exchange gains and losses.	
NORMAL BALANCE: DEBIT	
FIGURE 2-11 (Cont)	

CHAPTER 3

RECEIVABLES0301 GENERAL

The purpose of this chapter is to issue the policy that shall be followed in recording and accounting for receivables. A basic tenet of accounting is the establishment of accounting control over all receivables. Receivables shall be recorded when earned and collected when due. Procedures shall be established for the routine aging of all amounts overdue so that appropriated actions can be taken to effect their collection. The aggressive and efficient management of receivables in the Department of Defense is an important element of DoD stewardship over public funds.

0302 POLICY

Accounts receivable shall be recorded accurately and promptly on completion of the acts that entitle the Department of Defense to collect amounts owed it. Receivables include, but are not limited to, monies due for indebtedness determined as a result of travel and other overdue advances, dishonored checks, sale of goods and services, fines, penalties, interest, overpayment, fees, rent, claims, damages, and any other event resulting in a determination that a dept is owed the Department of Defense. Amounts receivable shall be reduced upon collection of the debt. Unless otherwise specified by law, all funds collected shall be deposited to the Treasury as miscellaneous receipts. Loans and other receivables shall be accorded similar accounting treatment to that given accounts receivable. The following subsections provide the specific standards to be followed in accounting for receivables:

030201 Receivables shall be recorded accurately and promptly so as to provide timely and reliable financial status on all debts owed the U.S. Government.

030202 Information on receivables shall be developed, maintained, and reported using the

receivables accounts listed in Chapter 7, Volume 1 of this Regulation. Subsidiary accounts for major categories of receivables shall be maintained to facilitate clear and full disclosure, that is, the debtor, the amount, and the type of debt. Examples of account entries are provided later in this chapter.

030203 Subsidiary records shall be reconciled to the control accounts monthly.

030204 Accounting records for receivables shall be maintained so that all transactions affecting the receivables for each reporting period are included.

030205 The basic standards for internal control prescribed in DoD Directive 5010.38 must be adhered to in establishing and collecting receivables.

030206 Accounting for receivables shall include provisions for:

A. Credit management and debt collection. The DoD policy for credit management and debt collection programs is provided in Chapter 28, of Volume 5 of this Regulation.

B. The accurate and timely recording and aging of accounts, loans, and other receivables that result from normal activity, and all other debts including interest, penalty, and administrative charges applied to delinquent receivables. A delinquent receivable is defined as a receivable that remains unpaid after its due date. The due date is normally 30 days from the date of invoice or notice of payment due, unless a specific due date is established by statute, contract provision, or notice of indebtedness. Debts being liquidated by installment payments are not to be considered as delinquent, unless an installment is missed.

C. The accurate and timely recording of collections and liquidation of associated receivables. A receivable is recorded timely if recorded within the same month discovered.

D. The immediate recording of items not previously recorded due to error or oversight. Due dates for such items shall be established in the first notification to the debtor.

030207 All debts and accounts that result from the occurrence of any event for which a determination is made that money is owed to the U.S. Government shall be considered as receivables and recorded in a DoD Component's accounting system at the earliest opportunity.

030208 When management determines that resources should be recovered from a defense contractor and the contracting officer issues a demand for payment, a receivable shall be recorded and collection action initiated. The accounting and finance officer shall record the receivable upon receipt of a copy of the demand for payment. The date of demand for payment shall establish the point in time when the receivable must be recorded.

030209 Receivables from nonappropriated fund instrumentalities (NAFIs) shall be recorded as transactions with the public. They shall be included in the Schedule 220.9, "Report on Accounts and Loans Receivable Due From the Public." Accounts receivable from the FMS Trust Fund are to be recorded and reported as receivables due from other Government agencies.

030210 Gains or losses resulting from foreign currency receivables shall be recorded in the "Other Gains or Losses" account for the period when settlement occurs (see Chapter 19). This requirement does not supersede the accounting requirement concerning gains or losses in foreign currency transactions as set forth in 31 U.S.C. 3342.

030211 Interest receivable shall be recorded in the accounts when interest income is earned but not collected. Interest shall continue to be

recorded, even when regular loan payments are not made, until the related debt is officially declared to be in default or a debt agreement modification action is taken.

030212 The Comptroller General and the Department of the Treasury require Federal Agencies to establish allowances for uncollectible accounts. In addition, agencies are required to age delinquent receivable accounts reflecting amounts owed to the Government. DoD Components operating under this Regulation shall ensure that their accounting systems provide for formal aging of delinquent receivables and the establishment of allowances for uncollectible accounts.

A. While other methods may be recognized and considered appropriate, the general reserve method is considered the most suitable for DoD Components in determining the amount of uncollectible accounts receivable. Under this method, a reserve is based on bad debt experience and changes in outstanding accounts receivable balances. In recognition of the principle that the more delinquent an account receivable becomes the greater the likelihood that it will not be collected in full, the analysis of receivables by age groups can be used in determining a reasonable amount to add to the allowance for loss on accounts and refunds receivable. To make this determination, it is desirable to estimate the percentage of probable expense for each age group of accounts receivable. This percentage, when applied to the dollar amount in each age group, gives a probable expense for each group. By adding together the probable expense for each age group, the required balance in the allowance for loss on accounts and refunds receivable is determined.

B. In preparing an aging schedule, amounts shall be considered as delinquent if not paid within 30 days from date of invoice or notice of payment due, unless different terms are specified by contract, other agreement or DoD Component procedures. Receivables shall be aged in the groups listed in Table 3-1.

AGED RECEIVABLE GROUPS

1-30 days delinquent
 31-60 days delinquent
 61-90 days delinquent
 91-120 days delinquent
 121-180 days delinquent
 181-360 days delinquent
 Over 360 days delinquent
 > 1 year ≤ 2 years
 > 2 years ≤ 3 years
 over 3 years

Table 3-1

0303 EXTENT OF COLLECTION EFFORTS
FOR DOMESTIC DEBTS

030301 General Policy. Except for debts from foreign countries, accounting and collection procedures shall be designed to provide information to assist in determining realistic points of diminishing returns beyond which collection efforts are not justified, and the minimum amount of a debt when no collection action at all should be undertaken. Procedures shall be designed to capture the total cost of the debt collection process (both direct and indirect costs), by dollar range of debt and the total number of cases processed. Until actual cost data are accumulated, cost analysis techniques shall be developed and used to determine the unit cost of processing first debt notices, follow-up actions, requests for waiver or remission, etc. When estimated costs are used, the estimates shall be updated periodically or when circumstances and conditions change significantly.

030302 Comparison Requirements. Each DoD Component shall make at least an annual comparison of costs incurred against amounts collected in its debt collection process to assist in the establishment of reasonable points at which costs of further collection efforts are likely to exceed recovery. This cost comparison, however, represents but one appraisal element to be considered

in the analysis of when and where to terminate collection efforts. Other reviews concerning the type of debt, size, age statistical analysis, etc., also should be performed before a final point of termination of collection action is determined. The following definitions should be considered when making cost comparisons, reviews, and analysis:

A. The Debt Collection Process. Includes (1) the preparation of the first debt notice; (2) all follow-up actions such as answering rebuttals, processing requests for waiver or remission, holding hearing, negotiating compromises, handling installment contract and suspense, processing collections, and making referrals to credit reporting and collection agencies; and (3) the completion of the case, including maintaining the case file information until the appropriate statute of limitations expires.

B. Direct Cost. Includes any costs that can be identified specifically with handling cases or accounts during the debt collection process. These normally consist of personnel costs, computer equipment costs, supplies, postage and contract services.

C. Indirect Cost. Includes any costs that are identified with the debt collection process, but which benefit that process and at least one other activity. These costs shall be accumulated only when they are expected to exceed 20 percent of the direct costs.

D. Cases Processed. The number of cases completed or closed during the year either by collection or write-off. Collection includes compromises and offsets from other Federal Government payments.

030303 Break-Even Analysis. A break-even analysis is one method of determining realistic points at which further collection efforts are not justified. A break-even analysis format and instructions are provided as Table 3-2.

BREAK-EVEN ANALYSIS

(1)	(2)	(3)	(4)	(5)	(6)
<u>\$ Range</u>	<u>CASES</u> <u>#</u> <u>PROCESSED</u>	<u>ORIGINAL</u> <u>\$</u> <u>AMOUNT</u>	<u>COST TO</u> <u>\$</u> <u>COLLECT</u>	<u>\$</u> <u>COLLECTIONS</u>	<u>\$</u> <u>DIFFERENCE</u>
\$ 0-25					
26-50					
51-75					
76-100					
101-125					
126-575					
576-600					
SUBTOTAL					
OVER 600					
GRAND TOTAL					

Column (1) - Dollar range should be meaningful to the debt collection process. Subtotal can be placed anywhere within dollar range to relate to a particular debt collection need.

Column (2) - Total number of cases processed within this particular dollar range.

Column (3) - Original dollar amount of debts for this particular range.

Column (4) - Historical cost for this particular range or subtotal times number of cases in column (2).

Column (5) - Accumulate collections per range or subtotal.

Column (6) - Column (5) minus column (4). Break-even point is where the collections (5) are equal to the cost to collect (4).

Grand total of collections (column (5)) divided by grand total of original dollar amount (column (3)) = percent collection range for period.

Table 3-2

0304 EXTENT OF COLLECTION EFFORTS
FOR DEBTS FROM FOREIGN
COUNTRIES

General policy for collection of debts from foreign countries is contained in Chapter 12, Volume 6, of this Regulation.

0305 INTEREST, PENALTY, AND
ADMINISTRATIVE CHARGES

030501 General

A. Accounting for receivables shall include provisions for accruing interest, penalty, and administrative charges on delinquent accounts from the public in accordance with 31 U.S.C. 3717. Accounting systems shall be designed to accumulate and record such charges for all debts owed the U.S. Government. Note, however, that debts owed by any Federal Agency (including NAFIs), or any State or local government are exempt from interest, penalty, and administrative charges.

B. Payments of amounts owed the Federal Government by organizations, businesses, and individuals are expected to be made in accordance with terms specified in contracts, agreements, or notifications of indebtedness. The Federal Acquisition Regulation is the authority for the collection of contractual indebtedness. For those debts owed the Federal Government that are not covered by contracts or agreements, the initial notification of indebtedness shall inform the debtor of the basis for the indebtedness, the date payment is to be made (due date), and the requirement for interest, penalty, and administrative charges, unless otherwise prohibited by law.

C. The intent of interest, penalty, and administrative charges is to stimulate prompt payment, to recover to the U.S. Treasury the cost of borrowing necessitated by a delinquent receivable, and to recover to the creditor agency the cost of processing and handling delinquent claims, including the referral of claims to credit bureaus or collection agencies.

030502 Application of Charges. Guidance on assessing interest, penalty, and administrative charges is contained in the Federal Claims Collection Standards. Interest, penalty, and administrative charges, unless prohibited by law, shall be applied according to the following:

A. Interest charges shall be assessed on all late payments whether the debt is to be paid in a lump sum or by installments. Interest shall also be charged on audit-related debt. The minimum rate shall be the average investment rate on Treasury's Tax and Loan Account for the 12-month period ending September 30 of each year, as prescribed by the Treasury Department.

B. Fixed or variable interest rates shall be established for each type of loan receivable and for overdue accounts receivables from the public. The factors that affect the variability of interest rates (e.g., legislation, type of contract, occurrence of an event, passage of time, debtor's income level, federal funds rate, etc.) shall be identified. In the absence of specific authority embodied in statute, regulation required by statute, contract, or other public notice, the interest rate shall be the current rate on funds to the Treasury.

C. DoD Components shall assess a penalty charge, not to exceed 6 percent per annum on any portion of a debt that is delinquent more than 90 days.

D. In addition to interest and penalty charges, a charge shall be determined and prorated over delinquent claims to cover the costs of processing and handling them.

E. Accrued interest, administrative, and penalty charges shall be recorded in appropriate accounts contained in Chapter 7 of Volume 1. Subaccounts may be established under existing accounts prescribed for interest and penalty charges.

F. A collection shall be applied first toward administrative and penalty charges; second, toward accrued interest; and third, toward the remaining balance due.

030503 Disposition of Charges

A. Interest charges collected shall be deposited directly into Treasury receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

B. Penalty charges shall be deposited directly into Treasury receipt account 1099, "Fines, Penalties, and Forfeitures, Not Otherwise Classified."

C. Administrative charges required to pay for contractor collection fees or claims collection litigation reports shall be paid directly to the GSA designated contractor. Any excess amounts shall be deposited monthly to Treasury receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not otherwise Classified."

030504 Computation of Amounts

A. Interest Charges shall be computed using the following formula:

$$I = DNF$$

Where: I = Interest charge
D = Amount of delinquent account receivable
N = Number of days delinquent
F = Interest rate per day

B. A penalty charge cannot exceed 6 percent per year of that portion of the debt that is delinquent more than 90 days. As described in paragraph 030206.B, a debt becomes delinquent if not paid by the established due date. Therefore, a penalty charge of up to 6 percent may be applied on a debt that has been delinquent for 91 days past the established due date. Penalty charges shall be applied to those accounts reported in the aging category 91-180 days delinquent and beyond. DoD Components may determine what percent up to the maximum 6 percent will be applied to delinquent accounts.

C. An administrative charge shall be assessed to cover the added costs incurred in handling a debt beyond the date on which payment was due. Unlike the interest charge,

which begins to accrue on the date the delinquent notice actually is mailed, the administrative charge is applied only if payment is not made by the due date specified in the notice. DoD Components shall calculate administrative charges based upon actual costs incurred. If actual cost is not available, DoD Components may base administrative charges upon other historical costs or cost analyses so long as the method used supports determination of the charge. The administrative charge shall be applied to all delinquent debts with due regard given to the length of time the debts is delinquent, such as the age categories identified in paragraph 030212.B.

030505 Application to New Accounts. Rules for application of interest charges to newly established accounts are as follows:

A. The first interest rate used to determine charges on a delinquent account shall be applicable for the life of the delinquent account, unless the account is rescheduled or other events occur that justify an interest rate adjustment. The Department of the Treasury provides Federal Agencies with percentage rate to be used in applying interest by publishing the applicable rate in the Federal Register each quarter.

B. Payment terms specified in the notice of indebtedness shall be consistent with payment terms in the related contract or formal agreement.

C. Unless other provisions have been included in a contract or prior agreement, interest charges shall not be assessed until the debtor has been notified in writing that interest and penalty charges will accrue.

D. Interest and penalty charges shall continue to accrue after "date of death" when a claim is to be filed against an estate.

030506 Application to Existing Accounts. Rules for application of interest and penalty charges to accounts receivable on the effective date of this chapter are as follows:

A. On those debts for which payments are current and are being paid on a regular basis, an advisory notice shall be issued prescribing interest requirements with a stipulation that interest charges will not be imposed so long as payments remain current. This applies to in-service and out-of-service debts.

B. On those accounts for which payments are being made, but which are in arrears because some payments have been missed, the notice shall advise that federal regulations require interest and penalty charges to be assessed on the unpaid balance of the account if a regular payment schedule is not maintained.

C. Debtors with accounts that are over 90 days delinquent shall be notified of the requirement for assessing interest and penalty charges. If the debt is not liquidated by the due date prescribed in the notice, interest and penalty charges shall begin to accrue on the date of the notification.

030507 Payment Within 30 Days. Interest shall not be charged if payment is made within 30 days after the date from which interest begins to accrue (30 days after date notification was mailed). DoD Components may extend this period for an additional 30 days on a case-by-case basis.

030508 Waiver of Accrual of Interest, Penalty, and Administrative Charges. The head of a DoD Component, or designee, may promulgate regulations identifying circumstances appropriate to waive collection of interest and charges in conformity with the Federal Claims Collection Standards; otherwise, the policy regarding the waiver of the accrual of interest, penalty, and administrative charges is as follows:

A. The accrual of interest, penalty, and administrative charges may be waived when accounts are terminated or compromised, or when the additional charges would cause extreme hardship or would not be in the best interest of the Government.

B. Decisions to waive the accrual of interest, penalty, and administrative charges shall be considered on a case-by-case basis (no blanket waivers will be granted). Decisions on such waivers shall be documented, including an explanation as to the reasons for the waiver, and retained as a part of the official file.

C. Waiver of the accrual of interest, penalty, and administrative charges shall be approved at the same organizational level or by the same designee authorized to waive claims.

D. Once accrued, interest, penalty, and administrative charges shall be collected, reported, compromised, or written off in the same manner as the basic debt.

E. Debts that cannot be collected in full by a DoD Component's collection efforts shall be compromised, suspended, terminated, or reported to GAO or the Department of Justice in accordance with the Federal Claims Collection Standards. An inventory of cases referred including dollar amounts shall be maintained by each DoD Component for reporting purposes.

0306 REPORTING WRITE-OFF DEBT TO THE INTERNAL REVENUE SERVICE (IRS)

030601 Section V, paragraph 5, of Office of Management and Budget Circular A-129, requires that income from the discharge of indebtedness is to be included in the gross income of a taxpayer/debtor. Therefore, the outstanding balance, not including interest, of any defaulted obligation that meets the following criteria shall be reported on IRS Form 1099-G, "Statement for Recipients of Certain Government Payment."

A. The amount of the defaulted obligation not in dispute accrues to a total of \$600 or more for a calendar year.

B. The obligation is not discharged in a Title II bankruptcy case.

C. The applicable federal statute for enforcing collection of the obligation expired during the tax year, or some form of formal

compromise agreement is reached during the year, or some form of formal compromise agreement is reached during the year in which the debtor is discharged legally of all or a portion of the obligation (in this case the portion discharged, less interest, is reportable).

0307 REPORTING OF RECEIVABLES

DoD Components are required to report all receivables that arise as a result of the completion of an act that entitles a Federal Agency to collect amounts owed to it. These receivables are to be reported on the TFS Form 220, "Report on Financial Position," prescribed in Chapter 2-4100 of GAO and Chapter 5, Volume 6 of this Regulation. In addition to the TFS Form 220, DoD Components are required to submit Schedule 220.9, "Report on Accounts and Loans Receivable Due From the Public." Schedule 220.9 provides further visibility on public receivables as follows:

030701 Part I. Section A - Outstanding Receivables. Provides a total of current and nondelinquent receivables and an aging of delinquent receivables.

030702 Section B - Activity Fiscal Year to Date. Provides new receivables during the reporting period, total payments or collections against receivables, reclassified amounts, and amounts written off during the year. This information should be provided for accounts and loans receivable. These categories are identified specifically in exhibit number 5, Chapter 2-4100 of the TFM.

030703 Sections C and D. Provide for

allowances and write-offs and a reconciliation.

030704 Part II. Provides administrative actions and other supplemental information on delinquent and nondelinquent receivables such as cases referred to and resolved by the agency counsel and the Department of Justice; the aging of receivables reclassified; interest, penalties, and administrative charges; and a reconciliation with the TFS Form 220.

0308 RECEIVABLES AND RELATED CONTROL ACCOUNTS

030801 Accounts and Refunds Receivable

Figures 3-1 through 3-8 define the accounts that are used for accounts and refunds receivable and illustrate the entries for transactions that affect each account.

030802 Allowances for Loss

Figures 3-9 and 3-16 define the accounts that are used for allowances for loss and illustrate the entries for transactions that affect each account.

030803 Claims Receivable

Figure 3-11 defines this account and illustrates the entries for transactions that affect it.

030804 Loans Receivable

Figures 3-11 through 3-16 defines these accounts and illustrate the entries for transactions that affect them.

ACCOUNT NO. 1300	
RECEIVABLES - NET	
DESCRIPTION: Net receivables.	
DEBIT	CREDIT
<p>This is a summary account.</p> <p>Do not post to this account.</p>	
NORMAL BALANCE: DEBIT	
FIGURE 3-1	

ACCOUNT NO. 1310	
ACCOUNTS RECEIVABLE	
DESCRIPTION: Amounts due from others when the right to receive funds accrues, which may result from the performance of services; delivery of goods; or, as in the case of interest income, the passage of time.	
DEBIT	CREDIT
<p>This is a summary account.</p> <p>Do not post to this account.</p>	
NORMAL BALANCE: DEBIT	
FIGURE 3-2	

ACCOUNT NO. 1311	
ACCOUNTS RECEIVABLE - GOVERNMENT - CURRENT	
DESCRIPTION: Represents current amounts due from intrabudgetary U.S. Government organizations or funds. It also includes amounts due from U.S. Government sources that will be deposited into Treasury general fund receipt accounts when collected. Subaccounts will be maintained for each appropriation, fund, or receipt account.	
DEBIT	CREDIT
1. Amounts earned and billed for goods and services provided. Contra: Appropriate 5000 Accounts 2. Amounts previously recorded as noncurrent. Contra: 1312	1. Amount of collections received. Contra: 1011 2. Write-offs of accounts receivable. Contra: 1319 3. Amounts rescheduled to noncurrent. Contra: 1312
SOURCE OF ENTRY: Billing documents, interfund billings, job cost reports, receiving reports, payroll records, and cash collection vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 3-3	

ACCOUNT NO. 1312	
ACCOUNTS RECEIVABLE - GOVERNMENT - NONCURRENT	
DESCRIPTION: Represents noncurrent amounts due from intrabudgetary U.S. Government organizations or funds. It also includes amounts due from U.S. Government sources that will be deposited into Treasury general fund receipt accounts when collected. Subaccounts will be maintained for each appropriation, fund, or receipt account.	
DEBIT	CREDIT
1. Amounts earned and not billed for goods and services provided. Contra: Appropriated 5000 Accounts 2. Amounts previously recorded as current but reclassified as noncurrent. Contra: 1311	1. Amount of collections received. Contra: 1011 2. Write-offs of accounts receivable. Contra: 1319 3. Amounts transferred to current account. Contra: 1311
SOURCE OF ENTRY: Billing documents, interfund billings, job cost reports, receiving reports, payroll records and cash collection vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 3-4	

ACCOUNT NO. 1313	
ACCOUNTS RECEIVABLE - PUBLIC - CURRENT	
DESCRIPTION: Represents current amounts due from non-Federal Governmental organizations, commercial vendors, nonintrabudgetary transactions with NAFLs, and private parties. It also includes amounts from public sources that will be deposited into Treasury general fund receipt accounts when collected. Subaccounts will be maintained for each appropriation, fund, or receipt account.	
DEBIT	CREDIT
1. Amounts earned and billed for goods and services furnished. Contra: Appropriate 5000 Accounts 2. Amounts previously recorded as noncurrent. Contra: 1314	1. Amounts of collections received. Contra: 1011 2. Write-offs of accounts receivable. Contra: 1319 3. Amounts reclassified to noncurrent. Contra: 1314
SOURCE OF ENTRY: Billing documents, job cost reports, receiving reports, payroll records, and cash collection vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 3-5	

ACCOUNT NO. 1314	
ACCOUNTS RECEIVABLE - PUBLIC - NONCURRENT	
DESCRIPTION: Represents noncurrent amounts due from non-Federal Governmental organizations, commercial vendors, nonintrabudgetary transactions with NAFIs, and private parties. It also includes amounts from public sources that will be deposited into Treasury general fund receipt accounts when collected. Subaccounts will be maintained for each appropriation, fund, or receipt account.	
DEBIT	CREDIT
1. Amounts not yet due for goods and services furnished. Contra: Appropriate 5000 Accounts 2. Amounts previously recorded as current but reclassified as noncurrent. Contra: 1313	1. Amounts of collections received. Contra: 1011 2. Write-offs of accounts receivable. Contra: 1319 3. Amounts transferred to current account. Contra: 1313
SOURCE OF ENTRY: Job cost reports, receiving reports, payroll records, and cash collection vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 3-6	

ACCOUNT NO. 1315	
REFUNDS RECEIVABLE - GOVERNMENT	
DESCRIPTION: Represent amounts of refunds due from intrabudgetary U.S. Government organizations or funds resulting from erroneous payments. Subaccounts will be maintained for each appropriation or fund.	
DEBIT	CREDIT
1. Amounts of refunds due from other U.S. Government organizations or funds. Contra: Appropriated 1000 or 6000 Accounts	1. Amounts collected for refunds receivable. Contra: 1012 2. Adjustments or cancellations of refunds due. Contra: Appropriate 1000 or 6000 Accounts 3. Write-offs of refunds receivable. Contra: 1319
SOURCE OF ENTRY: Billing, collection, and disbursement documents.	
NORMAL BALANCE: DEBIT	
FIGURE 3-7	

ACCOUNT NO. 1316	
REFUNDS - RECEIVABLE - PUBLIC	
DESCRIPTION: Represents amounts of refunds due from non-Federal Governmental organizations, commercial vendors, and private parties resulting from erroneous payments and unliquidated advances. Subaccounts will be maintained for each appropriation or fund.	
DEBIT	CREDIT
1. Amounts of refunds due from the public. Contra: Appropriate 1000 or 6000 Accounts.	1. Amounts collected for refunds receivable. Contra: 1012 2. Adjustments or cancellations of refunds due. Contra: Appropriated 1000 or 6000 Accounts 3. Write-offs of refunds receivable. Contra: 1319
SOURCE OF ENTRY: Billing, collection, and disbursement documents.	
NORMAL BALANCE: DEBIT	
FIGURE 3-8	

ACCOUNT NO. 1319	
ALLOWANCE FOR LOSS ON ACCOUNTS RECEIVABLE	
DESCRIPTION: Represents the estimated amount of uncollectible accounts and refunds receivable. Subaccounts will be maintained for each appropriation or fund	
DEBIT	CREDIT
<p>1. Write-offs of accounts and refunds receivable.</p> <p>Contra: Appropriate 1310 Accounts.</p>	<p>1. Amount estimated as uncollectible accounts and refunds receivable.</p> <p>Contra: 6129</p>
SOURCE OF ENTRY: Analysis of accounts representing extensions of credit to estimate the uncollectible portion.	
NORMAL BALANCE: CREDIT	
FIGURE 3-9	

ACCOUNT NO. 1320	
CLAIMS RECEIVABLE - PUBLIC	
DESCRIPTION: Represents amounts due from commercial carriers for damages to and losses in shipments occurring through the fault of the carrier; vendors as a result of shortages or damages to shipments occurring through the fault of the vendor; individuals held pecuniarily liable by report of survey for loss, damage, or destruction of property; and other claims. Subaccounts will be maintained for each appropriation and fund.	
DEBIT	CREDIT
1. Amounts due a DoD Component in settlement of claims. Contra: Appropriate 5000 or 6000 Accounts	1. Amounts collected. Contra: 1011 2. Write-offs of claims receivable. Contra: 1319
SOURCE OF ENTRY: Various claims documents and cash collection vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 3-10	

ACCOUNT NO. 1350	
LOANS RECEIVABLE	
DESCRIPTION: Represents the outstanding principal amounts due under lending and other programs. Includes the principal value of loans. Subaccounts will be maintained for each appropriation or fund.	
DEBIT	CREDIT
<p>This Account is a summary account.</p> <p>Do not post to this account.</p>	
NORMAL BALANCE: DEBIT	
FIGURE 3-11	

ACCOUNT NO. 1351	
LOANS RECEIVABLE - GOVERNMENT - CURRENT	
DESCRIPTION: Represents the current outstanding principal amounts due from other federal sources under lending and other programs. Subaccounts will be maintained for each appropriation or fund.	
DEBIT	CREDIT
1. Loans approved and issued. Contra: 1012 2. Amounts previously recorded as noncurrent. Contra: 1352	1. Cash collected to liquidate loan balances. Contra: 1011 2. Write-offs of loans receivable. Contra: 1359 3. Amounts reclassified to noncurrent. Contra: 1352
This account shall not be used without the specific approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer	
SOURCE OF ENTRY: Loan instruments and cash collection vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 3-12	

ACCOUNT NO. 1352	
LOANS RECEIVABLE - GOVERNMENT - NONCURRENT	
DESCRIPTION: Represents the noncurrent outstanding principal amounts due from other federal sources under lending and other programs. Subaccounts will be maintained for each appropriation or fund.	
DEBIT	CREDIT
1. Loans approved and issued. Contra: 1012 2. Amounts previously recorded as current but reclassified as noncurrent. Contra: 1351	1. Cash collected to liquidate loan balance. Contra: 1011 2. Write-offs of loans receivable Contra: 1359 3. Amounts transferred to current account. Contra: 1351
This account shall not be used without the specific approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer	
SOURCE OF ENTRY: Loan instruments and cash collections vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 3-13	

ACCOUNT NO. 1353	
LOANS RECEIVABLE - PUBLIC - CURRENT	
DESCRIPTION: Represents the current outstanding principal amounts due from public sources under lending and other programs. Includes the principal value of mortgages that FHA takes under the Homeowners Assistance Program and amounts of loans acquired under Defense Production Guarantees. Subaccounts will be maintained for each appropriation or fund.	
DEBIT	CREDIT
1. Amounts paid for acquired loans from public sources. Contra: 1012 2. Sale of home under Homeowners Assistance Program when FHA becomes mortgagee. Contra: 1691 3. Amounts previously recorded as noncurrent. Contra: 1354	1. Cash collected to liquidate loan balances. Contra: 1011 2. Write-offs of loans receivable. Contra: 1359 3. Repossession of property subject to a purchase money mortgage. Contra: 1691 4. Amounts reclassified to noncurrent. Contra: 1354
SOURCE OF ENTRY: Loan instruments and cash collection vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 3-14	

ACCOUNT NO. 1354	
LOANS RECEIVABLE - PUBLIC - NONCURRENT	
DESCRIPTION: Represents the noncurrent outstanding principal amounts due from public sources under lending and other programs. Includes the principal value of mortgages that FHA takes under the Homeowners Assistance Program and amounts of loans acquired under Defense Production Guarantees. Subaccounts will be maintained for each appropriation or fund.	
DEBIT	CREDIT
1. Amounts paid for acquired loans from public sources. Contra: 1012 2. Sale of home under Homeowners Assistance Program when FHA becomes mortgagee. Contra: 1691 3. Amounts previously recorded as current but reclassified as noncurrent. Contra: 1353	1. Cash collected to liquidate loan balances. Contra: 1011 2. Write-offs of loans receivable. Contra: 1359 3. Repossession of property subject to a purchase money mortgage. Contra: 1691 4. Amounts transferred to current account. Contra: 1353
SOURCE OF ENTRY: Loan instruments and cash collection vouchers.	
NORMAL BALANCE: DEBIT	
FIGURE 3-15	

ACCOUNT NO. 1359	
ALLOWANCE FOR LOSS ON LOANS RECEIVABLE	
DESCRIPTION: Represents the estimated amount of uncollectible loans receivable. Subaccounts will be maintained for each appropriation or fund.	
DEBIT	CREDIT
1. Write-offs of loans receivable. Contra: 1350, 1351, 1352	1. Amounts estimated as uncollectible loans receivable. Contra: 6129
SOURCE OF ENTRY: Analysis of accounts representing extensions of credit to estimate the uncollectible portion.	
NORMAL BALANCE: CREDIT	
FIGURE 3-16	

CHAPTER 4

OPERATING MATERIALS AND SUPPLIES AND STOCKPILE MATERIALS0401 GENERAL

040101 Purpose. This chapter prescribes the accounting policy and related requirements necessary to establish financial control over DoD materials and supplies including stockpile materials. The applicable general ledger accounts are included in the DoD Uniform Chart of Accounts in Chapter 7, Volume 1, of this Regulation, and the use of the operating materials and supplies and stockpile materials account is illustrated in this chapter.

040102 Operating Materials and Supplies Inventory. Operating materials and supplies consist of tangible personal property to be consumed in normal operations. Excluded are (a) goods that have been acquired for use in constructing real property, (b) stockpile materials, and (c) inventory.

040103 Distinction between Operating Materials and Supplies Inventory. The term "Inventory" is defined as tangible personal property, titled to the government, that is on hand or intransit (e.g., accepted at origin from a vendor, or moving between DoD activities) and is held for sale, future sale, repair, or pending transfer to disposal. Inventory excludes some other assets held for sale, such as (1) stockpile materials (including war reserve material), (2) seized and forfeited property, (3) foreclosed property, and (4) goods held under price support and stabilization programs. These goods may sold; the purpose, however, of acquiring them is not to provide a product or a service for a fee. Guidance relating to inventory held for sale in the course of normal operations will be included within Volume 11B of this Regulation.

040104 Stockpile Materials. Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. They are not held with the intent of selling in the ordinary course of business. The following

items are specifically excluded from stockpile materials: (a) items that are held by an agency for sale for use in normal operations, (b) items that are held for use in the event of an agency's operating emergency or contingency, and (c) materials acquired to support market prices [that is, commodities specifically acquired, held, sold, or otherwise disposed of to satisfy or help satisfy economic goals].

040105 Recognition of Assets and Expenses. The consumption method of accounting for the recognition of expenses shall be applied for stockpile materials. The consumption method of accounting for the recognition of expenses shall ordinarily be applied for operating materials and supplies. However, in some instances, as noted below, the purchases method of accounting for the recognition of expenses may be used. Operating materials and supplies shall be recognized and reported as assets when produced or purchased. "Purchased" is defined as when title passes to the purchasing entity. If the contract between the buyer and the seller is silent regarding passage of title, title is assumed to pass upon delivery of the goods. Delivery or constructive delivery shall be based on the terms of the contract regarding shipping and/or delivery.

A. Consumption Method of Accounting. The cost of goods shall be removed from the applicable operating materials and supplies asset account and reported as an operating expense in the period they are issued for consumption in normal operations.

B. Purchase Method of Accounting. The purchase method of accounting provides that operating materials and supplies be expensed when purchased. The purchase method may be used only for those operating materials and supplies that have a general use, are not significant in dollar amount, and are in the hands of the end user (e.g., performing cost center) for use in normal operations.

040106 Valuation of Stockpile Materials. Stockpile materials, except for war reserve material, shall be valued on the basis of historical cost. Historical cost shall include all appropriate purchase, transportation and production costs incurred to bring the items to their current condition and location. Any abnormal costs, such as excessive handling or rework costs, shall be charged to operations of the period. The first-in, first-out (FIFO); weighted average; or moving average cost flow assumptions shall be applied in arriving at the historical cost of stockpile materials. The last-in, first-out (LIFO) is not permitted as an acceptable valuation method due to the stale values that would result. Stockpile materials, other than war reserve materials, are discussed in this chapter. War reserve materials are discussed in Volume 11B of this Regulation.

040107 Categorization and Valuation of Operating Materials and Supplies. Operating materials and supplies shall be categorized as (a) operating materials and supplies held for use, (b) operating materials and supplies held in reserve for future use, or (c) excess, obsolete and unserviceable operating materials and supplies. Each of the categories shall be valued as described below.

A. Operating Materials and Supplies Held for Use. Ordinarily, items carried in a supply management business area, procurement appropriation, or other appropriated account shall not be drawn from that source until the need for those operating materials and supplies, considering processing leadtime, arises. Similarly, operating materials and supplies procured from commercial sources should not ordinarily be procured for delivery prior to the need for those materials and supplies. Items classified as "Operating Materials and Supplies Held for Use," shall not exceed the amount expected to be used within 30 days unless justifying documentation supporting a supply in excess of 30 days is developed and maintained for review. Operating materials and supplies shall be valued on the basis of historical cost. Historical cost shall include all appropriate purchase and production costs incurred to bring the items to their current condition and location. Any abnormal costs, such as excessive handling

or rework costs, shall be charged to operations of the period. Donated operating materials and supplies shall be valued at their fair value at the time of donation. The first-in, first-out (FIFO); weighted average; or moving average cost flow assumptions shall be applied in arriving at the historical cost of ending operating materials and supplies and cost of goods consumed. The last-in, first-out (LIFO) is not permitted as an acceptable valuation method due to the stale values that would result.

B. Operating Materials and Supplies Held in Reserve for Future Use. As a rule, operating materials and supplies shall not exceed the amount expected to be used within 30 days unless justifying documentation supporting a supply in excess of 30 days is developed and maintained for review. Within reason and normal prudence, items in excess of current needs shall be returned to the supplier and credit requested. Operating materials and supplies maintained because they are not readily available in the market or because it is likely they will be needed subsequently shall be classified as Operating Materials and Supplies Held in Reserve for Future Use. Operating materials and supplies held in reserve for future use shall be valued using the same basis as operating materials and supplies held for use in normal operations.

C. Excess, Obsolete, and Unserviceable Operating Materials and Supplies.

1. Excess operating materials and supplies are operating materials and supplies that exceed the amount on hand that can be used within one year.

2. Obsolete operating materials and supplies are operating materials and supplies that are no longer needed due to changes in technology, laws, customs, or operations.

3. Unserviceable operating materials and supplies are operating materials and supplies that are physically damaged and cannot be consumed in operations.

4. Excess, obsolete, or unserviceable materials and supplies shall be valued at their estimated net realizable value. The difference between their carrying amount before identification as excess, obsolete or unserviceable and their estimated net realizable value shall be recognized as a loss in GLA 7293, "Other Miscellaneous Losses," at the time the determination is made even though the disposition of the materials and supplies may not occur until a later period. Any subsequent adjustments to its net realizable value upon disposal shall also be recognized as a loss.

040108 Financial Statement Disclosure Requirements for Operating Materials and Supplies. Notes accompanying financial statements shall include:

A. General composition of operating materials and supplies.

B. Basis for determining operating materials and supplies values; including valuation method and any cost flow assumption.

C. Changes from prior year accounting methods, if any.

D. Balances for each of the categories of operating materials and supplies described above.

E. Restrictions on the use of materials.

F. Decision criteria for identifying the category to which operating materials and supplies are assigned.

G. Changes in the criteria for identifying the category to which operating materials and supplies are assigned.

0402 ACCOUNTING POLICY

040201 The acquisition cost of DoD supplies and material represents a substantial investment. It is important to bring this cost under financial control and to carry it forward until the inventory is issued for use or transferred out of

the Department of Defense. Any item purchased by a DoD Component shall be brought under financial accounting control and recorded in the applicable general ledger account until issued to a user or consumer.

040202 Acquisition price means the price paid for the item net of any discounts determined to be economically feasible to take. Chapter 2 of this Volume provides guidance on determining when to take discounts.

040203 The general ledger accounts discussed in this chapter contain summary dollar amounts that shall be reported in the financial statements required by the Treasury and in other reporting requirements mandated by OMB and the Congress. Each account shall be updated based on applicable source documents.

0403 ACCOUNTING FOR OPERATING MATERIALS AND SUPPLIES

040301 A discussion of the operating materials and supplies accounts is provided in paragraphs 040302 through 040306, below.

040302 Operating Materials and Supplies (Account 1510)

A. "Operating Materials and Supplies" consist of tangible personal property to be consumed in normal operations. Operating materials and supplies shall be categorized as (1) operating materials and supplies held for use, (2) operating materials and supplies held for future use, or (3) excess, obsolete and unserviceable operating materials and supplies.

B. This account is a summary account used for financial statement purposes. No transactions are posted to this account.

040303 Operating Materials and Supplies Held for Use (Account 1511)

A. "Operating Materials and Supplies Held for Use" is used to record supplies and materials received and subsequently issued for use. As such this account is intended to be used by any DoD Component that maintains supplies and materials.

B. Table 4-1 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1511 -
OPERATING MATERIALS AND SUPPLIES HELD FOR USE**

1. Dr 1511 Operating Materials and Supplies Held for Use
Cr 2111 Accounts Payable-Government-Current
Cr 2113 Accounts Payable-Public-Current

To record receipt of supplies and material recorded into inventory.

2. Dr 6121 Supplies and Materials
Cr 1511 Operating Materials and Supplies Held for Use

To record the issue of supplies and material from inventory

3. Dr 1511 Operating Materials and Supplies Held for Use
Cr 1581 Inventory-Work in Process-In-House
Cr 1721 Construction in Progress-In-House
Cr 6121 Supplies and Materials

To record the return of supplies and material to inventory.

4. Dr 1511 Operating Materials and Supplies Held for Use
Cr 3220 Transfers In from Others-Without Reimbursement

To record supplies and material received without reimbursement by the Department of Defense.

5. Dr 1511 Operating Materials and Supplies Held for Use
Cr 7193 Other Miscellaneous Gains

To record an increase in the inventory of supplies and material discovered by physical inventory.

6. Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Dr 3232 Transfers Out to Others-Without Reimbursement
Cr 1511 Operating Materials and Supplies Held for Use

To record the transfer of supplies and material from inventory without reimbursement.

7. Dr 7293 Other Miscellaneous Losses
Cr 1511 Operating Materials and Supplies Held for Use

To record the following:

- (a) The nonreimbursable loss, damage, or destruction of supplies and material.
- (b) A decrease in supplies and material discovered by physical inventory.

8. Dr 1320 Claims Receivable-Public
Cr 1511 Operating Materials and Supplies Held for Use

To record the loss, damage, or destruction of supplies and material in inventory for which a legal right for a claim exists.

TABLE 4-1

C. Sources of entries to this account include contracts, invoices, receiving reports, payment vouchers, material-return documents, transfer documents, inventory documents, issue and shipping documents, sales records, and documented gains and losses.

040304 Operating Materials and Supplies Held in Reserve for Future Use (Account 1512)

A. "Operating Materials and Supplies Held in Reserve for Future Use" is used to record the value of stocks of materials and supplies maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed, although not necessarily in the normal course of operations.

B. This account is intended for use by all DoD activities, including Defense Business Operations Fund activities.

C. Table 4-2 illustrates the most common entries used for this account.

D. Sources for entries to this account include receiving reports, inspection reports, material release orders, and reports of survey.

040305 Operating Materials and Supplies - Excess, Obsolete and Unserviceable (Account 1513)

A. "Operating Materials and Supplies - Excess, Obsolete and Unserviceable" is used to record the value of stocks of materials and supplies maintained because they are not readily available in the market or because there is more than a remote chance they will eventually be needed, although not necessarily in the normal course of operations.

B. This account is intended for use by all DoD activities, including Defense Business Operations Fund activities.

C. Table 4-3 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1512 -
OPERATING MATERIALS AND SUPPLIES HELD IN RESERVE FOR FUTURE USE**

1. Dr 1512 Operating Materials and Supplies Held in Reserve for Future Use
Cr 1511 Operating Materials and Supplies Held for Use

To reclassify operating materials and supplies.

2. Dr 6121 Supplies and Materials
Cr 1511 Operating Materials and Supplies Held for Use

To record the use of operating materials and supplies.

3. Dr 1513 Operating Materials and Supplies-Excess, Obsolete and Unserviceable
Cr Operating Materials and Supplies Held in Reserve for Future Use

To reclassify operating materials and supplies.

TABLE 4-2

**ACCOUNTING ENTRIES FOR ACCOUNT 1513 -
OPERATING MATERIALS AND SUPPLIES - EXCESS, OBSOLETE AND UNSERVICEABLE**

1. Dr 1513 Operating Materials and Supplies - Excess, Obsolete and Unserviceable
Dr 7293 Other Miscellaneous Losses
Cr 1511 Operating Materials and Supplies Held for Use
Cr 1512 Operating Materials and Supplies Held in Reserve for Future Use

To record excess, obsolete, or unserviceable operating materials and supplies at its estimated net realizable value. The difference between the carrying amount before identification as excess, obsolete, or unserviceable and their estimated net realizable value shall be recognized at a loss in GLA 7291.2, "Excess/Obsolescence/Spoilage Loss," at the time the determination is made even though the disposition of the materials and supplies may not occur until a later period. Any subsequent adjustments to net realizable value upon disposal shall also be recognized as a loss.

2. Dr 7293 Other Miscellaneous Losses
Cr 1513 Operating Materials and Supplies-Excess, Obsolete and Unserviceable

To record remaining loss upon final disposal of excess, obsolete or unserviceable items.

TABLE 4-3

040306 Operating Materials and Supplies In Transit (Account 1514)

A. "Operating Materials and Supplies In Transit" is used to record the value of supplies and materials in transit that have not been received.

B. This account shall be used to record the initial acceptance of items when title has passed but the items have not been received

and accepted.

C. Items in transit between DoD accounting entities shall be kept under financial accounting control at all times. Entries to this account shall not be reversed at the beginning of the subsequent accounting period.

D. Table 4-4 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1514 -
OPERATING MATERIALS AND SUPPLIES IN TRANSIT**

1. Dr 1514 Operating Materials and Supplies In Transit
Cr 2111 Accounts Payable-Government-Current
Cr 2113 Accounts Payable-Public-Current

To record the value of operating materials and supplies in transit.

2. Dr 1511 Operating Materials and Supplies Held for Use
Dr 1512 Operating Materials and Supplies Held in Reserve for Future Use
Cr 1514 Operating Materials and Supplies In Transit

To record the receipt of operating materials and supplies in transit

TABLE 4-4

E. Sources of entries to this account include receiving reports, inspection reports, invoices, and documented estimates indicating source of estimates.

0404 ACCOUNTING FOR STOCKPILE MATERIALS

040401 Stockpile Materials (Account 1570)

A. "Stockpile Materials" are strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. They are not held with the intent of selling in the ordinary course of business.

B. This account is a summary account used for financial statement purposes. No transactions are posted to this account.

040402 Stockpile Materials Held in Reserve (Account 1571)

A. "Stockpile Materials Held in Reserve" is the account commonly used to account for the value of stockpiled materials as stockpile materials are not held with the intent of selling in the ordinary course of business.

B. Table 4-5 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1571 -
STOCKPILE MATERIALS HELD IN RESERVE**

1. Dr 1571 Stockpile Materials Held in Reserve
Cr 2111 Accounts Payable-Government-Current
Cr 2113 Accounts Payable-Public-Current

To record receipt of stockpile material.

2. Dr 6121 Supplies and Materials
Cr 1571 Stockpile Materials Held in Reserve

To record issue of stockpile material.

TABLE 4-5

040403 Stockpile Materials Held For Sale (Account 1572)

A. "Stockpile Materials Held For Sale" is used to account for stockpile materials that have been authorized for sale. The materials authorized for sale shall be valued using the same basis used before they were authorized for sale. Any gain (or loss) upon sale shall be recognized as a gain (or loss) at that time.

B. Table 4-6 illustrates the most common entries used for this account.

040404 Allowance for Loss on Stockpile Materials (Account 1579.1)

A. "Allowance for Loss on Stockpile Materials" is used to adjust for reasonably predictable and recurring events that although not known in advance can nevertheless be estimated with a fair degree of precision. Predictable and recurring events include losses due to causes such as deterioration, breakage, and theft.

B. Table 4-7 illustrates the most common entries used for this account:

ACCOUNTING ENTRIES FOR ACCOUNT 1572 - STOCKPILE MATERIALS HELD FOR SALE

1. Dr 1572 Stockpile Materials Held For Sale
Cr 1571 Stockpile Materials Held in Reserve

Entry to reclassify stockpiles from "Held in Reserve" to "Held for Sale"

2. Dr 6500 Cost of Goods Sold
Dr 7293 Other Miscellaneous Losses
Cr 1572 Stockpile Materials Held For Sale

Entry to recognize sale of stockpile materials when a loss on its sale results.

3. Dr 6500 Cost of Goods Sold
Cr 1572 Stockpile Materials Held For Sale
Cr 7193 Other Miscellaneous Gains

Entry to recognize sale of stockpile materials when a gain on its sale results.

TABLE 4-6**ACCOUNTING ENTRIES FOR ACCOUNT 1579.1 -
ALLOWANCE FOR LOSS ON STOCKPILE MATERIALS**

1. Dr 7293 Other Miscellaneous Losses
Cr 1579.1 Allowance for Loss on Stockpile Materials

To record the estimate of loss due to shrinkage or other causes. (The estimate of loss may be subsequently valued higher or lower if it becomes obvious that the original estimate was significantly different from currently expected events.)

2. Dr 1579.1 Allowance for Loss on Stockpile Materials
Cr 1571 Stockpile Materials Held in Reserve
Cr 1572 Stockpile Materials Held For Sale

To record actual loss of stockpile materials. (If this entry would result in abnormal (debit) balance in account 1579.1, then the entry illustrated in (1.) above should be made for the abnormal portion.)

TABLE 4-7

C. Year-End Closing/Adjusting Entry. If the allowance amount established for the accounting period was exactly equal to the actual loss, then the balance in account 1579 would be zero (\$-0-). However, estimates are seldom exactly equal to actual events. If the allowance estimate was too high, then a greater loss than actually incurred was recorded against

current year operations. Conversely, if the allowance estimate was too low, then a smaller loss than actually incurred was recorded against current year operations. If those differences are not material, then no adjustment is necessary and the subsequent year allowance estimate can be modified to compensate for the difference. However, if those differences are material or if

management desires that the fiscal year-end allowance account be zero (\$-0-), adjusting entries may be made. The entries are in Table 4-8.

0405 ACCOUNTING FOR WORK IN PROCESS

040501 Four "Work in Process" subsidiary accounts control applicable work, payments, and property that receive special attention. "Work in Process-In-House," "Work in Process-Contractor," and "Work in Process-Other Government Activities," identify the performing activity. "Work in Process-Government-Furnished Material," identifies that portion of Government property (including other Federal Agencies) furnished to contractors and subcontractors for the perfor

mance of DoD contracts for other than real property. Government property, in this case, includes all personal property acquired directly by the Department of Defense made available for incorporation into personal property and products to be delivered under DoD contracts or to be consumed or expended in the performance of those contracts.

040502 Work in Process general ledger accounts may be used by any DoD Component or activity within those Components. However, since activities within the Defense Business Operations Fund (predominantly those within the Depot Maintenance business area) more commonly use the work in process general ledger accounts, the description and use of the work in process accounts is contained in Volume 11B of this Regulation.

ACCOUNTING ENTRIES FOR YEAR-END CLOSING/ADJUSTING ENTRY

Dr 1579 Allowance for Loss on Stockpile Materials
Cr 7293 Other Miscellaneous Losses

To adjust loss estimates to actual loss at fiscal year end when the loss estimate is greater than the actual loss.

Dr 7293 Other Miscellaneous Losses
Cr 1579 Allowance for Loss on Stockpile Materials

To adjust loss estimates to actual loss at fiscal year-end when the loss estimate is less than the actual loss.

TABLE 4-8

ACCOUNT NO. 1510	
OPERATING MATERIALS AND SUPPLIES	
DESCRIPTION: The amount of tangible personal property to be consumed in normal operations. Operating materials and supplies shall be categorized as (1) operating materials and supplies held for use, (2) operating materials and supplies held for future use, or (3) excess, obsolete and unserviceable operating materials and supplies.	
DEBIT	CREDIT
<p>This is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 4-1	

ACCOUNT NO. 1511	
OPERATING MATERIALS AND SUPPLIES HELD FOR USE	
DESCRIPTION: The amount of tangible personal property to be consumed in normal operations within a reasonable period and which is ordinarily readily available in the marketplace or other source of supply or is not being held for other contingency reasons. Includes items acquired for use or consumption in the production of goods and services prior to the issue of those items to work in process.	
DEBIT	CREDIT
1. Receipt of operating supplies and materials. Contra: 2111 Accounts Payable-Government 2113 Accounts Payable-Public 3220 Transfers In from Others- Without Reimbursement	1. Issue of operating supplies and materials. Contra: 6121 Supplies and Materials
NORMAL BALANCE: DEBIT	
FIGURE 4-2	

ACCOUNT NO. 1512	
OPERATING MATERIALS AND SUPPLIES HELD IN RESERVE FOR FUTURE USE	
DESCRIPTION: The amount of materials and supplies maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed, although not necessarily in the normal course of operations.	
DEBIT	CREDIT
1. Receipt of operating materials and supplies. Contra: 2111 Accounts Payable-Government 2113 Accounts Payable-Public 3220 Transfers In from Others- Without Reimbursement 2. Reclassification of Materials and Supplies. Contra: 1511 Operating Materials and Supplies Held for Use	1. Issue of operating materials and supplies. Contra: 6121 Supplies and Materials. 2. Reclassification of Materials and Supplies. Contra: 1511 Operating Materials and Supplies Held for Use
NORMAL BALANCE: DEBIT	
FIGURE 4-3	

ACCOUNT NO. 1513	
OPERATING MATERIALS AND SUPPLIES - EXCESS, OBSOLETE AND UNSERVICEABLE	
DESCRIPTION: Excess operating materials and supplies are operating materials and supplies that exceed the amount expected to be used in normal operations because the amount on hand is more than can be used in the foreseeable future and that do not meet the criteria to be held in reserve for future use. Obsolete operating materials and supplies are operating materials and supplies that are no longer needed due to changes in technology, laws, customs, or operations. Unserviceable operating materials and supplies are operating materials and supplies that are physically damaged and cannot be consumed in operations.	
DEBIT	CREDIT
1. Reclassification of operating materials and supplies as excess obsolete, or unserviceable. Contra: 1511 Operating Materials and Supplies Held for Use Contra: 1512 Operating Materials and Supplies Held in Reserve for Future Use	1. Sale or other disposal of excess, obsolete, or unserviceable operating materials and supplies. Contra: 1011 Funds Collected 7291.2 Excess/Obsolescence/Spoilage Loss
NORMAL BALANCE: DEBIT	
FIGURE 4-4	

ACCOUNT NO. 1514	
OPERATING MATERIALS AND SUPPLIES IN TRANSIT	
DESCRIPTION: Represents the value of inventory which has not been received.	
DEBIT	CREDIT
<p>1. Value of operating materials and supplies in transit.</p> <p>Contra: 2111 Accounts Payable-Government-Current 2113 Accounts Payable-Public-Current</p>	<p>1. Receipt of operating materials and supplies.</p> <p>Contra: 1511 Operating Materials and Supplies Held for Use 1512 Operating Materials and Supplies Held in Reserve for Future Use</p>
NORMAL BALANCE: DEBIT	
FIGURE 4-5	

ACCOUNT NO. 1570	
STOCKPILE MATERIALS	
DESCRIPTION: Strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies.	
DEBIT	CREDIT
<p>This is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 4-6	

ACCOUNT NO. 1571	
STOCKPILE MATERIALS HELD IN RESERVE	
DESCRIPTION: Strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies.	
DEBIT	CREDIT
1. Receipt of materials. Contra: 2111 Accounts Payable-Government-Current 2113 Accounts Payable-Public-Current	1. Issue of inventory. Contra: 6121 Supplies and Materials
NORMAL BALANCE: DEBIT	
FIGURE 4-7	

ACCOUNT NO. 1572	
STOCKPILE MATERIALS HELD FOR SALE	
DESCRIPTION: Stockpile materials held that have been authorized for sale.	
DEBIT	CREDIT
1. Reclassification of stockpile materials. Contra: 1571 Stockpile Materials Held in Reserve	1. Sale of stockpile materials. Contra: 6500 Cost of Goods Sold 7293.1 Other Miscellaneous Losses
NORMAL BALANCE: DEBIT	
FIGURE 4-8	

ACCOUNT NO. 1591.1	
ALLOWANCE FOR LOSS ON STOCKPILE MATERIALS	
DESCRIPTION: An allowance account used to adjust for reasonably predictable and recurring events such as losses due to causes such as deterioration, breakage, and theft that although not known in advance can nevertheless be estimated with a fair degree of precision.	
DEBIT	CREDIT
1. Incurrence of actual loss. Contra: 1571 Stockpile Materials Held in Reserve 1572 Stockpile Materials Held for Sale	1. Establish an estimate of losses. Contra: 7293.2 Shrinkage/Deterioration Losses
NORMAL BALANCE: DEBIT	
FIGURE 4-9	

CHAPTER 5

ADVANCES AND PREPAYMENTS0501 GENERAL

050101 Purpose. This chapter prescribes the principles and policy to be followed by DoD Components to account for advances and prepayments made to employees, other Federal Government agencies and to non-Federal Government organizations. Advances do not include payments for which performance has occurred.

050102 Overview

A. The legal authority to make advances is contained in 31 U.S.C. 3324:

"(a) Except as provided in this section, a payment under a contract to provide a service or deliver an article for the United States Government may not be more than the value of the service already provided or the article delivered."

"(b) An advance of public money may be made only if it is authorized by--

(1) a specific appropriation or other law; or

(2) the President to be made to--

(A) a disbursing official if the President decides the advance is necessary to carry out--

(i) the duties of the official promptly and faithfully; and

(ii) an obligation of the Government; or

(B) an individual serving in the armed forces at a distant station if the President decides the advance is necessary to disburse regularly pay and allowances."

B. Advances and prepayments are disbursements of money from Department of Treasury accounts before performance has been certified by an authorized DoD receiving official.

C. Advances are made in contemplation of the later receipt of goods, services, or other assets. Advances are made only to payees to whom a Component has an obligation and not in excess of the amount of the obligation. A common example is travel advances. Travel advances are amounts made available to employees before beginning a trip for costs to be incurred in accordance with the 5 U.S.C. 5705 and in accordance with standardized Government travel regulations.

1. Within the Department of Defense, the following categories of advances may exist: travel advances; advances to contractors and suppliers; advances to grantees; advances to the public, including foreign governments; and advances to Federal Agencies.

2. Advances to contractors and suppliers and to grantees shall be supported by the contracting officer's determination that all statutory requirements are met and that the provisions of the Federal Acquisition Regulation (FAR), Part 32, subpart 32-4 and the DoD FAR Supplement, Part 32, subpart 32-4 are met. These provisions require, among other things, that the contractor give adequate security, advance payments may not exceed the unpaid contract price, the advance payment shall not exceed the contractor's interim cash needs, the advance is necessary to supplement funds available to the contractor, and, the Department of Defense shall benefit from performance prospects, or there are other practical advantages.

3. Advances to foreign countries are authorized by 10 U.S.C. 2396 which provides that:

"(a) An advance under an appropriation to the Department of Defense may be made to pay for:

(1) compliance with laws and ministerial regulations of a foreign country;

(2) rent in a foreign country for periods of time determined by local custom; and

(3) tuition."

"(b)(1) Under regulations to be prescribed by the Secretary of Defense or by the Secretary of the Transportation with respect to the Coast Guard when it is not operating as a service of the Navy, an officer of an armed force of the United States accountable for public money may advance amounts to a disbursing official of a friendly foreign country or members of an armed force of a friendly foreign country for--

(A) pay and allowances to members of the armed force of that country; and

(B) necessary supplies and services.

(2) An advance may be made under this subsection only if the President has made an agreement with the foreign country--

(A) requiring reimbursement to the United States for amounts advanced;

(B) requiring the appropriate authority of the country to advance amounts reciprocally to members of the armed forces of the United States; and

(C) containing any other provision the President considers necessary to carry out this subsection and to safeguard the interests of the United States."

D. Advances to foreign governments shall be made as closely as possible to the time they actually disburse funds for costs incurred.

1. Normally, advances shall not be outstanding for more than 90 days. Statements of actual costs incurred in sufficient detail to allow certification of performance by an authorized DoD official shall be provided on a monthly basis. Advances to foreign countries may require consultation with the Treasury Department.

2. Advances made pursuant to 10 U.S.C. 2396 shall be recorded in account 1414, "Advances-All Others-Public." Subsidiary accounts shall be established for each country and each organization or person to whom the advance is made.

E. Prepayments are amounts paid for goods and services to be provided over a specified period in time. They apply only to those situations when it is a generally accepted industry practice to pay for items such as rents, subscriptions, and maintenance agreements in advance of the service being provided and the prepayment is authorized by law. When expenses are prepaid, DoD Components shall record the prepayment when it is made. At the end of the fiscal year, prepayments shall be reviewed and the expired portion expensed. As a general rule, DoD operation and maintenance appropriations are annual in nature and thus limited to obligations for goods and services required to meet current operating requirements. Progress payments to contractors also are recorded as prepayments.

F. Advances shall be made only to meet requirements authorized by law. When the conditions under which an advance was made are satisfied, the unused portions of the advance shall be collected immediately and returned to the fund from which originally made.

G. Except for DoD personnel receiving advances for travel purposes, all requesting organizations shall prove destitution; i.e., that they are financially unable to perform without DoD financial assistance. Failure to seek financial market assistance is not a valid basis

for requesting an advance. Organizations or individuals (other than DoD employees requesting travel advances) requesting advances shall demonstrate that all external financing sources have been exhausted before an advance is authorized.

H. Advances to civilian and military personnel for pay shall be made in accordance with the guidance contained in Chapters 28 and 29 of this Volume.

0502 ACCOUNTING POLICY

050201 DoD Components making advances or prepayments shall record them as assets until receipt of the goods or services involved or until contract terms are met. When goods or services have been received or contract terms met, the expense or acquired asset shall be recognized and the advances or prepayments reduced.

050202 Advance payments to grant award recipients (including amounts drawn against letters of credit) shall be accounted for as advances of the assisting DoD Component until the recipient has performed under the award or contract.

050203 Once the recipient has performed under the grant or agreement, the assisting agency shall record an expense in an amount equal to the cost of the services performed or costs incurred and reduce the advance account by a like amount.

050204 Advances and prepayments made shall be aggregated and not netted against each other and shown as separate line items on the financial statements and not included in accounts receivable or accounts payable.

050205 DoD Components shall report or disclose separately the amount of advances and prepayments associated with the following:

- A. Non-federal entities.
- B. Federal Agencies.

0503 ACCOUNTING FOR ADVANCES

050301 The primary purpose for advances is to provide funds to assist other organizations and individuals, who otherwise might be disadvantaged financially to carry out specified activities related to the U.S. national defense.

050302 Advances represent a current outlay of funds to meet a near- or long-term need. As such, they are a negative factor minimizing the Treasury's borrowing requirements. Accordingly, amounts advanced shall be kept to the minimum amounts necessary for the shortest possible time period.

050303 DoD Component financial management systems shall incorporate sufficient internal controls and information gathering techniques to monitor the use of advances made. Unneeded and unused balances shall be recovered as soon as information indicates they are excess to the purposes for which originally made.

050304 Recoveries of unused advances shall be recorded as a negative disbursement; i.e., as a debit to account 1012, Funds Disbursed. This permits the Funds Disbursed account to support the disbursements balances reported on the DD 1176, "Report on Budget Execution."

050305 Paragraphs 050306 through 050312, below, discuss the general ledger accounts to be used by DoD Components for advances. Accounts are established for the major categories of advances made by the Department of Defense.

050306 Advances and Prepayments (Account 1400)

A. "Advances and Prepayments" is used to record the outstanding balance of amounts advanced to Federal Agencies and non-federal entities by DoD Components and prepayments made for the later receipt of goods, services, or other assets.

B. This account is a summary control account for financial reporting purposes. No entries are posted to this account.

050307 Advances to Others (Account 1410)

A. "Advances to Others" represents the amount of payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or for other assets.

B. This account is a summary control account used for financial reporting purposes. No entries are posted to this account.

050308 Travel Advances (Account 1411)

A. "Travel Advances" represents the outstanding balance of advances made to DoD military personnel, civilian employees, and appointees for per diem, transportation, and related expenses incident to travel on authorized official business or change of official duty station.

B. Travel advances shall be minimal and allowed only when necessary. Generally, advances shall not exceed 80 percent of the estimated per diem. The use of credit cards by DoD employees as a result of General Services Administration contracts with major credit cards is to be encouraged in lieu of travel advances.

C. Travel advances shall be charged to the appropriations or funds from which reimbursements of travel expenses are to be made. An authorized travel order shall serve as the basis for issuing a travel advance.

D. When authorized travel carries over from one fiscal year to the next, the total balance of all travel advances shall be transferred from the expiring appropriation accounts to the next year's appropriation accounts. Such transfers are to be made at the beginning of the new fiscal year. The transfer documents shall be supported by detailed data on each outstanding advance included in the transfer.

E. Periodically, but at least semiannually, all outstanding advances shall be reviewed to determine if the original justification for the advances are still valid. Advances determined to be in excess of the travelers'

immediate needs shall be collected from the traveler.

F. Recovery of travel advances may occur in the following ways: submission of a travel voucher upon completion of official travel; repayment by the employee to whom the advance was made; or, when necessary, deductions from the employee's pay. If the traveler is in a continuous travel status and periodic travel vouchers are submitted, the full amount of allowable travel expenses may be reimbursed to the traveler without deductions of advances until such time as the final vouchers are submitted.

G. If travel advances are not fully recoverable by deductions from travel vouchers or refunded by the travelers, prompt action shall be taken to recover the outstanding advances by deductions from any amounts due the traveler or by using any other legal means available. In such instances, the travel advance shall be reclassified and recorded in account 1316, "Refunds Receivable-Public."

H. Subsidiary travel advance accounts shall be established for each appropriation and for each employee. Information in the employee subsidiary account shall include sufficient information to establish an audit trail showing when the advance was made, the authority for the advance, and the date the advance was liquidated.

I. Employees shall be provided a reasonable period of time to repay their travel advances upon completion of travel. As a general rule, 15 calendar days shall be considered sufficient unless evidence is available to indicate a longer or shorter period is justifiable.

J. Table 5-1 illustrates the most common entries used for this account.

K. Sources for entries to this account include travel orders, travel vouchers, cash collection vouchers, disbursement vouchers, and journal vouchers.

ACCOUNTING ENTRIES FOR ACCOUNT 1411 - TRAVEL ADVANCES

1. Dr 1411 Travel Advances
Cr 1012 Funds Disbursed

To record travel advance issued to employee.

2. Dr 6116 Travel and Transportation of Persons
Dr 1012 Funds Disbursed
Cr 1411 Travel Advances

To liquidate outstanding travel advances on completion of travel. (Debit to 1012 required for part of advance returned)

3. Dr 1316 Refunds Receivable-Public
Cr 1411 Travel Advances

To transfer an unliquidated travel advance to refunds receivable when an employee fails to repay an advance.

Table 5-1**050309 Advances to Contractors and Suppliers (Account 1412)**

A. "Advances to Contractors and Suppliers" is used to record amounts advanced to non-federal organizations or individuals under contracts for goods and services.

B. This account shall be supported by subsidiary accounts for each appropriation and fund and for each advance made. Periodically, the account balance shall be reconciled with the detailed documentation supporting the advances recorded in this account. Such reconciliations shall be made no less frequently than semiannually.

C. Advances to non-federal organizations shall be made only when authorized by law.

D. Table 5-2 illustrates the most common entries used for this account.

E. Sources for entries to this account include contracts, receiving and inspection reports accepting goods and services received, and collection vouchers.

050310 Advances to Grantees (Account 1413)

A. "Advances to Grantees" is used to record amounts advanced to grantees pursuant to terms included in grant agreements.

B. This account shall be supported by subsidiary accounts for each applicable appropriation and grantee receiving an advance. Periodically, the account balance shall be reconciled with the detailed documentation supporting the advances recorded in this account. Such reconciliations shall be made no less frequently than semiannually.

C. Each account shall be reviewed periodically to determine whether amounts advanced are in excess of the grantee's current needs. Amounts determined to be excess shall be collected from the recipient. The timing of the review should be coordinated with DoD grantors so that the review occurs as each grant milestone or reporting requirement is reached.

D. Table 5-3 illustrates the most common entries used for this account:

**ACCOUNTING ENTRIES FOR ACCOUNT
1412 - ADVANCES TO CONTRACTORS AND SUPPLIERS**

1. Dr 1412 Advances to Contractors and Suppliers
Cr 1012 Funds Disbursed

To record advances issued.

2. Dr 6120 Other Services
Dr 1510 Inventory for Agency Operations
Dr 1766 Equipment Not in Use
Dr 1012 Funds Disbursed
Cr 1412 Advances to Contractors

To liquidate an outstanding advance and collect unused balances.

Table 5-2

ACCOUNTING ENTRIES FOR ACCOUNT 1413 - ADVANCES TO GRANTEEES

1. Dr 1413 Advances to Grantees
Cr 1012 Funds Disbursed

To record issue of an advance.

2. Dr 6123 Grants, Subsidies, and Contributions
Cr 1413 Advances to Grantees

To record application of an advance to execution of the grant.

3. Dr 1012 Funds Disbursed
Cr 1413 Advances to Grantees

To record recovery of advances made to grantees.

Table 5-3

E. Sources for entries to this account include grant agreements, disbursement vouchers, collection vouchers and reports on grant performance.

050311 Advances-All Other-Public (Account 1414)

A. "Advances-All Others-Public" is

used to record advances to the general public, pay advances to military personnel, and to foreign nations that may not be classified to a specific advance account.

B. This account shall be supported by subsidiary accounts for each applicable appropriation and recipient.

C. Advances in this category shall be made only when authorized by law or regulations as discussed in paragraph 050102.A.3 above.

D. Each account shall be reviewed periodically to determine whether the amounts advanced are in excess of the recipient's current needs. Amounts determined in excess shall be collected from the recipient. The required review shall be made at least semiannually.

E. Table 5-4 illustrates the most common entries used for this account:

F. Sources for entries to this account include contract documents, inspection and receiving reports, disbursing vouchers, and collection vouchers.

050312 Advances to Government Agencies and Funds (Account 1415)

A. "Advances to Government Agencies and Funds" is used to record advances made to other Federal Agencies and funds pursuant to law or agreements between DoD Components and other federal organizations.

B. This account shall be supported by subsidiary accounts for each appropriation and recipient.

C. Advances to other Government agencies shall be made only pursuant to law or when such interests are in U.S. national defense. Generally, work performed for the Department of Defense by other Federal Agencies is on a reimbursable or a direct cite arrangement, and funds are transferred to the performing agency using noncheck transfer mechanisms.

D. Table 5-5 illustrates the most common entries used for this account:

E. Sources for entries to this account include interagency agreements, disbursement vouchers, collection vouchers, and receiving and inspection reports.

ACCOUNTING ENTRIES FOR ACCOUNT 1414 - ADVANCES-ALL OTHERS-PUBLIC

1. Dr 1414 Advances-All Others-Public
Cr 1012 Funds Disbursed

To record advances made.

2. Dr 1012 Funds Disbursed
Cr 1414 Advances-All Others-Public

To record recovery of unused advances.

3. Dr 1510 Inventory for Agency Operations
Dr 6120 Other Services
Cr 1414 Advances-All Others-Public

To liquidate the advance when services required are delivered.

Table 5-4

0504 ACCOUNTING FOR PREPAYMENTS

050401 Prepayments are expenditures in advance of accepted or delivered performance. They differ from advances in that prepayments relate to transactions that are recurrent in nature and do not provide financing as a precondition of performance.

050402 In the absence of specific legal authority, DoD Components are not authorized to incur obligations using operation and maintenance appropriations for goods and services to be provided in future years.

050403 Prepayments as they apply to the Defense Business Operations Fund are discussed in Volume 11B of this regulation.

050404 Prepayments (Account 1450)

A. "Prepayments" represent the account of expenditures which provide future benefits and include such items as subscriptions, rents, taxes, royalties, commissions, progress payments to contractors, insurance and supplies. This account is a summary account used for financial reporting and control purposes.

B. Table 5-6 illustrates the most common entries used for this account.

C. Sources for entries to these accounts include progress payment requests, vendor invoices, contracts, and disbursement vouchers.

**ACCOUNTING ENTRIES FOR ACCOUNT 1415 -
ADVANCES TO GOVERNMENT AGENCIES AND FUNDS**

1. Dr 1415 Advances to Government Agencies
Cr 1012 Funds Disbursed

To record advances issued.

2. Dr 1510 Inventory for Agency Operations
Dr 6120 Other Services
Dr 1012 Funds Disbursed
Cr 1415 Advances to Other Government Agencies

To record liquidation of the advance, recovery of unused balances and performance.

Table 5-5

ACCOUNTING ENTRIES FOR ACCOUNT 1450 - PREPAYMENTS

1. Account 1451, "Prepaid Expenses." The following entries illustrate the use of this account:

- a. Dr 1451 Prepaid Expenses
Cr 1012 Funds Disbursed

To record invoice and prepayment of an item or service that will be an expense when received.

- b. Dr 6100 Operating/Program Expenses
Cr 1451 Prepaid Expenses

To amortize a prepaid expense over its prescribed period of usefulness.

- c. Dr 6100 Operating/Program Expenses
Cr 1451 Prepaid Expenses
Cr 1012 Funds Disbursed

To record receipt of an item or service for which prepayments have been made (including any payment due upon receipt).

2. Account 1452, "Progress Payments Made To Others." The following entries illustrate the use of this account:

- a. Dr 1452 Progress Payments Made To Others
Cr 1012 Funds Disbursed

To record prepayment for an asset that has not been received.

- b. Dr 1700 Fixed Assets
Cr 1452 Progress Payments Made To Others
Cr 1012 Funds Disbursed

To record receipt of an asset for which progress payments have been made (including any payment due upon receipt).

- c. Dr 1542 Inventory-Work in Process-Contractor
Cr 1452 Progress Payments Made To Others
Cr 1012 Funds Disbursed

To record receipt of an asset for which progress payments have been made (including any payment due upon receipt).

Table 5-6

ACCOUNT NO. 1400	
ADVANCES AND PREPAYMENTS	
DESCRIPTION: The outstanding balance of amounts advanced to federal and non-federal entities by DoD and prepayments made for the later receipt of goods, services, or other assets.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 5-1	

ACCOUNT NO. 1410	
ADVANCES TO OTHERS	
DESCRIPTION: Payments made in contemplation of the future performance of services, receipt of goods or other assets.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 5-2	

ACCOUNT NO. 1411	
TRAVEL ADVANCES	
DESCRIPTION: Represents the outstanding balance of advances made to military personnel, civilian employees and appointees for per diem, transportation, and related expense incident to travel on official business or change of official duty station.	
DEBIT	CREDIT
<p>1. Amounts paid to DoD travelers or others before incurring travel expenses.</p> <p>Contra: 1012 Funds Disbursed</p>	<p>1. Traveler transportation vouchers processed to liquidate outstanding travel advances.</p> <p>Contra: 6116 Travel and Transportation of Persons</p> <p>2. Collections received to liquidate outstanding travel advances.</p> <p>Contra: 1012 Funds Disbursed</p> <p>3. Unused travel advances not returned.</p> <p>Contra: 1316 Refunds Receivable - Public</p>
NORMAL BALANCE: DEBIT	
FIGURE 5-3	

ACCOUNT NO. 1412	
ADVANCES TO CONTRACTORS AND SUPPLIERS	
DESCRIPTION: Represents the outstanding balance of amounts advanced to organizations or individuals outside the U.S. Government under contracts for goods and services.	
DEBIT	CREDIT
1. Amounts paid in advance of work performed by contractors or suppliers. Contra: 1012	1. Liquidation of outstanding advances. Contra: 1012, 1510, 1530, 1560, 1570, 1710, 1730, 1762, 1763, 1766, and 6120
NORMAL BALANCE: DEBIT	
FIGURE 5-4	

ACCOUNT NO. 1413	
ADVANCES TO GRANTEES	
DESCRIPTION: Represents the outstanding balance of advances issued to grantees.	
DEBIT	CREDIT
1. Amounts paid to grantees. Contra: 1012	1. Amounts applied to costs incurred under terms of grants. Contra: 6123 2. Cancellation of a grant. Contra: 1012 and 1313
NORMAL BALANCE: DEBIT	
FIGURE 5-5	

ACCOUNT NO. 1414	
ADVANCES - ALL OTHERS - PUBLIC	
DESCRIPTION: Represents the outstanding balance of other amounts advanced to the public including personnel of foreign nations.	
DEBIT	CREDIT
<p>1. Amounts paid to non-federal organizations or parties for goods which have not been delivered or for services which have not been performed.</p> <p>Contra: 1012</p>	<p>1. Collections received to liquidate outstanding advances.</p> <p>Contra: 1012</p> <p>2. Amounts applied to costs incurred under terms of agreements.</p> <p>Contra: 1510, 1530, 1560, 1570, 1710, 1730, 1740, 1750, 1762, 1766, 1820, 1890, and 6120</p>
NORMAL BALANCE: DEBIT	
FIGURE 5-6	

ACCOUNT NO. 1415	
ADVANCES TO GOVERNMENT AGENCIES AND FUNDS	
DESCRIPTION: Represents the outstanding balance of other advances made to U.S. Government organizations and funds.	
DEBIT	CREDIT
<p>1. Amounts paid to Federal Government organizations for goods which have not been delivered or for services which have not been performed.</p> <p>Contra: 1012</p>	<p>1. Collections received to liquidate outstanding advances.</p> <p>Contra: 1012</p> <p>2. Amounts applied to costs incurred under terms of various agreement documents.</p> <p>Contra: 1510, 1530, 1560, 1570, 1710, 1730, 1740, 1762, 1766, 6116, 6117, 6118, 6119, and 6120</p>
NORMAL BALANCE: DEBIT	
FIGURE 5-7	

ACCOUNT NO. 1450	
PREPAYMENTS	
DESCRIPTION: Expenditures which provide future benefits. Prepayments cover items such as rent, taxes, royalties, commissions, progress payments to contractors, insurance, and supplies.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 5-8	

ACCOUNT NO. 1451	
PREPAID EXPENSES	
DESCRIPTION: Expenditures which provide future benefits. Prepayments are often recurrent in nature and cover items such as rent, taxes, royalties, commissions, insurance, and supplies.	
DEBIT	CREDIT
1. Prepayment of a service. Contra: 1012	1. Recognition of a prepayment as an expense. Contra: 6100
NORMAL BALANCE: DEBIT	
FIGURE 5-9	

ACCOUNT NO. 1452	
PROGRESS PAYMENTS MADE TO OTHERS	
DESCRIPTION: Expenditures for assets in advance of their receipt.	
DEBIT	CREDIT
1. Progress payment request paid. Contra: 1012	1. Recordation of an asset to its proper account upon receipt. Contra: 1500, and 1700
NORMAL BALANCE: DEBIT	
FIGURE 5-10	

CHAPTER 6

FIXED ASSETS0601 GENERAL

060101 Purpose. This chapter prescribes the accounting policy to establish financial control over DoD fixed assets. The applicable general ledger accounts are listed in the DoD Uniform Chart of Accounts in Chapter 7, Volume 1 of this Regulation, and their use is illustrated in this chapter.

060102 Overview

A. The policy for recording fixed asset transactions implement the general property accounting policy prescribed in Chapter 1 of this Volume.

B. Fixed asset accounts are needed to bring the acquisition cost of DoD property under financial control and to provide a reliable basis for preparing reports to the President, the Congress, and the public on the value of DoD property.

0602 ACCOUNTING POLICY

060201 The acquisition cost of fixed assets consists of the amount, net of authorized discounts, paid or payable for the assets plus the transportation, installation, and other related costs of obtaining the assets in the form and place to be put into use.

060202 The term "costs" means costs paid to acquire the property. For example, another Federal Agency or another DoD Component may incur an identifiable cost related to the acquisition process of the acquiring DoD Component. Such a discretely identifiable cost is considered by the acquiring Component as part of the acquisition cost of property. An example of a cost that shall not be recorded is interest on the public debt that is paid by the Department of the Treasury, except as described in Chapter 1, paragraph 010504.C. of this Volume, and paragraph 060204, below.

060203 The guidance in paragraph 060202, above, on costs paid by other Federal Agencies applies to assets transferred in from another Federal Agency without reimbursement. Such transfers shall be recorded using the amounts recorded in the transferring Federal Agency's accounting system. Section 0605 of this chapter illustrates the accounting treatment for recording assets transferred in from other Federal Agencies.

060204 Only interest cost on loans obtained by the Department of Defense to finance capital expenditures by the Department of Defense are capitalized. However, imputed interest cost shall be included in the selling price of the property, plant, or equipment under certain circumstances. Volume 11 of this Regulation provides guidance to be followed in establishing selling prices.

060205 Property, plant, and equipment acquired or constructed for R&D testing activities normally shall be expensed when acquired. When the assets can be used for other purposes after the original R&D work is completed, the remaining value of the assets shall be capitalized by reducing the expense accounts to reflect the remaining acquisition cost of the assets to be capitalized.

060206 Assets shall have an estimated useful life to the Department of Defense of 2 years or more. Useful life refers to the period of economic usefulness of an asset to the Department of Defense as opposed to its physical life. Determination of an asset's useful life shall be based on actual or planned retirement or replacement practices, not "standard" tables of asset lives. When item-by-item calculations of depreciation are required, the estimated useful lives shall be reviewed at their 50 percent point and adjusted as needed to correspond to a more realistic remaining useful life. Subsequent reevaluations are not required.

060207 DoD Components shall capitalize all assets developed, manufactured, transferred, or acquired when the following criteria are met:

Acquisition cost, book value, or, when applicable, the estimated fair market value equals, or exceeds, the expense/investment funding threshold used by the Congress for appropriating DoD operating (expense) and procurement (investment) appropriations.

Estimated benefit period or useful life to the DoD of 2 years or more.

A. The dollar threshold for capitalizing an asset for accounting purposes is identical to, and automatically changes with, the expense/investment funding threshold used by the Congress for appropriating DoD operating (expense) and procurement (investment) appropriations. This criteria applies at the time of acquisition or capitalization. The acquisition cost of an asset is capitalized, regardless of the source of funding, when the capitalization criteria prescribed in this Volume are met.

B. Assets capitalized within any DoD appropriation or account at the previous threshold, which are not fully depreciated, shall continue to be capitalized (and depreciated if applicable) at the former capitalization threshold.

060208 Depreciation accounting is a technique that allocates the cost of depreciable property, plant, or equipment as an operating expense over the period in which removal is considered feasible. Depreciation recognizes the allocation of cost of depreciable physical plant, property, or equipment as an operating expense over the periods in which the assets are expected to provide benefits.

060209 Residual value is the estimated value remaining at the end of a fixed asset's useful life to the Department of Defense. Residual value is defined as being the amount that can be expected to be recovered from the asset's disposal when it is removed from service. As such, it is the estimated scrap value, trade-in value, or market value at the end of the asset's useful life to the using activity. Residual value is considered when it exceeds 10 percent of the

capitalized amount of the fixed asset. The estimated residual value does not change, although during inflationary periods a used asset may be sold for more than its original acquisition cost. This gain from inflation is accounted for only when realized since "anticipated" gains are not recognized in generally accepted accounting practice.

060210 Depreciation and depletion are computed using the capitalized amount less residual value. This amount shall be divided equally among the accounting periods, units of issue, hours of use, or quantities of resources removed during the asset's useful life. The asset's useful life shall not exceed 40 years. Asset useful life for Business Fund activities, are prescribed in Volume 11B, of this regulation.

060211 DoD accounting systems need to establish accounts in which to record the results of any calculation of depreciation and depletion. Non-Defense Business Operations Fund activities are not required to establish a capability to compute depreciation on an item-by-item basis, unless such a capability has been determined to be cost effective by the applicable DoD Component. Non-Defense Business Operations Fund activities are authorized to use cost-finding techniques to estimate depreciation when required for billings to non-federal organizations or for presentation in financial reports. Volume 11 of this Regulation provides additional guidance on the depreciation calculation. Business Fund activities shall establish the capability to compute depreciation.

060212 Entries recording transactions in accounting system general ledger accounts and the supporting subsidiary property records must:

A. Be supported by source documents that capture all transactions affecting the Component's investment in property, including:

1. All acquisitions, whether by purchase, transfer from other agencies, donation, or other means, as of the date the Component takes custody of the property.

2. All disposals or retirements when the property leaves the custody of the Component.

B. Include sufficient information so the property records control physical quantities of DoD property, identify its location, and show unit costs. These property records shall be designed to be of maximum assistance in making procurement and utilization decisions, including those decisions related to identifying potential excess property that may be available for reuse, transfer to other DoD activities, or made available for disposal in accordance with current DoD regulations and regulatory requirements.

C. Enable periodic independent verification of the accuracy of the accounting records through periodic physical counts that provide the capability to reconcile the subsidiary property records with the general ledger accounts.

D. Identify and classify DoD property, plant, and equipment that were capitalized, recorded in the accounting system, and reported in financial statements. DoD property that does not meet the capitalization criteria in Chapter 1 of this Volume also shall be recorded in property records for control purposes. Such property includes those considered sensitive, subject to pilferage, etc.

E. Be based on the same source documents, so that the property records are integrated and subsidiary to the accounting system or can be reconciled with the accounting system.

F. Accumulate the costs of construction in progress or work in process in the related general ledger accounts for comparison with authorized amounts and postings to the applicable fixed asset or inventory accounts when the work is completed or to the appropriate expense accounts if the work is terminated.

G. Include all DoD-owned property (even if held by others) and property of others held by the Department of Defense through seizure, forfeiture, etc.

H. Provide information to identify and account for leased property (even if not capitalized).

I. Provide information to identify and account for capitalized additions and improvements.

060213 Physical Inventories. DoD fixed assets shall be subject to periodic physical inventories. Fixed assets other than real property shall be inventoried physically every 3 years following the guidance in Chapter 4 of this Volume. Real property shall be inventoried every 5 years.

A. These inventories shall be taken to ensure, among other things, that DoD fixed assets are as follows:

1. At the location identified in the property records.

2. As described in the property records.

3. In the condition described in the property records.

B. The results of the physical counts shall be reconciled to the property records, including property books. Differences shall be researched and any adjustments shall be documented fully. Adjustments include unrecorded physical changes such as removal, addition, or modification of the fixed asset that were not recorded previously.

C. Fixed assets not in use may be inventoried physically using statistical sampling as discussed in Chapter 4 of this Volume. Fixed assets in use and all real property shall be subject to a 100 percent physical inventory. The physical counts shall be scheduled so that all items are counted within the time frames established in this subsection.

D. Care must be taken to consider infloat assets; i.e., receipts, issues, and in-transit items before reaching any conclusions that property records are inaccurate.

E. Adjustments to property records and financial records shall be made only for those items where the physical counts disclose discrepancies. Such adjustments shall be supported by reports of survey prepared in accordance with Chapter 7, "Financial Liability for Government Property, Lost, Damaged, or Destroyed," of Volume 12 of this regulation. Adjustments resulting from previously unrecorded modification or alterations also shall be supported by documentation showing the costs of the changes.

F. If the results of the physical counts indicate differences, the process shall be expanded for fixed assets in use or real property. If the results of the increased count also disclose differences, the financial statements shall be qualified to disclose that amounts reported as fixed assets are inaccurate. Failure to conduct required physical inventories and reconcile material differences between physical counts and property records or between property records and the controlling financial accounts shall be disclosed as a material weakness in Section 4 of the "Federal Managers' Financial Integrity Act" statement.

G. Adjustments to the general ledger inventory accounts shall be recorded as a miscellaneous gain (Account 7193) or as a miscellaneous loss (Account 7293).

0603 ACCOUNTING FOR REAL PROPERTY

060301 The Department of Defense shall record in the financial accounts the dollar value of real property that is under DoD control, unless there is evidence that the property is recorded in the accounting system of another Federal Agency. It is important that the overall accounting records of the Federal Government are not duplicated. If doubt persists, the DoD Component shall contact the other Federal Agency to determine if the real property is recorded in its accounting system. In those situations when it has not been recorded, the DoD Component shall reach agreement with the Federal Agency as to who shall record the real property. If the DoD Component is to record the real property, it shall request the necessary source documents to

establish the location, size, original acquisition cost, cost of improvements, estimated life of the building, the date the building was constructed, etc. This allows for identification of assets to the specific DoD Component, organization, program, etc., which is benefiting from the property. Subsidiary accounts shall be established, as necessary, to provide financial information on the various classifications of real property for reporting and internal management purposes.

060302 The DoD accounting entity that controls the access to real property at Fiscal Year end shall account for it. This shall preclude duplication in accounting and financial reporting and assure that the property is under financial control.

060303 A discussion of the real property accounts is provided in the following paragraphs 060304 through 060307, below.

060304 Fixed Assets, Net (Account 1700)

A. "Fixed Assets, Net" is used to record the value of all Department of Defense assets, including real property.

B. This account is a summary account. No individual transactions are posted to this account.

060305 Land (Account 1710)

A. "Land" is used to record the acquisition cost of DoD-controlled land. When the acquisition cost cannot be determined, the estimated fair market value shall be used.

B. Land includes not only the land but also the rights to it, such as easements.

C. Land is regarded for accounting purposes as a non-wasting asset. As such, land is not subject to depreciation.

D. The acquisition cost of land includes the purchase price; broker's commission; fees for examining and recording the title and surveying; and any razing and removal costs (less salvage proceeds) of structures on the land.

E. Periodic DoD payments for land rights are accounted for as a period operating expense.

F. DoD Components shall maintain subsidiary accounts by type of natural resource, when such financial data are required to meet reporting requirements.

G. Table 6-1 illustrates the most common entries used for this account.

H. Sources of entries to this account include invoices, payment vouchers, documented estimates indicating source of estimates, sales records, and documented transfers and losses.

060306 Buildings (Account 1730)

A. "Buildings" is used to record the acquisition cost of DoD-controlled buildings. When the acquisition cost cannot be determined, the estimated fair market value of buildings and the cost of obtaining them in the form to be put into use by the Department of Defense shall be recorded. The account includes capitalizable additions, alterations, improvements, and rehabilitations.

B. Subsidiary accounts are maintained as prescribed in enclosure 1 of Department of Defense Facility Classes and Construction Categories, DoD Instruction 4165.3. Additionally, buildings are identified as government furnished property (GFP) when applicable, and DoD Components shall have the capability to report GFP buildings when required.

C. Buildings are classified according to their actual use. For example, if "Training Facilities - Other Than Buildings" are converted into "Administrative Structures - Other Than Buildings," they are reclassified as the latter upon conversion. If the conversion affects the facilities' useful lives, they must be revised accordingly for depreciation accounting purposes.

D. The following criteria must be met for an item to qualify as an asset and be reported as such in a DoD entity's financial statements:

1. The asset must embody a probable future benefit that will contribute to the entity's operations.

ACCOUNTING ENTRIES FOR ACCOUNT 1710 - LAND

1. Dr 1710 Land
Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost incurred by the Department of Defense for land.

2. Dr 1710 Land
Cr 2113 Accounts Payable-Public-Current
Cr 3220 Transfers In From Others-Without Reimbursement

To record both of the following:

- (a) The estimated fair market value or the specific amount established by authoritative sources for land for which the acquisition cost is not determined.
- (b) The costs of obtaining the property in the form to be put into use, and provided from other sources without reimbursement.

TABLE 6-1

2. The entity that reports the asset must be able to obtain the benefit and control access to the benefit inherent in the asset.

3. The transaction or event giving the entity a right to and control over the benefit must have already occurred.

E. DoD activities that meet the criteria in paragraph D. above shall record the capital asset in their property and financial records; record depreciation on the asset; and record improvements to the asset.

F. DoD activities who are sole occupants/tenants of Government owned facilities or hold capital leases (as opposed to operating leases) on entire buildings and sub-let portions of that building and meet the criteria in paragraph D. above shall record the asset in their property and financial records. DoD activities that are joint occupants/tenants of Government owned facilities shall determine which occupant/tenant will record the asset in their property and financial records by applying the following criteria in descending order of application:

1. Occupant/tenant that can substantiate preponderant use (via direct labor hours, actual hours, population, square footage, metered output, etc.) of an asset in the production of goods and services for their customers.

2. Occupant/tenant that have exclusive responsibility for the maintenance, repair, upkeep, and replacement (Military Construction) of the asset.

G. Table 6-2 illustrates the most common entries used for this account.

H. Sources of entries to this account include contracts, invoices, payment vouchers, reports of completed construction projects, transfer documents, documented estimates indicating source of estimates, inventory documents, and documented gains and losses.

060307 Accumulated Depreciation on Buildings (Account 1739)

A. "Accumulated Depreciation on Buildings" is used to record the accumulated depreciation charged to expense for buildings.

B. Table 6-3 illustrates the most common entries used for this account

C. Sources for entries to this account include journal vouchers with work papers supporting depreciation calculations and transfer documents.

060308 Other Structures and Facilities (Account 1740)

A. "Other Structures and Facilities" is used to record the acquisition cost of DoD-controlled utilities and ground improvements and those facilities not classified as buildings. When the acquisition cost cannot be determined, the estimated fair market value and the costs of obtaining them in the form to be put into use by the Department of Defense shall be recorded. The account includes capitalizable additions, alterations, improvements, and rehabilitations to other structures and facilities.

B. Subsidiary accounts shall be maintained by category groups as prescribed in enclosure 1 of DoD Instruction 4165.3. Additionally, other structures and facilities are identified as Government Furnished Property (GFP) when applicable, and DoD Components shall have the capability to report such GFP assets when required.

C. The illustrative entries and the sources of these entries to this account correspond to those for the "Buildings" account in paragraph 060306, above.

060309 Accumulated Depreciation on Other and Facilities (Account 1749)

A. "Accumulated Depreciation on Other Structures and Facilities" is used to record the cumulative depreciation on such assets.

ACCOUNTING ENTRIES FOR ACCOUNT 1730 - BUILDINGS

1. Dr 1730 Buildings
 - Cr 2113 Accounts Payable-Public-Current
 - Cr 2591 Mortgages Payable-Family Housing
 - Cr 2592 Mortgages Payable-Homeowners Assistance Program

To record the acquisition cost incurred by the Department of Defense for buildings.

2. Dr 1730 Buildings
 - Cr 1721 Construction in Progress-In-House
 - Cr 1722 Construction in Progress-Contractor
 - Cr 1723 Construction in Progress-Other Government Activities

To record the value of completed buildings transferred from construction in progress accounts.

3. Dr 1730 Buildings
 - Cr 2113 Accounts Payable-Public-Current

To record the following the act of taking possession of a building constructed with Military Construction appropriation funds.

4. Dr 1730 Buildings
 - Cr 1739 Accumulated Depreciation on Buildings
 - Cr 3220 Transfers In from Others-Without Reimbursement

To record the transferor's acquisition cost of facilities received without reimbursement.

5. Dr 1739 Accumulated Depreciation on Buildings
 - Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
 - Cr 1730 Buildings
 - Cr 1710 Land

To record the value of facilities transferred without reimbursement to another Federal Agency or DoD accounting entity. This includes situations when GSA accepts accountability for disposal without a transfer of physical property to GSA.

6. Dr 1739 Accumulated Depreciation on Buildings
 - Dr 7293 Other Miscellaneous Losses
 - Cr 1730 Buildings

To record the nonreimbursable loss, damage, or destruction of a building.

TABLE 6-2

**ACCOUNTING ENTRIES FOR ACCOUNT 1739 -
ACCUMULATED DEPRECIATION ON BUILDINGS**

1. Dr 6126 Depreciation of Real Property
Cr 1739 Accumulated Depreciation on Buildings

To record depreciation expense for the current accounting period.

2. Dr 1739 Accumulated Depreciation on Buildings
Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Cr 1730 Buildings

To record the value of facilities transferred without reimbursement to another Federal Agency or DoD accounting entity. This includes situations when GSA accepts accountability for disposal without a transfer of physical property to GSA.

3. Dr 1730 Buildings
Cr 1739 Accumulated Depreciation on Buildings
Cr 3220 Transfers In from Others-Without Reimbursement

To record the transferor's acquisition cost of facilities received without reimbursement.

4. Dr 1739 Accumulated Depreciation on Buildings
Dr 7293 Other Miscellaneous Losses
Cr 1730 Buildings

To record the nonreimbursable loss, damage, or destruction of a building.

TABLE 6-3

B. The illustrative entries and the sources of these entries correspond to those for the "Accumulated Depreciation on Buildings" account, paragraph 060307, above.

**0604 ACCOUNTING FOR CONSTRUCTION
IN PROGRESS**

060401 The "Construction in Progress" accounts are used to accumulate costs of DoD real property construction projects. Included in this category is the equipment that is installed as an integral part of the real property and that normally could not be removed without dismantling the property. Examples of such equipment include heating and air conditioning systems, overhead cranes, elevators, etc. These costs, which are accumulated regardless of the

source of funding, include direct labor, direct material, and overhead. All of these costs, including those financed as "minor construction," are recorded in "Construction in Progress" accounts as long as the construction project is expected to meet the capitalization criteria prescribed in Chapter 1 of this Volume. The recording of costs in "Construction in Progress" accounts brings the costs under financial control and segregates them from expenses.

060402 Construction overhead includes any cost of construction in progress that benefits more than a single construction project. Overhead may include costs for supervision and other indirect labor, supplies and materials, transportation, depreciation, insurance, etc. Construction overhead must be collected in cost

pools and allocated to specific construction projects in proportion to the benefits received. Chapter 22 of this Volume contains the accounting standards for determining overhead construction costs.

060403 There are four "Construction in Progress" subsidiary accounts to control applicable work and property that receive special attention. "Construction in Progress-In-House," "Construction in Progress-Contractor," and "Construction in Progress-Other Government Activities" identify who is performing the construction. "Construction in Progress-Government-Furnished Material" identifies that portion of Government property (as defined in paragraph 060410, below) furnished to contractors and subcontractors for the performance of DoD construction contracts.

060404 "Construction in Progress" is accounted for by the U.S. Army Corps of Engineers (ACE) or the Naval Facilities Engineering Command (NAVFACENGCOM), as applicable, when they are responsible for the construction. The DoD accounting entity that is to receive the constructed property does not account for the construction costs, that can only be obtained from ACE or NAVFACENGCOM, until it accepts accountability for a completed asset.

060405 When construction projects are terminated before completion, the circumstances must be examined carefully to determine suitable

write-offs and other applicable accounting adjustments.

060406 Construction in Progress (Account 1720)

A. "Construction in Progress" is used to record the costs of direct labor, direct material, and overhead incurred in the construction of property and plant. On completion, these costs shall be transferred to the proper capital asset account as the acquisition cost of the item.

B. This account is a summary account used for financial control and reporting purposes. No entries are posted to this account.

060407 Construction in Progress-In-House (Account 1721)

A. "Construction in Progress-In-House" is used to record the cost of construction performed by DoD personnel.

B. Subsidiary accounts shall be maintained for each construction project to facilitate the transfer of costs to the applicable real property or expense account.

C. Table 6-4 illustrates the most common entries used for this account.

D. Sources of entries to this account include billings under contracts for materials, supplies, and equipment; documented assignments of costs accumulated in cost pools; issue and transfer documents; receiving and shipping reports; invoices; payment vouchers; payroll records; reports of completed construction projects; and documented losses.

060408 Construction in Progress-Contractor (Account 1722)

A. "Construction in Progress-Contractor" is used to record the value of work performed by contractors other than other Government Agencies in accordance with the terms of the applicable construction contracts. Progress payments for such work are discussed in Sub-part 32.5 of the Federal Acquisition Regulation. Other types of payments such as cost reimbursements also are included in this account.

B. Subsidiary accounts shall be maintained for each construction project to facilitate the transfer of costs to the applicable real property or expense account.

C. Table 6-5 illustrates the most common entries used for this account.

D. Sources of entries to this account include contracts, contractor requests for progress payments, invoices, payment vouchers, construction acceptance documents, accounting records, and reports of survey.

**ACCOUNTING ENTRIES FOR ACCOUNT 1721 -
CONSTRUCTION IN PROGRESS-IN-HOUSE**

1. Dr 1721 Construction in Progress-In-House
Cr 1521 Inventory Held for Sale
Cr 1766 Equipment Not in Use
Cr 6000 Expense accounts series

To record the costs incurred by the Department of Defense for construction in process.

2. Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1721 Construction in Progress-In-House

To record the value of DoD in-house construction projects completed.

3. Dr 7293 Other Miscellaneous Losses
Cr 1721 Construction in Progress-In-House

To record the nonreimbursable loss, damage, or destruction of "Construction in Progress-In-House."

TABLE 6-4**ACCOUNTING ENTRIES FOR ACCOUNT 1722 -
CONSTRUCTION IN PROGRESS-CONTRACTOR**

1. Dr 1722 Construction in Progress-Contractor
Cr 2113 Accounts Payable-Public-Current

To record the allowable costs of construction in progress reported by contractors other than Federal Government Agencies.

2. Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1722 Construction in Progress-Contractor

To transfer completed projects to the applicable real property accounts.

3. Dr 7293 Other Miscellaneous Losses
Cr 1722 Construction in Progress-Contractor

To record the loss of applicable construction in progress due to the nonreimbursable loss, damage, or destruction of related construction projects.

TABLE 6-5

060409 Construction in Progress-Other Government Activities (Account 1723)

A. "Construction in Progress - Other Government Activities" is used to record the value of work performed by other Federal Agencies for the construction of facilities, utilities, and ground improvements not yet accepted by the Department of Defense.

B. Subsidiary accounts shall be maintained for each construction project to facilitate the transfer of costs to the applicable real property or expense account.

C. Table 6-6 illustrates the most common entries used for this account.

D. Sources of entries to the "Construction in Progress - Other Government Activities" account include invoices, payment vouchers, construction acceptance documents, and reports of survey.

060410 Construction in Progress-Government-Furnished Material (Account 1724)

A. "Construction in Progress-Government-Furnished material" is the account for recording the value of that portion of Government property furnished to contractors and subcontractors (including other Federal Agencies) for the performance of DoD construction contracts. "Government property" in this case includes all personal property acquired directly by the Department of Defense as defined in Chapter 1 of this Volume and made available for incorporation into construction end products to be delivered under DoD construction contracts or to be consumed or expended in the performance of those construction contracts.

B. Subsidiary accounts shall be maintained for each contractor and contract that is furnished Government property.

C. Table 6-7 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1723 -
CONSTRUCTION IN PROGRESS-OTHER GOVERNMENT ACTIVITIES**

1. Dr 1723 Construction in Progress-Other Government Activities
Cr 2111 Accounts Payable-Government-Current

To record the allowable costs paid for construction being performed by another Federal Agency.

2. Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1723 Construction in Progress-Other Government Activities

To transfer completed projects to the applicable real property accounts.

3. Dr 7293 Other Miscellaneous Losses
Cr 1723 Construction in Progress-Other Government Activities

To record the loss of construction in progress due to the nonreimbursable loss, damage, or destruction of related projects constructed by a federal agency other than the Department of Defense.

TABLE 6-6

D. Sources of entries to this account include shipping and issue documents, construction acceptance documents and property administrator reports, material-return documents, collection and deposit documents, settlement agreements, and documented losses.

060411 Construction in Progress - Capital - Defense Business Operations Fund (Account 1725). This account is used to accumulate the cost of all capital assets developed or manufactured for the use by the performing business area activity. (See Volume 6, Chapter 6 for additional information on the Defense Business Operations Fund.

0605 ACCOUNTING FOR EQUIPMENT

060501 Equipment consists of all personal property owned by the Department of Defense that is not an integral part of real property (see Section 0603 of this chapter) that is as follows:

A. Meets the capitalization criteria prescribed in Chapter 1 of this Volume.

060502 All personal property owned by the Department of Defense shall be classified as military equipment. This includes weapons systems and all equipment necessary to support the DoD mission.

060503 Personal property being constructed for the Department of Defense shall be brought under accounting control using the work in process accounts described in Chapter 4 of this Volume.

060504 The following subsections provide accounting guidance for equipment owned by the Department of Defense.

060505 Equipment (Account 1750)

A. "Equipment" is used to record the value of nonmilitary personal property of a durable nature.

B. DoD Components are not authorized to use this account. All DoD personal property shall be recorded in the applicable accounts for military equipment.

060506 Accumulated Depreciation on Equipment (Account 1759)

A. "Accumulated Depreciation on Equipment" is used to record the accumulated depreciation of nonmilitary personal property of a durable nature.

B. DoD Components are not authorized to use this account. All DoD personal property, including depreciation, shall be recorded in the applicable accounts for military equipment.

060507 Military Equipment (Account 1760)

A. "Military Equipment" is used to record the capitalized value of DoD military equipment that has been issued for use. It does not include combat-type equipment in inventory, layaway, or not in use. The account also includes the cost of capitalizable upgrades, rehabilitation, and modifications.

B. This account is a summary account used for financial control and reporting purposes. No entries are posted to this account.

060508 Equipment in Use (Account 1762)

A. "Equipment in Use" is used to record the acquisition cost of military equipment in use by the Department of Defense. When the acquisition cost cannot be determined, the estimated fair market value of such equipment and the costs of obtaining the equipment in the form and place to be put into use are recorded. "Equipment in Use" is exclusive of the following:

1. "Equipment on Loan."
2. "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others."
3. Equipment being incorporated into work in process or construction in progress.

The account also includes the cost of capitalizable additions, alterations, improvements, and rehabilitations of equipment in use.

**ACCOUNTING ENTRIES FOR ACCOUNT 1724 -
CONSTRUCTION IN PROGRESS-GOVERNMENT-FURNISHED MATERIAL**

1. Dr 1724 Construction in Progress-Government-Furnished Material
Cr 1521 Inventory Held for Sale
Cr 1766 Equipment Not in Use

To record the value of Government property furnished to contractors for the performance of DoD construction contracts.

2. Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1724 Construction in Progress-Government-Furnished Material

To record the value of Government property that is as follows:

- (a) Incorporated into or attached to a construction end product accepted by the Department of Defense.
- (b) Consumed or expended in the performance of DoD construction contracts.

3. Dr 1521 Inventory Held for Sale
Dr 1766 Equipment Not in Use
Cr 1724 Construction in Progress-Government-Furnished Material

To record the value of Government property returned by contractors.

4. Dr 1320 Accounts Receivable-Claims Receivable-Public
Cr 1724 Construction in Progress-Government-Furnished Material

To record a claim against a contractor for the value of the loss, damage, or destruction of Government property furnished in connection with DoD construction contracts.

5. Dr 7293 Other Miscellaneous Losses
Cr 1724 Construction in Progress-Government-Furnished Material

To record the nonrecoverable value of the loss, damage, or destruction of Government property furnished in connection with DoD construction contracts.

TABLE 6-7

B. Equipment is capitalized based upon the actual amount paid or payable for the equipment even when multi-year contracts are involved.

C. Capitalize computer software (programs, routines and subroutines) that is as follows:

1. Is integrated into hardware.
2. Loses its identity as software and is depreciated, when required, as hardware. Additional guidance for accounting for computer software can be found in GAO's Federal Government Accounting Pamphlet Number 4.

3. Meets the capitalization criteria prescribed in Chapter 1 of this Volume.

4. Additional guidance for capitalizing computer software can be found in Chapter 7 of this Volume, paragraph 070312.

D. Table 6-8 illustrates the most common entries used for this account.

E. Sources of entries to this account include contracts, invoices, receiving reports, payment vouchers, issue and shipping documents, transfer documents, documented estimates indicating source of estimates, inventory documents, and documented gains and losses.

060509 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others (Account 1763)

A. "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others" is used to record the capitalized value of DoD equipment furnished to contractors (including other Federal Agencies), testing agencies, defense industrial facilities, and others for the primary benefit of the Department of Defense or the DoD Component that furnishes the equipment. The equipment to be recorded in this account is usually returned after use or testing rather than incorporated into an end product, consumed, or expended. This account does not include the following:

ACCOUNTING ENTRIES FOR ACCOUNT 1762 - EQUIPMENT IN USE

1. Dr 1762 Equipment in Use
Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost incurred by the Department of Defense for military equipment.

2. Dr 1762 Equipment in Use
Cr 1582 Work in Process-Contractor

To record the capitalized value of completed equipment transferred from work in process accounts to equipment in use.

3. Dr 1762 Equipment in Use
Cr 1766 Equipment Not in Use
Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others
Cr 1764 Equipment on Loan

To record the transfer of equipment to "Equipment in Use."

4. Dr 1762 Equipment in Use
Cr 7193 Other Miscellaneous Gains

To record an increase in equipment in use that is discovered by physical inventory. The estimated fair market value of the discovered equipment shall be used when acquisition cost cannot be determined.

TABLE 6-8

ACCOUNTING ENTRIES FOR ACCOUNT 1762 - EQUIPMENT IN USE (CONT.)

5. Dr 1762 Equipment in Use
 Cr 2113 Accounts Payable-Public-Current
 Cr 3220 Transfers In from Others- Without Reimbursement
 Cr 1769 Accumulated Depreciation on Military Equipment

To record the following:

- (a) The estimated fair market value or the acquisition cost plus any accumulated depreciation recorded in the transferor's accounts for equipment in use received without reimbursement by the Department of Defense from a non-DoD Federal Agency.
- (b) The costs of obtaining the property in the form and place to be put into use.

6. Dr 1762 Equipment in Use
 Cr 3220 Transfers In from Others-Without Reimbursement
 Cr 1769 Accumulated Depreciation on Military Equipment

To record the transferor's value of military equipment in use that is received without reimbursement from another DoD Component.

7. Dr 1762 Equipment in Use
 Cr 2992 Liability for Property Furnished by Others

To record the estimated fair market value of property loaned to the Department of Defense by others with the agreement that it will be returned.

8. Dr 1766 Equipment Not in Use
 Cr 1762 Equipment in Use

To record the value of "Equipment in Use" that is transferred to "Equipment Not in Use." This includes "Equipment in Use" transferred to a depot maintenance facility.

9. Dr 1769 Accumulated Depreciation on Military Equipment
 Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
 Cr 1762 Equipment in Use

To record the value of equipment in use that is transferred without reimbursement by the following:

- (a) The Department of Defense to another federal agency.
- (b) One DoD accounting entity to another. This includes situations when DLA accepts accountability for disposal without a transfer of physical property to DLA.

TABLE 6-8 (CONT.)

ACCOUNTING ENTRIES FOR ACCOUNT 1762 - EQUIPMENT IN USE (CONT.)

10. Dr 1769 Accumulated Depreciation on Military Equipment
 Dr 7293 Other Miscellaneous Fund Losses
 Cr 1762 Equipment in Use

To record the following:

- (a) The nonreimbursable loss, damage, or destruction of equipment in use.
 (b) By physical inventory.

11. Dr 1769 Accumulated Depreciation on Military Equipment
 Dr 1765 Property Awaiting Disposal
 Cr 1762 Equipment in Use

To record the value of equipment in use transferred to disposal.

- Dr 1762 Depreciation of Equipment
 Dr 2992 Liability for Property Furnished by Others
 Cr 1762 Equipment in Use
 Cr 1769 Accumulated Depreciation on Military Equipment

To record the return of property loaned to the Department of Defense by others.

TABLE 6-8 (CONT.)

1. Equipment transferred to a depot maintenance facility for repairs.

2. Government equipment that is furnished to be consumed or expended in the performance of a contract or for incorporation into an end product. The former are recorded as "Equipment Not in Use;" the latter are recorded as either "Construction in Progress - Government-Furnished Material" or "Work in Process - Government-Furnished Material."

B. Those who receive this equipment have custodial responsibility, but they have no property accounting responsibility.

C. Government-provided property, as discussed in Chapter 1 of this Volume includes both contractor-acquired and Government-furnished property. This account shall not include contractor-acquired property;

however, the account shall include Government-furnished special tooling, special test equipment, military property, and the plant equipment portion of facilities that is expected to be returned. Contractor-acquired property is accounted for in the "Work in Process-Contractor" and "Construction in Progress-Contractor" accounts.

D. The DoD accounting entity that controls the benefit from the use of the equipment shall account for the equipment. Depreciation, when applicable, is charged to the benefiting accounting entity(ies). Defense General Supply Center (DGSC) property is furnished to contractors. DGSC ensures that the controlling accounting entity receives the required information on the equipment to make the necessary accounting entries.

E. Table 6-9 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 1763 - EQUIPMENT WITH CONTRACTORS,
TESTING AGENCIES, DEFENSE INDUSTRIAL FACILITIES, AND OTHERS**

1. Dr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial
Facilities, and Others
Cr 1766 Equipment Not in Use

To record the capitalized value of equipment that is transferred to contractors.

2. Dr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial
Facilities, and Others
Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost of equipment incurred by the Department of Defense for which the cost is recorded initially in the "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others" account.

3. Dr 1766 Equipment Not in Use
Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial
Facilities, and Others

To record the value of "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others" that is transferred to "Equipment Not in Use."

4. Dr 1762 Equipment in Use
Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial
Facilities, and Others

To record the value of "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others" that is transferred to "Equipment in Use."

5. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 7293 Other Miscellaneous Losses
Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial
Facilities, and Others

To record the nonreimbursable loss, damage, or destruction of "Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others."

TABLE 6-9

F. Sources of entries to this account include invoices, receiving reports, payment vouchers, transfer documents, and reports of survey.

060510 Equipment on Loan (Account 1764)

A. "Equipment on Loan" is used to record the capitalized value of DoD equipment that is loaned for the primary benefit of the borrower. Normally, the account does not include bailments because they are of such short duration that they would be washed during the same accounting period.

B. Those who borrow the equipment have custodial responsibility, but they have no property accounting responsibility.

C. Table 6-10 illustrates the most common used entries for this account.

D. Sources for entries to this account include loan and lease agreements; documented receipts, issues, shipments, losses, and claims; and reports of survey.

060511 Equipment Not in Use (Account 1766)

A. "Equipment Not in Use" is used to record the acquisition cost or, when applicable, estimated fair market value of capitalizable equipment held for future use, sale, or transfer. The account includes the cost of capitalizable additions, alterations, improvements, and rehabilitations to equipment not in use.

B. Equipment not in use includes the following:

1. Inventory.

2. Capitalizable equipment that is not in the supply system. Examples of the latter include the following:

a. Equipment removed from use for depot maintenance.

b. Equipment that is no longer in use because the item manager has directed that it be placed in layaway. Subsidiary

accounts shall be established as necessary to identify the cost of equipment in these categories.

C. "Equipment Not in Use" does not include equipment in use that is merely "down for maintenance" or "awaiting parts."

D. Table 6-11 illustrates the most common entries used for this account.

E. Sources of entries to this account include invoices, receiving reports, payment vouchers, sales records, issue and shipping documents, transfer documents, documented estimates indicating source of estimates, inventory documents, and documented gains and losses.

060512 Accumulated Depreciation on Military Equipment (Account 1769)

A. "Accumulated Depreciation on Military Equipment" is used to record the cumulative depreciation on military equipment.

B. Subsidiary accounts for "Accumulated Depreciation on Equipment" shall be maintained to correspond with the subsidiary accounts maintained for the military equipment accounts when such information is required for management and reporting purposes.

C. The standards for computing and recording depreciation are provided in Chapter 1 of this Volume.

D. Table 6-12 illustrates the most common entries used for this account.

E. Sources of entries to this account include official depreciation schedules; documented physical inventories, issues, shipments, transfers, and losses; and reports of survey.

060513 Equipment in Transit (Account 1770)

A. "Equipment in Transit" is used to record the acquisition cost of equipment in transit that has not been received.

ACCOUNTING ENTRIES FOR ACCOUNT 1764 - EQUIPMENT ON LOAN

1. Dr 1764 Equipment on Loan
Cr 1766 Equipment Not in Use
Cr 1762 Equipment in Use

To record the capitalized value of loaned "Equipment Not in Use" and "Equipment in Use" that is transferred to "Equipment on Loan."

2. Dr 1766 Equipment Not in Use
Dr 1762 Equipment in Use
Cr 1764 Equipment on Loan

To record the value of returned "Equipment on Loan" that is transferred to "Equipment Not in Use" or "Equipment in Use."

3. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 1320 Claims Receivable-Public
Cr 1764 Equipment on Loan

To record the loss, damage, or destruction of equipment on loan for which a legal right for a claim exists.

4. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 7293 Other Miscellaneous Losses
Cr 1764 Equipment on Loan

To record the loss, damage, or destruction of equipment on loan for which a legal right for a claim does not exist.

TABLE 6-10

B. The acquisition cost of equipment in transit shall be reversed only when the equipment is received.

C. A transferor is accountable for equipment until the transferee accepts accountability. Subsidiary accounts shall be established as necessary to ensure visibility of items in transit.

D. Table 6-13 illustrates the most common entries used for this account.

E. Sources for entries to this account include accounting records and documented estimates indicating source of estimates.

060514 Other Natural Resources (Account 1840)

A. "Other Natural Resources" is used to record the cost or appraised value of natural resources other than land.

B. Natural resources include resources such as oil, minerals, and timber. Minerals are not renewable, but timber is replenishable. When timber is replenished through planting and cultivation the costs are capitalized when the capitalization criteria prescribed in Chapter 1 of this Volume are met.

C. Table 6-14 illustrates the most common entries used for this account.

ACCOUNTING ENTRIES FOR ACCOUNT 1766 - EQUIPMENT NOT IN USE

1. Dr 1766 Equipment Not in Use
 Cr 2111 Accounts Payable-Government-Current
 Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost incurred by the Department of Defense for equipment not in use for which the cost is recorded initially in the "Equipment Not in Use" account. This includes the cost of capitalizable depot maintenance.

2. Dr 1766 Equipment Not in Use
 Cr 1581 Work in Process-In-House
 Cr 1582 Work in Process-Contractor

To record the acquisition cost of equipment transferred from work in process" accounts to "Equipment Not in Use."

3. Dr 1766 Equipment Not in Use
 Cr 1762 Equipment in Use
 Cr 1763 Equipment with Contractors, Testing Agencies, Defense Industrial Facilities, and Others
 Cr 1764 Equipment on Loan

To record the acquisition cost of equipment transferred to "Equipment Not in Use." This includes equipment transferred to a depot maintenance facility for repair.

4. Dr 1766 Equipment Not in Use
 Cr 7193 Other Miscellaneous Gains

To record an increase in equipment not in use that is discovered by physical inventory. The estimated fair market value of the discovered equipment is used when acquisition cost cannot be determined.

5. Dr 1766 Equipment Not in Use
 Cr 1769 Accumulated Depreciation on Military Equipment
 Cr 3220 Transfers In from Others Without Reimbursement

To record the estimated fair market value or the specific amount established by authoritative sources for equipment not in use that is received without reimbursement by the Department of Defense from another Federal Agency. Equipment not in use that is transferred from one DoD accounting entity to another shall be recorded at the transferor's acquisition cost plus any accumulated depreciation.

TABLE 6-11

ACCOUNTING ENTRIES FOR ACCOUNT 1766 - EQUIPMENT NOT IN USE (CONT.)

6. Dr 1581 Work in Process-In-House
Cr 1766 Equipment Not in Use

To record the acquisition cost of equipment not in use that is issued for work in process or construction in progress.

7. Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Dr 1769 Accumulated Depreciation on Military Equipment
Cr 1766 Equipment Not in Use

To record the transfer without reimbursement by the Department of Defense to another Federal Agency or DoD accounting entity. This includes situations when the DLA accepts accountability for disposal without a transfer of physical property to DLA.

8. Dr 3232 Transfers Out to see Others-Without Reimbursement
Dr 1769 Accumulated Depreciation on Military Equipment
Cr 1766 Equipment Not in Use

To record the value of equipment not in use that is transferred without reimbursement by the Department of Defense to other than a Federal Agency.

9. Dr 7293 Other Miscellaneous Losses
Dr 1769 Accumulated Depreciation on Military Equipment
Cr 1766 Equipment Not in Use

To record the following:

- (a) The nonreimbursable loss, damage, or destruction of equipment not in use.
- (b) A decrease in equipment not in use that is discovered by physical inventory.

TABLE 6-11 (CONT.)

**ACCOUNTING ENTRIES FOR ACCOUNT 1769 -
ACCUMULATED DEPRECIATION ON MILITARY EQUIPMENT**

1. Dr 6125 Depreciation of Equipment
Cr 1769 Accumulated Depreciation on Military Equipment

To record depreciation expense for equipment.

2. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 7293 Other Miscellaneous Losses
Cr 1762 Equipment in Use

To record the following:

- (a) The nonreimbursable loss, damage, or destruction of equipment.
- (b) A decrease in equipment discovered by physical inventory.

3. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Cr 1766 Equipment Not in Use

To record the value of equipment that is transferred without reimbursement by one of the following:

- (a) The Department of Defense to another Federal Government Agency.
- (b) One DoD accounting entity to another. This includes situations when DLA accepts accountability for disposal without a transfer of physical property to DLA.

4. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 1320 Claims Receivable-Public
Cr 1764 Equipment on Loan

To record the loss, damage, or destruction of equipment on loan for which a legal right for a claim exists.

5. Dr 1769 Accumulated Depreciation on Military Equipment
Dr 7293 Other Miscellaneous Losses
Cr 1764 Equipment on Loan

To record the loss, damage or destruction of equipment on loan for which a legal right for a claim does not exist.

TABLE 6-12

ACCOUNTING ENTRIES FOR ACCOUNT 1770 - EQUIPMENT IN TRANSIT

1. Dr 1770 Equipment in Transit
 Cr 2111 Accounts Payable-Government-Current
 Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost of equipment in transit.

2. Dr 1766 Equipment Not in Use
 Cr 1770 Equipment in Transit

To record receipt of equipment in transit.

TABLE 6-13

D. Sources for entries to this account include sales contracts, real estate deeds, reports of survey and journal vouchers supporting estimates of depletion allowances.

060515 Allowance for Depletion
(Account 1849)

A. "Allowance for Depletion" is the account for recording the cumulative depletion of depletable assets.

B. Subsidiary accounts for "Allowance for Depletion" shall be maintained for natural resources.

C. Table 6-15 illustrates the most common entries used for this account.

D. Sources for entries to this account include sales contracts, real estate deeds, reports of survey, and journal vouchers supporting estimates of depletion allowances.

ACCOUNTING ENTRIES FOR ACCOUNT 1840 - OTHER NATURAL RESOURCES

1. Dr 1840 Other Natural Resources
Cr 2113 Accounts Payable-Public-Current

To record the acquisition cost incurred by the Department of Defense for natural resources.

2. Dr 1840 Other Natural Resources
Cr 2111 Accounts Payable-Government-Current
Cr 3220 Transfers In from Others-Without Reimbursement

To record the following:

- (a) The estimated fair market value or the amount established by authoritative sources for land and other natural resources when the acquisition cost cannot be determined.
- (b) The costs of obtaining the property in the form to be put into use and received from others without reimbursement.

3. Dr 1849 Allowance for Depletion
Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Cr 1840 Other Natural Resources

To record the value of land and natural resources transferred to another Federal Agency.

4. Dr 1849 Allowance for Depletion
Dr 7293 Other Miscellaneous Losses
Cr 1840 Other Natural Resources

To record the nonreimbursable loss, damage, or destruction of natural resources.

5. Dr 1849 Allowance for Depletion
Dr 3620 Funds Returned to General Fund-Miscellaneous Receipts
Cr 1840 Other Natural Resources

To record the value of natural resources sold when the collection is returned to a miscellaneous receipts account.

TABLE 6-14

ACCOUNTING ENTRIES FOR ACCOUNT 1849 - ALLOWANCE FOR DEPLETION

1. Dr 6127 Depletion of Natural Resources
Cr 1849 Allowance for Depletion

To record depletion expense.

2. Dr 1849 Allowance for Depletion
Dr 3231 Transfers Out to Government Agencies-Without Reimbursement
Cr 1840 Other Natural Resources

To record the value of natural resources transferred without reimbursement to another Federal Agency or DoD accounting entity. This includes situations when GSA accepts accountability for disposal without a transfer of physical property to GSA.

3. Dr 1849 Allowance for Depletion
Dr 3620 Funds Returned to General Fund-Miscellaneous Receipts
Cr 1840 Other Natural Resources

To record the value of natural resources sold when the collection is returned to a miscellaneous receipts account.

4. Dr 1849 Allowance for Depletion
Dr 7293 Other Miscellaneous Losses
Cr 1840 Other Natural Resources

To record the nonreimbursable loss, damage, or destruction of natural resources

TABLE 6-15

ACCOUNT NO. 1700	
FIXED ASSETS, NET	
DESCRIPTION: The current book value of real and personal property in accordance with DoD capitalization criteria.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post individual transactions to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 6-1	

ACCOUNT NO. 1710	
LAND	
DESCRIPTION: The cost or appraised value of land owned by DoD.	
DEBIT	CREDIT
1. Acquisition of land. Contra: 2113 and 3220	1. Disposal of real property. Contra: 3231
NORMAL BALANCE: DEBIT	
FIGURE 6-2	

ACCOUNT NO. 1720	
CONSTRUCTION IN PROGRESS	
DESCRIPTION: The value of construction in progress on DoD real property facilities.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post individual transactions to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 6-3	

ACCOUNT NO. 1721	
CONSTRUCTION IN PROGRESS - IN-HOUSE	
DESCRIPTION: Represents the accumulated costs of real property construction in progress performed by DoD personnel.	
DEBIT	CREDIT
<p>1. Costs incurred.</p> <p>Contra: 1760, and 6000 (expense accounts)</p> <p>2. Costs incurred.</p> <p>Contra: 1750 (use of this account must be approved by the Office of the Deputy Under Secretary of Defense (Comptroller/FinancialManagement)/ Deputy Chief Financial Officer)</p>	<p>1. Transfer completed buildings to the fixed asset accounts.</p> <p>Contra: 1730 and 1740</p> <p>2. Nonreimbursable losses.</p> <p>Contra: 7293</p>
NORMAL BALANCE: DEBIT	
FIGURE 6-4	

ACCOUNT NO.1722	
CONSTRUCTION IN PROGRESS - CONTRACTOR	
DESCRIPTION: Represents value of progress payments to contractors.	
DEBIT	CREDIT
1. Record progress payments. Contra: 2113	1. Transfer completed projects to fixed asset accounts. Contra: 1730 and 1740
NORMAL BALANCE: DEBIT	
FIGURE 6-5	

ACCOUNT NO.1723	
CONSTRUCTION IN PROGRESS - OTHER GOVERNMENT ACTIVITIES	
DESCRIPTION: Represents the value of construction undertaken for the Department of Defense by other government agencies.	
DEBIT	CREDIT
1. Record progress payments. Contra: 2111	1. Transfer completed projects to fixed asset accounts. Contra: 1730 and 1740 2. Nonreimbursable losses. Contra: 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-6	

ACCOUNT NO.1724	
CONSTRUCTION IN PROGRESS - GOVERNMENT FURNISHED MATERIAL	
DESCRIPTION: Represents the value of government furnished material provided contractors for inclusions in DoD construction projects.	
DEBIT	CREDIT
1. Value of property furnished to contractors. Contra: 1521 and 1766	1. Value of property incorporated into completed projects. Contra: 1730 and 1740 2. Value of property returned by contractors. Contra: 1521 and 1766 3. Claim for loss by contractor. Contra: 1320 4. Nonrecoverable losses. Contra: 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-7	

ACCOUNT NO. 1730	
BUILDINGS	
DESCRIPTION: Represents the acquisition costs of DoD-owned buildings.	
DEBIT	CREDIT
1. Acquisition/Transfer In of buildings. Contra: 2113, 2591, 2592, 3220, and 1739 2. Transfer completed buildings from construction in progress. Contra: 1721, 1722, and 1723	1. Disposal of building. Contra: 1739 and 3231 2. Destruction of building. Contra: 1739 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-8	

ACCOUNT NO. 1739	
ACCUMULATED DEPRECIATION ON BUILDINGS	
DESCRIPTION: Represents accumulated depreciation on buildings.	
DEBIT	CREDIT
1. Disposal of building. Contra: 1730 and 3231 2. Destruction of building. Contra: 1730	1. Depreciation expense. Contra: 6126 2. Transfer in of building from outside sources. Contra: 1730
NORMAL BALANCE: CREDIT	
FIGURE 6-9	

ACCOUNT NO. 1740	
OTHER STRUCTURES AND FACILITIES	
DESCRIPTION: The acquisition cost of DoD-owned structure and facilities other than building, utilities and ground improvements. Includes runways, bridges, port facilities and railroad tracks, etc.	
DEBIT	CREDIT
1. Acquisition of structures and facilities. Contra: 1749, 2113, 2591, 2592, and 3220 2. Transfers in from construction in progress. Contra: 1721, 1722, and 1723	1. Disposal of structures and facilities. Contra: 1749 and 3231 2. Destruction of structures and facilities. Contra: 1749 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-10	

ACCOUNT NO. 1749	
ACCUMULATED DEPRECIATION ON OTHER STRUCTURES AND FACILITIES	
DESCRIPTION: Accumulated depreciation charged to expense for structures and facilities.	
DEBIT	CREDIT
1. Disposal of structures and facilities. Contra: 1740 and 3231 2. Destruction of structures and facilities. Contra: 1740	1. Depreciation expense. Contra: 6126 2. Transfer in of structures and facilities. Contra: 1740
NORMAL BALANCE: CREDIT	
FIGURE 6-11	

ACCOUNT NO. 1750	
EQUIPMENT	
DESCRIPTION: Tangible items of a durable nature used in Department of Defense operations.	
DEBIT	CREDIT
<p>Use of this account must be approved by the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer</p>	
NORMAL BALANCE: DEBIT	
FIGURE 6-12	

ACCOUNT NO. 1759	
ACCUMULATED DEPRECIATION ON EQUIPMENT	
DESCRIPTION: Accumulated depreciation charged to expense for equipment.	
DEBIT	CREDIT
<p>Use of this account must be approved by the</p> <p>Office of the Deputy Under Secretary of Defense</p> <p>(Comptroller/Financial Management)/</p> <p>Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 6-13	

ACCOUNT NO. 1760	
MILITARY EQUIPMENT	
DESCRIPTION: All categories of DoD equipment including ships, aircraft and other military hardware (all Department of Defense personal property). Subsidiary accounts shall be established by major weapons classifications and to meet reporting requirements.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post individual transactions to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 6-14	

ACCOUNT NO. 1762	
EQUIPMENT IN USE	
DESCRIPTION: Represents the acquisition cost of DoD equipment placed in use.	
DEBIT	CREDIT
1. Equipment acquired and placed into use. Contra: 2113 2. Completed projects placed into use. Contra: 1582 3. Equipment placed into use from other categories. Contra: 1763, 1764, 1766, 1769, 2992, and 3220 4. Equipment loaned to the Department of Defense. Contra: 2992	1. Transfers to other organizations. Contra: 1765, 1769, and 3231 2. Loss of equipment. Contra: 1769 and 7193 3. Return of equipment loaned to the Department of Defense. Contra: 1762 and 2992
NORMAL BALANCE: DEBIT	
FIGURE 6-15	

ACCOUNT NO. 1763	
EQUIPMENT WITH CONTRACTORS, TESTING AGENCIES, DEFENSE INDUSTRIAL FACILITIES, AND OTHERS	
DESCRIPTION: The value of DoD equipment furnished to contractors (including other federal agencies, testing agencies, defense industrial facilities and others) for use in providing services or items to the Department of Defense.	
DEBIT	CREDIT
1. Equipment placed with others. Contra: 1762, 1766 and 2113	1. Equipment returned to the Department of Defense. Contra: 1762 and 1766 2. Loss of equipment. Contra: 1769 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-16	

ACCOUNT NO. 1764	
EQUIPMENT ON LOAN	
DESCRIPTION: The value of DoD equipment loaned to others.	
DEBIT	CREDIT
1. Equipment loaned to others. Contra: 1762 and 1766	1. Return of loaned equipment. Contra: 1762 and 1766 2. Record loss of loaned equipment for which a recovery claim exists. Contra: 1320 and 1769 3. Record loss of loaned equipment for which recovery claim does not exist. Contra: 1769 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-17	

ACCOUNT NO. 1766	
EQUIPMENT NOT IN USE	
DESCRIPTION: Represents the acquisition value of DoD equipment not in use. Includes costs of any additions, modifications, improvements and rehabilitation.	
DEBIT	CREDIT
1. Acquisition of equipment. Contra: 2111, 2113, and 7193 2. Transfer of equipment from work in process. Contra: 1581 and 1582 3. Transfer equipment from active use status. Contra: 1762, 1763, and 1764 4. Transfer in from other organizations. Contra: 1769 and 3220 5. Receipt of equipment in transit. Contra: 1770	1. Transfer to a work in process account. Contra: 1581 2. Transfers to other organizations. Contra: 1763, 1769, 3231, and 3232 3. Record loss of equipment. Contra: 1769 and 7293
NORMAL BALANCE: DEBIT	
FIGURE 6-18	

ACCOUNT NO. 1769	
ACCUMULATED DEPRECIATION ON MILITARY EQUIPMENT	
DESCRIPTION: Accumulated depreciation charged to expense for military equipment.	
DEBIT	CREDIT
1. Loss of equipment. Contra: 1762, 1763 and 1764 2. Transfer of equipment to other organizations. Contra: 1766	1. Depreciation expense for the period. Contra: 6125
NORMAL BALANCE: CREDIT	
FIGURE 6-19	

ACCOUNT NO. 1770	
EQUIPMENT IN TRANSIT	
DESCRIPTION: The acquisition cost of equipment in transit.	
DEBIT	CREDIT
1. Equipment in transit. Contra: 2111 and 2113	1. Receipt of equipment in transit. Contra: 1766
NORMAL BALANCE: DEBIT	
FIGURE 6-20	

ACCOUNT NO. 1840	
OTHER NATURAL RESOURCES	
DESCRIPTION: The cost or appraised value of natural resources on land owned by DoD.	
DEBIT	CREDIT
1. Acquisition of resources. Contra: 2111, 2113, and 3220	1. Transfer of resources to other organizations. Contra: 1849 and 3231 2. Nonrecoverable losses. Contra: 1849 3. Sale of resources. Contra: 1849
NORMAL BALANCE: DEBIT	
FIGURE 6-21	

ACCOUNT NO. 1849	
ALLOWANCE FOR DEPLETION	
DESCRIPTION: Represents the accumulated charged to depletion expense.	
DEBIT	CREDIT
1. Transfer of resources to others. Contra: 1840 2. Sale of resources. Contra: 1840 3. Loss of resources Contra: 1840	1. Depletion expense for the period. Contra: 6127
NORMAL BALANCE: CREDIT	
FIGURE 6-22	

CHAPTER 7

INVESTMENTS AND OTHER ASSETS0701 GENERAL

070101. Purpose. This chapter prescribes the accounting requirements for recording transactions in those asset accounts not covered in Chapters 2 through 6 of this Volume. These requirements are consistent with and implement the general accounting policy for assets prescribed in Chapter 1 of this Volume.

★070102. Overview. Other assets are those assets that are not used directly in performing the DoD mission. These assets consist of securities held in various trust funds, assets acquired through means other than appropriations and assets awaiting disposal.

★0702. ACCOUNTING POLICY AND PROCEDURES FOR INVESTMENTS AND OTHER ASSETS

070201. The following paragraphs describe the accounts used to record financial transactions related to investments and other assets owned by the DoD.

070202. Investments

“Investments” represents the value of securities and other assets held for the production of revenues in the form of interest, dividends, rentals, or lease payments, net of premiums and discounts.

★070203. Investments in U.S. Treasury Securities Issued by Public Debt (Account 1610)

★A. This account is used to record the par value of U.S. Treasury securities held by the DoD Components, to include marketable Treasury securities, non-marketable Treasury securities, and market-based Treasury securities.

B. The DoD Components holding such securities shall maintain an investment subsidiary ledger that provides the name, type, amount, acquisition date, acquisition cost, yield or interest rate, discount or premium, maturity date, and other applicable information for each investment.

C. A subsidiary account shall be maintained for each trust fund that invests in U.S. Treasury securities.

D. Table 7-1 illustrates the more common entries used for this account.

**★ ACCOUNTING ENTRIES FOR ACCOUNT 1610 - INVESTMENTS IN U.S.
TREASURY SECURITIES ISSUED BY PUBLIC DEBT**

1. Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt
 Cr 1010 Fund Balance With Treasury

To record the purchase of U.S. Treasury securities at par value.

2. Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt
 Cr 1611 Discount on U.S. Treasury Securities Issued by Public Debt
 Cr 1010 Fund Balance with Treasury

To record the purchase of U.S. Treasury securities at a discount.

3. Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt
 Dr 1612 Premium on U.S. Treasury Securities Issued by Public Debt
 Cr 1010 Fund Balance with Treasury

To record the purchase of U.S. Treasury securities at a premium.

4. Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt
 Dr 1612 Premium on U.S. Treasury Securities Issued by Public Debt
 Dr 1340 Interest Receivable
 Cr 1010 Fund Balance with Treasury

To record the purchase of U.S. Treasury securities at a premium when the purchase price includes interest from the last date interest was paid.

TABLE 7-1

★ACCOUNTING ENTRIES FOR ACCOUNT 1610 - INVESTMENTS IN U.S. TREASURY SECURITIES ISSUED BY PUBLIC DEBT (CONT'D)

5. Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt
 Dr 1340 Interest Receivable
 Cr 1010 Fund Balance with Treasury
 Cr 1611 Discount on U.S. Treasury Securities Issued by Public Debt

To record the purchase of U.S. Treasury securities at a discount when the purchase price includes interest from the last date interest was paid.

6. Dr 1610 Investments in U.S. Treasury Securities Issued by Public Debt
 Dr 1340 Interest Receivable
 Cr 1010 Fund Balance with Treasury

To record the purchase of U.S. Treasury securities at par when the purchase price includes interest from the last date interest was paid.

7. Dr 1010 Fund Balance with Treasury
 Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

To record the following:

- (a) Redemption at maturity of U.S. Treasury securities purchased at par.
- (b) Sale of U.S. Treasury securities at par with no accrued interest earned. If interest has accrued it must be recognized in recording the sale.

TABLE 7-1 (Cont'd)

★E. The disposition of a U.S. Treasury security may result in a gain or loss. A comparison of principal proceeds, the book value of a U.S. Treasury security, and any remaining unamortized premium or discount will determine whether there is a gain or loss. Table 7-2 illustrates the disposition of a U.S. Treasury security with unamortized bond premium or discount.

**★ DISPOSITION OF A U.S. TREASURY SECURITY WITH
UNAMORTIZED PREMIUM OR DISCOUNT**

1. Dr 1010 Fund Balance with Treasury
 Dr 7210 Losses on Disposition of Assets
 Cr 1612 Premium on U.S. Treasury Securities Issued by Public Debt
 Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

To record the redemption of U.S. Treasury securities at a loss after recognizing amortization of the premium.

2. Dr 1010 Fund Balance with Treasury
 Dr 1611 Discount on U.S. Treasury Securities Issued by Public Debt
 Dr 7210 Losses on Disposition of Assets
 Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt

To record the redemption of U.S. Treasury securities at a loss after recognizing amortization of the discount.

3. Dr 1010 Fund Balance with Treasury
 Dr 1611 Discount on U.S. Treasury Securities Issued by Public Debt
 Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt
 Cr 7110 Gains on Disposition of Assets

To record the redemption of U.S. Treasury securities at a gain after recognizing amortization of the discount.

4. Dr 1010 Fund Balance with Treasury
 Cr 1612 Premium on U.S. Treasury Securities Issued by Public Debt
 Cr 1610 Investments in U.S. Treasury Securities Issued by Public Debt
 Cr 7110 Gains on Disposition of Assets

To record the redemption of U.S. Treasury securities at a gain after recognizing amortization of the premium.

TABLE 7-2

★F. Periodically, but at least annually, the Investments in “U.S. Treasury Securities Issued by Public Debt” account balance is to be reconciled with the trust fund portfolios. Such reconciliations also should occur whenever there is a change in trust fund managers or other employees having access to the securities, or when there is a substantial addition, disposition, or replacement in the composition of the portfolio.

G. Unless otherwise provided for by the provisions governing a trust fund operation, securities held by DoD trust funds are U.S. Treasury securities. No certificates are issued by the Treasury. Instead, Treasury notifies trust fund managers of portfolio increases or decreases using the “Transaction Confirmation.”

H. Source documents for entries to the account include U.S. Treasury securities, the “Transaction Confirmation,” collection and disbursement vouchers, amortization schedules, and journal vouchers. Financial record retention requirements are in Chapter 9 of Volume 1 of this Regulation.

070204. Discount on U.S. Treasury Securities Issued by Public Debt (Account 1611), and Premium on U.S. Treasury Securities Issued by Public Debt (Account 1612)

A. Accounts 1611 and 1612 are used to record the unamortized premium or discount on securities. Account 1613 is used to record the amortization of premium or discount on U.S. Treasury securities.

B. A subsidiary account for unamortized premiums or discounts shall be maintained for each trust fund for determining the gain or loss on the disposition of securities held by each trust fund. This information also is needed for reporting on the financial status of each trust fund.

C. The entries in Tables 7-1 and 7-2 illustrate the use of these accounts in securities purchases and dispositions. Table 7-3 illustrates the use of these accounts in the amortization of premium or discount.

**★ ACCOUNTING ENTRIES FOR ACCOUNT 1613 -
AMORTIZATION OF DISCOUNT AND PREMIUM ON U.S. TREASURY
SECURITIES ISSUED BY PUBLIC DEBT**

1. Dr 1340 Interest Receivable
 Dr 1613 Amortization of Discount and Premium on U.S. Treasury Securities
 Issued by Public Debt
 Cr 5310 Interest Revenue
 Cr 1611 Discount on U.S. Treasury Securities Issued by Public Debt
 To record interest earned and amortize bond discount for the current period.

2. Dr 1340 Interest Receivable
 Dr 1612 Premium on U.S. Treasury Securities Issued by Public Debt
 Cr 1613 Amortization of Discount and Premium on U.S. Treasury Securities
 Issued by Public Debt
 Cr 5310 Interest Revenue
 To record interest earned and amortize bond premium for the current period.

TABLE 7-3

D. The income derived from U.S. Treasury securities other than Treasury bills shall be the interest stated on the face of the securities adjusted for the amortized premium or discount. For Treasury bills, the difference between the purchase price and the price received at the time of sale or maturity is income.

E. Premiums and discounts shall be amortized over the life of the securities using the effective interest method or other method if similar results are obtained. The computation of the effective interest rate (yield to maturity) and book value for notes and bonds uses a basic formula for book value. The formula is used to compute yield to maturity by a successive approximation process. This calculated yield to maturity is then used to compute book value at any specified date. The formula for the book value of a bond is found in Table 7-4.

★ FORMULA FOR THE BOOK VALUE OF A BOND

$$BV = (PV \times \frac{1}{(1+Y)^{NP}}) + (PV \times IR \times \frac{1 - \frac{1}{(1+Y)^{NP}}}{Y})$$

where:

BV = Book value at a given date.

PV = Par value at maturity.

Y = Semiannual yield to maturity.

NP = Number of semiannual periods to maturity, including as a decimal any fractional part of 6 Months from date selected to the next coupon payment date.

IR = Semiannual interest rate.

Y and IR (percents) are converted to full decimal ($0 < Y, IR < 1$).

Semiannual rates for Y and IR are computed by dividing the published annual rate by 2.

TABLE 7-4

F. To solve for the semiannual yield to maturity by successive approximation:

1. Set semiannual yield to maturity (Y) equal to the semiannual interest rate (IR), and compute book value (BV).
2. Compare BV to the purchase cost of the security.
3. If the purchase cost is greater, decrease the semiannual yield to maturity (Y) by .1 percent (.001).
4. If the purchase cost is lower, increase Y by .1 percent (.001).
5. When Y is found to .1 percent, repeat the above process using increments or decrements of .01 percent.
6. Iterate until Y is accurate to ten decimal places. The semiannual yield to maturity is the final value for Y.

7. To solve for book value at a given date, use the computed yield to maturity for Y, and an appropriate value for NP.

G. The value for amortized premium expense or amortized discount income is computed using differences in book values at selected dates. Unamortized premium or discount is computed using differences in par value and book value at selected dates.

H. Source documents for entries to this account include amortization schedules and journal vouchers. Financial record retention requirements are in Chapter 9 of Volume 1 of this Regulation.

070205. Other Investments (Account 1690)

A. “Other Investments” is used to record the value of securities issued by government sponsored enterprises and non-government entities.

B. The DoD Components are not authorized to own such securities. Accordingly, this account shall not be used by the DoD Components.

070206. Property Disposal

A. The Defense Reutilization and Marketing Service (DRMS) manages most of the property designated for recovery, utilization, and/or disposal. DRMS is an organization within the Defense Logistics Agency that administers the following:

1. The worldwide DoD Personal Property Utilization and Disposal Program governed by DoD 4160.21-M, “Defense Reutilization and Marketing Manual.”

2. The Defense Property Disposal Precious Metals Recovery Program governed by DoD Handbook 4160.21-H, “Defense Scrap Yard Handbook.”

(There are cases, however, when DRMS may not be involved. The disposition of surplus contractor-held inventory governed by the Federal Acquisition Regulation is one example.)

B. When a DRMS activity has responsibility for the disposal of certain property, such as explosives, but lacks adequate resources to physically handle it, DRMS shall make suitable alternative arrangements for its care and custody. DRMS shall maintain financial accounting records for such property. The activity performing custodial services shall maintain such property and financial accounting records as necessary to provide an accounting to DRMS for such property.

C. The DRMS shall not accept accountability for recovery, utilization, and/or disposal until the property is physically received unless the DRMS activity involved is prohibited

from physically receiving the property. In such cases, DRMS accountability begins when title passes to DRMS.

D. Property in-transit to disposal shall be recorded as “in transit” when such transfer begins. The accountable organization shall record the transaction in its accounting system when the transfer action is initiated. It shall be removed from the in-transit account only when the property is received and accepted by the DRMS activity. Under no circumstance shall entries to the in-transit accounts be reversed at the beginning of the following accounting period without proper supporting documentation such as reports of survey or notice of receipt by the DRMS activity.

★E. The DoD Component that is responsible for recognizing an asset shall record the difference between the value of the asset before identification as excess, obsolete, or condemned (i.e., unserviceable beyond repair) and its expected net realizable value after such identification as a gain or loss at the time the determination is made, even though disposition may not occur until a later period. The gain or loss shall be recognized in general ledger account 7110, “Gains on Disposition of Assets” or account 7210, “Losses on Disposition of Assets.” (Accounting for asset disposition gains and losses is discussed in Chapter 17 of this Volume.) Any subsequent adjustments to its net realizable value shall also be recognized as a gain or loss. “Net realizable value” is the estimated selling price in the ordinary course of business, less the estimated cost to sell. The net realizable value to a DoD Component will normally be zero, unless the proceeds are permitted to be retained and used by that DoD Component. Property awaiting disposal is not subject to further depreciation.

F. Subsidiary accounts shall be maintained in a manner that provides information necessary to manage and report on property awaiting disposal.

G. Property awaiting disposal that is not capitalized shall be monitored through property control records in the related property management system.

★H. Refer to Chapter 13 of this Volume for accounting policy and principles for measuring and recognizing accrued disposal costs.

070207. Assets Under Capital Lease (Account 1810)

A. Assets Under Capital Lease is used to record the amount of assets being leased under terms that essentially are equivalent to an installment purchase.

★B. A lease conveys the use of an asset or part of an asset (such as part of a building) from one entity, the lessor, to another, the lessee, for a specified period of time in return for rent or other compensation. Lessees have capital or operating leases while lessors have sales-type, direct financing, or operating leases. Capital, sales-type, and direct financing leases transfer substantially all the benefits and risks of ownership from the lessor to the lessee.

★C. When a lease essentially is equivalent to an installment purchase of property (a capital lease) and the value equals or exceeds the current DoD capitalization threshold, the lessee

shall record the applicable asset and liability. The amount to be recorded under a capital lease is the present value of the rental and other lease payments during the lease term, excluding that portion of the payments representing executory costs paid to the lessor. However, if the amount so determined exceeds the fair value of the leased property, at the inception of the lease, the amount recorded should be the fair value. If the executory costs portion of the minimum lease payments cannot be determined, the amount should be estimated. In such cases, the substance of the arrangement, rather than its legal form, shall determine the accounting treatment. All other leases should be accounted for as operating leases with no balance sheet recognition (i.e., rental of property).

D. Lessees shall classify a lease as a capital lease if any one of the following criteria is met:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.

2. The lease contains an option to purchase the leased property at a bargain price.

3. The lease term (noncancelable portion plus all periods, if any, representing renewals or extensions that can reasonably be expected to be taken) is equal to or greater than 75 percent of the estimated economic life of the leased property.

4. The present value of rental and other minimum lease payments, excluding that portion representing executory costs, such as insurance, maintenance, and taxes to be paid by the lessor, equals or exceeds 90 percent of the fair value of the leased property. The lessee shall compute the present value of minimum lease payments using the Treasury Average Interest Rate for Marketable Interest-Bearing Debt unless:

a. It is practicable for the lessee to learn the interest rate implicit in the lease computed by the lessor, and

b. The implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest-Bearing Debt.

★c. The criteria in paragraph 070308.D.4.a. and b., of this chapter do not apply if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property. (An agency's rental of space from GSA does not meet these criteria.)

★E. A portion of each lease payment shall be allocated to interest expense, and the balance shall be applied to reduce the lease liability using the effective interest rate method. (Interest is calculated on the balance of the lease obligation for each period, and the remainder of the payment is applied as a reduction of the lease obligation.) The periodic payment amount allocated to interest expense shall be computed based on the interest rate used to compare the present value of minimum lease payments, unless the lease is recorded at fair value. In that

instance, trial and error must be used to compute the interest rate for application to the balance of the lease obligation.

F. In leases with a residual guarantee by the lessee or a penalty for failure to renew the lease at the end of the lease term, following the amortization method in paragraph 070204.F will result in a liability balance that will equal the amount of the guarantee or penalty at the end of the lease term. If a renewal or other extension of the lease term or a new lease under which the lessee continues to lease the same property renders the guarantee or penalty inoperative, the asset and the liability under the lease shall be adjusted by an amount equal to the difference between the present value of the future minimum lease payments under the revised agreement and the present balance of the liability. The present value of future minimum lease payments under the revised agreement shall be computed using the rate of interest used to record the lease initially. Other renewals and extensions of lease terms shall be considered new agreements.

G. Definitions

1. Lease Term. For nonoperating leases, the lease term is the fixed noncancelable term of the lease plus all periods, if any, representing renewals or extensions of the lease that can reasonably be expected to be taken.

2. Noncancelable. Means the lease is cancelable only on the occurrence of a remote contingency. Funds not being appropriated by the Congress in future years to cover the lease is considered a remote contingency.

★3. Bargain Purchase Option. A lessee's option to purchase leased property for a price which is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable that, at inception of the lease, makes the exercise of the option reasonably assured.

★4. Estimated Economic Life. The estimated remaining period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

5. Minimum Lease Payments. The payments that the lessee is obligated to make or can be required to make in connection with the leased property. (Contingent rentals are excluded from the minimum lease payments.)

★6. Fair Value. The price for which the property could be sold in an arm's-length transaction between unrelated parties.

7. Interest Rate Implicit in the Lease. The discount rate that, when applied to the minimum lease payments (less executory costs and the unguaranteed residual value), causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased property at the inception of the lease.

8. Renewal or Extension of a Lease. The continuation of a lease agreement beyond the original lease term, including a new lease under which a lessee continues to use the same property.

H. Table 7-5 illustrates the most common entries used for this account.

★ACCOUNTING ENTRIES FOR ACCOUNT 1810 - ASSETS UNDER CAPITAL LEASE	
1.	Dr 1810 Assets Under Capital Lease Cr 2940 Capital Lease Liability To record the value of capital leases signed.
2.	Dr 1819 Accumulated Depreciation on Assets Under Capital Lease Dr 2940 Capital Lease Liability Dr 7210 Losses on Disposition of Assets Cr 1810 Assets Under Capital Lease To record disposition of an asset held under a capital lease at a loss.
TABLE 7-5	

I. Sources for entries to these accounts include contracts, payment documents, amortization schedules, and journal vouchers.

070208. Accumulated Depreciation on Assets Under Capital Leases (Account 1819)

A. Accumulated Depreciation on Assets Under Capital Leases accumulates the depreciation charged to expense for assets under capital lease.

★B. This account shall be used by those activities that are authorized to enter into capital lease agreements.

C. Table 7-6 illustrates the most common entries used for this account.

**★ ACCOUNTING ENTRIES FOR ACCOUNT 1819 -
ACCUMULATED DEPRECIATION ON ASSETS UNDER CAPITAL LEASE**

1. Dr 6710 Depreciation, Amortization and Depletion
 Cr 1819 Accumulated Depreciation on Assets Under Capital Lease

To record depreciation on assets held under capital lease.

2. Dr 1819 Accumulated Depreciation on Assets Under Capital Lease
 Dr 2940 Capital Lease Liability
 Dr 7210 Losses on Disposition of Assets
 Cr 1810 Assets Under Capital Lease

To record disposition of an asset held under a capital lease at a loss.

TABLE 7-6

D. Sources for entries to this account include journal vouchers showing the basis for the depreciation computation. Financial record retention requirements are in Chapter 9 of Volume 1 of this Regulation.

070209. Leasehold Improvements (Account 1820)

★A. “Leasehold Improvements” is used to record the value of improvements to leased land, buildings, structures and facilities, as well as easements and right-of-ways, when the value equals or exceeds the current DoD capitalization threshold. Amounts recorded by DoD Components shall meet the capitalization criteria in Chapter 6 of this Volume.

★B. Improvements to leased facilities that do not meet the capitalization threshold shall be treated as current operating expenses.

C. Table 7-7 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers and documents transferring completed construction projects to this account. Financial record retention requirements are in Chapter 9 of Volume 1 of this Regulation.

070210. Accumulated Amortization on Leasehold Improvements (Account 1829)

A. “Accumulated Amortization on Leasehold Improvements” is used to accumulate the amortization charges to expense for leasehold improvements.

★B. This account shall be used by those activities that are authorized to enter into capital lease agreements.

C. Table 7-7 illustrates the most common entries used for this account.

★ ACCOUNTING ENTRIES FOR ACCOUNT 1820 - LEASEHOLD IMPROVEMENTS AND ACCOUNT 1829 - ACCUMULATED AMORTIZATION ON LEASEHOLD IMPROVEMENTS	
1. Dr 1820 Leasehold Improvements Cr 1720 Construction-in-Progress	
To record the value of completed improvements to leased property.	
2. Dr 6710 Depreciation, Amortization and Depletion Cr 1829 Accumulated Amortization on Leasehold Improvements	
To record the amortization expense for the accounting period.	
3. Dr 1829 Accumulated Amortization on Leasehold Improvements Cr 1820 Leasehold Improvements	
To write off fully amortized leasehold improvements.	
TABLE 7-7	

D. Sources for entries to this account include journal vouchers with workpapers supporting the computation of the amounts to be amortized over the life of the lease. Financial record retention requirements are in Chapter 9 of Volume 1 of this Regulation.

070211. Information Technology Software (Account 1830)

★A. “Information Technology Software” is used to record the value of DoD software that is owned for operational or other internal use. Such software may be commercial off-the-shelf (COTS), contractor-developed, or internally developed; and may consist of one or more components or modules.

★B. Internal use software that has a life expectancy of more than 2 years and equals or exceeds the current DoD capitalization threshold shall be capitalized (excluding software that is part of National Defense PP&E). Capitalized amounts should consider the software type, as follows.

1. COTS. The capitalized cost of COTS software should be the actual purchase price, plus any material internal costs incurred for implementation.

2. Contractor-Developed. The capitalized cost of contractor developed software should include the amount paid to the contractor for program design, installation, and implementation, plus any material internal costs incurred for implementation.

3. Internally Developed. The capitalized cost of internally developed software should include the full cost (direct and indirect) incurred subsequent to the selection of a design alternative, including the software configuration and software interfaces (see OMB Circular 109, "Major Systems Acquisitions"). The following cost elements should be included, as appropriate:

a. Compensation and benefits of the government personnel expected to devote significant time to the project (i.e., programmers, analysts, project managers, and administrative personnel).

b. Contractors and consultants.

c. Facilities and supplies devoted to the project.

d. Documentation and printing.

C. Table 7-8 illustrates the most common entries used for Account 1830.

**★ ACCOUNTING ENTRIES FOR ACCOUNT 1830 -
INFORMATION TECHNOLOGY SOFTWARE**

1. Dr 1830 Information Technology Software
 Cr 2110 Accounts Payable
 or
 Cr 1720 Construction in Progress

To record purchased or in-house developed software when completed.

2. Dr 7210 Losses on Disposition of Assets
 Dr 1839 Accumulated Amortization on Information Technology Software
 Cr 1830 Information Technology Software

To write off unusable software.

3. Dr 1839 Accumulated Amortization on Information Technology Software
 Cr 1830 Information Technology Software

To write off fully amortized software.

TABLE 7-8

D. Sources for entries to this account include payment vouchers; journal vouchers, and documents transferring completed software from work in process. Financial record retention requirements are in Chapter 9 of Volume 1 of this Regulation.

070212. Accumulated Amortization on Information Technology Software (Account 1839)

★A. “Accumulated Amortization on Information Technology Software” accumulates the amortization charged to expense for capitalized internal use software.

★B. Amortization shall be based on the straight-line method, and shall commence on the date the software is installed and ready for use. The recovery period (excluding software that is part of National Defense PP&E) shall be 5 years, barring earlier obsolescence or disposition.

C. Table 7-8 illustrates the most common entries used for Account 1839.

D. Sources for entries to this account include journal vouchers with workpapers supporting the computation of the amounts to be amortized. Financial record retention requirements are in Chapter 9 of Volume 1 of this Regulation.

★070213. Other General Property, Plant and Equipment (Account 1890).

“Other General Property, Plant and Equipment” is used to record the value of general property, plant, and equipment not otherwise classified.

070214. Other Assets, Net

“Other Assets, Net” represents the value of assets not specified in specific accounts discussed in Chapters 4 and 6 of this Volume or the preceding paragraphs in this chapter, less allowance for loss.

070215. Unrequisitioned Authorized Appropriations (Account 1920)

A. “Unrequisitioned Authorized Appropriations” is used to record the unrequisitioned disbursing authority as provided for in liquidating cash authority granted by Congress.

B. Entries to this account require a corresponding entry to budgetary accounts dealing with contract authority.

C. Table 7-9 illustrates the most common entries used for this account.

**★ ACCOUNTING ENTRIES FOR ACCOUNT 1920 -
UNREQUISITIONED AUTHORIZED APPROPRIATIONS**

1. Dr 1920 Unrequisitioned Authorized Appropriations
 Dr 4138 Resources Realized From Contract Authority
 Cr 3100 Unexpended Appropriations
 Cr 4135 Contract Authority Liquidated

To record enactment of public law for liquidating cash authority.

2. Dr 1010 Fund Balance with Treasury
 Dr 4032 Anticipated Contract Authority
 Cr 1920 Unrequisitioned Authorized Appropriations
 Cr 4132 Current Year Contract Authority - Realized - Indefinite

To record request for transfer of disbursing Authority to the expenditure account.

3. Dr 3100 Unexpended Appropriations
 Cr 1920 Unrequisitioned Authorized Appropriation
 Cr 1010 Fund Balance With Treasury

To adjust contract authority to the amount of disbursing authority actually transferred to the expenditure account.

NOTE: This entry is reversed at the beginning of the next fiscal year.

TABLE 7-9

D. Sources for entries to this account include budget documents and legislation authorizing contract authority. Financial record retention requirements are in Chapter 9 of Volume 1 of this Regulation.

070216. Other Assets (Account 1990)

A. “Other Assets” is used to record the value of assets not otherwise classifiable to a specific asset account. Applicable subsidiary accounts shall be established as necessary to meet management and reporting needs.

B. Table 7-10 illustrates the most common entries used of this account.

ACCOUNTING ENTRIES FOR ACCOUNT 1990 - OTHER ASSETS

1. Dr 1990 Other Assets
 Cr 2110 Accounts Payable

To record the value of assets purchased from commercial vendors that may not be classified to a specific asset account.

2. Dr 6000 Expense accounts series
 Cr 1990 Other Assets

To record use of these assets in operations.

TABLE 7-10

C. Source documents for entries to this account include receiving reports and journal vouchers. Financial record retention requirements are in Chapter 9 of Volume 1 of this Regulation.

ACCOUNT NO. 1610	
★INVESTMENTS IN U.S. TREASURY SECURITIES ISSUED BY PUBLIC DEBT	
DESCRIPTION: The par value of U.S. Treasury securities held by the DoD Components.	
DEBIT	CREDIT
1. Purchase of securities at a discount. Contra: 1010 and 1611	1. Sale of securities at a loss with unamortized discount. Contra: 1010, 1611, and 7210
NORMAL BALANCE: DEBIT	
FIGURE 7-1	

ACCOUNT NO. 1613	
AMORTIZATION OF DISCOUNT AND PREMIUM ON U.S. TREASURY SECURITIES ISSUED BY PUBLIC DEBT	
DESCRIPTION: The unamortized amount of premiums or discounts on securities.	
DEBIT	CREDIT
1. Amortization of a discount. Contra: 5310	1. Amortization of a premium. Contra: 5310
NORMAL BALANCE: DEBIT OR CREDIT	
FIGURE 7-2	

ACCOUNT NO. 1690	
OTHER INVESTMENTS	
DESCRIPTION: Securities issued by Government-sponsored enterprises and non-government entities.	
DEBIT	CREDIT
Use of this account is not authorized.	
NORMAL BALANCE:	
FIGURE 7-3	

ACCOUNT NO. 1810	
ASSETS UNDER CAPITAL LEASE	
DESCRIPTION: The capitalized value of assets being leased under terms, which are essentially equivalent to an installment purchase.	
DEBIT	CREDIT
1. Capital leases signed. Contra: 2940	1. Disposition of an asset held under a capital lease. Contra: 1819, 2940, and 7210
NORMAL BALANCE: DEBIT	
FIGURE 7-4	

ACCOUNT NO. 1819	
ACCUMULATED DEPRECIATION ON ASSETS UNDER CAPITAL LEASE	
DESCRIPTION: Accumulates the depreciation charged to expense for assets under capital lease.	
DEBIT	CREDIT
1. Disposition of an asset held under capital lease. Contra: 1810	1. Depreciation for the accounting period. Contra: 6710
NORMAL BALANCE: CREDIT	
FIGURE 7-5	

ACCOUNT NO. 1820	
LEASEHOLD IMPROVEMENTS	
DESCRIPTION: Represents the capitalized value of improvements made to leased property.	
DEBIT	CREDIT
1. Value of completed improvements. Contra: 1720	1. Write off fully amortized improvements. Contra 1829
NORMAL BALANCE: DEBIT	
FIGURE 7-6	

ACCOUNT NO. 1829	
ACCUMULATED AMORTIZATION ON LEASEHOLD IMPROVEMENTS	
DESCRIPTION: Accumulated amortization charges to expense for leasehold improvements.	
DEBIT	CREDIT
1. Write off fully amortized leasehold improvements. Contra: 1820	1. Amortization expense for the accounting period. Contra: 6128
NORMAL BALANCE: CREDIT	
FIGURE 7-7	

ACCOUNT NO. 1830	
INFORMATION TECHNOLOGY SOFTWARE	
DESCRIPTION: Represents the capitalized value of software owned by the DoD.	
DEBIT	CREDIT
1. Purchase or in-house developed software. Contra: 1720 and 2110	1. Write off unusable software. Contra: 1839 and 7210
NORMAL BALANCE: DEBIT	
FIGURE 7-8	

ACCOUNT NO. 1839	
★ACCUMULATED AMORTIZATION ON INFORMATION TECHNOLOGY SOFTWARE	
DESCRIPTION: Accumulates the amortization charged to expense for Information Technology software.	
DEBIT	CREDIT
1. Write off fully amortized software. Contra: 1830	1. Record the amortization expense for the accounting period. Contra: 6710
NORMAL BALANCE: CREDIT	
FIGURE 7-9	

ACCOUNT NO. 1920	
UNREQUISITIONED AUTHORIZED APPROPRIATIONS	
DESCRIPTION: The amount of unrequisitioned disbursing authority as provided for in liquidating cash authority granted by the Congress.	
DEBIT	CREDIT
1. Record enactment of public law for liquidating cash authority. Contra: 3100	1. Record the transfer of disbursing authority to the expenditure account. Contra: 1011 2. Adjust contract authority to the amount of disbursing authority actually transferred to the expenditure account. (Reverse at beginning of next fiscal year.) Contra: 3100
NORMAL BALANCE: DEBIT	
FIGURE 7-10	

ACCOUNT NO. 1990	
OTHER ASSETS	
DESCRIPTION: The value of assets not otherwise classifiable to a specific asset account.	
DEBIT	CREDIT
1. Purchase of miscellaneous assets from commercial sources. Contra: 2110	1. Use of assets in operations. Contra: 6000 series of accounts.
NORMAL BALANCE: DEBIT	
FIGURE 7-11	

CHAPTER 8

FINANCIAL CONTROL OF LIABILITIES0801 GENERAL

080101 Purpose. This chapter sets forth the policy to be followed in accounting for liabilities.

080102 Overview

A. A DoD liability is an amount owed by the DoD for items received, services received, expenses incurred, assets acquired, construction performed (regardless of whether invoices have been received), and cash advances received but as yet unearned. Included are amounts owed for goods and services in the hands of prime contractors but which are owned by the DoD under the terms of the contract, and amounts owed under grants, pensions, awards, and other indebtedness not involving the furnishing of goods and services.

B. A contingent liability occurs when a condition, situation, or set of circumstances exists that may confirm the loss or impairment of an asset or the incurrence of a liability. Accrual and disclosure of contingencies varies depending on their probability of occurrence. Estimated losses shall be recorded in DoD financial systems and reported in Component financial statements if:

1. Information available before the financial statements are issued indicates that an asset probably has been impaired or a liability probably has been incurred as of the date of the financial statements.

2. The amount can be reasonably estimated.

C. For the purpose of federal credit programs, a contingent liability is a conditional commitment that may become an obligation because of a future event beyond the control of the DoD. Contingent liabilities include Defense Production Loan Guarantees.

0802 ACCOUNTING POLICY FOR LIABILITIES

080201 A liability has three essential characteristics.

A. It embodies a present obligation to others which will be settled by the probable future transfer or use of assets at one of the following:

1. A specified or determinable date.
2. At the time of a specific event.
3. On demand.

B. Because of equitable or legal responsibility, the DoD has little or no discretion to avoid future sacrifice.

C. The transaction or event giving rise to the duty and responsibility has already happened.

080202 Although liabilities rest generally on legal rights and duties, a legal claim is not a prerequisite for qualification as a liability if future cash or other transfer of assets in settlement is otherwise probable and estimable.

080203 Amounts recorded as liabilities shall be supported by sufficient documentation that establishes the basis for the claim against the DoD. Such documentation includes receiving reports, court decisions, and estimates of accrued liabilities for personnel services provided but for which payment is not made until the next scheduled payday.

080204 Liabilities shall be recorded initially in the designated accounts for the accounting period during which the transactions giving rise

to them occurred and removed in the period during which they are liquidated.

080205 Liabilities shall be recorded at amounts that reasonably represent the cost of the economic benefit to be used in settlement.

080206 Liabilities shall be recorded regardless of the availability of funds to be used in their liquidation.

080207 When liabilities are incurred as work is performed rather than when deliveries are made, appropriate accruals shall be made from performance reports for the affected accounting periods.

080208 When property is acquired under a lease-purchase agreement, the liability shall be recorded when the property is accepted.

080209 Amounts received from other accounting entities as unearned revenue shall be recorded as liabilities until performance occurs.

080210 Goods and services purchased under long-term contracts shall be recorded as a liability in the period in which the goods or services are received and accepted by the agency. The related asset or expense, as appropriate, shall be recorded at the same time as the liability. When goods and services are to be received over a period of time covering 2 or more accounting periods and payment is to be made upon completion of delivery, the liability shall be recorded as a noncurrent liability until completion of delivery. A noncurrent liability is one that will not be paid within 1 year of its incurrence.

080211 For financial reporting purposes, DoD Components shall compute the liability for property, plant, and equipment manufactured or constructed for them under long-term contracts on the basis of verified estimates of work completed (percentage-of-completion method) per contractor reports or invoices received during each account period, rather than on disbursements made. DoD Components shall use the contractor's requests for progress payments, certified by an authorized contact administrator, as the basis for recording the

liability. Appropriate liabilities for contract retainages, if any, shall be recorded as contract holdbacks. The appropriate work in process or construction in progress accounts shall be adjusted to reflect the value of work completed, as represented by approved progress payments accepted by the DoD Component.

080212 The annual leave liability shall be accrued.

080213 The liability for the DoD contribution to civilian retirement benefits earned shall be accrued. The amounts recorded in the applicable general ledger accounts shall be that portion of the liability that is to be paid by the appropriation current at the time the liability was incurred.

0803 UNBILLED LIABILITIES

080301 Open accounts payables require constant review to assure that they are valid liabilities. If an invoice has not been received for a liability that represents acceptable final performance on a contract or order, the procedures in paragraph 080302, below, may be implemented unless the contract or order is in litigation. When litigation is in effect, the liability shall remain on the accounts.

080302 When the invoice has not been received within 180 days from the date of acceptable final performance the following guidance shall be followed:

A. If the amount of the payable is less than \$100 and 90 days have lapsed since the initial documented request, the liability shall be written off and the related obligation cancelled and returned to the unobligated balance of the appropriation fund account.

B. If the amount of the payable is more than \$100 and there is documentation on file that at least 2 written requests have been made for an invoice, the liability shall be written off and the related obligation cancelled and returned to the unobligated balance of the appropriation fund account. To qualify for the write off and deobligation, the second request

for an invoice shall be dated at least 60 days before the date of the write off.

080303 Late invoices received must be matched against documentation of liabilities previously written off to determine their validity before payment. If a late billing is determined to be valid, the liability shall be reestablished and funds obligated and paid from an appropriate account (current appropriation or expired account). For expired accounts, the payment of a valid late bill shall be treated as an obligation adjustment. For cancelled accounts, the payment of a valid late bill should be from a current account (available for the same purpose as a canceled account), in an amount not to exceed the lesser of any remaining unobligated balance of the cancelled account or 1% of the current account. A portion of funds available for funding activity cost center will be reserved within each appropriation or fund for invoices received subsequent to writeoff.

080304 The funded amount maintained in the reserve for late bills shall be established at a level sufficient to preclude a violation of 31 U.S.C. 1341 or 1517(a) or both from receipt of valid late bills. The amount of the reserve for late bills shall be reviewed and approved by the comptroller of the activity annually, to determine if adjustment based upon experience is appropriate.

0804 ADJUSTING JOURNAL VOUCHERS

080401 The source documents used for accounts payable postings include receiving reports, invoices, and contractor reports, etc. As a general rule, all entries to the accounting system must be based upon routinely prepared source documents, which have been processed under prescribed internal control procedures. If source documents are not received, necessary follow up actions are taken to obtain the required documents. The unrecorded source document condition may have been caused by the failure to record a receiving report, or a particular transaction may have failed to post in an automated accounting system. Such events will be recorded on research listings as an unmatched item or a required document that has not been received. When the listings are

received, required research effort normally begins by first stratifying transaction by dollar values. Those in the highest category (over \$1 million, for example) will be researched first. When the first category is completed the next category (from \$100,000 to \$1 million, for example) will be researched until that group is completed. This operational review continues until all items have been resolved. Then the process is restarted when the next listing is received. Management is expected to monitor constantly the volume and dollar values of transactions requiring research and to authorize overtime, details of personnel, etc., when necessary, to assure required research is completed. However, there are competing requirements that can result in a significant value of low dollar transactions which have not been researched for long periods of time. Further, as a practical matter, it is not always cost effective or realistic to expend the effort necessary to obtain each and every source document. When this occurs, management may decide to process adjusting journal vouchers using the process described in this section.

080402 The need for an accounting adjustment is properly a decision to be made at the level at which an account is maintained. The decision, however, must be supported by documentation that shows reasonable and prudent research was conducted to support the adjustment. This document then must be retained for audit.

080403 Normally, the first step in the adjustment process is to group unmatched items into homogeneous lots. Each of these lots is then subjected to acceptance sampling. The sampling plan should follow normal statistical sampling procedures. If analysis of the sampled items confirms that there are unposted source documents for the entire lot, then applicable journal vouchers should be processed. If the sample discloses that some payables are invalid, or that some invoices have not been received, then estimation statistical sampling procedures should be applied to determine if research will cost more than likely recoveries. If statistical sampling procedures do not support either of the above actions, then each item in the lot must be subjected to normal research.

CHAPTER 9

ACCOUNTS PAYABLE0901 GENERAL

090101. Purpose. This chapter provides guidance to be followed in recording and liquidating amounts payable by DoD Components. The processes described in this chapter implement the accounting principles and policy contained in Chapter 8 of this Volume and complement the processes contained in Chapter 1 of this Volume as they relate to disbursements for goods and services received by DoD Components.

090102 Overview

A. The payables discussed in this chapter deal with all payables except those due federal employees, both civilian and military, for personal services.

B. Recording of an accounts payable generally is the first transaction level entry in the proprietary accounts. Until goods and services are received by a DoD Component, the transaction is recorded in the budgetary accounts as an undelivered order. When an accounting station receives evidence that performance has occurred, the transaction is recorded simultaneously in the budgetary accounts as an accrued expenditure unpaid and in the proprietary accounts as an accounts payable. This compound entry provides an internal check and balance in the accounting system by assuring that amounts recorded as accrued expenditures unpaid are equal to the amounts recorded as accounts payable. Figure 2-1 in chapter 2, of Volume 1, of this regulation illustrates the relationships between the budgetary accounts and the proprietary accounts.

C. Accounts payable are amounts owed for goods and services received (i.e., actual or constructive delivery).

D. Accounts payable include amounts for the following:

1. Goods and other property purchased and received.

2. Services performed by employees, contractors, grantees, and lessors supported by contractor invoices and other documentation that acknowledges receipt of service.

3. Amounts owed at the end of the accounting period under programs for which no further performance of services by payees is required (such as annuities, insurance premiums, and some cash grants).

0902 ACCOUNTING POLICY FOR PAYABLES

090201 Amounts recorded as payables shall be supported by documentation that clearly shows the basis for the amount recorded as a payable and the terms upon which payment is to be made.

A. The basis for recording an accounts payable shall be a receiving report that clearly shows the quantities received and accepted or services performed and accepted by the DoD. Such quantities shall be based on actual counts of the items delivered by the vendor. When applicable, accompanying inspection reports for the goods or services shall be attached to the receiving report. In such instances, the inspection report, together with the receiving report, serves as the basis for recording the liability.

B. Periodically, but at least annually, the balances in the accounts payable accounts shall be reconciled to the supporting documentation. Differences shall be researched and any necessary adjustments shall be fully documented.

090202 Amounts recorded as payables shall be net of all discounts offered by vendors, which

are economically justified. The decision as to whether the discount shall be taken is to be made using the guidance contained in chapter 2 of this Volume.

090203 An accounts payable for goods and services shall be recorded when supported by a receiving report and an inspection report or when other evidence of performance is received by the accounting station. When an obligation has not been recorded in the accounting system prior to receipt of the goods and services, the procedures outlined in paragraph 090204, below, shall be followed.

090204 For items manufactured to DoD specifications, the DoD Component shall record the appropriate payable, including contract retentions, based on requests for progress payments. Such amounts shall be supported by contract administrator certification as provided in the Defense/Federal Acquisition Regulations (DFAR). The offsetting entry for such payable shall be made to the appropriate prepayment account or construction in progress accounts described in chapters 4 and 6 of this Volume.

090205 The inability to match a performance report or invoice to the applicable undelivered order may indicate a breakdown of fund control processes and a material weakness in internal controls. When the process of posting a transaction to accounts payable does not disclose a matching transaction in the undelivered order account, there may be evidence that a contract either has not been awarded or a posting error has occurred. In this circumstance, the accounting office shall request the necessary documentation to support the required accounting entry. Appropriate officials shall be notified when it appears that performance reports or invoices are being received without a corresponding undelivered order having been previously recorded.

090206 When authorized under 10 U.S.C. 2326, an accrued expenditure unpaid may be established skipping the undelivered order phase. (These actions are known as Undefined Contract Actions (UCAs). Limitations on UCAs are discussed in the DFAR.

When this situation occurs the posting in the budgetary account shall be made simultaneously with the corresponding entry in the proprietary inventory and/or expense accounts and accounts payable.

090207 Transactions representing the value of goods and services accepted by DoD Components under "fast pay" procedures requires special attention. These payments create an abnormal balance in both the budgetary account accrued expenditures-unpaid and the proprietary accounts payable, since the transaction is recorded as a debit entry in both of these accounts without a matching previously recorded credit entry.

A. Under fast pay procedures, the contractor certifies that delivery has been made at the time the invoice is presented for payment and this certification is considered a sufficient basis for disbursement. Since payment is made based on the contractor's certification, accounting stations shall establish sufficient controls to assure that receiving reports necessary to support the necessary credit entries are received within a reasonable period of time. Under no circumstances shall a journal voucher be processed to correct the abnormal balance in accrued expenditures-unpaid or accounts payable. When the required receiving report evidencing actual receipt of the items is not received within a reasonable period of time, accounting stations shall take action to determine whether the goods and services have been received. For those cases in which the items have not been received, the accounts shall be brought back in balance by the following entry:

Dr Accounts Receivable (Government or Public)-Current

Cr Accounts Payable
(Government or Public)-Current

Offsets against current payments shall be supported by documentation signed by the appropriate official so that a clear audit trail is maintained until the transaction is completed. Guidance pertaining to the use and application of the fast pay process in the DoD is contained in chapter 2 of this Volume.

B. A special situation exists with Defense Business Operations Fund activities. When a Defense Business Operations Fund activity orders material and supplies to be delivered to a location, the recipient's payment of the billing constitutes evidence of receipt. This procedure is acceptable because the recipient has established an accounts payable to the Defense Business Operations Fund and, therefore, the payment provides assurance that the payee will be required to validate that the material has been received.

090208 DoD Components issuing monetary credits as compensation for property or services received from non-Federal Agencies shall record a liability equal to the value of the monetary credit. The use of such credits, however, shall be limited to those instances supported by specific statutory authority authorizing them. Such a credit would arise in a situation where a DoD Component enters into a barter agreement in which the services provided by the Component have a market value less than the services received by the Component. The cross servicing agreements for refueling NATO ships are examples.

0903 ACCOUNTING FOR PAYABLES

090301 This section provides guidance for recording payables and illustrates the use of the applicable accounts. The accounts discussed are categorized as other accrued liabilities.

090302 Liabilities (Account 2000)

A. "Liabilities" is a summary general ledger account used for financial reporting purposes. As such, no entries are posted to this account.

B. These accounts represent amounts owed by DoD Components for items or services received, expenses incurred, assets acquired, construction performed, and amounts received but as yet unearned.

090303 Accrued Liabilities-Other (Account 2100)

A. "Accrued Liabilities-Other" is a summary general ledger account used for financial reporting purposes. As such, no entries are posted to this account.

B. These accounts represent the amounts DoD Components owe for goods and other property ordered and received and for services rendered by other than employees.

090304 Accounts Payable (Account 2110)

A. "Accounts Payable" is a summary general ledger account used for financial reporting purposes. As such, no entries are posted to this account.

B. These accounts represent amounts owed to federal or nonfederal entities for goods and property ordered and received, and for services rendered by organizations and people other than employees.

C. Subsidiary accounts shall be established as needed to meet external reporting requirements and to provide internal control over amounts owed to others.

090305 Accounts Payable-Government-Current (Account 2111)

A. "Accounts Payable-Government-Current" represents amounts owed to U.S. Government Agencies for goods and services received but for which payment will be made in the current fiscal year.

B. Periodically, but at least annually, the balances recorded in this account and the related subsidiary accounts shall be reconciled with the voucher documentation files. Differences shall be researched and, if necessary, the accounts adjusted.

C. Table 9-1 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 2111 -
ACCOUNTS PAYABLE-GOVERNMENT-CURRENT**

1. Dr 1510 Inventory for Agency Operations
 Dr 1710 Land
 Dr 1762 Equipment in Use
 Dr 1766 Equipment Not in Use
 Dr 1830 Automated Data Processing Software
 Dr 6116 Travel and Transportation of Persons
 Dr 6117 Transportation of Things
 Dr 6118 Rent, Communications and Utilities
 Dr 6119 Printing and Reproduction
 Dr 6120 Other Services
 Dr 6121 Supplies and Materials
 Cr 2111 Accounts Payable-Government-Current

To record receipt of goods and services for which payment has not been made.

2. Dr 2111 Accounts Payable Government-Current
 Cr 1012 Funds Disbursed

To record payment.

TABLE 9-1

D. Sources for entries to this account include invoices, inspection and receiving reports, and disbursement vouchers.

090306 Accounts Payable-Government - Noncurrent (Account 2112)

A. "Accounts Payable-Government-Noncurrent" is used to record those accounts payable that will not be paid within 1 year because delivery has not been completed or the documentation required for payment will not be received until a future date.

B. Periodically, but at least annually, the balances recorded in this account and the related subsidiary accounts shall be reconciled with the vendor files. Differences shall be researched and, if necessary, the accounts adjusted.

C. Table 9-2 illustrates the most common entries used for this account.

D. Sources for entries to this account include invoices, inspection reports, receiving reports, and journal vouchers.

090307 Accounts Payable-Public-Current (Account 2113)

A. "Accounts Payable-Public-Current" is used to record amounts owed to non-Federal Government organizations for goods and services received but for which payment has not been made.

B. Periodically, but at least annually, the balances recorded in this account and the related subsidiary accounts shall be reconciled with the vendor files. Differences shall be researched and, if necessary, the accounts adjusted.

C. Table 9-3 illustrates the most common entries used for this account

**ACCOUNTING ENTRIES FOR ACCOUNT 2112 -
ACCOUNTS PAYABLE-GOVERNMENT-NONCURRENT**

1. Dr 1710 Land
Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 2112 Accounts Payable-Government-Noncurrent

To record receipt of assets for which payment will not be made within 1 year.

2. Dr 2112 Accounts PayableGovernment-Noncurrent
Cr 2111 Accounts Payable-Government-Current

To transfer noncurrent liabilities to a current status.

TABLE 9-2

**ACCOUNTING ENTRIES FOR ACCOUNT 2113 -
ACCOUNTS PAYABLE-PUBLIC-CURRENT**

1. Dr 1510 Inventory for Agency Operations
Dr 1710 Land
Dr 1762 Equipment in Use
Dr 1766 Equipment Not in Use
Dr 1830 Automated Data Processing Software
Dr 6116 Travel and Transportation of Persons
Dr 6117 Transportation of Things
Dr 6118 Rent, Communications and Utilities
Dr 6119 Printing and Reproduction
Dr 6120 Other Services
Dr 6121 Supplies and Materials
Cr 2113 Accounts Payable-Public-Current

To record receipt of goods and services for which payment has not been made.

2. Dr 2113 Accounts Payable Public-Current
Cr 1012 Funds Disbursed

To record payment.

3. Dr 2113 Accounts Payable Public-Current
Cr 1012 Funds Disbursed
Cr 2130 Contract Holdbacks

To record liquidation of progress payments with a percentage withheld to assure satisfactory completion of the contract.

TABLE 9-3

D. Sources for entries to this account include disbursing vouchers, contract documents, and journal vouchers with supporting documentation showing the computation of the amounts to be withheld.

090308 Accounts Payable-Public-Noncurrent (Account 2114)

A. "Accounts Payable-Public-Noncurrent" is used to record those accounts payable that will not be paid within 1 year because delivery has not been completed or the documentation required for payment will not be received until a future date. Included in this account are amounts set aside for foreign national separation pay and retirement when such payments are required pursuant to agreements negotiated with the respective foreign countries.

B. Periodically, but at least annually, the balances recorded in this account and the related subsidiary accounts shall be reconciled with the voucher documentation files. Differences shall be researched and, if necessary, the accounts adjusted.

C. Table 9-4 illustrates the most common entries used for this account.

D. Sources for entries to this account include invoices, inspection reports, receiving reports, and journal vouchers.

090309 Claims Payable (Account 2115)

A. "Claims Payable" is used to record adjudicated claims against the DoD which have not been paid.

B. Table 9-5 illustrates the most common entries used for this account.

C. Sources for entries to this account include legal documents and supporting opinions from counsel and payment vouchers.

090310 Disbursements in Transit (Account 2120)

A. "Disbursements in Transit" is used to record those outlays transmitted to a designated disbursing office by an accounting activity but that have not been processed by the disbursing office.

B. This account shall not be used without the prior approval of the Office of the Deputy Under Secretary of Defense (Comptroller /Financial Management)/Deputy Chief Financial Officer.

090311 Contract Holdbacks (Account 2130)

A. "Contract Holdbacks" is used to record amounts withheld from grantees or contractors pending completion of contracts.

**ACCOUNTING ENTRIES FOR ACCOUNT 2114 -
ACCOUNTS PAYABLE-PUBLIC-NONCURRENT**

1. Dr 1710 Land
Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 2114 Accounts Payable-Public-Noncurrent

To record receipt of assets for which payment will not be made within 1 year.

2. Dr 2114 Accounts Payable-Public-Noncurrent
Cr 2113 Accounts Payable-Public-Current

To transfer noncurrent liabilities to a current status.

TABLE 9-4

B. This account shall be supported by subsidiary accounts established for each vendor for which the contract holdback clause has been inserted in the contract.

C. Table 9-6 illustrates the most common entries used for this account.

D. Sources for entries to this account include contract documents, progress payment invoices from contractors or grantees, and contracting officer certifications authorizing release of funds.

ACCOUNTING ENTRIES FOR ACCOUNT 2115 - CLAIMS PAYABLE

1. Dr 6124 Insurance Claims and Indemnities
Cr 2115 Claims Payable

To record adjudicated claims that have not been processed for payment.

2. Dr 2115 Claims Payable
Cr 1012 Funds Disbursed

To record payment of claims.

TABLE 9-5

ACCOUNTING ENTRIES FOR ACCOUNT 2130 - CONTRACT HOLDBACKS

1. Dr 1542 Inventory-Work in Process-Contractor
Dr 1722 Construction in Progress-Contractor
Cr 2113 Accounts Payable-Public-Current
Cr 2130 Contract Holdbacks
Cr 1012 Funds Disbursed

To record amounts withheld from progress payments pending successful completion of contracts.

2. Dr 2113 Accounts Payable-Public-Current
Dr 2130 Contract Holdbacks
Cr 1012 Funds Disbursed

To record final payment on a contract and release of amounts withheld when the contract is certified as completed and accepted by the contracting officer.

TABLE 9-6

090312 Accrued Interest Payable (Account 2140)

A. "Accrued Interest Payable" is used to record interest that accrues on borrowings and overdue accounts with the passage of time and is not due until a later date.

B. DoD policy is to pay its liabilities when they become due and payable. Accordingly, interest expense incurred by DoD Components shall be considered incurred when the liability is processed for payment. Interest expense is to be considered a current period operating expense and DoD Components shall not use this account.

090313 Other Accrued Liabilities (Account 2190)

A. "Other Accrued Liabilities" is used to record those accounts payable that cannot be classified or assigned to a specific account described in this section.

B. Use of this account by DoD Components should be infrequent. Accordingly, DoD Components shall not use this account without specific guidance from the Office of the Deputy Under Secretary of Defense (Comptroller /Financial Management)/Deputy Chief Financial Officer.

ACCOUNT NO. 2000	
LIABILITIES	
DESCRIPTION: Represents amounts owed by DoD Components for items received, services received, expense incurred, assets acquired, construction performed and amounts received but as yet unearned.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-1	

ACCOUNT NO. 2100	
ACCRUED LIABILITIES - OTHER	
DESCRIPTION: Represents the amounts DoD Components owe for goods and other property ordered and received and for services received by other than employees.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-2	

ACCOUNT NO. 2110	
ACCOUNTS PAYABLE	
DESCRIPTION: Represents amounts owed to federal or nonfederal entities for goods and property ordered and received, and for services rendered by organizations and people other than employees.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-3	

ACCOUNT NO. 2111	
ACCOUNTS PAYABLE - GOVERNMENT - CURRENT	
DESCRIPTION: Represents amounts owed to U.S. Government agencies based on actual receipt of goods and services.	
DEBIT	CREDIT
1. Payments liquidating amounts owed. Contra: 1012	1. Receipt of goods and services. Contra: 1510, 1710, 1762, 1766, 1830, 1840, 6116, 6117, 6118, 6119, 6120, and 6121
NORMAL BALANCE: CREDIT	
FIGURE 9-4	

ACCOUNT NO. 2112	
ACCOUNTS PAYABLE - GOVERNMENT - NONCURRENT	
DESCRIPTION: Represents amounts owed the U.S. Government agencies or funds that will not be paid with 1 year.	
DEBIT	CREDIT
1. Change to a current payable. Contra: 2111	1. Evidence of actual receipt of goods and services. Contra: 1710, 1730, and 1740
NORMAL BALANCE: CREDIT	
FIGURE 9-5	

ACCOUNT NO. 2113	
ACCOUNTS PAYABLE - PUBLIC - CURRENT	
DESCRIPTION: Represents amounts owed to non-U.S. Government agencies for receipt of goods or services.	
DEBIT	CREDIT
1. Payments liquidating amounts owed. Contra: 1012 and 2130	1. Receipt of goods and services. Contra: 1510, 1710, 1762, 1766, 6116, 6117, 6118, 6119, 6120, and 6121
NORMAL BALANCE: CREDIT	
FIGURE 9-6	

ACCOUNT NO. 2114	
ACCOUNTS PAYABLE - PUBLIC - NONCURRENT	
DESCRIPTION: Represents amounts owed to non-U.S. Government agencies that will not be paid within 1 year.	
DEBIT	CREDIT
1. Change to a current payable. Contra: 2113	1. Receipt of goods and services for which payment will not be made this accounting period. Contra: 1710, 1730, and 1740
NORMAL BALANCE: CREDIT	
FIGURE 9-7	

ACCOUNT NO. 2115	
CLAIMS PAYABLE	
DESCRIPTION: Represents amounts owed based on adjudicated claims.	
DEBIT	CREDIT
1. Payments liquidating amounts owed for adjudicated claims. Contra: 1012	1. Amount of adjudicated claims. Contra: 6124
NORMAL BALANCE: CREDIT	
FIGURE 9-8	

ACCOUNT NO. 2120	
DISBURSEMENTS IN TRANSIT	
DESCRIPTION: Represents payments transmitted to a disbursing office by an accounting activity, which have not been processed by the disbursing office.	
DEBIT	CREDIT
<p>Do not use this account without prior approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-9	

ACCOUNT NO. 2130	
CONTRACT HOLDBACK	
DESCRIPTION: Represents amounts withheld from contractors and grantees in accordance with contract provisions.	
DEBIT	CREDIT
<p>1. Payments to contractors and grantees at completion of contract.</p> <p>Contra: 1012</p>	<p>1. Funds due to contractors but withheld pending satisfactory completion of contracts.</p> <p>Contra: 1542, and 1722</p>
NORMAL BALANCE: CREDIT	
FIGURE 9-10	

ACCOUNT NO. 2140	
ACCRUED INTEREST PAYABLE	
DESCRIPTION: Represents unpaid accrued interest on borrowings and overdue accounts.	
DEBIT	CREDIT
<p>Do not use this account without prior approval of the Office of the Deputy Under Secretary of Defense (Comptroller Financial Management)/ Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-11	

ACCOUNT NO. 2190	
OTHER ACCRUED LIABILITIES	
DESCRIPTION: Represents those amounts owed that cannot be classified to a specific account payable account.	
DEBIT	CREDIT
<p>Do not use this account without prior approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 9-12	

CHAPTER 10

ACCRUALS FOR PERSONNEL RELATED LIABILITIES1001 GENERAL

100101 Purpose. This chapter prescribes the accounting policy and related requirements for recording DoD liabilities for accrued payroll and benefits, actuarial liabilities, and civilian severance pay.

100102 Overview. The accounts discussed in this chapter provide financial data on accrued liabilities to be reported in the financial statements required by Treasury and to meet other reporting requirements mandated by OMB and the Congress.

1002 ACCOUNTING POLICY FOR ACCRUALS

100201 In addition to the accounting principles and policy in chapter 8 of this Volume, the following additional standards shall be recognized.

100202 The accounts shall be updated based on appropriate source documents and reflect the latest pay adjustments, leave balances, levels of benefits, and changes in benefit rules.

100203 Reasonable estimates (accruals) of the costs of services performed by DoD military and civilian employees shall be made when a pay period does not coincide with the end of an accounting period. Such accruals shall be recorded in the applicable accounting period based on journal vouchers with supporting documentation (or mechanized programs) that clearly shows the calculations and data used to compute the amount of the liability. The journal vouchers shall be signed by the appropriate authorized accounting official. These accruals shall be removed from the accounts only when the related pay is disbursed.

100204 Amounts due for annuities, adjudicated claims, and benefit payments as of the end of the period shall be recorded in the applicable

accounting period based on available information, provided that the payment is probable and the amount estimable. Such amounts shall be recorded based on journal vouchers and supporting documentation clearly showing the basis for the amounts recorded. The journal vouchers shall be signed by the appropriate authorized accounting official. Except for the DoD Component's share of fringe benefits computed as a part of the pay computation process, applicable accruals shall be reversed at the start of the next accounting period and actual costs accumulated.

100205 Awards made to employees such as those for suggestions, performance bonuses, special act awards, and productivity gain affect payroll cost. The DoD productivity gain sharing (PGS) program permits up to a maximum of 50 percent of achieved PGS savings to be paid to eligible employees. Subject to the 50 percent ceiling, the PGS program allows considerable flexibility in determination of the amount and form of payment--monetary or compensated absence (administrative leave). DoD activities develop their individual organization-wide PGS plans based on their mission functions. PGS plans should include a specified period of time that an employee must contribute to the work effort or be onboard to be eligible to receive a share of the PGS payout. PGS plans should also provide specifics as to whether an employee remains eligible or forfeits his/her share if the employee leaves the organization prior to the payout. If the plan and conditions permit, employees may elect to receive administrative leave, or cash payment, or a combination of administrative leave and pay. The administrative leave option may be granted at the discretion of the activity commander based upon workload requirements at the time. The period of time for which administrative leave may be granted to an employee will be derived by dividing the value of the employee's gain share award by his/her hourly rate plus an average factor for benefits. A liability shall be

recorded for that portion of a payout which is due but not yet paid.

100206 A compensated absence is an employee absence (ordinarily for vacation or illness) for which the employee will be paid. When DoD employees accrue rights to take leave with pay, DoD Components incur an expense and liability measured by the salary cost of the time that may be taken.

100206 The accrual of annual leave within the DoD is material and shall be recognized annually in DoD Component accounting records and financial statements. DoD Components, therefore, shall recognize the expense and related liability for annual leave (including home leave) as it accrues.

100207 Sick leave need not be accrued unless there is a need to recover full operating costs or a management requirement.

100208 The expense and related liability for annual leave shall be recorded at the wage rates at which the leave is earned. Use of a fringe benefit rate is also acceptable for calculating accrued annual leave.

100209 The liabilities for annual leave shall be adjusted to reflect all pay increases and unused leave balances at least annually for financial statement purposes.

100210 DoD Components responsible for accounting for programs that provide annuity benefits shall recognize a liability for the actuarial present value of accumulated benefits. These are benefits earned or accrued as of the benefit information date (the date as of which benefit information is presented) but will not be paid until a later date.

100211 Accumulated benefits for annuity programs shall be comprised of benefits expected to be paid to the following:

A. Persons who have not met the program's conditions and who will receive benefits in the future.

B. Persons who have met enough of the program's conditions to be considered probable recipients of future benefits.

C. The survivors of both groups, as applicable.

100212 The amounts to be reflected in the general ledger accounts shall not be limited to the amounts actually funded.

100213 To the extent such liabilities are unfunded DoD Components shall maintain appropriate supporting records of the unfunded portions to provide appropriate footnote disclosure in the financial statements when necessary.

100214 The liability for claims incurred (both reported and unreported) shall be determined by use of accepted actuarial principles and reported in the program's financial statements. If existing legislation requires that amounts paid to participants be recovered from others (e.g., employing agencies), then the estimated amount to be recovered shall be reported as a receivable with the sources of expected repayments clearly indicated.

1003 ACCOUNTING FOR ACCRUALS. The following accounts shall be used by DoD Components to record accruals:

100301 Accrued Liabilities-Payroll and Benefits (Account 2200)

A. "Accrued Liabilities-Payroll and Benefits" account reflects accrued funded payroll and benefits and accrued unfunded annual leave.

B. This account is a summary account used for financial reporting purposes. No transactions shall be posted to this summary account.

100302 Accrued Funded Payroll and Benefits (Account 2210)

A. "Accrued Funded Payroll and Benefits" reflects the estimated liability for salaries and wages of civilians that have been earned

but are unpaid and amounts of funded annual leave, sick leave (when a decision is made to record a liability for sick leave), and other employee benefits that have been earned but unpaid.

B. This account is a summary account for financial reporting purposes. No transactions shall be posted to this summary account.

100303 Accrued Payroll-Civilian (Account 2211)

A. "Accrued Payroll-Civilian" is used to record the estimated liability at the end of the current accounting period for the earned but unpaid civilian salaries and wages.

B. Table 10-1 illustrates the most common entries used for this account.

ACCOUNTING ENTRIES FOR ACCOUNT 2211 - ACCRUED PAYROLL-CIVILIAN

1. Dr 6111 Personnel Compensation-Civilian
Cr 2211 Accrued Payroll-Civilian

To record civilian employee funded compensation earned.

2. Dr 2211 Accrued Payroll-Civilian
Cr 1012 Funds Disbursed

To record civilian compensation paid.

TABLE 10-1

C. Sources for entries to this account include payroll and leave records, documented estimates, and disbursement vouchers.

100304 Accrued Payroll-Military (Account 2212)

A. "Accrued Payroll-Military" is used to record the estimated liability at the end of the

current accounting period for the earned but unpaid military personnel pay.

B. Table 10-2 illustrates the most common entries used for this account.

C. Sources for entries to this account include payroll and leave records, plus documented estimates, and disbursement vouchers.

ACCOUNTING ENTRIES FOR ACCOUNT 2212 - ACCRUED PAYROLL-MILITARY

1. Dr 6112 Personnel Compensation-Military
Cr 2212 Accrued Payroll-Military

To record military personnel compensation earned.

2. Dr 2212 Accrued Payroll-Military
Cr 1012 Funds Disbursed

To record military compensation paid.

TABLE 10-2

100305 Accrued Payroll-Civilian-Employer Share of Personnel Benefits (Account 2213)

A. "Accrued Payroll-Civilian-Employer Share of Personnel Benefits" is used to record the estimated liability at the end of the current accounting period for earned but unpaid civilian personnel benefits.

B. Table 10-3 illustrates the most common entries used for this account.

C. Sources for entries to this account include payroll records, journal vouchers supported by documented estimates, and disbursement vouchers.

**ACCOUNTING ENTRIES FOR ACCOUNT 2213 -
ACCRUED PAYROLL-CIVILIAN-EMPLOYER SHARE OF PERSONNEL BENEFITS**

1. Dr 6113 Personnel Benefits Civilian
Cr 2213 Accrued Payroll-Civilian-Employer Share of Personnel Benefits

To record civilian employee funded benefits earned.
2. Dr 2213 Accrued Payroll-Civilian-Employer Share of Personnel Benefits
Cr 1012 Funds Disbursed

To record payment of benefits.

TABLE 10-3

100306 Accrued Payroll-Military-Employer Share of Personnel Benefits (Account 2214)

A. "Accrued Payroll-Military-Employer Share of Personnel Benefits" is used to record the estimated liability at the end of the current accounting period for the earned but unpaid personnel benefits.

B. Table 10-4 illustrates the most common entries used for this account.

C. Sources for entries to this account include payroll records, journal vouchers supported by documented estimates, and disbursement vouchers.

**ACCOUNTING ENTRIES FOR ACCOUNT 2214 -
ACCRUED PAYROLL-MILITARY-EMPLOYER SHARE OF PERSONNEL BENEFITS**

1. Dr 6114 Personnel Benefits Military
Cr 2214 Accrued Payroll-Military-Employer Share of Personnel Benefits

To record military personnel funded benefits earned.
2. Dr 2214 Accrued Payroll-Military-Employer Share of Personnel Benefits
Cr 1012 Funds Disbursed

To record payment of benefits.

TABLE 10-4

100307 Accrued Payroll-Funded Annual Leave-Civilian (Account 2215)

A. "Accrued Payroll-Funded Annual Leave-Civilian" is used to record the estimated liability at the end of the current accounting period for earned but unpaid civilian employee annual leave that has been funded through rates charged to customers when that rate includes a factor for funding of this expense. This account

is applicable to the Defense Business Operations Fund and other DoD revolving funds that finance their full annual leave through reimbursable rates charged to customers.

B. Table 10-5 illustrates the most common entries used for this account.

C. Sources for entries to this account include payroll and leave records.

**ACCOUNTING ENTRIES FOR ACCOUNT 2215 -
ACCRUED PAYROLL-FUNDED ANNUAL LEAVE-CIVILIAN**

1. Dr 6130 Annual Leave
Cr 2215 Accrued Payroll-Funded Annual Leave-Civilian

To record the amount of funded annual leave earned by civilian employees
2. Dr 2215 Accrued Payroll-Funded Annual Leave-Civilian
Cr 2213 Accrued Payroll-Civilian-Employer Share of Fringe Benefits

To record the amount of funded annual leave used by civilian employees.

TABLE 10-5

100308 Accrued Unfunded Annual Leave (Account 2220)

A. "Accrued Unfunded Annual Leave" reflects amounts of annual leave that have been earned and are payable, and will be paid from future years appropriations.

B. This account is a summary account used for financial reporting purposes. No transactions shall be posted to this account.

C. Sources for entries to this account include the payroll and leave records.

100310 Accrued Annual Leave-Military (Unfunded) (Account 2222)

A. "Accrued Annual Leave-Military (Unfunded)" is used to record the amount of the estimated liability at the end of the current accounting period for earned but unpaid and unfunded military personnel annual leave.

B. This account is applicable to non Defense Business Operations Fund, departmental-level activities only.

C. Table 10-7 illustrates the most common entries used for this account.

D. Sources for entries to this account include the payroll and leave records.

100309 Accrued Annual Leave-Civilian (Unfunded) (Account 2221)

A. "Accrued Annual Leave-Civilian" is used to record the estimated liability at the end of the current accounting period for earned but unpaid and unfunded civilian employee annual leave, including home leave.

B. Table 10-6 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 2221 -
ACCRUED ANNUAL LEAVE-CIVILIAN (UNFUNDED)**

1. Dr 6130 Annual Leave
Cr 2221 Accrued Annual Leave-Civilian (Unfunded)

To record the amount of unfunded annual leave earned by civilian employees.
2. Dr 2221 Accrued Annual Leave-Civilian (Unfunded)
Cr 2213 Accrued Payroll-Civilian-Employer Share of Fringe Benefits

To record the amount of unfunded annual leave used by civilian employees.

TABLE 10-6

**ACCOUNTING ENTRIES FOR ACCOUNT 2222 -
ACCRUED ANNUAL LEAVE-MILITARY (UNFUNDED)**

1. Dr 6130 Annual Leave
Cr 2222 Accrued Annual Leave-Military (Unfunded)

To record the amount of unfunded annual leave earned by military personnel.
2. Dr 2222 Accrued Annual Leave-Military (Unfunded)
Cr 2214 Accrued Payroll-Military-Employer Share of Fringe Benefits

To record the amount of unfunded annual leave taken by military personnel.

TABLE 10-7

100311 Actuarial Liabilities (Account 2600)

A. Actuarial Liabilities" reflects the estimated present value of program benefits that will be made in the future that relate to services performed or entitlements due as of the balance sheet date. This account is not used to accrue liabilities for contributions to these programs.

B. This account is a summary account used for financial reporting purposes. No entries are posted to this account.

100312 Retirement Plans (Account 2610)

A. "Retirement Plans" is used to record the actuarial present value of the

accumulated plan benefits of the DoD Military Retirement Fund.

B. In computing the liability, DoD personnel shall comply with the requirements in chapter 15 of this Volume.

C. Defense Finance and Accounting Service (DFAS) shall report DoD Military Retirement Fund financial information in financial statements in accordance with the guidance contained in chapters 1, 4, and 5, of Volume 6, of this regulation.

D. Table 10-8 illustrates the most common entries used for this account.

ACCOUNTING ENTRIES FOR ACCOUNT 2610 - RETIREMENT PLANS

1. Dr 7600 Changes in Actuarial Liability
Cr 2610 Retirement Plans

To record the increase in the actuarial present value of accumulated benefits payable from the DoD Military Retirement Fund.

2. Dr 2610 Retirement Plans
Cr 7600 Changes in Actuarial Liability

To record the decrease in the actuarial present value of accumulated benefits payable from the DoD Military Retirement Fund.

TABLE 10-8

E. Sources for entries to this account include documented actuarial determinations.

100313 Insurance Plans (Account 2620)

A. "Insurance Plans" is used to record the actuarial liability for future policy benefits of any insurance plan that DoD may be asked to administer.

B. At the present time, DoD does not administer any insurance plans. Accordingly, use of this account is not authorized.

100314 Other Actuarial Liabilities (Account 2690)

A. "Other Actuarial Liabilities" is used to record the actuarial present value of other plans not classified above.

B. At the present time, DoD does not administer any such plans. Accordingly, use of this account is not authorized.

100315 Accrued Civilian Severance Pay (Unfunded) (Account 2993)

A. "Accrued Civilian Severance Pay (Unfunded)" is used to record the unfunded liability for accrued payments due to former civilian employees who were involuntarily separated or to their survivors. Amounts recorded in this account do not include foreign national separation pay required pursuant to agreements negotiated with the respective foreign countries. Such amounts are treated as a noncurrent public account payable and recorded in account 2114, "Accounts Payable-Public-Noncurrent."

B. Table 10-9 illustrates the most common entries used for this account.

C. Sources for entries to this account include personnel office computations of the severance pay and disbursement vouchers.

**ACCOUNTING ENTRIES FOR ACCOUNT 2993 -
ACCRUED CIVILIAN SEVERANCE PAY (UNFUNDED)**

1. Dr 6115 Benefits to Former Personnel
Cr 2993 Accrued Civilian Severance Pay (Unfunded)

To record the increase in the amount of civilian employee severance pay accrued as of the end of the accounting period.

2. Dr 2993 Accrued Civilian Severance Pay (Unfunded)
Cr 2213 Accrued Payroll-Civilian-Employer Share of Fringe Benefits

To transfer amounts to be paid for severance pay to the funded liability account

TABLE 10-9

ACCOUNT NO. 2200	
ACCRUED LIABILITIES - PAYROLL AND BENEFITS	
DESCRIPTION: Reflects accrued funded payroll and benefits and accrued unfunded annual leave.	
DEBIT	CREDIT
<p>This is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 10-1	

ACCOUNT NO. 2210	
ACCRUED FUNDED PAYROLL AND BENEFITS	
DESCRIPTION: Reflects the estimated liability for salaries and wages of civilians that have been earned but are unpaid and amounts of funded annual leave, sick leave, and other employee benefits that have been earned but unpaid.	
DEBIT	CREDIT
<p>This is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 10-2	

ACCOUNT NO. 2211	
ACCRUED PAYROLL - CIVILIAN	
DESCRIPTION: Represents the amount of the estimated liability for civilian employee funded compensation earned but unpaid as of the end of the current accounting period.	
DEBIT	CREDIT
1. Compensation paid. Contra: 1012	1. Amount of civilian employee funded compensation accrued as of the end of the current accounting period. Contra: 6111
NORMAL BALANCE: CREDIT	
FIGURE 10-3	

ACCOUNT NO. 2212	
ACCRUED PAYROLL - MILITARY	
DESCRIPTION: Represents the amount of the estimated liability for military personnel funded compensation earned but unpaid as of the end of the current accounting period.	
DEBIT	CREDIT
1. Compensation paid. Contra: 1012	1. Amount of military personnel funded compensation accrued as of the end of the current accounting period. Contra: 6112
NORMAL BALANCE: CREDIT	
FIGURE 10-4	

ACCOUNT NO. 2213	
ACCRUED PAYROLL - CIVILIAN - EMPLOYER SHARE OF PERSONNEL BENEFITS	
DESCRIPTION: Represents the amount of the estimated liability for currently employed civilian employee benefits earned and funded but unpaid as of the end of the current accounting period.	
DEBIT	CREDIT
1. Payments made. Contra: 1012, and 2221	1. Amount of civilian employee funded benefits accrued as of the end of the current accounting period. Contra: 6113
NORMAL BALANCE: CREDIT	
FIGURE 10-5	

ACCOUNT NO. 2214	
ACCRUED PAYROLL - MILITARY - EMPLOYER SHARE OF PERSONNEL BENEFITS	
DESCRIPTION: Represents the amount of the estimated liability for currently employed military personnel benefits earned and funded but unpaid as of the end of the current accounting period.	
DEBIT	CREDIT
1. Benefit payments made. Contra: 1012, and 2214	1. Amount of military personnel funded benefits accrued as of the end of the current accounting period. Contra: 6114
NORMAL BALANCE: CREDIT	
FIGURE 10-6	

ACCOUNT NO. 2215	
ACCRUED PAYROLL-FUNDED ANNUAL LEAVE-CIVILIAN	
DESCRIPTION: Represents the amount of the funded liability for annual leave earned by civilian employees but not used as of the end of the current accounting period.	
DEBIT	CREDIT
<p>1. Funded annual leave used by civilian employees.</p> <p>Contra: 2213 Accrued Payroll-Civilian-Employer Share of Fringe Benefits</p>	<p>1. Amount of funded annual leave earned by civilian employees but not used as of the end of the current accounting period.</p> <p>Contra: 6130 Annual Leave</p>
NORMAL BALANCE: CREDIT	
FIGURE 10-7	

ACCOUNT NO. 2220	
ACCRUED UNFUNDED ANNUAL LEAVE	
DESCRIPTION: Reflects amounts of annual leave which have been earned and are payable, and are expected to be paid from future years appropriations.	
DEBIT	CREDIT
<p>This is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 10-8	

ACCOUNT NO. 2221	
ACCRUED ANNUAL LEAVE - CIVILIAN (UNFUNDED)	
DESCRIPTION: Represents the amount of the unfunded liability for annual leave earned by civilian employees but not used as of the end of the current accounting period.	
DEBIT	CREDIT
<p>1. Leave used.</p> <p>Contra: 2213 Accrued Payroll - Civilian - Employer Share of Fringe Benefits.</p>	<p>1. Amount of annual leave earned by civilian employees but not used as of the end of the current accounting period.</p> <p>Contra: 6130 Annual Leave</p>
NORMAL BALANCE: CREDIT	
FIGURE 10-9	

ACCOUNT NO. 2222	
ACCRUED ANNUAL LEAVE - MILITARY (UNFUNDED)	
DESCRIPTION: Represents the amount of the unfunded liability for annual leave earned by military personnel but not used as of the end of the current accounting period.	
DEBIT	CREDIT
<p>1. Leave used.</p> <p>Contra: 2214 Accrued Payroll - Military - Employer Share of Fringe Benefits</p>	<p>1. Amount of annual leave earned by military personnel but not used as of the end of the current accounting period.</p> <p>Contra: 6130 Annual Leave</p>
NORMAL BALANCE: CREDIT	
FIGURE 10-10	

ACCOUNT NO. 2600	
ACTUARIAL LIABILITIES	
DESCRIPTION: Reflects the estimated present value of program benefits that will be made in the future that relate to services performed or entitlements due as of the balance sheet date.	
DEBIT	CREDIT
<p>This is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 10-11	

ACCOUNT NO. 2610	
RETIREMENT PLANS	
DESCRIPTION: Reflects the actuarial present value of the accumulated plan benefits of the DoD Military Retirement Fund.	
DEBIT	CREDIT
<p>1. Decrease in actuarial present value of accumulated benefits payable from the DoD Military Retirement Fund to military personnel or their survivors.</p> <p>Contra: 7600</p>	<p>1. Increase in actuarial present value of accumulated benefits payable from the DoD Military Retirement Fund to military personnel or their survivors.</p> <p>Contra: 7600</p>
NORMAL BALANCE: CREDIT	
FIGURE 10-12	

ACCOUNT NO. 2620	
INSURANCE PLANS	
DESCRIPTION: Reflects the actuarial liability for future policy benefits of insurance plans.	
DEBIT	CREDIT
This account is currently not in use	
NORMAL BALANCE: CREDIT	
FIGURE 10-13	

ACCOUNT NO. 2690	
OTHER ACTUARIAL LIABILITIES	
DESCRIPTION: Reflects the actuarial present value of other actuarial plans not classified to other accounts.	
DEBIT	CREDIT
<p>This account is not authorized for use by DoD Components at this time</p>	
NORMAL BALANCE: CREDIT	
FIGURE 10-14	

ACCOUNT NO. 2993	
ACCRUED CIVILIAN SEVERANCE PAY (UNFUNDED)	
DESCRIPTION: Represents the amount of the estimated liability for civilian employee unfunded severance pay accrued as of the end of the current accounting period.	
DEBIT	CREDIT
1. Payments that liquidate the accrual. Contra: 1012	1. Increase in the amount of civilian employee severance pay accrued as of the end of the current accounting period. Contra: 6115
NORMAL BALANCE: CREDIT	
FIGURE 10-15	

CHAPTER 11

COMPONENT DEBT1101 GENERAL

110101 Purpose. This chapter prescribes the accounting principles and policy to be followed by DoD Components to account for debt incurred in accordance with statutory authority.

110102 Overview. Debt incurred by DoD Components is generally associated with housing programs determined to be necessary to carry out the Department of Defense's mission. Included are mortgage agreements accepted pursuant to the Family Housing Program and the Homeowners Assistance Fund. This chapter includes guidance to account for debt incurred to finance mortgages and illustrates the entries necessary to record transactions in these accounts.

A. FAMILY HOUSING PROGRAM

1. The Defense Family Housing Program provides housing for military families and for civilian families where circumstances requires the Department of Defense support this program by providing housing referral services, including administration of private rental housing for DoD personnel overseas; by leasing private housing for DoD personnel; or by guaranteeing service members' rental, mortgage and mortgage insurance payments on privately owned housing.

2. Guidance for financing the Family Housing Program is contained in Volume 2 of this Regulation, while guidance for accounting for funds made available for this program are contained in Volume 3.

B. HOMEOWNERS ASSISTANCE FUND

1. Under 42 U.S.C. 3374, the Secretary of Defense is authorized to provide assistance to owners of one or two family dwellings located at or near military installations

ordered to be closed in whole or in part. In certain instances, this assistance is rendered by acquiring negotiated title to the properties from such owners. Section d of the statute established the Homeowners Assistance Fund. Section g authorized the Secretary of Defense to enter into an agreement with the Secretary of Housing and Urban Development (HUD) with respect to the administration of the program. That agreement provided that, on the Department of Defense's behalf, HUD shall maintain, manage, and dispose of such properties acquired by the DoD and be reimbursed for all costs incurred in its administration. That agreement was terminated as of January 1, 1993. Since that date, all properties acquired are managed and disposed of by the Army Corps of Engineers.

2. The Chief of Engineers, Department of the Army Corps of Engineers, is responsible for obtaining title to the properties and for administration. The Chief of Engineers also is responsible for negotiating the Department of Defense's acquisition price with the property owner.

3. Funding for this program is through annual appropriations made available by the Congress.

4. DoD Directive 4165.50, "Home-owners Assistance Program," provides overall policy guidance and information on the program.

1102 ACCOUNTING POLICY FOR DEBT

110201 The accounting policy for properties acquired under both the Family Housing Assistance Program and the Homeowners Assistance Program are the same as those for real property discussed in Chapter 6 of this Volume. The accounting policy for the liabilities incurred under both programs are discussed in the following paragraphs.

110202 The liability for amounts owed on housing acquired under the two programs shall be equal to (1) borrowings from other Federal Agencies and the public to construct or acquire the properties, or (2) the mortgages assumed when title passes to the Department of Defense.

110203 The balance of the mortgages payable shall be reduced by that portion of the periodic payments made which represent the mortgage principal.

110204 Liabilities for borrowings from other Federal Agencies and non-federal organizations shall be recorded at the amounts actually obtained. Amounts paid to financial organizations to obtain the borrowings shall be treated as a current period operating expense.

1103 ACCOUNTING FOR DEBT

110301 The accounts used to account for Department of Defense debt are described in the following paragraphs.

110302 Debt (Account 2500)

A. This is a summary account used to record DoD's liability in the form of notes payable and other borrowing agreements.

B. This account is a summary account used for financial reporting and control purposes. Do not post entries to this account.

110303 Borrowing From Treasury (Account 2510)

A. "Borrowing From Treasury" is used to record amounts borrowed from the Treasury.

B. At the current time, no DoD Component is authorized to enter into borrowing agreements with the Treasury. Accordingly, this account shall not be used by DoD Components.

110304 Borrowing From Federal Financing Bank (Account 2520)

A. "Borrowing From Federal Financing Bank" is used to record amounts borrowed from Federal Financing Banks.

B. Since no DoD Component is authorized to borrow from a Federal Financing Bank, use of this account is not authorized.

110305 Securities Issued by Federal Agencies Under Special Financing Authority (Account 2530)

A. "Securities Issued by Federal Agencies Under Special Financing Authority" is used to record the liability arising from issuing new borrowings authorized under special financing authorities.

B. Since no DoD Component is authorized special financing authority to conduct programs, use of this account is not authorized.

110306 Participation Certificates (Account 2540)

A. "Participation Certificates" is used to record a DoD Component's liability for its share of participation certificates issued pursuant to legislative authority.

B. Since no DoD Component is authorized to issue such certificates or to participate in the issuance of such certificates, use of this account is not authorized.

110307 Other Debt (Account 2590)

A. "Other Debt" is used to account for all other forms of Department of Defense liabilities, secured and unsecured, not otherwise classified above.

B. This account is a summary account used for financial accounting and control purposes. No transactions are posted to this account.

**110308 Mortgages Payable-Family Housing
(Account 2591)**

A. "Mortgages Payable-Family Housing" represents the liability for outstanding mortgage balances on family housing properties owned by the DoD. The account is supported by subsidiary records for each outstanding mortgage.

B. Table 11-1 illustrates the most common entries used for this account.

C. Sources for entries to this account include titles, mortgage agreements, and disbursement vouchers.

110309 Mortgages Payable-Homeowners Assistance Program (Account 2592)

A. "Mortgages Payable-Homeowners Assistance Program" is used to record the out

standing balances of mortgages acquired by the Department of Defense on homes purchased under the provisions of the Homeowners Assistance Program.

B. This account shall be used by the Corps of Engineers to account for home mortgages acquired by the Chief of Engineer.

C. The account shall be increased for major repairs incurred to maintain the properties and put them in condition for resale. Costs not considered major shall be treated as a current period operating expense.

D. Table 11-2 illustrates the most common entries used for this account.

E. Sources for entries to this account include titles, purchase agreements, sales agreements, collection vouchers, and journal vouchers with supporting documentation computing the amount of the loss or gain on disposition.

**ACCOUNTING ENTRIES FOR ACCOUNT 2591 -
MORTGAGES PAYABLE-FAMILY HOUSING**

1. Dr 1591 Other Related Property
Cr 2591 Mortgages Payable-Family Housing

To record the mortgage liability assumed by the Department of Defense.

2. Dr 2591 Mortgages Payable-Family Housing
Cr 1012 Funds Disbursed

To record periodic mortgage payments.

TABLE 11-1

**ACCOUNTING ENTRIES FOR ACCOUNT 2592 -
MORTGAGES PAYABLE-HOMEOWNERS ASSISTANCE PROGRAM**

1. Dr 1591 Other Related Property
 Cr 2592 Mortgages Payable-Homeowners Assistance Program

 To record mortgages acquired under the Homeowners Assistance Program.
2. Dr 2592 Mortgages Payable-Homeowners Assistance Program
 Cr 1012 Funds Disbursed

 To record principal payments on mortgages.
3. Dr 1011 Funds Collected
 Dr 2592 Mortgages Payable-Homeowners Assistance Program
 Dr 7210 Losses on Disposition of Assets
 Cr 1591 Other Related Property

 To record sale of home at a loss.
4. Dr 1011 Funds Collected
 Dr 2592 Mortgages Payable-Homeowners Assistance Program
 Cr 1591 Other Related Property
 Cr 7110 Gains on Disposition of Assets

 To record sale of home at a gain.

TABLE 11-2

ACCOUNT NO. 2500	
DEBT	
DESCRIPTION: Represents the DoD liability in the form of notes payable and other borrowing agreements.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 11-1	

ACCOUNT NO. 2510	
BORROWING FROM TREASURY	
DESCRIPTION: Represents amounts borrowed from the Treasury by DoD Components.	
DEBIT	CREDIT
<p>Do not use this account without prior approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 11-2	

ACCOUNT NO. 2520	
BORROWING FROM FEDERAL FINANCING BANK	
DESCRIPTION: Represents amounts borrowed from Federal Financing Banks.	
DEBIT	CREDIT
<p>DoD Components do not have authority to borrow funds from Federal Financing Banks</p> <p>Use of this account is not authorized</p>	
NORMAL BALANCE: CREDIT	
FIGURE 11-3	

ACCOUNT NO. 2530	
SECURITIES ISSUED BY FEDERAL AGENCIES UNDER SPECIAL FINANCING AUTHORITY	
DESCRIPTION: Represents the liability arising from issuing new borrowing authorized under special financing authorities.	
DEBIT	CREDIT
<p>DoD Components do not have authority to issue new borrowings authorized under special financing authorities</p> <p>Use of this account is not authorized</p>	
NORMAL BALANCE: CREDIT	
FIGURE 11-4	

ACCOUNT NO. 2540	
PARTICIPATION CERTIFICATES	
DESCRIPTION: Represents the Department of Defense's share of participation certificates issued pursuant to legislative authority.	
DEBIT	CREDIT
<p>DoD Components do not have authority to issue new borrowings authorized under special financing authorities</p> <p>Use of this account is not authorized</p>	
NORMAL BALANCE: CREDIT	
FIGURE 11-5	

ACCOUNT NO. 2590	
OTHER DEBT	
DESCRIPTION: Represents all other forms of DoD obligations, secured and unsecured, not otherwise classified to another liability account.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 11-6	

ACCOUNT NO. 2591	
MORTGAGES PAYABLE - FAMILY HOUSING	
DESCRIPTION: Represents the liability for outstanding mortgage balances on family housing properties owned by the Department of Defense.	
DEBIT	CREDIT
1. Periodic mortgage payments. Contra: 1012	1. Record the mortgage liability assumed by the Department of Defense. Contra: 1591
NORMAL BALANCE: CREDIT	
FIGURE 11-7	

ACCOUNT NO. 2592	
MORTGAGES PAYABLE - HOMEOWNERS ASSISTANCE PROGRAM	
DESCRIPTION: Represents the outstanding balances of mortgages assumed by the Department of Defense on homes acquired under the provisions of the Homeowners Assistance Program.	
DEBIT	CREDIT
1. Record periodic payments of principal. Contra: 1012 2. Record sale of a home at a loss. Contra: 1591 3. Record sale of a home at a gain Contra: 1591, and 7110	1. Record mortgage assumption. Contra: 1591
NORMAL BALANCE: CREDIT	
FIGURE 11-8	

CHAPTER 12

CAPITAL LEASES PAYABLE1201 GENERAL

120101. Purpose. This chapter prescribes the accounting principles and policy to be followed by Department of Defense (DoD) Components to account for liabilities associated with capital leases.

120102. Overview. Unless otherwise provided by legislation, DoD Components are not authorized to enter into capital leases. Accordingly, agreements to lease real estate and personal property are limited to current year operating requirements.

1202 ACCOUNTING POLICY FOR CAPITAL LEASE LIABILITIES

★120201. The DoD Components authorized to enter into capital lease agreements shall treat the transaction as the acquisition of an asset and the incurrence of a liability. The amount to be recorded as a liability under a capital lease is the lesser of the present value of the rental and other minimum lease payments during the lease term, excluding the executory costs (actual or estimated) paid to the lessor, or the asset's fair value (see paragraph 070207. of Volume 4 of this Regulation).

★120202. Chapter 7 of this Volume also provides guidance for determining whether a lease is a capital lease or an operating lease and for determining the amounts to be recorded.

1203 ACCOUNTING FOR CAPITAL LEASE LIABILITIES

120301. The following account shall be used to record the DoD Component's liability for capital leases.

120302. Capital Lease Liability (Account 2940).

A. Capital Lease Liability is used to record the liability incurred for capital leases entered into pursuant to legislative authority.

B. Table 12-1 illustrates the most common entries used for this account.

C. Sources for entries to this account include lease agreements and disbursing vouchers.

★ ACCOUNTING ENTRIES FOR ACCOUNT 2940 - CAPITAL LEASE LIABILITY

1. (Dr 1810 Assets Under Capital Lease
 Cr 2940 Capital Lease Liability

To record the value of leased property.

2. Dr 2940 Capital Lease Liability
 Dr 6330 Other Interest Expenses
★ Cr 1010 Fund Balance with Treasury

To record payments on capital leases.

TABLE 12-1

★ ACCOUNT NO. 2940	
CAPITAL LEASE LIABILITY	
DESCRIPTION: Represents the liability for capital leases that have not expired.	
DEBIT	CREDIT
1. Record lease payments.	1. Record the value of leased property.
★Contra: 1010	Contra: 1730 1740 ★ 1750
NORMAL BALANCE: CREDIT	
FIGURE 12-1	

★CHAPTER 13★

★ACCRUED ENVIRONMENTAL AND NONENVIRONMENTAL DISPOSAL COST
LIABILITIES★1301 GENERAL

★130101. This chapter prescribes the accounting policy and principles for measuring (estimating) and recognizing (recording in the accounting system and reporting in the financial statements) Department of Defense (DoD) liabilities associated with the disposition of property, structures, equipment, munitions, and weapons. It also includes the preservation and management of training ranges at active installations (as described in subparagraph 130201.A. of this Chapter). The timing of disposal liability measurement will vary depending on whether the disposal effort involves the removal and disposal of hazardous waste (environmental disposal). The accounting entry used to record an environmental disposal liability is dependent on whether the liability existed at September 30, 1997, and on when the liability is first recorded (see paragraph 130108). The recording and reporting of disposal cost estimates in financial statements is subject to the materiality criterion in paragraph 130109 of this Chapter. Liability recognition shall not be based on the availability of funds.

130102. This chapter does not address a number of related issues. Accounting for accrued environmental restoration costs that result from past operations is discussed in Chapter 14 of this Volume. The property, plant, and equipment (PP&E) types discussed in this chapter are defined in Chapter 6 of Volume 4 of this Regulation. Accounting for asset disposition gains and losses is discussed in Chapter 17 of this Volume. Reporting guidance on liabilities in general is contained in Chapter 4 of Volume 6B of this Regulation. Required supplementary stewardship information (RSSI) reporting guidance is in Chapter 11 of Volume 6B of this Regulation. Applicable budget formulation guidance is in Chapters 4, 9, and 13 of Volume 2B of this Regulation, including the development of stabilized prices for the Defense Working Capital Fund. This chapter does not apply to costs that are incurred to bring land to a form suitable for intended use; these costs are discussed in Chapter 6 of this Volume. Nor does this chapter apply to the disposal costs associated with excess, obsolete, or unserviceable inventories; such costs are addressed in Chapter 17 of this Volume.

130103. Disposal costs shall be measured and recognized as discussed in Sections 1302, 1303, 1304, and 1305 of this Chapter.

130104. Disposal cost measurements (estimates) may be prepared at the installation or other organizational level. Cost estimates prepared for this purpose shall consider, on a current cost basis, the anticipated costs of the level of effort required to dispose of the item, as well as the costs of complying with associated applicable legal and/or regulatory requirements. Such cost estimates should be based on the current disposal or reuse technologies available. Cost estimates shall be revised when there is evidence that significant changes in the cost estimates have occurred, (e.g., changes in scope, ownership, regulation, or technology). As a minimum, long-term cost

estimates shall be adjusted (upward or downward) annually, through indexing, to maintain them on a current cost basis (i.e., as if acquired in the current period).

130105. Disposal estimates are subject to audit. The preparation of cost estimates may involve the application of specialized methods, accumulation and study of historical costs, and/or the conduct of technical analyses. Organizations that prepare cost estimates must retain adequate documentation to identify data sources, estimating method accreditation (including parametric models) and rationale used (see Key Accounting Requirement Number 8 in Chapter 3 of Volume 1 of this Regulation). Documentation of management review also must be retained.

130106. Estimates for disposal costs may be specific amounts or a range of amounts. If some amount within a range is considered a better estimate than any other estimate, that amount should be used. If no amount within a range is considered a better estimate than other estimates, then the minimum amount in the range should be used.

130107. Estimates for disposal costs should be offset by estimated cash proceeds only when the proceeds (resale, recycle, salvage, etc.) are permitted to be retained and used by the organization that will fund the disposal costs.

130108. Disposal liability estimates that are material at the reporting entity level, as identified in Section 0106 of Chapter 1 of Volume 6B of this Regulation, shall be recorded in the accounting system and reported in the financial statements as of the report date. Estimates for disposal liabilities shall be recorded as follows:

A. Environmental disposal liabilities incurred on or prior to September 30, 1997, for property, plant, and equipment (PP&E) (other than National Defense PP&E). Estimated environmental disposal liabilities for the property categories discussed in Sections 1302, 1303 and 1304 of this Chapter, that were probable and reasonably estimable at September 30, 1997, shall be recorded as follows:

★1. Except as provided for in subparagraphs 2 below, the total amount of the estimated liability shall be recorded for the environmental disposal estimate, with an offsetting charge to Prior Period Adjustments (Account 7400).

★2. If environmental disposal costs are expected to be recovered annually over the estimated useful life of the PP&E through user charges, then the DoD Components shall (a) record a liability for that portion of the environmental disposal estimate that is attributable to the portion of the useful life prior to September 30, 1997 (or prior to September 30, 1998, if the liability was not recorded previously), with an offsetting charge to Prior Period Adjustments (Account 7400) and (b) incrementally record the balance of the environmental disposal estimate in a systematic and rational manner over the remaining useful life of the asset. In recording the environmental disposal estimate during each period subsequent to September 30, 1997 (or subsequent to September 30, 1998, if the fiscal year 1998 increment was charged to Prior Period Adjustments (Account 7400)) that the PP&E is in operation, a portion of the estimated total cost shall be accrued as a liability, with an offsetting charge to expense, based on

the use of the physical capacity, in the following manner: each period estimate shall equal (i) the total (final) estimated costs of cleanup efforts, (ii) times the physical capacity used/total capacity, (iii) minus the amount previously recognized as an expense (or charged to Prior Period Adjustments (Account 7400) for any portion charged as a prior period adjustment for use prior to September 30, 1997 (or prior to September 30, 1998)). If physical capacity is not applicable or estimable, the estimated useful life of the associated PP&E may serve as the basis for the systematic recognition of expense and accumulation of a liability. The unrecognized portion of the estimated total disposal cost must be disclosed (provided as information by footnote) in the financial statements each period.

★B. Environmental disposal liabilities incurred after September 30, 1997, for PP&E (other than National Defense PP&E). Estimated environmental disposal liabilities for the property discussed in Sections 1302, 1303 and 1304 of this Chapter that were or are placed into service after September 30, 1997, that are probable and reasonably estimable, shall be recorded incrementally, in a systematic and rational manner. In recording the environmental disposal estimate during each period subsequent to September 30, 1997 (or subsequent to September 30, 1998, if the fiscal year 1998 increment was charged to Prior Period Adjustments (Account 7400)) that the PP&E is in operation, a portion of the estimated total disposal cost shall be accrued as a liability, with an offsetting charge to expense, based on the use of the physical capacity, in the following manner: each period estimate shall equal (i) the total (final) estimated costs of cleanup efforts, (ii) times the physical capacity used/total capacity, (iii) minus the amount previously recognized as an expense (or charged to Prior Period Adjustments for any portion charged as a prior period adjustment for use prior to September 30, 1997 (or September 30, 1998)). If physical capacity is not applicable or estimable, the estimated useful life of the associated PP&E may serve as the basis for the systematic recognition of expense and accumulation of a liability. The total (final) amount of the estimated total disposal cost must be disclosed (provided as information by footnote) in the financial statements each period.

★C. Environmental disposal liabilities incurred on or prior to September 30, 1997, for National Defense PP&E. Estimated environmental disposal liabilities for the property discussed in Section 1305 (National Defense PP&E) of this Chapter, that were probable and reasonably estimable at September 30, 1997 (or at September 30, 1998, if the liability was not recorded previously), shall be recorded as a liability, with an offsetting charge to Prior Period Adjustments (Account 7400).

★D. Environmental disposal liabilities incurred after September 30, 1997, for National Defense PP&E. Estimated environmental disposal liabilities for the property discussed in Section 1305 (National Defense PP&E) of this Chapter, that were or are placed into service after September 30, 1997 (or September 30, 1998, if the fiscal year 1998 increment was charged to Prior Period Adjustments (Account 7400)), that are probable and reasonably estimable shall be recorded as a liability, with an offsetting charge to expense.

E. Nonenvironmental disposal liabilities. Estimates for nonenvironmental disposal liabilities shall be charged to expense at the time a formal disposal decision is made except for nuclear powered assets as discussed in paragraph 130506 of this Chapter.

1302 ACCOUNTING POLICY FOR ACCRUED DISPOSAL COSTS FOR GENERAL
PP&E AND STEWARDSHIP LAND

130201. This category includes (1) preservation and management activities at active and inactive ranges at active installations (as defined in DoD Instruction 6055.14, “Unexploded Ordnance Safety on Ranges”), that are not part of the Defense Environmental Restoration Program; (2) excess and/or obsolete facilities and structures that are not included in the Defense Environmental Restoration Program (see paragraph 140202.A. of Chapter 14 of this Volume); and (3) equipment other than National Defense PP&E. (Guidance on disposal cost liabilities associated with National Defense PP&E is contained in Section 1305 of this Chapter.)

A. Range preservation and management activities include the removal and disposal of solid wastes (to include radioactive materials), clearance of unexploded ordnance, and efforts to control and/or eliminate pollutants and contaminants. Installation-level cost estimates shall be used for estimating the amount of the liability.

B. When the Department identifies excess and/or obsolete structures and schedules them for demolition or other disposition, installation-level cost estimates shall be used for disposal liability measurement. Cost estimates for excess and obsolete structures that will be disposed of without being demolished should include any necessary fix-up costs and any directly attributable environmental costs (such as inspection, sampling, testing, removal and disposal of lead-based paint or asbestos). Disposal cost estimates for excess and/or obsolete structures that will be demolished should include the following cost elements, as appropriate:

1. Compensation and benefits of government personnel expected to devote significant time directly to a disposal effort.

2. Efforts to tear down remove and dispose of the item(s).

3. Planning and design (including contract advertisement and document reproduction) efforts.

4. Re-landscaping.

5. Permits and approvals (including State Historic Preservation Officer concurrence and documentation and McKinney Act screening).

6. Directly attributable environmental costs (excluding environmental restoration under the Defense Environmental Restoration Program).

C. Installation-level cost estimates shall be used to measure the disposal liability for equipment other than National Defense PP&E.

★130202. Environmental asset disposal liabilities that are probable and reasonably estimable for ranges, facilities, structures, and equipment shall be recognized, in accordance with the guidance in paragraph 130108 of this Chapter, as follows:

A. For purposes of this guidance, range preservation and maintenance costs at active installations are considered to be environmental disposal. Estimated range preservation and management costs shall be recognized as expense systematically over the period of expected use. Accumulation of the liability and recognition of the related expense (Account 6800) shall commence when the range is placed into service. The liability will be reduced as costs are paid (including payments for assets acquired for use in disposal activities). When a cost estimate is revised, the cumulative effect of the change will be recognized as an expense in the current accounting period and the corresponding liability adjusted. Alternatively, the annual accumulation entry may be reversed at the opening of the subsequent fiscal year. In that event, payments will be charged to expense (Account 6100), and the revised expense (Account 6800) and liability estimates will be recognized at the fiscal year-end.

★B. The estimated environmental disposal costs (at disposition) of facilities, structures, and equipment that are probable and reasonably estimable shall be recognized as expense systematically over the period of their expected use, or based on physical capacity. If physical capacity is not applicable or estimable, estimated environmental disposal costs shall be recognized ratably over the estimated service life, or the useful life as determined under the depreciation criteria in Chapter 6 of this Volume. Accumulation of the liability and recognition of the related expense (Account 6800) shall commence when the PP&E is placed into service. The liability will be reduced as costs are paid (including payments for assets acquired for use in disposal activities). Alternatively, the annual accumulation entry may be reversed at the opening of the subsequent fiscal year. In that event, payments will be charged to expense (Account 6100), and the revised expense (Account 6800) and liability estimates will be recognized at the fiscal year-end. When a cost estimate is revised, the cumulative effect of the change that is applicable to prior and current period operations will be recognized as an expense in the current accounting period and the corresponding liability adjusted.

C. Figure 13-1 illustrates the most common liability account entries associated with the recognition of a future funded expense (Account 6800) and the necessary expense reversal upon the performance of disposal work. Sample entries to record the associated operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1706 of Chapter 17 of this Volume.

130203. Nonenvironmental asset disposal liabilities that are probable and reasonably estimable for facilities, structures, and equipment that have been abandoned (e.g., buildings that have not been occupied for extended periods and are no longer maintained) or have been declared excess and/or obsolete and scheduled for demolition or other disposition within the next twelve months, shall be recognized. Sample entries to record operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1706 of Chapter 17 of this Volume.

★1303 ACCOUNTING POLICY FOR ACCRUED DISPOSAL COST FOR CONVENTIONAL MUNITIONS, INCLUDING UNGUIDED MISSILES

130301. Conventional munitions may require disposal at the end of their useful lives. Liabilities for conventional munitions, including environmental disposal and nonenvironmental disposal, shall be measured and recognized as described in this section.

130302. With regard to conventional munitions, the hazardous waste removal and disposal cost measurements required by this chapter shall be applied to current fiscal year-end inventories by type (e.g., Munitions Items Disposition Action System families), less any appropriate downward adjustments to reflect factors that may reduce the quantities ultimately requiring disposal, including consumption, and operational losses that would not be replaced.

A. Cost estimates for environmental disposal should include the following cost elements, as appropriate:

1. The cost of employing contractors, engineers, and consultants.
2. Facilities and machinery and equipment dedicated to the applicable disposal effort, and associated operating and maintenance costs.
3. Compensation and benefits of government personnel expected to devote significant time directly to a disposal effort, to include security and surveillance.

B. Cost estimates for nonenvironmental disposal should include all tasks associated with removal, transportation (where applicable), demilitarization, final dismantlement and disposal, and consider the cost elements listed in paragraph A. (1), (2), and (3) of this Paragraph.

★130303. Estimated final environmental disposal costs that are probable and reasonably estimable shall be recognized, in accordance with the guidance in paragraph 130108 of this Chapter, as expense systematically during each period, based on the estimated service life. Accumulation of the liability and recognition of the related expense (Account 6800) shall commence when the items are placed into service. Alternatively, the annual accumulation entry may be reversed at the opening of the subsequent fiscal year. In that event, payments will be charged to expense (Account 6100), and the revised expense (Account 6800) and liability estimates will be recognized at the fiscal year-end. Figure 13-1 illustrates the most common liability account entries associated with the recognition of a future funded expense (Account 6800) and the necessary expense reversal upon the performance of cleanup work. Sample entries to record the associated operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1706 of Chapter 17 of this Volume. When a cost estimate is revised, the cumulative effect of the change that is applicable to prior and current period operations will be recognized as an expense in the current accounting period and the corresponding liability adjusted.

130304. Nonenvironmental disposal liabilities that are probable and reasonably estimable, for munitions that have been declared excess and/or obsolete and scheduled for demolition or other disposition within the next twelve months shall be recognized. Sample entries to record the associated operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1706 of Chapter 17 of this Volume.

★1304 ACCOUNTING POLICY FOR THE DESTRUCTION OF CHEMICAL AGENTS AND MUNITIONS SUBJECT TO 50 U.S.C. 1521

130401. The Congress, in 50 U.S.C. 1521, has enacted legislation to require the Secretary of Defense to carry out the destruction of the United States' lethal chemical agents and munitions by 2007. The Department of the Army manages this destruction program. This section prescribes the accounting policy and procedures for the chemical demilitarization activities directed in 50 U.S.C. 1521.

★130402. Environmental and nonenvironmental disposal activities conducted under 50 U.S.C. 1521 that are probable and reasonably estimable shall be recorded as liabilities, in accordance with the guidance in paragraph 130108 of this Chapter.

130403. Cost estimates for the destruction of stockpile and nonstockpile chemical agents and munitions should include all tasks associated with their destruction and include the following cost elements, as appropriate:

- A. Permits and licenses.
- B. Research and development and alternative technologies and approaches studies.
- C. Grants to state and local governments.
- D. Other payments to state, Tribal, and local governments (e.g., fees, purchases of emergency equipment, etc.).
- E. Oversight support payments to the Environmental Protection Agency.
- F. Contractors, engineers, and consultants.
- G. Facilities and machinery and equipment dedicated to a destruction effort, and their associated operating and maintenance costs.
- H. Compensation and benefits of government personnel expected to devote significant time directly to a destruction effort, including security and surveillance.

★130404. Destruction liabilities for chemical agents and munitions that are in inventory shall be recognized for the total disposal estimate. The liability will be reduced as destruction costs are paid. When a cost estimate is revised, the cumulative effect of the change will be recognized as an expense in the current accounting period and the corresponding liability adjusted. Alternatively, the total disposal entry may be reversed at the opening of the subsequent fiscal year. In that event, payments will be charged to expense (Account 6100), and the revised expense (Account 6800) and liability estimates will be recognized at the fiscal year-end. Figure 13-1 illustrates the most common liability account entries associated with the recognition of a future funded expense (Account 6800) and the necessary expense reversal upon the performance of disposal. Sample entries to record the associated operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1706 of Chapter 17 of this Volume.

1305 ACCOUNTING POLICY FOR ACCRUED DISPOSAL COSTS FOR NATIONAL DEFENSE PP&E

130501. The guidance in this section does not apply to nuclear components that are owned and disposed of by the Department of Energy.

130502. With regard to National Defense PP&E, the environmental disposal cost measurements required by this chapter shall be developed in consideration of the RSSI report “As of 09/30/CY” quantities for the “Categories/Major Types,” excluding “Space Systems” and “Other Weapons Systems (see Figure 11-1 of Volume 6B, Chapter 11); less any appropriate downward adjustments to reflect factors that may reduce the quantities ultimately requiring disposal, including consumption, operational losses that would not be replaced, Foreign Military Sales, donations, recycling and reuse.

130503. Disposal liabilities for National Defense PP&E shall be measured as follows:

A. Environmental cost estimates for hazardous waste removal and disposal should include the following cost elements, as appropriate:

1. The cost of employing contractors, engineers, and consultants.
2. Facilities and machinery and equipment dedicated to the applicable disposal effort, and associated operating and maintenance costs.
3. Compensation and benefits of government personnel expected to devote significant time directly to a disposal effort, to include security and surveillance.

B. Nonenvironmental cost estimates for disposition related nonenvironmental disposal should include all tasks associated with removal, transportation (where applicable), demilitarization, final dismantlement and disposal, and shall include the cost elements listed in A. (1), (2), and (3) of this paragraph as applicable.

130504. Nonenvironmental disposal liabilities for National Defense PP&E that are probable and reasonably estimable shall be recognized as expense at the time there is a formal management decision that the items are to be retired (Army), decommissioned (Air Force), or stricken (Navy), and prior to their transfer to the Defense Reutilization and Marketing Service or other disposition (but see the exception for nuclear powered assets in paragraph 130506 of this Chapter). Sample entries to record the associated operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1706 of Chapter 17 of this Volume.

★130505. Environmental disposal liabilities for National Defense PP&E that are probable and reasonably estimable shall be recognized, in accordance with the guidance in paragraph 130108 of this Chapter, as expense at the time items are placed into service and a liability established. The liability will be reduced as costs are paid (including payments for assets acquired for use in disposal activities). Alternatively, the annual accumulation entry may be reversed at the opening of the subsequent fiscal year. In that event, payments will be charged to expense (Account 6100), and the revised expense (Account 6800) and liability estimates will be recognized at the fiscal year-end. Figure 13-1 illustrates the most common liability account entries associated with the recognition of a future funded expense (Account 6800) and the necessary expense reversal upon the performance of cleanup work. Sample entries to record the associated operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1706 of Chapter 17 of this Volume. When a cost-to-complete estimate is revised, the cumulative effect of the change will be recognized as expense in the current accounting period and the corresponding liability adjusted.

★130506. For nuclear powered assets (e.g., nuclear submarines and surface ships), the costs of both hazardous waste removal and disposal (environmental disposal) and nonenvironmental disposal, when probable and reasonably estimable, shall be recognized, in accordance with the guidance in paragraph 130108 of this Chapter, as expense, and a liability established, when items are placed into service. The liability will be reduced as costs are paid (including payments for assets acquired for use in disposal activities). Alternatively, the annual accumulation entry may be reversed at the opening of the subsequent fiscal year. In that event, payments will be charged to expense (Account 6100), and the revised expense (Account 6800) and liability estimates will be recognized at the fiscal year-end. Figure 13-1 illustrates the most common liability account entries associated with the recognition of a future funded expense (Account 6800) and the necessary expense reversal upon the performance of cleanup work. Sample entries to record the associated operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1706 of Chapter 17 of this Volume. When a cost-to-complete estimate is revised, the cumulative effect of the change will be recognized as expense in the current accounting period and the corresponding liability adjusted.

★ ACCOUNT NO. 2995	
ACCRUED CLEANUP COSTS	
DESCRIPTION: Represents the accumulated current dollar estimate of the future funded hazardous waste removal and disposal costs associated with PP&E.	
DEBIT	CREDIT
1. Reverse expense upon receipt of services. Contra: 6800	1. Record the systematic accumulation of the hazardous waste removal and disposal liability estimate. ★ Contra: 6800 7400
NORMAL BALANCE: CREDIT	
FIGURE 13-1	

★CHAPTER 14★

★ACCRUED ENVIRONMENTAL RESTORATION (CLEANUP) LIABILITIES★

1401 GENERAL

140101. This chapter prescribes the accounting policy and principles for measuring (estimating) and recognizing (recording in the accounting system and reporting in the financial statements) Department of Defense (DoD) liabilities associated with the containment, treatment, or removal of contamination that could pose a threat to public health and the environment. Liability recognition shall not be based on the availability of funds.

140102. This chapter does not address a number of other related issues. Accounting for disposal expenses (including hazardous waste removal and disposal) is discussed in Chapter 13 of this Volume. Reporting guidance on liabilities in general is contained in Chapter 4 of Volume 6B of this Regulation. Applicable budget formulation guidance is in Chapters 4, 9, and 13 of Volume 2B of this Regulation, including the development of stabilized prices for the Defense Working Capital Fund. This chapter does not apply to the costs of environmental compliance, pollution prevention, conservation activities, contaminations or spills, or treaty obligations, all of which are accounted for as part of ongoing operations.

140103. Accrued environmental restoration (cleanup) costs of the DoD relate to General Property, Plant, and Equipment (PP&E), including acquired land, and Stewardship Land, as those major asset categories are described in Chapter 6 of this Volume. Environmental restoration activities may be conducted at operating installations, base realignment and closure (BRAC) installations, or at formerly used defense sites (FUDS).

140104. Environmental restoration cost measurements (estimates) may be prepared at the installation or other organizational level. Cost estimates prepared for this purpose shall include, on a current cost basis, the anticipated costs of the level of effort required to affect the restoration, as well as the costs of complying with associated applicable legal and/or regulatory requirements. Such cost estimates should be based on the current technology available. Cost estimates shall be revised when there is evidence that significant changes in the cost estimates have occurred (e.g., changes in scope, ownership, regulation, or technology), or as appropriate when preparing annual reports to Congress. As a minimum, long-term cost estimates shall be adjusted (upward or downward) annually, through indexing, to maintain them on a current cost basis (i.e., as if acquired in the current period).

140105. Environmental restoration estimates are subject to audit. Cost estimate preparation may involve the application of specialized methods, accumulation and study of historical costs, and the conduct of technical analyses. Estimating tools used must be verified, validated, and determined to be reasonably accurate. Organizations that prepare cost estimates must retain adequate documentation to identify data sources, estimating method accreditation (including parametric models) and rationale used (see Key Accounting Requirement Number 8 in

Chapter 3 of Volume 1 of this Regulation). Documentation of management review also must be retained.

140106. Cost estimates for some aspects of cleanup activity (e.g., studies, investigations, remedial actions, or monitoring) may be specific amounts or a range of amounts. If some amount within a range is considered a better estimate than any other estimate, that amount should be used. If no amount within a range is considered a better estimate than other estimates, then the minimum amount in the range should be used.

140107. Cost estimates for restoration activities should only be offset by estimated cash proceeds when the proceeds are permitted to be retained and used by the organization that will fund the disposal costs.

140108. Environmental restoration liability estimates that are material at the reporting level, as identified in Section 01016 of Chapter 1 of Volume 6B of this Regulation, shall be recorded in the accounting system and reported in the financial statements as of the report date.

1402 ACCOUNTING POLICY FOR ACCRUED ENVIRONMENTAL RESTORATION (CLEANUP) COSTS FOR GENERAL PP&E AND STEWARDSHIP LAND

140201. Environmental Restoration (cleanup) liabilities shall be measured as described in paragraph 140202 and recognized as described in paragraph 140204 of this Chapter, as of the reporting date (e.g., fiscal year-end), for locations the DoD is legally obligated to cleanup (environmental restoration) and for locations the Department has entered into agreements to cleanup.

140202. The Office of the Deputy Under Secretary of Defense (Environmental Security) (ODUSD(ES)) issues policy and management guidance addressing most environmental restoration (cleanup) efforts involving the DoD:

A. The Defense Environmental Restoration Program includes active installations and FUDS, and the Base Realignment and Closure Restoration Program for BRAC installations. Environmental restoration (cleanup) activities are further categorized as installation restoration, other hazardous waste (which includes the clearance of ordnance and explosive wastes at FUDS property and of munitions left on closed, transferred, or transferring ranges), and building demolition/debris removal (BD/DR). Management and cost estimating guidance is contained in the document titled, "MANAGEMENT GUIDANCE FOR THE DEFENSE ENVIRONMENTAL RESTORATION PROGRAM."

B. The ODUSD(ES) management guidance details essential installation level site inventory and reporting requirements (e.g., site identifiers, status, and cost-to-complete estimates). These data requirements are used in preparing installation and FUDS Site Management Action Plans (MAPs) and BRAC Cleanup Plans (BCPs). The ODUSD(ES) uses this information for several purposes including the preparation of budgetary requests and the Defense Environmental Restoration Program Annual Report to Congress. These site inventories and related estimated cost

data also shall be used by the DoD Components as the baseline for environmental restoration (cleanup) liability measurement (i.e., the current cost to acquire the required services as described in Section G of the management guidance cited in the preceding paragraph).

★140203. Estimated environmental restoration costs for General PP&E, and stewardship land that are probable and reasonably estimable shall be recognized as expense (Account 6800) and a liability established. The liability will be reduced as cleanup costs are paid (including payments for assets acquired for use in environmental restoration activities). Alternatively, the annual accumulation entry may be reversed at the opening of the subsequent fiscal year. In that event, payments will be charged to expense (Account 6100), and the revised expense (Account 6800) and liability estimates will be recognized at the next fiscal year-end. Figure 14-1 illustrates the most common liability account entries associated with the recognition of a future funded expense (Account 6800) and the necessary expense reversal upon the performance of restoration work. Sample entries to record the associated operating expenses/program costs (Account 6100) covered by available budgetary resources are in Section 1706 of Chapter 17 of this Volume. When an environmental restoration cost-to-complete estimate is revised (e.g., based on a new estimate or through indexing), the cumulative effect of the change shall be recognized as an expense in the current accounting period and the corresponding liability adjusted.

1403 ACCOUNTING POLICY FOR ACCRUED ENVIRONMENTAL RESTORATION (CLEANUP) COSTS FOR POTENTIALLY RESPONSIBLE PARTY SITES

140301. Potentially responsible sites are contaminated areas that require the DoD to determine the extent to which it or other parties bear responsibility. If the DoD has entered, or is required to enter, into an agreement to provide environmental restoration, such liabilities that are reasonably estimable, shall be measured (as described in this paragraph) and recognized. When a responsibility determination will be resolved in the future, the likelihood of loss must be classified as “probable,” “reasonably possible,” or “remote.” When the likelihood of loss is not reasonably estimable but at least reasonably possible, the nature of the contingency shall be disclosed in the financial statements. When the likelihood of loss is probable and reasonably estimable, the contingency shall be measured and recognized. Restoration cost estimates should include the following cost elements, as appropriate:

A. Studies, plans and designs, restoration activities, remedial actions, and operations (to include operating and maintenance costs of remedial systems), and the costs of contractors, engineers, and consultants.

B. Facilities, machinery, and equipment dedicated to a restoration effort that do not have alternative uses, and their associated operating and maintenance costs.

C. Compensation and benefits of government personnel that devote significant time directly to an environmental restoration effort, to include security and surveillance.

D. Long-term monitoring.

- E. Site closeout and deletion from the National Priority List, where appropriate.

★ACCOUNT NO. 2995	
ACCRUED CLEANUP COSTS	
DESCRIPTION: Represents the accumulated current dollar estimate of the future environmental restoration costs associated with PP&E.	
DEBIT	CREDIT
1. Reverse expense upon receipt of services. Contra: 6800	1. Record the systematic accumulation of the environmental restoration liability estimate. ★Contra: 6800 7400
NORMAL BALANCE: CREDIT	
FIGURE 14-1	

CHAPTER 15

EQUITY1501 GENERAL

★ Equity accounts represent the net investment of the U.S. Government in the Department of Defense (DoD). As such, it includes all operations of DoD activities, including appropriated activities, working capital funds, and trust funds. The balances in the equity accounts represent the difference between assets and liabilities. The general accounting policy to account for the equity of the U.S. Government in the DoD is contained in this chapter.

★1502 ACCOUNTING POLICY FOR EQUITY

★ 150201. Activities financed by appropriations shall show the results of their operations as reductions to the Unexpended Appropriations account on a transaction basis and as changes in the Cumulative Results of Operations account with respect to the equity effect of transactions. The Unexpended Appropriations account is increased for the receipt of appropriations or other appropriation like resources and reduced for amounts expended for assets or operating expenses, and any appropriation withdrawals. The Cumulative Results of Operations account is increased by revenues and the value of assets transferred in and reduced by expenses requiring current resources, expenses not requiring current resources, and expenses recorded which are not currently funded.

★ 150202. Activities whose operations are financed by revenue sources, generally defined as exchange revenue, shall have their results of operations reflected as increases or decreases to the Cumulative Results of Operations account which will include transfers in of assets which are recognized as financing sources. Appropriations received for a specific funding purpose will be accounted for in the Unexpended Appropriations account until used as a financing source.

★1503 RECOGNITION IN FINANCIAL STATEMENTS

★ 150301. The components of net position include Unexpended Appropriations (unobligated balances and undelivered orders) and Cumulative Results of Operations and shall be shown in the consolidated balance sheet. The amounts of unobligated balances available and unavailable shall be disclosed in the footnotes to the financial statements.

★ 150302. Unexpended Appropriations. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances. Decreases in Unexpended Appropriations occur as expenditure accruals using appropriated funds are recognized and recorded, and when unobligated amounts are withdrawn, rescinded, or canceled. Increases occur when appropriations are received or Unexpended Appropriation amounts are transferred in.

★ 150303. Cumulative Results of Operations. This amount represents the net results of operations since inception. There no longer will be direct postings to equity for transactions such as donations and transfers in and out of assets without reimbursement. Such transactions are recorded in the revenue accounts and closed to this account at year end. In addition, there no longer will be a segregation of cumulative amounts for future funding requirements (such transactions now are recorded as an expense and closed to this account at year end).

1504 ACCOUNTING FOR EQUITY

★ A. The transactions discussed frequently will require a compound entry; that is, entries must be made in both the proprietary (asset, liability, and equity) accounts and the budgetary accounts. Entries to these equity accounts (3000 series) normally require compound entries to budgetary accounts in the 4000 series of accounts. Those budgetary entries are shown, where applicable, within this chapter. Entries which affect direct program Expended Authority (Paid and Unpaid) must also include postings to Appropriations Used (Revenue) and Unexpended Appropriations (Equity). Additional information on budgetary accounts not covered in this chapter are included in Volume 3, “Budget Execution - Availability and Use of Budgetary Resources” to this “Department of Defense Financial Management Regulation.”

★ B. The transactions illustrated in the text represent the U.S. Government Standard General Ledger at the control account level. Frequently, the control accounts are summary accounts and the reader must consult Volume 1, “General Financial Management Information, Systems, and Requirements,” and Chapter 7 to this Regulation to determine the general ledger subsidiary account most appropriate for posting a specific transaction.

★ 150401. Unexpended Appropriations (Account 3100).

★ A. This account reflects the amounts appropriated by the Congress, which have not been expended. Such appropriations include operation and maintenance, military personnel, construction, procurement, research and development, etc. Unexpended Appropriations (formerly Appropriated Capital) is the proprietary equity account used to record funds made available by the Congress. The amounts recorded in this account include appropriations, withdrawals, and purchase of assets and operating expenses incurred during the year.

★ B. The following entries illustrate the normal proprietary and budgetary entries to this account.

★ 1. The following compound entry is used to record Unexpended Appropriations when an appropriation is realized and a treasury warrant is issued.

Dr	1010	Fund Balance With Treasury
	Cr	3100 Unexpended Appropriations

and

Dr 4119 Other Appropriations Realized
Cr 4450 Unapportioned Authority

★ 2. During the budget execution process, appropriations (direct program funds) are used to pay for goods and services received by the DoD. The use of appropriations should be recognized as a financing source when accompanied by an entry to Expended Authority - Paid or Unpaid, and also must be accompanied by a reduction in the Unexpended Appropriation balance. The following compound entry illustrates the use of this account: (Note: for appropriated funds, revenues, expenses, gains and losses are closed into account 3310 “Cumulative Results of Operations”--not 3100 “Unexpended Appropriations.”)

Dr 3100 Unexpended Appropriations
Cr 5700 Appropriations Used

and

Dr 4801 Undelivered Orders - Unpaid
Cr 4901 Expended Authority - Unpaid

and

Dr 6100 Operating Expenses/Program Costs
Dr 1700 General Property, Plant, and Equipment, Net
Cr 2110 Accounts Payable

★ 150402. Appropriated Capital Funding Canceled Payables (Account 3105).

★ A. This account is used to record appropriated capital funding payment of accounts payable, which had been canceled under requirements of Public Law 101-510.

 B. At the end of the fifth year following the expiration of an account, Public Law 101-510 requires that both the obligated and unobligated balances of an appropriation shall be canceled and will no longer be available for obligation or expenditure for any purpose. Upon cancellation, the following budgetary and proprietary entries shall be made to cancel the unpaid balance of expended authority.

Dr 4971 Downward Adjustments of Prior Year Unpaid Undelivered Orders
Cr 4350 Canceled Authority

and

Dr 2110 Accounts Payable
Cr 1010 Fund Balance With Treasury

C. To establish the payable in the current year.

Dr 6800 Future Funded Expenses
Cr 2960 Accounts Payable Canceled

D. When the bill is received in the current year, the following entry is made in the canceled year appropriation books.

Dr 4350 Canceled Authority
Cr 4201 Total Actual Resources - Collected

E. Simultaneously, in the unexpired paying appropriation, the following entry must be recorded to establish an accrued expenditure, accounts payable, record the expense, and record resources used in an unexpired appropriation available for the same general purpose as the canceled account.

Dr 4610 Allotments - Realized Resources
Cr 4901 Expended Authority - Unpaid

and

Dr 2960 Accounts Payable Canceled
Cr 2110 Accounts Payable

and

Dr 3105 Appropriated Capital Funding Canceled Payables
Cr 3310 Cumulative Results of Operations

F. Upon payment of the bill for an expense relative to a canceled appropriation, the following entry is made in the general ledger of the unexpired appropriation.

Dr 4901 Expended Authority - Unpaid
Cr 4902 Expended Authority - Paid

and

Dr 2110 Accounts Payable
Cr 1010 Fund Balance With Treasury

G. At fiscal year end, general ledger account 3105 is closed as follows.

Dr	3100	Unexpended Appropriations
Cr	3105	Appropriated Capital Funding Canceled Payables

★ 150403. Cumulative Results of Operations (Account 3310).

★ A. This account represents the net difference since the inception of the activity between (1) expenses and losses, and (2) financing sources. The Defense Working Capital Funds (DWCF) may, if needed, establish subaccounts to disclose event types (e.g., revenue from operations, financing sources, etc.). Volume 11B, Chapter 60, provides subaccounts for the DWCF accounts.

★ B. Closing Entries. After preparing the prescribed financial statements for the year ended September 30, the following closing entries shall be made.

★ 1. To close the revenue accounts.

Dr	5100	Revenue from Goods Sold
Dr	5200	Revenue from Services Provided
Dr	5310	Interest Revenue
Dr	5400	Benefit Program Revenue
Dr	5500	Insurance and Guarantee Premium Revenue
Dr	5600	Donated Revenue - Financial Resources
Dr	5610	Donated Revenue - Nonfinancial Resources
Dr	5700	Appropriations Used
Dr	5720	Financing Sources Transferred In Without Reimbursement
Dr	5780	Imputed Financing Sources
Dr	5800	Tax Revenues
Dr	5900	Other Revenue
Cr	3310	Cumulative Results of Operations

and

Dr	3310	Cumulative Results of Operations
Cr	5730	Financing Sources Transferred Out Without Reimbursement

★ 2. To close the expense, gains and losses accounts.

Dr	3310	Cumulative Results of Operations
Cr	6100	Operating Expenses/Program Costs
Cr	6310	Interest Expense on Borrowing from Treasury
Cr	6320	Interest Expense on Securities
Cr	6330	Other Interest Expenses

Cr	6500	Cost of Goods Sold
Cr	6710	Depreciation, Amortization and Depletion
Cr	6720	Bad Debt Expense
Cr	6730	Imputed Costs
Cr	6790	Other Expenses Not Requiring Budgetary Resources
Cr	6800	Future Funded Expenses
Cr	6900	Non Production Costs
Cr	7210	Losses on Disposition of Assets
Cr	7290	Other Losses
Cr	7500	Distribution of Income - Dividend

and

Dr	6190	Contra Bad Debt Expense - Incurred for Others
Dr	6199	Adjustment to Subsidy Expense
Dr	6600	Applied Overhead
Cr	3310	Cumulative Results of Operations

and

Dr	7110	Gains on Disposition of Assets
Dr	7190	Other Gains
Cr	3310	Cumulative Results of Operations

and (depending upon the ending balance)

Dr	3310	Cumulative Results of Operations
Cr	7300	Extraordinary Items
Cr	7400	Prior Period Adjustments
Cr	7600	Changes in Actuarial Liability

★ 150404. Reserved For FACTS Rounding Differences (Account 3320). Reserved for use by the Department of the Treasury. The DoD Components are not to use or post to this account.

★ACCOUNT NO. 3100	
UNEXPENDED APPROPRIATIONS	
DESCRIPTION: Amounts appropriated by Congress for the DoD that have not been expended.	
DEBIT	CREDIT
<p>1. To record budgetary authority withdrawn or rescinded.</p> <p>Contra: 1010</p> <p>2. To record the use of budgetary authority in operations when goods and services (including amounts capitalized) are received.</p> <p>Contra: 5700</p>	<p>1. To record allotments or appropriations realized.</p> <p>Contra: 1010</p>
NORMAL BALANCE: CREDIT	
FIGURE 15-2	

★ACCOUNT NO. 3105	
APPROPRIATED CAPITAL FUNDING CANCELED PAYABLES	
DESCRIPTION: This account is used to record appropriated capital funding payment of accounts payable which had been canceled under requirements of Public Law 101-510.	
DEBIT	CREDIT
<p>1. To establish an accrued expenditure in current year funds for an accounts payable carried forward from a canceled appropriation to be paid from current year funds.</p> <p>Contra: 2110</p>	<p>1. To close the account at fiscal year end.</p> <p>Contra: 3100</p>
NORMAL BALANCE: DEBIT	
FIGURE 15-3	

★ACCOUNT NO. 3310	
CUMULATIVE RESULTS OF OPERATIONS	
DESCRIPTION: The net difference since the inception of the activity between (1) expenses and losses and (2) financing sources including appropriations, revenues, and gains.	
DEBIT	CREDIT
<p>1. To expense National Defense property, plant and equipment (PP&E) and record depreciation expense on general PP&E upon implementation of Office of Management and Budget "Statement of Federal Financial Accounting Standards No. 6."</p> <p>Contra: 1750, 1719, 1739, 1749, 1759, 1819, 1829, 1839, 1849</p> <p>2. To close the funds transferred out revenue account at year end.</p> <p>Contra: 5730</p> <p>3. To close the expense, gains and losses accounts at year end.</p> <p>Contra: 6100, 6310, 6320, 6330, 6500, 6710, 6720, 6730, 6790, 6800, 6900, 7210, 7290, 7500</p> <p>4. To close extraordinary items, prior period adjustments, and changes in actuarial liabilities at year end.</p> <p>Contra: 7300, 7400, 7600</p>	<p>1. To close the revenue accounts at year end.</p> <p>Contra: 5100, 5200, 5310, 5400, 5500, 5600, 5610, 5700, 5720, 5780, 5800, 5900</p> <p>2. To close normal credit balance expense accounts at year end.</p> <p>Contra: 6190, 6199, 6600</p> <p>3. To close miscellaneous gain accounts at year end.</p> <p>Contra: 7110, 7190</p>
NORMAL BALANCE: CREDIT	
FIGURE 15-4	

CHAPTER 16

REVENUES, EXPENSES, GAINS, AND LOSSES1601 GENERAL

160101 This chapter outlines the accounting principles and policy DoD activities shall follow to account for revenues, expenses, gains, and losses. Revenues are discussed in detail in Chapter 18 of this Volume; expenses and losses are discussed in detail in Chapter 17 of this Volume.

160102 The guidance in this chapter implements the accounting principles and policy that shall be followed by DoD Components.

1602 ACCOUNTING POLICY FOR
REVENUES, EXPENSES, GAINS,
AND LOSSES

160201 Revenues are amounts earned as a result of normal operations while gains generally relate to all other transactions resulting in a net gain. They normally result from the sale of, or reimbursement for, goods and services provided to DoD activities, other Federal Government Agencies and to non-Federal Government organizations. However, in some limited cases they may consist of interest income and profits from the sales of securities.

160202 Revenues shall be recorded at their gross amount while gains are shown net of related costs.

160203 The basis for recording an amount as a revenue shall be the delivery of goods and services as evidenced by documentation of performance, a billing to the ordering activity, or the establishment of an accrual evidenced by constructive delivery or percentage of completion.

160204 In certain situations, delivery to customers may be spread over several accounting periods and a billing does not occur until final delivery is made. In such cases, revenue shall be recognized each time a partial delivery is made with a corresponding debit entry to the appropriate noncurrent accounts receivable account.

160205 Collections resulting from the sale of assets such as equipment shall not be treated as revenues by DoD Components that are not established to sell goods and services to other Federal Government Agencies or to non-Federal Government organizations. Such collections are a partial recovery of the asset and shall be treated as such. Asset disposals, after considering any accumulated depreciation and cash collections, result in a gain or loss on disposal.

160206 Refunds are recoveries of over payments and, as such, are not revenue. Refunds result from errors in paying invoices or returned items to vendor.

160207 Expenses and losses are the use of resources during an accounting period in carrying out DoD's mission. These can result from rendering services, delivering or producing goods, or carrying out other activities. Expenses relate to normal operating activities, while losses generally relate to all other transactions resulting in a net loss.

160208 The distinction between expenses and losses is a matter of classification in the general ledger accounts and their presentation in financial statements. Expenses are commonly reported at their gross amount while losses are shown net of related proceeds.

CHAPTER 17

EXPENSES AND MISCELLANEOUS ITEMS1701 GENERAL

170101 Purpose. This chapter prescribes guidance to account for expenses incurred in carrying out Department of Defense operations.

170102 Overview. An expense is a recognition of the portion of an outlay applicable to the current accounting period, or other use of a resource, or the incurring of a liability (or a combination of these events) as a result of the DoD's efforts to perform its missions.

170103 Expenses are the natural culmination of any DoD Component's operations. They occur as a part of normal, routine operations, and not an extraordinary or an unexpected event such as destruction through natural disasters or war. They are an application of budgetary resources made available to DoD Components without regard to the period of availability of the account. Goods and services ordered and received are recorded in the budgetary accounts as accrued expenditures and in the proprietary accounts as an expense or an asset, such as a capital item, or an inventory item. The proprietary accounts maintain financial control over the resources provided to the Department of Defense and assure full accountability once the budget execution process has been completed. Full financial control over all material, labor, supplies, etc., shall be maintained until consumed (expensed), sold or transferred to another Federal Agency in accordance with statutory authority. For Defense business operations fund activities, expenses are incurred in providing goods and services to customers. Figure 17-1 on the following page illustrates the relationship between the budgetary accounts and the expense accounts.

170104 Expenses are classified as to specific categories, such as accounts to record depreciation, amortization, bad debt and interest expenses.

170105 A miscellaneous item is a gain or loss not expected to be incurred during a normal operating cycle. As such, they are not reflected in reports as a current expense but are classified and reported as nonrecurring items, extraordinary items, or unusual items. An example of a miscellaneous item would be a gain or loss resulting from the disposal of unusable equipment. A gain could be a miscellaneous gain whereas a loss on disposal would be a miscellaneous loss.

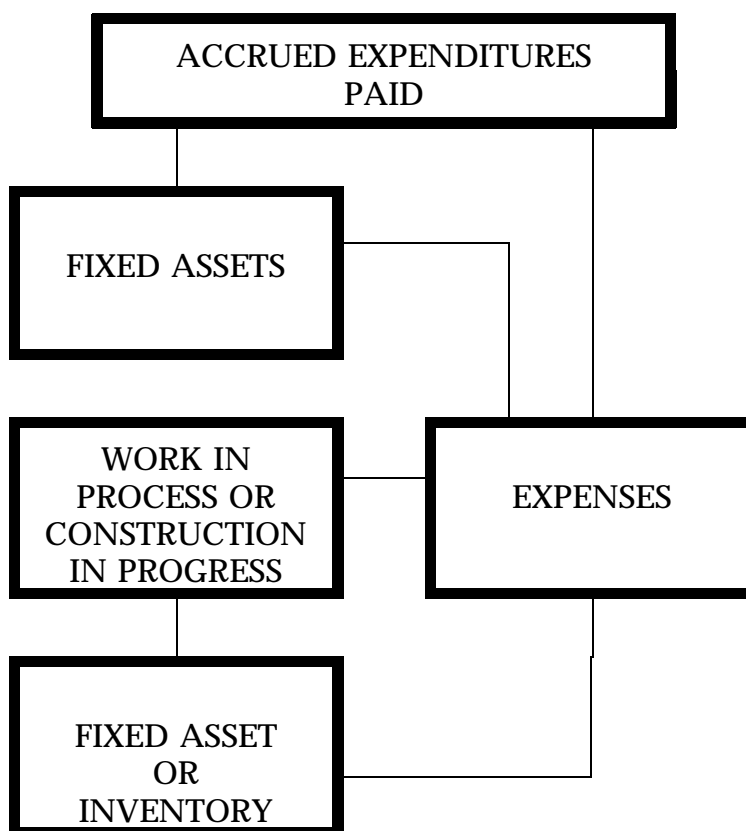
170106 The treatment of expense items by Defense Business Operations Fund activities is different from the treatment accorded to expenses related to appropriation funded activities. For Defense Business Operations Fund activities expenses flow through the "Work in Process" Account to the "Cost of Goods" Account.

1702 ACCOUNTING POLICY FOR
EXPENSES AND MISCELLANEOUS
ITEMS

170201 The Department of Defense is accountable for its stewardship in expending resources necessary in carrying out its missions. Examples of operating expenses include those for personnel, contractual services, and material. Also included is an allocation of prior capital outlays (depreciation/amortization) when such information is necessary for management decision-making purposes, to meet external reporting requirements, or to recover costs of operations.

170202 Particular attention is to be given to expenses incurred by research and development programs, or related to the search for knowledge and the conversion of knowledge into use for DoD missions.

ACCRUED EXPENDITURES PAID AND
EXPENSE ACCOUNTS RELATIONSHIPS



When goods or services purchased are paid for they are recorded as an Accrued Expenditure-Paid in budgetary accounts. In proprietary accounts, they are recorded either in an account such as fixed assets (if capitalized) or inventory, or as an expense. Those items recorded as an asset are ultimately consumed in the DoD Component's operation. Items initially recorded as an expense may, especially at DBOF depot maintenance activities, be transferred to work in process until such time as an item is completed.

Figure 17-1

A. Expenses incurred for research and development shall be recorded and reported as an expense in the period incurred.

B. Costs for property, plant, or equipment acquired or constructed for a particular research and development project are to be capitalized if the acquisition cost is over \$50,000 and the items have a life expectancy of more than 2 years. When the project is completed, these items shall be disposed of in accordance with the guidance contained in Chapter 7 of this Volume. Chapters 1 and 6 of this Volume provide accounting guidance for capitalizing and depreciating or amortizing assets.

1703 ACCOUNTING FOR EXPENSES

170301 The following sections discuss each type of expense. The sections are categorized as to operating/program expenses, interest expenses, benefit program expenses, cost of goods sold, applied overhead, and other expenses. Unless otherwise stated, these accounts shall be applicable to all DoD Components. Closing entries are not illustrated; these entries are contained in Chapter 16 of this Volume.

170302 The accounting entries for operating/program expenses are, for the most part, the same. Accordingly, each of the expense accounts is first discussed in a logical grouping and the accounting entries associated with those groupings are then presented. These groupings are:

- A. Accounts 6111-6115 -- payroll expenses
- B. Accounts 6116-6124 -- general expenses
- C. Accounts 6125-6126 -- depreciation expenses
- D. Account 6127 -- depletion expense
- E. Account 6128 -- amortization expense
- F. Account 6129 -- bad debt expense
- G. Account 6130 -- annual leave

170303 The use of the accounts discussed in this Chapter by appropriated, business operations fund and trust fund activities is summarized as follows:

- A. Appropriated Fund Activities. All

accounts are available for use except the following:

- 1. 6310 Interest Expenses on Borrowing From Treasury
- 2. 6600 Applied Overhead
- 3. 6900 Other Expenses
- 4. 7191 Inventory Gains
- 5. 7192 Investment Gains
- 6. 7291 Inventory Losses or Adjustments
- 7. 7292 Investment Losses
- 8. 7500 Distribution of Income-Dividend
- 9. 7600 Changes in Actuarial Liability

B. Defense Business Operations Fund activities. The 6100 series accounts may be used to systematically accumulate costs. All other accounts are available for use as necessary depending upon the specific business area, except the following:

- 1. 6310 Interest Expense on Borrowing from Treasury
- 2. 6320 Interest Expenses on Federal Securities
- 3. 6400 Benefit Program Expenses
- 4. 7500 Distribution of Income-Dividend
- 5. 7600 Changes in Actuarial Liability

C. Trust Fund activities. All accounts are available for use as necessary depending on the specific trust fund, except the following:

- 1. 6310 Interest Expenses on Borrowing From Treasury
- 2. 6320 Interest Expenses on Federal Securities
- 3. 6600 Applied Overhead
- 4. 7500 Distribution of Income-Dividend
- 5. 7191 Inventory Gains
- 6. 7291 Inventory Losses

170304 For expense transactions that pass through an accounts payable or accrued payroll account, the budget account entry to be made is provided in Table 17-1.

170305 In some instances, an immediate cash outlay is made at the time the expense is incurred. This is the situation when the expense is incurred through the use of an imprest fund. To ensure that the budgetary and the proprietary accounts are posted in the same accounting period, imprest funds shall be reimbursed at

least once during each accounting period. The budgetary account entry to be made for immediate cash outlay situations is provided in Table 17-2.

170306 Expenses (Account 6000) "Expenses" is the control account for all expenses. As such, it is a summary general ledger account intended for general financial statement purposes. No transactions are posted to this account.

170307 Operating/Program Expenses (Account 6100)

A. "Operating/Program Expenses" is a summary account to control subsidiary accounts established to accumulate operating expenses for personnel, travel, communications, contractual services, etc. As such, no transactions are posed to this account.

B. Expenses shall be identified to the programs to which they relate. Accordingly, accounting systems shall have the ability, at a

minimum, to report expenses by budget program line, the Future Years Defense Plan, the force structure, and organizational unit.

170308 Group A: Accounts 6111-6115 - Payroll Expenses

A. Personnel Compensation-Civilian (Account 6111)

1. " P e r s o n n e l Compensation-Civilian" is used to record the gross compensation for personal services rendered by federal civilian employees and non-federal personnel. Compensation expenses included in this account are those for full time permanent; other than full time permanent; special personal services payments (which includes payments for reimbursable work performed for other agencies for services of civilian and military personnel; payments to the Civil Service retirement and disability fund for reemployed annuitants); and other personnel compensation.

BUDGETARY ENTRIES - ACCRUED EXPENSES

Dr 4810 Undelivered Orders-Direct Program
or, as appropriate,
Dr 4820 Undelivered Orders-Reimbursable Program
Cr 4910 Accrued Expenditures-Unpaid-Direct Program
or, as appropriate,
Cr 4920 Accrued Expenditures-Unpaid-Reimbursable Program

TABLE 17-1

BUDGETARY ENTRIES - IMPREST FUND

Dr 4810 Undelivered Orders-Direct Program
or, as appropriate,
Dr 4820 Undelivered Orders-Reimbursable Program
Cr 4930 Accrued Expenditures-Paid-Direct Program
or, as appropriate,
Cr 4940 Accrued Expenditures-Paid-Reimbursable Program

TABLE 17-2

2. Awards made to employees such as those for suggestions, performance bonuses, special act awards, and productivity gain sharing programs are increases in payroll compensation. the DoD productivity gain sharing (PGS) program permits up to a maximum of 50 percent of achieved PGS savings to be paid to eligible employees. Subject to the 50 percent ceiling, the PGS program allows considerable flexibility in determination of the amount and form of payment--monetary or compensated absence (administrative leave). DoD activities develop their individual organization-wide PGS plans based on their mission functions. PGS plans should include a specified effort to be on board to be eligible to receive a share of the PGS payout. PGS plans should also provide specifics as to whether an employee remains eligible or forfeits his/her share if the employee leaves the organization prior to the payout. If the plan and conditions permit, employees may elect to receive administrative leave, or cash payment, or a combination of administrative leave and pay. The administrative leave option may be granted at the discretion of the activity commander based upon workload requirements at the time. The period of time for which administrative leave may be granted to an employee will be derived by dividing the value of the employee's gain share award by his/her hourly rate plus and average factor for benefits.

3. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate civilian personnel costs for work in process or construction in progress. Trust fund activities that need to account for personnel related expenses also may use this account.

4. Table 17-3 illustrates the use of this account.

B. Personnel Compensation-Military (Account 6112)

1. "Personnel Compensation-Military" is used to record the earned basic, incentive and special pays of military personnel. Included are extra pay based on environmental conditions and basic

allowances for subsistence and quarters. Excluded are cost of living allowances for locations outside the contiguous 48 states and the District of Columbia, which is recorded in account 6114, Personnel Benefits-Military. Also excluded are payments made to other Agencies for services of military personnel on reimbursable detail, that are posted to account 6120, "Other Services."

2. This account shall be used by those DoD activities which account for the cost of military personnel appropriations.

3. Table 17-3 illustrates the use of this account

C. Personnel Benefits-Civilian (Account 6113)

1. "Personnel Benefits-Civilian" is used to record the benefits paid directly to DoD civilian personnel and payments to other funds for the benefit of the employees. It excludes DoD reimbursements for reemployed annuitants, i.e., payments by an agency employing an annuitant that reimburses the Civil Service retirement and disability fund for the annuity paid to that employee as required by P.L. 94-397 (5 U.S.C. 8339, 8344). These are recorded in account 6111, "Personnel Compensation-Civilian."

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate civilian personnel costs for work in process or construction in progress. Trust fund activities that need to account for personnel related expenses also may use this account.

3. Table 17-4 illustrates the use of this account.

D. Personnel Benefits-Military (Account 6114)

1. "Personnel Benefits-Military" is used to record the benefits paid directly to military personnel. Included are allowances for uniforms, reenlistment bonuses, cost of living allowances paid to personnel on duty outside the

contiguous 48 States and the District of Columbia, dislocation and family separation allowances and personal allowances. Allowances for items such as hazardous duty, flight pay and environmental conditions are excluded; these are considered part of gross pay. DoD Component contributions to the military retirement, social security, the Serviceman's Group Life Insurance and educational benefits programs are charged to this account.

2. This account shall be used only in those accounting systems that are used to record obligations for military pay.

3. Table 17-4 illustrates the use of this account.

E. Benefits for "Former Personnel" (Account 6115)

1. "Benefits for "Former Personnel" is used to record amounts paid to former DoD personnel or their survivors during the current period. Included in the account are retirement benefits (excluding foreign nationals that is recorded in account 2114, Accounts Payable-Public-Non-current), severance pay, unemployment compensation, and the DoD's payment to the Employees Health Benefits Fund for annuitants.

2. This account shall be used by all DoD activities that account for benefit payments to former DoD civilian employees and their survivors. Revolving fund activities may

use this account to accumulate civilian personnel costs for work in process or construction in progress. Trust fund activities that need to account for personnel related expenses also may use this account. Benefit payments to retired military personnel and their survivors are recorded in Account 6400, "Benefit Program Expenses."

F. Table 17-5 illustrates the use of this account.

G. Sources of entries to this account include payroll vouchers and journal vouchers.

170309 Group B: Accounts 6116-6124 - General Expenses

A. Travel and Transportation of Persons (Account 6116)

1. "Travel and Transportation of Persons" is used to record the expenses related to transporting employees and others, including public transportation fares, per diem allowances, and other related expenses that are paid directly by the Department of Defense to the traveler or the organization providing the travel transportation.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

**ACCOUNTING ENTRIES FOR ACCOUNTS 6111 & 6112
"PERSONNEL COMPENSATION-MILITARY" & "PERSONNEL COMPENSATION-CIVILIAN"**

Dr 6111 Personnel Compensation-Civilian
Dr 6112 Personnel Compensation-Military
Cr 2211 Accrued Payroll-Civilian
Cr 2212 Accrued Payroll-Military

To record employee compensation earned during the period.

TABLE 17-3

**ACCOUNTING ENTRIES FOR ACCOUNTS 6113 & 6114
"PERSONNEL BENEFITS-MILITARY" & "PERSONNEL BENEFITS-CIVILIAN"**

Dr 6113 Personnel Benefits-Civilian
 Dr 6114 Personnel Benefits-Military
 Cr 2213 Accrued Payroll-Civilian-Employer Share of Personnel Benefits
 Cr 2214 Accrued Payroll-Military-Employer Share of Personnel Benefits

To record benefits earned by DoD personnel not recorded in civilian and military personnel compensation accounts.

TABLE 17-4

**ACCOUNTING ENTRIES FOR ACCOUNT 6115 -
BENEFITS FOR "FORMER PERSONNEL"**

Dr 6115 Benefits for Former Personnel
 Cr 6400 Benefit Program Expenses
 Cr 2113 Accounts Payable-Public-Current

To record benefits earned by former personnel, based on prior employment.

TABLE 17-5

B. Transportation of Things (Account 6117)

1. "Transportation of Things" is used to record the expenses incurred to transport equipment, material, animals, deceased employees and for the care of such items while being transported. Vendor transportation charges associated with purchased items are excluded; these are charged to the general ledger accounts associated with the purchased items. Included are freight and express charges by common carrier and contract carrier; trucking and other local transportation charges for hauling, handling, and other services incident to local transportation, including contractual transfers of supplies and equipment; mail transportation, including parcel post postage; and, transportation of household goods related to permanent change of station.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in

process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

C. Rents, Communications, and Utilities (Account 6118)

1. "Rents, Communications, and Utilities" is used to record the expenses incurred for possession and use of land, structures or equipment owned by others and charges for communication and utility services. It includes direct charges for rental of space and rent related services assessed by the General Services Administration as rent, formerly known as standard level user charges (but excludes payments for services such as extra protection, extra cleaning or extra alterations, which are charged to account 6120, "Other Services"); rental charges to others for leased space, land, and structures; communication expenses for telephone and other wire services, and microwave and satellite communications; utility service charges for heat, light, power, water, gas,

electricity, and other utility services; and, miscellaneous charges under purchase rental agreements for equipment (but excludes payments under lease-purchase contracts for constructing buildings). Rental charges for transportation equipment are recorded as a "Transportation of Things" expense, Account 6117.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

D. Printing and Reproduction (Account 6119)

1. "Printing and Reproduction" is used to record expenses incurred for printing, reproduction, composition and binding operations provided by U.S. Government and commercial printers and photographers.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

3. When necessary to meet management or external reporting requirements, subsidiary accounts shall be established to accumulate expenses by type (i.e., printing, reproduction, etc.).

E. Other Services (Account 6120)

1. "Other Services" is used to record expenses incurred for contracts that are not appropriately charged to another expense account. Excluded from this account are rental expenses paid to GSA, travel and transportation services and lease contracts that are properly capital leases as explained in Chapter 7 of this Volume and contracts for the delivery of personal property. Included are repair and alteration expenses that are not capitalizable in accordance with the guidance of chapter 1 of this Volume; expenses incurred for storage and care

of vehicles and storage of household goods, including those associated with a permanent change of station; contractual expenses for board, lodging, and care of persons, including hospital care (except for travel items that are recorded in account 6116); ADP custom software contract expenses covering development of software in accordance with current budget criteria.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

F. Supplies and Materials (Account 6121)

1. "Supplies and Materials" is used to record the cost of supplies and material, including chemicals, fuel, clothing, food, ammunition and explosives, office supplies, publications, and ADP supplies and materials consumed in operations. Amounts recorded in this account exclude supplies and materials that are either incorporated into or consumed in producing an end product that is capitalized as an inventory item or as a fixed asset. Supplies and materials consumed in producing an end product are recorded as work in process or construction in progress as a direct material charge or as overhead.

2. This account shall be used by all DoD activities which receive materials and supplies for consumption in operations. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

G. Equipment (not capitalized) (Account 6122)

1. "Equipment (not capitalized)" is used to record the acquisition costs of equipment purchased that do not meet the capitalization criteria in Chapter 1 of this Volume.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

H. Grants, Subsidies, and Contributions (Account 6123)

1. "Grants, Subsidies, and Contributions" is used to record grants and subsidies such as those authorized by law for National Guard training facilities and contributions made to further or enhance the interest of national defense. Charges to this account also include taxes paid by the Department of Defense as a result of agreements with taxing authorities and payments in lieu of taxes.

2. In those instances involving the contribution of DoD-owned assets, care must be taken to remove from the accounts not only the capitalized cost of the contributed asset, but also any accumulated depreciation related to the assets before recording the donation. In such cases, the donated value shall be the book value and no gain or loss shall be recognized on the transaction.

3. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

I. Insurance Claims and Indemnities (Account 6124)

1. "Insurance Claims and Indemnities" is used to record payments to veterans and their survivors for death or disability; claims and judgments arising from court decisions, and abrogations of contracts; claims arising from military operations; and personal injury or death claims.

2. This account shall be used by all DoD activities that support the processing and payment of claims and indemnities. fund

activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

J. Table 17-6 illustrates the most common entries used for this account.

2. Sources for entries to this account include completed travel orders, passenger tickets and transportation requests issued; travel claims approved, billings from common carriers, invoices, receiving reports, lease/use providers of personnel transportation services, documents authorizing grants, subsidies and contributions, adjudicated claims, journal vouchers, and disbursement vouchers.

170310 Group C: Accounts 6125-6126 - Depreciation Expenses

A. Depreciation of Equipment (Account 6125)

1. "Depreciation of Equipment" is used to record the allocation of the cost of equipment, including ADP equipment and assets acquired under capital leases used during an accounting period. The amounts to be recorded as depreciation shall be determined in accordance with the guidance contained in Chapters 1, 6, and 7 of this Volume.

2. This account shall be used by appropriated fund activities when a management decision is made that depreciation accounting is necessary. Revolving fund activities shall account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

B. Depreciation of Real Property (Account 6126)

1. "Depreciation of Real Property" is used to record the allocation of the cost of real property (buildings, structures, and other depreciable facilities) used during an accounting period. The amounts to be recorded as depreciation shall be determined in

**ACCOUNTING ENTRIES FOR ACCOUNT 6124 -
INSURANCE CLAIMS AND INDEMNITIES**

Dr 6116 Travel and Transportation of Persons
 Dr 6117 Travel and Transportation of Things
 Dr 6118 Rents, Communications, and Utilities
 Dr 6119 Printing and Reproduction
 Dr 6120 Other Services
 Dr 6121 Supplies and Materials
 Dr 6122 Equipment (not capitalized)
 Dr 6123 Grants, Subsidies, and Contributions
 Dr 6124 Insurance Claims and Indemnities
 Cr 1411 Travel Advances
 Cr 1510 Operating Material and Supplies
 Cr 2111 Accounts Payable-Government-Current
 Cr 2113 Accounts Payable-Public-Current
 Cr 2115 Claims Payable
 Cr 2920 Contingent Liabilities

To record operating expenses for the period.

(NOTE: Separate entries may be necessary in those situations when travel tickets are issued and payable before the traveler completes travel and prepares the required travel expense claim for per diem and other related expenses.)

TABLE 17-6

accordance with the guidance contained in Chapters 1 and 6 of this Volume.

2. This account shall be used by appropriated fund activities when a management decision is made that depreciation accounting is necessary. Where depreciation is required to meet the requirements for cost recovery, the asset use charge shall be applied in accordance with the provisions of Volume 11.

3. Defense Business Operations Fund activities shall use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

C. Table 17-7 illustrates the common entries used for this account.

D. Sources for entries to this account are journal vouchers supported by worksheets showing the basis for depreciation computations.

170311 Group D: Account 6127 -- Depletion Expense

A. Depletion of Natural Resources (Account 6127)

1. "Depletion of Natural Resources" is used to record the estimated value of natural resources extracted or consumed during the current accounting period.

2. This account shall be used by DoD fund activities when a management decision is made that depletion accounting is necessary. DoD Components shall consult with the DFAS, when the decision to record depletion expenses is made for DoD assets. Where depletion is required to meet the requirements

**ACCOUNTING ENTRIES FOR ACCOUNT 6126 -
DEPRECIATION OF REAL PROPERTY**

Dr 6125 Depreciation of Equipment
 Dr 6126 Depreciation of Real Property
 Cr 1739 Accumulated Depreciation on Buildings
 Cr 1749 Accumulated Depreciation on Other Structures and Facilities
 Cr 1759 Accumulated Depreciation on Equipment
 Cr 1769 Accumulated Depreciation on Military Equipment
 Cr 1719 Accumulated Depreciation on Assets Under Capital Lease

To record depreciation expense for the accounting period.

TABLE 17-7

for cost recovery, the asset use charge shall be applied in accordance with the provisions of Volume 11.

3. Table 17-8 illustrates the most common entries used for this account.

4. Sources for entries to this account are journal vouchers supported by worksheets showing the basis for depletion computations.

170312 Group E: Account 6128 -
Amortization Expense

A. Amortization of Leasehold
Improvements and Other Intangible Assets
(Account 6128)

1. "Amortization of Leasehold Improvements and Other Intangible Assets" is

used to record the allocation of improvements made to properties held under lease as well as the allocation of the value of other assets to the current accounting period. The amounts to be recorded as an amortization expense shall be determined in accordance with the guidance contained in Chapter 7 of this Volume. This account also shall be used to record the estimated loss on acquired collateral.

2. This account shall be used by appropriated and revolving fund activities when a management decision is made that amortization accounting is necessary. Where amortization is required to meet the requirements for cost recovery, the asset use charge shall be applied in accordance with the provisions of Volume 11.

3. Table 17-9 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 6127 -
DEPLETION OF NATURAL RESOURCES**

Dr 6127 Depletion of Natural Resources
 Cr 1849 Allowance for Depletion

To record depletion expense incurred.

TABLE 17-8

**ACCOUNTING ENTRIES FOR ACCOUNT 6128 -
AMORTIZATION OF LEASEHOLD IMPROVEMENT AND OTHER INTANGIBLE ASSETS**

Dr 6128 Amortization of Leasehold Improvements and Other Intangible Assets
 Cr 1829 Accumulated Amortization on Leasehold Improvements
 Cr 1839 Accumulated Amortization on Automated Data Processing Software
 Cr 1919 Allowance for Loss on Acquired Collateral

To record amortization expense.

TABLE 17-9

4. Sources for entries to this account are journal vouchers supported by worksheets showing the basis for amortization computations.

170313 Group F: Account 6129 -
Bad Debt Expense

A. Bad Debts (Account 6129)

1. "Bad Debts" is used to record estimated amounts of uncollectible receivables during the accounting period.

2. This account also shall be used to record bad debts that are in excess of estimated uncollectible receivables.

3. Normally, estimates of uncollectible accounts receivable shall be limited to

those collectible from the public. When experience does not indicate otherwise, Components shall record a bad debt expense using an annual percentage rate of .001 of the current outstanding receivables balances from the public.

4. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

5. Guidance contained in Volume 3 of this Regulation shall be followed when recording obligations to cover dishonored receivables.

6. Table 17-10 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 6129 -
BAD DEBTS**

Dr 6129 Bad Debts
 Cr 1319 Allowances for Loss on Accounts Receivable
 Cr 1359 Allowances for Loss on Loans Receivable

To record estimated bad debt expense for the period.

Dr 6129 Bad Debts
 Cr 1314 Accounts Receivable Public-Non Current

To record actual bad debt expense in excess of estimated uncollectible receivables.

TABLE 17-10

7. Sources for entries to this account include journal vouchers supported by worksheets showing computations of estimated bad debts.

170314 Group G: Account 6130 - Annual Leave

A. Annual Leave (Account 6130)

1. "Annual Leave" is used to record the expense incurred by DoD Components for annual leave earned by civilian and military employees.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress, except that business operations funds shall not record the annual leave expense for military personnel. Trust fund activities that need to account for such expenses also may use this account.

3. Table 17-11 illustrates the most common entries used for this account.

170315 Interest Expenses (Account 6300)

A. "Interest Expenses" is a summary control account used to record interest expenses incurred by DoD Components as a result of late payments of accounts and loans payable, and the current interest accruing on amounts owed to

others.

B. This account is used for financial reporting purposes only. No entries are posted to this account.

C. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

170316 Interest Expenses on Borrowing From Treasury (Account 6310)

A. "Interest Expenses on Borrowing From Treasury" is used to record interest payments on borrowings from the Treasury.

B. The Department of Defense does not have current borrowing authority. Accordingly, this account shall not be used by DoD Components.

170317 Interest Expenses on Securities (Account 6320)

A. "Interest Expenses on Securities" is used to record the interest expense incurred by DoD Components authorized to issue securities.

B. No DoD activity is authorized to issue federal securities. Accordingly, no entries shall be posted to this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 6130 -
ANNUAL LEAVE**

Dr 6130 Annual Leave
 Cr 2215 Accrued Payroll-Funded Annual Leave-Civilian
 Cr 2221 Accrued Annual Leave-Civilian (Unfunded)
 Cr 2222 Accrued Annual Leave-Military (Unfunded)

To record annual leave expense for the period.

TABLE 17-11

170318 Other Interest Expenses (Account 6330)

A. "Other Interest Expenses" is used to record all interest expenses incurred by DoD activities as a result of late payments of accounts payables, loans, mortgages and other liabilities.

B. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

C. The account shall be supported by subsidiary accounts to show the types of transactions (i.e., accounts payables, loans, mortgages, etc.) for which interest expenses were incurred.

D. Table 17-12 illustrates the most common entries used for this account.

E. Sources for entries to this account include journal vouchers with supporting documentation showing the computation of interest expenses and disbursement vouchers.

170319 Benefit Program Expenses (Account 6400)

A. "Benefit Program Expenses" is used to record payments made to retired military personnel and their survivors. As a general rule, these payments are made from the military retirement fund. Chapter 14 of this Volume provides guidance on accounting for military retirement.

B. This account shall be used only to account for benefit payment made by the Military Retirement Trust Fund and the DoD Education Benefits Trust Fund.

C. Table 17-13 illustrates the most common entries used for this account.

170320 Cost of Goods Sold (Account 6500)

A. "Cost of Goods Sold" is used to record the cost of goods or services sold from stock, by Defense Business Operations Fund activities, or by other DoD activities authorized to provide services or material to other Federal Government Agencies, including other Components, or non-Federal Government organizations.

**ACCOUNTING ENTRIES FOR ACCOUNT 6330 -
OTHER INTEREST EXPENSES**

Dr 6330 Other Interest Expenses
Cr 2140 Accrued Interest Payable

To record interest expenses for the current accounting period.

TABLE 17-12

**ACCOUNTING ENTRIES FOR ACCOUNT 6400 -
BENEFIT PROGRAM EXPENSES**

Dr 6400 Benefit Program Expenses
Cr 2113 Accounts Payable-Public-Current

To record amounts payable to military retirees or their survivors.

TABLE 17-13

B. This account shall be used by Defense Business Operations Fund activities. Appropriated fund activities shall also use this account to support reimbursable programs when necessary. Trust fund activities that need to account for products delivered to other organizations also may use this account.

C. Work-in-process or construction-in-progress accounts shall be used to accumulate the costs of goods or services in accordance with guidance contained in Chapters 4 and 6 of this Volume. The amounts recorded in these account series, as well as amounts recorded in applicable inventory accounts, shall be the basis for determining the amounts to be recorded as cost of goods sold.

D. Table 17-14 illustrates the most common entries used for this account.

E. Sources for entries to this account are journal vouchers with supporting worksheets or schedules showing the computation of cost of goods sold, shipping documents, and billing documents.

170321 Applied Overhead (Account 6600)

A. "Applied Overhead" is used to record the amount of overhead distributed to work-in-process or construction-in-progress

accounts. As such, this account shall be used by DoD revolving fund activities, and other activities operating a substantial reimbursable program.

B. For guidance on the use of this account see Chapters 20 and 21 of this Volume.

170322 Other Expenses (Account 6900)

A. "Other Expenses" is used to record those expenses that cannot be classified to a specific expense account. DoD Components shall not use this account without the approval of the DFAS.

1704 ACCOUNTING FOR MISCELLANEOUS ITEMS

170401 "Miscellaneous Items" consists of those items that are not a normal part of day-to-day operations of DoD Components. The categories under this heading, with the exception of prior-period adjustments, are adjustments to current period operations.

170402 Seven broad categories are included in this grouping: ordinary gains and losses, extraordinary items, prior-period adjustments, distributions of income, dividends, and changes in actuarial liabilities. The following paragraphs discuss the accounts within each of these categories.

**ACCOUNTING ENTRIES FOR ACCOUNT 6500 -
COST OF GOODS SOLD**

Dr 6500 Cost of Goods Sold
 Cr 1521 Inventory Held for Sale
 Cr 1581 Work in Process-In-House
 Cr 1721 Construction in Process-In-House

To record the cost of goods sold.

TABLE 17-14

170403 Gains (Account 7100)

A. "Gains" is a control account to report gains on the disposal of DoD assets. The account is a summary account used for financial reporting purposes. No entries are made to this account.

1. This account shall be used by all DoD activities.

B. There are two subsidiary accounts under this control account; "Gains on Disposition of Assets," and "Other Gains." "Other Gains" consists of inventory, investment, and other miscellaneous gains.

170404 Gains on Disposition of Assets (Account 7110)

A. "Gains on Disposition of Assets" is used to record the gains resulting from the sale of DoD property. This gain is determined after considering acquisition cost, any accumulated depreciation, and any costs associated with the disposition.

B. This account shall be used by all DoD activities authorized to dispose of DoD property.

C. Table 17-15 illustrates the most common entries used for this account.

D. Sources for entries to this account include property disposal reports and cash receipt documents.

170405 Other Gains (Account 7190)

A. "Other Gains" is a control account used for financial reporting purposes. No entries are posted to this account.

170406 Inventory Gains (Account 7191)

A. "Inventory Gains" is used to record gains in inventory resulting from identifying assets not previously recorded. Such gains are generally identified as a result of taking physical inventories. They may also result from price adjustments.

B. Identification of such gains indicates a need to review existing internal controls over the receipt and recording of inventory transactions.

C. This account shall be used only by Defense Business Operations Fund activities within the Supply Management business area and the Defense Commissary Agency.

D. Volume 11B of this Regulation provides a fuller description of this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 7100 -
GAINS**

Dr 1749 Accumulated Depreciation on Buildings
 Dr 1759 Accumulated Depreciation on Equipment
 Dr 1769 Accumulated Depreciation on Military Equipment
 Dr 1011 Funds Collected
 Cr 1710 Land
 Cr 1730 Buildings
 Cr 1765 Property Awaiting Disposal
 Cr 7110 Gains on Disposition of Assets

To record the disposition of property at a gain.

TABLE 17-15

E. Sources for entries to this account include journal vouchers supported by documentation computing the increased value of inventory and results of physical inventories.

170407 Investment Gains (Account 7192)

A. "Investment Gains" is used to record the gains realized by DoD Components on the sale or redemption of investments (including securities).

B. This account shall be used by DoD activities responsible for administering trust funds. Other DoD activities shall consult with the DFAS, before posting gains to this account.

C. Table 17-16 illustrates the most common entries used for this account.

D. Sources for entries to this account include collection vouchers and authorizations to dispose of DoD-held securities.

170408 Other Miscellaneous Gains (Account 7193)

A. "Other Miscellaneous Gains" is used to record those gains that are not classifiable to specific gain accounts.

B. This account shall be used by all DoD activities.

C. Table 17-17 illustrates the most common entries used for this account.

D. Sources for entries to this account include collection vouchers and authorizations to dispose of DoD-owned assets.

**ACCOUNTING ENTRIES FOR ACCOUNT 7192 -
INVESTMENT GAINS**

Dr 1011 Funds Collected
Dr 1611 Federal Securities-Unamortized Premium or Discounts
 Cr 1610 Federal Securities (At Par)
 Cr 7192 Investment Gains

To record gain on sale of investments.

(NOTE: Any remaining unamortized discount or premium relating to the investment at the time of disposition shall be recognized in the above entry.)

TABLE 17-16

**ACCOUNTING ENTRIES FOR ACCOUNT 7193 -
OTHER MISCELLANEOUS GAINS**

Dr 1011 Funds Collected
 Cr 1200 Foreign Currency
 Cr 7193 Other Miscellaneous Gains

To record a gain resulting from converting foreign currency holdings to U.S. dollars.

TABLE 17-17

170409 Losses (Account 7200)

A. "Losses" is a summary control account used for financial reporting purposes only.

B. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate losses. Trust fund activities that need to account for such losses also may use this account.

C. No transactions are posted to this account.

170410 Losses on Disposition of Assets (Account 7210)

A. "Losses on Disposition of Assets" is used to record the loss incurred on the disposition of DoD-owned assets. Such losses can result from the sale or destruction of assets.

B. This account ordinarily shall be used only by DoD activities authorized to dispose of DoD property. However, any DoD Component having control over personal and real property may incur such losses due to events beyond their control. This account shall be used to record such losses.

C. Table 17-18 illustrates the most common entries used for this account.

D. Sources for entries to this account include collection documents, authorizations to dispose of assets, journal vouchers with supporting worksheets showing the loss computation, and reports of survey.

170411 Other Losses (Account 7290)

A. "Other Losses" is a summary account used for financial reporting purposes. No transactions shall be posted to this account.

B. This account shall be used by all DoD activities.

170412 Inventory Losses or Adjustments (Account 7291)

A. "Inventory Losses or Adjustments" is used to record losses in inventory resulting from physical inventories or discrepancies. Losses from physical inventories are those that result from shortages discovered when physical inventories are taken and reconciled with the inventory accounts. Discrepancies are inventory losses occurring during operations through shrinkage, spoilage and deterioration, etc. Price adjustments reflecting a lower standard price also are recorded in this account.

B. This account shall be used only by Defense Business Operations Fund activities within the Supply Management business area and the Defense Commissary Agency.

**ACCOUNTING ENTRIES FOR ACCOUNT 7210 -
LOSSES ON DISPOSITION OF ASSETS**

Dr 1749 Accumulated Depreciation on Buildings
 Dr 1759 Accumulated Depreciation on Equipment
 Dr 1769 Accumulated Depreciation on Military Equipment
 Dr 7210 Losses on Disposition of Assets
 Cr 1710 Land
 Cr 1730 Buildings
 Cr 1765 Property Awaiting Disposal

To record the disposition of property at a loss.

TABLE 17-18

C. Identification of such losses, particularly those identified as a result of physical inventories and theft, indicate a need to review internal controls over inventory. See Chapter 4 of this Volume for additional guidance on conducting physical inventories and conducting reports of survey.

D. Volume II B of this Regulation provides a fuller discussion of this account.

E. Sources for entries to this account include journal vouchers with supporting documentation showing the basis of adjustments, and reports of survey.

170413 Investment Losses (Account 7292)

A. "Investment Losses" is used to record losses realized by DoD Components on the sale or redemption of investment; (including securities).

B. This account shall be used by those DoD activities responsible for administering trust and retirement funds.

C. Table 17-19 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers with worksheets computing the loss realized, and collection vouchers.

170414 Other Miscellaneous Losses (Account 7293)

A. "Other Miscellaneous Losses" is used to record those losses that are not classifiable to specific loss accounts.

B. This account shall be used by all DoD activities.

C. Table 17-20 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers with worksheets computing the loss realized, and reports of survey.

170415 Extraordinary Items (Account 7300)

A. "Extraordinary Items" is used to record costs or income so unusual in type or amount as to be accorded special treatment in the accounts or to be accorded separate disclosure in financial statements. Examples include earthquakes, hurricanes, fires and other natural disasters.

B. This account shall be used with the approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management) /Deputy Chief Financial Officer.

C. Table 17-21 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 7292-
INVESTMENT LOSSES**

Dr 7292 Investment Losses
Dr 1011 Funds Collected
 Cr 1610 Securities (At Par)
 Cr 1611 Securities-Unamortized Premium or Discount

To record a loss on disposition of investments.

(NOTE: Any remaining unamortized discount or premium relating to the investment at the time of disposition shall be recognized in the above entry.)

TABLE 17-19

**ACCOUNTING ENTRIES FOR ACCOUNT 7293-
OTHER MISCELLANEOUS LOSSES**

Dr 7293 Other Miscellaneous Losses
Dr 1011 Funds Collected
 Cr 1200 Foreign Currency

To record loss on conversion of a foreign currency to US. dollars.

TABLE 17-20

D. Sources for entries to this account include journal vouchers with worksheets showing the basis for the amounts recorded, and reports of survey.

**170416 Prior Period Adjustments
(Account 7400)**

A. "Prior Period Adjustments" is used to record those transactions that relate to prior periods. The transactions may be either gains or losses; income or expenses.

B. This account shall be used by all DoD activities.

C. Table 17-22 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers with worksheets supporting the computation of the adjustment amount.

**170417 Distribution of Income - Dividend
(Account 7500)**

A. "Distribution of Income - Dividend" is used to record income distributions resulting from operations or interest on investments.

B. This account normally shall not be used by DoD Components. Should the situation arise requiring such distributions, authorization to use this account should be obtained from the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management) /Deputy Chief Financial Officer.

**170418 Changes in Actuarial Liability
(Account 7600)**

A. "Changes in Actuarial Liability" is used to record increases or decreases in liabilities determined on an actuarial basis. For the Department of Defense, this applies primarily to the military retirement fund.

**ACCOUNTING ENTRIES FOR ACCOUNT 7300-
EXTRAORDINARY ITEMS**

Dr 7300 Extraordinary Items
Dr 1739 Accumulated Depreciation on Buildings
Dr 1749 Accumulated Depreciation on Structures and Facilities
Dr 1769 Accumulated Depreciation on Equipment
 Cr 1730 Buildings
 Cr 1740 Other Structures and Facilities

To record a loss of a capital asset due to unusual events.

TABLE 17-21

**ACCOUNTING ENTRIES FOR ACCOUNT 7400-
PRIOR PERIOD ADJUSTMENTS**

Dr 1510 Inventory for Agency Operations
Cr 7400 Prior Period Adjustments

To record an increase in inventory valuation resulting from correction of errors made prior to the last physical inventory in a prior year.

Dr 7400 Prior Period Adjustments
Cr 2115 Claims Payable

To record an adjustment to increase a claim payable that had been recorded in a prior year.

TABLE 17-22

B. This account shall be used only by those DoD Components responsible for accounting for benefit programs established using actuarial techniques.

C. Table 17-23 illustrates the most

common entries used for this account.

D. Sources for entries to this account include journal vouchers with documentation defining the adjustments recommended by the program actuary.

**ACCOUNTING ENTRIES FOR ACCOUNT 7600 -
CHANGES IN ACTUARIAL LIABILITY**

Dr 7600 Changes in Actuarial Liability
Cr 2610 Retirement Plans

To record an increase in accumulated program benefits for the military retirement fund.

Dr 2610 Retirement Plans
Cr 7600 Changes in Actuarial Liability

To record an decrease in accumulated program benefits for the military retirement fund.

TABLE 17-23

ACCOUNT NO. 6000	
EXPENSES	
DESCRIPTION: The outflows of resources or incurrence of liabilities during a period resulting from the rendering of services, delivering or producing goods, or carrying out other normal operating activities.	
DEBIT	CREDIT
<div>This account is a summary account</div> <div>Do not post to this account</div>	
NORMAL BALANCE: DEBIT	
FIGURE 17-2	

ACCOUNT NO. 6100	
OPERATING/PROGRAM EXPENSES	
DESCRIPTION: Operational and program costs incurred throughout the year. Operating program/expenses are (1) the recognition of the portion of an outlay applied in carrying out a specific program or function during the current accounting period, (2) the total cost of goods sold plus all selling, administrative and general expenses applicable thereto; or (3) the total cost assignable against current period operating revenues.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-3	

ACCOUNT NO. 6111	
PERSONNEL COMPENSATION - CIVILIAN	
DESCRIPTION: Represents the gross compensation for personal services rendered by federal civilian employees and non-federal employees.	
DEBIT	CREDIT
1. Charges from payroll and accrued expense records. Contra: 2211	
NORMAL BALANCE: DEBIT	
FIGURE 17-4	

ACCOUNT NO. 6112	
PERSONNEL COMPENSATION - MILITARY	
DESCRIPTION: Represents the earned basic, incentive and special pays for military personnel.	
DEBIT	CREDIT
<p>1. Compensation charges from payroll records and accrued expense records.</p> <p>Contra: 2212</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-5	

ACCOUNT NO. 6113	
PERSONNEL BENEFITS - CIVILIAN	
DESCRIPTION: Represents the benefits paid directly to DoD civilian personnel and payments to other funds for the benefit of the employees.	
DEBIT	CREDIT
1. Compensation charges from payroll records and accrued expense data for personal services. Contra: 2213	
NORMAL BALANCE: DEBIT	
FIGURE 17-6	

ACCOUNT NO. 6114	
PERSONNEL BENEFITS - MILITARY	
DESCRIPTION: Represents benefits paid directly to military personnel or to other funds for military personnel.	
DEBIT	CREDIT
1. Compensation charges from payroll records. Contra: 2114	
NORMAL BALANCE: DEBIT	
FIGURE 17-7	

ACCOUNT NO. 6115	
BENEFITS FOR FORMER PERSONNEL	
DESCRIPTION: Represents the benefits due to former personnel or their survivors.	
DEBIT	CREDIT
1. Benefit payments to former personnel Contra: 2113 and 6400	
NORMAL BALANCE: DEBIT	
FIGURE 17-8	

ACCOUNT NO. 6116	
TRAVEL AND TRANSPORTATION OF PERSONS	
DESCRIPTION: Represents the expense of transporting employees and others, their per diem allowance while in an authorized travel status, and other expenses incident to travel that are to be paid by the U. S. Government either directly or by reimbursing the traveler.	
DEBIT	CREDIT
1. Travel and transportation expenses incurred Contra: 1411, 2111, and 2113	
NORMAL BALANCE: CREDIT	
FIGURE 17-9	

ACCOUNT NO. 6117	
TRANSPORTATION OF THINGS	
DESCRIPTION: Represents the expense of transporting things (including animals) and for the care of such things while in the process of being transported. Excludes vendor transportation expenses for fixed assets and inventory items, which shall be charged to the same account as the purchased item.	
DEBIT	CREDIT
1. Transportation expenses incurred Contra: 2111, and 2113	
NORMAL BALANCE: DEBIT	
FIGURE 17-10	

ACCOUNT NO. 6118	
RENTS, COMMUNICATIONS, AND UTILITIES	
DESCRIPTION: Represents the expense incurred for rents, communications, and utilities purchased from commercial or U.S. Government sources.	
DEBIT	CREDIT
1. Services purchased. Contra: 2111 and 2113	
NORMAL BALANCE: DEBIT	
FIGURE 17-11	

ACCOUNT NO. 6119	
PRINTING AND REPRODUCTION	
DESCRIPTION: Represents the expense incurred for printing and reproduction, and the related composition and binding operations purchases from the U.S. Government or commercial printers.	
DEBIT	CREDIT
1. Printing and reproduction services incurred. Contra: 2111 and 2113	
NORMAL BALANCE: DEBIT	
FIGURE 17-12	

ACCOUNT NO. 6120	
OTHER SERVICES	
DESCRIPTION: Represents the expense incurred for services received not otherwise classified.	
DEBIT	CREDIT
1. Other services purchases. Contra: 2111 and 2113	
NORMAL BALANCE: DEBIT	
FIGURE 17-13	

ACCOUNT NO. 6121	
SUPPLIES AND MATERIALS	
DESCRIPTION: Represents the expense incurred for supplies and materials, including ammunition, petroleum, oil and lubricants. Includes all supplies and materials consumed or utilized that do not meet the capitalization criteria.	
DEBIT	CREDIT
1. Supplies and materials used. Contra: 1510, 2111, and 2113	
NORMAL BALANCE: DEBIT	
FIGURE 17-14	

ACCOUNT NO. 6122	
EQUIPMENT (NOT CAPITALIZED)	
DESCRIPTION: Represents the acquisition costs of equipment that does not meet capitalization requirements.	
DEBIT	CREDIT
1. Acquisition of non capitalized equipment. Contra: 2111 and 2113	
NORMAL BALANCE: DEBIT	
FIGURE 17-15	

ACCOUNT NO. 6123	
GRANTS, SUBSIDIES, AND CONTRIBUTIONS	
DESCRIPTION: Represents the value of grants, subsidies, and contributions made to further or enhance the interest of national defense.	
DEBIT	CREDIT
1. Record issuance of a grant, subsidy or contribution. Contra: 2111 and 2113	
NORMAL BALANCE: DEBIT	
FIGURE 17-16	

ACCOUNT NO. 6124	
INSURANCE CLAIMS AND INDEMNITIES	
DESCRIPTION: Represents payments to veterans and their survivors for death or disability, claims and judgments arising from court decisions, abrogations of contracts, claims arising from military operations and personal injury or death, etc.	
DEBIT	CREDIT
1. Claims accepted for settlement. Contra: 2115 and 2920	
NORMAL BALANCE: DEBIT	
FIGURE 17-17	

ACCOUNT NO. 6125	
DEPRECIATION OF EQUIPMENT	
DESCRIPTION: Represents a reasonable measure of the expiration of service potential of military equipment in use during the accounting period.	
DEBIT	CREDIT
1. Depreciation charges. Contra: 1759, 1769, and 1819	
NORMAL BALANCE: DEBIT	
FIGURE 17-18	

ACCOUNT NO. 6126	
DEPRECIATION OF REAL PROPERTY	
DESCRIPTION: Represents a reasonable estimate of the expiration of service potential of depreciable real property in use during the accounting period.	
DEBIT	CREDIT
1. Depreciation charges. Contra: 1739 and 1749	
NORMAL BALANCE: DEBIT	
FIGURE 17-19	

ACCOUNT NO. 6127	
DEPLETION OF NATURAL RESOURCES	
DESCRIPTION: Represents the quantitative exhaustion of the physical units of the resources removed from its natural state that is a proration of the capitalized asset amount to the units removed during the accounting period.	
DEBIT	CREDIT
1. Depletion charges Contra: 1849	
NORMAL BALANCE: DEBIT	
FIGURE 17-20	

ACCOUNT NO. 6128	
AMORTIZATION OF LEASEHOLD IMPROVEMENTS AND OTHER INTANGIBLE ASSETS	
DESCRIPTION: Represents a reasonable measure of the expiration during the accounting period of the service potential of leasehold improvements and other intangible capital assets subject to amortization.	
DEBIT	CREDIT
1. Leasehold improvements or other assets amortized. Contra: 1829, 1839, and 1919	
NORMAL BALANCE: DEBIT	.
FIGURE 17-21	

ACCOUNT NO. 6129	
BAD DEBTS	
DESCRIPTION: Represents the expense for bad debts. It is the estimated uncollectible portion of all receivables. If the direct write off method is used, this account is used to record receivables written off during the accounting period.	
DEBIT	CREDIT
1. Bad debt expenses. Contra: 1319 and 1359	
NORMAL BALANCE: DEBIT	
FIGURE 17-22	

ACCOUNT NO. 6130	
ANNUAL LEAVE	
DESCRIPTION: Represents the expense for annual leave earned by employees, military and civilian, during the accounting period.	
DEBIT	CREDIT
1. Annual leave expenses. Contra: 2221, 2222, and 2215	
NORMAL BALANCE: DEBIT	
FIGURE 17-23	

ACCOUNT NO. 6300	
INTEREST EXPENSES	
DESCRIPTION: The interest incurred by DoD Components from late payment of accounts and loans payable and the current interest accruing on amounts owed to others.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-24	

ACCOUNT NO. 6310	
INTEREST EXPENSES ON BORROWING FROM TREASURY	
DESCRIPTION: Represents interest payments on borrowings from Treasury.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-25	

ACCOUNT NO. 6320	
INTEREST EXPENSES ON SECURITIES	
DESCRIPTION: Represents interest payments on borrowings from Treasury.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval from the Office of the, Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-26	

ACCOUNT NO. 6330	
OTHER INTEREST EXPENSES	
DESCRIPTION: Represents the interest expense incurred for amounts due creditors for the use of moneys loaned, deposited, overpaid, or otherwise made available. When a contract provides for interest to be paid to a contractor if payment of claims under a contract has been delayed by the Department of Defense, the accrued interest payable shall be recorded in this account.	
DEBIT	CREDIT
1. Accrued interest expense. Contra: 2140	
NORMAL BALANCE: DEBIT	
FIGURE 17-27	

ACCOUNT NO. 6400	
BENEFIT PROGRAM EXPENSES	
DESCRIPTION: Represents amounts paid by the Military Retirement Trust Fund and the DoD Education Benefits Trust Fund.	
DEBIT	CREDIT
<p>DoD Components shall not use this account</p> <p>This account shall be used only by those DoD Components that administer the Military Retirement Trust Fund and the DoD Education Benefits Trust Fund</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-28	

ACCOUNT NO. 6500	
COST OF GOODS SOLD	
DESCRIPTION: The cost of goods or services sold from stock, by business operations fund activities, or by other DoD Components authorized to provide services or material to other Federal Government Agencies, including other DoD Components, or non-Federal Government Agencies.	
DEBIT	CREDIT
1. Cost of goods sold. Contra: 1520, 1581 and 1721	
NORMAL BALANCE: DEBIT	
FIGURE 17-29	

ACCOUNT NO. 6600	
APPLIED OVERHEAD	
DESCRIPTION: The amount of overhead distributed to work in process or construction in progress.	
DEBIT	CREDIT
<p>1. Reduce operating/program expense accounts for overhead applied to work in process and construction in progress.</p> <p>Contra: 6000 series of accounts.</p>	<p>1. Apply overhead to work in process and construction in progress.</p> <p>Contra: 1581 and 1721</p>
NORMAL BALANCE: DEBIT	
FIGURE 17-30	

ACCOUNT NO. 6900	
OTHER EXPENSES	
DESCRIPTION: Expenses not otherwise classified.	
DEBIT	CREDIT
<p>Do not use this account without the approval from the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/ Deputy Chief Financial Officer</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-31	

ACCOUNT NO 7100	
GAINS	
DESCRIPTION: Gains on assets.	
DEBIT	CREDIT
<div>This account is a summary account</div> <div>Do not post to this account</div>	
NORMAL BALANCE: CREDIT	
FIGURE 17-32	

ACCOUNT NO. 7110	
GAINS ON THE DISPOSITION OF ASSETS	
DESCRIPTION: Represents the gain on the disposition of assets and personal property.	
DEBIT	CREDIT
	1. Gain realized on asset transactions. Contra: 1011, 1749, 1759, and 1769
NORMAL BALANCE: CREDIT	
FIGURE 17-33	

ACCOUNT NO. 7190	
OTHER GAINS	
DESCRIPTION: Gains from the disposition of assets other than capital assets.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 17-34	

ACCOUNT NO. 7191	
INVENTORY GAINS	
DESCRIPTION: Represents inventory gains resulting from physical inventories or discovered during operations or price increases.	
DEBIT	CREDIT
<p>This account is to be used only by activities within the Supply Management Business Area of the Defense Business Operations Fund and the Defense Commissary Agency.</p>	
NORMAL BALANCE: CREDIT	
FIGURE 17-35	

ACCOUNT NO. 7192	
INVESTMENT GAINS	
DESCRIPTION: Represents the gain on the sale, exchange, or redemption of investments held by the Department of Defense.	
DEBIT	CREDIT
	1. Gain realized investments. Contra: 1011 and 1611
NORMAL BALANCE: CREDIT	
FIGURE 17-36	

ACCOUNT NO. 7193	
OTHER MISCELLANEOUS GAINS	
DESCRIPTION: Represents the gain resulting from currency fluctuations or other transactions not classifiable in specific other gain accounts.	
DEBIT	CREDIT
	1. Gain realized on conversion of foreign currencies. Contra 1011
NORMAL BALANCE: CREDIT	
FIGURE 17-37	

ACCOUNT NO. 7200	
LOSSES	
DESCRIPTION: Losses on assets.	
DEBIT	CREDIT
<div>This account is a summary account</div> <div>Do not post to this account</div>	
NORMAL BALANCE: DEBIT	
FIGURE 17-38	

ACCOUNT NO. 7210	
LOSSES ON THE DISPOSITION OF ASSETS	
DESCRIPTION: Represents the loss on the disposition of assets and personal property.	
DEBIT	CREDIT
1. The loss realized on capital asset transactions. Contra: 1710, 1730	
NORMAL BALANCE: DEBIT	
FIGURE 17-39	

ACCOUNT NO. 7290	
OTHER LOSSES	
DESCRIPTION: Losses of assets other than from the disposition.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-40	

ACCOUNT NO. 7291	
INVENTORY LOSSES OR ADJUSTMENTS	
DESCRIPTION: Represents losses discovered during a physical inventory or during operations. Also includes reductions in inventory value as a result of price decreases.	
DEBIT	CREDIT
<p>This account is to be used only by activities within the Supply Management Business Area of the Defense Business Operations Fund and the Defense Commissary Agency.</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-41	

ACCOUNT NO. 7292	
INVESTMENT LOSSES	
DESCRIPTION: Represents the loss on the sale, exchange or redemption of investments held by the Department of Defense.	
DEBIT	CREDIT
1. The loss realized on investments. Contra: 1610 and 1611	
NORMAL BALANCE: DEBIT	
FIGURE 17-42	

ACCOUNT NO. 7293	
OTHER MISCELLANEOUS LOSSES	
DESCRIPTION: Those losses which are not classifiable to specific loss accounts.	
DEBIT	CREDIT
<p>1. To record loss on conversion of foreign currencies to U.S. dollars.</p> <p>Contra: 1200</p>	
NORMAL BALANCE: DEBIT	
FIGURE 17-43	

ACCOUNT NO. 7300	
EXTRAORDINARY ITEMS	
DESCRIPTION: Costs or income so unusual in type as to be accorded special treatment in the accounts or to be accorded separate disclosure in financial statements.	
DEBIT	CREDIT
1. Loss of a capital asset. Contra 1730 and 1740	
NORMAL BALANCE: DEBIT	
FIGURE 17-44	

ACCOUNT NO. 7400	
PRIOR PERIOD ADJUSTMENTS	
DESCRIPTION: Represents significant adjustments to expense or revenue transactions recorded in prior fiscal years.	
DEBIT	CREDIT
1. Increase in a prior year claim. Contra: 2115	1. Increase in inventory evaluation related to a prior year. Contra: 1510
NORMAL BALANCE: DEBIT	
FIGURE 17-45	

ACCOUNT NO. 7500	
DISTRIBUTION OF INCOME - DIVIDEND	
DESCRIPTION: Distributions of income or dividends.	
DEBIT	CREDIT
Do not use this account without prior approval from the Director, Defense Finance and Accounting Service	
NORMAL BALANCE: DEBIT	
FIGURE 17-46	

ACCOUNT NO. 7600	
CHANGES IN ACTUARIAL LIABILITY	
DESCRIPTION: The amount of increase or decrease in actuarial liability.	
DEBIT	CREDIT
1. Record increase in accumulated plan benefits. Contra: 2610	1. Record decrease in accumulated plan benefits. Contra: 2610
NORMAL BALANCE: DEBIT OR CREDIT	
FIGURE 17-47	

CHAPTER 18

★ REVENUES, OTHER FINANCING SOURCES, AND GAINS1801 GENERAL

★ 180101. Purpose. This chapter sets forth the accounting policy to be used to account for revenues, other financing sources, and gains.

★ 180102. Overview. For the purposes of this chapter, revenues are defined as inflows of resources that the Government demands, earns, or receives by donation. Revenue comes from two sources: exchange transactions and nonexchange transactions. Other financing sources result from the use of appropriated funds, the receipt of transfers, and the recording of imputed financing. Exchange revenues arise when a government entity provides goods and services to the public or to another government entity for a price, or more specifically, the income resulting from completing customer orders. Nonexchange revenues arise primarily from the exercise of the government's power to demand payments from the public, such as taxes, duties, fines, and penalties. Nonexchange revenue also includes donations. For all activities, income includes interest and dividends earned that are credited to the account financing current operations.

★1802 ACCOUNTING POLICY FOR REVENUES, OTHER FINANCING SOURCES, AND GAINS

★ 180201. Revenue Recognition. Revenues shall be recognized when something of value is provided to the public or another government entity at a price; that is, when the customers accounting entity acknowledges a claim against its resources, or the performing accounting entity has an enforceable claim.

★ A. Exchange Revenue. Exchange revenue and gains are inflows of resources to a government entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. That is, exchange revenue arises when a government entity provides something of value to the public or another government entity at a price.

★ 1. Revenue from exchange transactions should be recognized when goods or services are provided to the public or another government entity at a price.

★ 2. Revenue from specific types of exchange transactions should be recognized as follows:

★ a. When services are provided to the public or another government entity (except for specific services produced to order under a contract), revenue should be recognized when the services are performed.

★ b. When specific goods are made to order under a contract (either short or long term), or specific services are produced to order under a contract (either short or long term), revenue should be recognized monthly based on the ratio that the costs incurred to date on that order bear to the total costs estimated to be incurred on the order when it is completed. If a loss is probable (more likely than not), revenue should continue to be recognized in proportion to the estimated total cost and costs should continue to be recognized when goods and services are acquired to fulfill the contract. Thus, the loss should be recognized in proportion to total cost over the life of the contract.

★ c. When goods are kept in inventory so that they are available to customers when ordered, revenue should be recognized when the goods are issued to the customer.

★ d. When services are rendered continuously over time or the right to use an asset extends continuously over time, revenue should be recognized in proportion to costs incurred or the use of the asset, as appropriate.

★ e. When an asset other than inventory is sold, any gain (or loss) shall be recognized when the asset is delivered to the purchaser.

★ 3. Interest on Treasury Securities held by Trust Funds and Special Funds. The source of balances for some trust funds and special funds may not be predominantly nonexchange revenue. For example, the main source of balances for two major trust funds, the Civil Service Retirement and Disability fund and the Department of Defense (DoD) Military Retirement Trust Fund, consists of exchange revenue and other financing sources. In such exceptional cases, the interest should be classified in the same way as the predominant source of funds, as exchange revenue.

★ B. Nonexchange Revenue. Nonexchange revenues are inflows of resources that the government demands or receives by donation. Such revenue should be recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable (more likely than not) and the amount is reasonably estimable. Within the Department, nonexchange revenues consist primarily of donations, i.e., voluntary gifts of resources to a government entity by a nonfederal entity. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings. Within the DoD, revenue arising from donations should be recognized for those inflows of resources which meet recognition criteria for assets and should be measured at the estimated fair market value of the contribution. In cases of donation of assets which will be classified as National Defense property, plant, and equipment (PP&E), heritage assets, or stewardship land, since such PP&E is expensed if purchased, no amount is recognized if it is received as a donation. Correspondingly, no revenue is recognized for such donations.

★ C. Other Financing Sources. Other financing sources provide inflows of resources that increase results of operations during the reporting period and include appropriations used, transfers of assets from other government entities, and financing imputed

with respect to any cost subsidies. Financing outflows may result from transfers of the reporting entity's assets to other government entities or from exchange revenues earned by the entity but required to be transferred to the General Fund or another government entity. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used.

★ 1. Appropriations, until used, are not a financing source. They should be recognized in capital as "unexpended appropriations" (and among assets as "funds with Treasury") when made available for apportionment even if the amount has not been fully apportioned. Unexpended appropriations should be reduced for appropriations used and adjusted for other changes in budgetary resources, such as rescissions and transfers. The net increase or decrease in unexpended appropriations for the period should be recognized as a change in net position of the entity. When used, appropriations should be recognized as a financing source in determining net results of operations. Appropriations are used in operations when goods and services are received or benefits and grants are provided. Goods and services (including amounts capitalized) are considered received when a liability is established. Benefits are considered to be provided when the related liability is established. Grants are considered to be provided when grantees meet the requirements that allow them to use the grants.

★ 2. Imputed financing. Government entities often receive goods and services from other government entities without reimbursing the providing entity for all the related costs. In addition, government entities often incur costs, such as for pensions, that are paid in total or in part by other entities. These constitute subsidized costs to be recognized by the receiving entity to the extent required by other chapters in this Volume. An imputed financing source should be recognized equal to the imputed cost. This offsets any effect of imputed cost on net results of operations for the period. Within the DoD, imputed costs refer to military personnel costs, pensions, other retirement benefits, other postemployment benefits, and environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity. The DoD reporting entities are identified in Volume 6 of this Regulation.

★ 3. Transfers. An intragovernmental transfer of cash or of another capitalized asset without reimbursement changes the resources available to both the receiving entity and the transferring entity. The receiving entity should recognize a transfer-in as an additional financing source in its result of operations for the period. Similarly, the transferring entity should recognize the transfer-out as a decrease in its result of operations. The value recorded should be the transferring entity's book value of the asset. If the receiving entity does not know the book value, the asset should be recorded at its estimated fair value as of the date of transfer.

★ a. The PP&E that is expensed (i.e., stewardship PP&E) may be transferred from one government entity or DoD Component to another. If the asset was classified as stewardship PP&E in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operations or net position of either entity and, therefore, it is not a revenue, a gain or loss, or other financing source.

★ b. However, if the asset that is transferred was classified as general PP&E for the transferring entity but stewardship PP&E for the recipient entity, it is recognized as a transfer-out (a negative other financing source) of capitalized assets by the transferring entity. If the asset that is transferred was classified as stewardship PP&E for the transferring entity but general PP&E for the recipient entity, it is recognized as a transfer-in (an other financing source) of capitalized assets by the recipient entity.

★ D. Gains. When a transaction with the public or another government entity at a price is unusual or nonrecurring, a gain should be recognized rather than revenue so as to differentiate such transactions. Gains result from the sale, exchange, trade or disposition of government assets (with the exception of inventory). As a general rule, any difference between the sales proceeds in excess of the book value of the assets is recognized as a gain when the asset is sold. This general rule applies to the sale of PP&E; receivables; investments; and other assets where the selling entity is entitled to retain the proceeds of the sale. In addition, the distinction between revenues and gains is a matter of classification in the general ledger accounts and their presentation in financial statements. Revenues are commonly reported at their gross amount while gains are shown net of related book value.

★ 180202. Revenue Measurement.

★ A. Exchange Revenue. The measurement basis for revenue from exchange transactions should be the actual price that is received or receivable under the established pricing arrangements.

★ B. Nonexchange Revenue. Nonexchange revenue should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue (the recipient entities). Revenue arising from donations should be recognized for those inflows of resources which meet recognition criteria for assets and should be measured at the estimated fair value of the contribution.

★1803 PRESENTATION IN FINANCIAL STATEMENTS

★ 180301. Exchange Revenue. Exchange revenue should be recognized in determining the net cost of operations on the reporting entity's "Statement of Net Costs" during the period. The exchange revenue should be recognized regardless of whether the entity retains the revenue for its own use or transfers it to other entities. The components of the net cost calculation should separately include the gross cost of providing goods or services that earned exchange revenue less the exchange revenue earned, and the resulting difference (reimbursable program). The components of net cost also should include separately the gross cost of providing goods, services, benefit payments, or grants that did not earn exchange revenue (direct program).

★ 180302. Nonexchange Revenue. Nonexchange revenue should be recognized in determining the entity's operating results on the "Statement of Changes in Net Position" during the reporting period.

★ 180303. Other Financing Sources. Other financing sources should be recognized in determining the entity's operating results on the "Statement of Changes in Net Position" during the reporting period.

180304. Revenues shall be recorded in the financial records, collected promptly, and deposited in the appropriate Treasury account. Amounts received in advance of performance, however, shall be accounted for as unearned revenues until performance is accomplished in accordance with Chapter 13 of this Volume.

★ 180305. Revenues shall be classified according to the type of revenues earned; exchange, nonexchange, and other financing sources.

180306. Revenues from Foreign Military Sales (FMS) transactions shall be handled in accordance with FMS accounting procedures in Volume 15 of this Regulation.

180307. When revenues are generated by providing goods and services, the cost of the goods and services provided shall be recorded as a cost of goods sold. Use of the cost of goods sold account is discussed in Chapter 17 of this Volume.

180308. When appropriated funds furnish goods and services on a reimbursable basis and the amounts collected are returned to miscellaneous receipts accounts (unless specific legal authority exists to retain such collections), the collections shall be treated as a transfer out to other government agencies. The expenses incurred in providing the good or service shall be recorded in the appropriate expense accounts and shall not be reduced even though the collection is deposited to miscellaneous receipts.

1804 ACCOUNTING FOR REVENUES AND FINANCING SOURCES (ACCOUNT 5000)

180401. This section contains the procedures for recording revenues realized by DoD Components.

★ A. The transactions discussed frequently will require a compound entry; that is, entries must be made in both the proprietary accounts and the budgetary accounts. Entries to these proprietary accounts (5000 series) normally require compound entries to budgetary accounts in the 4000 series of accounts. Those budgetary entries are shown, where applicable.

★ B. Additional information on budgetary accounts is not covered in this chapter but are included in Volume 3, "Budget Execution – Availability and Use of Budgetary Resources," to this Regulation.

★ 180402. Accounting Entries.

★ A. Exchange Revenues. Revenues earned are amounts earned and collected for property sold or services furnished either to the public or another federal accounting entity.

Generally, exchange revenues earned shall recover the cost elements for goods or services provided, however, other billing prices may be established when specifically authorized by a DoD issuance (e.g., directive or instruction). Exchange revenues shall be accounted for separately by the accounting entity having responsibility for collection. Appropriate billing documents indicating the specific property delivered or services rendered, quantities, dollar amounts, and reference to each customer order shall be maintained.

★ 1. Revenue From Goods Sold (Account 5100). “Revenue from Goods Sold” is used to record the value of the selling price of inventory billed to DoD Components. When goods are kept in inventory so that they are available to customers when ordered, revenue should be recognized in the same accounting period that the goods are delivered to the customer. Generally, it is at the point of sale that compound entries must be made to record the performance and earnings in both the proprietary (asset, liability, and equity accounts) and the budgetary accounts. Performers (DoD activities providing goods and/or services at cost) include Defense Working Capital Fund (DWCF) activities, revolving funds within the Military Department reporting entities, revolving funds within the “Other Defense Organizations” reporting entity, and the U.S. Army Corps of Engineers. Customers of the Department include any DoD Component, organization, office or other element; non-DoD federal government agencies; others officially representing the federal government; and members of the public (as specified by law). Customer orders (funded requests for goods and services) provide budgetary resources to finance reimbursable operations, consequently, customer orders must be obligations of a federal government activity unless otherwise specified by law. Each party receives and sacrifices something of value. Exchange revenues are recorded through the following entry:

Dr	6500	Cost of Goods Sold
	Cr	1520 Inventory, Net

and

Dr	1310	Accounts Receivable
	Cr	5100 Revenue From Goods Sold

and

Dr	4251	Reimbursements and Other Income Earned - Receivable
	Cr	4221 Unfilled Customer Orders Without Advance

★ 2. Revenue From Services Provided (Account 5200). “Revenue from Services Provided” is used to record revenue earned by revolving fund activities from the sale of services, e.g., including sale of power, transportation. Generally, it is at the point of sale that compound entries must be made to record the performance and earnings in both the proprietary (asset, liability, and equity accounts) and the budgetary accounts. When services are provided to the public or another government entity, revenue should be recognized in the same accounting period that the services are performed. Performers include DWCF activities, revolving funds

within the Military Department reporting entities, revolving funds within the “Other Defense Organizations” reporting entity, and the U.S. Army Corps of Engineers. Customers of the Department include any DoD Component, organization, office or other element; non-DoD federal government agencies others officially representing the federal government; and members of the public (as specified by law). Customer orders (funded requests for goods and services) provide budgetary resources to finance reimbursable operations, consequently, customer orders must be obligations of a federal government activity unless otherwise specified by law. Each party receives and sacrifices something of value. The proceeds are an exchange revenue.

★ a. Sale of services by Industrial Type Operations. Below is an entry to record the performance of work or provision of services and associated cost of the goods sold. Industrial-type operations, primarily depot maintenance activities, routinely perform tasks that take more than a month and transfer the expense to a work in process account so that costs may be matched to revenue upon completion of the task. A typical accounting entry to record the completion of a task previously recorded in work in process is:

Dr	6500	Cost of Goods Sold
	Cr	1526 Inventory - Work in Process

and

Dr	1310	Accounts Receivable
	Cr	5200 Revenue From Services Provided

and

Dr	4251	Reimbursements and Other Income Earned - Receivable
	Cr	4221 Unfilled Customer Orders Without Advance

★ b. Sale of Services by Other Revolving Fund Activities. Some revolving fund activities, primarily those involved in the provision of service-type operations, do not transfer the expense to a work in process account but bill customers based upon a predetermined rate at month or period end. A typical entry to record the recognition or revenue for those activities is:

Dr	1310	Accounts Receivable
	Cr	5200 Revenue From Services provided

and

Dr	4251	Reimbursements and Other Income Earned - Receivable
	Cr	4221 Unfilled Customer Orders Without Advance

★ 3. Interest Revenue (Account 5310). Represents revenue received by DoD Components that administer retirement plans, education benefit plans, insurance plans, and

other annuity programs that invest in U.S. Treasury securities. Interest earned represents interest on invested funds which were derived primarily from exchange transactions which should be classified in the same manner as the predominant source of the invested balances. For example, invested balances for the DoD Military Retirement Trust Fund are predominantly derived from exchange revenue and the interest earned on those balances should be classified as exchange revenue. The interest received should be deducted from gross cost in determining the net cost of operations on the “Statement of Net Costs” (in contrast, interest earned from funds primarily derived from nonexchange sources should be classified as nonexchange revenue (shown below) and be shown on the “Statement of Changes in Net Position”).

Dr	1340	Interest, Penalty, and Administrative Fees Receivable
	Cr	5310 Interest Revenue

★ 4. Benefit Program Revenue (Account 5400). Represents revenue received by DoD Components that administer retirement plans, insurance plans, and other annuity programs. Employees of the federal government provide service to their employer in exchange for compensation, of which some is received currently (the salary); and some is deferred (pensions, retirement health benefits, and other retirement benefits). The financing of these benefits may include contributions paid by the employer entity to the retirement fund and is an inflow of resources to the retirement fund as part of this exchange transaction. It is a payment by the employer entity in exchange for the future provision of a pension or other retirement benefit to its employees. Therefore, it is an exchange revenue of the entity that administers the retirement plan and, thus, is an offset to that entity’s gross cost in calculating its net cost of operations.

Dr	1310	Accounts Receivable
	Cr	5400 Benefit Program Revenue

★ 5. Insurance and Guarantee Premium Revenue (Account 5500). Represents Revenue earned by DoD Components that administer insurance plans and guarantee programs. For example, the U.S. Army Corps of Engineers is self-insured and collects premiums for insurance on revolving fund assets. The premiums are recorded in this category of exchange revenue and any interest earned from this exchange revenue is categorized as exchange revenue under Interest Revenue, above.

Dr	1010	Fund Balance With Treasury
	Cr	5500 Insurance and Guarantee Premium Revenue

★ 6. Other Revenue (Account 5900). Within the DoD, other revenue represents exchange transactions generated by appropriated fund activities in the sale of goods and services and trust fund/special fund activities (other than a revolving fund) through the receipt of funds for a specific purpose.

★ a. Appropriated Fund Activities. The cost of providing goods or services is defrayed in whole or in part by selling the goods or services provided. Performers

★ 1. Donated Revenue (Accounts 5600 and 5610). Within the DoD, revenue arising from donations should be recognized for those inflows of resources which meet recognition criteria for assets and should be measured at the estimated fair value of the contribution. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings and are recorded as in the following examples:

★ a. Donated Revenue - Financial Resources (Account 5600). Donations of financial resources consist mainly of cash and securities and should be recorded in the following manner:

Dr	1010	Fund Balance With Treasury
	Cr	5600 Donated Revenue - Financial Resources

(for cash and equivalent monetary items received from contributors)

and/or

Dr	1610	Investment in U.S. Government Securities Issued by Public Debt
Dr	1620	Investments in Securities Other than Public Debt Securities
	Cr	5600 Donated Revenue - Financial Resources

(to record securities received as donations from contributors)

★ b. Donated Revenue - Nonfinancial Resources (Account 5610). Donations of nonfinancial resources consist mainly of land, buildings or other assets and their fair market value should be recorded in the following manner:

Dr	1700	General Property, Plant and Equipment, Net
		or
Dr	1900	Other Assets, Net
	Cr	5610 Donated Revenue - Nonfinancial Resources

(to record land, buildings and other assets received as donations from contributors)

★ 2. Interest Revenue (Account 5310). Represents revenue received by DoD Components that administer trust and deposit funds that invest in U.S. Treasury securities. Interest earned represents interest on invested funds which were derived primarily from nonexchange transactions which should be classified in the same manner as the predominant source of the invested balances. For example, invested balances for the U.S. Army Corps of Engineers' Harbor Maintenance Trust Fund are predominantly derived from nonexchange revenue and the interest earned on those balances should be classified as nonexchange revenue. The interest received should be classified as nonexchange revenue and be shown on the "Statement of Changes in Net Position."

Dr 1010 Fund Balance With Treasury
Cr 5310 Interest Revenue

3. Penalties and Fines Revenue (Account 5320). Accounting for receivables shall include provisions for accruing interest, penalty, and administrative charges on delinquent accounts from the public (excluding federal agencies, nonappropriated fund activities, state and local governments). The DoD activities holding delinquent accounts receivable are to accrue and collect interest, penalty, and administrative charges for deposit directly to the applicable Treasury receipt accounts. The accrual of interest, penalty, and administrative charges are nonentity transactions classified as nonexchange revenue. The accrual involves a compound entry to recognize the revenue and an offsetting entry to recognize the custodial transaction. The Penalties and Fines Revenue (Credit balance) is offset by the Collections for Others (debit balance), shown in subparagraph 5, below, account on the “Statement of Changes in Net Position.”

Dr 1340 Interest, Penalty, and Administrative Fees Receivable
Cr 5320 Penalties and Fines Revenue

4. Collections for Others (Account 5990). This is a offset to account 5320, Penalties and Fines Revenue which must be made when the posting to account 5320 is made, as shown above. Postings to this account are used to record a liability to Treasury for fines, penalties, and administrative charges assessed on overdue accounts receivable amounts collected on another entity’s behalf.

Dr 5990 Collections for Others
Cr 2400 Liability for Deposit Funds and Suspense Accounts

★ C. Other Financing Sources. Financing sources, other than exchange and nonexchange revenues, provide inflows of resources that increase results of operations during the reporting period and include appropriations used, transfers of assets from other government entities, and financing imputed with respect to any cost subsidies. Financing outflows may result from transfers of the reporting entity’s assets to other government entities or from exchange revenues earned by the entity but required to be transferred to the General Fund or another government entity. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used. Revenues from other financing sources should be shown on the “Statement of Changes in Net Position.”

★ 1. Appropriations Used (Account 5700). Appropriations are used in operations when goods and services are received or benefits and grants are provided. Goods and services (including amounts capitalized as well as the exchange of cash for another asset) are considered received when a liability is established which is accompanied by an entry to Expended Authority - Paid or Unpaid. Benefits are considered to be provided when the related liability is established. Grants are considered to be provided when grantees meet the requirements that allow them to use the grants. Appropriations should be recognized as a

financing source in determining net results of operations. The following entry illustrates use of this account:

Dr	6100	Operating Expenses/Program Costs
Dr	1521	Inventory Purchased for Resale
Dr	1750	Equipment
Cr	2110	Accounts Payable

and

Dr	3100	Unexpended Appropriations
Cr	5700	Appropriations Used

and

Dr	4801	Undelivered Orders - Unpaid
Cr	4901	Expended Authority - Unpaid

★ 2. Transfers (Accounts 5720 and 5730). The following accounts are used to record the transfers of cash or capitalized assets between DoD Components without the receipt of a direct appropriation or transfer document being received from the Office of Management and Budget (OMB). The receiving entity should recognize a transfer-in as an additional financing source in its result of operations for the period. Similarly, the transferring entity should recognize the transfer out as a decrease in its result of operations. Transfers do not include Stewardship PP&E previously expensed by the transferring activity which will continue to be used as Stewardship PP&E by the receiving activity. In such cases, the movement of property accountability for stewardship PP&E does not affect the results of operations for either the losing or gaining entity.

★ a. Financing Sources Transferred In Without Reimbursement (Account 5720). Transfers in from others is used to record cash or the net book value, or fair market value if net book value is unknown, of property transferred in from another federal or DoD activity without reimbursement. When assets transferred in have been subject to depreciation or amortization, the accumulated depreciation or amortization shall be transferred together with the acquisition value of the asset.

Dr	1010	Fund Balance With Treasury
		or
Dr	1750	Equipment
Cr	5720	Financing Sources Transferred In Without Reimbursement

★ b. Financing Sources Transferred Out Without Reimbursement (Account 5730). Transfers out to others is used to record cash or the net book value, or fair market value if net book value is unknown, of property transferred to another federal or DoD activity without reimbursement. When assets transferred in have been subject to

depreciation or amortization, the accumulated depreciation or amortization shall be transferred together with the acquisition value of the asset.

Dr	5730	Financing Sources Transferred Out Without Reimbursement
Cr	1010	Fund Balance With Treasury
		or
Cr	1750	Equipment

★ 3. Imputed Financing Sources (Account 5780). To record military personnel costs, pensions, other retirement benefits, other postemployment benefits, and environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity. The DoD reporting entities are identified in Chapter 6, Volume 6, of this Regulation.

Dr	6730	Imputed Costs
Cr	5780	Imputed Financing Sources

★1805 ACCOUNTING FOR MISCELLANEOUS ITEMS

★ Miscellaneous items consists of those items that are not a normal part of day-to-day operations of DoD Components. The categories under this heading normally are adjustments to current period operations. The following paragraphs discuss the accounts within each of these categories.

★ 180501. Gains (Account 7100). “Gains” is a control account to report gains on the disposal of DoD assets. The account is a summary account used for financial reporting purposes. No entries are made to this account. There are two subsidiary accounts under this control account; “Gains on Disposition of Assets,” and “Other Gains.” “Other Gains” consists of inventory, investment, and other miscellaneous gains.

★ 180502. Gains on Disposition of Assets (Account 7110). This account is used to record the gains resulting from the sale of DoD PP&E. This gain is determined after considering acquisition cost, any accumulated depreciation, and any costs associated with the disposition. This account shall be used by all DoD activities authorized to dispose of DoD property. Sources for entries to this account include property disposal reports and cash receipt documents. The following entry illustrates the most common entries used for this account.

★	Dr	1739	Accumulated Depreciation on Buildings, Improvements, and Renovations
	Dr	1759	Accumulated Depreciation on Equipment
	Dr	1010	Fund Balance With Treasury
	Cr	1730	Buildings, Improvements, and Renovations
	Cr	1750	Equipment
	Cr	7110	Gains on Disposition of Assets

★ 180503. Other Gains (Account 7190). This account is used to record the gain on assets (other than PP&E) resulting from events other than disposition, such as investment gains and miscellaneous gains. Sources for entries to this account include journal vouchers supported by documentation computing the increased value of inventory and results of physical inventories, collection vouchers, and authorizations to dispose of DoD-held securities and DoD-owned assets.

★ A. Investment gains are recognized by DoD activities responsible for administering trust fund to record the gains realized by DoD Components on the sale or redemption of investments (including securities).

Dr	1010	Fund Balance With Treasury
Dr	1611	Discount on U.S. Government Securities Issued by Public Debt
Cr	1610	Investment in U.S. Treasury Securities Issued by Public Debt
Cr	7190	Other Gains

★ B. This account is used also by DoD Components to record miscellaneous gains, such as a gain resulting from converting foreign currency holdings to U.S. dollars.

Dr	1010	Fund Balance With Treasury
Cr	1200	Foreign Currency
Cr	7190	Other Gains

★ C. This account may be used by DoD Component general fund activities to record miscellaneous gains (e.g., ammunition) resulting from inventory counts in operating materials and supplies.

Dr	1510	Operating Materials and Supplies
Cr	7190	Other Gains

★1806 CLOSING ENTRIES

After preparing the prescribed financial statements for the fiscal year ended September 30, the following entries shall be made for all accounts.

Dr	5100	Revenue From Goods Sold
Dr	5200	Revenue From Services Provided
Dr	5310	Interest Revenue
Dr	5400	Benefit Program Revenue
Dr	5500	Insurance and Guarantee Premium Revenue
Dr	5600	Donated Revenue - Financial Resources
Dr	5610	Donated Revenue - Nonfinancial Resources
Dr	5700	Appropriations Used
Dr	5720	Financing Sources Transferred In Without Reimbursement
Dr	5780	Imputed Financing Sources

Dr 5800 Tax Revenues
Dr 5900 Other Revenue
Cr 3310 Cumulative Results of Operations

and

Dr 3310 Cumulative Results of Operations
Cr 5730 Financing Sources Transferred Out Without
 Reimbursement

and

Dr 5320 Penalties and Fines Revenue
Cr 5990 Collections for Others

and

Dr 7110 Gains on Disposition of Assets
Dr 7190 Other Gains
Cr 3310 Cumulative Results of Operations

★ ACCOUNT NO. 5000	
REVENUES AND FINANCING SOURCES	
<p>DESCRIPTION: These accounts reflect the amount of: (1) income earned from sales of goods and services, including interest income, (2) appropriated capital used to finance expenses, (3) donations to the government, and (4) receipts collected pursuant to the government's sovereign power to levy taxes and fines. Exclude: (1) gain from disposition of assets, (2) gain from liquidation of liabilities at an amount less than face value, and (3) other nonoperating gains covered in the 7000 series of accounts.</p>	
DEBIT	CREDIT
<p>This account is a summary account. Do not post to this account.</p>	
NORMAL BALANCE: CREDIT	
FIGURE 18-1	

★ ACCOUNT NO. 5100	
REVENUE FROM GOODS SOLD	
DESCRIPTION: Revenue earned from the sale of any goods that were purchased or finished goods processed for sale or use under a program of trading, manufacturing, etc. Represents the value of inventory and completed projects for which revenue is billed to customers.	
DEBIT	CREDIT
<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. Delivery or sale of supplies to authorized DoD customers and public customers authorized by the DoD.</p> <p>Contra: 1010 and 6500</p> <p>2. Sale of manufactured, converted, altered, or new production item to DoD customers and public customers authorized by the DoD.</p> <p>Contra: 1010 and 6500</p> <p>1. Delivery or sale of supplies to authorized DoD customers and public customers authorized by the DoD.</p> <p>Contra: 1310 and 6500</p> <p>2. Sale of manufactured, converted, altered, or new production item to DoD customers and public customers authorized by the DoD.</p> <p>Contra: 1310 and 6500</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-2	

★ ACCOUNT NO. 5109	
CONTRA REVENUE FOR GOODS SOLD	
DESCRIPTION: The amount reflecting a reduction in revenue for goods sold when collection of amounts of revenue accrued is not expected. Amounts recorded are based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned, but does not include Credit losses.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-3	

★ACCOUNT NO. 5200	
REVENUE FROM SERVICES PROVIDED	
DESCRIPTION: Revenue earned from the sale of services provided including sale of power, transportation, etc.	
DEBIT	CREDIT
<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. Sale of services to DoD Components by a revolving fund activity.</p> <p>Contra: 1310 and 6500</p> <p>2. Sale of services to other federal agencies by a revolving fund activity.</p> <p>Contra: 1310 and 6500</p> <p>2. Sale of services to the public or state and local governments by a revolving fund activity.</p> <p>Contra: 1310 and 6500</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-4	

★ ACCOUNT NO. 5209	
CONTRA REVENUE FOR SERVICES PROVIDED	
DESCRIPTION: The amount reflecting a reduction in revenue for services provided when collection of amounts of revenue accrued is not expected. Amounts recorded are based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned, but does not include Credit losses.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-5	

★ ACCOUNT NO. 5310	
INTEREST REVENUE	
DESCRIPTION: Revenue earned from interest. Interest earned on funds derived from exchange and nonexchange transactions classified in the same manner as the predominant source of the invested balances.	
DEBIT	CREDIT
<p>To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. To record entity interest earned (receivable) for the current period on U.S. Treasury securities issued by public debt.</p> <p>Contra: 1340</p> <p>2. To record entity interest earned (receivable) for the current period on public loans.</p> <p>Contra: 1340</p> <p>3. To record entity interest earned (receivable) for the current period on other than public loans.</p> <p>Contra: 1340</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-6	

★ ACCOUNT NO. 5319	
CONTRA REVENUE FOR INTEREST	
DESCRIPTION: The amount reflecting a reduction in revenue for interest accrued when realization is not expected. Amounts recorded are based on abatements, adjustments, returns, allowances, or price redeterminations.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-7	

ACCOUNT NO. 5320	
★ PENALTIES AND FINES REVENUE	
DESCRIPTION: Nonexchange revenue earned from penalties and fines.	
DEBIT	CREDIT
<p>1. To close the balance in this account to Collections for Others at year-end.</p> <p>Contra: 5990</p>	<p>1. To record the assessment of fines, penalties, and administrative charges on overdue accounts receivable for reimbursable work, or services, or goods provided to an authorized customer when an advance was not required.</p> <p>Contra: 1310</p> <p>2. To record the assessment of fines, penalties, and administrative charges on overdue accounts receivable collected, or to be collected, on behalf of another government activity.</p> <p>Contra: 1310</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-8	

★ ACCOUNT NO. 5329	
CONTRA REVENUE FOR PENALTIES AND FINES	
DESCRIPTION: The amount reflecting a reduction in revenue for penalties and fines when realization is not expected. Amounts recorded are based on abatements, adjustments, returns, allowances, or price redeterminations. Credit losses on penalties and fines revenue are also recorded in this account.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-9	

ACCOUNT NO. 5400	
BENEFIT PROGRAM REVENUE	
DESCRIPTION: Represents revenue received by DoD Components that administer retirement plans, education benefit plans, insurance plans, and other annuity programs.	
DEBIT	CREDIT
<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. To record the receipt of employer contributions to noncontributory defined-benefit programs.</p> <p>Contra: 1010</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-10	

★ ACCOUNT NO. 5409	
CONTRA REVENUE FOR BENEFIT PROGRAM REVENUE	
DESCRIPTION: The amount reflecting a reduction in revenue for a benefit program based on adjustments as stipulated by law and does not include credit losses.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-11	

★ACCOUNT NO. 5500	
INSURANCE AND GUARANTEE PREMIUM REVENUE	
DESCRIPTION: Revenue earned by DoD Components that administer insurance plans and guarantee programs.	
DEBIT	CREDIT
<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. To record the use of amounts previously deposited in the Defense Export Loan Guarantee account for the payment of defaulted loans guaranteed by the Defense Security Assistance Agency on behalf of the DoD.</p> <p>Contra: 2990</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-12	

★ACCOUNT NO. 5509	
★ CONTRA REVENUE FOR INSURANCE AND GUARANTEE PREMIUM REVENUE	
DESCRIPTION: The amount reflecting a reduction in revenue for an insurance and guarantee premium based on adjustments stipulated by law and does not include credit losses.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: CREDIT	
FIGURE 18-13	

★ ACCOUNT NO. 5600	
DONATED REVENUE - FINANCIAL RESOURCES	
DESCRIPTION: To record the donation of financial resources (e.g., cash or securities) to a government entity from a nongovernment entity. Includes authorized acceptance from nonfederal sources of payments in cash or kind to cover travel and/or subsistence expenses of employees and other authorized donations.	
DEBIT	CREDIT
<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. To record income (cash) received from the public in connection with the establishment, operation, or maintenance of a school, hospital, library, museum, cemetery or other institution under the jurisdiction of a DoD Component.</p> <p>Contra: 1010, 1195, 1200, 1610, 1620 or 1690.</p> <p>2. To record financial resources received from friendly persons, business, foreign governments or international organizations under Title 10, United States Code, Section 2608 into the Defense Cooperation Account.</p> <p>Contra: 1010, 1100, 1190, 1195, 1610, 1620, and 1690</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-14	

★ ACCOUNT NO. 5609	
CONTRA REVENUE FOR DONATIONS	
DESCRIPTION: The amount reflecting a reduction in revenue for donated financial resources (e.g., cash or securities) that are returned.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller)</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-15	

★ ACCOUNT NO. 5610	
DONATED REVENUE - NONFINANCIAL RESOURCES	
DESCRIPTION: To record the donation of nonfinancial resources (e.g., land or buildings) to a government entity from a nongovernment entity.	
DEBIT	CREDIT
<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. To record income (land or buildings) received from the public in connection with the establishment, operation, or maintenance of a school, hospital, library, museum, cemetery or other institution under the jurisdiction of a DoD Component.</p> <p>Contra: 1710, 1730, and 1990.</p> <p>2. To record nonfinancial resources received from friendly persons, business, foreign governments or international organizations under Title 10, United States Code, Section 2608 into the Defense Cooperation Account.</p> <p>Contra: 1711, 1712, 1730, 1740, 1750, 1840, 1890, and 1990</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-16	

★ ACCOUNT NO. 5619	
CONTRA DONATED REVENUE NONFINANCIAL RESOURCES	
DESCRIPTION: The amount reflecting a reduction in revenue for donated nonfinancial resources (e.g., land or buildings) that are returned.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-17	

★ ACCOUNT NO. 5700	
APPROPRIATIONS USED	
DESCRIPTION: The amount of current period expenses and purchases of capital assets funded by appropriations. The balance in this account should equal the budgetary expended authority (general ledger accounts 4901.10 and 4902.10) for appropriated funds.	
DEBIT	CREDIT
<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. To record the use of appropriations (other financing sources) as a revenue source for financing current and prior year expenses at the time the expenses are recognized.</p> <p>Contra: 3100</p> <p>2. To record the use of appropriations as a revenue source for the purchase of inventory when specifically appropriated for that purpose.</p> <p>Contra: 3100</p> <p>3. To record the use of appropriations as a revenue source for the purchase of general PP&E.</p> <p>Contra: 3100</p> <p>4. To record the use of appropriations as a revenue source for the purchase of National Defense PP&E.</p> <p>Contra: 3100</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-18	

★ ACCOUNT NO. 5700	
APPROPRIATIONS USED	
DESCRIPTION: Continued from the previous page.	
DEBIT	CREDIT
	<p>6. To record the use of appropriations (other financing sources) as a revenue source for the purchase of investments.</p> <p>Contra: 3100</p> <p>7. To record the use of appropriations (other financing sources) as a revenue source for the purchase of investments.</p> <p>Contra: 3100</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-18 (Continued)	

★ ACCOUNT NO. 5720	
FINANCING SOURCES TRANSFERRED IN WITHOUT REIMBURSEMENT	
DESCRIPTION: The amount determined to increase the financing source of a reporting entity which occurs as a result of an asset being transferred in. The amount of the asset is recorded at book value of the transferring entity.	
DEBIT	CREDIT
<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. To record the receipt (transfer in) of cash from other DoD Components.</p> <p>Contra: 1010</p> <p>2. To record the receipt (transfer in) of property, plant and equipment (PP&E) from other DoD Components.</p> <p>Contra: 1700</p> <p>3. To record the receipt (transfer in) of PP&E from another government agency.</p> <p>Contra: 1700</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-19	

★ ACCOUNT NO. 5730	
FINANCING SOURCES TRANSFERRED OUT WITHOUT REIMBURSEMENT	
DESCRIPTION: The amount determined to decrease the financing source of a reporting entity which occurs as a result of an asset being transferred out. The amount of the asset is recorded at book value as of the transfer date.	
DEBIT	CREDIT
<p>1. To record the transfer out of cash to other DoD Components.</p> <p>Contra: 1010</p> <p>2. To record the transfer out of PP&E to other DoD Components.</p> <p>Contra: 1700</p> <p>3. To record the transfer out of PP&E to another government agency.</p> <p>Contra: 1700</p>	<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>
NORMAL BALANCE: DEBIT	
FIGURE 18-20	

★ ACCOUNT NO. 5780	
IMPUTED FINANCING SOURCES	
DESCRIPTION: The account is used by the receiving entity to recognize imputed financing sources equal to the imputed costs which are paid in total or in part by other entities. This account is used to record a financing source (as opposed to revenues earned for provision of goods and services) when the administering fund is outside the DoD reporting entity.	
DEBIT	CREDIT
<p>1. To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. To record the value of military personnel services used without cost and not reimburse to the military personnel appropriation, for the reporting period.</p> <p>Contra: 6730</p> <p>2. To record the service cost of pension expense, over and above the amount contributed, based upon reimbursement factors provided by the fund administrator, for the reporting period.</p> <p>Contra: 6730</p> <p>3. To record the cost of other retirement benefits and other post employment benefits, over and above the amount contributed, for the reporting period.</p> <p>Contra: 6730</p> <p>4. To record the cost of environmental cleanup costs incurred by a DoD reporting entity but funded and paid through another DoD or federal government reporting entity.</p> <p>Contra: 6730</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-21	

★ ACCOUNT NO. 5790	
OTHER FINANCING SOURCES	
DESCRIPTION: This account is used to record financing sources (as opposed to revenues earned for provision of goods and services) not provided for in other accounts.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: CREDIT	
FIGURE 18-22	

★ ACCOUNT NO. 5799	
ADJUSTMENT OF APPROPRIATED CAPITAL USED	
DESCRIPTION: The amount of adjustment to financing sources in the program fund to reflect the amount of excess subsidy funds returned to Treasury by the financing fund.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-23	

★ ACCOUNT NO. 5800	
TAX REVENUES	
DESCRIPTION: Taxes and fees received from the public that result from the exercise of the Federal Government's sovereign powers to tax. Within the DoD, this includes other miscellaneous taxes and fees, such as the collection of ad valorem taxes by the U.S. Army Corps of Engineers for the Harbor Maintenance Trust Fund, where the funds are earmarked for the entity's use.	
DEBIT	CREDIT
Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller)	
NORMAL BALANCE: CREDIT	
FIGURE 18-24	

★ ACCOUNT NO. 5809	
CONTRA REVENUE FOR TAXES	
DESCRIPTION: The amount reflecting a reduction in revenue for taxes when realization is not expected. Amounts recorded are based on abatements, adjustments, returns, allowances, and credit losses.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-25	

★ ACCOUNT NO. 5890	
TAX REVENUE REFUNDS	
DESCRIPTION: The amount of tax revenue refunds that are payable or have been paid.	
DEBIT	CREDIT
<p>Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>	
NORMAL BALANCE: DEBIT	
FIGURE 18-26	

★ ACCOUNT NO. 5900	
OTHER REVENUE	
DESCRIPTION: Exchange revenue received but not otherwise classified above. Represents the amount of exchange revenue earned by DoD Components from miscellaneous sources not specifically provided for in other revenue accounts and reimbursable to DoD appropriations or funds.	
DEBIT	CREDIT
<p>To close the balance in this revenue account to equity at year-end.</p> <p>Contra: 3310</p>	<p>1. To record exchange revenue earned by appropriated fund activities from the provisioning of goods and/or services where such provisioning is incidental to their primary mission.</p> <p>Contra: 1010 and 1310</p> <p>2. To record exchange revenue received by a trust fund/special fund activity (other than a revolving fund).</p> <p>Contra: 1010</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-27	

★ ACCOUNT NO. 5909	
CONTRA REVENUE FOR OTHER REVENUE	
DESCRIPTION: The amount reflecting a reduction in revenue received (but not otherwise classified above) when realization is not expected. Amounts recorded are based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned. Credit losses on other nonexchange revenue are also recorded in this account.	
DEBIT	CREDIT
Do not use this account without the prior approval of the Office of the Under Secretary of Defense (Comptroller).	
NORMAL BALANCE: DEBIT	
FIGURE 18-28	

★ ACCOUNT NO. 5990	
COLLECTIONS FOR OTHERS	
DESCRIPTION: Amounts collected by a reporting entity on behalf of another federal entity.	
DEBIT	CREDIT
<p>1. To record a liability to Treasury for fines, penalties, and administrative charges assessed on overdue accounts receivable collected on the other entity's behalf.</p> <p>Contra: 2400</p> <p>1. To record a liability to Treasury for fines, penalties, and administrative charges assessed on overdue accounts receivable collected on delinquent account receivable amounts arising from reimbursable (exchange) transactions.</p> <p>Contra: 2400</p>	<p>1. To close the balance in this account to Penalties and Fines Revenue at year-end.</p> <p>Contra: 5320</p>
NORMAL BALANCE: DEBIT	
FIGURE 18-29	

★ACCOUNT NO. 7100	
GAINS	
DESCRIPTION: Gains on assets.	
DEBIT	CREDIT
<p>This account is a summary account. Do not post to this account.</p>	
NORMAL BALANCE: CREDIT	
FIGURE 18-30	

★ACCOUNT NO. 7110	
GAINS ON THE DISPOSITION OF ASSETS	
DESCRIPTION: To record the gain on the disposition (such as sale, exchange, casualty, disposal, or retirement) of PP&E.	
DEBIT	CREDIT
	1. Gain realized on asset transactions. Contra: 1010, 1711, 1730, 1740, 1750, 1840, 1890, 1990
NORMAL BALANCE: CREDIT	
FIGURE 18-31	

★ACCOUNT NO. 7190	
OTHER GAINS	
DESCRIPTION: To record gains resulting from events (such as sale, exchange, casualty, disposal, or retirement) other than the disposition of PP&E.	
DEBIT	CREDIT
	<p>1. To record inventory gains resulting from inventories transferred to the Defense reutilization and Marketing Service from other DoD activities.</p> <p>Contra: 1520</p> <p>2. To record a gain realized on investments.</p> <p>Contra: 1010, 1611, 1621</p> <p>3. Gain realized on conversion of foreign currencies.</p> <p>Contra: 1010, 1200</p>
NORMAL BALANCE: CREDIT	
FIGURE 18-32	

CHAPTER 19

COST IDENTIFICATION1901 GENERAL190101 Purpose

A. The 6000 series of the DoD Uniform Chart of Accounts provides for the identification of the annual cost to operate the Department of Defense. This chapter prescribes the basic standards for identifying costs incurred to accomplish a specific cost objective. Title 2 of the General Accounting Office (GAO) Policy and Procedures Manual For Guidance of Federal Agencies requires Federal Agencies to implement policy established by the Cost Accounting Standards Board (CASB) when a policy is not specifically covered in Title 2 and is applicable to agency operations. The next section identifies cost accounting policy governing the allocation of cost that are applicable to the Department of Defense. Policies that are applicable to cost accounting modules but that are contained in other chapters of this Regulation are identified in section 1903. of this chapter.

B. The objective of cost accounting is to accumulate and record all the elements of cost incurred to accomplish a cost objective; i.e., to carry on an activity or operations, or to complete a unit of work of a specific job. The cost objective must be discrete enough and described in writing to such a level of detail to form a basis to establish cost centers and output products. The bottom line is that the cost accountant must be able to translate the measurement requirements into terms of source documents, allocation techniques, and such other cost accounting techniques as may be required to meet the management requirement. Establishing a cost objective is necessarily a management decision and is essential to the accumulation or allocation of costs to a cost objective. There may be a series of intermediate cost objectives which, when combined, equal the final cost objective. For example, the final cost objective may be the cost to manufacture a truck; intermediate cost objectives might be the cost of the motor, body,

etc. Certain costs are classified and assigned directly as a direct cost to the cost objective being costed, while others are grouped as indirect costs for the subsequent allocation to the unit. The cost objective may vary from a large program or activity to a smaller specific cost objective, such as a work order, a manufactured product, or a part of a construction cost objective project. Management decides the cost objective for which cost is to be accumulated.

C. The cost identification techniques described in this chapter have a utility whenever management wants to measure productivity, determine the cost of a particular management objective, determine the cost to be billed to a customer, etc.

D. The cost of a product or service may be obtained either through establishing a formal cost accounting module or through the use of cost finding procedures. A formal cost accounting module should be established when management decides that such information must be continuously accumulated, recorded, and controlled by a formal cost accounting module. Cost finding procedures shall be designed to accomplish an end result that would approximate the results that would have been obtained if a formal cost accounting system was in operation. Therefore, the policy in this chapter shall be taken into consideration when cost finding procedures are established.

190102 Overview

A. A critical step in the cost identification process is establishment of the purpose for the cost accumulation. If the purpose is billing a customer, then reference should be made to Volume 11 for guidance on the cost elements that are reimbursable. If the purpose is to accumulate the total cost of performing an operation for the purpose of cost comparisons with industry, then all cost elements, including military labor, and other

unfunded costs should be accumulated. This means that when the full cost to the Federal Government is needed it may be necessary to add in costing rates prescribed by higher authority. For example, OMB uses an unfunded retirement rate for cost comparison purposes in OMB Circular No. A-76.

B. In any given year, the obligations and outlays incurred may be less than, equal to, or greater than the costs recognized for that period. The differences are due to such things as increases or decreases in inventories, undelivered orders, depreciation, amortization, or other changes in certain resources. The difference in concept lies in the distribution of these different measures (costs and obligations) over a period of time. Table 19-1, using the purchase of inventory materials, illustrates these timing differences. These stages can occur in a different sequence.

C. Cost accounting modules must be integrated with the overall accounting system,

and this is accomplished by having multiple cost elements related to one or more accounts in the general ledger. An organization operating a formal cost accounting module shall use Account 1581, "Work in Process-In-House," (WIP) or Account 1721, Construction in Progress-In-House, to control the cost accounting module. Accordingly, increases to the WIP accounts shall be offset by decreases to asset accounts (e.g., inventory held for sale) or increases to liability accounts (e.g., Accounts Payable). Upon completion of a customer's requirements, the decrease to or relief of the WIP account shall be offset by increasing some other Inventory (e.g., inventory held for sale) or the Cost of Goods Sold account. Cost accounting systems constitute a module of the general accounting system. An activity may subdivide the WIP control account in any manner that management decides is necessary to control the costs. Accordingly, the subdivisions could be by cost center or cost element.

<u>TRANSACTION STAGES</u>				
<u>TRANSACTION</u>	<u>WHEN ORDER IS PLACED</u>	<u>WHEN MATERIALS ARE RECEIVED</u>	<u>WHEN MATERIALS ARE USED</u>	<u>WHEN BILL IS PAID</u>
	<u>OBLIGATION</u>	<u>ACCRUED EXPENDITURE</u>	<u>COST OR EXPENSE</u>	<u>OUTLAY</u>
Order for materials is placed.	Obligation is recorded as an undelivered order and a decrease to the uncommitted/unobligated budgetary resources (see Volume 3).			

<u>TRANSACTION STAGES</u>				
<u>TRANSACTION</u>	<u>WHEN ORDER IS PLACED</u>	<u>WHEN MATERIALS ARE RECEIVED</u>	<u>WHEN MATERIALS ARE USED</u>	<u>WHEN BILL IS PAID</u>
	<u>OBLIGATION</u>	<u>ACCRUED EXPENDITURE</u>	<u>COST OR EXPENSE</u>	<u>OUTLAY</u>
Materials are received or constructively received.		This is recorded in the proprietary accounts as an account payable, and as an increase in the inventory accounts. It is recorded in the budgetary accounts as a decrease to undelivered orders and a increase to accrued expenditures unpaid. (see Volume 3 and Chapter 19 of this Volume).		
Materials are used or consumed.			Cost is recorded in the proprietary accounts as a decrease in inventory and a charge to the applicable expense account or work in process account (see Chapters 4 and 18 of this Volume).	

<u>TRANSACTION STAGES</u>				
<u>TRANSACTION</u>	<u>WHEN ORDER IS PLACED</u>	<u>WHEN MATERIALS ARE RECEIVED</u>	<u>WHEN MATERIALS ARE USED</u>	<u>WHEN BILL IS PAID</u>
	<u>OBLIGATION</u>	<u>ACCRUED EXPENDITURE</u>	<u>COST OR EXPENSE</u>	<u>OUTLAY</u>
Payment is made for the materials.				Outlay is recorded in the proprietary accounts as a reduction of accounts payable and a reduction to cash. In the budgetary accounts it is recorded as a decrease to accrued expenditures unpaid and an increase to accrued expenditures paid. (see Volume 3 and Chapter 2 of this Volume).

TABLE 19-1

1902 COST ACCOUNTING STANDARDS

Public Law 100-679 (41 U.S.C. 422) requires certain contractors and subcontractors to comply with Cost Accounting Standards. Appendix B, "Cost Accounting Preambles and regulations," to the Federal Acquisition Regulation contains a statement of the Cost Accounting standards. Additionally, the Cost Accounting Standards are codified in 48 Code of Federal Regulation (CFR), Chapter 99. Following is a brief explanation of the published Cost Accounting standards and is not intended to be used as a reference source.

190201 Consistency in Estimating, Accumulating and Reporting Costs (CASB Standard 401)

A. A DoD Component's practices used in estimating costs for proposed reimbursable orders shall be consistent with cost accounting practices used in accumulating and reporting actual costs. Consistency in applying cost accounting practices is necessary to assure that reimbursable orders are executed within the amounts obligated in the records of the ordering activity and to assure that comparable transactions are treated alike. With respect to individual jobs, the consistent application of cost

accounting practices facilitates the preparation of reliable cost estimates used in pricing work and their comparison with the costs of performance of the resulting job. Such comparisons provide one important basis for financial control over costs during job performance and aid in establishing accountability for performance in the manner agreed to by both parties. The comparisons also provide an improved basis for evaluating estimating capabilities.

B. The grouping of homogeneous costs and estimates prepared for proposed work purposes shall not be deemed an inconsistent application of the standard when actual costs are accumulated and reported in greater detail by the cost accounting module during job performance.

190202 Consistency in Allocating Costs Incurred for the Same Purpose (CASB Standard 402)

A. Each type of cost shall be allocated only once and on only one basis to any job or other cost objective. The criteria for determining the allocation of costs to a product, job, or other cost objective shall be the same for all similar objectives. Adherence to this standard is necessary to guard against the over charging of some cost objectives and to prevent double counting. Double counting occurs most commonly when cost items are allocated directly to a cost objective without eliminating like cost items from indirect cost pools that are allocated to that cost objective.

B. All costs incurred for the same purpose in like circumstances, are either direct costs only or indirect costs only with respect to final cost objectives. No final cost objective shall have allocated to it as an indirect cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included as a direct cost of that or any other final cost objective. Further, no final cost objective shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any indirect cost pool to be allocated to that or any other final cost objective.

190203 Allocation of Home Office (Headquarter's General and Administrative Expenses to Segments (CASB Standard 403))

A. General. The Department of Defense is organized into three primary organizational levels - Departmental, Intermediate, and Installation. This standard applies to general and administrative (G&A) expenses, not otherwise accumulated by the formal cost accounting module, that benefit or were incurred on behalf of an operation whose cost is being measured by a formal cost accounting module. For cost identification purposes, management shall identify the functional areas and related expenses incurred on behalf of, or for the benefit of another segment, that are necessary for allocation. These expenses shall be allocated to the benefiting or causing segments pursuant to consistently followed accounting practices.

1. Headquarters G&A expenses shall be allocated on the basis of the beneficial or causal relationship between supporting and receiving activities. Such expenses shall be allocated directly to segments to the maximum extent practical. Expenses not directly allocated, if significant in amount and in relation to total headquarters management expenses, shall be grouped in logical and homogeneous expense pools and allocated pursuant to paragraph 190203.C, below. Such allocations shall minimize to the extent practical the amount of expenses that may be categorized as residual (those of managing the organization as a whole). Residual expenses shall be allocated pursuant to paragraph 190203.D, below.

2. No segment shall have allocated to it as an indirect cost, either through a homogeneous expense pool or the residual expense pool, any cost, if other costs incurred for the same purpose have been allocated directly to that or any other segment.

B. Expense Grouping Requirements. Separate expense groupings shall ordinarily be required to implement this standard. The number of groupings shall depend primarily on the variety and significance of service and management functions performed. Ordinarily,

each service or management function shall be separately identified for allocation by means of an appropriate allocation technique. However, it is not necessary to identify and allocate different functions separately, if allocation in accordance with the relevant requirements of paragraph 190203.C, below, can be made using a common allocation base. For example, if the personnel department provides personnel services for some or all of the segments (a centralized service function), and also establishes personnel policies for the same segments (a staff management function), the expenses of both functions could be allocated over the same base, such as the number of personnel, and the separate functions do not have to be identified. Where the expense of a given function is to be allocated by means of a particular allocation base, all segments shall be included in the base unless:

1. Any excluded segment did not receive significant benefits from, or contribute significantly to, the cause of the expense to be allocated.

2. Any included segment did receive significant benefits from, or contribute significantly to, the cause of the expenses in question.

C. Homogeneous Expenses. The following paragraphs provide criteria for allocation of homogeneous groups of management expenses:

1. Centralized Service Functions. Centralized service functions performed by a staff office for its segments consist of specific functions which, but for the existence of a staff office, would be performed or acquired by some or all of the segments individually. Expenses of centralized service functions performed by a staff office for its segments shall be allocated to segments on the basis of the service furnished to or received by each segment. Examples include centrally performed personnel administration and centralized data processing.

- a. The allocation of centralized service functions shall be governed by a hierarchy of preferable allocation techniques that represent beneficial or causal relationships. The preferred representation of such relationships is a measure of the activity of the organization performing the function. Service functions are usually labor oriented, machine oriented, or space oriented. Measures of the activities of such functions can be expressed in terms of labor hours, machine hours, or square footage. Accordingly, costs of these functions shall be allocated by use of a rate, such as a rate per labor hour, rate per machine hour or cost per square foot, unless such measures are unavailable or impractical to ascertain. In these latter cases, the basis for allocation shall be a measurement of the output of the service function. Output is measured in terms of units of end product produced by the service function, for example, number of printed pages for a print shop, number of purchase orders processed by a purchasing department, number of hires by an employment office.

- b. Where neither activity nor output of the supporting function can be practically measured, a surrogate for the beneficial or causal relationship must be selected. Surrogates used to represent the relationship are generally measures of the activity of the segments receiving the service; for example, for personnel services reasonable surrogates would be number of personnel, labor hours, or labor dollars of the segments receiving the service. Any surrogate used should be a reasonable measure of the services received, and logically, should vary in proportion to the services received.

- c. Some typical centralized service function pools, together with illustrative allocation bases that could be used in appropriate circumstances are listed below. The selection of a base shall be governed by the beneficial or causal relationship criteria established in subparagraphs 190203.C.1.a and b, above.

<u>CENTRALIZED SERVICE FUNCTIONS</u>	<u>ILLUSTRATIVE ALLOCATION BASIS</u>
1. Personnel administration	1. Number of personnel, labor hours, payroll, number of personnel actions.
2. Data processing services	2. Machine usage or time, number of reports.
3. Centralized purchasing	3. Number of purchase orders, contracting value of purchases, number of items.
4. Centralized warehousing	4. Square footage, value of material, volume.
5. Transportation service	5. Actual or standard rate per hour, mile, passenger mile, or similar unit.
6. Central telephone service	6. Usage costs, number of instruments.

2. Staff Management of Certain Specific Activities of Segments. Staff management or policy guidance to segments is commonly provided in the overall direction or support of the performance of discrete segment activities such as personnel, production, and engineering (see paragraph 190206.D, below). The expenses incurred by a headquarters office for staff management or policy guidance functions that are significant in amount, and in relation to total staff management expenses, shall be allocated to

segments receiving more than a minimal benefit over a base, or bases, representative of the total specific activity being managed. Some typical pools, together with illustrative allocation bases, which could be used in appropriate circumstances are listed below. Other bases for allocating headquarters expenses to segments may be used if they are substantially in accordance with beneficial or causal relationships specified in subparagraph 190203.A.1, above, and the criteria in this paragraph.

<u>STAFF MANAGEMENT OF SPECIFIC ACTIVITIES</u>	<u>ILLUSTRATIVE ALLOCATION BASIS</u>
1. Personnel management	1. Number of personnel, labor hours, payroll, number of personnel actions.
2. Production policies (quality control, industrial engineering, production, scheduling, tooling, etc.)	2. Production cost input, production direct labor.
3. Engineering policies	3. Total engineering costs, engineering direct labor, number of drawings.
4. Material purchasing policies	4. Number of purchase orders, value of purchases.

3. Line Management of Particular Segments or Groups of Segments. Line management is considered to consist of management or supervision of a segment or group of segments as a whole. The expense of

line management shall be allocated only to the particular segment or group of segments that are being managed or supervised. If more than one segment is managed or supervised, the expense shall be allocated using a base or bases

representative of the total activity of such segments.

4. Central Payments or Accruals.

Central payments or accruals are those that, but for the existence of a number of segments, would be accrued or paid by the individual segments. Common examples include centrally paid or accrued pension costs, group insurance costs and payrolls paid by a headquarters on behalf of its segments. Central payments or accruals that are made by a support office on behalf of its segments shall be allocated directly to segments to the extent that all such payments or accruals

of a given type or class can be identified specifically with individual segments. Any such types of payment or accruals that cannot be identified specifically with individual segments shall be allocated to benefited segments using an allocation base representative of the factors on which the total payment is based. Some typical pools, together with illustrative allocation bases that could be used in appropriate circumstances, are listed below. Other bases may be used if they are substantially in accordance with beneficial or causal relationships specified in subparagraph, 190203.A.1, above, and the criteria in this paragraph.

<u>CENTRAL PAYMENTS OR ACCRUALS</u>	<u>ILLUSTRATIVE ALLOCATION BASIS</u>
1. Pension expenses	1. Payroll or other factor on which total payment is based.
2. Group insurance expenses	2. Payroll or other factor on which total payment is based.
3. Personnel unemployment and injury compensation expenses	3. State agency and Department of Labor notices of payment, billing, or other factor on which total payment is based.

D. Residual Expenses.

1. Residual expenses are expenses that are the result of managing the organization as a whole and are not identifiable with specific activities or segments. Residual expenses include functions such as exercising oversight, direction, and control of organizations through policy, program, resource, or providing technical, administrative, or logistic support essential to an operation. Typical residual expenses are those commonly performed by management headquarters and headquarters support activities, and any staffs that are not identifiable with specific activities of segments.

2. Residual expenses which are not identifiable with specific activities or segments, shall be allocated to all segments by means of a base representative of the total activity of such segments using the two factor formula described below. This formula takes into account two broad areas of management

concern, that is, the personnel of the organization and the capital invested in the organization. The percentage of the residual expenses to be allocated to any segment pursuant to the formula is the arithmetical average of the following two percentages for the same period:

a. The percentage of the segment's payroll dollars (Accounts 6111 and 6112) to the total payroll dollars of all segments.

b. The percentage of the average net book value of the sum of the segment's tangible capital assets (1700 and 1800 account series) plus inventories (1500 account series) to the total average net book value of such assets of all segments. Property held primarily for leasing to others shall be excluded from the computation. The average net book value shall be the average of the net book value at the beginning of the organization's fiscal year and the net book value at the end of the year.

190204 Accounting for Unallowable Costs (CASB Standard 405). An unallowable cost is a cost that should have been a direct charge to a customer. However, because of management error, a cost overrun occurred that the customer was unable to finance. Such costs cannot be included in billings to other activities, either as a direct charge or as part of an indirect charge. In the case of revolving funds the amount of such unallowable costs should be accumulated, and represents a reduction to the fund corpus. If the cost is material, a supplemental appropriation to replace working capital may be necessary.

190205 Cost Accounting Standard 405--Accounting for Unallowable Costs. An unallowable cost is any cost which, under the provisions of any pertinent law, regulation, or contract, cannot be included in prices, cost reimbursements or settlements. These costs, even though not normally charged as a reimbursable expense, shall nevertheless, if material and when directed by the Under Secretary of Defense (Comptroller), be accounted for as a cost of operations.

190206 Cost Accounting Period (CASB Standard 406)

A. DoD activities shall use the October 1 to September 30 fiscal year as the cost accounting period, except that:

1. The costs of an indirect function that exists for only a part of a cost accounting period may be allocated to cost objectives of that same part of the period if the cost is material in amount, accumulated in a separate indirect cost pool, and allocated on the basis of an appropriate direct measure of the activity or output of the function during that part of the period. For example, an organization whose cost accounting period is the fiscal year, installs a computer service center and begins operations on February 1. If the operating expense related to the new service center is expected to be material in amount, it shall be accumulated in a separate indirect cost pool, and shall be allocated to the benefiting cost objectives on the basis of measured usage. The total operating expenses of the computer service

center for the 8-month part of the cost accounting period may be allocated to the benefiting cost objectives of that same 8-month period.

2. A transitional cost accounting period shall be used whenever a change of fiscal year occurs.

B. An organization shall follow consistent practices in selecting the cost accounting period or periods in which any types of expense and any types of adjustment to expense (including prior period adjustments) are accumulated and allocated. The consistent practices requirement shall include appropriate practices for deferrals, accruals, and other adjustments to be used in identifying the cost accounting periods among which any types of expenses and any types of adjustments to expenses are distributed. If an expense, such as insurance or employee leave, is identified with a fixed, recurring, annual period that is different from the organization's cost accounting period, this standard permits continued use of that different period. Such expenses shall be distributed to cost accounting periods in accordance with the organization's established practices for accruals, deferrals, and other adjustments.

C. The same cost accounting period shall be used for accumulating costs in an indirect cost pool as for establishing its allocation base. Indirect cost allocation rates, based on estimates, that are used for the purpose of expediting the closing of jobs that are terminated or completed prior to the end of a cost accounting period need not be those finally determined for that cost accounting period. They shall, however, be developed to represent a full cost accounting period, except as provided in paragraph 190204.A, above.

190207 Use of Standard Costs for Direct Material and Direct Labor (CASB Standard 407)

A. An organization operating a formal cost accounting system may use standard costs for estimating, accumulating, and reporting costs of direct material and direct labor only when all of the following criteria are met:

1. Both standard and actual costs are entered into the books of account.

2. Standard costs are compared to actual costs at the end of each accounting period and a variance calculated.

3. Standard costs and related variances are appropriately accounted for at the level of the production unit.

4. Practices with respect to the setting and revising of standards, use of standard costs, and disposition of variances are stated in writing and are consistently followed.

B. An organization's written statement of practices with respect to standards shall include the bases and criteria (such as engineering studies, experience, or other supporting data) used in setting and revising standards; the period during which standards are to remain effective; the level (such as ideal or realistic) at which material quantity standards and labor time standards are set; and the conditions (such as those expected to prevail at the beginning of a period) that material price standards and labor rate standards are designed to reflect.

1. Where only either the material price or material quantity is set at standard, with the other component stated at actual, the result of the multiplication shall be treated as material cost at standard. Similarly, where only either the labor rate or labor time is set at standard, with the other component stated at actual, the result of the multiplication shall be treated as labor cost at standard.

2. A labor rate standard may be set to cover a category of direct labor only if the functions performed within that category are not materially disparate and the employees involved are interchangeable with respect to the functions performed.

3. A labor rate standard may be set to cover a group of direct labor workers who perform disparate functions only under either one of the following conditions:

a. When the group of workers all work in a single production unit yielding homogenous outputs (in this case, the same labor rate standard shall be applied to each worker in that group), or

b. When that group of workers, while performing their respective functions, forms an integral team (in this case, a labor rate standard shall be set for each integral team).

C. Material shall be recorded at acquisition price in the applicable cost accounts at the time of acquisition. Material price standards in the cost accounting module may be used and their related variances recognized at the time the material cost is allocated to production units.

D. Labor cost variances shall be recognized at the time labor cost is introduced into production units. Labor rate variances and labor time variances may be combined into one labor cost variance account. A separate labor cost variance shall be accumulated for each production unit.

E. An organization's established practice with respect to the disposition of variances accumulated by production unit shall be in accordance with one of the following subparagraphs:

1. Variances are allocated to cost objectives (including ending in-process inventory) at least annually. Where a variance related to material is allocated, the allocation shall be on the basis of the material cost at standard, or where outputs are homogenous, on the basis of units of output. Similarly, where a variance related to labor is allocated, the allocation shall be on the basis of the labor cost at standard or labor hours at standard, or where outputs are homogenous, on the basis of units of output.

2. Variances that are immaterial may be included in appropriate indirect cost pools for allocation to applicable cost objectives.

3. When a standard costing system is used by an appropriation account for the purpose of billings, it shall apply the variance to all billings. This procedure ensures that actual costs are fully recouped on a current basis. The variance shall not be carried forward to the next accounting period.

4. When this standard is used in a Defense Business Operations Fund, and the standard is a stabilized rate, any over or under applied variance recovery may be carried forward for recovery in the next year.

190208 Cost Accounting Standard 408 -- Accounting for Costs of Compensated Personal Absence.

A. The costs of compensated personal absence (illness, vacation, holidays, jury duty, military training or other absence for which compensation is paid directly to an employee) shall be assigned to the cost accounting period or periods in which the entitlement was earned.

B. The costs of compensated personal absence for an entire cost accounting period shall be allocated pro-rata on an annual basis among the final cost objectives of that period.

190209 Cost Accounting Standard 409 -- Depreciation of tangible Capital Assets

A. The depreciable cost of tangible capital asset (or group of assets) shall be assigned to cost accounting periods in accordance with the following criteria:

1. The depreciable cost of a tangible capital asset shall be its capitalized cost less its estimated residual value.

2. The estimated service life or a tangible capital asset (or group of assets) shall be used to determine the cost accounting periods to which the depreciable cost will be assigned.

B. The annual depreciation cost of a tangible capital asset (or group of assets) shall be allocated to cost objectives for which it provides service in accordance with the following criteria:

1. Depreciation costs may be charged as a direct cost only if depreciation costs of all like assets used for similar purposes are charged in the same manner.

2. Depreciation costs charged to service or general and administration cost centers shall be included in the allocated costs of those centers.

3. Depreciation costs of capital assets used within a production cost center but which are not charged directly to a cost objective shall be included as an indirect cost of that center.

190210 Allocation of Business Unit General and Administrative Expense to Final Cost Objectives (CASB Standard 410)

A. Business unit general and administrative (G&A) expenses shall be allocated to final cost objectives based on their beneficial or causal relationship. These expenses represent the cost of the management and administration of the business unit as a whole. The standard also provides criteria for the allocation of headquarters expenses received by a segment to the cost objectives of that segment. This standard shall increase the likelihood of achieving objectivity in the allocation of expenses to final cost objectives and comparability of cost data among business units in similar circumstances.

B. Business unit G&A expenses shall be grouped in a separate indirect cost pool that shall be allocated only to final cost objectives.

1. G&A expenses of a segment incurred by another segment shall be removed from the incurring segment's G&A expense pool. They shall be allocated to the segment for which the expenses were incurred on the basis of the beneficial or causal relationship between the expenses incurred and all benefiting or causing segments. If the expenses are incurred for two or more segments, they shall be allocated using an allocation base common to all such segments.

2. The G&A expense pool may be combined with other expenses for allocation to final cost objectives provided that:

a. The allocation base used for the combined pool is appropriate both for the allocation of the G&A expense pool under this standard and for the allocation of the other expenses.

b. Provision is made to identify the components and total of the G&A expense pool separately from the other expenses in the combined pool.

3. Expenses that are not G&A expenses and are insignificant in amount may be included in the G&A expense pool for allocation to final cost objectives.

C. The G&A expense pool of an business unit for a cost accounting period shall be allocated to final cost objectives of that cost accounting period by means of a cost input base representing the total activity of the business unit.

1. The base selected shall be the one that best represents the total activity of a typical cost accounting period and shall include all significant elements of that cost input that represent the total activity of the business unit. The base selected may be total cost input, value added cost input, or single element cost input. The determination of which cost input base best represents the total activity of an business unit must be judged on the basis of the circumstances of each organization unit.

a. A total cost input base is generally acceptable as an appropriate measure of the total activity of an business unit.

b. Value added cost input shall be used as an allocation base when inclusion of material and subcontract costs would significantly distort the allocation of the G&A expense pool in relation to the benefit received, and when costs other than direct labor are significant measures of total activity. A value added cost input base is total cost input less material and subcontract costs.

c. A single element cost input base, e.g., direct labor hours or direct labor dollars, that represent the total activity of an business unit may be used to allocate the G&A expense pool when it produces equitable results. A single element base may not produce equitable results when other measures of activity are also significant in relation to total activity. A single element base is inappropriate when it is an insignificant part of the total cost of some of the final cost objectives.

2. The cost input shall include those expenses that by operation of this standard are excluded from the G&A expense pool and are not part of a combined pool of G&A expenses and other expenses allocated using the same allocation base.

D. Headquarters expenses received by a segment shall be allocated to segment cost objectives as follows:

1. Expenses related to the management and administration of the receiving segment as a whole shall be included in the receiving segment's G&A expense pool.

2. Expenses related to the management and administration of specific activities of segments shall be allocated to the segment cost objectives in proportion to the beneficial or causal relationship between the cost objectives and the expenses, if such allocation is significant, in amount. When a beneficial or causal relationship for expenses is not identifiable with segment cost objectives, the expenses may be included in the G&A expense pool.

E. Any costs that do not satisfy the definition of G&A expense, but that have been classified by an business unit as G&A expenses, can remain in the G&A expense pool unless they can be allocated to business unit cost objectives on a beneficial or causal relationship that is best measured by a base other than a cost input base.

F. Where a segment performs headquarters functions and also performs as an operating segment having a responsibility for final cost objectives, the expense of the

headquarters functions shall be segregated. These expenses shall be allocated to all benefiting or causing segments, including the segment performing the headquarters functions, pursuant to written and consistently followed accounting practices for the allocation of headquarters expenses to segments.

G. For purposes of allocating the G&A expense pool, items produced or worked on for stock or product inventory shall be accounted for as final cost objectives as follows:

1. When items are produced or worked on for stock or product inventory in a given cost accounting period, the cost input to such items in that period shall be included only once in the computation of the G&A expense allocation base and in the computation of the G&A expense allocation rate for that period, and shall not be included in the computation of the base or rate for any other cost accounting period.

2. A portion of the G&A expense pool shall be allocated to items produced or worked on for stock or product inventory in the cost accounting period or periods in which such items are produced at the rates determined for such period.

190211 Accounting for Acquisition Costs of Material (CASB Standard 411)

A. An organization operating a formal cost accounting module shall have, and consistently apply, written statements of accounting procedures and practices for accumulating the costs of material and for allocating costs of material to cost objectives.

B. The cost of units of a category of material may be allocated directly to a cost objective provided the cost objective was specifically identified at the time of purchase or production of the units.

C. The cost of material that is used solely in performing indirect functions, or is not a significant element of production cost, whether or not incorporated in an end product, may be allocated to an indirect cost pool. When

significant, the cost of such indirect material not consumed in a cost accounting period shall be established as an asset at the end of the period by reducing the indirect cost pool by a corresponding amount.

D. Except as provided in paragraphs 190207.B and 190207.C, above, the cost of a category of material shall be accounted for in material inventory records.

1. Material cost shall be the acquisition cost as specified in chapter 4 of this Volume of a category of material, whether or not a material inventory record is used.

2. The purchase price of material shall be adjusted by extra charges incurred or discounts and credits earned. Such adjustments shall be charged or credited to the same cost objective as the purchase price of the material, except that when it is not practical to do so, the organization's policy may provide for the consistent inclusion of such charges or credits in an appropriate indirect cost pool.

E. In allocating to cost objectives the costs of a category of material issued from a DoD-owned material inventory, the costing method used shall be selected in accordance with chapter 4 of this Volume, and shall be used in a manner that results in systematic and rational costing of issues of material to cost objectives. The same costing method shall, within the same business unit, be used for similar categories of materials.

190212 Cost Accounting Standard 412 -- Composition and Measurement of Pension Cost. This standard does not apply to the Defense Business Operations Fund as it is not responsible for accounting for the pension cost of its employees.

190213 Cost Accounting Standard 413 -- Adjustment and Allocation of Pension Cost. This standard does not apply to the Defense Business Operations Fund as it is not responsible for accounting for the pension cost of its employees.

190214 Cost Accounting Standard 414 -- Cost of Money as an Element of the Cost of Facilities Capital. The cost of capital committed to facilities shall be charged by the Defense Business Operations Fund to non-Federal Government customers when authorized by regulations pertaining to those sales. Volume 11 provides instructions on the computation and application of interest on investment in assets.

190215 Accounting for the Cost of Deferred Compensation (CASB Standard 415)

A. Deferred compensation is a payment to be made by a component to compensate an employee in a future cost accounting period or periods for services rendered in one or more cost accounting periods prior to the date of the receipt of compensation by the employee.

B. The cost of all deferred compensation, except for annual leave, sick leave, and pension cost for which specific guidance is provided in paragraph 190211.C, below, shall be assigned to the cost accounting period in which the obligation to compensate the employee occurs. In the event no obligation is incurred prior to payment, the cost of deferred compensation shall be the amount paid and shall be assigned to the cost accounting period in which the payment is made.

C. The obligation for the cost of deferred compensation is deemed to have occurred when all of the following conditions have been met. However, for awards that require that the employee perform future service in order to receive the benefits, the obligation is deemed to have been incurred as the future service is performed for that part of the award attributable to such future service.

1. There is a requirement to make the future payments that cannot be unilaterally avoided.

2. The deferred compensation award is to be satisfied by a future payment of money.

3. The amount of the future payment can be measured with reasonable accuracy.

4. The recipient of the award is known.

5. If the terms of the award require that certain events must occur before an employee is entitled to receive the benefits, there is a reasonable probability that such events shall occur.

D. If the cost of deferred compensation can be estimated with reasonable accuracy on a group basis, including consideration of probable forfeitures, such estimate may be used rather than separate computations for each employee. The present value, of the future benefits, shall be used as the measurement of the amount of the cost of deferred compensation.

190216 Accounting for Insurance Costs (CASB Standard 416). The United States Government is a self-insuring entity. Consequently, the Cost Accounting Standard, Part 416, is not applicable.

190217 Cost Accounting Standard 417 -- Cost of Money as an Element of the Cost of Capital Assets Under Construction. The cost of money used to construct a capital asset shall not be capitalized as part of the cost of that asset unless loans were obtained by the Department of Defense specifically for the construction of those assets.

190218 Allocation of Direct and Indirect Costs (CASB Standard 418)

A. An business unit operating a formal cost accounting module shall have a written statement of accounting policies and practices for classifying costs as direct or indirect that shall be consistently applied.

1. In accounting for direct costs, an business unit shall use actual costs, except that:

a. Standard costs for material and labor may be used as provided in paragraph 190205, above.

b. An average cost or pre-established rate for labor may be used provided that:

(1) The functions performed are not materially disparate and employees involved are interchangeable with respect to the functions performed.

(2) The functions performed are materially disparate but the employees involved either all work in a single production unit yielding homogeneous outputs, or perform their respective functions as an integral team. Whenever average cost or pre-established rates for labor are used, the variances, if material, shall be disposed of at least annually by allocation to cost objectives in proportion to the costs previously allocated to these cost objectives.

(3) The level of compensation for the employees involved does not vary considerably.

2. Labor or material costs specifically identified with one of the particular cost objectives listed in subparagraph 190208.C.1.b, below, shall be accounted for as direct labor or direct material costs.

B. Indirect costs shall be accumulated in indirect cost pools that are homogeneous.

1. An indirect cost pool is homogeneous if each significant activity whose costs are included therein has the same or a similar beneficial or casual relationship to cost objectives as the other activities whose costs are included in the cost pool. It is also homogeneous if the allocation of the costs of the activities included in the cost pool result in an allocation to cost objectives that is not materially different from the allocation that would result if the costs of the activities were allocated separately.

2. An indirect cost pool is not homogenous if the costs of all significant activities in the cost pool do not have the same or a similar beneficial or causal relationship to cost objectives and, if the costs were allocated separately, the resulting allocation would be materially different. In determining whether amounts of costs are material or immaterial, the following criteria shall be considered where appropriate; no one criterion is necessarily determinative:

a. The absolute dollar amount involved. The larger the dollar amount, the more likely that it shall be material. Whether or not a dollar amount is large, and therefore material, depends on its relative weight. A cost amount might be material for a contract for the production of bolts, but the same cost amount could be immaterial for a contract for the production of a rocket motor.

b. The amount of job cost compared with the amount under consideration. The larger the proportion of the amount under consideration to job cost the more likely it is to be material.

c. The relationship between a cost item and a cost objective. Direct cost items, especially if the amounts are themselves part of a base for allocation of indirect cost, shall normally have more impact than the same amount of indirect costs.

d. The cumulative impact of individually immaterial items. It is appropriate to consider whether such impacts:

(1) Offset one another.

(2) Tend to be in the same direction and hence to accumulate into a material amount.

e. The cost of administrative processing of any adjustment modification. If the cost to process exceeds the amount to be adjusted, it is less likely the amount shall be material.

3. A homogeneous indirect cost pool shall include all indirect costs identified with the activity to which the pool relates.

C. Pooled costs shall be allocated to cost objectives in reasonable proportion to the beneficial or causal relationship of the pooled costs to cost objectives in accordance with the following criteria:

1. If a material amount of the costs included in a cost pool are costs of management or supervision of activities involving direct labor or direct material costs, resource consumption cannot be specifically identified with cost objectives. In that circumstance, a base shall be used that is representative of the activity being managed or supervised.

a. The base shall be determined by applying the following criteria. All significant elements of the selected base shall be included.

(1) A direct labor hour base or direct labor cost base shall be used, whichever in the aggregate is more likely to vary in proportion to the costs included in the cost pool being allocated, except that:

(2) A machine-hour base is appropriate if the costs in the cost pool are comprised predominately of facility-related costs, such as depreciation, maintenance, and utilities.

(3) A units-of-production base is appropriate if there is common production of comparable units.

(4) A material cost base is appropriate if the activity being managed or supervised is a material related activity.

b. Indirect cost pools that include material amounts of the costs of management or supervision of activities involving direct labor or direct material costs shall be allocated to:

(1) Final cost objectives.

(2) Goods produced for stock or product inventory.

(3) General research and development and bid and proposal projects when required to be specifically identified for cost accounting purposes.

(4) Cost centers used to accumulate costs identified with a process cost system (i.e., process cost centers).

(5) Goods or services produced or acquired for other segments of the organization and for other cost objectives of an business unit.

(6) Self-construction, fabrication, betterment, improvement, or installation of tangible capital assets.

2. If the cost pool does not contain a material amount of the costs of management or supervision of activities involving direct labor or direct material costs, resource consumption can be specifically identified with cost objectives. The pooled cost shall be allocated based on the specific identifiability of resource consumption with cost objectives by means of one of the following allocation bases: a resource consumption measure, an output measure, or a surrogate that is representative of resources consumed. The base shall be selected in accordance with the following criteria taking into consideration the individual circumstances:

a. The best representation of the beneficial or causal relationship between an indirect cost pool and the benefiting cost objectives is a measure of resource consumption of other activities of the indirect cost pool.

b. If consumption measures are unavailable or impractical to ascertain, the next best representation of the beneficial or causal relationship for allocation is a measure of the output of the activities of the indirect cost pool. Thus, the output is substituted for a direct measure of the consumption of resources. The use of the basic unit of output shall not reflect the proportional consumption of resources in

circumstances in which the level of resources consumption varies among the units of output produced. When a material difference results, either the output measure shall be modified or more than one output measure shall be used to reflect the resources consumed to perform the activity.

c. If neither resources consumed nor output of the activities can be measured practically, a surrogate that varies in proportion to the services received shall be used to measure the resources consumed. Generally, such surrogates measure the activity of the cost objectives receiving the service.

d. Allocation of indirect cost pools that benefit one another may be accomplished by use of the cross-allocation (reciprocal) method, the sequential method, or another method, the results of which approximate those achieved by either of the methods cited in this paragraph.

e. Where the activities represented by an indirect cost pool provide services to two or more cost objectives simultaneously, the cost of such services shall be prorated between or among the cost objectives in reasonable proportion to the beneficial or causal relationship between the services and the cost objectives.

D. Use of pre-established rates for indirect costs.

1. Pre-established rates, based on either forecasted actual or standard cost, may be used in allocating an indirect cost pool.

2. Pre-established rates shall reflect the costs and activities anticipated for the cost accounting period. Such pre-established rates shall be reviewed at least annually, and revised as necessary to reflect the anticipated conditions.

3. Where variances of a cost accounting period are material, these variances shall be disposed of by allocating them to cost objectives in proportion to the costs previously allocated to these cost objectives by use of the pre-established rates.

4. If pre-established rates are revised during a cost accounting period, and if the variances accumulated to the time of the revision are significant, the cost allocated to that time shall be adjusted to the amounts that would have been allocated using the revised pre-established rates.

E. To the extent that any cost allocations are required by the provisions of other Cost Accounting Standards, such allocations are not subject to the provisions of this standard.

F. This standard does not cover accounting for the costs of special facilities where such costs are accounted for in separate indirect cost pools.

190219 Cost Accounting Standard 419. There is no cost accounting standard 419.

190220 Cost Accounting Standard 420 -- Accounting for Independent Research and Development Costs and Bid and Proposal Costs

A. Independent research and development costs incurred in a cost accounting period shall not be assigned to any other cost accounting period except as may be permitted pursuant to other provisions of existing laws, regulations and other controlling factors.

B. Bid and proposal costs incurred in a cost accounting period shall not be assigned to any other cost accounting period.

CHAPTER 20

JOB ORDER COST ACCOUNTING2001 GENERAL200101 Purpose

A. The purpose of a job order cost accounting system is to assign and accumulate costs for each job, i.e., an order, a contract, a unit of production, or a batch. Job order costing should be used if the production or service is being performed to meet customer specifications or requirements, if different components are made for inventory, or projects are undertaken to construct real property. Job order costing allows more control, less estimation, and more direct and reliable allocation of costs.

B. The determination as to the need for a formal job order cost accounting module is necessarily a management decision. The decision to establish such a module should be based upon a recurring need for cost accounting information. This chapter discusses how to establish a job order cost accounting module, the type of source documents required, typical management reports produced by the module, and possible uses of the reports.

200102 Overview

A. A formal job order cost accounting module provides cost identification for determining the cost of accomplishing a specific task, such as the cost incurred to overhaul a truck, repair a roof, launch a test vehicle, perform an R&D project, or overhaul 100 generators. The decision to assign a job number to single or multiple units, or single or multiple tasks, depends upon the dollar value of the costs to be incurred, the location at which the task is to be performed, and the commonality of effort to be performed. For example, when tanks are being

overhauled, each tank may be assigned a job order number. However, when the job is to overhaul tank treads, hundreds of treads may be included in a single job order.

B. The management information provided by a job order cost accounting system is a tool that aids management in the guidance of activities and in the attainment of the objective of producing a maximum of goods and services at minimal costs. The formal cost accounting module is normally designed to accumulate those costs that are under the control of local management. Typically, management controls all costs that are funded by appropriations or funds provided to the accounting entity. These costs are referred to as funded costs. If a formal cost accounting module is to be used as a basis for billings to other Federal Agencies, or the public, provision must be made for the addition of unfunded costs such as military labor, items obtained from inventory on a free issue basis, and civilian retirement costs not financed by the employee or the Department of Defense.

2002 JOB ORDER COST ACCOUNTING SYSTEM

200201 The job order cost accounting system is subsidiary to, and must be integrated with, the general accounting system. For example, the system's subsidiary job cost ledger (job order cost sheets see paragraph 200404, below) is controlled by general ledger accounts.

200202 The principal general ledger control accounts are the Work in Process-In-House, Construction in Progress-In House, and Cost of Goods Sold accounts. Table 20-1 illustrate typical general ledger account entries.

**JOB ORDER COST/
GENERAL ACCOUNTING INTERFACE**

- A. Dr 1581 Work in Process-In-House
Dr 1721 Construction in Progress-In House
Cr 2211 Accrued Payroll-Civilian

To record labor cost incurred for work in process.

- B. Dr 1581 Work in Process-In-House
Dr 1721 Construction in Progress-In House
Cr 1521 Inventory Held for Sale

To record material and supplies issued to specific job orders.

- C. Dr 1581 Work in Process-In-House
Dr 1721 Construction in Progress-In House
Cr 6600 Applied Overhead

To record applied overhead.

(NOTE: This entry normally would be used only by Defense Business Operations Fund activities which used standard overhead rates. Appropriation funded activities that find it desirable to implement a job order cost accounting system for reimbursable work would apply overhead at a predetermined rate with a corresponding reduction of appropriate expense accounts. See paragraph 200403, below, for treatment of overhead.)

- D. Dr 6500 Cost of Goods Sold
Dr 1521 Inventory Held for Sale
Dr 1766 Equipment Not in Use
Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1581 Work in Process-In-House
Cr 1721 Construction in Progress-In House

To record completion and delivery to a customer.

TABLE 20-1

2003 ESTABLISHING THE JOB ORDER

200301 Job Orders Categories. Job orders are established in terms of the nature and type of work to be performed. Following are examples of the criteria that may be used to establish job order categories.

A. End Items. A separate job order should be established for work performed on

stand alone end items such as airplanes or trucks.

B. Real Property Construction. A separate job order should be established for each real property construction project.

C. Real Property Maintenance. A separate job order should be established for each real property maintenance project.

D. Low Dollar Like Items. A job lot is normally used when low dollar like items are placed into the process at the same time. However, the estimated cost of any job lot order may not exceed \$750,000. If the estimated cost is greater than \$750,000, a separate job order should be established for each \$750,000 increment.

200302 Identification of Job Order. Management determines the services or products to be costed, schedules work in the production departments, and forwards the order to cost accounting. The cost accounting department then assigns a job order number to each identified cost objective. The job order number is a control feature for identifying each job and is a means of accumulating departmental labor, material, and overhead cost by job order. As work progresses production departments report costs incurred by job order number. The information is forwarded to the cost accounting department where the costs are recorded on separate job order cost ledgers (subsidiary job cost ledger). A summary work in process cost schedule for all open job order numbers will be prepared and forwarded to the accounting department for posting to the general ledger control accounts Work in Process-In-House and Construction in Progress- In- House. The supporting detail for these accounts is identified and maintained by the job order number on individual job order cost ledgers. As production departments complete a job order, the cost accounting department calculates the total cost for the job and prepares a summary schedule for the accounting department. The accounting department prepares the general ledger control account entry transferring the appropriate amount from Work in Process-In-House and Construction in Progress accounts to the Cost of Goods Sold or applicable asset accounts. The detail support for these general ledger accounts is identified and maintained by job order numbers assigned to completed job order cost sheets.

230303 Identifying Productive Direct Labor Hours. Management identifies those employees whose work constitute labor hours within the production department. These hours are totaled and then estimated idle time hours and leave

hours are deducted. The result is total departmental productive hours that are used as a denominator in the determination of the actual shop rate (see paragraph 200305, below). The standard and actual shop rates are discussed in the following paragraphs.

200304 Standard Shop Rate

A. Management uses cost accounting and engineering studies to develop an earned standard shop rate for each production department's labor hours. As an alternative to developing this rate, management can decide to use the prior period actual shop rate as the current period standard shop rate. The purpose of the standard shop rate is threefold. First, it permits a standard cost for work performed to be billed to customers. Second, it allows for the costing of products when manufactured rather than when actual costs are determined. Third, it functions as a performance measurement tool. Management uses the standard shop rate to measure a department's cost-effectiveness or to identify its inefficiencies. The measurement compares actual shop rate cost data to standard shop rate cost data (see paragraphs 200306 and 200307, below). The resulting variance identifies cost efficiency or inefficiency.

B. Defense Business Operations Fund activities develop an annual stabilized job order shop rate. The annual adjustment for Defense Business Operations Funds includes a factor to recoup unrecovered prior year costs, if any.

C. Appropriation funded activities should develop a shop rate for each accounting period. The standard shop rate consists of direct labor, indirect labor, and indirect material cost. In addition to the standard shop rate, general and administrative expenses should be allocated to customers in order to identify all costs associated with the job order. Typically the shop rate is calculated by taking last years shop rate and accelerating it for pay wage rates giving consideration to staff changes.

200305 Actual Shop Rate

A. As part of the management and accounting process, an actual shop rate is

prepared for each production department. The rate consists of direct labor, indirect labor, and indirect material costs obtained from the same data base used to prepare the general ledger control account entries. The sum of these costs is divided by the actual productive labor hours incurred (see paragraph 200303, above), and the result is the actual shop rate.

B. Unfunded cost (see paragraph 200311, below) financed by other organizations or by prior appropriations should be added to

the shop rate charges and billed to non-DoD ordering activities or considered in making cost effectiveness comparisons. In addition, general and administrative expenses (see paragraph 200309, below) should be charged customers in order to recover all cost associated with the job order. Table 20-2 illustrates the determination of a typical actual shop rate for appropriation funded activities. Volume 11 of this Regulation provides guidance for determining types of costs to be recovered from customers, including indirect costs and general and administrative expenses.

DEPARTMENTAL ACTUAL SHOP RATE		
	AMOUNT	SHOP RATE
<u>FUNDED COSTS:</u>		
Direct Labor	\$ 4250	
Direct Material	300	
Overhead:		
Indirect Labor	250	
Indirect Material	200	
Subtotal	\$ 5000	
<u>UNFUNDED COSTS:</u>		
Military Labor	\$ 500	
Civilian Retirement	900	
Free Issue Material	523	
Subtotal	\$ 1923	
Subtotal Funded and Unfunded	\$ 6923	
Depreciation @ 4%	\$ 277	
TOTAL FUNDED AND UNFUNDED	\$ 7200	
Department's Productive Labor Hours	180 hours	= \$ 40

TABLE 20-2

200306 Variance Determination

A. As part of the management process, the cost accounting department compares the earned standard rate to the actual rate. The difference between standard and

actual rates is a variance. A favorable variance shows that the production department is operating in an efficient manner. An unfavorable variance alerts management that corrective action may be required.

B. In the event an organization processes a job order at the standard rate and a variance occurs, action must be taken to either apply the variance to the various job orders that have been processed, and if necessary, to adjust the shop rate. When the decision to adjust the

shop rate is made, the recalculation must provide for the amortization of any accumulated favorable or unfavorable variances. The variance percentage is determined by dividing the job order actual cost by the earned standard cost as illustrated in the following example:

DETERMINATION OF VARIANCE

The variance is determined by dividing the actual shop rate by the earned standard shop rate.

$$\frac{\text{Actual Shop Rate}}{\text{Earned Standard Shop Rate}} = \text{Variance}$$

$$\frac{\$40}{\$28.80} = 139\%$$

EXAMPLE: The job order cost sheet for job #111 shows that 50 hours have been accumulated in the production department. The computation of the customer charge follows:

$$(50 \text{ hours} \times \$28.80 \times 139\%) = \$2002$$

200307 Variance Analysis

A. Activities using standard costs must analyze the variance account for each standard and determine the causes for a variance. The variances relate to direct costs, overhead, and general and administrative expenses. The variances associated with these categories are discussed in paragraphs 200307.B. through 200307.D, below. Table 20-7 provides a chart for identifying possible causes of variances.

B. Direct costs. Normally, there are four distinct reasons for a direct cost variance that must be analyzed. Labor rate variances, labor time variances, material price variance and material quantity variances may occur whenever labor or material resources are charged to a job on a standard cost basis. Careful analysis is necessary because of the interrelationships of the variances. For example, a lower labor rate might result in higher labor hour content, or it might result in excessive material usage because lower skilled workers spoil more material. Thus, it is important when conducting a variance review to identify all of the possible interrelationships.

C. Overhead. Overhead variances may be classified as to overhead spending and overhead volume. Careful analysis is necessary because of the interrelationships of the variances. An unfavorable overhead variance may result from using equipment that is technically obsolete or which has become worn out, and requires additional maintenance to keep it operating. This would result in an unfavorable overhead expense variance.

D. General and Administrative Expenses

1. These costs can be analyzed in a manner similar to overhead. The analysis would be directed toward determining whether general and administrative expenses are in line with budget.

2. General and administrative expenses occur at three levels--the installation, the intermediate command and the headquarters command. As a general rule, not recognizing intermediate and headquarters command level general and administrative expenses in determining the cost of an end product should not result in a material understatement of cost

since the amounts allocated would be comparatively insignificant (such expenses would be incurred even if the item or service were not produced). When it is necessary to recognize such expenses in developing the cost of an end item or service, the guidance contained in Volume 11 of this Regulation should be followed.

200308 Subsidiary Accounts. Each production and support department shall maintain the capability to array data in sufficient detail necessary to satisfy management information requirements. Subsidiary cost accounts may be established to assist in costing a product or service. For example, it may be necessary to accumulate direct labor, direct material and

overhead in separate subsidiary accounts. Accounting information is posted to the subsidiary accounts as it becomes available via labor distribution reports, material reports, and overhead worksheets.

200309 General and Administrative Expenses. The general and administrative (G&A) expenses are accumulated in the activities indirect cost centers and charged to customers by equitably prorating the expense to job orders. A rate is established in order to prorate the expense to the customer job orders. Customers are billed for the general and administrative expense allocated to their job orders when required in accordance with the guidance contained in Volume 11 of this regulation. A typical allocation is illustrated in the following example:

EXAMPLE: The activities general and administrative expenses incurred by indirect cost centers during the period are:

INDIRECT COST CENTER	AMOUNT
A	\$ 100
B	50
C	100
D	<u>250</u>
Total G & A Expenses:	\$ <u>500</u>

The job order costs incurred for the accounting period are:

JOB ORDER NUMBER	COST INCURRED
101	\$ 500
102	1000
103	2500
104	1000
Total Job Order Cost:	\$ <u>5000</u>

FORMULA FOR GENERAL AND ADMINISTRATIVE RATE DETERMINATION

$$\frac{\text{General \& Administrative Expense}}{\text{Total Job Order Cost Incurred}} = \text{Rate}$$

$$\frac{\$ 500}{\$ 5000} = 10\%$$

The general and administrative rate is applied to the job order cost in order to distribute the expense to the customers as illustrated in the following example:.

<u>JOB ORDER NUMBER</u>	<u>JOB ORDER COST</u>	<u>RATE</u>	=	<u>G & A EXPENSE ALLOCATED</u>
101	\$ 500	10%	=	\$ 50
102	1000	10%	=	100
103	2500	10%	=	250
104	1000	10%	=	<u>100</u>
Total General & Administrative Expense				\$ <u>500</u>

SCHEDULE OF AMOUNTS BILLED TO CUSTOMERS

<u>JOB ORDER NUMBER</u>	<u>JOB ORDER COST</u>	<u>G & A EXPENSE ALLOCATED</u>	<u>AMOUNT BILLED TO CUSTOMER</u>
101	\$ 500	\$ 50	\$ 550
102	1000	100	1100
103	2500	250	2750
104	<u>1000</u>	<u>100</u>	<u>1100</u>
TOTAL	\$ <u>5000</u>	\$ <u>500</u>	\$ <u>5500</u>

200310 Source Documents Required. The principle cost categories charged to the production departments include direct labor, direct material, contract, and overhead (includes indirect labor and material costs).

A. Labor Source Documents. Source documents for labor costs are job/labor distribution tickets. The job/labor distribution ticket is coded with the job order identification number. The ticket accumulates the total employee labor hours by job within a department. The employees' time by job and pay rate information is obtained from the job/labor distribution tickets and used to

prepare the departmental shop rate. Job/labor distribution tickets can be prepared by a supervisor or by workers if initialed by a supervisor. In addition, employee hours may be recorded mechanically by a time clock on a time card as employees punch in and out as they start and stop on each job, or they may be recorded manually by a timekeeper. As an internal control procedure, job/labor distribution ticket hours are compared to total hours. At the end of each pay period, the civilian payroll system summarizes the hours worked as reported on approved time cards, obtains pay rate data from the personnel system, and calculates gross and net pay based on payroll and withholding

authorizations for each employee. A labor distribution report that identifies payroll cost by department based upon the job order identification number is prepared using the pay computed by the pay system. This distribution computation may be part of the pay system or it may be included in the cost accounting module. The responsibility for determining who shall perform the labor distribution is a management function.

B. Material Source Documents. There are many source documents that are used to identify material costs. This paragraph discusses some of the more common documents:

1. DD Form 1348, "DoD Single Line Item Requisition System Document (Manual)". This form is prepared by the department requesting material and coded with the job order/department identification number. The form is forwarded to the installation supply officer for approval and to determine the supply availability through the Military Standard Requisitioning and Issue Procedure (MILSTRIP). When the applicable material is dropped from inventory, it is charged to work in process. Chapter 4 of this Volume provides guidance to be followed in determining the price of material that is released from inventory.

2. Contract Source Documents. Included in this category are contracts and purchase orders used to purchase material from vendors. When material is received, an appropriate inventory and accounts payable accounts are posted. When inventory items are requisitioned and placed into production, the material is costed to a specific job and recorded to the Work in Process-In-House account (see paragraph 200402.C, below, for the accounting treatment).

C. Overhead Source Documents. Overhead costs pertain to the allocation of supporting department costs to producing departments. Overhead costs are allocated through use of worksheets that summarizes and allocates supporting department expenses to production departments. Various methods for allocating overhead include direct labor hours, direct labor cost, machine hours, or material cost.

The method chosen must be used consistently from one period to the next in order to permit meaningful comparisons.

200311 Accumulation of Unfunded Cost. The formal cost accounting module captures the costs that are funded in the current operating installation budget. Costs that are financed by another organization's or activity's appropriations are referred to as unfunded costs. This paragraph provides guidance for identifying unfunded costs for DoD components operating under direct appropriation procedures.

A. Military Labor

1. DoD Components operating a formal cost accounting system that employ military personnel shall maintain a record of the grade and number of hours worked by military personnel for each job in the department. These hours are then extended at standard military composite rates in accordance with the guidance in Volume 11 of this Regulation. These costs shall be charged to non-DoD ordering activities or considered in making a cost comparison to organizations that have no assigned military personnel.

2. DoD Components performing work for non-DoD activities shall recoup military fringe benefits by applying a percentage surcharge to military pay/costs and billed as part of direct costs. The military labor costs and fringe benefit costs shall be charged to non-DoD customers in accordance with guidance contained in Volume 11 of this Regulation. Volume 11 also provides guidance to be followed by the Military Departments in determining the hourly rates. Guidance on the disposition of amounts collected are also contained in Volume 11.

B. Unfunded Civilian Retirement Costs. DoD Components operating a formal cost accounting system that employ civilian personnel shall apply the unfunded retirement percentage rate, specified in Volume 11, to the civilian labor cost when formulating the actual shop unfunded cost rate. The additional percentage rate is intended to recoup unfunded civilian retirement cost. These costs should be charged to non-DoD

ordering activities or considered in making cost comparisons. Guidance on the disposition of amounts collected are also contained in Volume 11.

C. Unfunded Material

1. In accordance with the guidance contained in Volume 11, material includes both inventory and equipment in use. The activity losing the material or equipment shall account for the transfer by reducing the appropriate asset and equity accounts in accordance with the guidance contained in chapters 4, 6, and 15 of this Volume. The accounting entry should reflect acquisition cost and any accumulated depreciation for equipment in use. If the activity receiving the material operates a production facility, it shall adhere to the following procedures and use the prescribed forms. A

DD Form 1348 is the source document for requesting unfunded material. The DoD Component should insert the appropriate department code identification number and quantities ordered when preparing the form. Logistic centers or supply activities should issue material cost information to the Components via a non-interfund or unfunded pricing document. The noninterfund or unfunded pricing document provides material price and quantity information.

2. DoD Components shall classify unfunded material, also known as free issue material, received as either consumable material or equipment. Consumable material shall be included in calculating the unfunded portion of the shop rate. DD Form 1348 is the source document for requesting unfunded material or equipment. The DoD Component shall insert the appropriate department code identification number and quantities ordered when preparing the form. Logistic centers should issue material or equipment cost information to the Components via a non-interfund or unfunded pricing document. The non-interfund or unfunded pricing document provides material or equipment cost and quantity information.

D. Unfunded Depreciation. DoD Components operating production facilities that do not have the capability to calculate depreciation on an item by item basis shall apply a 4 percent asset use charge to total costs to recoup depreciation on sales to non-federal customers in accordance with the guidance contained in Volume 11.

2004 PRODUCTION COST COMPONENTS

Production cost consists of direct labor, direct material, and overhead. Direct labor is labor used to transform various components into a finished product or service. The labor must be directly attributed to the job order. Direct material is that material specifically charged to the job. It has a sufficiently large value to be worth charging to the job and to be identified as a major cost element of the finished product or service. Normally, only the more significant items are classified as direct material. Production overhead consists of all indirect costs considered to be associated with the production or service processes other than general and administrative expenses. Typically, production overhead costs include, but are not limited to, indirect material or supplies, indirect labor, facility and equipment depreciation, repairs, maintenance, and occupancy costs.

200401 Direct Labor

A. Labor is used to produce products or services either directly or indirectly. Direct labor costs are those that can be identified specifically with a product or service (see paragraph 200403.B, below, for a discussion of indirect labor). Civilian and military personnel labor distribution rates shall be established in accordance with the guidance contained in Volume 11.

B. Job tickets and time cards are used as a means of ascertaining the labor cost and of distinguishing between direct labor and indirect labor. During each pay period, job tickets are summarized and direct labor costs are distributed to each job through use of the standard shop rate. The labor cost incurred in each department is accumulated on the job order cost ledger.

C. At the end of each pay period, the payroll is calculated, posted to general ledger accounts, and recorded in the appropriate job order cost ledgers (subsidiary job cost ledger).

Table 20-3 illustrates typical general ledger account payroll entries. Indirect labor is also illustrated since it is also a part of payroll expense:

PAYROLL ENTRIES

1. Dr 1581 Work in Process-In-House
 Dr 1721 Construction in Progress-In House
 Cr 2211 Accrued Payroll-Civilian
 Cr 2213 Accrued Payroll-Civilian Employer Share of Fringe Benefits

To record the direct labor costs incurred.

2. Dr 6600 Applied Overhead
 Cr 2211 Accrued Payroll-Civilian
 Cr 2213 Accrued Payroll-Civilian Employer Share of Fringe Benefits

To record the indirect labor costs incurred.

3. Dr 1581 Work in Process-In-House
 Dr 1721 Construction in Progress-In House
 Cr 6600 Applied Overhead

To record the indirect labor applied at standard rates.

TABLE 20-3

200402 Direct Material

A. Direct material costs are those incurred for raw materials, parts, subassemblies, components, and supplies that can be identified specifically for use in producing the product or performing the service. Direct materials and supplies owned by the performing activity, acquired from a Defense Business Operations Fund, or from an inventory account financed by appropriated funds, shall be charged to a job order in accordance with applicable costing procedures. Purchased materials and supplies shall be charged to a job order at acquisition cost plus the cost of transportation. Customer furnished materials should be accounted for, and reported to customers separately, and should be related to specific end products or services in such a manner as may be required by customers.

B. Materials received are charged to a general ledger inventory control account. Individual material accounts are maintained for each class of materials in a subsidiary ledger. Materials requisitioned and transferred to production are the basis for debits to the proper job order cost sheets in the subsidiary job cost ledger and credits to the material accounts in the subsidiary ledger.

C. At the end of the accounting period, requisitions are summarized. The material requisitioned is classified as either direct material or indirect material. The direct material is debited to the control account for Work in Process-In-House or Construction in Progress-In House and credited to the general ledger inventory control account. The indirect material is debited to the applied overhead control account and credited to the general ledger

inventory control account. Table 20-4 illustrates the purchase of material and the posting to the accounts. Since the material expense is usually

distributed to the accounts in a compound entry, the indirect material allocation is also shown.

DIRECT MATERIAL ENTRIES

1. Dr 1521 Inventory Held for Sale
Cr 2114 Accounts Payable-Public-Current

To record the purchase of inventory.

2. Dr 1581 Work in Process-In-House
Dr 1721 Construction in Progress-In House
Cr 1521 Inventory Held for Sale

To record cost of direct material placed in production.

(NOTE: When material is requisitioned it is charged to the applicable job order. The value of material issued for all job orders should be equal to the costs recorded in the work in process account for materials issued to production.)

3. Dr 6600 Applied Overhead
Cr 1521 Inventory Held for Sale

To transfer actual indirect material costs.

4. Dr 1581 Work in Process-In-House
Dr 1721 Construction in Progress-In House
Cr 6600 Applied Overhead

To record applied cost of indirect material.

TABLE 20-4

200403 Indirect Labor, Materials, and Overhead

A. Indirect labor is not directly identified with a single job order, but is identified with two or more job orders. Indirect labor includes all personnel costs of the department not charged as direct labor, including supervision and administration within the department, as well as nonproductive time. The indirect costs should be accounted for by whatever organizational units are supervising the cost control of operations and are responsible for allocating costs equitably to cost objectives,

products, or services (see paragraph 200401.C, above, for the accounting entry).

B. Indirect materials are not directly identified with a single job order, but are identified with two or more job orders. Indirect material includes all material and supplies not charged as direct materials and supplies to the job order. The indirect material cost is distributed to job order cost ledgers through use of the standard shop rate. Supplies and small quantities of materials, put into the production process, that cannot be charged economically to a job order, should be charged to the department

as an indirect cost (see paragraph 200402.C, above, for the accounting entry).

C. Production overhead includes the cost of items such as equipment depreciation, maintenance of equipment, power, other service department charges, indirect labor, materials, or supplies not charged as direct cost to a department. Supervision costs allocable to several job orders are charged to a job order as indirect cost i.e. production overhead. Supplies and small quantities of materials that are consumed in the production process, but cannot be traced without undue difficulty directly to production, should be charged to a job order as indirect costs, i.e., production overhead.

D. Overhead is applied to work in process or construction in progress at established rates. During the accounting period actual overhead is accumulated in the Applied Overhead account. At the close of the accounting period there may be an over or under applied balance, depending on whether the rate established at the beginning of the accounting period was too high or too low. The balance is closed to the appropriate net results of operations account, and the applied overhead rate for the subsequent year is adjusted to reflect the need to recover underapplied overhead or to redistribute overapplied overhead. Table 20-5 illustrates the accumulation of actual overhead and to apply overhead to work in process or construction in progress:

INDIRECT LABOR AND OVERHEAD ENTRIES

1. Dr 6600 Applied Overhead
 Cr 1521 Inventory Held for Sale
 Cr 2211 Accrued Payroll-Civilian
 Cr 2213 Accrued Payroll-Civilian Employer Share of Fringe Benefits

To record indirect costs.

2. Dr 1581 Work in Process-In-House
 Dr 1721 Construction in Progress-In House
 Cr 6600 Applied Overhead

To record applied cost of indirect material.

TABLE 20-5

200404 Job Order Cost Sheets

A. The job order cost sheet is the key document for accumulating direct material, direct labor, and overhead cost in a job order cost module. As each job is accepted and scheduled, it is assigned an identification number and a separate job order cost sheet is prepared. When the work is completed, the cost accounting department calculates the job cost and transfers the appropriate cost to the Cost of Goods Sold account or to an appropriate asset account.

B. As production begins, materials are requested and a materials requisition form is prepared. The requisition form serves as the basis for posting material costs to the job order cost sheet. In addition, the various stores requisitions serves as the basis for posting entries to the materials inventory and work in process accounts (see paragraph 200402.C, above, for accounting entries).

C. Personnel working in production departments prepare job/labor distribution tickets that designate time spent on the various jobs. These tickets are the basis for recording labor costs on job order cost sheets through use

of the shop rate (see paragraphs 200304 and 200305, above). At the end of the pay period, the job/labor distribution tickets are summarized and show the jobs worked on by each employee. The job/labor distribution ticket provide the basis for posting direct and indirect labor cost entries to work in process and applied overhead accounts (see paragraph 200401.C, above, for accounting entries).

D. Applied overhead is allocated to individual jobs on the basis of predetermined shop rates. The cost accounting department

calculates the amount of overhead to be recorded on the job order cost sheet through use of the shop rate (see paragraphs 200304 and 200305, above).

E. The job order cost sheet is totaled when the job is completed. The job's cost is then transferred from the Work in Process-In-House or Construction in Progress-In-House accounts to the Cost of Goods Sold or applicable asset account when the item is completed and delivered to a customer as illustrated in Table 20-6.

ENTRIES AT COMPLETION OF JOB ORDER

1. Dr 6500 Cost of Goods Sold
Cr 1581 Work in Process-In-House

To record completion of job order and delivery to customer.

2. Dr 1521 Inventory Held for Sale
Dr 1766 Equipment Not in Use
Cr 1581 Work in Process-In-House

To record completion of job order and transfer to an inventory or asset account.

3. Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1721 Construction in Progress

To record completion of job order and transfer to the appropriate asset accounts.

TABLE 20-6

2005 MONTH END REPORTS. A month end production department cost report produced by a job order cost accounting module in operation at a Defense Component with three jobs is

illustrated in Table 20-8, operating under direct appropriation procedures. The illustration is presented to clarify the concepts and methodologies previously discussed in this chapter.

<u>VARIANCE ANALYSIS</u> <u>POSSIBLE CAUSAL FACTORS</u>	
TYPE OF VARIANCE	POSSIBLE CAUSES
<u>Labor Rate</u>	Clerical errors Skill mix changes Labor rate changes Production process changes Outdated standard
<u>Labor Time</u>	Clerical errors Skill mix changes Misclassifications of direct/indirect labor Production process changes Reorganization changes Outdated standard Uncontrollable fluctuations Acts of God (Fire, Flood, etc.) Critical plant or equipment breakdown Critical material delays
<u>Material Price</u>	Clerical errors Production process changes Price changes Outdated standard Uncontrollable fluctuations Economic conditions (Strike, inflation, etc.)
<u>Material Quantity</u>	Clerical errors Misclassifications of direct/indirect material Production process changes Outdated standard Uncontrollable fluctuations Acts of God
<u>Overhead Spending</u>	Clerical errors Labor skill mix changes Production process changes Material process changes Support service changes Outdated standard Uncontrollable fluctuations Acts of God Economic conditions

<u>VARIANCE ANALYSIS</u> <u>POSSIBLE CAUSAL FACTORS</u>	
TYPE OF VARIANCE	POSSIBLE CAUSES
<u>Overhead Volume</u>	Clerical errors Misclassifications of direct/indirect Labor skill mix changes Production process changes Reorganization changes Outdated standard Uncontrollable fluctuations Critical plant or equipment breakdown Critical material delays

TABLE 20-7

<u>JOB ORDER COST ACCOUNTING REPORT</u> <u>ASSEMBLY DEPARTMENT</u> <u>FOR THE MONTH OF XXXX 19XX</u>				
	<u>JOB # 1</u> <u>COSTS</u>	<u>JOB # 2</u> <u>COSTS</u>	<u>JOB # 3</u> <u>COSTS</u>	<u>TOTAL</u> <u>COSTS</u>
<u>FUNDED COSTS:</u>				
Direct Labor	\$ 6000	\$ 5000	\$ 5000	\$ 16000
Direct Material	3500	2300	2500	8300
Overhead	2000	1500	1500	5000
Subtotal	\$ 11500	\$ 8800	\$ 9000	\$ 29300
<u>UNFUNDED COSTS:</u>				
Military Labor	\$ 1600	\$ 1400	\$ 1500	\$ 4500
Civilian Retirement	600	400	500	1500
Free Issue Material	1000	1000	1000	3000
Subtotal	\$ 3200	\$ 2800	\$ 3000	\$ 9000
Total Funded and Unfunded Costs	\$ 14700	\$ 11600	\$ 12000	\$ 38300
Depreciation @ 4%	\$ 588	\$ 464	\$ 480	\$ 1532
TOTAL COSTS	\$ 15288	\$ 12064	\$ 12480	\$ 39832

TABLE 20-8

CHAPTER 21

PROCESS COST ACCOUNTING2101 GENERAL

210101 Purpose. The determination as to the need for a formal process cost accounting module in an accounting system is necessarily a management decision. The decision to establish such a module should be based upon a recurring need for cost accounting information. The cost accounting standards that shall be implemented when a decision has been made to establish a formal process cost accounting module are in Chapter 19 of this Volume. This chapter discusses how to establish a process cost accounting module, the type of source documents required, typical management reports produced by the module, and possible uses of these reports.

210102 Overview

A. A formal process cost accounting module provides a cost identification method for determining, reporting, analyzing, and controlling the cost of a particular process or series of processes. It classifies, records, presents, and interprets in a significant manner, the material, labor, and overhead expenses necessary to produce a product or service.

B. The management information provided by a process cost accounting module is a tool that aids management in the guidance of activities and in attaining the objective of producing a maximum of goods and services at the least amount of costs. The formal cost accounting module is normally designed to accumulate

those costs that are under the control of local management. Typically the system manager controls all costs that are funded by appropriations for funds provided to the accounting entity. These costs are referred to as funded costs. Chapter 20, paragraph 200311, of this Volume provides guidance for accumulating unfunded cost. If a formal cost accounting module is to be used as a basis for billings to other organizations, other Federal Departments or the public, then provisions must be made for the addition of unfunded cost, such as military labor, items obtained from inventory on a free issue basis, and civilian retirement cost not financed by the employee or Department of Defense appropriations. Volume 11 of this Regulation provides guidance on the cost elements that are billed to various organizations.

2102 INTERFACE WITH GENERAL ACCOUNTING SYSTEM

210201 A formal process cost accounting module must be fully integrated with other modules of the general accounting system, i.e., it must interface with the payroll and fund control modules. Cost accounting module subsidiary accounts are controlled by general ledger accounts.

210202 The principal general ledger control accounts used with a process cost accounting module are the Inventory Held for Sale and the Work in Process-In-House accounts. Table 21-1 illustrates accounting entries for such accounts.

**ACCOUNTING ENTRIES FOR
INVENTORY FOR AGENCY OPERATIONS
AND THE INVENTORY-WORK IN PROCESS-IN-HOUSE ACCOUNTS**

Dr 1581 Work in Process-In-House
Cr 2211 Accrued Payroll-Civilian

To record labor cost entered into the process cost accounting system.

Dr 1581 Work in Process-In-House
Cr 1521 Inventory Held for Sale

To record material and supplies placed into the process cost accounting system.

Dr 1521 Inventory Held for Sale
Dr 6500 Cost of Goods Sold
Cr 1581 Work in Process-In-House

To record the relief of work-in-process of the completed products to inventory or customer.

TABLE 21-1

2103 ESTABLISHING THE PROCESS COST ACCOUNTING MODULE

210301 Identification of Cost Centers.

A. Normally, the first step in establishing the process cost accounting module is to request an industrial engineering evaluation of the production processes and flows. This step requires an analysis of the work to be accomplished and a determination of the most logical, efficient, and economical sequence of production and support operations. Production operations are then consolidated into logical cost centers to perform specific tasks that produce an identifiable and measurable output. Production operations are designated as direct cost centers and support operations are designated as indirect cost centers. For example, a chemical product may require three distinct operations: blending, distilling, and packaging. The blending of ingredients may be assigned to one production cost center while the distillation process is assigned to another production cost center. Finally, the product packaging is assigned to a third production cost center. As the chemical product is completed, it is

transferred from the last production cost center to the customer and the associated cost is posted to the Cost of Goods Sold account.

B. The functions of personnel, recruitment, plant maintenance, and accounting may be grouped into indirect cost centers. Each cost center is assigned an identification number that is subsidiary to the general ledger control account Work in Process-In-House. This identification number is entered on all contracts, inventory item requisitions, and labor distribution source documents to result in the accumulation of cost center incurred costs.

210302 Identification of Product to be Produced. The second step in establishing the process cost accounting system is to determine the specific products to be produced and the definition of what constitutes output in terms of a product for each cost center. For those products to be produced, an industrial engineer determines the direct labor and material requirements for each stage of the process and identifies the measurable unit of output for each cost center. For example, chemical products may be measured in terms of the number of gallons

blended, distilled, and packaged by the various production cost centers.

210303 Establishing Standard Cost per Unit.

A. Frequently there is a third step performed by the industrial engineers--the establishment of an standard cost for output units of production cost centers. The standard cost, when compared to the actual unit production cost, can be used by management to measure the cost efficiency of a cost center or to determine if various inefficiencies have entered into the system. The difference between actual cost and standard cost is termed a variance. Management should investigate both favorable and unfavorable variances to determine their cause. A favorable variance shows that the cost center is operating in an efficient manner. An unfavorable variance alerts management that attention is required. In the event an organization prices products at the standard cost and a variance occurs, the standard cost must be adjusted by the variance in order to recover actual cost. The variance is determined by dividing total actual cost of the cost center by the total standard cost. For example, if cost center A had actual cost of \$20,000, and had produced 1000 items with a standard cost of \$15.00 per unit for a total standard cost of \$15,000, then the variance would be 33.3 percent. This variance indicates the cost center is not operating efficiently. Billings at standard cost would also have to be multiplied by 133.3 percent to recover actual cost (i.e., $\$15.00 \times 133.3\% = \20.00).

B. A different costing procedure may be followed by revolving fund organizations that use stabilized prices. These organizations may simply accumulate the variances and recover them as part of the following year's standard price.

210304 Source Documents Required. The principal categories of cost charged to the production cost centers are direct labor, direct material, contract, and overhead (includes indirect labor and indirect material costs).

A. Labor Source Documents. Source documents for labor costs are time cards. Time cards are coded with the cost center

identification number and accumulate the total labor hours worked by employees assigned to the cost center. Hours may be recorded mechanically by a time clock as employees punch in and out daily, or they may be recorded manually by workers or a timekeeper. At the end of each pay period, the civilian payroll system summarizes the hours worked as reported on approved time cards, obtains pay rate data from the personnel system and calculates gross and net pay, based on payroll and withholding authorizations for each employee. A labor distribution report that identifies payroll cost by cost centers based upon the cost center identification number is prepared using the pay computed by the pay system. This distribution computation may be part of the pay system or it may be included in the cost accounting module. The responsibility for determining who shall perform the labor distribution is a management function.

B. Material Source Documents. There are many source documents that are used to identify material costs. This paragraph discusses some of the more common documents:

1. DD Form 1348, "DoD Single Line Item Requisition System Document (Manual)". This form is prepared by the activity requesting material and is coded with the cost center identification number. The form is forwarded to the installation supply officer for approval and to determine the supply availability through the Military Standard Requisitioning and Issue Procedure (MILSTRIP). When the applicable material is issued, it is charged to the account and recorded in the subsidiary account established for the cost center. Chapter 4 of this Volume provides guidance to be followed in determining the price of material that is released from inventory.

2. Contracts and Purchase Orders. Contracts and purchase orders are another major category of source documents used to purchase material from vendors. When the material is received, an accounts payable is established and applicable amounts are entered into the Work in Process-In-House subsidiary account for the cost center. Contract and purchase orders are entered directly into the

Work in Process-In-House account rather into the Inventory Held for Sale account because the materials are purchased expressly for a particular job. Direct application is preferable to commingling the materials with other materials in the Inventory Held for Sale Account.

3. Transfer Tickets. Transfer tickets are used when production units are transferred from one cost center to another cost center. The cost center transferring production units prepares the transfer ticket and the receiving cost center signs for receipt of the material. The transfer ticket contains the number of production units being transferred. A copy of this document is provided to the cost accounting office that records the movement of material.

C. Overhead Source Documents. Overhead costs pertain to the allocation of costs incurred by indirect cost centers to producing cost centers. This cost is allocated through use of a worksheet prepared by the accounting office. The worksheet summarizes and allocates indirect cost center expenses to direct cost centers. Various methods for allocating overhead include: direct labor hour basis, direct labor cost basis, machine hour basis, or the material cost basis. The method chosen must be used consistently from one period to the next in order to permit meaningful comparisons. The direct labor hour basis method for allocating indirect cost center expenses to direct cost centers is illustrated below:

ALLOCATION WORKSHEET

The total indirect cost center expenses for the period are \$48,000 dollars. Cost center A used 1200 direct labor hours, cost center B used 900 direct labor hours, and cost center C used 300 direct labor hours during the period.

FORMULA:

$$\frac{\text{Indirect Cost Center Expenses}}{\text{Total Direct Labor Hours All Cost Centers}} = \text{Factor}$$

ILLUSTRATION:

$$\frac{\$48,000 \text{ dollars}}{2400 \text{ direct labor hours}} = \$20 \text{ per Hour}$$

Cost Center	Direct Labor Hours		Factor Per Hour		Amount Allocated
A	1200	X	\$20	=	\$24,000
B	900	X	20	=	18,000
C	300	X	20	=	6,000
Totals	<u>2400</u>				<u>\$48,000</u>

Footnote: Material can be added at the beginning of the period, during the period, or during a certain point in the process, e.g., when 50% complete.

210305 Number of Units Produced

A. The number of units still in process within a process cost center are expressed in terms of equivalent production units. The calculation of equivalent production inventory is based upon a physical inventory to determine the production status. For example, if the cost center had 100 units that were 75% complete for material and labor, 50 units that were 50% complete for material and labor, and 30 units

that were 10% complete for material and labor, the equivalent production units would be 103 $([100 \times 75\% = 75] + [50 \times 50\% = 25] + [30 \times 10\% = 3])$.

B. The ending inventory of production units are added to the sum of production units transferred out, minus the beginning inventory of equivalent production units to determine the total number of units produced during the accounting period by the department. The calculation is illustrated below:

UNITS PRODUCED WORKSHEET

	NUMBER OF UNITS
Transferred Units	1100
Equivalent Units	103
Sub Total	<u>1203</u>
Less: Beginning Equivalent Units	<u>(100)</u>
Total Production This Month	<u>1103</u>

C. An illustration of the use of standard cost to evaluate production efficiency or problems follows:

	UNIT COST		NUMBER OF UNITS		COST
Standard Costs					
Labor	\$ 50	x	1103	=	\$ 55150
Material	35	x	1103	=	38605
Overhead	<u>15</u>	x	1103	=	<u>16545</u>
Total Standard Cost	\$100	x	1103	=	<u>\$111300</u>
Actual Costs					
Labor					\$ 60000
Material					35000
Overhead					<u>20000</u>
Total Actual Cost					<u>\$115000</u>
Variance					<\$ <u>3700</u> >

210306 Variance Analysis

Chapter 20, paragraph 200307 of this Volume provides guidance for various analyses.

Table 20-7 in Chapter 20 of this Volume provides a chart for identifying possible causes of variances.

210307 Subsidiary Accounts. Each cost center should maintain the capability to array data in sufficient detail necessary to satisfy management information requirements. Cost center subsidiary accounts may be established within individual cost centers in order to cost a product or service. For example, it may be necessary to accumulate direct labor, direct material, and overhead in subsidiary accounts. Accounting information is posted to the cost center subsidiary accounts as it becomes available via labor distribution reports, material reports, and overhead worksheets.

2104 MONTH END REPORTS

Month-end production cost reports produced by a process cost accounting system in operation at a Defense Component operating under direct appropriation procedures with three production cost centers is illustrated in Table 21-2. The illustration is presented to clarify the concepts and methodologies previously discussed in this chapter.

PROCESS COST ACCOUNTING REPORT FOR THE MONTH OF XXXX, 19XX UNITS PRODUCED

<u>PART A: UNIT PRODUCTION</u>								
	COST CENTER A		COST CENTER B		COST CENTER C		TOTAL UNITS	
Beginning Inventory	100		200		100		100	
Transferred During Month	500		500		500		500	
Units to be Accounted for	600		700		600		600	
Ending Inventory	100		200		100		100	
Production During Month	500		500		500		500	
<u>PART B: COST</u>								
	COST CENTER A		COST CENTER B		COST CENTER C		TOTAL COST	
	STD.	ACT.	STD.	ACT.	STD.	ACT.	STD.	ACT.
Funded Cost:								
Labor	\$ 55150	\$ 60000	\$ 45000	\$ 46000	\$ 30000	\$ 30000	\$ 130150	\$ 136000
Material	38605	35000	40000	38000	15000	16000	93605	89000
Overhead	16545	20000	15000	15000	10000	10000	41545	45000
Subtotal	\$ 110300	\$ 115000	\$ 100000	\$ 99000	\$ 55000	\$ 56000	\$ 265300	\$270000
Unfunded Cost:								
Military Labor	\$ 5100	\$ 5000	\$ 4500	\$ 4700	\$ 2000	\$ 2000	\$ 11600	\$ 11700
Civilian Retire	3800	3600	2500	2400	1500	1500	7800	7500
Free Issue Mat.	4000	4500	2500	2500	1000	1000	7500	8000
Subtotal	\$ 12900	\$ 13100	\$ 9500	\$ 9600	\$ 4500	\$ 4500	\$ 26900	\$ 27200
Subtotal Funded & Unfunded	\$ 123200	\$ 128100	\$ 109500	\$ 108600	\$ 59500	\$ 60500	\$ 292200	\$ 297200
Depreciation @ 4%	\$ 4928	\$ 5124	\$ 4380	\$ 4344	\$ 2380	\$ 2420	\$ 11688	\$ 11888
TOTAL COST	\$ 128128	\$ 133224	\$ 113880	\$ 112944	\$ 61880	\$ 62920	\$ 303888	\$ 309088

<u>PART C: FINISHED UNIT STANDARD AND ACTUAL COST</u>		
FUNDED COST	\$ 530.60	\$ 540.00
UNFUNDED COST	53.80	54.40
DEPRECIATION FUNDED AND UNFUNDED	23.38	23.78
TOTAL COST <u>1/</u>	\$ 607.78	\$ 618.18

1/ General and administrative costs are to be added to the sales price when applicable

TABLE 21-2

CHAPTER 22

COST FINDING2201 GENERAL

220101 Purpose. This chapter provides a cost determination method to be used when a job order or a process cost accounting system is not part of the DoD Component's formal accounting system. The guidance in this chapter is to be followed by DoD Components that find it is necessary to use cost-finding techniques to determine the costs related to performing a service, to be recovered for goods or services, or to obtain cost information for decision-making and information purposes, such as productivity measurement. Normally, an organization that operates a formal cost accounting system will only use cost finding techniques to identify unfunded costs. However, even these organizations, from time to time, and on special occasions, may have a requirement to use these techniques.

220102 Overview

A. Chapter 19 of this Volume prescribes the basic policy for measuring and allocating costs. This chapter applies that basic policy to cost finding, establishes cost-finding documentation policy, and describes generally recognized cost finding techniques and their potential application within the Department of Defense. The guidance contained in this chapter can be applied to situations when batch processed tasks or functions are involved as well as to specific document process functions.

B. Cost finding is an approach used in the absence of a formal cost accounting system to estimate the actual costs incurred to provide a service, produce a product, or to obtain cost information for periodic decision making and information purposes. It is available for use by those DoD activities that do not have a formal cost accounting module as part of their accounting system, but who periodically provide reimbursable services or products to other DoD Components, Federal Agencies, or to the public.

Cost finding may also be necessary when the cost of an item has not been recorded in the accounting system and the item is being transferred, sold, or recorded in the accounting system for the first time or when measuring productivity.

C. The proper application of cost finding requires knowledge of cost accounting and of the organizational functions associated with the final and intermediate cost objectives. Accordingly, personnel assigned to cost-finding projects should have cost accounting experience as well as an understanding of the organizations involved.

2202 POLICY220201 Documentation

A. The application of cost-finding techniques shall be preceded by a clear requirements statement that describes:

1. The cost objectives (both intermediate and final) to which cost finding techniques are to be applied.
2. The organizations involved in performing the cost objectives and the tasks performed by each organization.
3. The cost elements that are applicable.
4. A plan that includes the specific cost finding techniques to be utilized and the criteria to be followed in selecting the specific cost finding technique to be used.
5. A description of how those techniques will accomplish the cost objective.

B. The statement and the work papers accumulating applicable cost elements shall be retained for review for the same length

of time as documentation used in support of billings to the public.

C. A case study is presented as addendum 1 to illustrate the application of the material discussed in this chapter. Discussions in the chapter are at the micro level. When a different approach might be usable to develop necessary data to establish the costs associated with a different cost objective (at the macro level, for example), information will be presented on the alternative approaches.

220202 Identification of Cost Objectives

A. For the purpose of this chapter, cost objectives are defined as either functions or work units for which management decides to identify, measure, and accumulate costs. Cost objectives shall be sufficiently discrete and described in writing to such a level of detail to form a basis to identify the specific function or product to be costed.

B. Careful attention must be paid to identification of cost objectives. When the cost objective is identified as being at a macro (an organizational level, for example) level, the amount of effort required to determine the relevant costs and the associated quantitative data should be less refined than if the cost objective were identified as being at the micro (a specific function or operation) level. At the macro level, it is possible that the accounting system, through the use of coding structures and the general ledger operating program expense accounts listed in Chapter 7, of Volume 1, of this Regulation, can provide much of the required financial data to establish relevant cost information. At the micro level, it probably will be necessary to use one of the methods described in paragraph 2203, below, to determine the time required to perform the cost objective and develop relevant cost information.

C. In addition, the classification of organizations as either direct or indirect (actually involved in performing the cost objective or performing as a support organization, respectively) is dependent on identifying cost objectives. At the macro level, as a general rule, all staff organizations will be classified as

indirect, and all line organizations will be classified as direct. At the micro level, it is conceivable that a staff organization, or element thereof, could be classified as a direct organization. The distinction between the macro and micro levels will be an important consideration in complying with OMB productivity requirements discussed in section 2204 of this chapter. The bottom line is that the cost accountant must be able to translate the measurement requirements into terms of source documents, allocation techniques, and other such analysis techniques as may be necessary to meet the management requirement. Establishing a cost objective is a management decision and is essential to the proper application of cost finding techniques to a cost objective.

D. For cost finding purposes, identifying and describing cost objectives take on special importance. Within the Department of Defense, cost finding techniques will probably be used to compare costs of different organizational units or operations performing the same cost objective, or in measuring productivity, and to measure the cost of performing a particular operation, among other things. For example, the costs to issue a check at an accounting station might be compared with the same costs at other accounting stations. In such situations, cost-finding techniques serve as a tool in identifying more efficient methods of performing a given task. Cost objectives may also be used to compare organizational efficiency, for example, the costs for an intermediate objective, such as processing a personnel action at a personnel office, might be compared with other personnel offices.

220203 Identification of Organizations Involved

A. Once the cost objectives have been identified, personnel assigned to identify the costs associated with the cost objective may proceed to the next step: identifying the organizational units contributing resources to the cost objective. Generally, the units will be within the activity itself (the installation level; and, within the installation, the supply unit, the transportation unit, administration, etc.).

B. The initial task is to classify the installation-level organizational units as direct or indirect. A unit that is responsible for actually performing the work is a direct unit. A unit that provides support or performs an administrative function is an indirect unit. Care must be taken to assure that organizational units are not classified as both direct and indirect for the same cost objective.

1. The process of classifying an organization as either direct or indirect may change as different cost objectives are identified and analyzed. Attempts to retain the same classification for different cost objectives may result in erroneous cost determinations, thus leading to misleading and faulty management decisions.

2. Indirect organizations shall be identified using the criteria cited in paragraph 190203 of chapter 19, of this Volume. An organization that is classified as indirect will not always be recognized in the computation of costs for a final cost objective. At the macro level, staff organizations generally will be recognized as an indirect organization and the related costs allocated among direct organizations. At the micro level, materiality and usefulness will be determining factors.

C. The organizational units can be classified through use of an iterative process or through the use of organizational charts or tables, depending on the final cost objective. The iterative process consists of a series of questions designed to establish the relationship that each organization unit has with the product or service for which cost-finding techniques are being developed (Figure 22-1 is a suggested list of such questions). First, the organizational units directly involved in the process are identified. Then the organizational units providing indirect functions to the direct organizational units are identified. This second category is also identified and arrayed through an iterative process consisting of a series of questions designed to establish the relationship of supporting activities to direct line organizations. The procedure is repeated until all organizational units are classified as direct or indirect for all identified cost objectives.

D. In order to determine which organizations are involved, it is necessary to identify the flow of actions related to the cost objective and the related intermediate cost objectives.

E. It is important to understand that the organizational activities involved in a particular cost objective or interim cost objective can cross organizational lines of responsibility.

220204 Identification of Cost Elements

A. An important aspect of any cost finding technique is identifying the direct and indirect cost elements applicable to the product or service. Both the direct and indirect activities may have the same cost elements. The difference is in the allocation of all applicable indirect costs (factory burden). Chapters 19 and 20 of this Volume provide guidance to determine factory burden.

B. Care must be taken to assure that all cost elements are identified. The first step is to identify all possible cost elements and then to determine which cost elements are significant. The operating program general ledger expense accounts 6111 through 6130, which are described in Chapter 18 of this Volume are used in this example. Figure 22-2 shows the potential application of each account to the direct and indirect activities. After the potential applications are identified, a decision must be made as to which cost elements are sufficiently significant as to warrant separate consideration.

C. After developing the statistical cost data, the individual or group responsible for applying cost finding to the cost objective can make a decision as to the significance of each cost element in the final determination. It is important to remember that the information is, at this point, only raw data. Decisions must be made as to the relevance and materiality of each cost element to the cost objective. Materiality is associated with whether excluding the data could distort the computed value for the final cost objective.

**SUGGESTED LIST OF QUESTIONS
TO BE USED WHEN IDENTIFYING AND
CLASSIFYING PARTICIPATING ORGANIZATIONS**

What organizations are involved in the final and intermediate cost objectives?

Which organization has primary responsibility for the final cost objective?

Which organizations perform intermediate cost objectives?

Which organization acts in a support role to the organization(s) performing the final or intermediate cost objectives.?

Which specific organization units will be involved either directly or as a support function?

What are the specific tasks performed by each of the identified organizations?

What is the order in which the organizations involved perform their delegated responsibilities?

FIGURE 22-1

<u>GENERAL LEDGER EXPENSE ACCOUNTS</u>			
GEN. LEDGER ACCOUNT #	EXPENSE ACCOUNT	DIRECT ACTIVITY	INDIRECT ACTIVITY
6111	Personnel Compensation-Civilian	X	X
6112	Personnel Compensation-Military	X	X
6113	Personnel Benefits-Civilian	X	X
6114	Personnel Benefits-Military	X	X
6115	Benefits for Former Personnel		X
6116	Travel and Transportation of Persons	X	X
6117	Transportation of Things	X	X
6118	Rent, Communications and Utilities	X	X
6119	Printing and Reproduction	X	X
6120	Other Services	X	X
6121	Supplies and Materials	X	X
6122	Equipment (not capitalized)	X	X
6123	Grants, Subsidies, and Contributions	X	X

GENERAL LEDGER EXPENSE ACCOUNTS			
GEN. LEDGER ACCOUNT #	EXPENSE ACCOUNT	DIRECT ACTIVITY	INDIRECT ACTIVITY
6124	Insurance Claims and Indemnities		X
6125	Depreciation of Equipment	X	X
6126	Depreciation of Real Property	X	X
6127	Depletion of Natural Resources	X	X
6128	Amortization of Leasehold Improvements and Other Intangible Assets	X	X
6129	Bad Debts		X
6130	Annual Leave	X	X

FIGURE 22-2**220205 Application of Prescribed Rates**

A. The purpose of using cost-finding techniques is to determine that all applicable cost elements are addressed in computing the final cost. When the purpose is the preparation of an internal report or an external report for another Federal Agency or non-federal organization, the guidance contained in Volume 11 of this Regulation shall be followed to assure that all applicable costs are considered. When the purpose is to establish the cost of an activity associated with the Security Assistance Program, the guidance contained in Volume 15 of this Regulation, shall be followed.

B. The following rules shall be applied when determining the individual costs of intermediate and final cost objectives:

1. Civilian direct labor costs are computed using step 5 of the applicable pay grade for GS- and GM-series personnel. For Wage Board employees, use step 4 of the applicable pay grade. Amounts included as direct labor costs shall recognize only productive time; that is, the time actually used to perform the function. All other time is indirect labor time, and is included in overhead (factory

burden). Actual costs may be used, if known, provided appropriate documentation is available to support their substitution.

2. Civilian personnel benefits costs are computed using the rates contained in Volume 11 of this Regulation.

3. Military personnel costs are costed using the rates for each applicable military grade at standard military composite rates in accordance with guidance in Volume 11 of this Regulation.

4. Both military and civilian labor shall be analyzed as to productiveness. Productive labor (labor that is actually chargeable to jobs) shall be recorded as direct labor. Indirect labor (labor that cannot be charged to a specific job) shall be recognized in computing overhead (factory burden). Chapters 19 through 21 of this Volume provide guidance in computing overhead.

5. Direct material cost is determined using standard prices unless the actual cost of the material is known from vendor invoices.

6. Other costs that can be directly related to the cost objective are determined using documents such as vendor invoices, travel vouchers, etc.

7. Indirect costs are based on algorithms that are used to prorate the overhead costs to the cost objective based on factors such as the ratio of direct labor costs for the cost objective to total labor costs for the installation.

220206 Identification of Source Documents

A. Before the values for each cost can be determined, the source documents for the required data must be identified and copies obtained, together with the locations at which the documents are maintained. In addition, it will be necessary to determine the quantities of documents involved, especially if the cost objective is to determine average unit costs for a certain action.

B. When the final cost objective is to determine the cost of performing one single event, the specific documents involved must be identified. When the cost objective is much broader (for example, determining the average cost of issuing checks without regard to whom they are issued), identification of the specific documents involved may not be as significant as the operating costs (including the materials and supplies used) of the organizational units directly involved in the process.

220207 Selection of the Appropriate Cost-Finding Technique. The development of a final cost for the cost objective can be made using one of several different techniques or a combination thereof. The decision as to the method used will often depend on the purposes for which the cost objective has been established. Those cost objectives established to determine costs to meet a statutory or a recurring use need could require the use of cost-finding techniques with a higher degree of precision than those cost objectives established to meet an internal management need. Section 2203., below, describes various techniques that may be useful in cost finding.

2203 COST-FINDING TECHNIQUES

220301 Observation

A. The observation technique is normally used when the specific effort to be costed or a similar effort is currently in process. The first step is to complete the requirements statement required by paragraph 220201, above. The observer then physically follows the product or service through the various performing organizations, documenting the following:

1. Various events incident to performance.
2. The grade levels of personnel directly working on the effort.
3. The length of time spent on the activity.
4. Direct material used.
5. Indirect material used.
6. Types of support received from other organizational units.
7. Any other factors that have an impact on the cost of producing the product or performing the service.

A traditional flow chart of the entire process may be helpful in organizing, visualizing, and understanding the particular process under review. The process flow shown in addendum 1 of this chapter illustrates the data gathered through the use of this technique.

B. The observer then lists all of the identified cost elements and computes the cost of each element using the general ledger expense accounts shown in figure 22-1.

C. Any other assumptions shall be carefully and accurately documented so that users of the resulting information will have a better understanding of the process used.

220302 Statistical Sampling

A. This technique is normally used when there is a large volume of similar type work being performed on a continuous task basis. An example of the use of this technique is packing, crating, and handling costs incurred at the depot level. A random sample of items is selected and a special job order tag is attached to each item selected when it is initially placed into the performance cycle. All personnel who come into physical contact with the items are required to record their organization, pay grade, length of time involved, and type and quantity of material or supplies used. Completed tags are returned to the personnel conducting the study who ensure that all tags have been returned and properly completed.

B. All of the cost elements identified to the cost objective are assigned a cost.

C. Resulting cost estimates shall be annotated to disclose the confidence level of the resulting estimate within a specific range.

220303 Independent Appraisal. The independent appraisal technique is normally used when the cost determination is made after the cost objective has been completed, and there is no similar product being produced. Normally, the effort would be accomplished by an engineer or an individual who is an expert in the production process. Under this procedure, a list of all resources involved in fabricating the product or performing the service is made. Each resource is then analyzed to establish a reasonable input cost. The total cost of the applied resources represents a reasonable estimate of costs incurred in the cost objective.

220304 Commercial Cost. This technique is normally used in connection with incidental activities carried out during a DoD mission requirement. In these circumstances, the application of normal full cost to the production of a product or provision of service would not be representative of the incurred cost. An example would be a Navy carrier transporting a disabled foreign aircraft to a repair facility incident to the performance of its normal mission. In this case, a determination of the

commercial charge to transport the disabled aircraft might be more representative of the allocable cost incurred by the Navy vessel.

220305 DELPHI Technique. This technique is useful in those instances when the more traditional cost estimation techniques cannot be applied to a cost objective. Accordingly, it is probably the least precise estimating technique, but one that is still useful if another technique is not available.

A. This technique uses a series of estimates made by a group of experts that is refined as subsequent estimates are made. For example, five construction experts might be given the task of estimating the costs associated with a new construction technique. These experts would be given the initial parameters of the project such as location; required specifications; geographical, environmental, time, and political constraints; and, any other known relevant data at the time of project initiation. Each group member would then develop an initial estimate of component costs and reconvene to discuss their individual analyses. After discussion, each expert would be asked to refine their estimate based on what was learned at the meeting. The evaluation process would be repeated by each participant to arrive at a revised estimate. The process would be repeated as often as necessary, until the group achieved consensus that the estimate at hand was the best available, given the uncertainty of the nature of the project and dissimilarity with other efforts in their experience.

B. This technique is probably more useful in determining what some new product or service should cost rather than determining the actual cost of an existing product or service. However, some of the principles involved may be helpful.

220306 Memorandum Records. This technique is an informal method for gathering cost data and should only be used in those cases when the value of the cost data is of little significance. It involves the preparation of memoranda documenting estimates of costs for a specific product or service. It should not be used when significant decisions are to be based on the cost

estimates derived or when other more accurate methods are available. It is useful as a cost accumulating tool for those low priority, low value projects or products when it is known that some cost data may be required in the future. However, in this case, a traditional cost accounting system is too costly or too cumbersome relative to the underlying effort.

220307 Analysis of Responsibility Center/Cost Center. This technique can be helpful in those cases where good organizational costs are available through some responsibility center or cost center organizational structure. Costs associated with the center can be allocated to a product or service of the center as a way to estimate at least part of the cost of that product or service.

220308 Combination of Cost-Finding Techniques. Nothing in this chapter prevents the use of more than one of these techniques, if such a use results in a more cost-effective or more accurate estimate of the cost information requirement. The techniques can also be used to augment data that is generated by a conventional cost accounting system. It is important to remember what the cost data requirement is and to generate or utilize the cost accumulation system or method that gives the highest quality cost data at the lowest information accumulation cost. A cost finding technique that is not described here can also be used, as long as it conforms with the general requirement for reliability in relation to the value of the cost data.

220309 Determination of Time and Cost

A. After the required time to perform each element of the final and intermediate cost objectives is determined, the costs associated

with each element must be determined. In addition, since real and capitalized personal property is involved, the contribution of these assets must also be determined. The extent to which the computations are necessary will depend on the accuracy measured in performing each action. Figure 22-2 in paragraph 220204 of this chapter illustrates the form that can be used to determine the total costs associated with a final cost objective.

B. Personnel costs are obtained from the following sources:

1. Civilian Personnel. Pay scales issued by the Office of Personnel Management.

2. Military Personnel. Standard military composite pay rates issued by the Military Departments. These standard rates recognize fringe benefits.

3. Civilian Personnel Fringe Benefits. These are determined using the add-on factors in Volume 11 of this Regulation.

C. Depreciation and Amortization of Capitalized Personal Property. Refer to Chapters 1 and 6 of this Volume, and Volume 11, Part III, of this Regulation for the Defense Business Operations Fund.

D. Depreciation and Amortization of Real Property. Refer to Chapters 1 and 6 of this Volume, and Volume 11, Part III, of this Regulation for the Defense Business Operations Fund.

ADDENDUM 1
CASE STUDY
Determination of the Costs
Associated With Paying A Contractor Invoice

This case study demonstrates the application of the various requirements contained in this chapter to determining the costs associated with paying a contractor invoice. The situation selected was chosen as being typical of the types of operations occurring within the Department of Defense for which comparisons between organizations can be made.

Paragraph 220201 of this chapter requires a clear statement that identifies the cost objectives to which cost-finding techniques are to be applied and the cost finding techniques to be applied, among other things. Such a statement is presented in Figure 22-3.

The intermediate cost objectives related to the final cost objective are listed in Figure 22-4. The list is at the summary level and serves as a basis for identifying the processes which must be examined in detail. The compilation is based on the guidance contained in paragraph 220202 of this chapter.

The organizational elements and their relationship to the intermediate and final cost objectives are identified in Figure 22-5. As described in paragraph 220203 of this chapter, it is developed using the organization chart and descriptions of organization functions. It also categorizes the installation's organizational units as direct (those that are involved in the final cost objective) and indirect. Those classified as indirect provide varying degrees of support to the organizational units that are identified as direct. It is not necessary for all direct activities to be a part of the same organizational activity.

The process flow associated with paying a contractor invoice, as described in paragraph 220203 of this chapter is illustrated in Figure 22-6. A comparison of this process flow chart with the organization chart in Figure 22-5 will identify organizations that may not be shown on the organization chart. For example, the contract administration activity is not shown on the organization chart and could be a part of supply operations. Similarly, the mail room might be part of base operations. These situations arise when the organization chart is at a higher level than the operation being costed.

The organizational activities realigned as direct and indirect for the purposes of this cost finding study are shown in Figure 22-7. This chart is provided as a basis for clearly identifying which activities are to be classified as direct activities, as described in paragraph 220203 of this chapter.

The cost elements to be considered in determining the relevant costs associated with this task are identified in Figure 22-8. They are based on figure 22-1 in paragraph 220204 of this chapter.

The personnel assigned to the direct activities associated with paying a contractor's invoice are listed in Figure 22-9. This information is necessary to support the determination of personnel costs as described in paragraph 220204 of this chapter.

Statistical information as to the equipment, real property, and supplies and materials used in performing the final and intermediate cost objectives is provided in Figure 22-10. In addition, the equipment is subdivided between capitalized and expensed equipment.

The personnel rates associated with the personnel assigned to the direct organization activities are summarized Figure 22-11. The costs associated with the final and intermediate cost objectives using the guidance in paragraph 220205 of this chapter concerning application of prescribed rates are computed and shown in Figure 22-12.

The source documents associated with the intermediate and final cost objectives are listed in Figure 22-13. Copies of each of these documents would be obtained and included as supporting documentation in the working papers associated with the cost finding task, as required in paragraph 220206 of this chapter.

A compilation of the time required to perform each of the various actions associated with processing a contractor invoice for payment is shown in Figure 22-14. The civilian or military grade for each person involved in the process, as well as the equipment used and the time each equipment was used also is identified. The requirements contained in paragraph 220207 of this chapter are addressed in Figure 22-14.

The costs associated with paying a contractor invoice are summarized in Figure 22-15.

ADDENDUM 1
STATEMENT OF PURPOSE
Determination of Costs
To Pay A Contractor's Invoice

A. **PURPOSE**

This effort is undertaken to determine the cost incurred by one DoD organization to pay a contractor's invoice. The information is required to identify the various types of activities involved and the related costs for comparison with similar costs incurred by other DoD organizations.

B. **COST OBJECTIVES**

The intermediate and final cost objectives associated with this effort include those required to administratively process contract documents, receiving reports and invoices and issue a check.

C. **ORGANIZATIONS INVOLVED**

Those organizational activities directly involved in processing the contract, processing invoices, mailing documents, and issuing checks will be classified as direct activities. All other activities are considered as indirect activities.

D. **COST ELEMENTS**

The cost elements in Volume 11 of this Regulation applicable to other Federal Agencies will be accumulated. The following cost elements to be identified for the purposes of this task include personnel (civilian and military), personnel benefits, communications, and supplies and materials.

E. **APPROACH**

Cost finding shall be used to establish the cost to pay a contractor invoice. Observation and questions shall be used to establish the sequence of observations. Time measurement shall be used to establish the time required to perform each action in the process. These techniques are considered the best approach because preliminary indications are that each action requires only a few minutes of any employees' time. In addition, the use of specific material, equipment and documents can be readily identified and measured. Personnel costs shall be based on hourly rates obtained from pay scales for civilian personnel, and standard military composite rates for military personnel.

FIGURE 22-3

ADDENDUM 1
FINAL AND INTERMEDIATE COST OBJECTIVES
TO PAY A CONTRACTOR INVOICE

FINAL COST OBJECTIVE:

Pay a contractor invoice

INTERMEDIATE COST OBJECTIVES:

Establish voucher file

Maintain voucher file

Receive receiving reports

Receive invoices

Compare invoice to receiving reports and contracts

Check to see whether proposed payment requires additional funding

Check to see if right of offset exists against amounts due the Government by the contractor

Prepare payment voucher

Schedule voucher for payment

Print check

Mail check

Record payment

Figure 22-4

ADDENDUM 1
ILLUSTRATIVE INSTALLATION ORGANIZATION CHART

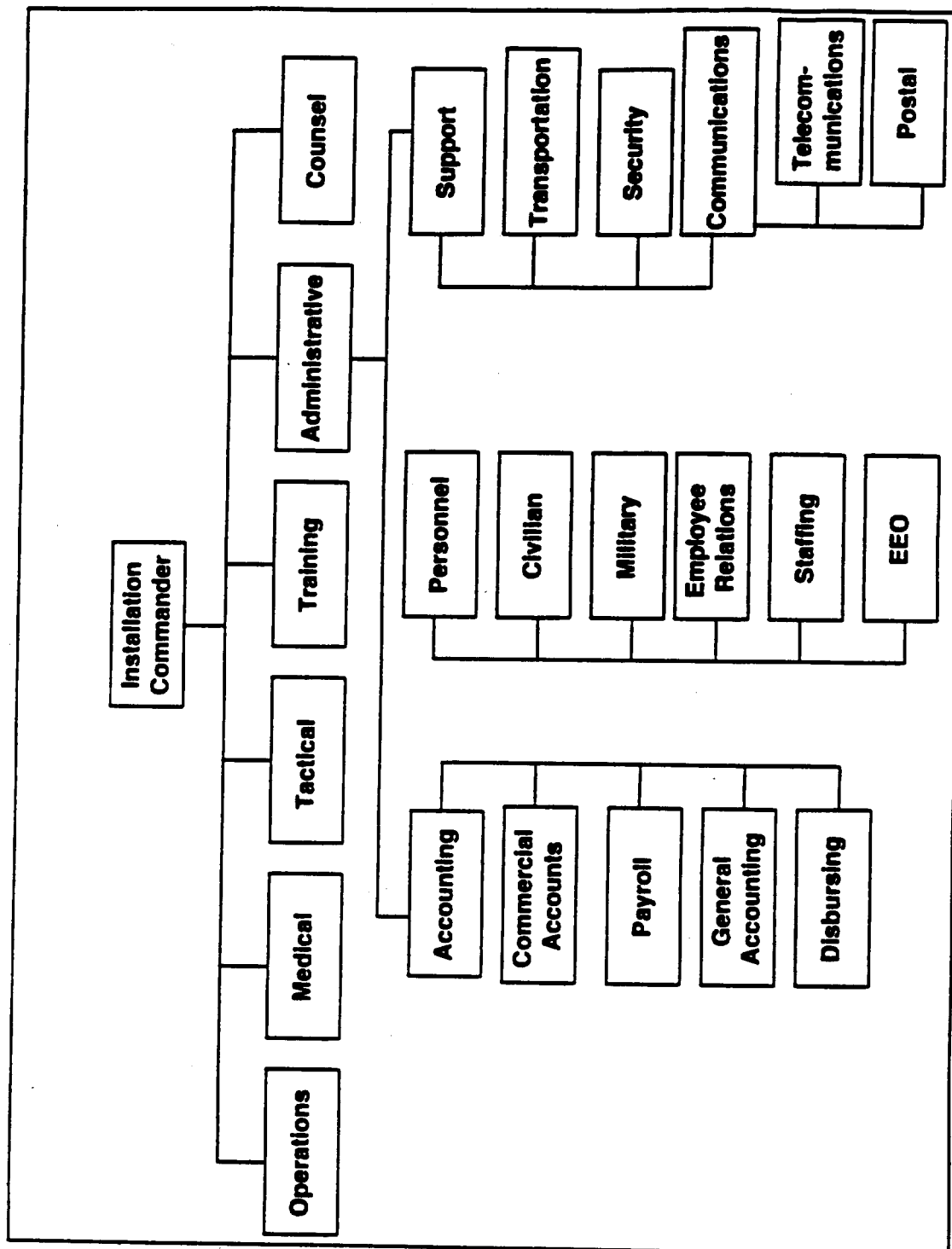


FIGURE 22-5

ADDENDUM 1
PROCESS FLOW FOR ISSUING CHECKS TO CONTRACTORS

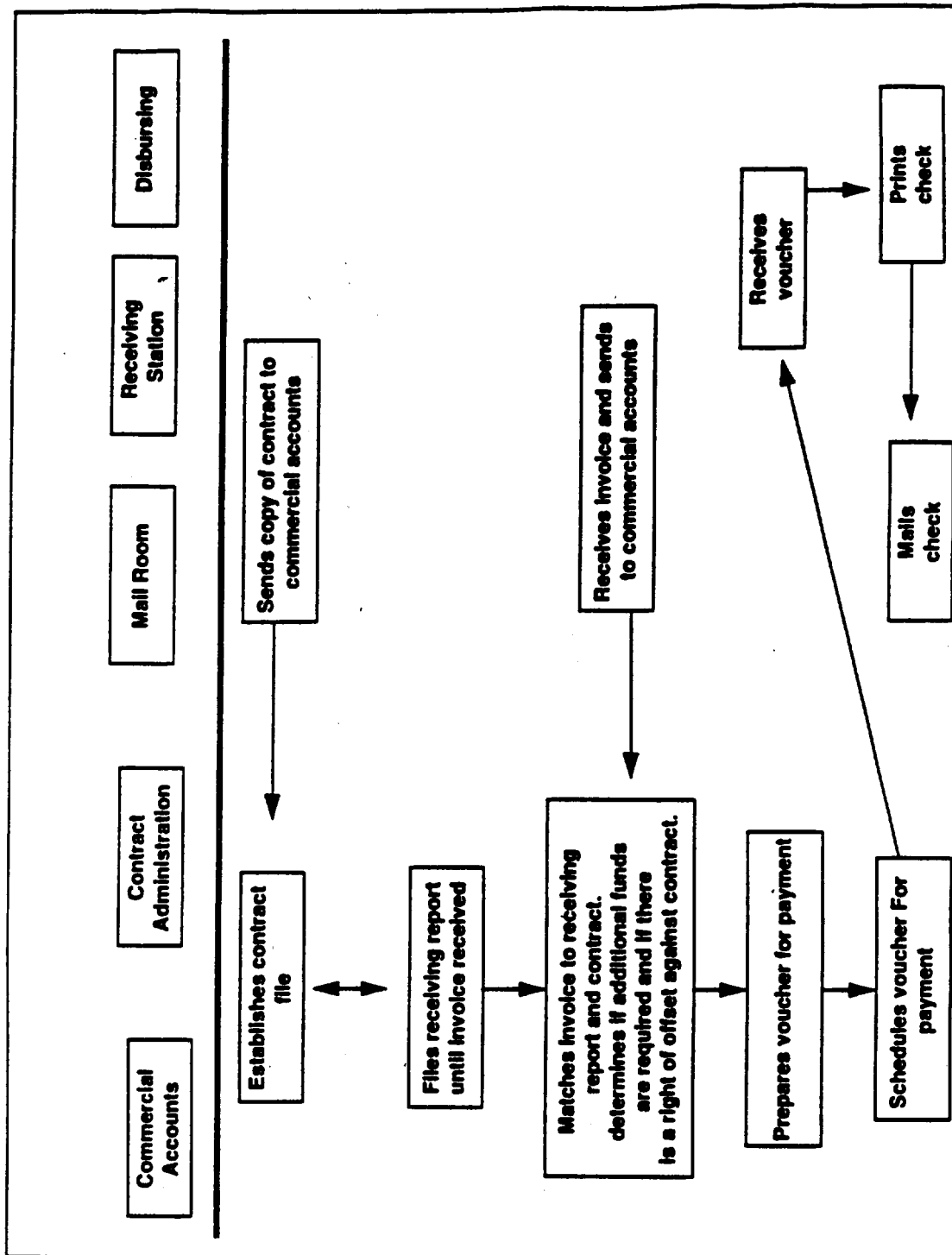


FIGURE 22-6

ADDENDUM 1
ORGANIZATION HIERARCHY ASSOCIATED WITH
FINAL AND INTERIM COST OBJECTIVE

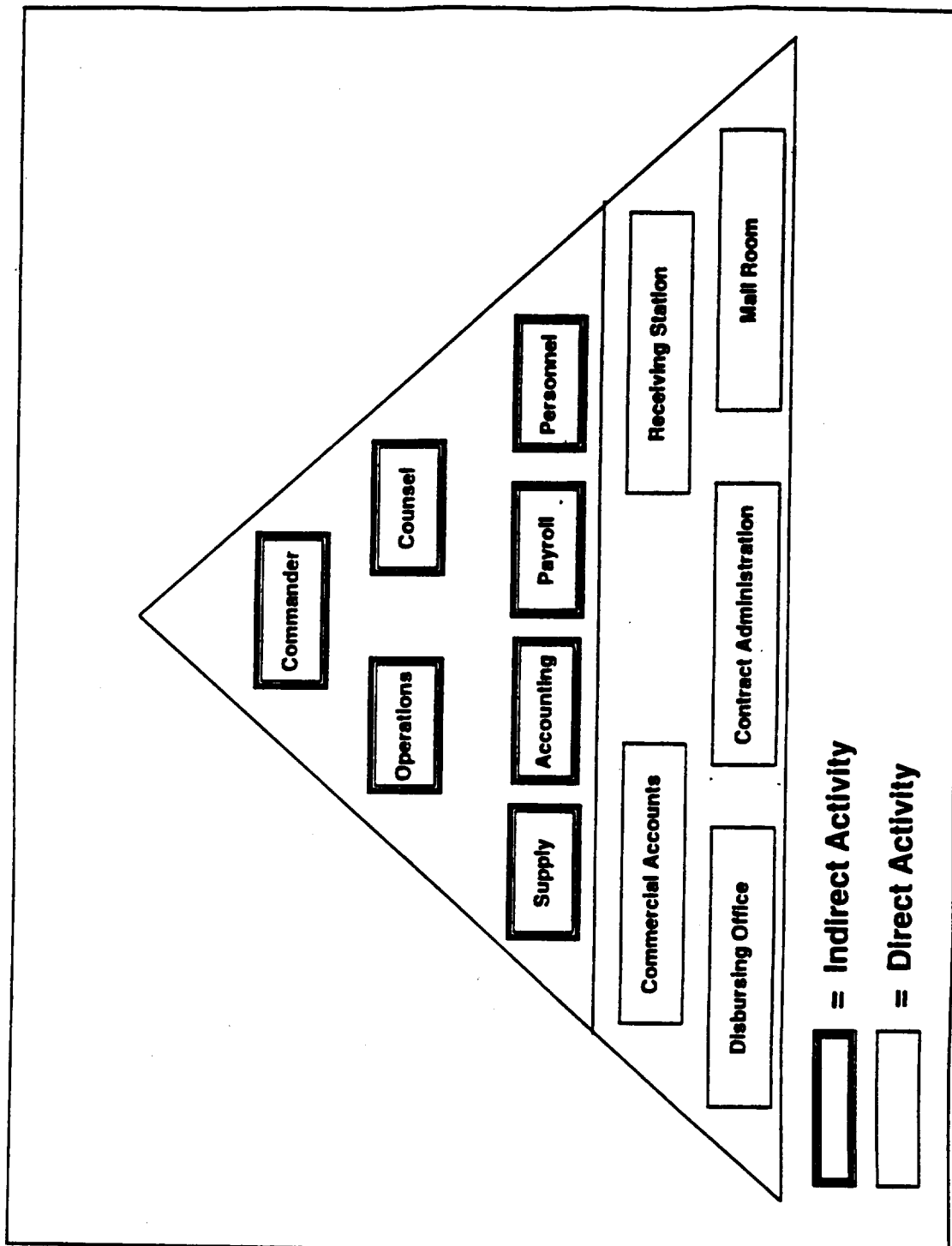


FIGURE 22-7

ADDENDUM 1
COST ELEMENTS

The cost elements potentially associated with the cost of issuing a check to a contractor are summarized as follows:

- (1) Personnel costs, both military and civilian.
- (2) Personnel benefits, both military and civilian.
- (3) Communications (telephone).
- (4) Supplies and materials.
- (5) Postage.
- (6) Utilities.
- (7) Equipment (depreciation).
- (8) Buildings (depreciation).
- (9) Leasehold improvements (amortization)
- (10) ADP Software (amortization)

Figure 22-8

<u>ADDENDUM 1</u> <u>NUMBER OF PERSONNEL ASSIGNED TO DIRECT ACTIVITIES</u> <u>ASSOCIATED WITH FINAL COST OBJECTIVE</u>					
	COMMERCIAL ACCOUNTS	RECEIVING STATION	DISBURSING OFFICE	CONTRACT ADMIN.	MAIL ROOM
Captain	1		1		
1st Lieutenant	2		3		
2nd Lieutenant	1	1	2	1	
Sergeant (E-5)		2	2		1
Corporal (E-3)	3	4			1
Civilian (GS-8)	2		2	2	
Civilian (GS-6)	2	1	4	2	1
Civilian (GS-5)	5	2	4	4	2
Civilian (GS-3)		2	2		5

Figure 22-9

<u>ADDENDUM 1</u> <u>EQUIPMENT AND REAL PROPERTY USED BY DIRECT ACTIVITIES</u> <u>ASSOCIATED WITH FINAL COST OBJECTIVE</u>					
	COMMERCIAL ACCOUNTS	RECEIVING STATION	DISBURSING OFFICE	CONTRACT ADMIN.	MAIL ROOM
<u>CAPITALIZED EQUIPMENT:</u>					
Microfiching Machines			1	1	
Rotary Index Files	5		1	8	
<u>EXPENSED EQUIPMENT:</u>					
Typewriters	6		3	7	
Adding Machines	12	10	16	8	
Check Writers			2		
Envelope Stuffing Machines	1		3		
Desks	16	6	20	11	2
Chairs	25	7	24	15	11
<u>REAL PROPERTY:</u>					
Office Space (Sq. Ft.)	1,778	480	2,540	1,390	498
<u>WAREHOUSE SPACE:</u>					
(Sq. Ft.)		1,638			
<u>ADDITIONAL INFORMATION:</u> Microfiching Machines cost \$22,000 each and have a life expectancy of 10 years for depreciation purposes. Rotary Index Files cost \$14,000 and have a life expectancy of 10 years for depreciation purposes.					
Age of Micro- fiching Machines: 3 years old 4 years old			1	1	
Age of Rotary Index Files: 2 years old 3 years old 5 years old	4 1		1	3 3 2	

ADDENDUM 1
EQUIPMENT AND REAL PROPERTY USED BY DIRECT ACTIVITIES
ASSOCIATED WITH FINAL COST OBJECTIVE
(CONTINUED)

Real Property:

1. Office space is converted warehousing constructed during 1956. Conversion was made in 1978 at a cost of \$755,000. Total amount of warehousing space converted was 35,768 sq. ft.
2. The receiving station is located in another warehouse constructed in 1961 at a cost of \$1,547,277.
3. Total warehouse space is 295,480 sq. ft. The office space occupied by the receiving stations was constructed at that time. No improvements have been made to the space since original construction.

Material and Supplies:

1. Standard price per 1,000 of any contract package (includes forms, instructions, and supporting addenda) is \$250.
2. Standard price per 1,000 of receiving report forms (DD 250) is \$35.
3. Standard price per 1,000 of legal size envelopes is \$9.50.
4. Standard price per 1,000 blank check stock is \$12.80.
5. Standard price of any accounting form, including voucher schedules is \$15.50.
6. Standard monthly prorated cost of office supplies is \$125. This includes adding machine tapes, correspondence paper, pencils, pens, etc.

Expensed Equipment:

1. When necessary, expensed equipment (desks, chairs, etc.) would have a prorated monthly charge of \$50 per office. This is a composite rate for all expensed office equipment.

FIGURE 22-10

<u>ADDENDUM 1</u> <u>SUMMARY OF TIME SPENT BY PERSONNEL GRADE</u> <u>TO ISSUE A CHECK TO A CONTRACTOR</u> <u>(IN MINUTES)</u>						
	COMM. ACCTS.	RECEIV. STAT.	DISB. OFC.	CONT. ADMIN.	MAIL ROOM	TOTAL
Captain	6		7			13
Sergeant (E-5)			18			18
Corporal (E-3)			8			8
Civilian (GS-8)	4	8	2			14
Civilian (GS-6)	68		10			78
Civilian (GS-5)	23		6			29
Civilian (GS-3)		17	29		26	72

FIGURE 22-11

<u>ADDENDUM 1</u> <u>COMPUTATION OF COSTS ASSOCIATED WITH ISSUING A CHECK TO A CONTRACTOR</u>					
	ANNUAL RATE	HOURLY RATE	MINUTE RATE	TIME USED	COST
<u>PERSONNEL COSTS:</u>					
Captain	\$ 37,860	\$ 18.20	\$.30	13	\$ 3.90
Sergeant (E-5)	21,900	10.53	.18	18	3.24
Corporal (E-3)	18,350	8.82	.15	8	1.20
Civilian (GS-8)	26,670	12.82	.21	14	2.94
Civilian (GS-6)	24,350	11.71	.20	78	15.60
Civilian (GS-5)	22,546	10.84	.18	29	5.22
Civilian (GS-3)	18,456	8.87	.15	72	10.80

Note: Hourly rates recognize all benefit costs.

FIGURE 22-12

<u>SOURCE DOCUMENTS</u>	
1.	DD Form 1155, "Order for Supplies or Services"
2.	DD Form 250, "Material Inspection and Receiving Report"
3.	DD Form 350, "Individual Contracting Action Report"
4.	Payment Voucher Schedule
5.	Blank check

Figure 22-13

<u>ADDENDUM 1</u> <u>TIME REQUIREMENTS</u> <u>TO PAY A CONTRACTOR INVOICE</u>	
	TIME REQUIRED (IN MINUTES)
<u>COMMERCIAL ACCOUNTS:</u>	
1. Receives contract from Contract Administration. Date and time stamps and sends to voucher clerk. (Date and time stamp machine used: 10 seconds) (GS-5 Secretary)	4
2. Establish contract file and insert contract. (Typewriter used: 1 minute) (Rotary Index File used: 15 seconds) (GS-6 Voucher examiner clerk)	7
<u>RECEIVING STATION:</u>	
1. Receives material and counts. (GS-3 Receiving clerk)	10
2. Prepares DD 250. (GS-3 Receiving clerk)	5
3. Delivers to Receiving Station Supervisor. (GS-3 Receiving clerk)	2
4. Receiving Stations Supervisor approves and sends to Commercial Accounts. (GS-8 receiving Station Supervisor)	8
<u>COMMERCIAL ACCOUNTS:</u>	
1. Receives receiving report from Receiving Station Supervisor; date and time stamps; sends to voucher examiner clerk. Date and time stamp machine used: 10 seconds) (GS-5 Secretary)	6
2. Voucher examiner clerk pulls contract file; reviews receiving report to assure that material received is what was ordered; determines that coding is correct. (Adding machine used: 20 seconds) (Rotary Index File used: 15 seconds) (GS-6 Voucher examiner clerk)	12

<u>ADDENDUM 1</u> <u>TIME REQUIREMENTS</u> <u>TO PAY A CONTRACTOR INVOICE</u>	
	TIME REQUIRED (IN MINUTES)
<u>MAIL ROOM:</u>	
1. Receives envelope from contractor; opens it; places in Commercial Accounts mail pouch (GS-3 Mail clerk)	4
2. Mail clerk delivers to Commercial Accounts. (GS-3 Mail clerk)	22
<u>COMMERCIAL ACCOUNTS:</u>	
1. Receives mail pouch from mail clerk; removes invoice from mail pouch; date and time stamps; sends to voucher examiner clerk. (Typewriter used: 2 minutes) (GS-5 Secretary)	7
2. Voucher examiner clerk pulls contract file; reviews invoice to assure that invoice agrees with contract and receiving report; determines that coding is correct. (Adding machine used: 22 seconds) (Rotary Index File used: 11 seconds) (GS-6 Voucher examiner clerk)	9
3. Audits voucher and prepares voucher for payment. (Adding machine used: 18 seconds) (GS-6 Voucher examiner clerk)	8
4. Schedules voucher for payment. (Typewriter used: 2 minutes, 35 seconds) (GS-6 Voucher examiner clerk)	5
5. Forwards voucher, together with supporting documents to supervisor for approval. (GS-6 Voucher examiner clerk)	3
6. Commercial Accounts supervisor approves voucher and gives to secretary for transmittal to the disbursing office. (GS-8 Supervisor)	4
7. Secretary gives voucher and supporting documents to Captain. (GS-5 Secretary)	2
8. Captain reviews, approves, and returns to secretary	6
9. Secretary inserts in disbursing office pouch. (GS-5 Secretary)	2
10. Voucher clerk delivers pouch to disbursing office. (GS-6 Voucher examiner clerk)	12
<u>DISBURSING OFFICE:</u>	
1. Receives pouch from voucher examiner clerk; opens pouch; delivers payment schedule to disbursing clerk. Date and times stamps documents. (Date and time stamp machine used: 10 seconds) (GS-3 Clerk)	3

<u>ADDENDUM 1</u> <u>TIME REQUIREMENTS</u> <u>TO PAY A CONTRACTOR INVOICE</u>	
	TIME REQUIRED (IN MINUTES)
2. Disbursing clerk reviews and schedules for check writing; gives package to supervisor for approval. (Typewriter used: 3 minutes, 18 seconds) (GS-5 Disbursing clerk)	6
3. Disbursing supervisor reviews and approves; gives to Captain. (GS-6 Supervisor)	4
4. Captain reviews, approves, and returns to disbursing supervisor.	4
5. Disbursing supervisor gives to Sergeant (E-5). (GS-6 Supervisor)	2
6. Sergeant gets blank check from safe; prepares check writer; prints check; gives to disbursing supervisor (Check writer used: 54 seconds)	18
7. Disbursing supervisor gives to Captain (GS-6 Supervisor)	2
8. Captain signs check and returns to disbursing supervisor.	3
9. Disbursing supervisor gives to Corporal (E-3). (GS-6 Supervisor)	2
10. Corporal prepares envelope and puts check in envelope.	4
11. Clerk receives envelop from Corporal and delivers to Mail Room. (GS-3 Clerk)	13
12. Corporal gives supporting documentation to disbursing supervisor.	4
13. Disbursing supervisor gives documents to clerk. (GS-6 Supervisor)	2
14. Clerk returns documents to Commercial Accounts. (GS-3 Clerk)	13
<u>COMMERCIAL ACCOUNTS:</u>	
1. Secretary receives documents from clerk; date and time stamps. (Date and time stamp machine used: 8 seconds) (GS-5 Secretary)	2
2. Secretary gives to voucher examiner clerk who files documents in contract file. (Rotary Index File used: 17 seconds) (GS-6 Voucher examiner clerk)	12

Figure 22-14

<u>ADDENDUM 1</u> <u>SUMMARY OF THE COSTS</u> <u>ASSOCIATED WITH FINAL COST OBJECTIONS</u> <u>ISSUE CHECK TO CONTRACTOR</u>		
<u>PERSONNEL COSTS (INCLUDING BENEFITS):</u>		
Military (6112,6114)	\$ 8.34	
Civilian (6111,6113)	34.56	
Total Personnel Costs		\$ 42.90
<u>CAPITAL EXPENSES:</u>		
Depreciation - Personal Property (6125)	-0-	
Depreciation - Real Property (6126)	-0-	
Amortization - Real Property Improvements (6128)	-0-	
Amortization - ADP Software (6128)	-0-	
Total Capital Expenses		-0-
<u>OTHER EXPENSES:</u>		
Travel of Persons (6116)	-0-	
Transportation of Things (6117)	-0-	
Rent, Communications, Utilities (6118)	-0-	
Printing and Reproduction (6119)	-0-	
Contractual Services (6120)	-0-	
Supplies and Materials (6121)	-0-	
Equipment (not capitalized 6122)	-0-	
All other expenses(6129, 6130, 6300, 6900)	-0-	
Total Other Expenses		-0-
TOTAL COSTS ASSOCIATED WITH FINAL COST OBJECTIVE		\$ 42.90

Note: Capital expenses and other expenses were not computed because neither category contributed a value that would meaningfully affect the outcome. Microfiche machines are used periodically when the number of documents ready to microfiche total several hundred. The Rotary Index files are used constantly and the amount of time allocable to document retrieval associated with a particular check is measured in terms of less than one minute. Real property occupied represented approximately 2 percent of total space and if allocated to the cost objective based on time required to process a check would be substantially less than \$1. Similarly the value of other expenses would be substantially less than \$1 (the standard price of the blank check would be \$.0128).

The general ledger accounts that are the source for the amounts reported are shown in parentheses.

Figure 22-15

CHAPTER 23

COST DISTRIBUTION FOR INFORMATION TECHNOLOGY FACILITIES2301 PURPOSE

230101 The purpose of this chapter is to provide accounting requirements and guidance applicable to cost distribution for information technology facilities. The term "information technology facility" (ITF) is used in this chapter in lieu of data processing facility, data processing installation, central design activity, computer center, data center, etc. It encompasses all resources used to provide data or information processing and telecommunications services. The chapter provides instructions for accounting for the full costs of operating ITFs, as required by OMB Circular No. A-130, "Management of Federal Information Resources."

230102 The identification of obligation data or service costs related to ITF operations can provide important information to organizational managers, ITF managers, and users that may result in more efficient operation and use of the ITF. Such information can show trends by which the efficiency of the services may be measured. Also, the cost identification process can demonstrate utilization and cost trends, develop user profiles, isolate information technology costs, improve planning, and become an important element in management's overall evaluation of the ITF. Obligation or cost data can be used to support budget exhibits and provide the information needed to support management decisions related to ITFs.

2302 REQUIREMENTS

230201 DoD Component accounting systems shall provide sufficient accounting support to ITFs for them to identify obligations or operating costs applicable to their operations. ITFs shall identify costs applicable to services provided to users if (a) services are provided to more than one organizational or accounting entity, (b) it operates one or more general management computers, and (c) it has annual operating costs or obligations greater than \$5 million. An ITF

shall identify costs applicable to services provided to users if it has an annual reimbursable program of more than \$500 thousand.

230202 The cost identification guidance in this chapter also can be used to support management needs to identify ITF costs related to the life cycle of an Automated Information System (AIS). For example, management must identify AIS program development and procurement costs to determine if the major AIS threshold, as defined in DoD Directive 8120.1, has been exceeded.

230203 Services provided under emergency conditions or reciprocal backup agreements are excluded from the service costing requirement. Defense Business Operations Fund activities that operate ITFs shall follow the guidance contained in this chapter for the ITF function and chapters 19 through 21 of this Volume, as applicable, for other functions.

2303 REIMBURSEMENTS

The specific policy applicable to the billing for ITF services is contained in Volume 11 of this Regulation. Volume 11 shall be followed to determine if an ITF should bill for its services and at what price. This chapter provides guidance to identify all costs associated with ITF services regardless of any billing requirements.

2304 DEFINITIONS

The following are definitions for certain terms used within this chapter:

230401 Cost Center. A logical or physical grouping of one or more similar services for the purpose of identifying obligations or developing the cost identification for the services. Services are grouped into cost centers in order to (a) normalize between services that use similar resources with different capabilities; (b) apply surcharges and discounts to services; (c) identify

costs for different classes of the same service; or (d) identify obligations. A software design team in a central design activity is an example of a cost center. One or more cost centers will make up an ITF. A cost center also can be referred to as a service center.

230402 Costs

A. Direct Costs. Any item of cost that is easily and readily identified to a specific unit of work or output within the ITF cost centers. Direct costs may include civilian and military personnel costs, supplies, materials, contract services, etc. (See Volume 11 of this Regulation.)

B. Indirect Costs. An item of cost that is incurred for more than one specific unit of work or output within the ITF, and, therefore, cannot easily and readily be identified to a single item and must be allocated. There are numerous allocation methods that can be used; however, indirect costs are normally allocated based on total direct costs or total direct labor costs. An example of indirect costs is the management personnel of a computer operations room that provides for the development, implementation and administration of all policy guidance and procedures for the computer operations room.

C. General and Administrative Costs (G&A). An item of cost that supports the total operation of the ITF not just selected cost centers. There are numerous allocation methods that can be used; however, G&A costs are normally allocated based on total direct costs or total direct labor costs. Examples of G&A costs are the front office of the ITF, administrative staffs, or general maintenance and repair expenses.

230403 General Management Computer. A general management computer is a digital computer that is used for any purpose other than as a part of a process control system, space system, mobile system, or equipment that is an integral part of a weapon or weapons system. Excludes equipment involved with intelligence activities and cryptologic national security activities.

230404 Information Technology Facility (ITF). An information technology facility is an organizationally defined set of personnel, hardware, software, and physical facilities, operated within or on behalf of the Department of Defense, a primary function of which is the operation of information technology. An ITF includes:

A. The personnel who operate computers or telecommunications systems; develop or maintain software; provide user liaison and training; schedule computers, prepare and control input data; control, reproduce, and distribute output data; maintain tape and disk libraries; provide security; and provide direct administrative support to personnel engaged in these activities.

B. The owned or leased computer and telecommunications hardware, including central processing units; associated peripheral equipment such as disk drives, tape drives, printers, and consoles; data entry equipment; telecommunications equipment including control units, terminals, modems, and dedicated telephone and satellite links provided by the facility to enable data transfer and access to users. Hardware acquired and maintained by users of the facility is excluded.

C. The software, including operating system software, utilities, sorts, language processors, access methods, data base processors, and similar multi-user software required by the facility for support of the facility and/or general use by users of the facility. All software acquired or maintained by users of the facility is excluded.

D. The physical facilities, including computer rooms, tape and disk libraries, stock-rooms and warehouse space, office space, and physical fixtures.

230405 Obligations. Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Obligations are directly related to budget authority received for a given fiscal year, and the amounts of budget authority obligated

are reported monthly in budget execution reports. (See chapter 4 Volume 6 of this Regulation.)

230406 Service. A service is any work done by the ITF for a user or group of users.

230407 Unit of Service. A unit of service is the end product or unit used to measure the amount of service received by users. Examples of service units are central processing unit (CPU) time for a CPU service, pages printed for a printing service, direct labor hours expended to develop a software application or checks processed for a payroll service. The unit of service selected should be an accurate unit of the dominant type of work performed by the ITF. If a single unit cannot be determined, then the possibility of dividing the work into multiple services should be considered. For example, preparing a report by an ITF can require CPU time, data storage and retrieval, and printing. Total cost for the report may involve summing costs of each required service.

230408 User. A user is an individual, organizational or functional entity that receives ITF services. A user may be internal or external to the DoD Component.

2305 IDENTIFICATION OF OBLIGATION /COST DATA

The identification and recording of obligation or cost data for ITFs shall be in accordance with Volume 3 of this Regulation. Because detailed information on recording and reporting obligations and costs are contained throughout this Regulation, guidance will not be repeated here. Accounting support must be provided to ITFs so that they can identify obligation or cost data and report it when required.

2306 IDENTIFICATION AND ALLOCATION OF COSTS

230601 The identification and allocation of costs is a process by which the costs incurred by the ITF for providing its services are collected by function and related to the service unit being supported. The costs of direct functions are

directly related to the service unit they support. However, an allocation process is used to properly relate indirect and G&A costs to the appropriate service units. A full description of the allocation process must be documented. A description (including a schematic) of the allocation process that shows the relationships of the various cost center indirect and G&A costs should be available for review by appropriate authority and for user understanding of the allocation process.

230602 All costs associated with the operation of an ITF shall be distributed to the appropriate service units. Charges must be equitable to resources consumed and priority requested. Dedicated services are to be identified to specific users. For multi-user services, workload measurement tools should be used to insure ITF costs are equitably charged to users for all service units consumed. Within the ITF, further breakdowns shall be made to specific cost centers. Costs within these centers should be determined within a documented cost element structure. See figure 23-1 for a breakdown of potential information technology cost elements associated with an ITF. The identification and allocation process should be established by knowledgeable and informed people who are familiar with the particular ITF operation.

230603 The identification and allocation process must be reviewed periodically to ensure that no service has been inadvertently omitted or unnecessarily included.

230604 Where appropriate, e.g., cost center or completion of a process, specific units of service shall be established to produce a rate for each type of service provided. Figure 23-2 is an example of the possible types of information technology services being performed and their related unit(s) of service and workload measurements.

230605 All direct costs associated with an ITF shall be identified to the applicable function, service and cost centers. (See paragraph 230402.A, above, figure 23-3, and Volume 11 of this Regulation.)

230606 Indirect cost pools shall be established for each cost center to identify the indirect costs associated with each product or service within the cost center. These costs shall be allocated periodically based on an acceptable allocation method such as total direct costs or total direct labor costs. The allocation method applied must be documented.

230607 A G&A cost pool shall be established for an ITF. Applicable costs shall be identified to the G&A cost pool and periodically allocated based on an acceptable allocation method such as total direct and indirect costs. The allocation method applied must be documented.

230608 Indirect and G&A costs shall be evaluated periodically to verify cost type (that is, indirect or overhead), and adjust allocations to the applicable service units as necessary.

230609 A record shall be maintained to identify the users of an ITF and the services provided to each user. The total output of an ITF should be reconcilable with the work accomplished or produced by the ITF for each customer. Statements of charges or identification of ITF services to users shall be derived from records kept by the ITF. These records are needed for billing, verification of cost allocations, and for future planning and budgeting.

230610 Management control procedures for implementing this chapter are to be established and documented.

2307 RATE COMPUTATION

230701 Figure 23-4, "Information Needed to Define the Current Environment," provides some suggested actions or questions to be answered that may be helpful before beginning to develop rate computations.

230702 When developing rates, these points should be understood:

A. Services and their unit(s) of service should be easily understood by the ITF users.

B. Services should represent a significant portion of the ITF's work, and the

unit(s) of service should be a valid measure of the amount of work performed.

C. Services are not limited to equipment based units. Other services, especially personnel based services, are often costly and should be identified.

D. When possible, services that are transaction or output based should be selected so that the users can easily understand them.

E. Services and the cost collection/allocation process should be reviewed periodically to insure that rates are an accurate reflection of what it costs the ITF to provide each service. Policies and procedures need to be in place to facilitate this process.

230703 Rate development should follow a sequential procedure. Identified below are five basic steps that should be taken:

A. Step 1. Identify all costs associated with the ITF. The examples, Figures 23-5 and 23-5A provide sample cost data for two ITFs; one a central design activity (CDA) and the other a data processing installation (DPI). For ease in demonstration, only one productive cost center, along with the general and administrative cost center, was identified for each and is representative of an annual period. Additionally, the cost in each productive cost center is identified by the direct and indirect amounts.

B. Step 2.

1. For each productive cost center, identify the direct costs of each product and service by service unit. This is achieved by identifying the direct cost of all functions performed in support of products/ services produced and relating those costs to the service unit(s) supported. Note that the CDA has a service unit for customer direct pass through items. This includes travel, costs for testing, contractor support services, etc., performed for specific customers that should be reimbursed by the benefiting customers only.

2. Additionally, the units of work/workload should be identified since they are paramount in determining the level of resources required to support them. Initially, this may have to be estimated by informed personnel; however, after a given period of time, the information should be systematically gathered and documented from workload job accounting software packages and/or labor tracking systems as applicable. The total direct cost of each service unit and the associated units of work/workload for the DPI and CDA have now been determined. (See Figure 23-6)

C. Step 3. Indirect costs of each productive cost center must be allocated to the service units produced/supported in that cost center. Indirect rates for this allocation process are calculated by dividing the total indirect cost by the allocation base selected. In Figure 23-7, the allocation base selected is total direct costs for the DPI and direct labor costs for the CDA. Once the indirect rates have been calculated, they are used to allocate the indirect cost to each service unit supported within the cost centers. For the DPI, this is achieved by multiplying the total direct cost of each service unit by the indirect rate. For the CDA, this is achieved by multiplying the total direct labor costs of each service unit by the indirect rate. The example shows that the total indirect costs of \$475,000 and \$442,500 for the DPI and CDA respectively, have been fully allocated to all service units supported within each organization. The total indirect costs of each service unit/output for the DPI and CDA have now been determined.

D. Step 4. General and administrative (G&A) costs must be allocated to all services produced within the ITF. The G&A rate for this allocation process is calculated by dividing the G&A costs by the allocation base selected. In Figure 23-8, the allocation base selected for both the DPI and CDA is total direct plus indirect costs. Once the G&A rate is calculated, it is used to allocate the G&A costs to all service units provided by the ITF. This is achieved by multiplying the total direct plus indirect cost of each service unit by the G&A rate. The example shows that the total G&A costs of \$495,600 and \$403,200 for the DPI and CDA respectively, have been fully allocated to all service units supported within each organization. The total direct, indirect and G&A costs of each service unit for the DPI and CDA has now been determined.

E. Step 5. Establish the rate for each unit of service by dividing the total direct, indirect and G&A costs (Step 4) of each service unit by the associated units of customer work/workload required (Step 2). These rates incorporate the total costs of all cost centers in producing each product and service and the related service unit(s). Such rates should be verified periodically because they form the basis by which a customer is billed (in accordance with the reimbursement policy found in volume 11 of this Regulation) or by which costs can be identified and allocated for planning or budgeting (e.g., operating an automated information system (AIS) within a DPI or developing and/or modernizing an AIS within a CDA). (See Figure 23-9)

POTENTIAL COSTS ASSOCIATED WITH AN ITF

Personnel. Both civilian and military persons who manage and perform information technology (IT) functions. This includes work such as development and maintenance of computer software, operation and management of in-house data processing centers and departments, data preparation, electronic output reproduction and distribution, equipment maintenance, and contract management. It also includes persons performing IT related custodial services, security, and building maintenance. This also includes other personnel related costs for leave, holiday, fringe benefits, training, travel, and recruiting.

Equipment. Nonrecurring expenditures for acquisition and recurring costs for rental and leasing of computers, associated on-line and off-line IT equipment, and special purpose IT furniture. If the dollar value of equipment and its projected service life meet the capitalization criteria set forth in Chapter 1 and 6 of this Volume, or Volume 11B of this Regulation, depreciation may be applicable.

Computer Software. Nonrecurring expenditures for acquisition, development, and conversion and recurring expenses for rental and leasing of all types of software--operating, multipurpose, and application. If the dollar value of the software and its projected life meet the capitalization criteria in Chapter 1 and 6 of this Volume, or Volume 11B of this Regulation, depreciation may be applicable.

Space Occupancy. Funded and unfunded costs for (1) rental and lease of buildings and general office furniture, (2) building maintenance, (3) regular telephone service and utilities, and (4) custodial services and security.

Supplies. Expenditures for non-capital office supplies and general and special purpose data processing materials. Special purpose supplies are those prepared for one or a few applications. IT data storage media may be considered either supplies or items of equipment.

Contracted Services. Expenditures and contracting expenses for:

(1) Technical and consulting services for agency-operated computer facilities and equipment, including equipment maintenance; security and custodial services for computer facilities; finance and accounting; and advice on the acquisition, selection, and use of computer facilities or software.

(2) Computer system services and off-line equipment services such as key data entry, report reproduction, and testing.

(3) Analysis, design, programming, documentation, and testing for development, modification, conversion, and maintenance of computer software.

(4) Data communications network services, associated telecommunications line charges, channel lease and rental, equipment rental and maintenance, and telecommunications system analysis and design.

Services from Other Units or Agencies. The costs of other governmental agencies or organizational elements for those services cited under "Contracted Services," above.

Intra-agency Services and Overhead. The costs of normal agency support services and overhead, either billed or allocated, and the costs of central ADP management, policy, and procurement services.

FIGURE 23-1

EXAMPLES OF COST CENTERS, SERVICES AND UNITS OF SERVICE**COST CENTER A IBM PROCESSING:**

PRODUCTS/ SERVICES	BILLABLE SERVICE UNITS	WORKLOAD MEASURE
IBM PROCESSING	CPU TIME	HOURS
	DASD	MEGABYTES PER DAY
	TAPE MAINT	PER MOUNT
	PAGES PRINTED	PER PAGE

COST CENTER #1 SOFTWARE DEVELOPMENT/MODERNIZATION:

PRODUCTS/ SERVICES	BILLABLE SERVICE UNITS	WORKLOAD MEASURE
SENIOR ANALYST	DIRECT LABOR HOURS	PER HOUR
ANALYST	DIRECT LABOR HOURS	PER HOUR
PROGRAMMER	DIRECT LABOR HOURS	PER HOUR
DIRECT CUSTOMER SUPPORT	DIRECT COSTS	DIRECT COST

FIGURE 23-2

TYPES OF COSTS ASSOCIATED WITH OPERATING AN ITF
(See Volume 11)

Direct civilian labor

- (1) Payroll costs
- (2) Leave or holiday costs
- (3) Funded fringe benefit costs
- (4) Unfunded fringe benefit costs

Indirect civilian labor

- (1) Payroll costs
- (2) Leave or holiday costs
- (3) Funded fringe benefit costs
- (4) Unfunded fringe benefit costs

Direct military labor

- (1) Payroll costs
- (2) Leave and holiday costs
- (3) Other support cost factors

Indirect military labor

- (1) Payroll costs
- (2) Leave and holiday costs
- (3) Other support cost factors

Use of DoD assets

- (1) asset use charge
- (2) depreciation on investments
- (3) interest on investment in assets

Contractor support services**Rental and leases****Equipment maintenance****Temporary duty costs****Software maintenance****Supplies and materials****Utilities****Building services****Telephone****Travel****Training**

FIGURE 23-3

INFORMATION NEEDED TO DEFINE THE CURRENT ENVIRONMENT

1. Describe the ITF hardware and software configuration.
2. Provide an organization chart that identify the lowest organizational entity within the activity.
3. List of functions performed by organizational entity.
4. Describe the various types of processing done (local applications, batch, on-line, real-time, etc.).
5. What are the staffing levels for the ITF (number of management personnel, programmers, analysts, operators, etc.)?
6. Provide an inventory listing of the ITF's hardware and software.
7. Explain how the ITF supports the various components within the agency, and provide numbers for the various types of users within each component.
8. Identify the products and services provided.
9. Does the ITF provide services to any outside users? If so, how many outside users are there and what percentage of the ITF workload does each comprise?
10. Identify customers and whether the ITF is being reimbursed by them for services provided. If yes, identify the amount by customer.
11. Have IT/ITF costs been isolated within the budget? To what level of detail?
12. What type of capacity planning currently is done? What are workload estimates based on? How often are these estimates updated?
13. Identify the prior year actual operating cost and any approved programmed budget changes.
14. Ascertain whether hardware/software is owned or leased.
15. Identify the workload measurement tools to collect the applicable utilization data, e.g. labor distribution system for a design activity.

FIGURE 23-4

EXAMPLE: RATE COMPUTATION**STEP 1: IDENTIFY THE TOTAL COST OF THE ITF BY COST CENTER
CENTRAL DESIGN ACTIVITY:**

COST ELEMENTS	TOTAL COSTS	COST CENTER #1 SOFTWARE DEV/MOD DIRECT	COST CENTER #1 SOFTWARE DEV/MOD INDIRECT	COST CENTER #2 GENERAL AND ADMIN OVERHEAD
LABOR	\$2,153,800	\$1,500,000	\$350,000	\$303,800
MATERIALS & SUPPLIES	101,700	75,000	15,000	11,700
TRAVEL	143,400	100,000	20,000	23,400
CONTRACTUAL SERVICES	358,400	250,000	50,000	58,400
DEPRECIATION	8,500	0	5,000	3,500
EQUIPMENT	14,900	10,000	2,500	2,400
TOTAL	\$2,780,700	\$1,935,000	\$442,500	\$403,200

FIGURE 23-5**DATA PROCESSING INSTALLATION:**

COST ELEMENTS	TOTAL COSTS	COST CENTER A IBM PROCESSING DIRECT	COST CENTER A IBM PROCESSING INDIRECT	COST CENTER B GENERAL AND ADMIN OVERHEAD
LABOR	\$1,821,500	\$1,175,000	\$300,000	\$346,500
MATERIALS & SUPPLIES	288,300	250,000	25,000	13,300
TRAVEL	71,600	25,000	20,000	26,600
CONTRACTUAL SERVICES	746,600	580,000	100,000	66,600
DEPRECIATION	199,000	175,000	20,000	4,000
EQUIPMENT	42,600	30,000	10,000	2,600
TOTAL	\$3,169,600	\$2,235,000	\$475,000	\$459,600

FIGURE 23-5A

EXAMPLE: COMPUTATION OF SERVICE UNIT RATE
STEP 2 IDENTIFY DIRECT COST AND THE RELATED UNITS OF WORK
BY BILLABLE SERVICE UNIT

ITF	PRODUCTS/ SERVICES	BILLABLE SERVICE UNITS	DIRECT LABOR COSTS	DIRECT NON-LABOR COSTS	TOTAL DIRECT COSTS	UNITS OF WORK/ WORKLOAD
DPI CC A	IBM PROCESSING	CPU TIME	\$550,000	\$475,000	\$1,025,000	10,800
		DASD	350,000	290,000	640,000	610,000,000
		TAPE MOUNTS	150,000	125,000	275,000	157,016
		PAGES PRINTED	125,000	170,000	295,000	26,940,333
TOTAL DPI			\$1,175,000	\$1,060,000	\$2,235,000	
CDA CC #1	SOFTWARE DEV/MOD- SR ANALYST	DIRECT LABOR HOURS	\$770,000	\$	\$770,000	17,942
		DIRECT LABOR HOURS	480,000		480,000	15,145
		DIRECT LABOR HOURS	250,000		250,000	10,518
		DIRECT PASS THROUGH ITEMS		435,000	435,000	435,000
TOTAL CDA			\$1,500,000	\$435,000	\$1,935,000	

FIGURE 23-6

EXAMPLE: COMPUTATION OF SERVICE UNIT RATES

**STEP 3: COMPUTE INDIRECT RATES FOR EACH COST CENTER AND
ALLOCATE INDIRECT COSTS**

INDIRECT RATE:

DPI = INDIRECT COSTS/DIRECT LABOR COSTS

COST CENTER A

= \$475,000/\$2,235,000

= 21.253%

CDA = INDIRECT COSTS/DIRECT LABOR COSTS

COST CENTER #1

= \$442,500/\$1,500,000

= 29.50%

ITF	PRODUCTS/ SERVICES	BILLABLE SERVICE UNITS	DIRECT COSTS/ LABOR	COST CENTER A ● 21.253%	COST CENTER #1 ● 29.500%
DPI	IBM PROCESSING	CPU TIME	\$1,025,000	\$217,841	
		DASD	640,000	136,018	
		TAPE MOUNTS	275,000	58,445	
		PAGES PRINTED	295,000	62,696	
TOTAL DPI			\$2,235,000	\$475,000	\$0
CDA	SOFTWARE DEV/MOD SR ANALYST	DIRECT LABOR HOURS	\$770,000		\$227,150
	SOFTWARE DEV/MOD-PROGRAMMER ANALYST	DIRECT LABOR HOURS	480,000		141,600
	SOFTWARE DEV/MOD PROGRAMMER	DIRECT LABOR HOURS	250,000		73,750
	TOTAL CDA		\$1,500,000	\$0	\$442,500

FIGURE 23-7

EXAMPLE COMPUTATION OF SERVICE UNIT RATE
STEP 4: COMPUTE GENERAL AND ADMINISTRATIVE (G&A) RATE
AND ALLOCATE G&A COSTS

$$\begin{aligned}
 \text{G\&A RATE} &= \text{G\&A COSTS} / \text{TOTAL DIRECT} + \text{INDIRECT COST} \\
 \text{DPI} &= \$459,600 / (\$2,235,000 + 475,000) & \text{CDA} &= \$403,200 / (\$1,935,000 + \$442,500) \\
 &= \$459,600 / \$2,710,000 & &= \$403,200 / \$2,377,500 \\
 &= 16.959\% & &= 16.959\%
 \end{aligned}$$

ITF	PRODUCTS/ SERVICES	BILLABLE SERVICE UNITS	TOTAL DIRECT COSTS	INDIRECT COST	TOTAL DIRECT + INDIRECT	G&A @ 16.959%	TOTAL DIRECT, INDIRECT AND G&A
DPI	IBM PROCESSING	CPU TIME	\$1,025,000	\$217,841	\$1,242,841	\$210,779	\$1,453,620
		DASD	640,000	136,018	776,018	131,608	907,626
		TAPE MOUNTS	275,000	58,445	333,445	56,550	389,995
		PAGES PRINTED	295,000	62,696	357,696	60,663	418,359
TOTAL DPI			\$2,235,000	\$475,000	\$2,710,000	\$459,600	\$3,169,600
CDA	SR ANALYST	DIRECT LABOR HRS	\$770,000	\$227,150	\$997,150	\$169,106	\$1,166,256
		PROGRAMMER ANALYST	480,000	141,600	621,600	105,417	727,017
		PROGRAMMER	250,000	73,750	323,750	54,905	378,655
		DIRECT CUST SUPPT	435,000	0	435,000	73,772	508,772
TOTAL			\$1,935,000	\$442,500	\$2,377,500	\$403,200	\$2,780,700

FIGURE 23-8

EXAMPLE: COMPUTATION OF SERVICE UNIT RATE
STEP 5 COMPUTE THE SERVICE UNIT RATES

ITF	PRODUCTS/ SERVICES	BILLABLE SERVICE UNITS	WORKLOAD MEASURE	UNITS OF WORK/ WORKLOAD	TOTAL DIRECT, INDIRECT AND G&A COSTS	SERVICE UNIT RATE
DPI	IBM PROCESSING	CPU TIME	HOURS	10,800	\$1,453,620	\$134.5944
		DASD	MEGABYTES PER DAY	610,000,000	907,626	.0015
		TAPE MOUNTS	PER MOUNT	157,016	389,995	2.4838
		PAGES PRINTED	PER PAGE	26,940,333	418,359	.0155
TOTAL DPI					\$3,169,600	
CDA	SENIOR ANALYST	DIRECT LABOR HOURS	PER HOUR	17,942	\$1,166,256	\$65.0014
		DIRECT LABOR HOURS	PER HOUR	15,145	727,017	48.0038
		DIRECT LABOR HOURS	PER HOUR	10,518	378,655	36.0007
		DIRECT CUSTOMER SUPPORT	DIRECT COST	435,000	508,772	1.1696
TOTAL CDA					\$2,780,700	

FIGURE 23-9

SUBJECT INDEX

<u>SUBJECT</u>	<u>VOLUME 4 PARA REF</u>
ACCOUNTS	
APPROPRIATED CAPITAL	150302
BAD DEBTS	170313
CAPITAL INVESTMENTS	150305
COST OF GOODS SOLD	170320
COST	190102
CUMULATIVE RESULTS OF OPERATIONS-DBOF	150307
DEPRECIATION	170310
EQUITY	150305
EXPENSES	170306
FOREIGN CURRENCY	020501
GAINS	170403
GENERAL FUND RECEIPTS	150305
INVESTED CAPITAL	150305
INVESTMENT	070302
LOSSES	170409
NET RESULTS OF OPERATIONS	150305
NET RESULTS OF OPERATIONS-DBOF	150307
PAYABLE	090102
RECEIVABLE	FIGURE 3-1 THROUGH 3-16
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SUMMARY OF CHANGES

Department of Defense Financial Management Regulation, Volume 5

Definitions

Definition 2. Adds a new definition for accountable individual.

Definition 15. Updates the definition of certifying officer to add pecuniary liability associated with certifications.

Definition 23. Revises the definition of commander to include United States Property and Fiscal Officer (National Guard).

Definition 27. Defines contingency operations.

Definition 29. Updates the definition of control to advise that authority to issue control checks terminated effective September 30, 1998.

Definition 35. Revises the definitions of currency use payments and U. S.-owned foreign currency, reflecting the fact that the Treasury requirement to make annual determinations of excess currencies was removed by Public Law 101-624.

Definition 40. Provides additional information on a delinquent debt.

Definition 47. Clarifies that checks are issued on the United States Treasury vice the Treasurer of the United States.

Definition 51. Defines Department of Defense (DoD) activities.

Definition 57. Revises the definition of Electronic Funds Transfer (EFT).

Definition 61. Defines facsimile signature.

Definition 62. Defines Financial Electronic Data Interchange (FEDI).

Definition 70. Revises the definition of an imprest fund.

Definition 85. Expands the definition of the On-Line Payment and Collection System (OPAC).

Definition 86. Adds a definition for operating location (OPLOC).

Definition 88. Defines original signature.

Definition 99. Expands the definition for a physical loss of funds.

Definition 104. Adds a definition for replacement check due to the elimination of control checks.

Definition 108. Adds a definition for safekeeping custodial officer.

Definition 111. Revises the definition of a spoiled check due to the elimination of control checks.

Definition 115. Updates the definition of Treasury General Account to make it consistent with the Treasury Financial Manual.

Definition 116. Updates the definition of U.S.-owned foreign currency to remove the references to excess and near-excess currency.

Definition 123. Corrects definition of a voided check.

Chapter 1

Subparagraphs 010202.A.1, 010202.C.1 and 010202.E.1. Revises these subparagraphs to identify the military pay system as Defense Joint Military Pay System (DJMS) and the Marine Corps Total Force Pay System (MCTFS) vice JUMPS.

Section 0103. Adds a new section establishing pre- and post-payment audit requirements for disbursement vouchers. Former sections 0103 through 0106 are renumbered 0104 through 0107 accordingly.

Subparagraphs 010403.B.2 and B.3, paragraph 010404, subparagraph 010502.A, 010502.B.2, paragraph 010503, subparagraph 010604.H. Changes were made to these paragraphs to reflect the transfer of General Accounting Office functions in regards to determining the responsible office for claims advance decisions, requests for relief of liability and waivers.

Subparagraph 010403.C.2. Adds the requirement for disbursing officers (DOs) to implement mandatory internal controls to facilitate successful EFT payments.

Paragraph 010505. Clarifies that only DFAS DOs are required to follow the DFAS Internal Management Control Program. It does, however, require that DOs in other DoD Components establish internal controls consistent with the guidance prescribed in this paragraph.

Chapter 2

Subparagraph 020102.E. Brings this subparagraph into agreement with section 0702 concerning check ordering/reordering timeframes.

Subparagraph 020105.B and paragraph 020106. Requires that the Department of the Treasury be notified upon commencement of disbursing operations or upon a change in designation or location of disbursing station symbol number.

Subparagraph 020201.C.3. Adds a Treasury Department requirement that once a disbursing station symbol number is deactivated, the symbol may not be used for any purpose other than

transactions necessary to settle the account. Former subparagraphs 020201.C.3 through 020201.C.6 are renumbered as 020201.C.4 through 020201.C.7.

Section 0203. Changes title to reflect the inclusion of all accountable positions in the guidance given for holding public funds.

Subparagraph 020305.A. Modifies this paragraph to advise all DOs to request at least one deputy DO position and that the DO must personally sign the request for all deputy positions.

Subparagraph 020305.C. Requires that the separation of duties provisions in paragraph 010506 are maximized when appointing deputy DOs.

Subparagraph 020402.A.8. Reiterates the Treasury Department requirement that deposit fund account **F3880 must be cleared as expeditiously as possible.

Paragraph 020901. Revises paragraph to state that section 0209 prescribes DoD policies and procedures for use of imprest funds.

Paragraph 020902. Revises paragraph to state the authority, effective date, and specific DoD policy on imprest funds. The revision provides the procedures and criteria for exceptions to, or deviations from the policy. The revision also provides alternatives to be used for making small purchases in lieu of imprest funds.

Paragraph 020903. Revises paragraph to be consistent with the policy for establishment of imprest funds as stated in paragraph 020902.

Subparagraph 020904.A. Corrects grammatical error.

Subparagraph 020904.B. Corrects grammatical error.

Subparagraph 020904.B.1. Revises subparagraph to be consistent with paragraph 020903 regarding declaration of overseas contingencies.

Subparagraph 020904.C. Corrects grammatical error.

Subparagraph 020904.C.4.a. Clarifies the restriction on use of imprest funds to make travel advances.

Subparagraph 020905.A. Specifies that the document approving establishment of an imprest fund must be kept on file with the document appointing the imprest fund cashier and prescribes the distribution of the documents.

Subparagraph 020905.B. Requires that a signed copy of the document approving establishment of an imprest fund and a signed copy of the document appointing the imprest fund cashier must be furnished to the disbursing officer to obtain an advance of funds.

Subparagraphs 020905.C, 020906.B, 020906.F.4, and 020906.G. Corrects grammatical errors.

Subparagraph 020906.I. Revises subparagraph to be consistent with the authority to establish an imprest fund as stated in paragraph 020902.

Paragraph 020907. Designates the Director for Financial Commerce, OUSD(C), as the approval authority through the Deputy Director for Finance, DFAS, for establishment of an imprest fund depository demand withdrawal account.

Subparagraph 020907.J. Makes the distribution of SF 1149 (Statement of Designated Depository Account) consistent with the authority to approve and establish an imprest fund as stated in 020902.

Paragraph 020908. Revises paragraph to make procedures for requesting deviation from imprest fund policies consistent with the policy stated in paragraph 020902.

Section 0210. Adds a new section titled Accommodation Checks. Renumbers sections 0210 and 0211 as 0211 and 0212 respectively.

Section 0211. (Formerly section 0210). Deletes the restriction on alternate paying agents in the absence of paying agents.

Section 0212. Former Section 0212 titled Certifying Officers deleted. Certifying Officer data is now located in chapter 33, August 1998.

Chapter 3

Subparagraph 030101.C. Specifies that EFT is the prescribed method of payment within the United States and its possessions.

Paragraph 030103. Revises this paragraph to specifically indicate that deputies, agents, and cashiers referenced therein refer only to deputies, agents, and cashiers of the disbursing officer.

Paragraph 030104. Clarifies that imprest funds and change funds are not to be included in the disbursing officer's request for cash holding authority.

Subparagraph 030105.A. Clarifies the inclusion of all deputies, agents, and cashiers of the disbursing officer when determining cash requirements.

Subparagraphs 030105.A.3 and 030105.A.4. Replaces the terms "frequent traveler" and "non-frequent traveler" with "cardholder" and "non-cardholder".

Subparagraph 030201.D.1. Clarifies the guidelines for submission of a cash verification team report.

Subparagraph 030302.B.3. Clarifies disbursing office security requirements.

Subparagraph 030305.B. Clarifies the meaning of paid vouchers representing cash to include vouchers representing payments and collections.

Subparagraph 030404.D. Specifies that unannounced inspections of change funds are required at least quarterly.

Section 0306. Deletes specific references to the American Express Travelers Check program and makes the information generic throughout.

Chapter 4

Subparagraphs 040105.B, 040105.D, and 040105.E. Adds restrictions for cashing multiple party checks.

Paragraph 040102 and subparagraph 040201.C. Includes credit unions among the list of financial institutions that issue negotiable instruments which disbursing officers are authorized to cash.

Subparagraph 040104.K. Adds the Under Secretary of Defense (Comptroller) requirement to provide cash to overseas branches of federal credit unions on DoD installations.

Subparagraph 040201.D.1.b.2. Deletes the restriction on having a two-lined stamp.

Section 0403. Clarifies the accountability of dishonored checks and brings the section (specifically paragraphs 040301, 040302, and 040303) in compliance with GAO guidance.

Section 040401. Clarifies the information in regards to offsetting gains and losses against the appropriate fiscal year.

Figure 4-2. Provides an example of DD Form 2761 (Personal Check Cashing Agreement),

Chapter 5

Subparagraph 050102.B. Clarifies the purpose and use of general depositaries for consistency with the Treasury Financial Manual.

Paragraph 050205. Combines former paragraphs 050205 and 050206 and incorporates Treasury Department requirements for reporting large deposits as announced in Transmittal Letter Number 563, dated April 16, 1996. The remainder of the section is renumbered accordingly creating new paragraphs 050206 through 050210.

Subparagraph 050301.A. Clarifies general preparation procedures for the SF 215, Deposit Ticket.

Section 0504. Rewrites the entire section on Deposit Reconciliation in lieu of new Treasury Guidelines.

Paragraph 050505. Updates the address for the Bureau of the Public Debt.

Paragraph 050705. Adds a paragraph of miscellaneous cases involving counterfeit or altered U. S. currency.

Chapter 6

Subparagraph 060301.A. Clarifies that wrongful conduct that results in a physical loss of funds is treated as a major loss, regardless of the amount involved. Also, specifies the same as it relates to disbursing personnel.

Paragraph 060307. Deletes the reference to the deposit fund account **F3878.

Paragraph 060401, subparagraphs 060402.C, 060402.C.1, 060402.C.2, paragraph 060503, and figure 6-1. Changes the dollar amount considered to be a minor loss of funds from \$25 to \$300.

Subparagraphs 060402.C.1.1 and 060402.C.2.o. Adds the requirement for a statement by the accountable individual as part of the investigatory report for a loss of funds.

Subparagraph 060402.G. Provides the appeal (rebuttal) process for individuals held liable for small losses.

Paragraph 060601. Changes the deposit fund account appropriation.

Paragraph 060601 and subparagraph 060602.F. Includes instructions for recording the final disposition of overages on the DD Form 2667.

Paragraph 060702.E.4, 060801, 060803, 060902, 060903, 061002, and figure 6-2. Changes were made to these paragraphs to reflect the transfer of General Accounting Office functions in regards to determining the responsible office for claims advance decisions, requests for relief of liability and waivers.

Paragraphs 061001 and 061003. A sentence was deleted from each paragraph which implied that the appointment of an investigating officer is optional when considering requests for relief.

Figure 6-4. Changes the example to reflect the clarification made to paragraph 060301.A.

Chapter 7

Paragraph 070103, 070104.B, and 070110. Deletes references to control checks.

Paragraph 070109. Deletes the requirement for a quarterly inventory.

Paragraph 070201. Adds quantity requirements for ordering U. S. Treasury check stock and Treasury check printing order cancellation notification requirements.

Paragraph 070202. Expands the emergency check process guidance for creating emergency check stock and its use under emergency conditions.

Subparagraph 070203.A. Updates the notification procedures for the shipment of Treasury checks by the printing contractor.

Paragraph 070302. Revises paragraph to incorporate Treasury requirements for reporting large disbursements as announced in Transmittal Letter Number 563, dated April 16, 1996.

Chapter 8

Section 0802, figure 8-2. Deletes references to control checks.

Subparagraph 080201.A. Changes the marking for a spoiled check. Spoiled checks no longer are sent to the Treasury Department; therefore, control numbers are no longer needed.

Subparagraphs 080201.B and 080203.C. Reflects the Treasury Department maximum size stipulation for shredded U. S. Treasury checks.

Subparagraph 080203.C.3. Changes the disbursing officer's file retention requirement for the Certificate of Destruction for U. S. Treasury checks.

Subparagraph 080403.A.2. Deletes the requirement to use registered mail for returning undelivered checks to the disbursing officer.

Subparagraph 080506.B. Clarifies some conditions for issuing a recertified check.

Paragraphs 080302, 080507, 080508, subparagraph 080508.B.7, paragraphs 080511, 080512, table 8-1, and table 8-2. Changes information therein necessitated by the Defense Check Reconciliation Module.

Subparagraphs 080508.A and 080705.A. Provides information for obtaining and using a perforated version of the SF 1184 (Unavailable Check Cancellation).

Chapter 9

Sections 0901 and 0902. These two sections are rewritten to reflect the requirement to use the Defense Check Reconciliation Module for check issue reporting.

Subparagraph 090403.B. Includes telephone numbers that cannot be used on check issue summary reports.

Paragraph 090404. The term "OPLOC" (operating location) replaces "FIPC" (financial input processing center) in specifying where Navy and Marine Corps check-issue reports are submitted.

Paragraphs 090405 through 090408. Removes references to control checks.

Chapter 10

Paragraph 100102. Revises paragraph to expand the definition of receipts.

Subparagraph 100105.B. Includes **X6875, deposit fund account, as a valid fund for depositing collections.

Subparagraph 100302.B. Clarifies information on clearing component bills.

Paragraph 100304. Cites the budget clearing account vice the deposit fund account when processing overages.

Paragraph 100307.C. Gives a more specific reference concerning safeguarding collections and supporting documents.

Subparagraph 100401.C. Cites the budget clearing account vice the deposit fund account when processing collections. Also cites provisions for using the Treasury Miscellaneous Receipt Account.

Chapter 11

Paragraph 110101. Specifies that EFT is the prescribed method of payment for all government disbursements within the Department of Defense.

Subparagraph 110102.A. Allows facsimile copies of travel vouchers and supporting documentation to be used in lieu of originals.

Subparagraph 110102.C. Identifies a more specific reference concerning storing vouchers.

Subparagraph 110302.A. Includes the SF 1081 as a form that may be used to disburse funds from the budget clearing account **F3875.

Section 1106. Adds a new section to incorporate Treasury Department requirements for advance reporting of large disbursements by check or EFT, advance reporting of U. S. military EFT payrolls, and daily reporting of EFT payments to vendors.

Section 1107. Adds a new section addressing paying invoices with the government purchase card, currently known as the International Merchant Purchase Authorization Card (IMPAC).

Chapter 12

Paragraph 120101, subparagraphs 120104.B and 120104.C, paragraph 120202, subparagraphs 120203.C and 120203.D, paragraph 120204, and subparagraph 120304.F. Revises these paragraphs to remove references to excess and near-excess currencies. Public Law 101-624

removed the requirement for the Treasury Department to make determinations of excess and near-excess currencies.

Paragraph 120201. Adds new subparagraph 120201.C to provide citation for specific financial policies and procedures prescribed by the USD(C).

Paragraph 120202. Subparagraphs 120202.B and 120202.C deleted. Subparagraph 120202.A renumbered as paragraph 120202.

Subparagraph 120203.A. Revises first sentence to state that consultation with the Treasury Department should be only when there are deviations.

Subparagraph 120203.B. Revises subparagraph to correct the requirement to indicate that all international agreements do not have to be notified to Director for Financial Commerce.

Subparagraph 120203.C. Renumbers subparagraph as paragraph 120204 to align the text with the section.

Subparagraph 120203.D. Renumbers subparagraph as paragraph 120205 to align the text with the section.

Paragraph 120204. Renumbers existing paragraph as subparagraph 120205.E since the delegation falls under the travel and transportation procedures.

Chapter 13

Paragraph 130302. Deletes the reference to excess and near-excess currencies in accordance with Public Law 101-624 which removed the requirement for the Treasury Department to make determinations of excess and near-excess currencies.

Subparagraph 130306.B. Updates the address and phone number for Citibank as it pertains to depositing instruments drawn on foreign banks payable in U. S. dollars through foreign banks.

Paragraph 130309. Revises the handling procedures for mutilated or unfit foreign currency.

Section 1304. Rewrites the entire section to clarify procedures for determining the Treasury Department prevailing rate of exchange for foreign currency. Additionally, deletes figure 13-3 and renumbers former figure 13-4.

Chapter 14

Paragraph 140102. Updates the address and phone number for the Financial Management Service as it pertains to requesting a limited depositary account.

Paragraph 140303. Adds the requirement to review local banking laws and Status of Forces Agreements when mailing checks outside of the country where the limited depository account is located.

Paragraph 140403 and subparagraph 140403.A. Removes references to control checks.

Chapter 15

Paragraphs 150104 and 150307. Deletes references to excess and near-excess currencies in accordance with Public Law 101-624 which removed the requirement for the Treasury Department to make determinations of excess and near-excess currencies.

Chapter 18

Subparagraph 180201.D. Removes the reference to control checks.

Chapter 19

Subparagraph 190102.A and paragraph 190105. Clarifies when DOs or their primary deputies are required to perform actual cash counts of negotiable instruments.

Subparagraph 190102.C. Adds a new provision to address submission of the DD Form 2665 by deputies, agents, and cashiers at remote locations.

Paragraphs 190104 and 190301. Clarifies that deputies, agents, and cashiers need to submit DD Forms 2665 only for the days during which they transact business.

Subparagraph 190204.H. Clarifies the requirements and procedures for reporting OPAC transactions on the DD Form 2657.

Subparagraph 190305.E. Adds information to clarify that subagent funds are to be included on the DD Form 2665.

Subparagraph 190309.E. Removes the reference to control checks.

Subparagraph 190503.A.6. Clarifies the requirements and procedures for reporting OPAC transactions on the SF 1219.

Subparagraphs 190506.C through 190506.C.4. Deletes these paragraphs because the Summary Report is no longer required.

Section 1906. Adds a new section to incorporate Treasury Department requirements for reporting large deposits and disbursements of military pay, military retired pay, and vendor pay by EFT.

Chapter 20

Paragraphs 200101 and 200204 and subparagraph 200403.G. Specifies that using registered or certified mail is not required when shipping disbursing officer reports and records.

Paragraph 200203 and subparagraph 200303.A. Deletes the reference to registry receipts for disbursing officer reports and records since shipment by registered or certified mail is no longer required.

Paragraph 200301, subparagraphs 200303.B, 200303.C, and 200303.D. Deletes the requirement to submit original vouchers.

Subparagraph 200303.C. Specifies that using registered or certified mail is not required when shipping disbursing officer vouchers.

Paragraphs 200501 and 200502. Changes the requirements for submitting financial reports for Navy disbursing officers.

Subparagraphs 200502.A and 200502.B. Deletes these subparagraphs as no longer applicable due to the change of requirements in paragraph 200502.

Chapter 22

Section 2201. The change directs a shared responsibility when the settlement function for a deactivated disbursing office is transferred between DFAS Centers.

Chapter 23

Paragraph 230402 and subparagraph 230402.C. Deletes references to excess and near excess currencies in accordance with Public Law 101-624 which removed the requirement for the Treasury to make determinations of excess and near-excess currencies.

Subparagraph 231001.E. Removes the requirement that military personnel must submit requests for release of savings bonds over an original signature only.

Chapter 24

Section 2402. Extensively updates the information on EFT. Paragraph 240201 is rewritten. New paragraph 240202 provides the implementing guidance to administer the DoD financial policy for mandatory EFT of all Federal payments. Former paragraph 240202 is renumbered as 240203. A new paragraph, 240204, is added to incorporate Treasury Department requirements for advance reporting of large disbursements by EFT. Former paragraph 240203 is renumbered as 240205 and additional mandatory EFT guidance is added. Lastly, another new paragraph, 240206, is added providing procedures to account for EFT payments that are returned by financial institutions.

Paragraph 240301. Updates the paragraph to reflect the new payment guidelines for vendors.

Section 2404. Adds a new section Government Purchase Cards.

Section 2405. Renumbers former section 2404 which is retitled Plastic Card Collections. The information therein is revised in its entirety.

Section 2406. Renumbers former section 2405.

Section 2407. Renumbers former section 2406 and updates the entire section concerning instructions and procedures for OPAC.

Chapter 25

Changes made throughout the chapter to reflect the transfer of General Accounting Office functions in regards to determining the responsible office for claims advance decisions, requests for relief of liability and waivers.

Chapter 26

Rewrites entire chapter to reflect substantial changes in the Automated Teller Machine (ATM) system.

Chapter 27

Changes made throughout the chapter to reflect changes in the ATM system.

Chapter 28

Paragraph 280101. Corrects reference to sovereign debt collection procedures.

Paragraph 280217. Adds additional information on collecting delinquent debts. Also adds a reference to the new figure 28-1.

Chapter 29

Section 2901. Adds new section which reiterates the applicability of the debt management procedures. Renumbers the rest of the chapter accordingly.

Subparagraph 290203.I. Deletes former subparagraph 290203.I and renumbers 290203.J.

Paragraph 290301. Clarifies the use of financial statements within the debt record.

Chapter 30

Section 3001. Adds new section which reiterates the applicability of the debt management procedures. Renumbers the rest of the chapter accordingly.

Paragraphs 300205, 200206, and 300405. Revises procedures for processing salary offsets for debts.

Paragraphs 300404, 300501, and 300503. Eliminates redundant procedures concerning validation and confirmation of debts by a DoD Component, or other federal agency, from which salary offset was requested.

Chapter 31

Section 3101. Adds new section which reiterates the applicability of the debt management procedures. Renumbers the rest of the chapter accordingly.

Paragraphs 310102, 310107, 310203, and 310204. Changes the word “will” to “may” in each instance concerning compromise or suspension of debt.

Paragraph 310303 and subparagraph 310303.C. Revises some information on debt close out.

Chapter 32

Section 3201. Adds new section which reiterates the applicability of the debt management procedures. Renumbers the rest of the chapter accordingly.

Appendix A

Subparagraphs A.2.f, A.2.g, B.4, B.4, B.15.a through B.15.g and C.4. Revises information therein to reflect the changes in the ATM system.

Appendix B

Adds a new address for the Head Office of the Federal Reserve Bank of New York.

Updates the information for the Jacksonville, FL branch of the Atlanta Federal Reserve.

Appendix C

Paragraph D and subparagraph E.3. Updates information due to the transfer of General Accounting Office functions in regards to determining the responsible office for claims advance decisions, requests for relief of liability and waivers.

Appendix D

Adds a new appendix, Navy Disbursing Operations, addressing Navy-unique disbursing functions.

Appendix E

Add a new appendix identifying the responsible offices for claims, advance decisions, requests for relief of liability and waivers.

DOD 7000.14-R



DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 5

**DISBURSING POLICY AND
PROCEDURES**

★ AUGUST 1999 ★

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



AUG 6 1999

FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Volume 5 of the "DoD Financial Management Regulation" establishes policies and procedures for "Disbursing." This Volume applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

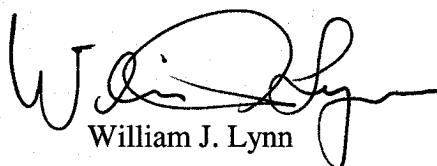
This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Recommended changes to and requests for deviations from or exceptions to the provisions of this volume of the Regulation should be forwarded through appropriate chain of command channels along with specific justification to:

Office of the Under Secretary of Defense (Comptroller)
Director for Financial Commerce
1100 Defense Pentagon
Washington, DC 20301-1100

All 15 volumes of the "DoD Financial Management Regulation" are available on the Internet at: <http://www.dtic.mil/comptroller/fmr/>. Printed or CD-ROM copies of the Regulation may be purchased through the Internet Homepage or directly from the Defense Automated Printing Service at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.


William J. Lynn

INTRODUCTION TO THE DOD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation identifies the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller)(USD(C)). The Regulation is applicable to all DoD Components and consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation and Presentation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Funds and Antideficiency Act Violations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction 7000.14 “DoD Financial Management Policy and Procedures,” dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A.1.a.(1)(a)
SUBPARAGRAPHS

REFERENCES

- (a) DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures,"
November 15, 1992
- (b) Title 10, United States Code, sections as follows"
 - ★ 113, Secretary of Defense
 - 2773, Designation, powers, and accountability of deputy disbursing officers
 - 2396(b), Public Law 97-295, October 12, 1982
 - 2775, Liability of Member for Damages to Family Housing, Equipment, and
Furnishing"
 - ★ 2109, Practical Military Training
 - ★ 2252, Rewards: missing property
 - ★ 1053 and 1594, Reimbursement for financial institution charges incurred because
of Government error in direct deposit of pay
 - ★ 101(a), Definitions
 - ★ 688, Retired members: authority to order to active duty;duties
 - ★ 12301(a), Reserve components generally
 - ★ 12302, Ready Reserve
 - ★ 12304, Selected Reserve and certain Individual Ready Reserve members;
order to active duty other than during war or national emergency
 - ★ 12305, Authority of President to suspend certain laws relating to promotion,
retirement, and separation
 - ★ 12406, National Guard in Federal service, call
- (c) DoD Directive 5118.5, "Defense Finance and Accounting Service," November 26, 1990
- (d) DoD Directive 5118.3, "Under Secretary of Defense (Comptroller)(USD(C))/Chief
Financial Officer (CFO), Department of Defense," January 6, 1997
- (e) Title 31, United States Code, sections as follows"
 - 3527, General authority to relieve accountable officials and agents from liability
 - 1346, Commissions, councils, boards, and interagency and similar groups
 - 3341, Sale of Government warrants, checks, drafts, and obligations
 - 3324, Advances
 - 3332, Checks payable to financial organizations designated by Government
officers and employees
 - 3702, Authority of the Comptroller General to settle claims
 - 3728, Setoff against judgment
 - 3342, Check cashing and exchange transactions
 - 3717, Interest and penalty on claims
 - 3302, Custodians of money
 - 3526, Settlement of accounts
 - 3303, Designation of depositaries
 - 5114, Engraving and printing currency and security documents
 - 3529, Requests for decisions of the Comptroller General
 - 9305, Surety corporations acting outside area of incorporation and place
of principal office
 - 3711, Collection and compromise

- 3716, Administrative offset
- 3718, Contracts for collection services
- 3729, False claims
- 3730, Civil actions for false claims
- 3731, False claims procedures
- 3328, Paying checks and drafts
- 3720A, Reduction of tax refund by amount of debt
- 3726, Payment for transportation
- ★ 3321, Disbursing authority in the executive branch
- ★ 3325, Vouchers
- ★ 3528, Responsibilities and relief from liability of certifying officials
- ★ 9305, Surety corporations acting outside area of incorporation and place of principle office to:
- ★ 9306, Surety corporations acting outside area of incorporation and place of principle office"
- (f) Title 26, United States Code, section 6331, "Internal Revenue Code"
- (g) Public Law 95-598, "Bankruptcy Reform Act of 1978"
- (h) Public Law 93-647, "(which amended the Social Security Act, section 459 (42 U.S.C. 659))"
- (i) Title 18, United States Code, sections as follows"
 - 653, Disbursing officer misusing public funds
 - 1001, Statements or entries generally
 - 286, Conspiracy to defraud the Government with respect to claims
 - 287, False, fictitious or fraudulent claims"
- (j) Title 5, United States Code, sections and chapters as follows"
 - 5512, Withholding pay; individuals in arrears
 - 5514, Installment deductions for indebtedness because of erroneous payment
 - 5705, Advancements and deductions
 - Chapter 75, Adverse actions"
 - ★ 5703, Per Diem travel, and transportation expenses; experts and consultants; individuals serving without pay
- (k) Title 28, United States Code, sections as follows"
 - 2514, Forfeiture of fraudulent claims
 - 2451, Time for commencing actions brought by the United States"
- (l) 41 Comptroller General Decision 285
- (m) Department of the Treasury Financial Manual for Guidance of Departments and Agencies, Volume I
- (n) U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies
- (o) Federal Acquisition Regulation
- (p) Title 31, Code of Federal Regulations, "Money and Finance, Treasury,"
 - Part 202,
 - Part 245, section 245.8
 - Part 248, section 248.2
 - ★ Part 208.3(c)

- ★ Part 206
- (q) DoD Directive 5530.3, "International Agreements," June 11, 1987
- (r) Comptroller General Decision B-239483.2 of July 8, 1991
- (s) Expedited Funds Availability Act of September 1, 1988
- (t) Title 40, United States Code, sections as follows"
 - 721, Rules and regulations for shipment of valuables
 - 722, Fund for losses; appropriations
 - 723, Claim for replacement
 - 724, Government evidence of indebtedness held by Post Office Department or Postal Service while agent for Treasury Department
 - 275, Agreements of indemnity
 - 726, Purchase of insurance
 - 729, Definitions"
- (u) Comptroller General Decision B-151156 of December 30, 1963
- (v) Comptroller General Decision B-244972 of October 22, 1991
- (w) Treasury Department Circular 655 of July 9, 1980
- (x) Public Law 100-86, "The Competitive Equality Banking Act of 1987"
- (y) Department of the Treasury Financial Manual, Bulletin 90-03
- (z) Comptroller General Decision B-242666 of August 31, 1993
- (aa) 65 Comptroller General Decision 812
- (ab) Comptroller General Decision B-244431.5 of August 23, 1995
- (ac) Treasury Department Circular 154
- (ad) DoD Directive 4500.9, "Transportation and Traffic Management Directive," January 26, 1989
- (ae) General Accounting Office Guidelines for Implementation of Section 5, "International Air Transportation Fair Competitive Practices Act of 1974," Comptroller General Decision B-138942 of June 20, 1975
- (af) Comptroller General Decision B-184136 of August 17, 1975
- (ag) DoD Instruction 2110.31, "Contributions by Foreign Governments for Administrative and Operating Expenses of Military Assistance Programs", April 10, 1967
- (ah) American National Standards Institute, Standard No. X12, "Electronic Data Interchange," current edition
- (ai) American National Standards Institute, Standard No. X9.9, "American National Standard for Financial Institution Message Authentication," current edition
- ★(aj) Public Law 104-134, "Debt Collection Improvement Act of 1996
- ★(ak) Title 48, Code of Federal Regulations, "Federal Acquisition Regulation"
- ★(al) Defense Federal Acquisition Regulation Supplement
- (am) Defense Finance and Accounting Service Regulation 005, "Delegating Statutory Authority", April 5, 1991
- (an) 57 Comptroller General Decision 664
- (ao) DoD Manual 4525.6-M, "DoD Postal Manual," Volume I - December 1989, Volume II - February 1987
- (ap) Section 206, Executive Order No. 11222, May 8, 1955, 30 FR 6469
- (aq) General Accounting Office Federal Claims Collection Standards, chapter II (4 CFR Parts 101, 102, 104, and 105; and 49 FR 8889, March 9, 1984)

- (ar) Title 37, United States Code, sections as follows”
 - ★ 101(25), Definitions
 - 1007, Deductions from Pay”
- ★(as) Ship's Store Afloat Manual (NAVSUP P-487)
- ★(at) Naval Supply Systems Command Manual
- ★(au) Food Service Management Manual (NAVSUP P-486)
- ★(av) Defense Finance and Accounting Service-Cleveland Center, Pay Procedures Manual
- ★(aw) Navy Supply Acquisition Regulation Supplement (SUPARS)
- ★(ax) Joint Travel Regulations, Volume 2
- ★(ay) Joint Federal Travel Regulations
- ★(az) Food Service Management Officers' Quarters and Messes Afloat and Chief Petty Officers' Messes Afloat Manual, Volume II
- ★(ba) Chief of Naval Education and Training Instruction 1560.3
- ★(bb) Chief of Naval Operations Instruction 4950.1
- ★(bc) DoD Directive 5105.38, “Defense Security Assistance Agency (DSAA),”
August 10, 1978
- ★(bd) Naval Medical Command Instruction 6320.1
- ★(be) Afloat Supply Procedures Manual (NAVSUP P-485)
- ★(bf) Secretary of the Navy Instruction 5305.2
- ★(bg) Federal Insurance Contributions Act of August 16, 1954, as amended (26 U.S.C. 3101)
- ★(bh) Department of Defense 4525.6-M, Single Manager for Military Postal Service
- ★(bi) Chief of Naval Operations Instruction 5112.6
- ★(bj) Department of Defense 4160.21-M, Defense Utilization and Disposal Manual,
September 1982
- ★(bk) Treasury Department Circular 530
- ★(bl) Treasury Department Circular 750
- ★(bm) Treasury Department Circular 176
- ★(bn) Public Law 103-94, “Hatch Act Reform Amendments”
- ★(bo) Title 7, United States Code, section 1704, “Agricultural Trade Development and
Assistance Act of 1954”

DEFINITIONS

1. Accommodation Exchange. The exchange of Treasury checks or U.S. dollar instruments for U.S. dollars (i.e. check cashing). Also, the exchange of U.S. dollars or dollar instruments for foreign currency for the convenience of authorized personnel, or where permitted, the exchange of foreign currencies for U.S. dollars or dollar instruments.
- ★2. Accountable Individual. As used in this Volume, the term “Accountable Individual” includes all personnel, whether military or civilian, who are certifying officers, accountable officials as defined in chapter 33, and disbursing officers. The term also includes deputy disbursing officers, agents, cashiers and other employees who by virtue of their employment are responsible for or have custody of government funds.
3. Administrative Hearing. In this context, the examination of debt documentation done in lieu of an oral hearing. Administrative hearings will be made by hearing officials who have been authorized to hold hearings for debts being reviewed.
4. Administrative Offset. In this context, the withholding of money payable by the United States to, or held by the United States for, a debtor to satisfy a debt the debtor owes the United States. Administrative offset includes offset from salary (pay).
5. Agent (of a Disbursing Officer). An individual who is acting under a formal letter of appointment from the disbursing officer. Agents are not authorized to sign U.S. Treasury checks. The duties of an agent usually consist of making cash payments and collections, performing check cashing services, and preparation of financial documents. Agents may be authorized to sign such other official documents attesting to transactions made by the agent as specifically designated in the appointment. In certain instances, the DFAS Centers may approve Treasury check issue authority for a disbursing agent who meets the minimum qualification requirements of a deputy disbursing officer and who is, in fact, appointed as a deputy.
6. Annuity. An annuity is the monthly benefit payable to an annuitant or survivor annuitant.
7. Authorized Personnel. All individuals authorized to purchase goods, supplies, and services from facilities controlled or sponsored by the U.S. Government that operate in a designated military payment certificate (MPC) area. U.S. Government facilities and personnel authorized to hold and use MPCs are categorized in Military Department and Combatant Command regulations. Encompasses all military and civilian personnel under the jurisdiction of the Department of Defense as well as authorized dependents either collocated with sponsors or located at safehaven areas during emergency evacuations.
8. Automated Teller Machines at Sea. A pay delivery system aboard Naval vessels that accepts an electronic transfer of net pay and allowances due to each account holder. The funds are then delivered at various machines located throughout the vessel.

9. Basic Agreement. An intergovernmental agreement negotiated with the government of a friendly nation that states, in general terms, the policies of Public Law 89-265, and authorizes the implementation of those provisions by mutual consent.

10. Canceled Check

a. Available Check. A check which is in the possession of the disbursing officer and is canceled due to non-entitlement or because it is mutilated or undeliverable.

b. Unavailable Check. A properly vouchered and issued check which is not held by the disbursing officer or payee (not received by payee, lost, or destroyed).

c. Mass Canceled Check. A Treasury check issued prior to October 1, 1989, which was automatically canceled by the Treasury Department if not cashed by October 1, 1990.

d. Limited Payability Canceled Check. A Treasury check issued on or after October 1, 1989 which is automatically canceled by the Treasury Department if not cashed within 12 months from the date of issue.

11. Cancellation. The process whereby an issued check that has not been presented for payment is put in a paid status in the Treasury Department's Check Payment and Reconciliation System.

12. Ca\$h-Link Identification Number. A nine-digit identification number used by the Federal Reserve Banks (FRB) and their branches as a part of their deposit reporting and cash concentration system. All deposits to an FRB or branch must indicate this nine-digit identification number in block 3 of the deposit ticket instead of the disbursing station symbol number. The identification number is derived by adding four leading zeroes to the symbol number and calculating a check-digit for the ninth position.

13. Cashier. A cashier can be a military member or DoD civilian employee designated by the disbursing officer to perform duties involving the handling of public funds. The recruitment, screening, and selection of persons for cashier positions should be accomplished with primary regard to the sensitive nature of the position.

14. Certificated Air Carrier. A U.S. air carrier that has been issued a certificate of public convenience and necessity under the provisions of Title 49, United States Code, section 1371.

★15. Certifying Officer. An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. A certifying officer is pecuniarily liable for payments in accordance with 31 U.S.C. 3528.

16. Change Fund Custodian. A change fund custodian operates from an appropriated fund sales activity (e.g., dining hall, hospital, commissary) and is responsible for safeguarding the funds provided and may be held pecuniarily liable for any loss of the change fund.

17. Check Issue Discrepancies

a. General. A check issue discrepancy occurs when the issue amount reported by the disbursing office differs from the amount for which the check actually was issued as evidenced by the printed amount on the check itself when presented for payment.

b. Check Issue Overdraft

(1) Treasury Check. A check issue overdraft occurs when the amount printed on a check and paid by the Treasury is greater than the issue amount of that check as reported by the DO on the check issue report. A check issue overdraft also occurs when the amount printed on a check and paid by the Treasury is greater than the amount due as shown on the payment voucher.

(2) Limited Depositary Check. A check issue overdraft occurs when the amount printed on a check and paid by the Limited Depositary bank is greater than the issue amount of that check as reported by the DO on the check issue report. A check issue overdraft also occurs when the amount printed on a check and paid by the Limited Depositary bank is greater than the amount due as shown on the payment voucher.

a. Check Issue Underdraft

(1) Treasury Check. A check issue underdraft occurs when the amount printed on the check and paid by the Treasury is less than the issue amount of that check as reported by the DO on the check issue report. A check issue underdraft also occurs when the amount printed on a check and paid by the Treasury is less than the amount due as shown on the payment voucher.

(2) Limited Depositary Check. A check issue underdraft occurs when the amount printed on the check and paid by the Limited Depositary bank is less than the issue amount of that check as reported by the DO on the check issue report. A check issue underdraft also occurs when the amount printed on a check and paid by the Limited Depositary bank is less than the amount due as shown on the payment voucher.

18. Check Status Inquiry. An inquiry by a government agency as to the payment status of a check or a request for a copy of a check.

19. Claimability. The length of time a payee can present a claim of non-receipt, loss, or theft of a U.S. Treasury check to a government agency. Claims continue to be valid on an underlying obligation until expiration of the statute of limitations, normally for 6 years. If the payee's right to entitlement to funds has expired, the claim is denied.

20. Coin. Metallic specie representing either U.S. dollars and foreign currency units, fractional amounts, or multiples thereof.

21. Collection Agent. A collection agent is an individual who has been designated to perform duties relating to the collection of official funds, including funds held as safekeeping deposits, at a point other than a disbursing office. The individual designated as a collection agent must perform the collection duties under the general supervision of and as prescribed by the appointing officer. Responsibility for duties and functions should be segregated between receipt of funds, recordkeeping, determination of amount owed, and making demands on the debtor, so as to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts. Collection agents should not be involved with billing or accounting for funds received. Additionally, disbursing office personnel will not be designated as collection agents. A collection agent is appointed by the local commander.

22. Collections. All acquisitions of U.S. and foreign currencies except those acquired by the United States through purchase with dollars or accommodation exchange transactions.

★23. Commander. The term "Commander" as used in this Volume refers to a commander-in-chief, base or installation commander, commanding officer, officer-in-charge, director of the servicing DFAS Center, United States Property and Fiscal Officer (National Guard), or equivalent civilian head within the chain of command of the activity or individual concerned.

24. Consent. A term which means that a debtor has agreed to salary or administrative offset. Consent may be implied or in writing.

25. Continental United States (CONUS). Unless otherwise qualified, this term means the 48 contiguous states and the District of Columbia.

26. Contingency. As designated by the Chairman, Joint Chiefs of Staff (CJCS), an emergency involving military forces caused by natural disasters, terrorists, subversions, or by required military operations. Due to the uncertainty of the situation, contingencies require plans, rapid response, and special procedures to ensure the safety and readiness of personnel, installations, and equipment.

★27. Contingency Operation. A military operation designated by the Secretary of Defense in which members of the Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or results in the call or order to, or retention on, active duty of members of the Uniformed Services under section 688, 12301(a), 12302, 12304, 12305, or 12406 of Title 10, chapter 15 of Title 10, or any other provision of law during a war or during a national emergency declared by the President or the Congress.

28. Contributed Currencies. Refers to currencies made available to the United States by foreign governments for administrative expenses of the Security Assistance Program in accordance with mutual security bilateral agreements.

★29. Control Check. A check without a preprinted serial number used to replace prenumbered check stock that is spoiled for any reason. Control checks are numbered in the bottom center with a control number. Authority to issue control checks terminated effective September 30, 1997.

30. Convening Authority. This term as used in appendix C, and the term "commander" as used in Chapter 6, in relation to the authority to appoint an investigating officer(s) or board(s) of officers to conduct investigations of losses of funds are synonymous. The "commander/convening authority" responsible for appointing an officer(s) or board(s) of officers to conduct investigations for losses of funds is the commander in the disbursing officer's chain-of-command who has command authority over all accountable individuals involved in a fiscal irregularity.

31. Country Use Currency. Currency in the custody of the participating foreign government which may be expended under mutual agreements for loans and grants within the country involved and is not controlled under the dollar appropriation process.

32. Credit Card Collections. A government-wide network established by the Treasury Department to enable the federal government to accept credit cards from the public to collect payment for sales, services, debts, etc.

33. Creditor Component or Agency. Any DoD Component, federal agency, or other official organization owed money or property.

34. Currency. Paper money in the form of U.S. dollars, foreign banknotes, and military payment certificates.

★35. Currency Use Payments (CUP). Foreign currency comprising a part of the purchase price of U.S. products or services (most generally U.S. surplus agricultural commodities) that, by agreement between the two nations, will remain in that country and be spent by that country.

36. Current Limited Depositary Check. A check unpaid and outstanding against the Limited Depositary checking account for any time less than one full fiscal year after the fiscal year in which the check was issued.

37. Debt. Any debt is any amount of money or any property owed to a DoD Component by any person, organization, or entity except another U. S. Government agency. Debts include insured or guaranteed loans and any other amounts due from fees, leases, rents, royalties, services, sales of real or personal property, or overpayments, penalties, damages, interest, fines and forfeitures, and all other claims and similar sources. Delays in processing employee elected coverage or a change in coverage under federal benefits programs and delays in processing ministerial adjustments are not normally considered debts if processing delays did not exceed 2 monthly or 4 biweekly pay periods. Fines and forfeitures arising under the Uniform Code of Military Justice are not subject to the due process provisions of this regulation. Amounts due a nonappropriated fund instrumentality are not debts owed the United States unless specifically included by this regulation.

38. Debt Compromise. The settlement of a debt for less than the full amount owed.

39. Default. The result when a debtor fails to make a debt payment by the due date.

★40. Delinquent Debt. The result if, after any dispute over the examination or amount of the Government's claim has been resolved administratively, it has not been paid by the due date specified in the initial demand letter, normally within 30 days, unless other satisfactory payment arrangements have been made by that date. A debt is delinquent any time thereafter if a debtor fails to satisfy obligations under a payment agreement. After receipt of that initial letter, there is a debt or claim, however, that debt would not be considered delinquent until any dispute over the existence or amount of the Government's claim has been resolved administratively and the claim is not paid by the specified due date.

41. Deposits-In-Transit System. A Treasury Department system that identifies, notifies, and possibly charges or credits disbursing officer (or bank) deposit discrepancies back to the disbursing officer.

42. Deputy Disbursing Officer. An individual appointed by the disbursing officer to act in the name of and for that disbursing officer to perform any and all acts relating to the receipt, disbursement, custody, and accounting for public funds. The disbursing officer making the appointment may restrict the acts a deputy is authorized to perform.

43. Direct Deposit System. Refers to the Electronic Funds Transfer of net pay and allowances, travel, and savings allotments for civilian or military personnel to their personal bank account. For military personnel, dependent's allotments may also be included.

44. Disbursing Agent. An agent to the disbursing officer that has not been appointed as a deputy disbursing officer. Generally, a disbursing agent operates a permanently located disbursing office of considerable size that is geographically separated from the disbursing officer's office, however the use of disbursing agents is not restricted to geographic separation from the DO.

45. Disbursing Office. An activity or the organizational unit of an activity whose principal function consists of the disbursement and collection of public funds. The term "disbursing office" includes both tactical and non-tactical disbursing activities. Each disbursing office will have a disbursing officer and at least one deputy position. Disbursing offices within DoD formerly were referred to as Finance and Accounting Offices (FAO), Accounting and Finance Offices (AFO), and Finance Offices (FO).

46. Disbursing Officer (DO). A military member or a civilian employee of a DoD Component designated to disburse moneys and render accounts according to laws and regulations governing the disbursement of public moneys.

★47. Disbursing Station Symbol Number (DSSN). A four-digit number assigned to each disbursing office by the Treasury Department. The DSSN is an identification number that indicates authority to receive and disburse public funds and issue checks on the United States Treasury.

48. Dishonored Instrument. Any negotiable instrument (other than a Treasury check) that becomes dishonored (returned by a depository) for any reason.

49. Disposable Pay. That amount which remains after pay (salary) is reduced by amounts which are:

- a. required by law to be deducted;
- b. properly withheld for federal, state, and local income taxes;
- c. deducted as health insurance premiums;
- d. deducted as normal retirement contributions; and
- e. deducted as normal life insurance premiums.

50. Doctrine of Laches. A legal term that is based upon neglect or omission to do what one should, thus warranting presumption that one has abandoned right or claim. That is, if a payee neglects or fails to file a timely request, the payor can presume that the payee has abandoned the claim.

★51. DoD Activity. As used in this volume, this term refers to a ship, camp, post, station, base, activity, unit, installation, or facility operating within the Department of Defense.

52. DoD Component. Includes the Office of the Secretary of Defense; the Chairman, Joint Chiefs of Staff and the Joint Staff; the Inspector General of the Department of Defense; the Military Departments including the Coast Guard when assigned to the Department of the Navy; Defense Agencies; DoD Field Activities; the Combatant Commands; the Uniformed Services University of the Health Sciences; and, all non-appropriated fund instrumentalities.

53. Duplicate Check. Two checks issued by the same DSSN with the same serial number.

54. Electronic Certification. An automated function that permits the secure, accurate, and rapid communication and certification of payment data. Electronic certification eliminates the highly labor-intensive processing of paper documents and allows DoD Components to generate and certify voucher schedules on microcomputers, and transmit the data over telephone lines. Payments are verified and accepted using message authentication technology.

55. Electronic Commerce. A wide range of financial functions which are performed using data communications techniques.

56. Electronic Data Interchange (EDI). The exchange of standardized information between business partners typically communicated electronically between computers. It is DoD policy that DoD Component EDI applications shall conform to the American National Standards Institute (ANSI), Accredited Standards Committee (ASC) X12 standard.

★57. Electronic Funds Transfer (EFT). Transfer of funds, other than a transaction originated by cash, check, or similar paper instrument that is initiated through an electronic terminal, telephone,

computer, or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution or authorized payment agent to debit or credit an account. The term includes, but is not limited to, automated clearing house transfers, Fedwire transfers, and transfers made at automated teller machines and point-of-sale (POS) terminals. The Automated Clearing House (ACH) network has consumer and corporate formats. The Department of the Treasury has determined that payments made by government-sponsored charge card are to be considered EFT.

58. Emergency Condition. Any situation resulting from war, armed aggression, or other hostilities against U.S. personnel or interests; and sudden, extensive natural or manmade disasters.

59. Employee. Employees are current or retired civilians paid from appropriated funds.

60. Exchange-for-Cash Check. A check issued by a disbursing officer to obtain cash funds for disbursements or in exchange for cash for official or accommodation purposes.

★61. Facsimile Signature. An impression of a signature made by a rubber stamp and authenticated by the initials of the certifying officer or the designated individual. A facsimile signature may also be a metal plate or other mechanical contrivance.

★62. Financial Electronic Data Interchange (FEDI). The Debt Collection Improvement Act of 1996 requires most government payments to be made by EFT beginning January 1, 1999. The term Financial Electronic Date Interchange refers to the electronic transfer of payments, payment related information (advice of payment) or other financial documents in a standardized computer-readable format. The payment information is usually provided through the use of EDI transaction sites and may accompany the EFT payment or be sent separately and reassociated to the payment by the payee.

63. Foreign Currency Fund Account. Accounts established for recording foreign currency acquired without payment of U.S. dollars abroad and which may be expended with or without charge to dollar appropriations. The short title for these accounts is “FT” accounts.

64. Foreign Exchange. Identifies the conversion (exchange) of foreign currencies; i.e., the legal monetary unit of a foreign nation and negotiable instruments, such as travelers checks, money orders, and bank drafts, payable in such monetary units.

65. Fraudulent Claim. Any claim against the government involving the presentation of false information, or misrepresentation on the part of a claimant or any other party having an interest in a claim.

66. Functional Area. Each individual element of a disbursing office (also known as subject matter areas) responsible for specific types of transactions. For example: Accounts Control; Travel; Military Pay; Commercial Services; Civilian Pay; or Fiscal.

67. General Depository. The financial institution (also called Treasury's General Account (TGA) Depositories) designated by the Treasury Department to accept deposits of cash and checks from specifically authorized disbursing officers.

68. Holder-in-Due-Course. A person, financial institution, or business other than the original payee who, in good faith, takes possession of a check through endorsement. A claim to payment by a holder-in-due-course will be honored, even if the original payee is not due or entitled to the check.

69. Illegal, Incorrect, or Improper Payment. An illegal, incorrect, or improper payment is defined as:

- a. an overpayment of a payee;
- b. two or more payments to a payee for the same entitlement;
- c. a payment to the wrong payee;
- d. a U.S. Treasury check issue over-draft (in some instances);
- e. a negotiation of both the original and a substitute U.S. Treasury check;
- f. a negotiation of both the original and a recertified U.S. Treasury check;
- g. any payment based on fraudulent, forged, or altered documents prepared or presented by individuals who do not work in the disbursing office; or
- h. a payment made in violation of a regulation.

★70. Imprest Fund. A cash fund of a fixed amount established by an advance of funds, with or without charge to an appropriation, from a disbursing officer to a duly appointed cashier, for disbursement as needed in making cash payment for relatively small purchases.

71. Imprest Fund Cashier. An individual appointed by the local commander to make authorized cash payments for materials or services. An imprest fund cashier is required to maintain custody of public funds and to file periodic vouchers to account for and replenish the imprest fund. Disbursing personnel are not eligible for appointment as imprest fund cashiers.

72. Irregularity in a Disbursing Officer's Account. Denotes any action (or lack thereof), event, practice, or circumstance that causes an out of balance condition in the financial accountability to the United States of the disbursing officer and/or deputies, agents, and cashiers to whom public funds have been entrusted.

73. Limited Depository. A U.S. or foreign commercial bank designated by the Treasury Department to receive deposits from disbursing officers for credit to their official limited depository checking accounts.

74. Limited Depositary Account. A checking account in a foreign currency maintained in a limited depositary by a disbursing officer in his or her name. Limited depositary accounts also may be referred to as operating accounts.
75. Lockbox. A collection and processing service provided by a financial institution to accelerate cash flow to Treasury's General Account (TGA).
76. Member. Military personnel on active duty or retired (including those receiving retainer pay) from active duty in a Military Service and Reserve Component personnel on active duty or retired.
77. Military Payment Certificate (MPC). An instrument (scrip) denominated in U.S. dollars that is used as the official medium of exchange at U.S. military establishments in overseas areas that are designated as "MPC Areas." MPCs are implemented, circulated, converted, withdrawn, and accounted for by series number. The notes of each MPC series have distinctive designs, colors, symbols, and numbering with each denomination (\$1.00, \$5.00, \$10.00 and \$20.00) within a series being a different color. Each note shall bear the statement "For use only in U.S. military establishments by U.S.-authorized personnel in accordance with applicable rules and regulations" and shall contain special coding or markings to verify its authenticity.
78. Military Payment Certificate (MPC) Area. A particular foreign country or other geographic or geopolitical area that has been officially designated as such by the USD(C).
79. Military Payment Certificate (MPC) Conversion. The authorized withdrawal of an MPC series currently in circulation as legal tender and the concomitant introduction and designation of a new MPC series as legal tender.
80. Military Payment Certificate (MPC) Reserve Series. MPCs of a series physically available but not placed in circulation as legal tender.
81. Military Post Office Addresses. Military post office addresses (APO and FPO) are required to be compatible with automated mail processing. The next to the bottom line will show a "Unit" or "Postal Service Center" number followed by a box number (if appropriate). This line will equate to the U.S. Postal Service's standard street address and apartment number format. The bottom line is required to be compatible with the U.S. Postal Service's standard city, state, ZIP Code format.
- a. APO and FPO replaces the "city" name.
 - b. The "state" abbreviation is shown below.
- (1) AE is the state designator for military post offices located in Canada, Europe, Africa, and the Middle East. For example, APO New York is now APO AE and FPO New York is FPO AE.

(2) AA is the state designator for military post offices located in Central and South America. For example, APO Miami is now APO AA and FPO Miami is FPO AA.

(3) AP is the state designator for military post offices located in Alaska and the Pacific area. For example, APO San Francisco and APO Seattle are now APO AP and FPO San Francisco and FPO Seattle are FPO AP.

82. Ministerial Adjustment. Any non-discretionary pay adjustment such as an adjustment prescribed by statute or regulation.

83. Non-tactical Disbursing Activity. Any disbursing activity permanently assigned to a post, camp, station, base, etc., and not subject to mobilization or deployment.

84. Officer or Military Officer. Includes all commissioned and warrant officers (appointed officers) of the Uniformed Services.

★85. On-Line Payment and Collection System (OPAC). An automated intragovernmental system, operated by the Treasury Department, and used for billing services and supplies.

★ a. OPAC Adjustments. A reversal of a transaction by the receiving agency up to but not to exceed the amount of the original transaction. Receiving agencies cannot reject OPAC transactions that have been processed by the Treasury Department. Adjustments are reported in the accounting month in which they are processed in OPAC.

★ b. OPAC Billing Agency. Generally, the agency originating a collection or receiving a payment transaction. NOTE: In the Treasury Department's Disbursing and Adjustment menu screens, the billing agency location code (ALC) represents the originator of the transaction.

★ c. OPAC Corrections. Refers to erroneous reporting on the SF 1219 (Statement of Accountability). The error can be caused by amounts being over or understated or by the failure of an agency to record the transaction in the proper month of accountability.

★ d. OPAC Customer Agency. The agency originating a payment or receiving a collection transaction. NOTE: In the Treasury Department's Disbursing menu screen, the customer ALC represents the agency receiving the transaction. In the Treasury Department's Adjustment menu screen, the Billing ALC of Original Bill field represents the agency receiving the adjustment transaction.

★86. Operating Location. A DFAS location within the United States under the command and control of a DFAS Center, performing finance and accounting functions in support of consolidation. Operating locations were established to house the consolidation efforts, missions, and functions of over 300 former defense accounting offices into a reduced number of locations.

87. Oral Hearing. An informal oral proceeding held by a hearing official with representatives of the creditor agency, the debtor or representative, and witnesses present.

- ★88. Original Signature. A manual signature in permanent dark blue, blue-black, or black ink.
89. Out of Service Debtor. A former civilian employee, a former member of the Armed Forces, or any other individual who is not receiving any compensation from the federal government.
90. Outstanding Check. A check is identified as outstanding when the Treasury Check Payment and Reconciliation (CP&R) system has the check recorded as issued but not paid.
91. Overage of Funds. Funds held in an amount greater than the amount shown to be on hand by the daily accountability records.
92. Overseas. For purposes of this Regulation, any area located outside the states of the United States, the District of Columbia, or the Commonwealth of Puerto Rico.
93. Paid Status. A check is identified as paid when it has been presented to the U.S. Treasury for payment through the banking system, reported as a void (zero value issue), or when it has been canceled.
94. Pay (Salary). In this Regulation, pay and salary have the same meaning. They include basic, special, incentive, retired, or retainer pay, consultant's fees, and any other authorized pay and allowances.
95. Pay Period. Pay periods are normally biweekly for civilians working for federal agencies; monthly for active duty military personnel and all retirees; or periodically based on completion of active or inactive duty for training for Reserve personnel.
96. Payability. The length of time a U.S. Treasury check can be negotiated.
97. Paying Agency. The DoD Component or other federal agency authorizing or disbursing payment.
98. Paying Agent. A military member or DoD civilian employee appointed by the commander to act as an agent of a disbursing officer. The purpose of a paying agent is to make specific payments, currency conversions, or check cashing transactions from funds temporarily advanced to the agent by the disbursing officer. Paying agents are individuals whose regular duties do not involve disbursing functions and who are not organizationally located in the disbursing office. They are appointed to the position of paying agent as a collateral duty and will be under the exclusive supervision of the disbursing officer in all matters concerning custody and disposition of funds advanced to them. They will comply with all instructions and regulations pertaining to their paying agent duties as issued by the disbursing officer. All payments or currency conversions made by a paying agent are made for and in the name of the disbursing officer making the appointment. Funds advanced to a paying agent are held at personal risk by the paying agent and must be accounted for to the disbursing officer immediately upon completion of the transaction(s) for which advanced.

★99. Physical Loss of Funds. A physical loss of funds is defined as:

- a. a loss of official cash by theft, embezzlement, unexplained disappearance, or cash handling errors;
- b. a loss of paid vouchers and/or negotiable instruments from a disbursing office;
- c. a loss of an official deposit en route from a disbursing office to a depository or after confirmation by a depository;
- d. any payment based on fraudulent, forged, or altered documents prepared or presented by individuals, both accountable and non-accountable disbursing personnel, who work in the disbursing office;
- e. a loss or theft of cash from an imprest fund;
- f. a failure to obtain (or loss of) official receipts and/or documents representing cash;
- g. a loss or destruction by fire, accident, or natural disaster;
- h. stale or unidentifiable DO suspense account charges (DITS); or
- i. losses associated with counterfeit currency transactions.

100. Prevailing Rate of Exchange. The most favorable rate that would be legally available to the U.S. Government for the acquisition of foreign currencies for its official expenditures and accommodation exchange transactions.

101. Recertified Check Payment. A replacement payment using a U.S. Treasury check bearing a different check serial number from the original check. A recertified check may be issued to replace any lost, stolen, or destroyed original check (except holder-in-due-course), regardless of the disbursement purpose (e.g., pay, travel, or vendor payment).

102. Reconsideration. A creditor organization review of the written debt record. The review will consider debtors' submissions and will result in a new determination as to debt validity and amount and propriety of an offset schedule established other than by agreement with a debtor.

103. Recovered Check. An original check which is returned to, or recovered by, the disbursing officer after it has been canceled by submission of an SF 1184 (Unavailable Check Cancellation). A recovered check can also be a recertified check which is returned to or recovered by the disbursing officer after the original check which it replaced has been negotiated by the payee.

★104. Replacement Check. A check issued to replace a check that:

- a. has been classified as voided;
- b. has not been reported to the Treasury Department as a check issue; and
- c. is uncashable or imperfect due to mutilation or misprint during the issue process.

A replacement check will be issued using the next available check in the series and format used for the voided check.

105. Routine Pay Adjustment. The correction of an overpayment to a member resulting from clerical or administrative error or delay in processing pay documents that is discovered and corrected (that is, collection action is completed) within no more than 2 monthly or 4 biweekly pay periods after the date the overpayment was originally made.

106. Salary Offset. The collection of a debt from the current salary (pay) of a debtor under 5 U.S.C. 5514 authority.

107. Settlement Office. A disbursing office designated to clear any outstanding transactions and/or deficiencies from the accounts of predecessor disbursing officers. The disbursing officer assigned to the settlement office is referred to as settlement officer.

★108. Safekeeping Custodial Officer. A military member or DoD civilian employee Department appointed in writing by the commander to perform all functions associated with the custody and control of all personal funds and valuables held in safekeeping as prescribed in chapters 26 and 27 of this Volume.

109. Small Differences. Refers to any check issue discrepancy (involving a Treasury check) that is \$1 or less.

110. Special Drawing Right (SDR). An international reserve asset created by the International Monetary Fund (IMF) to supplement the existing reserve assets of its member countries. The SDR is the IMF's unit of account and SDRs may be used by members in transactions with the IMF, other member countries, and other authorized holders. Since January 1, 1981, a basket of five currencies (the U.S. dollar, Deutschmark, French franc, Japanese yen, and Pound sterling) serves as the basis for determining both the valuation and the interest rate of the SDR.

★111. Spoiled Check. A check that:

- a. has been reported to the Treasury Department as a valid check issue;
- b. has been returned by the payee as uncashable due to mutilation or defect;
- c. represented a valid payment to the payee; and

- d. is less than one year old.

A spoiled check shall be replaced with a recertified check and rendered non-negotiable by typing or stamping on the face of the check the words: "SPOILED - NON-NEGOTIABLE: RECERTIFIED CHECK ISSUED UNDER CHECK NUMBER _____."

112. Supplemental Agreement. The local operating procedures formulated and used by the commanders of the armed forces of two friendly foreign nations, whose governments have signed a basic agreement, as contemplated under Public Law 96-436. Such procedures shall be used in territories of mutual concern to provide each other with emergency financial support, under the policies of the basic agreement. Supplemental agreements may be entered into by commanders of unified or separate armed forces, as considered appropriate.

113. Tactical Disbursing Activity. Any tactical unit (including Navy ships) that is authorized to provide disbursing services under an assigned Disbursing Station Symbol Number (DSSN) and is subject to movement from one location to another. Some tactical disbursing activities provide disbursing services on a full-time basis (as in the case of Navy ships). Others perform disbursing services only while in a deployed (or mobilized) status. When not deployed, the DSSNs are held in reserve in an inactive status to be activated on short notice as required.

114. Tolled. A term meaning "to suspend or stop temporarily", as the statute of limitations is tolled.

★115. Treasury General Account (TGA). Those designated commercial banks that specifically have been authorized by the Treasury Department to maintain a demand account in the name of Treasury entitled "Treasury's General Account" for the purpose of accepting deposits.

★116. U.S.-Owned Foreign Currency. Currency of a foreign country that is:

- a. owned by the United States;
- b. available in the country of issuance to pay obligations of the United States within that country; and
- c. disbursed by the U.S. Treasury disbursing officer in the country concerned, either directly to a contractor or to a DoD disbursing officer, as appropriate.

117. Uncurrent Limited Depositary Check. A check drawn on a limited depositary that is unpaid and outstanding against the limited depositary checking account for at least one full fiscal year after the fiscal year in which the check was issued, except where the laws of the country in which the limited depositary is located provide that the negotiable period of a check is shorter.

118. Undeliverable Check. A check that is not delivered to the payee within 60 days after the month of issue.

119. United States. Unless otherwise qualified, means the 48 contiguous states, the District of Columbia, and the States of Alaska and Hawaii.

120. United States Use Currency. Currency usually expended through the dollar appropriation process to pay U.S. obligations abroad; to pay for U.S. technical, scientific, and other programs; and to make sales for dollars to U.S. citizens and nonprofit organizations in selected countries.

121. Valuables. Any articles or things or representations of value in which the United States has any interest, or in connection with which it has any obligation or responsibility.

122. Vendor Express. A Treasury Department term for the Electronic Funds Transfer to a company or corporate bank account of the payment due a vendor for rendering goods or services to the government

★123. Voided Check. A check that is:

- a. prenumbered with a serial number;
 - b. voided for any reason prior to reporting as a check issue by the disbursing officer;
- and
- c. reported as a zero dollar value issue.

ABBREVIATIONS AND/OR ACRONYMS

ABA	American Bankers Association
ACH	Automated Clearing House
ADCC	Adjudication Division, Check Claims, Department of the Treasury
AFB	Air Force Base
ALC	Agency Location Code
ANSI	American National Standards Institute
ASC	Accredited Standards Committee (of ANSI)
ATM	Automated Teller Machine
BAC	Billing Address Code
CDN	Claims Disposition Notice
CFR	Code of Federal Regulations
CIN	Ca\$h-Link Indicator Number
CJCS	Chairman, Joint Chiefs of Staff
★CNET	Chief of Naval Education and Training
C.O.D.	Cash on Delivery
Comp. Gen.	Comptroller General of the United States
★CONUS	Continental United States
★COPE	Custodian of Postal Effects
CPU	Central Processing Unit
CP&R	Check Payment and Reconciliation System
★CR	Credit
CSD	Computer Services Division, Financial Management Service, Department of the Treasury
★CV	Collection Voucher
DAO	Defense Accounting Office
DAS	Daily Advice of Status
DCC	Division of Check Claims, Financial Management Service, Department of the Treasury
DD	Department of Defense Form
DDO	Deputy Disbursing Officer
DDS	Direct Deposit System
DD/EFT	Direct Deposit/Electronic Funds Transfer
★DFAR	Defense Federal Acquisition Regulation
DFAS	Defense Finance and Accounting Service
★DFAS-CL	Defense Finance and Accounting Service - Cleveland Center
★DFAS-PPM	Defense Finance and Accounting Service - Cleveland, Pay Procedures Manual
DO	Disbursing Officer
DoD	Department of Defense
★DoDD	Department of Defense Directive

★DoDFMR	Department of Defense Financial Management Regulation
DOJ	Department of Justice
★DON	Department of the Navy
DPO	Defense Printing Office
DSN	Defense Switched Network
DSSN	Disbursing Station Symbol Number
EDI	Electronic Data Interchange
EFT	Electronic Funds Transfer
EIN	Employer Identification Number
FAADC	Fleet Accounting and Disbursing Center
★FAN	Functional Account Number
FAR	Federal Acquisition Regulation
FDIC	Federal Deposit Insurance Corporation
FDS	Fedwire Deposit System
★FEDI	Financial Electronic Data Interchange
★FH,N&MC	Family Housing, Navy and Marine Corps
FI	Financial Institution
★FICA	Federal Insurance Contributions Act
FIPC	Financial Information Processing Center
FMS	Financial Management Service, Department of the Treasury
FRB	Federal Reserve Bank
FRS	Federal Reserve System
FTS	Federal Telephone Service
GAO	General Accounting Office
GBL	Government Bill of Lading
GPO	Government Printing Office
ICN	Inventory Control Number
ILC	Irrevocable Letter of Credit
IMF	International Monetary Fund
★INST	Instruction
IRS	Internal Revenue Service
JCL	Job Control Language
JCS	Joint Chiefs of Staff
★JFTR	Joint Federal Travel Regulations
★JTR	Joint Travel Regulations, Volume 2
JUMPS	Joint Uniform Military Pay System
LD	Limited Depositary
LDA	Limited Depositary Account
LVL or LVL8	Level 8 Magnetic Tape Reports
MBF	Military Banking Facility
MICR	Magnetic Ink Character Recognition
MMPA	Master Military Pay Account
MOA	Memorandum of Agreement

MOU	Memorandum of Understanding
MPC	Military Payment Certificates
★MPN	Military Pay, Navy
★MPO	Military Post Office
★NAF	Nonappropriated Fund
★NAVCOMPT	Comptroller of the Navy
★NAVMEDCOM	Naval Medical Command
★NAVSUP	Naval Supply Systems Command
NCUSIF	National Credit Union Share Insurance Fund
★NROTC	Naval Reserve Officers Training Corps
★NSN	National Stock Number
★NTI	U. S. Navy Travel Instructions
O&M	Operations and Maintenance
★O&M,N	Operations and Maintenance, Navy
OCR	Optical Character Recognition
★OCONUS	Outside Continental United States
OF	Optional Form
★OPLOC	Operating Location
OMB	Office of Management and Budget
OPAC	On-Line Payment and Collection System
OPM	Office of Personnel Management
★OPNAV	Chief of Naval Operations
OSD	Office of the Secretary of Defense
OUSDC(C)	Office of the Under Secretary of Defense (Comptroller)
OUSDC(C)AP	OUSDC(C)/ Accounting Policy
OUSDC(C)FC	OUSDC(C)/Directorate for Financial Commerce
★PIIN	Procurement Instrument Identification Number
PIN	Personal Identification Number
PL	Public Law
★POS	Point of Sale
★PSA	Personnel Support Activity
★PSD	Personnel Support Activity Detachment
★PV	Public Voucher
ROC	Record of Charges
RTN	Routing and Transit Number
SDN	Standard Document Number
SDR	Special Drawing Right
★SECNAV	Secretary of the Navy
SF	Standard Form
★SPIIN	Supplementary Procurement Instrument Identification Number
SSN	Social Security Number
★SUPARS	Navy Supply Acquisition Regulation Supplement
★TEMDUINS	Temporary Duty Under Instruction

★TTC	Transaction Type Code
TFO	Transaction for Others
TFS	Treasury Financial Service
TGA	Treasury's General Account
UCC	Unavailable Check Cancellation
★UIC	Unit Identification Code
U.S.C.	United States Code
USD(C)	Under Secretary of Defense (Comptroller)
USDA	United States Department of Agriculture
★USNA	United States Naval Academy
USPS	United States Postal Service
WHS	Washington Headquarters Services

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CHAPTER 1

PURPOSE, ORGANIZATION, AND DUTIES0101 PURPOSE

★ 010101. Authority. This volume of the “Department of Defense Financial Management” Regulation is issued under the authority of reference (a) DoD Instruction 7000.14, “DoD Financial Management Policy and Procedures.” It governs all DoD disbursing policy by establishing and enforcing requirements, principles, standards, responsibilities, procedures, practices, and liability for disbursing officers (DOs), certifying officers and accountable officials throughout the Department.

010102. Recommended Changes. Forward recommended changes to this volume through channels to: Office of the Under Secretary of Defense (Comptroller) (USD(C)), Room 3E822, The Pentagon, Washington, DC 20301-1100.

010103. Requests for Deviation or Exceptions. Submit requests for deviations from or exceptions to the policies, procedures, and standards in this volume, with complete justification, through channels to: Office of the USD(C), Room 3E822, The Pentagon, Washington, DC 20301-1100.

★ 010104. Use of This Volume. Various paragraphs in this volume specify the use of specific Treasury Department symbols (e.g., **F3880, **X6875, or **F3875). In all instances, the double asterisk must be replaced by the appropriate DoD Component designator, i.e., 17 for Navy (including Marine Corps), 21 for Army, 57 for Air Force, or 97 for Defense, as appropriate. This volume also prescribes the use of specific forms. Some of these forms are currently used by the DoD Components. However, some of the DoD Components are using specific DoD Component forms in lieu of the prescribed forms. In many instances, these equivalent forms are generated by disbursing systems currently in operation. It is not necessary for the DoD Components to modify existing disbursing systems to incorporate the forms prescribed by this volume. Affected Components should continue to use existing automated systems and the forms they generate until all existing disbursing systems are replaced by a standard DoD disbursing system. However, all offices that manually prepare forms are required to begin using the forms prescribed herein as soon as supplies of the forms can be obtained through normal supply channels. Examples of forms provided in this volume are for illustrative purposes only. Under no circumstances should they be reproduced for use.

0102 ORGANIZATION

010201. Defense Finance and Accounting Service (DFAS). Pursuant to the authority vested in the Secretary of Defense under the provisions of 10 U.S.C. 113 (reference (b)), the DFAS was established as an agency of the DoD by DoD Directive 5118.5 (reference

(c)). The DFAS is under the direction, authority, and control of the Under Secretary of Defense (Comptroller) (USD(C)). The Director, DFAS is the principal DoD executive for finance and accounting requirements, systems, and functions identified in DoD Directive 5118.3 (reference (d)) and shall:

A. Direct finance and accounting requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities, including security assistance.

B. Establish and enforce requirements, principles, standards, systems, procedures, and practices necessary to comply with finance and accounting statutory and regulatory requirements.

C. Provide finance and accounting services for DoD Components and other Federal activities.

D. Direct the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems and ensure their proper relationship with other DoD functional areas.

E. Execute statutory and regulatory financial reporting requirements and render financial statements.

F. Approve the establishment or maintenance of all finance and accounting activities independent of the DFAS.

The mailing address for DFAS Headquarters is: Director, Defense Finance and Accounting Service, DFAS-HQ/___, 1931 Jefferson Davis Highway, Arlington, VA 22240-5291.

010202. Defense Finance and Accounting Service Centers. Effective January 20, 1991, the DFAS took operational control of the DoD Component's finance centers. Accordingly, each center was redesignated as a DFAS Center.

A. DFAS-Cleveland Center. The DFAS-Cleveland Center (formerly the Navy Finance Center, Cleveland, OH) is responsible for:

★ 1. Operation of the central site processing operations of the Defense Joint Military Pay System (DJMS) for the Navy.

2. Navy allotment program operations relating to payment of allotments and issuances of the U.S. Savings Bonds for all Navy members and retirees.

3. Examining and conducting a centralized program for the analysis of closed Navy master military pay accounts.

4. Payment of Federal income taxes withheld from Navy members and retirees.
5. Adjudication and payment of claims for military pay and allowances of Navy members and retirees.
6. Payment of drilling Naval Reservists.
7. Payment of retired military pay for all DoD Components and Fleet Reserve rolls.
8. Preparing and forwarding to the Treasury Department through DFAS Headquarters (Finance) (DFAS-HQ/F) requests from assigned Component(s) for establishment of disbursing offices.
9. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.
10. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.
11. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.
12. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.
13. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.
14. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.
15. Reporting of financial information.
16. Accounting for Navy funds and property.
17. Consolidation of Navy and Marine Corps financial reports.

18. Providing a centralized service for clearance of exceptions against Navy DOs.
19. Processing requests for relief of liability from accountable officials.
20. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Cleveland Center, DFAS-CL/___, Cleveland, OH 44199-2056.

B. DFAS-Columbus Center. The DFAS-Columbus Center (formerly Defense Finance Center, Columbus, OH) is responsible for:

1. Payment of vendor's invoices.
2. Payment of civilian payrolls.
3. Accounting for funds and property.
4. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for establishment of disbursing offices.
5. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.
6. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.
7. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.
8. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.
9. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.
10. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.

11. Reporting of financial information.
12. Processing requests for relief of liability from accountable officials.
13. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Columbus Center, DFAS-CO/__, Columbus, OH 43218-2317.

C. DFAS-Denver Center. The DFAS-Denver Center (formerly Air Force Accounting and Finance Center, Denver, CO) is responsible for:

- ★
1. Operation of the central site processing operations of the DJMS for the Air Force.
 2. Air Force allotment program operations relating to payment of allotments.
 3. Examining and conducting a centralized program for the analysis of closed Air Force personal financial records.
 4. Payment of Federal income taxes withheld from Air Force members.
 5. Adjudication and payment of claims for military pay and allowances for Air Force members.
 6. Payment of drilling Air Force reservists.
 7. Payment of civilian payrolls.
 8. Providing a centralized service for clearance of exceptions against Air Force DOs.
 9. Payment of annuitant pay.
 10. Examination and consolidation of Air Force DO's financial reports.
 11. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for establishment of disbursing offices.

12. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.

13. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.

14. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.

15. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.

16. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.

17. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.

18. Reporting of financial information.

19. Processing requests for relief of liability from accountable officials.

20. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Denver Center, DFAS-DE/____, 6760 E. Irvington Place, Denver, CO 80279-1500.

D. DFAS-Indianapolis Center. The DFAS-Indianapolis Center (formerly Army Finance and Accounting Center, Indianapolis, IN) is responsible for:

1. Operation of the central site processing operations of the DJMS for the Army.

2. Army allotment program operations relating to payment of allotments.

3. Examining and conducting a centralized program for the analysis of closed Army personal financial records.

4. Payment of Federal income taxes withheld from Army members.

5. Adjudication and payment of claims for military pay and allowances of Army members.
6. Payment of drilling Army reservists.
7. Providing a centralized service for clearance of exceptions against Army DOs.
8. Examination and consolidation of Army DO's reports.
9. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for establishment of disbursing offices.
10. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.
11. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.
12. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.
13. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.
14. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.
15. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.
16. Reporting of financial information.
17. Processing requests for relief of liability from accountable officials.
18. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Indianapolis Center, DFAS-IN/_
_, Column _____, 8899 E. 56th Street, Indianapolis, IN 46249-0833.

E. DFAS-Kansas City Center. The DFAS-Kansas City Center (formerly Marine Corps Finance Center, Kansas City, MO) is responsible for:

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 - 1. Operation of the central site processing of the Marine Corps Total Force Pay System (MCTFS) for the Marine Corps.
 - 2. Marine Corps allotment program operations relating to payment of allotments.
 - 3. Examining and conducting a centralized program for the analysis of closed Marine Corps personal financial records.
 - 4. Payment of Federal income taxes withheld from Marine Corps members.
 - 5. Adjudication and payment of claims for military pay and allowances of Marine Corps members.
 - 6. Payment of drilling Marine Corps Reservists.
 - 7. Providing a centralized service for clearance of exceptions against Marine Corps DOs.
 - 8. Examination and consolidation of Marine Corps DO's reports.
 - 9. Reporting of financial information.
 - 10. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for establishment of disbursing offices.
 - 11. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests from assigned Component(s) for a change in the designation or location of disbursing offices.
 - 12. Preparing and forwarding to the Treasury Department through DFAS-HQ/F requests and notifications from assigned Component(s) for disestablishment of disbursing offices.
 - 13. Maintaining files containing appointments, revocations, and specimen signatures of all assigned DOs and deputies.

14. Approving the use of check-signing machines and the certified facsimile signatures for all assigned DOs. After approval, notifying the DO that use of the check-signing machine and facsimile plate is authorized.

15. Providing copies of specimen signatures of assigned DOs to the Federal Reserve Banks on request.

16. Processing purchase orders for blank U.S. Treasury checks from all assigned DOs.

17. Processing requests for relief of liability from accountable officials.

18. Performing other accounting and disbursing functions as prescribed.

The mailing address is: Defense Finance and Accounting Service, Kansas City Center, DFAS-KC/_ , Kansas City, MO 64197-0001.

010203. DoD Disbursing Offices. Commanders shall ensure that DOs in their command are following the provisions of this Volume.

010204. Disbursing Officers. The DO shall ensure that the operation of the disbursing activity follows the provisions of this Volume.

010205. Certifying Officers and Accountable Officials. Commanders shall ensure those certifying officers and accountable officials in their command are following the provisions of this Volume.

★0103 RANDOM REVIEW OF DISBURSEMENT VOUCHERS

010301. Examination Requirements

A. General. Overall guidelines for the administrative examination of disbursement vouchers is set forth in Title 7 of the General Accounting Office (GAO) Policy and Procedures Manual. These types of reviews are typically divided into either pre-or-post-payment examinations. The pre-payment phase is needed because internal controls are provided through administrative reviews made by disbursing officers prior to payment. The post-payment phase will begin when supervisory reviews and automated edit checks and computation methods have been demonstrated to provide adequate controls. The overall scope of pre-and post-payment reviews is to ensure the propriety of the voucher, the legality of the disbursement and the accuracy of the facts stated in the vouchers and supporting records. The following paragraphs set forth the requirements for both pre-and post-payment examinations of disbursement vouchers.

B. Sampling Techniques. Stratified statistical random sampling techniques will be used in the pre- and post-payment examination phase of disbursement vouchers. Pre- and post-payment examination procedures and accompanying statistical sampling plans will be approved by the Director, DFAS, or a designated representative, prior to implementation. The Director, DFAS, or a designated representative, will issue detailed implementing instructions for pre- and post-payment reviews and sampling plans for specific applications to DFAS Centers or Operating Locations (OPLOCs) and applicable DoD Components.

C. Reliance on Approved Statistical Sampling Procedures. Certifying officers who rely, in good faith, upon valid statistical procedures to certify a voucher for payment, established and approved by the Director, DFAS, or a designated representative, will not be liable for losses from the payment of a voucher not examined because of the sampling procedure used. A disbursing official shall not examine vouchers administratively for which he/she is responsible for approving or executing payment.

010302. Pre-Payment Examination Requirements. A pre-payment examination is defined as an administrative review that takes place just prior to the voucher being examined for payment. The overall scope of the review is to ensure that the voucher contains the necessary substantiation and documentation for lawful and proper payment. Under manual processing systems, the review will also encompass a verification for accuracy of computation. Some specific areas that should be examined include, but are not limited to:

- A. Validating that the payment is permitted by law and applicable regulation
- B. Obtaining the required administrative authorizations and approvals for payment
- C. Assuring that the request for payment is supported by basic documents
- D. Validating the correct name and address of the payee, as verified by the database
- E. Assuring that manual calculations are correct or appropriate and correct data is inputted to automated computation systems
- F. Charging all transactions properly to the correct appropriation
- G. Assuring that the appropriations are available at the time to support the disbursements
- H. Validating that special certificates or receipts are furnished and attached to the disbursement documents, as required

I. Preventing duplicate payments through proper manual or automated edits and checks

010303. Post-Payment Examination Requirements. A post-payment examination is defined as an administrative review that takes place following the payment of a voucher. These reviews normally will take place at the location where original returns are submitted to a servicing DFAS Center, OPLOC, or a centralized payment center. Also, these reviews will be performed by persons who are independent of the particular entity that prepared and disbursed the payments being examined. Some specific areas that should be examined include, but are not limited to the:

- A. Propriety of the voucher
- B. Legality of the disbursement
- C. Accuracy of the facts stated in the vouchers and supporting records

010304. Document Retention for Examination Purposes. Disbursement vouchers and original documentation prepared at locations other than a DFAS Center or OPLOC should be maintained at the originating location for a period of 6 years and 3 months.

010305. Statistical Sampling Plan. Any statistical sampling plan for pre-and post-payment review of disbursement vouchers will be approved by the Director, DFAS, or a designated representative. Sampling plans must be methodically sound and adhere to technical guidelines set forth in professional texts and publications (both Federal and non-Federal) on the subject matter. All sampling plans submitted for approval will first be reviewed and approved (or in most cases, originally prepared) by a qualified statistician. Once established, sampling and examination plans should be prepared in such a manner as to be implemented and administered by individuals at the functional level. As changes occur in the population under review, whether procedural, technological, or otherwise, quite often audit and accompanying sampling plans must change as well. Statistics collected from sampled population must be periodically analyzed and the sample design adjusted accordingly to reflect most recent trends and any changes in characteristics of the population. The Director, DFAS, or a designated representative, periodically will review statistics and population characteristics from pre- and post-payment examinations to ensure the sample design remains valid, reliable, and most appropriate for the purpose of examination.

010306. Responsibilities. The Director, DFAS, or a designated representative, is responsible for approving any statistical sampling and examination plans for disbursement vouchers. The Director, DFAS, will ensure that approved sampling and examination plans are implemented at those locations for which DFAS is responsible. DoD Component officials will ensure that statistical sampling and examination plans, as approved by the Director, DFAS, or a designated representative, are implemented at locations for which the DoD Component official is responsible.

★0104 DISBURSING OFFICER DUTIES AND AUTHORITY010401. Keeping of Public Funds

A. General. DOs are required to keep safely all the public funds collected by them or otherwise placed in their possession and custody. Lending, using, depositing in banks, or exchanging for other funds except as specifically allowed by law is prohibited. DOs are required to safeguard public funds until ordered by the proper authority to transfer or pay out the funds. When such orders for transfer or payment are received, DOs shall faithfully and promptly make the transaction directed. DOs shall do and perform all other duties as fiscal agents of the the Treasury Department which may be imposed by law or regulations made in conformity to law. In case of disaster, DOs shall secure and preserve the accounts of all personnel, public money, and such other papers and property, in the order of their importance, as circumstances permit.

B. Deposit of Public Funds. Except as otherwise authorized by law and by regulations, it is the duty of every DO to deposit funds in excess of amount authorized to be held at personal risk with an authorized depository of the United States without delay.

010402. Accounting and Reporting. Every DO is required to maintain detailed records of all transactions. These records shall be available for examination by authorized representatives of the Secretary of the Defense and the Comptroller General of the United States. Every DO is further required to submit periodic financial reports.

010403. Specific Authority for Disbursements

★ A. Authority. Public funds shall be received and disbursed by order of, or on proper authority of, the commander, when sanctioned by 31 U.S.C., sections 3321 and 3325 (reference (e)).

B. Legality and Propriety

1. Sanction of Law. Transactions involving payments shall be examined for legality, propriety, limitations, and time frames under the statutes governing the various classes of expenditures and for validity under general provisions of law. There is no authority to disburse public funds to satisfy demands which are of doubtful validity or which should be supported by judicial action.

★ 2. Sanction of Decisions. Effective June 30, 1996, the Legislative Branch Appropriations Act, 1996, Public Law 104-53, transferred the claims settlement functions of the General Accounting Office to the Office of Management and Budget (OMB). OMB

further delegated these functions. Effective October 19, 1996, the Comptroller General's authority under 31 U.S.C. 3529 (reference (e)), to issue advance decisions to agency officials on such transferred claims settlement functions was also transferred pursuant to the General Accounting Office Act of 1996, Public Law 104-316, to the agencies to which OMB delegated the claims settlement functions. Appendix E contains a listing of functions transferred and the responsible offices. DOs are governed by advance decisions and decisions issued on doubtful claims by the authorities listed in Appendix E. Decisions issued are binding on the DOs with respect to the specific issue or claim involved. Decisions rendered by the Comptroller General prior to the transfer of authority are considered useful guidance and are not precedential. Questions concerning the use of appropriated funds are still under the cognizance of the Comptroller General.

★ 3. Sanction of Regulations. A valid regulation issued by the head of an executive department providing for the payment of money under certain conditions by DOs has binding force on the accounting officers of the General Accounting Office. To be valid, a regulation must be reasonable and shall be consistent with the law.

C. Substantiating Vouchers

1. Written Record of Transaction. Unless otherwise provided by law, each transaction conducted by an officer, agent, or employee of the Government of the United States, which when completed shall require the payment of money from the U.S. Treasury or payment to be made by a DO or agent of the Government of the United States, shall be evidenced by a written or printed signed document or series of documents which shall consist of a complete record of the transaction. Each statement of fact contained in such document or documents is to be certified or otherwise verified by a person who, in regular line of duty, has knowledge of the fact or facts certified or otherwise verified by that person, and who, when certification is made, shall state in the certification that the individual has personal knowledge of the facts certified or otherwise verified.

★ 2. Electronic Transactions. The Federal Reserve System (FRS) and the twelve Federal Reserve Banks (FRBs) act as the Treasury's fiscal agent in disbursing by electronic methods. Each disbursing office that processes disbursements by electronic methods shall have a detailed written agreement with the servicing FRB. These agreements contain detailed instructions for controlling tape delivery to the servicing FRB, tape remaking procedures, credit routines, file label requirements, and other details explaining each office's unique requirements. Local operating instructions must be written to implement these requirements. The DO must implement mandatory internal controls for confirmation that the FRB received the EFT payment files successfully and in accordance with the payment schedule. Further guidance on electronic transactions is identified in Chapter 24 of this volume.

3. Additional Evidence. The DO is not required to make payment on merely formal evidence. If the facts do not justify payment, a reasonable explanation or the submission of further evidence should be required.

★ 010404. Alternatives Available in Connection with Questionable Payments. Upon the determination that a matter concerning the receipt or disbursement of public money is questionable in regard to the appropriate public law, previous Comptroller General decisions, court rulings or regulations, a request for clarification shall be addressed to the DFAS Headquarters via the servicing DFAS Center. When, in the opinion of the DO or certifying officer, the matter requires a decision rather than a clarification of existing regulations or decisions, a request for advance decision shall be initiated. Procedures for requesting an advance decision are outlined in chapter 25 of this volume. Refer to Appendix E for the responsible offices on advance decision requests.

★0105 ACCOUNTABILITY AND RESPONSIBILITY

010501. Nature of Accountability

A. General. Accountable individuals are held personally and pecuniarily liable for their acts involving the expenditure of public funds. A DO or other accountable individual shall be charged with all funds received for the Government. Credit shall be received from the General Accounting Office for all public funds expended in accordance with laws and regulations, substantiated and certified in the required form, and accompanied by legal evidence. Credit shall be withheld for irregular, erroneous, or unsupported transactions. Detailed accounts shall be maintained for examination as to their correctness.

B. Knowledge of Laws Governing Disbursements. All accountable individuals, whose duties pertain to the disbursement of public funds, shall take scrupulous care to ensure that all applicable laws are strictly observed.

C. Responsibility for Acts of Another. DOs are accountable for illegal, improper, or incorrect payments or for errors in their accounts even though they may have relied on deputies, agents, and cashiers and the errors were caused by the deputies, agents, and cashiers. A request for relief of the liability for such payments and errors shall be submitted by the DO and may also be required by the deputy, agent, or cashier who made the illegal, incorrect, or improper payment or error. Note: Disbursing officers are not liable for payments properly certified by certifying officers even though those payments may prove to be illegal, improper or incorrect. Certifying officers are accountable for illegal, improper or incorrect payments made as a result of their certification even though they may have relied on other accountable officials or automated payment systems. Certifying officers may request relief of liability for such payments as provided in chapters 6 and 33 of this volume.

D. Payment on Forged or Fraudulent Vouchers or Pay Receipts. A DO is accountable for a payment made on a forged or fraudulent voucher or pay receipt even though not a participant or beneficiary in the fraud. Relief of liability for such payments may be requested by the DO and the deputy, agent, or cashier who made the payment.

010502. Relief of Liability

★ A. General. The Comptroller General of the United States shall relieve disbursing officers and certifying officers of the Department of liability for deficiencies in their account upon a finding that the statutory standards for relief are met as prescribed by 31 U.S.C. 3527 and 31 U.S.C. 3528 (reference (e)). Where a loss (either a physical loss or an illegal, incorrect, or improper payment), is incurred by a disbursing or certifying officer, the determination of the Secretary of Defense that relief should be granted is binding on the Comptroller General.

B. Statutory Standards

1. Physical Loss. The statutory standards for relief of liability for a physical loss are that the:

- a. Official was carrying out official duties when the loss or deficiency occurred.
- b. Loss or deficiency was not the result of an illegal, incorrect, or improper payment.
- c. Loss or deficiency was not the result of fault or negligence by the official.

★ 2. Illegal, Incorrect, or Improper Payments. The statutory standards for relief of liability for illegal, incorrect, or improper payments are:

- a. Statutory Standards for a Disbursing Official
 - (1) The payment was not the result of bad faith or lack of reasonable care; and
 - (2) Diligent collection efforts by the disbursing officials and the agency were made.

- b. Statutory Standards for a Certifying Official
 - (1) The certification was based on official records and the official did not know, and by reasonable diligence and inquiry could not have discovered, the correct information; or
 - (2) That the obligation was incurred in good faith;

and (3) That no law specifically prohibited the payment;

(4) That the U.S. Government received value for payment.

(5) Diligent collection efforts were made to recover the payment.

c. Standards for Accountable Officials. See chapter 33 of this Volume.

C. Delegation of Authority

1. Secretary of Defense. The Secretary of Defense has delegated authority to the Director, DFAS to make determinations and recommendations with respect to the granting of relief from pecuniary liability pursuant to 31 U.S.C. 3527 (reference (e)).

2. Director, DFAS. The Director, DFAS has delegated authority to the Directors of the DFAS Centers to make determinations and recommendations with respect to the granting of relief from pecuniary liability pursuant to the authority contained in 31 U.S.C. 3527 (reference (e)) and this Volume. In instances where the accountable individual operates from the DFAS Center, the DFAS Deputy Director for Finance grants or denies relief.

D. Requests for Relief. Procedures and documentation requirements for submission of requests for relief of liability are outlined in chapter 6 of this volume.

★ 010503. Decisions Rendered. A certifying officer or DO certifying or making payments in accordance with advance decisions issued by the appropriate authority, as outlined in Appendix E, is not liable for such payments.

★ 010504. Turnover of Funds Upon Relief. When a DO is relieved of duties because of transfer or any other reason other than deactivation of the disbursing station symbol number (DSSN), all fund account records, public funds, and property shall be turned over to the relieving DO.

★ 010505. Internal Management Controls. Disbursing officers of the DFAS are required to implement and abide by the requirements of the DFAS Internal Management Control Program as set forth in the current edition of DFAS 5010.38-R, Internal Management Control Program. Disbursing officers of other DoD Components or their activities must implement internal controls consistent with the guidelines outlined in this paragraph.

A. Effective internal control procedures depend largely on eliminating opportunities to conceal errors or irregularities. This, in turn, depends on assigning work so that no one individual controls all phases of a transaction.

B. Separation of duties creates a situation that should preclude errors or attempts at fraud or embezzlement from going undetected. Key duties such as authorizing, approving, and recording transactions; issuing or receiving assets; making payments; preparing checks and check signing; certification of funding; and reviewing or auditing shall be assigned to separate individuals to minimize the risk of loss to the Government to the greatest extent possible. The DO should not be assigned duties that create a potential conflict of interest. For example: A payment is made under the DO's DSSN which results in a request for a waiver of indebtedness. If the DO also supervises those individuals involved in the adjudication of requests for waivers, he or she is placed in a position of influence over the decision of the waiver. It also eliminates his or her pecuniary liability for an illegal, incorrect, or improper payment. Appropriate separation of duties is not always practical or possible due to time constraints, manpower shortages, or the use of mechanized systems. For example, payments and collections through the On-Line Payment and Collection (OPAC) system can occur outside the disbursing work center without weakening internal controls because the payee is always another Federal agency and recovery of an erroneous payment is assured. Other situations can require closer scrutiny. The commander and the DO shall: be aware of situations where valid, long-standing separation of duties cannot be achieved, recognize that internal controls have been weakened as a result of such; and make every effort to compensate for loss of the internal control. Unique situations resulting in an inability to separate appropriate responsibilities should be reported to the applicable DFAS Center, together with a request for a waiver and recommendations for compensating for the loss of the internal control.

C. Close review of IMC plans, policies, adequacy, compliance, and effectiveness will be the subject of all inspections and audits conducted in all disbursing offices.

★ 010506. Receipts for Payments. A receipt is required for all cash payments. A receipt is not required for payments made by check drawn by the DO except when required by law or contract. In no case shall receipt for payment be taken in duplicate. In all cases of cash payment, the exchange of currency and the receipt for it shall be simultaneous. Practices requiring receipts in advance of actual cash payments are prohibited. The accountable individual making the cash payment shall positively identify the payee. If the payee is not known personally, the accountable individual making the payment shall examine an appropriate identification card which includes both the payee's picture and signature. A comparison of the payee's signature should be made with that appearing on the identification card. For military personnel, the DD Form 2 (Armed Forces Identification Card) or DD Form 2A (Armed Forces Identification Card (Reserve)) should be used. The responsibility for identifying the payee may not be delegated.

★ 010507. Receipts for Collections. Receipts for collections shall be signed personally by the DO or an agent whose designated duties include receipt of collections.

★0106 RESTRICTIVE REQUIREMENTS

010601. Payment of Compensation. The use of public funds for the payment of compensation to any commission, council, board, or other similar body is prohibited by 31 U.S.C. 1346 (reference (e)) unless the creation of the body has been specifically authorized by law.

010602. Accounting for Premiums on Sales of Public Moneys or Securities. Under 31 U.S.C. 3341 (reference (e)), no DO of the United States shall either directly or indirectly sell or dispose of to any person for a premium any Treasury Department note, draft, warrant, or any other public security not of the officer's private property. Further, no officer shall sell or dispose of the proceeds of such note, draft, warrant, or security in the hands of the officer for disbursement without depositing the premium and the proceeds in the officer's accounts to the credit of the United States.

010603. Advances, Prepayments, and/or Overpayments. Except as otherwise authorized under 31 U.S.C. 3324 (reference (e)), advances, prepayments, and overpayments of public monies are prohibited. Certain advances and prepayments are permitted by this volume and Volumes 7, 8, 9, and 10 of this Regulation; Joint Travel Regulations; and Joint Federal Travel Regulations.

010604. Payments to Third Parties

A. General. Subject to the specific exceptions cited in subparagraphs 010604.B through 010604.I, below, the payment of money to a person to whom the United States is not indebted is not authorized. Also, such payment is prohibited even though the claimant to whom the amount is due requests that payment be made to another person.

B. Levy and Distraint for Delinquent Taxes. Salaries and wages of officers and employees of the U.S. Government, including all members of the Armed Forces, are subject to levy and distraint for delinquent federal taxes as prescribed by 26 U.S.C. 6331 (reference (f)). An attachment for other than delinquent Federal taxes cannot be enforced against public money in the hands of a DO and no trustee process, garnishment, or injunction can be recognized by officers of the government with respect to money due creditors of the United States.

C. Payments to Bankruptcy Trustees. A civilian employee or military member may file a chapter 7, 11, or 13 petition in bankruptcy under Public Law 95-598 (reference (g)). During the bankruptcy proceedings that follow, the Bankruptcy Court may order the individual's pay to be forwarded to the Bankruptcy Trustee. Such payments are proper, and DOs incur no additional liability as a result. If the individual is indebted to the United States as the result of a debt incurred prior to the filing of the bankruptcy petition, a setoff against the individual's pay through the date prior to the filing date of the bankruptcy petition should be effected where otherwise appropriate and authorized. The usual percentage restrictions on such a setoff are inapplicable to this situation. Debts that are not completely liquidated shall be

collected in accordance with procedures required by the Bankruptcy Act. Debts incurred after the filing of the bankruptcy petition are collected in the usual manner.

D. Successor in Interest. Payments due contractors may be made to court-appointed trustees, receivers, or other legal representatives under the conditions set forth in Volume 10 of this Regulation.

E. Assignment of Claims. Amounts due or to become due under contracts which provide for payments aggregating \$1,000 or more may be assigned under the procedures outlined in Volume 10 of this Regulation.

F. Authorized Withholdings and Allotments of Pay. Deductions from military and civilian payrolls for various purposes, such as retirement, taxes, health benefits, group life insurance, allotments, and voluntary payments for child support or alimony, and other purposes are provided for by statutory authority.

G. Drawing of Checks in Favor of Financial Organizations for the Credit of Persons' Accounts. Checks in payment of salaries and wages of military members and civilian employees may be drawn in favor of financial organizations for the credit of persons' accounts as prescribed in 31 U.S.C. 3332 (reference (e)) and Volumes 7 and 8 of this Regulation. An example would be: Merchants National Bank, Cr: Tsgt John Doe, Account Number: 346-839, Taylor, MI 04180.

★ H. Garnishment of Pay for Child Support, Alimony, and Commercial Debts. Salaries and wages of military members and civilian employees are subject to garnishment for child support and alimony as prescribed in Public Law 93-647 (reference (h)). Garnishments against civilians' salaries and wages or involuntary allotments against military members' salaries and wages for commercial debts (non-child or spousal support) are authorized as prescribed in Public Law 103-94 (reference (bn)).

I. Withholding of Contract Payments. Payment is to be made to the Department of Labor for amounts owed by contractors to employees under a contract as prescribed in Volume 10 of this Regulation.

010605. Equitable Claims. Claims which are not founded on contracts, either expressed or implied, but upon merely equitable or moral grounds, can be paid only after direct authorization by the Congress. The General Accounting Office has no authority to give credit for such payments even though they are claimed on equitable grounds.

010606. Insurance Fees. The government is self insured (or bonded); therefore, a DO or any of the agents of the DO are not authorized to insure public funds or property.

010607. Municipal Services. In the absence of specific statutory authority, a DO is not authorized to pay for municipal services such as police and fire protection if those services are required to be provided to private citizens at no cost.

★0107 PUNITIVE PROVISIONS

010701. Misuse of Public Funds

A. Disbursing Officers. DOs who convert to their own use, loan, exchange for other funds, or deposit public funds entrusted to them, except as authorized by law, are guilty of embezzlement. DOs who withdraw public funds from the Treasury Department or other public depository for any purpose not prescribed by law, or who wrongfully transfer the public funds entrusted to them, are guilty of embezzlement. Such officers are subject to fine, imprisonment, or both.

B. Agents. Individuals charged as agents who are responsible for the safekeeping of public funds and who loan, convert to their own use, deposit, or exchange for other funds, except as provided by law, any portion of those public funds, are guilty of embezzlement and subject to fine, imprisonment, or both.

010702. Failure to Deposit. Accountable individuals who have funds of the United States in their possession or under their control for the purpose of safekeeping, transfer, or disbursement, and who fail to deposit with the Treasury Department or other authorized depository as required by the Secretary of the Treasury, the Secretary of Defense, or the General Accounting Office, are guilty of embezzlement and subject to fine, imprisonment or both.

010703. Misrepresentation of Payment Amounts. Any person charged with the payment of any appropriation who pays a sum less than that required by law, and requires the recipient of the payment to receipt or give a voucher for an amount greater than what was actually paid, is guilty of an embezzlement.

010704. Failure to Render Accounts. Any officer, employee, or agent of the United States who neglects or refuses to make a report which is required at stated times by any Act of Congress or regulation, shall be subject to fine.

010705. Embezzlement of Public Funds, Property, or Records. Under 18 U.S.C. 653 (reference (i)), DOs or any other accountable individuals shall be guilty of an embezzlement if they in any manner convert funds to personal use; loan funds with or without interest; deposit public funds entrusted to them in any place or in any manner, except as authorized by law; or for any purpose not prescribed by law, withdraw from the U.S. Treasury or any authorized depository, transfer, or apply any portion of the public funds entrusted to them. Persons who embezzle, steal, or knowingly convert to their own use or the use of another; or without authority sell, convey, or dispose of any record, voucher, funds, or thing of value of the United States shall be subject to fine, imprisonment or both. Further, persons who receive, conceal, or convert such

items to their own use or gain, knowing them to have been embezzled, stolen, or converted, are likewise subject to the above punishments.

010706. Falsification of Accounts. Any DO or other accountable individual who with intent to deceive, mislead, injure, or defraud the United States or any person, makes in their accounts or records any false or fictitious entry or record of any matter relating to or connected with their duties is subject to the penalties prescribed by 18 U.S.C. 1001 (reference (i)).

010707. Withholding Pay of Persons in Arrears to the United States

A. Statutory Authority. Under 5 U.S.C. 5512 (reference (j)), the pay of individuals in arrears to the United States shall be withheld until the individuals have accounted for and paid into the U.S. Treasury all sums for which they may be liable.

B. Applicability

1. General. The law applies only to persons who have been entrusted with public funds and who have failed to account for those funds. It does not apply to ordinary debtors of the United States. The fact that charges of embezzlement or other crimes or negligence are not brought against a person in connection with a deficit of public funds does not, of itself, serve to remove the requirement that the person restore the amount for which they are accountable. The findings of a court are not necessarily conclusive as to the amount of the shortage for which the person is accountable. Persons accountable for public funds are accountable for the total of such funds in their possession, in cash or in valid documents representing cash. The portion of such funds which they cannot produce or satisfactorily account for, comprises the amount of the shortage for which they may be held liable.

2. Military Personnel. For instructions covering the withholding of the pay of military personnel in connection with a deficit of public funds or public property, see Volume 7 of this Regulation.

3. Civilian Employees. For instructions covering the withholding of the pay of civilian personnel in connection with a deficit of public funds and public property see Volume 8 of this Regulation.

C. Right of Setoff. The right of setoff shall govern all cases in which a person is both creditor and debtor to the government in any form as prescribed in 31 U.S.C. 3702 and 31 U.S.C. 3728 (reference (e)).

010708. Conspiracy to Defraud the Government. Any person who enters into any agreement or conspiracy to defraud the United States by obtaining or aiding to obtain the payment or allowance of any false, fictitious, or fraudulent claim shall be subject to fine, imprisonment or both as prescribed by 18 U.S.C. 286 (reference (i)).

010709. False, Fictitious, or Fraudulent Claims

A. Penalty. Whoever makes or presents to any person or officer in the civil or military service of the United States, or to any department or agency thereof, any claim upon or against the United States, or any department or agency thereof, knowing such claim to be false, fictitious, or fraudulent, shall be fined, imprisoned, or both as prescribed by 18 U.S.C. 287 (reference (i)).

B. Forfeiture of Unpaid Claims. Under 28 U.S.C. 2514 (reference (k)), a claim against the United States shall be forfeited to the United States by any person who corruptly practices or attempts to practice any fraud against the United States in the proof, statement, establishment, or allowance thereof. Fraudulent claims against the United States may be submitted in connection with civilian and military pay and allowances, contracts and purchase orders, reimbursement of personal funds expended on official business around the permanent duty station, loss and damages, as well as temporary duty and permanent change-of-station travel. A separate determination of fraud shall be made for each item individually claimed on the appropriate claim form.

C. Paid Claims. The forfeiture of claims described above has no application to a claim which has been paid or to the recovery of monies paid out as a result of fraud. However, in any case where payment of an item of pay or allowances is wrongfully obtained, whether through fraud, misrepresentation, or otherwise, such payment is an illegal, incorrect, or improper payment and shall be recouped as prescribed by 28 U.S.C. 2514 (reference (k)) and 41 Comptroller General Decision 285 (1961) (reference (l)).

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Figure 2-1. Sample TFS Form 5583, Signature Card

Figure 2-2. Sample TFS Form 3023, Specimen Signatures

Figure 2-3. Sample SF 1219, Statement Of Accountability (Final Upon Relief)

Figure 2-3. Sample SF 1219, Statement Of Accountability (Reverse)

CHAPTER 2

DISBURSING OFFICES, OFFICERS, AND AGENTS0201 ESTABLISHMENT OF A DISBURSING OFFICE

020101. Request for Establishment. Except for tactical disbursing activities, a disbursing office will be established only with the concurrence of the Director, DFAS. Tactical disbursing activities will be activated, organized, reorganized, deployed or inactivated by the applicable Military Service with advice to the servicing DFAS Center. All requests to establish disbursing offices at new activities, or at activities receiving disbursing service from another source shall be submitted by memorandum through the requesting activity's chain of command to the servicing DFAS Center.

020102. Information to be Included in the Request. All requests for establishment shall include the following information:

- A. Reason establishment of the office is considered necessary.
- B. Prospective workload of office in terms of number of military personnel to be serviced, civilian personnel to be paid, and commercial vouchers to be settled. If military or civilian personnel are to be paid, include information on the automated payroll system proposed for the activity.
- C. Proposed date for establishment.
- D. Name, location, and distance to the nearest FRB or branch. If there is no FRB or branch within a reasonable distance of the proposed office, the name, location, and distance to the nearest general depository, if any, should be furnished.
- ★ E. Estimated number of U.S. Treasury checks required for the first year of operation and whether checks will be procured through normal requisition or if an emergency supply will be required.
- F. Name, Social Security number (SSN), and rank or grade of proposed DO, if known.
- G. Estimate of monthly cash requirements.
- H. Include information on any other automated disbursing system planned to be implemented in the disbursing office.

020103. Recommendation by DoD Component Commander. When the establishment of a disbursing office is considered necessary for the efficient functioning of the activity, the DoD activity commander shall endorse the request to indicate concurrence and provide any additional information considered necessary. In all cases, the DoD activity commander should provide justification stating why an additional disbursing office is required and why the disbursing operation cannot be conducted by an existing disbursing activity.

020104. Approval for Establishment. The servicing DFAS Center will review the request and recommendations; obtain concurrence or non-concurrence from DFAS Headquarters for non-tactical disbursing activities, take necessary actions to obtain a DSSN from the Treasury Department; and, advise the commander whether establishment of the requested disbursing office is authorized.

020105. Disbursing Station Symbol Number (DSSN)

A. Assignment. The servicing DFAS Center shall obtain a DSSN from the Treasury Department for all approved disbursing activities. The commander will be advised of the assigned DSSN when notified that establishment of the disbursing office is authorized.

★ B. Change in Designation or Location. The disbursing office shall keep the assigned DSSN until revoked or rescinded by the servicing DFAS Center. Any proposed changes in the designation or location (mailing address) of the activity subsequent to the assignment of the DSSN, must be coordinated with the Department of the Treasury, Check Reconciliation Branch, Financial Management Service, via the servicing DFAS Center.

C. Usage of DSSN. The DSSN shall appear on all payment and collection vouchers, on U.S. Treasury checks, and on limited depository checks.

★ 020106. Reporting Activation of a Disbursing Office. The DO who activates a disbursing office shall notify the Department of the Treasury, Check Reconciliation Branch, Financial Management Service via the servicing DFAS Center by memorandum immediately upon commencement of disbursing operations. Also, provide a copy of the memorandum to DFAS-Disbursing and Cash Management Office (DB), Kansas City, MO 64197-0030. The memorandum shall include the name of the activity, the DSSN assigned, the name and rank or grade of the DO, and the opening date of the account.

020107. Employer Identification Number (EIN). DOs shall obtain, from the local Internal Revenue Service office, an EIN for reporting tax information.

020108. Equipment, Publications, and Blank Forms

A. Check-signing Machines. DOs are authorized to use check-signing machines. An activity issuing more than the prescribed minimum of 2,000 checks per month may procure/obtain and use such a machine commensurate with their work load. DOs issuing

less than the prescribed minimum of 2,000 checks per month may request approval from the servicing DFAS Center to procure (obtain) and use a check-signing machine. See Chapter 7 of this volume for machine specifications, signature plate requirements, and ordering procedures.

B. Publications. It is essential that publications which govern the operation of a disbursing office be kept current and remain in the office for reference purposes. Posting of all changes received shall be made promptly.

C. Supply of Blank Forms. An estimate of the type and quantity of blank forms necessary to sustain the actual or anticipated volume of business shall be prepared. The estimate shall be updated periodically to avoid stockpiling of seldom used forms.

D. Miscellaneous Office Supplies. Miscellaneous office supplies such as rubber stamps and stationery shall be requisitioned using normal supply procedures.

0202 DEACTIVATION OF A DISBURSING OFFICE

020201. Permanent Deactivation (Closure)

A. General. The policies and procedures in this section shall be followed when a disbursing office is deactivated.

B. Designation of a Settlement Office. The servicing DFAS Center shall be responsible for designating another disbursing office to handle any uncleared transactions for the deactivating office after deactivation has occurred. This designated disbursing office hereafter shall be called the settlement office.

C. Notification of Deactivation. The DO shall notify all affected activities upon deactivation of a disbursing office, as follows:

1. Notify all affected activities, agencies, commercial concerns (including depositories when applicable), and individuals of the date of the deactivation of the disbursing office and the name and location of the settlement office to which all accounts will be transferred.

2. Notify the Treasury Department through the servicing DFAS Center that the DSSN is being deactivated. Indicate in the memorandum the date of deactivation, the office to which the accounts and records have been forwarded for settlement, and the last check number issued under the deactivated symbol. Include the date and check number of the last check signed by each deputy in cases where a separate series of checks is assigned to deputies at branch disbursing offices. Also, provide a copy of the memorandum to DFAS-DCMO/DBA, Kansas City, MO 64197-0030.

★ 3. Once a DSSN has been deactivated, it may only be used for settlement purposes. If the DSSN is ever to be reopened, the DO must request and receive U.S. Treasury approval for reactivation as described in paragraphs 020105 and 020106. The Treasury Department must assign a new check range.

★ 4. Request the commander to terminate the appointment of all agents that the commander was responsible for appointing.

★ 5. Terminate all deputy, agent, and cashier appointments.

★ 6. Request the commander terminate the DO's and all agents' authority to hold cash at personal risk.

★ 7. Clear all outstanding agent, imprest fund cashier, and change fund custodian advances.

D. Deposits. Deposit all currency, coin, negotiable instruments, and limited depository account balances to the credit of the U.S. Treasury on an SF 215 (Deposit Ticket).

E. Deposit Fund Account Balances. Transfer to the designated settlement office any balance in a deposit fund account which could not be cleared prior to deactivation of the disbursing office. A detailed list of the persons owed or funds to be reimbursed along with any documents or backup information shall be submitted with the SF 1081 (Voucher and Schedule of Withdrawals and Credits) to the settlement office. The SF 1081 shall be used to adjust the general ledger for the amount of funds transferred.

F. Undeliverable Checks. The DO shall cancel all undeliverable checks. Checks forwarded by other DOs that are undeliverable will be returned to the forwarding DOs for cancellation.

G. Blank Treasury Check Stock. The DO shall destroy all remaining blank check stock as prescribed in Chapter 8 of this volume and report the checks on the SF 1179 (Month End Check Issue Summary) and level 8 check issue report as VOIDS (zero dollar value issues).

H. Blank Bond Stock and Validating Stamps. The DO shall send all unused blank bonds and validating stamps directly to the FRB from which the bonds were received and shall notify the FRB that the bond issuing agent's appointment has been terminated.

I. Undelivered Bonds. The DO shall dispose of all undelivered savings bonds as prescribed in Chapter 23 of this volume.

J. SF 1219 (Statement of Accountability). When a disbursing office is deactivated the DO shall prepare and submit an SF 1219 covering the period from the first day of the accounting period through the close of the last business day and marked **FINAL**.

K. SF 1179 (Month End Check Issue Summary). When a disbursing office is deactivated the DO shall prepare and submit an SF 1179 covering the period from the first day of the accounting period through the close of the last business day and marked **FINAL**. The SF 1179 shall include all checks issued during the accounting period as well as all blank check stock which must be destroyed and reported as VOIDS (zero dollar value issues) as prescribed in chapter 8 of this Volume.

L. Check Signing Machine. If any of the disbursing office equipment is in excellent condition, the DO shall notify the servicing DFAS Center so that the Center can advise other disbursing offices of the equipment available. Every effort should be made to transfer useable equipment to another disbursing office where it can continue to be utilized. If no other disbursing offices need the equipment, the DO shall turn over the equipment to the servicing property disposal office. See Chapter 7 of this Volume for disposition of signature plates.

M. Retained Records. The DO shall send the retained records to the designated settlement office as prescribed in Chapter 22 of this volume.

Note: DOs preparing an office for deactivation have a responsibility to ensure that no discrepancies exist in their accountability. The servicing DFAS Center reviews all accounts transferred to settlement offices and has the authority to order collection action to be taken against the relieved DO who submitted a disbursing account to a settlement office with unresolved deficiencies in accountability (i.e., dishonored personal checks, unconfirmed deposits, physical losses of funds, and unresolved open debit items in **F3875 and **F3880 clearing accounts) for which no relief or corrective action was taken.

020202. Temporary Deactivation. Occasionally, temporary deactivation of a disbursing office is necessary. For example, a ship undergoing extensive overhaul for a period of several months may arrange for disbursing service from a shore activity. In order to eliminate the necessity of submitting monthly financial and checking account reports during the period of inactivity, the DO shall deposit all currency, coin, and negotiable instruments; close the limited depositary checking account, if applicable; properly dispose of all undeliverable checks; submit the memorandum required for deactivation of disbursing offices with additional information that the account is closed only on a temporary basis; and, retain blank U.S. Treasury check stock for use when the disbursing operation is reactivated. Inventory and storage requirements specified in chapter 7 of this Volume apply. The disbursing account may be reopened at any time under the same DSSN by submitting the report of commencement of disbursing operations. Note: A disbursing account cannot be temporarily closed if any cash or documents representing cash are on hand. Any assets on hand, including deficiencies such as dishonored checks or losses of funds require submission of the monthly SF 1219.

★0203 DISBURSING OFFICERS, DEPUTIES, AND OTHER ACCOUNTABLE POSITIONS**020301. Persons Authorized to Have Custody of Public Funds**

A. General. To ensure proper security and accounting for public funds and fix responsibility for custody and authorized disposition, it is necessary to limit the number of persons who are authorized to receive, maintain custody, and disburse or otherwise dispose of public funds.

B. Accountable Positions. Except as otherwise specifically provided, the function of regularly receiving and maintaining custody of public funds shall be performed only by DOs and their duly appointed deputies, agents, and cashiers in respect to all public funds; personnel designated to distribute salary checks or savings bonds; and individuals appointed by the commander as imprest fund cashiers, collection agents, change fund custodians, or paying agents in connection with functions which are not the direct responsibility of a DO.

C. Exceptions

1. General. It is not required that every person who may, on occasion, receive or maintain custody of public funds be designated formally to fill one of the positions listed in subparagraph 020301.B, above. Public funds may be received at times, at locations, and under circumstances which preclude any advance arrangement for their receipt and at some activities collections are so infrequent that it is impracticable to have a formal designation in effect. When funds are received by other than those individuals formally designated, it is required that the funds be forwarded promptly to the DO serving the activity or to another individual formally designated to receive them. DOs and agents responsible for property and the funds derived therefrom need not formally designate all or any substantial number of their subordinates to receive or maintain custody of public funds even though the entire staff of the activity performs functions closely associated with public funds. It is sufficient that formal designations be made for those individuals who regularly receive and maintain custody and control of public funds and who have the opportunity to act independently in respect to the custody, movement, and disposition of such funds.

2. Specific Exceptions. Individuals who perform only the following functions in connection with public funds shall not be appointed formally to an agent position:

- a. Sales personnel in retail outlets and mess cashiers.
- b. Mailroom employees and messengers who may handle public funds on occasion in connection with their regular duties.

c. Personnel receiving public funds exclusively in the form of checks drawn payable to a DoD Component.

d. Personnel who handle funds as assistants to holders of accountable positions but who do not sign receipts holding themselves accountable for the funds.

020302. Restrictions on and Exceptions to Duty Assignments of Individuals Handling Public Funds

A. Restrictions. Individuals performing duties as disbursing agents, cashiers, paying agents, collection agents, change fund custodians or imprest fund cashiers involving the custody or disbursement of public funds shall not be concurrently appointed to other accountable positions involving the handling or custody of or accountability for other funds.

B. Exceptions

1. Disbursing officers at DFAS Centers and consolidated OPLOCs may hold more than one DSSN. Each deputy appointed by the DO may serve as a deputy under one or more of the DSSNs assigned to the appointing DO. Likewise, a DO holding one or more DSSNs may serve concurrently as the deputy to one or more other DOs.

2. Disbursing officers aboard Navy vessels also may serve concurrently in other accountable positions such as ship's store officer or food service officer when the ship's manpower authorization does not provide supply corps officers for each accountable function.

3. When directed by appropriate authority in accordance with law and regulation, it shall be the duty of DOs aboard Navy vessels to accept, safeguard, account for, and dispose of personal funds and valuables received for safekeeping.

020303. Additional Duties. Except as specifically authorized in this volume, DOs shall not be assigned the additional duties of order approving authority, certification officer for claims for reimbursement and contingency funds, custodian of any fund, or other conflict of interest assignments.

020304. Appointment of a Disbursing Officer

A. Military Billet. When a military DO billet is approved, orders to the designated officer will be issued by the Component manpower center or local commander, as appropriate. A copy of the orders assigning military DOs and the required specimen signatures shall be provided to the servicing DFAS Center. Generally, a DO shall be an officer. However, the servicing DFAS Center may approve the appointment of senior enlisted personnel as DOs at smaller DSSNs.

B. Civilian Position. To be eligible for appointment as a DO, a civilian employee must have:

1. Experience as a DO or deputy; or,
2. Completed or agree to complete specific disbursing officer training courses or schools.

Grade levels of civilian DO positions shall be determined in accordance with standards established by the Office of Personnel Management. Appointment of a civilian employee as DO is accomplished by the commander in a formal Letter of Appointment. A copy of the Letter of Appointment and the required specimen signatures shall be forwarded to the servicing DFAS Center.

C. Qualifications. Civilian appointees must be U.S. citizens.

020305. Deputy Disbursing Officer

★ A. Request for Establishment of Deputy Positions. Except for DoD Component disbursing activities, the establishment of all deputy positions shall be approved by the servicing DFAS Center. The establishment of deputy positions for DoD Component disbursing activities shall be approved by the appropriate DoD activity commander. A DO normally should request at least one deputy DO position. The DO shall personally sign all requests for deputy DO positions. From a security standpoint, excessive numbers of individuals should not be allowed to have access to public funds. Commanders shall take appropriate steps to ensure that only the minimum number of deputy positions are requested at disbursing activities under their jurisdiction. The request for establishment of a deputy position shall include the circumstances that support the requirement for a deputy position. The request shall include:

1. The specific location where the deputy will serve.
2. The number of other deputies already serving.
3. The specific duties to be performed by the deputy.
4. An estimate of the monthly value of funds to be advanced, collected, and disbursed by the deputy.

B. Approval of Positions. The servicing DFAS Center shall advise the commander of the approval or disapproval of deputy positions in writing.

★ C. Eligible Individuals. Any officer, enlisted member, or civilian employee satisfactory to the DO may be appointed to the position of deputy DO. As prescribed in

paragraph 010506, separation of duties shall be maximized to comply with DFAS 5010.38-R, Internal Management Control Program.

D. Appointment. Deputy DOs are appointed by the DO with a formal letter of appointment addressed to the individual. The letter shall state the specific duties authorized to be performed by the deputy and include the statement "I acknowledge that I am strictly liable to the United States for all public funds under my control"; and a statement that the individual has been counseled as to the pecuniary liability and has been given written operating instructions. The appointee shall acknowledge acceptance of the appointment on the original and all copies of the letter of appointment. A copy of the letter of appointment with the required specimen signature forms and a copy of the approved request for establishment of the deputy position shall be provided to the servicing DFAS Center. These copies will be maintained along with the disbursing officer files.

E. Termination of Appointment. The DO may revoke the appointment of a deputy at any time for any reason. When the DO is relieved from disbursing duties, the appointment of all deputies shall be revoked by the DO. In all cases, the revocation of the deputy's appointment shall be by memorandum addressed to the deputy. A copy of the memorandum shall be forwarded to the servicing DFAS Center. If another individual will succeed the deputy, a copy of the letter of appointment and the required specimen signatures for the new deputy shall be forwarded with the copy of the memorandum of revocation.

020306. Submission of Signature Card and Specimen Signatures

A. Official Signature. Prior to commencing disbursing operations, a DO and all appointed deputies shall determine which of their given names or initials will comprise their official signature. This official signature shall be used on all checks, vouchers, official papers, and correspondence pertaining to the DoD, the General Accounting Office, and the Treasury Department. The official signature shall be furnished to the servicing DFAS Center by completion of the TFS Form 5583 (Signature Card) and TFS Form 3023 (Specimen Signatures). The signature on the TFS Form 5583 shall be certified by an officer whose signature is recorded with the servicing DFAS Center. The completed forms shall be forwarded to the servicing DFAS Center for recording. A permanent dark blue, blue-black, or black ink shall be used for manual signatures. The ink should not be subject to fading and not readily soluble in water. See figures 2-1 and 2-2. In addition to the above, three specimen official signatures are required to procure a signature plate. See subparagraph 070402.A for specific guidance.

B. Official Signatures to Other Depository. If checks are to be drawn on a depository other than the U.S. Treasury, the DO's official signature (as well as that of the deputy, if authorized to sign depository checks) shall be furnished to the depository. The forms shall be duly certified by an officer whose signature is known to the depository.

C. Change of Official Signature. The official signature of a DO or deputy, as provided to the servicing DFAS Center, shall not be changed without the written authority of the DFAS Center.

D. Furnishing Additional Signatures When Transferred to a New Station. It ordinarily will not be necessary to furnish another TFS Form 5583 on resumption of disbursing duty at a different disbursing activity since the original TFS Form 5583 becomes a permanent part of the servicing DFAS Center's records. However, since an individual's signature often changes over a period of years, the servicing DFAS Center may request additional signatures. When a DO or deputy frequently changes disbursing offices, the supply of specimen signatures furnished on TFS Form 3023 may become exhausted since a specimen signature is filed under each DSSN used and specimen signatures are furnished to different banks on request for their use in cashing and processing checks and savings bonds. In this event, the servicing DFAS Center may request a DO or deputy to furnish an additional TFS Form 3023.

0204 COMMENCING AND RELIEF FROM DISBURSING DUTY

020401. Commencement of Disbursing Duty. A DO who activates a new disbursing office, reactivates a disbursing office that has been temporarily closed, or relieves another DO will forward a memorandum to the servicing DFAS Center immediately upon commencement of disbursing duties. The memorandum will include the name of the activity, the DSSN assigned, the name and rank or grade of the DO, the opening date of the account; the beginning and ending serial number of all blank Treasury checks; and, if applicable, the name and rank or grade of the relieved DO. For Navy DOs, a copy shall also be forwarded to the DFAS operating location to which the financial reports will be submitted.

020402. Relief From Disbursing Duty

A. Joint Action by Both the Relieved and the Relieving DO. Upon reporting for disbursing duty as relief of the DO, a date upon which relief actually will be effected shall be established (subject to approval by the commander). If possible, relief should take place on the last day of the month to eliminate the necessity of submission of two sets of financial reports in the same month. On the date relief is to take place, the following actions shall be taken by both the relieved and the relieving DOs:

1. Verify cash on hand.
2. Verify all other documents that support the SF 1219 as assets.
3. Verify and inventory all blank U.S. Treasury checks and prepare a letter of transfer of the checks. Both the relieved and the relieving DOs shall sign the transfer receipt document. The relieving DO is responsible for reporting all checks issued by the relieved officer that were not reported to the Treasury prior to the transfer of accountability and for resubmitting any rejected tapes containing data on checks issued by the relieved officer.

Therefore, the check numbers for which the relieving officer receipts should be included in the commencement of disbursing duties announcement memorandum. The first check in the series shall be the next sequential number after the last check listed on the relieved officer's last check issue report. The last check receipted for should be the same as the last check number previously ordered and received by the relieved officer. Any checks missing or out of numerical sequence should be researched immediately and voided if necessary.

4. Verify postal money orders on hand, if applicable.

5. Verify safekeeping deposits, if applicable.

6. Verify blank savings bond stock and validating stamps (if machine equipment is not used) and prepare a letter of transfer, if applicable. Both the relieved and relieving officer shall sign the transfer receipt document. Notify the FRB from which the savings bonds were received by forwarding a copy of the letter of transfer to the FRB.

7. When local regulations require, prepare a memorandum of relief for submission to the commander.

★ 8. Verify and transfer all backup documentation for open balances in deposit fund account **F3880. The Treasury Financial Manual, Volume 1, Part 4, paragraph 7070.55, requires that these accounts be cleared to the proper appropriations or funds as expeditiously as possible. For deposit account **F3880, the relieved DO must present a detailed list of individual subsidiary transactions supporting documentation or backup information and current status. Documented evidence must include certification that the DO or primary deputy personally reviewed the balances in the account within the last month as required by Chapter 8 of this volume.

B. Action by Relieved DO. Upon relief from disbursing duty, the following actions are required to be taken by the relieved officer:

1. Terminate all deputy, agent, and cashier appointments and clear all related DD Forms 1081.

2. Transfer all money accounts, books, property, vouchers, and other retained records to the relieving officer.

3. Prepare and submit a final SF 1219. The relieving DO shall sign a certificate of acceptance of total accountability on the SF 1219 as prescribed in Chapter 5, paragraph 050602. See figure 2-3.

4. Forward a copy of the relieving DO's commencement of disbursing duty memorandum (including copies of all the letters of transfer of the total accountability) with the final SF 1219 to the activity to which financial reports are submitted.

5. Prepare and forward a memorandum to the servicing DFAS Center advising the date and check number of the last check issued.

6. If it is anticipated that the signature plate will be used at a subsequent duty station, forward the plate to the servicing DFAS Center for safekeeping.

7. When a signature plate is withdrawn from service and is not to be used again, it shall be delivered to the servicing DFAS Center for destruction. When the plate has been destroyed, a properly executed certificate identifying the specific plate and date of destruction shall be furnished to the relieved DO.

8. Transfer custody of the check signing machine to the relieving officer, if applicable.

9. Verify balances in suspense accounts are properly documented.

10. A final accounting for savings bonds shall be made to the FRB if the DO is also designated as a bond issuing agent.

C. Action by Relieving DO. The provisions in this subparagraph pertain to the relieving DO upon transfer of accountability from the relieved officer. The relieving officer shall insure that all actions listed in this section are accomplished, documented, and verified prior to signing for the accountability. The actions listed below summarize the actions to be taken by a relieving DO prior to reporting to the new disbursing activity as well as actions required as part of the relief process:

1. Upon receipt of orders to disbursing duty, furnish specimen signatures to the servicing DFAS Center by completing TFS Forms 5583 and 3023. If signatures previously have been furnished as DO or deputy DO, submission of new specimen signatures is not required unless specifically requested or a change of official signature is desired. If, however, the relieved officer has a limited depository checking account, then specimen signatures shall be provided to the limited depository.

2. Contact the disbursing activity to determine if a check-signing machine is in use. Obtain all necessary information about the machine (e.g. make, model, and number of plates required). If the relieving officer has never had a signature plate, then provide specimen signatures to the servicing DFAS Center and request that it order the required plates in sufficient time to arrive prior to the actual date of relief. If a signature plate which is compatible with the check-signing machine is in safekeeping at the DFAS Center, then request that it be sent to the new disbursing office. If signature plates cannot be received or obtained prior to the actual date of relief, the relieving DO may request the servicing DFAS Center to authorize the use of the relieved DO's signature plates until new plates are received. This procedure is to allow continued efficient operations of the disbursing office. Under this procedure, pecuniary liability

for improper payments made on or after the date of assuming responsibility rests with the relieving DO.

3. Submit a memorandum of notification announcing the commencement of disbursing duties to the servicing DFAS Center.

4. Request appointment as a bond issuing agent, if required.

5. Appoint at least one deputy DO and submit the required copies of the appointment and signature cards to the servicing DFAS Center. Also, appoint agents, cashiers, and other internal designations as necessary.

6. Verify the adequacy of the safekeeping facilities for funds, blank checks, bonds, and other accountable documents. If the facilities are inadequate, report the deficiencies to the commander and request that proper facilities be provided.

7. Change the combination of all safes including those assigned to other accountable individuals.

8. Review on hand cash requirements. If the current cash authority continues to be valid, it may be retained by the new DO until the normal resubmission date. If not acceptable, a new cash holding authority shall be resubmitted by the new DO as soon as possible after taking over the account.

9. Order all required official publications not on hand.

10. Notify all serviced activities, agencies, commercial concerns, and individuals of the account holder change.

0205 CHANGE IN THE STATUS OF DISBURSING OFFICERS OR DEPUTIES

020501. Authorized Absence of DOs or Deputies at Branch Offices. During an authorized absence, the DO remains liable for the account until or unless the DO is officially transferred. The account need not be transferred unless, in the DO's judgment, the ability to effect proper supervision is impaired. The DO shall maintain an adequate system of controls to avoid errors and to take appropriate steps to ensure the implementation and effectiveness of those controls. In order for relief of liability to be granted, the DO shall show clearly what the procedures were and how they were implemented during the absence (e.g., the record shall show that any loss incurred was not the result of bad faith or lack of reasonable care).

020502. Death, Incapacity, or Removal of a DO from Duty for Cause

A. General. When a DO dies, is incapacitated, or is removed from disbursing duty for cause (including unauthorized absence), the deputy is authorized under 10 U.S.C. 2773

(reference (b)), to continue to disburse in the name of and under the accounts of the DO for a period of time not to extend beyond the last day of the second month following the month of death, incapacity, or removal. If there is more than one deputy, the commander shall designate one deputy as authorized to disburse in the name of the DO.

B. Responsibility of the Commander. The commander shall take the following action:

1. Seize and seal all disbursing spaces, keys, property, and safe(s) to ensure the security of the funds, property, and spaces involved.

2. Appoint a board of not less than three disinterested but qualified officers to take an inventory of the vouchers, funds, and property then on hand (see subparagraph 020502.C, below).

3. Based on the disbursing needs of the activity, take one of the following actions:

a. Appoint a suitable person to act as custodian of the vouchers, funds, and property of the disbursing office (see subparagraph 020502.D, below).

b. Appoint a suitable person (normally a deputy DO) to take charge of the vouchers, funds, and property involved and to perform the duties of the DO as Acting Accountable DO until a regular relief reports (or is appointed) or until the last day of the second month following the date of death, incapacity, or removal (see subparagraph 020502.E, below).

4. Notify the servicing DFAS Center by message of all actions taken. Provide an information copy to DFAS Headquarters, and for Navy disbursing offices, the applicable OPLOC receiving the DO's financial reports.

C. Responsibility of the Inventory Board. The board of officers appointed as prescribed in paragraph 020502.B.2, above shall take a complete inventory of all public funds, including advances to deputies, agents, and cashiers; vouchers evidencing receipt, transfer, or disbursement of funds; safekeeping deposits, if applicable; and property of the DO in the presence of the immediate custodians and the appointed custodian, acting accountable DO, or relief. All official records shall be verified to determine that the cash on hand is in agreement with the records and that all checks used in the current accounting period have been properly accounted for. Blank checks also shall be inventoried to determine if there are any blank checks missing. In the event a shortage or deficiency is discovered, the commander shall take the actions prescribed for losses of funds or deficiencies in the DO's account as prescribed in Chapter 6 of this volume. An original and four copies of the inventory shall be prepared and certified by all members of the board as a true and accurate inventory. The board of officers shall turn over to the appointed custodian, acting accountable DO, or relief, all public funds and property certified

on the inventory. The custodian, acting accountable DO, or relief shall receipt the original inventory and retain a copy. The original of the inventory shall be turned over to the commander by the board and each member of the board shall retain one of the remaining certified copies.

D. Responsibility of the Custodian. The custodian shall assume custody of the public funds and property held by the DO upon receipting on the original of the inventory. No transactions other than collections shall be conducted. Upon the return of the incapacitated DO or reporting of a new permanent DO as relief, the custodian and the DO shall inventory and transfer all vouchers, funds, and property as prescribed for relief procedures.

E. Responsibility of the Acting Accountable DO (Deputy). When authorized by the commander to continue the accounts of a DO as acting accountable DO, the deputy shall perform all official duties that would have been required of the DO. The deputy shall prepare and submit financial reports for the DO as of the date of the death, incapacity, or unauthorized absence of the DO. Only those vouchers actually paid by the former DO shall be included in the reports. The reports shall be submitted in the name of the former DO by the deputy; i.e., "John Hancock by G. C. Garland." The reports shall include information as to the date of death, incapacity, or unauthorized absence and the fact that transactions included were made by the DO. Vouchers for which checks have been drawn but not delivered shall be included in the first of the subsequent reports covering transactions made by the deputy. Subsequent financial reports shall be submitted at the normally prescribed times in the name of the former DO; shall be signed by the deputy as indicated above; and shall include an explanation that the reports include only transactions made by the deputy under authority of this subparagraph subsequent to the death, incapacity, or unauthorized absence of the former DO. The financial reports of transactions performed by an acting accountable DO shall not be merged with those of the officer for whom appointed, or with those submitted by the regular relief after the regular relief assumes duties. All checks drawn by the deputy should be signed in the manner normally used when the deputy signs checks. However, if the volume of checks warrants, the signature plate of the former DO may be used. The deputy, not the former DO or the estate of the former DO, shall be legally liable and responsible for all payments and official acts subsequent to the death, incapacity, or removal of the DO.

F. Responsibility of the Relief. If the commander appoints an individual as DO to relieve the deceased, incapacitated, or removed DO, the relieving officer shall be responsible for performing all actions required in section 0204 of this chapter. The relieving DO shall be responsible for rendering financial reports in his own name the same as any other DO.

G. Administration of the Accounts of an Incapacitated or Removed for Cause DO. The rights of a deceased, incapacitated, or removed DO, as well as the custodian, acting accountable DO, or relief shall be fully protected so that, in the event of differences discovered during settlement of the accounts, the responsibility may be assigned to the appropriate individual. The acting accountable DO or relief shall take the actions necessary to complete the vouchers, close the accounts, maintain custody of records, and render the final reports of the

former DO. Documents prepared in connection with the administration and settlement of the accounts of a former DO shall be signed as follows:

(Name of Disbursing Officer)

By _____
Acting (appointed per 10 U.S.C. 2773)

The commander may allow an incapacitated or removed DO a reasonable time to close the disbursing accounts and render the final accountability reports. If a DO is restored to duty following arrest, suspension, or other incapacity, the commander shall direct that a second inventory be taken by the restored DO and the custodian, acting accountable DO, or relief. The DO restored to duty or the relief shall be accountable only for the vouchers, funds, and property on hand when the inventory is taken. The custodian, acting accountable DO, or relief shall be accountable for all vouchers, funds, property, and transactions which took place from the date the original inventory was receipted.

H. Deputy at Branch Disbursing Office. In the event of the death, incapacity, unauthorized absence, arrest or other emergency absence of a deputy at a branch disbursing office, the DO shall be advised by the most expeditious means available. Depending upon the circumstances, the DO shall request the commander of the activity at which the branch office is located to appoint a board to take an inventory of the vouchers, funds, and property of the deputy and appoint a suitable person to take custody of the vouchers, funds, and property until inventory can be taken by the DO. If practical, the DO shall take an inventory of the vouchers, funds, and property in the presence of a competent witness.

0206 AGENTS OF DISBURSING OFFICERS

020601. General. Officers, enlisted members, or civilian employees satisfactory to the appointing officer, may be appointed to the position of disbursing agent, cashier, or paying agent. From a security standpoint, it is undesirable to allow excessive numbers of individuals to have access to public funds. Commanders and DFAS Centers shall take appropriate steps to ensure that only the minimum number of accountable positions are authorized at activities under their jurisdictions. Examination and inspection teams should review the number of accountable positions in use at disbursing activities and include comments and recommendations, as appropriate, in the report of examination or inspection. Accountable positions as agents of disbursing officers shall be established and approved locally by the commander. The individuals shall be appointed in writing by the appropriate appointing official as explained in the following paragraphs for each specific type of position. In all cases, the letter of appointment shall include the specific duties and limitations, effective date, duration of the appointment, and the name of the individual being relieved, if any. The appointed individual shall acknowledge appointment and acceptance of the position on the original and all copies of the letter of appointment and shall include the statement "I agree to hold myself accountable to the United States for all public funds

received." Letters of appointment shall be maintained in a permanent file at the activity to show the successive holders of each position and shall be retained for a period not less than 6 months after the individual ceases to serve in the position. Appointments as agents of disbursing officers are effective only while the DO continues to serve as DO of that activity. Appointments as agents of disbursing officers may be revoked by the appointing officer at any time. The revocation shall be in writing and shall include the effective date of the revocation. Except as provided in this volume, individuals appointed as agents of DOs are not authorized to serve concurrently in any other accountable position and shall not be charged with the handling or custody of any other funds.

020602. Disbursing Agents

A. Duties and Responsibilities. A disbursing agent is an agent to the DO who has not been appointed as a deputy DO. Normally, a disbursing agent operates a permanently located disbursing office of considerable size (i.e., most functional areas such as military pay, civilian pay, material, commercial services, etc., being present) that is geographically separated from the DO's office. In some instances a one or two person disbursing agent office may be established. However the use of disbursing agents is not restricted to geographic separation from the DO. Unlike the DO, or deputy DO, a disbursing agent cannot sign/issue Treasury checks (unless the appointment is changed from disbursing agent to deputy DO). See paragraph 020305, Deputy Disbursing Officer. A disbursing agent prepares disbursement and collection vouchers as an agent of the DO. Such vouchers become part of the DO's overall accountability.

B. Establishment of Position. Disbursing agent positions are established in writing by the major command or Defense Agency. When the duties of the position include the authority to sign/issue Treasury checks, see paragraph 020305.

C. Appointments to Position. The commander shall make written appointment of the individual who will fill the established disbursing agent position. The letter of appointment shall be issued in an original and two copies and shall contain the name and rank or grade of the agent; office where duties are to be performed; description of duties or job description to be performed; effective date of the appointment; acknowledgement of acceptance of the appointment and the statement "I agree to hold myself accountable to the United States for all public funds received"; and a statement that the individual has been counseled as to the pecuniary liability and has been given written operating instructions. This appointment must be coordinated with the parent DO.

020603. Cashiers

A. Selection Procedure. An officer, enlisted member, or a civilian employee, with working knowledge of the cash functions and operations, may be designated as cashier. The DO or disbursing agent should make a thorough investigation of the selectee to ensure that the individual is of unquestionable integrity. To accomplish this the DO or disbursing agent should examine personnel records and talk to the individual and other persons as necessary. In addition,

a credit report should be obtained if the service is available. Costs associated with obtaining a credit report are a valid charge to Operations and Maintenance (O&M) funds available to the DO. Credit reports shall be adequately safeguarded.

B. Duties and Responsibilities. Duties include disbursing, collecting, and accounting for cash. The cashier may also perform other duties as required, concerning the receipt, custody, safeguarding, and preparation of checks and U.S. savings bonds. To facilitate training and effectively utilize personnel, cashiers may perform other duties on days when they do not perform cashier functions.

C. Letter of Appointment. Cashiers shall be appointed in writing by the local DO or disbursing agent. The letter of appointment shall be issued in an original and two copies and shall contain the name and rank or grade of the cashier; office where duties are to be performed; description of duties or job description to be performed; effective date of the appointment; acknowledgement of acceptance of the appointment and the statement "I acknowledge that I am strictly liable to the United States for all public funds under my control"; and a statement that the individual has been counseled as to the pecuniary liability and has been given written operating instructions.

D. Distribution. The original of the acknowledged letter of appointment shall be delivered to the cashier; a copy to the office where duties are performed; and a copy to the appointing DO or disbursing agent.

E. Restrictions. A cashier is not authorized to:

1. Sign checks.
2. Accept checks drawn (and endorsed to the cashier) in the name of the DO or disbursing agent to procure cash and disburse for any purpose.
3. Prepare billing documents and make collections for these same items. This restriction also applies to agents performing cashier duties.
4. Prepare vouchers that will be paid later by the cashier.
5. Prepare vouchers on those days when cashier functions are performed.
6. Prepare DO accountability reports, where practical. If the cashier must prepare DO accountability reports, the DO or deputy (or disbursing agent) shall personally review the reports.

F. Letter of Termination. The DO or disbursing agent, as applicable, shall issue a letter of termination to the individual when the DO or agent is relieved or when the individual cashier's duties are terminated.

★ 020604. Paying Agents and Postal Paying Agents

A. Restriction on Appointment. Paying agents and postal paying agents may be appointed only when adequate payment, currency conversion, or check cashing service cannot be provided otherwise. Paying agents and postal paying agents shall not be appointed solely as a convenience when it is feasible for the transactions to be made by the DO, deputy, disbursing agents, or cashiers. In an unusual situation, such as payments or currency conversions at remote locations where use of checks is not feasible, the DO may request the commander of the remote location to appoint a paying agent or postal paying agent to make the payments for and in the name of the DO from funds advanced for that purpose. Paying agents and postal paying agents shall never be appointed or utilized over protest of the accountable DO. Paying agents and postal paying agents will not act as purchasing officers.

B. Appointment. Paying agents and postal paying agents shall be appointed in writing by the commander. The appointment letter shall contain the paying or postal paying agent's name, rank or grade, SSN, and duty station; the name, rank or grade, and station of the DO for whom the paying agent will act, and the DSSN; the duties and responsibilities of the agent; a description of the type of payments or currency conversions to be made by the paying agent; the maximum amount of funds to be advanced to the agent; the period of time the appointment covers; and, the agent's acknowledgement of acceptance of the appointment and the statement "I acknowledge that I am strictly liable to the United States for all public funds under my control"; and a statement that the individual has been counseled as to the pecuniary liability and has been given written operating instructions. Appointments may be for a specific transaction, for a definite period of time, or for an indefinite period of time. For an indefinite period, the paying or postal paying agent's designation shall continue until transferred or relieved of such duty by the appointing officer or until the DO is transferred or relieved from disbursing duty. In all cases, the paying or postal paying agent shall clear his or her account with the DO upon the transfer of the DO.

0207 COLLECTION AGENTS

020701. Establishment of Positions. The commander may approve and establish the position of a collection agent to receive funds derived from functions such as hospitalization fees and other charges at medical facilities; communications charges; rentals and other charges at housing developments; fees for research or reproduction of records; safekeeping deposits where the safekeeping function is not performed by the DO; and similar functions when deemed appropriate by the commander.

020702. Appointments. Appointments of collection agents remain in effect during the agent's service at the activity unless revoked by the appointing authority. The appointment

does not require reissue by successors to the positions of commander or other authorized appointing officer. Individual collection agents shall be appointed in writing by the appointing authority. The letter of appointment shall be issued in an original and two copies and shall contain the name and rank or grade of the collection agent; office where duties are to be performed; description of duties or job description to be performed; effective date of the appointment; acknowledgement of acceptance of the appointment and the statement "I acknowledge that I am strictly liable to the United States for all public funds under my control"; and a statement that the individual has been counseled as to the pecuniary liability and has been given written operating instructions. Individuals appointed as collection agents are not authorized to serve concurrently in any other accountable position and shall not be charged with the handling or custody of any other funds.

020703. Revocation of Appointment. The appointment of a collection agent may be revoked by the appointing authority at any time. The revocation shall be in writing addressed to the agent and shall include the effective date of the revocation.

0208 CHANGE FUND CUSTODIAN

020801. Duties and Responsibilities. The change fund custodian receives the change fund from the parent DO and uses the fund to make change in conjunction with sales transactions and, in some cases, for providing accommodation cash in exchange for a check made for more than the purchase amount. The change fund custodian is responsible for safeguarding the funds provided and may be held pecuniarily liable for any loss of the change fund.

020802. Establishment of Position. The commander of the sales activity establishes the position of change fund custodian.

020803. Appointments to the Position. The commander or designee of the activity; (e.g., commissary or hospital) shall appoint the individual who will fill the established position. The letter of appointment shall contain the custodian's acknowledgement of the appointment; the statement "I acknowledge that I am strictly liable to the United States for all public funds under my control"; and a statement that the individual has been counseled as to the pecuniary liability and has been given written operating instructions. The appointment shall be coordinated with the parent DO. Individuals appointed as change fund custodians are not authorized to serve concurrently in any other accountable position and shall not be charged with the handling or custody of any other funds.

0209 IMPREST FUNDS

★ 020901. General. This section prescribes DoD policies and procedures for using imprest funds to make small purchases of supplies or services. Detailed regulations concerning the establishment, use of, and accounting for imprest funds, including the responsibilities of designated imprest fund cashiers and alternates are contained in Part 4 of the Department of the

Treasury Financial Manual for Guidance of Departments and Agencies (reference (m)), U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (reference (n)), and the Federal Acquisition Regulations (reference (o)).

★ 020902. Authority. The use of imprest funds for unclassified programs is not authorized for DoD activities. Exceptions to this policy are authorized for contingency and classified operations. Specific requests for deviations from, or exceptions to, this policy shall be submitted through command channels and the appropriate Service secretary to the Director, Financial Commerce, Office of the Under Secretary of Defense (Comptroller), 1100 Defense Pentagon, Room 3E831, Washington DC 20301-1100. Such requests must contain adequate justification and demonstrate that the use of the government-wide purchase card, government-wide travel card, or other reasonable alternatives are not feasible for the specific situation. In lieu of imprest funds, maximum use shall be made of the government-wide purchase card for micro-purchases of supplies and/or services and the government-wide travel card (i.e., an agency centrally billed account) should be used to facilitate travel payments formerly made from the imprest funds. A copy of the signed authorization to establish and maintain an imprest fund shall be kept on file by the DO/OPLOC and imprest fund cashier.

★ 020903. Amount of Imprest Funds. The maximum amount of any DoD imprest fund which has been approved by the OUSD(C), as prescribed in the previous paragraph, shall not exceed the estimated average monthly disbursements from the fund and in no case shall it exceed \$10,000. At least once each quarter, a review shall be made to determine the continuing need for each imprest fund established and whether the amount of the fund is in excess of actual needs based on the average monthly volume of expenditures. This review shall be accomplished as a part of the quarterly cash verification requirements prescribed in Chapter 3 of this volume. Imprest fund single transactions are limited to \$500. A single requirement totaling more than \$500 may not be split into multiple transactions to avoid the use of conventional purchasing techniques and procedures. Exceptions or waiver requests of the above limitations shall be submitted to the Director for Financial Commerce, Office of Deputy Chief Financial Officer as prescribed in the preceding paragraph. Copies of approvals of such requests must be retained for audit review. During periods of contingency operations, as specified by the Joint Chiefs of Staff (JCS), the designated area commander may increase the limitations on imprest fund transactions to \$2,500 and the ceiling on cash holdings may be increased to \$100,000 per imprest fund. During periods of specified contingency operations appointment of paying agents should be considered as an alternative to imprest funds, unless the appointment of paying agents would hinder the operation (e.g., due to a lack of contracting or procurement personnel).

020904. Uses of Imprest Funds

★ A. General. Each duly-authorized imprest fund shall be under the sole custody of one individual (i.e., any officer, enlisted person, or civilian employee who is not responsible for originating, approving, and processing requirements). Additionally, an alternate imprest fund cashier may be appointed with the same requirements as the principal cashier, however, the alternate is to act only in the absence of the principal. Both principal and alternate

shall be responsible financially to the DO from whom the fund was advanced. Each fund shall be operated on an imprest basis; i.e., the amount of the fund shall remain constant. The DO shall reimburse the imprest fund cashier for the exact amount of disbursements properly made and documented.

B. Conditions for Use. Duly-authorized imprest funds may be used for small purchases when:

★ 1. The transaction does not exceed \$500. When the purchase is in support of overseas contingencies declared by the JCS, as described above, the transaction must not exceed \$2,500.

2. The use of the imprest fund is considered to be advantageous to the government.

3. Supplies or services are available for delivery within 60 days whether at the contractor's place of business or at destination.

4. The purchase does not require detailed technical specifications or technical inspection.

★ C. Other Uses of the Imprest Fund. Duly-authorized imprest funds may also be used for the following:

1. Delivery charges associated with the purchase from the imprest fund when the contractor is requested to arrange for delivery. These charges include local delivery, parcel post (including cash on delivery (C.O.D.) postal charges) and line haul or inter-city transportation charges, provided the charges are determined to be reasonable and acceptance is in the best interest of the Government.

2. C.O.D. charges for supplies ordered for payment from the imprest fund.

3. Civilian volunteers for participation in approved medical research projects.

4. The imprest fund can be used for other expenditures not related to small purchases when such expenditures are authorized by other regulations. These expenditures include:

★ a. Travel advances when no DO is available in the immediate area to effect payment and use of the government-wide travel card is impractical.

b. Local travel expenses (i.e., mileage allowance for travel in and around the permanent duty station not under travel orders) when no DO is available in the immediate area to effect payment.

c. Transportation charges (not related to purchases).

d. Money orders when necessary:

(1) to transmit collections for deposit;

(2) to make approved one-time purchase of books and periodicals;

(3) for catalog type items; and

(4) for fees for inter-library loan of professional books.

e. Postage stamps.

f. Transportation passes or tokens.

D. Prohibited Uses of Imprest Funds. Imprest funds shall not be used for:

1. Payment of salaries and wages.

2. Travel advances or any other advances, except as authorized above.

3. Payment of travel claims (except for claims for local travel not under orders, when a DO is not available in the immediate area to effect payment as authorized above).

4. Payment of public utility bills.

5. Cashing of checks or any other negotiable instruments.

6. Purchase from contractors or contractor's agents who are military personnel or civilian employees of the government.

7. Purchase of foreign items unless the applicable decisions of exception and documentation are made prior to procurement.

8. Repetitive purchases from the same contractor when another method of purchase, such as a blanket purchase agreement, would be more appropriate.

9. Payment of spot awards.

020905. Imprest Fund Cashiers

★ A. Appointment. Imprest fund cashiers shall be appointed by the commander to make authorized cash payments for materials and nonpersonal services, maintain custody of funds, and file periodic vouchers to account for and replenish the imprest fund. The imprest fund cashier should be located organizationally and physically at a convenient location on the installation or activity for the purpose of making payments to vendors or carriers. DOs, disbursing office personnel, certifying officers, and individuals responsible for originating, approving and processing requirements are not eligible for appointment as imprest fund cashiers. In no event shall an imprest fund cashier (or alternate) have access to or control of more than one fund or be concurrently appointed to any other accountable position. Each appointment and termination or revocation of appointment shall be made in writing by issuance of a letter of appointment, termination, or revocation, as appropriate. The appointment document shall contain the following:

1. name and rank or grade of the individual and duty station;
2. identification of the disbursing station for which the cashier will act (including the accounting or fiscal station number assigned, if applicable);
3. description of specific duties to be performed;
4. effective date of the appointment;
 - a. amount and location of the fund;
 - b. the cashier's acknowledgement of acceptance of the appointment and the signed statement "I acknowledge that I am strictly liable to the United States for all public funds under my control"; and
 - c. a statement that the individual has been counseled as to the pecuniary liability and has been given written operating instructions.

The appointing document and approval for establishment of the imprest fund shall be maintained in a permanent file. Two copies of the documents shall be furnished to the cashier, and one copy each to the disbursing office and the installation or activity contracting office.

★ B. Advance of Funds to Imprest Fund Cashier. Funds to establish an imprest fund shall be advanced by the DO serving the activity to which the imprest fund cashier is attached. A signed copy of the document appointing the imprest fund cashier and a copy of the approval to establish the fund shall be furnished to the DO at the time the cashier first obtains the advance of funds. The advance shall be documented and receipted as prescribed in chapter 3 of

this volume. If the average monthly dollar value of the imprest fund purchases decreases and the authorized amount of the fund is greater than required, imprest fund cashiers shall draw only the amount of funds justified by the volume of purchases made. However, this will not be construed as a limitation on funds available to the imprest fund cashier when seasonal or other factors justify an amount greater than that indicated by this method of computation.

★ C. Safeguarding Imprest Funds. Cash and disbursement documentation shall be safeguarded properly at all times through the use of safes, locked cash drawers, etc., as prescribed in Chapter 3 of this volume. Imprest funds may not be commingled with other cash funds (e.g., disbursing funds, change funds, or cash receipts for other funds). Cashiers must be able to account for the full amount of funds being held at any given time. Receipts or subvouchers supporting temporarily unreimbursed expenditures from any imprest fund shall be under the accountability of the responsible imprest fund cashier, together with the cash on hand, in support of the total amount of the fund.

D. Alternate Imprest Fund Cashier. An alternate imprest fund cashier may be appointed to provide service during the absence of the principal cashier. Appointment requirements for principal cashiers shall apply to alternate cashiers. In planned absences of the principal cashier, cash may be advanced by the principal to the alternate in any amount up to the limit of the fund. The principal shall obtain a signed cash receipt from the alternate. Upon resumption of duties, the principal cashier shall return the cash receipt to the alternate after obtaining paid receipts, subvouchers and residual cash. In the unforeseen absence of the principal cashier, funds may be advanced to the alternate in the normal manner by the DO. These funds shall be in addition to the amount currently advanced to the principal cashier under the established fund, but shall not exceed the authorized amount of the fund. Upon return of the principal cashier, the alternate shall return paid receipts, subvouchers, and residual cash to the DO.

E. Revocation. Imprest fund cashier appointments may be revoked at any time. The revocation shall be in writing addressed to the cashier and show an effective date. A copy of the revocation shall be provided to the disbursing office and the contracting office.

020906. Imprest Fund Procedures

A. Purchases. Each purchase using imprest funds shall be based upon an authorized purchase requisition. Normally, orders to suppliers should be placed orally and without soliciting competition if prices are considered reasonable. Purchases shall be distributed equitably among qualified suppliers. Prompt payment discounts shall be solicited. Responsibility for determining requirements, making purchases, and receiving materials and services should be separated among several individuals. All payments from an imprest fund shall be made for goods and services that have been procured by personnel authorized in accordance with the Federal Acquisition Regulations (reference (o)). Imprest fund purchases need not be supported by a purchase order, unless they provide some advantage to the government such as vendor discounts. In these cases, a regular purchase order form endorsed "payment to be made in cash"

may be used. Receipts shall be secured for each payment made from imprest funds. Since purchases with imprest funds are of relatively small value, government tax exemption certificates shall not be required.

★ B. Receipt of Material. All material purchased through the imprest fund shall be delivered to a designated receiving activity. The receiver shall examine the material to ascertain that the quantities and items described on the purchase request document and the supplier's sales document are present and in satisfactory condition. If the material is acceptable, the receiver shall stamp the supplier's sales document "Received and Accepted," date and sign the document, and pass it to the imprest fund cashier for payment. A supplier's sales document, a DD Form 1155 (Order for Supplies or Services/Request for Quotations), or a DD Form 1348-1 (DoD Single Line Item Release/Receipt Document) may be used to record the receipt of purchases made from the imprest fund. When it is not practicable to obtain delivery of material at destination on a C.O.D. basis, advance arrangement may be made for the material to be picked up. The imprest fund cashier then may advance cash to an authorized individual to pick up and pay for the material. Necessary certification of receipt and acceptance of material shall be obtained on one of the documents as indicated above. Receipt for cash payment shall be made on the same document, which will serve as the imprest fund receipt. When prior arrangement for pick up of material is not practicable, the imprest fund cashier may advance cash to an authorized individual to make a proposed purchase.

C. Advance of Funds. Individuals receiving a cash advance from the imprest fund cashier shall be required to sign a receipt for cash. After purchase has been made, the individual shall return any unused cash to the imprest fund cashier with the necessary certifications of receipt, acceptance, and cash payment, at which time the imprest fund cashier shall "void" the receipt for cash. Cash so advanced should be accounted for daily, but under unusual circumstances, cash may be advanced for a longer period (not in excess of seven calendar days).

D. Certification of Cash Payment. The original receipt document (or a copy tendered as the original) presented to the imprest fund cashier for payment shall be stamped with a certification containing the following information:

1. Statement that cash payment was received in full.
2. Amount paid.
3. Date of payment.
4. Signature and title of supplier or supplier's agent receiving the cash payment.

Alterations or corrections to documents tendered for payment shall be initialed by the person making the change. Changes in the amount paid shall be initialed by the individual receiving payment.

E. Responsibilities of Imprest Fund Cashier. Pending receipt of material, the imprest fund cashier shall keep a file of purchase request documents covering imprest fund purchases. Prior to payment, or acceptance of the document tendered for settlement of an advance, the cashier shall verify the necessary certification of receipt and the supplier's billed price or the price paid. If the supplier's receipt for cash payment is not obtained for purchases of \$15 or less, the imprest fund cashier shall complete the cash receipt document and have the person receiving the fund sign this document. Receipt for U.S. parcel post C.O.D. charges should be obtained. When a receipt cannot be obtained for C.O.D. purchases, imprest fund cashiers located in foreign countries are authorized to certify on the receipt document, "Delivered by (name of post office or carrier) no receipt given." The C.O.D. label shall be removed from the parcel and affixed to the receipt document in support of the reimbursement voucher. Imprest fund cashiers at any location may accept a signed C.O.D. receipt to support the subvoucher if the carrier refuses to sign a government form. After completion of settlement transaction, each subvoucher shall be numbered consecutively beginning with one each fiscal year and this number placed on the original of the paid receipt documents. These subvouchers will support the cashier's claim for reimbursement of the imprest fund. The imprest fund cashier will not request duplicate receipt documents, or retain such documents if provided. When total charges stated on the sales document are paid, without deduction of discounts offered and earned, or without correction of minor billing errors, action will be taken to obtain a refund from the supplier. Collection action may be waived for refunds of one dollar or less.

F. Payments

1. C.O.D. Upon presentation of an authorized document with the necessary certification of receipt for supplies or services, the imprest fund cashier or other authorized individual shall pay the supplier or supplier's agent and obtain the certification of cash payment as set forth above.

2. Receipt From Common Carrier or Post Office. When C.O.D. shipments are received or picked up from a common carrier or post office, the certification of cash payment may be accomplished on a list of the packages provided by the post office or common carrier. Such receipt will be supported by copies of the applicable sales documents, if available.

3. Periodic Payments. When a blanket purchase agreement is not suitable and it is administratively convenient and agreeable to the supplier, periodic payments from the imprest fund may be made for supplies delivered on a repetitive basis, provided that the accumulated amount of the deliveries for the specified period does not exceed the dollar limitation imposed on the imprest fund method by paragraph 020903, above.

★ 4. Failure to Ship C.O.D. When material is ordered C.O.D. but is shipped by the supplier subject to payment by check, an SF 1034 (Public Voucher for Purchases and Services Other than Personal) shall be used to make payment. Under these circumstances, the receiver shall prepare the necessary certification of receipt and forward the receipted document through the imprest fund cashier, for attachment of the supporting documents which authorized the shipment and submission to the DO for payment.

5. Money Orders. Cashiers may purchase money orders using imprest funds, when necessary, to do the following:

- a. Transmit collections for deposit.
- b. Deposit part of the fund when the fund is to be reduced or liquidated.
- c. Make approved cost-effective mail order purchases for one-time acquisition of reference manuals, singular publications or pamphlets, catalog-type items, and fees for the inter-library loan of professional books. This procedure shall not be used to circumvent controls on the procurement of periodic subscriptions.

In implementing this authority, DoD Components shall establish and maintain internal controls which shall include attaching a legible copy of the money order (that shows purchasing activity, payee, and amount) to the requisition file, together with annotation of the date mailed. The original money order receipt shall be retained by the imprest fund cashier to substantiate disbursement of the money order fee.

★ G. Reimbursement of Imprest Funds. The imprest fund shall be reimbursed by use of OF 1129 (Cashier Reimbursement Voucher and/or Accountability Report) supported by the cashier's subvouchers. The imprest fund cashier shall prepare and submit OF 1129 in triplicate to the DO as frequently as necessary, but not less often than monthly. At the close of the fiscal year, an OF 1129 covering all remaining subvouchers through September 30 shall be submitted before the closing of the allotment accounts for the month. When required, subvouchers shall be summarized by account to complete the accounting classification block of OF 1129 and submitted to the DO for reimbursement of the imprest fund. One copy of the OF 1129 shall be retained by the imprest fund cashier pending the return of the "paid" copy of the form with the reimbursement checks or currency in the amounts requested by the cashier. When the imprest fund is reimbursed by mail, or when long delays in the reimbursement are encountered, the imprest fund cashier may retain copies of subvouchers until reimbursement is accomplished. When copies are retained, they shall be placed in a sealed envelope identified to the reimbursement voucher involved. When reimbursement is received, the sealed envelope will be presented to the official who signed the Administrative Certificate on the OF 1129 for destruction. When a supplier refunds cash prior to the submission of OF 1129 covering such payment, the imprest fund cashier shall accept the refund, return the money to the imprest fund, and enter the amount of the refund on the original of the supplier's receipt. When the refund is

made subsequent to the submission of the applicable OF 1129, the imprest fund cashier shall enter the amount of the refund on the retained copy of the reimbursement voucher, promptly submit the refund and a properly prepared DD Form 1131 to the DO, and obtain a receipt.

H. Accounting. Recordkeeping for the imprest fund shall be as simple as possible consistent with the maintenance of adequate controls. A file of supplier's receipts for amounts paid and not yet vouchered for reimbursement, and copies of paid reimbursement vouchers ordinarily will suffice for the record of the imprest fund cashier.

★ I. Review. The imprest fund cashier shall be required to account for the established fund at any time, by cash on hand, paid supplier's receipts, unpaid reimbursement vouchers, and interim receipts for cash. Unannounced inspections, including cash counts are required to be made of each imprest fund at least quarterly by the cash verification team appointed by the commander who established the fund and appointed the imprest fund cashier. See Chapter 3 of this volume. Reports of discrepancies and investigations, as appropriate, shall be made as prescribed in chapter 6 of this volume.

★ 020907. Imprest Fund Depository Demand Withdrawal Account. An imprest fund depository demand withdrawal account may be established for cash withdrawals only when large sums of cash must be secured for investigative accounts or locally available financial institutions refuse to cash replenishment checks, even for a fee, when an account is not maintained with them. A demand withdrawal account shall be established only upon request to, and approval by, the Director for Financial Commerce, Office of the Deputy Chief Financial Officer, via the Deputy Director for Finance, DFAS. The approval shall be retained by the imprest fund cashier as part of the official records. Procedures on depository accounts are as follows:

A. Financial institutions selected to maintain an imprest fund cashier's account must meet the eligibility requirements of 31 CFR, Part 202 (reference (p)).

B. Signature cards for access to the account must be signed by both the principal cashier and the DoD Component Head, or other authorized official (not lower than the comptroller or chief fiscal officer of the installation) as designated by the DoD Component Head.

C. A letter signed by the DoD Component Head, or designee, must be sent to the financial institution advising that the funds deposited to the account are official funds of the U.S. Government and are in no way subject to claim by a surviving relative of any individual who is designated to sign on the account.

D. Checks must be made payable to cash for withdrawal by the cashier only; i.e., checks may not be made payable to fellow employees, vendors, etc. Withdrawal by automated teller machine is not authorized. Specific internal controls must be used to prevent such check issuances or withdrawals.

E. Accounts may be interest bearing or noninterest bearing. However, balances held in the account shall be limited to immediate disbursing needs. Any interest earned from the account must be deposited to the applicable DoD Component miscellaneous receipt account.

F. A minimum balance should be maintained to preclude service charges, unless payment of the service charge is more advantageous to the U.S. Government. Service charges or any other fees related to the account, or for cashing U.S. Treasury checks, must be paid by the DoD Component.

G. DoD Components may not enter into any arrangement with a financial institution for overdraft protection.

H. Replenishment checks shall not be deposited to the account until the funds are needed for issuance.

I. Maximum size of the account is left to the discretion of the DoD Component Head, or designee, but under no circumstances may the amount exceed \$10,000.

★ J. A monthly reconciliation of any depositary demand account, using an SF 1149 (Statement of Designated Depositary Account) must be performed by the cashier. The cashier shall submit the SF 1149 to the official who approved the establishing of the imprest fund together with the OF 1129. A copy of the completed SF 1149 and OF 1129 shall be retained by the cashier as part of the official records. Reconciliation, audit trails, verification, and accountability shall be in accordance with I TFM, Part 4, chapter 8000 and Chapter 14 of this volume.

★ 020908. Requests for Deviations. Requests for deviations to the imprest fund policies and procedures prescribed in this section shall be submitted in writing through channels to Under Secretary of Defense (Comptroller), Director for Financial Commerce, Office of Deputy Chief Financial Officer, Room 3E831, Pentagon, Washington DC 20301-1100, via the Deputy Director for Finance, DFAS, for approval. Items requiring approval to deviate include, but are not limited to, the following:

A. Temporary or permanent exceptions or waiver of imprest fund amount or payment limitations.

B. Placement of imprest funds in depositary accounts or use of third party payment drafts.

Copies of approvals must be retained for post review by representatives of the Treasury Department or the DoD Component audit organizations.

★0210 ACCOMMODATION CHECKS

★ 021001. General. The prescribed method for all payments within the United States is Electronic Funds Transfer (EFT) and shall be used to the maximum extent possible. When EFT is not practical, the preferred method for purchases will be the use of the government purchase card. If a vendor refuses to accept the government purchase card, or other restrictions make the use of the card impractical, accommodation checks may be used.

A. Payment flexibility. Accommodation checks give issuing DoD activities the flexibility to issue low volume and low dollar value payments on site.

B. Availability. Accommodation checks shall be available at those DoD activities that identify a need to issue accommodation checks, in lieu of cash, where purchase and travel cards have proven ineffective.

C. Minimum requirements. The minimum requirements to establish a local check-writing capability are as follows. (Note: Specific conditions for establishing accommodation checks are detailed below, in Section F, "Procedures.")

1. All organizations authorized to maintain accommodation checks must hold an active (in good standing) purchase card before approval of an accommodation check account. An accommodation check cashier may hold a government purchase card as long as policies and procedures established herein are observed.

2. The use of accommodation checks must be considered advantageous to the DoD activity, after evaluating all alternatives to accomplish the same purpose.

★ 3. Before any accommodation check is issued the paying agency must make every effort to use the government purchase or travel card to make necessary purchases. Maximum efforts shall be made to find and use vendors that accept the purchase card as the primary payment vehicle; e.g., the use of electronic or telephone catalog ordering services coupled with overnight delivery.

4. The authority to maintain a check-writing system (checkbook) shall be justified on an individual organization basis, and controlled and monitored by the DoD activity. Automated reports from the check providers are available to provide oversight.

★ 5. The number of checkbooks shall be limited to as few as feasible, not to exceed one per major DoD tenant activity or autonomous location.

★ 6. Appropriate internal controls, to include one level of approval above the check writer (i.e., an approving official) shall be maintained by each using DoD activity.

★ 7. Each accommodation checking account shall be audited yearly, on an unannounced basis, by an officer or equivalent DoD civilian employee who is independent of the office maintaining the account.

★ D. Additional Features. Accommodation check providers offer “stop payment” and retrieval capabilities to using DoD Activities, as well as an audit trail that permits the tracing of transactions. Also, these check providers offer “help desk” assistance and reporting capabilities with a variety of reporting media and frequencies.

★ E. Purchase Card Convenience Check. Upon appropriate justification and approval, a DoD activity may adopt the purchase card convenience check.

★ 1. Purchase card convenience checks shall not be issued for more than \$2,500.

★ 2. Purchase card convenience checks currently are provided through the GSA contract for the government-wide purchase card by the issuing banks (US Bank or Citibank). The contract requires that the card providers operate a convenience check writing system that allows DoD activities, including overseas locations, to make selected minor purchases and payments using checks in lieu of cash.

★ 3. This product offers an alternative to cash for official expenses of DoD activities previously using imprest funds--after card products and other alternatives have been determined unusable.

★ 4. Purchase card issuing bank requirements

a. The purchase card issuing bank will provide a supply of checks to the designated convenience check account holder.

b. The bank will process and pay the checks as they are presented through the bank check clearing system for payment within established maximums and authorization parameters established by the sponsoring activity agency program coordinator (APC) for each individual account holder.

c. The bank will provide a listing of the checks cleared on each account holder’s billing statement (invoice) and provide for storage of cleared checks for audit and retrieval purposes.

5. The checks will contain standard preprinted information: United States Government seal, the statements “For Official Use Only,” and “U.S. Government Tax Exempt.” The checks will include the maximum dollar limitation per check (i.e., \$2,500), as well as space for the date and the amount of the check. In addition, other standard preprinted information is

carried on the check specific to the parent DoD activity's name and address and the account holder's name. Thus, only the named individual may issue these checks.

★ 6. The checks are sequentially prenumbered, multiple-copy documents (with a minimum of at least one copy for the account holder's records).

★ 7. The convenience check account holder shall reconcile cleared checks and the resulting billing statement (invoice) against his or her retained records of issuance in accordance with standard payment practices established for the purchase card by "Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures."

★ F. FedSelect. A second accommodation check product currently used in the DoD, the FedSelect checks (available from the Chicago Financial Center, Financial Management Service, Department of the Treasury), will be discontinued March 31, 2000. DoD users are not authorized to establish new accounts. Active accounts must be closed not later than December 31, 1999. These users are encouraged to open a purchase card convenience check account.

021002. PROCEDURES

★ A. Authorization for Accommodation Check Account. Requests to establish accommodation checks first shall be justified (in writing) to the resource manager or commander/director of the installation or tenant activity. Delegations of authority to maintain and use accommodation checks shall be issued in writing specifically to the activity approving/certifying official, check custodian, and cashier by the activity commander/director as directed below.

B. Conditions for Establishing Accommodation Check Account

1. Designation of Activity Approving/Certifying Official

a. The activity approving certifying official may be any individual (i.e., officer, enlisted member, or civilian employee) who is appointed by the head of the issuing DoD activity to authorize and certify the issuance of accommodation checks by cashiers.

b. In order to maintain effective internal controls, the activity approving/certifying officials may not perform functions of accommodation check custodian or cashier.

c. The activity approving/certifying official shall be held accountable and pecuniary liable for the accuracy of the payments. (See "Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management

Procedures” for details of the “Payment Certification” and “Delayed Dispute Procedures” processes.)

★ d. In the case of purchase card convenience checks, the purchase card approving official (AO) is the same as the activity approving/certifying official.

(1) The activity approving official/certifying official shall be designated as the billing (invoicing) official and shall receive and certify payments of the billing statement (invoice) to the appropriate paying activity (e.g., a DFAS operating location).

★ (2) Convenience check accounts may be established with approving/certifying official accounts separate from approving official accounts for purchase cards.

★ 2. Designation of Accommodation Check Custodian

a. The custodian may be any individual (i.e., officer, enlisted person, or civilian employee) who is appointed by the head of the issuing DoD activity, or the activity’s accommodation check approving/certifying official to order, receive, store, issue, inventory, reconcile and dispose of check stock. (Each DoD Component and/or activity has the discretion of identifying the minimum grade level for its check custodians.)

b. Each accommodation check account shall be under the custody of one individual who is not responsible for originating, approving, and processing the requirement for a check. An alternate custodian may be appointed with the same authorities as the principal custodian; however, the alternate shall act only in the absence of the principal.

c. Both principal and alternate custodians, as applicable, may be held pecuniarily liable for account transactions under their control.

d. The accommodation check custodian may perform the functions of the accommodation check cashier.

3. Designation of Accommodation Check Cashier

a. The cashier may be any individual (i.e., officer, enlisted member, or civilian employee) who is appointed by the head of the issuing DoD activity, or the activity’s accommodation check approving/certifying official to inscribe (print), sign and issue checks.

b. The accommodation check cashier may perform the functions of the accommodation check custodian.

c. In the case of purchase card convenience checks, only one named person shall be designated as the accommodation check cashier and have authority to sign and issue accommodation checks.

★ d. An accommodation check cashier also may be a purchase card holder so long as the policies and procedures established herein are observed.

4. Other Operating Conditions

★ a. Accommodation check accounts shall be “bulk funded” in accordance with “Advance Reservation of Funds” policies delineated by the Under Secretary of Defense (Comptroller) memorandum of June 30, 1998, subject: “Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures--Change 1.”

★ b. Check amounts shall not exceed \$2,500 per check and shall be issued for the exact payment amount, with a prohibition on splitting purchases, payments or other amounts among more than one check to keep amounts below \$2,500 or other assigned limits (if less than \$2,500).

c. Accommodation checks shall not be issued as an “exchange-for-cash” vehicle to establish cash funds.

d. Accommodation checks may be mailed, as long as internal controls are in place to avoid duplicate payments to payees.

★ e. As appropriate, accommodation checks may be used for payments in overseas transactions up to \$10,000 in support of contingencies declared by the Secretary of Defense.

f. The issuing activity is responsible for all administrative costs associated with the use of accommodation checks. At DoD Component election, the costs associated with the purchase of accommodation checks may be (a) included in the bulk obligation and accounted for as part of the purchase price or (b) treated separately as an administrative cost of the issuing activity.

★ C. Method for Establishing Accommodation Check Accounts: Normal account set-up procedures shall be followed to establish the accommodation check account product. Appropriate application forms shall be completed and submitted through the DoD activity’s existing purchase card hierarchical structure, including approving official and Agency Program Coordinator (APC). The application also shall include a copy of the approval document issued by the DoD installation/activity resource manager or commander/director. A separate check account holder and approving official must be identified for each purchase card check account. The application can be obtained from the APC.

D. Conditions for Using Accommodation Check Accounts

★ 1. For accounts established with the purchase card issuing bank, agencies must maintain a current convenience check account status (i.e., with no delinquencies, except for questioned items or items in dispute). Also, any entity under suspension of purchase card privileges automatically shall be suspended from use of the purchase card convenience check system.

★ 2. Accommodation checks may be used for purposes not related to small purchases when such expenditures are authorized by other DoD or Component regulations.

021003. WAIVER PROCESS

A. The ODCFO may grant waivers to these policies (including higher dollar authority) for contingency operations and for exceptional circumstances.

B. Waiver requests for deviations from, or exceptions to, these policies shall be submitted for evaluation to the Military Department Office of the Assistant Secretary (Financial Management and Comptroller), the Defense Agency Comptroller, or equivalent. Waiver requests should be evaluated and approved or disapproved by the DoD Component Headquarters before submission to the ODCFO for consideration.

C. Waiver requests approved by the DoD Component Headquarters shall be submitted for consideration to the ODCFO. Such requests must contain adequate justification and demonstrate the need for a waiver or exception to the specific policy.

★0211 ALTERNATE AGENTS

When required, one or more individuals may be designated as an alternate agent to serve only during the absence of an imprest fund cashier, disbursing agent, cashier, change fund custodian, or collection agent. Alternate agents are not permitted in the case of deputy DOs. Alternate agents shall be issued letters of appointment as prescribed for the primary agent by the official authorized to appoint the agents. The alternate is an agent of the appointing official and when serving in place of the primary agent is governed by all regulations applicable to the primary agent. Funds received by alternates shall not be merged with those of the primary agent. Separate records shall be maintained to establish the amount for which each agent (or alternate) is responsible. Alternates are prohibited from conducting operations involving the handling of public funds concurrently with the primary agent. Upon written authorization of the appointing official, a primary agent may advance to an alternate agent a specified portion of cash holdings for use only during the absence of the primary agent. A DD Form 1081 (Statement of Agent Officer's Account) shall be signed by the alternate and held by the primary agent as evidence of the advance.

0212 DEATH, INCAPACITY, OR UNAUTHORIZED ABSENCE OF AGENTS

In the event of the death, incapacity, unauthorized absence, arrest, or other emergency absence of an agent, the commander shall take action as prescribed in section 0205 of this chapter for deputies at branch offices except that relieving agents shall be appointed in accordance with the procedures applicable to the position involved. In the case of an imprest fund cashier, the final voucher should be prepared by the relieving imprest fund cashier.

PAUL JOSEPH DOE; DEPUTY FOR: JOHN ALLEN HANCOCK DSSN 5219

SIGNATURE CARD

The information requested on the enclosed form is required under the provisions of 31 U.S.C. 82b to identify the accredited official for disbursing operations. Failure to provide the information may affect the accreditation of the individual.

Notify the Bureau of
Government Finan-
cial Operations of
any change in this
address.

USS MARS (AFS-1)
FPO AP 96672-3030

Sign here, in form to
be used on checks:

I certify that the
above signature is
that of the disburs-
ing officer named.

J. A. HANCOCK

DISBURSING OFFICER

The signature of the person certifying should be known to
the Bureau of Government Financial Operations

Title

Date: December 5, 19XX

When signed forward immediately to the Bureau of Government Financial Operations
Washington, D.C. 20226

TFS

FORM 5583
9-76

PREVIOUS EDITION
IS OBSOLETE

DEPT. OF THE TREAS-FIS. SERV.
BUR. OF GOV'T. FIN. OPS.

Figure 2-1. Sample TFS Form 5583, Signature Card

Department of the Treasury
Bureau of Government Financial Operations
Reconciliation Branch
Payment Reconciliation Section
Washington, DC 20226

PAUL JOSEPH DOE
DEPUTY FOR:
JOHN ALLEN HANCOCK
DSSN 5219

The information requested on the enclosed form is required under the provisions of 31 U.S.C. 82b to identify the accredited official for disbursing operations. Failure to provide the information requested may affect the accreditation of the individual.

My official signature as it will appear on checks drawn on the United States Treasury is shown in EACH of the 14 spaces below.

I understand that a legible signature is desirable and that signatures on checks should conform closely to these specimens. I will use a permanent ink of a dark-blue, blue-black, or black color.

I will furnish new specimen signatures if a change in the form of my signature is to be made, and I will observe all of the provisions of Treasury Department Circular No. 8 in the issue, care, and use of checks.

December 5, 19XX

(Date)

(Signature)

When the signagraph is used, submit additional signatures on blank sheets.

SPECIMEN SIGNATURES

SPECIMEN SIGNATURES

TFS

FORM 3023
8-77

FORMERLY TFS FORM 3023
12-76, WHICH IS OBSOLETE.

DEPARTMENT OF THE TREASURY - FISCAL
SERVICE
BUREAU OF GOVERNMENT FINANCIAL
OPERATIONS

Figure 2-2. Sample TFS Form 3023, Specimen Signatures

STANDARD FORM 1219 Revised April 1982 Department of the Treasury 1-TFM 2-3100		STATEMENT OF ACCOUNTABILITY	
NAME OF DISBURSING OFFICER JAMES LAWRENCE RICHARDS		LOCATION OF DISBURSING OFFICER (Mailing Address) USS MARS (AFS-1) FPO AP 96672-3030	
NAME OF AGENCY NAVY			
PERIOD OF ACCOUNT FROM 01 NOV 19XX THROUGH 30 NOV 19XX		AGENCY LOCATION CODE (ALC) (Show main check symbol number) 5219	
SECTION I - GENERAL STATEMENT OF ACCOUNT			
PART A - TRANSACTIONS DURING PERIOD AFFECTING ACCOUNTABILITY			
1.00	TOTAL ACCOUNTABILITY BEGINNING OF PERIOD		10,000.00
INCREASES IN ACCOUNTABILITY			
2.1	CHECKS ISSUED ON U.S. TREASURY	8,000.00	
2.3	OTHER TRANSACTIONS		
2.34	DISCREPANCIES IN D.O. ACCOUNTS - CREDITS		
2.36	PAYMENTS BY ANOTHER D.O.		
2.37	TRANSFERS FROM OTHER DISBURSING OFFICERS		
2.39			
2.9	TOTAL INCREASES IN ACCOUNTABILITY		8,000.00
3.0	SUBTOTAL		18,000.00
DECREASES IN ACCOUNTABILITY			
4.1	NET DISBURSEMENTS	7,500.00	
4.2	DEPOSITS PRESENTED OR MAILED TO BANK	3,000.00	
4.3	OTHER TRANSACTIONS		
4.34	DISCREPANCIES IN D.O. ACCOUNTS - DEBITS		
4.36	PAYMENTS FOR ANOTHER D.O.		
4.37	TRANSFERS TO OTHER DISBURSING OFFICERS		
4.39			
4.9	TOTAL DECREASES IN ACCOUNTABILITY		10,500.00
5.00	TOTAL ACCOUNTABILITY CLOSE OF PERIOD		7,500.00
PART B - ANALYSIS OF INCUMBENT OFFICER'S ACCOUNTABILITY			
6.1	CASH ON DEPOSIT IN DESIGNATED DEPOSITORY (Name and location of depository)		
6.2	CASH ON HAND		7,000.00
6.3	CASH - UNDEPOSITED COLLECTIONS		
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6.5	CASH IN CUSTODY OF GOVERNMENT CASHIERS		500.00
6.6			
6.7			
6.8			
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8.0	TOTAL OF MY ACCOUNTABILITY		7,500.00
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9.2	RECEIVABLES - CHECK OVERDRAFTS		
9.3	LOSSES OF FUNDS		
9.4	OTHER ACCOUNTABILITY		
10.0	TOTAL PREDECESSOR OFFICERS' ACCOUNTABILITY		0.00
11.0	TOTAL DISBURSING OFFICER ACCOUNTABILITY (Same as line 5.00 above)		7,500.00
I have received on 30 NOV XX by transfer from LT James L. Richards, SC, USN, \$7,500.00, an analysis of which is included in Sections I-B and I-C above. John A. Hancock, LTJG, SC, USN I certify that this is a true and correct statement of accountability for the period stated at the office referred to above.			
NAME AND TELEPHONE NUMBER OF CONTACT J. A. HANCOCK COM. (619)952-2222 DSN 496-2222		SIGNATURE AND TITLE OF CERTIFIER J. L. RICHARDS	DATE 30NOVXX
NSN 7540-00-634-4245 (OVER) PREVIOUS EDITION NOT USABLE 1219-106			

Figure 2-3. Sample SF 1219, Statement of Accountability (Final Upon Relief)

SECTION II - SUMMARY BY SYMBOL OF CHECK AND DEPOSIT TRANSACTIONS WITH U.S. TREASURY						
PART A. - CHECKS ISSUED AND ADJUSTMENTS FOR PRIOR PERIODS *						
CHECK	AMOUNT OF ISSUED THIS	ADJUSTMENTS FOR PRIOR MONTH'S (+ or -)				TOTAL (Columns 2 + 3 + 4 + 5)
		BY TFS FORM		OTHER		
		ISSUE (Month and	AMOUNT	ISSUE (Month and	AMOUNT	
(1)	(2)	(3)		(4)		(5)
	TC 210		TC 211		TC 212	
5219	8,000.00					8,000.00
TOTALS!						
PART B. - SUMMARY OF DEPOSITS PRESENTED OR MAILED TO BANK (Line 4.2)						
DEPOSIT	DEPOSITS OR MAILED TO BANK THIS	DEPOSITS PRESENTED OR MAILED TO IN PRIOR MONTHS BUT RECORDED IN ACCOUNTS THIS MONTH		TOTAL PRESENTED TO BANK ^ (Column 2 + 4)		
		MONTH MAILED TO	AMOUNT			
(1)	(2)	(3)		(4)		
	TC 420			TC 420		
5219	3000.00			3,000.00		
TOTALS !						
* The totals reported in these columns must be in agreement with the corresponding amounts reported on the SF 1179. + The total reported in this column must be in agreement with the total shown on Line 2.1 on the face of this statement. ! For use only if more than one (1) symbol is listed. ^ The total reported in this column must be in agreement with the total shown on Line 4.2 on the face of this statement.						

Figure 2-3. Sample SF 1219, Statement of Accountability (Reverse)

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Figure 3-1. Sample DD Form 1081 (Statement of Agent Officer's Account)
(Advance of Funds)

Figure 3-2. Sample DD Form 1081 (Statement of Agent Officer's Account)
(Return of Funds/Vouchers)

Figure 3-3. Model Intergovernmental Agreement

Table 3-1. Maximum Levels of Authorized Cash Holdings

CHAPTER 3

KEEPING AND SAFEGUARDING PUBLIC FUNDS0301 CASH OPERATIONS030101. Appropriated Funds

A. Deposit Funds. Amounts appropriated by the Congress are held in an expenditure account by the Treasury subject to disbursement by DOs of the United States. Disbursements may be made by EFT, Treasury check, or cash. Cash funds are obtained by DOs as described in Chapter 7 of this volume. Every disbursing office authorized to make disbursements is identified by a DSSN. Each disbursement of funds is charged by the Treasury Department to the DSSN making the disbursement. DOs outside the United States are authorized to maintain official checking accounts with banks designated by the Secretary of the Treasury in accordance with regulations outlined in Chapter 14 of this volume. These special accounts outside the United States denominated in local or third country currencies and are known as limited depositary accounts (LDAs).

B. Cash Funds. When it is necessary to make all or some disbursements in cash, upon approval of the commander or other authority, DOs are authorized to maintain on hand, at their own personal risk, currency and coin required for official disbursements and accommodation transactions.

★ C. Selection of Payment Method. Subject to the policies outlined in this volume, payments may be made by EFT, check, or cash. In the United States, EFT is the prescribed method of payment and shall be utilized to the maximum extent possible. When use of EFT is not practical; i.e., for payments going to a foreign country address where EFT is not available, Treasury checks (rather than cash) are the preferred method of payment. Consult section 2402.

030102. Cash Held at Personal Risk. Funds that qualify as cash held at personal risk include U.S. currency and coin on hand; foreign currency and coin on hand; imprest funds; change funds; and cash on deposit in an LDA. Cash held at personal risk is for making miscellaneous cash payments, making change, conducting accommodation exchanges, and other specifically authorized transactions.

★ 030103. Approving Authority. Service commanders of DOs, deputies, agents, and cashiers of the DO within their commands are the approving authority for granting requests to hold cash funds at personal risk. The DFAS Center Directors of DOs, deputies, agents, and cashiers of the DO within their organizational structure, to include defense accounting officers (DAOs), are the approving authority for granting requests to hold cash at personal risk. Cash on hand must be kept to the minimum necessary to meet normal requirements. To ensure that good

cash management procedures are in effect within the Department, the approving authority shall review each request to ensure that it is in line with the total non-payroll requirements.

★ 030104. Requests for Approval. Each DO shall request authority to hold cash at personal risk from the approving authority. Scheduled payday cash requirements, including the amount required to cash payday paychecks, shall not be included in the request. The approving authority is responsible for ensuring the amount of the request is within the guidelines set forth below and that management controls exist to ensure that routine reviews of cash requirements are being conducted. A new request to hold cash at personal risk shall be submitted semiannually (or whenever a review of cash requirements will result in a major change), allowing sufficient approval time for the cash authority to become effective on October 1 and April 1 of each fiscal year. Requests to hold cash at personal risk shall be made in writing and shall include the name, title, and duty station of the accountable requestor; a description of the payments and transactions requiring the use of cash; a statement attesting that adequate facilities are available to safeguard the cash; and a breakdown of where the cash will be held by accountable position. For emergency and extraordinary expense funds security concerns may require omission of the duty station, description of payments, location of facility, or other information that may compromise classified information. However, this information shall be kept on file and available for review by cleared personnel. The request shall include the amount to be held personally by the DO as well as the amounts to be held by all deputies, agents, and cashiers of the DO. The request shall not include the amount held by authorized imprest fund cashiers and authorized change fund custodians. Imprest funds and change funds are approved separately and are not to be included in the DO's cash holding authority. Approval of all requests shall be indicated by an appropriate endorsement and the original request shall be returned to the DO for retention.

030105. Determining Cash Requirements

★ A. General. In considering their cash requirements for disbursing and accommodation transactions, DOs shall consider daily cash collections of all deputies, agents, and cashiers of the DO over a representative period of time and average the results. If daily cash collections exceed disbursement and accommodation needs, no further computation is necessary. Otherwise, compute the cash requirements according to source and availability as shown in table 3-1. The portion of the DO's request to hold foreign currency at personal risk may be stated in foreign currency units to preclude temporary increases due to extreme currency fluctuations. The following types of disbursements which are authorized and/or required should be considered in determining the minimum cash/negotiable instruments a DO must hold at personal risk to meet normal daily cash transaction requirements:

1. Routine cash payments.
2. Emergency cash payments, e.g., emergency leave, etc.
- ★ 3. Commercial contract travelers checks for travel cardholder temporary duty travel advances.

- ★
4. Cash travel advances for non-cardholder temporary duty travelers and permanent change of station travelers.
 5. Foreign currency requirements for accommodation exchanges.
 6. Requirements for personal check cashing accommodation transactions. (See Chapter 4.)
 7. Cash transactions of remote/satellite deputies, cashiers, and agents of the DO.

B. Special Circumstances. When special circumstances require DOs to increase their cash holdings beyond the amounts set forth above, the circumstances and duration of the expected need for increased cash shall be detailed in the request for approval to increase cash held at personal risk. The approving authority may authorize holding amounts temporarily in excess of the limits described above based on the circumstances provided. If the circumstances are more than temporary (over 30 days) or are expected to become permanent, the DO shall recompute the cash requirements based on the addition or deletion of anticipated services and requirements and submit a new request for approval.

C. Cash Collections. Coin and currency received as cash collections may be held for operating cash requirements up to the amount authorized to be held at personal risk. Cash collections that increase cash on hand above the authorized limit shall be deposited immediately.

030106. Payroll Cash. Payroll cash is the cash required to meet mid-month, end-of-month, or special payday requirements. DOs can forecast these requirements using historical data and current personnel assigned figures. It should be ordered and withdrawn from the institution or activity providing cash as close to the actual payday as practical. Any excess amount drawn that results in the DO exceeding the authorized limit for cash held at personal risk should be deposited no later than the next business day following payday.

030107. Obtaining Cash Funds for Disbursing Purposes

A. Procurement by Exchange-for-Cash Checks. DOs are authorized to draw exchange-for-cash checks as described in Chapter 7 of this volume for procurement of cash necessary to meet authorized requirements. Funds can be obtained from other DOs, an FRB, FRB branch, or any commercial bank willing to provide the service. If the DO is unable to go to the bank to take possession of the funds due to excessive workload or location, arrangements can be made with the FRB or bank to ship the funds by registered mail or armored car. The commander shall approve and fund, as required, this type of delivery.

B. Notification to the Bank. As required, DOs shall provide the bank with advance notice of their cash requirements. At the time of notification, the DO should ascertain and provide any other additional requirements of the financial institution such as date currency required; identification required; denominations required; fees charged; and any policies or procedures peculiar to the particular institution (e.g., letter of introduction).

C. Immediate Credit Procedures

1. Requirement. A few banks have negotiated agreements with the Treasury Department that permit them to receive immediate credit when cashing an exchange-for-cash check for DOs to obtain payroll cash (referred to as military payroll check by the Treasury Department). DOs who obtain their payroll cash from one of the banks so designated shall notify the Treasury by Telecopy-FAX or by message or telegram addressed to: U.S. Treasury Department, Financial Management Service, General Ledger Branch, (ATTN:MTAS), Washington, DC. There are two Telecopy-FAX lines available for this purpose: (202) 566-3020 and (202) 633-7728.

2. Notification. Notification should arrive at the Treasury Department at least 2 days before the transaction is to take place and should include the name and location of the disbursing office; the name and address of the bank; the amount of the check; the date the check will be presented to the bank (shall be same day cash is picked up); a statement that the bank will be requesting immediate credit; and the disbursing office point of contact and commercial telephone number. Do not use DSN numbers. If an error is detected, a correction shall be transmitted immediately. In the event that the check is not exchanged for cash, the DO immediately shall notify the Treasury Department.

D. Protection of Currency in Transit

1. Notification to Commander. When a DO or any other person leaves the disbursing activity with official cash funds in excess of \$10,000, or for the purpose of picking up official cash funds in excess of \$10,000, the installation commander and the security police shall be notified. Such notice may be made through the command duty officer or other duty officer by reporting the time of departure, destination, estimated time of return, amount, and the source or disposition of the cash funds, as appropriate, for entry in the ship or station log.

2. Transporting Cash. Cash shall be secured at all times. Safeguarding of such funds is a command responsibility. Specifically, the responsibility for providing security rests with the commander of the activity who requested such funds be made available. In this regard, the decision whether to have an armed escort, how many, or the type of transportation to be used is all part of the command's responsibility. The command should consider such things as amount of funds to be protected, the distance and terrain to be covered, type of transportation available, and local security forces which may be called upon.

3. Liability. The deputy, agent, or cashier who has signed for the funds is pecuniarily liable for such funds until their return to the DO. If a deputy, agent, or cashier feels that adequate security has not been provided by the command, then the agent may refuse to disburse such funds and return the funds to the DO.

E. Verification of Money. The DO shall verify all cash received prior to acceptance. Non-sealed money shall be verified by actual count prior to acceptance or immediately upon receipt of shipment. Sealed new money bricks (presented with the FRB's packaging intact) can be verified by bundle count at the DO's risk. When the bundle is needed, the bundle should be verified immediately upon opening with individuals standing by to witness both the breaking of the seal and the count verification. Discrepancies shall be reported immediately by issuing a claim to the Treasury Department via the bank from which the money was obtained. Claims shall identify the bundle/brick in question and include a signed statement from the witnesses. The Treasury Department normally does not approve these claims. If the claim is not approved, apply the regular request for relief procedures. Receipts by shipment shall be accepted and verified in front of the witnesses immediately upon receipt in accordance with the above procedures, depending upon how the money is packaged.

F. Expenses. Bank charges and shipping costs that may be incurred when procuring U.S. currency shall be charged to the operation and maintenance funds available to the disbursing activity.

G. Registered Mail Shipments of Currency. This method of obtaining funds is highly discouraged. If no other sources of cash are available and cash must be obtained using this method, it shall be accomplished by sending an exchange-for-cash check to an FRB via registered mail. Also, the DO shall make arrangements with the FRB to pay the registered mail costs. As provided in the previous subparagraph, costs incurred in procuring U.S. currency shall be charged to the operation and maintenance funds of the disbursing activity. Upon notification that the shipment has been made, the DO shall take action to alert the shipper to trace the funds if they have not been received within a reasonable period of time; maintain a copy of the exchange-for-cash check and report the check as funds in transit on the SF 1219 until the cash is received from the FRB; and if the cash or any portion of the order is not received in a reasonable time, initiate diligent action as described in Chapter 5 of this volume.

H. Obtaining Cash by Transfer from Officer Relieved. The obtaining of cash funds by transfer from another DO without the issuance of an exchange-for-cash check is authorized only upon the relief of a DO and only from the DO being relieved.

0302 CASH REVIEW REQUIREMENTS

030201. Quarterly Cash Verification

A. Purpose. The quarterly cash verification is the physical count of the cash, negotiable instruments, and other assets that comprise a DO's total accountability (including cash, negotiable instruments, and other assets in the custody of all deputies and agents). It is a management control that, along with other controls, can be used to gauge the overall health of a disbursing operation. It is not meant to alleviate management's responsibility to direct and monitor all facets of a disbursing operation.

B. Appointing the Cash Verification Team. The verification shall be conducted by a team of disinterested persons appointed by the commander. The appointment shall be made in writing and include at least two qualified personnel. At least one of the personnel must have accounting or disbursing experience. It is in a command's best interest to use the most competent personnel available. In the case where the DO also is the commander, the next higher commander in the administrative chain of command shall appoint the team. At small or remote locations, it may be desirable to limit the team to one member or have members appointed and provided from serviced or associated commands. Cash verification team members shall not be in the DO's chain of command. If possible, one member should be equal or senior in rank to the accountable individual. For imprest and change funds, especially those held at installations or activities other than the installation or activity of the DO, the commander who authorized the establishment of the fund and appointed the imprest fund cashier or change fund custodian is responsible for appointing the cash verification team. In all cases, the appointing commander shall require the cash verification team (or individual) to perform a verification of all funds held by deputies, branch office cashiers, disbursing agents, paying agents, collection agents, imprest fund cashiers, or change fund custodians, at least once each quarter. Cleared personnel will be appointed for the verification of emergency and extraordinary expense funds.

C. Cash Verification Procedures. Except as modified by this paragraph, the requirements of this volume shall be met by the cash verification team in conducting cash verifications. When desired by the commander appointing verifying officials, the DO shall conduct training for the verifying officials and/or provide written instructions with check-off lists. The specific procedures for conducting the verification are contained in appendix A. The team and the commander jointly are responsible to ensure that the verification is conducted randomly throughout a quarter. Verifications that are continuously held at or near the end of a quarter are counter productive. The quarterly cash verification may be omitted for any quarter in which a cash verification is made by representatives of an area audit office, a disbursing on-site examination team, or transfer of accountability has occurred.

D. Report of Verification

★ 1. General. A written report of the results of each verification shall be made. The original report shall be provided to the commander, a copy to the DO, and a copy retained by the cash verification team. If funds are found to be in excess of that authorized to be

held at personal risk in accordance with paragraph 030105 of this chapter, the report shall be expanded to so state. Any shortage or overage in the DO's account-ability shall be reported as prescribed in Chapter 6 of this volume. The verifying official(s) shall make an entry on the face of the DO's daily statement of accountability, setting forth the result of the verification in substance as follows:

"On (date) at (time) , the undersigned verified by actual count, cash in the amount of \$_____, together with all documents supporting collections and disbursements, which (is)/(is not) in agreement with this daily statement of accountability.

Signature and Rank of Verifying Official"

2. Limitations. Each report to the commander shall begin with the statement: "The quarterly cash verification is meant only to verify that cash and other assets for which the DO is accountable agrees with the total accountability amount recorded as on-hand on the DO's daily statement of accountability. It does not attest to the system of management controls or overall fiscal operation of the disbursing office. Strong management controls exercised by the appropriate members within the chain of command are mandatory and necessary to prevent and preclude major loss or fraud."

0303 SAFEGUARDING FUNDS AND RELATED DOCUMENTS

030301. General. This section sets forth the responsibilities of commanders and DOs for safeguarding public funds and the related instruments and documents. Its provisions are equally applicable to deputies, agents, cashiers, and other custodians of public funds. DOs should hold the number of accountable positions that require the storing of public funds to a minimum. The most secure container that is available to a DO (vault, safe, etc.) shall first be used for safeguarding currency; undelivered checks and bonds; negotiable instruments; public vouchers; storing of blank U.S. Treasury checks, limited depositary checks, and U.S. savings bonds; signature plates; safekeeping of valuables; and other records in that order. The command security program should be written to take into account the maximum amount of each of these items that would normally be on hand at any given time. Public funds and documents shall not be stored in the same containers as classified material and documents.

030302. Responsibilities

A. Commander. The commander is responsible for:

1. Ensuring that every individual entrusted with public funds is provided a vault, safe or other adequate secure facility (e.g., a strong box) for exclusive use and accessible only to that individual. If it is not possible to provide separate safes, separate locked compartments in one safe or strong boxes stored in one safe or vault shall be provided. To assure

the fixing of accountability, control over a discreet amount of public funds shall not be entrusted to two or more individuals. Public funds shall never be merged with any other funds.

2. Developing a security program and promulgating the program in the form of a command instruction or notice. The program shall provide adequate protection for the maximum amount of public funds and related documents and instruments that will be on hand at any given time.

3. Ensuring that personnel protection is included in the overall disbursing security program. The program shall include requirements for periodic review of the adequacy of the security measures being used and for testing security equipment for proper operation on a semiannual basis.

4. As required, ensuring armed guards are made available for escort of government funds to and from the disbursing office when funds are being transported.

5. Providing fire protection of government facilities and funds.

B. Disbursing Officer. The DO is responsible for properly safeguarding all government funds with which entrusted and is held pecuniarily liable for the loss of such funds. When DOs, deputies, agents, cashiers, and/or custodians have custody of government funds, each shall be provided with a separate secure container as described above. Although any of the appointed or assigned personnel are liable for any losses of government funds in their custody, the DO also continues to hold overall responsibility and is jointly (or even singularly) liable for any losses associated with these personnel. For this reason, DOs shall make sure that all deputies, agents, cashiers, imprest fund cashiers, and other custodians are fully aware of their responsibilities for properly handling and protecting government funds. At least semiannually, the DO or designee shall make a personal inspection (and maintain a record of such inspections) of office security measures to ensure that:

1. Vaults and safes are not accessible to unauthorized persons. Access to vaults may be limited by vault day gates to which only authorized personnel have the keys.

2. Cash in excess of the amount required and authorized for official purposes is promptly deposited.

★ 3. Windows and doors are limited and barred and/or locked at all times after business hours.

4. Access to the working area is conspicuously marked "AUTHORIZED PERSONNEL ONLY." Transactions should be conducted from a cage, room, or counter enclosure, constructed in a manner which will provide a physical barrier to normal traffic and a minimum of interference by other activities and personnel of the office.

5. Security devices for the check signing machines, meters, and plates are kept in the custody of the DO or authorized deputy at all times.

6. Internal office procedures are established to provide adequate controls on all undelivered and returned checks. Responsibility for receipt, holding, and final distribution of checks shall be assigned in writing.

7. The commander is advised of any security shortfalls or breaches.

8. The servicing DFAS Center is informed of any request for adequate safeguarding facilities that has been denied.

9. Written and oral instructions are provided to all deputies, agents, cashiers, and custodians regarding the proper care and handling of cash and other accountable documents. The DO is advised to maintain an affidavit from each accountable individual attesting to receipt of such instructions.

10. All cash, blank Treasury checks, blank U.S. savings bonds, blank depositary checks, and related items to which this section refers are kept in a vault, safe or security container that meets the minimum security standards prescribed in this section.

11. All fund containers aboard ships and fund containers ashore that are either on rollers or weigh less than 750 pounds are stored in a vault or secured in such a way as to prevent movement.

12. If the vault, safe, or container is visible to the exterior of the office where security patrols pass, the container is illuminated. This requirement is mandatory in all cases aboard ships.

13. The combination of all vaults, safes, and fund containers is changed at least once every 6 months and upon relief, transfer, separation, or discharge of the accountable individual. Except for vaults containing only bulk stock of blank checks and bonds or several safes or strong boxes (wherein funds are stored) stored inside the vault, the responsible individual shall not divulge the combination or key to anyone. At the discretion of the DO, the combination of each safe and duplicate key of each strong box may be placed in a sealed, signed, and dated envelope. The envelope shall be sealed and signed by the accountable individual in such a manner that unauthorized opening of the envelope can be detected. The sealed envelopes of all accountable individuals other than the DO shall be kept in the DO's safe. The sealed envelope containing the combination and/or keys to the DO's safe or vault shall be delivered to the commander, security officer, or other designated official for retention. The combination or key sealed in the envelope shall be used only in the event of an emergency which requires opening of the safe or vault. Refer to Chapter 2 of this volume for emergency procedures.

14. A record of combination changes is kept inside each vault, safe, or container. The record shall be dated and signed by the accountable individual.

15. The dial to the vault, safe, or container concealed by a shield made of cardboard or other suitable material to limit the possibility of the combination being observed.

16. The name and phone number of the accountable individual is posted on the inside of the vault, safe, or container. DOs may use an SF 700 (Security Container Information), SF 701 (Activity Security Checklist), or SF 702 (Security Container Check Sheet), as appropriate, to assist in the control and proper safeguarding of public funds and the vaults, safes, and/or containers. Alternatively, a unique container number along with a 24-hour duty number may be posted on the outside of the vault, safe, or container provided the duty personnel have access to the accountable individual.

17. Keys to the work space or disbursing office are strictly controlled. A record shall be maintained that identifies who has keys, when they were issued, and when they were surrendered.

18. All security equipment is tested at least every 6 months for proper operation and a record of the tests maintained.

C. Other Custodians of Public Funds. Protective action shall be taken by all custodians (including alternate custodians) entrusted with public funds.

030303. Intrusion Detection Systems

A. General. An Intrusion Detection System (IDS) is a vital part of any protection system designed to provide in-depth protection for a resource or other important area. The DoD supports a policy on the use of IDS for resource protection purposes. The first consideration shall be given to components of the DoD Joint-Services Interior Intrusion Detection System (J-SIIDS). In certain special cases, components of the Base and Installation Security System (BISS) (generally used for security applications) also may be available for resource protection requirements.

B. Alarms. Alarms should be considered for use to deter entry to the general disbursing area or to the actual storage container. There are three levels of alarm protection: penetration; motion; and point detection. In-depth protection can best be achieved by equipping an area with a minimum of two levels of detection capability. The existence of alarms should be well publicized to gain the full benefit of psychological deterrence, and should be identified by conspicuous warnings.

C. Maintenance. To ensure the alarm system operates properly, the installation shall have an effective maintenance program and shall test the system regularly. The alarm system shall be protected against bypassing and spoofing consistent with DoD requirements.

D. Alarm Monitor's Responsibilities. Alarm monitors shall be trained to understand the systems they are monitoring to include operation and basic fault isolation. They shall work closely with the security police and unit personnel and act as a liaison in this special role.

★ 030304. Categories of Storage Containers

A. Security Containers. General Services Administration approved security containers are manufactured under the following Federal specifications. The Class 1 and Class 5 cabinets have been rated to provide the greatest protection against forced entry.

1. Class 1 or Class 2 cabinet. AA-F-357 (GSA-FSS).
2. Class 4 or Class 5 cabinet. AA-F-358 (GSA-FSS).
3. Class 5 or Class 6 Map and Plan File. AA-F-363 (GSA-FSS) or Class 6 Drawer File - AA-F-358 (GSA-FSS).

B. Burglary Resistant Safes. Commercial burglary resistant safes are certified by Underwriters' Laboratories, according to the following classifications. These containers are designed to protect the contents against forced entry. The numerical value utilized in the classifications represents the time in minutes which the safe should resist forced entry. These safes provide a greater degree of protection than the General Services Administration rated security containers.

1. Tool-Resistant Safe - TL-15.
2. Tool-Resistant Safe - TL-30.
3. Torch and Tool-Resistant Safe - TRTL-30.
4. Torch and Tool-Resistant Safe - TRTL-60.

★ 030305. Storage Container Requirements

A. Currency and Negotiable Instruments. The following subparagraphs prescribe the minimum requirements for storage of currency and negotiable instruments. DoD Component security and resource protection programs should ensure compliance with these minimum requirements. Previously approved storage containers currently in use may continue to be used.

1. Under \$7,500. The commander shall establish fund container requirements. Any of the security containers or burglary resistant safes listed in paragraph

030304 of this section may be used. Additionally, the Naval Sea Systems Command may designate specific containers which may be used onboard Navy ships.

2. \$7,500 - \$50,000. A security container that carries a Class 1 or Class 5 rating or a burglary resistant safe carrying at least an Underwriters' Laboratories classification of Tool-Resistant Safe, TL-15, and having a Group 1R combination lock, should be used.

3. \$50,000 - or more. A burglary resistant safe or vault carrying at least an Underwriters' Laboratories classification of Tool-Resistant Safe, TL-30, and having a Group 1R combination lock, should be used.

★ B. Other Than Currency and Negotiable Instruments. Blank checks and bonds, signature plates, paid vouchers representing cash (collection or disbursement vouchers which have been processed but have not been included as a net disbursement in the daily or monthly, as appropriate, financial reports to the servicing DFAS center), other disbursing records and documents, and personal valuables as defined in paragraph 270102 held for safekeeping shall be stored in a security container carrying at least a Class 1 or Class 5 rating or a burglary resistant safe or vault. Additionally, the naval sea systems command may designate specific containers which may be used on board navy ships.

0304 ADVANCING FUNDS TO AGENTS

030401. Deputies, Agents, and Cashiers of the DO

A. Procedure. DOs may entrust funds for official use to the custody of their deputies, agents, and cashiers as prescribed in this section. All funds that are advanced to deputies, agents, and cashiers shall be documented by DD Form 1081. Funds may be provided by furnishing the deputies, agents, or cashiers with currency or by issuing exchange-for-cash checks, as required, payable to the deputy, agent or cashier. The DO shall instruct the individual to negotiate exchange-for-cash checks only as funds are needed, since an unnegotiated Treasury check does not represent an interest burden on the Treasury, and, accordingly, is not considered a part of the individual's (or the DO's) approved cash authority (even though the DO reports the unnegotiated check as "Funds with Agents" and the deputy, agent, or cashier reports the unnegotiated checks as "Cash on Hand"). Funds in the custody of deputies, agents, and cashiers in the main disbursing office shall be reported on the SF 1219 as cash on hand and funds in the custody of deputies, agents, and cashiers outside the main disbursing office shall be reported on the SF 1219 as cash in the custody of government cashiers. See figure 3-1 for an example of a properly executed DD Form 1081 showing an advance of funds to deputies, agents, or cashiers.

B. Limitation of Amount. Under normal conditions, the amount of funds advanced to a deputy, agent, or cashier shall not exceed their cash holding authority. However, during the authorized absence of the DO, on paydays, and at such other times as is required for efficient operation, funds may be entrusted to the custody of deputies, agents, or cashiers in such

amounts as are required, provided the total amount held by the DO and the deputies, agents, and cashiers does not exceed the amount authorized to be held by the DO.

C. Custody. Each deputy, agent, or cashier shall store the funds entrusted to him or her in a safe or adequate container which is assigned exclusively for his or her use as specified in section 0303 of this chapter. The combination of the safe or container shall be known only to the deputy, agent, or cashier and may be placed in a sealed, signed, and dated envelope for retention in the DO's safe or vault. The combination of the safe or container shall be changed at least once every 6 months. If it becomes necessary, in the opinion of the commander, to gain access to the safe or container, it shall be opened and the contents verified following the procedures outlined in Chapter 2 of this volume.

D. Balancing. All deputies, agents, and cashiers entrusted with official funds shall balance the funds in their custody following the balancing requirements for DOs as outlined in Chapter 19 of this volume. The permanent record of balancing for deputies, agents, and cashiers shall always be kept on the DD Form 2665 (Daily Agent Accountability Summary). The DO shall instruct each deputy, agent, or cashier with respect to the frequency of balancing and submission of DD Form 1081 as a summary of cash transactions and receipt for cash and vouchers on hand. In any event, DD Form 1081 turn-ins shall be made not less frequently than once each month. When it is known that a deputy, agent, or cashier will be absent in excess of 5 workdays, all funds and accountable documents in the deputy's, agent's, or cashier's custody shall be returned to the DO with properly executed DD Forms 2665 and 1081 prior to departure. Any shortage or overage of funds shall be reported immediately as prescribed in Chapter 6 of this volume. See figure 3-2 for an example of a properly executed DD Form 1081 showing return of funds and/or vouchers to the DO.

E. Collections and Disbursements

1. Deputies, Agents, and Cashiers in the Main Disbursing Office. All negotiable instruments, collection and disbursement vouchers, and other accountable documents shall be accounted for on DD Form 2665 and turned in to the DO daily with a covering DD Form 1081. Currency collected over and above the currency disbursed may be retained when authorized by the DO provided the total funds held are within the limitations specified above. The DD Form 1081 also serves as a new receipt for the funds which remain in the custody of the deputy, agent, or cashier. When additional funds are required, due to disbursements greater than collections or other authorized transactions, the DO may replenish the funds in the net amount of acceptable vouchers and negotiable instruments delivered with the DD Forms 2665 and 1081. The DO shall prepare a new DD Form 1081 for the amount of funds advanced. DD Forms 1081 shall be prepared as described in Chapter 19 of this volume.

2. Deputies, Agents, and Cashiers at Branch Disbursing Offices. When deputies, agents, and cashiers are performing duties in branch offices located at such distances from the main disbursing office that reporting of transactions in person is considered impracticable, the DO may authorize transmittal of the transactions by mail or messenger,

accounted for on DD Form 2665 with a covering DD Form 1081. The original DD Form 1081, signed by the deputy, agent, or cashier and duplicate of the report shall be forwarded with the DD Form 2665 and substantiating vouchers, negotiable instruments, and documents to the DO who, after examination and acceptance, shall acknowledge receipt on the duplicate copy of the DD Form 1081 and return the duplicate to the deputy, agent, or cashier. Replenishment of funds may be accomplished by furnishing the deputies, agents, or cashiers with currency or by issuing exchange-for-cash checks payable to the deputy, agent, or cashier and a new DD Form 1081 as provided in the previous subparagraph. DD Forms 1081 shall be prepared as described in Chapter 19 of this volume.

3. Deputies, Agents, and Cashiers Under Other Commands.

Deputies, agents, or cashiers who are not under the same command as the DO, such as the investigative service, investigative support center, intelligence command, and U.S. Defense Attache Offices, shall deposit negotiable instruments whenever possible. Deposit tickets, collection and disbursement vouchers, and other accountable documents shall be transmitted by mail or messenger, accounted for on DD Form 2665 with a covering DD Form 1081. The DD Form 1081 shall be prepared as described in Chapter 19 of this Volume, except that, on the determination of the DO, the volume of transactions may be so few as to permit the submission of a single DD Form 1081 for each month.

4. Deputies, Agents, and Cashiers Aboard Navy Vessels.

Deputies, agents, and cashiers aboard Navy vessels shall account for all negotiable instruments, collection and disbursement vouchers, and other accountable documents (including documents prepared in conjunction with the automated teller machine system, if installed on the vessel) using the DD Forms 2665 and 1081 as prescribed in the preceding subparagraphs. However, turn-in shall be accomplished no less frequently than: once each week; immediately before and after each payday; the last day of each month; and, at any other time when the DO suspects that an irregularity has occurred. Whenever workload and staffing conditions permit, DOs aboard Navy vessels are encouraged to require all deputies, agents, and cashiers to turn in vouchers and negotiable instruments more frequently than the standards prescribed by this subparagraph.

F. Records. All transactions by other than the DO shall be identified by name of the paying deputy, agent, or cashier. The method used to accomplish the identification shall be as determined by the DO. Negotiable instruments cashed by other than the DO shall be identified as prescribed in Chapter 4 of this volume.

030402. Paying Agents. Funds entrusted to authorized paying agents for the purpose of making specific payments, currency conversions, or check-cashing transactions shall be documented with a DD Form 1081. The amount of the advance shall not exceed the amount required for the specific payments, check cashing, or currency conversions to be made by the paying agent. The DO shall furnish written instructions to the paying agent to ensure that all pertinent disbursing procedures are properly observed by the paying agent, including requirements for the safeguarding of funds; identification of payees; signature of payees; required vouchers, documents, and certifications; and the return of funds and vouchers. Funds advanced

to the paying agent shall neither be commingled with any other funds nor advanced to any other person. Normally, the paying agent shall not retain advanced funds overnight. Promptly upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds shall be returned to the DO with a properly completed DD Form 1081. When circumstances require retention of funds overnight by the paying agent, the custody requirements in section 0303 of this chapter shall be followed, and the paid vouchers, negotiable instruments, and balance of funds shall be returned as soon as possible after completion of the authorized payments, normally within 24 hours. The DO shall notify his or her commander and the commander of the paying agent if the paying agent fails to make prompt return of paid vouchers, negotiable instruments, and funds or if loss of funds or vouchers occurs.

030403. Imprest Fund Cashiers

A. Authority. The DO serving the base, camp, post, station, installation, activity or ship is authorized to advance official funds not to exceed the \$10,000 limitation and authorization as prescribed in Chapter 2 of this volume. When an imprest fund initially is established, the DO shall make the advance of funds only after receiving a copy of the authorization to establish the fund from the commander or designee. When the commander or designee authorizes an increase in the amount of an existing imprest fund, the DO shall make the additional advance in order to bring the amount of the fund up to the newly established level only after receiving a copy of the authorization to increase the amount of the fund.

B. Form of Advance of Funds. The advance shall be made by cash or by check payable to the order of the imprest fund cashier. If desired by the imprest fund cashier, a series of checks in the desired denominations (round figures or specific amounts) may be issued. The DO shall prepare a DD Form 1081 for the amount of funds advanced and the original shall be signed and returned to the DO by the imprest fund cashier. All DD Forms 1081 for imprest fund advances shall include a statement that the imprest fund cashier will immediately inform the DO who advanced the funds of any loss of or shortage.

C. Accounting. All imprest fund advances shall be reported on the SF 1219 as cash in the custody of government cashiers.

D. Reimbursement and Liquidation. The amount of the imprest fund shall remain constant at all times. The imprest fund cashier shall prepare and submit an OF 1129 (Cashier Reimbursement Voucher and/or Accountability Report) to the DO as often as necessary but no less frequently than once per month for replenishment of the fund. The DO shall reimburse the imprest fund cashier for the amounts expended and properly documented as prescribed in Chapter 2 of this volume. Upon reduction in the authorized amount of the imprest fund, funds may be transmitted to the DO by money order(s). The cost of the money order(s) shall be deducted from the amount transmitted and accounted for as prescribed in Chapter 2 of this volume. The imprest fund cashier shall prepare a DD Form 1081 to document the return of the funds. The DO shall sign the duplicate of the DD Form 1081 and return it to the imprest fund cashier. Upon relief of the imprest fund cashier or upon the disestablishment of the fund for any

reason, all unreimbursed transactions shall be accounted for on an OF 1129. Immediately upon reimbursement for the final OF 1129, the imprest fund cashier shall prepare a DD Form 1081 and return the total amount of the imprest fund to the DO. When the imprest fund advance is fully accounted for, the DO shall sign the duplicate copy of the DD Form 1081 and return it to the imprest fund cashier. Upon relief of the DO, the DD Form 1081 receipting the amount held by the imprest fund cashier in the imprest fund shall be transferred to the relieving DO.

E. Shortage or Overage of Imprest Fund. In the event of a shortage or overage in an imprest fund, action shall be taken as prescribed in Chapter 6 of this volume.

030404. Establishing Change Funds

A. Authorization

1. When the efficient and economical operation of a government laundry, clothing sales store, or other appropriated fund activity (other than a Defense Commissary Agency (DeCA) commissary) engaged in selling property or services requires cash for making change, the officer in charge of the activity shall request the commander to establish a change fund. After approval, the commander (or designee) shall appoint a change fund custodian and the appointment document shall specify the amount of funds to be advanced by the DO or an agent of the DO to the custodian. The DO (or an agent of the DO) providing disbursing service to the installation or activity where the sales activity is located shall provide the authorized change fund advance and record the advance in his or her accountability as cash in the custody of Government cashiers. This requirement applies whether the sales activity deposits the proceeds of sales to the DSSN of the local DO or to the DSSN of a regional DO.

2. For DeCA commissaries, the change fund for each commissary store is authorized by the Director, DeCA. Except in specific overseas areas, DeCA commissary change funds are provided by the DFAS-Columbus Center. In all cases, these change funds are issued by U.S. Treasury check using an SF 1034 that charges the DeCA Resale Account and are not carried in the issuing DO's accountability as cash in the custody of government cashiers.

B. Fund Limit. The amount of the change fund shall not exceed \$250 for each cash register machine operated in the activity. When a cash register has more than one drawer, each drawer may be considered as a register. The commander may authorize additional amounts as indicated below. These increases shall be consistent with good cash management principles. Upon approval of the commander, cash may be advanced to authorized collecting agents for making change.

C. Fund Increases

1. The commander may authorize an additional \$50 for each cash register and an amount not to exceed \$500 for each accountable medical services custodian.

2. When extended operating hours exist (for example, Sunday operations), the commander may approve an additional amount of up to \$50 per cash register when there is limited or no banking support.

★ D. Documentation

1. For all change fund advances, other than DeCA commissaries, the DD Form 1081 shall be prepared by the DO or agent, as applicable, and the original signed and returned to the DO or agent by the change fund custodians for the amount of funds advanced. All DD Forms 1081 for change fund advances shall include a statement that the change fund custodian immediately will inform the officer who advanced the funds of any loss of or shortage in the funds. Change fund custodians shall be provided written instructions covering their responsibility for safeguarding the funds at the time of receiving the advance. The funds shall be returned when the appointment as change fund custodian is terminated. The change fund custodian shall prepare a DD Form 1081 to document the return of the fund. The DO or agent shall acknowledge receipt of the fund by signature on the duplicate copy of the DD Form 1081 which shall be returned to the custodian. Change funds may also be recalled when it is necessary to verify the cash in the possession of the DO or agent, as applicable. On completion of such verification, the funds shall be advanced again to the change fund custodian. In addition, unannounced inspections, including cash counts are required to be made of each change fund at least quarterly by the cash verification team.

2. For DeCA commissaries, when a change fund is no longer necessary (e.g., closure of a commissary) the commissary officer shall prepare a DD Form 1131 with credit to the DeCA Resale Account and deposit the fund using a SF 215 in the same manner as the proceeds of sale are deposited.

0305 ADVANCING FUNDS TO FRIENDLY FOREIGN NATIONS

030501. Authority

A. Basic Agreement. DOs of the Department are authorized by 10 U.S.C. 2396(b) (reference (b)) to advance funds to cashiers, other DOs, or individual members of an armed force of a friendly foreign nation for the purpose of paying pay and allowances to those members or enabling that armed force to purchase necessary supplies and services. Funds shall be advanced by law and under a basic intergovernmental agreement that has been negotiated between the governments of the friendly foreign nation and the United States. Any agreement proposed to implement the statutory authority shall be negotiated in accordance with DoD Directive 5530.3, International Agreements (reference (q)), to include coordination with the cognizant Combatant Commander and the U.S. Chief of Diplomatic Mission or U.S. Embassy. See model agreement at figure 3-3.

B. Supplemental Agreement. A supplemental agreement shall establish the following:

1. Type of personal identification that shall be shown by a DO or by an individual Service member when drawing an advance of funds.
2. Maximum amount that may be advanced to an individual Service member.
3. The lender nation shall be protected against loss due to fluctuating exchange rates.
4. The address of the respective settlement offices to whom the lender nation's DO shall forward receipts for fund advances with requests for reimbursement.
5. Settlements shall be made locally, whenever feasible, or when that is not feasible, between the signatory nation's representatives in Washington, DC, or other designated location.
6. Settlement may be made in cash, or by check, and in the type of currency used to make the advance. Whenever possible, settlement should be made in the lender nation's own medium of exchange.
7. Such other provisions that local conditions may make necessary.

C. Conditions. Funds shall be advanced only against the signed receipt of the DO or individual members of the armed force receiving the advance for the following purposes and under the following conditions:

1. To a DO of an armed force of a friendly foreign nation on presentation of proper personal identification for paying pay and allowances of troops, or for purchase of necessary supplies and services, when the unit is serving in an area where personnel temporarily are unable to obtain funds from their own nation.
2. To individual members of an armed force of a friendly foreign nation, who are serving in an area where a DO of that force is not available to make payments because the personnel are: temporarily separated from their units; in need of funds; and able to identify themselves satisfactorily as members of an armed force of a friendly foreign nation with which an intergovernmental agreement for advances has been negotiated.
3. The receipt minimally shall contain: the name, rank, Service number, title, organization, and country of the individual who receives the advance; the purpose for which the advance is needed; the type and amount of currency advanced; the prevailing rate of

exchange to one U.S. dollar at the time the advance is made, if applicable; and the name, rank, organization, and address of the DO making the advance.

★0306 TRAVELERS CHECK PROGRAM

030601. Overview. This section prescribes policy, procedures, and assigns responsibility for ordering, receiving, controlling, safeguarding, disbursing, refunding, and accounting for travelers checks. Provisions of this chapter prevail where conflict or differences exist in the issuer's user's guide.

030602. Travelers Checks in Lieu of Cash. Travelers checks may be disbursed to employees and members as travel advances in lieu of cash travel advances. Commanders or their specifically designated representatives may disburse travelers checks to employees and members.

030603. Misuse of Travelers Checks. Immediate cashing or depositing of travelers checks into financial institutions should be discouraged. Employees and members should be advised to use travelers checks as intended, that is, for the purchase of goods and services while in a travel status. Commanders should use available media to advise and periodically reemphasize the intent of travelers checks to all employees and members.

030604. Appointment of Designated Representative. Each DoD activity participating in the travelers check program shall designate one or more individuals as the activity's travelers check representative(s). The individual(s) shall be appointed in writing as a cashier by the activity commander using the procedures described in paragraph 020603 of this volume. The letter of appointment shall be issued in the original and two copies and shall include the specific duties and limitations, effective date, duration of the appointment, and the name of the individual being relieved, if any. The appointed individual(s) shall acknowledge appointment and acceptance of the position on the original and all copies of the letter of appointment and shall include the statement "I agree to hold myself accountable to the United States for all public funds received." If for any reason the individual ceases to serve in the position (i.e., termination of the program or change of cashiers), the appointment shall be terminated in writing. The original of letter of appointment or termination shall be delivered to the cashier, a copy shall be retained by the appointing commander, and a copy shall be furnished to Disbursing and Cash Management Office, Director, Procedures and Guidance Division, DFAS-DCMO/DB, 1500 E. 95th Street, Kansas City, MO 64197-0030. Letters of appointment and/or termination shall be maintained in a permanent file at the activity to show the successive holders of each position and shall be retained for a period of not less than 6 months after the individual ceases to serve in the position.

030605. Safeguarding and Controlling Travelers Checks

A. General. Travelers checks in the custody of the U.S. Government (i.e., the activity's designated cashier) are considered to be public funds and shall be safeguarded as prescribed in this chapter. The individual appointed as cashier to maintain custody of, disburse

to employees and members, and account for s checks shall be held pecuniarily liable under the same principles and procedures as DOs and their deputies, agents, and cashiers. However, travelers checks shall not be included in the DO's cash accountability or authority to hold cash at personal risk. Accordingly, the value of the travelers checks in the custody of the cashier shall not be included on the DO's DD Form 2657 (Daily Statement of Accountability) or SF 1219 (Statement of Accountability).

B. Control Record. The receipt of shipments and records of disbursement of travelers checks shall be recorded either on DD Form 2667 (Subsidiary Accountability Record) or the automated inventory system provided by the travelers check issuing company. The DD Form 2667 is easily adaptable for use as an inventory, receipt, and disbursement record. A separate DD Form 2667 shall be used for each denomination of travelers checks to enable recording the travelers checks by denomination in serial number sequence. Should travelers checks be maintained in more than one currency (i.e., U.S. dollars and one or more foreign currencies), separate DD Forms 2667 shall be used for each currency as well as each denomination of the checks. Travelers checks shall be disbursed in package and serial number sequence.

030606. Establishing Accounts

A. New Accounts. The DoD activity initially establishes the travelers check program by contacting one of the participating travelers check providers.

B. Automatic Reporting. The travelers check provider will furnish DoD activities with an automated personal computer software system and a point-of-sale (POS) terminal to manage and report travelers check sales, inventory, and settlement. The DoD activity must provide the personal computer, modem and telephone line for this system. This on-line system will fulfill the requirement to track, add, tally, and report travelers check sales.

C. Obtaining Travelers Checks. The DoD activity's designated cashier authorizes issuance of the initial order of travelers checks. The cashier determines the amount of checks to be received as a standard order and makes any subsequent changes to this amount. Standard order travelers checks are packaged in a manner determined by the travelers check provider. Prepare and forward an enrollment form as directed by the provider. If travelers checks are to be disbursed in other than U.S. currency, the cashier must provide this information to the provider.

030607. Receipt of Travelers Checks

A. Receipt. The cashier shall inventory and document receipt for each book of travelers checks and for single (loose) travelers checks received in shipment. The inventory shall include:

1. counting the number of books and/or loose checks,

2. verifying the denomination and serial numbers of all travelers checks in each shipment,
3. sorting the books or loose checks by denomination (and currency, if applicable).

B. Discrepancies. Contact the travelers check provider immediately if travelers checks received in shipment do not coincide with the agreement or shipment forms. Do not disburse any travelers checks contained in a discrepant shipment until the provider acknowledges and agrees in writing to correct or adjust the discrepancies.

030608. Reordering Travelers Checks. There are two resupply options under the program: automatic and on request. The Department has chosen the automatic resupply option for all DoD Components. The automatic resupply system will monitor stock-on-hand based on sales data reported to them. Each cashier shall initially establish a "percentage of sales" limit or dollar limit (maximum level). This limit becomes the automatic resupply level for the cashier. A minimum level ("trigger point") shall also be established. The "trigger point" generates a new supply of checks needed to bring stock level back to the maximum level.

030609. Change of Cashiers (Representatives). Both the outgoing and incoming DoD activity cashier shall perform a complete, joint inventory and document all travelers checks on hand. The completed inventory shall be signed by both representatives and a letter transferring the account will be prepared and signed by the activity commander. The original inventory and transfer letter shall be retained by the DoD activity. Advise the travelers check provider by letter each time there is a change of designated cashiers. The letter shall include the cashier's agent code number and the names of persons authorized to order and receive travelers checks. Signature specimens are not required.

030610. Disbursement (Sale) of Travelers Checks

A. General. Travelers checks shall be disbursed to employees and members as a travel advance. The travelers check advance is in lieu of a cash travel advance. Fees for the issuance of travelers checks are based on the method of payment to the travelers check provider under this program. Participating DoD activities may use payment option B or option C, as described below. The preferred payment option for all DoD activities is option C.

1. Payment Option B. Under payment option B, payment to the provider for the value of travelers checks disbursed plus the related fees must be made within 5 calendar days of the date the travelers checks are disbursed. The paying disbursing office is the disbursing office providing disbursing support to the DoD Component activity participating in the program. Payment option B shall be used only for disbursement of travelers checks to members and employees who are not participants in the U.S. Government Travel Card Program and in those instances when the DoD activity does not participate in the central billing process described below under payment option C. Refer to subparagraphs 030610.B and 030611.A,

below, for specific procedures for reporting disbursement of travelers checks and payment for the checks and related fees.

2. Payment Option C. Within payment option C, there are two distinctly different methods of payment: a centrally billed account method and an individual charge card account method. Payment option C is the preferred payment method for use by all DoD Component activities.

a. Centrally Billed Accounts. The centrally billed account method of payment operates under a concept similar to the central billing procedures for purchase of and payment for airline tickets. Under this method, the participating DoD Component activity must obtain an activity travel charge card account. The activity charge card account is charged for all travelers checks disbursed to individuals who are not participants in the U.S. Government Travel Card Program. Monthly, the travelers check provider will bill the DoD activity for all travelers checks disbursed as well as the related fees.

b. Individual Charge Card Accounts. The individually billed account method is applicable to all individuals participating in the U.S. Government Travel Card Program. Under this method, travelers checks are charged to the individual cardholder's travel card. The individual card holder is billed monthly by the provider for the travelers checks as well as the related fees. This method is identical to the individual billing procedure currently in effect for using the government travel card at automated teller machines (ATMs) to obtain cash.

B. Disbursing Travelers Checks Under Option B. Cashiers shall disburse travelers checks to employees and members only upon presentation of approved travel orders and appropriate identification. In all instances, the maximum amount of travelers checks disbursed shall be limited to the amount of travel advance authorized in the travel order. A Purchaser Application Form (PAF) must be completed for each travelers check disbursement. The cashier should refer to the travelers check provider user's guide for disbursing travelers checks and completion of the PAF. Under this payment option the cashier shall:

1. select the appropriate travelers check amount.
2. complete a PAF for each pack of travelers checks disbursed and a separate PAF for each loose travelers check disbursed.
3. ensure the individual inserts his/her name, address, and signature on each PAF.
4. give the travelers checks, refund information, and customer copy of each PAF to the individual.
5. advise the individual to sign each of the travelers checks in the upper left hand corner immediately. Note: Customers who do not sign travelers checks immedi-

ately upon receipt forfeit their right to refund. If lost or stolen, travelers checks must have the customer's signature in the upper left hand corner to qualify for refund.

6. retain three copies of each individual's travel orders and the original and remaining copies of the PAF for preparation of the voucher for payment.

Note: Travelers checks disbursed under this method constitute an advance of travel funds as defined in the Joint Travel Regulations (JTR) and the Joint Federal Travel Regulations (JFTR). as such, each individual receiving travelers checks under this method must report receipt of the total face value of the travelers checks on the travel claim as a partial payment. At the time the travel claim is settled, the value of the travelers checks must be deducted from the total travel entitlement due the traveler. In addition, since the fee for the travelers checks has been paid to the provider, the traveler is not authorized or entitled to claim reimbursement for the travelers check fee. Failure to report receipt of an advance (by travelers checks) on the travel claim results in duplicate payment of travel allowances and can be considered an attempt to defraud the U.S. Government.

C. Disbursing Travelers Checks Under Option C. As explained above there are two methods of payment under option C, the centrally billed account method and the individually billed account method. The centrally billed account method is for use to disburse travelers checks to individuals who are not participants in the U.S. Government Travel Card Program. The individually billed account method is for use to disburse travelers checks to individuals who are participants in the U.S. Government Travel Card Program. Under either of these options, cashiers shall disburse travelers checks to individuals only upon presentation of approved travel orders and appropriate identification. In all instances, the maximum amount of travelers checks disbursed shall be limited to the amount of travel advance authorized in the travel orders.

1. Centrally Billed Account. The cashier shall:

a. select the appropriate travelers check amounts required to make up the amount of travel advance authorized in the travel orders.

b. obtain authorization to charge the travelers checks to the DoD Component activity charge card account. The cashier should refer to the provider user's guide for disbursing travelers checks and completion of the required documents. Key or swipe the travel card (DoD Component activity credit card) into the point-of-sale (POS) terminal to obtain an approval code.

c. complete a PAF for each pack of travelers checks disbursed and a separate PAF for each loose travelers check disbursed.

d. ensure the individual inserts his/her name, address, and signature on each PAF.

- e. imprint the Record of Charge (ROC).
- f. complete the ROC by recording the approval code; the face value of the travelers checks; the fee amount (compute appropriate amount based on the rates shown above); the sum of face value of the travelers checks and fee amount; and, ensure the agency account number is recorded in the area for card member account number. The member or employee (customer) shall then sign the ROC.
- g. give the travelers checks, refund information, the customer copy of each PAF, and the top copy of the ROC to the individual.
- h. advise the individual to sign each of the travelers checks in the upper left hand corner immediately. Note: Customers who do not sign travelers checks immediately upon receipt forfeit their right to refund. If lost or stolen, travelers checks must have the customer's signature in the upper left hand corner to qualify for refund.
- i. retain three copies of each individual's travel orders and the original and remaining copies of the PAF and ROC for reporting disbursement of the travelers checks and preparation of the voucher for payment upon receipt of the monthly billing.

Note: The same caution identified under subparagraph 030610.B.6, above, applies to this subparagraph.

2. Individually Billed Account. The cashier shall:

- a. select the appropriate travelers check amounts required to make up the amount of travel advance authorized in the travel orders.
- b. obtain authorization to charge the travelers checks to the individual's government travel card account. The cashier should refer to the provider user's guide for disbursing travelers checks and completion of the required documents. Key or swipe the individual's travel card into the POS terminal to obtain an approval code.
- c. complete a PAF for each pack of travelers checks disbursed and a separate PAF for each loose travelers check disbursed.
- d. ensure the individual inserts his/her name, address, and signature on each PAF.
- e. imprint the ROC.
- f. complete the ROC by recording the approval code; the face value of the travelers checks; the fee amount (compute appropriate amount based on the rates

shown above); the sum of face value of the travelers checks and fee amount; and, ensure the individual's account number is recorded in the area for card member account number. The member or employee (customer) shall then sign the ROC.

g. give the travelers checks, refund information, the customer copy of each PAF, and the top copy of the ROC to the individual.

h. advise the individual to sign each of the travelers checks in the upper left hand corner immediately. Note: Customers who do not sign travelers checks immediately upon receipt forfeit their right to refund. If lost or stolen, travelers checks must have the customer's signature in the upper left hand corner to qualify for refund.

i. retain two copies of each individual's travel orders and the original and remaining copies of the PAF and ROC for reporting disbursement of the travelers checks.

Note: Travelers checks disbursed under this method do not constitute an advance of travel funds as defined in the Joint Travel Regulations (JTR) and the Joint Federal Travel Regulations (JFTR). Individuals receiving travelers checks under this method should not report receipt of travelers checks on the travel claim as a partial payment. Since the fee for the travelers checks must be paid to the travelers check provider by the individual card holder in settlement of the travel card account, the traveler is authorized and entitled to claim reimbursement for the travelers check fee on the travel claim.

030611. Reporting Travelers Check Disbursements and Remitting Payment to the Travelers Check Provider

A. Payment Option B. The report of disbursement and payment documentation for packaged travelers checks is prepared differently than the documentation for loose travelers checks. At the end of each day the cashier shall follow the appropriate instructions below.

1. Packaged Travelers Check Disbursements

- a. Sort PAFs by denomination.
- b. Run an adding machine tape total of each denomination.
- c. Total the denomination tapes.
- d. Complete a Daily Sales Summary Form (DSF) (refer to the provider user's guide for instructions on completion of this form).

e. Combine the forms into package sets (do not staple forms together) as follows:

- (1) completed DSF,
- (2) PAFs,
- (3) authorization (travel orders), and
- (4) tape listings.

f. Prepare and certify an SF 1034 for the total amount due the travelers check provider (including the fee for the travelers checks disbursed). The SF 1034 shall contain a separate line of accounting data for each travel order involved. The amount charged to each line of accounting data (travel order) shall be the amount of travelers checks plus the applicable fee for the value of travelers checks disbursed to the individual named in the travel order.

g. Forward the SF 1034 and two of the package sets of forms combined above to the activity's supporting disbursing office on the same business day, if possible, but not later than the morning of the next business day. Note: The package set of forms containing the original DSF and PAFs must be forwarded to the provider with the Treasury check issued in payment of the travelers checks and related fees. The additional package set of forms is for retention by the disbursing office.

h. Retain a complete package set of the forms and a copy of the SF 1034 for reconciliation of travelers check inventory and payment documentation. To complete the cashier's retained records, the cashier should obtain a copy of the SF 1034 from the disbursing office (after payment) which indicates the disbursing office voucher number, date of payment, and check number (or obtain this information and transcribe it to the retained copy of the SF 1034).

2. Loose Travelers Check Disbursements

a. Sort PAFs by denomination.

b. Total amounts on an adding machine tape listing. Note: No DSF is required for loose travelers check disbursements.

c. Combine the forms into package sets (do not staple forms together) as follows:

- (1) PAFs,

(2) authorization (travel orders), and

(3) tape listings.

d. Prepare and certify an SF 1034 for the total amount due the travelers check provider (including the fee for the travelers checks disbursed). The SF 1034 shall contain a separate line of accounting data for each travel order involved. The amount charged to each line of accounting data (travel order) shall be the amount of travelers checks plus the applicable fee for the value of travelers checks disbursed to the individual named in the travel order.

e. Forward the SF 1034 and two of the package sets of forms combined above to the activity's supporting disbursing office on the same business day, if possible, but not later than the morning of the next business day. Note: The package set of forms containing the original PAFs must be forwarded to the travelers check provider with the Treasury check issued in payment of the travelers checks and related fees. The additional package set of forms is for retention by the disbursing office.

f. Retain a complete package set of the forms and a copy of the SF 1034 for reconciliation of travelers check inventory and payment documentation. To complete the cashier's retained records, the cashier should obtain a copy of the SF 1034 from the disbursing office (after payment) which indicates the disbursing office voucher number, date of payment, and check number (or obtain this information and transcribe it to the retained copy of the SF 1034).

B. Payment Option C. Under payment option C, the travelers check provider will bill the DoD activity account (centrally billed account) or the individual cardholder's account (individually billed account) for travelers checks disbursed plus the related fees. The monthly billing is based on the daily report of travelers checks disbursed which is submitted to the provider by the cashier. The cashier should refer to the provider user's guide for complete details on preparing and submitting the daily travelers check disbursement (sales) report. The cashier shall also comply with the minimum requirements as described in the following subparagraphs.

1. Centrally Billed Account. At the conclusion of each individual travelers check disbursement, the cashier shall segregate the documentation (by individual transaction) into package sets as shown below. Each individual package set shall be fastened together to provide a complete record of travelers check issuance. At the end of each business day, the cashier shall forward that day's packages as directed by the travelers check provider. The cashier and disbursing office copy of each package set shall be retained by the cashier for use in reconciliation of the monthly billing and for preparation and certification of the voucher for payment.

a. Package Set for the Travelers Check Provider

- (1) Original (top copy) of the PAF,
 - (2) bottom copy of the ROC, and
 - (3) copy of the travel orders.
- b. Package Set for Cashier Files
 - (1) Center copy (yellow tissue copy) of the PAF,
 - (2) center copy (Service Establishment copy) of the ROC, and
 - (3) copy of the travel orders.
- c. Package Set for the Disbursing Office
 - (1) Center copy (green tissue copy) of the PAF, and
 - (2) copy of the travel orders.

Upon receipt of the billing (statement of charges), the cashier shall reconcile all items appearing on the billing with the cashier's and disbursing office copies of the retained package sets. After reconciliation, the cashier shall prepare and certify an SF 1034 for the total amount due the travelers check provider (including the fee for the travelers checks disbursed). The SF 1034 shall contain a separate line of accounting data for each travel order involved. The amount charged to each line of accounting data (travel order) shall be the amount of travelers checks plus the applicable fee for the value of travelers checks disbursed to the individual named in the travel order. The cashier shall forward the completed and certified SF 1034, the original and copies of the billing, and the disbursing office package sets of forms included on the billing to the activity's supporting disbursing office on the same business day received, if possible, but not later than the morning of the next business day. The cashier shall retain a copy of the billing with the cashier's package set of the forms and a copy of the SF 1034 for reconciliation and payment documentation. To complete the cashier's retained records, the cashier should obtain a copy of the SF 1034 from the disbursing office (after payment) which indicates the disbursing office voucher number, date of payment, and check number (or obtain this information and transcribe it to the retained copy of the SF 1034).

2. Individually Billed Account. Individual government travel cardholders will be billed for all travelers checks disbursed to them in the same manner as they are billed for ATM cash advances. Direct payment to the provider for the amount of the travelers checks plus the related fee is the direct personal responsibility of the individual cardholders. However, as with the centrally billed account, the monthly billing is based on the daily report of travelers checks disbursed which is submitted to the provider by the cashier. The cashier should refer to the provider user's guide for complete details on preparing and submitting the daily

travelers check disbursement (sales) report. The cashier also shall comply with the minimum requirements as described herein. At the conclusion of each individual travelers check disbursement, the cashier shall segregate the documentation (by individual transaction) into package sets as shown below. Each individual package set shall be fastened together to provide a complete record of travelers check issuance. At the end of each business day, the cashier shall forward that day's packages as directed by the travelers check provider. The cashier copy of each package set shall be retained by the cashier for use in reconciliation of travelers check disbursements, as necessary.

Note that under the individually billed method, payment data is not processed through the disbursing office because payment for travelers checks disbursed is the personal responsibility of the travel card holder.

a. Package Set for the Travelers Check Provider

- (1) Original (top copy) of the PAF,
- (2) bottom copy of the ROC, and
- (3) copy of the travel orders.

b. Package Set for Cashier Files

- (1) Center copies (yellow and green tissue copies) of the PAF,
- (2) center copy (Service Establishment copy) of the ROC, and
- (3) copy of the travel orders.

C. Remitting Payment by the DO. Upon receipt of the SF 1034 and supporting documentation described above, the DO shall take appropriate action to process the SF 1034 and effect issuance of a Treasury check in payment for travelers checks and fees disbursed under option B and option C (centrally billed account). Under option B, payment for travelers checks disbursed plus related fees is due within 5 days of travelers check issuance. Under option C (centrally billed account), payment for travelers checks disbursed plus related fees is due within 5 days of receipt of the monthly billing.

030612. Refunds for Individual Cardholders. An individual will not be responsible for the amount of lost or stolen checks provided that the individual has satisfied all of the requirements set forth in the Recipient Agreement. The provider will clear their account to eliminate responsibility for the amount of lost or stolen checks replaced in the form of cash or traditional travelers checks (traditional checks). The provider will bill the individual card

account upon issuance of the traditional checks or cash. As an alternative, the provider can resupply Government Travelers Checks which can be ordered through the DoD Components cashier.

030613. Termination of Agreement

A. DoD Activities. Upon termination of the contract between General Services Administration and the travelers check provider, DoD activity cashiers shall, within fifteen 15 calendar days, destroy all travelers checks on hand by cremating or shredding. The cashier shall prepare a DD Form 2669 (Destruction Certificate), that describes the travelers checks by serial number, currency (U.S. or other), denomination, quantity, and total value. The original DD Form 2669 shall be forwarded to the provider, and a copy shall be retained for the DoD activity's records. In addition, the cashier shall return any equipment, display material or other property furnished.

B. Individual Cardholder. Either the DoD activity or the travel card provider may suspend or terminate an individual's participation in the U.S. Government Travel Card Program in accordance with the terms of the cardholder agreement. In the event of termination the individual agrees:

1. not to cash the remaining travelers checks,
2. to cut out the lower right corner where the chairman's signature appears or write "VOID" across the face of each travelers check in nonerasable ink,
3. to return all uncashed travelers checks to the provider or the DoD activity cashier. The provider will bill the individual credit card account for the amount of travelers checks not returned within 15 calendar days after participation in the program has been terminated. The credit card account statement must be settled upon receipt.

030614. Loss of Travelers Checks

A. DoD Activities. In case of loss of any proceeds of sale or travelers checks, whether by theft, burglary, holdup, fire, dishonesty of employees or members, mysterious disappearance, or any other cause, the DoD activity shall notify the travelers check provider immediately and shall report the loss of funds as prescribed in Chapter 6 of this volume. In the event of any such loss, the DoD activity shall pay all monies due in accordance with the established agreement with the provider.

B. DoD Activity Cashier. The loss of travelers checks or proceeds of sale while in the custody of the DoD activity's cashier constitutes a physical loss of government funds. Required actions to be taken to report and investigate the loss of funds are addressed in chapter 6 of this volume.

0307 WEAPONS FOR CASH PROGRAM

030701. Authority. Upon approval of the Secretary of Defense to establish a weapons for cash program, the following procedures shall be utilized to execute the program.

A. Funding Authorization. The senior operational commander shall provide funding authorization for weapons procurement based upon approval to establish a weapons for cash program. The total amount advanced to the paying agents plus the amount disbursed for weapons under this program cannot exceed the funding authorization established by the commander. In the event additional funds are required, the commander first must adjust the funding authorization.

B. Paying agents. Paying agents should be utilized as necessary to successfully operate the program. All paying agents for this program shall be appointed as directed in Chapter 2, paragraph 020604 of this volume. Funds shall be advanced (subject to the limitations above) by the disbursing officer supporting the mission to the paying agents as prescribed in paragraph 030402 of this chapter. The advances will be provided in the currency of the country involved. Disbursing officers should refer to Chapter 12 of this volume for procedures to obtain foreign currency to meet mission requirements.

C. Weapons Purchases. There must be a proper accounting for each disbursement related to a weapon purchase. This shall be accomplished utilizing SF 44A (Purchase Order-Invoice-Voucher) or other available chain of custody type receipt. General preparation and distribution of these forms are as follows:

1. Each disbursement document (receipt from seller) must contain the seller's name and (if possible) identification number, weapon description and serial number, and amount disbursed. Make sure to obtain the seller's signature on the receipt.

2. The original and one copy of the disbursement document (receipt from seller) shall be turned in to the DO, one copy attached to the weapon (for inventory control), and one copy provided to the seller.

D. Clearing or Replenishment of the Paying Agent's Account. To clear the paying agent's account, the paying agent shall prepare an OF 1129 (Cashier Reimbursement Voucher and/or Accountability Report). The OF 1129 shall be for the total amount of all disbursement documents (receipts) turned in and must be accompanied by the original and one copy of each document (receipt) and any remaining balance of the cash advanced. Additionally, a copy of the approval to establish a weapons for cash program shall be attached to the OF 1129. If replenishment of the paying agent's account is necessary, the paying agent shall prepare the OF 1129 as prescribed above and submit the completed document to the supporting disbursing officer. Subject to the funding limitations described in the previous subparagraphs, the disbursing officer will issue payment of the OF 1129 to the paying agent for the approved amount of the OF 1129.

STATEMENT OF AGENT OFFICER'S ACCOUNT				
DISBURSING OFFICER'S NAME, ADDRESS, DISBURSING STATION SYMBOL NO. K. S. ALEX, LTC, FC FORT FINANCE, IN 46216 C0001		AGENT OFFICER'S NAME, GRADE, SSN, UNIT ADDRESS <i>(Include ZIP Code/APO number and Telephone number.)</i> K. D. ANDREA, CPT, FC AGENT CAMP DOLLAR, IN 46032		
TRANSACTIONS AFFECTING AGENT OFFICER'S ACCOUNT				
TRANSACTIONS <i>a</i>	INCREASE <i>(Received by Agent)</i> <i>b</i>	BEGINNING BALANCE <i>(In Agent's Account)</i> <i>c</i>	DECREASE <i>(Turned in by Agent)</i> <i>d</i>	ENDING BALANCE <i>(In Agent's Account)</i> <i>e</i>
1. BALANCE FORWARD		0.00		
2. U.S. DOLLARS	2562.00			
3. FOREIGN CURRENCY				
4. MILITARY PAYMENT CERTIFICATES				
5. COLLECTIONS				
6. DEPOSITS				
7. NEGOTIABLE INSTRUMENTS:				
A. TREASURY CHECKS	15000.00			
B. MILITARY PAYMENT ORDERS				
C. OTHER <i>(Specify)</i>				
8. PAID VOUCHERS				
9. INCORRECT VOUCHERS RETURNED				
10.				
11.				
12. TOTAL FUNDS IN HANDS OF AGENT OFFICER		17,562.00		
STATEMENTS				
DISBURSING OFFICER		AGENT OFFICER		
<input type="checkbox"/> ON ADVANCE: I HAVE INTRUSTED FUNDS AND/OR OTHER ITEMS AS INDICATED IN THIS STATEMENT TO THE ABOVE NAMED AS MY AGENT OFFICER.		<input type="checkbox"/> ON ADVANCE: I, AS AGENT OFFICER, HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ABOVE. I HAVE ASSUMED PECUNIARY RESPONSIBILITY THEREFOR. I WILL NOTIFY THE DISBURSING OFFICER IMMEDIATELY UPON DISCOVERY OF ANY LOSS OR SHORTAGE, AND I HAVE RECEIVED AND UNDERSTAND WRITTEN INSTRUCTIONS CONCERNING MY DUTIES AND RESPONSIBILITIES AS AN AGENT OFFICER.		
DATE 19 JAN XX	SIGNATURE OF DISBURSING OFFICER	DATE 19 JAN XX	SIGNATURE OF AGENT OFFICER	
<input type="checkbox"/> ON RETURN: I HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ON THIS STATEMENT FROM THE ABOVE NAMED AGENT OFFICER.		<input type="checkbox"/> ON RETURN: THE ABOVE STATEMENT OF ACCOUNT IS CORRECT.		
DATE	SIGNATURE OF DISBURSING OFFICER	DATE	SIGNATURE OF AGENT OFFICER	

**Figure 3-1. Sample DD Form 1081 (Statement of Agent Officer's Account)
(Advance of Funds)**

STATEMENT OF AGENT OFFICER'S ACCOUNT				
DISBURSING OFFICER'S NAME, ADDRESS, DISBURSING STATION SYMBOL NO. K. S. ALEX, LTC, FC FORT FINANCE, IN 46216 C0001		AGENT OFFICER'S NAME, GRADE, SSN, UNIT ADDRESS <i>(Include ZIP Code/APO number and Telephone number.)</i> K. D. ANDREA, CPT, FC AGENT CAMP DOLLAR, IN 46032		
TRANSACTIONS AFFECTING AGENT OFFICER'S ACCOUNT				
TRANSACTIONS <i>a</i>	INCREASE (Received by Agent) <i>b</i>	BEGINNING BALANCE (In Agent's Account) <i>c</i>	DECREASE (Turned in by Agent) <i>d</i>	ENDING BALANCE (In Agent's Account) <i>e</i>
1. BALANCE FORWARD		17562.00		
2. U.S. DOLLARS				
3. FOREIGN CURRENCY				
4. MILITARY PAYMENT CERTIFICATES				
5. COLLECTIONS	1200.00			
6. DEPOSITS			702.00	
7. NEGOTIABLE INSTRUMENTS:				
A. TREASURY CHECKS				
B. MILITARY PAYMENT ORDERS				
C. OTHER (Specify)				
8. PAID VOUCHERS			3960.00	
9. INCORRECT VOUCHERS RETURNED				
10.				
11.				
12. TOTAL FUNDS IN HANDS OF AGENT OFFICER		18,762.00		14,100.00
STATEMENTS				
DISBURSING OFFICER <input type="checkbox"/> ON ADVANCE: I HAVE INTRUSTED FUNDS AND/OR OTHER ITEMS AS INDICATED IN THIS STATEMENT TO THE ABOVE NAMED AS MY AGENT OFFICER.		AGENT OFFICER <input type="checkbox"/> ON ADVANCE: I, AS AGENT OFFICER, HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ABOVE. I HAVE ASSUMED PECUNIARY RESPONSIBILITY THEREFOR. I WILL NOTIFY THE DISBURSING OFFICER IMMEDIATELY UPON DISCOVERY OF ANY LOSS OR SHORTAGE, AND I HAVE RECEIVED AND UNDERSTAND WRITTEN INSTRUCTIONS CONCERNING MY DUTIES AND RESPONSIBILITIES AS AN AGENT OFFICER.		
DATE	SIGNATURE OF DISBURSING OFFICER	DATE	SIGNATURE OF AGENT OFFICER	
<input checked="" type="checkbox"/> ON RETURN: I HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ON THIS STATEMENT FROM THE ABOVE NAMED AGENT OFFICER.		<input checked="" type="checkbox"/> ON RETURN: THE ABOVE STATEMENT OF ACCOUNT IS CORRECT.		
DATE 21 JAN XX	SIGNATURE OF DISBURSING OFFICER	DATE 21 JAN XX	SIGNATURE OF AGENT OFFICER	

DD Form 1081, MAY 75

PREVIOUS EDITION IS OBSOLETE

225/149

**Figure 3-2. Sample DD Form 1081 (Statement of Agent Officer's Account)
(Return of Funds/Vouchers)**

MODEL INTERGOVERNMENTAL AGREEMENT (FOR DIRECT QUOTATION)AGREEMENT BETWEEN THE UNITED STATES OF AMERICA
AND _____ FOR THE
RECIPROCAL ADVANCE OF FUNDS TO UNITS
OR PERSONNEL OF THEIR ARMED FORCES

The Governments of the United States of America and _____, each realizing that units or personnel of their respective armed forces may find themselves isolated from their parent units without financial means for support while in an area in which the other Government's armed force is present, and desiring to facilitate the financial support of such units and personnel in a situation of that nature, have agreed as follows:

Article I

When units or personnel of the armed forces of one of the parties to this agreement find themselves separated from their parent unit without adequate financial support in an area in which the armed forces of the other party are present, then cashiers, disbursing officers, or an individual member of the separated force may request funds from the appropriate area commander of the armed forces of the other party, or his or her designated representative, to pay wages and allowances or purchase necessary supplies and services.

Article II

The responsible authorities of a party receiving a request for funds, as in Article I, above, after satisfying themselves that resources or services of the requesting forces are unavailable or inadequate, shall honor such request. Requests shall be approved on a case-by-case basis. Where circumstances permit, this agreement shall be verified. Regardless of whether such verification is obtained, the Government of the units or personnel to whom the funds are advanced shall be responsible for effecting reimbursement.

Article III

The funds may be advanced in the currency of the lending State, of the State to which funds are advanced, or of the third State in which the forces may be located, or in any other available currency acceptable to the receiving force.

Article IV

The cashier, the disbursing officer, or the personnel of the force who receive funds shall give the authorities of the force who provided the funds a receipt for the funds received. Such receipts shall be substantially in the form prescribed in the annex to this agreement.

Figure 3-3. Model Intergovernmental Agreement

Article V

The authorities of the force providing the funds shall present the receipts to the designated settlement officer of the State to which funds were advanced for reimbursement. Normally, reimbursement shall be made in the currency that was advanced at a rate of exchange to the currency of the country seeking reimbursement that is not less favorable to the lender than that existing at the time of the advance. Where mutually acceptable, reimbursement may be made in another currency, if that settlement is made at a rate of exchange that is not less favorable to the country seeking reimbursement than that existing at the time of the advance. Settlement of accounts shall be made within 30 days of the advance.

Article VI

This agreement shall apply during both peace and war without limitation as to geographical area.

Article VII

This agreement shall continue in force until 3 months after the receipt by either party of written notice of the intention of the other party to terminate it.

IN WITNESS WHEREOF the undersigned representatives have signed the present agreement.

Done at _____ this _____ day of _____, 19__, in the English
and _____ languages, both texts being equally authoritative.

(Signature)

(Signature)

Figure 3-3. Model Intergovernmental Agreement (Continued)

LEVELS OF AUTHORIZED CASH HOLDINGS		
IF SOURCE OF FUNDS IS:	AND WEEKLY REQUIREMENTS ARE:	THEN HOLD CASH TO OPERATE FOR:
Reasonably close (not more than 24 hours required to obtain cash)	\$500 or less	4 weeks
	over \$500 and less than \$5,000	2 weeks
	over \$5,000 and less than \$100,000	1 week
	over \$100,000	3 days
Not reasonably close (more than 24 hours required to obtain cash)	\$2,500 or less	4 weeks
	over \$2,500 and less than \$50,000	2 weeks
	over \$50,000	1 week
Remote	\$50,000 or less	4 weeks
	over \$50,000	2 weeks

Table 3-1. Maximum Levels of Authorized Cash Holdings

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Figure 4-1. Sample of Check Endorsements Consenting to Pay Account Collections
for Dishonored Check Charges

★Figure 4-2. Sample DD Form 2761 (Personal Check Cashing Agreement)

CHAPTER 4

CHECK CASHING SERVICE (ACCOMMODATION EXCHANGE)0401 EXCHANGE OF CASH FOR NEGOTIABLE INSTRUMENTS040101. Policy

A. General. As provided in 31 U.S.C. 3342 (reference (e)), DOs are authorized to provide check cashing and accommodation exchange service to military and civilian personnel of the U.S. Government, veterans hospitalized or domiciled in Veteran Administration facilities or other U.S. Government institutions, contractors engaged in U.S. Government projects (including contractor personnel), and personnel of authorized non-governmental agencies operating with agencies of the United States. It is DoD policy that these services shall be provided only when satisfactory banking facilities do not exist.

B. United States. If commercial banks, on-base banking facilities, exchanges, or other financial institutions are not available to provide check-cashing service, the commander may request the Deputy Director for Finance, DFAS Headquarters, to authorize the DO to cash the negotiable instruments listed in paragraph 040102 of this section. Such a request, with complete justification, should be submitted through the Director, Procedures and Guidance Division, Disbursing and Cash Management Office, 1500 E. 95th Street, Kansas City, MO 64197-0030, via the servicing DFAS Center. If approved, the provisions of section 0402, below, will apply. Only the individuals listed in paragraph 040104, below are eligible to receive check-cashing service.

C. Overseas Areas and Ships Afloat. If military banking facilities, commercial banks, exchanges, or other financial institutions are not available or adequate to provide check-cashing service, the commander may authorize the DO to cash the negotiable instruments listed in paragraph 040102 of this section. Only the individuals listed in paragraph 040104 of this section are eligible to receive check-cashing service provided that:

1. The DO's check cashing policy is in writing and approved by the theater component commander. It shall identify specifically the scope of the services to be provided and the personnel eligible to receive this service.

2. Adequate resources are available to provide these services without impacting on levels of service and the primary disbursing and pay functions.

3. The DO has the right to deny check cashing privileges to anyone based on availability of cash or personnel resources. The component commander's written authorization shall emphasize this right.

★ 040102. Negotiable Instruments. The negotiable instruments that a DO may be authorized to cash are: U.S. Treasury checks; U.S. postal money orders; traveler's checks; bank money orders; certified and cashier's checks drawn on U.S. banks; checks from reputable companies; and other checks and instruments drawn on U.S. banks or credit unions in U.S. currency, that the DO can justify honoring (i.e., guaranteed by the government or a financial institution).

040103. Eligibility. Eligibility for check-cashing services normally shall extend to all personnel permanently assigned to units in the area served by the DO. Units desiring personal check-cashing privileges from DOs of another activity or Component shall designate a point-of-contact (POC) to work with the DO. The DO may require the POC to furnish a list of personnel on TDY/TAD when approved by the DO's commander. TDY/TAD personnel shall furnish the DO with a copy of the TDY/TAD orders in addition to any other items of identification required by the DO. An authorized agent, usually a dependent, who is authorized pursuant to a properly executed power of attorney, may be granted check-cashing privileges for personal checks drawn on the account of the member, personal checks drawn on joint accounts to which the member is a party, and any other check which is drawn in favor of the member. The agent shall present valid identification in the course of all transactions. All restrictions which apply to benefiting members shall apply to agents of members under the terms of the executed DD Form 2761 (Personal Check Cashing Agreement), which serves as a power of attorney. This form may be obtained from the servicing DFAS Center for local reproduction.

040104. Eligible Individuals. Individuals who may be authorized to receive check cashing services are as follows:

- A. Members of the U.S. Armed Forces.
- B. Civilian employees of the U.S. Government who are U.S. citizens.
- C. U.S. military retirees. This authorization is contingent upon the requirement that the theater commander determines that provision of these services is not prohibited by the Status of Forces Agreement (SOFA) of the country involved and that other check cashing facilities (banks, exchanges, etc.) are not available or adequate.
- D. Hospitalized veterans of the U.S. Armed Forces.
- E. Contractors and their employees engaged in U.S. Government projects provided that the contractor is a U.S. firm and the employee is a U.S. citizen.
- F. U.S. citizens who are employees of authorized non-government agencies such as the National Science Foundation operating with U.S. Government agencies.
- G. Dependents of all the above ordered to safehaven posts due to emergency evacuation. See Chapter 12, subparagraph 120304.F, for accommodation restrictions.

H. Dependents of the personnel named in subparagraphs 040104.A through 040104.C, above, holding powers of attorney and possessing valid DoD identification cards.

I. Dependents of the personnel named in subparagraphs 040104.D through 040104.F, above, holding proper identification and powers of attorney.

J. Third-country nationals employed as civilian employees or under contract to the U.S. Government, or contractors or subcontractors that are U.S. firms engaged in U.S. Government projects in foreign countries, provided the checks presented by the third-country nationals are U.S. Treasury dollar checks or U.S. dollar checks issued by the contractors to third-country nationals presenting the check to be cashed.

K. Federal credit unions operating on United States military installations in foreign countries, but only in those countries that do not permit contractor-operated DoD military banking facilities to operate on such installations.

040105. Internal Controls. Commanders and other individuals in the chain of command shall ensure that internal controls are adequate to preclude the fraudulent issuance and cashing of negotiable instruments. At a minimum, the following procedures shall be followed:

A. All instruments are endorsed "Pay to the order of the Disbursing Officer, _____ (name of ship, station, activity, or unit)".

★ B. The payee/payees shall sign or endorse each instrument in the presence of the DO, deputy, agent, or cashier.

C. The identity of the deputy, agent, or cashier providing the cash shall be clearly identifiable on the negotiated instrument. In the event that the instrument has been altered or forged, the deputy, agent, or cashier that cashed the instrument may be held liable. If the instrument becomes non-negotiable and the identity of the deputy, agent, or cashier cashing the instrument is not apparent on the instrument, the DO may be held accountable.

★ D. The deputy, agent, or cashier cashing the negotiable instrument shall properly verify the identity of the person/persons presenting the negotiable instrument for payment. There are virtually no acceptable grounds for granting relief to an deputy, agent, or cashier who cashes a forged instrument.

★ E. Adequate identification of the payee(s) or endorser(s) is recorded on the negotiable instrument in order that recovery can be made in the event that the instrument is dishonored (e.g., legible name, SSN, duty station/organization, duty phone, and I.D. card number).

0402 CASHING PERSONAL CHECKS

040201. Procedures for Cashing Personal Checks Overseas, Aboard Ships, and, by Exception, Within the United States

A. General. If military banking facilities, commercial banks, exchanges, or other financial institutions are not available or adequate to provide check-cashing services, the theater commander may authorize the DO to cash personal checks overseas or afloat. These DOs often do not receive notification of dishonored checks prior to the individuals moving from the deployed location. In order to expedite collection on dishonored checks, standard overseas and afloat check-cashing procedures applicable to appropriated fund civilians and military personnel throughout overseas and afloat DoD Components are prescribed in this chapter. Overseas and afloat disbursing offices, all appropriated civilian payroll offices, and, when individually approved by DFAS Headquarters, all DOs within the United States that provide accommodation exchange check-cashing services must implement these procedures subject to the following:

1. A commander may authorize the DO to cash personal checks for certain authorized individuals, as prescribed in section 0401, above.

2. The term "commander" as used in these procedures refers to a commander-in-chief, base or installation commander, commanding officer or officer-in-charge, director of the servicing DFAS Center, or equivalent civilian head in the chain of command of the DO who is at least grade O6 or GS-15.

3. The commanders and other individuals in the chain of command shall ensure that internal controls are adequate to preclude the fraudulent cashing of negotiable instruments.

B. Exceptions. DOs of Navy vessels may cash personal checks for crew members when the vessel is in a U.S. port and check cashing facilities are not available for non-residents of the area. A non-tactical disbursing activity in the United States may provide check cashing service when a unit, squadron, or detachment, without a DO or disbursing capability, is performing temporary duty away from its permanent station or homeport in an area where check cashing facilities are not available for non-residents of the area. This authority also applies when units, squadrons, or detachments are engaged in training or exercises which preclude use of available check cashing facilities. For any situations not described above, the commander may request authority to provide check cashing service from the Deputy Director for Finance, DFAS Headquarters. The request, with complete justification, should be submitted as prescribed in paragraph 040101.B, above.

★ C. Limitations. Commanders shall establish maximum amounts for personal checks that may be cashed by authorized personnel and/or their agents. In overseas areas in which the personnel at two or more Military Services are operating, the senior commander shall ensure a uniform policy. Although check cashing privileges are required for authorized personnel and/or their agents in many overseas areas, such service must be provided within sound financial management practices. Command policy and applicable limits, based on the dictates of the local economy and cost-of-living, must be published in writing. Deviations from

established command maximum limits must be provided by the servicing DO, in writing, for each exception. Disbursing officers must provide a copy of the authorization to exceed the established limit when requesting removal of deficiencies involving uncollectible insufficient fund checks and any insufficient fund charges that may be assessed by financial institutions for personal checks they have cashed. See section 0404, below. Checks shall be made payable in multiples of \$5 unless local conditions make that increment impractical. However, Treasury checks or checks issued by insurance companies, banks or credit unions, or other institutions of similar financial standing may be cashed without regard to dollar amount. All checks shall be drawn on U.S. financial institutions, overseas branches of U.S. banks or credit unions, or overseas military banking facilities operated by U.S. contractors; shall be payable through U.S. banks or credit unions; and shall be denominated and payable in U.S. currency. The DO shall establish the days and hours during which the service will be provided and shall make appropriate notification of any changes. Suspension of check-cashing privileges for writers of dishonored checks shall be governed by this section.

D. Check Cashing Procedures

1. All authorized military and appropriated fund civilian personnel who request check cashing privileges must consent, in writing, to immediate collection against their pay for the total of all dishonored checks. With this procedure, dishonored checks will not become a delinquent debt; therefore, there is no authority to assess a service charge (penalty). However, the recovery of any insufficient fund charges assessed on the DO by financial institutions are allowed. Depending on the circumstances, this practice will allow the DO two options:

a. OPTION 1: The DD Form 2761 (Personal Check Cashing Agreement)

(1) If the individual's payroll office is not known or if the DO or his/her deputies, agents, or cashiers are cashing a check for a civilian employee or an authorized agent of a civilian employee or military member, the DO should use the DD Form 2761.

(2) The term "authorized agent" as used on the DD Form 2761 pertains to an individual, usually a dependent, who is authorized pursuant to a power of attorney to cash personal checks on behalf of a member or civilian employee as prescribed in this chapter.

(3) With the proper use of this form, a separate power of attorney on behalf of the individual requesting check cashing service is not required. The member/employee must appoint an agent by providing a name(s) in the block titled "Authorized Agent" of the DD Form 2761. The form must be signed by the member/employee. The agent's signature would be verified against a valid form of identification at the time the check is presented.

b. OPTION 2. An authorized statement stamped on the front of the personal check may be used only for military members and civilian appropriated fund employees, but not for their agents or other classes of individuals authorized check-cashing privileges.

(1) If the individual's payroll office is known, the DO can order a rubber stamp in small type to be placed on the front of the check along the top margin or above the bank's name and address as shown in figure 4-1.

★

(2) The stamp shall include the following statement:

"I consent to immediate collection from my pay the amount of this check plus bank charges, if this check is dishonored ____."

(3) The DO or his/her deputies, agents, or cashiers must place this statement on the front of the check in the presence of the individual and must ensure the individual's initials are provided at the end of the statement to validate immediate collection from the individual's pay account for dishonored personal checks.

(4) If the stamp is used, adequate identification of the payee must be recorded on the negotiable instrument in order that recovery can be made in the event that the instrument is dishonored (e.g., full legible name, DoD Component, social security number, duty station/organization, duty phone, and I.D. number). This information must be verified against a valid identification card.

2. The following are the responsibilities of disbursing officers and their deputies, agents, and/or cashiers when pay account collection for dishonored personal checks becomes necessary:

a. When a military member is in the same component and the DO maintains the member's account:

(1) Immediate pay account checkage, is authorized for the face value of the dishonored check(s), plus any charges assessed against the DO by a financial institution for processing dishonored checks.

(2) As a part of the DFAS consolidation effort, "partial/casual payments" are limited to emergency situations. Therefore, DO's shall not use "partial/casual payments" as a means of resolving a dishonored check.

b. When a military member is from a different Military Service, or from the same Component but subparagraph 040201.D.2.a, above, does not apply (e.g., retirees, members on PCS orders, TDY, or in any other transitory status) the following procedures will be applied:

(1) When the DD Form 2761 is used. The DO must make copies of the form (front and back), certify on the reverse side of the form that the individual consented to voluntary collection, and send it to the appropriate supporting DFAS Center, as listed in subparagraph 040201.E, below, to effect the pay account checkage and make restitution to the negotiating DO. The payroll office should annotate the reverse side of the DD Form 2761 specifying the action taken for each dishonored check listed.

(2) When the stamp is used on the face of a check, the DO will prepare the DD Form 139 (Pay Adjustment Authorization) by Component as follows:

(a) Attach a listing showing each military member's name, DoD Component, social security number, unit or duty station, and check amount(s), along with copies of the checks (front and back). In cases where the depositary adds a fee to the amount of the dishonored check, a copy of the SF Form 5515 should be included to substantiate its inclusion in the total amount of the checkage. Send all to the appropriate supporting DFAS Center, at the mailing address provided in subparagraph 040201.E, below, for execution of a pay account deduction.

(b) Certify that the military members consented to voluntary collection by typing the following certification statement on the DD Form 139 in the block titled "Explanation and/or Reason for Adjustment":

"I certify that these collections are the result of dishonored personal checks cashed by the cited individuals for the amounts stated. Each individual has consented, in writing, that in consideration for cashing the individual's personal check(s), the amount of any check returned unpaid, plus any charges assessed against the DO by a financial institution, for any reason may be collected from the individual's pay."

c. Dishonored personal checks for authorized appropriated fund civilian employees whose payroll office is known will be processed as follows:

(1) Immediate pay account checkages are authorized for the face value of dishonored checks plus any charges assessed against the DO by financial institutions.

(2) The DO must make copies of the DD Form 2761 (front and back), certify on the reverse side of the form that the individual consented to voluntary collection, and send the form, along with copies (front and back) of the checks. In cases where the depositary adds a fee to the amount of the dishonored check, a copy of the SF Form 5515 should be attached to substantiate its inclusion in the amount of the pay account checkage. Send all to the appropriate supporting DFAS Center payroll office listed in subparagraph 040201.E, below, for pay account checkage(s).

d. Dishonored personal checks for authorized appropriated fund civilian employees whose payroll office is unknown:

(1) If the DO or his/her deputies, agents, or cashiers cannot locate the individual's payroll office, a copy of the DD Form 2761 (front and back) must be sent to their supporting DFAS Center listed in paragraph 040201.E, below, requesting the Center to facsimile (FAX) the individual's name and social security number to the Defense Manpower Data Center to locate the individual's personnel office.

(2) When the supporting DFAS Center receives a copy of the DD Form 2761 (front and back) requesting assistance in locating the individual and/or payroll office, that DFAS Center will be responsible for the following:

(a) If known, provide the DO the name, address, and phone number of the individual's payroll office.

(b) If the individual's payroll office is not known, FAX the individual's name and social security number to the Defense Manpower Data Center on (408) 656-2087 requesting the location of the individual's personnel office.

(c) Once the location of the individual's personnel office is known, the DFAS Center will forward the information to the DO for action.

(d) The DO will contact the personnel office to locate the individual's payroll office.

(e) Once the payroll office is known, the DO will follow the procedures prescribed in subparagraph 040201.D.2.c.(2), above.

3. When collection action becomes necessary and the payroll office receives the DD Form 139 or DD Form 2761 from the DO, the payroll office will be responsible for the following:

a. Processing the pay account checkage following normal payroll procedures.

b. When possible, the payroll office should include a statement similar to the following in the remarks column of the leave and earnings statement (LES):

"Consensual collection action for a dishonored check."

c. The DD Form 139 or DD Form 2761 will be annotated by the applicable payroll office with the action taken for the dishonored check(s) and returned to the submitting DO to support the SF 1219 (Statement of Accountability).

d. The applicable DFAS Center/payroll office will enter the collections and centrally issue checks, after the debt has been collected, payable to the DO holding the dishonored check(s) for the amount(s) that has been collected each pay period until the total debt is satisfied.

Note: The DoD activity receiving the check shall ensure that the check is made payable and forwarded to the DO holding the dishonored check(s). The payment must be made in full. A check is necessary to remove the dishonored check(s) from the DO's SF 1219 for the situations described in this procedure.

4. When a military member or civilian employee is separated or cannot be located to make restitution (e.g., when a military member or civilian employee separates or resigns), the DO will process dishonored checks following the procedures otherwise prescribed in this chapter.

5. The writing of checks in advance of the availability of funds and floating a check cannot be condoned or tolerated. Therefore, individuals who abuse this privilege by continuing to write checks against insufficient funds should be denied future check-cashing privileges.

6. Retention of Documents

a. For all honored checks, the DO that permits personnel to cash personal checks must retain the original signed DD Form 2761 until six months after the individual transfers to a new duty station/installation or separates.

b. For all dishonored checks, the original DD Form 2761 must stay with the dishonored check file until resolved. If the statement above is stamped on the front of the check and the check is dishonored, the DO or his/her deputies, agents, or cashiers must make a copy of the front and back of the check that must stay with the dishonored check file until resolved.

E. DFAS Center Payroll Office Addresses. The DFAS Center Payroll Office addresses listed below are provided to help expedite collection on dishonored checks. These addresses are to be used when mailing DD Forms 139 and the DD Forms 2761 when used as a pay adjustment authorization. The DO should use the following addresses when mailing these forms to another DoD Component payroll office and the DO should ensure that the office codes provided are included in the address:

1. DFAS-Cleveland Center (For Navy personnel)

a. Active Duty

Defense Finance and Accounting Service -
Cleveland Center

(ATTN: DFAS-CL/FD)
1240 East Ninth Street
Cleveland, OH 44199-2055

b. Retirees

Defense Finance and Accounting Service -
Cleveland Center
ATTN: DFAS-CL/ROA
Retired Pay
P.O. Box 99191
Cleveland, OH 44199-1126

c. Reserve Component

Defense Finance and Accounting Service -
Cleveland Center
ATTN: DFAS-CL/FDAD
1240 East Ninth Street
Cleveland, OH 44199-2055

d. Navy Civilian Employees

Defense Finance and Accounting Service -
Denver Center
ATTN: DFAS-DE/FNT
6760 E. Irvington Place
Denver, CO 80279-4000

2. DFAS-Columbus Center (For DFAS and DLA Civilian Employees)

Defense Finance and Accounting Service -
Columbus Center
ATTN: DFAS-CO/LA
P.O. Box 369017
Columbus, OH 43236-9017

3. DFAS-Denver Center (For Air Force Personnel)

a. Active Duty and Reserve Component

Defense Finance and Accounting Service -
Denver Center
ATTN: DFAS-DE/FJ
6760 E. Irvington Place
Denver, CO 80279-3000

b. Retirees

Defense Finance and Accounting Service -
Cleveland Center
ATTN: DFAS-CL/ROA
P.O. Box 99191
Cleveland, OH 44199-1126

c. Civilian Employees

Defense Finance and Accounting Service -
Denver Center
ATTN: DFAS-DE/FN
Denver, CO 80279-4000

4. DFAS-Indianapolis Center (For Army Personnel)

a. Active Duty

Defense Finance and Accounting Service -
Indianapolis Center
ATTN: DFAS-IN/FJEA
8899 E. 56th Street
Indianapolis, IN 46249-0801

b. Retirees

Defense Finance and Accounting Service -
Cleveland Center
ATTN: DFAS-CL/ROA
P.O. Box 99191
Cleveland, OH 44199-1126

c. Reserve Component

Defense Finance and Accounting Service -
Indianapolis Center
ATTN: DFAS-IN/FJEB

8899 E. 56th Street
Indianapolis, IN 46249-0801

d. Army Civilian Employees

Defense Finance and Accounting Service -
Indianapolis Center
ATTN: DFAS-IN/FA
8899 E. 56th Street
Indianapolis, IN 46249

5. DFAS-Kansas City Center (For Marine Corps Personnel)

a. Active Duty

Defense Finance and Accounting Service -
Kansas City Center
ATTN: DFAS-KC/FBL
1500 E. 95th Street
Kansas City, MO 64197-0001

b. Retirees

Defense Finance and Accounting Service -
Cleveland Center
ATTN: DFAS-CL/ROA
P.O. Box 99191
Cleveland, OH 44199-1126

c. Reserve Component

Defense Finance and Accounting Service -
Kansas City Center
ATTN: DFAS-KC/FJV
1500 E. 95th Street
Kansas City, MO 64197-0001

d. Marine Corps Civilian Employees

Defense Finance and Accounting Service -
Denver Center
ATTN: DFAS-DE/FNT
6760 E. Irvington Place
Denver, CO 80279-4000

6. U.S. Coast Guard Active Duty, Reservist, and Retirees

Commanding Officer (F)
U.S. Coast Guard Pay and Personnel Center
444 S.E. Quincy Street
Topeka, KS 66683-3591

★0403 ACCOUNTABILITY OF DISHONORED CHECKS

★ 040301. General. A loss resulting from an uncollectible dishonored check may be considered as an improper payment or a physical loss of funds, depending on the circumstances as described in the following paragraphs.

★ 040302. Checks Accepted in Satisfaction of an Obligation. Checks accepted in satisfaction of an obligation due the United States (rather than for collection only), or for the sale or transfer of something of value that later are returned unpaid by the depositary constitute a physical loss of funds. See Comp. Gen. B-201672/3, B-200520, B-193673, September 23, 1982. Such dishonored checks shall be processed as prescribed in this paragraph. For checks received from collecting officers (e.g., commissary officer or sales officer), the DO shall prepare a reverse collection voucher charging the appropriation credited for the collection. Record the SF 5515 on the DD Form 2657 (Daily Statement of Accountability) as a reduction of deposits (line 4.2A) and the reverse collection voucher as a reduction of reimbursements (line 4.1E). A copy of the voucher and the dishonored check shall be provided to the collecting officer. Upon receipt, the collecting officer shall consider the dishonored check as a physical loss of funds in accordance with the regulations of the sales organization (e.g., commissary) if the dishonored check becomes uncollectible. The collecting officer is responsible for collection of the debt under the provisions of Chapter 29 of this volume or requesting relief of liability as prescribed in the regulations of the sales organization.

★ 040303. Checks Received as Accommodation Exchange Transactions. A loss from an authorized check cashing transaction, such as the "accommodation exchanges" authorized by 31 U.S.C. 3342, is an improper payment because government funds were disbursed in an authorized transaction. See 70 Comp. Gen. 616 (1991). Checks received by a DO in an accommodation exchange transaction that later are returned unpaid by the depositary shall be processed as prescribed in section 0402, above. The SF 5515 is recorded on the DD Form 2657 as a decrease to deposits (line 4.2A) and as an increase to dishonored checks receivable (line 7.4). For checks accepted by the disbursing office in satisfaction of an obligation due the government (i.e., the disbursing officer is the collecting officer for items such as an overadvance of travel funds, instead of an exchange), the dishonored check shall be considered as an illegal, incorrect, or improper payment if it becomes uncollectible. If a dishonored check becomes uncollectible and the servicing DFAS Center declines to authorize removal of the deficiency as provided in the following section, the disbursing officer shall report the loss and request relief of liability for the loss as prescribed in Chapter 6 of this volume for illegal, incorrect, or improper payments.

0404 REMOVAL OF DEFICIENCIES

★ 040401. Request for Removal. Appropriate collection action shall start immediately on receipt of notification that a check has been dishonored and shall be pursued vigorously until recovery has been made. If the debtor is no longer employed or in the military service and all methods and attempts of collection have been exhausted and any further attempts at collection become impractical, the DO shall submit a written request for removal of the deficiency to the servicing DFAS Center. The request shall be addressed via the DO's commander and shall include: the original uncollectible check; a copy of the related SF 5515; copies of the documents presented in section 0402, above, to include the latest available information regarding the debtor's whereabouts; a copy of the commander's check cashing policy/authority and, if applicable, a copy of the one-time authority to exceed the commander's normal monetary check amount; and a request that the DFAS Center pursue collection action against the delinquent debtor to the fullest extent that the law will allow. Removal normally will be authorized under 31 U.S.C. 3342 (reference (e)) and 70 Comptroller General Decision 616 (reference (r)) if the DO complied with the check-cashing policy and collection requirements prescribed in this chapter. If the DFAS Center authorizes removal of the deficiency, that center shall provide a memorandum to the requesting DO authorizing a charge to ***6763.XXXX, Gains and Deficiencies on Exchange Transactions. DOs shall provide a copy of the memorandum to the activity to which financial reports are submitted. The DFAS Center shall continue attempts to recover the debt, and if successful, will arrange for credit to the appropriation charged when the deficiency was removed. Removal of the deficiency can only be authorized and charged to ***6763.XXXX, Gains and Deficiencies on Exchange Transactions within the same fiscal year in which the check became dishonored. The request must be submitted so that the DFAS Center has enough time remaining in the fiscal year to authorize removal and charge to ***6763.XXXX. For example, if the DO receives a debit voucher for a dishonored check on September 10, 1997, there will not be enough time to pursue required collection actions and request removal of the deficiency prior to October 1, 1997 (beginning of the new fiscal year). If the DFAS Center declines to authorize removal of the deficiency or there is not enough time remaining in the fiscal year to authorize removal, it cannot be charged to ***6763.XXXX. The deficiency must be treated as an erroneous payment. The DO shall then either repay the loss or request relief of liability under the procedures for relief of liability for illegal, improper, or incorrect payments as prescribed in Chapter 6 of this volume.

040402. Lost Dishonored Check. If a dishonored check held in the disbursing office becomes lost, it shall be considered and handled as a physical loss of funds.

040403. Forgeries and Other Unusual Cases. If investigative action does not determine the identity of the person who committed the forgery, or if recovery from this person cannot be accomplished, the DO, deputy, agent, or cashier who cashed the instrument shall be liable for the deficit. There is virtually no excuse for forgery to take place if the check-cashing procedures in this chapter are properly followed. However, if the DO, deputy, agent, or cashier is of the opinion that the circumstances justify relief of liability for the illegal, improper, or incorrect payment, a memorandum requesting relief of the liability may be submitted to the servicing DFAS Center. The request shall include a summary or a copy of the investigative

results and shall describe the procedures used to preclude forgery. Each endorser to the basic correspondence shall express a recommendation as to whether relief of liability is considered appropriate.

JAMES A. HANCOCK 123-45-6789 MARY S. HANCOCK 234-56-7890 4567 ASSUMED DRIVE (703) 345-6789 ALEXANDRIA, VA 22310		4620
		<small>68-7497 2560</small>
		19
PAY TO THE ORDER OF	\$	
		DOLLARS
NAVY FEDERAL CREDIT UNION <small>VIENNA, VIRGINIA</small>		
I CONSENT TO IMMEDIATE COLLECTION FROM MY PAY THE AMOUNT OF THIS CHECK PLUS BANK CHARGES, IF THIS CHECK IS DISHONORED ____		
FOR	SAMPLE - NON-NEGOTIABLE	
: 2 5 6 0 7 4 9 7 4 : 4 6 2 0 : : : 3 3 3 3 3 3 3 3 3 3 : 0 0 1		

JAMES A. HANCOCK 123-45-6789 MARY S. HANCOCK 234-56-7890 4567 ASSUMED DRIVE (703) 345-6789 ALEXANDRIA, VA 22310		I CONSENT TO IMMEDIATE COLLECTION FROM MY PAY THE AMOUNT OF THIS CHECK PLUS BANK CHARGES, IF THIS CHECK IS DISHONORED_	4620
			<small>68-7497 2560</small>
		19	
PAY TO THE ORDER OF	\$		
		DOLLARS	
NAVY FEDERAL CREDIT UNION <small>VIENNA, VIRGINIA</small>			
I CONSENT TO IMMEDIATE COLLECTION FROM MY PAY THE AMOUNT OF THIS CHECK PLUS BANK CHARGES, IF THIS CHECK IS DISHONORED ____			
FOR	SAMPLE - NON-NEGOTIABLE		
: 2 5 6 0 7 4 9 7 4 : 4 6 2 0 : : : 3 3 3 3 3 3 3 3 3 3 : 0 0 1			

Figure 4-1. Samples of Check Endorsements Consenting to Pay Account Collections for Dishonored Check Charges

PERSONAL CHECK CASHING AGREEMENT		<i>Form Approved OMB No. 0730-0005 Expires Oct 31, 2000</i>
<p>The public reporting burden for this collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Defense, Washington Headquarters Service, Directorate for Information Operations and Reports (0730-0005), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.</p> <p>PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS. RETURN COMPLETED FORM TO THE ADDRESS OF THE AGENCY WHICH PROVIDED THIS FORM.</p>		
PRIVACY ACT STATEMENT		
<p>AUTHORITY: 31 U.S.C. 3342, E.O. 9397, and DoD "Financial Management Regulation", Volume 5, Chapter 04.</p> <p>PRINCIPAL PURPOSES: This form is designed exclusively to help overseas and afloat DoD disbursing activities expedite the collection process of dishonored checks overseas and afloat.</p> <p>ROUTINE USES: None.</p> <p>DISCLOSURE: Voluntary; however, failure to provide the requested information will result in refusal to cash personal checks.</p>		
PLEASE PRINT OR TYPE ALL INFORMATION		
1. NAME (Last, First, Middle)		2. SOCIAL SECURITY NUMBER
Joyce M. Jones		456-00-8901
3. ORGANIZATION/LOCATION		4. RANK/GRADE
USS Abraham Lincoln		E-4
		5. DUTY TELEPHONE NUMBER (Include Area Code)
		(123) 456-7890
6. BRANCH OF SERVICE	7. SUPERVISOR'S NAME (Last, First, Middle Initial)	8. SUPERVISOR'S TELEPHONE NUMBER (Include Area Code)
U.S. Navy	Lipps, Read M.	(123) 567-8901
9. HOME ADDRESS (Street, Apartment Number, City, State, ZIP Code)		
345 Mockingbird Lane Beautiful, MO 64999		
10. HOME TELEPHONE NUMBER (Include Area Code)	11. DRIVER'S LICENSE NUMBER	12. DRIVER'S LICENSE STATE
(123) 678-9012	A13-456	Missouri
POWER OF ATTORNEY		
<p>I desire to execute a power of attorney and I appoint and by these presents do make, constitute and appoint the below listed individual(s) my true and lawful attorney(s)-in-fact to draw, make endorse, and cash personal checks drawn upon my account which I may have as sole or joint owner. Any act performed hereunder for me or from my account shall be binding on me, my heirs, legal and personal representatives and assigns. Transactions under this authority shall be in my name and all endorsements and instruments executed by my attorney shall contain my name, followed by that of my attorney and the designation "Attorney-in-Fact".</p>		
13. AUTHORIZED AGENT		14. AUTHORIZED AGENT
15. AUTHORIZED AGENT		16. AUTHORIZED AGENT
<p>"In consideration of the extension of the privilege to have personal checks cashed by a Department of Defense finance/disbursing officer, I hereby freely and voluntarily consent to the immediate collection from my current pay, without prior notice or prior opportunity to be heard, the face value of any check cashed by myself or my authorized agents, plus any charges assessed against the government by a financial institution, in the event such instrument is dishonored and returned for insufficient funds or closed accounts."</p>		
17. REQUESTOR'S SIGNATURE		18. DATE

DD FORM 2761, OCT 1997

LOCAL REPRODUCTION AUTHORIZED.

Figure 4-2. Sample DD Form 2761 (Personal Check Cashing Agreement)

PAY ADJUSTMENT AUTHORIZATION		NOTE: If individual has been transferred, forward this authorization to the officer currently maintaining the individual's pay record.	
1. MEMBER/EMPLOYEE NAME (Last, First, Middle)	2. SSN	3. RANK/GRADE	4. BRANCH OF SERVICE
5. PAY GRADE NUMBER	6. AMOUNT	7. APPROPRIATION DATA	
8. FROM		9. NAME OF ACCOUNTABLE DISBURSING OFFICER (D.O.)	
		10. DO SYMBOL	11. G.A.O. EXCEPTION CODE
12. TO		13. YOU ARE HEREBY AUTHORIZED TO DEDUCT THE AMOUNT OF \$ _____ FROM THE ACCOUNT OF THE ABOVE NAMED INDIVIDUAL.	
14. EXPLANATION AND/OR REASON OR ADJUSTMENT			
I CERTIFY that this collection is the result of dishonored personal checks cashed by the cited individual for the amounts stated. The individual has consented in writing, that in consideration for the cashing individual's check(s) the amount of any check returned for any reason, plus any charges assessed against the government by a financial institution, may be collected from the individual's pay.			
15. FROM			
16. DISBURSING OFFICER			
a. NAME (Last, First, Middle Initial)	b. RANK/GRADE	c. SIGNATURE	
I CERTIFY that the adjustment indicated above has been entered on the above-named individual's Pay Record. (If adjustment has not been entered, give explanation in the space provided above.)			
17. TO	18. PAYROLL OFFICER		
	a. NAME (Last, First, Middle Initial) (Type or Print)	b. RANK/GRADE	
	19. PAYROLL DSSN	20. DATE	
21. SIGNATURE			

DD FORM 2761 (BACK), OCT 1997

**Figure 4-2. Sample DD Form 2761 (Personal Check Cashing Agreement
(Continued))**

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CHAPTER 5

DEPOSIT AND TRANSFER OF PUBLIC FUNDS0501 DEPOSIT OF FUNDS

050101. General. As prescribed in 31 U.S.C. 3302 (reference (e)), DOs who have funds in excess of current requirements shall deposit them for credit to the Treasury Department without delay. An exception to the general rule is authorized for those instruments which shall be returned to the remitter in the form in which received, an example being deposits of unsuccessful bidders for the sale of government property.

050102. Depositories

A. Federal Reserve Bank (FRB). DOs who use an FRB or branch as a depository may do so without prior approval from the servicing DFAS Center. FRBs or branches shall be used whenever possible. Appendix B provides a list of FRBs and branches. All deposits to an FRB or branch shall include a Ca\$h-Link Identification Number (CIN) in Block 3 of the SF 215 (Deposit Ticket). The CIN also is required as a part of the endorsement on negotiable instruments included in such deposits. The CIN is derived by adding four leading zeroes to the DSSN and calculating a check-digit for the ninth position. The CIN is calculated as shown in table 5-1. When preparing the SF 215 (and endorsements), the eight-digit CIN and the ninth digit are separated by a dash.

★ B. General Depositories. As prescribed by the Department of the Treasury Financial Manual for Guidance of Departments and Agencies (reference (m)), these are commercial banks or other financial institutions which have been specifically authorized by the Treasury Department to maintain a demand account in the name of Treasury for the purpose of accepting deposits to the Treasury's General Account (TGA). These depositories will be designated only at locations where they are needed to receive deposits of public funds for credit to the TGA or to furnish cash to DOs for official disbursements. Making deposits to a TGA eliminates processing floats. If more than one bank or a bank and credit union have been authorized at a base, station, installation, or command, the local commander, if asked, should give equal recognition when recommending designation as a TGA. After approval by the Treasury Department, the commander should also make an effort to reasonably distribute official financial transactions among the approved depositories. Public funds shall not be deposited in a financial institution that has not been approved as a TGA except as provided in subparagraph 050102.E, below. Deposits shall not be mailed to a TGA unless specifically authorized by the Treasury Department.

C. Requests to Deposit With or Change General Depository. DOs who want either to get initial authorization to deposit collections with a general depository or to change from one depository to another shall send a request through the servicing DFAS Center to the Financial Management Service, Department of the Treasury, Chief Depository Review Section, Banking Operations Branch, 3700 East-West Highway, Hyattsville, MD 20782. A copy of the request shall be furnished to the Director for Financial Commerce, OUSD(C), Room 3E831 Pentagon,

Washington, DC 20301-1100. The request should be sent at least 90 calendar days prior to the requested effective date to allow the Treasury Department enough time to make the necessary arrangements and issue appropriate instructions to the depository. The request shall contain the following information:

1. Name and location of the depository currently used.
2. Time and manner in which deposits are made with the current depository.
3. Name and location of the proposed depository (specify the name and location of the particular branch office, if applicable).
4. Time and manner in which deposits will be made with the proposed depository.
5. Total dollar amount deposited monthly.
6. Total number of checks (including Treasury checks) deposited monthly.
7. Dollar amount and number of Treasury checks deposited monthly.
8. Amount of cash deposited monthly.
9. Number of returned checks per month.
10. Number of SFs 215 per month.
11. A brief justification statement outlining distances involved and savings in time and money to be gained by approval of the request.

D. Need for General Depository Ceases to Exist. Should the need for a general depository cease to exist, the DO shall notify the servicing DFAS Center of the date on which the need will terminate and the reason.

E. Limited Depositories. Limited depositories are designated only to receive deposits made by or on behalf of DOs for credit to their official non-symbol checking accounts maintained with such depositories. Limited depositories are not authorized to accept deposits for credit to the Treasury Department..

0502 DEPOSIT REQUIREMENTS

050201. Frequency. The deposit of all funds received for credit to the account of the Treasury Department shall be made without delay.

A. Deposits shall be made at a time of day before the depository's specified cutoff time, but as late as possible to maximize daily deposit amounts. Receipts of \$5,000 or more shall be deposited on the same day received before the depository cutoff time. In those instances where the disbursing office business day has been advanced due to volume of transactions and balancing requirements, deposits shall be made on the disbursing office business day on which the receipts are processed into the DO's account. For example, today's calendar date is September 7 but the disbursing office business date is September 8. If receipts for the DO's business date of September 8 equal or exceed \$5,000, the receipts must be deposited prior to the end of the depository's business date of September 8.

B. Where same-day deposit is not cost effective, next-day deposit shall be achieved. It may be necessary, therefore, for DOs to set a cutoff time in connection with the preparation of deposits, and deposit on the following day all receipts after that time. If daily deposits of receipts of less than \$5,000 are impractical, they may be accumulated and deposited when the total reaches \$5,000. However, deposits shall be made by Thursday of each week, regardless of the amount accumulated. DOs should limit their transmittals of deposits to one per day.

C. DOs shall separate cash from checks and prepare a separate SF 215 for each when depositing with an FRB. A cash deposit and a check deposit on the same day constitute one deposit per day. For Navy vessels in U.S. ports, deposits shall be prepared and either delivered in person or mailed via registered mail to the nearest FRB when receipts accumulate to \$5,000 as prescribed above.

D. For Navy vessels at sea, when daily mail service is not available, receipts (consisting only of personal checks, money orders and other non-Treasury negotiable instruments) may be accumulated up to \$5,000 before they must be deposited, provided that a deposit of all receipts on hand is made at least once each week. This exception does not apply to U.S. Treasury checks. The DO shall prepare the deposits for mailing via registered mail and deliver them to the Military Post Office onboard. Negotiable instruments to be deposited shall not be held in the DO's accountability pending arrival at the next scheduled port of call. Regardless of the total amount, the time interval since the last deposit, and the type of checks and negotiable instruments on hand, DOs onboard Naval vessels shall make a deposit on the last regular business day before leaving port and the first regular business day after returning to port for any at-sea period in excess of one week.

050202. U.S. Dollar Deposits

A. Negotiable Instruments. Negotiable instruments (e.g., Treasury checks, personal checks, travelers checks, money orders, etc.) payable in U.S. dollars shall be deposited for credit to the account of the Treasury Department with the nearest FRB or branch or an approved general depository.

1. All DOs in the United States (and activities authorized to deposit to

the account of a DO in the United States) shall deposit Treasury checks in the sum of \$5,000 or more with the nearest FRB or branch. For example: if the deposit includes one Treasury check for \$5,000 or more, the deposit must be made to an FRB or branch; or, if the deposit contains several Treasury checks, the total of which is \$5,000 or more, the deposit must be made to an FRB or branch. When an FRB or branch is used, separate SFs 215 shall be prepared for each of the following deposits: (1) cash; (2) checks (e.g., Treasury checks, personal checks, money orders, travelers checks, etc.); and (3) food stamp coupon redemptions. Check endorsements, SFs 215 and debit or credit vouchers presented for deposit to an FRB or branch shall include the nine-digit CIN in Block 3 of the SF 215. Check endorsements, SFs 215 and debit or credit vouchers presented directly to a general depository shall include the four-digit DSSN as the DO identification number in Block 3 of the SF 215.

2. DOs located outside the continental United States may deposit all Treasury checks with an established general depository. Treasury checks (or cash, or other negotiable instruments) cannot be mailed to a general depository without the expressed permission of the Treasury Department. (Note: Air Force bases in Europe, without local contract military banking facilities, currently have Treasury Department authority to mail deposits to the contract banking facility at Frankfurt, Germany.) Canceled Treasury checks shall be deposited as prescribed in chapter 08 of this Volume.

B. Checks Drawn on Foreign Banks in U.S. Dollars Payable Through a Bank in the U.S.. Checks drawn on foreign banks in U.S. dollars, which are payable through a bank in the U.S., will have an American Bankers Association (ABA) routing and transit number printed on the item and may be magnetic ink character recognition (MICR) encoded with the U.S. bank's ABA routing and transit number at the bottom left side of the check. These checks shall be grouped on a single SF 215 and deposited as prescribed in subparagraph 050202.A, above.

C. Manner of Deposit

1. Deposit by DO. Deposits shall be made in person by the DO or designated representative at an FRB or branch or an approved general depository. If deposit of checks, drafts, or money orders in person is impracticable, deposits of these instruments may be made by registered mail or courier; however, deposits of checks, drafts, or money orders by mail are normally authorized only to a FRB or branch. Cash deposits by mail shall be made only to an FRB or branch. If a deposit of cash in person is impracticable, the next most preferred method is by armored car. The least preferred method of depositing cash is by registered mail. The cash should be double wrapped or placed in an inner and outer container. If an error is discovered after an SF 215 has been released to a depository, that document shall not be recalled or corrected; nor will a corrected SF 215 be prepared and submitted to the depository. The DO shall contact the depository and provide information on the error and request the depository to prepare: an additional SF 215 for the difference if the deposit amount is to be increased; or an SF 5515 (Debit Voucher) for the difference if the amount is to be decreased. Upon receipt of the additional SFs 215 or 5515, the DO shall record and report the document as prescribed in this chapter. Deposits of damaged or mutilated currency shall be made as provided in section 0505 of this chapter.

2. Deposit by Other than DO. When more time is required to

personally turn in funds to the DO than is justifiable from a cost perspective (e.g., taking into account the length of journey and other factors), agent officers or any other officers authorized to make collections of public funds may dispose of collected funds as shown in the following subparagraphs:

a. Approved Designated Depositary Available. Agent officers or any authorized collection officer may make deposits (in person) on behalf of the DO when an approved designated depositary is available. Individuals making such deposits shall follow the procedures in paragraph 050301 of this chapter for preparation of the SF 215. The confirmed copy of the SF 215 shall be submitted to the DO on the day the deposit is made with the appropriate collection vouchers and memorandum copy of SF 215.

b. Approved Designated Depositary Not Available. When an approved designated depositary is not available, agent officers or any authorized collecting officers may transmit cash to the DO by postal money order, bank money order, or cashier's check. The fee for purchase of the cashier's check or postal/bank money order shall be paid in cash at the time of purchase and the receipt shall be attached to the DD Form 1131. The amount of the cashier's check or postal/bank money order shall be deducted from the total amount collected. The body of the DD Form 1131 will be prepared to show the total amount collected, the fee for cashier's check or postal/bank money order, the net collection, and the bank and date of the money order. Figure 5-11 is an example of a completed DD Form 1131.

050203. U.S. Department of Agriculture (USDA) Food Stamps

A. General. Food stamps shall be deposited with the nearest FRB or branch thereof on a daily basis. In those instances where the commissary officer makes the deposit, an agreement with the DO should be made to define that responsibility.

B. Deposits. Food stamp deposits shall be accomplished using a separate SF 215 and shall be mailed registered (uninsured) mail. In addition, a properly prepared FNS Form 278 (Food Stamp Redemption Certificate) shall accompany the SF 215. Food stamps are exempted from the requirement to maintain a record of negotiable instruments. The separation of redeemed food stamps from other negotiable instruments is necessary due to differences in the audit and reconciliation process. See I TFM 5-2050.20d, Department of the Treasury Financial Manual for Guidance of Departments and Agencies (reference (m)).

C. Lost, Stolen, or Destroyed Food Stamps

1. Food Stamps Lost, Stolen, or Destroyed While in the Custody of a Commissary Officer. Food stamps represent cash, and all security procedures for cash handling shall be observed. Food stamps are accounted for by the USDA while other negotiable instruments are accounted for by the Treasury Department. The USDA Food and Nutrition Service (FNS) is not liable for the value of any coupons lost, stolen, or destroyed while in the custody of an insured financial institution or for the value of coupons lost, stolen, or destroyed while in transit from an insured financial institution to an FRB. USDA has interpreted that DoD DOs (including deputies, agents, cashiers and custodians) fall within the definition of an insured financial institution. Food

stamps in the custody of the commissary officer that are lost, stolen, or destroyed shall be treated as a physical loss of funds on the part of the commissary officer in accordance with Chapter 6 of this volume. Also, if an FRB determines that one or more coupons are missing from a deposit received by the FRB, the FRB shall issue an SF 5515. The SF 5515 shall be recorded in the DO's accountable records in the normal manner and treated as a physical loss of funds on the part of the commissary officer in accordance with Chapter 6 of this volume.

2. Food Stamp Deposits Lost, Stolen, or Destroyed Before Arrival at the FRB. There may be instances where an entire deposit of coupons is lost, stolen, or destroyed before arrival at the FRB. Evidence of this should be detected through non-receipt of the confirmed copy of the SF 215. If the lost transaction cannot be resolved, the DO shall prepare a descriptive OF 1017-G (Journal Voucher) shall be prepared and recorded in the DO's accountable records in the same manner as an SF 5515 would be recorded. If the commissary officer has assumed the deposit responsibility as a custodian for the DO, the deficit can only be cleared by treating the lost food stamp(s) as a loss of funds on the part of the commissary officer in accordance with chapter 06 of this Volume. The commissary officer must either recover the lost food stamps, request relief of liability, or consider the lost stamp(s) a loss of commissary receipts (operating funds). The DO shall prepare a reverse DD Form 1131, Collection Voucher, citing the same accounting classification as the stamps were originally collected into. Include on the DD Form 1131 an explanation to the effect that: the FRB has claimed one or more of the food stamps were not included in the deposited package and that there was no evidence the package had been tampered with; or food stamps were not received by the FRB. A copy of the DD Form 1131 shall be given to the commissary officer. The reverse DD Form 1131 shall be used to clear the deficit from the DO's accountability only after the loss of funds has been properly reconciled according to chapter 06 of this Volume. If the DO has assumed the deposit responsibility, the deficit can only be cleared by treating the lost food stamp(s) as a loss of funds on the part of the DO. Lost food stamps are considered a physical loss and shall be processed as prescribed in chapter 06 of this Volume.

050204. Foreign Currency Deposits. See Chapter 13 of this volume.

★ 050205. Reporting Large Deposits and Fedwire Deposits System (FDS) Deposits. To permit the Treasury Department's Financial Management Service (FMS) to manage the government's cash position at each Federal Reserve Bank, disbursing officers depositing a single check totaling \$50 million or more, or several checks of a similar nature (e.g., 25 checks from vendors totaling \$50 million or more), shall notify the FMS a minimum of two business days before the deposit is made. If a deposit of \$500 million or more is anticipated, a minimum of five business days advance notice is required. When specific deposit information has not been finalized, inform FMS daily (by 9:30 a.m. eastern time) of approximate amount(s) and approximate deposit date(s). Information on large deposits should be reported by facsimile transmission (FAX) to FMS at (202) 874-9945 or (202) 874-9984 using FMS Form 187 (Advance Notice of Large Deposits or Payments of \$50 Million or More). If the report is provided to FMS on other than FMS Form 187, at a minimum, the report shall contain:

- A. Name and address of the Component (e.g., Army);
- B. Name and telephone number of disbursing officer;

- C. Disbursing station symbol number (DSSN);
- D. Appropriation or fund account credited (minimum of six digits, with the first two identifying the department);
- E. Description of transaction;
- F. Transaction settlement date;
- G. Amount of deposit;
- H. Deposit mechanism (wire transfer or check);
- I. Name and location of the depository.

A copy of the report shall be retained with the DO's monthly retained financial records.

★ 050206. Sorting and Listing of Instruments

A. General Depositories. Checks deposited with general depositories need not be sorted, but shall be accompanied by an adding machine tape or other listing, unless other arrangements have been made with the depository. Note: As explained in the subparagraph 050201, above, all DOs in the United States (and activities authorized to deposit to the account of a DO in the United States) shall deposit Treasury checks in the sum of \$5,000 or more with the nearest FRB or branch.

B. Federal Reserve Banks

1. Check Deposits. Checks deposited with an FRB or branch need not be sorted, but shall be accompanied by an adding machine tape or other listing showing the amount of each check and the total amount of the deposit. The checks, with supporting documentation, shall be delivered to the FRB separate from any cash which the DO may also be depositing with the FRB that same day.

2. Cash Deposits. Deposits of cash shall be made on a separate SF 215. All currency shall be sorted by denomination, face and top up, and deposited in full packages (100 notes) of each denomination; \$1, \$2, \$5, \$10, \$20, \$50, and \$100. Partial packages shall be prepared for each denomination that does not contain 100 notes. Each package (full or partial) shall be secured with a currency strap bearing no printed denomination. The DO can obtain these straps from a commercial supplier. The total dollar amount contained in each package of currency and the DSSN shall be legibly indicated on each strap. Coins shall be rolled whenever possible. The SF 215 shall be accompanied by an adding machine tape or other listing reflecting, by denomination, the total of currency and coin being deposited.

★ 050207. Endorsement of Negotiable Instruments

A. Area for Endorsements. With the enactment of the Expedited Funds Availability Act (reference (s)), restrictions were established for placement of payee endorsements. Negotiable instruments shall be endorsed on the back of the instrument in the 1 and 1/2 inch space along the "trailing edge." When viewing the face (front) of a check, the trailing edge is the left hand edge. Normally, the endorsement will consist of the name of the payee and other identifying information required by the activity cashing the check. When the DO is preparing checks made payable to the DoD, a DoD Component, another government agency, or the DO for deposit, the endorsement stamp required by subparagraphs 050207.C or 050507.D, below, shall appear in this space. When multiple endorsements occur (or the space is used by a qualified endorsement such as for checks endorsed over to the DO by the payee) and the DO's endorsement will require space beyond the first 1 1/2 inches from the trailing edge, the DO's endorsement shall use the assigned space for subsequent endorsers (the back of the check in the upper right hand corner, no more than 3 inches from the right hand edge (leading edge) of the check). Do not refuse a check if the area assigned for the bank of first endorsement has been used. Such checks are acceptable but will not be processed by the banking system in the prescribed time frames under reference (s), which could hamper collection action. Blue or black ink is preferable for endorsements.

B. Endorsement Statement. The following endorsements for negotiable instruments are minimum requirements. Activities with stamps containing additional information may use them so long as the endorsement can be contained within the 1 1/2 inch area assigned for payee endorsers. The Treasury Department has expanded the DSSN number for the disbursing or collecting official's endorsement to a Ca\$h-Link Identification Number (CIN) which includes four zeroes, the DSSN, a hyphen, and a check digit when depositing to an FRB or branch. The CIN is calculated as explained in table 5-1. Figures 5-1 through 5-3 are examples of endorsements on negotiable instruments received directly by DOs. To eliminate separate endorsements by collecting officials and DOs, collecting officials shall endorse negotiable instruments as shown in figures 5-4 through 5-6.

C. Endorsements on Negotiable Instruments Deposited With an FRB or Branch. DOs depositing directly with an FRB may function as the bank of first deposit on behalf of the FRB. Prior approval must be obtained from the FRB before this activity is begun. Since little advantage is gained by the DO's assuming this responsibility, DOs shall advise the servicing DFAS Center if an FRB or the Treasury Department requests that they function as a bank of first deposit. All checks, drafts, and money orders in payment of an obligation due the United States, regardless of the payee to which drawn (including the Treasury Department, the Department of Defense, and any officer of the government), shall be endorsed on the back of the instrument in the 1 and 1/2 inch space along the trailing edge (see figures 5-1 and 5-4). The nine-digit number is the disbursing office's CIN. Agencies may use a stamp, or insert the CIN by hand. The date may be filled in either manually or mechanically with the date on which the deposit is made. This date shall correspond with the bank's business day as explained in paragraph 050201 of this section.

D. Endorsements on Negotiable Instruments Deposited With a General Depository. All negotiable instruments in payment of an obligation due the United States, regardless of the payee to which drawn shall be endorsed on the back of the instrument in the 1-1/2 inch space along the trailing edge (see figures 5-2 and 5-5). The blank following "U.S." shall contain the Component

name (e.g., Army, Navy, Air Force, Marine Corps). The blank following "DSSN" shall contain the four-digit disbursing activity DSSN which may be entered manually, mechanically, or be included as a part of the stamp itself. The blank following "Date" may be filled in either manually or mechanically with the date on which the deposit is made. This date shall correspond with the bank's business day as explained in paragraph 050201 of this section.

E. Conditional Endorsements. Do not accept checks with conditional endorsements such as payment in full notations, when less than the total amount due the United States is paid. Return these checks to the drawers and advise them that the DoD cannot legally accept them.

★ 050208. Record of Negotiable Instruments Deposited. DOs shall keep a complete descriptive record of all negotiable instruments mailed or presented to depositaries. This record may be photocopy or microfilm records of both sides of the instruments if the source of the instrument is shown. Where photocopying or microfilming facilities are not available, the record shall be a typed or written list containing the: source of the instrument; name of the financial institution on which drawn; type of instrument; serial number; payee; maker; endorser (name of person from whom received if other than drawer); date drawn; and amount. Copies of collection vouchers or other documents that show the same data aforementioned may be used as the record of instruments. If an item is lost in banking channels, the DO may be held pecuniarily liable if the maker of the check cannot be identified in order to contact that person for a replacement. Therefore, photocopied, microfilmed, or prepared lists of instruments deposited shall be kept in active files until receipt of the deposit is acknowledged. They may then be filed as supporting documents to the retained copy of the SF 215 and the SF 1219 which covers the period in which the deposits were made.

★ 050209. Lost Negotiable Instruments. When a negotiable instrument is lost, whether before or after deposit, the DO shall adjust the affected accounts and immediately request that the maker of the instrument stop payment and replace it with a new check or other form of payment.

★ 050210. Disposition of Funds on Transfer or Reassignment Without Relief. Funds in the possession of a DO transferred or reassigned without being relieved by another DO shall be deposited prior to transfer or reassignment. All receipts for cash funds held by deputies, agents, and/or cashiers, including imprest funds and change funds, shall be redeemed and the funds included in the final deposit. Each deposit made during the period, including the final deposit, shall be reported on the SF 1219 whether or not an acknowledged copy of the SF 215 is received prior to transfer or reassignment.

0503 DEPOSIT TRANSACTIONS

050301. SF 215, Deposit Ticket

★ A. General. Deposits shall be accompanied by an SF 215 prepared in quintuplicate. The SF 215 is designed to be processed on optical character recognition equipment; therefore, it is essential that the preparer strictly follows these requirements. The SF 215 shall be typed with American National Standards Institute Optical Character Recognition

A font (ANSI OCR-A) 10-pitch type. If an ANSI OCR-A is not available, Pica, 10-pitch should be used. An undesirable, but acceptable type font is Elite, 12-pitch. Specialty type fonts such as Adjutant, Advocate, Artisan, Courier, Delegate, Gothic, Italic, Scribe, Script, etc., are not acceptable. Typing in blocks two, three, four, and five (memorandum copy) must be single spaced horizontally and typed with the prescribed font. Typeovers, erasures, and other corrections cannot be made to entries in these blocks. The Treasury Department does not permit DOs or depositaries to make changes to data on the SF 215. Any violation of this rule by a depositary shall be reported to the DFAS Disbursing and Cash Management Office, 1500 East 95th Street, Kansas City, MO 64197-0030, for further reporting to the Treasury Department. An example of an SF 215 is shown as figure 5-7. The SF 215 shall be prepared as described below:

1. Deposit Number - Block (1). Each SF 215 contains a preprinted six-digit deposit number used by the Treasury Department's central accounting and reporting systems as the basis for generating audit and reconciliation reports for depositor agencies. The preprinted number shall not be altered, typed over, or changed in any manner. Although prenumbered, it is not necessary to account for voided or spoiled forms.

2. Date Presented or Mailed to Bank - Block (2). Type the date that the document is either mailed to an FRB or branch or, if delivered to a general depositary, the banking business date of the depositary at time of presentation. The date shall consist of 2-digit single spaced groups in month, day, and year order; separated by hyphens and zero-filled for single digit dates.

3. Eight-Digit Agency Accounting Station Code or Four-Digit Disbursing Office Symbol - Block (3). Type the nine-digit CIN for deposits to an FRB or branch, or the four-digit DSSN for deposits to general depositaries. Entries shall be left justified and single spaced.

4. Amount - Block (4). Type the total amount of the deposit, including cents. Normal punctuation of commas and decimal points shall be used, however, dollar and cent signs shall be omitted.

5. Date Confirmed by Bank - Block (5) (Memorandum Copy). Leave blank. To be completed after confirmed copy is received from the depositary.

6. Agency Use - Block (6). Block 6 may be used to enter descriptive date regarding the deposit such as: "Prepared by "; "Verified by "; and "Deposited by "; with the applicable initials of the person who performed these tasks. (If a commissary deposit, the commissary store number and location shall be entered in this block. Also, if the deposit is made with a branch bank, the name and location of the branch shall be entered in this block.)

7. Name and Address of Depositary - Block (7). Type the name and address of the depositary to which the SF 215 is mailed or presented.

8. Depositary Certification - Block (8). Leave blank. The depositary will complete this block.

9. Depositors Title, Department or Agency and Address - Block (9).

Type the complete mailing address of the disbursing activity in this block.

B. Distribution and Disposition. The original, depositary, and confirmed copies of the SF 215 shall be delivered or submitted to the depositary with the funds and or negotiable instruments to be deposited. The DO shall retain the memorandum and agency copies in a suspense file to assure that all deposits are in fact confirmed by the depositary. The DO shall take follow-up action on unconfirmed deposits as prescribed in paragraph 050403, below. When the confirmed copy is received from the depositary, the date confirmed shall be transcribed to the agency copy. Based on the specific requirements of the servicing DFAS Center or OPLOC, the confirmed copy shall be submitted as part of the financial reports for that month. In those instances where a deposit is not confirmed in the same month as mailed, the servicing DFAS Center or OPLOC may require the DO to submit the memorandum copy in support of the reported deposit activity for that month and to submit the confirmed copy with the financial reports for the month in which the confirmed copy is received. Note: When a deposit is presented or mailed to a depositary and the DO receives the confirmed copy of the SF 215 in the same month (as presented or mailed), only the confirmed copy is required to be submitted with the monthly financial reports. The agency copy is always retained by the DO as part of the retained financial records. The sum of all deposits presented or mailed to a depositary shall be reported in Column (2), Section II, Part B of the SF 1219 for the month in which the deposit was presented or mailed.

C. Accounting for Deposits. After netting out all the SFs 5515 (except for EFT SFs 5515) to be accounted for in the current business day, enter the total of all the deposits to be accounted for during the business day (including SFs 215 received from a depositary to adjust a deposit) on line 4.2A of the DD Form 2657. At the end of the accounting period (month), the memorandum or confirmed copies of each SF 215 (and SFs 5515, including EFT SFs 5515) applicable to the current accounting period (only) are used to prepare the detailed deposit activity report to support of the SF 1219. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column (5), Section II, Part B, on the reverse of the SF 1219.

050302. SF 5515 (Debit Voucher)

A. General. When a check is returned unpaid to the depositary with which the check was originally deposited, the depositary may prepare and execute an SF 5515 to charge the depositing DSSN. The depositary may also prepare an SF 5515 charging the depositing DSSN whenever a check is lost after deposit. SFs 5515 may also be issued by depositaries and by the Treasury Department to establish other valid charges against a DO's account. Such charges include exchange fees and other collection charges assessed in connection with foreign instruments deposited. The DO immediately shall record all SFs 5515 received in the DD Form 2657. The SFs 5515 shall be included in the SF 1219 for the month in which received.

B. Action by the DO

1. Non-tactical Disbursing Activities. For SFs 5515 received in connection with returned unpaid checks, the DO shall take action as prescribed in Chapter 4 of this volume for dishonored checks. For SFs 5515 received in connection with checks lost after deposit, the DO shall take action as indicated in paragraph 050209 of this chapter. New checks received pursuant to action taken by the DO shall be processed as a new deposit. Charges for handling foreign checks shall be processed as prescribed in Chapter 13 of this volume.

2. Tactical Disbursing Activities. DOs receiving SFs 5515 shall comply with the above provisions whenever any one of the following conditions exist: the deposit (which included the lost or dishonored check) was made during the incumbency of the current DO; the deposit (which included the lost or dishonored check) was made during the incumbency of a DO whose account is being subjected to the 90-day local retention period; or, the maker or endorser of the lost or dishonored check is locally available for collection action. If none of the foregoing conditions apply, the current DO shall forward the SF 5515 by cover letter to the activity designated to settle the former DO's account. A copy of the cover letter shall be sent to the issuing depository. In addition to the SF 5515, the letter shall contain either the original dishonored check as returned by the depository or in the case of lost checks, a copy of the relevant abstract from the listing of instruments deposited. In all cases, the cover letter shall contain the most recent information concerning the present location and status of the maker or endorser of the check in question.

C. Special Arrangement With Depository. The DO and the depository may enter into a special arrangement whereby unpaid checks automatically will be returned directly to the DO to be replaced by new checks. Under such an arrangement, the depository would not issue an SF 5515 unless the unpaid checks were not replaced within an agreed period of time.

D. Distribution. The SF 5515 is a four-part document. Two copies are retained by the depository. The memorandum and the confirmed copies are forwarded to the DO. The DO shall forward the confirmed copy in support of the monthly financial reports. The memorandum copy shall be retained with the DO's retained financial records. An example of an SF 5515 is shown as figure 5-8.

E. Accounting. SFs 5515 are accounted for as negative deposits. As noted in subparagraph 050301.C, above, all SFs 5515 (except for EFT SFs 5515) to be accounted for in the current business day are netted against all deposits to be accounted for during the business day, and the total recorded on line 4.2A of the DD Form 2657. EFT SFs 5515 are recorded on line 4.2B. At the end of the accounting period (month), the memorandum or confirmed copies of each SF 5515 (including EFT SFs 5515) and each SF 215 applicable to the current accounting period (only) are used to prepare the detailed deposit activity report to support Section II, Part B of the SF 1219. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column (5) Section II, Part B, on the reverse of the SF 1219.

★0504 DEPOSIT RECONCILIATION

050401. General

★ A. All DOs are required to report deposit activity in connection with their financial reports. Note: Until a standard deposit reporting and reconciliation system is implemented, each disbursing office shall continue to prepare and submit the detailed deposit activity report formerly required by the respective Component. Army disbursing offices shall continue to report SF 215 and SF 5515 information in the Data Element/Accounting Reporting System. Air Force disbursing offices shall continue to use the Deposits in Transit System (6J record). Marine Corps disbursing offices shall continue to report detailed deposit activity using the Marine Corps Expenditure/Reimbursement Reporting System. Navy disbursing offices shall continue to use the Uniform Microcomputer Disbursing System, other approved automated format, or prepare and submit the monthly Schedule of Deposit Activity as prescribed in paragraph 050411, below. The net dollar value of these inputs ultimately is provided to the Treasury Department, which also receives detailed reports from each depository of all SFs 215 and SFs 5515 received from DOs and issued by depositories.

★ B. Monthly, the Treasury Department compares the value of deposits and debit vouchers reported by DOs on SFs 1219 (Statements of Accountability), and detailed deposit activity reports to the value of deposits and debit vouchers reported through the banking system. When the Treasury Department is unable to reconcile the information contained in the two reporting systems, an FMS Form 6652 (Statement of Differences, Deposit Transactions), with supporting detail of deposits and debit vouchers reported by the depositories, will be forwarded to the applicable DFAS Center for redistribution to the applicable disbursing office for reconciliation. Any deposit discrepancy appearing on an FMS Form 6652 will appear on every subsequent FMS Form 6652 until the difference is resolved. All deposit differences that have not been reconciled after six months from the date of the initial transaction shall be considered as a loss or overage of funds as prescribed in Chapter 6 of this volume.

★ C. It is imperative that DOs strictly adhere to the preparation requirements for the SFs 215 and SFs 5515 as prescribed in section 0503, above, and exercise particular care to ensure that these forms are prepared accurately. It is also imperative that DOs promptly and properly report all SFs 215 and SFs 5515. Instructions for reporting SFs 215 and SFs 5515 using the systems noted in subparagraph 050401.A, above, are contained in the user's guides for those systems. Instructions for manual preparation of the detailed deposit activity report are provided in paragraph 050411, below. Paragraphs 050402 through 050410, below, contain detailed instructions for clearing deposit differences from the FMS Form 6652. The following subparagraphs list the most common causes of deposit differences.

★ 1. The DO or a depository inserts an incorrect date, DSSN or amount on an SF 215 or SF 5515.

★ 2. The DO or a depository fails to report an SF 215 or SF 5515. For example, documentation for a remote deposit was not provided to the DO or a deposit that was mailed was not received by the depository.

★ 3. The DO reports an SF 215 or SF 5515 number, date, DSSN, or amount incorrectly on the detailed deposit activity report or the depository reports an SF 215 or SF 5515 number, date, DSSN, or amount incorrectly to Treasury Department.

★ D. Once SFs 215 or SFs 5515 have been released to a depository, the documents cannot be recalled, corrected or resubmitted. In addition, the Treasury Department prescribes specific instructions to all approved depositories regarding adjustment of errors discovered subsequent to the day of deposit. Any error discovered subsequent to release of a deposit to a depository or differences reported on the FMS Form 6652 shall be corrected through the reconciliation process. All DOs must take aggressive action to clear all differences as rapidly as possible. As prescribed in subparagraph 050401.B, above, an unreconciled difference shall be considered as a DO loss or overage of funds with the associated pecuniary liability six months after the deposit transaction. To maintain control, the DO shall monitor deposit activity on a daily basis using the Ca\$h-Link Agency Access System and maintain either a manual or mechanized subsidiary record of all deposit differences. The DO or primary deputy shall review the record of differences at least once each week to assure all necessary actions are being taken to clear these differences. Also, each time there is a change of DOs, unreconciled differences shall be validated by the incoming DO. If the departing DO cannot provide the incumbent DO with documentation supporting the unreconciled items, the departing DO shall process all unsupported items as a loss or overage of funds as prescribed in Chapter 6 of this volume.

★ E. Ca\$h-Link Agency Access System. The Ca\$h-Link Agency Access System was developed by the Treasury Department to assist agencies in reconciling deposit transactions. Use of the system allows early access to deposit transaction information and gives the DO the opportunity to take immediate action to correct a deposit difference (regardless of dollar value) before the transaction appears on the FMS Form 6652. Deposit transactions reported by financial institutions and Federal Reserve Banks are available in the Ca\$h-Link Agency Access System within one or two days after reporting by the depository. Use of the Ca\$h-Link Agency Access System as a tool for deposit reconciliation is mandatory for all disbursing offices within the Department. Information and application forms for the Ca\$h-Link Agency Access System can be obtained from the servicing DFAS Center or the DFAS Disbursing and Cash Management Office (DCMO), 1500 East 95th Street, Kansas City, MO 64197-0030. Any DoD Component disbursing activity that determines use of the Ca\$h-Link Agency Access System is not feasible must submit written documentation and justification for non-use through the chain of command to the DCMO.

★050402. Deposit Tickets and Debit Vouchers Prepared Improperly. Deposit differences can be the result of preparation errors on the part of the preparing disbursing office or the depository, depending on where the SF 215 or SF 5515 involved is prepared. Specific areas of these documents where proper preparation is most critical are the date, DSSN and amount blocks. Errors in any one or more of these blocks will always result in a deposit difference.

★ A. Incorrect Date Inserted on Deposit Tickets and Debit Vouchers. If a DO inserts an erroneous date on an SF 215 or SF 5515, the depository should either process the transaction using the date on the form or prepare a new SF 215 or SF 5515 with the correct date. Treasury Department regulations do not permit depositories to make changes to the date on these forms. If the depository prepares a new SF 215 or SF 5515 or changes the date on the SF 215 or SF 5515 prepared by the DO, a deposit difference will occur. Daily monitoring of deposit activity through the Ca\$h-Link Agency Access System should alert the DO to this difference and

allow correction of the transaction before it is reported on the FMS Form 6652. If a depository consistently changes the date entered on the SF 215 or SF 5515, the DO shall report this condition to the as prescribed in paragraph 050301, above. This report must include a copy of the SF(s) 215 or SF(s) 5515, FMS Form(s) 6652 and supporting detail, and a printout of the data from the Ca\$h-Link Agency Access System.

★ 1. When the DO discovers that the depository prepared a new SF 215 or SF 5515 for the transaction or changed the date, the DO shall report the transaction on the detailed deposit activity report exactly as reported by the depository. The DO can discover this information through daily monitoring of the Ca\$h-Link Agency Access System, receipt of the confirmed copy of the document (prepared by the DO), and receipt of the confirmed copy of the document prepared by the depository. Note that this corrective action can be taken only if the error is discovered in the same month the transaction is presented or mailed to the depository.

★ 2. If the error is not discovered until after the month the SF 215 or SF 5515 was presented or mailed to the depository, it will be reported on the FMS Form 6652 by the Treasury Department. To clear this discrepancy from the FMS Form 6652, the DO shall reverse the transaction as originally reported from the current month detailed deposit activity report. It is critical that the DO reverse an SF 215 transaction exactly as originally reported. If the reported amount was positive, the reversal amount must be negative or bracketed. If the reported amount was negative or bracketed, the reversal amount must be positive. It is also critical that the DO reenter the SF 215 exactly as reported by the depository. The deposit reversal and reentry shall also be included in Section II, Part B on the reverse side of the SF 1219. The reversal transaction must show the month and year of the original transaction as well as reverse the original amount reported. For an SF 5515 transaction, it is critical that the DO reverse the transaction exactly as originally reported. If the reported amount was negative or bracketed, the reversal amount must be positive. If the reported amount was positive, the reversal amount must be negative or bracketed. The DO must reenter the SF 5515 exactly as reported by the depository. The debit voucher reversal and reentry shall also be included in Section II, Part B on the reverse side of the SF 1219. The reversal transaction must show the month and year of the original debit voucher transaction as well as reverse the original amount reported. Reversal and reentry of an SF 215 or SF 5515 transaction to correct the date will net to a zero value and will have no impact on the DO's pecuniary liability. Processing these corrections is mandatory to remove the differences from the FMS Form 6652.

★ B. Incorrect DSSN Inserted on Deposit Ticket or Debit Voucher

★ 1. Incorrect Deposit Ticket DSSN. If a DO inserts an incorrect DSSN on an SF 215, two differences will occur at the Treasury Department. The depositing (preparing) DO will report the correct DSSN on the SF 1219 and detailed deposit activity report, but the depository will report the DSSN as shown on the SF 215. These reported deposits will not match and the transaction will appear on the FMS Form 6652 for each of the DSSNs. If this type of deposit difference occurs, neither DO is authorized to process a transaction to correct the error. Each DO shall take the appropriate actions as prescribed below.

★ a. The depositing DO should receive the confirmed copy of

the SF 215 from the depository since the address on the SF 215 should be that of the depositing DO. However, the deposit will not appear in the Ca\$h-Link Agency Access System under the depositing DO's DSSN and the DO will receive an FMS Form 6652 indicating a deposit reported by the DO but not by the depository. The DO shall compare the agency and confirmed copies of the SF 215 and the data reported on the detailed deposit activity report to the data reported in the Ca\$h-Link Agency Access System and the FMS Form 6652. Upon determining the exact nature of the error, the DO shall immediately contact the Financial Analysis Branch, Financial Management Service, Department of the Treasury, Room 500E, 3700 East-West Highway, Hyattsville, MD 20782, provide a description of the error and request the Treasury Department to initiate corrective action. Initial contact to the Treasury Department may be by telephone at (202) 874-7980. After investigation of the error and contact with the depository and both DOs involved, the Treasury Department will administratively correct the deposit error and clear the item(s) from the FMS Form 6652.

★ b. The DO of the DSSN that is reported by the depositary should not receive a confirmed copy of the SF 215 from the depositary since the address on the SF 215 should be that of the DO who prepared the SF 215. However, the DO will discover a deposit in the Ca\$h-Link Agency Access System for which there is no record at that DSSN. The DO also will receive an FMS Form 6652 that indicates a deposit reported by the depositary and not by the DO. Unless the DO receives the confirmed copy of the SF 215 which is an indication that the depositary prepared the SF 215 to correct an understated deposit or overstated debit voucher, the DO shall not record this deposit transaction on the DD Form 2657, SF 1219 or detailed deposit activity report. The DO shall contact the Treasury Department at the above address and phone number to report the error and request assistance in resolving the deposit difference.

★ 2. Incorrect Debit Voucher DSSN. Generally, a DO only prepares SFs 5515 in conjunction with EFT payments. If a DO inserts an incorrect DSSN on an SF 5515, two differences will occur at the Treasury Department. The preparing DO will report the correct DSSN on the SF 1219 and detailed deposit activity report, but the depository will report the DSSN as shown on the SF 5515. These reported debit vouchers will not match and the transaction will appear on the FMS Form 6652 for each of the DSSNs. If this type of debit voucher difference occurs, neither DO is authorized to process a transaction to correct the error. Each DO shall take the appropriate actions as prescribed below.

★ a. The preparing DO should receive the confirmed copy of the SF 5515 from the depository since the address on the SF 5515 should be that of the preparing DO. However, the debit voucher will not appear in the Ca\$h-Link Agency Access System under the DSSN of the preparing DO and the DO will receive an FMS Form 6652 indicating a debit voucher reported by the DO but not by the depository. The DO shall compare the confirmed copy of the SF 5515 and the data reported on the detailed deposit activity report to the data reported in the Ca\$h-Link Agency Access System and the FMS Form 6652. Upon determining the exact nature of the error, the DO immediately shall contact the Financial Analysis Branch, Financial Management Service, Department of the Treasury, Room 500E, 3700 East-West Highway, Hyattsville, MD 20782, provide a description of the error and request the Treasury Department to initiate corrective action. Initial contact to the Treasury Department may be by

telephone at (202) 874-7980. After investigation of the error and contact with the depository and both DOs involved, the Treasury Department will administratively correct the debit voucher error and clear the item(s) from the FMS Form 6652.

★ b. The DO of the DSSN that is reported by the depository should not receive a confirmed copy of the SF 5515 from the depository since the address on the SF 5515 should be that of the DO who prepared the SF 5515. However, the DO will discover a debit voucher in the Ca\$h-Link Agency Access System for which there is no record at that DSSN. The DO also will receive an FMS Form 6652 that indicates a debit voucher reported by the depository and not by the DO. Unless the DO receives the confirmed copy of the SF 5515 which is an indication that the depository prepared the SF 5515 to correct an overstated deposit or understated debit voucher, the DO shall not record this debit voucher transaction on the DD Form 2657, SF 1219 or detailed deposit activity report. The DO shall contact the Treasury Department at the above address and phone number to report the error and request assistance in resolving the deposit difference.

★ C. Over or Understated Deposit Tickets and Debit Vouchers. A difference will occur when an SF 215 or SF 5515 amount is over or understated. An overstated SF 215, exists when the amount entered on the SF 215 is more than the amount of cash or negotiable instruments accompanying the SF 215. An understated SF 215 exists when the amount entered on the SF 215 is less than the amount of cash or negotiable instruments accompanying the SF 215. An overstated SF 5515 exists when the amount entered on the SF 5515 is more than the value of the EFT payments covered by the SF 5515. An understated SF 5515 exists when the amount entered on the SF 5515 is less than the value of EFT payments covered by the SF 5515. Treasury Department regulations for depositories do not permit changing the amount indicated on an SF 215 or SF 5515. These regulations require the depository to confirm a deposit as presented and immediately issue an SF 5515 for the amount of the overage or an additional SF 215 for the amount of the shortage. In either of these situations, the DO should have discovered an overage of funds for an overstated deposit or a loss of funds for an understated deposit, upon the first balancing after the deposit was presented or mailed to the depository and recorded on the DD Form 2657. Treasury Department regulations also require the depository to confirm a debit voucher as presented and immediately issue an SF 215 for the amount of the overage or an additional SF 5515 for the amount of the shortage. In either of these situations, the DO should have discovered an overage of funds for an overstated debit voucher or a loss of funds for an understated debit voucher, upon the first balancing after the debit voucher was presented or mailed to the depository and recorded on the DD Form 2657. Daily monitoring of deposit activity using the Ca\$h-Link Agency Access System also will enable early detection of these differences. Upon receipt of the confirmed copy of an adjusting SF 215 or SF 5515, the DO shall record the document on the DD Form 2657.

★ 1. If actions required by Chapter 6 of this volume were taken to record the overage or shortage of funds upon discovery, receipt of the adjusting SF 215 or SF 5515 from the depository will enable a more rapid settlement of the overage or shortage in the DO's accountability.

★ 2. If an overage or shortage of funds was not discovered prior to

receipt of the adjusting SF 215 or SF 5515, recording the document will create an overage or shortage, in which case action shall be taken to process the overage or shortage as prescribed in Chapter 6 of this volume.

★ 3. Even though not authorized by the Treasury Department, some depositaries will change the amount of an SF 215 or SF 5515 rather than issuing an adjusting document as described above. The DO will be able to discover such action through daily monitoring of deposit activity through the Ca\$h-Link Agency Access System, upon receipt of the confirmed copy of the original SF 215 or SF 5515, or upon receipt of the FMS Form 6652. If the amount of the document (as prepared and submitted by the DO) was incorrect, the DO should also have detected a loss or overage of funds condition upon recording the transaction on the DD Form 2657. If a depositary consistently changes the amount entered on an SF 215 or SF 5515, the DO shall report this condition to the DCMO as prescribed in paragraph 050301, above. This report must include a copy of the SF(s) 215 or SF(s) 5515, FMS Form(s) 6652 and supporting detail, and a printout of the data from the Ca\$h-Link Agency Access System.

★ 050403. Deposits Not Reported by DOs. Failure to include a deposit transaction on the DD Form 2657, SF 1219 and the detailed deposit activity report will create an out of balance condition on the DD Form 2657 and SF 1219, unless the DO also failed to record collection of a receivable. For example: if a DO processes and includes a collection voucher on the DD Form 2657 and SF 1219, prepares and submits an SF 215 to the depositary but does not include the SF 215 on the DD Form 2657, SF 1219 and detailed deposit activity report, a loss of funds condition will exist. The DD Form 2657 and SF 1219 will indicate cash or negotiable instruments as on hand but the DO will not have custody of the cash or negotiable instruments. The SF 215 will appear in the Ca\$h-Link Agency Access System and on the FMS Form 6652 as a deposit reported by the depositary but not by the DO. Proper balancing procedures will not allow this situation to occur. In another example, a remote agent makes a collection and deposit on behalf of a DO, but the documentation is not provided to the DO in time for inclusion on the DD Form 2657, SF 1219 and detailed deposit activity report for the month of the transaction. In this example the deposit will be reported to the Treasury Department by the depositary, will appear in the Ca\$h-Link Agency Access System and on the FMS Form 6652 as a deposit reported by the depositary and not by the DO. See subparagraphs 050403.A and 050403.B, below, for the actions necessary to reconcile this type of deposit difference.

★ A. To prevent this difference from appearing on the FMS Form 6652, the DO must obtain the collection and deposit documentation from the agent and process both the collection and the deposit on the DD Form 2657, SF 1219, and the detailed deposit activity report for the month of the transaction.

★ B. If the deposit transaction occurred near the end of the month and the DO cannot process the collection and deposit within the month of the transaction, the deposit difference will appear on the FMS Form 6652. To correct this difference, the DO must obtain the collection and deposit documentation from the agent and process both the collection and the deposit on the DD Form 2657, SF 1219, and detailed deposit activity report during the current month. The DO must ensure the deposit is reported using the month and year the deposit was actually made (as reported by the depositary in the Ca\$h-Link Agency Access System), not the

current month and year in which the deposit is being reported. Section II, Part B, column (3) of the SF 1219 must indicate the actual month and year of the deposit as reported by the depository.

The deposit must also be included in the detailed deposit activity report and must be reported using the actual month and year of the deposit as reported by the depository.

★ 050404. Deposits Not Reported by Depositories. SFs 215 that have been reported by DOs but not by the depository will not appear in the Ca\$h-Link Agency Access System. Such deposits will appear on the FMS Form 6652. Daily monitoring of the Ca\$h-Link Agency Access System will alert the DO to possible deposit differences when a deposit does not appear in the system after a reasonable period of time based on whether the deposit was presented to the depository in person or by mail.

★ A. For deposits presented to a depository by mail, if no confirmation copy is received from the depository within a reasonable period of time, the DO shall initiate follow-up action with the depository to determine the status of the deposit. A reasonable period of time is considered to be the normal mailing time from the date mailed to the depository until the date a confirmation copy is received based on past experience. For tactical DOs, consideration should also be given to unit's movement schedule and location when the deposit was mailed. In any event, follow-up action shall be initiated within 30 days from the date the deposit was mailed.

★ B. A follow-up request to the depository should include a copy of the applicable SF(s) 215 and a description or copies of the instruments included in the deposit. The depository should provide a confirmation copy or confirmation information to the DO in response to the follow-up request. A depository response acknowledging receipt of the deposit may be used as the confirmation copy if the actual confirmation copy cannot be provided. If the depository had neglected to report the deposit and reports it to the Treasury Department, the deposit will appear in the Ca\$h-Link Agency Access System and no further action by the DO should be required since this action will clear the difference from the FMS Form 6652. If the depository acknowledges receipt of the deposit but refuses to report the transaction to the Treasury Department, the DO shall provide written notification, with copies of all correspondence and documents involved, to the DCMO. The DCMO will pursue resolution of the issue through the Treasury Department and provide the DO written instructions on additional actions to be taken.

★ C. If the follow-up action does not result in confirmation of the deposit or the depository notifies the DO that the deposit was not received, the deposit transaction shall be reversed in the DO's current month's business. The DO shall prepare and process an OF 1017-G (Journal Voucher) to document reversal of the deposit transaction. The OF 1017-G shall be recorded on the DD Form 2657, line 4.2A as a negative deposit and on line 7.3 as a loss of funds, and included on the corresponding lines of the SF 1219 at the end of the month. The deposit reversal must be included Section II, Part B, column (3) of the SF 1219, and must indicate the month and year the deposit was initially reported to the Treasury Department. The amount of the deposit being reversed must be shown as negative or bracketed. The deposit must also be reversed in the current month's detailed deposit activity report and must be reversed using the actual deposit number, month and year of the deposit (as initially reported to the Treasury Department). The amount must be shown as negative or bracketed. These actions will remove

the deposit from the detailed deposit activity report, clear the FMS Form 6652 and record the deposit as a loss of funds. A copy of the follow-up memorandum to the depository, the depository's response and the FMS Form 6652 which initially included the deposit difference shall be attached as supporting documents to the OF 1017-G. The resulting loss of funds shall be reported and processed as prescribed in chapter 6 of this volume. If negotiable instruments were included in the lost deposit, the action prescribed in paragraph 050209 of this chapter shall be taken for those instruments.

★ 050405. Deposit Number, Date or Amount Reported Incorrectly. A deposit difference will result from incorrect reporting of an SF 215 serial number, date or amount by either a DO or a depository. These differences should be detected through daily monitoring of the Ca\$h-Link Agency Access System. If such an error is not corrected in the month that the deposit is made, a deposit difference will appear on the FMS Form 6652. The supporting detail provided with the FMS Form 6652 will show a specific deposit reported by the depository, but this detail will not match the data in the DO's detailed deposit activity report. DOs shall compare the memorandum, agency and, upon receipt from the depository, confirmed copies of the SF 215 and the detailed deposit activity report with the deposit data in the Ca\$h-Link Agency Access System and detail data supporting the FMS Form 6652. This comparison is required to determine the exact nature of the error, whether caused by the DO or the depository, and the specific corrective action necessary to resolve the difference. The following subparagraphs describe examples of typical deposit number, date and amount reporting errors and the corrective action required for resolving these differences.

★ A. Each SF 215 has a preprinted number that cannot be changed or altered in any manner. If a DO or depository changes or enters this number incorrectly on the reports to the Treasury Department, a difference will occur.

★ B. If a DO reports a deposit date incorrectly or a depository changes and reports a deposit date based on the date of receipt (e.g., a deposit that was mailed) rather than the date shown on the SF 215, a difference will occur. If a depository consistently reports deposits in the month received and processed rather than the date entered on the SF 215, the DO shall report this condition to the DCMO as prescribed in paragraph 050301, above. This report must include a copy of the SF(s) 215, FMS Form(s) 6652 and supporting detail, and a printout of the data from the Ca\$h-Link Agency Access System.

★ C. If a DO or depository reports the amount of a deposit incorrectly to the Treasury Department, a difference will occur. If this type of error is made by the DO, the total deposits reported on line 4.2 and the reverse of the SF 1219 will not agree with the total of deposits on the detailed deposit activity report. Proper balancing procedures will not allow this error to occur. If a depository reports the amount of a deposit incorrectly to the Treasury Department, the amount reported by the depository in the Ca\$h-Link Agency Access System will not agree with the amount shown on the confirmed copy of the SF 215.

★ D. If the DO made the errors described in subparagraphs 050405.A and 050405.B, above, the DO shall reverse the deposit as originally reported from the current month's detailed deposit activity report and reenter the deposit with the correct data. The deposit

reversal and reentry shall also be included in Section II, Part B on the reverse side of the SF 1219. The reversal entry must show the month and year of the original deposit transaction. Since reversal and reentry of a deposit to correct the deposit number or date will net to a zero value, there will be no impact on the DO's pecuniary liability. However, such corrections are mandatory to remove the differences from the FMS Form 6652.

★ E. If the depository made the errors described in subparagraphs 050405.A and 050405.B, above, the DO should first contact the depository and request the depository to correct its deposit report to the Treasury Department. Such a correction by the depository will clear the deposit difference from the FMS Form 6652. If the depository refuses to make the correction, the DO is authorized to make the correction as described in subparagraph 050405.D, above, provided the documentation for the deposit clearly indicates the error to be a deposit number or date reporting error. The documentation necessary is the confirmed and agency copies of the SF 215; detailed deposit activity report; FMS Form 6652 and supporting detail; and, printout of data from the Ca\$h-Link Agency Access System. When a DO makes the corrections under these conditions, a complete report of the facts shall be made to the DCMO as prescribed in paragraph 050301 above. This report must include a copy of all documentation and correspondence regarding the deposit.

★ F. Per subparagraph 050405.C, above, if the DO reports the deposit amount incorrectly, the detailed deposit activity report will not balance with the SF 1219. In the event such a circumstance arises, the DO shall correct the error following the correction procedures described in subparagraph 050405.D, above. Use of this correction procedure is authorized only if the amount of the deposit was recorded correctly on line 4.2 of the SF 1219 and in Section II, Part B on the reverse side of the SF 1219. If the deposit amount was not recorded correctly on the SF 1219, refer to paragraph 050402.C, above, for corrective actions required.

★ G. If the depository made the amount error described in subparagraph 050405.C, above, the DO shall contact the depository and request the depository to correct its deposit report to the Treasury Department. Such a correction by the depository will clear the deposit difference from the FMS Form 6652. If the depository refuses to make the correction, the DO shall make a complete report of the facts to the DCMO as prescribed in paragraph 050301, above. This report must include a copy of all documentation and correspondence regarding the deposit. The DO must not attempt to correct an erroneous amount reported by a depository. To make such a correction would create a loss or overage of funds condition on the SF 1219.

★ 050406. Deposit Ticket DSSN Reported Incorrectly

★ A. DSSN Reported Incorrectly by the DO. Although a rare situation, if the DSSN is entered correctly on the SF 215 and reported correctly by the depository, but the DO reports the assigned DSSN incorrectly on the detailed deposit activity report to the Treasury Department, two deposit differences will occur. These reported deposits will not match and the transaction will appear on the FMS Form 6652 for each of the DSSNs. If this type of deposit difference occurs, neither DO is authorized to process a transaction to correct the error. Each DO shall take the appropriate actions as prescribed below.

★ 1. The depositing DO should receive the confirmed copy of the SF 215 from the depository since the address on the SF 215 will be that of the depositing DO. The deposit will appear in the Ca\$h-Link Agency Access System under the depositing DO's DSSN, but the DO will receive an FMS Form 6652 indicating a deposit reported by the depository but not by the DO. The DO shall compare the agency and confirmed copies of the SF 215 and the data reported on the detailed deposit activity report with the data reported in the Ca\$h-Link Agency Access System and the supporting detail provided with the FMS Form 6652. Upon determining the exact nature of the error, the DO immediately shall contact the Financial Analysis Branch, Financial Management Service, Department of the Treasury, Room 500E, 3700 East-West Highway, Hyattsville, MD 20782, provide a description of the error and request the Treasury Department to initiate corrective action. Initial contact to the Treasury Department may be by telephone at (202) 874-7980. After investigation of the error and contact with the depository and both DOs involved, the Treasury Department will administratively correct the deposit error and clear the item(s) from the FMS Form 6652.

★ 2. The DO of the DSSN that is erroneously reported by the depositing DO will not receive a confirmed copy of the SF 215 from the depository since the address on the SF 215 will be that of the depositing DO. The deposit will not appear in the Ca\$h-Link Agency Access System under the DSSN erroneously reported by the depositing DO. However, the DO of the DSSN that is reported erroneously will receive an FMS Form 6652 and supporting detail that indicates a deposit reported by the DO but not the depository. The DO will have no record of the deposit. Unless the DO receives the confirmed copy of the SF 215 which is an indication that the depository prepared the SF 215 to correct an understated deposit or overstated debit voucher, the DO shall not record this deposit transaction on the DD Form 2657, SF 1219 or detailed deposit activity report. The DO shall contact the Treasury Department at the above address and phone number to report the error and request assistance in resolving the deposit difference.

★ B. DSSN Reported Incorrectly by the Depository. If a depository reports a DSSN incorrectly to the Treasury Department, two differences will occur. In the event either of these deposit differences occur, neither DO is authorized to process a transaction to correct the error. Each DO shall take the appropriate actions as prescribed below.

★ 1. The deposit involved will not appear in the Ca\$h-Link Agency Access System under the DSSN of the DO that made the deposit, but the DO will receive the confirmed copy of the SF 215. The DO also will receive an FMS Form 6652 and supporting detail indicating a deposit reported by the DO but not by the depository. The DO shall compare the agency and confirmed copies of the SF 215 and the data reported on the detailed deposit activity report with the supporting detail provided with the FMS Form 6652. Upon determining the exact nature of the error, the depositing DO shall immediately contact the Financial Analysis Branch, Financial Management Service, Department of the Treasury, Room 500E, 3700 East-West Highway, Hyattsville, MD 20782, provide a description of the error and request the Treasury Department to initiate corrective action. Initial contact to the Treasury Department may be by telephone at (202) 874-7980. After investigation of the error and contact with the depository and both DOs involved, the Treasury Department will administratively correct the deposit error and clear the item from the FMS Form 6652.

★ 2. The DO of the DSSN that is reported by the depositary will discover a deposit in the Ca\$h-Link Agency Access System for which there is no record at that DSSN. The DO should not receive a confirmed copy of the SF 215 from the depositary since the address on the SF 215 will be that of the DO who made the deposit. The DO will receive an FMS Form 6652 and supporting detail that indicates a deposit reported by the depositary and not by the DO. Unless the DO receives the confirmed copy of the SF 215 which is an indication that the depositary prepared the SF 215 to correct an understated deposit or overstated debit voucher, the DO shall not record this deposit transaction on the DD Form 2657, SF 1219, or detailed deposit activity report. The DO shall contact the Treasury Department at the above address and phone number to report the error and request assistance in resolving the deposit difference.

★ 050407. Debit Vouchers Not Reported by DOs

★ A. Except for payment by electronic fund transfer through the Federal Reserve system, SFs 5515 are generally prepared only by depositaries as adjustments to erroneous amounts on SFs 215 and SFs 5515, to return negotiable instruments that are dishonored, or to adjust SFs 215 for counterfeit currency. All SFs 5515 prepared by depositaries are reported automatically to the Treasury Department through the Ca\$h-Link Agency Access System. The depositary will forward the memorandum and confirmed copies of the SF 5515 and supporting documents to the DO for recording and reporting. Unless the DSSN appearing on the SF 5515 is not the DSSN of the DO receiving the document, the SF 5515 shall be recorded into the DO's accountability upon receipt of the memorandum and confirmed copies and included in the detailed deposit activity report. This requirement for DOs to record and report the SF 5515 upon receipt applies regardless of whether the SF 5515 is deemed erroneous or if the reason given for the charge needs further clarification. If the DO fails to record and report the SF 5515 on the DD Form 2657, SF 1219 and detailed deposit activity report for the month that the SF 5515 is issued, the SF 5515 will appear on the FMS Form 6652. If the SF 5515 is issued near the end of the month and the DO does not receive and process the transaction in the month of issue, the SF 5515 will appear on the FMS Form 6652 as reported by the depositary and not by the DO. Daily monitoring of the Ca\$h-Link Agency Access System will alert the DO that an SF 5515 has been issued by a depositary. If no confirmation copy is received from the depositary within 30 days after appearing in the Ca\$h-Link Agency Access System, the DO shall initiate follow-up action with the depositary to determine the status of the SF 5515. The depositary should provide a confirmation copy or confirmation information to the DO in response to the follow-up memorandum.

★ 1. To clear this difference from the FMS Form 6652, the DO must obtain the memorandum and confirmed copies and include the SF 5515 on the DD Form 2657, SF 1219 and detailed deposit activity report during the month of receipt. The DO must ensure the SF 5515 is reported using the month and year of issue (as reported by the depositary in the Ca\$h-Link Agency Access System), not the current month and year in which the SF 5515 is being recorded and reported. Section II, Part B, column (3) of the SF 1219 must indicate the actual month and year of the SF 5515 as reported by the depositary. The SF 5515 must also be included in the detailed deposit activity report and must be reported using the actual month and year the SF 5515 was issued (as reported by the depositary).

★ 2. If the DSSN cited on the SF 5515 is not the DSSN of the receiving disbursing office, the document shall be forwarded to the disbursing office whose DSSN is on the document or returned to the depositary if the identity and location of the disbursing office cannot be determined.

★ 3. If the SF 5515 should have been charged to a different DSSN, follow the procedures in subparagraph 050402.B.2, above.

★ B. In some instances, SFs 5515 for electronic payments through the Federal Reserve system are prepared by the paying DO and submitted to the depositary with the payment file. In other instances, the Federal Reserve Bank prepares the SFs 5515 in lieu of accepting and processing a paper SF 5515 from the DO. In either instance, these SFs 5515 must be included on the DD Form 2657, SF 1219, and detailed deposit activity report for the month of payment. Failure to include an SF 5515 electronic payment transaction on the DD Form 2657, SF 1219, or the detailed deposit activity report will create an out of balance condition on the DD Form 2657 and SF 1219 unless the DO also failed to record the disbursement. For example: if a DO processes and includes a disbursement voucher on the DD Form 2657 and SF 1219, prepares and submits an SF 5515 to the depositary with the electronic payment file, but does not include the SF 5515 on the DD Form 2657, SF 1219, and detailed deposit activity report, the DD Form 2657 and SF 1219 will not balance. Proper balancing procedures will not allow this situation to occur. If the transaction occurred near the end of the month and the DO cannot process and report the transaction in the transaction month, the deposit difference will appear on the FMS Form 6652. To correct this difference, the DO must obtain the transaction documentation and process both the payment and the SF 5515 on the DD Form 2657, SF 1219 and detailed deposit activity report during the current month. The DO must ensure the SF 5515 is reported using the month and year the payment was actually made (as reported by the depositary in the Ca\$h-Link Agency Access System), not the month and year in which the SF 5515 is being reported. Section II, Part B, column (3) of the SF 1219 also must indicate the actual month and year of the SF 5515 as reported by the depositary. The SF 5515 must also be included in the detailed deposit activity report and must be reported using the actual month and year of the SF 5515 as reported by the depositary.

★ 050408. Debit Vouchers Not Reported by Depositaries. SFs 5515 that have been reported by the DO but not by the depositary will appear on the FMS Form 6652. The most frequent cause of this difference is when a depositary receives an SF 5515 and payment file for payment by electronic fund transfer, but rather than processing and reporting the SF 5515 provided by the DO, prepares a new SF 5515 and reports it to the Treasury Department. The depositary will provide the DO with the memorandum and confirmed copies of the SF 5515 prepared and reported by the depositary. If the DO reports the SF 5515 provided to the depositary and the depositary reports the SF 5515 prepared by the depositary, the transaction will appear on the FMS Form 6662. The supporting detail provided with the FMS Form 6652 will indicate a specific SF 5515 reported by the depositary but this detail will not match the data in the DO's detailed deposit activity report. Daily monitoring of the Ca\$h-Link Agency Access System will alert the DO that a new SF 5515 has been issued by the depositary. DOs using depositaries that routinely process SFs 5515 in this manner shall contact the depositary in writing and request an explanation for the actions and that the depositary process the SFs 5515 provided

by the DO with the payment files. If the depository refuses to process the SFs 5515 provided by the DO, the DO shall provide written notification with copies of all correspondence and documents involved to the DCMO. The DCMO will pursue resolution of the issue through the Treasury Department and provide the DO written instructions on any additional actions to be taken.

★ A. To prevent this type of difference from appearing on the FMS Form 6652, the DO must report the SF 5515 transaction on the detailed deposit activity report as reported by the depository. If the DO receives the confirmed copy of the SF 5515 prepared by the depository prior to the end of the month in which the transaction occurred, the DO must report the SF 5515 prepared by the depository rather than the SF 5515 prepared by the DO. The memorandum and agency copies of the SF 5515 prepared by the DO shall be retained with the confirmed copy of the SF 5515 prepared by the depository. If the depository routinely continues to prepare new SFs 5515, these documents must be provided with the written notification required above.

★ B. To clear this type of difference from the FMS Form 6652, the DO must reverse the DO's SF 5515 transaction from the detailed deposit activity report and reenter the SF 5515 transaction as reported by the depository. The SF 5515 must be reversed in the current month's detailed deposit activity report and must be reversed using the actual SF 5515 number, month and year as initially reported to the Treasury Department. The SF 5515 prepared and reported by the depository must be entered on the detailed deposit activity report exactly as reported by the depository (as shown by the confirmed copy of the SF 5515 and in the Ca\$h-Link Agency Access System). The SF 5515 reversal must also be included in Section II, Part B, column (3) of the SF 1219, and must indicate the month and year the SF 5515 was initially reported to the Treasury Department. The SF 5515 prepared and reported by the depository must also be included in Section II, Part B, column (3) of the SF 1219, and must indicate the month and year the SF 5515 was reported by the depository. Since these actions net to a zero value, there will be no impact on the DO's pecuniary liability.

★ 050409. Debit Voucher Number, Date or Amount Reported Incorrectly. A deposit difference will result from incorrect reporting of the SF 5515 serial number, date or amount by either a DO or a depository. These differences should be detected through daily monitoring of the Ca\$h-Link Agency Access system. If such an error is not corrected in the month that the debit voucher transaction is made, a deposit difference will appear on the FMS Form 6652. The supporting detail provided with the FMS Form 6652 will show a specific debit voucher reported by the depository, but this detail will not match the data on the DO's detailed deposit activity report. DOs shall compare the confirmed copy of the SF 5515 and the detailed deposit activity report with the data in the Ca\$h-Link Agency Access System and the supporting detail of the FMS Form 6652. This comparison is required to determine the exact nature of the error, whether caused by the DO or the depository, and the specific corrective action necessary to resolve the difference. The following subparagraphs describe examples of typical debit voucher number, date and amount reporting errors and the corrective action required for resolving these differences.

★ A. Each SF 5515 has a preprinted serial number that cannot be changed or altered in any manner. If a DO or depository changes or enters this number incorrectly on the

reports to the Treasury Department, a difference will occur.

★ B. If a DO reports a debit voucher date incorrectly or a depository changes and reports a debit voucher date based on the date of receipt (e.g., a debit voucher that was mailed) rather than the date shown on the SF 5515, a difference will occur. If a depository consistently reports debit vouchers in the month received and processed rather than the date entered on the SF 5515, the DO shall report this condition to the DCMO as prescribed in paragraph 050301, above. This report must include a copy of the SF(s) 5515, FMS Form(s) 6652 and supporting detail, and a printout of the data from the Ca\$h-Link Agency Access System.

★ C. If a DO or depository reports the amount of a debit voucher incorrectly to the Treasury Department, a difference will occur. If this type of error is made by the DO, the total deposits reported on line 4.2 and the reverse of the SF 1219 will not agree with the total of deposits on the detailed deposit activity report. Proper balancing procedures will not allow this error to occur. If a depository reports the amount of a debit voucher incorrectly to the Treasury Department, the amount reported by the depository in the Ca\$h-Link Agency Access System will not agree with the amount shown on the confirmed copy of the SF 5515.

★ D. If the DO made the errors described in subparagraphs 050409.A and 050409.B, above, the DO shall reverse the debit voucher as originally reported from the current month's detailed deposit activity report and reenter the debit voucher with the correct data. It is critical that the DO reverse the debit voucher transaction exactly as originally reported. The debit voucher reversal and reentry shall also be included in Section II, Part B on the reverse side of the SF 1219. The reversal entry must show the month and year of the original debit voucher transaction. Since reversal and reentry of a debit voucher to correct the number or date will net to a zero value, there will be no impact on the DO's pecuniary liability. However, such corrections are mandatory to remove the differences from the FMS Form 6652.

★ E. If the depository made the errors described in subparagraphs 050409.A and 050409.B, above, the DO should first contact the depository and request the depository to correct its report to the Treasury Department. Such a correction by the depository will clear the difference from the FMS Form 6652. If the depository refuses to make the correction, the DO is authorized to make the correction as described in subparagraph 050409.D, above, provided the documentation for the debit voucher clearly indicates the error to be a debit voucher number or date reporting error. The documentation necessary is the memorandum and confirmed copies of the SF 5515; detailed deposit activity report; FMS Form 6652 and supporting detail; and, printout of data from the Ca\$h-Link Agency Access System. When a DO makes the corrections under these conditions, a complete report of the facts shall be made to the DCMO as prescribed in paragraph 050301, above. This report must include a copy of all documentation and correspondence regarding the debit voucher.

★ F. Per subparagraph 050409.C, above, if the DO reports the debit voucher amount incorrectly, the detailed deposit activity report will not balance with the SF 1219. In the event such a circumstance arises, the DO shall correct the error following the correction procedures described in subparagraph 050409.D, above. Use of this correction procedure is authorized only if the amount of the debit voucher was recorded correctly on line 4.2 of the SF

1219 and in Section II, Part B on the reverse side of the SF 1219. If the deposit amount was not recorded correctly on the SF 1219, refer to paragraph 050402.C, above, for corrective actions required.

★ G. If the depository made the amount error described in subparagraph 050409.C, above, the DO shall contact the depository and request the depository to correct its report to the Treasury Department. Such a correction by the depository will clear the difference from the FMS Form 6652. If the depository refuses to make the correction, the DO shall make a complete report of the facts to the DCMO as prescribed in paragraph 050301, above. This report must include a copy of all documentation and correspondence regarding the debit voucher. The DO must not attempt to correct an erroneous amount reported by a depository. To make such a correction would create a loss or overage of funds condition on the SF 1219.

★ 050410. Debit Voucher DSSN Reported Incorrectly

★ A. DSSN Reported Incorrectly by the DO. Although a rare situation, if the DSSN is entered correctly on the SF 5515 and reported correctly by the depository, but the DO reports the assigned DSSN incorrectly on the detailed deposit activity report to the Treasury Department, two differences will occur. These reported debit vouchers will not match and the transaction will appear on the FMS Form 6652 for each of the DSSNs. If this type of deposit difference occurs, neither DO is authorized to process a transaction to correct the error. Each DO shall take the appropriate actions as prescribed below.

★ 1. The DO preparing the SF 5515 will receive the confirmed copy of the SF 5515 from the depository since the address on the SF 5515 will be that of the preparing DO. The SF 5515 will appear in the Ca\$h-Link Agency Access System under the DSSN of the preparing DO, but the DO will receive an FMS Form 6652 indicating a debit voucher was reported by the depository but not by the DO. The DO shall compare the confirmed copy of the SF 5515 and the data reported on the detailed deposit activity report with the data reported in the Ca\$h-Link Agency Access System and the supporting data provided with the FMS Form 6652. Upon determining the exact nature of the error, the DO shall immediately contact the Financial Analysis Branch, Financial Management Service, Department of the Treasury, Room 500E, 3700 East-West Highway, Hyattsville, MD 20782, provide a description of the error and request the Treasury Department to initiate corrective action. Initial contact to the Treasury Department may be by telephone at (202) 874-7980. After investigation of the error and contact with the depository and both DOs involved, the Treasury Department will administratively correct the deposit error and clear the item(s) from the FMS Form 6652.

★ 2. The DO of the DSSN that is incorrectly reported by the preparing DO will not receive a confirmed copy of the SF 5515 from the depository since the address on the SF 5515 will be that of the preparing DO. The debit voucher will not appear in the Ca\$h-Link Agency Access System under the DSSN erroneously reported by the depositing DO. However, the DO of the DSSN that is erroneously reported will receive an FMS Form 6652 with supporting detail that indicates a debit voucher was reported by the DO but not the depository. The DO will have no record of the debit voucher. Unless the DO receives the confirmed copy of the SF 5515 which is an indication that the depository prepared the SF 5515 to correct an

overstated deposit or understated debit voucher, the DO shall not record this debit voucher transaction on the DD Form 2657, SF 1219, or detailed deposit activity report. The DO shall contact the Treasury Department at the above address and phone number to report the error and request assistance in resolving the deposit difference.

★ B. DSSN Reported Incorrectly by the Depository. If a depository reports a DSSN incorrectly to the Treasury Department, two differences will occur. In the event either of these differences occur, neither DO is authorized to process a transaction to correct the error. Each DO shall take the appropriate actions as prescribed below.

★ 1. The debit voucher involved will not appear in the Ca\$h-Link Agency Access System under the DSSN of the preparing DO, but the DO will receive the confirmed copy of the SF 5515. The DO also will receive an FMS Form 6652 indicating a debit voucher was reported by the DO but not by the depository. The DO shall compare the confirmed copy of the SF 5515 and the data reported on the detailed deposit activity report with the supporting detail data provided with the FMS Form 6652. Upon determining the exact nature of the error, the preparing DO shall immediately contact the Financial Analysis Branch, Financial Management Service, Department of the Treasury, Room 500E, 3700 East-West Highway, Hyattsville, MD 20782, provide a description of the error and request the Treasury Department to initiate corrective action. Initial contact to the Treasury Department may be by telephone at (202) 874-7980. After investigation of the error and contact with the depository and both DOs involved, the Treasury Department will administratively correct the debit voucher error and clear the item from the FMS Form 6652.

★ 2. The DO of the DSSN that is erroneously reported by the depository will discover a debit voucher in the Ca\$h-Link Agency Access System for which there is no record at that DSSN. The DO will not receive a confirmed copy of the SF 5515 from the depository since the address on the SF 5515 will be that of the DO who prepared the debit voucher. The DO will receive an FMS Form 6652 that indicates a debit voucher reported by the depository and not by the DO. Unless the DO receives the confirmed copy of the SF 5515 which is an indication that the depository prepared the SF 5515 to correct an overstated deposit or understated debit voucher, the DO shall not record this debit voucher transaction on the DD Form 2657, SF 1219 or detailed deposit activity report. The DO shall contact the Treasury Department at the above address and phone number to report the error and request assistance in resolving the deposit difference.

★ 050411. Schedule of Deposit Activity. All Navy and Marine Corps DOs shall prepare and submit a monthly Schedule of Deposit Activity as prescribed in paragraph 050401.A above. The primary purpose of the schedule is to report the detail of all deposit and debit voucher transactions included in line 4.2 of the SF 1219. The schedule also serves as a transmittal for deposit documents and provides a detailed listing of transactions that remain unconfirmed. See figure 5-9.

A. Preparation

★ 1. General. The schedule shall be prepared in an original and two

copies. The original and one copy will be sent to the servicing DFAS Center or designated OPLOC with the SF 1219 and one copy will be retained by the DO. Marine Corps DOs shall forward the original with the financial reports and submit one copy with the advance reports.

2. Header Data

a. Organization. Enter the name of the ship or activity to which the DO is assigned.

b. Location. Naval vessels should show their homeport. Shore activities should show the city and either the state or the foreign country in which they are located.

c. DSSN. Enter the DSSN assigned to the disbursing office.

d. Disbursing Officer. Enter the name of the DO.

e. Period of Report. Enter the month and year for which the accompanying SF 1219 is being submitted.

★ 3. Section 20.0 - Deposits or Debit Vouchers Reported This Month. All transactions affecting the balance reported on line 4.2 of the current month's SF 1219, including corrections described in paragraphs 050402 through 050410, above, shall be listed in this section.

★ a. Deposit Tickets. SFs 215 shall be reported in the month the deposit is presented or mailed to the depositary regardless of the month the deposit is confirmed by the depositary. The data shown must be exactly the same as appears in blocks (1), (2), (4), and (8) of the SF 215 and those data elements may not be changed or altered even if they are erroneous. Dates should be displayed in YYMMDD format. The month and year shown in the date presented or mailed column should normally be the same as the month and year of the report being prepared. If a deposit was presented or mailed to the depositary in a previous month but was not reported in that month, and the deposit was also omitted from the total appearing on line 4.2 of the SF 1219 for that month, the deposit should be reported in the current month. The actual date presented or mailed as shown in block (2) of the SF 215 shall be shown even if the date is that of the previous month. Commissary deposits presented near the end of the month are an example of such an occurrence. Deposits will be shown as positive amounts except when deposit difference corrections are processed as described in paragraphs 050402 through 050410, above.

★ b. Debit Vouchers. SFs 5515 must be reported in the month prepared by the DO and presented to the depositary for payments by electronic fund transfer or in the month they are received if prepared by the depositary. Except as provided in paragraphs 050402, 050406, and 050410, above, an SF 5515 which is charged to a DSSN must be reported by that disbursing office even if the SF 5515 is considered erroneous or relates to the DO's predecessor. Debit vouchers will be shown as negative amounts, except when deposit difference

corrections are processed as described in paragraphs 050402 through 050410, above. A negative amount should be placed within brackets or parentheses. The data shown will be the same as that which appears in blocks (1), (2), and (4) of the SF 5515. Since most SFs 5515 originate from a depository or the Treasury Department (except SFs 5515 prepared by the DO for electronic fund transfer payments), they are already confirmed. As such, SFs 5515 must be reported in section 20.1. The date appearing in block (2) of the SF 5515 will be entered in both the "Date Presented or Mailed" and the "Date Confirmed" columns of the schedule. The date will be shown in YYMMDD format. As an exception to this procedure, DOs afloat should forward SFs 5515 relating to predecessor accounts to the appropriate DFAS OPLOC for inclusion in the predecessor's financial reports.

4. Section 20.1 - Reported This Month and Confirmed This Month or Earlier

a. General. Enter all items included in line 4.2 of the SF 1219 for the current month, for which a confirmation document is included with the schedule. A confirmation document is the green copy (confirmed copy) of the SF 215 which has been authenticated by a representative of the depository or the blue copy (confirmed copy) of the SF 5515. Deposits shall be listed before debit vouchers. Within these two major subdivisions, transactions shall be listed in date presented or mailed sequence.

★ b. Adjustments and Corrections. Adjustments to deposit activity are accomplished by the issuance of separate adjusting documents as described in paragraph 050402, above. For example, if a DO overstated the value of an SF 215, the depository should confirm the original SF 215 in the amount for which issued and issue an SF 5515 for the amount of the overstatement. If the amount of the SF 215 was less than the value of the deposit, the depository should issue an SF 215 for the amount of the understatement. In these examples, both documents must be reported by the DO. Corrections to deposit activity are accomplished as prescribed in paragraphs 050402 through 050410, above. For an unconfirmed deposit that has been determined to be lost in transit, the deposit shall be removed from section 32.0 by reporting the lost deposit in section 31.0 as if it was confirmed. The date confirmed shall be shown as the first day of the month for which the schedule is being prepared. An explanation of the entry must be included with the schedule.

5. Line 20.1 - Net of 20.1 Items. The net of all items included in section 20.1 will be shown on line 20.1.

6. Section 20.2 - Deposits Reported This Month But Unconfirmed. This section will be used to report all items included in line 4.2 of the SF 1219 for the current month, for which no confirmation document is included with the schedule. Normally, this will consist of deposits which have been presented or mailed during the current month, for which the confirmed copy of the SF 215 has not been received as of the date the report is prepared. SFs 5515 shall not be shown in this section. Transactions will be listed in date presented or mailed sequence. Each entry in this section must be supported with the memorandum (white) copy of the SF 215.

7. Line 20.2 - Total of 20.2 Items. Enter the total of all items included in section 20.2.
8. Line 20.0 - Total Reported This Month. Enter the sum of lines 20.1 and 20.2. This amount must equal line 4.2 on the SF 1219. A solid line will be drawn on the schedule between lines 20.0 and 30.0.
9. Line 30.0 - Total Unconfirmed Deposits Brought Forward. Enter the amount shown on line 34.0 of the previous month's schedule.
10. Section 31.0 - Deposits Reported Previous Months. List SFs 215 reported in a previous month in section 20.2 for which the confirmed (green) copies are now enclosed.
11. Line 31.0 - Total of 31.0 Items. Enter the total of all items included in section 31.0.
12. Line 32.0 - Deposits Reported Previous Months Not Yet Confirmed. Enter the difference between lines 30.0 and 31.0.
13. Section 32.0 - Deposits Reported Previous Months Not Yet Confirmed. List all SFs 215 included in sections 20.2 and 32.0 of the previous month's report which have not been listed in section 31.0 for the current month. The total of deposits listed in this section must equal the total entered on line 32.0.
14. Line 33.0 - Deposits Reported This Month Not Confirmed. Enter the amount shown on line 20.2 above.
15. Line 34.0 - Total Deposits Reported Which Remain Unconfirmed. Enter the sum of lines 32.0 and 33.0. This amount will be entered on line 30.0 of the next month's schedule.

0505 SHIPMENT OF PUBLIC FUNDS

050501. General

A. Authority. Title 40, sections 721-726 and 729 (reference (t)) authorizes the shipment of valuables. DOs making shipments of items covered by its provisions shall follow the shipment procedures as described in this section. Shipments are insured under law and no supplementary insurance will be obtained.

B. Authorized Purposes. Shipments of public funds are authorized for the following purposes: deposit of funds to an official checking account; delivery of funds to another DO as an exchange-for-cash check transaction; shipment of damaged or mutilated currency; deposit of food stamps; and obtaining funds from a bank or from another DO by exchange of a check for

cash.

C. Methods of Shipment. Public funds shall be shipped in a manner which will provide the greatest possible protection against risk of loss and destruction of, or damage to, the funds. Public funds may be shipped by certified or registered mail, courier, officer messenger, government conveyance, railway express, contract armored car service, or as cargo via the Military Airlift Command's signature security service depending upon availability of means. However, the normal methods of shipment are by registered mail and Military Airlift Command cargo. Shipment by registered or certified mail is preferred in the case of checks, drafts, money orders, etc. Shipment by courier is preferred in the case of currency and coin. Shipment by government conveyance or railway express shall be used only in the case of currency or coin of excessive weight or bulk. Public funds may also be transferred between DOs afloat using air lift (helicopter) or high-line during underway replenishment at sea. In either of these methods, a buoy or other reliable floatation device shall be attached to the container to aid in recovery.

D. Record of Shipment. In addition to accounting documents required in the case of transfers and deposits of public funds (i.e., SF 215) and in order to provide the record required by the regulations issued by the Treasury Department, each shipment of funds shall be described in detail on the DD Form 165 (Shipment of Funds.)

050502. Preparation and Distribution of DD Form 165

A. General. A DD Form 165 is required for any shipment containing coin or currency regardless of amount. The DD Form 165 is not required for shipments for deposit to the Treasury Department or to a bank provided the shipment consists only of checks and money orders and the record of instruments deposited prescribed by paragraph 050208 of this chapter is otherwise maintained. In addition to the retained copy of the DD Form 165, the shipping DO shall preserve all registry receipts or other carriers' receipts and any other documents incidental to the shipment until assured that shipment has been completed and no claims action will be initiated.

B. Preparation. The DD Form 165 shall be prepared in quadruplicate as described below. A properly prepared DD Form 165 is shown as figure 5-10.

1. The space "To" shall contain the complete mailing address of the consignee (intended recipient). In the case of transfers of funds to another DO, the name of the DO should be included in the mailing address.

2. The space "From" shall contain the complete name and mailing address of the consignor (DO shipping the funds).

3. The space "Purpose of Shipment" shall describe the purpose of the shipment such as "For deposit to Disbursing Station Symbol Number" or "Transfer of funds in exchange for a U.S. Treasury check".

4. The space for "Number of Containers" is self-explanatory.

5. The space for "Shipped Via" shall indicate the method of shipment (i.e., registered mail, courier, messenger, etc.).

6. The space "Mail Receipt No. and Date" shall include the registry number or the lock and rotary numbers, if any, under which shipment is made as well as the number of the registry receipt, or other receipt of the carrier.

7. A complete description of the currency and/or coin being shipped shall be shown in the spaces provided by type, denomination, quantity, monetary unit total, rate of exchange if not U.S. currency/coin, and value in U.S. dollars. Checks and other negotiable instruments shall be listed individually on the reverse of the form.

8. The contents of the shipment shall be personally counted by the DO and one responsible witness and placed in the appropriate shipping container(s). Both the DO and the witness shall date and sign the DD Form 165 in the spaces provided under the certification: "We have counted, verified and sealed this shipment." The DO shall be personally responsible for delivery of the shipment to the carrier.

9. The spaces: "This shipment was received from shipper and delivered to" and "Delivery date and hour" shall be completed on the copy to be mailed directly to the consignee and the copy retained by the shipping officer at the time of release to the carrier.

10. The portions pertaining to receipt of the shipment shall be left blank by the shipping DO. The consignee shall complete this portion of the DD Form 165 upon receipt and verification of the shipment.

C. Distribution. The DD Form 165 shall be distributed as follows.

1. The original and duplicate shall be included with the shipment.

2. A copy shall be forwarded by mail direct to the consignee as a notice of shipment when the amount is equal to or greater than \$10,000.

3. A copy shall be retained by the shipping officer. This copy shall bear the original signatures of the DO and verifying witness and shall be used if necessary to substantiate a claim for loss in shipment.

D. Shipment by Registered Mail or as Cargo via the Military Airlift Command.

When shipment is made by registered mail or as cargo via the Military Airlift Command, the copy of DD Form 165 forwarded by mail to the consignee and the copy retained by the shipping officer shall show the registry number and the date the shipment was delivered to the post office or terminal. Whenever feasible, single shipments shall be limited to a maximum of \$250,000. Registered mail and Military Airlift Command shipments shall be properly packaged to prevent breakage in transit. Advice as to adequate packaging can be obtained from military post offices. The copy of the DD Form 165 retained by the officer shipping the funds shall be signed by the appropriate postal official in the space beneath the block "Delivery Date and Hour."

E. Shipment by Courier or Officer Messenger. When shipment is made by courier or officer messenger, the DO making the shipment shall enclose the funds in a securely sealed envelop, money bag, or other suitable container bearing the name and address of the consignee. Any commissioned or warrant officer of the Armed Forces on active duty or any individual serving as a courier for the Department of State is authorized to act as courier for delivery of funds represented by currency, checks, drafts, or money orders. The courier shall take all practicable precautions for the protection of the shipment. The copy of DD Form 165 retained by the officer shipping the funds shall be signed by the courier in the space beneath the block "Delivery Date and Hour" as a receipt for the shipment. When arrangements for the shipment are made through a message center, the registry number shall be inserted on the copy of the DD Form 165 to be retained by the shipping officer and the space below "Delivery Date and Hour" shall be signed by an authorized official of the message center. Upon receipt of the shipment, the consignee shall sign the original of the DD Form 165 in the last signature block after verification of the contents of the shipment and return it to the shipper as a receipt. The copy shall be signed by the consignee in the space beneath "Delivery Date and Hour" and shall be given to the courier as receipt for the shipment. The advance copy providing notice of shipment shall be annotated to indicate date of receipt and shall be retained by the consignee. If the services of an office messenger are obtained, the messenger shall sign the DD Form 165 in the block for delivery date and hour.

F. Shipment by Government Conveyance. When the shipment is of such weight or bulk as to make other methods of shipment impracticable, shipment may be made by government conveyance. The DO shall make the necessary arrangements for the shipment and receive the bill of lading for the delivery with the shipment. In all cases, the DO shall be designated as the shipper and the consignee shall be the officer responsible for executing the receipt for the funds. The DO shall be responsible for direct delivery to the carrier and obtaining receipt on a copy of the bill of lading.

G. Shipments by Armored Car Service

1. General. Shipment of funds by commercial armored car service is authorized when such service is cost effective and offers the greatest protection against loss. The cost shall be charged to the operations and maintenance funds available to the DO.

2. Obtaining Funds From Banks. When funds are obtained from a bank other than an FRB or branch, the DO shall accept custody of the funds at the bank and then personally turn the funds over to the armored car carrier for transporting. Since FRBs comply with Treasury Department regulations in making shipments of money, funds may be obtained from an FRB or branch by forwarding an exchange-for-cash check to the bank with instructions for delivery of the funds to the armored car carrier in the desired denominations.

050503. Action by Consignee. Upon receipt of a copy of DD Form 165 as notice of shipment, the consignee (intended recipient or authorized official designated by activity receiving shipment) shall make arrangements to receive the shipment. Upon receipt of the shipment, the consignee shall ensure that the shipment is opened and inspected by one or more responsible

employees. The consignee shall sign the original DD Form 165 and return it to the shipping officer as a receipt. If shipment was made by courier, the consignee shall sign and deliver to the courier a copy of the DD Form 165 as an acknowledgment of receipt of the shipment. When the shipment represents funds for deposit, the consignee shall complete the SF 215 and return the required copies to the DO. The consignee immediately shall advise the shipping officer of any difference between the amount or quantity indicated on the copy of the DD Form 165 and in the actual shipment at the time of opening. If the shipment fails to arrive in due course, the consignee shall immediately notify the shipping officer, the post office, or office of other carrier through which delivery would be made. The consignee also shall immediately notify the shipping officer of any damage to the shipment. All findings of the consignee in such cases shall be a matter of record, subject to inspection in connection with any necessary investigation.

050504. Action by Consignor The consignor (the bank or the DO shipping the money) shall ensure that prompt action is taken to trace a shipment of funds for which a receipted DD Form 165 is not received within a reasonable time. Telephone or message contact with the consignee shall be initiated in order to insure the consignee's compliance with the provisions of paragraph 050503, above.

★ 050505. Losses in Shipment. Accountability for public funds rests with the consignor until the consignee has received and verified all funds listed on the DD Form 165. If funds shipped as prescribed in this section are lost, destroyed, or damaged, the shipping officer shall forward an immediate written report to the Bureau of the Public Debt, Division of Financial Management, Room 201, P. O. Box 1328, Parkersburg, WV 26106-1328. A copy of the report shall be provided to the consignee and to the servicing DFAS Center. If the loss, destruction, or damage represents a value equal to or in excess of \$10,000, or if delay in reporting is likely to delay the government in recovering the value of the shipment, the report shall be transmitted by message or telegram and promptly confirmed in writing. The report shall state the: date of shipment; amount and character of the valuables lost, destroyed, or damaged; name and address of the consignee; method of transportation, the name of the carrier, and the location of the office of the carrier from which shipment was made; registry or other receipt number; and cause of the loss, destruction, or damage, if known. The consignor immediately shall notify the agent in charge of the nearest U.S. Secret Service office, the appropriate investigative service, the local post office, or local office of other carrier. The shipping officer shall also place a tracer on the shipment and take such other action as may be necessary to facilitate recovery.

050506. Recovery Action

A. General. Recovery action primarily is the responsibility of the officer who is accountable for the lost or damaged funds. In the case of funds for which an exchange-for-cash check has been issued, responsibility and accountability rests with the bank or DO who shipped the funds (consignor). However, accountability for the check still rests with the DO who issued the check (consignee) and its value shall continue to be reported in the SF 1219 as funds in transit. The consignee should determine what action was taken by the shipping officer and should monitor the course of investigative action taken. In the case of coin or currency lost en route to a depository, accountability rests with the DO who made the shipment for deposit. It shall be the DO's responsibility to take the reporting and recovery actions required. In either case, action to report the

loss of funds shall be taken as prescribed in Chapter 6 of this volume. The DO who shipped the funds shall record the value of the lost shipment on line 7.3 of the SF 1219 as a loss of funds. If the DO is reassigned before recovery can be effected, the relieving DO shall not receipt for the loss. However, the relieving officer shall be responsible, in conjunction with the designated settlement office, for ensuring that necessary claims are properly filed and that the proceeds from the claims are properly applied in liquidation of the loss.

B. Checks and Money Orders. The DO shall take action to recover the amount of the lost negotiable instruments following the procedures in paragraph 050209 of this chapter. Since this action should be sufficient to recoup the full amount of the lost deposit, the claims described in subparagraphs 050506.C or 050506.D, below shall not be filed. However, in the event this action does not result in full recovery, the DO may request relief of liability for the uncollectible portion of the lost shipment. Such a request shall be fully supported by copies of all correspondence pertaining to the unsuccessful recovery action.

C. Claim Against U.S. Postal Service. The liability of the U.S. Postal Service in the case of lost currency shipped by registered mail is generally limited to shipments of \$100 or less. A claim for a lost shipment of \$100 or less can be filed only by the consignor (mailer). A claim for damage or partial loss may be filed by the consignor or by the consignee (addressee). The applicable claim form is PS Form 565 (Registered Mail Inquiry for Delivery and/or Application for Indemnity). The accountable DO should obtain a copy of the completed PS 565, and shall ensure that he or she is listed on the form as the claimant. For losses exceeding \$100, the PS 565 shall be filed as a means of tracing the shipment, but the filing will not constitute a claim.

D. Claim Against the Treasury Department. Claims for the value of lost currency shipments in excess of \$100 shall be submitted by the accountable DO to the Secretary of the Treasury via the servicing DFAS Center. The Secretary of the Treasury will require proof of claim in such form, and in such manner, as he deems necessary. Proof of claim will include satisfactory proof of loss, destruction, or damage. The claim shall be supported by the original of the DD Form 165, which will be returned after adjustment of the claim. The consignor (shipping officer) shall submit a statement concerning the loss or destruction of, or damage to, the shipment or any part thereof. If the shipment was received by the consignee with contents not intact, the statement shall set forth all the circumstances relating to the condition in which the shipment was received and the manner of inspection and verification of its contents. Affidavits covering the loss, destruction, or damage to the shipment shall be obtained from the consignee and the carrier. The statement and recommendations of the investigating officers shall also be included. In the case of lost shipments for which an exchange-for-cash check was issued to an FRB or another DO, the issuing DO shall request that the shipping officer take the above actions and provide copies of all documentation. After filing of the claim, all necessary and reasonable steps to recover the lost, destroyed, or damaged shipment shall continue. All recoveries and refunds received following favorable consideration of the claim shall be turned over to the Treasury Department.

E. Restitution and Relief. The Secretary of the Treasury shall grant claims for lost, damaged, or destroyed shipments only if the shipping officer strictly followed the prescribed procedures. In the event of a denial of the claim, the accountable DO may either make restitution of the missing funds or submit a request for relief of liability as prescribed in Chapter 6 of this

volume. Relief will be granted only if the accountable officer is judged to be free of fault or negligence. Therefore, the relief request shall clearly and convincingly justify any departure from prescribed regulations.

050507. Damaged or Mutilated U.S. Currency

A. Fragments of U.S. Currency. Damaged or mutilated U.S. currency recovered from inadvertent wartime destruction or from peacetime catastrophes affecting DoD property and personnel such as aircraft crashes, ship sinkings, building explosions, or chemical spills shall be processed as explained below.

1. Fragments shall be inventoried by at least three disinterested persons and, where a DoD Component has jurisdiction, brought under safekeeping control by the appropriate DO.

2. Fragments shall be packaged following procedures in subparagraph 050507.B, below, and forwarded to the Bureau of Engraving and Printing for determination of value.

3. In the event that fragments are contaminated, the DO or other responsible official shall contact the Office of Currency Standards, Bureau of Engraving and Printing, at (202) 874-2361 to arrange for on site review by Bureau personnel or special disposition instructions.

B. Packaging Mutilated Currency. Mutilated currency examiners normally can determine the value of mutilated currency when it has been carefully packed and boxed as described below.

1. Regardless of the condition of the currency, do not disturb the fragments more than is absolutely necessary.

2. If the currency is brittle, pack it carefully in cotton and box it as found, without disturbing the fragments, if possible.

3. If the currency was in a purse, box, or other container when mutilated, it should be left there, if possible, in order to prevent further deterioration of the fragments or to prevent them from being lost.

4. If it is absolutely necessary to remove the fragments from the container, send the container with the currency and any other contents found, except as noted in subparagraph 050507.B.7, below.

5. If the money was flat when mutilated, do not roll or fold.

6. If the money was in a roll when mutilated, do not attempt to unroll or straighten.

7. If coins or any other metal are mixed with the currency, remove carefully. Do not send coins or other metal in the same package with mutilated currency, as such metal may further damage the currency.

8. Properly packaged currency should be sent to: Department of the Treasury, Bureau of Engraving and Printing, ATTN: OCS, Room 344, BEP Annex, P.O. Box 37048, Washington, DC 20013.

050508. Uncurrent or Mutilated U.S. Coins

A. Worn Coins. U.S. coins that are merely worn or reduced in weight by natural abrasion, yet are readily and clearly recognizable and are machine countable, may be redeemed at face value at any FRB or branch.

B. Mutilated Coins. U.S. coins that are bent, broken, not whole, or fused and melted together are considered "mutilated." Mutilated coins may be redeemed by the U.S. Mint as indicated below.

1. The Mint will not redeem mutilated coins if they are: fused material unrecognizable as U.S. coins; foreign coins; counterfeit coins; slugs; altered coins (i.e., changed to pass as another denomination); or coins or lumps of coins that contain lead, solder, or other substances that would make them unsuitable for use as coinage metal.

2. Whenever possible, loose mutilated coins submitted for redemption should be separated into the following groups: Cents (1 cent, including both copper and copper-plated zinc); Nickels (5 cents); Clad Coins (10 cents, 25 cents, 50 cents and Eisenhower 1 dollar); and Dollars (Susan B. Anthony 1 dollar).

3. The settlement amount will be based on coin weight and whether they have been sorted by denomination categories ("separated") or have been sent mixed together. If coins are not separated, they will be considered "mixed" and redeemed at a lower rate as described below. For separated coins, the Mint will redeem no less than one pound of each denomination category; for mixed or fused coins, the minimum is two pounds.

4. Mixed denominations of coins or lumps of coins that have been fused together will be redeemed by their weight and metal category (i.e., bronze, cupronickel, or clad) based on date of receipt by the Mint and rates that change quarterly as of the 15th day of January, April, July and October.

5. Bent or partial coins separated by denomination groups listed below will be redeemed by their weight and denomination category at the following rates:

<u>Denomination</u>	<u>Rate (per lb.)</u>
Cents	\$1.4585

Nickels	\$4.5359
Clad Coins	\$20.0000
Dollars	\$56.0000

6. The Mint will accept no less than one pound of each denomination of separated coins or 2 pounds of mixed or fused coins.

7. Settlement will be made by check approximately 12 to 14 weeks from the date that mutilated coins are received at the Mint. Coins may be mailed to: United States Mint, P.O. Box 400, Philadelphia, PA 19105; or may be delivered in person or by courier to: United States Mint, Coin Redemption Branch, 5th and Arch Streets, Philadelphia, PA 19106.

8. Questions regarding the disposition of mutilated or contaminated coins may be referred to the Cashier's Office, U.S. Mint, at (215) 597-4982.

0506 TRANSFERS OF PUBLIC FUNDS

050601. Transfers Within the DoD. Transfers of funds between DOs are authorized and should follow the same exchange for cash procedures used to procure cash. Transfers of funds between DOs of different DoD Components or other governmental agencies shall be made by an exchange-for-cash Treasury check, made payable to the purchasing DO for the amount of cash desired.

050602. Transfer of Funds Upon Relief. All funds and accountable documents in the possession of the relieved DO (including currency, coin, and receipts which represent funds in the hands of authorized deputies, agents, cashiers, imprest fund cashiers, advances to contractors, salary payments, and other authorized deferred vouchered payments) which cannot be scheduled immediately, shall be transferred to the relieving officer. Funds in the hands of deputies, agents, cashiers, and imprest fund cashiers may be retained by the individuals if the relieving DO intends to retain these individuals in their current accountable position. Otherwise, the DO being relieved shall recall the funds and terminate the accountable individual's appointment prior to the relief process. The total amount transferred to the relieving DO shall be the amount of total accountability at the close of the accounting period as shown on the final SF 1219 of the DO being relieved. As soon as possible after relief has taken place, the relieving DO shall issue new DD Forms 1081 to all accountable individuals who retained funds as provided in this paragraph. A certificate of transfer shall be furnished on the bottom of the final SF 1219 of the officer relieved. The certificate shall read as follows:

"I have received on (date) by transfer from (officer relieved), (total amount), an analysis of which is included in Sections I-B and I-C above.

(Signature and rank of relieving officer)."

In addition to the regular distribution requirements, 2 extra copies of the SF 1219 shall be prepared. One of the extra copies shall be retained with the disbursing records of the relieving DO, and the other shall be retained by the officer relieved as a receipt for the funds transferred. All deficiencies in the account of the officer relieved shall be processed as prescribed in Chapter 22 of this volume.

When the total accountability of the officer relieved is zero, no certificate of transfer by the relieving officer is required.

050603. Merging of Disbursing Accounts When a DSSN is to be assumed by another DSSN of the same DO, the cash and other assets of the DSSN to be discontinued shall be purchased by a Treasury check drawn on the receiving DSSN. The Treasury check shall be deposited to the credit of the DSSN to be discontinued and shall be reported on the final SF 1219.

0507 COUNTERFEIT OR ALTERED U.S. CURRENCY

050701. Detected Prior to Acceptance. Counterfeit or altered U.S. currency, if detected upon presentation to a DO for exchange or payment of an obligation to the United States, shall be confiscated. A receipt indicating the type, denomination, and amount of the confiscated currency shall be furnished to the individual presenting the currency and information shall be obtained from the individual as to the source of acquisition. The currency shall be delivered with a letter of transmittal, giving all available information, to a representative of the appropriate investigative service, if available, or if not, to the nearest military security agency. A receipt shall be obtained in either case. Because the currency was detected before acceptance by a DO, entries regarding the receipt and transmittal shall not be made in the DO's accounts.

050702. Detected After Acceptance and Reimbursement Is Obtained. Immediately after discovering counterfeit currency, the DO shall request reimbursement from the source from which received. When reimbursement is received, the procedure outlined in the preceding paragraph shall be followed. Because reimbursement is obtained, no loss to the DO accrues, and no entries in the DO's accounts are required.

050703. Detected After Acceptance and Reimbursement Is Not Obtained. If the source of receipt of counterfeit currency is unknown or if the source is known and reimbursement is unobtainable, the currency shall be delivered immediately by the DO, together with a detailed report of all known circumstances, to a representative of the appropriate investigative service, if available, or if not, to the nearest military security agency. A receipt for the currency shall be obtained in either case. The receipt for the currency, with a signed copy of the report made by the DO, shall be forwarded with a memorandum via the commander to the servicing DFAS Center. The memorandum shall include the reason reimbursement was not obtained. This transaction shall be reported on the SF 1219 as a physical loss of funds.

050704. Detected After Depositing by Mail With Bank. When a DO is notified that currency which has been deposited by mail has been determined to be counterfeit and is being held by the bank, the DO shall reimburse the bank for the counterfeit currency and shall obtain a formal receipt giving complete description of the currency and stating that the currency has been found to be counterfeit and has been withdrawn from circulation. The receipt from the bank shall also state whether the currency will be or has been turned over to the U.S. Secret Service. The receipt from the bank and a detailed report of all known circumstances, signed by the DO, shall be forwarded via the commander to the servicing DFAS Center. This transaction shall be reported on the SF 1219 as a physical loss of funds.

★ 050705. Miscellaneous Cases. Any unusual counterfeit currency situation not specifically covered in the preceding paragraphs should be forwarded through the servicing DFAS Center to DFAS-HQ, Deputy Director for Finance, for disposition instructions.

Step 1. Add leading zeroes to the DSSN to make an eight-digit number.	0	0	0	0	8	3	6	8
Step 2. Multiply each digit by the locational factor.	3	7	1	3	7	1	3	7
	0	0	0	0	56	3	18	56
Step 3. Add the last digit of each product.	0	+ 0	+ 0	+ 0	+ 6	+ 3	+ 8	+ 6 = 23
Step 4. Subtract the sum from the next higher multiple of 10. The result is the check-digit.	30	- 23	= 7					
In this example the DSSN is 8368. Following the above steps, the CIN is 00008368-7.								

Table 5-1. Calculation of Ca\$h-Link Identification Number

00008368-7
For Credit to the
U.S. Treasury

October XX, 19XX

**Figure 5-1. Sample DO Endorsement
on Instruments Deposited to an FRB or
Branch**

U.S. (Component) DSSN 8368
For Credit to the
U.S. Treasury

October XX, 19XX

**Figure 5-2. Sample DO Endorsement
on Instruments Deposited to a General
Depository**

FOR DEPOSIT ONLY
TO OFFICIAL ACCOUNT OF
Disbursing Officer,
U.S. (Component)
APO or FPO (location)
DATE (optional)

**Figure 5-3. Sample DO Endorsement
on Instruments Deposited to a Limited
Depositary**

00008368-7
For Credit to the
U.S. Treasury
(Collecting Activity Depositing
on Behalf of the DO)
October XX, 19XX

**Figure 5-4. Sample Collecting Official
Endorsement on Instruments
Deposited to an FRB or Branch**

U.S. (Component) DSSN 8368
For Credit to the
U.S. Treasury
(Collecting Activity Depositing
on Behalf of the DO)
October XX, 19XX

**Figure 5-5. Sample Collecting Official
Endorsement on Instruments
Deposited to General Depositary**

FOR DEPOSIT ONLY
TO OFFICIAL ACCOUNT OF
Disbursing Officer,
U.S. (Component)
APO or FPO (location)
DATE (optional)
Collecting Activity Depositing
on Behalf of the DO)
(APO or FPO location)

**Figure 5-6. Sample Collecting Official
Endorsement on Instruments
Deposited to Limited Depositary**

STANDARD FORM 215 (Rev. 5-90) PRESCRIBED BY DEPT. OF THE TREASURY 1 TFM 5-3000 215-103		DEPOSIT TICKET		DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE NSN 7540-01-019-9452	
VOUCHER NUMBER	DATE PRESENTED OR MAILED TO BANK M M Y Y D D	8-DIGIT OR 4-DIGIT AGENCY LOCATION CODE (ALC)	AMOUNT	SINGLE SPACE ALL ENTRIES ON THIS LINE USE NORMAL PUNCTUATION OMIT \$ SIGN	
(1) 7 46819	(2) 1 0-03-XX	(3) 0 0005040-3	(4) 5 592.00		
(6) AGENCY USE					
DEFENSE ACCOUNTING OFFICE FINANCIAL INFORMATION PROCESSING CENTER WASHINGTON, DC 20376			(7) NAME AND ADDRESS OF DEPOSITARY FEDERAL RESERVE BANK OF RICHMOND RICHMOND, VA 23261		
			(8) I CERTIFY THAT THE ABOVE AMOUNT HAS BEEN RECEIVED FOR CREDIT IN THE ACCOUNT OF THE U.S. TREASURY ON THE DATE SHOWN, SUBJECT TO ADJUSTMENT OF UNCOLLECTIBLE ITEMS INCLUDED THEREIN.		
			M M D D Y Y		
(9) DEPOSITOR'S TITLE, DEPARTMENT, OR AGENCY AND ADDRESS			AUTHORIZED SIGNATURE		
(10) DEPOSITOR FORWARD THIS DOCUMENT WITH STATEMENT OR TRANSCRIPT OF THE U.S. TREASURY ACCOUNT OF THE SAME DATE			CONFIRMED DATE		
(10) DEPOSITOR RETAIN THIS COPY WHEN MAKING DEPOSIT. AFTER RECEIVING CONFIRMED COPY FROM BANK, INSERT THE CONFIRMED DATE IN BLOCK (5) ABOVE ON THIS COPY AND SUBMIT THIS COPY WITH YOUR MONTHLY REPORT TO DEPARTMENT OF THE TREASURY			ORIGINAL		
(10) DEPOSITARY RETAIN THIS COPY			MEMORANDUM COPY		
(10) DEPOSITOR RETAIN THIS COPY FOR INTERNAL USE DO NOT SUBMIT THIS COPY TO DEPOSITARY			DEPOSITARY COPY		
(10) DEPOSITARY DATE, SIGN AND RETURN THIS COPY TO DEPOSITOR			AGENCY COPY		
			CONFIRMED COPY		

Figure 5-7. Sample SF 215, Deposit Ticket (Deposit to an FRB)

STANDARD FORM 215 (Rev. 5-90) PRESCRIBED BY DEPT. OF THE TREASURY 1 TFM 5-3000 215-103		DEPOSIT TICKET		DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE NSN 7540-01-019-9452	
VOUCHER NUMBER	DATE PRESENTED OR MAILED TO BANK M M Y Y D D	8-DIGIT OR 4-DIGIT AGENCY LOCATION CODE (ALC)	AMOUNT		
(1) 7 46818	(2) 1 0-03-XX	(3) 5 040	(4) 3 245.75	SINGLE SPACE ALL ENTRIES ON THIS LINE USE NORMAL PUNCTUATION OMIT \$ SIGN	
(6) AGENCY USE					
DEFENSE ACCOUNTING OFFICE FINANCIAL INFORMATION PROCESSING CENTER WASHINGTON, DC 20376			(7) NAME AND ADDRESS OF DEPOSITARY MELLON BANK P.O. BOX 371782M PITTSBURGH, PA 15251		
			(8) I CERTIFY THAT THE ABOVE AMOUNT HAS BEEN RECEIVED FOR CREDIT IN THE ACCOUNT OF THE U.S. TREASURY ON THE DATE SHOWN, SUBJECT TO ADJUSTMENT OF UNCOLLECTIBLE ITEMS INCLUDED THEREIN.		
			M M D D Y Y		
(9) DEPOSITOR'S TITLE, DEPARTMENT, OR AGENCY AND ADDRESS			AUTHORIZED SIGNATURE		
(10) DEPOSITOR FORWARD THIS DOCUMENT WITH STATEMENT OR TRANSCRIPT OF THE U.S. TREASURY ACCOUNT OF THE SAME DATE			CONFIRMED DATE		
(10) DEPOSITOR RETAIN THIS COPY WHEN MAKING DEPOSIT. AFTER RECEIVING CONFIRMED COPY FROM BANK, INSERT THE CONFIRMED DATE IN BLOCK (5) ABOVE ON THIS COPY AND SUBMIT THIS COPY WITH YOUR MONTHLY REPORT TO DEPARTMENT OF THE TREASURY			ORIGINAL		
(10) DEPOSITOR RETAIN THIS COPY			MEMORANDUM COPY		
(10) DEPOSITOR RETAIN THIS COPY FOR INTERNAL USE DO NOT SUBMIT THIS COPY TO DEPOSITARY			DEPOSITARY COPY		
(10) DEPOSITARY DATE, SIGN AND RETURN THIS COPY TO DEPOSITOR			AGENCY COPY		
			CONFIRMED COPY		

**Figure 5-7 (Continued). Sample SF 215 (Deposit Ticket)
(Deposit to a Designated Depositary)**

STANDARD FORM 5515 (Rev. 9-78) PRESCRIBED BY DEPT. OF THE TREASURY 1 TFM 5-3000		DEBIT VOUCHER		DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE	
VOUCHER NUMBER		DATE PRESENTED OR MAILED TO BANK M M Y Y D D		8-DIGIT OR 4-DIGIT AGENCY LOCATION CODE (ALC)	
(1) 8 3055		(2) 1 0-03-XX		(3) 0 0005040-3	
				AMOUNT	
				(4) 1 00.00	
SINGLE SPACE ALL ENTRIES ON THIS LINE USE NORMAL PUNCTUATION OMIT \$ SIGN					
(5) <input type="checkbox"/> UNCOLLECTIBLE ITEM		(6) DEPOSITARY USE			
<input checked="" type="checkbox"/> OTHER (Explain in Block 6)		DT NO. XXXXXX, DATED XXXXXX, OVERSTATED BY \$100.00			
DEFENSE ACCOUNTING OFFICE FINANCIAL INFORMATION PROCESSING CENTER WASHINGTON, DC 20376				(7) NAME AND ADDRESS OF DEPOSITARY	
				FEDERAL RESERVE BANK OF RICHMOND RICHMOND, VA 23261	
				(8) I CERTIFY THAT THE ABOVE AMOUNT HAS BEEN DEBITED TO THE ACCOUNT OF THE TREASURY ON THE DATE SHOWN. UNCOLLECTIBLE ITEMS HAVE BEEN RETURNED TO THE DEPOSITOR OR APPROPRIATE NOTICE GIVEN.	
(9) DEPOSITOR'S TITLE, DEPARTMENT, OR AGENCY AND ADDRESS				AUTHORIZED SIGNATURE	
DEPOSITARY FORWARD THIS DOCUMENT WITH STATEMENT OR TRANSCRIPT OF THE U.S. TREASURY ACCOUNT OF THE SAME DATE				ORIGINAL	
DEPOSITARY FORWARD TO DEPOSITOR. DEPOSITOR SUBMIT THIS COPY WITH YOUR MONTHLY REPORT TO DEPARTMENT OF THE TREASURY				MEMORANDUM COPY	
DEPOSITARY RETAIN THIS COPY				DEPOSITARY COPY	
DEPOSITARY FORWARD TO DEPOSITOR				CONFIRMED COPY	

Figure 5-8. Sample SF 5515 (Debit Voucher) (From an FRB)

STANDARD FORM 5515 (Rev. 9-78) PRESCRIBED BY DEPT. OF THE TREASURY 1 TFM 5-3000		DEBIT VOUCHER		DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE	
VOUCHER NUMBER	DATE PRESENTED OR MAILED TO BANK M M Y Y D D	8-DIGIT OR 4-DIGIT AGENCY LOCATION CODE (ALC)	AMOUNT		
(1) 8 3057	(2) 1 0-03-XX	(3) 5 040	(4) 3 50.00	SINGLE SPACE ALL ENTRIES ON THIS LINE USE NORMAL PUNCTUATION OMIT \$ SIGN	
(5) <input checked="" type="checkbox"/> UNCOLLECTIBLE ITEM <input type="checkbox"/> OTHER (Explain in Block 6)		(6) DEPOSITARY USE DT NO. XXXXXX, CK. NO. 130, \$350.00, NSF			
DEFENSE ACCOUNTING OFFICE FINANCIAL INFORMATION PROCESSING CENTER WASHINGTON, DC 20376			(7) NAME AND ADDRESS OF DEPOSITARY MELLON BANK P.O. BOX 371782M PITTSBURGH, PA 15251		
			(8) I CERTIFY THAT THE ABOVE AMOUNT HAS BEEN DEBITED TO THE ACCOUNT OF THE TREASURY ON THE DATE SHOWN. UNCOLLECTIBLE ITEMS HAVE BEEN RETURNED TO THE DEPOSITOR OR APPROPRIATE NOTICE GIVEN.		
(9) DEPOSITOR'S TITLE, DEPARTMENT, OR AGENCY AND ADDRESS			AUTHORIZED SIGNATURE		
DEPOSITOR FORWARD THIS DOCUMENT WITH STATEMENT OR TRANSCRIPT OF THE U.S. TREASURY ACCOUNT OF THE SAME DATE			ORIGINAL		
DEPOSITOR FORWARD TO DEPOSITOR. DEPOSITOR SUBMIT THIS COPY WITH YOUR MONTHLY REPORT TO DEPARTMENT OF THE TREASURY			MEMORANDUM COPY		
DEPOSITOR RETAIN THIS COPY			DEPOSITARY COPY		
DEPOSITOR FORWARD TO DEPOSITOR			CONFIRMED COPY		

Figure 5-8 (Continued). Sample SF 5515, (Debit Voucher) (From a Designated Depository)

SCHEDULE OF DEPOSIT ACTIVITY				
ORGANIZATION:		USS SELDOMSAIL		
LOCATION:		HOLY LOCH, UK		
DSSN: 1234	DO:	A.B. CASE	PERIOD OF REPORT:	JAN 19XX
20.0	DEPOSITS OR DEBIT VOUCHERS REPORTED THIS MONTH			
20.1	REPORTED THIS MONTH AND CONFIRMED THIS MONTH OR EARLIER (CONFIRMATION COPY IS ENCLOSED HEREWITH)			
	DEPOSIT/DEBIT VOUCHER NO.	DATE PRESENTED OR MAILED YYMMDD	DATE CONFIRMED YYMMDD	AMOUNT
	123456	XX0104	XX0105	100.00 (a)
	123457	XX0110	XX0111	200.00 (a)
	123458	XX0117	XX0118	300.00 (a)
	63211	XX0116	XX0116	(50.00) (b)
	63287	XX0117	XX0117	(150.00) (b)
20.1	NET OF 20.1 ITEMS			400.00
20.2	DEPOSITS REPORTED THIS MONTH BUT UNCONFIRMED (MEMORANDUM COPY IS ENCLOSED HEREWITH)			
	DEPOSIT NUMBER	DATE PRESENTED OR MAILED YYMMDD		AMOUNT
	123459	XX0119		500.00 (c)
	123460	XX0124		600.00 (c)
	123461	XX0126		700.00 (c)
	123462	XX0127		800.00 (c)
20.2	TOTAL OF 20.2 ITEMS			2,600.00
20.0	TOTAL REPORTED THIS MONTH (20.1 + 20.2) (ENTER ON LINE 4.2 OF SF 1219)			3,000.00
30.0	TOTAL UNCONFIRMED DEPOSITS BROUGHT FORWARD (LINE 34.0 PREVIOUS MONTH)			0.00
31.0	DEPOSITS REPORTED PREVIOUS MONTHS (CONFIRMATION COPY IS ENCLOSED HEREWITH)			
	DEPOSIT NUMBER	DATE PRESENTED OR MAILED YYMMDD	DATE CONFIRMED YYMMDD	AMOUNT
31.0	TOTAL OF 31.0 ITEMS			0.00
32.0	DEPOSITS REPORTED PREVIOUS MONTHS BUT NOT YET CONFIRMED (30.0 - 31.0)			0.00
	DEPOSIT NUMBER	DATE PRESENTED OR MAILED YYMMDD		AMOUNT
	TOTAL (MUST EQUAL LINE 32.0 ABOVE)			0.00
33.0	DEPOSITS REPORTED THIS MONTH BUT NOT YET CONFIRMED (LINE 20.2)			2,600.00
34.0	TOTAL DEPOSITS REPORTED WHICH REMAIN UNCONFIRMED (32.0 + 33.0)			2,600.00

(Letters in parentheses are keyed to explanations of line entries which follow.)

★ Figure 5-9. Sample Format for Schedule of Deposit Activity (Initial)

SCHEDULE OF DEPOSIT ACTIVITY					
ORGANIZATION:		USS SELDOMSAIL			
LOCATION:		HOLY LOCH, UK			
DSSN:	1234	DO:	A.B. CASE	PERIOD OF REPORT:	FEB 19XX
20.0	DEPOSITS OR DEBIT VOUCHERS REPORTED THIS MONTH				
20.1	REPORTED THIS MONTH AND CONFIRMED THIS MONTH OR EARLIER (CONFIRMATION COPY IS ENCLOSED HEREWITH)				
	DEPOSIT/DEBIT VOUCHER NO.	DATE PRESENTED OR MAILED YYMMDD	DATE CONFIRMED YYMMDD	AMOUNT	
	123406	XX0124	XX0210	(600.00)	(k)
	123460	XX0124	XX0210	600.00	(k)
	431872	XX0129	XX0201	250.00	(d)
	123465	XX0204	XX0228	100.00	(a)
	92791	XX0126	XX0126	(60.00)	(b)
20.1	NET OF 20.1 ITEMS				290.00
20.2	DEPOSITS REPORTED THIS MONTH BUT UNCONFIRMED (MEMORANDUM COPY IS ENCLOSED HEREWITH)				
	DEPOSIT NUMBER	DATE PRESENTED OR MAILED YYMMDD	AMOUNT		
	123464	XX0131	100.00	(e)	
	123466	XX0221	200.00	(c)	
	123467	XX0218	300.00	(c)	
	123468	XX0225	400.00	(c)	
20.2	TOTAL OF 20.2 ITEMS				1,000.00
20.0	TOTAL REPORTED THIS MONTH (20.1 + 20.2) (ENTER ON LINE 4.2 OF SF 1219)				1,290.00
30.0	TOTAL UNCONFIRMED DEPOSITS BROUGHT FORWARD (LINE 34.0 PREVIOUS MONTH)				2600.00
31.0	DEPOSITS REPORTED PREVIOUS MONTHS (CONFIRMATION COPY IS ENCLOSED HEREWITH)				
	DEPOSIT NUMBER	DATE PRESENTED OR MAILED YYMMDD	DATE CONFIRMED YYMMDD	AMOUNT	
	123459	XX0119	XX0131	500.00	(f)
	123460	XX0124	XX0210	600.00	(f)
31.0	TOTAL OF 31.0 ITEMS				1,100.00
32.0	DEPOSITS REPORTED PREVIOUS MONTHS BUT NOT YET CONFIRMED (30.0 - 31.0)				1,500.00
	DEPOSIT NUMBER	DATE PRESENTED OR MAILED YYMMDD	AMOUNT		
	123461	XX0126	700.00	(g)	
	123462	XX0127	800.00	(g)	
	TOTAL (MUST EQUAL LINE 32.0 ABOVE)			1,500.00	
33.0	DEPOSITS REPORTED THIS MONTH BUT NOT YET CONFIRMED (LINE 20.2)				1,000.00
34.0	TOTAL DEPOSITS REPORTED WHICH REMAIN UNCONFIRMED (32.0 + 33.0)				2,500.00

(Letters in parentheses are keyed to explanations of line entries which follow.)

★Figure 5-9 (Continued). Sample Format for Schedule of Deposit Activity (Subsequent)

SCHEDULE OF DEPOSIT ACTIVITY					
ORGANIZATION:		USS SELDOMSAIL			
LOCATION:		HOLY LOCH, UK			
DSSN:	1234	DO:	A.B. CASE	PERIOD OF REPORT:	MAR 19XX
20.0	DEPOSITS OR DEBIT VOUCHERS REPORTED THIS MONTH				
20.1	REPORTED THIS MONTH AND CONFIRMED THIS MONTH OR EARLIER (CONFIRMATION COPY IS ENCLOSED HEREWITH)				
	DEPOSIT/DEBIT VOUCHER NO.	DATE PRESENTED OR MAILED YYMMDD	DATE CONFIRMED YYMMDD	AMOUNT	
	123455	XX0105	XX0225	900.00	(j)
	123462	XX0127	XX0304	(800.00)	(h)
	123469	XX0304	XX0307	150.00	(a)
	123470	XX0325	XX0328	1050.00	(a)
	674128	XX0314	XX0314	100.00	(i)
20.1	NET OF 20.1 ITEMS				1,400.00
20.2	DEPOSITS REPORTED THIS MONTH BUT UNCONFIRMED (MEMORANDUM COPY IS ENCLOSED HEREWITH)				
	DEPOSIT NUMBER	DATE PRESENTED OR MAILED YYMMDD	DATE CONFIRMED YYMMDD	AMOUNT	
20.2	TOTAL OF 20.2 ITEMS				0.00
20.0	TOTAL REPORTED THIS MONTH (20.1 + 20.2) (ENTER ON LINE 4.2 OF SF 1219)				1,400.00
30.0	TOTAL UNCONFIRMED DEPOSITS BROUGHT FORWARD (LINE 34.0 PREVIOUS MONTH)				2500.00
31.0	DEPOSITS REPORTED PREVIOUS MONTHS (CONFIRMATION COPY IS ENCLOSED HEREWITH)				
	DEPOSIT NUMBER	DATE PRESENTED OR MAILED YYMMDD	DATE CONFIRMED YYMMDD	AMOUNT	
	123461	XX0126	XX0225	700.00	(f)
	123462	XX0127	XX0301	800.00	(h)
	123464	XX0131	XX0315	100.00	(f)
	123466	XX0211	XX0320	200.00	(f)
	123467	XX0218	XX0325	300.00	(f)
31.0	TOTAL OF 31.0 ITEMS				2,100.00
32.0	DEPOSITS REPORTED PREVIOUS MONTHS BUT NOT YET CONFIRMED (30.0 - 31.0)				400.00
	DEPOSIT NUMBER	DATE PRESENTED OR MAILED YYMMDD	DATE CONFIRMED YYMMDD	AMOUNT	
	123468	XX0225		400.00	(g)
	TOTAL (MUST EQUAL LINE 32.0 ABOVE)			400.00	
33.0	DEPOSITS REPORTED THIS MONTH BUT NOT YET CONFIRMED (LINE 20.2)				0.00
34.0	TOTAL DEPOSITS REPORTED WHICH REMAIN UNCONFIRMED (32.0 - 33.0)				400.00

(Letters in parentheses are keyed to explanations of line entries which follow.)

★Figure 5-9 (Continued). Sample Format for Schedule of Deposit Activity (Closing)

(a)	Routine deposit confirmed during the current month. The deposit was included in line 4.2 of the SF 1219. The confirmed copies of the SFs 215 should be enclosed with this schedule.
(b)	Routine debit voucher. The debit voucher was included in line 4.2 of the SF 1219. The confirmed copy of the SF 5515 should be enclosed.
(c)	Routine deposit--not yet confirmed. The memorandum copy of the SF 215 should be enclosed with this schedule.
(d)	This deposit should have been reported in January and should have been included in the total deposits reported on line 4.2 of the SF 1219 for January. It was not. It is being reported now. The confirmed copy of the SF 215 should be enclosed with this schedule.
(e)	See the description for item (d). The memorandum copy of the SF 215 should be enclosed.
(f)	Routine deposit, confirmed in a month later than the month in which the deposit was presented or mailed. This item had already been reported on line 4.2 of a previous month. The confirmation copy of the SF 215 should be enclosed with this schedule.
(g)	Deposits presented or mailed in a previous month but not yet confirmed. Aggressive followup action should be taken by the disbursing office to obtain confirmation of deposits reported here.
★(h)	A deposit previously reported and still unconfirmed has been determined to be lost. This entry is to remove the lost deposit from the schedule. A corresponding decrease to line 4.2 and increase to line 7.3 of the SF 1219 must be made. An explanatory note should be enclosed with this schedule.
(i)	This is a supplemental SF 215 issued by the bank to acknowledge that the total of the checks included in a particular deposit exceeded the amount shown on the SF 215 under which the checks were deposited. The memorandum copy of the SF 215 should be enclosed with this schedule.
(j)	This is a confirmed foreign currency deposit made in a Treasury General Account (not a limited depositary account). The deposit had been carried on the SF 1219 at the disbursing officer's valuation of those funds, \$950. When the funds were accepted by the Federal Reserve Bank, New York, the U.S. dollar proceeds were credited to the symbol in the amount of \$900. The difference of \$50 was vouchered as a loss by exchange transaction.
(k)	This entry corrects erroneous entry of the deposit number when originally reported. It reverses the original entry and reenters the correct data. There is no impact on the DO's accountability.

★Figure 5-9 (Continued). Schedule of Deposit Activity (Entry Explanations)

SHIPMENT OF FUNDS <i>(Items listed are covered by the Government Losses in Shipment Act)</i>				1. DATE SHIPPED (YYMMDD) XX0116	2. SHIPMENT NO. (B/FY) 3-XX
3. TO (Include Zip Code) FEDERAL RESERVE BANK OF SAN FRANCISCO PO BOX 7742 SAN FRANCISCO, CA 94120		4. FROM (Include Zip Code) J. A. HANCOCK LT, SC, USN USS CANBERRA (CG2) FPO AP 96601			
5. PURPOSE OF SHIPMENT Deposit to official US Treasury account DSSN 7834 (CIN 00007834-6)		6. SHIPMENT VIA Registered Mail		7. MAIL RECEIPT (if applicable) a. NUMBER PO # X-5217 Registry # 3678 b. DATE (YYMMDD) XX0116	
8. GBL NO (if applicable)					
9. CURRENCY OR COIN					
a. TYPE	b. DENOMINATION	c. QUANTITY	d. MONETARY UNIT TOTAL	e. RATE OF EXCHANGE	f. VALUE IN US DOLLARS
U. S.	1	200	200.00		200.00
U. S.	5	100	500.00		500.00
U. S.	10	500	5,000.00		5,000.00
U. S.	20	400	8,000.00		8,000.00
				g. TOTAL CHECKS MONEY ORDERS (From Reverse)	250.00
				h. TOTAL SHIPMENT	13,950.00
10. SHIPPER CERTIFICATION: WE HAVE COUNTED, VERIFIED AND SEALED THIS SHIPMENT.					
a. DISBURSING OFFICER, DEPUTY OR AGENT (1) Printed Name and Signature J. A. HANCOCK LT, SC, USN		(2) Date Signed (YYMMDD) XX0116		b. WITNESS (1) Printed Name and Signature B. O. GIEGER, ENS, USN XX0116	
(2) Date Signed (YYMMDD)					
11. DELIVERY CERTIFICATION: THIS SHIPMENT WAS RECEIVED FROM SHIPPER AND DELIVERED TO a. ENTER POST OFFICE OR CARRIER					
b. DELIVERY DATE (YYMMDD) XX0116	c. DELIVERY TIME 1030	d. INDIVIDUAL RECEIVING DELIVERY (1) Printed Name and Signature M. S. DENNIS	(2) Title POSTAL OFFICER	(3) Grade/Rank FC1, USN	
12. RECIPIENT CERTIFICATION I RECEIVED \$13,950.00 IN THIS SHIPMENT. (Not applicable when funds are for deposit.) (Returns signed original to shipper.)		a. RECIPIENT (1) Printed Name and Signature R. B. COSTER	(2) Date Signed (YYMMDD) XX0121	b. WITNESS (1) Printed Name and Signature G. R. JAMES XX0121	
		(3) Title CASHIER, FRB, SF	(4) Grade/Rank	(3) Title CASHIER, FRB, SF	
				(4) Grade/Rank	

Figure 5-10. Sample DD Form 165 (Shipment of Funds) (Front)

[illegible]

Figure 5-10. Sample DD Form 165 (Shipment of Funds) (Reverse)

CASH COLLECTION VOUCHER		DISBURSING OFFICE COLLECTION VOUCHER NO.		
		RECEIVING OFFICE COLLECTION VOUCHER NO.		
R E C E I V I N G	ACTIVITY (Name and location) (Include ZIP Code) HHB (-) 2d Bn 147th FA PO Box 577, Webster, SD 57274			
	RECEIVED AND FORWARDED BY (Printed name, title and signature) Lowel M. Howard Major Supply Command		DATE 22 Dec 19XX	
D I S B U R I N G	ACTIVITY (Name and location) (Include ZIP Code) FINANCE AND ACCOUNTING OFFICE, FT CARSON, CO 80913			
	DISBURSING OFFICER (Printed name, title and signature) David H. Farrish, LTC, AR/FC		DISBURSING STATION SYMBOL NO. 5002	DATE RECEIVED SUBJECT TO COLLECTION 23 Dec 19XX
PERIOD: FROM TO				
DATE REC'D	NAME OF REMITTER DESCRIPTION OF REMITTANCE	DETAILED DESCRIPTION OF PURPOSE FOR WHICH COLLECTIONS WERE RECEIVED	AMOUNT	ACCOUNTING CLASSIFICATION
	<u>MEAL</u>	<u>NUMBER</u> <u>RATE</u>		(INSERT ACCOUNTING CLASSIFICATION TO BE CREDITED IN THIS COLUMN)
	<u>BREAKFAST</u>	00		
	<u>LUNCH</u>	21	1.50	31.50
	<u>DINNER</u>	6	1.50	9.00
	<u>SURCHARGE</u>			
	<u>BREAKFAST</u>	00		
	<u>LUNCH</u>	13	.40	5.20
	<u>DINNER</u>	3	.40	1.20
	TOTAL AMOUNT REMITTED			46.90
	CASH MEAL PAYMENT SHEET FOR WHICH MONEY IS BEING MAILED:	SN _____ SHEET NO: _____		
	LESS FEES FOR CASHIER'S CHECK 123, BANK OF CO			.25
	I CERTIFY THAT A FEE OF .25 WAS COLLECTED FOR THE PURCHASE OF A CASHIER'S CHECK.	(SIGNATURE)		
TOTAL			46.65	

DD Form 1131, APR 57

REPLACES EDITION OF 1 APR 56 WHICH IS OBSOLETE.

Form approved by Comptroller General, U.S.
24 January 1958

126/153

Figure 5-11. Sample DD Form 1131 (Cash Collection Voucher)
(with deduction for cashier's check)

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Figure 6-1. Summary of Actions on Physical Loss of Funds

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Figure 6-3. Sample DD Form 2667, Subsidiary Accountability Record (Cumulative Loss of Funds)

★Figure 6-4. Sample DD Form 2667, Subsidiary Accountability Record (Quarterly Minor Loss Report)

Figure 6-5. Sample Transmittal Letter for Quarterly Minor Loss Report

Figure 6-6. Sample DD Form 2667, Subsidiary Accountability Record (Overage of Funds Record)

CHAPTER 6

IRREGULARITIES IN DISBURSING OFFICER ACCOUNTS0601 IRREGULARITIES

060101. General. Irregularities are categorized as physical losses of funds; illegal, incorrect, or improper payments; or overages of funds. Physical losses of funds are further segregated by major losses and minor losses. A major physical loss of funds is a loss of \$750 or more, or any physical loss where there is evidence of fraud within the accountable function, regardless of dollar amount. A minor physical loss of funds is a loss of less than \$750 without any evidence of fraud internal to the accountable function. Any person who believes that an individual entrusted with public funds is misusing those funds shall notify the commander having jurisdiction over the alleged offender. Action shall then be taken as prescribed in this chapter.

060102. Responsibilities of the DO. If a DO has knowledge of or reason to believe that a deputy DO, or any other person to whom funds have been entrusted, has lost or misused or may be misusing those funds, the DO shall report such information to the commander exercising immediate jurisdiction over the alleged offender. When a DO discovers an irregularity in the disbursing account, the DO shall immediately verify that all transactions have been properly posted and verify the accuracy of all totals on the DD Form 2657 and/or each deputy's, agent's, or cashier's DD Form 2665 (Daily Agent Accountability Summary) since the date of last balancing. The DO then shall verify by actual count that the total of all cash and documents held as cash by the DO and all deputies, agents, and cashiers is in agreement with the amount shown as on hand on the DD Forms 2657 and 2665. If the irregularity is not resolved within 24 hours of discovery, the DO shall report the irregularity to the commander and request that the commander direct an immediate audit of all disbursing assets by the cash verification team to confirm that an irregularity has occurred. In all cases, the report to the commander shall be in writing. The commander shall be advised immediately of the cash verification team's findings. Failure to report an irregularity to the commander may contribute to an unfavorable decision with regard to relief of the DO should the DO later request relief of liability.

060103. Responsibilities of the Commander. Except as provided in paragraphs 060401 for minor physical losses, 060502 for erroneous payments, and 060603 for overages, the commander shall take action to report irregularities through the chain of command to the servicing DFAS Center upon receipt of information from the DO or other individual that an irregularity has occurred. The report, when required, shall not be classified or made in message form unless unusual circumstances exist.

A. Commander's Report of Irregularity. Information furnished in the report shall include:

1. the specific type of irregularity;
 2. all known circumstances (including the date the irregularity occurred or was discovered);
 3. the dollar amount of the irregularity;
 4. the identity of the accountable individual(s) by name, rank or grade, and accountable position;
 5. the type of investigation that has been or will be convened (see section 0607 of this chapter);
 6. the estimated completion date of the investigation, if applicable;
- and,
7. the status of any recovery action in progress or contemplated.

In the case of an irregularity in an imprest fund, the report shall also include the authorized maximum amount of the fund. See figure 6-1 for a summary of actions to be taken when an irregularity caused by a physical loss of funds is discovered. See figure 6-2 for a summary of actions to be taken when an irregularity caused by an illegal, incorrect, or improper payment is discovered.

060104. Reporting Irregularities to the General Accounting Office (GAO). As required by Title 7 of the U.S. General Accounting Office Policy and Procedures Manual (reference (n)) the servicing DFAS Center is responsible for preparing a report to GAO on each irregularity that affects the accounts of disbursing officers. If the irregularity is resolved within two years after the date the accounts are made available to GAO for audit, reporting the irregularity to GAO is not necessary. Reports to GAO required by this paragraph should be addressed to: Assistant Comptroller General, Accounting and Financial Management, ATTENTION: Accounting Systems Audit, U.S. General Accounting Office, 441 G Street, NW, Washington, DC 20548. The report should contain the following information:

- A. A detailed statement of facts of the case, including the type of irregularity, date, amount, and names and positions of the accountable individual(s) involved.
- B. A reference to pertinent supporting documents, such as pay records, contracts, and vouchers.
- C. A description of how the irregularity occurred and how it affected the accountable officer's account.

D. Adequate description of procedural deficiencies, if known, that caused the irregularity and the corrective action taken or to be taken.

E. Information on any recoupment already made or being considered.

0602 ACCOUNTING FOR IRREGULARITIES

060201. General. Specific instructions for recording and clearing irregularities on the SF 1219 are provided in Chapter 19 of this volume. In addition, the DO shall use DD Form 2667 (Subsidiary Accountability Record) to maintain a record of all physical losses and overages of funds discovered in the disbursing officer's account. Separate DD Forms 2667 shall be maintained for physical losses and overages of funds. Physical losses and overages incurred by deputies, agents, cashiers, imprest fund cashiers, and change fund custodians shall be included on the DD Form 2667. The DD Form 2667 maintained for physical losses shall be balanced and reconciled to the DD Form 2657 daily. The DD Forms 2667 shall be kept on file with the DD Form 2657 as a subsidiary record supporting the DD Form 2657. If more than one physical loss or overage occurs during a single business day because more than one deputy, agent, cashier, or change fund custodian is used, each loss or overage shall be accounted for individually as prescribed in this chapter. When a DO is relieved from disbursing duty (with or without a successor), any unresolved irregularity shall be handled as prescribed in Chapter 22 of this volume. Pecuniary liability for an irregularity cannot be transferred to the relieving DO. However, a successor DO may assume responsibility for the value of dishonored personal checks when action to request removal of the irregularity has been taken as required by Chapter 4 of this volume. This assumption of responsibility shall in no way impose any pecuniary responsibility for the irregularity on the successor nor relieve the officer in whose account the irregularity occurred from pecuniary responsibility. Both the former and relieving DOs shall be responsible for taking any necessary actions to resolve the irregularity.

060202. Preparation of DD Form 2667 as a Cumulative Record of Physical Losses. List each physical loss occurring during each day on the DD Form 2667. See figure 6-3 for an example of DD Form 2667 prepared as a cumulative record of physical losses. Complete the form as follows:

- A. Item 1: DSSN. Enter the DSSN.
- B. Item 2: Purpose of Record. Enter "Cumulative Losses of Funds."
- C. Item 3: Name of Disbursing Officer. Enter the DO's name and rank.
- D. Item 4: Address. Enter the DO's organization and address.
- E. Item 5: Date. For each loss of funds, enter the date the loss was picked up in the DO's accountability.

F. Item 6: Reference or Explanation. For each loss, enter a brief description of the loss together with identification of the person responsible for the loss or overage (if known).

G. Item 7: Increase. For each loss, enter the amount of the loss.

H. Item 8: Decrease. This item is used to record recovery or recoupment of physical losses. It is also used to record relief of liability for the losses, if granted.

I. Item 9: Balance. Enter the cumulative total of the losses shown in the record. This balance must be in agreement with DD Form 2657, line 7.3, Losses of Funds at all times.

0603 MAJOR PHYSICAL LOSSES OF FUNDS

060301. General

★ A. Major Physical Losses. A major physical loss is a loss of \$750 or more and includes losses of public funds, records, or papers by fire, flood, earthquake, action by a hostile force, airplane crash, shipwreck, explosion, other losses during shipment not covered by the Government Losses in Shipment Act (see Chapter 5 of this volume), unexplained losses, and other similar occurrences. Losses resulting from wrongful conduct, such as theft, robbery, and burglary, are treated as major physical losses regardless of the amount involved. Additionally, losses resulting from wrongful conduct, such as theft, robbery, burglary, embezzlement, or fraudulent acts of disbursing personnel, acting alone or in collusion with others, are treated as major physical losses regardless of the amount involved. Generally, gains and losses resulting from accommodation exchange transactions are not treated as physical losses or overages of public funds. Refer to Chapter 13 of this volume for procedures to process accommodation transaction gains and losses. Normally, dishonored checks received as an accommodation exchange are treated and processed as accommodation losses per Chapter 4 of this volume. However, if improper disbursing office actions are associated with the dishonored checks (e.g., check cashing for unauthorized personnel), the dishonored checks are treated as illegal, incorrect, or improper payments.

B. Reporting a Major Physical Loss. Immediately upon discovering a major physical loss, the DO shall take the actions prescribed in this chapter to verify all transactions and the accuracy of all totals on the DD Form 2657 and DD Forms 2665 since the last balancing. The DO then shall verify by actual count that the total of all cash and documents held as cash is in agreement with the amounts shown on the DDs 2657 and 2665. If the loss is not resolved within 24 hours of discovery, the DO shall make a written report of the loss to the commander and request the commander to direct an immediate audit of all disbursing assets by the cash verification team.

C. Investigating a Major Physical Loss. Every major physical loss shall be investigated. Normally, the commander shall convene the appropriate type of investigation and appoint the investigating officer(s). In those instances where the commander is not authorized to convene an investigation, the commander shall request an investigation through the chain of command. The officer(s) appointed to conduct the investigation shall make a thorough investigation as prescribed in section 0607 of this chapter.

D. Recording a Major Loss of Funds. All physical losses (whether major or minor) are recorded on the DD Form 2657 by increasing line 7.3 (or 9.3), Loss of Funds, and decreasing the appropriate cash on hand line. For example, if a cash count reveals U.S. currency on hand to be short \$100, decrease line 6.2A and increase line 7.3. To record a loss on the DD Form 2657, it may be necessary to prepare a collection voucher to transfer the amount of a fraudulent payment (where the fraud was perpetrated by someone within the disbursing office) back into the appropriation from which the payment was disbursed. This transaction is recorded as an increase to DD Form 2657 line 4.1B, Refunds, and to line 7.3 Loss of Funds. Support the entry on DD Form 2657 by recording the loss on the DD Form 2667 as prescribed in paragraph 060202 above. Use a separate DD Form 2667 to support line 9.3 (predecessor losses) on the DD Form 2657. Do not offset individual losses and overages unless it is obvious they are related and the loss is recorded before the overage is recorded. Continue to show all losses on the DD Form 2657 and the SF 1219 until recovery or recoupment is made, or until relief of liability for the loss is granted.

060302. Major Change Fund Physical Losses. The DO (or authorized agent) advances change funds to a change fund custodian by authority of the commander. After the advance, the change fund custodian is liable for any losses of funds. However, though the funds are no longer under the direct control of the DO (or agent), the DO (or agent) remains accountable for the fund and could be held jointly and severally liable for any loss.

A. Classification of Change Fund Losses. A cash shortage occurring in a change fund usually is considered to be a loss of sales receipts (property) to the extent sales receipts are large enough to absorb the loss. Such a loss is not considered a DO loss of funds. When a change fund is made whole from sales receipts (property), no loss from the change fund is considered to have occurred. If a change fund can only be made partially whole from sales receipts (property), the balance of the shortage is considered to be a loss from the change fund. A loss of all activity funds must be considered a loss of both sales receipts and the change fund. A loss of the change fund alone can occur; however, if an after-hours theft of a change fund occurs (and sales receipts have already been deposited or turned over to the DO or authorized agent). A written justification is required when a cash shortage is reported as a change fund loss rather than a loss of sales receipts. If a loss to the change fund itself has occurred, report and process the loss according to the procedures in this section.

B. Sales Receipt Losses. Generally, a report of survey is initiated for the loss of sales receipts. Specific actions required for sales receipt losses are contained in the regulations governing the sales activity operation.

C. Combined Change Fund and Sales Receipt Losses. If the loss includes all or a portion of the change fund (\$750 or more) and sales receipts, the commander shall take the actions specified in paragraph 060103, above, to report the loss and convene or request the appropriate investigation. Information to the effect that investigation will proceed in conjunction with report of survey procedures should be included in the report. The commander shall initiate a report of survey for the loss of sales receipts. The report of survey investigation, plus any other investigations (e.g., FBI), must cover the facts and circumstances surrounding the entire loss (change fund and sales receipts). The report of survey determines liability for the loss of sales receipts only. Since the same set of facts and circumstances relates to both the loss of sales receipts and change funds, no separate investigation is required for the loss of the change fund. The commander shall send a summary report of the above investigation to the servicing DFAS Center. The report shall also include:

1. A certification that the DO (or authorized agent) advanced the change fund per this volume.
2. A statement of whether the safeguarding requirements prescribed in this Volume were met; if not, the reason.
3. A determination by the commander, concerning the change fund, that satisfactory evidence exists to support a recommendation for relief of the DO or any other person involved, or a finding of pecuniary liability against the DO or any other person involved.
4. A copy of the report of survey (and all attachments).

D. Recording a Change Fund Loss. Upon discovery of a physical loss of all or a portion of the change fund, the change fund custodian shall make a return (on paper only) of the amount of the loss using the DD Form 1081. Upon receipt of the DD Form 1081, the DO shall record the loss of the change fund on the DD Form 2667. The DO shall also record the loss on the DD Form 2657 as a decrease to line 6.5, Funds with Agents, and increase line 7.3. This bookkeeping entry does not relieve the change fund custodian of liability for the amount of the loss.

060303. Major Physical Losses by Deputies, Disbursing Agents, Paying Agents, Cashiers, and Collection Agents. Agents are pecuniarily liable for all funds entrusted to them. However, the DO maintains overall responsibility for the funds and may be held jointly and severally liable for any agent losses. Since agent losses are essentially DO losses, the agent shall report losses to his or her principal immediately upon discovery. The agent shall not delegate or reassign this responsibility. Agents operating on another installation shall report losses to the principal DO through his or her immediate commander. A subagent losing funds advanced by another agent shall report losses to the principal DO through his or her immediate commander and the agent who advanced the funds. The agent who advanced the funds shall notify his or her own immediate commander and the principal DO. In all cases, the DO shall notify his or her

own commander of the loss. If the loss is \$750 or more, the agent's commander shall take the actions specified in paragraph 060103 above to report the loss and convene or request the appropriate investigation. The agent incurring the loss of funds shall record the loss on the DD Form 2665 and prepare a turn-in to the principal using the DD Form 1081 (which includes the loss of funds) as required by Chapter 19 of this volume. The requirement to make an immediate turn-in to the principal applies in all cases including those instances where the agent has been authorized to make turn-ins on other than a daily basis. Upon receipt of the turn-in, the DO shall record the loss on the DD Form 2667 and decrease the appropriate cash on hand line of the DD Form 2657 and increase line 7.3. This bookkeeping entry does not relieve the agent of liability for the amount of the loss. Investigatory procedures included in this chapter are applicable to agent losses.

060304. Major Physical Losses by Imprest Fund Cashiers. As with other agents of the DO, imprest fund cashiers are pecuniarily liable for the loss of funds entrusted to them. Also, the DO still maintains overall responsibility for the funds and may be held jointly and severally liable for any imprest fund losses. Immediately upon discovery of a loss in an imprest fund, the imprest fund cashier shall report the loss to the DO (or authorized agent) who advanced the funds through the commander who approved establishment of the fund. If the loss is \$750 or more, the commander shall take the actions specified in paragraph 060103, above, to report the loss and convene or request the appropriate investigation. Based on the information contained in the imprest fund cashier's report of loss, the commander shall determine if (based on the amount of the loss, volume of imprest fund transactions, and frequency of replenishment) it is necessary for the DO to provide an additional advance in the amount of the loss to restore the imprest fund to its full operational level.

A. If the commander determines the additional advance is necessary, he or she shall notify the DO of the requirement in writing. The notification shall include information as to whether the imprest fund has been (or will be) turned over to the alternate imprest fund cashier pending completion of the required investigation(s) and instructions to provide the additional advance to the primary or the alternate imprest fund cashier, as appropriate. Restoring the imprest fund to its full operational level does not increase the value of the imprest fund. For example, if the amount of the fund is \$10,000 and a loss of \$1,000 occurs, advancing the \$1,000 to restore the fund to its full operational level does not increase the fund to \$11,000. The DO shall make the advance under the same guidelines as provided in Chapter 2 of this volume except that the amount of the additional advance shall not be recorded as an increase to DD Form 2657 line 6.5, Funds with Agents. In this case, the DO shall record the loss on the DD Form 2667 and shall record the additional advance on line 7.3, Loss of Funds. As with a routine imprest fund advance, the imprest fund cashier (or alternate) shall provide the DO with a signed DD Form 1081 upon receipt of the additional advance. Restoration of the imprest fund to its full operational level does not relieve the imprest fund cashier of liability for the loss of funds.

B. If the commander determines that it is not necessary to restore the imprest fund to its full operational level, the imprest fund cashier shall prepare a return (on paper only) of the amount of the loss using the DD Form 1081. Upon receipt of the DD Form 1081, the DO

shall record the loss on the DD Form 2667 and decrease DD Form 2657 line 6.5, Funds with Agents, and increase line 7.3, Loss of Funds. In addition, the imprest fund cashier shall account for the loss on the OF 1129 (the first OF 1129 submitted after the loss is discovered and all subsequent OFs 1129 submitted until the loss is recovered, recouped, or relief of liability is granted). On the OF 1129, the loss of funds shall be entered on the line titled "Difference" in the Status of Funds section. A notation similar to the following shall be typed on the face of the OF 1129 to identify the entry: Loss of funds reported (enter date), not restored. These actions do not reduce the authorized operational level of the imprest fund. They are bookkeeping transactions to properly account for and track the loss of funds. When the loss is recovered or recouped, or when relief of liability is granted, the DO shall clear the loss of funds from the DD Form 2667 and the DD Form 2657 line 7.3, Loss of Funds, based on the instructions provided by the servicing DFAS Center and then provide an advance (to restore the funds to its full operational level) to the imprest fund cashier under normal procedures described in chapter 2 of this Volume. The imprest fund cashier shall give the DO a DD Form 1081 upon receipt of the additional advance.

060305. Major Counterfeit Currency Physical Losses. Counterfeit currency or coinage accepted in conjunction with official disbursing office business transactions (as differentiated from accommodation transactions) are processed as physical losses of funds. The DO shall record the loss amount on the DD Form 2667 and DD Form 2657, line 6.2A, U.S. Cash on Hand (or 6.2B, Foreign Cash on Hand) by the amount of the counterfeit currency and increase line 7.3, Loss of Funds. Generally, most counterfeit currency losses will be minor rather than major losses, but major losses are possible. If \$750 or more of counterfeit currency is received during a single business day, or evidence of fraud in the disbursing office is associated with the receipt of any amount of counterfeit currency, the loss shall be processed as a major physical loss of funds.

060306. Major Loss of Original Vouchers. The DO is pecuniarily liable for the amount of the payment when a payment voucher becomes lost. However, the original and all copies of the voucher would have to be lost. If the original voucher is lost, and the DO's retained copy (and the retained supporting documents) is available, the copy may be stamped as a certified copy of the original voucher. There are times, however, when only the original voucher may suffice to support a payment. For example, the absence of a signature acknowledging receipt of a cash payment may negate the validity of the certified copy. For example, if a payee denies receipt of a cash payment and there is no original voucher (with the payee's signature) to prove the payment was properly made. The DO will be unable to prove that a proper payment has taken place and may be required to repay the payee. If the net pay amount of the voucher is \$750 or more, or if internal disbursing office fraud is associated with the loss of the voucher, process the loss as a major loss of funds and record the loss on the DD Form 2667 and DD Form 2657 as prescribed in paragraph 060301.D, above.

★ 060307. Major Loss of Documentation Supporting SF 1219 Receivables and Deposit Fund Account Balances. A physical loss of funds can occur whenever a DO is unable to collect an SF 1219 receivable because of the loss of documentation supporting the receivable. A

physical loss can also occur if open debit items within deposit fund accounts (e.g., **F3880) cannot be cleared because of the loss of supporting documentation. If the amount of the item (for which supporting documentation has been lost) is \$750 or more, or internal disbursing office fraud is associated with the loss of the documentation, process the loss as a major loss of funds.

0604 MINOR PHYSICAL LOSSES OF FUNDS

★ 060401. General. The DO is pecuniarily liable for all minor losses (under \$750, with no fraud involved) that occur in the DO's account. However, the DO may request relief of liability for minor losses by submission of a quarterly minor loss report to the servicing DFAS Center. Unless there is an indication that fraud is involved with the loss, it is not necessary for the commander to report a minor loss of funds through the chain of command to the servicing DFAS Center. However, the DO must notify the commander in writing whenever a minor loss of funds occurs. All minor losses over \$300 included on the quarterly report must be supported by a separate investigative report prepared by someone outside the disbursing office. Investigative comments associated with minor losses of \$300 or less shall be made by the DO and submitted in support of the associated line items on the quarterly report.

060402. Processing the Quarterly Minor Loss Report

A. Documentation of DO Minor Losses. Upon discovery of a physical loss of funds, the DO shall record the loss on the cumulative DD Form 2667 maintained in accordance with paragraph 060202 above and the DD Form 2657 by reducing the applicable cash on hand line and increasing the loss of funds line (7.3 or 9.3, as appropriate). The loss of funds shall also be recorded on a separate DD Form 2667 maintained specifically for minor physical losses of funds. See subparagraph 060402.D, below.

B. Documentation of Agent Minor Losses. Physical losses of funds incurred by deputies, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, or change fund custodians are identified as physical losses within the individual agent's accountability documents. A turn-in of the loss shall be made to the DO (just as if the lost funds were being returned to the DO). The DO shall then reduce the DD Form 2657 line 6.5 for that particular agent and increase line 7.3. The DO shall record the loss on the cumulative DD Form 2667 maintained in accordance with paragraph 060202, above, and also record the loss on the DD Form 2667 being maintained for minor losses of funds in accordance with subparagraph 060402.D, below.

★ C. Investigation of Minor Losses. Written investigatory comments are required for every physical loss of funds regardless of the amount. However, there is a procedural difference in the investigatory requirements for minor losses of \$300 or less and for minor losses over \$300. If fraud (internal to the accountable function) is discovered in conjunction with any physical loss of funds, the loss shall be processed as a major physical loss of funds.

★ 1. Minor Losses of \$300 or Less (No Fraud). For minor losses of \$300 or less, the DO shall conduct the investigation and render the written investigatory report. If the loss is attributable to the DO, the investigation shall be conducted by and the written report prepared by the primary deputy DO. Under no circumstances shall the individual incurring the loss prepare his or her own investigatory report. In all cases, the investigatory report shall be signed by the investigating officer and submitted in support of the quarterly minor loss report. The report may be prepared in letter or memorandum format and shall contain the following information and statements:

a. Name, grade, location, and capacity (e.g., deputy, cashier, disbursing agent) of the individual who incurred the loss.

b. Name, grade, and capacity (e.g., disbursing officer, deputy, disbursing agent) of the person who advanced the funds.

c. Amount of the loss.

d. A description of how the loss occurred.

e. A statement whether the loss is a physical loss (as contrasted with a loss from an illegal, improper, or incorrect payment or a loss from an accommodation transaction).

f. A statement whether there is evidence of fraud, intent to defraud, or other misconduct on the part of the accountable individual.

g. A statement whether, considering the circumstances involved, the accountable individual was functioning in a prudent manner and in accordance with applicable regulations and directives.

h. A statement whether the loss occurred while the accountable individual was acting within the individual's line of duty.

i. A statement whether the presumption of negligence is refuted by the specific facts established by the investigation.

j. The following investigating officer's recommendation, as appropriate: "I do/do not recommend relief from pecuniary liability."

k. The signed certification of the disbursing officer: "I have counseled (name of accountable individual) regarding appropriate corrective measures to prevent recurrence of losses of this nature, and I have reviewed the applicable regulatory procedures regarding small losses of funds."

★ 1. The signed statement of the accountable individual(s): "I have reviewed this investigative report and have/have not attached additional documentation or evidence which I consider pertinent to this loss."

★ 2. Minor Losses Over \$300 (No Fraud). Someone other than the DO or disbursing office personnel (e.g., a member of the cash verification team) shall be appointed by the commander to conduct the investigation of minor losses over \$300. The individual appointed to investigate the loss should have knowledge of disbursing office operations, especially of the required internal controls, pertinent laws, and applicable directives. In all cases, the investigatory report shall be signed by the investigating officer and submitted in support of the quarterly minor loss report. The investigatory report may be prepared in letter or memorandum format and shall contain the following information and statements:

a. Name and location of the DO or other agent where the loss occurred.

b. Name, grade, and capacity (e.g., disbursing officer, deputy, disbursing agent) of the person who advanced the funds.

c. Amount of the loss.

d. Cause of the loss, or whether the cause cannot be explained.

e. Time, date, and place where the loss was discovered.

f. Name, grade, and SSN of the individual directly responsible for custody of the funds at the time of loss.

g. Capacity in which the funds were held (e.g., cashier, change fund custodian, imprest fund cashier).

h. A statement whether the loss occurred in conjunction with valid disbursing operations.

i. Identification of regulatory provisions pertinent to the loss and whether they were complied with.

j. A comment on specific internal controls which might have prevented the loss, and the extent to which they were followed.

k. In general terms, a description of the actions the investigating officer took to be satisfied regarding whether fault was a cause for the loss.

l. A statement as to whether the loss occurred without fault or negligence by the accountable individual.

m. The following investigating officer's recommendation, as appropriate: "I do/do not recommend relief from pecuniary liability."

n. The signed certification of the disbursing officer: "I have counseled (name of accountable individual) regarding appropriate corrective measures to prevent recurrence of losses of this nature, and I have reviewed the applicable regulatory procedures regarding small losses of funds."

★ o. The signed statement of the accountable individual(s): "I have reviewed this investigative report and have/have not attached additional documentation or evidence which I consider pertinent to this case."

D. Preparation of DD Form 2667 as a Quarterly Minor Loss Report. Record all unrecovered minor losses occurring during each calendar quarter on a separate DD Form 2667 from the DD Form 2667 prepared to record and accumulate losses. See figure 6-4. Complete DD Form 2667 for the quarterly minor loss report as follows:

1. Item 1: DSSN. Enter the DSSN.
2. Item 2: Purpose of Record. Enter "Minor Loss of Funds Report" and the calendar quarter (for example, January 1 through March 31, 1993) for which the DD Form 2667 is being prepared.
3. Item 3: Name of Disbursing Officer. Enter the DO's name and rank.
4. Item 4: Address. Enter the DO's organization address.
5. Item 5: Date. For each of the minor losses included, enter the date each loss was picked up in the DO's accountability.
6. Item 6: Reference or Explanation. For each of the minor losses included, enter a brief description of the loss, together with identification of the person responsible for the loss (if known).
7. Item 7: Increase. For each of the minor losses included, enter the amount of the loss.
8. Item 8: Decrease. This item is not used on the quarterly minor loss report.

9. Item 9: Balance. Enter the total of all losses shown in the report.

E. Assembly of the Complete Quarterly Minor Loss Report. The DO shall assemble the report in the following order:

1. A covering transmittal letter similar to the example provided in figure 6-5.
2. The DD Form 2667 itemizing each minor loss included in the report.
3. The written investigatory report for each loss. The investigatory reports should be arranged in the same order as the losses appearing on the DD Form 2667.

F. Submission of the Quarterly Minor Loss Report. Total the minor losses quarterly and when the DO is relieved from disbursing duty. Mail the quarterly report with all required supporting documentation to the servicing DFAS Center not later than the 5th workday following the end of the quarter, or upon the DO's relief from disbursing duty, not later than the 5th workday following the date of relief. When the report is submitted upon a DO's relief from disbursing duty, the transmittal letter must contain the statement, "Submitted due to relief of the DO effective (enter date).\" Provide one copy of the report and supporting documents to the commander and retain one copy. Negative minor loss reports are not required.

★ G. Review of Quarterly Minor Loss Report. Upon receipt, the servicing DFAS Center will review the report package for completeness, validity, acceptance, etc. If the investigatory comments are not considered adequate, further information will be requested from the DO. The report package will then be forwarded to the Center's General Counsel for review and recommendation to the Director of the DFAS Center regarding whether relief of liability should be granted. The Director may request additional information, may deny relief, or may grant relief. If the Director grants relief for one or more of the losses included in the quarterly report, the servicing DFAS Center will provide instructions for removal of the loss(es) from the SF 1219 or will forward a check for the amount of relief granted to the DO. If the Director denies relief of liability for one or more of the losses included in the quarterly minor loss report, the DO will be advised of the adverse determination. Within the adverse determination will be a recommendation that one or more accountable individuals involved with the loss be denied relief, if appropriate. Accountable individuals adversely affected by the decision shall be afforded the right to rebuttal. The time period allowed for rebuttal shall not exceed 30 days. Upon return of the report to the reviewing authority, that authority shall reconsider the decision to deny relief and affirm or reverse the previous decision.

060403. Minor Change Fund Physical Losses. Generally, follow the procedures in paragraph 060302, above. If it has been determined that sales receipts (property) aren't sufficient to absorb all or part of the loss, the balance must be treated as a loss of funds. Include these balances on the quarterly minor loss report if they are less than \$750 and there is no internal

fraud associated with the loss. Reporting and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and there is no internal fraud associated with the loss.

060404. Minor Physical Losses by Deputies, Disbursing Agents, Paying Agents, Cashiers, and Collection Agents. Generally, follow the procedures in paragraph 060303, above. Include on the quarterly minor loss report if the losses are less than \$750 and there is no internal fraud associated with the loss. Reporting and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and there is no internal fraud associated with the loss.

060405. Minor Physical Losses by Imprest Fund Cashiers. Generally, follow the procedures in paragraph 060304, above. Include on the quarterly minor loss report if the losses are less than \$750 and there is no internal fraud associated with the loss. Reporting and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and there is no internal fraud associated with the loss.

060406. Minor Counterfeit Currency Physical Losses. Generally, follow the procedures in paragraph 060305, above. Include on the quarterly minor loss report if the losses are less than \$750 and there is no internal fraud associated with the loss. Reporting and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and there is no internal fraud associated with the loss.

060407. Minor Loss of Original Vouchers. Generally, follow the procedures in paragraph 060306, above. Include on the quarterly minor loss report if the losses are less than \$750 and there is no internal fraud associated with the loss. Reporting and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and there is no internal fraud associated with the loss.

060408. Minor Loss of Documentation Supporting SF 1219 Receivables and Deposit Fund Account Balances. Generally, follow the procedures in paragraph 060307, above. Include on the quarterly minor loss report if the losses are less than \$750 and there is no internal fraud associated with the loss. Reporting and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and there is no internal fraud associated with the loss.

0605 ILLEGAL, INCORRECT, OR IMPROPER PAYMENT LOSSES

060501. General. Illegal, incorrect, or improper (erroneous) payment deficiencies may result from overpayment of a payee; two or more payments to a payee for the same entitlement; payment to the wrong payee; U.S. Treasury check issue overdrafts; negotiation of both the original and a substitute U.S. Treasury check; negotiation of both the original and a recertified U.S. Treasury check; any payment based on fraudulent, forged, or altered documents prepared or presented by individuals who do not work in the disbursing office; or payment in

violation of a regulation. Generally, there is no separate SF 1219 recording of erroneous payments similar to the requirements for recording physical losses of funds on lines 7.3 or 9.3 and they are not included on the DD Form 2667. In most cases an erroneous payment is charged to a valid appropriation via the disbursement voucher and the payment has already been made. If an erroneous payment is recouped (or collected from an individual held liable for the payment), the appropriation initially charged is credited for the amount recouped or collected. If no recoupment or collection is made, or if relief of liability is granted, the appropriation charge remains as if it were valid. All replacement check double-payment and check-issue overdraft losses are reported under the erroneous payment category. Normally, dishonored checks received as an accommodation transaction are treated as an accommodation exchange loss as prescribed in Chapter 4 of this volume. However, if improper disbursing office actions (not fraudulent) are associated with the dishonored checks (e.g., cashing for unauthorized personnel), dishonored checks are treated as illegal, incorrect, or improper payments.

★ 060502. Reporting Erroneous Payments. Upon discovery or receipt of notification that an erroneous payment has occurred, the DO shall report the erroneous payment to the Commander as prescribed in paragraph 060102 above. The Commander shall convene or request an investigation into the circumstances surrounding the erroneous payment as prescribed in paragraph 060503 and section 0607, below. A copy of the report to the Commander shall be provided to the appropriate entitlement functional area and the certifying officer. In addition, the DO is responsible for initiating collection action against the recipient of the payment as prescribed in chapters 29 and 30 of this volume and, in the case of commercial payments, Volume 10, chapter 18 of this Regulation. If the erroneous payment is recouped from the recipient, the proceeds shall be credited to the appropriation or fund charged when the payment was made. If the recipient of the erroneous payment does not voluntarily repay the erroneous payment within the time frames prescribed in the above references, the DO shall institute involuntary collection action as prescribed in chapter 30 of this Volume and Volume 10, chapter 18 of this Regulation. The DO, certifying officer, and/or other accountable officials involved in the erroneous payment may submit a request for relief of pecuniary liability for the payment as provided in section 0610, below and chapter 33 of this Volume. In all cases, documentation supporting attempts to recover the erroneous payment from the recipient must be included with any request for relief of liability.

★ 060503. Investigation of Erroneous Payments. A formal investigation of erroneous payments is not mandatory unless fraud (on the part of the payee, disbursing office personnel, certifying officer or accountable official(s)) is suspected in connection with the payment. However, the commander (or convening authority) may determine that a formal investigation is necessary. If so, the convening authority shall appoint the Investigation Board of Officers or Investigating Officer to gather additional information and determine responsibility. If no formal investigation is to be conducted, investigatory comments similar to those required in subparagraph 060402.C, above, for minor physical losses over \$300 are required. The memorandum or letter type investigatory report must outline the facts concerning the payment, the reason(s) no formal investigation is considered necessary, whether relief of liability is

recommended for the DO (and/or any other accountable individual(s)), and whether a request for relief is being submitted by the DO and/or other accountable individual(s).

0606 OVERAGES OF PUBLIC FUNDS

★ 060601. Recording Overages of Funds. Unless they obviously relate (and the relationship can be documented), do not offset any overage of funds against a physical loss of funds. An obvious relationship usually can be determined if foreign currency on hand is short and U.S. currency on hand is over by equal U.S.-equivalent amounts (for example, an overage of \$431.18 against a loss of \$431.18). Do not offset apparently related overages against shortages if the shortage and overage occur on different business days. Generally, an overage of funds shall be collected into the Budget Clearing Account **F3875 pending a determination of where the overage properly belongs. Subsequently, if no proper location for the overage is determined, the overage shall be transferred from **F3875 to the Treasury Department's receipt account, Forfeiture of Unclaimed Money and Property, **R1060. Track overages by recording on a separate DD Form 2667 maintained specifically for overages. Note: Unlike the cumulative DD Form 2667 maintained per paragraph 060202, above, to support specific lines on the DD Form 2657 and SF 1219, the DD Form 2667 for overages is a stand-alone document for tracking overages. Start a new DD Form 2667 for overages at the beginning of each quarter. When proper disposition of the overage is determined, be certain to record the disposition on the DD Form 2667. Forward a copy of the DD Form 2667 under a covering transmittal letter (similar to that shown in figure 6-5) to the servicing DFAS Center not later than the 5th workday following the end of each calendar quarter and upon the DO's relief from disbursing duty, not later than the 5th workday following the date of relief. If the report is being submitted because of relief from disbursing duty, the transmittal letter must contain the statement: "Submitted due to relief of the DO effective (enter date relieved)."

060602. Preparation of DD Form 2667 as a Record of Overages Losses. List each overage occurring during each day on the DD Form 2667. See figure 6-6 for an example of DD Form 2667 prepared as a record of overages. Complete the form as follows:

- A. Item 1: DSSN. Enter the DSSN.
- B. Item 2: Purpose of Record. Enter "Overage of Funds."
- C. Item 3: Name of Disbursing Officer. Enter the DO's name and rank.
- D. Item 4: Address. Enter the DO's organization and address.
- E. Item 5: Date. For each overage of funds, enter the date the overage was collected into a deposit fund account or miscellaneous receipt account, as appropriate.

★ F. Item 6: Reference or Explanation. For each overage, enter a brief description of the overage together with identification of the person responsible for the overage (if known). When disposition is determined, give a brief description.

G. Item 7: Increase. For each overage, enter the amount of the overage.

H. Item 8: Decrease. This item is not used on the DD Form 2667 maintained for overages.

I. Item 9: Balance. Enter the cumulative total of the overages shown in the record.

060603. Reporting Overages of Funds. The report and investigation requirements of paragraph 060103, above, are not required for overages of funds when there is no indication of fraud or other criminal act.

0607 INVESTIGATION OF IRREGULARITIES

★ 060701. Appointment of Investigating Officer. The appointment of an investigating officer shall be made by the appropriate commander (or in the case of DFAS Centers and OPLOCs, the Center or OPLOC Director) citing this paragraph as authority. In those instances where the commander is not authorized to convene an investigation, the commander shall request an investigation through the chain of command. A thorough investigation shall be made by the investigating officer pursuant to this section. The investigating officer shall not be in the chain of command of the DO, certifying officer or accountable officials involved in the irregularity. Only those individuals who are familiar with investigative techniques and who have a knowledge of the required internal controls, pertinent laws, and directives will normally be appointed as investigating officers. If the appointed officer does not fully meet these requirements, technical guidance should be requested from the activity comptroller or staff judge advocate.

060702. Investigating Officer's Procedures

A. Information to be Developed

1. The investigating officer shall be instructed to develop all factual information in connection with the irregularity so that proper action may be taken by higher authority. This should include information regarding the procedures followed by all individuals involved in the irregularity, as well as safeguards and controls instituted for the entire period in which the irregularity occurred. Investigations of irregularities that involved travelers checks shall include serial numbers and photocopies (front and back) of the travelers checks. Appendix C of this Volume is provided as a guide for investigating officers.

2. If possible, the investigating officer personally shall interview and obtain sworn statements from all persons who may have knowledge of the facts. Verbal

testimony need not be reported verbatim but may be summarized by the investigating officer, sworn to and signed by the individual concerned. When sworn statements cannot be obtained, the investigating officer shall submit a statement giving the substance of the expected testimony and the reason for not obtaining a sworn statement. The investigating officer shall make an effort to resolve or clarify all apparent discrepancies or contradictions disclosed by the statements secured. The investigating officer shall also procure such documents, photographs, and affidavits from persons having knowledge of the facts as will fully show the circumstances surrounding the irregularity in question. Particular use should be made of previous investigations already conducted in the area by the DoD Component's investigative service (e.g., Criminal Investigation Division (CID) or Naval Investigative Service (NIS)), Inspector General (IG), and Federal Bureau of Investigation (FBI) reports. The investigating officer may also use statements made by concerned parties in the previous investigations without the necessity of re-interviewing such persons.

★ 3. DOs, certifying officers and all accountable officials whose possible responsibility for the irregularity becomes an issue, shall be made parties in interest. Whenever it is recommended that an individual be held pecuniarily liable, the person shall be afforded an opportunity to examine all evidence and to present in writing his or her rebuttal regarding the irregularity.

B. Findings. The investigating officer shall make the following findings:

1. Physical Loss

a. That there (was) (was not) a loss to the United States in the amount of (include amount of loss).

b. The loss was not the result of an illegal, incorrect, or improper payment. A finding shall be made as to a deputy, agent, or cashier when either or all have responsibility for the funds involved in the loss.

★ c. The loss was not the result of fault or negligence on the part of the accountable individual (i.e., DO, deputy, agent, or cashier).

d. When the loss occurs in the internal account of a deputy, agent, or cashier, funds of the imprest fund cashier, custodian of change fund, or other individuals who are entrusted with funds, a finding shall be made that the loss in the amount of (include amount of loss) (was) (was not) (proximately caused by the negligence of) (the result of larceny committed by) (insert name of individual).

e. The investigating officer shall make any other findings that are considered necessary and appropriate. It is essential that all the above findings be supported by documentation. After each finding, reference shall be made by tab or page number to the supporting documentation.

f. That the accountable individual (i.e., DO, deputy, agent, or cashier) (was) (was not) carrying out official duties when the loss or deficiency occurred.

2. Illegal, Incorrect, or Improper Payment

a. That there (was) (was not) a loss to the United States in the amount of (include amount of loss).

b. That the loss was due to an illegal, incorrect, or improper payment.

c. That the payment (was) (was not) the result of bad faith or lack of reasonable care on the part of the DO or other accountable individual.

d. That the DO (has) (has not) diligently pursued collection action against the payee, beneficiary, or recipient of the illegal, incorrect, or improper payment.

e. The investigating officer shall make any other findings that are considered necessary and appropriate. It is essential that all of the above findings be supported by documentation. After each finding, reference shall be made by tab or page number to the supporting documentation.

★ f. That the accountable individual (i.e., DO, deputy, agent, cashier, certifying officer, or other accountable official) (was) (was not) carrying out official duties when the loss or deficiency occurred.

C. Recommendations. The investigating officer shall make recommendations for use by the reviewing authorities. These recommendations shall include the following, when appropriate:

★ 1. Whether the DO, deputy, agent, cashier, certifying officer, or other accountable official (should) (should not) be relieved of pecuniary liability for the loss in the amount involved.

2. Whether any other person or persons (should) (should not) be held pecuniarily liable for the loss, in whole or in part.

3. Necessary corrective action that should be taken to effect improvement in procedures or internal controls.

4. Any other recommendations considered necessary and appropriate in view of facts developed during the course of the investigation.

★ D. Adverse Findings. If the investigating officer recommends that the DO, certifying officer, or any other accountable official(s) be held pecuniarily liable for the loss, a copy of the report shall be provided to these individuals for the purpose of filing a written rebuttal if so desired. Refer to section 3307 of this volume for limitations on the pecuniary liability of an accountable official. This rebuttal may be in the form of a brief and/or additional witness statements. The rebuttal shall be in writing and attached as an exhibit to the report. Military counsel, if reasonably available, shall be furnished to those individuals desiring legal advice. A reasonable time not to exceed 30 days shall be allowed for the filing of the rebuttal.

E. Review and Disposition of Report

1. The reviewing authority shall be the commander (i.e., appointing authority). This may be delegated to the deputy commander, chief of staff, or comptroller. The reviewing authority may make such additional findings and recommendations as deemed pertinent to the investigation. In the event the reviewing authority recommends that relief from liability for the loss be denied and the individual has not been given the opportunity to make a rebuttal, the reviewing authority shall set forth the reasons for his or her action. Also the individuals adversely affected by his or her decision shall be afforded the right to rebuttal. The time period allowed for rebuttal shall not exceed 30 days. Upon return of the report to the reviewing authority, he or she shall reconsider his or her actions if a rebuttal has been submitted and then affirm or reverse his or her position.

2. The original and one copy of the report, including complete copies of all testimony and other exhibits, shall be forwarded through the reviewing authority's chain of command to the Director of the servicing DFAS Center, within 90 calendar days after the loss has been discovered. In the case of a loss at a DFAS Center, the report shall be forwarded to DFAS Headquarters, Deputy Director for Finance within 90 calendar days after the loss has been discovered. When there is evidence of fraudulent or wrongful conduct and the matter is under investigation by the military police, DoD Component investigative service, and/or FBI, the report should be held until the investigation is completed. Copies of the investigative reports should be added as exhibits before forwarding the report through the chain of command to the servicing DFAS Center (or DFAS Headquarters, Deputy Director for Finance). If it appears that the statute of limitations (three years) will expire prior to the completion of the DoD Component investigative service or FBI investigation, the report immediately shall be forwarded to the DFAS Center (or DFAS Headquarters, Deputy Director for Finance). In all cases, the 90 calendar day suspense shall be met or an extension requested from the Director of the servicing DFAS Center (or DFAS Headquarters, Deputy Director for Finance, if appropriate).

3. The reviewing authority shall furnish through the chain of command to the servicing DFAS Center (or DFAS Headquarters, Deputy Director for Finance, if appropriate), any information that becomes available after the report of investigation has been forwarded.

★ 4. The Director of the servicing DFAS Center (or DFAS Headquarters, Director for Finance, when appropriate) shall review the report. In all cases, the report shall be forwarded to the appropriate DFAS Office of General Counsel for review and recommendation. If the report lacks sufficient information (e.g., in the event the provisions for the findings and recommendations have not been complied with), it shall be returned for further investigation and fulfillment of the provisions listed above. If the servicing DFAS Center returns the report directly to the individuals for the purpose of review and for the filing of a written rebuttal, the period allowed for response shall not exceed 30 days. If the report is complete, the Director of the servicing DFAS Center (or DFAS Headquarters, Director for Finance for losses at a DFAS Center) shall make a final determination relevant to the question of relief or pecuniary liability of the DO and/or other individuals involved in the loss. If the Director of the servicing DFAS Center (or DFAS Headquarters, Director for Finance) determines that the DO and/or any other individual should be held pecuniarily liable for a loss, it shall also be determined if the right of rebuttal provisions above have been complied with. If not, the report shall either be returned to the reviewing authority or sent directly to the individuals concerned, setting forth the reasons for the adverse determination. If sent to the reviewing authority, the reviewing authority shall then afford the individuals adversely affected with the opportunity to file rebuttals. The time period allowed to file rebuttals shall not exceed 30 days. Upon receipt of the report by the reviewing authority with such additional information as may be submitted, he or she shall return it to the Director of the servicing DFAS Center (or DFAS Headquarters, Director for Finance) with his or her comments.

0608 STATUTE OF LIMITATIONS ON ILLEGAL, INCORRECT, OR IMPROPER PAYMENTS

★ 060801. General. The Comptroller General of the United States is required by 31 U.S.C. 3526 (reference (e)), to settle the accounts of disbursing officials within three years from the date of receipt of substantially complete accounts. As prescribed in Title 7 of the U. S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (reference (n)), the beginning of the three-year statute period is generally considered to be the end of the period covered by the applicable SF 1219. Therefore, except in cases of unresolved Notices of Exception, settlement will occur, by operation of law, three years after the date that the SF 1219 is certified. However, in certain cases as shown in paragraph 060802 below, the three-year period begins after notice of the loss is received by the DoD Component from the Treasury Department. If the loss is due to embezzlement, fraud, or other criminal activity, the three-year period does not begin until the loss has been discovered and reported to the appropriate DoD Component officials. Liability of an accountable individual is extinguished if all required actions are not completed within the prescribed three-year time limit. This includes both raising a charge against the individual as well as granting or denying relief.

060802. Application. The following subparagraphs are examples of illegal, incorrect, or improper payments and when the three-year statute of limitations begins.

A. Overpayments, Payments to the Wrong Payee, and Payments in Violation of a Regulation. Date the SF 1219, which includes the applicable paid vouchers, is certified.

B. Double Payments (Original and Substitute or Original and Recertified Treasury Checks - Both Negotiated). Date on which notice is received from the Treasury Department (SF 5515 or Daily Advice of Status) that the original check has been negotiated. In cases where the Treasury Department has provided credit for an outstanding check and the check is later negotiated, the three-year statute starts on the date of receipt of the chargeback from the Treasury Department.

C. Alteration or Forgery of Treasury Checks. Date on which the SF 5515 or other notice of alteration or forgery is received from the Treasury Department.

D. Check Issue Overdraft. Date on which the FMS Form 5206 is received from the Treasury Department.

E. Payments Resulting from Embezzlement, Fraud, or Other Criminal Activity of the Payee. Date the loss is discovered and reported to the appropriate DoD Component officials.

★ 060803. Extending the Statute of Limitations. If it appears that the three-year statute of limitations will expire before an illegal, incorrect, or improper payment can be submitted for relief, a request to extend the statute of limitations shall be initiated by the DO at least six months prior to the expiration of the three-year time limit. This request shall be addressed to the servicing DFAS Center and routed through the chain of command. The request shall contain the following information:

A. The name and rank or rate of accountable individual(s) involved.

B. An explanation as to why the illegal, incorrect, or improper payment documentation cannot be processed within the three-year statute of limitations.

C. A description of how the illegal, incorrect, or improper payment occurred and, if appropriate, when it was shown in the DO's accounts.

D. A statement regarding the illegal, incorrect, or improper payment to include the voucher or check number, date paid or issued, name of individual(s) involved, amount paid on the voucher or check, and the amount of the improper payment.

0609 RELIEF OF LIABILITY FOR IRREGULARITIES

★ 060901. General. This section amplifies the general information provided in Chapter 1 of this volume. When an accountable individual incurs an irregularity as a result of a physical loss of funds or an illegal, incorrect, or improper payment, that individual may be

granted relief of liability for the irregularity under the provisions of 31 U.S.C. 3527 (reference (e)) or this volume, as applicable.

★ 060902. Physical Loss of Funds. In Comptroller General Decision B-151156 (reference (u)), the Comptroller General of the United States ruled that the term "disbursing official" applies to all personnel in the DoD, whether military or civilian, to whom public funds are entrusted for the purpose of making disbursements. This application includes not only the DO, but also deputy DOs, disbursing agents, cashiers, agent cashiers, collection agents, paying agents, imprest fund cashiers, and change fund custodians. As provided in 31 U.S.C. 3527 (reference (e)), the Comptroller General shall relieve an official of the armed forces of liability for a physical loss of funds, vouchers, or records, or shall authorize reimbursement, from an appropriation or fund available for that purpose, of the amount paid by or on behalf of such official as restitution when:

- A. the Secretary of Defense determines that the official was carrying out official duties when the loss occurred;
 - B. the loss was not the result of an illegal, incorrect, or improper payment;
- and
- C. the loss was not the result of fault or negligence by the official.

The finding of the Secretary of Defense is conclusive on the Comptroller General. In all cases of physical loss by disbursing officials, the Secretary of Defense is the relief authority, regardless of the amount of the loss. The Secretary of Defense has delegated authority to the Director, DFAS to act for the Secretary of Defense to make the required determinations and grant or deny relief on all requests for relief of liability for physical losses submitted under the provisions of this volume. The Director, DFAS has delegated this authority to the Directors of the DFAS Centers unless the disbursing official is physically located at the DFAS Center, in which case the DFAS Deputy Director for Finance shall grant or deny relief.

★ 060903. Illegal, Incorrect, or Improper Payments. As provided in 31 U.S.C. 3527 and 31 U.S.C. 3528 (reference (e)), the Comptroller General shall relieve DOs and certifying officers of the armed forces of liability for deficiencies upon a finding that the following statutory standards are met. The determination of the Secretary of Defense that relief should be granted is binding on the Comptroller General. The Secretary of Defense has delegated authority to the Director, DFAS to make the required determinations and grant or deny relief on all requests for relief of liability for illegal, incorrect, or improper payments submitted under the provisions of this volume. The Director, DFAS has delegated this authority to the Directors of the DFAS Centers unless the disbursing official is physically located at the DFAS Center, in which case the DFAS Director for Finance shall grant or deny relief.

- A. Statutory Standards for a Disbursing Official

1. The payment was not the result of bad faith or lack of reasonable care; and

2. Diligent collection efforts by the disbursing officials and the agency were made.

B. Statutory Standards for a Certifying Official

1. The certification was based on official records and the official did not know, and by reasonable diligence and inquiry could not have discovered, the correct information ; or

2. That the obligation was incurred in good faith;

3. That no law specifically prohibited the payment; and

4. That the U.S. Government received value for payment.

5. Diligent collection efforts were made to recover the payment.

C. Standards for Accountable Officials. Accountable officials appointed under the provisions of section 3305 of this Volume are responsible for providing accurate information, data or service to a certifying officer to support payment certifications. These officials shall be pecuniarily liable for erroneous payments that result from information, data or service negligently provided to a certifying officer. Refer to section 3307 of this volume for limitations on the pecuniary liability of an accountable official.

0610 REQUESTS FOR RELIEF

★ 061001. General. Except as provided elsewhere in this chapter for minor losses, requests for relief of liability normally will be made by the accountable individual and shall comply with the requirements prescribed in this section and section 3309 of this volume. When the accountable individual is an agent of the DO (i.e., the deputy DO, disbursing agent, cashier, imprest fund cashier, or authorized custodian), that individual shall submit the request for relief through the DO responsible for the account. In addition, the officer designated to settle the accounts of a former DO may be required to request relief of liability on behalf of a former DO. When the accountable individual is an accountable official as defined in chapter 33 of this volume, that individual shall submit the request for relief through the applicable certifying officer. Generally, the accountable individual should submit the request for relief within 30 days after all required investigative and/or, when appropriate, the DO's required collection efforts have been completed and the loss has been referred to the servicing DFAS Center for further collection action. A copy of the investigating officer's report shall be included as an attachment to the request for relief.

★ 061002. Format. Requests for relief of liability shall be in the form of a memorandum from the accountable individual. The memorandum requesting relief shall be addressed to the servicing DFAS Center through the applicable DO or certifying officer and the requestor's chain of command. The memorandum and all forwarding endorsements thereto shall provide the DFAS Center with a complete report of the circumstances resulting in the deficiency and a reference to the findings of any fact finding body, report of investigation, or other proceeding.

★ 061003. Specific Information Required. Specific information is necessary to provide a complete report of the circumstances resulting in the irregularity. When an irregularity occurs, there is a presumption of fault or negligence on the part of the DO and/or certifying officer. It is the responsibility of the individual(s) requesting relief to dispel any doubt that the irregularity was not due to any fault or negligence on their part. A presumption of negligence does not apply to accountable officials appointed under the provisions of chapter 33 of this volume. When not supplied in the findings of any court of inquiry, board of investigation, court-martial, or other proceedings (including endorsements thereto), the following information shall be supplied and considered in the request for relief and/or the forwarding endorsements, as appropriate. Failure to provide all the information required could contribute to an unfavorable consideration of a request for relief.

A. The specific duty assignment of the accountable individual when the irregularity occurred.

B. A statement showing when, how, and by whom the irregularity was discovered.

C. A description of the actions taken to verify the irregularity and establish how the irregularity occurred.

D. A statement of when the last cash count and balancing was effected prior to discovery of the irregularity.

E. The prevailing circumstances when the irregularity occurred, e.g., volume of money handled, volume of transactions, number of personnel handled, complexity of transactions, actual operating conditions, and whether a shortage of disbursing personnel existed.

F. A copy of the appropriate standard operating procedures in effect at the time the irregularity occurred. If no written procedures are available, a statement shall be provided setting forth the known and utilized procedures at the time the irregularity occurred.

G. A statement indicating whether pertinent regulations and instructions were followed or, if not followed, an explanation and justification for any omissions and deviations.

H. A statement of past involvement, if any, by the individual requesting relief in any prior irregularities.

I. A statement indicating whether theft or other criminal act may have been involved.

J. A description of the manner in which the irregularity is being carried in the DO's account and the identity of the DO.

★ 061004. Forwarding Endorsements. Each addressee in the requestor's chain of command (including the DO and certifying officer (see paragraph 061002, above)) shall provide a forwarding endorsement and shall include a specific opinion as to whether the irregularity occurred while the accountable individual was in the line of duty and without fault or negligence. A specific recommendation as to whether relief should be granted shall also be included as a part of the forwarding endorsement.

061005. Review of Request for Relief. Upon receipt, the servicing DFAS Center or DFAS Headquarters, Deputy Director for Finance as appropriate, shall review the request for relief as well as all endorsements and the report of investigation for completeness, validity, acceptance, etc. If the request (or endorsements) are not considered adequate, further information will be requested. Relief of liability shall not be granted or denied without review and coordination of the Office of General Counsel at the servicing DFAS Center or Headquarters, as applicable.

061006. Relief Granted. If relief is granted, the servicing DFAS Center will provide a memorandum of instruction for removal of the deficiency.

061007. Funding for Removal of Irregularities.

A. General. In all cases, the ideal method for resolving an irregularity is recovery from the beneficiary of the irregularity (i.e., recovery of missing cash from the finder or recoupment from the payee in cases of overpayment, double payments, etc.), or in cases where the accountable individual is denied relief of liability, collection from the accountable individual. Prior to establishment of DFAS, each DoD Component with disbursing authority maintained appropriated funds to resolve irregularities. Since establishment of DFAS, some disbursing offices have been capitalized by DFAS and some are under DoD Component authority. In addition, under capitalization, military members and civilian employees of the serviced DoD Components have been or will be appointed to some of the accountable positions at capitalized DFAS disbursing offices. The following subparagraphs establish the funding responsibilities when relief of liability is granted and where the ideal method of recovery is otherwise not possible.

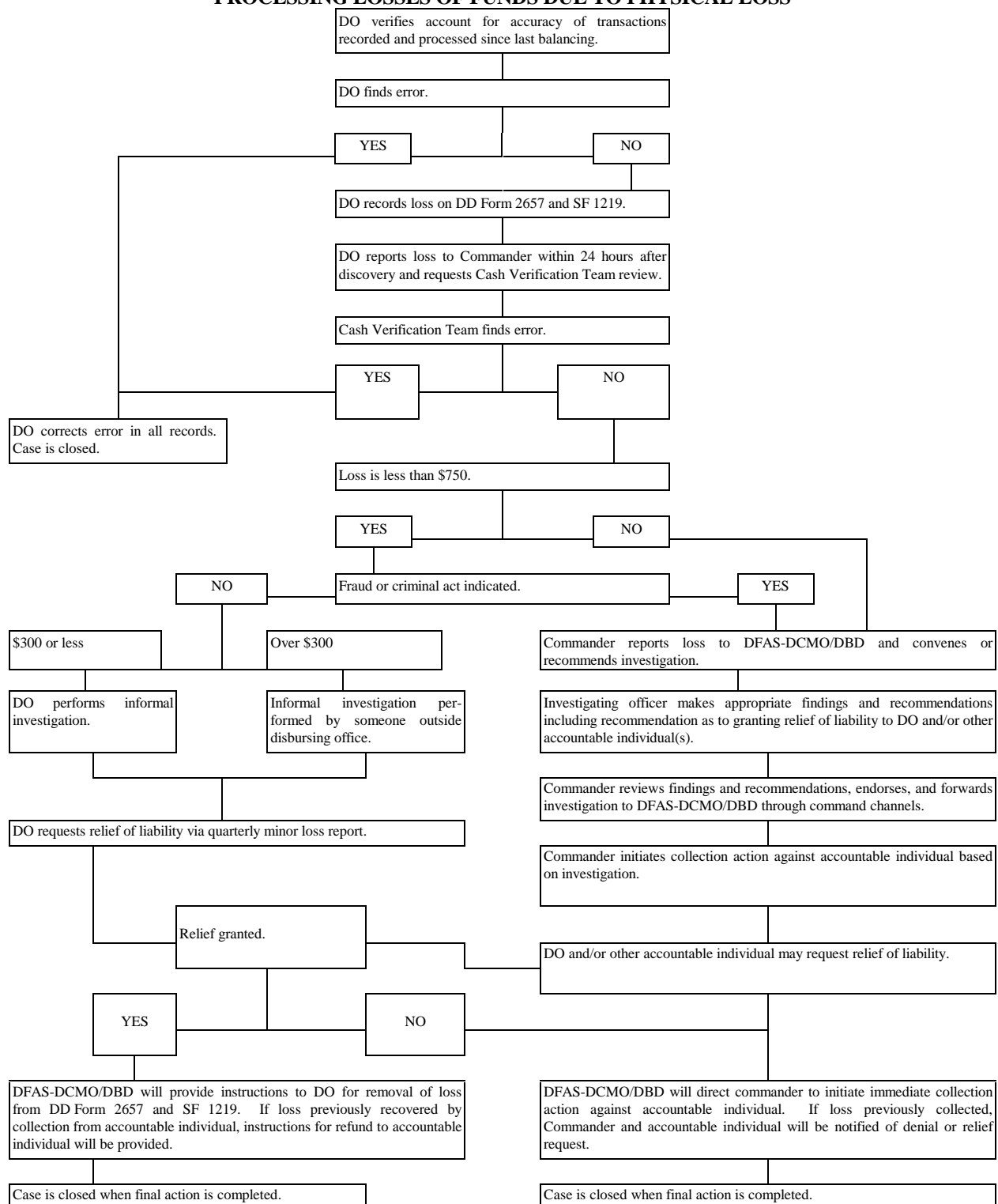
B. Physical Loss of Funds. Physical losses of funds are carried on line 7.3 of the DO's SF 1219. When the losses cannot be recovered (including those instances where relief

of liability has been denied and recoupment cannot be made from the accountable individual) or relief of liability is granted to the accountable individual, appropriated funds must be made available to remove the deficiency from the DO's SF 1219. If the accountable individual (the individual responsible for the loss of funds) was a DFAS employee or a military member assigned to DFAS when the loss occurred, DFAS is responsible for providing the appropriation and funding necessary to resolve the irregularity. If the accountable individual was a member or employee of another DoD Component when the loss occurred, that DoD Component is responsible for providing the appropriation and funding necessary to resolve the irregularity.

★ C. Illegal, Incorrect, or Improper Payments. As a general rule, losses due to illegal, incorrect, or improper payments are not carried on the DO's SF 1219 as a loss of funds since an appropriation was charged when the payment in question was made. However, there are exceptions to this general rule. For example, an exception occurs when the Treasury Department issues check issue overdrafts against a DSSN. If the illegal, incorrect, or improper payment is not or cannot be recovered from the recipient, the DO, certifying officer and/or accountable official(s) responsible for the irregularity must repay the irregularity or request relief of liability. If relief of liability is denied, the loss must be collected from the DO, certifying officer and/or accountable officials involved and the proceeds credited to the appropriation originally charged for the payment. If relief of liability is granted; the loss cannot be recovered from the recipient; and, in some cases, the liability of the accountable individual is extinguished by operation of the three-year statute of limitations; the amount of the illegal, incorrect or improper payment normally remains charged to the appropriation charged when the payment was made. However, if adjustment to the appropriation account to which the payment was charged is determined necessary as provided in Title 7 of the U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (reference (n)), the amount of the illegal, incorrect or improper payment shall be charged as provided in subsection (d)(1) of 31 U.S.C. 3527 (reference (e)).

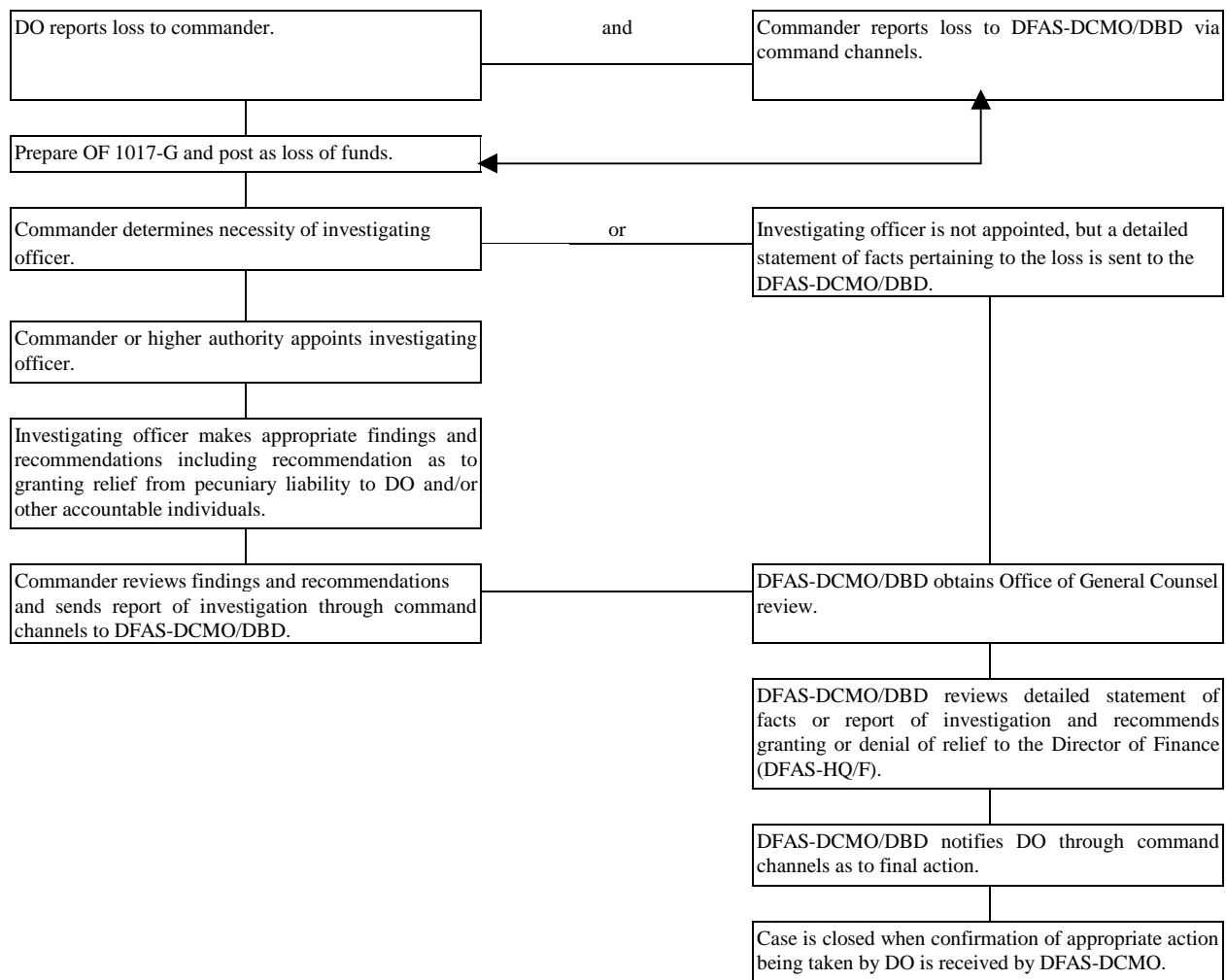
061008. Relief Denied. If relief is denied, the commander will be directed to take immediate collection action against the accountable individual. Procedures for effecting collection of irregularities are prescribed in Part II of this volume. Procedures for processing and accounting for collections of irregularities are prescribed in Chapter 19 of this volume.

PROCESSING LOSSES OF FUNDS DUE TO PHYSICAL LOSS



★ Figure 6-1. Summary of Actions on Physical Loss of Funds

PROCESSING LOSSES OF FUNDS DUE TO ILLEGAL, INCORRECT, OR IMPROPER PAYMENTS



★ **Figure 6-2. Summary of Actions on Loss by Illegal, Incorrect, or Improper Payment**

[illegible]

DD Form 2667, AUG 93

**Figure 6-3. Sample DD Form 2667, Subsidiary Accountability Record
(Cumulative Loss of Funds)**

SUBSIDIARY ACCOUNTABILITY RECORD				
1. DSSN 5040	2. PURPOSE OF RECORD Minor Loss of Funds Report, 1 Oct - 31 Dec 19XX			
3. NAME OF OFFICER Kevin Brown, Capt, USAF			4. ADDRESS 3415 CPTS/ACF, Lowry AFB, CO 80279-5260	
5. DATE	6. REFERENCE OR EXPLANATION	7. INCREASE	8. DECREASE	9. BALANCE
10/3/XX	SSgt John Overly (Cashier Loss)	12.00		12.00
10/14/XX	MSgt Ted Jones (Disb. Agent Loss)	23.70		35.70
10/20/XX	Harry Smith (Cashier Loss)	1.00		36.70
10/30/XX	SSgt John Overly (Cashier Loss)	.37		37.07
11/4/XX	R. Sharp (Paying Agent Loss)	100.00		137.07
11/9/XX	John Davis (Cashier Loss)	1.35		138.42
11/15/XX	Dee Jones (Cashier Loss)	40.00		178.42
11/18/XX	Bob Thompson (Cashier Loss)	23.00		251.42

DD Form 2667, AUG 93

★Figure 6-4. Sample DD Form 2667, Subsidiary Accountability Record
(Quarterly Minor Loss Report)

USE APPROPRIATE LETTERHEAD

REPLY

TO ACF

ATTN OF

January 3, 19XX

SUBJECT Minor Loss of Funds Report, October 1 - December 31, 19XX
TTO DFAS-DE
Denver, CO 80279-5000

1. Attached is a DD Form 2667 detailing minor losses of funds for the quarter ended December 31, 19XX is submitted per DoD Financial Management Regulation, Volume 5, paragraph 060402.F. Investigation of the losses associated with this report disclosed evidence that there has been no fraud, intent to defraud, or other misconduct on the part of myself or other accountable individuals within this organization.

2. As evidenced by the attached investigatory reports, all losses associated with this report are considered to be within the accountable individual's line of duty.

3. Please direct questions, comments, or further discussion of the attached report to Mr. J. Johnson, Deputy, DSN 965-2138.

KEVIN BROWN, Capt, USAF
Disbursing Officer

1 Atch
DD Form 2667 w/atc

cc: HQ TAC/ACF

(NOTE: If this is an out-of-cycle submission,
add the following paragraph to the above:

"This report is submitted due to relief of
the DO on (enter date of relief)."

Figure 6-5. Sample Transmittal Letter for Quarterly Minor Loss Report

[illegible]

DD Form 2667, AUG 93

**Figure 6-6. Sample DD Form 2667, Subsidiary Accountability Record
(Overage of Funds Record)**

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Figure 7-1. Sample of 1017-G, Journal Voucher

CHAPTER 7

U.S. TREASURY CHECKS

0701 GENERAL

070101. Authorized Purposes. DOs shall issue Treasury checks only in accordance with applicable laws and regulations for the following purposes: military pay and allowances; civilian payrolls; public vouchers for purchases and services; travel claims; authorized advances to travelers and agents; deposits to the credit of the U.S. Treasury; and exchanges for cash. The drawing of any check to an individual payee for the purpose of making payments to non-governmental agencies (such as the American Red Cross) is prohibited.

070102. Negotiability. All U.S. Treasury checks are payable up to 1 year from the date of issue. This limited payability became effective October 1, 1989; checks issued prior to October 1, 1989, were void effective October 1, 1990. Checks presented for payment that are not negotiable due to the above criteria shall be verified for validity and replaced, if appropriate, as prescribed in Chapter 8 of this volume.

070103. Check Types

A. Regular-Issue Checks. Regular-issue checks are standard checks with preprinted check symbol/serial numbers and magnetic ink character recognition (MICR) encoding. Standard checks are the only instruments which DOs are authorized to draw on the account of the Treasury Department.

★ B. Test Grid Checks. Test grid checks provide the format of the check by grid lines for use in testing or aligning automated check writing equipment. They are white with a non-reproducible blue test grid (eight vertical lines per inch and ten horizontal character positions per inch). Test grid checks are printed for Government-wide use. Date and dollar boxes are to be ignored since these boxes are not preprinted on checks. Test grid checks are not for issuance.

★ C. Unnumbered Checks. Unnumbered checks are regular-issue checks without preprinted check symbol/serial numbers and magnetic ink character recognition (MICR) encoding. These checks are for use only by DFAS Centers. Unnumbered checks are controlled by a preprinted Inventory Control Number (ICN). Special check-writing equipment is required to issue unnumbered checks.

★ D. Specimen Checks. Specimen checks are identical to unnumbered checks except that each specimen check is overprinted with the words "SPECIMEN CHECK - NON-NEGOTIABLE" in the signature space. Specimen checks should be safeguarded the same as blank checks although they have "SPECIMEN - NON-NEGOTIABLE" preprinted across them. A

blank check marked "Void - Not Negotiable, No Check Issued Under this Number" should be used if available; otherwise, a piece of paper or card of check size (3 1/4" X 7 3/8") may be used.

★ E. Check Serial Numbers. When all serial numbers of a symbol have been used, FMS will assign a new checking account symbol for the next supply of checks, if necessary. Accordingly, as serial numbers of checks issued approach 99,999,999, the disbursing officer should notify FMS's Check Reconciliation Branch, through the servicing DFAS Center, so a new checking account symbol can be assigned before the next supply of blank checks is ordered. When ordering the new check supply, the disbursing officer should allow additional time for the proof to be changed (in addition to the time normally required to print and deliver the checks).

★ F. Check Numbers. The initial order for serially numbered checks must specify that the numbers begin with 00,00,001. Depending on the quantity of checks ordered, the serial numbers must end in 00,000,999, as appropriate. Subsequent orders must specify serial numbers that follow exactly in sequence as those on preceding orders.

070104. Check Features

A. General. Disbursing activities are authorized to issue only multicolored, standard size checks against the account of the Treasury Department. A standard size check measures 7 3/8 inches in length and 3 1/4 inches in width.

★ B. Pre-encoded Magnetic Ink Characters. Certain information is encoded in magnetic ink along the lower edge of regular-issue checks. The MICR area extends across the width of the check from positions 14 to 54 and from the bottom edge of the check up 5/8". The MICR line will consist of a nine-digit check serial number in positions 23 through 31, a nine-digit transit number in positions 34 through 42, a five-digit check symbol number in positions 49 through 53, and the appropriate MICR symbols denoting preprinted symbol and serial numbers.

070105. Check Dating and Handling

A. Drawing the Check. All checks drawn on the Treasury Department shall be inscribed to the payee by name, or to a financial institution for credit to the account of the named payee, except when the check is drawn as an exchange-for-cash. The rules governing exchange-for-cash checks are in section 0705 of this chapter. Under no circumstances will a check be made payable to "cash."

B. Dating and Mailing of Checks. DOs shall not issue checks in payment of salaries prior to the completion of the service for which the payment is being made or prior to the scheduled payday, unless authorized (e.g., advance pay). However, a DoD Component is authorized to have a policy of mailing checks to payees prior to a military or civilian payday to ensure that the payment is available when due. If it is necessary to mail the check prior to payday, the check shall not be dated prior to the date of the scheduled payday. In the event that

this method of pay delivery is used, the agencies being serviced shall have internal controls that alert the DO when a payee becomes ineligible for scheduled pay (unauthorized absence, separation, etc.) and ensure that pay intercept procedures can be initiated.

C. Legal Representatives

1. Legal Representative of Estate of Decedent. A check may be drawn payable to the order of a legal representative of the estate of a deceased person. The payee on the check shall be named as follows: "John K. Smith, Executor (Administrator, etc.) of the estate of James R. Jones." Under no circumstance shall checks be made payable to "the estate of" a decedent or to a deceased person.

2. Committee or Guardian. A check may be drawn and made payable to the order of a legally appointed committee, guardian, or other legal representative of a mentally incompetent payee when specifically authorized as prescribed in Volumes 7 and 8 of this Regulation.

3. Power of Attorney. The payee of a check may authorize another person to pick up the check by execution of a specific power of attorney that clearly states the holder is entitled to pick up U.S. Treasury checks on the payee's behalf. The person picking up the check shall sign his or her own name on the voucher next to the words "Attorney-in-Fact," followed by the name of the person granting the power of attorney. A copy of the power of attorney shall be retained by the DO. The DO shall verify the identity of the holder. Payments made to the holder of a power of attorney that require "secret or confidential identity" shall be processed using a cover voucher inserted instead of the original. The original voucher with a copy of the power of attorney shall be transmitted to the responsible security office with instructions delineating how long the records shall be maintained.

070106. Signing Blank Checks. The signing of blank checks is prohibited.

070107. Security and Storage. Blank Treasury checks shall be stored in a secure container following the specifications in Chapter 3 of this volume. The checks shall be kept under lock and key or in the safe of the DO or deputy. The DO shall ensure that the conditions of storage prevent any deterioration of the surface tint and design of the check, which is sensitive to moisture, light, and heat. The DO shall accept checks which bear printing of a satisfactory color and strength and, if subsequent deterioration occurs, a replacement supply shall be obtained. Check stock may be stored in safes or vaults to which both the DO and the primary deputy have access. However, only one individual should be given primary responsibility for maintaining the check stock and related control records. Access by others should be limited to those occasions when the principal custodian is absent. Check stock shall be maintained under the control of the DO. In cases of joint custody, the DO shall ensure that no break in accountability occurs. The DO or deputy shall be accountable for the check stock at all times. This provision is intended only to provide for access to the check stock during periods of brief or unexpected absence of the

single individual (either the DO or a deputy) who exercises normal day-to-day responsibility for the check stock.

070108. Blank Check Control Log. Each DO shall maintain a blank check control log for each series of checks used. This log shall be used to maintain a perpetual inventory of checks on hand as well as controlling the release of checks to the check and bond issuing section. At a minimum, the blank check control log shall contain the: date; beginning check number; ending check number; balance of checks on hand; initials of the persons advancing or receiving checks; and initials of persons returning or receiving checks. The DO or designee shall examine the blank check control log daily to ensure that all checks drawn and checks returned unused are accounted for and that no checks have been removed without authority.

★ 070109. Blank Check Issue and Audit. Blank checks shall be issued from the check stock in blocks of appropriate size by serial numbers. The DO shall use a blank check control log as prescribed in paragraph 070108, above, to release blank checks to check-writers and to monitor return of blank, voided, or spoiled checks to the vault. The control log also shall be used to control issuance and return of checks between the DO and sites external to the disbursing office where the checks are prepared. In this case, a receipt shall be obtained for the checks issued, and the person or persons in charge of the working stock shall keep a record of checks issued daily to each clerk for preparation and shall examine daily the record of checks drawn and checks returned unused by the clerks to determine that all checks are accounted for and that no checks have been removed without authority. At least once every 60 days, the DO or designee shall take inventory of the check stock. Any open container shall be inventoried by individual count of the checks contained therein. All damaged cartons, or those bearing evidence of having been tampered with shall be opened and the checks contained therein shall be counted individually. A record of the inventory and total checks on hand shall be retained in the disbursing office and made available to the cash verification team to be attached to the quarterly cash verification report.

070110. Lost or Stolen Blank Checks. When blank checks are lost or stolen, the DO immediately shall notify the commander, the nearest office of the U.S. Secret Service (by message or telephone), as well as the Treasury Department. The notice shall be confirmed by memorandum to the Department of the Treasury, Financial Management Service, Check Reconciliation Branch, PGC-2, Room 500E, 3700 East-West Highway, Hyattsville, MD 20782, telephone (202) 874-8170, with copies to: the U.S. Secret Service; the appropriate DoD Component investigative service; the servicing DFAS Center; and local banks (if appropriate). The notice may be transmitted by electronic means (FAX) to telephone (202) 874-8436 or the most rapid means of communication available and shall include the following: the DSSN; the serial numbers of the checks involved; a statement giving complete information concerning the circumstances of the loss or theft; and the date the loss was referred to the Secret Service for investigation. Note: If the loss involves a range of consecutive serially numbered checks, only the beginning and ending serial numbers of the range is required. Only after the report advising of the loss is sent will the check serial numbers be reported to the Treasury Department as check issues. Checks that are discovered to be missing, lost, or stolen prior to issuance (including any

items missing from blank check shipments received from the contractor), should be treated as voids in accordance with I TFM 4-6045.30 and reported on magnetic tape or hard copy to FMS's Check Claims Branch.

070111. Reporting Check Issues. All check issues, including lost or stolen checks, are required to be reported to the Treasury Department. Detailed check issue reporting procedures are contained in chapter 9 of this Volume. For each lost or stolen blank check, the check-issue detail data shall show the amount as "0" (zero) dollars. If any of the checks are later negotiated, the Treasury Department will issue an FMS Form 5206 (Advice of Check Issue Discrepancy) to the DO. Where the lost checks have been reported by the DO (by both message/phone and memorandum) as required, the FMS Form 5206 is not recorded on the SF 1179 (Month End Check Issue Summary) or the SF 1219. To clear the item, the erroneous FMS Form 5206 shall be returned to the Treasury Department with a copy of the memorandum reporting the lost or stolen checks. Every FMS Form 5206 shall receive an immediate response, either by return to the Treasury Department with an explanation or by entry on the SF 1179 and SF 1219 as prescribed in section 0706 of this chapter.

070112. Evidence of Payment. The issuance and mailing of a check to a creditor of the U.S. does not, of itself, constitute payment of a debt. A debt is not discharged until a creditor has received the amount of the debt in money or its equivalent in law. An acknowledgement of receipt of the check is also not evidence of payment. The endorsement of the payee is evidence provided that the check was negotiated. The endorsed check is the receipt to the government.

0702 PROCUREMENT OF TREASURY CHECKS

★ 070201. General. All orders for U.S. Treasury checks shall be made using Government Printing Office (GPO) Form 2431 (Print Order-Department of the Treasury Checks and Proofs) (nine-part carbon) (R 9-90). No other purchasing documents are required or authorized. Disbursing offices should order a supply of checks to last a year, unless there is a good reason to request a supply for a longer or shorter period. Any such reason should be explained on GPO Form 2431 under "Remarks." The minimum amount of any assembly should be 1,000 checks. Larger quantities should be in even multiples of the quantities shown on GPO Form 2431. The order and shipping time for the checks is 90 days. DOs should maintain a 6-month safety supply level of checks on hand. Therefore, reorder levels should be set for when the check stock falls to the 9-month supply-on-hand level. All check orders shall be prepared and forwarded to the DO's servicing DFAS Center following the detailed guidance provided by that Center. A newly established DSSN should submit the check order at least 4 months prior to the planned commencement of disbursing operations. Cancellation of check orders shall be requested by telephone or message through the servicing DFAS Center. The GPO will charge a fee of \$10 for each order canceled. In addition to the GPO cancellation fee, a separate fee will be charged by the contractor if an order is canceled after check production operations have begun.

Defense Finance and Accounting Service
Cleveland Center

DFAS-CL/JFE
Cleveland, OH 44199-2056

Defense Finance and Accounting Service
Columbus Center
DFAS-CO/FP
Columbus, OH 43218-2317

Defense Finance and Accounting Service
Denver Center
DFAS-DE/WLS
6760 E. Irvington Place
Denver, CO 80279-8000

Defense Finance and Accounting Service
Indianapolis Center
DFAS-IN/AH, (Mail Stop 90)
8899 East 56th Street
Indianapolis, IN 46249-2201

Defense Finance and Accounting Service
Kansas City Center
DFAS-KC/AE
Kansas City, MO 64197-0001

Also, when a print order has been canceled, the disbursing office or its administrative office must notify the Check Reconciliation Branch at the following address:

Check Reconciliation Branch
Financial Management Service
Department of the Treasury
3700 East West Highway
Room 711A
Hyattsville, MD 20782
(Telephone: (202) 874-8150)

A. Designation of Officials Authorized to Sign Check Requisitions. Before any check purchase orders are submitted, the ordering agency must have designated one primary and one alternate official as having authority to sign check purchase orders. Designations for this purpose are accomplished by completion and submission of a FMS Form 5-89 (Signature File - U.S. Treasury Check Orders) to the Financial Management Service, Check Reconciliation Branch. These forms may be obtained by contacting the Check Reconciliation Branch. The FMS Form 5-89 is used to verify the signature on check purchase orders to ensure that only authorized officials requisition checks.

B. Blank Check Assemblies

1. Assembly A, Single check style.
2. Assembly B, Single check and two prenumbered tissue copies assembled in snap-out style interleaved with one-time carbons and 1/2" binding stub on the right end of the check.
3. Assembly C, Single check with one prenumbered tissue copy assembled in snap-out style interleaved with a one-time carbon and a 1/2" binding stub on the right end of the check.
4. Assembly D, Continuous form single checks, 8 1/2" wide (including a 9/16" perforated margin on each side for pinfeed or overplaten feed devices).
5. Assembly E, Continuous form checks with right stub (4000 checks and 4000 stubs per carton), 15 7/8" wide (including a check-sized stub on the right side and a 9/16" perforated margin on each side for pinfeed or overplaten feed devices). The stub may be preprinted with the check serial number and other information desired by disbursing offices.
6. Assembly ER, Continuous form checks with right stub (40,000 checks and 40,000 stubs on a roll), 15 7/8" wide (including a 9/16" margin on each side for pinfeed or overplated feed devices). Checks do not have any preprinted symbol or serial numbers. A consecutive Inventory Control Number (ICN) is printed at the top of the check.
7. Assembly F, Continuous form of two checks in tandem in fanfold (8000 checks per carton), 15 7/8" wide (including a 9/16" perforated margin on each side for pinfeed or overplaten feed devices). Checks with preprinted symbol and serial numbers are numbered with even numbers on the left and odd on the right.
8. Assembly G, Continuous form checks with a check-sized stub on top, 8 1/2" wide (including a 9/16" perforated margin on each side for pinfeed or overplated feed devices). The stub may be preprinted with the check serial number and other information desired by disbursing offices.
9. Assembly H, Continuous form of two checks in tandem (80,000 checks on a roll), 15 7/8" wide (including a 9/16" margin on each side for pinfeed or overplated feed devices). Checks do not have any preprinted symbol or serial numbers. A consecutive Inventory control Number (ICN) is printed at the top of the check. Checks ordered without prenumbered symbols and serial numbers have a consecutive inventory control number printed at the top.

10. Assembly I, Continuous form checks with stub, 15 7/8" wide (including a check sized stub on the left side and a 9/16" perforated margin on each side for pinfeed or overlapped feed devices). The stub may be preprinted with the check serial number and other information desired by disbursing offices.

★ 070202. Emergency Checks

A. Ordering Emergency Checks. An order for emergency checks shall be made to the servicing DFAS Center. The DO's request shall be in writing (by message or memorandum) and include complete justification for the order. The request shall specify the DSSN under which the checks will be issued and the name of the DO. Orders should specify quantities in multiples of 1000 checks and the quantity should be sufficient to last until regular-issue checks are received. When applicable, identify the unfilled check order number and date of that order in the request. Orders for emergency checks shall be kept to an absolute minimum and shall be placed only as a last resort. Emergency checks shall be completely used before any new stock of regular issue checks are issued. Cancellation of emergency check orders shall be requested by telephone or message to the servicing DFAS Center. No fees are charged for canceling emergency check orders.

B. Emergency Check Stock. DFAS Centers with high volume printing equipment using check stock without preprinted check symbol/serial numbers and MICR encoding must have check printing equipment that can print the check symbol/serial numbers and related MICR encoding on the blank check stock. Under emergency situations only, these offices may use their print systems to produce prenumbered and MICR encoded check stock for use by other offices within that agency. An example of an emergency situation is when office "A" has a fire and its entire supply of symbol 1234 check stock is destroyed. The servicing DFAS Center can create a limited supply of emergency symbol 1234 checks for office "A" to last until regular stock is available through normal channels. The emergency check stock created bears symbol 1234 and check serial numbers in the 90-99 million range, in accordance with arrangements with the Department of the Treasury, Financial Management Service, Check Reconciliation Branch, 3700 East West Highway, Room 711A, Hyattsville, MD 20782 (Telephone 202-874-8150). Another example where emergency check stock systems may be used is during unexpected military deployment. Emergency checks will bear the appropriate Check Symbol and Serial Numbers in the 90-99 million range, in accordance with agreements with the Check Reconciliation Branch. The servicing DFAS Center must submit to the Check Reconciliation Branch manual signatures of designated officials authorized to disburse emergency check stock to disbursing activities. The emergency check stock system is not to be used to avoid ordering checks through normal channels. Any emergency check stock must be created under the following conditions: (1) produced on a print system that has a post/print verification feature to ensure the integrity of the printed and MICR encoded check symbol and serial numbers and (2) that internal control procedures are in place to prevent issuing duplicate payments bearing the same check symbol/serial numbers. Note: the Check Reconciliation Branch must be notified of the check symbol and serial number ranges involved prior to the creation and use of emergency checks.

070203. Receipt of U.S. Treasury Checks

★ A. Receipt. Upon receipt of a check shipment, the DO or designee shall verify that all checks have been received and, based on a representative sample, make an examination of the accuracy of the printing and check symbol/serial numbers in the upper right corner of the checks and in the MICR field. Any box which bears evidence of tampering shall be opened and the checks individually counted. An acknowledgment of receipt of the checks to the vendor is not required. However, an "Advice of Shipment" form is mailed by the vendor to the ordering activity after check orders are shipped if shipment is by means other than registered first class. The upper portion of the form describes the checks being shipped. The lower portion of the form is an inspection/receipt report. This form is to be signed and forwarded to the servicing DFAS Center after receipt and verification of the order.

B. Warranty. The vendor provides a 120-day warranty on the checks it produces. The warranty period begins the day the checks are delivered to the user. Therefore, it is the responsibility of the office that receives the checks to determine any obvious defects or missing stock before the warranty period expires. Otherwise, the vendor may not be liable for making replacements.

C. Defective Check Shipments. Note the following:

1. If checks are missing from the shipment or if check stock is defective in some other way and replacement of stock is warranted, contact the servicing DFAS Center.

2. If checks are damaged when received, in addition to the notification above, the DO should contact the trucking company or, if checks were sent by registered mail, the U.S. Postal Service to initiate a claim for damages, if appropriate.

3. If a check shipment is received that contains more than one check with the same check serial number, in addition to the notification to the servicing DFAS Center, the DO shall destroy each check which bears a duplicate serial number. The check serial numbers of the duplicate checks shall not be reported as zero dollar amounts in the check issue report since the remaining checks bearing these serial numbers may be issued in the normal manner. The checks bearing the duplicate numbers shall be marked "VOID - NOT NEGOTIABLE" and destroyed locally within 30 days.

4. If checks are discovered missing in the receipt verification process, or at any time thereafter, the DO shall notify both the servicing DFAS Center and the nearest DoD Component investigative service for referral and liaison with the U.S. Secret Service.

5. If checks are received that are intended for another disbursing office, the DO shall immediately contact the servicing DFAS Center.

070204. Transfers Between DOs. Checks transferred between DOs as a part of the relief from disbursing duty process shall be counted individually when they are not in the original packages.

0703 ISSUANCE OF TREASURY CHECKS

070301. Check Preparation. Checks shall be used and issued in strict numerical sequence within each series. The information essential to a check includes place of issue, date, serial number of check, payee, amount, signature of drawer, and other identifying information such as the symbol number and designation of title. The legends "SALARIES AND EXPENSES" and "DRAWN FOR ABOVE OBJECT" will not be preprinted on the face of the check. Check explanations (e.g., exchange for cash or salary) and other special information unique to each disbursing activity may entered at the bottom of the check to the left of the signature area. Extraneous data shall be kept to a minimum. Spaces allotted on the printed check form for specific information shall be used only for the purposes intended. No spaces will be left unfilled in a manner that would allow or facilitate alterations and additions that could lead to forgery or fraud. The completed check will have an orderly appearance and all parts will have good legibility for accurate reading in rapid handling. Overprinting, intersection and crowding shall be avoided. No check may be issued for more than \$99,999,999.99. In instances when the total payment exceeds that amount, two or more checks shall be issued which total to the payment required. Deviation in the check writing procedures outlined herein is not permitted unless authority first is obtained from the servicing DFAS Center.

★ 070302. Reporting Large Disbursements by Check. Since the Treasury Financial Management Service (FMS) is solely responsible for the management of the government's daily cash position, disbursement transactions by check affecting the cash position shall be made known to the FMS in advance of the time of actual disbursement. DOs disbursing \$50 million or more in a single transaction, or in multiple transactions of a common nature, shall report to FMS the following information at least two business days prior to the payment date. For example, if the DO issues 350 various vendor payments totaling \$50 million or more on the same day or issues a payroll totaling \$50 million or more on one day, a report to the Treasury Department is required. If a disbursement of over \$500 million is anticipated, a minimum of five business days advance notice is required. When specific disbursement information has not been finalized, inform FMS daily (by 9:30 a.m. eastern time) of approximate amount(s) and approximate payment date(s). Information on large disbursements should be reported by facsimile transmission (FAX) to FMS at commercial (202) 874-9945 or (202) 874-9984 using FMS Form 187 (Advance Notice of Large Deposits or Payments of \$50 Million or More). If the report is provided to FMS on other than FMS Form 187, at a minimum, the report shall contain:

- A. Name and address of the DoD Component (e.g., Air Force);
- B. Name and telephone number of disbursing officer;

- C. Disbursing station symbol number (DSSN);
- D. Appropriation or fund account charged (minimum of six digits, with the first two identifying the department);
- E. Description of transaction;
- F. Transaction settlement date;
- G. Amount of the disbursement;
- H. Payment mechanism (wire transfer or check);
- I. Check number for check payments;
- J. Payee name and address.

A copy of the report shall be retained with the DO's monthly retained financial records.

070303. Check Print Requirements

A. General. All data printed or typewritten on the checks should be imprinted in such a manner that the print is permanent and not affected by erasure, smudging, moisture, handling, the passage of time, or by other methods that might intentionally or unintentionally be employed to remove or alter the printing without affecting the check itself. Impact printers may be used. Laser type printers which lay an image on the surface of the paper shall not be used. Correctable ribbons used in manual preparation of checks lack the permanence necessary to protect against undetectable alteration, therefore such ribbons shall not be used under any circumstances. The correct position of the date, amount, payee name, and the signature of the DO is determined by the physical characteristics and layout of the blank check. Deviations from the normal positioning of this information should be avoided. In order to standardize printing and facilitate accuracy verification, words on checks should be inscribed all in upper-case (i.e., capital) letters and punctuation should be omitted, except commas used in addresses and to set off names of more than two payees.

B. Pay to the Order of. The payee's name shall be inscribed on checks in such a manner as to assure positive identification. To ensure correct endorsement and for other reasons that have established the custom, the surname of the payee should appear last; the correct order is first name, middle name or initial, and last name. Where the payee has an often used surname (such as "R T Jones" or "J G Smith") the use of initials only instead of the full given name is inadequate to provide a positive identification of the rightful payee. An initial in lieu of a first name will be used only as follows: in cases where the payee's legal given names consist of initials only in which case the words "Initials Only" should be shown after the initials; the length of the surname would leave insufficient space for the full first name; or where the check writing

system makes the use of a first name impractical, in which case other positive identifying data such as the payee's social security number (SSN) or address shall be shown on the check. While not a violation of the Privacy Act, when a payee's SSN is entered on the check, the SSN should be inscribed in a location where it will not be visible in window envelopes should the check be mailed. When checks are to be mailed, care should be exercised to assure that the full and complete address of the payee is entered on the checks or envelopes, including as necessary; rural route numbers, box numbers, house numbers, zip codes, and any other information essential for correct delivery.

C. Date. The date is to be printed on the right side of the check below the DSSN and check number, or at the top of the check immediately to the right of and on a line with the place of issue with a base line 9/32" from the top of the check. Check signers equipped with date bands may be used as long as the location of the stamped date does not interfere with preprinted data or other data to be printed or typed on the check.

D. Numeric Dollar Amount. The numeric dollar amount is to be printed in the upper right quarter section of the check in the area above the signature of the DO and below the checking account symbol; it should be in horizontal alignment with the name of the payee or the amount in the body. The amount figures should be preceded by a dollar sign followed by asterisks to fill the allotted area completely (e.g. \$*****123.45). No space should be left unfilled which might otherwise be susceptible to use for fraudulent insertion. Zeroes shall not be used for fill-in characters preceding amounts. The money amount shall contain no commas. This helps to avoid easy alteration of the amount.

E. Written Dollar Amount. The printing of the amount in the body of a check in words provides the DO and the Treasury Department greater safety against the alteration of amounts. If it is determined by a disbursing activity that substantial savings in the cost of issuing checks would result or that space is limited, figures only, without any spacing within the amount, may be used in one of the following formats: \$50and75cents; \$50and75/100; or, \$*****123.45.

F. Other Special Information. Special information (e.g., distribution code, computer or typewritten check serial number, SSN, or explanations for check issuance) should be printed at the bottom of the check to the left of the signature area. When checks are drawn for public vouchers or payroll payments, the disbursing office voucher number or, the bureau voucher number if applicable, may be inserted on the check at the option of the DO. When checks are issued by an industrial-commercial activity or on a voucher to various payees and no copy of the invoice or voucher is available for forwarding to the payee, the invoice number or other data necessary for the payee to identify the purpose of the payment shall be shown in the special information area. Activities issuing individual direct deposit (DD) checks to financial institutions, that are not part of the FRB Automatic Clearing House System, shall inscribe the required DD information: routing transit number; CR, C or S, account number, and type of payment; recipient's name and SSN; and local activity information. Note: Local activity information should be inscribed on the check so it will be readable, not interfere with any of the other inscribed or preprinted information, and not appear in the window envelope.

G. Area for Drawer's Signature. Each check issued must bear one of the following: the manual signature of the DO; an approved facsimile signature of the DO; or the manual signature of a deputy DO who has been appointed as prescribed in Chapter 2 of this volume. Manually signed checks shall have a typed signature line and title of the DO or deputy, depending on who signs the check. For example, checks signed manually by a deputy DO shall be signed below the printed, typed or stamped title of the disbursing officer for whom he is acting as follows:

Disbursing Officer

By _____
(Signature of Deputy).

All signatures on checks (whether manual or by facsimile signature plate) shall be of a permanent dark blue, blue-black, or black ink. The ink should not be subject to fading and not readily soluble in water.

070304. Erasures and Alterations. The DO shall not release checks bearing erasures, alterations, overprinting, or imperfect figures or letters. Such checks shall be spoiled or voided and a new check issued.

070305. Record of Checks Issued. DOs shall maintain a record of every check issued by their DSSNs. The record shall contain at least the payee; amount; DSSN; check serial number; and date of the check. Other information as to the purpose for which the check was issued, document numbers, voucher numbers, and local identification codes or numbers are optional and subject to the discretion of the issuing DO. The record may be on paper or in a media designed for data processing use (e.g., diskette, or magnetic tape). Copies of check issue records shall be included in the retained disbursing records.

070306. Supporting Documents. Attach documents and payroll vouchers used to support the record of checks issued to the original vouchers submitted to the servicing DFAS Center. These supporting documents are not transmitted to the Treasury Department with the check issue reports. Diskettes formatted for check-issue reporting and submitted to an OPLOC for consolidation, or tapes sent directly to the Treasury Department, contain all necessary data for Treasury Department reporting purposes. Requirements for submission of the SF 1179 are contained in Chapter 9 of this volume.

0704 CHECK SIGNING MACHINES

070401. Machine Specifications. Machines to be used for signing checks shall be selected on the basis of their ability to perform in agreement with Treasury Department regulations and standards. The machines should have the following mechanical features:

A. A dating device capable of placing the date either immediately above or immediately to the right of the words UNITED STATES . It is preferable to have the signature and date imprinted in a single operation; if the check-writing equipment also imprints the date, the check-signing equipment does not need to have this capability.

B. A counting device that will assure full protection against unauthorized use of the DO's signature and provide an accurate record of the number of times the signature die has been used. Disbursing offices currently using check-signing machines that do not have counting devices are authorized to continue use of these machines.

C. A signature die assembly that is removable. The signature die assembly shall be kept in a locked safe or vault or under other equally effective safeguards when not in use.

D. A mechanism capable of processing paper checks. Those offices issuing checks with detachable stubs shall ensure that the feeding device is capable of handling this type of check.

070402. Signature Plates

A. Requisition

1. General. Immediately upon receipt of orders to disbursing duty, the prospective DO shall contact the disbursing activity to determine if check-signing equipment is available and obtain all necessary information such as type of equipment, model and serial number, number of plates required, etc. If the prospective DO already has plates compatible with the equipment, the servicing DFAS Center shall be contacted and requested to forward the plates to the new location. If plates are not available, the prospective DO shall forward three specimen official signatures to the new duty station for use in procuring a new signature plate. The signatures shall be in black ink on blank, unlined, 3 by 5-inch white cards and a statement designating the number to be shown on the plate as explained in subparagraph 070402.A.2, below. Upon receipt of the specimen signatures, the DO to be relieved immediately shall prepare and forward a request for procurement to the office regularly providing procurement service. The purchase order for signature plates shall be forwarded to the servicing DFAS Center for approval and forwarding to the contractor. The Center will ensure that plates are ordered in sequential numbering. The purchase order shall include the following information:

- a. The type, manufacturer's name, model, and serial number of the check-signing machine.
- b. Whether the signature plate is for a machine currently in use.

c. If the plate is to be used on a new and undelivered machine, reference to the procurement papers for the machine including the manufacturer, type, and model.

d. The plate number and the name of the DO.

2. Numbering of Signature Plates. Treasury Department regulations require that the signature plates of each DO be numbered in sequence in the lower left corner of the border beginning with the number 1. Each order for signature plates shall include the next sequential number for the ordering DO.

3. Multiple Plates. Normally, only one signature plate will be used by the DO and authorized deputies. An additional plate may be obtained only upon approval of the servicing DFAS Center. Requests for additional plates shall contain complete justification of the need for more than one plate. If the check-signing machine uses one set of two plates for the signing process, approval for multiple plates is required for more than one set of plates.

B. Format and Quality of Impression. The servicing DFAS Center will not accept facsimile signatures which do not meet the required standards. Facsimile signature plates shall be designed such that the frame or border, which encloses the facsimile signature, shall contain no identifying characteristics. The frame or border shall be a single wavy line. The impression of the signature plate shall be characterized by sharpness of lines, a continuous and homogeneous deposit of ink, absence of filling, and absence of pronounced ribbon pattern.

C. Approval of Plates. When the plates are received, the DO whose signature is reproduced on the plates shall run 14 specimen copies of each facsimile signature. The DO shall certify 2 of the copies as true facsimile signatures. All 14 copies shall be mailed to the servicing DFAS Center with a memorandum requesting approval of the facsimile for signing checks. The reply of approval from the DFAS Center shall be the authority to use the check-signing machine. In the case of Cummins check signing machines, the contractor (Cummins) runs 14 specimen copies of each plate. The plates are mailed to the applicable DFAS Center, where the specimen copies are compared to the original signatures on the purchase order, and approval is forwarded to the disbursing office. If the specimen copies do not match or the plate does not meet required standards, the DFAS Center notifies the contractor and requests correction.

Note: Checks shall not be signed by facsimile signatures prior to receipt of the DFAS Center's approval.

D. Custody of Signature Plates. DOs shall establish necessary procedures to ensure control and prevent unauthorized use of signature plates. Custody receipts shall be maintained for all signature plates held by authorized deputies. A record of each run of checks through the check-signer shall be maintained and shall be reconciled with the report of checks issued. When not in use, signature plates shall be kept in an approved safe or vault. If the

signature dies are not removable from the check-signing machine, the keys to the machine (or the check-signing machine) shall be kept in an approved safe or vault.

E. Use of Signature Plates. Check-signing by signature plate should be performed by the DO or designated deputies. When considered necessary for efficient operation of the disbursing office, the DO may authorize the holder of a specified position other than a deputy to perform the check-signing function. This authorization shall be made in writing. Individuals shall not be appointed as deputies solely to sign checks by signature plate.

F. Disposition of Plates. When a signature plate is expected to be used again at a new duty station, the plate shall be forwarded to the servicing DFAS Center for safekeeping. If the plate is to be withdrawn from service and is not to be used again, it shall be forwarded to the servicing DFAS Center for destruction. When the plate has been destroyed, a properly executed certificate identifying the specific plate and date of destruction shall be furnished the former DO.

0705 EXCHANGE-FOR-CASH CHECKS

070501. General. Accommodation exchange-for-cash checks are only permitted when satisfactory banking facilities do not exist, and typically only overseas. Personnel eligible to receive accommodation exchange-for-cash checks are listed in Chapter 4 of this volume. Exchange-for-cash checks may be prepared and issued by DoD DOs for official purposes to a deputy, agent, or cashier as an advance of funds; to the Postmaster of the United States for remitting collections for the sale of postal money orders; or to Western Union for remitting collections for personal messages of military personnel transmitted over DoD communications facilities to points inside CONUS. When exchange-for-cash checks are issued as advances, the deputy, agent, or cashier shall give the DO a signed DD Form 1081 as prescribed in Chapter 3 of this volume. Exchange-for-cash checks issued as advances of funds shall be endorsed to the order of the bank or other institution furnishing the cash or, when cashed by another DO, to such officer by title and activity rather than by name as "Pay to the order of the Disbursing Officer (name of ship, station, activity, or unit)." When exchange-for-cash checks are issued for remitting collections for the sale of postal money orders or personal messages, the checks shall be made payable to the Postmaster of the United States or Western Union, as appropriate.

070502. Preparation and Handling. When required by security regulations, the name of the remitter and identifying references to invoices will not be shown on exchange-for-cash checks. Exchange-for-cash checks to payees within the U.S. shall be drawn on the U.S. Treasury. Exchange-for-cash checks for payees outside the U.S. shall be drawn on a limited depository checking account if such an account is maintained by the DO. DOs may inscribe exchange-for-cash checks to themselves, a deputy, or an agent for purposes of obtaining operating or accommodation cash. When authorized in writing by the DO, deputy DOs may inscribe exchange-for-cash checks to themselves for purposes of obtaining operating or accommodation cash. Support the exchange-for-cash check by a memorandum OF 1017-G

(Journal Voucher). Number OF 1017-G with a separate series of voucher numbers peculiar to the functional area where the voucher is prepared.

070503. Funds of Deceased or Missing Persons. Funds found in the personal effects of persons who are dead or missing or whose whereabouts are unknown (including absentees and deserters) shall be exchanged for a Treasury check. The check shall be made payable to the payee designated by the officer having custody of the personal effects. The object for which drawn shall be "Exchange-for-cash--Remittance; personal effects of (name, rank or rate, file or service number)." A separate exchange-for-cash check shall be drawn for safekeeping deposits of such persons and the object for which drawn shall include the safekeeping deposit number in addition to the information noted above.

070504. Exchange-for-Cash Checks Returned as Not Required. Exchange-for-cash checks issued as advances to deputies, agents, and/or cashiers which are returned to the DO as not required shall not be canceled. The deputy, agent, or cashier shall provide the DO with a completed DD Form 1081 indicating return of the check as prescribed in Chapter 3 of this volume. No endorsement on the check by the payee is required. The check shall be endorsed by the DO and deposited as prescribed in Chapter 5 of this volume. DOs shall not accept the return of exchange-for-cash checks from any payee other than a deputy, agent, or cashier. Other exchange-for-cash checks are issued payable to the purchaser and shall be negotiated by the payee.

070505. Exchange-for-Cash Checks Lost, Stolen, or Destroyed

A. When Issued to an Individual. When the payee of an exchange-for-cash check reports that the check has been lost, stolen, or destroyed, the DO shall follow the procedures in Chapter 8 of this volume for unavailable check cancellations except that under no circumstances will the DO issue a recertified check to the payee prior to receipt of credit for the original check from the Treasury Department. This prohibition is required since the original check was issued in exchange for cash and was not based on any entitlement chargeable to an appropriation.

B. When Issued as an Advance of Funds to a Deputy, Agent, or Cashier. In the case of lost, stolen, or destroyed exchange-for-cash checks which were issued as an advance of funds, the deputy, agent, or cashier shall remain accountable for the funds. The deputy, agent, or cashier shall account for the check as a loss of funds on the DD Form 1081. The procedures for reporting and accounting for a physical loss of funds in Chapter 6 of this volume shall be followed. If considered necessary by the DO due to operational requirements, the lost check may be replaced by a recertified check (or a new advance provided in cash). The recertified check or the new advance shall be documented on a DD Form 1081 signed by the deputy, agent, or cashier. A copy of the SF 1184 shall be attached to the DD Form 1081 to document the status of the lost check and the accountability of the deputy, agent, or cashier. When credit for the lost check is received, the DO shall prepare an SF 1034 to transfer the credit from Unavailable Check Cancellations and Overpayments, Suspense, **F3880, to offset the loss of funds in the DO's

accountability. A copy of the SF 1034 shall be provided to the deputy, agent, or cashier to document Treasury Department's cancellation of the lost check and use of the credit to offset the loss of funds. A copy of the DD Form 1081 should be filed with the unavailable check cancellation documentation. In cases where the lost check is subsequently negotiated after cancellation by the Treasury Department (the Treasury Department will reverse the previous credit), the deputy, agent, or cashier accountable for the original lost check shall be held accountable and the loss of funds shall be re-established. Normal loss of funds and relief of liability procedures shall apply.

0706 ACCOUNTING FOR CHECK ISSUE DISCREPANCIES

070601. Advice of Check Issue Discrepancy. The Treasury Department uses the FMS Form 5206 to notify DOs of check issue discrepancies of \$1.01 or more detected during the audit and reconciliation process. The FMS Form 5206 is a computer-generated form which contains a complete description of the discrepancy. The Treasury Department furnishes three copies of the FMS Form 5206 and a copy of the check referenced on the form to the DO for making the required adjustment. The FMS Form 5206 is a correcting entry and changes the amount reported on the magnetic tape check issue report to the actual amount on the face of the check. Upon receipt of the FMS Form 5206 the DO shall research the check issue data to determine if a payee has been overpaid or underpaid and collect or disburse the adjustment amount if the check was issued for the wrong amount. If the payee has not been overpaid or underpaid, but incorrect check issue information has been reported to the Treasury Department, the FMS Form 5206 shall be processed on the DO's SF 1179 and SF 1219, even though the documents net to zero. If offsetting FMS Forms 5206 have not been received, the DO shall identify the offsetting error(s) to make the transaction net to zero, and prepare an OF 1017-G to advise the Treasury Department of the discrepancy. The DO shall make the necessary adjustment following the procedures described in this section. For Navy DOs aboard ships, if the FMS Form 5206 affects the accountability of a previous DO, the current DO shall forward the form with a covering memorandum to the office where the monthly financial reports are submitted for processing. If the FMS Form 5206 is received during the 90-day record retention period, a copy of the applicable check issue record, SF 1179, and disbursement voucher shall be reproduced from the former DO's retained records and forwarded with the FMS Form 5206. In the event an FMS Form 5206 is received which cites a DSSN other than that of the receiving disbursing station, the form shall be forwarded with a memorandum to the correct disbursing station, if identifiable. If the receiving DO is unable to identify the disbursing station indicated on the FMS Form 5206, the form shall be returned to the Treasury Department with a memorandum stating the reason for returning the form without action. If an FMS Form 5206 is received citing a discrepancy, which was discovered and reported by use of an OF 1017-G, a copy of the OF 1017-G shall be attached to the FMS Form 5206 and the documents returned to the Treasury Department without further action.

070602. Differences of \$1 or Less

A. Check Issue Discrepancies of \$1 or Less. Discrepancies of \$1 or less between the amount of a check as reported issued in the level 8 magnetic tape and the actual amount of the check paid by the Treasury Department will be adjusted by Treasury Department.

B. Claims for Underpayments of \$1 or Less. A supplemental check shall be issued and reported as a regular check issue if a disbursing office receives a claim from a payee for an underpayment of \$1 or less. The check shall be included as a regular check issue in Section II, Part A, Column 2 on the reverse of the SF 1219, and a minus adjustment of prior month's issues in Section II, Part A, Column 4 on the reverse of the SF 1219. The amount of the check shall also be reported as a minus adjustment on line 2(b) of the SF 1179 and shall be included as a check issue (in the proper sequence) on the appropriate magnetic tape issue report.

070603. Check Issue Discrepancies of \$1.01 or More. The DO shall prepare an OF 1017-G, as prescribed in this section, to account for a check issue discrepancy of \$1.01 or more for any prior month or current month's check issue errors that are detected by the disbursing office. No OF 1017-G shall be prepared for check issue errors detected over 1 year from the issue month of the check. The OF 1017-G shall be prepared as soon as the DO becomes aware of a discrepancy. All OFs 1017-G shall reference the voucher number and date on which the error occurred as well as any other documents affected. The DO shall not wait to receive an FMS Form 5206 from the Treasury Department.

070604. Adjustment of Duplicate Checks. The Treasury Department will charge the disbursing office, using an SF 5515, for the second check received for payment with the same DSSN and check serial number. When the DO receives an SF 5515 for a duplicate check to which the payee is entitled, it normally is presumed that the wrong original check number was entered on a control check. The DO shall submit an SF 1184 for the correct original check serial number in order to receive credit. The DO should cross reference the SF 1184 with the memorandum copy of the SF 5515 in the event that the disbursing office may, in the future, need a copy of the duplicate check for claim purposes.

070605. Overdrafts

A. Advice of Check Issue Discrepancy. Adjustments of discrepancies of \$1.01 or more for overdrafts require collection of the overpayment or, in infrequent cases, a supplemental charge to an appropriation or fund. Upon receipt of the FMS Form 5206, the DO shall review the retained records of checks issued, applicable payment vouchers, SF 1179, and SF 1219 to determine where and how the discrepancy cited on the document occurred. This requirement is to validate that a discrepancy has in fact occurred and to determine the corrective action required to resolve the discrepancy. Unless the FMS Form 5206 is erroneous (and this can be supported with copies of the documents listed above), the FMS Form 5206 shall be recorded on the DD Form 2657.

B. Distribution of FMS Form 5206. Distribute FMS Form 5206 as follows:

1. The first copy of the FMS Form 5206 shall be completed by the DO and attached to the current month's SF 1179 in support of line 2(a) "Net Dollar Adjustments to Prior Months."

2. The second copy shall be used to support the adjusting entry on the SF 1219.

3. If the discrepancy is still unresolved at the end of the month, file a copy in the unclaimed differences file pending final resolution of the discrepancy and preparation of the end of month financial reports (additional copies of the form may be reproduced as required).

4. The original shall be retained by the disbursing office.

C. Recording Check Issue Overdrafts. At the end of the month, the FMS Form 5206 shall be recorded on the SF 1179 (line 2(a) of the Summary portion) and included in the amount recorded on line 3. The FMS Form 5206 shall also be recorded on the reverse of the SF 1219. If the discrepancy is still unresolved at the end of the month, the overdraft shall also be included on line 7.2 (Receivables - Check-Issue Overdraft) of the SF 1219. Two copies of all executed FMS Forms 5206 and OF 1017-G (with supporting documents) shall be kept in an unclaimed differences file pending resolution of the discrepancy.

D. Adjustment Prior to Submission of Financial Reports. In some instances, overdrafts may be discovered prior to submission of the financial reports (SF 1219 and supporting documents) and check issue report (SF 1179) covering the period during which the check was issued. In this event, preparation of the OF 1017-G is not required provided: the check is recovered and voided prior to submission of the check-issue report (the check shall not have been negotiated); and, when the check is correct but the payment voucher is incorrect, the voucher is corrected to reflect the proper amount prior to submission with the SF 1219. Normally, these exceptions will apply only to Navy DOs aboard ships and those DOs who do not submit daily reports to another disbursing office for processing.

E. Adjustment After Submission of Financial Reports. When a check issue overdraft is discovered after the financial reports (covering the period in which the discrepancy occurred) have been submitted, the DO or deputy shall make the following adjustments to financial records and prepare the necessary documents as required below. An OF 1017-G for a check issue overdraft shall be prepared as shown in figure 7-1. The DD Form 2657 shall be posted to reflect the amount of the overdraft as an increase to Checks Issued and an increase to Receivables - Check Issue Overdrafts. At the end of the current reporting period, the OF 1017-G shall be recorded on the SF 1179 (line 2(b) of the Summary portion) and included in the amount recorded on line 3. The OF 1017-G shall also be recorded on the reverse of the SF 1219. The original of the OF 1017-G shall be attached to the SF 1219 and a copy attached to the SF 1179 for the current reporting period to support the entries thereon. If the discrepancy is still unresolved at the end of the current reporting period, the overdraft shall also be included on line

7.2 (Receivables - Check-Issue Overdraft) of the SF 1219 and the remaining copies of the OF 1017-G shall be retained in the uncleared differences file (additional copies of the form may be reproduced as required).

F. Resolving Check-Issue Overdrafts

1. Overdrafts are resolved by collection or a supplemental charge to an appropriation. Collection is appropriate when the check was issued in an amount greater than the payee was actually entitled to receive. Supplemental charges to an appropriation are required when the amount of the check is correct but the payment voucher is for a lesser (and incorrect) amount. The three ways to clear the overdraft are described below. No additional entries are made in the summary section of the SF 1179 or on the reverse of the SF 1219 to indicate that the overdraft has been cleared.

2. By Collection. Upon receipt of a collection (in cash or by check, money order, or other negotiable instrument), the DO shall prepare an OF 1017-G to document the transaction and the DD Form 2657 shall be posted to reflect an increase in Cash (or Deposits Presented or Mailed to Bank) and a decrease in Receivables - Check Issue Overdrafts. For this transaction, only the DO's accountability is affected and no credit to an appropriation is involved.

3. By Supplemental Charge to Appropriation. When it is determined that the overdraft was caused by undercharging the appropriation or fund against which the original check was drawn, an SF 1034 (or a one-sided SF 1081 if preferred by the DO) shall be prepared and recorded against the undercharged appropriation or fund. The DD Form 2657 shall be posted to reflect a Disbursement and a decrease in Receivables - Check Issue Overdrafts. A check is not issued in this transaction.

4. By Supplemental Charge to Military Pay Appropriation and Pay Account Checkage. Overdrafts caused by under-charging the appropriation for military pay and allowances shall be cleared by actions described in Volume 7 of this Regulation to ensure proper charges are entered in the member's master military pay account. An SF 1034 (or one-sided SF 1081) shall be prepared to describe the transaction in complete detail, charging the accounting data shown on the original payment voucher. No check will be issued in this transaction. The DD Form 2657 shall be posted to show a Disbursement and a decrease in Receivables - Check Issue Overdrafts.

070606. Underdrafts

A. Advice of Check Issue Discrepancy. Adjustments of discrepancies of \$1.01 or more require a supplemental check issue to the payee or in infrequent cases, a credit to an appropriation or fund. Upon receipt of the FMS Form 5206, the DO shall review the retained records of checks issued, applicable payment vouchers, SF 1179, and SF 1219 to determine where and how the discrepancy cited on the form occurred. This requirement is to validate that a discrepancy has in fact occurred and to determine the corrective action required to resolve the

discrepancy. Unless the FMS Form 5206 is erroneous (and this can be supported with copies of the documents listed above), the DO shall prepare a DD Form 1131 giving credit for the value of the underdraft to deposit fund Accounts Payable, Check Issue Underdrafts, **X6999. The DD Form 1131 and the FMS Form 5206 shall be recorded on the DD Form 2657 as a decrease to Checks Issued and an increase to Collections. The DO's total accountability will remain unchanged. At the end of the current reporting period, the FMS Form 5206 shall be recorded on the SF 1179 (line 2(a) of the Summary portion) and on the reverse of the SF 1219.

B. Distribution of the FMS Form 5206. Distribute the FMS Form 5206 as follows:

1. The first copy of the FMS Form 5206 shall be completed and attached to the current reporting period's SF 1179 in support of line 2(a) titled "Net Dollar Adjustments to Prior Months" and included in the amount recorded on line 3.

2. The second copy shall be used to support the adjusting entry on the reverse of the SF 1219.

3. Two additional copies and at least 2 copies of the DD Form 1131 shall be filed in the uncleared differences file pending final resolution of the discrepancy and preparation of the end of month financial reports.

4. The original shall be retained by the disbursing office.

C. Adjustment Prior to Submission of Financial Reports. In some instances, underdrafts may be discovered prior to submission of the financial reports (SF 1219 and supporting documents) and check issue report (SF 1179) covering the period during which the check was issued. In this event, preparation of the DD Form 1131 is not required provided: the check is recovered and voided prior to submission of the check-issue report (the check shall not have been negotiated); and, when the check is correct but the payment voucher is incorrect, the voucher is corrected to reflect the proper amount prior to submission with the SF 1219. Normally, these exceptions will apply only to Navy DOs aboard ships and those DOs who do not submit daily reports to another disbursing office for processing.

D. Adjustment After Submission of Financial Reports. When a check issue underdraft is discovered after the financial reports (covering the period in which the discrepancy occurred) have been submitted, the DO, deputy, or agent shall make the following adjustments to financial records and prepare the necessary documents as required below. A DD Form 1131 shall be prepared crediting deposit fund Accounts Payable, Check Issue Underdrafts, **X6999. The DD Form 2657 shall be posted to record a decrease to Checks Issued and a Collection. The DO's total accountability is unchanged. At the end of the accounting period, the DD Form 1131 shall be recorded on the SF 1179 (line 2b of the Summary portion) and included in the amount recorded on line 3. The DD Form 1131 shall also be recorded on the reverse of the SF 1219. A copy of the DD Form 1131 shall be attached to the SF 1179 submitted with check issue reports.

Two copies of the DD Form 1131 shall be retained in the uncleared differences file until the discrepancy is cleared.

E. Resolving Check-Issue Underdrafts. The two ways to clear an underdraft discrepancy are described below. No additional entries are made in the summary section of the SF 1179 or on the reverse of the SF 1219 to indicate that the underdraft has been cleared.

1. By Supplemental Check. When the payee is entitled to the amount of the underdraft, an SF 1034 shall be prepared charging Accounts Payable, Check Issue Underdrafts, **X6999. A check shall be drawn in favor of the original payee. The DD Form 2657 shall be posted to record a Check Issue and a Disbursement. Total accountability is unchanged.

2. By Credit to the Appropriation. When the underdraft discrepancy was caused by overcharging the appropriation and credit is due the appropriation, an SF 1081 shall be prepared charging Accounts Payable, Check Issue Underdrafts, **X6999 and crediting the appropriation charged on the original payment voucher. The DD Form 2657 shall be posted to record a Collection and a Disbursement. Total accountability will be unchanged.

070607. Adjustments to Financial Reports Previously Submitted. Upon clearance of a check issue discrepancy (overdraft or underdraft), the file copy of the FMS Form 5206, OF 1017-G, or DD Form 1131 shall be removed from the uncleared differences file and one of the following legends shall be annotated, as appropriate: "See Deposit Ticket No. __, dated __"; "See Check No. __, dated __"; or, "See Adjustment Voucher No. __, dated __". The third copy shall be attached to the document effecting the clearance of the outstanding accountability item in the accounts of the DO for submission with the SF 1219. The fourth copy shall be retained in the disbursing office files as a record of the completed action on adjusting the discrepancy.

070608. Erroneous Information Reported on the FMS Form 5206. If, after review of the FMS Form 5206, the copy of the check, the disbursement voucher, and the check issue report data, the DO determines that the check was paid for a different amount than when issued, the FMS Form 5206 shall be returned to the Treasury Department with a memorandum stating the reason for returning the document without action. The memorandum shall be supported by copies of all the documents used to determine the FMS Form 5206 to be in error. Generally, the situation described above is indicative of a bank processing error or alteration of the check by the payee. In either event, the explanatory memorandum to the Treasury Department that returns the FMS Form 5206 shall be sufficiently clear to enable the Treasury Department to initiate reclamation action through the banking system.

070609. Relief of Liability. Both underdrafts and overdrafts are illegal, incorrect, or improper payment irregularities in the accounts of the DO. The DO has the authority and the means to correct underdrafts. Overdrafts are frequently not within the power of the DO to correct. If the check issue overdrafts resulted in overpayment of a payee, that overpayment is an

erroneous payment debt. When the DO has attempted to contact the payee and failed; or, when the payee has been notified and has neither the ability and/or the inclination to make restitution, the DO shall transfer the debt to the servicing DFAS Center for further collection action. In order to meet GAO required standards for relief of liability, uncollectible overdrafts must be transferred to the servicing DFAS Center within 90 days. After the debt has been transferred, relief of liability for the illegal, incorrect, or improper payment may be requested following the procedures in Chapter 6 of this volume.

Optional Form 1017-G (9-79)
Title 7, GAO Manual
501017-810

JOURNAL VOUCHER

J.V. No. 25

Date Oct. 23, 19XX

REFERENCE	EXPLANATION	DEBIT	CREDIT
DV # 475129	Accounts Receivable--Check issue overdraft Check issue, Sep XX Check was drawn for \$1500.00 payable to Joe Doe. The payee was due only \$1000.00, which was the amount shown as charged to the appropriation on the disbursement voucher. DSSN: 2222 Check No.: 00,141,123 Date Issued: 21 Sep 19XX Original amount reported: \$1000.00 Correct issue amount to be reported: \$1500.00	500.00	500.00
	Total	500.00	500.00

Prepared by Darrell Johnson
 (Signature)

Approved by Hank Snow
 (Signature)

Deputy Disbursing Officer
 (Title)

Disbursing Officer
 (Title)

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CHAPTER 8

CHECK DISTRIBUTION, DISPOSITION, AND CANCELLATION0801 PROMPT DELIVERY OF CHECKS

★ 080101. General. After preparation, checks shall be delivered promptly to the payee. With respect to payroll checks, the Department has mandated participation in the Direct Deposit Program (DD/EFT) for all newly enlisted, reenlisted, appointed, or retired military personnel and all newly hired civilian personnel. All payments shall be converted to DD/EFT by January 1, 1999, in accordance with the Debt Collection Improvement Act of 1996 (reference (aj)).

080102. Delivery of Checks. DoD policy on the delivery of checks is:

A. Checks shall be properly safeguarded and should be handled as few times and by as few people as practical.

B. Controls shall include procedures for ensuring the proper custody, signing, and delivery of checks. If checks are handed to the payees, identification is required.

C. Checks not delivered within the time specified by the DO shall be returned to the DO promptly.

D. Checks shall be kept in a safe, vault, or locked fireproof cabinet, pending distribution or return to the DO.

E. Personnel engaged in pay delivery activities shall be designated in writing and adequately supervised in order to help prevent any unauthorized, fraudulent, or other irregular activities.

080103. Delivery by Mail. The normal method of check delivery is by mail through the U.S. Postal Service. Delivery shall be made to the payee's residential mailing address or post office box. At overseas activities, where personal mail is received through the organizational address, the organizational address shall be considered as the payee's residential mailing address. In all other cases, an organizational address is not considered a valid mailing address. Where commanders or their designee find that, in individual cases, it is not practical to mail checks, each commander may provide a specific location where the payees may obtain their paychecks, with proper identification. If checks are mailed to a specific location for delivery, the DO shall make a written appointment of the person at the specific location who will deliver the checks as a designated third party (see paragraph 080105, below).

080104. Outside the United States

A. Restrictions. The Secretary of the Treasury has determined that agencies shall not issue checks intended for delivery in the following prohibited areas: People's Republic of Albania; Republic of Cuba (except checks sent to the Naval Base, Guantanamo Bay for delivery to payees at the base); Democratic Kampuchea (Cambodia); North Korea; or Socialist Republic of Vietnam. (See Treasury Department Circular 655 (reference (w))) In lieu of issuing a check to payees in these countries, the DoD Component shall withhold payment and establish the liability on its books.

B. Exceptions. The restrictions outlined in subparagraph 080104.A, above, are not applicable to checks payable to foreign governments, or to checks issued in payment of salaries or wages, or for goods or services purchased by the U.S. Government.

C. Claims for the Proceeds of Withheld Payments. Claims for the proceeds of checks which were drawn, and subsequently forwarded to the Treasury Department for deposit in deposit fund account Proceeds of Withheld Foreign Checks, 20X6048, pursuant to previously existing procedures, should be submitted with a recommendation on such payment to: Department of the Treasury, Financial Management Service, Finance Division, Liberty Center, Room 257, Washington, DC 20227. If a valid claim is received and no check previously has been prepared due to the restrictions outlined in subparagraph 080104.A, above, the DoD Component that withheld the payment will arrange for the issuance of a check and will decrease the respective liability on its books.

080105. Delivery of Checks by Designated Third Parties. Delivering multiple checks personally may be impractical for the DO or it may not be expedient to mail them to addresses of record. Under such circumstances, and with the guidance for delivery of checks noted in paragraph 080102, above, the DO may deliver or mail checks to a designated third party for distribution. A third party is any individual authorized to distribute a quantity or bulk shipment of checks to payees. A person who maintains pay accounts or prepares checks is not authorized to distribute checks.

A. Appointment of Designated Third Parties. The DO shall appoint in writing those individuals (by title and organization only) who will serve as a designated third party for delivery of bulk checks using SF 1195 (Recommendation for Designation and Revocation of Agents to Receive and Deliver Checks and Savings Bonds). A record of each individual so authorized shall be maintained. One or more alternates should be appointed to prevent distribution delays in the absence of the principal designee. Alternates may also assist in the check distribution when conditions warrant.

B. Transport of Checks to Designated Third Parties. Bulk shipments of prepared checks shall be packaged separately from correspondence and shall be mailed by registered mail. Bulk shipments of checks for a unit or group of units should be dispatched to a third party for distribution or delivery to payees or for reshipment to another third party for delivery where the military unit is located. Such shipments shall include only the checks,

transmittal letter, and documentation needed for the specific payment. These shipments are not subject to the provisions of the Government Losses in Shipment Act (reference (t)).

C. Release of Checks to Other than Payee. Designated third parties shall not release checks to anyone other than the payee. See subparagraph 080105.E, below, for appropriate action if a payee is absent at the time of delivery.

D. Judge Advocate or Investigative Agent Third Parties. In cases where advance payments are issued for witnesses subpoenaed for trial, delivery of the check shall be performed either by a representative from a DoD Component investigative agency or a judge advocate charged with serving the subpoena.

E. Third Party Disposition of Undelivered Checks. Unless otherwise provided, checks for payees not present at the time a third party attempts delivery shall be returned to the DO before the close of business that day. Payees who were absent, or who for other reasons did not get their checks, should be advised to call at the disbursing office or other stated place to pick up their checks. If locked fireproof file cabinets or safes are available, the DO may authorize the designated third party to hold undelivered checks for a specified, short period. When payees are on extended periods of leave or absences, checks shall be returned to the DO for disposition. Checks which are found to be in error shall be returned to the DO. After appropriate corrective action has been taken, a new check will be issued to the payee.

★0802. DISPOSITION OF SPOILED AND VOIDED CHECKS

080201. Spoiled Checks

A. General. A check may be classified as spoiled and replaced with a recertified check when it: (1) has been reported as issued to the Treasury Department; (2) is in the possession of the DO; (3) represented a valid payment; (4) has been returned by the payee as uncashable due to mutilation or a defect in the check itself; and (5) is less than one year old. All spoiled checks shall be rendered non-negotiable by typing or stamping on the face of the check the words: SPOILED - NON NEGOTIABLE: RECERTIFIED CHECK ISSUED UNDER CHECK NUMBER _____. Spoiled checks in the possession of the DO shall be replaced under the provisions of paragraph 080506 by a recertified check using stop code "A" on the SF 1184. In the case of mutilated checks the DO must receive a large enough portion of the check to positively identify the issuing DSSN, check number, date and amount. If a sufficient portion of a check is not provided for the DO to make a positive identification, an SF 1184 shall be processed using stop code "A" or "D" (at the discretion of the DO based on the facts available) and a recertified check issued in accordance with the recertification provisions applicable to the stop code used on the SF 1184."

★ B. Disposition. DOs shall maintain DD Form 2662 (Recertified Check Register) for all spoiled checks as prescribed in paragraph 080503. This record may be maintained in a mechanized or manual format. At a minimum, this record must show the original spoiled check number and date; original voucher number; recertified check number and

date; new voucher number; payee; amount of payment; and SF 1184 information. The DD Form 2662 shall be retained as a permanent part of the DO's retained records; i.e. 6 years, 3 months from the check issue date, after which time it shall be destroyed. At least once each quarter, spoiled checks shall be destroyed locally by the DO by shredding or incinerating. If destroyed by shredding, fragments shall be no larger than 1 inch in width and 1/4 inches in length. If destroyed by burning, the checks shall be completely burned. A certificate of destruction shall be prepared in an original and one copy and shall include the: complete mailing address of the disbursing station; date and method of destruction; DSSN; serial number of each check; typed name, title, grade or rank, and signature of at least one witness; and, typed name, title, grade or rank, and signature of the DO. Each check shall be listed in numerical sequence. An example of a certificate of destruction is shown at figure 8-1. DOs shall destroy all spoiled checks using the procedures in the following subparagraphs.

★ 1. Prepare a Certificate of Destruction. The certificate shall be prepared in an original and one copy and shall include the: complete mailing address of the disbursing station; date and method of destruction; DSSN; serial number of each check; typed name, title, grade or rank, and signature of the witness(es); and, typed name, title, grade or rank, and signature of the DO. When blocks of checks are destroyed, the beginning and ending serial numbers of the block may be shown. Otherwise, each check shall be listed in numerical sequence. An example of a Certificate of Destruction is shown at figure 8-1.

★ 2. Verification. The DO and at least one witness shall: examine the checks to verify they are the actual checks to be destroyed; verify the check numbers and DSSN with information on the certificate of destruction; and, sign the certificate of destruction only after witnessing the actual destruction of the checks.

★ 3. Distribution of the Certificate of Destruction. The original certificate shall be included and forwarded with the monthly disbursing financial reports. A copy shall be retained in the DO's blank check inventory control records.

★ C. Certification of Payroll Officer. If the payee of a civilian payroll check requests that a recertified check be issued in a name different from the name as stated on the original check, a signed statement authorizing the change in name shall be obtained from the payroll officer who certified the original payroll prior to issuance of the recertified check. The statement shall be retained by the DO and attached to the retained copy of the payroll.

080202. Replacement Checks. A replacement check is used to replace a check that: (1) has been classified as voided; (2) has not been reported to the Treasury Department as a valid check issue; and (3) is uncashable due to misprint or mutilation during the issue process. A replacement check should be the next available check in the series and format used for the voided check.

080203. Voided Checks

★ A. General. A check that is misprinted or mutilated during the issue process must be voided and replaced with a replacement check if the payment involved is otherwise proper. Unused blank checks that are to be destroyed shall be reported as voids. Lost or stolen blank checks shall be reported as voids. Checks voided by the DO shall be rendered non-negotiable by typing or stamping the words “VOID - NOT NEGOTIABLE: NO CHECK ISSUED UNDER THIS NUMBER” or “VOID - NOT NEGOTIABLE: REPLACEMENT CHECK ISSUED UNDER CHECK NUMBER _____” as appropriate. Once a check has been reported to the Treasury Department under check-issue reporting procedures, it cannot be voided under any circumstances. The check shall be processed as a spoiled check, an available check cancellation, or an unavailable check cancellation as appropriate to the circumstances in each case.

B. Reporting Voided Check Issues. Voided checks shall be reported as a check issue having a zero (0) dollar value. When hard copy check-issue reports are forwarded to another disbursing office for conversion to magnetic tape, the DO forwarding the reports shall stamp or mark the listing of checks issued to indicate that the check is voided and the dollar amount is zero. Do not obliterate the serial number of the voided check from the check listing. DOs submitting check-issue reports on diskettes to another disbursing officer for conversion to magnetic tape shall ensure that the serial number and date of the voided checks are included on the diskette. If a voided check has not been dated, a date shall be reported for the check to facilitate check-issue reporting. DOs submitting check issue reports by magnetic tape shall ensure that the serial number and date of the voided check are included on the tape.

★ C. Disposition of Voided Checks. Voided checks shall be stored in the vault or safe segregated from all other checks until destroyed. The voided checks shall be destroyed locally by the DO at least once each quarter by either burning or shredding. If destroyed by burning, the checks shall be completely burned. If destroyed by shredding, fragments shall be no larger than 1 inch in width and 1/4 inch in length. In either event, a certificate of destruction similar to figure 8-1 shall be prepared listing the serial numbers and method of destruction and shall be signed by the DO and at least one witness. DOs shall destroy all voided checks using the procedures in subparagraphs 080201.B.1. through 080201.B.3.

0803 CHECK CANCELLATION

A cancellation is accomplished in one of the ways described below.

080301. Available Check Cancellation. The DO holds the check and processes an SF 1098 (Schedule of Canceled or Undelivered Checks). The SF 1098 credits the proceeds to the appropriation originally charged when the check was issued. See section 0804, below.

★ 080302. Unavailable Check Cancellation. The DO requests cancellation by submission of an SF 1184 to the Treasury Department via the Defense Check Reconciliation Module (DCRM) on-line Unavailable Check Cancellation (UCC) subsystem. Depending on the status of the check (outstanding or paid), the cancellation credit may or may not be provided by the Treasury Department. See section 0805, below.

080303. Limited Payability Check Cancellation. The Treasury Department automatically cancels checks issued on or after October 1, 1989, that have not been negotiated to a financial institution within 12 months of the date of issue. This cancellation occurs in the 14th month after the date of the check. See section 0806, below.

080304. Pre-effective Date Limited Payability Cancellation. The Treasury Department automatically canceled all checks issued before October 1, 1989, that were not negotiated by October 1, 1990.

0804 CANCELLATION OF AVAILABLE CHECKS

080401. General. As provided in Public Law 100-86, Competitive Equality Banking Act of 1987 (reference (x)), and Department of the Treasury Financial Manual, Bulletin 90-03 (reference (y)), the time limit for negotiation of Treasury checks is one year from the date of issue. DOs may cancel checks within this one year period when the check is drawn under the DO's own DSSN, under the account of a predecessor DO of the same activity and DSSN, or under an account being settled by the DO. Checks may be canceled when: the disbursing account is closed or current; or, the proceeds of the check are for repayment to an appropriation or fund account which is current or expired. Treasury checks in the possession of the DO shall be canceled when it is determined that the payee or estate is no longer entitled to the proceeds of the check or the check is undeliverable for 60 days after the month of issue. Under no circumstances shall a DO cancel a check using the procedures in this section if the check is over one year old.

080402. Exceptions

A. Checks drawn for cash or for advances to cashiers that later are found not to be required shall not be processed for cancellation in the DO's accounts. Instead, they shall be endorsed by the DO or cashier (as applicable) and deposited as prescribed in Chapter 5 of this volume.

B. An original check, that is returned to or recovered by the DO after it is more than one year old (from date of issue) or has been canceled by submission of an SF 1184, shall not be canceled on an SF 1098. However, the check shall be marked "VOID - NOT NEGOTIABLE" on the front and held in the DO's safe or vault until the Daily Advice of Status (DAS) is received from the Treasury Department and then the marked check shall be destroyed locally by burning or shredding. No report of destruction is made to the Treasury Department. The date of destruction and supporting documentation shall be noted in DD Form 2662 (Recertified Check Register).

080403. Undeliverable Treasury Checks. All undeliverable checks shall be kept in a safe or vault. The checks shall be filed in an order best suited for ready identification when claimed or for mailing when a proper address is ascertained. The DO shall maintain a record of undeliverable checks using DD Form 2658 (Returned and Undeliverable Check/Bond Record) that indicates: date the check is returned, check number, check date, amount, payee, voucher

number, disposition, and date of disposition. An example of DD Form 2658 is shown at figure 8-2. The DO shall provide a copy of DD Form 2658 to rollkeepers, agents, cashiers, and the appropriate entitlement office for their use. Undelivered checks shall not be removed from the safe or vault, or held by the DO's deputies, agents, or cashiers except for immediate delivery to payees, or for cancellation and deposit.

A. Time Limit for Holding Undeliverable Checks. The DO shall attempt to make delivery of checks to the proper payees. If delivery is not effected within 60 days after the month of issue, undeliverable checks being held by the DO shall be disposed of as provided in the subparagraphs below. Checks payable to deceased payees should be held no longer than 5 days.

1. Undelivered checks held by the issuing DSSN shall be collected to the credit of the issuing appropriation or to a suspense account and deposited as prescribed in paragraph 080405, below.

★ 2. Undelivered checks held by other than the issuing DO shall be returned to the issuing DO by registered mail or by another method of delivery with the ability to track the shipment. The checks must be mailed within two weeks together with a reason for non-delivery. If the address of the issuing DSSN is unknown, contact the servicing DFAS Center.

3. An undeliverable check returned to the DO after the 45th day of the time limit prescribed above shall be recorded on the DD Form 2658. Research shall be conducted to determine if the check has been canceled using an SF 1184 (Unavailable Check Cancellation), and whether a replacement check has been issued. If an SF 1184 has been submitted to the Treasury Department, dispose of the original check as prescribed in subparagraph 080513.D, below. If an SF 1184 has not been submitted to the Treasury Department, cancel the original check as prescribed above within 15 days of the date of receipt.

B. Undeliverable Due to Death of Payee

1. Deceased Military Members. Checks drawn to deceased military members shall be canceled by the issuing DSSN. The check shall be promptly canceled and credited to the individual's pay account pending payment to a properly designated beneficiary.

2. Deceased Civilian Employee Checks. For special instructions on the handling of checks drawn to deceased civilian employees, see Volume 8 of this Regulation.

3. Other Payees. Checks drawn to other deceased individuals shall be taken up and deposited as undeliverable checks. An SF 1055 (Claim Against the United States for Amounts Due in the Case of a Deceased Creditor) shall be obtained and processed as prescribed in Volumes 8 and 10 of this Regulation. The accounting data chargeable and references required on the voucher shall be as prescribed in paragraph 080406, below.

C. Checks Undelivered at Time of Relief. When a DO is relieved by another DO or the DSSN is deactivated and disbursing for that activity is assumed by another activity or ship as a result of consolidation, transfer of function, or other reason, the relieving DO or gaining activity shall assume custody of the undelivered checks for processing as provided in this section. However, when a DO is transferred from disbursing duty without a relief or the disbursing function is not assumed by another activity, the undelivered checks shall be taken up as a collection on an SF 1098 and deposited whether or not the 60-day holding period has elapsed. The DD Form 2658 shall be turned over to the office designated to settle the accounts of the DO.

D. Special Actions on Canceled Checks Held by the Disbursing Office

1. Military Payrolls. When a check in payment of military pay and allowances is canceled, the DO shall take the action prescribed in Volume 7A of this Regulation for the appropriate adjustment to the Master Military Pay Account to be made.

2. Civilian Payrolls. When a check in payment of a civilian payroll is canceled, the DO shall notify the payroll preparing office in order for the appropriate payroll adjustment to be made.

080404. SF 1098 (Schedule of Canceled or Undelivered Checks)

A. General. A check that is undelivered within 60 days after the month of issue shall be credited to the appropriation originally charged by use of an SF 1098 prepared in triplicate. The following data shall be shown for each check in the spaces provided in the body of the form: month and year of issue; check serial number (and DSSN if other than DSSN shown in heading of the form); name of payee; amount of check; and, accounting data credited. See figure 8-3.

B. Lack of Accounting Data. If the proper appropriation to be credited cannot be determined immediately, collect the amount of the check into the budget clearing account (suspense) **F3875. The SF 1098 should include all information available as to the identity and location of the payee of the check. If, after one year the appropriation still is not determinable, process an SF 1081 to transfer the funds to the Treasury Department's miscellaneous receipt account **R1060.

080405. Disposition of Canceled Available Checks

A. General. Canceled check transactions authorized by this section shall be processed in a manner similar to that for collections. Upon receipt of a check to be canceled, prepare an SF 1098 as the collection voucher with credit to the appropriation charged when the payment was made. Note: All lines of accounting data charged and credited on the original disbursement voucher shall be shown on the SF 1098. Assign a collection voucher number to the SF 1098 and print this number and the date of collection on the reverse of the canceled check. The canceled checks shall be deposited for credit to the DSSN used by the DO making the

cancellation. No payee endorsement on the reverse of the check is necessary; only the DO's endorsement stamp is required.

B. Stamped Legend Placed on Checks for Cancellation. The following legend shall be typed or stamped on the face of each canceled check: "NOT NEGOTIABLE - FOR PAYMENT AND CREDIT IN THE U.S. TREASURY. D.O. SYMBOL _____." The letters of the legend shall be of prominent size to remove all possibility of negotiation. The stamp shall be placed so that the defacement will not interfere with data to be captured by an optical character recognition (OCR) scanner.

C. Deposit Ticket. Canceled checks shall be deposited on an SF 215 separate from any other negotiable instruments. DOs shall make canceled check deposits as prescribed below.

D. Frequency of Deposits. Checks received for cancellation need not be deposited on a daily basis. The canceled checks may be held in the DO's safe or vault for preparation of a consolidated SF 215. Deposits shall be forwarded to the FRB or branch not later than the 25th of the month in which received. Checks received for cancellation during the remainder of the month shall be processed as collections, but may be retained for depositing in the following month. All CONUS DOs shall deposit all canceled Treasury checks with the nearest FRB or branch. DOs located in Alaska, Hawaii, and in foreign countries will deposit with the general depository normally used for making deposits for credit to Treasury Department's General Account. Refer to Chapter 5 of this volume for deposit reconciliation requirements.

080406. Claims for the Proceeds of Canceled Available Checks. When a claim is received for the proceeds of a canceled available check and it is determined that all or a portion of the amount is due the claimant, payment shall be made on a payroll or other voucher prepared and processed in the same manner as a current payment. Claims shall be paid by the disbursing office which made the collection and deposit of the original undeliverable check. This is not to say an undeliverable military pay check cannot be canceled by the issuing DO so that the member may be paid at a new duty station. The disbursement shall be made on an SF 1034 and charged to the accounting data credited on the SF 1098. Reference shall be made to the original undeliverable check by serial number, amount, DSSN, and the month, year, and account in which the undeliverable check was collected. In cases where the undeliverable check was collected to **R1060, the DO should process an SF 1081 to adjust out the funds that were collected into the receipt account in error. A record of the claim and disposition shall be entered on the DD Form 2658.

0805 UNAVAILABLE CHECK CANCELLATIONS

080501. General. Unavailable Treasury checks that are reported to the DO as lost, stolen, mutilated, or not received by the payee shall be canceled using the procedures described in this section if the check is less than 12 months old. The procedures in this section also apply to situations where the payee is not entitled to the proceeds of a check which is unavailable to the DO. These situations include: death of the payee before the check issue date; non-receipt of a

recertified payment check by the payee when the original check has been received and cashed; receipt of a cash payment and a check payment for the same entitlement; and, loss of the check after the payroll is prepared and the payee is a military member already transferred. Payees have 1 year from the date of issue of the check to file a claim of non-receipt with the issuing disbursing office for submission to the Treasury Department. The issuing disbursing office must submit an SF 1184 (Unavailable Check Cancellation) to the Treasury Department within 13 months of the date of issue. The Treasury Department has 18 months from the date a check is paid to reclaim monies from the financial institution if a claim of forgery or unauthorized endorsement is filed by the payee. Checks, which are unavailable to the payee and/or the DO and for which entitlement to the payment exists, may be replaced by a new check called a recertified payment check. A recertified payment check bears a new check serial number and is vouchered and recorded as a new disbursement using the procedures in this section. Original and recertified payment checks shall be controlled, cross-referenced, and tracked indefinitely or until both have been paid, recovered and destroyed, or canceled.

080502. Claims of Non-receipt, Destruction, Loss, or Theft. A claim of non-receipt, destruction, loss, or theft of a Treasury check issued on or after October 1, 1989, will be denied by the Treasury Department unless it is presented by the payee to the issuing disbursing office within 1 year from the date of issuance. The claim will be documented by the disbursing office on an SF 1184. The SF 1184 must be processed through the servicing DFAS Center and received at Treasury Department within 13 months from the date of issue of the check. If a cancellation credit is denied, a Daily Advise of Status will be issued with one of the status codes listed in table 8-4. The DO will advise the payee of the check status. If the check has been negotiated and the payee wishes to continue the claim process, the payee must initiate the FMS Form 1133 (Claim Against the United States for the Proceeds of a Government Check) and the FMS Form 3858 (Claims Document), upon receipt of status from the Treasury Department. The DO shall forward these two forms, the photocopy of the check and any other supporting documentation for the claim to the Treasury Department for processing. If the payee files a claim of forgery or unauthorized endorsement (FMS Form 1133) against the check, no recertified payment check will be issued prior to receipt of an FMS Form 3859 (Claims Disposition Notice) from the Treasury Department. See paragraph 080515, below.

080503. DD Form 2662 (Recertified Check Register). To assure the necessary cross-reference and control over unavailable check cancellations, DD Forms 2662 shall be maintained. As shown in figure 8-4, the DD Form 2662 shall contain information to identify the original check serial number, date, amount, payee, and status of the check as provided by the Treasury Department, as well as identifying information regarding the recertified payment check, payee claims, and collection information.

080504. SF 1184 (Unavailable Check Cancellation). The SF 1184 is required for all cancellations covered by this section. Each individual unavailable check to be canceled shall be reported on an SF 1184 to the servicing DFAS Center either manually or via mechanized input. The DFAS Centers will consolidate the input for submission to the Treasury Department. Bulk losses of original checks will require the preparation of an SF 1184 for each check. Unavailable check cancellation credits or chargebacks resulting from the Treasury Department

receipt and processing of an SF 1184 or the negotiation of a canceled unavailable check will be forwarded by the Treasury Department to the DFAS Centers at Cleveland, Denver, and Indianapolis. These DFAS Centers will forward check credit or chargeback information (including the detail information) applicable to the DFAS-Columbus Center disbursing accounts to the DFAS-Columbus Center. The DFAS-Cleveland Center also will forward the cancellation credit or chargeback information (including the detail information) applicable to the DFAS-Kansas City Center and Marine Corps disbursing offices to the DFAS-Kansas City Center.

080505. DD Form 2660 (Statement of Claimant Requesting Recertified Check)

When a payee reports the loss, theft, mutilation, or non receipt of a Treasury check, the DO shall obtain a statement, in writing, from the payee. The statement is mandatory to substantiate the payee's entitlement to a recertified payment. The DD Form 2660 is the preferred form of the required statement; however, DOs may accept a signed letter from the payee in lieu of the DD Form 2660. An example of the DD Form 2660 is shown at figure 8-5. If the payee negotiates both checks, the statement could be used to establish fraudulent intent. Upon receipt of the signed statement, the DO shall complete the information required to identify the check (issue date, check number, amount, voucher number, etc.), prepare an SF 1184 to cancel the unavailable check, and forward a copy of the statement and a copy of the SF 1184 to the appropriate entitlement area for certification of entitlement and preparation of the appropriate payment voucher.

080506. Authorization to Issue Recertified Checks

A. General. As stipulated in 31 CFR, Parts 245 and 248 (reference (p)), the Treasury Department has delegated to the DoD the authority to issue recertified checks to replace checks originally issued by DoD DOs. That authority includes replacement of checks lost, stolen, or destroyed both in transit and after receipt by applicable payees. The Treasury Department has authorized the DoD to issue a recertified payment at the same time the SF 1184 is prepared if, based on the facts available, the payee should receive immediate replacement and the risk of loss from overpayment to the payee is low. Subject to the restrictions in the following paragraphs, recertified checks may be issued as replacements for original checks at any time commencing with the submission of the SF 1184. The circumstances associated with each unavailable check shall govern when the recertified check is actually issued.

★ B. Limitations. No recertified check will be issued if: the payee of the original check is not entitled to the proceeds of the check, the payee died before the original check-issue date, sufficient mail time (at least 3-mail delivery days after the date the original check was mailed has not lapsed for delivery or return of the original check (see subparagraph 070105); the payee has an outstanding obligation against which the payment can be offset; or, the original check is more than 12 months old. Situations that require the exercise of good judgment in determining when to issue recertified checks are high value unavailable checks, payees involved in adverse actions that could result in early discharge or termination, and non-permanent employees who have no vested retirement benefits or no sustained work history at the issuing activity. The ability of the payee to make restitution in cases of a double negotiation and the possibility of offsetting a double negotiation against money, other than salary, due the payee

shall be considered in the determination. Note for deactivated and closed disbursing offices: Normally the designated settlement office is responsible for issuing recertified payments. However, when circumstances warrant, such as consolidation, the DO servicing the activity that assumed the disbursing and accounting responsibility for the deactivated or closed office is authorized to issue a recertified payment on behalf of the deactivated or closed office. Except as prescribed in subparagraph 080512.A, below, recertified checks may be issued only as a disbursement from the appropriation (or if no longer available, a current appropriation available for the same general purpose subject to limitations on its use) charged when the original check was issued.

C. Issue Before Receipt of Treasury Status. Because of the effect that delays in check issuance have on military and civilian employees' personal financial affairs, DoD relations with private business and other intangible benefits obtained, recertified checks may be issued immediately for some payees. Therefore, DOs are authorized to use stop code "A" on the SF 1184 when recertified checks are to be issued immediately to replace undelivered, lost, stolen, mutilated, or destroyed original checks issued under their DSSN, if less than 31 days have elapsed since the check issue date. This service is limited to the following payees:

1. Military and civilian personnel for payment of pay and allowances.
2. Banks, credit unions and other financial institutions unless it is determined to be in the best interest of the DoD to obtain Treasury Department status before issuing a recertified check.
3. Agencies of the U.S. Government.
4. Foreign governments. (Where doubt exists as to the status of a foreign payee, treat payment as a foreign business and issue a recertified check after receipt of status from Treasury as prescribed below.)
5. Any payment made under protest as described in Chapter 1 of this volume.
6. Any composite/consolidated check regardless of amount.

D. Issue After Receipt of Treasury Department Status. The payees described below are not eligible for immediate payment replacement by recertified check and shall have their unavailable check cancellations submitted under stop codes "D" or "G" and receive a recertified check only when the Treasury Department reports the check status as "outstanding".

1. Foreign businesses and contractors where check payment is made to addresses or financial institutions outside the United States.
2. Payees who have previously negotiated both the original check and the recertified check issued to replace it.

3. Payees who have received more than three recertified check payments in the past 6 months or who have received more than four recertified check payments in a 12-month period.

4. Payees who report non receipt of a recertified check.

5. Payees requesting recertification of an original check more than 30 days old.

6. Payees other than a deputy, agent, or cashier requesting replacement of an exchange for cash check.

E. Issue When the Treasury Department Status Is Paid. Except as provided in paragraph 080515, below, no recertified payment check shall be issued when the DAS from the Treasury Department indicates the check status is paid.

★ 080507. Mechanized Input of the SF 1184. DoD DOs who have access to the DCRM have the capability to mechanically prepare the SF 1184 daily using the UCC subsystem. The SFs 1184 are file transferred to the Treasury Department biweekly. Procedures for accessing the DCRM reporting system to add, change, inquire, or delete an SF 1184 request are found in the User Instructions for Disbursing Offices dated April 17, 1995. Contact your DFAS Center for a copy of this manual.

★ 080508. Preparation of the SF 1184

★ A. General. These procedures apply only to DOs who do not have the capability to electronically produce and transmit SFs 1184. Manually prepared SFs 1184 should be mailed to the supporting DFAS Center or an office designated by the supporting DFAS Center for entry into the DCRM UCC subsystem. Do not mail hardcopy SFs 1184 to the Treasury Department. In addition to the current version of the SF 1184, there is also a perforated version which can be adapted for hardware and software applications. The perforated version can be ordered from GSA Supply Distribution Facilities and GSA Supply Centers. The National Stock Number (NSN) for the perforated form is 7540-01-7777. The SF 1184 is a dual purpose document. If more than one check is to be cancelled, each check shall be processed on a separate SF 1184. In addition, the SF 1184 is used as a transmittal document for the item cancellations submitted. Instructions for preparation of the transmittal document are slightly different from the individual check reporting document. However, instructions for preparing both documents are contained in this paragraph. Transmittals shall be submitted each day for item cancellations prepared that day. If no cancellations are prepared, no transmittal is required. A transmittal cannot include more than 50 item cancellations.

B. Completion of SF 1184 (Item Cancellation). The SF 1184 shall be prepared by typewriter using uppercase letters for all alphabetic characters. Do not submit forms prepared by pen or pencil. The data fields and their contents are described below. See

figure 8-6.

1. CK. SYM. Enter the four-digit DSSN of the disbursing office that issued the original check. Required four-digit numeric field.

2. CK. SERIAL. Enter the check number of the original check that is being canceled and on which "STOP PAYMENT" action is being requested of the Treasury Department. Required eight-digit field. The field is an all numeric field zero-filled from the left. No commas shall be typed to separate the check number digits.

3. CK. AMOUNT. Enter the total amount of the original check. This required field is limited to 10 digits, all numeric. Do not use dollar signs. Use of commas is optional provided the 10-digit requirement is not exceeded. Show the decimal point separating dollars and cents.

4. CK. ISSUE DATE. Enter the date of the original check. This is a required numeric field containing six digits: month (two digits), day (two digits), and year (two digits).

5. AGY/PAYEE ID NO. Enter the identification number assigned to the payee. This is a required alpha-numeric field, maximum of 11 digits. Start from the left and leave unused spaces blank. Activities that do not normally assign specific ID numbers may use vendor contract numbers, DSSN, Social Security numbers, or other reference numbers. For Navy and Marine Corps disbursing offices, the 11-digit field is assigned as follows: positions 1-4, DSSN of the preparing disbursing office; positions 5-7, julian date of preparation; position 8, the unit position of the calendar year of preparation; and, positions 9-11, a 3-digit sequential serial number commencing with 001 on October 01 of each year and continuing through 999 before recycling the sequential numbers. Do not use 000 as a sequential number.

6. LINE CODE. A required numeric digit indicating the total number of lines used for the payee's name and address fields. For Navy and Marine Corps disbursing offices: use "0" for direct deposit checks; use "1" for non-entitlement; and in all other cases, use digits "3" through "6" (as appropriate for the number of lines used in the name and address fields). If the name and address is only two lines, pad the third line with blanks so "3" will be the correct line code.

★ 7. STOP CD. Enter the alpha character code for the appropriate stop reason code based on the definitions listed in table 8-1. The stop code describes the nature of the action required on the original check. The only codes authorized for use are "A," "D," "E," "F," "G," "K," "L," "M," "R," "U," "X," "Y", and, for Navy and Marine Corps disbursing offices only, "P".

8. AGENCY CODE. The agency code is a single alpha character. The following codes shall be used by the respective DoD Components. Defense Agencies shall use the appropriate agency code based on the Military Service that provided the DSSN.

<u>CODE</u>	<u>COMPONENT</u>
A	Department of the Army
F	Department of the Air Force
L	U.S. Marine Corps
N	Department of the Navy

9. PAYEE NAME. Enter the payee's name as it appeared on the original check. This is a required alpha-numeric field limited to 2 lines with a maximum of 30 digits each. The second line is intended to accommodate listing both names when there is a joint payee. If the payee's name is more than 30 characters, use both lines. If there has been a name change, type the NEW name in this field and show the OLD name as it appeared on the original check in the FOR AGENCY USE block.

10. ADDRESS. The address in this alphanumeric field shall be the current address of the payee because the Treasury Department uses this address to prepare claims document address labels. The address is required for STOP REASON CODES "D" and "G". For Navy and Marine Corps disbursing offices, when STOP REASON CODE "F" is used, the disbursing office address will be entered in this field. Each line of the address field is limited to 30 characters.

11. NAME OF DECEDENT. This field is required when the STOP REASON CODE is "E." The field length is 30 characters. Type the deceased payee's name: last name; first name; middle initial(s). Do not use punctuation marks. If the name of the decedent is not provided with a "deceased" STOP REASON CODE "E", the SF 1184 will be rejected by the Treasury Department.

12. DATE OF DEATH. This field is required when the DoD Component has rendered the payee or payee's estate not entitled to the proceeds of the check; therefore, the date of death is required for only STOP REASON CODES "E" or "U."

13. AMT. TO BE RECLAIMED. The "amount to be reclaimed" is a required field for all STOP REASON CODES. This is a required 10-digit field containing the check amount. In some rare cases, the amount to which the payee is no longer entitled (that is the amount to be reclaimed) will be less than the full amount of the original check. In cases where the payment status is "paid", the amount to be reclaimed will be used by the Treasury Department when seeking to recover from the banking system. A lesser amount could occur in the case of non-entitlement, where the payee was entitled to a lesser amount than the original check. In that case, the amount to be reclaimed would be the difference between the amount of the original check and the amount to which the payee is entitled. The field is limited to 10 digits.

Do not use dollar signs. Use of commas is optional provided the 10 digit maximum is not exceeded. Always show the decimal point separating dollars and cents.

14. AGY. LOC. CODE. The Agency Location Code is a four- or eight-digit numeric symbol used by the Treasury Department to identify accounting reports and documents prepared by or for accounting stations and financial offices. The following four- or eight-digit numeric codes shall be entered in this block by the respective DoD Components. Defense Agencies shall use the appropriate agency location code based on the Military Service that provided the DSSN.

1700XXXX Navy and Marine Corps disbursing offices. Note: The XXXX represents the disbursing office DSSN. Insert the assigned DSSN in lieu of "XXXX".

2100XXXX Army disbursing offices. Note: The XXXX represents the disbursing office DSSN. Insert the assigned DSSN in lieu of "XXXX". U.S. Army Corps of Engineers activities that disburse from civilian funds shall enter the DSSN only.

5700XXXX Air Force disbursing offices. Note: The XXXX represents the DSSN. Insert the assigned DSSN in lieu of "XXXX".

15. AGENCY OUTPUT. This code is a required single numeric digit indicating the type of output (hard copy or magnetic tape) to be generated by the agency. Table 8-2 is a list of the output codes and the description of each. Army disbursing offices enter "2" if SF 1184 submission is by paper; enter "4" if SF 1184 submission is by magnetic tape. All Air Force disbursing offices enter "4" in this field. All Navy and Marine Corps disbursing offices enter "3" in this field.

16. AGENCY REFERENCE. This field is optional. DOs may use this 35-character field as necessary to enter information that will assist in identifying this particular SF 1184, identify actions, or explain the reason for the SF 1184.

17. FOR D.O. USE. Enter the DSSN on the D.O. Activity line. The DO or deputy shall sign on the signature line provided.

18. FOR AGENCY USE. For Army and Air Force, enter the DoD Component name on the Agency line. Navy and Marine Corps disbursing offices enter the name of the preparing disbursing office on the Agency line. The DO or deputy shall sign the signature line on every SF 1184 submitted.

C. Completion of Transmittal Document. A transmittal SF 1184 shall be prepared daily for each batch of 50, or fewer, items submitted on any date. A separate SF 1184 shall be used as the transmittal document. Under no circumstances shall a batch contain more than 50 items. The required data fields for the transmittal SF 1184 and their contents are described below. Use of fields other than those listed will result in rejection of the entire batch by the Treasury Department. This form shall be prepared by typewriter. See figure 8-7.

1. ADDRESS. This field accommodates 120 characters. Enter the DO's name and complete disbursing office address.

2. FOR D.O. USE. Type the DSSN of the preparing disbursing office in the space directly above D.O. Activity. The DO or deputy shall sign the SF 1184 transmittal document in the space provided.

3. AGY. LOC. CODE. The following numeric codes shall be used by the respective DoD Components. Defense Agencies shall use the appropriate agency location code based on the Military Service that provided the DSSN.

1700	Navy and Marine Corps
2100	Army
5700	Air Force

4. AGENCY OUTPUT. This code is a required single numeric digit indicating the type of output (hard copy or magnetic tape) to be generated by the agency. Table 8-2 is a list of the output codes and the description of each. Army disbursing offices enter "2" if SF 1184 submission is by paper; enter "4" if SF 1184 submission is by magnetic tape. All Air Force disbursing offices enter "4" in this field. All Navy and Marine Corps disbursing offices enter "3" in this field.

5. FOR AGENCY USE. When the SF 1184 is used as a transmittal document enter in this field the total number of SFs 1184 attached and the batch number of the batch being transmitted. The batch number consists of 13 digits. The batch number shall be composed of the submitting DO's DSSN (four digits); the date (MMDDYY) (six digits), and a three-digit sequential number beginning with 001 each day. The batch sequential number shall also be recorded DD Form 2662. The SF 1184 Total indicates to the Treasury Department and the DFAS Centers the total number of individual cancellation documents being submitted with a transmittal document. Use one numeric digit for batches containing one to nine items. Use two numeric digits for batches containing 10 to 50 items. Enter the DoD Component name (i.e., Army, Air Force, Navy, or Marine Corps) on the Agency line. The DO or deputy shall sign the signature line for each transmittal submitted.

080509. Submission of Unavailable Check Cancellation. All cancellations shall be submitted on the day they are prepared along with a transmittal covering the item cancellations in every batch. Even though only one item cancellation is being submitted, it shall be covered by a transmittal. The DFAS Centers addresses are:

Defense Finance and Accounting Service
Cleveland Center
DFAS-CL/AABA
1240 E. Ninth Street
Cleveland, OH 44199-2056

Defense Finance and Accounting Service
Columbus Center
DFAS-CO/FP
Columbus, OH 43218-2317

Defense Finance and Accounting Service
Denver Center
DFAS-DE/AAC
6760 E. Irvington Place
Denver, CO 80279-8000

Defense Finance and Accounting Service
Indianapolis Center
DFAS-IN/JFP (Mail Stop 101)
8899 East 56th Street
Indianapolis, IN 46249-0833

Defense Finance and Accounting Service
Kansas City Center
DFAS-KC/AE
Kansas City, MO 64197-0001

The agency receipt copy of the batch transmittal will be returned by the servicing DFAS Center to advise the DO that the entire batch has been accepted and processed. If the agency receipt copy has not been returned within 20 days after submission, the DO should contact the appropriate DFAS Center listed above and request assistance. The distribution of the manually prepared SF 1184 is shown in table 8-3.

080510. Daily Advice of Status. With the exception of the transmittal documents, the Treasury Department will return a Daily Advice of Status (DAS) on every SF 1184 received. An essential control technique is for DOs to keep a complete file of SFs 1184 submitted. Periodic review of the file will show, either by copy of the DAS or by copy of the agency receipt copy of batch transmittals, that the Treasury Department has received and processed all submissions. Incomplete file items should be followed-up within 30 days through the servicing DFAS Center by telephone and if necessary, by processing a second SF 1184. The status codes used by the Treasury Department on the DAS are listed in table 8-4. When the Treasury Department has issued a DAS with a status of "Outstanding check canceled, agency credited," future requests to cancel or obtain photocopies of the canceled check will receive a response status code "11" indicating the canceled check has been paid. However, until the original check is presented through the banking system, no photocopy will be available. Therefore, once a

disbursing office has received a DAS with a status code of outstanding, no additional SFs 1184 can be submitted for that check number. If the original check is ever presented through the banking system for payment, the servicing DFAS Center will notify the DO that the credit to Unavailable Check Cancellations and Overpayments, Suspense, **F3880, has been reversed by Treasury Department.. The Treasury Department will, at that time, provide a photocopy of the original check, a claims document, and a claim form (FMS Forms 3858 and 1133).

★ 080511. Automated Recertification Follow-up Procedures. After submitting an SF 1184 on a check, DOs shall use the FMS Form 3864 (Agency Recertification Follow-up) to maintain contact with the Treasury Department regarding previously submitted SFs 1184 when the DAS code has been received but either the 3880 credit, photocopy or claim form is 30 days overdue. Two new stop codes have been approved by the Treasury Department for use in the DCRM UCC subsystem to automate the hardcopy follow-up. If an SF 1184 received a DAS code indicating outstanding status (e.g., DAS 32) but the credit is overdue, use STOP REASON CODE “X” for the follow-up request. A STOP REASON CODE “Y” is used if an SF 1184 received a DAS code indicating paid status (e.g., DAS 11) but the subsequent information is overdue. The Treasury Department has provided additional DAS codes to respond to the new automated stop codes. The DAS codes and their messages are in table 8-4. See table 8-5 for details on when to submit the automated or hardcopy FMS Form 3864 to the Treasury Department.

★ 080512. Manual Preparation of the FMS Form 3864. Use the procedures below for completing a hardcopy FMS Form 3864 (Agency Recertification Follow-up). After submitting an SF 1184 on a check, DOs shall use the FMS Form 3864 to maintain contact with the Treasury Department regarding previously submitted SFs 1184 when the DAS code has been received but either the 3880 credit, photocopy or claim form is 30 days overdue. The DO shall complete parts A and B, as prescribed below. The Treasury Department will complete part C and return the form to the disbursing office. Table 8-5 lists more details on submission of this form.

A. FMS Form 3864, Part A. The DO shall complete this portion from retained records (original SF 1184 submitted, the DAS, and/or claims document). If status code is known, provide it in the proper block. The information entered on this form shall be typed.

B. FMS Form 3864, Part B. The DO shall complete this portion indicating the reason for submitting the FMS Form 3864. See table 8-5 for more details regarding the reasons for follow-up and required follow-up time frames.

C. FMS Form 3864, Part C. The Treasury Department will place a check mark in the appropriate block in reply to the DO's follow-up request, and will enter a further explanation in part C-9, OTHER, when warranted. Part C-8 will be checked only when the Treasury Department cannot furnish an immediate response to a follow-up request. A further response should be provided by the Treasury Department within 30 calendar days.

080513. Accounting for Recertified Checks

A. General. All credits for canceled unavailable checks and charges resulting from negotiation of a previously canceled unavailable check are provided by the Treasury Department through budget clearing account Unavailable Check Cancellations and Overpayments (Suspense), **F3880. The **F3880 account is restricted to unavailable check transactions and shall not be used for any other purpose. The **F3880 account is available to hold credit or chargeback amounts only until the appropriation or fund that was charged when the original check was issued can be identified. All amounts in the **F3880 account must be transferred to the proper appropriation of fund as expeditiously as possible. Note: As indicated in Chapter 7 of this volume, exchange-for-cash checks generally are issued as advances to deputies, agents, or cashiers, or as an accommodation service for the benefit of a payee. These exchange-for-cash transactions are not charged to an appropriation on fund. If a deputy, agent, or cashier loses such a check, the loss will be treated as a physical loss of funds as prescribed in Chapter 6 of this volume. If the Treasury Department determines the check to be outstanding, the unavailable check credit shall be used to offset the loss of funds. If the unavailable check should later be negotiated and the Treasury Department reverses the credit, the physical loss of funds shall be reestablished. If a payee who received an exchange-for-cash check as an accommodation service loses such a check, the unavailable check credit shall be used to reimburse the payee for the loss. However, since there was no entitlement chargeable to an appropriation, reimbursement shall not be made until the period of negotiability for the original check has lapsed (1 year from the date of issue).

1. Credits Resulting from Submission of SFs 1184. If an unavailable check is outstanding (not negotiated), the Treasury Department will issue a DAS indicating that the check is outstanding and that the agency will be credited with the proceeds. The Treasury Department will cancel the check and credit the funds derived from the cancellation to the **F3880 account. The DFAS Centers at Cleveland, Denver and Indianapolis will receive the cancellation credits monthly from the Treasury Department on an SF 1081 (Voucher and Schedule of Withdrawals and Credits), along with a magnetic tape listing of checks canceled. Identifying information for the checks being canceled will be included on the magnetic tape. Where available, the proceeds of these canceled checks will be forwarded to the DFAS Centers through the Government On-line Accounting Link System/On-line Payment and Collection (GOALS/OPAC). Any identifying information provided in the original check issue data submission will be reflected as detail in the credit transmission. The detail also will be provided on microfiche monthly. The DFAS Cleveland, Denver, and Indianapolis Centers will forward check credit information (including the detail information) applicable to the DFAS-Columbus Center disbursing accounts to the DFAS-Columbus Center. The DFAS-Cleveland Center also will forward the cancellation credit information (including the detail information) applicable to the DFAS-Kansas City Center and Marine Corps disbursing offices to the DFAS-Kansas City Center.

2. Reversals of Cancellation Credits. If a canceled unavailable check is negotiated to a financial institution after cancellation by the Treasury Department, the Treasury Department will reverse the cancellation credit and provide a DAS indicating the check has been negotiated and the credit reversed. The Treasury Department will provide a copy of the paid check, and FMS Forms 1133 and 3858. The reversal transactions will be separate from the

monthly cancellation credits described above. The DFAS Centers at Cleveland, Denver and Indianapolis will receive the cancellation credit reversals from the Treasury Department with an SF 1081 and a magnetic tape listing of checks for which credit was reversed. Identifying information for the checks will be included on the magnetic tape. The DFAS Cleveland, Denver, and Indianapolis Centers will forward the credit reversal information (including the detail information) applicable to the DFAS-Columbus Center disbursing accounts to the DFAS-Columbus Center. The DFAS-Cleveland Center also will forward the credit reversal information (including the detail information) applicable to the DFAS-Kansas City Center and Marine Corps disbursing offices to the DFAS-Kansas City Center.

B. DFAS Center. Title 31 U.S.C. 3334(a)(2) (reference (e)) requires that the proceeds from canceled checks be returned to the appropriation from which the check was issued originally and to treat the canceled check as an account payable. Within 15 days of receipt, the DFAS Center should forward the check cancellation and credit detail information both to the disbursing office that issued the check and the accounting office that supports the disbursing office. Any Treasury Department reversal of previous cancellation credits should also be forwarded to the applicable disbursing and accounting offices.

C. Accounting Office. When canceled check credits are received, the accounting office must promptly transfer the individual check credits from **F3880 to the appropriation charged when the check was issued and establish an account payable. If an unavailable check is replaced by a recertified check prior to receipt of credit from the Treasury Department, the accounting office should establish an account receivable in the appropriation or fund charged for the check issue and remove the receivable when the credit is received. Reversal of a previous credit also should be promptly transferred from **F3880 to the appropriation charged when the check was issued.

D. Disbursing Office. Upon receipt of the DAS indicating cancellation credit or reversal information from the servicing DFAS Center, the disbursing officer is responsible for initiating research on the check issue data submitted to the Treasury Department to ensure that the detailed information provided is accurate. That is, the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal must agree with the original check issue data reported to the Treasury Department when the check was issued. Any discrepancy in this data must be researched to determine the cause of the discrepancy and appropriate action taken to correct the discrepancy. The disbursing office also must notify the appropriate entitlement or subject matter area (i.e., military pay, civilian pay, travel pay, or commercial accounts payable) that the Treasury Department has returned credit to the activity because the check was not negotiated or reversed a previous credit because the check was negotiated and provide a copy of the DAS.

E. Entitlement Area. When notified that an unavailable check has been canceled and credit provided, the appropriate entitlement or subject matter area must determine whether the liability for payment of the underlying obligation is valid and prepare the appropriate vouchers for payment if the payee was not issued an immediate recertified payment when the SF 1184 was submitted.

F. Recertified Payments. Any recertified payment (including immediate replacements under stop code “A”) must be vouchered and charged to the appropriation or fund charged when the original check was issued. Recertified payments may be issued at the same time that the disbursing office submits the SF 1184 or at any subsequent point in the claims cycle; that is--

1. Before the status of the original check is known, when less than 31 days have elapsed from the date of the original check. See subparagraph 080506.C, above.

2. After the disbursing office has been advised by the DAS that the original is outstanding and credit will be provided.

3. After credit has been received from the Treasury Department through the applicable DFAS Center.

Making a recertified payment under items 1 and 2, above, will require an account receivable to be established in the appropriation or fund for the amount due on cancellation of the original check. A copy of the SF 1184 and/or DAS may be used to support the account receivable.

080514. Preparation and Disposition of Recertified Checks

A. General. Recertified checks shall be prepared and distributed in the same manner as regular checks previously described in Chapter 7 of this volume. If a payee claims non-receipt, loss, or destruction of a recertified check, the unavailable check cancellation procedures in this section also apply to the recertified check.

B. Undeliverable Recertified Checks. An undeliverable recertified check shall be processed in the same manner as any other undeliverable check immediately after it is found to be undeliverable. The 60-day time limit for holding undelivered checks is not applicable to undeliverable recertified checks. The check shall be canceled on an SF 1098 with credit to the appropriation charged when it was issued in accordance with paragraph 080512, above. The check shall then be deposited with the nearest FRB or branch on an SF 215 as prescribed in section 0804 of this chapter.

C. Returned and Recovered Recertified Checks. When a recertified check is returned by the payee after the original check which it replaced has been found and negotiated by the payee, the recertified check shall be canceled on an SF 1098 and credited to the appropriation charged when it was issued. The check shall then be deposited with the nearest FRB or branch on an SF 215 as prescribed in section 0804 of this chapter. The chargeback to the **F3880 account from the Treasury Department for the negotiated original check must be transferred to the appropriation charged when the original check was issued.

D. Returned and Recovered Original Checks. An original check which is returned to or recovered by the DO after it is more than one year old (from date of issue) or has

been canceled by submission of an SF 1184 shall not be canceled on an SF 1098 (Schedule of Canceled or Undelivered Checks). However, the check shall be marked "VOID - NOT NEGOTIABLE" on the front and held in the DO's safe or vault until the Daily Advice of Status (DAS) is received from the Treasury Department and then the marked check shall be destroyed locally by burning or shredding. No report of destruction is made to the Treasury Department. The date of destruction and supporting documentation shall be noted in DD Form 2662 (Recertified Check Register).

080515. Forgery

A. General. A payee may have a valid claim against the Check Forgery Insurance Fund (CFIF) to enforce the government's obligation on account of the check when the Treasury Department has determined the original check to have been paid. When the check status is "Paid", the Treasury Department will provide a photocopy of the original check, an FMS Form 1133 (Claim Against the United States for the Proceeds of a Government Check), and an FMS 3858 (Claims Document). If a photocopy of the check is not available within 60 days, the Treasury Department will provide a modified FMS Form 1133. If the Treasury Department does not provide the modified FMS Form 1133, the DO should request one by using FMS Form 3864. If the payee of the original check is deceased, not entitled to the proceeds of the check, or the check was endorsed before it was lost or stolen, the Treasury Department will take no action on the claim if the photocopy of the paid check is not available within 60 days. The FMS Forms 1133 and 3858 are combined in a four-page form set. The FMS Form 1133 is for the payee's declarations and information concerning the unavailable check. The FMS Form 3858 is the claim reference document that contains the necessary information for Treasury Check Claims Operations to identify the check. A copy of the FMS Form 3858 must be attached to any correspondence with the Treasury Department concerning the unavailable check.

B. Check Forgery Insurance Fund (CFIF). Only the Treasury Department's Division of Check Claims is authorized to adjudicate claims of forgery against Treasury checks. As explained in section 0806, below, a claim against the CFIF is governed by the 1-year statute of limitations provided in the Competitive Equality Banking Act of 1987 (CEBA) (reference (x)), since a claim against the CFIF constitutes a claim on account of a Treasury check. Therefore, a claim of forgery must be presented within 1 year from the date the check was issued. If the claim is not presented within the 1 year statutory period (from the date the check was issued), the claim on the check is barred and the payee is not entitled to payment out of the CFIF. Note: The statutory 1 year limit on the claim against the CFIF has no effect on the underlying obligation of the government for the payment. If the Treasury Department determines a check endorsement was forged and the payee's claim meets the statutory requirements, the Treasury Department will institute reclamation procedures to recover the proceeds of the forged check from the banking system. The CEBA also set a statutory time limit of 18 months from the date a check is negotiated for accomplishment of bank reclamation. As stated in Comptroller General Decision B-242666 of August 31, 1993 (reference z)), if the statutory requirements for the claim have been met and the proceeds of the check cannot be recovered from the banking system through bank reclamation procedures, the Treasury Department is responsible for issuance of the settlement check with the payment charged to the CFIF.

080516. Forgery Claims

A. General. As stated in the previous paragraph, a payee may have a valid claim against the CFIF when the unavailable original check has been determined by the Treasury Department to have been paid. The DO shall deliver the FMS Form 1133 portion of the form set to the payee for completion and return to the disbursing office if the SF 1184 was submitted with stop codes of A, D, F, or G. If the payee claims the endorsement signature is a forgery, the FMS Form 1133 must be completed by the payee and returned to the DO for submission to the Treasury Department. The DO shall inform the payee that only the Treasury Department is authorized to adjudicate claims of forgery against Treasury checks. If a recertified payment check has not yet been issued, no recertified payment check will be issued prior to receipt of an FMS Form 3859 (Claims Disposition Notice) from the Treasury Department. If the Treasury Department determines the check was not forged, the claim will be considered closed and the payee normally will not be authorized to receive a recertified payment. Also, if the Treasury Department determines the original check was not forged and the original check has been replaced by a recertified payment check, the payee shall be liable for the value of the recertified check and must make immediate payment. Note: Checks lost by the payee after they were endorsed by the payee are not forgeries.

B. FMS Form 3859 (Claims Disposition Notice). A payee is entitled to a recertified check only in settlement of a claim of forgery based on an FMS Form 3859 issued by Treasury Department. The FMS Form 3859 is used to advise the payee and the DO of the results of the Treasury Department's investigation of the claim of forgery. The conditions by which the DO is authorized to issue a recertified check to the payee are described below.

1. The Treasury Department has determined that the endorsement on the original check was forged and is in the process of collecting the proceeds through the banking system (bank reclamation), refund pending. In this instance, should the bank reclamation process fail, the settlement to the payee should properly be chargeable to the CFIF. Therefore, the recertified payment check should not be issued until the Treasury Department further advises that the proceeds have been recovered from the banking system and the credit provided to **F3880.

2. The Treasury Department has determined that payee is entitled to the proceeds of the check (the endorsement on the original check was forged but the time period for bank reclamation has expired), settlement authorized. This situation generally does not occur unless the payee failed to file the claim against the original check within the statutory 1-year period from the date the check was issued. As stated in paragraph 080514, above, this 1-year statutory period does not effect the underlying obligation to make payment. In this instance, if the underlying obligation is otherwise determined to be valid (payee entitled to the payment), the recertified check may be issued with the payment charged to the appropriation or fund charged when the original check was issued. If the original appropriation or fund is no longer available, the recertified payment should be charged to a current appropriation available for the same general purpose subject to limitations on its use.

080517. Collections of Double Negotiations

A. General. Negotiation of an original check which has been replaced by a recertified check is considered to be an illegal, incorrect, or improper payment for purposes of pecuniary liability. DOs are responsible for collection from payees to recover illegal, incorrect, or improper payments made by the DOs and/or deputies and agents. In the event that the payee separates from government service, the DO shall continue to be responsible for assuring collection action. Normally, collections for illegal, incorrect, or improper payments are one-time cash refunds or lump-sum collection by pay account checkage or salary offset and do not warrant installment liquidation. A decision to permit repayment in installments is reserved for extreme personal hardship and is left to the discretion of the DO.

B. Procedures

1. Collection Action. When the DO is notified that the Treasury Department has reversed a previous credit to **F3880 from the cancellation of the original check, the DO shall immediately begin collection action. Due process rights of collection specified in Part II of this volume shall be afforded the payee in each case. Normally, the most effective measure of effecting expeditious recovery is to present the payee a photocopy of the paid original check and a copy of the signed statement of the claimant containing the clause acknowledging that the payee was not entitled to both the original and the recertified check, and to enforce the agreement contained therein. Due process rights of collection include the opportunity for the payee to contest the validity of the debt. In cases of double negotiation, this opportunity is provided by the payee's right to complete the FMS Form 1133. If upon presentation of the copy of the negotiated check the payee asserts that the check was negotiated over a forged endorsement, collection should not begin until the Treasury Department's Division of Check Claims adjudicates the payee's claim of forgery. However, if the payee does not provide the properly completed FMS Form 1133 within the time frame allowed for presentation of documentation as to why the debt is not owed, the payee will be deemed to have acknowledged the debt and collection will begin immediately. If the payee provides the properly completed FMS Form 1133 and the Treasury Department determines the check was forged, the payee would not owe the debt. If the Treasury Department denies the payee's claim of forgery (i.e., the Treasury Department determines the check was not forged), the full amount of the check is due and payable immediately. Collection action shall be completed within 90 days of the receipt of the DAS from the Treasury Department indicating the canceled unavailable original check has been paid or within 90 days of receipt of the FMS Form 3859 from the Treasury Department indicating the payee's claim of forgery is denied, as applicable to the circumstances of each individual case as described above. The DO shall document all attempts to collect illegal, incorrect, or improper payments. If all reasonable steps have been taken to make collection and the illegal, incorrect, or improper payment becomes locally uncollectible within the 90-day time limit, the DO shall transfer the debt to the appropriate DFAS Center designated to pursue collection of locally uncollectible debts.

2. Determination of Fraud. Double negotiations could indicate misrepresentation or fraudulent intent. If the DO suspects that the negotiation of the original check is the result of fraudulent activity, the procedures outlined in Chapter 6 of this volume for reporting the event, and for possible investigative and disciplinary action shall be followed. Collection action shall be taken as specified in this Volume.

080518. Relief of Liability for Uncollectible Illegal, Incorrect, or Improper Payments. The DO may request relief of liability for illegal, incorrect, or improper payments following the procedures in Chapter 6 of this volume. As stated in 65 Comptroller General Decision 812 (reference (aa)), the policy of the Comptroller General is to deny relief in cases where the DO does not make all reasonable attempts to collect from the payee and delays more than 3 months before referring the debt to the appropriate activity for further collection. In the case of DoD Components, the appropriate activity to refer debts is the servicing DFAS Center.

080519. Separation of Duties. The payment recertification process is subject to the same management controls as other more routine disbursements. The same individual shall not authorize, process, and review recertified check transactions. Except as provided below, the minimum acceptable separation of duties shall consist of preparation of the SF 1184 by one individual; review and approval of the DD Form 2660 and SF 1184 by a deputy or the DO; preparation of a disbursement voucher by one individual in the appropriate entitlement area; review and approval of the voucher and supporting documentation by a first line supervisor other than the deputy or DO authorizing the transaction; and authorization of the disbursement by the DO or a deputy. At locations where the entitlement and disbursing offices are combined into one unit (as is the case at small activities and most tactical units), whenever possible neither the person preparing the SFs 1184 and disbursement vouchers nor the person reviewing the transaction and supporting documents shall prepare the check.

0806 TREASURY CHECKS CANCELED UNDER LIMITED PAYABILITY

080601. Background. The Competitive Equality Banking Act of 1987, Public Law 100-86 CEBA (reference (x)) amended 31 U.S.C. 3328 (reference (e)), and created a new section 3334 to establish time limits on the payability (negotiability) of Treasury checks. The CEBA affects the time period permitted for negotiation of Treasury checks, initiating and processing claims on those checks, recovering monies from financial institutions, and replacement of Treasury checks. However, the CEBA has no effect on the underlying obligation of the United States for which a Treasury check was issued. Electronic Fund Transfer (EFT) payments and limited depositary checking account payments also are not affected by CEBA.

A. Pre-CEBA. Prior to the effective date of CEBA (October 1, 1989), 31 U.S.C. 3328(a) provided that a Treasury check could be paid (negotiated) at any time and 31 U.S.C. 3328(c) provided that the limitation on claims against the Government in 31 U.S.C. 3702 (Barring Act) did not apply to an unpaid (not negotiated) Treasury check. These principles may be shown with the following hypothetical examples.

1. An individual makes a claim for payment of \$1,000 in December 1978 with an agency and receives a Treasury check in payment in January 1979. The individual does not negotiate the check until 1986. In this example, the underlying obligation is the amount due in satisfaction of the claim. The individual tolled the Barring Act by submitting the claim for payment in December 1978. Upon the issuance of a Treasury check, the individual also has a separate claim on the Treasury check, which was, in 1979, payable in perpetuity (31 U.S.C. 3328(a) (1982)). Thus, prior to CEBA, the individual's right to obtain a replacement check on account of the original unnegotiated Treasury check masked the effect of the Barring Act (31 U.S.C. 3702 (b)) on the underlying obligation.

2. The effect of the Barring Act on the underlying obligation may be shown by modifying slightly this example. In addition to the earlier facts, assume further that the individual discovered that he had failed to claim all that was due in December 1978 and that the agency in fact owed him another \$250. He may obtain payment of the additional amount of the underlying obligation only if he submits a new claim for the additional amount to the agency within the 6-year period following the accrual of the original claim, December 1978. If, in 1986, however, the individual--in addition to negotiating the check--submitted a claim for the additional \$250, the claim for the additional amount would have been barred since more than six years had elapsed from the accrual of the original claim.

B. CEBA. The CEBA established a 1-year limitation on the negotiability of a Treasury check. However, the negotiability of a check does not affect the obligation underlying the check. Effective October 1, 1989, CEBA left the two causes of action separate; that is, one on the underlying obligation and one on the Treasury check. However, CEBA imposed a statutory limitation on the period during which a Treasury check may be paid and on any claim on account of a Treasury check. CEBA requires that Treasury checks must be negotiated within one year of the date of issuance and states that any claim on account of a Treasury check is barred unless the agency which issued the check receives a claim within one year of the issuance date. Following this one-year period, a request for payment based on the Treasury check is forever barred. However, since a claim on the underlying obligation is separate from a claim on the check, payment may still be made on the underlying obligation subject to the six-year statute of limitations in the Barring Act (31 U.S.C. 3702(b)). Accordingly, after the six-year period following the accrual of the claim, a check may be issued only if the claimant has tolled the Barring Act by making a timely claim on the underlying obligation. To make CEBA applicable in the above example, change the years of the hypothetical case. If the individual submitted the claim in December 1989, and the date of issuance of the check was January 1, 1990, a claim on the check expired one year after the issuance date, December 31, 1990. Thus, the individual had to perfect his claim on the Treasury check before the one year period expired in order to obtain a replacement check. This, however, does not affect a claim on the underlying obligation. In this example, because a claim for payment, that is, the claim submitted in December 1989, was timely submitted, the running of the period of limitations in the Barring Act was tolled, and a replacement check may be issued, even if more than 6 years pass. Conversely, if a timely claim on the underlying obligation had not been received, the claim on the underlying obligation is barred and an agency may not issue a replacement check. Therefore, if a claimant has submitted a valid claim to toll the statute of limitations on the underlying obligation, he may obtain a

payment check even if more than 6 years has passed since the claim accrued or the check was issued. However, that is not to say that tolling of the Barring Act on the underlying obligation permits payment in perpetuity. Entitlement to payment is not unlimited; any appropriate defense remains available to the government. For example, where following cancellation of a Treasury check under CEBA, a claimant waits an inordinate period of time to request payment on the underlying obligation, laches may apply (see definitions). Furthermore, Treasury Department records show only that a check has not been presented to the Treasury Department for payment, and not whether it was presented to and paid by an intermediary bank.

080602. Treasury Check Payability. All Treasury checks issued prior to October 1, 1989, have been canceled. All Treasury checks issued on or after October 1, 1989, bear the legend "Void After One Year." The Treasury Department will decline payment of all checks which are not negotiated to a financial institution within 1 year from the check issue date. Financial institutions will advise the payee to contact the agency which issued the check because the check is no longer negotiable. Any physical checks returned to the disbursing office because they are no longer payable (negotiable) shall be stamped "VOID - NOT NEGOTIABLE" and shredded once the disbursing office has confirmed receipt of the Limited Payability cancellation credit. Treasury checks issued prior to October 1, 1989, have already been mass canceled and may be shredded without confirmation of receipt of a Limited Payability cancellation credit.

080603. Treasury Check Claimability. Any claim on account of a Treasury check is barred unless it is presented to the agency that issued the check within 1 year after the date of issuance. Since CEBA established a 1-year statute of limitations for claims against a Treasury check, DOs are not authorized to process any claim for replacement of a check which is over 12 months old (from date of issue). Therefore, under the provisions of CEBA, DOs must reject all claims against Treasury checks as time barred (i.e., claims for replacement of Treasury checks) that are not received prior to the expiration of the 12-month period of negotiability (from the date of issue) of the check. The DOs should notify the claimant that a claim of non-payment of the underlying obligation of the government must be filed with the appropriate entitlement office (contracting officer for vendors or commercial payees, military pay office, civilian pay office, travel office, etc.).

080604. Limited Payability Check Cancellation Process. During the 14th month after issuance, the Treasury Department will identify and cancel all checks that have not been negotiated within 12 months from the date of issue. Where the check issue data is submitted after the limited payability period, the cancellation of checks that are outstanding will occur at the end of the month in which the check issue data is submitted. The Treasury Department credits the funds derived from the cancellation of checks dated on or after October 1, 1989, to Unavailable Check Cancellations and Overpayments (Suspense), **F3880. The DFAS Centers at Cleveland, Denver, and Indianapolis will receive the limited payability cancellation credits monthly from the Treasury Department with an SF 1081 and a magnetic tape listing of checks canceled. Identifying information for the checks being canceled will be included on the magnetic tape. Where available, the proceeds of these canceled checks will be forwarded to the applicable DFAS Centers through the Government Online Accounting Link System/On-line Payment and Collection (GOALS/OPAC). Any identifying information provided in the original check issue

data submission will be reflected as detail in the credit transmission. The detail also will be provided on microfiche monthly. The DFAS Centers in Cleveland, Denver, and Indianapolis will forward check credit information (including the detail information) applicable to the DFAS-Columbus Center disbursing accounts to the DFAS-Columbus Center. The DFAS-Cleveland Center also will forward the cancellation credit information (including the detail information) applicable to the DFAS-Kansas City Center and Marine Corps disbursing offices to the DFAS-Kansas City Center. Note: All checks issued before October 1, 1989, that were not negotiated by October 1, 1990, also were canceled by the Treasury Department (referred to as “mass cancellation”). However, the proceeds of these canceled checks were not returned to the check issuing agency but were applied to the Treasury Department’s uncollectible accounts receivable.

080605. Reversals of Limited Payability Cancellations. In some cases, checks will be negotiated to financial institutions within 1 year from the date of issue, but processing in the Federal Reserve System or in the Treasury Department’s Reconciliation Branch will prevent the payment from being applied to the Check Payment and Reconciliation (CP&R) system before the limited payability cancellation has occurred. In these instances it will be necessary for the Treasury Department to reverse the cancellation credit and provide a copy of the paid check. Reversal transactions will be separate from the monthly cancellation credits described above.

080606. Accounting for Limited Payability Cancellation Credits or Reversals

A. DFAS Center. Title 31 U.S.C. 3334(a)(2) (reference (e)) requires that the proceeds from canceled checks be returned to the appropriation from which the check was issued originally and to treat the canceled check as an account payable. Within 15 days of receipt, the DFAS Center should forward the check cancellation and credit detail information to both the disbursing office that issued the check and the accounting office that supports the disbursing office. Any Treasury Department reversal of previous cancellation credits also should be forwarded to the applicable disbursing and accounting offices.

B. Accounting Office. The accounting office should transfer promptly the individual check credits from **F3880 to the appropriation charged when the check was issued and establish an account payable. Reversal of a previous credit also should be transferred promptly from **F3880 to the appropriation charged when the check was issued and the account payable removed.

C. Disbursing Office. Upon receipt of the detailed limited payability cancellation credit or reversal information from the servicing DFAS Center, the disbursing officer is responsible for initiating research on the check issue data submitted to the Treasury Department to ensure that the detailed information provided is accurate. That is, the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal must agree with the original check issue data reported to the Treasury Department when the check was issued. Any discrepancy in this data must be researched to determine the cause of the discrepancy and appropriate action taken to correct the discrepancy. In addition, the disbursing officer shall ensure that disbursing records are researched to determine if a claim of loss, theft, non-receipt, etc., has been filed on the limited payability canceled check. This

includes a determination of whether the check was previously replaced by a control check, recertified check, or other type of replacement check. The disbursing office also should notify the appropriate entitlement or subject matter area (i.e., military pay, civilian pay, travel pay, or commercial accounts payable) that the Treasury Department has returned credit to the activity because the check was not negotiated within the prescribed period. Upon the request of an entitlement area, DOs should accomplish the verifications described at subparagraphs 080608.A through 080608.D, below, and advise the entitlement area whether the original Treasury check was canceled or negotiated, or whether it was previously replaced.

080607. Claims of Non-payment of the Underlying Obligation. Comptroller General Decision B-244431.5, dated August 23, 1995 (reference (ab)), stated that whether a check may be replaced following the limited payability cancellation of a Treasury check depends on whether a timely claim on the underlying obligation has been submitted to toll the applicable statute of limitation, 31 U.S.C. 3702 (b) (1988) (Barring Act). As explained in the following subparagraphs, where documentary evidence of a timely claim on the underlying obligation exists, or other appropriate evidence that a timely claim was received, an agency may issue a new check. As required by paragraph 080603, above, when a Treasury check claim or replacement request is received by a DO more than 1 year after the check issuance, the DO should notify the claimant that a claim on account of the Treasury check is barred, and that any claims on underlying obligations should be filed by the payee with the appropriate entitlement area or agency with jurisdiction over the underlying obligation. In all cases, entitlement to payment on these claims must be determined by the appropriate entitlement area. For approved claims, the source of funding for the recertified payment must be the appropriation charged when the original check was issued, or if no longer available, a current appropriation available for the same general purpose subject to limitations on its use. For checks issued on or after October 1, 1989, which were canceled under limited payability, proceeds were provided as described in the previous paragraph and should have been transferred to the original appropriation charged when the check was issued and an account payable established. For checks issued before October 1, 1989, which were mass canceled and for which the proceeds were not returned to the issuing agency, the source of funding for approved claims should be the appropriation charged when the original payment was made. If no longer available, charge a current appropriation available for the same general purpose as the original appropriation subject to limitations on its use. After determination of a payee's entitlement to a recertified payment, the entitlement area should prepare and certify the payment voucher and forward the voucher and supporting documentation to the disbursing officer for payment.

A. Claim of Individual Payees

1. Military Pay. Claims of non-payment of members of the Armed Forces (to include active duty, reserve, retired, and annuitant) must be submitted to the appropriate military payroll office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Note that Treasury checks issued in payment of obligations relating to military pay and allowance entitlements ordinarily are not issued in response to claims. Therefore, the payee usually will not have tolled the Barring Act by asserting a claim prior to issuance of the original check. It may, however, be necessary for the entitlement area to

consider the extent to which the Barring Act was tolled during periods of active duty performed by the claimant. If it is determined that the payee has submitted a timely claim and that the payee has not been paid, the claim must be certified and forwarded to the appropriate disbursing office for payment See paragraph 080608, below, for payment procedures.

2. Civilian Pay. Claims of nonpayment for wages earned by civilian employees of the U.S. Government must be submitted to the appropriate civilian payroll office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Note that Treasury checks issued in payment of obligations relating to civilian pay entitlements ordinarily are not issued in response to claims. Therefore, the payee usually will not have tolled the Barring Act by asserting a claim prior to issuance of the original check. If it is determined that the payee has submitted a timely claim and that the payee has not been paid, the claim must be certified and forwarded to the appropriate disbursing office for payment. See paragraph 080608, below, for payment procedures.

3. Travel Pay. Claims of non-payment for travel entitlement by members of the Armed Forces or DoD civilian employees must be submitted to the appropriate travel office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Note that Treasury checks issued in payment of obligations relating to travel pay entitlements ordinarily are issued in response to claims asserted by claimant submission of travel vouchers. Unlike military and civilian pay cases, the Barring Act's statute of limitation in travel payment cases usually will have been tolled before issuance of the original check when the claimant submitted the travel voucher. If it is determined that the payee has submitted a timely claim and that the payee has not been paid, the claim must be certified and forwarded to the appropriate disbursing office for payment See paragraph 080608, below, for payment procedures.

4. Residual Claim Categories. Treasury checks also are issued to individuals in satisfaction of miscellaneous Government obligations. For example, legal claims under the Federal Tort Claims Act (28 U.S.C. sections 1346(b), 2671-2680), should be asserted by claimant-payees before the entitlement area within the Military Department with tort claim settlement authority over the claim. Similarly, claims of properly losses incurred incident to government service may be cognizable under the Military Personnel and Civilian Employees' Claims Act (31 U.S.C. 3721), and should be asserted by claimants before entitlement areas with claim settlement authority, such as the Military Department's judge advocate general. Note that Treasury checks issued in payment of these types of obligations are issued in response to claims asserted by the claimants. Unlike military and civilian pay cases, the Barring Act's statute of limitation in these cases usually will have been tolled before issuance of the original check when the claimant submitted the claim. If it is determined that the payee has submitted a timely claim and that the payee has not been paid, the claim must be certified and forwarded to the appropriate disbursing office for payment See paragraph 080608, below, for payment procedures.

B. Claims of Commercial Payees. As used herein, the term "commercial payees" includes vendors, contractors, and any individual under contract for miscellaneous services. Claims of non-payment from commercial payees or their authorized agents must be submitted by the claimant to the contracting officer. If the contracting officer determines that the

commercial payee remains entitled to payment of the contractual obligation, and if a payment voucher is prepared and forwarded with supporting documentation to the disbursing office, the DO must then determine if a replacement check should be issued based on the criteria in paragraph 080608, below.

080608. Claim Processing Procedures. Upon receipt of an approved claim and certified payment voucher from the appropriate entitlement area, along with appropriate supporting documentation, the DO shall take the actions prescribed below.

A. Verify that the original check was canceled under limited payability.

B. Verify that credit for the check was received from the Treasury Department and transferred by the accounting office to the original appropriation charged when the check was issued. If receipt of the credit cannot be verified or no information is available locally, the DO shall prepare and submit to the servicing DFAS Center an SF 1184 for each check using Stop Reason Code “K” (photocopy), “L” (certified photocopy), or “M” (status) and citing “Limited Payability Cancellation Replacement Request” in the “For Agency Use” block. This action is also required to ensure that the check was canceled under mass cancellation before making any recertified payment for an obligation represented by a check dated before October 1, 1989. Stop reason codes, status codes, and message responses are shown in tables 8-1 and 8-4.

C. Verify that the original check was not spoiled or voided and replaced by a control check or a check bearing a different check number.

D. Verify that the original check has not previously been replaced by a recertified check, substitute check, or replacement check (e.g., was not previously the subject of a claim of non-receipt, loss or theft).

★ E. Issue a replacement check upon receipt of an approved claim and certified payment voucher from the entitlement area, provided that the verifications under paragraphs 080608.C and 080608.D confirm that the original check previously has not been replaced. If the above verifications disclose that the original check previously has been replaced, the DO shall reproduce a copy of the payment voucher on which the replacement was issued and obtain a photocopy of the replacement check from the treasury department as prescribed in section 0805, above. The copy of the voucher and replacement check must be forwarded to the entitlement element for use in providing notification to the claimant that the claim previously was settled. In order to assure the necessary cross-reference and control over issuance of replacement checks, DOs shall maintain a DD Form 2662 (Recertified Check Register) as prescribed in subsection 080503, above. Note for deactivated and closed disbursing offices: normally, the designated settlement office is responsible for issuing a recertified payment for an underlying obligation represented by a check canceled under limited payability. However, when circumstances warrant, such as consolidation, the disbursing officer servicing the activity that assumed the disbursing and accounting responsibility for the deactivated or closed office is authorized to issue a recertified payment on behalf of the deactivated or closed office. Under no circumstance is any DO authorized to issue a recertified payment for these claims citing a direct charge to the

**F3880 account. Recertified payments for the underlying obligations represented by a check canceled under limited payability may be made only from the original appropriation or if no longer available, from a current appropriation available for the same general purpose as the original appropriation, subject to limitations on its use.

0807 HOLDERS-IN-DUE-COURSE

080701. General. A holder-in-due-course is a person, financial institution, or business other than the original payee who, in good faith, takes possession of a check through endorsement. A holder-in-due-course may be the second, third, fourth, or later holder to whom the check has been transferred by endorsement. A holder-in-due-course has no direct claim against the issuer (issuing DSSN) of a Treasury check. However, all DOs shall assist the holder-in-due-course in filing claims as provided in this section.

080702. Exceptions. A check sent to a financial institution for credit to the account of a member, employee, or vendor and made payable to the financial institution does not create a holder-in-due-course relationship. When these checks are lost, stolen, or destroyed, apply the recertified check procedures in section 0805, above.

080703. Lost-in-Transit Items. When the holder-in-due-course is a financial institution (commercial bank, credit union, savings and loan, etc.), the DO should advise the institution to submit its claim through the nearest FRB as a lost-in-transit item. However, the DO may accept claims from financial institutions if the holder cannot submit the claim through the FRB.

080704. Processing Claims. Any DO, not just the DO of the DSSN that issued the check, can process a holder-in-due-course claim if all the data needed to complete the SF 1184 is supplied. If all the data is not provided the accepting DO shall submit the holder's claim supported by a signed statement from the payee and/or holder to the disbursing office that issued the check. The issuing disbursing office shall then complete the SF 1184 and forward the completed package to the Treasury Department. The disbursing office processing a valid holder-in-due-course claim shall not issue a recertified check to the holder.

080705. Preparation and Distribution of the SF 1184 for Holder-in-Due-Course

★ A. Preparation. SFs 1184 for holders-in-due-course cannot be submitted via mechanized systems. In addition to the current version of the SF 1184, there is also a perforated version which can be adapted for hardware and software applications. The perforated version can be ordered from GSA Supply Distribution Facilities and GSA Supply Centers. The National Stock Number (NSN) for the perforated form is 7540-01-777. Using a typewriter, or local hardware or software applications, complete the following blocks on the SF 1184 and make no other entries.

1. CK. SYM. Enter the DSSN of the disbursing office that issued the check. (Processing DSSN may be different).

2. CK. SERIAL. Enter the serial number of the lost, stolen, or destroyed check.
3. CK. AMOUNT. Enter the exact amount of lost, stolen, or destroyed check.
4. CK. DATE. Enter the date of lost, stolen, or destroyed check.
5. FOR DO USE
 - a. Enter an "X" in the "Request Processed" block.
 - b. Enter the name and DSSN of the preparing DO's activity, post, station, or unit on "DO Activity" line.
 - c. The DO, deputy, or other authorized person shall sign the "Signature" line.
6. FOR AGENCY USE
 - a. Type the words "Holder-In-Due-Course".
 - b. Type the word "Payee:" and the name and SSN of the payee of the lost, stolen, or destroyed check.
 - c. Type the word "Claimant:" and the name and address of the holder making the claim for the check.
7. AGENCY LINE. Type "U.S. Army", "U.S. Navy", "U.S. Air Force", or "U.S. Marine Corps", as appropriate. Defense agencies other than the Army, Navy, and Air Force shall enter the appropriate agency name based on which Military Service provided the DSSN.
8. SIGNATURE LINE. The DO or a deputy shall sign the SF 1184.

LEAVE ALL OTHER FIELDS OF THE SF 1184 BLANK.

B. Distribution. Attach the statements of the payee and the holder to the SF 1184 original copy. Mail the original SF 1184 and statements to: Department of the Treasury, Financial Management Service, Exception Processing Unit, Operations Division Check Claims, P.O. Box 1849, Hyattsville, MD 20788. File the "Disbursing Office Copy" in the processing DO's retained records. If the processing DSSN is not the DSSN issuing the original check, mail the "Agency Receipt Copy" to the issuing DSSN. Otherwise, destroy the "Agency Receipt

Copy" and the "Administrative Agency Copy". See figure 8-8 for a properly completed SF 1184 (Holder-In-Due-Course).

080706. Payment of Claims. The Treasury Department will determine the payment status of the original check, advise the holder of the status and the action to be taken, and forward copies of paid checks to the holder. The processing DO shall not issue a recertified check for any holder-in-due-course claim received and processed through the Treasury Department. In addition, when an "Agency Receipt Copy" is received by the disbursing office that issued the check, action shall be taken to ensure that the check issue records for the original check identified on the SF 1184 are flagged or blocked by a clear and unmistakable signal to prevent future cancellation and replacement of the original lost or stolen check.

STOP CODE	MEANING	CONDITIONS FOR USE
A	RECERTIFIED CHECK	<ol style="list-style-type: none"> 1. Payee entitled to original check. 2. Payee claims nonreceipt, loss, theft, or mutilation. 3. Check was not endorsed by payee when lost or stolen. 4. DoD is making a second payment by recertified check. 5. Payment was not a direct deposit/electronic funds transfer check.
D	ENTITLEMENT	The same conditions apply as for Code A above except the agency prefers to recertify the payment after it has been advised of the status of the original payment, or after receiving credit from Treasury on the outstanding check. A recertified check is not issued until the status of the original check has been determined.
E	DECEASED	<ol style="list-style-type: none"> 1. Payee died before original check issue date. 2. Payee's estate is not entitled to the proceeds of the original check.
F	NON-ENTITLEMENT	Payee is not entitled to all, or any part of the proceeds of the check.
G	LOST/STOLEN - ENDORSED	<ol style="list-style-type: none"> 1. Payee entitled to proceeds of the check. 2. Check was in payee's possession and had been endorsed before it was lost or stolen.
K	PHOTOCOPY	<ol style="list-style-type: none"> 1. Photocopy needed for administrative purposes. 2. No indication of nonreceipt, loss, theft or that a claim will be involved. 3. This code does not cancel an original check.
L	CERTIFIED PHOTOCOPY	<ol style="list-style-type: none"> 1. Certified photocopy needed to satisfy legal requirements. 2. No indications of nonreceipt, loss, theft, or other evidence that a claim for a check by the payee is involved. 3. This code does not cancel an original check.
M	STATUS	<ol style="list-style-type: none"> 1. Used to determine payment status only, when a photocopy is not required for administrative purposes. 2. This code does not cancel an original check.
P	LIMITED PAYABILITY CANCELLATION REQUEST	This code is for use only by Navy and Marine Corps disbursing offices. It is used to verify credit for limited payability cancellation from the Treasury Department. This code does not cancel an original check.
R	FOLLOW-UP TO PRE-RECERTIFICATION STOP	<ol style="list-style-type: none"> 1. DO needs information on Request for Stop Payment (Standard Form 1180) submitted prior to recertification procedures (prior to July 27, 1984). 2. This code does not cancel an original check.
U	LEGAL INCAPACITATION	Agency determines payee is no longer legally entitled to the proceeds of the check.
X	RECERTIFICATION FOLLOW-UP OUTSTANDING STATUS	Agency received outstanding status on prior submitted SF 1184 but credit is overdue.
Y	RECERTIFICATION FOLLOW-UP PAID STATUS	Agency received paid status on prior submitted SF 1184 but photocopy or claim form is overdue.

★ Table 8-1. Unavailable Check Cancellation Stop Codes

OUTPUT CODE	DESCRIPTION
1	Magnetic tape input through Treasury Financial Centers and magnetic tape output from the CSD. (Note: agencies may not use this code unless they have entered into agreements with the Treasury's Field Operations and the CSD).
2	Paper Standard Form 1184 input; paper output.
3	Reserved.
4	Magnetic tape input from non-Treasury disbursing agencies and magnetic tape output from the CSD.
5	Reserved.
6	Reserved.

Table 8-2. Agency Output Codes

FOR AN ITEM CANCELLATION		FOR A BATCH TRANSMITTAL	
Original	DFAS Center	Original	DFAS Center
D.O. copy	Disbursing office retain	D.O. copy	Disbursing office retain
Agency receipt copy	Not used - destroy	Agency receipt copy	DFAS Center
Admin. agency copy	DFAS Center	Admin. Agency copy	DFAS Center

Table 8-3. Distribution of Manually Prepared SF 1184 (Unavailable Check Cancellation)

STOP REJECT CODES			
1A	Rejected - symbol missing.	4D	Rejected - UCC/CSI code unauthorized for ALC: Certain stop codes are reserved for special use. If you submit a UCC with a stop code that is not available to the DoD, the UCC will reject.
1B	Rejected - check serial number missing.		
1C	Rejected - check amount missing.		
1D	Rejected - original check date missing.		
1E	Rejected - UCC/CSI reason code missing.	4E	Rejected - invalid agency output indicator.
1F	Rejected - payee ID number missing.	5A	Rejected - check symbol field numeric only.
1H	Rejected - payee name missing.	5B	Rejected - check serial no. field numeric only.
1I	Rejected - address missing.	5C	Rejected - amount field numeric only.
1J	Rejected - decedent name missing.	5D	Rejected - reclaimed amount field numeric only.
1K	Rejected - date of death missing.	5E	Rejected - ALC field numeric only.
1L	Rejected - agency location code missing.	6A	Rejected - invalid check date field.
1N	Rejected - amount to be reclaimed missing.	6B	Rejected - invalid date of death field.
1O	Rejected - agency output indicator missing.	7A	Rejected - no record of check symbol/serial no. (check issue report not submitted, recorded, or rejected).
2A	Rejected - check description error; resubmit corrected stop.		
	Rejected - date of death after check date.	8A	Rejected - ck canceled/agency credited.
3A	Rejected - decedent payee wrong/payee.	8B	Rejected - void check-DO never issued check.
3C	Rejected - invalid UCC/CSI.	9A	Rejected - amount not equal to issue amount.
4A	Rejected - invalid agency location code.		
4C			
PAID STATUS CODES			
11	Paid - photocopy and claim to follow.	15	Paid - certified photocopy to follow.
13	Paid - DCC reclamation; no photocopy to agency.	16	Paid - status. The check has been presented for payment or canceled and only status was re-quested.
14	Paid - photocopy to follow. Subsequently the DO will receive FMS Form 3858 with one of the following messages:	17	Paid - endorsement may prohibit claims action; photocopy and claim to follow.
	1. Check paid - copy enclosed.	18	Paid - statute of limitations expired; no photocopy available. The statute of limitations for making an unavailable check cancellation claim has expired. If status is needed, use stop reason code M.
	2. Check previously canceled by SF 1184 and proceeds made available to agency.		
	3. Check previously canceled by available check cancellation.	20	Paid - declined check; photo/claim to follow.
	4. Check canceled pursuant to limited payability. The proceeds were made available to the agency 14 months after the issuance of the check.	21	Paid - ACC credit by DO - no photo available.
LIMITED PAYABILITY STATUS CODES			
25	Paid - no further information available. A copy of the check has been requested under stop codes K or L. The Treasury Department is not able to provide copies of checks issued prior to November 7, 1986. Copies of checks issued on or after November 7, 1986 are generally available for 78 months.	26	Limited Payability Mass Cancellation. Check was issued prior to October 1, 1989 and was included in the cancellation of all outstanding checks on November 30, 1990. No further assistance available. Check Previously Canceled By Limited Payability. The check was outstanding after 14 months from its issue date and was canceled.
		27	
OUTSTANDING STATUS CODES			
32	Outstanding - check canceled, agency credited.	34	Outstanding - status.
33	Outstanding - no photocopy.		
PAYMENT EXCEPTION STATUS CODES			
40	Payment Exception - DCC to review and advise.	43	Payment Exception - DCC to review and advise.
41	Payment Exception - DCC to review and advise.	44	Payment Exception - DCC to review and advise.
42	Payment Exception - DCC to review and advise.		

★ Table 8-4. Daily Advice of Status Codes and Messages

RECERTIFICATION FOLLOW-UP CODES			
50	No SF 1184 in system.	58	Agency account was credited by Document Number _____
51	Follow-up has been presented too soon.		Dated_____.
52	Check has been archived. DO will be further advised and provided an FMS 3858 with status code of 50, 51, 59, 11, 13, 17, 20, or 90.	59	Previous payment was a UCC cancellation.
55	No outstanding status found.		
57	The cancellation credit has not been processed. Agency will be further advised.		
SUBSEQUENT STOP CODES			
53	Rejected - duplicate stop.	63	Payment Over Cancellation - Reversal of previous agency credit on (date) by SF 1081 (Voucher #). Photocopy and claim attached. Endorsement may prohibit claims action.
54	Check has been previously canceled.		
61	Payment Over Cancellation - Reversal of previous agency credit on (date) by SF 1081 (Voucher #). Photocopy and claim attached.	90	Payment Exception - ODCC to review and advise.
62	Payment Over Cancellation - Reversal of previous agency credit on (date) by SF 1081 (Voucher #). Photocopy used for DCC reclamation on deceased stop.		

**Table 8-4. Daily Advice of Status Codes and Messages
(Continued)**

Reason	Time Frame	Remarks
1. DAS states duplicate stop.	Immediately.	
2. DAS states exception category.	No earlier than 60 days from receipt of DAS.	
3. DAS states check paid. a. Photocopy of check and claim form not received. b. Photocopy of check received, no claim form. c. Received claim form without photocopy of check. d. Photocopy of check has different check symbol and serial number from DAS.	No earlier than 30 days from receipt of DAS. Immediately upon receipt of photocopy of check. Immediately upon receipt of claim form. Immediately upon receipt of photocopy of check.	Check items 4, 4a, and 4b of FMS Form 3864. Check items 4 and 4b of FMS Form 3864. Check items 4 and 4a of FMS Form 3864. Return photocopy of check. Check items 4 and 4c of FMS Form 3864.
4. Standard Form 1081 received with a claim document. a. Without photocopy of check. b. Without claim form (not applicable for stop code E or T when no photocopy of check can be obtained). c. Without a photocopy of check and claim form. d. With wrong photocopy of check.	Immediately upon receipt of Standard Form 1081. Immediately upon receipt of Standard Form 1081. Immediately upon receipt of Standard Form 1081 and claims document. Immediately upon receipt of Standard Form 1081 and claims document.	Check items 5 and 5a of FMS Form 3864. Check items 5 and 5b of FMS Form 3864. Check items 5, 5a, and 5b of FMS Form 3864. Check items 5 and 5c. In item 10, OTHER, state whether the check problem involves a wrong payee or a wrong symbol and serial number. Return the photocopy of the check.
5. The Treasury Department has not responded to a claim form.	No earlier than 30 days from submission of the claim form.	Enter the date claim form submitted on FMS Form 3864.
6. Claims disposition notice (CDN) indicates need for investigation or refund from a financial institution, but final CDN not received.	a. No earlier than 120 days from CDN that states "Pending investigation." b. No earlier than 180 days from CDN that states "Pending refund from bank."	The Treasury Department does not continually follow-up with banks. DO's should follow-up with Treasury Department monthly when credit is anticipated.
7. DAS advised outstanding check canceled, credit not received.	No earlier than 21 days from receipt of DAS.	
8. Credit not received as a result of deceased payee when the Treasury Department is requesting refund from a financial institution.	No earlier than 180 days from receipt of DAS.	The Treasury Department does not continually follow-up with banks. DO's should follow-up with Treasury monthly when credit is anticipated.
9. FMS Form 3864 submitted, no response.	Submit second FMS Form 3864 no earlier than 30 days from date of original FMS Form 3864.	

Table 8-5. Reason and Time Frame for Submitting FMS Form 3864

<p>(USE APPROPRIATE LETTERHEAD)</p> <p>February 12, 19XX</p> <p>MEMORANDUM FOR RECORD</p> <p>This memorandum certifies that on February 12, 19XX, one hundred and one (101) spoiled U.S. Treasury checks bearing disbursing station symbol number 7834 and serially numbered from 70,006,499 through 70,006,599 (both numbers inclusive, were completely destroyed by shredding.</p> <p>J.A. HANCOCK LT, SC, USN Disbursing Officer</p> <p>We the undersigned certify by signature hereon that the checks listed above were physically verified by us and that all were completely destroyed by shredding in our presence on February 12, 19XX.</p> <table><tr><td>G.C. GARLAND, LT, USN</td><td>WILLIAM B. ELLIS, ENS, SC, USNR</td></tr></table>	G.C. GARLAND, LT, USN	WILLIAM B. ELLIS, ENS, SC, USNR
G.C. GARLAND, LT, USN	WILLIAM B. ELLIS, ENS, SC, USNR	

Figure 8-1. Sample Certificate of Destruction

[illegible]

Figure 8-2. Sample DD Form 2658 (Returned and Undeliverable Check/Bond Record)

<div>STANDARD FORM 1098 Revised July 1980 Department of The Treasury 1 TFRM 4-7000 1098-110</div> <div>SCHEDULE OF CANCELED OR UNDELIVERED CHECKS</div> <div>CANCELED <input checked="" type="checkbox"/> UNDELIVERED <input type="checkbox"/></div> <table><tr><td colspan="4">DEPARTMENT OR ESTABLISHMENT Department of the Army</td><td colspan="2">SCHEDULE NUMBER 123</td></tr><tr><td colspan="4">BUREAU OR OFFICE Disbursing Office</td><td colspan="2">SHEET NUMBER 1 of 1</td></tr><tr><td colspan="4">LOCATION Fort Finance, IN 46216</td><td colspan="2">D.O. SYMBOL NO. 0001</td></tr><tr><td colspan="4">ACCOUNTING PERIOD</td><td colspan="2">AGENCY LOCATION CODE (ALC)</td></tr></table> <table><thead><tr><th>DATE OF ISSUE</th><th>CHECK NUMBER</th><th>PAYEE</th><th>VOUCHER NUMBER APPLICABLE</th><th>AMOUNT</th><th>SYMBOL OF APPROPRIATION OR FUND TO BE CREDITED</th></tr></thead><tbody><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td colspan="4">TOTAL</td><td></td><td></td></tr></tbody></table> <table><tr><td>The amount of the above check(s) was deposited for credit in the account of the U.S. Treasury, on deposit ticket no.</td><td>DATE OF DEPOSIT TICKET 30 Oct 19XX</td><td>FORWARDED (Date)</td></tr><tr><td rowspan="2">DISBURSING OR ACCOUNTABLE OFFICER C. D. JEFFREY, LTC, FC</td><td>DATE 31 Oct 19XX</td><td>BY (Name)</td></tr><tr><td></td><td>TITLE</td></tr></table> <div>NSN 7540-00-634-4287</div> <div>PREVIOUS EDITION NOT USABLE</div>						DEPARTMENT OR ESTABLISHMENT Department of the Army				SCHEDULE NUMBER 123		BUREAU OR OFFICE Disbursing Office				SHEET NUMBER 1 of 1		LOCATION Fort Finance, IN 46216				D.O. SYMBOL NO. 0001		ACCOUNTING PERIOD				AGENCY LOCATION CODE (ALC)		DATE OF ISSUE	CHECK NUMBER	PAYEE	VOUCHER NUMBER APPLICABLE	AMOUNT	SYMBOL OF APPROPRIATION OR FUND TO BE CREDITED							TOTAL						The amount of the above check(s) was deposited for credit in the account of the U.S. Treasury, on deposit ticket no.	DATE OF DEPOSIT TICKET 30 Oct 19XX	FORWARDED (Date)	DISBURSING OR ACCOUNTABLE OFFICER C. D. JEFFREY, LTC, FC	DATE 31 Oct 19XX	BY (Name)		TITLE
DEPARTMENT OR ESTABLISHMENT Department of the Army				SCHEDULE NUMBER 123																																																			
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TOTAL																																																							
The amount of the above check(s) was deposited for credit in the account of the U.S. Treasury, on deposit ticket no.	DATE OF DEPOSIT TICKET 30 Oct 19XX	FORWARDED (Date)																																																					
DISBURSING OR ACCOUNTABLE OFFICER C. D. JEFFREY, LTC, FC	DATE 31 Oct 19XX	BY (Name)																																																					
		TITLE																																																					

Figure 8-3. Sample SF 1098 (Schedule of Canceled or Undelivered Checks)

[illegible]

Figure 8-4. Sample DD Form 2662 (Recertified Check Register)

STATEMENT OF CLAIMANT REQUESTING RECERTIFIED CHECK				Form Approved OMB No. 0730-0002 Expires Dec 31, 1996						
Public reporting burden for this collection of information is estimated to average 5 per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Defense, Washington Headquarters Service, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0730-0002), Washington, DC 20503.										
PLEASE DO NOT RETURN YOUR COMPLETED FORM TO EITHER OF THESE ADDRESSES. RETURN COMPLETED FORM TO THE ADDRESS OF THE AGENCY WHO PROVIDED THIS FORM.										
PRIVACY ACT STATEMENT										
AUTHORITY:		31 CFR 245.8.								
PRINCIPAL PURPOSE:		To request a recertified check.								
ROUTINE USE(S):		Information is used by the Disbursing Office as the basis for issuing a recertified check and for canceling the original. It is also used to verify how original check was lost, stolen, etc., and to establish a proper mailing address. This information may also be used for other lawful purposes, including law enforcement and litigation.								
DISCLOSURE:		Voluntary; however, if payee does not provide information, a recertified check cannot be issued.								
WARNING: Title 18, Sec 287, US Code: "Whoever makes or presents to any person or officer in the civil, military, or naval service of the United States, or to any department or agency thereof, any claim upon or against the United States, or any department or agency thereof, knowing such claim to be false, fictitious, or fraudulent, shall be fined not more than \$10,000 or imprisoned not more than five years, or both."										
1. PAYEE <i>(Show business name or financial organization, if applicable)</i> Ida M. Jones				2. SSN <i>(or employee identification number)</i> 345-00-6789						
3. CO-PAYEE OR PAYEE TO BE CREDITED IF ITEM 1 IS A FINANCIAL ORGANIZATION										
4. ADDRESS TO WHICH CHECK WAS MAILED <i>(Include 9-digit ZIP Code)</i> 123 Apple Tree Lane New City, FL 12345-0000			5. CORRECT MAILING ADDRESS <i>(if different from Item 4)</i>							
6. PURPOSE FOR WHICH CHECK WAS ISSUED <i>(Check applicable box)</i>					7. DATE DUE <i>(Approximate)</i>					
<input checked="" type="checkbox"/>	REGULAR PAY	<input type="checkbox"/>	TRAVEL PAY	<input type="checkbox"/>		VENDOR PAY	<input type="checkbox"/>	OTHER <i>(Specify)</i>		
8. (Check applicable boxes)										
<input checked="" type="checkbox"/>	a. CHECK WAS NOT RECEIVED									
<input type="checkbox"/>	b. CHECK WAS RECEIVED BUT WAS:		<input type="checkbox"/>	(1) LOST	<input type="checkbox"/>	(2) STOLEN	<input type="checkbox"/>	(3) DESTROYED	<input type="checkbox"/>	(4) MUTILATED
9. (Check applicable box)										
<input checked="" type="checkbox"/>	a. CHECK WAS NOT ENDORSED				<input type="checkbox"/>	b. CHECK WAS ENDORSED				
10. CERTIFICATION I certify that I (we) have in no way benefitted from the proceeds of the above check, and do hereby request a recertified check be issued to me. I further certify that if I recover the original check, I will not negotiate it but will immediately return it to the Disbursing Office. I fully understand that negotiation of both the original and recertified check constitutes a fraudulent act against the United States Government and as such is subject to punishment as provided by law. I further consent to immediate recoupment from future pay and allowances due me if I negotiate both the original and recertified checks, including interest and administrative costs.										
11. SIGNATURE OF PAYEE <i>(or payee representative)</i>			12. DATE 9/26/XX		13. SIGNATURE OF CO-PAYEE/THIRD PARTY		14. DATE			
FOR DISBURSING OFFICE USE										
15. CHECK DATA										
a. CHECK NUMBER 60990341		b. DATE OF CHECK 9/20/XX		c. CHECK AMOUNT 789.00		d. ISSUING DSSN 5098		e. VOUCHER NUMBER 399656		
16. DO REMARKS										

DD Form 2660, FEB 94

 REPLACES DA FORM 3037, AUG 87; AND
 AF FORM 326, JUN 85, WHICH ARE OBSOLETE

Figure 8-5. Sample DD Form 2660 (Statement of Claimant Requesting Recertified Check)

BGFO - BUREAU OF GOVERNMENT FINANCIAL OPERATIONS				NSN 7540-00-526-3709	
Standard Form No. 1184 (Rev. 6-84) Prescribed by Dept. of the Treasury 1 TFRM 4-7000 1184-105 Previous Edition Unusable					
UNAVAILABLE CHECK CANCELLATION					
CK. SYM	CK. SERIAL	CK. AMOUNT	CK. DATE	AGY./PAYEE ID NO.	
5037	14868291	432.81	0812XX	410-86-8447	
LINE CODE	STOP CD.	AGENCY CODE			
3	A	F			
PAYEE NAME					
Sam Davis					
ADDRESS					
1234 Sunset Trail					
Lost Wages, Nevada 54321					
NAME OF DECEDENT					
D. OF DEATH	AMT. TO BE RECLAIMED	AGY. LOC. CODE	AGENCY OUTPUT		
	432.81	57005037	4		
AGENCY REFERENCE					
503700P004567/P005678CK15068123					
FOR AGENCY USE					
Air Force Agency			(Signature)		

FOR D.O. USE

☐ Request processed

☐ Payment returned and canceled by DO on _____

☐ No payment issued

☐ Incorrect/Incomplete SF 1184

5037

D.O. Activity

(Signature) _____

Figure 8-6. Sample SF 1184 (Unavailable Check Cancellation)
(Item Cancellation)

BGFO - BUREAU OF GOVERNMENT FINANCIAL OPERATIONS				NSN 7540-00-526-3709	
Standard Form No. 1184 (Rev. 6-84) Prescribed by Dept. of the Treasury 1 TFRM 4-7000 1184-105 Previous Edition Unusable					
UNAVAILABLE CHECK CANCELLATION					
CK. SYM	CK. SERIAL	CK. AMOUNT	CK. DATE	AGY./PAYEE ID NO.	
LINE CODE	STOP CD.	AGENCY CODE			
PAYEE NAME					
ADDRESS					
Joey E. Lewis, Lt, USAF					
WPAFB/ACFP					
Wright-Patterson AFB, OH 65117					
NAME OF DECEDENT					
D. OF DEATH	AMT. TO BE RECLAIMED	AGY. LOC. CODE	AGENCY OUTPUT		
		5700	4		
AGENCY REFERENCE					
FOR AGENCY USE SF 1184 Total: 12 Batch Control No. 5030092990001					
U.S. Air Force Agency			(Signature)		

FOR D.O. USE

☐ Request processed

☐ Payment returned and canceled by DO on _____

☐ No payment issued

☐ Incorrect/Incomplete SF 1184

5030

D.O. Activity

(Signature)

Figure 8-7. Sample SF 1184 (Unavailable Check Cancellation)
(Transmittal Document)

BGFO - BUREAU OF GOVERNMENT FINANCIAL OPERATIONS				NSN 7540-00-526-3709	
Standard Form No. 1184 (Rev. 6-84) Prescribed by Dept. of the Treasury 1 TFRM 4-7000 1184-105 Previous Edition Unusable					
UNAVAILABLE CHECK CANCELLATION					
CK. SYM		CK. SERIAL		CK. AMOUNT	
5100		06843111		250.00	
				CK. DATE	
				1026XX	
AGY./PAYEE ID NO.					
LINE CODE		STOP CD.		AGENCY CODE	
PAYEE NAME					
ADDRESS					
NAME OF DECEDENT					
D. OF DEATH		AMT. TO BE RECLAIMED		AGY. LOC. CODE	
				AGENCY OUTPUT	
AGENCY REFERENCE					
FOR AGENCY USE					
Holder-In-Due-Course					
Payee: John H. O'Hare 559-00-1234					
Claimant: Sunshine Realty Corp. Slew Road Outskirts, OK					
U.S. Marine Corps Agency					
(Signature)					

**Figure 8-8. Sample SF 1184 (Unavailable Check Cancellation)
(Holder-In-Due-Course)**

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(Multiple DSSNs and Transmittals)

Figure 9-3. Sample SF 1179 (Month End Check Issue Summary)

CHAPTER 9

CHECK-ISSUE REPORTING★0901 CHECKING ACCOUNT REPORTS

★ 090101. General. All disbursing offices are required to report their check issue data in Treasury Department Level 8 format through their respective DFAS Center. The DFAS Center will use the Defense Check Reconciliation Module (DCRM) as a management control for reporting check issue data to the Treasury Department. The reporting of detailed check issue information by file transfer through telecommunications networks to the servicing DFAS Centers is the preferred method of check issue reporting. This method shall be used whenever possible. DOs should contact their servicing DFAS Center for information on availability, method, and instructions for use of the file transfer reporting method. The DOs who cannot report by the preferred method will report their check issue in conformance with the method provided by their servicing DFAS Center.

★ 090102. Requirements. Detailed check-issue data is reported in groups of checks called "transmittals" that uniquely identify the DSSN, issue month and year, and check series. A new transmittal is required each time a break in check numbers occurs or the issue month and year changes. For DOs reporting check-issues for multiple DSSNs, a separate transmittal is required for each individual DSSN as well as for each break in check numbers or change in issue month and year within each DSSN. One submission of detailed check-issue data may consist of one or more transmittals. All DOs submitting check-issue file transfer data or using any other method to transfer the data, to their DFAS Center, shall forward the data no later than 4 workdays after close of business of the week in which the issue dates occur and no later than 2 workdays after month end. If any applicable documentation is required by the servicing DFAS Center when using any other method of transferring the data other than file transfer, that documentation should be sent with the check-issue data.

★ 090103. Transmittal Structure. Transmittals shall conform to the basic structure shown in table 9-1. Standard issue record layouts for header records, issue records, and trailer records are shown in tables 9-2, 9-3, and 9-4, respectively.

A. The check-issues reported shall be in consecutive ascending order within each submission.

B. If multiple transmittals are on a transmission, the individual transmittal trailer records shall contain the count and amount totals for only one transmittal. There is no cumulative total between transmittals.

C. Check serial numbers and DSSNs shall be valid in the DCRM data base.

D. Each transmittal shall balance internally; the item count and total dollar amount computed from the check-issue detail records shall equal the totals on the transmittal-trailer records.

E. A single transmittal may not exceed 9,999,999 individual check-issues or \$99,999,999.99 total dollar value.

F. Voided checks shall be reported in serial number sequence as zero amount issues. The serial numbers shall be reported in the proper sequence with those of other checks issued within the same check range.

★ 090104. When Computer Facilities Are Not Available. Larger disbursing offices with computer capabilities exercising control over multiple DSSNs are requested to furnish their servicing DFAS Center with consolidated check-issue file transfer transmission (multiple DSSNs and issues consolidated on the same file transfer) for the smaller activities that are unable to use the file transfer method and/or unable to format their data to Treasury Department Level 8 format reporting because they lack computer facilities. To facilitate the conversion to Level 8 report format, check-issue detail records and supporting adjustment documents (FMS Forms 5206 and OFs 1017-G) shall be forwarded by the smaller activities to the designated disbursing offices in a satisfactory time frame for those offices to meet their deadline of reporting to their servicing DFAS Center.

★ 090105. Disbursing Office Responsibility for Quality Assurance of Data Submitted. The disbursing office is responsible:

A. to quality assure all Level 8 check-issue data submitted to its supporting DFAS Center for processing;

B. when notified of a rejected transmittal within a file transferred or sent by magnetic tape, to submit a corrected transmittal(s) within 10 workdays of the notification date;

C. when a transmittal has been rejected, to continue to submit subsequent transmittals; and,

D. to be able to recreate the check-issue data for a period up to 180 calendar days following submission or replacement of rejected data.

★ 090106. Inquiries. Inquiries concerning Level 8 check-issue reports/transmittals should be directed to the DOs servicing DFAS Center.

★0902 CHECK-ISSUE REPORTING VIA MAGNETIC TAPE

★ 090201. General. Disbursing offices that have been directed by their supporting DFAS Center to use magnetic tapes vice file transfer for reporting check-issue information shall

forward the magnetic tapes and the required supporting documentation via express mail or other expeditious means to their DFAS Center. In the case of Navy or Marine Corps DSSNs, forward the tapes to the applicable DFAS operating location (OPLOC) or central disbursing office (CDO) if so directed by their servicing DFAS Center.

090202. Tape Requirements. Magnetic tapes used in Level 8 reporting shall meet the following criteria:

A. The magnetic tape shall be unlabeled (that is, no internal magnetic tape labels or markings).

B. The magnetic tape shall be a 9-track EDCDIC tape prepared with 6250 bpi density. If 6250 cannot be produced, 1600 bpi is acceptable. No 800 bpi will be accepted.

C. The block size is 15,600 bytes (240 records per block). If 15,600 block size cannot be produced, 7,800 bytes (120 records per block), 3,900 bytes (60 records per block), or 1,950 bytes (30 records per block) may be used.

★ D. Each reel of magnetic tape shall be identified by having the following information externally affixed to the reel and not to the case: Treasury Check-issues - Level 8; User Reel No. (up to 6 characters), First Transmittal No. "XXXX-YYYY-ZZZZZZZZ" (this number shall agree with the first header record on the check-issue tape and the first line of TFS 3510), block size 15,600 (or 7,800, etc.), BPI 6250 (or 1600), Track 9, Reel Sequence No. ____ of ____ (for example, reel 1 of 2 on multi-reel submissions).

★ E. Each reel of magnetic tape shall have an address for returning processed tapes. The name of a contact person and the submitting organization's area code and commercial telephone number or DSN number shall also be provided. The information should be externally affixed to the reel and not to the case.

★ F. Each reel shall also have a separate unique "LVL8" label. The label shall be large enough to accommodate all the required information.

★ G. The Magnetic Tape Control Record (TFS 3510) shall be signed and shall accompany all Level 8 magnetic tapes.

★ H. A self-addressed, postage-paid envelope or postcard with the DO's complete official address shall be included with all magnetic tape submissions. The envelope or postcard shall contain the DSSN, reel number, and transmittal number to identify the item received. The envelopes or postcards will be dated, signed, and returned to the DO as positive confirmation of receipt by the servicing DFAS Center, OPLOC or CDO.

0903 SUPPORTING DOCUMENTS FOR MAGNETIC TAPES

090301. Magnetic Tape Control Record (TFS 3510). Magnetic tapes shall be submitted to the servicing DFAS Center (OPLOC or CDO if applicable) supported by a properly completed and signed TFS 3510. Multiple DSSNs may be reported on one tape; however, the TFS 3510 shall be identified uniquely by DO symbol number, the controlling check symbol number, and the first check serial number contained in the first transmittal included on the tape. Only one DO symbol and check symbol shall be on each transmittal, and checks shall be in consecutive ascending serial number order within each transmittal. A new transmittal shall be created for each break in the DO symbol number, check symbol number, check serial number, or month and year of issue. Examples of properly completed TFS Forms 3510 for a single transmittal and for a tape containing several transmittals are shown as figures 9-1 and 9-2, respectively.

090302. Preparation of TFS 3510

A. For a Single Transmittal on One Tape. Complete the blocks of the TFS Form 3510 for a single transmittal on one tape as follows:

1. TRANSMITTAL NUMBER. Enter the DSSN-DSSN-First check number of the transmittal.
2. NUMBER OF CHECKS. Enter the inclusive number of checks in the transmittal.
3. TOTAL ISSUE AMOUNT. Enter the total dollar amount of the checks in the transmittal.
4. DISBURSING LOCATION. Enter the city or name of the base or station where the disbursing office is located.
5. DO SYMBOL NUMBER. Enter the DSSN.
6. CHECK SYMBOL NUMBER. Enter the DSSN.
- ★ 7. ISSUE DATE OF CHECKS. Enter the inclusive dates during which the checks were issued. For example: June 1-5, 1995 or May 15-31, 1996.
8. DATE TAPE CREATED. Enter the date the tape was created.
9. TAPE REEL NUMBER/DENSITY. Enter the reel number and the BPI (1600 or 6250, as appropriate).
10. SERIAL NUMBERS. Enter the serial number of the first and last checks included in the transmittal.

11. MONTH AND YEAR FOR WHICH RENDERED. Enter the issue month and year.

12. DISBURSING STATION AND LOCATION. Enter the complete disbursing office address, area code, and commercial telephone number.

13. TAPE TYPE. Enter "Level 8".

14. DISBURSING OFFICER'S SIGNATURE. Self explanatory.

B. For Multiple Transmittals on One Tape. Complete the blocks of the TFS Form 3510 for multiple transmittals (transmittals for more than one disbursing office) on one tape as follows:

1. TRANSMITTAL NUMBER. Enter the DSSN-DSSN-First check number of transmittal. The first transmittal on the tape shall always be for checks issued by the disbursing office preparing and submitting the tape. The first transmittal on a tape determines to whom the tape is returned and notices of acceptance and/or rejection are provided.

2. NUMBER OF CHECKS. Enter "See Attached".

3. TOTAL ISSUE AMOUNT. Enter "See Attached".

4. DISBURSING LOCATION. Enter "Various".

5. DO SYMBOL NUMBER. Enter "Various, See Attached".

6. CHECK SYMBOL NUMBER. Leave blank.

7. ISSUE DATE OF CHECKS. Enter "Various, See Attached".

8. DATE TAPE CREATED. Enter the date the tape was created.

9. TAPE REEL NUMBER/DENSITY. Enter the reel number and the BPI (1600 or 6250, as appropriate).

10. SERIAL NUMBERS. Enter the serial number of the first check included in the transmittal. Leave the block for Last Check Number blank.

11. MONTH AND YEAR FOR WHICH RENDERED. Enter "See Attached".

12. DISBURSING STATION AND LOCATION. Enter the complete address, area code, and commercial telephone number of the disbursing office preparing and submitting the tape.

13. TAPE TYPE. Enter "Level 8".

14. DISBURSING OFFICER'S SIGNATURE. Self explanatory.

15. A listing similar to that shown in figure 9-2 shall be attached to the TFS Form 3510. The listing shall contain the DSSN, Date Created, First Check Number, Last Check Number, Transmittal Amount, Number of Checks, and Month and Year for which Rendered for each transmittal included on the tape. The first transmittal listed shall be the first transmittal on the tape (i.e., the one actually listed on the TFS Form 3510). At the end of the list, the grand total of all transmittals included on the tape and the grand total of the number of items shall be shown.

0904 REPORTING DOCUMENTS REQUIRED

090401. General. The SF 1179 (Month End Check-Issue Summary) shall be used by disbursing offices for monthly reporting of Level 8 check-issue transmittals. At the end of every month, a consolidated SF 1179 shall be submitted to summarize the check-issues for the month. The total dollar amount of issues submitted by transmittal (each listed individually) shall be summarized on the SF 1179. It shall also show current and prior months' adjustments to check-issue totals as effected by the documents listed in paragraph 090104 of this chapter. The total amount shown on the SF 1179 shall agree with the amount shown in Part A, Column (2), on the reverse of the SF 1219.

090402. Check-Issue Reporting for Depositary Checking Accounts. Depositary checking account reports shall be prepared and submitted following the procedures in Chapter 14 of this volume.

090403. Preparation of the SF 1179. The SF 1179 is prepared in an original and 2 copies. DOs shall ensure that all blocks of the SF 1179 are properly completed, including page and location, DO's signature, and the month and year for which rendered. The blocks of the SF 1179, as shown in figure 9-3, shall contain the following information:

A. DISBURSING OFFICE NAME/ MAILING ADDRESS. Enter the name and complete mailing address of the issuing disbursing office.

★ B. TELEPHONE NO. COMMERCIAL OR FTS. Enter only the area code and commercial or FTS telephone numbers. Do not enter AUTOVON or DSN numbers.

C. D.O. NAME. Enter the name and rank or grade of the DO.

D. D.O. SIGNATURE. The DO shall sign in the space provided.

E. CHECK SYMBOL NO. Enter the four-digit DSSN.

F. MONTH AND YEAR FOR WHICH RENDERED. Enter the month and year during which the checks being reported were issued.

G. D.O. SYMBOL NO. Enter the four-digit DSSN for the first transmittal only. The block may be left blank for any additional transmittals listed on this summary.

H. CHECK SYMBOL NO. Enter the four-digit DSSN for the first transmittal only. The block may be left blank for any additional transmittals listed on this summary.

I. BEGINNING CHECK NO. Enter the beginning check serial number for each transmittal.

J. ENDING CHECK NUMBER. Enter the ending check serial number for each transmittal.

K. REPORTING METHOD. Enter "TAPE (Level 8)". Enter the method for the first transmittal listed only. Beneath the method, list by each transmittal the inclusive dates for which checks were issued. (For example: Tape (Level 8); 12/1-15/88 or 12/16-31/88).

L. TOTAL DOLLAR AMOUNT OF ISSUES (FOR EACH TRANSMITTAL). Enter, adjacent to each transmittal, the total of the issue amounts of all checks reported on each transmittal.

M. SUMMARY: LINE 1. Enter the total dollar amount for all transmittals listed in the above blocks. The total shall agree with the total of checks issued as reported in Column (2), Part A, Section II, on the reverse of the SF 1219.

N. SUMMARY: LINE 2(a). Enter the net total representing adjustments to current and prior months' issues for which FMS Forms 5206 have been received from the Treasury Department and taken up in the accounts of the DO. The amount on this line shall agree in net with the amount shown in Column 3, Part A, Section II, on the reverse of the SF 1219.

O. SUMMARY: LINE 2(b). Enter the net total representing adjustments to current and prior months' issues made by the disbursing office and recorded on OFs 1017-G. Copy 2 of the OF 1017-G should be attached to the SF 1179 in support of the amount entered. The amount on this line shall agree in net with the amount shown in Column 4, Part A, Section II, on the reverse of the SF 1219.

P. SUMMARY: LINE 3. This line represents the net total of lines 1, 2(a), and 2(b). The net total shall agree with the amount shown in Column 5, Part A, Section II, on the reverse of the SF 1219 and shall agree with the amount reported on line 2.1, Part A, Section I on the front of the SF 1219.

★ 090404. Distribution of SF 1179. Except as provided in this paragraph, DOs are required to submit the ORIGINAL of the SF 1179 on or before the 10th of the month following the close of the check-issue month, with copies of supporting documents (FMS Forms 5206 and OFs 1017-G) to: Financial Analysis Branch, Financial Management Service, Department of the Treasury, Room 600E, 3700 East-West Highway, Hyattsville, MD 20782. The second copy shall be forwarded with the financial reports to the servicing DFAS Center. The third copy shall be retained in the disbursing office files. Navy and Marine Corps DOs submitting check-issue reports to a DFAS OPLOC or another disbursing office for conversion to magnetic tape shall submit the ORIGINAL of the SF 1179 with the detail of checks issued to the DFAS OPLOC or disbursing office. The office converting the check-issue data to magnetic tape shall be responsible for submitting a properly prepared SF 1179 to FMS. The second copy shall be submitted with the monthly financial reports. The third copy shall be retained in the disbursing office files.

★ 090405. Spoiled Checks. Do not forward spoiled checks to the Treasury Department. Spoiled checks are retained at the disbursing office. When a check is spoiled, no reference will be made on the record of checks issued that a recertified check has been issued.

★ 090406. Voided Checks. Voided checks shall be reported on magnetic tape as zero amount issues. Serial numbers are recorded in the proper sequence with those of other checks issued in the same check range. Voided checks shall not be forwarded to the Treasury Department. Voided checks shall be disposed of as prescribed in Chapter 8 of this volume.

★ 090407. Advice of Check-Issue Discrepancies. When the issue amount reported by a disbursing office differs from the amount printed on the check, the Treasury Department will report the discrepancy on an FMS Form 5206. The three computer-generated copies of the form provide the disbursing office with a full description of the error. If the payee has not been overpaid or under-paid, but incorrect check-issue information has been reported to the Treasury Department, the FMS Form 5206 shall still be processed as prescribed in Chapter 7 of this volume.

★ 090408. Audit of Treasury Department Checking Accounts. The audit and reconciliation of checks for symbol number checking accounts is accomplished by the Treasury Department. The Treasury Department uses an electronic payment and reconciliation system under which controls are maintained over the amounts of issues and payments for each individual check serial number of each DSSN. Each paid check is reconciled with the amount of issue as reported by the DO on the check-issue report (weekly and end-of-month TFS Forms 3510 and monthly SF 1179). The Treasury Department will not furnish reconciliation statements or outstanding check lists. However, each DO will be advised by the Treasury Department as to each check-issue discrepancy of \$1.01 or more detected during the check reconciliation process. The Treasury Department will adjust check-issue discrepancies of \$1 or less, without notification to the DO. In addition, the Treasury Department will advise each DO of all checks paid for which a report of check-issue has not been received or accepted.

<u>SAMPLE TAPE/TRANSMITTAL STRUCTURE</u>		
Tape Reel	Transmittal	Data Records
1	1	Transmittal Header Standard Issue Records Transmittal Trailer Transmittal 1 Totals
1	N	Transmittal Header Standard Issue Records . . . Tape Mark

Table 9-1. Sample Tape/Transmittal Structure

<u>SAMPLE TAPE/TRANSMITTAL STRUCTURE (Continued)</u>		
Tape Reel	Transmittal	Data Records
2	N (Continued)	Standard Issue Records
		•
		•
		•
		•
2	Z	Transmittal Trailer
		Transmittal N Totals
		•
		Transmittal Header
		Standard Issue Records
		•
		•
		•
		Transmittal Trailer
		Transmittal Z Totals
		Tape Mark
		Tape Mark

Table 9-1. Sample Tape/Transmittal Structure (Continued)

<u>STANDARD ISSUE TRANSMITTAL HEADER RECORD</u>		
<u>Data Element</u>	<u>Length</u>	<u>Format</u>
1. Record ID	1	X(1)
2. Transmittal Type	2	X(2)
3. Transmittal Creation Date	5	9(5)
4. DO Symbol	4	9(4)
5. Check Symbol	4	9(4)
6. First Serial Number	8	9(8)
7. Accounting Month & Year	4	9(4)
8. Batch Number	3	X(3) - Optional
9. Filler	<u>34</u>	X(34)
	65	
1) Identifies header record. Constant value = H. 2) Identifies transmittal reporting method. Constant value = IR. 3) Julian date (YYDDD format). 4) Zero-fill left. If DO symbol = check symbol, repeat the symbol. 5) Zero-fill left. If DO symbol = check symbol, repeat the symbol. 6) Zero-fill left. Serial number of the first issue item in the transmittal. 7) MMY format, where YY is the last two digits of year. This is the accounting month under which the check issues in the transmittal will be reported on the SF 1219 (Statement of Accountability). 8) Ascending sequential number beginning with Batch 001 for the first transmittal in each accounting month. Field should be blank when not used. 9) Spaces.		

Table 9-2. Standard Issue Transmittal Header Record

<u>STANDARD ISSUE RECORD</u>		
<u>Data Element</u>	<u>Length</u>	<u>Format</u>
1. Check Serial Number	8	9(8)
2. Issue Amount	11	9(9)V99
3. Issue Date	5	9(5)
4. Payee ID Number	16	X(16) OPTIONAL
5. Agency Location Code*	8	9(8)
6. Account Symbol	16	X(16)
7. Payment Type	<u>1</u>	X(1)
	65	
<p>* Data Element 5, Agency Location Code is required only for those agencies (VA, SSA, SSI, and RRB) that are participating in administrative cancellation. If not used, zero fill.</p> <ol style="list-style-type: none"> 1. Check serial number (check symbol) zero-fill left. 2. Zero-fill left (no decimal points or commas). 3. Julian format (YYDDD). This is the date on the check. 4. Payee ID number should be blank when not used. 5. Agency location code (ALC) is defined as the 3-, 4-, or 8-digit accounting station symbol designation. For non-Treasury disbursing stations, it is also the DO symbol (4 digits). ALC must be a valid, authorized symbol. Zero-fill left. 6. Account symbol is defined as the appropriation account assigned by Treasury that has been charged with this check issue payment. The account symbol should be blank when not used. Left justify account symbols less than 16 characters. 7. Payment type indicates to the agency the category of the issues, for example, Payroll Payments, Benefit Payments, Vendor Payments, Grant Payments, and Miscellaneous Payments. It should be blank when not used. <p>Note: Voided issues are reported as follows:</p> <ul style="list-style-type: none"> . Check serial number, issue amount, and issue date are required. . Issue amount is zero. . Issue date is the date the check is voided. . Payee ID number, account symbol, and payment type should be blank. . Agency location code should be zero-filled. 		

Table 9-3. Standard Issue Record

<u>STANDARD ISSUE TRANSMITTAL TRAILER RECORD</u>		
<u>Data Element</u>	<u>Length</u>	<u>Format</u>
1. Record ID	1	X(1)
2. Transmittal Amount	13	9(11)V99
3. Transmittal Item Count	7	9(7)
4. Filler	<u>44</u>	X(44)
	65	
1) Identifies trailer record. Constant value = T. 2) Zero-fill left. 3) Zero-fill left. 4) Spaces.		

Table 9-4. Standard Issue Transmittal Trailer Record

MAGNETIC TAPE CONTROL RECORD			
TO BE COMPLETED BY THE DISBURSING OFFICE			
TRANSMITTAL NUMBER 5040-5040-03674295		NUMBER OF CHECKS (item count) 2003	TOTAL ISSUE AMOUNT \$63,789,457.00
DISBURSING LOCATION (CITY) Pensacola, FL		DO SYMBOL NUMBER 5040	CHECK SYMBOL NUMBER 5040
ISSUE DATE OF CHECKS (mo, days, and year) June 1 - 5, 19XX		DATE TAPE CREATED June 8, 19XX	TAPE REEL NUMBER/DENSITY 672/6250
SERIAL NUMBERS			MONTH AND YEAR FOR WHICH RENDERED
FIRST CHECK ON TAPE 03674295	LAST CHECK ON TAPE 03676297		
DISBURSING STATION AND LOCATION DFAS Operating Location Pensacola, FL 32508-5210		TAPE TYPE Level 8	DISBURSING OFFICER'S SIGNATURE
FOR FINANCIAL MANAGEMENT SERVICE USE			
FMS CONTROL NUMBER			TAPE TYPE

TFS FORM 3510

DEPARTMENT OF THE TREASURY - FISCAL SERVICE

6-86

EDITION OF 5-86 MAY BE USED

FINANCIAL MANAGEMENT SERVICE

Figure 9-1. Sample TFS Form 3510 (Magnetic Tape Control Record) (Single Transmittal)

MAGNETIC TAPE CONTROL RECORD			
TO BE COMPLETED BY THE DISBURSING OFFICE			
TRANSMITTAL NUMBER 5090-5090-01193100		NUMBER OF CHECKS (item count) See Attached	TOTAL ISSUE AMOUNT See Attached
DISBURSING LOCATION (CITY) Various		DO SYMBOL NUMBER Various See Attached	CHECK SYMBOL NUMBER
ISSUE DATE OF CHECKS (mo, days, and year) Various See Attached		DATE TAPE CREATED December 14, 19XX	TAPE REEL NUMBER/DENSITY 10156/1600
SERIAL NUMBERS			MONTH AND YEAR FOR WHICH RENDERED See Attached
FIRST CHECK ON TAPE 01193100	LAST CHECK ON TAPE		
DISBURSING STATION AND LOCATION		TAPE TYPE	DISBURSING OFFICER'S SIGNATURE
DFAS Operating Location Charleston, SC 29408-1963		Level 8	(703) 697-8777 _____
FOR FINANCIAL MANAGEMENT SERVICE USE			
FMS CONTROL NUMBER			TAPE TYPE

TFS FORM 3510

6-86

EDITION OF 5-86 MAY BE USED

DEPARTMENT OF THE TREASURY - FISCAL SERVICE

FINANCIAL MANAGEMENT SERVICE

**Figure 9-2. Sample TFS Form 3510 (Magnetic Tape Control Record)
(Multiple DSSNs and Transmittals)**

Page <u>1</u> of <u>1</u>						
MAGNETIC TAPE CONTROL RECORD						
DSSN	DATE CREATED	FIRST CHECK NUMBER	ENDING CHECK NUMBER	TRANSMITTAL AMOUNT	NUMBER OF CHECKS	ACCT YEAR MONTH
5090	XX347	01193100	01193144	37843.38	45	12XX
5090	XX347	01200888	01200897	313800.00	10	12XX
5090	XX347	01273656	01276011	650964.00	2356	12XX
5714	XX347	01293266	01295716	817935.01	2451	12XX
5714	XX347	01337695	01342347	1622880.00	4653	12XX
6065	XX347	00145000	00145033	299779.45	34	12XX
6065	XX347	70001100	70001274	0.00	175	12XX
6917	XX347	01600866	01600881	174430.00	16	12XX
6969	XX347	00991000	00993320	903865.00	2321	12XX
6991	XX347	70832686	70837228	1443888.00	4543	12XX
7004	XX347	00101718	00101719	445.00	2	12XX
7696	XX347	00284399	00285699	394066.00	1301	12XX
7824	XX347	01215912	01218574	757827.04	2663	12XX
7972	XX347	00117005	00117375	104567.00	371	12XX
8363	XX347	40325162	40325619	20825623.44	458	12XX
TOTAL				28,347,913.32	21,399	

Figure 9-2. Sample Transmittal Listing (Continued)

STANDARD FORM NO. 1179 (Rev. 5/87) DEPARTMENT OF THE TREASURY FINANCIAL MANAGEMENT SERVICE 1TFM 2-3900			NSN 7540-00-663-1396 1179-105			PAGE <u> 1 </u> OF <u> 1 </u>	
MONTH END CHECK ISSUE SUMMARY							
<input type="checkbox"/> CHECK BOX IF ADDRESS OR TELEPHONE NUMBER HAS CHANGED							
DISBURSING OFFICE NAME/MAILING ADDRESS Disbursing Office Camp Pendleton, CA 92055 TELEPHONE NO. COMMERCIAL OR FTS <u>(301) 436-7471</u>				D.O. NAME (TYPE) Capt. John Kemp, USAF D.O. SIGNATURE _____		CHECK SYMBOL 1010 MONTH AND YEAR FOR WHICH RENDERED December 19XX	
D.O. SYMBOL NO.	CHECK SYMBOL NO.	BEGINNING CHECK NO.	ENDING NO.	CHECK METHOD	REPORTING METHOD	TOTAL DOLLAR AMOUNT OF ISSUES (FOR EACH TRANSMITTAL)	
1010	1010	12096000 12096106 35021000 35031021	12096105 12096189 35031020 35131581	Tape (LVL8) 12/1-15/89 12/16-31/89 12/1/15-89 12/16-31/89		100,000.00 200,000.00 350,999.99 500,000.00	
SUMMARY: (Complete on last page only)							
1. Enter on this line the total dollar amount of checks issued this month as shown in this report. Individual check issue report submissions for the month must be shown above or on an attached list. <i>(Total must agree with the total dollar amount of checks issued as reported in column 2 of the reverse of Standard Form 1219.)</i>						\$ <u>1,150,999.99</u>	
2. Net Dollar Adjustments to Prior Months:							
(a) Enter on this line the net dollar adjustments to prior months for which completed copies of Advices of Check Issue Discrepancy, Forms 5206, are attached						_____	
(b) Enter on this line the net dollar adjustments to prior months for which completed copies of Optional Forms 1017-G <i>(or comparable forms)</i> , are attached						<u>1,500.00</u>	
3. NET TOTAL						\$ <u>1,152,499.99</u>	

Figure 9-3. Sample SF 1179 (Month End Check Issue Summary)

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CHAPTER 10

COLLECTIONS1001 TYPES OF COLLECTIONS

100101. Introduction. There are three types of collections: receipts, reimbursements, and refunds. Collection of a DD Form 2657 or SF 1219 receivable (such as losses of funds, dishonored checks, or other receivables not creditable to an appropriation or fund) is not one of the three types of collections because a formal collection voucher is not prepared.

★ 100102. Receipts. Receipts are collections creditable to Treasury Department miscellaneous receipt accounts or other accounts or funds as authorized by legislation. Receipts are collected into the DO's accountability by use of a DD Form 1131 (Cash Collection Voucher). Receipts are recognizable by the absence of a fiscal year/program year in the appropriation accounting classification. Occasionally, negative receipts occur. Since disbursements from a receipt account cannot be made, "adjusting out" an over-collection involves processing as a negative receipt.

100103. Reimbursements. Appropriation reimbursements are amounts earned and collected for property sold or services furnished to the public or to another U.S. Government agency. Reimbursements are recognizable by the presence of an accounts receivable sales code within the accounting classification. Reimbursements are shown as a positive amount on the DD Form 1131. If a reimbursement is over-collected and funds must be returned to the remitter, a negative reimbursement results. A negative reimbursement may be vouchered as a bracketed (negative) amount on a DD Form 1131 or as a positive amount on a disbursement voucher. An accounts receivable sales code shall be present within the accounting classification for either type voucher.

100104. Refunds. A refund is a recoupment (collection) of payment made in error. The voucher accounting classification is the same precisely as that shown on the associated disbursement voucher. A refund may be a true collection and be collected into DO accountability (as a positive amount) by a DD Form 1131. A refund also may occur as a bracketed amount (negative amount) on a disbursement voucher, being then considered as a reduction in disbursements (i.e., a negative disbursement) rather than a collection. On rare occasions, a refund is complicated by the occurrence of negative refunds. (An example occurred when Braniff Airlines issued checks to a DO in exchange for the DO return of unused plane tickets. The checks were properly collected into the accounting system as a refund. The checks were subsequently dishonored because of Braniff bankruptcy, and were properly treated as a negative refund.) Accordingly, the refund would be reversed in a negative refund situation. Refunds from collection vouchers are reported separately as refunds on the DD Form 2657. However, refunds occurring as a negative disbursement are not separately tracked as a collection

on the DD Form 2657 (i.e., they are simply reported as a reduction of disbursements). On the DD Form 1329, Statement of Transactions and the SF 1219, there is no separate reporting of refunds; they are all included as net disbursements.

100105. Collection Transactions

A. General. A collection can be either a vouchered or unvouchered transaction that increases the DO's accountability. Each collection received by a DO shall be scheduled on the appropriate collection voucher form, verified, and recorded in the accounting records.

1. Voucher Supported Collection. A voucher supported collection effects a credit to a receipt or deposit fund account or to an appropriation, and involves either:

a. direct receipts such as cash, checks, drafts, and money orders;

b. deductions on payment vouchers to cover an indebtedness due the U.S. Government;

c. other deductions on payment of vouchers such as deductions for purchase of savings bonds and Federal taxes;

d. or a transfer between appropriations or funds, or corrections of charges against and credits to them, using an SF 1080 (Voucher for Transfer Between Appropriations and/or Funds) or an SF 1081 (Voucher and Schedule of Withdrawals and Credits). Voucher-supported collections also can be effected through the Treasury Department's On-Line Payment and Collection (OPAC) System. See chapter 24 of this Volume for detailed information regarding the OPAC system. In some instances, such as collections from dining facilities, only one collection voucher number is assigned for the entire accounting period (month) and the formal collection voucher is prepared as of the last business day of the month. Daily receipts of this nature are recorded on the DD Form 2657 as Other Transactions (Line 2.3) and U.S. Currency/Coinage on Hand (Line 6.2A). At the end of the accounting period when the formal DD Form 1131 is processed, the accumulated collections are removed from Line 2.3 and included on Line 4.1E as Reimbursements.

2. Unvouchered Collection. An unvouchered collection occurs when the DO receives cash (or negotiable instruments) from an individual or organization that is not credited to an appropriation or fund and, therefore, not supported by a formal collection voucher. Examples of unvouchered collections include collections for: dishonored checks cashed; losses of funds; some check issue overdraft discrepancies; and, agent returns. These transactions are documented for record purposes by use of an OF 1017-G.

★ B. Vouchering. To expedite the flow of funds to the government, collections (checks, money orders, etc.) shall be separated from accompanying accounting documents at the

initial stage of processing and deposited as prescribed in paragraph 050201 of this volume. If identification of the appropriation account to be credited cannot be made, the collecting office shall prepare a DD Form 1131 for credit to either the **F3875, budget clearing account (Suspense) or the **X6875, deposit fund account, as appropriate and deposit the remittances. When the proper accounting classification has been identified, the collecting office shall prepare an SF 1081 charging **F3875 and crediting the proper appropriation or fund. No check shall be issued for this transfer.

C. Remittance by Mail. DOs shall establish procedures to control the receipt and processing of checks and other negotiable instruments received in the mail. At a minimum, a person from outside the disbursing office shall be designated to receive all mailed remittances. The individual designated to perform this function shall not be the same individual maintaining accounts receivable records. The DD Form 2658 (Returned and Undeliverable Check/Bond Record) may be used as the control record and a record of the transmittal of the instruments between functional areas.

D. Collections by Remote Cashiers. Collections made by remote cashiers shall be acknowledged only after receipt by the DO of the actual monetary amount.

100106. Method of Remittance

A. Monies Received as Contract Bid Deposits or Deposits for Plans. For these types of transactions, the Federal Acquisition Regulation (reference (o)) prescribes acceptance of cash; certificates of deposit; other cash equivalents with a federally-insured financial institution; state warrants of the sovereign States of the United States; or irrevocable letters of credit (ILC) issued by a federally-insured financial institution in the name of the contracting agency and which identify the agency and solicitation or contract number for which the ILC is provided.

B. All Other Indebtedness. Collections representing all other indebtedness may be accepted in cash, check, or any other recognized form of credit instrument payable on demand. For example: personal or corporate checks (certified or uncertified) or bank drafts; Treasury checks with issue dates less than 1 year old; travelers checks; postal money orders; money orders issued by banks or other financial establishments; and credit union share drafts. Warrants may be accepted in lieu of checks provided the warrants are payable on demand. Instruments shall be drawn in favor of DOs in their official capacity (not by name). Visa and MasterCard credit cards may be accepted when presented for payment at locations participating in the credit card collection network (CCCN).

C. Commissary Sales Collections. Commanders may authorize commissary officers to accept Treasury checks from authorized patrons in payment for sales when available banks and other facilities are unable to furnish adequate check-cashing service. Commanders shall not authorize or require DOs or their agents to advance additional change funds to

commissary officers for the purpose of cashing Treasury checks received by the commissary. Moneys generated from sales shall be used for this purpose. See 31 U.S.C. 3302 (reference (e)).

100107. Performance and Bid Bonds (Storage and Safekeeping)

A. Negotiable Instruments. When the DO receives remittances (such as checks, bank drafts, and money orders) as deposits for performance or bid bonds, such remittance shall be deposited immediately in deposit fund account **X6875, Suspense, to be held pending settlement with the contractor.

B. United States Bonds or Notes Deposited in Lieu of a Surety. As authorized by the Federal Acquisition Regulation and Treasury Department Circular 154 (reference (ac)), contractors may deposit, with the contracting officer, certain U.S. bonds or notes instead of furnishing corporate individual sureties on performance and payment bonds. DOs should not accept possession of these bonds or notes (whether electronic or hardcopy) for other than temporary safekeeping, such as overnight or over a weekend. The DO may provide space in the safe or vault for temporary safekeeping by placing the notes or bonds and related documentation in a sealed package indicating custodianship. Provide the contracting officer a receipt for the package. Transfer of the bonds or notes to the FRB is the responsibility of the contracting officer. See Treasury Department Circular 154 for procedures.

100108. Method of Drawing Negotiable Instruments

A. For Deposit to the Credit of the U.S. Treasury. To facilitate Treasury Department identification of the depositing organization (many endorsements are illegible because of light ink, smears, over stamping, etc.), DOs, deputies, agents, and cashiers shall require remitters to make checks and other negotiable instruments payable to the accepting organization, rather than to the Treasury Department. Examples of such inscriptions are: Disbursing Officer, Camp Lejuene NC 28542 or Disbursing Officer, FPO AP 96604-8405. The above are the preferred methods of inscription. Checks received bearing inscription to the Treasury Department should not be returned for reaccomplishment. Similarly, checks made payable to the DO or agent by proper name, or the absence of a ZIP code, does not render an instrument unacceptable. Modify the examples to fit the situation. For example, substitute "A&D Agent" for "Disbursing Officer" if appropriate. Display inscription instructions in strategic locations at cashier cages, commissaries, and other locations where instruments are received. Instruments drawn payable to remitter are acceptable as inscribed, providing the remitter properly endorses them for credit to the U.S. Treasury. Deposit the above negotiable instruments in any FRB or branch or an established and approved general depository to the credit of the U.S. Treasury.

B. For Deposit in Limited Depository. Limited depository accounts (LDAs) are maintained in the name of the DO or agent. Inscriptions should be required similar to the third example in paragraph 100108.A, above. Instruct the remitter not to inscribe instruments payable to the DO or agent by name. Endorsed instruments should be to the credit of the DO or agent (by position).

100109. Endorsements on Negotiable Instruments. Detailed requirements for placing endorsements on negotiable instruments are contained in Chapter 5 of this volume.

1002 ISSUANCE OF RECEIPTS FOR COLLECTIONS

100201. Turning in Funds to DOs

A. Indirect Collections. Individuals (other than DOs, deputies, agents, or cashiers) who receive funds belonging to the United States (including those funds which are to be held in trust) will promptly turn over such funds to their servicing DO or deposit the funds in an authorized general depository. Examples of such individuals are commissary officers, sales officers, property disposal officers, personnel officers, and other officers authorized to receive funds due the United States. These persons are solely responsible for safekeeping of funds in their possession until the funds are deposited or turned over to the DO. The collecting officer shall number documents in sequence by fiscal year. Two copies of each collection voucher (other than the original) signed by the DO, deputy, or agent who receives the funds shall be returned to the collecting officer. Distribute additional copies as required.

B. Direct Collections. When a DO, deputy, agent, or cashier receives a collection directly from the remitter, he or she shall prepare a receipt for the amount collected. The number of copies of the receipt provided to the remitter shall be determined by the servicing DFAS Center. Receipts for payment of bills received by mail in the disbursing office shall not be issued unless requested by the remitter. If a DD Form 1131 is not prepared, use the DD Form 634 (Receipt for Miscellaneous Collections) if a receipt is required. Furnish receipts only for amounts received and verified by actual count. Do not issue receipts "subject to verification" or give or take receipts "in blank."

C. Receipt Acknowledgement. At those locations where a mechanized system is operational, cashiers are authorized to sign receipts in their own name; otherwise DOs, deputies, or agents shall sign receipts for remittances. Signatures are not required when collection vouchers are validated by a cash control machine. Before signing, the cashier or collecting official shall ensure the remittances are authorized collections in the correct amounts. In no instance shall the person accepting the remittance also be responsible for updating the accounts receivable record.

100202. Preparation and Distribution of DD Form 634. DD Form 634 can be used as a receipt document when it is inappropriate to use DD Form 1131 or other type of receipt document.

A. Preparation. DD Form 634 shall be prepared in as many copies as necessary. When preparing the form, DOs shall enter, immediately following the name and SSN of the individual from whom the collection was made, the current duty station of the individual. Where a collection is being effected for more than one item of indebtedness, overpayment, or

under-deduction, a separate DD Form 634 shall be issued for each item in the amount of the particular item. The type of collection, such as Overpayment, or Government Property Lost or Damaged (GPLD), shall be entered in the Type of Collection block in the upper right corner. When a collection voucher number is entered on DD Form 634, as in the case of copies sent to other fiscal installations, the number shall be the same collection voucher number assigned to the DD Form 1131 on which the DD Form 634 is scheduled. Figure 10-1 shows a properly completed DD Form 634.

B. Distribution

1. Original. Provide the original to remitter.
2. First copy. The first copy shall be kept in the disbursing office's files.
3. Other copies. Distribute other copies as required.

100203. Collections by Deductions from Vouchers. Give receipts for collections made by deductions from vouchers if requested by the payees or if notices of collection are to be furnished other divisions or activities. Use DD Forms 634 but do not consider them as subvouchers.

100204. Collections by Agent Officers

A. Collections Received by Agents. Agents receipt for funds as agents of their appointing DO.

B. Proceeds of Sales Received by Agents. When funds are deposited with agents, the agents complete receipts on the original and three copies of the DD Form 1131 as agents of their principal DO, and submit the original and two signed copies of the DD Form 1131, together with supporting documents, with their financial reports to the principal DO. The format for the receipt is shown below. Return one signed copy to the appropriate collecting official as receipt for the funds.

Richard Roe, Lt Col, (Component)

By: _____
(Name and Type of Agent).

1003 RECORDING AND CONTROLLING COLLECTIONS

100301. Pending Payment File. Unless otherwise directed by the supporting DFAS Center, the pending payment file shall be maintained by the applicable functional area using the triplicate copies of uncollected billing documents. The original and duplicate copy shall be sent

to the subscriber. The files shall be arranged in the order most convenient to the individual maintaining the file. The file shall be reconciled to the accounts receivable subsidiary ledgers at least quarterly.

100302. Collection of Accounts Receivable

A. Payment of Bills. When payment is presented to the cashier, a copy of the bill shall be annotated as PAID with date of payment and initials of the cashier. If the original of the bill is presented to the cashier, it shall be stamped or noted PAID with date of payment and initials of the cashier and returned to the remitter. When a receipt is requested, procedures prescribed in paragraph 100202.A, above, for preparing DD Form 634 shall be followed. Cashiers shall accumulate the receipts until the end of each business day and prepare a covering DD Form 1131. Paid copies of bills shall be attached to the DD Form 1131 and sent to the applicable functional area on a daily basis to record the voucher. When mechanized billings are prepared, the responsible functional area should prepare the DD Form 1131 (cash payments) or SF 1080 (payroll deductions) as part of the automated collection posting process.

★ B. Clearance of Component Bills. An individual being transferred from the Component shall notify the appropriate functional area and billing office to ensure that all unpaid telephone bills, utilities, and similar liabilities have been settled. The responsible functional area shall ensure that all pending bills are collected. Adjustment, if required, shall be made by the responsible functional area on a new bill. The old bill shall be marked VOID, attached to the paid copy of the new bill, and the clearance form shall be appropriately completed.

100303. Collections for Other Agencies

A. Identifiable Collections. Upon receipt of an identifiable collection applicable to an account maintained by another fiscal station, a receipt shall be issued, if requested or required, and the transaction processed as a transaction for others (TFO). The DD Form 1131 shall indicate the complete identity of the remitter, account, fiscal station, and appropriate fiscal data.

B. Unidentifiable Collections. When a collection is made for another fiscal station and the reimbursement or collection accounting classification cannot immediately be determined, that collection shall not be processed as a TFO. In this case, the DO shall deposit the collection into deposit fund account **X6875 or the budget clearing account, **F3875. When the correct accounting classification is determined, the DO shall prepare and process an SF 1080 (TFO) to clear the suspense account. The voucher must be supported by complete collection data and must be in the amount of the collection and chargeable to the deposit fund account **F3875. No check shall be issued in payment of the voucher.

★ 100304. Overages. Whenever an overage occurs in the DO's account, do not credit the amount immediately to Treasury Department receipt account Forfeiture of Unclaimed Money and Property, **R1060. Instead, process the overage as a collection for credit to budget clearing

account **F3875 no later than the business day after the overage occurs. Voucher any overages which occur on the as-of-date of the SF 1219 on the same date the overage occurs. Make a careful review to determine the source of the overage, with particular regard to collections and returns from agents. To the extent reasons for overages are explained and there is reasonable assurance that no claim will be made against such funds, credit may be made directly to **R1060.

100305. Collection Voucher Control Log. The DD Form 2659 (Voucher Control Log) shall be maintained daily for each collection voucher received or prepared in the disbursing office. The DO shall determine the functional areas and assign an individual or individuals the responsibility for maintaining the DD Form 2659. The DO should require DD Form 2659 to be prepared daily by each functional area and/or branch disbursing office when these areas or offices are assigned a separate series of voucher numbers. The log shall contain: the collection voucher number; identification of the remitter (individual's name or organization making the remittance); amount; and form of remittance (cash, check, EFT, etc.). An example of DD Form 2659 is provided as figure 10-2.

100306. Collections Overpaid or Underpaid by \$10 or Less. If a remitter overpays the amount due by \$10 or less, collect the overpayment into receipt account **1099, Fines, Penalties, and Forfeitures. Do not refund to the remitter unless a refund is specifically requested by the remitter. Similarly, if the amount due from a payee is underpaid by \$10 or less, do not try to collect the underpayment. In this instance, the DO shall prepare an SF 1080 to charge the DoD Component's Operations and Maintenance (O&M) account and credit the applicable appropriation (or receivable) for the amount of the underpayment.

100307. Collections Made at Agencies Not Having a Disbursing Office. When collections are by other agencies not co-located with or supported by a disbursing office, the following procedures shall be used.

A. Collection Control Log. A control log shall be used to control the collections from the time they are received until such time as they are transmitted to the disbursing office. At a minimum, the control log will show: the date the collection was received; remitter; check or money order number; collection voucher number; amount of collection; and the date transmitted to the disbursing office.

B. Collection Voucher. The collection voucher shall be prepared the same day the collection is received by the DoD Component.

★ C. Safeguarding the Collection. The collection and supporting documents shall be safeguarded consistent with standard security regulations prescribed in subparagraph 030304.B of this volume.

1004 DOCUMENTING AND PROCESSING OF COLLECTIONS

100401. Verification of Funds Received

A. Verification. Applicable functional areas have complete responsibility for assuring that collections are proper, that vouchers have complete and accurate data, and that the right number of voucher copies are prepared. When the disbursing office detects a voucher was improperly prepared, the voucher shall be returned to the functional area for correction.

B. Funds Deposited by Collecting Officers. Where funds have been deposited directly to a general depositary by the collecting officer, the collection shall be processed in the DO's account upon receipt of the collection voucher (or receipts for collection). Verification of receipt of the funds with related collection vouchers shall be accomplished from a copy of the SF 215. If the confirmed copy of the SF 215 has not been provided by the depositor (collecting officer), the collecting officer shall be notified to furnish the confirmed copy of the SF 215 upon receipt.

★ C. Purpose of Collection. The purpose of a collection may be included on the collection voucher or attached to it. The purpose of a collection may be a contract lease, applicable regulation, schedule, cost list, or any other document which authorizes the collection. Where a sales contract is involved, the reference information shall include a citation to the contract. Any collection received by a DO, for which the purpose cannot be determined, shall be accepted and accounted for in the **F3875, budget clearing account (Suspense) or the **X6875 Deposit Fund Account, as appropriate. Deposits in these accounts shall not be held any longer than necessary. The account shall be reviewed at frequent intervals, not less frequently than every 3 months, to determine whether proper disposition of funds can be made. During the closing month of the fiscal year, efforts shall be made to clear balances in these accounts. For amounts less than \$100, if a determination is made that further attempts to identify the proper account is not cost effective, such amounts may be credited to the Treasury Miscellaneous Receipt Account (3210) on a case-by-case basis. This does not constitute authority to ignore identification of the proper account. It only provides the authority to transfer amounts of \$100 or less after documented attempts have been made to identify the proper account.

D. Signatures. Signatures and other handwritten information becoming an integral part of original vouchers shall be written in permanent, non-erasable ink.

100402. Vouchers for Collections by Other than Disbursing and Agent Officers. Collections received by sales and other collecting officials shall be accounted for on the proper forms.

A. DD Form 707 (Report of Deposit). Commissary officials shall prepare and submit the DD Form 707 to the DO under whose DSSN deposits are made. For example, if the commissary deposits daily sales receipts to the credit of the DO, DFAS-Columbus Center, the DD Form 707 shall be prepared and submitted to the DO, DFAS-Columbus Center for each day's deposit(s). See figure 10-3.

B. DD Form 1131 (Cash Collection Voucher). These forms are submitted when the governing directives do not prescribe specific collection vouchers. They may serve as cover vouchers for other receipt forms.

100403. Preparation of Documents Used to Transmit Funds

A. Responsibility. Preparation of the forms listed in paragraph 100402, above, is the responsibility of the officer depositing or transmitting the funds to the disbursing office. Except for collections arising from over-the-counter sales (for example, commissaries), each collection document shall contain the name of the remitter, the specific authority for the collection, and sufficient information for the DO to identify the collection and determine that it is the correct amount. It also is the responsibility of the officer preparing the form to furnish the complete accounting classification as prescribed, fiscal code, including the DSSN of the station maintaining the appropriation cited, and the country code if the collection is made in an overseas area.

B. Preparation and Distribution. At a minimum, each collection voucher shall be prepared in duplicate. Additional copies will be prepared and provided as required.

100404. Collection Documents Prepared in the Disbursing and Agent Offices

A. SF 1098 (Schedule of Canceled or Undelivered Checks). The SF 1098 collects the proceeds of an available canceled Treasury check.

B. DD Form 1131. Use this form to schedule receipts of cash collections when other forms are not prescribed. The DD Form 1131 also serves as a cover voucher for supporting receipts (DD Forms 634).

C. DD Form 634 (Receipt for Miscellaneous Collections). The DD Form 634 may be issued as a receipt for those cash collections received directly by the DO. This form is not a collection voucher even in those specifically authorized instances when it is used to transmit collections to a DO. The DD Form 634 shall be used as the source of information for scheduling the cash collection on DD Form 1131.

D. SF 1096 (Schedule of Voucher Deductions). The SF 1096 is used as a collection voucher for off-setting deductions on related disbursement vouchers.

E. SF 1080 (Voucher for Transfer Between Appropriations and/or Funds). The SF 1080 transfers amounts between appropriations and/or funds.

F. SF 1081 (Voucher and Schedule of Withdrawals and Credits). Similar to SF 1080, this form also transfers amounts between appropriations or funds and can be used for corrections of charges and credits.

G. DD Form 139 (Pay Adjustment Authorization). The DD Form 139 is used to collect by salary offset.

100405. Numbering Collection Vouchers. Collection voucher numbers shall be assigned consecutively starting at the beginning of each fiscal year. Voucher numbers assigned to collection vouchers shall be identified with the disbursing office and not the disbursing officer. The servicing DFAS Center or OPLOC to whom financial reports are submitted will provide the DO with instructions for numbering vouchers.

100406. Preparation and Distribution of DD Form 1131. The blocks of the DD Form 1131 shall be completed as prescribed in this paragraph. See figure 10-4.

A. Disbursing Office Collection Voucher Number. The applicable functional area shall enter the voucher number in this block.

B. Receiving Office Collection Voucher Number. Use of this block is optional. If the receiving official controls collections by locally assigned number, the receiving official shall enter the number in this block.

C. Receiving Office

1. Activity. When collections are made by other than the disbursing office cashier, the receiving official shall enter the name and location of such activity. Leave blank when collections are made by the disbursing office cashier.

2. Received and Forwarded By. Enter the printed name, title, and signature of the designated receiving official. If a debtor turns in the remittance to the DO or cashier personally and the Receiving Office block is completed for reference, no signature is required. Normally, this block is left blank when collections are made by the disbursing office cashier.

D. Date. Enter date of the last collection shown on the DD Form 1131 or the date the DD Form 1131 is prepared by the collection official.

E. Disbursing Office. Enter the name and location of the disbursing activity and the printed name, title, and signature of DO, in the applicable blocks. Signature is not required when the DD Form 1131 is validated by a cash control machine.

F. Disbursing Station Symbol Number. Enter the four-digit DSSN.

G. Date Received Subject to Collection. This is the primary voucher date assigned by the functional area. It is the DO or agent accountability date.

H. Period: From -- To. Enter the specific period encompassing collections reported on the form. For example: the date of the first collection on the voucher is the "From" date; the date of the last collection on the voucher is the "To" date. If all collections on the voucher are applicable to a specifically designated period, such as an accounting month, enter inclusive dates (1 Mar XX to 31 Mar XX, for example). If all collections are made on a single date or no specifically designated period is applicable, leave the "From -- To" blocks blank. Dates may be entered by the receiving official or disbursing office, as applicable.

I. Date Received. Enter the date cash (or negotiable instruments) is received from a remitter, or other date of incident (for example, date money found on base). If the DD Form 1131 is being used as a cover voucher and not all collections were made on the same day, enter "various."

J. Name of Remitter/Description of Remittance. Enter the name of the individual remitter or company. Except for collections from over-the-counter sales (i.e., commissaries) and locally billed items (telephone service, housing, etc.), show each remitter's name and SSN if collection is received from a military member or civilian employee. If a name is not applicable (for example, money found on base), enter a description of the remittance. If the DD Form 1131 is being used as a cover voucher, enter "See Attached" and attach a copy of each DD Form 634 to the original and duplicate of the DD Form 1131.

K. Detailed Description of Purpose for Which Collections Were Received. Enter the purpose for collection. If information entered in the name of remitter and description of remittance block satisfactorily describes the purpose of the collection, leave blank.

L. Amount. Enter the individual amounts collected from each remitter or each incident by accounting classification. When the DD Form 1131 is used as a cover voucher, enter overall totals by accounting classification.

M. Accounting Classification. Enter the complete accounting classification for the amount of each collection. If the DD Form 1131 is being used as a cover voucher, enter the accounting classification for each amount included.

N. Distribution. The original DD Form 1131 shall be forwarded as directed in paragraph 100409, below. Provide a duplicate to the remitter and retain a copy for the disbursing office. Extra copies shall be prepared as required.

100407. SF 1096, Schedule of Voucher Deductions. Schedule collections deducted from disbursement vouchers on SFs 1096 except when the disbursement voucher is used for both disbursement and collection. Examples of exceptions are: civilian payroll deductions, civilian indebtedness to hospitals, no check drawn SFs 1080, SFs 1081, and military payroll deductions. Functional areas assign collection voucher numbers for voucher deductions and process the SFs 1096. The functional areas also enter the voucher numbers assigned to the SFs 1096 on the related disbursement vouchers. Also, they include voucher deductions shown on voucher copies

received from other functional areas on the SFs 1096 of the receiving functional areas. In all cases, copies of vouchers or properly supported notifications shall be forwarded to the functional areas accountable for the collections.

100408. Legibility of Carbon Copies. DOs shall take extra precaution to ensure that all carbon copies of vouchers prepared for distribution are completely legible.

100409. Routing Original Collection Vouchers. The disbursing division of each disbursing office shall route the original collection vouchers to the servicing DFAS Center as prescribed in Chapter 20 of this volume.

100410. Signature on Collection Vouchers. DOs, deputies, or agent officers shall sign the original collection vouchers. Signing shall not be delegated or reassigned. Officers using cash control machines or mechanized equipment to validate vouchers are exempted from the signatory requirements of this paragraph (except when DD Form 1131 is being processed for further action by a disbursing office not co-located with the processing disbursing office) provided the machines, and control thereof, meet minimum security and audit requirements. Keys for cash control machines shall at all times remain under the control and security of the DO or a deputy. The DO shall maintain controls to ensure that all funds received by the cashier are properly accounted for. Copies of the vouchers bearing initials of the cashier shall be held in the custody of the DO or the deputy. In making daily settlement with the cashier at the end of the business day, these voucher copies shall be used to determine whether or not the amount of the collection reported by the cashier was proper. The receiving officer's signature is required, where applicable as prescribed in paragraph 100406.C, above. Transfer, cancellation, or adjustment vouchers (SFs 1081, 1096, 1098, etc.) may be signed by personnel appointed in writing by the DO. When the same voucher is used as both a disbursement and collection voucher, the disbursement is considered the original and subject to the signature requirements above. The collection side (or portion) is not considered an original voucher and does not require a signature.

1005 UNVOUCHERED COLLECTIONS

100501. Accountability of Unvouchered Collections. DO's may record unvouchered collections on the DD Form 2657 as an increase to line 4.2a (or 6.2a) but not as an increase to line 4.1b, 4.1d, or 4.1e. The corresponding entry on the DD Form 2657 is normally a decrease to lines 6.5, 7.2a, 7.2b, 7.3, 7.4, 9.2a, 9.2b or 9.3. These transactions are documented for record purposes on OF 1017-G.

RECEIPT FOR MISCELLANEOUS COLLECTIONS		TYPE OF COLLECTION Overpayment
DATE Nov. 2, 19XX	AMOUNT RECEIVED \$ 15.25	INSTALLATION Fort Knight, MD
<input checked="" type="checkbox"/> RECEIVED IN CASH OF <input type="checkbox"/> COLLECTED ON VOUCHER NO. FROM		NAME, SERVICE NUMBER/SOCIAL SECURITY ACCOUNT NUMBER, ORGANIZATION AND INSTALLATION John A. Doe, SFC, 123-45-6789 Co D, 2d Bn, Ft. Knight, MD
WRITE AMOUNT OUT Fifteen ----- DOLLARS AND twenty five ----- CENTS.		
ON ACCOUNT OF Collection for overpayment made on Vou. # 123456 dated 10/23/XX, accounts of C.S. Jeffery, LTC, FC, DSSN 0923		
APPROPRIATION AND ALLOTMENT 21XXXXXX XX-XXX PXXXX-XX SXX-XXX		
I CERTIFY THAT I HAVE REC'D THE ABOVE AMOUNT, WHICH SUM I HAVE PASSED TO THE CREDIT OF THE U.S. AND HOLD MYSELF ACCOUNTABLE THEREFOR.		
TYPED NAME, GRADE, TITLE AND DISBURSING SYMBOL NO. OF FINANCE OFFICER C. S. JEFFERY, LTC, FC, DSSN 0923		SIGNATURE OF FINANCE OFFICER

DD Form 634, APR 52

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Figure 10-1. Sample DD Form 634 (Receipt for Miscellaneous Collections)

[illegible]

DD Form 2659, AUG 93

Figure 10-2. Sample DD Form 2659 (Voucher Control Log)

REPORT OF DEPOSITS		PERIOD COVERED	
		FROM	TO
		1 Aug 19XX	12 Aug 19XX
INSTALLATION Ft. Finance, IN		NAME AND DESIGNATION OF INDIVIDUAL DEPOSITING FUNDS C. D. Jennifer, CPT, QMC	
SECTIONS AND SUBSECTIONS	FUNDS DEPOSITED TODAY	ACCUMULATED FROM LAST REPORT	CUMULATIVE TOTAL
Subsistence Section:			
Subsistence	200.00	0.00	200.00
Meat Market	200.00	0.00	200.00
Surcharge	55.00	0.00	55.00
TOTAL	455.00	0.00	455.00
APPROPRIATIONS TO BE CREDITED		RECEIVED FROM	
APPROPRIATION	AMOUNT	C.D. Jennifer, CPT, QMC	
21X2010 x-C-xxx Pxxxx-xx Sxx-xxxx	400.00	IN CASH AND/OR CHECKS, \$ <u>455.00</u> WHICH, TOGETHER WITH PROCUREMENT, ALLOTMENT OR APPROPRIATE CREDITS FOR SUMS PREVIOUSLY RECEIPTED FOR AS SHOWN HERE- ON WILL APPEAR ON MY ACCOUNT FOR MONTH OF <u>August, 19XX</u> VOUCHER NO. <u>123</u>	
21Xxxxx xx-C-Sxx-xxx	55.00		
TOTAL	455.00	DATE 12 Aug 19XX	SIGNATURE OF FINANCE OFFICER
DATE 12 Aug 19XX	SIGNATURE OF DEPOSITOR		VOUCHER NUMBER Aug 32-A

DD Form 707, MAR 53

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Figure 10-3. Sample DD Form 707 (Report of Deposits)

CASH COLLECTION VOUCHER		DISBURSING OFFICE COLLECTION VOUCHER NO. CS-25			
		RECEIVING OFFICE COLLECTION VOUCHER NO.			
R E C E I V I N G	ACTIVITY (Name and location) (Include ZIP Code) HQ, COANG, BUCKLEY ANG BASE, AURORA, CO 00011				
	RECEIVED AND FORWARDED BY (Printed name, title and signature) PAUL H. DEDERICK, MAJOR COANG FINANCIAL MANAGER			DATE 22 Dec 19XX	
D I S B U R S I N G	ACTIVITY (Name and location) (Include ZIP Code) DISBURSING OFFICE, LAFB, CO 80230				
	DISBURSING OFFICER (Printed name, title and signature) DAVID W. BALL, CAPT, USAF DISBURSING OFFICER		DISBURSING STATION SYMBOL NO. 5040	DATE RECEIVED SUBJECT TO COLLECTION 23 Dec 19XX	
PERIOD: FROM TO					
DATE REC'D	NAME OF REMITTER DESCRIPTION REMITTANCE	OF DETAILED DESCRIPTION OF PURPOSE FOR WHICH COLLECTIONS WERE RECEIVED	AMOUNT	ACCOUNTING CLASSIFICATION	
22 DEC	COLUMBINE COUNCIL OF ACT INC CHECK #242 DATED 20 DeC 19XX IN PA- YMENT OF ACT 8, 9, 10, & 12		12.00	5793840 559-41B4 59296G P448.02 480.27 C98 S410601	
			10.20	5793840 559 41B4 59296G P448.02 480.37 C98 S410601	
			14.70	5793840 559-41B4 59296G P448.08 492.07 C98 S410601	
			11.68	5793840 559-41B4 59296G P448.08 495.07 C98 S410601	
TOTAL			48.58		

DD Form 1131, APR 57

REPLACES EDITION OF 1 APR 56 WHICH IS OBSOLETE.

Form approved by Comptroller General, U.S.
24 January 1958

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Figure 10-4. Sample DD Form 1131 (Cash Collection Voucher)

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CHAPTER 11

DISBURSEMENTS1101 INTRODUCTION

★ 110101. Description of a Disbursement. In most instances, a disbursement is a payment to an individual or organization for goods furnished or services rendered. In some cases, a disbursement is made solely to transfer funds from one appropriation or fund to another. This is a disbursement made by voucher deduction or by "no check drawn" transactions involving SFs 1080 or 1081 and no payment by check or cash. Disbursements also may be made via Treasury's On-Line Payment and Collection (OPAC) System. See Chapter 24 of this volume for detailed information regarding the OPAC system. A disbursement voucher may also be a combination of a payment and a collection by voucher deduction; for example, a civilian payroll voucher where deductions for Federal tax, U.S. savings bonds, and civil service retirement are credited to the appropriate accounts and the net pay is disbursed to the payee. All disbursements must be supported by one of the types of formal disbursement vouchers. Occasionally, disbursements are made on formal vouchers, but are not immediately charged to an appropriation or fund. These payments are referred to as deferred charges - vouchered items. A negative disbursement is, by definition, a refund. Disbursements of Foreign Military Sales funds require the request and receipt of expenditure authority prior to making a disbursement. Consult Chapter 4, Volume 15 of this Regulation for specific guidance.

110102. Disbursement Vouchers - General

★ A. Authority. The disbursement voucher is the authority for DOs to make payments of government obligations and are the source documents for liquidation of obligations. It is imperative that disbursement vouchers contain complete and accurate data and that only forms approved by the Comptroller General of the United States are used. Contents of disbursement vouchers and supporting documents may vary slightly depending on the type of disbursement and form used. Signatures and other information becoming an integral part of original vouchers must be written in permanent, non-erasable ink. Handwritten information must be legible. Corrections to vouchers are lined out once in ink or by typewriter and are not obliterated. The correction is initialed by the person making the correction. Voucher corrections cannot be made by disbursing section personnel. Do not use white out ink or correction tape since these methods aren't permanent. A legible copy of a signed travel voucher(s) and its supporting documents received, in lieu of the original signed voucher(s) and supporting documents, should be accepted for processing and payment as if it were the original. This includes travel vouchers and supporting documents received by facsimile transmission.

B. Essential Data. To be recognized as a valid transaction, all disbursement vouchers shall contain the minimum essential data shown in the following subparagraphs.

1. Voucher Heading and Date. The voucher heading and date area includes the complete name and mailing address of the paying disbursing office, the date the

voucher is prepared, the disbursing office voucher number, and the information required in the "Paid By" or "Brief" block.

2. Accounting Classification. Each charge to an appropriation or fund shall be coded with a complete accounting classification and country code, when applicable. If the space available for the accounting classification data is insufficient, list the information on a continuation form. The type of payment or the servicing DFAS Center shall dictate acceptable continuation forms. Titles of appropriation or deposit fund accounts, either in full or abbreviated form, shall not be shown on disbursement vouchers. Entering extraneous information, such as voucher collection data, results in operational delays and may cause erroneous information to be entered in accounting records and reports. More than one appropriation or deposit fund account or more than one subsidiary account may be charged on the same disbursement voucher. Where two or more subsidiary accounts of the same appropriation are cited, they shall be grouped by appropriation. On foreign disbursements, show the amount of foreign currency and conversion rate to U.S. dollars for each accounting classification cited. Entries in accounting records are always in U. S. dollars.

3. Amount to be Disbursed. The total amount to be disbursed shall be shown on the disbursement voucher in conjunction with the related accounting classification. The amount shall not be changed or altered in any way.

4. Method of Disbursement. In the space provided on the disbursement voucher, annotate whether the disbursement was made by EFT, Treasury check, cash, or as a no check/voucher for transfer.

5. Payee. The payee listed on each disbursement voucher shall be the individual or organization entitled to the proceeds of the payment.

★ C. Voucher Storage. Original paid vouchers shall be safeguarded consistent with standard security regulations prescribed in subparagraph 030305.B of this volume.

1102 PROCESSING DISBURSEMENT VOUCHERS

110201. Numbering Disbursement Vouchers. Disbursement voucher numbers shall be assigned consecutively starting at the beginning of each fiscal year. Voucher numbers assigned to disbursement vouchers shall be identified with the disbursing office and not the disbursing officer. The servicing DFAS Center or FIPC to whom financial reports are submitted will provide the DO with instructions for numbering vouchers.

110202. Disbursement Voucher Control Log. The DD Form 2659 (Voucher Control Log) shall be maintained daily for each disbursement voucher received or prepared in the disbursing office. The DO shall determine the functional areas and assign an individual or individuals the responsibility for maintaining the DD Form 2659. The DO should require personnel to prepare the DD Form 2659 daily in each functional area and/or branch disbursing office when these areas or offices are assigned a separate series of voucher numbers. The log shall contain: the

disbursement voucher number; name of the payee; amount; and form of payment (cash, check, EFT, etc.). An example of DD Form 2659 is shown at figure 11-1.

110203. Certification of Vouchers. The applicable functional areas have complete responsibility for assuring that payments are proper, that vouchers have complete and accurate data, that the right number of voucher copies are prepared, and that certifying officer signatures on vouchers prepared (and certified) outside of the disbursing office are authentic. Accordingly, the appropriate functional area shall maintain a file of approved DD Forms 577 for any certifying officers working outside the disbursing office. When the disbursing division detects a voucher was improperly prepared, the voucher shall be returned to the functional area for correction. The disbursing division has complete responsibility for authenticating certifying officer signatures on vouchers prepared within the disbursing office. The disbursing division verification is made against the list of personnel designated as disbursing office certifying officers by the DO. A request for payment of a voucher on behalf of another DoD Component disbursing office shall be accompanied by a copy of a certifying officer appointment letter or a DD Form 577. Unless these payments are recurring, signature substantiation need not be maintained on file in the disbursing division, but may be included as supporting documentation to the original voucher. DOs may, at their option, waive the above general rules and require that the disbursing division verify the authenticity of all certifying officer signatures on vouchers by comparing them to the disbursing office list of certifying officer signatures or DD Forms 577 from within or outside the disbursing office. Accordingly, the disbursing division would maintain the disbursing office file of all DD Forms 577 and disbursing office certifying officer appointment letters. An example of DD Form 577 is shown at figure 2-4.

110204. Identification of Payees. The accountable individual making cash or check payments shall positively identify each payee. If the payee is not known personally, the accountable individual making the payment shall examine an appropriate identification card which includes both the payee's picture and signature. A comparison of the payee's signature shall be made with that appearing on the identification card. For military personnel, the DD Form 2 (Armed Forces Identification Card) should be used. Other means of identification are a driver's license or other standard identification normally acceptable in the business community for cashing checks or bonds. The responsibility for identification of the payee shall not be delegated.

110205. Cash Payment Vouchers. Responsible functional areas send or deliver these vouchers to the cashier area. Where the distance between functional area and cashier area makes this impractical, vouchers may be hand carried by the payee provided the total amount of the voucher is inscribed in words on the bottom of the voucher (for example, sixty dollars and twenty cents). Space words or enter lines in a manner to preclude alteration by insertion of additional words, particularly at beginning of writing (for example, altering by inserting one hundred immediately preceding sixty dollars and twenty cents).

A. Cashier Responsibilities. On payment vouchers, the cashier shall verify that the voucher deduction block, if used, contains an appropriation and that the total to be paid shows decrease of any deductions, if applicable. The cashiers shall initial the original voucher or use the cash control machine to identify the specific cashier who made the payment.

1. Payee Signature and Identification. The cashier must obtain the payee's signature in the space provided, or in the case of multiple payments, on the sub-voucher or supporting documentation. The payee must sign for receipt of cash using indelible ink. Facsimile signatures and signatures in pencil are unacceptable. When signatures of payees are on a sub-voucher or supporting documentation, annotate the "payee signature block" on the cover voucher with the words "See attached". Payments by cash shall not be made until positive identification of the payee has been established. The signature obtained on vouchers shall be compared to signatures on identification cards or other acceptable forms of identification. The form of the signature shall be the same as the name of the payee as shown on the voucher. However, in the signature, the first name shall be used with additional initials, if any, followed by the surname except as explained below.

a. Unable to Write. If unable to write, the payee may indicate receipt of payment by signing the mark "X". In such instances, the signing must be witnessed by a disinterested party and the disinterested party's address must be given. If the payee is physically unable to write and asks someone to sign the payee's name in the payee's presence, such signature is regarded as a signing by the payee. A physician's certificate about the affliction should be filed with the original disbursement voucher. The signing of the payee's name by another person must be certified by a disinterested witness.

b. Mental Disability. A payee with a mental disability that precludes an ability to comprehend a signature cannot be paid until a committee or guardian has been appointed. Certified copies of court papers appointing a guardian shall be filed with the original disbursement voucher. The guardian shall sign the name of the payee, followed by his or her own signature as guardian. Future payments shall make reference to the first disbursement voucher by disbursing officer voucher number and date paid. If the payee is in an asylum, the superintendent's certificate that the payee was alive at the time payment was due shall be filed with each disbursement voucher.

2. Voucher Validation. The voucher is validated by completing the Paid By (or Brief) block with the paying office location, DSSN, and business date of payment. Use a typewriter or rubber stamp for this purpose. If the disbursing office has a classified address, do not show the geographical location. Examples of the Paid By block are shown in figure 11-2.

110206. Release of Cash. Cash payments must be picked up and the voucher signed by the individual who is entitled to the payment (the payee). The DO, deputy, accounting and disbursing agent, or disbursing agent may personally make cash payments to high ranking officers or civilian personnel or other personnel for whom waiting in line at a cashier's cage would be considered a discourtesy, awkward, or otherwise inappropriate. Otherwise, the DO or agent may appoint an aide, secretary, driver, etc., as a paying agent for purposes of making a cash payment to these payees. Refer to Chapter 2 of this volume for appointment of paying agents. The DD Form 1081 shall be used to document the transfer of cash to the paying agent. The appointed paying agent shall sign the DD Form 1081 to indicate receipt of the cash and voucher. Upon return of the properly signed payment voucher to the disbursing division, the DD Form 1081 may be destroyed.

110207. Check Disbursement Vouchers, Manual Voucher Processing. Responsible functional areas shall forward these vouchers to the check issuing area for preparation of the checks. The check issuing area shall enter the check number on the voucher in the space provided. Normally check numbers are not entered on duplicate copies of vouchers except for payroll and group travel vouchers. When payment is made by check and the disbursement is supported by an SF 1034, the instructions in the following subparagraphs apply.

A. Checks Drawn on the U.S. Treasury. For payments by check drawn on the U.S. Treasury, enter the check number in the block near the bottom of the form titled "Check Number on Account of U.S. Treasury."

B. Checks Drawn on LDAs. For payments by checks drawn on LDAs, enter the check number and the name of the limited depositary bank on which drawn in the block near the bottom of the form titled "Check Number On (Name of bank)". For "no check drawn" vouchers, so state.

C. Check Usage. Make checks payable to the payee stated on the disbursement voucher. Disbursement vouchers shall be numbered in numerical sequence with the lowest check used to pay the lowest numbered disbursement voucher or first name on a payroll. Maintaining the series of check numbers and the series of voucher numbers of the related vouchers in unbroken sequence will facilitate check issue auditing and reporting. Multiple payments to the same payee on the same day should be consolidated and paid by one check. Because many losses have been attributed to altering of payee names, addresses, and amounts on checks, the DO shall make certain that the inscribed checks duplicate the voucher information. At the DO's option, this review may be accomplished either before or after the checks are signed. The DO shall ensure appropriate check records that provide control over check writing are completed. Automated systems producing disbursement vouchers must contain edit and validation controls ensuring exact information appearing on the vouchers is passed to the check printer.

D. Paid By. Complete the "Paid By" block as in prescribed in paragraph 110205.A.2, above.

E. Automated Disbursement Vouchers. The entry of a check number on automated disbursement vouchers is not required as long as the voucher processing system is carefully structured and monitored to ensure complete audit trails are maintained between disbursement vouchers and hard copy records.

110208. Disbursements Overpaid or Underpaid by \$10 or Less. If a disbursement to a payee is overpaid by \$10 or less, do not try to collect the overpayment. In this instance, the DO shall prepare an SF 1080 to charge the DoD Component Operations and Maintenance (O&M) account and credit the appropriation charged when the payment was made. Similarly, if a disbursement to a payee is underpaid by \$10 or less, do not issue a supplemental payment unless specifically requested by the payee.

110209. Transmittal of Vouchers and Recording. Deputies, agents, and cashiers shall include payment vouchers on the DD Form 2665, Daily Agent Accountability Summary as

prescribed in Chapter 19 of this volume. At the end of each business day, deputies, agents, and cashiers settle with their DOs or agents, who forward the original vouchers and report copies to the accountability area. If a mid-day return of cash on hand or an additional advance of funds is required, these transactions shall be accomplished using DD Form 1081. Functional areas forward transfer and correction vouchers and other disbursement vouchers not for payment by cashiers directly to the accountability area. Voucher copies are returned to the accountable functional area.

110210. Certification Restrictions. The supervisor of the disbursing division, even if he or she is also a deputy, should not routinely certify vouchers for payment. For convenience, however, the supervisor of the disbursing division may certify cover vouchers supported with proper, certified sub-vouchers. In those cases, the approving official of the supporting documentation must be other than the cover voucher certifier. If an emergency exists and the deputy who is also supervisor of the disbursing division must certify a voucher for payment not supported with certified sub-vouchers, the DO or another deputy shall date and sign somewhere on the voucher a statement similar to the following: "Payment approved by Lt John Doe, Disbursing Officer." To assure adequate internal control, the supervisor of the disbursing division or other disbursing division personnel should not have the opportunity to input data into the computerized accounting system.

110211. Documentation Supporting Delivery of Payments. Documentation which supports delivery of payments includes a copy of the payment voucher, annotated copies of invoices, or check-stub data with check or cash payments for delivery to payees as prescribed by functional area directives. For travel payments, documentation includes a copy of the travel claim. For vendor payments produced by standard automated accounts payable systems, check-stub data normally is sufficient for vendor accounts receivable posting. If the vendor reports that check-stub data is insufficient for posting needs, a copy of the payment voucher or an annotated invoice should be included with the payment as instructed by the responsible functional area.

110212. Deferred Vouchers. A deferred voucher is any paid voucher that has not been recorded in the accounting system. The usual cause is a paid agent voucher that must be returned to the agent for correction. In addition, agent vouchers that have not yet been examined by the DO may be deferred until this review is completed. Responsible functional areas must take all required actions to clear deferred vouchers promptly. Maintain a chronological record of actions taken, showing for each voucher the date on which clearance is expected. DOs or their deputies shall review those actions each week to make sure that the irregularities causing deferment are corrected without delay. Refer to subparagraph 190205.L of this volume for instructions on reporting deferred vouchers on the DD Form 2657 and the Daily Statement of Accountability.

110213. Classified Payments

A. General. When it is necessary for the DO to make payments that are classified, a covering disbursement voucher shall be prepared as prescribed in this paragraph. Disbursement vouchers covering payments which are classified for security purposes shall not contain information which requires a security classification. The original and all copies of such dis-

bursement vouchers shall contain only the: name and address of the payee; amount; date of payment; complete accounting data; voucher number; check number; DO's name; DSSN; and, disbursing office payment data in the "Paid By" (or brief) block. In the case of payment under classified contracts, the contracts should contain instructions requiring the supplier to limit information on invoices so that supplies or services may be identified only by reference to the contract. The DO (for collateral classified programs) or the voucher preparing office (for special access programs) shall allow access to classified documents only to those persons who require access for the performance of their official duties (refer to appropriate security regulations, if necessary). Personnel who process classified documents must possess a security clearance level equal to or higher than the documents they process. DOs or voucher preparing offices shall assign duties, such as the preparation of vouchers, so that a minimum number of persons require access to the classified information. Mark and store classified documents following prescribed security regulations.

B. Preparation. When essential supporting documents, invoices, or certificates are classified, they shall not be attached to the original disbursement voucher, but shall be identified by the name of the DO, voucher number, DSSN, and the period of the account. The supporting documents shall be retained at the paying disbursing office (for collateral classified programs) or the voucher preparing office (for special access programs) with other classified material. The original and all copies of the covering disbursement vouchers shall contain only the essential information described above. The portion of the voucher for the description of the articles or services purchased shall contain one of the following statements:

1. For collateral classified programs: "The documents necessary to support this voucher have been retained at the payment site with other classified material in accordance with (insert the applicable security regulation)."

2. For special access programs: "The documents necessary to support this voucher have been retained at the voucher preparing office with other classified material in accordance with (insert the applicable security regulation)."

C. Declassification. Refer to the appropriate security regulations for instructions on downgrading and declassifying, and for reporting classification abuses and improper classifications.

D. Distribution. The original and required copies of the covering disbursement voucher shall be distributed in the normal manner. However, as described above, the classified supporting documents shall not be attached.

110214. Payments from Contingency Funds. The DD Form 281 (Voucher for Emergency or Extraordinary Expense Expenditures) is used to make payments from contingency funds.

A. Preparation. The form itself shall be prepared so as not to require classification. Supporting documents are classified according to their content. Covering disbursement vouchers as described in the preceding paragraph are not prepared.

- B. Transmittal of Vouchers and Recording. See paragraph 110209, above.

110215. Hand-Carrying Disbursement Vouchers

A. Vouchers Prepared Outside the Disbursing Office. Disbursement vouchers prepared outside the disbursing office shall be forwarded to the disbursing division so that the payee does not have access to the voucher.

B. Vouchers Prepared Within the Disbursing Office. The responsible functional area forwards or delivers these vouchers to the cashier area. Where distance between the functional area and cashier section makes this impractical, see 110205, above.

110216. Distribution of Paid Vouchers. The disbursing division of each disbursing office shall forward the original and appropriate number of copies of paid vouchers to the appropriate DFAS Center as prescribed in Chapter 20 of this volume.

1103 DISBURSEMENTS FROM DEPOSIT FUND AND BUDGET CLEARING ACCOUNTS

110301. Disposition of Funds in Deposit Fund Accounts

A. Method of Disposition. Applicable functional areas shall dispose of collections received for deposit fund accounts by one of the methods shown in the following subparagraphs.

1. Payment to Other Individuals or Organizations. The disbursement shall be made on an SF 1034. See figure 11-3.

2. Refund to the Remitter. The disbursement shall be made on an SF 1049. See figure 11-4.

3. Withdrawal for Application to an Appropriation, Receipt Account, or Other Deposit Fund Account. The disbursement and collection shall be made on an SF 1081. Submit the original SF 1081 as the disbursement voucher and a copy as the collection voucher. No check or cash payment is made on the SF 1081. See figure 11-5.

B. Vouchering. Normally more than one deposit fund account is charged on a single disbursement voucher. However, voucher separately those charges to accounts **F0109, Federal Tax Withheld from Payments to Non-resident Aliens, and **X6875.XXXX, Withheld Individual Income and Federal Insurance Contribution Act Taxes.

C. Civilian Pay Deductions. In preparing SFs 1081 for adjustment of deductions from civilian pay, show deposit fund account symbols, and amounts for withheld taxes and savings bonds, on the same SF 1081 containing the necessary information.

D. Withdrawals Involving Foreign Currency. If it is necessary to repay foreign currency deposits at a U.S. dollar equivalent different from that at which deposited, see Chapter 13 of this volume.

110302. Budget Clearing Account **F3875, Suspense

★ A. Disburse Funds. Upon determination of the proper disposition of funds in this account, the amount will normally be disbursed on an SF 1080 or SF 1081. See figures 11-5 and 11-6. The disbursing officer must explain the charges on the SF 1080 or the SF 1081.

B. Disbursements Representing Funds Received for Other Government Agencies. The disbursement voucher shall be prepared to show the officer and agency to receive payment. A check payable to the Department of the Treasury and a copy of the disbursement voucher shall be forwarded to the official of the agency requesting collection, except as stated below.

1. Checks Made Payable to the United States Postal Service. The check and a copy of disbursement voucher shall be forwarded to the Third Assistant Postmaster, Division of Finance, U.S. Postal Service, Washington, DC 20260, if the collection is for credit to a U.S. Postal Service appropriation or receipt account citing departmental prefix "18."

2. Checks Made Payable to Other Government Agencies. If a collection was made for another government agency, and it is impracticable to send the amount to the official or agency, the check and a copy of the voucher shall be forwarded to the Department of Treasury, Chief Disbursing Officer, ATTN: Disbursing Operations Section, P.O. Box 37067, Washington, DC 20013. To facilitate handling, the check shall be accompanied by a: DD Form 1131; transmittal letter showing the source and reason for collection; and account symbol and title of the agency's funds for which the collection was made. Disbursements shall not be delayed and, when practicable, the check shall be forwarded on the same day that collection was made.

C. Deposits Representing Collections for Unofficial Telegraph and Telephone Service. Amounts representing federal taxes for unofficial telegraph and telephone services shall be disbursed to the appropriate District Director, Internal Revenue Service.

110303. Overages

A. Disbursement Action. If it is determined that an overage should not have been accounted for as a collection, disburse the overage on an SF 1049 made payable to Adjustments. The SF 1049 shall be prepared by the responsible functional area. Do not issue a check or make a cash payment for this voucher. This action reverses the erroneous collection and allows the funds to be accounted for in the proper manner.

B. Adjustments. If it is discovered that the amount should have been reported as a collection under an accounting classification other than **X6875, as in the case of a cash collection from a sales official, make the adjustment by requiring the responsible functional area to prepare an SF 1081 charging **X6875 and crediting the proper appropriation or fund.

C. Removal. After every reasonable effort to discover the source and disposition of the funds has proved unsuccessful, prepare an SF 1081 to remove the amount from deposit fund **X6875 and credit to Forfeitures of Unclaimed Money and Property, **R1060.

1104 PAYMENTS IN SUPPORT OF ADVANCE PAYMENT POOL AGREEMENTS

110401. General. Advance payments are sometimes used for financing the performance of more than one contract. This is accomplished under a single advance-payment agreement called an advance-payment pool agreement. Advance-payment pool agreements are often used for the financing of cost-type contracts with nonprofit educational or research institutions for experimental, or research and developmental work, when several contracts or a series of contracts require financing by advance payments. More than one agency or department may have their funds cited on contracts which are part of the pool agreement. When more than one contract is involved in the pool agreement, one or more of the contracts is designated as the contract to which the advance payments are applied. This is normally a large dollar-value contract. Advance payments will be handled in accordance with current procedures. Revised procedures will be issued upon completion of a review being conducted by the DoD Contract Finance Committee. (Refer to Volume 10 of this regulation for specific details.)

1105 INTERAGENCY DISBURSING SUPPORT

The Disbursing and Cash Management Activity, located at the DFAS-Kansas City Center, is responsible for coordinating all disbursing matters relating to interagency disbursing support agreements. For example, in October 1993, the Department of State (DoS) was given payment approval authority for various types of disbursements. Any disbursements presented to the DoS which are not included in the approved payment listing will not be processed by the DoS. In order for unlisted payments to be accepted and processed by the DoS the disbursement document must be accompanied by a properly executed DD Form 577 (Signature Card).

★1106 LARGE DISBURSEMENTS

110601. Reporting Large Disbursements. Since the Treasury Financial Management Service (FMS) solely is responsible for the management of the government's daily cash position, disbursement transactions by check or electronic fund transfer (EFT) affecting the cash position shall be made known to the FMS in advance of the time of actual disbursement. DOs disbursing \$50 million or more in a single transaction, or in multiple transactions of a common nature shall report to FMS the following information at least two business days prior to the payment date. For example, if the DO issues 350 various vendor payments totaling \$50 million or more on the same day or issues a payroll totaling \$50 million or more on one day, a report to the Treasury is required. If a disbursement of over \$500 million is anticipated, a minimum of five business days advance notice is required. When specific disbursement information has not been finalized, inform FMS daily (by 9:30 a.m. eastern time) of approximate amount(s) and approximate date(s). Information on large disbursements should be reported by facsimile transmission (FAX) to FMS at (202) 874-9945 or (202) 874-9984 using FMS Form 187, Advance Notice of Large Deposits or Payments of

\$50 Million or More. If the report is provided to FMS on other than FMS Form 187, at a minimum the report shall contain:

- A. Name and address of the DoD Component (e.g., Navy);
- B. Name and telephone number of disbursing officer;
- C. Disbursing station symbol number (DSSN);
- D. Appropriation or fund account charged (minimum of six digits, with the first two identifying the department);
- E. Description of transaction;
- F. Transaction settlement date;
- G. Amount of the disbursement;
- H. Payment mechanism (wire transfer or check);
- I. Check number for check payments;
- J. Payee name and address.

A copy of the report shall be retained with the DO's monthly retained financial records.

110602. U.S. Military Electronic Fund Transfer (EFT) Payroll. Defense Finance and Accounting Service (DFAS) Centers are required to report in advance to FMS all military pay and all military retiree pay made by EFT for each payroll reporting period. Pay totals should be reported as far in advance of the pay date as possible, however, a minimum of two business days advance notice is required.

A. U.S. Military Pay. U.S. military pay includes the following pay classifications: active duty pay, reserve pay, and cadet pay, active salary allotments, active blanket pay, and voluntary separation incentives. Active duty payments usually occur on the 1st and the 15th calendar days of each month. If the 1st or 15th fall on a weekend or a holiday, the payment will be made on the prior workday. Military pay should be reported by facsimile transmission (FAX) to FMS at (202) 874-9945 or (202) 874-9984 using FMS Form 188 (Military Report for Treasury Cash Forecasting, Advance Reporting of U.S. Military Pay).

B. U.S. Military Retiree Pay. U.S. military retiree pay includes the following pay classification: retired pay, retired allotments, retired annuities, and retired blanket pay. These payments usually occur on the 1st calendar day of the month. If the 1st falls on a weekend or a holiday, the payment will be made on the next workday. Military retiree pay should be reported by facsimile transmission (FAX) to FMS at (202) 874-9945 or (202) 874-9984 using FMS Form 190, Military Report for Treasury Cash Forecasting, Advance Reporting of U.S. Military Retiree Pay.

C. Data to be Reported. If the report for military pay or military retiree pay is provided to FMS on other than FMS Form 188 or FMS Form 190 (as appropriate for the type of pay being reported), at a minimum, the report shall contain:

1. Defense Finance and Accounting Service Center location;
2. Disbursing station symbol number (DSSN);
3. Name and telephone number of contact (or disbursing officer);
4. Name of Federal Reserve bank location where pay files are transmitted;
5. Name of U.S. Military branch (e.g., Navy);
6. Military pay classification;
7. Pay date;
8. Pay amount for each classification;
9. Total pay amount.

A copy of each report shall be retained with the DO's monthly retained financial records.

110603. Electronic Funds Transfer (EFT) Vendor Payments. All DFAS Center and other DoD Component installations that make EFT payments to vendors are required to report daily the following information to FMS. Information on EFT vendor payments should be reported by facsimile transmission (FAX) to FMS at (202) 874-9945 or (202) 874-9984 using FMS Form 189, Defense Report for Treasury Cash Forecasting, Advance Reporting of Defense Department Payments to Vendors. If the report is provided to FMS on other than FMS Form 189, at a minimum, the report shall contain:

- A. DFAS Center or other Defense location;
- B. Disbursing station symbol number (DSSN);
- C. Name and telephone number of primary and alternate contact;
- D. Federal Reserve bank location of transmitted payment files;
- E. Date payment files are transmitted;
- F. Effective date of payment (transaction settlement date);

G. Total dollar amount of the EFT file transmitted.

A copy of each report shall be retained with the DO's monthly retained financial records.

★1107 GOVERNMENT PURCHASE CARD PAYMENTS

Upon receipt of approved invoices for purchase card transactions, authorized in accordance with the DoDFMR, Volume 10, Chapter 12, the DO of the designated paying office will ensure that payment is made in accordance with this volume and the Prompt Payment Act deadlines.

WITHIN THE UNITED STATES	
<u>DATA</u>	<u>EXAMPLE</u>
Location (Base and State) ZIP Code Disbursing Station Symbol Number Date of Payment	Camp Lejeune NC 28540 DSSN 6092 19XX May 1
Location and ZIP Code Disbursing Station Symbol Number Date of Payment	Ft. Finance, IN 46216 DSSN 0001 20 August 19XX
Disbursing Station Symbol Number UIC and Name of Disbursing Activity Date of Payment Name and DSSN of Operating Location	SYMBOL 5171 (62306) NAVOCEANO 21 SEP 19XX ACCTS OPLOC PENSACOLA 8380
OVERSEAS AREAS	
<u>DATA</u>	<u>EXAMPLE</u>
Location Disbursing Station Symbol Number Date of Payment	APO AE 09440-1111 DSSN 6637 1 May 19XX

Figure 11-2. Sample Disbursement Voucher Paid By Blocks

Standard Form 1034 Revised October 1987 Department of the Treasury 1 TFM 4-2000		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL				Voucher No. 593281	
U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT AND LOCATION Department of the Army 7 th Finance Battalion APO AE 00098				DATE VOUCHER PREPARED 10/17/XX		SCHEDULE NO.	
				CONTRACT NUMBER AND DATE DA-HC-21-72A2578 8/21/XX		PAID BY APO AE 00098 DSSN 9000 18 Oct 19XX	
				REQUISITION NUMBER AND DATE			
PAYEE'S NAME AND ADDRESS Burchell Electronics, Inc. 18 Business Street Daube, West Germany				DATE INVOICE RECEIVED 10/1/XX		DISCOUNT TERMS	
				PAYEE'S ACCOUNT NO.			
SHIPPED FROM			TO		WEIGHT		GOVERNMENT B/L NO.
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary).	QUANTITY	UNIT PRICE		AMOUNT ¹	
				COST	PER		
61329 8/27/XX	9/25/XX	Analog Digital Conv.	10	30	ea	300	
42573 8/27/XX	9/25/XX	Transistor	20	5	ea	100	
(Use cont. sheet if necessary)						(Payee must NOT use the space below)	
PAYMENT		APPROVED FOR DM 400 = \$200.00	EXCHANGE RATE DM 2 = \$1.00	DIFFERENCES			
<input type="checkbox"/> PROVISIONAL		BY ² R. S. Timothy, LTC, FC					
<input checked="" type="checkbox"/> COMPLETE							
<input type="checkbox"/> PARTIAL							
<input type="checkbox"/> FINAL				Amount verified correct for		\$200.00	
<input type="checkbox"/> PROGRESS		TITLE Disbursing Officer		(Signature or initials)			
<input type="checkbox"/> ADVANCE							
Pursuant to authority vested in me, I certify that this voucher is correct and proper for payment.							
(Date)		(Authorized Certifying Officer)			(Title)		
ACCOUNTING CLASSIFICATION							
21*XXXX XX-XXXX PXXX-XX SXX-XXX				200.00			
PAID BY	CHECK NUMBER		ON ACCOUNT OF U.S. TREASURY		CHECK NUMBER		ON (Name of bank)
	CASH \$		DATE		48679		American Express
				PAYEE ³			
¹ When used in foreign currency, insert name of foreign currency. ² If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the space provided over his/her official title. ³ When a voucher is receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he/she signs must appear. For example: John Doe Company, per John Smith, "Secretary or Treasurer", as the case may be.						PER	
						TITLE	
PRIVACY ACT STATEMENT The information requested on this form is required under the provisions of 31 U.S.C. 82b and 82c for the purpose of disbursing Federal money. The information requested is to identify the particular creditor and the amounts to be paid. Failure to furnish this information will hinder discharge of the payment obligation.							

Figure 11-3. Sample SF 1034 (Public Voucher for Purchases and Services Other Than Personal)

Standard Form 1049 September 1973 1 TFM 4-2000 1049 105-01	PUBLIC VOUCHER FOR REFUNDS	VOUCHER NO. <u>62987</u>																			
SCHEDULE NO. _____																					
(Voucher prepared <u>Washington, DC 7/21/19XX</u>) (Give place and date)																					
U.S. <u>DFAS-Norfolk Oploc</u> (Department or Establishment, Bureau or Office)																					
Appropriation or Fund: <u>21X6875 XX SXX-XXX</u>																					
THE UNITED STATES, DR., To Address	J. C. Mace Construction Co. 6801 Indiana Ave. N.W. Washington, DC 20223	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;">PAID BY</td> </tr> <tr> <td style="padding: 5px;"> OPLOC-Norfolk DSSN 5245 WASH. DC 7/21/19XX </td> </tr> </table>	PAID BY	OPLOC-Norfolk DSSN 5245 WASH. DC 7/21/19XX																	
PAID BY																					
OPLOC-Norfolk DSSN 5245 WASH. DC 7/21/19XX																					
Statement of deposit(s) received and applied: _____ Contract No. _____ Date _____																					
DATE OF DEPOSIT	RECEIPT NO	ARTICLES OR SERVICES (ENTER DESCRIPTION, INCLUDING DETAIL OF APPLIED CHANGES AND OTHER INFORMATION DEEMED NECESSARY)	AMOUNT DEPOSITED <small>DOLLARS CENTS</small>	APPLIED CHANGES <small>DOLLARS CENTS</small>	BALANCE DUE DEPOSITOR <small>DOLLARS CENTS</small>	NOTATIONS															
7/16/XX	2353	Refund of deposit made to guarantee return of construction plans	800.00		800.00																
TOTAL			800.00		800.00																
I certify that the above statement of deposit(s) of the payee or depositor named is correct and that the sum of \$ <u>800.00</u> is due said depositor.																					
<div style="display: flex; justify-content: space-between;"> <div> * Approved and refund authorized for \$ <u>800.00</u> (Sign original only) </div> <div style="text-align: right;"> _____ * John J. Baker Title Disbursing Officer </div> </div>																					
Refund by	<table style="width: 100%;"> <tr> <td style="width: 15%;">Check No.</td> <td style="width: 40%;"><u>70,251,684</u></td> <td style="width: 45%;"></td> </tr> <tr> <td>Cash \$</td> <td>_____</td> <td>Signature _____</td> </tr> <tr> <td></td> <td>on _____</td> <td>of payee</td> </tr> <tr> <td></td> <td></td> <td>(Sign original only)</td> </tr> <tr> <td>Other method \$</td> <td>_____</td> <td>_____</td> </tr> </table>						Check No.	<u>70,251,684</u>		Cash \$	_____	Signature _____		on _____	of payee			(Sign original only)	Other method \$	_____	_____
Check No.	<u>70,251,684</u>																				
Cash \$	_____	Signature _____																			
	on _____	of payee																			
		(Sign original only)																			
Other method \$	_____	_____																			
<small>* If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the blank space below "Approved," etc., and over his official title. *U. S. GOVERNMENT PRINTING OFFICE: 1986-496-012</small>																					

Figure 11-4. Sample SF 1049 (Public Voucher for Refunds)

Standard Form 1081 Revised September 1982 Department of the Treasury 1 TFM 2-2500				VOUCHER AND SCHEDULE OF WITHDRAWALS AND CREDITS			
CHARGE AND CREDIT WILL BE REPORTED ON CUSTOMER AGENCY STATEMENT OF TRANSAC- TIONS FOR ACCOUNTING PERIOD ENDING 10/31/XX						Transaction Date 10/1/XX	
						Document No. 159659	
CUSTOMER AGENCY				BILLING AGENCY			
Agency Location Code (ALC)		Customer Agency Voucher No.		Agency Location Code (ALC)		Billing Agency Voucher No.	
0001		102		0001		942	
DEPARTMENT BUREAU ADDRESS		DFAS-Orlando OPLOC Orlando, FL		DEPARTMENT BUREAU ADDRESS		DFAS-Orlando OPLOC Orlando, FL	
SUMMARY				SUMMARY			
APPROPRIATION, FUND, OR RECEIPT SYMBOL			AMOUNT	APPROPRIATION, FUND, OR RECEIPT SYMBOL			AMOUNT
17*1453.2252/025/74476/G/000072/1J DK31WN/DK3223687830			500.00	17F3880 00020 2D 1001XX 000122333444			500.00
(MUST AGREE WITH BILLING AGENCY TOTAL)			TOTAL	(MUST AGREE WITH CUSTOMER AGENCY TOTAL)			TOTAL
			500.00				500.00
Details of charges or reference to attached supporting documents <p style="text-align: center;">To transfer credit received from Treasury for original check number 000122333444. Copy of DAS attached.</p>							
BILLING AGENCY CONTACT: PREPARED BY R. Smith APPROVED BY K. Randall TELEPHONE NO. 697-1234							
CERTIFICATION OF CUSTOMER OFFICE							
I certify that the items listed herein are correct and proper for payment from and to the appropriation(s) designated.							
10/1/XX _____ (Date)				John J. Baker _____ (Authorized administrative or certifying officer)			
697-1357 _____ (Telephone No.)							
Original - Forward To Customer For Payment							

Figure 11-5. Sample SF 1081 (Voucher and Schedule of Withdrawals and Credits)

Standard Form 1080 Revised April 1982 Department of the Treasury 1 TFM 2-2500				VOUCHER FOR TRANSFERS BETWEEN APPROPRIATIONS AND/OR FUNDS		VOUCHER NO. 8397	
Department, establishment, bureau, or office receiving funds Defense Finance and Accounting Service Cleveland Center Cleveland, OH				SCHEDULE NO.		BILL NO.	
				PAID BY DFAS CL DSSN 8522 10/15/XX			
Department, establishment, bureau, or office charged • Defense Finance and Accounting Service Cleveland Center Cleveland, OH				PAID BY DFAS CL DSSN 8522 10/15/XX		BILL NO.	
Department, establishment, bureau, or office charged • Defense Finance and Accounting Service Cleveland Center Cleveland, OH							
ORDER NO.	DATE OF DELIVERY	ARTICLES SERVICES	OR	QUAN- TITY	UNIT PRICE		AMOUNT
					COST	PER	DOLLARS AND CENTS
TA 54		Transfer receipt of funds from John Doe to MPN See COV#12345 9/3/XX					500.00
				TOTAL		500.00	
Remittance in payment hereof should be sent to - <div style="text-align: center;"> Defense Finance and Accounting Service Cleveland Center Cleveland, OH </div>							
ACCOUNTING CLASSIFICATION - Office Receiving Funds							
MPN 17*1453.2201							
CERTIFICATE OF OFFICE CHARGED I certify that the above articles were received and accepted or the services performed as stated and should be charged to the appropriation(s) and/or fund(s) as indicated below; or that the advance payment requested is approved and should be paid as indicated.							
10/15/XX _____ (Date)				_____ (Authorized administrative or certifying officer)			
_____ Disbursing Officer				_____ (Title)			
ACCOUNTING CLASSIFICATION - Office Charged							
17F3875 XXXX XXX XXXXX X XXXXXX XX XXXXXX XXXXXXXXXXXXX							
Paid by Check No. No check issued							

Figure 11-6. Sample SF 1080 (Voucher for Transfers Between Appropriations and/or Funds)

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CHAPTER 12

FOREIGN DISBURSING OPERATIONS1201 MONETARY REGULATIONS

★ 120101. Use of U.S. Currency. With the exception of areas where U.S. diplomatic or financial relations make the use of U.S. dollars inadvisable, U.S. currency or Treasury checks shall be the only medium of exchange for: pay of military and civilian personnel, except for amounts acceptable in local currency by payees and as required to be paid in local currency by this section; allowances, per diem, and travel expenses, and purchases from appropriated and non-appropriated fund activities located in or visiting the foreign currency area.

120102. Reimbursable Expenses. Claims for reimbursement of personal funds expended on official business shall be paid in the foreign currency expended by the claimant, if available to the DO and acceptable to the claimant. If the claim is to be paid in U.S. dollars as authorized or required at the point of settlement, the claimant shall be required to state on the voucher the rate at which the expended foreign currency was acquired and the source from which acquired. The U.S. dollar equivalent shall be computed at the rate the claimant acquired the currency. If two or more purchases were involved, the U.S. dollar equivalent shall be determined on a "first-in-first-out" basis. For example: The claimant purchased 5,000 Malaysian Riggitt in May 1991 at the rate of 2.7875 to one U.S. dollar and 3,000 in June 1991 at 2.7795. Expenses of 6,000 Riggitt were incurred in July 1991. The U.S. dollar reimbursement is \$2,153.50 $[5,000 / 2.7875 = \$1,793.72 + 1,000 / 2.7795 = \$359.78]$. If the claimant had incurred expenses of only 4,000 Riggitt, reimbursement would be \$1,434.98 $[4,000 / 2.7875 = \$1,434.98]$.

120103. Currency Custody Accounts. Currency custody accounts are arrangements approved by the Treasury Department whereby safety stocks of U.S. currency on the books of overseas military central funding officers are physically held in the government's contractor-operated military banking facilities (MBFs). This 100 percent cash reserve serves as MBF vault cash, with daily settlement between the MBF operator and central funding officer. Absent ready access to the Federal Reserve System (FRS), this mechanism assures the availability of U.S. currency to support the dollar economy exported in support of U.S. Forces stationed overseas. The balance held in the custody account is reported on line 6.4 of both the DD Form 2657 (Daily Statement of Accountability) and the SF 1219 (Statement of Accountability) as prescribed in Chapter 19 of this volume.

120104. Use of Foreign Currency

A. General. In areas where U.S. currency is prohibited or where diplomatic or financial considerations make its use inadvisable, the senior commander shall consult with other U.S. military commanders and State Department representatives in the area to determine the local government's foreign currency control regulations. The commander then shall issue instructions to conform to State Department procedures and local government foreign currency

control regulations and, in addition, incorporate the following requirements to the extent necessary to comply with local conditions: foreign currency shall be used for all payments to U.S. personnel; foreign currency shall be used for all payments to vendors located in the area; foreign currency held by U.S. personnel shall not be repurchased except as outlined in section 1203 of this chapter; and U.S. dollar negotiable instruments shall not be cashed or issued without the written permission of the commander and then only in amounts required for cash purchases at U.S. Government authorized facilities (e.g., commissaries, snack bars, theater or post offices) or for immediate travel to an area where currency restrictions are not in effect.

★ B. Basic Pay, Special and Incentive Pays, and Allowances. Basic pay, special and incentive pays, and allowances (subsistence, and quarters) are expressed in U.S. dollars by statute and shall be paid in U.S. dollars or in military payment certificates (MPC), as appropriate, when such personnel are stationed in overseas areas. Salaries and differentials paid to U.S. citizen civilian personnel, similarly situated, paid in fulfillment of U.S. contractual or statutory obligations that are expressed in U.S. dollars shall be paid in U.S. dollars or MPC, as appropriate. Personnel shall be encouraged to use authorized exchange facilities for converting U.S. dollars to local foreign currencies needed to liquidate personal obligations. Such conversions shall be made with the understanding that local foreign currencies may be converted back to U.S. dollars only as authorized in section 1203 of this chapter. If foreign currency is being paid, the DO shall make payment on the basis of the MBF sell rate. If there is no in-country MBF, the DO shall make the foreign currency payment on the basis of the prevailing exchange rate.

★ C. Payments in Foreign Currency. If a foreign currency payment needs to be made and the DO has a limited depositary account (LDA) in that particular currency, the payment may readily be made by an LDA check. If the DO does not have an LDA in the particular foreign currency to be paid, but is located within the country to which the required currency is indigenous, the DO may acquire foreign currency cash from any of the sources in chapter 13 of this Volume and make a foreign currency cash payment. Otherwise, when a foreign currency payment needs to be made, the DO must send a properly certified voucher together with supporting documentation and a properly executed DD Form 577 to a DO who can make the payment in the foreign currency involved. In many cases, the DO (or cashier) who can make the foreign currency payment will be located at the U.S. Embassy or Legation. A DO requesting payment by a U.S. Embassy or Legation shall provide any additional information or documentation required by the U.S. Embassy or Legation to make the payment.

1202 FINANCIAL TRANSACTIONS WITH FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS

120201. General Policies for Financial Transactions

A. Scope

1. This section implements policies of the Treasury Department on the use of U.S. Government funds in international programs on foreign exchange or interest costs

to the Treasury Department. These include transactions with foreign countries and international organizations involved with bilateral or multilateral programs, such as procurement, research, co-development, co-production, grants or other transactions that require the:

- a. outlay of U.S. dollars or foreign currencies,
- b. inflow of funds from foreign countries, or
- c. exchange of U.S. dollars and foreign currencies.

2. Except for arrangements entered into for the sole purpose of implementing U.S. international monetary policy, DoD Components shall observe the following policies to ensure that:

- a. U.S. dollars are retained in the Treasury Department until actually required for immediate disbursement, to minimize interest cost on the public debt;
- b. Interest on U.S. Government funds will not be used to subsidize program activities; and
- c. Arrangements with foreign countries and international organizations will accommodate the financial policies and procedures of each participating country or organization to the maximum extent feasible.

3. Any change in program costs resulting from the use of foreign currencies in international financial arrangements is the responsibility of the involved program agencies, U.S. or foreign.

B. General Policies

1. DoD Components shall not permit the withdrawal of dollars from the Treasury Department for placement with any program management organization, prior to the need for the dollars as determined by the actual immediate funding requirements of the recipient organization to carry out the project.

2. International programs that require U.S. funding shall be negotiated to provide for dollar outlays as close to the need for current program expenditure as possible.

3. The U.S. Government share of funding required to support a program shall be obtained by appropriation with no part of this funding derived from interest earned on U.S. contributions. DoD Components shall be responsible for assuring that any interest earned is promptly deposited to receipt account 1499, Miscellaneous Interest Collections, Not Otherwise Classified."

4. Whenever possible, international programs should consider the fiscal needs and funding policy considerations of each participating country or international organization, provided U.S. Government cash management policies are not compromised.

5. Requests from a foreign country or international organization for the temporary deposit and safekeeping of U.S. dollars in trust in an account of the Treasury Department will be decided on their own merit, based on the reason therefore, the specific financial arrangements proposed, and the relevant U.S. Government political and general financial considerations.

6. DoD Components shall not invest funds on behalf of a foreign country or international organization when U.S. Government receipt of such funds would serve as the basis for creating contract obligational authority for the DoD Component or other U.S. Government department or agency.

7. Application of these general policies in negotiation with foreign countries and international organizations shall not be compromised by DoD Component administrative practices. Existing practices should be altered or revised to achieve these principles of funding policy.

★ C. Specific Policies. See chapter 9, Volume 12 of this Regulation for financial policies and procedures related to international agreements.

★ 120202. Exchange of U.S. Dollars for Foreign Currencies. Any change in program costs resulting from the foreign currency denomination of international financial arrangements is the responsibility of the program agencies, U.S. or foreign, involved.

120203. Procedures

★ A. The Treasury Department shall be consulted at the earliest possible time on any potential or pending negotiations with foreign countries and international organizations that involve deviations from the matters reflected herein. Exceptions to these policies and guidelines outlined above will be made only on the basis of a Treasury Department determination that such exceptions would be advantageous to the United States.

★ B. Requests for such exceptions should be processed through the Director for Management Improvement, The Pentagon, Washington, DC 20301-1100.

★ 120204. Foreign Currency Payments for Contracts Funded from Military Construction Appropriations. The following criteria shall be used in determining the feasibility of foreign currency payments for contracts funded from military construction appropriations. U.S. dollars shall be used only when:

A. To the extent provided by a treaty, executive agreement, or laws of the country concerned, payments are required to be made in U.S. dollars.

B. Responsive offers require a partial payment in U.S. dollars.

C. The only responsive offers received require payment entirely in U.S. dollars.

D. The contract is for a compelling need and of such unusual urgency that serious injury to the U.S. Government would likely be incurred if payment in foreign currency were to be insisted upon.

E. Contract bids or offers in local currency are unreasonably overpriced in relation to the dollar cost or to the local currency price available to non-DoD users of the same or similar goods or services.

F. If it is determined that payment in foreign currency funded from military construction appropriations is not feasible, the official designated in paragraph 120204 shall execute the following contract certification for retention with each contract file.

CONTRACT CERTIFICATION

I hereby certify, as required by subparagraph 120203.C of DoD 7000.14-R, Volume 5 and under the authority delegated to me in accordance with paragraph 120204 of DoD 7000.14-R, Volume 5, that it was not feasible to make payment in the amount of \$ _____ from foreign currency owned by the United States Government under this military construction contract executed in the country of _____ for the reason stated below:

(Cite the criterion applicable in the instant case)

(Signature)

(Name and title of person
executing this Certification)

★ 120205. Use of Foreign Currencies for Travel and Transportation

A. Maximum use shall be made of U.S.-owned foreign currencies for transportation when certificated air carriers are available and willing to accept such currencies in payment for U.S. Government-financed commercial foreign air transportation of persons or property. Use of air carriers for U.S. Government-financed commercial foreign air transportation

and the determination of their availability shall be in accordance with the provisions of DoD Directive 4500.9 (reference (ad)).

B. Consistent with the provisions of GAO Guidance (reference (ae)) and Comptroller General Decision B-184136 of August 17, 1975 (reference (af)), certificated air carriers shall be used for official air travel and transportation when available.

C. In issuing and exchanging government transportation requests (GTRs), government bills of lading (GBL), transportation warrants, or other procurement documents, the form must clearly state "PAYMENT IN (foreign currency)." Otherwise, the carrier may demand payment in U.S. dollars.

D. The "BILL TO" portion of the GTR, GBL, transportation warrant, or other procurement document must contain the following:

1. Name of the requesting agency.
2. Address to be billed.
3. Instruction on payment in foreign currency.

★ E. Delegation. Under the provisions of 10 U.S.C. 113 reference (b)), the authority and responsibility for compliance with and making determinations of non-feasibility are delegated to the Secretaries of the Military Departments, the Under Secretary of Defense for Acquisition and Technology, the Under Secretary of Defense (Comptroller), Directors of the Defense Agencies, and Director, Washington Headquarters Services. These designees may make further delegations of this authority.

1203 CONVERSION REGULATIONS

120301. General. Where the use of foreign currency is necessary, the currency shall be obtained by one or more of the following methods in the preferential order in which listed. See Chapter 13 of this volume for detailed instructions regarding procurement of foreign currency.

A. By purchase from the Government of the United States (i.e., contract Military Banking Facilities (MBF), Department of the Treasury, other U.S. DOs, or other accountable disbursing officials).

B. By purchase from commercial sources.

C. By repurchase from individuals (subject to the restrictions in subparagraph 120304.E, below).

120302. DO Responsibilities. DOs using foreign currency shall ensure compliance with the following requirements.

- A. Foreign currency is obtained and used for official purposes only.
- B. Foreign currency is not purchased or held in excess of immediate disbursing needs.
- C. Foreign currency purchases with U.S. dollars are made for "spot" delivery (delivery shall be within 2 business days).
- D. Foreign currency is in the physical custody of the DO or the limited depository bank has posted a credit to the LDA before any foreign currency disbursement is made.
- E. Foreign currency is not purchased by forward contracts directly from foreign governments, private firms or individuals or at a negotiated rate without prior authorization from the appropriate DFAS Center.
- F. Speculation in foreign currency is prohibited.
- G. Where there is an MBF in-country, foreign currency purchases for official use (at the MBF sell rate) and for accommodation exchanges (at the MBF accommodation rate) shall be given preference, whenever possible.
- H. Foreign currency held at personal risk by the DO in the safe or vault and in LDAs (including foreign currency held by all authorized deputies, agents, and cashiers within the disbursing office and at remote locations) is limited to a maximum of 7 business days requirement unless authorization has been received from the servicing DFAS Center granting an increase.
- I. When purchased from sources other than the U.S. Government, foreign currency is purchased at the best rate available in compliance with the laws of the country where it is being used.
- J. Foreign currency collection records are maintained showing the source of the currency; indicating miscellaneous receipt accounts or other Treasury Department accounts to be credited; and any restrictions on the use of the currency.
- K. Foreign currency reports are prepared as prescribed in Chapter 16 of this volume.

120303. Disbursing Agents of the Office of the Secretary of Defense (OSD)

A. **Purpose and Appointment.** Disbursing agents of the Office of the Secretary of Defense (OSD) are commissioned officers, warrant officers, non-commissioned officers, or civilian employees who are appointed by the USD(C), or designee, the Director of Budget and Finance, Washington Headquarters Service (WHS), to act as agents for an accountable DO. Such appointments shall be coordinated with the Director of Budget and Finance, WHS. Their purpose is to acquire cash and make such payments as are specified in the appointment. These disbursing agents may be appointed for an indefinite period of time or for a specific mission of limited duration. Such disbursing agents shall obtain all necessary funds from or through the DO currently supporting DoD/WHS and shall be accountable to that officer.

B. **Conversion Authorization.** Disbursing agents of OSD who acquire foreign currency in the course of their official duties are authorized to exchange such foreign currency for U.S. dollars at the nearest DoD disbursing office or other authorized U.S. disbursing office prior to departing from the foreign country, or prior to returning to the United States. DoD DOs in foreign countries shall convert foreign currency to U.S. dollars for officers or civilians appointed as disbursing agents of OSD. Such conversions shall be reported on the Foreign Currency Report as an acquisition from "OSD disbursing agent (name of agent)." The letter appointing the disbursing agent shall be presented to the DO when the agent requests conversion of currency.

120304. **Accommodation Exchange Services**

A. **General.** Accommodation exchange services are: the exchange of Treasury checks or U.S. dollar instruments for U.S. dollars (i.e., check cashing); the selling of foreign currencies in exchange for U.S. dollars or dollar instruments for the convenience of authorized personnel; and, where permitted, the repurchase of foreign currencies with U.S. dollars or dollar instruments.

B. **Authorization**

1. DOs are authorized to use official funds to:

a. Pay out foreign currency for checks, drafts, bills of exchange, and other instruments payable in U.S. dollars.

b. Cash for the same currency in which drawn, foreign currency checks drawn by accountable officers of the United States on official non-symbol checking accounts when the currency is needed by the officer for official purposes. No additional approvals are required.

c. Provide U.S. dollars in exchange for U.S. Treasury checks drawn by DOs of the State Department or other accountable officers of the United States when the U.S. dollars are needed for official purposes. No additional approvals are required.

2. Except as authorized above for providing U.S. dollars or foreign currency to DOs of the State Department or other accountable officers of the United States for official purposes, commanders shall specifically approve and implement accommodation exchange services only after determining that:

a. contract MBFs, other on-base financial institutions, commissaries, exchanges, and U.S. postal facilities cannot adequately fulfill the needs of DoD personnel;

b. the DO or agent has an immediate need for the foreign currency repurchased; or

c. authorized personnel have been ordered by competent authority to safehaven posts because of emergency evacuation.

3. All negotiable instruments presented to purchase foreign currency shall be presented by the payee in person or by a dependent holding a valid power of attorney from the payee. Refer to Chapter 4 of this volume for detailed requirements for providing check cashing services.

C. Authorized Personnel. The instruments cited above may be exchanged by DOs for the accommodation of those personnel described at paragraph 040104 of this volume.

D. Sales of Foreign Currency to Individuals. Accommodation exchanges of foreign currency normally will be made by MBFs at those installations served under the DoD MBF contract. In countries served by contract MBFs, DOs providing accommodation exchange services shall acquire needed foreign currencies from the MBF and make those exchanges at the MBF accommodation rate. DoD personnel shall not be provided accommodation exchange service by State or Treasury Department DOs in areas where such services are provided by DoD DOs. This shall not preclude DoD personnel assigned or attached to U.S. embassy duty from using available embassy cashier services. DOs, agents, and cashiers making foreign currency accommodation exchanges shall maintain DD Form 2664 (Currency Exchange Record) on a daily basis to ensure that the authorities and limitations contained herein are efficiently implemented. An example of DD Form 2664 is shown at figure 12-1.

E. Repurchase of Foreign Currency from Individuals. Foreign currency shall not be repurchased by DOs from individuals in those countries served by MBFs under DoD contract. In countries not served by contract MBFs, DOs may repurchase foreign currency or instruments payable in foreign currency in exchange for U.S. dollars or dollar instruments from individuals prior to their departure on home leave or after termination of their foreign assignment. In providing this service, DOs shall ensure compliance with the following subparagraphs.

1. If the amount of foreign currency presented does not exceed the sum of the individual's salary and allowances for two biweekly pay periods, it may be repurchased without requiring documentation of any kind from the departing individual.

2. If the amount of foreign currency presented exceeds the amount authorized in subparagraph 120304.E.1 above, the individual presenting such currency shall submit a written application to the commander for approval of the repurchase. The application shall contain a statement describing the source of the currency and, a statement affirming that none of the currency was acquired in violation of local regulations or exchange control laws of the country concerned.

3. The repurchase of the foreign currency with U.S. dollars is commensurate with the DO's immediate foreign currency disbursing requirements as prescribed in Chapter 13 of this volume.

4. The foreign currency is repurchased at the prevailing market rate.

5. DD Form 2664 is maintained daily to reflect the amount and source of funds.

6. The authority to make accommodation exchanges granted herein may be suspended or curtailed by the disbursing officer for such time and to such extent necessary to carry out his or her other responsibilities.

★ F. Safehaven Posts. Foreign currency accommodation exchange services for dependents of DoD personnel at safehaven areas (to which ordered by competent authority in the event of emergency evacuation) shall be consistent with the amount of exchanges authorized for dependents of U.S. personnel employed by other U.S. Government agencies. Accommodation exchange transactions for all dependents of an individual named in subparagraph 120304.C, above, shall not exceed \$2,000 during the first month following evacuation, and shall not exceed \$400 to \$600 in any subsequent month. Daily records of accommodation exchanges for dependents at safehaven areas shall be maintained on DD Form 2664.

G. Accommodation Exchange Afloat. Disbursing officers of the Department of the Navy additionally are authorized to repurchase foreign currency for U.S. dollars for Navy personnel afloat provided:

1. The disbursing officer has need for the foreign currency or can dispose of the foreign currency by exchange for dollars or by official expenditures within 30 days.

2. The individual requesting the exchange of foreign currency is not allowed, upon returning afloat, to convert an amount of foreign currency greater than the amount

purchased by him from the Navy disbursing officer before going ashore, as evidenced by the disbursing officer's records.

[illegible]

DD Form 2664, AUG 93

Figure 12-1. Sample DD Form 2664 (Currency Exchange Record)

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Figure 13-2. Sample DD Form 2668 (Request for Bid (Purchase/Sale))
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Figure 13-3. Sample Certificate of Change in Average Purchase Rate

★Figure 13.4. Sample Certificate of Adjustment Due to Rounding

CHAPTER 13

PROCUREMENT/DISPOSITION OF FOREIGN FUNDS1301 AUTHORITY FOR PROCUREMENT

130101. General. When authorized in writing by the commander or higher authority, foreign funds may be obtained for official purposes. Official purposes include the purchase of foreign currency for disbursing requirements, the purchase of drafts payable in foreign currency for paying creditors, and exchanging official funds held in foreign currency or negotiable instruments for U.S. dollars or negotiable instruments. Foreign funds obtained may be in the form of currency or credits maintained in limited depository checking accounts. The written authority to obtain foreign funds shall be retained in the files of the DO.

130102. Limitation on Amount. DOs shall not acquire or hold foreign funds in excess of their immediate disbursing requirements. The availability of foreign funds shall determine what amounts of funds may be held. If the foreign funds are readily available, the combined total of foreign currency on hand and the balance in all limited depository checking accounts shall not exceed 2 or 3 business days' requirements. If the foreign funds are not readily available, the combined total of foreign currency on hand and the balance in all limited depository checking accounts shall not exceed 7 business days' requirements. A waiver from these maximum on hand limits must be requested from the Treasury Department via the supporting DFAS Center.

130103. Foreign Coin. DOs generally shall limit foreign funds to paper currency. Coins present problems of weight, storage space, transportation, and disposition and shall be acquired only under special circumstances to fill a specific need or when received as change in connection with an official cash payment in foreign funds.

1302 PROCUREMENT OF FOREIGN FUNDS130201. Transfer of Funds on Relief of DO

A. Cash. Transfer of cash funds in foreign currency shall be effected in the same manner as U.S. dollars.

B. Limited Depository Checking Account. Transfer of limited depository checking account balances shall be accomplished in accordance with Chapter 14 of this volume.

130202. Certificate or Statement. With all procurements of foreign currency from U.S. Government or commercial sources, a certificate or statement shall be furnished showing the amount of foreign currency delivered, the rate of exchange, the amount of U.S. dollars paid,

the date, and the source/seller. The certificate or statement shall be included as part of the DO's monthly financial reports.

130203. DoD Contract Military Banking Facility (MBF). Whenever possible, DOs shall purchase foreign currency (including funds for limited depository checking accounts) through an MBF by Treasury check issued in exchange for the foreign currency. The DO shall draw the exchange-for-cash check payable to himself or herself and endorse it to the order of the MBF furnishing the foreign currency.

130204. U.S. Government Sources. When an MBF is not available, DOs shall obtain needed foreign currency (including funds for limited depository checking accounts) in accordance with this paragraph. Whenever possible, foreign currency shall be obtained by purchase from one of the following: the U.S. Treasury; other DoD DOs; U.S. DOs or cashiers at the American Embassy or Legation; or, the Federal Reserve Bank of New York (FRBNY). Normally, the DO will draw an exchange-for-cash check payable to himself or herself and endorse it to the order of the officer furnishing the foreign currency. However, when foreign currency is purchased from a U.S. DO or cashier at an American Embassy or Legation, the check may be issued in favor of the American Embassy or Legation if so requested by the selling official. In 1992, the FRBNY began offering foreign currencies to any DoD DO. The procedure for ordering foreign currency from the FRBNY is very similar to that for ordering U.S. currency. The DO places an order with the FRBNY for the foreign currency needed and provides an exchange-for-cash check drawn in favor of the FRBNY with the order.

130205. Commercial Sources. When neither an MBF nor other government sources are available, foreign currency (including funds for limited depository checking accounts) may be purchased from commercial sources under the procedures established by State Department regulations or the currency control laws of the country where the currency will be used. If there are no State Department procedures established, foreign currency shall be procured at the best rate available (i.e., fixed legal rate or non-fixed legal rate) in accordance with the laws of the country where the currency will be used. Generally, at least three bids will be obtained in order to determine the "best rate." See paragraph 130208, below. Purchases of foreign currency from commercial sources shall be by U.S. Treasury check, whenever possible, or, if necessary, by U.S. currency. Treasury checks drawn to obtain foreign currency from commercial sources shall be drawn in favor of the DO and endorsed to the order of the banking institution or commercial enterprise furnishing the funds.

130206. Repurchase From Individuals and Collections From Foreign Vendors. Subject to the provisions outlined in Chapter 12 of this volume, foreign currency may be repurchased from individuals. Foreign currencies also may be received as refunds from foreign vendors and in payment for sale of excess foreign property as provided in the Defense Utilization and Disposal Manual (DoD 4160.21-M) (reference (bj)). Foreign currency sales receipts from post offices, exchanges, commissaries, and other non-appropriated fund activities are not collections by the disbursing office. Foreign currency from these sources shall be acquired by purchase

only to the extent necessary to acquire foreign exchange for the limited depositary checking account.

130207. Fixed Legal Rate of Exchange. In a country where the rate of exchange has been established by agreement between the United States and the foreign country, the purchase of foreign currency from commercial sources shall be accomplished without the formality of obtaining bids.

130208. Non-fixed Legal Rate of Exchange. When foreign currency is obtained from commercial sources in a country where the rate of exchange is not established by agreement between the United States and the foreign country, DD Form 2668 (Request for Bid (Purchase/Sale)) shall be used to obtain written bids (in duplicate) from not less than three legally authorized sources, if available. When practical, sources shall include those outside the country whose currency is being purchased. The bid providing the most beneficial exchange rate (to the U.S. Government) shall be certified by another commissioned officer as being the most beneficial of the bids obtained and shall be accepted by the DO. A copy of the certified and accepted bid shall be included as a supporting document with the DO's financial reports. The original certified and accepted bid shall be retained by the DO to substantiate the place of purchase in the event that some of the currency is eventually sold through commercial channels. See figure 13-1.

130209. Mutilated or Unfit Currency. DOs and authorized agents shall take every possible precaution to prevent acceptance of mutilated or unfit foreign currency as a collection, payment, or an accommodation transaction. In the event that a DO or authorized agent is holding mutilated or unfit foreign currency, every effort shall be made to replace it through local banks or the host country's central bank. If the host country will not replace the mutilated or unfit currency, the procedures outlined in section 1303, below, shall be followed.

130210. Valuation of Foreign Precious Metal Coins. Any foreign gold, silver, or other precious metal coins purchased for purposes other than routine settlement of amounts owed, shall be treated as property held in inventory rather than currency.

1303 DISPOSITION OF FOREIGN CURRENCY AND OTHER NEGOTIABLE INSTRUMENTS

130301. Payments and Sales to Authorized Personnel. Foreign currency may be used for payments to personnel as provided in Chapter 12 of this volume and for payments to foreign vendors in accordance with Volume 10 this Regulation. In addition, DOs are authorized to dispose of foreign currency by sale (accommodation exchange) to authorized personnel for U.S. dollars as provided in Chapter 12 of this volume.

★ 130302. Disposition of Excess Foreign Funds. An attempt should be made to transfer those foreign currencies in excess of immediate disbursing requirements to other DOs and accountable officers in a particular locality who may have need for those currencies. If the

collection of foreign currency causes a non-interest bearing limited depositary checking account to exceed a 30-day supply, and all attempts to sell the currency to other DOs or accountable officers have been exhausted, an interest bearing limited depositary account shall be established, if possible, as provided in Chapter 14 of this volume. In such cases, the DO immediately should place all funds in excess of estimated draw-downs against the non-interest bearing account for the ensuing 14-day period in a demand or short-term interest bearing account, if such an account is available. However, balances shall not be maintained routinely in order to receive interest.

130303. Sale to Another DoD DO

A. Checks, Drafts, and Money Orders. Checks, drafts, and money orders which are payable in foreign currency shall be sorted by the geographical location of the institutions on which they were drawn and shall be forwarded by registered mail or courier to a DoD DO located in the country of the monetary unit involved. The negotiable instruments shall be shipped as prescribed in Chapter 5 of this volume and shall be accompanied by a properly completed DD Form 165 and a letter of transmittal, both of which shall be addressed to "Disbursing Officer (activity of addressee)." The letter of transmittal shall request a U.S. Treasury exchange-for-cash check. The DD Form 165 shall indicate the country, type, amount, exchange rate, and U.S. dollar value of the instruments. The instruments shall be endorsed: "Pay to the order of disbursing officer (activity of addressee). (Signature of sender)."

If there is no DoD DO in the country involved, the instruments shall be deposited as prescribed in paragraph 130306, below.

B. Foreign Currency (Cash). Foreign currencies (other than local currency) and currencies that are not required for official purposes shall be forwarded to a DoD DO located in the same area who may require the currency or to a DO located in a country where the currency is legal tender. The foreign currency shall be exchanged for U.S. currency or a U.S. Treasury exchange-for-cash check. When delivery of the foreign currency is made by registered mail or courier, the shipment shall be made as prescribed in Chapter 5 of this volume and shall be accompanied by a properly completed DD Form 165 and a letter of transmittal requesting a U.S. Treasury exchange-for-cash check. The DD Form 165 shall indicate the country, type, amount, exchange rate, and U.S. dollar value of the foreign currency. Except under unusual circumstances, and subject to concurrence by the intended recipient prior to shipment, foreign coins shall not be forwarded for exchange.

C. Rate of Exchange. The rate of exchange used for the transactions described above shall be the U.S. Treasury prevailing rate on the date of transmittal (for the seller) and the U.S. Treasury prevailing rate on the date of receipt (for the buyer). Since the U.S. Treasury prevailing rate is the holding rate for the receiving office there shall be no gain or loss in the receiving officer's accounts. Any gain or loss due to exchange rate fluctuations shall be taken up by the selling office when the exchange-for-cash check is received.

130304. Sale to an MBF. The sale of foreign currency to an MBF having use for such funds is authorized whenever the currency cannot be sold to another DoD DO. The rate of

exchange used by the selling DO shall be the MBF buy rate on the date the currency is sent to the MBF. Any gain or loss incurred shall be taken up in the accounts of the selling DO upon receipt of the U.S. dollars from the MBF.

130305. Sale Through Commercial Channels. If foreign currency (cash) cannot be sold in accordance with the preceding paragraphs, sale through commercial channels is authorized. When the rate of exchange has been established by agreement between the United States and the foreign country, sale or other disposition of foreign currency for U.S. currency or U.S. dollar checks shall be at the established rate of exchange. When such a sale is made, the bank or other source to which the foreign currency is sold must provide a statement showing the amount of U.S. dollars provided, the rate of exchange, the amount of foreign currency received, the date, and the name and address of the bank or other source. This statement must be signed by a representative of the bank or other source and shall be included with the DO's financial reports. When the rate of exchange is not established by agreement between the United States and the foreign country, a DD Form 2668 shall be used to request at least three bids from reputable banking institutions or dealers in foreign exchange, if available. The sale of foreign currency shall be made to the bidder submitting the bid most beneficial to the U.S. Government. The accepted bid shall be certified by a commissioned officer other than the DO as the most beneficial of the bids obtained and shall be accepted by the DO. The certified and accepted bid shall be submitted with the DO's financial reports in support of gains or losses in foreign currency transactions. See figure 13-2.

130306. Deposits to the Credit of the U.S. Treasury

A. Instruments Drawn on Foreign Banks Payable in U.S. Dollars Through a Bank in the United States. Instruments drawn on foreign banks or branches of U.S. banks in U.S. dollars which are payable through a bank in the U.S. shall be deposited as prescribed in Chapter 5 of this volume for other U.S. dollar instruments. These instruments will bear an American Bankers Association (ABA) routing and transit number, and may be MICR encoded with the routing and transit number at the bottom of the left side of the instrument.

★ B. Instruments Drawn on Foreign Banks Payable in U.S. Dollars Through Foreign Banks. When disposition cannot be made through a DoD DO or an MBF, instruments that are drawn in U.S. dollars on foreign banks and foreign branches of U.S. banks, which are payable only at the foreign bank or branch, shall be endorsed as prescribed in Chapter 5 of this volume and transmitted for deposit to Citibank NA Foreign Check Clearing, 2 Penns Way, First Floor, New Castle, DE 19720 (Telephone: (302) 324-6792). A single SF 215 shall accompany all U.S. dollar foreign instruments forwarded to the Citibank on a single day. The SF 215 shall be completed as prescribed in Chapter 5 of this volume with the exception that Block 2 (Date Presented or Mailed to Bank) shall be left blank. Enter the date mailed in Block 6 (Agency Use). The record of instruments deposited required by Chapter 5 of this volume also is required for these checks. The amount of the deposit will be credited in the Treasury's General Account (TGA) upon receipt by Citibank, and the confirmed copies of the SF 215 will be returned to the depositing disbursing officer. The entire amount of the SF 215 is credited in the TGA upon

receipt even though the proceeds of these types of checks may not be collected for several weeks. Therefore, disbursing officers should be aware that they may receive and SF 5515 (Debit Voucher), if there are uncollectible checks or collection charges (also referred to as lifting fees) on these checks.

C. Instruments Drawn on Foreign Banks Payable in Foreign Currencies.

When disposition cannot be made through a DoD DO or an MBF, instruments that are drawn on foreign banks and foreign branches of U.S. banks, which are payable only at the foreign bank or branch in foreign currency, shall be endorsed as prescribed in Chapter 5 of this volume and transmitted for deposit to Citibank (same address as shown in the preceding paragraph). However, a separate SF 215 shall accompany each foreign currency instrument forwarded to the Citibank. The SF 215 shall be completed as prescribed in Chapter 5 of this volume, except that Block 2 (Date Presented or Mailed to Bank) and Block 4 (U.S. dollar amount) shall be left blank. Enter the date mailed in Block 6 (Agency Use). To permit reconstruction in the event an instrument becomes lost, destroyed, mutilated or unfit, a description of each instrument shall be maintained by the DO. The front of the SF 215 or the back, if space is lacking on the front, shall be inscribed with: the name of the bank on which the instrument is drawn; the medium of exchange; the foreign currency amount; and the date of the instrument. If adequate records are available to provide identification through an audit trail, or if checks are photocopied or microfilmed, this additional record maintenance is not necessary. Upon collection of the instrument, Citibank will enter the date and U.S. dollar value on the SF 215 and return the confirmed copy to the DO.

D. Uncollected Checks and Collection Charges. The minimum U.S. dollar amount of each check that will be accepted for deposit by Citibank is \$5 (U.S.) for Canadian bank checks and \$15 (U.S.) for other foreign bank checks. All collection charges (lifting fees) incurred in connection with foreign checks (such as uncollectible check charges, exchange fees, and so forth), assessed after dollar credit has been given in the TGA, will be charged back to the depositor via an SF 5515 prepared by Citibank. These charges may be assessed some considerable period of time after the deposit is confirmed. Exchange fees and other collection charges (as distinguished from gains or losses as a result of differences between the rates of exchange used by the DO and Citibank) are collectible from the person or vendor who presented the instrument to the DO.

E. Deposit of Foreign Currency (Cash)

1. When disposition of foreign currency (cash) cannot be accomplished by any of the methods described above, the DO should contact the Bank of America's foreign currency trading desk at 1-800-387-1012. When answering, the foreign currency trader will ask for the 5-digit client number, 37539, as well as the 4-digit Agency Location Code (ALC), i.e., the DSSN. The client number is unique to the Department of the Treasury. The DoD DO will be identified as an extension of the 5-digit client number using the ALC (DSSN). After accessing the client number, the trader will create a sublist of branches/agencies using the ALC (DSSN) and ask the caller for information to update the ALC profile (address, direct phone number, contact name).

2. The foreign currency trader immediately will provide a foreign currency conversion rate and the U.S. dollar equivalent (USE). The Bank of America is able to provide the USE by contracting at that time to sell those foreign currencies for dollars. Therefore, if a DoD DO notices a difference in the amount or type of currency specified over the phone, or a delay in shipment, he/she immediately must contact the Bank of America and inform the trader of the correction/difference.

3. A separate SF 215, for each type of currency, prepared by the DO, will accompany all foreign currency transactions forwarded by the DO. The SF 215 will indicate the DO mailing date, the ALC, and, in Block 4, the amount of the net U.S. dollar proceeds. In the Agency Use block of the SF 215, indicate the name of the foreign country, type and amount of foreign currency, and the 5-digit client number. Bank of America, upon sale of the currency, will give dollar credit through Ca\$h-Link, and return the confirmed copy of the SF 215 to the DO.

4. If the DO makes a deposit ticket error, the Bank of America will adjust the error by preparing an SF 5515, Debit Voucher, for a decrease or an additional SF 215 for an increase in the amount. The Bank of America will provide an explanation of the adjustment on the SF 5515 or SF 215, including the original SF 215. Copies of the SF 5515 or SF 215 will be sent to the DO.

5. For foreign currency found to be counterfeit, out of circulation, or outdated (having lesser value), the Bank of America will prepare an SF 5515 and note thereon the date of receipt, the currency note, and the serial number. A facsimile copy of the counterfeit will be sent on request.

6. Shipping procedures. DOs must comply with the requirements for shipment of public funds contained in section 0505 of this volume whenever shipping foreign currencies. In addition, DOs must comply with the following provisions:

a. For transactions under \$100 (USE), the U.S. Postal Service should be used. A sturdy brown envelope should be reinforced with standard shipping tape and addressed to the P.O. Box listed below. Ship transactions under \$100 via certified mail.

b. For transactions between \$100 to \$5,000 (USE), the envelopes should be packaged in the same manner as described above and addressed to the P.O. Box listed below, but shipped via registered mail. This type of shipment is covered by insurance provided by the Bank of America.

c. Address the above referenced currency shipments to:

Bank of America
FCS-LAOC No. 4658

P.O. Box 54529
Los Angeles, CA 90054-0529

Do not mark or otherwise outwardly identify the contents of these shipments.

d. For transactions over \$5,000 (USE), the currency should be packaged and placed within a Brinks self-sealing shipping bag. Instructions for sealing the bags are on each bag. Should a bag be needed, the Bank of America will instruct Brinks to arrive for pick-up with a bag or forward bags via Federal Express. Where service is not available by Brinks, an alternate method may be arranged. Package the currency tightly, enclose in a Brinks shipping bag, and address to:

Bank of America
Foreign Currency Services
525 South Flower Street, B-Level
Los Angeles, CA 90071

7. Trading Hours. The Bank of America trading center is open 8:00 a.m. to 8:00 p.m. (Eastern Standard or Daylight Time (as appropriate)), Monday through Friday. The trading center is closed only when both Canadian and U.S. Holidays coincide; for example, New Year's and Christmas. Should Saturday access be required, prior arrangements can be made with Bank of America.

130307. Accounting for Deposits

A. Foreign Negotiable Instruments. Pending receipt of the confirmed copy of the SF 215 for the negotiable instruments, as described in paragraph 130306.C, above, the deposit shall be recorded on line 6.7 of the DD Form 2657 as Cash in Transit at the U.S. dollar value of the funds when the deposit was mailed. If the confirmed copy of the SF 215 is not received prior to the end of the month in which mailed, the item shall also be reported on line 6.7 of the SF 1219 as Cash in Transit. The depository will enter the net U.S. dollar proceeds in Block 4 of the SF 215 and distribute the copies as for any regular deposit. Upon receipt of the confirmed copy, the DO shall enter the confirmed amount on line 4.2A of the DD Form 2657 as a Deposit Presented or Mailed to Bank and on line 6.7 as a decrease to Cash in Transit. Any difference in the amount of the confirmed SF 215 and the amount at which carried by the DO on line 6.7 (as distinguished from exchange fees and collection charges) shall be accounted for as either a gain or a loss by exchange transaction as prescribed in section 1304, below. Note that deposits of foreign negotiable instruments in accordance with this section are not reported as "Deposits Presented or Mailed to Bank" until the confirmed copy of the SF 215 is received. This requirement is because the U.S. dollar value to be reported as deposited is not known to the DO until the confirmed copy is received.

B. Foreign Currency (Cash). Since the U.S. dollar equivalent of the foreign currency deposit made as prescribed in paragraph 130305.E, above was provided by the Bank of

America's foreign currency trading desk and entered in Block 4 of the SF 215, account for the deposit as prescribed in Chapter 5, subparagraph 050301.C, of this volume.

130308. Dishonored Foreign Checks, Drafts, and Money Orders. Dishonored foreign instruments received by DoD DOs shall be subject to regular debt collection procedures as prescribed in Chapter 4 of this volume. When dishonored instruments received in providing accommodation exchange services prove to be uncollectible, the DO shall request removal of the dishonored check item deficiency from the supporting DFAS Center as prescribed in Chapter 4 of this volume.

★ 130309. Mutilated or Unfit Foreign Currency. Mutilated or unfit foreign currency shall be handled by a DO in the area in which the currency is legal tender. DOs in foreign areas shall contact local banks or fiscal authorities and arrange for the exchange of mutilated or unfit currency for fit currency. Unfit foreign currency held by a DO outside the area in which the currency is legal tender shall be forwarded to a DoD DO in the country where the currency is legal tender. The currency shall be shipped under a properly completed DD Form 165 and a letter of transmittal requesting a U.S. Treasury exchange-for-cash check. Any mutilated or unfit foreign currency which the DO cannot exchange for fit currency or a U.S. Treasury check shall be deposited with the Bank of America per instructions in paragraph 130306.E. Mutilated or unfit foreign currency shall be shipped to the Bank of America at the address in subparagraphs 130306.E.6.c or 130306.E.6.d.

130310. Counterfeit or Altered Foreign Currency. Counterfeit or altered foreign currency shall be disposed of in accordance with any applicable agreement which may exist between the United States and the foreign country. If no agreement exists, the currency shall be forwarded to the appropriate investigative agency or to the nearest military security agency. A receipt for the currency shall be obtained. The counterfeit currency shall be accounted for in the DO's records in the same manner prescribed in Chapter 5 of this volume for counterfeit U.S. currency. When the DO is considered at fault in acquiring counterfeit currency, the DO shall be held accountable for the value of the currency. Requests for relief may be submitted under the same guidelines that would be used for counterfeit U.S. currency.

★1304 FOREIGN CURRENCY EXCHANGE RATES

★ 130401. U.S. Treasury Prevailing Rate of Exchange

★ A. General

1. The prevailing rate of exchange (see Definitions) is the most favorable rate that is legally available to the U.S. Government for the acquisition of foreign currencies for its official disbursements and accommodation exchange transactions. If the currency of any one country is obtained from more than one of the following sources, separate accountability for exchange rate adjustments must be maintained. The following sources of obtaining foreign currency are presented in the desired order of acquisition:

- a. DoD Contract Military Banking Facility (MBF), paragraph 130203 applies;
- b. U.S. Government sources, paragraph 130204 applies; or
- c. Commercial sources, paragraph 130205 applies.

2. Unless otherwise authorized by the Treasury Department, all foreign currency (including the limited depository checking account) shall be carried in the DO's account at the Treasury Department prevailing rate. Disbursements for official expenditures or accommodation exchange transactions shall be computed to avoid gains or losses, due to fluctuations in rates of exchange, as much as possible. In countries where the rate of exchange is not established by agreement between the U. S. Government and the foreign country or where a DoD Contract Military Banking Facility (MBF) is not available, foreign currency transactions will be conducted at the Treasury Department prevailing rate using the average purchase rate of the currency on hand as determined by the average purchase rate method outlined in paragraph 130402, below.

★ B. Gain or Loss by Revaluation. Except when using the average purchase rate method outlined in paragraph 130402, any change in the Treasury Department prevailing rate will result in a gain or loss by revaluation since revaluation is a change in the U.S. dollar value of the foreign currency. Whenever possible, the revaluation of foreign currency on hand (including limited depository checking accounts) shall be accomplished at the beginning of the business day in which a rate change occurs. The new U.S. dollar value shall be determined by dividing the total foreign currency on hand (including limited depository checking accounts) by the new exchange rate. By comparing the U.S. dollar value at the old rate to the U.S. dollar value at the new rate, a determination can be made whether a gain or loss by revaluation has occurred. Because all foreign currency held by the DO is carried in the disbursing account at the U.S. dollar value, the U.S. dollar value must be adjusted by the amount of the gain or loss. This adjustment is accomplished by recording the gain or loss by revaluation as a collection or disbursement transaction in the DO's account.

★ C. Accounting for Gains and Losses by Revaluation. Except when using the average purchase rate method outlined in paragraph 130402, gains shall be credited using DD Form 1131 and losses shall be charged using SF 1034 citing the appropriation Gains and Deficiencies Exchange Transactions, **-6763. Show the computation of the revaluation gain or loss on the DD Form 1131 or SF 1034, as appropriate. For balance of payments purposes, credits and charges to appropriation **-6763 are coded as U.S. dollar transactions. Use appropriation **-6763 only for gains and losses due to foreign currency revaluations and as prescribed in Chapter 4 of this volume. This appropriation shall not be used for operational expenses in connection with the acquisition or disposition of foreign currency or any other purpose not specifically authorized by law. Appropriation **-6763 is not related to and has no relationship with the Foreign Currency Fluctuations, Defense (FCFD) or the Foreign Currency Fluctuations, Construction, Defense

(FCFCD) accounts that are used to account for the difference between the budgeted foreign currency rate and the exchange rate at which funds are obligated. The FCFD and the FCFCD portion of a foreign currency disbursement are treated separately on the disbursement voucher by the preparer as a charge to the appropriate foreign currency centrally managed allotment account set up for that purpose.

★ D. Gains or Losses on Security Deposits due to Foreign Currency Fluctuation

★ 1. Procedures. Military service members stationed in overseas areas are authorized to be paid advanced overseas housing allowance for security deposits to acquire leased housing. As authorized by the Joint Federal Travel Regulations, chapter 9, the supporting disbursing officer pays the necessary amount in the appropriate local currency and charges the appropriate military personnel appropriation for the U. S.-dollar equivalent. Service members must not be paid this allowance in U. S. dollars which they must then convert to local currency.

★ 2. Accounting. At lease termination, service members must return the total amount of deposit in local currency and are to be given a receipt. The U. S.-dollar equivalent is credited back to the appropriation that was charged when the deposit was advanced. The current rate of exchange will be compared with the rate in effect on the date the advance was made to secure the lease. Any loss/gain due to currency fluctuation is charged/credited to the current military personnel appropriation.

★ 130402. U.S. Treasury Prevailing Rate of Exchange - Average Purchase Rate Method. In countries where the rate of exchange is not established by agreement between the U.S. Government and the foreign country or a DoD Contract Military Banking Facility (MBF) is not available, the DO will disburse from his or her account using the average purchase rate method. When the amount of foreign currency on hand (including depository checking accounts) is increased by purchase from a commercial source at a rate different from the DO's current holding rate, a new average purchase rate will be determined. No gain or loss will result.

★ A. The average purchase rate is determined by adding the U.S. dollar equivalent value of the foreign currency on hand prior to the new acquisitions to the U.S. dollar equivalent value of the additional foreign currency received and dividing the total into the new total of foreign currency units on hand. Round average rates to five decimal places. Due to this rounding, the ratio of foreign currency units to dollars may vary as the supply of currency is depleted. However, do not adjust the average rate until new foreign currency units are acquired. If possible, determine the average value of foreign currency on hand (including depository checking accounts) at the beginning of the business day. A certificate of change in the average purchase rate similar to the example provided in figure 13-3 will be prepared and signed by the DO or deputy. Submit the certificate with the SF 1219. If it is necessary to recompute the average purchase of foreign currency on hand during a business day, the certificate of revaluation will include a citation of the voucher number of the last disbursement or collection voucher executed under the old rate of exchange. If none have been executed during the current business day, indicate none.

★ B. Adjustments Due to Rounding. Due to the rounding on individual transactions (disbursements/collections), a difference in the U. S. dollar value of foreign currency on hand may occur resulting in a minor gain or loss. (The balance of foreign currency divided by the current rate of exchange (carried to five decimal places) equals the exact U. S. dollar value of foreign currency on hand.) To compensate for any minor gains/losses, the disbursing officer must, as part of the daily balancing process, adjust the U. S. dollar value of foreign currency on hand.

For example: The following reflects transactions occurring on January 3, 19XX:

<u>FOREIGN UNITS</u>	<u>U. S. DOLLAR VALUE</u>	<u>RATE OF EXCHANGE</u>
107,275,503 (Balance)	\$ 854,512.60	125.53999
<u>751,883,562</u> (Purchased)	<u>\$6,000,000.00</u>	
859,159,065 (Balance)	\$6,854,512.60	125.34211*
<u>- 9,396,641</u> (Disbursed)	<u>- 74,967.95</u>	
849,762,424	\$6,779,544.65	

Actual U. S. Dollar Value

849,762,424 (# of foreign units) divided by rate of exchange 125.34211 = \$6,779,544.59.

This results in a minor loss of \$.06 (\$6,779,544.65 less 6,779,544.59) due to rounding of individual vouchers.

*Note: When a new rate of exchange is computed due to the purchase of additional foreign currency, the number of foreign units divided by the rate of exchange will not always accurately reflect the U. S. dollar value.

1. Accounting for Gains and Losses Due to Rounding. All gains/losses due to rounding shall be credited or charged, as applicable, (using DD Form 1131 or SF 1034) to the appropriation Gains and Deficiencies on Exchange Transactions, **_6763. The Certificate of Adjustment prescribed below shall be attached to the voucher to support the transaction.

2. Certificate of Adjustment. A Certificate of Adjustment Due to Rounding, similar to the example provided in figure 13-4, will be prepared and signed by the disbursing officer when a minor gain/loss results.

1305 CONTRIBUTED CURRENCIES

130501. Policy. The policy for utilization of contributed currencies and the types of expenses which are authorized to be paid with the contributed currencies are prescribed in DoD Instruction 2110.31 (reference (ag)).

130502. Procurement. Designated DoD DOs shall purchase contributed currency from Department of State DOs with U.S. Treasury exchange-for-cash checks or U.S. currency. The amount of contributed currency on hand shall be limited to current cash requirements as prescribed in Chapter 3 of this volume.

130503. Utilization. Contributed currency shall be utilized to the maximum extent possible in lieu of U.S. currency or other purchased foreign currency for expenditures authorized to be paid in contributed currency.

130504. Accounting. Contributed currencies shall be recorded and reported in the DO's account in the same manner as other foreign currencies. The regularly prescribed foreign currency records and reports shall be maintained and submitted in the usual manner. In addition, appropriate internal controls shall be established as necessary to identify acquisitions and dispositions of contributed currencies and to provide a record of contributed currency transactions. Additional local records shall be maintained and reports made concerning utilization of contributed currency as may be prescribed by commanders responsible for administration of the Security Assistance Program.

REQUEST FOR BID (Purchase/Sale)			
SECTION I – PURCHASE			
1. DISBURSING ACTIVITY NAME AND LOCATION USS FAIRFAX COUNTY (LST-1193) FPO AE 09569-1814		2. DSSN 8289	
3. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER BANCA COMMERCIALE ITALIANA BRINDISI, ITALY			
PLEASE INDICATE THE NUMBER OF CURRENCY UNITS DESCRIBED IN ITEM 4 YOU WILL FURNISH IN EXCHANGE FOR EITHER A CHECK DRAWN ON THE TREASURER OF THE UNITED STATES OR UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 5.		4. NAME OF FOREIGN CURRENCY REQUESTED ITALIAN LIRE	5. U. S. DOLLAR AMOUNT \$10,000.00
6. DISBURSING OFFICER NAME, RANK OR GRADE WILLIAM B. ELLIS, ENS, SC, USNR	7. DISBURSING OFFICER'S SIGNATURE		8. DATE JUNE 22, 19XX
OFFER IS MADE TO FURNISH THE NUMBER AND TYPE OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 9. THE FORM OF PAYMENT REQUESTED FOR THIS CURRENCY IS INDICATED IN ITEM 10.	9. UNITS AND TYPE OF FOREIGN CURRENCY OFFERED 19,830,000 ITALIAN LIRE		10. PAY BY (Check one)
			a. CHECK XXX
11. NAME AND TITLE OF OFFERING OFFICIAL G. C. PAVALONI, VICE PRESIDENT	12. SIGNATURE OF OFFERING OFFICIAL		13. DATE JUNE 24, 19XX
14. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	b. NUMBER OF BIDS 3	c. COMMISSIONED OFFICER NAME AND SIGNATURE JOSEPH L. SMITH, LT, USN	d. DATE JUNE 25, 19XX
15. BID ACCEPTED	16. DISBURSING OFFICER NAME AND SIGNATURE WILLIAM B. ELLIS		17. DATE JUNE 25, 19XX
SECTION II – SALE			
18. DISBURSING ACTIVITY NAME AND LOCATION		19. DSSN	
20. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER			
PLEASE INDICATE THE AMOUNT IN UNITED STATES DOLLARS YOU WILL FURNISH IN EXCHANGE FOR THE NUMBER OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 21.		21. NUMBER AND NAME OF FOREIGN CURRENCY UNITS	
22. DISBURSING OFFICER NAME, RANK OR GRADE	23. DISBURSING OFFICER'S SIGNATURE		24. DATE
OFFER IS MADE TO FURNISH UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 25 FOR THE CURRENCY SPECIFIED ABOVE.		25. AMOUNT OF UNITED STATES DOLLARS OFFERED	
26. NAME AND TITLE OF OFFERING OFFICIAL	27. SIGNATURE OF OFFERING OFFICIAL		28. DATE
29. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	b. NUMBER OF BIDS	c. COMMISSIONED OFFICER NAME AND SIGNATURE	d. DATE
30. BID ACCEPTED	31. DISBURSING OFFICER NAME AND SIGNATURE		32. DATE
33. REMARKS			

DD Form 2668, AUG 93

**Figure 13-1. Sample DD Form 2668 (Request for Bid (Purchase/Sale))
(Purchase of Currency)**

REQUEST FOR BID (Purchase/Sale)				
SECTION I – PURCHASE				
1. DISBURSING ACTIVITY NAME AND LOCATION		2. DSSN		
3. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER				
PLEASE INDICATE THE NUMBER OF CURRENCY UNITS DESCRIBED IN ITEM 4 YOU WILL FURNISH IN EXCHANGE FOR EITHER A CHECK DRAWN ON THE TREASURER OF THE UNITED STATES OR UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 5.		4. NAME OF FOREIGN CURRENCY REQUESTED	5. U. S. DOLLAR AMOUNT	
6. DISBURSING OFFICER NAME, RANK OR GRADE	7. DISBURSING OFFICER'S SIGNATURE		8. DATE	
OFFER IS MADE TO FURNISH THE NUMBER AND TYPE OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 9. THE FORM OF PAYMENT REQUESTED FOR THIS CURRENCY IS INDICATED IN ITEM 10.	9. UNITS AND TYPE OF FOREIGN CURRENCY OFFERED		10. PAY BY (Check one)	
			a. CHECK	b. CASH
11. NAME AND TITLE OF OFFERING OFFICIAL	12. SIGNATURE OF OFFERING OFFICIAL	13. DATE		
14. CERTIFICATION				
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	b. NUMBER OF BIDS	c. COMMISSIONED OFFICER NAME AND SIGNATURE	d. DATE	
15. BID ACCEPTED		16. DISBURSING OFFICER NAME AND SIGNATURE	17. DATE	
SECTION II – SALE				
18. DISBURSING ACTIVITY NAME AND LOCATION USS FAIRFAX COUNTY (LST-1193) FPO AE 09569-1814		19. DSSN 8289		
20. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER BANCA COMMERCIALE ITALIANA BRINDISI, ITALY				
PLEASE INDICATE THE AMOUNT IN UNITED STATES DOLLARS YOU WILL FURNISH IN EXCHANGE FOR THE NUMBER OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 21.		21. NUMBER AND NAME OF FOREIGN CURRENCY UNITS 9,900,000 ITALIAN LIRE		
22. DISBURSING OFFICER NAME, RANK OR GRADE WILLIAM B. ELLIS, ENS, SC, USNR	23. DISBURSING OFFICER'S SIGNATURE		24. DATE JULY 12, 19XX	
OFFER IS MADE TO FURNISH UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 25 FOR THE CURRENCY SPECIFIED ABOVE.		25. AMOUNT OF UNITED STATES DOLLARS OFFERED \$5,000.00		
26. NAME AND TITLE OF OFFERING OFFICIAL G. C. PAVALONI, VICE PRESIDENT	27. SIGNATURE OF OFFERING OFFICIAL		28. DATE JULY 12, 19XX	
29. CERTIFICATION				
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	b. NUMBER OF BIDS 3	c. COMMISSIONED OFFICER NAME AND SIGNATURE JOSEPH L. SMITH, LT, USN	d. DATE JULY 13, 19XX	
30. BID ACCEPTED		31. DISBURSING OFFICER NAME AND SIGNATURE WILLIAM B. ELLIS	32. DATE JULY 13, 19XX	
33. REMARKS				

DD Form 2668, AUG 93

**Figure 13-2. Sample DD Form 2668 (Request for Bid (Purchase/Sale))
(Sale of Currency)**

**3RD FORCE SERVICE SUPPORT GROUP
FLEET MARINE FORCE
FPO SAN FRANCISCO**

October 4, 19XX

CERTIFICATE OF CHANGE IN AVERAGE PURCHASE RATE

	<u>Yen</u>	<u>U.S.Dollars</u>
Total amount of Japanese Yen on hand at close of business October 3, 19XX	220,000 at 98/\$1.00	\$2,244.90
Japanese Yen received this date through sale of Treasury check No. 196,240 for \$10,000	<u>200,000</u> at 102/\$1.00	<u>\$1,960.78</u>
Totals	420,000	\$4,205.68

420,000 Yen divided by \$4,205.68 equals 100/\$1.00, averaged new rate for on hand Japanese Yen, based on its prior purchase exchange rate and the new exchange purchase rate for the Yen purchased on October 4, 19XX.

No collection or disbursement vouchers processed this date prior to revaluation of Japanese Yen.

J. A. HANCOCK
DSSN 6870

Figure 13-3. Sample Certificate of Change in Average Purchase Rate

U.S. NAVAL STATION ROTA SPAIN			
			January 3, 19XX
CERTIFICATE OF ADJUSTMENT DUE TO ROUNDING			
<u>PESATAS</u>	<u>US DOLLAR VALUE</u> (based on individual cumulative transactions)	<u>US DOLLAR VALUE</u> (based on rate of exchange of \$125.34211=\$1)	<u>DIFFERENCE</u> (loss/gain)
849,762,424	\$6,779,554.65	\$6,779,544.59	\$(-.06)
J. A. HANCOCK Symbol 6870			

★ Figure 13.4. Sample Certificate of Adjustment Due to Rounding

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Figure 14-1. Sample SF 1149 (Statement of Designated Depositary Account)

Figure 14-2. Sample SF 1098 (Schedule of Canceled or Undelivered Checks)

CHAPTER 14

LIMITED DEPOSITARY CHECKING ACCOUNTS1401 INTRODUCTION

140101. Authority. DOs outside the United States are authorized to maintain official limited depositary checking accounts (LDAs) in foreign currency with banks that have been designated by the Treasury Department as "Depositories of Public Moneys of the United States." LDAs in U.S. dollars shall not be established unless specific authority is first obtained from the Director for Financial Commerce, OUSD(C), through the supporting DFAS Center.

★ 140102. Opening LDAs. All DOs requiring an LDA shall formally request approval and designation of the financial institution (if other than a contract MBF) as an authorized depository from the Treasury Department through the servicing DFAS Center. The Treasury Department's policy in selecting the financial institutions that will maintain U.S. Government operating accounts per 31 U.S.C. 3303 (reference (e)) is predicated on the most beneficial banking arrangement available to the U.S. Government to transact essential business. After contract MBFs, preference will be given to American financial institutions unless a local bank's arrangement is more advantageous to the U.S. Government. When anticipating the establishment of a new LDA (in other than a contract MBF), the DO shall solicit all American-owned and leading local financial institutions in the area to determine which would offer the most beneficial arrangement. Unsolicited proposals from financial institutions to operate an existing LDA may be received at any time and the LDA shall be deemed open to all interested financial institutions if it is determined that a soliciting financial institution: (a) offers a more beneficial banking arrangement than currently received; or, (b) reflects a higher level of American ownership than the present limited depository. For each account, the DO periodically should determine if it may be cost effective to solicit competitive proposals from all American-owned and leading financial institutions in the area to secure the most beneficial banking agreement. The solicitation process of the banks shall be competitive, with all banks submitting written information on identical questionnaires or requests for (banking) proposals. In determining the most beneficial banking arrangement, the DO shall consider the following three areas of service in descending order of importance: standard operating services minimally required; customary local banking practices; and other special services that may be deemed necessary in a particular country or circumstance. At a minimum, the required services shall be:

- A. The capability to honor payments to payees in outlying areas.
- B. The processing of checks and deposits.
- C. The submission of a daily or a monthly bank statement as needed.
- D. The acceptance of the DO's funding procedures.

In addition, any customary banking practices (payment of interest on the account, waiver of miscellaneous charges, etc.) peculiar to a particular country shall be considered for purposes of carrying out the provisions of 31 U.S.C. 3303 (reference (e)). Consideration also shall be given to any special services that a bank is willing to provide in addition to the minimum required and customary local banking services (e.g., telex cost or armored car service) if services offered above are equivalent in separate proposals. The checking account balances (or the forfeiture of potential interest earnings on the account) shall not be used to subsidize banking services that otherwise would be funded through the appropriation process. Daily balances in the LDA shall be as near zero as possible. Otherwise, the level of the balance to be maintained in the account shall be determined solely by disbursing requirements. The DO should formally convey the results of the competitive process and its recommendation for selection to the Treasury Department as a part of the request for approval and designation of the depository. The letter request for approval and designation shall be addressed to the International Funds Branch, Financial Management Service, Department of the Treasury, 3700 East-West Highway, Prince Georges Metro Center-II, Room 5A19, Hyattsville, MD 20782 (Telephone: (202) 874-8943, fax number (202) 874-8023), through the supporting DFAS Center and should state the name and location of the financial institution recommended to be designated (regardless of possible previous designations).

140103. Interest on Deposits. In certain cases, Limited Depositories (LDs) will pay interest on checking accounts. Whenever possible, the DO should obtain interest on the LDA. However, excessive balances shall not be maintained in order to receive interest. If the collection of foreign currency causes a non-interest bearing LDA to exceed a 30-day supply, and all attempts to sell the currencies to other DOs have been exhausted, an interest bearing account shall be established, if possible. In such cases, the DO immediately should place all funds in excess of estimated draw-downs against the non-interest bearing account for the ensuing 14-day period in a demand or short-term interest bearing account, if available. The deposit shall be placed with a bank that has been designated as a Depository of Public Moneys by the Treasury Department. The DO shall place the excess funds in an interest bearing account with the bank that maintains the checking account, unless a more beneficial banking arrangement can be made promptly with another Treasury-authorized LD. The DO shall canvass the market to obtain the highest interest rates legally available commensurate with disbursing requirements. The DO is responsible for monitoring the interest bearing accounts to ensure that interest is being paid on a timely basis and per agreements reached between the DO and the banks. Upon notification that interest has been credited to the account, the DO shall prepare a DD Form 1131 crediting **1435, General Proprietary Interest, Not Otherwise Classified, for the U.S. dollar equivalent of the interest. The transaction shall be recorded as a collection and an increase of cash on deposit in the LDA.

1402 ESTABLISHMENT OF LIMITED DEPOSITORY CHECKING ACCOUNTS

140201. Establishment Procedure. LDAs shall be established in the name of the activity to which the DO is assigned. Authority to sign checks drawn on the LDA shall be limited to the DO and such other deputies or agents that the DO may appoint. Normally, only one LDA is authorized for one DO. However, a separate LDA may be established for each type of foreign currency used by the DO in official transactions.

140202. Letter of Authorization. The commander shall certify by letter the name and rank of the DO assigned to the activity and state that the DO is authorized to maintain accounts with official funds of the United States in the name of the activity. The letter shall certify that the account is to be subject to checks issued by the DO, his or her successors in office, and such other deputies as he or she may appoint. The letter shall contain a specimen of the DO's official signature and a certification that the signature is that of the DO. The letter shall also request the bank to acknowledge acceptance by endorsement of the letter in triplicate. The bank should retain the original letter and return 2 copies to the activity.

140203. Blank Limited Depositary Checks

A. Procurement. LDA checks are not available through the Treasury check contract. LDA checks should be ordered from the bank where the LDA is maintained.

B. Print Order Requirements. LDA checks should be requested in a continuous-form format for mechanized systems. LDA checks shall be overprinted to provide: the serial number of the check; name of the activity; any limited payability notices as may be applicable in the foreign nation; and information necessary for security, accounting for check issues, and other requirements as specified by the supporting DFAS Center.

C. Cost. The procurement cost of blank LDA checks shall be charged to the disbursing activity O&M fund.

D. Security. Blank LDA checks shall be controlled and safeguarded under the same guidelines prescribed for Treasury checks in Chapter 7 of this volume. In the event blank LDA checks are lost or stolen, the DO immediately shall notify the LD of the serial numbers of the checks involved. A stoppage of payment shall be placed against the checks and a copy of the stoppage of payment shall be submitted with the next original LDA reports.

E. Relief of DO. Unused LDA checks shall be transferred to and used by the relieving officer with no change in serial numbers.

F. Limited Depositary Account No Longer Required. When an LDA is no longer required or when a disbursing office is deactivated, all unused blank LDA checks shall be voided and destroyed using the guidelines prescribed in Chapter 8 of this volume.

1403 MAINTAINING A LIMITED DEPOSITARY CHECKING ACCOUNT

140301. Preparation of Limited Depositary Checks

A. General. LDA checks should be prepared by typewriter or by automated check writing equipment, if available.

B. Record of Check Issues. DOs shall maintain a record of every LDA check issued. The record shall contain at least the payee, the voucher number, the amount (in the currency of the check), the check serial number, the date of the check, and the activity name under which the account is established. Other information as to the purpose for which the check was issued and local identification codes are optional and subject to the discretion of the issuing DO. The record may be on paper or in a media designed for data processing use (paper tape, diskette, or magnetic tape). A separate record shall be kept for each LDA checking account. Records of check issues shall be included with retained disbursing records.

140302. Disbursement Vouchers. When a payment is made by check drawn on an LDA, the notation "LDA Check No. _____," shall be entered on the disbursement voucher. Although a receipt is not generally required for a payment made by check, certain LDs outside the United States are prohibited by local law from returning paid checks to the drawer. In these cases, the voucher on which such an LDA check payment appears shall evidence receipt of payment in one of the ways described in the following paragraphs.

A. Signature on Original Voucher. The original voucher shall be submitted as a part of the financial reports for the month of payment.

B. Periodic Statements From Depositary. Periodic statements from the LD listing the paid checks by number and amount, certified by an officer of the bank and by the DO shall be satisfactory evidence of payment. The certificate of the bank should be to the effect: "I certify that the above is a true and correct list of all checks paid by this bank and charged to the account shown in the heading during the period covered by this statement and that the originals of such checks are on file in this bank and are required to be held for ___ years." The certificate of the DO shall be to the effect that the bank statement has been reconciled with the disbursing records and found to be in agreement therewith.

★ 140303. Delivery of Checks. Delivery of LDA checks shall be as prescribed in Chapter 8 of this volume. However, prior to mailing any LDA checks outside the country in which the LDA is located, the disbursing officer shall verify that such action is not prohibited by the Status of Forces Agreements or the banking laws of the countries involved.

140304. Irregularity After Delivery of Checks. When an irregularity is discovered after a check has been delivered and the check is still outstanding, immediate action shall be taken to stop payment of the check. A complete report of the facts shall accompany the request for stoppage. If the irregularity is discovered after the check has been paid, the depositary shall be notified of the irregularity.

140305. Review of Limited Depositary Checking Accounts

A. Commander's Review. Commanders shall require a review of LDAs maintained by DOs to ensure compliance with the requirements set forth in this volume. This review should be accomplished by the quarterly cash verification team required by Chapter 3 of this volume. Reviews shall be performed quarterly, upon transfer of accountability to a successor DO, upon deactivation of the LDA, or upon a change in the designated settlement office. Quarterly reviews shall be unannounced. Reviews shall also be accomplished prior to the departure of the DO from the command.

B. DO's Review. DOs shall review the LDA on a continuing basis to ensure that: account balances are maintained at the minimum amount necessary to meet immediate disbursement needs (checks issued and in process) and are commensurate with the activity in the LDA, balances in excess of immediate needs are promptly withdrawn and deposited with the Treasury Department, and terms negotiated with the depositary are favorable to the government, including interest on the account at the highest possible rate.

1404 VOIDED AND SPOILED LIMITED DEPOSITARY CHECKS

140401. General. Original LDA checks that are not to be issued shall be treated as voided or spoiled checks. All LDA checks shall be accounted for by the DO who has been authorized to establish the LDA. Checks shall be voided or spoiled because of: errors in the writing of the check (wrong name, amount, etc.); withdrawal of the voucher by the applicable functional area; or, because the check is physically damaged during preparation. These checks shall be conspicuously marked so they may not be cashed, either in error or through fraud. Separate listings of voided and spoiled checks shall be prepared each month and attached to the SF 1149 (Statement of Designated Depositary Account).

140402. Voided Checks. The functional area authorizing the payment of a voucher shall determine when a check is to be voided. The determination shall be based on the payee's non-entitlement to the payment, or an error in the way the check is drawn. Voided checks are not reported as checks issued in the check report of the DO. They shall be rendered non-negotiable by stamping, marking or writing the words, "VOID - NOT NEGOTIABLE, NO CHECK ISSUED UNDER THIS NUMBER" on the face of the check in large prominent letters. The marking on the check shall be applied immediately after the determination is made to void the payment. No unmarked voided checks shall be stored in the safe or vault of the DO or any deputies or agents. At the end of each month a listing of voided checks shall be prepared and forwarded with the monthly SF 1149. The listing shall be in check number sequence of the checks, titled "Voided Checks", and show the accounting month; the name of the LD; and, the checking account number. The original of all voided checks shall be submitted with the listing.

★ 140403. Spoiled Checks. The DO issuing the check shall determine when a check is to be reported as spoiled. The determination shall be based on the physical appearance of the check (e.g., mutilated, torn, not whole, smudged or unreadable) or upon the discovery of an error

in the preparation of the check (i.e., voucher correct and the check data does not match the voucher). A separate listing (in check number sequence) of spoiled checks shall be prepared at the end of each month. The listing shall be titled "Spoiled Checks" and show the accounting month, the name of the LD, and, the checking account number. The listing and the original spoiled checks shall be attached to, and forwarded with, the monthly SF 1149. Spoiled checks shall be replaced by another serially numbered check.

★ A. Replacement by Another Serially Numbered Check. When it is necessary to issue another serially numbered check to replace a spoiled check, the next available numbered check shall be used. Except for the check serial number and the check issue date, the information on the check shall be identical to what appeared on the original check. The replacement check shall be dated on the date of issue. The original check shall be rendered non-negotiable by writing, marking or stamping the face of the check "SPOILED - NOT NEGOTIABLE, REPLACEMENT ISSUED UNDER CHECK NO. _____ DATED _____". The words "Issued to Replace Check No. _____" shall be inscribed on every replacement check in the lower left-hand corner of the face of the check. This same information shall also be shown on the detailed record of checks issued.

1405 TRANSFERRING THE PROCEEDS OF LIMITED DEPOSITARY CHECKS

140501. General. After an LDA check has been issued, events may occur that require transferring the proceeds of the check to the Treasury Department or to the original appropriation. The most frequent occurrence of transferring the proceeds of LDA checks is when outstanding check amounts are transferred to the Treasury Department as uncurrent. An uncurrent LDA check is one that has not been negotiated through the LD one full fiscal year after the fiscal year in which it was issued. The transfer of LDA check proceeds may also be caused by undeliverable checks and by checks due deceased or incompetent payees.

140502. Uncurrent Check Transfers. Proceeds of uncurrent checks shall be transferred to the Treasury Department in October of each fiscal year. The DO who issued the original check, the successor to that DO, or a settlement office designated by the supporting DFAS Center shall make the transfer. The procedures for the transfer are explained below. Note: If the laws of the nation in which the LDA is located provide that the negotiable period of a check is less than one full fiscal year after the date of issue, the DO shall comply with those laws in carrying out these procedures.

A. Open Limited Depositary Accounts

1. Preparation of Check Listing. Prepare a separate check listing in an original and 4 copies for each LDA with a heading showing the DO's name and location and the name and location of the LD. Each listing shall show the uncurrent LDA checks in ascending numerical order and provide for each check the: issue date, check number, name of the payee, amount of the check in foreign currency, and U.S. dollar equivalent of the check at the time it was issued (as shown on the payment voucher). The check listing shall also show the total

amount of foreign currency units and the total U.S. dollar equivalent of all checks on the listing. The total U.S. dollar equivalent at the time the checks were issued shall be the amount transferred to the Treasury Department account, 20X6045, Proceeds and Payment of Certain Unpaid Checks.

2. Stop Payment Notice to LD. The DO immediately shall give a copy of the uncurrent check listing to the LD and request the LD to place stop payments on all the checks on the listing. The LD shall be instructed to advise all payees presenting checks shown on the listing to submit the checks to the disbursing office for transmittal to, and settlement by the General Accounting Office, Transportation and Claims Division, Washington, DC 20548.

3. Method of Transfer. The DO shall prepare an OF 1017-G (Journal Voucher) which shall serve as the basis to purchase the amount of foreign currency units represented by the outstanding checks. The DO then shall complete the purchase by issuing a Treasury check payable to the U.S. Treasury for the U.S. dollar equivalent as shown on the check listing. A complete explanation of the transaction shall be written on the OF 1017-G giving the date, the check serial number, and the DSSN of the activity issuing the Treasury check. The OF 1017-G shall support the increase in the LDA checkbook balance, and the transaction shall be reported on line 6 of the SF 1149. A copy of the OF 1017-G shall be attached to the uncurrent check listing and forwarded with the Treasury check to Treasury Department as provided in subparagraph 140502.A.5, below.

4. Accounting for the Transfer. To maintain the DO's accountability, several actions shall be accomplished in the daily business at the close of the business day on which the transfer occurs. The Treasury check shall be reported in the daily business as "Checks Issued on U.S. Treasury". "Cash on Deposit in Designated Depository" shall be increased in the same U.S. dollar amount as the Treasury check. The LDA checkbook balance shall be increased by the total amount of foreign currency units as shown on the check listing. The current U.S. dollar equivalent of the LDA checkbook balance (including the foreign currency units added above) shall be computed using the current rate of exchange. The computed total U.S. dollar equivalent of the LDA checkbook balance shall then be compared to the total U.S. dollar equivalent shown as "Cash on Deposit in Designated Depository". Any difference in total U.S. dollar equivalents shall be vouchered as a gain or loss by exchange transaction on a DD Form 1131 or SF 1034 (as appropriate) against *-6763 and recorded in the day's business as either a collection, increasing "Cash on Deposit in a Designated Depository", or a disbursement, decreasing "Cash on Deposit in Designated Depository".

5. Distribution of Documents. Distribute the uncurrent check listing, OF 1017-G, and the DD Form 1131 or SF 1034 as follows:

a. The original and one copy of uncurrent check listing, a copy of the OF 1017-G, and the Treasury check shall be forwarded to: Department of the Treasury, Financial Management Service, Comptroller, Liberty Center, Washington , DC 20227.

b. One copy of the uncurrent check listing shall be given to the LD.

c. One copy of the listing, one copy of the OF 1017-G and one copy of the DD Form 1131 or SF 1034 shall be attached to the SF 1149.

d. One copy of the listing, one copy of the OF 1017-G and one copy of the DD Form 1131 or SF 1034 shall be filed in the DO's retained LDA records.

e. The original and appropriate number of copies of the OF 1017-G and DD Form 1131 or SF 1034 shall be included with other vouchers supporting the SF 1219.

B. Closed Limited Depositary Accounts. When outstanding (unpaid) checks become uncurrent in a closed LDA, and it is necessary to transfer the U.S. dollar equivalent to Treasury Department account 20X6045, the DO having jurisdiction over the closed account shall arrange with the LD for the necessary transfer of funds from the closed LDA to the DO's current LDA. After the LD completes the transfer to the current account, the DO shall follow the procedures prescribed in subparagraph 140502.A, above. If the closed account belonged to a predecessor DO, or is the settlement account for a closed disbursing station, prepare one additional copy of the uncurrent check listing for filing with the retained records of the closed station's disbursing records. On this copy of the listing, reference shall be made to the disbursing office accomplishing the transfer and the date the transfer was accomplished.

140503. Transferring the Proceeds of Undeliverable Checks

A. General. The procedures prescribed in this paragraph relate to undeliverable LDA checks, the proceeds of which are still due the payee or the payee's estate. LDA checks which are returned as undeliverable and are not due the payee (or payee's estate) shall be canceled as prescribed in section 1406 of this chapter.

B. Time Limit for Holding Undeliverable Checks. Undeliverable LDA checks shall be held only until it is determined that the DO cannot effect delivery with the information available. In no case shall undeliverable LDA checks be held longer than 60 days from the date of issue.

C. Record of Undeliverable Checks. The DO shall establish a record of undelivered LDA checks using DD Form 2658 (Returned and Undeliverable Check/Bond Record) which shall include complete identification of the check, the disbursement voucher number, the date the check was returned, disposition of the check, the disbursing official authorizing disposition, and the date of disposition. Disposition of undelivered checks may be authorized by the DO, the principal deputy, or a third individual authorized in writing by the DO to make such disposition.

D. Safekeeping Undeliverable Checks. While held in the disbursing office, undeliverable LDA checks shall be protected the same as cash. Undeliverable LDA checks shall be filed in an order best suited for ease of retrieval and ready identification.

E. Disposition of the Proceeds of Undeliverable Checks Drawn on Open Accounts. The proceeds of undeliverable LDA checks (current as to date of issue) drawn on open LDA shall be credited to the appropriation or fund charged for the original disbursement at the rate of exchange in effect on the date of issue as shown by the payment voucher. A payable shall be established to allow for future settlement. Undeliverable LDA checks shall be scheduled on an SF 1098 showing the check number, month and year of issue, name of payee, amount (U.S. dollar equivalent on date of issue), DSSN, and the appropriation or fund to be credited. Each SF 1098 shall be accounted for as a cash collection. To maintain the DO's accountability, "Cash on Deposit in Designated Depository" shall be increased in the same U.S. dollar amount as the SF 1098. The LDA checkbook balance shall be increased by the total amount of foreign currency units as shown on the check. The current U.S. dollar equivalent of the LDA checkbook balance (including the foreign currency units added above) shall be computed using the current exchange rate. The total U.S. dollar equivalent of the LDA checkbook balance shall then be compared to the total U.S. dollar equivalent shown as "Cash on Deposit in Designated Depository". Any difference in total U.S. dollar equivalents shall be vouchered as a gain or loss by exchange transaction on a DD Form 1131 or SF 1034 (as appropriate) against **-6763 and recorded in the day's business as either a collection, increasing "Cash on Deposit in a Designated Depository", or a disbursement, decreasing "Cash on Deposit in Designated Depository". The record of outstanding checks and undeliverable checks shall be updated to reflect the disposition. At the time of disposition, the undelivered checks shall be rendered non-negotiable by writing, typing, or stamping on the face of the check the words "NOT NEGOTIABLE, PROCEEDS CREDITED IN GOVERNMENT ACCOUNTS, D.O. SYMBOL (DSSN)" to prevent negotiation by unauthorized persons. The amount of the defaced checks shall be included on line 3 of the SF 1149. The canceled checks and one copy of the SF 1098 shall be forwarded with the SF 1149 in the same manner as voided and spoiled checks at the end of each month. Sufficient additional copies of the SF 1098 shall be reproduced to provide the functional area authorizing the original disbursement a copy so they may set up a payable to handle future claims for the proceeds of canceled undeliverable checks.

F. Disposition of the Proceeds of Undeliverable Checks Drawn on Closed Accounts. If the LDA on which the undeliverable checks were drawn has been closed, the successor DO, or DO responsible for settlement of the account, shall notify the LD that the checks are being canceled and request that the value of the checks be transferred to an open account (if the DO maintains an LDA) or that the depository transmit the funds to the DO by check payable to the DO, by title. When the proceeds have been transferred to the open account, the DO shall proceed as prescribed in subparagraph 140503.E, above, for undeliverable checks drawn on an open account. If the LD provides the proceeds by check, the DO shall collect the check on a DD Form 1131 to the appropriation or fund charged when the undeliverable check was issued. No SF 1098 is prepared in this situation. The DD Form 1131 shall be prepared at

the rate of exchange in effect on the date the check was issued (as shown by the payment voucher). The DD Form 1131 shall be recorded in the DO's accounts as a cash collection. Any difference in the U.S. dollar value at the current rate of exchange and the rate of exchange at which the check is collected shall be accounted for as a gain or loss by exchange transaction. At the time of disposition, the undelivered checks shall be rendered non-negotiable by writing, typing, or stamping on the face of the check the words "NOT NEGOTIABLE, PROCEEDS CREDITED IN GOVERNMENT ACCOUNTS, D.O. SYMBOL (DSSN)" to prevent negotiation by unauthorized persons. The record of outstanding checks and undeliverable checks in the former DO's accounts shall be updated to reflect disposition of the checks. A copy of the DD Form 1131 and the defaced checks shall be forwarded with the SF 1149 to support the changes in the closed LDA account at the end of the month. A copy of the DD Form 1131 shall be forwarded to the applicable functional area to enable them to establish the payable in the event of future claims for the proceeds of the canceled undeliverable checks.

G. Undeliverable Checks Uncurrent as to Date of Issue. Any uncurrent undeliverable checks that come into the possession of the disbursing office, the proceeds of which have been transferred to Treasury Department account 20X6045 and for which no current claim has been presented, shall be forwarded directly to the General Accounting Office, Transportation and Claims Division, Washington, DC 20548. Uncurrent undeliverable checks that come into the possession of the disbursing office, the proceeds of which have not yet been transferred to the Treasury Department, shall be processed as prescribed in paragraph 140502, above. Under no circumstance shall an uncurrent undelivered check be scheduled on an SF 1098 or DD Form 1131 as a current undeliverable check.

140504. Limited Depositary Checks Due Deceased or Incompetent Payees

A. Checks Which Are Current as to Date of Issue. Unnegotiated LDA checks which are still current as to date of issue, returned to the disbursing office in connection with a claim for the proceeds which are still due a deceased or incompetent payee, shall be processed as prescribed in subparagraphs 140503.E and 140503.F, above for undelivered checks.

B. Checks Which Are Uncurrent as to Date of Issue. All unnegotiated LDA checks, which are uncurrent as to date of issue, and returned to the disbursing office in connection with a claim for the proceeds that still are due a deceased or incompetent payee, shall be handled as prescribed in this subparagraph. If the proceeds of these outstanding undeliverable checks previously were not transferred to Treasury Department account 20X6045, this action shall be accomplished as provided in paragraph 140502 above prior to forwarding the check and the claim to the General Accounting Office. If a previous transfer of the proceeds to Treasury Department account 20X6045 has taken place, the check shall be forwarded with the claim to the GAO for settlement.

140505. Claims for the Proceeds of Undeliverable Checks

A. Claims for Settlement by the DO. In processing claims for the proceeds of undeliverable checks that have been credited to the appropriation or fund originally charged, the payments shall be supported by a regular disbursement voucher using an SF 1034. Each voucher shall cite a reference to the original undeliverable check, showing the check serial number, amount and DSSN.

B. Claims for Settlement by GAO. Claims for the proceeds of undeliverable checks shall be forwarded for settlement by the General Accounting Office, Transportation and Claims Division, Washington, DC 20548 when there are doubtful questions of law or fact, or when the proceeds of the check have been transferred to Treasury Department account 20X6045 as prescribed in this section.

1406 CANCELING LIMITED DEPOSITARY CHECKS

140601. General. LDA checks shall be canceled when the proceeds of the check are not due a payee or the payee's estate but are for credit to an appropriation or fund account. The procedure for cancellation of these checks depends on whether: the account on which the check was written is an open account or a closed account, the check is "current" or "uncurrent", and the check is available or unavailable to the DO who maintains the LDA.

140602. Checks Not Due a Payee or Payee's Estate. The DO functional area submitting the certified payment voucher for issue of the check normally is the only office with authority to cancel checks not due a payee or the payee's estate. Except as provided in this paragraph, the SF 1098 shall be used to list and report all checks not due the payee or payee's estate which are being canceled. In all cases where practicable, the SF 1098 shall be prepared by the functional area authorizing the original payment. If the DO's disbursing division prepares the SF 1098, the functional area shall sign and date the form in the lower right-hand corner, in the spaces titled "Forwarded" and "By". The disbursing division shall mark the front of the check with the word "CANCELED" and the date of cancellation in prominent letters to prevent improper negotiation of the check.

A. Checks Which Are Current as to Issue Date. The DO shall cancel LDA checks not due a payee as quickly as possible. The U.S. dollar equivalent of the foreign currency amount of the check at the rate of exchange in effect on the date the check was issued (as shown on the payment voucher) shall be the amount credited to the original appropriation or fund charged for the payment.

1. Open Accounts. If the LDA is open (established and being used by the current DO), the SF 1098 shall be processed in the accounts to effect the credit to the fund or appropriation originally charged for the disbursement, to increase the LDA checkbook balance, and to remove the canceled check from the record of outstanding checks. Each SF 1098 shall be accounted for as a cash collection. To maintain the DO's accountability, "Cash on Deposit in Designated Depositary" shall be increased in the same U.S. dollar amount as the SF 1098. The LDA checkbook balance shall be increased by the total amount of foreign currency units as

shown on the check. The current U.S. dollar equivalent of the LDA checkbook balance (including the foreign currency units added above) shall be computed using the current rate of exchange. The total U.S. dollar equivalent of the LDA checkbook balance then shall be compared to the total U.S. dollar equivalent shown as "Cash on Deposit in Designated Depositary". Any difference in total U.S. dollar equivalents shall be vouchered as a gain or loss by exchange transaction on a DD Form 1131 or SF 1034 (as appropriate) against ** -6763 and recorded in the day's business as either a collection, increasing "Cash on Deposit in a Designated Depositary", or a disbursement, decreasing "Cash on Deposit in Designated Depositary". The face of the canceled check shall be marked with the word "Canceled" and the date of cancellation. The canceled check and a copy of the SF 1098 shall be forwarded with the original SF 1149 at the end of the month.

2. Closed Accounts. If the LDA is closed or the account was maintained by a predecessor DO and closed upon change of DOs, it will be necessary to transfer funds between the closed and current (open) LDAs before processing the cancellation action. If the transfer can be accomplished by drawing a check against the closed account for deposit to the open account, this procedure should be followed. Otherwise, the procedures outlined below shall be followed in processing the necessary transfer.

a. Check to be Canceled Drawn on DO's Current Limited Depositary. If the DO cannot draw a check against the closed LDA and both the closed and open accounts (DO's current account) are with the same LD, advise the LD by letter that the check is in the possession of the DO and is being canceled. Request the bank to transfer the funds involved from the closed account to the open account. When the LD advises that the requested transfer has been made, proceed with the preparation of the SF 1098, as described in subparagraph 140602.A.1, above.

b. Check to be Canceled Drawn on Different Limited Depositary. If the closed LDA and the DO's current open LDA are in different LDs, request in writing that the LD on which the check was drawn charge the account for the check being officially canceled and transmit the funds to the DO, by title. Upon receipt, the funds shall be deposited in the current open LDA and treated as a cash collection using the DD Form 1131 for credit to the fund or appropriation originally charged for the check being canceled. Do not process an SF 1098 for this transaction. The U.S. dollar equivalent of the foreign currency amount of the check and the rate of exchange, effective on the date the check was issued as shown on the payment voucher, shall be shown on the DD Form 1131. State prominently on the DD Form 1131 that the transaction involves the proceeds of a canceled check. Any difference in the U.S. dollar value at the current rate of exchange and the rate of exchange at which the funds provided by the LD are collected on the DD Form 1131 shall be accounted for as a gain or loss by exchange transaction.

B. Unavailable Checks. LDA checks, the proceeds of which are not due the payee or the payee's estate, and not held by the disbursing office, shall be canceled even though

the check cannot be forwarded with the SF 1149 as a canceled check. The following procedures shall be used.

1. The applicable DO functional area shall prepare an SF 1098 and give an explanation on the schedule of the circumstances that make the check unavailable. The SF 1098 shall be approved by the functional area authorizing the issue of the original check and shall also be signed by the DO under the explanation of the unavailability of the check.

2. The DO shall request the LD on which the check was drawn to place a stop payment on the check and provide a written acknowledgement when the action has been accomplished.

3. When the LD's acknowledgement is received, the DO shall process the SF 1098 and credit the fund or appropriation originally charged, adjust the checkbook balance, and reduce the record of outstanding checks as prescribed in subparagraph 140602.A.1, above. A copy of the LD's acknowledgement and a copy of the SF 1098 shall be forwarded with the SF 1149 at the end of the month.

4. The original SF 1098 and the bank's acknowledgement shall be filed with the DO's monthly financial reports and the DO shall keep copies for the retained records file.

C. Checks Which Are Uncurrent as to Date of Issue. DOs cannot cancel uncurrent LDA checks. Only the GAO can cancel uncurrent LDA checks. The proceeds of uncurrent checks not due a payee or payee's estate shall be processed through Treasury Department account 20X6045. Uncurrent LDA checks (whether or not due the payee or payee's estate and whether or not available to the DO) will have been processed through Treasury Department account 20X6045 as prescribed in paragraph 140502, above in October of the fiscal year which is one full fiscal year after the fiscal year in which the check was issued. If the proceeds of the uncurrent check have not been transferred to 20X6045, the transfer shall be accomplished before asking the GAO to cancel an uncurrent check which is not due the payee or payee's estate.

1. The DO shall schedule the check on an SF 1098 prepared in original and six copies crediting the fund or appropriation originally charged for the payment. The amount to be credited shall be the U.S. dollar equivalent of the foreign currency at the rate of exchange in effect when the check was issued (as shown on the payment voucher. Modify the heading of the SF 1098 to read "Schedule of Limited Depositary Checks Canceled by GAO". A full explanation of the reason for cancellation of the check shall appear on the SF 1098. Do not process this SF 1098 in the accounts as a collection.

2. Forward the original and five copies of the SF 1098 and the check, if available, through the supporting DFAS Center to: Department of the Treasury, Financial Management Service, Finance Division, Office of the Comptroller, Liberty Center, Room 257,

Washington, DC 20227 with a covering letter or memorandum requesting cancellation of the check. A copy of the outstanding check listing and OF 1017-G prepared when the check was transferred to Treasury Department account 20X6045 should be attached to document the request. Retain one copy of the SF 1098 in a pending receivable file.

3. After cancellation of the check is approved, the GAO will authorize issuance of a Treasury check for the value of the canceled LDA check. Process the check and the SF 1080 upon receipt from GAO as a collection. Support the transaction with the retained copy of the SF 1098.

1407 REPLACEMENT OF MISSING, MUTILATED, AND FORGED LIMITED DEPOSITARY CHECKS

140701. General. Upon receipt of a claim for a check which is reported as not received, or as lost, stolen, destroyed, mutilated, forged or defaced, the DO shall determine from the LD or from retained records the status of the check. Checks which are outstanding and unpaid, reported before the end of the fiscal year following the fiscal year in which they were issued, and do not involve a doubtful question of law or fact shall be replaced by a substitute check. Checks which have been paid on a forged endorsement, reported before the end of the fiscal year following the fiscal year in which they were issued, and to which the payee is entitled, shall be replaced by a settlement check. Claims for replacement of checks submitted more than a full fiscal year after the fiscal year in which they were issued, or involving a doubtful question of law or fact, or on behalf of deceased or incompetent payees without a court appointed legal representative, or where the claimant's entitlement is in question shall be referred to the GAO.

140702. Substitute Check Procedures. The following procedures apply to checks drawn on LDs in foreign countries.

A. Action by the Original Payee of the Check or Other Claimant. The payee or other claimant shall notify the DO, in writing, over his or her own handwritten signature, when a check has been lost, stolen, mutilated, or destroyed, and request payment on the check be stopped.

1. The notification shall provide all available information on the check. When furnished by the DO, the payee or other claimant shall complete a FMS Form 2244 (Undertaking of Indemnity - Substitute Checks) and return it to the DO before the end of the full fiscal year following the fiscal year in which the check was issued.

2. Claimants other than the original payee shall present a statement in support of their ownership of the check in addition to the FMS Form 2244. Representatives of deceased payees or owners who clearly are entitled to the proceeds of original checks as part of the estate, also shall complete and submit an SF 1055 (Claim Against the United States for Amounts Due a Deceased Creditor), or a statement of administration, if the claimant is serving under court appointment, to accompany the FMS Form 2244.

3. Claimants acting as guardians of incompetent payees or owners who are shown by the evidence to be entitled to the proceeds of the original check shall submit a short form court certificate showing their appointment and qualifications as guardians in addition to the FMS Form 2244.

4. If the payee or other claimant is a bank or other financial institution and the check was drawn for \$15,000 or less; or, a corporation or business of recognized financial standing and the check was drawn for less than \$5,000; or, a financially responsible individual and the check was drawn for less than \$150 or is for a recurring payment, in any amount greater than \$150, the DO may, at his or her discretion, accept an undertaking of indemnity in the form of a written statement or letter. The substance of the statement or letter shall be:

"In consideration of the issuance of a substitute check in lieu of (check number of original check, date, amount, and payee) and the payment of the substitute check, the undersigned undertakes and agrees to save harmless and indemnify the United States of America, its officers and agents, of and from any and all liability, loss, expense, claim, and demand whatsoever, arising in any manner by reason of or on account of said original check(s) or the stoppage of payment thereof, or the issue of payment of the substitute check(s), to replace the same."

The statement shall be witnessed by a person with authority to so act and, if necessary, may be executed in a foreign language translation of the foregoing letter of indemnity. If the claim exceeds the amounts stated above and the DO still desires to use the letter form of the undertaking of indemnity, approval shall first be obtained from the Deputy Director for Finance, DFAS Headquarters, through the supporting DFAS Center.

B. Action by the DO. The DO shall first determine that the check reported as lost, stolen, destroyed, mutilated, or defaced is still outstanding. If it is, the LD shall be requested, in writing, to enter a stop payment against the check and to acknowledge, in writing, receipt of the request. Upon receipt of the acknowledgement, the DO shall forward a modified FMS Form 2244 to the claimant for completion and return to the disbursing office. The modifications by the DO required on the FMS Form 2244 are:

1. Enter the description of the check.
2. Enter the name of the bank on which the check was drawn
3. Insert a statement near the added bank name that reads, "This change made prior to execution of bond with full knowledge and consent of all parties concerned." This statement shall be signed by the claimant and by the surety/sureties.

Once the FMS Form 2244 is completed by the claimant and returned, the DO shall approve the claim for payment if it is determined the original check still is outstanding, the substitute check can be issued before the end of the full fiscal year following the fiscal year of issue, there is no doubtful question of law or fact concerning the payment, the written claim (FMS Form 2244 or written statement or letter) includes an undertaking of indemnity, and any necessary supporting documents have been received in proper form. The approval shall be noted on the reverse of FMS Form 2244, or letter undertaking indemnity, in the words "Claim approved by (Name, title, and disbursing station), Date (month, day, and year)". If the original check was drawn on a closed LDA, it will be necessary to transfer funds to an open LDA before a substitute check can be issued. Use the procedures described in subparagraph 140602.A.2, above to accomplish the transfer of funds. The DO then shall issue a substitute check with the current date and payable in the same currency as the original check. The substitute check shall contain information on its face in the lower left-hand corner identifying the original check as follows: "Issued in lieu of check number ____ dated (Mo, Day, Yr) drawn by (DO who issued original check) on (Name of LD).". The number of the substitute check, the date of issue, and the name of the LD on which drawn shall be recorded on the back of the FMS Form 2244 (or letter undertaking indemnity) by the DO when the substitute check is issued. At the end of the month, the DO shall include a copy of all substitute checks issued during that month with the SF 1149. If copies cannot be provided, a listing of substitute checks issued shall be submitted with the SF 1149. The listing shall show only the substitute check number and the number and date of the original check it replaces. Substitute checks do not increase the DO's accountability and are not reflected in the SF 1219. The FMS Form 2244 and all supporting documents shall be filed with the retained records of the DO.

C. Sureties. A surety assumes the status of a debtor under the original agreement and is primarily liable with the claimant for every default. Acceptable sureties in connection with FMS Form 2244 are either a corporate surety authorized by the Secretary of the Treasury, or two responsible individual sureties. In foreign countries, it is the claimant's responsibility to secure a certification as to the financial sufficiency of the individual sureties. The certification shall be executed by one of the persons listed on the face of the FMS Form 2244 under "Certificate as to Sureties" and in the manner prescribed by the instructions appearing on the FMS Form 2244. If the amount of the original check was equivalent to \$200 or less in United States currency, only one financially responsible surety is required. Sureties shall not be required if:

1. The DO determines that the non-receipt, loss, theft, destruction or mutilation of the check was not the fault of the owner or holder and occurred while the check was in the custody or control of an agent of the United States performing services in connection with an official function of the United States.

2. The DO is satisfied that a substantial portion of the check is presented and is in fact the subject of the claim and that those missing portions are not sufficient to form a valid claim against the United States.

3. The claimant or holder is an officer or employee of the United States, a municipal corporation, or a political subdivision of the United States, a state, the District of Columbia, or a United States Territory or Possession.

4. The claimant is a corporation whose entire capital is owned by the United States, a foreign government or agency thereof, a foreign central bank, or a Federal Reserve Bank.

140703. Settlement Check Procedures. The procedures for claims on paid checks are applicable to all LDAs.

A. Action by the Payee of the Check. The payee immediately shall notify the DO, over his or her own handwritten signature, when a check has been paid on a forged endorsement. The notification shall provide all available information on the identification of the forged check. The payee shall complete the FMS Form 1133 (Claim Against the United States for the Proceeds of a Government Check) and return it to the DO issuing the original check within 90 days of the date appearing on the FMS Form 1133.

B. Action by the DO. Upon receipt of a written request for the proceeds of a check paid on a forged endorsement, the DO shall:

1. Request the LD to commence reclamation. The request to the LD shall be in writing. The LD shall be requested to acknowledge the request in writing and, if canceled checks are not returned to the account holder with the bank statement, to provide the forged check or a clear legible copy thereof to the DO.

2. Give the payee a copy of the forged check, a modified FMS Form 1133 with instructions on completion and return of the form within 90 days. Modifications that the DO shall make to the FMS Form 1133 are: substitute the address of the DO as the return address at the top of the form and in the second from the last paragraph in place of the Treasury Department address in those positions; insert the complete name and address of the claimant in the address area; insert the payee's name and complete address as shown on the forged check, the check number, the date of issue, and the amount of the check in the boxed space; delete the phrase "by the United States Secret Service" in the second line of the last paragraph; and substitute the title of the DO processing the claim for "Director, Division of Check Claims" appearing at the bottom of the form.

3. If the completed FMS Form 1133 is not returned within 90 days the DO shall consider the case closed. If the FMS Form 1133 is completed and returned by the payee within 90 days, the DO shall forward the form and a copy of the forged check to his or her Component's investigative service for examination by a handwriting expert.

4. The investigative service shall be requested to certify an opinion as to the authenticity of the endorsement. The opinion of the handwriting expert shall be the basis

for deciding whether or not a settlement check can be approved for the claimant. Approval for a settlement check shall be granted if the opinion of the handwriting expert states the endorsement was forged and not executed by the payee, the settlement check can be issued before the end of the full fiscal year following the fiscal year in which the forged check was issued, there is no doubtful question of fact or law concerning the payment, and the payee's claim, in writing, the FMS Form 1133, the certified opinion of the handwriting expert, and any other necessary supporting documents have been received in proper form.

5. When it has been determined that a settlement check is due the payee it shall be issued without waiting for reclamation to be accomplished by the LD. The approval shall be noted on the front of the FMS Form 1133 in the words "Settlement approved by (name, title, and disbursing station), Date (month, day, and year).". The DO then shall issue a settlement check with the current date and payable in the same currency as the original check. The settlement check shall contain information on its face in the lower left-hand corner identifying the original check as follows: "Issued in settlement of check number ____ dated (Mo, Day, Yr) drawn by (DO who issued original check) on (Name of Limited Depository).". Settlement checks shall be reported as checks issued and accounted for in the regular manner when preparing the SF 1149.

6. Where the local currency disbursed for the forged check was purchased through an MBF, by an open market transaction, or by issuance of a Treasury check, the issuance of the settlement check shall be reported as a Receivable - Check Overdraft on line 7.2 of the DD Form 2657, Daily Statement of Accountability and the SF 1219. The receivable shall be established and cleared as a check issue overdraft discrepancy as prescribed in section 1408, below. Where the funds originally used to pay the forged check were obtained from U.S. owned foreign currencies, the DO shall charge the disbursement of the settlement check to the same foreign currency account.

C. Reclamation. In all cases where settlement checks have been issued, the DO responsible for the LDA shall be satisfied that reclamation action is timely, and every effort is made to recover the proceeds of forged LDA checks. The DO shall, at least twice within the 30 days immediately following the receipt of the LD's acknowledgement of the notification of a forgery, make a formal written request for completion of reclamation by the LD. If the LD advises that reclamation cannot be made because the LD can prove a point of local law that relieves it from responsibility, the DO shall request relief of liability for the illegal, incorrect, or improper payment as prescribed in Chapter 6 of this volume. If relief of liability is granted, the DO shall clear the check issue overdraft as prescribed in section 1408, below. Recoveries made through reclamation shall be credited to the appropriation to which the disbursement of the settlement check was charged. If the charge is still carried as a check issue overdraft, line 7.2 of both the DD Form 2657 and the SF 1219 shall be cleared. If line 7.2 has already been cleared by relief of liability, the account Miscellaneous Receipts, **3210, shall be credited.

140704. Recovery of Original Check. In the event that the original LDA check is recovered before issuance of a substitute check, suspend the substitute check action and request

the LD to remove the stop payment against the original check. The payee then may negotiate the original check. If the substitute check has been released, the original check shall be rendered non-negotiable by writing or stamping across the face of the check "Not Negotiable - Substitute Check Issued Under No. ____." Such a check shall be submitted with the next SF 1149.

140705. Referral to the General Accounting Office

A. Entitlement or Legal Representation. All cases involving questions as to the payee or owner's entitlement to a substitute or settlement check, and cases where no legal representative has been appointed by the court for deceased/incompetent payees or owners, shall be forwarded for advice to the General Accounting Office, Claims Group, General Government Division, Washington, DC 20548.

B. Questions of Law or Fact. All cases involving a doubtful question of law or fact shall be forwarded to the GAO for settlement action.

C. Checks Outstanding More Than One Full Fiscal Year. All cases involving checks that have been outstanding more than one full fiscal year after the fiscal year in which they were issued shall be forwarded to the GAO for settlement action. Documentation for these cases shall include a properly executed FMS Form 2244 or other undertaking of indemnity for the proceeds of a lost, stolen, destroyed, mutilated, or defaced LDA check; the check in question, if available, or any identifiable portions thereof; and, any other supporting documentation.

140706. Files. Approved claims and supporting documentation, or copies of the same where the originals have been transferred to the supporting DFAS Center or OPLOC, shall be retained by the DO as part of the retained records.

1408 ADJUSTMENT OF CHECK ISSUE DISCREPANCIES

140801. General. This section sets forth the actions necessary to effect adjustments of LDA differences chargeable to DOs. These adjustments shall be made and recorded in the accounts of the DO immediately upon discovery. The procedures described herein do not apply to voided or spoiled LDA checks or to canceled LDA checks which were discussed in sections 1404 and 1406 of this chapter. LDA check issue discrepancies are disclosed in internal audit reports, by the GAO's audit, or by control measures initiated by the DO. These differences occur when the LD pays a check in an amount different from the disbursement voucher and the record of checks issued; the disbursing office draws a check to the wrong payee; the disbursing office issues a check in an amount different than the amount shown on the disbursement voucher; the disbursing office voids, spoils, or cancels a valid check in error while at the same time issuing the check that was the subject of the action to void, spoil, or cancel; or the payee advises of a possible overpayment or under-payment.

140802. Recording Limited Depository Check Issue Overdrafts and Underdrafts. As soon as the DO is aware of a check issue difference (regardless of the U.S. dollar value) an

OF 1017-G shall be prepared in original and three copies to record the overdraft or underdraft. A complete explanation of the difference shall be shown on the form, including a description of the check (check number, date, amount, payee, account number, and LD name) and identification of the related disbursement voucher. The original OF 1017-G shall be attached to the DO's SF 1219, a copy shall be attached to the SF 1149, and the two remaining copies shall be placed in a file and used as the DO's official subsidiary record of the uncleared difference comprising the DO's accounts receivable and/or accounts payable.

140803. Adjustments During The Current Accounting Period. Documentation for adjustment of check issue discrepancies applying to the current accounting period, which are disclosed and adjusted in the current accounting period, shall not be furnished with the SF 1149. These documents are required for internal processing and shall be maintained with the other retained financial records. Differences disclosed during the current accounting period which cannot be adjusted until a subsequent accounting period shall be documented as prescribed in paragraphs 140804, 140805, and 140806, below.

140804. Adjustments of Check Issue Overdrafts of More Than \$1. When it is determined that an LDA check has been issued for more than the amount shown on the disbursement voucher and the amount reported in the LDA reports, prepare an OF 1017-G as described in paragraph 140802, above and enter the amount as a decrease to the LDA on line 6.1 and an increase to accounts receivable on line 7.2A of the DD Form 2657. If the overdraft is an actual overpayment to the payee, the DO shall commence collection action. When recovery is made on the overpayment, the DO shall deposit the funds in the LDA and enter the amount as an increase on line 6.1 and a decrease on line 7.2A of the DD Form 2657. Prepare an OF 1017-G to document this transaction. Do not prepare a collection voucher. If the overdraft is due to not having charged the appropriation for the total amount of the check, prepare a one-sided SF 1081 to charge the overdraft to the appropriation cited on the original disbursement voucher. Include a complete explanation of the adjustment on the SF 1081 and process the voucher as a disbursement on line 4.1A and a decrease to accounts receivable on line 7.2 of the DD Form 2657.

140805. Adjustments of Check Issue Underdrafts of More Than \$1. When it is determined that a check has been issued for less than the amount shown on the disbursement voucher and the amount shown on the depositary reports prepare an OF 1017-G as described in paragraph 140802, above and enter the amount of the underdraft as an increase to line 4.1E and an increase to line 6.1 of the DD Form 2657. Prepare a one-sided SF 1081 crediting deposit fund account, Accounts Payable - Check Issue Underdrafts, **X6999. If the underdraft is due to charging the appropriation cited on the disbursement voucher more than the amount of the check, prepare an SF 1081 charging deposit fund account **X6999 and crediting the appropriation charged on the original voucher. If the underdraft is due to issuing the check for less than the amount on the original voucher, prepare an SF 1049 charging deposit fund **X6999 and issue a check to the original payee for the amount of the underdraft. Record the check and the SF 1049 as a new transaction in the LDA and on the DD Form 2657.

140806. Clearing Overdrafts and Underdrafts of \$1 or Less. When it is determined that an overdraft or underdraft of \$1 or less exists, prepare an OF 1017-G as described above for overdrafts and underdrafts over \$1. However, LDA check issue differences equal to \$1.00 or less in U.S. currency, even though they shall be recorded in the DO's accounts, will not be liquidated by collection from overpaid payees, payment to underpaid payees, or adjustments to appropriation or fund accounts which were over- or under- charged in the original processing of the voucher and issuance of the check. Instead, the procedures in the following paragraphs shall be used.

A. Clearance of Overdrafts Equal to One U.S. Dollar or Less. At the close of each fiscal year the DO shall prepare a one-sided SF 1081 for the cumulative total of all outstanding check issue overdrafts with a U.S. dollar value of one dollar or less. The SF 1081 shall charge the O&M appropriation of the disbursing activity and credit accounts receivable. Show a complete description of the transaction including a listing of the OFs 1017-G being cleared.

B. Clearance of Underdrafts Equal to One U.S. Dollar or Less. At the close of each fiscal year the DO shall liquidate all outstanding underdrafts for check issue differences with a U.S. dollar value of one dollar or less by processing an SF 1081 to transfer the cumulative total of these accounts payable from deposit fund **X6999 to miscellaneous receipt account, Forfeiture of Unclaimed Money and Property, **1060. If a payee requests payment of the underpaid amount at any time after the DO has processed the OF 1017-G for the underdraft but before the end of the fiscal year, the DO shall validate the claim and, if necessary, issue a check charging the original appropriation for the disbursement. Claims received after the outstanding underdraft has been cleared as prescribed in this paragraph shall be referred to the supporting DFAS Center.

140807. Clearing the Subsidiary Account Files. When the adjustment action has been completed, collection made, or additional check issued, mark the two file copies of the OF 1017-G with the appropriate legend: See Deposit Ticket No. _____, dated _____; See Check No. _____, dated _____; or, See Adjustment Voucher No. _____, dated _____. Submit one of the annotated copies with the SF 1149 at the close of the accounting period. File the remaining copy with the DO's retained records for the LDA.

1409 DOCUMENTATION OF LIMITED DEPOSITARY ACCOUNT TRANSACTIONS

140901. General. DOs are responsible for maintaining the controls and safeguards necessary to assure the drawing of LDA checks in strict conformity with disbursement vouchers as certified. LDAs are a part of the DO's accountability for public funds and are not recorded in agency accounting records until disbursements and collections are properly vouchered. For this reason, records maintained by the DO shall be complete, accurate, and auditable to insure the integrity of the LDAs.

140902. SF 1149 (Statement of Designated Depository Account). Within 30 days following the close of each calendar month, an SF 1149 shall be prepared and submitted by the DO holding an open LDA and by accountable individuals charged with the settlement of closed accounts. The SF 1149 shall be prepared by the account holder closing an LDA on the last business day and submitted within 5 days after the LDA is closed. When an LDA is closed, the final SF 1149 shall be marked "FINAL" at the top of the form. The SF 1149 shall be prepared in an original and two copies if the LDA holder is the DO, and in an original and three copies if the account holder is an agent of the DO. The SF 1149 shall be supported by:

- A. An LD bank statement for the period or a certified list of paid checks;
- B. A record of checks issued;
- C. A schedule of spoiled and voided checks and the checks themselves;
- D. A copy of every SF 1098 issued during the reporting period canceling available checks and the checks themselves;
- E. A copy of every SF 1098 issued during the reporting period canceling unavailable checks with the LD's letter acknowledging cancellation of the unavailable checks;
- F. A copy of each OF 1017-G issued during the accounting period to transfer uncurrent checks or report/clear check issue discrepancies;
- G. Original checks returned or recovered after a substitute check has been issued; any mutilated or defaced checks received from claimants;
- H. A schedule of deposits made to the LDA during the accounting period, showing date and amount of each deposit;
- I. A list of outstanding checks showing check number, date, and amount; and
- J. A copy of the SF 1219.

140903. Preparation of SF 1149. Information necessary for the preparation of the SF 1149 is shown in the following paragraphs. See figure 14-1 for an example of a completed SF 1149.

- A. Heading
 - 1. Name (Disbursing official or cashier). Enter the name of the account holder.

2. Name (Funds advanced by). If the DO is the account holder, leave BLANK, otherwise enter the name of the DO who advanced the funds used to establish the LDA.

3. Station or Office. Enter the name and address of the activity to which the account holder is assigned.

4. Name of Depository. Enter the name of the financial institution maintaining the LDA. A separate SF 1149 is required for each financial institution.

5. Location of Depository. Enter the address of the financial institution maintaining the LDA.

6. Account Number. Enter the account number shown on the statements received from the LD. A separate SF 1149 is required for each LDA.

7. Accounting Period. Enter the from/to days of the calendar month being reported by the SF 1149.

8. The Monetary Unit of This Account Is. Enter the complete name of the monetary unit on deposit with the LD (i.e., French Francs, not merely FRANCS which may be Belgian, Nigerian, or Swiss to cite a few of the nations using that currency name).

B. Summary of Transactions. Enter the amounts in the applicable foreign currency on lines 1 through 12, as explained below, and on the reverse of the form.

1. Line 1 - Checkbook Balance at Close of Previous Period. Enter the amount shown on line 18 of the preceding month's SF 1149. The figure shall agree with the amount on line 6.1 of the preceding SF 1219 unless the DO has more than one LDA.

2. Line 2 - Deposits to Official Credit

a. Transfers. Enter amounts of wire transfers or similar transactions into the account.

b. Others. Enter the total of all deposits made by the DO or account holder during the month. Attach a listing showing the date and amount of each deposit.

3. Line 3 - Checks Canceled This Period. Enter the total of all checks canceled by SF 1098 (both available and unavailable checks shall be included). Attach a copy of each SF 1098, the checks that have been canceled, and copies of the bank's acknowledgement on unavailable check cancellations. Note: Disregard instructions for Line 3 on the reverse of the SF 1149 requiring submission of SF 1184.

4. Line 4 - Undeliverable Checks Credited This Period. LEAVE BLANK. No entry necessary. These amounts are included in Line 3. Note: Disregard instructions for Line 4 on the reverse of the SF 1149 requiring submission of SF 1185 schedules.

5. Line 5 - Adjustments. Enter the total adjustment increases during the month (i.e. check issue underdrafts or interest credited to the account) and attach a copy of the OFs 1017-G, a detailed explanation of each adjustment, or the depository's credit memos for the increases.

6. Line 6 - Uncurrent Checks. Enter the amount of uncurrent LDA checks which were transferred to Treasury Department account 20X6045 during the month. Attach a copy of the uncurrent check listing and a copy of the OF 1017-G to the SF 1149.

7. Line 7 - Total To Be Accounted For. Add lines 1 through 6 and enter the total on this line.

8. Line 8 - Total Checks Drawn This Period. Enter the total of all LDA checks issued during the period. Voided checks are reported as zero dollar amount checks. Spoiled checks are reported as zero dollar amount checks when replaced by another serially numbered check. Replacement of spoiled checks by control checks does not change the check issue records because the check serial number of the original check is assigned to the control check. Attach carbon copies of the checks issued or, if the carbon copies are not available, attach a detailed listing of all checks issued showing location of the disbursing office, check number, check date, and check amount. Substitute checks are reported, but the amount of the check is omitted. If a listing is furnished instead of carbon copies of the checks, identify the substitute check as such on the listing, omit the amount and insert the number and date of the original check on the same line as the serial number of the substitute. The carbon copies of the checks or the detailed listing may be amended by a signed, handwritten, correction from the account holder for voided checks discovered before the submission of the SF 1149.

9. Line 9 - Uncollectible Checks Returned by the Depository. Enter the total of all dishonored checks returned by the LD. Attach a schedule showing the check number, date, payee, and amount of each dishonored check and the date and amount of the deposit slips under which they were deposited.

10. Line 10 - Adjustments. Enter the total adjustment decreases during the month (i.e. check issue overdrafts or fees for returned checks) and attach a copy of the OFs 1017-G, a detailed explanation of each adjustment, or copies of the LD's debit memoranda supporting the decrease.

11. Line 11 - Total. Add lines 8 through 10 and enter the total on this line.

12. Line 12 - Checkbook Balance Close of Period. Subtract line 11 from line 7 and enter the result on this line.

C. Reconciliation. Prove the checkbook balance by completing lines 13 through 19 as explained below and on the reverse of the SF 1149.

1. Line 13 - Balance Per Bank Statement. Enter the balance from the LD bank statement and attach a copy of the statement to the SF 1149.

2. Line 14 - Add: Deposits in Transit. Enter the total of deposits included in the amount on line 2 that were not shown on the bank statement. Attach a listing of the date and amount of each deposit not shown on the bank statement.

3. Line 15 - Total. Add lines 13 and 14 and enter the total on this line.

4. Line 16 - Deduct: Outstanding Checks. Enter the total of any checks not shown as paid on the current and all preceding bank statements. Verify that checks shown on this line have been reported on line 8 of previous SFs 1149. Attach a listing showing the check number, date, and amount of each outstanding check.

5. Line 17 - Deduct: Deposits Not Credited By (Disbursing Officer or Cashier). Enter the amount of deposits listed on the bank statement and not reflected in the checkbook balance (Line 12). The only acceptable reason for an entry on this line is an LD bank error crediting the wrong account. A detailed list showing the amount and date of each deposit shall support an entry on this line.

6. Line 18 - Balance Per Checkbook. Subtract the sum of lines 16 and 17 from the amount entered on line 15 and enter the result here. The amount entered on this line shall equal the amount entered on line 12 or the LDA has not been properly reconciled. Recheck all entries on lines 1 through 18 to determine source of the error.

7. Line 19 - U.S. Dollar Equivalent. The amount shown on this line shall be the U.S. dollar equivalent of the monetary units shown on line 12 and as reported on the SF 1219. Convert the amount shown on line 12 to its U.S. dollar equivalent using the rate of exchange from line 20. When the account has been properly reconciled, the values of line 12 and line 18 are the same and the U.S. dollar equivalent shall be the same for the adjusted bank balance and the adjusted checkbook balance.

8. Line 20 - Rate of Exchange. Use the official rate of exchange expressed as the units of foreign currency equal to one U.S. dollar carried to at least two decimal points (100th of one foreign currency unit). This rate shall be the same rate used to determine the U.S. dollar value shown on the Line 6.1 of the SF 1219 for the month.

D. Checks Used This Period. Enter the check serial numbers in the blank spaces provided. The beginning check serial number should be one number greater than the ending check serial number from the preceding month's SF 1149. Check serial numbers should run in ascending order from one report to the next.

E. Date and Signature

1. Date. Enter the date the SF 1149 is prepared.

2. Signature of Disbursing Officer or Cashier. The account holder shall sign in the space provided. If the account holder is not the DO, the statement shall be countersigned by the DO above the signature of the account holder before the SF 1149 is forwarded to the servicing DFAS Center.

140904. SF 1098 (Schedule of Canceled or Undelivered Checks). LDA checks being canceled because the payee is not entitled to the proceeds of the check or because the check cannot be delivered to the payee shall be vouchered on an SF 1098. Procedures for processing undeliverable checks are in paragraph 140503, above, and procedures for processing canceled checks are in section 1406, above. In cases where an SF 1098 is required, a single form may be used if the checks being scheduled are all drawn on the same LDA and are all being canceled, or are all undeliverable. Multiple SFs 1098 are required if the checks were drawn on more than one LDA or if the checks being scheduled are a mix of canceled and undelivered checks. Do not include checks to be canceled on the same SF 1098 with checks which are undeliverable. LDA checks charged to different appropriations or funds and drawn on the same LDA do not need to be scheduled on separate SFs 1098. Prepare the SF 1098 as prescribed in the following paragraphs. See figure 14-2 for an example of a completed SF 1098.

A. Heading

1. Insert the phrase "Limited Depositary Account" at the top of the form.

2. Enter an "X" in the "Canceled" block for canceled checks.

3. Enter an "X" in the "Undelivered" block for undelivered checks. Only one block shall be marked. Both blocks are never marked on the same form.

B. Department or Establishment. Enter the appropriate Component title. For example: U.S. Army; U.S. Air Force; U.S. Navy; Defense Logistics Agency; or Defense Finance and Accounting Service.

C. Schedule Number. Enter the collection voucher number.

D. Bureau or Office. Enter the name and address of the disbursing activity.

E. Sheet Number. Enter the page number and total number of pages comprising the SF 1098 (1 of 2; 2 of 2; 1 of 4; etc.). If there is only one page leave blank.

F. Location. Enter the name of the limited depositary bank and the account number.

G. D.O. Symbol Number. Enter the DSSN of the account holder or the DSSN of the account holder's DO in the case of an agent account holder.

H. Accounting Period. Leave blank.

I. Agency Location Code. Leave blank.

J. Body. Record all information for each check listed on the SF 1098.

1. Date of Issue, Check Number, Payee. Enter the information shown on the check or on the bank confirmation for unavailable checks.

2. Voucher Number Applicable. Enter the disbursement voucher number supporting the original check issue.

3. Amount. Enter the U.S. dollar equivalent of the check at the rate of exchange in effect on the date the check was issued (as shown on the payment voucher).

4. Symbol of Appropriation or Fund to be Credited. Enter the accounting data to which the proceeds will be credited.

5. Total. Enter total of all checks listed on the SF 1098. If the SF 1098 consists of more than one page, ensure the total reflects the entire submission.

K. Signature Element

1. Date of Deposit Ticket. Leave blank.

2. Forwarded. Leave blank.

3. By (Name). Enter the name of the account holder.

4. Disbursing or Accountable Officer. Enter the name of the DO.

5. Date. Enter the date the SF 1098 data was entered in the DO's records. Do not use the date the SF 1098 was signed unless the signature date and the date entered in the DO's accounts are the same.

6. Title. Leave blank if the account holder is the DO, otherwise enter the title of the agent holding the account.

140905. OF 1017-G. Journal vouchers are prepared to document the DO's accountability when disbursement or collection vouchers from the functional areas are not appropriate. The transfer of the proceeds of uncurrent checks and adjustments of check issue discrepancies are transactions that shall be documented by the DO with an OF 1017-G. Prepare the form as indicated in the following paragraphs.

A. Heading. Type the month and year the transaction is recorded into the DO's accountability in the upper left hand corner of the form. Type the DSSN and name of the DO in the upper left hand corner of the form immediately below the month and year.

1. J.V. No. Enter the sequential journal voucher number assigned for this transaction.

2. Date. Enter the date the OF 1017-G is prepared.

B. Body of the Form

1. Reference. Enter the voucher number, date, and other identification for the disbursement of the uncurrent check or the check overdraft or underdraft.

2. Explanation. Provide a narrative explaining the purpose for the form and a description of the check containing the DSSN of the issuing activity. check serial number, check date, and payee. Also, supply the identification of any vouchers or other documents associated with the transaction.

3. Debit. Enter the amount to be charged (in U.S. dollar equivalent) and under it, enclosed in parentheses, show the appropriation classification data to be used to enter the disbursement in the financial records.

4. Credit. Enter the amount to be credited (in U.S. dollar equivalent) and under it enter the appropriation classification data to be used to enter the collection in the financial records.

5. Total. Enter the total debit and/or credit amount for all items listed in the body of the form.

C. Signature Element

1. Prepared By (Signature) and (Title). The account holder shall sign and enter his or her typewritten title.

2. Approved By (Signature) and Title). The DO shall sign and enter his or her typewritten title.

1410 TRANSFERRING AND CLOSING THE LIMITED DEPOSITARY ACCOUNT

141001. General. When the person authorized to maintain an LDA is transferred from the activity or reassigned to duties where an LDA is not required, the account shall be reconciled and closed. When an LDA is no longer required, the account holder shall reconcile the account, leave a balance in the account sufficient to cover all current outstanding checks, and turn the account over to a settlement office designated by the supporting DFAS Center. If it is necessary to continue an LDA and the account holder is an agent of the DO, the account shall be reconciled and the unexpended balance shall be transferred to the DO. If it is necessary to continue the LDA and the account holder is the DO, the account shall be reconciled and the unexpended balance transferred to the successor DO.

141002. Reconciliation of an LDA. Prior to attempting to reconcile the LDA, the account holder shall contact the LD and request an up-to-date statement of the account and, if available, all the paid LDA checks since the last bank statement. The account shall be reconciled by preparation of an SF 1149 as explained in paragraph 140902, above.

141003. Transfer of the LDA. When it is necessary to transfer the LDA to the DO or to a successor DO due to operational requirements or economic considerations, the actions in the following subparagraphs shall be taken.

A. By the Account Holder

1. Obtain an up-to-date bank statement from the LD.
2. Reconcile the LDA.
3. Prepare a list of the outstanding LDA checks and provide it to the individual charged with continuing the account.
4. Give the LD with the name, official title, and address of the individual charged with continuing the account and arrange for future bank statements and paid checks to be delivered to that individual.
5. Turn over all undelivered LDA checks to the individual charged with continuing the account.
6. Issue a check payable to the transferee for the unexpended reconciled balance of the account.

7. Report the check transaction on line 10 of the final SF 1149.
8. Forward the SF 1149 and a list of the outstanding checks to the supporting DFAS Center or OPLOC.
9. Enter the amount of the unexpended balance and give a complete description of the check issued to the individual continuing the account as an Other Cash Item on line 7.9 of the SF 1219.
10. Return any unused checks belonging to the LD to that institution for disposition. If the unused checks were purchased by the disbursing activity, deliver them to the individual continuing the account.

B. By the Person Continuing the Account

1. Verify the LDA is in balance before relieving the account holder and ensure that a balance sufficient to satisfy all outstanding checks remains in the LDA.
2. Notify the LD of the new check signing and account holder identities.
3. Deposit the check received from the previous account holder for the unexpended balance and show the check amount on line 2 of the SF 1149 in the first monthly report of the individual continuing the account.
4. Make all required reports and process all transactions as prescribed in the procedures for the maintenance of LDAs in this chapter.

141004. Closing the LDA. When an LDA is no longer required the procedures to close the account are explained in the following subparagraphs.

A. By the Account Holder

1. Notify the servicing DFAS Center and request designation of a settlement office for liquidation of the account.
2. Request an up-to-date statement of the account from the LD.
3. Prepare a list of outstanding checks showing the name of the LD, check number, date, payee name and SSN, payee address, voucher number under which the check was disbursed, amount in units of foreign currency, amount of the check in equivalent U.S. dollars at the time of issue, DSSN and name of the DO under whose authority the account was established.

4. Prepare a letter for the commander's signature, in triplicate, advising the LD that the account will be closed with the withdrawal of the unexpended balance and that an amount sufficient to cover all outstanding checks will remain in the account. Give the LD the name, official title, and address of the settlement officer and request that future statements and paid checks, if available, be forwarded until the account balance is depleted. Request the LD to acknowledge acceptance by signature and to retain the original and return two signed copies to the activity. One of the signed copies shall be retained by the account holder.

5. Prepare an LDA check, payable to the DO (by title) under whose authority the account was established, for the unexpended balance of the account. The DO shall cash the check and take it up in the SF 1219 by reducing line 6.1 and increasing line 6.2 by the amount of the check.

6. Reconcile the account and prepare a final SF 1149 as of the last day of business showing a zero checkbook balance on lines 12 and 18. The ending balance in the account shall be the total amount of the checks shown on the list of outstanding checks and on line 16.

7. Forward to the designated settlement office all undelivered checks; a copy of the final SF 1149; a copy of the up-to-date bank statement furnished by the LD; a signed copy of the letter advising the LD of closure of the account; a copy of the check issued for the unexpended balance of the account; and the list of outstanding checks.

8. Unused LDA checks belonging to the LD shall be returned to that institution for disposition. Unused LDA checks purchased by the disbursing activity shall be stored and disposed of in the same manner as Treasury checks. No certificate of destruction or notification to DFAS or to the Treasury Department is required when LDA checks are destroyed.

B. By the Designated Settlement Office

1. Verify the LDA is in balance before accepting accountability from the DO.

2. Use the documentation provided by the account holder to validate transactions in the LDA.

3. Render the monthly SF 1149 as prescribed in paragraph 140902, above using the documentation provided by the account holder and the statements furnished by the LD after the account is closed.

4. Transfer the proceeds of uncurrent checks to the Treasury Department as prescribed in paragraph 140502, above.

5. Issue replacement checks as prescribed in paragraph 140703, above.

6. When necessary, dispose of undeliverable checks as prescribed in paragraph 140503, above.

STANDARD FORM 1149 Revised March 1982 Dept. of the Treasury 1 TFM 4-8000	STATEMENT OF DESIGNATED DEPOSITARY ACCOUNT	
NAME OF DISBURSING OFFICER OR CASHIER MSGT Joe L. Smith		NAME (Funds advanced by) Maj Eugene L. Doe, USAF
STATION OR OFFICE USDAO, US Embassy, Brindisi, Italy		
NAME OF DEPOSITARY Banca Commerciale Italiana		LOCATION OF DEPOSITARY Brindisi, Italy
ACCOUNT NUMBER (or other designation) as shown on depositary statement 26,042/00		
ACCOUNTING PERIOD From 1 Jun 19XX		To 30 Jun 19XX
MONETARY UNIT OF THIS ACCOUNT Italian Lire		
(SEE REVERSE SIDE FOR LINE INSTRUCTIONS)		
1. Check-book balance at close of previous period		97,564
2. Deposits to official credit:		
Transfers	0	
Others	6,217,187	6,217,187
3. Checks canceled this period		0
4. Undeliverable checks credited this period		0
5. Adjustments		0
6. Uncurrent checks		0
7. TOTAL TO BE ACCOUNTED FOR		6,314,751
8. Total checks drawn this period		6,305,639
9. Uncollectible checks returned by depositary		0
10. Adjustments		0
11. TOTAL		6,305,639
12. Check-book balance close of period		9,112
RECONCILIATION		
13. Balance per bank statement		101,791
14. Add: Deposits in transit		0
15. TOTAL		101,791
16. Deduct: Outstanding checks		92,679
17. Deduct: Deposits not credited by		0
(Disbursing officer or cashier)		
18. Balance per check book		9,112
19. U.S. dollar equivalent		
20. Rate of exchange 1.983 per \$1.00		
CHECKS USED THIS PERIOD		
BEGINNING SERIAL NUMBER 24,009		ENDING SERIAL NUMBER 24,057
I certify that the above statements and supporting data are correct and in accordance with applicable regulations.		
DATE 15 July 19XX		SIGNATURE OF DISBURSING OFFICER OR CASHIER
NSN 7540-00-682-6749 PREVIOUS EDITION USABLE 1149-105		

Figure 14-1. Sample SF 1149 (Statement of Designated Depositary Account)

STANDARD FORM 1149 (REV. 3-82) BACK

LINE INSTRUCTIONS

1. Report the balance in checking account carried forward from previous statement.
2. Enter the totals of all deposits, segregating transfers, made to the checking account during the month and submit a list showing date and amount of each deposit.
3. Show the total of all checks canceled during the report period, to be supported by corresponding Schedules of Canceled Checks, Standard Form 1098, and Unavailable Check Cancellation, Standard Form 1184.
4. Show on this line the total of credits to the checking account for undeliverable checks which have been credited to appropriation or fund accounts as supported by Standard Form 1185 schedules.
5. Report the total of all adjustments increasing the accountability during the report period. A detailed explanation should support each adjustment.
6. Add the total of checks that became uncurrent at the close of the fiscal year. A complete detailed listing of each uncurrent check should support the y on this line.
7. Show the total of lines 1 through 6, reflecting total accountability for the report period.
8. The grand total of all checks drawn for the period will be shown here. A complete detailed list or check carbon copies should be submitted.
9. The total of uncollectible checks returned by the depository during the report period will be shown here with supporting schedules showing the date and amount of the original certificate of deposit or deposit slip.
10. Enter the total of all no-check adjustments processed during the period which reduces the accountability, and submit a supporting detailed explanation of each adjustment.
11. Show the total of lines 8 through 10. This amount represents the total decrease in the checking account accountability for the report period.
12. The figure shown here will be the difference between the totals on lines 7 and 11.
13. Show on this line the balance of funds in the checking account as shown on the bank statement. Support with bank statement.
14. Show the total of all deposits in transit to the checking account, the amounts of which have been included in line 2. A detailed list showing the amount and date of each deposit must support this line amount.
15. Show here a total of lines 13 and 14.
16. Report here the total of outstanding checks in the account. Support this figure with a detailed listing of each check.
17. Report here the total of outstanding checks in the account. Support this figure with a detailed listing of each check.
18. The amount on this line should be the same as the total shown on line 12. If not, explain in detail.
19. The amount shown on this line will be the U.S. dollar equivalent of the monetary units shown on line 12 and as reported on the Statement of Accountability.
20. Show here the rate of exchange used in the conversion shown on line 19.

*U.S. GOVERNMENT PRINTING OFFICE : 1982 O - 361-526 (8010)

Figure 14-1. Sample SF 1149 (Statement of Designated Depository Account) (Back)

STANDARD FORM 1098 Revised July 1980 Department of the Treasury 1 TFM 4-7000 1098-110		"Limited Depository Account"			
SCHEDULE OF CANCELED OR UNDELIVERED CHECKS CANCELED ☒ UNDELIVERED ☑					
DEPARTMENT OR ESTABLISHMENT USAF				SCHEDULE NUMBER CF000001	
BUREAU OR OFFICE 487 CSG/ACF Banco Di Sicilia Acct #572654				SHEET NUMBER	
LOCATION Comiso ASIT APO AE 09694				D.O. SYMBOL NO. 8479	
ACCOUNTING PERIOD				AGENCY LOCATION CODE (ALC)	
DATE OF ISSUE	CHECK NUMBER	PAYEE	VOUCHER NUMBER APPLICABLE	AMOUNT	SYMBOL OF APPROPRIATE OR FUND TO BE CREDITED
10/12/XX	00,011,921	Ruth Savage 375,000L@.00800	F000001	300.00	57*3500
10/13/XX	00,012,001	Tom Grant 686,400L@.000758	F000002	520.00	57*3400
TOTAL				820.00	
The amount of the above check(s) was deposited for credit in the account of the U.S. Treasury, on deposit ticket no.			DATE OF DEPOSIT TICKET	FORWARDED (Date)	
DISBURSING OR ACCOUNTABLE OFFICER Jonathon Andrews			DATE 10/15/XX	BY (Name)	
				TITLE Deputy Disbursing Officer	

NSN 7540-00-634-4287 PREVIOUS EDITION NOT USABLE

Figure 14-2. Sample SF 1098 (Schedule of Canceled or Undelivered Checks)

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CHAPTER 15

FOREIGN CURRENCY ACQUIRED WITHOUT PURCHASE1501 SCOPE AND APPLICABILITY

150101. General. This chapter identifies policies relating to the acquisition and handling of foreign currencies obtained by DOs without purchase for dollars and not carried in their dollar accountability. These currencies are acquired under the provisions of foreign assistance or foreign agricultural development programs. They are lodged in special accounts reserved for foreign transactions not involving foreign currency purchased with U.S. dollars and are called "FT" accounts. The requirements of this chapter are derived from Part 2, chapter 3200 and Part 4, chapter 9000 of the Department of the Treasury Financial Manual for Guidance of Departments and Agencies (reference (m)).

150102. Legal Authority. FT accounts are established by the Treasury Department to provide local foreign currency for program expenditures in-country and delay draw downs on the Treasury's General Account. These funds are most often received for the sale of surplus U.S. agricultural commodities under the Agriculture Trade Development Act of 1954, Public Law 83-480 (P.L. 83-480), as codified in 7 U.S.C. 1704 (reference (bo)). Funds may be made available from this source to satisfy DoD requirements for foreign currency in countries having Currency Use Payments (CUP) agreements under P.L. 83-480.

150103. Collections. For the purposes of this chapter, collections are defined as all acquisition of foreign exchange, including refunds or returns of payments, made in foreign currency not purchased with U.S. dollars.

★ 150104. Availability. When FT funds become available, the United States Disbursing Officer (USDO) controlling those funds will determine the DoD foreign currency requirements by contacting the American Embassy in-country. DOs shall keep the American Embassy in-country advised of their foreign currency requirements at least once each calendar year. When the DOs are advised of the availability of FT funds, they shall address a written request for foreign currency to the Deputy Director for Finance, DFAS Headquarters, through the supporting DFAS Center. The request shall identify the DO to receive the funds, the activity to which the DO is attached, and the amount in foreign currency units of funds requested. DFAS Headquarters will forward a written request to the USDO for transfer of funds. The transfer and receipt of foreign currency obtained in this manner must be recorded in the financial records of the USDO and the DO in the same calendar month.

150105. Records. FT funds shall be recorded in a separate subsidiary record and reported separately from foreign currency purchased with U.S. currency. FT funds shall not be co-mingled with foreign currency purchased with U.S. currency or refunds and returns of U.S. funded foreign currency payments. FT funds shall not be included with U.S. currency and

foreign funds purchased with U.S. currency reported on the SF 1219. FT funds subsidiary records shall be maintained in units of the foreign currency involved. Subsidiary records shall be maintained in such a way as to readily disclose the balance of foreign currency available for the DO's use.

1502 FOREIGN EXCHANGE STANDARDS

150201. Uniform Reporting. The requirements in this section are established to achieve comparability and consistency among DoD Components in the reports they submit on foreign exchange transactions. These procedures are not intended to place prohibitive limitations on the content of individual DFAS Center reports. Modifications of prescribed reporting formats are permitted as long as they are restricted to special columns, explanatory notes, or other devices that do not destroy the integrity of the basic data and the nature, extent and purpose of the modifications are fully disclosed. Material modification must be cleared, in advance, through DFAS Headquarters before being incorporated in any report.

150202. Consistency Between Reports. Foreign currency reports shall be consistent with regularly published Treasury Department foreign currency reports as to foreign currency units used by other nations and as to their U.S. dollar equivalent.

150203. Monthly Statement of DOs. Transactions and balances of foreign currency held outside dollar accountability (i.e., not shown on the SF 1219 by DOs) shall be submitted monthly on the DD Form 1363 (Statement of Transactions and Accountability (FT Accounts)). A separate DD Form 1363 must be submitted for each FT account. Amounts shall be stated in foreign currency units. Transactions shall be classified to provide for separate identification of receipts, disbursements, sales for dollars, transfers, conversion to third country currency, and other types of activity, if needed.

150204. Semiannual Statement of Balances. The Treasury Department will extract the information in this report from its central accounts. The report shall show the foreign currency balances held by DOs, in units of the foreign currency and their U.S. dollar equivalent. Foreign currencies held under U.S. dollar accountability shall not be included in this report. The Treasury Department will furnish two copies of the initial statement to DFAS Headquarters at the end of each semiannual period during which DOs have held foreign currency balances outside their U.S. dollar accountability. DFAS Headquarters will review the statement for agreement with its records and reconcile any discrepancies with the cognizant DO within seven working days of receipt from the Treasury Department. One copy of the accepted or adjusted statement, which will be the final statement, will be returned to the Treasury Department under a cover letter stating that the statement: has been reviewed and adjusted if necessary; is in agreement with the records and reports of DFAS; and is a complete statement of the foreign currency balances held by DOs. DFAS Headquarters review and return of the statement should be accomplished within ten days of receipt from the Treasury Department. The Treasury Department will prepare the statement as of March 31 and September 30 each fiscal year.

1503 ADMINISTRATION OF FOREIGN EXCHANGE

150301. Collections. (See definition at paragraph 150103, above). Foreign exchange received by DOs shall be deposited no later than the next regular business day to the credit of the Treasury Department in FT receipt accounts designated by the collecting agency or activity. DOs shall maintain records showing collections by source, Treasury Department receipt accounts to be credited with the dollar proceeds of the collection, and any restrictions on the use of the foreign exchange collected.

150302. Depositories. Foreign exchange held for the account of the Treasury Department shall be deposited only in depositories designated by the Treasury Department. Foreign exchange shall be deposited in an interest bearing account whenever practicable. Foreign exchange held for the account of the Treasury Department, or any other agency of the U.S. Government, shall be deposited in a separate account and not co-mingled with funds held by DOs for their own official limited depositary account.

150303. Documentation of Foreign Exchange Transactions. Forms normally used for U.S. currency disbursements and collections shall be used for foreign exchange transactions. However, FT funds received by transfer from a USDO and interest earned on FT fund deposits must be reported on separate vouchers and not co-mingled with other collection transactions. The summary record of FT transactions is the DD Form 1363 prepared monthly and submitted to the servicing DFAS Center in the original and two copies along with the original and one copy of each voucher for FT transactions. Copies of the DD Form 1363 and related vouchers shall be retained for the DOs records. DFAS Centers shall forward a copy of the DD Form 1363 as soon as possible after the close of the reporting month, but no later than the 20th calendar day of the next month, to: Department of the Treasury, Financial Management Service, Budget Reports Branch, Financial Reporting Division, Liberty Center, Attn: GAO Building, Room 1731, Washington, DC 20227. Telephone (202) 566-6841.

150304. Withdrawals From Treasury Department Accounts. DOs reporting foreign exchange on DD Form 1363 shall make no withdrawals from the accounts in which those funds are held without authorization from the Treasury Department. The Treasury Department will authorize withdrawals only for sale for U.S. dollars or transfer to agencies for authorized purposes, without reimbursement to the Treasury Department, as provided by law. DOs requiring foreign exchange for authorized purposes shall submit their request to the Treasury Department through the supporting DFAS Center and DFAS Headquarters. Requests shall identify the DO requiring the foreign exchange by name and location and specify the number of foreign currency units needed.

150305. Exchange Rates. The Treasury Department reporting rate shall be used to establish the U.S. dollar value of FT foreign currency. These rates are published on the first day of each quarter by the Treasury Department. The rates published at the beginning of a quarter shall be used to value the FT currency at the close of the preceding quarter and for all FT transactions and balances in the current quarter, except for the closing balance of the current

quarter. For example, the rate published on April 1 would be applicable to the balance as of March 31, to the transactions for April, May, and June, to the balances of April 30 and May 31. The rate published for July 1 would apply to the balance of June 30. Amendments to the published quarterly rate will be made during a quarter if the rate changes by 10 percent or more, or a new currency unit is established. The published rate will usually be rounded to four significant digits.

150306. Transaction Valuations

A. Refunds and Reverse Transaction Items. For reporting purposes these items are valued at the Treasury Department reporting rate on the date they occur, not at the rate used for the original transaction. Adjustments shall be made to financial records to reflect exchange rate fluctuations.

B. Sale of FT Currency for U.S. Dollars. The sales transactions of FT currency are recorded at the Treasury Department reporting rate in effect on the date of the sale. The value of the FT currency sold and the U.S. dollar proceeds of the sale shall always be equal and no gain or loss by exchange occurs.

C. Sale of FT Currency for Another Foreign Currency. The Treasury Department reporting rate shall be applied to the FT currency disposed of and the equivalent U.S. dollar value shall be assigned to the foreign currency acquired. This creates a "wash" transaction. However, if the Treasury Department reporting rate for the currency acquired is different from the U.S. dollar value assigned as a result of the sale, an accounting adjustment must be made to record the difference.

★ 150307. Conversion of Currencies. DOs shall report the amount of currency available for conversion to another foreign currency or to U.S. dollars held in FT accounts each time the available FT balance reaches the equivalent of \$10,000 in U.S. dollars. FT balances available for conversion are limited to loan repayments under 7 U.S.C. 1704 (reference (bo)) where the parties have entered into an agreement stipulating 2 percent convertibility. These reports shall be submitted in original and one copy to the address in paragraph 150303, above.

1504 CAPTURED FOREIGN CURRENCY

The guidance contained in this section is consistent with Treasury Department procedures concerning the handling of captured foreign currency, both when there is a current market for the funds and when there is not. USDOs are the primary accountable officers responsible for accounting and reporting foreign currency not acquired by purchase with dollars. Captured foreign currencies are treated as FT funds. Captured foreign currency, both when there is a current market for the funds and when there is not, shall be delivered promptly into the custody of the USDO servicing the particular country involved. Whether there is, or is not, a current market for the funds, is a separate issue that should be dealt with after the funds have been safeguarded and accounted for by the USDO. Should any DoD DO initiate the collection of captured foreign currency, the

currency shall be safeguarded and delivered to the USDO serving that particular country as soon as possible. The DO shall not collect the funds into U.S. dollar accountability or into the DO's FT accounts, if any.

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CHAPTER 16

FOREIGN CURRENCY RECORDS AND REPORTS1601 SUBSIDIARY RECORDS

160101. General. All transactions involving foreign currency are treated as cash transactions and basically follow the same principles and guidelines established for controlling U.S. currency. All DOs, agents, and cashiers who engage in foreign currency transactions (collections, disbursements, and accommodation exchanges) shall maintain a record of such transactions on DD Form 2663 (Foreign Currency Control Record). The DD Form 2663 shows current balances of foreign currency on hand (all foreign currency held by cashiers, in the vault, or by other agents of the DO) and in LDAs and the detailed transactions that increase or decrease these balances. Foreign exchange (FT) account foreign currency transactions (see Chapter 15 of this volume) are not included on DD Form 2663.

160102. Requirement for Separate DD Forms 2663. Separate DD Forms 2663 shall be maintained for each type of foreign currency used (for example, Italian lira, French francs, or Japanese yen). Also, a separate DD Form 2663 shall be maintained for accommodation exchange foreign currency if it is carried at a different exchange rate than that used for disbursements. At the DO's discretion, separate DD Forms 2663 may be maintained for foreign currency on hand and foreign currency in LDAs.

160103. Preparation of DD Form 2663. The DD Form 2663 is designed for notebook-style usage. Both sections (sides) of the form must be completed to make a complete record of each line entry. An example of DD Form 2663 is shown as figure 16-1. Complete the form as follows:

- A. Item 1: Date. Enter the applicable transaction date.
- B. Item 2: Transaction Reference. Enter data that will enable reference to transaction source documents (e.g., voucher number, revaluation and LDA check number).
- C. Item 3: Exchange Rate. Enter the foreign currency to U.S. dollar exchange rate applicable to the transaction.
- D. Item 4: Collections
 - 1. Subitem a: Miscellaneous Receipts. Enter the number of foreign currency units in the units column and the U.S. dollar equivalent of those units in the dollars column for any foreign currency collected into a Treasury Department miscellaneous receipt account.

2. Subitem b: Reimbursement/Refund. Enter the number of foreign currency units in the units column and the U.S. dollar equivalent of those units in the dollars column for any foreign currency reimbursement or refund transactions. At the DO's option, these columns may be used only for reimbursements with refunds being netted out in Item 8. Line through the word "refund" in the item heading if this option is exercised.

E. Item 5: Purchases

1. Subitem a: Government Sources. Enter the number of foreign currency units in the units column and the U.S. dollar equivalent of those units in the dollars column for any foreign currency purchases from government sources including other DOs, the Treasury Department, State Department, etc. Include foreign currency acquired from government sources that will be used for accommodation exchange purposes. However, do not include foreign currency acquired in accommodation exchange transactions.

2. Subitem b: Non-Government Sources. Enter the number of foreign currency units in the units column and the U.S. dollar equivalent of those units in the dollars column for any foreign currency purchases from non-government sources including military banking facilities and nonappropriated fund activities. Include foreign currency acquired from non-government sources for purposes of making accommodation exchanges and foreign currency acquired in accommodation exchanges.

3. Subitem c: Outlay for Accommodation Exchange. This subitem is for memorandum entry only since any foreign currency acquired in accommodation exchange transactions is included in subitem 5b, above. Enter the U.S. dollar equivalent of those units in subitem 5b associated with accommodation exchange purchases. These amounts are required for foreign currency reporting. This subitem may be left blank when a separate DD Form 2663 is maintained exclusively for accommodation exchange transactions.

F. Item 6: Country. Enter the name of the country whose currency is reported on the DD Form 2663 (e.g., France, Italy or Japan).

G. Item 7: Currency Unit Type. Enter the name of the foreign currency reported on the DD Form 2663 (e.g., Franc, Lira or Yen).

H. Item 8: Disbursements. Enter the number of foreign currency units in the units column and the U.S. dollar equivalent of those units in the dollars column for any foreign currency disbursements. If foreign currency refunds are included in subitem 4b, disbursements entered in this item should be gross disbursements. If only reimbursements are entered in subitem 4b, disbursements entered in this item should be net of refunds.

I. Item 9: Deposits/Sales/Transfers. Enter the number of units of foreign currency in the units column and the U.S. dollar equivalent of those units in the dollars column represented by accommodation exchange sales, deposits to a general depositary, or transfers to

other DOs or agents outside the DO's accountability. Do not show deposits to an LDA in this item.

J. Item 10: Gain or Loss. Enter gains or losses resulting from revaluation of foreign currency on hand and in an LDA. Include any gains or losses recognized on the basis of individual disbursement or accommodation exchange transactions. Also enter the amount of any physical losses of foreign currency. (Overages of foreign currency should be processed as a reimbursement to **F3875 or eventually as a receipt account collection. See Chapter 6 of this volume.)

K. Item 11: Sub Balance

1. Subitem a: On Hand. Enter the cumulative number of units of foreign currency in the units column and the U.S. dollar equivalent of those units in the dollars column representing the balance of foreign currency on hand (not including currency on deposit in an LDA). Entries in this subitem should be balanced (offset) by entries in other items of the DD Form 2663. The only exception is when foreign currency being carried as cash on hand is deposited to an LDA or when an LDA check is written to obtain cash on hand. Such transactions are entered as a decrease (or increase, as appropriate) in the units and dollars columns of this subitem and as an increase (or decrease, as appropriate) in the units and dollars columns of subitem 11b. Appropriate reference to such a transaction must be entered in items 1 and 2.

2. Subitem b: LDA. Enter the cumulative number of units of foreign currency in the units column and the United States dollar equivalent of those units in the dollars column representing the balance on deposit in an LDA. Entries in this subitem should be balanced (offset) by entries in other items of the DD Form 2663 except for transactions involving transfers between cash on hand and cash in an LDA as explained in the preceding subparagraph.

L. Item 12: Combined Balance. Enter the total of the units columns of subitems 11a and b in the units column. Enter the total of the dollars columns of subitems 11a and b in the dollars column.

160104. Totalling the DD Form 2663. Compute and enter column totals of items 4 through 10 at the end of each month, at the end of each quarter, and at the end of each year.

1602 FOREIGN CURRENCY REPORTS

160201. Monthly DD Form 1363 (Statement of Transactions and Accountability (FT Accounts)). This monthly report is not submitted unless DOs hold funds outside their dollar accountability. Currently, no DOs in the DoD hold such funds. Instructions for its use and disposition shall be issued by the supporting DFAS Centers when necessary.

160202. Quarterly Reports of DOs

A. Cumulative Report of Foreign Currency Purchased With U.S. Dollars from Sources Outside the U.S. Government. This report shall be submitted at the end of each quarter and is cumulative for the fiscal year. The report shall include amounts acquired through accommodation exchange transactions as well as purchases from banks and other dealers in currency exchange. The report shall be in the form of a listing under the following headings: Country of Currency; Monetary Unit; Number of Units Purchased; Total Dollar Outlay; and Memorandum - Dollar Outlay for Accommodation Exchanges. Reports shall be submitted to the supporting DFAS Center within 15 calendar days after the close of each quarter.

B. Report of the Balance of Foreign Currency Held Under Dollar Accountability. This report shall be in the form of a listing under the following headings: Country of Currency; Monetary Unit; Number of Units; Dollar Equivalent; and Rate of Exchange. The report shall be submitted at the end of each quarter to the same activity as the cumulative report on outside purchases above and may be combined with that report.

C. Report of Foreign Exchange Received by DOs and Credited Immediately to Miscellaneous Receipt Accounts of the Treasury Department. These funds are received for such things as fees and services and are immediately purchased by DOs with appropriated funds for their operating needs. Repayments to appropriations and receipts to FT accounts are excluded. The report shall be in the form of a listing under the following headings: Country of Currency; Monetary Unit; Number of Units; Dollar Equivalent; and Rate of Exchange. This report shall be submitted at the end of each quarter to the same activity as the cumulative report of outside purchases and quarterly report of balances of foreign currency on hand and may be combined with those reports.

160203. Consolidated Quarterly Reports of DOs. The DFAS Centers shall consolidate the quarterly reports of DOs detailed above and forward them as directed by DFAS Headquarters in time to be delivered to the Treasury Department 45 calendar days after the close of each quarter. Simultaneously, a copy of the combined consolidated quarterly reports of DOs or a consolidated quarterly report of foreign currency on hand only shall be submitted to the Department of Commerce.

1603 SF 1219 (STATEMENT OF ACCOUNTABILITY)

160301. General. All foreign currency balances held under a DO's dollar accountability, including limited depositary checking account balances, shall be reported on the SF 1219. All entries in the amounts column shall be expressed in their U.S. dollar equivalent. Refer to Chapter 19 of this volume for complete details on preparation of the SF 1219.

160302. Specific Entries

A. Line 1.00 - Total Accountability Beginning of Period. The amount reported here shall be the total U.S. dollar accountability of all currencies, both U.S. and foreign, and include any balances from limited depositary checking accounts expressed as a U.S. dollar

equivalent. The monetary unit/units of foreign currency holdings shall be spelled out and enclosed by parentheses immediately after the caption "1.00" in the blank space between the caption and the amount column.

B. Lines 2.00 through 4.9 - Transactions. The amounts entered on these lines shall be reported at the U.S. dollar equivalent of all transactions in all currencies, both U.S. and foreign. However, note that Line 2.1 - Checks Issued on the U.S. Treasury, refers only to U.S. Treasury checks. Limited depositary checks shall not be reported on this line. Also, note that Line 4.2 - Deposits Presented or Mailed to Bank refers only to deposits made for credit to the Treasury Department General Account. Deposits made to a limited depositary checking account in the name of the activity or the DO shall not be reported on this line.

C. Line 5.00 - Total Accountability Close of Period. The amount reported here shall be the total U.S. dollar accountability of all currencies, both U.S. and foreign, and include any balances in limited depositary checking accounts expressed as a U.S. dollar equivalent. The monetary unit/units of foreign currency holdings shall be spelled out and enclosed by parentheses immediately after the caption "5.00" in the blank space between the caption and the amount column.

D. Line 6.1 - Cash on Deposit in Designated Depositary. The name of the limited depositary bank, the U.S. dollar equivalent of foreign currency, and the monetary unit of foreign currency held in limited depositary checking accounts shall be shown on this line in the blank space provided. If more than one limited depositary checking account is maintained, a separate schedule shall be attached to the SF 1219 showing the name of each bank, location, monetary unit of currency carried, and U.S. dollar value for each limited depositary checking account.

E. Lines 6.2 through 7.9 - Analysis of Accountability. The entries in the amount columns of lines 6.2 through 7.9 shall include the U.S. dollar equivalent of any foreign currency appropriate to the line caption. The monetary units of foreign currency and the U.S. dollar equivalent shall be shown enclosed in parentheses in the blank space between the line caption and the amount column.

F. Line 8.0 - Total of My Accountability. The entry in the amount column shall equal the sum of the entries in the amount columns for lines 6.1 through 7.9. The sum of the U.S. dollar values for each of the foreign currencies shown in parentheses on lines 6.1 through 7.9 shall be shown along with the respective monetary unit enclosed in parentheses in the blank space between the caption "8.0" and the amounts column. The totals in the blank space between the caption and the amount column shall equal the entry in the amount column. The entry in the amount column for line 8.0 shall equal the entry in the amount column for line 5.00 unless the DO is acting as settlement officer for former DOs at that station and entries are required on lines 9.2 through 10.0.

G. Lines 9.2 through 10.0 - Analysis of Predecessor's Accountability. Entries on lines 9.2 through 10.0 shall follow the same guidelines used for lines 6.1 through 8.0 if foreign currency holdings are included in the U.S. dollar figure in the amount column.

H. Line 11.0 - Total Disbursing Office Accountability. The entry in the amount column shall equal the sum of the entries in the amount column for lines 8.0 and 10.0 and shall also equal the entry in the amount column for line 5.00. Any foreign currency monetary units and their U.S. dollar equivalents shall be shown in the blank space between the caption "11.0" and the amount column.

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DD Form 2663, AUG 93

Figure 16-1. Sample DD Form 2663 (Foreign Currency Control Record)

★ August 1999

[illegible]

DD Form 2663, AUG 93 (Back)

Figure 16-1. Sample DD Form 2663 (Foreign Currency Control Record) (Back)

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CHAPTER 17

MILITARY PAYMENT CERTIFICATES1701 INTRODUCTION

170101. Conditions for Use. Military payment certificates (MPC) are available for use in overseas areas when their use is requested by the host country and such use is deemed by the State Department to be in the best interest of the U.S. Government. In this case, and other specified below, MPC shall be used instead of U.S. currency for payment of pay and allowances to DoD military and civilian personnel and to conduct transactions on overseas facilities operated or controlled by U.S. Forces. MPC can be used only with the approval of the USD(C). MPC may be authorized for use in an overseas area when one or more of the following conditions exist.

A. U.S. forces are engaged in active military or occupation operations in a location where the use of U.S. dollars may result in sizable amounts falling into enemy hands.

B. A foreign government allied with the United States in an active military operation uses its sovereign right to prohibit the use of U.S. dollars, but will permit the use of MPC by U.S. Forces and agrees to police the prohibition of its citizens from holding such instruments.

C. U.S. Forces are present in a foreign country at the invitation of the host government whose foreign exchange regulations prohibit the use of U.S. dollars within its borders.

D. The introduction of sizable amounts of U.S. dollars into a foreign area having a weak unstable economy will cause devaluation of the local currency or black market activity in U.S. dollars.

E. The duration of active military or occupation operations is anticipated to last more than 180 days.

170102. Acquisition. The Director, DFAS, shall budget and fund for the design, printing, storage, transportation, and distribution of MPC; maintain at least two reserve MPC series in sufficient quantities and denominations to meet realistic contingency requirements as determined in coordination with respective unified commands; and, maintain contingency plans and procedures to implement the MPC system on short notice, if required.

170103. Responsibilities

A. USD(C). The USD(C), or designee, shall, in coordination with DoD Components, the cognizant combatant commander, and other U.S. Government agencies, authorize the implementation, conversion or withdrawal of MPC from overseas areas and take final action on requests for exceptions to this policy.

B. Heads of DoD Components. The Heads of DoD Components with overseas responsibilities shall: maintain standby procedures that implement both the guidance contained herein and, for the MPC system, those procedures established by the Director, DFAS; ensure the coordination of any theater-specific plans and standby procedures with the proper unified commander and other affected DoD Components; and, direct Component commands to submit requests for establishment of an MPC area through the cognizant combatant commander.

C. Commanders of Overseas Unified Commands. The commanders-in-chief of the combatant commands shall: forward to the USD(C) all requests received through military or diplomatic channels, together with the unified command recommendation for implementation, conversion, or withdrawal of MPC in a country or other geographic or geopolitical area within respective theaters; and, monitor and coordinate the application of the provisions contained in this chapter within respective command areas.

D. Bureau of Engraving and Printing. The Bureau of Engraving and Printing, Department of the Treasury, shall design, engrave, and print (or contract for printing) all MPC as authorized by 31 U.S.C. 5114 (reference (e)).

1702 PROCEDURES

170201. Establishment of MPC Area. When implemented as legal tender, MPC shall be the only medium of exchange used by DoD Components in MPC areas for pay and allowances of personnel and to conduct transactions in U.S. operated or U.S. controlled facilities. When an MPC series is declared to be legal tender, all notes of that series, regardless of whether placed in circulation or held in bulk storage by DOs, shall be treated and accounted for as cash held at personal risk. DOs, MBFs, Defense credit unions, military postal units, and non-appropriated fund activities operating in MPC areas shall not exchange or engage in MPC transactions with unauthorized personnel. MPC may be exchanged by authorized personnel in MPC areas for local currency at designated foreign exchange facilities. Authorized personnel in MPC areas shall not accept, transfer, or exchange MPC with individuals not authorized to possess them. Combatant commanders may establish limits on conversions, when necessary to minimize black market activity in MPC.

170202. MPC Administration. The U.S. dollar equivalent of the face value of each MPC series declared legal tender shall be established by the Director, DFAS as a cash collection to the unique deposit fund account "Reserve for Redemption of MPC, Army," 21A8815 (by limitation). Conversely, the dollar equivalent of the face value of each MPC series withdrawn from use or destroyed under approved destruction procedures shall be removed from the respective deposit fund account. These actions shall ensure that there is dollar backing and

accountability for all MPC in use as legal tender, thereby removing the possibility of MPC being considered as inconvertible and that MPC are not used to supplement appropriated funds. The Director, DFAS, or designee, shall inspect and test the effectiveness and integrity of the MPC system. Such inspections and tests are intended to prevent possible losses from fraud, counterfeiting, or mismanagement. In addition to the MPC series in circulation as legal tender, a reserve series shall be held in each area in sufficient quantity to replace the series in use should a conversion become necessary. The MPC reserve series shall be maintained and secured as accountable public property.

170203. MPC Conversion Program

A. Program Initiation. Upon establishment of an MPC area, the Director, DFAS, or designee, shall monitor and evaluate local black market, economic, and foreign exchange conditions to determine if the MPC series in circulation should be replaced with an MPC reserve series. An MPC conversion program shall be initiated: when a majority of the notes in circulation becomes unserviceable; when a significant degree of counterfeiting activity is detected; or, from time to time to test the integrity of the MPC system and discourage unauthorized MPC holders from participating in MPC transactions.

B. Program Administration. MPC conversion programs shall: be administered with a minimum of disruption to normal operations, afford all authorized holders of MPC the opportunity to convert legally acquired holdings without loss of funds, and provide adequate safeguards to prevent unauthorized holders of MPC from participating in the conversion program.

C. Authorized Personnel. Authorized personnel who have MPC that were acquired legitimately may exchange those certificates for U.S. currency and coin or dollar instruments (including Treasury checks) under the following conditions: upon departure for the United States, when traveling under competent orders to areas where MPC are not designated, or when traveling under competent orders to MPC areas where DOs, agents, or exchange facilities are not readily available to the traveler. The provisions of this paragraph shall not be construed as authorizing DOs or their agents in areas outside of MPC areas to convert MPC for authorized personnel returning from MPC areas. Such exchange must be made prior to departure from the MPC area.

D. Suspected Certificates. MPC suspected of being acquired illegitimately shall not be converted for any holder under circumstances where there are reasonable grounds to believe that the holder was not an authorized person at the time of acquisition or that the certificates were acquired by the holder, or by another with the holder's knowledge, from a person not authorized to possess or use them. Amounts of certificates exceeding those which the holder normally would acquire or hold under applicable circumstances per local regulations shall not be approved for conversion unless the holder shows by a preponderance of evidence that they legitimately were acquired.. Where there are reasonable grounds to believe the MPC were not acquired legitimately, they shall be impounded and kept pending an administrative determination

as to the source of acquisition. If it is determined that the individual concerned was not an authorized person at the time of acquisition, the certificates shall be confiscated and the dollar proceeds deposited to general fund (miscellaneous) receipt account "Fines, Penalties and Forfeitures Not Otherwise Classified," **R1099. If it is found that the individual concerned was an authorized person at the time of acquisition, or that the certificates belong to an authorized person, the certificates (or their dollar value) shall be returned to the owner. If it is determined that the certificates were acquired from an unauthorized person, the certificates shall be confiscated and the dollar proceeds deposited to receipt account **R1099. Collection vouchers effecting these credits shall cite claimants' names and sufficient information to permit ready identification of the credits in order to facilitate the processing of any subsequent claims for amounts deposited.

170204. MPC Withdrawal. Periodically, but not before 1 year has elapsed since the date that a particular MPC series has been withdrawn from circulation, the unredeemed balance in the deposit fund account for that series, less an estimated amount to cover possible claims, shall be transferred to the account "Miscellaneous Receipts of the U.S. Treasury." The amount to cover estimated claims shall be transferred to a deposit fund account established for paying valid claims against withdrawn MPC series. If a legitimate claim originates after funds have been transferred to "Miscellaneous Receipts of the U.S. Treasury," and the claim is approved for payment by the Director, DFAS, or designee, the claim shall be honored from the deposit fund account with proper notation made as to the applicable MPC series.

1703 CLAIMS

Claims for conversion of MPC, as well as claims arising out of the refusal of the command to convert MPC, shall be referred to the Director, DFAS, or designee, for adjudication and final determination. The time limit for filing claims for invalidated MPC (all MPC issued prior to 1974) expired on 30 September 1980. A time limit for filing of claims for any MPC issued after 1974 shall be established by the Director, DFAS.

1704 COUNTERFEIT CERTIFICATES

Most counterfeit certificates shall be detected readily by their general appearance. More specifically, the ink may be off-color, lines present in genuine certificates may be missing, or there may be a lack of uniformity in color and width of lines. Counterfeits often can be detected by the appearance and feel of the paper. Genuine paper has a distinctive feature in the form of red and blue colored paper disks. Any certificates believed to be counterfeit shall be handled in accordance with the procedures used for counterfeit U.S. currency. In addition, a message report shall be made to the nearest U.S. military investigative service and the Director, DFAS, giving a brief description of the difference between the genuine and the counterfeit certificates and the amount of counterfeit MPC recovered.

1705 DESTRUCTION OF MILITARY PAYMENT CERTIFICATES

170501. Destruction Schedules

A. Preparation. When MPC are returned from area DOs and from authorized area banks, a designated central DO shall prepare a destruction schedule in five copies for each series of certificates to be destroyed. See figure 18-1 for an example certificate of destruction. Separate destruction schedules shall be prepared for circulated and uncirculated MPC. Citation to authority for destruction shall be shown on the schedule.

B. Submission to Destruction Committee. The original and three copies of the schedule shall be submitted with the certificates to be destroyed to the destruction committee.

170502. Authority for Destruction

A. Authority. The Director, DFAS, or designee, shall issue all instructions pertaining to the destruction of MPC.

B. Valid Series of MPC. The commander of each overseas command is delegated the authority to destroy mutilated and/or decomposed MPC of the series currently valid.

C. Invalidated MPC. Invalidated MPC withdrawn from circulation and received by the command accountable officer shall be destroyed only after reconciliation with the accountable officer and specific authorization by the Director, DFAS, or designee.

D. Reserve Series. Under emergency conditions, reserve series of MPC held by the command accountable officer shall be destroyed in the manner described below.

170503. Destruction Committee

A. Appointment. The authority to appoint a destruction committee to accomplish the destruction of certificates within the command area is delegated by the Director, DFAS to the commander of each major overseas command.

B. Personnel. The committee shall be composed of not less than five officers under the jurisdiction of the commander. Personnel of the disbursing office shall not be appointed to serve on the committee.

C. Jurisdiction. The committee shall act under the jurisdiction of the Director, DFAS, or designee, in all activities pertaining to the destruction of MPC.

170504. Verification of Certificates. The total of MPC presented for destruction as indicated on the destruction schedule shall be verified by the destruction committee. Should discrepancies occur between the number of pieces and/or the amount verified and the number of pieces and/or the amount shown on the destruction schedule, a new schedule containing the

verified figures shall be submitted by the accountable officer. The original schedule must be destroyed.

170505. Methods of Destruction

A. Burning. The total amount of the MPC received for destruction shall be verified with the amount shown on the schedule. Immediately after verification, all certificates shall be destroyed by burning to ashes under the supervision of and in the presence of not less than three members of the committee. When all certificates have been completely destroyed, each member witnessing the destruction shall sign the certification on each copy of the destruction schedule.

B. Alternate Methods for Destruction. Three alternate methods for destroying certificates (shredding, maceration, and heating in the presence of caustic soda) are approved when facilities for burning are not adequate or available. Not less than two members of the committee shall be present during the entire operation or until it can be determined that the certificates are completely unrecognizable as currency when any of the alternate methods are used. Upon completion of the operation, destruction schedules shall be certified as stipulated above.

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Figure 18-1. Sample DD Form 2669 (Destruction Schedule)

CHAPTER 18

**EMERGENCY DISPOSITION OF CURRENCY, COIN, AND
NEGOTIABLE INSTRUMENTS**1801 POLICY

180101. Disposition. Under emergency conditions or in anticipation of enemy action, negotiable instruments, currency, and coin held at personal risk by DOs shall be evacuated if possible. If time and circumstances make it appear that capture of these funds is inevitable (in the opinion of the DO or the commander), the funds shall be destroyed in a manner that is absolute. The destruction shall be witnessed as prescribed in this chapter. In high threat areas, most bases have a Threatcon system to indicate the level of the threat. Upon initial notification of a threat that may require the destruction of currency and negotiable instruments, the DO should determine cash requirements, recall or purchase excess funds, and evacuate these funds to a designated safe haven.

A. Combustible Materials. Paper currency, checks, bonds, MPC, and other burnable documents shall be burned completely to ashes.

B. Solid Substances. Coin and other valuable non-burnable items shall be disposed of by scattering in deep bodies of water when possible. When no suitable bodies of water are present, these items shall be secretly buried in the ground.

C. Alternatives. Currency and other paper-type negotiable instruments may be shredded, pulped, or eaten by caustic substances when it is impossible to burn them completely. However, such alternative methods of destruction must completely destroy the original character and appearance of currency and other negotiable instruments so as to make them non-negotiable. Coins may be fused or mutilated in such a manner as to make them unrecognizable as U.S. or foreign coins. Bars, ingots, and other units of precious or valuable substances shall be fragmented and scattered so as to make their recovery impossible or at least uneconomical.

180102. Destruction Precedence. Because sufficient time may not be available to document and perform the destruction of funds held by the DO, funds shall be readied for destruction in the following priority: U.S. and foreign currency and negotiable instruments carried as cash in the DOs' accounts; blank Treasury checks, blank limited depository checks, blank U.S. savings bonds, and reserve series of MPC; currency, negotiable instruments, and valuables held for safekeeping; coins; and other valuables (e.g., signature dies and seals) in the custody of the DO. DOs in areas of elevated tension should anticipate the possibility of emergency destruction and maintain a means to rapidly inventory and destroy their funds.

180103. Sudden Destruction. When currency and coin are destroyed without previous warning, such as by explosion, fire, sinking of a vessel, or aircraft accident, the DO accountable for the funds shall prepare a written statement about the circumstances under which the funds were destroyed and forward it with a request for relief to the supporting DFAS Center. In the event the DO does not survive the disaster that destroyed the funds, the officer designated to settle the account shall act in the DO's behalf. The designated officer shall reconstruct the accountability of the DO and initiate the appropriate requests for relief.

1802 PREPARATION FOR EMERGENCY DESTRUCTION OF CURRENCY

180201. DOs and Their Agents

A. U.S. Currency and MPC. If time permits, the DO shall prepare DD Form 2669 (Destruction Schedule) in an original and 3 copies for all U.S. currency destroyed. See figure 18-1. A separate DD Form 2669 shall be prepared for MPC. The reason for destruction of the currency shall be annotated in the space provided. For full or partial packages of new currency, the beginning and ending serial numbers of each denomination of the currency shall be annotated in the spaces provided. The destruction shall be witnessed by three disinterested commissioned officers, at least one of whom should be senior in rank to the DO. The name, rank, and signature of the witnesses shall be entered in the spaces provided. Destruction shall not be delayed pending arrival of the DO's superior. If no officer senior to the DO is available, any disinterested commissioned officer may serve as the third witness to the destruction. The method of destruction shall be indicated in the space provided in the witnesses' certification.

B. U.S. Coins. If time permits, the DO shall prepare a DD Form 2669 as described above for all U.S. coins destroyed. The DD Form 2669 shall contain the same type of information required for U.S. currency except that it shall list the denominations and value of each denomination of coin destroyed and shall be witnessed by two disinterested commissioned officers, or by two disinterested non-commissioned officers, or by two reliable U.S. citizens, or any combination of such individuals. The preprinted denominations of paper currency shall be struck out and the denomination of the coins entered. The word "currency" shall be struck out and "U.S. Coins" entered immediately above in both the DO's and the witnesses' certification blocks.

C. Foreign Currency and Coin. If time permits, a DD Form 2669 shall be prepared and witnessed for destruction of foreign currency and coin. The appropriate areas of the DD Form 2669 shall be modified to identify the denomination of the foreign currency and coin. Separate DD Forms 2669 are required for foreign currency held for safekeeping and that held as public funds and for foreign coin held for safekeeping and that held as public funds when both types of funds are held by the DO. The destruction shall be witnessed as prescribed above for U.S. currency and coin.

★ D. Check Stock. If time permits, the DO shall prepare a list in an original and 3 copies of all U.S. Treasury and LDA check stock destroyed. The list shall indicate the range

(from and through) of check numbers destroyed for each series of checks maintained by the DO. The destruction shall be witnessed as prescribed in paragraph 180201.A, above.

E. Savings Bond Stock. If the DO has U.S. Savings Bond stock, it should be destroyed in the same manner as check stock. A list shall be prepared in an original and 3 copies indicating the range (from and through) of bond serial numbers for each denomination of bonds. The destruction shall be witnessed as prescribed in paragraph 180201.A, above.

F. Signature Plates. Signature plates shall be crushed, disposed of in deep water or, as a last resort, buried.

180202. Non-appropriated Fund (NAF) Custodians

A. U.S. Currency, Coin, and MPC. When ordered by competent authority, NAF activities shall turn in their U.S. currency, coin, and MPC to the nearest DO in exchange for a Treasury check in the appropriate amount. These funds then become public funds for which the DO is accountable. If destruction becomes necessary, these funds shall be included on the DD Form 2669, as required above.

B. Foreign Currency and Coin. When ordered by competent authority, NAF activities shall turn in their foreign currency and coin to the nearest DO in exchange for a receipt stated in units of the foreign currency. The receipt shall state plainly that the foreign currency is being accepted for safekeeping and that neither the DO nor the U.S. Government is accountable for loss or destruction as a result of the existing emergency. See Chapter 27 of this volume. However, if after accepting foreign currency and coin for safekeeping, the DO discovers a requirement for its use, the DO shall issue a Treasury check for the U.S. dollar equivalent of the foreign funds used. If destruction becomes necessary, the DO shall prepare DD Form 2669 if time permits.

180203. MBFs. The earliest possible notice shall be given to MBFs when the commander believes it is prudent for the MBFs to liquidate their coin and currency holdings. Bank managers in critical areas shall be authorized periodically to exchange currency that is in excess of day-to-day requirements for a Treasury check. This practice will reduce, to a manageable level, outstanding currency susceptible to loss.

A. U.S. Currency and Coin. When it becomes necessary to destroy U.S. currency and coin it shall be transported by the MBF to the nearest DO and exchanged for a Treasury check. As with U.S. currency and coin received from non-appropriated fund activities, this currency and coin becomes public funds for which the DO is accountable and shall be included on the DD Form 2669 prepared by the DO. When such delivery cannot be made, the bank manager should prepare a destruction schedule, similar to the DD Form 2669, then verify and burn the currency into unidentifiable ashes in the presence of at least one representative from the MBF and two commissioned officers of the Armed Forces. U.S. coins shall be disposed of by the MBF as prescribed in subparagraph 180101.B, above.

B. Foreign Currency and Coin. MBF managers may turn in to the nearest DO their holdings of foreign currency and coin for safekeeping in exchange for a receipt stated in units of the foreign currency. The receipt shall specify that neither the DO nor the U.S. Government assumes accountability for loss or destruction of the foreign currency and coin as a result of the existing emergency. See Chapter 27 of this volume. If the DO has need for the foreign currency for operational purposes, a Treasury check shall be issued for the U.S. dollar equivalent of the foreign funds used. If destruction becomes necessary, the DO shall prepare DD Form 2669 if time permits.

180204. Other DoD Sponsored Activities

A. U.S. Currency and Coin. Managers of these activities shall deliver U.S. currency and coin to the nearest DO in exchange for a Treasury check or for a receipt for the value of the currency. A Treasury check shall be issued at a later time in exchange for the receipt previously given. As with U.S. currency and coin received from non-appropriated fund activities, when a Treasury check is issued in exchange for the value of the funds, the funds become public funds for which the DO is accountable and shall be included on the DD Form 2669 prepared by the DO.

B. Foreign Currency and Coin. Managers of these activities shall deliver foreign currency and coin to the nearest DO to be held for safekeeping. The DO shall issue a receipt stated in units of the foreign currency. The receipt shall specify that neither the DO nor the U.S. Government shall be accountable for loss or destruction of the foreign currency arising out of the existing emergency. See Chapter 27 of this volume. DOs may use the foreign currency held for safekeeping to meet operational requirements by issuing a Treasury check for the U.S. dollar equivalent of the foreign currency used. If destruction becomes necessary, the DO shall prepare DD Form 2669 if time permits.

180205. Accounting for Destroyed Currency, Coin, and Negotiable Instruments. The DO shall account for destroyed currency, coin, and negotiable instruments which were held as public funds on line 7.7 of the DD Form 2657 and the SF 1219. A copy of each DD Form 2669 shall support the entries on the DD Form 2657 and SF 1219.

DESTRUCTION SCHEDULE							
SECTION I - SCHEDULE OF CURRENCY TO BE DESTROYED							
1. LOCATION NAS Troublespot, APO		2. DSSN 1234	3. REASON FOR DESTRUCTION Enemy attack				
4. INCLUSIVE SERIAL NUMBERS (New Notes Only)	\$1	\$5	\$10	\$20	\$50	\$100	TOTAL
	250	500	1000	300			2050
TOTAL	250	500	1000	300			2050
SECTION II - CERTIFICATIONS							
I hereby certify that the above described currency in the amount of <u>\$2,050.00</u> dollars has been counted, verified, and found correct, and delivered this day for destruction at <u>NAS Troublespot</u> .							
5. DISBURSING OFFICER NAME AND RANK OR GRADE James M. Jonas, CDR, SC, USN			6. SIGNATURE			7. DATE 11/13/XX	
We hereby certify that the currency specified and described in the foregoing schedule was received and verified by us and was totally destroyed in our presence by <u>burning</u> on this date.							
8. WITNESSES							
a. NAME, RANK OR GRADE, SIGNATURE D.C. Hewes, CDR, USN		b. NAME, RANK OR GRADE, SIGNATURE S.C. Gorman, CDR, USN		c. NAME, RANK OR GRADE, SIGNATURE A.F. Doyle, CAPT, USN			
9. LOCATION NAS Troublespot, APO						10. DATE 11/13/XX	

DD Form 2669, AUG 93

Figure 18-1. Sample DD Form 2669 (Destruction Schedule)

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CHAPTER 19

DISBURSING OFFICER ACCOUNTABILITY REPORTS1901 DO ACCOUNTABILITY

190101. Concept. All DOs are considered to be agents of the Treasury Department. Each DO is accountable to the Treasury Department for the cash items (including receivables) in his or her possession. The SF 1219 (Statement of Accountability) is the DO's official monthly recording and reporting of this accountability. The DO's daily accountability is maintained on DD Form 2657 (Daily Statement of Accountability). The DD Form 2657 is similar and subsidiary to the SF 1219. Disbursement and collection transactions are reported on both the DD Form 2657 and the SF 1219. On the SF 1219, collections are netted against disbursements.

190102. Balancing

★ A. General. Cash in the possession of all DOs shall be balanced daily using DD Form 2657 as the permanent written record. Documents representing cash for which the DO remains accountable, but which are not physically in the DO's custody (such as receipts for advances to agent officers), shall be kept in the DO's vault or safe and shall be accounted for daily on the DD Form 2657 and monthly on the SF 1219. When accounts are inspected, the DD Form 2657 shall be presented to the inspecting officer(s) for examination. Most DO cash transactions are performed by deputies, agents, and cashiers. The DD Form 2665 (Daily Agent Accountability Summary) is the prescribed daily accountability document to the DO for deputies, agents, and cashiers. Preparation of the DD Form 2665 includes an actual cash count of all cash and negotiable instruments performed by the deputy, agent, or cashier who has custody of the cash and negotiable instruments. All deputies, agents, and cashiers shall use the DD Form 1081 (Statement of Agent Officer's Account) as a summary of cash transactions and receipt for cash and vouchers on hand for submission at turn-in or settlement with the DD Form 2665 to the DO. Except as provided in subparagraphs 190102.B and 190102.C, below, the DO or primary deputy shall balance all deputies, agents, and cashiers daily, using the DD Form 2665. The DO may rely on the daily cash count performed by a deputy, agent, or cashier at a remote location, as verified by the signature of the deputy, agent, or cashier on the daily DD Form 2665.

B. Navy Vessels. DOs aboard Navy vessels shall balance their cash using the DD Form 2657 and shall balance their deputies, agents, and cashiers using DD Form 2665 no less frequently than: once each week; immediately before and after each payday; the last day of each month; and at any other time when the DO suspects that an irregularity has occurred. Whenever workload and staffing conditions permit, DOs aboard Navy vessels are encouraged to balance all deputies, agents, and cashiers daily as prescribed above.

★ C. Deputies, Agents, and Cashiers at Remote Locations. Deputies, agents and cashiers who are remotely located from the disbursing officer (e.g., DO in Colorado and

agent in Australia) are not required to submit the DD Form 2665 to the DO daily. However, to maintain a daily record of transactions, they must prepare a DD Form 2665 daily. The DD Form 2665 along with all supporting documentation (e.g., all collection and disbursement vouchers and deposit tickets) and the DD Form 1081 will be submitted to the DO whenever a turn-in is effected.

190103. Overview of DD Form 2657 (Daily Statement of Accountability). The DD Form 2657 is to one day what the SF 1219 is to one month. The DD Form 2657 summarizes the amounts the Treasury Department would look to recover from the DO if the DO ceased operations on that day. Amounts on the DD Form 2657 are at summary level only, including a summary of all disbursements and collections made during the business day by the DO and all deputies, agents, and cashiers. Detailed transactions are reported in the DO's subsidiary records. Section I of the DD Form 2657 computes the total DO accountability to the Treasury Department at the end of each business day. Accumulated DD Form 2657 accountability on the last day of the accounting period (Month-to-Date Column) is the accountability reported on the SF 1219. Section II (for the current DO) and section III (for all prior DOs of that DSSN) summarizes the elements making up total DO accountability. Sections II and III are totaled in section IV. Section I totals (except for line 1.0) start with a zero balance at the beginning of each new accounting period (month) and when there is a change of DOs prior to the end of an accounting period. The Month-to-Date totals are cumulative for the entire accounting period. Sections II, III, and IV Month-to-Date totals are cumulative from month-to-month. The total of section IV must agree with the total of section I or the DD Form 2657 is out of balance. The DO should not begin a DD Form 2657 for a new business day until the DD Form 2657 for the prior business day is in balance. The properly balanced DD Form 2657 ensures agreement between the DO's cash accountability to the Treasury Department and disbursement and collection transactions recorded in the accounting system. The daily DD Form 2657 shall be signed by the DO as an official attestation of accountability to the Treasury Department. See section 1902 of this chapter for detailed preparation instructions.

★ 190104. Overview of DD Form 2665 (Daily Agent Accountability Summary). Each deputy, agent, and cashier shall prepare a DD Form 2665 for each day during which they transact business. The DD Form 2665 summarizes transactions for each business day. In order for the DD Form 2665 to depict a continuous picture of the transactions affecting the accountability of a deputy, agent, or cashier, the first DD Form 2665 prepared after receipt of an advance from the DO (or other principal authorized to provide advances) shall show the advance, and the last DD Form 2665 prepared up to the time of turn-in (submission of financial reports to the DO or other principal) shall show the turn-in. In this manner, the DD Form 2665 is a stand-alone document that provides a complete picture of the deputy, agent, or cashier's accountability transactions from day to day. When possible, a turn-in should not be accomplished as of the middle of a business day. However, if a turn-in is made in the middle of the business day, a DD Form 2665 shall be prepared up to the time of the turn-in and properly include the turn-in, and another DD Form 2665 prepared for the portion of the business day following the turn-in. See section 1903 of this chapter for detailed preparation instructions.

★ 190105. Overview of DD Form 1081 (Statement of Agent Officer's Account). Deputies, agents, and cashiers shall prepare a DD Form 1081 as a summary of cash transactions and receipt for cash and vouchers on hand each time turn-in or settlement of the account occurs. The DD Form 1081 summarizes cash transactions for the period of duty covered by the turn-in. The DO or primary deputy shall: verify the DD Form 1081 when the deputy, agent, or cashier's account is settled, sign the original and copy of the form, retain the original and supporting documents to support the DD Form 2665, and return the signed copy to the deputy, agent or cashier. The verification at turn-in or settlement includes an actual cash count by the DO or primary deputy. The cashier shall retain the signed copy as a record of the opening cash balance for the next period of duty or for record purposes if the account is balanced to zero. See section 1904 of this chapter for detailed preparation instructions.

190106. Overview of DD Form 2659 (Voucher Control Log). The DD Form 2659 summarizes daily disbursement and collection transactions by voucher number; identifies the mode of payment (i.e., check, cash, travelers check, electronic funds transfer, or a no-pay adjustment) and the check/EFT trace number; assures that all voucher numbers are accounted for; assures that all payment and collection vouchers are entered in accountability records; functions as a double-check against the DD Form 2657 and DD Form 2665, which summarize disbursement and collection transactions; enables comparison of vouchers paid by check to total checks written by check writers; enables comparison of vouchers paid by cash or travelers checks to cashier-paid vouchers; associates returned and undeliverable checks with applicable vouchers; and functions as a transmittal for vouchers showing voucher numbers used, not used, or voided. The DO should require DD Form 2659 to be prepared daily by each functional area and/or branch disbursing office when these areas or offices are assigned a separate series of voucher numbers. An example of DD Form 2659 is provided in figure 11-1.

190107. Overview of SF 1219 (Statement of Accountability). The SF 1219 shows summary totals of all receipts and expenditures of public funds occurring during the accounting period and the status of the DO's account at the close of that period. Normally, the accounting period begins on the first day of each calendar month and ends on the last day of each calendar month. An accounting period never extends beyond the last day of a calendar month. Exceptions to the calendar month accounting period depend on situations such as when a DO is relieved from disbursing duty prior to the last day of a month, or a DO commences disbursing duty other than on the first day of a month. See section 1905 of this chapter for detailed preparation instructions.

1902 PREPARATION OF DD FORM 2657

190201. General. Every DO shall prepare a DD Form 2657 for each day business is transacted. Except as provided in Chapter 20 of this volume, the DD Form 2657 shall be prepared in an original only and shall be a permanent record (i.e., typed or printed in ink). The DD Form 2657 may be provided to other functional areas for reconciliation of cumulative disbursement and collection totals with the daily accounting records. The DD Form 2657 shall

be returned for filing. Figure 19-1 is provided as an example of a properly prepared DD Form 2657.

190202. Item 1: DSSN. Enter the DO's DSSN.

190203. Item 2: Date. Enter the business-day date for which the form is being prepared.

190204. Section I: Transactions Affecting Accountability

A. Line 1.0: Accountability - Beginning of Day. Enter the end-of-day accountability from line 5.0 of the DD Form 2657 for the previous business day in the Today column. Enter the Month-to-Date amount from line 5.00 of the SF 1219 for the previous month. The amount entered in the Month-to-Date column shall remain the same on each DD Form 2657 prepared during the month.

B. Line 2.1A: Checks Issued in Payment of Vouchers. In the Today column, enter the total value of Treasury checks issued during the business day in payment of vouchers, including regular and special payrolls and the value of any check-issue adjustments. Check-issue adjustments are always supported by FMS Form 5206 or OF 1017-G. If the DD Form 2657 is being prepared for the first day of the month, extend the Today column amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column.

C. Line 2.1B: Checks Issued - All Others. In the Today column, enter the total value of Treasury checks issued during the business day for purposes other than voucher payments, including check-issue adjustments affecting such checks. Examples are checks written to obtain operating cash, for purchase of foreign currency, or for providing funds to agents. Check-issue adjustments shall be properly supported by FMS Form 5206 or OF 1017-G. If the DD Form 2657 is being prepared for the first day of the month, extend the Today column amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column.

D. Line 2.3: Other Transactions. Enter any unexplained overages during the business day which will be vouchered on the next business day. Do not enter any overages occurring on the last day of the month on this line. Amounts entered on this line cannot be reported on line 2.3 of the SF 1219. Upon preparation of the voucher on the next business day, decrease the amount on this line and increase line 4.1E (4.1D if collected to a receipt account). In some instances such as collections from dining facilities, only one collection voucher number is assigned for the entire accounting period (month) and the formal collection voucher is prepared as of the last business day of the month. Daily receipts of this nature shall be recorded on this line and as U.S. Currency/Coinage on Hand (Line 6.2A). At the end of the accounting period when the formal collection voucher is processed, the accumulated collections are removed

from this line and included as Reimbursements on Line 4.1E. Also, use this line to record accumulated small exchange gains for which a net gain and loss voucher is prepared on the last day of the month (rather than daily).

E. Line 2.34: Discrepancies in DO's Account - Credit. This is a Treasury Department suspense account. Do not use this line.

F. Line 2.36: Payments by Other DOs. Do not use this line.

G. Line 2.37: Transfer from Other DOs. Use this line to record the final accountability of a deactivated DSSN that is being assumed by the DO. The same accountability figure must be reported on line 4.37 of the deactivated DSSN's DD Form 2657. Also use this line to record a transfer of funds from another DO. The same amount must be recorded on line 4.37 of the DD Form 2657 applicable to the transferring DO. If the DD Form 2657 is being prepared for the first day of the month, extend the Today column amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column. Both DOs making such a transfer shall record the transaction on their SF 1219 for the same accounting period.

★ H. Line 2.8: OPAC Payments and Collections. Designated DOs participating in Treasury Department's On-Line Payment and Collection System (OPAC) shall use this line as described herein. Refer to Chapters 10, 11, and 24 of this volume for detailed information regarding the use of OPAC. In the Today column, enter the net daily OPAC interagency payments and collections for certain supplies and services rendered, including any adjustments for the current business day. When collections exceed disbursements, the amount is recorded as a negative. If the DD Form 2657 is being prepared for the first day of the month, extend the Today column amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column.

★ 1. If an OPAC transaction is processed in the Treasury Department's system at the end of a prior month but vouchered for the agency's accountability in the current month, a second line 2.8 is required. Annotate month and year on each of the description lines to differentiate between accounting months. For example, an amount reported in the Treasury Department's OPAC system with a processed date of January 30th is not vouchered and reported in daily accountability until the February 2nd business date. The February DD Form 2657 and SF 1219 will have two 2.8 lines: one for the net total of OPAC transactions processed by the Treasury Department in February and one for the January amount.

★ 2. Additional 2.8 lines also are required if an erroneous amount is reported in a prior month. The Treasury Department notifies the agency on FMS Form 6652 (Statement of Differences - Disbursing Office Transactions). A separate line is then reported for the month in which the error occurred.

I. Line 2.9: Total Accountability Increases. Enter the total of lines 2.1A through 2.8 in both the Today and Month-to-Date columns. Prove Month-to-Date column by adding the total in the Today column to the Month-to-Date total from line 2.9 of the previous day's DD Form 2657. If preparing the DD Form 2657 on the first business day of the month, the amounts shall be the same.

J. Line 3.0: Gross Accountability. Enter the total of lines 1.0 and 2.9 in both the Today and Month-to-Date columns. Prove the amount in the Month-to-Date column by adding the amount in the Today column on line 2.9 to the Month-to-Date amount from line 3.0 of the previous day's DD Form 2657. If the DD Form 2657 is being prepared for the first business day of the month, the amounts shall be the same.

K. Line 4.1A: Gross Disbursements. Disbursements are payments from (or charged to) an appropriation or fund and shall be supported by formal disbursement vouchers. Collection of payments made in error which are processed as bracketed (negative) amounts on disbursement vouchers are negative disbursements. Enter total gross disbursements (including OPAC payments), before refunds and negative reimbursements, from the disbursement vouchers paid on the business day being reported. The amount entered includes negative disbursements occurring on disbursement vouchers, but does not include refunds occurring on collection vouchers (which are reported on line 4.1B) and negative reimbursements occurring on disbursement or collection vouchers (which are reported on line 4.1E). If the DD Form 2657 is being prepared for the first day of the month, extend the Today column amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column.

L. Line 4.1B: Less Refunds. Refunds are a recoupment (collection) of payments made in error and are usually supported by formal collection vouchers. On rare occasions, a refund must be reversed. When this situation occurs, the transaction is processed on a collection voucher with the amount bracketed and is treated as a negative refund. Refunds also occur on disbursement vouchers and are considered to be negative disbursements. Negative disbursements are included on Line 4.1A as a reduction of gross disbursements. Enter the total of refunds from collection vouchers. Do not include refunds from disbursement vouchers (negative disbursements) on this line. If the DD Form 2657 is being prepared for the first day of the month, extend the Today column amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column.

M. Line 4.1C: Net Disbursements. The term net disbursements as associated with the DD Form 2657 is defined as gross disbursements less refunds. In both the Today and Month-to-Date columns, subtract line 4.1B from line 4.1A and enter the respective differences on line 4.1C. Prove the Month-to-Date total by adding the Today column amount to the Month-to-Date column amount from 4.1C of the previous day's DD Form 2657. If the DD Form 2657 is being prepared for the first day of the month, the amounts shall be the same.

N. Line 4.1D: Less Receipts. Receipts are collections credited to the Treasury Department miscellaneous receipt accounts and are supported by formal collection vouchers. In the Today column, enter the total of collections credited to the Treasury Department miscellaneous receipt accounts. If the DD Form 2657 is being prepared for the first day of the month, extend the Today column amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column.

O. Line 4.1E: Less Reimbursements. Reimbursements are amounts collected for property sold or services furnished and are credited to appropriations on formal collection vouchers. Over-collection of reimbursements must be returned to the remitter and may be vouchered as bracketed (negative) amounts on collection vouchers or positive amounts on disbursement vouchers. In either event, the transactions are treated as negative reimbursements and reduce the amount reported as reimbursements. In the Today column, enter the total of collections classified as appropriation reimbursements (including OPAC collections) less any negative reimbursements whether from collection or disbursement vouchers. If the DD Form 2657 is being prepared for the first day of the month, extend the Today column amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column.

P. Line 4.1F: Net Expenditures. In both the Today and Month-to-Date columns, subtract lines 4.1D and 4.1E from line 4.1C and enter the respective differences on line 4.1F. Prove the Month-to-Date total by adding the Today column total to the Month-to-Date column total from line 4.1F of the previous day's DD Form 2657. If the DD Form 2657 is being prepared for the first day of the month, the amounts will be the same. Report the Month-to-Date amount from the final DD Form 2657 for the accounting period on line 4.1 of the SF 1219. Note: NET EXPENDITURES as shown on the DD Form 2657 is the same as NET DISBURSEMENTS found on line 4.1 of the SF 1219.

Q. Line 4.2A: Deposits Presented or Mailed to Bank. In the Today column, enter the total of all deposits mailed or presented to a Federal Reserve Bank or general depository (for credit to the Treasury's Department General Account) during the business day. This is a total of all SFs 215 (including deposited canceled checks, mutilated or decomposed currencies, food stamps, and credit card collections). Do not include deposits to limited depository checking accounts on this line. The total entered shall be reduced by the value of any SFs 5515 processed during the day, except for those SFs 5515 for electronic fund transfer payments to the bank (which are recorded on line 4.2B). If a deposit is prepared, verified, SF 215 attached, dated, and removed from an agent's or cashier's possession but still is on hand by close of the business day, it shall be reported as an undeposited collection on line 6.3A. On the DD Form 2657 for the next business day (or the day when the deposit is actually presented or mailed to the bank), remove the amount from line 6.3A and include on line 4.2A. This will be a regular routine if DOs make deposits of collections received on the business day being reported during the next business day. If the DD Form 2657 is being prepared for the first day of the month, extend the Today column

amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column.

R. Line 4.2B: EFT Debit Vouchers. Use this line to record the SFs 5515 used for EFT payroll or vendor payments. Enter this debit voucher amount in brackets to denote a reduction of total deposits.

S. Line 4.3: Other Transactions. Use this line to record small exchange losses resulting from accommodation exchanges or limited depository account transactions for which a net gain or loss voucher is prepared on the last day of the accounting period.

T. Line 4.34: Discrepancies in DO's Account - Debits. This is a Treasury Department suspense account. Do not use this line.

U. Line 4.36: Payments for Other DOs. Do not use this line.

V. Line 4.37: Transfer to Other DOs. Use this line when the DSSN is being deactivated and final accountability is being transferred to another DO. The gaining DO shall assume accountability for this balance by recording an increase on line 2.37. Also, use this line to record a transfer of funds to another DO. The same amount shall be recorded on line 2.37 of the DD Form 2657 applicable to the gaining DO. If the DD Form 2657 is being prepared for the first day of the month, extend the Today column amount to the Month-to-Date column; otherwise, add the Today column amount to the Month-to-Date column amount from the previous day's DD Form 2657 and enter the total in the Month-to-Date column. Both DOs making such a transfer shall record the transaction on their SF 1219 for the same accounting period.

W. Line 4.9: Total Accountability Decreases. In both the Today and Month-to-Date columns, enter the total of lines 4.1F through 4.37. Do not include amounts from lines 4.1A through 4.1E. Prove the Month-to-Date column total by adding the Today column total to the Month-to-Date total for line 4.9 of the previous day's DD Form 2657. If the DD Form 2657 is being prepared for the first day of the month, the amounts shall be the same.

X. Line 5.0: Accountability - End of Day. In both the Today and Month-to-Date columns, subtract line 4.9 from line 3.0 and enter the difference on this line. The amounts in both columns must agree (both columns reflect end-of-day accountability). This amount represents the DO's accountability to the Treasury Department at the close of that particular business day. The amount in the Today column is carried forward as the beginning accountability (line 1.0) on the DD Form 2657 for the next business day. As stated above, the Month-to-Date beginning accountability amount (line 1.0) remains the same from the first through the last day of the month.

190205. Section II: Distribution of Accountability - Incumbent DO

A. Line 6.1: Designated Depositary. Limited depositary accounts almost always are foreign currency checking accounts held in the DO's own name, much the same as an individual's personal checking account. Unless scheduling on the back or on an attachment, show the name and location of the LD and the foreign currency unit (for example, pesos) in the blank space under the Description column for line 6.1. All entries in the amount columns shall be in U.S. dollars. Amounts reported on this line almost always represent the U.S. dollar equivalent of a particular foreign currency LDA because the OUSD(C) and the Treasury Department rarely approve a U.S. dollar LDA. If, however, the amount on this line does include U.S. dollars and U.S. dollar equivalents of foreign currency, show the U.S. dollar equivalent of foreign currency as a memo entry in the Description column. If the line amount is totally made up of U.S. dollar equivalents of foreign currency, the memo entry in the Description column is not required. Complete line 6.1 as explained in the following subparagraphs.

1. Enter the U.S. dollar equivalent amount of all LDA deposits made during the business day in the Daily Increase column. Include any earned interest credited by the bank on that day. Offset interest earnings with an appropriate Treasury Department miscellaneous receipt account collection voucher reported on line 4.1D. Also include any gain resulting from a beginning-of-day revaluation of the foreign currency on deposit. Offset such gains with a collection voucher reported on line 4.1E.

2. Enter the U.S. dollar equivalent total of LDA checks issued during the business day in the Daily Decrease column. Include any service charges made by the bank on that day. Offset the service charges with a disbursement voucher charging the Operations and Maintenance funds available for support of the disbursing activity and reported on line 4.1A. Also include any loss resulting from a beginning-of-day revaluation of the foreign currency on deposit. Offset revaluation losses with a negative collection voucher reported on line 4.1E.

3. Compute and enter the Month-to-Date column total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total from the previous day's DD Form 2657. Do this even if the previous day is the last day of the preceding month since the Month-to-Date column totals for this line (and all lines throughout section II) are cumulative from month-to-month. The Month-to-Date total shall agree with the DO's computed checkbook balance.

B. Line 6.2A: U.S. Currency/Coinage on Hand. Include only U.S. currency and coins on hand in the disbursing office safe or vault and with deputies, agents, and cashiers located in the main disbursing office. DOs on Navy vessels with an Automated Teller Machine (ATM) system shall include funds in the possession of ATM custodians on this line. Do not include currency and coins identified on lines 6.3 through 6.9 below (for example, currency and coins held by deputies, agents, and cashiers at other locations other than the main disbursing office, or cash held for payrolls).

1. If the amount of U.S. currency and coinage on hand at end of day exceeds the amount of cash on hand from the Month-to-Date column of the previous day's

DD Form 2657, enter the amount of the increase in the Daily Increase column. The Daily Decrease column will be left blank.

2. If the amount of U.S. currency and coinage on hand at end of day is less than the amount of cash on hand from the Month-to-Date column of the previous day's DD Form 2657, enter the amount of the decrease in the Daily Decrease column. The Daily Increase column will be left blank.

3. Compute the amount to be entered in the Month-to-Date column by adding the Daily Increase column amount to, or deducting the Daily Decrease column amount from, the Month-to-Date column total from the previous business day's DD Form 2657.

C. Line 6.2B: Foreign Currency and Coinage on Hand. Include only foreign currency and coins on hand in the disbursing office safe or vault and with deputies, agents, and cashiers located in the main disbursing office. Do not include foreign currency and coins identified on lines 6.3A through 6.9 below (for example, foreign currency and coins held by deputies, agents, and cashiers at locations other than the main disbursing office or cash held for payrolls). If more than one type of foreign currency is maintained, schedule each type of currency on the back of the DD Form 2657 (or on a separate attachment). Add "See Attached" in the Description column. Unless scheduling on the back or in an attachment, show the foreign currency unit (for example, pesos) in the blank space in the Description column. Enter the U.S. dollar equivalent of the particular foreign currency in all three columns. Complete line 6.2B as explained in the following subparagraphs.

1. If the amount of foreign currency and coinage on hand at end-of-day exceeds the amount of foreign cash on hand from the Month-to-Date column of the previous day's DD Form 2657, enter the U.S. dollar equivalent amount of the increase in the Daily Increase column. The Daily Decrease column will be left blank.

2. If the amount of foreign currency and coinage on hand at end-of-day is less than the amount of foreign cash on hand from the Month-to-Date column of the previous day's DD Form 2657, enter the U.S. dollar equivalent amount of the decrease in the Daily Decrease column. The Daily Increase column will be left blank.

3. Compute the amount to be entered in the Month-to-Date column by adding the Daily Increase column amount to, or deducting the Daily Decrease column amount from, the Month-to-Date total from the previous business day's DD Form 2657.

D. Line 6.3A: Undeposited Collections - General. Undeposited collections are created most often when an SF 215 is prepared, dated, verified to the items to be deposited, and removed from a deputy's, agent's or cashier's possession, but is still on hand (not yet mailed or presented to the bank) at the close of the business day. These deposits cannot be reported on line 4.2A. If a deposit is not presented or mailed to the bank by the close of the business day, it shall be reported on line 6.3A. Amounts reported on this line are not considered a part of the

DO's cash authority. Do not delay preparation of the DD Form 2657 for the specific purpose of recording a prepared deposit on line 4.2A instead of line 6.3A.

1. Enter the amount of such a deposit in the Daily Increase column of line 6.3A.

2. In the Daily Decrease column, enter the amount of deposits presented or mailed to the bank that were recorded in the Daily Increase column of the DD Form 2657 for the previous business day.

3. Compute the Month-to-Date column total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total from the previous day's DD Form 2657. The amount entered in the Month-to-Date column should normally coincide with the amount shown in the Daily Increase column.

E. Line 6.3B: Other Undeposited Instruments on Hand. Normally, there would be no reason for undeposited negotiable instruments to be carried over beyond the current or next business day. However, exceptions can occur. For example, a check received by the DO may not have been signed (or may contain other errors) and the person presenting (or mailing) the check is unavailable to correct the document in the same business day the collection is recorded.

1. Enter the amount of negotiable instruments that cannot be deposited in the Daily Increase column.

2. When finally deposited, enter the amount of negotiable instruments deposited in the Daily Decrease column.

3. Compute the amount to be entered in the Month-to-Date column by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total from the previous business day's DD Form 2657. The computed Month-to-Date column total shall agree with the value of negotiable instruments carried over to the next business day.

F. Line 6.4: Custody or Contingency Cash. The amount reported on this line includes cash held under custody account agreements in overseas contract MBFs or cash held for approved contingency requirements (as approved by the Treasury Department).

1. If the amount of custody or contingency cash on hand at end of day exceeds the amount on hand from the Month-to-Date column total of the previous day's DD Form 2657, enter the amount of the increase in the Daily Increase column. The Daily Decrease column will be left blank.

2. If the amount on hand at end of day is less than the amount on hand from the Month-to-Date column total of the previous day's DD Form 2657, enter the amount of the decrease in the Daily Decrease column. The Daily Increase column will be left blank.

3. Compute the amount to be entered in the Month-to-Date column by adding the Daily Increase column amount to, or deducting the Daily Decrease column amount from, the Month-to-Date column total from the previous business day's DD Form 2657.

G. Line 6.5: Funds with Agents. Enter the total amount of funds in the hands of deputies, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, and change fund custodians at locations other than the main disbursing office. Do not include amounts held by deputies, agents, and cashiers in the main disbursing office or amounts held by ATM custodians on Navy vessels. Amounts entered are taken from the latest DD Forms 1081 submitted by the deputies, agents, and cashiers. Show a detailed schedule on the back of the DD Form 2657 or on a separate attachment adding the words "See Attached" in the Description column on the face of the DD Form 2657. Include the particular foreign currency denomination (e.g., German Marks), the rate of exchange at which the currency is valued, the number of foreign currency units, and the U.S. dollar equivalent on the schedule. Note that if the DO's rate of exchange is different from the rate used on the DD Form 1081 prepared by the deputies, agents, or cashiers, the DO shall prepare a gain or loss DD Form 1131 to account for the difference.

1. If the amount shown on the latest DD Forms 1081 is greater than the amount shown in the Month-to-Date column of the DD Form 2657 for the previous day, enter the amount of the increase in the Daily Increase column.

2. If the amount shown on the latest DD Forms 1081 is less than the amount shown in the Month-to-Date column of the DD Form 2657 for the previous day, enter the amount of the decrease in the Daily Decrease column.

3. Compute the amount to be entered in the Month-to-Date column by adding the Daily Increase column amount to, or deducting the Daily Decrease column amount from, the Month-to-Date column total of the DD Form 2657 for the previous day. The computed Month-to-Date column total shall agree with the combined total of all the individual DD Forms 1081.

H. Line 6.6: Advances to Contractors. Enter cash advanced to contractors under advance pool agreements. Compute the amounts to be entered in the Daily Increase, Daily Decrease, and Month-to-Date columns in the same manner as for line 6.5.

I. Line 6.7: Cash in Transit. Enter the amount of all cash in transit. Foreign currency funds in transit may or may not be involved.

1. In the Daily Increase column, enter: cash not yet received for which Treasury exchange-for-cash checks already have been drawn; mutilated or decomposed currency forwarded to the FRB or (in the case of foreign currencies) to designated DOs, for which reimbursement has not yet been received; cash transferred to other DOs for which a Treasury check has not yet been received; and, unconfirmed credit card collection deposits reported to Mellon Bank and supported by DD Forms 1131.

2. In the Daily Decrease column, enter: the total cash and Treasury checks received which were included in the amounts entered in the Daily Increase column of a previous DD Form 2657; and the amount of confirmed bank credit card deposits that were included in the Daily Increase column of a previous DD Form 2657 and which are now reported in the Daily Increase column of line 4.2A (Deposits Presented or Mailed to Bank). If a charge-back is received from the bank, the appropriate functional area shall be notified and a negative DD Form 1131 prepared for the amount of the charge-back.

3. Compute the Month-to-Date column total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total of the DD Form 2657 for the previous day. The computed amount entered in the current Month-to-Date column shall equal the total of all unsettled cash-in-transit transactions.

J. Line 6.8: Payroll Cash. Enter the value of cash held for payday requirements. Do not report funds held by ATM custodians on Navy vessels on this line. Compute the amounts to be entered in the Daily Increase, Daily Decrease, and Month-to-Date columns in the same manner as for line 6.2A.

K. Line 6.9: Other. Enter the amount of Treasury exchange-for-cash checks prepared in advance and prepositioned Treasury checks awaiting pickup by a deputy, agent, or cashier. Any other category of cash or cash items to be reported on this line must be approved by the servicing DFAS Center. Compute the amounts to be entered in the Daily Increase, Daily Decrease, and Month-to-Date columns in the same manner as for line 6.2A. Whenever possible, clear the items on this line before preparation of the SF 1219.

L. Line 7.1: Deferred Vouchers. A deferred voucher is any paid voucher that has not been recorded in the accounting system. The usual cause is a paid voucher that must be returned to the paying deputy, agent, or cashier for correction. In addition, vouchers paid by deputies, agents, or cashiers that have not yet been examined by the DO may be deferred until this review is complete.

1. Enter the amount of any paid vouchers that must be recorded as deferred during the business day in the Daily Increase column. These vouchers are not reported as gross disbursements on line 4.1A.

2. Enter the amount of any vouchers reported on line 4.1A that were deferred on a previous DD Form 2657 in the Daily Decrease column.

3. Compute the Month-to-Date column total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total reported on the DD Form 2657 for the previous business day. The computed amount entered in the current Month-to-Date column must agree with the total of deferred vouchers outstanding.

M. Line 7.2A: Accounts Receivable - Check Overdrafts

1. In the Daily Increase column, enter any new check issue overdraft increases supported by FMS Forms 5206 or OFs 1017-G.

2. In the Daily Decrease column, enter any collections or disbursements against an undercharged appropriation reducing the check-issue overdraft amount reported on a previous DD Form 2657.

3. Compute the amount to be entered in the Month-to-Date column by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total of the DD Form 2657 for the previous business day.

4. The DO or primary deputy shall review accounts receivable for check overdrafts at least once each month to assure all necessary actions are being taken to clear the amount of the check issue overdrafts.

N. Line 7.2B: Accounts Receivable - Other

1. Enter any accounts receivable increases not included on line 7.2A in the Daily Increase column.

2. Enter any accounts receivable reductions not included on line 7.2A in the Daily Decrease column.

3. Compute the Month-to-Date column total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total for the DD Form 2657 of the previous business day.

4. The DO or primary deputy shall review accounts receivable at least once each month to assure all necessary actions are being taken to clear the receivable.

O. Line 7.3: Loss of Funds

1. In the Daily Increase column, enter any physical losses of cash, food stamps, negotiable instruments, and uncollected dishonored check amounts that will be reported to the supporting DFAS Center.

2. Enter any recoveries of losses, or reimbursements by the supporting DFAS Center, in the Daily Decrease column.

3. Compute the Month-to-Date column total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total of the DD Form 2657 of the previous business day. This amount shall agree with the total of all outstanding loss cases.

P. Line 7.4: Dishonored Checks Receivable

1. In the Daily Increase column, enter the amount of any dishonored checks received during the business day via an SF 5515 that are to be retained in DO accountability (i.e., not returned to the activity who originally accepted them).

2. In the Daily Decrease column, enter the amount of any dishonored checks collected or for which relief has been granted that are currently carried in DO accountability.

3. Compute the Month-to-Date column total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total of the DD Form 2657 for the previous business day. The computed amount must agree with total of all dishonored checks on hand at the close of the business day.

Q. Lines 7.5 through 7.7. On the final DD Form 2657 for the accounting period, use these lines to summarize U.S. dollar equivalents of foreign currency amounts reported in section II. Enter in the Description column by country and type of currency, the total foreign currency units and U.S. dollar equivalent. Lines 6.1 and 6.2B always involve foreign currency. Line 6.5 could involve foreign currency. Leave the Daily Increase, Daily Decrease, and Month-to-Date columns blank.

R. Line 8.0: Total Incumbent DO Accountability. Enter the totals of lines 6.1 through 7.4 in each of the respective columns. Prove the Month-to-Date total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total of the DD Form 2657 for the previous business day. The figures must be the same.

190206. Section III: Distribution of Accountability - Predecessor DOs

A. General. This section of the DD Form 2657 shall be used by DOs charged with responsibility to settle the accounts of predecessor DOs as prescribed in Chapter 22 of this volume.

B. Line 9.2A: Accounts Receivable - Check Overdrafts. Compute all three column amounts for check overdrafts applicable to previous DOs in the same manner as prescribed for line 7.2A above. The DO or primary deputy shall review accounts receivable for check overdrafts at least once each month to assure all necessary actions are being taken to clear the amount of the check issue overdrafts.

C. Line 9.2B: Accounts Receivable - Other. Compute other accounts receivable amounts applicable to previous DOs in the same manner as prescribed for line 7.2B, above. The DO or primary deputy shall review accounts receivable at least once each month to assure all necessary actions are being taken to clear the amount of the receivable.

D. Line 9.3: Loss of Funds. Compute loss of funds amounts incurred by previous DOs in the same manner as prescribed for line 7.3, above.

E. Line 9.4: Other. Compute the amounts for other accountable items for previous DOs in the same manner as prescribed for line 7.4, above.

F. Line 10.0: Total Predecessor DO's Accountability. Enter the total of lines 9.2A through 9.4 in each of the respective columns. Prove the Month-to-Date column total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total of the DD Form 2657 for the previous business day. The figures must be the same.

190207. Section IV: Distribution of Accountability - Combined

A. Line 11.0: Total DSSN Accountability. Enter the total of lines 8.0 and 10.0 in each of the respective columns. Prove the Month-to-Date column total by adding the Daily Increase column amount to, and deducting the Daily Decrease column amount from, the Month-to-Date column total of the DD Form 2657 for the previous day. The amounts must be the same. The computed Month-to-Date column total must also agree with the Month-to-Date column total of line 5.0, or the DD Form 2657 is out-of-balance. Resolve any out-of-balance condition before preparing the DD Form 2657 for the next business day.

190208. Item 3: Disbursing Officer Name, Rank or Grade, Title. Type or print the name, rank or grade, and title of the DO.

190209. Item 4: Disbursing Officer or Deputy Signature. The DO or a designated deputy shall sign the DD Form 2657 as an attestation of the accurate representation of accountability to the Treasury Department.

190210. Item 5: Date. Enter the date the DD Form 2657 is signed.

190211. Section V: Distribution of Cash on Hand. This section of the DD Form 2657 shows the physical location of all U.S. and foreign cash on hand, including custody or contingency cash and payroll cash. It includes cash held by both on-site and off-site deputy DOs, agents, and cashiers (including mobility-line cashiers). This section does not include: funds in designated depositories (from line 6.1); undeposited collections (from line 6.3A); funds with contractors (from line 6.6); or cash in transit (from line 6.7).

1903 PREPARATION OF DD FORM 2665

★ 190301. General. Except as provided in paragraph 190102.B, above, all disbursing officer deputies, agents, and cashiers shall prepare a DD Form 2665 for each day business is transacted. The DD Form 2665 is prepared in an original only and shall be a permanent record (i.e., typed or printed in ink). Figure 19-2 is provided as an example of a properly prepared DD Form 2665.

190302. Item 1: Date. Enter the business date for which the DD Form 2665 is prepared.

190303. Section I - Summary of Daily Accountability Transactions. This section summarizes all transactions affecting cash accountability since the last turn-in to the principal. Record daily and cumulative balances to-date since the last turn-in unless otherwise indicated in these instructions. Note that cumulative totals in this section represent cumulative amounts since the last turn-in and are not cumulative for an accounting period unless turn-ins are only made as of the end of a calendar month.

A. Line 1: Accountability - Beginning. In subitem “c” (Today column), enter the ending accountability balance shown on line 15 of subitem “c” from the previous business day. In subitem “d” (Cumulative column), enter the ending accountability shown on line 15 of subitem “d” of the DD Form 2665 prepared immediately following the last turn-in to the principal. Note that the beginning accountability balance in subitem “d” does not change until preparation of the DD Form 2665 immediately following the next turn-in to the principal.

B. Line 2: Advances. In subitem “b”, enter the amount of advances received during the business day by cash, prepositioned checks, or other in the appropriate blocks. Do not enter memorandum accountability advances on this line. In subitem “c”, enter the total of the amounts entered in subitem “b”. In subitem “d”, enter the sum of the amount entered in subitem “c” and the amount in subitem “d” of this line from the previous business day. If this is the first DD Form 2665 prepared after a turn-in to the principal, the amount entered in subitem “d” must be the same as the amount entered in subitem “c”.

C. Line 3: Vouchered Collections. In subitem “c”, enter the total of all vouchered collections made during the business day. Do not enter memorandum or

nonvouchered collections on this line. In subitem “d”, enter the sum of the amount entered in subitem “c” and the amount in subitem “d” of this line from the previous business day. If this is the first DD Form 2665 prepared after a turn-in to the principal, the amount entered in subitem “d” must be the same as the amount entered in subitem “c”.

D. Line 4: Treasury Check Issues. In subitem “b”, enter the value of vouchered Treasury check issues in the Vouchered block, and the value of non-vouchered check issues in the Other block. In subitem “c”, enter the total of all Treasury checks issued from subitem “b”. The amount entered in subitem “c” must equal the sum of the amounts entered in subitem “b”. In subitem “d”, enter the sum of the amount entered in subitem “c” and the amount in subitem “d” of this line from the previous business day. If this is the first DD Form 2665 prepared after a turn-in to the principal, the amount entered in subitem “d” must be the same as the amount entered in subitem “c”. Note that this line is for use only by agent officers authorized by the principal to issue Treasury checks.

E. Line 5: Transfers from Other Disbursing Officers. In subitem “c”, enter the total of cash or other cash accountability items received from another disbursing officer during the business day. In subitem “d”, enter the sum of the amount entered in subitem “c” and the amount in subitem “d” of this line from the previous business day. If this is the first DD Form 2665 prepared after a turn-in to the principal, the amount entered in subitem “d” must be the same as the amount entered in subitem “c”.

F. Line 6: Exchange Gain Accumulations. In subitem “c”, enter the value of any minor gains from revaluation of foreign currency on hand, or rounding gains involved in exchange transactions, that are not vouchered immediately (that is, not included on line 3, above). In subitem “d”, enter the sum of the amount entered in subitem “c” and the amount in subitem “d” of this line from the previous business day. If this is the first DD Form 2665 prepared after a turn-in to the principal, the amount entered in subitem “d” must be the same as the amount entered in subitem “c”. Accumulated exchange gains must be vouchered before any turn-in to the principal.

G. Line 7: Other. In subitem “c”, enter the value of any other increases in accountability (such as a cash overage that will not be vouchered until the next business day). Explain what the increases are. In subitem “d”, enter the sum of the amount entered in subitem “c” and the amount in subitem “d” of this line from the previous business day. If this is the first DD Form 2665 prepared after a turn-in to the principal, the amount entered in subitem “d” must be the same as the amount entered in subitem “c”.

H. Line 8: Total Increases. In both subitems “c” and “d”, enter the respective total of lines 2 through 7.

I. Line 9: Gross Accountability. In subitem “c”, enter the sum of subitem “c” amounts on line 1 and line 8. In subitem “d,” enter the sum of subitem “d” amounts on line 1 and line 8.

J. Line 10: Transfers to Other Disbursing Officers. In subitem “c”, enter the total of cash or other cash accountability items transferred to another DO during the business day. In subitem “d”, enter the sum of the amount entered in subitem “c” and the amount in subitem “d” of this line from the previous business day. If this is the first DD Form 2665 prepared after a turn-in to the principal, the amount entered in subitem “d” must be the same as the amount entered in subitem “c”.

K. Line 11: Exchange Loss Accumulations. In subitem “c”, enter the value of any minor losses incurred during the business day as a result of revaluation of foreign currency on hand, or rounding losses involved in exchange transactions, that are not vouchered immediately. In subitem “d”, enter the sum of the amount entered in subitem “c” and the amount in subitem “d” of this line from the previous business day. If this is the first DD Form 2665 prepared after a turn-in to the principal, the amount entered in subitem “d” must be the same as the amount entered in subitem “c”. Accumulated exchange losses must be vouchered before any turn-in to the principal.

L. Line 12: Other. In subitem “c”, enter the value of valid decreases in accountability during the business day not covered on lines 10 and 11 (such as a cash shortage that will not be vouchered until the next business day). Explain the decreases. In subitem “d”, enter the sum of the amount entered in subitem “c” and the amount in subitem “d” of this line from the previous business day. If this is the first DD Form 2665 prepared after a turn-in to the principal, the amount entered in subitem “d” must be the same as the amount entered in subitem “c”.

M. Line 13: Returns to Principal. Complete this line only on the first DD Form 2665 prepared following a turn-in. Enter the total value of accountability items turned in to the principal in both subitems “c” and “d”. In the blocks provided, break-out the value of paid vouchers, deposit tickets, and other items turned in.

N. Line 14: Total Decreases. In both subitems “c” and “d”, enter the respective total of amounts entered on lines 10 through 13.

O. Line 15: Accountability - Ending. In both subitems “c” and “d”, enter the difference derived by subtracting the amount on line 14 from the amount on line 9. The resulting amounts (ending accountability) in subitems “c” and “d” must be the same.

190304. Section II - Distribution of Agent Accountability. This section shows the make-up of all items for which the deputy, agent, or cashier is accountable to the principal. The items are entered on the appropriate line (lines 16 through 31) that describes the accountable item in subitem “c”, Accountability Before Transfers. When the DD Form 2665 is the first being prepared after an agent turn-in, enter the amount of the turn-in on the appropriate lines in subitem “d”, Returns to Principal. Otherwise, leave subitem “d” blank. If no agent turn-in is entered in subitem “d”, then subitem “e”, Accountability After Transfers also may be left blank. The

amount in subitem “c” is then considered to be the final accountability for the day. Note, however, that if an amount is entered in subitem “d” for any of the lines in this section, subitem “e” must be completed. Compute the amount to be entered on each line of subitem “e” by subtracting the amount in subitem “d” from the amount in subitem “c”. Add the amounts in each of the three subitems and enter the respective totals on line 32. To prove the computations and totals entered on line 32, subtract the total in subitem “d” from the total in subitem “c”. The result must equal the total entered on line 32 in subitem “e”. The following subparagraphs describe entries for subitem “c”; however, if an agent turn-in is recorded for the day, subitems “d” and “e” must also be completed as described in this paragraph.

A. Line 16: Limited Depositary. Enter the U.S. dollar value of the current LDA balance. In the spaces provided, enter the number of foreign currency units and the exchange rate at which the foreign currency units are valued.

B. Line 17: Cash on Hand (U.S.). Enter the amount of U.S. currency and coin on hand.

C. Line 18: Cash on Hand (Foreign). Enter the U.S. dollar value of foreign currency and coin on hand. In the spaces provided, enter the number of foreign currency units and the exchange rate at which the foreign units are valued for both accommodation exchange cash and operating cash.

D. Line 19: Prepositioned Treasury Checks. Enter the total value of prepositioned Treasury checks on hand. Note that these checks are inscribed Treasury checks issued as advances to the agent by the principal that have not been negotiated by the agent. Do not enter Treasury checks issued by the agent (if the agent has authority to issue Treasury checks) that have not been delivered to the payee.

E. Line 20: Negotiable Instruments (U.S.). Enter the value of all U.S. dollar undeposited negotiable instruments on hand in the agent office. Include all negotiable instruments (e.g., personal checks, Treasury checks, money orders and food stamps) accepted for debts owed the U.S. Government and in accommodation exchange transactions.

F. Line 21: Negotiable Instruments (Foreign). Enter the U.S. dollar value of undeposited negotiable foreign instruments on hand in the agent office. In the spaces provided, enter the number of foreign currency units represented by the negotiable instruments and the exchange rate at which the foreign instruments are valued.

G. Line 22: Military Payment Certificates. Enter the value of MPC on hand in the agent office.

H. Line 23: Paid Vouchers. Enter the value of paid disbursement vouchers on hand in the agent office. Do not include memorandum or journal vouchers on this line.

I. Line 24: Funds in Transit. Enter the value of funds in transit to or from another DO (not the agent's principal). Funds in transit increases include: cash not yet received for which Treasury checks have been issued; mutilated or decomposed currency forwarded to the FRB (or in the case of foreign currency, to the central DO) for which reimbursement has not yet been received; and cash transferred to other DOs for which a Treasury check has not yet been received. Funds in transit decreases are reported when the above expected cash or Treasury check is received. Note: Increases are entered as positive amounts; decreases are entered as negative amounts.

J. Line 25: Funds with Subagents. Generally, primary agent advancement of funds to any type of subagent (for example, a paying agent) does not change overall primary agent accountability. For example, an increase on this line representing a cash advance to a subagent would be offset by a decrease to lines 17 or 18, as appropriate. However, if the primary agent is authorized to issue Treasury checks, and the advance to the subagent is provided by a Treasury check issued by the agent, the advance is recorded in line 4 of section I as a Treasury check issue and is recorded as an increase on this line. When funds or paid vouchers are returned by the subagent, the return is recorded as a decrease to this line. The decrease is offset by an increase to the appropriate line in this section (for example, cash on hand or paid vouchers).

K. Line 26: Deposit Tickets. Unlike deposits by a DO, agent deposits to an FRB or TGA do not officially reduce the agent's accountability. The agent's accountability is reduced when the applicable confirmed deposit tickets are received by the principal. Enter the value of all SFs 215 on hand for deposits made to an FRB or TGA during the business day. Do not enter deposits to an LDA on this line.

L. Line 27: Dishonored Checks Receivable. Enter the value of dishonored checks received from the principal that are or were retained in the agent's accountability. Agents deposit checks for credit to the DSSN of the DO. Any dishonored checks will be returned to the DO by the depository on an SF 5515. The DO will reduce DD Form 2657 line 4.2A (Deposits Presented or Mailed to Bank) and increase line 6.5 for the agent to whom the dishonored check is returned. The agent will record the dishonored check as an increase to this line and either retain it until recoupment is made for a dishonored check accepted in an accommodation transaction or remove it from accountability by processing a reverse DD Form 1131 and returning it to the functional area or collection activity from which received. A decrease to this line is applicable when the amount of the dishonored check is recouped, when the receivable is cleared by a reverse DD Form 1131, or when an uncollectible receivable is processed for removal from accountability as provided in Chapter 6 of this volume.

M. Line 28: Check Overdrafts Receivable. Generally, if authorized to issue Treasury checks, agents will also be responsible for collection of the amount of any check issue overdrafts. The amount of a check issue overdraft will be received as an advance from the DO, with a copy of the FMS Form 5206, and will be recorded on this line. Enter the value of check overdrafts being carried by the agent. As a matter of expediency, the DO may choose to adjust FMS Forms 5206 attributable to agent Treasury check overdrafts without transfer of

accountability back to the agent. Such adjustments will be made directly to the DO's DD Form 2657.

N. Line 29: Loss of Funds. Enter the value of agent losses of funds. Generally, the agent shall follow loss of funds procedures in Chapter 6 of this volume, with reporting to the DO instead of the supporting DFAS Center. If a loss is not immediately recouped by the agent, the loss will be transferred to the DO for recording on the DD Form 2657. When a loss is transferred to the DO, the transfer will be recorded in subitem "d". Note that transfer of a loss as described herein does not relieve the agent of liability for the loss. The transfer is for recording purposes only.

O. Line 30: Deferred Vouchers. Enter the value of agent deferred vouchers on hand. An agent deferred voucher can occur when the agent makes a payment but cannot include the voucher in the next scheduled agent turn-in. Normally, this situation occurs because of an error noted on the voucher that can only be corrected through contact with the payee. The deferred voucher is established as an increase to this line and an offsetting decrease to line 23 (Paid Vouchers). When the deferred voucher is corrected, it may either be transferred back to line 23 pending turn-in to the principal, or it may be retained on this line until the next scheduled turn-in. Note that this line is not used to record vouchers returned to the agent for correction. Agents shall record vouchers returned for correction as a memorandum entry in section IV, line 41. DOs will record vouchers returned for correction as deferred vouchers on the DD Form 2657.

P. Line 31: Other. Enter the value of other agent accountability items not covered by lines 16 through 30. Describe the items in the space provided. in subitem "b".

Q. Line 32: Total Agent Accountability. Enter the total of the values entered on lines 16 through 31. This total must equal the total entered in section I, subitem "c", line 15. If a turn-in to the DO is recorded in section I, line 13, the turn-in must also be entered on the applicable lines in section II, subitem "d" and the amounts for each line in subitem "e" computed and entered. Enter the total of the values entered on lines 16 through 31 of subitems "d" and "e". The total entered in subitem "d" must equal the total entered in section I, subitem "c", line 13. The total entered in subitem "e" must equal the total entered in section I, subitem "c", line 15.

190305. Section III - Location of Cash/Negotiable Instruments. The location and value of agent accountable items (including both U.S. and foreign currency (and coin)) is recorded in this section.

A. Line 33: Agent. Enter the value of accountable items located in the agent's safe in the applicable subitems.

B. Line 34: Deputy Agent. Enter the value of accountable items located in the deputy agent's (or subagent's) safe in the applicable subitems.

C. Line 35: Cashier. Enter the value of accountable items located in the cashier's safe in the applicable subitems.

D. Line 36: Other. Enter other locations where accountable items are stored in the space provided in subitem "b". Enter the value of accountable items located at these other locations in the applicable subitems.

★ E. Line 37: Totals. Enter the totals of subitems "c" through "g". Also, ensure the totals reconcile to section II, lines 17 through 22 and 25.

190306. Item 2 - Name of Agent. The agent shall type or print his or her name in the space provided.

190307. Item 3 - Address of Agent. The agent shall type or print his or her duty location in the space provided.

190308. Item 4 - Signature of Agent. The agent shall sign the DD Form 2665 as attestation of the accurate representation of his or her accountability.

190309. Section IV - Memorandum Agent Accountability. This section includes memorandum-type information not officially a part of agent accountability data. Agent completion of section IV is at the DO's option. If the DO has no preferences, completion of section IV is at the agent's option.

A. Line 38: Deposit Tickets on Hand. Enter each SF 215 number and amount on hand since the last turn-in to the principal.

B. Line 39: Paid Vouchers on Hand. Paid agent vouchers do not decrease agent accountability until they are turned in to the principal. This subsection tracks the voucher numbers of paid agent vouchers on hand at the close of the business day. Also enter disbursement voucher numbers not used, duplicated, and voided, in the spaces provided.

C. Line 40: Collection Vouchers on Hand. This subsection tracks the voucher numbers of agent collection vouchers on hand at the close of the business day. Note that, unlike disbursement vouchers, collection vouchers are not an official part of agent accountability. Rather, the instruments collected (cash, checks, etc.) constitute a part of the agent's accountability. Nonetheless, the agent is responsible for preparing collection vouchers to document all collections received and is also responsible to ensure that the original and required copies of the collection vouchers are turned in to the principal for eventual forwarding to the servicing DFAS Center with the DO's financial reports. Also, enter collection voucher numbers not used, duplicated, and voided, in the space provided.

D. Line 41: Vouchers Returned for Correction. Vouchers returned by the DO for correction do not officially increase the agent's accountability. However, such vouchers

eventually must be returned to the DO for recording in the accounting system. Record the applicable disbursement and collection voucher numbers of vouchers not yet corrected and returned to the DO.

★ E. Line 42: Treasury Check Stock on Hand. If the agent is authorized to issue Treasury checks, complete this section for each series of blank checks on hand. Enter the inclusive check numbers of all blank Treasury check stock on hand at the end of the business day.

F. Line 43: Agent Remarks. Enter any necessary remarks at the agent's discretion or at the direction of the principal.

1904 PREPARATION OF DD FORM 1081

190401. General. The DD Form 1081 shall be prepared as a summary of cash transactions and receipt for cash and vouchers on hand between DOs and their agent officers (deputies, agents, cashiers, paying agents, and collection agents). The DD Form 1081 shall also be initiated by the DO when funds are advanced to an agent officer. The agent officer shall initiate the DD Form 1081 when funds and/or cash vouchers are turned in to the DO. Cash transactions that increase the accountability of the agent officer shall be shown in the Increase column. Cash transactions that decrease the accountability of the agent officer shall be shown in the Decrease column.

190402. Preparation of DD Form 1081 by DO. The DO shall prepare a DD Form 1081 in an original and 2 copies to account for an advance of funds to an agent officer. The identification of the DO and that of the agent officer shall be entered in the blocks provided for this purpose. Figure 19-3 is provided as an example of a properly prepared DD Form 1081 for advancing funds to an agent officer.

A. Line 1. In the Beginning Balance column, enter the balance in the agent officer's account before the current advance of funds. This amount should be the same as the amount shown on line 17 of the last DD Form 2665 submitted by the agent and line 12 of the last DD Form 1081 submitted by the agent.

B. Lines 2 through 4. In the Increase column, enter on the appropriate line the amount of currency included in the current advance.

C. Lines 5 and 6. Leave blank. These lines are not used on an advance of funds.

D. Line 7A, 7B, and 7C. In the Increase column, enter the amount of Treasury checks and/or any other negotiable instruments included in the advance. If space permits, enter the check number(s) on the corresponding line. If more space is required, list the check numbers on the reverse of the form.

E. Line 8. Leave blank. This line is not used on an advance of funds.

F. Line 9. In the Increase column, enter the dollar value of incorrect vouchers returned to the agent officer. The return of incorrect vouchers to an agent officer shall be considered as funds advanced.

G. Lines 10 and 11. In the Transactions column, enter an appropriate identification of items other than those described above that are included in the advance of funds. Enter the amount of such items in the Increase column.

H. Line 12. In the Beginning Balance column, enter the grand total of the amount entered on line 1 plus the total of the amounts entered in the Increase column on lines 2 through 11. This grand total represents the balance in the agent officer's account as a result of the advance.

I. Statements

1. Disbursing Officer. The DO shall place an "X" in the box provided opposite the "On Advance" statement to indicate that the form is to account for an advance of funds to the agent officer and shall complete the Date and Signature blocks to authenticate the statement opposite the box checked. The signed original and duplicate of the form, together with the funds, shall be delivered to the agent officer. The triplicate copy shall be retained by the DO pending return of the signed original by the agent officer.

2. Agent Officer. The agent officer shall verify that the items received are in agreement with the amounts stated on DD Form 1081. The agent officer shall then place an "X" in the box provided opposite the agent officer's "On Advance" statement and shall complete the Date and Signature blocks to authenticate the statement shown opposite the box checked. The original DD Form 1081 shall be returned to the DO as a receipt for the funds. The duplicate copy shall be retained by the agent officer.

190403. Preparation of DD Form 1081 by Agent Officer. The agent officer shall prepare a DD Form 1081 in an original and 2 copies to account for a return of funds and/or cash vouchers to the DO. The identification of the DO and that of the agent officer shall be entered in the blocks provided for this purpose. Figure 19-4 is provided as an example of a properly prepared DD Form 1081 to return funds and/or cash vouchers to the DO.

A. Line 1. In the Beginning Balance column, enter the balance in the agent officer's account before the current return of funds and/or cash vouchers. This amount should be the same as the amount shown on line 17 of the last DD Form 2665 submitted by the agent and line 12 of the last DD Form 1081 submitted by the agent.

B. Lines 2 through 4. In the Decrease column, enter on the appropriate line the amount of currency included in the return.

C. Line 5. In the Increase column, enter the amount of collections made by the agent officer in the form of cash or negotiable instruments.

D. Line 6. In the Decrease column, enter the amount of deposits (SF 215) made by the agent officer to the credit of the Treasury Department over the DSSN of the DO.

E. Line 7A, 7B, and 7C. In the Decrease column, enter the amount of Treasury checks and/or any other negotiable instruments being returned to the DO. (Items previously advanced by the DO, but not used).

F. Line 8. In the Decrease column, enter the amount of vouchers paid in cash by the agent officer and included in the return.

G. Line 9. Leave blank. This line is not used by agent officers on return of funds and/or cash vouchers to the DO.

H. Lines 10 and 11. In the Transactions column, enter an appropriate identification of items other than those described above that are included in the return. Enter the amount of such items in the Decrease column.

I. Line 12. In the Beginning Balance column, enter the total of the amount entered on line 1 plus the total of the amounts entered in the Increase column on lines 2 through 11. In the Ending Balance column, enter the grand total of the amount entered in the Increase column of this line minus the total of the amounts entered in the Decrease column on lines 2 through 11. This grand total represents the balance in the agent officer's account as a result of the return.

J. Statements

1. Agent Officer. The agent officer shall place an "X" in the box provided opposite the agent officer's "On Return" statement to indicate that the form is prepared to account for the return of funds and/or cash vouchers to the DO and shall complete the Date and Signature blocks to authenticate the statement shown opposite the box checked. The signed original and duplicate of the DD Form 1081, with the funds and/or cash vouchers, shall be delivered to the DO. The triplicate copy shall be retained by the agent officer pending return of the signed duplicate by the DO.

2. Disbursing Officer. The DO shall verify that the amounts reported on the DD Form 1081 are in agreement with the items received and shall then place an "X" in the box provided opposite the "On Return" statement. The DO shall complete the Date and Signature blocks to authenticate the statement opposite the box checked. The signed duplicate of

the form shall be returned to the agent officer as a receipt for the items turned in. The original of the form shall be retained by the DO.

1905 PREPARATION OF SF 1219

190501. General. Every DO shall submit an SF 1219 each month for each DSSN assigned whether or not any transactions occur or any accountable balance is involved. A final SF 1219 shall be prepared and submitted by the DO being relieved irrespective of the fact that the last day of the accounting period may be other than the last day of the month. The final SF 1219 shall be plainly marked "FINAL" in the blank space directly above the name line. Erasures, strikeovers, or marks of any description other than legitimate entries are not permitted on the SF 1219. Use cumulative month-to-date totals from the final DD Form 2657 for the accounting period (or month) to complete the similarly-numbered lines of the SF 1219. Certain alpha-suffixed cumulative line totals on the DD Form 2657 must be combined for entering on the SF 1219.

190502. Heading

A. Name of Disbursing Officer. Enter the full name and rank or grade of the DO.

B. Location of Disbursing Officer. Enter the unit identification code, name, and location of the disbursing activity.

C. Name of Agency. Enter "Army", "Navy", "Air Force", "Marine Corps", as applicable. Defense Agencies shall enter the appropriate name based on the Military Service from which the DSSN was obtained.

D. Agency Location Code. Enter the four-digit DSSN under which the DO is operating. A separate SF 1219 shall be prepared for each DSSN.

E. Period of Account. Enter the first and last days of the reporting period. Normally, the reporting period begins on the first day of each calendar month and ends on the last day. A reporting period never extends beyond the last day of a calendar month. Exceptions to the calendar month as the reporting period will depend on situations such as when a DO is relieved from disbursing duties prior to the last day of the month, or when a DO commences disbursing duties on a day other than the first day of the month.

190503. Section I - General Statement of Account

A. Part A - Transactions During Period Affecting Accountability

1. Line 1.00: Total Accountability Beginning of Period. Enter the Month-to-Date column total from line 1.00 of the final DD Form 2657 for the reporting period.

This amount must be the same amount reported as the Accountability Close of Period (line 5.00) of the SF 1219 for the previous reporting period. In the case of relieving DOs, the amount shown must be the same as the amount shown on line 11.0 of the relieved DO's final SF 1219. Note: Relieving DOs assigned to tactical units and Naval vessels shall follow the instructions in Chapter 2 of this volume for this line. DOs reporting foreign currency shall enter the amount of foreign currency (including limited depositary checking accounts) held at the beginning of the reporting period in the blank space opposite the caption for line 1.00.

2. Line 2.1: Checks Issued on U.S. Treasury. Enter the combined Month-to-Date column totals of lines 2.1A and 2.1B of the final DD Form 2657 for the reporting period. This amount must agree with the amount in column (5), Part A, Section II, on the reverse of the SF 1219 and with the net total of checks issued as reported on the SF 1179. The total of checks issued (including adjustments) entered refers only to checks drawn on the U.S. Treasury and shall not include limited depositary account checks. Limited depositary account checks shall be treated as cash transactions and shall be reflected on line 6.1.

3. Line 2.34: Discrepancies in D.O. Accounts - Credits. Do not use.

4. Line 2.36: Payments By Another D.O. Do not use.

5. Line 2.37: Transfers From Other DOs. Use this line to record the final accountability of a deactivated DSSN that is being assumed by the DO. The same accountability figure must be shown on line 4.37 of the deactivated DSSN's SF 1219. Also use this line to record a transfer of funds from another DO. The transferring DO shall have a corresponding entry on line 4.37 of his or her SF 1219. The amount entered shall be the same amount as shown in the Month-to-Date column on line 2.37 of the final DD Form 2657 for the reporting period.

★ 6. Line 2.39. Designated DOs participating in Treasury Department's On-Line Payment and Collection System (OPAC) shall use this line as described in this subparagraph. Refer to Chapters 10, 11, and 24 of this volume for detailed information regarding the use of OPAC. The paper version of the SF 1219 has not yet been revised by the Treasury Department to include Line 2.8 - OPAC Payments and Collections. However, the Treasury Department has revised the requirements for disbursing offices that electronically prepare and submit the SF 1219. The electronic format includes Line 2.8 specifically for OPAC Payments and Collections. If the SF 1219 is prepared manually, strike out the caption 2.39 and insert 2.8 - OPAC Payments and Collections. Enter the net monthly OPAC interagency payments and collections, including any adjustments for the current month. The amount entered shall be the same as shown in the Month-to-Date column of line 2.8 of the final DD Form 2657 for the reporting period. The Treasury Department's Financial Management Service (FMS), will compare customer and billing agencies' SF 1219 OPAC transactions with the OPAC data. If there is a difference in the comparison, a TFS Form 6652 (Statement of Differences - Disbursing Office Transactions) will be generated. The differences must be investigated and necessary corrections reported on the next month's SF 1219 as a separate line 2.8. Annotate month and year on each of

the description lines to differentiate between the accounting months. Separate lines also are required if an OPAC transaction is processed in the Treasury Department's system at the end of a prior month but vouchered for agency's accountability in the current month.

7. Line 2.9: Total Increases in Accountability. Enter the sum of lines 2.1 through 2.39. The amount must agree with the Month-to-Date column total on line 2.9 of the final DD Form 2657 for the reporting period.

8. Line 3.0: Subtotal. Enter the sum of lines 1.00 and 2.9. The amount must agree with the Month-to-Date column total on line 3.0 of the final DD Form 2657 for the reporting period.

9. Line 4.1: Net Disbursements. Enter the Month-to-Date column total from line 4.1F of the final DD Form 2657 for the reporting period.

10. Line 4.2: Deposits Presented or Mailed to Bank. Enter the combined Month-to-Date column totals from lines 4.2A and 4.2B of the final DD Form 2657 for the reporting period. The amount entered shall agree with the amount in column (5), Part B, Section II on the reverse of the SF 1219.

11. Line 4.34: Discrepancies in D.O. Accounts - Debits. Do not use.

12. Line 4.36: Payments for Another D.O. Do not use.

13. Line 4.37: Transfers to Other DOs. Use this line when the DSSN is being deactivated and final accountability is being transferred to another DO. The gaining DO shall assume accountability for this balance by recording an increase on line 2.37 of his or her SF 1219 for the same reporting period. Also use this line to record a transfer of funds to another DO. The receiving DO shall have a corresponding entry on line 2.37 of his or her SF 1219 for the same reporting period. The amount entered must be the same as shown in the Month-to-Date column on line 4.37 of the final DD Form 2657 for the reporting period.

14. Line 4.39. Do not use.

15. Line 4.9: Total Decreases in Accountability. Enter the sum of lines 4.1 through 4.39. The amount must agree with the Month-to-Date column total on line 4.9 of the final DD Form 2657 for the reporting period.

16. Line 5.00: Total Accountability Close of Period. Subtract the amount on line 4.9 from the amount on line 3.0 and enter the result. This amount must agree with the Month-to-Date column total on line 5.0 of the final DD Form 2657 for the reporting period.

B. Part B - Analysis of Incumbent Officer's Accountability

1. Line 6.1: Cash on Deposit in Designated Depository. Enter the Month-to-Date column total from line 6.1 of the final DD Form 2657 for the reporting period. If there is only one LDA, show the name and location on the Name and Location of Depository line of the description column. If more than one LDA is maintained, attach a schedule to each copy of the SF 1219 showing the name, location, foreign currency unit, and U.S. dollar equivalent for each LDA and show the total of all LDAs on line 6.1. Enter "See Attached" on the Name and Location of Depository line. Amounts on this line shall always be reported in U.S. dollars and agree with the DO's computed limited depository checkbook balance.

2. Line 6.2: Cash on Hand. Enter the combined Month-to-Date column totals of lines 6.2A and 6.2B of the final DD Form 2657 for the reporting period. Show a parenthetical U.S. dollar equivalent of foreign currencies on hand (from line 6.2B of the DD Form 2657) after the description. DOs on Navy vessels with an Automated Teller Machine (ATM) system shall include funds in the possession of ATM custodians on this line. Do not include currency and coins held by deputies, agents, and cashiers at locations other than the main disbursing office or cash held for payrolls on this line. Cash held by deputies, agents, and cashiers at locations other than the main disbursing office shall be reported on line 6.5. Cash held for payrolls shall be reported on line 6.8.

3. Line 6.3: Cash - Undeposited Collections. Enter the combined Month-to-Date column totals of lines 6.3A and 6.3B of the final DD Form 2657 for the reporting period. Include all undeposited cash and cash items (e.g. checks and money orders) on hand at the close of the reporting period that are for deposit to the TGA. Do not include deposits already mailed or presented for credit to the TGA.

4. Line 6.4. Enter the caption "Custody or Contingency Cash" in the description column. The amount entered on this line includes cash held under custody account agreements in overseas contract MBFs or, when separately approved by the Treasury Department, cash held as cash reserves for contingency requirements. Enter the Month-to-Date column total from line 6.4 of the final DD Form 2657 for the reporting period.

5. Line 6.5: Cash in Custody of Government Cashiers. Amounts entered on this line include coin and currency in the hands of deputies, agents, cashiers, imprest fund cashiers, collection agents, paying agents, and change fund custodians at locations other than the main disbursing office. Do not include amounts held by deputies, agents, and cashiers in the main disbursing office or amounts held by ATM custodians on Navy vessels. Enter the Month-to-Date column total from line 6.5 of the final DD Form 2657 for the reporting period. Also, enter in parentheses (in the space between the caption and the amount column) the dollar equivalent of foreign currencies included in the amount reported.

6. Line 6.6. Enter the caption "Advances to Contractors" in the description column. Enter the Month-to-Date column total from line 6.6 of the final DD Form 2657 for the reporting period.

7. Line 6.7. Enter the caption "Cash in Transit" in the description column. Enter the Month-to-Date column total from line 6.7 of the final DD Form 2657 for the reporting period.

8. Line 6.8. Enter the caption "Payroll Cash" in the description column. Do not report amounts held by ATM custodians on Navy vessels on this line. Enter the Month-to-Date column total from line 6.8 of the final DD Form 2657 for the reporting period.

9. Line 6.9. Enter the caption "Other Cash Items" in the description column. Enter the Month-to-Date column total from line 6.9 of the final DD Form 2657 for the reporting period.

10. Line 7.1: Deferred Charges - Vouchered Items. Enter the Month-to-Date column total from line 7.1 of the final DD Form 2657 for the reporting period.

11. Line 7.2: Receivables - Check Overdrafts. Enter the combined Month-to-Date column totals from lines 7.2A and 7.2B of the final DD Form 2657 for the reporting period.

12. Line 7.3: Losses of Funds. Enter the Month-to-Date column total from line 7.3 of the final DD Form 2657 for the reporting period.

13. Line 7.4: Receivables - Dishonored Checks. Enter the Month-to-Date column total from line 7.4 of the final DD Form 2657 for the reporting period.

14. Lines 7.5 Through 7.9. Do not use.

15. Line 8.0: Total of My Accountability. Enter the total of lines 6.1 through 7.4. This amount must agree with the Month-to-Date column total from line 8.0 of the final DD Form 2657 for the reporting period.

C. Part C - Analysis of Predecessor Officers' Accountability

1. Line 9.2: Receivables - Check Overdrafts. This line shall be used by DOs charged with responsibility to settle the accounts of predecessor DOs as prescribed in Chapter 22 of this volume. Enter the combined Month-to-Date column totals from lines 9.2A and 9.2B of the final DD Form 2657 for the reporting period.

2. Line 9.3: Losses of Funds. This line shall be used by DOs charged with responsibility to settle the accounts of predecessor DOs as prescribed in Chapter 22 of this volume. Enter the Month-to-Date column total from line 9.3 of the final DD Form 2657 for the reporting period.

3. Line 9.4: Other Accountability. This line shall be used by DOs charged with responsibility to settle the accounts of predecessor DOs as prescribed in Chapter 22 of this volume. Enter Month-to-Date column total from line 9.4 of the final DD Form 2657 for the reporting period.

4. Line 10.0: Total Predecessor Officers' Accountability. This line shall be used by DOs charged with responsibility to settle the accounts of predecessor DOs as prescribed in Chapter 22 of this volume. Enter the total of lines 9.2 through 9.4. This total shall agree with the Month-to-Date column total from line 10.0 of the final DD Form 2657 for the reporting period.

5. Line 11.0: Total Disbursing Office Accountability. Enter the total of lines 8.0 and 10.0. This total must be equal to the amount entered in Part A on line 5.0, and must also equal the Month-to-Date column total from line 11 of the final DD Form 2657 for the reporting period.

190504. Certification. Type the name and telephone number (both commercial (including area code) and DSN) of the person to be contacted should any questions arise regarding the SF 1219. The DO or, during periods of authorized absence of the DO, the authorized deputy DO, shall sign the certification in the space provided. The signature of the DO or deputy shall be in the same form as used for signing Treasury checks. The date of submission shall be typed in the space provided. In the case of a DO being relieved from disbursing duty, the relieving DO shall certify the receipt of accountability at the bottom of the SF 1219 as prescribed in Chapter 2 of this volume. Figure 19-5 is provided as an example of a properly prepared SF 1219.

190505. Air Force Merged Accountability and Fund Reporting System (MAFR) Balancing. Air Force DOs are required to add the following lines in the bottom margin of the SF 1219 to facilitate balancing of the MAFR system.

A. Line 4.11 - Gross Disbursements. Enter the cumulative amount from line 4.1A of the last DD Form 2657 prepared for the accounting period (month). If line 4.1A is not used, enter the amount from line 4.1C of the DD Form 2657.

B. Line 4.12 - Refunds. Enter the cumulative amount from line 4.1B of the last DD Form 2657 prepared for the accounting period (month). If line 4.1B is not used, enter zero.

C. Line 4.13 - Receipts. Enter the cumulative amount from line 4.1D of the last DD Form 2657 prepared for the accounting period (month).

D. Line 4.14 - Reimbursements. Enter the cumulative amount from line 4.1E of the last DD Form 2657 prepared for the accounting period (month).

E. Line 4.15 - Total Collections. Enter the total of the amounts included in lines 4.12, 4.13, and 4.14 above.

190506. Section II - Summary by Symbol of Check and Deposit Transactions with U.S. Treasury

A. Part A - Checks Issued and Adjustments for Prior Periods. The detailed information required to be reported in this part is indicated by the columnar headings. The information shall be shown for the DSSN under which there were checks issued or check issue adjustment transactions in the current reporting period. The amounts reported in the respective columns must agree with amounts reported on the SF 1179 for the same reporting period.

1. Column (1) - Check Symbol. Enter the DSSN covered by the SF 1219.

2. Column (2) - Amount of Checks Issued this Period. Enter the total amount of all Treasury checks issued during the current reporting period. Check issue adjustments accomplished using OFs 1017-G applicable to checks issued during the current reporting period (after such checks have been reported as check issues to the Treasury Department) shall be included in the total shown in this column. If overdrafts or underdrafts are discovered before level 8 check issue reporting for those same checks is made, the level 8 report is changed (i.e., without a check issue adjustment). In the case of an overdraft, an accountability-balancing increase to line 7.2A of the DD Form 2657 would be made. In the case of an underdraft, another check would be issued and recorded in the normal manner, and both check numbers cited on the disbursement voucher. The amount entered in this column must agree with the amount reported on line 1 of the summary portion of the SF 1179. Do not enter limited depositary account check issues in this column.

3. Column (3) - Adjustments for Prior Months' Issues by FMS Form 5206. Enter the issue month and year and the amount of each adjustment applicable to checks issued in prior periods and documented by FMS Forms 5206. Entries in this column can include check issue adjustments for checks issued and reported under level 8 check issue reporting in the same reporting period (month). The total of this column must equal the amount shown on line 2(a) in the summary portion of the SF 1179.

4. Column (4) - Adjustments for Prior Months' Issues by Other than FMS Form 5206. Enter the issue month and year and the amount of each adjustment applicable to checks issued in prior periods initiated locally by the DO on OFs 1071-G to correct a difference for which a FMS Form 5206 has not been received. Entries in this column can include check issue adjustments for checks issued and reported under level 8 check issue reporting in the same reporting period (month). The total of this column must equal the amount shown on line 2(b) in the summary portion of the SF 1179.

5. Column (5) - Total Checks Issued. Enter the amount of column (2), plus or minus the amounts entered in columns (3) and (4). The total reported in column (5) must be the amount reported in on line 2.1 of Section I, Part A on the face of the SF 1219. This amount must also be the same amount reported on line 3 in the summary portion of the SF 1179.

B. Part B - Summary of Deposits Presented or Mailed to Bank. In this part, an analysis shall be shown by DSSN of the deposits (SF 215) and debit vouchers (SF 5515) that have been taken up in the accounts of the DO during the current reporting period. The information required to be reported is indicated by the columnar headings.

1. Column (1) - Deposit Symbol. Enter the DSSN under which deposits were made.

2. Column (2) - Deposits Presented or Mailed to Bank This Month. Enter the total of all SFs 215 presented or mailed to the FRB or general depository during the current reporting period (month) regardless of whether the deposits have been confirmed by the depository. Include any SFs 5515 that are accounted for by the depository (block 2 of the SF 5515) during the same period for which the SF 1219 is being prepared. An SF 5515 reduces total deposits. Note that if deposits presented or mailed to a depository during the first few days of the month are physically dated in the previous month, they shall be excluded from this column and included in columns (3) and (4).

3. Columns (3) and (4) - Deposits Presented or Mailed to Bank in Prior Months but Recorded in Accounts this Month. Enter in column (3) the month and year of presentation or mailing of all SFs 215 and SFs 5515 taken into the accounts during the current month with a presentation or mailing date (block 2 of the forms) in any prior month. Enter in column (4) the total amount of the deposits less the debit vouchers. If more than 1 prior month is involved in the total of such deposits reported, each month and year shall be shown in column (3) and separate totals for each month shown in column (4).

4. Column (5) - Total Deposits Presented or Mailed to Bank. Enter the total of columns (2) and (4). This amount must agree with the amount shown on line 4.2 in Section I, Part A on the face of the SF 1219.

190507. Erroneous Statements of Accountability. DOs shall not submit corrected or amended SFs 1219 under any circumstances. If adjustment action is necessary, the adjustment shall be made on the succeeding month's SF 1219. In instances when a final SF 1219 has been submitted because of deactivation of a disbursing office and subsequent adjustments are found to be necessary, a supplemental SF 1219 shall be submitted showing such adjustments. The adjustment entries shall be explained in detail by supporting documentation attached to SF 1219.

★1906 CASH FORECASTING REQUIREMENTS

In order for the Treasury Department's FMS to manage the Government's daily cash position, DoD disbursing officers are required to provide notice to FMS regarding large deposits, large disbursements by check or EFT, payments of military pay and military retired pay EFT, and payments to vendors by EFT in advance of the transaction settlement date. Reporting of cash forecasting information is critical for the maintenance of accurate, up-to-date cash flow projections, and for the daily management of the Treasury Department's operating cash balances. Likewise, reporting of cash forecasting information for EFT payments of military pay and military retired pay and EFT payments to vendors is essential to the effective and efficient management of the Treasury Department's operating cash balances. Reporting procedures prescribed in Chapters 5, 7, 11, and 24 of this volume will standardize the information being provided by the DFAS Centers and other DoD Component installations.

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 6432	2. DATE 9/01/XX	
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY					
a. LINE	b. DESCRIPTION		c. TODAY	d. MONTH-TO-DATE	
1.0	ACCOUNTABILITY - Beginning of Day		68,350.00	68,350.00	
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS			
2.1B	N	CHECKS ISSUED - ALL OTHERS			
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A	TRANSFERS FROM OTHER DOs			
2.8	S	OPAC PAYMENTS AND COLLECTIONS			
2.9	E	TOTAL ACCOUNTABILITY INCREASES	68,350.00	68,350.00	
3.0	GROSS ACCOUNTABILITY				
4.1A		Gross Disbursements			
4.1B		Less - Refunds			
4.1C		Net Disbursements			
4.1D		Less - Receipts			
4.1E		Less - Reimbursements			
4.1F	D	NET EXPENDITURES			
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C	EFT DEBIT VOUCHERS			
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S	TRANSFERS TO OTHER DOs			
4.9	E	TOTAL ACCOUNTABILITY DECREASES			
5.0	ACCOUNTABILITY - End of Day		68,350.00	68,350.00	
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO					
a. LINE	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
6.1	DESIGNATED DEPOSITARY Bk of London (Pounds)				8,000.00
6.2A	U.S. CURRENCY/COINAGE ON HAND				37,850.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND (Pounds)				
6.3A	UNDEPOSITED COLLECTIONS - GENERAL				
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND				
6.4	CUSTODY OR CONTINGENCY CASH				
6.5	FUNDS WITH AGENTS				20,000.00
6.6	ADVANCES TO CONTRACTORS				
6.7	CASH IN TRANSIT				
6.8	PAYROLL CASH				2,500.00
6.9	OTHER				
7.1	DEFERRED VOUCHERS				
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
7.2B	ACCOUNTS RECEIVABLE - OTHER				
7.3	LOSS OF FUNDS				
7.4	DISHONORED CHECKS RECEIVABLE				
7.5					
7.6					
7.7					
8.0	TOTAL INCUMBENT DO ACCOUNTABILITY				68,350.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs					
a. LINE	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
9.2B	ACCOUNTS RECEIVABLE - OTHER				
9.3	LOSS OF FUNDS				
9.4	OTHER				
10.0	TOTAL PREDECESSOR DO's ACCOUNTABILITY				
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY - COMBINED					
a. LINE	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
11.0	TOTAL DSSN ACCOUNTABILITY				68,350.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)			4. DISBURSING OFFICER OR DEPUTY		5. DATE

DD Form 2657, AUG 93

Figure 19-1. Sample DD Form 2657 (Daily Statement of Accountability)
1st Day of Month

SECTION V - DISTRIBUTION OF CASH ON HAND				
LOCATION	FOREIGN CURRENCY - RATE: 2.50		U.S.CURRENCY	OTHER
	UNITS	U.S. EQUIVALENT		
VAULT CASH			30,000.00	
DISBURSING OFFICER			5,950.00	2,500.00
DEPUTY DO - A	3,200	8,000.00	1,500.00	
DEPUTY DO - B				
DEPUTY DO - C			10,000.00	
DEPUTY DO - D				
CASHIER - A			400.00	
CASHIER - B				
CASHIER - C			10,000.00	
OTHERImprest Fund				
TOTAL	3,200	8,000.00	57,850.00	2,500.00

DD Form 2657, AUG 93 (Back)

**Figure 19-1. Sample DD Form 2657 (Daily Statement of Accountability)
1st Day of Month (Back)**

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 6432	2. DATE 9/02/XX
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY				
a. LINE	b. DESCRIPTION	c. TODAY	d. MONTH-TO-DATE	
1.0	ACCOUNTABILITY - Beginning of Day	68,350.00	68,350.00	
2.1A	I CHECKS ISSUED IN PAYMENT OF VOUCHERS	6,000.00	6,000.00	
2.1B	N CHECKS ISSUED - ALL OTHERS			
2.3	C OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A TRANSFERS FROM OTHER DOs			
2.8	S OPAC PAYMENTS AND COLLECTIONS			
2.9	E TOTAL ACCOUNTABILITY INCREASES	6,000.00	6,000.00	
3.0	GROSS ACCOUNTABILITY	74,350.00	74,350.00	
4.1A	Gross Disbursements	6,000.00	6,000.00	
4.1B	Less - Refunds			
4.1C	Net Disbursements	6,000.00	6,000.00	
4.1D	Less - Receipts			
4.1E	Less - Reimbursements	2,000.00	2,000.00	
4.1F	D NET EXPENDITURES	4,000.00	4,000.00	
4.2A	E DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C EFT DEBIT VOUCHERS			
4.3	R OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S TRANSFERS TO OTHER DOs			
4.9	E TOTAL ACCOUNTABILITY DECREASES	4,000.00	4,000.00	
5.0	ACCOUNTABILITY - End of Day	70,350.00	70,350.00	
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO				
a. LINE	b. DESCRIPTION	c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
6.1	DESIGNATED DEPOSITARY Bk of London (Pounds)			8,000.00
6.2A	U.S. CURRENCY/COINAGE ON HAND	1,900.00		39,750.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND (Pounds)			
6.3A	UNDEPOSITED COLLECTIONS - GENERAL			
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND			
6.4	CUSTODY OR CONTINGENCY CASH			
6.5	FUNDS WITH AGENTS			20,000.00
6.6	ADVANCES TO CONTRACTORS			
6.7	CASH IN TRANSIT			
6.8	PAYROLL CASH			2,500.00
6.9	OTHER			
7.1	DEFERRED VOUCHERS			
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS			
7.2B	ACCOUNTS RECEIVABLE - OTHER			
7.3	LOSS OF FUNDS	100.00		100.00
7.4	DISHONORED CHECKS RECEIVABLE			
7.5				
7.6				
7.7				
8.0	TOTAL INCUMBENT DO ACCOUNTABILITY	2,000.00		70,350.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs				
a. LINE	b. DESCRIPTION	c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS			
9.2B	ACCOUNTS RECEIVABLE - OTHER			
9.3	LOSS OF FUNDS			
9.4	OTHER			
10.0	TOTAL PREDECESSOR DO's ACCOUNTABILITY			
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY - COMBINED				
a. LINE	b. DESCRIPTION	c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
11.0	TOTAL DSSN ACCOUNTABILITY	2,000.00		70,350.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)		4. DISBURSING OFFICER OR DEPUTY		5. DATE

DD Form 2657, AUG 93

Figure 19-1. Sample DD Form 2657 (Daily Statement of Accountability)
2nd Day of Month

SECTION V - DISTRIBUTION OF CASH ON HAND				
LOCATION	FOREIGN CURRENCY - RATE: 2.50		U.S.CURRENCY	OTHER
	UNITS	U.S. EQUIVALENT		
VAULT CASH			30,000.00	
DISBURSING OFFICER			7,850.00	2,500.00
DEPUTY DO - A	3,200	8,000.00	1,500.00	
DEPUTY DO - B				
DEPUTY DO - C			10,000.00	
DEPUTY DO - D				
CASHER - A			400.00	
CASHER - B				
CASHER - C			10,000.00	
OTHERImprest Fund				
TOTAL	3,200	8,000.00	59,750.00	2,500.00

DD Form 2657, AUG 93 (Back)

**Figure 19-1. Sample DD Form 2657 (Daily Statement of Accountability)
2nd Day of Month (Back)**

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 6432	2. DATE 9/15/XX
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY				
a. LINE	b. DESCRIPTION	c. TODAY	d. MONTH-TO-DATE	
1.0	ACCOUNTABILITY - Beginning of Day	70,350.00	68,350.00	
2.1A	I CHECKS ISSUED IN PAYMENT OF VOUCHERS	35,000.00	41,000.00	
2.1B	N CHECKS ISSUED - ALL OTHERS	5,000.00	5,000.00	
2.3	C OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A TRANSFERS FROM OTHER DOs			
2.8	S OPAC PAYMENTS AND COLLECTIONS			
2.9	E TOTAL ACCOUNTABILITY INCREASES	40,000.00	46,000.00	
3.0	GROSS ACCOUNTABILITY	110,350.00	114,350.00	
4.1A	Gross Disbursements	45,000.00	51,000.00	
4.1B	Less - Refunds			
4.1C	Net Disbursements	45,000.00	51,000.00	
4.1D	Less - Receipts			
4.1E	Less - Reimbursements		2,000.00	
4.1F	D NET EXPENDITURES	45,000.00	49,000.00	
4.2A	E DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C EFT DEBIT VOUCHERS			
4.3	R OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S TRANSFERS TO OTHER DOs			
4.9	E TOTAL ACCOUNTABILITY DECREASES	45,000.00	49,000.00	
5.0	ACCOUNTABILITY - End of Day	65,350.00	65,350.00	
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO				
a. LINE	b. DESCRIPTION	c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
6.1	DESIGNATED DEPOSITARY Bk of London (Pounds)			8,000.00
6.2A	U.S. CURRENCY/COINAGE ON HAND		19,750.00	20,000.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND (Pounds)			
6.3A	UNDEPOSITED COLLECTIONS - GENERAL			
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND	9,750.00		9,750.00
6.4	CUSTODY OR CONTINGENCY CASH			
6.5	FUNDS WITH AGENTS	5,000.00		25,000.00
6.6	ADVANCES TO CONTRACTORS			
6.7	CASH IN TRANSIT			
6.8	PAYROLL CASH			2,500.00
6.9	OTHER			
7.1	DEFERRED VOUCHERS			
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS			
7.2B	ACCOUNTS RECEIVABLE - OTHER			
7.3	LOSS OF FUNDS			100.00
7.4	DISHONORED CHECKS RECEIVABLE			
7.5				
7.6				
7.7				
8.0	TOTAL INCUMBENT DO ACCOUNTABILITY	14,750.00	19,750.00	65,350.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs				
a. LINE	b. DESCRIPTION	c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS			
9.2B	ACCOUNTS RECEIVABLE - OTHER			
9.3	LOSS OF FUNDS			
9.4	OTHER			
10.0	TOTAL PREDECESSOR DOs ACCOUNTABILITY			
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY - COMBINED				
a. LINE	b. DESCRIPTION	c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
11.0	TOTAL DSSN ACCOUNTABILITY	14,750.00	19,750.00	65,350.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)		4. DISBURSING OFFICER OR DEPUTY		5. DATE

DD Form 2657, AUG 93

Figure 19-1. Sample DD Form 2657 (Daily Statement of Accountability)
15th Day of Month

SECTION V - DISTRIBUTION OF CASH ON HAND				
LOCATION	FOREIGN CURRENCY - RATE: 2.50		U.S.CURRENCY	OTHER
	UNITS	U.S. EQUIVALENT		
VAULT CASH			10,000.00	
DISBURSING OFFICER			8,100.00	12,250.00
DEPUTY DO - A	3,200	8,000.00	1,500.00	
DEPUTY DO - B				
DEPUTY DO - C			10,000.00	
DEPUTY DO - D				
CASHIER - A			400.00	
CASHIER - B			5,000.00	
CASHIER - C			10,000.00	
OTHERImprest Fund				
TOTAL	3,200	8,000.00	45,000.00	12,250.00

DD Form 2657, AUG 93 (Back)

**Figure 19-1. Sample DD Form 2657 (Daily Statement of Accountability)
15th Day of Month (Back)**

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 6432	2. DATE 9/30/XX
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY				
a. LINE	b. DESCRIPTION	c. TODAY	d. MONTH-TO-DATE	
1.0	ACCOUNTABILITY - Beginning of Day		68,350.00	
2.1A	I CHECKS ISSUED IN PAYMENT OF VOUCHERS	65,350.00	68,350.00	
2.1B	N CHECKS ISSUED - ALL OTHERS	15,500.00	56,500.00	
2.3	C OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A TRANSFERS FROM OTHER DOs			
2.8	S OPAC PAYMENTS AND COLLECTIONS	10,000.00	10,000.00	
2.9	E TOTAL ACCOUNTABILITY INCREASES	25,500.00	71,500.00	
3.0	GROSS ACCOUNTABILITY	90,850.00	139,850.00	
4.1A	Gross Disbursements	25,500.00	76,500.00	
4.1B	Less - Refunds			
4.1C	Net Disbursements	25,500.00	74,500.00	
4.1D	Less - Receipts			
4.1E	Less - Reimbursements		2,000.00	
4.1F	D NET EXPENDITURES	25,500.00	74,500.00	
4.2A	E DEPOSITS PRESENTED OR MAILED TO BANK	9,750.00750.00	9,750.00	
4.2B	C EFT DEBIT VOUCHERS			
4.3	R OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S TRANSFERS TO OTHER DOs			
4.9	E TOTAL ACCOUNTABILITY DECREASES	35,250.00	84,250.00	
5.0	ACCOUNTABILITY - End of Day	55,600.00	55,600.00	
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO				
a. LINE	b. DESCRIPTION	c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
6.1	DESIGNATED DEPOSITARY Bk of London (Pounds)			8,000.00
6.2A	U.S. CURRENCY/COINAGE ON HAND	100.00		20,100.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND (Pounds)			
6.3A	UNDEPOSITED COLLECTIONS - GENERAL			
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND		9,750.00	
6.4	CUSTODY OR CONTINGENCY CASH			
6.5	FUNDS WITH AGENTS			25,000.00
6.6	ADVANCES TO CONTRACTORS			
6.7	CASH IN TRANSIT			
6.8	PAYROLL CASH			2,500.00
6.9	OTHER			
7.1	DEFERRED VOUCHERS			
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS			
7.2B	ACCOUNTS RECEIVABLE - OTHER			
7.3	LOSS OF FUNDS		100.00	
7.4	DISHONORED CHECKS RECEIVABLE			
7.5				
7.6				
7.7				
8.0	TOTAL INCUMBENT DO ACCOUNTABILITY	100.00	9,850.00	55,600.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs				
a. LINE	b. DESCRIPTION	c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS			
9.2B	ACCOUNTS RECEIVABLE - OTHER			
9.3	LOSS OF FUNDS			
9.4	OTHER			
10.0	TOTAL PREDECESSOR DO's ACCOUNTABILITY			
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY - COMBINED				
a. LINE	b. DESCRIPTION	c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
11.0	TOTAL DSSN ACCOUNTABILITY	100.00	9,850.00	55,600.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)		4. DISBURSING OFFICER OR DEPUTY		5. DATE

DD Form 2657, AUG 93

**Figure 19-1. Sample DD Form 2657 (Daily Statement of Accountability)
Last Day of Month**

SECTION V - DISTRIBUTION OF CASH ON HAND				
LOCATION	FOREIGN CURRENCY - RATE: 2.50		U.S.CURRENCY	OTHER
	UNITS	U.S. EQUIVALENT		
VAULT CASH			10,000.00	
DISBURSING OFFICER			8,200.00	2,500.00
DEPUTY DO - A	3,200	8,000.00	1,500.00	
DEPUTY DO - B				
DEPUTY DO - C			10,000.00	
DEPUTY DO - D				
CASHIER - A			400.00	
CASHIER - B			5,000.00	
CASHIER - C			10,000.00	
OTHERImprest Fund				
TOTAL	3,200	8,000.00	45,100.00	2,500.00

DD Form 2657, AUG 93 (Back)

**Figure 19-1. Sample DD Form 2657 (Daily Statement of Accountability)
Last Day of Month (Back)**

DAILY AGENT ACCOUNTABILITY SUMMARY							1. DATE 6/1/XX
SECTION I - SUMMARY OF DAILY ACCOUNTABILITY TRANSACTIONS							
a. LINE NO.	b. DESCRIPTION					c. TODAY	d. CUMULATIVE
1.	ACCOUNTABILITY - BEGINNING					0	0
2.	I N C	ADVANCES	a. Cash 10,000.00	b. Prepositioned Checks	c. Other	10,000.00	10,000.00
3.	C	VOUCHERED COLLECTIONS				500.00	500.00
4.	R	TREASURY CHECK ISSUES	a. Vouchered 1,000.00	b. Other		1,000.00	1,000.00
5.	E	TRANSFERS FROM OTHER DISBURSING OFFICERS					
6.	A	EXCHANGE GAIN ACCUMULATIONS					
7.	S	OTHER (Explain)					
8.	E	TOTAL INCREASES				11,500.00	11,500.00
9.	GROSS ACCOUNTABILITY					11,500.00	11,500.00
10.	D E	TRANSFERS TO OTHER DISBURSING OFFICERS					
11.	C	EXCHANGE LOSS ACCUMULATIONS					
12.	R	OTHER (Explain)					
13.	E S	RETURNS TO PRINCIPAL	a. Paid Vouchers	b. Deposit Tickets			
			c. Other Returns (Explain)				
14.	E	TOTAL DECREASES				0	0
15.	ACCOUNTABILITY - ENDING					11,500.00	11,500.00
SECTION II - DISTRIBUTION OF AGENT ACCOUNTABILITY							
a. LINE NO.	b. ELEMENT OF ACCOUNTABILITY				c. ACCOUNTABILITY BEFORE TRANSFERS	d. RETURNS TO PRINCIPAL	e. ACCOUNTABILITY AFTER TRANSFERS
16.	LIMITED DEPOSITARY		UNITS	RATE			
17.	CASH ON HAND (U.S.)				6,000.00		
18.	CASH ON HAND (Foreign)	a. ACCOMMODATION	UNITS	RATE			
		b. OPERATING	UNITS	RATE			
19.	PREPOSITIONED TREASURY CHECKS						
20.	NEGOTIABLE INSTRUMENTS (U.S.)						
21.	NEGOTIABLE INSTRUMENTS (Foreign)		UNITS	RATE			
22.	MILITARY PAYMENT CERTIFICATES						
23.	PAID VOUCHERS				5,000.00		
24.	FUNDS IN TRANSIT						
25.	FUNDS WITH SUBAGENTS						
26.	DEPOSIT TICKETS (not LDA)				500.00		
27.	DISHONORED CHECKS RECEIVABLE						
28.	CHECK OVERDRAFTS RECEIVABLE						
29.	LOSS OF FUNDS						
30.	DEFERRED VOUCHERS						
31.	OTHER (Explain)						
32.	TOTAL AGENT ACCOUNTABILITY				11,500.00		
SECTION III - LOCATION OF CASH/NEGOTIABLE INSTRUMENTS							
a. LINE NO.	b. LOCATION	c. CASH (Foreign Units)	d. CASH (U.S.)	e. PREPOSITIONED CHECKS	f. MILITARY PAYMENT CERTIFICATES	g. OTHER	
33.	AGENT		6,000.00				
34.	DEPUTY AGENT						
35.	CASHIER						
36.	OTHER (Specify)						
37.	TOTALS		6,000.00				
2. NAME OF AGENT (Type or Print) William J. Ellis, SSGT				3. ADDRESS OF AGENT (Type or Print) DFAS-DE			
4. SIGNATURE OF AGENT							

DD Form 2665, AUG 93

Figure 19-2. Sample DD Form 2665 (Daily Agent Accountability Summary)
1st Day of Month

SECTION IV - MEMORANDUM AGENT ACCOUNTABILITY							
38. DEPOSIT TICKETS ON HAND							
NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
123456	500.00						
39. PAID VOUCHERS ON HAND							
400001	THRU	400005	THRU		THRU		
	THRU		THRU		THRU		
	THRU		THRU		THRU		
	THRU		THRU		THRU		
	THRU		THRU		THRU		
	THRU		THRU		THRU		
	NOT USED		DUPLICATED		VOIDED		
40. COLLECTION VOUCHERS ON HAND							
200001	THRU		THRU		THRU		
	THRU		THRU		THRU		
	THRU		THRU		THRU		
	THRU		THRU		THRU		
	THRU		THRU		THRU		
	THRU		THRU		THRU		
	NOT USED		DUPLICATED		VOIDED		
41. VOUCHERS RETURNED FOR CORRECTION (ON HAND)							
PAID VOUCHERS				COLLECTION VOUCHERS			
42. TREASURY CHECK STOCK ON HAND							
SERIES A		SERIES B		CONTROL			
70,000,001	THRU	70,000,999	THRU	THRU			
	THRU		THRU	THRU			
	THRU		THRU	THRU			
	THRU		THRU	THRU			
	THRU		THRU	THRU			
43. AGENT REMARKS							
\$4,000 paid in cash on DOV 400001 – 400004 \$1,000 paid by check on DOV 400005 \$500 check collected on COV 200001 (SF 215 # 123456)							

DD Form 2665, AUG 93 (Back)

**Figure 19-2. Sample DD Form 2665 (Daily Agent Accountability Summary)
1st Day of Month (Back)**

DAILY AGENT ACCOUNTABILITY SUMMARY							1. DATE 6/2/XX	
SECTION I - SUMMARY OF DAILY ACCOUNTABILITY TRANSACTIONS								
a. LINE NO.	b. DESCRIPTION					c. TODAY	d. CUMULATIVE	
1.	ACCOUNTABILITY - BEGINNING					11,500.00	0	
2.	I N C R E A S E	ADVANCES	a. Cash	b. Prepositioned Checks	c. Other		10,000.00	
3.		VOUCHERED COLLECTIONS					500.00	
4.		TREASURY CHECK ISSUES	a. Vouchered 1,000.00		b. Other	1,000.00	2,000.00	
5.		TRANSFERS FROM OTHER DISBURSING OFFICERS						
6.		EXCHANGE GAIN ACCUMULATIONS						
7.	S E	OTHER (Explain)						
8.		TOTAL INCREASES					1,000.00	12,500.00
9.		GROSS ACCOUNTABILITY					12,500.00	12,500.00
10.	D E C R E A S E	TRANSFERS TO OTHER DISBURSING OFFICERS						
11.		EXCHANGE LOSS ACCUMULATIONS						
12.		OTHER (Explain)						
13.		RETURNS TO PRINCIPAL	a. Paid Vouchers 6,000.00		b. Deposit Tickets 500.00	6,500.00	6,500.00	
	S E	c. Other Returns (Explain)						
14.		TOTAL DECREASES					6,500.00	6,500.00
15.	ACCOUNTABILITY - ENDING					6,000.00	6,000.00	
SECTION II - DISTRIBUTION OF AGENT ACCOUNTABILITY								
a. LINE NO.	b. ELEMENT OF ACCOUNTABILITY				c. ACCOUNTABILITY BEFORE TRANSFERS	d. RETURNS TO PRINCIPAL	e. ACCOUNTABILITY AFTER TRANSFERS	
16.	LIMITED DEPOSITORY		UNITS	RATE				
17.	CASH ON HAND (U.S.)				6,000.00		6,000.00	
18.	CASH ON HAND (Foreign)	a. ACCOMMODATION	UNITS	RATE				
		b. OPERATING	UNITS	RATE				
19.	PREPOSITIONED TREASURY CHECKS							
20.	NEGOTIABLE INSTRUMENTS (U.S.)							
21.	NEGOTIABLE INSTRUMENTS (Foreign)		UNITS	RATE				
22.	MILITARY PAYMENT CERTIFICATES							
23.	PAID VOUCHERS				6,000.00	6,000.00	0	
24.	FUNDS IN TRANSIT							
25.	FUNDS WITH SUBAGENTS							
26.	DEPOSIT TICKETS (not LDA)				500.00	500.00	0	
27.	DISHONORED CHECKS RECEIVABLE							
28.	CHECK OVERDRAFTS RECEIVABLE							
29.	LOSS OF FUNDS							
30.	DEFERRED VOUCHERS							
31.	OTHER (Explain)							
32.	TOTAL AGENT ACCOUNTABILITY				12,500.00	6,500.00	6,000.00	
SECTION III - LOCATION OF CASH/NEGOTIABLE INSTRUMENTS								
a. LINE NO.	b. LOCATION	c. CASH (Foreign Units)	d. CASH (U.S.)	e. PREPOSITIONED CHECKS	f. MILITARY PAYMENT CERTIFICATES	g. OTHER		
33.	AGENT		6,000.00					
34.	DEPUTY AGENT							
35.	CASHIER							
36.	OTHER (Specify)							
37.	TOTALS		6,000.00					
2. NAME OF AGENT (Type or Print) William J. Ellis, SSGT				3. ADDRESS OF AGENT (Type or Print) DFAS-DE				
4. SIGNATURE OF AGENT								

DD Form 2665, AUG 93

Figure 19-2. Sample DD Form 2665 (Daily Agent Accountability Summary)
2nd Day of Month

SECTION IV - MEMORANDUM AGENT ACCOUNTABILITY							
38. DEPOSIT TICKETS ON HAND							
NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
39. PAID VOUCHERS ON HAND							
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
NOT USED		DUPLICATED		VOIDED			
40. COLLECTION VOUCHERS ON HAND							
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
NOT USED		DUPLICATED		VOIDED			
41. VOUCHERS RETURNED FOR CORRECTION (ON HAND)							
PAID VOUCHERS				COLLECTION VOUCHERS			
42. TREASURY CHECK STOCK ON HAND							
SERIES A		SERIES B		CONTROL			
70,000,002	THRU 70,000,999	THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
43. AGENT REMARKS							
\$1,000 paid by check on DOV 400006 Turn-in as of close of business 6/2/XX \$6,500.00 (DOV 400001 - 400006; COV 200001; SF 215 123456)							

DD Form 2665, AUG 93 (Back)

Figure 19-2. Sample DD Form 2665 (Daily Agent Accountability Summary)
2nd Day of Month (Back)

DAILY AGENT ACCOUNTABILITY SUMMARY						1. DATE 6/3/XX	
SECTION I - SUMMARY OF DAILY ACCOUNTABILITY TRANSACTIONS							
a. LINE NO.	b. DESCRIPTION				c. TODAY	d. CUMULATIVE	
1.	ACCOUNTABILITY – BEGINNING				6,000.00	6,000.00	
2.	I N C R E A S E	ADVANCES	a. Cash 2,000.00	b. Prepositioned Checks 2,000.00	c. Other	4,000.00	4,000.00
3.		VOUCHERED COLLECTIONS					
4.		TREASURY CHECK ISSUES	a. Vouchered 3,000.00		b. Other	3,000.00	3,000.00
5.		TRANSFERS FROM OTHER DISBURSING OFFICERS					
6.		EXCHANGE GAIN ACCUMULATIONS					
7.		OTHER (Explain)					
8.		TOTAL INCREASES				7,000.00	7,000.00
9.	GROSS ACCOUNTABILITY				13,000.00	13,000.00	
10.	D E C R E A S E	TRANSFERS TO OTHER DISBURSING OFFICERS					
11.		EXCHANGE LOSS ACCUMULATIONS					
12.		OTHER (Explain)					
13.		RETURNS TO PRINCIPAL	a. Paid Vouchers		b. Deposit Tickets		
14.			c. Other Returns (Explain)				
15.	TOTAL DECREASES				0	0	
15.	ACCOUNTABILITY – ENDING				13,000.00	13,000.00	
SECTION II - DISTRIBUTION OF AGENT ACCOUNTABILITY							
a. LINE NO.	b. ELEMENT OF ACCOUNTABILITY				c. ACCOUNTABILITY BEFORE TRANSFERS	d. RETURNS TO PRINCIPAL	e. ACCOUNTABILITY AFTER TRANSFERS
16.	LIMITED DEPOSITORY	UNITS	RATE				
17.	CASH ON HAND (U.S.)			6,500.00			
18.	CASH ON HAND (Foreign)	a. ACCOMMODATION	UNITS	RATE			
		b. OPERATING	UNITS	RATE			
19.	PREPOSITIONED TREASURY CHECKS				2,000.00		
20.	NEGOTIABLE INSTRUMENTS (U.S.)						
21.	NEGOTIABLE INSTRUMENTS (Foreign)	UNITS	RATE				
22.	MILITARY PAYMENT CERTIFICATES						
23.	PAID VOUCHERS				4,500.00		
24.	FUNDS IN TRANSIT						
25.	FUNDS WITH SUBAGENTS						
26.	DEPOSIT TICKETS (not LDA)						
27.	DISHONORED CHECKS RECEIVABLE						
28.	CHECK OVERDRAFTS RECEIVABLE						
29.	LOSS OF FUNDS						
30.	DEFERRED VOUCHERS						
31.	OTHER (Explain)						
32.	TOTAL AGENT ACCOUNTABILITY				13,000.00		
SECTION III - LOCATION OF CASH/NEGOTIABLE INSTRUMENTS							
a. LINE NO.	b. LOCATION	c. CASH (Foreign Units)	d. CASH (U.S.)	e. PREPOSITIONED CHECKS	f. MILITARY PAYMENT CERTIFICATES	g. OTHER	
33.	AGENT		6,500.00	2,000.00			
34.	DEPUTY AGENT						
35.	CASHIER						
36.	OTHER (Specify)						
37.	TOTALS		6,500.00	2,000.00			
2. NAME OF AGENT (Type or Print) William J. Ellis, SSGT				3. ADDRESS OF AGENT (Type or Print) DFAS-DE			
4. SIGNATURE OF AGENT							

DD Form 2665, AUG 93

Figure 19-2. Sample DD Form 2665 (Daily Agent Accountability Summary)
3rd Day of Month

SECTION IV - MEMORANDUM AGENT ACCOUNTABILITY							
38. DEPOSIT TICKETS ON HAND							
NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
39. PAID VOUCHERS ON HAND							
400007	THRU	400008	THRU	THRU	THRU	THRU	THRU
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
NOT USED		DUPLICATED		VOIDED			
40. COLLECTION VOUCHERS ON HAND							
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
NOT USED		DUPLICATED		VOIDED			
41. VOUCHERS RETURNED FOR CORRECTION (ON HAND)							
PAID VOUCHERS				COLLECTION VOUCHERS			
42. TREASURY CHECK STOCK ON HAND							
SERIES A		SERIES B		CONTROL			
70,000,003	THRU	70,000,999	THRU	THRU	THRU	THRU	THRU
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
	THRU		THRU		THRU		THRU
43. AGENT REMARKS							
\$3,000 paid by check on DOV 400007 \$1,500 paid by cash on DOV 400008							

DD Form 2665, AUG 93 (Back)

Figure 19-2. Sample DD Form 2665 (Daily Agent Accountability Summary)
3rd Day of Month (Back)

DAILY AGENT ACCOUNTABILITY SUMMARY						1. DATE 6/4/XX	
SECTION I - SUMMARY OF DAILY ACCOUNTABILITY TRANSACTIONS							
a. LINE NO.	b. DESCRIPTION				c. TODAY	d. CUMULATIVE	
1.	ACCOUNTABILITY - BEGINNING				13,000.00	6,000.00	
2.	I N	ADVANCES	a. Cash	b. Prepositioned Checks	c. Other	4,000.00	
3.		VOUCHERED COLLECTIONS				100.00	100.00
4.	R	TREASURY CHECK ISSUES	a. Vouchered 10,000.00	b. Other	10,000.00	13,000.00	
5.	E	TRANSFERS FROM OTHER DISBURSING OFFICERS					
6.	A	EXCHANGE GAIN ACCUMULATIONS					
7.	S	OTHER (Explain)					
8.	E	TOTAL INCREASES				10,100.00	17,100.00
9.	GROSS ACCOUNTABILITY				23,100.00	23,100.00	
10.	D E	TRANSFERS TO OTHER DISBURSING OFFICERS					
11.		EXCHANGE LOSS ACCUMULATIONS					
12.	R	OTHER (Explain)					
13.	E A S	RETURNS TO PRINCIPAL	a. Paid Vouchers 14,500.00	b. Deposit Tickets	14,500.00	14,500.00	
14.			c. Other Returns (Explain)			14,500.00	14,500.00
15.	ACCOUNTABILITY - ENDING				8,600.00	8,600.00	
SECTION II - DISTRIBUTION OF AGENT ACCOUNTABILITY							
a. LINE NO.	b. ELEMENT OF ACCOUNTABILITY				c. ACCOUNTABILITY BEFORE TRANSFERS	d. RETURNS TO PRINCIPAL	e. ACCOUNTABILITY AFTER TRANSFERS
16.	LIMITED DEPOSITARY		UNITS	RATE			
17.	CASH ON HAND (U.S.)				6,600.00		6,600.00
18.	CASH ON HAND (Foreign)	a. ACCOMMODATION	UNITS	RATE			
		b. OPERATING	UNITS	RATE			
19.	PREPOSITIONED TREASURY CHECKS				2,000.00		2,000.00
20.	NEGOTIABLE INSTRUMENTS (U.S.)						
21.	NEGOTIABLE INSTRUMENTS (Foreign)		UNITS	RATE			
22.	MILITARY PAYMENT CERTIFICATES						
23.	PAID VOUCHERS				14,500.00	14,500.00	0
24.	FUNDS IN TRANSIT						
25.	FUNDS WITH SUBAGENTS						
26.	DEPOSIT TICKETS (not LDA)						
27.	DISHONORED CHECKS RECEIVABLE						
28.	CHECK OVERDRAFTS RECEIVABLE						
29.	LOSS OF FUNDS						
30.	DEFERRED VOUCHERS						
31.	OTHER (Explain)						
32.	TOTAL AGENT ACCOUNTABILITY				23,100.00	14,500.00	8,600.00
SECTION III - LOCATION OF CASH/NEGOTIABLE INSTRUMENTS							
a. LINE NO.	b. LOCATION	c. CASH (Foreign Units)	d. CASH (U.S.)	e. PREPOSITIONED CHECKS	f. MILITARY PAYMENT CERTIFICATES	g. OTHER	
33.	AGENT		6,600.00	2,000.00			
34.	DEPUTY AGENT						
35.	CASHIER						
36.	OTHER (Specify)						
37.	TOTALS		6,600.00	2,000.00			
2. NAME OF AGENT (Type or Print) William J. Ellis, SSGT				3. ADDRESS OF AGENT (Type or Print) DFAS-DE			
4. SIGNATURE OF AGENT							

DD Form 2665, AUG 93

Figure 19-2. Sample DD Form 2665 (Daily Agent Accountability Summary)
4th Day of Month

SECTION IV - MEMORANDUM AGENT ACCOUNTABILITY							
38. DEPOSIT TICKETS ON HAND							
NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
39. PAID VOUCHERS ON HAND							
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
NOT USED		DUPLICATED		VOIDED			
40. COLLECTION VOUCHERS ON HAND							
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
NOT USED		DUPLICATED		VOIDED			
41. VOUCHERS RETURNED FOR CORRECTION (ON HAND)							
PAID VOUCHERS				COLLECTION VOUCHERS			
42. TREASURY CHECK STOCK ON HAND							
SERIES A		SERIES B		CONTROL			
70,000,005	THRU 70,000,999	THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
THRU		THRU		THRU			
43. AGENT REMARKS							
\$10,000 paid by check on DOV 400009 - 400010 \$100.00 cash collected on COV 200002 Turn-in as of close of business 6/4/XX \$14,500.00 (DOV 400007 - 400010; COV 200002)							

DD Form 2665, AUG 93 (Back)

**Figure 19-2. Sample DD Form 2665 (Daily Agent Accountability Summary)
4th Day of Month (Back)**

STATEMENT OF AGENT OFFICER'S ACCOUNT				
DISBURSING OFFICER'S NAME, ADDRESS, DISBURSING STATION SYMBOL NO. K. S. ALEX, LTC, FC FORT FINANCE, IN 46216 C0001		AGENT OFFICER'S NAME, GRADE, SSN, UNIT ADDRESS <i>(Include ZIP Code/APO number and Telephone number.)</i> K. D. ANDREA, CPT, FC AGENT CAMP DOLLAR, IN 46032		
TRANSACTIONS AFFECTING AGENT OFFICER'S ACCOUNT				
TRANSACTIONS <i>a</i>	INCREASE <i>(Received by Agent)</i> <i>b</i>	BEGINNING BALANCE <i>(In Agent's Account)</i> <i>c</i>	DECREASE <i>(Turned in by Agent)</i> <i>d</i>	ENDING BALANCE <i>(In Agent's Account)</i> <i>e</i>
1. BALANCE FORWARD		0.00		
2. U.S. DOLLARS	2562.00			
3. FOREIGN CURRENCY				
4. MILITARY PAYMENT CERTIFICATES				
5. COLLECTIONS				
6. DEPOSITS				
7. NEGOTIABLE INSTRUMENTS:				
A. TREASURY CHECKS	15,000.00			
B. MILITARY PAYMENT ORDERS				
C. OTHER <i>(Specify)</i>				
8. PAID VOUCHERS				
9. INCORRECT VOUCHERS RETURNED				
10.				
11.				
12. TOTAL FUNDS IN HANDS OF AGENT OFFICER		17,562.00		
STATEMENTS				
DISBURSING OFFICER		AGENT OFFICER		
<input checked="" type="checkbox"/> ON ADVANCE: I HAVE INTRUSTED FUNDS AND/OR OTHER ITEMS AS INDICATED IN THIS STATEMENT TO THE ABOVE NAMED AS MY AGENT OFFICER.		<input checked="" type="checkbox"/> ON ADVANCE: I, AS AGENT OFFICER, HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ABOVE. I HAVE ASSUMED PECUNIARY RESPONSIBILITY THEREFOR. I WILL NOTIFY THE DISBURSING OFFICER IMMEDIATELY UPON DISCOVERY OF ANY LOSS OR SHORTAGE, AND I HAVE RECEIVED AND UNDERSTAND WRITTEN INSTRUCTIONS CONCERNING MY DUTIES AND RESPONSIBILITIES AS AN AGENT OFFICER.		
DATE 12/19/XX	SIGNATURE OF DISBURSING OFFICER K.S. ALEX, LTC, FC	DATE 12/19/XX	SIGNATURE OF AGENT OFFICER K.D. ANDREA, CPT, FC	
<input type="checkbox"/> ON RETURN: I HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ON THIS STATEMENT FROM THE ABOVE NAMED AGENT OFFICER.		<input type="checkbox"/> ON RETURN: THE ABOVE STATEMENT OF ACCOUNT IS CORRECT.		
DATE	SIGNATURE OF DISBURSING OFFICER	DATE	SIGNATURE OF AGENT OFFICER	

DD Form 1081, MAY 75

PREVIOUS EDITION IS OBSOLETE

225/149

**Figure 19-3. Sample DD Form 1081 (Statement of Agent Officer's Account)
(Advance of Funds)**

STATEMENT OF AGENT OFFICER'S ACCOUNT				
DISBURSING OFFICER'S NAME, ADDRESS, DISBURSING STATION SYMBOL NO. K. S. ALEX, LTC, FC FORT FINANCE, IN 46216 C0001		AGENT OFFICER'S NAME, GRADE, SSN, UNIT ADDRESS <i>(Include ZIP Code/APO number and Telephone number.)</i> K. D. ANDREA, CPT, FC AGENT CAMP DOLLAR, IN 46032		
TRANSACTIONS AFFECTING AGENT OFFICER'S ACCOUNT				
TRANSACTIONS <i>a</i>	INCREASE <i>(Received by Agent)</i> <i>b</i>	BEGINNING BALANCE <i>(In Agent's Account)</i> <i>c</i>	DECREASE <i>(Turned in by Agent)</i> <i>d</i>	ENDING BALANCE <i>(In Agent's Account)</i> <i>e</i>
1. BALANCE FORWARD		17,562.00		
2. U.S. DOLLARS				
3. FOREIGN CURRENCY				
4. MILITARY PAYMENT CERTIFICATES				
5. COLLECTIONS	1,200.00			
6. DEPOSITS			702.00	
7. NEGOTIABLE INSTRUMENTS:				
A. TREASURY CHECKS				
B. MILITARY PAYMENT ORDERS				
C. OTHER <i>(Specify)</i>				
8. PAID VOUCHERS			3,960.00	
9. INCORRECT VOUCHERS RETURNED				
10.				
11.				
12. TOTAL FUNDS IN HANDS OF AGENT OFFICER		18,762.00		14,100.00
STATEMENTS				
DISBURSING OFFICER		AGENT OFFICER		
<input type="checkbox"/> ON ADVANCE: I HAVE INTRUSTED FUNDS AND/OR OTHER ITEMS AS INDICATED IN THIS STATEMENT TO THE ABOVE NAMED AS MY AGENT OFFICER.		<input type="checkbox"/> ON ADVANCE: I, AS AGENT OFFICER, HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ABOVE. I HAVE ASSUMED PECUNIARY RESPONSIBILITY THEREFOR. I WILL NOTIFY THE DISBURSING OFFICER IMMEDIATELY UPON DISCOVERY OF ANY LOSS OR SHORTAGE, AND I HAVE RECEIVED AND UNDERSTAND WRITTEN INSTRUCTIONS CONCERNING MY DUTIES AND RESPONSIBILITIES AS AN AGENT OFFICER.		
DATE	SIGNATURE OF DISBURSING OFFICER	DATE	SIGNATURE OF AGENT OFFICER	
<input checked="" type="checkbox"/> ON RETURN: I HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ON THIS STATEMENT FROM THE ABOVE NAMED AGENT OFFICER.		<input checked="" type="checkbox"/> ON RETURN: THE ABOVE STATEMENT OF ACCOUNT IS CORRECT.		
DATE	SIGNATURE OF DISBURSING OFFICER	DATE	SIGNATURE OF AGENT OFFICER	
12/21/XX	K.S. ALEX, LTC, FC	12/21/XX	K.D. ANDREA, CPT, FC	

**Figure 19-4. Sample DD Form 1081 (Statement of Agent Officer's Account)
(Return of Funds/Vouchers)**

Figure 19-5. Sample SF 1219 (Statement of Accountability)

SECTION II - SUMMARY BY SYMBOL OF CHECK AND DEPOSIT TRANSACTIONS WITH U.S. TREASURY						
PART A. - CHECKS ISSUED AND ADJUSTMENTS FOR PRIOR PERIODS *						
CHECK SYMBOL	AMOUNT OF ISSUED THIS	ADJUSTMENTS FOR PRIOR MONTH'S ISSUES (+ or -)				TOTAL CHECKS (Columns 2 + 3 and + 4)
		BY TFS FORM 5206		OTHER		
		ISSUE (Month and year)	AMOUNT	ISSUE (Month and year)	AMOUNT	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	TC 210		TC 211		TC 212	
6700	137,660.00	12/XX 1/XX	50.00 (10.00)	2/XX 4/XX	400.00 (100.00)	138,000.00
TOTALS!						
PART B. - SUMMARY OF DEPOSITS PRESENTED OR MAILED TO BANK (Line 4.2)						
DEPOSIT SYMBOL	DEPOSITS OR MAILED TO BANK THIS MONTH	DEPOSITS PRESENTED OR MAILED TO BANK IN PRIOR MONTHS BUT RECORDED IN ACCOUNTS THIS MONTH		TOTAL DEPOSITS PRESENTED OR TO BANK ^ (Column 2 + 4)		
		MONTH MAILED TO BANK	AMOUNT			
(1)	(2)	(3)	(4)	(5)		
	TC 420		TC 420			
6700	1,800.00	3/XX 4/XX 5/XX 5/XX	.03 74.97 225.00 (100.00)	2,000.00		
TOTALS !						
* The totals reported in these columns must be in agreement with the corresponding amounts reported on the SF 1179. + The total reported in this column must be in agreement with the total shown on Line 2.1 on the face of this statement. ! For use only if more than one (1) symbol is listed. ^ The total reported in this column must be in agreement with the total shown on Line 4.2 on the face of this statement.						

**Figure 19-5. Sample SF 1219 (Statement of Accountability)
(Reverse)**

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CHAPTER 20

ASSEMBLY AND TRANSMITTAL OF FINANCIAL REPORTS2001 GENERAL

★ 200101. Purpose. Every DO shall submit financial reports. The reports make up the formal accounting to the United States for all public funds received and spent. They are the basis for the official audit and settlement of accounts by the General Accounting Office. Also, the DO's financial reports provide the data from which DoD maintains its administrative accounting controls. All documents comprising the financial accounts should be shipped through the U.S. Postal Service (USPS) mail system (use of registered or certified mail is not required). However, Directors of servicing DFAS Centers (or DFAS Operating Location (OPLOC)) may direct/authorize specific DOs to use alternate private express or air express carriers to ensure that financial accounts arrive at the Center (or OPLOC) within the required timeframe when the USPS is unable to ensure timely delivery. Regardless of the method of shipment, the financial accounts shall be shipped under a covering DD Form 2666 (Transmittal of Statements and Vouchers). The vouchers section of the DD Form 2666 is designed to accommodate a disbursing office using a single series of voucher numbers for all transactions as well as a disbursing office using a separate series of voucher numbers for each type of transaction. An example of DD Form 2666 is shown as figure 20-1.

200102. Accounting Period. DO financial reports shall be submitted on a calendar month basis (i.e., the first day through the last day of a month) except for months during which accountability begins or ends on other than the first or last day of the month. For a new disbursing office, the accounting period shall begin on the 1st day official business is transacted. When one DO relieves another, the accounting period for the relieved officer shall end on the date of relief and the accounting period for the relieving officer shall normally begin on the date of relief. However, if the relieving officer effects no disbursing transactions on the date of relief, (other than receipt of funds from the officer relieved), the beginning of the accounting period may be shown as the day following the date of relief. For the above exceptions, the first day of the accounting period shall coincide with the date of commencement of disbursing duty notification forwarded as required by Chapter 2 of this volume. For any month during which accountability ends because of deactivation of a disbursing office, the financial reports shall be submitted from the 1st day of the month through the date of deactivation. An accounting period shall never extend beyond the end of a calendar month. Whenever possible, relief or deactivation should be effected on the last day of a month to prevent the necessity for submission of an additional set of financial reports for that month.

200103. Distribution of Transportation Vouchers

A. Government Travel System (GTS). Transportation services purchased with contractor-issued charge cards are not subject to the GSA post-payment audit requirements

of 41 C.F.R. 101-47.807. Passenger ticketing information is furnished directly by the GTS contractor to GSA. Original GTS contractor payment vouchers and supporting documents are submitted to the servicing DFAS Center (or OPLOC) as prescribed in the following sections.

B. Non-GTS Payments for Transportation Services. Payments to contract carrier Scheduled Airlines Ticket Office (SATO) or Commercial Travel Offices (CTO) are subject to the requirements of 41 C.F.R. 101-41.807. Submit one copy of the voucher marked "Original to GSA" in the original voucher package to the servicing DFAS Center (or OPLOC). Also, attach a copy to the DD Form 2666 and include with the voucher package.

C. Original Vouchers for Transportation Furnished by Foreign Carriers within Overseas Areas. Send original transportation vouchers supported by international English-language bills to GSA. Submit one copy of each voucher forwarded to GSA in the original voucher submission to the servicing DFAS Center (or OPLOC). Mark each copy "Original to GSA." Original transportation vouchers other than those supported by international English-language bills are retained for on-site audit by authority of GSA. Submit one copy, of each voucher retained, in the original voucher submission to the servicing DFAS Center (or OPLOC). Mark each copy "Original Retained for Audit."

200104. Use and Distribution of Financial Reports by the DFAS Centers. The applicable DFAS Center (or OPLOC) shall make an administrative examination of the financial reports. Upon completion of the examination, the DFAS Center (or OPLOC) shall distribute and retain the documents as required. Original financial reports (Statement of Accountability (SF 1219) disbursement vouchers, collection vouchers, etc.) must be maintained for the statutory six-year period. These original records will be used as needed for audit and reconciliation purposes. The original records may be retained at the DFAS Center (or OPLOC) or forwarded to the nearest Federal Records Center for retention as appropriate based on storage availability at the DFAS Center (or OPLOC). After the six-year retention period, the original records will be destroyed.

2002 SUBMISSION TO DFAS-INDIANAPOLIS CENTER

200201. General. All DOs assigned to activities using DSSNs obtained from the Army shall submit their financial reports to DFAS-Indianapolis Center as prescribed in this section.

200202. Daily

A. Integrated Disbursing and Accounting Offices. The DO's disbursing division shall route the original and appropriate number of copies of all collection and disbursement vouchers, together with the DD Form 2657, to the accounting division (accounting and reconciliation branch) for subsequent processing. To avoid the preparation of several additional copies, it is advisable to prepare separate vouchers for each fiscal station when charges and

credits to allotments maintained by other fiscal stations are involved. DOs shall take extra precaution to ensure that all copies prepared for distribution are completely legible.

B. Non-integrated Disbursing and Accounting Offices. The original collection and disbursement vouchers shall be forwarded with the DD Form 2657 to the appropriate accounting office as soon as possible after the close of the business day. The duplicate copy shall be kept by the disbursing office. To avoid the preparation of several additional copies, it is advisable to prepare separate vouchers for each fiscal station when charges and credits to allotments maintained by other fiscal stations are involved. DOs shall take extra precaution to ensure that all copies prepared for distribution are completely legible.

★ 200203. Monthly. The following documents shall be submitted to support the SF 1219: a copy of the SF 1179 for the reporting period; a copy of each FMS Form 5206 reported in Section II, Part A of the SF 1219; the original of each OF 1017-G reported in Section II, Part A of the SF 1219; the memorandum copy of all SFs 215 presented or mailed to the depository during the reporting period and included in the amount reported on line 4.2 in Section I, Part A and in Section II, Part B of the SF 1219; the confirmed copy of all SFs 5515 included in the amount reported on line 4.2 in Section I, Part A and in Section II, Part B of the SF 1219; the original of all collection, disbursement, or adjustment vouchers, including SFs 1098, 1080, and 1081; the original SF 1149 for those DOs who draw checks on LDAs; and, the original and one copy of the schedule of foreign currency holdings, MPC, and U.S. dollars. Note: If the confirmed copy of an SF 215 is received from the depository in the same month in which presented, the confirmed copy shall be used to support the SF 1219. The data on the SF 1219 shall be transmitted to the DFAS-Indianapolis Center not later than three calendar days after the close of the accounting period. The SF 1219 and all supporting documents for an accounting period shall be forwarded to the DFAS-Indianapolis Center within 10 calendar days after the end of the month, or within 10 calendar days after the date a DO is relieved from disbursing duty. It also is mandatory that the SF 1219 and supporting documents be forwarded on the date shown opposite the signature of the submitting DO on the face of the SF 1219. Dates shown in post office cancellation stamps or carriers' receipts for private express or air express shipments shall be considered prima facie evidence of compliance or non-compliance with the shipping requirements. A DO who is delinquent in submitting accounts shall send a letter with the delayed accounts stating the specific reasons for the delay.

★ 200204. Shipment of Accounts. Documents comprising the accounts of disbursing officers shall be shipped under a covering DD Form 2666 (Transmittal of Statements and Vouchers). Shipments should be made through the U. S. Postal Service mail service unless otherwise directed/authorized in accordance with paragraph 200101, above. The use of registered or certified mail for the shipment of financial reports/records is not required. All shipments shall bear outside markings attesting to the number of packages in the shipment. Documents shall be packed in such a manner as to assure arrival in good condition and the size of each package should be limited to that convenient for handling. The outside of each package shall show the first and last voucher number contained therein. Each series of vouchers is to be bundled separately in sequential order, each bundle including all vouchers for the accounting period.

Documents submitted as a part of the financial accounts which are not specifically included in the Forms or Vouchers section of the transmittal shall be listed in the spaces provided in the Forms section. In the Vouchers section, the specific types of vouchers (e.g., Reserve Component payrolls, contract and other commercial payments, civilian payrolls and travel advances) shall be listed under the Type of Transaction column and will be keyed to the voucher number series assigned.

200205. Delayed Submission of Voucher Supporting Documents. In instances when voucher attachments are to be forwarded to the DFAS-Indianapolis Center for association with original vouchers previously submitted, a rubber stamp (or typed legend) shall be affixed to each attachment in the upper right corner of the document and any pertinent data properly shown. The following information shall be shown in the legend: "Attach to Voucher No._____, Account of_____, Month of_____, DSSN_____."

2003 SUBMISSION TO DFAS-DENVER CENTER

★ 200301. General. All DOs assigned to activities using DSSNs obtained from the Air Force or the Denver Center shall submit their financial reports to DFAS Denver Center as prescribed in this section. However, DSSNs assigned to a multiservice operating location will submit vouchers as directed by the host DFAS Center.

200302. Daily. Original collection and disbursement vouchers are used to prepare DD Form 2657. Sort the vouchers by appropriation or fund within the following categories for preparing DD Form 2657: receipts (collections and decrease adjustments to general, special, and trust fund receipt accounts); reimbursements (collections and repayments of appropriation reimbursements, and collections of deposit fund accounts, including adjustments which increase or decrease collections); and, net disbursements (disbursements and appropriation refunds). After verification, send the duplicate DD Form 2657 to accounts control. Resort the original vouchers into numerical sequence by functional area. All collection vouchers shall precede disbursement vouchers. Do not intermingle disbursement and collection vouchers. Place the original vouchers in sequence in vaults or safes if space permits. While the vouchers are stored they may be removed to make corrections or add supporting documents. Do not change the accounting classification or amount on any original for-others vouchers if the accountable station copy has been mailed. If a correction is made on a voucher, correct or adjust all voucher copies and all records affected. To ensure this is done, reverify all posting for the date of the voucher. The reverification may be confined to the appropriations involved, however, recheck all transactions for those appropriations in all fund and cash records. Since a lost original voucher could result in a DO loss of funds, access to these vouchers shall be controlled. The DO is responsible for adopting receipt-type controls that will assure no vouchers are lost and that all vouchers are returned in time for shipment to the DFAS-Denver Center or other designated locations. Vouchers shall be prepared in the number of copies needed for distribution prescribed for the type of transaction. At a minimum, prepare two copies of each voucher. A duplicate copy of each voucher shall be returned to the applicable functional area to record and support entries in the appropriate accounting records. The functional area will retain disbursement/collection

voucher copies for the current and one prior fiscal year. Additional copies are furnished to other functional areas when the type of voucher transaction involves those areas.

200303. Monthly

★ A. SF 1219, Statement of Accountability. Each DO shall prepare an SF 1219 in an original and two copies for each accounting period. The SF 1219 is submitted as an integral part of the Air Force RCS:HAF-ACF(M)7113 Report. The original and duplicate are forwarded to accounts control for transmission to DFAS-Denver Center. The original SF 1219 and supporting schedules and papers are forwarded to DFAS-Denver Center on the date shown opposite the signature of the DO in the certificate on the face of the SF 1219. Do not hold for shipment on a later date unless the SF 1219 in question is a final report. Reports for DOs relieved before the end of month are submitted at the end of the month with the reports of the successor. Failure to comply with submission requirements causes the DO to be declared delinquent in the submission of accounts. The above submission requirements govern without exception and apply whether the end of the accounting period falls on the last day of the month or before and pertain to all DOs. In addition to the certification date of the SF 1219, the DFAS-Denver Center considers dates shown in post office cancellation stamps and in carrier's receipts for railway express and air express shipments, as prima facie evidence of compliance or non-compliance with the forwarding requirements. Each DO delinquent in rendering accounts shall send a letter with the belated account stating specifically the reasons for the delay in submission.

★ B. Vouchers Nonconsolidated Defense Accounting Offices (DAOs), Financial Services Offices (FSOs), and National Guard activities shall remove all original vouchers from storage at the end of each month for submission to the DFAS Denver Center. The operating locations shall keep their original vouchers for one year, and at the end of year, remove the vouchers from storage for submission to the Denver Federal Records Center. Before packaging, all activities shall inventory the vouchers to ensure: (1) no vouchers are missing; (2) unused and duplicate voucher numbers are accounted for; (3) agent vouchers are cross-referenced; and (4) vouchers are in numerical sequence by functional area. When the documents are shipped, all collection vouchers shall precede disbursement vouchers. Foreign Military Sales (FMS) vouchers must be segregated from the rest of the vouchers.

★ C. Shipment of Documents. The original vouchers shall be shipped by U.S. Postal Services mail, unless otherwise directed/authorized in accordance with paragraph 200101, above. The use of registered or certified mail for the shipment of financial reports/records is not required. All documents comprising financial accounts shall be shipped under a covering DD Form 2666. Documents which are not specifically included in the forms or vouchers section of the transmittal shall be listed in the spaces provided in the forms section. In the vouchers section, list the specific type of vouchers (e.g., military pay, civilian pay, vendor pay, travel pay, etc.) by functional area in the type of transaction column. The vouchers sent to the Denver Center should be sent by the sixth workday following the month being reported. The vouchers sent to the Denver Federal Records Center should be sent within the month after the one year the vouchers have been kept at the Operating Location.

D. Delayed Submission of Supporting Documents. This section applies to nonconsolidated DAOs, FSOs, and National Guard Activities only. Mail to the Denver Center any documents (certificates, advice of collections, purchase orders, etc.) which support vouchers or SFs 1219 previously shipped to DFAS Denver. Place a rubber stamp imprint and date forwarded to DFAS Denver on the face of each document and on the face of the retained copy. Prepare a separate cover sheet for each showing the following information: "Attach to voucher no: (voucher number); Month:_____; DSSN ____; Date forwarded to DFAS Denver:_____." Note: if a document is to support the SF 1219 instead of a voucher, modify voucher number to read "SF 1219."

2004 SUBMISSION TO DFAS-KANSAS CITY CENTER

200401. General. All DOs assigned to activities using DSSNs obtained from the Marine Corps shall submit their financial reports to DFAS-Kansas City Center as prescribed in this section.

200402. Daily. At the end of each business day, the DD Form 2657 is prepared using the collection and disbursement vouchers processed that day. After completion and balancing of DD Form 2657, the financial information is electronically transmitted to DFAS-Kansas City Center. The original vouchers and documents are stored in the vault or safe until the end of the month.

200403. Monthly. The DFAS-Kansas City Center shall receive all financial reports by the close of business on the second working day of each month. Consolidated financial reports for the Marine Corps shall be forwarded to the DFAS-Kansas City Center for incorporation into the Department of the Navy reports. In an effort to accelerate transmission of data to the DFAS-Kansas City Center, the Marine Corps Data Network (MCDN) shall be used for transmitting financial data by bulk transfer. Closeouts shall be conducted on the last business day of the month. This requires close coordination between disbursing, data processing officers, and commanders to ensure the timely transmission of DO financial reports within established timeframes. The distribution of original documents and required copies comprising the financial reports is shown in table 20-1. In addition, deployed DOs shall submit a message report on the first workday following the end of the reporting period to summarize the disbursement and collection transactions for the month. If operation MINIMIZE on message traffic is in effect, the report shall take precedence over MINIMIZE and shall be transmitted as required.

A. Relief of DO. When a change in DOs is effected on other than the last day of a month, the message report shall be submitted as prescribed in the following subparagraphs.

1. The relieved DO shall render the message report no later than the first workday following the date of relief. The report shall include all transactions for which the relieved DO is accountable from the first day of the reporting period through the date of relief.

The report shall also contain a statement identifying the relieving DO and that the relieving DO will submit a further report at the end of the reporting period.

2. The relieving DO shall render the message report on the first workday following the end of the reporting period. The report shall include only the transactions from the date disbursing duty commenced through the end of the reporting period. The report shall contain a statement identifying the DO relieved and that the relieved DO reported partial month transactions that are not included in the instant report.

B. Preparation of Message Report

1. Disbursements and Collections. The message report is entitled "DISBURSEMENTS AND COLLECTIONS" and is the basis for reporting to the Treasury Department the net of disbursements by appropriation and subhead (if any). Transactions shall be reported by category code, appropriation and subhead (if any), and if appropriate, by program element/budget project and/or reimbursement source code, and amount (do not round off). Category codes for this purpose are shown below. The net total of category codes 1 through 4 must equal the total net disbursements reported for line 4.1 of the message and the amount reported on line 4.1 of Section I, Part A, of the hard copy SF 1219.

Code	Category
1	travel vouchers
2	civilian rolls
3	military rolls
4	all other vouchers

C. Report Format. At least three spaces shall separate each column (or sub-column) in the body of the message. The report shall be submitted in a format similar to that shown by figure 20-2.

D. Assembly of Advance Reports. Copies of collection and disbursement vouchers and military payrolls required to be submitted with the advance financial reports shall be filed in separate folders (annotated to indicate contents) by groups, as follows: Army and Air Force disbursement vouchers and military payrolls; Navy appropriations, transaction type codes for stores or plant property; collection vouchers; and, all other types of vouchers.

E. Assembly of Original Documents. DOs shall submit original vouchers and payrolls in numerical sequence by groups as follows: collection vouchers; travel vouchers; civilian payrolls; military payrolls; and, all other vouchers.

F. Packaging. Place copies of documents and vouchers in separate folders from the originals when packaging the original and advance returns. The SF 1219 and supporting schedules and reports shall be attached securely and placed in separate folders from

the vouchers, payrolls, and pay receipts. Individual cash receipts shall not be fastened to payrolls but shall be placed in envelopes which shall be annotated to reflect the contents with appropriate identifying information. Each folder shall be briefed to show a descriptive notation as to the type of vouchers, the name and rate/rank of the DO, DSSN, and the accounting period.

★ G. Mailing. Mail advance reports by the second workday of the month following the end of the accounting period. Mail the original reports as soon as possible, but no later than the fifth workday of the month following the accounting period. All documents comprising the financial accounts shall be shipped under a covering DD Form 2666. They should be shipped through the U.S. Postal Service mail system unless otherwise directed/authorized in accordance with paragraph 200101, above. The use of registered or certified mail for the shipment of financial reports/records is not required. Documents submitted as a part of the financial accounts which are not specifically included in the Forms or Vouchers section of the transmittal (e.g., schedule of deposit activity, foreign currency report, civilian payroll certification sheets, payrolls, etc.) shall be listed in the spaces provided in the Forms section. In the Vouchers section, list the inclusive disbursement and collection vouchers numbers.

200404. Transmittal of Subsequent Information and Outstanding Vouchers. Vouchers or explanation in voucher form required to complete an account, which were not available when original reports were forwarded, shall be forwarded as soon as possible. Each voucher or explanation shall be forwarded with a cover sheet containing a brief description of the document or explanation. The voucher number; date; DO's name; DSSN; and, accounting period to which it pertains shall be identified on each document or explanation forwarded.

2005 SUBMISSION TO DFAS-CLEVELAND CENTER THROUGH A DESIGNATED DFAS OPERATING LOCATION

★ 200501. General. DOs assigned to activities using DSSNs obtained from the Navy shall submit their financial reports directly to DFAS-Cleveland Center or through a designated operating location (OPLOC) as prescribed in the following paragraphs.

★ 200502. Submission of Vouchers on a Daily Basis. Non-tactical DOs in the continental United States and in Hawaii shall submit financial reports daily to the Central Reporting Office, DFAS-Cleveland Center, through the Defense Financial Reporting and Reconciliation System (DFFRS).

200503. Reports Rendered Daily. The DD Form 2657 shall be prepared in duplicate as prescribed in Chapter 19 of this volume as a summary of all daily transactions and a report of balances at the end of each business day. The original shall be certified by the DO. The DD Form 2657 and original vouchers with supporting documents (public vouchers, military and civilian payrolls, collection vouchers, etc.) shall be delivered to the OPLOC by hand or placed in the mail not later than the first working day following the date on which the transactions occurred. The DD Form 2657 and supporting documents shall not be accumulated for several

days for forwarding at one time. However, it is not necessary to prepare DD Form 2657 for days on which there are no transactions. On the first DD Form 2657 prepared following the day(s) on which no transactions occurred, the notation "No business on (dates)" shall be indicated at the top of the form. On the last business day of an accounting period, a complete DD Form 2657 shall be prepared and submitted. The last DD Form 2657 for the month shall be marked "FINAL DD Form 2657 FOR MONTH OF (insert month)." Table 20-2 is provided to show the daily distribution and transmittal of documents to the OPLOC. Each daily DD Form 2657 and all supporting documents shall be shipped under a covering DD Form 2666. Documents submitted as a part of the daily financial reports which are not specifically included in the Forms or Vouchers section of the transmittal (e.g., the DD Form 2657, payroll numbers, payroll certification sheets, etc.) shall be listed in the spaces provided in the Forms section. In the Vouchers section, list the inclusive disbursement and collection vouchers numbers.

200504. Reports Rendered Monthly. All DOs shall forward monthly financial reports on the first workday following the close of the accounting period. Reports which have been completed on the first workday after the close of the accounting period shall not be considered late or delinquent if a delay is caused by the lack or inadequacy of postal or shipping facilities. If the reports are not completed on the first workday after the close of the period, a written explanation of the delay shall be furnished with the reports.

A. By DOs Required to Submit Daily Reports. All reports and supporting documents required to be rendered monthly as indicated in table 20-2 shall be delivered by hand or placed in the mail not later than the first working day following the close of the accounting period. If the end of the month reports are mailed, they shall be mailed so as to be postmarked not later than the first working day of the succeeding month rather than merely placed in station mail channels by that date. If the DO encounters any delay in transmitting month-end reports, the DO shall telephone the OPLOCs to advise of the delay. Arrangements should then be made to ensure inclusion of the DO's transactions in the OPLOC's reports. All documents comprising the month-end reports shall be shipped under a covering DD Form 2666. Documents which are not specifically included in the Forms or Vouchers section of the transmittal (e.g., the DD Form 2657 for the last business day of the month, payroll numbers, schedule of deposit activity, foreign currency report, civilian payroll certification sheets, etc.) will be listed in the spaces provided in the Forms section. In the Vouchers section, list the disbursement and collection voucher numbers.

1. SF 1219, Statement of Accountability. Except as provided herein, the DO shall prepare and certify the SF 1219 in the manner prescribed in Chapter 19 of this volume. The SF 1219 shall be prepared in triplicate. The words "For inclusion in the consolidated account of (insert name of OPLOC and OPLOC DSSN)" shall be inserted in the upper right corner. The original and one copy shall be forwarded to the OPLOC and one copy shall be retained by the DO.

2. Check Issue Reports. The check issue reports of DOs shall be submitted as prescribed in Chapter 9 of this volume based on the type of submission capabilities

available to the DO (level 8 magnetic tape directly to the Treasury Department; diskette to the OPLOC for conversion to tape; or, paper to the OPLOC for conversion to tape).

3. Navy Working Capital Fund Summary Schedules. DOs at industrial-commercial activities shall prepare a summary schedule of disbursements and a summary schedule of collections for the Navy Working Capital Fund account of the activity. The summary schedules shall be prepared on letterhead. In preparing the summary schedules, only the beginning and ending Navy Working Capital Fund voucher or collection document numbers and total amount shall be shown. Listing of individual vouchers and names of payees and remitters is not required. The summary schedule of collections shall include all collection documents covering credits to the Navy Working Capital Fund account of the activity including SFs 1096 and 1098. A recapitulation shall be made on the summary schedule of collections to show amounts received by voucher deductions, canceled checks, and other collections. The original and one copy of each consolidated schedule shall be forwarded to the OPLOC with the SF 1219 and disbursement and collection vouchers.

B. By DOs Assigned to Naval Vessels and Tactical Units

1. General. All DOs assigned to Naval vessels and tactical units shall submit financial reports on a monthly basis to the DFAS OPLOCs at Norfolk, VA or San Diego, CA (based on home port of the vessel or unit). The distribution and packaging of required documents comprising the monthly financial reports of DOs (except those DOs required to submit financial reports on a daily basis) are shown in table 20-3. All documents comprising the financial accounts shall be shipped under a covering DD Form 2666. Documents submitted which are not specifically included in the Forms or Vouchers section of the transmittal (e.g., schedule of deposit activity, foreign currency report, civilian payroll certification sheets, and payroll numbers) will be listed in the spaces provided in the Forms section. In the Vouchers section, list the disbursement and collection voucher numbers.

2. Assembly

a. General. Separate and package the documents as prescribed in the distribution directions shown in table 20-3. In preparing the reports for forwarding, documents shall be grouped, unfolded and flat, and arranged in packages as indicated below. Each package shall be numbered serially and appropriately labeled as to contents. Packaging material may be any of the following or their equivalent, dependent on the number of documents to be included in each package: heavy envelopes; folders (envelopes or wallet type); or cardboard backings with the package tied together with cord or tape.

b. Original Documents (Package No. 1). This package shall contain the original and 1 copy of the SF 1219 and supporting documents (pay receipts shall be packaged separately). The SF 1219 and supporting documents shall be grouped in the following sequence: SF 1219; SFs 215 and 5515; collection vouchers; Navy payrolls and money lists; Marine Corps payrolls and money lists; disbursement vouchers; SF 1179; foreign currency

certificates (see Chapter 13 of this volume); civilian payroll certification sheets; and, civilian labor roll summary. All collection and disbursement vouchers shall be grouped by each type with separate adding machine tapes. Within each group, the vouchers shall be arranged in numerical sequence by voucher number. Tapes for collections and disbursements shall be prepared and the totals shall be verified with the SF 1219 to ensure the completeness of the package. The tapes shall be marked and attached to the original SF 1219.

c. Copies (Package No. 2). A separate package shall be used for copies of documents as shown in table 20-3.

d. Civilian Pay Receipt Packages. Pay receipts shall be arranged in order of their appearance on the civilian payroll, and shall be packed in a separate package appropriately identified for each civilian payroll.

3. Packing. The DO financial reports shall be packed in a manner consistent with their bulk and the conditions under which shipment is made. When practicable, the reports shall be forwarded in one parcel or box. Heavy cardboard boxes provide ample protection and shall be used except when the additional protection of wooden boxes may be required on shipments from overseas or if rough handling of the boxes in transit may be expected. If reports are forwarded in several boxes, each shall be assigned a number and marked to indicate the number of boxes shipped and the number of the box, such as "No. 1 of 3." Each parcel or box shall be marked in the upper left corner with the name of the DO, DSSN, station, and department concerned. Under this information shall be shown "Financial reports for (insert month and year)."

4. Shipment. When not in excess of weight and size limitations imposed by the U.S. Postal Service, reports may be forwarded by mail. DOs submitting reports to an OPLOC shall forward reports by this method unless it has been proven unreliable or unduly slow in the past. In the upper left corner, under the return address, all mailing covers shall bear the printed statement "Official Business." To avoid customs inspection delays, reports from overseas and deployed DOs shall have the following information prominently displayed on the outer wrapper of the reports: "Government Financial Reports Due in (insert city, state) by (insert date). Please Expedite." The use of registered or certified mail for the transmittal of financial reports is not required. When the U.S. Postal Service cannot be employed, due to size or weight limitations imposed, other transportation media may be employed as prescribed in the Naval Supply Systems Command Manual.

5. Submission of Financial Reports to the Navy Supply Corps School. Annually, DOs assigned to Naval vessels shall submit a copy of the SF 1219 and SF 1179 prepared to cover the accounting period ending 30 September to the Navy Supply Corps School (424), Athens, GA 30601.

200505. Transmittal of Subsequent Information and Outstanding Vouchers. Vouchers or explanation in voucher form required to complete an account, which were not

available when original reports were forwarded, shall be forwarded as soon as possible. Each voucher or explanation shall be forwarded with a cover sheet containing a brief description of the document or explanation. The voucher number, date, DO's name, DSSN, and accounting period to which it pertains shall be identified on each document or explanation forwarded.

200506. Special Accountability Reports

A. General. All DOs assigned to Naval vessels, tactical units, and, overseas non-tactical disbursing offices who submit financial reports to the DFAS-Cleveland Center through OPLOCs Norfolk or San Diego shall submit a message report SF 1219 and schedule of disbursements and collections as prescribed herein. Negative reports are required. The message report shall be submitted on the first workday following the end of the reporting period. If operation MINIMIZE on message traffic is in effect, the report shall take precedence over MINIMIZE and shall be transmitted as required.

B. Relief of DO. When a change in DOs is effected on other than the last day of a month, the message report shall be submitted as prescribed in the following subparagraphs.

1. The relieved DO shall render the message report no later than the first workday following the date of relief. The report shall include all transactions for which the relieved DO is accountable from the first day of the reporting period through the date of relief. The report shall also contain a statement identifying the relieving DO and that the relieving DO will submit a further report at the end of the reporting period.

2. The relieving DO shall render the message report on the first workday following the end of the reporting period. The report shall include only the accountability assumed from the relieved DO and the transactions from the date disbursing duty commenced through the end of the reporting period. The report shall contain a statement identifying the DO relieved and that the relieved DO reported partial month transactions that are not included in the instant report.

C. DO Temporarily Ceases to Transact Business. Under certain circumstances such as overhaul or emergency repairs, DOs assigned to Naval vessels may be required to discontinue temporarily the processing of disbursement and collection transactions. Generally, the DO shall make arrangements for a nearby non-tactical DO to process these transactions (including payrolls) during the overhaul or repair period. This action does not close the DSSN and the DO shall continue to prepare and submit all required reports including the message report. When a DO temporarily ceases to transact business, but does not close the disbursing account, the message report shall be submitted as prescribed in the following subparagraphs.

1. Immediately upon transfer of disbursement and collection transaction responsibility to a non-tactical DO, the transferring DO shall submit the disbursements and collections portion of the message to report all disbursement and collection

transactions performed from the first day of the reporting period through the date of transfer. The report shall identify the period for which the report is made. The report shall also identify the DSSN of the disbursing office to which the work is transferred and include an estimate as to when processing of disbursement and collection transactions is anticipated to resume.

2. On the first workday following the end of the reporting period during which the responsibility for disbursement and collection transactions is transferred, the DO shall prepare the Statement of Accountability portion of the report in the usual manner. The disbursements and collections portion of the report shall be negative and shall contain a statement referencing the message report submitted in compliance with the preceding subparagraph.

3. For each succeeding month until disbursing operations are resumed, the DO shall continue to submit the message report. The Statement of Accountability portion shall report the DO's accountability to the Treasury Department and the disbursement and collection portion shall be negative.

4. Immediately upon resuming disbursing operations, the DO shall notify the appropriate OPLOC by message of the date operations are resumed and the DSSN of the disbursing office from which the responsibility was retrieved (if different from the initial DSSN to which transferred).

5. Non-tactical DOs who receive or transfer disbursement and collection transaction responsibility as described in the preceding subparagraphs shall immediately notify the appropriate OPLOC by message of the date and DSSN of the disbursing office from or to which the responsibility is received or transferred.

D. Preparation of Message Report SF 1219

1. Statement of Accountability. The portion of the message entitled "STATEMENT OF ACCOUNTABILITY" reports the DO's accountability for the month. After DD Form 173/2 (Joint Message Form) is typed and again immediately after the message has been transmitted, the DO shall review and balance the report to ensure there are no errors and that it agrees with the hard copy SF 1219. Normally the message report is used by the OPLOC as the basis for subsequent reporting to the Treasury Department, therefore once a properly balanced message report has been transmitted, no subsequent changes to the message report are permissible unless specifically authorized by the appropriate OPLOC. The original SF 1219 submitted for the reporting period shall agree with the message report transmitted. If any change (another deposit, disbursement, or collection voucher, etc.) is discovered after a balanced message report has been transmitted, DOs shall not include those changes in the original SF 1219, but shall report them in the next month's financial report. Any lines with zero dollar values shall be omitted. Do not round off any figures.

a. Transactions During Period Affecting Accountability.

Normally, only lines 1.00, 2.1, 4.1, 4.2, and 5.00 (including ending foreign currency balances, if any) from Section I, Part A of the hard copy SF 1219 will be reported. However, lines 2.37 and 4.37 of the hard copy SF 1219 shall be included in the report in all cases where DOs at non-tactical overseas disbursing offices are authorized to use lines 2.37 and 4.37 on the original SF 1219.

b. Analysis of Incumbent Officer's Accountability.

From Section I, Part B of the hard copy SF 1219, report each line number used (including foreign currencies held, if any).

c. Analysis of Predecessor Officer's Accountability.

From the hard copy SF 1219, Section I, Part C, DOs at non-tactical overseas disbursing offices shall report each line number used. DOs assigned to tactical units and Naval vessels shall report only line 11.0 from this section of the SF 1219.

d. Checks Issued and Adjustments for Prior Periods.

From the hard copy SF 1219, Section II, Part A, report detailed data by column number. Adjustment month and year of issue shall be shown as YYMMDD (e.g., issue of May 1993 shall be shown as 930500). Minus amounts of adjustments shall be shown in parentheses (e.g., minus adjustment of \$2.00 shall be shown as (2.00)). The total reported for Column (5) shall equal the amount reported for line 2.1 of the message and the amount reported on line 2.1 of Section I, Part A of the hard copy SF 1219.

e. Deposits Presented or Mailed to Bank.

The message portion of Section II, Part B shall be in columnar form with headings for: deposit ticket or debit voucher (DT/DV); document number (NUMBER); date presented or mailed to bank (DATE PRESENTED/MAILED TO BANK); and, amount (AMOUNT). SFs 215 and SFs 5515 shall be listed without regard to prior month or current month. Each SF 215 shall be listed by identity (DT), document number (block 1 of SF 215), date presented or mailed (block 2 of SF 215), and amount (block 4 of SF 215). Each SF 5515 shall be listed by identity (DV), document number (block 1 of SF 5515), document date (block 2 of SF 5515), and amount (block 4 of SF 5515). Dates shall be shown as YYMMDD (e.g., a deposit presented on January 18, 1993, shall be shown as 930118). Debit amounts shall be shown in parentheses (e.g., a debit voucher for \$250.00 shall be shown as (250.00)). The total of all deposits presented or mailed, minus all debit vouchers shall equal the amount reported for line 4.2 of the message and the amount reported on line 4.2 of Section I, Part A, of the hard copy SF 1219.

2. Disbursements and Collections.

The message report portion entitled "DISBURSEMENTS AND COLLECTIONS" is the basis for reporting to the Treasury Department the net of disbursements by appropriation and subhead (if any). Transactions shall be reported by category code, appropriation and subhead (if any), and if appropriate, by program element/budget project and/or reimbursement source code, and amount. (Note: Do not round off). Category codes for this purpose are shown below. The total of category codes 1, 4, and 6

minus the total of codes 7 and 8 shall equal the total net disbursements reported for line 4.1 of the message and the amount reported on line 4.1 of Section I, Part A, of the hard copy SF 1219.

Code	Category
1	public vouchers
4	military payrolls
6	civilian payrolls (list UIC number on reference line of message report
7	collections not covered under code 8
8	collections from ship's stores deployed in foreign waters (applicable to Naval vessels that have visited or will visit at a foreign port during a tour).

E. Report Format. At least three spaces shall separate each column (or sub-column) in the body of the message. The report shall be submitted in the format shown by figure 20-2.

Document or Voucher	Original Reports	Advance Reports	Retain
SF 1219	Original	1 copy	1 copy
SF 215	Confirmed copy	None	1 copy
SF 1184	None	Copy D	1 copy
SF 5515	None	Confirmed copy	1 copy
Schedule of Deposit Activity	Original	1 copy	1 copy
SF 1179	1 copy	1 copy	1 copy
Schedule of Collections	Original	None	1 copy
Collection Vouchers			
Army	Original	1 copy	1 copy
Air Force	Original	2 copies	1 copy
Coast Guard	Original	1 copy	1 copy
DoD	Original	1 copy	1 copy
Marine Corps	Original	1 copy for: 17X6001; 20X6133; 24X8135; 97X4930.NC2; 97X4930.NA1G; 97X4930.NA3J; 97X4930.NH3A; 17X4913	1 copy
Navy	Original	None	1 copy
Schedule of Disbursements	Original	None	1 copy
Certification of Revaluation of Foreign Currency	Original	1 copy	1 copy
Military Pay Vouchers			
Army	Original	1 copy	1 copy
Air Force	Original	2 copies	1 copy
Navy	Original	None	1 copy
Marine Corps	Original	None	1 copy
Coast Guard	Original	1 copy	1 copy
Military Payroll Money List (Army, Navy, Air Force, Marine Corps, Coast Guard)	Original	None	1 copy
Disbursement Vouchers			
Army	Original	1 copy	1 copy
Air Force	Original	2 copies	1 copy
DoD	Original	1 copy	1 copy
Marine Corps	Original	1 copy (M account)	1 copy
Navy	Original	1 copy (M1804)	1 copy
Coast Guard	Original	1 copy	1 copy
Civilian Payroll Certification Sheet	Original	None	1 copy
Civilian Labor Roll/Material Charges and Credits	Original	None	1 copy

Table 20-1. Distribution of Documents (Marine Corps)

Document or Voucher	Number Prepared or Received	Daily to CDO	First of Month to CDO	Retain
DD Form 1149	4 copies	3 copies	Original + 1	1 copy
Labor Roll/Material Charges and Credits	Original + 2			1 copy
Navy Bill (for collections)	4 copies	3 copies		1 copy
DD Form 2657	Original + 1	Original		1 copy
Payroll for Personal Services	Original + 1	1 copy		Original
DD Form 397	Original + copies required by Vol. 7 of this Regulation	Original + copies as required by CDO; 1 copy to payee		1 copy
Military Pay Voucher	As required by Vol. 7 of this Regulation	As required by COD and Military Pay Center		1 copy
Military Payroll Money List	As required by Vol. 7 of this Regulation	As required by COD and Military Pay Center		1 copy
SF 215	Original + 4		Memorandum and/or confirmed copies	Agency copy
SF 5515	2		Confirmed copy	Memorandum copy
Schedule of Deposit Activity	Original + 2		Original + 1	1 copy
Summary Schedule of NIF Charges	Original + 2		Original + 1	1 copy
Disbursement Vouchers	Original + 2		Original + 1	1 copy
Civilian Rolls				
SF 1034	Original + 4	Original + 2 1 copy to payee		1 copy
SF 1164	Original + 4	Original + 2 1 copy to payee		1 copy
DD Form 1131 (or other collection vouchers)				
Navy appropriations	Original + 4	Original + 3		1 copy
Army and Air Force appropriations	Original + 4 or more	Original + 2 or more		1 copy
SF 1080				
Disbursements	Original + 4	Original + 2 1 copy to payee		1 copy
Collections	4 copies	3 copies		1 copy
SF 1098	Original + 4	Original + 3		1 copy
SF 1075	Original			Original

Table 20-2. Distribution of Documents for Navy DOs Reporting Daily

Document or Voucher	Number Prepared or Received	Daily to CDO	First of Month to CDO	Retain
SF 1096	Original + 5	Original + 4		1 copy
DD Form 592	Original + 3	Original + 2		1 copy
SF 2812 and supporting SF 2812A	3 copies	2 copies		1 copy
SF 1219	Original + 2		Original + 1	1 copy
SF 1179	Original + 2		Original to Treasury 1 copy to CDO	1 copy
Record of Checks Issued	Original + 1		Original to Treasury	1 copy
IRS Form 941	Original + 1		Original to IRS quarterly	1 copy
Report of Collections Crediting Army or Air Force Appropriations	Original + 3	Original + 2		1 copy
Report of Status of Suspense Account	Original + 2		Original + 1	1 copy
DD Form 1351 series	Original + 4	Original + 2 1 to payee		1 copy
Rations and Sales Report	4 copies	3 copies		1 copy
Active Duty for Training Pay Voucher			As required by Vol. 7 of this Regulation	1 copy
Active Duty for Training Money List			As required by Vol. 7 of this Regulation	1 copy

Table 20-2. Distribution of Documents for Navy DOs Reporting Daily (Continued)

Document or Voucher	Package	Package	Retain
	No. 1	No. 2	
SF 1219	Original + 1 copy	none	1 copy
SF 215	Memorandum or confirmed copy	none	Agency copy
SF 5515	Confirmed copy	none	Memorandum copy
Schedule of Deposit Activity	Original + 1	none	1 copy
SF 1080	1 copy	none	1 copy
DD Form 1149	1 copy	none	1 copy
SF 1098	Original	1 copy	1 copy
DD Form 1131	Original	1 copy	1 copy
SF 1034	Original	1 copy	1 copy
Rations and Sales Report	1 copy	1 copy	1 copy
DD Form 592	Original	1 copy	1 copy
SF 2812 and supporting SF 2812A	2 copies	1 copy	1 copy
Labor Roll/Material Charges and Credits	Original	none	1 copy
Certificate of Revaluation of Foreign Currency	Original	none	1 copy
Certified Accepted Bid (procurement of foreign currency)	1 copy	none	Original
Military Pay Voucher	Original	none	1 copy
Military Payroll Money List	Original	none	1 copy
Civilian Payroll Certification Sheets	Original	none	1 copy
DD Form 1351 series disbursement vouchers	Original	2 copies	1 copy
Collection Vouchers crediting Army, Air Force, or Coast Guard appropriations	Original	3 copies	1 copy
Disbursement Vouchers charging Army, Air Force, or Coast Guard appropriations	Original	2 copies	1 copy
All other collection and disbursement vouchers	Original	2 copies	1 copy
SF 1179	1 copy	none	1 copy

Table 20-3. Distribution of Documents for Navy DOs Reporting Monthly

TRANSMITTAL OF STATEMENTS AND VOUCHERS <i>(Use reverse if more space is needed)</i>				1. PERIOD COVERED a. FROM 1 Nov XX b. TO 30 Nov XX		2. DSSN 0001	
3. TO DFAS INDIANAPOLIS CENTER ATTN: DFAS-IN/_____ INDIANAPOLIS, IN 46249-1036				4. FROM COMMANDER, FT. FINANCE ATTN: ATSG-F FT. FINANCE, IN 46216			
5. STATEMENTS AND VOUCHERS ARE TRANSMITTED AS INDICATED BELOW							
a. NUMBER OF PACKAGES IN THIS SHIPMENT							
NUMBER OF ENCLOSURES		FORM TITLE AND NUMBER					
ORIGINAL	COPIES						
X	X	STATEMENT OF ACCOUNTABILITY (SF 1219)					
	X	MONTH END CHECK ISSUE SUMMARY (SF 1179)					
X		JOURNAL VOUCHERS (OF 1017-G) (SUPPORTING ADJUSTMENTS)					
	X	COPIES OF DOCUMENTS SUPPORTING LINE 4.2 OF SF 1219 (SFs 215 AND 5515)					
X		STATEMENT OF DESIGNATED DEPOSITARY ACCOUNT (SF 1149)					
X		CERTIFICATE OF REVALUATION OF FOREIGN CURRENCY					
X		REQUEST FOR BID (PURCHASE/SALE) (DD Form 2668) <i>(Procurement of Foreign Currency)</i>					
b. VOUCHERS							
TYPE OF TRANSACTION		DISBURSEMENTS			COLLECTIONS		
		NUMBER OF VOUCHERS	VOUCHER NUMBERS		NUMBER OF VOUCHERS	VOUCHER NUMBERS	
			FROM	THROUGH		FROM	THROUGH
Commercial Payments		1941	251040	252980	217	100309	100525
Travel Payments		95	500087	500181			
Miscellaneous Payments		281	700011	700291			
6. DISBURSEMENT VOUCHER NUMBERS NOT USED OR VOIDED				7. COLLECTION VOUCHER NUMBERS NOT USED OR VOIDED			
8. DUPLICATED DISBURSEMENT VOUCHER NUMBERS				9. DUPLICATED COLLECTION VOUCHER NUMBERS			
10. SUB-VOUCHER NUMBERS				11. DEFERRED VOUCHER NUMBERS			
12. REMARKS							
13. FOR INFORMATION CONTACT K. S. ALEX				14. TELEPHONE (111) 123-4567			
15. TYPED NAME AND GRADE K. S. ALEX, LTC, FC, USA			16. SIGNATURE			17. DATE FORWARDED 3 Dec 19XX	

DD Form 2666, AUG 93

Figure 20-1. Sample DD Form 2666 (Transmittal of Statements and Vouchers)

[illegible]

DD Form 2666, AUG 93 (Back)

Figure 20-1. Sample DD Form 2666 (Transmittal of Statements and Vouchers)
(Back)

FROM: PERSUPPDET LIVERPOOL UK				
TO: FIPC NORFOLK VA (OR FIPC SAN DIEGO CA)				
UNCLAS //N07250//				
SUBJ: STATEMENT OF ACCOUNTABILITY AND DISBURSEMENTS AND COLLECTIONS				
SYMBOL 7007, DISBOFF E. DELACRUZ				
PASS TO CODE FF 32 (OR CODE PS 3)				
PERIOD OF ACCOUNT 1 MAR XX THRU 31 MAR XX				
1. STATEMENT OF ACCOUNTABILITY:				
SECTION I, PART A				
1.0				10,000.00
2.1		8,000.00		
4.1		7,500.00		
4.2		3,000.00		
5.0	(2,550.00 FOREIGN FUNDS)			7,500.00
SECTION I, PART B				
6.1	BANK OF SCOTLAND (U.K. POUNDS)			900.00
6.2				700.00
6.3				500.00
6.5				1,200.00
6.7	FUNDS IN TRANSIT			850.00
6.8	CASH HELD FOR PAYMENT (500.00 FOREIGN FUNDS)			2,100.00
7.1				100.00
7.4				200.00
7.9	FOREIGN CURRENCY DEPOSIT			950.00
8.0				7,500.00
SECTION I, PART C				
11.0				7,500.00
SECTION II, PART A				
(1)	(2)	(3)	(4)	(5)
7007	8,010.00	XX0600	(10.00)	8,000.00
SECTION II, PART B				
DT/DV	NUMBER	DOC. DATE	DATE PRESENTED/ MAILED TO BANK	AMOUNT
DT	123456	XX0304	XX0305	825.00
DT	123457	XX0308	XX0309	285.00
DT	123458	XX0310	XX0311	750.00
DV	64532	XX0211		(50.00)
DT	123459	XX0322	XX0323	675.00
DT	123460	XX0329	XX0330	795.00
DV	43572	XX0224		(280.00)
				3,000.00
2. DISBURSEMENTS AND COLLECTIONS				
CODE	APPN/SUB	PROG ELE/ BUD PROJ	REIM SOURCE	AMOUNT
1	1751453.2201			500.00
1	1751319.2456	39		550.16
1	1751804.602B			2,580.23
4	1751453.2201			3,260.00
1	1751453.2202			3,850.00
6	1751804.1190			124.77
6	1751319.2458	39		2319.84
	DISBURSEMENTS TOTAL			13,185.00
7	1751319.2241			684.91
8	17X4911.2310			5000.09
	COLLECTIONS TOTAL			5,685.00

**Figure 20-2. Sample Message Report Statement of Accountability,
Disbursements and Collections**

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CHAPTER 21 DISBURSING OFFICE RECORDS

2101 Retained Records

CHAPTER 21

DISBURSING OFFICE RECORDS2101 RETAINED RECORDS

210101. General. Copies of vouchers, books, records, and any other associated papers shall be retained as government property, readily accessible to the DO transmitting financial reports, or to the designated settlement office for a period not less than one year. Unclassified retained records require no special security storage precautions. However, good management demands that the retained records be maintained in good condition and in an orderly fashion. Retained records shall be stored in regular open files or cabinets. Controls shall be in place to ensure that retained records removed from the files are identified as being out of file and that follow-up is required to ensure their return. Retained records shall be destroyed when one year old as provided in Title 8 of U. S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (reference (n)).

A. Tactical Units and Naval Vessels. To facilitate shipment of retained records, DOs of tactical units and Naval vessels shall file retained records in groups as specified below.

1. All public vouchers other than payrolls with supporting documents.
2. All payroll vouchers with supporting documents.
3. All collection vouchers with supporting documents.
4. Checking account records, to include retained records of all checks drawn, SFs 1179, FMS Forms 5206 with related correspondence, and OFs 1017-G with related correspondence.
5. DD Forms 2657.
6. SFs 1149.
7. SFs 1219.
8. Listing of instruments deposited with the quintuplicate (agency)
copy of SFs 215.
9. SFs 1184.
10. SFs 5515.

11. Certificate of revaluation of foreign currency.
12. Quarterly reports on the status of suspense accounts.
13. Other miscellaneous retained disbursing documents.

210102. Disposition of Retained Records

A. Non-tactical Disbursing Offices. As prescribed in Chapter 2 of this volume, retained records (which are less than one year old) shall be transferred to the relieving DO as a part of the relief process. When the records are one year old, the relieving DO shall destroy the retained records as prescribed above. When a disbursing office is being deactivated, the retained records shall be packaged and mailed to the office designated to settle the accounts. When the records are one year old, the designated settlement office will destroy the retained records.

B. Tactical Units and Naval Vessels

1. Detachment With Relief. When a DO of a tactical unit or Naval vessel is relieved from disbursing duty by another DO, the relieving DO shall retain the relieved DO's retained disbursing records of the relieved officer for a period of 90 days from the date of relief. After the 90-day period, the retained records of the relieved officer shall be packaged and forwarded to the servicing DFAS Center (or OPLOC) for retention until the expiration of the one year retention period. If deployed, the retained records shall not be forwarded until the unit or vessel returns to homeport and the 90-day retention requirement is met.

2. Detachment Without Relief. When a DO of a tactical unit or Naval vessel is relieved from disbursing duty due to deactivation of the disbursing office (or when a vessel or unit is decommissioned), the retained disbursing records shall be packaged and forwarded to the servicing DFAS Center (or OPLOC). The DFAS Center (or OPLOC) will destroy the retained records when they are one year old.

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(Supplemental to Increase Accountability)

Figure 22-6. Sample SF 1219 (Statement of Accountability)
(Supplemental to Decrease Accountability)

CHAPTER 22

SETTLEMENT OF DISBURSING OFFICER ACCOUNTS★2201 OVERVIEW

220101. General. The responsibility for clearing outstanding items in the accounts of a DO who has been relieved from disbursing duty is normally assigned to a designated settlement office. The DO of the designated settlement office (referred to in this chapter as the settlement officer) shall take actions necessary as prescribed in this Volume to resolve discrepancies in a relieved DO's accountability. All correspondence and vouchers initiated by an officer, designated as a settlement officer, shall show the name and DSSN of the accountable officer as well as the date and number of the voucher or account, and shall be signed "By (name of settlement officer), settlement officer for (name and DSSN of accountable officer)."

Normally, the settlement officer is also responsible for other residual disbursing functions such as issuance of stop payment requests and required records research pursuant to claims against the government and clearing of all suspense accounts. In all instances, the relieved DO is responsible for resolving all deficiencies before relief, if possible. If a deficiency exists in the account of a relieved DO and it appears that no action was taken to remove it from the accountability and no relief request is pending, the settlement officer shall initiate collection action against the accountable DO.

A. Non-tactical Disbursing Stations. At non-tactical disbursing stations, settlement duties are normally the responsibility of the relieving DO. When a non-tactical disbursing station is deactivated the supporting DFAS Center will designate another non-tactical disbursing station within the center's cognizance to perform the settlement function if the disbursing operations of the deactivated station are assumed by another disbursing station within that Center's cognizance. When a non-tactical disbursing station under the cognizance of one DFAS Center is deactivated and the disbursing function is assumed by a disbursing station under the cognizance of a different DFAS Center, the settlement function is a shared responsibility of the gaining disbursing station and the losing DFAS Center. This shared responsibility is necessary in order to avoid creating transactions for and by others or cross disbursements. In this case, the losing DFAS Center shall request the gaining DFAS Center to designate the disbursing station assuming the disbursing functions with responsibility for residual disbursing functions such as issuance of stop payment requests, required records research and processing of transactions pursuant to clearing of suspense accounts, requests for recertified payments, and processing claims against the government. Close coordination between the gaining disbursing station and the former DFAS Center will be necessary. This coordination shall include the use of electronic mechanisms such as OPAC to transfer funds between the center and the disbursing station. For example, a request for stop payment of a treasury check issued by the deactivated disbursing station will result in a credit to the former DFAS Center in the **F3880 account. Upon receipt, the DFAS Center shall prepare a disbursement voucher charging the **F3880 account and transfer the credit to the gaining disbursing station (via OPAC). Upon receipt of the

OPAC transfer, the gaining disbursing station shall accept the transfer of funds as a collection with credit to the appropriation charged when the check was issued. As another example, when records research determines the proper appropriation to be credited with a collection that was originally placed in a suspense account, the disbursing station shall contact the servicing DFAS Center of the deactivated disbursing station and request the dollar amount be transferred via OPAC. The DFAS Center shall prepare a disbursement voucher charging the appropriate suspense account and transfer the funds to the requesting disbursing station via OPAC. Upon receipt of the OPAC transfer, the disbursing station shall prepare a collection voucher with credit to the proper appropriation for the dollar amount. The transactions described in the above examples are all transactions for self. Following the guidance in this paragraph will not create cross disbursements or transactions for others. Responsibility for transactions which directly affect the SF 1219 of the former disbursing officer(s) of the deactivated disbursing station, such as those described in paragraph 220402 of this chapter, remains with the DFAS Center under whose cognizance the disbursing station operated prior to deactivation.

B. Tactical Disbursing Stations. For naval vessels and tactical units, the servicing DFAS Center (or designated OPLOC) shall perform the duties of settlement officer for relieved DOs whether or not the disbursing function of the naval vessel or unit is deactivated.

2202 STORAGE OF RECORDS

Disbursing records on which settlement action is not completed may be transferred by the settlement officer to the Federal Records Center serving the settlement office for temporary storage. This action should only be taken when necessary or appropriate because of space or equipment limitations or is in accordance with regular plans for transfer of records.

2203 RESPONSIBILITY OF RELIEVED OFFICER

Despite the appointment of a settlement officer, the relieved DO is responsible for accounting for all funds expended while performing disbursing duties. Transfer of disbursing records under the authority of this chapter only relieves the DO of the paperwork incident to settlement of the account. Accountability for illegal, incorrect, or improper payments which cannot be adjusted despite the diligence of the settlement officer remains with the DO who made the payments. The relieved DO shall keep the settlement officer informed of his or her current mailing address at all times. The relieved officer shall also answer inquiries related to settlement of outstanding items and shall furnish any advice or suggestions which may be of assistance in the prompt and complete clearance thereof.

2204 SETTLEMENT OFFICER PROCEDURES

220401. Settlement Officer Is Incumbent DO. The procedures in this paragraph apply only to non-tactical DOs (within and outside the continental United States) performing settlement functions for previous DOs of the same disbursing activity and DSSN to which the DO performing the settlement functions is assigned. In addition to accounting for and taking

settlement action on deficiencies which occurred during the incumbency of a former DO that were unresolved on the date of relief, the settlement officer may be required to establish or increase deficiencies in the account of a former DO. Most of the transactions processed to establish, increase, reduce, or remove deficiencies in the account of the former DO will be similar to the routine transactions of a DO and will be reported on the daily DD Form 2657 and the monthly SF 1219. The transactions described in the following subparagraphs are the most common types of transactions that will be encountered. On some occasions, the servicing DFAS Center may direct accomplishment of specific transactions and will provide detailed instructions for those transactions. To have a complete history of the settlement process, a record of actions taken to clear deficiencies shall be maintained in separate settlement folders for each former DO. Copies of all documents and correspondence pertaining to settlement of the former DOs' accounts shall be filed in the folders. The settlement folders shall be made available for examination and shall be turned over to the next relieving DO as a part of the relief process.

A. Check Overdraft Receivables. Procedures for recording, reporting and clearing a check overdraft deficiency are prescribed in Chapter 7 of this volume. The procedures are the same for both current and former DOs except that in the case of a former DO, the current DO (settlement officer) shall report the item daily on line 9.2A of the DD Form 2657 and monthly on line 9.2 of the SF 1219 until resolved.

B. Losses of Funds. Losses of funds in the account of a former DO that were unresolved on the date of relief are recorded and reported until resolved on line 9.3 of the current DO's (settlement officer's) DD Form 2657 and SF 1219. Increases in the value of existing losses of funds are generally accomplished only upon the specific direction of the servicing DFAS Center. Decreases in the value of existing losses of funds are accomplished by collection (full or partial) of the losses from the accountable individual or by relief of liability for the losses.

C. Other Accountability. Other accountability items are unresolved deficiencies in the account of a former DO which cannot be classified as check issue overdrafts or losses of funds. These items are reported on line 9.4 of the DD Form 2657 and the SF 1219 until resolved. The value of other accountability may be increased by the settlement officer. For SFs 5515 received by the settlement officer after the date of relief of a DO (which are chargeable to the former DO), the settlement officer shall record and process the SF 5515. The value of the SF 5515 shall be reported on line 9.3 of the DD Form 2657 and SF 1219. For overpayments caused by the negotiation of both the original and recertified check which the settlement officer determines to be uncollectible, the procedures prescribed in Chapter 8 of this volume shall be followed. The settlement officer shall request removal of the deficiency on behalf of the former DO. Decreases to the value of other accountability items may be effected by: collection from the responsible individual, replacement of lost checks by the drawers of the lost checks, confirmation of a deposit previously presumed and treated as lost in transit, reversal of an SF 5515 by a general depository or the Treasury Department, correction of an erroneous collection voucher, or relief of liability. Specific instructions for removal of an accountability item by correction of an erroneous collection voucher or relief of liability shall be provided by the servicing DFAS Center.

D. Processing Negotiable Instruments. Negotiable instruments received by a settlement officer to offset a deficiency in the account of a former DO shall be entered on the DD Form 2657 as either an increase to Deposits Presented or Mailed to Bank (line 4.2A) or to Other Undeposited Instruments on Hand (line 6.3B), and as a decrease to the applicable receivable (e.g., 9.2A, 9.2B, 9.3, 9.4). The instrument received shall be documented on an OF 1017-G and deposited under the same guidelines as other negotiable instruments.

220402. Settlement Officer Is Not Incumbent DO. The procedures in this paragraph are applicable only to DOs designated to settle the accounts of DOs of tactical units or Naval vessels relieved from disbursing duty and the accounts of former DOs of deactivated disbursing stations. These settlement officers perform settlement functions for a DSSN other than the one to which assigned as DO. Any transaction which affects the accountability of a relieved DO, including the initial establishment of the settlement account, will require submission of monthly financial reports by the settlement officer for the relieved DO. The financial reports are submitted to the servicing DFAS Center (or OPLOC) in the same manner as other financial reports. To have a complete history of the settlement process, a record of actions taken to clear deficiencies shall be maintained in separate settlement folders for each former DO and DSSN for which settlement action is performed. Copies of all documents and correspondence related to the settlement of accounts shall be filed in the folders. The folders shall be made available for examination as necessary.

A. Initial Establishment of the Settlement Account. Upon receipt of the final SF 1219 of the relieved DO the Naval vessel, tactical unit, or the deactivated disbursing station, the settlement officer shall review the SF 1219 to determine if any deficiencies existed on the date of relief. In the case of a deactivated disbursing station where the DO is transferred without a relief, the settlement officer shall establish the settlement account by establishment and preparation of the necessary files to resolve the deficiencies. In the case of Naval vessels and tactical units, if there is a deficiency in the account of the relieved DO, the settlement officer shall establish the settlement account as of the month following the receipt of the relieved DO's final SF 1219. This action is accomplished by preparation of a supplemental SF 1219. Upon establishment of the settlement account for the relieved DO, the designated settlement officer shall recompute the actual accountability of the relieving DO on the date of relief by subtracting the amount established in the settlement account from the amount reported on line 11.0 of the relieved DO's final SF 1219. The settlement officer shall then notify the relieving DO of the Naval vessel or tactical unit by message that the settlement account is established and direct that DO to record the dollar value of the deficiency on line 4.37 of the next SF 1219 and remove the amount from lines 9.2, 9.3, and/or 9.4 (as appropriate). The relieving DO shall attach a copy of the message to each copy of the SF 1219 to support the transfer of accountability shown on line 4.37. Figure 22-1 is an example of a final SF 1219 from a Naval vessel indicating relief and transfer of accountability. Figure 22-2 is an example of the first SF 1219 of the incumbent DO. Figure 22-3 is an example of the supplemental SF 1219 prepared by the settlement officer to establish the settlement account of the relieved DO. Figure 22-4 is an example of the SF 1219 of the incumbent DO transferring the predecessor's deficiency to the settlement officer.

B. Recording Increases to a Settlement Account. After the date of relief, it may become necessary to record a deficiency into the account of a relieved DO. This type of transaction can be caused by an SF 5515, FMS Form 5206, notice of an out-of-balance payroll, or various other discrepancies discovered in subsequent audit of accounts. Figure 22-5 shows processing of an SF 5515 to increase a relieved DO's accountability due to a dishonored check.

C. Removal of Deficiencies. Removal of deficiencies from the accounts of former DOs can be accomplished by collection from the responsible individual, correction of erroneous documents, or relief of liability. If the deficiency is recovered by collection from the responsible individual, the settlement officer shall prepare an OF 1017-G to document the collection and deposit the funds on an SF 215. Block 3 of the SF 215 shall show the DSSN of the DO whose account is being settled. The deposit transaction shall be recorded on the supplemental SF 1219 prepared for the month in which the transaction is processed. If the deficiency is removed by correction of erroneous documents, the corrected documents shall be reported on the supplemental SF 1219 prepared for the month in which the transaction is processed. If a deficiency is removed by relief of liability, the servicing DFAS Center will direct the preparation of an SF 1049 and will provide a complete fund cite to be charged for the transaction. The voucher shall be reported on the supplemental SF 1219 for the month in which the transaction is processed. Figure 22-6 shows removal of a deficiency by collection from the accountable individual.

D. Preparation of Disbursement and Collection Vouchers. Normally, the preparation and processing of vouchers to settle the accounts of former DOs will not affect the disbursing account of the settlement officer. Collection and disbursement voucher numbers assigned to vouchers prepared to process settlement transactions shall not be taken from the voucher number logs of the DO at the settlement activity. The settlement officer shall maintain a separate series of locally assigned voucher numbers (for example, COOO1 for collections and DOOO1 for disbursements) for use in settlement transactions. In addition, the DD Form 2657 is not maintained by the settlement officer for the former DO.

E. Financial Reports. The settlement officer shall submit financial reports for a former DO every month until the former DO's accountability is cleared. Normally, the documents required to be submitted are: supplemental SF 1219; appropriate copies of SF 215 or SF 5515 if these forms are involved in the transaction; and any supporting disbursement or collection vouchers prepared. The general requirements in Chapter 20 of this volume for preparation and submission of financial reports apply. In addition to the normal distribution requirements, one additional copy of each document prepared shall be forwarded to the servicing DFAS Center. In all cases, each document shall clearly identify the name and DSSN of the former DO and the name and address of the settlement officer preparing the reports. Documents requiring signature shall be signed "By (name of settlement officer), settlement officer for (name and DSSN of accountable officer)."

2205 SETTLEMENT PROCEDURES FOR NAVAL VESSELS

220501. General. Even though the DO assigned to Naval vessels does not perform settlement functions, certain actions are required to be performed to assist the designated settlement officer. The incumbent DO shall take the actions prescribed in this section for each of the transactions described which are received after the date of relief and which affect the accountability of the relieved DO.

220502. SF 5515 (Debit Voucher). SFs 5515 issued by a general depositary or the Treasury Department for dishonored personal checks, forged Treasury checks, or dual negotiation of both the original and substitute Treasury checks, shall not be recorded in the current DO's accountability unless the accounts of the DO who is accountable for the deficiency are subject to the 90-day retention period described in Chapter 21 of this volume or the maker or endorser of the dishonored check is locally available for collection action. If neither of the foregoing conditions apply, the current DO shall forward the SF 5515 and copies of all related documents by cover letter to the cognizant OPLOC. If follow-up action previously initiated by the relieved officer results in recovery of funds, the relieving officer shall forward the funds in the form of an exchange-for-cash Treasury check to the cognizant OPLOC.

220503. Unconfirmed Deposits. For unconfirmed deposits that are later confirmed by follow-up action after the date of relief, forward the confirmed copy of the SF 215 by cover letter to the cognizant OPLOC for processing.

220504. FMS Form 5206, Advice of Check Issue Discrepancy. If an FMS Form 5206 is received during the 90-day retention period subsequent to relief, a copy of the applicable check issue record and disbursement voucher shall be reproduced from the relieved DO's retained records and attached to the form. The documents shall then be forwarded by cover letter to the cognizant OPLOC for processing. If an FMS Form 5206 is received after the former DO's records have been forwarded to the OPLOC as prescribed in Chapter 21 of this volume, the document shall be forwarded by cover letter to the cognizant OPLOC for processing.

220505. Daily Advice of Status (DAS). Upon receipt of a DAS from the Treasury Department indicating the original and recertified Treasury check issued by the previous DO were both negotiated and previous credit given by the Treasury Department for the canceled original check is being reversed, the current DO shall take the same actions as prescribed above for debit vouchers.

STANDARD FORM 1219 Revised April 1982 Department of the Treasury 1-TFM 2-3100		STATEMENT OF ACCOUNTABILITY		RCS:
NAME OF DISBURSING OFFICER WILLIAM ALLEN PRINGLE		LOCATION OF DISBURSING OFFICER (Mailing Address) (01234) USS AFLOAT (DD-001) FPO AP 96601		
NAME OF AGENCY NAVY				
PERIOD OF ACCOUNT FROM 1 OCT 19XX THROUGH 31 OCT 19XX		AGENCY LOCATION CODE (ALC) (Show main check symbol number) 0002		
SECTION I - GENERAL STATEMENT OF ACCOUNT				
PART A. - TRANSACTIONS DURING PERIOD AFFECTING ACCOUNTABILITY				
1.00		TOTAL ACCOUNTABILITY BEGINNING OF PERIOD		60,000.00
		INCREASES IN ACCOUNTABILITY		
2.1	CHECKS ISSUED ON U.S. TREASURY	8,000.00		
2.3	OTHER TRANSACTIONS			
2.34	DISCREPANCIES IN D.O. ACCOUNTS - CREDITS			
2.36	PAYMENTS BY ANOTHER D.O.			
2.37	TRANSFERS FROM OTHER DISBURSING OFFICERS			
2.39				
2.9	TOTAL INCREASES IN ACCOUNTABILITY		8,000.00	
3.0		SUBTOTAL		68,000.00
		DECREASES IN ACCOUNTABILITY		
4.1	NET DISBURSEMENTS	7,500.00		
4.2	DEPOSITS PRESENTED OR MAILED TO BANK	3,000.00		
4.3	OTHER TRANSACTIONS			
4.34	DISCREPANCIES IN D.O. ACCOUNTS - DEBITS			
4.36	PAYMENTS FOR ANOTHER D.O.			
4.37	TRANSFERS TO OTHER DISBURSING OFFICERS			
4.39				
4.9	TOTAL DECREASES IN ACCOUNTABILITY		10,500.00	
5.00		TOTAL ACCOUNTABILITY CLOSE OF PERIOD		57,500.00
PART B. - ANALYSIS OF INCUMBENT OFFICER'S ACCOUNTABILITY				
6.1		CASH ON DEPOSIT IN DESIGNATED DEPOSITARY		
		(Name and location of depositary)		
6.2	CASH ON HAND		6,000.00	
6.3	CASH - UNDEPOSITED COLLECTIONS			
6.4				
6.5	CASH IN CUSTODY OF GOVERNMENT CASHIERS		500.00	
6.6				
6.7				
6.8	PAYROLL CASH		50,000.00	
6.9				
7.1	DEFERRED CHARGES - VOUCHERED ITEMS			
7.2	RECEIVABLES - CHECK OVERDRAFTS			
7.3	LOSSES OF FUNDS		1,000.00	
7.4	RECEIVABLES - DISHONORED CHECKS			
7.5				
7.6				
7.7				
7.8				
7.9				
8.0	TOTAL OF MY ACCOUNTABILITY		57,500.00	
PART C. - ANALYSIS OF PREDECESSOR OFFICERS' ACCOUNTABILITY				
9.2	RECEIVABLES - CHECK OVERDRAFTS			
9.3	LOSSES OF FUNDS			
9.4	OTHER ACCOUNTABILITY			
10.0	TOTAL PREDECESSOR OFFICERS' ACCOUNTABILITY		0.00	
11.0	TOTAL DISBURSING OFFICER ACCOUNTABILITY (Same as line 5.00 above)		57,500.00	
I have received on 31 OCT 19XX by transfer from ENS William A. Pringle, SC, USN \$57,500.00, an analysis of which is included in Sections I-B and I-C above.				
John Wesley Adams, ENS, SC, USN				
I certify that this is a true and correct statement of accountability for the period stated at the office referred to above.				
NAME AND TELEPHONE NUMBER OF CONTACT W. A. PRINGLE, (219) 496-5555		SIGNATURE AND TITLE OF CERTIFIER		DATE 31 oct 19XX
NSN 7540-00-634-4245 (OVER) PREVIOUS EDITION NOT USABLE 1219-106				

**Figure 22-1. Sample SF 1219 (Statement of Accountability)
(Relieving)**

STANDARD FORM 1219 Revised April 1982 Department of the Treasury 1-TFM 2-3100		STATEMENT OF ACCOUNTABILITY	
NAME OF DISBURSING OFFICER JOHN WESLEY ADAMS		LOCATION OF DISBURSING OFFICER (<i>Mailing Address</i>) (01234) USS AFLOAT (DD - 001) FPO AP 96601	
NAME OF AGENCY NAVY			
PERIOD OF ACCOUNT FROM 1 NOV 19XX THROUGH 30 NOV 19XX		AGENCY LOCATION CODE (ALC) (<i>Show main check symbol number</i>) 0002	
SECTION I. - GENERAL STATEMENT OF ACCOUNT			
PART A. - TRANSACTIONS DURING PERIOD AFFECTING ACCOUNTABILITY			
1.00	TOTAL ACCOUNTABILITY BEGINNING OF PERIOD		57,500.00
INCREASES IN ACCOUNTABILITY			
2.1	CHECKS ISSUED ON U.S. TREASURY	9,550.00	
2.3	OTHER TRANSACTIONS		
2.34	DISCREPANCIES IN D.O. ACCOUNTS - CREDITS		
2.36	PAYMENTS BY ANOTHER D.O.		
2.37	TRANSFERS FROM OTHER DISBURSING OFFICERS		
2.39			
2.9	TOTAL INCREASES IN ACCOUNTABILITY	9,550.00	
3.0	SUBTOTAL		67,050.00
DECREASES IN ACCOUNTABILITY			
4.1	NET DISBURSEMENTS	6,550.00	
4.2	DEPOSITS PRESENTED OR MAILED TO BANK	2,000.00	
4.3	OTHER TRANSACTIONS		
4.34	DISCREPANCIES IN D.O. ACCOUNTS - DEBITS		
4.36	PAYMENTS FOR ANOTHER D.O.		
4.37	TRANSFERS TO OTHER DISBURSING OFFICERS		
4.39			
4.9	TOTAL DECREASES IN ACCOUNTABILITY	8,550.00	
5.00	TOTAL ACCOUNTABILITY CLOSE OF PERIOD		58,500.00
PART B. - ANALYSIS OF INCUMBENT OFFICER'S ACCOUNTABILITY			
6.1	CASH ON DEPOSIT IN DESIGNATED DEPOSITARY		
	(<i>Name and location of depositary</i>)		
6.2	CASH ON HAND		7,000.00
6.3	CASH - UNDEPOSITED COLLECTIONS		
6.4			
6.5	CASH IN CUSTODY OF GOVERNMENT CASHIERS		500.00
6.6			
6.7			
6.8	PAYROLL CASH		50,000.00
6.9			
7.1	DEFERRED CHARGES - VOUCHERED ITEMS		
7.2	RECEIVABLES - CHECK OVERDRAFTS		
7.3	LOSSES OF FUNDS		
7.4	RECEIVABLES - DISHONORED CHECKS		
7.5			
7.6			
7.7			
7.8			
7.9			
8.0	TOTAL OF MY ACCOUNTABILITY		57,500.00
PART C. - ANALYSIS OF PREDECESSOR OFFICERS' ACCOUNTABILITY			
9.2	RECEIVABLES - CHECK OVERDRAFTS		
9.3	LOSSES OF FUNDS		1,000.00
9.4	OTHER ACCOUNTABILITY		
10.0	TOTAL PREDECESSOR OFFICERS' ACCOUNTABILITY		1,000.00
11.0	TOTAL DISBURSING OFFICER ACCOUNTABILITY (<i>Same as line 5.00 above</i>)		58,500.00
I certify that this is a true and correct statement of accountability for the period stated at the office referred to above.			
NAME AND TELEPHONE NUMBER OF CONTACT J. W. ADAMS (219) 496-2222		SIGNATURE AND TITLE OF CERTIFIER _____	DATE 30 NOV 19XX
NSN 7540-00-634-4245 (OVER) PREVIOUS EDITION NOT USABLE 1219-106			

**Figure 22-2. Sample SF 1219 (Statement of Accountability)
(Initial After Relief)**

STANDARD FORM 1219 Revised April 1982 Department of the Treasury 1-TFM 2-3100		SUPPLEMENTAL STATEMENT OF ACCOUNTABILITY	
NAME OF DISBURSING OFFICER WILLIAM ALLEN PRINGLE		LOCATION OF DISBURSING OFFICER (Mailing Address) (01234) USS AFLOAT (DD - 001) FPO AP 96601	
NAME OF AGENCY NAVY			
PERIOD OF ACCOUNT FROM 1 DEC 19XX THROUGH 31 DEC 19XX		AGENCY LOCATION CODE (ALC) (Show main check symbol number) 0002	
SECTION I. - GENERAL STATEMENT OF ACCOUNT			
PART A. - TRANSACTIONS DURING PERIOD AFFECTING ACCOUNTABILITY			
1.00	TOTAL ACCOUNTABILITY BEGINNING OF PERIOD		0.00
INCREASES IN ACCOUNTABILITY			
2.1	CHECKS ISSUED ON U.S. TREASURY		
2.3	OTHER TRANSACTIONS		
2.34	DISCREPANCIES IN D.O. ACCOUNTS - CREDITS		
2.36	PAYMENTS BY ANOTHER D.O.		
2.37	TRANSFERS FROM OTHER DISBURSING OFFICERS	1,000.00	
2.39			
2.9	TOTAL INCREASES IN ACCOUNTABILITY		1,000.00
3.0	SUBTOTAL		1,000.00
DECREASES IN ACCOUNTABILITY			
4.1	NET DISBURSEMENTS		
4.2	DEPOSITS PRESENTED OR MAILED TO BANK		
4.3	OTHER TRANSACTIONS		
4.34	DISCREPANCIES IN D.O. ACCOUNTS - DEBITS		
4.36	PAYMENTS FOR ANOTHER D.O.		
4.37	TRANSFERS TO OTHER DISBURSING OFFICERS		
4.39			
4.9	TOTAL DECREASES IN ACCOUNTABILITY		0.00
5.00	TOTAL ACCOUNTABILITY CLOSE OF PERIOD		1,000.00
PART B. - ANALYSIS OF INCUMBENT OFFICER'S ACCOUNTABILITY			
6.1	CASH ON DEPOSIT IN DESIGNATED DEPOSITARY (Name and location of depositary)		
6.2	CASH ON HAND		
6.3	CASH - UNDEPOSITED COLLECTIONS		
6.4			
6.5	CASH IN CUSTODY OF GOVERNMENT CASHIERS		
6.6			
6.7			
6.8			
6.9			
7.1	DEFERRED CHARGES - VOUCHERED ITEMS		
7.2	RECEIVABLES - CHECK OVERDRAFTS		
7.3	LOSSES OF FUNDS		
7.4	RECEIVABLES - DISHONORED CHECKS		
7.5			
7.6			
7.7			
7.8			
7.9			
8.0	TOTAL OF MY ACCOUNTABILITY		0.00
PART C. - ANALYSIS OF PREDECESSOR OFFICERS' ACCOUNTABILITY			
9.2	RECEIVABLES - CHECK OVERDRAFTS		
9.3	LOSSES OF FUNDS		1,000.00
9.4	OTHER ACCOUNTABILITY		
10.0	TOTAL PREDECESSOR OFFICERS' ACCOUNTABILITY		1,000.00
11.0	TOTAL DISBURSING OFFICER ACCOUNTABILITY (Same as line 5.00 above)		1,000.00
I certify that this is a true and correct statement of accountability for the period stated at the office referred to above.			
NAME AND TELEPHONE NUMBER OF CONTACT WALTER R. GOOD, SETTLEMENT OFFICER FOR WILLIAM A. PRINGLE. DSSN 0002 (619) 952-1234		SIGNATURE AND TITLE OF CERTIFIER WALTER R. GOOD	DATE 31 DEC 19XX
NSN 7540-00-634-4245 (OVER) PREVIOUS EDITION NOT USABLE 1219-106			

**Figure 22-3. Sample SF 1219 (Statement of Accountability)
(Supplemental to Establish Accountability)**

STANDARD FORM 1219 Revised April 1982 Department of the Treasury 1-TFM 2-3100		STATEMENT OF ACCOUNTABILITY	
NAME OF DISBURSING OFFICER JOHN WESLEY ADAMS		LOCATION OF DISBURSING OFFICER (<i>Mailing Address</i>) (01234) USS AFLOAT (DD - 001) FPO AP 96601	
NAME OF AGENCY NAVY		AGENCY LOCATION CODE (ALC) (<i>Show main check symbol number</i>) 0002	
PERIOD OF ACCOUNT FROM 1 DEC 19XX THROUGH 31 DEC 19XX			
SECTION I - GENERAL STATEMENT OF ACCOUNT			
PART A. - TRANSACTIONS DURING PERIOD AFFECTING ACCOUNTABILITY			
1.00		TOTAL ACCOUNTABILITY BEGINNING OF PERIOD	58,500.00
	INCREASES IN ACCOUNTABILITY		
2.1	CHECKS ISSUED ON U.S. TREASURY	24,550.00	
2.3	OTHER TRANSACTIONS		
2.34	DISCREPANCIES IN D.O. ACCOUNTS - CREDITS		
2.36	PAYMENTS BY ANOTHER D.O.		
2.37	TRANSFERS FROM OTHER DISBURSING OFFICERS		
2.39			
2.9	TOTAL INCREASES IN ACCOUNTABILITY		24,550.00
3.0	SUBTOTAL		83,050.00
4.0	DECREASES IN ACCOUNTABILITY		
4.1	NET DISBURSEMENTS	21,550.00	
4.2	DEPOSITS PRESENTED OR MAILED TO BANK	6,550.00	
4.3	OTHER TRANSACTIONS		
4.34	DISCREPANCIES IN D.O. ACCOUNTS - DEBITS		
4.36	PAYMENTS FOR ANOTHER D.O.		
4.37	TRANSFERS TO OTHER DISBURSING OFFICERS	1,000.00	
4.39			
4.9	TOTAL DECREASES IN ACCOUNTABILITY		29,100.00
5.00	TOTAL ACCOUNTABILITY CLOSE OF PERIOD		53,950.00
PART B. - ANALYSIS OF INCUMBENT OFFICER'S ACCOUNTABILITY			
CASH ON DEPOSIT IN DESIGNATED DEPOSITORY			
6.1	<div style="border-bottom: 1px solid black; width: 100%;"></div> <i>(Name and location of depository)</i>		
6.2	CASH ON HAND		3,450.00
6.3	CASH - UNDEPOSITED COLLECTIONS		
6.4			
6.5	CASH IN CUSTODY OF GOVERNMENT CASHIERS		500.00
6.6			
6.7			
6.8	PAYROLL CASH		50,000.00
6.9			
7.1	DEFERRED CHARGES - VOUCHERED ITEMS		
7.2	RECEIVABLES - CHECK OVERDRAFTS		
7.3	LOSSES OF FUNDS		
7.4	RECEIVABLES - DISHONORED CHECKS		
7.5			
7.6			
7.7			
7.8			
7.9			
8.0	TOTAL OF MY ACCOUNTABILITY		53,950.00
PART C. - ANALYSIS OF PREDECESSOR OFFICERS' ACCOUNTABILITY			
9.2	RECEIVABLES - CHECK OVERDRAFTS		
9.3	LOSSES OF FUNDS		
9.4	OTHER ACCOUNTABILITY		
10.0	TOTAL PREDECESSOR OFFICERS' ACCOUNTABILITY		0.00
11.0	TOTAL DISBURSING OFFICER ACCOUNTABILITY (<i>Same as line 5.00 above</i>)		53,950.00
I certify that this is a true and correct statement of accountability for the period stated at the office referred to above.			
NAME AND TELEPHONE NUMBER OF CONTACT J. W. ADAMS (219) 496-2222		SIGNATURE AND TITLE OF CERTIFIER <div style="border-bottom: 1px solid black; width: 100%;"></div>	DATE 31 DEC 19XX
NSN 7540-00-634-4245 (OVER) PREVIOUS EDITION NOT USABLE 1219-106			

Figure 22-4. Sample SF 1219 (Statement of Accountability)
(Transfer to Settlement Account)

STANDARD FORM 1219 Revised April 1982 Department of the Treasury 1-TFM 2-3100		SUPPLEMENTAL STATEMENT OF ACCOUNTABILITY	
NAME OF DISBURSING OFFICER WILLIAM ALLEN PRINGLE		LOCATION OF DISBURSING OFFICER (Mailing Address) (01234) USS AFLOAT (DD - 001) FPO AP 96601	
NAME OF AGENCY NAVY			
PERIOD OF ACCOUNT FROM 1 JAN 19XX THROUGH 31 JAN 19XX		AGENCY LOCATION CODE (ALC) (Show main check symbol number) 0002	
SECTION I - GENERAL STATEMENT OF ACCOUNT			
PART A - TRANSACTIONS DURING PERIOD AFFECTING ACCOUNTABILITY			
1.00	TOTAL ACCOUNTABILITY BEGINNING OF PERIOD		1,000.00
	INCREASES IN ACCOUNTABILITY		
2.1	CHECKS ISSUED ON U.S. TREASURY		
2.3	OTHER TRANSACTIONS		
2.34	DISCREPANCIES IN D.O. ACCOUNTS - CREDITS		
2.36	PAYMENTS BY ANOTHER D.O.		
2.37	TRANSFERS FROM OTHER DISBURSING OFFICERS		
2.39			
2.9	TOTAL INCREASES IN ACCOUNTABILITY		0.00
3.0	SUBTOTAL		1,000.00
4.0	DECREASES IN ACCOUNTABILITY		
4.1	NET DISBURSEMENTS		
4.2	DEPOSITS PRESENTED OR MAILED TO BANK	(500.00)	
4.3	OTHER TRANSACTIONS		
4.34	DISCREPANCIES IN D.O. ACCOUNTS - DEBITS		
4.36	PAYMENTS FOR ANOTHER D.O.		
4.37	TRANSFERS TO OTHER DISBURSING OFFICERS		
4.39			
4.9	TOTAL DECREASES IN ACCOUNTABILITY		(500.00)
5.00	TOTAL ACCOUNTABILITY CLOSE OF PERIOD		1,500.00
PART B - ANALYSIS OF INCUMBENT OFFICER'S ACCOUNTABILITY			
6.1	CASH ON DEPOSIT IN DESIGNATED DEPOSITARY (Name and location of depositary)		
6.2	CASH ON HAND		
6.3	CASH - UNDEPOSITED COLLECTIONS		
6.4			
6.5	CASH IN CUSTODY OF GOVERNMENT CASHIERS		
6.6			
6.7			
6.8			
6.9			
7.1	DEFERRED CHARGES - VOUCHERED ITEMS		
7.2	RECEIVABLES - CHECK OVERDRAFTS		
7.3	LOSSES OF FUNDS		
7.4	RECEIVABLES - DISHONORED CHECKS		
7.5			
7.6			
7.7			
7.8			
7.9			
8.0	TOTAL OF MY ACCOUNTABILITY		0.00
PART C - ANALYSIS OF PREDECESSOR OFFICERS' ACCOUNTABILITY			
9.2	RECEIVABLES - CHECK OVERDRAFTS		
9.3	LOSSES OF FUNDS		1,000.00
9.4	OTHER ACCOUNTABILITY		500.00
10.0	TOTAL PREDECESSOR OFFICERS' ACCOUNTABILITY		1,500.00
11.0	TOTAL DISBURSING OFFICER ACCOUNTABILITY (Same as line 5.00 above)		1,500.00
I certify that this is a true and correct statement of accountability for the period stated at the office referred to above.			
NAME AND TELEPHONE NUMBER OF CONTACT WALTER R. GOOD, SETTLEMENT OFFICER FOR WILLIAM A. PRINGLE, DSSN 0002 (619) 952-1234		SIGNATURE AND TITLE OF CERTIFIER WALTER R. GOOD	DATE 31 JAN 19XX
NSN 7540-00-634-4245 (OVER) PREVIOUS EDITION NOT USABLE 1219-106			

**Figure 22-5. Sample SF 1219 (Statement of Accountability)
(Supplemental to Increase Accountability)**

STANDARD FORM 1219 Revised April 1982 Department of the Treasury 1-TFM 2-3100		SUPPLEMENTAL STATEMENT OF ACCOUNTABILITY	
NAME OF DISBURSING OFFICER WILLIAM ALLEN PRINGLE		LOCATION OF DISBURSING OFFICER (Mailing Address) (01234) USS AFLOAT (DD - 001) FPO AP 96601	
NAME OF AGENCY NAVY			
PERIOD OF ACCOUNT FROM 1 FEB 19XX THROUGH 28 FEB 19XX		AGENCY LOCATION CODE (ALC) (Show main check symbol number) 0002	
SECTION I - GENERAL STATEMENT OF ACCOUNT			
PART A. - TRANSACTIONS DURING PERIOD AFFECTING ACCOUNTABILITY			
1.00	TOTAL ACCOUNTABILITY BEGINNING OF PERIOD		1,500.00
INCREASES IN ACCOUNTABILITY			
2.1	CHECKS ISSUED ON U.S. TREASURY		
2.3	OTHER TRANSACTIONS		
2.34	DISCREPANCIES IN D.O. ACCOUNTS - CREDITS		
2.36	PAYMENTS BY ANOTHER D.O.		
2.37	TRANSFERS FROM OTHER DISBURSING OFFICERS		
2.39			
2.9	TOTAL INCREASES IN ACCOUNTABILITY		0.00
3.0	SUBTOTAL		1,500.00
DECREASES IN ACCOUNTABILITY			
4.1	NET DISBURSEMENTS		
4.2	DEPOSITS PRESENTED OR MAILED TO BANK	1,000.00	
4.3	OTHER TRANSACTIONS		
4.34	DISCREPANCIES IN D.O. ACCOUNTS - DEBITS		
4.36	PAYMENTS FOR ANOTHER D.O.		
4.37	TRANSFERS TO OTHER DISBURSING OFFICERS		
4.39			
4.9	TOTAL DECREASES IN ACCOUNTABILITY		1,000.00
5.00	TOTAL ACCOUNTABILITY CLOSE OF PERIOD		500.00
PART B. - ANALYSIS OF INCUMBENT OFFICER'S ACCOUNTABILITY			
CASH ON DEPOSIT IN DESIGNATED DEPOSITARY			
6.1	(Name and location of depositary)		
6.2	CASH ON HAND		
6.3	CASH - UNDEPOSITED COLLECTIONS		
6.4			
6.5	CASH IN CUSTODY OF GOVERNMENT CASHIERS		
6.6			
6.7			
6.8			
6.9			
7.1	DEFERRED CHARGES - VOUCHERED ITEMS		
7.2	RECEIVABLES - CHECK OVERDRAFTS		
7.3	LOSSES OF FUNDS		
7.4	RECEIVABLES - DISHONORED CHECKS		
7.5			
7.6			
7.7			
7.8			
7.9			
8.0	TOTAL OF MY ACCOUNTABILITY		0.00
PART C. - ANALYSIS OF PREDECESSOR OFFICERS' ACCOUNTABILITY			
9.2	RECEIVABLES - CHECK OVERDRAFTS		
9.3	LOSSES OF FUNDS		
9.4	OTHER ACCOUNTABILITY	500.00	
10.0	TOTAL PREDECESSOR OFFICERS' ACCOUNTABILITY		500.00
11.0	TOTAL DISBURSING OFFICER ACCOUNTABILITY (Same as line 5.00 above)		500.00
I certify that this is a true and correct statement of accountability for the period stated at the office referred to above.			
NAME AND TELEPHONE NUMBER OF CONTACT WALTER R. GOOD, SETTLEMENT OFFICER FOR WILLIAM A. PRINGLE, DSSN 0002 (619) 952-1234		SIGNATURE AND TITLE OF CERTIFIER WALTER R. GOOD	DATE 28 FEB 19XX
NSN 7540-00-634-4245 (OVER) PREVIOUS EDITION NOT USABLE 1219-106			

**Figure 22-6. Sample SF 1219 (Statement of Accountability)
(Supplemental to Decrease Accountability)**

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Figure 23-2. Sample DD Form 1084 (Bond Issuance Schedule)

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CHAPTER 23

UNITED STATES SAVINGS BONDS2301 OVERVIEW

This chapter prescribes procedures and forms to be used for the Voluntary Payroll Savings Plan when purchasing U.S. Savings Bonds, Series EE by payroll allotments. The plan provides a means by which civilian employees and military personnel of the U.S. Government may regularly save a part of their earnings through a voluntary system of payroll allotments under the terms and conditions described in this chapter. This chapter also covers procedures for undeliverable, lost, and canceled savings bonds. Purchase of U.S. Savings Bonds by military members through allotment deduction is covered in Volume 7 of this Regulation. Purchase of U.S. Savings Bonds by civilian employees under the payroll savings plan is covered in Volume 8 of this Regulation.. Due to Treasury Department requirements to automate the sales of savings bonds, cash sales of savings bonds within DoD are not authorized. The Bureau of Public Debt, Department of the Treasury, is responsible for administering the savings bond program. The Treasury Department's U.S. Savings Bond Division is responsible for promoting and selling savings bonds.

2302 BOND ISSUING AGENTS

230201. Eligibility for Designation as Bond Issuing Agent. A DO or disbursing agent whose duties require the issuance of U.S. Savings Bonds shall be designated as a bond issuing agent. Generally, any DO or disbursing agent located in the United States, the Republic of Panama, Puerto Rico, or the Virgin Islands who is responsible for payment of civilian payrolls shall be designated as a bond issuing agent. The bond issuing agent for overseas areas outside those listed above may be the central bond issuing agent assigned to the supporting DFAS Center, or when authorized, an overseas banking facility. The central bond issuing agent assigned to the supporting DFAS Center issues all bonds purchased by military members through allotment deduction. DOs and disbursing agents assigned to tactical units and Naval vessels are not eligible for designation as bond issuing agents.

230202. Request for Designation. An initial request for designation of a DO or disbursing agent as a bond issuing agent shall be forwarded through command channels to the supporting DFAS Center. Normally, the commander will originate the request for designation.

230203. Bond Issuing Agent Certification. The supporting DFAS Center shall certify each designated bond issuing agent, by name, to the FRB which will service the bond issuing agent. The supporting DFAS Center also shall provide certified specimen signatures of the bond issuing agent to the FRB concerned.

230204. Bonds Issued by Bond Issuing Agent

A. General. Bond issuing agents shall be governed by the regulations of the servicing FRB in all matters concerning the requisition, issuance, and accounting for savings bonds. FRBs are governed by Treasury Department regulations concerning savings bonds. However, accounting procedures, forms, and instructions are not uniform in all Federal Reserve districts, therefore, bond issuing agents shall have in their possession and follow the latest instructions of the servicing FRB.

B. Bond Issuing Agent - DFAS Center. The central bond issuing agent at the supporting DFAS Center shall issue U.S. Savings Bonds, Series EE, as indicated in the following subparagraphs.

1. Bonds purchased through payroll deduction by civilian employees within CONUS. Bonds purchased through payroll deduction may also be issued to civilian employees outside CONUS, except as provided in subparagraph 230204.C, below.

2. Bonds purchased by military members under the payroll allotment system.

C. Bond Issuing Agent - Banking Facilities. DoD contract banking facilities in overseas areas, when authorized, will issue U.S. Savings Bonds purchased through the payroll savings plan by civilian employees who are citizens of the United States. When authorized, the banking facilities may also issue savings bonds directly to military members or civilian employees when payment is presented in cash by the individual.

D. Bond Issuing Agent - Other DOs or Disbursing Agents. DOs or disbursing agents in the United States (other than the DOs at the supporting DFAS Centers), the Republic of Panama, Puerto Rico, and the Virgin Islands who have been designated as bond issuing agents shall issue U.S. Savings Bonds, Series EE for purchases by civilian personnel through payroll deductions.

2303 ACQUISITION, CONTROL, AND SUPPLIES230301. Blank Bond Stock

A. Bond Denominations. Series EE savings bonds are available only in denominations of \$100, \$200, \$500, and \$1,000 through the Voluntary Payroll Savings Plan. Issue purchase price, denomination maturity value, and bond prefix codes are shown in table 23-1.

B. Bond Assembly. Bond stock is available in various Series EE paper bond assembly types. The Type M assembly is used to report registration data on tape. Series EE bond stock is also available in double-up continuous stock. The continuous assembly type bonds

shall be separated either manually or by machines specially made for this purpose. The Type K assembly is designed for use in typewriters. When savings bonds are inscribed by typewriter, clear carbon copies shall be made.

C. Requisitioning Blank U.S. Savings Bonds - Series EE. Bond issuing agents will receive forms and instructions from their servicing FRB for ordering Series EE bond stock. The blank stock will be delivered by the FRB upon receipt of requisitions signed by either the bond issuing agent or by the deputy bond issuing agent. Only Series EE savings bonds may be issued under the payroll savings plan and bond issuing agents are not authorized to requisition bonds of any other series.

D. Bond Stock Levels. The FRBs permit bond issuing agents to maintain savings bond consignment ceilings equal to \$30,000 (face value) or a normal 60 - day requirement, whichever is higher. Such ceilings will be decided by the FRB semiannually based on the preceding 12-month sales history. FRBs will evaluate bond issuing agent requirements and establish individual ceilings commensurate with the issuing agents' legitimate needs. The FRBs will allow issuing agents the flexibility of determining a mix of denominations which will best meet the issuing agents' needs within the limits of their established consignment ceilings.

E. Custody and Storage. The bond issuing agent shall maintain DD Form 80 (Bond Control Record) to account for all bond stock. The DD Form 80 shall be maintained to show beginning balance of bonds on hand; bonds received, issued, and spoiled; and ending balance of bonds on hand. The DD Form 80 shall also show the quantity and serial numbers of bonds transferred to and returned by bond writers. A separate DD Form 80 shall be maintained for each denomination of bonds. Blank bond stock shall be safeguarded and stored in a vault or safe in the same manner as prescribed in Chapter 7 of this volume for blank Treasury checks. Bond stock may be stored in safes or vaults to which both the bond issuing agent and a minimum number of deputies have access. Depending upon the available storage facilities, the bond issuing agent or a deputy shall retain custody of all blank bonds in excess of current working stock. Bond stock placed in custody of assistants shall be covered by DD Form 80 to show the location of a block of bonds for administrative and inventory purposes. At least once each quarter, a physical inventory of the bond stock shall be made by the bond issuing agent to ensure the stock on hand agrees with the DD Form 80. The quarterly bond inventory may be assigned as a responsibility of the appointed cash verification team. An example of DD Form 80 is provided as figure 23-1.

F. Loss of Bond Stock. The bond issuing agent shall immediately report to the FRB any loss of blank savings bond stock and request instructions as to how credit can be obtained. The report to the FRB shall include a full description of the bonds, including denomination and serial number, and a statement of the circumstances under which the loss occurred. No request for relief of liability is necessary unless the bonds are fraudulently redeemed.

DENOMINATION OF U.S. SAVINGS BONDS, SERIES EE			
ISSUE PRICE	PURCHASE	DENOMINATION MATURITY VALUE	BOND PREFIX
50.00		100.00	C
100.00		200.00	R
250.00		500.00	D
500.00		1,000.00	M

Table 23-1. Denomination of Bonds230302. Validating Stamps

A. Requisition and Disposition. A validating stamp, authorized by the Treasury Department for use in validating U.S. Savings Bonds when mechanical equipment is not used for issuing bonds, shall be requisitioned from the servicing FRB. The FRB assigns a code number to the validating stamp. The number usually consists of the district number of the FRB followed by a dash and the identification number of the bond issuing agent. However, the bond issuing agent shall adopt the configuration of this number according to the servicing FRB's preference. The bond issuing agent may issue validating stamps to bond issuing subagents. To identify the individual subagents, the bond issuing agent shall request the FRB to supply a separate suffix for each subagent. When the validating stamps are no longer required, they shall be returned to the FRB by registered mail.

B. Safeguarding. Bond issuing agents or subagents shall keep validating stamps under protective custody in a vault or safe and shall be fully accountable for any improper use of such stamp. Upon change of bond issuing agents, the validating stamp shall be turned over to the successor bond issuing agent. The successor shall receipt for the validating stamp.

230303. Envelopes. Special envelopes have been approved for use in mailing U.S. Savings Bonds and shall be requisitioned through regular supply channels. The envelopes are available from and listed in the Federal Supply Schedules - FSC Group 75, Part V, Office Supplies (Envelopes), which is published every six months.

2304 REGISTRATION

230401. General. Savings bonds are issued only in registered form. The registration shall express the actual ownership of, and interest in, the bond. Savings bonds may be issued: in the names of natural persons in their own right in a single owner form (one person only), co-ownership form (two persons only), and beneficiary form (two persons only); or, in the name of a fiduciary or an organization, private or public (single owner form only). If registration is made in a name of other than individuals in their own right, the employer identification

number assigned by the Internal Revenue Service (IRS) shall be inscribed on the bond if there is no SSN. The use of courtesy titles on savings bonds is optional in all cases.

★ 230402. Registration Restrictions. Savings bonds may not be issued to civilian and military employees who are not citizens of the United States. Savings bonds may be issued as indicated in the following subparagraphs.

A. Residents of the United States, its territories and possessions, the Commonwealth of Puerto Rico, and Panama.

B. Citizens of the United States temporarily residing abroad.

★ C. Civilian employees of the United States or members of the Armed Forces, and dependents, who are citizens of the United States.

D. Other individuals as co-owners with, or beneficiaries of, any of the above. Registration is not authorized to include the name of any alien in areas where the Treasury Department restricts or regulates delivery of Treasury checks.

E. United States citizens who are permanent employees of exchanges, cafeterias, and similar organizations, and employees of contractors working on DoD contracts.

F. An organization, private or public, as provided in Treasury Department Circular 530 (reference (bk)).

230403. Forms of Registration. Subject to the above restrictions, savings bonds may be registered as indicated in the following subparagraphs.

A. In the name of any individual, whether adult or minor, in the individual's own right, in any of the following forms.

1. Single Owner. In the name of the person; for example, John A. Jones.

2. Co-Ownership (Two Persons). In the name of two (but not more than two) persons as co-owners; for example, John A. Jones or Mrs. Ella S. Jones. Note: Either co-owner may redeem bonds registered in this form without the consent or signature of the other.

3. Beneficiary (Two Persons). In the name of one person, payable on death (POD) to one (but not more than one) other person; for example, John A. Jones POD Mrs. Mary E. Jones.

B. In the names and titles of legal representatives of persons (guardians, custodians, conservators, etc.).

C. In the names and titles of trustees of personal trust estates set up by persons in their own right, for the benefit of themselves or other persons, and common trust comprised in whole or in part of such trust estates.

230404. Ownership Records. The Treasury Department maintains records of ownership of savings bonds. A name and address is no longer adequate identification of ownership by a person. Therefore, all savings bonds issued to persons shall be inscribed with the SSN of the registered owner or the first-named co-owner. Unless the owner specifically requests a reissue, it is not necessary to reissue a savings bond for the sole purpose of changing an incorrect SSN. However, when reissue is not requested, the correct SSN should be forwarded to the Accrual Bond Branch, Division of Accounts and Reconcilements, Bureau of the Public Debt, Box 1328, Parkersburg, WV 26106-1328.

2305 PURCHASE OF BONDS THROUGH PAYROLL WITHHOLDING

230501. Military Members. Military members desiring to participate in the payroll savings plan shall use the approved allotment procedures and forms as prescribed by the supporting DFAS Center. Deductions from the members' pay accounts for bond allotments are credited to deposit fund account **X6050. When the deductions accumulate the purchase price of the denomination of the bond purchased by the allotment, an automated equivalent of DD Form 1084 (Bond Issuance Schedule, United States Savings Bonds - Series EE) (see paragraph 230602, below) is produced and forwarded to the central bond issuing agent. The central bond issuing agent assigned to the servicing DFAS Center issues all bonds purchased by military members through bond allotments.

230502. Civilian Employees

A. Authorization for Bond Deductions. Civilian employees may participate in the Voluntary Payroll Savings Plan for purchase of Series EE savings bonds by preparing and submitting a Treasury Department approved form to authorize payroll deductions for the purchase of savings bonds. All entries on the form shall be typed or legibly printed in ink. The employee's name shall be entered as it appears on the payroll. The employee's SSN shall be entered in the designated space. The employing activity and location shall be entered in the designated space. The amount to be withheld each pay period and the denomination of the bond shall be indicated. The name, SSN, and address of the owner (not necessarily the purchaser) to be inscribed on the bond shall be shown. Allotments shall not be established if the SSN of the prescribed owner is not provided. The appropriate spaces of the form shall be marked to indicate whether a co-owner or beneficiary is elected, and the name and SSN (when available) of the co-owner or beneficiary to be inscribed on the bond shall be shown. The starting date of the pay period when the first withholding is to be made and any special handling instructions shall be indicated. The reverse of the form may be used to indicate the starting date, special handling instructions, or to denote when a bond is being canceled. The authorization form shall be signed in ink by the employee authorizing the payroll deduction.

B. Disposition of Authorization Forms. Employees shall deliver completed authorization forms to the payroll office that handles the employee's pay account. The authorization forms are used to enter allotment deductions into the bond accounting module of the automated payroll system.

C. Payroll Deductions. Payroll deductions shall be reported on the DD Form 592, Payroll for Personal Services - Payroll Certification and Summary as a credit (collection) to deposit fund account **X6050. When the deductions accumulate the purchase price of the denomination of the bond purchased by the employee, automated equivalents of DD Form 1084 (see paragraph 230602, below) are generated and forwarded to the DO responsible for payment of the civilian payroll. If the DO responsible for payment of the civilian payroll is not a designated bond issuing agent, the actions prescribed in subparagraph 230502.D, below, shall be taken.

D. Disbursing Officer Not Authorized Bond Issuing Agent. When DD Forms 1084 are received from the payroll certifying officer, the DO shall take the actions prescribed below.

1. Ensure the balance in the deposit fund account **X6050 is sufficient to pay for the bonds to be issued. If the balance is insufficient, the DO shall notify the payroll certifying officer in writing and return the DD Forms 1084 for reconciliation.

2. Prepare an SF 1049 to disburse the bond purchase collections previously credited to the deposit fund account **X6050 and issue a Treasury check payable to the Department of the Treasury Department. The dollar amount of the Treasury check shall coincide with the total purchase price of the bonds scheduled on the DD Forms 1084.

3. Prepare the DD Form 77 (Transmittal of Bond Issuance Schedules) in triplicate as prescribed in paragraph 230702, below, for transmittal to the designated bond issuing agent.

4. Forward the original and one copy of the DD Form 77, the Treasury check, a copy of the SF 1049, and the DD Forms 1084 to the designated bond issuing agent. The copy of the DD Form 77 will be receipted by the bond issuing agent and returned. If the acknowledgement is not received within a reasonable length of time, tracer action shall be initiated.

230503. Termination of Service. If a member or employee is terminated from service, the payroll allotment shall be canceled by the payroll office. If, at the time of termination, the balance in the member's or employee's allotment account is insufficient to purchase a bond, the bond issuing agent shall refund the balance in the member's or employee's account. The transaction shall be documented by preparation of an SF 1049 charging the deposit fund account **X6050 and issuance of a Treasury check payable to the member or employee.

2306 SCHEDULING BOND ISSUANCE

230601. Issuance of DD Form 1084. DD Form 1084 shall be issued by civilian payroll certifying officers for purchases by civilian employees under the Voluntary Payroll Savings Plan and by the DO at supporting DFAS Centers for issuance of bonds purchased by military members through bond allotments. Mechanized equivalents of DD Form 1084 may be generated by the applicable payroll systems.

230602. Preparation of DD Form 1084

A. General. Separate DD Forms 1084 shall be prepared for each bond denomination. The following subparagraphs provide detailed instructions for completion of DD Form 1084. The subparagraph titles coincide with the block titles of the form. An example of a completed DD Form 1084 is provided as figure 23-2.

B. Department. Enter the applicable DoD Component (e.g. Army, Navy, Air Force, or Marine Corps) of the military or civilian employees purchasing the bonds.

C. Organization. Enter the organization for which bonds are scheduled, or the civilian payroll unit submitting the schedule.

D. Station and Disbursing Station Symbol No. Enter the name, title, station, ZIP code, and DSSN of the disbursing office responsible for preparation of the schedule if different from the bond issuing agent.

E. Station and Disbursing Station Symbol No. (for use by issuing office only). Only the office issuing the bonds uses this space. The bond issuing agent shall enter the brief block stamp when the bonds are issued.

F. Schedule No. Assign a separate series of numbers for each denomination of bonds scheduled. The numbers consist of a prefix and a suffix separated by a dash. The prefix is shown for each bond denomination in table 23-1. The suffix shall begin with number 1 and number consecutively for each fiscal year.

G. Page of Pages. Enter the page number and number of pages used for each bond denomination.

H. Control No. If the same office schedules and issues the bonds, do not use this block. Otherwise, the control number shall be assigned by the bond issuing agent.

I. Voucher No. Leave blank. The bond issuing agent shall show the disbursement voucher number assigned to the SF 1049 prepared to make payment to the FRB.

J. Denomination. Enter the denomination of the bonds listed on this schedule. Prepare separate schedules for each denomination.

K. No. of Bonds. Enter the number of bonds listed on this schedule.

L. Unit Purchase Price. Enter the unit purchase price of the denomination of bonds on this schedule.

M. Effective Date of Bond. Enter the effective date of bonds listed on the schedule except when it includes average dated bonds, in which case the entry shall be "See below." The effective (issue) date shall be the first day of the month in which at least one-half of the purchase price is accumulated, regardless of the number of payroll deductions required to complete the full purchase price for issuance of the bond.

N. Method of Purchase. Enter payroll deduction.

O. Certification. The civilian payroll certifying officer or DO preparing the DD Form 1084 shall date and certify the schedule in the spaces provided.

P. Effective Date and Item No. Leave blank when all bonds listed have the same effective date and this is indicated in the Effective Date of Bond block and when the bonds are to be mailed to the owner. Use this block to enter the effective date for each bond when average dated bonds are included on the schedule and the effective date is not the same for all bonds listed.

Q. Name(s) and Address of Person(s) to Whom Issued. The full name of the owner shall always precede the name of the co-owner or beneficiary. Only one person may be designated as either co-owner or beneficiary. "Or" indicates co-owner. "POD" means "Pay on death" and indicates beneficiary. If bonds are to be mailed to a co-owner or beneficiary, the address shall be indicated and the applicable code from the bottom of the form entered in the Item No. column. Military grades shall not precede a co-owner or beneficiary's name. A married (military or civilian) woman's own given name shall be used. The SSN of the owner (the first-named individual on the bond) is mandatory and shall be shown. The SSN of the co-owner or beneficiary shall be shown if available.

R. Serial No. of Bonds Issued. Leave blank. The bond issuing agent shall complete this block when the bonds are issued.

2307 TRANSMITTAL OF BOND ISSUANCE SCHEDULES

230701. General. DOs and agents (not designated as bond issuing agents) who pay civilian payrolls shall prepare DD Form 77 in triplicate to transmit to an authorized bond issuing agent the DD Forms 1084 and the Treasury check(s) or debit vouchers issued in payment for the bonds.

230702. Preparation of DD Form 77

A. General. The following subparagraphs provide detailed instructions for completion of the DD Form 77. The subparagraph titles coincide with the block titles of the form. An example of a completed DD Form 77 is provided as figure 23-3.

B. Date. Enter the date the DD Form 77 is prepared.

C. Transmittal Letter No. Enter the DSSN and transmittal number. The transmittal number shall begin with number "1" each fiscal year and shall continue in numerical sequence for the entire fiscal year regardless of a change in DOs during the fiscal year.

D. To. Enter the complete mailing address of the bond issuing agent to whom the bond issuance schedules are being forwarded.

E. From. Enter the name and DSSN of the DO forwarding the bond issuance schedules.

F. Station or APO. Enter the station address of the DO forwarding the bond issuance schedules.

G. Body of Transmittal. Each DD Form 1084 included in the transmittal shall be identified in the body of the transmittal as shown below.

1. Schedule Number. Enter the schedule number from each DD Form 1084 included in the transmittal.

2. Organization or APO Number. Enter the organization from the Organization block of each DD Form 1084 included in the transmittal.

3. Date of Schedule. Enter the date from the Certification block of each DD Form 1084 included in the transmittal.

4. Denomination of Bonds. Enter the bond denomination from the Denomination block of each DD Form 1084.

5. Total Issue Price. Enter the total issue price for all bonds included on each DD Form 1084. For example, if a DD Form 1084 listed four \$100 bonds at a unit purchase price of \$50.00 each, the total issue price of the DD Form 1084 would be \$200.00.

H. Grand Total. Enter the grand total of all DD Forms 1084 included on the transmittal. The grand total of all DD Forms 1084 included on the transmittal shall coincide with

the dollar amount of the Treasury check or debit voucher issued in payment for the bonds scheduled for issuance.

I. Return Address. The DO preparing the transmittal shall include the complete station name and mailing address to which the bond issuing agent is to return a "receipt acknowledged" copy of the DD Form 77.

J. Signature. The DO preparing and forwarding the transmittal shall sign the original transmittal in the space provided.

K. Typed Name and Grade. The DO shall type his or her name, grade, and Component in the space provided.

2308 ISSUANCE OF SAVINGS BONDS

230801. Action by Bond Issuing Agents or Subagents. Upon receipt of DD Forms 77, the bond issuing agent shall ensure that all documents listed on the transmittal are attached and that the amount of the Treasury check is in agreement with the grand total shown on the transmittal and the total value of bonds scheduled on the DD Forms 1084. If there is a discrepancy between the check and DD Forms 77 or 1084, the bond issuing agent shall contact the DO who forwarded the transmittal. If necessary, the bond issuing agent shall return the entire transmittal and supporting documents for reconciliation. The bond issuing agent shall prepare DD Form 1131 crediting deposit fund account **X6050 and deposit the check under normal Treasury check deposit requirements.

230802. Bond Inscription

A. Dating of Bonds. Bonds shall be inscribed to show the issue month and year and the actual date of issuance by the bond issuing agent. The issue month is the month from which interest is computed. Series EE savings bonds of \$100 or higher denominations, whether under bi-weekly, monthly, or other pay systems, shall be issued under average dating rules. Bonds shall be dated as of the first day of the month in which the end of a pay period falls when at least one-half of the purchase price is accumulated, regardless of the number of consecutive payroll deductions required to complete the full purchase price. The bond shall be issued and delivered when the full purchase price is accumulated through payroll deductions. Average dating does not change prescribed accounting procedures but does cause special handling of the larger denomination bonds. Average dating assures no loss of interest on the personal savings of Federal payroll savers who accept fewer and larger bonds for greater convenience and greater economy in operating a personal savings bond program. When applicable, average dating should be used if an account is cleared to allow an earlier effective date for a change in denomination or amount of allotment and part or all of the balance is taken in lower denomination bonds.

B. Names. The full name of the owner and co-owner or beneficiary, if any, shall be inscribed on the bonds identically as shown on the instrument authorizing the purchases

except that if there are two given names, an initial may be substituted for one. If a woman is to be the registered owner or first named co-owner, her SSN will provide adequate identification and she need not furnish a courtesy title such as "Mrs." or "Ms." The use of courtesy titles is optional in all cases. A married woman shall use her own given name, not that of her husband: for example, Mrs. Ella A. Jones, not Mrs. John A. Jones.

C. Social Security Numbers. The SSN of the first named person (the registered owner or the first named co-owner) shall be inscribed on all Series EE bonds. A savings bond allotment authorization that does not include the required SSN shall be canceled.

D. Address. If delivery is to be accomplished by mail, the purchaser shall be required to designate the address to which the bond is to be mailed on the bond application form. The mailing address shall include the ZIP Code for every account for which a savings bond is mailed. Purchasers who have no permanent residence, however, may request that a mailing address other than the address of the owner and/or co-owner be inscribed on their bonds. The name and address of a person or bank other than that of the owner, co-owner, or beneficiary is allowed. The name of the registered owner shall start next to the word "To" and the name of a person or bank in the mailing address shall be separated from the registered owner by a blank line. The name in the mailing address shall be prefixed by the words "Mail to". One or two lines, as appropriate, will be skipped before the co-owner or beneficiary's name and SSN are inscribed.

E. Validation Stamp. All inscribed savings bonds shall bear a validating stamp in the space provided. When automated equipment is used to inscribe bonds, bond issuing agents are authorized to imprint the information of the validating stamp in the same print used to inscribe the bond. The month, day, and year of the last day of the pay period when the full or final payment for the bond was withheld from the employee's pay shall appear on the validating stamp in lieu of the actual date of issuance. The purpose of this date is to inform the employee of the pay period when the allotment accumulated the purchase price of the bond; not necessarily the actual issue date of the bond.

230803. Serial Numbers of Bonds. The serial numbers of bonds issued shall be entered in the appropriate spaces on the DD Forms 1084.

230804. Spoiled Bonds. When errors are made on bonds during the issue process, the bond issuing agent shall stamp or imprint the word "SPOILED" on the face of the bond and file in a jacket bearing the caption SPOILED BONDS. A listing, in three copies, shall be prepared by the bond issuing agent at the end of each month, or at other intervals as required by the FRB to show, by bond serial number, the bonds spoiled during the period. The original and one copy of the listing together with the spoiled bonds shall be forwarded to the servicing FRB per the FRB's requirements. If the error is discovered after delivery of the bond (reported by the owner), payroll officers or other designated officials shall, by letter, cite the errors and DD Forms 1084 on which the erroneous bonds were certified and forward it (with the erroneous bond) to the bond issuing agent for correction. If the bond issuance has not been reported to the FRB (bond

issuance data is still in the possession of the bond issuing agent), the bond issuing agent may issue a replacement bond subject to instructions from the servicing FRB. If the bond issuance has been reported to the FRB (bond issuance data has been submitted to the FRB), the correct issue data must be submitted with the spoiled bond to the FRB with a request that the bond be reissued.

230805. Erroneously Issued Bonds. The bond issuing agent (DO) is pecuniarily liable when a savings bond is erroneously issued to a person other than the purchaser. Upon discovery of the error, the bond issuing agent shall issue a savings bond to the authorized person, and shall attempt to recover the erroneously issued bond or obtain payment from the person to whom the bond was erroneously issued. If the bond issuing agent is unable to obtain either the bond or payment, a warning shall be placed against the savings bond. The help of the local U.S. Secret Service shall then be requested. If such efforts fail, a complete report shall be made to the DO's supporting DFAS Center.

2309 DELIVERY OF BONDS

230901. Personal Delivery. Bonds may be delivered in person where local bond issuance is authorized. Bonds shall continue to show the permanent address of the owner even though delivery is to be made in person. The commander shall specify, in writing, key officers or employees authorized to receive and deliver bonds. The commander may name persons from any organization on the activity, base, or station. One or more alternates should be designated to prevent delays in delivery. All individuals designated to deliver bonds (including alternates) shall furnish their official signature to the DO on the DD Form 577 (Signature Card). Individuals designated to deliver bonds shall sign for all bonds received on the DD Form 1084, or applicable machine listing. The DO may require designated delivery officials to obtain receipts from the bond owner. Receipts from bond owners are not required when delivery is made by the DO or a member of the DO's staff. Designated bond delivery officials shall return to the DO all bonds that cannot be delivered on the same day as received. Bond owners shall then be required to call in person at the disbursing office to obtain their bonds. The DO may authorize designated persons located some distance away to keep undelivered bonds for a short period of time if adequate safekeeping facilities are available and the bond owner is absent but is expected to return soon. If the bond owner is on extended leave, the bonds shall be returned to the DO for mailing.

230902. Delivery by Mail

A. Address. Every bond purchaser shall be requested and encouraged to designate a permanent address to which bonds may be mailed and which is not expected to change due to transfer of the purchaser. The permanent address of the owner and co-owner, if given, as well as the mailing address, shall be identical with those shown on the instrument authorizing purchase of the bond (authorization for payroll deduction). Active duty military personnel purchasing bonds by allotment may request the supporting DFAS Center to hold their bonds in safekeeping as provided in section 2310 of this chapter.

B. Mailing Instructions. Bond issuing agents shall mail savings bonds based on the instructions on DD Form 1084. Bonds shall not be sent by registered mail. The restrictions applicable to mailing of Treasury checks in Chapter 8 of this volume also apply to the mailing of bonds. Special window envelopes described in paragraph 230303, above, which bear the bond issuing agent's return address shall be used.

230903. Undelivered or Returned Bonds

A. General. Bond issuing agents shall maintain a record of all bonds returned as undeliverable using the DD Form 2658 (Returned and Undeliverable Check/Bond Record) prescribed in Chapter 8 of this volume for undeliverable Treasury checks. At a minimum, the record shall include: the denomination and serial number of the bond; date of the bond; name, address, and SSN of the owner; date of return; disposition; and date of disposition. If the bond is eventually delivered in person to the owner, the signature of the owner shall be obtained on the record.

B. Action to Effect Delivery. The bond issuing agent shall make every effort and utilize all possible sources of information to effect delivery. If delivery still cannot be made, the bond issuing agent shall determine the bond to be undeliverable and shall keep the bond for a period of three months, except as provided in subparagraph 230903.D, below.

C. Disposition After 3-Month Period. All bonds which have been held as undeliverable for a period of three months after receipt shall be forwarded, uncanceled, by first class mail to the Department of the Treasury, Bureau of Public Debt, ATTN: Division of Transactions and Rulings, 200 Third Street, Parkersburg, WV 26101. A letter, in duplicate, shall be mailed separately to the above address to provide advance notice that a shipment of undeliverable bonds is in transit. Upon receipt of the shipment, the duplicate copy of the letter will be signed and returned to the sender. A listing of the serial numbers of the bonds being shipped shall be prepared in duplicate. One copy of the listing shall be enclosed with the letter and the other copy kept by the sender.

D. Deceased, Missing, and Mentally Incompetent Personnel

1. Deceased or Missing Military Member. Any bond which has not been delivered at the time of receipt of notification of death or missing status shall be mailed by the bond issuing agent to the co-owner, beneficiary, or third party if such a designation is on the bond. To determine the rightful owner, refer to Treasury Department Circular 530, revised (reference (bk)).

2. Mentally Incompetent Military Member. Any bond which has not been delivered at the time of receipt of notification of mental incompetence shall be held by the bond issuing agent pending receipt of instructions from the legally appointed guardian or from the person designated to receive the member's active duty pay.

3. Deceased, Missing, or Mentally Incompetent Civilian Employee.
Refer to Volume 8 of this Regulation.

4. Deactivation of Disbursing Office. Forward all undeliverable bonds, regardless of the period held, under a letter of transmittal to the central bond issuing agent at the supporting DFAS Center. File all receipted copies of the transmittal letters with the retained accounts of the DO (bond issuing agent) for transmittal to the designated custodian of the retained accounts.

230904. Inquiries Regarding Non-receipt of Bonds. When the bond issuing agent receives notice of non-receipt of a savings bond, the bond issuing agent is required to verify and certify that the bond was properly issued and forwarded to the owner. Then the bond issuing agent shall send the member or employee a PD Form 3062 (Claim for Relief on Account of Inscribed United States Savings Bonds Lost, Stolen or Destroyed Prior to Receipt by Owner, Co-Owner or Beneficiary) for completion. The completed PD Form 3062 shall be returned to the bond issuing agent for validation. The bond issuing agent shall then forward the completed form to the Bureau of Public Debt, Box 1328, Parkersburg, WV 26106-1328. If the bond has not been redeemed, the Treasury Department will issue a replacement bond. If the original bond has been redeemed, a photocopy of the bond will be provided for verification of endorsement(s). The PD Form 3062 may be obtained from the servicing FRB. When savings bonds are hand-delivered, the bond issuing agent is required to obtain statements from all persons who handled the bonds and then follow the above procedures.

230905. Lost, Stolen, or Destroyed Bonds. If the owner notifies the bond issuing agent that a savings bond was lost, stolen, or destroyed after receipt, the bond issuing agent shall give the owner with a PD Form 1048 (Application for Relief on Account of Loss, Theft or Destruction of United States Savings and Retirement Securities) and have the owner write to the Claims Branch, Division of Transactions and Rulings, Bureau of Public Debt, Box 1328, Parkersburg, WV 26106-1328. The bond issuing agent shall give the owner with the serial numbers and registration of the lost bonds, if available, from retained records. If records are not available, the applicant will be informed that, if bond serial numbers cannot be provided to the Treasury Department with the claim, replacement can be facilitated if the issue months and the names and addresses appearing on the bonds can be provided. The PD Form 1048 may be obtained from the servicing FRB.

230906. Inquiries Regarding Changes to Issued Bonds. If the bond issuing agent receives a request from an owner to change a bond already issued (e.g., add beneficiary or co-owner, eliminate beneficiary or decedent, show change of name, and/or correct error in registration), the bond issuing agent should advise the owner to complete a PD Form 4000. This form along with the bonds requiring a change should be forwarded to the Bureau of Public Debt, Box 1328, Parkersburg, WV 26106-1328. The PD Form 4000 may be obtained from a financial institution or a FRB.

230907. Fraudulent Claims Presented by the Purchaser. The bond issuing agent is not pecuniarily liable for bonds issued, when replacement bonds are subsequently issued by the Treasury Department or the FRBs in settlement of a fraudulent non-receipt or loss claim presented by the purchaser. The bond issuing agent is responsible, however, for making the initial effort to recover the replacement bond or restitution in money equal to the redemption value of the bond redeemed. The bond issuing agent shall notify the Treasury Department if unsuccessful in accomplishing recovery or restitution.

2310 SAFEKEEPING OF BONDS BY DFAS CENTERS

231001. Military Personnel. Active duty military personnel purchasing bonds through the payroll deduction plan (allotment) may designate bonds issued in their names as owners to be held in safekeeping by the supporting DFAS Center. The following procedures pertain to bonds maintained for safekeeping.

A. Site. At the request of active duty members, U.S. savings bonds may be accepted for safekeeping by the supporting DFAS Center maintaining the member's Master Military Pay Account.

B. Storage Facilities. Vault storage which meets the same security requirements for storage of Treasury checks shall be provided for the bonds. Where available, bonds may be held electronically via the "Book-Entry" system on the supporting DFAS Center's files.

C. Records. Records shall be maintained for each member showing the bond number (except Book-Entry), issue date, and denomination. For Book-Entry bonds, complete inscription data will be maintained on the file so that bonds may be issued on demand. At least once each year, a random inventory of bonds held in safekeeping shall be conducted. Bonds to be inventoried shall be selected using accepted random sampling techniques. Annually, each member with bonds held in safekeeping shall be advised of the number of bonds held by denomination, or notified that the information is available on request.

D. Retention of Bonds. Bonds shall be held for safekeeping only as long as the member is on active duty. The bonds shall be withdrawn from safekeeping at the time of separation, discharge, or retirement from active duty. The supporting DFAS Center shall notify the member to request release of the bonds held in safekeeping. Bonds not withdrawn from safekeeping 120 days from the date of separation, discharge, or retirement shall be forwarded for disposition to the Bureau of Public Debt, Division of Transactions and Rulings, 200 Third Street, Parkersburg, WV 26101.

★ E. Return of Bonds. Savings bonds shall be released to a service member upon receipt of a written request from the member. For bonds sent to the Bureau of Public Debt (including those sent before July 1, 1968), the Bureau will release those bonds upon receipt of requests and completed custody receipts which are sent to the members.

F. Death of Service Member. In the event of a service member's death, the bonds shall be mailed to the co-owner, beneficiary, or executor designated upon proof of entitlement to ownership. If no co-owner, beneficiary, or executor was designated, or if unable to locate the designated co-owner, beneficiary, or executor, the bonds shall be forwarded for disposition to the Bureau of Public Debt, Division of Transactions and Rulings, 200 Third Street, Parkersburg, WV 26101.

231002. Civilian Employees. Civilian employees are not eligible for safekeeping of bonds. Effective March 31, 1955, the Treasury Department ordered the FRBs to discontinue safekeeping civilian employees' bonds. The FRBs continue to hold those bonds received for safekeeping before that date until the owner requests release. For information write to the Bureau of Public Debt, P.O. Box 1328, Parkersburg, WV 26106-1328.

2311 SETTLEMENT WITH THE FEDERAL RESERVE BANK

231101. Preparation of Voucher. Monthly, or at other intervals as required by the FRB, the bond issuing agent shall prepare an SF 1049 for the total amount of all bonds issued. The voucher, certified as prescribed below, shall be charged to the deposit fund account **X6050. The original of each DD Form 1084; magnetic tape; all savings bonds spoiled in the process of issue; and any other documentation required by the servicing FRB shall support the original SF 1049 on which payment for the bonds is made. Copies of DD Forms 1084 shall be filed with the retained copy of the voucher. A Treasury check payable to the FRB in the amount of the voucher, together with the required accounting report, shall be mailed to the FRB. The bond accounting report shall be verified with DD Form 80.

231102. Certificate Executed by the Bond Issuing Agent. The certification attached to SF 1049 shall be as follows: "I certify that for each bond listed on the DD Forms 1084, enumerated below, the amount of the bond has been withheld from pay settled on vouchers taken into my accounts in the month(s) of (month(s)) and credited to **X6050, Employees' Payroll Allotment Account, United States Savings Bonds. Such bonds were purchased as follows: (number of bonds on each DD Form 1084 and dollar amount)."

231103. Report of Voucher Payment Number. The bond issuing agent shall furnish the following information in writing to each civilian payroll certifying officer who certifies payrolls and DD Forms 1084.

- A. The voucher number of the SF 1049 prepared for payment of bonds issued.
- B. The month the voucher was processed in the accounts of the DO.
- C. A citation to each DD Form 1084 included in the payment.

D. A quarterly listing of all DD Forms 1084 for which bonds have not been issued.

231104. Relief or Detachment of Bond Issuing Agent. A final accounting for savings bonds shall be made to the FRB by the bond issuing agent relieved or terminated from duty. The new bond issuing agent shall request certification from the servicing FRB and transfer of accountability for bond stock on hand. When a bond issuing agent is relieved, the relieved agent shall prepare a report to show the balance in the deposit fund account **X6050 up to and including the date of relief. A signed copy of the report indicating the name of the relieving agent shall be forwarded to the servicing DFAS Center. The original report shall be turned over to the relieving agent for use in preparing the monthly report. Any adjustments of a previous difference shall be reported in detail in the following month's report.

2312 REDEEMING SAVINGS BONDS

231201. General. DOs must receive written authorization from the servicing DFAS Center and the Treasury Department to redeem any U.S. savings bonds. This authorization shall not be given except under the most unusual circumstances. Requests for bond redemption authority shall be in writing and contain complete justification. In overseas areas where DoD contract banking facilities are not available, DOs may request authorization through their chain of command to the servicing DFAS Center. If the request is justified, the servicing DFAS Center will forward the request to the Treasury Department. Disbursing offices that currently have authority to redeem savings bonds are authorized to continue this service.

231202. Cashing of Bonds

A. DOs who have been authorized to redeem savings bonds shall do so according to redemption tables and procedures in Treasury Department Circular 750 (reference (b)).

B. Redeemed bonds shall be returned on a separate SF 215 per instructions provided by the FRB.

C. Upon discovery that an amount was paid above that authorized by the applicable redemption table, report the cash shortage as an increase on line 7.2B of the DD Form 2657 and attempt to recover the overpayment from the payee. If collection is made, prepare an OF 1017-G to document the collection and record the transaction as a decrease to line 7.2B and an increase to cash. If collection action is unsuccessful, process the shortage as a physical loss of funds as prescribed in Chapter 6 of this volume.

D. DOs are required to issue an IRS Form 1099-INT (Statement for Recipients of Interest Income), to recipients of \$10 or more of interest paid on redemption of savings bonds. The IRS Form 1099-INT includes the amount of interest paid, name, address, and Tax Payer Identification Number (TIN) of the person to whom paid, and other information

required by the IRS. The TIN usually is the bond holder's SSN. Do not cash a bond for an individual who refuses to furnish this number. Since individuals redeeming bonds may move by yearend, DOs should furnish the IRS Form 1099-INT to the recipient at the time of the transaction.

2313 SEMIANNUAL SAVINGS BOND REPORT

The DoD Component Military Personnel Commands or Centers are responsible for transmitting to the Treasury Department a savings bond operations summary, twice yearly, on the level of participation in the savings bond program. Twice yearly, DFAS Centers that are responsible for military payrolls and all civilian payroll offices shall provide the bond issuing agents with bond participation statistics on or before the 25th day following the end of each semiannual calendar period (March 31 or September 30). The report shall include the following:

- A. The pay period ending date.
- B. The unit identification code (UIC) and title of the reporting payroll office.
- C. The UIC and title of each employing activity.
- D. A column with the total number of active, full time, permanent employees only.
- E. A column with the number of employees enrolled in the payroll savings plan.
- F. The total dollar amount allotted for the purchase of Savings Bonds during the entire six-month period.

The above data should be provided separately for each geographical location (i.e., assigned location of the installation, station, base, or post) of the member or employee. After the report is completed, the bond issuing agent will send the report and summary by May 5 for the six-month period ending March 31, and by November 5 for the six-month period ending September 30, to the DoD Component Military Personnel Commands or Centers. A copy of the report and summary will be retained by the bond issuing agent for three years.

BOND CONTROL RECORD							
SERIES	DENOMINATION						
EE	\$100.00						
DATE	RECEIVED	ISSUED	SPOILED	BALANCE			
	QUANTITY	SERIAL NUMBERS (From - To Inclusive)	QUANTITY	SERIAL NUMBERS (From - To Inclusive)	QUANTITY	SERIAL NUMBERS (From - To Inclusive)	ON HAND
							REMARKS
01 OCT XX	12,500	11,195,674-11,208,179					12,500
02 OCT XX			400	11,050,201-11,050,600			12,100
04 OCT XX					1	11,050,601	12,099

DD Form 80, MAR 51

REPLACES NME FORM 80, 1 SEP 48, AND WD AGO FORM R-5100, 1 AUG 1945, WHICH ARE OBSOLETE

47/040

Figure 23-1. Sample DD Form 80 (Bond Control Record)

BOND ISSUANCE SCHEDULE UNITED STATES SAVINGS BONDS - SERIES E				
DEPARTMENT Department of the Army		STATION AND DISBURSING STATION SYMBOL NO. (For use of Issuing Office only) T.S. TIMOTHY, LTC, FC Disbursing Officer Ft. Finance, IN 46216 DSSN 0001		SCHEDULE NO. 2-1
ORGANIZATION Civilian Payroll Office				PAGE 1 OF 1 PAGES
STATION AND DISBURSING STATION SYMBOL NO.				CONTROL NO.
				VOUCHER NO.
DENOMINATION \$100.00	NO. OF BONDS 4	UNIT PURCHASE PRICE \$50.00	EFFECTIVE DATE OF BONDS 01 Nov 19XX	METHOD OF PURCHASE Payroll Deduction
IT IS REQUESTED THAT UNITED STATES SAVINGS BONDS BE ISSUED IN ACCORDANCE WITH INFORMATION HEREON FOR THE INDIVIDUALS SHOWN ON THE FOLLOWING LIST CONSISTING OF 1 SHEET(S). THE FULL PURCHASE PRICE OF \$ 50.00 HAS BEEN WITHHELD FROM PAY OR COLLECTED IN CASH.				
<div style="display: flex; justify-content: space-between;"> <div>15 Dec 19XX</div> <div></div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div>(Date)</div> <div>(Signature of Certifying Officer) (Sign original only)</div> </div>				
DATE	EFFECTIVE AND ITEM NO.	NAME(S) AND ADDRESS OF PERSON(S) TO WHOM ISSUED		SERIAL NO. OF BONDS ISSUED
	1	Ted D. Brown 123456789 4315 Forest Drive Indianapolis, IN 46278 POD Betty A. Brown 234567890		
	2	Don L. Green 345678901 411 Pond Street Indianapolis, IN 47234		
	3	Mike E. Blacke 456789012 2613 Chester Avenue Indianapolis, IN 46268 or Miniefred Blacke 567890123		
	4	Chester N. Bailey 678901234 or Stella Bailey 789012345 1223 Oak Street Charlotte, Vermont 05445		
	5			
	6			
	7			
The letter A, B, C, or D in the item number column indicates items to be forwarded by mail is A - the owner, B - the co-owner or beneficiary, C - Federal Reserve Bank for safekeeping, service members only, or D - Departmental safekeeping (not applicable to Army). Where no disposition is indicated, the bonds will be forwarded for personal delivery.				

DD Form 1084, DEC 66
207/147REPLACES EDITION OF 1 DEC 57,
WHICH IS OBSOLETE.Form Approved by Comptroller General U.S.
19 November 1957

1

Figure 23-2. Sample DD Form 1084 (Bond Issuance Schedule)

TRANSMITTAL OF BOND ISSUANCE SCHEDULES			DATE 12 Mar XX	TRANSMITTAL LETTER NO. 51
TO: Major Jack Peterson Accounting and Finance Officer Bolling AFB, Wash DC 20332 THRU: Major R. D. Kepner Accounting and Finance Officer APO AE 09633		FROM: <i>(Name and symbol of finance officer)</i> Captain T. Constable A&D Agent		
		STATION OR APO APO AE 09130		
ATTACHED ARE THE FOLLOWING BOND ISSUANCE SCHEDULES LISTING NAMES OF PERSONS TO WHOM UNITED STATES SAVINGS BONDS ARE TO BE ISSUED.				
SCHEDULE NUMBER	ORGANIZATION OR APO NUMBER	DATE OF SCHEDULE	DENOMINATION OF BONDS	TOTAL ISSUE PRICE
66	APO AE 09130	3 Mar XX	100.00	1500.00
67	APO AE 09130	3 Mar XX	200.00	600.00
			TOTAL	2,100.00
RETURN ADDRESS • Captain T. Constable Accounting and Disbursing Agent 330th Bomb Wing APO AE 09130 •			SIGNATURE TYPED NAME AND GRADE T. CONSTABLE, Captain, USAF	

DD Form 77, AUG 53

PREVIOUS EDITIONS OF THIS FORM MAY BE USED

74/040

Figure 23-3. Sample DD Form 77 (Transmittal of Bond Issuance Schedules)

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CHAPTER 24

ELECTRONIC COMMERCE2401 OVERVIEW

Electronic commerce (EC) encompasses a wide range of financial functions that are performed using data communications techniques to transfer information between one or more parties. A subset, called electronic data interchange (EDI) employs a prescribed format for data transfers that is structured per the guidelines of the American National Standards Institute (ANSI), Accredited Standards Committee (ASC). All elements of EDI shall use the DoD-adopted ANSI Standard No. X12 (reference (ah)). All EC transactions shall be properly authenticated. Authentication measures shall conform to ANSI Standard No. X9.9 (reference (ai)) or equivalent authentication techniques. Reference (ai) establishes a universally-applicable method to authenticate financial messages, including funds transfer, letters of credit, security transfers, loan agreements, and foreign exchange contracts that are transmitted by electronic means. DoD Component applications of electronic commerce that anticipate a recurring use of the Treasury Department's Fedwire System (Chapter 4-2500 of reference (m)) shall be coordinated with the supporting DFAS Center before formalizing arrangements with the Treasury Department.

★2402 ELECTRONIC FUNDS TRANSFER

★ 240201. Overview. The Debt Collection Improvement Act of 1996 mandates that federal payments be made via EFT no later than January 1, 1999. Currently, payments are made by the government either by check or electronic funds transfer (EFT). EFT utilizes the FRB and its computer network is used to deposit funds into the checking or savings account of a person or company. The FRB processes all EFT actions through the automated clearing house (ACH) network. The FRB also processes all ancillary transactions related to the original EFT transaction through the ACH network. Disbursing offices whose activities include payment of civilian payrolls, travel, and/or vendor invoices must be EFT capable by January 1, 1999. All participating disbursing offices shall execute a Memorandum of Understanding (MOU) with the FRB which details the operating parameters and procedures for the conduct of Direct Deposit and Vendor Express operations. Payment or payroll files may be transmitted to the FRB by either a magnetic tape or electronic file transmission. The actual method will be spelled out in the MOU.

★ 240202. Mandatory EFT. The following provides implementing guidance to administer the Department of Defense (DoD) financial policy for mandatory EFT of all federal payments. It applies to the United States, Puerto Rico, overseas locations (as defined in this volume), and afloat units (ships). Implementation of this policy for employees in bargaining units is subject to notification of the appropriate exclusive representative and the completion of applicable bargaining obligations.

A. General. Public Law 104-134, the Debt Collection Improvement Act of 1996, (Act) (reference (aj)) includes a provision pertaining to the expanded use of EFT. Generally, it requires that:

1. Within 90 days of enactment i.e., beginning July 26, 1996, all recipients newly entitled to federal payments (including contractors) must receive such payments by EFT. This provision will be waived if the recipient certifies in writing that he/she does not have an account with a financial institution or authorized payment agent.

2. By January 1, 1999, all recipients entitled to federal payments shall be paid via EFT. In support of this requirement, the Secretary of the Treasury is required to issue regulations including guidelines on how “unbanked” recipients will be accorded EFT services.

3. The Act applies to all categories of DoD payments. However, there are several specialized exceptions for mission essential payments.

B. Effective Date. These guidelines are effective immediately. The implementation of these procedures will be phased in based on development and fielding of automated systems.

C. Responsibilities

1. The Director for Finance, Defense Finance and Accounting Service Headquarters, through the Director for Financial Commerce, Office of the Under Secretary of Defense (Comptroller), shall:

a. Develop the Act’s Implementation Plan and the DoD Financial Electronic Data Interchange (FEDI) Customer Awareness Plan and coordinate these plans with the Department of the Treasury.

b. Coordinate the implementation of procedures for active duty and Reserve Component members, and civilian employees in appropriate military and civilian regulations.

c. Publish implementing procedures for military members and civilian employees.

d. Coordinate the presentation of issues to the Department of the Treasury and ensure that the issues are addressed properly in this regulation.

e. Coordinate the development and presentation of a proposed exception to the Department’s mandatory EFT policy to the Department of the Treasury for approval.

f. Prepare appropriate reports for submission to the Department of the Treasury.

2. The Deputy Director for Finance also shall ensure that DFAS Centers develop and provide periodic reports to DFAS-HQ/Finance (DFAS-HQ/F) which reflect EFT participation and furnish, at the end of each fiscal year quarter, to employing organizations, a listing, by organization, of military members and DoD civilian employees, paid by the DFAS, who do not participate in (receive their pay) via EFT.

3. DoD Component Personnel Directors shall:

a. Ensure accession agreements require use of EFT for new military accessions including those entering Officer Training Schools, Reserve Officer Training Corps, the Service Academies, and the Armed Forces Health Professions Scholarship Program.

b. For bargaining unit employees, ensure notification to appropriate exclusive representative(s) and the completion of applicable bargaining obligations prior to implementation.

c. Ensure new civilian employees are informed during inprocessing of the requirement to participate in the EFT program.

d. Ensure vacancy announcements advise applicants that selectees will be required to participate in EFT for all payments as a condition of employment.

e. Promote EFT enrollment. Employing activities are responsible for ensuring that their employees participate in EFT. In order to ensure that employing activities have the necessary information, a report will be furnished after the end of each fiscal year quarter, listing employees by organization who do not participate in EFT. (Employing activities are expected to campaign actively so that such individuals understand the benefits of, and enroll in EFT).

f. Implement procedures in appropriate personnel/pay and travel systems and issuances for military members and civilian employees.

4. Commanders/Directors of DoD Activities shall:

a. Ensure that all new personnel hired on or after July 26, 1996, are made aware of, and comply with, the mandatory EFT provisions.

b. Contact all “grandfathered” non-EFT employees to request that they use EFT. Inform them that the “grandfathering” period will end as of December 31, 1998. For bargaining unit employees, this contact must be consistent with the provisions of the Federal Service Labor-Management Relations Statute.

- c. Monitor EFT participation.
- d. Ensure that written waivers for all eligible employees are on file. Inform the eligible employees that this waiver will lapse as of December 31, 1998.
- e. Ensure reimbursements are made to military members and civilian employees who incur charges in the unlikely event that the Department fails to accurately and timely deposit payments in their EFT accounts when the government notifies military members and civilian employees of such payments pursuant to 10 U.S.C., sections 1053 and 1594 (reference (b)), respectively.
- f. Provide information for reporting purposes to DFAS Centers when so requested.

D. Contractor Pay Applicability

1. General. All contractor payments resulting from solicitations dated on or after July 26, 1996, shall be made by EFT unless excepted. Payments under earlier contracts ("grandfathered" contracts) are not subject to the statute. For example, if a company has four "grandfathered" contracts and accepts a new contract subject to the Act, only that new contract is subject to mandatory EFT payment; the others are not brought in by association. The exercise of options or the issuance of contract modifications on or after July 26, 1996, does not make a "grandfathered" contract subject to the mandatory EFT payment requirement of the statute. See 48 CFR Ch 1, et al. (reference (ak)).

a. If a DO is using a non-DFAS disbursing system or module that is not EFT capable, the DO shall notify the DFAS-HQ/FCD point of contact, through the supporting DFAS Center. The notification must include the following: a compliance plan including the date when the system/module will be EFT capable, the annual number of payments, the number of contractors/personnel serviced, or a migration plan to an EFT compliant system, and the date on which the migration will occur and the old system will no longer be used. The DFAS-HQ/FCD point of contact will compile all non-EFT capable system data and will present such information to the Department of the Treasury for consideration of a limited waiver. See subparagraph 240202.C.3.A, above, for notice to contracting offices.

b. The DFAS-HQ/F point of contact will notify the disbursing officer when there is an exception from mandatory EFT from the Department of the Treasury. All exceptions for non-EFT capable systems are for a limited duration, until a system is made EFT capable or the system lapses but under no circumstances will the exemption extend beyond December 31, 1998.

2. Exceptions

a. Payments made under contracts awarded by contracting officers located outside the United States and Puerto Rico. (See FAR, subsection 32.1101, reference (o).)

b. Payments made under contracts denominated or paid in other than United States currency. (See FAR subsection 32.1101, reference (o).)

c. Payments under classified contracts where payment by EFT could either compromise the safeguarding of classified information, or national security, or where arrangements for appropriate EFT payments would be impractical due to security considerations. (See FAR subsection 32.1101, reference (o).)

d. Payments made under contracts executed by deployed contracting officers in the course of military operations including, but not limited to, contingency operations (as defined in 10 U.S.C. 101(a), (reference (b))) or contracts executed by any contracting officer in the conduct of emergency operations such as responses to natural disasters or national or civil emergencies, where payment by EFT is not known to be possible or would not support the objectives of the operation. (See FAR subsection 32.1101, reference (o).)

e. Payments made by a DoD accounting or disbursing system which does not have EFT capability, and which system has been reported to the DFAS-HQ/FC point of contact in accordance with subparagraph 240202.C.1, above. See 31 CFR, Part 208.3(c) (reference (p)).

f. Notwithstanding the exceptions provided for above, where feasible, EFT should be used as the preferred method for making payments to contractors in those instances described in subparagraphs 240202.C.2.a, 240202.C.2.b, and 240202.C.3.d, above.

3. Procedures for Contractor Payments

a. The FAR (reference (o)) prescribes contract clauses for EFT and the policy for use of those clauses. Under the FAR, DoD DOs are responsible for notifying contracting officers of the EFT clause to be included in contracts to be paid by that DO. If the disbursing office will make payment by EFT, no further action is required by the disbursing officer; under FAR policy, the contract will require the contractor to submit EFT information as a condition of payment. However, if the disbursing office cannot make payment by EFT, then the DO shall seek guidance from the supporting DFAS Center and, in the interim, inform the contracting officer that contracts to be paid by that disbursing office shall contain the clause at subsection 52.232-34, FAR, (reference (o)) "Optional Information for Electronic Funds Transfer Payment."

b. The FAR clause provides exceptions from mandatory EFT payment at the disbursing officer's sole discretion.

c. In some instances, the commercial banking industry currently does not have a capability to provide their customers with the contractual remittance information transmitted with EFT payments. During this transition period, disbursing offices are required to assist contractors by offering remittance information through alternative media; e.g., mail, e-mail or EDI.

d. If a payment cannot be made to a contractor due to the absence of valid EFT information for that contractor, notify the contractor and request a valid EFT address.

E. Applicability to DoD Personnel

1. General. All personnel presently enrolled in EFT for wages, salaries, reimbursements, cash advances, or travel are required to continue participation in this program. In addition, on and after July 26, 1996, any personnel who meet the following requirements must participate.

a. Military members

(1) Active duty military members, to include those entering or reentering the Services.

(2) Reserve and National Guard members entering or reentering a Reserve Component (i.e., upon processing into their respective component, upon mobilization or recall to active duty). Mobilized or recalled personnel also are required to continue participation after demobilization or deactivation.

(3) Service Academy and Reserve Officer Training Corps (ROTC) Cadets and Midshipmen.

(4) Armed Forces Health Professions Scholarship Program Personnel.

b. DoD Civilian employees. The following groups of employees will have two pay periods after entering duty in which to designate one or more financial institutions or other authorized payment agents in which to deposit their net pay and savings/discretionary allotments, or request a waiver. Thereafter, all moneys payable will be held in suspense until either proof of EFT participation or waiver is received by the employee's Customer Service Representative (CSR).

(1) New civilian employees.

(2) Civilian employees who transfer between agencies (for this purpose “agency” is defined as a Military Service, a Defense Agency or a DoD field activity).

(3) Civilian employees who resume employment after a break in service.

c. Benefit Recipients. All benefit recipients who, on or after July 26, 1996, apply for the benefit being received.

d. Travel Payments. All travel payments for federal employees who travel, on or after July 26, 1996, and are otherwise entitled to receive travel reimbursement payments.

2. Exceptions

a. Active duty military members or civilian employees serving or residing in an overseas area (1) not serviced by the Department’s Overseas Military Banking Program or a Federal Credit Union sponsored by the Department, and (2) where EFT otherwise is not available, are excepted from this policy until they relocate to an area where EFT is available. However, this exception shall not apply if their pay is received in the United States or Puerto Rico, or at another location where EFT services are available.

b. Student workers, summer hire, seasonal, and on-call employees until their status is defined by the Department of the Treasury.

c. Temporary and term employees who are employed for a period of less than 6 months until their status is defined by the Department of the Treasury.

3. Civilian Employees Covered by Labor Agreements. EFT is mandated by the Debt Collection Improvement Act of 1996 (Public Law 104-134) (reference (aj)). However, management officials should notify union representatives of this requirement and give them an opportunity to discuss its implementation.

F. Retirees and Annuitants Applicability

1. All federal retirees and annuitants, residing in the United States, who apply for retirement or annuitant benefits on or after July 26, 1996.

2. For federal retirees and annuitants residing outside the United States, EFT should be used as the preferred method of payment to the maximum extent feasible.

G. Travel

1. Military members. Military members who travel on official business on or after July 26, 1996, automatically are covered by mandatory EFT for all future travel payments. “Cash advances” are also to be made by EFT.

2. Civilian employees. Civilian employees who travel on official business on or after July 26, 1996, automatically are covered by mandatory EFT for all future travel payments. “Cash advances” are also to be made by EFT.

3. Invitational Travel Orders. Military members and civilian employees traveling under Invitational Travel Orders are subject to the use of EFT for travel advances and travel claim settlement. Individuals using Invitational Travel Orders should make arrangements with the servicing disbursing office to facilitate travel payments using EFT.

4. Miscellaneous. When individuals (military and civilian) travel under orders citing funds of a DoD organization other than the funds of the organization to which they are assigned, then the traveler should make arrangements with the servicing disbursing office to facilitate travel payments using EFT.

H. Certification

1. General. Contractors, military members and civilian employees who certify in writing that they do not have an account with a financial institution or an authorized payment agent shall be granted a waiver to mandatory EFT payment. This waiver expires no later than December 31, 1998. Certification for net pay will not be permitted if a member or employee has allotments to the member’s or employee’s own personal account(s) being remitted via EFT.

2. Waivers. Certification waivers should be received by the appropriate authority, described below, and forwarded to the paying office:

a. For contractors, the waiver request shall be sent by the contractor directly to the payment office.

b. For military active duty members, waiver requests shall be sent to the unit commander.

c. For reserve members, waiver requests shall be sent to the unit commander.

d. For National Guard members, waiver requests shall be sent to the wing/group commander or equivalent.

e. For National Guard technicians, waiver requests shall be sent to the State personnel management offices through command channels.

f. For civilian employees (including National Guard civilian employees), waiver requests shall be sent to the appropriate authority and then to the Customer Service Representative.

3. Certification Procedures. The contractor, military member, or civilian employee wishing a waiver shall certify in writing that they do not have an account at a financial institution or an authorized payment agent.

4. Model Certification. “I certify that I do not have an account with a financial institution or an authorized payment agent. Signature:_____ Date:_____”

I. Enrollment Documentation for Military Members and Civilian Employees

1. Travel payments for all military members and civilian employees automatically will be sent to their payroll EFT account unless they designate a separate account for travel pay.

2. Individuals designating a separate EFT account for travel should use the SF 1199A or equivalent enrollment form directed by their servicing finance office.

J. Reimbursement of Financial Institution Charges

1. General

a. The following is not applicable to contractor payments under FAR (reference (o)) and DFAR (reference (al)) supplement contracts, which are governed by the specific terms of the contracts' clauses.

b. Charges by financial institutions resulting from erroneous information provided by the individual or the financial institution to the servicing finance office are not the liability of the government and will not be reimbursed. Reimbursement is authorized and limited to overdraft charges and minimum balance or average balance charges levied by the financial institution as a result of an administrative or mechanical error on the part of the government that causes pay to be deposited late or in an incorrect manner or amount pursuant to 10 U.S.C., sections 1053 and 1594 (reference (b)).

2. Procedures. When charges result from government errors, supporting DFAS Centers will contact the financial institution to explain the error and request that charges levied against the account holder be reversed.

a. If the financial institution declines to reverse the charges, government reimbursement of the charges will be made pursuant to 10 U.S.C., sections 1053(b)

and 1594(b) (reference (b)). Such reimbursement will be charged to the agency's appropriation that is available for the pay and allowances of their military members or civilian employees.

b. Letters will be provided to dishonored check recipients explaining that the dishonored check was caused by government error, not an error on the part of the individual.

K. Reporting Requirements. DFAS Centers will develop and provide periodic reports to DFAS-HQ/FCD which reflect EFT participation when so requested.

L. DFAS Implementation Point of Contact

1. The DFAS point of contact will assist the DoD Components with implementation of the Act. This includes assisting in the preparation of proposed EFT payment exceptions.

2. The DFAS point of contact is:

Defense Finance and Accounting Service
(DFAS-HQ/FCD)
1931 Jefferson Davis Highway, Room 401
Arlington, VA 22240-5291
(703) 607-5037

★ 240203. Pre-notification. Prenotification is the transmission of a zero dollar value transaction through the FRB/ACH network to a financial institution. This type of transaction serves to verify a payee's account information and the financial institution's ability to post a payment to the account.

★ 240204. Advance Reporting of EFT Disbursements. Since the Treasury Department's Financial Management Service (FMS) is solely responsible for the management of the government's daily cash position, large disbursements by EFT affecting the cash position shall be made known to the FMS in advance of the time of actual disbursement. The DFAS Centers must report in advance all U.S. military pay and all U.S. military retired pay made by EFT for the required payroll reporting periods. Pay totals should be reported as far in advance of the pay date as possible; however, a minimum of two business days advance notice is required. All DFAS Centers and other DoD Component installations making EFT payments to vendors are required to report these transactions daily to the FMS. Specific reporting requirements for large EFT disbursements (\$50 million or more), disbursements of military pay and military retired pay by EFT, and EFT payments to vendors are prescribed in section 1106 of this volume.

★ 240205. Procedures. Disbursing offices utilizing EFT shall transfer funds to the FRB by an SF 5515. The SFs 5515 are prepared and dated to show the date payment is due, and delivered to the FRB with the magnetic tape or other medium. The DO must implement

mandatory internal controls for confirmation that the FRB received the EFT payment files successfully and in accordance with the payment schedule. The DO shall retain the memorandum copy of the SF 5515. If the payment file is transmitted electronically to the FRB, the DO shall use the FRB's summary of ACH activity report in lieu of the SF 5515. In either case, the FRB will issue a confirmation SF 5515 to the DO. For an EFT transaction, the SF 5515 is recorded as a negative deposit with the payroll, travel, or vendor payment recorded as a gross disbursement.

★ 240206. Returned Payments. Whenever a financial institution returns one or more EFT/ACH payments to the paying office, the DO shall prepare and process a collection voucher to account for the funds that have been returned. The funds shall be credited to the appropriation from which the funds were originally disbursed. The collection will be recorded on line 4.1B of the DD Form 2657 (Daily Statement of Accountability). The offsetting entry on the DD Form 2657 will be on line 4.2A to account for the SF 215 (Deposit Ticket), generated by the FRB in processing the returned payment. The DO shall notify the appropriate entitlement area of the returned payment by provision of a copy of the collection voucher and any rejection information received with the reject; e.g., the reject code. A detailed listing of payment rejection codes are available in the Green Book, published by the Treasury Department. The entitlement area shall research the cause of the return and provide corrective information to initiate an appropriate EFT/ACH payment within 5 business days. This payment method will be EFT/ACH and shall not default to check. The DO shall also maintain a tracking mechanism to ensure that the entitlement areas take prompt action to resolve the EFT/ACH reject problem and return the correct documentation for payment.

2403 VENDOR EXPRESS

★ 240301. Enrollment in Vendor Express. Vendor Express is an electronic funds transfer program for vendors to receive funds due them for goods or services rendered to the government. Payment shall be via EFT vice a Treasury check. The Federal Acquisition Regulation (FAR) section 52.232-28 indicates that vendors will be paid by either FEDLINE or ACH, rather than by check, at the option of the government. The vendor shall obtain the SF 3881 (ACH Vendor/Miscellaneous Payment Enrollment Form) from the DoD Component activity with which it does business. The completed SF 3881 shall then be forwarded to the paying office for processing.

240302. Payment Date. Under the Vendor Express program, the payment date is the date of an EFT payment (settlement date). Payments made via EFT shall be made so as to be received by the vendor's financial institution by the established payment due date. The processing time required to have an EFT transaction reach a financial institution should be part of the MOU with the FRB. On Saturdays, Sundays, and legal holidays, when government offices are closed and business is not expected to be conducted, payments falling due may be made on the following business day without incurring late payment interest penalties.

★2404 GOVERNMENT PURCHASE CARDS

The official government purchase card is issued under a General Services Administration (GSA) firm fixed price requirements contract.

★ 240401. Payment. The purchase card provider reports are the official invoices for credit card purchases. To determine the payment due date and date on which interest will begin to accrue, the invoice shall be paid in compliance with the guidance contained in Volume 10 of this Regulation. Payment is due 23-30 days after receipt of the invoice in the designated billing office.

★ 240402. Responsibilities of the Disbursing Office

A. The disbursing office will receive an annotated and certified copy of each invoice from the approving official or, in the Air Force, the base financial service officer. The summarized charges are included on the official invoice along with any applicable Notices of Invoice Adjustment (NIAs). Cardholders' Statements of Account (SOAs), signed by both the cardholder and the approving official, and supporting documentation will be maintained by cardholders or by their approving officials.

B. The disbursing office will ensure that only transactions which have been certified for payment by approving officials or FSOs are processed for payment. Valid disputed transactions, for which NIA forms have been received, will be deducted from the official invoice. The NIA form must accompany payment to the credit card contractor in order that the total official invoice amount is accounted for. In mathematical terms, the payment amount is the net of the current charges minus any current credits and disputed items plus any prior disputed items approved for payment. Vendor Express is the preferred method of payment for the government purchase card invoices.

★2405 PLASTIC CARD COLLECTIONS

★ 240501. Overview. The Treasury Department established a government-wide plastic card collection network allowing federal agencies to accept credit (VISA or MasterCard) and debit cards (ATM Cards) subject to the provision of 31 CFR 206, from the public (vendor, member, and employee) for the collection of moneys due from sales, services, fees, fines, and debt repayment. DoD Activities interested in accepting credit and debit cards should obtain applications supporting DFAS Centers which obtain forms from network banks or the Financial Management Service (FMS). A completed application will be sent to FMS via the supporting DFAS Center, to be analyzed against the objectives shown in I-TFM 5-4730 (reference (m)). Once the application is approved by the FMS, Agency Participation Agreements for either credit cards, debit cards, or both must be signed by the DoD Activity and the network bank. The agreement then must be forwarded to FMS for the final signature. An Agency Participation Agreement documents an agency's participation in the Master Agreement and outlines terms and

conditions for DoD activity acceptance of credit or debit cards. This agreement is a binding document between the activity, the network bank, and FMS, and must be signed by the FMS before the FMS can pay for agency credit or debit card services. The FMS will maintain the signed copy in its files. If the application is approved, the activity will work with the network bank to construct a customized implementation plan. The plan will include: DoD activity profile (type of collection, potential volume, collection method (mail, phone, etc.)); information on activity locations (addresses/contact points); type of services (credit card, debit card, or both); training; follow-up program for quality assurance; technical specifications on equipment; equipment to be purchased by the activity for the network bank; implementation timeline milestones; and special handling procedures.

★ 240502. Types of Credit and Debit Card Collections. Subject to the provisions of 31 CFR 206 (reference (p), DoD activities can accept debit and credit cards for various collection activities. DoD activities that have more than 100 monthly credit card transactions must perform electronic authorization. Voice and paper authorizations of credit card transactions should be used on an exception only basis as a backup to electronic authorizations. Every transaction must be authorized, and activities should work with the network bank to determine the most appropriate authorization technique. Voice and paper authorizations of credit card transactions should be used on an exception only basis as a backup to electronic authorizations. If an activity is not performing the authorization properly (by procedure), all costs above the agreed upon method will be assessed to the activity. Some examples of collection actions that credit and debit cards can be used for are: sales of miscellaneous items, medical services, freedom of information requests, inspection or grading services, commodity sales, fees and fines such as inspection fees, criminal, civil and court fees and fines, recreation user fees, duties, patent fees, registration fees and license fees and debt repayment for extending loss for housing, education, health care, agriculture and business, repaying duplicate benefits, travel advances repayments, and other administrative collections.

★ 240503. Compensations/Agency Expenses. When funds are deposited to the General Fund and not withdrawn for investment, FMS will pay the costs for processing each debit and credit card transaction, all per-transaction-call charges assessed by the network bank for authorization and settlement, chargeback assistance, deposit reporting through the CASH LINK system, training arranged with network banks in the "train the trainer" format, supplies from the network bank to include sales drafts, imprinter plates and promotional items and deposit reports. Costs paid by agencies will include: equipment (computer, modems, imprinter, electronic data capture/point of sale (EDC/POS) terminals with printers, personal identification number (PIN) pads and software), standard voice-grade telephone line installation and charges, dedicated lines, any international authorization/settlement charges above domestic charge rates paid by FMS, costs incurred by the failure to perform electronic authorizations (by procedures), extra services beyond those specifically defined and priced in the Master Agreement, including detailed training beyond "train-the-trainer" and customized reports.

★ 240504. Processing Transactions. The FMS strictly prohibits holding credit card deposits above the daily \$5,000 limit. DoD activities should not accumulate daily receipts of

more than \$5,000 after the network banks daily cutoff time if they are operating in a paper sales draft settlement mode. If the activity is operating in an electronic data capture (EDC) mode, it must settle on a daily basis, regardless of the amount accumulated that day. Activities will pay the assessed non-qualifying interchange fee if they fail to settle electronically every day. Each network bank informs the activity of its particular cutoff times for deposits. In an electronic environment, this means a settlement transaction should take place through an EDC/POS at various times during the day (or once at the close of business) in order to meet the cutoff time for deposits.

★ 240505. Reports and Reconciliation. Based on the report requirements established in the participation agreement with the network bank, weekly or monthly summary reports of the merchant's credit card activity will be mailed or electronically transmitted by the network bank to the participating DoD activity (merchant). The summary will detail dates of deposits, dollar amounts of deposits, number of transactions processed, adjustment charges, and chargebacks. This report shall be used to reconcile any differences which may occur between the report and entries into the accounting system. The report shall also be reconciled with the DD Forms 1131 submitted to the DO or deputy. Any adjustments or chargebacks shall be processed and documented in accordance with the credit card participation agreement.

★ 240506. Internal Controls. Internal control procedures shall be established by each participating DoD activity to ensure that credit card transaction documentation to support all DD Forms 1131 submitted to the DO is properly safeguarded. Documentation shall be available for use by the DO's quarterly cash verification board, the collection agent audit board, and for other audit purposes.

★2406 LOCKBOX COLLECTIONS

240601. Overview. A lockbox is a collection and processing service provided by a financial institution (typically a bank) that accelerates the flow of funds to the TGA at the FRB New York. This service includes collecting a lockbox agency's mail from a specified post office box, sorting, totaling, and recording the payments, processing the items, making the deposit, and forwarding lockbox remittance data either in hard copy or electronic format to the lockbox agency. The FMS has exclusive authority to contract for lockbox services with selected banks and the participating DoD activities. Activities are prohibited from entering into new contractual agreements, modifications of existing contracts, or renewal of existing contracts without the prior approval of FMS. Compensation to the selected banks for specified lockbox services is provided by the Treasury Department. There are three types of lockbox services available to participating activities: retail, wholesale, and electronic.

A. Retail Lockbox. A retail lockbox uses optical character recognition, machine-readable coupon-type payment documents for automated processing. This type of lockbox is best suited for low dollar, high annual item volume payments. High speed equipment captures specific information from the invoice and the check and stores it in electronic form on

tapes or disks. The accounting information can be captured and passed via computer-to-computer link from the lockbox bank to the participating activity.

B. Wholesale Lockbox. A wholesale lockbox involves the manual processing of traditional invoice documents and is best suited for high dollar, low annual item volume payments. Once received at the lockbox site, these payment documents are processed using key entry to capture accounting information. The accounting information can be transmitted via computer-to-computer link or in hard copy from the lockbox bank to the participating activity.

C. Electronic Lockbox. An electronic lockbox is either a wholesale or retail lockbox that processes transactions electronically. The remitter can provide payments through ACH, by wire transfer, or with paper check. Electronic lockboxes collect and deposit all three. The accounting information can be captured and transmitted via computer-to-computer link, magnetic tape, or in hard copy from the lockbox bank to the activity.

240602. Criteria for Participation. The use of the lockbox mechanism as a collection option requires: collections of \$1 million or more average monthly dollar volume; recurring and non-recurring, fixed and fluctuating transactions; and approval must be obtained from the servicing DFAS Center to implement a lockbox operation.

240603. Lockbox Implementation. Generally, a lockbox application is identified through cash management reviews and audits. DoD activities desiring to use lockbox services should contact the Cash Management Division, FMS through the supporting DFAS Center, and provide an updated cash flow review consisting of current collection practices and deposit information. The FMS and the DoD activity jointly will complete a cost-benefit analysis to determine: the total days of float in the activity's current collection system and the lockbox system; the costs (including float) associated with the activity's current collection system and the lockbox system; and the optimal sites within the lockbox network to process the activity's remittances. If the lockbox is considered to be cost beneficial, the FMS will select a network bank for the activity to implement lockbox services. Activities utilizing lockbox collection services (billing activity) shall enter into a MOU with FMS and the lockbox bank designated by FMS. The MOU will incorporate the terms and specifications for the lockbox services to be provided to each billing activity that will provide the necessary information pertinent to internal controls and the Treasury Department's financial regulations and reports. Recommendations will be made for an alternative collection mechanism when a lockbox application is not viable.

240604. Lockbox Collection Process

A. Lockbox Payments. The designated lockbox bank will assign a unique post office box number to the billing activity to facilitate receipt and processing of collections. The billing activity shall advise remitters to mail payments and associated remittance documentation directly to the assigned post office box number. The bank picks up the mail several times daily and processes the remittances according to the activity's instructions. On the

following business day, the bank transfers the funds by wire or ACH to FRB New York with credit to the DO's DSSN designated in the MOU. The bank will issue an SF 215 for the daily deposit. The confirmed copy of the SF 215 and an Advice of Deposit will be forwarded via First Class mail to the disbursing office. The DO shall prepare a DD Form 1131 crediting the lockbox deposit to **F3875, Budget Clearing Account (Suspense), pending receipt of an SF 1080 from the billing activity citing the appropriation(s) to be credited. The DD Form 1131 and SF 215 shall be reported on the DD Form 2657 as a Reimbursement (line 4.1E) and a Deposit (line 4.2A).

B. Lockbox Documentation. The bank will forward via overnight delivery the agency and/or memorandum copy of the SF 215, an Advice of Deposit, and all supporting remittance documentation received in the lockbox to the billing activity. Upon receipt of the deposit documentation, the billing activity shall reconcile the remittance documentation against the dollar amount indicated on the accompanying SF 215 and Advice of Deposit. Within five (5) work days of receipt of the documentation, the billing activity shall prepare an SF 1080 for the SF 215 and forward it to the DO designated on the SF 215. The SF 1080 shall furnish complete collection information and accounting data, as appropriate (receiving activity, date of receipt, remitter, purpose of remittance, the complete accounting citation(s) to which the collection is to be credited, the contract number(s), contract line item number(s), sub-line item number(s), and accounting classification reference number(s) for each remittance included in the SF 215 total). The disbursing office shall complete the "Office Charged" portion of the SF 1080 by charging **F3875, Budget Clearing Account (Suspense), assigning the voucher number, and processing the voucher as a disbursement and a collection. The SF 1080 shall be recorded on the DD Form 2657 as a Gross Disbursement (line 4.1A) and a Reimbursement (line 4.1E).

C. Lockbox Debits. The bank will issue an SF 5515 to the DO to process a decrease resulting from duplication of a deposit, dishonored checks, or adjustments to deposits erroneously credited. The bank will forward dishonored checks with the SF 5515 for processing.

★2407 ON-LINE PAYMENT AND COLLECTION (OPAC) SYSTEM

★ 240701. Applicability. This section describes the OPAC procedures for simultaneous on-line billing and collection of intergovernmental transactions between federal agencies. This includes the use of OPAC's two subset systems: the Federal Tax Deposit System (FEDTAX) and Retirement Insurance Transfer System (RITS). This section also identifies general requirements and technical specifications prescribed by the Treasury Department. The OPAC system will be used at DFAS Centers and Operating Locations (OPLOCs) for transactions with other federal agencies and to transfer funds between DFAS Centers and OPLOCs.

★ 240702. Background. The OPAC system, which is a component of the Government On-Line Accounting Link System (GOALS), establishes a standardized interagency billing, transfer and adjustment procedure via a telecommunications network. If initiated by the billing agency (i.e., a collection), the transaction provides essential invoice information and immediately charges the funds to the 8-digit customer agency location code (ALC). Within the Department, the 8-digit ALC is the 4-digit DSSN preceded by 4 zeros. Upon fulfilling the

customer agency's order or requisition for services purchased or supplies shipped, immediate payment is accomplished by the billing agency crediting its own ALC and charging the customer agency's ALC. A transaction initiated by the customer agency (i.e., disbursement) is used to credit funds of the billing ALC when a hardcopy invoice is received or to transfer payroll deduction type payments (e.g., Internal Revenue Service or Veterans Education Assistance Program). The OPAC system accomplishes the following: (1) eliminates receivables; (2) eliminates the paper flow between agencies; (3) eliminates the use of Treasury checks between agencies; (4) improves cash management; and (5) establishes the Treasury Department as the collection agency.

★ 240703. Originating the Intergovernmental Transactions

A. Initiating the Order. The customer agency must include its ALC on all requisitions or order forms forwarded to the billing agency. This code identifies the customer agency to be billed for services or supplies. The billing agency will provide the customer agency with appropriate instructions for transmitting this information. In addition, the customer agency is advised to include sufficient descriptive information on the requisition or order form which the billing agency will place in the description section of the bill. This will enable the customer agency to match the bill with the originating requisition when the bill is received on the customer's computer system. The primary match will be on the originating document number. OPAC was not designed to be dependent on appropriation data as a criteria to match an existing obligation since the Treasury Department transfers funds at ALC level.

B. Initiating the OPAC Transaction. The transactions can be input manually into the on-line system or created automatically by DFAS accounting or disbursing systems for off-line bulk data transfer or host-to-host transmissions. Specific instructions for logging onto the on-line OPAC system are provided in the OPAC Users Manual. The system is menu driven and user-friendly. The system automatically will issue an OPAC Document Reference Number that is the equivalent of a U.S. Treasury check number and ensure that no two transactions have the same number. Whether on-line or off-line bulk data transfer, the transaction originator must include a point of contact and telephone number to ensure the receiving agency can accurately determine the need for adjustment. A collection or disbursement voucher (e.g., DD Form 1131, SF 1080 or SF 1034) shall be prepared for each bill or payment entered in the system and processed through the DO in the same manner as other vouchers except that no check or cash payment is sent or received.

C. Transmitting/Receiving an OPAC Transaction. The Treasury Department system is updated overnight commencing approximately 6:00 p.m. Eastern time. The receiving agencies on the OPAC system can print out their activity at their site the day after the transactions are entered into the system. The Treasury Department also provides a monthly activity report, available for downloading during the first 5 workdays of the following month, to assist the ALC in ensuring all transactions are accounted for on the current month SF 1219. ALCs receive a microfiche of these transactions for historical records approximately 1 month after the month in which the transactions were processed.

★ 240704. Processing Cycle. Agencies have through the last day of each month to enter bills or transfers for that month; however, it is recommended that agencies hold off originating new transactions the last two workdays of the month to avoid month-end accounting problems. Refer to Chapter 19 of this volume for instructions on reporting prior month OPAC transactions that are processed in current month accountability. Only the receiving agencies have 90 days to enter adjustments.

★ 240705. Recording OPAC Transactions. The transaction is recorded on lines 2.8 and 4.1 (A or E, as applicable) of the DD Form 2657 and on the SF 1219. If a hardcopy SF 1219 is used, cross through line 2.39 and replace with 2.8. Refer to Chapter 19 of this volume for instruction on preparation of these forms. At the end of each month, both the customer agency and the billing agency must also report the applicable appropriation or fund symbol amount for all original transactions and adjustments on its DD Form 1329 (Statement of Transactions).

A. Monthly Reporting of Differences by the Treasury Department to Agencies. The Treasury Department will compare the customer and billing agencies' SF 1219 with the OPAC data. If there is a difference, an FMS Form 6652 (Statement of Differences, Disbursing Office Transaction) will be generated. This statement is prepared by the Treasury Department on a monthly basis and provided to each agency's departmental reporting office. Also accompanying the FMS Form 6652 will be a "Monthly Register of Transactions," which gives a detail of all transactions charged against a particular ALC. Agencies will investigate the differences and make the necessary corrections on their next SF 1219. All differences that have not been reconciled within six months from the date of the initial transaction shall be considered as losses or overages of funds as prescribed in Chapter 6 of this volume. Corrections reported in months subsequent to the month in which the error occurred are reported as separate 2.8 lines on the SF 1219. For example, an amount reported erroneously in January is corrected in the February accounting month. The February SF 1219 will have two 2.8 lines: one for the net total of transactions processed in February and one for the January corrected amount.

B. End of Fiscal Year Reporting by OPAC Customer Agencies. OPAC charges to the customer agency's ALC will be reported to the applicable appropriation or fund symbol for the fiscal year to which it relates. If, at the end of the fiscal year, a customer agency does not have sufficient time to determine the amount of an adjustment for its regular monthly reporting on the SF 1219, the agency should include the erroneous charge to its regular appropriation or fund symbol.

1. These erroneous charges do not constitute overobligations or overexpenditures with respect to 31 U.S.C. 1517, the Anti-Deficiency Act (reference (e)). Agencies should footnote FMS Form 2108 (Year-End Closing Statement) to indicate those cases that would appear to overexpend the symbol charged.

2. When the amount of the adjustment is determined, a refund receivable account should be established in its regular appropriation or fund symbol for year-end

reporting on the FMS Form 2108. Such receivables should be cleared in the subsequent fiscal year by adjusting the amount to the OPAC billing agency and crediting the appropriation or fund symbol charged on its regular monthly reporting on the SF 1219.

C. End of Fiscal Year Reporting by OPAC Billing Agencies. On the FMS Form 2108, the OPAC billing agency will establish and report an accounts payable for an amount equal to the amount of adjustments against the related appropriation or fund account of the OPAC billing agency.

★ 240706. Adjustments of Erroneous Charges. Both the billing and customer agencies should recognize that the system cannot tolerate uncontrolled charges or adjustments. The adjustment should not be used to adjust charges that originated under other billing systems. A charge should also not be considered erroneous simply because the customer agency receives the paid billing statement before supplies are received. Federal agencies are exempt from this requirement under 31 U.S.C. 1535 (reference (e)). If the receiving agency subsequently finds that the transaction was erroneous, the adjustments should be made at that time; however, the receiving agency is limited to three months, upon receipt of its OPAC statement, to process the adjustment.

A. First, the agency representative that created the original transaction should be contacted. If the transaction is erroneous, the receiving agency will access the OPAC on-line system and make the menu selection for OPAC adjustments. The OPAC system will guide the user with prompts. The user will enter all pertinent data as requested. The OPAC system contains edits to ensure that the original transaction is matched. Once the data is entered correctly, the system will issue an OPAC Adjustment Voucher Number unique to each transaction. Adjustments are considered a new transaction for reporting purposes and included in the net totals for month in which the adjustment is accepted in OPAC.

B. In cases where the originating agency later concludes that the adjustment (or a portion thereof) was improper, it must communicate this to the receiving agency, preferably by telephone. When agreement is reached, a second OPAC transaction will be prepared for the proper amount.

★ 240707. Basic Criteria to Access the OPAC System. In order for billing and customer agencies to use the OPAC system, the following are required:

A. A personal computer (PC) with modem (or modem access through a local area network (LAN)) and auxiliary 80-character minimum printer within the disbursing office for transmission and receipt of OPAC transactions. The PC should be "IBM compatible" and contain a 386 or higher level processor. The modem speed should be 9600 Baud or greater.

B. The Treasury Department must assign each ALC an ID and password that will enable access to the system. The Treasury Department also requires the ALCs of the corresponding agencies from which the transactions will originate or be received. The Treasury

Department encodes this information into a table to ensure transactions are not erroneously input for agencies without a prearranged agreement to accept such transactions.

★ 240708. Treasury Department GOALS Agreement for Reimbursable Services. The Treasury Department charges for DFAS use of GOALS have been consolidated for payment by the DFAS-Columbus Center. The agreement supersedes all previous agreements independently written by the DFAS Centers. The GOALS charges also now include operating costs for OPAC, FEDTAX, and RITS. The agreement covers all current DFAS GOALS and OPAC users and any new OPAC users established at the OPLOCs.

A. Each DFAS Center is responsible to budget for its portion of the bill to include the Center's disbursing office, the OPLOC disbursing offices under its control, and any departmental accounting office use of GOALS, if applicable to that Center. The budget is reported using the general fund 97X4930 with an information copy provided to the DFAS-Columbus Center for incorporation in the annual agreement with the Treasury Department.

B. The procedures for posting OPAC bills are as follows:

1. Monthly, all GOALS and/or OPAC users will print the GOALS Monthly Billing Statement and forward a copy to the servicing DFAS Center's Defense Business Management System (DBMS) liaison office. The report can be obtained by selecting item 6, GOALS Administrative Information, on the GOALS menu. The charges generally are available on GOALS by the 24th of the month following the month in which the costs were incurred.

2. The Center liaison office will record the obligation in DBMS and forward a copy of the report by fax to DFAS-CO/FQAS. Also, the liaison office should confirm with DFAS-CO/FQAS, as soon as possible, the proper Center account number that the DFAS-Columbus Center should charge when the bill is received from the Treasury Department.

3. The Treasury Department will charge one amount using the general fund 97X4930 for DFAS-Columbus Center ALC 00006551. In turn, the DFAS-Columbus Center will process a transaction by others (TBO) for each Center's designated account. The TBO charge will cover each Center's portion of the charges to include any costs incurred by an OPLOC under that Center's authority.

★ 240709. Restrictions. The Treasury Department reserves the right to (a) make any adjustments centrally in Treasury's Central Accounting System and (b) to remove any agency from OPAC in those instances when the agency fails to comply with the rules and regulations set forth by the Treasury Department.

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CHAPTER 25

★ QUESTIONABLE AND FRAUDULENT CLAIMS★2501 ADVANCE DECISIONS

250101. Claims. Any claim presented for certification or payment that the certifying officer or DO believes to be illegal or improper should not be certified or paid. This section identifies the authority available to the certifying officer or DO to refuse to make such certifications or payments and the procedures to follow when such refusal becomes necessary. Refusal to make certification or payment is an undesirable procedure when it is based solely upon lack of knowledge or the unwillingness to ascertain the proper course of action from the proper authority.

250102. Application for Decision

★ A. Authority. Under Title 31, United States Code, section 3529, (reference (e)), a certifying officer or a DO may request an advance decision on the propriety of any prospective payment. Appendix E provides the offices responsible for issuing the advance decisions. This statute does not provide for the rendering of decisions on questions of law pertaining to payments that have already been made or upon hypothetical cases.

★ B. Content. The statute requiring an advance decision be rendered contemplates a presentation to the Comptroller General or any other official authorized (see appendix E) to issue an advance decision under 31 U.S.C. 3529 (reference (e)) when the question is one of law, of all the material facts necessary for its determination. When the question is one of fact, it contemplates a presentation of all the material evidence obtainable by the officer making the request. The specific point upon which the decision is desired and the reason for requesting the decision shall be stated. The document in question, appropriately certified, shall be made an enclosure to the request. As a general rule, decisions are rendered only when the request is accompanied by a specific claim or voucher (legible copies are acceptable).

★ C. Forwarding of Requests. Requests for advance decisions regarding military members' pay, allowances, travel, transportation, retired pay and survivor benefits through the requesting certifying or disbursing officer's chain of command, the servicing DFAS Center, and DFAS General Counsel. DOs and certifying officers under the cognizance of the DFAS-Columbus Center shall submit their requests through their chain of command and the Columbus Center, regardless of the applicable DSSN assigned. Prior to forwarding a request to DFAS General Counsel, Center Directors shall ensure the case file includes the legal review mandated by DFAS Regulation 005 (reference (am)). Requests for advance decisions for other disbursements must be submitted through the chain of command to the appropriate office as outlined in appendix E.

★ 250103. DFAS Actions. Cases involving entitlement questions that clearly appear to have been authoritatively decided may be returned to requestors by the DFAS Centers or by DFAS General Counsel with advice that an advance decision is not necessary. An entitlement interpretation from anyone other than the sources identified in appendix E, however, does not remove pecuniary liability for illegal, incorrect, or improper payments. Therefore, DFAS Center and DFAS General Counsel responses shall indicate the advisory nature of their responses and shall advise requestors that resubmission may be made through the servicing DFAS Center. Certifying officers and DOs may rely on written decisions from the DFAS Centers, authorized by DFAS Regulation 005 reference (am), to settle cases of \$100 or less on the uses of appropriated funds. Decisions rendered under this procedure will be considered as conclusive in the settlement of accounts. A copy of the memorandum containing such a decision shall be attached to the voucher.

★ 250104. Decisions Rendered

★ A. Payment in Question. An advance decision is conclusive only as to the particular payment involved in the question presented. A statement made by the responsible office in an advance decision upon a statement of facts submitted, which is broader than the stated facts rendered necessary, is not binding in the settlement of the accounts.

★ B. Affecting Other Payments. An advance decision rendered in a particular case takes effect from its date, but the principles enunciated in decisions of the responsible office are applicable to all cases arising under the statutes, whether occurring before or after the date of the decision. A new construction of the law, contrary to former rulings, applies to disbursements and computations made subsequent to the date of such decision, or to the date of receipt of notice of such decision, provided reasonable diligence was exercised to obtain notice.

2502 FALSE, FICTITIOUS, OR FRAUDULENT CLAIMS

250201. Determination of Fraud. It is difficult to prescribe exact rules for determining the existence of fraud or misrepresentation, since the question of whether fraud exists depends on the facts in each case. Although it is the claimant's responsibility to complete a claim accurately in order to ensure proper payment, it may not be assumed automatically that the claim is fraudulent simply because it is not prepared according to the requirements of publications such as the Joint Federal Travel Regulations or the Joint Travel Regulations.

A. Many innocent mistakes are made in the completion of claims, and not every inaccuracy on a claim form should be equated with an intent to defraud the government. Where discrepancies are minor, small in total dollar amounts, or where they are infrequently made, a finding of fraud normally would not be warranted, lacking the most convincing evidence to the contrary. However, such errors should be discussed with the claimant and corrected.

B. Where discrepancies are glaring, involve great sums of money, or are frequently made, a finding of fraud more readily could be made, lacking a satisfactory

explanation from the claimant. The DO, in ensuring the propriety of all payments made, is primarily responsible for determining the existence of fraud. For example, in 57 Comp. Gen. 664 (reference (an)), the Comptroller General ruled that, in connection with a claim for travel expenses containing items based on fraud, only those items free of fraud may be paid. Examples of individual items claimed on a single travel claim include transportation for each leg of travel performed at the traveler's expense, lodging expenses, and each miscellaneous expense incurred. Per diem allowance is divided into three separately distinct categories (lodging, meals, and incidental expenses). For any day on which a claimant submits a fraudulent lodging receipt, the claimant forfeits the lodging portion of the per diem allowance for the day or days that the lodging receipt represents. If a meal or an item of incidental expense for a particular day is fraudulently claimed, the meal or incidental allowance portion of per diem for that day shall be denied. Payment of per diem allowances for other days that are not supported by a fraudulent lodging receipt, or for other expenses not tainted by fraud, may be made. This rule applies whether per diem is computed on an actual expense basis or under the lodging plus a fixed fee basis. The average cost of lodging, when applicable, shall be computed by assigning a value of zero to those days for which a fraudulent lodging receipt is submitted. The pro rata share of per diem for the day of return from travel shall be computed on the same basis. When making final settlement on a travel claim, for which partial payments have been made on the basis of fraud, the amount of earned entitlements for the entire period of travel shall be computed by disallowing any items based on fraud. If the total entitlements thus computed are less than the amounts previously paid, the difference shall be recouped from the claimant. Similar procedures shall be followed upon final settlement of travel claims on which advances have been paid. If, after disallowing all fraudulent items, the remaining entitlement is less than the amount of the advance, the excess advance shall be recouped.

★ 250202. Required Action When a Suspected Fraudulent Claim is Presented for Payment. When there is reason to suspect that a claim presented for payment contains fraudulent information, the DO shall request his or her commander to initiate an investigation into the suspected fraud. The requirement to request the commander to initiate an investigation applies regardless of the dollar value of the suspected fraud. Arrangements shall be made to provide the DO with a copy of the completed investigation. Unless otherwise directed by the investigating office, the DO shall retain the claim and all supporting documentation for possible use in any disciplinary action taken by the claimant's commander. An ultimate finding of fraud is not dependent upon legal or disciplinary action. Primary responsibility for that determination rests with the DO but only when concurred with by legal counsel.

A. If, in the opinion of the DO, the investigating office's report does not support a finding of fraud, payment shall be made for all amounts to which the claimant is entitled. No further action need be taken, but the DO should document the reasons for the determination. The DO may be called upon from time to time to furnish this documentation in order to provide an indication of whether the guidelines are being uniformly applied throughout the DoD.

B. If, in the opinion of the DO, the investigating office's report confirms that some items of the claim are fraudulent, payment of those items free of fraud may be made. Once payment has been made for that portion of the claim free of fraud, if the claimant then protests the determination of fraud and insists on payment of the entire claim, the claimant may submit a new claim for the items denied because of fraud. The DO shall process the reclaim for the items denied as prescribed in paragraph 250205, below.

250203. Required Action When It Is Discovered That a Fraudulent Claim Has Been Paid. If, after payment of a claim, the DO discovers or is provided information suggesting that a claim was paid based on fraudulent information or documents, the DO shall review the retained copy of the claim to determine whether the claim was tainted with fraud.

A. If the claim remains suspect, the DO shall request his or her commander to initiate an investigation. The requirement to request an investigation applies regardless of the dollar value of the suspected fraud and includes illegal, incorrect, or improper payments made as a result of issuing recertified payments where the payee negotiated both the original and the recertified check. Arrangements shall be made to provide the DO with a copy of the investigative report.

B. In accordance with the requirements of the GAO, a report by the DO shall be made to the servicing DFAS Center upon initial disclosure that an illegal, incorrect, or improper payment has been made on the basis of fraud. The report shall contain a basic statement of the irregularity, date, amount, and identification of the individual(s) involved. Upon completion of final action (recoupment, investigation, etc.), a second report shall be forwarded.

An ultimate finding of fraud is primarily the responsibility of the DO, who shall utilize the criteria in paragraph 250201, above, in making a decision. If, in the opinion of the DO, the report of investigation does not support a finding of fraud, repayment shall be made for all amounts recouped from the claimant, if otherwise entitled, and this information shall be included in the second report. If, in the opinion of the DO, the report of investigation confirms that some or all items of the claim are fraudulent, no repayment of those items recouped may be made and the second report shall contain a citation of the applicable contract number (or travel order number, etc.), voucher number, date of payment, appropriation charged, and a description of the supporting documentation; a description of how the fraud was committed; a description of procedural deficiencies in the disbursing office, if any, and the action taken to correct the deficiencies; and, information as to recoupment effected or contemplated from the recipient of the payment.

D. Except under unusual circumstances, reports shall not be classified or made in message form. No report is required if the fraud is detected prior to any payment being made. Should a claim in the form of a reclaim be received for any part or all of the amount recouped because of an illegal, incorrect, or improper payment of any voucher item obtained by fraud or misrepresentation, such reclaim shall not be settled by the DO, but shall be processed as

prescribed in paragraph 250205, below. In no case shall submission of the reclaim or recoupment of amounts paid be deferred pending final determination on the claim.

250204. Corrected Claims. When it is established, or it reasonably appears, that a claimant has submitted a fraudulent claim and, upon discovery of the fraud, the claimant submits a corrected claim for those items previously suspected of being fraudulent, this subsequent claim shall not be paid by the DO. However, if the claimant persists in having the claim processed, the claim shall be processed as prescribed in paragraph 250205, below.

★ 250205. Reclaims of Items Disallowed or Recouped Due to Fraud. The DO shall forward reclaims of items disallowed or recouped due to fraud to the appropriate responsible office as identified in Appendix E through the DO's chain of command. If the entire claim was denied, the original claim shall be submitted. The completed claim shall be accompanied by a covering letter or memorandum from the DO stating specific information as to why the claim is considered fraudulent, and the statement: "I have not made payment and will not make payment in the future unless authorized by competent authority"; the original and 2 copies of all supporting documents and the orders with all endorsements if travel is involved; a copy of the payment voucher on which payment was made for the items free of fraud, if applicable; a copy of the report of investigation; and a statement by the claimant supporting the claimant's belief that the claim is not fraudulent. A statement by the claimant's commander may be submitted at the option of the claimant. By endorsement to the DO's letter or memorandum, the DO's commander shall state an opinion on the case either in support of the DO or of the claimant.

250206. Accountability for Amounts Paid Due to Fraud. Most instances of fraud occur when a military member or civilian employee, whose identity clearly is established, submits a claim containing information known to be false. On some occasions, payments are made to individuals whose true identity cannot be determined. In some cases, a fictitious name is used by the individual committing the fraud. In other cases, the name of an actual military member or civilian employee may be used. In any of the above situations, an occurrence of this nature shall be reported and investigated as prescribed in Chapter 6 of this volume as an irregularity in the DO's account. The DO shall account for an irregularity caused by fraud, as appropriate, for the situations described in the following subparagraphs.

A. When the fraud is discovered prior to the submission of the monthly financial reports for the period during which the payment was made, the applicable voucher shall be reversed and withheld from the reports, and a loss of funds recorded in the DO's accountability (the DO still has the original payment document).

B. When the fraud is discovered after submission of the monthly financial reports which included the payment, the DO shall not adjust the accountability unless specifically directed to do so by the servicing DFAS Center.

★ 250207. Relief of Liability. Requests for relief of liability for illegal, incorrect, or improper payments caused by fraudulent claims shall be submitted as prescribed in Chapter 6 of this volume.

250208. Fraud Alert Reporting System

A. General. The Fraud Alert Reporting System is used only when an attempt to commit fraud has occurred or when a high vulnerability to fraud exists. Many of the incidents described in this paragraph are perpetrated by individuals who represent themselves as transient employees.

B. Action by DO. When it is determined that an employee is suspected of obtaining a fraudulent payment (pay, travel, or any other miscellaneous payment) by use of bogus documents and/or identification, DOs immediately shall notify the supporting DFAS Center by priority message. An information copy shall be forwarded to all the other DFAS Centers. A fraud alert report also is appropriate when a DO foresees a strong possibility of fraud being attempted by an unauthorized absentee who is knowledgeable in disbursing or pay and personnel matters. A fraud alert report shall describe the individual(s) involved in the fraud and details relating to the commission of the fraud with the expectation that this information will forewarn disbursing personnel and enable them to recognize fraudulent acts and, thereby, avoid losses. Reports of missing luggage, burglarized automobiles, and unauthorized absence of personnel in the lower pay grades usually have no value in preventing fraud. The following subparagraphs identify specifics that should be included in a fraud alert report.

1. Report fraudulent payments that have been made to anyone, especially transients, giving a description of the perpetrator, describing the type of documents used to establish fraudulent entitlement, explaining how the fraud was committed, and expressing an opinion on the likelihood of the perpetrator attempting future fraud. The description should include: name (plus known aliases); rank or rate; SSN; race; age; height; weight; color of eyes/hair; and, distinguishing characteristics and/or body marks.

2. Address the fraud alert report message only to the supporting DFAS Center with the other DFAS Centers as information addressees. Under no circumstances shall DOs address a fraud alert report to any activity other than the supporting DFAS Center.

3. Submit a fraud alert report for unauthorized absence of personnel only when the following three criteria are met.

a. The employee has possession of documents such as pay records, orders, vouchers, blank checks, etc., which could be used to obtain fraudulent payments.

b. The employee has knowledge of pay and personnel procedures necessary to commit a fraudulent act.

c. The employee has a motive to commit fraud (e.g., is facing disciplinary action, past history of substance abuse, presently encountering personal or financial problems, or past/suspected involvement in fraud or embezzlement).

C. Action by DFAS Center. Upon receipt and evaluation of the fraud alert report, the supporting DFAS Center shall issue a Fraud Alert Warning to all DOs. Fraud Alert Warnings should be retained by DOs for 1 year unless they are canceled by the issuing DFAS Center.

★2503 CLAIMS AGAINST THE GOVERNMENT

★ 250301. General. Title 31, United States Code, section 3702 (reference (e)), provides that any claim against the United States shall be forever barred unless such claim, bearing the signature and address of the claimant or an authorized agent or attorney is received by the responsible agency within 6 full years after the date such claim first accrued. This statute applies unless a claim is governed by a more specific statute which includes its own period of limitation for asserting claims against the Government.

★ 250302. Claims. The following offices have been designated as the responsible area to settle the following types of claims. Refer to appendix E for the proper address to submit claims.

A. The Defense Office of Hearings and Appeals (DOHA) has been designated as the office responsible for settling the following types of claims.

1. Military members' pay entitlements.
2. Military members' allowances.
3. Military members' travel.
4. Military members' transportation.
5. Survivor benefits.

6. Claims by transportation carriers involving amounts collected from them for damage or loss of property shipped at Government expense. Payments of claims to carriers for transportation services are further limited by 31 U.S.C. 3726 (reference (e)).

B. Claims of civilian DoD employees involving compensation or leave are handled by the Office of Personnel Management.

C. Claims involving travel, transportation or relocation expenses and allowances for civilians are the responsibility of the General Services Administration.

★ 250303. Claim Submission Procedures

A. General. All claims shall be submitted on an individual voucher basis through the use of the appropriate claim form. Each claim voucher shall identify the payee by name and either Social Security or Employer's Identification Number, as appropriate, and shall be supported by a claim over the signature and address of the claimant. When the entire amount due is recommended for setoff, the claim voucher may be submitted without a supporting claim. The claimant may state the claim directly on a dealer's bill or public voucher. Claim vouchers with supporting documents shall be submitted under a transmittal letter to the supporting DFAS Center. Vouchers covering claims chargeable to either lapsed or available appropriations shall be submitted in the original with sufficient copies for regular distribution. Claims for payments due deceased civilian employees shall be processed as prescribed in Volume 8 of this Regulation.

B. Voucher Preparation. The voucher shall contain: the name and current address of the claimant or assignee; the appropriation and other accounting data chargeable; a statement as to the purpose of the payment; a citation of the contract number, previous voucher payment(s), project order, and any other data required to process the voucher; an explanation of the difference when the recommended amount of payment is different from the amount claimed; and details regarding setoff as provided in subparagraph 250402.D, below.

C. Letter of Transmittal. The letter of transmittal shall include: a statement of facts surrounding the claim; the reason for forwarding the claim and an explanation of the doubtful aspects; a recommendation and the reason therefor or a statement that there is no specific recommendation and the reason no recommendation is made; and a statement that the DO has not paid and will not pay the claim until authorized to do so.

★ D. Setoff. In all cases involving setoff, an additional copy of the voucher shall be submitted. When it is recommended that an amount be allowed with a certain amount to be set off, the voucher shall show the amount recommended for setoff and the complete accounting data to be credited. A statement also shall be furnished showing the basis for the setoff in sufficient detail to permit adequate explanation to the claimant. If no recommendation can be made as to the amount to be set off, the amounts will be inserted on the voucher by the responsible settlement authority.

★ 250304. Review of Claims. The claims shall be reviewed by the supporting DFAS Center to determine that the claim is complete as prescribed in this section and that the claim is otherwise proper for submission to the responsible settlement authority. If submission of all or a major part of the claim to the responsible settlement authority is not required, the claim shall be returned to the submitting office with advice that all or a major portion of the claim be paid locally, a citation to the regulation(s) that authorizes or provides for such payment, and a statement, if applicable, that the doubtful portion of the claim should be resubmitted.

★ 250305. Payment of Claims After Approval by the Responsible Settlement Authority. Approved civilian or military pay claims shall be forwarded by the supporting DFAS Center to the appropriate office for payment. All other approved claims shall be paid by the supporting DFAS Center. Copies of vouchers covering approved claims paid against available appropriations shall be distributed in the same manner as other comparable vouchers. One copy of vouchers covering approved claims paid against successor appropriations shall be forwarded to the payee, one copy shall be forwarded to the office that administers the successor appropriation involved, and one copy shall be forwarded to the accountable activity.

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CHAPTER 26

AUTOMATED TELLER MACHINE (ATM) SYSTEM★2601 BACKGROUND

Currently there are two ATM systems in operation within the DoD. The Department of the Navy operates the ATM at Sea system aboard Naval ships. Sections 2602 through 2611 of this chapter prescribe the mandatory policy and procedures for accomplishing pay delivery and safekeeping of personal funds in the ATM at Sea system. Detailed procedures for operation and maintenance of the ATM at Sea system are contained in the ATM Users Documentation and Student Training Manual provided with the ATM at Sea system. The DFAS Denver Center, through its San Antonio Operating Location, operates an ATM system to accomplish pay delivery for Department of the Air Force recruits. Section 2612 of this chapter prescribes the mandatory policy and procedures for operation of the DFAS Denver ATM system.

★2602 THE ATM AT SEA SYSTEM

★ 260201. General. The ATM at Sea system is an automated mechanism to provide safekeeping of personal funds under the principles prescribed in chapter 27 of this volume. The ATM at Sea system also serves a pay delivery system which accepts an electronic transfer of net pay and allowances due to each account holder. Account holders can withdraw their funds at ATMs located on the ship in the same manner as account holders withdraw funds from their personal bank accounts through a commercial ATM.

★ 260202. Prescribed Forms. This chapter prescribes the use of specific forms to maintain the accountability of the ATM at Sea system. The Automated Teller Machine (ATM) Ledger, DD Form 2670, shall be used in lieu of the Cash on Hand Ledger Control Sheet prescribed for the safekeeping of personal funds in chapter 27 of this volume. Note: The DD Form 2670 is being revised to better accommodate the ATM at Sea system. The August, 1993 edition of the form should be used until the new revised edition is available. In Block 1, Account Name; insert the name, rank and Social Security Number (SSN) of the ATM at Sea custodial officer and in Block 2, Account Number, insert the name and hull number of the ship. In addition, Block 2, Column c, CV Number, and Column d, PV number of the current DD Form 2670 should not be used in conjunction with the ATM at Sea system. The ATM at Sea system Master File Report, addressed later in this chapter, shall be used in lieu of the Individual Ledger Sheets prescribed for the safekeeping of personal funds in Chapter 27 of this volume. The individual member's payroll leave and earnings statement (LES), in conjunction with journal receipts and monthly statements of account provided by the ATM at Sea system shall be used as the depositor's receipt for safekeeping funds in lieu of the Record and Receipt of Deposits and Withdrawals of Safekeeping Funds, DD Form 2674, prescribed by Chapter 27 of this volume.

★ 2603 ATM AT SEA CUSTODIAL OFFICER RESPONSIBILITIES

★ 260301. Letters of Appointment. As prescribed in chapter 27 of this volume, the commander shall appoint the ATM at Sea custodial officer in writing. In addition, all personnel who are required in the performance of their official duties to gain access to the ATM at Sea system, the ATMs, or handle cash in connection with the ATMs, shall be appointed in writing as assistant custodians by the ATM custodial officer. Each letter of appointment shall list the specific duties which the appointed individual is authorized to perform. Authority to perform ATM tasks shall be limited to only the appointed duties. The appointment shall be endorsed with the appointee's acknowledgment of acceptance of the duties. Individuals eligible for appointment as the ATM custodial officer and assistant custodians include, but are not limited to, disbursing officers, deputies, agents, and cashiers. Personnel appointed as assistant custodians of ATMs are responsible for balancing and replenishing the cash in the assigned ATM(s).

★ 260302. Custody of Blank ATM Cards. The ATM custodial officer is responsible for maintaining proper custody of all blank ATM cards. The ATM cards shall be safeguarded as prescribed in Chapter 7 of this volume for blank Treasury checks. The ATM custodial officer may delegate the responsibility for custody of blank ATM cards to an assistant custodian. This delegation must be made in writing. The ATM custodial officer or designated assistant custodian shall maintain a bulk ATM card log which contains the ATM card number, name, date and signature of the person to whom working stock of blank ATM cards are issued. Unused working stock shall be returned to the ATM custodial officer or designated assistant custodian at the end of each day. All blank ATM cards shall be inventoried monthly and an entry made in the bulk ATM card log to document the inventory.

★ 260303. Issue of ATM Cards. The ATM custodial officer may delegate authority to issue individual ATM cards when new accounts are opened to an assistant custodian. This delegation of authority shall be made in writing. When blank cards are issued to this authorized assistant custodian, an entry shall be made in the bulk ATM card log as prescribed in the previous paragraph. The assistant custodian authorized to issue individual ATM cards shall maintain a separate card issue log containing the card number, name and SSN of card owner, issue date, signature of the recipient, date destroyed, and the name and signature of the issuer.

★ 260304. ATM at Sea Operating Instructions. The ATM custodial officer shall include ATM at Sea operating and security procedures in local written instructions. Included in the ATM at Sea operating procedures are payroll preparation, transfer, and balancing procedures; special payment procedures; ATM replenishment procedures; ATM balancing procedures; ATM card issue procedures; and, ATM card turn-in procedures. The ATM custodial officer shall also include the ATM at Sea security procedures in the ship's security instructions.

★ 260305. Transfer of ATM at Sea Safekeeping Accounts Upon Relief. In preparation for being relieved of ATM at Sea safekeeping custodial duties, the outgoing custodial officer shall balance the ATM system by performing a complete end-of-session process. The relieving custodial officer shall verify all end-of-session reports to ensure the ATM accounts are

in balance (including a physical count of all funds held as safekeeping) and receipt for the transfer by signature below the last entry on the DD Form 2670. The original receipted DD Form 2670 shall be returned to the outgoing custodial officer and a copy retained by the relieving custodial officer. The relieving custodial officer shall start a new DD Form 2670. In the description enter Brought Forward.

★2604 ATM AT SEA SECURITY

★ 260401. ATM Physical Security. The ATMs are considered to be safes. The security instructions regarding the use of safes in chapter 3 of this volume shall be followed except that ATM TL-15 safes are authorized to hold \$130,000 vice the \$50,000 normally authorized for TL-15 safes. The ATMs shall be installed in well lighted, heavily traveled spaces. The ATMs may be alarmed and video surveillance cameras installed to deter unauthorized entry at the commander's discretion. The ATMs do not have a self-contained alarm system, but have an alarm that may be connected to the ship's security alarm system, if available. Each ATM shall be assigned to the custody of the ATM custodial officer or an assistant custodian. The assigned custodian shall be responsible for balancing and replenishing the cash in the ATM. Only the assigned custodian shall know the combination to the ATM safe. Since ATMs require moving large amounts of cash about the ship, all security instructions in Chapter 3 of this volume regarding protection of currency in transit shall be followed. In addition, each assistant custodial officer should have a separate safe exclusively for the ATM safekeeping program. If separate safes are not feasible, the ATM custodial officer must maintain custody of all personal funds represented by the ATM at Sea system and provide operating cash to the assistant custodian(s) as necessary to supply the assigned ATM(s).

★ 260402. Passwords and Security Levels. The ATM custodial officer is responsible for assigning password security levels and all responsibilities associated with maintaining proper password security. The ATM custodial officer shall assign each individual involved with the ATM at Sea system in any manner, the appropriate password security level. The functions permitted by each of the password security levels for the ATM at Sea system are provided in table 26-1. The ATM custodial officer shall be assigned the master password security level which allows access to everything related to the operation of the ATM at Sea system with the exception of discovering the other users' passwords or account holders' personal identification number (PIN). After the ATM custodial officer assigns the appropriate password security level, each assistant custodian involved with the ATM at Sea system shall secretly choose a password via the ATM terminal. This password shall allow the assigned individual access to the ATM at Sea system to perform the functions authorized by the assigned security level. The ATM at Sea system will recognize the operator and record all transactions performed. Passwords shall be changed every six months, when custodial duties are changed, or when an operator believes a password has been compromised. Under no circumstances shall any system operator passwords be written anywhere, placed in a sealed envelope, or be known to any other person.

★2605 ATM AT SEA FUNDS ACCOUNTABILITY

★ 260501. General. Funds within the ATM at Sea system are the personal funds of the individual account holders and private organizations who have established ATM accounts. Aboard Naval ships, personnel eligible to establish accounts include permanently assigned members; military and civilian personnel of the DoD on temporary duty assignment to the ship (including U.S. Marine Corps personnel aboard the ship), and private organizations (e.g., private messes) who have established ATM accounts. When funds are deposited into the ATM accounts, the ATM custodial officer assumes safekeeping responsibility for these funds. The ATM custodial officer maintains custody of the funds for all account holders in accordance with this chapter. Safekeeping funds do not qualify as public funds, and therefore, are not recorded on the disbursing officer's accountability.

★ 260502. Loss of Funds Held in Safekeeping. Any shortage of funds that is discovered in the ATM at Sea system (including all ATM shortages which occur as a result of an ATM dispense error) shall be investigated using procedures similar to the investigative procedures prescribed in Chapter 6 of this volume for a physical loss of public funds. The ATM custodial officer shall retain copies of all documents that substantiate the loss of funds. The individual account holder is responsible for any loss incurred and may attempt to recover the loss by filing a claim for loss or damage of personal property as prescribed in the Manual of the Judge Advocate General. Claims for losses which were caused by negligence of the account holder (such as when an ATM card is stolen and the card owner wrote the PIN on the card) normally will not be approved. The ATM custodial officer and assistant custodians are not pecuniarily liable for losses of personal funds in the ATM at Sea system but are subject to appropriate disciplinary actions prescribed by the Uniform Code of Military Justice.

★ 260503. Overage of Funds Held in Safekeeping. Any overage of funds that is discovered in the ATM at Sea system (including all ATM overages which occur as a result of an ATM dispense error) shall be investigated using procedures similar to the investigative procedures prescribed in Chapter 6 of this volume for an overage of public funds. The ATM custodial officer shall retain copies of all documents that substantiate the overage of funds. If the owner(s) of the funds cannot be located, the ATM custodial officer shall prepare a Collection Voucher, DD Form 1131, with credit to Forfeiture of Unclaimed Money and Property, **1060, when the amount of the overage is less than \$5 or with credit to Payment of Unclaimed Moneys (T), 20X6133, when the amount of the overage is \$5 or more. The ATM custodial officer shall provide the completed DD Form 1131 and the cash to the disbursing officer for processing.

★2606 ATM AT SEA ACCOUNTS

★ 260601. Establishing ATM Accounts

★ A. Initial ATM Card Issue When ATM at Sea System Is Installed. Before the first ATM payday, the ATM custodial officer or authorized assistant custodian shall establish an ATM account and issue an ATM card and PIN to all members who will be using the ATMs. The ATM at Sea system will automatically assign a card number to each member who is in the payroll file transferred from the payroll system to the ATM system. The issuing custodian shall

ensure that each member personally receives and signs for his or her own ATM card. The issuing custodian shall also ensure that each member is positively identified and signs the ATM Card Report when receiving the ATM card.

★ B. New Accounts. There will be a need to establish accounts for newly reported personnel (including military members and civilian employees of the Department on temporary duty to the ship), personnel participating in DD/EFT desiring to participate in the ATM program under the split-pay option, or personnel who lose their ATM card or forget their PIN. The ATM custodial officer shall develop and include procedures for opening new accounts in the official ATM operating instructions. All cards issued shall be recorded in the individual ATM card issue log as described in paragraph 260303, above. As described earlier, the ATM custodial officer may delegate in writing the authority to establish new ATM accounts. The authorized card issuing custodian shall add the card issue information to the ATM at Sea system via the Establish Account function of the system.

★ 260602. Closed and Suspended Accounts

★ A. Closed Accounts. When account holders transfer from the ship (permanent change of station, discharge, separation, etc.) or depart for an extended period of temporary duty (temporary duty of sufficient duration that the member will be dropped from the ship's payroll and included on the payroll of the temporary duty station), the ATM account shall be closed. When possible, cards of transferring account holders shall be recovered and destroyed prior to the transfer of the account holder. An entry shall be made in the ATM card issue log to reflect the account holder's transfer and destruction of the card. Also, an entry shall be made in the ATM Card Report to indicate the date of transfer and that the card has been destroyed. The ATM custodian also shall ensure that each member is positively identified and signs the ATM Card Report when turning in the ATM Card. If an account holder is transferred before closing the ATM account, the ATM custodial officer shall administratively close the account and deliver the account holder's account balance to the DO in exchange for a U.S. Treasury check. The check shall be drawn payable to the account holder. The object for which drawn shall be "Exchange-for-Cash, ATM Account of (name, rank or rate). The check shall be forwarded with a letter of transmittal to the commander of the activity to which the account holder was transferred for delivery to the account holder and request acknowledgement of receipt of the check and return of the ATM card. The transaction shall be recorded on DD Forms 2670 and 2671. In the event such a Treasury check is returned as undeliverable and the payee cannot be located, the DO shall process the check as a collection using DD Form 1131. If the amount of the check is less than \$5, the DD Form 1131 shall be processed with credit to Forfeitures of Unclaimed Money and Property, **1060. If the check is \$5 or more, the DD Form 1131 shall be processed with credit to Payment of Unclaimed Moneys (t), 20X6133. The DD Form 1131 shall include all information available as to the identity and last known address of the payee. Any claim subsequently received for the funds shall be forwarded, with a copy of the DD Form 1131, to DFAS Cleveland Center for processing.

★ B. Suspended Accounts. The ATM accounts of deceased or unauthorized absentees shall be suspended immediately (placed on hold). Deposits and withdrawals are not authorized while the account is in a suspended status. The appropriate reason for suspending the account shall also be annotated. For deceased members, the ATM account shall remain in suspended status until the member's personal effects are prepared for shipment to designated survivors, at which time the ATM custodial officer will administratively close the account and deliver the funds to the DO. The DO shall issue a U.S. Treasury check payable to the payee designated by the officer (or inventory board) appointed by the commander to take custody of the deceased member's personal effects. The object for which drawn shall be "Exchange-for-Cash, ATM Account of (name, rank or rate)". The check shall be delivered to the designated officer or inventory board for appropriate disposition. For unauthorized absentees, the account shall remain in suspended status until the member has been officially reported as returned from unauthorized absence on the daily muster report. If an unauthorized absentee is declared a deserter, the ATM custodial officer shall close the account and all funds in the account shall be delivered to the DO. The DO shall prepare a U.S. Treasury check payable to the payee designated by the officer (or inventory board) appointed by the commander to take custody of the deserter's personal effects. The object for which drawn shall be "Exchange-for-Cash, ATM Account of (name, rank or rate)." The check shall be delivered to the designated officer or inventory board for appropriate disposition. The custodial officer shall obtain a receipt from the designated officer or inventory board and record the transaction on DD Forms 2670 and 2671.

★2607 ATM AT SEA SYSTEM TRANSACTIONS

★ 260701. Deposits to the ATM at Sea System Accounts

★ A. Payroll Transfer Verification. Payroll processing must begin at least five working days prior to the scheduled payday. This is to ensure that any problems encountered can be identified and corrected before payday. From the payroll system, print an ATM participation report which lists all members whose pay will be downloaded to the ATM at Sea system. The ATM participation report shall be verified to ensure that the pay for DD/EFT participants, discharged and transferred account holders, and unauthorized absentees will not be downloaded to the ATM at Sea system. After the verification has been accomplished, the payroll processing can be completed. To substantiate the semimonthly regular payroll, the DO shall prepare a payroll voucher and a Treasury check made payable to the ATM custodial officer for the total amount of the payroll. The payroll voucher and Treasury check shall be recorded on the DD Form 2657 in the normal manner as a check issue on line 2.1A and a gross disbursement on line 4.1A. Depending on the payroll system used by the ship, the Treasury check is either prepared automatically by the payroll system terminals in the disbursing office or by the automated data processing division.

★ B. Payroll Deposits. Payrolls should be transferred to the ATM at Sea system at least three working days before the schedule payday. This ensures problems encountered in the transfer process can be identified and corrected before payday. When the payroll transfer has been completed, the ATM at Sea System's Payroll Audit Report shall be printed and verified to

ensure the correct total for the payroll has been transferred. If there is any correction to be made, a payroll adjustment transaction shall be accomplished as prescribed in paragraph 260703, below.

The Treasury check and a copy of the payroll shall be delivered to the ATM custodial officer. The payroll transfer shall be recorded on the Automated Teller Machine (ATM) Ledger, DD Form 2670, as a deposit. See figure 26-1. A copy of the payroll shall be filed with the safekeeping records for audit purposes.

★ C. Terminal 99 Deposit Transactions for ATMs at Sea. The ATM at Sea system does not permit account holders to make deposits to their accounts at the ATMs. Generally, the best method for individual deposit transactions is to permit account holders to conduct deposit activities during normal check cashing hours. The ATM custodial officer or assistant custodian appointed to perform these deposit transactions should be assigned password security level 2 access in order to complete the entire transaction without assistance. The ATM custodial officer or assistant custodian authorized to perform Terminal 99 transactions shall maintain ATM Cash Transaction Ledger, DD Form 2671, as shown in figure 26-2. To perform a Terminal 99 deposit, the appointed individual accepts money from the account holder, enters the deposit on Terminal 99, records the entry on DD Form 2671, and gives the depositor a journal receipt. All Terminal 99 deposits shall appear on the end-of-session reports. After every end-of-session report, the total Terminal 99 deposits shall be recorded on the DD Form 2670.

★ 260702. Withdrawals from the ATM at Sea System Accounts

★ A. General. Normally, withdrawals from the individual ATM at Sea system accounts shall be accomplished through the ATMs by the account holders using their ATM card and PIN. When Point-of-Sale (POS) terminals are added in the ship's stores and post offices, the ATM system will generate a POS report. Compare the report totals to the journal receipts. If the totals agree, the ships store or postal collection agent will present these journal receipts to the safekeeping custodial officer who in turn will provide cash from safekeeping funds equal to the journal receipts. The custodial officer shall report the transaction on the DD Form 2670 as a POS ships store or post office withdrawal. The POS activity shall prepare the appropriate collection voucher and provide the collection voucher and cash to the disbursing officer for processing. Retain ATM journal receipts for a period of three months.

★ B. Terminal 99 Withdrawal Transactions for the ATM at Sea System. Terminal 99 withdrawals shall be used only when the account holder cannot use the ATM to make the withdrawal. Situations which require withdrawals through Terminal 99 include mechanical difficulties with the ATM; an account holder closing an ATM account (such as when transfer, separation, or discharge is imminent); and a withdrawal when an account balance is less than \$5. The ATM custodial officer or assistant custodian appointed to perform Terminal 99 withdrawal transactions should be assigned password security level 2 access in order to complete the entire transaction without assistance. The designated custodian shall maintain DD Form 2671 (figure 26-2) as prescribed in subparagraph 260701.C, above. To perform a Terminal 99 withdrawal, the designated custodian enters the withdrawal on Terminal 99, obtains the account holder's signature on DD Form 2671, and dispenses the cash and a journal receipt of the

transaction to the account holder. At the option of the ATM custodial officer, Terminal 99 withdrawals may be authorized when an account holder's balance is less than \$5, but the account holder is not closing the account, transferring, separating, or being discharged. The ATM custodial officer shall establish the policy of whether account holder's will be permitted to withdraw remaining funds, of less than \$5, after they have withdrawn the maximum permissible from the ATMs. If the ATM custodial officer authorizes this function, specific hours of operation shall be established when the designated assistant custodian will be available to provide the service. Note: This local policy shall not apply to account holder's who are closing their accounts due to transfer, separation, or discharge. All Terminal 99 withdrawals shall appear on the end-of-session reports. After every end-of-session report, the total Terminal 99 withdrawals shall be recorded on the DD Form 2670.

★ 260703. ATM at Sea Account Adjustments. The ATM at Sea system allows account balances and pending payroll amounts to be adjusted. While deposits and withdrawals require the presence of the account holder (the evidence of which is the entry of the PIN in the ATM or personal visit of the account holder to the designated Terminal 99 custodian for a Terminal 99 transaction), adjustments do not require the account holder to be present. Therefore, the adjustment function shall be limited to the highest system access of password security. Adjustments shall be used judiciously and shall never be used when a deposit (Terminal 99) or withdrawal (ATM or Terminal 99) transaction will serve the same purpose. When the ATM custodial officer must remove money from an account without the account holder's presence, a negative adjustment shall be used. Situations which require a negative adjustment transaction are explained in the following subparagraphs.

★ A. Payroll Transfer Error. In cases where it is discovered during the payroll transfer verification that an ATM at Sea account was credited with more money than the payee was due, the ATM custodial officer shall process a negative adjustment to correct the error. In this type of situation, where the account holder is not to receive the money, a Collection Voucher, DD Form 1131, shall be prepared to document the negative adjustment and credit the funds back to the military pay appropriation. The DD Form 1131 and the cash shall be provided to the DO who shall ensure a corresponding adjustment to the master military pay account (MMPA) is processed to correct the member's pay account. The DD Form 1131 shall include an explanation of the purpose of the adjustment (e.g., negative adjustment to correct payroll transfer error). The ATM custodial officer shall record the transaction on the DD Form 2670 as a withdrawal. The DO shall include the DD Form 1131 on the DD Form 2657 as a refund on line 4.1B and an increase to U.S. currency on hand on line 6.2A.

★ B. Refunds to Account Holders. Under certain circumstances, such as when an account holder is on temporary duty and is reassigned to a new duty station without return to the ship, it will be necessary for the ATM custodial officer to process a negative adjustment to close the ATM at Sea account and forward the account balance to the account holder. The ATM custodial officer shall process the negative adjustment and provide the cash balance of the account to the DO in exchange for a Treasury check. The DO shall issue a Treasury check payable to the account holder for the amount of the adjustment. See paragraph 260602, above.

The ATM custodial officer shall record the transaction on the DD Form 2670 as a withdrawal. The DO shall record the exchange-for-cash check transaction on the DD Form 2657 as a check issue on line 2.1A and an increase to U.S. currency on hand on line 6.2A.

★2608 BALANCING THE ATM AT SEA SYSTEM

★ 260801. General Requirements. Complete balancing and reconciliation of the ATM at Sea system shall be accomplished not less frequently than: once each week; the last day of each month; and at any time when the ATM custodial officer suspects that an irregularity or system malfunction has occurred. Balancing is accomplished by generating specific ATM at Sea system reports (referred to as end-of-session reports); counting the cash on hand; replenishing the ATM cash canisters; collecting the ATM Journal Tapes and Receipt Printer Tapes; and comparing the actual cash on hand account balance to the system generated reports and DD Form 2670. The ATM Journal Tapes and Receipt Printer Tapes shall be retained for a period of 3 months after which they may be destroyed if no longer needed to resolve an ATM out-of-balance condition or to document an ATM pay discrepancy. During the report generation process, the ATM at Sea system is shut down. The ATM custodial officer must pay close attention to this process and accomplish the ATM balancing expeditiously in order to avoid the perception that the system is out of order, which results in an inconvenience to the account holders as well as a loss of faith in the system's ability to secure and deliver their cash on an around-the-clock basis. With proper planning, balancing the ATM system and generating the reports will become a routine function and should not interfere with the account holders' cash withdrawal habits.

★ 260802. End-of-Session Reports for the ATM at Sea System. End-of-Session is the process used to balance the ATM at Sea system and backup all data files and records. The backup tapes created during the end-of-session shall be kept in a secure place and be available to reconstruct the ATM accounts in the event fire or other catastrophe causes the loss of the current system data base. The end-of-session process can generate five reports to facilitate system balancing. Four of the reports (Grand Total Terminal Balance Report, Dispense Error Transaction Report, Deposit Audit Report, and Excessive Activity Report) are mandatory and shall be generated during every end-of-session process. The fifth report (Terminal Balance Report) shall be generated as needed to resolve out-of-balance conditions. When an ATM custodial officer is relieved of custodial duties, the outgoing ATM custodial officer shall run a complete end-of-session and balance the ATM accounts. The relieving ATM custodial officer shall verify and sign the DD Form 2670 prepared by the relieved custodial officer. The relieving custodial officer shall prepare a new DD Form 2670. In the description block, enter the amount brought forward from the relieved custodial officer.

★ A. Grand Total Terminal Balance Report. The Grand Total Terminal Balance Report provides all terminal summary totals required for ATM at Sea system balancing. The report shows by terminal the total deposits, custodial officer deposits and withdrawals (Terminal 99), ATM withdrawals, and ATM adjustments. It also shows the grand total of all transactions since the previous end-of-session. The report provides an ATM system summary by indicating the beginning balance, the ending balance, and the monetary difference between the beginning

and ending balance. This monetary difference must be equal to the grand total of all transactions since the previous end-of-session or the system is out-of-balance. The Grand Total Terminal Balance Report also provides the monetary balance of the account file (the total of the individual accounts). The account file balance and the ending balance must be the same. Note that these two balances must also equal the ATM ledger balance shown on the DD Form 2670. Error messages and out-of-balance alerts are also printed on the report when the system detects an out of balance condition. Unresolved differences in the ending balance and the account file balance shall be identified as losses or overages of funds as prescribed in section 2605, above. The Grand Total Terminal Balance Report shall be retained in the ATM Records file for a period of 1 year, then destroyed if no longer needed. For assistance in resolving an out-of-balance condition contact the ATM at Sea Fleet Support Group.

★ B. Dispense Error Transaction Report. The Dispense Error Transaction Report is used to track possible dispense errors. When the report indicates possible dispense errors, the ATM custodial officer shall print the Terminal Balance Report for the indicated terminal(s) and compare the ATM Journal Tapes to the Terminal Balance Report to resolve the error. The report shall be retained by the ATM custodial officer as necessary to document dispense errors and support requirements for ATM maintenance and/or repairs.

★ C. Deposit Audit Report. The Deposit Audit Report lists all deposits made using Terminal 99 since the previous end-of-session. The report shall be retained for cash verification purposes.

★ D. Excessive Activity Report. The Excessive Activity Report lists the transactions made by a particular account holder if that account holder has accomplished five or more transactions since the previous end-of-session. The report could indicate equipment malfunction based on a pattern of irregularity or could indicate that account holders are experiencing difficulty in performing some functions. The report shall be retained by the ATM custodial officer as required to document unusual, irregular, or potentially fraudulent transactions made by an account holder.

★ E. Terminal Balance Report. The Terminal Balance Report lists all transactions performed on each ATM. The report can be generated for all terminals or for a selected terminal or terminals. The Terminal Balance Report shall be generated as necessary to locate and resolve out-of-balance conditions with the ATM Cash Balance Sheet, DD Form 2672, and to locate and correct possible dispense error transactions as indicated on the Dispense Error Transaction Report. After balancing the Terminal Balance Report with the DD Forms 2672 and resolving dispense errors, the report shall be attached to the Grand Total Terminal Balance Report for retention. The DD Form 2672 is being revised to better accommodate the ATM at Sea system. The August, 1993 edition of the form should be used until the new revised edition is available.

★ 260803. Balancing Assistant ATM Custodians. Each assistant custodian assigned responsibility for keeping one or more ATMs supplied with cash shall maintain a separate ATM

Cash Balance Sheet, DD Form 2672, for each assigned ATM. The ATM custodial officer is responsible for providing each assistant custodial officer with ATM operating cash for the assigned ATM(s). Cash funds for the assigned ATM(s) shall not be advanced from public funds. Funds represented by the ATM at Sea system are the personal funds of the account holders and are held in safekeeping for their convenience. The ATM custodial officer should advance funds from safekeeping to the assistant custodians in the exact amount that can be loaded into the ATM canisters. The ATM custodial officer shall use the Statement of Agent Officer's Account, DD Form 1081, to document the advance and provide appropriate custody and audit trails. The DD Form 1081 shall be annotated in block 10 or 11 as Advance to ATM Safekeeping Custodian. The DD Form 1081 shall not be reported as a part of the disbursing officer's accountability for public funds. All individuals appointed as assistant ATM custodians (including those appointed to perform ATM Terminal 99 functions for the ATM at Sea System) shall be balanced as a part of the ATM balancing process. While the end-of-session for the ATM at Sea system report generation process is running, each individual appointed as a custodian of an ATM shall: retrieve the cash canisters from the ATM; count the cash in the canisters and prepare DD Form 2672 (see figure 26-3); replenish the cash in the canisters, if necessary; and, return the cash canisters to the ATM. The ATM custodial officer shall compare the DD Forms 2672 with the Grand Total Terminal Balance Report to ensure that the cash dispensed (as indicated by the report) is in agreement with the actual cash dispensed (as verified by actual count of the remaining cash in the canisters and subtracting this amount from the beginning cash balance loaded in the canisters during the previous end-of-session). If the cash balances are not in agreement, the Terminal Balance Report shall be generated for the individual terminal or terminals involved to locate and correct the error. A copy of the DD Forms 2672 shall be attached to the Grand Total Terminal Balance Report. To document the daily ATM at Sea Terminal 99 transactions which affect cash balances, the DD Form 2671 (figure 26-2) shall be used. A copy of the DD Form 2671 shall be attached to the Terminal 99 transactions report.

★ 2609 ATM AT SEA SYSTEM REQUIRED MANAGEMENT AND CONTROL REPORTS

★ 260901. Master File Report. The Master File Report lists each account holder, current balance, and other information on ATM transactions. The report shows this information as of the time it is extracted and can be used to reconstruct accounts if necessary. The report can be extracted in several formats (e.g., by account number, account name, or card number) and also can be tailored to print specific accounts (e.g., active, on hold (suspended), closed, pending payroll, or dormant). While the Master File Report can be extracted periodically, the entire report (listing all accounts) shall be run every day. Once a new report is obtained, the previous report may be discarded. At least once each month, the ATM custodial officer shall extract a list of all closed and dormant accounts for audit. Closed accounts shall not be deleted from the system for 30 days. After 30 days, if no funds are in these closed accounts, they shall be deleted from the system. If funds are still in these accounts after 30 days, adjustment action shall be taken to close the account and forward the balance of the account to the account owner using an exchange-for-cash Treasury check as prescribed in paragraph 260602, above.

★ 260902. Daily Activity Report. The Daily Activity Report shows all daily menu selections that each appointed custodian has performed on Terminal 99 since the last end-of-session. The report specifies the date, time, operator's initials, and menu item number for each function performed on the terminal. The ATM custodial officer shall generate this report daily and shall review the report to ensure that only specifically authorized functions are being performed by the custodians. The report shall be retained one week or until the ATM custodial officer is satisfied that the appointed custodians are performing only their authorized functions.

★ 260903. Customer File Maintenance Report. The Customer File Maintenance Report lists all deposits, withdrawals, and account adjustments recorded on an account holder's account from the terminal. The report includes the: account holder's name and account number; initials of the custodian who performed the transaction; type of transaction; amount of funds involved in the transaction, if any; and, transaction date, time, and sequence number. The ATM custodial officer shall generate and review this report daily in conjunction with the Daily Activity Report. The Customer File Maintenance Report shall be retained for one year.

★ 260904. Account Statements for the ATM at Sea System. The ATM system can produce account statements for each account holder. These statements show all ATM transactions since the previous statement. These account statements shall be printed and provided to ATM account holders upon request. Computer memory in the ATM system is limited. Moving old statement data records to backup tape frees additional space for system processing use. The ATM custodial officer shall backup the statement data files to tape every six months. The backup tapes shall be stored for a period of two years; then the oldest tape may be destroyed.

★2610 MANUAL MAINTENANCE OF ATM AT SEA SYSTEM ACCOUNTS

If for some reason it becomes necessary to maintain the ATM accounts manually, such as a possible ATM central processing unit (CPU) failure, the Master File Report and the latest audit tapes shall be used to ascertain the current account balances. The first step is to compare the journal tapes with the previous Master File Report to determine what transactions have occurred since the last Master File Report was run. Next, manually adjust the account balances of the individual accounts involved. Finally, record on the DD Form 2670 and Record of ATM System Manual Withdrawals, DD Form 2673, all transactions that have occurred since the previous end-of-session for the ATM at Sea system. Should prolonged system failure be anticipated requiring accounts to be maintained manually, no further deposits shall be allowed while the system is down. When an account holder desires to make a withdrawal, the account holder must withdraw the entire balance of the account. The account holder's signature shall be obtained acknowledging receipt of the funds using DD Form 2673 (figure 26-4). When the ATM system is returned to operational status, adjust the balances to reflect the withdrawals made while in the manual mode. Immediately print a Master File Report and verify all manual adjustments. The difference must be equal to the total of all manual withdrawals performed while the system was down. The ATM Safekeeping Custodial Officer should contact the ATM at Sea Fleet Support

Office by message or phone at commercial (757) 523-8034 (DSN 565-8034) for assistance in resolving system failures.

★2611 CASH VERIFICATION REQUIREMENTS FOR THE ATM AT SEA SYSTEM

The ATM at Sea system is subject to the quarterly cash verification requirements. At unannounced intervals, not less frequently than once each quarter, the cash verification team appointed by the commander shall verify all safekeeping deposits in the presence of the ATM custodial officer. Specific requirements for conducting the verification are prescribed in Chapter 27 and Appendix A of this volume.

★2612 ATM SYSTEM FOR RECRUITS

★ 261201. General. The ATM system operated for payment of recruits is an extension of the paying disbursing office to accomplish cash payment to the recruits. It is not an automated mechanism for providing continual access to funds or safekeeping of funds. For each designated payment date, the amount to be paid the recruits is computed by the appropriate military pay system. The disbursing officer or a designed deputy disbursing officer or agent then loads the ATM cannisters with the appropriate amount of cash to accomplish the required payroll. An ATM account is established for each recruit to be paid. The value of the ATM account for each recruit is established as the amount to which the recruit is entitled. Each recruit is issued an ATM card for access to his or her ATM account. At the designated time, the recruit can then withdraw the desired amount of funds, not to exceed the amount to which entitled. The amount actually withdrawn by the individual recruit becomes the amount posted to the pay account as the amount paid. The account balance is then reduced to zero. As an extension of the disbursing office, all security requirements prescribed in Chapter 3 of this volume for protection and safeguarding of public funds are applicable. Complete balancing and reconciliation of the ATM system shall be accomplished daily.

★ 261202. Withdrawals. Withdrawals from the individual ATM accounts shall be accomplished through the ATMs by the account holders using their ATM card. All withdrawals from the ATM accounts shall be disbursed from the appropriate military pay appropriation which supports payment to the members involved. At the end of each business day, the end-of-day ATM balancing reports shall be generated and used as supporting documentation for the payroll. A covering Payroll Voucher, DD Form 117, shall be prepared for the amount of the payroll (amount actually withdrawn from the ATM system) and processed in the same manner as any other cash payroll. The DD Form 117 shall be included in the DO's accountability on DD Form 2657 as a gross disbursement on line 4.1A and a decrease to U.S. currency on hand on line 6.2A.

★ 261203. End of Day Balancing. The end of day balancing is the process used to balance the ATM system and backup all data files and records. On a daily basis, a printout shall be obtained from each ATM. This printout shows the number of remaining bills that should be in each canister. The disbursing officer, designated deputy or agent shall total the remaining bills listed on the printout to arrive at the total amount of funds that should be on hand in the ATM.

The funds remaining in each container shall then be counted in the presence of the disbursing officer, deputy or agent. The total funds remaining should equal the predetermined amount. At this time the actual amount remaining is subtracted from the total amount loaded in the ATM at the beginning of the business day. The result gives the total amount paid. The Training Military Pay Section (TMPS) will process an end of day procedure which will generate payment listings to support payments made through the ATM(s) for that day. The listings indicate name, Social Security Number, and amount paid as well as total amount paid to all individuals. The total of the listings prepared must equal the amount arrived at earlier by the disbursing officer, deputy and/or cashier. Differences in the ending balance and the payment listings shall be accounted for as physical losses or overages of funds as described below.

★ A. Physical Loss. If the ending balance is less than the payment listing, the resulting discrepancy shall be considered as a physical loss of funds. The procedures in Chapter 6 of this volume for reporting, investigating and requesting relief of liability for physical losses of public funds apply.

★ B. Overage. If the ending balance is more than the payment listing, the discrepancy shall be considered as an overage of funds. The procedures in Chapter 6 of this volume for reporting and resolving overages of public funds apply.

ATM AT SEA SECURITY LEVELS AND FUNCTIONS	
LEVEL	FUNCTIONS PERMITTED
1	All functions are permitted. Only the ATM Custodial Officer can be assigned to this level.
2	All functions are permitted except the following: Payroll/Balance Adjustments (Menu item #8) File Maintenance (Menu item #14) Backup and Recovery (Menu item #15)
3	Only the following functions are permitted: Account Inquiry (Menu item #4) Customer Search/Assistance (Menu item #5) UMIDS/SJUMPS Payroll (Menu item #9) Manual Payroll (Menu item #10) Reports (Menu item #11) Statements (Menu item #12)
4	Only the following functions are permitted: Open/Establish Accounts (Menu item #1) Change Account (Menu item #2) Close Account (Menu item #3) Account Inquiry (Menu item #4) Customer Search/Assistance (Menu item #5) Reports (Menu item #11)
5	Only the following functions are permitted: Account Inquiry (Menu item #4) Customer Search/Assistance (Menu item #5) Reports (Menu item #11)
6	This level is used only for social security/account number verification.

Table 26-1. ATM at Sea Password Security Levels

[illegible]

DD Form 2670, AUG 93

★Figure 26-1. Sample DD Form 2670, Automated Teller Machine (ATM) Ledger

[illegible]

DD Form 2671, AUG 93

★Figure 26-2. Sample DD Form 2671, Disbursing Office ATM Cash Transaction Ledger

ATM CASH BALANCE SHEET		1. ACTIVITY USS UNDERWAY (CGN-210)
		2. DATE 13 JAN XX
		3. ATM NO. 1
	BILLS	CASH
4. CASH TO START		
a. \$20 BILLS	900	18,000.00
b. \$5 BILLS	400	2,000.00
c. TOTAL (4a + 4b)	1,300	20,000.00
5. CASH ADDED TO ATM		
a. \$20 BILLS		
b. \$5 BILLS		
c. TOTAL (5a + 5b)	0	0.00
6. GRAND TOTAL (4c + 5c)	1,300	20,000.00
7. CASH REMAINING IN ATM		
a. \$20 BILLS	139	2,780.00
b. \$5 BILLS	40	200.00
c. TOTAL (7a + 7b)	179	2,980.00
8. REJECTS (Cash in reject tray)		
a. \$20 BILLS	1	20.00
b. \$5 BILLS	2	10.00
c. TOTAL (8a + 8b)	3	30.00
9. TOTAL CASH REMAINING (7c + 8c)		3,010.00
10. TOTAL CASH DISPENSED (6 - 9)		16,990.00
11. REPORTED CASH DISPENSED		16,990.00
12. DIFFERENCE (+/- 10,11)		0.00
13 REMARKS		

DD Form 2672, AUG 93

Figure 26-3. Sample DD Form 2672, ATM Cash Balance Sheet

RECORD OF ATM SYSTEM MANUAL WITHDRAWALS		1. DATE	2. PAGE NO.
		January 15, 19XX	1
3. NAME	4. SOCIAL SECURITY NUMBER	5. AMOUNT	6. SIGNATURE
W. FREEMAN	123-45-6789	500.00	
J. KOVACH	234-56-7890	500.00	
M. BRITT	345-67-8901	500.00	
M. JESSE	456-78-9012	500.00	
J. YOUNGS	567-89-0123	500.00	
B. COLE	678-90-1234	500.00	
TOTAL PAGE		3,000.00	

DD Form 2673, AUG 93

★Figure 26-4. Sample DD Form 2673, Record of ATM System Manual Withdrawals

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- 2704 Balancing and Verification of Safekeeping Deposits

CHAPTER 27

SAFEKEEPING OF FUNDS AND VALUABLES (OTHER THAN PUBLIC FUNDS)2701 AUTHORITY FOR SAFEKEEPING DEPOSITS

★ 270101. Authority. All DoD DOs, deputies, and agents are authorized to accept for safekeeping the funds of morale and welfare support activities, including cash and checks, for which safe custody would not otherwise be available. When a DO is not available, or when it is impractical for the DO to accept and account for safekeeping deposits, the commander may designate any military member or DoD civilian employee as a safekeeping custodian to accept and account for these safekeeping deposits, provided a suitable safe is furnished and appropriate audit procedures are established. The procedures prescribed in section 2702, below, shall be followed for safekeeping of funds for morale and welfare support activities. DOs, deputies, agents or other specifically appointed custodians are authorized to accept for safekeeping the personal funds and valuables of permanently assigned members as well as military and DoD civilian personnel on temporary duty assignment to the activity. See section 2703, below, and for Naval vessels equipped with the ATM at Sea system, Chapter 26 of this volume. In all cases, funds and/or valuables accepted for safekeeping are not public funds and shall not be considered as a part of the DO's financial accountability for public funds.

★ 270102. Restrictions. All deposits and withdrawals are subject to the commander's local regulations which, based on the available facilities, shall establish necessary and proper restrictions as to the time, place, and frequency of deposits and withdrawals, and the type of objects classified as valuables. Necessary restrictions must be imposed so as not to interrupt the activity's priority operations, such as special and regular payrolls. Also, this service shall not be abused by the deposit of objects which, because of their nature or value, are not usually afforded additional protection. Deposits of valuables shall be limited to funds, negotiable instruments (bonds, credit cards, traveler's checks, check books, etc.), and objects classified as jewelry having an intrinsic value requiring additional protection. Objects such as wallets, snapshots, keys or letters having no intrinsic value to justify additional protection shall not be accepted for safekeeping. For the ATM at Sea system addressed in Chapter 26 of this volume, safekeeping deposits shall be limited to the personal funds of the depositors.

270103. Responsibility for Deposits

A. Custodial Officers. Custodial officers are held responsible for the proper handling and accounting for all safekeeping deposits. If a loss is sustained, the depositor shall be advised of the right to submit a claim for reimbursement for loss of personal property as provided in DoD Component regulations. Submission of a claim need not be deferred to await findings of any investigation initiated to determine responsibility for the loss.

★ B. Assistant Custodians. Within activities where the volume or nature of safekeeping deposit transactions so warrant, an assistant custodian shall be appointed by the custodial officer (who is appointed by the commander) for initial receipt and temporary custody of safekeeping deposits pending delivery to the designated custodian. Separate safekeeping facilities, to which no other person may have access, shall be provided to the assistant custodian for safeguarding funds and valuables. All custody transfers between the custodian and assistant custodians shall be covered by receipt. An assistant custodian is responsible for the proper handling of and accounting for all safekeeping deposits received and for prompt delivery of all safekeeping deposits to the custody of the permanent custodian.

270104. Deposit of Postal Funds. Safekeeping deposits of postal funds as prescribed in DoD Manual 4525.6-M (reference (ao)) shall be received and handled as prescribed in paragraph 270201, below. The deposit shall be identified as "postage stamp fund" or "postal money order funds," as applicable, on the safekeeping deposit receipt.

270105. Deposit of Funds Under Emergency Conditions. Safekeeping deposits of funds by MBFs, non-appropriated fund custodians, and other DoD-sponsored activities shall be received and handled as prescribed in paragraph 270202, below. The safekeeping deposit receipt shall identify appropriately the depositing agency, custodian making the deposit, and the deposit itself.

★2702 SAFEKEEPING OF FUNDS – MORALE AND WELFARE SUPPORT ACTIVITIES

★ 270201. Accounting for Separate Funds. Except as provided in paragraph 270202, below, and in Chapter 26 of this volume for the ATM at Sea program, each safekeeping deposit shall be placed in a separate sealed envelope bearing the deposit number, the name of the depositor, and the amount of the deposit. The safekeeping custodial officer shall issue a receipt using DD Form 2674 (Record and Receipt of Deposits and Withdrawals of Safekeeping Funds) for each deposit. The receipt shall identify appropriately the depositor, date of deposit, and the amount deposited. Deposit numbers shall be assigned to each receipt in a consecutive series beginning with "1." The receipt portion of DD Form 2674 shall be furnished to the depositor and the record portion shall be retained by the custodial officer. When the depositor desires to withdraw the safekeeping deposit, the depositor shall present the receipt to the custodial officer. After the identity of the depositor and authenticity of the receipt have been established, the depositor shall acknowledge receipt of the deposit by signature and date in the space provided on the record portion of DD Form 2674. The identical currency which was presented by the depositor shall be returned to the depositor when the deposit is withdrawn.

★ 270202. Accounting for Commingled Funds. At non-tactical activities and Naval vessels equipped with the ATM at Sea system, where the volume of safekeeping deposits warrants--and it is desirable to provide for more than one deposit or more than one withdrawal in safekeeping deposit accounts, custodial officers are authorized to commingle safekeeping funds. However, the safekeeping funds shall be placed in a separate container identified as safekeeping funds and never shall be commingled with official funds. At activities other than Naval vessels,

if the total value of commingled safekeeping funds on hand is normally large, a bank checking account may be established as provided in paragraph 270203, below.

A. Deposits

1. Receipt for Deposit. DD Form 2674 shall be issued for each deposit. Deposit numbers shall be assigned in a consecutive series beginning with "1" and preceded by the letter "D." Each depositor shall be assigned a depositor's account number using a consecutive series of numbers beginning with "1." The DD Form 2674 shall appropriately identify the depositor, depositor's account number, date of deposit, and the amount deposited. The receipt portion of DD Form 2674 shall be furnished to the depositor and the record portion shall be retained by the custodial officer.

2. Individual Ledger Sheets. The custodial officer shall maintain a separate ledger sheet for each depositor. The heading of the ledger sheet shall include the following information: depositor's account number; name and location of the depositing morale and welfare activity; and the signature of the morale and welfare activity representative making the deposit. The amount of each deposit shall be entered in the debit column of the ledger sheet and the total amount on deposit shall be entered in the balance column. The date of each deposit and the deposit receipt number shall also be entered in the ledger.

3. Cash-on-Hand Ledger Control Sheet. In addition to the individual ledger sheets described in the preceding subparagraph, the custodial officer shall maintain a cash-on-hand ledger control sheet. The amount of each deposit shall be entered in the debit column of the ledger control sheet and the total amount on deposit by all depositors shall be entered in the balance column. If preferred, daily summary posting may be made to the ledger control sheet showing inclusive deposit numbers. The balance of the ledger control sheet must agree with the aggregate of balances in the individual depositors' ledger sheets.

★ B. Withdrawals. The depositor shall present the original deposit receipt(s) to the custodial officer when withdrawing the entire balance on deposit. If the depositor only wishes to withdraw a portion of the balance on deposit, the depositor shall provide a signed request for withdrawal of the desired amount to the custodial officer. The custodial officer shall verify the depositor's balance in the account and shall verify the depositor's signature requesting withdrawal with the depositor's signature on the deposit record and/or the individual ledger sheet. After verification, the custodial officer shall enter a withdrawal number on the withdrawal request. A series of consecutive numbers beginning with "1" and preceded by the letter "W" shall be used as withdrawal numbers. If the withdrawal is paid in cash, receipt shall be obtained from the depositor. For withdrawals by check as authorized in paragraph 270203, below, the check number shall be entered on the withdrawal request. The withdrawal shall be entered as a credit in the depositor's individual ledger sheet and the custodial officer's ledger control sheet. In lieu of individual entries in the custodial officer's ledger control sheet, a daily summary posting may be made showing inclusive withdrawal numbers.

270203. Bank Account Procedures

A. General. Upon approval of the commander, and providing that the amount of safekeeping funds available for deposit is large enough to preclude the payment of bank service charges or other fees, custodians of commingled safekeeping funds are authorized to establish and maintain a checking account in a local bank for deposit of safekeeping funds. Such accounts shall be maintained only in banks or savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) or credit unions insured by the National Credit Union Share Insurance Fund (NCUSIF). Funds in excess of the insured limits shall be collateralized by the financial institution in accordance with Treasury Department Circular 176 (reference (bm)). The account shall be established in the name of the disbursing activity, the safekeeping fund, and the custodian (e.g., "U.S. Naval Activity, Boston, MA, Safekeeping Deposit Fund, LT J. A. Hancock, SC, USN, Custodian"). If the total balance on deposit in the checking account exceeds \$40,000, a report shall be made in accordance with Volume 13 of this regulation. No investments or loans shall be made from safekeeping deposit funds. When use of a bank account for deposit of safekeeping funds is authorized, the procedures in the following subparagraphs shall be followed for maintenance of the safekeeping fund bank checking account.

B. Check Records. All checks shall be prenumbered serially. A complete record of all checks drawn and deposits to the safekeeping checking account and a running bank balance shall be maintained in the checkbook. Bank statements shall be reconciled immediately upon receipt and paid checks returned from the bank shall be filed with the corresponding bank statement. Spoiled checks shall be marked "VOID" and filed in sequence with the paid checks returned from the bank.

C. Deposits to Safekeeping Fund Bank Account. Checks, money orders, and cash received for safekeeping, except cash required to be kept on hand to meet safekeeping withdrawal requirements, shall be deposited promptly to the bank account. Checks and money orders may be accepted for deposit to the safekeeping fund bank account subject to collection. Withdrawals, however, shall not be authorized until sufficient time has elapsed for clearance of the checks and money orders through the banking system.

D. Disbursements from Safekeeping Fund Bank Account. Withdrawals of safekeeping funds should be paid by checks issued on the safekeeping deposit fund bank account whenever practical. Checks shall be drawn on the safekeeping fund account only for: payment to a depositor for withdrawal; an authorized transfer of a depositor's account to another activity; exchange-for-cash checks for replenishment of cash on hand needed to meet safekeeping withdrawal requirements; and transfers of unclaimed moneys.

E. Cancellation of Checks. All checks drawn on the safekeeping deposit fund bank account shall bear the following stamped endorsement on the reverse: "This check is not valid unless presented for payment within 12 months from date of issue." If a check is so canceled, the custodian shall confirm stop payment action with the bank and credit the depositor's safekeeping account for the amount of the canceled check. An effort shall then be made to locate

the depositor and effect payment. If the depositor cannot be located, the account shall be closed by drawing a check payable to the Department of the Treasury for deposit by the DO. The DO shall prepare a DD Form 1131 with credit to **1060, Forfeitures of Unclaimed Money and Property, when the amount is less than \$5 or to 20X6133, Payment of Unclaimed Moneys (T), when the amount is \$5 or more. The collection voucher shall include all information available as to the identity and location of the depositor. Any claim subsequently received for the funds shall be forwarded with a copy of the related DD Form 1131 to the servicing DFAS Center for processing.

F. Bank Ledger Control Sheet. In addition to the cash-on-hand ledger control sheet, a separate ledger control sheet shall be maintained for "cash-in-bank." When cash, checks, and/or money orders are deposited in the bank, the cash-in-bank ledger control sheet shall be debited and the cash-on-hand ledger control sheet shall be credited. Exchange-for-cash checks shall be posted as a credit to the bank ledger control sheet and a debit to the cash-on-hand ledger control sheet. Withdrawals by check shall be posted as a credit to the bank ledger control sheet and as a debit to the individual ledger sheet. The sum of the cash-in-bank and the cash-on-hand ledger control sheets must agree with the aggregate of balances in the individual depositors' ledger sheets.

★2703 SAFEKEEPING OF PERSONAL FUNDS AND VALUABLES – MILITARY MEMBERS AND DOD CIVILIAN EMPLOYEES

★ 270301. General. This section prescribes the policy and procedures for handling safekeeping deposits of personal funds and valuables at all activities and Navy vessels not equipped with the ATM at Sea safekeeping system. In addition, the policy and procedures in this section apply to safekeeping of personal valuables (other than cash) on Navy vessels equipped with the ATM at Sea system.

★ 270302. Deposits. Deposits shall be recorded on DD Form 2674 (Record and Receipt of Deposits and Withdrawals of Safekeeping Funds). A series of consecutive numbers beginning with "1" shall be used for assignment to safekeeping deposits. Each deposit, at the time it is made, shall be assigned the next number in this series. The following data shall be entered in the appropriate spaces on the receipt portion of the DD Form 2674 and by carbon impression on the record portion of the form: the deposit number; the date of deposit; a description of the deposit (if money, enter the amount in figures and words); and the signature and rank of the custodial officer (or assistant custodian) receiving the deposit. The depositor then shall be required to enter his or her SSN, signature, and rank or rate in the spaces provided on the record portion of the form. The receipt portion shall be detached and given to the depositor.

★ 270303. Withdrawals. When the depositor wishes to withdraw a deposit, the depositor shall present the receipt portion of the DD Form 2674 to the custodial officer. The custodial officer shall verify the depositor's signature and determine that the serial number, date and description appearing on the receipt correspond with the data appearing on the record portion

of the form. After the identity of the depositor and authenticity of the receipt have been established, the depositor shall acknowledge receipt of the deposit by entering his or her signature and the date of withdrawal in the space provided on the record portion of the DD Form 2674. The receipt portion then shall be destroyed in the presence of the depositor. If the receipt has been lost, the deposit may be returned to the depositor only after the custodial officer is satisfied as to the identity of the depositor and the depositor's entitlement to the deposit. In all instances, the entries in the record portion of the DD Form 2674 constitute the official record of the deposit. At the time of withdrawal the entire deposit must be withdrawn. Partial withdrawals are not authorized; however, subject to the restrictions prohibiting unreasonable repeated deposits, a new deposit in a new amount may be made.

★ 270304. Withdrawal of Funds or Valuables Subsequent to Transfer of Depositor. If a depositor is transferred before withdrawing safekeeping deposits, the custodial officer shall deliver the depositor's cash balance to the DO in exchange for a Treasury check. The Treasury check shall be drawn in favor of the depositor. The check and the depositor's valuables (if any) shall be forwarded with a letter of transmittal, to the commander of the activity to which the depositor was transferred, for delivery to the depositor. The transmittal letter shall include all available details about the depositor and request acknowledgement of receipt. Data regarding the transfer shall be inserted on the record portion of the DD Form 2674.

★ 270305. Deposit and Withdrawal of Funds by Incapacitated Persons. Deposit and withdrawal of funds and valuables shall be handled as prescribed in this section except that an officer, or any other person designated by the commander, shall witness and sign each transaction and the receipts for safekeeping deposits shall be delivered to the commander.

★ 270306. Deposits of Deceased or Missing Persons. Cash on deposit shall be delivered to the DO in exchange for a Treasury check. The check shall be made payable to the payee designated by the officer (or inventory board) appointed by the commander to take custody of the depositor's personal effects. The object for which drawn shall be "Exchange-for-Cash; Safekeeping Deposit No. _____ of (name, rank or rate, SSN). The check and the depositor's valuables (if any) held for safekeeping shall be delivered to the appointed officer (or inventory board) for disposition in accordance with the applicable DoD Component Regulations. A receipt shall be obtained for the check and valuables (if any) transferred in accordance with these instructions, and the record portion of DD Form 2674 shall be closed by a notation describing the disposition. The receipt portion of DD Form 2674 shall be destroyed if available.

2704 BALANCING AND VERIFICATION OF SAFEKEEPING DEPOSITS

★ 270401. Balancing. The safekeeping custodial officer shall balance all safekeeping deposits on the last day of each month. The cash on hand (and in the safekeeping fund bank account, if applicable) must equal the total of the amounts credited in all of the active depositors' accounts as shown on the active record portion of DD Forms 2674, or the individual ledger sheets and ledger control sheet, as applicable. See Chapter 26 of this volume for balancing

requirements of the ATM at Sea safekeeping system. The custodial officer shall certify that balancing was accomplished on the ledger control sheet or the last DD Form 2674 issued:

"All safekeeping deposits, serial Nos. ____ through ____, balanced and verified (date). Total cash deposits equal \$ (amount) .

(Signature and rank of custodial officer)."

270402. Verification

★ A. General. At unannounced intervals, not less frequently than once during each quarter, all safekeeping deposits (including all safekeeping deposits in the ATM at Sea safekeeping system) shall be verified in the presence of the custodial officer by the cash verification team appointed by the commander. Results of the verification shall be included in the report of verification to the commander.

 B. Separate Deposits. Separate deposits shall be verified by verifying the contents of each envelope against the record portion of DD Forms 2674. The verifying officers shall certify on the last DD Form 2674 issued:

"All active safekeeping deposits, serial Nos. ____ through ____, verified (date) . Total cash deposits equal \$ (amount) .

(Signature and rank of verifying officer)

(Signature and rank of verifying officer)."

★ C. ATM at Sea Funds. Funds held in the ATM at Sea safekeeping system shall be verified by counting the actual cash held for safekeeping and comparison with the ATM system generated report totals and the system generated total of the individual depositors' accounts. The verifying officers shall certify below the last entry on the DD Form 2670:

"We, the undersigned, on (date) have verified the commingled safekeeping funds by actual count and certify that the total amount on hand is \$ (amount) , which is in agreement with active safekeeping accounts, Nos. ____ through ____, and with the ledger control sheet.

(Signature and rank of verifying officer)

(Signature and rank of verifying officer)."

★ D. Commingled Funds. Commingled funds shall be verified by counting the cash held for safekeeping and comparison with an adding machine tape total of the individual depositors' ledgers as well as with the balance shown on the ledger control sheet. At activities maintaining a safekeeping deposit fund checking account, the latest bank statement shall be examined and the amount on deposit in the checking account shall be verified. The verifying officers shall certify below the last entry on the ledger control sheet:

"We, the undersigned, on (date) have verified the commingled safekeeping funds by actual count and certify that the total amount on hand is \$ (amount), which is in agreement with active safekeeping accounts, Nos. through , and with the ledger control sheet.

(Signature and rank of verifying officer)

(Signature and rank of verifying officer)."

★ E. Reporting of Shortage or Overage. Any shortage or overage of safekeeping deposits shall be reported promptly to the commander. The commander shall take action similar to that prescribed in Chapter 6 of this volume for a shortage or overage of public funds. However, a shortage or overage of safekeeping deposits shall not be considered or reported as a shortage or overage of public funds in the DO's accountability.

★ 270403. Transfer of Safekeeping Deposits Upon Relief of Custodial Officer. In preparation for being relieved of custodial duties, the outgoing custodial officer shall balance all safekeeping deposits and prepare, in duplicate, a list on which all active deposits are described. The list and all deposits shall be turned over to the custody of the relieving officer. The relieving custodial officer shall verify all deposits and receipt the original list. The original receipted list shall be returned to the relieved officer. DD Forms 2674 and/or the records of commingled deposits, as applicable, shall be transferred to the relieving officer. If a checking account is maintained, the account shall be reconciled and transferred to the relieving officer. Arrangements shall be made with the bank to transfer the account to the new custodial officer. For transfer of ATM at Sea safekeeping deposits upon relief of the ATM custodial officer, refer to paragraph 260305, Chapter 26 of this volume.

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CHAPTER 28

GENERAL PROVISIONS ON INDEBTEDNESS2801 APPLICABILITY

★ 280101. Debts Covered. Policies in this chapter apply to debts of individuals, except foreign individuals, owed the United States. They do not apply to contract debts, sovereign debts owed the United States, or collection of child support, alimony, or commercial debts from the pay of DoD civilian employees or military members through garnishment or involuntary allotment. Contract debt collection procedures are contained in Volume 10 of this regulation. Sovereign debt collection procedures are contained in chapter 12, Volume 6 of this Regulation. Procedures for collection of child support, alimony, or commercial debts from military members or civilian employees through garnishment or involuntary allotments are contained in Volume 7 and Volume 8, respectively, of this regulation.

280102. Recovering DoD Component Property. Policies in this volume are directed primarily at recovery of debts on behalf of the United States and the circumstances in which debts may be disposed of for less than the full amount. Nothing contained in this volume is intended to preclude a DoD Component from demanding return of specific property or, alternatively, payment of its value.

280103. Alternative Administrative Remedies. Nothing contained in this volume will preclude using any other administrative remedy which may be available for collecting debts owed a DoD Component. When a DoD Component debtor is employed by another DoD Component or another federal agency, and collection cannot be accomplished using procedures, including offset, contained in this volume, the debtor's employing Component or agency will be contacted to arrange for the debtor to pay by allotment or other means according to regulations which implement financial responsibility requirements of federal employees under Section 206, Executive Order No. 11222, May 8, 1955, 30 FR 6469 (reference (ap)).

280104. Required Administrative Proceedings. Nothing contained in this volume requires a DoD Component to omit or duplicate debt collection procedures required by other regulations.

280105. Omissions Not a Defense for Debtors. Requirements in this volume apply to the administrative collection of debts. Failure of a DoD Component to comply with any of the requirements will not be available as a defense for a debtor.

2802 GENERAL ORGANIZATIONAL RESPONSIBILITIES

280201. Identifying and Correcting Debt Causes. DoD Components will establish procedures to identify causes of indebtedness, delinquencies, and defaults and take corrective actions to eliminate those causes and reduce the numbers of debts subject to collection.

280202. Debt Collection Programs. DoD Components vigorously will pursue debt collection. Collection programs at all organizational levels will be established as required to implement policies in this volume.

280203. Debt Controls. DoD Components will establish effective administrative controls over debts owed. Debts will be recorded promptly in the accounting system when incurred and collected and controlled according to requirements specified in this volume. Debts will be aged in the following categories so that appropriate corrective actions can be taken and required aging reports rendered:

A. Debts Not Delinquent;

B. Debts Delinquent -

1 - 30 days;
31 - 60 days;
61 - 90 days;
91 - 120 days;
121 - 180 days;
181 days - 1 year;
Over 1 year - 2 years;
Over 2 years - 3 years;
Over 3 years.

280204. DoD Debtor Information Exchange Program. DoD Components will participate in the DoD debtor information exchange program for delinquent and defaulted debtors.

280205. Interagency Debt Collection. DoD Components will cooperate with each other and other federal agencies in collecting debts owed by employees and members. Salary and administrative offset requests from non-DoD federal agencies will be coordinated by the Defense Manpower Data Center.

280206. Files Matching. DoD Components requesting debtor files matching through the Defense Manpower Data Center will ensure that all other debt collection alternatives are less effective, more expensive, or would present a greater threat to the debtors' personal privacy.

280207. Documenting Collection Activity. DoD Components will document their collection activities. The basis for debt compromise or for suspending or terminating collection action will be documented. Documentation will be retained in individual debtor files.

280208. Personal Interviews With Debtors. Creditor components may hold personal interviews at the debtor's request concerning the individual circumstances surrounding the debt and the amount involved. Expenses incurred by debtors to attend interviews will be paid by debtors. Matters discussed which will affect debt collectibility will be documented. Documents will be retained in individual debtor files.

280209. Obtaining Debtor Mailing Addresses From the Internal Revenue Service. DoD Components attempting to locate a debtor may send requests to the Secretary of the Treasury, or designee, to obtain a debtor's mailing address from the records of the Internal Revenue Service (IRS). Mailing addresses obtained from the IRS may be disclosed to other agents of the DoD Component, including contract collection agencies, to facilitate debt collection and compromise. A mailing address obtained from the IRS may be disclosed to a commercial credit bureau only for obtaining a commercial credit report. However, this disclosure limitation no longer applies once a debtor's mailing address is independently confirmed by the DoD Component.

280210. Determining Debt Amount for Compromises, Suspensions, and Terminations. Debts will not be subdivided to avoid monetary ceilings for debt compromise or suspension or termination of collection actions. A debtor's liability arising from a particular transaction will be considered a single claim in determining if a debt is \$100,000 or greater for purposes of debt compromise, collection suspension, or termination according to chapter 31 of this volume.

280211. Collection Priorities for Multiple Debts. Deductions currently being made normally will continue until a debt is paid. However, consideration will be given applicable statutes of limitations and priority of collections will be changed when necessary to ensure maximum amounts are collected. Debts owed by employees to more than one DoD Component or federal agency will be collected in the following priority sequence:

- A. Debts to the debtor's employing agency or department.
- B. Debts to other DoD Components.
- C. Debts to other federal agencies.

280212. Accounts to Which Collections Will Be Credited. If collected in time to be credited to a current fiscal year appropriation, debt principal amounts collected by DoD Component employees or contract collection agencies on the DoD Component's behalf will be refunded or reimbursed to appropriations from which funds were originally disbursed. Otherwise, debt principal amounts will be credited to another appropriation specified by law.

Interest, penalties, and administrative charges will be credited to appropriate Treasury Department receipt accounts.

280213. Automating Debt Collection and Reporting Systems. Debt collection and reporting systems, automated to the extent it is cost effective, will be used for recording, processing, and controlling debts. Existing debt collection procedures and processes in pay systems may be retained until debt collection and reporting systems are implemented.

280214. Liquidating Security or Collateral To Satisfy Debts. DoD Components holding security or collateral that may be liquidated through a power of sale or nonjudicial foreclosure will do so if debtors fail to pay debts within a reasonable time after demand. Consideration will be given to security or collateral disposition costs as compared to amounts which might be received from a sale. A DoD Component that liquidates security or collateral will give the debtor a notice of sale, an accounting of surplus proceeds, and any other procedures required by regulation or law.

280215. Debt Payment by Surety or Insurance Concern. Collection from other sources, including liquidation of collateral or security, is not a prerequisite to requiring payment by a surety or insurance concern unless such action is expressly required by law.

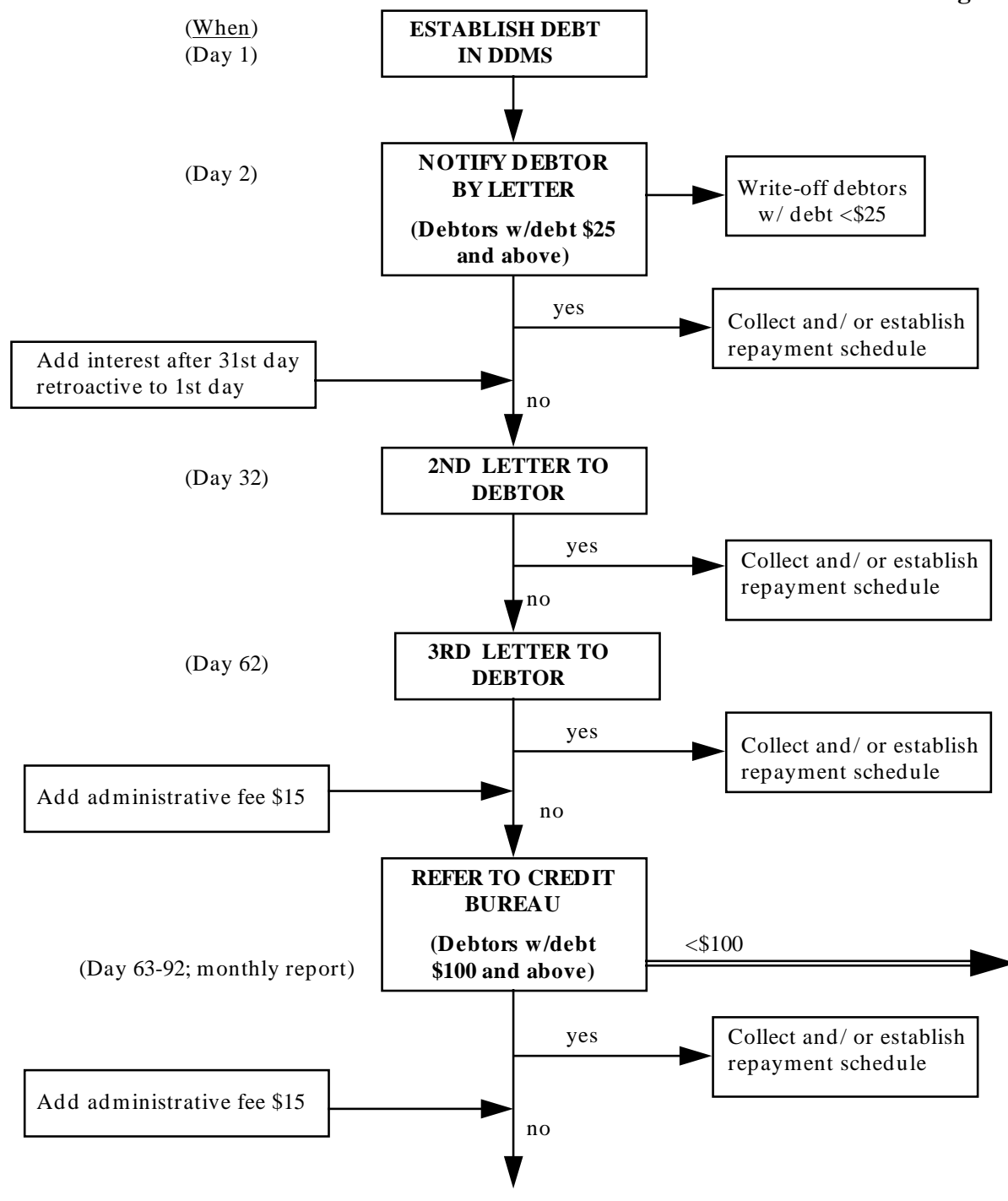
280216. Reporting a Surety's Dishonored Obligation. DoD Components will report immediately to the Department of the Treasury the failure of any surety to honor its obligations under 31 U.S.C. 9305 (reference (e)). The Treasury Department will forward notification that a surety's certificate of authority to do business with the federal government has been revoked or forfeited to appropriate organizations.

★ 280217. Obtaining Collection Assistance for Delinquent Debts. Creditor Components make the initial demand for debt payment and accomplish follow-up action. When local collection action is exhausted, the DFAS will offer collection assistance using the Defense Debt Management System (DDMS). Collection assistance includes referral to a collection agency, reporting to a credit bureau, use of the IRS tax refund offset program, and submission to the Department of Justice for possible litigation. These debt collecting steps are illustrated in figure 28-1. DDMS is maintained at the DFAS-Denver Center (DFAS-DE/FY) and operated by the DFAS Center. Collection assistance is obtained by sending the debt case to the supporting DFAS Center. Controlled transmission procedures will be used to ensure that debt cases transferred by an installation are received at DFAS. Creditor Components and agencies must certify the validity of the debt and furnish all background documents prior to seeking collection assistance from DFAS Centers. Creditor Components also must ensure that all notifications, reclama, or appeal actions have been completed and resolved.

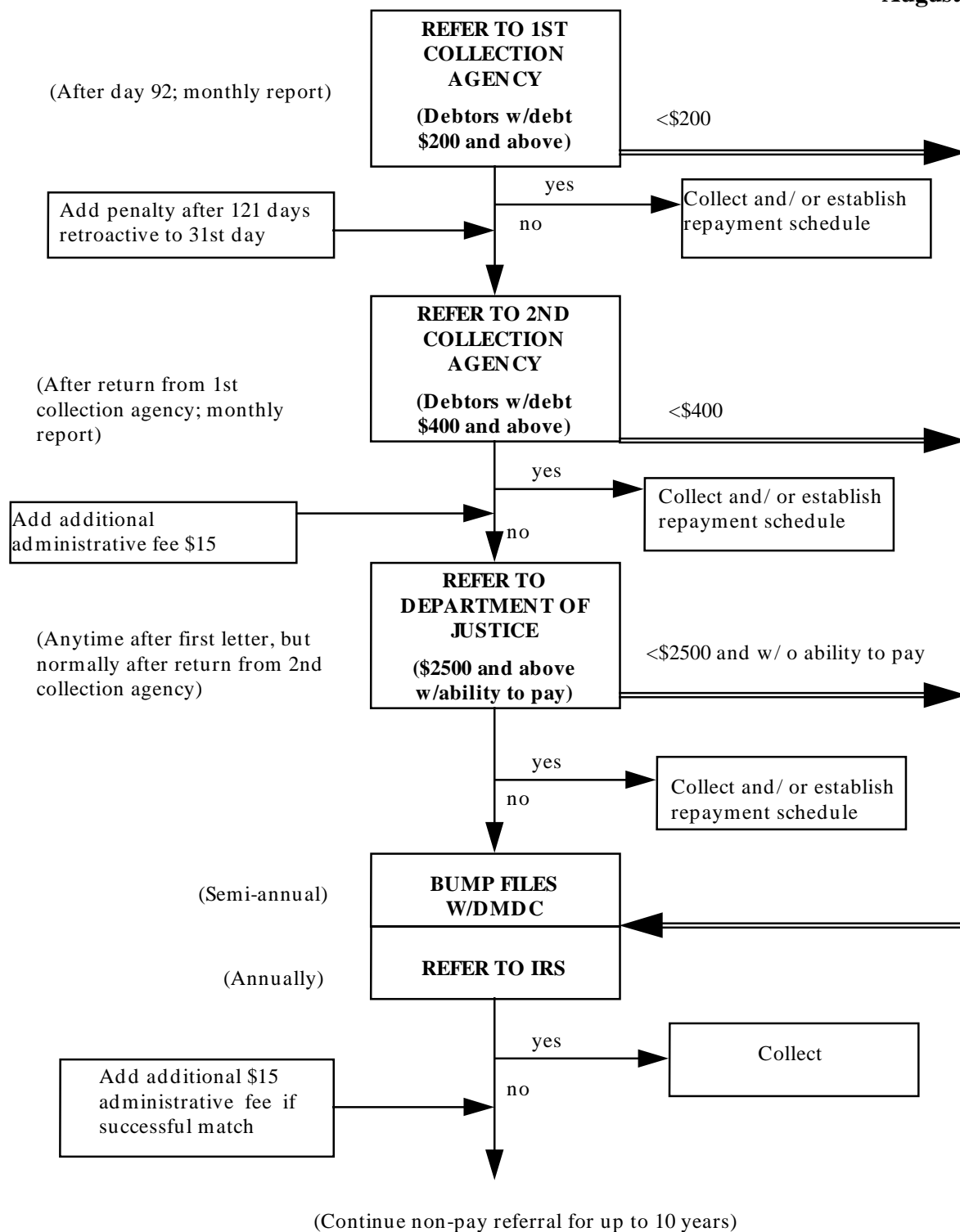
A. To ensure the integrity of the accounting records and the debt case files and records, periodic reconciliations will be accomplished in the most efficient and expedient manner possible.

B. To avoid costly reconciliations with transferring activities, DFAS Centers will establish and maintain accountability where feasible for debts transferred for collection assistance. When accountability for a debt is established at DFAS, the submitting activity will be notified to remove accountability from its accounting records. This notification will be accomplished as part of the controlled transmission procedure. Debt accountability will be dropped and established in a manner to preclude either omission or dual reporting of the debt in accounting reports. DFAS will establish debt accountability at the minimum level of detail necessary to fulfill accounting and reporting requirements. Accountability will not be transferred if the process creates an Antideficiency Act violation in the accountable station records. If this situation appears likely, DFAS will accept the file for debt collection as usual while the DO and related budget officer work the transfer of funding to cover the accountability transfer. If DFAS is able to collect on the account, efforts by the DO will cease and collection will be processed to DO. If DFAS exhausts collection efforts as defined in Chapter 31 of this volume and write-off action is appropriate, the write-off notice will be sent to the DO for action. No Antideficiency Act violation is created during the administrative process; a violation may be incurred only after complete attempt at collection, review, and process of official write-off notification.

C. The DDMS will facilitate centralized processing of remittances. Cash management criteria will be considered and Treasury Department mechanisms will be used as indicated in figure 28-1 to process remittances.



★ Figure 28-1. Defense Debt Management System (DDMS) Debt Collection Steps



★ Figure 28-1. Defense Debt Management System (DDMS) Debt Collection Steps
(Continued)

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CHAPTER 29

DEBT COLLECTION REQUIREMENTS★2901 APPLICABILITY

Policies in this chapter apply to debts of individuals, except foreign individuals, owed the United States. They do not apply to contract debts, sovereign debts owed the United States, or collection of child support, alimony, or commercial debts from the pay of DoD civilian employees or military members through garnishment or involuntary allotment. Contract debt collection procedures are contained in Volume 10 of this regulation. Sovereign debt collection procedures are contained in chapter 3, Volume 15 of this Regulation. Procedures for collection of child support, alimony, or commercial debts from military members or civilian employees through garnishment or involuntary allotments are contained in Volume 7 and Volume 8, respectively, of this regulation.

★2902 COLLECTION ACTIVITY

290201. Timely and Aggressive Collection Action. DoD Components will take timely and aggressive collection action with effective follow-up to collect all claims for money or property due their activities. When necessary to protect the DoD Component's interests, for example, to prevent the 6-year statute of limitations from expiring, written demands for payment will be preceded by any other appropriate collection actions specified by this Regulation. This may include immediate referral to the Department of Justice for litigation. When reply to a debtor's correspondence is appropriate, the reply will be made promptly, normally not later than 30 days from receipt of the debtor's communication. When it becomes necessary to extend the 30-day demand letter interval (see paragraph 290203, below), DoD Components will act promptly thus, should it become necessary to refer debts to the Department of Justice for litigation, referrals can be made within 1 year of the date the fact and amount of debts are confirmed.

290202. Written Demands for Debt Payment. Demands for debt payment (including follow-up demands) will be made in writing. When a debtor is given time limits to reply to creditor organization correspondence, 15 additional days will be allowed if correspondence must go through non-United States mail systems. Notification of routine pay adjustments will be made according to the policies in Volumes 7 and 8 of this regulation, as appropriate.

290203. Initial Demand Letter. After the facts and amounts of debts are confirmed, creditor organizations will deliver promptly to the debtor a written demand for debt payment. Initial demand letters will be dated and mailed or hand-delivered to allow 30 days for the debtor to reply before interest is assessed and debts are considered delinquent. If a creditor organization uses advance billing (that is, mails a bill before a debt is actually owed), it can include the

required interest notification, but interest will not accrue until the debt is actually owed. Initial demand letters will, when applicable:

- A. Inform the debtor that the DoD Component intends to take salary or administrative offset.
- B. Require full debt payment within the time specified in the demand letter.
- C. Require the debtor to furnish with the initial reply, evidence to support any dispute of facts and amounts of the debt if the debtor requests a creditor organization to reconsider the debt.
- D. Advise the debtor of debt basis.
- E. Advise the debtor of the legal requirement for assessing interest, penalties, and administrative charges.
- F. Advise the debtor of the legal requirement to refer the delinquent debt to the Department of Justice and commercial credit bureaus.
- G. Advise the debtor of the intention to refer the delinquent debt to private collection agencies.
- H. Advise the debtor of the creditor organization's willingness to review the debtor's financial statements and proposals for repayment agreements. However, the debtor will be advised that such reviews by themselves will not stay assessment and later collection of interest, penalties, and administrative charges.
- ★ I. Advise the debtor of entitlement to waiver or remission consideration (applicable when mandatory statutory authority exists).

290204. Follow-Up Demand Letters. The debtor shall respond to initial demand letter with full payment, or agree to a repayment schedule within the time specified in initial demand letter. If the debtor does not respond to the initial demand for payment, when applicable, at least two more demand letters, with progressively strong wording, at not more than 30-day intervals (45 days if correspondence must go through non-United States mail systems), will be sent unless the debtor's response to either the first or second demand indicates further demands would be futile. See paragraph 300310 of this volume.

290205. Lump-Sum Collections. Debts owed to the DoD Component along with interest, penalty, and administrative charges will be collected in lump-sum except when otherwise provided by law. This is true whether a debt is being collected by salary or administrative offset or any other method including voluntary payment. Lump-sum collections

by offset from current salary, unless voluntary, cannot exceed the offset percentages specified by paragraph 300305 of this volume.

★2903 INSTALLMENT COLLECTIONS

★ 290301. Installment Criteria. If debtors represent to the creditor organization that they are financially unable to pay a debt in one lump-sum, payment will be accepted in regular installments. A decision to accept installment payments will be based on a debtor's financial statement submitted under penalty of perjury. Financial statements, if submitted, will become part of the permanent debt record.

290302. Installment Timing and Amount. Installment payments usually will be monthly. Installment payments will bear a reasonable relationship to the size of a debt and the debtor's ability to pay. Except when a debtor can prove financial hardship or another reasonable cause exists, installment payments will be at least \$50 each month and will be sufficient to liquidate debts within 36 months. Installment collections from current salary, unless voluntary, cannot exceed the offset percentages specified by paragraph 300305 of this volume.

290303. Installment Security. Security for debts paid by installment will be accepted in appropriate cases. Creditor organizations will accept installment payments notwithstanding a debtor's refusal to give security.

290304. Installment Payment Agreement. Creditor organizations that agree to accept installment payments will obtain signed, legally enforceable payment agreements from the debtor. The agreement will include a provision accelerating the debt so that the remaining balance is due and payable immediately should the debtor default on the agreement. The debtor will be required to annually submit financial statements, completed under penalty of perjury, during the repayment period whenever installment payments are less than \$50 each month or the repayment period exceeds 36 months.

290305. Installment Application to Multiple Debts. DoD Components accepting installment payments on multiple debts of a debtor will apply payments to the various debts according to the best interests of the Department and the United States as determined by facts and circumstances of each debt. Careful attention will be paid to applicable statutes of limitations. Debtor designations as to which of multiple debts the payments may be applied against, will be followed. However, the statute of limitations will not be allowed to expire on any debt because of debtor designations.

290306. Installment Application to Penalty and Administrative Charges, Interest, and Debt Principal. Installment payments will be applied first to accrued administrative and penalty charges, second to accrued interest, and third to debt principal balance.

290307. Installment Payment Review. Creditor organizations collecting debts by installment will review the debtor's annual financial statements and determine whether to collect

the balance due in a lump-sum or continue installment payments at the same or increased amounts. Smaller installment payments will be accepted on request of a debtor in exceptional cases fully supported by financial statements confirming inability to pay agreed to installment payments. Installment payments will not be reduced if a debtor could have controlled the financial condition which reduced ability to meet existing installment payments.

★2904 INTEREST, PENALTY, AND ADMINISTRATIVE CHARGES

290401. Interest Charges. The intent of interest is to stimulate prompt payment of debts and to recover the cost of Treasury Department borrowing necessitated by delinquent debts. Creditor organizations will accrue, assess, and collect interest on all debts. Unless otherwise stipulated in this section, interest will accrue from the date the debt notice and interest requirements are hand-delivered to a debtor or mailed to a debtor using the most current address available to the DoD Component. Once accrued and assessed, interest will be collected unless collection action is foregone under a provision of this Regulation.

290402. Interest Rate. Creditor organizations will assess an interest rate that is equal to the current value of funds to the United States Treasury as prescribed by the Secretary of the Treasury in the Federal Register and Treasury Financial Manual bulletins quarterly or annually. A different rate will be assessed if a statute or regulation explicitly fixes the rate of interest for that particular type of debt. An initial interest rate will remain fixed for the duration of that debt. However, if a debtor defaults on an interest bearing installment-payment agreement, the creditor organization will set an interest rate for any new installment payment agreement that reflects the current rate of interest established by the Treasury Department. The interest rate for a new installment payment agreement will reflect the current value of funds and may be higher or lower than the interest rate charged in the original payment agreement.

290403. Interest Computation. Interest charges will be computed using the formula: $I = DNF$. Where: I = interest charge; D = debt principal balance; N = number of days in computation period; F = interest rate per day (365- or 366-day year).

290404. Interest Compounding. Generally, interest will not be assessed on interest, penalties, or administrative charges. However, if a debtor defaults on an installment payment agreement, interest, penalty, and administrative charges assessed until the time of default, but not collected, will be added to the outstanding debt principal and will be collected along with interest under any new payment agreement. Also, interest may be compounded if authorized by a regulation or statute.

290405. Penalty Charges. Creditor organizations will assess a penalty charge of 6 percent per annum on any debt principal delinquent more than 90 days. Penalty charges will accrue from the date the principal amount became delinquent.

290406. Administrative Charges. Creditor organizations will assess administrative charges against the debtor to cover the additional administrative costs incurred in processing and

handling the debt because it became delinquent. Administrative charges will be based on the actual costs incurred and will include costs of obtaining credit reports and using private collection agencies to the extent these costs are attributable to collecting delinquent debts. When actual costs are not available, administrative costs will be based on cost analyses establishing an average of actual costs incurred in processing and handling claims against other debtors in similar stages of delinquency.

290407. Decisions Not to Accrue or Assess Interest, Penalty, and Administrative Charges

A. These charges will be assessed on all debts owed DoD Components, excluding routine pay adjustments. However, 31 U.S.C. 3717 and the Federal Claims Collection Standards (4 CFR Parts 101 through 105) authorize issuance of regulations governing application of these charges. Decisions not to accrue or assess these charges can be made by the creditor organization on a case-by-case basis according to the following criteria:

1. When a debt is subject to permissive waiver or remission statutes and collection action is suspended pending outcome of the waiver or remission, these charges will not accrue or be assessed while the waiver or remission request is being considered and finalized.

a. Charges accrued before receipt of a waiver or remission request will not be assessed if the request is received by the designated official within 30 days of hand delivery or mailing of the debt notice to the debtor. Extend the 30-day period to 45 days if the debt notice goes through non-United States mail systems or is sent to an APO/FPO address.

b. These charges will not accrue or be assessed on any part of a debt principal balance that is waived or remitted.

c. Charges will again begin to accrue on any portion of the debt principal not waived or remitted from the date the debtor is formally notified in person or by mail of the final waiver or remission determination.

2. When a debtor who is entitled to a hearing petitions the creditor organization for a hearing, these charges will not accrue from the date the petition is received by the creditor organization until the date the debtor is formally notified in person or by mail of the hearing decision. Charges that accrued before the creditor organization received a petition for a hearing will be assessed on that portion of the debt principal upheld by the decision of the hearing official.

3. When a debtor is entitled to and has petitioned for a hearing, these charges will not accrue or be assessed while a debt is being reconsidered.

4. When debts are routine pay adjustments, these charges will not accrue or be assessed.

5. When the debt of an individual arose under the tariff laws of the United States, the Social Security Act, or the Internal Revenue Code of 1954, these charges will not accrue or be assessed.

6. When a DoD Component is requested to collect a debt by another DoD Component or federal agency, these charges will not accrue or be assessed by the Component accomplishing the collection. Note that the creditor Component or agency requesting collection assistance has authority to accrue and assess applicable late payment charges and these charges should be included in the total amount identified for collection.

7. When an applicable statute or regulation prohibits application of these charges to the debt involved, these charges will not accrue or be assessed.

8. When these charges would not be in the best interest of the government, would cause extreme hardship, or if facts and circumstances indicate that charges accrued would not be collected per paragraph 290408, below, they will not be assessed.

B. Blanket decisions to not accrue or assess these charges are not authorized. Documentation shall support every decision not to accrue or assess these charges. If there is documentation in the official debt file or associated with the debt transaction that clearly supports and explains the reason(s) for the decision not to accrue or assess these charges, no further documentation is required. Exception: See requirements for subparagraph 290407.A.8, above.

290408. Decisions Not to Collect Interest, Penalty, and Administrative Charges. Once accrued and assessed, these charges normally will be collected. However, a decision not to collect these charges can be made on a case-by-case basis.

A. General. The dollar limits imposed by regulation on various levels for write off of debt principal also determine the authority for making the decision not to collect these charges. The decision not to collect shall be documented and retained in the official debt file. Blanket decisions not to collect interest, penalty, or administrative charges are not authorized.

B. Mandatory Grace Period. Interest will not be collected on a debt or on any part of a debt paid within 30 days after the date interest began to accrue. The 30-day period can be extended for an additional 30 days on a case-by-case basis. Document and retain in the official debt file the reason(s) for any extension.

C. Criteria for Not Collecting. Decisions not to collect these charges can be made on a case-by-case basis when the following general standard for not collecting and any one of the appropriate circumstances or standards are present.

1. General Standard. Collection of these charges would be against equity and good conscience or not in the best interest of the government.

2. Appropriate Circumstances and Standards

a. These charges accrued and were assessed on a debt principal balance that was incurred through no fault or lack of good faith on the part of the debtor.

b. Financial inability of the debtor to pay the accrued and assessed charges within a reasonable period of time.

c. The underlying debt principal balance was waived or remitted by the appropriate authority, or an other administrative review process (e.g., hearing or reconsideration) determined that it was not valid.

d. Reasonable doubt exists concerning the government's ability to prove that charges are owed because of the issues involved or a bona fide dispute as to facts.

e. The amount of charges that could be collected is less than the cost of collection.

f. Reasonable efforts to locate the debtor have been unsuccessful.

g. Collection would have an adverse effect on the diplomatic relations between a debtor nation and the United States which would impair the ability of the Department to conduct its mission from installations located within the debtor nation.

★2905 DEBT RECONSIDERATION

290501. Debts That Will Be Reconsidered. Creditor organizations will reconsider debt validity and amount and the appropriateness of involuntary offset schedules upon timely receipt of a debtor's request. Debts, for which the debtor is entitled to and has petitioned for a hearing under this Regulation, also will be reconsidered. However, creditor organizations will comply with hearing procedures unless the debtor waives hearing or administrative hearing rights.

290502. Providing Debtors With Debt Records. Creditor organizations will make available to each debtor a copy of records relating to the debt when requested. Records will be provided at debtor's expense. Fee charges will be determined on an individual basis according to the appropriate fee schedule.

290503. Effect on Interest, Penalty, and Administrative Charges. Neither debt reconsideration nor requests for records by themselves will stay debt collection proceedings including accrual of interest, penalty, or administrative charges.

290504. Document Support. Debtors who request reconsideration of salary offset schedules established other than by agreement with the debtors, will explain why they believe the offset schedule will cause undue financial hardship. These debtors will submit proposed alternative offset schedules and the financial statements specified by paragraph 300408.F of this volume. Debtors who request reconsideration of debt validity or amount will submit documents and statements, if required, to support their positions.

290505. Written Decisions. Creditor organizations reconsidering debts will give debtors written decisions as follows:

A. If, after considering a debtor's statements and documentation, the debt is valid and the amount is partially or fully reaffirmed:

1. A statement of the reasons for reaffirming the debt, including, if applicable, reasons for adjusting the amount.

2. If a debtor is not entitled to, or has not petitioned for, a hearing or administrative hearing, notice of the collection actions that will be taken if full payment is not received within 30 days.

B. After considering a debtor's statements and documentation contesting an offset schedule, give the debtor either: a statement that the alternate offset schedule proposed by the debtor has been accepted; or a statement that the offset schedule established by the creditor organization does not impose undue financial hardship. If the debtor is not entitled to or did not petition for a hearing or administrative hearing, give notice that offset will begin the next established pay period if full payment is not received before pay deductions are initiated.

C. If a reconsideration so warrants, notify a debtor that the debt was invalid.

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Table 30-1. Hearing Officials for DoD Component Debts

CHAPTER 30

**DEBT COLLECTION BY INVOLUNTARY SALARY AND
ADMINISTRATIVE OFFSET**★3001 APPLICABILITY.

Policies in this chapter apply to debts of individuals, except foreign individuals, owed the United States. They do not apply to contract debts, sovereign debts owed the United States, or collection of child support, alimony, or commercial debts from the pay of DoD civilian employees or military members through garnishment or involuntary allotment. Contract debt collection procedures are contained in Volume 10 of this regulation. Sovereign debt collection procedures are contained in chapter 3, Volume 15 of this Regulation. Procedures for collection of child support, alimony, or commercial debts from military members or civilian employees through garnishment or involuntary allotments are contained in Volume 7 and Volume 8, respectively, of this regulation.

3002 STATUTORY AUTHORITY

300201. Salary Offset Under 5 U.S.C. 5514, Installment Deduction for Indebtedness to the United States. Creditor organizations will use 5 U.S.C. 5514 (reference (j)), as the statutory authority to collect member's and employee's debts by salary offset when salary or administrative offset are not authorized specifically or required by other, more specific, statutes. Debtors whose debts are being collected under this authority will be given opportunities for oral or administrative hearings regarding the validity and amount of debts, or offset schedules established other than by agreement with the debtors. Provisions in this Regulation for salary offset and hearings specifically required by reference (j) are not required for debts being collected under other statutory authority covered in this Regulation.

300202. Requirement to Use 31 U.S.C. 3716, Administrative Offset Procedures. Creditor organizations will use administrative offset requirements of 31 U.S.C. 3716 (reference (e)), when collecting debts by administrative offset under the following statutes which specifically authorize or require administrative offset. Reference (e) administrative offset requirements apply to collections under any other statutes authorizing or requiring administrative offset to the extent such procedures are not included in those statutes.

A. 5 U.S.C. 5705, Advancements and Deductions (reference (j)) for civilian employees.

B. 10 U.S.C. 2775, Liability of Members for Damages to Housing and Related Equipment and Furnishings (reference (b)).

C. 37 U.S.C. 1007, Deduction From Pay (reference (ar)) for military members.

300203. Administrative Offset under 5 U.S.C. 5705, Advancements and Deductions When making collections of unearned advance per diem or mileage allowances, civilian employees will be given an opportunity to immediately pay the amount due. If immediate payment is not made, full offset (which does not cause undue financial hardship) will be made automatically made against accrued pay, retirement credit, or any other amount due the civilian employee from the United States. If the civilian employee does not pay, or there is no amount available for offset, all other appropriate debt collection provisions of this Regulation will be followed. The requirements for immediate repayment of unearned advances of per diem and mileage allowances will be explained at the time the advances are made. Explanation of the requirement will fulfill requirements of the initial demand letter should automatic deduction become necessary. Hearings are not required. Debts will be reconsidered upon request of debtors.

300204. Administrative Offset under 10 U.S.C. 2775, Liability for Damages to Housing and Related Equipment and Furnishings. Hearings are not required for debts being collected by administrative offset from members under 10 U.S.C. 2396(b) (reference (b)). All other provisions of this Regulation, except salary offset under 5 U.S.C. 5514 (reference (j)), apply to these debt collection actions. These debts will be reconsidered on request of debtors.

300205. Administrative Offset under 37 U.S.C. 1007, Deductions From Pay. Administrative offset under 37 U.S.C. 1007 (reference (ar)) is authorized for amounts administratively determined to be owed a DoD Component by a member. Except where there are questions of debt validity or truthfulness, oral or administrative hearings are not required for debts being collected by administrative offset under this statute. Policies for collecting routine pay adjustments under this statutory authority are in Volume 7 of this Regulation.

300206. Offset Under Statutes Not Specifically Covered. Nothing contained in this Regulation will prevent a DoD Component from pursuing collection under any statutory authority not specifically covered herein.

3003 REQUIREMENTS FOR INVOLUNTARY SALARY AND ADMINISTRATIVE OFFSETS

300301. General. Creditor organizations will collect debts by salary or administrative offsets in every instance that such collection is feasible and is not otherwise prohibited, and the debtor refuses to pay the debt in lump sum or agrees to a voluntary payment schedule acceptable to the creditor organization. DoD Components have discretionary authority to accept voluntary payment agreements rather than offset salaries. If debts are delinquent and their existence and amount are not in dispute, maximum permissible amounts (that will not cause undue financial hardship on debtors or be against equity and good conscience) will be offset from salaries. DoD Components will use sound discretion when collecting debts by administrative

offset from non-salary amounts. Consideration will be given both to whether the offset can be accomplished both practically and legally, and whether offset is best suited to further and protect all interests of the Department and the United States. Salary and administrative offsets are permitted for debts owed a DoD Component or another federal agency.

300302. Time Limits Action will not be initiated to collect debts by involuntary salary or administrative offset more than 10 years after the right to collect a debt first accrued unless facts material to the right to collect the debt were not known and could not reasonably have been known by the responsible DoD Component official. When the right to collect a debt first accrued is determined according to existing law such as 28 U.S.C. 2415 (reference (k)).

300303. Non-Waiver of Rights - Involuntary Payments under 5 U.S.C. 5514. A debtor's involuntary payment of all or part of a debt being collected under reference (j) authority will not be construed as a waiver of any rights the debtor may have under that statute or any other provisions of law unless there are statutory provisions to the contrary.

★ 300304. Scheduling Offset. Salary deductions will begin the next established pay period after receipt of offset requests, with appropriate claim forms and debt certification as specified in paragraph 300504, below, from DoD creditor organizations or the DFAS-Cleveland Center/ABA. Salary deduction may begin in a later pay period upon request by a creditor organization. Administrative (non-salary) amounts will be offset when they become due and payable to the debtor giving consideration to administrative offset requirements in paragraph 300301, above.

★ 300305. Maximum Allowable Current Salary Offset. Amounts collected involuntarily under 5 U.S.C. 5514 (reference (j)) may not exceed 15 percent of disposable pay, unless the debtor consents to a higher percentage. Collection of judgments by offset from civilian pay under section 124 of Public Law 97-124 (1982) may not exceed 25 percent of disposable pay, unless a greater percentage is necessary to make the collection within the period of anticipated employment. Section 124 of Public Law 97-124 may not be used to collect by offset from military pay. Collection of judgments by offset from military pay will be made under 5 U.S.C. 5514. The agency submitting the judgment and requesting the offset (which is usually the Department of Justice) must provide the certification that the due process requirements of 5 U.S.C. 5514 have been complied with when requesting that a judgment be offset from a military member's pay.

★ 300306. Determining Disposable Pay. Organizations will use procedures contained within this regulation, Volumes 7A, 7B, and 8 to compute disposable salary when taking involuntary offset against an employee's current salary. Use Volume 7A, paragraph 500103.D to compute active duty, Reserve, and Guard pay; Volume 7B, paragraph 60202 to compute retired pay; and Volume 8, paragraph 080307 to compute civilian salary.

300307. Amounts Not Deductible When Determining Disposable Pay. The following are amounts that will not be deducted from pay when computing disposable pay.

- A. Existing indebtedness being collected for a DoD Component or other federal agency.
- B. Court ordered garnishments.
- C. Court judgments.
- D. Court ordered bankruptcy payments under chapter 13 of the Revised Bankruptcy Act.
- E. Voluntary allotments for child support.
- F. Union dues deductions.
- G. Charity deductions.
- H. United States savings bonds deductions.
- I. Federal (IRS) tax levies.
- J. Savings allotments.
- K. Thrift savings.

300308. Determining Undue Financial Hardship. An offset produces undue financial hardship when it prevents debtors' from meeting costs necessarily incurred for essential subsistence expenses for them, their spouses, and their dependents. Essential subsistence expenses are: food, housing (including public utilities), clothing, transportation, and medical care. In making a final determination whether an offset within the percentage limits of paragraph 300305, above, will impose undue financial hardship, creditor organizations will use the following information.

- A. Income from all sources for debtors, their spouses and dependents.
- B. The extent to which assets of debtors, their spouses, and their dependents are available to meet the offset and essential subsistence expenses.
- C. Whether subsistence expenses have been reduced to minimum essential amounts.
- D. The extent to which debtors, and their spouses can borrow money to meet the offset and minimum essential subsistence expenses.

E. The extent to which debtors and their spouses and dependents have other exceptional expenses that should be taken into account and whether the exceptional expenses have been minimized.

300309. Debts for Which Administrative Offset, According to this Regulation, Is Not Authorized. Administrative offset under this Regulation is not authorized with respect to:

A. debts owed by any (United States) federal agency or (United States) state or local government;

B. any case in which collection of the debt involved by administrative offset explicitly is prohibited by statute; or,

C. debts arising under or payments made under the Social Security Act, the Internal Revenue Code, or the tariff laws of the United States.

300310. Authority To Eliminate Second and Third Demand Letters. Availability of a debtor's funds for involuntary salary or administrative offset and a creditor organization's decision to take offset, releases the organization from the second and third debt notification letter requirements of this Regulation.

300311. Salary and Administrative Offsets Before Due Process. Salary or administrative amounts payable to debtors will be offset involuntarily before initiation of or at any time during due process procedures if: failure to take the offset would substantially prejudice the DoD Component's ability to collect the debt; time before payment must be made does not reasonably permit completion of the procedures; and such prior offset is promptly followed by due process procedures.

3004 DUE PROCESS

300401. Debtor Notification Creditor organizations are responsible for ensuring due process. They will certify completion of due process procedures to the organization making the involuntary salary or administrative offset. In debt cases where due process previously has been provided to debtors, organizations accomplishing offsets will not duplicate the requirements before taking offset. The organization responsible for providing due process must ensure that all requirements were met. In debt cases where salary or administrative offset has been taken before completion of due process, the requirements will be met as soon as possible after offset is initiated. Before offset is requested, creditor organizations must be able to demonstrate that debtors have received demand letters and notices of intent to offset. If hand-delivery and execution of a receipt of notice is not possible, certified or registered notices with return receipt requested may be used.

A. Except as provided in paragraph 300311, above, debtors must be advised of the following in addition to requirements of the initial demand letter as stated in paragraph

290203 of this volume, before salary can be involuntarily offset under statutes other than 5 U.S.C. 5705 (reference (j)):

1. a minimum of 30-days written notification, if not already provided, of the intent to collect by offset.
2. the right to inspect and copy DoD Component records related to the debt for which the debtor will bear the cost.
3. the amount, frequency, beginning date, and duration of the intended deduction if full payment is not received by the due date.
4. the fact that any amounts paid or deducted for a debt that is later found not owed will be promptly refunded unless there are applicable statutes or regulations to the contrary.

B. For salary offset under 5 U.S.C. 5514 (reference (j)), debtors also will be advised of the following:

1. the right to an oral or paper hearing on the DoD Component determination of the existence and amount of the debt or, when a repayment schedule is established other than by written agreement with the debtor, concerning the repayment schedule terms.
2. the right to request a hearing based on written submissions in lieu of an oral hearing when a creditor organization has determined an oral hearing would otherwise be appropriate.
3. the method and time period for requesting a hearing.
4. the fact that the timely filing of a petition for a hearing will stay debt collection proceedings including accrual of interest, penalty, and administrative charges.
5. the fact that the final decision on the hearing will be issued the earlier of 15 days from hearing completion or, unless the creditor agency has arranged an extension with the hearing official, not more than 60 days from the date the debtor submitted the petition.
6. the address to which correspondence regarding the hearing will be sent.
7. the fact that any knowingly false or frivolous statements, representations, or evidence may subject the debtor to: disciplinary procedures appropriate under Title 5, U.S.C., chapter 75 (reference (j)), or any other applicable statute or regulation; penalties under the False Claims Act, Title 31, U.S.C., sections 3729 - 3731 (reference (e)), or any other

applicable statutory authority; or, criminal penalties under Title 18, U.S.C., sections 286, 287, 1001, and 1002 (reference (i)), or any other applicable statutory authority.

300402. Hearings. Hearings are a due process requirement of 5 U.S.C. 5514 (reference (j)). Debtors are entitled to petition for hearings to contest debt existence or amount or the amount of an involuntary offset established other than by agreement with the debtor. Except as provided in paragraph 300311, above, hearings will be offered to debtors before involuntary offset is initiated. Oral hearings are not required if the debt type rarely involves issues of credibility or truthfulness. Creditor organizations will determine when a review of written records (administrative hearing) is sufficient to resolve debt issues. Debtors may elect an administrative hearing in lieu of an oral hearing when a creditor organization determines an oral hearing would otherwise be appropriate.

300403. Administrative Hearings. When debtors petition for hearings and the creditor organization determines an oral hearing is not required, the debtor nevertheless will be given an administrative hearing. Administrative hearings will be made by a hearing official who would otherwise be authorized to hold an oral hearing for the debt being contested. Administrative hearings will be based on written submissions of the creditor organization and the debtor.

300404. Documenting Oral Hearings. Creditor organizations and agencies requesting oral hearings by DoD officials are responsible for documenting significant matters discussed at oral hearings held on their behalf.

300405. Authorized Hearing Officials. No DoD employee, except an administrative law judge, under the control or supervision of a creditor DoD Component or employing DoD Component will hold an oral hearing or make an administrative hearing on any debt owed that DoD Component by an employee of that DoD Component. DoD personnel eligible to hold oral hearings or make administrative hearings for other DoD Components or federal agencies include grievance and appeals examiners, attorney advisors, judge advocates, and other persons who have been trained in or who have performed hearing officer duties. Hearings for debts owed to DoD Components by its employees should be held by eligible DoD Components according to table 30-1. Individuals not employed by the Department may be employed temporarily or intermittently to act as hearing officials but only when it is impractical to use DoD personnel. Control of DoD debt collection hearings is centralized at DFAS-Indianapolis Center. Refer all debtor requests for hearings to the DFAS-Indianapolis Center for action.

300406. For either an oral hearing or administrative hearing. Hearing officials will hold only one hearing (oral or administrative) for a debt owed a DoD Component or federal agency.

300407. Creditor Organization Hearing Responsibilities. Following are oral and administrative hearing requirements for DoD Component creditor organizations.

A. Upon receipt of a debtor's oral or administrative hearing petition, reexamine debt basis, amount, and repayment schedule.

B. Within 15 days after receiving the petition provide debtors with the following:

1. a statement that the debt has been reconsidered, results of the reconsideration indicating whether the debtor's contentions have been accepted in whole or part, and a request that the debtor accept the reconsideration in lieu of an oral or administrative hearing.

2. notification of the time, date, and location of the oral hearing to be held if the debtor does not accept results of debt reconsideration and the creditor organization determines that an oral hearing is required.

3. notification that debt issues will be resolved by administrative hearing if the debtor does not accept results of debt reconsideration and the creditor organization determines an oral hearing is not required.

4. a list of submissions required of the debtor and the address to which submissions must be sent.

C. Also within 15 days after receiving the petition, creditor DoD Components will give the following both to the debtor and the hearing official:

1. copies of debt records in the creditor organization's possession (provided to the debtor only if requested and not previously provided and then at the debtor's expense).

2. a statement supporting determination of debt basis and amount.

3. a statement setting forth reasons why an offset schedule, if being protested, does not create undue financial hardship.

4. for oral hearings, names of creditor organization witnesses and their anticipated statements.

D. For oral hearings, whenever feasible, coordinate a site, time and date convenient for debtors.

E. Creditor organizations will change oral hearings to administrative hearings on request of debtors if such requests are received at least 3 working days before established oral

hearing dates and if all submissions will be available to hold the reviews at established times and places. Debtor-elected administrative hearings will not be changed to oral hearings.

F. When a debtor accepts results of debt reconsideration, notify the hearing official that the oral or administrative hearing is not required.

300408. Debtor Oral and Administrative Hearing Responsibilities

A. Debtors must indicate, in their initial written response, whether they are contesting debt validity, amount, or offset schedule. When a creditor organization has determined that an oral hearing is required for a debt, a debtor may petition for an administrative hearing in lieu of the oral hearing. Debtors who petition for administrative hearings (in lieu of an oral hearing) will forfeit their right to an oral hearing and agree to accept the hearing official's decision as final, in writing, at the time of their request. The petition will not be revocable by a debtor.

B. Debtors and their representatives and witnesses are responsible for their expenses incident to inspecting and copying government debt records and attending oral hearings.

C. Debtors forfeit their oral or administrative hearing rights and will have their salaries offset according to established offset schedules if they fail to: file an oral or administrative hearing petition with the creditor organization by the date specified in the offset notification letter; appear on time at a scheduled oral hearing; or file required submissions with the creditor organization and the hearing official within 3 working days of due dates.

D. During oral and administrative hearings, debtors will not raise any issues not previously raised with the creditor organization nor will they introduce any facts or records not previously submitted to the creditor organization.

E. Debtors who have petitioned for oral or administrative hearings regarding the validity and amount of debts and who do not accept results of debt reconsideration will have 30 days from receipt of notification of reconsideration results or 45 days from receipt of debt records provided under this Regulation, to give both the creditor organization and the hearing official the following:

1. a statement of the reasons why the debtor believes that a creditor organization's determination of the debt validity and amount is clearly erroneous, including all facts on which the debtor bases his or her belief.

2. copies of any pertinent records the debtor plans to introduce to the oral or administrative hearing process if the records differ from those provided by the creditor organization.

3. for oral hearings, the name of a representative if the debtor has elected one.

4. for oral hearings, if the debtor will have witnesses, a list of their names and a summary of their anticipated statements.

F. Debtors who have petitioned for oral or administrative hearings regarding salary offset schedules, established other than by agreement with the debtors, and who do not accept results of debt reconsideration will have 30 days from receipt of notification of reconsideration results or 45 days from receipt of debt records provided under this Regulation to give both the creditor organization and the hearing official the following:

1. a proposed alternative salary offset schedule.

2. specific details on family, including debtor, spouse, and dependents, financial position for the 1-year period preceding and projected for the proposed alternative offset period.

3. a statement of the reasons why the debtor believes the salary offset schedule will impose undue financial hardship.

4. copies of any pertinent debt records the debtor plans to introduce to the oral or administrative hearing process.

5. for oral hearings, the name of a representative if the debtor has selected one.

6. for oral hearings, if the debtor will have witnesses, a list of their names and a summary of their anticipated statements.

300409. Hearing Official Responsibilities. Oral and administrative hearings will be held according to the following requirements.

A. An oral hearing will consist of an informal conference before a hearing official.

B. Both the creditor DoD Component and the debtor will be given full opportunity to present documents, witnesses, and arguments.

C. The only evidence permitted, except oral testimony, will be that submitted as prehearing submissions.

D. Debtors will not raise any issues not previously raised with the creditor DoD Component or non-DoD federal agency.

E. Creditor DoD Components and non-DoD federal agencies will maintain a summary record of oral hearings.

F. A written decision will be provided to both the debtor and creditor DoD Component or other federal agency the earlier of 15 days from oral or administrative hearing completion or, unless the creditor DoD Component or non-DoD federal agency has arranged an extension with the hearing official, 60 days from the date the debtor submitted the oral or administrative hearing petition. Hearing officials will not be responsible for delays caused by DoD Components or non-DoD federal agencies.

G. A hearing official's decision will be final and will discuss basic facts documenting the debt. The decision will include conclusions concerning debt validity, amount, or propriety of contested offset schedules.

H. Hearing officials will review debtors' submissions received not later than 3 working days after the due dates to determine whether debtors forfeited oral or administrative hearing rights. If debtors show good cause, these rights will not be forfeited.

3005 PROCESSING OFFSET REQUESTS FOR ANOTHER DOD COMPONENT OR FEDERAL AGENCY

300501. Determining Debt Validity. Organizations processing offset requests from another DoD Component or non-DoD federal agency are not authorized to determine the merits of debts for which offset is requested.

300502. Debtor Notification. Organizations making salary and administrative offsets for another DoD Component or non-DoD federal agency will give debtors with a copy of the debt claim form. If the date salary deductions will begin differs from the date on a debt claim form, debtors will be advised of the date deductions will begin. Debtors also will be advised when collections will be made from administrative (other than salary) amounts.

300503. Reporting Debtor Change of Employing Agency. Creditor DoD Components or non-DoD federal agencies will be notified by the collecting organization when employees, whose debts are being collected by salary or administrative offset, transfer to different paying agencies or terminate federal employment before debts are satisfied. Collecting organizations will certify amounts collected to creditor DoD Components or non-DoD federal agencies and provide copies of certifications to debtors. For interagency transfers, originals of the debt claim forms and copies of certifications of amounts collected will be included in debtors' official personnel folders.

★ 300504. Processing Requests From DoD Components. DoD Components will process salary and administrative offset requests received directly from other DoD Components. These offset requests must include the following certifications and information:

A. a statement certifying that the debtor has been provided due process including the applicable statutory authority.

B. a DD Form 139 (Pay Adjustment Authorization), DD Form 2481 (Request for Recovery of Debt Due the United States by Salary Offset) or other authorized or prescribed debt claim form or automated transaction.

C. total amount and nature of the debt.

D. point of contact at the creditor agency for any questions or disputes the debtor may have.

★ 300505. Processing Requests From Non-DoD Federal Agencies. All requests from non-DoD federal agencies for salary and administrative offset against DoD Component employees will be forwarded to DFAS-Cleveland Center/ABA for acknowledgment and certification. The Defense Manpower Data Center completes a matching process to identify which DoD activity is paying the debtor.

3006 REQUESTING SALARY AND ADMINISTRATIVE OFFSET FROM ANOTHER DOD COMPONENT OR NON-DOD FEDERAL AGENCY

★ 300601. Debt Certification. Organizations requesting salary and administrative offset against a debtor employed by another DoD Component or non-DoD federal agency will send the request and certifications required in paragraph 300504, above, to the debtor's employing component or agency. Offset requests will be accomplished by sending a DD Form 139, DD Form 2481, other authorized or prescribed form, or automated transaction to the paying agency.

300602. Debt Certification Waiver. When a debtor consents to salary or administrative offset in writing or signs a statement acknowledging receipt of due process procedures and the writing or statement is attached to the debt claim form sent to the employing agency, debt certification specified in paragraph 300601, above, is not required.

★ 300603. Coordinating Offset Requests. The organization requesting offset by another DoD Component or non-DoD federal agency is responsible for coordinating the amount and frequency of installment payments and a date for the first installment if a date different from the next established pay period is required.

300604. Collection Upon Interagency Transfer. Organizations that have requested offset by a DoD Component or non-DoD federal agency and later receive notification that a debtor has transferred to another DoD Component or non-DoD federal agency, will ensure the new employing component or agency resumes debt collection.

3007 REQUESTING OFFSET AGAINST AMOUNTS DUE AND PAYABLE FROM THE CIVIL SERVICE RETIREMENT AND DISABILITY FUND

300701. When Offset Will Be Requested. When a debtor already has separated and all payments due from a former employing agency have been paid, DoD creditor organizations will request administrative offset from amounts due and payable from the Civil Service Retirement and Disability Fund. Offset will be requested from lump sum and annuity payments.

300702. Time Limits. Requests for administrative offset against amounts payable from the Civil Service Retirement and Disability Fund will be made promptly. A request for offset satisfies requirements that offset be initiated before expiration of any applicable statute of limitations. Organizations that are both creditor and paying agency have a maximum of 60 days after a debtor separates or is no longer covered by the civil service retirement system to send to the prescribed debt notice or claim form to the OPM. When a DoD Component is the creditor agency but not a debtors' paying agency the DoD creditor organization will ensure OPM receives the debt claim or notice before expiration of the applicable statute of limitations and, if a refund is payable to a debtor, before the refund is paid. No other time limits apply for sending debt claims or notices to OPM.

300703. Notifying OPM To Prevent Lump-Sum Payment. When a DoD Component cannot immediately send to OPM a complete debt claim which would preclude lump-sum payment to a debtor, OPM should be notified of the intent to request offset. Notification will be by made by submitting the claim form prescribed by OPM. If the prescribed form is not available, a separate document will be used that identifies the debtor by name, date of birth, social security number, and date of separation, if known. If a debt notice did not include the debt amount, the requesting DoD Component must establish the amount and notify OPM in writing as soon as possible after submitting the notice.

300704. Follow-Up Submissions for Debt Notices and Incomplete or Incorrect Debt Claims Forms. DoD Components that send debt notices to OPM or receive advice from OPM that a debt claim was either incorrect or incomplete must forward to OPM a complete or corrected debt claim within 120 days. Organizations may request one 60 day extension which must be received by OPM before expiration of the 120 days specified above. OPM will not hold a lump sum payment more than 180 days awaiting a complete or corrected debt claim. These time limits do not apply to offsets against annuity payments.

300705. OPM Authority to Review Debt Merits. OPM is not authorized to review merits of DoD Components' determinations as to debt validity or amount.

300706. Notice to Debtors. The DoD Component making offset requests will notify debtors when their debts are sent to OPM for offset against the Civil Service Retirement and Disability Fund.

300707. Supporting Documents for Court Judgments. When a debt is supported by a court judgment specifying the debt amount, two certified copies of the court judgment will be sent to OPM with the debt claim.

300708. Debtors' Rights To Offer Repayment Schedules. If at least 1 year has elapsed since an offset request originally was made, when a debtor makes a claim for payments against the retirement and disability fund, the debtor will be permitted to offer a repayment schedule to the creditor organization. In making a decision to accept a repayment schedule, the creditor organization will consider the circumstances under which debts remained unpaid before debtors made claims against the fund. To be acceptable, debtors must, as a minimum, establish that financial circumstances would make the offset unjust.

300709. Collection Actions After Referral to OPM Creditor organizations will pursue debt collection by other means under this Regulation after debts are referred to OPM for offset. If collections are made, OPM will be promptly notified to modify or terminate offset requests.

300710. Minimum Debt Amount Referable. Debts less than \$100 will not be referred to OPM for offset from the Civil Service Retirement and Disability Fund. However, requests for offset of debts in any amount will be sent to OPM if debts were caused by an employee's failure to pay health benefits premiums while in non-pay status or when salary was not sufficient to pay premiums.

300711. Establishing Offset Schedules. If an offset must be made in installments, the organization submitting the request will advise OPM of the number of installments, the amount of each installment, and the date the first installment should be collected.

300712. Maximum Permissible Offset. Involuntary individual offsets are limited by OPM to 25 percent of net annuity for court judgments and 15 percent of net annuity for all other debts.

300713. Court Ordered Refunds. Organizations requesting offsets will certify to OPM that, if competent administrative or judicial authority issues an order directing OPM to pay a debtor an amount previously paid to the creditor organization, the amount will be reimbursed to OPM or paid to the debtor within 15 days of the order date.

300714. Certifications. DoD Components requesting administrative offset against the Civil Service Retirement and Disability Fund will include the following certifications and information:

- A. a statement that the debtor owes the debt;
- B. a statement that the debtor has been provided due process including the applicable statutory authority;

- C. a certified debt claim form if specified by OPM;
- D. details of the debt including basis, amount, payment due date, and date the debt was due;
- E. a statement that DoD regulations pertaining to salary offset have been approved by OPM;
- F. a statement that there has been compliance with applicable statutes, regulations, and procedures required by OPM; and
- G. two copies of certification of the amount collected and a copy of notice to the debtor that the claim was sent to OPM.

300715. Debts Subject to Specific OPM Regulations. DoD Components will follow specific regulations published by OPM when sending the following debts for OPM offset:

- A. debts due because an employee failed to pay health benefits premiums while in non-pay status or when salary was not sufficient to cover premium costs;
- B. no more than 6 months of retroactive premiums are due because an annuitant elected Part B Medicare coverage; or
- C. overpayments of military retired pay that annuitants elected in writing to have withheld from their annuity.

300716. Requesting Offset for Debts Not Otherwise Processed under this Regulation. DoD Components will comply with the following procedures when requesting OPM offset from the Civil Service Retirement and Disability Fund for debts not otherwise processed under this Regulation.

- A. Make the certifications required by paragraph 300714, above.
- B. If the offset must be made in installments, advise OPM of the number of installments to be collected, the amount of each installment, and the date the first installment should be collected.

SELECTION OF HEARING OFFICIALS FOR DOD COMPONENT DEBTS (Note 1)			
	COLUMN A	COLUMN B	COLUMN C
R U L E	IF THE CREDITOR COMPONENT IS:	AND THE DEBTOR IS EMPLOYED BY:	THEN OBTAIN HEARING OFFICIAL FROM:
1	DFAS	DFAS	ANY MILITARY DEPARTMENT
2	DFAS/MILITARY DEPARTMENT (Note 2)	MILITARY DEPARTMENT	OTHER MILITARY DEPARTMENT (Note 3)
3	DFAS/MILITARY DEPARTMENT (Note 2)	DFAS	OTHER MILITARY DEPARTMENT (Note 3)
4	MILITARY DEPARTMENT	DFAS	OTHER MILITARY DEPARTMENT (Note 3)
5	MILITARY DEPARTMENT	MILITARY DEPARTMENT	DFAS/OTHER MILITARY DEPARTMENT (Note 3)
6	OTHER DOD COMPONENT	OTHER DOD COMPONENT	DFAS/ANY MILITARY DEPARTMENT
<p>Note 1. Contact the DFAS-Denver Center (DFAS-DE/FYDC) for guidance in cases with circumstances other than those included in this table.</p> <p>Note 2. DFAS and a Military Department both are considered creditor components in situations when one makes payment for another using the other's appropriation. In this case, neither the paying nor employing component can provide the hearing official.</p> <p>Note 3. Other Military Department is one other than the creditor Military Department identified in Column A as the creditor component.</p>			

Table 30-1. Hearing Officials for DoD Component Debts

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CHAPTER 31

**DEBT COMPROMISE: SUSPENDING AND TERMINATING COLLECTION
ACTIVITY; DEBT WRITE-OFF AND RETENTION**★3101 APPLICABILITY

Policies in this chapter apply to debts of individuals, except foreign individuals, owed the United States. They do not apply to contract debts, sovereign debts owed the United States, or collection of child support, alimony, or commercial debts from the pay of DoD civilian employees or military members through garnishment or involuntary allotment. Contract debt collection procedures are contained in Volume 10 of this regulation. Sovereign debt collection procedures are contained in chapter 3, Volume 15 of this Regulation. Procedures for collection of child support, alimony, or commercial debts from military members or civilian employees through garnishment or involuntary allotments are contained in Volume 7 and Volume 8, respectively, of this regulation.

3102 DEBT COMPROMISE

310201. Authority To Compromise. Only the Department of Justice (DOJ) has authority to compromise debts exceeding \$100,000 exclusive of interest, penalties, and administrative charges. The Secretary of Defense has the authority to delegate and has properly delegated the authority to compromise debts of \$100,000 or less to the Directors of DFAS Centers and the heads of other DoD Components. Designated DoD Components may compromise debts that do not exceed \$100,000 exclusive of interest, penalties, and administrative charges after deducting amounts paid. No compromise action is authorized on debts referred to the GAO or the DOJ unless the debt is returned to the DoD Component for disposition. DoD Components will not compromise, but will refer to the DOJ, any debts that appear to be based on fraudulence or which are based on a violation of antitrust laws.

★ 310202. Referring Compromise Offers to the GAO and the DOJ. A DoD Component holding a debtor's firm written and substantial compromise offer for a debt less than \$100,000 exclusive of interest, penalties, or administrative charges may refer the matter to the GAO or the DOJ if there is uncertainty whether the offer should be accepted. Referral will include all supporting information. The GAO or the DOJ may act on the offer or provide instructions or advice. If a compromise offer for a debt exceeding \$100,000 exclusive of interest, penalties, and administrative charges is received and is acceptable to the DoD Component, the debt case will be referred to the DOJ using a Claims Collection Litigation Report. Referrals will specify reasons for compromise recommendations.

310203. Compromise Because of Litigative Risks. Designated DoD Components will compromise debts when there is real doubt as to the government's ability to prove its case in court for the full debt amount either because of legal issues involved or a bona fide dispute as to

facts. In determining litigative risks, proportionate weight will be given the probable amount of court costs and attorney fees which may be assessed against the government under the Equal Access to Justice Act if litigation is unsuccessful. Amounts accepted in compromise under these circumstances should reasonably reflect the probability of prevailing on legal questions involved, probability of full or partial recovery of a judgment paying due regard to availability of witnesses, other evidentiary government support, and related practical considerations.

310204. Compromise With Joint and Severally Liable Debtors. DoD Component organizations will not attempt to allocate the burden of paying a debt among jointly and severally liable debtors but will liquidate debts as quickly as possible. Compromise agreements taken with one jointly and severally liable debtor will be taken so that the agreement does not release the DoD Component's claim against other debtors. The amount of a compromise with one jointly and severally liable debtor will not be considered binding when determining the amount which will be paid by other debtors.

310205. Compromise Because of Inability To Enforce Collection. Debts will be compromised when the government will be unable to enforce collection. When making this determination, DoD Components will consider applicable exemptions available to debtors under state and federal laws and uncertainty as to the price collateral or other property might bring at a forced sale. Amounts compromised will bear a reasonable relationship to amounts which can be recovered by enforced collection having regard for exemptions available to debtors and the time to effect collection.

310206. Compromise Because Collection Costs Exceed Amounts Recoverable. Debts will be compromised when collection costs do not justify enforced collection of the full amount. Generally, collection costs will be a significant factor in small-debt compromise decisions but will not be a significant factor in large-debt compromise decisions. When determining which debts to pursue, creditor organizations will weigh the positive effect of a vigorous small-debt collection policy against the cost of collecting debts. Consideration will be given to practical benefits that vigorous collection of some small debts will demonstrate to other debtors that resistance to debt payment is unlikely to succeed. When making compromise decisions under these circumstances, DoD Components will consider an appropriate discount for administrative and litigative collection costs and the time to effect collection.

★ 310207. Compromise Because Debtors Are Unable To Pay Full Amount. Debts may be compromised if debtors are unable to pay the full amount in a reasonable time or if debtors refuse to pay in full and the government would be unable to enforce full collection within a reasonable time. The following factors, as a minimum, will be considered when determining a debtor's ability to pay:

- A. debtor's age and health.
- B. debtor's current and potential income.

- C. debtor's inheritance prospects.
- D. possibility that assets were concealed or transferred to avoid debt payment.
- E. availability of assets or income realizable from enforced collection proceedings.

310208. Compromise for a Combination of Reasons. Debts will be compromised using any applicable combination of reasons in this section.

310209. Obtaining Debtor Credit Information. If the DoD Component's files do not contain up-to-date financial information on which to base compromise decisions, credit information will be obtained from commercial credit bureaus and from debtor's statements executed under penalty of perjury.

310110. Compromises Payable in Installments. Compromised debts will be collected in lump sum. However, if installment payments are necessary, the compromising authority will obtain from the debtor, a legally enforceable agreement for reinstatement of the original debt less principle payments, and acceleration of the total balance due upon default of an installment payment.

310111. Compromises for Other than Cash. DoD Components will not accept either a percentage of a debtor's profits or stock in a debtor's corporation in compromise of a claim.

3103 SUSPENDING AND TERMINATING COLLECTION ACTIVITY

310301. Authority to Suspend or Terminate Collection Activity. Only the DOJ has authority to suspend or terminate collection action on debts exceeding \$100,000 exclusive of interest, penalties, and administrative charges after deducting amounts paid. Designated organizations may suspend or terminate collection actions on debts not exceeding \$100,000 exclusive of interest, penalties and administrative charges, after deducting amounts paid. No suspension or termination action is authorized on a debt referred to the GAO or DOJ unless the debt is returned to the DoD Component for disposition. DoD Components will refer to the DOJ any debt that appears to be based on fraudulence or which are based on a violation of antitrust laws.

310302. Referring Suspension and Termination Actions to the DOJ. DoD Components authorized to suspend or terminate collection actions also are authorized to refer debts to the DOJ for suspension or termination action. If, after evaluating a debt exceeding \$100,000 according to this section, a Component believes collection action should be suspended or terminated, the debt will be sent to the DOJ according to procedures in chapter 32 of this Volume.

★ 310303. Suspension when Debtors Cannot Be Located. Collection action may be suspended when debtors cannot be located and there is reason to believe future collection action will be sufficiently productive to justify periodic review and action on debts. Every reasonable effort will be made to locate debtors sufficiently in advance of the bar of the statute of limitations to permit timely filing of suit if such action is warranted.

★ 310304. Suspension when Debtors Are Unable to Pay. Collection action may be suspended when debtors own no equity in real or personal property and are unable to make payments or effect compromise at the time but future prospects justify retention of the debt for periodic review and action and:

- A. the applicable statute of limitations has been suspended;
- B. future collection can be made by offset notwithstanding the statute of limitations or the 10-year offset limitation prescribed for salary and administrative offset in this Regulation;
- C. the debtor agrees to pay interest on the debt amount on which collection is suspended; and
- D. suspension is likely to enhance a debtor's ability to pay the full debt principal and accrued interest at a later date.

310305. Suspension when a Permissive Waiver Statute Applies. Collection action will be suspended even though waiver statutes are permissive and do not prohibit collection action while waiver requests are being considered if:

- A. there is reasonable probability that waiver will be granted or that debts, in whole or part, will be found not owing;
- B. DoD interests will be protected, if there is a reasonable assurance that debts would be recovered if debtors do not prevail; or
- C. collection will cause undue financial hardship.

310306. Suspension when Refunds would Not Be Authorized. Collection action will be suspended if an applicable statute or regulation does not authorize refund of amounts collected before waiver determination if the waiver authority should act favorably on the request. Inability to make a refund will not be a factor in determining whether to suspend collection if a waiver request and surrounding circumstances are frivolous and the request apparently was made to delay debt collection.

310307. Terminating Collection of Erroneous Debts. Collection will be terminated on debts which are clearly erroneous or clearly without legal merit.

310308. Termination When Debtors Are Unable to Pay. Collection will be terminated and case files closed when it becomes clear the DoD Component cannot collect or enforce collection of any significant sum because debtors are unable to pay. Determinations will be made giving due regard to judicial remedies available to the government, debtors' future financial prospects, federal and state legal exemptions available to debtors, and applicable statutes of limitations. The following factors applicable to debtors will be considered:

- A. Age and health.
- B. Current and potential income.
- C. Inheritance prospects.
- D. Possibility that assets were concealed or transferred to avoid debt payment.
- E. Availability of assets or income realizable from enforced collection proceedings.

310309. Termination Because Costs Exceed Amounts Recoverable. Debt collection normally will be terminated when collection costs will exceed the amount recoverable. Creditor organizations will weigh practical benefits that vigorous collection of some of these debts will demonstrate to other similar debtors that resistance to debt payment is unlikely to succeed.

310210. Termination Because Debtors Cannot Be Located. Collection action will be terminated when debtors cannot be located; the applicable statute of limitations has run; and prospects of collecting by offset, notwithstanding the bar of the statute of limitations, are too remote to justify debt retention.

3104 DEBT WRITE-OFF, CLOSE-OUT, AND RETENTION

310401. General. Designated DoD Components will develop write-off procedures that identify and remove uncollectible accounts from accounts receivable records and close-out procedures that discontinue collection activity. These procedures will improve accounting for the cost of collection programs and allow management to focus efforts on accounts most likely to be collected.

310402. Debt Write-Off. Debts will be written off when:

- A. A judgment was obtained but full or partial debt collection could not be made.
- B. A debtor was unable to pay.

C. Collection costs would exceed the amount recoverable.

D. A debtor could not be located and the statute of limitations has expired.

E. A collection agency was unable to collect a debt and returned the debt to the referring organization with documentation sufficient to demonstrate that further collection action would be futile.

★ 310403. Debt Close-Out. DoD Components, when closing out written-off accounts and removing the accounts from other active receivables, shall:

A. Maintain subsidiary records of accounts that may be collected by offset against future benefit claims.

B. Maintain an IRS referral log by calendar year which contains a record of amounts written off and debtor-identifying information for income reporting on IRS Form 1099-C, "Canceled Debt" (see paragraph 310404, below).

★ C. Reinstitute collection action on closed-out accounts if there is subsequent evidence that a debtor has new ability to repay.

310404. Debt Retention. Unless documentary evidence shows there is no potential for future collection, debts written off for which collection costs are not a factor, will be retained in an inactive file until the 10-year administrative offset limitation expires. Inactive debts will be matched periodically against the Defense Manpower Data Center United States-employee files and collected by salary or administrative offset when debtors are found to be employed by the United States. These debts may be collected by other means required or authorized by this Regulation if the 6-year statute of limitations has not expired. DoD Components that write off or compromise debts will maintain logs for later reporting to the IRS. Debt write offs and compromises totaling \$600 or more for an individual debtor in a calendar year will be reported to the IRS as income to the debtor. Write offs and compromises will be included in the total only if the debtor received something of value.

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CHAPTER 32
DEBT REFERRALS OUTSIDE THE DEPARTMENT OF DEFENSE

★ 3201 APPLICABILITY

Policies in this chapter apply to debts of individuals, except foreign individuals, owed the United States. They do not apply to contract debts, sovereign debts owed the United States, or collection of child support, alimony, or commercial debts from the pay of DoD civilian employees or military members through garnishment or involuntary allotment. Contract debt collection procedures are contained in Volume 10 of this regulation. Sovereign debt collection procedures are contained in chapter 3, Volume 15 of this Regulation. Procedures for collection of child support, alimony, or commercial debts from military members or civilian employees through garnishment or involuntary allotments are contained in Volume 7 and Volume 8, respectively, of this regulation.

3202 REFERRALS TO THE GENERAL ACCOUNTING OFFICE AND THE DEPARTMENT OF JUSTICE

320201. Debts that Will Be Referred. DoD Components will refer to the DOJ any debt where there is an indication of fraud or the presentation of a false claim. The DOJ must authorize collection action on these debts. Except where preliminary referral to GAO is provided in paragraphs 320204 and 320205, below, debts on which aggressive collection action has been taken according to this Regulation and which cannot be compromised, suspended, or terminated, will be referred promptly, without prior GAO referral, to the DOJ for litigation. The DOJ establishes minimum dollar thresholds for referring these debts.

320202. Timing. Referrals will be made as early as possible consistent with collection actions and will be made well within the time limit for bringing suit against debtors. Ordinarily, referrals will be made within 1 year of creditor organizations' final determinations as to facts and amounts of debts.

320203. Department of Justice Referral Addresses. Debts with an original gross amount of \$100,000 or more will be referred to the DOJ Central Intake Facility.

320204. Debts Arising from GAO Exceptions. Debts arising from exceptions taken by the GAO to payments made by DoD Component DOs will be referred to the GAO for review before referral to the DOJ for litigation.

320205. Questionable Debts. Questionable debts will be referred to the GAO for resolution or instructions before collection actions or referral to the DOJ for litigation. DoD Components will follow instructions and observe monetary limitations in the GAO Policy and Procedures Manual for Guidance of Federal Agencies (reference (n)) when making preliminary referrals to GAO. Questionable debts include those where there is doubt as to:

- A. Merits or amount of a debt.
- B. Propriety of proposed compromise.
- C. Propriety of suspending or terminating collection action.

320206. Claims Collection Litigation Report. DoD Components will use Claims Collection Litigation Reports, prescribed by the DOJ, for making preliminary referrals to the GAO and referring debts to the DOJ for litigation. Attachments to the reports include a checklist or brief summary of action taken to collect or compromise debts and, for any noncompliance with administrative collection actions required by the Federal Claims Collection Standards, 4 C.F.R. 102, (reference (aq)), reasons for omitting the requirements. Reasonable steps will be taken to locate missing debtors and reports will include debtors' current addresses. Referrals to the DOJ for foreclosure or other proceedings, in which a debtor's address is unknown, will include a list of prior known addresses and a statement of steps taken to locate the debtor. Reasonably current credit data will also be included in reports. Debtors' credit should indicate there is reasonable prospect of enforcing debt collection having due regard for exemptions available under federal and state laws and judicial remedies available to the government. Credit data must be in one of the following forms:

- A. A commercial credit report.
- B. An investigative report showing debtor's assets, liabilities, income, and expenses.
- C. A debtor's own financial statement, executed under penalty of perjury, showing assets, liabilities, income, and expenses.

320207. Criteria for Omitting Claims Collection Litigation Report Credit Data. DoD Components may omit credit data from a Claims Collection Litigation Report if: a debtor is bankrupt or in receivership; a debtor's liabilities to the DoD Component are fully covered by insurance, in which case, the referring organization will provide information on the insurer's identity and address and the type and amount of insurance; or the nature of a debtor is such that credit data is not normally available or cannot be reasonably obtained, for example, a state or local government unit.

320208. Contacting Debtors After Referral. Once debts have been referred to the GAO or the DOJ, DoD Components will refrain from contact with referred debtors. Debtors who raise questions pertaining to these debts will be referred to the GAO or the DOJ as appropriate. DoD Components will immediately notify the agency holding the debt of any payments received subsequent to referral.

3203 DEBT REFERRALS TO PRIVATE COLLECTION AGENCIES

320301. Authority to Use Private Collection Agencies. Centralized debt collection organizations may use private collection agencies to supplement their debt collection programs.

320302. Contracting for Private Collection Agency Services. Contracts awarded by a DoD Component for private collection agency services will have the following minimum provisions:

A. The DoD Component will retain authority to resolve disputes, compromise debts, suspend and terminate collection activity, and refer debts to credit bureaus and to the DOJ for litigation.

B. Contractors will be subject to the Privacy Act of 1974 to the extent specified in 5 U.S.C. 552a(m) and other federal and state regulations and laws.

C. Contractors will be required to account strictly for all amounts collected.

D. Contractors will record all collection activity for each debt and provide, when available, any information needed by the DoD Component to complete a claims collection litigation report.

E. Contracts will specify minimum requirements for the following collection activities:

1. Locating and contacting debtors.

2. Installment payments.

3. Returning uncollectible debts to the DoD Component.

F. Contractors will be required to calculate, assess, collect, and return to the DoD Component, interest, penalties and administrative charges as specified in this Regulation.

320303. Collection Contract Funding. Collection agency contracts awarded by a DoD Component normally will be funded by contingency fees. Fees will be based on a percentage of collections and will be consistent with prevailing commercial rates. Collection agency contracts awarded by a DoD Component may be funded on a fixed-fee basis but only to the extent funds are available in advance appropriations or other legislation.

320304. Referring Government Employees. DoD Components normally will not refer U.S. Government employees to commercial collection agencies. However, such referral is not precluded.

3204 DEBT REFERRALS TO COMMERCIAL CREDIT BUREAUS

320401. Authority To Refer Debtors. Centralized debt collection organizations authorized to terminate or write-off debts will report the following debt categories to commercial credit bureaus:

- A. Delinquent debts which are not feasible to collect.
- B. Debts referred to the GAO for collection.
- C. Debts referred to the DOJ for litigation.

320402. Due Process Protection. Before referring debts to commercial credit bureaus, DoD Components will ensure debtors are provided due process. Debtors will be provided a minimum of 60-days' advance notice before debts are referred.

320403. Maintaining Referred Debts Current. The referring organization will notify the credit bureau when there is a substantial change to a referred debt. Referring organizations will establish procedures to disclose promptly current information on debts when requested by those credit bureaus to which debts were referred.

320404. Maintenance of Debt Records. Records for debts referred to commercial credit bureaus on which no other collection action will be taken shall be retained for 13 months for commercial debts or 7 years for individual debts.

3205 DEBT REFERRALS TO THE INTERNAL REVENUE SERVICE FOR TAX REFUND OFFSET

320501. Authority To Refer Debts. Title 31, U.S.C., section 3720A (reference (e)) authorizes the IRS to collect certain past due and legally enforceable debts by offset against tax refunds. Referring organizations will comply with agreement between the IRS and DoD for implementing and administering tax refund offset. The single DoD manager and contact point for the program is DFAS-Denver Center (DFAS-DE/Y).

320502. Due Process and Certification. Before referring debts for tax refund offset, all debtor due process protections and notifications afforded by statute, regulation, or agreement will be satisfied. Certification of compliance will be furnished the IRS as required by statute, regulation, or agreement.

320503. Maintaining Referred Debts Current. Periodic updates to data submitted under this program will be furnished the IRS as required by statute, regulation, or agreement.

320504. Access To and Use of Tax Information. Federal officers or employees operating or using this debt collection process must be made aware that access to and use of

confidential tax information in connection with offset of federal tax overpayment under IRS Code, section 6402(d), is restricted by section 6103 of the IRS Code. Confidential tax information received must be adequately safeguarded. Personnel who access or use confidential tax information must be informed of these restrictions and of the sanctions or penalties that may be imposed for violation of restrictions on access and use of tax information.

★ CHAPTER 33 ★

ACCOUNTABLE OFFICIALS AND CERTIFYING OFFICERS3301 PURPOSE AND INTRODUCTION

330101. Purpose. Prior to a 1996 legislative change (Public Law 104-106, section 913), the Department did not have certifying officers, and only disbursing officers were pecuniarily liable for fiscal irregularities, including erroneous payments. That legislation requires certifying officers within the Department. Sound financial management and internal control practices dictate that such certifying officers be independent and organizationally separate from disbursing officers, whenever practicable. This chapter addresses: (1) responsibilities of accountable officials, certifying officers and disbursing officers, (2) minimum qualifications for certifying officers, (3) pecuniary liability of accountable officials, certifying officers and disbursing officers, (4) the selection and appointment process for certifying officers, (5) certification of vouchers for payment, and (6) pre- and post-payment random review. A glossary of terms is at section 3310.

330102. Introduction. The centralization of disbursing processes and the increased use of automated systems, coupled with the volume and complexity of business processes, reduces the ability of the Department's officials to exercise direct personal control over all aspects of each business transaction. Accordingly, it is extremely difficult for any single Departmental official to personally ensure the accuracy, propriety and legality of every payment. Consequently, the certifying and disbursing officer must depend on other personnel involved in the payment authorization process to provide accurate and timely data and quality service. (For example, a certifying officer for payroll must depend on information provided by the personnel office.) To ensure that a payment is correct, personnel who provide information to certifying officers must provide accurate information.

3302 POLICY

The law (31 U.S.C., section 3325) requires certifying officers within the Department. These officers are pecuniarily liable for erroneous payments (see paragraph 330303). Further, it is the policy of the Department of Defense that other officials involved in authorizing a payment are accountable, and that these accountable officials, as well as certifying and disbursing officers, shall be pecuniarily liable for erroneous payments resulting from the negligent performance of their duties.

3303 RESPONSIBILITIES

330301. General Responsibilities of Accountable Officials. All accountable officials are responsible for:

A. Ensuring that a system of internal procedures and controls for the portion of the entitlement- and/or payment-related process under their cognizance is in place to minimize

opportunities for erroneous payments, and to ensure that all procedural safeguards effecting proposed payments are observed;

B. Complying with all applicable DoD regulations, policies and procedures, including local standard operating procedures;

C. Supporting their respective certifying officers with timely and accurate data, information, and/or service to ensure proper payments, i.e., payments that are supportable, legal, and computed correctly;

D. Requesting advice from a certifying officer concerning a doubtful matter within the accountable official's responsibilities upon which the certifying officer will rely in making certification of (i) an entitlement to payment, (ii) a document for payment or (iii) other information/data associated with a payment, and

E. Taking timely action in response to inquiries initiated by a review official with regard to possible or actual erroneous payments.

330302. Specific Responsibilities of Accountable Officials by Functional Area.
(Note: This is not a complete list of all potential accountable officials.)

A. Purchase Card Program:

1. Agency program coordinators are responsible for the implementation and execution of the purchase card program in accordance with established Office of the Secretary of Defense and applicable DoD Component regulations, policies and procedures.

2. Cardholders are responsible for the timely and accurate update of the cardholder's automated system.

3. Resource Managers/Fund Holders. In addition to other responsibilities, resource managers/fund holders are responsible for the proper assignment of funding on an obligation document before the obligation is incurred, and for maintaining a system of positive funds control.

4. Automated Information System (AIS) Administrators. In addition to other responsibilities, AIS administrators are responsible for the operation and maintenance of automated system(s) used to support the entitlement, certifying and disbursing processes. Specifically, the AIS administrator's responsibility in this context is to ensure that these systems operate in accordance with prescribed functional requirements and to maintain the integrity of the data and prevent unauthorized access to the data.

B. Temporary Duty Travel:

1. Agency program coordinators are responsible for the implementation and execution of the travel card program in accordance with established official DoD regulations, policies and procedures.

2. Authorizing officials are responsible for authorizing travel orders and signing/approving travelers' claims.

3. Resource Managers/Fund Holders. In addition to other responsibilities, resource managers/fund holders are responsible for the proper assignment of funding on an obligation document before the obligation is incurred, and for maintaining a system of positive funds control.

4. Automated Information System (AIS) Administrators. In addition to other responsibilities, AIS administrators are responsible for the operation and maintenance of automated system(s) used to support the entitlement, certifying and disbursing processes. Specifically, the AIS administrator's responsibility in this context is to ensure that these systems operate in accordance with prescribed functional requirements and to maintain the integrity of the data and prevent unauthorized access to the data.

C. Contract and Vendor Pay:

1. Contracting officers are responsible for the timely and accurate update of prime contracting modifications that support payments, e.g., payee's name and address.

2. Administrative contracting officers are responsible for the timely and accurate update of contract modifications and other administration documents that support payments, e.g., unit price.

3. Receiving officials are responsible for the timely and accurate update of receipt data, e.g., quantity and receipt date.

4. Resource Managers/Fund Holders. In addition to other responsibilities, resource managers/fund holders are responsible for the proper assignment of funding on an obligation document before the obligation is incurred, and for maintaining a system of positive funds control.

5. Automated Information System (AIS) Administrators. In addition to other responsibilities, AIS administrators are responsible for the operation and maintenance of automated system(s) used to support the entitlement, certifying and disbursing processes. Specifically, the AIS administrator's responsibility in this context is to ensure that these systems operate in accordance with prescribed functional requirements and to maintain the integrity of the data and prevent unauthorized access to the data.

D. Civilian Pay:

1. Personnel officers are responsible for the accurate and timely update of personnel data supporting payment.
2. Employees' supervisors are responsible for the accuracy of employees' time and attendance records and supporting documentation, such as requests and approval of leave, overtime, and compensatory time.
3. Supervisors of time and attendance clerks are responsible for the accuracy of the time and attendance data input by clerks under their supervision.
4. Resource Managers/Fund Holders. In addition to other responsibilities, resource managers/fund holders are responsible for the proper assignment of funding on an obligation document before the obligation is incurred, and for maintaining a system of positive funds control.
5. Automated Information System (AIS) Administrators. In addition to other responsibilities, AIS administrators are responsible for the operation and maintenance of automated system(s) used to support the entitlement, certifying and disbursing processes. Specifically, the AIS administrator's responsibility in this context is to ensure that these systems operate in accordance with prescribed functional requirements and to maintain the integrity of the data and prevent unauthorized access to the data.

E. Military Pay:

1. Personnel officers are responsible for the accurate and timely input of personnel data supporting payment.
2. Military members' supervisors are responsible for accurate and timely input of data, such as leave slips.
3. Resource Managers/Fund Holders. In addition to other responsibilities, resource managers/fund holders are responsible for the proper assignment of funding on an obligation document before the obligation is incurred or promulgation of detailed field procedures, and for maintaining a system of positive funds control.
4. Automated Information System (AIS) Administrators. In addition to other responsibilities, AIS administrators are responsible for the operation and maintenance of automated system(s) used to support the entitlement, certifying and disbursing processes. Specifically, the AIS administrator's responsibility in this context is to ensure that these systems operate in accordance with prescribed functional requirements and to maintain the integrity of the data and prevent unauthorized access to the data.

F. Permanent Change of Station:

1. Personnel officers are responsible for the timely and accurate input of data supporting a payment.

2. Commanders/directors are responsible for ensuring that members performed in accordance with travel orders.

3. Resource Managers/Fund Holders. In addition to other responsibilities, resource managers/fund holders are responsible for the proper assignment of funding on an obligation document before the obligation is incurred, and for maintaining a system of positive funds control.

4. Automated Information System (AIS) Administrators. In addition to other responsibilities, AIS administrators are responsible for the operation and maintenance of automated system(s) used to support the entitlement, certifying and disbursing processes. Specifically, the AIS administrator's responsibility in this context is to ensure that these systems operate in accordance with prescribed functional requirements and to maintain the integrity of the data and prevent unauthorized access to the data.

330303. Certifying Officer. Certifying officers are responsible for:

A. Information stated in a voucher, supporting documents, and records;

B. Computation of a certified voucher under sections 3528 and 3325 of title 31, United States Code;

C. Legality of a proposed payment under the appropriation or fund involved;

D. Issuing advice to accountable officials;

E. Seeking advance decisions under 31 U.S.C., section 3529 from the DoD Office of Deputy General Counsel (Fiscal), or designee; and

F. Repaying a payment:

1. that is determined to be illegal, improper, or incorrect because of an inaccurate or misleading certificate;

2. that is determined to be prohibited by law; or

3. that does not represent a legal obligation under the appropriation or fund involved.

G. Designating accountable officials under paragraph 330505.

330304. Heads of the DoD Components. Heads of the DoD Components (or their designees) are responsible for the appointment of certifying officer(s) and review official(s) as required, for the oversight of certifying officers and review officials, and for carrying out the duties described in paragraph 330805. Heads of the DoD Components (or their designees) are not accountable officials by reason of the execution of these responsibilities.

330305. Disbursing Officer. Disbursing officers are responsible for:

A. Disbursing money only as provided by vouchers duly certified by authorized certifying officers.

B. Examining vouchers to determine if they are in the proper form, certified and approved by an authorized certifying officer, computed correctly on the facts certified, and except for the correctness of computations on a voucher are accountable for disbursing money only as provided by a certified voucher and performing the voucher examination.

C. Returning, to the certifying officer, any voucher that is not in the proper form, is incomplete, or is not properly certified.

330306. Supervisors. Supervisors of accountable officials and certifying officers are responsible for training, including initial training for new personnel and periodic refresher training for other personnel. Supervisors also are responsible for periodic review or inspection of the actions of all accountable officials and certifying officers under their supervisory control to ensure compliance with established regulations, policies and procedures, including local standard operating procedures.

3304 CERTIFYING OFFICER QUALIFICATIONS

To promote professionalism and strengthen internal controls, a certifying officer should be a supervisor and have the following minimum qualifications: (1) knowledge of the subject matter, (2) background or experience in the preparation of a voucher for payment, (3) knowledge of appropriations and other funds and accounting classifications, and (4) knowledge of payment process (e.g., availability of funds and location of designated paying and accounting offices).

3305 CERTIFYING OFFICER SELECTION AND APPOINTMENT AND ACCOUNTABLE OFFICIAL DESIGNATION

330501. DoD personnel eligible to be appointed to certify vouchers and forward to a disbursing office for payment include (but are not limited to): commanders, deputy commanders, resource managers/fund holders, travel authorizing officials, purchase card approving officials and other personnel in equivalent positions. For example, a traveler's supervisor could be a travel authorizing official and a certifying officer. The Heads of the DoD Components (or their designees) shall appoint certifying officers. For purposes of the purchase card program, the designated approving official shall be appointed as the certifying officer. A certifying officer shall

be appointed by the issuance of a letter of appointment and the completion of a DD Form 577, Signature Card. The appointment letter and DD Form 577 specifically shall identify the types of payments, such as vendor pay and civilian pay, to be certified.

330502. A disbursing officer is not eligible for appointment as a certifying officer and may not appoint a certifying officer. An individual under the direct supervision of a disbursing officer (e.g., deputy disbursing officer) may be appointed as a certifying officer only in special, limited situations as described in paragraph 330504.

330503. At installations or activities where a computation function is performed independently of the disbursing function, certifying officers may be appointed at the first line supervisory level or higher within the computation organization. These appointments may be accomplished either directly by the respective Head of the DoD Component or by delegation through command channels.

330504. Where computations for payment are performed under the direction of the disbursing officer during tactical operations (including afloat units, military training exercises, noncombatant evacuations, and contingency operations), certifying officers may be appointed from among personnel within the disbursing office. These appointments must be accomplished either by direct written notification from the respective Head of the DoD Component to the designated appointee, or by delegation through command channels excluding the disbursing officer.

330505. Accountable officials shall be designated by the certifying officer whose certifications are supported by the accountable official(s). An accountable official shall be notified by the issuance of a letter of designation which appraises the accountable official of his/her pecuniary liability for erroneous payments that result from the negligent performance of accountable official duties.

3306 CERTIFICATION

330601. By affixing a manual, electronic or digital signature to a voucher, a certifying officer states (certifies) to a disbursing officer that the items listed therein are correct and proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the proposed payment is legal, proper and correct. Certifying officers may certify payments by manual or electronic methods and may certify individual vouchers, or a summary of several vouchers.

330602. Manual certifications are made on the voucher. A manual certification shall include the certifying officer's signature, typed or printed name, the title "Authorized Certifying Official," the date and the dollar amount. Manually certified vouchers may be submitted to the disbursing office by mail or fax.

330603. Electronic certification must include adequate safeguards. An electronic certification adopted by a certifying officer must be: (1) unique to the certifying officer,

(2) under the sole control or custody of the certifying officer, (3) linked to the data certified in such a manner that if the data are changed, the digital or electronic signature is invalidated, and (4) capable of being verified by the disbursing officer.

3307 PECUNIARY LIABILITY

330701. Accountable officials shall be pecuniarily liable for erroneous payments that result from information, data or service they negligently provide to a certifying officer. Pecuniary liability shall be for the full amount of the erroneous payment up to one month's compensation. One month's compensation is one month's regular military compensation as defined in 37 U.S.C. 101(25) in the case of military members and one-twelfth of annual pay in the case of civilian employees. For Reserve component personnel, one month's regular military compensation refers to the amount that would have been received by the Service member if on active duty.

330702. A certifying officer is pecuniarily liable for payments in accordance with the provisions of 31 U.S.C., section 3528.

330703. A disbursing officer is pecuniarily liable for payments in accordance with:

- A. 31 U.S.C., section 3325 and other applicable law;
- B. This volume.

330704. The amount of pecuniary liability is the amount of the erroneous payment, reduced by any amounts recovered from the recipient. Generally, the amount is determined during the investigation and relief from liability process (see sections 3308 and 3309 below).

3308 PRE- AND POST-PAYMENT RANDOM REVIEW

330801. Coincident with the appointment of a certifying officer, an individual shall be appointed in writing to serve as a review official. Where feasible, personnel who are serving in a review-type position, e.g., head of the internal review office, should serve as the certification review official. The person so appointed shall conduct pre- and post-payment reviews of payments certified by the certifying officer. The person appointed as a review official may not concurrently serve as an accountable official, or as a certifying or disbursing officer. Except where impracticable within afloat or tactical operating forces, persons appointed as review officials shall not be in the supervisory chain of command of a certifying officer or disbursing officer.

330802. The review official appointed to perform pre- and post-payment reviews shall perform such reviews in accordance with guidance issued by the Under Secretary of Defense (Comptroller) memorandum dated October 31, 1996 (Revision to Travel Reengineering Implementation Memorandum #8). When the review official identifies a certified proposed payment, or an actual payment, as being of questionable legality, propriety or correctness, the review official shall issue an inquiry to the certifying officer. Such an inquiry shall direct the

certifying officer to provide an explanation as to why payment was certified. A copy of the inquiry shall be provided to the applicable accountable official(s) and disbursing officer. If requested, the accountable official(s) and disbursing officer shall assist the certifying officer in providing the required explanation.

330803. If the certifying officer utilizes a prepayment statistical sampling procedure approved by the Office of the Under Secretary of Defense (Comptroller) or designee, and reviews only those vouchers selected in the sample as a basis for certification, the vouchers selected for review must be identified. By law, certifying and disbursing officers are not pecuniarily liable for an erroneous payment on vouchers and documents not selected for review based on the use of approved sampling procedures if diligent collection action is pursued. However, the applicable accountable official shall be liable in accordance with the policies specified herein.

330804. Review officials shall maintain a file of all inquiries that result from the review process or that are received from other sources, e.g., payees, the accounting office or the disbursing office. Additionally, review officials shall ensure that all inquiries are resolved within 30 calendar days from the date of an inquiry. If, based on the response from the certifying officer, the applicable review official determines that a payment was legal, proper, and correct, no further action is required. If there is doubt, the Director, Defense Finance and Accounting Service shall determine the legality, propriety and correctness of payments that have been made. If the results of an inquiry fail to establish that a payment was legal, proper and correct, and if recovery has not been made, the review official must raise a charge against the applicable accountable officials, the certifying officer, and/or the disbursing officer, as appropriate.

A. The raising of a charge is mandatory, except that no charge shall be raised against a certifying or disbursing officer if the payment was certified based upon reliance of an approved pre- and post-payment statistical sampling procedure and the voucher in question was not included in the sample. A review official shall not close an inquiry until satisfied that appropriate collection action is being taken against the recipient of the payment, as well as negligent accountable officials, the certifying officer or the disbursing officer who are liable and have not been relieved of liability under section 3309.

B. A review official must maintain a file of all charges and may close such files only upon final disposition (e.g., recovery from the payee, or relief of, or recovery from, an accountable official or a certifying or disbursing officer).

330805. A review official must notify the applicable commander/director whenever charges are made against an accountable official, or a certifying or disbursing officer. When an accountable official, or a certifying or disbursing officer, is charged by a review official with an erroneous payment, the commander/director of the review official must convene or order an investigation in accordance with chapter 6 and Appendix C of this volume. After considering the findings of the investigation in cases where a charge has been raised against an accountable official, a determination must be made as to whether the erroneous payment was the result of the accountable official's negligence. If the commander/director determines that the erroneous

payment was not the result of the accountable official's negligence, the charge against that official shall be cleared.

3309 RELIEF FROM LIABILITY

In the case of certifying and disbursing officers, pecuniary liability attaches automatically when there is a fiscal irregularity. A fiscal irregularity is either: (a) a physical loss of cash, vouchers, negotiable instruments, or supporting documents or (b) an erroneous payment. Pecuniary liability in the case of accountable officials attaches when the commander/director determines that an erroneous payment was the result of an accountable official's negligence. Certifying officers and disbursing officers should bear in mind that in all cases there is a presumption of negligence and those individuals bear the burden of proof in establishing the absence of negligence; i.e., they must produce evidence to establish that there was no contributing fault or negligence on their part. A presumption of negligence does not apply to accountable officials. In accordance with procedures in this regulation, an investigator must obtain the relevant facts concerning: (1) whether there is a fiscal irregularity, and (2) whether there is evidence of fault or negligence on the part of an accountable official, and evidence of the absence of fault or negligence on the part of a certifying or disbursing officer. Efforts to recover from the recipient must be undertaken in accordance with the debt collection procedures prescribed in chapters 29 and 30 of this volume.

330901. If recovery action is successful, credit shall be made to the appropriation or fund that was charged originally, and the charge against an accountable official, or a certifying and/or disbursing officer shall be cleared.

330902. If recovery action is wholly or partially unsuccessful, a certifying officer or disbursing officer may request relief from liability supported by a statement explaining how the evidence shows the absence of negligence on the officer's part; an accountable official may submit a request for relief supported by a statement explaining how the evidence fails to show negligence on the official's part.

330903. If an accountable official, certifying officer or disbursing officer elects not to request relief, the individual shall remit personal funds for the amount of the fiscal irregularity. That remittance shall have the same effect as if the remittance had been submitted by the recipient of the original payment.

330904. If an accountable official submits a request under paragraph 330902, it must be routed through the applicable certifying officer. All requests under paragraph 330902, must be routed via the appropriate commander/director to the Defense Finance and Accounting Service Headquarters for consideration.

330905. A request from an accountable official, or a certifying or disbursing officer, under paragraph 330902 may be delayed pending the outcome of collection efforts against the recipient, but in all cases shall be submitted within one (1) year following the attachment of liability against the individual.

A. If the request is granted, the charge against the individual shall be cleared.

B. If the request is denied and collection from the recipient is wholly or partially unsuccessful, the individual must clear the charge by remitting personal funds or otherwise arranging repayment with the Defense Finance and Accounting Service.

C. If the accountable official, or the certifying or disbursing officer, leaves civilian employment, or is released from military duty, appropriate collection action(s) must be made prior to termination of employment/release from military duty.

330906. Relief is granted if the evidence shows that the irregularity was not the result of a certifying or disbursing officer's negligence. In the case of accountable officials, relief is granted if it is determined that the commander/director erred in finding that an erroneous payment was the result of the accountable official's negligence. An indication of lack of negligence is evidence that the individual followed established official DoD regulations, policies and procedures, including local standard operating procedures. Conversely, failure to act in accordance with such regulations, policies, and procedures is generally considered evidence of negligence. Evidence that an accountable official, certifying officer, or disbursing officer followed orders of a superior is not evidence of the absence of negligence or bad faith. The following factors are not relevant in determining relief from liability: (a) heavy workload or shortage of personnel; (b) good work record, reputation, or character; (c) length of loyal and dependable service; (d) lack of experience, supervision, or training; (e) financial hardship in making restitution; or (f) acceptance of extra duties.

3310 GLOSSARY OF TERMS

331001. Accountable Officials. For the purposes of this chapter, DoD military members and civilian personnel, who are designated in writing and are not otherwise accountable under applicable law, who provide source information, data or service (such as a receiving official, a cardholder, and an automated information system administrator) to a certifying or disbursing officer in support of the payment process. They are pecuniarily liable for erroneous payments resulting from their negligent actions.

331002. Administrative Contracting Officer. A military member or civilian employee of the Department who is warranted to administer contracts.

331003. Approving Official. An individual who has responsibility for one or more Government Purchase Card (IMPAC) cardholders.

331004. Automated Information System Administrator. An individual responsible for the programming, scheduling or operation of computerized programs, and the maintenance of one or more automated information systems.

331005. Cardholder. An individual designated by an agency/activity to be issued a government purchase card and/or government travel card.

331006. Certification.

A. Certifying Officer--The act of attesting to the legality, propriety and correctness of a voucher for payment as provided for in 31 U.S.C., section. 3528(a).

B. Accountable officials--The act of attesting to the legality, propriety and/or the correctness of a document that supports a payment voucher in accordance with this regulation.

331007. Certifying Officer. A DoD military member or civilian employee of the Department appointed in writing to certify a voucher for payment (see “Certification” above).

331008. Civilian Pay. Entitlements to DoD civilian employees. A functional area within the payment process.

331009. Commander/Director. An individual assigned as a commander-in-chief, commanding officer, base commander, installation commander, director of a defense activity, officer-in-charge, or equivalent civilian head.

331010. Contract. A mutually binding legal relationship obligating the seller to furnish the supplies or services and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. This includes (but is not limited to) rental and lease agreements, purchase orders, delivery orders, service contracts, requirements-type contracts and bilateral instruments.

331011. Contract Pay. An entitlement process to pay contractors. A functional pay area.

331012. Contractor. Any person, organization, or business concern engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor (including State and local governments and foreign entities, but excluding federal entities and foreign governments).

331013. Disbursing. The act of paying public funds to entities to whom the government is indebted; the collection and deposit of moneys; the safeguarding of public funds; the documenting, recording, and reporting of these transactions.

331014. Disbursing Officer. An officer or employee of a Federal department, agency or other individual designated to disburse moneys and render accounts according to laws and regulations governing the disbursement of public moneys.

331015. Document. A business record in hard copy or electronic form.

331016. Electronic Certification. An approved electronic signature adopted by a certifying officer that is unique to the certifying officer; capable of verification by the disbursing officer; under the sole control or custody of the certifying officer; and linked to the data certified in such a manner that if the data are changed, the electronic signature is invalidated.

331017. Erroneous Payment (also referred to as an Illegal, Incorrect, or Improper Payment). A fiscal irregularity resulting from regularly processed payments that are not in strict conformity with laws and regulations. For example, an erroneous payment results from: (a) an overpayment of a payee; (b) two or more payments to a payee for the same entitlement; (c) a payment to the wrong payee; (d) a U.S. Treasury check issue over-draft in some cases; (e) a shortage caused by negotiation of both an original and a substitute U.S. Treasury check; (f) a shortage caused by a negotiation of both an original and a recertified U.S. Treasury check; (g) payment based on fraudulent, forged, or altered documents (usually); or (h) a payment made in violation of a law or regulation.

331018. Fiscal Irregularity. An irregularity in a disbursing officer's account is any action (or lack thereof), event, practice, or circumstance that causes an out-of-balance condition in the financial accountability to the United States of the disbursing officer and/or deputies, agents, and cashiers to whom public funds have been entrusted. Irregularities resulting from physical losses of funds or erroneous payments.

331019. Internal Controls. The manner in which financial, manpower, and property resources are controlled and safeguarded by the regular authorization, approval, documentation, recording, reconciling, reporting, and related accounting processes.

331020. Military Pay. An entitlement process for military active duty personnel, Reserve personnel, National Guard personnel, retired military personnel, annuitants, academy cadet/midshipman, and Armed Forces Health Professions Scholarship participants, and inactive duty travel. A functional pay area.

331021. Negligence. Ordinary or simple negligence, including the failure to adhere to established official DoD regulations, policies, and procedures, and local standard operating procedures; bad faith.

331022. Pecuniary Liability. Personal financial liability for fiscal irregularities of disbursing and certifying officers and accountable officials as an incentive to guard against errors and theft by others, and also to protect the government against errors and dishonesty by the officers themselves.

331023. Procurement Contracting Officer. A person with authority to enter into and/or terminate contracts and make related findings and determinations.

331024. Receiving Official. A military member or civilian employee of the Department authorized to substantiate the receipt, inspection, and acceptance of goods and/or services.

331025. Relief from Liability. Action taken by someone with the legal authority to do so, which absolves accountable officials, or certifying and disbursing officers of pecuniary liability.

331026. Review Official. A military member or civilian employee of the Department who is appointed in writing to conduct pre- and post-payment reviews, to issue and control inquiries and to initiate charges against the certifying, disbursing, and accountable officials for financial irregularities.

331027. Travel Authorizing Official. An official, or a designated representative, to whom final authority to issue travel orders (order issuing official) is delegated in writing by a DoD Component, by organizational title, and/or name.

331028. Travel Order. A document that authorizes official government travel.

331029. Traveler. A military member, DoD employee or invitational traveler traveling in an official capacity.

331030. Vendor. Any person, organization, or business concern engaged in a profession, trade, or business including a not-for-profit entity operating as a vendor (including State and local governments and foreign entities, but excluding Federal entities and foreign governments).

331031. Vendor Pay. The process of computing the amount to be paid to a contractor or vendor for all contract/purchase orders, except those administered by the Defense Contract Management Command. A functional pay area.

331032. Voucher. A voucher, voucher schedule, invoice, bill, or any other document used as a voucher, certified by a certifying officer based on which a disbursing officer makes a payment.

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APPENDIX A

CASH VERIFICATIONA. CASH VERIFICATION TEAM PROCEDURES

1. Nature and Time of the Verification. At least once during each calendar quarter the cash verification team shall conduct a surprise verification of the cash and other assets under the cash accountability of the DO. Generally, it is not practical to conduct the cash verification on days involving unusually high volumes of disbursing transactions. The cash verification team shall ensure that the DO and his or her agents are given neither formal nor informal advance notification of the intent to conduct the verification. The scheduling of the verifications should be determined in random fashion to insure they do not predictably fall during a particular time period each quarter. If an audit of the DO's accountability by transfer of account, Component investigative, or audit agencies has been conducted during any given quarter, the commander may elect to omit a separate cash verification for that quarter.

2. Verification Procedures

a. General. Immediately upon arrival, the cash verification team shall present a copy of its letter of appointment and assume control over all cash and other assets in the DO's cash accountability. If access is refused, the verification team leader immediately shall notify the commander. Each custodian of public funds shall prepare a DD Form 2665 and the DO shall prepare a DD Form 2657 as for the close of business of that day and turn it over to the cash verification team. At this time, no further business may be conducted by any custodian of public funds until the cash verification team has completed the count of that custodian's funds. Normally, the duty cashier's funds are the first to be verified in order to minimize the impact on disbursing operations.

b. Cash and Other Assets. All vaults, safes, security containers, and cash drawers housing cash or other assets shall be secured and their contents shall be inventoried by actual count in the presence of the person accountable for their safekeeping. If the commander determines that it is not practical to inventory the funds in the possession of some of the DO's agents because of inaccessibility or geographic separation, the cash verification team shall verify the amounts shown on custody receipts by telephone with the accountable person; by examination of the permanent file of cash verifications and certification held by the disbursing office; or by any other means available in order to complete the cash verification process and make note of the limits to their verification in their report. However, if agent cash accountability is not physically verified at the time the DO's cash accountability is verified, no quarterly verification of agent cash is considered to have been made. Documents representing unvouchered expenditures shall be verified further by determining that checks were issued to the designated payee, or that the signature on cash receipts is authentic. Undeposited checks shall be examined

to insure that they are negotiable instruments the DO has been authorized to exchange for cash; that they are not dated more than 10 days prior to the cash verification date; and that checks received as collections are kept apart from those checks received in accommodation exchange transactions.

c. Authorizations and Records. Blank checks, both working stock and bulk storage, shall be inventoried to insure that all check issues have been properly reported. Where roll stock of blank checks are used, the inventory shall be conducted by recording the ending number from the reels and not by unrolling of the reel which may destroy the stock. Voided and spoiled checks held by the DO pending local destruction shall be examined to insure they are properly defaced and stored in authorized containers. Undelivered checks shall be inventoried to insure that: none are missing; none exceed the time limit to be held; and all are properly safeguarded. Amounts of cash held at personal risk by the DO and his or her agents shall be compared to the authorization to hold such cash by the commander.

d. Imprest Funds and Change Funds. All imprest funds and change funds shall be verified at least once each quarter by members of the cash verification team. Verification of imprest fund cashier and change fund custodian cash may be simplified by appointment of an individual (rather than a team) to do the applicable cash verification. The verification shall be accomplished by totalling all receipts and counting all cash to prove the total shown on the cash receipt held by the DO. Any receipts for cash advanced by the imprest fund cashier more than five days old shall be investigated and commented on in the cash verification report if not redeemed before the report is issued. All change funds shall be certified as being intact in writing by the accountable individual at the time of the cash verification. The verification of change funds shall consist of verifying that the cash drawer contains the amount of the change fund, after deducting any sales proceeds or receipts. Verifications of both imprest fund cashiers and change fund cashiers shall insure that none of the change fund consists of personal checks from the cashier, any of the cashier's supervisors, or the individual charged with accountability for the change fund.

e. DD Form 2657 (Daily Statement of Accountability). After proving all the entries for cash and other assets by the preceding verifications, the cash verification team shall insert the following statement on (or attach to) the DD Form 2657:

"On (date) at (time), the undersigned verified by actual count cash in the amount of \$, together with all documents held supporting collections and disbursements, which (is)/(is not) in agreement with this daily statement of accountability.

"Signature and Rank of Verifying Official"

★ f. Safekeeping Deposits. Immediately after the verification of the DO's cash accountability, the cash verification team shall verify all safekeeping deposits and the postal stamp funds (if applicable) with established procedures contained in Chapters 26 and 27 of this volume.

★ g. Report of Verification. The cash verification team shall report its findings in writing to its appointing official immediately on completion of verification of both official funds and safekeeping deposits. The report shall be prepared in original and three (3) copies. The original shall be forwarded to the appointing official. If the appointing official is not the commander of the DO, the report shall be addressed jointly to the appointing official and the commander of the DO so that both receive an original of the verification report. The first copy of the verification report shall be forwarded to the DO, the second copy shall be forwarded to the DFAS Center supporting the DO and the third copy shall be retained by the cash verification team in a permanent file. In those instances where safekeeping of personal funds and valuables is authorized and the designated safekeeping custodian is other than the DO, a copy of the report of verification will be provided to the safekeeping custodian. The verification report shall contain: the date the verification was conducted; the date of the preceding verification; a statement as to whether or not safe combinations have been changed as required and the dates of the last changes; the identity of each person holding cash under the DO's cash accountability that was not verified by actual count, the amount of cash each held, and the method of contact made with each custodian, if any contact was made; a statement as to whether or not the verified cash accountability of the DO agrees with the DD Form 2657 cash and other assets totals; a list of undeposited checks containing a description of those not handled as prescribed by this volume; a statement as to whether or not the DO is taking timely action to clear debit vouchers, check issue discrepancies, check issue reporting gaps, double payments, forgery recoveries through the banks, and reissue of limited payability check cancellations; and, a statement as to whether or not safekeeping deposits verified agree with safekeeping deposit records. The cash verification team shall follow-up during the next quarterly cash verification to ensure that deficiencies noted in the previous cash verification report have been corrected by the DO and report the results to their appointing official in the form required by that official. The senior member of the cash verification team shall insure that all rough working papers and correspondence pertaining to the cash verification are maintained as a permanent part of the cash verification teams' records.

h. Followup. The cash verification team shall follow-up during the next quarterly cash verification to ensure that deficiencies noted in the previous cash verification report have been corrected by the DO and report the results to their appointing official in the form required by that official. The senior member of the cash verification team shall insure that all rough working papers and correspondence pertaining to the cash verification is maintained as a permanent part of the cash verification teams' records.

B. CASH VERIFICATION TEAM CHECK-OFF LIST

1. The senior member of the cash verification team shall inform the DO's immediate supervisor of its arrival to conduct the surprise verification of cash and other assets.

2. Secure all accessible safes holding DO cash accountability items until their contents can be verified.

★ 3. Require the DO to balance the DD Form 2657 and make a list of items due the U.S. Government that are included in the balance.

★ 4. Commence the actual count of currency and other assets.

a. Cash

(1) Count all currency and coin in the presence of the individual accountable for the asset.

(2) Count all items representing cash, including exchange-for-cash checks, in the presence of the individual accountable for the asset.

(3) Verify the cash and receipts held by agents in the disbursing office equals the receipts signed by those agents and held by the DO.

(4) Count all negotiable instruments representing cash held by the DO awaiting deposit.

b. Other Assets

(1) Review and total all receipts for cash held by agents of the DO who are located outside the disbursing office.

(2) Review and total all SFs 215 for which both the memorandum and agency copies are held, indicating that the deposit has not been confirmed, and require the DO to commence tracing items over three weeks old as lost in transit deposits.

(3) Review the SFs 5515 and the associated dishonored checks and require the DO to commence collection from the drawers of the dishonored checks.

(4) Review documents for unvouchered expenditures and money lists.

(5) Review exchange-for-cash checks in transit.

(6) Review FMS Forms 5206 representing overdrafts and underdrafts.

(7) Review actions on previously-reported losses of funds.

(8) Verify bank statements and balances of foreign currency held in limited depositary checking accounts.

(9) Verify by actual count the amount of foreign currency against the subsidiary records and the foreign currency reports.

- ★ 5. Review the vouchers supporting gains and losses on foreign currency transactions.
- ★ 6. Review the DO's compliance with the provisions of this volume for cashing personal checks and the collection of dishonored checks.
- ★ 7. Ensure that checks representing collections are properly identified and supported by collection vouchers so that dishonored personal checks received as collections may be charged back to the receiving activity and are not held as losses due to accommodation exchanges carried out by the DO.
- ★ 8. Examine previous cash verification reports and insure that deficiencies being reported a second time in the current cash verification report are noted as serious conditions and advise the commander of action necessary to immediately remedy the deficiencies of the DO.
- ★ 9. Review DD Form 2658 (Returned and Undeliverable Check/Bond Record) maintenance and DO's attempts to make delivery of checks within the prescribed 60 day holding period.
- ★ 10. Compare military payroll vouchers and money lists with related pay accounts to ensure payments are posted to the member's account.
- ★ 11. Verify all undeposited checks in relation to the prescribed frequency and timeliness of deposits.
- ★ 12. Review all letters of authorization to hold cash at personal risk to ensure that cash held is commensurate with needs and in compliance with the letters of authorization.
- ★ 13. Verify date safe combination was last changed.
- ★ 14. Verify all payments made to pay record access (PRA) personnel and list any discrepancies found on each PRA record.
- ★ 15. Verify safekeeping deposits, postal funds, postage stamp stock, and postal money order stock, if applicable. If ATMs are operated by the DO or other authorized safekeeping custodial officer, direct the custodial officer to conduct a full end-of-session with the ATM system before the actual cash count of ATM currency is conducted.
 - ★ a. The custodial officer or, where applicable, the assistant custodians responsible for each ATM terminal shall remove all canisters, whether empty or loaded, and deliver them to the cash verification team for counting and verification.

★ b. Use the ATM end-of-session reports to balance the ATM system. Require the ATM custodial officer or assistant custodian, as applicable, to complete DD Form 2672, ATM Cash Balance Sheet for each assigned ATM terminal. The DD Form 2672 will reconcile the funds remaining in the ATM terminal to the original amount loaded in the terminal and the amount of funds withdrawn from the terminal. The end-of-session reports will show how much cash was dispensed by each terminal. If the DD Forms 2672 and the end-of-session reports agree, the ATM terminal is in balance. Complete the identical process for each ATM terminal and the ATM system is in balance.

★ c. Insure DD Form 2670, Automated Teller Machine (ATM) Ledger is properly maintained and in balance.

★ d. Insure that ATM passwords and ATM safe combinations are changed every six months as required.

★ e. Insure that ATM cards and personal identification numbers are properly safeguarded and that ATM accounts are being closed when the account holder is transferred.

★ f. Review all closed and dormant ATM accounts for audit. Closed accounts shall not be deleted from the system for 30 days. After 30 days, if no funds are in these accounts, they shall be deleted from the system. If funds are still in these accounts after 30 days, adjustment action shall be taken to refund the balance to the account holder.

★ g. Inventory all blank ATM cards (bulk and working stock) to ensure that custody of blank ATM cards is properly maintained.

C. FINALIZATION

1. Verify totals from the above reviews with the amounts reported on the DD Form 2657.

2. Notify the DO's immediate superior and the commander of any deficiencies and advise them that a written report shall be prepared.

3. All members of the cash verification team shall sign and certify the results of the cash verification on the DD Form 2657 or a paper attached to the DD Form 2657.

★ 4. Distribute the original of the cash verification report to the appointing commander, a copy to the DO and, when applicable, the safekeeping custodial officer, and retain a copy for the cash verification team records.

APPENDIX B**FEDERAL RESERVE BANKS AND BRANCHES****Boston**

Cash Deliveries: Federal Reserve Bank of Boston
Cash Services Dept.
600 Atlantic Ave.
Boston, MA 02106

Check Deliveries: Federal Reserve Bank of Boston
Check Collection Dept. S-3
600 Atlantic Ave.
Boston, MA 02106

★ New York (Head Office)

Cash Deliveries: Federal Reserve Bank of New York
East Rutherford Operations Center
100 Orchard Street
East Rutherford, NJ 07073
Attn: Paying and Receiving

Check Deliveries: Federal Reserve Bank of New York
33 Liberty St.
New York, NY 10045
Attn: Check Dept.

Buffalo

Cash Deliveries: Federal Reserve Bank of New York
Buffalo Branch
160 Delaware Ave.
Buffalo, NY 14202
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of New York
Buffalo Branch
160 Delaware Ave.
Buffalo, NY 14202
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of New York

Buffalo Branch
P. O. Box 961
Buffalo, NY 14202

Cranford

No Cash Deposits

Check Deliveries: Federal Reserve Bank of New York
Cranford RCPC
2 Jackson Drive
Cranford, NJ 07106
Attn: Check Processing

Jericho

No Cash Deposits

Check Deliveries: Federal Reserve Bank of New York
Jericho RCPC
113 South Service Rd.
Jericho, NY 11753
Attn: Check Processing

Utica

No Cash Deposits

Check Deliveries: Federal Reserve Bank of New York
Utica RCPC
Oneida County Airport
Oriskany, NY 13424
Attn: Check Processing

Philadelphia

Cash Deliveries: Federal Reserve Bank of Philadelphia
Cash Operations, P.O. Box 66
Receiving, Lower Level
10 Independence Mall
Philadelphia, PA 19106

Check Deliveries: Federal Reserve Bank of Philadelphia

Check Operations
Receiving, First Floor
10 Independence Mall
Philadelphia, PA 19106

Mailing Address: Federal Reserve Bank of Philadelphia
P. O. Box 66
Philadelphia, PA 19105

Cleveland

Cash Deliveries: Federal Reserve Bank of Cleveland
Cash Department
1455 East Sixth St.
Cleveland, OH 44101

Check Deliveries: Federal Reserve Bank of Cleveland
Check Collection Dept.
1455 East Sixth St.
Cleveland, OH 44101

Mailing Address: Federal Reserve Bank of Cleveland
P. O. Box 6387
Cleveland, OH 45201

Cincinnati

Cash Deliveries: Federal Reserve Bank of Cleveland
Cincinnati Branch
150 East Fourth St.
Cincinnati, OH 45201
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of Cleveland
Cincinnati Branch
150 East Fourth St.
Cincinnati, OH 45201
Attn: Check Dept

Mailing Address: Federal Reserve Bank of Cleveland
Cincinnati Branch
P. O. Box 999
Cincinnati, OH 45201

Columbus

No Cash Deposits

Check Deliveries Federal Reserve Bank of Cleveland
Columbus RCPC
965 Kingsmill Parkway
Columbus, OH 43229
Attn: Check Processing

Pittsburgh

Cash Deliveries: Federal Reserve Bank of Cleveland
Pittsburgh Branch
Cash Office
717 Grant St.
Pittsburgh, PA 15219

Check Deliveries: Federal Reserve Bank of Cleveland
Pittsburgh Branch
Check Collection Dept.
717 Grant St.
Pittsburgh, PA 15219

Mailing Address: Federal Reserve Bank of Cleveland
Pittsburgh Branch
P. O. Box 867
Pittsburgh, PA 15230

Richmond

Cash Deliveries: Federal Reserve Bank of Richmond
701 East Byrd St.
Richmond, VA 23219
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of Richmond
701 East Byrd St.
Richmond, VA 23219
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of Richmond
P.O. Box 27622
Richmond, VA 23261

Baltimore

Cash Deliveries: Federal Reserve Bank of Richmond
Baltimore Branch
502 South Sharp St.
Baltimore, MD 21201
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of Richmond
Baltimore Branch
502 South Sharp St.
Baltimore, MD 21201
Attn: Check Dept

Mailing Address: Federal Reserve Bank of Richmond
P.O. Box 1738
Baltimore, MD 21203

Charleston

No Cash Deposits

Cash Deliveries: Federal Reserve Bank of Richmond
Charleston RCPC
1200 Airport Road
Charleston, WV 25311
Attn: Check Processing

Mailing Address: Federal Reserve Bank of Richmond
Charleston RCPC
P.O. Box 2309
Charleston, WV 25328

Charlotte

Cash Deliveries: Federal Reserve Bank of Richmond
Charlotte Branch
401 South Tryon St.
Charlotte, NC 28230
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of Richmond
Charlotte Branch

401 South Tryon St.
Charlotte, NC 28230
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of Richmond
Charlotte Branch
P.O. Box 30248
Charlotte, NC 28230

Columbia

No Cash Deposits

Cash Deliveries: Federal Reserve Bank of Richmond Richmond
Columbia RCPC
1624 Browning Road
Columbia, SC 29202
Attn: Check Processing

Mailing Address: Federal Reserve Bank of Richmond
Columbia RCPC
P. O. Box 132
Columbia SC 29202

Atlanta

Cash Deliveries: Federal Reserve Bank of Atlanta
Cash Services Dept.
Federal Reserve Station
104 Marietta St., NW.
Atlanta, GA 30303-2713

Check Deliveries: Federal Reserve Bank of Atlanta
Check Collection Dept.
Federal Reserve Station
104 Marietta St., NW.
Atlanta, GA 30303-2713

Mailing Address: Federal Reserve Bank of Atlanta
P.O. Box 1731
Atlanta, GA 30301-1731

Birmingham

Cash Deliveries: Federal Reserve Bank of Atlanta
Birmingham Branch
Cash Services Dept.
1801 Fifth Ave., North
Birmingham, AL 35283

Check Deliveries: Federal Reserve Bank of Atlanta
Birmingham Branch
Check Collection Dept
1801 Fifth Ave., North
Birmingham, AL 35283

Mailing Address: Federal Reserve Bank of Atlanta
Birmingham Branch
P.O. Box C-10447
Birmingham, AL 35283

★ Jacksonville

Cash Deliveries: Federal Reserve Bank of Atlanta
Jacksonville Branch
Cash Services Dept.
800 Water Street
Jacksonville, FL 32231-0044

Check Deliveries: Federal Reserve Bank of Atlanta
Jacksonville Branch
Check Collection Dept.
800 Water Street
Jacksonville, FL 32231-0044

Miami

Cash Deliveries: Federal Reserve Bank of Atlanta
Miami Branch
Cash Services Dept
9100 NW. 36th St.
Miami, FL 33152

Check Deliveries: Federal Reserve Bank of Atlanta
Miami Branch
Check Collection Dept.
9100 NW. 36th St.
Miami, FL 33152

Mailing Address: Federal Reserve Bank of Atlanta
Miami Branch
P.O. Box 520847
Miami, FL 33152

Nashville

Cash Deliveries: Federal Reserve Bank of Atlanta
Nashville Branch
Cash Services Dept.
301 Eighth Ave., North
Nashville, TN 37203-4407

Check Deliveries: Federal Reserve Bank of Atlanta
Nashville Branch
Check Collection Dept.
301 Eighth Ave., North
Nashville, TN 37203-4407

New Orleans

Cash Deliveries: Federal Reserve Bank of Atlanta
New Orleans Branch
Cash Services Dept.
525 St. Charles Ave.
New Orleans, LA 70130

Check Deliveries: Federal Reserve Bank of Atlanta
New Orleans Branch
Check Collection Dept.
525 St. Charles Ave.
New Orleans, LA 70130

Mailing Address: Federal Reserve Bank of Atlanta
New Orleans Branch
P.O. Box 61630
New Orleans, LA 70161

Chicago

Cash Deliveries: Federal Reserve Bank of Chicago

Cash Department.
230 S. LaSalle St.
Chicago, IL 60690-0834

Check Deliveries: Federal Reserve Bank of Chicago
Check Processing Dept
230 S. LaSalle St
Chicago, IL 60690-0834

Mailing Address: : Federal Reserve Bank of Chicago
230 S. LaSalle
P.O. Box 834
Chicago, IL 60690-0834

Detroit

Cash Deliveries: Federal Reserve Bank of Chicago
Detroit Branch
160 W. Fort St.
Detroit, MI 48231
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of Chicago
Detroit Branch
160 W. Fort St.
Detroit, MI 48231
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of Chicago
P.O. Box 1059
Detroit, MI 48231

Des Moines

No Cash Deposits

Check Deliveries: Federal Reserve Bank of Chicago
Des Moines RCPC
616 Tenth St.
Des Moines, IA 50309

Mailing Address: Federal Reserve Bank of Chicago
Des Moines RCPC

P.O. Box 1903
Des Moines, IA 50306

Indianapolis

No Cash Deposits

Check Deliveries: Federal Reserve Bank of Chicago
Indianapolis RCPC
41 East Washington St.
Indianapolis, IN 46204
Attn: Check Processing

Mailing Address: Federal Reserve Bank of Chicago
Indianapolis RCPC
P.O. Box 2020B
Indianapolis, IN 46206

Milwaukee

No Cash Deposits

Check Deliveries: Federal Reserve Bank of Chicago
Milwaukee RCPC
304 East State St.
Milwaukee, WI 53202
Attn: Check Processing

St. Louis

Cash Deliveries: Federal Reserve Bank of St. Louis
Cash Section
411 Locust St.
St. Louis, MO 63102

Check Deliveries: Federal Reserve Bank of St. Louis
Check Section, Fourth Floor, Annex
415 North Fourth Street
St. Louis, MO 63102

Mailing Address: Federal Reserve Bank of St. Louis
P. O. Box 14993
St. Louis, MO 63178

Little Rock

Cash Deliveries: Federal Reserve Bank of St. Louis
Cash/Securities Unit
Lobby Teller, First Floor
325 West Capitol
Little Rock, AR 72201

Check Deliveries: Federal Reserve Bank of St. Louis
Check Unit
Lobby Teller, First Floor
325 West Capitol
Little Rock, AR 72203

Mailing Address: Federal Reserve Bank of St. Louis
Little Rock Branch
P.O. Box 1261
Little Rock, AR 72201

Louisville

Cash Deliveries: Federal Reserve Bank of St. Louis
Louisville Branch
Lobby Teller, First Floor
410 South Fifth St.
Louisville, KY 40232

Check Deliveries: Federal Reserve Bank of St. Louis
Louisville Branch
Clearing Room, Second Floor
410 South Fifth St.
Louisville, KY 40232

Mailing Address: Federal Reserve Bank of St. Louis
Louisville Branch
P. O. Box 32710
Louisville, KY 40232

Memphis

Cash Deliveries: Federal Reserve Bank of St. Louis
Memphis Branch
Cash and Securities Unit, First Floor
200 North Main St

Memphis, TN 38103

Check Deliveries: Federal Reserve Bank of St. Louis
Memphis Branch
Check and Data Processing Unit, Third Floor
200 North Main St.
Memphis, TN 38103

Mailing Address: Federal Reserve Bank of St. Louis
Memphis Branch
P.O. Box 407
Memphis, TN 38101

Minneapolis

Cash Deliveries: Federal Reserve Bank of Minneapolis
Special Services Unit, Lobby Level
250 Marquette Ave.
Minneapolis, MN 55480

Check Deliveries: Federal Reserve Bank of Minneapolis
Gov't Deposits Division, Fifth Floor
250 Marquette Ave.
Minneapolis, MN 55480

Helena

Cash Deliveries: Federal Reserve Bank of Minneapolis
Helena Branch
Government Deposits Division
400 North Park Ave.
Helena, MT 59601

Check Deliveries: Federal Reserve Bank of Minneapolis
Helena Branch
Government Deposits Division
400 North Park Ave.
Helena, MT 59601

Kansas City

Cash Deliveries: Federal Reserve Bank of Kansas City
Government Deposit Drop Box

Elevator Lobby, Main Floor
925 Grand Ave.
Kansas City, MO 64198

Check Deliveries: Federal Reserve Bank of Kansas City
Check Collection Dept., Eighth Floor
Government Deposit Desk
925 Grand Ave.
Kansas City, MO 64198

Denver

Cash Deliveries: Federal Reserve Bank of Kansas City
Denver Branch
Cash Services Dept., Basement
1020 16th St.
Denver, CO 80202

Check Deliveries: Federal Reserve Bank of Kansas City
Denver Branch
Check Collection Dept., Third Floor
1020 16th St.
Denver, CO 80202

Mailing Address: Federal Reserve Bank of Kansas City
Denver Branch
Terminal Annex - P.O. Box 5228
Denver, CO 80217

Oklahoma City

Cash Deliveries: Federal Reserve Bank of Kansas City
Oklahoma City Branch
Securities Dept, First Floor
226 Dean A. McGee Ave.
Oklahoma City, OK 73125

Check Deliveries: Federal Reserve Bank of Kansas City
Oklahoma City Branch
Check Collection Dept., Second Floor
226 Dean A. McGee Ave.
Oklahoma City, OK 73125

Mailing Address: Federal Reserve Bank of Kansas City
Oklahoma City Branch
P.O. Box 25129
Oklahoma City, OK 73125

Omaha

Cash Deliveries: Federal Reserve Bank of Kansas City
Omaha Branch
Accommodations Teller, Cash Services Dept..
2201 Farnam St.
Omaha, NE 68102

Check Deliveries: Federal Reserve Bank of Kansas City
Omaha Branch
Check Collection Dept.
2201 Farnam St
Omaha, NE 68102

Dallas

Cash Deliveries: Federal Reserve Bank of Dallas
400 South Akard St.
Dallas, TX 75222
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of Dallas
400 South Akard St.
Dallas, TX 75222
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of Dallas
Station K
Dallas, TX 75222

El Paso

Cash Deliveries: Federal Reserve Bank of Dallas
El Paso Branch

301 East Main St.
El Paso, TX 79999
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of Dallas
El Paso Branch
301 East Main St.
El Paso, TX 79999
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of Dallas
El Paso Branch
P.O. Box 100
El Paso, TX 79999

Houston

Cash Deliveries: Federal Reserve Bank of Dallas
Houston Branch
1701 San Jacinto St.
Houston, TX 77002
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of Dallas
Houston Branch
1701 San Jacinto St.
Houston, TX 77002
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of Dallas
Houston Branch
P.O. Box 2578
Houston, TX 77252

San Antonio

Cash Deliveries: Federal Reserve Bank of Dallas
San Antonio Branch
126 East Nueva St.
San Antonio, TX 78204
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of Dallas

San Antonio Branch
126 East Nueva St.
San Antonio, TX 78204
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of Dallas
San Antonio Branch
P.O. Box 1471
San Antonio, TX 78295

San Francisco

Cash Deliveries: Federal Reserve Bank of San Francisco
101 Market St.
San Francisco, CA 94105
Attn: Cash Services

Check Deliveries: Federal Reserve Bank of San Francisco
101 Market St.
San Francisco, CA 94105
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of San Francisco
P.O. Box 7702 (Checks)
P.O. Box 7742 (Cash)
P.O. Box 7792 (Food Coupons)
San Francisco, CA 94120

Los Angeles

Cash Deliveries: Federal Reserve Bank of San Francisco Los Angeles Branch
409 West Olympic Blvd.
Los Angeles, CA 90015
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of San Francisco
409 West Olympic Blvd.
Los Angeles, CA 90015
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of San Francisco
Los Angeles Branch
Terminal Annex - P.O. Box 2077
Los Angeles, CA 90051

Portland

Cash Deliveries: Federal Reserve Bank of San Francisco
Portland Branch
915 SW. Stark St.
Portland, OR 97205
Attn: Securities Services Dept.

Check Deliveries: Federal Reserve Bank of San Francisco
Portland Branch
915 SW. Stark St.
Portland, OR 97205
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of San Francisco
Portland Branch
P.O. Box 3436
Portland, OR 97205

Salt Lake City

Cash Deliveries: Federal Reserve Bank of San Francisco
Salt Lake City Branch
120 South State St.
Salt Lake City, UT 84111
Attn: Cash Dept

Check Deliveries: Federal Reserve Bank of San Francisco
Salt Lake City Branch
120 South State St.
Salt Lake City, UT 84111
Attn: Check Dept.

Mailing Address: Federal Reserve Bank of San Francisco
P.O. Box 27206
Salt Lake City, UT 84125

Seattle

Cash Deliveries: Federal Reserve Bank of San Francisco
Seattle Branch

1015 Second Ave.
Seattle, WA 98104
Attn: Cash Dept.

Check Deliveries: Federal Reserve Bank of San Francisco
Seattle Branch
1015 Second Ave.
Seattle, WA 98104
Attn: Cash Dept.

Mailing Address: Federal Reserve Bank of San Francisco
Seattle Branch
P. O. Box 3567, Terminal Annex
Seattle, WA 98124

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APPENDIX C**LOSS OF FUNDS - INFORMATION FOR INVESTIGATING OFFICER****A. OVERVIEW**

This appendix contains general information concerning the main issues that should be addressed in a loss of funds investigation and fully considered in making findings of fact and recommendations.

B. APPOINTMENT OF AN INVESTIGATING OFFICER OR BOARD OF OFFICERS

★ 1. General. The convening authority shall appoint either an investigating officer or investigating board of officers to investigate the loss. The purpose of the investigation is to: develop all facts leading up to and connected with the loss, including the amount, date, time and place of the loss; identification of accountable individuals and others involved; the authenticity of documentary evidence; and the veracity of oral testimony. If possible, the investigation should identify the cause of the loss. The investigation should also include a determination with respect to the adequacy of internal controls and whether they were effectively implemented. Specific instructions for conducting both formal and informal investigations are contained in regulations of each of the DoD Components. The following paragraphs summarize the basic requirements as related to fiscal irregularities.

2. Appoint an Investigating Board of Officers (IBO). The convening authority shall appoint an IBO in writing. When feasible, members of the IBO should include officers who are skilled in investigative techniques, financial accounting control, and interpretation of law, and who do not have a vested interest in the outcome of the investigation. If considered necessary, military members or DoD civilian employees with these skills may be designated as technical advisors to the IBO.

3. Appointment of an Investigating Officer (IO). The convening authority shall direct issuance of an order to appoint an IO. The order shall name the individual, specify the matter to be investigated, and cite this volume and any authorizing DoD Component directive as the authority for the investigation. The order also shall specify the approximate period of time allowed for the investigation. A copy of the order shall be entered in the report of investigation as an exhibit. Only commissioned officers of field grade or equivalent civilian employees may be appointed an IO. Officers appointed to conduct investigations under this Regulation should be senior in rank to persons under investigation (whenever possible) and must not have a vested interest in the outcome of the investigation. The best qualified officers should be appointed as IOs. They should be familiar with investigative techniques and have knowledge of the required internal controls, pertinent laws and directives. (This requirement should not be interpreted to require the appointment of comptroller personnel. Comptroller personnel should be used only when there is no feasible alternative.) Officers appointed as IOs, who do not fully meet these

requirements, should be given technical guidance by the base comptroller and staff judge advocate.

4. Required Loss Status Reports. Status reports must be made as follows:

a. Loss of Funds. The IO or IBO must report every 30 days on the current status of each case. Reports shall be sent through the commander to the servicing DFAS Center with an information copy to the major command.

b. Loss of Blank Treasury Checks or Blank Savings Bonds. Status reports are not required.

5. Investigations

★ a. Investigations by Board of Officers. Before conducting its hearing, the IBO must ensure that each accountable individual receives and reviews Chapters 6 and 33 of this volume regarding liabilities and responsibilities of accountable individuals and statutory authority for relief of liability. Prior to testifying, an accountable individual may examine records or documents relating to the loss in the DO's or IBO's custody. All factual information pertaining to the loss or deficiency should be developed and be available for use by higher authority.

b. Investigations by Investigating Officer. The IO shall obtain evidence in the form of statements from accountable individuals and others concerning the loss. The IO shall ensure that each accountable individual receives and reviews Chapters 6 and 33 of this volume regarding liabilities and responsibilities of accountable individuals and statutory authority for relief of liability before the IO interviews the individual for the first time. An accountable individual may examine records or documents in the IO's custody that relate to the loss. Testimony may be reported verbatim or summarized by the IO. Whenever possible, the transcript or summary of testimony should be reviewed, sworn to, and signed by the witness. (When sworn testimony cannot be obtained, the IO shall submit a statement giving the substance of the interview and the reason for absence of attestation.) In addition, the IO shall gather records, documents, photographs, and sworn affidavits relating to the loss. The IO may use evidence developed in investigations already conducted concerning the loss by other agencies (e.g., FBI, U.S. Secret Service or local authorities). However, those investigations usually are for purposes other than those outlined above, and it might be necessary to obtain additional evidence from a source previously contacted in another investigation. The IO, by further investigation, shall make a determined effort to resolve or clarify all apparent discrepancies or contradictions in the evidence.

6. Preparation of the Report of Investigation (ROI). Within 90 days after the loss was discovered, the IO or IBO shall complete the investigation and submit an ROI to the convening authority in triplicate. When extraordinary circumstances require it, the IO or IBO may request an extension from the supporting DFAS Center through the convening authority. The ROI must include the following elements:

a. Facts

(1) Identities of all accountable individuals who are pecuniarily liable for the loss, the amount for which each is accountable, and the involvement of each in the loss.

(2) Circumstances leading to the loss, or the efforts undertaken to discover the cause of a loss that remains unexplained.

(3) Description of the internal controls prescribed to prevent losses of the type experienced and the steps taken to implement them.

(4) Other relevant information that would aid in understanding how the loss occurred and in evaluating whether relief is appropriate for the accountable individuals involved.

(5) Documentary evidence (for example, statements, transcripts, affidavits, investigative reports of other agencies, records, and photographs) as exhibits to the ROI.

b. Findings

(1) Whether there was a loss to the U.S. Government.

(2) The amount of the loss.

(3) Whether the loss is a physical loss or one that involves fraud.

★ (4) Whether the accountable individual was acting in the line of duty with respect to the loss.

★ (5) Whether the loss was due to the fault or negligence of the accountable individual. A separate finding shall be made for each accountable individual involved.

c. Recommendations

★ (1) Whether the accountable individual should be relieved of pecuniary liability for the loss. Separate recommendations concerning each accountable individual involved are required.

(2) Corrective action for improving controls or procedures, if applicable.

(3) Any other recommendations that are appropriate considering the facts developed during the investigation.

7. Distribution of the Report of Investigation (ROI). Prepare the ROI in triplicate and deliver to the convening authority. The convening authority will distribute the ROI as follows:

a. Upon completion of action by the convening authority, the original ROI and allied papers will be sent through the major command to the supporting DFAS Center.

★ b. If the major command is the convening authority, one copy of the ROI will be forwarded to the commander of the base, station, activity, ship, or unit where the accountable individual is located. For Army Finance Battalions, a copy also shall be transmitted to the parent Finance Group or Command.

c. The convening authority will keep one copy of the ROI.

8. Convening Authority Actions on Reports of Investigation. Without delay, the convening authority will review the ROI for compliance with the requirements set forth above. If a report is not thorough, comprehensive or complete, the convening authority will return it to the original investigator, if possible, explaining the defects and directing supplementation. Upon acceptance of the ROI, the convening authority will send one copy to the commander of the base, station, camp, post, activity, vessel, or unit where the accountable individual is located. Note that the convening authority does not have the authority to grant relief. Within 30 days following acceptance of the ROI, the convening authority will:

a. Consider all the facts, findings, and recommendations.

★ b. Determine whether satisfactory evidence exists to support a recommendation for relief from liability of each accountable individual involved as a part of the ROI.

c. If sufficient evidence exists, recommend relief from liability for each accountable individual involved. Otherwise recommend denial of relief. A specific, separate recommendation is required for each accountable individual involved.

d. Attach these actions, with a detailed explanation of the reasons therefor, to the ROI.

★ e. Set forth all evidence used to support a recommendation for denial of relief of each accountable individual involved in the loss or deficiency. The convening authority should formally inform the individual(s) concerned of the recommendation to grant or deny relief.

f. Forward the ROI, and all attachments thereto, through the major command to the supporting DFAS Center.

9. Commander Actions on Report of Investigation. Recommendations by local commanders other than the convening authority are not required. However, the ROI may be used for disciplinary or administrative action considered necessary by the commander.

10. Major Command Actions on Report of Investigation. All transmittals and correspondence between the convening authority and the servicing DFAS Center concerning a loss shall be routed through the major command. This will keep the major command informed of issues involved in the loss and the progress toward their resolution. The major command also must review the ROI and forward its own comments and recommendations to the supporting DFAS Center within 30 days. Requests for an extension should be sent to the servicing DFAS Center with a complete explanation of the delay and the estimated date of submission. Note that the major command does not have the authority to grant or deny relief.

11. DFAS Center Action on Report of Investigation. The ROI will be reviewed by the supporting DFAS Center. If the ROI is not considered thorough, comprehensive or complete, it will be returned to the convening authority, with an explanation of the deficiencies, for correction. The convening authority will review the supplementary report from the investigator and, if there is no change in action, forward it to the DFAS Center. The supporting DFAS Center Director will use the completed ROI as the basis from which to determine whether the accountable individual(s) will be granted or denied relief of liability. If the DFAS Center Director holds the DO or any other accountable individual liable for a loss investigated by an IO or IBO, and that individual(s) has not been afforded an opportunity to file a rebuttal to the findings of the ROI, the file will be returned through the major command to the convening authority giving the reasons for the adverse determination. The convening authority must give the individual(s) held liable the opportunity to file a rebuttal. Upon receipt of the rebuttal, the convening authority will return the file through the major command to the supporting DFAS Center with comments on the rebuttal (if any). The Director of the DFAS Center will reconsider the adverse determination and affirm or reverse the determination.

★C. ACCOUNTABLE INDIVIDUALS

An accountable individual is any government employee or military member who, by reason of his or her position, is responsible for or has custody of government funds. There may be, and usually is, more than one accountable individual in a given case. This occurs since the concept of accountability is not limited to the person in whose name the account officially is held, but also extends to those individuals who actually have control of the funds. Examples of those individuals considered to be accountable include deputy DOs, agents, cashiers, collection agents, paying agents, imprest fund cashiers, change fund custodians, cash control officers, certifying officers and accountable officials as defined in Chapter 33 of this volume.

★D. LIABILITY OF ACCOUNTABLE INDIVIDUALS

Certifying officers, DOs, deputy DOs, agents, cashiers, collection agents, paying agents, imprest fund cashiers, change fund custodians, cash control officers, and other accountable individuals who have physical custody of government funds are held to a standard of strict liability. They are, in effect, insurers of the public funds and are excusable only for losses due to acts of God or the public enemy. This liability has been established in a line of Supreme Court decisions (United States v. Prescott, 44 U.S. (3 How) 578 (1845); United States v. Thomas, 82 U.S. (15 Wall 337) (1872); Smythe v. United States, 188 U.S. 156 (1903)). A certifying officer, DO deputy DO, agent, cashier, collection agent, paying agent, imprest fund cashier, change fund custodian, or cash control officer automatically is liable at the moment either a physical loss occurs or an illegal, incorrect, or improper payment is made. See Volume 54, Decisions of the Comptroller General, 1974, pages 112, 114. Where a subordinate of the DO actually disburses the funds, the DO will be relieved of liability only upon a showing that the DO properly supervised the subordinate, maintained an adequate system of procedures and controls to safeguard the funds, and took steps to insure the system's implementation and effectiveness. The standard of automatic liability does not apply to accountable officials appointed as prescribed in Chapter 33 of this volume. For these accountable officials, liability attaches upon a showing that the official negligently provided information, data or service to a certifying officer.

★E. RELIEF OF ACCOUNTABLE INDIVIDUALS

It is important to distinguish between liability and relief from such liability. The basic legal liability of an accountable individual (excluding an accountable official as prescribed in Chapter 33 of this volume) is strict, automatic, and not affected by any lack of fault or negligence on his or her part. However, lack of fault or negligence may provide a basis for relief upon proper administrative request.

1. The relief of accountable individuals of the DoD (excluding accountable officials as prescribed in Chapter 33 of this volume) responsible for the physical loss or deficiency of any public funds, vouchers, or records is authorized by 31 U.S.C. 3527(b) (reference (e)). In order for relief to be granted, the Secretary of Defense, or designee, shall make the following determinations.

- a. The individual was carrying out official duties when the loss or deficiency occurred.
- b. The loss or deficiency was not the result of an illegal, incorrect, or improper payment.
- c. The loss or deficiency was not the result of fault or negligence by the individual.

2. As relief may be granted only when the Secretary of Defense, or designee, is able to make these determinations based upon a review of available evidence, these requirements

should be considered during the course of the investigation. Additionally, findings of fact in this regard should be made in conjunction with all accountable individuals for whom relief is being sought.

3. Title 31 U.S.C. 3527(b) (reference (e)) also provides the authority for the granting of relief of an official of the armed forces for an illegal, improper, or incorrect payment. Relief of liability is granted when the Secretary of Defense determines that diligent collection action was taken, the certification was based on official records, and that the official did not know, and by reasonable diligence and inquiry could not have discovered the correct information, or the obligation was incurred in good faith, no law specifically prohibited the payment, and the U.S. Government received value for the payment.

4. Accountable officials appointed under the provisions of Chapter 33 of this volume shall be pecuniarily liable for erroneous payments that result from information, data or service they negligently provide to a certifying officer. For relief of liability of an accountable official, a presumption of negligence does not apply. The investigator must obtain relevant facts concerning (1) whether there is a fiscal irregularity, and (2) whether there is evidence of fault or negligence on the part of the accountable official.

★F. STANDARDS OF NEGLIGENCE

The liability of an accountable individual (excluding an accountable official as prescribed in Chapter 33 of this volume) is strict and independent of any fault or negligence. However, in evaluating the facts to determine whether any accountable individual (including an accountable official as prescribed in Chapter 33 of this volume) was negligent for purposes of relief from liability, the standard of "reasonable care" is applied. This is the standard of simple or ordinary negligence, not gross negligence. The standard has been stated as what the reasonably prudent and careful person would have done to take care of his or her own property of the like description under like circumstances. See Volume 54, Decision of the Comptroller General, page 112.

★G. PRESUMPTION OF NEGLIGENCE

Since liability of an accountable individual (excluding an accountable official as prescribed in Chapter 33 of this volume) is strict and automatic at the time of the loss or deficiency, the fact of the occurrence of a loss or deficiency gives rise to a presumption of negligence on the part of the accountable individual. While the presumption may be rebutted by evidence to the contrary, it is the accountable individual's burden to produce the evidence. The administrative determination that there was not fault or negligence, unsupported by evidence, is not sufficient to rebut the presumption. The accountable individual shall come forward with affirmative evidence that he or she exercised the required degree of care. It should be emphasized that the government does not have to produce evidence to establish that the accountable individual was at fault to hold him or her liable; liability is automatic. Rather, in order to be entitled to relief, the accountable individual must produce evidence to show that there was no contributing fault or negligence on his or her part. Thus, in the case of an unexplained loss or deficiency where there is no evidence to rebut the presumption of negligence, there is no

basis upon which to grant relief. The presumption of negligence and its application to unexplained losses are discussed in Volume 48, Decisions of the Comptroller General, page 566 (case no. B-166174). The Court of Claims has affirmed this concept in *Serrano v. United States*, 612 F.2d 525 (Ct. Cl. 1979). For accountable officials as prescribed in Chapter 33 of this volume, the government must establish that the loss or deficiency was the result of negligence on the part of the accountable official. The accountable official may submit a request for relief supported by a statement explaining how the evidence fails to show negligence on the accountable official's part.

★H. PROXIMATE CAUSE

An accountable individual may be relieved from liability even though negligent if it can be established that the negligence was not the proximate cause of the loss. The proximate cause concept implies a cause-and-effect relationship between the negligence and the loss. In other words, the negligence must have contributed to the loss. In analyzing proximate cause, it may be helpful to ask certain questions. First, if the accountable individual had not been negligent, would the loss have occurred? If the answer to this question is yes, the negligence is not the proximate cause of the loss and relief will probably be granted. However, it may not be possible to answer this question with any degree of clarity. If not, the next question to ask is whether the negligence was a "substantial factor" in bringing about the loss. If the answer to this question is yes, relief probably will be denied.

I. LOSSES BY CASHIERS

1. If the shortage is in funds for which a cashier is accountable, the following questions should be considered when completing the investigation.

a. Have the disbursing officer and any other persons who might be held liable for the loss been afforded all the rights and privileges of parties in interest?

b. Has testimony been obtained from every person who should be questioned in regard to the circumstances surrounding the loss?

c. Have sufficient questions been asked of each witness and has any other investigation made of the loss been considered, with the exception of such part, if any, that pertains to lie detector tests?

d. Was a thorough search of the physical area made for missing cash or vouchers?

e. Were the day's transactions thoroughly reviewed in an effort to determine the cause of the shortage?

f. Were any individuals contacted in an effort to determine if an overpayment has been made and could be recovered?

g. Were individuals who made collections contacted to determine if they found a compensating overage in their accounts?

h. Was all the cash-on-hand in the disbursing office counted to make sure that there was no compensating overage?

i. What was the number of transactions handled by the cashier during the period in which the loss occurred? Did distracting influences exist or were working conditions poor?

j. Was the cashier working under pressure because of the heavy volume of business?

k. Was the cashier handling new currency that has a tendency to stick together?

l. Was the cashier experienced or inexperienced?

m. What procedures and internal controls has the disbursing officer established for safeguarding funds? What written standard operating procedures (SOPs) has he or she provided for the guidance of cashiers? Has he or she issued any oral instructions?

n. Are the SOPs adequate?

o. Has the cashier complied with the SOPs?

p. On the day of the loss, what procedures were followed by the cashier in counting money when he or she received advances of public funds from the disbursing officer or his or her deputies, made disbursements, or received collections?

q. What actions were taken by the cashier to protect cash and vouchers during temporary absences from the cashier's window?

r. What facilities were furnished to the cashier to protect cash for which he or she was accountable, such as a cash drawer with key lock or a separate safe?

s. Was the cashier's cage accessible to persons other than the cashier?

t. What procedures were followed by the disbursing officer, deputy, cash control officer, and/or chief cashier in making daily settlements with the cashier?

u. Did theft occur?

- v. Are there any inconsistencies between the testimonies of different witnesses?
- w. Are orders appointing cashiers, deputies, etc., amended where appropriate?
- x. Were paid vouchers properly safeguarded by both the cashier and the disbursing officer?

J. LOSSES BY RECEIPT OF COUNTERFEIT CURRENCY

- 1. If the loss was caused by receipt of counterfeit currency, the following questions should be considered when completing the investigation.
 - a. Have the disbursing officer and any other persons who might be held liable for the loss been afforded all the rights and privileges of parties in interest?
 - b. Has testimony been obtained from every person who should be questioned in regard to the circumstances surrounding the receipt of the counterfeit currency?
 - c. When and by whom was the receipt of counterfeit currency detected?
 - d. Was an effort made to determine the source of the counterfeit note(s)?
 - e. Has the disbursing officer provided instructions in detecting counterfeit money for those in the office who shall handle money?
 - f. Does the volume of transactions handled by cashiers preclude a careful inspection of each and every piece of currency?
 - g. Are there any inconsistencies between the testimonies of different witnesses?

K. LOSSES BY AGENT OFFICERS

- 1. If the loss involved agent officers, the following questions should be considered when completing the investigation.
 - a. Have the disbursing officer and any other persons who might be held liable for the loss been afforded all the rights and privileges of parties in interest?
 - b. Has testimony been obtained from every person who should be questioned in regard to the circumstances surrounding the loss?
 - c. Have sufficient questions been asked of each witness?

- d. Have any other investigations made of the loss been considered, with the exception of such part, if any, that pertains to lie detector tests?
- e. Was a thorough search of the physical area made for missing cash or vouchers?
- f. Were the day's transactions thoroughly reviewed in an effort to determine the cause of the shortage?
- g. Do exhibits show the amount of entrustment made by the disbursing officer to the agent officer, signature of agent officer in receipt of funds, turn-in made by agent officer, and the amount of the shortage, or a statement of the agent officer's account?
- h. Does an exhibit show the appointment of the individual as an agent officer?
- i. Has the disbursing officer provided the agent officer with adequate instructions?
- j. If the loss involves funds in the hands of an agent officer, has the disbursing officer inspected and supervised the agent office, or arranged for such inspections?
- k. If the loss involves funds advanced to an agent officer appointed for the specific purpose of exchanging foreign currency for MPCs, has the disbursing officer made certain that verification of the fund on an unannounced basis has been made at least once each quarter?
- l. Did the agent officer verify money at the time of receipt?
- m. What precautions did the agent officer take to safeguard government funds?
- n. If the agent officer used a safe to which any other persons had access, did he or she attempt to obtain other safekeeping facilities? Was he or she directed to use the safe in question?
- o. Were all persons who had access to the funds during the period in which the loss occurred questioned?
- p. Did theft occur?
- q. What procedures did the agent officer follow in making payments?
- r. Was the agent officer working under pressure?

- s. Did the agent officer have previous experience in making payments.
- t. Were working conditions poor in any respect?
- u. Are there any inconsistencies between the testimonies of different witnesses?

L. LOSSES BY FRAUD IN THE DISBURSING OFFICE

1. If the loss involved payments as a result of fraud in the disbursing office, the following questions should be considered when completing the investigation.

a. Have the disbursing officer or any other persons who might be held liable for the loss been afforded all the rights and privileges of parties in interest?

b. Has testimony been obtained from every person who should be questioned in regard to the circumstances surrounding the fraudulent payments?

c. Has consideration been given to any other investigation made, with the exception of such part, if any, that pertains to lie detector tests?

d. Has a thorough investigation been made in order to discover the full extent of the loss due to fraudulent activity that has been uncovered?

e. Have the methods used to defraud the U.S. Government clearly been described?

f. What internal controls have been established by the disbursing officer in an effort to preclude fraudulent activity by disbursing personnel?

g. Has all possible collection action been taken?

(1) In the case of military personnel, is collection action being taken in the field or by the servicing DFAS Center in cases when personnel have been separated from the service?

(2) In case of civilian employees, has the individual involved authorized application of pay to the shortage? Have steps been taken to secure application of final pay to settlement of the indebtedness? If the amount of indebtedness has been determined, has a request been made to the Office of Personnel Management for set off against the Civil Service Retirement and Disability Fund?

M. LOSSES BY IMPREST FUND CASHIERS AND CHANGE FUND CUSTODIANS

1. If the loss was in funds advanced to imprest fund cashiers or individuals accountable for change funds (e.g., the accountable officer for quartermaster account, medical services accountable officer or post signal officer), the following questions should be considered when completing the investigation.

a. Has the disbursing officer and any other person who might be held liable for the loss been afforded all the rights and privileges of parties in interest?

b. Has testimony been obtained from every person who should be questioned in regard to the circumstances surrounding the loss?

c. Has consideration been given any other investigation made of the loss, with the exception of such part, if any, that pertains to lie detector tests?

d. Did the accountable individual follow procedures applicable to the particular fund?

e. Has the cause of loss been clearly established?

f. Did theft occur?

g. Are there any inconsistencies between the testimonies of different witnesses?

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★ APPENDIX D

NAVY DISBURSING OPERATIONSA. OVERVIEW

1. Purpose. This appendix is provided to amplify instructions contained in the basic text of this volume relative to unique operations of the Department of the Navy (DoN) disbursing offices. Guidance contained herein is not intended to conflict with other publications and directives. This appendix amplifies guidance for disbursing operations at DoN overseas activities, Personnel Support Activities (PSA) and their detachments (PSD), Naval vessels and tactical units.

2. Application and Scope. Compliance with guidance contained herein is mandatory except in the case of specific statutory authority for deviation therefrom. Requests for deviation from or interpretation of the guidance contained herein shall be directed for consideration through channels to the Defense Finance and Accounting Service, Disbursing and Cash Management Activity, DCMA-DB, 1500 E. 95th Street, Kansas City, MO 64197-0030. Final determination will be made by the Director of Financial Commerce, OUSD(C).

3. Policy. The instructions contained herein are intended to provide guidance on unique Navy disbursing processing requirements and procedures. These instructions are not intended to supercede guidance contained in the basic text of this volume or any other law or regulation issued by higher authority. In any case where the instructions herein conflict with instructions or directives of higher authority, the guidance of the higher authority shall prevail. In any situation where conflicting instructions are discovered, they should be reported through channels to the Defense Finance and Accounting Service, Disbursing and Cash Management Office, DCMO-DB, 1500 E. 95th Street, Kansas City, MO 64197-0030 for clarification.

4. Responsibilities. It is the responsibility of each disbursing officer to become thoroughly familiar with the provisions of this volume and associated references as they pertain to the legality and methodology of payments and accountability.

B. COLLECTIONS

1. Collection Documents - Preparation, Required Information, and Accounting Data. Use DD Form 1131 (Cash Collection Voucher) when directives governing the collection function do not prescribe the use of a specific voucher.

a. Date. Enter the actual date of collection unless the voucher is supporting a monthly collection. For vouchers supporting monthly collections, enter the period covered by the voucher.

b. Reference/Receipt Number. Enter the document or receipt number furnished in support of the collection document.

c. Remitter. Enter the name of the person, firm, title of officer and the name of the ship/activity to identify the source of the collection.

d. Purpose. Enter a concise statement of the purpose for which the collection was received.

e. Amount. Enter one amount for each remitter. If the proceeds of the collection must be credited to two or more appropriations enter each appropriation and the amount for each appropriation separately.

See figures D-1 through D-3.

2. Collections for Loss of or Damage to Government Property

a. Recoveries from Naval Personnel

(1) Voluntary Action. Credit to appropriation 173019, Recoveries for Government Property, Lost or Damaged, not otherwise classified.

(a) Pay Checkage in accordance with paragraph 70702, Volume 7A of this regulation. Family housing unit - credit to appropriation 17-7035, Family Housing, Navy and Marine Corps (FH, N & MC).

(b) Unaccompanied personnel housing unit. Credit to the Operations and Maintenance (O&M) account of the station operating the unaccompanied personnel housing unit.

3. Collections for Government Services

a. Laundry Service

(1) Ship's Store Afloat

(a) Refer to Ship's Store Afloat Manual (NAVSUP P-487), (reference (as)).

(b) Credit to appropriation 178723, Profits from Sale of Ship's Store, Navy.

(c) When collections are made for laundry services procured from commercial sources, attach a list with name, rank, and amount paid by each member to collection voucher (CV).

4. Collections for Sales

a. Proceeds of Sales from "Lucky Bag". Amounts realized on sales from "lucky bag," in accordance with paragraph 13136 of the Naval Supply Systems Command Manual (reference (at)), will be turned over to the disbursing officer and taken up in his or her accounts with credit to 171060, Forfeitures of Unclaimed Money and Property.

b. Meals from Navy General Messes. Cash collected from the sale of meals for the general mess will be deposited with the disbursing officer in accordance with the Food Service Management Manual (NAVSUP P-486) (reference (au)).

(1) Accounting Data. Credit amounts received from sale of meals from the general mess to appropriation and subhead 17*1453.2241, Military Pay, Navy (MPN). Operating costs will be credited 50 percent to appropriation and subhead 17*1453.2202, Military Pay Navy, (MPN) and 50 percent to appropriation Operations and Maintenance, Navy (O&M,N) as an unfunded transaction. Operating costs for contractor operated messes will be credited to appropriation O&M,N.

(2) Collection Voucher. At the end of the accounting period, the officer-in-charge of the general mess will furnish to the disbursing officer an original and three copies of NAVSUP Form 1357 (Ration and Sales Report) covering the total deposited for meals sold. To acknowledge receipt of funds, the disbursing officer will sign the original NAVSUP Form 1357 and return it to the officer-in-charge of the general mess. See figure D-3.

c. Ship's Store Afloat. All collections, including cash, traveler's checks, and personal checks will be collected and turned over to the disbursing officer in accordance with procedures outlined in the Ship's Store Afloat Manual (NAVSUP P-487) (reference (as)). A DD Form 1149 (Requisition and Invoice/Shipping Document) in original and three copies will be submitted by the ship's store officer to the disbursing officer. The disbursing officer will complete the required certificate on the original and return it to the ship's store officer.

d. Subsistence Items

(1) Proceeds from sales of subsistence items carried in the Navy Stock Account will be credited to the Navy Stock Fund by preparing a DD Form 1149 (Requisition and Invoice/Shipping Document).

(2) Proceeds from sales of subsistence items charged to appropriation 17*1453, Military Personnel, Navy (MPN) will be credited to appropriation 17*1453, MPN. The collection voucher will be a NAVSUP Form 1357. See figure D-3.

(3) The value of subsistence items sold will be reflected in the DD Form 2657 (Daily Statement of Accountability).

5. Other Collections

a. Collections for Marine Corps, Army, Air Force, and Coast Guard. Under certain circumstances, it may become necessary for Navy disbursing officers to make collections for the Marine Corps, Army, Air Force, or Coast Guard. Such situations might include collections from military personnel whose pay accounts are administered by a Navy disbursing officer or refunds on public vouchers paid by a Navy disbursing officer. Generally, Marine Corps, Army, Air Force, and Coast Guard collections will be accounted for in the same manner as Navy collections. All appropriate Marine Corps, Army, Air Force, or Coast Guard accounting data will be cited on the collection voucher.

b. Distribution of the Collection Voucher. The original and two copies will be submitted with the financial returns and an additional copy will be submitted for each fiscal station cited. If the credit is to an allotment held by a Navy activity, an additional copy will be forwarded to the Navy activity indicated.

c. Deposits to Liquidate Checkages. Funds received by a disbursing officer to offset a checkage in accordance with the DFAS-Cleveland Center, Pay Procedures Manual (DFAS-PPM) (reference (av)) will be processed using a DD Form 1131 crediting the appropriation, object class and functional account against which the individual's pay is charged.

d. Deposits to Protect Insurance Allotments. Navy members in a non-pay status are authorized to make cash deposits to a disbursing officer to protect National Servicemen's Life Insurance allotments. The disbursing officer will prepare a DD Form 1131 and credit the appropriation, object class and functional account to which the member's pay is charged.

e. Telephone Collections. Collections for unofficial telephone service will be deposited to a general depository or a local disbursing officer. Collections for occasional use of official telephones for unofficial calls will be deposited at least once a month. Funds received by disbursing officers from the telephone company for commissions on collections from telephone pay stations will be credited to appropriation 173210, Commissions on Telephone Pay Stations.

f. Unsuccessful Completion of Courses Funded by the Navy Tuition Assistance Program. When Navy personnel do not successfully complete a course for which tuition assistance was granted, and repayment is required, collections will be recorded against the annual appropriation or working capital fund that originally funded the related tuition assistance authorization.

C. DISBURSEMENTS

1. Preparation and Payment of Public Vouchers

a. General

(1) Format. Use SF 1034 (Public Voucher for Purchases and Services Other Than Personal) as a public voucher (PV) when governing directives do not prescribe use of a specific disbursement voucher. See figure D-4.

(2) Requirements for a PV

- (a) It must discharge a U.S. Government liability.
- (b) Supporting documents must be complete.
- (c) The expenditure must be charged to an appropriation/fund.
- (d) The control, maintenance, and disposition of records must preclude duplicate payments or overpayments by the Government.
- (e) The chargeable accounting data must be accurate and complete.

(3) Completion Requirements for the SF 1034 and, when required, the SF 1035 (Continuation Sheet). Complete appropriate blocks as follows:

- (a) Applicable DoD Component and place prepared.
- (b) Date prepared. (No entry required in this block).
- (c) Vouchers must be numbered in accordance with procedures established by each payment office.
- (d) On payments for supplies or non-personal services, show the number and date of the numbered contract, requisition, or purchase order.
- (e) Payee's name and address (include social security number (SSN) for military members and DoD civilian employees if payment affects the pay account or is a taxable payment). Enter the name and address of the contractor who supplied the services or articles.

(4) Body

- (a) First Column. Invoice or delivery order number and date.
- (b) Second Column. Date(s) supplies delivered or services performed.

(c) Third Column. Enter description of supplies or services unless the attached invoice gives the description. If it does, enter the following statement: "Per attached invoice." Special notations will also be made in this column. Reference any previous partial payments in this column together with the voucher number and date paid.

(d) Fourth, Fifth, and Sixth Columns. Do not use these columns if the invoice is attached as prescribed above. If the invoice is not attached, complete as follows:

1 Fourth Column. Enter the quantity of each item.

2 Fifth Column. Enter the unit price of each item.

3 Sixth Column. Enter the unit of measurement for each item.

(e) Seventh Column. Enter the extended value of each item. If the amount is stated in foreign currency, insert the name of the currency. When attached invoices are referred to, show the extended total for each individual invoice. When SF 1035 is used, show the extended total for each sheet in this column. Use the "Differences" block for cash discounts identified as "Disc" and the net of any other adjustments to the amount in the total block identified as "Adj". For vouchers involving multiple invoices, the paying office may attach a list of invoice discrepancies to the original and retained copies instead of recording each discrepancy on the face of the SF 1034. "Amount verified correct for" will be the adjusted total. Enter either a signature or initials to show who computed and verified the payment.

(f) Account Classification Block. Enter each accounting classification and the amount charged to it. Use a separate line for each accounting classification charged. If only one line of accounting classification is cited on the voucher and foreign currency or voucher deductions are not involved, it is not necessary to show the amount following the accounting classification.

(g) Station Number of Paying Office. Enter the disbursing station symbol number (DSSN) of the paying office on all copies of a disbursement voucher.

(h) Money Amounts - How Expressed

1 U.S. Dollars and Cents. Except as prescribed in the following subparagraph, show all money amounts as U.S. dollars and cents. If less than one-half cent occurs in the footing of a voucher, disregard it. If the fraction is one-half cent or more, count it as a whole cent.

2 Foreign Currency. Enter the amount of foreign currency, U.S. dollar equivalent, and exchange rate in the blocks marked "Approved For" and "Exchange Rate" on the SF 1034. Show the amount in U.S. dollars in the Accounting

Classification block. The amount of the check may be shown in the foreign currency if a limited depository checking account is maintained in those terms.

(i) Payment Notations. Check blocks under Payment as follows:

1 Complete. When paying the entire amount of the contract or purchase order.

2 Partial. When paying for partial delivery, show the number of the partial payment, e.g., whether 1st, 2nd, etc.

3 Final. When making the final payment of two or more partial payments.

4 Advance. When making an advance payment to a contractor, vouchers covering additional advances must refer to vouchers covering prior advances under the same contract in the "Articles or Services" block. References must show the voucher number, name, and DSSN of the disbursing officer, and the date paid. Advance payments are referred to as "first advance," "second advance," etc.

5 Supplemental. When supplemental payments are made, use the block for final payments and cross out the word "Final" and replace it with "Supplemental." Reference the original voucher on the supplemental voucher in the "Articles or Services" block. Such references must show voucher number and date paid.

2. Purchases and Services

a. Use the SF 1034 as the PV to effect payment of purchases and services other than personal.

b. The activity responsible for check issuance is the activity designated to make the payment.

c. Contract/Purchase Order does not Specify the Activity Designated to Make Payment

(1) When the delivery is made to a ship located in the continental United States (CONUS) or Hawaii, the PV is prepared and payment made by the DFAS Operating Location (OPLOC) serving the area where the dealer is located.

(2) When the delivery is made to a ship located outside the continental United States (OCONUS) or Hawaii by a dealer located OCONUS or Hawaii, the PV is prepared by the receiving activity and forwarded to the servicing disbursing officer for payment.

(3) When there is no supply activity in the vicinity, forward the documents to nearest DoD or U.S. disbursing office for payment.

d. Dealers' Bills Rendered Against Decommissioned Ships

(1) Dealer Located in CONUS or Hawaii. The settlement responsibility for outstanding bills is the DFAS OPLOC designated in purchase document.

(2) No Disbursing Office Designated or No Written Document

(a) Deliveries in CONUS and Hawaii. The DFAS OPLOC serving the receiving activities has settlement responsibility.

(b) Other deliveries. The DFAS OPLOC serving the dealer's location has settlement responsibility.

(c) Dealer Located OCONUS or Hawaii. The primary responsibility for settlement is the activity designated to settle the disbursing account. If the designated activity is in CONUS, forward dealers' bills with supporting documents to DFAS OPLOC, Charleston, SC, for preparation and payment. If the designated activity is OCONUS, voucher preparation is the responsibility of the settlement activity and payment is done by the disbursing officer servicing the settlement activity.

e. Evidence to Support Payment. The settlement officer will determine whether the amount billed is payable by analyzing the available documents which will be retained by the paying office.

f. Unsupported Bills. The bill will be returned to the dealer with the reason(s) for declination of payment. The dealer will be informed that the bill can be submitted to the GAO via the DFAS OPLOC, Charleston, SC, for settlement.

3. Substantiating Documents and Certificates

a. Purchase Documents

(1) Contracts. The paying disbursing officer will maintain a contract file containing each contract and all contract modifications for verification of proper payment. A separate log will annotate the date of receipt for all contracts.

(2) Purchase Orders. Distribution instructions for purchase and delivery orders are found in Navy Supply Acquisition Regulation Supplement (SUPARS) (reference (aw)).

b. Dealer's Bill

(1) General Requirements. All dealer's bills must be expressed in the currency in which the transaction was made. The original dealer's bill will be attached to the original PV.

(2) Supplemental Payments. Disbursing officers will establish the necessary internal controls to identify supplemental payments to the original payment and to prevent duplicate refunds of deductions or other erroneous supplemental payments.

(3) Dealer's Bill Expressed in Foreign Currency. The PV will show all amounts in equivalent U.S. currency at the rate of exchange at which foreign currency is disbursed. The exchange rate will be shown on the PV.

c. SF 44, U.S. Government Purchase Order - Invoice Voucher as a Purchase Invoice

(1) Purpose. The SF 44 combines the informal purchase order, certificate of receipt and acceptance, and dealer's bill. It is used only in over-the-counter purchases and only when the government-wide purchase card is not accepted by the dealer or other dealers of like goods or services in the vicinity.

(2) Payment by Disbursing Officer. When the SF 44 is used in an informal purchase, it should contain the signature of the ordering officer (which could be an aircraft commander in the case of procurement of fuel, lodgings, and subsistence on extended aircraft flights), the signature of the person receiving the material or services, and the chargeable accounting data. Therefore, it may be submitted by the vendor directly to the payment office designated thereon. In the case of the fleet aircraft, the payment office will be designated as the DFAS OPLOC, Norfolk or San Diego, except where the SF 44 is executed OCONUS and is payable in a foreign currency. In these cases the payment office will be designated as the U.S. Navy Area Commander or the U.S. Navy Component of Combatant Commands. In accordance with the option pre-printed on Copy 2, Seller's Copy of the order, the seller may prepare an invoice and use the original of the SF 44 as a supporting document, or the seller may submit the SF 44 as an invoice.

d. Certificate of Receipt and Inspection at Destination

(1) Ships. Certificates of receipt and acceptance will be furnished to the appropriate paying office as required by governing contracting regulations.

(2) Duplicate Certificates. When a second certification of the receipt and acceptance is made, it will be accompanied by a statement notifying the preparing activity of the accomplishment of a previous certification in a separate memorandum or on the second copy of the invoice.

4. Timely Settlement of Dealers Bills

a. Operating Forces. Units of the operating forces will comply with the requirements of this paragraph to the greatest extent possible. However, in the case of ships leaving a foreign port, the supply officer will make every effort to prepare and pay all PVs covering dealer's bills for materials (including ship's store stock) or services from foreign vendors. If payment of the dealers' bills cannot be made to foreign vendors before a ship leaves port, arrangements for payment of the bills will be made with local U.S. Military or State Department representatives; or in accordance with the governing fleet and area commanders' directive. In the case of ships leaving a U.S. port, the supply officer will make every effort to have all dealers' bills properly certified and forwarded to the appropriate DFAS OPLOC before leaving the port.

b. Precautions Against Duplicate Payments

(1) Naming of Paying Office in Contract or Purchase Orders. All contracting officers are required to insert in every contract and purchase order the name of the disbursing office designated to make payment. Payment will be made only by the disbursing office specifically authorized by the provisions of the contract or purchase order. In addition, Title 7 of the U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (reference (n)), and the Treasury Financial Manual (reference (m)) require that paying office controls over disbursements include the necessary safeguards to prevent duplicate payments.

(2) Responsibilities of Preparing Officer. It is the responsibility of the preparing officer to check for possible duplications. If duplicate payment does occur, the cause must be fully investigated and appropriate action taken to avoid recurrence of similar duplications. Every effort must be taken to recoup the duplicate payment as soon as it is discovered and validated that it actually occurred.

(3) Criteria for Detecting Suspected Duplicate Payments. All invoices should be checked against the data base of prior payments for possible duplication. The following data elements must be checked as the mandatory criteria for detecting suspected duplicate payments:

- (a) contractor invoice date,
- (b) contractor invoice number,
- (c) invoice gross amount,
- (d) Procurement Instrument Identification Number (PIIN), and
- (e) Supplementary Procurement Instrument Identification Number (SPIIN), where applicable.

If a suspected duplicate is detected, records of previous payment containing the same identical data elements will be researched prior to executing payment. Optimally, 12 months of file data will be researched; 6 months minimally. Suspected duplicates will not be paid while research is pending.

5. Other Types of Payments

a. Payments for Travel and/or Official Expenses

(1) Military Personnel. The methods of settlement of government travel and official expenses incident to travel for military personnel are contained Volume 9 of this regulation.

(2) Civilian Personnel

(a) Advance. Instructions concerning entitlement, limitations on amounts of advances, and repayment of advances are contained in the Joint Travel Regulations (JTR), Volume 2 (reference (ax)).

(b) Preparation and Payment of Travel Claims. Procedures for preparation and payment of travel claims are contained in Volume 9 of this Regulation.

b. Payment of Witnesses

(1) Military Personnel. Entitlement and payment of transportation allowances to military personnel summoned as witnesses will be as prescribed in chapter 7, part E of the JFTR (reference (ay)) and Volume 9 of this Regulation.

c. Payment for Transportation of Personnel. Transportation for personnel purchased by U.S. Government Transportation Request will be paid by DFAS OPLOC, Norfolk, VA, when a Navy appropriation is chargeable.

d. Claim for Reimbursement for Expenditures on Official Business

(1) Non-Government Personnel. Claims will be made on an SF 1164 (Claim for Reimbursement of Expenditures on Official Business) signed by the claimant and approved by an authorized certifying officer.

(2) Invitation to Travel. Persons invited to perform travel in accordance with reference (ax) are authorized transportation, allowances, and other proper expense reimbursement in connection with official activities of the Department as contained in Title 5, United States Code, Section 5703 (5 U.S.C. 5703) (reference (j)). Reimbursement will be made on SF 1164. If there is entitlement to per diem allowances, a DD Form 1351-2 (Travel Voucher or Subvoucher) will be used to file their claim.

6. Responsibility for Payment of Public Vouchers

a. Tactical Disbursing Officers. The following types of payments are not considered as payments to vendors and will be made by the local disbursing officer immediately serving the activity receiving the material or services.

- (1) Purchase of post office box rental.
- (2) Purchase of street car, bus, bridge, or road toll tickets and tokens.
- (3) Reimbursement of Naval personnel for sundry expenses, official documents, or for authorized official entertainment as provided in Volume 9 of this Regulation.
- (4) Mileage, per diem for travel or temporary duty, and other reimbursements for expenses incident to official travel.
- (5) Fees of visiting lecturers, clergymen, and medical and dental lecturers utilized in the Medical Department training programs; expenses of the Board of Visitors of the Naval Academy; and expenses of the Board of Advisors to the Naval War College.
- (6) Monthly ration vouchers.

(a) Payment to Navy Mess Treasurer. Each month, the mess treasurer will submit a list of members subsisted in the mess on a locally prepared form, in triplicate, to the disbursing officer. After the action prescribed in DFAS-PPM (reference (av)) has been taken, payment will be made to the officer or mess treasurer on an SF 1034 supported by the locally prepared form. The disbursing officer will furnish a copy of the paid SF 1034 and a copy of the locally prepared form to the payee.

(b) Officers' Messes Afloat. Payment of commuted rations for enlisted personnel subsisted in officers' messes afloat will be effected on an SF 1034, supported by a list of the enlisted personnel and the certificate prescribed in subparagraph D10306.A.6.a, above. In accordance with the Food Service Management Officers' Quarters and Messes Afloat and Chief Petty Officers' Messes Afloat Manual (NAVSUP P-486), Volume II (reference (az)), on a locally prepared form, the mess treasurer will determine the amount payable by comparing the cost of provisions eaten by the enlisted members to the total value of the commuted rations of the enlisted members. The amount payable will be lesser of the two amounts. The original of this local form will support the SF 1034. See figure D-5.

(c) United States Naval Academy (USNA) and Naval Reserve Officers Training Corps (NROTC) Midshipmen

1 General. In accordance with 10 U.S.C. 2109(b)(3) (reference (b)), the Secretary of the Navy has set the maximum daily rate that a nonappropriated

fund (NAF) mess may be reimbursed from appropriated funds for subsisting NROTC midshipmen. This rate will not exceed the lesser of:

- a cumulative food costs; or
 - b within the contiguous United States and the District of Columbia, a cumulative amount not to exceed \$4.50 per meal; or
 - c outside the contiguous United States and District of Columbia, a cumulative amount for each meal consumed not to exceed 14 percent of the per diem prescribed by reference (ay).

2 Subsistence in Kind. USNA midshipmen and NROTC midshipmen subsisting in a general mess or hospital mess are entitled to rations in kind at government expense. Charges will be centrally billed and paid. Those charges applicable to the subsistence of NROTC midshipmen will be charged to the appropriation Reserve Personnel, Navy. Those charges applicable to the subsistence of USNA midshipmen will be charged to the appropriation Military Personnel, Navy. In either case, the fiscal year chargeable will be the year in which the meals were consumed.

3 Reimbursement. Appropriated funds will be used to reimburse NAF messes for USNA and NROTC midshipmen for the billing period. The billing for USNA midshipmen will not exceed the lesser of cumulative food costs or a cumulative amount based on the daily rate prescribed in Volume 7A of this Regulation. The billing for all NROTC midshipmen will not exceed the cost as stated in subparagraph D10306.A.6.c(1)(b), above. An SF 1034 will be submitted to the disbursing officer and will be substantiated with a listing similar to and containing all the data shown herein.

b. Payment Procedure. DOs will effect prompt payment of the NAF mess bills. Payments will be made on an SF 1034. Accounting data on the voucher must be shown separately for USNA and in each of the 2 NROTC categories. Use an attached summary of the accounting data if there is not enough space on the voucher for the required breakdown. DOs will ensure the use of the proper functional account number (FAN) (as the last five digits of the cost code) when making payments for midshipmen.

- (1) Rewards and expenses for return of absentees and deserters.
- (2) Special diets procured from an officers' mess for sick personnel.
- (3) Payment of ship's store profits to the commanding officers of ships.
See figure D-4 and reference (as).
- (4) Dealers' Bills for subsistence and quarters purchased by military personnel as authorized by paragraph 22415 of reference (at).

(5) Imprest fund purchases when payment by check is required because of supplier's failure to ship c.o.d.

(6) Payment of advances and invoices for civilian employee training at non-Governmental facilities.

(7) Payments to exchanges for health and comfort items furnished military prisoners as authorized by the Naval Supply Systems Command Manual, Volume IV (reference (at)) and references (as) and (ay).

(8) Payments for claims for reimbursement of payments made to car rental agencies for the cost of deductible damage to rented vehicles that occurred during the performance of official business will be made on a DD Form 1351-2 supported by the documentation specified in reference (ay).

(9) Payment of tuition aid claims of Navy members as provided in Chief of Naval Education and Training Instruction (CNETINST) 1560.3 (reference (ba)).

(10) Payment to civil authorities for the cost of board and care of Navy members.

(11) Expenses in connection with activities of the informational program for foreign military trainees and visitors to the United States as authorized in the current series of Chief of Naval Operations Instruction (OPNAVINST) 4950.1 (reference (bb)) and orientation training tours as defined by DoD 5105.38-M (reference (bc)) will be reimbursed under the provisions of this paragraph when paid from personal funds of military members or civilian employees. When required and authorized in writing by a commanding officer or his designee authorized to incur obligations for the informational program, the DO may advance amounts required for direct payment by an escort officer in connection with a particular tour, visit, or other business. The DO will credit the appropriation, including the transaction type code (TTC) "1K" cited when the advance was made, and charge the appropriation data cited in the letter designation. For travel away from escort's duty station, a DD Form 1351-2 should be used.

(12) Payment of canal tolls by the DO of an individual ship is authorized. In most instances, local area commander's instructions or fleet directives, as in the case of the Suez Canal, take precedence and preclude the disbursing officer from making such payments. In these instances, the nearest shore based disbursing officer will make payments. When a ship is required to make payment, it immediately will be made upon leaving the canal or as soon afterward as the responsible canal commission presents its bill for payment. No payment will be made by the disbursing officer of a ship for passage through the Panama Canal. All toll bills for ships transiting the St. Lawrence Seaway and related canals will be received by the Commander, Eastern Sea Frontier for processing. The Commander, Eastern Sea Frontier will forward Canadian dealers' bills for transit and pilotage to the DFAS OPLOC, Charleston, SC, for payment. Bills of U.S. dealers shall be forwarded to DFAS OPLOC, Norfolk, VA, for payment.

(13) Costs of ship-to-shore telephone service will be collected from personnel using the service by the communications officer of the ship. The communications officer immediately will turn over the amounts collected to the disbursing officer who will take up the collection as a credit to Suspense, Navy. When the telephone company bills the ship for this service, settlement will be made by a U.S. Treasury check payable to the telephone company and issued by the disbursing officer using an SF 1034.

(14) Authorized payments for medical and dental care furnished by civilian non-Federal sources can be found in the current version of Naval Medical Command Instruction (NAVMEDCOMINST) 6320.1 (reference (bd)). Claims for reimbursement from individuals who have defrayed the expense of authorized care will be paid using the SF 1164. The SF 1164 will bear the claimant's signature on the face of the form as well as the certification of the approving authority, and will be supported by paid itemized invoices.

In addition to these payments, local disbursing officers on ships in foreign countries will make payment for purchases of materials and services procured from foreign vendors. The Afloat Supply Procedures Manual (NAVSUP P-485) (reference (be)), and local fleet and type commander directives regarding ships making arrangements for payment of dealer's bills prior to leaving a foreign port refer.

c. Miscellaneous Payments

(1) Rewards

(a) Notice and Acceptance of Offers of Rewards. Before there can be a valid acceptance of an offer of reward so as to authorize payment of money, there must be a notice of the offer. The government, as the offerer, announces that a certain individual has absented himself, deserted, escaped, or is missing, or that a boat, aircraft, mine, paravane, torpedo, or any other material is lost and offers a reward for the recovery of the person or thing or for the information leading to such recovery. Annual or blanket notices or notices of reward attached to the material may be considered notice of the offer. The individual who, knowing of such offer of reward, performs the acts specified therein prior to its revocation will become entitled to the reward. A member of the Armed Forces or other salaried officer or employee of the U.S. Government is not eligible to receive a reward.

(b) Payment. Unless otherwise specified, payment of rewards will be made on an SF 1034 supported by a signed offer of reward or a signed letter or certified copy of a message from the cognizant command, office, or bureau offering or confirming the declaration of a reward. If such documents are not available at the paying activity, the cognizant command, office, or agency will be requested to furnish them.

(c) Lost Mines. Commanding officers are authorized to offer rewards up to \$100 for the recovery of or for information furnished leading to the recovery of a lost mine or related components. Funds for payment of rewards will be made available for use by the Naval Mine Engineering Facility, Yorktown, VA. Commanding officers will forward

funding requests for rewards to the Naval Mine Engineering Facility by message. The circumstances for the reward requirement, including the amount needed, will be stated for each request.

(d) Lost Torpedoes, Mobile Targets, and Self-Propelled Mines.

Commanding officers are authorized to offer rewards up to \$500 for the recovery of or for information leading to the recovery of lost torpedoes, mobile targets, and self-propelled mines and to offer up to \$250 for the return of their related major components. The term "major components" refers to major sections of the weapon (e.g., exercise heads or battery compartments) but does not include minor assemblies of accessories (e.g., depth mechanisms, gyros or stabilizers). Funds for payment of rewards will be made available for use by the Naval Underwater Systems Center, Newport, RI. Commanding officers will forward funding requests for rewards to the Naval Underwater Systems Center by message. The circumstances for the reward requirement, including the amount needed, will be stated for each request.

(e) Lost Aircraft and Lost Target Pilotless Aircraft and Aircraft Equipment. Commanding officers are authorized to offer up to and including \$500 as a reward for the recovery of or for information leading to the recovery of lost aircraft and up to and including \$100 for aircraft equipment. Payment of rewards will be charged to the operation and maintenance allotment of the reporting custodian of the recovered aircraft or to the operation and maintenance allotment of the custodian of the aircraft equipment.

(f) Lost Submarine Target Training Devices. The Commanding Officer, Naval Training Equipment Center, is authorized to offer a reward of \$100 for the recovery of lost submarine target training devices. Payment of rewards will be charged to the Naval Training Equipment Center operation and maintenance allotment current at the time of payment.

(g) Lost Radio Equipped Buoys. The Commanding Officer, Naval Research Laboratory, is authorized to offer a reward of \$500 or any lesser sum depending on specific instances, for the recovery of or information leading to the recovery of lost radio equipped buoys. Payment of rewards will be charged to appropriation Navy Working Capital Fund (NWCF), 97X4930, subhead NH4A.

(h) Transosonde Type Balloon Equipment. The Commanding Officer, Naval Research Laboratory, is authorized to offer a reward of \$150, or any lesser sum depending on specific instances, for the recovery of or for information leading to the recovery of lost equipment attached to Transosonde type balloons. Payment of such rewards will be charged to appropriation NWCF, 97X4930, subhead NH4A.

(i) Lost Payload - Reentry Capsules. The commanding officer or senior officer present, Port Hueneme - Point Mugu - Santa Barbara area (Commander, Pacific Missile Range), is authorized to offer up to \$100 as a reward for the recovery and return of or for information leading to the recovery of lost property of the Navy relative to the missile and

satellite programs. Payments of rewards will be charged to the operation and maintenance allotment of the Pacific Missile Range.

(j) Lost Radio Sonobuoys. The Commanding Officers, Naval Inshore Undersea Warfare Group ONE and Group TWO, Naval Ship Research and Development Laboratory, Panama City, FL, are authorized to offer a reward of \$25 for the recovery of or for information leading to the recovery of lost radio sonobuoys. Payment of rewards will be charged to the Inshore Undersea Warfare Groups' operation and maintenance allotment current at the time of payment.

(k) Lost Elliptical Parabolic Hyperbolic High-Speed Depth Recorders. The Commanding Officer, Naval Ship Research and Development Laboratory, Panama City, FL, is authorized to offer a reward of \$25 for the recovery of or for information leading to the recovery of elliptical parabolic hyperbolic high-speed depth recorders. Payment of rewards will be charged to the Naval Research and Development Laboratory operation and maintenance allotment current at the time of payment.

(l) Lost Oceanographic Instruments. The Commander, Naval Oceanographic Office is authorized to offer up to and including \$100 as a reward for the recovery of or for information leading to the recovery of lost oceanographic observation devices such as, but not limited to, current meters, sub-surface buoys, acoustic release devices, and wave recorders, when the entire device is recovered intact regardless of condition. Payment of the reward will be charged to the operation and maintenance allotment of the Naval Oceanographic Office.

(m) Lost Detectors, Sensors, Simulators, and Associated Equipment. The Commander, Naval Surface Weapons Center, is authorized to offer up to \$250 as a reward for the recovery of or for information leading to the recovery of lost detectors, sensors, simulators, and associated instrumentations used in research, development, and testing of naval ordnance. Payment of the reward will be charged to the project using the equipment at the time of loss.

(n) Increased Rewards and Rewards for Other Material. Prior to offering a reward for other material not listed herein, or for an amount in excess of the reward authorized herein, authority for payment must be obtained from the Secretary of the Navy as prescribed in 10 U.S.C. 2252 (reference (b)). Commanding officers or senior officers present, bureau, or command having cognizance of the material involved will request such authority from the Secretary of the Navy. In each case, the request will contain:

1 the proposed amount of reward to be offered on a continuous basis;

2 the proposed amount of reward to be offered on a one-time basis for material lost but not recovered and for which it is desired to offer a reward to aid in recovery; and

3 the proposed amount of increase on an existing reward authorized to be offered on a continuous basis. The recommended amount of the reward to be offered will be stated in each case. Upon approval of the proposal, the cognizant office, bureau, or command, will forward to the Secretary of the Navy, via the Director, Defense Finance and Accounting Service-Cleveland Center, 1240 East Ninth Street, Cleveland, OH 44199-2055, a request for authorization to offer the reward on a one-time basis for material lost but not yet recovered, or to increase the amount of an authorized reward.

(o) Return of Absentees

1 Payment of Rewards. When authorized by military officials of the Armed Forces, any civil officer having authority to arrest offenders may apprehend an individual absent without leave from the military service of the United States and deliver the individual into custody of military authorities. The receipt of a DD Form 553 (Absentee Wanted by the Armed Forces) or any authorized communication, oral or written, from a military or federal law enforcement official or agency requesting active cooperation in the apprehension or delivery to military control of an absentee or deserter wanted by the Armed Forces will constitute the basis for a reward. When such a reward has been offered, persons or agency representatives (except employees of the federal government or service members) apprehending or delivering absentees or deserters to military control will be entitled to a payment of:

a \$50 for the apprehension and detention until military authorities assume control, or

b \$75 for the apprehension and delivery to military control.

Payment of the reward will be made to the person or agency representative actually making the arrest and turnover or delivery to military control. If two or more persons or agencies join in performing these services, payment may be made jointly or severally, but the total payment or payments may not exceed \$50 or \$75, as applicable. Payment of a reward is authorized whether the absentee or deserter voluntarily surrenders to civil authorities or is apprehended. Payment is not authorized for information merely leading to the apprehension of an absentee or deserter. Rewards may be paid to civil authorities of foreign countries or other foreign nationals who have been authorized to apprehend absentees or deserters if the requirements prescribed herein are complied with, and provided that the commanding officer of the activity to which the absentee or deserter is delivered believes the situation warrants such action. The DO, special disbursing agent, or other agent, as authorized, of the military activity to which an absentee or deserter is first delivered, will be responsible for payment of the reward. The claimant must present a signed statement specifying that he apprehended (or accepted voluntary surrender of) the absentee or deserter and that he either detained the absentee or deserter until military authorities assumed control or that he delivered the individual to military control. This statement must be supported by a copy of DD Form 553 or other form of notification that an individual is absent and that his return to military control is desired. If oral notification was made in lieu of written notification, the claimant will so certify and

provide the date of notification and the name, rank or rate, title, and organization of the person who made the authorization notice of reward. The payment will be charged to the accounting data specified in subparagraph D10306.C.1.o(6), below, and the voucher will include the absentee's or deserter's name and branch of service. When paid in cash, the claimant's receipt will be taken on his original statement. Payments may be consolidated periodically on SF 1129 (Reimbursement Voucher) or may be vouchered on an individual SF 1034.

2 Reimbursement for Actual Expenses. When a reward has not been offered or when conditions for payment of a reward cannot otherwise be met, reimbursement, not to exceed \$75, may be made to any person or agency for actual expenses incurred in the apprehension, detention, or delivery to military control of an absentee or deserter. If two or more persons or agencies join in performing these services, payment may be made jointly or severally, but the total payment or payments may not exceed \$75. Reimbursement may not be made for the same apprehension and detention or delivery for which a reward has been paid. Actual expenses for which reimbursement may be made will include:

a transportation costs, including mileage at the rate of \$0.25 per mile for travel by privately owned vehicle, for a round trip from either the place of apprehension or civil police headquarters to place of return to military control;

b meals furnished the member for which the cost was assumed by the apprehending person or agency representative;

c telephone or telegraph communication costs; damage to property of the apprehending person or agency if caused directly by the member during the apprehension, detention, or delivery; and

such other reasonable and necessary expenses incurred in actual apprehension, detention, or delivery as may be considered justifiable and reimbursable by the commanding officer.

3 Non-Reimbursable Expenses. Reimbursement will not be made for:

a lodging at non-military confinement facilities;

b transportation performed by the use of official federal, state, county, or municipal vehicles; or

c personal services of the apprehending, detaining or delivering person or agency.

Payment of actual expenses will be made in accordance with the payment procedures in this paragraph except that an itemized statement of costs approved by the commanding officer is required and notice on DD Form 553 or other form is not required.

4 Reimbursement for Subsistence Furnished. Civil authorities may be reimbursed for the cost of subsistence furnished Navy and Marine Corps members placed in custody for safekeeping at the request of military authorities. Such reimbursement will be in addition to rewards and reimbursement for actual expenses. Payment of subsistence will be made in accordance with the procedures for payment of other actual expenses except that an itemized statement of charges approved by the officer who directed the confinement is required. Notice on DD Form 553 or other form is not required.

5 Transportation Costs. Costs associated with an absentee's or deserter's own transportation will be charged to the pay account of the individual member as prescribed in Volume 9 of this Regulation. When a guard is required to apprehend and escort absentees and/or deserters from more than one service, the cost of travel of the guard will be charged to the service providing the guard when returning absentees and deserters to military control. Cost of travel for guards accompanying the absentee or deserter being returned to the parent service will be charged to the Military Personnel appropriation of the service to which the absentee/deserter is accountable.

6 Accounting Data. Payments for rewards, actual expenses, and for subsistence cost will be charged to the accounting data listed below, as appropriate.

a Apprehension, Retention and Return of Prisoners (Navy). 17*1453.2260 000 60600 0 000022 2D 000000 000000071165.

b Travel of Guards (Navy). 17*1453.2260 000 60600 0 000022 2D 000000 000000074146.

(2) Incentive Awards

(a) Administrative Regulations. Regulations governing the granting of cash awards to military personnel are contained in the current edition of Secretary of the Navy Instruction (SECNAVINST) 5305.2 (reference (bf)).

(b) Payment Procedure For Cash Awards

1 Military Personnel. Cash award payments are subject to the withholding provisions of the federal income tax law, but in the case of military personnel are not subject to the provisions of the Federal Insurance Contributions Act (FICA) of 16 August 1954, as amended (26 U.S.C. 3101) (reference (bg)). Income tax will be withheld at the rate of 28 percent. Cash award payments will be made by the disbursing office holding the pay account of the member. If the member no longer is on active duty at the time that the award

has been approved, payment will be made by the DFAS-Cleveland Center. Upon receipt of the original and 1 copy (2 copies in the case of associate disbursing officers) of the letter approving the award and designating applicable accounting data, payment will be made on an SF 1034. The payment will be identified on the voucher as "beneficial suggestion per attached letter of award."

The original letter of award and the original SF 1034 will be filed with the financial returns. Copies of the letter of award and SF 1034 will be filed in the DO's retained files or sent to the financial information processing center as appropriate. The voucher will show the amount of the award, the amount deducted for Federal income tax withholdings, and the amount due the payee.

Payment may be made by cash or check. DO's will make payment of the withheld tax in the same manner as other withheld taxes. Checks will be drawn in favor of the Federal Reserve Bank (FRB) or branch and will be deposited with other checks due the Internal Revenue Service (IRS). DOs afloat that do not have an employer identification number (EIN) will forward Copy A of the IRS Form W-2, Wage and Tax Statement, together with the check drawn to the FRB of Cleveland and a copy of the SF 1034, to the DFAS-Cleveland Center. An IRS Form W-2 will be prepared for each incentive award payment. The payee's copies will be delivered to the payee with the payment and advice that he or she retain the IRS Form W-2 for filing annual income tax returns. The IRS copy of the IRS Form W-2 will be attached to a copy of the SF 1034 submitted with the financial returns. Additional copies of the IRS Form W-2 will be distributed as indicated on the W-2 Form.

d. Prohibited Payments. The following types of payments cannot be made by tactical DOs:

(1) Payments to vendors located in the United States will be made by the appropriate DFAS OPLOC.

(2) Payment for deliveries to ships will be made by the DFAS OPLOC serving the area in which the billing office is located.

(3) Vouchers for disbursement and/or collection using SF 1034 or DD Form 1131 involving pay and allowances will be paid by the DFAS-Cleveland Center.

(4) The deputy DO of the DFAS OPLOC, Norfolk, VA is designated to pay all claims of Navy Personnel for reimbursement of costs of shipment of household goods under permanent change-of-station orders, shipments authorized under temporary additional duty orders, and local movement of household goods in connection with assignment to or vacating government quarters when directed by competent authority due to the quarters becoming uninhabitable.

(5) Claims of military members for personal property loss or damage will be paid by the financial information processing center of the disbursing officer or of other shore activities providing disbursing service for claims adjudicating authorities.

e. Ships Without a Disbursing Officer in Foreign Countries. If a ship is operating without a disbursing officer, arrangements will be made for payment by the nearest

DoD or U.S. disbursing officer. If such arrangements cannot be made, the dealer's bill will be forwarded to the financial information processing center most convenient to the ship or shore activity except that all such Canadian dealer's bills will be forwarded for payment to the DFAS OPLOC Charleston, SC.

7. Payment and Payment Restrictions

a. Items to be Verified. The paying officer is responsible for verifying the legality and propriety of the payment to be made and is required to establish that:

- (1) payment is made only by the designated paying office and the payment has not been made previously;
- (2) purchase was made in accordance with pertinent laws, regulations, and directives;
- (3) materials or services were received and accepted or performance was completed;
- (4) the extensions, and totals are correct;
- (5) the required supporting documents are present; and
- (6) the accounting data are complete and correct.

b. Method of Payment

(1) Within the United States and its Possessions. Within the United States and its possessions, vouchers covering dealers' bills will be paid by electronic funds transfer (EFT) or U.S. Treasury check. Other types of vouchers likewise will be paid by EFT or U.S. Treasury check. Note: All payments must be by EFT no later than January 1, 1999. All remittances by mail will be by check. Any number of vouchers to the same payee may be paid by a single EFT transmission or U.S. Treasury check.

(2) Canadian Dealers' Bills

(a) Ships. In the event a Canadian dealer's invoice cannot be obtained and paid prior to departure and payment arrangements as prescribed in the paragraph 4336 of reference (b) have not been made, action will be taken as prescribed in items D10307.B.2.a.(1) or D10307.B.2.a.(2) below, when the invoice is received:

1 if the invoice is expressed in U.S. dollars, forward the invoice and supporting documents to DFAS OPLOC, Norfolk, VA, or San Diego, CA, as appropriate, for payment; or

2 if the invoice is expressed in Canadian dollars, forward the invoice and supporting documents to DFAS OPLOC, Charleston, SC, for payment.

(3) Outside the United States

(a) Foreign Currency Controls. Payments to vendors in a foreign country will be made in a currency authorized by local foreign currency control laws or regulations. Department of State officials located in the area will be contacted for guidance and information on currency controls in effect. If there is no Department of State official in the area, the DO must ascertain and comply fully with local foreign currency controls.

(b) Currency Used. Payment to a vendor in a foreign country will be made by U.S. Treasury check or U.S. currency when:

1 payment in U.S. currency is required by the purchase documents; or

2 the foreign currency billed is not available to the disbursing officer serving the activity billed or to another overseas military DO, unless the foreign currency is listed as excess or near-excess in Chapter 12 of this volume.

When the bill is stated in foreign currency and payment is made in U.S. currency or by U.S. Treasury check, the rate of exchange current at the time of payment will be used. If the foreign currency billed is listed in excess or near-excess and such currency is not available to the disbursing officer serving the shore activity billed, the bill will be forwarded for payment to a U.S. military disbursing officer having access to the currency involved, or if none, to the DFAS OPLOC, Charleston, SC.

c. Entries Made by the Paying Officer

(1) Payment Data. The paying officer must enter the following data in the upper right payment block on the face of the public voucher:

(a) the word "Paid" (not required on vouchers bearing the pre-printed word "Paid" in the space provided for payment data);

(b) unit identification code (UIC) and the name of ship to which the disbursing officer is assigned;

(c) business day (date); and

(d) disbursing station symbol number (DSSN) of the disbursing office.

The required data must be legible on all copies of the voucher.

(2) Lower Payment Data Lines

(a) Cash Payments. If either partial or full payment is made in cash, the amount and date of payment, and the name of the payee must be shown on the designated line on the original and all copies of the public voucher. At the time of actual payment, the signature of the payee will be obtained on the original of the public voucher unless his or her signature, acknowledging receipt of the payment, already appears on a sundry voucher supporting the public voucher, for example, when the SF 1164 is used as a sundry voucher.

(b) Check Payments. If full payment is made by a single check drawn to the order of the payee shown in the heading of the public voucher, it is sufficient to insert the serial number of the check on the original public voucher only. The date and amount need not be shown. The serial number of the check may be inserted on the public voucher by typewriter, autographically, or by numbering machine.

D. AFLOAT FOREIGN CURRENCY TRANSACTIONS

1. Procurement. Afloat disbursing officers will comply with the following procedures in connection with obtaining foreign currency for visits to foreign ports.

a. Purchase from Government Sources

(1) Disbursing officers of ships arriving in an operational area may request, via official communication channels, excess foreign currency from the disbursing officers of ships leaving the area.

(2) Disbursing officers, in units within the same operational area should advise other fleet units of their requirement, in case an excess of foreign currency exists.

(3) Ships within the group also may be assigned as the foreign currency coordinator.

(4) Department of Defense DOs of shore commands, within the operational area, also may be able to provide the type of currency required.

(5) American Embassies or Legations also may be able to provide needed foreign currency.

b. Purchase from DoD Contract Military Banking Facility (MBF) and Commercial Sources. Currency can be obtained from MBFs. Commercial foreign banking facilities may be used when MBFs and other government sources are not available. See Chapter 13 of this volume.

2. Disposition. Afloat DOs will comply with the following procedures in connection with disposition of foreign currency, prior to leaving the foreign port or operational area.

a. Sale to Authorized Personnel

(1) Navy DOs assigned to afloat units are authorized to provide accommodation exchange sales to assigned personnel without prior approval.

(2) Sales of the currency will not be made at a rate that results in a loss by exchange. Sales will be made at rates as near as possible to that at which the currency is carried without causing a loss or requiring the holding of currency in units of insignificant value.

(3) Gains or losses resulting from sales or revaluation will be vouchered as gains or losses by revaluation. See figures D-6 through D-9.

(4) A daily DD Form 2664 (Currency Exchange Record) will be maintained for each sale.

(5) Repurchase of foreign currency is authorized provided:

(a) the disbursing officer will be able to dispose of the currency prior to departing the operational area;

(b) the disbursing officer maintains a DD Form 2664 to reflect the amount and source of funds;

(c) the repurchase from the authorized individual is not for an amount greater than the last purchase; and

(d) the authorized individual or unit is departing the area.

b. Priority for Disposal of Foreign Currency. DOs should attempt to dispose of the foreign currency in the following order:

(1) sales to other DoD DOs (i.e., ships arriving in the operational area, afloat foreign currency coordinator or DoD shore activities);

(2) sales to DoD-contracted MBF;

(3) sales to commercial sources (i.e., foreign banks); or

(4) deposits to the Federal Reserve Bank of New York by shipment, if all other methods are determined to be impractical, to avoid loss through the exchange rates.

3. Miscellaneous Procedures Affecting Foreign Currency

a. Protection of Foreign Currency in Transit in Foreign Countries. Provide the same security as for U.S. currency. However, consideration of host country laws pertaining to carrying weapons must be taken into account. Contact the American Embassy or Legation for local guidance.

b. Foreign Coin. Although acquiring foreign coin is discouraged, afloat DOs may find that some coin is required when paying local vendors in foreign currency. However, crew members must be advised that the DO will be unable to repurchase foreign coins in their possession

c. DD Form 2663 (Foreign Currency Control Record). This form is required to be maintained for each foreign currency used.

d. DD Form 2664 (Currency Exchange Record). This form is required when accommodation exchanges are made to crew members. In addition, afloat DOs must ensure that any authorized individual requesting repurchase is not converting an amount greater than he or she last purchased as recorded on the DD Form 2664.

e. Quarterly Foreign Currency Reports. A series of quarterly reports are required at the end of each quarter (see sample report in figure D-10). A negative report is not required.

E. MISCELLANEOUS DISBURSING OFFICER ACCOUNTABILITY PROCEDURES

1. Purpose. This section highlights the unique procedures in maintaining accountability relative to afloat disbursing officers.

a. Appointment and Acceptance of a Deputy Position. Deputy DOs are appointed by the DO with a formal letter of appointment addressed to the individual. The letter shall state the specific duties authorized to be performed by the deputy. The letter must be signed by both the DO and by the deputy who acknowledges that "I agree to hold myself accountable to the United States for all public funds received." See Chapter 2 of this volume.

b. Common Daily Transactions. Figures D-11 through D-14 are provided to illustrate entries on the DD Form 2657 (Daily Statement of Accountability). These are the most common transactions to afloat DOs connection with check cashing and ship's store collections.

c. Safeguarding Funds and Related Documents. When DO, deputies, agents and cashiers aboard tactical units and Navy vessels have custody of government funds, each shall be provided with a separate secure container which is assigned exclusively for his or her use. The combination of the safe or container shall be known only to the DO, deputy, agent or cashier and shall not be divulged orally or in writing to any other individual. See Chapter 3 of this volume.

d. Detailed Analysis of Cash and Other Assets

(1) General. In order to provide the supporting DFAS OPLOC with an accurate picture of the status of the DO's assets, all tactical units and Navy vessels will prepare a Detailed Analysis of Cash and Other Assets in support of Section I, Parts B and C of the SF 1219 (Statement of Accountability). This information will enable the individual assigned to examine the financial returns and the disbursing settlement clerk in determining if cash holdings are within authorized limits, whether deposits are being made on a timely basis, and whether aggressive action is being taken to clear non-cash items.

(2) Heading. The page will be headed by the name of the ship or shore activity to which the disbursing officer is assigned, followed by the title "Detailed Analysis of Cash and Other Assets." Following the title will be the name of the DO, DSSN, and the month and year of the corresponding SF 1219. If the period covered by the financial returns is other than a full month, the beginning and ending dates will be cited.

(3) Cash Authorized to be Held at Personal Risk. State the total amount of cash authorized to be held by the DO at personal risk, the title of the approving authority, and the date of the approval letter. This amount includes cash held by deputies, agents, and cashiers in the main disbursing office. Therefore, a breakdown of authorized levels by main office deputies and agents is not necessary.

(4) Analysis of Incumbent Officer's Accountability. Each group of cash and other asset items will be identified by the applicable line number in Section I, Part B of the SF 1219. If the amount on any particular line is zero, the line number may be omitted.

(a) Line 6.1. List the total U.S. dollar equivalent of cash on deposit in designated depositaries. No further breakdown is required.

(b) Line 6.2. List the total amount of cash held as defined for line 6.2 of the SF 1219. If holdings are entirely in U.S. currency, no further breakdown is required. If foreign currency is included, state the name and country of origin of each currency, the U.S. dollar equivalent for each currency, and the total U.S. dollar equivalent for all currency held. The sum of lines 6.1 and 6.2 should not exceed amounts authorized to be held at personal risk. If multiple currencies are held and there is insufficient space to enter all required data on the Standard Form 1219 a subsidiary schedule should be prepared.

(c) Line 6.3. List the total dollar amount of undeposited collections and the total number of instruments on hand for each of the following categories: U.S. Treasury checks, personal checks, and all other negotiable instruments. For each of the latter two categories, state the date of the oldest instrument on hand.

(d) Line 6.4. Leave blank.

(e) Line 6.5. Cash held by accountable persons outside the main office will be broken down into three major categories and described as follows:

1 Deputies, Agents and Cashiers at Branch Offices.

List each accountable position number, the amount authorized to be held at personal risk, the title of the authorizing official, the date of the authorization, and the amount actually held as included on the SF 1219. The last figure should also be totaled. If the advance is in foreign currency, the name and country of origin and the U.S. dollar equivalent should be listed.

2 Deputies, Agents and Cashiers under Other

Commands. Provide the same information as required above for deputies, agents and cashiers at branch offices.

3 Imprest Fund Cashiers, Agents and Others. List the

title of the individual holding the advance and the date of the DD Form 1081 (Statement of Agent Officer's Account). Also provide a total of all advances in this category as well as a grand total of all cash held by government cashiers. For advances made in foreign currency also list the name of the currency, the country of origin, and the U.S. dollar equivalent.

(f) Line 6.6. Leave blank.

(g) Line 6.7. List each individual item included on the SF 1219 as funds in transit. For an exchange-for-cash check, list the check number, the amount, date of mailing, and the organization to which the check was mailed. For all counterfeit or altered currency, list the denomination and the date the request for removal of the deficiency was forwarded.

(h) Line 6.8. List the total amount of funds held for regular payrolls by the DO and deputies, agents and cashiers located in the main disbursing office. A breakdown by individual accountable officer or agent is not necessary. Identify any foreign currency by name of the currency, country of origin, and U.S. dollar equivalent. Also state the most distant payday for which the funds are being held. Shore based disbursing offices should specify whether the funds are being held for military or civilian payroll, and if both, separate amounts for each type of payroll should be listed.

(i) Line 6.9. Identify each other cash item, including a brief description of action being taken to effect clearance of the item.

(j) Line 7.1. List each deferred charge by type (e.g., travel advances, civilian payroll, military payroll) and by amount. If an entire payroll is deferred, list the payroll number rather than the individual payees.

(k) Line 7.2. List each check issue overdraft receivable by check number, date of check, payee, and amount. Briefly describe action being taken to effect clearance.

(l) Line 7.3. List each loss of funds by name and position of the accountable officer or agent and the amount. In addition, for cash deposits which have been determined to be lost in transit, include the deposit number and date presented or mailed. For all items listed, include the date the loss was reported and a brief description of action being taken to clear the deficit.

(m) Line 7.4. List each dishonored check by debtor's name, date and number of the applicable debit voucher, and amount. Also, list each deposit which was composed of only checks and money orders and determined to be lost in transit by deposit ticket number, date presented or mailed, and amount. Include a brief description of action being taken to clear the deficit for each item listed.

(n) Line 7.5. Since a breakdown of advance payments is provided by a separate report, no further breakdown is required.

(o) Line 7.9. Identify any other non-cash item, including a brief description of the action being taken to effect clearance of the item.

(5) Analysis of Predecessor Officer's Accountability. DOs at shore-based activities performing settlement duties on the accounts of previous DOs of that activity will report items included in Section I, Part C of the SF 1219. If no entries are made in Section I, Part C, this portion of the analysis may be omitted.

(a) Line 9.2. List each check issue overdraft receivable by name of accountable DO, check number, date of check, payee, and amount. Briefly describe action being taken to clear the deficit.

(b) Line 9.3. List each loss of funds by name of accountable DO, name and position of accountable agent if applicable, amount of loss, and date the loss was reported. If the loss was a cash deposit determined to be lost in transit, include the deposit number and date presented or mailed to the depository. Also, include a brief description of action being taken to clear the deficit.

(c) Line 9.4. List each dishonored check item by name, date and number of the applicable debit voucher, and amount. If the deficiency includes a deposit composed of only checks and money orders determined to be lost in transit, list the name of the accountable DO, deposit number, date presented or mailed to the depository, and the amount. Include a brief description of action being taken to clear the deficit for each item listed. See figure D-15.

e. Appointing the Cash Verification Team. The appointment shall be made in writing and include at least two qualified personnel. For tactical units and Navy vessels, the senior member on the cash verification team should be the supply officer or a senior member of the Supply Department. See Chapter 3 of this volume.

f. Records of Balancing and Cash Verification. Appendix A of this volume requires each custodian of public funds to prepare a DD Form 2665 (Daily Agent Accountability Summary) and each DO to prepare a DD Form 2657 (Daily Statement of Accountability) for the close of business of that day and turn it over to the cash verification team. After proving all the entries for cash and other assets by the preceding verifications, the cash verification team will stamp the DD Form 2657 with the statement shown in Appendix A of this volume. In addition, the following statement will be inserted on each DD Form 2665:

"On (date) at (time) the undersigned verified by actual count cash in the amount of \$_____, and vouchers held as cash in the amount of \$_____, total \$_____, which is (or is not) in agreement with the DD Form 1081 held by the disbursing officer."

A copy of the DD Forms 2665 and DD Form 2657 will held as part of the retained disbursing records.

F. SUSPENSE ACCOUNTS

1. General. Reports of the status of suspense accounts will be made by disbursing officers prior to the 15th calendar day of the month following the end of each quarter. Separate reports will be made for Budget Clearing Account, 17F3875, and Suspense, Navy, 17X6875.1220. Each report will show the DSSN and the following:

- a. The balance in the suspense account at beginning of the quarter.
- b. The net amount of collections and transfers during the quarter with subtotals for each month of the quarter.
- c. The total disbursements during the quarter with subtotals for each month of the quarter.
- d. The balance in the suspense account at end of the quarter.

The ending balance will be checked to ensure agreement with the balance of the control ledger and with the total of the appropriate documents or records. Any discrepancies will be investigated and corrected prior to submission of the report, if practicable. If the correction requires a current transaction or if the investigation is not completed, the report will be so annotated. The report will be certified as follows:

"I certify that the balance reported herein is in agreement with records maintained."

When necessary, and in the event local efforts have been unsuccessful, DOs will request assistance from their respective support offices or commands on uncleared items remaining in a suspense account in excess of three months. Deposits on contracts may remain in a suspense account until completion of the contract.

2. Budget Clearing Account, 17F3875, and Suspense, Navy, 17X6875.1220. All Navy DOs will forward separate quarterly reports for suspense accounts 17F3875 and 17X6875.1220 to the supporting DFAS OPLOC. The balance reported by each disbursing office for each account will be recorded by the OPLOC in a column to the right of the applicable balance on each of the summary reports prepared in accordance with current machine procedures. The amount of any difference between the two balances will be entered in an additional column to the right. A credit (CR) difference will indicate that the DO's balance is less than the summarized balance. A notation will be made on the summary report that differences will be investigated and clearance action initiated. The DFAS OPLOC will submit the original summary reports to the DFAS-Cleveland Center on or before the 15th calendar day of the second month following the end of the quarter. Quarterly reports received from DOs will be retained together with a copy of the summary reports and copies of correspondence initiated to eliminate differences between the OPLOC records and DO reports.

G. NAVY POSTAL FUNDS

1. The Navy Postal Service. Regulations and instructions concerning operation of the Navy Postal Service, including procedures for custody and handling of postage stamp stock and funds, the conduct of postal money order service, and the audit and inspection of Navy and Marine Corps post offices are set forth in the current DoD 4525.6-M, Volume I (reference (bh)) and Chief of Naval Operations Instruction (OPNAVINST) 5112.6 (reference (bi)). In accordance with these references, money order auditing and custodial officers and postal effects custodial officers will be designated in writing by commanding officers afloat. These duties may be assigned to the DO or his/her deputy unless personnel are attached who hold the postal rating (PC) and pay grade E-7 or above. The procedures in this section are provided to clarify the provisions of references (bh) and (bi), which take precedence over this information. It is recommended that disbursing officers are provided a copy of chapters 5 and 7 of reference (bh) for guidance in the performance of these duties.

2. Money Order Service

a. Custody and Control. The money order custodial officer will maintain custody of blank money order stock and comply with the instructions in references (bh) and (bi) regarding custody, control and distribution of money order forms. Blank money order forms will be stored in a three-number combination safe or equivalent secure storage to which the custodial officer has exclusive access. A DD Form 885 (Money Order Control Record) will be maintained for all blank money order forms that are:

- (1) received from the accountable postmaster or other source.
- (2) issued to the money order clerk,
- (3) unused by the money order clerk, and
- (4) remaining as a balance on hand.

Sufficient blank money order forms will be issued to the money order clerk each day for the anticipated business requirements of that day. Unused blank money order forms will be returned to the custodial officer by the money order clerk at the close of business each day along with the daily report of money order business. Due to extenuating circumstances, the commanding officer may authorize the money order clerk to hold blank money orders overnight provided a secure storage area is available. The exchange of blank money order forms between custodial officers and money order clerks will be recorded and signed for in the DD Form 885. The custodial officer and money order clerk(s) will maintain separate DD Forms 885 for control and accountability purposes. See figure D-16.

3. Money Order Funds. At the end of each day, money order clerks are required to turn over to the disbursing officer all funds derived from the sale of money orders that day. The funds will be counted by the disbursing officer in the presence of the money order clerk. If the amount of the funds is \$100 or more, the disbursing officer will issue an exchange-for-cash remittance check payable to the Disbursing Officer, U.S. Postal Service, for transmission with the daily report of money order business. If the amount of money order funds is less than \$100, the funds may be accepted by the DO as a safekeeping deposit until accumulation of \$100 or more and then converted to an exchange-for-cash check. However, if it is more convenient, the exchange-for-cash check may be issued for remittance to the Disbursing Officer, U.S. Postal Service even though the amount of money order funds is less than \$100.

4. Audit of Money Order Accounts. An audit and verification of money order business is required to be conducted at the close of money order business each day. The audit will be conducted by a commissioned or warrant officer or a senior petty officer (E-7 and above) designated by the commanding officer as the responsible auditing officer.

5. Postal Stamp Stock and Funds

a. Duties. The requirements and procedures in references (bh) and (bi) will be followed in the custody and handling of postage stamps and funds. The designated postal effects custodial officer will maintain custody of that portion of the postage stamps and funds that are in excess of the amount authorized to be in the custody of the custodian of postal effects (COPE). The stamps and funds will be received and handled as a safekeeping deposit from the COPE, except that the safekeeping deposit will be identified as "postage stamp fund" rather than in the name of the COPE. Stamps will be issued to the COPE in exchange for funds derived from the sale of stamps. The custodial officer will maintain a duplicate of the PS Form 3295 (Daily Record of Stamps, Stamped Paper and Nonpostal Stamps on Hand). See figure D-17.

b. Stamp Replenishment. When replenishment of stamps is required, postage stamp funds will be converted to an exchange-for-cash remittance check payable to the accountable postmaster. Requisitions are prepared and submitted on a PS Form 17 (Stamp Requisition) which is prepared in quadruplicate. The original and a duplicate copy, together with the remittance check are forwarded by mail in accordance with Rule 3, Table 5-1 of reference (bh) and an additional copy is forwarded in accordance with Table 5-1, Note 1. A signed copy of the PS

Form 17 is retained by the postal effects custodial officer with the postage stamp fund safekeeping deposit. Upon receipt and verification of the stamps requisitioned, the accompanying duplicate copy of PS Form 17 is returned to the COPE for the post office files and the copy retained by the postal effects custodial officer should be destroyed. The postage stamp funds must not be commingled with any other safekeeping deposit or other funds, including money order funds. New safekeeping receipts are required to be issued only when there is a change in the amount of the fund or a change in either the accountable postal clerk or custodian.

6. Audit of Money Order Business

a. Frequency. At the close of money order business each day, the money order clerk is responsible for preparing the PS Form 6019 (Military Post Office (MPO) Report of Money Order Business) and submitting it to the designated officer for audit and verification. See figure D-18. The commanding officer immediately will be notified if a satisfactory accounting for money order funds and forms is not made by the money order clerk at the close of business each day.

b. Audit Procedures. Designated money order auditing officers will ensure their audits are in compliance with the requirements and procedures regarding money order service set forth in the current editions of references (bh) and (bi). Follow the steps below to conduct the daily audit of money order business:

(1) Check the date and heading on the PS Form 6019 for accuracy of preparation.

(2) Verify that the serial number of the first money order used is the next succeeding serial number after the last money order used the preceding business day.

(3) Verify that the first serial number of the unused money order forms is the next succeeding serial number after the last one used that day.

(4) Ensure that all unused money order forms are accounted for and that they are returned to the custodial officer.

(5) Examine by numerical sequence the money order post office vouchers to ensure that all used and spoiled money orders are accounted for.

(6) Verify the "No. Used" and "No. Spoiled" entries in Section I, "Money Orders Issued".

(7) Prepare an independent adding machine tape from the money order post office vouchers to prove the grand total money order amount and fee entered in Section I.

(8) Check the adding machine tape of money orders issued and fees prepared by the money order clerk for submission with the original report to ensure that it has been prepared correctly and signed by the money order clerk.

(9) Examine the paid money orders to verify correctness of serial numbers and amounts shown in Section II, "Paid Money Orders." Prepare an independent adding machine tape from the paid money orders to prove the total shown in Section II, "Total Paid Money Orders".

(10) Examine the reverse side of the paid money orders to confirm that each paid money order has been signed by the proper payee, purchaser, or endorsee and that the money order clerk has entered the date stamp and his or her initials below the endorsement.

(11) Verify the entries in Section II, "Checks" to ensure that U.S. Treasury checks (including the exchange-for-cash remittance check) are properly identified by serial number, symbol number, and amount. Prepare an independent adding machine tape from the checks to prove the total shown in Section II, "Total Checks".

(12) Verify that the totals in Section I and II are properly carried forward to the appropriate items of Section III, "Cash Summary".

(13) Verify Section III, Item 1, "Balance From Item 13 of Previous Report" with the auditing officer's retained copy of the previous report.

(14) Check entries in Section III, Items 6 and 12, "Debit Corrections" and "Credit Corrections" with the PS Form 1908, Financial Adjustment Memorandum.

(15) If an entry is shown in Section III, Item 13, "Balance Carried to Items of Next Report", confirm that the cash was verified by actual count and accepted by the disbursing officer as a safekeeping deposit of the amount shown.

(16) If an excess or a shortage of money order funds exists, verify that it is properly handled in accordance with references (bh) and (bi).

(17) Verify that when excess funds have been remitted, the remittance is reported by entry in Section III, Item 4, opposite the typed-in caption "Overage" or "Excess Funds".

(18) Prepare an independent adding machine tape to prove the "Total Debit" and the "Total Credit" (Items 7 and 14 of Section III), and compare them for agreement.

(19) Prepare one independent adding machine tape showing each section of the report. Verify the accuracy of the tape, then sign the tape and attach it to the auditing officer's retained copy of the report.

(20) When two or more money order clerks issue money orders on the day being reported, verify that the name of clerks who do not prepare the report are listed in the remarks section.

(21) Ensure that the original and all copies of the report have been signed by the money order clerk and stamped with the post office dating stamp.

(22) After completion of the audit and determination that the report is correct, sign the original and all copies of the PS Form 6019.

c. Disposition of PS Form 6019. The original PS Form 6019, accompanied by the paid money orders, remittance checks, spoiled money orders, post office vouchers for money orders issued with the money order clerk's adding machine tape, and additional supporting documents, when required, will be returned to the money order clerk to be forwarded, via registered mail, to the Money Order Division, Postal Data Center, St. Louis, MO. One signed copy of PS Form 6019 will be retained by the money order clerk and one signed copy will be retained by the auditing officer with the signed adding machine tape prepared by the auditing officer. The auditing officer's file will be maintained in chronological order with each calendar day, including Saturdays, Sundays, and holidays, accounted for. Money order records will be retained in accordance with references (bh) and (bi).

d. No Business Reports. A PS Form 6019 "NO BUSINESS" report will be combined with a business report, when appropriate, covering preceding days on which no business was conducted. An entry shall be made in the block "No Business was Conducted" to account for the entire period that no money order business was conducted.

H. AUTOMATED TELLER MACHINE (ATM) AT SEA PROCEDURES

1. Purpose. The ATM at Sea pay delivery system is described in detail in Chapter 26 of this volume. The purpose of this section is to illustrate some of the procedures for maintaining accountability of funds in the ATM system.

a. ATM Appointment Letters. Various types of appointment letters are listed in section D110 of this guide.

b. Custody of Blank Unissued ATM Cards. See figure D-19.

c. Automated Teller Machine. In addition to the ATM procedures prescribed in Chapter 26 of this volume, tactical units and Navy vessels will accomplish the following:

(1) Maintain a separate DD Form 2671 for any negative adjustments made to a member's ATM account.

(2) For a negative adjustment to close a transferred member's account and refund the balance to the member, enter the check number in the column "WITHDRAWAL - CASH" of the DD Form 2671

(3) Attach a copy of the end-of-session Grand Total Terminal Balance report and a copy of all DD Forms 2671 to the retained copy of the voucher prepared for the ATM transaction.

I. LETTERS OF AUTHORITY, NOTICES AND INSTRUCTIONS

1. General. The following sample letters of authority, notices and instructions are available on the DFAS-CL bulletin board.

a. Letters of Authority, Notices and Instructions

- (1) Appointment of deputy disbursing officer.
- (2) Advancement of cash for change.
- (3) Authority for the procurement of foreign currency, cashing of checks and money orders, custodian of postal stamp stock and funds, and designation as money order auditing and custodial officer.
- (4) Appointment of agent/ cashier and receipt.
- (5) Appointment of paying agent.
- (6) Authority to sign documents affecting pay and allowances (for agent/cashier).
- (7) Authority to sign documents affecting pay and allowances.
- (8) Authority to hold cash at personal risk (disbursing officer).
- (9) Authority to hold cash at personal risk (deputy disbursing officer), first endorsement, and approval.
- (10) Authority to hold cash at personal risk (agent/cashier), first endorsement, and approval.
- (11) Deposits and withdrawals of safekeeping deposits.
- (12) Authorization to approve special pay requests.
- (13) Disbursing office operating procedures.

- (14) Relief of disbursing officer.
- (15) Appointment as senior member of the cash verification board.
- (16) Quarterly verification of official funds in the custody of the disbursing officer.
- (17) Appointment as member of the cash verification board.
- (18) Letter of introduction.
- (19) Disbursing office security.
- (20) Notice of commencement of disbursing duty.
- (21) Appointment as agent/cashier (assistant custodian) for ATMs.
- (22) Appointment as customer service clerk for ATMs.
- (23) Appointment as custodian of blank ATM cards.
- (24) Transfer of NAVCOMPT Form 8/8a, Record and Receipt of Deposits and Withdrawals of Safekeeping Funds.
- (25) Transfer of blank U.S. Treasury checks.
- (26) Transfer of blank U.S. Postal Money Orders.
- (27) Internal procedures and controls for disbursing operations.

J. ASSEMBLY AND TRANSMITTAL OF FINANCIAL RECORDS

1. Detachment with Relief. Retained disbursing records will be packaged in accordance with Chapter 21 of this volume and forwarded to the following DFAS-CL OPLOC:

- a. Disbursing officers under the Commander in Chief, U.S. Atlantic Fleet:

DFAS Operating Location Norfolk
Code IEBBA
9712 Virginia Avenue
Norfolk, VA 23511-3297

- b. Disbursing officers under the Commander in Chief, U.S. Pacific Fleet:

DFAS Operating Location San Diego
Code SDBRR
937 North Harbor Drive
San Diego, CA 92132-5111

2. Detachment Without Relief. When an afloat disbursing officer is detached without relief, or when a vessel or unit is decommissioned, the disbursing officer should contact the appropriate DFAS OPLOC for guidance.

3. Assembly and Transmittal. Records will not be shipped without a SF 135, Records Transmittal and Receipt, National Stock Number (NSN) 7540-00-634-4093, and appropriate cartons (NSN 8115-00-117-8249 or 811-00-290-3379). See figure D-21.

4. Disbursing Office Files and Miscellaneous Information

a. Daily. Files will contain the following and will be held in the disbursing officer's safe:

Original: DD Form 2657 (Daily Statement of Accountability)
DD Form 2665 (Daily Agent Accountability Summary)
DD Form 1081 (Statement of Agent Officer's Account)

Original: Attachments (with supporting documents)
Public Vouchers
Collection Vouchers
Other

Documents will be maintained in date of payment order.

b. Monthly. Retained files will contain the following documents:

Original DD Form 2657 (Daily Statement of Accountability)
DD Form 2665 (Daily Agent Accountability Summary)
DD Form 1081 (Statement of Agent Officer's Account)

Copies: Attachments (with supporting documents)
Public Vouchers
Collection Vouchers
Other

Documents will be maintained in a separate folder by month in date of payment order.

c. Vouchering. Disbursing officers will annotate the payment voucher or collection voucher number on the face of each DD Form 2657.

d. Special Distribution of Vouchers. One copy of each paid voucher (with supporting travel orders, endorsements and worksheets) which contain the appropriations and subheads shown in table D-1 will be forwarded to:

Bureau of Naval Personnel
Permanent Change of Station
Variance Component
1240 East 9th Street
Cleveland, Ohio 44199-2088.

Appropriation Symbol	Subhead	Authorized Accounting Activity	Purpose
17*1804	22MB	000179	Permanent Change of Station (TEMDUINS 20 weeks or less)
17*1804	22TD	000179	Consecutive Overseas Tour

Table D-1. Special Distribution of Vouchers (PCS Travel)

CASH COLLECTION VOUCHER		DISBURSING OFFICE COLLECTION VOUCHER NO. CV 1234		
		RECEIVING OFFICE COLLECTION VOUCHER NO.		
R E C O L L E C T I O N S	ACTIVITY (Name and location) (Include ZIP Code)			
	RECEIVED AND FORWARDED BY (Printed name, title and signature)			DATE
D I S B U R S I N G	ACTIVITY (Name and location) (Include ZIP Code)			
	DISBURSING OFFICER (Printed name, title and signature) J.A. HANCOCK, LTJG, SC, USN		DISBURSING STATION SYMBOL NO. 7834	DATE RECEIVED SUBJECT TO COLLECTION 8 JUNE 19XX
PERIOD: FROM TO				
DATE REC'D	NAME OF REMITTER DESCRIPTION OF REMITTANCE	DETAILED DESCRIPTION OF PURPOSE FOR WHICH COLLECTIONS WERE RECEIVED	AMOUNT	ACCOUNTING CLASSIFICATION
6/8	W.A. CAPP, MMC, USN 123-45-6789	DEPOSIT TO OFFSET CHECKAGE ON MPA DUE TO OVERPAYMENT OF LSL	494.79	1741453.2202 011 12600 0 000022 2D 000000 000000071130
TOTAL			494.79	

DD Form 1131, APR 57
126/153

REPLACES EDITION OF 1 APR 56 WHICH IS OBSOLETE.

Form approved by Comptroller General, U.S.
24 January 1958

Figure D-1. DD Form 1131 (Cash Collection Voucher) (Refund)

Standard Form 1080 Revised JUNE 1979 Department of the Treasury 1 TFM 2-2500		USE DOV# ON ORIGINAL AND COV# ON COPY VOUCHER FOR TRANSFERS BETWEEN APPROPRIATIONS AND/OR FUNDS			VOUCHER NO. (DOV#) DOV#1110	
					SCHEDULE NO. (COV#) COV#2220	
Department, establishment, bureau, or office receiving funds MARINE CORPS BASE CAMP LEJEUNE NORTH CAROLINA 28542		Department, establishment, bureau, or office charged • NAVY REGIONAL MEDICAL CENTER (68093) CAMP LEJEUNE, NC 28542			BILL NO.	
					PAID BY XXXXX XXXXXXXXXX 01 AUG 19XX XXXX	
ORDER NO.	DATE OF DELIVERY	ARTICLES OR SERVICES	QUANTITY	UNIT PRICE		AMOUNT
				COST	PER	DOLLARS AND CENTS
		WEEKLY INSPECTION OF TELEPHONE SYSTEM				9.88
		TELEPHONE OPERATOR SERVICE				644.29
				TOTAL		654.17
Remittance in payment hereof should be sent to -						
ACCOUNTING CLASSIFICATION - Office Receiving Funds						
1701106.2720 003 67001 0 067001 3C 000000 4HCAN0342091						9.88
1701106.2720 003 67001 0 067001 3C 000000 4HCBN0332091						644.29
CERTIFICATE OF OFFICE CHARGED						
I certify that the above articles were received and accepted or the services performed as stated and should be charged to the appropriation(s) and/or fund(s) as indicated below; or that the advance payment requested is approved and should be paid as indicated.						
01 AUG 19XX _____ (Date)			I.R. SMITH, LCDR, MSC, USN _____ (Authorized administrative or certifying officer)			
			CHIEF FISCAL & SUPPLY SERVICE _____ (Title)			
ACCOUNTING CLASSIFICATION - Office Charged						
AA1701804.1880 000 68093 0 068093 2D 000000 00Q230060000						644.29
AB1701804.1800 000 68093 0 068093 2D 000000 00Q230800000						9.88
Paid by Check No. NO CHECK						

Figure D-2. Standard Form 1080 (Voucher for Transfers Between Appropriations and/or Funds) (Sample Entries)

RATION AND SALES REPORT										NAVSUP REPORT : 7330-47																										
NAVSUP FORM 1357 (5PT) (REV. 12-97)																																				
ACTIVITY (Name and mailing address) USS NEVERSAIL FPO AP XXXXX-XXXX										PERIOD 01 SEP XX THRU 30 SEP XX					FACILITY OPERATED (No. of days) 27			UIC 12345																		
RECEIPTS 1/ WITH CHANGE		AMOUNT (Nearest dollar) 28,513			CASH STATEMENT																															
					1. Undeposited sales beginning of month/patrol cycle (Line 5 previous month brought forward) \$ <u>4,585</u>																															
RATION BREAKDOWN																																				
Type of Personnel and Code		Rations Fed			2. Breakdown on sales*																															
Navy Regular 1/		1 5589			a. Sale of enlisted dining facility meals (Excluding surcharges) \$ <u>740</u>																															
Other					b. Sale of special meals (NAVSUP FORM 1340) \$ <u>0</u>																															
Rations sold for cash		2 159			c. Sale of bulk food items <u>2,775</u>																															
Other Reserves		3			d. Total sales (Sum of a, b, and c) \$ <u>3515</u>																															
ROTC W/		4			e. Surcharges on enlisted dining facility meals <u>0</u>																															
NAVY Midshipman 2/ (Naval Academy)		5			f. TOTAL (sum of d and e) \$ <u>3,515</u>																															
Regular		6			3. Cash deposited with disbursing officer <u>7,000</u>																															
MAR. CORP Reserve		7			4. Other sales of meals (Collection on STD Form 1080, DD Forms 114 & 1131) <u>0</u>																															
Regular		8			5. Undeposited sales end of month/patrol cycle (1+2f-3-4) <u>1,099</u>																															
ARMY Reserve		9			NOTE: ALL THE ABOVE VALUES ROUNDED TO NEAREST DOLLAR																															
National Guard 2/		10			CERTIFICATION: I certify I have received cash in the amount of <u>7000.27</u> representing deposits					Disbursing Officer (Typed name) JOHN DOE, LTJG, SC, USN					Date 30 SEP XX		DO Symbol 5678																			
Regular		11			described above, which will be included in my statement of accountability for 1-30 Sep XX.					Signature (Disbursing Officer sign here after reviewing)					Col'n vou no. 1555																					
FORCE National Guard 2/		10			COUNTRY CODE: ACCOUNTING CLASSIFICATION																															
Coast Guard 2/		12			Insert last digit of current FY		Appropriation		Sub-head		Obj. Class		Bureau Cont. No.		Sub-Allot		Auth'n Acc't Act'y		Trans Type		Prop. Acc't Act'y		Cost Code (Sellers UIC, fund/acct. no.)		Amount											
Foreign 2/		13			Sales		17*1804		22TF		007		The total of amounts entered on these lines must agree with the DD Form 2657 →										7000.27													
2/		14			Sur-charges MPN		17*1453		2202																											
TOTAL OTHER PERSONNEL 1/ (Codes 2 through 14)		15 159			Sur-charges O&MN		17*1804																													
GRAND TOTAL 1/ (Codes 1 and 15)		16 5748			1/Total entries on this form for three months of quarter must agree with NAVSUP Form 1358 for same period.					Food Service Officer (Signature) JESSE BROWN, ENS, SC, USN					Date 05 OCT XX																					
					2/ Prepare certification in accordance with Food Service Management, NAVSUP Publication 488, chapter 2, volume 1.																															

S/N 0180-N-501-2572

Figure D-3. Sample NAVSUP Form 1357 Showing Entries Disbursing Must Verify

Standard Form 1034 Revised January 1980 Department of the Treasury 1 TFM 4-2000		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL			Voucher No. 1333		
U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT AND LOCATION UIC SHIP'S NAME AND HULL NO. FPO ADDRESS				DATE VOUCHER PREPARED ENTER DATE		SCHEDULE NO.	
				CONTRACT NUMBER AND DATE			PAID BY XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX
				REQUISITION NUMBER AND DATE			
PAYEE'S NAME AND ADDRESS	MORALE, WELFARE AND RECREATION FUND SHIP'S NAME AND HULL NO. FPO ADDRESS						
					DATE INVOICE RECEIVED		
					DISCOUNT TERMS		
					PAYEE'S ACCOUNT NO.		
SHIPPED FROM		TO		WEIGHT		GOVERNMENT B/L NO.	
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary).		QUAN TITY	UNIT PRICE		AMOUNT ¹
					COST	PER	
		DISBURSEMENT OF SHIP'S STORE PROFITS TO MORALE, WELFARE AND RECREATION FUND					6,500.00
The expenditure authorized here is considered necessary (or desirable) for the recreation and amusement of the personnel under my command.							
J.W. ADAMS, CDR, USN, Commanding Officer							
(Use cont. sheet if necessary)		(Payee must NOT use the space below)				TOTAL	6,500.00
PAYMENT <input type="checkbox"/> PROVISIONAL <input checked="" type="checkbox"/> COMPLETE <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL <input type="checkbox"/> PROGRESS <input type="checkbox"/> ADVANCE	APPROVED FOR		EXCHANGE RATE =\$1.00		DIFFERENCES		
	BY ²						
	J. O'LEARY, ENS, SC, USN (ENTER DATE)						
					Amount verified correct for		
	TITLE				(Signature or initials)		
SHIP'S STORE OFFICER							
Pursuant to authority vested in me, I certify that this voucher is correct and proper for payment.							
(ENTER DATE)		J. O'LEARY, ENS SC, USNR			DISBURSING OFFICER		
(Date)		(Authorized Certifying Officer)			(Title)		
ACCOUNTING CLASSIFICATION							
17X8723.2301 000 10001 0 000023 21 (SHIP UIC) 00(UIC)75401							6,500.00
PAID ...	CHECK NUMBER	ON ACCOUNT OF U.S. TREASURY		CHECK NUMBER	ON (Name of bank)		
	CASH	DATE		PAYEE ³			
¹ When used in foreign currency, insert name of foreign currency. ² If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the space provided over his/her official title. ³ When a voucher is receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he/she signs must appear. For example: John Doe Company, per John Smith, "Secretary or Treasurer", as the case may be.							PER
							TITLE

Figure D-4. Standard Form 1034 (Public Voucher for Purchases and Services Other Than Personal) (Disbursement of Ship's Store Profits to Recreation Fund)

RATIONS COMMUTED TO THE PRIVATE MESS USS SPEARHEAD (DDG 10)			
<u>TYPE</u>	<u>FAN</u>		
USNA Midshipmen	71412		
NROTC College Program Students	71782		
NROTC Scholarship Students	71722		
PERIOD: From: To:			
01 Aug XX 31 Aug XX			
MESS MEMBERS AND GUEST MEALS			784
ENLISTED PERSONNEL MEALS		+	170
TOTAL MEALS SERVED			954
PERCENTAGE OF MEALS EATEN BY ENLISTED PERSONNEL	0.178		
(Obtained by dividing # enlisted personnel meals by total meals served)			
BEGINNING INVENTORY		\$	50.00
PROVISIONS PURCHASED			1752.00
TOTAL			1,802.00
(MINUS) ENDING INVENTORY			40.00
VALUE OF RATIONS CONSUMED			1,762.00
(MULTIPLIED BY) PERCENTAGE OF MEALS EATEN BY ENLISTED PERSONNEL	0.178		
VALUE OF PROVISIONS EATEN BY ENLISTED PERSONNEL		(1) \$	313.64
VALUE OF COMMUTED RATIONS (4 ENL MBRS X 31 DAYS X \$3.21)		(2) \$	398.04
THE LESSER AMOUNT OF (1) OR (2) WILL BE PAID TO THE MESS TREASURER BY THE DISBURSING OFFICER			

**Figure D-5. Sample Computation of Payment of Commuted Rations
for Enlisted Personnel Assigned to Private Messes Afloat**

CASH COLLECTION VOUCHER		DISBURSING OFFICE COLLECTION VOUCHER NO. CV 1237		
		RECEIVING OFFICE COLLECTION VOUCHER NO.		
R E C O L L E C T I O N S C O L L E C T I O N S	ACTIVITY (Name and location) (Include ZIP Code)			
	RECEIVED AND FORWARDED BY (Printed name, title and signature)			DATE
D I S B U R S I N G O F F I C E S	ACTIVITY (Name and location) (Include ZIP Code)			
	USS SPEARHEAD (DDG 10) FPO AE 96311-2271			
	DISBURSING OFFICER (Printed name, title and signature) D.R. ADAMSON, ENS, SC, USN		DISBURSING STATION SYMBOL NO. 5330	DATE RECEIVED SUBJECT TO COLLECTION 10 AUG 19XX
PERIOD: FROM TO				
DATE REC'D	NAME OF REMITTER DESCRIPTION OF REMITTANCE	DETAILED DESCRIPTION OF PURPOSE FOR WHICH COLLECTIONS WERE RECEIVED	AMOUNT	ACCOUNTING CLASSIFICATION
8/10		GAIN DUE TO REVALUATION OF FOREIGN CURRENCY (I. LIRE). SEE ATTACHED REVALUATION CERTIFICATE	10.00	17*6763.0000 000 10001 0 000012 3C 000000 00(UIC)98004
TOTAL			10.00	

DD Form 1131, APR 57
126/153

REPLACES EDITION OF 1 APR 56 WHICH IS OBSOLETE.

Form approved by Comptroller General, U.S.
24 January 1958Figure D-6. DD Form 1131 (Cash Collection Voucher)
(Gain Due to Revaluation of Foreign Currency)

Standard Form 1034 Revised January 1980 Department of the Treasury 1 TFM 4-2000		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL			Voucher No. 1234	
U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT AND LOCATION DEPARTMENT OF THE NAVY			DATE VOUCHER PREPARED 21 AUG 19XX		SCHEDULE NO.	
			CONTRACT NUMBER AND DATE		PAID BY XXXXXXXXXXXX XXXXXXXXXX XXXXXXXXXX XXXXXXXXXX	
			REQUISITION NUMBER AND DATE			
PAYEE'S NAME AND ADDRESS	DISBURSING OFFICER USS SPEARHEAD (DD 901) FPO AE 09501					
					DATE INVOICE RECEIVED	
					DISCOUNT TERMS	
					PAYEE'S ACCOUNT NO.	
SHIPPED FROM		TO		WEIGHT	GOVERNMENT B/L NO.	
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary).		QUAN TITY	UNIT PRICE	AMOUNT ¹
					COST	PER
		Loss due to revaluation of foreign currency (I. Lira). See Attached revaluation certificate				10.00
(Use cont. sheet if necessary) (Payee must NOT use the space below) TOTAL						10.00
PAYMENT <input type="checkbox"/> PROVISIONAL <input checked="" type="checkbox"/> COMPLETE <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL <input type="checkbox"/> PROGRESS <input type="checkbox"/> ADVANCE	APPROVED FOR	EXCHANGE RATE =\$1.00		DIFFERENCES		
	BY ²					
	TITLE			Amount verified correct for		
			(Signature or initials)			
Pursuant to authority vested in me, I certify that this voucher is correct and proper for payment.						
21 AUG 19XX		R. ADAMSON, LTJG, SC, USN			DISBURSING OFFICER	
(Date)		(Authorized Certifying Officer)			(Title)	
ACCOUNTING CLASSIFICATION						
17*6763.0000 000 10001 0 000012 21 000000 00(UIC)98004						10.00
PAID BY	CHECK NUMBER	ON ACCOUNT OF U.S. TREASURY		CHECK NUMBER	ON (Name of bank)	
	CASH	DATE		PAYEE ³		
¹ When used in foreign currency, insert name of foreign currency. ² If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the space provided over his/her official title. ³ When a voucher is receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he/she signs must appear. For example: John Doe Company, per John Smith, "Secretary or Treasurer", as the case may be.					PER	
					TITLE	

Figure D-7. Standard Form 1034 (Public Voucher for Purchases and Services Other than Personal) (Entry for Loss Due to Revaluation of Foreign Currency)

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 5330	2. DATE 01 MAY 19XX	
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY					
a. LINE NO	b. DESCRIPTION		c. TODAY	d. MONTH-TO-DATE	
1.0	ACCOUNTABILITY - Beginning of Day		50,000.00	50,000.00	
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS			
2.1B	N	CHECKS ISSUED - ALL OTHERS			
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A	TRANSFERS FROM OTHER DOs			
2.8	S	OPAC PAYMENTS AND COLLECTIONS			
2.9	E	TOTAL ACCOUNTABILITY INCREASES	0.00	0.00	
3.0	GROSS ACCOUNTABILITY		50,000.00	50,000.00	
4.1A		Gross Disbursements			
4.1B		Less - Refunds			
4.1C		Net Disbursements	0.00	0.00	
4.1D		Less - Receipts			
4.1E		Less - Reimbursements			
4.1F	D	NET EXPENDITURES	0.00	0.00	
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C	EFT DEBIT VOUCHERS			
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219) REVALUATION LOSS	10.00	10.00	
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S	TRANSFERS TO OTHER DOs			
4.9	E	TOTAL ACCOUNTABILITY DECREASES	10.00	10.00	
5.0	ACCOUNTABILITY - End of Day		49,990.00	49,990.00	
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
6.1	DESIGNATED DEPOSITARY				
6.2A	U.S. CURRENCY/COINAGE ON HAND				40,000.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND			10.00	9,990.00
6.3A	UNDEPOSITED COLLECTIONS - GENERAL				
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND				
6.4	CUSTODY OR CONTINGENCY CASH				
6.5	FUNDS WITH AGENTS				
6.6	ADVANCES TO CONTRACTORS				
6.7	CASH IN TRANSIT				
6.8	PAYROLL CASH				
6.9	OTHER				
7.1	DEFERRED VOUCHERS				
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
7.2B	ACCOUNTS RECEIVABLE - OTHER				
7.3	LOSS OF FUNDS				
7.4	DISHONORED CHECKS RECEIVABLE				
7.5					
7.6					
7.7					
8.0	TOTAL INCUMBENT DO ACCOUNTABILITY		0.00	10.00	49,990.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
9.2B	ACCOUNTS RECEIVABLE - OTHER				
9.3	LOSS OF FUNDS				
9.4	OTHER				
10.0	TOTAL PREDECESSOR DO's ACCOUNTABILITY		0.00	0.00	0.00
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY - COMBINED					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
11.0	TOTAL DSSN ACCOUNTABILITY		0.00	10.00	49,990.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)			4. DISBURSING OFFICER OR DEPUTY		5. DATE
J.A. HANCOCK, LTJG, SC, USN					01 MAY 19XX

DD Form 2657, AUG 93

**Figure D-8. DD Form 2657 (Daily Statement of Accountability)
(Accumulating Losses of Foreign Currency Before End of Month Vouchering)**

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 5330	2. DATE 31 MAY 19XX	
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY					
a. LINE NO	b. DESCRIPTION		c. TODAY	d. MONTH-TO-DATE	
1.0	ACCOUNTABILITY - Beginning of Day		60,000.00	60,000.00	
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS			
2.1B	N	CHECKS ISSUED - ALL OTHERS			
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A	TRANSFERS FROM OTHER DOs			
2.8	S	OPAC PAYMENTS AND COLLECTIONS			
2.9	E	TOTAL ACCOUNTABILITY INCREASES	0.00	0.00	
3.0	GROSS ACCOUNTABILITY		60,000.00	60,000.00	
4.1A		Gross Disbursements VOUCHERED LOSS FROM LIME 4.3	10.00	10.00	
4.1B		Less - Refunds VOUCHERED GAIN	10.00	10.00	
4.1C		Net Disbursements	0.00	0.00	
4.1D		Less - Receipts			
4.1E		Less - Reimbursements			
4.1F	D	NET EXPENDITURES	0.00	0.00	
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C	EFT DEBIT VOUCHERS			
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219) LOSS VOUCHERED ON 4.1A	(10.00)	(10.00)	
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S	TRANSFERS TO OTHER DOs			
4.9	E	TOTAL ACCOUNTABILITY DECREASES	(10.00)	(10.00)	
5.0	ACCOUNTABILITY - End of Day		60,010.00	60,010.00	
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
6.1	DESIGNATED DEPOSITORY				
6.2A	U.S. CURRENCY/COINAGE ON HAND				50,000.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND		10.00		10,000.00
6.3A	UNDEPOSITED COLLECTIONS - GENERAL				
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND				
6.4	CUSTODY OR CONTINGENCY CASH				
6.5	FUNDS WITH AGENTS				
6.6	ADVANCES TO CONTRACTORS				
6.7	CASH IN TRANSIT				
6.8	PAYROLL CASH				
6.9	OTHER				
7.1	DEFERRED VOUCHERS				
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
7.2B	ACCOUNTS RECEIVABLE - OTHER				
7.3	LOSS OF FUNDS				
7.4	DISHONORED CHECKS RECEIVABLE				
7.5					
7.6					
7.7					
8.0	TOTAL INCUMBENT DO ACCOUNTABILITY		10.00	0.00	60,000.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
9.2B	ACCOUNTS RECEIVABLE - OTHER				
9.3	LOSS OF FUNDS				
9.4	OTHER				
10.0	TOTAL PREDECESSOR DO's ACCOUNTABILITY		0.00	0.00	0.00
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY - COMBINED					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
11.0	TOTAL DSSN ACCOUNTABILITY		10.00	0.00	60,000.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)			4. DISBURSING OFFICER OR DEPUTY		5. DATE
J.A. HANCOCK, LTJG, SC, USN					31 MAY 19XX

DD Form 2657, AUG 93

**Figure D-9. DD Form 2657 (Daily Statement of Accountability)
(Vouchering Gains and Losses of Foreign Currency At End of Month)**

<u>QUARTERLY FOREIGN CURRENCY REPORT</u>		
To: DFAS OPLOC Norfolk Code IEBBA 9712 Virginia Ave. Norfolk, VA 23511-3297	From: Disbursing Officer USS XXXXXXXXXXXX (XX XXX) FPO AE XXXXX-XXXX	
Period Covered: <u>01 APR 19XX</u> thru <u>30 JUN 19XX</u> DSSN: <u>1234</u>		
I. Cumulative Report of Foreign Currency Purchased with U.S. Dollars from sources outside U.S. Government.		
	Current Quarter	Cumulative (Fiscal Year)
Country of Currency:	_____	_____
Monetary Unit:	_____	_____
Number of Units Purchased:	_____	_____
Total Dollar Outlay:	_____	_____
Memorandum-Dollary Outlay for	_____	_____
Accommodation Exchanges:	_____	_____
II. Report of the Balance of Foreign Currency Held Under Dollar Accountability.		
Country of Currency:	_____	
Monetary Unit:	_____	
Number of Units:	_____	
Dollar Equivalent:	_____	
Rate of Exchange:	_____	
III. Report of Foreign Exchange Received by DO's and Credited Immediately to Miscellaneous Receipts Accounts of the Treasury.		
Country of Currency:	_____	
Monetary Unit:	_____	
Number of Units:	_____	
Dollar Equivalent:	_____	
Rate of Exchange:	_____	
Certified by: _____ _____ (Disbursing Officer/Rank)		

Figure D-10. Format for Foreign Currency Report

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 5330	2. DATE 01 APR 19XX	
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY					
a. LINE NO	b. DESCRIPTION		c. TODAY	d. MONTH-TO-DATE	
1.0	ACCOUNTABILITY - Beginning of Day		50,000.00	50,000.00	
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS			
2.1B	N	CHECKS ISSUED - ALL OTHERS			
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A	TRANSFERS FROM OTHER DOs			
2.8	S	OPAC PAYMENTS AND COLLECTIONS			
2.9	E	TOTAL ACCOUNTABILITY INCREASES	0.00	0.00	
3.0	GROSS ACCOUNTABILITY		50,000.00	50,000.00	
4.1A		Gross Disbursements			
4.1B		Less - Refunds			
4.1C		Net Disbursements	0.00	0.00	
4.1D		Less - Receipts			
4.1E		Less - Reimbursements			
4.1F	D	NET EXPENDITURES	0.00	0.00	
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK DEPOSIT 425.00 DEBIT VOUCHER 100.00	325.00	325.00	
4.2B	C	EFT DEBIT VOUCHERS			
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S	TRANSFERS TO OTHER DOs			
4.9	E	TOTAL ACCOUNTABILITY DECREASES	325.00	325.00	
5.0	ACCOUNTABILITY - End of Day		49,675.00	49,675.00	
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
6.1	DESIGNATED DEPOSITORY				
6.2A	U.S. CURRENCY/COINAGE ON HAND				49,150.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND				
6.3A	UNDEPOSITED COLLECTIONS - GENERAL				
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND 425.00 CKS			425.00	425.00
6.4	CUSTODY OR CONTINGENCY CASH				
6.5	FUNDS WITH AGENTS				
6.6	ADVANCES TO CONTRACTORS				
6.7	CASH IN TRANSIT				
6.8	PAYROLL CASH				
6.9	OTHER				
7.1	DEFERRED VOUCHERS				
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
7.2B	ACCOUNTS RECEIVABLE - OTHER				
7.3	LOSS OF FUNDS				
7.4	DISHONORED CHECKS RECEIVABLE CHECKS ON DEBIT VOUCHER		100.00		100.00
7.5					
7.6					
7.7					
8.0	TOTAL INCUMBENT DO ACCOUNTABILITY		100.00	425.00	49,675.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
9.2B	ACCOUNTS RECEIVABLE - OTHER				
9.3	LOSS OF FUNDS				
9.4	OTHER				
10.0	TOTAL PREDECESSOR DO's ACCOUNTABILITY		0.00	0.00	0.00
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY - COMBINED					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
11.0	TOTAL DSSN ACCOUNTABILITY		100.00	425.00	49,675.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)			4. DISBURSING OFFICER OR DEPUTY		5. DATE
J.A. HANCOCK, LTJG, SC, USN					30 APR 19XX

DD Form 2657, AUG 93

**Figure D-11. DD Form 2657 (Daily Statement of Accountability)
(Entries Posting a Deposit Ticket and a Debit Voucher for Returned Checks)**

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 5330	2. DATE 10 MAY 19XX	
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY					
a. LINE NO	b. DESCRIPTION		c. TODAY	d. MONTH-TO-DATE	
1.0	ACCOUNTABILITY - Beginning of Day		50,000.00	50,000.00	
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS			
2.1B	N	CHECKS ISSUED - ALL OTHERS			
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219) SHIPS STORE COLLECTION	375.00	375.00	
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A	TRANSFERS FROM OTHER DOs			
2.8	S	OPAC PAYMENTS AND COLLECTIONS			
2.9	E	TOTAL ACCOUNTABILITY INCREASES	375.00	375.00	
3.0	GROSS ACCOUNTABILITY		50,375.00	50,375.00	
4.1A		Gross Disbursements			
4.1B		Less - Refunds			
4.1C		Net Disbursements	0.00	0.00	
4.1D		Less - Receipts			
4.1E		Less - Reimbursements			
4.1F	D	NET EXPENDITURES	0.00	0.00	
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C	EFT DEBIT VOUCHERS			
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S	TRANSFERS TO OTHER DOs			
4.9	E	TOTAL ACCOUNTABILITY DECREASES	0.00	0.00	
5.0	ACCOUNTABILITY - End of Day		50,375.00	50,375.00	
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
6.1	DESIGNATED DEPOSITORY				
6.2A	U.S. CURRENCY/COINAGE ON HAND		300.00		50,300.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND				
6.3A	UNDEPOSITED COLLECTIONS - GENERAL				
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND		75.00		75.00
6.4	CUSTODY INCREASE CASH (LINE 6.2A) OR UNDEPOSITED IN-				
6.5	FUNDS WITH				
6.6	ADVANCES				
6.7	CASH IN				
6.8	PAYROLL				
6.9	OTHER				
7.1	DEFERRED VOUCHERS				
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
7.2B	ACCOUNTS RECEIVABLE - OTHER				
7.3	LOSS OF FUNDS				
7.4	DISHONORED CHECKS RECEIVABLE				
7.5					
7.6					
7.7					
8.0	TOTAL INCUMBENT DO ACCOUNTABILITY		375.00	0.00	50,375.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
9.2B	ACCOUNTS RECEIVABLE - OTHER				
9.3	LOSS OF FUNDS				
9.4	OTHER				
10.0	TOTAL PREDECESSOR DO's ACCOUNTABILITY		0.00	0.00	0.00
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY - COMBINED					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
11.0	TOTAL DSSN ACCOUNTABILITY		375.00	0.00	50,375.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)			4. DISBURSING OFFICER OR DEPUTY		5. DATE
J.A. HANCOCK, LTJG, SC, USN					10 MAY 19XX

DD Form 2657, AUG 93

**Figure D-12. DD Form 2657 (Daily Statement of Accountability)
(Accumulation of Vending Machine Collections Until End of Month Vouchering)**

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 5330	2. DATE 31 MAY 19XX	
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY					
a. LINE NO	b. DESCRIPTION		c. TODAY	d. MONTH-TO-DATE	
1.0	ACCOUNTABILITY - Beginning of Day		50,000.00	50,000.00	
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS			
2.1B	N	CHECKS ISSUED - ALL OTHERS			
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219) VOUCHERED ON LINE 4.1E	(3,256.03	(3,256.03	
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A	TRANSFERS FROM OTHER DOs			
2.8	S	OPAC PAYMENTS AND COLLECTIONS			
2.9	E	TOTAL ACCOUNTABILITY INCREASES	(3,256.03	(3,256.03	
3.0	GROSS ACCOUNTABILITY		46,743.97	46,743.97	
4.1A	Gross Disbursements				
4.1B	Less - Refunds				
4.1C	Net Disbursements		0.00	0.00	
4.1D	Less - Receipts				
4.1E	Less - Reimbursements COLLECTIONS FROM LINE 2.3		3,256.03	3,256.03	
4.1F	D	NET EXPENDITURES	(3,256.03	(3,256.03	
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C	EFT DEBIT VOUCHERS			
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S	TRANSFERS TO OTHER DOs			
4.9	E	TOTAL ACCOUNTABILITY DECREASES	(3,256.03	(3,256.03	
5.0	ACCOUNTABILITY - End of Day		50,000.00	50,000.00	
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
6.1	DESIGNATED DEPOSITARY				
6.2A	U.S. CURRENCY/COINAGE ON HAND				50,000.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND				
6.3A	UNDEPOSITED COLLECTIONS - GENERAL				
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND				
6.4	CUSTODY OR CONTINGENCY CASH				
	FUNDS WITH AGENTS				
6.6	ADVANCES TO CONTRACTORS				
6.7	CASH IN TRANSIT				
6.8	PAYROLL CASH				
6.9	OTHER				
7.1	DEFERRED VOUCHERS				
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
7.2B	ACCOUNTS RECEIVABLE - OTHER				
7.3	LOSS OF FUNDS				
7.4	DISHONORED CHECKS RECEIVABLE				
7.5					
7.6					
7.7					
8.0	TOTAL INCUMBENT DO ACCOUNTABILITY		0.00	0.00	50,000.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
9.2B	ACCOUNTS RECEIVABLE - OTHER				
9.3	LOSS OF FUNDS				
9.4	OTHER				
10.0	TOTAL PREDECESSOR DO's ACCOUNTABILITY		0.00	0.00	0.00
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY - COMBINED					
a. LINE NO	b. DESCRIPTION		c. DAILY INCREASE	d. DAILY DECREASE	e. MONTH-TO-DATE
11.0	TOTAL DSSN ACCOUNTABILITY		0.00	0.00	50,000.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print) J.A. HANCOCK, LTJG, SC, USN			4. DISBURSING OFFICER OR DEPUTY		5. DATE 31 MAY 19XX

DD Form 2657, AUG 93

**Figure D-13. DD Form 2657 (Daily Statement of Accountability)
(Vouchering of Ship's Store Collections at End of Month)**

Optional Form 1017-G (9-79) Title 7, GAO Manual 501017-810			
<div>JOURNAL VOUCHER<div><div>J.V. No. 3</div><div>Date 5 Dec 19XX</div></div></div>			
REFERENCE	EXPLANATION	DEBIT	CREDIT
12/5	Cash Collection from EDF SH2 McDonald		200.00
	Cash Received BMSN Jacob - Redeem dishonored check	50.00	50.00
	Total	50.00	50.00
Prepared by J.A. HANCOCK, LTJG, SC, USN (Signature)		Approved by (Signature)	
DISBURSING OFFICER (Title)			

Figure D-14. OF 1017-G (Journal Voucher)

Detailed Analysis of Cash and Other Assets									
U.S. Naval Station, Naples, Italy									
O.E. Leature, LT, SC, USN, DSSN 8754 August 19XX									
Cash authorized to be held at personal risk:									
\$65,000.00 Approved by CO USNAVSTA Naples, Italy, 1 July 19XX									
6.1	24,000.00								
6.2	U.S. Dollars		18,000.00						
	Italian Lires		2,000.00						
	British Pounds		900.00						
	Japanese Yen		400.00						
	TOTAL		21,300.00						
6.3	239 U.S. Treasury checks		63,000.00						
	60 Personal checks		5,000.00	(08/27/XX)					
	4 other negotiable instruments		300.00	(06/13/XX)					
	TOTAL		68,300.00						
6.4	CD 738659 08/30/XX		9,000.00						
	CD 738565 06/04/XX		150.00						
	(Argentine pecos)								
	TOTAL		9,150.00						
6.5	Deputies and agent cashiers at branch offices.								
	68150	03002	5000.00	CONAVSTA	07/01/XX			4,000.00	
	68150	03002	1,000.00	CONAVSTA	07/01/XX			0.00	
	68597	03001	3,500.00	CONAVSTA	07/01/XX			3,500.00	
	64483	03001	8,000.00	CONAVSTA	01/14/XX			6,200.00	
					TOTAL			13,700.00	
	Deputies and agent cashiers under other commands.								
	55642	02001	11,000.00	NISRA	10/17/XX			10,000.00	
	63636	02001	5,000.00	CDR SHYD	06/10/XX			5,000.00	
					TOTAL			15,000.00	
	Other Agents								
	Imprest Fund cashier, NAVSTA (Italian lire)		08/30XX			2,000.00			
	Collection agent, NAVSTA (General Mess)		05/02/XX			50.00			
			TOTAL			2,050.00			
			GRAND TOTAL			30,750.00			
7.4	S.T. Jones	DV dtd 02/21/XX (Member will make remittance by 09/07/XX)						300.00	
	C.D. Hall	DV dtd 06/13/XX (Ltr to member's new duty station, NAS Miramar 08/03/XX)						100.00	
								TOTAL	400.00

Figure D-15. Sample Detailed Analysis of Cash and Other Assets

MONEY ORDER CONTROL RECORD						
			BLANK M.O. FORMS RECEIVED BY		RECEIVED FROM	
			APO NO.	X PM	Import location or APO No.	
			X FPO NO.	09542	FPO	NEW YORK, NY
SERIAL NUMBERS (Inclusive) ¹		NO. OF BLANK FORMS RECEIVED	DATE RECEIVED	REGISTRY NO.	SIGNATURE OF CUSTODIAN	
FROM 8,012,748,000	TO 8,012,749,999	2,000	10 JAN XX	B633707026	J. J. JONES, LTJG	
MONEY ORDERS ISSUED TO MILITARY POSTAL CLERKS						
SERIAL NUMBERS (Inclusive)		SIGNATURE OF CLERK TO WHOM ISSUED. IF MAILED - UNIT NO. APO REGISTRATION NO.	DATE ISSUED	NO. OF FORMS ISSURED	NO. OF FORMS REMAINING ON HAND	CUSTOMER'S INITIALS
FROM	TO					
8,012,748,000	8,012,748,099		11 JAN XX	100	1,900	
8,012,748,076	8,012,748,099		11 JAN XX	24	1,924	
8012,748,076	8,012,748,199		15 JAN XX	124	1,800	
8,012,748,156	8,012,748,199		15 JAN XX	44	1,844	

¹ Use separate form for each series received.

Figure D-16. Sample DD Form 885 (Money Order Control Record)

★ August 1999

[illegible]

PS Form 3295, September 1988

Figure D-17. Sample PS Form 3295 (Daily Record of Stamps, Stamped Paper and Nonpostal Stamps on Hand)

U.S. POSTAL SERVICE MILITARY POST OFFICE (MPO) REPORT OF MONEY ORDER BUSINESS									
APO/UIC NO. MPO Office ID No. 036659			UNIT NO. Parent		SHIP OR BRANCH NAME OR NO. (Navy Offices) See DODINST 4525.6-M				
MAILING ADDRESS Commanding Officer USS ENTERPRISE (CVN 65) FPO AP 90636					NO BUSINESS WAS CONDUCTED FROM _____ TO _____				
					22 July 19XX TRANSMITTED UNDER REGISTRY NO. 627				
INSTRUCTIONS									
* AIR FORCE OFFICES: SEE CHAPTER 3, AFR 182-1 * ARMY OFFICES: SEE CHAPTER 6, AR 65-1 * NAVY OFFICES: SEE OPNAVINST 2700.14 SERIES									
SECTION I MONEY ORDERS ISSUED			SECTION II PAID MONEY ORDERS AND CHECKS INCLUDED IN SUMMARY			SECTION III CASH SUMMARY			
BLOCK SERIAL NOS. USED			PAID MONEY ORDERS			DEBITS		AMOUNT	
FROM 0004363000			SERIAL NO.			1. Balance from Item 13 of previous report			
THRU 0004363008			2. 1231234455			2. MO's issued (Amount total Section I)		634 90	
NO. USED			2. 2234558967			3. Fees (Fee Total Section I)		2 00	
NO. SPOILED			3.			4.			
NO. ISSUED			4.			5.			
TOTAL			5.			6.			
AMOUNT			6.			7.			
634.90			2.00			8.			
BLOCK SERIAL NOS. USED			8.			9.			
FROM			9.			6. Debit Correction *			
THRU			10.			7. TOTAL DEBIT		636 90	
NO. USED			11.			CREDITS		AMOUNT	
NO. SPOILED			12.			8. Paid money orders (Total Section II)		75 00	
NO. ISSUED			13.			9. Checks as listed (Total Section II)		561 90	
TOTAL			14.			10.			
AMOUNT			15.			11.			
FEE			16.			12. Credit Correction *			
BLOCK SERIAL NOS. USED			17.			13. Balance carried to Items of next Report			
FROM			18.			14. TOTAL CREDIT		636 90	
THRU			19.			*Enter date of Money Order Division Report			
NO. USED			TOTAL (To Item 8, Sec III)			561 90			
NO. SPOILED			CHECKS						
NO. ISSUED			SERIAL NO.			SYMBOL NO.		AMOUNT	
TOTAL			11847712			5149		536 90	
AMOUNT			12478127			6230		25 00	
FEE									
GRAND TOTAL			634.90			2.00			
NOTE:			* Carry Grant Total Amount to Item 2, Section III						
			* Carry Grand Total Fees to Item 3, Section III						
			TOTAL (To Item 9, Sec III)			561 90			
If the balance on hand (Item 13, Sec III) includes cash totaling \$100 or more, give reason for not remitting.									POSTMARK APDS
CERTIFIED TO BE CORRECT:					REVIEWED AND VERIFIED:				
W. D. Doe MILITARY POSTAL CLERK					J. T. MOORE DESIGNED OFFICER				
PC3 GRADE					PCCS GRADE				

PS Form 6019

Figure D-18. Sample Money Order Report

[illegible]

Figure D-19. Sample ATM Bulk Card Log

DISBURSING OFFICE ATM CASH TRANSACTION LEDGER							
DATE a.	TRANS NO. b.	MEMBER'S NAME c.	SSN d.	DEPOSIT + CASH e.	WITHDRAWAL - CASH f.	MEMBER'S SIGNATURE g.	DISBURSING SIGNATURE h.
8/13/XX	001	JONES, JOHN	123-45-6789		3.00		
8/13/XX	002	SMITH, JEFF	234-56-7890		4.00		
8/13/XX	003	DOE, R.	345-67-8901	400.00			
8/13/XX	004	CAPLAN, D.	456-78-9012		100.00	EXCASH CK 123456	
8/13/XX	005	COWARD, B.	777-66-8888		200.00	NEG ADJ/NC 3060	
1. TOTAL CASH DEPOSITS (+)			2. TOTAL CASH WITHDRAWALS (-)			3. DIFFERENCE ((+) to DO (-) from DO)	
400.00			307.00			93.00	

DD Form 2671, AUG 93

Figure D-20. DD Form 2671 (Disbursing Office ATM Cash Transaction Ledger)
(Sample ATM Ledger Showing Transactions Between End of Sessions)

RECORDS TRANSMITTAL AND RECEIPT					Complete and send original and two copies of this form to the appropriate Federal Records Center for approval prior to shipment. See specific instructions on reverse.			PAGE		OF		
								1		1 PAGES		
1. TO (Complete the address for the appropriate records center serving your area)						5. FROM (Enter the name and complete mailing address of the office retiring the records. The signed receipt of this form will be sent to this address.)						
Federal Archives and Records Center General Services Administration As shown in → Bldg. 22, Military Ocean Terminal FMFR 101-11.410-1 Bayonne, NJ 07002						Disbursing Officer Personnel Support Activity Detachment Box 48 FPO New York 09540						
2. AGENCY TRANSFER AUTHORIZATION		Transferring Agency Official (Signature and title) Edward D. Lacrews, LT, SC, USN				DATE 23 JUL XX						
3. AGENCY CONTACT		Transferring Agency Liaison Official (Name, office, and telephone no.)										
4. RECORDS CENTER RECEIPT		RECORDS RECEIVED BY (Signature and title)				DATE						
RECORDS DATA												
Accession Number								Completed by Records Center				
RG	FY	NUMBER	VOLUME (cu. ft.)	AGENCY BOX NUMBERS	SERIES DESCRIPTION (With inclusive dates of records)	R E C E I V E D	DISPOSAL AUTHORITY (Schedule and item number)	DISPOSAL DATE	LOCATION	S H E E T S	C O P I E S	A D D I T I O N A L
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
			5	1 of 5	Retained records/returns of Mary Rose Parese, LT, SC, USNR, 5792, for period 10/01/XX through 4/30/XX All public vouchers (except payroll) (Group 1)	N	SECVAINST P5212.5B Part 2, par. 7250(1)	07/30/XX				
				2 of 5	All payroll vouchers (Group 2)							
				3 of 5	All collection vouchers (Group 3)							
				4 of 5	All checking account records (Group 4)							
				5 of 5	Cashbooks (Group 5); Balance sheets (Group 7); Schedule of Confirmed Deposits (Group 9); Statement of Accountability (Group 10); and Listings of Instruments Deposited, Unavailable Check Cancellations, and Debit vouchers (Group 11)							
									Standard Form 135 (Rev. 6-76) Prescribed by GSA FMFR (41 CFR) 101-11.4			

Figure D-21. Sample Standard Form 135 (Records Transmittal and Receipt)

★ APPENDIX E

**RESPONSIBLE OFFICE FOR CLAIMS, ADVANCE DECISIONS,
REQUESTS FOR RELIEF OF LIABILITY AND WAIVERS**

FUNCTION	RESPONSIBLE OFFICE
CLAIMS	
Involving military members: 1. Pay 2. Allowances 3. Travel 4. Transportation 5. Retired Pay 6. Survivor benefits	Defense Office of Hearings and Appeals (DOHA) Claims Division P. O. Box 3656 Arlington, VA 22203 (703) 696-8524
By transportation carriers involving amounts collected from them for damage or loss of property shipped at Government expense	
Involving Federal civilian employees compensation and leave	Office of Personnel Management (OPM) Claims Adjudication Unit Office of General Counsel 1900 E Street, NW Washington, DC 20415 (202) 606-1700
Involving Federal civilian employees travel, transportation and relocation expenses and allowances	General Services Administration (GSA) Board of Contract Appeals (GSBCA) 18th and F Streets, NW Washington, DC 20405 (202) 501-0116
ADVANCE DECISIONS	
Regarding military members' pay, allowances, travel, transportation, retired pay, and survivor benefits	DoD General Counsel's Office (Draft opinions on advance decision requests will be prepared by DFAS Office of General Counsel and forwarded to DoD General Counsel)
On use of appropriated funds	Office of the General Counsel U.S. General Accounting Office Claims Division 441 G. Street NW Washington, DC 20548 (No phone number available)
Involving Federal civilian employees compensation and leave	Office of Personnel Management (OPM) Claims Adjudication Unit Office of General Counsel 1900 E Street, NW Washington, DC 20415 (202) 606-1700
Involving Federal civilian employees travel, transportation and relocation expenses and allowances	General Services Administration (GSA) Board of Contract Appeals (GSBCA) 18th and F Streets, NW Washington, DC 20405 (202) 501-0116
RELIEF OF LIABILITY	
Physical loss of funds and	Center Director or designee

FUNCTION	RESPONSIBLE OFFICE
Erroneous payments	or Director for Finance (when the accountable official operates from the DFAS Center)
WAIVER OF ERRONEOUS PAYMENT	
Pay and Allowances (includes military members and civilian employees)	Defense Office of Hearings and Appeals (DOHA) Claims Division P. O. Box 3656 Arlington, VA 22203 (703) 696-8524
Annuity Payments (includes military survivor annuity payments)	DFAS Director or Director's designee

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 6

REPORTING POLICY AND PROCEDURES

FEBRUARY 1996

WITH CHANGES THROUGH JANUARY 1998

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**

FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the DoD. It directs financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Unified Combatant Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this regulation are exempt from licensing in accordance with paragraph E.4.f., of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

The Defense Finance and Accounting Service will provide copies of this Volume of the Regulation through its normal publication channels. Other Federal agencies and the public may obtain copies of this volume from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; telephone (703) 487-4650.

Alice C. Maroni
Principal Deputy Under Secretary
of Defense (Comptroller)

INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller), (USD(C)). The Regulation consists of the following 15 volumes:

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. General Financial Management Information, Systems, and Requirements 2. Budget Formulation and Presentation 3. Budget Execution - Availability and use of Budgetary Resources 4. Accounting Policy and Procedures 5. Disbursing Policy and Procedures 6. Reporting Policy and Procedures | <ol style="list-style-type: none"> 7. Military Pay Policy and Procedures 8. Civilian Pay Policy and Procedures 9. Travel Policy and Procedures 10. Contract Payment Policy and Procedures 11. Reimbursable Operations, Policy and Procedures 12. Special Accounts, Funds and Programs 13. Nonappropriated Funds Policy and Procedures 14. Administrative Control of Funds and Antideficiency Act Violations 15. Security Assistance Policy and Procedures |
|---|--|

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense

Instruction 7000.14 "DoD Financial Management Policy and Procedures," dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The 6 digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A. 1. a. (1) (a)
SUBPARAGRAPHS

PUBLICATIONS SUPERSEDED

This Volume of the Regulation
(Volume 6) will supersede the following:

DoD 7220.9-M "DoD Finance and Accounting
Manual" (Chapters: 76, 91, 92, 93, 94, 95, 97, 98,
and 99).

DoD Instruction 2140.4, "Collecting and
Reporting of Foreign Indebtedness Within the
Department of Defense"

DoD Instruction 7200.9, "Financing and
Reporting Costs of Military Resources Used in
Civil Disturbances"

REFERENCES

All references used in this Volume are specifically cited in the text. The following listing is a summary of those references.

2. Title 26, United States Code, sections as follows:
 - 3102 Deduction of tax from wages
 - 3121 Employment Taxes - General Provisions - Definitions
 - 3402 Income tax collected at source
 - 6001 "Information and Returns"
 - 6331 Levy and distraint
 - 6334 Property exempt from levy
- (c) Title 31, United States Code, sections as follows:
 - 1108 Preparation and submission of appropriations requests to the President
 - 1341 Limitations on expending and obligating amounts
 - 1501 Documentary evidence requirement for Government obligations
 - 1517 Prohibited obligations and expenditures
 - 1535 Agency agreements
 - 1552 Procedure for appropriation accounts available for definite periods
 - 1553 Availability of appropriation accounts to pay obligations
 - 1554 Review of appropriation accounts
 - 1555 Withdrawal of unobligated balances of appropriations for indefinite periods
 - 3302 Custodians of money
 - 3511 Prescribing accounting requirements and developing accounting systems
 - 3512 Executive agency accounting systems
 - 3513 Financial reporting and accounting system
 - 3522 Making and submitting accounts
 - 3701-19 Federal Claims Collection Act
 - 3720 Collection of payments
 - 3901-3906 Prompt payment
 - 6503 Transfer and deposit requirements
 - 9501 Government pension plan protection-purpose
 - 9503 Reports about Government pension plans
4. U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies
 - Title 2, Accounting
 - Title 4, Claims
 - Title 6, Pay, Leave, and Allowances
5. Treasury Financial Manual; Volume I; and Supplemental, "Cash Management Review Guide"
7. DoD 4000.25-7-M, "Military Standard Billing System (MILSBILLS)," January 1985, authorized by DoD Directive 4000.25, November 18, 1983
8. Office of Management and Budget Circular No. A-34, "Instructions on Budget Execution," August 1985
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10. Office of Management and Budget Circular No. A-11, "Preparation and Submission of Budget Estimates," updated annually
11. Treasury Department Circular No. 930, "Regulations Governing Foreign Exchange Operations," June 8, 1978
12. Title 10, United States Code, sections as follows:
 - 138 Transactions, Reimbursable Purchases, and Sales Exchanges
 - 939 Redress of injuries
 - 1450 Payment of annuity; beneficiaries
 - 2208 Working-capital funds
 - 2233a Limitation on certain projects; authority to carry out small projects with operation and maintenance funds
 - 2210 Proceeds of sales of supplies: credits to appropriations
 - 2395 Advances of public moneys by Department of Defense for payments in compliance with laws of foreign countries, for rent and tuition
 - 2571 Interchange of property and services
 - 2577 Disposal of recyclable materials
 - 2672 Acquisition: interests in land when cost is not more than \$200,000
 - 2672a Acquisition: interests in land when need is urgent
 - 2673 Acquisition of certain interests in land: availability of funds
 - 2674 Minor construction projects
 - 2675 Leases: foreign countries: structures not on a military base
 - 2804 Contingency construction
 - 2805 Unspecified minor construction
 - 2808 Construction authority in the event of a declaration of war or national emergency
 - 2810 Construction projects for environmental response actions
 - 2854 Restoration or replacement of damaged or destroyed facilities
 - 4540 Architectural and engineering services
 - 7212 Employment of outside architects and engineers
 - 9540 Architectural and engineering services
13. Treasury Department Circular No. 1073, Regulation Governing Certain Reports on Obligations," December 1, 1976
19. DoD Instruction 7290.1, "Method of Financing, Funding, Accounting and Fiscal Reporting for the Military Assistance Grant Aid Program," June 22, 1970
20. Public Law 95-595, Audit of pension plans, November 1978
21. Office of Management and Budget Circulars as follows:
 - No. A-50 "Audit Followup," September 29, 1982
 - No. A-76 "Performance of Commercial Activities," August 4, 1983
 - No. A-97 "Rules and regulations permitting Federal agencies to provide specialized or technical services to State and local units of government under Title III of the Intergovernmental Cooperation Act of 1968," August 29, 1969 (P.L. 90-577; 82 Stat 1102)
 - No. A-102 "Uniform requirements for Grants to State and Local Governments," February 3, 1981
 - No. A-110, "Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations," July 30, 1976

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| No. A-129 | "Managing Federal Credit Programs," November 25, 1988 |
| No. A-130 | "Management of Federal Information Resources," appendix II,
"Cost Accounting, Cost Recovery, and Interagency Sharing of Information
Technology Facilities," December 12, 1985 |
| No. A-132 | "Federal Productivity and Quality Improvement in Service Delivery" |
22. Public Law 96-38, "Supplemental Appropriations Act, October 1979," July 25, 1979
 23. Public Law 96-527, "DoD Appropriations Act, October 1981," December 15, 1980
 24. Public Law 97-377, "DoD Appropriations Act, October 1983," December 21, 1982
 25. Public Law 98-212, "DoD Appropriations Act, October 1984," December 8, 1983
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 27. Public Law 98-369, "Deficit Reduction Act of 1984," July 18, 1984
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 29. Public Law 100-496, "Prompt Payment Act Amendment of 1988," October 17, 1988
 30. Title 10, U.S. Code, Chapter 138, Sections 2341 through 2350, "North Atlantic Treaty Organization
Mutual Support Act of 1979," as amended
 31. DoD Directive 4120.15, "Designating and Naming Military Aerospace Vehicles," May 2, 1985

33. DoD Instruction 4165.3, "Department of Defense Facility Classes and Construction Categories," October 24, 1978
34. DoD 5105.38-M, "Security Assistance Management Manual," October 1988, authorized by DoD Directive 5105.38, August 10, 1978
35. Code of Federal Regulations (Title 4, Chapter II)
36. Arms Export Control Act, (22 U.S.C., Sections 2751-96c)

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CHAPTER 1

GENERAL REPORTING0101 GENERAL010101 Purpose

A. This chapter provides guidance to DoD Components on the reports that must be produced for submission to the Defense Finance and Accounting Service, Office of the Secretary of Defense (OSD), Office of Management and Budget (OMB) and the Department of the Treasury. The reports are end products of the accounting process and must be accurate, timely, and provide full disclosure to users.

B. Accounting report requirements are incorporated into the concept and detail designs of DoD accounting systems. Therefore, they are exempt from Report Control Symbol (RCS) assignment in accordance with paragraph E.4.f. of 7750.5-M, "DoD Procedures for Management of Information Requirements." Over the years, some reports have become identified throughout the Department of Defense by their RCS assignments. In order to provide continuity in accounting report identification, certain report designations shall be assigned by the Defense Finance and Accounting Service (DFAS). For example, the Report on Appropriation Status by Fiscal Year Program and Subaccounts, which was assigned RCS: DD-Comp(M)1002, has been known for many years as the "1002 Report." It now shall be redesignated as the "Acct Rpt (M) 1002" to maintain its well-recognized identification.

010102 Overview

A. The provisions of this chapter and other chapters in this Volume, covering detailed reporting requirements, apply to all DoD Components and, when applicable, to DoD disbursing officers.

B. The following chapters of this Volume provide detailed guidance on the report forms required, authorized formats, or exceptions. In some instances, reproducible

facsimile copies are provided for use by DoD Components. Specific guidance is also provided regarding whether hard copy or electronic submissions are required or authorized.

0102 STANDARDS

010201 Financial reports shall be prepared and issued to the Department of the Treasury or other designated recipient at the end of each fiscal year or other period as specified in the appropriate report chapters in this regulation. These reports shall be the culmination of a systematic, disciplined financial information process. The amounts contained in the reports, shall be obtained only from the general ledger accounts prescribed in this regulation or subsidiary records supporting such general ledger.

010202 Financial reports shall result from an accounting and budgeting system that is an integral part of its total financial management system and one that contains sufficient discipline, internal controls and reliable data. In addition, interfaces with both logistic and acquisition systems should be provided.

010203 The financial reports and underlying financial system shall report on the total operations of the reporting entity and shall comply with the policies and procedures and related requirements as implemented in this regulation.

010204 Should circumstances warrant additional disclosures not specifically provided for in a report, DoD Components are responsible for assuring that all appropriate disclosures considered necessary for fair presentation of their financial position are included in the report.

010205 General purpose reports have been coded, line by line, to identify the specific general ledger accounts from which the financial data are to be obtained to complete the statement.

010206 When DoD Components discover errors or identify changes required to be made to information previously reported, an amended report shall be prepared that clearly identifies the material corrected. The statement shall be clearly identified as an "Amended Report."

010207 When required by the Office of the Secretary of Defense, the presentation of financial information from the preceding year shall be included in annual financial statements.

A. The annual financial statements shall include consolidated comparative financial data from the immediate prior year if the DoD Component was in operation during the prior year. Data shall be reported in a format consistent with the current years.

B. Reclassification of significant prior year amounts to achieve comparability shall be explained in the footnotes.

C. Footnotes and other explanations from prior-year statements necessary to disclose information regarding the prior-year data properly shall be included in the current-year statements.

D. Comparative financial statements need not be included in the first year that financial statements are prepared. Thereafter, comparative financial statements shall be included.

010208 Under certain circumstances financial events are recognized as adjustments to prior period financial statements.

A. Expenses, losses, gains, transfers out, and financing sources (e.g., appropriations and revenues), related to the correction of an error in the financial statements of a prior period, and changes in DoD Components shall be reported as adjustments to previously reported results, when material. All other expenses, financing sources, gains, losses, and transfers recognized in an accounting period shall be reported in the operations of that period.

B. Errors in prior-period financial statements include the following:

1. Mathematical errors in statement preparation or information supporting the statements.

2. Errors in the application of accounting principles contained in this Regulation.

3. Errors using or interpreting information that existed at the time the prior period statements were developed.

C. A change from an unauthorized accounting principle to a principle included in this Regulation shall also be reflected in a DoD Component's financial statement as an adjustment to prior periods when the unauthorized principle was used.

D. The nature of a material error in prior-period financial statements shall be disclosed in the financial statements of the period in which it is discovered.

1. If financial statements for only the current period are presented, the correction of the error shall be reported as an adjustment to the accumulated results of operations as of the beginning of the current period. The impact on the excess of costs over financing sources (excess of financing sources over costs) in the period that the error occurred shall also be disclosed.

2. If the prior period data containing the error are included in comparative financial statements, the amount of the correction applicable to the prior period presented shall be added to or subtracted from previously reported amounts, and the impact disclosed in a footnote to the statements. The amount of the correction, if any, applicable to periods before the prior period presented shall be applied to the accumulated results of operations at the beginning of the earliest period presented. The impact on the excess of costs over financing sources (excess of financing sources over costs) for each prior period affected shall be disclosed.

0103 REPORTS

010301 Audited Financial Statements. Chapter 2 of this Volume provides the requirement for the annual submission of financial statements.

010302 Accountability for Cash. Chapter 3 of this Volume provides guidance on monthly reports that disbursing officers submit to the Treasury Department. The chapter prescribes detail reporting requirements for the Statement of Accountability (SF 1219) and the Statement of Transactions (DD Form 1329), which supports the Statement of Accountability. Special data are required to highlight Borrowing Account (Payable) Transactions under the Homeowners Assistance or DoD Family Housing Programs and transactions for trust fund investments in U.S. Government securities.

010303 Appropriation and Fund Status. Chapter 4 of this Volume prescribes detailed specifications for preparing periodic reports on the status of DoD appropriations and funds. The chapter provides instructions for preparation and submission of reports required by OSD and OMB on the status and application of budgetary resources. These include the monthly "Flash Report on Obligation Status," the DD Form 1176, "Report on Budget Execution," and its related detailed reports, "Appropriation Status by Fiscal Year Program and Subaccounts," and "Report on Reimbursements." Instructions also are included for the quarterly SF-225, "Report on Obligations," semiannual FMS Form 7304, "Status of Contract Authority," and the annual FMS Form 2108, "Yearend Closing Statement," which are required by the Treasury Department.

010304 General Purpose Financial Statements. Chapter 5 of this Volume prescribes the general purpose financial statements and a series of related schedules required by the Treasury Department. The statements may also be used by OMB; OUSD(C) and DFAS in verifying and evaluating current year data submitted by DoD Components as a part of their budget justification.

010305 Foreign Currency Reports. Chapter 7 of this Volume prescribes the reporting requirements for tracking all transactions to the Foreign Currency Fluctuation Accounts.

010306 Other Funds Statements. Chapter 8 of this Volume prescribes the detailed procedures for preparing financial statements and other reports on special funds not discussed in chapters 3 through 7 of this Volume.

010307 Family Housing. Chapter 9 of this Volume discusses accounting and reporting for the Family Housing Program.

010308 Information Returns, Form 1099. Chapter 10 of this Volume addresses the preparation of Form 1099.

010309 Military Resources Used in Civil Disturbances. Chapter 11 of this Volume prescribes the requirements for financing and reporting costs associated with civil disturbance operations.

010310 Foreign Indebtedness Within the Department of Defense (DOD). Chapter 12 of this Volume establishes standard procedures to be used for the collecting and reporting of foreign indebtedness.

010311 International Balance of Payments Reporting and Estimating. Chapter 13 will be issued at a later date.

010312 Depot Maintenance Reporting. Chapter 14 prescribes requirements that the DoD Components must satisfy with regard to reporting the accomplishment and status of depot maintenance workloads.

010313 Business Operations Fund Statements. Volume 11B of this regulation provides guidance on the preparation of Defense Business Operation Fund Statements.

CHAPTER 2

DEPARTMENTAL FINANCIAL REPORTS
ROLES AND RESPONSIBILITIES0201 GENERAL

The preparation and issuance of DoD Component financial reports, for which accounting support is provided by the Defense Finance and Accounting Service (DFAS), is a responsibility of the DFAS. Both the DFAS and DoD Component customers of the DFAS are responsible for reviewing financial reports to assess the accuracy of the reported financial information and take corrective actions, when needed, to improve the timeliness and quality of those financial reports. Ultimately, however, the DoD Component customer is responsible for the financial information in reports which present the financial effects of the Component's operations.

020101. PURPOSE. The purpose of this chapter is to define the roles and responsibilities of the DFAS and its customers regarding the proper and consistent preparation of the financial reports at the DoD Component departmental level and the treatment of transactions from which the financial data included in the reports are derived. (Additional guidance will be developed, and provided separately at a later date, to address the responsibilities for financial reports at the intermediate and installation levels.)

020102. SCOPE. These policies apply to departmental-level financial reports prepared by the DFAS for its DoD Component customers -- the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff or the Joint Staff, the Unified and Specified Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as DoD Component customers). The departmental financial reports encompassed within the scope of this chapter are listed in Appendix 1.

0202 RESPONSIBILITIES

020201. Stewardship and General Responsibilities. The Congress provides resources to finance the programs, missions, and functions of the Department and its Components. Financial reports are a tool to display the status and uses of those resources. For managers to exercise proper stewardship over their resources, it is essential that financial reports be accurate and timely. To achieve the objective of quality and timely financial reports, the following general responsibilities apply:

A. Under Secretary of Defense (Comptroller). The Under Secretary of Defense (Comptroller) is responsible for the development and approval of DoD policy on financial reports and oversight of the issuance and implementation of such policy. This responsibility includes determination of policies governing:

1. The division of responsibilities between the DFAS and its customers.
2. The establishment of internal controls and audit trails required for the preparation of financial reports and the processing of associated transactions (see paragraphs 020202 and 020203, below).
3. The reconciliation of subsidiary records with financial balances (see paragraph 020204, below).
4. The establishment and approval of schedules required to meet financial reporting deadlines (see paragraph 020205, below).
5. Customer approval and adjustment of draft annual reports (see paragraphs 020206 and 020207, below).

6. The types and levels of adjustments that the DFAS is authorized to make without specific prior approval of the customer (see paragraph 020207, below).

7. The types of documentation required from the customer to support adjustments to the official accounting records (see paragraph 020207, below).

8. The processing of prior period adjustments (see paragraph 020208, below).

9. The release of reports (see paragraph 020209, below).

10. Requirements for certifications and letters of representation (see paragraph 020210, below).

11. Adjudication of adjustments and other issues where there is a disagreement between the DoD Component customer and the Defense Finance and Accounting Service (See paragraph 020206.A.1.e.).

B. DoD Components (DFAS Customers). DoD Components are responsible for:

1. Ensuring the accuracy, completeness, timeliness and documentary support for all data generated by the customer and input electronically into finance and accounting systems or submitted to the DFAS for input and/or recording in the finance and accounting systems and inclusion in financial reports.

2. Establishing appropriate internal controls to assure the accuracy of data provided to the DFAS.

3. Reviewing all reports provided by the DFAS to assess the accuracy of the financial information being reported.

a. For financial reports prepared at appropriation level, the

appropriation manager(s) should be involved in such reviews.

b. Such reviews should identify obvious errors, omissions, and significant diversions from expected or planned amounts.

c. Such reviews should compare budgeted and planned levels of activity with the data included in the reports.

d. When errors or omissions are identified, changes to the reports shall not be made by the DoD Component customer, but instead should be referred to the DFAS for correction. This is because other reports, including subsequent iterations of the same report, are/should be produced from official accounting records. These official accounting records must be accurate in order for such other reports to be accurate. Additionally, proposed adjustments to the accounting records are required in order to establish a proper audit trail for all the transactions impacting reports.

4. Perform program and management analyses on the information contained in financial reports.

5. Ensuring that the amounts in the financial reports are consistent and reconcilable with the same data included in management reports prepared by the DoD Component customer.

6. Reconciling and validating that source data for financial transactions.

7. Identifying any conditions in the financial reports that indicate an apparent violation of the Antideficiency Act and initiating an investigation in accordance with Volume 14 of this regulation.

C. The Director, Defense Finance and Accounting Service (DFAS). The Director of the DFAS shall establish procedures to ensure that:

1. The process for preparing financial reports is consistent, timely, auditable, and controls are in place to provide for the accuracy of the reports.

2. Repetitive or comparable financial reports are prepared consistently in the same manner by use of the same procedures, practices, and systems. Implementing this policy may require the joint efforts of the DFAS and its customers to achieve standard procedures, practices, and systems used in preparing financial reports. To achieve this:

a. It is envisioned that a report prepared on a regular recurring basis should be consistently prepared by use of the same correct procedures, practices, and system at a particular location from reporting period to reporting period.

b. It is not envisioned that all financial reports will be required to be prepared at a single location or by use of a single automated financial system.

c. It is not intended that the introduction of improvements in policies, procedures, or systems used to prepare financial reports will be prohibited or limited.

3. Repetitive or comparable reports are edited and validated for accuracy and consistency between reports from the prior period(s) and reports for the current period.

4. Reports are validated to ensure that all data elements are included in the reports and that the same data elements included in different reports are reported consistently from the same source during the same reporting period.

5. Data provided by the customer (including data input to finance and accounting systems by the customer) is accurately and timely recorded and processed in finance and accounting systems. This includes performing designated disbursing and accounting operations

on behalf of the customer and recording the results of those operations in a timely and accurate manner.

6. Reports are prepared and verified to the official accounting records. The DFAS shall ensure that reported amounts agree with the appropriate general ledger balance(s), whenever applicable.

7. A complete, documented audit trail to the source transactions supports the DFAS-prepared reports.

8. Classified financial information is properly safeguarded.

020202. Internal Controls

A. DoD Components (DFAS Customers). DoD Components shall establish appropriate internal controls to ensure that data provided to the DFAS, whether electronically or otherwise, to be recorded in the accounting systems and subsequently used in financial reports is accurate, complete, and supportable. DoD Components shall install controls to ensure that:

1. All financial transactions are submitted to the DFAS. These controls should include tools to identify and track the numbers, types, and dollar amounts of transactions submitted to the DFAS.

2. Before submission to the DFAS, all transactions (whether hard copy or electronic) are edited to assure accuracy, e.g., that the transaction is identified correctly in terms of the type of transaction, reported quantity(ies), the dollar amount(s) and other data.

3. Transactions that have occurred during a reporting period are uniquely identified with the reporting period and transmitted to the DFAS during that same reporting period. The reporting period normally ends on the last day of each month, quarter, or fiscal year. The last day of the reporting period, and the final due

date for transactions, may be established for a date(s) other than the last day of each month, quarter, or fiscal year if agreed between the DFAS and the DoD Component customer, and approved by the Office of the Under Secretary of Defense (Comptroller).

4. Draft reports provided by the DFAS for review, certification or approval are returned to the DFAS, with proposed adjustments, if any, for verification with official accounting records. Upon verification with official accounting records, the reports will be released directly by the DFAS to the external recipients of the reports. The requirement to return draft reports to the DFAS for release only applies to financial reports being provided to recipients external to the DoD Components.

5. Annual certifications required by 31 U.S.C. 1501(a) and management representation letters required by the Inspector General, Department of Defense (DoDIG) for annual Chief Financial Officer's financial statements are prepared and submitted when required.

6. The Defense Business Operations Accounting Report (Accounting Report(M)1307) is validated and approved by the DoD Component customer each month.

7. Noted potential Antideficiency Act violations are reviewed and investigated in accordance with Volume 14 of this regulation.

B. Defense Finance and Accounting Service. The DFAS shall establish internal controls to ensure that data provided by each DoD Component customer is recorded accurately and processed timely into the finance and accounting systems. The DFAS shall install controls to ensure that:

1. All transactions that are received are processed correctly. These controls should include tools to identify and track

numbers, types, and dollar amounts of transactions that are received by the DFAS. Such controls also apply to all transactions generated by the DFAS.

2. All transactions generated (whether electronic or hard copy) are edited to assure accuracy, e.g., that the transaction is identified correctly in terms of the type of transaction, reported quantity(ies), the dollar amount(s) and other data.

3. Transactions that have occurred during a reporting period are uniquely identified with the reporting period and processed in order to meet the reporting schedule for the report due date.

4. DFAS-prepared reports are supportable, reliable, and accurate. These controls include tools to ensure that:

a. All transactions applicable to the effective period of the report have been edited and posted to the official accounting records.

b. All DFAS or DoD Component customer proposed adjustments to a previously issued report that are material (see paragraph 020208, below) are edited, validated, documented and posted to the official accounting records.

c. Reported amounts are verified to the amounts contained in the official accounting records.

d. Report lines have the proper sign (plus or negative).

e. Mathematical calculations on each report are validated.

f. Identified relationships between amounts on report lines within a report and from one report to another report are checked and validated.

g. Current reports are compared to prior reports and checks are made to identify significant errors, omissions, and distortions.

h. Applicable corrections are made to the reports before release to the recipients.

5. Noted potential Antideficiency Act violations are reported to customers for their review and investigation in accordance with Volume 14 of this regulation.

020203. Audit Trails

A. DoD Components (DFAS Customers). DoD Components shall ensure that audit trails are maintained in sufficient detail to permit tracing of transactions with a unique identity from its source to its transmission to the DFAS. This is necessary to demonstrate the accuracy, completeness, and timeliness of a transaction; as well as to provide documentary support, if required, for all data generated by the DoD Component and submitted to the DFAS for recording in the accounting systems and use in financial reports.

B. Defense Finance and Accounting Service. The DFAS shall ensure that a complete and documented audit trail is maintained to support the reports it prepares. The audit trail shall include assurance that:

1. The numbers, types, and dollar amounts of transactions transmitted by the customer are received and tracked by the DFAS to ensure that they are properly processed and recorded.

2. The numbers, types, and dollar amounts of transactions received from customers, as well as those generated by the DFAS, are processed timely and entered accurately into the finance and accounting systems.

3. All transactions received from customers, as well as generated by the DFAS, with an effective date of the current reporting period are included in the data reported for that reporting period.

4. Specific edits shall be applied by type of transaction in each finance or accounting system. Those transactions failing to pass edits, and/or otherwise not entered, are controlled and assigned for research and correction by the DFAS and/or the customer and, to the degree feasible, are recorded in suspense accounts in the accounting system. Examples of input transactions that may require research by the customer include but are not limited to:

a. Personnel transactions inputting data to the payroll system that exclude data essential to pay employees.

b. Obligation transactions as a result of contracts or purchase orders that exclude data essential for recording the transactions in accounting or payment systems.

c. Receipt and acceptance transactions that exclude data essential for recording the transactions in accounting or payment systems.

d. Disbursements that do not match obligations or receipts because of missing program data.

5. The preparation of all financial reports is consistent from one reporting period to another reporting period, and that the same financial information is used as the source for different reports whenever the same information is reported.

6. Ending balances for one reporting period will be perpetuated as the beginning balances for the next reporting period and those values shall not be changed as they are carried forward to the subsequent reporting period.

7. The source of financial information for all financial reports is recorded in the official accounting records. Supporting documents or images of the supporting documents should be retained by the organization that translates the information into an electronic mode. Incoming electronic information need not be supported with documentation, provided that internal controls are in place to assure that the transactions are:

a. Adequately edited for accuracy and completeness.

b. Properly controlled from unauthorized access and use.

c. Identified, tracked and controlled to ensure that the numbers, types and dollar amounts are complete.

d. Properly authorized and approved by duly designated officials.

8. The major sources of data provided to the accounting and reporting systems are documented at a high level and a copy of the documentation provided to the customer for their information and appropriate action, if required.

020204. Reconciliation of Subsidiary Records with Financial Balances. Many financial balances (e.g., general ledger proprietary and budgetary accounts such as assets, liabilities, commitments and undelivered orders) require supporting subsidiary records to validate the amount of the financial balance. Such subsidiary records shall be reconciled to financial balances in accordance with the policies, requirements, and frequencies prescribed in the DoD Financial Management Regulation.

A. DoD Components (DFAS Component Customers). The supporting records for many financial balances are maintained by the DFAS customers and are outside the control of the DFAS--for example, assets such as inventories, plant property, and equipment. This

also is true of some liabilities such as some claims payable.

1. When subsidiary records are maintained by the DoD Component customer, outside the control of the DFAS, the DFAS shall establish a reconciliation schedule, mutually agreed to by the DoD Component customer and subject to approval by the Office of the Under Secretary of Defense (Comptroller), to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of the DFAS and the customer.

2. The accuracy of such subsidiary records shall be validated periodically, on a sample or other authorized basis, against applicable physical assets or other appropriate confirmations of the source documents.

a. For example, in the case of equipment, inventories, supplies and materials, or real property, periodic counting or other physical verification of the assets is required by various regulations depending upon the nature of the asset.

b. In the case of commitments, obligations and accounts payable; periodic validation of source data is required. These validations shall include reviews of requests for procurement actions, contracts and other procurement actions, personnel status information, supply requisitions, receipts and acceptances to ensure the integrity and currency of the source data.

3. Changes in the source data shall be documented and provided to the DFAS for recording as financial transactions.

B. Defense Finance and Accounting Service.

1. The DFAS shall establish procedures to ensure that all general ledger balances and other associated financial balances which require supporting subsidiary records are

reconciled, at least on a quarterly basis, or more frequently, if specifically required by the Office of the Under Secretary of Defense (Comptroller), with the amounts contained in the supporting records, including original source data.

2. Unreconciled differences shall be investigated in accordance with applicable provisions of this Regulation and appropriate adjustments documented and processed to balance the general ledger amount with the amount of the subsidiary records.

3. Many of the supporting subsidiary records for the financial balance amounts are established and maintained by the DFAS. Examples of these subsidiary records are accounts receivable, accounts payable, and various other asset and liability balances. DoD Component customer participation may be required in the reconciliation process for the DFAS maintained subsidiary records if the original source documents or transactions that require research to complete the reconciliation are retained by the customer.

4. When unreconcilable differences between the general ledger and the subsidiary ledger records exceed \$1 million, the reconciliations shall be performed on a monthly basis in order to determine the cause of the differences and to take appropriate corrective actions to ensure the accuracy and integrity of the accounting system and monthly reports.

020205. Reporting Schedules

A. The DFAS shall establish procedures to require their activities that prepare external financial reports to develop report preparation schedules jointly with customers. The purpose of these schedules is to meet the reporting due dates consistent with the policies in this chapter.

B. Reporting schedules for reports being provided to external recipients shall

include the opportunity to present a draft of the report to the customer for approval prior to release to the recipients.

C. Reporting schedules for DoD Departmental-level reporting entities shall be submitted to the Office of the Under Secretary of Defense (Comptroller) for approval.

020206. Draft Reports

A. DoD Components (DFAS Customers). DoD Component customers shall take the following actions on all financial reports including draft annual reports:

1. Review the reports provided by the DFAS to assess the accuracy of the financial information being reported.

a. The review should attempt to identify obvious errors, omissions, and significant diversions from expected or planned amounts.

b. The review should compare budgeted and planned levels of activity with the data included in the reports.

c. When material errors or omissions are identified in a draft report, the DFAS will be requested to revise the report and include the changes in the final report.

d. DoD Component customers shall not make changes to draft annual reports nor release the reports to external recipients. To do so will result in the official accounting records being unreconcilable to such reports and the reports will not be supported fully with documented audit trails for all the transactions impacting the reports.

e. Requests for adjudication may be submitted by either the DoD Component or the DFAS. DoD Component-proposed changes to the draft annual reports with which the DFAS does not concur shall be referred to

the OUSD(C) for adjudication within fifteen calendar days.

f. When the amount of the proposed adjustments are material (see paragraph 020208, below), the DFAS shall revise the report as a result of processing the adjustments.

2. Research and propose adjustments to correct, as appropriate, abnormal account balances in terms of reverse signs, unusual amounts, and other obvious errors.

3. Research any unusual trends and comparisons with prior year and/or prior period amounts to determine what corrective actions are appropriate or needed.

4. Ensure that the amounts in financial reports are consistent and reconcilable with the same financial data included in management reports prepared by the DoD Component customer.

B. Defense Finance and Accounting Service. Prior to release of a draft report to the customer for review and approval, or release of a final report to a recipient, the DFAS shall validate the report to ensure that the reported amounts agree with the official accounting records. The DFAS shall perform quality reviews on all reports to confirm that:

1. Amounts on the report are mathematically correct.

2. Internal relationships of amounts included in a report that are interdependent are proven to be correct.

3. Abnormal account balances in terms of reverse signs, unusual amounts, and other obvious errors are identified and assigned for research and correction to the DFAS or to the customer.

4. Reported amounts for the same data elements for the same report period are consistent across all similar financial reports.

5. Unusual trends and comparisons with prior year and/or prior period amounts are identified and called to the attention of the customer for appropriate action or analysis by the customer.

020207. Current Period Adjustments

A. DoD Components (DFAS Customers). In addition to other reports, these procedures also apply to the Chief Financial Officer's annual financial statements that have been provided to the DODIG for audit. DoD Components shall adequately document and support any proposed adjustment.

1. This documentation shall consist of evidence of the need for the adjustment in sufficient detail to provide an audit trail to the source transaction(s) that requires the adjustment.

2. Adjustments to recurring monthly, quarterly, and semiannual reports shall be made during the course of routine operations and provided to the DFAS as with any other input as a part of current period business.

3. The Component may be required to review and approve documentation of adjustments proposed by the DFAS in accordance with the policies specified in this chapter.

4. The Component also shall maintain records of notifications, by the DFAS, of adjustments made by the DFAS.

B. Defense Finance and Accounting Service. The DFAS shall identify the requirement for adjustments to financial data.

1. There are many reasons for adjustments. In some cases, the need for

correction of errors is apparent. Examples include:

a. The total of the subsidiary records for an account does not agree with the financial balance representing the total.

b. Correction of a transaction.

c. Correction of an earlier adjustment that has been determined to have been made in error.

d. Adjustments to obligations and, if applicable, liabilities and expenses by aligning the obligation, accrual, or expense amount with the liquidation amount for receipts, acceptances, and/or disbursements. Such adjustments may be required when the unit price of an item or service being procured is revised, when special terms are offered on an invoice such as a voluntary price reduction or when a final payment for a delivery of products or services varies from the amount obligated or accrued for the delivery, and when final payment on a contract or order varies from the total amount obligated or accrued.

2. DFAS errors that are corrected prior to the results of the error being provided to the customer are not adjustments, but merely the correction of errors and need not be reported to the customer.

3. The DFAS shall support adequately, and justify in writing, any adjustment to the official accounting records. Documentation shall consist of evidence that supports the need to correct the error and adjust the balances in sufficient detail to provide an audit trail to the source transaction(s) that requires the adjustment.

a. The documentation shall include the rationale and justification for the adjustment, the detail numbers and dollar amounts of errors or conditions that are related to the transactions or records that are proposed for adjustment, the date of the adjustment, and

the name and position of the individual approving the adjustment. The documentation also shall be sufficient to provide an audit trail to the detail transaction(s) being adjusted or corrected.

b. The following types of adjustments may be made by the DFAS without the prior approval of the customer.

1 Adjustments to correct systems processing deficiencies. For example, a systems programming error may under some conditions cause a sign of a transaction to be reversed. Therefore, instead of accounts payable being increased as a result of a receipt and acceptance, the accounts payable may be reduced. Correction of these types of programming deficiencies requires the processing of an adjustment by the DFAS.

2 Adjustments to correct an error made by the DFAS in processing a transaction or a previous adjustment.

3 An adjustment to correct a financial balance (i.e., general ledger amount) to equal the sum of subsidiary records.

4 Adjustments to obligations and, if applicable, liabilities and expenses by aligning the obligation, accrual, or expense amount with the liquidation amount for receipts, acceptances, and/or disbursements when such adjustments are required by applicable supporting information.

5 Adjustments to correct errors made by the DFAS in the preparation of a report, i.e., calculation errors and similar mistakes, shall be corrected by the DFAS with notice provided to the customer only when the customer previously was provided a copy of the report. A corrected report will be provided to the customer.

6 Adjustments to correct other DFAS errors.

c. Those adjustments proposed by the DFAS not identified in paragraph 020207.B.3.b, above, shall be approved by the customer before the adjustment is recorded.

d. The DFAS shall advise the customer at least once each month of the total amount, by type, and the categories of reasons for such adjustments made by the DFAS at the operating activity level. DFAS errors that are corrected before the customer is aware of the error need not be included in this report.

e. If a proposed adjustment by the DFAS or by a DoD Component customer to any amount on a draft annual report is not material (see paragraph 020208, below), the DFAS shall request the customer to approve the annual report without a revision to the report. The DFAS shall process such non-material adjustments as current business for inclusion in the next current report period.

f. The chief of the applicable DFAS reports section shall ensure that any proposed adjustments to an annual report are documented and supported in terms of reasons for the adjustment. If the reason for the adjustment is adequately documented and supported, the adjustment will be processed provided that there is an identifiable audit trail to the source transactions. The documentation shall include the name, position and title of the approving official, as well as, the date approved.

020208. Prior Period Adjustments Guidance describing the roles and responsibilities for recording and controlling Prior Period Adjustments pertaining to the Chief Financial Officer Act financial statements and Defense Business Operations Fund accounting report statements are contained in "DoD Guidance on Form and Content of Financial Statements" (as updated yearly) and Financial Management Regulation (DoD 7000.14R, Volume 11B), "Reimbursable Operations, Policy and Procedures--Defense Business Operations Fund", respectively.

Guidance describing the recording and reporting of prior year corrections in budgetary accounts are contained in Chapters 24 and 93 of the DoD Accounting Manual (DoD 7220.9-M). That information is scheduled for incorporation into Chapter 4 of this Volume.

020209. Release of Reports

A. DoD Components (DFAS Customers). DoD Components shall approve draft annual reports and return those reports to the DFAS for appropriate revision, validation, and release as final reports. The DoD Component customers shall take the following actions on all reports, including monthly, quarterly, semiannual and annual reports, after release by the DFAS:

1. Review the reports provided by the DFAS to assess the accuracy of the financial information being reported. The review should attempt to identify obvious errors, omissions, and significant diversions from expected or planned amounts.

2. The review should compare budgeted and planned levels of activity with the data included in the reports. When errors or omissions are identified, proposed adjustments will be identified for inclusion in the next current report period.

3. Research and correct, as appropriate, abnormal account balances in terms of reverse signs, unusual amounts, and other obvious errors that are identified by the DFAS.

4. Research any unusual trends and comparisons with prior year and/or prior period amounts to determine if corrective actions are appropriate to deal with adverse trends or cycles.

5. Ensure that the amounts in the financial reports are consistent and reconcilable with the same financial data included in

management reports prepared by the DoD Component.

6. The DoD Component customer, shall not release officially any reports--including monthly recurring reports such as budget execution reports--submitted to any organization external to the DoD Component. (Such reports may be released only by the DFAS.)

B. Defense Finance and Accounting Service. The DFAS shall validate all final reports using the official accounting records prior to release to the recipients.

1. Upon receipt of approved annual draft reports from the DoD Components, such reports shall be reviewed to ensure that the reported amounts agree with the official accounting records or that properly documented material adjustments have been submitted to support any proposed changes to the reports.

2. For annual financial reports that have been revised for material adjustments as indicated in paragraph 020208, above, the DFAS departmental-level reports section shall have on file documentation supporting the prior period adjustments along with an audit trail of the approval and recording of the transactions and reports on the recording of the associated installation level adjustments.

3. For adjustments requested by DoD Component customers, the request shall be provided in writing with the documentation for the proposed prior period adjustments.

4. When material errors or omissions are identified after a final report has been released to the recipients, the DFAS will not revise and reissue the final reports. However, the DFAS will process and control all material prior period adjustments solely for presentation in a supporting schedule for the prior year column in the subsequent year's Chief Financial Officer comparative financial statements. The prior year column of the report will reflect the amounts previously reported for

that fiscal year. The report will be footnoted and a schedule included with the footnote to disclose the prior period adjustments processed after the report was finalized and the related impacts on the applicable report lines in the prior year column.

5. The DFAS, rather than the DoD Component customer, shall release officially all reports--including monthly recurring reports such as budget execution reports--submitted to any organization external to the DoD Component. This action shall be taken after final validation that corrections and adjustments have been made, the reports agree with the official accounting records and annual reports are approved by the customer.

020210. Certifications/Letters of Representation

A. DoD Components/Reporting Entity. A reporting entity is the organization represented by the financial information on the report. This may be a DoD Component headquarters, or a subordinate command/organization. For example, reporting entities may include an individual command or activity such as a shipyard or a supply depot. It also could encompass a number of activities within a business area (such as all shipyards or aircraft depot maintenance activities) in a Military Department. A reporting entity also can be at a DoD Component level. For example, the Chief Financial Officer annual financial statements for a Military Department include all financial information required to portray fully all relevant activities of the Military Department.

1. The information presented in the financial reports for a reporting entity, at a subordinate reporting entity, major command or Departmental-level reflects the net effect or results of decisions made, and actions taken, by the personnel responsible for conducting the programs, operations and affairs of the reporting entity.

2. It is recognized that the DFAS is authorized to perform disbursing for some

payments and accounting functions on behalf of the reporting entity.

a. However, the originating decisions that resulted in the obligation and/or the acceptance of performance and ultimately the need for a disbursement were made by operating officials of the reporting entity. The disbursement is merely the satisfaction of a liability incurred as a result of such decisions taken by operating or program officials of the reporting entity. The DFAS does not make the decisions to incur the liabilities but merely to make payment in conformance with the liabilities incurred by the operating or program officials.

b. The same operational concept applies to accounting adjustments. Adjustments are needed to correct errors of commission and omission in financial data. The purposes for adjustments include revising records to permit payments to be made accurately and/or to properly present financial information in accordance with the decisions made and actions taken by the program and operating officials of the reporting entity.

c. The DFAS performs these payment and accounting functions on behalf of the DoD Component customer only to the degree of carrying out the full intent and effect of the actions taken or decisions made by the program and operating officials of the reporting entity. Thus, only to this limited degree could the performance of the disbursing and accounting functions by the DFAS be viewed as being responsible for the actions summarized in the information contained in financial reports.

d. Therefore, the financial information presented in the report is considered to be a representation of the financial status of the reporting entity and not the organization preparing the report (DFAS).

3. For the above reasons, the reporting entity is responsible for annual certifications required by 31 U.S.C. 1501(b) and representation letters in support of annual Chief

Financial Officer's financial statements required by the DoDIG.

4. The reporting entity also is responsible for signing the "Defense Business Operations Fund Accounting Report," (Accounting Report(M)1307).

5. However, because of the role that the DFAS plays in these functions and in the preparation and presentation of the financial reports, the DFAS is required to provide supporting certifications and letters to the reporting entity, as described in the following section, in order to properly support the reporting entity's certification and representation letter.

B. Defense Finance and Accounting Service. The DFAS has been designated to provide accounting and reporting support for the Military Departments and selected DoD Agencies. The DFAS has certain responsibilities, as defined above, in regard to the processing of financial data and the preparation of the financial reports for these customers. Therefore, the DFAS shall provide the following for the DoD Component customer:

1. The DFAS is responsible to the reporting entity for the performance of disbursing, accounting, and reporting responsibilities and shall provide assurances and certifications, when requested, to the reporting entity regarding the quality of the accounting and report preparation services performed for the DoD Component customers.

2. The DFAS is responsible for signing the recurring monthly, quarterly and semiannual reports on behalf of the DoD Component customers with the exception of the "Defense Business Operations Fund Accounting Report," (Accounting Report(M)1307).

3. In support of the DoD Component customers requirement to provide annual certifications required by 31 U.S.C.

1501(b), the Director of the DFAS Center preparing the report shall provide the following certification with the annual TFS 2108, "Year-end Closing Statement":

"I hereby certify that the amounts shown in this report are a complete compilation of amounts contained in official accounting records, have been validated to the official accounting records, and have been reconciled, as required, to appropriate general ledger and subsidiary ledgers. All known material transactions have been included in the report."

4. A similar certification shall be provided by the chief of the applicable reports section to the customer with the monthly "Defense Business Operations Fund Accounting Report," (Accounting Report(M)1307).

5. In support of the DoD Component customers requirement to provide a management representation letter with the annual Chief Financial Officer's financial statements to the DoDIG, or audit activities designated by the DoDIG, the Director of the DFAS shall provide the customer with a certification letter before the due date for the management representation letter.

a. The DFAS certification letter shall include the following statements:

"I hereby certify that the amounts reported in the Chief Financial Officer financial statements are a complete compilation of amounts contained in official accounting records, have been validated to the official accounting records, and have been reconciled, as required, to appropriate general ledger and subsidiary ledgers. All known material transactions have been included in the financial statements."

b. To the degree that problems have been identified to, and acknowledged by, the DFAS in audit reports or other means, the annual certification letter issued by the DFAS to the customer shall disclose such conditions. The recognition of problems shall include any known deficiency that could prevent an auditor from issuing an unqualified opinion; any unresolved financial policy issues; uncorrected material errors, omissions, or unrecorded adjustments; proposed material writeoffs of assets or liabilities; identification of "stop payment" conditions, or evidence of potential or apparent violations of the Antideficiency Act.

APPENDIX 1

DEPARTMENTAL FINANCIAL REPORTS

REPORT TITLE	FREQUENCY	REPORT NUMBER:	APPROVAL/CERTIFICATION	
			LEVEL:	TYPE:
Year-end Closing Statement	Annual	FMS 2108	Army, Navy, Air Force: Assistant Secretary (Financial Management & Comptroller) <i>1/</i> Defense Agency/DoD Field Activities: Comptroller <i>1/</i>	Certification of Obligations
Report on Budget Execution	Monthly Year-end Report	Acct Rpt (M) 1176 Acct Rpt (M) 1176	DFAS Center Authorized Officer Army, Navy, Air Force: Assistant Secretary (Financial Management & Comptroller) <i>1/</i> Defense Agency/DoD Field Activities: Comptroller <i>1/</i> DFAS Center Authorized Officer	Certification Responsible Officer Signature
Appropriation Status by Fiscal Year, Program & Subaccount Flash Report on Obligations	Monthly	Acct Rpt (M) 1002	DFAS Center Authorized Officer	Responsible Officer Signature
Report of Reimbursable Transactions	Monthly	DD Form 1445	DFAS Center Authorized Officer	Report Issued: No signature or statement required
Report on Obligations	Monthly	DD COMP(M) 725	DFAS Center Authorized Officer	Report Issued: No signature or statement required
Report on Accounts and Loans Due From the Public	Quarterly	SF 225	DFAS Center Authorized Officer	Report Issued: No signature or statement required
	Annual	None	Army, Navy, Air Force: Assistant Secretary (Financial Management & Comptroller) <i>1/</i> Defense Agency/DoD Field Activities: Comptroller <i>1/</i> DFAS Center Authorized Officer	Certification
Federal Agency Centralized Trial Balance System	Annual	FACTS	DFAS Center Authorized Officer	Report Issued: No signature or statement required
Foreign Currency Fluctuations, Defense	Monthly	DD COMP(M) 1506	DFAS Center Authorized Officer	Report Issued: No signature or statement required
Foreign Currency Fluctuations, Construction Defense	Monthly	DD COMP(M) 1761	DFAS Center Authorized Officer	Report Issued: No signature or statement required
Statement of Accountability	Monthly	Standard Form 1219	Disbursing Officer	Certify Type & Correct
Statement of Transactions	Monthly	DD COMP(M) 1247 DD Form 1329	Disbursing Officer	Responsible Officer Signature
Statement of Inter-Fund Transactions	Monthly	DD Form 1400	DoD Component Authorized Officer	Responsible Officer Signature
CFO Financial Statements	Annual	None	Army, Navy, Air Force: Assistant	Approves statements and signs

APPENDIX. 1

DEPARTMENTAL FINANCIAL REPORTS

REPORT TITLE	FREQUENCY	REPORT NUMBER:	APPROVAL/CERTIFICATION	
			LEVEL:	TYPE:
			Secretary (Financial Management & Comptroller) I/ Defense Agency/DoD Field Activities: Comptroller I/	Transmittal to DoD, CFO
Accounting Report AR 1307 (DHOF Only)	Monthly	AR 1307	DHOF Component Program Manager I/	Acceptance
Prompt Payment Report	Quarterly	Acct Rpt (Q) 1619	Authorized Officer	Quarterly Input-No signature or statement required
Prompt Payment	Annual	Acct Rpt (A) 1607	Component senior official with authority over procurement, logistics, and payment processes. DFAS Center	Accurate Data Certification
DD/EFT Status Report	Quarterly	None		Reports Issued - No signature or statement required
Mutual Logistics Report	Annual	Acct Rpt (A) 1570	Secretaries of Military Departments or designees	Report Issued-No signature or statement required

I/ DPAS will provide a consolidation certification to the applicable DoD Component.

CHAPTER 3

ACCOUNTABILITY FOR CASH0301 GENERAL

030101 This chapter provides guidance necessary to prepare the consolidated monthly reports of DoD disbursing officers and the monthly report on cash transactions.

A. The disbursing officers reports are required by 31 U.S.C. 3522, 7 GAO 28.8, and Treasury Financial Manual (TFM) 2-3100. These reports provide the Treasury Department with data for reporting purposes and for maintaining the central accounts of the U.S. Government.

B. The statement of transactions provides the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) with a summarized classification of receipts and outlays.

030102 This chapter applies to all DoD Components and to their disbursing officers, including the Department of the Navy associate disbursing officers (referred to collectively as "disbursing officers").

0302 STATEMENT OF ACCOUNTABILITY (SF 1219)

030201 Report Form and Frequency. The Statement of Accountability and certain supporting schedules are prescribed by TFM 2-3100 for use in reporting to the Treasury. Treasury has agreed to accept the Statement of Accountability and supporting schedules in a machine-sensible format in advance of the hard copy reports in order to obtain reporting by the eighth workday following the close of the reporting month. The hard copy format is shown in Figure 3-1. The tape format specifications are shown in figure 3-2. The tape must be forwarded to the Treasury no later than the close of business of the eighth workday after the close of the reporting month.

030202 Report Preparation

A. Hard Copy Report. The Statement of Accountability or equivalent machine listing previously approved by the Department of the Treasury and supporting schedules must be prepared in accordance with this chapter. The hard copy report is required for certification purposes even though the data are received in advance in a tape format. Because of this advance submission, the hard copy must reach Treasury no later than the tenth workday after the reporting month.

B. Electronic Submissions.

1. For reports submitted in electronic media, magnetic tape containing the information in the hard copy reports is prescribed. The information should be recorded in the following format:

Tape Format

IBM labeled
ASCII
80 characters per logical record
1600 characters per physical record
9 track
density--1600 bpi

2. The information reported shall be at the departmental total level except as follows:

a. Checks issued and related adjustments shall be by Disbursing Station Symbol Number and by month of issue (Statement of Accountability Transaction Codes 210, 211 and 212).

b. Confirmed Deposits, Debit Vouchers and Letters of Credit shall be reported at the document level (Statement of Accountability Transaction Codes 213 and 420).

3. The prescribed level of detail results in a tape with an average of 1,500 records for each Component.

030203 SECTION I - GENERAL STATEMENT OF ACCOUNT

A. PART A - TRANSACTIONS DURING PERIOD AFFECTING ACCOUNTABILITY

1. Line 1.00 Total Accountability - Beginning of Period. Report on this line the balance of accountability for the disbursing office or station as of the close of the previous accounting period. This balance must be the same figure reported as the closing balance on line 5.00 of the SF 1219 for the prior accounting period.

2. Line 2.1 Checks Issued on U.S. Treasury. Report on this line the total amount of checks drawn on the U.S. Treasury for the period, including any adjustments of check issue amounts reported in prior periods. An analysis of this total amount, by check symbol, shall be shown in Section II, Part A, on the reverse of the statement.

3. Line 2.3 Other Transactions. All amounts reported under this classification must be analyzed on a separate support schedule. Each separate support schedule must list each detail transaction which supports the summary line total.

a. Discrepancies in D.O. Accounts - Credits. Report on line 2.34 the total amount of all unidentified transactions during the period of account that increases the disbursing office accountability and that cannot accurately be classified to line 2.36 or 2.37. Activity reported on this line must be carefully researched before entry. Every effort should be made to clear items reported on this line in the next period of account.

b. Payments by Another D.O. Report on line 2.36 the total amount of Treasury check payments issued by another disbursing office, at the reporting office's request, during the period of account.

c. Transfers from Other Disbursing Officers. Report on line 2.37 the total amount of transfers received from other disbursing officers during the period of account.

d. Line 2.39 shall only be used when authorized by Treasury.

4. Line 2.9 Total Increases in Accountability. Show in this line the sum total of lines 2.1, 2.34, 2.36, 2.37, and 2.39.

5. Line 3.0 Subtotal. Report on this line the sum of the accountability at the beginning of the period and the increases in accountability during the reporting period, line 1.00 plus line 2.9.

6. Line 4.1 Net Disbursements. Report on this line the total of gross vouchered charges to appropriation and fund accounts net of collections for the reporting period. The detail of the accounts charged shall be reported on the related Statement(s) of Transactions. Components which do their own disbursing shall include payment vouchers on letters of credit on an issue month basis. See TFM 6-2000 for more detailed information concerning letters of credit.

7. Line 4.2 Deposits Presented or Mailed to Bank. This line is used to report deposits of disbursing officers net of related debit vouchers. A summary analysis by deposit symbol and date presented or mailed to bank will be shown on the reverse of the statement, Section II, Part B.

8. Line 4.3 Other Transactions. All amounts reported under this classification must be analyzed on a separate support schedule. Each separate support schedule must list each detail transaction that supports the summary line total.

a. Discrepancies in D.O. Accounts - Debits. Report on line 4.34 the total amount of all unidentified transactions during the period of account that decreases the disbursing office accountability and that cannot accurately be classified to line 4.36 or 4.37.

FIGURE 3-1

FIGURE 3-1 (CONT.)

Activity reported on this line must be carefully researched before entry. Every effort should be made to clear items reported on this line in the next period of account.

b. Payments for Another D.O.

Report on line 4.36 the total amount of Treasury check payments issued by your disbursing office, at the request of another disbursing office, during the period of account.

c. Transfers to Other Disbursing Officers. Report on line 4.37 the total amount of transfers sent to other disbursing officers during the period of account.

d. Line 4.39 shall only be used when authorized by Treasury.

9. Line 4.9 Total Decreases in Accountability. Report on this line the sum total of lines 4.1, 4.2, 4.34, 4.36, 4.37, and 4.39.

10. Line 5.0 Total Accountability Close of Period. The total to be reported on this line will be the difference between the amounts reported on line 3.0 and line 4.9. This amount will be detailed in the analysis required by Section I, Parts B and C.

B. PART B - ANALYSIS OF INCUMBENT OFFICER'S ACCOUNTABILITY

NOTE: Disbursing officers shall maintain a separate account for each classification of accountability shown in Parts B and C.

1. Line 6.1 Cash on Deposit in Designated Depository. Report on this line the total of all checkbook balances in U.S. dollar or U.S. dollar equivalent of foreign currencies on deposit in designated depository accounts. The grand total of all depository funds shall be shown on line 6.1.

2. Line 6.2 Cash on Hand. Report on this line the total of cash items held at the disbursing office or station. This shall include coin or currency, checks, money orders, and other forms of negotiable paper. Depending upon the system of cash accounts maintained by the disbursing office, this classification may

include cash collections that have been credited to government accounts and are in the process of preparation for deposit to the credit of the U.S. Treasury. If a separate accounting is maintained for undeposited collections, as distinguished from disbursing cash on hand, show such classification on line 6.3.

NOTE: On the September 30 final account for each fiscal year, that portion of the totals shown on lines 6.1 and 6.2, which represents U.S. equivalent of foreign currency, shall be shown in parenthesis on the respective line.

3. Line 6.3 Cash - Undeposited Collections. Report on this line the cash collections on hand at the close of the accounting period that are for deposit to the credit of the U.S. Treasury.

4. Line 6.5 Cash in Custody of Government Cashiers. Report on this line the total cash that has been advanced to officially authorized government cashiers for which they are accountable to the disbursing officer.

5. Lines 6.6 thru 6.9. These lines have been provided for the reporting of special classifications of cash maintained by the disbursing office that have not been specially provided for on other lines.

6. Line 7.1 Deferred Charges - Vouchered Items. Report on this line all payments that have been made on vouchers that are not complete, and therefore cannot be charged to the appropriation or fund account in the current reporting period. All amounts reported on this line shall be cleared in the next accounting period.

7. Line 7.2 Receivables - Check Overdrafts. Report on this line the total of uncollected check overdrafts (checks drawn in excess of certified voucher amounts) as of end of accounting period.

8. Line 7.3 Losses of Funds. Report on this line the total funds that have been lost, stolen, or are otherwise not available.

9. Line 7.4 Receivables - Dishonored Checks. Report on this line the total of all dishonored checks held for redemption by the drawer. If the item cannot be collected within the following 30-day period and the collection was credited to an appropriation, fund or receipt account, the collection credit should be reversed (reducing the appropriation, fund, or receipt account originally credited) to clear the disbursing office receivable. Otherwise, the item should be reported on this line until collected or ultimately processed as a loss of funds.

10. Lines 7.5 thru 7.9. These lines have been provided for reporting any additional classifications that may be maintained to reflect an appropriate analysis of accountability.

11. Line 8.0 Total of My Accountability. Report on this line the total of lines 6.1 through 7.9. This amount shall be the total of the incumbent disbursing officer's accountability for which he is personally liable.

C. PART C - ANALYSIS OF PREDECESSOR OFFICER'S ACCOUNTABILITY

1. Line 9.2 Receivables - Check Overdrafts. Report on this line the amount of uncollected check overdrafts applying to checks issued by predecessor disbursing officers.

2. Line 9.3 Losses of Funds. Report on this line the total funds of the predecessor disbursing officer that have been lost, stolen, or are otherwise not available.

3. Line 9.4 Other Accountability. Report on this line the total of any other items of accountability relating to predecessor disbursing officers that were carried forward to the accounts now maintained by the incumbent disbursing officer.

4. Line 10.0 Total Predecessor Officer's Accountability. Report on this line the total of lines 9.2 through 9.4.

5. Line 11.0 Total Disbursing Office Accountability. Report on this line the sum of the totals shown on lines 8.0 and 10.0.

This total shall be the same as reported on line 5.00.

030204 SECTION II - SUMMARY BY SYMBOL OF CHECK AND DEPOSIT TRANSACTIONS WITH U.S. TREASURY (Double Space All Line Entries)

A. PART A - CHECKS ISSUED AND ADJUSTMENTS FOR PRIOR PERIODS

The detailed information required to be reported in this part is indicated by the columnar headings. The information must be shown for each check symbol under which there were checks issued or check issue adjustment transactions in the current period. The amounts reported in the respective columns for each check symbol must agree with amounts reported on SF 1179 "Month End Accounting Summary of Checks Issued" for the same check issue transactions. The columns shall be completed as follows:

1. Column 1 Check Symbol. Report in this column the check symbol number under which the checks were drawn or to which the check issue adjustment transactions apply.

2. Column 2 Amount of Checks Issued This Period. Report in this column the total amount of all checks issued during the current accounting period under the related check symbol. This amount must agree with the amount reported on line 1 of the related SF 1179. Such amounts will be supported by listings, magnetic tapes, or check copies, in accordance with the requirements of the Financial Management Service (FMS), Department of the Treasury.

3. Columns 3 & 4 Adjustments for Prior Months Issues.

a. By TFS Forms 5206. Report in column 3 the issue month and year and the net total of the check issue discrepancy notices, TFS Form 5206, received and entered in the disbursing office accounts for the current accounting period. The totals shown will agree with the amounts on line 2(a) of the SF 1179.

b. Other. Report in column 4 the issue month and year and the net total of adjustments (Optional Form 1017-G "Journal Voucher" etc.) initiated by the disbursing office to correct prior periods check issue totals, for which adjustments have been entered in the current month accounts and reported on line 2(b) of the SF 1179 for the current month.

4. Column 5 Total Checks Issued. Report in this column the net total of the amounts reported in columns 2, 3, and 4 for each check symbol number being reported. Each amount column shall also be totaled if more than one check symbol is reported to show the grand total for all check symbols. The grand total amount of column 5 shall be the amount to be reported on line 2.1 of Section I, Part A, of SF 1219.

B. PART B - SUMMARY OF DEPOSITS PRESENTED OR MAILED TO BANK (Line 4.2)

In this part, an analysis shall be shown by deposit symbol number of the deposit items and related debit vouchers that have been taken up in the accounts of the disbursing office during the current accounting period. The information to be shown in the respective columns is as follows:

1. Column 1 Deposit Symbol. Report in this column the deposit symbol

numbers used by the disbursing office. Normally, only one deposit symbol is used by a disbursing office. Where more than one deposit symbol is used at the direction of FMS, the deposit symbol affected shall be shown in this column and an analysis of the deposits shown in columns 2, 3, and 4 as explained below.

2. Column 2 Deposits Presented Or Mailed to Bank This Month. Report in this column the total deposits presented or mailed to bank this month at the deposit symbol level, net of debit vouchers recorded during the current month.

3. Columns 3 & 4 Deposits Presented or Mailed to Bank in Prior Months But Recorded in Accounts This Month. Report in column 3 the month presented or mailed to bank and in column 4 the total amount of deposit items less debit vouchers entered in the disbursing officer's accounts during the current accounting month.

4. Column 5 Total Deposits Presented Or Mailed To Bank. Report in this column the sum of amounts shown in columns 2 and 4 for each deposit symbol. The grand total of column 5 shall be the amount to be reported on line 4.2 in Section I, Part A of the Statement of Accountability.

TAPE FORMAT FOR STATEMENT OF ACCOUNTABILITY AND SUPPORTING REPORTS INCLUDING THE STATEMENT OF TRANSACTIONS

The tape format for submitting the Statement of Accountability and necessary supporting reports including the Statement of Transactions and the Statement of Inter-Fund Transactions is as follows:

A. HEADER

1. Positions 1--4 Identification. Enter 1HDR
2. Position 5 Blank. Not used
3. Positions 6--10 Serial. Locally generated tape serial number.
4. Positions 11--15 Blank. Not used

FIGURE 3-2

5. Positions 16--19 Reel Sequence No. Use a dash (-) in position 16 followed by the number of the reel in sequence preceded by zeros (e.g. -001).
6. Position 20 Blank. Not used
7. Positions 21--30 File Identification. Enter XXXXXTRAll
8. Positions 31--35 Creation Date. The date the tape was created. The last two digits of the calendar year are shown in positions 31 and 32. The numeric day of the year preceded by zeros as applicable in positions 33--35. January 8 is 008; February 11 is 042 (YYDDD).
9. Positions 36--39 Retention Cycle. Use a dash (-) in position 36 followed by numeric 090.
10. Positions 40--80 Blank. Not used

B. STATEMENT OF ACCOUNTABILITY

1. Positions 1--4 Blanks. Not used
2. Positions 5--8 Reporting Organization. Enter departmental index number of the reporting organization in positions 5 and 6 followed by two zeros. (Navy shows 1700, Army shows 2100, Air Force shows 5700, WHS shows 9711 and 9720, and DLA shows 9700.)
3. Positions 9--22 Amount. Enter the amount in dollars and cents. In the event the value is negative, the sign shall be entered in position 22.
4. Positions 23--27 Accounting Date. Positions 23 and 24 indicate the month, positions 25 and 26 the day, and position 27 the last digit of the calendar year (MMDDY).

(NOTE: Treasury has a waiver to use this nonstandard data element for the present. Plans are in being to convert to the standard data element. Adequate advance notice shall be provided.)

5. Positions 28--33 Transaction Date. Enter the transaction date; for example, the date the deposit was confirmed or the date of the voucher drawn against a letter of credit. The first two digits indicate the year, the second two digits indicate the month, and the last two digits the day (YYMMDD)
6. Positions 34--37 Prefix for Agency Station Symbol for Letter of Credit Transactions (Transaction Code 215). Enter the first four digits of the Agency Station Symbol for letter of credit transactions. (Army shows 2100, Navy 1700, Air Force 5700. If any other organizations issue letters of credit, Treasury will assign a symbol.) For all other Transaction Codes, leave blank.
7. Positions 38--41 Accounting Station Symbol Number. For all detail records except letter of credit (Transaction Code 215), enter the four digit accounting station symbol number assigned by Treasury. This symbol is commonly referred to as the Disbursing Station Symbol Number (DSSN), the Check Issue Symbol Number, or the DO Symbol Number. For letter of credit records enter 9701.

FIGURE 3-2 (Con't)

8. Positions 42--49 Debit Voucher or Letter of Credit Number. Enter the debit voucher number or letter of credit number, if applicable. A debit voucher is indicated by Transaction Code 420 (positions 50--52) and special code 3 (position 61). When both of these conditions exist, show the debit voucher number in this field and a minus sign in position 22 (amount field). If the Transaction Code is 215, enter the letter of credit number. Either number must be right justified. If the number is 8 digits or more, report the last 8 digits of the number. If 7 digits or less, leave unfilled positions blank.
9. Positions 50--52 Transaction Code. The first two positions indicate the line on the Statement of Accountability. The Transaction Code shall be used in conjunction with position 61 for complete transaction identification. Definitions of the line items may be found in appendix I of I TFM 2-3100. The Transaction Codes are as follows:

<u>CODE</u>	<u>TITLE</u>
100	Total Accountability at Beginning of Period, U.S. Dollars
120	Total Accountability at Beginning of Period, Foreign Currency
130	Total Accountability at Beginning of Period, Military Payment Certificates
210	Checks Issued on U.S. Treasury, Current Period (Initial reporting of all checks issued even if issued in a prior month)
211	Checks Issued on U.S. Treasury, (Adjustments for Prior Months Issued based on an advice of Check Issue Discrepancy (TFS Form 5206))
212	Checks Issued on U.S. Treasury, (Adjustments for Prior Months Issues, Other)
215	Payment Vouchers on Letters of Credit
230	Other Transactions
234	Discrepancies in D.O. Accounts - Credits
236	Payments by another D.O.
237	Transfers From Other D.O.s
290	Total Increase in Accountability
300	Subtotal
410	Net Disbursements
420	Confirmed Deposits with U.S. Treasury, (NOTE: Normal transactions must show a 2 in position 61. Debit vouchers will also bear Transaction Code 420, but must show a 3 in position 61.)
430	Other Transactions

FIGURE 3-2 (Con't)

<u>CODE</u>	<u>TITLE</u>
434	Discrepancies in D.O. Accounts - Debits
436	Payments for Another D.O.
437	Transfers to Other D.O.s
490	Total Decrease in Accountability
500	Total Accountability at Close of Period, U.S. Dollars
520	Total Accountability at Close of Period, Foreign Currency
530	Total Accountability at Close of Period, Military Certificates
610	Cash on Deposit
620	Cash on Hand
630	Cash--Undeposited Collections
650	Cash in Custody of Government Cashiers
660	Cash in Transit
670	Cash
690	Cash--Other
710	Deferred Charges--Vouchered Items
720	Receivables--Check Overdrafts
730	Losses of Funds
740	Receivables
750	Advances
780	Unexplained Differences (NOTE: Reserved for Reporting unexplained differences between section A and the total of sections B and C of the Statement of Accountability)
790	Other
800	Total Accountability
920	Predecessors' Accountability--Receivables--Check Overdrafts
930	Predecessors' Accountability--Losses of Funds

FIGURE 3-2 (Con't)

- | <u>CODE</u> | <u>TITLE</u> |
|-------------|---|
| 940 | Predecessors' Accountability--Other |
| 100 | Total Predecessor Officer's Accountability |
| 110 | Total Disbursing Office Accountability (same as code 500) |
10. Positions 53--60 Certificate of Deposit or Letter of Credit Voucher Serial Number. Enter the certificate of deposit number or letter of credit voucher serial number. A certificate of deposit is indicated by Transaction Code 420 (positions 50-52 and Special Code 2 (position 61)). A letter of credit is indicated by Transaction Code 215. The letter of credit voucher serial number is preprinted on the document and has 7 digits. Components shall account for all letter of credit serial numbers. Vouchers voided must also be reported by serial number in this field. To show the voucher was voided, zero fill the Amount Field (positions 9--22) and leave the Transaction Date Field (positions 28-33) blank. Letter of credit voucher serial number and certificate of deposit numbers are right justified, with zero fill to the left.
11. Position 61 Special Code. Enter one of the following Special Codes. It is used in conjunction with the Transaction Code (positions 50-52) to identify the type of transaction being reported.
- a. Transactions during period affecting accountability:
- | <u>CODE</u> | <u>USED FOR</u> |
|-------------|---|
| 1 | Transaction Codes 100, 120, 130, 215, 230, 410, 430, 500, 520, and 530. |
| 2 | Transaction Codes 210, 211, 212, and 420 if a Confirmed Deposit. |
| 3 | Transaction Code 420 if transaction represents a debit voucher. |
- b. Analysis of Accountability by type of currency (Transaction Codes 610 through 940)
- | | |
|---|--|
| 6 | U.S. Dollar equivalent of purchased foreign currency |
| 7 | Military Payment Certificates |
| 8 | U.S. Dollars |
- c. Other Use:
- | | |
|---|---|
| 9 | All totals and subtotals not otherwise identified as a separate transaction code. The inclusion of such totals is optional. |
|---|---|
12. Positions 62--63 Area Code. This code identifies the reporting Component. The Air Force shall report a constant 61, the Army a constant 62 and the Navy a constant 63.
13. Position 64 Record Mark. Enter the end of the record mark.

FIGURE 3-2 (Cont)

C. STATEMENT OF TRANSACTIONS

Tape positions must be as follows to report Statement of Transactions data:

1. Positions 1--4 Blanks. Not used
2. Positions 5--8 Reporting Organization. Enter the departmental index number of the reporting organization: (Navy-1700, Army-2100, and Air Force-5700)
3. Positions 9--22 Amount. If negative, the sign is entered in the units position (position 22).
4. Positions 23--27 Accounting Date. Positions 23 and 24 indicate the month, positions 25 and 26 the day, and position 27 the last digit of the calendar year (MMDDY). The accounting date for the 12th report is the last day of the fiscal year.

(NOTE: As indicated above, a waiver has been issued to use this nonstandard data element for the present. Plans are in being to convert to the standard data element. Adequate advance notice shall be provided.)

5. Positions 28--32 Processing Date. Enter the date the tape is forwarded to Treasury. As in positions 23--27, above, this date must be shown MMDDY. The same note is also applicable.
6. Positions 33--34 Departmental Index No. Enter the two digit departmental index number assigned by Treasury to the funded DoD Component. This number is the two digit prefix assigned to appropriations of that Component that immediately precedes the fiscal year code.
7. Positions 35--36 Transferring Department Index No. Enter the departmental index number of the organization to whom the appropriation was originally made when the transaction affects a transfer appropriation account. If not applicable leave blank.
8. Positions 37--40 Account Number. Enter four digit basic account number assigned by Treasury to the appropriation, other fund, or receipt account.
9. Positions 41--43 Appropriation Suffix. Enter any applicable suffix assigned by Treasury to the account number reported in positions 37--40, above. Units must be shown in position 43. Zero fill unused positions. For example; for account 17X8008.1, this field would be coded 001; for account 2IX4080, this field would be coded 000.
10. Positions 44--47 Fiscal Year. Four positions are provided for entering the appropriation or fund account availability period. All unused positions must be left blank.
 - a. Annual Appropriations. Enter the last two digits of the fiscal year of availability in positions 46 and 47.
 - b. Multi-year Appropriations. Enter the first fiscal year of availability in positions 44 and 45. Enter the last fiscal year of availability in positions 46 and 47:

FIGURE 3-2 (Con't)

- c. No Year Appropriations. "X" in position 47.
 - d. Receipt Clearing Accounts. "F" in position 47.
 - e. Estimate Clearing Account. "A" in position 47.
 - f. Deposit Fund Accounts. Enter the fiscal year in positions 46 and 47 or "F" or "X" in position 47, as applicable.
 - g. Transfer Appropriation and Trust Fund Accounts. Enter the fiscal year in positions 46 and 47 or an "X" in position 47, as applicable.
 - h. Miscellaneous Receipt Accounts. Not used.
11. Positions 48--49 Appropriation Prefix. Enter the appropriation prefix (called subclass) assigned by Treasury for identification of selected transactions. The standard codes are:

STANDARD
SUBCLASS
CODE

TITLE

38	Interest and Profits on Investments in Participation Certificates
41	Funds Held Outside the Treasury - Imprest Funds
46	Payments from Current Appropriations for obligations of Closed Accounts
62	Unamortized Premium on Investments
67	Redemption of Participation Certificates
68	Investment (Purchase) in Federal Home Loan Bank and Federal Land Bank Securities (par)
69	Redemption of Participation Certificates (par)
72	Unamortized Discount on Investments
75	Unrealized Discount on Investments
76	Earning on Treasury Securities
77	Net Distribution of Participation Sales Transactions
78	Redemption of Federal Home Loan Bank and Federal Land Bank Securities (par)
79	Sale of Participation Certificates (par)
80	Investment (Purchase) in Participation Sales Certificates (par)

FIGURE 3-2 (Con't)

STANDARD
SUBCLASS
CODE

TITLE

81	Investment (Purchase) in Non-guaranteed Government Agency Securities
82	Repayment of Borrowing from FFB
85	Repayment of Borrowing from U.S. Treasury
86	Actual Borrowing Against Borrowing Authority
87	Redemption of Non-guaranteed Government Agency Security in Market (par)
89	Investment (Purchase) in U.S. Public Debt Securities
90	Redemption (Sales) of Participation Sales Certificates (par)
91	Redemption (Sales) of Non-guaranteed Government Agency Securities
92	Borrowing from FFB
95	Borrowing from U.S. Treasury
96	Sales of Guaranteed Government Agency Securities in Market and Domestic Postal Money Orders (par)
97	Sales of Non-guaranteed Government Agency Securities in Market (par)
98	Redemption (Sales) of U.S. Public Debt Securities
99	Redemption (Sale) of Guaranteed Government Agency Securities and Foreign Postal Money Orders (par)

12. Positions 50--51 Transaction Code. Enter one of the following codes:

<u>CODE</u>	<u>TITLE</u>
16	Gross Collections for Receipt Clearing Accounts
17	Available Receipts
51	Unavailable Receipts
61	Disbursements
71	Reimbursements

13. Position 52 Blank. Not used

FIGURE 3-2 (Con't)

14. Positions 53--56 Reporting Organization. Enter the departmental index number followed by two zeros. These positions shall agree with positions 5 through 8.
15. Positions 57--60 Blank. Not used
16. Position 61 Report Identifier. Enter "T" to identify records applicable to the Statement of Transactions and "I" to identify the records applicable to the DD Form 1400, "Statement of Inter-Fund Transactions."
17. Positions 62--63 Area Code: This code identifies the reporting department. The Air Force shall enter 61, the Army 62, and the Navy 63.
18. Position 64 Record Mark. Enter the end of the record mark.

D. TRAILER

1. Positions 1--4 Identification. Enter IEOF
2. Position 5 Blank. Not used.
3. Positions 6--10 Record Count. Enter the number of records in the file. Units will be shown in position 10. Zero fill unused portions of the field. The field shall be right justified.
4. Positions 11--80 Blanks. Not used.

FIGURE 3-2 (Cont)

0303 STATEMENT OF TRANSACTIONS (DD Form 1329 or DD Form 1329m)

030301 Purpose and Report Control Number
This section prescribes the preparation and submission of monthly reports of outlays incurred in the appropriations and funds of the Department of Defense. These reports are a valuable tool in monitoring the planned monthly execution of approved DoD programs. The reporting requirements prescribed in this section are designated as DD Form 1329.

030302 Applicability and Scope. Outlay reporting applies to the DFAS Centers as the departmental-level accounting entity for the Military Departments and the Defense Agencies with respect to outlays incurred for all military functions.

030303 Report Form and Frequency. The Statement of Transactions shall be submitted to the Director for Program and Financial Control, OUSD(C), not later than the close of business on the eighth workday of the month after the close

of the reporting month. This information shall be submitted electronically as illustrated in figure 3-2, section C. Minor deviations in the mode of submission of data are permitted if approved in advance. The DFAS has primary responsibility for the submission of this data. The DoD Components will assist the DFAS to ensure the integrity and timeliness of the data to be submitted. Hard copy Statements of Transactions, either DD Form 1329 or 1329m, shall be submitted in support of the electronic transmission (see figures 3-3 and 3-4, respectively). Report deviations must be approved in advance.

030304 Distribution. The DFAS shall furnish a Statement of Transactions to each DoD Component and other agency for which it collects or disburses showing the transactions for that Component. In addition, a Statement of Transactions summarizing the transactions by appropriation for each Defense Agency shall be provided by DFAS. These reports shall be in hard copy unless the recipient has agreed to accept the report in some other form. Report

recipients may require additional detailed information in specified tape format.

030305 Hard Copy Report Preparation

A. General

1. Each DD Form 1329 or 1329m shall show the name and office location, the period covered by the statement, the reporting department index number, and, if desired, an optional Component number for which the statement is rendered. The department index number is the two-digit number assigned by Treasury as a prefix to that department's appropriation symbols.

2. If more than one sheet is used to report the amounts of transactions, the grand total for each column shall be shown on the last page of the statement. Page totals are optional.

3. Each hard copy statement shall be signed by the officer under whose direction it was prepared.

4. Negative amounts shall be identified by the suffix "Cr."

B. Columnar Entries

1. Column a Appropriation, Fund, or Receipt Symbol. Enter the symbol of the appropriation, other fund, or receipt account for which the amounts of transactions are being reported. Include any prefix or suffix prescribed by the Treasury Department on the Classification Authorization (TFS Form 7102 or 7103). No other suffix or prefix may be shown.

2. Column b Receipts. Enter the amounts of receipt transactions (including voucher deductions which apply to general, special, and trust fund receipt accounts, net of any uncollectible (dishonored check) items and any related adjustment transactions.

3. Column c Reimbursements. Enter the amount of appropriation reimbursements collected applicable to each related appropriation or other fund account. The amounts so reported are net of any uncollectible

(dishonored check) items and any related adjustment transactions.

4. Column d Disbursements (Net of Refunds). Enter the amount of disbursements, by check, cash, or voucher deduction chargeable to each appropriation or other fund account shown in column a. The amounts so reported are net of amounts collected as refunds to the applicable appropriation or other fund. Cancelled check transactions are reported as reductions of disbursements.

030306 Electronic Media Submissions

A. For reports submitted electronically, magnetic tape or diskettes containing the information in the hard copy reports is prescribed. The information should be recorded in the following formats:

1. Tape Format

IBM labeled
ebcdic
64 characters per logical record
1280 characters per physical

record

9 track
density--1600 bpi

2. Diskette Format

3 1/2" diskette--double sided and
high density
formatted PC DOS--release 5.0 or
later

ASCII
character record length--64
paper label showing file name
and transaction count

B. The information reported shall be at the department total level.

030307 Special Reporting of Borrowing Account Transactions

A. A DoD Component becomes the mortgagor when it acquires property subject to a previous mortgage under the DoD

Homeowners Assistance Program, or when it borrows money to finance or issues a mortgage instead of immediate payment for new construction under the DoD Family Housing Program.

B. The total acquisition cost of property, including mortgages payable, shall be reported as a disbursement along with all other disbursements without prefix to liquidate the entire related obligation. The amount of the mortgage assumed shall be reported in column c as a reimbursement with prefix (97). Amounts reported shall be extracted from General Ledger account Number 2592.

C. Payments to the mortgagee shall be reported in two parts: Payments on principal as disbursements with prefix (87); Interest payments included in the balance of regular disbursements without prefix.

D. The sale of property subject to a previous mortgage that is assumed by the buyer shall be shown as a receipt or reimbursement, as appropriate, in the amount of the total sales price without prefix. Report amount of the existing mortgage assumed by the buyer as a disbursement identified by the appropriation symbol prefix (87).

030308 Special Reporting for Trust Fund Investments in U.S. Government Securities.

A. The purchase of U.S. Government securities as an investment by a trust fund must be reported as a disbursement at par value in column d identified by the prefix (88). Investments in Federal Securities are recorded in General Ledger account Number 1610. Any difference between par value and the purchase price must be shown without prefix as a disbursement in column d or as a reimbursement in column c, as the case may be. This difference is recorded in General Ledger account No. 1611.

B. Report securities acquired as a gift at par value as a disbursement in column d identified by the prefix (88). The par value is to be reported as a receipt along with all other reportable amounts in column b.

C. Report the sale of securities at par value as a receipt identified by the prefix (98) in column b. The difference between par value and the amount received shall be reported without prefix as a reimbursement or disbursement, as the case may be.

D. Detailed guidance on special reporting for the Military Retirement Fund and the Education Benefit Fund can be found in Volume 12, of this Regulation.

030309 Reconciliation of DD Forms 1329 and 1329m with SF 1219. The totals reported on DD Forms 1329 and 1329m shall be consistent with the totals for the related transactions reported on the SF 1219, "Statement of Accountability," for each disbursing officer or any consolidation of disbursing officers.

030310 Foreign Currency Transactions. A separate Statement of Transactions and Accountability is required by Volume 5 of this Regulation to meet OMB and Treasury information needs on foreign currency transactions.

030311 Equivalent Instruments.

DoD 4000.25-7-M prescribes two reports to the Treasury that are closely related to the Statement of Transactions. These reports are the Statement of Inter-Fund Transactions (DD Form 1400 or 1400m) and the Statement of Intra-Governmental Transactions (no form number). These statements are illustrated in appendices C1, C2, and C6 of DoD 4000.25-7-M. These reports serve the same purpose as Statements of Transactions; that is, they are the warrants for charging applicable appropriation or other fund accounts and crediting the applicable DoD or GSA appropriations or revolving funds on the central records of the agencies concerned and the Treasury Department. The amounts shall be reported in the tape format prescribed in figure 3-2, section C, as an integral part of the Statement of Transactions. (The amounts are not included in the disbursing officers' Statements of Accountability, although they are included in the reports of the agency that processed the transactions.)

STATEMENT OF TRANSACTIONS

[illegible]

DD FORM 1329

Form approved by Comptroller General, U. S.
May 2, 1959.

FIGURE 3-3

**STATEMENT OF TRANSACTIONS
ACCORDING TO APPROPRIATIONS, FUNDS AND RECEIPT ACCOUNTS
IN SUPPORT OF STATEMENT OF ACCOUNTABILITY (EAM)**

[illegible]

DD FORM 1329

Form approved by Comptroller General, U. S.
May 6, 1960

FIGURE 3-4

CHAPTER 4

APPROPRIATION AND FUND STATUS REPORTS

TO BE ISSUED AT A LATER DATE

CHAPTER 5

GENERAL PURPOSE REPORTING0501 REPORT ON FINANCIAL POSITION,
(SF 220)

050101 Purpose and Accounting Report Number. This section prescribes the report form and instructions for preparation of the annual report on appropriations and funds required pursuant to I TFM 2-4100. The report discloses the basis on which major categories of assets are accounted for and reported, the nature of any significant restrictions on the use of assets, the amount and nature of significant contingent liabilities, and such explanatory information on the assets, liabilities and equity as is necessary to fully and clearly disclose the financial position of the reporting entity. The reporting requirements prescribed in this section are designated as SF 220 (IAR 1178-TD-XX)

050102 Applicability and Scope

The provisions of this section apply to all DoD Components. It covers the following types of appropriation and fund accounts:

- A. General funds
- B. Deposit and special funds
- C. Management and revolving funds
- D. Trust funds

050103 Report Form. I TFM 2-4100 contains a copy of the SF 220. This form may be reproduced, or a machine-produced facsimile may be used. Figure 5-1 illustrates SF 220.

050104 Frequency and Distribution

A. Reports shall be prepared as of September 30 of each year unless otherwise specified and are due to Treasury as established by Treasury's annual bulletin on year-end closing dates by memorandum.

Departmental-level accounting entities shall establish year-end closing due dates to meet reporting dates established by the DFAS.

B. Reports shall be submitted under cover of a transmittal letter signed by the responsible official. Departmental-level accounting entities will make distribution in accordance with the addresses provided in the addendum to this chapter. The Treasury Department encourages Federal agencies to submit the SF 220 series of reports on the Federal Agencies' Centralized Trial-Balance System (FACTS). To the extent DoD Components can do so, the reports should be transmitted electronically.

050105 Preparation Instructions for the SF 220

A. General. Amounts for the SF 220 and all supporting reports shall be reported in dollars. Negative figures shall be identified by the use of a minus sign (-).

B. Heading. Complete the heading identifying: (1) "as of" date of the report (September 30, 19XX); (2) reporting DoD Component and the reporting entity; and (3) OMB Identification Code (Appropriation Symbol), when applicable, and fund type. (See table 5-2.) Each OMB Identification Code assigned for type 1, 2, and 3 funds requires a separate series of reports.

C. Line 1. Fund Balance with Treasury and Cash. This is a title line for lines 1.a. through 1.d. No dollar amounts are reported on line 1. This account balance includes amounts of available expenditure authorizations as shown in the reporting departmental-level accounting entity accounts with the Treasury and as reported on TFS Form 6653, "Undisbursed Appropriation Accounts." It also indicates all other cash, currency, bank, and other financial institution amounts, and imprest funds.

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REPORT OF FINANCIAL POSITION

as of

(in dollars)

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IAR No. 1178-TD-XX

IDENTIFICATION:

DEPARTMENT/AGENCY: _____

BUREAU/ORGANIZATIONAL UNIT: _____

OMB IDENTIFICATION CODE: _____ FUND TYPE: _____

Assets	Amount	Total current period
1. Fund balance with Treasury and cash (SF 220-1)		
a. Fund balance(s) _____		
b. Cash * _____		
c. Foreign currency, net _____		
d. Subtotal _____		
2. Accounts receivable (SF 220-9)		
a. Federal agencies _____		
1. Current _____		
2. Noncurrent _____		
b. Public _____		
1. Current _____		
2. Noncurrent _____		
c. Less: Allowances _____		
d. Subtotal _____		
3. Advances and prepayments		
a. Operating consumables _____		
b. Product or service components _____		
c. Stockpiled materials _____		
4. Inventories (SF 220-1)		
a. Operating consumables _____		
b. Product or service components _____		
c. Stockpiled materials _____		
d. Other 1. _____		
2. _____		
3. _____		
4. _____		
e. Subtotal _____		
5. Investments, net (SF 220-1)		
a. Federal securities _____		
b. Non-Federal securities _____		
c. Other 1. _____		
2. _____		
3. _____		
4. _____		
d. Subtotal _____		
6. Loans receivable (SF 220-8, SF 220-9)		
a. Federal agencies _____		
1. Current _____		
2. Noncurrent _____		
b. Public _____		
1. Current _____		
2. Noncurrent _____		
c. Less: Allowances _____		
d. Subtotal _____		

FIGURE 5-1

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as of

(in dollars)

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BUREAU/ORGANIZATIONAL UNIT:		
Assets-Continued	Amount	Total current period
7. Property, plant, and equipment, net (SF 220-1)		
a. Structures, facilities and leasehold improvements		
b. Military equipment _____		
c. ADP software _____		
d. Equipment _____		
e. Assets under capital lease _____		
f. Other 1. _____		
2. _____		
3. _____		
4. _____		
g. Construction-in-progress _____		
h. Land _____		
i. Allowances _____		
j. Subtotal _____		
8. Other assets		
a. _____		
b. _____		
c. _____		
d. _____		
e. _____		
9. Total assets		
Liabilities		
10. Accounts payable		
a. Federal agencies _____		
b. Public _____		
c. Subtotal _____		
11. Interest payable		
a. Federal agencies _____		
b. Public _____		
c. Subtotal _____		
12. Accrued payroll and benefits _____		
13. Accrued unfunded annual leave _____		
14. Unearned revenue (advances)		
a. Federal agencies _____		
b. Public _____		
c. Subtotal _____		
15. Deposit funds _____		
16. Debt Issued under borrowing authority (SF 220-1)		
a. Gross Federal debt _____		
b. Intragovernmental debt _____		
c. Other debt _____		
d. Subtotal _____		
17. Actuarial liabilities (SF 220-1)		
a. Pension plans _____		
b. Insurance and annuity programs _____		
c. Subtotal _____		

FIGURE 5-1 (Cont)

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(in dollars)

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BUREAU/ORGANIZATIONAL UNIT:		
Liabilities-Continued	Amount	Total current period
18. Other liabilities		
a. _____		
b. _____		
c. _____		
d. _____		
e. Subtotal _____		
19. Total liabilities _____		
Equity		
<u>Appropriated fund equity</u>		
20. Unexpended financed budget authority		
a. Unexpended appropriations _____		
b. Less: Unfilled customer orders (Federal) _____		
c. Subtotal _____		
21. Invested capital _____		
<u>Revolving fund equity</u>		
22. Revolving fund balance(s)		
a. Appropriated capital _____		
b. Cumulative results _____		
c. Donations _____		
d. Subtotal _____		
<u>Trust fund equity</u>		
23. Trust fund balance(s) _____		
24. Total equity _____		
25. Total liabilities and equity _____		
AGENCY CONTACTS		
1. Preparer's Name	2. Telephone No.	
3. Address		
4. Supervisor's Name	5. Telephone No.	

FIGURE 5-1 (Cont)

1. Line 1.a. Fund balance(s).
Enter the balance in general ledger account 1010, "Fund Balance with Treasury."

2. Line 1.b. Cash. Enter the balance in general ledger account 1100, "Cash."

3. Line 1.c. Foreign currency, net. Enter the balance in general ledger account 1200, "Foreign Currency."

4. Line 1.d. Subtotal. Enter the sum of lines 1.a. through 1.c.

D. Line 2. Accounts Receivable. The amounts reported as accounts receivable shall agree with support report SF 220-9, "Report on Accounts and Loans Receivable Due from the Public" (figure 5-4). However, If the SF 220-9 includes receivables not included on line 2., the SF 220-9 amount must be footnoted.

1. Line 2.a.1. Federal agencies, Current. Enter the sum of the following general ledger accounts:

1311 Accounts Receivable-
Government-Current
1315 Refunds Receivable-Government

2. Line 2.a.2. Federal agencies, Noncurrent. Enter the balance in general ledger account 1312, "Accounts Receivable-Government-Noncurrent."

3. Line 2.b.1. Public, Current. Enter the sum of the following general ledger accounts:

1313 Accounts Receivable-Public-Current
1316 Refunds Receivable-Public
1320 Claims Receivable-Public

4. Line 2.b.2. Public, Noncurrent. Enter the balance in general ledger account 1314, "Accounts Receivable-Public-Noncurrent."

5. Line 2.c. Less: Allowances.
Enter the balance in general ledger account 1319, "Allowances for Loss on Accounts Receivable."

6. Line 2.d. Subtotal. Enter the sum of lines 2.a. and 2.b. minus 2.c.

E. Line 3. Advances and Prepayments

1. Line 3.a. Federal agencies. Enter the balance in general ledger account 1415, "Advances to Government Agencies and Funds."

2. Line 3.b. Public. Enter the sum of the following general ledger accounts:

1411 Travel Advances
1412 Advances to Contractors
and Suppliers
1413 Advances to Grantees
1414 Advances-All Others-Public
1450 Prepayments

3. Line 3.c. Subtotal. Enter the sum of lines 3.a. and 3.b.

F. Line 4. Inventories. The amounts recorded as the value of inventories shall agree with SF 220-1 (figure 5-2).

1. Line 4.a. Operating consumables. Enter the net sum of the following general ledger accounts:

1510 Inventory for Agency Operations
1519 Allowance for Loss on Inventory for
Agency Operations
1580 Inventory in Transit

2. Line 4.b. Product or service components. Enter the net sum of the following general ledger accounts:

1520 Inventory For Sale
1529 Allowance for Loss on Inventory
for Sale
1530 Inventory-Raw Material and Supplies
1539 Allowance for Loss on Inventory-Raw
Materials and Supplies
1540 Inventory-Work in Process
1549 Allowance for Loss on Inventory-
Work in Process
1550 Inventory-Finished Goods
1559 Allowance for Loss on Inventory-
Finished Goods

NOTE: Only the Special Defense Acquisition Fund (SDAF) shall report amounts under account 1520, "Inventory For Sale," and account 1529, "Allowance for Loss on Inventory for Sale."

3. Line 4.c. Stockpiled materials.

Enter the net sum of the following general ledger accounts:

1570	Stockpiled Materials and Supplies
1579	Allowance for Loss on Stockpiled Materials and Supplies

4. Lines 4.d.1. through 4.d.4.

Other. Enter the net sum of the following general ledger accounts:

1560	Other Inventory
1569	Allowance for Loss on Other Inventory

5. Line 4.e. Subtotal. Enter the

sum of lines 4.a. through 4.d.

G. Line 5. Investments, net. The amounts recorded as the value of investments shall agree with SF 220-1, (figure 5-2).

1. Line 5.a. Federal securities.

Enter the net sum of the following general ledger accounts:

1610	Federal Securities (At Par)
1611	Federal Securities-Unamortized Premium or Discount

2. Line 5.b. Non-Federal

securities. No entries shall be made by DoD Components without prior approval of the OUSD(C).

3. Line 5.c. Other. No entries

shall be made by DoD Components.

4. Line 5.c. Subtotal. Enter the

sum of lines 5.a. through 5.c.

H. Line 6. Loans receivable. The amounts recorded as loans receivable shall agree with SF220-8, "Direct and Guaranteed Loans Reported by Agency and Program Due From the Public" (figure 5-3) and SF 220-9, "Report on

Accounts and Loans Receivable Due From the Public" (figure 5-4).

1. Line 6.a.1. Federal agencies, Current. Enter the balance in general ledger account 1351, "Loans Receivable-Government-Current."

2. Line 6.a.2. Federal agencies, Noncurrent. Enter the balance in general ledger account 1352, "Loans Receivable-Government-Noncurrent."

3. Line 6.b.1. Public, Current. Enter the balance in general ledger account 1353, "Loans Receivable-Public-Current."

4. Line 6.b.2. Public, Noncurrent. Enter the balance in general ledger account 1354, "Loans Receivable-Public-Noncurrent."

5. Line 6.c. Less Allowances. Enter the balance in general ledger account 1359, "Allowance for Loss on Loans Receivable."

6. Line 6.d. Subtotal. Enter the sum of lines 6.a. through 6.c.

I. Line 7. Property, plant, and equipment, net. The amounts recorded as plant, property, and equipment shall agree with the SF 220-1, "Additional Financial Information" (figure 5-2).

1. Line 7.a. Structures, facilities, and leasehold improvements. Enter the sum of the following general ledger accounts:

1730	Buildings
1740	Other Structures and Facilities
1820	Leasehold Improvements

2. Line 7.b. Military equipment. Enter the sum of the following general ledger accounts:

1760	Military Equipment (Summation of Accounts 1761-1766)
1770	Equipment in Transit

3. Line 7.c. ADP software.
Enter the sum of the following general ledger account 1830, "Automated Data Processing Software."

4. Line 7.d. Equipment. No entry shall be made without the prior approval of DFAS.

5. Line 7.e. Assets under capital lease. Enter the balance in general ledger account 1810, "Assets Under Capital Lease." This account indicates the fair market value of assets under capital lease. Amounts due under capital leases shall also be reported in the liabilities section of this report.

6. Lines 7.f.1. through 7.f.4. Other. Enter the sum of the following general ledger accounts:

1840 Other Natural Resources
1890 Other Fixed Assets

Identify the nature of any asset that (a) comprises more than 25 percent of the total amount reported for this category, and (b) exceeds \$100,000.

7. Line 7.g. Construction-in-progress. Enter the balance in general ledger account 1720, "Construction in Progress."

8. Line 7.h. Land. Enter the balance in general ledger account 1710, "Land."

9. Line 7.i. Allowances. Enter the sum of the following general ledger accounts:

1739 Accumulated Depreciation on Buildings
1749 Accumulated Depreciation on Other Structures and Facilities
1769 Accumulated Depreciation on Military Equipment
1819 Accumulated Depreciation on Assets Under Capital Lease
1829 Accumulated Amortization on Leasehold Improvements
1839 Accumulated Amortization on Automated Data Processing Software

1849 Allowance for Depletion

10. Line 7.j. Subtotal. Enter the net sum of lines 7.a. through 7.i.

J. Line 8. Other assets

1. Lines 8.a. through 8.d. Other assets. Enter the net sum of the following general ledger accounts:

1900 Other Assets, Net
1919 Allowance for Loss on Acquired Collateral

Identify the nature of any asset that (a) comprises more than 25 percent of the total amount reported for this category, and (b) exceeds \$100,000.

2. Line 8.e. Subtotal. Enter the sum of lines 8.a. through 8.d.

K. Line 9. Total assets. Enter the sum of lines 1. through 8.

L. Line 10. Accounts payable

1. Line 10.a. Federal agencies. Enter the net sum of the following general ledger accounts:

2111 Accounts Payable-Government-Current
2112 Accounts Payable-Government-Noncurrent

2. Line 10.b. Public. Enter the net sum of the following general ledger accounts:

2113 Accounts Payable-Public-Current
2114 Accounts Payable-Public-Noncurrent
2115 Claims Payable
2120 Disbursements in Transit
2130 Contract Holdbacks
2190 Other Accrued Liabilities

NOTE: The amount reported on this line shall include all amounts payable to the public, off-budget U.S. Government Agencies and instrumentalities, and deposit funds.

3. Line 10.c. Subtotal. Enter the sum of lines 10.a. and 10.b.

M. Line 11. Interest payable

1. Line 11.a. Federal agencies. Enter the interest owed to Federal agencies; such as, Treasury and the Federal Financing Bank. This line is not applicable to DoD Components.

2. Line 11.b. Public. Enter the balance in general ledger account 2140, "Accrued Interest Payable."

3. Line 11.c. Subtotal. Enter the sum of lines 11.a. and 11.b.

N. Line 12. Accrued payroll and benefits. Enter the balance in general ledger account 2210, "Accrued Funded Payroll and Benefits." This account balance includes the total funded (appropriated) but unpaid personnel compensation and benefits that have been earned by employees as of the close of the reporting period.

O. Line 13. Accrued unfunded annual leave. Enter the balance in general ledger account 2220, "Accrued Unfunded Annual Leave."

P. Line 14. Unearned revenue (advances)

1. Line 14.a. Federal agencies. Enter the balance in general ledger account 2311, "Unearned Revenue-Advances from Government Agencies and Funds."

2. Line 14.b. Public. Enter the sum of the following general ledger accounts:

2312	Unearned Revenue-Advances from the Public
2320	Deferred Credits

3. Line 14.c. Subtotal. Enter the sum of lines 14.a. and 14.b.

Q. Line 15. Deposit Funds. Enter the balance in general ledger accounts 2410,

"Treasury Cash Advances to Disbursing Officers" and 2411, "Deposit Fund Liabilities."

R. Line 16. Debt issued under borrowing authority. Line 10., SF 220-1, "Additional Financial Information" (figure 5-1) requires disclosure of changes in account balances reported on this line.

1. Line 16.a. Gross Federal debt. No entries shall be made by a DoD Component.

2. Line 16.b. Intragovernmental debt. Enter the sum of the following general ledger accounts:

2510	Borrowing from Treasury
2520	Borrowing from Federal Financing Bank
2540	Participation Certificates

3. Line 16.c. Other debt. Enter the sum of the following general ledger accounts:

2530	Securities Issued by Federal Agencies Under Special Financing Authority
2590	Other Debt

4. Line 16.d. Subtotal. Enter the sum of lines 16.a. through 16.c.

S. Line 17. Actuarial liabilities. Further disclosure of amounts reported on this line shall also be reported on line 9. of SF 220-1 (figure 5-1).

1. Line 17.a. Pension plans. Enter the balance in general ledger account 2610, "Retirement Plans." Actuarially determined liabilities for the DoD pension plan administered by DFAS shall be reported on this line.

2. Line 17.b. Insurance and annuity programs. Enter the sum of the following general ledger accounts:

2620	Insurance Plans
2690	Other Actuarial Liabilities

3. Line 17.c. Subtotal. Enter the sum of lines 17.a. and 17.b.

T. Line 18. Other liabilities

1. Lines 18.a. through 18.d. Other liabilities. Enter the sum of the following general ledger accounts:

2910 Prior Liens Outstanding on
Acquired Collateral
2920 Contingent Liabilities
2990 Other Liabilities (Summation of
accounts 2991 - 2993)

2. Line 18.e. Subtotal. Enter the sum of lines 18.a. through 18.d. Identify the nature of any liability that (a) comprises more than 25 percent of the total amount reported for this category, and (b) exceeds \$100,000. Liabilities related to accruals of loss contingencies shall be reported in this category as well as long-term agreements and contracts not reported elsewhere. Refer to the instructions in this chapter for reporting accounts payable.

U. Line 19. Total liabilities. Enter the sum of lines 10. through 18.

V. Lines 20. and 21. Appropriated fund equity. This section shall be completed by all reporting entities for revolving fund and non-revolving fund activities. Fund type 5 (Special Funds, Deposit Funds, and General Funds) activities, shall report only on lines 20., 21., 24., and 25., as applicable. Fund type 1 (Revolving Funds) activities shall report only on lines 22., 24., and 25. Fund types 2, 3, and 4 (Trust Funds) activities shall report only on lines 23., 24., and 25.

1. Line 20. Unexpended financed budget authority. This line is used only by fund type 5 (Special Funds, Deposit Funds, and General Funds) activities.

a. Line 20.a. Unexpended appropriations. Enter the net sum of the following general ledger accounts. (Note: All unliquidated obligation balances of successor "M" accounts shall be included in this line. Also, unexpended appropriations may reflect a negative balance due to the mechanics employed to arrive at the balance. A "negative" balance

shall not be construed as a violation of the Antideficiency Act.):

1010 Fund Balance with Treasury
1100 Cash
1200 Foreign Currency
1300 Receivables, Net
1400 Advances and Prepayments
2000 Liabilities

b. Line 20.b. Less: Unfilled customer orders (Federal). No entries shall be made by DoD Components.

c. Line 20.c. Subtotal.
Enter the net sum of lines 20.a. and 20.b.

2. Line 21. Invested capital.
This line is used only by fund type 5 (Special Funds, Deposit Funds, and General Funds) activities. Enter the sum of the following general ledger accounts:

1500 Inventories, Net
1600 Investments, Net
1700 Fixed Assets, Net
1800 Other Fixed Assets
1900 Other Assets, Net

W. Line 22. Revolving fund equity.
This line is used only by fund type 1 (Business Operations Fund) activities.

1. Line 22.a. Appropriated capital. Enter the balance in general ledger account 3200, "Invested Capital."

2. Line 22.b. Cumulative results. Enter the balance in general ledger account 3300, "Results of Operations."

3. Line 22.c. Donations. No entries shall be made by DoD Components.

4. Line 22.d. Subtotal. Enter the sum of lines 22.a. through 22.c.

X. Lines 23. through 25. Trust fund equity

1. Line 23. Trust fund balance(s). This line is used by fund types 2, 3,

and 4 (Trust Funds) activities. Enter the sum of the applicable 3000 general ledger account series (such as, 3100, 3220, 3230, 3310, 3400 and 3500).

2. Line 24. Total equity. This line is used by all fund type activities. Enter the sum of lines 20., 21., 22., and 23., as applicable.

3. Line 25. Total liabilities and equity. This line is used by all fund type activities. Enter the sum of lines 19. and 24.

Y. Agency Contacts. Enter in the blocks provided the preparer's name, telephone number, and address, along with the supervisor's name and telephone number.

0502 ADDITIONAL FINANCIAL INFORMATION, SF 220-1

050201 Purpose and Accounting Report Number. This section prescribes the report form and instructions for preparation of additional financial information necessary to support the Report on Financial Position (SF 220). Where circumstances warrant additional disclosure, DoD Components are responsible for assuring that all appropriate disclosures considered necessary for fair presentation of their financial position are included in this supporting report. The reporting requirements prescribed in this section are designated as SF 220-1, SF 220.

050202 Applicability and Scope. The provisions of this section apply to all DoD Components and cover the same fund types and appropriations as the SF 220 report on financial position, as identified in paragraph 050102 of this chapter.

050203 Report Form. DoD Components may either reproduce copies from the Treasury original provided in I TFM 2-4100 or use machine produced facsimiles. A copy of the SF 220-1 is provided as figure 5-2.

050204 Frequency and Distribution. The report shall be submitted as of September 30 of each year by the date established by the appropriate departmental-level accounting entity. Negative reports shall be submitted, when appropriate.

050205 Preparation Instructions for the SF 220-1

A. General. The general ledger account balances to be used in preparing this supporting report are the same as those account balances used to prepare related lines in the SF 220 report. The amounts reported shall agree with the balances reported in the SF 220 report.

B. Heading. Enter on the designated lines (1) date of the report, (2) name of the DoD Component submitting the report, (3) reporting entity, (4) OMB identification code, and (5) fund type.

C. Line 1. Fund balances with Treasury

1. Column (a) Treasury account symbols. Enter the appropriation or fund account symbol.

2. Column (b) Fund balance with Treasury. Enter the account balance, including unexpended balances of transfer appropriation accounts from other agencies and a subtotal for all balances.

3. Column (c) Clearing accounts. Enter the total of balances in clearing accounts and a subtotal for all balances. Columns (b) and (c) shall equal the amount reported in the SF 220, line 1.a.

4. Column (d) Foreign currency funds. Enter foreign currency fund balances reported in the SF 220, line 1.c. (except as noted in the instructions for column (e)) and a subtotal for all balances.

5. Column (e) Foreign currency allowances. This column is applicable only to those DoD Components reporting nonpurchased foreign currency that is accounted for in Treasury-assigned FT account symbols. Components should report gross foreign currency funds in column (d), the allowances for foreign currency accounts in column (e) and a subtotal for amounts. The net of columns (d) and (e) shall equal the foreign currency reported in the SF 220, line 1.c.

6. Column (f) Total. Enter the net amount posted for each account symbol in all columns and a grand total on the subtotal line.

D. Line 2. Cash

1. Lines 2.a.1. through 2.a.5. Restricted cash. Enter the amount and describe any cash holdings that have restrictions.

2. Line 2.b. Subtotal. Enter the total of all amounts reported on line 2.a.

3. Line 2.c. Unrestricted cash. Enter the total of all cash holdings having no restrictions.

4. Line 2.d. Total cash. Enter the total of lines 2.b. and 2.c. This total shall equal SF 220, line 1.b.

E. Line 3. Total: Fund balances with Treasury and cash. Enter the total of lines 1. and 2. This total shall equal SF 220, line 1.d.

F. Line 4. Summary of transfer appropriation accounts. Enter in columns (a) through (c) the required transfer appropriation account data. This data should be entered only by the parent (transferor) account. Transfer appropriation accounts are established to receive (and subsequently disburse) allocations that are treated as nonexpenditure transactions at the time the allocation is made, including certain transfers under section 601 of the Economy Act (31 U.S.C. 1535), and similar provisions of law. An example of a transfer appropriation account and parent account is 97-11X8242 and 11X8242. Allocation holders shall not report status of allocations on this line.

G. Line 5. Investments

1. Lines 5.a.1. and 5.a.2. Federal securities. Enter the data required for holdings in securities issued by Federal agencies. Holdings in Federal securities should be reported as marketable or nonmarketable. Marketable Federal securities are bought and sold on the open market. Nonmarketable Federal securities are market-based securities issued by the Bureau of the Public Debt and purchased exclusively through Treasury's Finance and Funding Branch (for example, MK bills, MK notes, MK bonds, par value special issues, and 1-day certificates).

2. Line 5.b. Subtotal. Enter the total of all amounts reported as nonmarketable and marketable securities. The net (columns (1) and (4)) shall equal SF 220, line 5.a.

3. Lines 5.c.1. through 5.c.4. Non-Federal securities. Enter the data required and describe any holdings in securities issued by organizations (such as State and local governments, private corporations, and government-sponsored enterprises) other than the Federal Government. DoD Components should not report values in this section without the prior approval of DFAS.

4. Line 5.d. Subtotal. Enter the total of all amounts reported as Non-Federal securities. The net (columns (1) and (4)) shall equal SF 220, line 5.b.

5. Lines 5.e.1. through 5.e.4. Other investments. Enter the data required and described any holdings in other investments.

6. Line 5.f. Subtotal. Enter the total of all amounts reported as other investments. The net (columns (1) and (4)) shall equal SF 220, line 5.c.

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1 TFM 2-4100

ADDITIONAL FINANCIAL INFORMATION

as of _____
(In dollars)

Page 1 of 7
IAR No. 1178-TD-XX

IDENTIFICATION:

DEPARTMENT/AGENCY: _____

BUREAU/ORGANIZATIONAL UNIT: _____

OMB IDENTIFICATION CODE: _____ FUND TYPE: _____

1. Fund balances with Treasury: (SF 220)		
Treasury account symbols (a)	Fund balance with Treasury (b)	Clearing accounts (c)
Subtotal		
Foreign currency funds (d)	Foreign currency allowance (e)	Total (f)
Subtotal		
2. Cash: (SF 220)		
a. Restricted cash (describe restriction)		
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____
b. Subtotal		
c. Unrestricted cash		
d. Total cash		
3. Total: Fund balances with Treasury and cash (SF 220)		

FIGURE 5-2

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as of _____
(In dollars)

BUREAU/ORGANIZATIONAL UNIT:

[illegible]

FIGURE 5-2 (Cent)

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ADDITIONAL FINANCIAL INFORMATION

as of _____
(In dollars)

BUREAU/ORGANIZATIONAL UNIT: _____

6. Inventory: (SF 220)	Amount		Costing method code	
a. Categories				
1. Operating consumables	_____	_____	_____	_____
2. Product or service components	_____	_____	_____	_____
3. Stockpiled materials	_____	_____	_____	_____
4. Other	_____	_____	_____	_____
b. Restrictions on inventory use, sale and disposition	_____			

7. Property, plant and equipment: (SF 220)	1. •	2. •	3. Fully Depreciated Assets	4. Non-Depreciated Assets	5. Assets Being Depreciated	6. Value Property Not in use
Classes of fixed assets						
a. Structures, facilities, and leasehold improvements						
b. Military equipment						
c. ADP software						
d. Equipment						
e. Assets under capital lease						
f. Other						
g. Capitalization policy	_____					
h. Fixed asset valuation basis	_____					
i. Description	_____					

•KEY:

- | | |
|--|--------------------------|
| 1. Depreciation methods | 2. Range of service life |
| a. Interest (sinking fund) | a. 1 to 5 years |
| b. Straight line | b. 6 to 10 years |
| c. Doubling-declining balance | c. 11 to 20 years |
| d. Sum-of-the-year's digits | d. over 20 years |
| e. Production (activity or use method) | |
| f. Other | |

FIGURE 5-2 (Cont)

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ADDITIONAL FINANCIAL INFORMATION
as of _____
(In dollars)

BUREAU/ORGANIZATIONAL UNIT: _____

8. Leases: (SF 220)			
a. Entity as lessee:		Payments Due	
Leases by major category	Yr. 1	Yr. 2	Yr. 3
Capital leases:			
1. _____			
2. _____			
3. _____			
Operating leases:			
4. _____			
5. _____			
6. _____			
Leases by major category	Yr. 4	Yr. 5	After 5 yrs.
Capital leases:			
7. _____			
8. _____			
9. _____			
Operating leases:			
10. _____			
11. _____			
12. _____			
b. Entity as lessor:		Payments Receivable	
Leases by major category	Yr. 1	Yr. 2	Yr. 3
Capital leases:			
1. _____			
2. _____			
3. _____			
Operating leases:			
4. _____			
5. _____			
6. _____			
Leases by major category	Yr. 4	Yr. 5	After 5 yrs.
Capital leases:			
7. _____			
8. _____			
9. _____			
Operating leases:			
10. _____			
11. _____			
12. _____			

FIGURE 5-2 (Cont)

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ADDITIONAL FINANCIAL INFORMATION
as of _____
(In dollars)

BUREAU/ORGANIZATIONAL UNIT: _____

9. Actuarial liabilities: (SF 220)	
a. Federal employee pension plans:	
1. Name _____	
2. Present value of accumulated plan benefits _____	
3. Assumed interest rate used to calculate benefits _____	
4. Assets of pension trust fund held to pay benefits _____	
b. Insurance or annuity programs: (SF 220)	
1. Name _____	
2. Present value of accumulated future payments _____	
3. Assumed interest rate used to calculate benefits _____	
4. Assets available to pay benefits _____	
c. Social security trust funds:	
1. Present value of accumulated future payments _____	
2. Assumed interest rate used to calculate benefits _____	
3. Assets available to pay benefits _____	
10. Debt issued under borrowing authority: (SF 220)	
a. Gross Federal debt:	
1. Beginning balance _____	
2. New borrowings _____	
3. Repayments _____	
4. Ending balance (SF 220) _____	
5. Refinancing _____	
b. Intragovernmental debt:	
1. Borrowing from the Treasury:	
a. Beginning balance _____	
b. New borrowings _____	
c. Repayments _____	
d. Ending balance (SF 220) _____	
e. Refinancing _____	
2. Borrowing from the Federal Financing Bank:	
a. Beginning balance _____	
b. New borrowings _____	
c. Repayments _____	
d. Ending balance (SF 220) _____	
e. Refinancing _____	
3. Borrowing from other Federal agencies:	
a. Beginning balance _____	
b. New borrowings _____	
c. Repayments _____	
d. Ending balance (SF 220) _____	
e. Refinancing _____	
4. Total intragovernmental debt, ending balance _____	
c. Other (describe) (SF 220) 1. _____	
2. _____	
3. _____	
4. _____	
d. Total _____	

FIGURE 5-2 (Cent)

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ADDITIONAL FINANCIAL INFORMATION
as of _____
(In dollars)

BUREAU/ORGANIZATIONAL UNIT: _____

11. Unexpended budget authority: (SF 220)	
a. Unobligated	_____
b. Undelivered orders:	
1. Federal	_____
2. Public	_____
c. Total	_____
12. Unfinanced budget authority:	
a. Contract authority	_____
b. Borrowing authority	_____
c. Unfilled customer orders (Federal)	_____
d. Total	_____
13. Summary of commitments and contingencies:	
a. Guaranteed or insured loans: (SF 220-8)	
1. Amount of guarantees or insurance in force	_____
2. Amount of commitments to guarantee or insure	_____
3. Amount included in undelivered orders	_____
4. Range of future losses	_____
b. Insurance programs:	
1. Amount of insurance in force	_____
2. Amount of commitments to insure	_____
3. Amount included in undelivered orders	_____
4. Range of future losses	_____
c. Indemnity agreements:	
1. Amount of indemnity agreements	_____
2. Amount included in undelivered orders	_____
3. Range of future losses	_____
4. Description	_____

FIGURE 5-2 (Cent)

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ADDITIONAL FINANCIAL INFORMATION

as of _____
(In dollars)

BUREAU/ORGANIZATIONAL UNIT: _____

13. Summary of commitments and contingencies - Continued	
d. Unadjudicated claims:	
1. Amount of unadjudicated claims	
2. Amount included in undelivered orders	
3. Range of future losses	
e. Commitments to international institutions:	
1. Name of international institutions	
2. Amount of commitment	
f. Other commitments or contingencies:	
1. Description	
2. Amount of other commitments or contingencies	
3. Range of future losses	
g. Accrual for loss contingencies	
14. Other disclosures (e.g., change in the reporting entity, subsequent events, prior period adjustments):	

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

FIGURE 5-2 (Cont)

7. Line 5.g. Total. Enter the total of lines 5.b., 5.d., and 5.f. The net (columns (1) and (4)) shall equal SF 220, line 5.d.

H. Line 6. Inventory

1. Lines 6.a.1. through 6.a.4. Categories. Disclose the inventory amount and cost method used in arriving at the value of inventory reported on line 4. of the SF 220 for each inventory category in accordance with the following code: a-FIFO, b-LIFO, c-moving average, d-weighted average, e-other (describe).

2. Line 6.b. Restrictions on inventory use, sale and disposition. Describe any restrictions on the use, sale, or other disposition of inventory.

I. Line 7. Property, plant, and equipment. For each class of fixed assets (lines 7.a. through 7.i.) provide the information requested in each column on the chart. Use the following instructions as a reference to information that should be reported.

1. Column 1 - Depreciation methods. Depreciation methods for depreciable assets are: (a) Interest (sinking fund), (b) Straight line, (c) Double-declining balance, (d) Sum-of-the-year's digits, (e) Production (activity or use method), and (f) Other. Refer to chapter 6, of Volume 4, of this regulation for additional guidance on depreciation.

2. Column 2 - Range of service life. Service life for depreciable assets are: (a) 1 to 2 years, (b) 3 to 5 years, (c) 6 to 10 years, (d) 11 to 15 years, (e) 16 to 20 years, (f) 21 to 25 years, and (g) over 25 years (describe).

3. Column 3 - Fully Depreciated Assets. Enter the dollar amount and one of the following codes: (a) original purchase price, or (b) market value.

4. Column 4 - Non-Depreciated Assets. Enter the dollar amount and one of the following: (a) not subject to depreciation or (b) other (describe).

5. Column 5. Assets Being Depreciated. Enter the dollar amount of assets being depreciated or amortized.

6. Column 6 - Value Property Not In Use. Enter the dollar amount and one of the following codes: (a) obsolete, (b) storage (lay-away), (c) assets awaiting disposal, or (d) Property held for military contingency. (DoD Components should use (d) unless property is in a PDO yard.) In addition, disclose in the space provided the capitalization policy used by the reporting DoD Component and the basis used in valuing fixed assets. The amounts reported should agree with the balance reported on the SF 220, line 7., less the amount for land and leases.

J. Line 8. Leases

1. Lines 8.a.1. through 8.a.12. Entity as lessee. Enter future lease costs by major category for all noncancelable leases with terms longer than 1 year (for example, buildings, equipment, telecommunications). Normally DoD Components will have no noncancellable leases. Report only to the extent that statute precludes cancellation.

2. Lines 8.b.1. through 8.b.12. Entity as lessor. Enter future lease revenues by major category for all noncancelable leases with terms longer than 1 year (for example, land, oil, gas).

K. Line 9. Actuarial liabilities. Report in this category the actuarial liabilities and the net assets of each pension, insurance, or annuity program administered by the reporting DoD Component. If more than one pension, insurance, or annuity program is administered by the reporting DoD Component, submit separate data on each plan or program.

1. Line 9.a. Federal employee pension plans. Report information derived from the most recent annual pension report under Public Law 95-595).

a. Line 9.a.1. Enter the name of the plan.

b. Line 9.a.2. Enter the amount of the present value of accumulated plan benefits. This amount shall agree with line 17.a. of the SF 220.

c. Line 9.a.3. Enter the assumed interest rate used.

d. Line 9.a.4. Enter the amount of net assets held to pay benefits.

2. Line 9.b. Insurance or annuity programs. Report actuarial liabilities of those programs based on actuarial estimates of future benefits or payments; for example, veterans benefits, black lung disability program, etc., administered by the reporting DoD Component.

a. Line 9.b.1. Enter the name of the program.

b. Line 9.b.2. Enter the amount of the present value of accumulated future benefits. This amount shall agree with line 17.b. of the SF 220,

c. Line 9.b.3. Enter the assumed interest rate used.

d. Line 9.b.4. Enter the amount of net assets held to pay future benefits.

3. Line 9.c. Social security trust funds. DoD Components shall not report amounts on this line. Leave line 9.c.1. through 9.c.3. blank.

L. Line 10. Debt issued under borrowing authority

1. Line 10.a. Gross Federal debt. DoD Components shall not report amounts on this line. Leave lines 10.a.1. through 10.a.5. blank.

2. Line 10.b. Intragovernmental debt. Enter the amounts required relative to any borrowings from Federal agencies. Separately report borrowings from the Treasury on lines 10.b.1.a. through 10.b.1.e., and borrowings from the Federal Financing Bank on lines 10.b.2.a.

through 10.b.2.e. For borrowings from any other Federal agencies, provide the name of the agency and enter the amounts required on lines 10.b.3.a. through 10.b.3.e. Lines for new borrowings and repayments should not include amounts that result from refinancing. The amount of beginning balance borrowings that were refinanced during the period should be entered on the line for refinancing. Total ending balance on line 10.b.4. for all borrowings from Federal agencies shall equal the amount reported on SF 220, line 16.b.

3. Line 10.c. Other. Enter on lines 10.c.1. through 10.c.4. any other debt that is not included in lines 10.a and 10.b. Provide a brief description and amount of the debt. The total of all amounts reported on this line should equal the amount reported on SF 220, line 16.c.

4. Line 10.d. Total. Enter the total of the ending balances on lines 10.a., b., and c. This total shall equal the amount reported on SF 220, line 16.d.

M. Line 11. Unexpended budget authority. This category provides details relating to balances of budget authority that result from the fact that not all budget authority enacted in a fiscal year is obligated and paid out in that same year.

1. Line 11.a. Unobligated. Enter the total unobligated balances of budget authority. This shall agree with column (11) of the TFS Form 2108, "Year-end Closing Statement."

2. Line 11.b. Undelivered orders. Enter the amounts for goods and services that have not yet been received, unperformed contracts, and similar outstanding obligations. The amounts relating to Federal agencies should be reported on line 11.b.1., separately from all others (public), which are to be reported on line 11.b.2. The total amount of public and Federal undelivered orders shall agree with column (9) of the TFS Form 2108, "Year-end Closing Statement."

3. Line 11.c. Total. Enter the total of lines 11.a., 11.b.1., and 11.b.2.

N. Line 12. Unfinanced budget authority (4000 Series-Budgetary Accounts)

1. Line 12.a. Contract authority. Enter the total contract authority that has not been liquidated.

2. Line 12.b. Borrowing authority. Enter the total borrowing authority that has been unused.

3. Line 12.c. Unfilled customer orders (Federal). Enter the amount of unfilled customer orders from other Federal entities.

4. Line 12.d. Total. Enter the total of lines 12.a., 12.b., and 12.c.

O. Line 13. Summary of commitments and contingencies (4000 Series-Budgetary Accounts). Do not report contingent liabilities that were reported as liabilities on the SF 220.

1. Line 13.a. Guaranteed or insured loans. Enter on lines 13.a.1. through 13.a.4. the requested data applicable to guaranteed or insured loans.

2. Line 13.b. Insurance programs. Enter on lines 13.b.1. through 13.b.4. the requested data applicable to insurance programs.

3. Line 13.c. Indemnity agreements. Enter on line 13.c.1. through 13.c.4. the requested data applicable to indemnity agreements.

4. Line 13.d. Unadjudicated claims. Enter on line 13.d.1. through 13.c.3. the requested data applicable to unadjudicated claims.

5. Line 13.e. Commitments to international institutions. Enter on lines 13.e.1. and 2. the name and the amount of programs committing the use of U.S. Government funds in the future such as callable capital of international organizations.

6. Line 13.f. Other commitments or contingencies. Describe and enter on line

13.f.1. through 13.f.3. any other contingent liabilities or commitments (for example, long-term contracts) that are not included in any of the above categories and range of expected future losses.

7. Line 13.g. Accrual for loss contingencies. Enter the amount of any accrual established for loss contingencies. Normally, this amount will be -0- unless approved by the OUSD(C).

P. Line 14. Other disclosures. Examples for other disclosures are changes in the reporting entity, such as acquiring new areas of responsibility. Also report any events that may have an impact upon the reports that occurred after the close of the reporting period. Report any material prior period adjustments.

Q. Agency Contacts. Enter in the blocks provided the preparer's name, telephone number, and address along with the supervisor's name and telephone number.

0503 DIRECT AND GUARANTEED LOANS REPORTED BY AGENCY AND PROGRAM DUE FROM THE PUBLIC, SF 220-8

050301 Purpose and Accounting Report Number. This section provides the report form and instructions for preparation of the supporting report, Direct and Guaranteed Loans Reported by Agency and Program Due From the Public. The supporting report provides an analysis of the outstanding contingent liability for guaranteed loans. The reporting requirements prescribed in this section are designated as SF 220-8, SF 220.

050302 Report Form. The Treasury report format provided in I TFM 2-4100) may be reproduced or a machine-produced facsimile may be used. A copy of the SF 220-8 is provided as figure 5-3.

050303 Frequency and Distribution

A. The SF 220-8 shall be submitted as of September 30 of each year by the due dates established by the appropriate

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IAR No. 1178-TD-XX

REPORT ON GUARANTEED LOANS

as of _____
(in dollars)

Identification:

Department/Agency: _____

Bureau/Organization Unit: _____

Program Name: _____

OMB Identification Code: _____ Fund Type: _____

PART I		
STATUS OF GUARANTEED LOANS		
Section A	Number	Amount
Guaranteed Loans Outstanding		
1. Outstanding, Beginning of FY		
a. Agency Share of Risk		
b. Lender Share of Risk		
2. New Guaranteed Loans (+)		
3. Collections (-)		
4. Guaranteed Loans Terminated (-)		
5. Adjustments, Net (+) or (-)		
6. Outstanding, End of Period		
a. Agency Share of Risk		
b. Lender Share of Risk		
Section B		
Delinquent and Rescheduled Guaranteed Loans		
1. Total Delinquencies Over 30 Days		
a. 31-60 Days		
b. 61-90 Days		
c. 91-120 Days		
d. 121-180 Days		
e. 181-365 Days		
f. Over 1 Year		
2. Loans Rescheduled		
Section C		
Portfolio Status		
1. Loan Classification		
a. Problemless		
b. Program Standard (commercial only)		
c. Substandard		
d. Doubtful (commercial only)		
e. Loss		
2. Loan Loss Estimate		

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FIGURE 5-3

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REPORT ON GUARANTEED LOANS

as of _____
(in dollars)

Bureau/Organization Unit: _____

PART II		
PORTFOLIO MANAGEMENT BY AGENCY		
Section A	Number	Amount
Claims		
1. Outstanding Claims, Beginning of FY		
2. Claims Filed (+)		
3. Claim Amounts Denied/Adjusted/Reduced (-)		
4. Claims Paid (-)		
a. For Full Outstanding Guarantee (-)		
b. For Balance after Lender Liquidation (-)		
5. Outstanding Claims, End of Period		
Section B		
Defaulted Guaranteed Loans		
1. New Defaulted Guaranteed Loans Receivable		
a. Assigned in Full		
b. Deficiency		
Section C		
Real Property Inventory		
1. Outstanding, Beginning of FY		
2. Property Acquired (+)		
3. Property Liquidated (-)		
4. Adjustments (+) or (-)		
5. Balance, End of Period		
a. Single Family Housing		
b. Multi-Family Housing		
c. Farms		
d. Commercial Properties		
e. Other		
PART III		
LENDER MANAGEMENT BY AGENCY		
Section A		
Certification and Reviews		
1. Total Number of Lenders Participating		
2. Lender Certifications		
a. Approved		
b. Disapproved		
3. Lender Recertifications		
a. Approved		
b. Disapproved		
4. On-site Reviews		
Section B		
Sanctions		
1. Lender Penalties		
a. Assessed		
b. Collected		
2. Lenders Debarred/Suspended		

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FIGURE 5-3 (Cont.)

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REPORT ON GUARANTEED LOANS

as of _____
(in dollars)

Bureau/Organization Unit: _____

PART IV FOOTNOTES

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

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FIGURE 5-3 (Cont.)

departmental-level accounting entity. The report shall be attached to the SF 220 and shall be distributed to the addresses provided in the addendum to this chapter.

B. The SF 220-8 shall be prepared and submitted annually by each reporting DoD Component (except for the Defense Security Assistance Agency (DSAA)) that has a loan program, either direct or guaranteed. The DSAA is required to submit an SF 220-8 quarterly.

050304 Preparation Instructions for the SF 220-8

A. PART I STATUS OF GUARANTEED LOANS. Part I of the SF 220-8 addresses the status of guaranteed loans. Outstanding loan balances are captured; guaranteed loans are classified according to collection probability; and delinquent guaranteed loans are aged. Guaranty amounts should be reported on the form in terms of principal only, except for cases in which the agency provides a guaranty of both principal and interest.

1. Section A - Guaranteed Loans Outstanding shows: the beginning fiscal year balance of outstanding guaranteed loans; cumulative activity during the fiscal year as of the end of the reporting period, for new guarantees, collections, terminations due to defaults, and adjustments; and, the outstanding balance at the end of the reporting period. The "Adjustments" line is for reporting changes in guaranteed loan balances that are not the result of new guarantees, collections, or terminations due to defaults. These changes should be footnoted and include:

- o Correction to a previously reported guaranteed loan amount.
- o Refunds of amounts previously reported as paid.
- o Adjustments made in a prior period.

a. Line 1. Outstanding, Beginning of FY. Enter the number and amount of all guaranteed loans outstanding as of the beginning of the fiscal year. These figures must

agree with the ending balance reported on the year-end SF 220-8 for the previous fiscal year. The beginning balance remains unchanged throughout the fiscal year. These figures equal the sum of lines 1.a. and 1.b. of this section.

(1). Line 1.a. Agency Share of Risk. Enter the amount of guaranteed loans outstanding for which the agency has assumed risk (guaranteed).

(2). Line 1.b. Lender Share of Risk. Enter the amount of guaranteed loans outstanding for which the lenders have assumed risk.

b. Line 2. New Guaranteed Loans. Enter the number and amount of all guaranteed loans disbursed by approved lenders during the current fiscal year.

c. Line 3. Collections. Enter the amount of payments made to lenders by borrowers on guaranteed loans during the fiscal year. The dollar amount reported captures all collections, including partial payments. Enter collections with a minus (-) sign before the figures. Non-cash collections (e.g., personal property) are to be footnoted.

d. Line 4. Guaranteed Loans Terminated. Enter the number and amount of accounts for loans that have been terminated for default during the fiscal year. Include only those loans where a default claim has been paid and the guarantee is no longer in effect. Entries on this line are preceded by a minus (-) sign.

e. Line 5. Adjustments. Enter the amount of accounts for guaranteed loans adjusted and transferred either into or out of guaranteed loan balances during the fiscal year. Terminations for reasons other than default and prior period adjustments are also included on this line. All amounts reported on this line are footnoted; these figures may be either positive or negative.

f. Line 6. Outstanding, End of Period. Enter the number and amount of guaranteed loans outstanding at the end of the

reporting period. The amount is equal to the sum of lines 1. through 5. of this section, realizing that lines 3. and 4. are negative figures and line 5. may be either positive or negative. The amount also equals the sum of lines 6.a. and 6.b. of this section. Amounts reported on this line represent principal only.

(1). Line 6.a. Agency Share of Risk. Enter the amount of guaranteed loans outstanding for which the agency has assumed risk (guaranteed).

(2). Line 6.b. Lender Share of Risk. Enter the amount of guaranteed loans outstanding for which the lenders have assumed risk.

2. Section B - Delinquent and Rescheduled Guaranteed Loans contains an aging schedule of guaranteed loan delinquencies. The amounts include delinquent guaranteed loans as of the end of the reporting period. The following criteria must be used when preparing this section:

- o Guaranteed loans are recorded as delinquent if not paid by the payment due date unless terms of the contract or agreement provide otherwise. Loans are aged from the payment due date or the day notification of the debt was mailed.

a. Line 1. Total Delinquencies Over 30 Days. Enter the number and amount of delinquent guaranteed loans as of the end of the quarterly reporting period. The amount to be reported is ordinarily that of the past due payment; however, when the full amount of the account is formally due and declared payable, then the entire amount of the loan is reported as delinquent. The amount is equal to lines 1.a. through 1.f. of this section.

(1). Lines 1.a. through 1.f. Enter on the appropriate line item the amount of guaranteed loans that are delinquent for 31 to 60 days, 61 to 90 days, 91 to 120 days, 121 to 180 days, 181 to 360 days, and over 1 year.

b. Line 2. Loans Rescheduled. Enter the number and amount of delinquent guaranteed loans for which terms and conditions of the original lending agreements were renegotiated during the reporting period to establish new terms or conditions for facilitating debt repayment. Each rescheduling of a loan is individually counted.

3. Section C - Portfolio Status shows the number and amount of guaranteed loans, classified according to their collection probability, as of the reporting period. Agencies classifying guaranteed loans into different categories should, for this report, adapt their information to the five categories identified on lines 1.a. through 1.e. in this section (i.e., Comptroller of the Currency's model risk rating as provided in Appendix 5 to OMB Circular A-129). Also included in this section are loan loss estimates which are the anticipated long-term losses (net of collateral liquidation and other recoveries) from the portfolio based on the analysis of collection probability and other factors.

a. Line 1. Loan classification. Enter the total number and amount of guaranteed loans outstanding at the end of the reporting period. These figures equal the sum of lines 1.a. through 1.e. of this section. The number and amount must agree with Part I, Section A, line 6. of this report. For commercial loans, all classifications (line 1.a. through 1.e.) are applicable. For consumer loans, use only those classifications listed on lines 1.a., 1.c., and 1.e.

(1). Line 1.a. Problemless. Enter the number and amount of loans in which payments are being made consistent with terms of the agreement (i.e., non-delinquent.)

(2). Line 1.b. Program standard (commercial only). Enter the number and amount of loans in which assets are potentially weak, but may meet minimum program standards for creditworthiness. Assets in which actual, not potential, weaknesses are evident and significant should be considered for more serious analyses. This line item is not applicable for consumer loans.

(3). Line 1.c. Substandard. Enter the number and amount of loans in which assets contain actual weaknesses that jeopardize collection of the debt. They are characterized by the distinct possibility that the lender will sustain some loss if the deficiencies are not corrected. For consumer accounts, loans with four (4) missed payments should be classified as "substandard."

(4). Line 1.d. Doubtful (commercial only). Enter the number and amount of loans in which liquidation of an asset for full value is improbable and the possibility of loss at this time is high; however, certain conditions exist that may positively affect the asset. This line item is not applicable for consumer loans.

(5). Line 1.e. Loss. Enter the number and amount of loans in which assets are determined to be uncollectible and of such little value that their continuance as assets is not warranted. For consumer accounts, loans with five (5) or more missed payments should be classified in this category.

b. Line 2. Loan Loss Estimate. Enter the number and amount of estimated future losses as of the reporting period. The total portfolio less any recoveries should be considered when determining a loan loss estimate.

B. PART II PORTFOLIO MANAGEMENT BY AGENCY. Part II of the SF 220-8 reflects the beginning balance, outstanding balance, and activity of claims that were submitted by lenders to the agency during the fiscal year for payment. Balances for defaulted guaranteed loans and real property inventories are also shown.

1. Section A - Claims shows outstanding balances and activity for claims submitted by lenders to the agency during the fiscal year. The amounts in this section include principal, interest, and additional costs due to lenders.

a. Line 1. Outstanding Claims, Beginning of FY. Enter the number and amount of claims outstanding (principal, interest,

etc.) at the beginning of the fiscal year. These figures must agree with the ending balance reported on the year-end SF 220-8 for the previous fiscal year. The beginning balance remains unchanged throughout the fiscal year.

b. Line 2. Claims Filed. Enter the number and amount for all new claims (principal, interest, etc.) filed with the agency during the fiscal year.

c. Line 3. Claim Amounts Denied/Adjusted/Reduced. Enter the number and amount (principal, interest, etc.) for claims that were either denied, adjusted, or reduced by the agency during the fiscal year. The amounts reported represent the full value of the denials, the amount of the adjustments, and the amount of the reductions. Entries on this line are preceded by a minus (-) sign.

d. Line 4. Claims Paid. Enter the number and amount of claims that were paid by the agency during the fiscal year. The amount equals the sum of lines 4.a. and 4.b. of this section. Entries on this line are preceded by a minus (-) sign.

(1). Line 4.a. For full outstanding guarantee. Enter the number and amount of claims that were paid for the full outstanding guarantee (plus any interest and lender costs.) Entries on this line are preceded by a minus (-) sign.

(2). Line 4.b. For balance after lender liquidation. Enter the number and amount of claims that were paid (including any interest and lender costs) after the lender has liquidated all available property. Entries on this line are preceded by a minus (-) sign.

e. Line 5. Outstanding Claims, End of Period. Enter the outstanding number and amount of claims as of the end of the reporting period. The amount equals the sum of lines 1. through 4. of this section, recognizing that lines 3. and 4. are negative figures.

2. Section B - Defaulted Guaranteed Loans shows the balances for defaulted guaranteed loans (principal, interest, etc.) which have been assumed by the agency during the fiscal year and for which claims were paid. Upon payment of reinsurance, defaulted guaranteed loans are to be reported as loans receivable on the SF 220-9, "Report on Accounts and Loans Receivable Due From the Public." Any differences between the totals on line 4., Section A, Part II, and line 1., of this Section must be explained in a footnote.

a. Line 1. New Defaulted Guaranteed Loans Receivable. Enter the number and amount (principal, interest, etc.) of all defaulted guaranteed loans for which reinsurance has been paid and/or claims were paid during the fiscal year. This line item equals the sum of lines 1.a. and 1.b. of this section.

(1). Line 1.a. Assigned in full. Enter the number and amount of defaulted loan claims for the full amount of the guaranty outstanding.

(2). Line 1.b. Deficiency. Enter the number and amount of defaulted collateralized loans whereby the net proceeds from liquidation were insufficient to cover that portion of the default amount which the agency guaranteed.

3. Section C - Real Property Inventory shows the outstanding balances and classifications for real property owned by the agency. The property values are the appraised values of properties at the time of acquisition. If the appraised value was not used, please provide a footnote to explain the method used.

a. Line 1. Outstanding, Beginning of FY. Enter the number and value of real properties outstanding at the agency (i.e., title held by the agency) at the beginning of the fiscal year. These figures must agree with the outstanding balance reported on the year-end SF 220-8 for the previous fiscal year. The beginning balance remains unchanged throughout the fiscal year. This balance should represent the appraised value at the time of acquisition. If the

appraised value at the time of acquisition is not used, please provide a footnote which explains the method used to value the property.

b. Line 2. Property Acquired. Enter the number and value of properties acquired (i.e., title held) by the agency during the fiscal year. The amount reported on this line should represent the appraised value at the time of acquisition. If the appraised value at the time of acquisition is not used, please provide a footnote which explains the method used.

c. Line 3. Property Liquidated. Enter the number and value of properties that were liquidated by the agency during the fiscal year. The amount should be the liquidated value of the property (gross selling price). If this value is not used, please provide a footnote which explains the method used. Figures on this line are preceded by a minus (-) sign.

d. Line 4. Adjustments. Enter the amount for adjustments made to real property during the fiscal year. These changes include prior period adjustments (e.g., mathematical corrections); reappraisals; and the difference between the liquidated value of the property and the appraised value of the property at the time of acquisition. All amounts reported on this line are footnoted; these figures may be either positive or negative.

e. Line 5. Balance, End of Period. Enter the number and amount for the outstanding balance of real property at the end of the reporting period. The amount equals the sum of lines 1. through 4. of this section, recognizing that line 3. is negative and that line 4. may be either positive or negative. This line also equals the sum of lines 5.a. through 5.e. of this section.

(1). Line 5.a. Single family housing. Enter the number and amount of houses for this category.

(2). Line 5.b. Multi-family housing. Enter the number and amount of properties for this category.

(3). Line 5.c. Farms.

Enter the number and amount of farms, including land, dwellings, or other buildings such as barns.

(4). Line 5.d.

Commercial properties. Enter the number and amount of commercial properties. Properties making up a commercial complex (shopping center, etc.) are to be treated as a single property.

(5) Line 5.e. Other.

Enter the number and amount for properties not covered by the above categories. Included in this category is undeveloped and partially developed land. Entries on this line must be footnoted.

C. Part III LENDER MANAGEMENT BY AGENCY. Part III of the SF 220-8 focuses on activities the Federal/guaranty agency conducts to certify, review, and sanction lenders who participate in guaranteed loan programs.

1. Section A - Certification and Reviews shows analysis of current activity involving lender certification and review during the fiscal year.

a. Line 1. Total Number of Lenders Participating. Enter the number of lenders who are participating in guaranteed loan programs at the end of the reporting period.

b. Line 2. Lender Certifications reflect the number of lenders that were either approved or disapproved by the agency for participation in a guaranteed loan program during the fiscal year.

(1). Line 2.a. Approved.
Enter the number of lenders approved by the agency.

(2). Line 2.b. Disapproved. Enter the number of lenders rejected by the agency.

c. Line 3. Lender Recertifications reflect the number of lenders who were either approved or disapproved by the

agency for continued participation in a guaranteed loan program during the fiscal year.

(1). Line 3.a. Approved.
Enter the number of lenders approved by the agency.

(2). Line 3.b. Disapproved. Enter the number of lenders rejected by the agency.

d. Line 4. On-site Reviews.
Enter the number of reviews that were conducted by agency personnel physically visiting lender sites during the fiscal year.

2. Section B - Sanctions capture lender penalty data and the number of lenders who were debarred or suspended during the fiscal year.

a. Line 1. Lender Penalties shows the status on the number and amount of penalties assessed against lenders during the fiscal year for noncompliance with administrative and statutory requirements.

(1). Line 1.a. Assessed.
Enter the number and amount of penalties assessed.

(2). Line 1.b. Collected.
Enter the number and amount of penalties collected.

b. Line 2. Lenders Debarred/Suspended. Enter the number of lenders who were either debarred or suspended during the fiscal year.

D. PART IV FOOTNOTES. Part IV provides additional information and clarification on specific transactions as required per instructions for completing the SF220-8, "Direct and Guaranteed Loans Reported by Agency and Program Due From the Public."

AGENCY CONTACTS: Enter the preparer's name, telephone number, address, and the supervisor's name and telephone number.

0504 REPORT ON ACCOUNTS AND
LOANS RECEIVABLE DUE FROM
THE PUBLIC, SF 220-9

050401 Purpose and Accounting Report Number. This section prescribes the report form and instructions for preparation of the report on Accounts and Loans Receivable Due From The Public required pursuant to I TFM 2-4100. This supporting report provides the Treasury Department with information needed pursuant to OMB Circular A-129, "Managing Federal Credit Programs." It will also advise agency managers on the status of receivables and credit management efforts. The reporting requirements prescribed in this section are designated as SF 220-9, SF 220.

050402 Applicability and Scope. The provisions of this section apply to all DoD Components, including those with no receivable activity.

050403 Report Form. DoD Components may either reproduce copies from the Treasury original provided in I TFM 2-4100, or use machineproduced facsimiles. A copy of the SF 220-9 is provided as figure 5-4.

050404 Frequency and Distribution

A. Departmental-level accounting entities with accounts and loans receivable totaling less than \$50 million must submit SF 220-9 annually. They must complete only part I and the "Agency Contacts" part. Entities with accounts and loans receivable totaling \$50 million or more must submit SF 220-9 quarterly. They must complete parts I and II and the "Agency Contacts" part. Departmental-level accounting entities must advise their reporting components of the accounts and fund types that require quarterly submission of SF 220-9.

B. The report shall be submitted with the basic SF 220 report. However, quarterly reports shall be submitted under a cover transmittal letter signed by the responsible individual and distributed by the departmental-level accounting entity in accordance with the

addresses provided in the addendum to this chapter.

050405 Preparation Instructions for the SF 220-9

A. General

1. A consolidated schedule shall be prepared by each Military Department and by each reporting Defense Agency. The DFAS shall consolidate the reports from the Defense Agencies. The consolidated schedule shall show all receivables, including those due from foreign, State, and local governments, as well as receivables not supported by the SF 220 report. A memorandum SF 220-9 must be prepared to show amounts due the U.S. Government as a result of audits.

2. All amounts due and payable through receipt accounts (including Miscellaneous Receipts) that represent public receivables (including those due from foreign, State and local governments) shall be reported as receivables even if the amount is subject to change through administrative appeal or litigation in order to complete most line entries in part 1 of the SF 220-9, an analysis of the receivable accounts will have to be made. Use the balances of the following general ledger accounts:

Accounts Receivable :

1313	Accounts Receivable-Public-Current
1314	Accounts Receivable-Public-Noncurrent
1316	Refunds Receivable-Public
1319	Allowance for Loss on Accounts Receivable
1320	Claims Receivable-Public

Loans Receivable:

1353	Loans Receivable-Public-Current
1354	Loans Receivable-Public-Noncurrent
1359	Allowance for Loss on Loans Receivable

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REPORT ON ACCOUNTS AND LOANS RECEIVABLE DUE FROM THE PUBLIC

as of _____
(In dollars)

IDENTIFICATION:

DEPARTMENT/AGENCY: _____

BUREAU/ORGANIZATIONAL UNIT: _____

OMB IDENTIFICATION CODE: _____ FUND TYPE: _____

PART I	ACCOUNTS RECEIVABLE		LOANS RECEIVABLE	
STATUS OF RECEIVABLES	NUMBER	AMOUNT	NUMBER	AMOUNT
Section A				
Outstanding Receivables				
1. Current Receivables.....				
a. Not Delinquent.....				
b. Delinquent.....				
(1) 1-30 days.....				
(2) 31-60 days.....				
(3) 61-90 days.....				
(4) 91-120 days.....				
(5) 121-180 days.....				
(6) 181-360 days.....				
(7) > 1 year ≤ 2 years.....				
(8) > 2 years ≤ 3 years.....				
(9) over 3 years.....				
2. Noncurrent Receivables.....				
3. Total Receivables.....				
Section B				
Activity FYTD				
1. Beginning FY Balance.....				
2. New Receivables.....				
3. Collections on Receivables.....				
4. Reclassified/Adjusted Amounts.....				
5. Amounts Written-off.....				
6. Ending Balance.....				
Section C				
Allowances and Write-offs				
1. Allowances Beginning of FY.....				
2. Write-offs During FY.....				
3. Adjustment to Allowance Account.....				
4. Allowances End of Period.....				
Section D				
Rescheduled Receivables				
1. Current Rescheduled Receivables.....				
a. Not Delinquent.....				
b. Delinquent.....				
2. Noncurrent Rescheduled Rec.....				
3. Total Rescheduled Receivables.....				

FIGURE 5-4

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February 1989

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REPORT ON ACCOUNTS AND LOANS RECEIVABLE DUE FROM THE PUBLIC

as of _____
(in dollars)

BUREAU/ORGANIZATIONAL UNIT: _____

PART II	ACCOUNTS RECEIVABLE		LOANS RECEIVABLE	
CREDIT MANAGEMENT INFORMATION	NUMBER	AMOUNT	NUMBER	AMOUNT
Section A				
Loan Applications				
1. New Applications.....				
a. Approved.....				
b. Rejected.....				
c. Pending.....				
2. Credit Reports Purchased.....				
3. Rescheduled Debt.....				
a. Approved.....				
b. Rejected.....				
c. Pending.....				
4. Credit Reports Purchased.....				
Section B				
Credit Bureau Reporting				
1. Accounts Eligible for Referral.....				
a. Commercial.....				
b. Delinquent Consumer.....				
2. Accounts Referred.....				
a. Commercial.....				
b. Delinquent Consumer.....				
Section C				
Account Servicing				
1. Loan Classification.....				
a. Problemless.....				
b. Program Standard.....				
c. Substandard.....				
d. Doubtful.....				
e. Loss.....				
Section D				
Financing Interest				
1. Financing Interest.....				

FIGURE 5-4 (Cont)

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REPORT ON ACCOUNTS AND LOANS RECEIVABLE DUE FROM THE PUBLIC

as of _____

(In dollars)

BUREAU/ORGANIZATIONAL UNIT: _____

PART II	ACCOUNTS RECEIVABLE		LOANS RECEIVABLE	
CREDIT MANAGEMENT INFORMATION — Continued	NUMBER	AMOUNT	NUMBER	AMOUNT
Section E				
Delinquent Debt Allocation				
1. Total Delinquent Receivables.....				
a. At Dept. of Justice.....				
b. Not at Dept. of Justice.....				
(1) At Collection Contractors.....				
(2) At Work-out Groups.....				
(3) At Agency Counsel.....				
(4) Referred for Salary Offset.....				
(5) Referred for Tax Refund Offset.....				
(6) Referred for Admin. Offset.....				
(7) Collection Action Suspended.....				
(8) Other.....				
2. Collection Contractors Activity.....				
a. Referred.....				
b. Collected.....				
c. Otherwise Resolved.....				
d. Outstanding.....				
3. Workout Group Activity.....				
a. Referred.....				
b. Collected.....				
c. Otherwise Resolved.....				
d. Outstanding.....				
4. Administrative Offset.....				
a. Referred.....				
b. Collected.....				
c. Otherwise Resolved.....				
d. Outstanding.....				
Section F				
Litigation				
1. Agency Counsel Activity.....				
a. Beginning Balance.....				
b. New Referrals.....				
c. Collections.....				
d. Otherwise Resolved.....				
e. Outstanding Balance.....				
2. Dept. of Justice Activity.....				
a. Beginning Balance.....				
b. New Referrals.....				
c. Collections.....				
d. Otherwise Resolved.....				
e. Outstanding Balance.....				

FIGURE 5-4 (Cont)

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REPORT ON ACCOUNTS AND LOANS RECEIVABLE DUE FROM THE PUBLIC

as of _____
(in dollars)

BUREAU/ORGANIZATIONAL UNIT: _____

PART II	ACCOUNTS RECEIVABLE		LOANS RECEIVABLE	
CREDIT MANAGEMENT INFORMATION — Continued	NUMBER	AMOUNT	NUMBER	AMOUNT
Section G Interest/Penalties/Admin. Cost				
1. Interest Collected in FY.....				
2. Penalties Collected in FY.....				
3. Admin. Costs Collected in FY.....				
4. Range of Interest Rates on Delinquent Debts.....				
Section H Write-offs				
1. Pending Justice Concurrence.....				
2. Reported to IRS.....				
3. Not yet Reported to IRS.....				
4. Ineligible for Reporting to IRS.....				
Section I Loan Asset Sales				
1. Portfolio Value Sold.....				
2. Gross Proceeds.....				
3. Net Proceeds.....				

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

FIGURE 5-4 (Cont)

3. Receivables are to be classified into one of two categories--"Accounts Receivable" or "Loans Receivable." "Loans Receivable" shall include only the principal for all direct loans made as a result of legislatively mandated credit programs, including the direct portions of a participation loan and defaulted guaranteed loans. Interest, penalties, administrative costs and other receivables for these direct loans shall be reported as a single receivable under "Accounts receivable." All amounts originally classified as "Accounts Receivable" (that is, principal, interest, penalties, administrative costs, and other receivables) shall be counted only once and reported as a single amount under "Accounts Receivable." Exceptions to these rules are noted in the appropriate sections.

4. Audit findings are to be recorded as "Accounts Receivable" when management agrees with the auditors that resources should be recovered and the contracting officer has made a final determination regarding the existence, amount, and collectibility of the debt. The memorandum SF 220-9 shall include only that portion of the receivables reported in sections A and B totals that result from audit activity. This requirement does not affect any instructions on the preparation of individual reports for each revolving fund, business-type general and special funds, each transfer appropriation account, and certain trust funds. The memorandum SF 220-9 is merely a subset of the primary schedule. It is referred to the Treasury Credit Management Group for further analysis and subsequent submission to OMB. This

memorandum report will be used by OMB for monitoring agency compliancy with the policies of OMB Circular A-50, "Audit Follow-up."

5. The accounts and loans receivable totals reported quarterly by DSAA shall represent cumulative fiscal year to date (FYTD) activity. Information submitted on the SF 220-9 must be consistent with that required in the debt collection exhibit in OMB Circular A-11, "Preparation and Submission of Budget Estimates." If the report is submitted on paper, any required footnotes are to be prepared on a blank sheet of paper and attached to the report. If submitted by GOALS, footnotes are to be entered in the designated area and referenced to the appropriate line item of the report.

6. Receivables from the foreign military sales trust fund are not transactions with the public. FMS transactions are from the public only if reported by the Security Assistance Accounting Center (SAAC). DoD Components shall report orders from SAAC as within the Department of Defense.

7. Transactions with nonappropriated fund activities resulting in receivables are considered to be transactions with the public and shall be reported on the SF 220-9.

8. Table 5-1 provides a decision table on how certain other debt-like items are treated in the accounting records. It should be understood that this table does not include all debt-like items and that the terms used may not definitively describe the debt.

DECISION TABLE ON RECORDING AND REPORTING DEBT-LIKE ITEMS			
NO.	ITEM	DECISION	REMARKS
1	Progress Payments	Do not record as a receivable.	Procedures for handling Progress Payments are provided in this Regulation.
2	Survivor Benefits	Record/Report	Debts due from overpayments or erroneous payments.
3	General Revenue Receipts (GRR)	Record/Report	Debts due that will be deposited to GRR.

DECISION TABLE ON RECORDING AND REPORTING DEBT-LIKE ITEMS			
NO.	ITEM	DECISION	REMARKS
4	Third Party Liability	Record/Report	Record claim at best estimate.
5	Payroll Overpayments	Record/Report	
6	Fines, Fees, Assessed	Record/Report	Record unless simultaneous collection can be made.
7	Report of Item Discrepancy	Record/Report	
8	Losses of Funds	Record/Report	Record only after disbursing officer has been denied relief.
9	Dishonored/Dup. Checks	Record/Report	
10	Overpayments to Contractors	Record/Report	Record unless disbursing officer can offset within a month.
11	Amounts Owed By Contractors as a Result of Final Decision of Contracting Officer	Record/Report	
12	Collections Due From SBA	Do not record as public.	Record as other Government agency receivable.
13	GPLD and Reports of Survey <u>1/</u>	Record/Report	
14	Transport Carrier Claims	Record/Report	Accrue interest and penalty charges only after expiration of time allowed by ICC Reg. (49 CFR 1005)
15	Unused Tickets From Carriers	Record/Report	Record unless reimbursement is instantaneous
16	Statement of Charges	Record/Report	
17	Check Issue Overdraft	Record/Report	
18	Sales to Foreign Governments	Record/Report	Record unless under FMS Program.
19	All other Contractual claims due to bankruptcy, default, or renegotiation <u>2/</u>	Record/Report	Record claim at best estimate

1/ Government Property Lost or Damaged

2/ For further guidance see Chapter 15, Volume 3 of this Regulation

TABLE 5-1

B. Definitions. The Glossary of Terms, found in Volume 1 of this regulation, provides terms and definitions relative to receivables due from the public. Other definitions applicable to credit management and debt collection can be found in I TFM 4100 and OMB Circular A-129.

C. Heading. Enter on the designated lines (1) date of the report, (2) name of DoD Component submitting report, (3) reporting entity, (4) OMB identification code, and (5) fund type.

D. PART I Section A - Outstanding Receivables

1. Line 1. Current Receivables. Enter the numbers and amounts of all current receivables. This figure will equal the sum of lines 1.a. and 1.b.

a. Line 1.a. Not Delinquent. Enter the numbers and amounts of accounts that are outstanding 1 to 30 days from the date of invoice or date of notice that payment is due. Also include the numbers and amounts that will become due during the next 12 months following the end of the reporting period.

b. Line 1.b. Delinquent. Enter the numbers and amounts determined to be delinquent. The amount to be reported ordinarily will be the payment past due. However, when the full amount of the account is formally due and declared payable, the entire amount of the account or loan and related interest should be reported as delinquent. The full amount should be declared due and payable on all direct loans that are more than 180 days delinquent. Any amount that is under appeal or in litigation should be classified as delinquent and carried in its original status as a current receivable until the government changes its position regarding the amount that is due and payable through either a decision of the courts or an administrative settlement directed by a responsible government official. In those cases where a DoD Component is uncertain of the

amount owed or validity of the debt, the Component should use good judgment in establishing the debt and making the best estimate available. These figures will equal the sum of lines 1.b.(1) through 1.b.(9).

c. Lines 1.b.(1) - b.(9) (1-30 days through over 3 years). Enter the numbers and amounts for accounts and loans receivable that have been delinquent 1 to 30 days, 31 to 60 days, 61 to 90 days, 91 to 120 days, 121 to 180 days, 181 to 360 days, greater than 1 year and equal to or less than 2 years, greater than 2 years and equal to or less than 3 years, and over 3 years on their respective lines.

2. Line 2. Noncurrent Receivables. Enter the numbers and amounts of noncurrent receivables.

3. Line 3. Total Receivables. Enter the sum of lines 1. and 2. for amounts only. The balance reported on this line shall agree with the balance reported on the SF 220, lines 2.b.1. and 2. for accounts receivable and lines 6.b.1. and 2. for loans receivable.

E. PART I Section B - Activity FYTD

1. Line 1. Beginning FY Balance. Enter the numbers and amounts of all accounts and loans receivable outstanding as of the beginning of the fiscal year. This balance remains unchanged throughout the fiscal year.

2. Line 2. New Receivables. Enter the numbers and amounts of all new receivables generated for the fiscal year to date.

3. Line 3. Collections on Receivables. Enter the numbers and amounts for collections on receivables for the fiscal year to date. Included are repayments on prior and current year receivables. Enter repayments in brackets. Non-cash collections must be footnoted.

4. Line 4. Reclassified/Adjusted Amounts. Enter the numbers and amounts not reportable as "New Receivables" (line 2.),

"Collections on Receivables" (line 3.), or "Amounts Written Off" (line 5.), that were transferred either into or out of receivables during the fiscal year or between receivables classifications during the fiscal year. Prior period adjustments must also be included on this line. Enter net receivable amounts transferred out in brackets. Amounts reported on this line must be footnoted.

5. Line 5. Amounts Written off.

Report all numbers and amounts for uncollectible accounts that were actually written off during the fiscal year to date. A minus (-) sign should be placed in front of these figures.

6. Line 6. Ending Balance.

Enter the sum of lines 1. through 5. These figures will indicate the net activity or ending balance for the fiscal year to date and must agree with line 3, section A of part I.

F. PART I Section C - Allowances and Write-offs

1. Line 1. Allowances Beginning of FY. Enter the amounts of allowances for uncollectible accounts as reflected on the agency records at the beginning of the fiscal year.

2. Line 2. Write-offs During FY. Enter the amounts of all uncollectible accounts that were actually written off during the fiscal year to date. These figures shall agree with part I, section B, line 5.

3. Line 3. Adjustment to Allowance Account. Enter the expense adjustment for estimated uncollectibles for the fiscal year to date. The adjustment to the allowance account is the difference between the allowances needed by the DoD Component to accurately reflect potential losses and the existing balance after accounting for write-offs to date. For example:

Tot. Req. Allow. End of Period	\$1,600.00
Existing Balance	<u>485.00</u>
Bad Debt Expense (Adjustment)	\$1,115.00

4. Line 4. Allowances End of Period. Enter the amounts of allowances for uncollectible accounts as shown on the DoD Component's records for the fiscal year to date as of the end of this reporting period. For fiscal year end reporting, enter the amounts of allowances for uncollectible accounts for the next fiscal year.

G. PART I, Section D - Rescheduled Receivables

1. Line 1. Current Rescheduled Receivables. Enter the number and amount of accounts for current receivables that have been rescheduled. These figures are included in part I, section A, line 1., and shall equal the sum of lines 1.a. and 1.b. of this section.

a. Line 1.a. Not Delinquent. Enter the number and amount of accounts for rescheduled receivables due and payable during the 12 months following the end of the reporting period.

b. Line 1.b. Delinquent. Enter the number and amount of accounts for delinquent rescheduled receivables. The amounts reported will ordinarily be the rescheduled payments past due. However, when the full amount of the account has formally been declared due and payable, the entire amount of the rescheduled account or loan and related interest is reported as delinquent.

2. Line 2. Noncurrent Rescheduled Receivables. Enter the number and amount of accounts for noncurrent receivables that have been rescheduled. These figures are included in part I, section A, line 1.

3. Line 3. Total Rescheduled Receivables. Enter the sum of lines 1. and 2. for amounts only.

H. PART II, Section A - Loan Applications. Show analysis of the current activity in credit extension, including the number and amount of new loan applications and the

number and amount of rescheduled debts that have been approved, rejected, or are pending during the fiscal year. The number of credit reports purchased is also captured in this section. Note: This information cannot be extracted from general ledger account balances.

1. Line 1. New Applications.

Enter the number and amount of new loan applications received during the fiscal year. These figures shall equal the sum of lines 1.a. through 1.c. of this section for the number of accounts.

a. Line 1.a. Approved.

Enter the number and amount of approved loan applications.

b. Line 1.b. Rejected. Enter the number and amount of rejected loan applications.

c. Line 1.c. Pending. Enter the number and amount of pending loan applications.

2. Line 2. Credit Reports Purchased. Enter the number of credit reports purchased for new loan applications received.

3. Line 3. Rescheduled Debt. Enter the number and amount of debts for which rescheduling has been requested during the fiscal year. These figures shall equal the sum of lines 3.a. through 3.c. of this section for the number of accounts:

a. Line 3.a. Approved. Enter the number and amount of debts approved for rescheduling.

b. Line 3.b. Rejected. Enter the number and amount of debts not approved for rescheduling.

c. Line 3.c. Pending. Enter the number and amount of debts pending rescheduling.

4. Line 4. Credit Reports Purchased. Enter the number of credit reports purchased for those rescheduled debts that were approved, rejected, or pending.

I. PART II, Section B - Credit Bureau Reporting

1. Line 1. Accounts Eligible for Referral. Enter the number and amount of accounts not statutorily exempted from being reported to credit bureaus. All commercial and delinquent consumer accounts, except for debts arising under the IRS Code of 1954, the Social Security Act, the tariff laws of the United States, or debts owed by State and local or foreign governments, are entered on this line. These figures shall equal the sum of lines 1.a. and 1.b. of this section.

a. Line 1.a. Commercial. Enter the number and amount of all commercial accounts eligible for referral to credit reporting bureaus.

b. Line 1.b. Delinquent Consumer. Enter the number and amount of all delinquent consumer accounts eligible for referral to credit reporting bureaus.

2. Line 2. Accounts Referred. Enter the number and amount of accounts referred to credit reporting bureaus during the fiscal year. These figures equal the sum of lines 2.a. and 2.b. of this section.

a. Line 2.a. Commercial. Enter the number and amount of all commercial accounts referred to credit reporting bureaus.

b. Line 2.b. Delinquent Consumer. Enter the number and amount of delinquent consumer accounts referred to credit reporting bureaus.

J. PART II, Section C - Account Servicing. Show the number and amount of loans receivable, classified according to their collection probability during the fiscal year. DoD Components classifying loans into different categories should, for this report only, adapt their information to the 5 categories identified on lines l.a. through l.e. in this section.

1. Line 1. Loan Classification. Enter the total number and amount of balances outstanding at the end of the reporting period, classified according to collection probability this fiscal year for loans receivable. These figures should equal the sum of lines l.a. through l.e. of this section. The dollar amount must agree with part I, section A, line 3. of this report.

a. Line l.a. Problemless. Enter the number and amount of loans receivable in which loan payments are made consistent with terms of the agreement.

b. Line l.b. Program Standard. Enter the number and amount of loans receivable in which assets are potentially weak, but may meet minimum program standards for credit worthiness.

c. Line l.c. Substandard. Enter the number and amount of loans receivable in which assets contain actual weaknesses that jeopardize the collection of the debt.

d. Line l.d. Doubtful. Enter the number and amount of loans receivable in which liquidation of an asset for full value is improbable and the possibility of loss at this time is high; however, certain conditions exist that may positively affect the asset.

e. line l.e. Loss. Enter the number and amount of loans receivable in which assets are determined to be uncollectible and of such little value that their continuance as assets is not warranted.

K. PART II, Section D - Financing Interest

1. Line 1. Financing Interest. Enter the number and amount of interest receivables generated from interest charged as a cost of extending credit on legislatively mandated credit programs during the fiscal year. For the purpose of this section, financing interest should be reported as "Accounts Receivable."

L. PART II Section E - Delinquent Debt Allocation

1. Line 1. Total Delinquent Receivables. Enter the number and amount of accounts for all delinquent receivables. These figures are the sum of lines l.a. and l.b. only of this section. These figures should also agree with part I, section A, line l.b.

a. Line l.a. At Dept. of Justice. Enter the number and amount of accounts for all delinquent receivables outstanding at the Department of Justice, including those being worked on by special attorneys.

b. Line l.b. Not at Dept. of Justice. Enter the number and amount of accounts for all outstanding delinquent receivables under DoD Component control. Identify on lines l.b.(1) through l.b.(8) those receivables: with collection contractors; at workout groups; at Component counsel; referred for salary offset; referred for tax refund offset; referred for administrative offset; collection action suspended or other status.

2. Line 2. Collection Contractors Activity. Enter the number and amount of delinquent accounts turned over to collection contractors (DoD Component collection contractors and GSA debt collection contractors) during the fiscal year.

a. Line 2.a. Referred. Enter on line 2.a. the number and amount of

delinquent accounts turned over to collection contractors.

b. Line 2.b. Collected.

Enter the number and gross amount of accounts recovered by collection contractors. Enter collections with a minus (-) sign before the figures. Do not deduct agency reimbursements to collection agencies for services provided.

c. Line 2.c. Otherwise Resolved. Enter the number and amount of accounts returned to the agency. These figures should also be preceded with a minus (-) sign.

d. Line 2.d. Outstanding. Enter the number and amount of all accounts outstanding with collection contractors.

3. Line 3. Workout Group Activity. Show the number and amount of delinquent accounts referred, collected, or otherwise resolved by DoD Component workout groups during the fiscal year.

a. Line 3.a. Referred. Enter the number and amount of delinquent accounts, including accounts written off, referred to DoD Component internal workout groups.

b. Line 3.b. Collected. Enter the number and amount of accounts collected by DoD Component workout groups. Enter collections with a minus (-) sign before the figures.

c. Line 3.c. Otherwise Resolved. Enter the number and amount of accounts returned by the workout groups to the DoD Component or some other entity, such as the Department of Justice, for disposition. These figures are also preceded with a minus (-) sign.

d. Line 3.d. Outstanding. Enter the number and amount of accounts that remain outstanding with DoD Component internal workout groups.

4. Line 4. Administrative Offset. Show the number and amount of delinquent

accounts referred, collected, and/or otherwise resolved by administrative offset during the fiscal year. As indicated for line 3 above, enter on lines 4.a. through 4.d. the numbers and amounts of delinquent accounts referred for offset, collected, otherwise resolved, or outstanding.

M. PART II, Section F - Litigation. Show the beginning fiscal year balance of seriously delinquent accounts held by DoD Component counsels and/or the Department of Justice. Activity is also captured during the fiscal year for new referrals, collections on receivables, receivables otherwise resolved, and the outstanding (ending) balance of accounts in litigation. This section covers debts not likely to be fully or partially recovered without the aid of legal action. For further guidance see Chapter 15 of Volume 3 of this Regulation.

1. Line 1. Agency Counsel Activity. Show the number and amount of all delinquent accounts and loans receivable outstanding at agency counsel as of the beginning of the fiscal year. These figures must agree with the outstanding balance reported on the year-end SF 220-9 the previous fiscal year. The beginning balance remains unchanged throughout the fiscal year.

a. Line 1.a. Beginning Balance. Enter the number and amount of all delinquent accounts and loans receivable outstanding at DoD Component counsel as of the beginning of the fiscal year.

b. Line 1.b. New Referrals. Enter the number and amount of delinquent accounts referred to agency counsel for resolution during the fiscal year.

c. Line 1.c. Collections. Enter the number and amount of collections received during the fiscal year on delinquent accounts held by agency counsel. Place a minus (-) sign in front of these figures.

d. Line 1.d. Otherwise Resolved. Enter the number and amount of

delinquent accounts returned during the fiscal year to the originating DoD Component for disposition. Place a minus (-) sign in front of these figures.

e. Line 1.e. Outstanding Balance. Enter the sum of lines 1.a. and 1.b. minus 1.c. and 1.d. of this section. These figures also agree with part II, section E, line 1.b. (3).

2. Line 2. Department of Justice Activity. Show the status on the number and amount of delinquent accounts, as of the end of the reporting period, submitted to the Department of Justice for litigation. Enter on lines 2.a. through 2.e. respectively, the information requested for the beginning balance, new referrals, collections, accounts otherwise resolved, and compute the outstanding balance.

N. PART II, Section G - Interest/Penalties/Administrative Cost. Show the number and amount of interest, penalties, and administrative costs collected during the fiscal year plus the range of interest rates assessed on delinquent accounts. The amounts reported in this section include only the additional interest, penalties, and administrative costs collected because a debt is delinquent. For this section, interest, penalties, and administrative costs are reported as "Accounts Receivable" or "Loans Receivable," depending on the nature of the transaction generating the charge. For example: Interest, penalties, and administrative costs collected in the amount of \$2,000 on a \$10,000 loan, are recorded as "loans receivable" for \$2,000. Likewise, interest, penalties, and administrative costs collected in the amount of \$1,000 on accounts receivable of \$8,000 are recorded as "accounts receivable" for \$1,000.

1. Line 1. Interest Collected in FY. Enter the number and amount of accounts for which additional interest on delinquent accounts was collected during the fiscal year.

2. Line 2. Penalties Collected in FY. Enter the number and amount of accounts for which penalties were collected during the fiscal year.

3. Line 3. Admin. Costs Collected in FY. Enter the number and amount of accounts for which administrative costs were collected during the fiscal year.

4. Line 4. Range of Interest Rates on Delinquent Debts. Enter the lowest and highest interest rates assessed on outstanding delinquent accounts. These rates are entered in the number column for "Accounts Receivable."

O. PART II, Section H - Write-Offs. Show the number and amount of accounts either pending disposition by the Department of Justice or written off during the fiscal year. Actions concerning the reporting of written off amounts to IRS are also reflected in this section. The sum of lines 2., 3., and 4. in this section must agree with part I, section B, line 5.

1. Line 1. Pending Justice Concurrence. Enter the number and amount of delinquent accounts pending concurrence by the Department of Justice for write-off during the fiscal year.

2. Line 2. Reported to IRS. Enter the number and amount of delinquent accounts written off and subsequently reported to IRS as income on IRS Form 1099G.

3. Line 3. Not Yet Reported to IRS. Enter the number and amount of delinquent accounts written off, but not yet reported to IRS as required.

4. Line 4. Ineligible for Reporting to IRS. Enter the number and amount of delinquent accounts written off, but not required to be reported to IRS.

P. PART II, Section I - Loan Asset Sales. Show the number and face value of loans offered for sale during the fiscal year and the actual proceeds of the sales.

1. Line 1. Portfolio Value Sold. Enter the number of loans and their face value sold during the fiscal year.

2. Line 2. Gross Proceeds.

Enter the gross amount realized during the fiscal year from the sale of these loans. These proceeds are amounts paid by purchasers less any transaction costs paid on the day of the sale. Examples include underwriting, rating agency, and legal fees. Gross proceeds do not include transaction costs such as financial advisors' fees paid as direct obligations by a DoD Component. The difference between line 1., "Portfolio Value Sold", and line 2., "Gross Proceeds," should be reported as reclassified and must be included in part I, section B, line 4.

3. Line 3. Net Proceeds.

Enter the amount equivalent to "gross proceeds" less all other cost associated with each sale, such as financial advisors' fees.

Q. Agency Contacts. Enter in the blocks provided the preparer's name, telephone number, and address along with the supervisor's name and telephone number.

0505 REPORT ON OPERATIONS, SF 221

050501 Purpose and Accounting Report Number. This section prescribes the report form and instructions for preparation of the annual Report on Operations required pursuant to I TFM 2-4100. The report on operations discloses the financial results of activities, including revenues and other financing sources, and operating expenses. The reporting requirements, financing sources and operating expenses, prescribed in this section are designated as SF 221 (IAR 1180-TD-AN).

050502 Applicability and Scope. The provisions of this section apply only to those revolving funds and trust funds managed by DoD Components (type 1 and type 2 funds). (See table 5-2.) Negative reports are not required for other than type 1 and type 2 funds.

050503 Report Form. The Treasury report format provided in I TFM 2-4100 may be reproduced, or a machine-produced facsimile may be used. A copy of SF 221 is provided as figure 5-5.

050504 Frequency and Distribution

A. The report shall be submitted as of September 30 of each year by the date established by the appropriate departmental-level accounting entity.

B. The report shall be submitted under the cover transmittal letter provided for the SF 220 report and signed by the responsible official. Departmental-level accounting entities will make distribution in accordance with the addresses provided in the addendum to this chapter.

050505 Preparation Instructions for the SF 221

A. The report shall be prepared by each revolving fund and trust fund activity (fund types 1 and 2).

DoD Components shall analyze figure 5-5 and report fund balances on the applicable report lines.

B. Heading. Enter on the designated lines (1) date of the report, (2) name of the DoD Component submitting report, (3) reporting entity, (4) OMB identification code, and (5) fund type. The reporting entity shall also indicate the basis used in preparing the report (accrual/cash).

C. Financing Sources

1. Line 1. Accrued expenditures. Enter the amount of accrued expenditures. This amount should also include amounts related to appropriations expended for inventory, property, plant, and equipment that are recorded as assets and an increase in invested capital, and should be net of revenues or gains for which amounts were not returned to the Treasury. This treatment is necessary to preclude double counting of financing sources. Enter the sum of budgetary accounts 4910 and 4930.

2. Line 2. Revenue. Enter amounts earned resulting from services performed or goods and other tangible property delivered to purchasers.

a. Line 2.a. Federal sources. Enter the amount received from Federal sources.

b. Line 2.b. Public sources. Enter the amount received from public sources.

c. Line 2.c. Subtotal. Enter the total of lines 2.a. and 2.b.

NOTE: DoD Components shall establish subsidiary accounts to distinguish revenue received from Federal sources and public sources. Revenue should also be tracked in subaccounts by appropriation or fund. Enter the sum of the following general ledger accounts:

5100	Revenue from Goods Sold
5200	Revenue From Services Provided
5300	Interest and Penalties Revenue

5400	Benefit Program Revenue
5500	Insurance and Guarantee Premium Revenue
5600	Donated Revenue
5900	Other Revenue

3. Line 3. Governmental receipts. Enter the amount of governmental receipts collected. Governmental receipts are collections from the public that result from the exercise of the government's sovereign powers, excluding receipts offset against outlays. These collections consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve System. DoD Components shall not report amounts on this line. Leave line 3. blank.

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REPORT ON OPERATIONS
for the period ended _____
(in dollars)

IDENTIFICATION:

DEPARTMENT/AGENCY: _____

BUREAU/ORGANIZATIONAL UNIT: _____

OMB IDENTIFICATION CODE: _____ FUND TYPE: _____

BASIS USED: _____

FINANCING SOURCES	Amount	Total
1. Accrued expenditures		
2. Revenue		
a. Federal sources		
b. Public sources		
c. Subtotal		
3. Governmental receipts		
4. Other a.		
b.		
c.		
d.		
e. Subtotal		
5. Less: Receipts returned to Treasury		
6. Total financing sources		
OPERATING EXPENSES		
7. Cost of goods sold		
8. Operating/program expenses, funded		
9. Interest expense, funded		
a. Federal Financing Bank/ Treasury borrowings		
b. Federal securities		
c. Other 1.		
2.		
3.		
4.		
d. Subtotal		
10. Other, funded expenses		
a.		
b.		
c.		
d.		
e. Subtotal		

FIGURE 5-5

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REPORT ON OPERATIONS
for the period ended _____
(In dollars)

BUREAU/ORGANIZATIONAL UNIT: _____

OPERATING EXPENSES-Continued	Amount	Total
11. Unfunded expenses		
12. Total operating expenses		
NET RESULTS		
13. Net results before adjustments		
14. Less: Capital expenditures (all funds refer to the instructions)		
15. Less: Extraordinary items		
16. Net results		

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

FIGURE 5-5 (Cont)

4. Line 4. Other

a. Lines 4.a. through 4.d. - Other. Enter all other financing sources not included in other categories. Identify the nature of any types of financing sources (1) comprising more than 25 percent of the total amount reported for this category, and (2) exceeding \$100,000. Other financing sources should be tracked by funded/unfunded. Enter on this line the sum of the following general ledger accounts:

7110 Gains on Disposition of Assets
7190 Other Gains

b. Line 4.e. Subtotal. Enter the total of other financing sources shown on lines 4.a. through 4.d.

5. Line 5. Less: Receipts returned to Treasury. Enter the amounts returned to the Treasury that have been reported as a financing source in one of the above line items. Enter on this line the balance of general ledger account 3620, "Funds Returned to General Fund - Miscellaneous Receipts."

6. Line 6. Total financing sources. Enter the net sum of lines 1. through 5.

D. Operating Expenses

1. Line 7. Cost of goods sold. Enter all costs applying to goods and services sold, including the inventory value of commodities sold from stock, and all labor, material, and other expenses. Enter on this line the funded amounts in general ledger account 6500, "Cost of Goods Sold." Subaccounts should be maintained to track costs by funded/unfunded.

2. Line 8. Operating/program expenses, funded. Enter the total expenses or losses incurred in conducting all activities and program costs of the organizational unit. Exclude capital expenditures, unfunded expenses, interest expenses, and direct and indirect costs associated with cost of goods sold (line 7.) for businesslike activities. Subaccounts are required to track expenses by direct/reimbursable and funded/unfunded. The

unfunded amounts shall be included in line 11. Enter the sum of the following general ledger accounts:

6100 Operating/Program Expenses
6400 Benefit Program Expenses
6600 Applied Overhead

3. Line 9. Interest expense, funded. Report the interest expense on the lines provided including the amortization of any premium or discount on securities issued.

a. Line 9.a. Federal Financing Bank/Treasury borrowings. DoD Components shall not report on this line.

b. Line 9.b. Federal Securities. DoD Components shall not report on this line.

c. Lines 9.c.1. through 9.c.4. Other. Enter all other interest expenses identifying the interest expense that exceeds 25 percent of the amount reported in this category and is in excess of \$100,000. Enter on this line the balance in the general ledger account 6330, "Other Interest Expenses."

d. Line 9.d. Subtotal. Enter the total interest expense reported on lines 9.a. through 9.c.4.

4. Line 10. Other funded expenses. Enter on lines 10.a. through d. amounts of other expenses or losses. Identify the nature of any amount that exceeds 25 percent of the amount reported in this category and exceeds \$100,000. Enter on line 10.e.(Subtotal) the sum of the following general ledger accounts:

7210 Losses on Disposition of Assets
7290 Other Losses
6125.1 Equipment Replacement Surcharge-Business Operations Fund

E. Net Results

1. Line 11. Unfunded expenses. Enter all expenses that (a) were funded in prior years; (for example, depreciation and amortization); (b) will be funded in future years;

(for example, annual leave); and (c) are funded by other than the reporting account; (for example, military labor in Business Operations Fund). Enter the sum of the following general ledger accounts:

6100	Operating/Program Expenses
6330	Other Interest Expenses
6400	Benefit Program Expenses
6500	Cost of Goods Sold
6600	Applied Overhead
6900	Other Expenses

2. Line 12. Total operating expenses. Enter the sum of lines 7. through 11.

3. Line 13. Net results before adjustments. Enter the net of lines 6. and 12.

4. Line 14. Less: Capital expenditures. Enter the amount of capital expenditures expended from appropriated funds for inventory, property, plant, and equipment, and other nonmonetary assets during the reporting period. Enter the sum of the following general ledger accounts used to acquire these assets:

4910	Accrued Expenditures - Unpaid - Direct Program
4930	Accrued Expenditures - Paid - Direct Program

5. Line 15. Less: Extraordinary items. Enter any material expense or loss resulting from an event or transaction that is unusual and occurs infrequently. Do not include amounts entered on this line with amounts reported in the "Operating Expenses" section. Describe any transaction entered on this line on SF 220-1, "Additional Financial Information." Report on this line the balance of general ledger account 7300, "Extraordinary Items."

6. Line 16. Net results. Enter the net sum of lines 13. through 15.

F. Agency Contacts. Enter in the blocks provided the preparer's name, telephone number and address, along with the supervisor's name, and telephone number.

0506 REPORT ON CASH FLOW, SF 222

050601 Purpose and Accounting Report Number. This section prescribes the report form and instructions for preparation of the annual report on appropriations and funds required pursuant to I TFM 2-4100. The SF 222, "Report on Cash Flow," reconciles the beginning and ending fund balances with Treasury and cash by presenting all significant sources and application of resources during the fiscal year. The reporting requirements prescribed in this section are designated as SF 222 (IAR 0341-TD-AN).

050602 Applicability and Scope. The provisions of this section apply to all DoD Components, appropriations, and funds.

050603 Report Form. DoD Components may reproduce the copy provided in I TFM 2-4100 or use machine-produced facsimiles. A copy of the SF 222, with the applicable source general ledger accounts, is provided as figure 5-6.

050604 Frequency and Distribution

A. The report shall be submitted as of September 30 of each year by the date established by the appropriate departmental-level accounting entity.

B. The report shall be submitted under the cover transmittal letter provided for the SF 220 report and signed by the responsible official. Departmental-level accounting entities will make distribution in accordance with the addresses provided in the addendum to this chapter.

050605 Preparation Instructions for the SF 222

A. DoD Components shall analyze figure 5-6 and report balances on the appropriate report.

B. Heading. Enter on the designated lines (1) date of the report, (2) name of DoD Component submitting the report, (3) reporting entity, (4) OMB identification code, and (5) fund type.

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IAR No. 0341-TD-AN

REPORT ON CASH FLOW
for the period ended _____
(In dollars)

IDENTIFICATION:

DEPARTMENT/AGENCY: _____

BUREAU/ORGANIZATIONAL UNIT: _____

OMB IDENTIFICATION CODE: _____ FUND TYPE: _____

Description	Amount	Total
1. Fund balance with Treasury and cash, beginning of period (PY SF 220) _____		
2. Sources of funds:		
a. Increase in debt _____		
b. Appropriations _____		
c. Revenue _____		
d. Sale of assets _____		
e. Increase in payables _____		
f. Decrease in receivables and advances _____		
g. Other 1. _____		
2. _____		
3. _____		
4. _____		
h. Total _____		
3. Application of funds:		
a. Operating expenses (SF 221) _____		
b. Less: Expenses not requiring outlays (SF 221) _____		
c. Increase in investments _____		
d. Increase in inventory _____		
e. Purchase of property, plant, and equipment _____		
f. Other 1. _____		
2. _____		
3. _____		
4. _____		
g. Total _____		
4. Fund balance with Treasury and cash, end of period (SF 220) _____		

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

FIGURE 5-6

C. Line 1. Fund balance with Treasury and cash, beginning of period. Enter the beginning sum of the following general ledger accounts:

1010	Fund Balance with Treasury
1100	Cash
1200	Foreign Currency

D. Line 2. Sources of funds. The balances of the general ledger accounts listed below summarize the resources made available to the reporting entity.

1. Line 2.a. Increase in debt. Enter the differences between the beginning and the ending balances of the following general ledger accounts:

2510	Borrowing From Treasury
2520	Borrowing From Federal Financing Bank
2530	Securities Issued by Federal Agencies Under Special Financing Authority
2540	Participation Certificates
2590	Other Debt

2. Line 2.b. Appropriations. Enter the amount of the original appropriations received for the current period (not including offsetting collections credited or offsetting receipts appropriated). Enter the amount from general ledger account 3100, "Appropriated Capital."

3. Line 2.c. Revenue. Enter the amounts of revenue and gains that were not returned to Treasury. Report the sum of general ledger accounts:

5100	Revenue From Goods Sold
5200	Revenue From Services Provided
5300	Interest and Penalties Revenue
5400	Benefit Program Revenue
5500	Insurance and Guarantee Premium Revenue
5600	Donated Revenue
5900	Other Revenue
7190	Other gains

4. Line 2.d. Sale of assets. Enter the proceeds from the sale of assets by

analyzing general ledger account 1011, "Funds Collected."

5. Line 2.e. Increase in payables. Enter the increase in total liabilities less debt between the current period and the beginning balance. Any decrease in liabilities should be shown as a negative entry (-). Enter the net sum of the following general ledger accounts:

2110	Accounts Payable
2120	Disbursements in Transit
2130	Contract Holdbacks
2140	Accrued Interest Payable
2190	Other Accrued Liabilities
2210	Accrued Funded Payroll and Benefits
2220	Accrued Unfunded Annual Leave
2310	Advances from Others
2320	Deferred Credits
2400	Liability for Deposit Funds and Suspense Accounts
2610	Retirement Plans
2620	Insurance Plans
2690	Other Actuarial Liabilities
2910	Prior Liens Outstanding on Acquired Collateral
2920	Contingent Liabilities
2990	Other Liabilities

6. Line 2.f. Decrease in receivables and advances. Enter any decrease in total receivables and advances between the beginning and ending account balances. An increase in receivables and advances would be shown as a negative entry. Enter the net sum of the following general ledger accounts:

1310	Accounts Receivable
1320	Claims Receivable-Public
1350	Loans Receivable
1410	Advances to Others
1450	Prepayments

7. Lines 2.g.1. through 2.g.4. Other. Enter the amount of other sources of funds and describe any types of sources that comprise more than 25 percent of the total amount reported in this category in excess of \$100,000. Enter the sum of the following general ledger accounts:

7110 Gains on Disposition of Assets
 7190 Other Gains
 7300 Extraordinary Items
 7400 Prior Period Adjustments
 7600 Changes in Actuarial Liability

8. Line 2.h. Total. Enter the total for lines 2.a. through 2.g.

E. Line 3. Application of funds

1. Line 3.a. Operating expenses.

Enter the amount of total operating expenses from the SF 221, line 12. If no SF 221 is prepared, enter the sum of the following general ledger accounts:

6100 Operating/Program Expenses
 6310 Interest Expenses on Borrowing
 From Treasury
 6320 Interest Expenses on Federal
 Securities
 6330 Other Interest Expenses
 6400 Benefit Program Expenses
 6500 Cost of Goods Sold
 6600 Applied Overhead
 6900 Other Expenses
 7210 Losses on Disposition of Assets
 7290 Other Losses

2. Line 3.b. Less: Expenses not requiring outlays. Analyze the above general ledger accounts and enter the amount of any operating expenses not requiring outlays. Typically, these expenses include such items as depreciation and allowances for uncollectible receivables, which are reported on SF 221, line 10.

3. Line 3.c. Increase in investments. Analyze the following general ledger accounts and enter any increase (difference between current and prior balances) in investments between the current and prior period as reported on SF 220, line 5:

1610 Federal Securities (At Par)
 1611 Federal Securities-Unamortized
 Premium or Discount
 1690 Other Investments

4. Line 3.d. Increase in inventory. Enter any increase in inventory (difference between current and prior balances) between the current period and the prior period as reported on the SF 220, line 4. Exclude transactions directly affecting equity accounts. After analysis, enter the appropriate net sum from the following general ledger accounts:

1510 Inventory for Agency Operations
 1530 Inventory-Raw Material and Supplies
 1540 Inventory-Work in Process
 1550 Inventory-Finished Goods
 1560 Other Inventory
 1570 Stockpiled Materials and Supplies
 1580 Inventory in Transit

5. Line 3.e. Purchase of property, plant, and equipment. Enter the amount expended for property and equipment capitalized in the current reporting period. Exclude transactions directly affecting equity accounts. This amount is also reported as increases on the SF 220, line 7. Compute and enter the appropriate net sum from the following general ledger accounts:

1710 Land
 1720 Construction in Progress
 1730 Buildings
 1740 Other Structures and Facilities
 1760 Military Equipment
 1770 Equipment in Transit
 1810 Assets Under Capital Lease
 1820 Leasehold Improvements
 1830 Automated Data Processing Software
 1840 Other Natural Resources
 1890 Other Fixed Assets

6. Lines 3.f.1. through 3.f.4. Other. Enter on line 3.f. any applications of funds not otherwise identified in the previous lines. Describe any types of applications that comprise more than 25 percent of the total amount reported in this category and that exceed \$100,000. Include on this line expired appropriations and offsetting receipts returned to Treasury. Compute and enter the sum of the following general ledger accounts:

1910 Acquired Collateral
 1990 Other Assets

7300 Extraordinary Items
 7400 Prior Period Adjustments
 7500 Distribution of Income-Dividend

7. Line 3.g. Total. Report the total for lines 3.a. through 3.f.4.

F. Line 4. Fund balance with Treasury and cash, end of period. Add lines 1. and 2.h. and subtract line 3.g. This amount shall agree with line 1.d. of the SF 220 for the current reporting period and can be computed by adding the sum of the following general ledger accounts:

1010 Fund Balance with Treasury
 1110 Undeposited Collections
 1120 Imprest Funds
 1190 Other Cash
 1200 Foreign Currency

G. Agency Contacts. Enter in the blocks provided the preparer's name, telephone number, and address, along with the supervisor's name and telephone number.

0507 REPORT ON RECONCILIATION, SF 223

050701 Purpose and Accounting Report Number. This section prescribes the report form and instructions for preparation of the annual Report on Reconciliation pursuant to I TFM 2-4100. The SF 223 reconciles operating expenses and cash outlays for the fiscal year. The reporting requirements prescribed in this section are designated as SF 223 (IAR 0342-TD-AN).

050702 Applicability and Scope. The provisions of this section apply to all DoD Components, appropriations, and funds. Negative reports shall be submitted when there were no transactions during the fiscal year.

050703 Report Form. DoD Components may reproduce the copy provided in I TFM 2-4100 or use machine-produced facsimiles. A copy of the SF 223 is provided as figure 5-7.

050704 Frequency and Distribution

A. The report shall be submitted as of September 30 of each year by the date established by the appropriate departmental-level accounting entity.

B. The report shall be submitted under the cover transmittal letter provided for the SF 220 report, signed by the responsible official and distributed in accordance with the addresses provided in the addendum to this chapter.

050705 Preparation Instructions for the SF 223

A. DoD Components shall analyze the appropriate general ledger accounts identified in figure 5-7 and report balances on the appropriate report lines.

B. Heading. Enter on the designated lines (1) date of the report, (2) name of DoD Component submitting the report, (3) reporting entity, (4) OMB identification code, and (5) fund type.

C. Line 1 Total operating expenses. Enter the total operating expenses as disclosed on SF 221, line 12. for type 1 and 2 reporting entities. Other reporting entities enter the sum of the following general ledger accounts:

6100 Operating/Program Expenses
 6310 Interest Expenses on Borrowing
 From Treasury
 6320 Interest Expenses on Federal Securities
 6330 Other Interest Expenses
 6400 Benefit Program Expenses
 6500 Cost of Goods Sold
 6600 Applied Overhead
 6900 Other Expenses
 7210 Losses on Disposition of Assets
 7290 Other Losses

D. Line 2. Adjustments. Add the net amount of capital expenditures as disclosed on the SF 221, line 14. and deduct any increase in

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REPORT ON RECONCILIATION

for the period ended _____

(In dollars)

IDENTIFICATION

DEPARTMENT/AGENCY: _____

BUREAU/ORGANIZATIONAL UNIT: _____

OMB IDENTIFICATION CODE: _____

FUND TYPE: _____

Description	Total
1. Total operating expenses (SF 221) _____	
2. Adjustments:	
Add	
a. Capital expenditures _____	
Deduct:	
b. Increase (decrease) in accounts payable _____	
c. Decrease (increase) in inventories _____	
d. Accrued expenses not requiring outlays _____	
3. Subtotal _____	
4. Less: Offsetting collections credited _____	
5. Net disbursements _____	

AGENCY CONTACTS	
1. Preparer's Name	2. Telephone No.
3. Address	
4. Supervisor's Name	5. Telephone No.

FIGURE 5-7

accounts payable, or inventories and accrued expenses not requiring outlays that are not captured as accounts payable (for example, depreciation). Otherwise, determine the amounts for this line by use of the appropriate general ledger accounts.

Add:

1. Line 2.a. Capital expenditures: Enter the current year increase in the balances of the following general ledger accounts:

6100	Operating/Program Expense
6320	Interest Expense on Federal Securities
6330	Other Interest Expense
6500	Cost of Goods Sold
6600	Applied Overhead

Deduct:

2. Line 2.b. Increase (decrease) in accounts payable. Enter all increases and/or decreases in accounts payable netted against receivables, (such as, general ledger accounts 1310 and 1350). Use the accounts payable amount determined for line 2.e. of SF 222, or use appropriate amounts extracted from the following general ledger accounts:

2110	Accounts Payable
2140	Accrued Interest Payable

Deduct:

3. Line 2.c. Increase (decrease) in inventories. Enter all increases and/or decreases in inventories. Use appropriate amounts extracted from the following general ledger accounts:

1510	Inventory for Agency Operations
1520	Inventory for Sale
1530	Inventory-Raw Material and Supplies
1540	Inventory-Work in Process
1550	Inventory-Finished Goods
1560	Other Inventory
1570	Stockpiled Materials and Supplies

Deduct:

4. Line 2.d. Accrued expenses not requiring outlays. Enter the balance determined for line 3.b. of SF 222, or analyze the general ledger accounts used in line 1., above, and report the amount of any operating expenses not requiring outlays.

E. Line 3. Total gross disbursements. Enter the net sum of lines 1. and 2.a. less lines 2.b., 2.c. and 2.d.

F. Line 4. Less: Offsetting collections credited. Enter the amount of agency collections not reported to receipt accounts.

G. Line 5. Net disbursements. Enter the net sum of lines 3. and 4. This amount should agree with "Net Disbursements" reported in column 4 of the TFS Form 6653, "Undisbursed Appropriation Account."

H. Agency Contacts. Enter in the blocks provided the preparer's name, telephone number, and address, along with the supervisor's name and telephone number.

0508 FEDERAL AGENCIES' CENTRALIZED TRIAL-BALANCE SYSTEM REPORTING

Upon implementation of agency reporting via the Federal Agencies' Centralized Trial-balance System (FACTS), the above reports will become obsolete and this chapter will be revised accordingly. FACTS replaces the SF 220: Statement of Financial Position, SF 221: Statement of Operations, SF 222 Cash Flow Statement, and SF 223: Statement of Reconciliation. The NOTES report replaces the SF 220-1: Additional Financial Information.

The Report on Obligations (SF 225), SF 220-8: Report on Guaranteed Loans, and the Report on Receivables Due From the Public (Receivables Report), will continue to be reported as prescribed above.

Under FACTS, agencies must electronically transmit a pre-closing adjusted trial balance(s) (ATB) at the Treasury appropriation/fund group level, using the U.S. Government Standard General Ledger (SGL) accounts. Agencies must also electronically transmit the NOTES report(s). The pre-closing ATB should include balances for all revenues earned and all expenses incurred during the reporting period.

The preparation and submission of timely and reliable ATBs that fully disclose the financial results of all programs and activities and the consolidation of this information are the responsibilities of the head the Department of Defense and each Federal agency. Amounts should be reported in whole dollars. Amounts from 1 to 49 cents should be rounded down to the nearest dollar and amounts of 50 to 99 should be rounded up to the next dollar.

This chapter will be revised with the next issue of this publication. Additional information on FACTS is contained in Treasury Financial Manual, Volume 1, Transmittal Letter No. 559.

0509 CIVIL MONETARY PENALTY REPORT

The Federal Civil Penalties Inflation Adjustment Act of 1990, Public Law 101-104, established annual reporting requirements for civil monetary penalties (CMPs) assessed and collected by Federal agencies. Additionally, agencies are required to submit a separate report every 5 years identifying all applicable penalties and providing inflation adjustments for those that have not been adjusted by law in the last 5 years. CMPs include any non-criminal penalty, fine, or other sanction for which a given dollar amount (or maximum amount) is specified by Federal law, and which is assessed or enforced by an agency as a result of an administrative proceeding or civil action in the Federal courts.

The CPM information is due to Defense Finance and Accounting Service Headquarters by November 1st of each fiscal year for preceding fiscal year. The information should be sent to the General Accounting Deputate, Financial Statements Directorate.

<u>REPORTING ENTITIES MATRIX</u>				
	ARMY	NAVY	USAF	DFAS
<u>TYPE 1 - REVOLVING FUNDS (SEPARATE STATEMENTS FOR EACH FUND)</u>				
Defense Production Guarantees	X	X	X	X
Defense Business Operations Fund				X
Defense Homeowners' Assistance Fund	X			
WHS Building Management Revolving Fund				X
Special Defense Acquisition Fund				X 1/
Conventional Ammunition Working Capital Fund	X			
National Defense Stockpile Transaction Fund				X
Pentagon Reservation Maintenance Revolving Fund				X
Emergency Response Fund	X			X
<u>TYPE 2 - TRUST REVOLVING FUNDS (SEPARATE STATEMENTS FOR EACH FUND)</u>				
Surcharge Collections, Commissary Stores				X
Midshipmen's Store		X		
Air Force Cadet Fund			X	
<u>TYPE 3 - TRUST FUNDS (SEPARATE STATEMENTS)</u>				

<u>REPORTING ENTITIES MATRIX</u>				
	ARMY	NAVY	USAF	DFAS
Defense Military Retirement Fund				X
Advances, Foreign Military Sales, Executive				X <u>1</u> /
<u>TYPE 4 - OTHER TRUST FUNDS (CONSOLIDATED REPORT)</u>				
Education Benefit Fund				X
Foreign National Employees Separation Pay Account				X
Officer of Naval Records & History Fund		X		
General Gift Fund	X	X	X	
Ships' Stores Profits, Navy		X		
U.S. Naval Academy Museum Fund		X		
U.S. Naval Academy General Gift Fund		X		
Bequest of Major General Fred C. Ainsworth	X			
Voluntary Separation Incentive Trust Fund		X		
National Security Education Trust Fund		X		
<u>TYPE 5 - SPECIAL, DEPOSIT AND GENERAL FUNDS (CONSOLIDATED FUNDS)</u>				
All Special Funds	X		X	
All Deposit Funds	X	X	X	X
All General Funds	X	X	X	X <u>2</u> /
<u>TYPE 6 - CONSOLIDATED (ONE EACH ENTITY)</u>	X	X	X	X

1/ DSAA only

2/ DSAA only for MAP & IMET

TABLE 5-2

ADDENDUM
ADDITIONAL REPORTING AND DISTRIBUTION INSTRUCTIONS

1. **Fund Types.** Table 5-2 identifies the DoD reporting entities and the specific reporting packages required. Annually, DoD Components shall prepare a separate SF 220 with supporting reports for the fund types listed below. In addition, an SF 221, 222, and 223 shall be prepared for type 1 and type 2 funds. The fund types and reporting packages are as follows:

- Type 1: Each revolving fund
- Type 2: Each trust revolving fund
- Type 3: Each of the applicable major trust funds
- Type 4: All other trust funds
- Type 5: All other activity combined
- Type 6: Consolidated report

NOTE: SF 220-1, 220-8 and 220-9 shall not be submitted for fund type 6 reports.

2. **Report Distribution.** Reports shall be distributed by the departmental-level accounting entities as follows:

- a. Original reports shall be submitted to:

Department of the Treasury
Financial Management Service
Financial Reports Branch
Liberty Center
Attn: GAO Bldg, Rm 3021
Washington, D.C. 20227

- b. One copy of each annual and quarterly report shall be submitted to:

Directorate for Program and Financial Control, ODC(P/B)
Office of the Under Secretary of Defense (Comptroller)
The Pentagon, Room 3B872
Washington, D.C. 20301-1100

Defense Finance and Accounting Service
ATTN: Deputy Director for General Accounting
Arlington, VA 22240-5291

- c. One copy of the Services SF220 and SF221 for Business Operations Fund, and one copy of the SF220-8 and SF220-9 shall be submitted to:

Defense Finance and Accounting Service
ATTN: Deputy Director for Business Funds
Arlington, VA 22240-5291

CHAPTER 7

FOREIGN CURRENCY REPORTS0701 GENERAL

070101 Purpose. This chapter establishes reporting requirements for tracking all transactions that increase or decrease the foreign currency fluctuations accounts. It provides guidance to DoD Components on the recording of obligations for expenses payable in certain foreign currencies.

070102 Overview

A. The provisions of this chapter apply to all DoD Components unless specific exceptions have been granted in writing by the Under Secretary of Defense (Comptroller) (USD(C)).

B. The reports discussed in this chapter are as follows:

1. DD-COMP(M)1506
Foreign Currency Fluctuations, Defense.

2. DD-COMP(M)1761
Foreign Currency Fluctuations, Construction, Defense

070103 Foreign Currency Fluctuation, Operation and Maintenance

A. Beginning in Fiscal Year 1979, the Congress authorized the transfer of funds to Department of Defense operating appropriations to cover significant losses from foreign exchange rate fluctuations. Significant net gains from foreign currency exchange rate fluctuations must also be transferred to this new account. The operations and maintenance appropriations are the only appropriations affected. The purpose of the new appropriation is to alleviate the adverse effect of significant fluctuations in the specified currency exchange rates on authorized DoD programs subsequent to September 30, 1978. The title of the appropriation is the "Foreign Currency Fluctuations, Defense Appropriation (FCF,D)," Symbol 97X0801.

B. The OUSD(C) will manage the appropriation for Foreign Currency Fluctuations, Defense (FCF,D). Amounts will be transferred by OUSD(C) to the operating appropriations by means of a Nonexpenditure Transfer Authorization (SF 1151). These transferred funds will be available only for funding a centrally managed allotment (CMA) that each Component's operating appropriation has established to cover net losses in direct programs due to unfavorable fluctuations in foreign exchange rates in the selected currencies. These transfers may not fully fund such losses, but will be based on need, on the funds available to cover such losses DoD-wide, and on other budgetary considerations.

C. Since the FCF,D appropriation is only available to fund net losses, gains and losses will be accumulated in the CMA in each affected operating appropriation, and if a net gain results, the balance must be returned to FCF,D prior to the funds lapsing. Prior to passage of the 1979 appropriation act, the CMA had to be funded entirely by the operating appropriation. However, now that the appropriation is available, prompt action will be taken to provide funding based on justified requests received by USD(C).

D. The following statutes provide authority for the FCF,D appropriation:

1. Public Law 96-38, "Supplemental Appropriation, 1979" allows previously transferred FCF,D funds to be transferred back to the FCF,D appropriation from the appropriation to which they were transferred if the funds are not needed to finance increased obligations due to fluctuations in currency exchange rates because of subsequent favorable fluctuations in currency exchange rates or because other funds are, or become, available to finance these cost increases.

2. Section 767A of Public Law 96-527, "DoD Appropriations Act, 1981,"

prohibits the transfer of funds from the FCF,D appropriation to Military Personnel appropriations for obligations incurred after September 30, 1980.

3. Section 791 of Public Law 97-377, "DoD Appropriations Act, 1983," permits FY 1982 and subsequent O&M unobligated balances to be transferred to the FCF,D appropriation provided the transfers are made prior to the funds lapsing. The general provision limits the use of this authority so that the amount in the FCF,D appropriation does not exceed \$970.0 million at the time the unobligated balance transfer is made.

4. Section 774 of Public Law 98-212, "DoD Appropriations Act, 1984," requires that for FY 1984 and all subsequent fiscal years for the FCF,D appropriation the foreign currency exchange rates in preparing the budget submissions shall be the foreign currency exchanges rates as adjusted or modified by the congressional committee reports.

5. Section 9092 of Public Law 99-591, "DoD Appropriations Act, 1987," allows the Department to transfer unobligated FY 1983 Procurement funds, except for Shipbuilding and Conversion, Navy funds, to the FCF,D appropriation provided that the transfers are made by September 30, 1987 and provided that at the time the transfer is made using this authority, the balance in the FCF,D appropriation does not exceed \$970.0 million.

070104 Foreign Currency Fluctuation, Military Construction, Family Housing and NATO Infrastructure

A. Beginning in Fiscal Year 1987, Congress established a foreign currency fluctuation account to protect DoD Military Construction, Family Housing and North Atlantic Treaty Organization infrastructure programs from substantial gains or losses resulting from foreign currency fluctuations. The title of this appropriation is the "Foreign Currency Fluctuation, Construction, Defense Appropriation (FCF,C,D)," Symbol 97X0803.

B. The OUSD(C) will centrally administer the FCF,C,D appropriation. Initial capitalization for the account is to be accomplished by transferring unobligated balances from the family housing and military construction appropriations to the FCF,C,D account. Unobligated balances may be transferred up to 5 fiscal years after they have expired for original obligation purposes. The capitalized amount is available for obligation or expenditure during FY 1987, or thereafter, for military construction, expenses of family housing, or NATO Infrastructure programs for the Military Departments and Defense Agencies resulting from foreign currency fluctuations. Military Departments should retain sufficient balances in each account as required to cover contingencies.

C. All amounts to be transferred from this appropriation to other appropriations available for construction will require the specific approval of the USD(C). Upon determination of amounts to be transferred from the FCF,C,D accounts, the OUSD(C) will request the DFAS Indianapolis Center to initiate action for transfer of funds to applicable appropriations by means of Nonexpenditure Transfer Authorization (SF 1151).

070105 Definitions

A. Foreign Currency Unliquidated or Liquidated Obligations. These are obligations payable either in a specified foreign currency or in U.S. dollars, the amount of which is determined by the budget rate in effect at the time of the transaction.

B. Accrued Variance. The accrued variance is the difference between unliquidated obligations at the budget rate and the current foreign currency exchange rate.

C. Realized Variance. The realized variance is the difference between liquidated obligations at the budget rate and the foreign currency exchange rate at the time of payment. The variance is equal to the amount disbursed from the applicable centrally managed allotments.

070106 Standards

A. The foreign currency fluctuation legislation limits the use of funds provided the two appropriations (FCF,D and FCF,C,D) solely to losses sustained owing to unfavorable foreign currency fluctuations. The appropriations are not available to finance cost increases resulting from changes in the scope of programs, inflation increases, or other such changes. Other important features of the foreign currency fluctuations appropriations language are the following provisions relating to obligation/expenditure limitations and financial accounting procedures, relative to foreign currency exchange fluctuations:

1. Authorizations or limitations now or hereafter contained within appropriations or other provisions of law limiting the amounts that may be obligated or expended are hereby increased to the extent necessary to reflect fluctuations in foreign currency exchange rates from those used in preparing the applicable budget submission.

2. Contracts or other obligations entered into payable in foreign currencies may be recorded as obligations based on currency exchange rates used in preparing budget submissions, as amended by the Congress, and adjustments to reflect fluctuations in such rates shall be recorded as disbursements are made.

B. Funds transferred from the foreign currency fluctuation appropriations will be available only for funding centrally managed allotments (CMAs) that are to be established in the applicable operations and maintenance, construction, family housing, or NATO Infrastructure appropriations to cover losses/gains in direct programs due to fluctuations in foreign exchange rates.

C. DoD Components shall record foreign currency obligations at the installation level in dollars at the budgeted rate or at the congressionally established budget exchange rate for direct programs of affected appropriations as reflected in applicable committee reports or the appropriate appropriation acts. These rates shall be provided to the DoD Components by the

OUSD(C). Foreign currency obligations are those obligations that are either payable in specified foreign currency or payable in dollars, the amount of which is determined by the rate of exchange. When payment is made, the disbursing officer will charge the variance between the budget rate and the current rate directly to the applicable CMA. Other obligation adjustments, such as a change in scope of the contract, will necessitate an adjustment, at the budget rate, in the obligation on the installation's books prior to any adjustment for the currency rate variance.

D. The Component's central accounting activity will determine the total foreign currency unliquidated obligations at the budget exchange rate for each appropriation. An "accrued variance," will be determined at the end of each month based on the difference between unliquidated obligations at the budget rate and unliquidated obligations at the current rate, using the exchange rate on the last day of the month. The accrued variance will never be obligated in the official accounting documents. The exchange rate will be provided by the OUSD(C). Appropriate favorable variances must be identified and accumulated as well as unfavorable variances.

E. It is the responsibility of the component holding the CMA to establish controls and carefully monitor fund availability at all times. Antideficiency Act provisions will apply to each CMA. Controls established must ensure that a sufficient amount of funds within the appropriation's availability are reserved for the CMA to finance projected disbursement requirements. For family housing and construction, this is recommended to be a six month requirement. Should CMA funding availability drop below this level, immediate action must be taken to avoid overobligation. Such action shall include providing additional funds from current accounts and, if necessary, advising all disbursing officers to cease payments from the CMA without prior certification until funding is obtained. In no case should any action be taken which presumes relief through a transfer of funds from the foreign currency fluctuations appropriations,

owing to the limited capitalization available in these accounts.

F. Currently, there are 14 specified currencies included in the foreign currency fluctuation program. Additional currencies may be added and some deleted by the OUSD(C) as conditions warrant. Specific currencies and exchange rates are published by OUSD(C).

070107 General Reporting Guidance

A. Other than including the variance between the budget rate and current foreign currency exchange rate in the month end accrual at the Component headquarters, as described in subsection 070106.D., above, no further adjustment is necessary until disbursement is made or until the appropriation lapses.

B. Only direct programs are affected by this procedure. The performing activity shall continue to accept reimbursable orders, incur obligations and bill for reimbursement at the current foreign currency exchange rate using the procedures prescribed in Volume 3, chapters 9 and 16, and Volume 11A, Chapter 1 of this Regulation. However, when the performing activity and the benefiting activity are within DoD, the performing activity shall notify the benefiting activity of the amounts obligated that are to be paid in foreign currency. The benefiting activity shall record that portion of its obligation for direct programs at the budget rate in the manner prescribed in subparagraph 070106.C., above. The variance for the unliquidated obligation and disbursement shall be recorded in the CMA at the headquarters level of the benefiting activity.

C. Normal operating budgets or other funding documents issued for the affected appropriations by DoD Components shall not be adjusted for foreign currency exchange rate fluctuations.

D. Prior to the close of the books at year-end, each Component shall review the status of its CMA. Net gains in a CMA will be promptly transferred back to the applicable Foreign Currency Fluctuations appropriation. Components shall also determine the portion of

the losses that can be absorbed by the CMA and transfer back to the appropriation account any balances that are not required.

0702 REPORTING PROCEDURES

070201 Transfers Made to and from the Foreign Currency Fluctuations, Defense Appropriation Report

DFAS is responsible for providing to the House and Senate Appropriations Committees the annual report on all transfers made to or from the Foreign Currency Fluctuations, Defense Appropriations.

070202 Foreign Currency Fluctuations, Defense (DD-Comp(M)1506)

A. The DFAS is responsible for providing the consolidated monthly DD-Comp(M)1506 report to OUSD(C)P/B.

B. Each DoD Component participating in the program shall submit a monthly report to the DFAS using the format in figure 7-1.

C. The report is due no later than 22 work days after the end of each month.

D. The report shall include the following:

1. Column 1 - Country. The specified countries shall be listed alphabetically.

2. Column 2 - Monetary Unit. Enter the monetary unit of the country.

3. Column 3 - Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. This is derived by taking the obligations incurred at the budget rate less the disbursements at the budget rate.

4. Column 4 - Accrued Variance. Enter the accrued variance for the unliquidated obligations in column 3. Note: This amount may change from month to month as the current foreign currency exchange rate changes and/or

as the amount of unliquidated obligations changes.

5. Column 5 - Realized Variance.

Enter the actual dollar amount of the variance resulting from liquidated obligations to date. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed.

6. Column 6 - Foreign Currency Obligations Incurred. Enter the dollar amount of total obligations incurred to date at the budget rate. This will be based on actual accounting data of obligations incurred at the budget rate. It will not be a derived number.

7. Column 7 - Planned Overseas Program. The planned overseas program for execution at the budget rate should agree with the current year (CY) column of the PB-18 exhibit, required by Volume 2B, Chapter 19, of this Regulation, supporting the budget year's President's budget request. Any increases/decreases to the planned overseas program during the execution of the CY must be explained by country in the monthly report.

E. The report also shall include footnotes showing:

1. The total funding provided to the centrally managed allotment by source.

a. Transfers from the FCF,D appropriation

b. Transfers from the Component's O&M availability

c. Total CMA funding

2. The anticipated gains or losses for the remainder of the fiscal year. The anticipated gains or losses on projected disbursements to the end of the year shall be estimated by computing the variance that would occur if the current foreign currency exchange rates were to remain in effect during the remainder of the year.

3. Transfers to FCF,D due to Favorable Realized Variances.

4. Projected Liquidations (budget rate) for the FY. Provide an estimate of the obligations (budget rate) that will be disbursed during the FY.

5. Explanation of deviations from planned overseas program by country is required when significant variances from the "obligations incurred" column exist. This explanation can occur any time prior to the lapsing of funds.

F. Based on the reports received, DFAS shall prepare a monthly consolidated report for the OUSD(C), Office of the Deputy Comptroller (Program/Budget) (ODC (P/B)), ATTN: Directorate for Operations. The Reports Control Number under which this report is to be made is RCS DD-COMP(M)1506.

070203 Foreign Currency Fluctuations, Construction, Defense Appropriation Report.

DFAS is responsible for providing to the House and Senate Appropriations Committees the semi-annual report on the Foreign Currency Fluctuations, Construction, Defense Appropriations.

070204 Foreign Currency Fluctuations, Construction, Defense (DD-Comp(M) 1761)

A. The DFAS is responsible for providing the consolidated monthly DD-Comp(M)1761 report to OUSD(C)P/B.

B. DoD Components shall prepare monthly reports on Foreign Currency Fluctuations, Construction, Defense, appropriations obligations using the format in Figure 7-2.

C. The report is due no later than 22 work days after the end of each month.

D. The report shall include the following:

1. Column 1 - Country. The specified country shall be listed alphabetically.

2. Column 2 - Monetary Unit. Enter the monetary unit of the country.

3. Column 3 - Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. Report unliquidated obligations by fiscal year.

4. Column 4 - Accrued Variance. Enter the accrued variance for the unliquidated obligations in column 3. Note: This amount may change from month to month as the current foreign currency exchange rate changes. Report accrued variances by fiscal year.

5. Column 5 - Foreign Currency Liquidated Obligations. Enter the dollar amount of total obligations liquidated for the report month at the budget rate.

6. Column 6 - Realized Variance. Enter the actual dollar amount of the variance resulting from liquidated obligations for the month. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed. All realized variances will be charged against the current year CMAs for construction, military family housing operations and maintenance and military family housing construction.

7. Column 7 - CMA Projected Six Month Disbursements. Enter the projected 6-month disbursements from the centrally managed allotment based on historical outlay data, contract requirements, and payment schedules.

E. The report also shall include footnotes showing:

1. The anticipated gains or losses for the rest of the fiscal year (estimate this by computing the variance that would occur if the present currency exchange rates were to remain unchanged during the remainder of the fiscal year).

2. The total funding provided to the Centrally Managed Allotments from the FCF,C,D appropriation.

F. Based on the reports received, the DFAS shall prepare a monthly consolidated report for OUSD(C), ODC (P/B), ATTN: Directorate for Military Construction. The fiscal year reports submitted by DoD Components shall be used by DFAS as the basis for preparing and submitting the required biannual and annual reports to the Congress. The Reports Control Number under which this report is to be made is RCS DD-COMP(M)1761.

<u>FOREIGN CURRENCY FLUCTUATIONS, DEFENSE REPORT</u> <u>FOR (Component and Appropriation)</u> <u>AS OF: (date) (YYMMDD)</u> <u>DD-COMP(M)1506</u>						
Country (List Alphabetically)	Monetary Unit	Foreign Currency Unliquidated Obligations (Budget Rate)	Accrued Variance	Realized Variance	Obligations Incurred (Budget Rate)	Planned Overseas Program (Budget Rate)
<u>FOOTNOTES:</u> (1) CMA Funding Transfers from FCF,D _____ Transfers from O&M _____ Total _____ (2) Anticipated Gains/Losses (3) Transfers to FCF,D (Favorable Fluctuations) (4) Projected Liquidations (Budget Rate) (5) Explanation of Deviation From Plan						

FIGURE 7-1

<u>FOREIGN CURRENCY FLUCTUATIONS, CONSTRUCTION, DEFENSE REPORT</u> <u>FOR (Component and Appropriation)</u> <u>AS OF: (date) (YYMMDD)</u> <u>DD-COMP(M)1761</u>						
Country (List Alphabetically)	Monetary Unit	Foreign Currency Unliquidated Obligations (Budget Rate)	Accrued Variance	Foreign Currency Liquidated Obligations (Budget Rate)	Realized Variance	CMA Projected Six Month Disbursements
<u>FOOTNOTES:</u> (1) Anticipated Gains/Losses remainder of year (2) Total funding provided from FCF,C,D						

FIGURE 7-2

CHAPTER 8

SPECIAL REPORTS0801 CASH FLOW REPORT

080101 Purpose. The Cash Flow Report is the result of conducting periodic cash management reviews as required by the Deficit Reduction Act of 1984. The review is conducted to identify potential improvements in the Agency's cash management practices, with the general goal of accelerating the collection process, the proper timing of disbursements, and the minimizing of cash balances held outside the U.S. Treasury. The cash management review shall:

A. Determine if the DoD Component is appropriately billing, collecting, depositing, disbursing, and holding funds in compliance with I TFM 5-2000, I TFM 6-2000, and I TFM 6-8000.

B. Document DoD Component cash flows to include collections, disbursements, and cash holdings.

C. Determine if an opportunity exists to implement a better mechanism or process, upgrade an existing mechanism or process, or adopt changing technology.

080102 Applicability and Scope. The provisions of this section apply to all DoD Components. Comprehensive cash management (flow) reviews shall be conducted every 5 years. The DoD Components shall complete the cash flow reviews over a 2-year period. During interim years between cash flow reviews, each DoD Component shall certify annually that its cash management practices are in compliance with appropriate standards for its collection and disbursement cash flows and imprest funds.

A. The Military Services and Defense Agencies shall review and document incoming (collection) and outgoing (disbursement) cash flows that exceed an aggregate of \$1 million per annum, and imprest funds. Before the start of the reviews, DoD Components shall prepare implementation plans which stratify by

milestones and dates the cash flows that shall be reviewed. These plans are subject to approval by the Defense Finance and Accounting Service (DFAS).

B. Cash flows, common to the DoD Components are described at paragraphs 080106 and 080107, below and, as a minimum, shall be reviewed as appropriately meet the threshold level.

C. Use of existing systems is encouraged to monitor cash flows for subsequent year reviews. Failure to perform a cash management review or implement initiatives timely without adequate reason may result in assessment by the Treasury Department of charges for noncompliance in the amount of savings which would have otherwise been realized. Further information on the assessment of charges and appeal procedures are in I TFM 6-8080. The Treasury Department may elect to identify cash management initiatives with corresponding implementation dates based on available information. The DoD Component will be responsible for reporting on such initiatives.

080103 Report Format

A. Cash Flow Reports shall be prepared, as prescribed in paragraph 080105, below, in the format illustrated as figure 8-1.

B. Cash Management Agency Certifications (Certifications) shall be prepared, as prescribed in paragraph 080105, below, in the format illustrated as figure 8-2.

080104 Frequency and Distribution

A. Cash Flow Reports and implementation plans, as required by paragraph 080102, above, shall be submitted by the DoD Components as follows:

1. The Military Departments, shall submit implementation plans to be received by

DFAS by August 15 in the FY preceding the start of the 2-year cash flow review cycle. As cash flows are documented, they shall be submitted to DFAS in accordance with the dates established by the implementation plan.

2. Defense Agencies and DoD Field Activities shall submit implementation plans to be received by the DFAS by August 5 in the FY preceding the start of the 2-year cash flow review cycle. As cash flows are documented, they shall be submitted to the DFAS in accordance with the dates established by the implementation plan.

B. DoD Component cash flow implementation plans shall be approved by the DFAS and consolidated for transmittal to the Treasury Department, by September 1, in the FY preceding the start of the 2-year cash flow review cycle. Cash Flow Reports shall be approved and submitted to Treasury by the DFAS in accordance with the agreed upon implementation schedule for each flow.

C. Cash Management Agency Certifications, as required by paragraph 080105, above, shall be submitted by the DoD Components as follows:

1. The Military Departments shall submit Cash Management Certifications to be received by the DFAS by August 31 during each FY in which a cash flow review is not required.

2. Defense Agencies and DoD Field Activities shall submit Cash Management Certifications, as appropriate, to be received by the DFAS, by August 20 in the FYs in which a cash flow review is not completed.

D. The results of DoD Component Cash Management Certifications shall be approved and consolidated by the DFAS for transmittal, by September 15 each year, to the Treasury Department.

080105 Preparation Instructions

A. A Cash Flow Report must be accomplished for each individual cash flow that meets the criteria of paragraph 080102, above. Minimum review requirements, described at paragraph 080106 and 080107, below, have been prepared to assist DoD Components in preparing their cash flow reports.

B. Cash flow identification numbers shall be assigned by the DoD Component as prescribed by the following criteria:

1. Army

Receipt	DA 1001 - 1999
Disbursement	DA 2001 - 2999

2. Air Force

Receipt	DF 1001 - 1999
Disbursement	DF 2001 - 2999

3. Navy

Receipt	DN 1001 - 1999
Disbursement	DN 2001 - 2999

4. Defense Agencies and OSD

Field Activities

Receipt	D 1001 - 1999
Disbursement	D 2001 - 2999

DB - DMA
 DH - DNA
 DR - DCAA
 DZ - DODDS
 DJ - CJCS
 DS - DLA
 DO - OCHAMPUSDK - DCA
 DT - DSAA
 DD - OSD and WHS
 DL - DIA
 DV - DIS
 DE - ARPADM - USMC
 DW - USUHS
 DG - NSA
 DQ - DLSA
 DX - DODIG

080106 Minimum Receipt and/or Collection Cash Flow Review Requirements:

A. Individuals

1. Collections from Military Personnel

a. Refund of Pay and Allotments. Refunds from military personnel for overpayments of pay or allotments.

b. Transportation. Collections from military personnel related to "space available" military airlift command flights.

c. Veterans Education Assistance Program. Contributions from service members towards education benefits.

d. Debt. Collections on outstanding military debt.

e. Servicemen Group Life Insurance Premiums (SGLI). Payments received for SGLI premiums.

f. Other Overpayments. Collections for other overpayments.

g. Tuition Reimbursement. Repayment of tuition fees by military personnel who dropped a college course paid for by the Government.

h. Commissary. Receipts of daily deposits from service commissaries.

i. Service Academies. Collections from the operation of stores at the respective service academies.

2. Collections from Civilian Personnel

a. Refund of Pay and Allotments. All collections from civilian personnel for the maintenance of health and life insurance benefits, jury duty pay, returned checks for duplicate payments, overpayments, or withdrawn Civil Service Retirement Funds.

b. Debt. Collections from repayment of outstanding civilian debt.

3. Collections from Military or Civilian Personnel

a. Excess Shipping Allowance. Refunds from military and civilian personnel who shipped more weight than authorized by the Joint Federal Travel Regulation or the Joint Travel Regulation.

b. Government Property Lost or Damaged. Collections from military and civilian personnel for Government-owned items that were lost or damaged.

c. Hospital and/or Medical. Collections made at service hospitals, clinics, and medical facilities.

d. Dining Facilities. Collections made at dining and mess facilities for meals served to military and civilian personnel.

e. Travel Advance Overpayments. Repayment of retained advances for travel.

f. Judge Advocate General (JAG) Claims. Claims processed through the JAG office from individuals for recovery of disputed medical charges, traffic fines on installations, and other amounts.

g. Other. Other collections from military and/or civilian personnel, that do not fit into the above categories and cannot be allocated separately to collections from either military or civilian personnel.

4. Collections from Individuals Outside of Government

a. Refund of Pay and Allotments - Retired. Refunds collected from retirees for overpayments of pay and allotments.

b. Out-of-Service Debt. Collections of outstanding debts by former Service members.

c. Retired Debt. Collections of outstanding debts by retired Service members.

d. Tuition Payments. Collections of tuition from U.S. citizens, or other students (not employed by Department of Defense) attending DoD-operated schools.

e. Survivor Benefit Plan and Retired Servicemen Family Protection Plan. Collections from the Survivor Benefit Program, the Retired Servicemen Family Protection Plan, and/or other similar type plans.

B. Business

1. Transportation Request Refunds. Collections from carriers for unused airline tickets; or refunds arising from a difference between the ticket cost at the time of payment and the cost when the travel was completed.

2. Loss and Damage Refunds. Payment received from commercial carriers for settlement of claims for loss or damage of government shipments.

3. JAG Claims. Recoveries processed through the JAG office from carriers for goods damaged during shipments.

4. Bill of Lading Refund - Reweigh. Remittances from carriers for shipping weight variances and reweighs.

5. Duplicate Pay Refunds. Collections from companies for duplicate payments.

6. Coupon Reimbursement. Collections from contractors used as clearinghouses to process manufacturer's coupons accepted at commissaries.

7. Contractor Refunds, Debt and/or Default. Repayments by contractors for incorrect charges and overpayments due to contract modifications or final audits, collections from contractors on debt outstanding, and/or receipts from claims against contractors for damages and defaults on contracts.

8. Sales and Services. Collections exclusively from business entities for sales and services performed and provided by a Government activity, or a byproduct of such activity, including, but not limited to, items such as plans, specifications, parts, materials, and airlift services.

C. Other: Individuals and/or Business and/or Government

1. Rent and/or Lease and/or Utilities. Collections received from the use and tenancy of government property, both real and personal, including land, buildings, housing facilities, and equipment; and from the provision of utility services by the government to non-government activities such as banks, restaurants, and contractor offices.

2. NSF Checks. Collections from nonsufficient funds checks and canceled checks.

3. Freedom of Information Act (FOIA) (reference (cc)). Receipts from fees and other charges for services under the FOIA.

4. Disposal. Sale of obsolete and surplus Government property and equipment.

5. Reimbursable Orders. Receipts for services and work performed for other Federal agencies, state or local governments, and nonappropriated fund instrumentalities.

6. Tax Refunds. Receipts from State and local governments for taxes incurred in government purchases for which the Federal Government is not liable.

7. Interest Receipts. Interest collected on loans, investments, and other equities, in addition to interest collected on advances, deposits, duplicate payments, and default claims.

8. Foreign Currency. Funds received for foreign currency conversion and gains made on foreign currency exchange.

9. Sales. Proceeds from the sale of any article or commodity produced by, or that

results from, the effort of a government activity, or the byproduct of any activity, as well as the proceeds from services performed by such activities. Excludes foreign military sales.

10. Foreign Military Sales.
Proceeds from foreign military sales.

11. Miscellaneous. Other receipts and collections which do not fit into any of the categories and cannot be allocated separately to individuals or companies.

080107 Minimum Disbursement Cash Flow Review Requirements:

A. Individuals

1. Disbursements to Military Personnel

a. Net Pay. Net pay disbursed to Active Duty, Reserve, or National Guard personnel.

b. Military Pay - Casual. Casual and advance payments made to Active Duty, Reserve, or National Guard personnel.

c. Military Pay Allotment. Disbursements made to active duty military personnel for insurance, dependents, savings, loans, or mortgages.

d. Permanent Change of Station (PCS) Travel. Payments made to military personnel when they are making a PCS move (advances and settlements).

e. Miscellaneous Pay. Disbursements for separation payments, replacement payments, and nonpayroll payments.

2. Disbursements to Civilian Personnel.

a. Civilian Payroll. All pay disbursed to civilian personnel.

b. Civilian Allotment. Disbursements made for insurance, dependents, savings, loans, or mortgages.

c. Change of Station. Payments made to civilian employees who are making a PCS move (advances and settlements).

3. Disbursements to Military or Civilian Personnel

a. Travel Advance. Payments made to both military and civilian personnel performing travel.

b. Travel Payments. Payments for accrued per diem and full reimbursement for travel.

c. Other Advances. Other advances that are issued to personnel, both military and civilian, that are not categorized elsewhere.

d. Payroll Taxes. Tax payments made to the Federal, State, and local government taxing authorities.

e. Stipends. Payments made to students attending DoD-operated schools.

4. Disbursements to Individuals Outside of Government

a. Military Net Pay - Retired. Military pay disbursed to retirees.

b. Monthly Allotment - Retired. Disbursements made to retirees for insurance, dependents, home mortgages, garnishments, loans, or savings.

c. Travel Settlements. Disbursements made to retirees for travel claims and unsettled travel claims.

d. Miscellaneous. Other disbursements which do not fit into any of the categories and cannot be allocated separately.

B. Business1. PPA Vendor Payments.

Disbursements, covered under the Prompt Payment Act, made to vendors in fulfillment of contracts with commercial freight and passenger carriers for transportation charges and utility services.

2. Other Vendor Payments.

Disbursements made to vendors with contracts for financing arrangements or contracts with advance or partial payments, and disbursements made to contractors for overhead and interim fees and costs.

C. Other: Individuals and/or Business and/or Government

1. Payments made for the purchase of foreign currency.

2. Payments made to other Government Agencies.

3. Payments that do not fit into any of the specified categories and which cannot be allocated separately to either individuals or business.

080108 Minimum Imprest Fund Cash Flow Review Requirements: Reviews of imprest funds must be accomplished during the two-year cash flow review process to determine compliance with cash holding authority.

080109 Review Closeout. Treasury Department recommendations from the Cash Flow Review shall be discussed during a DoD closeout meeting. The recommendations that are agreed to by the Treasury Department and the DoD Component shall be summarized in writing. This correspondence shall be sent by the Treasury Department to the DFAS. These recommendations shall be transmitted by the DFAS to the respective DoD Components. Within 60 days, DoD Components shall respond to DFAS with:

A. Cash management initiatives for those Treasury Department recommendations with which DoD concurs. These initiatives shall

include documented cash flows, estimated savings, and implementation milestones. They shall be completed in accordance with paragraph 080204 below. Initiatives shall be reported as part of the Department's annual Cash Management Plan.

B. Reasons why the recommendations are not feasible, or suggestions for alternative changes. The DFAS shall provide the Treasury Department with the DoD response.

0802 CASH MANAGEMENT INITIATIVE REPORT

080201 Purpose. Each DoD Component is responsible for continually reviewing its operations and ensuring that effective cash management practices are in place, and initiating new action items when the need for improvement is indicated. The Treasury Department has developed and implemented a tracking system for all cash management initiatives. The system is used to monitor progress toward initiative completion. Each initiative is assigned milestone completion dates. Progress is reported quarterly to the Treasury Department. The Cash Management Initiative Report identifies new initiatives, reports progress on current initiatives and provides input for the annual Cash Management Plan. Specifically, there are three types of Cash Management Initiative Reports:

A. New Initiative Request. To request approval of a new initiative identified either separately through normal operations or through performance of the Cash Flow Review/Certification process.

B. Quarterly Initiative Status Report. To report on:

1. Interim Actions and/or Changes. To report completion of interim action milestones or changes in the scope, estimated cash flow, estimated savings, and estimated completion date of an initiative.

2. Initiative Completion. To report completion of an initiative.

3. Cash Flow and Savings Results.

To report the actual cash flow and savings results for the quarter.

C. Annual Cash Management Plan. To update all initiatives for the following fiscal year by providing the expected cash flow and savings goals by quarter, to report changes in the scope, interim milestones, and estimated completion dates of incomplete initiatives; and to request approval for new initiatives.

080202 Applicability. This section applies to all DoD Components.

080203 Frequency and Distribution.

A. Cash Management Initiative Reports shall be submitted to the DFAS by the DoD Components at least 5 calendar days before the due dates below. The results of each DoD Component Cash Management Initiative Report shall be consolidated by the DFAS for transmittal to the Treasury Department.

B. The following reports shall be submitted in the frequency stated:

1. New Initiative Request.

Reports requesting approval of new initiatives shall be received during the update cycle for the following year's Cash Management Plan, normally by August 31 each year, or whenever a new initiative is deemed appropriate, either through the Cash Flow Review/Certification process or as circumstances dictate throughout the year.

2. Quarterly Initiative Status Report. Quarterly updating and reporting is required for all initiatives. Reports shall be received by the end of the month following the close of each fiscal quarter.

3. Annual Cash Management Plan. Reports citing the cash flows and savings goals of each initiative for the following fiscal year shall be received by the DFAS during the update cycle for the following year's Cash Management Plan, normally by August 31 each year.

080204 Preparation Instructions. The reporting format, as prescribed in figure 8-3, shall be prepared for the New Initiatives Report, the quarterly Cash Management Initiative Report and the annual Cash Management Plan.

A. Purpose of Report

1. New Initiative Request. Figure 8-3 report format shall be followed for the identification of new initiatives. Specific elements of the report include.

a. Type of Initiative. State whether the initiative is mechanized or other.

b. DoD Component. State the name of the DoD Component providing the report.

c. Def No. Leave this space blank for new initiatives. This number will be assigned by the DFAS.

d. Initiative Title. Provide the name of the cash management action.

e. Purpose of Report. Indicate that the submission is for a new initiative.

f. Description of Initiative. Describe the DoD Component improvement effort. Include a statement which contains a brief summary of the program, the cash management deficiency, the revised procedure, and the time phased steps necessary to correct the deficiency. State the related cash flow name and number, if applicable.

g. Current Status. This section shall be left blank for new initiatives.

h. Schedule of Tasks. State the major actions that must be completed, along with their estimated completion dates. Milestones should include the major decision points of effort, be few in number, but frequent enough to provide tracking of results. If initiative has been completed, provide a statement indicating this.

i. Reason for Variance Between Savings Goal and Actual. This section shall be left blank for new initiatives.

j. Project Officer. Provide the name and telephone number of the action officer assigned to the project. This individual should have a sound working knowledge of the initiative scope, current status of work effort, cash flows and interest saving calculations.

k. Completion Date. Provide the estimated completion date of the cash management improvement. Revisions to this date shall be justified.

l. Number of Benefit Days. State the number of benefit days that will be gained by the cash management improvement. The prescribed number of benefit days are provided in paragraph 080204.B below. Actual days may be used. However, the DoD Component shall submit an explanation justifying how actual days were computed.

m. Savings Goals. State, by quarter, the cash flow and interest savings to be achieved. Prior year experience should be used, if appropriate, to project realistic dollar flows and/or savings for each quarter.

n. Actual Cash Flow and Savings Results. This section shall be left blank for new initiatives.

o. Computation of Savings. The formulas and prescribed benefit days, as provided in paragraph 080204.B below, shall be used for interest savings calculations. If a cash management improvement is not covered by one of the established formulas, the DoD Component must provide an explanation of the calculation and a justification.

2. Quarterly Initiative Status Report. Figure 8-3 report format shall be followed for preparing quarterly reports. Specific items shall include:

a. Type of Initiative. State whether the initiative is mechanized or other.

b. DoD Component. State the name of the DoD Component providing the report.

c. Def No. Maintain the same assigned number for ongoing and completed initiatives. Leave this space blank for new initiatives. This number will be assigned by the DFAS.

d. Initiative Title. Provide the name of the cash management action.

e. Purpose of Report. Indicate whether the submission is for a new initiative or a quarterly status report on an ongoing or completed initiative.

f. Description of Initiative. Describe the DoD Component improvement effort. Include a statement which contains a brief summary of the program, the cash management deficiency, the revised procedure, and the time phased steps necessary to correct the deficiency. State the related cash flow name and number, if applicable.

g. Current Status. Provide a summary of efforts to date since the last reporting period. Efforts shall include a statement on the degree of success that was realized in implementing a specific improvement, what actions were taken, and what, if any, new initiatives were established in the process of implementation. This section will not be left blank. If an initiative was completed, then a statement will be provided on the result of the improvement. For example, if the initiative focuses on efforts to implement DD/EFT for military pay, then this section might state "The Army maintains a 98.3 percent participation rate for active duty officers. It now requires all new recruits to be paid by DD/EFT." This section shall be left blank for new initiatives.

h. Schedule of Tasks. State the major actions that must be completed, along with their estimated completion dates. Milestones should include the major decision points of effort, be few in number, but frequent enough to provide tracking of results. If

initiative has been completed, provide a statement indicating this.

i. Reason for Variance Between Savings Goal and Actual. Provide an explanation for all variances 10% above/below projected goals. This section shall be left blank for new initiatives.

j. Project Officer. Provide the name and telephone number of the action officer assigned to the project. This individual should have a sound working knowledge of the initiative scope, current status of work effort, cash flows and interest saving calculations.

k. Completion Date. Provide the estimated completion date of the cash management improvement. The actual completion date shall be entered for those initiatives completed within the reporting period. Where a planned completion date falls within the reporting period and the initiative has not been completed, that date shall be revised and an explanation given as to why the target date was not met.

l. Number of Benefit Days. State the number of benefit days that will be gained by the cash management improvement. The prescribed number of benefit days are provided in paragraph 080204.B below. Actual days may be used. However, the DoD Component shall submit an explanation justifying how actual days were computed.

m. Saving Goals. State, by quarter, the cash flow and interest savings to be achieved.

n. Actual Cash Flow and Savings Results. State, by quarter, the actual cash flow and interest savings achieved. This section shall be left blank for new initiatives.

o. Computation of Savings. The formulas and prescribed benefit days, as provided in paragraph 080204.B below, shall be used for interest savings calculations. If a cash management improvement is not covered by one of the established formulas, the DoD Component must provide an explanation of the calculation and a justification.

3. Annual Cash Management Plan. DoD Component submissions shall include: (1) all completed initiatives with estimated savings greater than \$5,000; (2) required initiatives in specified collection and disbursement areas as directed annually by DFAS; (3) recommendations made by Treasury, as contained in the Cash Management Agency Certification package, or justification provided otherwise, and (4) new initiatives as deemed appropriate, either through the Cash Flow Review process or as circumstances dictate throughout the year. Figure 8-3 report format shall be followed for preparing submissions for the Cash Management Plan. Specific items shall include:

a. Type of Initiative. State whether the initiative is mechanized or other.

b. DoD Component. State the name of the DoD Component providing the report.

c. Def No. Maintain the same assigned number for ongoing and completed initiatives. Leave this space blank for new initiatives. This number will be assigned by DFAS.

d. Initiative Title. Provide the name of the cash management action.

e. Purpose of Report. Indicate that the submission is for the Cash Management Plan.

f. Description of Initiative. Describe the DoD Component improvement effort. Include a statement which contains a brief summary of the program, the cash management deficiency, the revised procedure, and the time phased steps necessary to correct the deficiency. State the related cash flow name and number, if applicable.

g. Current Status. This section shall be left blank.

h. Schedule of Tasks. State the major actions that must be completed, along with their estimated completion dates.

Milestones should include the major decision points of effort, be few in number, but frequent enough to provide tracking of results. If initiative has been completed, provide a statement indicating this.

i. Reason for Variance Between Savings Goal and Actual. This section shall be left blank.

j. Project Officer. Provide the name and telephone number of the action officer assigned to the project. This individual should have a sound working knowledge of the initiative scope, current status of work effort, cash flows and interest saving calculations.

k. Completion Date. Provide the estimated or actual, as applicable, completion date of the cash management improvement. Revisions to this date, as specified from the last quarterly report, shall be justified.

l. Number of Benefit Days. State the number of benefit days that will be gained by the cash management improvement. The prescribed number of benefit days are provided in paragraph 080204.B below. Actual days may be used. However, the DoD Component shall submit an explanation justifying how actual days were computed.

m. Savings Goals. State, by quarter, the cash flow and interest savings to be achieved. Prior year experience should be used, if appropriate, to project realistic dollar flows and/or savings for each quarter.

n. Actual Cash Flow and Savings Results. This section shall be left blank.

o. Computation of Savings. The formulas and prescribed benefit days, as provided in paragraph 080204.B below, shall be used for interest savings calculations. If a cash management improvement is not covered by one of the established formulas, the DoD Component must provide an explanation of the calculation and a justification.

B. Type of Initiative

1. Mechanized Initiatives. This category encompasses those improvements that are measured by a standard formula in which benefit days are a factor. Interest savings are measured using benefit days (the average number of days by which a collection flow is accelerated or a disbursement flow is deferred). Examples of mechanized initiatives include: lockbox, wire collections and payments, Governmentwide credit or charge cards, and third party drafts.

a. Formulas. DoD Components shall use the following formulas to calculate savings:

$$\text{Annual Mechanism Flow} / 250 \text{ Business Days} = \text{Daily Flow}$$

$$\text{Daily Flow} \times \text{Benefit Days} \times \text{Current Value of Funds Rate} = \text{Interest Savings}$$

$$\text{Interest Savings} / 360 \times 90 = \text{Quarterly Interest Savings}$$

b. Benefit Days. To report cash flows and savings, DoD Components shall use the following benefit days in their calculations unless supporting documentation is received showing actual computations of benefit days:

(1) Collections

a. Lockbox	3 days
b. Federal Deposit System	3.5 days
c. TGA and/or CCS	3 days
d. CCCN (Electronic Only)	1 day
e. ACH and/or PAD or CIE	3.3 days

(2) Disbursements

a. LOC and/or TFCS	4.7 days
b. American Express Cards (GCA)	45 days
c. American Express Government Travel Account (GTA)	30 days
d. Third Party Drafts	20 days

NOTE:

TGA = Treasury General Account
 CCS = Cash Concentration System
 CCCN = Credit Card Collection Network
 ACH = Automated Clearing House
 PAD = Pre Authorized Debit
 CIE = Customer Initiated Debit
 LOC = Letter of Credit
 TFCS = Treasury Financial Communications System

2. Other Initiatives. This category encompasses those improvements that are measured by a standard cost saving formula or a formula unique to the DoD Component. Interest savings are measured using a standard cost saving per item method or by formulas devised by a DoD Component and approved by DFAS. Where the following formulas are not used, DoD Components shall provide the calculations and the justifications used to determine cash flows and savings. Examples of other initiatives are direct deposit and/or electronic funds transfer (DD/EFT), automated clearing house (ACH) and/or vendor express, Governmentwide credit card for small purchases, and reductions in imprest funds.

3. Formulas. DoD Components shall use the following formulas to calculate savings, unless greater savings can be justified:

a. DD/EFT (Civilian).

(1) Number of DD/EFT salary payments in last pay period of quarter x 6.5 (pay periods) x \$1.10.

(2) Number of DD/EFT allotment payments in last pay period of quarter x 6.5 (pay periods) x \$.40.

b. DD/EFT (Military).

(1) Number of DD/EFT salary payments in last pay period of quarter x 6 (pay periods) x \$1.10

(2) Number of DD/EFT allotment payments in last pay period of quarter x 6 (pay periods) x \$.40

(3) Number of DD/EFT monthly pension payments in last month of quarter x 3 (pay periods) x \$.26.

c. Vendor Payments (ACH).

Number of vendor or miscellaneous ACH payments in quarter x \$.26.

d. Change in Cash Position

(CP). If the improvement is a one time change in the cash position of the Treasury (i.e., reduction in imprest funds, overseas custody accounts, grant advances/advance payments, and outstanding travel advances or improvement in billing procedures), then the following formula shall be used:

CP Improvement x Current Value of Funds Rate
 = Interest Savings

Interest Savings / 360 x 90
 = Quarterly Interest Savings

0803 PROMPT PAYMENT REPORT080301 Purpose and Report Control Number.

This section prescribes quarterly and annual reports on prompt payment practices of appropriated and non-appropriated activities. These reports are designed to notify the Office of the Secretary of Defense (OSD), the Treasury Department, and the Congress of the DoD performance in achieving the goals of zero early payments and zero interest penalty payments. The DoD Component reports are consolidated into DoD-wide reports for the USD(C). The DoD Prompt Payment Report is transmitted to The Treasury Department by November 30 each year, and reported by the Treasury Department to Congress. Accounting Report Control Numbers: Acct Rpt(Q)1619, Prompt Payment Report, and Acct Rpt(A)1607, Prompt Payment, have been assigned to these two reporting requirements.

080302 Applicability and Scope

A. This section applies to all DoD Components with disbursing authority. It is the paying office's responsibility to pay and report all payments for which they are responsible, regardless of the Agency being serviced.

B. The Defense Agencies and DoD Field Activities, receiving disbursing support from another DoD Component shall ensure that the prompt payment data of its Agency or field activity are accurately reflected in the quarterly and annual Prompt Payment Report of the supporting disbursing office.

C. Subject to the "Prompt Payment Act", reports are required on total early (8 days or earlier, before due dates, except where cash discounts are justifiably taken or a management decision is made), late (with interest penalty), and grace period payments (if applicable).

080303 Report Format. Quarterly and annual Prompt Payment Reports and the Prompt Payment Quality Control System Initiative Reports shall be prepared in the formats illustrated as figures 8-4 and 8-5.

080304 Frequency and Distribution

A. Quarterly Status Report. The quarterly Prompt Payment Report shall be submitted by the DoD Components, as follows:

1. Military Departments shall submit reports directly to DFAS to arrive by the end of the month following the close of each fiscal quarter.

2. Defense Agencies and DoD Field Activities shall submit reports to be received by the DFAS by the 25th calendar day following the close of each fiscal quarter.

B. Annual Status Report. The annual FY Prompt Payment Report shall be submitted by the DoD Components, as follows:

1. Military Departments shall submit reports directly to the DFAS to arrive by November 15, each year.

2. Defense Agencies and OSD Field Activities shall submit reports to be received by the DFAS by November 10, each year.

C. Quality Control System Initiative Report. The annual Quality Control System Initiative Report shall be submitted by the DoD Components, as follows:

1. Military Departments shall submit reports directly to the DFAS to arrive by November 15, each year.

2. Defense Agencies and DoD Field Activities shall submit reports to be received by the DFAS by November 10, each year.

D. The results of DoD Component FY prompt payment data shall be consolidated by the DFAS into the annual DoD Prompt Payment Report for transmittal annually, by November 30, to the Treasury Department.

080305 Preparation Instructions

A. Quarterly Prompt Payment Report. With respect to figure 8-4, DoD Components shall submit report elements A through H, including year-to-date totals, for the quarterly status report.

B. Annual Prompt Payment Report. When supplemented with sections IX through XII report elements I through L (see figure 8-4) and the Quality Control Initiatives Report (paragraph 080305.C, below), the fourth quarter report will satisfy the annual requirement. DoD Component reports shall be certified by an Agency senior official with line authority over the procurement, logistics, and payment processes.

C. Quality Control Initiatives Report. Initiatives to establish, improve, or maintain a quality control program to assess performance of payment systems and provide a reliable way to improve payment performance shall be reported in the format provided at figure 8-5.

0804 DIRECT DEPOSIT/ELECTRONIC FUNDS TRANSFER (DD/EFT) STATUS REPORT

080401 Purpose. DoD is required to provide data to the Treasury Department's Financial Management Service that reflect payment volumes stratified by payment mechanism; e.g., cash, Treasury Department check, direct deposit of salary payments and EFT of vendor payments. The DD/EFT Status Report has been designed to provide data for consolidation and transmission

to fulfill this Treasury Department requirement. The report also serves as a gauge for compliance with the DoD policy that travel vouchers must be paid within 15 days after receipt in the disbursing office.

080402 Applicability and Scope. Each DoD Component with disbursing authority shall submit DD/EFT Status Reports, as specified herein. Data for the U. S. Marine Corps shall be identified separately in Department of the Navy submissions.

080403 Report Format. DD/EFT Status Reports shall be prepared, as prescribed in paragraph 080405, below, in the format illustrated as figure 8-6.

080404 Frequency and Distribution

A. DD/EFT Status Reports, as required by paragraph 080402, above, shall be submitted by the DoD Components, as follows:

1. Military Departments submit reports to be received by DFAS within 30 days following the close of each fiscal quarter.

2. Defense Agencies submit reports to be received by DFAS within 20 days following the close of each fiscal quarter.

B. DoD Component data shall be consolidated by DFAS for transmittal quarterly to the Treasury Department's Financial Management Service.

080405 Preparation Instructions

A. The DD/EFT Status Report Encompasses the Following Types of Payments:

1. Centralized military pay.
2. Centralized military retiree pay.
3. Centralized annuitant pay.
4. Centralized Reserve Component pay.
5. Centralized allotments.

6. U.S. civilian pay (i.e., Executive Level, Senior Executive Service (SES), General Manager and/or General Schedule (GM/GS), Wage Grade, and Wage Board), both for employees in the 50 States and overseas.

7. Travel settlement payments.

8. Vendor payments.

B. Part I - Direct Deposit. Personnel strength and participation, rounded to the nearest 100, shall be as of the last pay period of the fiscal quarter. Dollar amount shall be total payments for the fiscal quarter. The participation rate shall be obtained by dividing the number of participants by personnel strength and rounding to the nearest tenth of one percent. Any categories of personnel excluded due to training or operational considerations shall be so footnoted.

C. Part II - Allotments. Number (of payments) and dollar amount both shall be totals for all pay periods in the fiscal quarter. Any categories of personnel excluded due to training or operational considerations shall be so footnoted.

D. Part III - Travel Payments. To provide for necessary local reporting and consolidation, the number (of payments) and dollar amount, both shall be totals for the 3-month period ending at the close of the second month of each fiscal quarter. Average settlement time shall be the average (mean) of days taken by all reporting disbursing stations to process and pay travel vouchers once submitted by serviced personnel. The range shall be the low and high number of days reported by disbursing offices for the period.

E. Part IV - Vendor Payments. To provide for necessary local reporting and consolidation, the number (of payments) and dollar amount both shall be totals for the 3-month period ending at the close of the second month of each fiscal quarter.

<u>COLLECTIONS CASH FLOW REPORT</u> *		
Name and Number of Cash Flow:		
A. Provide a concise description of the Cash Flow:		
B. List types of remitters (individuals, corporations, etc.):		
C. How many locations collect this Cash Flow?		
D. What Fiscal Year Does data reflect?		
	Item Count	\$ Volume
E. Annual Item/Dollar Volume:		\$
F. Average Per Item Dollar Amount:	\$	
G. Frequency of Receipts:		
-- Nonrecurring	_____	\$
-- Recurring at a Fixed Amount	_____	\$
-- Recurring with Fluctuating Amounts	_____	\$
H. Size of Receipts:		
-- \$0 - \$1,000	_____	\$
-- \$1,001 - \$24,999	_____	\$
-- \$25,000 and over	_____	\$
I. Composition of Receipts:		
-- Cash	_____	\$
-- Treasury Checks	_____	\$
-- Checks (Domestic)	_____	\$
-- Foreign Checks	_____	\$
-- Credit Cards	_____	\$
-- Wires	_____	\$
-- ACH (Type _____)	_____	\$
-- Other (Type _____)	_____	\$
J. Method of Receipt:		
(Over the counter, mail, courier,		
ACH, wire, etc.		
_____	_____	\$
_____	_____	\$

COLLECTIONS CASH FLOW REPORT *		
Collection Cash Flow Report # _____		
	Item Count	\$ Volume
K. Method of Deposit: (Lockbox, TGA, FRB, EFT, etc.) _____ _____	_____ _____	\$ \$
L. DSSN:	ZIP CODE:	
M. Describe briefly how item counts and dollar volumes for this report were computed and how data were collected:		
N. Do you expect the dollar amount and/or item count change by 25% in the foreseeable future? Increase:___ Decrease:___ Remain the Same:___ Please explain Changes:		
O. Does this Cash Flow combine or replace any previously identified flows? If so, which ones?		
P. What percentage of total receipts for the DoD Component does this Cash Flow represent? ___%		
Q. Component Evaluation: -- What percentage of this Cash Flow is acceptable? _____ _____ -- What percentage of this Cash Flow requires Internal Improvements? (Description, Projected Savings, End Date) _____ _____ -- What percentage of this Cash Flow requires a Treasury assisted mechanism? (Name of mechanism suggested) _____ _____		
R. Cash Management Plan DEF Number:		

* Attach additional sheets if you need more room. Put the name of your agency at the top of each sheet.

FIGURE 8-1

<u>DISBURSEMENTS CASH FLOW REPORT *</u>		
Name and Number of Cash Flow:		
A. Provide a concise description of the Cash Flow:		
B. List types of payees (individuals, corporations, etc.):		
C. How many locations authorize these payments?		
D. What Fiscal Year Does data reflect?		
	Item Count	\$ Volume
E. Annual Item/Dollar Volume:		\$
F. Average Per Item Dollar Amount:	\$	
G. Frequency of Payments:		
-- Nonrecurring	_____	\$
-- Recurring at a Fixed Amount	_____	\$
-- Recurring with Fluctuating Amounts	_____	\$
H. Size of Payments:		
-- \$0 - \$1,000	_____	\$
-- \$1,001 - \$24,999	_____	\$
-- \$25,000 and over	_____	\$
I. Composition of Payments:		
-- Cash	_____	\$
-- Third Party Drafts	_____	\$
-- Treasury Checks	_____	\$
-- Checks (Type _____)	_____	\$
-- IMPAC Card	_____	\$
-- Wire (Type _____)	_____	\$
-- Letter of Credit (Type _____)	_____	\$
-- Direct Deposit	_____	\$
-- ACH/Vendor Express	_____	\$
-- Other _____	_____	\$
	_____	\$
J. Method of Delivery:		
(Mail, over the counter, courier,		
ATM, ACH, wire, etc.		
_____	_____	\$
_____	_____	\$
K. DSSN:	ZIP CODE:	

<u>DISBURSEMENTS CASH FLOW REPORT</u> *	
Disbursement Cash Flow Report # _____	
L.	Describe briefly how item counts and dollar volumes for this report were computed and how data were collected:
M.	Do you expect the dollar amount and/or item count change by 25% in the foreseeable future? Increase:___ Decrease:___ Remain the Same:___ Please explain Changes:
N.	Does this Cash Flow combine or replace any previously identified flows? If so, which ones?
O.	What percentage of total payments for the DoD Component does this Cash Flow represent? ___%
Q.	Component Evaluation: -- What percentage of this Cash Flow is acceptable? _____ -- What percentage of this Cash Flow requires Internal Improvements? (Description, Projected Savings, End Date) _____ -- What percentage of this Cash Flow requires a Treasury assisted mechanism? (Name of mechanism suggested) _____ _____
R.	Cash Management Plan DEF Number:

* Attach additional sheets if you need more room. Put the name of your agency at the top of each sheet.

FIGURE 8-1 (Cont)

<u>IMPREST FUND CASH FLOW REPORT</u> *	
Name(s) and number(s) of Cash Flows which include Imprest Fund disbursements (Vendor Payments, etc.)	
A. Number of locations with Imprest Funds:	
B. Average Imprest Fund Balance:	
C. Average Imprest Fund Disbursements:	
	CHECK APPLICABLE Lines
D. Type of Disbursement: Small Purchase Travel Advance Travel Reimbursements Emergency Salary Payments Other: _____	_____ _____ _____ _____ _____
	CHECK APPLICABLE Lines
E. Method of Disbursement Used to Reduce Imprest Funds: IMPAC Credit Card Third Party Draft Travelers Checks AMEX Charge Card Other: _____	_____ _____ _____ _____ _____
F. Frequency of Imprest Fund Replenishment: _____	
G. Describe how the Imprest Fund is Replenished: _____ _____ _____	
H. Frequency of Unannounced Verification of Cash Balances: _____ _____	
I. Frequency of Review to Ensure Imprest Fund is Commensurate with Actual Needs: _____ _____ _____	

* Attach additional sheets if you need more room. Put the name of your agency at the top of each sheet.

FIGURE 8-1 (Cont)

<u>AGENCY CERTIFICATION:</u> <u>CASH MANAGEMENT PRACTICES *</u>				
SECTION I. TREASURY FINANCIAL MANUAL (TFM) STANDARDS				DEPARTMENT OF DEFENSE DoD COMPONENT
CASH FLOW NUMBER	TITLE	DOLLAR AMOUNT	DOES THE FLOW MEET THE TFM STANDARDS? (YES/NO)	IF "NO": INCLUDE AN ACTION PLAN FOR THE IMPROVEMENTS NECESSARY TO BRING THE FLOW INTO COMPLIANCE WITH THE TFM STANDARDS

* Attach additional sheets if you need more room. Put the name of your agency at the top of each sheet.

FIGURE 8-2

<u>AGENCY CERTIFICATION:</u> <u>CASH MANAGEMENT PRACTICES</u> *	
SECTION II. CASH MANAGEMENT RECOMMENDATIONS	DEPARTMENT OF DEFENSE DoD COMPONENT
CURRENT STATUS OF CASH MANAGEMENT RECOMMENDATIONS	AGENCY RESPONSE/ ACTION PLAN
<u>COLLECTIONS</u>	
1. CREDIT CARDS	
2. OFFSET	
3. LOCKBOX	
4. DEBIT CARDS	
5. AUTOMATED CLEARING HOUSE	
6. OTHER	
<u>DISBURSEMENTS</u>	
1. ACH/VENDOR EXPRESS	
2. DIRECT DEPOSIT/ELECTRONIC FUNDS TRANSFER (DD/EFT)	
3. ON-LINE PAYMENT AND COLLECTION SYSTEM (OPAC)	
4. OTHER	

* Attach additional sheets if you need more room. Put the name of your agency at the top of each sheet.

FIGURE 8-2 (Cont)

<u>AGENCY CERTIFICATION:</u> <u>CASH MANAGEMENT PRACTICES *</u>	
SECTION III . AGENCY CERTIFICATION	
AGENCY CASH MANAGEMENT POLICY OFFICIAL TYPE OR PRINT NAME _____ TITLE WITHIN AGENCY _____ ORGANIZATIONAL UNIT _____ NAME OF AGENCY _____ <p style="text-align: center;">I certify that the information contained in this Agency Certification package is accurate and complete to the best of my knowledge and that it complies with TFM cash management provisions unless otherwise noted in the package.</p>	
_____ SIGNATURE OF CASH MANAGEMENT POLICY OFFICIAL	_____ DATE
FOR INFORMATION REGARDING THIS CERTIFICATION PACKAGE, CONTACT: 	
_____ NAME/TITLE	_____ PHONE NUMBER

* Attach additional sheets if you need more room. Put the name of your agency at the top of each sheet.

FIGURE 8-2 (Cont)

<u>CASH MANAGEMENT INITIATIVE REPORT</u> *					
<div style="display: flex; justify-content: space-between;"> <div style="width: 50%;"> <p>DoD COMPONENT:</p> <p>INITIATIVE TITLE:</p> <p>PURPOSE OF REPORT:</p> <p style="margin-left: 20px;"> <input type="checkbox"/> - New Initiative Report <input type="checkbox"/> - Quarterly Status Report <input type="checkbox"/> - Cash Management Plan </p> <p>DESCRIPTION OF INITIATIVE:</p> <p>CURRENT STATUS:</p> <p>SCHEDULE OF TASKS OUTSTANDING:</p> <p>REASON FOR VARIANCE BETWEEN SAVINGS GOAL AND ACTUAL:</p> <p>PROJECT OFFICER:</p> <p>COMPLETION DATE:</p> <p>SAVINGS GOALS:</p> </div> <div style="width: 45%; text-align: right;"> <p>CASH MANAGEMENT INITIATIVES TYPE--</p> <p>DEF NO.</p> <p>PHONE NO:</p> <p>NO. OF BENEFIT DAYS:</p> </div> </div>					
FY:	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
CASH FLOW:					
INTEREST:					
ACTUAL CASH FLOW AND SAVINGS RESULTS:					
FY:	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
CASH FLOW:					
INTEREST:					
COMPUTATION OF SAVINGS:					

* Attach additional sheets if you need more room. Put the name of your agency at the top of each sheet.

FIGURE 8-3

199

200

PROMPT PAYMENT REPORT ACCT RPT (Q) 1619 FOR QUARTER ENDING _____, 199X		
COMPONENT:		DATE:
PROJECT OFFICER:		PHONE NO.:
	Current Qtr.	Year-to-Date
(2) Number (3) Specify Reason(s): _____ _____ _____		
C. <u>Payment Made 1 to 15 Days After Due Date 2/</u> 1. Dollar Amount: \$ _____ 2. Number: _____ 3. Relative Frequency (C.2. / A.1.b.) _____ %		
D. <u>Invoices paid 8 Days, or More Before Due Date, Except When Cash Discounts Taken:</u> 1. Subject to a Determination under Section 4.1 of OMB Circular A-125: a. Dollar Amount \$ _____ b. Number _____ c. Relative Frequency (D.1.b. / A.1.b.) _____ % 2. Not subject to a Determination Under Section 4.1 of OMB Circular A-125: a. Dollar Amount \$ _____ b. Number _____ c. Relative Frequency (D.2.b / A.1.b.) _____ %		

<u>PROMPT PAYMENT REPORT</u> <u>ACCT RPT (Q) 1619</u> FOR QUARTER ENDING _____, 199X		
COMPONENT:		DATE:
PROJECT OFFICER:		PHONE NO.:
	Current Qtr.	Year-to-Date
E. <u>Discounts:</u> 1. Number Available 2. Number Taken 3. Number Not Taken Because Not Economically Justified 4. Reasons for Failing to Take Economically Justified Discounts, in Declining Order of Importance: a. _____ b. _____ c. _____ d. _____ e. _____		
F. <u>On a Separate Sheet, Please Provide for Each Payment Center:</u> 1. Number of Invoices Paid Subject to the Prompt Payment Act and Circular A-125. (Should equal A.1.b.) 2. Number and Dollar Amount of Interest Penalties Paid. (Should equal B.3.(a. and b.) and B.4.(a. and b.)		
G. <u>Frequency Distribution of Late Payment Interest Penalties:</u> For the Current Year Provide the Following Data: <div style="text-align: center;"> Interest Penalties Paid <u>AS Reported in B.3.a and B.3.b</u> </div>		

PROMPT PAYMENT REPORT ACCT RPT (Q) 1619 FOR QUARTER ENDING _____, 199X		
COMPONENT:		DATE:
PROJECT OFFICER:		PHONE NO.:
<u>Amount of Penalty</u>	Number of Payments	Dollars Paid
<u>\$1.00 - \$25.00</u>	_____	_____
<u>\$25.01 - \$500.00</u>	_____	_____
<u>\$500.01 - 1,000.00</u>	_____	_____
<u>\$1,000.01 - \$2,500.00</u>	_____	_____
<u>\$2,500.01 - \$5,000.00</u>	_____	_____
<u>Over \$5,000.00</u>	_____	_____
H. <u>Progress Made:</u> On a separate sheet, describe specific achievements and problems during the FY in implementing the "Prompt Payment Act" and OMB Circular A-125. Include a description of any agency experience in determining the most appropriate timing for release of payment authorization so that invoices are paid as close as possible to the due date without exceeding it.		
I. <u>Description of Agency Payment Practices:</u> On a separate sheet, describe the extent to which Agency payment practices satisfy the requirements of the "Prompt Payment Act" and Circular A-125.		
J. <u>Updated Description of Agency Quality Control System:</u> Describe the extent to which the Agency quality control system conforms to the requirements of subsection 3.e. of Circular A-125. Where appropriate, describe Agency plans to implement or upgrade a quality control system. Data reported in sections B. through E. were /_/ were not /_/ collected through a quality control process meeting the requirements of subsection 3.e. of Circular A-125.		
K. <u>Designated Agency Contacts:</u> Provide the address, title of position if applicable), and telephone number where the public may obtain the most current list of designated Agency contracts within payment or finance centers to provide assistance in determining the status of invoices. Provide the Agency schedule for publishing the list.		
L. <u>Certification:</u> I certify that the data reported on this form are as accurate as possible: _____		

1/ For contracts before April 1, 1989, include payments made after the grace period. For contracts date on or after April 1, 1989, include all payments made after the due date.

2/ Applies to contracts awarded before April 1, 1989, only.

FIGURE 8-4

<u>PROMPT PAYMENT</u> <u>QUALITY CONTROL SYSTEM INITIATIVE</u>			
A. COMPONENT:		B. DATE	
C. PROJECT OFFICER:		D. TELEPHONE NO.:	
E. INITIATIVE TITLE:		F. ID NO. PAA-	
G. BACKGROUND			
H. SUMMARY OF PROPOSED ACTIONS AND EXPECTATIONS:			
I. MILESTONES		COMPLETION DATES	
		ESTIMATED	ACTUAL
J. STATUS:			

FIGURE 8-5

<u>DIRECT DEPOSIT/ELECTRONIC FUNDS TRANSFER (DD/EFT)</u> <u>STATUS REPORT</u> FOR QUARTER ENDING _____, 199_				
COMPONENT:			DATE:	
POINT OF CONTACT:			TELEPHONE NO.:	
PART I - DIRECT DEPOSIT	PERSONNEL STRENGTH	NO. OF PARTICIPANTS	PARTICIPATION RATE	DOLLAR AMOUNT
<u>Cat.- Personnel:</u> Active Duty Mil Military Retired Annuitants Reserve Components Civilians - 50 States/Overseas				
PART II- ALLOTMENTS	INDIVIDUAL CHECKS	COMPOSITE CHECKS	EFT PAYMENTS	TOTAL
Number				
Dollar Amount				
PART III - TRAVEL PMTS	CASH	TREASURY CHECKS	EFT PAYMENTS	TOTAL
Number				
Dollar Amount				
Average Settle- ment Days				
Range - Settle- ment Days				
PART IV - VENDOR PMTS	CASH	TREASURY CHECKS	EFT PAYMENTS	TOTAL
Number				
Dollar Amount				

FIGURE 8-6

0805 MUTUAL LOGISTICS REPORTS

080501 Purpose and Report Control Number. This section prescribes the annual reports required by 10 U.S.C., Chapter 138, Sections 2341 through 2350, "North Atlantic Treaty Organization (NATO) Mutual Support Act of 1979," as amended. These reports are designed to advise the Congress of the various DoD Components' performance in reimbursable and exchange transactions related to the sale to or exchange of mutual logistics support, supplies, and services with a foreign country. This report has been assigned Report Control Number, Acct Rpt(A)1570 for both reimbursable and exchange transactions. These transactions are to be reported as either "reimbursable purchases and sales" or "reimbursable purchases and sales exchanges."

080502 Applicability and Scope

A. The reporting requirements apply to the Office of the Secretary of Defense (OSD); Military Departments, the Chairman, Joint Chiefs of Staff, Joint Staff; and the Unified Combatant Commands; and the Defense Agencies (DoD Components).

B. Amounts reported as reimbursable or exchange transactions are to be supported by country-to-country or multinational agreements for mutual logistics support between the United States and Governments of other NATO countries, NATO subsidiary bodies, and other eligible foreign countries.

080503 Report Format. Annual reports shall be prepared in the format illustrated in figures 8-7 and 8-8.

080504 Frequency and Distribution. Annual reports shall be submitted as follows:

A. The Secretaries of the Military Departments or designees shall submit to the Director, Washington Headquarters Service (WHS), not later than December 1 of each year, the following:

1. A detailed report for each country-to-country or multinational agreement

entered into under the authority of 10 U.S.C., Chapter 138, sections 2341 through 2350, "NATO Mutual Support Act of 1979," as amended, that was in effect during the prior fiscal year, itemized by reimbursable or exchange transactions.

2. A detailed report for each agreement expected to be effective in the current year, itemized by reimbursable or exchange transactions.

B. WHS shall consolidate the Military Department reports for the annual report. The annual report is to be coordinated with the Office of the Under Secretary of Defense (Acquisition and Technology), Office of the Assistant Secretary of Defense (Legislative Affairs), and the OUSD(C). WHS is to submit the annual report, no later than February 1 of each year, to the Congress.

080505 Preparation Instructions. The information prescribed in paragraph 080505.A through 080505.D, below, is to be included in the Acct Rpt(A)1570.

A. Agreement Identification. Each basic source document used to report a transaction shall be cross referenced to the applicable country-to-country or multinational agreement. The agreement subject, date and number shall be identified.

B. Appropriation or Fund Account Symbol. Each DoD appropriation is assigned an appropriation code by the Treasury Department. The appropriation code should be reflected in each basic source document.

C. Transaction Types. The following types of reimbursable and/or exchange transactions are to be reported:

1. Purchase of petroleum, oil, and lubricants (POL) and services.

2. Purchase of supplies (material) other than POL.

3. Purchases when an exchange of POL and services is converted to a reimbursable

transaction (purchase) due to nonissue of replacement POL or services.

4. Purchases when an exchange of supplies (material), other than POL, is converted to a reimbursable transaction (purchase) due to nonissue of replacement material.

5. Sale of materials, POL, or services.

6. Sale when an exchange is converted to a reimbursable transaction (sale) due to nonreceipt of replacement material, POL, or service.

7. Exchanges when a DoD activity requests the transfer subject to future replacement of material, POL, or services from a military component of a foreign country.

8. Exchanges when a military component of a foreign country requests the transfer subject to future replacement of material, POL, or services from a DoD activity.

9. Exchanges when a DoD activity receives replacement material, POL, or service.

10. Exchanges when a DoD activity issues replacement material, POL, or service.

D. Other Information. The following information is provided to assist the performing DoD Component in processing reimbursable and exchange transactions:

1. Source Document Control Number. Efforts should be made to establish a control number similar to a DoD requisition number; e.g., a number containing a code for Military Service, a code for requisitioner, a date, and a document serial number.

2. Unit of Issue. Unit of issue refers to the quantity of an item such as each

number, dozen, gallon, pair, pound, ream, set, or yard.

3. Quantity. Amount either issued or received depending on transaction type.

4. Unit Price. This is a price based on unit of issue.

5. Extended Dollar Value. This is the dollar value resulting from a combination of items in paragraphs 080505.D.2 through 080505.D4, above.

6. Name and mailing address of the organization to be billed. This should be included in the country-to-country or multinational agreement.

7. Name and mailing address of receiving organization. This should be included in the country-to-country or multinational agreement.

8. Signature of receiver. Self-explanatory.

9. Name and mailing address of issuing organization. This should be in the country-to-country or multinational agreement.

10. Date (year, month, day) (YYMMDD). The date services were performed or material delivered.

11. National Stock Number (NSN) of material or abbreviated description of services provided. The NSN is a number assigned under the Federal Cataloging System and/or North Atlantic Treaty Organization Codification of Equipment System to each approved item identification. This number provides a unique identification of an item of supply within a specified Federal supply classification.

<u>TITLE 10 U.S.C. CHAPTER 138;</u> <u>"TRANSACTIONS,</u> <u>REIMBURSABLE PURCHASES, AND SALES</u> (in thousands)" Acct Rpt (A) 1570		
DoD COMPONENT:		FY:
AGREEMENT IDENTIFICATION:		<u>1/</u>
APPLICABLE PRICING PROCEDURES <u>2/</u>		
APPROPRIATION OR FUND ACCOUNT	DOLLAR VALUE OF PURCHASES (ACQUISITION)	DOLLAR VALUE OF SALES (TRANSFERS)
<u>3/</u>	<u>3/</u>	<u>4/</u>
<u>DESCRIPTION:</u> Describe in brief detail the essential elements of the applicable agreement.		

NOTES:

- 1/ Subject of the agreement, date, and number is to be taken from the applicable agreement.
- 2/ Annotate either "(a) reciprocal" or "(b) nonreciprocal," depending upon terms of the agreement.
- 3/ Obligations and expenditures are to be included in the direct program portion of the applicable Acct Rpt(M)1002, "Report On Appropriation Status By Fiscal Year Program Subaccounts."
- 4/ The value of customer orders and their status are to be included in the Non-Federal source portion of the applicable Acct Rpt(M)725 "Report on Reimbursements." If payment is not received by the due date, Chapter 12 of this Volume shall be followed.

FIGURE 8-7

<p align="center"><u>TITLE 10 U.S.C. CHAPTER 138;</u> <u>"TRANSACTIONS,</u> <u>REIMBURSABLE PURCHASES, AND SALES</u> <u>EXCHANGES</u> <u>(in thousands)"</u> Acct Rpt (A) 1570</p>				
DoD COMPONENT:		FY:		
AGREEMENT IDENTIFICATION:		<u>1/</u>		
A. RECEIPT DATA <u>2/</u> <u>3/</u>				
APPROPRIATION OR FUND ACCOUNT	VALUE OF MATERIAL OWED AT BEGINNING OF FY	VALUE OF MATERIAL RECEIVED DURING FY	VALUE OF MATERIAL REPLACED DURING FY	VALUE OF MATERIAL OWED AT END OF FY
B. ISSUE DATA <u>2/</u> <u>3/</u>				
APPROPRIATION OR FUND ACCOUNT	VALUE OF MATERIAL OWED AT BEGINNING OF FY	VALUE OF MATERIAL RECEIVED DURING FY	VALUE OF MATERIAL REPLACED DURING FY	VALUE OF MATERIAL RECEIVABLE AT END OF FY
<u>DESCRIPTION:</u> Describe in brief detail the essential elements of the applicable agreement.				

NOTES:

- 1/ Subject of the agreement, date, and number is to be taken from the applicable agreement.
- 2/ The types of information to be included is addressed in paragraph 080505.C, of this chapter.
- 3/ When services which are difficult to cost, such as range target details, are exchanged within the same accounting period, the DoD activity providing or receiving the service may process transactions at an estimated dollar value. Under this type of transaction, the DoD activity shall process separate transaction reports for transaction type in paragraph 080505.C.9 of this chapter ("exchanges, when a DoD activity receives replacement material, POL, or services") and transaction type, in paragraph 080505.C.10 of this chapter ("exchanges when a DoD activity issues replacement material, POL, or service").

FIGURE 8-8

CHAPTER 9

ACCOUNTING AND REPORTING FOR OPERATION AND MAINTENANCE
OF THE FAMILY HOUSING PROGRAM0901 GENERAL

090101 Purpose. The Congress established the family housing operation and maintenance (O&M) appropriation to separate the funding of family housing O&M from other O&M programs. All obligations incurred for O&M to support the military family housing program shall be charged to the family housing O&M appropriation. This chapter provides accounting support for O&M requirements set forth in Volume 2B, Chapter 6, of this Regulation. This chapter prescribes an accounting structure that accumulates O&M costs consistent with guidance in Volume 2B, Chapter 6, Section 060106, of this Regulation. The purpose of the account structure is to provide DoD Components with uniform procedures for consistently identifying, accumulating, and reporting family housing program costs. Costs for operating and maintaining family housing facilities shall be identified as prescribed in this chapter and shall be the basis for reports referenced herein.

090102 Overview

A. This chapter strengthens compliance with related DoD policy requirements involving program administration, reporting, internal management and fund control, management analysis and decision-making by directly linking the financial accounting to budget accounts and reporting requirements.

B. It is important that methods for computing costs for the family housing program are as uniform as practicable among the DoD Components. Such uniformity is essential to permit intra-DoD and inter-DoD Component program, budget, and cost comparison, irrespective of the management service, the agency, or the accounting system used at the installation. Also, cost identification and computation methods specified herein should minimize the accounting effort and detail

required to compute costs. Section 0903 provides the account structure and content for identifying costs for work and services performed for the family housing program. Guidelines are also provided for computing labor, materials and supplies, equipment usage, and support service charges.

C. Compliance with the requirements in this chapter will provide management reasonable assurance that program cost information is developed and maintained on a consistent basis throughout the Department.

0902 ACCOUNTING REQUIREMENTS. A series of accounts shall be established and maintained for accumulating family housing O&M costs and reimbursements. Costs and reimbursements shall be computed and identified to the accounts in accordance with the guidance herein. The accumulated costs and reimbursements in the accounts shall be used to support budget exhibits and budget execution reports.

0903 ACCOUNT STRUCTURE AND
CONTENT

090301 DoD Components receiving obligation authority for family housing O&M shall establish and maintain the uniform accounts specified in this chapter. The accounts shall be used to accumulate the obligations incurred for the family housing O&M program.

090302 The following summary and subordinate accounts are required:

Operations

Management

Services

Furnishings

Miscellaneous

Utility Operations

Maintenance of Real Property Facilities

- Dwellings
- Exterior Utilities
- Other Real Property
- Alteration and Additions
- Leased Housing
- Lease Cost - Foreign
- Lease Cost - Foreign - Government Rental Guarantee Program
- Lease Cost - Domestic
- Lease Cost - Section 801
- Other O&M Cost - Foreign
- Other O&M Cost - Foreign - Government Rental Guarantee Program
- Other O&M Cost - Domestic
- Other O&M Cost - Section 801

Interest Payments On Debt

Servicemen's Mortgage Insurance Program

Foreign Currency Fluctuations

- Gains
- Losses

Reimbursements

- Foreign Military Sales (FMS)
- Other

090303 The following guidance defines the basic scope and content of the accounts:

A. Operations Account. This is a summary account for consolidating costs accumulated in the following subordinate accounts:

1. Management Account. Accumulates costs of management, administrative, and support type services at installation level involving:

a. Administration costs for installation housing offices including management office personnel, supplies, equipment, and utilities pertaining to the functions of a family housing office. Costs for administrative support services provided in supply, comptroller, maintenance, and other installation offices when the costs for such services are attributable to family housing.

b. Costs for housing referral administration costs pertaining to private housing, including rental guarantee projects and the provision of referral services. Assistance in locating and inspecting privately owned family housing for DoD personnel.

c. Requirements surveys and preliminary family housing studies or engineering construction plans made before Secretary of Defense project approval. Also includes planning for improvement and rental guarantee projects and inspection of construction of rental guarantee housing.

d. Other identifiable management costs that directly support the family housing program.

2. Services Account. Accumulates costs for the following types of authorized services:

a. Refuse collection and disposal - Include costs of family housing for collecting garbage, trash, ashes and debris, and for refuse disposal, such as the operation and maintenance of incinerators, sanitary fill, and regulated dumps. Also included are costs for acquisition, maintenance and repair of garbage and trash containers, and operation of can washing facilities.

b. Fire protection - Include costs for protection and prevention of family housing facilities.

c. Police protection - Include costs for law enforcement, traffic control, and protection of family housing facilities.

d. Entomological services - Include costs of all control measures against fungi, insects, and rodents within family housing dwellings, facilities, and areas.

e. Custodial services - Include costs of janitorial and custodial services performed in common service areas and the cost of elevator operation in family housing facilities.

f. Snow removal - Include costs of removing, hauling, and disposal of snow, the cost of ice alleviation, and erection, maintenance, repairs and removal of snow fences for family housing areas.

g. Street cleaning - Include costs of cleaning streets comprised of sweeping, flushing, and picking up litter.

h. Municipal type services - Include costs of miscellaneous municipal type services not identifiable to other listed accounts.

i. Other services - Include costs of all other authorized services for family housing.

3. Furnishings Account. Accumulates costs for initial acquisition, maintenance, repair, and replacement of furnishings, furniture, movable household equipment, and authorized miscellaneous items. Also includes control, handling, record keeping, moving of Government-owned furnishings into and out of dwelling units and charges for connecting and disconnecting equipment, as well as handling costs incident to storage.

4. Miscellaneous Account. Accumulates costs for:

a. Lease rents and permit payments for housing and trailer spaces leased by the Government from private sources or provided by the Federal Housing Administration (FHA) or the Department of Veterans Affairs (VA). Also included are the reimbursement costs for dwellings provided by State, municipal, or foreign governments or by Federal Agencies other than the FHA or VA.

b. German land taxes paid to the Federal Republic of Germany under the North Atlantic Treaty Organization Status of Forces Agreement for local taxes on land and improvements of family housing property.

c. Fire insurance charges paid to the Federal Republic of Germany to cover fire damage to family housing dwelling units.

d. United Kingdom accommodation charges paid in accordance with the country-to-country agreement for housing provided to U.S. Forces.

e. Other miscellaneous operations costs not covered elsewhere.

B. Utility Operations Account. This is a summary account for accumulating costs for utilities consumed in family housing. This account excludes the costs of maintenance and repair of utility systems identified to the family housing property covered under the Maintenance of Real Property Facilities Account. Electricity, water, sewage, gas fuel oil or other heating fuels are the types of utilities reported in this account. Other services reported under paragraph 090303.A.2 above are excluded from the utility operations account.

C. Maintenance of Real Property Facilities Account. This is a summary account for consolidating costs accumulated in the following subordinate accounts:

1. Dwellings Account. Accumulates costs of maintenance and repair of all family housing buildings in real property category codes 711, 712, and 714 as defined in DoD Instruction 4165.3 including all interior utilities and installed equipment. Typically this involves:

a. Service calls for minor work including emergency and temporary repairs normally not in excess of 16 workhours.

b. Routine maintenance for occupancy work and other maintenance usually scheduled annually or more frequently.

c. Repairs and replacements for rehabilitations and replacement of major components and installed equipment.

d. Interior and exterior painting and the necessary preparation.

e. Contract cleaning between occupancy, where authorized.

2. Exterior Utilities Account.

Accumulates costs of maintenance and repair of electric, gas, water, sewage and other utility distribution, collection, or service systems assigned to family housing. Street and area lighting systems are included in exterior utilities beginning at a point 5 feet from the house line and ending at a point where the utility system joins a common use main or terminates.

3. Other Real Property Account.

Accumulates costs for the following:

a. Maintenance, care, and repair of improved and unimproved grounds, storm sewerage, and drainage structures and costs of acquisition, maintenance, and repair of Government-owned minor equipment, such as hand-operated lawn mowers used for grounds maintenance by occupants.

b. Maintenance and repair of paved or stabilized streets, roads, walks, driveways, utility, service, and parking areas, as well as curbs, gutters, signs, and other road appurtenances.

c. Maintenance and repair of facilities other than dwellings, such as fences when the facility is dedicated to housing, athletic and recreation facilities, community buildings, and service facilities. Also included are the costs of maintenance of trailer sites including outlets.

4. Alterations and Additions Account. Accumulates costs for incidental additions, expansions, extensions, and alterations to the existing real property. Also includes the payments made to military personnel for telephone reconnection charges when maintenance or repair work necessitates Government-directed nonpermanent change of station moves and charges resulting from improvement or repair projects funded in part from the family housing construction account.

D. Leased Housing Account. This is a summary account for consolidating costs accumulated in the following subordinate accounts:

1. Lease Cost - Foreign Account.

Accumulates costs for charges and other payments specified in the lease agreement for housing in foreign countries.

2. Lease Cost - Foreign Account Government Rental Guarantee Program (GRGP). Accumulates costs for charges and other payments specified in the lease agreement for housing in Europe under the Army GRGP program.

3. Lease Cost - Domestic Account. Accumulates costs for charges and other payments specified in the lease agreement for housing in the United States including U.S. possessions and territories.

4. Lease Cost - Section 801 Account. Accumulates costs for charges and other payments specified in the lease agreement for Section 801-type housing.

5. Other Operation and Maintenance Cost - Foreign Account. Accumulates costs for maintenance, utilities, and contracted services not provided by the lessor for housing in foreign countries. Also includes initial make-ready costs, costs of Government-owned furnishings, any pro rata share of the costs of installation services, and administrative costs such as assignment, travel, and inspection by installation personnel, and reimbursements to the Department of State for foreign affairs administrative support costs.

6. Other Operation and Maintenance Cost - Foreign Account Government Rental Guarantee Program (GRGP). Accumulates costs for maintenance, utilities, and contracted services not provided by the lessor for housing in foreign countries. Also includes initial make-ready costs, costs of Government-owned furnishings, any pro rata share of the costs of installation services, and administrative costs such as assignment, travel, and inspection by installation personnel, and reimbursements to the Department of State for foreign affairs administrative support costs.

7. Other Operation and Maintenance Cost - Domestic Account. Accumulates costs for maintenance, utilities, and contracted services not provided by the lessor for housing in the United States. Also includes initial makeready costs, costs of Government-owned furnishings, any pro rata share of the costs of installation services, and administrative costs such as assignment, travel, and inspection by installation personnel.

8. Other Operation and Maintenance Cost - Section 801 Account. Accumulates the costs for maintenance, utilities, and contracted services not provided by the lessor for Section 801-type housing. Also includes initial makeready costs, costs of Government-owned furnishings, any pro rata share of the costs of installation services, and administrative costs such as assignment, travel, and inspection by installation personnel.

E. Interest Payment On Debt Account. This is a summary account for accumulating the costs for interest payments on Capehart and Wherry mortgages or related notes.

F. Servicemen's Mortgage Insurance Premiums Account. This is a summary account for accumulating the costs for servicemen's mortgage insurance premium payments pursuant to Section 222 of the National Housing Act.

G. Foreign Currency Fluctuations Account. This is a summary account for accumulating the gains or losses arising from foreign currency exchange rate fluctuations in accordance with Volume 6, Chapter 7 requirements. The OUSD(C) manages the appropriation and transfers amounts to the operating appropriations. The transferred funds are only available for funding a Component's centrally managed allotment that is used to cover foreign currency fluctuations. Gains and losses shall be separately identified within the account.

H. Reimbursements Account. This is a summary account for accumulating reimbursements collected during the current fiscal year for O&M rental and service charges billed to occupants and for proceeds from

handling or disposing of excess housing property. Foreign Military Sales (FMS) funded and non-FMS funded reimbursements shall be separately identified as follows:

1. Foreign Military Sales-Funded Account. Accumulates all reimbursements from FMS-funded activities or sources. The amounts shall be identified within the account as to the nature of the reimbursements; for example, recovery of the costs of operations, utility operation, maintenance of real property facilities, or proceeds from property handling or disposal.

2. Non-Foreign Military Sales Funded Account. Accumulates reimbursements from other than FMS-funded activities or sources. The amounts shall be identified within the account as to the nature of the reimbursements; for example, recovery of the costs of operations, utility operation, maintenance of real property facilities, or proceeds from property handling or disposal.

0904 COST IDENTIFICATION PROCEDURES

090401 DoD Components shall identify the obligations incurred both in-house and by contract to operate and maintain the family housing program. All costs of providing program support will be computed and costed to the program on a full absorption basis; that is, full cost for dedicated support and pro rata cost for other support.

A. Defense Business Operations Fund real property maintenance activities such as Navy Public Works Centers, which have a primary mission of facility maintenance, shall apply the normal business fund overhead rates to family housing support.

B. Other-funded real property maintenance activities having established shop or productive expense rates shall apply the applicable rate to direct work or service in support of family housing.

090402 Costs shall be charged to the applicable family housing account to the extent that they are practically identifiable and measurable to the

housing program. This does not prevent the use of engineered standards or estimates in charging utilities when metering devices are not used.

090403 To the extent that obligations are incurred for administrative support and supervision efforts, they shall be limited to those incurred at installation level and will not include those which may be incurred at echelons of command above the installation. An exception is made, however, when amounts for administrative support and supervision are included in charges assessed by a field office of a construction agent.

090404 The costs charged to the program shall be in proportion to the efforts, the use or consumption of goods, or the services received by the family housing program. Dedicated efforts or responsibilities for the program shall be fully charged. For example, total costs for full-time management and staff shall be charged to the family housing program.

090405 Other efforts, goods or services that are provided to the family housing and to other programs shall be assigned to appropriate family housing accounts based on the relative workload, benefit, or other measurement. The following general criteria shall be used in assigning support costs to the family housing program:

A. When the support being provided is predominantly personnel intensive, costs should be allocated based on a pro rata basis of workload. This would include collateral duty management assignments involving command or policy determinations related to personnel, financial management, legal, procurement, or similar areas.

B. When the support being provided has a mix of personnel, equipment, materials or supplies, costs should be allocated based on workload. For example, printing or reproduction services or computer support involve a mix of resources. When such support services are provided, the proportion of workload for the family housing program to the total workload would be used to compute the

portion of the total costs identified to the family housing program.

C. When the support being provided predominantly involves specific goods or services (for example, electricity, gas, water, sewer, etc.), costs should be allocated based on the relative amount consumed or quantity used. For example, the costs of heat or air-conditioning for an occupied area can be allocated based on the assigned space.

090406 When a set of quarters is intended for, or occupied by, officers of General or Flag rank, the costs accumulated for the operation and maintenance of each set of quarters shall be identified within the accounts specified in Section 0903 above, and reported in accordance with the requirements prescribed by the Deputy Under Secretary of Defense (Logistics).

090407 When identifying O&M costs to the program, the general premise is that all applicable costs shall be assigned. When an incidental level of effort, supplies, or services are provided on a nonrecurring basis, costs need not be identified to the program if they are insignificant and it is not cost-effective to measure and assign the costs. As a general rule, cost identification is necessary when the support is more than incidental.

090408 Installation management officials such as the installation commander, public works officer, housing director, or comptroller are responsible for identifying the O&M costs for the family housing program whether funded by the family housing O&M or some other appropriation. Installation managers shall periodically review manning standards, workload and consumption methods, and other factors used to identify efforts in support of the program. The basis of allocating such costs to the program shall be reset when variances occur in efforts, workload, or other resources consumed. Management shall also review charges to the accounts specified herein to ensure that none have been inadvertently omitted or erroneously included.

0905 C O S T E L E M E N T S A N D
COMPUTATION OF CHARGES

090501 The program cost elements and the basis for charging the accounts of the family housing program for O&M costs are provided in this section.

090502 The labor effort of military or civilian personnel assigned and identified to family housing shall be computed for pay and benefits using a labor distribution system, if available, or the guidance in Volume 11A of this regulation. Personnel efforts shall be reviewed and validated annually to support a charge to family housing. Military labor shall be accumulated and classified as an unfunded cost within the account structure since the cost is not a reimbursable charge to the program.

090503 The costs for material and supplies shall be computed based upon consumption; that is, the relative amount consumed or the quantity used. Material and supplies shall be computed at acquisition price if directly (locally) purchased or at standard inventory price if issued through the supply system.

090504 Services such as refuse collection and disposal, entomological, custodial, etc., may be provided by government forces or by a contractor and shall be computed and charged when received. When family housing is the sole customer, the full cost shall be borne by family housing. When the family housing portion of such services is readily separable and distinct, that portion will be charged to family housing. When the service operation is too intertwined or complex to enable ready identification of proper family housing costs, the costs charged to family housing funds shall be based on the proportionate amount of service received on a unit of service basis; for example, number of refuse pick-ups and locations, and square feet of floor area receiving custodial service.

090505 Utility costs shall be computed based upon the quantity used or consumption. DoD business operations fund activities providing utilities shall compute the charges consistent with their normal procedures. All other activities shall compute the charge to family

housing at the rate the utility is purchased from the supplier. If not metered, consumption should be based on documented engineering estimates.

090506 Equipment usage costs for rented property shall be computed at the lease or rental rate. In the case of Government-owned equipment, the cost computation is limited to the expenses of operating and maintaining the equipment and a charge for the operator's time when provided by other than family housing. Neither acquisition costs nor periodic depreciation charges shall be computed.

090507 Two cost items shall be treated as unfunded costs in computing the family housing O&M costs. Military labor is one and the headquarters costs, included in construction agent administrative support and supervision effort above the installation level, is the other.

0906 REIMBURSEMENTS

090601 The reimbursement accounts specified in section 0903 above, shall be used to accumulate reimbursements for charges initially financed by the O&M appropriation for the family housing program or proceeds from handling or disposing of family housing property. All reimbursements shall be recorded in the family housing reimbursement accounts.

090602 Ordinarily, these reimbursements are for rental and service charges paid by occupants or users of family housing facilities. Some collections may be refunds that include the costs of repairing damages to family housing facilities, caused by occupants, including the replacement of items.

090603 Other reimbursements involve the recovery of expenses for handling and disposing of excess family housing property as well as the proceeds from sales of such property. Collections may be used for various purposes such as defraying O&M expenses or the payment of debt. Policy guidance governing such collections, use and reporting is provided in Volume 2B, Chapter 6, Section 060106, of this Regulation.

0907 REPORTING. Data derived from the uniform account structure, to be established and maintained consistent with this chapter, shall be used by DoD Components required to prepare and submit the following reports:

090701 Appropriation Status By Fiscal Year Program and Subaccounts Report - Acct Rpt(M)1002. DoD Components shall prepare and distribute the report in accordance with the guidance contained in chapter 4 of this Volume.

090702 Family Housing - Operation and Maintenance Summary, DD Form 2456. In accordance with guidance in Volume 2B, Chapter 6, of this Regulation, DoD Components shall prepare separate reports for the total program as well as for each of the following groupings:

- Conterminous U.S. areas
- U.S. Overseas and Possessions
- Foreign areas

090703 Report on Budget Execution, DD Form 1176 - RCS: Acct Rpt(M)1176. DoD Components shall prepare and distribute the monthly report for the annual portion of the O&M category of the family housing appropriation in accordance with the guidance prescribed in chapter 4 of this Volume.

0908 INTERNAL CONTROL. Management shall develop and implement internal control techniques to ensure effective control over and accountability for the resources charged to this program and for the full and prompt receipt of all proceeds from reimbursements for rents, service charges, and disposal or handling of excess family housing property. Volume 4, Chapter 3, of this Regulation provides specific internal control guidance.

CHAPTER 10

INFORMATION RETURNS - FORM 1099

1001 GENERAL. Requirements established by the Internal Revenue Service (IRS) are normally not addressed in this Regulation. However, the requirements for Information Returns are included because of difficulties encountered in their implementation.

1002 PURPOSE

100201 Statutory requirements for Information Returns are contained in 26 U.S.C. 6001. Detailed guidance for using the multipurpose Forms 1099 is contained in IRS publication "Instructions for Forms 1099, 1098, 5498, 1096, and W-2G." For instance, Form 1099-MISC, "Miscellaneous Income," is used to report by recipient those payments for services accumulating to \$600 or more for the calendar year. Recipients include individuals (other than employees), sole proprietorships, partnerships, and all providers of medical or health care services, or engaged in the billing and collection for such services. The latter category includes physicians and physicians' corporations. The Department is not required to report payments to any corporation other than those providing medical or health care services, or engaged in the billing and collection for such services.

100202 Forms 1099 are also used to report discharges of indebtedness, payments of interest, and total distributions of survivor benefits. Figure 10-1 summarizes the use of Forms 1099 applicable to the Department of Defense.

1003 APPLICABILITY AND SCOPE.

100301 The Information Return requirements of this chapter apply to all DoD disbursing offices performing those functions referred to in paragraphs 100201 and 100202 above.

100302 It is the responsibility of the office administering the action that gives rise to the entitlement to collect the Taxpayer Identification

Number (TIN) and provide it to the disbursing office. For example, it is the responsibility of the contracting office to obtain the TIN from applicable contractor at the time a contract is awarded. The contracting office must provide the TIN and identify whether or not the contractor is subject to Form 1099 reporting requirements.

100303 It is the responsibility of each functional manager with responsibility for an entitlement determinations process or system to ensure that Form 1099 applicable payments and the associated TINs are specifically identified to the disbursing office. This included the identification of payments subject to withholding because a required TIN has not been provided.

100304 Detailed guidance for applicability of Forms 1099 reporting are found in the following in this Regulation:

A. Form 1099-C, "Canceled debt" Volume 5, Chapter 31.

B. Form 1099-INT, "Statements for Recipient of Interest Income". Volume 5, Chapter 23.

C. Form 1099-MISC, "Statement of Receipts of Miscellaneous Income," Volume 8 Chapters 1, 3, and 7; Volume 10, Chapter 6; and Volume 13, Chapter 7.

D. Form 1099-R, "Statement of Receipts of Total Distributions from Profit Sharing, Retirement Plans, Individual Retirement Arrangements, Insurance Contracts, etc." Volume 7B, Part Nine, Chapter 11.

E. Withholding requirements associated with the failure of an applicable contractor to provide the require TIN Volume 10, Chapter 6.

1004 REPORT FORMAT

100401 Forms 1099 shall be prepared and reported electronically on magnetic tape, diskette, cassette or minidisk, when such reporting capability exists. The detailed formats and procedures for electronic media reporting are obtainable directly from IRS centers and district offices.

100402 When the capability for electronic media reporting does not exist, or the number of reports to be filed is so small that using electronic media cannot be justified, paper Forms 1099 shall be used. IRS will accept paper Forms 1099 for the noncomputerized portion of a disbursement operation along with electronic media records for the computerized portion.

100403 Form 1096, "Annual Summary and Transmittal of U.S. Information Returns," shall be prepared and submitted to IRS as the transmittal document for Forms 1099.

1005 FREQUENCY AND DISTRIBUTION.

Form 1099 shall be furnished when the contract or order for service is completed, unless contract disbursements extend over a calendar year. In this case, a Form 1099 shall be furnished for payments made in the calendar year. See the IRS publication "Instructions for Forms 1099, 1098, 5498, 1096, and W-2G" for detailed instructions for the distribution of Forms 1099.

1006 PREPARATION INSTRUCTIONS.

100601 Preparation guidelines for Forms 1099 are prescribed in the IRS publication entitled "Instructions for Forms 1099, 1098, 5498, 1096, and W-2G."

100602 The taxpayer identification number TIN is required to be shown on Forms 1099. For an individual, or an individual operating a business as a sole proprietorship, the TIN is the taxpayer's social security number. For all others, it is the taxpayer's employer identification number. If a TIN is not furnished, IRS Circular E, "Employer's Tax Guide," requires the Department of Defense to withhold 31 percent of payment for services.

FORM NUMBER	TITLE	WHAT TO REPORT (EXAMPLES)	AMOUNT TO REPORT (CAL YEAR)	DUE DATE TO RECIPIENT	DUE DATE TO IRS
1099-C	Statement for Recipients of Canceled Debts	Discharge of indebtedness.	Total	January 31	February 28
1099-INT	Statement for Recipients of Interest Income	Payment of interest.	\$10 or more	January 31	February 28
1099-MISC	Statement for Recipients of Miscellaneous Income	<p>Payment to other than employees (e.g. suppliers or vendors) for services rendered. This includes payment to a physician, a physicians' corporation or other supplier of health and medical services.</p> <p>Amount of backup withholding.</p> <p>Payment of Rent.</p> <p>Payment of royalty.</p> <p>Payment of prizes and awards that are not for services rendered.</p>	\$600 or more	January 31	February 28
1099-R	Statement for Recipients of Total Distributions From Profit Sharing, Retirement Plans, Individual Retirement Arrangements, Insurance Contracts, Etc.		Total distribution regardless of amount	January 31	February 28

CHAPTER 11

FINANCING AND REPORTING COSTS OF MILITARY RESOURCES
USED IN CIVIL DISTURBANCES1101 PURPOSE

This chapter implements the requirements for financing and reporting costs associated with civil disturbance operations.

1102 APPLICABILITY AND SCOPE

The provisions of this chapter apply to all DoD Components responsible for the military resources which may be employed in civil disturbances under DoD Directive 3025.12, "Employment of Military Resources in the Event of Civil Disturbances."

1103 PROCEDURES

110301 Financing. The costs of DoD resources employed or provided in connection with civil disturbance operations will be financed in accordance with the following guidance.

A. Resources Employed Under a Presidential Directive. Under an Executive Order or other Presidential directive authorizing and directing the Secretary of Defense to provide for the restoration of law and order in a specific state or locality, expenses will be financed as follows:

1. Employment of Active DoD Military Forces. When the Presidential directive specifies the fund or appropriation for financing the expenses incurred, reimbursement to DoD appropriations will be in accordance with the provisions of that directive. This includes expenses incurred in prepositioning resources prior to the issuance of the Presidential directive. When the Presidential directive does not specify the fund or appropriation, expenses incurred will be financed as follows:

a. Costs for travel and transportation (except commercial or Air Mobility Command (AMC) airlift), communications, supplies, and other operating costs will be financed from the appropriations of

the military service sponsoring the movement of troops, and/or providing the government-owned transportation.

b. Costs for commercial or AMC airlift will be financed from Army appropriations under the Secretary of the Army's responsibilities as DoD Executive Agent pursuant to subsection VII.A. of DoD Directive 3025.12.

c. Costs of military pay, allowances, subsistence and other costs to military personnel appropriations of military personnel on active duty will be financed by the respective parent military department.

2. Employment of Reserve Component Forces Called to Active Duty. The policies set forth in 110301.A.1.a. and b., above, apply. Reserve forces called to active duty will be financed by the respective parent Military Department. In the event that the President determines that it is necessary to increase the number of military personnel on active duty beyond the number for which funds are provided in the current DoD Appropriation Act, the cost of such increased military personnel is authorized as an excepted expense in accordance with 41 U.S.C. 11.

B. Resources Employed Without Presidential Directive. When the immediate employment of military resources is required in cases of sudden and unexpected civil disturbances or other emergencies endangering life or Federal property or disrupting the normal processes of government, or in protecting life or Federal property or preventing the disruption of Federal activities, expenses incurred will be financed as a mission responsibility of the DoD Component employing the military resources. The policies set forth in subparagraph 110301.A.1., above, apply except that the use of commercial or Military Airlift Command will be financed from the appropriations of the military service sponsoring the movement of troops.

C. Resources Provided to Other Federal Agencies. Supplies, equipment, and services provided to other Federal agencies will be on a reimbursable basis.

D. Resources Provided to Civil Authorities. Loan or sale of military equipment to civil authorities under the provisions of section X of DoD Directive 3025.12, will be handled as follows:

1. Loan or Sale of Equipment Other than Sale of Surplus Military Equipment. Policies established by the DoD Executive Agent will apply. Generally, these policies will follow the guidance contained in DoD Directive 3025.1.

2. Sale of Surplus Military Equipment. Policies set forth in DoD Instruction 4160.23 apply.

110302 Reporting

A. The "Report of Civil Disturbance Costs" (Figure 11-1), will be prepared by the Secretary of the Army as DoD Executive Agent and submitted in duplicate to the Deputy Comptroller (Program/Budget), OUSD(C). The initial report, showing estimated data by DoD Component, shall be submitted within 72 hours of the time designated by the DoD Executive Agent. A complete accurate report detailing the data required will be provided within 20 working days. This reporting requirement has been assigned Report Control Symbol DDComp(AR)991.

B. DoD Components involved shall submit timely information to the DoD Executive Agent as requested.

C. Where the payment of costs in accordance with the foregoing presents serious reprogramming or budgetary problems, the responsible DoD Component promptly shall advise the Deputy Comptroller (Program/Budget), OUSD(C).

1104 INSTRUCTIONS FOR PREPARATION OF REPORT OF CIVIL DISTURBANCE COSTS

The Department of the Army, as the DoD Executive Agent, will prepare a separate report, by location for each disturbance, in accordance with the sample format shown in Figure 11-1. The Executive Agent will accumulate costs incurred by DoD Components separately for each location (city or town) at which an incident occurs, from the time the first action is taken to provide DoD resources until such resources are withdrawn.

110401 Estimated Costs. Costs will be identified and reported as: (1) normal operating costs and (2) incremental costs. Normal operating costs will be those costs which would have been incurred in the absence of a civil disturbance. Examples are the salaries and meals of military personnel assigned to civil disturbance operations. Incremental costs are those costs which would not have been incurred in the absence of a disturbance. Costs reported for each DoD Component will reflect the ultimate net costs of the resources used by that component. Therefore, the DoD Executive Agent will report for each Component the costs incurred for others which will be reimbursed.

110402 Reimbursement Between DoD and Other Government Agencies or Activities. As memorandum information, show by government agency or activity outside the DoD, all plus and minus reimbursement adjustments between the agency or activity and the DoD, as well as the amount of reimbursement due to/from the Department.

110403 Number of Forces Employed. As memorandum information, show by Military Service the numbers of forces -- Active, Reserve, Federalized National Guard, and total -- employed as of the end of the month, unless the period is less than a month. If less than a month, the beginning and ending strengths should be reported.

110404 Record Information. The DoD Executive will maintain detailed cost information on each disturbance by appropriation and budget activity to be made available on call to the Deputy Comptroller (Program/Budget), OUSD(C).

REPORT OF CIVIL DISTURBANCE COSTS

Location_____

Inclusive Dates: From_____Thru_____

A. Estimated costs

<u>Department/Agency</u>	<u>Normal Operating Cost</u>	<u>Incremental Cost</u>	<u>Total Costs</u>
Army	\$	\$	\$
Navy			
Air Force			
DLA			
DISA			
Total DoD	\$	\$	\$

B. Reimbursement Between DoD and Other Government Agencies or Activities

<u>Agency/Activity</u>	<u>Due DoD From Others</u>	<u>Due Others From DoD</u>
Department of Justice	\$	\$
General Services Administration		
City or County and State		
Etc.		
Totals	\$	\$

C. Number of Forces Employed

<u>Department</u>	<u>Active</u>		<u>Reserve</u>		<u>Federalized National Guard</u>		<u>Total</u>	
	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>	<u>Off</u>	<u>Enl</u>
Army								
Navy								
Air Force								
Total DoD								

FIGURE 11-1

CHAPTER 12

**COLLECTING AND REPORTING OF FOREIGN INDEBTEDNESS
WITHIN THE DEPARTMENT OF DEFENSE (DOD)**1201 POLICY

120101 Purpose. This chapter establishes standard procedures to be used for the collecting, billing, and reporting of foreign indebtedness. Such indebtedness may arise through the (a) sale of Defense articles and services pursuant to the Arms Export Control Act, as amended, (b) operation of military missions, (c) logistical support provided under country-to-country agreements, and (d) other programs which are contained in Table 12-1.

120102 Applicability. The provisions of this chapter apply to the Office of the Secretary of Defense, the Military Departments, the Unified Combatant Commands, the Defense Agencies, and the DoD Field Activities (hereafter referred to as "DoD Components").

120103 DoD Policy for Collections. It is the policy of the Department of Defense that timely and aggressive collection efforts will be conducted to assure that foreign arrearages to DoD Components are held to the absolute minimum. Foreign indebtedness will be uniformly and accurately reported to the Department of the Treasury on forms prescribed in the Treasury Financial Manual.

120104 Responsibilities

A. The Under Secretary of Defense (Comptroller) (USD(C)) is the DoD point of contact for matters concerning foreign indebtedness requirements imposed on DoD from outside the Department, such as by the Congress and Treasury Department.

B. The Defense Finance and Accounting Service-Denver Center (DFAS-DE)

has been delegated overall responsibility by the OUSD(C) for billing, collecting, follow-up, and consolidation of all arrearage reports and submissions except for those made under security assistance programs.

C. The DFAS-DE is responsible for collecting, follow-up, and consolidation of arrearage reports for all security assistance programs and submits them to the Defense Security Assistance Agency (DSAA) for review and approval.

D. Unless otherwise directed, the DoD Component which makes the sale, or is otherwise assigned responsibility, is responsible for taking initial collection action, accounting for indebtedness, preparation of feeder arrearage reports, and providing copies of arrearage reports to appropriate offices.

1202 COLLECTION AND FOLLOW-UP
PROCEDURES

120201 General. Each DoD Component is responsible for taking timely and aggressive billing and follow-up collection actions for each category of indebtedness incurred by official and private organization pursuant to authorized programs.

120202 Foreign Military Sales (FMS) Indebtedness. Initial billings for debts incurred under the FMS program will be initiated by using the DD Form 645 (Foreign Military Sales Billing Statement) on the basis of billing procedures prescribed in Volume 15 of this Regulation. Follow-up action will be taken for any nonpayment by the due date or corresponding date specified in the DSAA supplementary billing statement.

PROGRAM CODES

(Source: U.S. Department of the Treasury)

<u>Code</u>	<u>Name</u>
<u>Under Military Sales</u>	
141	Arms Export Control Act
142	Logistical Support
143	Military Assistance Advisory Groups
144	Korean War Related Logistical Support
145	Subrogated Claims from Guarantee Contracts
146	U.N. Congo Logistical Support Operation
<u>Under Foreign Assistance Act</u>	
111	Country Loans
112	Social Progress Trust Fund
113	Deficiency and Basic Material Development
115	OPIC - Investment Support
118	Housing Guarantee Receivables
119	A.I.D. Refund Claims
<u>Under Surplus Property Sales</u>	
431	Sales of Overseas Surpluses
432	Sales of Domestic Surpluses
434	Sales of Foreign Service Property
<u>Under Debt Reorganization and Adjustments</u>	
911	Indonesian Debt Rescheduling of 3/16/71
915	Over-payments other than A.I.D. Refund Claims
950	Panama Canal Commission
<u>Other</u>	
170	Mutual Education and Cultural Exchange Act
250	Commodity Credit Corporation Charter Act
310	Export-Import Bank Act
350	Postal Debt Settlements
410	Administrative Area Development
440	British Loan
450	Loans to United Nations
460	Asset Acquired in European Fund Liquidation
470	War Account Settlements and Lend Lease
480	Atomic Energy Act
490	EURATOM Cooperation Act
610	International Ice Patrol
620	Canal Zone Government
630	Research & Special Programs Adm., OS/DOT
640	St. Lawrence Seaway Development Corporation
650	Federal Aviation Administration
660	United States Coast Guard
670	Library of Congress
680	Tennessee Valley Authority
690	Immigration and Naturalization Service
700	U.S. Customs Service
710	National Institute of Standards and Technology
720	National Oceanic and Atmospheric Administration
730	Bureau of the Census
740	Department of the Interior

TABLE 12-1

120203 Non-FMS Foreign Indebtedness. Initial billings and subsequent follow-up actions for all non-FMS foreign indebtedness will be initiated by the DFAS-DE in conjunction with the DoD component concerned. All follow-up actions for non-payment will be initiated by the DFAS-DE in accordance with established debt follow-up procedures cited in paragraph 120204.

120204 Follow-up Actions. All foreign debts require written follow-up by the applicable billing office should payment for billings not be received by the required date. The initial written follow-up actions will be taken 30 days after the payment due date established for the debt. If no response is received, additional written follow-up action will be made 60, 90, and 120 days after the payment due date. All billing/follow-up letters for the non-FMS foreign indebtedness program are prepared by the DFAS-DE. The first two follow-up letters are prepared by the DFAS-DE for the FMS program. A sample format for follow-up actions will be maintained by the billing office until final disposition of each bill has been made. Copies of follow-up letters prepared by the DFAS (non-FMS) or the DSAA (FMS) will be sent to the DoD components referring the debt. For FMS cases, the DFAS-DE also performs case-level follow-up action.

120205 Referral of Arrearages. All foreign indebtedness (arrearages) not collected within 90 days after the due date will be reported to the Treasury (see Section 1203 of this Volume). DoD activities reporting arrearages for the first time will include copies of the previous follow-up letters along with any responses received. The DoD activity which refers the debt will assure that the DoD reporting focal point is immediately notified of any payment received after referral. This is essential to preclude unnecessary and possibly embarrassing diplomatic collection actions being continued after payment has been received. Detailed directions for reporting these arrearages are prescribed in Sections 1203 and 1204 of this Volume.

120206 Collection of Arrearages.

A. DSAA (FMS) will prepare a fourth follow-up letter on arrearages referred from the

DoD components and will use all available means to effect collection of the foreign arrearages within 60 days of referral of the report from the DoD component concerned.

B. After the 60 days have elapsed, all arrearages from foreign countries and international organizations which cannot be collected through DoD efforts and are not compromised, terminated, or suspended in accordance with paragraph 120207 of this Volume, shall be referred to the Department of State via the Assistant Secretary of Defense (International Security Affairs) (ASD(ISA)), with a request for diplomatic assistance to effect settlement. Data provided to the State Department will include a listing of delinquent billings to the country. The State Department will provide appropriate listings to the American Embassies, whose personnel will contact the appropriate officials in their respective countries to assist in any follow-up action. Any additional supporting documentation should be requested from the DoD Component from which the bill was originated.

C. Arrearages from foreign private parties will be referred to the Department of Justice by DFAS-DE.

120207 Compromise, Termination, or Suspension of Collection Actions

A. Pursuant to the Federal Claims Collection Act of 1966, the Secretary of Defense is authorized under certain circumstances, in accordance with Title 4, Chapter II of the Code of Federal Regulations (CFR), to compromise or cause collection action to be terminated or suspended for claims of \$100,000 or less. This dollar threshold will be computed on a contract or transaction basis (in FMS the DD Form 1513 represents a transaction). The actions permitted by references (f) and (g) shall be implemented in accordance with DoD Directive 7045.13. However, DoD Component proposals to reduce a claim by over \$100,000 through compromise or termination, or to suspend collection actions on such amounts will require the concurrence of the Director, DSAA (FMS only), and the OUSD(C). For claims of \$100,000 or less the concurrence of the Director, DSAA (FMS only) and the Director,

DFAS are required. For FMS, see paragraph 030207.B. of Volume 15 of this Regulation for bad debts.

B. Each DoD Component that compromises or terminates a foreign arrearage shall maintain sufficient records to respond to inquiries on the amounts written off. The records shall be maintained on a transaction basis and documented in compliance with the provisions of this chapter. The documentation shall show adherence to the specific steps required by reference (g) and that required coordination has been obtained.

120208 Accounting for Arrearages. Each foreign arrearage will be maintained as a receivable on the books of the DoD Component which established the debt, until disposition instructions are received from the OUSD(C) or there is a justified and documented compromise, termination, or suspension of collection actions pursuant to DoD Directive 7045.13.

1203 REPORTING OF ACCOUNTS RECEIVABLE AND SALES UNDER 120-DAY DELAYED PAYMENT TERMS (SHORT-TERM CREDIT)

120301 Reporting of Accounts Receivable. Foreign indebtedness to DoD Components for logistical support, mission support costs, and other programs is payable upon presentation of the appropriate billing documents. Amounts payable to DoD components for sales of Defense articles and services on terms that require payment of cash in advance of delivery/ performance or within 60 days thereof will be classified as accounts receivable. The DFAS-DE shall submit reports to the DFAS-HQ of foreign indebtedness related to non-FMS sales on TFS Form 4503. Reports on FMS indebtedness will be submitted by the DFAS-DE to the DSAA for review and evaluation prior to consolidation by DFAS on Forms TFS 4503 sent to the Department of Treasury.

120302 Reporting of Sales Under 120-day Delayed Payment Terms. Sales made by the DoD Components under existing FMS cases which provide for 120-day payment terms shall be classified as short-term credit sales. Similarly,

those sales made after September 30, 1976, under special emergency appropriations which provide for payments 120 days after delivery of articles or services will also be classified as short-term credit sales. The DFAS-DE shall submit reports to the DSAA Comptroller of these short-term credit sales on TFS Forms 4502 and 4502B. The DSAA will submit a description of each of these credit sales, or short-term loans, to the Treasury Department on TFS Forms 4501.

120303 Basis for Reporting. Amounts to be reported for FMS will be determined by analyzing unpaid bills using the criteria shown for conditions 3 and 4 in Table 12-3 and the following supplementary guidance:

A. Foreign Military Sales. The "total amount outstanding" and the "amount due and unpaid 90 days or more" will be determined as follows:

1. Countries will be reported as having a "total amount outstanding" (arrearage) in column 3 of the TFS Form 4503, based upon DSAA review of reports submitted by The DFAS-DE. The DFAS-DE will report using the following criteria:

a. The accrued expenditures recorded in column 10 exceeds (1) the total in column 13 of the DD Form 645 on a net country basis (adjusted for over-collected cases) plus the country's cash resources (including holding accounts, interest-bearing accounts, and undisbursed FMF); or (2) the total of the amount paid on the DSAA supplementary bill plus the country's cash resources (including holding accounts, interest bearing accounts, and undisbursed FMF).

b. When column 13 exceeds the accrued expenditures in column 10 and/or the cash resources exceed a six months' supply, no accounts receivable exists; therefore, the DFAS-DE will not report the country.

c. The DSAA will review the DFAS-DE reports to determine the values to be reported in column 3 of the TFS Form 4503.

2. Entries to column 5 of the TFS Form 4503 will be the amounts reported for the previous quarter less collections received during the current period.

B. Other Programs. For other programs, the amount of outstanding bills and any amount in arrears will be reported as "accounts receivable" unless specific credit terms have been authorized in a country-to-country agreement or similar document.

120304 Report Preparation. Instructions for the preparation of TFS Forms 4501, 4502, 4502B, and 4503 are contained in the following paragraphs. To facilitate preparation of the Department of Defense report, pre-punched cards or tape submission for each line entry on the TFS Forms 4502B will accompany the reports to the DSAA Comptroller. Card punching instructions are provided in Table 12-4. Country codes currently published in the Security Assistance Management Manual will be cited on the TFS Form 4503 prepared by the DoD Components. Conversion of the data to the Treasury

FOLLOW-UP SAMPLE LETTER

[Country/Organization Address]

Dear [Mr/Ms Addressee]:

Records of this activity reflect that payment has not been received to date for statement _____ covering [purchases/services] furnished in accordance with the [reference agreement] between the U.S. [Military Service] and the Government of _____. Interest will be charged for all disbursements not covered by cash deposits. In addition, we are required to report to the Department of Treasury indicating an arrearage for your [country/organization] 90 days after the due date for payment of these funds.

A copy of the original bill [or for FMS, a list of cases] is attached.

It is requested that an immediate response be made in order to preclude alternative actions which might result from further delay in payment.

Sincerely,

Signature

Attachment - 1
Cy Original Billing

cc: DSAA/COMPT/FMD

ANALYZING THE STATUS OF COUNTRY DEPOSITS

CONDITIONS	CASH POSITION (ALL SOURCES)	BILLING DUE/ PAYMENT STATUS	ACCRUED EXPENDITURES	DEBT OR ARREARAGE STATUS
1*	6 Months or more cash available	Billed per schedule Unpaid after due date	Less than cash available from all sources	No Debt
2*	6 Months or less cash available	Billed per schedule Paid on due date	Less than cash available from all sources	No Debt
3**	Less than 6 months cash available	Billed per schedule Unpaid after due date	Less than cash available from all sources	Debt
4***	Less than 6 months cash available	Billed per schedule Unpaid after due date	More than cash available from all sources	Arrearage
<p>*No country-level follow-up required - no current accounts receivable.</p> <p>**Country-level follow-up is required. This accounts receivable will be aged (see paragraph 050302 of Volume 15 of this Regulation. Termination liability is a component of debt but not arrearage.</p> <p>***Country-level follow-up is required. This accounts receivable will be aged and the country will be reported to the Treasury on TFS Form 4503.</p>				

TABLE 12-3

Country Codes as contained in Appendix 8 of the Treasury Financial Manual will be made prior to final submission to Treasury. Instructions for the preparation of TFS Form 4501 are contained in Appendix 1 to the Treasury Financial Manual.

120305 Instructions for Preparation of TFS Forms 4502, Current Status of Active Credits.

A. General Instructions. TFS Form 4502 (Table 12-5) will be used to report the current status at the end of the quarter of each separate official long-term or short-term loan or credit agreement involving foreigners. TFS Forms 4502 also will be used to report the status of individual sales agreements. All amounts reported on TFS Forms 4502 should be stated to the nearest whole dollar or dollar equivalent. Separate TFS Form 4502 should be submitted for each program. TFS Forms 4502 should be stated to the nearest whole dollar or dollar equivalent. Separate TFS Form 4502 should be submitted for each program. TFS Form 4502 should be reported as follows: (a) all entries should be listed primarily by country name in alphabetical order, (b) entries within each country should be listed by classification (e.g., short-term obligations), (c) within each classification, entries should be listed in order of Treasury transaction number. All totals should be listed as one entry representing the combined total of U.S. dollar and dollar equivalent amounts reported.

B. Specific Instructions. The following instructions should be observed in filling out the TFS Form 4502:

1. Report Identification. The following information should be entered in the space provided at the top of the TFS Form 4502:

a. Reporting Agency. Enter the code and name of the reporting agency as follows:

9700	DSAA
9702	DSAA, TFS Form 4502
9705	DSAA, TFS Form 4505
9710	USAF
9720	Army
9730	Navy

b. Program. Enter code "141 FMSA" as indicated in Table 12-1. Enter also Section 22a or b of FMSA, as applicable.

c. Current Status as of. Enter the terminal date of the calendar quarter for which the report is required.

d. Date of Submission. Enter the date on which the report is transmitted to the Department of the Treasury. Under the Date of Submission add "page -- of -- pages."

e. Agreements Reported. Enter "Sale Agreements" in the space provided.

2. Agreement Identification - (Columns 1-3).

a. Country. Enter on the first available line the name of the first applicable country.

b. Classification. Agreements should be reported by classification as follows:

(1) Short-Term Obligations. Enter the words "Short-Term Obligations." List on subsequent lines the short-term obligations as follows:

(a) Treasury Transaction Number. Enter in column 1 the number assigned to the agreement by the Department of the Treasury for reporting purposes. If the number is not known, contact the DSAA. An alphameric suffix, other than "S" or "X," must be added to the agency assigned six digit Treasury transaction number of those credits where the agency has more than one case number, i.e., a sub-repayment schedule different and separate from the underlying basic credit agreement. The following are given as examples of the use of the alphameric suffix:

CHINA, Republic of

///// LONG-TERM OBLIGATIONS	/////
711506	TW712
711506A	TW713
711506B	TW714
711506C	TW715

```

//////// SHORT-TERM OBLIGATIONS //////////
711506S TW???
711506SA TW???
711506SB TW???
711506SC TW???

//GOVERNMENT CREDIT INTERMEDIARY//
711506 TW???
711506XA TW???
711506XB TW???
711506XC TW???

```

(b) Agency Agreement Number. Enter in column 2 the number assigned to the agreement by the reporting agency for agency purposes.

(c) Currency Indicator. Enter in column 3 the code describing the amounts to be reported on that line. Right justified; e.g., CCs 33-35, enter "S" in CC35. Loans payable in foreign currencies without maintenance of dollar value should be reported in the given currency units (FC). The following codes are used for identification of amounts:

\$ - Repayable in U.S. dollars,

MOS - U.S. dollar equivalents of obligations to pay foreign currency amounts equivalent to a stated amount of U.S. dollars calculated at the reporting rate existing for that country at the time of payment (with maintenance of dollar value),

FC\$ - U.S. dollar equivalents of obligations, obligations, the liquidation of which requires repayment of a stated amount of foreign currency units (without maintenance of dollar value), and

FC - Foreign currency units.

(d) Classification Subtotals. Subtotals for each classification shall be reported by currency indicator where more than one agreement has been reported within the classification. A separate classification subtotal line should be provided for each currency indicator which has been designated in column 3. On the line(s) following the last agreement listed in steps (1)-(3), above, enter the words "Classification Subtotals" in columns 1-2 and the

currency indicator for those subtotals in column 3. Where only one currency indicator has been reported within the classification, the classification subtotals shall also serve as the classification totals and the entry should be labeled "Classification Totals" in columns 1-2 and column 3 should be left blank.

(e) Classification Totals. Totals of combined U.S. dollar and dollar equivalent amounts reported for each classification shall be provided where more than one currency indicator subtotal has been reported within the classification. On the line following the last classification subtotals, enter the words "Classification Totals" in column 1-2 and leave column 3 blank.

c. Country Subtotals. Country subtotals shall be reported by currency indicator where more than one classification has been reported within the country. A separate country subtotal line shall be provided for each currency indicator which has been listed in column 3 for the classification subtotals. On the line(s) following the last classification subtotals for the designated country, enter the words "Country Subtotals" in column 3. Where only one currency indicator has been reported within the country designation, the country subtotals shall also serve as the country totals and the entry should be labeled "Country Totals" in columns 1-2 and column 3 should be left blank.

d. Country Totals. Totals of combined U.S. dollar and dollar equivalent amounts reported for each country shall be provided where more than one currency indicator subtotal has been reported within the country. On the line following the last country subtotals, enter the words "Country Totals" in columns 1-2 and leave column 3 blank.

e. Repeat steps in subparagraphs 2a-d above until all applicable countries and the related agreements have been listed on the form.

3. Loan and Credit Data

a. Commitments. Enter in column 4 the gross amount of commitments as

of the end of the reporting quarter. For the purpose of loan or credit data, a "commitment" represents the dollar amount which is subject to delayed payment terms of the sales agreement. This figure must equal the total amount reported for each case agreement. (Column 7 of DD Form 645).

b. Cancellations. (Not applicable to FMS 120-day delayed payment cases. There, show "-0-" in this column.)

c. Undisbursed. Enter in column 6 the total amount undisbursed at the close of the reporting quarter for each loan or credit. This amount is equal to column 7 (Disbursed) less column 12 of the DD Form 645 and may be verified by subtracting Disbursed, column 7, from Commitments, column 4, of TFS Form 4502.

d. Disbursed. Enter in column 7 the total amount of disbursements (or noncash transfers) made under each agreement. (Column 10, Cumulative Deliveries/Work-In-Process, of the DD Form 645).

e. Disbursed and Still Outstanding. Enter in column 8 the total amount disbursed and still outstanding as of the close of the reporting quarter. This figure may be obtained from column 14 of DD Form 645 and should equal Disbursed (column 7), less Amortization (column 9).

f. Service Payment - Amortization. Enter in column 9 the total amounts of principal repayments received on each agreement. Obtain this amount from column 13 of the DD Form 645.

g. Service Payments - Interest. (Not applicable to FMS 120-day delayed payment cases.)

h. Fees Collected. (Not applicable to FMS 120-day delayed payment cases.)

120306 Instruction for Preparation of TFS Form 4502B - Current Status of Active Credits and Statement of Arrearages

A. General Instructions. TFS Forms 4502B (Table 12-6) will be used to report the status at the end of the quarter of accounts receivable from foreign obligors consisting of short-term obligations (sales financed under 120-day delayed payment terms) and long-term obligations (sales financed from loans or credits). All amounts reported on TFS Forms 4502B will be stated to the nearest dollar or dollar equivalent. The amounts reported on TFS Forms 4502B will be based on records maintained by the military components and DSAA as of the report dates. Accounts receivable from foreign obligors (under 120-day delayed payment terms and FMS credit programs) must be reported on TFS Forms 4502B as follows: (a) all entries will be listed by country name in alphabetical order, (b) all entries listed will represent the combined total of U.S. dollar and dollar equivalents, where applicable. For FMS, see instructions in paragraph 120302 for determining the reportable amounts.

B. Specific Instructions. The following instructions will be observed in filling out TFS Forms 4502B.

1. Report Identification. The following information must be entered in the space provided at the top of TFS Forms 4502B:

a. Reporting Agency. Enter the name of the reporting agency. Enter applicable agency codes as follows:

9700	DSAA
9710	USAF
9720	Army
9730	Navy

b. Program. Enter code "741 FMSA" as indicated in Table 12-1. Enter also Section 22 a or b of FMSA, as applicable.

c. Current Status as of. Enter the terminal date of the calendar quarter for which the report is required.

d. First Line of Report. Military components must enter the words "Short-Term Obligations," for amounts reported under 120-day delayed payment terms. The

DSAA will enter words "Long-Term Obligations" when reporting on the normal credit program

e. Columns 1 & 2. Enter country name, extending into column 2, if necessary. Then list "Treasury Transaction Numbers" and "Agency Agreement Numbers" which are applicable to that country.

f. Currency Indicator. Enter the code describing the code describing the amount reported on that line for that country. Foreign currency obligations shall be reported in dollar equivalents (FCS) computed at the appropriate reporting rate. The following codes are used for identification of amounts:

\$ - Repayable in U.S. dollars,

MO\$ - U.S. dollar equivalents of obligations to pay foreign currency amounts equivalent to a stated amount of U.S. dollars calculated at the reporting rate existing for that country at the time of payment (with maintenance of dollar value), and

FCS - U.S. dollar equivalents of obligations, the liquidation of which requires repayment of a stated amount of foreign currency units (without maintenance of dollar value).

g. Amount Due and Unpaid 90 Days or More. Enter in columns 4 and 5 the amounts of the principal and interest recorded in columns 6 and 7 which are due and unpaid 90 days or more. Note: For "short-term obligations" reported by military components, only the "principal" column will be used.

h. Due Date of Oldest Arrearage. This is not applicable to "short-term obligations," therefore, military components will make no entry. The DSAA will enter the due date of oldest arrearage applicable to each loan or credit program reported.

i. Footnote Codes. To be used only by the DSAA which will enter the applicable code listed in Appendix No. 3 of reference (a) for each loan or credit program being reported.

j. Agency Totals. On the line following the last country listed on the report, enter in columns 1-2 the words "Agency Totals" and enter the totals of all columns contained dollar amounts (and/or U.S. dollar equivalents where applicable).

120307 Instructions for preparation of TFS Form 4503 - Current Status of Accounts Receivable (Original Maturity of Less than 90 days) from Foreign Obligors

A. General Instructions. TFS Forms 4503 (Table 12-7) will be used to report the status at the end of the quarter of accounts receivable from foreign obligors. All amounts reported on TFS Forms 4503 will be stated to the nearest dollar or dollar equivalent. Accounts receivable from foreign obligors must be reported on TFS Forms 4503 as follows: (a) all entries will be listed primarily by country name in alphabetical order; (b) entries within each country are to be reported by program or legislative authorization (Table 12-1) applicable to the accounts receivable outstanding; (c) country totals are to be provided for each country for which accounts receivable are reported for more than one program; (d) program totals must be provided where more than one country is listed on the schedule; (e) Agency/Service totals will be provided where more than one program total is reported. All totals will be provided where more than one program total is reported. All totals are to be listed as one entry representing the combined total of U.S. dollar and dollar equivalent amounts reported. For continuing operations involving periodic settlement of accounts on a net settlement basis, the net balances representing receivables are to be reported. For FMS, see instructions in paragraph 120302 for determining reportable amounts.

B. Specific Instructions. The following instructions will be observed in filling out TFS Form 4503.

1. Report Identification. The following information must be entered in the space provided at the top of TFS Forms 4503:

a. Reporting Agency. Enter the name of the reporting agency. Enter applicable agency codes and titles as follows:

9700	DSAA
9710	USAF
9720	Army
9730	Navy

b. Current Status as of. Enter the terminal date of the calendar quarter for which the report is required. For example, the first and second quarter of calendar year 1994 will be identified as 941 and 942, respectively. In the open space show also the actual date of the quarter ending.

2. Report Data. In the space provided, enter the data for accounts receivable from foreign obligors as follows:

a. Country. Enter in column 1 on the first available line the name of the first applicable country from the alphabetical list of country names and codes provided in the SAMM and/or Table 12-8. Enter in column 7 the identification code assigned to the country.

b. Program. On the line(s) following the country designation, enter in column 1 each program applicable to the accounts receivable outstanding. Enter in column 8 the identification code assigned to the program.

c. Currency Indicator. Enter in column 2 the code describing the amounts to be reported on that line. Foreign currency obligations shall be reported in dollar equivalents (FC\$) computed at the appropriate reporting rate. The following codes are used for identification of amounts:

\$ - Repayable in U.S. dollars,

MO\$ - U.S. dollar equivalents of obligations to pay foreign currency amounts equivalent to a stated amount of U.S. dollars calculated at the reporting rate existing for that country at the time of payment (with maintenance of dollar value), and FC\$ - U.S. dollar equivalents of obligations, the liquidation of which requires

repayment of a stated amount of foreign currency units (without maintenance of dollar value).

d. Total Amount Outstanding - Official. Enter in column 3 the total amount of outstanding accounts receivable from foreign official obligors as of the end of the reporting period. Include foreign private obligations guaranteed by official foreigners.

e. Total Amount Outstanding - Private. Enter in column 4 the total amount of outstanding accounts receivable from foreign private obligors as of the end of the reporting period. Exclude foreign private obligations guaranteed by official foreigners (see step 4 above).

f. Amount Due and Unpaid 90 Days or More - Official. Enter in column 5 the portion of the amount recorded in column 3 which is due and unpaid 90 days or more.

g. Amount Due and Unpaid 90 Days or More - Private. Enter in column 6 the portion of the amount recorded in column 4 which is due and unpaid 90 days or more.

h. Country Totals. On the line following the data for the last program reported: (a) enter in column 1 the words "Country Totals;" (b) leave column 2 blank; (c) enter in columns 3-6 the totals of amount (U.S. dollars plus dollar equivalents) reported for the programs within that country. A separate entry for country totals will not be necessary where only one program has been reported.

i. Enter the next applicable country name and repeat steps 2a-h above until all countries and the related data have been reported.

j. Program Totals. On the line following the last country totals, enter the words "Program Totals" in column 1. On subsequent lines (a) enter in columns 1 and 8 the name and identification code, respectively, for each program listed on the schedule; (b) leave

column 2 blank; (c) enter in columns 3-6 the totals of amounts (U.S. dollars plus dollar equivalents) reported by country for each program. Separate entries for program totals will not be necessary where only one country has been listed.

k. Agency Totals. On the line following the last program totals (a) enter in column 1 the words "Agency Totals;" (b) leave column 2 blank; (c) enter in columns 3-6 the totals of all agency programs. A separate entry for agency totals will not be necessary where only one program total has been reported.

120308 Guaranteed Loans. The Treasury Department requires TFS Forms 4504, 4505, 4505A, and 4506 to be submitted on Guaranteed Loan programs. Currently these programs are managed by the DSAA. Instructions for the completion of these forms are found in the Treasury Financial Manual, Volume 1, Part 2, Chapter 4500, "Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners," Appendix 1.

120309 Submission. The Treasury Department requires the submission of indebtedness reports within 30 days after the end of the quarter. DoD Components shall submit the original to DFAS with a copy to DSAA Comptroller (TFS Form 4503, TFS 4502 and 4502B) within 20 days after the end of the quarter; one copy of the report will also be provided to the OUSD(C) and the ASD(ISA). Copies of the reports may be distributed within the Military Departments as desired.

120310 Flash Report of Major Foreign Debt Arrearages. Major foreign debt arrearages are monitored by the NAC. Therefore, periodically, flash reports will be requested from the DoD Components to satisfy NAC requirements for information on major foreign debt arrearages. For this purpose, a "major" foreign debt arrearage is any country program arrearage which involves the sum of \$250,000 or more. Flash reports will be submitted directly to DFAS-DE by the local command in message form with information copies to the next higher command. The report will reflect any significant changes in major foreign debt arrearages from the quarterly

foreign indebtedness reports submitted in accordance with this section. Collections, information or increased indebtedness, problems encountered in unsuccessful collection attempts, or country circumstances which may adversely affect collections are examples of the information which should be included in the flash reports.

120311 Information Requirements. The reporting requirements prescribed in this Chapter are assigned to control numbers as given in the following subparagraphs.

A. TFS Form 4501. "Description of Foreign Loan or Credit." The DSAA is the focal point for submitting this report to the Department of the Treasury.

B. TFS Form 4502. "Current Status of Active Credits," cumulative amount at end of quarter, Interagency Report Control Number 0102-TD-QU. The DSAA is the focal point for submitting this report to the Department of the Treasury.

C. TFS Form 4502B. "Current Status of Active Credits Statement of Arrearages," Interagency Report Control Number 0104-TD-QU. The DSAA is the focal point for submitting this report to the Department of the Treasury.

D. TFS Form 4503. "Current Status Accounts Receivable (Original Maturity of Less than 90 Days) from Foreign Obligors," Interagency Report Control Number 0105-TD-QU. The DFAS is the focal point for submitting this report to the Department of the Treasury.

E. TFS Form 4504. "Description of Guaranteed (Insured) Foreign Loan, Credit, or Other Payment Scheduling Agreement and U.S. Government Contingent Liability."

F. TFS Form 4505. "Current Status of Active Credits Foreign Loans, Credits or other Payment Scheduling Agreements." The DSAA is the focal point for submitting this report to the Department of the Treasury.

G. TFS Form 4505A. "Current Status of Guaranteed (Insured) Foreign Loans, Credits or Other Payment Scheduling Agreements

Statement of Claims." The DSAA is the focal point for submitting this report to the Department of the Treasury.

1204 COLLECTING AND REPORTING OF
FOREIGN DEBTS UNDER LONG-
TERM LOANS AND DEBTS

120401 General. The DSAA is responsible for administering FMS long-term loans and credit programs authorized by Section 23 of the Arms

Export Control Act, as amended, and likewise is responsible for determining foreign indebtedness against these programs. Debts remaining uncollected 90 days after the due date must be reported to Congress via data submitted on the quarterly TFS Form 4502B (see Section 1203 of this Volume for instructions on completing the form). Debts remaining uncollected one calendar year after the due date subject the indebted country to Brooke-Alexander Amendment sanctions.

TFS FORM 4502B CARD

<u>Field</u>	<u>Caption</u>	<u>Columns</u>
1	Reporting Agency	1-4
2	Program	5-7
3	Current Status as of	6-8
4	Name of Country	11-32
5	Currency Indicator	33-35
6	Enter "E" (Indicates TFS Form 4502B)	36
7	Amount Due and Unpaid 90 Days or More - Principal	37-45
8	Amount Due and Unpaid 90 Days or More - Interest	46-54
9	Total Amounts Due and Unpaid - Principal	55-63
10	Total Amounts Due and Unpaid - Interest	64-72
11	Due Date of Oldest Arrearage	73-78
12	Footnote Codes	79-80

TABLE 12-4

TFS FORM 4502, CURRENT STATUS OF ACTIVE CREDITS

[illegible]

TABLE 12-5

TFS FORM 4502B, CURRENT STATUS OF ACTIVE CREDITS STATEMENT OF ARREARAGES[illegible]

TABLE 12-6

TFS FORM 4503, CURRENT STATUS OF ACCOUNTS RECEIVABLE

Reporting Agency [9][7][0][8] NAVY		TFS FORM 4503 CURRENT STATUS OF ACCOUNTS RECEIVABLE (ORIGINAL MATURITY OF LESS THAN 90 DAYS) FROM FOREIGN OBLIGORS (Amounts stated to nearest whole unit)				Date of Submission April 30, 1976.						
Current Status as of [7][6][1] March 31, 1976.												
(1). Country/Program	(2). Cur. Ind. (10-12)	(3). Total Amount Outstanding (13-23)		(4). Private (24-34)		(5). Amount Due and Unpaid 90 Days or More (35-45)		(6). Private (46-56)		(7). CY (57-59)		(8). Codes (60-62)
		Official	1/ (13-23)	Private	Private	Official	1/ (35-45)	Private	Private	CY	(57-59)	(60-62)
ARGENTINA												
MILITARY SALES ACT	\$	1 0 0 0 0 0				5 3 0 7 5						1 4 1
LOGISTICAL SUPPORT		5 0 0 0 0 0				5 0 0 0						1 4 2
MILITARY ADVISORY GROUP		3 0 0 0				1 0 0 0						1 4 3
COUNTRY TOTALS		1 5 3 0 0 0				5 9 0 7 5						
BRAZIL												
MILITARY SALES		2 0 0 0 0 0				1 5 0 0 0						1 4 1
MILITARY ADVISORY GROUP		5 0 0 0				3 0 0 0						1 4 3
COUNTRY TOTALS		2 5 0 0 0 0				1 8 0 0 0						
NATO												
LOGISTICAL SUPPORT		1 0 0 0 0 0				7 5 0 0 0						1 4 2
PROGRAM TOTALS												
MILITARY SALES ACT		1 2 0 0 0 0				6 8 0 7 5						1 4 1
LOGISTICAL SUPPORT		1 5 0 0 0 0				8 0 0 0 0						1 4 2
MILITARY ADVISORY GROUP		8 0 0 0				4 0 0 0						1 4 3
AGENCY TOTALS		2 7 8 0 0 0				1 5 2 0 7 5						

1/ Includes foreign private obligations guaranteed by official foreigners.

(Note: 10 Pitch Typewriter spacing at 6 lines per inch).

Form

TFS I-76 4 5 0 3

0105-TD-QU

DEPARTMENT OF THE TREASURY - FISCAL SERVICE
BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

TABLE 12-7

UNSPECIFIED COUNTRY DESIGNATIONS AND OFFICIAL MULTINATIONAL ORGANIZATIONS

(Source: U.S. Department of the Treasury)

805	Andean Development Corporation
815	Caribbean Development Bank
820	Central American Bank for Economic Integration
825	Central American Fund for Monetary Integration
827	Central Treaty Organization
830	Council of the Entente States
835	East Africa Development Corporation
837	East African Common Services Organization
842	European Atomic Energy Community
844	European Coal and Steel Community
845	International Atomic Energy Agency
850	International Coffee Organization
855	International Finance Corporation
857	International Statistical Institute
860	Lake Chad Basin Commission
866	North Atlantic Treaty Organization
870	O.E.C.D.
881	United Nations
885	University of East Africa
890	West Africa Development Bank
970	Western European - Regional

TABLE 12-8

CHAPTER 13

INTERNATIONAL BALANCE OF PAYMENTS
REPORTING & ESTIMATING

TO BE ISSUED AT A LATER DATE

CHAPTER 14

DEPOT MAINTENANCE REPORTING1401 GENERAL

140101 This chapter prescribes requirements that the DoD Components must satisfy with regard to reporting the accomplishment and status of depot maintenance workloads in:

- DoD depot maintenance activities;
- other DoD activities; and
- private sector activities,

whether accomplished by DoD military or civilian employees or by non-Federal government employees. Further, these requirements apply to all depot maintenance workloads regardless of DoD funding source, e.g., Defense Business Operations Fund (DBOF), Research and Development, Procurement, General Purpose Forces, Special Operations Forces, Operations and Maintenance, or other appropriations; or non-DoD funding source such as for work done on a reimbursable basis for other Federal, state, local, foreign government and private sector customers. DoD depot maintenance activities that are funded by the DBOF are required to follow the formal cost accounting requirements specified in Chapter 63, "Cost Accounting Requirements for Depot Maintenance," of Volume 11B, "Reimbursable Operations, Policy and Procedures," of this Regulation. Other DoD activities performing depot maintenance workloads may use other cost finding procedures to satisfy the reporting requirements specified in section 1402, below. DoD activities that contract with private sector activities for depot maintenance will report as prescribed in section 1403 below.

140102 The uniform recordation, accumulation, and reporting of costs incurred in depot maintenance operations is required to document the use of scarce DoD resources and to assist management in the: measurement of productivity and efficiency; the development and use of performance measurement and cost standards; and to highlight areas in need of increased management emphasis. Also, the data will assist in the identification of total DoD maintenance capability, duplication of capacity,

and areas of interservice support for maintenance workloads.

140103 Specifically, management should have depot maintenance information available from the cost accounting and reporting module to assist in the:

A. Comparison of historical unit cost trends with replacement cost trends.

B. Oversight of the utilization of depot maintenance resources.

C. Evaluation of budgets for depot maintenance work programs.

D. Comparison of cost trends among organic DoD depots or between organic and contract (private sector) sources.

E. Managerial direction and guidance for depot maintenance programs.

F. Evaluation of depot maintenance activities for efficient use of resources.

G. Estimation of depot maintenance requirements.

H. Monitoring of DoD Component compliance with various Congressionally mandated reporting requirements, including contract/organic shares.

I. Examination of the behavior of cost drivers over time.

140104 To ensure that all workloads are accounted for and reported on, regardless of funding source, reporting requirements have been stratified to allow reporting of "Funded" and "Unfunded" costs:

A. Funded costs are costs included within the budget of and financed by an operation and maintenance appropriation or

revolving fund available, either currently or in the past, to the performing activity. Funded costs include items, such as operating materials and supplies, for which an outlay was made in a prior period or year but which are recognized in the current period in which the asset is used or consumed.

B. Unfunded costs are costs financed by an appropriation other than one available, either currently or in the past, to the performing activity. Within the DBOF, there are few unfunded costs. The predominant example is depreciation or real property assets (buildings, etc.) used by the DBOF activity but financed by a military construction appropriation.

1402 REPORTING REQUIREMENTS

140201 The reporting requirements contained herein and in the addendums to this chapter, including any subsequent data and format revisions, are the responsibility of the Assistant Deputy Under Secretary of Defense for Maintenance Policy, Programs and Resources (ADUSD[MPP&R]), Office of the Under Secretary of Defense (Acquisition & Technology). The ADUSD(MPP&R) shall provide the data revisions and report format changes to the Director for Accounting Policy, OUSD(C), for publication in subsequent revisions of this chapter. The senior official with responsibility for logistics in each DoD Component is responsible for timely reporting. The Assistant Secretary responsible for financial management in the Military Departments (or equivalent in other DoD Components) is responsible for providing complete and accurate financial data to the report preparer in sufficient time for report finalization. Included with automated data submissions will be, as a minimum, those hard copy reports described in Addendum 5 below. Further, results of the reconciliation required in paragraph 140207, below, will be included with each annual submission. Additionally, each annual submission will identify points of contact for that DoD Component for queries regarding the content or status of any reports that are required.

140202 The depot maintenance cost report required by this chapter applies to all Military

Services and other DoD activities that accomplish depot maintenance workloads or have depot maintenance workloads accomplished by contract. A list of DoD activities that historically have accomplished depot maintenance workloads is at Addendum 1 to this chapter. Depot maintenance activities not operated as DBOF activities shall report only depot maintenance efforts in the depot maintenance cost report. Other work efforts shall not be reported by these activities. However, depot maintenance activities funded by the DBOF shall report all operating costs incurred by the Fund. If lower echelons of maintenance normally performed below a depot maintenance facility are performed at a depot maintenance facility that is funded by DBOF, the cost incurred by the depot for these functions shall be reported under the appropriate work performance category described in Addendum 2 to this chapter.

140203 The Work Performance Categories (WPCs) at Addendum 2 to this chapter identify, for reporting purposes, the work performed at a government or commercial depot maintenance facility. The definition of primary depot maintenance work includes the following categories: overhaul (code A), progressive maintenance (code B), renovation (code F), analytical rework (code G), repair (code I), inspection and test (code J), scheduled maintenance (code S), and software support (code U). Modernization includes the categories of conversion (code C) and modification (code H). Other costs required to be included in the depot maintenance cost report include the following WPCs: activation (code D), inactivation (code E), manufacture (code K), reclamation (code L), storage (code M), technical assistance (code N), calibration (code P), depot level portion of contractor logistics support (CLS)(code R), and Other Work (code T). When depot maintenance employees are temporarily assigned to non-depot maintenance activities, their payroll cost shall be recorded as other work, WPC "T."

140204 Each DoD Component shall maintain, in a central location, a file of the data required under the provisions of this chapter in the defined format. The file shall be updated quarterly on a cumulative fiscal year-to-date

basis for closed, completed work and active work in process. Final fiscal year end hard copy reports in the format prescribed in Addendum 5 to this chapter and a magnetic tape of the data in the file shall be submitted to the ADUSD(MPP&R), within 90 days of the end of the fiscal year. The DoD Component data file shall be available for processing inquiries for the most recent 5 years. This information is necessary to plot weapon system maintenance cost trends. Copies of the quarterly data update tapes shall be available for review for a minimum of 2 years. Reporting requirement symbol AP-MP(A)1397 is assigned to this reporting requirement.

140205 Cost and production reporting systems shall be designed to provide an audit trail from the quarterly data file back to the individual job order cost records if needed to support the reported data.

140206 A report line (data record) is required for each type of depot maintenance work (field 14) performed for each different weapon system or item identification number as indicated by different data entries in any of fields 7, 9, 10, 12, or 13 at each activity (field 5). Special attention should be paid to any consolidation of job orders that may be consistent with this schema to ensure that the integrity of other fields (e.g. shop flow days) is maintained.

A. Detailed reporting requirements are specified in Addendum 3 to this chapter. All quantities and amounts shall be right-justified and the unused high order positions shall be zero filled. Submitted data shall be edited by the DoD Components prior to submission to ensure that the edit requirements outlined in Addendum 3 are met.

B. The ADUSD(MPP&R) will maintain a cross-reference file of pertinent data elements and codes for use by the Military Departments in compiling the AP-MP(A)1397 report. A complete listing of applicable data elements and codes will be forwarded to the DoD Components designated points of contact during the third quarter of each fiscal year for AP-MP(A)1397 report usage. These codes will include as a minimum Weapon or Support

System Codes (WSSC), Performance Activity CAGE Codes, Reporting Facility CAGE Codes, and Work Performance Category Codes. Each Military Department will ensure that any codes or elements used in the subsequent AP-MP(A)1397 report other than those so provided is fully defined in the annual report submission.

C. The Defense Manpower Data Center (DMDC) will process each DoD Component APMP(A)1397 report data submissions for the ADUSD(MPP&R). The DMDC will edit annual data submissions and conduct necessary integrity checks. The ADUSD(MPP&R) will provide the Military Departments the results of data edits and checks within 30 days of the annual report submission. The DMDC will produce a defined set of standard reports for the ADUSD(MPP&R), which will also be made available to the Military Departments and DoD activities. The ADUSD(MPP&R) will review the DMDC-prepared standard reports and the Component-prepared reports (outlined in Addendum 5) to support final reconciliation of fiscal year reporting and data base establishment. The DMDC also will support ad hoc queries and data base extracts as may be requested and authorized by the ADUSD(MPP&R). Authorized Military Department data queries and other requirements will be supported as resources permit.

D. The Defense Finance and Accounting Service (DFAS) shall be responsible for the following:

1. DFAS Defense Accounting Offices (DAOs) and Operating Locations (OPLOCs) supporting depot maintenance activities will provide accurate and timely financial data (in accordance with paragraph 140201) needed to produce the AP-MP(A)1397 report. Report preparation shall be the responsibility of the depot maintenance commander.

2. Supporting DAOs and OPLOCs will be responsible for the accuracy of the job order costs provided above-and the inclusion of all DBOF operating and capital costs in accordance with current policies.

3. Supporting DAOs and OPLOCs shall be responsible for the consistency of the reported costs; i.e., job order costs must be consistent with - and reconcilable to - the managerial financial reports and the DBOF Accounting Report 1307 for the depot maintenance business area.

140207 The data submission report shall consist of two types of report records.

A. The first type is cumulative completed work. All report transaction records for customer orders that have been financially completed and recorded as cost of goods sold shall be identified with a "C" in field 51. The total of all reported amounts of completed work in the current reporting fiscal year shall be reconciled to the amount recorded in general ledger account 6500, "Cost of Goods Sold." The reported amount for completed work shall equal the total amount of cost incurred on that item. The amount of variance in applied overhead should be considered an element in the cost of goods sold for reconciliation purposes. Reporting entities other than DBOF activities shall reconcile their completed job orders to the amount recorded in account 6120, "Other Services," for repair expenses.

B. The second type of report record is cumulative work in process. All work in process shall be reported in order to currently report all costs incurred by a depot maintenance activity. All report transaction records for work in process shall be identified with a "W" in field 51. The total of all reported amounts of job orders in process and contractor costs shall be reconciled to general ledger account series 1580, "Work in Process," including progress payments to contractors. Non-DBOF reporting entities shall reconcile their work in process job orders to the amount recorded in account 6120, "Other Services," for repair expenses.

C. Large job orders that have revenue recognized periodically shall be reported with a "W" but included in the reconciliation to account 6500, "Cost of Goods Sold," to the degree that revenue may have been recognized during that fiscal year. The costs reported on such job orders shall be cumulative since inception until

the job is finally completed even though the revenue may have been recognized on a percentage of completion or other basis. Progress payments are not considered under the guidance in this paragraph.

140208 Each DoD Component shall submit a magnetic tape in "Extended Binary Coded Decimal Interchange Code (EBCDIC)," unblocked or block 10, 9 track, and with a tape density of 1600 or 6250 characters per inch. Do not include header records on the tape, only data records as described in paragraph 140206., above, followed by a tape mark. Each report record shall have a unique record identified code in field 46 to facilitate the identification of individual report transaction records.

140209 Tape reels must have an attached label identifying the contents; that is, Depot Maintenance Cost and Production Report, fiscal year of the report, submitting component name and office name and mailing address to which the reels are to be returned, and tape characteristics. Also, the letter of transmittal for the hard copy report shall include the same information as contained on the tape label.

140210 The AP-MP(A)1397 report serves as a principal data base in support of ADUSD(MPP&R) weapon systems depot maintenance cost and production analyses and external reporting, as well as the principal joint-Service data base on depot maintenance production operations. As an integral part of the Component edit process on the data submission report, a review shall be performed by maintenance or logistics experts to determine the accuracy, completeness, and reasonableness of the data being submitted. The hard copy report formats described in Addendum 5 provide summary information at the activity, commodity and weapon system levels and are consistent with and fully supported by the depot maintenance cost accounting practices of the Military Departments as required by this regulation. The hard copy reports shall be accompanied by a narrative analysis of significant developments, information, or trends portrayed in the data submission report. The report formats are direct derivatives from the annual data submission report. In reviewing

these minimal hard copy report formats, the reporting official and reviewing experts in each Military Department will be able to gain a general overview of the depot maintenance program for which detailed data is being submitted. The transmittal memorandum for the report shall identify a logistics point of contact for issues and questions relating to the data being reported.

140211 In addition to the above reports, depot maintenance activities are subject to reporting requirements specified in other chapters of this Regulation.

1403 DEPOT MAINTENANCE WORKLOAD PERFORMED BY ACTIVITIES OTHER THAN DBOF DEPOT MAINTENANCE ACTIVITIES

140301 Depot Maintenance may also be performed on a reimbursable basis at the DBOF-funded maintenance depots and at various other DoD in-house facilities, such as arsenals, ordnance stations, public works centers, and by private sector commercial contractors. A list of DoD organic activities that accomplish depot maintenance type workloads is at Addendum 1, below, to this chapter. In order for the entire DoD depot maintenance program to be visible in required reports, the depot maintenance workload performed in all DoD and contractor facilities, including the depot portion of Contractor Logistics Support (CLS), shall be included in the report required by section 1402 of this chapter.

140302 The identification of maintenance work effort as depot maintenance must be made in connection with requests for funds to maintain the equipment end-items or components. Depot maintenance budgetary requirements should be identified by equipment end-item.

140303 The reporting requirements specified in section 1402, above, apply to all contracted out depot maintenance work. Depot Maintenance

workloads may be performed by private sector commercial contractors under contract at their facilities or at U.S. Government-owned, contractor-operated (GOCO) facilities. Specifically, the AP-MP(A)1397 report must identify reporting activities in field 8 (see Addendum 3 to this chapter) that contract for depot maintenance work. For example, depot maintenance activities, systems program offices, program managers, major commands, major subordinate commands, supervisors of shipbuilding, the Navy Aviation Supply Office, the Navy Ships Parts Control Center, and all other activities that use DoD funds, regardless of source, to contract for depot maintenance functions shall take steps to ensure the cost of the effort is reported in field 36 of the report. Further, they shall ensure that data submissions are complete and accurate as required by this chapter.

140304 The activity requiring and funding the work shall report the amount paid in field 36, "Contract and/or Other Maintenance Activity Cost," as specified in Addendum 3, below, to this chapter. The report shall identify the item worked on, the work performance category, and work breakdown structure classification to the extent economically feasible. The report shall include work performed by other DoD depot maintenance activities on behalf of the reporting activity. Any depot maintenance work, performed by an in-house DoD facility that is not listed in Addendum 1, below, to this chapter shall be reported by the requiring activity with a "2" in field 7, "Owner/Operator Code."

1404 SPECIAL REPORTS

Any one time or additional reports required shall be prescribed by the Office of the Deputy Chief Financial Officer in coordination with the ADUSD(MPP&R).

ADDENDUM 1DoD ORGANIC ACTIVITIES THAT ACCOMPLISH DEPOT MAINTENANCE TYPE FUNCTIONSDEPARTMENT OF THE ARMY

<u>Facility</u>	<u>Location</u>
Anniston Army Depot	Anniston, Alabama
Corpus Christi Army Depot	Corpus Christi, Texas
Letterkenny Army Depot	Chambersburg, Pennsylvania
*Lexington Depot	Lexington, Kentucky
Red River Army Depot	Texarkana, Texas
*Sacramento Army Depot	Sacramento, California
Seneca Army Depot	Romulus, New York
Sierra Army Depot	Herlong, California
Tobyhanna Army Depot	Tobyhanna, Pennsylvania
*Tooele Army Depot	Tooele, Utah

DEPARTMENT OF THE NAVYNaval Shipyards

<u>Naval Shipyards</u>	<u>Location</u>
*Naval Shipyard Charleston	Charleston, South Carolina
Naval Shipyard Long Beach	Long Beach, California
*Naval Shipyard Mare Island	Vallejo, California
Naval Shipyard Norfolk	Portsmouth, Virginia
Naval Shipyard Pearl Harbor	Pearl Harbor, Hawaii
*Naval Shipyard Philadelphia	Philadelphia, Pennsylvania
Naval Shipyard Portsmouth	Kittery, Maine
Naval Shipyard Puget Sound	Bremerton, Washington

Naval Aviation Depots

*NADEP Alameda	Alameda, California
NADEP Cherry Point	Cherry Point, North Carolina
NADEP Jacksonville	Jacksonville, Florida
*NADEP Norfolk	Norfolk, Virginia
NADEP North Island	San Diego, California
*NADEP Pensacola	Pensacola, Florida

Naval Ordnance Facilities

Naval Ordnance Station	Indian Head, Maryland
Naval Ordnance Station	Louisville, Kentucky
Naval Weapons Station	Yorktown, Virginia
Naval Weapons Station	Charleston, South Carolina
Naval Weapons Station	Concord, California
Naval Weapons Station, Earle	Colts Neck, New Jersey
Naval Weapons Station	Seal Beach, California

ADDENDUM 1DoD ORGANIC ACTIVITIES THAT ACCOMPLISH DEPOT MAINTENANCE TYPE FUNCTIONS
(CONTINUED)Ship Repair FacilitiesLocationSRF Guam
SRF YokosukaGuam, Mariana Islands
Yokosuka, JapanOther Navy FacilitiesStrategic Weapons Facility, Atlantic
Strategic Weapons Facility, Pacific
Polaris Missile Facility, Atlantic
TRIDENT Refit Facility
Naval Air Warfare Center
Naval Surface Warfare Center
Naval Surface Warfare Center
Naval Undersea Warfare Center
Naval Command, Control and Ocean Surveillance Center
Naval Command, Control and Ocean Surveillance Center
*Naval Electronic Systems Engineering Activity Detachment
*Naval Electronic Systems Engineering CenterKings Bay, Georgia
Bremerton, Washington
Charleston, South Carolina
Bangor, Washington
Indianapolis, Indiana
Crane, Indiana
Port Hueneme, California
Keyport, Washington
Norfolk, Virginia
San Diego, California
Philadelphia, Pennsylvania
St. Inigoes, MarylandMARINE CORPSMarine Corps Logistics BasesLocationMCLB Albany
MCLB BarstowAlbany, Georgia
Barstow, CaliforniaDEPARTMENT OF THE AIR FORCEAir Logistics CentersLocationOgden ALC
Oklahoma City ALC
Sacramento ALC
San Antonio ALC
Warner–Robins ALCHill AFB, Utah
Tinker AFB, Oklahoma
McClellan AFB, California
Kelly AFB, Texas
Robins AFB, GeorgiaOther Air Force Facilities*Aerospace Guidance and Metrology Center
Support Group Pacific
Aerospace Maintenance and Regeneration Center
Air Force Space DepotNewark AFS, Ohio
Kadena AFB, Japan
Davis–Monthan AFB, Arizona
Colorado Springs, Colorado

ADDENDUM 1**DoD ORGANIC ACTIVITIES THAT ACCOMPLISH DEPOT MAINTENANCE TYPE FUNCTIONS**
(CONTINUED)**DEFENSE LOGISTICS AGENCY****Location**Defense General Supply Center Industrial Plant
Equipment Repair Facility

Mechanicsburg, Pennsylvania

* Indicates depot activities scheduled for closure or realignment.

ADDENDUM 2
WORK PERFORMANCE CATEGORIES (WPC)

Code A – Overhaul. The disassembly, test, and inspection of the operating components and the basic structure to determine and accomplish the necessary repair, rebuild, replacement and servicing required to achieve the desired level of performance. Overhaul is synonymous with "rework" and "rebuild."

Code B – Progressive Maintenance. A predetermined amount of work that represents a partial overhaul under a program that permits the complete overhaul to be accomplished by means of two or more scheduled work efforts in the maintenance process. Progressive maintenance is synonymous with "cycle maintenance," "restricted availability," "preventive servicing," "recondition," and "phased" or "incremental maintenance."

Code C – Conversion. The alteration of the basic characteristics of an item to such an extent as to change its mission, performance, or capability.

Code D – Activation. The process of returning an item from preservation, storage, or inactive status to an active, serviceable status by means of removal from storage and containers, stripping, inspection, servicing, testing, and repair, replacement of components, assemblies, or subassemblies as required.

Code E – Inactivation. The servicing and preservation of an item prior to placement in storage or an inactive status.

Code F – Renovation. The proof and test evaluation, rework of ammunition or ordnance items as required for retaining their desired capability.

Code G – Analytical Rework. The disassembly, test and inspection of end-items, assemblies or subassemblies to determine and accomplish the necessary rework, rebuild, replacement, or modification required. It includes the technical analysis of the findings and determination of maintenance criteria. Includes prototype teardown, analysis and rework of an item to determine job and material specifications for a subsequent maintenance requirement.

Code H – Modifications and Upgrades. Modifications and upgrades are changes to systems and equipment for safety reasons, to correct a deficiency, or to improve program performance. A "modification" is a change to a system that is still being produced; an "upgrade" is a change to a system that is out of production.

Code I – Repair. Action to restore an item to a serviceable condition from an unserviceable condition, correcting principally those defects that rendered the item unserviceable.

Code J – Inspection and Test/Engineering Investigations. The examination and confirmation of the condition or operational status of an item relative to its applicable specifications; includes First Article Test. Engineering investigations are used to determine the cause of reported equipment failure or malfunction and are accomplished through the application of a disassembly and inspection investigation, material analysis inspection, and/or an engineering assistance investigation.

Code K – Manufacture. The fabrication of an item from raw materials or components.

ADDENDUM 2 (CONTINUED)
WORK PERFORMANCE CATEGORIES (WPC)

Code L – Reclamation. The authorized processing of end-items, assemblies or subassemblies to obtain parts or components that are to be retained in operating materials and supplies prior to taking disposal action on the end-item, assembly or subassembly. Covers demilitarization actions on items prior to disposal when the demilitarization is incidental to the reclamation.

Code M – Storage. The inspection, represervation, and maintenance in a storage status of weapons and equipment items as well as their subsystems and components in the supply system.

Code N – Technical Assistance. The use of qualified depot maintenance personnel to provide technical information, instructions, or guidance, or to perform specific work requiring special skills for operational activities or other maintenance organizations. Includes all demilitarization other than that incidental to reclamation when required to be reported.

Code O, P, Q, R, and S – Not Used.

Code T – Other Work. Used to complete the reporting of all maintenance work force costs incurred. Any costs incurred at a depot maintenance activity funded by the Defense Business Operations Fund that do not meet the criteria for reporting under the other work performance categories shall be reported in this category. This includes any maintenance support costs funded by a Defense Business Operations Fund activity. Maintenance support includes centralized programming and planning support, technical and engineering services, preparation of maintenance publications and engineering data, and technical and administrative training.

Code U – Software Support. The sum of all amounts for efforts required to correct software deficiencies to ensure that, during the post-deployment phase of a mission-critical computer system's life, the implemented and fielded software continues to support the system mission. Depot maintenance software support excludes efforts required to update software to operate the new hardware configurations or required to support new missions. Depot maintenance software support addresses both embedded software systems and support equipment software (e.g., automated test equipment).

Code V – Calibration. The comparison of a measurement system or device of unknown accuracy to a system or device of known and greater accuracy. The system or device of greater accuracy is a measurement standard.

Code W – Contractor Logistics Support (CLS). CLS is commercial support for those weapon systems and equipment that do not have an organic support base established. Contractors provide total support including depot maintenance for the equipment, end-item, and components. Only those maintenance functions that would be classified as depot level, if the equipment was maintained organically, will be included.

Code X – Not Used.

Code Y – Scheduled Maintenance. The application of certain maintenance procedures to ensure that aeronautical equipment is maintained by controlling degradation resulting from time, operational cycles, use, and climatic exposure. Scheduled maintenance requirements are the minimum necessary under all conditions and are mandatory to ensure timely discovery and correction of defects. Includes Standard Depot Level Maintenance (SDLM) and Programmed Depot Maintenance (PDM).

Code Z – Not Used.

<u>ADDENDUM 3</u> <u>SECTION A</u> <u>DoD DEPOT MAINTENANCE COST REPORT FOR ITEMS OR SERVICES</u>			
FIELD NO.	DESCRIPTION OF DATA	TAPE POSITIONS	NO. OF POSITIONS
<u>RECORD IDENTIFICATION:</u>			
1	Record Type "F"	1	1A
2	Report Period Quarter Code	2	1N
3	Fiscal Year	3-4	2N
<u>IDENTIFICATION OF FACILITY:</u>			
4	Customer Program Element	5-10	6A/N
5	Performing Activity CAGE Code a. Organic Activity CAGE Code b. Contractor CAGE Code c. Not Used (Leave Blank)	11-15 11-15 11-15 16-24	5A/N 5A/N 5A/N 9B
6	Inside or Outside U.S. Code	25	1N
7	Owner and/or Operator Code	26	1N
8	Reporting Facility CAGE Code	27-31	5A/N
<u>IDENTIFICATION OF ITEM AND/OR SERVICE AND CUSTOMER:</u>			
9	Item Identification Number	32-44	13A/N
10	Item Nomenclature	45-64	20A/N
11	Not Used - Leave Blank	65-74	10B
12	Weapon or Support System Code	75-78	4A/N
13	Work Breakdown Structure Code	79-81	3A/N
14	Work Performance Category	82-84	3A/N
15	Customer Code	85-86	2A/N
16	Not Used (Leave Blank)		
<u>LABOR HOUR AND COST DATA:</u>			
17	Direct Civilian Labor (Production)-Cost-DBOF	87-94	8N
18	Direct Civilian Labor (Production)-Hours	95-102	8N
19	Direct Civilian Labor (Other)-Cost-DBOF	103-110	8N
20	Direct Civilian Labor (Other)-Hours	111-118	8N
21	Direct Military Labor (Production)-Cost-Non-DBOF	119-126	8N

<u>ADDENDUM 3</u> <u>SECTION A</u> <u>DoD DEPOT MAINTENANCE COST REPORT FOR ITEMS OR SERVICES</u>			
FIELD NO.	DESCRIPTION OF DATA	TAPE POSITIONS	NO. OF POSITIONS
22	Direct Military Labor (Production)-Hours	127-134	8N
23	Direct Military Labor (Other)-Cost-Non-DBOF	135-142	8N
24	Direct Military Labor (Other)-Hours	143-150	8N
25	Direct Material Cost-DBOF	151-158	8N
26	Direct Material Cost-(Investment Items at Full Price)-Non-DBOF	159-166	8N
27	Direct Material Cost-(Exchanges)-Non-DBOF	167-174	8N
28	Direct Material Cost-(Modification Kits)-Non-DBOF	175-182	8N
29	Direct Material Cost-(Expense)-Non-DBOF	183-190	8N
30	Other Direct Cost-DBOF	191-198	8N
31	Other Direct Cost-Non-DBOF	199-206	8N
32	Operations Overhead-DBOF	207-214	8N
33	Operations Overhead-Non-DBOF	215-222	8N
34	General and Administrative Expense-DBOF	223-230	8N
35	General and Administrative Expense-Non-DBOF	231-238	8N
36	Contract and/or Other Maintenance Activity Cost-DBOF and Non-DBOF	239-246	8N
37	Government-Furnished Material (Investment Items at Full Price)	247-254	8N
38	Government-Furnished Material (Exchanges)	255-262	8N
39	Government-Furnished Material (Modification Kits)-Non-DBOF	263-270	8N
40	Government-Furnished Material (Expense)-DBOF	271-278	8N
41	Government-Furnished Services-DBOF	279-286	8N
42	Government-Furnished Services-Non-DBOF	287-294	8N
43	End Item	295	1A
44	Not Used (Leave Blank)	296-310	15B

<u>ADDENDUM 3</u> <u>SECTION A</u> <u>DoD DEPOT MAINTENANCE COST REPORT FOR ITEMS OR SERVICES</u>			
FIELD NO.	DESCRIPTION OF DATA	TAPE POSITIONS	NO. OF POSITIONS
<u>PERFORMANCE-PRODUCTIVITY (PRODUCTION) DATA:</u>			
45	Total Production Quantity	311-318	8N
46	Report Data Record Identifier	319-326	8A/N
47	Quantity of Items Inducted During Reporting Year	327-334	8N
48	Quantity of Items Inducted During Year Preceding Reporting Year	335-342	8N
49	Quantity of Items Inducted During All Other Previous Years	343-350	8N
50	Shop Flow Days	351-354	4N
51	Work Status Code	355	1A
52	Exception Code	356	1A/N
53	NIMSC Code	357	1N
54	Not Used (Leave Blank)	358-360	3B

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DATA RECORD

1. Field 1 - Record Type

Use record type "F" to identify this record.

2. Field 2 - Report Period Quarter Code

Use reference No. QU-JB.

3. Field 3 - Fiscal Year

Use reference No. YE-NA.

4. Field 4 - Customer Program Element

Use primary program element codes for customers as specified in DoD 7045.7-H. Zero fill for customers not funded with DoD funds. In position 10, enter A, F, M, N, or D to designate a DoD Component being supported. Otherwise, enter a zero.

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DATA RECORD
(CONTINUED)

5. Field 5 - Performing Activity CAGE Code

- a. Organic Activity CAGE Code. If the activity is Government-Operated (Code 1 or 2 in field 7), enter the CAGE code in positions 11 through 15 for the activity identified in addendum 1.
- b. Contractor CAGE Code. If the maintenance activity is contractor-operated (Code 3 in field 7), enter the contractor CAGE code as specified in the DoD Supplement to the Federal Acquisition Regulation (FAR) and assigned in the Federal Supply Catalog, CAGE (H4/H8 Series). Start in position 11 and leave positions 16 through 24 blank. If a CAGE code has not been established for a contractor, a number should be requested through appropriate channels.

6. Field 6 - Inside or Outside U. S. Code

Enter one of the following codes to indicate whether the organic or contractor activity performing the depot maintenance is located within or outside the contiguous United States. Code 1 shall be used to indicate within the United States. Code 2 is for outside the United States including Alaska and Hawaii.

7. Field 7 - Owner and/or Operator Code

Enter one of the following to indicate the type of activity performing the maintenance:

Code 1 - DoD Component-In-House-Depot Maintenance Activity (Listed in addendum 1, above, to this chapter).

Code 2 - DoD Component-In-House-Depot Maintenance Activity (Not listed in addendum 1, above, to this chapter).

Code 3 - Contractor-Owned, Contractor-Operated.

Code 4 - Not Used

Code 5 - Not Used

Code 6 - Jointly (Contractor and Government)-Owned, Contractor-Operated; or Government-Owned, Contractor-Operated, or other arrangements, e.g., teaming.

When Code 1 is entered in this field, fields 36 through 42 shall be zero filled. When Codes 2 or 3 are entered in this field, fields 17 through 35 shall be zero filled.

When Code 2 is entered, field 36 shall be the cost of DoD In-House maintenance performed by a DoD non-depot maintenance activity. When Code 3 is entered, field 36 shall be contract cost. When Code 4 is entered in this field, every effort should be made to complete fields 17-35.

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DATA RECORD
(CONTINUED)

8. Field 8 - Reporting Facility CAGE Code

A code identifying the reporting activity, including activities contracting for depot maintenance work with commercial contractors and with other in-house DoD maintenance facilities. Depot maintenance activities performing in-house work for all other DoD activities including other depot maintenance activities shall report their work by using their own CAGE code in this field.

9. Field 9 - Item Identification Number

A code to identify the specific item on which depot maintenance was or is being performed. Do not use punctuation such as dashes or slashes, or blank spaces between characters. Start in position 32 and enter left-justified up to 13 characters; zero fill unused positions. Sample entries for this field are as follows:

- a. If the item is an aerospace vehicle (aircraft, guided missile, rocket, or probe), show the mission design series (MDS) according to DoD Directive 4120.15 (i.e., DoD 4120.15-L, "Model Designation of Military Aerospace Vehicles"). See examples below:

<u>ITEMS</u>	<u>TAPE POSITIONS</u>												
	32	33	34	35	36	37	38	39	40	41	42	43	44
Basic (Standard) Mission Aircraft	F	1	6	C									
Modified (Special) Mission Aircraft	M	H	5	3	E								
Special Test (Permanent) Aircraft	N	K	C	1	3	5	E						
Basic (Standard) Missile	U	G	M	1	3	3	A						
Basic (Standard) Rocket	R	U	R	5	A								
Basic (Standard) Probe	P	W	N	1	2	A							

- b. If the item is an aerospace vehicle propulsion engine, equipment or aeronautical support equipment, or photographic item, show the type designation according to Military Standard (MIL-STD) 1812, "Type Designation, Assignment and Method for Obtaining." See examples below:

<u>ITEMS</u>	<u>TAPE POSITIONS</u>												
	32	33	34	35	36	37	38	39	40	41	42	43	44
Turbofan Engine	F	1	1	8	G	E	1	Ø	Ø	A			
Turboshaft, Turboprop Engine	T	F	3	4	G	E	1	Ø	Ø	B			
Solid Propellant Rocket Motor	S	R	1	1	Ø	A	D	1	A				

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DATA RECORD
(CONTINUED)

<u>ITEMS</u>	<u>TAPE POSITIONS</u>												
	32	33	34	35	36	37	38	39	40	41	42	43	44
Manufacturer's Model Engine	C	F	M	5	6	2	A	2					
Reconnaissance Camera	K	A	7	A									
Crash/Fire Truck	A	S	3	2	P	2	6						
Chemical Alarm Unit	A	E	2	3	D	3							

NOTE: Ø means numeric; O is alphabetic

- c. If the item is a vessel, show ship type and hull number in the first eight (8) positions and zero fill the remaining five (5) positions.
- d. If ammunition rework or renovation is performed by a depot level maintenance activity, total cost shall be recorded by work breakdown structure code H3 (field 13) only and this field shall be zero filled.
- e. If none of the above is applicable and the job order criterion in Volume 11B, Chapter 63, Section G. requires national stock number identification, enter that national stock number; such as, 6730001161618 in positions 32 through 44.
- f. If none of the above are applicable, enter the letters or numbers used for the identification of the job order as required by Volume 11B, Chapter 63, Section G. of this Regulation. The first four digits should identify Federal Supply Class and of the remaining 9 positions, one must be alphabetic. Zero fill when Work Performance Category (field 14) is "Other Work, (T)."

10. Field 10 - Item Nomenclature

A 20-digit field describing the specific item on which maintenance was performed, or the support service that was performed. Use common abbreviations if more than 20 positions would otherwise be required. Start in position 45 and leave blank, unused positions to the right (left justify).

- a. For aircraft and missiles, use popular names, if assigned; such as, PATRIOT, COBRA, PHOENIX, FALCON, MINUTEMAN, HARRIER, etc. If a popular name has not been assigned, or is unknown, use the basic mission of the aircraft or missile; such as, FIGHTER AIRCRAFT, TRAINER AIRCRAFT, CARGO TRANS AIRCRAFT, UTIL HELICOPTER, SURFACE ATTACK MISSILE. DoD 4120.15-L, "Model Designation of Military Aerospace Vehicles," includes a current complete listing.
- b. For aircraft and rocket engines, use the name of the engine type. Examples are: TURBOFAN ENG, ROCKET MOTOR, etc.
- c. For vessels, use the name of the ship. Examples are USS GEORGIA, etc.
- d. For conventional ammunition, use "Ammunition."

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DATA RECORD
(CONTINUED)

e. For items with a national stock number, use the standard description generally carried in the Federal Supply Catalog.

f. For all other items, use the noun and modifiers that adequately describe the item.

11. Field 11 - Not Used

12. Field 12 - Weapon or Support System Code

A code identifying a specific weapon or support system. Use existing coding systems now used by DoD Components for depot maintenance reporting. Code 997 shall be used if an item cannot be identified to a specific weapon or support system, but can be identified in field 13 to a major commodity group (such as, aircraft, missiles) and to a category (such as, fighters, bombers, etc.) within the major commodity group. Code 998 shall be used if identification is possible only to the major commodity group and not to a category. Code 999 shall be used if identification cannot be made to a major commodity group and the Work Breakdown Structure Code L11 is used in field 13.

13. Field 13 - Work Breakdown Structure Code

Each report line (data record on the magnetic tape) shall carry in Positions 79-81 a code to identify the weapon or support system work breakdown structure applicable to the item described by the Item Identification Number (field 9) and Item Nomenclature (field 10). Use the Work Breakdown Structure Code established in addendum 4, below, to this chapter. Code L11 shall be used if the item, service, or investment cannot be identified with a specifically listed Work Breakdown Structure Code and Code 999 is used in field 12.

14. Field 14 - Work Performance Category (WPC)

This is a code to indicate the type of maintenance work provided on the item identified in field 9 or the type of maintenance service provided. Use the Codes in addendum 2, above, to this chapter. Basic alpha codes should be subdivided with a numerical designation by each Component as required for internal management and analysis, budget review, and justification. If the report record is "N" (Technical Assistance), then fields 17, 18, 21, and 22 must be zero. If the report record is "N" or "T" (Other Work), then fields 45, 47, 48, 49, and 50 must be zero.

15. Field 15 - Customer Code

A two digit code identifying the DoD Program and Department or Agency billed for the maintenance cost (that is, "Sales code"). Position 85 shall identify the DoD program by a numeric from 1 through 0. If no DoD program is involved; such as, work performed for other Federal agencies, leave blank. Position 86 shall use Reference No. DE-NM for DoD Component. Use "Y" for Other Federal agencies and "Z" for Non-Federal agencies.

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DATA RECORD
(CONTINUED)

16. Field 16 - Not Used

17. Fields 17 - 42 - Labor Hour and Cost Data

a. General. The direct labor hours and summary elements of cost to be reported are set forth below. The various elements of cost are explained in detail in the basic chapter. Some clarifying notations are included below for certain fields. The terms "Funded" and "Unfunded" costs are defined in paragraph 140104.

b. Field 17 - Direct Civilian Labor (Production) Cost-Funded Costs

This field shall be completed for all WPCs except "N" in field 14.

c. Field 18 - Direct Civilian Labor (Production) Hours

This field shall be completed for all WPCs except "N" in field 14.

d. Field 19 - Direct Civilian Labor (Other) Cost-Funded Costs

This field shall be completed for all WPCs in field 14.

e. Field 20 - Direct Civilian Labor (Other) Hours

This field shall be completed for all WPCs in field 14.

f. Field 21 - Direct Military Labor (Production) Cost

This field shall be completed for all WPCs except "N" in field 14.

g. Field 22 - Direct Military Labor (Production) Hours

This field shall be completed for all WPCs except "N" in field 14.

h. Field 23 - Direct Military Labor (Other) Cost

This field shall be completed for all WPCs in field 14.

i. Field 24 - Direct Military Labor (Other) Hours

This field shall be completed for all WPCs in field 14.

j. Field 25 - Direct Material Cost-Funded Costs

k. Field 26 - Direct Material Cost (Investment Items at Full Price)-Unfunded Costs

l. Field 27 - Direct Material Cost (Exchanges)-Unfunded Costs

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DATA RECORD
(CONTINUED)

m. Field 28 - Direct Material Cost (Modification Kits)-Unfunded Costs

n. Field 29 - Direct Material Cost (Expenses)-Unfunded Costs

Customer furnished expense items shall be included in this cost element.

o. Field 30 - Other Direct Costs-Funded Costs

For example, contracted services.

p. Field 31 - Other Direct Costs-Unfunded Costs

For example, customer provided services.

q. Field 32 - Operations Overhead-Funded Costs

r. Field 33 - Operations Overhead-Unfunded Costs

Military personnel costs for indirect effort is a primary example.

s. Field 34 - General and Administrative Expense-Funded Costs

t. Field 35 - General and Administrative Expense-Unfunded Costs

u. Field 36 - Contract and/or Other Maintenance Activity Cost-Funded or Unfunded Costs

When code 1 or Code 4 is entered in field 7, this field shall be zero filled. When code 2 is entered in field 7, this field shall be the non-depot maintenance activity cost. When code 3 is entered in field 7, this field shall be the cost of the contract.

v. Field 37 - Government Furnished Material (Investment Items at Full Price)

w. Field 38 - Government Furnished Material (Exchanges)

x. Field 39 - Government Furnished Material (Modification Kits)-Non-DBOF

y. Field 40 - Government Furnished Material (Expense)-DBOF

z. Field 41 - Government Furnished Services-DBOF

aa. Field 42 - Government Furnished Services-Non-DBOF

For example, customer provided services.

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DATA RECORD
(CONTINUED)

18. Field 43 - End Item.

Enter "Y" if the item being repaired is an end-item. Enter "N" if the item being repaired is not an end-item.

19. Field 44 - Not Used (leave Blank)

20. Field 45 - Total Production Quantity

a. If field 51 is a "C," enter the total quantity of items for which work was completed that is being reported by this transaction record. This field must be zero filled for WPCs "N" and "T." See instructions for field 11 for special reporting of quantities in hundreds or thousands to avoid distortion of data.

b. If field 51 is a "W," enter the total quantity of items covered by job orders financially in process at the end of the period covered by the report record. This field must be zero filled for WPCs "N" and "T." See instructions for field 11 for special reporting of quantities in hundreds or thousands to avoid distortion of data.

21. Field 46 - Report Data Record Identifier.

A unique DoD Component alpha and/or numeric code used to identify each individual report transaction record. The field is used to permit the unique identification of each report record. It is recommended that the first two digits be the FY of the report submission followed by a unique record serial number.

22. Field 47 - Quantity of Items Inducted During Reporting Year

23. Field 48 - Quantity of Items Inducted During Year Preceding Reporting Year

24. Field 49 - Quantity of Items Inducted During All Other Previous Years

25. Field 50 - Shop Flow Days

a. If field 51 is a "C," report average number of days that items were in process; that is, from date of physical induction to date when items are completed, passed final inspection, and are ready for delivery to the customer. Not applicable for contract work or for work performed at another depot maintenance activity.

b. If field 51 is a "W," report the average number of days that items have been in process; that is, since the date of physical induction.

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DATA RECORD
(CONTINUED)

26. Field 51 - Work Status Code

A single digit alpha code that indicates if the transaction being reported has been completed or is still in process at the time of the report. Enter a "C" if the transaction being reported has been financially completed and recorded as cost of goods sold. If the transaction being reported is still in work in process as of the report date, enter a "W."

27. Field 52 - Exception Code

Used as needed for an exception data.

28. Field 53 - NIMSC Code

The Joint Service Regulation AMC-R700-99/NAVSUPINST 4790.7/AFLCR 400-21/MCO P4410.22C, "Wholesale Inventory Management and Logistics Support of Multiservice Used Nonconsumable Items," prescribes policies and procedures relative to the assignment of Nonconsumable Item Materiel Support Codes (NIMSCs). One digit numeric NIMSCs are assigned to items used by two or more Military Services to indicate the wholesale logistics functions performed by the Primary Inventory Control Activities (PICAs) in support of Secondary Inventory Control Activities (SICAs). For NIMSCs 3, 4, and 8 items, the depot maintenance is provided under a Depot Maintenance Interservice Support Agreement (DMISA). For NIMSC 5 items, the PICA is responsible for all logistics functions to include depot maintenance.

29. Field 54 – Not Used (leave blank)

<u>ADDENDUM 3</u> <u>SECTION C</u> <u>EDIT REQUIREMENTS</u>			
FIELD	DESCRIPTION	TAPE POS.	EDIT INSTRUCTIONS
1	Record Type	1	Must be F.
2	Report Period Quarter Code	2	Must be 1-4 for fiscal quarter of the report date.
3	Fiscal Year	3-4	Must be the two terminal digits of current fiscal year being reported.
4	Customer Program Element	5-10	Position 10 (low order position) must contain code A, F, M, N, or D for Military Service reporting.
5	Performing Activity CAGE Code	11-24	Must be valid CAGE code.
6	Inside or Outside U.S. Code	25	Must be 1 or 2.
7	Owner and/or Operator Code	26	Must be 1,2,3, or 6. See Note 1.
8	Reporting Facility CAGE Code	27-31	Must be valid CAGE code.
9	Item Identification Number	32-44	Must have an entry or zeroes.
10	Item Nomenclature	45-64	Must have an entry.
11	Not Used	65-74	Must be blank.
12	Weapon or Support System Code	75-78	Must have a code entry. Also, see note 2.
13	Work Breakdown Structure Code	79-81	Must have a valid code from Addendum 4, below. See note 2.
14	Work Performance Category	82-84	Position 82 must be A-N, T-W, or Y. Positions 83-84 must be numeric or blank. See note 3.
15	Customer Code	85-86	Must have an entry.
16	Not Used		
17-42	Labor Hours & Cost Data	87-294	Must be numeric or zero filled. See notes 1, 3, and 4.
43	End-item Code	295	Must be "N" or "Y".
44	Not Used	296-310	Must be blank.
45	Production Data	311-318	Must be numeric or zero filled. See note 3

<u>ADDENDUM 3</u> <u>SECTION C</u> <u>EDIT REQUIREMENTS</u>			
FIELD	DESCRIPTION	TAPE POS.	EDIT INSTRUCTIONS
46	Report Data Record Identifier	319-326	Must be alpha and/or numeric or blank.
47-49	Quantities Inducted	327-350	Must be numeric. See note 3.
50	Shop Flow Days	351-354	Must be numeric.
51	Work Status Code	355	Must be "C" or "W".
52	Exception Code	356	Must be A/N or blank.
53	NIMSC Code	357	Must be numeric.
54	Leave Blank	358-360	

Note 1. If field 7 is "2," or "3," then fields 17-35 must be zero. If field 7 is "1" then fields 36-42 must be zero.

Note 2. If field 12 is 999, then field 13 must be "L11". If field 12 is 998, then field 13 positions 80 and 81 must be blank. If field 12 is 997, then field 13 position 81 must be blank.

Note 3. If field 14 is "N", then fields 17, 18, 21, and 22 must be zero. If field 14 is "N" or "T", then fields 45 and 47 through 50 must be zero.

Note 4. If cost data in fields 17, 19, 21, or 23 have zeros; then the accompanying Hours Data in fields 18, 20, 22, or 24 must also have zeros. The reverse conditions are also edited in the same manner.

ADDENDUM 4 <u>WORK BREAKDOWN STRUCTURE CODE</u> <u>(REPORTED IN FIELD 13)</u>			
TAPE POSITION			DESCRIPTION
79	80	81	
A			Aircraft
	1		Fighters
		1	Basic Aircraft
		2	Engine
		3	Aircraft and Engine Accessories and Components
		4	Electronics and Communications Equipment
		5	Armament
		6	Support Equipment
		7	Other
	2		Bombers
		*	Same as for Fighters
	3		Cargo and/or Transports
		*	Same as for Fighters
	4		Trainers
		*	Same as for Fighters
	5		Utility
		*	Same as for Fighters
	6		Attack
		*	Same as for Fighters
	7		Patrol
		*	Same as for Fighters
	8		Antisubmarine
		*	Same as for Fighters
	9		Other (Includes Helicopters)
		*	Same as for Fighters
B			Automotive Equipment

<u>ADDENDUM 4</u> <u>WORK BREAKDOWN STRUCTURE CODE</u> <u>(REPORTED IN FIELD 13)</u>			
TAPE POSITION			DESCRIPTION
79	80	81	
	1		Tactical Vehicles
		1	Basic Vehicle (Hull and/or Body Frame and Installed Systems)
		2	Engine
		3	Vehicle and Engine Components and Accessories
		4	Electronic And Communications Equipment
		5	Armament
		6	Support Equipment
		7	Other
	2		Support Vehicles
		*	Same as for Tactical Vehicles
	3		Administrative
		*	Same as for Tactical Vehicles
C			Combat Vehicles
	1		Tanks
		*	Same as for Tactical Vehicles
	2		Armored Personnel Carriers
		*	Same as for Tactical Vehicles
	3		Self-Propelled Artillery
		*	Same as for Tactical Vehicles
	4		Other Combat Vehicles
		*	Same as for Tactical Vehicles
D			Construction Equipment
	1		Tractors and Earth Moving Equipment
		1	Basic Vehicle (Hull and/or Body Frame and Installed Systems)
		2	Engine

ADDENDUM 4 WORK BREAKDOWN STRUCTURE CODE (REPORTED IN FIELD 13)			
TAPE POSITION			DESCRIPTION
79	80	81	
		3	Vehicle and Engine Components and Accessories
		4	Other
	2		Cranes and Shovels
		*	Same as for Tractors and Earth Moving Equip.
	3		Other
		*	Same as for Tractors and Earth Moving Equip.
E			Electronics and Communications Systems
	1	**	Radio
	2	**	Radar
	3	**	Computer
	4	**	Wire and Communications
	5	**	Other
F			Missiles
	1		Ballistic Missiles
		1	Basic Missile (Frame)
		2	Propulsion System and Components
		3	Missile Accessories and Components
		4	Support and Launch Equipment
		5	Guidance System and Components
		6	Surface Communications and Control Systems
		7	Payload System and Components
		8	Other
	2		Other Missiles
		*	Same as for Ballistic Missiles
G			Ships
	1		Battleships and Cruisers

<u>ADDENDUM 4</u> <u>WORK BREAKDOWN STRUCTURE CODE</u> <u>(REPORTED IN FIELD 13)</u>			
TAPE POSITION			DESCRIPTION
79	80	81	
		1	Hull Structure
		2	Propulsion Plant
		3	Electric Plant
		4	Command and Surveillance
		5	Auxiliary Systems
		6	Outfit and Furnishings
		7	Armament
		8	Engineering (Direct Support)
		9	Ship Support Service
	2		Carriers
		*	Same as for Battleships and Cruisers
	3		Destroyers
		*	Same as for Battleships and Cruisers
	4		Submarines
		*	Same as for Battleships and Cruisers
	5		Patrol Vessels
		*	Same as for Battleships and Cruisers
	6		Mine Warfare Vessels
		*	Same as for Battleships and Cruisers
	7		Auxiliary and Amphibious Vessels
		*	Same as for Battleships and Cruisers
	8		Service Craft and Miscellaneous Vessels
		*	Same as for Battleships and Cruisers
	9		Frigates
		*	Same as for Battleships and Cruisers
H			Ordnance Weapons and Munitions

<u>ADDENDUM 4</u> <u>WORK BREAKDOWN STRUCTURE CODE</u> <u>(REPORTED IN FIELD 13)</u>			
TAPE POSITION			DESCRIPTION
79	80	81	
	1	**	Nuclear Weapons
	2	**	Chemical and Bacteriological Weapons
	3	**	Conventional Arms and Explosives
	4	**	Small Arms
	5	**	Artillery and Guns
	6	**	Other
I&J			NOT USED
K			General Purpose Equipment
	1	**	Rail Equipment
	2	**	Generator or Sets
	3	**	General Purpose Maintenance Tooling and Equipment
	4	**	Other Items (Includes Medical, Chaplain, Musical, and Personal Equipment, Tents, Tarpaulins, etc.)
	5	**	Federal Supply Group 34 Metalworking Machinery
L	1	1	All Other Items Not Identified to Above Categories

** Report to second level only.

ADDENDUM 5
HARDCOPY REPORTS
NOTES

HARD COPY REPORT #1 – COST BY FACILITY TYPE AND COMMODITY GROUP
(Figure 14–1)

Costs will identify completed work only. Costs that cannot be identified to a specific depot, activity or commercial contractor should be reflected in a line entry as unknown costs. Costs that cannot be identified to a specific commodity category should be reflected as other items or as unknown. The "Total All Facility Types" row should reflect the total costs being reported by the Military Department for the AP–MP(A)1397 report.

HARD COPY REPORT #2 – ORGANIC FACILITY PRODUCTION AND COSTS
(Figure 14–2)

The "Total Production Costs" should reconcile with the "Facility Type - Organic Depot Maintenance Activity" total costs from Report #1.

HARD COPY REPORT #3 - DEPOT MAINTENANCE PRODUCTION COSTS BY WEAPON SYSTEM OR
SUPPORT SYSTEM (Figure 14–3)

Costs that cannot be identified to a specific WSSC should be reflected as unknown in the "Other Items" commodity group. The "Grand Total – All Commodities" should reconcile with the "Total: All Facility Types" from Report #1.

ADDENDUM 5
COST BY FACILITY TYPE AND COMMODITY GROUP

HARDCOPY REPORT #1 FORMAT
 (Reporting Military Service)

Fiscal Year XXXX

Cost by Facility Type and Commodity Group (\$000)

Report Date:

Facility Type -- Organic Depot Maintenance Activity												
	Aircraft	Auto- motive	Combat Vehicles	Construction Equipment	Comm/ Electronic Equip	Missiles	Ships	Ordnance Weapons, Munitions	General Purpose Equip	Other Items	Unknown	Total
Depot A												
Depot B												
Etc												
Unknown												
Sub Total												

Facility Type -- Organic Non-Depot Maintenance Activity												
	Aircraft	Auto- motive	Combat Vehicles	Construction Equipment	Comm/ Electronic Equip	Missiles	Ships	Ordnance Weapons, Munitions	General Purpose Equip	Other Items	Unknown	Total
Activity A												
Activity B												
Etc												
Unknown												
Sub Total												

Facility Type -- Commercial Contractor												
	Aircraft	Auto- motive	Combat Vehicles	Construction Equipment	Comm/ Electronic Equip	Missiles	Ships	Ordnance Weapons, Munitions	General Purpose Equip	Other Items	Unknown	Total
Company A												
Company B												
Etc												
Unknown												
Sub Total												
Total All Fac Types												

FIGURE 14-1

ADDENDUM 5
ORGANIC FACILITY PRODUCTION AND COSTS

HARDCOPY REPORT #2 FORMAT
(Reporting Military Service)
Fiscal Year XXXX
Organic Facility Production and Costs

Report Date:

Performing Facility	Direct Labor Hours (000)	Direct Labor Costs (\$000)	Direct Material Costs (\$000)	Other Direct Costs (\$000)	Operations Overhead Costs (\$000)	General & Administrative Costs (\$000)	Total Production Costs (\$000)	Cost Per Direct Labor Hour
Facility A								
Facility B								
Etc.								
Total								

FIGURE 14-2

ADDENDUM 5
DEPOT MAINTENANCE PRODUCTION COSTS BY WEAPON OR SUPPORT SYSTEM

HARDCOPY REPORT #3 FORMAT
 (Reporting Military Service)
 Fiscal Year XXXX

Depot Maintenance Production Costs by Weapon or Support System		Report Date:	
Weapon or Support System (WSSC)	Total Cost (\$000)	Weapon or Support System (WSSC)	Total Cost (\$000)
Commodity: Aircraft		Commodity: Missiles	
WSSC 1		WSSC 1	
WSSC 2		WSSC 2	
Sub-Total		Sub-Total	
Commodity: Automotive		Commodity: Ships	
WSSC 1		WSSC 1	
WSSC 2		WSSC 2	
Sub-Total		Sub-Total	
Commodity: Combat Vehicles		Commodity: Ordnance, Weapons, & Munitions	
WSSC 1		WSSC 1	
WSSC 2		WSSC 2	
Sub-Total		Sub-Total	
Commodity: Construction Equipment		Commodity: General Purpose Equipment	
WSSC 1		WSSC 1	
WSSC 2		WSSC 2	
Sub-Total		Sub-Total	
Commodity: Communications/Electronic Equipment		Commodity: Other Items	
WSSC 1		WSSC 1	
WSSC 2		WSSC 2	
Sub-Total		Sub-Total	
		Unknown WSSC	
		Grand Total - All Commodities	

FIGURE 14-3

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 6B

FORM AND CONTENT OF THE DEPARTMENT OF DEFENSE AUDITED FINANCIAL STATEMENTS

OCTOBER 1999

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



OCT 6 1999

FOREWORD

This volume of the "DoD Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Volume 6B, describes policies, procedures, and responsibilities for the preparation of the Department's annual financial statements.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

This volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Recommended changes to and requests for deviations from or exceptions to the provisions of this Volume of the Regulation should be forwarded through appropriate chain of command channels along with specific justification, to:

Office of the Under Secretary of Defense (Comptroller)
Office of the Deputy Chief Financial Officer
1100 Defense Pentagon
Washington, DC 20301-1100

Volumes of the "DoD Financial Management Regulation" are available on the Internet (<http://www.dtic.mil/comptroller/fmr/>). Printed or CD-Rom copies of the Regulation may be ordered through the Internet Homepage or directly from the Defense Automated Printing Service, at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.

William J. Lynn

INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The “DoD Financial Management Regulation” provides all Department Of Defense (DoD) components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller) (USD(C)). The Regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation and Presentation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Funds and Antideficiency Act Violations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of DoD Instruction 7000.14, “DoD Financial Management Policy and Procedures,” dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

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01
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CHAPTER 1**INTRODUCTION AND SUMMARY****★0101 GENERAL**

Under the provisions of 31 U.S.C. 3515, beginning with FY 1996, the Department is required to have audited financial statements covering all accounts and associated activities of the Department. As implemented by the Office of Management and Budget (OMB), the Department, as well as preparing the required Agency-wide financial statements, prepares separate audited financial statements for several individual reporting entities, e.g., Army, Navy, and the Air Force general and working capital funds within the Department. Those financial statements are expected to provide information to Department of Defense (DoD) program managers, the Congress, and the public, thereby facilitating both effective allocation of resources and assessment of management performance and stewardship. The objective is to produce statements that are accurate, consistent, and meaningful--statements that can and will be used to improve the management of the Department. Additionally, consistent with the objectives of the Statements of Federal Financial Accounting Concepts (SFFACs) and Statements of Federal Financial Accounting Standards (SFFASs), the Department continues to work toward the integration of budget and financial information in order to provide for more effective program management at all levels.

★0102 BACKGROUND

Federal agencies have traditionally prepared financial reports to monitor and control the obligation and expenditure of budgetary resources. With the enactment of the Chief Financial Officers' (CFO) Act, the Government Management Results Act (GMRA) and subsequent accountability laws, the Congress called for the production of financial statements that fully disclose a federal entity's financial position and results of operations, and provide information not only for the effective allocation of resources, but also with which the Congress, agency managers, the public, and others can assess management performance and stewardship. Hence, the OMB, in consultation with the CFO Council, the President's Council on Integrity and Efficiency, and other interested parties, developed the formats and instructions for financial statements described and illustrated in this Volume.

★0103 POLICY

The provisions herein constitute guidance on the form and content of financial statements to be prepared implementing the SFFAS and the guidance issued by the OMB. These guidelines set out the reporting format and disclosure requirements for financial statements. Where, through additional disclosure, the value of a financial statement to its users is enhanced, that information also should be presented. This guidance is intended to provide a framework for financial statement preparation within which each DoD Component has the flexibility to develop and include information useful both to its financial managers and program managers in making decisions. The hierarchy of accounting standards to be followed when recording accounting transactions is found in Volume 1 Chapter 8 of this regulation.

★0104 COVERAGE

A financial statement shall be prepared for each reporting entity identified in paragraph 0106 of this Chapter. This Volume specifies the entities that should be reported upon; identifies the level at which functions and/or funds should be reported on a consolidated basis; notes the basis of accounting to be utilized; prescribes the specific authoritative guidance on financial statement format and disclosures that should be applied by personnel (financial, logisticians, etc.) preparing the statements; and provides other instructions necessary for preparation of annual financial statements.

★0105 EFFECTIVE DATE

The provisions of this Volume are effective for the preparation of financial statements for fiscal years ending on and after September 30, 1999.

0106 DEPARTMENT OF DEFENSE REPORTING ENTITIES

★010601. Formal Reporting Entities. The OMB requires the DoD and 23 other agencies to prepare agency-wide financial statements in accordance with the GMRA of 1994 (Public Law 103-356) covering all accounts and associated activities of each office, bureau, and activity of the agency. The DoD Agency-wide financial statements provide the financial status of the entire DoD. In addition, there are eight reporting entities within the Department that, while included in the DoD Agency-wide statements, also are required to prepare stand alone audited financial statements. Those eight reporting entities are:

- A. The Army General Funds
- B. The Army Working Capital Funds (WCF)
- C. The Navy General Funds
- D. The Navy WCF
- E. The Air Force General Funds
- F. The Air Force WCF
- G. The Military Retirement Trust Fund
- H. The Army Corps of Engineers Civil Works Program

★010602. Other Defense Organizations. In addition to the eight reporting entities identified in paragraph 010601, the remaining accounts of the Department are reported in two columns of the consolidating balance sheet for the DoD Agency-wide financial statements. The Other Defense Organizations-WCF column will include the financial activity of the WCF organizations that are not identified in paragraph 010601. The Other Defense Organization-General Funds column will include the financial activity of the non-WCF organizations that are not identified in paragraph 010601.

★010603. Consolidation of Other Defense Organization Financial Statements. The consolidation of reporting entity financial statements for Treasury Index “97” funds, “Other Defense Organizations-General Funds,” will follow the flow of funds from the apportionment of an appropriation, to allocation, suballocation, and allotment. The primary advantage of this

consolidation method is that program managers and auditors can follow the flow of funds upward and downward and validate the receipt and execution of funds at all levels. For financial statement reporting, accounting activities will consolidate allotment and suballotment information consistent with the flow (distribution) of funds. All principal staff assistant (PSA) offices for the Office of the Secretary of Defense (OSD) and other organizations with Treasury Symbol "97" funds, identified in Table 2-3, will receive a copy (hardcopy or computer file) of their combining financial statements. The combining statements for each PSA/other organizations identified will have a column for each of their organization subentities identified in Table 2-3. All Defense organization subentities identified in Table 2-3 will also receive a copy (hardcopy or computer file) of the combining financial statements which includes their financial information.

★010604. Defense Logistics Agency (DLA) and Defense Finance and Accounting Service (DFAS). Although excluded from the list of DoD reporting entities required by the OMB to prepare financial statements and have those statements audited, the DLA and the DFAS will prepare financial statements annually and have those statements audited by Certified Public Accounting firms.

★010605. Distribution of Appropriation and Fund Symbols by Reporting Entity. Appendix A identifies the Appropriation and Fund Symbols that are included in the financial statements of each of the Department's reporting entities.

0107 CONTENT OF AUDITED FINANCIAL STATEMENTS

010701. The audited annual financial statements shall be comprised of five major sections. Specific instructions for the preparation of the contents of each section are provided in individual chapters of this Volume. The five major sections and the sequence of their presentation are as follows:

- A. Overview of the Reporting Entity
- B. Principal Statements and Related Notes
- C. Required Supplemental Stewardship Information
- D. Required Supplemental Information
- E. Other Accompanying Information

★010702. Overview of the Reporting Entity. The Overview of the Reporting Entity is the first part of the annual financial statement. The Overview must provide readers with a clear and concise understanding of the reporting entity's activities, accomplishments, financial condition and results, problems and needs. It should tell the reader whether and how well the mission of the reporting entity is being accomplished and what, if anything, needs to be done to improve either program performance or financial performance. The overview includes a formal introductory transmittal letter from the head of the reporting entity. Guidance for the preparation of the Overview is provided in Chapter 3 of this Volume.

★010703. Principal Statements and Related Notes. Principal Statements and Related Notes summarize financial information for individual funds and accounts within

reporting entities and subentities. The amounts reported on the principal statements are based on specific general ledger account balances. General ledger crosswalks of accounts normally used to derive and report line item information are provided in each of the chapters that contain instructions for the principal statements. Instructions for the preparation of the principal statements are contained in Chapters 4 through 9.

A. Principal Statements. The principal statements shall include:

1. Balance Sheet
2. Statement of Net Cost
3. Statement of Changes in Net Position
4. Statement of Budgetary Resources
5. Statement of Financing
6. Statement of Custodial Activity

★B. Related Notes. The notes related to principal statements summarize the accounting principles and methods of applying those principles that management has concluded are the most appropriate for presenting the entity's significant assets, liabilities, equity, revenues, expenses, and budgetary information. The notes also provide further detail of the amounts reported on the statements. In addition, when warranted, the notes identify departures from the federal accounting or reporting requirements. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies will be explained and the reason for noncompliance annotated in the footnotes. The related notes also contain disclosures required by the SFFASs. Instructions for the preparation of the required footnotes are contained in Chapter 10 of this Volume.

010704. Required Supplementary Stewardship Information. Stewardship resources are investments by the Federal Government for the benefit of the Nation. The Required Supplementary Stewardship Information Section provides information on resources entrusted to federal agencies, highlights their long-term benefit nature, and demonstrates accountability over these resources. Specific guidance for reporting DoD stewardship assets is provided in Chapter 11 of this Volume.

010705. Required Supplemental Information (RSI).

★A. Statement of Budgetary Resources. Monitoring of budget execution is at the individual account level. Accordingly, budgetary information aggregated to the entity level of the Statement of Budgetary Resources should be disaggregated to the level of the entity's major account groupings and presented as supplementary information. Guidance for the preparation of this information is provided in Chapter 12 of this Volume.

★B. Deferred Maintenance. The DoD is required to disclose in the RSI section of annual financial statements material amounts of deferred maintenance on property, plant, and equipment (PP&E). This reporting requirement is prescribed in the SFFAS No. 6, "Accounting for Property, Plant, and Equipment" and in the Statement of Recommended

Accounting Standard No. 14, “Amendments to Deferred Maintenance Reporting.” Guidance for the preparation of this information is provided in Chapter 12 of this Volume.

C. Segment Information. Additional supplementary information is required for each franchise fund and other intragovernmental support revolving funds that are not separately reported on the entity’s principal statements. Guidance for the preparation of this information is provided in Chapter 12 of this Volume.

★010706. Other Accompanying Information. The other accompanying information section of the DoD financial statements shall contain the information identified in Table 1-1, Section 10 and any other information that the entity management wishes to provide. Also see Chapter 3, section 0304.

★010707. Financial Statement Organization. The financial statements should be organized as shown in Table 1-1 as follows:

DETAILED OUTLINE OF DOD ANNUAL FINANCIAL STATEMENTS

Section Sequence	Major Components of Annual Financial Statements (Hard copy and files for Internet)	DoD Entity Reports	DoD Agency-Wide
1	Cover	Required	Required
2	Table of Contents	Required	Required
3	Message(s) from the Secretary of the Military Department, Commander of the U.S. Army Corps of Engineers or Director of Defense Agency as applicable for the reporting entity.	Required	Required
4	Overview	Required	Required
5	Principal Statements		
5.1	Balance Sheet, Consolidated	Required	Required
5.2	Statement of Net Cost, Consolidated	Required	Required
★5.3	Statement of Changes in Net Position, Consolidated	Required	Required
5.4	Statement of Budgetary Resources, Combined	Required	Required
5.5	Statement of Financing Combined	Required	Required
5.6	Statement of Custodial Activity, Consolidated	As Applicable	Required
6	Notes to Principal Statements	Required	Required
7	Supporting Consolidating/Combining Statements		
7.1	Balance Sheet, Consolidating	Required ¹	Required
7.2	Statement of Net Cost, Consolidating	Required ¹	Required
7.3	Statement of Changes in Net Position, Consolidating	Required ¹	Required
7.4	Statement of Budgetary Resources, Combining (By subentity)	Required ¹	Required
7.5	Statement of Financing, Combining	Not Required	Required
8	Required Supplementary Stewardship Information Section		
8.1	National Defense PP&E	Required ¹	Required
8.2	Stewardship Land	Required ¹	Required
8.3	Heritage Assets	Required ¹	Required
8.4	Non-Federal Physical Property	Required ¹	Required

Table 1-1

Section Sequence	Major Components of Annual Financial Statements (Hard copy and files for Internet)	DoD Entity Reports	DoD Agency-Wide
8.5	Research and Development	Required ¹	Required
9	Required Supplementary Information		
9.1	Disaggregated Statement of Budgetary Resources, Combining (By appropriation group, see Chapter 12, Table 12-1)	Required ¹	Required
9.2	Deferred Maintenance	As Applicable	Required
9.3	Segment Information (See Chapter 12, Section 1202)	As Applicable	Required
10	Other Accompanying Information (See Chapter 3, Section 0304)		
10.1	Any Additional Performance Information Not Provided in the Overview	As Applicable	As Applicable
10.2	Detailed List of Appropriations, Funds, and Account Included in Financial Statements	Required	Required
10.3	Reporting of Foreign Military Sales Activity (See Chapter 2, Paragraph 020104)	Not Applicable	Required
10.4	Other Information Which The Entity Management Wishes to Provide	As Applicable	As Applicable
11	Audit Opinion(s)		
11.1	Inspector General, DoD Audit Opinion or Endorsement	Required	Required
11.2	Audit Opinion of the U.S. Army Audit Agency, Naval Audit Service, Air Force Audit Agency or CPA Firm (e.g. for the Military Retirement Trust Fund)	Required	Not Applicable
Footnotes:			
1. Not Applicable to the Military Retirement Trust Fund.			

Table 1-1 (Cont.)

★0108 FINANCIAL STATEMENT AUDITS

★010801. DoD Reporting Entities. The Office of the Inspector General (OIG) will render an audit opinion letter for the DoD Agency-wide financial statements. The OIG opinion will be based, in part, on the opinions issued by the Military Department audit agencies or Certified Public Accounting firms for each of the reporting entities identified in paragraph 010601, above.

★010802. Other Defense Organizations. While the OIG will not issue separate audit opinions on the statements of the other defense organizations, the financial statements and records of the other defense organizations will be included in the audits performed to support the opinion issued on the DoD Agency-wide financial statements. The subentities within the “Other Defense Organizations” will be aligned by cognizant OSD PSA, as well as by the Military Departments for “97” funds managed by the Military Departments.

CHAPTER 2

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS0201 RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

★020101. Responsibility for Audited Financial Statements. Primary responsibility for the content and submission of the audited financial statements rests with the head of the reporting entity for which the statements are prepared. The actual preparation of the financial statements is the joint responsibility both of the Department of Defense (DoD) accounting activity maintaining the official departmental accounting records and the DoD Component for which those official accounting records are maintained. It is important to recognize that, while the accounting organization is responsible for assembling the principal statements, much of the data needed to prepare the principal statements originates in nonfinancial systems. Entity management is responsible for ensuring that the data originating outside of the official accounting systems is provided to the accounting organization in a timely manner, that it is complete, and that there are adequate internal controls and audit trails to ensure the data is accurate. The officials responsible for the content and submission of audited financial statements are identified in Table 2-1.

Officials Responsible for Audited Financial Statements

Reporting Entities	Responsible DoD Official
Department of Defense	Chief Financial Officer, DoD
Department of the Army	The Secretary of the Army
Department of the Navy	The Secretary of the Navy
Department of the Air Force	The Secretary of the Air Force
Army Working Capital Fund (WCF)	The Secretary of the Army
Navy (WCF)	The Secretary of the Navy
Air Force (WCF)	The Secretary of the Air Force
Department of Defense Military Retirement Trust Fund	Under Secretary of Defense (Personnel & Readiness)
U.S. Army Corps of Engineers Civil Works Program	The Secretary of the Army

Table 2-1

★020102. Responsibility for Preparation of the Financial Statements. The primary responsibility for the financial statements rests with the reporting entity management. However, responsibility for preparation of individual sections of the statements is shared with the accounting organization responsible for maintaining the financial records of the reporting entity. Table 2-2 identifies the office that is primarily responsible for preparation of each section of the financial statements.

Official Responsible for Sections of the Audited Financial Statements

Responsibility for Preparation and Submission of Audited Financial Statements	CFO DOD	DFAS/ Accounting Activity	Reporting Entity Management
Overview of the Reporting Entity			★
Balance Sheet		★	
Statement of Net Costs		★	
Statement of Changes in Net Position		★	
Statement of Budgetary Resources		★	
Statement of Financing		★	
Statement of Custodial Activity		★	
Note 1 to the Principal Statements		★	
Remaining Notes to the Principal Statements			★
Required Supplementary Stewardship Information (RSSI)			★ ¹
Required Supplementary Information (RSI):			
Disaggregated Statement of Budgetary Resources And Segment Information		★	
Deferred Maintenance RSI			★
Intra-governmental Balances and Eliminations Schedules		★	
Other Accompanying Information:			
Other Supporting Statements		★	
Additional Performance Measures and Other Management Information			★
★Submission of Entity-level Unaudited Financial Statements concurrently to the Inspector General, DoD and to the Chief Financial Officer, DoD			★
★Submission of Agency-wide Unaudited Financial Statements to the Inspector General, DoD for Audit	★		
Submission of Entity-level Audited Financial Statements to the Chief Financial Officer, DoD			★
Submission of Audited Financial Statements to the Office of Management and Budget (OMB)	★		

¹Primary responsibility rests with the reporting entity. However, DFAS assists by providing accounting report information and additional support as agreed.

Table 2-2

★020103. Responsibility For Other Defense Organization Subentities. In order for the Department to prepare the DoD Agency-wide audited financial statements, supporting financial statements must be prepared for the remaining DoD organizations that are not required to submit stand alone audited financial statements. The assigned accounting activities shall prepare the required supporting statements for the subentities identified in Table 2-3 and submit the statements to the responsible official designated in Table 2-3. The responsible official shall be responsible for providing all necessary data that originates in nonfinancial processes and systems (such as inventory and property data), reviewing combining statements and providing

feedback to the Defense Finance and Accounting Service (DFAS) for consolidation with other combining statements.

Office of the Secretary of Defense Principal Staff Assistants
and Other Defense Organizations Subentities

RESPONSIBLE OFFICIAL	OTHER DEFENSE ORGANIZATIONS SUB-ENTITIES	FUND TYPE
Under Secretary of Defense (Acquisition and Technology)	Ballistic Missile Defense Organization	General Funds
	Defense Advanced Research Projects Agency	General Funds
	Defense Acquisition University	General Funds
	Defense Logistics Agency	General Funds
	Defense Threat Reduction Agency	General Funds
	Federal Energy Management Program	General Funds
	Joint Logistics Systems Command	General Funds and WCF
	National Defense Stockpile Transaction Fund	General Funds
	Office of Economic Adjustment	General Funds
Under Secretary of Defense (Personnel and Readiness) ★	Defense Commissary Agency	General Funds and WCF
	Defense Health Program	General Funds
	Defense Medical Program Activity	General Funds
	Department of Defense Education Activity	General Funds
	Department of Defense Education Benefits Fund	General Funds
	Tricare Support Office	General Funds
	Voluntary Separation Incentive Trust Fund	General Funds
	Ready Reserve Mobilization Income Insurance Fund	Revolving Fund
Under Secretary of Defense (Comptroller)	Defense Contract Audit Agency	General Funds
	Defense Finance and Accounting Service	WCF
	Unallocated	General Funds
	Undistributed	General Funds
Under Secretary of Defense (Policy)	National Security Education Trust Fund	General Funds
	Defense Security Cooperation Agency	General Funds
	U.S. Special Operations Command	General Funds
	Defense Prisoner of War/Missing Persons Office	General Funds
Assistant Secretary of Defense (C3I)	Defense Information Systems Agency	General Funds and WCF
	Defense Intelligence Agency	General Funds
Assistant Secretary of Defense (C3I)	Defense Security Service	General Funds and WCF
	National Imagery and Mapping Agency	General Funds
Director, National Security Agency	National Security Agency	General Funds

Table 2-3

RESPONSIBLE OFFICIAL	OTHER DEFENSE ORGANIZATIONS SUB-ENTITIES	FUND TYPE
Inspector General, Department of Defense	Office of the Inspector General	General Funds
Director, Joint Staff	Joint Chiefs of Staff	General Funds
Director, Washington Headquarters Services	Court Appeals Armed Forces	General Funds
	Defense Legal Services Agency	General Funds
	American Forces Information Service	General Funds
	Office of the Secretary of Defense (OSD)	General Funds
	Pentagon Reservation Maintenance Revolving Fund	General Funds
	Washington Headquarters Services (WHS)	General Funds
	Building Maintenance Fund, Defense	General Funds
	Other "97" Funds Provided to WHS by OSD	General Funds
	All Other (Prior Year Residual) "97" Funds	General Funds
Assistant Secretary of the Army (Financial Management and Comptroller)	Emergency Response Fund, Defense	General Funds
	Homeowners Assistance Fund, Defense	General Funds
	Other "97" Funds Provided to the Army by OSD	General Funds
Assistant Secretary of the Navy (Financial Management and Comptroller)	Other "97" Funds Provided to the Navy by OSD	General Funds
Assistant Secretary of the Air Force (Financial Management and Comptroller)	Other "97" Funds Provided to the Air Force by OSD	General Funds

Table 2-3 (Cont.)

★020104. Reporting of Foreign Military Sales (FMS) Activity in the DoD Financial Statements. The Defense Security Cooperation Agency administers the FMS programs on behalf of the Executive Office of the President. The OMB, in coordination with the General Accounting Office (GAO), has approved the following provisions regarding the specific information on the financial activity of FMS programs, that is to be included in the DoD financial statements.

★A. Amounts for FMS procurement by contract will not be reported in the DoD Agency-wide Statement of Net Costs but will be disclosed in a footnote. Management's estimate of the amount of FMS program procurements by contractors during the period will be included only in Note 16 F. of the DoD Agency-wide consolidated financial statements.

B. A Statement of Custodial Activity will be prepared for cash receipts and disbursements of the FMS Trust Fund and included in the DoD Agency-wide consolidated financial statements.

C. Revenue and expense amounts pertaining to FMS goods or services provided from the stocks of the DoD Components on a reimbursable basis will continue to be reported in the financial statements of the applicable selling DoD Component and in the

DoD Agency-wide consolidated statements. Guidance concerning the identification of interagency transactions is contained in Chapter 13 of this Volume.

D. Revenue and expense amounts pertaining to the FMS administrative expenses will be included in the DoD Agency-wide consolidated financial statements as a portion of “Other Defense Organizations, General Funds.” Guidance concerning the identification of interagency transactions is contained in Chapter 13 of this Volume.

★E. Principal statements for the following accounts will not be required. However, information will be provided in the “Other Accompanying Information” section of the DoD Agency-wide report, on the allocations and authorities received from the Executive Office of the President for appropriated funds (i.e., 11*1081, 11*1082, 1151084, 11X1088, and 11*1085) and revolving funds (11X4116, 11X4121, 11X4122). See Chapter 3, Section 0304 of this Volume.

0202 REPORTING SCHEDULE

020201. Audited Financial Statements. The OMB requires agencies to submit audited financial statements by March 1st following the end of the fiscal year for each of the reporting entities identified in the current OMB Bulletin titled “Audits of Agency Financial Statements.” The DoD reporting entities that must meet this requirement are those identified in Chapter 1, paragraph 010601 of this volume.

★020202. Key Statements Preparation Due Dates. The development and publication of the audited financial statements requires coordinated actions by entity management, the supporting accounting organization, and the audit community. Table 2-4 provides a list of the key milestones in the development of the audited financial statements. The schedule contained in Table 2-4 applies to all reporting entities identified in paragraph 010601 and to all Other Defense Organizations subentities identified in Table 2-3. The dates identified in Table 2-4 represent the month and day immediately following the end of the fiscal year for which the financial statements are being prepared. If an identified date falls on a Saturday, Sunday, or holiday, then the due date becomes the last workday preceding the weekend or holiday.

Key Statements Preparation Due Dates

Required Action	Responsible Office	FY 1999 DATES	
		Start	End
Identify trading partners	DFAS and the United States Army Corps of Engineers (USACE) Finance Center (FC)	08/01	09/30
Request legal and management representation letters from reporting entity management.	Auditors		10/15
Provide auditors preliminary year-end budgetary reports and trial balances	DFAS and the USACE-FC		10/30
DoD provide seller-side account balances to DoD and Other federal agency buyers	DFAS and the USACE-FC		10/30
DFAS and USACE-FC receive seller-side account balances from other DoD and other federal agencies	Other Federal Agencies and DoD		10/30
Provide data from feeder systems (required to complete statements and notes) to the DFAS or USACE-FC	DoD Components	09/30	11/05
Complete adjustments of DoD buyer-side data to reflect seller-side intragovernmental balances	DFAS and USACE-FC		11/05
Provide initial Required Supplementary Stewardship Information to the Office of the Deputy Chief Financial Officer Accounting Policy Directorate (ODCFO(AP)) for Stewardship Assets, Stewardship Investments and Deferred Maintenance	Department of Defense (DoD) Components		11/15
Provide Statements and Notes to DoD Components (Informal copy to OIG, DoD)	DFAS and USACE-FC		11/19
Jointly review Statements and Notes	DFAS, DoD Components	11/22	12/08
Provide revised Statements and Notes to DoD Components	DFAS and USACE Finance Center		12/10
Provide DoD Agency-wide Statements and Notes to the DCFO	DFAS		12/14
Provide Legal Representation interim response letters to auditors	DoD Components	12/01	12/15*
Provide stand alone entity complete unaudited annual financial reports concurrently to the DCFO and to the OIG, DoD	DoD Components		12/22
DCFO provide the complete unaudited DoD Agency-wide annual financial report to the OIG, DoD	DCFO		12/23
Provide final audit adjustments to DoD Components and the DFAS	Auditors		01/14

Table 2-4

Required Action	Responsible Office	FY 1999 DATES	
		Start	End
Provide Final Required Supplementary Stewardship Information to the ODCFO (AP)for Stewardship Assets, Stewardship Investments and Deferred Maintenance	DoD Components		01/14
Provide audit-adjusted DoD Agency-wide Statements and Notes to the DCFO	DFAS		01/27
Provide final, complete Financial Statements and Notes to the DCFO and OIG	DoD Components		02/02
Provide final, complete DoD Agency-wide Financial Statements to the OIG	DCFO		02/04
Provide Management Representation letters to auditors	DoD Components		02/09
Provide Legal Representation updated response letters to auditors	DoD Components		02/09
Provide audit opinion letter on reporting entity annual financial statements to the OIG, DoD	Component Audit Agency/Service or Certified Public Accountant firm		02/09
Provide Management Representation letters on the DoD Agency-wide to the OIG, DoD	DoD Comptroller		02/14*
Provide Legal Representation updated response letters on DoD Agency-wide to the OIG, DoD	DoD Comptroller		02/14*
Provide audit opinion letter on the DoD Agency-wide reporting entity annual financial statements to the DCFO	OIG, DoD		02/14
Provide printed and electronic copies of Financial Statements to the DCFO	DoD Components		02/24
Provide audited Financial Statements to the OMB	DCFO		03/01
Post audited Financial Statements on the Under Secretary of Defense Comptroller (USD(C)) website	DCFO		03/02

*The required dates for the Legal Representation Letters are included in the current OMB Audit Bulletin on "Audits of Agency Financial Statements." The FY 1999 revised bulletin was not issued as of the completion of this schedule. Please refer to the current bulletin that may have revised dates for the Legal Representation Letters and other related requirements.

Table 2-4 (Cont.)

0203 MANAGEMENT REPRESENTATION LETTERS

★Auditors request that management prepare and submit a management representation letter, for each reporting entity audited, prior to the conclusion of an audit. During the audit, management makes many representations to the auditor, both oral and written, in response to specific inquiries and through the financial statements. In the management representation letter, management confirms the representations explicitly or implicitly given to the auditor, indicates and documents the continuing appropriateness of such representations, and reduces the possibility of misunderstanding concerning the matters that are the subject of the representations.

Representations by management generally relate to the: (a) the financial statements, (b) completeness of the information, (c) recognition, measurement, and disclosure, and (d) subsequent events. Specifically, management will represent that the financial statements do, or do not, present fairly in accordance with federal generally accepted accounting principles and OMB form and content guidance the financial status of the reporting entity. The OMB Bulletin 99-XXX “Audits of Agency Financial Statements” provides an illustrative management representation letter. Management representation letters are due to the office performing the entity’s audit by due date specified in Table 2-4, above.

020301. Signature levels for management representation letters are indicated below:

★A. The Secretary or Under Secretary of the Military Department concerned must sign a management representation letter in support of a financial statement for a Military Department’s general funds and WCF.

★B. The Director or Deputy Director of the Defense Agency concerned must sign a management representation letter in support of financial statements for a Defense Agency WCF.

★C. The fund manager of the trust or revolving fund concerned must sign a management representation letter in support of financial statements for a trust or revolving fund managed by the OSD or Defense Agency.

★D. The USD(C) must sign a management representation letter for the DoD Agency-wide financial statements.

★E. The Director or Principal Deputy Director of the DFAS, or the Director of the applicable DFAS Center, will provide a certification to the USD(C), respective Military Department Secretary, Defense Agency Director or trust fund manager as supporting documentation for their management representation letter. However, the Director, DFAS will not sign, or cosign, management representation letters (except for the management representation letter for the DFAS WCF financial statements). When an office other than the DFAS provides accounting support, the accounting office must provide the same type of certification. A sample of the certification to be provided by the DFAS or other accounting office is provided in Volume 6, Chapter 2, paragraph 020210.

020302. Requests for management representation letters below the above levels should be referred to the ODCFO for resolution.

0204 LEGAL REPRESENTATION LETTERS

★Legal representation letters are the auditors’ primary means of corroborating the information furnished by management concerning litigation, claims, and assessments. Legal representation letters are required for each of the reporting entities identified in paragraph

010601 of this Volume. Legal representation letters are intended to identify pending or threatened litigation and unasserted claims or assessments having a materiality threshold of \$100 million or more. Upon receipt of the audit agency request, it is the responsibility of the senior management official of each reporting entity to request the legal representation letter from those lawyers with whom management consulted during the year. Requests for legal representation letters will be forwarded to the General Counsel (GC) of the applicable Military Service. Requests for legal representation letters for Defense accounts will be forwarded to the GC, DoD. Requests for legal representation letters below the Service or fund level should be referred to the ODCFO, for resolution. Legal representation letters must be provided to GC, DoD, ATTN: Deputy General Counsel (Fiscal) and to the office performing the audit--the IG, DoD or the Military Service audit agency--of the entity's financial statements by the dates specified in the schedule provided in Table 2-4 of this volume. The OMB Bulletin 99-XX "Audits of Agency Financial Statements" provides an illustrative legal representation letter.

0205 GENERAL PREPARATION INSTRUCTIONS

020501. The principal statements and notes embody the financial accounting concepts and recognition and measurement requirements contained in the Statements of Federal Financial Accounting Concepts (SFFACs) and Statements of Federal Financial Accounting Standards (SFFASs) recommended by the Federal Accounting Standards Advisory Board (FASAB) and approved by the Secretary of the Treasury, the Director of the OMB, and the Comptroller General. The SFFACs and SFFASs have been or will be incorporated into the accounting policy and guidance contained in the "DoD Financial Management Regulation" ("DoDFMR"). Preparers of financial statements seeking detailed guidance on matters involving the recognition and measurement requirements for transactions and information covered by the SFFASs should refer to the "DoDFMR." If sufficient guidance is not found in this Regulation, preparers shall follow the hierarchy of accounting principals and standards contained in Volume 1 Chapter 8 of this Regulation.

★020502. Preparers of financial statements and notes will crosswalk their unique general ledger accounts to the U.S. Government Standard General Ledger (USGSGL) chart of accounts and at a further lower level of detail to include Treasury Financial Management Service, Federal Agencies' Centralized Trial-Balance System (FACTS) attributes. The USGSGL, with FACTS attributes, will be used to prepare FY 1999 financial statements. Preparers of financial statements must provide the following computer files with each version of financial statements and notes: financial statements, notes, the trial balance used to prepare the statements, and the eliminations worksheets (as required in Chapter 13 of this Volume). The computer files shall be submitted via e-mail to the DFAS-Headquarters Accounting Directorate (DFAS-HQ/A) and that office will provide the ODCFO(AP) the same computer files and information for each version of the financial statements.

★020503. Prior year comparative data is required by the OMB for FY 2000 annual financial statements. The DoD reporting entities (with the exception of the Military Retirement Trust Fund) will not include comparative data for FY 1999. Effective with the FY 2000 statements, comparative data will be required for each of the principal statements. Prior year

data, when reported, must be consistent with the amounts reported on the financial statements of the prior year. In addition, significant variances in the values reported from one year to the next on a report line should be explained in the footnotes.

★020504. Statement line items, footnotes, and lines or columns in footnotes that do not apply to the reporting entity may be excluded from the published version of the statements and notes. However, in order to ensure consistent and accurate aggregation of amounts from suborganizations, such lines may not be excluded prior to the submission of the final version to entity management. Due to the short timeframes available for statement consolidation at the agency level, preparers are not authorized to combine lines for which the referenced account balances are immaterial.

★020505. Do not designate in footnotes as “other” any discrete balances of a material amount. Material balances should be separately reported and designated by name. Material is defined as any component of a line item that represents more than 10 percent of the value of the line in the principal statements.

★020506. The footnote numbering sequence contained in Chapter 10 of this Volume must be maintained in order to ensure consistent and accurate aggregation to the DoD agency level. If a note is not applicable for the reporting entity, so state after the note number and title. If additional footnotes are necessary to provide required disclosures, number them sequentially beginning with the number following the last footnote identified in Chapter 10 of this Volume.

020507. The accounting policies and procedures will be applied consistently throughout the financial statements. As a result, the amounts reported throughout the financial statements, footnotes and supplemental information will be reported consistently. Ensure that schedules presented in the footnotes, in support of amounts presented on financial statements, have total figures that agree with the amounts presented in the body of the financial statements. Financial information reported in multiple footnotes or other sections shall be reported in a consistent manner.

★020508. The principal statements provided for the DoD reporting entities must be prepared as consolidated/consolidating statements net of intraentity transactions except as noted below. However, the OMB has deferred the requirement for consolidated/consolidating statements for the Statement of Budgetary Resources and the Statement of Financing. For FY 1999, the Department will prepare combined/combining statements for the Statement of Budgetary Resources and a combined Statement of Financing. These statements will not be net of intraentity transactions.

★020509. Round dollar amounts to the nearest whole thousand on the final published principal statements and in the tables contained in the notes to the principal statements. To avoid excessive workload associated with the resolution of rounding errors, accounting activities should report amounts as dollars and cents on all versions of the principal statements and notes prior to submission by the reporting entity of the final annual financial statements to the ODCFO(AP).

★020510. Reporting entities that choose to present additional financial statements or information should include these in the Other Accompanying Information section.

★020511. The financial statements of the reporting entities identified in paragraph 0106 should be organized as displayed in Chapter 1, Table 1-1 of this Volume.

★020512. Entity managers are responsible for the preparation and printing of the final complete version of their financial statements. Fifteen bound copies of the printed financial statements and one set of portable document format files (Adobe Acrobat pdf files) must be submitted to the Office of the Under Secretary of Defense (Comptroller), Office of Deputy Chief Financial Officer, Directorate for Accounting Policy (ODCFO(AP)), 1100 Defense Pentagon, Room 3A882, Washington, DC 20301-1100, no later than February 24.

★020513. The Department's financial statements will be posted electronically to the USD(C) web site. Entity managers will provide ODCFO(AP) with files of their financial statements for posting to the USD(C) web site by March 1. The files will be in the portable document format.

0206 DEPARTMENTAL ADJUSTMENTS RESULTING FROM FINANCIAL STATEMENTS AUDITS

★020601. Material errors in financial statements discovered after installation-level records are closed but before departmental-level records are closed shall be corrected upon the approval of the reporting entity management. Material errors result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the installation-level financial statements were prepared. Corrections to departmental-level financial statements will be made only after their application to specific installations, appropriations and/or accounts, and general ledger accounts has been documented. The DFAS, in conjunction with the DoD Component, will establish and document procedures to ensure that corrections made at the departmental level (after installation-level accounting records have been closed for the reporting year) are transmitted to subordinate installations for input into current year accounting records. Procedures also will be established to monitor and ensure that each installation's respective corrections and prior year adjustments are input into installation accounting systems and that such information is transmitted to the departmental level for control and reporting purposes.

020602. Departmental-level adjustments must be reversed in their entirety during the current fiscal year (i.e., as early as feasible in the fiscal year following the fiscal year for which the financial statements were prepared). The DFAS shall have on file documentation supporting the prior period adjustments along with an audit trail of the approval and recording of transactions and reports on the recording of the associated installation-level adjustments. These records will include the agreement between the DoD Component, the auditors, and the DFAS that resulted in the adjustment.

020603. Sample Entries.

A. A January 1999 audit of the FY 1998 financial statements reveals that a revenue item for \$100,000 for services provided was not posted to installation records. The installation records supporting the FY 1998 records have been closed but the departmental records supporting the FY 1998 financial statements are still open. Review of the transaction also reveals that an accounts receivable entry and related budgetary accounts were not posted. The installation accounting officer should determine the reasons for not posting the transaction and for not collecting the receivable. Documentation supporting the need for the adjustment is available. The posting of revenue, when closed, would have had an effect on equity; therefore, the following actions shall be taken.

1. Departmental-level Action.

★a. Increase both accounts receivable and revenue and related budgetary account balances in the FY 1999 financial statements by \$100,000.

Dr 1310 Accounts Receivable	100,000	
(Additional Information Required: Government-Current)		
Cr 5200 Revenue from Services Provided		100,000
Dr 4251 Reimbursements and Other Income Earned - Receivable	100,000	
Cr 4220 Unfilled Customer Orders		100,000
(Additional Information Required: No advance)		

b. Closing Entries for FY 1999.

Dr 5200 Revenue from Services Provided	100,000	
Cr 3310 Cumulative Results of Operations		100,000

c. Reversing Entries in FY 1999.

Dr 7400 Prior Period Adjustments	100,000	
Cr 1310 Accounts Receivable		100,000
(Additional Information Required: Government-Current)		
Dr 4220 Unfilled Customer Orders	100,000	
(Additional Information Required: No advance)		
Cr 4251 Reimbursements and Other Income Earned - Receivable		100,000

2. Installation-level Action. The installation should be requested to make the following journal entries to its FY 1999 accounting records.

Dr 1310 Accounts Receivable	100,000	
(Additional Information Required: Government-Current)		
Cr 7400 Prior Period Adjustments		100,000
Dr 4251 Reimbursements and Other Income Earned - Receivable	100,000	
Cr 4220 Unfilled Customer Orders		100,000

(Additional Information Required: No advance)

B. During the same audit of the FY 1998 financial statements, a revenue item for \$200,000 for services provided was discovered to not have been posted to the FY 1997 (prior year) installation accounting records. The Departmental records supporting the FY 1998 financial statements have not been closed; however, the records for FY 1997 have been closed for over a year. Review of the transaction also revealed that an accounts receivable entry and related budgetary accounts were not posted. The installation accounting officer should determine the reasons for not posting the transaction and for not collecting the receivable. Documentation supporting the need for the adjustment is available. The posting of revenue, when closed, would have had an effect on equity; therefore, the following actions shall be taken:

1. Departmental-level Action.

★a. Increase departmental accounts receivable and Prior Period Adjustments and related budgetary accounts by \$200,000. Disclose in the footnotes to the financial statements the adjustment for \$200,000 and its correction during FY 1999.

Dr 1310	Accounts Receivable	200,000	
(Additional Information Required: Government-Noncurrent)			
Cr 7400	Prior Period Adjustments		200,000
Dr 4251	Reimbursements and Other Income Earned -	200,000	
	Receivable		
Cr 4220	Unfilled Customer Orders		200,000
(Additional Information Required: No advance)			

★b. Closing Entries for FY 1999.

Dr 7400	Prior Period Adjustments	200,000	
Cr 3310	Cumulative Results of Operations		200,000

c. Reversing Entries in FY 1999.

Dr 7400	Prior Period Adjustments	200,000	
Cr 1310	Accounts Receivable -		200,000
(Additional Information Required: Government-Current)			
Dr 4220	Unfilled Customer Orders	200,000	
(Additional Information Required: No advance)			
Cr 4251	Reimbursements and Other Income Earned -		200,000
	Receivable		

2. Installation-level Action. The installation should be requested to make the following journal entries to its FY 1999 accounting records.

Dr 1310	Accounts Receivable	200,000	
(Additional Information Required: Government-Noncurrent)			
Cr 7400	Prior Period Adjustments		200,000
Dr 4251	Reimbursements and Other Income Earned -	200,000	

Receivable	
Cr 4220 Unfilled Customer Orders	200,000
(Additional Information Required: No advance)	

C. During January 1999, audit of the FY 1998 financial statements revealed that an expense for \$50,000, related to a reimbursable program, was not posted to installation records. The departmental records supporting the FY 1998 financial statements have not been closed. Review of the transaction also revealed that an accounts payable and related budgetary accounts were not posted and that payment was never made. The installation accounting officer shall determine the reason for not posting the transaction and for not making a payment to liquidate the payable. Documentation supporting the need for the adjustment is available. The posting of expense, when closed, will have had an effect on equity; therefore, the following actions shall be taken:

1. Departmental-level Action.

a. Increase both accounts payable and expense, as well as, the related budgetary account balances in the financial statements by \$50,000.

Dr 6100 Operating Expenses/Program Costs	50,000	
Cr 2110 Accounts Payable		50,000
(Addition Information Required: Government-Current)		
Dr 4801 Undelivered Orders - Unpaid	50,000	
Cr 4901 Expended Authority - Unpaid		50,000

★b. Closing Entries for FY 1999.

Dr 3310 Cumulative Results of Operations	50,000	
Cr 6100 Operating Expenses/Program Costs		50,000

c. Reversing Entries in FY 1999.

Dr 2110 Accounts Payable	50,000	
(Addition Information Required: Government-Current)		
Cr 7400 Prior Period Adjustments		50,000
Dr 4901 Expended Authority - Unpaid	50,000	
Cr 4801 Undelivered Orders - Unpaid		50,000

2. Installation-level Action. The installation should be requested to make the following journal entry to its FY 1999 accounting records.

Dr 7400 Prior Period Adjustments	50,000	
Cr 2110 Accounts Payable		50,000
(Addition Information Required: Government-Current)		
Dr 4801 Undelivered Orders - Unpaid	50,000	
Cr 4901 Expended Authority - Unpaid		50,000

D. During the same audit of FY 1998 installation accounts, an expense for \$210,000, related to a reimbursable program, was mistakenly posted as \$120,000 to installation FY 1998 records. The \$90,000 error was not detected. The departmental records supporting the FY 1998 financial statements had not been closed. Review of the transaction also revealed that the \$90,000 difference has caused the payment to remain unmatched and the accounts payable and related budgetary accounts unliquidated. The installation accounting officer shall determine the reasons for not correcting the initial posting and for not liquidating the payable. Documentation supporting the need for the adjustment was available. The posting of expense, when closed, will have had an effect on equity; therefore, the following actions shall be taken:

1. Departmental-level Action.

★a. Increase both accounts payable and expense and related budgetary account balances in the FY 1999 financial statements by \$90,000.

Dr 6100	Operating Expenses/Program Costs	90,000	
Cr 2110	Accounts Payable		90,000
(Addition Information Required: Government-Current)			
Dr 4801	Undelivered Orders - Unpaid	90,000	
Cr 4901	Expended Authority - Unpaid		90,000

★b. Closing Entries for FY 1999.

Dr 3310	Cumulative Results of Operations	90,000	
Cr 6100	Operating Expenses/Program Costs		90,000

c. Reversing Entries in FY 1999.

Dr 2110	Accounts Payable	90,000	
(Addition Information Required: Government-Current)			
Cr 7400	Prior Period Adjustments		90,000
Dr 4901	Expended Authority - Unpaid	90,000	
Cr 4801	Undelivered Orders - Unpaid		90,000

2. Installation-level Action. The installation shall be requested to make the following journal entry to its FY 1999 accounting records.

Dr 7400	Prior Period Adjustments	90,000	
Cr 2110	Accounts Payable		90,000
(Addition Information Required: Government-Current)			
Dr 4801	Undelivered Orders - Unpaid	90,000	
Cr 4901	Expended Authority - Unpaid		90,000

★E. During January 1999, audit of the FY 1998 financial statements revealed that general equipment for \$160,000 was not posted to installation records. The departmental records supporting the FY 1998 financial statements have not been closed. Further review of the

transaction revealed that the item of equipment was free issue from a procurement appropriation as of September 29 of the reporting fiscal year. Documentation supporting the need for the adjustment is available. The installation accounting officer shall review accounting procedures to determine why the property was not posted to official accounting reports. The posting of financing sources, when closed, will have an effect on equity; therefore, the following actions shall be taken:

1. Departmental-level Action.

★a. Increase the asset account for general equipment and financing accounts for \$160,000 in the FY 1999 financial statements. There are no budgetary entries required.

Dr 1750 Equipment	160,000	
Cr 5720 Financing Sources Transferred In Without Reimbursement		160,000

★b. Closing Entries for FY 1999.

Dr 5720 Financing Sources Transferred In Without Reimbursement	160,000	
Cr 3310 Cumulative Results of Operations		160,000

c. Reversing Entries in FY 1999.

Dr 7400 Prior Period Adjustments	160,000	
Cr 1750 Equipment		160,000

2. Installation-level Action. The installation should be requested to make the following journal entry to its FY 1999 accounting records.

Dr 1750 Equipment	160,000	
Cr 7400 Prior Period Adjustments		160,000

F. During January 1999, audit of the FY 1998 financial statements revealed that numerous equipment items totaling \$120,000 were capitalized on installation accounting records. No depreciation had been recorded against the equipment. Departmental records supporting the FY 1998 financial statements have not been closed. Further review of the transactions revealed that the items were purchased from operation and maintenance funds and were not expensed. Budgetary entries to obligate and disburse funds related to these items were correctly posted. Each item acquisition cost was less than the \$100,000 capitalization criteria. Documentation supporting the need for the adjustment is available. The installation accounting officer should be reviewing accounting procedures to determine why the property was not expensed in the official accounting records. (Note: That property records must be maintained in some specific cases.) The posting of expense, versus capital, when closed, will have had an effect on equity (Unexpended Appropriations); therefore, the following actions are required. In

this case, the proper posting would have effected expense; therefore, the installation shall record a prior period adjustment as follows:

1. Departmental-level Action.

★a. Decrease equipment and equity accounts for \$120,000 in the FY 1999 financial statements. There are no budgetary entries required.

Dr 6100	Operating Expenses/Program Costs	120,000	
Cr 1750	Equipment		120,000

★b. Closing Entries for FY 1999.

Dr 3310	Cumulative Results of Operations	120,000	
Cr 6100	Operating Expenses/Program Costs		120,000

c. Reversing Entries in FY 1999.

Dr 1750	Equipment	120,000	
Cr 7400	Prior Period Adjustments		120,000

2. Installation-level Action. The installation should be requested to make the following journal entry to its FY 1999 accounting records.

Dr 7400	Prior Period Adjustments	120,000	
Cr 1750	Equipment		120,000

G. During January 1999, audit of the FY 1998 financial statements revealed that a \$150,000 error was made in consolidating the FY 1998 line item for “Property, Plant and Equipment, Net” of the balance sheet at an installation. The departmental records supporting the FY 1998 financial statements had not been closed. The installation accounting officer should determine the reason the error was made in consolidating the FY 1998 line item to preclude it happening in FY 1999. Documentation supporting the need for the correction was available.

1. Departmental-level Action. Make the correction to the “Property, Plant and Equipment, Net” line at the departmental level and ensure that an offsetting entry is made to equity at the Departmental level. Reprint the balance sheet after correction.

2. Installation-level Action. No corrections are made to the FY 1998 financial statements; however, installation-level property records must be corrected so the same mistake is not made next year.

CHAPTER 3**OVERVIEW AND OTHER ACCOMPANYING INFORMATION****0301 OVERVIEW OF THE REPORTING ENTITY**

★030101. The Overview of the Reporting Entity is the first part of the annual financial statement. For many readers (e.g., nonaccountants), it serves as the only opportunity to make the technical presentations lucid and useful. For many high-level decision makers, it must convey substantive information and conclusions when time does not permit those individuals to make an in-depth analysis of the technical information. The Overview must provide readers with a clear and concise description of the entity, an understanding of its activities, accomplishments, financial condition and results, problems, and needs. It should tell the reader what the mission of the entity is, and how well that mission is being accomplished and what, if anything, needs to be done to improve either program performance or financial performance. The Overview should be a joint effort of both the financial management offices and the program offices.

★030102. To accomplish this purpose, the Overview must be more than simply a summary of the information contained in the Principal Statements. The preparer of the Overview must consider and select performance measures and data relevant to the reporting entity's mission and activities; analyze the data and discern what they disclose about the entity's accomplishments or lack thereof; determine whether and why the results might vary from prior years, established standards or similar entities' results; display this information in creative ways; and write succinct, candid narratives. Moreover, in preparing the Overview, the preparer must consider not only program performance, but also financial performance and the relationship of program performance to the reporting entities financial condition and results. The preparer must develop and retain adequate documentation supporting the financial, statistical, and other information presented in this Overview section.

030103. The Overview should incorporate the strategic initiatives of the Department of Defense (DoD) as provided in the Secretary's "Annual Report to the President and the Congress." The presentation should relate to the general goals and objectives for the agency's major functions; the resources, systems, and processes that are critical to achieving these goals; how the general goals and objectives will be achieved; and a description of key external factors that could affect achievement of these general goals.

030104. At a minimum, the Overview should contain sections that address mission and organizational structure; performance goals and results; and, the limitations of the financial statements.

030105. The Overview also may identify critical areas in need of financial and management improvement. The Overview should include a narrative discussion and analysis of the financial condition of the reporting entity. This discussion should present information based on the results of an analytical review of relevant financial and performance data of the programs, activities and funds that make up the reporting entity.

★030106. Include the following information in the overview section, verbatim, for all DoD reporting entities that have National Defense PP&E Stewardship information to report for FY 1999:

As of the date these statements were prepared, the Federal Accounting Standards Advisory Board (FASAB) had not determined the final reporting requirements for National Defense property, plant and equipment (ND PP&E). Therefore, the Department of Defense (DoD) elected to report ND PP&E in fiscal year (FY) 1999 in the same manner as ND PP&E was reported in FY 1998. For FY 1998, the DoD implemented early, as encouraged by the FASAB, then proposed amendments to the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment," and No. 8, "Supplementary Stewardship Reporting." Those amendments required ND PP&E quantities, condition and investment trends to be reported for major types of ND PP&E. Since the FASAB did not adopt the proposed amendments to SFFAS No. 6 and No. 8, in electing to report in accordance with the proposed amendments to the standards, the DoD is not in full compliance with the existing reporting requirements contained in SFFAS No. 8 (SFFAS No.8 requires the Department to report acquisition costs). The DoD cannot fully comply with the SFFAS No. 8 reporting requirement because many of the Department's ND PP&E accountability and logistics systems do not contain a value for all or a portion of the ND PP&E assets. These systems were designed for purposes of maintaining accountability and other logistics requirements of ND PP&E, and not for reporting on the value of ND PP&E. Consequently, many of these systems do not accumulate costs or otherwise report values for individual items of ND PP&E.

The ND PP&E cost information is captured in the DoD accounting systems and reported in the Department's "Statement of Net Costs." However, the Department's accounting systems were designed to provide appropriated fund accounting reports required by the Congress, the Department and other applicable federal agencies. In addition, the Department's accounting systems were not designed to accumulate and retain costs for individual items of ND PP&E. Further, in many instances, even where values were recorded for some ND PP&E in some of the Department's systems, documentation (such as copies of purchase receipts) no longer is available to support such amounts. In part, such documentation is not available, because until recently, the Department was not required to maintain such documents for audit purposes. According to Title 36, Code of Federal Regulations, Chapter XII, "National Archives and Records Administration," receipts for the purchase of items such as ND PP&E are required to be retained for only 6 years and 3 months. Therefore, much of the supporting documentation that would be required to validate the reported values of ND PP&E for audit purposes no longer is available.

Due to the difficulties noted above, implementing the reporting requirements of the SFFAS No. 8 would be an enormous undertaking involving significant cost (requiring the expenditure of perhaps hundreds of millions of dollars). Given the complexity of the reporting requirements contained in the SFFAS No. 6 and SFFAS No. 8, the enormous cost of implementing those reporting requirements and the interim nature of the current reporting requirements, the Department is continuing its FY 1998 reporting display until such time as the Department has a better indication of the more permanent reporting requirements expected to be recommended by the FASAB. In the meantime, the Department believes that the most reasonable and responsible course of action is to report quantity information for the DoD's weapons systems until such time as the FASAB adopts permanent reporting requirements for ND PP&E.

0302 ORGANIZATION AND PRESENTATION OF THE OVERVIEW

The following is a recommended way to organize and present the Overview.

★030201. Message from the Component Head. Include a message from the component head or designated individual that discusses, at a high level, the organizations mission, performance results, and financial condition. An additional message from the entity financial manager or comptroller is an option.

030202. Description of the Reporting Entity. This section should:

A. Name the reporting entity in a clear manner that leaves no doubt as to whether the reporting entity is an entire organization or an activity or group of activities within an organization. Identify the commercial functions and the revolving, trust, and other fund accounts covered by the financial statement. Also, this section should identify any fund accounts that have been excluded that one might expect to be covered by the statement.

B. State the mission and major goals of the reporting entity, including reference to the entity's legislative mandate, if appropriate.

★C. Identify the type and provide information on the numbers of individuals and/or groups served by or benefiting from the entity's major program(s).

D. Provide indicators of the size of the major program(s), e.g., dollars expended, population served, and the numbers of military and civilian personnel employed in carrying out these program(s).

E. Describe the manner in which the reporting entity is organized to provide the major program(s), including information related to the geographic locations of the organization (e.g., numbers of local, district, state, and regional offices).

030203. Performance Goals and Results. Government-wide implementation of Government Performance and Results Act (GPRA) occurs with the plans and reports for FY 1999. Performance measures in the Overview section of the financial statements should be consistent with the DoD GPRA Performance Plan as published in the Annual Defense Report, Appendix J.

★030204. Reporting Year 2000 (Y2K) Issues. Report the following information in the Overview and Analysis concerning Y2K preparedness: (1) a discussion of the Department's state of readiness (including the status of efforts/current phase, estimated timetable for completing remaining phases, impact of nonreadiness of third parties with which the agency has a material relationship); (2) the costs to address the Department's Y2K issues, both historical and estimated future costs. Include both the costs to fix and replace systems; (3) the risks of Y2K issues to the Department, including any anticipated effects on agency operations. Include a description of the most likely worst case scenario; and (4) the Department's contingency plan(s), including how the agency is preparing to handle most likely worst case scenarios. If the agency

does not have a contingency plan, disclose this fact, whether the agency intends to create one, and the timetable for doing so.

★030205 Limitations of the Financial Statements. The Overview should contain the following language:

A. The financial statements have been prepared to report the financial position and results of operations for the entity, pursuant to the requirements of the 31 U.S.C. 3515(b).

B. While the statements have been prepared from the books and records of the entity, in accordance with the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

C. To the extent possible, the financial statements have been prepared in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB) and revised by OMB. At times, the Department is unable to implement all elements of the standards due to financial management systems limitations. The Department continues to implement system improvements to address these limitations. There are other instances when the Department's application of the accounting standards is different from the auditor's application of the standards. In those situations, the Department has reviewed the intent of the standard and applied it in a manner that management believes fulfills that intent.

D. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that the liabilities cannot be liquidated without legislation that provides resources to do so.

0303 PERFORMANCE GOALS AND RESULTS

030301. The entity's program and financial results should be expressed in terms of objectives, relevant measures that disclose the extent to which its programs are achieving their intended objectives. The entity's financial results should be summarized in a manner that would illustrate significant indicators of its financial operations for the reporting period and changes in financial condition during the period.

030302. Measuring costs is an integral part of measuring the efficiency and effectiveness of programs. Efficiency is measured by relating outputs (the quantity of services provided) to inputs (the cost incurred to provide the services). Effectiveness is measured by the outcome or the degree to which a predetermined objective is met, and it is commonly combined with the cost information to show "cost effectiveness." Entities should strive to develop and report objective measures that, to the extent possible, provide information about the cost effectiveness of programs.

030303. The reported measures of program and financial performance should be consistent with information on major goals and objectives from the agency's strategic plan and should be linked to the programs featured in the Statement of Net Cost.

030304. To be useful, performance measures should: be clearly set forth, be objective and quantifiable, be meaningful and relevant, relate to measures developed in the entity's strategic planning processes, and present the outputs and outcomes of the program, not just the inputs or processes of the program.

030305. The presentation of the measures should: include both positive and negative results, present historical and future trends (if possible), be illustrated with charts and graphs (whenever possible) for easy identification of trends, explain the significance of the trends, provide comparison of actual results to goals or benchmarks, show variations from goals and plans and provide other explanatory information that would help readers understand the significance of the measures, results, and any variations from the goals or plans.

030306. To further enhance the usefulness of the information, agencies should include an explanation of what needs to be done and what is planned to be done to improve financial program performance.

030307. The performance measures presented in the overview should relate to the programs' purpose and goals, be consistent with measures previously included in budget documents and other materials related to implementation of GPRA, and linked to the programs presented in the Statement of Net Cost. The measures in the overview should be limited to the entity's most significant program and financial measures. Additional measures should be presented as "Other Accompanying Information." Management has broad discretion in the manner in which performance information is displayed. Among the options available to management is a statement format similar to the Statement of Program Performance Measures illustrated in Statements of Federal Financial Accounting Concepts No. 2. Management's display of performance information should include sufficient explanatory information that should help the readers understand the significance of the measures, the results, and any deviations from goals or plans.

0304 OTHER ACCOMPANYING INFORMATION

Each financial statement should contain, when appropriate, supplemental financial and management information that supports information presented in the Overview or which otherwise would enhance an understanding of the financial condition and operations of the reporting entity. At a minimum, this information should include a detailed list of appropriations, funds, and accounts included in the financial statements. Additional performance information not provided in the overview and Foreign Military Sales activity could also be reported as "Other Accompanying Information." This information may be placed in the "Other Accompanying Information" Section of the financial statements

CHAPTER 4

BALANCE SHEET★0401 FORMATS FOR THE BALANCE SHEET

Department of Defense	
[Reporting Entity]	
CONSOLIDATED BALANCE SHEET	
As of September 30, 1999	
(\$ in Thousands)	
	<u>FY</u>
	<u>1999</u>
ASSETS	
1. Entity Assets	
A. Intragovernmental	
1. Fund Balance with Treasury (Note 2)	\$ 222,222
2. Investments, Net (Note 3)	222,222
3. Accounts Receivable (Note 4)	222,222
4. Other Assets (Note 5)	222,222
5. Total Intragovernmental	\$ 888,888
B. Accounts Receivable, Net (Note 4)	\$ 222,222
C. Loans Receivable and Related Foreclosed Property, Net (Note 6)	222,222
D. Cash and Other Monetary Assets (Note 7)	222,222
E. Inventory and Related Property, Net (Note 8)	222,222
F. General Property, Plant and Equipment, Net (Note 9) (See Required Supplementary Stewardship Information)	222,222
G. Other Assets (Note 5)	222,222
H. Total Entity Assets	\$ 2,222,220
2. Nonentity Assets	
A. Intragovernmental	
1. Fund Balance with Treasury (Note 2)	\$ 222,222
2. Accounts Receivable (Note 4)	222,222
3. Other Assets (Note 5)	222,222
4. Total Intragovernmental	\$ 666,666
B. Accounts Receivable, Net (Note 4)	\$ 222,222
C. Cash and Other Monetary Assets (Note 7)	222,222
D. Other Assets (Note 5)	222,222
E. Total Nonentity Assets	\$ 1,333,332
3. Total Assets	\$ 3,555,552
The accompanying notes are an integral part of these statements.	

Figure 4-1

Department of Defense [Reporting Entity] CONSOLIDATED BALANCE SHEET As of September 30, 1999 (\$ in Thousands)		<u>FY</u> <u>1999</u>
LIABILITIES		
4. Liabilities Covered by Budgetary Resources		
A. Intragovernmental		
1. Accounts Payable	\$	222,222
2. Debt (Note 11)		102,222
3. Environmental Liabilities (Note 12)		120,000
4. Other Liabilities (Note 13)		222,222
5. Total Intragovernmental	\$	666,666
B. Accounts Payable		\$ 222,222
C. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities (Note 14)		222,222
D. Environmental Liabilities (Note 12)		222,222
E. Other Liabilities (Note 13)		222,222
F. Total Liabilities Covered by Budgetary Resources	\$	1,555,554
5. Liabilities Not Covered by Budgetary Resources		
A. Intragovernmental		
1. Accounts Payable	\$	222,222
2. Debt (Note 11)		102,222
3. Environmental Liabilities (Note 12)		120,000
4. Other Liabilities (Note 13)		222,222
5. Total Intragovernmental	\$	666,666
B. Accounts Payable		\$ 222,222
C. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities (Note 14)		222,222
D. Environmental Liabilities (Note 12)		222,222
E. Other Liabilities (Note 13)		222,222
F. Total Liabilities Not Covered by Budgetary Resources	\$	1,555,554
6. Total Liabilities	\$	3,111,108
NET POSITION (Note 15)		
7. Unexpended Appropriations	\$	222,222
8. Cumulative Results of Operation		222,222
9. Total Net Position	\$	444,444
10. Total Liabilities and Net Position	\$	3,555,552
The accompanying notes are an integral part of these statements.		

Figure 4-1 (cont.)

Department of Defense [Reporting Entity] CONSOLIDATING BALANCE SHEET As of September 30, 1999 (\$ in Thousands)						
	Sub- Entity A	Sub- Entity B	Other Sub- entities	Combined Total	(Intra- Entity Eliminations)	Consolidated Totals
ASSETS						
1. Entity Assets						
A. Intragovernmental						
1. Fund Balance with Treasury (Note 2)	\$ 111,111	\$ 111,111	\$ 111,111	\$ 333,333		\$ 333,333
2. Investments, Net (Note 3)	111,111	111,111	111,111	333,333		333,333
3. Accounts Receivable (Note 4)	111,111	111,111	111,111	333,333	(111,111)	222,222
4. Other Assets (Note 5)	111,111	111,111	111,111	333,333	(111,111)	222,222
5. Total Intragovernmental	<u>\$ 444,444</u>	<u>\$ 444,444</u>	<u>\$ 444,444</u>	<u>\$ 1,333,332</u>	<u>\$ (222,222)</u>	<u>\$ 1,111,110</u>
B. Accounts Receivable, Net (Note 4)	111,111	111,111	111,111	333,333		333,333
C. Loans Receivable and Related Foreclosed Property, Net (Note 6)	111,111	111,111	111,111	333,333		333,333
D. Cash and Other Monetary Assets (Note 7)	111,111	111,111	111,111	333,333		333,333
E. Inventory and Related Property, Net (Note 8)	111,111	111,111	111,111	333,333		333,333
F. General Property, Plant and Equipment, Net (Note 9)(See Required Supplementary Stewardship	111,111	111,111	111,111	333,333		333,333
G. Other Assets (Note 5)	111,111	111,111	111,111	333,333		333,333
H. Total Entity Assets	<u>\$ 1,111,110</u>	<u>\$ 1,111,110</u>	<u>\$ 1,111,110</u>	<u>\$ 3,333,330</u>	<u>\$ (222,222)</u>	<u>\$ 3,111,108</u>
1. Nonentity Assets						
A. Intragovernmental						
1. Fund Balance with Treasury (Note 2)	\$ 111,111	\$ 111,111	\$ 111,111	\$ 333,333		\$ 333,333
3. Accounts Receivable (Note 4)	111,111	111,111	111,111	333,333	(111,111)	222,222
4. Other Assets (Note 5)	111,111	111,111	111,111	333,333	(111,111)	222,222
5. Total Intragovernmental	<u>\$ 333,333</u>	<u>\$ 333,333</u>	<u>\$ 333,333</u>	<u>\$ 999,999</u>	<u>\$ (222,222)</u>	<u>\$ 777,777</u>
B. Accounts Receivable, Net (Note 4)	111,111	111,111	111,111	333,333		333,333
C. Cash and Other Monetary Assets (Note 7)	111,111	111,111	111,111	333,333		333,333
D. Other Assets (Note 5)	111,111	111,111	111,111	333,333		333,333
E. Total Nonentity Assets	<u>\$ 666,666</u>	<u>\$ 666,666</u>	<u>\$ 666,666</u>	<u>\$ 1,999,998</u>	<u>\$ (222,222)</u>	<u>\$ 3,111,108</u>
3. Total Assets	<u>\$ 1,777,776</u>	<u>\$ 1,777,776</u>	<u>\$ 1,777,776</u>	<u>\$ 5,333,328</u>	<u>\$ (444,444)</u>	<u>\$ 4,888,884</u>
The accompanying notes are an integral part of these statements.						

Figure 4-2

Department of Defense [Reporting Entity] CONSOLIDATING BALANCE SHEET As of September 30, 1999 (\$ in Thousands) LIABILITIES						
	Sub- Entity A	Sub- Entity B	Other Sub- entities	Combined Total	(Intra- Entity Eliminations)	Consolidated Totals
4. Liabilities Covered by Budgetary Resources						
A. Intragovernmental						
1. Accounts Payable	\$ 111,111	\$ 111,111	\$ 111,111	\$ 333,333	\$ (111,111)	\$ 222,222
2. Debt (Note 11)	51,111	51,111	51,111	153,333		153,333
3. Environmental Liabilities (Note 12)	60,000	60,000	60,000	180,000		180,000
4. Other Liabilities (Note 13)	111,111	111,111	111,111	333,333	(111,111)	222,222
5. Total Intragovernmental	\$ 333,333	\$ 333,333	\$ 333,333	\$ 999,999	\$ (222,222)	\$ 777,777
B. Accounts Payable	111,111	111,111	111,111	333,333		333,333
C. Military Retirement Benefits and Other Employ- ment Related Actuarial Liabilities (Note 14)	111,111	111,111	111,111	333,333		333,333
D. Environmental Liabilities (Note 12)	111,111	111,111	111,111	333,333		333,333
E. Other Liabilities (Note 13)	111,111	111,111	111,111	333,333		333,333
F. Total Liabilities Covered by Budgetary Resources	\$ 777,777	\$ 777,777	\$ 777,777	\$ 2,333,331	\$ (222,222)	\$ 2,111,109
5. Liabilities Not Covered by Budgetary Resources						
A. Intragovernmental						
1. Accounts Payable	\$ 111,111	\$ 111,111	\$ 111,111	\$ 333,333	\$ (111,111)	\$ 222,222
2. Debt (Note 11)	51,111	51,111	51,111	153,333		153,333
3. Environmental Liabilities (Note 12)	60,000	60,000	60,000	180,000		180,000
4. Other Liabilities (Note 13)	111,111	111,111	111,111	333,333	(111,111)	222,222
5. Total Intragovernmental	\$ 333,333	\$ 333,333	\$ 333,333	\$ 999,999	\$ (222,222)	\$ 777,777
B. Accounts Payable	111,111	111,111	111,111	333,333		333,333
C. Military Retirement Benefits and Other Employ- ment Related Actuarial Liabilities (Note 14)	111,111	111,111	111,111	333,333		333,333
D. Environmental Liabilities (Note 12)	111,111	111,111	111,111	333,333		333,333
E. Other Liabilities (Note 13)	111,111	111,111	111,111	333,333		333,333
F. Total Liabilities Not Covered by Budgetary Resources	\$ 777,777	\$ 777,777	\$ 777,777	\$ 2,333,331	\$ (222,222)	\$ 2,111,109
6. Total Liabilities	\$ 1,555,554	\$ 1,555,554	\$ 1,555,554	\$ 4,666,662	\$ (444,444)	\$ 4,222,218
NET POSITION (Note 15)						
7. Unexpended Appropriations	\$ 111,111	\$ 111,111	\$ 111,111	\$ 333,333		\$ 333,333
8. Cumulative Results of Operations	111,111	111,111	111,111	333,333		333,333
9. Total Net Position	\$ 222,222	\$ 222,222	\$ 222,222	\$ 666,666		\$ 666,666
10. Total Liabilities and Net Position	\$ 1,777,776	\$ 1,777,776	\$ 1,777,776	\$ 5,333,328	\$ (444,444)	\$ 4,888,884
The accompanying notes are an integral part of these statements.						

Figure 4-2

0402 INSTRUCTIONS FOR THE PREPARATION OF THE BALANCE SHEET

★040201. General Instructions. The balance sheet presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position). The balance sheet presents assets available for use by the reporting entity (entity assets) separately from those managed by the reporting entity but not available for use in its operations (nonentity assets). The balance sheet also separately presents liabilities covered by budgetary resources and liabilities not covered by budgetary resources. Formats are displayed using notional data to assist the user. The balance sheet requires that post-closing balances be used for all amounts.

★A. Consolidated/Consolidating. The balance sheet displayed on the previous pages (Figure 4-1) illustrates a consolidated single column noncomparative statement. The principal balance sheet prepared by Department of Defense (DoD) reporting entities shall be a consolidated statement. The DoD agency-wide report will also include a consolidating balance sheet (Figure 4-2). The consolidating balance sheet will contain columns for each of the reporting entities identified in Table 2-1, plus columns for Other Defense Organizations (ODO) General Funds and for ODO Working Capital Funds (WCF). Other DoD reporting entities shall prepare a consolidating balance sheet statement with a breakout determined beneficial to the reporting entity.

★B. Comparative Statements. Comparative statements are not required until the fiscal year (FY) 2000 reporting period. Starting with FY 2000, reporting entities shall present comparative totals for the entity as a whole to allow the reader to make appropriate comparisons with prior periods. The Military Retirement Trust Fund annual financial statement, which received an unqualified audit opinion for FY 1998, will implement comparative statements for FY 1999.

★040202. Definition of Terms Used on the Assets Section of the Balance Sheet. Assets are tangible or intangible items owned by the federal government which would have probable economic benefits that can be obtained or controlled by a federal government entity. The assets of federal agencies are classified as entity assets and nonentity assets. In addition, intragovernmental assets are separately identified in the asset section of the balance sheet. These terms are defined below.

A. Entity Assets. These are assets which the reporting entity has authority to use. For example, an entity's assets may be used in entity operations (equipment), be sold/exchanged for other assets (inventory for cash), or be used to liquidate (pay) entity liabilities.

★B. Nonentity Assets. These are assets that are held by an entity (as manager, custodian, or fiduciary) but are not available to the entity for its own operational use. An example of nonentity assets is income tax receivables, which the Internal Revenue Service

collects for the U.S. Government but has no authority to spend. In DoD, the cash held by the Disbursing Officer, as an agent of the Treasury, is an example of a nonentity asset.

★C. Intragovernmental Assets. These assets arise from transactions among federal entities. These assets are claims of a federal entity against other federal entities. For example accounts receivable from another federal entity.

D. The nature of the assets described below shall determine within which of the categories the assets should be classified. As illustrated in the model balance sheet, many of these assets have amounts that fall into more than one category and should be classified accordingly.

040203. Line Instructions for the Preparation of the Entity Asset Section of the Balance Sheet. These are assets which the reporting entity has authority to use. For example, an entity's assets may be used in entity operations (equipment), be sold/exchanged for other assets (inventory for cash), or be used to liquidate (pay) entity liabilities. In addition to the narrative below, see the general ledger crosswalk in paragraph 0403 for a description of the accounts and attributes applicable to each line item.

A. Intragovernmental Assets. These assets arise from transactions among federal entities. Federal (intragovernmental) entity assets are claims of a federal entity against other federal entities which, when collected, can be used in the reporting entity's operations.

★1. Fund Balance With Treasury (FBWT)- Line 1.A.1. This amount will reflect the DoD general ledger value (to include all collections and disbursements as reported under DD Form 1329, Statement of Transactions and DD Form 1400, Statement of Inter-Fund Transactions). The DoD entities should explain any differences between the fund balance with the U.S. Treasury in their general ledger accounts and the balance in the Treasury's accounts in Note 2. The FBWT represents the aggregate amount of the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. This account includes clearing account balances and the dollar equivalent of foreign currency account balances. Foreign currency account balances reported on the balance sheet shall be translated into U.S. dollars at exchange rates determined by the Treasury and effective at the financial reporting date. A federal entity's fund balance with the U.S. Treasury also includes balances for direct loan and loan guarantee activities held in the credit reform program, financing and liquidating accounts. To the extent that the reporting entity maintains fund balances in deposit, suspense, and clearing accounts that are not available to finance the entity's activities, those balances should be reported as nonentity assets. The FBWT does not include any amounts for which the Department of the Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with Statement Federal Financial Accounting Standard (SFFAS) No. 1. The amount reported shall include extended obligation authority for obligations incurred in closing and closed accounts (e.g., Shipbuilding and Conversion).

★2. Investments, Net - Line 1.A.2. This line identifies investments in federal securities. Investments in federal securities includes nonmarketable par value Treasury

securities, market-based Treasury securities, marketable Treasury securities, and securities issued by other federal entities. Investments are normally reported at their acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition. The components of intragovernmental investments including the market value of market-based and marketable Treasury securities shall be disclosed in Note 3.

★3. Accounts Receivable - Line 1.A.3. Federal entity claims for payment from other federal entities are recorded as accounts receivable. Entity intragovernment receivables are included, by law, in an entity's obligation authority and therefore should be reported separately from nonentity intragovernmental receivables. Refunds receivable are included in U.S. Government Standard General Ledger (USGSGL) Account 1310 Accounts Receivable. The Code of Federal Regulations (4 CFR 101) prohibits a write-off of receivables from another government agency. Therefore, there should be no allowance for estimated uncollectable amounts recognized for these receivables. Accounts receivable are adjusted by cumulative from inception undistributed collections. See Chapter 13 of this Volume for elimination requirements. See Appendix B of this Volume for the reconciliation requirements. Additional information regarding accounts receivable shall be disclosed in Note 4.

★4. Other Assets - Line 1.A.4. Report other entity intragovernmental assets; and report advances and prepayments to other federal entities on this line. Disclose in the notes advances and prepayments and the amount and nature of other major categories of "Other" assets. Material disclosures for this line should be provided in Note 5. If any component of the "Other Intragovernmental Entity Asset" line represents more than 10 percent of the value of the line, those components shall be separately disclosed in Note 5. Advances are cash outlays made by a federal entity to cover a part or all of the recipients' anticipated expenses or as advance payments for the costs of goods and services the entity receives. Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred. See Chapter 13 of this Volume for elimination requirements. See Appendix B of this Volume for the reconciliation requirements.

B. Total Intragovernmental – Line 1.A.5. The sum of lines 1.A.1. through 1.A.4.

★C. Accounts Receivable, Net – Line 1.B. This item represents amounts due from nonfederal entities, net of an allowance for estimated uncollectable amounts that the reporting entity has authority to use in its operations once collected. For example, include on this line amounts due from former service members who must refund amounts issued as reenlistment bonuses. Additional information regarding accounts receivable shall be disclosed in Note 4. Accounts receivable are adjusted by cumulative from inception undistributed collections. See Appendix B of this Volume for reconciliation requirements.

This line also includes interest receivable from nonfederal entities that the reporting entity has authority to use in its operations once collected. No interest should be recognized as revenue on accounts receivable or investments that are determined to be uncollectible unless the interest is actually collected. However, until the interest payment requirement is officially waived by the

government entity or the related debt is written off, interest accrued on uncollectible accounts receivable and an offsetting allowance for loss on accounts receivable should be disclosed. Interest receivable related to pre-1992 and post-1991 direct loans and acquired defaulted guaranteed loans should be reported as a component of credit program receivables and related foreclosed property on line 1.C.

D. Loans Receivable and Related Foreclosed Property, Net - Line 1.C. This item represents the net value of assets related to pre-1992 and post-1991 direct loans receivable and acquired defaulted guaranteed loans receivable. Credit program receivables are considered an entity asset if the entity has the authority to determine the use of the funds collected or if the entity is legally obligated to use the funds to meet entity obligations, e.g., loans payable to the U.S. Treasury. See SFFAS No. 2 for detailed requirements if the reporting entity administers a loan guarantee program. It is sufficient to report the undelivered order which must be recorded to obligate the funds and which must be disclosed as part of the total undelivered orders. Note 6 provides information relating to the components of this item.

★E. Cash and Other Monetary Assets – Line 1.D. This line includes the total of all cash resources and all other monetary assets available to the entity. Cash consists of: (1) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; (2) amounts on demand deposit with banks or other financial institutions; and (3) foreign currencies, which, for accounting purposes, should be translated into U.S. dollars at the exchange rate on the financial statement date. “Other Monetary Assets” include gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. The amount of Cash and Other Monetary Assets that the reporting entity holds and is authorized to spend is entity cash. The assets under this category that a federal entity collects and holds on behalf of the U.S. Government or other entities is nonentity cash and other monetary assets and should be reported on line 2.C. The DoD disbursing officer cash reported on Standard Form (SF) 1219, Statement of Accountability is reported on line 2.C. nonentity “Cash and Other Monetary Assets.” The components of cash and other monetary assets shall be disclosed in Note 7.

F. Inventory and Related Property, Net – Line 1.E. Include inventory, Operating Material and Supplies (OM&S), stockpile materials, seized property, forfeited property, and goods held under price support and stabilization programs. Additional disclosure requirements will be identified in Note 8, as prescribed in Chapter 10 of this Volume.

1. Inventory. Inventory is tangible personal property that is: (1) held for resale, including raw materials, (2) in the process of production for sale, (3) to be consumed in the production of goods for sale or in the provision of services for a fee, or (4) to be transferred to entities within the federal government or outside the federal government. The amount reported on this line should be disclosed in Note 8A in the following categories (1) inventory held for sale; (2) inventory held in reserve for future sale; (3) excess, obsolete, and unserviceable inventory; (4) inventory held for repair; (5) raw materials; (6) work in process; and (7) finished goods.

★2. OM&S. OM&S are included on this line. OM&S consist of tangible personal property to be consumed in normal operations. Include in this category, material traditionally held by Depot Maintenance activities that will be consumed in or become part of the repair or production of secondary or end items. Ammunition, munitions, and other war reserves not classified as equipment and not held for sale are to be treated as OM&S. OM&S to be consumed within the next fiscal year are to be classified as held for use. The remainder is held for future use. Using the criteria in SFFAS No. 3, management must determine whether the consumption method or the purchase method of accounting shall be applied for the recognition of OM&S expenses. If the purchase method of accounting for OM&S is used, there should be no amount reported on this line. Material portions of the amount reported on this line should be disclosed in Note 8.B. Material is defined as any component of OM&S that represents more than 10 percent of the value of OM&S.

★3. Stockpile Materials. Stockpile materials (only applicable to and reported by the Defense Logistics Agency (DLA)) are strategic and critical materials held pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98) of 1979. Within the DoD, management of the Stockpile was assigned to the DLA, Defense National Stockpile Center. Only the DLA National Defense Stockpile Transaction Fund is authorized to use this inventory category and accounts. Included are critical materials held as reserves and/or stockpiles. They are not held with the intent of selling in the ordinary course of business. Material portions of the amount reported on this line should be disclosed in Note 8.C. Material is defined as any component of stockpile materials that represents more than 10 percent of the value of stockpile materials.

★4. Seized Property. Seized property (normally not applicable for DoD reporting entities) includes monetary instruments, real property and tangible personal property of others seized by authorized law enforcement agencies as a consequence of various laws and in the actual or constructive possession of a custodial agency. Only seized monetary instruments shall be recognized as such when seized. A liability also shall be reported in an amount equal to the seized asset value. Seized property other than monetary instruments and additional information regarding seized property shall be disclosed in Note 8.D. If the seized monetary assets will not be available to the entity to support its operations, the amounts should be classified as a nonentity asset. Material portions of the amount reported on this line should be disclosed in Note 8D. Material is defines as any component of seized property that represents more than 10 percent of the total value of seized property.

★5. Forfeited Property. Forfeited property (normally not applicable for DoD reporting entities) consists of: (1) monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the government to satisfy a tax liability; and, (3) unclaimed and abandoned merchandise. If the forfeited assets will not be available to the entity to support its operations the amounts should be classified as a nonentity asset. Material portions of the amount reported on this line should be disclosed in Note 8E. Material is defines as any component of forfeited property that represents more than 10 percent of the total value of forfeited property.

★6. Goods Held Under Price Support and Stabilization Programs (not applicable for DoD reporting entities). These goods are referred to as commodities. Commodities are items of commerce or trade having an exchange value. They are acquired, held, sold, or otherwise disposed of to satisfy or help satisfy economic goals.

★7. Other Inventory and Related Property Required Information. In addition to the end of year inventory balances, reporting entities must provide the following supplemental information to the appropriate Defense Finance Accounting Service (DFAS) Center or the U.S. Army Corps of Engineers – Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

a. Beginning balance. The beginning balance is the FY 1998 ending balance for inventory, net.

b. Acquisitions. The dollar value of inventory purchases received during the reporting period.

c. Transfers in. The dollar value of inventory transfers in (without reimbursement) during the reporting period.

d. Sales. The dollar value of inventory sold during the reporting period.

e. Disposals. The dollar value of inventory disposals during the reporting period.

f. Transfers out. The dollar value of inventory transfers out (without reimbursement) during the reporting period.

g. Inventory revaluation. The dollar value of changes in inventory due to revaluation during the current period.

h. Prior period adjustment. The dollar value of changes in inventory due to revaluation to correct error(s) in prior year reporting.

i. Ending balance. The end of year inventory balance reported for the current period. This must agree with the total inventory net amount reported in Note 8A.

★8. OM&S Other Required Information. The reporting entity must provide the following OM&S additional information as supplemental schedules to the DFAS Center or the U.S. Army Corps of Engineers - Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

- a. Beginning balance. The beginning balance is the FY 1998 ending balance for OM&S, net.
- b. Acquisitions. The dollar value of OM&S purchases received during the reporting period.
- c. Transfers in. The dollar value of OM&S transferred in (without reimbursement) during the reporting period.
- d. Issuances. The dollar value of OM&S issued during the reporting period.
- e. Disposals. The dollar value of OM&S disposals during the reporting period.
- f. Transfers out. The dollar value of OM&S transfers out (without reimbursement) during the reporting period.
- g. OM&S revaluation. The dollar value of changes in OM&S due to revaluation during the current period.
- h. Prior period adjustment. The dollar value of changes in OM&S due to revaluation to correct error(s) in prior year reporting.
- i. Ending balance. The end of year OM&S balance reported for the current period. This ending balance must agree with the amount reported in Note 8.B.

★9. Stockpile Material and Other Required Information. The reporting entity must provide the following stockpile material data as supplemental information to the appropriate DFAS Center or the U.S. Army Corps of Engineers – Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

- a. Beginning balance. The beginning balance is the FY 1998 ending balance for stockpile, net.
- b. Acquisitions. The dollar value of stockpile purchases received during the reporting period.
- c. Transfers in. The dollar value of stockpile transfers in (without reimbursement) during the reporting period.
- d. Sales. The dollar value of stockpile sales during the reporting period.

e. Disposals. The dollar value of stockpile disposals during the reporting period.

f. Transfers out. The dollar value of stockpile transfers out (without reimbursement) during the reporting period.

g. Stockpile revaluation. The dollar value of changes in stockpile due to revaluation during the current period.

h. Prior period adjustment. The dollar value of changes in stockpile due to revaluation to correct error(s) in prior year reporting.

i. Ending balance. The end of year stockpile balance reported for the current period. This ending balance must agree with Note 8C.

G. General Property, Plant, and Equipment (PP&E), Net – Line 1.F. General PP&E is defined as any capitalizable PP&E used in providing goods and services; or in support of entity mission.

1. General PP&E Characteristics. General PP&E has one or more of the following characteristics:

a. It could be used for alternative purposes (e.g., by other federal programs, state or local governments, or nongovernmental entities) but is used to produce goods or services, or to support the mission of the entity, or

b. It is used in a significantly self-sustaining activity which finances its continuing cycle of operations through the collection of revenue (business-type activities), or

c. It is used by entities in activities whose costs can be compared to other entities performing similar activities.

2. WCF PP&E. For entities operating as business-type activities (WCF Activities), all PP&E used in the performance of their mission shall be categorized as general PP&E whether or not it meets the definition of other PP&E categories. This does not preclude WCF activities from reporting Heritage assets they own and that are not used in the performance of their mission. Land and land rights acquired for or in connection with general PP&E shall be included in general PP&E. The costs of software, whether developed by employees of the entity, off the shelf, or contractors, are considered internally-developed software costs and are capitalized if they meet DoD capitalization criteria. The expense associated with the use of general PP&E is calculated through the systematic and rational allocation of the cost, less its estimated salvage/residual value, over the estimated useful life of the general PP&E. This expense, known as depreciation, shall be recognized on all general PP&E, except land and land rights of unlimited duration.

★3. Real and Personal Property. General PP&E includes the amount of real and personal property, e.g., land, buildings, structures and facilities, construction in progress, software, equipment and related improvements that has been capitalized, net of accumulated depreciation, if any. Also, this line includes the value of all assets that meet the requirement for capital leases as described in SFFAS No. 6 and property owned by the reporting entity in the hands of the reporting entity or contractors. For example, include in this line the value of real and personal property used by the Defense WCF in its operations but under the jurisdiction of the Military Departments. The elements of PP&E, as well as information regarding depreciation practices, if any, shall be disclosed in Note 9. Do not include the value of property held but not in use; these assets are to be included in line 1.G., “Other Assets.” Examples of property held but not in use are Base Realignment and Closure (BRAC) sites once identified and assets awaiting disposal.

★4. Multi-Use Heritage Assets. National Defense PP&E, heritage assets, and stewardship land are categories of PP&E which are not reported on the balance sheet, with one exception. As recommended by Statement of Recommended Accounting Standards (SRAS) No. 16, the cost of acquiring, bettering, and reconstructing all multi-use heritage assets, those heritage assets used predominately in general government operations, shall be capitalized as General PP&E. As such, these costs will be included in the appropriate major class of General PP&E for accounting and reporting purposes and depreciated over their useful lives. In addition, an explanation will be made in Note 9 that physical quantity information for multi-use heritage assets is included in supplemental stewardship reporting for heritage assets.

★5. General PP&E and Other Required Information. The reporting entity must provide the following General PP&E data as supplemental information to the appropriate DFAS Center or the U.S. Army Corps of Engineers – Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

a. Beginning balance. The beginning balance is the FY 1998 ending balance for General PP&E.

b. Acquisitions. The dollar value of General PP&E purchases received during the reporting period.

c. Transfers in. The dollar value of General PP&E transfers in (without reimbursement) during the reporting period.

d. Sales. The dollar value of General PP&E sold during the reporting period.

e. Disposals. The dollar value of General PP&E disposals during the reporting period.

f. Transfers out. The dollar value of General PP&E transfers out (without reimbursement) during the reporting period.

g. General PP&E revaluation. The dollar value of changes in General PP&E due to revaluation during the current period.

h. Prior period adjustment. The dollar value of changes in General PP&E due to revaluation to correct error(s) in prior year reporting.

i. Ending balance. The end of year General PP&E balance reported for the current period. The ending balance for each major asset class must agree with Note 9 information.

★6. General PP&E Depreciation and Other Required Information. The reporting entity must provide the following General PP&E depreciation data as supplemental information to the appropriate DFAS Center or the U.S. Army Corps of Engineers – Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

a. Beginning balance. The beginning balance is the FY 1998 ending balance for depreciation of General PP&E.

b. Addition of current year depreciation. The dollar value of depreciation expense for General PP&E for the reporting period.

c. Reductions to Accumulated Depreciation. The amount of accumulated depreciation removed due to sales, disposals, or transfers out of General PP&E.

d. Revaluation. The dollar value of changes to General PP&E depreciation due to revaluation and depreciation policy changes during the current period.

e. Prior period adjustment. The dollar value of changes in General PP&E depreciation due to revaluation to correct error(s) in prior year reporting.

f. Ending balance. The end of year General PP&E depreciation balance reported for the current period. The ending balance for each major asset class must agree with Note 9 information.

★H. Other Assets – Line 1.G. Include on this line those entity assets that are not classified as intragovernmental and are not included on the lines above. If any of the components of other entity assets represent more than 10 percent of the value of the line, those components should be separately disclosed in Note 5 Section A or C. Include advances and prepayments in this line. This represents the values of all advances and prepayments made to nonfederal entities. Include on this line the value of outstanding civilian and military pay and travel advances. Also, include on this line the value of outstanding progress payments made to contractors under fixed price contracts. The only exception is for progress payments based on the percentage of completion (normally limited to military construction). The value of outstanding progress payments based on the percentage of completion is to be reported on the

PP&E line and disclosed in the PP&E Note 9. Advances are cash outlays made by a federal entity to cover certain periodic expenses before those expenses are incurred.

I. Total Entity Assets – Line 1.H. The sum of lines 1.A.5. through 1.G.

040204. Line Instructions for the Preparation of the Nonentity Asset Section of the Balance Sheet. These are assets that are held by an entity but are not available to the entity. In addition to the narrative below see the general ledger crosswalk in paragraph 0403 for a description of the accounts and attributes applicable to each line item.

A. Intragovernmental. Intragovernmental nonentity assets are claims of a federal entity against other federal entities. These are amounts which, when collected cannot be spent by the reporting entity.

★1. FBWT – Line 2.A.1. To the extent that the reporting entity maintains balances in deposit, receipt, suspense, and clearing accounts, that are not available to finance the entity's activities, those balances should be reported on line 2.A.1. as nonentity assets. Additional information regarding FBWT shall be disclosed in Note 2.

★2. Accounts Receivable, Net – Line 2.A.2. This item represents amounts due from other federal entities. Include on this line any amounts of accounts receivable that were established under accounts that are cancelled, including cancelled accounts for which Treasury is accepting adjustments. These receivables are not available to the reporting activity. Additional information regarding accounts receivable, including those in cancelled accounts, shall be disclosed in Note 4. Intragovernmental accounts receivable are impacted by eliminations, see Chapter 13 of this Volume.

3. Other Assets – Line 2.A.3. Include on this line those nonentity intragovernmental assets not included on above lines. The components shall be disclosed in Note 5. If any component of this line represents more than 10 percent of the value of the line those components should be separately disclosed.

B. Total Intragovernmental Line 2.A.4. The sum of lines 2.A.1. through 2.A.3.

★C. Accounts Receivable, Net – Line 2.B. This item represents amounts due from nonfederal entities, net of an allowance for estimated uncollectible amounts. Additional information regarding accounts receivable shall be disclosed in Note 4. Include on this line any amounts of accounts receivable that were established under accounts that are cancelled, including cancelled accounts for which Treasury is accepting adjustments. Also, include on line 2.B. interest receivable from nonfederal entities which, when collected, cannot be used by the reporting entity in its operations. No interest should be recognized as revenue on accounts receivable or investments that are determined to be uncollectible unless the interest is actually collected. However, until the interest payment requirement is officially waived by the government entity or the related debt is written off, interest accrued on uncollectible accounts

receivable and an offsetting allowance for uncollectible interest receivable should be disclosed. See Appendix B of this Volume for the reconciliation requirements.

★D. Cash and Other Monetary Assets – Line 2.C. This line includes the total of all cash resources and all other monetary assets not available to the entity. Cash consists of: (1) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; (2) amounts on demand deposit with banks or other financial institutions; and (3) foreign currencies, which, for accounting purposes, should be translated into U.S. dollars at the exchange rate on the financial statement date. “Other Monetary Assets” include gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. The amount of Cash and Other Monetary Assets that the reporting entity holds and is authorized to spend is entity cash. The assets under this category that a federal entity collects and holds on behalf of the U.S. Government or other entities is nonentity cash and other monetary assets and is not available to the collecting entity. Include on this line the DoD disbursing officer cash reported on SF 1219, Statement of Accountability. Also, include the liability to Treasury for pecuniary liability in other liabilities covered by budgetary resources (line 4.A.4. Other Liabilities). The components of Cash and Other Monetary Assets shall be disclosed in Note 7.

★E. Other Assets – Line 2.D. Include on this line those Other Nonentity Assets that are classified as non-federal that are not included on the lines above. An example of a non-entity other asset (with the public) is advance pool agreements made with nonprofit educational or research institutions. These are reported on the SF 1219, Statement of Accountability. If any component of other nonentity assets represents more than 10 percent of the value of the line, those components should be separately disclosed in Note 5C Section A or C.

F. Total Nonentity Assets – Line 2.E. Sum of lines 2.A.4. through 2.D.

G. Total Assets – Line 3. Sum of lines 1.H. and 2.E.

040205. General Instructions for the Preparation of the Liabilities Section of the Balance Sheet. In addition to the narrative below see the general ledger crosswalk in paragraph No. 0403 for a description of the accounts and attributes applicable to each line item.

★A. Definition. A liability is a probable future outflow or other sacrifice of resources as a result of past transactions or events. Financial statements shall report probable and measurable future outflows or other sacrifices of resources arising from: (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date. The concept of a liability includes not only those liabilities routinely recurring in normal operations, such as accounts payable, but also includes contingent liabilities, those liabilities resulting from an existing condition that involves uncertainty as to possible loss.

★B. Liability Recognition. Liabilities resulting from normal operation are to be recognized (included on one of the liability lines in the balance sheet) when they are incurred. Contingent liabilities should be recognized when a past event or exchange transaction has occurred that results in a probable, measurable future outflow of resources. If a specific amount of the contingent liability can not be reasonably estimated, but a range of amounts can, the contingent liability should still be recognized. If some amount within the range is a better estimate than any other amount within the range, then that amount should be recognized. If no amount within the range is a better estimate than any other amount, then the minimum amount of the range should be recognized and the range disclosed in Note 13. A contingent liability that results from a past event or exchange transaction that results in a reasonably possible, measurable future outflow of resources should be disclosed in Note 13.

★C. Covered vs. Not Covered By Budgetary Resources. Liabilities are to be recognized regardless of whether they are covered by available budgetary resources. This includes liabilities related to canceled appropriations. Include liabilities as covered by budgetary resources to the extent of (1) realized budgetary resources existing at the balance sheet date, and (2) unrealized resources available in the future, such as permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the balance sheet date, provided that the unrealized resources may be apportioned by Office of Management and Budget (OMB) without further action by the Congress or without a contingency having to be met first. Disclose the nature of unrealized future resources used as the basis for classifying liabilities as covered by budgetary resources. Liabilities of federal agencies are classified as liabilities covered or not covered by budgetary resources. Intragovernmental liabilities are separately identified within each classification. The nature of the liabilities described below shall determine within which of the categories the liabilities should be classified. As illustrated in the model balance sheet, many of these liabilities have amounts that fall into more than one category and should be classified accordingly.

★D. Other Liabilities. This item covers liabilities that are not identified as separate lines on the balance sheet. This includes (but is not limited to): advances and prepayments for goods to be delivered or services to be performed, deposit fund amounts held in escrow, liabilities related to ongoing continuous expenses such as employees' salary and benefits, accrued entitlement benefits, and accrued employee annual leave. Also included are amounts payable by the federal entity for benefits, goods or services provided under the terms of a program, as of the federal entity's reporting date, whether or not such amounts have been reported to the federal entity (e.g., estimated payments due to health providers for services that have been rendered and that will be financed by the federal entity but have not yet been reported to the federal entity). This item also covers estimated losses for claims or other contingencies if: (1) a past event or exchange transaction has occurred (e.g., a federal entity has breached a contract with a nonfederal entity) as of the date of the statements, (2) a future outflow or other sacrifice of resources is probable, and (3) the future outflow or sacrifice of resources is measurable (i.e., the amount can be reasonably estimated). Material portions of the amount reported on this line should be disclosed in Note 13. Material is defined as any component of other liabilities that represents more than 10 percent of the total value of the line.

★040206. Instructions for the Preparation of the Liabilities Covered by Budgetary Resources Section of the Balance Sheet. Include on this line liabilities incurred which are covered by available budgetary resources as of the reporting date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority; (2) spending authority from offsetting collections (credited to an appropriation or fund account); (3) recoveries of unexpired budget authority through downward adjustments of prior year obligations; (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the balance sheet date, provided that the resources may be apportioned by the OMB without further action by the Congress or without a contingency having to be met first; and (6) liabilities supported by offsetting nonentity assets, such as Disbursing Officer cash.

A. Intragovernmental. These liabilities arise from transactions among federal entities. Intragovernmental liabilities are claims against the entity by other federal entities.

★1. Accounts Payable – Line 4.A.1. The amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other federal entities. Report interest payable as a component of the appropriate liability. Interest payable under the Prompt Payment Act must also be reported on this line. See Appendix B of this Volume for the reconciliation requirements. Intragovernmental accounts payable are impacted by eliminations, see Chapter 13 of this Volume.

2. Debt – Line 4.A.2. This item represents the amounts of borrowings from the U.S. Treasury, the Federal Financing Bank, or other federal agencies. The elements of debt shall be disclosed in Note 11.

★3. Environmental Liabilities – Line 4.A.3. Record cleanup costs as the costs of removing, containing, and/or disposing of (1) hazardous waste from property, or (2) material and/or property that consists of hazardous waste at a permanent or temporary closure or shutdown of associated PP&E as intragovernmental if it is known that the reporting entity will be billed by another federal entity for the cost of the clean up. The elements of environmental liabilities shall be disclosed in Note 12. In addition, reporting entities must provide the following supplemental information for environmental liabilities to the appropriate DFAS Center or the U.S. Army Corps of Engineers – Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

a. Beginning balance. The beginning balance is the FY 1998 ending balance for environmental liabilities, net.

b. Additions. The dollar value of increases to the estimate of environmental liabilities during the reporting period.

c. Deletions. The dollar value of payments for environmental liabilities during the reporting period.

d. Revaluation. The dollar value of changes in environmental liabilities due to revaluation, including policy changes, during the current period.

e. Prior period adjustment. The dollar value of changes in environmental liabilities due to revaluation to correct error(s) in prior year reporting.

f. Ending balance. The end of year environmental liabilities balance reported for the current period. This must agree with the total environmental liabilities, net amount reported in Note 12.

g. Current liability. Identify amount to be paid in next fiscal year.

★4. Other Liabilities – Line 4.A.4. This item represents other liabilities that are not recognized in specific categories. Include on this line the total amount due the federal entities for other liabilities covered by budgetary authority that are not included on other lines above. This includes (but not limited to): deferred credits, advances and prepayments received from other federal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, and capital leases. Note 13 should be used to separately report the current portion of other intragovernmental liabilities. Current liabilities represent amounts owed by a federal entity which need to be paid within the fiscal year following the reporting date. Further disclosure may be appropriate for separate categories within other intragovernmental liabilities and other current intragovernmental liabilities if the amounts are material. Include on this line the pecuniary liability to Treasury for the DoD disbursing officer cash reported on SF 1219, Statement of Accountability. The cash accountability asset is reported on line 2.C. Material amounts are defined as any component of the other liabilities line that represents more than 10 percent of the value of the line.

B. Total Intragovernmental – Line 4.A.5. The sum of lines 4.A.1. through 4.A.4.

★C. Accounts Payable – Line 4.B. The amounts owed by the reporting entity for goods and services received from, progress in contract performance made by, and rents due to nonfederal entities. Report interest payable as a component of the appropriate liability. Include accrued interest payable under the Prompt Payment Act. See Appendix B of this Volume for the reconciliation requirements.

★D. Military Retirement Benefits and Other Employment Related Actuarial Liabilities – Line 4.C. Entities that are responsible for the administration for pensions, other retirement benefits, and other postemployment benefits should calculate and report these liabilities and related expenses. The major assumptions used to derive the present value calculations for the actuarial liabilities not covered by budgetary resources (including the related net assets, if any) shall be disclosed in Note 14. Disclose the liabilities, assumptions used, and

the components of expense for the period for pensions, other retirement benefits, and other postemployment benefits. This line is applicable in the DoD to the Military Retirement Trust Fund, retired military health benefits, and other employment related actuarial liabilities for civilian and military personnel.

★1. Military Retirement Benefits. This line is used to report the estimated present value projected for agency administered pension, health insurance and similar plan costs requiring actuarial determinations of the projected plan benefits (less net assets, if any) based on: (a) service to date, (b) occurrences to date, and/or (c) amounts earned or accrued to date.

★2. Other Retirement Benefits (ORB). The ORB liabilities for post employment health and life insurance benefits must also be recognized. The health care ORB projection for military retirees will be reported on Other Defense Agency balance sheet. ORB includes:

★a. Voluntary Separation Incentive Program. The Voluntary Separation Incentive Program is used to accumulate funds to finance, on an actuarially sound basis, the liabilities of DoD incurred under this program. This program covers costs, including the salary and benefits, for qualified military personnel who opt for early retirement.

★b. DoD Education Benefits Fund. The DoD Education Benefits Fund is designed to accumulate funds for the Educational Assistance program. This program promotes the recruitment and retention of members for the All-Volunteer Forces program and the Total Force Concept of the Armed Forces and aids in the readjustment of members of the Armed Forces to civilian life after separation from military service.

★E. Environmental Liabilities – Line 4.D. Report cleanup costs--costs of removing, containing, and/or disposing of (1) hazardous waste from property, or (2) material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E as nonfederal if at the balance sheet date it is not known who will conduct the clean up or if the reporting entity will be billed by a contractor for the cost of the cleanup. The SFFAS No. 5 provides criteria for recognizing a contingent liability and shall be applied to determine if cleanup costs should be recognized as liabilities and/or disclosed in the notes. The SFFAS No. 6 supplements the liability standard by providing guidance for recording cleanup costs related to general PP&E and stewardship assets used in Federal operations. The guidance applies to cleanup costs from Federal operations known to result in hazardous waste which the federal government is required by Federal, State and/or local statutes and/or regulations to cleanup. The elements of environmental cleanup shall be disclosed in Note 12. In addition, reporting entities must provide the following supplemental information for environmental liabilities to the appropriate DFAS Center or the U.S. Army Corps of Engineers – Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

1. Beginning balance. The beginning balance is the FY 1998 ending balance for environmental liabilities, net.
2. Additions. The dollar value of increases to the estimate of environmental liabilities during the reporting period.
3. Deletions. The dollar value of payments for environmental liabilities during the reporting period.
4. Revaluation. The dollar value of changes in environmental liabilities due to revaluation, including policy changes, during the current period.
5. Prior period adjustment. The dollar value of changes in environmental liabilities due to revaluation to correct error(s) in prior year reporting.
6. Ending balance. The end of year environmental liabilities balance reported for the current period. This must agree with the total environmental liabilities net amount reported in Note 12.
7. Current liability. Identify amount to be paid in next fiscal year.

F. Other Liabilities – Line 4.E. Include in this line the total amount due to the public for other liabilities covered by budgetary authority that are not included on other lines above. This includes (but not limited to): deferred credits, accrued entitlement benefits, capital leases advances and prepayments received from other nonfederal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, estimated losses for commitments and contingencies if (a) information available before the statements are issued indicates an asset probably has been impaired or a liability incurred as of the date of the statements and (b) the amount can be reasonably estimated as a specific amount or range of amounts. Any component of this line that represents more than 10 percent of the value of the line shall be separately disclosed in Note 13.

1. Accrued Entitlement Benefits. Accrued entitlements include: (1) salaries and wages which represents the estimated liability for salaries and wages of civilian personnel that have been earned, but are unpaid, and the estimated military personnel funded compensation earned, but unpaid, as of the end of the current accounting month; (2) annual accrued leave which represents the funded accrued leave for civilians and military personnel that has been earned and are expected to be paid in the future; (3) severance pay and separation allowance which represents the funded severance pay and separation allowances for civilians and military personnel that has been earned and are expected to be paid in the future and (4) include in the Military Retirement Trust Fund the accrued entitlement benefits for military retirees and survivors.
2. Estimated Losses for Commitments and Contingencies. Examples of commitments and contingencies for which the estimated losses, if funded, would be reported

on this line are: (1) indemnity agreements, i.e., reimbursements due to licensees or contractors for losses incurred in support of government activities; (2) nonadjudicated claims, i.e., claims against the government that are in the process of judicial proceedings; and (3) commitments to international institutions, i.e., payments due to international financial institutions.

★3. Current vs. Noncurrent Portion. Note 13 should be used to separately report the current portion of other intragovernmental liabilities and the noncurrent portion. Further disclosure may be appropriate for separate categories within other liabilities, if the amounts are material. Material is defined as any component of the line that represents more than 10 percent of the value of the line.

4. Loan Guarantees. Include liabilities for loan guarantees. For post-1991 loan guarantees, the present value of the estimated net cash flows to be paid as a result of loan guarantees. For pre-1992 loan guarantees, the amount of known and estimated losses to be payable.

5. Capital Leases. The liability for capital leases which is covered by budgetary authority. (Capital leases entered into prior to FY 1992 and lease purchases prior to FY 1991 were funded on a fiscal year basis; capital leases and lease purchases entered into during FY 1992 and thereafter must be fully funded in the first year of the lease, see Appendix B OMB Circular A-11.) The components of and other information about the capital lease liability shall be disclosed in Note 13.

★6. Other Required Information for Other Liabilities. Reporting entities must provide the following supplemental information for Temporary Early Retirement Authority (TERA) to the appropriate DFAS Center or the U.S. Army Corps of Engineers – Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

a. Beginning balance. The beginning balance is the FY 1998 ending balance for TERA liabilities.

b. Additions. The dollar value of increases to the estimate of TERA liabilities during the reporting period.

c. Reductions. The dollar value of payments for TERA liabilities during the reporting period.

d. Revaluation. The dollar value of changes in TERA liabilities due to revaluation, including policy changes, during the current period.

e. Prior period adjustment. The dollar value of changes in TERA liabilities due to revaluation to correct error(s) in prior year reporting.

f. Ending balance. The end of year TERA liabilities balance reported for the current period. This must agree with the total TERA liabilities net amount reported in Note 13 (TERA line).

g. Current liability. Identify the amount to be paid in next fiscal year.

G. Total Liabilities Covered by Budgetary Resources – Line 4.F. Sum of line items 4.A.5. through 4.E.

040207. Instructions for the Preparation of the Liabilities Not Covered by Budgetary Resources Reported on the Balance Sheet. This category is for liabilities which are not considered to be covered by budgetary resources, as provided in the previous paragraphs.

A. Intragovernmental. These liabilities arise from transactions among federal entities. Intragovernmental liabilities are claims against the entity by other federal entities.

★1. Accounts Payable – Line 5.A.1. The amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other federal entities. These amounts are not covered by available appropriations. Include on this line any amounts of accounts payable that were established under accounts that are now cancelled, including cancelled accounts for which Treasury is accepting adjustments, and are expected to be paid during the fiscal year immediately following the reporting period. See Appendix B for the required reconciliation for this line. Intragovernmental accounts payable are impacted by eliminations, see Chapter 13 of this Volume.

2. Debt – Line 5.A.2. This line is used to report debt issued to other federal agencies under general or special financing authority. The components of debt shall be disclosed in Note 11.

★3. Environmental Liabilities – Line 5.A.3. Report cleanup costs as the costs of removing, containing, and/or disposing of (1) hazardous waste from property, or (2) material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E as intragovernmental if it is known that the reporting entity will be billed by another federal entity for the cost of the clean up. The elements of environmental cleanup shall be disclosed in Note 12. In addition, reporting entities must provide the following supplemental information for environmental liabilities to the appropriate DFAS Center or the U.S. Army Corps of Engineers – Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

a. Beginning Balance. The beginning balance is the FY 1998 ending balance for environmental liabilities, net.

b. Additions. The dollar value of increases to the estimate of environmental liabilities during the period.

c. Deletions. The dollar value of payments for environmental liabilities during the reporting period.

d. Revaluation. The dollar value of changes in environmental liabilities, due to revaluation, including policy changes, during the current period.

e. Prior Period Adjustment. The dollar value of changes in environmental liabilities due to revaluation to correct error(s) in prior year reporting.

f. Ending Balance. The end of the year environmental liabilities balance reported for the current period. This must agree with the total environmental liabilities net amount reported in Note 12.

g. Current Liability. Identify amount to be paid in the next fiscal year.

4. Other Intragovernmental Liabilities – Line 5.A.4. This item represents other liabilities that are not recognized in specific categories. Include in this line the total amount due federal agencies for other liabilities not covered by budgetary authority that are not included on other lines above. This also includes appropriations available for definite periods which have been closed under provisions of 31 U.S.C. 1552 and appropriations available for indefinite periods which have been closed under provisions of 31 U.S.C. 1555, and are not expected to be paid during the fiscal year immediately following cancellation. Note 13 should be used to separately report the current portion of other intragovernmental liabilities. Current liabilities represent amounts owed by a federal entity which need to be paid within the fiscal year following the reporting date. Further disclosure may be appropriate for separate categories within other intragovernmental liabilities and other current intragovernmental liabilities if the amounts are material. Material is defined as any component of the line that represents more than 10 percent of the value of the line.

B. Total Intragovernmental – Line 5.A.5. The sum of lines 5.A.1. through 5.A.4.

★C. Accounts Payable – Line 5.B. The amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to the public. These amounts due are not covered by available budgetary resources. Include on this line any amounts of accounts payable that were established under accounts that are now cancelled, including cancelled accounts for which Treasury is accepting adjustments, and are expected to be paid during the fiscal year immediately following the reporting period. See Appendix B of this Volume for the reconciliation requirements.

★D. Military Retirement Benefits and Other Employment Related Actuarial Liabilities – Line 5.C. Entities that are responsible for the administration for pensions, other retirement benefits, and other postemployment benefits should calculate and report these liabilities and related expenses. The major assumptions used to derive the present value

calculations for the actuarial liabilities not covered by budgetary resources (including the related net assets, if any) shall be disclosed in Note 14. Disclose the liabilities, assumptions used, and the components of expense for the period for pensions, other retirement benefits, and other postemployment benefits.

★1. Military Retirement Benefits. This line is applicable in the DoD to the Military Retirement Trust Fund, retired military health benefits, and other employment related actuarial liabilities for civilian and military personnel. This line is used to report the estimated present value projected for agency administered pension, health insurance and similar plan costs requiring actuarial determinations of the projected plan benefits (less net assets, if any) based on: (a) service to date, (b) occurrences to date, and/or (c) amounts earned or accrued to date.

★2. Workman's Compensation (FECA) Liability Entries. Workman's compensation is a benefit coverage for death, disability, medical, and miscellaneous cost for approved cases of on the job incidents. Workman's compensation claims are submitted to and approved by the Department of Labor (DoL). DoL pays the claim holders. DoL then prepares a chargeback billing to the responsible Agencies. DFAS-KC Agency Reconciliation Branch receives a summary DoD chargeback bill. P.L. 93-416, Section 8147 (the FECA law) essentially gives Agencies two years to pay this chargeback bill, allowing time for the amount for the amount to be included in their budgets. Therefore, there should be an unfunded liability in the CFO Statements for these two years, which may be split into current for the portion to be paid in the following year. Under the FECA law once funding is received, it should be paid within 30 days. If DoD still has some amounts outstanding, these amounts should be reflected as a funded liability and an explanation is required.

★3. Other Retirement Benefits. The ORB liabilities for post employment health and life insurance benefits must also be recognized. The health care ORB projection for military retirees will be reported on Other Defense Agency balance sheet. ORB includes:

★a. Voluntary Separation Incentive Program. The Voluntary Separation Incentive Program is used to accumulate funds to finance, on an actuarially sound basis, the liabilities of DoD incurred under this program. This program covers costs, including the salary and benefits, for qualified military personnel who opt for early retirement.

★b. DoD Education Benefits Fund. The Education Benefits Fund is designed to accumulate funds for the Educational Assistance program. This program promotes the recruitment and retention of members for the All-Volunteer Forces program and the Total Force Concept of the Armed Forces and aids in the readjustment of members of the Armed Forces to civilian life after separation from military service.

★E. Environmental Liabilities – Line 5.D. Report cleanup costs--costs of removing, containing, and/or disposing of (1) hazardous waste from property, or (2) material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E as nonfederal if at the balance sheet date it is not know who will conduct the

clean up or if the reporting entity will be billed by a contractor for the cost of the cleanup. The elements of environmental cleanup shall be disclosed in Note 12. In addition, reporting entities must provide the following supplemental information for environmental liabilities to the appropriate DFAS Center or the U.S. Army Corps of Engineers – Finance Center. These are supporting schedules used by the finance centers when they prepare the financial statements.

1. Beginning balance. The beginning balance is the FY 1998 ending balance for environmental liabilities, net.

2. Additions. The dollar value of increases to the estimate of environmental liabilities during the reporting period.

3. Deletions. The dollar value of payments for environmental liabilities during the reporting period.

4. Revaluation. The dollar value of changes in environmental liabilities due to revaluation, including policy changes, during the current period.

5. Prior period adjustment. The dollar value of changes in environmental liabilities due to revaluation to correct error(s) in prior year reporting.

6. Ending balance. The end of year environmental liabilities balance reported for the current period. This must agree with the total environmental liabilities net amount reported in Note 12.

7. Current liability. Identify amount to be paid in next fiscal year.

★F. Other Liabilities – Line 5.E. Include in this line the total amount due the public for other liabilities not covered and not included on other lines above. This includes (but not limited to): (1) deferred credits, (2) deposit funds held in escrow, (3) advances and prepayments received from the public, (4) other liabilities originally chargeable to appropriations cancelled under Public Law 101-510, “National Defense Authorization Act for Fiscal Year 1991,” and (5) the amount of employee accrued annual leave, i.e., earned but not used, that would be funded and paid from future years’ appropriations. Also included here are estimated losses for commitments and contingencies if (a) information available before the statements are issued indicates an asset probably has been impaired or a liability incurred as of the date of the statements, and (b) the amount can be reasonably estimated as a specific amount or range of amounts. Any component of this line that represents more than 10 percent of the value of this line shall be separately disclosed in Note 13.

★1. Estimated Losses for Commitments and Contingencies. Examples of commitments and contingencies for which the estimated losses would be reported on this line are: (1) insurance payments due for losses resulting from bank failures, crop failures, floods, expropriations, loss of life, and similar unplanned events; (2) indemnity agreements, i.e., reimbursements due to licensees or contractors for losses incurred in support of government

activities; (3) nonadjudicated claims, i.e., claims against the Government that are in the process of judicial proceedings.

★2. Current Portion. Note 13 should be used to separately report the current portion of other governmental liabilities.

★3. Capital Leases. The portion of the liability for capital leases for which budgetary resources may be provided over the future years of the lease. This principally applies to capital leases entered into before FY 1992, and lease purchases prior to FY 1991. (Capital leases entered into prior to FY 1992 and lease purchases prior to FY 1991 were funded on a fiscal year basis; capital leases and lease purchases entered into during FY 1992 and thereafter must be fully funded in the first year of the lease, see Appendix B of OMB Circular A-11.) The elements of, and other information about, the capital lease liability shall be disclosed in Note 13.

★4. Disclosure Requirements. Further disclosure may be appropriate for separate categories within other liabilities, if the amounts of the components represent more than 10 percent of the Other Liabilities line item on the financial statements.

★5. Other Required Information for Other Liabilities. The following represent examples of the types of liabilities included in this line:

a. Annual Accrued Leave. Represents the unfunded accrued leave for civilians and military personnel that has been earned and are expected to be paid in the future.

b. Commitments to International Institutions. Represents the unfunded payments due to international financial institutions.

G. Total Liabilities Not Covered by Budgetary Resources – Line 5.F. Sum of lines 5.A.5. through 5.E.

H. Total Liabilities – Line 6. Sum of lines 4.F. and 5.F., above.

040208. Instructions for the Preparation of the Net Position Section of the Balance Sheet. The components of net position are classified as follows:

A. Unexpended Appropriations – Line 7. This amount includes the portion of the entity's appropriations represented by undelivered orders (net of unfilled orders) and unobligated balances. The amounts of undelivered orders, unobligated balances available, and unobligated balances unavailable shall be disclosed in Note 15.

B. Cumulative Results of Operations – Line 8. The net results of operations since inception plus the cumulative amount of prior period adjustments. Beginning in FY 1998, this will include the cumulative amount of donations and transfers of assets in and out without

reimbursement. In addition, there will no longer be a segregation of cumulative amounts related to investments in capitalized assets, such as PP&E, or precredit reform loans, or a separate negative amount shown for future funding requirements. These amounts shall be included in cumulative results of operations. Additional information and disclosures relating to Cumulative Results of Operations shall be disclosed in Note 15.

- C. Total Net Position – Line 9. Sum of lines 7 and 8.
- D. Total Liabilities and Net Position – Line 10. Sum of lines 6 and 9, above.

0403 GENERAL LEDGER CROSSWALK FOR THE BALANCE SHEET

★040301. Consolidated statements must eliminate the effect of intra entity transactions. A procedure used to standardize the approach is the use of Treasury Index (TI) and the DoD elimination attribute (TI+D) codes listed in Tables 4-2 and 4-3. Each general ledger account with intra DoD and intra-federal government transactions must be identified and therefore disaggregated. For example: If the Army Working Capital Fund has \$200 million in intragovernmental account receivable (A/R), then 100 percent of the \$200 million of A/R must be disaggregated by the codes in Tables 4-2 and 4-3. An example of the disaggregation follows: a \$50 million A/R with a TI attribute of 80, a \$50 million A/R with a TI+D of 97-4930.003, and a \$100 million A/R with a TI of 21.

★040302. Table 4-1, below, provides the U. S. Government Standard General Ledger (USGSGL) crosswalk for each report line. The following provides an explanation of the information included in the columns of the crosswalk (all ending balances are postclosing balances):

- A. Column (1) represents the line number on the balance sheet.
- B. Column (2) identifies the title of the line number on the balance sheet.
- C. Column (3) reflects the USGSGL account numbers included on each line of the balance sheet.
- D. Column (4) identifies the title of the general ledger account.
- E. Column (5) uses the Treasury Financial Management Service (FMS) coding to identify entity assets and liabilities (E = Entity, O = Nonentity).
- F. Column (6) uses the Treasury Financial Manual (TFM) coding to identify the breakout of assets and liabilities depending upon whether or not they relate to other federal entities. Governmental (G) indicates assets and liabilities arising from transactions with other federal entities. Non-Governmental (N) indicates assets and liabilities arising from transactions with the public.
- G. Column (7) uses the Treasury Financial Management Service coding to identify the breakout of funded or unfunded accounts (F = Funded, U = Unfunded).

H. Column (8) is used to identify additional requirements for breakout of accounts to the line, for Federal Agencies' Centralized Trial Balance System reporting and reconciliation requirements, and for other instructions specific to the General Ledger Account Code.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund./Ufnd.	Additional Detail Required
1.	Entity Assets						
1.A.	Intragovernmental						
1.A.1.	Fund Balance With Treasury	1010	Fund Balance with Treasury	E	G		
★1.A. 2.	Investments, Net	1340	Interest, Penalty, and Administrative Fees Receivable	E	G		Related to investments. Report interestreceivable as a component of the appropriate asset accounts.
★		1610	Investments in U.S. Treasury Securities Issued by Public Debt	E	G		
★		1611	Discount on U.S. Securities Issued by Public Debt	E	G		
★		1612	Premium on U.S. Securities Issued by Public Debt	E	G		

Table 4-1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund. /Ufnd.	Additional Detail Required
★1.A. 2	Investments (Cont.)	1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Public Debt	E	G		
		1620	Investments in Securities Other Than Public Debt Securities	E	G		
		1621	Discount on Securities Other Than Public Debt Securities	E	G		
★		1622	Premium on Securities Other Than Public Debt Securities	E	G		
★		1623	Amortization of Discount and Premium on Securities Other Than Public Debt Securities	E	G		
		1690	Other Investments	E	G		
1.A.3.	Accounts Receivable	1310	Accounts Receivable	E	G		See table 4-2
		1330	Receivable for Allocation Transfers	E	G		
★		1340	Interest, Penalty, and Administrative Fees Receivable	E	G		
★1.A. 4.	Other Assets	1340	Interest, Penalty and Administrative Fees Receivable	E	G		Related to loans receivable.

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund./Ufnd.	Additional Detail Required
★1.A. 4.	Other Assets (Cont.)	1350	Loans Receivable	E	G		Do not use without permission from Treasury/OMB.
		1410	Advances to Others	E	G		
		1450	Prepayments	E	G		
		1920	Unrequisitioned Authorized Appropriations	E	G		
		1921	Receivable from Appropriations	E	G		
		1922	Borrowings Receivable from Treasury	E	G		
		1990	Other Assets	E	G		
1.A.5.	Total Intragovernmental		Calculation (Lines 1.A.1 through 1.A.4.)				
★1.B. ★	Accounts Receivable, Net	1310	Accounts Receivable	E	N		Other than taxes receivable.
		1319	Allowance for Loss on Accounts Receivable	E	N		Other than taxes receivable.
		1340	Interest, Penalty, and Administrative Fees Receivable	E	N		Other than loans. Report interest receivable as a component of the appropriate asset accounts. Related to Accounts Receivables.

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund. /Ufnd.	Additional Detail Required
1.B.	Accounts Receivable, Net (Cont.)	1349	Allowance for Loss on Interest Receivable	E	N		Other than loans. Related to Accounts Receivables.
★1.C.	Loans Receivable and Related Foreclosed Property, Net	1340	Interest, Penalty, and Administrative Fees Receivable	E	N		Related to loans. Report interest receivable as a component of the appropriate asset accounts. Related to loans.
		1349	Allowance for Loss on Interest Receivable	E	N		
		1350	Loans Receivable	E	N		
		1359	Allowance for Loss on Loans Receivable	E	N		
		1399	Allowance for Subsidy	E	N		
		1551	Foreclosed Property	E	N		
		1559	Foreclosed Property - Allowance	E	N		
1.D.	Cash and Other Monetary Assets	1110	Undeposited Collections	E	N		
★		1120	Imprest Funds	E	N		
		1130	Funds Held by the Public	E	N		
		1190	Other Cash	E	N		
		1195	Other Monetary Assets	E	N		
		1200	Foreign Currency	E	N		
1.E.	Inventory and Related Property, Net	1511	OM&S Held for Use	E	N		
		1512	OM&S Held in Reserve for Future Use	E	N		
		1513	OM&S – Excess, Unserviceable and Obsolete	E	N		

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund. /Ufnd.	Additional Detail Required
1.E. ★ ★ ★	Inventory and Related Property, Net (Cont.)	1521	Inventory Purchased for Resale	E	N		
		1522	Inventory Held in Reserve for Future Sale	E	N		
		1523	Inventory Held for Repair	E	N		
		1524	Inventory - Excess, Obsolete and Unserviceable	E	N		
		1525	Inventory – Raw Materials	E	N		
		1526	Inventory – Work in Process	E	N		
		1527	Inventory – Finished Goods	E	N		
		1529	Inventory - Allowance	E	N		
		1541	Forfeited Property Held for Sale	E	N		
		1542	Forfeited Property Held for Donation or Use	E	N		
		1549	Forfeited Property – Allowance	E	N		
		1561	Commodities Held Under Price Support and Stabilization Support Programs	E	N		
		1569	Commodities – Allowance	E	N		
		1571	Stockpile Materials Held in Reserve	E	N		
		1572	Stockpile Materials Held for Sale	E	N		
		1591	Other Related Property	E	N		
		1599	Other Related Property - Allowance	E	N		
1.F.	General Property, Plant and Equipment, Net	1711	Land and Land Rights	E	N		
		1712	Improvements to Land	E	N		
		1719	Accumulated Depreciation on Improvements to Land	E	N		
		1720	Construction in Progress	E	N		
		1730	Buildings, Improvements, and Renovations	E	N		

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund. /Ufnd.	Additional Detail Required
1.F.	General Property, Plant and Equipment, Net (Cont.)	1739	Accumulated Depreciation on Buildings, Improvements, and Renovations	E	N		
		1740	Other Structures and Facilities	E	N		
		1749	Accumulated Depreciation on Other Structures and Facilities	E	N		
		1750	Equipment	E	N		
		1759	Accumulated Depreciation on Equipment	E	N		
		1810	Assets Under Capital Lease	E	N		
		1819	Accumulated Depreciation on Assets Under Capital Lease	E	N		
		1820	Leasehold Improvements	E	N		
		1829	Accumulated Amortization on Leasehold Improvements	E	N		
		1830	Information Technology Software	E	N		
		1839	Accumulated Amortization on Information Technology Software	E	N		
★		1840	Other Natural Resources	E	N		
★		1849	Allowance for Depletion	E	N		
		1890	Other General Property, Plant, and Equipment	E	N		
1.G.	Other Assets	1410	Advances to Others	E	N		
		1450	Prepayments	E	N		
		1990	Other Assets	E	N		
★1H.	Total Entity Assets		Calculation (Lines 1.B. through 1.G.)				
2.	Nonentity Assets						
2.A.	Intragovernmental						

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund./Ufnd.	Additional Detail Required
2.A.1.	Fund Balance With Treasury	1010	Fund Balance with Treasury	O	G		
2.A.2.	Accounts Receivable	1310	Accounts Receivable	O	G		Other than taxes receivable.
★		1319	Allowance for Loss on Accounts Receivable	O	G		Other than taxes receivable.
★		1340	Interest, Penalty, and Administrative Fees Receivable	O	G		Report interest receivable as a component of the appropriate asset accounts.
★		1349	Allowance for Loss on Interest Receivable	O	G		Report interest receivable as a component of the appropriate asset accounts.
2.A.3.	Other Assets	1410	Advances to Others	O	G		
		1450	Prepayments	O	G		
		1990	Other Assets	O	G		
2.A.4.	Total Intragovernmental		Calculation (Lines 2.A.1. through 2.A.3.)				
2.B.	Accounts Receivable, Net	1310	Accounts Receivable	O	N		
		1319	Allowance for Loss on Accounts Receivable	O	N		

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund. /Ufnd.	Additional Detail Required
★2.B.	Accounts Receivable, Net (Cont.)	1340	Interest, Penalty, and Administrative Fees Receivable	O	N		Report interest receivable as a component of the appropriate asset accounts.
		1349	Allowance for Loss on Interest Receivable	O	N		
2.C.	Cash and Other Monetary Assets	1110	Undeposited Collections	O	N		
		1120	Imprest Funds	O	N		
		1190	Other Cash	O	N		
		1195	Other Monetary Assets	O	N		
		1200	Foreign Currency	O	N		
★		1531	Seized Monetary Instruments	O	N		
★		1532	Seized Cash Deposited	O	N		
2.D.	Other Assets	1410	Advances to Others	O	N		
		1450	Prepayments	O	N		
		1990	Other Assets	O	N		
★2.E.	Total Nonentity Assets		Calculation (Lines 2.A.4. through 2.D.)				
★3.	Total Assets		Calculation (Line 1.H. plus line 2.E.)				
	LIABILITIES						
4.	Liabilities Covered by Budgetary Resources						

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund./ Ufnd.	Additional Detail Required
4.A.	Intragovernmental Liabilities						
4.A.1.	Accounts Payable	2110	Accounts Payable		G	F	See table 4-2.
★		2120	Disbursements in Transit		G	F	
		2140	Accrued Interest Payable		G	F	Report interest payable as a component of the appropriate liability accounts.
		2150	Liability for Allocation Transfers		G	F	
★4.A.2.	Debt	2140	Accrued Interest Payable		G	F	Related to Debt.
		2510	Principal Payable to Treasury		G	F	
★		2520	Principal Payable to the Federal Financing Bank		G	F	
		2530	Securities Issued by Federal Agencies under General and Special Financing Authority, Net		G	F	
		2540	Participation Certificates		G	F	
		2590	Other Debt		G	F	
★4.A.3.	Environmental Liabilities	2995	Accrued Cleanup Cost		G	F	
★4.A.4.	Other Liabilities	2130	Contract Holdbacks		G	F	
★		2190	Other Accrued Liabilities		G	F	
★		2210	Accrued Funded Payroll and Benefits		G	F	
		2310	Advances from Others		G	F	
		2320	Deferred Credits		G	F	

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund./ Ufnd.	Additional Detail Required
4.A.4	Other Liabilities (Cont.)	2400	Liability for Deposit Funds and Suspense Accounts		G	F	
★		2920	Contingent Liabilities		G	F	
		2930	Liability for Borrowings to be Received		G	F	
		2940	Capital Lease Liability		G	F	
		2950	Liability for Subsidy Related to Undisbursed Loans		G	F	
		2970	Resources Payable to Treasury		G	F	
		2990	Other Liabilities		G	F	
4.A.5.	Total Intragovernmental		Calculation (Lines 4.A.1. through 4.A.4.)				
4.B.	Accounts Payable	2110	Accounts Payable		N	F	
		2120	Disbursements in Transit		N	F	
		2140	Accrued Interest Payable		N	F	
★4.C.	Military Retirement Benefits, and Other Employment-Related Actuarial Liabilities	2610	Retirement Plans		N	F	Use only with the approval of the ODCFO(AP).
		2620	Insurance Plans		N	F	
		2690	Other Actuarial Liabilities		N	F	
★4.D.	Environmental Liabilities	2995	Accrued Cleanup Cost		N	F	
★4.E.	Other Liabilities	2130	Contract Holdbacks		N	F	
★		2180	Loan Guarantee Liability		N	F	
★		2190	Other Accrued Liabilities		N	F	
		2210	Accrued Funded Payroll and Benefits		N	F	
		2310	Advances from Others		N	F	
		2320	Deferred Credits		N	F	

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund. /Ufnd.	Additional Detail Required
4.E.	Other Liabilities (Cont.)	2400	Liability for Deposit Funds and Suspense Accounts		N	F	
		2920	Contingent Liabilities		N	F	
		2940	Capital Lease Liability		N	F	
		2990	Other Liabilities		N	F	
4.F.	Total Liabilities Covered by Budgetary Resources		Calculation (Lines 4.A.5. through 4.E.)				
5.	Liabilities Not Covered by Budgetary Resources						
5.A.	Intragovernmental Liabilities						
★5.A. 1.	Accounts Payable				G	U	
★5.A. 2.	Debt	2140	Accrued Interest Payable		G	U	Related to Debt.
		2510	Principal Payable to Treasury		G	U	
★		2520	Principal Payable to the Federal Financing Bank		G	U	
		2540	Participation Certificates		G	U	
		2590	Other Debt		G	U	
5.A.3.	Environmental Liabilities	2995	Accrued Cleanup Cost		G	U	
★5.A. 4.	Other Liabilities	2130	Contract Holdbacks		G	U	
★		2190	Other Accrued Liabilities		G	U	

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund./Ufnd.	Additional Detail Required
★5.A.4.	Other Liabilities (Cont.)	2220	Accrued Unfunded Liabilities		G	U	
★		2320	Deferred Credits		G	U	
		2920	Contingent Liabilities		G	U	
		2930	Liability for Borrowings to be Received		G	U	
		2940	Capital Lease Liabilities		G	U	
		2960	Accounts Payable Canceled		G	U	
		2980	Custodial Liability		G	U	
		2990	Other Liabilities		G	U	
5.A.5	Total Intragovernmental Liabilities		Calculation (Line 5.A.1. through 5.A.4.)				
5.C.	Military Retirement Benefits, and other Employment-Related Actuarial Liabilities	2610	Retirement Plans		N	U	
★		2620	Insurance Plans		N	U	Use only with the approval of the ODCFO(AP).
		2690	Other Actuarial Liabilities		N	U	
5.D.	Environmental Liabilities	2995	Accrued Cleanup Cost		N	U	
★5.E.	Other Liabilities	2130	Contract Holdbacks		N	U	
★		2190	Other Accrued Liabilities		N	U	
		2220	Accrued Unfunded Liabilities		N	U	
		2320	Deferred Credits		N	U	
		2910	Prior Liens Outstanding on Acquired Collateral		N	U	Use only with the approval of the ODCFO(AP).
		2920	Contingent Liabilities		N	U	

Table 4-1(Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Line No.	Balance Sheet Line Title	Account No.	Account Title	Ent./ Non.	Gov./ Ngov.	Fund. /Ufnd.	Additional Detail Required
5.E.	Other Liabilities (Cont.)	2940	Capital Lease Liability		N	U	
★		2960	Accounts Payable Canceled		N	U	
		2980	Custodial Liability		N	U	
		2990	Other Liabilities		N	U	
★5.F.	Total Liabilities Not Covered by Budgetary Resources		Calculation (Lines 5.A.5. through 5.E.)				
★6.	Total Liabilities		Calculation (Line 4.F. plus Line 5.F.)				
7.	Unexpended Appropriations	3100	Unexpended Appropriations				
		3105	Appropriated Capital Funding Canceled Payables				
8.	Cumulative Results of Operations	3310	Cumulative Results of Operations				
9.	Total Net Position		Calculation (Line 7 plus Line 8)				
10.	Total Liabilities and Net Position		Calculation (Line 6 plus Line 9)				

040302. DoD Eliminating Entries Breakout Codes For Use by Treasury, Financial Management Services, and Reported in the Federal Agencies Centralized Trial Balance Attributes.

The elimination codes in Tables 4-2 and 4-3 are used in conjunction with the general ledger accounts to identify amounts that must be eliminated when preparing financial statements. Table 4-2 elimination codes are used by the Department of the Treasury in the preparation of the government-wide financial reports. Table 4-3 are used in the preparation of the DoD Agency-wide financial statements. See Chapter 13 of this Volume for additional guidance on elimination reporting requirements.

040303. Federal Agency Elimination Attribute Codes.

Column 1	Column 2
Part A.: Required Intra-Federal Government Eliminations (Referred to as Level 1 Eliminations by DoD)	Treasury Index, Elimination Attribute Code
Executive Office of the President	11
Department of Agriculture	12
Department of Commerce	13
Department of the Interior	14
Department of Justice	15
Department of Labor	16
Department of State	19
Department of the Treasury	20
Office of Personnel Management	24
Social Security Administration	28
Nuclear Regulatory Commission	31
Department of Veterans Affairs	36
General Service Administration	47
National Science Foundation	49
Federal Emergency Management Agency	58
Environmental Protection Agency	68
Department of Transportation	69
Agency for International Development	72
Small Business Administration	73
Department of Health and Human Services	75
National Aeronautics and Space Administration	80
Department of Housing and Urban Development	86
Department of Energy	89
Department of Education	91
Unidentifiable Federal Agency Entity (Do not use for unidentifiable DoD entities)	00

Table 4-2

040304. DoD Elimination Attribute Codes.

Column 1	Column 2	Column 3
Department of Defense and Federal Agencies	Treasury Index Elimination Attribute Code	Additional Information
Part B.: Required Intra-Department of Defense Eliminations (Referred to as Level 2 Eliminations by DoD)		
Department of the Navy, General Funds (GF)	17	
Department of the Army, GF	21	
Department of the Air Force, GF	57	
U.S. Army Corps of Engineers (Civil Works)	96	
Military Retirement Trust Fund	97	97-8097
Department of the Army WCF	97	97-4930.001
Department of the Navy WCF	97	97-4930.002
Department of the Air Force WCF	97	97-4930.003
ODO GF	97	ODO GF, 97-XXXX
ODO WCF	97	<p>97 4930.004 includes Defense Commissary Agency WCF (4J, 4K, 4**, 5J, and 5K)</p> <p>97-4930.005 includes: Joint Logistics Systems Center, WCF 97X4930.005(5R10) Defense Logistics Agency WCF 97X4930.005 (5B, 5C, 5N, 5G, and 5F5) Defense Finance and Accounting Service 97X4930.005) (5L and 5F4) Defense Information Systems Agency WCF 97X4930.005(5F2, 5F3, and 5P)</p>

Table 4-3

Column 1	Column 2	Column 3
Department of Defense and Federal Agencies	Treasury Index Elimination Attribute Code	Additional Information
		MSSO/Corporate Information Management, WCF 97X4930.005 (5R20 and 5R30) Defense Security Services, WCF 97X4930.005 (5T) Headquarters Account, WCF 97X4930.005(5U) Component Level Adjustment, WCF 97X4930.005 (999)

Table 4-3 (cont.)

CHAPTER 5

STATEMENT OF NET COST0501 FORMATS FOR THE STATEMENT OF NET COST

Department of Defense	
[Reporting Entity]	
CONSOLIDATED STATEMENT OF NET COST	
For the year ending September 30, 1999	
(\$ in Thousands)	
	<u>FY</u>
	<u>1999</u>
1. Program Costs	
A. Intragovernmental	\$ 777,777
B. With the Public	999,999
C. Total Program Cost	\$ 1,777,776
D. (Less: Earned Revenues)	(677,778)
E. Net Program Costs	\$ 1,099,998
2. Costs not assigned to Programs	300,000
3. (Less: Earned Revenues not attributable to Programs)	(30,000)
4. Net Cost of Operations	\$ 1,369,998
5. Deferred Maintenance (See Required Supplementary Information)	
Additional information included in Note 16.	
The accompanying notes are an integral part of these statements.	

Figure 5-1

Department of Defense**[Reporting Entity]****CONSOLIDATING STATEMENT OF NET COST****For the year ending September 30, 1999****(\$ in Thousands)**

	Sub- Entity A	Sub- Entity B	Other Sub- entities	Combined Total
1. Program Costs				
A. Program A				
1. Intragovernmental	\$ 111,111	\$ 111,111	\$ 111,111	\$ 333,333
2. With the Public	111,111	111,111	111,111	333,333
3. Total Program Cost	\$ 222,222	\$ 222,222	\$ 222,222	\$ 666,666
4. (Less: Earned Revenues)	(100,000)	(100,000)	(100,000)	(300,000)
5. Net Program Costs	\$ 122,222	\$ 122,222	\$ 122,222	\$ 366,666
B. Program B				
1. Intragovernmental	\$ 111,111	\$ 111,111	\$ 111,111	\$ 333,333
2. With the Public	111,111	111,111	111,111	333,333
3. Total Program Cost	\$ 222,222	\$ 222,222	\$ 222,222	\$ 666,666
4. (Less: Earned Revenues)	(100,000)	(100,000)	(100,000)	(300,000)
5. Net Program Costs	\$ 122,222	\$ 122,222	\$ 122,222	\$ 366,666
C. Other Programs				
1. Intragovernmental	\$ 111,111	\$ 111,111	\$ 111,111	\$ 333,333
2. With the Public	111,111	111,111	111,111	333,333
3. Total Program Cost	\$ 222,222	\$ 222,222	\$ 222,222	\$ 666,666
4. (Less: Earned Revenues)	(100,000)	(100,000)	(100,000)	(300,000)
5. Net Program Costs	\$ 122,222	\$ 122,222	\$ 122,222	\$ 366,666

Figure 5-2

Department of Defense [Reporting Entity] CONSOLIDATING STATEMENT OF NET COST For the year ending September 30, 1999 (\$ in Thousands)						
	Sub- Entity A	Sub- Entity B	Other Sub- Entities	Combined Total	(Intra- Entity Eliminations)	Consolidated Totals
D. Total Program Costs						
1. Intragovernmental	\$ 333,333	\$ 333,333	\$ 333,333	\$ 999,999	(222,222)	\$ 777,777
2. With the Public	<u>333,333</u>	<u>333,333</u>	<u>333,333</u>	<u>999,999</u>	<u>0</u>	<u>999,999</u>
3. Total Program Cost	\$ 666,666	\$ 666,666	\$ 666,666	\$ 1,999,998	\$ (222,222)	\$ 1,777,776
4. (Less: Earned Revenues)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>(900,000)</u>	<u>222,222</u>	<u>(677,778)</u>
5. Net Program Costs	<u>\$ 366,666</u>	<u>\$ 366,666</u>	<u>\$ 366,666</u>	<u>\$ 1,099,998</u>	<u>\$ 0</u>	<u>\$ 1,099,998</u>
2. Costs not assigned to Programs	\$ 100,000	\$ 100,000	\$ 100,000	\$ 300,000	(25,000)	\$ 275,000
3. (Less: Earned Revenues not attributable programs)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(30,000)</u>	<u>25,000</u>	<u>(5,000)</u>
4. Net Cost of Operations	<u>\$ 456,666</u>	<u>\$ 456,666</u>	<u>\$ 456,666</u>	<u>\$ 1,369,998</u>	<u>\$ 0</u>	<u>\$ 1,369,998</u>
5. Deferred Maintenance (See Required Supplementary Information)						
Additional information included in Note 16.						
The accompanying notes are an integral part of these statements.						

Figure 5-2 (Cont.)

0502 INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENTS OF NET COST050201. General Instructions.

★A. Statement of Net Cost Format. The Statement of Net Cost is designed to show separately the components of the net cost of the reporting entity's operations for the period. Formats are displayed using notional data to assist the user. All figures used on this financial statement should be preclosing trial balances.

★B. Total Program Costs. Net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any nonproduction costs that can be assigned to the program. Nonproduction costs are costs linked to events other than the production of goods and services. The net cost of a program consists of gross cost less related exchange revenues. By disclosing the gross and net cost of the entity's programs, the Statement of Net Cost provides information that can be related to the outputs and outcomes of the programs and activities.

C. Complex Entities. The organizational structure and operations of some entities are so complex that to fully display their suborganizations' major programs and activities may require supporting schedules to supplement the information in the Statement of Net Cost. The Department breaks out Components into the reporting entities described in Chapter 1, Section 0106. The Components further break out the consolidating statement as appropriate. Additional supporting schedules may be included in Note 16.A. if necessary.

★D. GPRA Programs. The Department is in the process of identifying the Government Performance and Results Act (GPRA) performance measures based on missions and outputs. However, the Department does not accumulate costs for major programs based on GPRA performance measures, in part because it's financial processes and systems do not collect costs in line with newly established measures. Accordingly, the Department plans to break out programs by the nine major appropriation groupings addressed in paragraph 050302 and Table 5-1 of this Volume. Present programs vertically down one column. The Department of Defense (DoD) Agency-wide consolidating net cost statement should present program appropriation groupings vertically down and suborganizations horizontally (see figure 5-2).

★E. FY 1999 Programs. Ultimately, preparers of the Statement of Net Cost will decide the exact classification of suborganizations and major programs based on the missions and outputs described in its GPRA strategic and annual plans, the entity's budget structure, and the guidance for defining and structuring responsibility segments presented in Statements of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting Standards." However, if data is currently available, at the program level, the reporting entities may provide such information as a supplemental schedule.

F. Reportable Costs. The Statement of Net Cost and related supporting schedules should show the net cost of operations for the reporting entity as a whole and its suborganizations and programs. This can be accomplished by reporting by program: (1) the gross cost of goods; services provided to the public and government agencies (intragovernmental) at a price, (2) related exchange revenues, (3) the excess of costs over exchange revenues (net program costs), and (4) the gross cost of goods, services, transfers and grants provided to the public and government agencies without charge, and by reporting for the suborganization or entity as a whole the costs that cannot be assigned to specific outputs or programs and the exchange revenues that cannot be attributed to specific outputs or programs.

G. Illustrated Format. The Statement of Net Cost illustrated in this document provides an example of how information can be displayed for an entity with a complex organizational and program structure, a limited number of programs carried out by more than one suborganization, and the majority of its programs carried out within a specific suborganization or responsibility segment.

★H. Imputed Costs. Costs displayed on the Statement of Net Cost must include imputed costs. Imputed costs represent costs that are paid in total or in part by other entities. Imputed costs are to be recognized to the extent that the SFFAS No. 4. requires them to be recognized in financial statements. For example, reporting entities shall recognize the cost of pensions and other retirement benefit expenses in their financial statements. The amount recognized shall equal the service costs of their employees for the accounting period, less amounts contributed by the employees. However, for FY 1999, the Office of Management and Budget (OMB) memorandum, dated April 2, 1998, specifically limits the recognition of imputed costs to four categories. The four categories are: (1) employees' pension benefits; (2) the health, life insurance, and other benefits for retired employees; (3) other post-employment benefits for retired, terminated, and inactive employees, which include severance payments, training and counseling, and continued health care; and (4) losses in litigation proceedings related to the Judgement Fund not reimbursed by the Department. See Federal Accounting Standards Advisory Board interpretation No. 2., "Accounting for Treasury Judgement Fund Transactions" for additional information.

1. Imputed Costs for Pension Expense. Each of the DoD Components shall recognize an imputed cost that is equal to the reported employer entity pension expense for the accounting period (as computed using factors provided by the Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD(P&R))), less any accounting period contributions by the Military Departments to the Military Retirement Trust Fund. Imputed revenue and imputed expense for military pension reported in the Military Department financial statements audited reports shall be eliminated in the DoD Agency-wide financial report. The administrative entity expenses shall be reported only in the Military Retirement Trust Fund financial statements audited report.

2. Imputed Costs for Military Health Benefits. Each Military Department shall recognize imputed costs that are equal to the employer entity expense for the military health benefits that is attributable to the Military Department (as computed using factors

provided by the USD(P&R)) for the accounting period. Imputed revenue and imputed expense for military health benefits reported in the Military Department financial statements audited reports shall be eliminated in the DoD Agency-wide financial report. The administrative entity for the military health benefits is the USD(P&R). The administrative entity actual expenses shall only be reported in the DoD Agency-wide (Other Defense Organizations, General Funds) financial statements audited report.

050202. Line Item Instructions. In addition to the narrative below see the general ledger crosswalk in paragraph 0504 for a description of the accounts and attributes applicable to each line item.

★A. Program Costs – Line 1. This line contains costs that include the full costs of the program outputs and consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to the program outputs. Program costs also include any nonproduction costs that can be assigned to the program but not to its outputs. The costs of program outputs shall include the costs of services provided by other entities whether or not the providing entity is fully reimbursed. See SFFAS No. 4., “Managerial Cost Accounting Concepts and Standards,” for a detailed discussion of full costs and interentity costs. The DoD has elected not to apply the full costing concept to selected programs (e.g., Base Realignment and Closure, environmental cleanup). The costs for these items are included with the reporting entities that receive the funding.

★1. Nonproduction Costs. OMB guidance requires nonproduction costs associated with programs to be separately reported. Therefore, for each, program the total nonproduction cost should be identified in Note 16 J. In addition, the costs listed below shall be disclosed separately from other nonproduction costs, in Note 16, if incurred:

a. National Defense PP&E. The cost of acquiring, constructing, improving, reconstructing, or renovating National Defense property, plant, and equipment.

b. Heritage Assets. The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets.

★c. Stewardship Land. The full acquisition cost of acquiring stewardship land.

★d. Imputed Expense. The expenses imputed to the entity.

★e. Other Nonproduction Costs. Agencies should consider differentiating other significant costs if by doing so the usefulness of the statements would be improved either because the amount of a particular cost is large or because of its special nature. For example, when reporting on a program that makes transfer payments, it may be useful to differentiate between the transfer payments and administrative costs. Components of Other

Nonproduction costs are considered significant if the component represents more than 10 percent of the value of the line.

★2. Intragovernmental – Line 1.A. This line contains costs that arise from the purchase of goods or services from other federal reporting entities. The effects of intraentity business transactions are eliminated in the reporting entity statements; and the effects of inter-federal agency business transactions must be identified and reported to the Department of the Treasury, Financial Management Service via the Federal Agencies' Centralized Trial-Balance System (FACTS). See Chapter 13 of this Volume for elimination reporting requirements.

★3. With the Public – Line 1.B. This line contains costs that arise from payments made for goods and services provided by the public, such as contracted services, military/civilian pay and benefits, and purchases.

4. Total Program Cost – Line 1.C. Sum of lines 1.A. and 1.B.

★5. Less: Earned Revenues – Line 1.D. This line contains revenues that are exchange revenues, which arise when a federal entity provides goods and services to the public or to another government entity for a price. The full amount of exchange revenues is to be reported on the Statement of Net Cost or supplementary schedule, regardless of whether the entity is permitted to retain the revenues in whole or in part. Any portion of exchange revenues of the entity that cannot be retained by the entity is reported as a transfer-out on the Statement of Changes in Net Position. An example is interest earned collected on delinquent receivables transferred out to Treasury upon collection. See Chapter 13 of this Volume for elimination reporting requirements.

a. Earned revenue should be deducted from the full cost of outputs or outcomes to determine their net cost unless it is not practical or reasonably possible to do so. If that cannot be done, earned revenue should be deducted from the gross cost of programs to determine the net program costs or, if that is not practical or reasonably possible, from the costs of suborganizations to determine the suborganization's net cost of operations.

b. There are no precise guidelines to determine the degree to which earned revenue can reasonably be attributed to outputs, outcomes, programs, or suborganizations. The attribution of earned revenues requires the exercise of managerial judgment. In exercising this judgment, it is important to provide readers of the Statement of Net Cost with the ability to ascertain whether exchange revenues are sufficient to cover the costs incurred to produce the goods or services involved.

★6. Net Program Costs – Line 1.E. Line 1.C. plus line 1.D. This line is the difference between a program's gross costs and its related exchange revenues. If a program does not earn any exchange revenue, there is no netting and the term used might be "total program costs."

★B. Costs Not Assigned to Programs – Line 2. A reporting entity and its suborganizations may incur (1) high level general management and administrative support costs that cannot be directly traced, assigned on a cause-and-effect basis, or reasonably allocated to segments and their outputs, and (2) nonproduction costs that cannot be assigned to a particular program. These costs are part of the entity and suborganization costs and should be reported on the Statement of Net Cost as “costs not assigned to programs.” Also, include extraordinary items (gains/losses) on this line and if material disclose in Note 16. A material component is any component that represents more than 10 percent of the value of the line.

C. Less: Earned Revenues Not Attributable to Programs – Line 3. Earned revenue that cannot be attributable to particular outputs or programs should be reported separately as a deduction in arriving at net cost of operations of the suborganization or reporting entity as a whole.

D. Net Cost of Operations – Line 4. This line is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of a suborganization or entity that is funded by sources other than exchange revenues. The financing sources for net cost of operations are reported on the Statement of Changes in Net Position. See Appendix B for required reconciliation.

E. Deferred Maintenance – Line 5. Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be performed and is delayed until a future period. Maintenance includes preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. No amount shall be recognized on the Statement of Net Cost for deferred maintenance. However, the statement will refer the reader to required supplemental information related to deferred maintenance. For FY 1999, the reference for deferred maintenance is shown below the computation of the net cost of operations, due to programming problems, even though the cost of deferred maintenance would impact net cost of operations if recorded. For FY 2000, the reference to the deferred maintenance Required Supplementary Information will be shown above the net cost of operations calculation.

★0503 PROGRAM PRESENTATION

★050301. Government-wide Implementation of Public Law 103-62. GPRA performance measures are required for FY 1999. However, the Department does not accumulate costs for major programs based on GPRA performance measures, in part because its financial processes and systems do not collect costs in line with newly established GPRA performance measures.

★050302. The DoD Agency-wide Program Presentation. The program data provided on the Statement of Net Costs for the consolidated DoD Agency-wide financial statements will be reported by major appropriation grouping until its financial processes and systems are upgraded. The appropriation groups to be reported are: (1) Military Personnel; (2) Operation

and Maintenance; (3) Procurement; (4) Research, Development, Test and Evaluation; (5) Military Construction/Family Housing; (6) Military Retirement Trust Fund; (7) Civil Works; (8) Working Capital Funds (WCF); and (9) Other Programs. The appropriations to be included in each group are identified in Table 5-1.

★050303. Department of Defense Reporting Entities. Management of the DoD reporting entities identified in paragraphs 010601 may report the program distribution of net costs by existing entity program units or by appropriation grouping as specified in paragraph 050302. However, if management chooses a program distribution other than by the appropriation group as in paragraph 050302, a supplemental Statement of Net Costs by appropriation grouping must be provided. This supplemental schedule is required in order to prepare the consolidated DoD Agency-wide Statement of Net Costs. The appropriation groupings in the supplemental schedule must conform to the grouping identified in Table 5-1.

★DEPARTMENT OF DEFENSE AGENCY-WIDE NET COST PROGRAM
PRESENTATION

PROGRAM TITLE	APPROPRIATION ACCOUNTS COMPRISING EACH PROGRAM GROUP
Military Personnel	
	21*2010, Military Personnel, Army
	21*2060, National Guard Personnel, Army
	21*2070, Reserve Personnel, Army
	17*1105, Military Personnel, Marine Corps
	17*1108, Reserve Personnel, Marine Corps
	17*1405, Reserve Personnel, Navy
	17*1453, Military Personnel, Navy
	57*3500, Military Personnel, Air Force
	57*3700, Reserve Personnel, Air Force
	57*3850, National Guard Personnel, Air Force
Operation and Maintenance	
	★21^2020, Operation and Maintenance, Army
	21*2065, Operation and Maintenance, Army National Guard
	21*2080, Operation and Maintenance, Army Reserve
	★21*7025, Operation and Maintenance, Family Housing, Army
	17*1106, Operation and Maintenance Marine Corps,
	17*1107, Operation and Maintenance, Marine Corps Reserve
	17*1804, Operation and Maintenance, Navy
	17*1806, Operation and Maintenance, Navy Reserve
	★17*0703C, Operation and Maintenance, Family Housing, Navy and Marine Corps
	57*3400, Operation and Maintenance, Air Force
	57*3740, Operation and Maintenance, Air Force Reserve
	57*3840, Operation and Maintenance, Air National Guard
	★57*7045, Operation and Maintenance, Family Housing, Air Force
	★97^0100, Operations and Maintenance, Defense-wide
	★97*0107, Operations and Maintenance, Office of the Inspector General, Defense
	97* 0130, Defense Health Program, Defense
	★Include all supplemental appropriations for this category
Procurement	
	21*2031, Aircraft Procurement, Army
	21*2032, Missile Procurement, Army
	21*2033, Procurement of Weapons and Tracked Combat Vehicles, Army
	21*2034, Procurement of Ammunition, Army

Table 5-1

PROGRAM TITLE	APPROPRIATION ACCOUNTS COMPRISING EACH PROGRAM GROUP
	21*2035, Other Procurement, Army
	17*1109, Procurement, Marine Corps
	17*1506, Aircraft Procurement, Navy
	17*1507, Weapons Procurement, Navy
	17*1508, Procurement of Ammunition, Navy and Marine Corps
	★17*1611, Shipbuilding and Conversion, Navy
	17*1810, Other Procurement, Navy
	17X4557 National Defense Sealift Fund
	17*4557 National Defense Sealift Fund
	57*3010, Aircraft Procurement, Air Force
	57*3011, Procurement of Ammunition, Air Force
	57*3020, Missile Procurement, Air Force
	57*3080, Other Procurement, Air Force
	97*0300, Procurement, Defense-wide
	97*0350, National Guard and Reserve Equipment, Defense
	★Include all supplemental appropriations for this category
Research, Development, Test & Evaluation (RDT&E)	
	21*2040, RDT&E, Army
	17*1319, RDT&E, Navy
	57*3600, RDT&E, Air Force
	97*0400, RDT&E, Defense-wide
	97*0450, Development Test and Evaluation, Defense-wide
	97*0460, Operational, Test, and Evaluation
	Include all supplemental appropriations for this category
Military Construction	
	21*2050, Military Construction, Army
	21*2085, Military Construction, Army National Guard
	21*2086, Military Construction, Army Reserve
	★21*7020, Family Housing, Army
	17*1205, Military Construction, Navy
	17*1235, Military Construction, Naval Reserve
	★17*0703 A and D, Family Housing, Navy
	★57*3300, Military Construction, Air Force
	57*3730, Military Construction, Air Force Reserve
	57*3830, Military Construction, Air National Guard
	★57* 7046, Family Housing, Air Force
	97*0500, Military Construction, Defense-wide
	★97*0706, Family Housing, Defense-Wide
	★Include all supplemental appropriations for this category
Military Retirement Trust Fund	
	97X8097, Military Retirement Trust Fund
Civil Works	
	All Treasury Index 96 accounts

Table 5-1 (Cont.)

PROGRAM TITLE	APPROPRIATION ACCOUNTS COMPRISING EACH PROGRAM GROUP
	Executive agency for Treasury index 20X8861, Inland Waterways Trust Fund and 20X8863, Harbor Maintenance Trust Fund
	All Treasury Index 96 Accounts
	Executive agency for Treasury index 20X8861, Inland Waterways Trust Fund and 20X8863, Harbor Maintenance Trust Fund
Working Capital Funds	
	97X4930.01, Army WCF
	97X4930.02, Navy WCF
	97X4930.03, Air Force WCF
	★97X4930.04, Defense Commissary Agency
	97X4930.05, Defense Logistics Agency WCF
	97X4930.05, DFAS WCF
	★97X4930.05, U.S. Transportation Command
	★97X4930.05, Joint Logistics Systems Center
	★97X4930.05, MSSO/CIM
	★97X4930.05, Defense Information Systems Agency
	★97X4930.05, Defense Technical Information Services
	★97X4930.05, Defense Security Services
	★97X4930.05, Headquarters Account
	★97X4930.05, Component Level Adjustment
Other Programs	
	All other appropriations and funds not listed in another program.

Table 5-1 (Cont.)

NOTE: Include all current and expired fiscal years of appropriations and revolving funds shown with a caret (^) in the third position of the appropriation symbol.

0504 GENERAL LEDGER CROSSWALK FOR THE STATEMENT OF NET COST

The following provides an explanation of the information included in the columns of the crosswalk (all balances are preclosing balances):

050401. Column (1) represents the line number on the statement.

050402. Column (2) identifies the title of the line number on the statement.

050403. Column (3) reflects the U.S. Government General Ledger Account numbers included on each line of the statement.

050404. Column (4) identifies the title of the general ledger account.

050405. Column (5) identifies the segment of the account balance that is applicable to each report line. (G = Government, NG = Non-Governmental (Public), G/NG = Government/Non-Government, and CNATP = Cost Not Assigned To Programs). Note: In addition to the breakout of account balances identified in column 5, when amounts include transactions between reporting entities, the account must be broken out by trading partner. Identifying codes for other federal agency trading partners are provided in Table 4-3.

(1)	(2)	(3)	(4)	(5)
Line No.	Statement of Net Cost Title	Account No.	Account Title	Additional Detail Required
1.	Program Costs			
★1.A.	Intragovernmental	6100	Operating Expenses/Program Costs	G Report Stewardship costs separately.
		6190	Contra Bad Debts Expense – Incurred for Others	G
		6199	Adjustment to Subsidy Expense	G
		6310	Interest Expenses on Borrowing from Treasury	G

Table 5-2

(1)	(2)	(3)	(4)	(5)
Line No.	Statement of Net Cost Title	Account No.	Account Title	Additional Detail Required
1.A.	Intragovernmental (Cont.)	6320	Interest Expenses on Securities	G
		6330	Other Interest Expense	G
		6400	Benefit Program Expenses	G
				Funded/Unfunded.
★		6500	Cost of Goods or Services Sold	G
		6600	Applied Overhead	G
★		6720	Bad Debt Expense	G
		6730	Imputed Costs	G
		6790	Other Expenses Not Requiring Budgetary Resources	G
		6800	Future Funded Expenses	G
		7110	Gains on Disposition of Assets	G
		7190	Other Gains	G
				Exchange.
		7210	Losses on Disposition of Assets	G
		7290	Other Losses	G
				Exchange.
★		7300	Extraordinary Items	G
		7500	Distribution of Income – Dividend	G
				Exchange.
★		7600	Changes in Actuarial Liability	G
		6900	Nonproduction Costs	G
				Report stewardship costs separately.
★1.B.	With the Public	6100	Operating Expenses/Program Costs	NG
		6190	Contra Bad Debts Expense - Incurred for Others	NG
		6320	Interest Expenses on Securities	NG
		6330	Other Interest Expenses	NG

Table 5-2 (Cont.)

(1)	(2)	(3)	(4)	(5)
Line No.	Statement of Net Cost Title	Account No.	Account Title	Additional Detail Required
1.B.	With the Public (Cont.)	6400	Benefit Program Expenses	NG Funded/Unfunded.
		6500	Cost of Goods or Services Sold	NG
		6600	Applied Overhead	NG
		6710	Depreciation, Amortization, and Depletion	NG
		6720	Bad Debt Expense	NG
		6790	Other Expenses Not Requiring Budgetary Resources	NG
		6800	Future Funded Expenses	NG
		7110	Gains on Disposition of Assets	NG
		7190	Other Gains	NG Exchange.
		7210	Losses on Disposition of Assets	NG
		7290	Other Losses	NG Exchange.
		7300	Extraordinary Items	NG
		7500	Distribution of Income – Dividend	NG
		7600	Changes in Actuarial Liability	NG
★		6900	Nonproduction Costs	NG Report stewardship costs separately.
★1.C.	Total Program Cost		Calculation (Line 1.A. plus Line 1.B.)	
1.D.	Less Earned Revenues	5100	Revenue from Goods Sold	G/NG
		5109	Contra Revenue for Goods Sold	G/NG
		5200	Revenue from Services Provided	G/NG
		5209	Contra Revenue for Services Provided	G/NG
		5310	Interest Revenue	G/NG Exchange.

Table 5-2 (Cont.)

(1)	(2)	(3)	(4)	(5)
Line No.	Statement of Net Cost Title	Account No.	Account Title	Additional Detail Required
1.D.	Less Earned Revenues	5319	Contra Revenue for Interest	G/NG Exchange.
		5400	Benefit Program Revenue	G/NG
		5409	Contra Revenue for Benefit Program Revenue	G/NG
		5500	Insurance and Guarantee Premium Revenue	G/NG
		5509	Contra Revenue for Insurance and Guarantee Premium Revenue	G/NG
		5900	Other Revenue	G/NG Exchange.
		5909	Contra Revenue for Other Revenue	G/NG Exchange.
1.E.	Net Program Costs		Calculation (Line 1.C. plus Line 1.D.)	
★2.	Costs Not Assigned to Programs	6400	Benefit Program Expenses	CNATP Funded/unfunded .
★		6900	Non Production Costs	CNATP
		7110	Gains on Disposition of Assets	CNATP
		7190	Other Gains	CNATP Exchange.
		7210	Losses on Disposition of Assets	CNATP
		7290	Other Losses	CNATP Exchange.
		7300	Extraordinary Items	CNATP
		7500	Distribution of Income – Dividend	CNATP
		7600	Changes in Actuarial Liability	CNATP
3.	Less Earned Revenues Not Attributable to Programs	5310	Interest Revenue	Exchange revenue not attributable to programs.

Table 5-2 (Cont.)

(1)	(2)	(3)	(4)	(5)
Line No.	Statement of Net Cost Title	Account No.	Account Title	Additional Detail Required
3.	Less Earned Revenue Not Attributable to Programs (Cont.)	5319	Contra Revenue for Interest	Exchange revenue not attributable to programs.
		5900	Other Revenue	Exchange revenue not attributable to programs.
		5909	Contra Revenue for Other Revenue	Exchange revenue not attributable to programs.
4.	Net Cost of Operations		Calculation (Line 1.E. plus line 2 plus line 3)	

Table 5-2 (Cont.)

CHAPTER 6

STATEMENT OF CHANGES IN NET POSITION★0601 FORMATS FOR THE STATEMENT OF CHANGES IN NET POSITION

Department of Defense	
[Reporting Entity]	
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION	
For the year ending September 30, 1999	
(\$ in Thousands)	
	<u>FY</u> <u>1999</u>
1. Net Cost of Operations	\$ 1,369,998
2. Financing Sources (other than exchange revenues)	
A. Appropriations used	222,222
B. Taxes and other nonexchange revenue	222,222
C. Donations - nonexchange revenue	222,222
D. Imputed financing (Note 17.B)	222,222
E. Transfers - in	222,222
F. (Transfers - out)	(222,222)
G. Other	222,222
H. Total Financing Sources (other than exchange revenues)	<u>\$ 1,111,110</u>
3. Net Results of Operations (Line 2H less Line 1)	\$ (168,888)
4. Prior Period Adjustments	<u>222,222</u>
5. Net Change in Cumulative Results of Operations	\$ 53,334
6. Increase (Decrease) in Unexpended Appropriations	<u>222,222</u>
7. Change in Net Position	\$ 275,556
8. Net Position-Beginning of the Period	<u>222,222</u>
9. Net Position-End of the Period	<u>\$ 497,778</u>
Additional information included in Note 17.	
The accompanying notes are an integral part of these statements.	

Figure 6-1

Department of Defense [Reporting Entity] CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION For the year ending September 30, 1999 (\$ in Thousands)						
	Sub- Entity A	Sub- Entity B	Other Subentities	Combined Total	(Intra- Entity Eliminations)	Consolidated Totals
1. Net Cost of Operations	\$ 456,666	\$ 456,666	\$ 456,666	\$ 1,369,998	0	\$ 1,369,998
2. Financing Sources (other than exchange revenues)						
A. Appropriations used	111,111	111,111	111,111	333,333	0	333,333
B. Taxes and other nonexchange revenue	111,111	111,111	111,111	333,333	0	333,333
C. Donations - nonexchange revenue	111,111	111,111	111,111	333,333	0	333,333
D. Imputed financing (Note 17.B)	111,111	111,111	111,111	333,333	0	333,333
E. Transfers – in	111,111	111,111	111,111	333,333	0	333,333
F. (Transfers - out)	(111,111)	(111,111)	(111,111)	(333,333)	0	(333,333)
G. Other	111,111	111,111	111,111	333,333	0	333,333
H. Total Financing Sources (other than exchange revenues)	\$ 555,555	\$ 555,555	\$ 555,555	\$ 1,666,665	\$ 0	\$ 1,666,665
3. Net Results of Operations (Line 2H less Line 1)	\$ 98,889	\$ 98,889	\$ 98,889	\$ 296,667	\$ 0	\$ 296,667
4. Prior Period Adjustments	111,111	111,111	111,111	333,333	0	333,333
5. Net Change in Cumulative Results of Operations	\$ 210,000	\$ 210,000	\$ 210,000	\$ 630,000	\$ 0	\$ 630,000
6. Increase (Decrease) in Unexpended Appropriations	111,111	111,111	111,111	333,333	0	333,333
7. Change in Net Position	\$ 321,111	\$ 321,111	\$ 321,111	\$ 963,333	\$ 0	\$ 963,333
8. Net Position - Beginning of the Period	111,111	111,111	111,111	333,333	0	333,333
9. Net Position - End of the Period	\$ 432,222	\$ 432,222	\$ 432,222	\$ 1,296,666	\$ 0	\$ 1,296,666
Additional Information included in Note 17.						
The accompanying notes are an integral part of these statements.						

Figure 6-2

★0602 INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF CHANGES IN NET POSITION

★060201. General Instructions. The Statement of Changes in Net Position reports the beginning net position, the items which caused net position to change during the reporting period, and the ending net position. The entity should include a consolidated and consolidating Statement of Changes in Net Position in annual financial statements per Table 1-1 and display information organized by responsibility segment, component, or otherwise in the same manner for the Statement of Net Cost. Formats are displayed using notional data to assist the user. All figures used in this financial statement should be based on preclosing balances.

060202. Line Item Instructions. In addition to the narrative below see the general ledger crosswalk in paragraph 060306 for a description of the accounts and attributes as applied to each line item.

A. Net Cost of Operations - Line 1. This is the net cost of operations reported on the Statement of Net Cost. See Appendix B for the required reconciliations.

B. Financing Sources (Other than Exchange Revenue) - Line 2.

1. Appropriations Used - Line 2.A. Appropriations are considered used as a financing source when goods and services are received, or benefits are provided, under authority of the appropriations. This is true whether the goods, services, and benefits are paid prior to the reporting date or are payable as of that date, and whether the appropriations are used for items which are recorded as expenses or are capitalized. In order to avoid double counting, appropriations used do not include dedicated tax receipts and donations because these sources are reported as nonexchange revenues. In addition, appropriations used by collecting entities to provide refunds of monies deposited to Treasury or the trust funds or to repay debt are also excluded because they do not provide budgetary authority.

2. Taxes and Other Nonexchange Revenue - Line 2.B. Revenues the federal government is able to demand or receive due to its sovereign powers. Normally not applicable for Department of Defense (DoD) reporting entities.

3. Donations - Nonexchange Revenue - Line 2.C. Voluntary gifts of resources to the federal government by nonfederal entities. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings. The amount of revenue arising from donations of nonfinancial resources shall be recognized in accordance with criteria in Statement of Federal Financial Accounting Standards (SFFAS) No. 6 “Accounting for Property, Plant, and Equipment” and should be valued at the estimated fair value at the time of the contribution. The exception, Stewardship property, plant, and equipment (PP&E), consists of National Defense PP&E, heritage assets, and stewardship land. Such PP&E is expensed when purchased, but no amount is recognized if it is received as a donation. Correspondingly, no revenue is recognized for such donations.

4. Imputed Financing - Line 2.D. Imputed financing equals the amount of imputed costs included in amounts reported on the Statement of Net Cost. Include on this line, amounts for civilian pensions and other retirement benefits paid by Office of Personnel Management above amounts contributed by employee and DoD reporting entity; and nonreimbursable amounts paid from the Treasury Judgement Fund. Additional information on imputed financing is disclosed in Note 17.B.

5. Transfers - in - Line 2.E. An intragovernmental transfer of cash or capitalized assets without reimbursement shall be recognized by the receiving entity as a transfer-in. The amount recognized shall be the transferring entity's book value. If book value is not known, the amount recognized should be the asset's estimated fair value at the date of the transfer.

★6. Transfers - out - Line 2.F. An intragovernmental transfer of cash or capitalized assets without reimbursement shall be recognized by the transferring entity as a transfer-out. The amount recognized should be the transferring entity's book value. If book value is not known, then the amount recognized should be the asset's estimated fair value at the date of the transfer. To the extent that exchange revenue included in calculating an entity's net cost of operations is required to be transferred to the Treasury or another federal entity, the amount transferred shall be recognized as a transfer-out. Enter transfers-out as a negative number.

★7. Other - Line 2.G. This line includes financing sources (nonexchange revenues) other than those identified in Lines 2.A. through 2.F. Material portions of amounts reported on this line should be disclosed in Note 17.C. A material portion is any component of other financing sources that represents more than 10 percent of the value of the line.

★8. Total Financing Sources (other than exchange revenues) - Line 2.H. Calculation: Sum Lines 2.A. through 2.G.

★C. Net Results of Operations - Line 3. Calculation: Line 2.H. less Line 1.

★D. Prior Period Adjustments - Line 4. Prior period adjustments are limited to corrections of errors and accounting changes with retroactive effect that can either increase or decrease net position depending on their nature, including those occasioned by the adoption of new federal financial accounting standards. Enter increases as a positive number; enter decreases as a negative number. Adjustments are included in the calculation of the net change in cumulative results of operations, rather than as an element of net results of operations for the period. Prior period financial statements should not be restated for prior period adjustments. Material portions of the amount reported on this line should be disclosed in Note 17.A. A material portion is any component which represents more than 10 percent of the value of the line.

★E. Net Change in Cumulative Results of Operations - Line 5. Calculation: Line 3 plus Line 4.

★F. Increase (Decrease) in Unexpended Appropriations - Line 6. The change from the beginning of the period in the amount of appropriations that have been made available but have not been used. Enter increases as a positive number; enter decreases as a negative number.

★G. Change in Net Position - Line 7. Calculation: Line 5 plus Line 6.

H. Net Position - Beginning of Period - Line 8. The amount is the net position reported on the prior year's balance sheet.

I. Net Position - End of Period - Line 9. This amount shall agree with the amount reported as net position on the current year balance sheet. Calculation: Line 7 plus Line 8.

★0603 GENERAL LEDGER CROSSWALK FOR THE STATEMENT OF CHANGES IN NET POSITION

The following provides an explanation of the information included in the columns of the crosswalk (all balances are preclosing balances, except where noted for lines 6 and 8):

060301. Column (1) represents the line number on the statement.

060302. Column (2) identifies the title of the line number on the statement.

060303. Column (3) reflects the U.S. Government Standard General Ledger account numbers included on each line of the statement.

060304. Column (4) identifies the title of the general ledger account.

060305. Column (5) indicates the balance or value selected for each account (E = End of period balance, B = Beginning of period balance, E-B = End of period balance less the beginning of period balance).

060306. Column (6) additional information to be used in developing the presentation of the identified data.

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Changes in Net Position Title	Account No.	Account Title	Trial Bal	Additional Detail Required
1.	Net Cost of Operations				Amount Reported on Statement of Net Cost Line 5
2.	Financing Sources (other than exchange revenue)				
2.A.	Appropriations used	5700	Appropriations Used	E	
★		5799	Adjustment of Appropriations Used	E	
2.B.	Taxes and other nonexchange Revenue	5310	Interest Revenue	E	Nonexchange
		5319	Contra Revenue for Interest	E	Nonexchange

Table 6-1

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Changes in Net Position Title	Account No.	Account Title	Trial Bal	Additional Detail Required
2.B.	Taxes and other nonexchange Revenue (Cont.)	5320 5329 5800 5809 5890 5900 5909	Penalties and Fines Revenue Contra revenue for Penalties and Fines Tax Revenues Contra Revenue for Taxes Tax Revenue Refunds Other Revenue Contra Revenue for Other Revenue	E E E E E E E	Nonexchange Nonexchange
★2.C. ★ ★ ★	Donations - nonexchange revenue	5600 5609 5610 5619	Donated Revenue – Financial Resources Contra Revenue for Donations – Financial Resources Donated Revenue – Nonfinancial Resources Contra Donated Revenue – Nonfinancial Resources	E E E E	
2.D.	Imputed financing	5780	Imputed Financing Sources	E	
2.E.	Transfers-in	5720	Financing Sources Transferred In Without Reimbursement	E	
2.F.	Transfers-out	5730	Financing Sources Transferred Out Without Reimbursement	E	
★2.G. ★ ★ ★ ★	Other	5790 7190 7250 7500	Other Financing Sources Other Gains Other Losses Distribution of Income – Dividend	E E E E	Nonexchange Nonexchange Nonexchange
★2.H.	Total Financing Sources (other than exchange revenues)		Calculation (Sum Lines 2.A. through 2.G.)		
3.	Net Results of Operations		Calculation (Line 2.H. less line 1)		
4.	Prior Period Adjustments	7400	Prior Period Adjustments	E	

Table 6-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Changes in Net Position Title	Account No.	Account Title	Trial Bal	Additional Detail Required
5.	Net Change in Cumulative Results of Operations		Calculation (Line 3 plus line 4)		
6.	Increase (Decrease) in Unexpended Appropriations	3100	Unexpended Appropriations	E-B	
7.	Change in Net Position		Calculation (Line 5 plus line 6)		
8.	Net Position-Beginning of the Period	3100 3310	Unexpended Appropriations Cumulative Results of Operations	B B	
9.	Net Position-End of the Period		Calculation (Line 7 plus line 8)		Should also equal 3100E + 3310E

Table 6-1 (Cont.)

CHAPTER 7

STATEMENT OF BUDGETARY RESOURCES★0701 FORMATS FOR THE STATEMENT OF BUDGETARY RESOURCES**Department of Defense****[Reporting Entity]****COMBINED STATEMENT OF BUDGETARY RESOURCES****For the year ending September 30, 1999****(\$ in Thousands)****FY
1999****BUDGETARY RESOURCES:**

1. Budget Authority	\$ 55,555,555
2. Unobligated Balance - Beginning of Period	333,333
3. Net Transfers Prior-Year Balance, Actual (+/-)	(111,111)
4. Spending Authority from Offsetting Collections	444,444
5. Adjustments (+/-)	<u>(222,222)</u>
6. Total Budgetary Resources	<u>\$ 55,999,999</u>

STATUS OF BUDGETARY RESOURCES:

7. Obligations Incurred	\$ 54,666,666
8. Unobligated Balances - Available	1,111,111
9. Unobligated Balances - Not Available	<u>222,222</u>
10. Total, Status of Budgetary Resources	<u>\$ 55,999,999</u>

OUTLAYS:

11. Obligations Incurred	\$ 54,666,666
12. Less: Spending Authority From Offsetting Collections and Adjustments	(555,555)
13. Obligated Balance, Net - Beginning of Period	33,333,333
14. Obligated Balance Transferred, Net	111,111
15. Less: Obligated Balance, Net - End of Period	<u>(22,222,222)</u>
16. Total Outlays	<u>\$ 65,333,333</u>

Additional information included in Note 18.

The accompanying notes are an integral part of these statements.

Figure 7-1

Department of Defense [Reporting Entity] COMBINING STATEMENT OF BUDGETARY RESOURCES For the year ending September 30, 1999 (\$ in Thousands)					
	Sub-Entity A	Sub-Entity B	Other Sub-Entities	Combined Total	
BUDGETARY RESOURCES:					
1. Budget Authority	\$ 456,666	\$ 456,666	\$ 456,666	\$ 1,369,998	
2. Unobligated Balance – Beginning of Period	111,111	111,111	111,111	333,333	
3. Net Transfers Prior – Year Balance, Actual (+/-)	111,111	111,111	111,111	333,333	
4. Spending Authority from Offsetting Collections	111,111	111,111	111,111	333,333	
5. Adjustments (+/-)	111,111	111,111	111,111	333,333	
6. Total Budgetary Resources	\$ 444,444	\$ 444,444	\$ 444,444	\$ 1,333,332	
STATUS OF BUDGETARY RESOURCES:					
7. Obligations Incurred	\$ 111,111	\$ 111,111	\$ 111,111	\$ 333,333	
8. Unobligated Balances – Available	111,111	111,111	111,111	333,333	
9. Unobligated Balances – Not Available	111,111	111,111	111,111	333,333	
10. Total, Status of Budgetary Resources	\$ 333,333	\$ 333,333	\$ 333,333	\$ 999,999	
OUTLAYS:					
11. Obligations Incurred	\$ 456,666	\$ 456,666	\$ 456,666	\$ 1,369,998	
12. Less: Spending Authority From Offsetting Collections and Adjustments	(111,111)	(111,111)	(111,111)	(333,333)	
13. Obligated Balance, Net – Beginning of Period	111,111	111,111	111,111	333,333	
14. Obligated Balance Transferred, Net	333,333	333,333	333,333	999,999	
15. Less: Obligated Balance, Net – End of Period	(111,111)	(111,111)	(111,111)	(333,333)	
16. Total Outlays	\$ 222,222	\$ 222,222	\$ 222,222	\$ 666,666	
Additional Information included in Note 18.					
The accompanying notes are an integral part of these statements.					

Figure 7-2

**ILLUSTRATION OF RELATED LINES
ON THE STATEMENT OF BUDGETARY RESOURCES
AND THE REPORT ON BUDGET EXECUTION (SF-133)**

STATEMENT OF BUDGETARY RESOURCES		REPORT ON BUDGET EXECUTION (SF-133)	
Line	Title	Line	Title
1	Budget Authority	1	Budget Authority
2	Unobligated Balance – Beginning of Period	2A	Unobligated Balance – Beginning of Period
3	Net Transfers Prior-Year Balance, Actual	2B	Net Transfers Prior-Year Balance, Actual
4	Spending Authority from Offsetting Collections	3	Spending Authority for Offsetting Collections (Gross)
5	Adjustments	4	Recoveries of Prior Year Obligations
		5	Temporarily Not Available
		6	Permanently Not Available
6	Total Budgetary Resources	7	Total Budgetary Resources
7	Obligations Incurred	8	Obligations Incurred
8	Unobligated Balances – Available	9	Unobligated Balance
9	Unobligated Balances – Not Available	10	Unobligated Balance Not Available
10	Total, Status of Budgetary Resources	11	Total Budgetary Resources
11	Obligations Incurred	8	Obligations Incurred
12	Less: Spending Authority From Offsetting Collections and Adjustments	3A	Earned (Collections and Receivable from Federal Sources)
		3B	Changes in Unfilled Customer Orders
		3D	Transfers from Trust Funds
		4A	Actual (Recoveries of Prior Year Obligations)
13	Obligated Balance, Net – Beginning of Period	12	Obligated Balance, Net as of October 1
14	Obligated Balance Transferred, Net	13	Obligated Balance Transferred, Net
15	Less: Obligated Balance, Net – End of Period	14	Obligated Balance, Net, End of Period
16	Total Outlays	15	Outlays

Table 7-1

070101. Footnote Disclosure. Any material differences should be noted and fully explained between amounts reported on the financial statements and budgetary reports as a result of the DoD FMR Appendix B, Reconciliation Requirements Statements, Section II. Reconciliation Requirements for the Statement of Budgetary Resources and the Report on Budget Execution (SF-133) (General Fund and Working Capital fund Reporting Entities). Footnote 18 shall provide material disclosures for the Statement of Budgetary Resources.

0702 INSTRUCTIONS FOR THE STATEMENT OF BUDGETARY RESOURCES

070201. General Instructions for the Preparation of the Statement of Budgetary Resources. In addition to the narrative below see the general ledger crosswalk in paragraph No. 0703 for a description of the accounts and attributes applied to each line item.

★A. The Statement of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available, as well as their status at the end of the period. This statement is divided into three general sections: Budgetary Resources, Status of Budgetary Resources, and Outlays. This statement shall be prepared by reporting entities whose financing comes wholly or partially from budgetary resources. The Statement of Budgetary Resources shall be aggregated to reflect all the activity of the reporting entity for the year covered by the financial statement. Prior year information shall be presented to allow the reader to make appropriate comparisons with prior periods (required for FY 2000). The pre-closing trial balance figures should be the basis for each line item. The Office of Management and Budget (OMB) does not require consolidated and consolidating statements of budgetary resources through FY 1999 and the Department of Defense (DoD) has elected to prepare combined and combining statements for FY 1999. The statements will be appropriately titled combined and combining. Formats are displayed using notional data to assist the user. In addition, because the Department has elected to prepare combined and combining statements for FY 1999, disclose in Note 18, "Other Information," that intra-entity transactions have not been eliminated.

★B. Monitoring of budget execution is at the individual appropriation account level for DoD Component reporting entities. Budgetary information shall be aggregated for the combined Statement of Budgetary Resources principal statements. Budgetary information shall be disaggregated for each of the reporting entity's combining statement by major budget account groups and presented in the Required Supplementary Information section of the financial statements (see Chapter 12 of this Volume). Small budget accounts are aggregated in the supplementary information combining statement in an "Other General Funds Accounts" category.

★C. Recognition and measurement of budgetary information reported on this statement shall be based on budget terminology, definitions, and guidance in OMB Circular A-34, "Instructions on Budget Execution," dated November 1997. That Circular defines the terms shown in this statement. The statement illustrates in condensed form the information that Circular A-34 requires to be reported on the Report on Budget Execution (SF-133). For purposes of illustration only, a statement has been included in Table 7-1 to show the corresponding line numbers from Statement of Budgetary Resources to the SF-133.

070202. Instructions for the Preparation of the Statement of Budgetary Resources.

A. Budgetary Resources – Lines 1 through 6. This section of the statement is designed to present the total budgetary resources available to the reporting entity during the past fiscal year. These include new budget authority, obligation limitations, direct spending authority, unobligated balances at the beginning of the period or transferred in during the period,

spending authority from offsetting collections, and any adjustments to budgetary resources. The lines identified on the Statement of Budgetary Resources are a summarization of various lines of data identified on the SF-133. Additional guidance for the SF-133 is contained in OMB Circular No. A-34, dated November 1997. This guidance shall be referenced to obtain detailed explanations for data that is included in the lines identified in this section of the Statement of Budgetary Resources.

1. Budget Authority – Line 1. Include amounts for appropriations, borrowing authority, contract authority, net transfers (current year authority realized), and other amounts for indefinite appropriations available under existing law.

★2. Unobligated Balance, Beginning of Period – Line 2. Include the available, unobligated balance brought forward from prior fiscal years as of October 1 of the current fiscal year.

★3. Net Transfers Prior-Year Balance, Actual (+/-) – Line 3. Include also the unobligated balance of prior year budget authority actually transferred to (+) or from (-) the account and include current estimate of any balances transferred to (+) or from (-) the account under existing legislation.

4. Spending Authority from Offsetting Collections – Line 4. This line includes earnings, changes in unfilled customer orders, and transfers from trust funds.

★5. Adjustment – Line 5. Include amounts for recoveries of prior year obligations (actual and anticipated), amounts temporarily not available for obligation pursuant to the specific provision of the public law, prior year rescissions, and amounts for resources permanently not available.

★6. Total Budgetary Resources – Line 6. Sum of lines 1 through 5.

★B. Status of Budgetary Resources – Lines 7 through 10. This section of the statement is designed to display information about the status of budgetary resources at the end of the period. It consists of the obligations incurred, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable. The total amount displayed for the status of budgetary resources shall equal the total budgetary resources available to the reporting entity as of the reporting date. The lines identified on the Statement of Budgetary Resources are a summarization of various lines of data identified on the SF-133.

★1. Obligations Incurred – Line 7. This line includes direct obligations and obligations financed from offsetting collections.

2. Unobligated Balances, Available – Line 8. Include amounts apportioned, exempt from apportionment, and other unobligated balances, available.

3. Unobligated Balances Not Available – Line 9. Include amounts apportioned for subsequent periods, deferred, withheld pending rescission, and other unobligated balances not available.

4. Total, Status of Budgetary Resources – Line 10. Sum of lines 7 through 9.

★C. Outlays – Lines 11 through 16. This section of the statement displays total outlays and reconciles obligations incurred to total outlays by displaying spending authority from offsetting collections, obligated balances at the beginning of the period, obligated balances transferred, and obligated balances at the end of the period. The lines identified on the Statement of Budgetary Resources are a summarization of various lines of data identified on the SF-133.

★1. Obligations Incurred – Line 11. Include amount identified on line 7 of this statement.

★2. Less: Spending Authority From Offsetting Collections and Adjustments – Line 12. This line includes spending authority from offsetting collections and adjustments that is earned, changes in unfilled customer orders, transfers from trust funds, and the actual amounts recovered from prior year obligations.

3. Obligated Balance, Net, Beginning of the Period – Line 13. This amount shall include the net amount of all unpaid obligations as of October 1 of the current fiscal year. This line should equal line 14 of the final SF-133 of the preceding fiscal year.

4. Obligated Balance Transferred, Net – Line 14. Include the net amount of all unpaid obligations actually transferred to (+) or from (-) the account during the current fiscal year.

★5. Less: Obligated Balance, Net, End of Period – Line 15. This line represents the net amount of all unpaid obligations being carried forward to the subsequent period, which includes accounts receivable, unfilled customer orders, undelivered orders, and accounts payable.

6. Total Outlays – Line 16. Sum of lines 11 through 15.

0703 GENERAL LEDGER CROSSWALK FOR THE STATEMENT OF BUDGETARY RESOURCES**070301. General Instructions for the General Ledger Crosswalk.**

A. This section provides a crosswalk from the U.S. Government Standard General Ledger (USGSL) accounts for the Statement of Budgetary Resources.

★B. The crosswalk lists the individual applicable posting accounts. Posting accounts are those which receive the original entry(s) of a transaction, as opposed to summary accounts which subtotal (or total) the balances of specified posting accounts.

★C. The lines on the financial statement that require calculations do not cite the USGSL account. This information is provided for each referenced line that is included in that calculation.

070302. General Ledger Crosswalk for the Statement of Budgetary Resources. The following provides an explanation of the information included in the columns of the crosswalk (all balances are preclosing balances, except where noted):

A. Column (1) represents the line number on the statement.

B. Column (2) identifies the title of the line number on the statement.

C. Column (3) reflects the USGSL account numbers included on each line of the statement.

D. Column (4) identifies the title of the general ledger account.

E. Column (5) indicates the balance or value selected for each account (E = End of period balance, B = Beginning of period balance, E-B = End of period balance less the beginning of period balance).

★F. Column (6) additional information to be used in developing the presentation of the identified data. Z = Account balance for this account should be reduced to zero prior to the preparation of the preclosing trial balance used to prepare this statement at year end.

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
	BUDGETARY RESOURCES:				
1.	Budget Authority	4111	Debt Liquidation Appropriations	E	
		4112	Deficiency Appropriations	E	
		4115	Loan Subsidy Appropriation – Definite – Current	E	
		4116	Entitlement Loan Subsidy Appropriation – Indefinite	E	
		4117	Loan Administrative Expense Appropriation – Definite – Current	E	
		4118	Reestimated Discretionary Loan Subsidy Appropriation – Indefinite – Permanent	E	
		4119	Other Appropriations Realized	E	
		4121	Loan Subsidy Appropriation – Indefinite – Current	E	
		4150	Reappropriations	E	
★		4391	Adjustments to Indefinite No-Year Authority	E	
		4392	Rescissions – Current Year	E	Appropriations.
★		4042	Estimated Borrowing Authority - Indefinite	E	Z
		4141	Current Year Borrowing Authority Realized – Definite	E	
		4142	Current Year Borrowing Authority Realized – Indefinite	E	
		4392	Rescissions – Current Year	E	Borrowing Authority.
★		4032	Anticipated Contract Authority	E	Z
		4131	Current Year Contract Authority Realized – Definite	E	

Table 7-2

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
1.	Budget Authority (Cont.)	4132	Current Year Contract Authority Realized – Indefinite	E	Contract Authority.
		4392	Rescissions – Current Year	E	
		4170	Transfers – Current Year Authority	E	
		4175	Allocation Transfers	E	
★		4120	Appropriations Anticipated – Indefinite	E	Z
★		4160	Anticipated Transfers – Current Year Authority	E	Z
★		4165	Anticipated Allocation Transfers	E	Z
2.	Unobligated Balance - Beginning of Period	4139	Contract Authority Carried Forward	B	Z
		4149	Borrowing Authority Carried Forward	B	
★		4180	Anticipated Transfers – Prior Year Authority	E	
		4201	Total Actual Resources – Collected	B	
★		4221	Unfilled Customer Orders – Without Advance	B	
★		4222	Unfilled Customer Orders – With Advance	B	
★		4225	Appropriation Trust Fund Expenditure Transfers – Receivable	B	
		4251	Reimbursements and Other Income Earned – Receivable	B	
		4281	Actual Program Fund Subsidy Receivable – Definite – Current	B	
		4282	Actual Program Fund Subsidy Receivable – Indefinite – Permanent	B	
		4283	Interest Receivable from Treasury	B	
		4284	Actual Program Fund Subsidy Receivable - Indefinite – Current	B	
		4285	Receivable from the Liquidating Fund	B	
		4286	Receivable from the Financing Fund	B	

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
2. ★	Unobligated Balance - Beginning of Period (Cont.)	4287 4801 4802 4901	Other Federal Receivables Undelivered Orders – Unpaid Undelivered Orders – Paid Expended Authority – Unpaid	B B B B	
★			THE TOTAL OF THE 17 ACCOUNTS ABOVE (LEAVE OUT 4180) MUST EQUAL THE TOTAL OF THE 4 ACCOUNTS BELOW.		
★		4395	Authority Unavailable Pursuant to Public Law – Temporary	B	
★		4450	Unapportioned Authority – Available	B	
★		4620	Other Funds Available for Commitment/Obligation	B	
★		4650	Allotments – Expired Authority	B	
★3.	Net Transfers Prior-Year Balance, Actual	4190	Transfers – Prior Year Budgetary Resources, Actual	E	
4.	Spending Authority from Offsetting Collections	4252 4261 4262 4263 4264 4265 4266 4271 4272	Reimbursements and Other Income Earned – Collected Actual Collection of Fees Actual Collection of Loan Principal Actual Collection of Loan Interest Actual Collection of Rent Actual Collections from Sale of Foreclosed Property Other Actual Collections – Non-Federal Actual Program Fund Subsidy Collected – Definite – Current Actual Program Fund Subsidy Collected – Indefinite – Permanent	E E E E E E E E E	

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
4.	Spending Authority from Offsetting Collections (Cont.)	4273	Interest Collected from Treasury	E	
		4274	Actual Program Fund Subsidy Collected – Indefinite – Current	E	
		4275	Actual Collections from Liquidating Fund	E	
		4276	Actual Collections from Financing Fund	E	
		4277	Other Actual Collections – Federal	E	
		4872	Downward Adjustments of Prior Year Paid Undelivered Orders Refunds Collected	E	
		4972	Downward Adjustments of Prior Year Paid Expended Authority Refunds Collected	E	
		4251	Reimbursements and Other Income Earned – Receivable	E-B	
		4281	Actual Program Fund Subsidy Receivable – Definite – Current	E-B	
		4282	Actual Program Fund Subsidy Receivable-Indefinite-Permanent	E-B	
		4283	Interest Receivable from Treasury	E-B	
		4284	Actual Program Fund Subsidy Receivable – Indefinite – Current	E-B	
		4285	Receivable from the Liquidating Fund	E-B	
		4286	Receivable from the Financing Fund	E-B	
		4287	Other Federal Receivables	E-B	
★		4221	Unfilled Customer Orders – Without Advance	E-B	In year of expiration, final statements report obligated amount only.
★		4222	Unfilled Customer Orders – With Advance	E-B	In year of expiration, final statements report obligated amount only.

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★4.	Spending Authority from Offsetting Collection (Cont.)	4060	Anticipated Collections from Non-Federal Sources	E	Debit balances. Z
★		4070	Anticipated Collections from Federal Sources	E	Debit balances. Z
		4210	Anticipated Reimbursements and Other Income	E	Debit balances. Z
		4255	Appropriation Trust Fund Expenditure Transfers – Collected	E	
★		4215	Anticipated Appropriated Trust Fund Expenditure Transfers	E	Z
		4225	Appropriation Trust Fund Expenditure Transfers – Receivable	E-B	
★5.	Adjustments	4310	Anticipated Recoveries of Prior Year Obligations	E	Unexpired accounts only. Debit Balances. Z
		4871	Downward Adjustments of Prior Year Unpaid Undelivered Orders	E	
		4971	Downward Adjustments of Prior Year Unpaid Expended Authority	E	
		4395	Authority Unavailable Pursuant to Public Law – Temporary	E	
		4350	Canceled Authority	E	
		4393	Rescissions – Prior Year	E	
		4147	Actual Payments to Treasury	E	
★		4133	Actual Adjustments to Contract Authority	E	
		4143	Actual Reductions to Borrowing Authority	E	
		4396	Authority Permanently Not Available Pursuant to Public Law	E	

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★5.	Adjustments (Cont.)	4034	Anticipated Reductions to Contract Authority	E	Z
★		4044	Anticipated Reductions to Borrowing Authority	E	Z
		4047	Anticipated Payments to Treasury	E	Z
6.	Total Budgetary Resources		Sum of Lines 1 through 5		
	STATUS OF BUDGETARY RESOURCES:				
7.	Obligations Incurred	4801	Undelivered Orders – Unpaid	E-B	Category A. Direct.
		4802	Undelivered Orders – Paid	E-B	Category A. Direct.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Category A. Direct.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Category A. Direct.
		4901	Expended Authority – Unpaid	E-B	Category A. Direct.
		4902	Expended Authority – Paid	E	Category A. Direct.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Category A. Direct.
★		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Category A. Direct. Through current period.
		4801	Undelivered Orders – Unpaid	E-B	Category B. Direct.
		4802	Undelivered Orders – Paid	E-B	Category B. Direct.

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
7.	Obligations Incurred (Cont.)	4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Category B. Direct.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Category B. Direct.
		4901	Expended Authority – Unpaid	E-B	Category B. Direct.
		4902	Expended Authority – Paid	E	Category B. Direct.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Category B. Direct.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Category B. Direct.
		4801	Undelivered Orders – Unpaid	E-B	Direct. Not subject to apportionment.
		4802	Undelivered Orders – Paid	E-B	Direct. Not subject to apportionment.
		4881	Upward Adjustments of Prior Year - Unpaid Undelivered Orders	E	Direct. Not subject to apportionment.
		4882	Upward Adjustments of Prior Year - Paid Undelivered Orders	E	Direct. Not subject to apportionment.
		4901	Expended Authority – Unpaid	E-B	Direct. Not subject to apportionment.
		4902	Expended Authority – Paid	E	Direct. Not subject to apportionment.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Direct. Not subject to apportionment.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Direct. Not subject to apportionment.
		4801	Undelivered Orders – Unpaid	E-B	Reimbursable.
		4802	Undelivered Orders – Paid	E-B	Reimbursable.

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
7.	Obligations Incurred (Cont.)	4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Reimbursable.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Reimbursable.
		4901	Expended Authority – Unpaid	E-B	Reimbursable.
		4902	Expended Authority – Paid	E	Reimbursable.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Reimbursable.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Reimbursable.
★8.	Unobligated Balances - Available	4510	Apportionments	E	Through current period.
		4610	Allotments – Realized Resources	E	
		4700	Commitments	E	
★		4590	Apportionments – Unavailable	E	Anticipated. Available for obligation when resource is collected.
		4620	Other Funds Available for Commitment/Obligation Use only with prior Office of Under Secretary of Defense (Comptroller) (OUSD(C)) approval	E	
★9.	Unobligated Balances	4510	Apportionments	E	Subsequent periods.
★	- Not Available	4590	Apportionments – Unavailable	E	Anticipated. Subsequent periods.
		4430	Unapportioned Authority – OMB Deferral	E	
		4420	Unapportioned Authority – Pending Rescission	E	
★		4060	Anticipated Collections from Non-Federal Sources	E	Unexpired accounts only. Credit balances. Z

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★9.	Unobligated Balances – Not Available (Cont.)	4070	Anticipated Collections from Federal Sources	E	Unexpired accounts only. Credit balances. Z
★		4210	Anticipated Reimbursements and Other Income	E	Unexpired accounts only. Credit balances. Z
★		4310	Anticipated Recoveries of Prior Year Obligations	E	Unexpired accounts only. Credit balances. Z
★		4450	Unapportioned Authority – Available	E	
★		4630	Funds Not Available for Commitment/Obligation	E	
★		4650	Allotments – Expired Authority	E	Expired accounts only.
★10.	Total Status of Budgetary Resources		Sum of Lines 7 through 9		
	OUTLAYS:				
11.	Obligations Incurred	4801	Undelivered Orders – Unpaid	E-B	Category A. Direct.
		4802	Undelivered Orders – Paid	E-B	Category A. Direct.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Category A. Direct.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Category A. Direct.
		4901	Expended Authority – Unpaid	E-B	Category A. Direct.
		4902	Expended Authority – Paid	E	Category A. Direct.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Category A. Direct.

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
11.	Obligations Incurred (Cont.)	4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Category A. Direct.
		4801	Undelivered Orders – Unpaid	E-B	Category B. Direct.
		4802	Undelivered Orders – Paid	E-B	Category B. Direct.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Category B. Direct.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Category B. Direct.
		4901	Expended Authority – Unpaid	E-B	Category B. Direct.
		4902	Expended Authority – Paid	E	Category B. Direct.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Category B. Direct.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Category B. Direct.
		4801	Undelivered Orders – Unpaid	E-B	Direct. Not subject to apportionment.
		4802	Undelivered Orders – Paid	E-B	Direct. Not subject to apportionment.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Direct. Not subject to apportionment.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Direct. Not subject to apportionment.
		4901	Expended Authority – Unpaid	E-B	Direct. Not subject to apportionment.

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
11.	Obligations Incurred (Cont.)	4902	Expended Authority – Paid	E	Direct. Not subject to apportionment.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Direct. Not subject to apportionment.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Direct. Not subject to apportionment.
		4801	Undelivered Orders – Unpaid	E-B	Reimbursable.
		4802	Undelivered Orders – Paid	E-B	Reimbursable.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Reimbursable.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Reimbursable.
		4901	Expended Authority – Unpaid	E-B	Reimbursable.
		4902	Expended Authority – Paid	E	Reimbursable.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Reimbursable.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Reimbursable.
12.	Less: Spending Authority from Offsetting Collections and Adjustments	4252	Reimbursements and Other Income Earned – Collected	E	
		4261	Actual Collection of Fees	E	
		4262	Actual Collection of Loan Principal	E	
		4263	Actual Collection of Loan Interest	E	
		4264	Actual Collection of Rent	E	
		4265	Actual Collections from Sale of Foreclosed Property	E	
		4266	Other Actual Collections – Non-Federal	E	
		4271	Actual Program Fund Subsidy Collected – Definite – Current	E	

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)		
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required		
★12.	Less: Spending Authority from Offsetting Collections and Adjustments (Cont.)	4272	Actual Program Fund Subsidy Collected – Indefinite – Permanent	E			
		4273	Interest Collected from Treasury	E			
		4274	Actual Program Fund Subsidy Collected – Indefinite – Current	E			
		4275	Actual Collections from Liquidating Fund	E			
		4276	Actual Collections from Financing Fund	E			
		4277	Other Actual Collections – Federal	E			
		4872	Downward Adjustments of Prior Year Paid Undelivered Orders Refunds Collected	E			
		4972	Downward Adjustments of Prior Year Paid Expended Authority Refunds Collected	E			
		4251	Reimbursements and Other Income Earned - Receivable	E-B			
		4281	Actual Program Fund Subsidy Receivable - Definite – Current	E-B			
		4282	Actual Program Fund Subsidy Receivable - Indefinite – Permanent	E-B			
		4283	Interest Receivable from Treasury	E-B			
		4284	Actual Program Fund Subsidy Receivable - Indefinite – Current	E-B			
		4285	Receivable from the Liquidating Fund	E-B			
		4286	Receivable from the Financing Fund	E-B			
		4287	Other Federal Receivables	E-B			
		★	4222	Unfilled Customer Orders With Advance		E-B	In year of expiration, final statement reports obligated amounts only.
			4221	Unfilled Customer Orders Without Advance		E-B	In year of expiration, final statement reports obligated amount only.

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★12.	Less: Spending Authority from Offsetting Collections and Adjustments (Cont.)	4255	Appropriation Trust Fund Expenditure Transfers – Collected	E	Z
		4215	Anticipated Appropriated Trust Fund Expenditure Transfers	E	
		4225	Appropriation Trust Fund Expenditure Transfers – Receivable	E-B	
		4871	Downward Adjustments of Prior Year Unpaid Undelivered Orders	E	
		4971	Downward Adjustments of Prior Year Unpaid Expended Authority	E	
★13.	Obligated Balance, Net – Beginning of the Period	4221	Unfilled Customer Orders Without Advance	B	
		4225	Appropriation Trust Fund Expenditure Transfers – Receivable	B	
		4251	Reimbursements and Other Income Earned – Receivable	B	
		4281	Actual Program Fund Subsidy Receivable - Definite – Current	B	
		4282	Actual Program Fund Subsidy Receivable - Indefinite – Permanent	B	
		4283	Interest Receivable from Treasury	B	
		4284	Actual Program Fund Subsidy Receivable - Indefinite – Current	B	
		4285	Receivable from the Liquidating Fund	B	
		4286	Receivable from the Financing Fund	B	
		4287	Other Federal Receivables	B	
		4801	Undelivered Orders – Unpaid	B	
		4901	Expended Authority – Unpaid	B	

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
14.	Obligated Balance Transferred, Net	4831	Undelivered Orders, Transferred - Unpaid	E	
15.	Less: Obligated Balance, Net - End of Period	4225	Appropriation Trust Fund Expenditure	E	
		4251	Transfers – Receivable	E	
			Reimbursements and Other Income	E	
			Earned – Receivable	E	
		4281	Actual Program Fund Subsidy Receivable - Definite – Current	E	
		4282	Actual Program Fund Subsidy Receivable - Indefinite – Permanent	E	
		4283	Interest Receivable from Treasury	E	
		4284	Actual Program Fund Subsidy Receivable - Indefinite – Current	E	
		4285	Receivable from the Liquidating Fund	E	
		4286	Receivable from the Financing Fund	E	
		4287	Other Federal Receivables	E	
		4221	Unfilled Customer Orders Without Advance	E	
		4801	Undelivered Orders – Unpaid	E	
		4831	Undelivered Orders, Transferred - Unpaid	E	
		4871	Downward Adjustments of Prior Year Unpaid Undelivered Orders	E	
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	
		4901	Expended Authority – Unpaid	E	
		4971	Downward Adjustments of Prior Year Unpaid Expended Authority	E	
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	
16.	Total Outlays		Sum of lines 11 through 15		

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
			THE TOTAL ABOVE MUST EQUAL THE SUM OF THE 22 ACCOUNTS BELOW.		
16.	Total Outlays (Cont.)	4802	Undelivered Orders – Paid	E-B	Obligated amount only for final in year of expiration.
		4902	Expended Authority – Paid	E	
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	
		4222	Unfilled Customer Orders With Advance	E-B	
		4252	Reimbursements and Other Income Earned – Collected	E	
		4255	Appropriation Trust Fund Expenditure Transfers – Collected	E	
		4261	Actual Collection of Fees	E	
		4262	Actual Collection of Loan Principal	E	
		4263	Actual Collection of Loan Interest	E	
		4264	Actual Collection of Rent	E	
		4265	Actual Collections from Sale of Foreclosed Property	E	
		4266	Other Actual Collections – Non-Federal	E	
		4271	Actual Program Fund Subsidy Collected - Definite – Current	E	
		4272	Actual Program Fund Subsidy Collected - Indefinite – Permanent	E	
		4273	Interest Collected from Treasury	E	
		4274	Actual Program Fund Subsidy Collected - Indefinite – Current	E	
		4275	Actual Collections from Liquidating Fund	E	

Table 7-2 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Budgetary Resources Line Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
		4276	Actual Collections from Financing Fund	E	
		4277	Other Actual Collections – Federal	E	
		4872	Downward Adjustments of Prior Year Paid Undelivered Orders Refunds Collected	E	
		4972	Downward Adjustments of Prior Year Paid Expended Authority Refunds Collected	E	

Table 7-2 (Cont.)

CHAPTER 8

STATEMENT OF FINANCING★0801 FORMATS FOR THE STATEMENT OF FINANCING

Department of Defense

[Reporting Entity]

COMBINED STATEMENT OF FINANCING

For the year ending September 30, 1999

(\$ in thousands)

	FY 1999
1. OBLIGATIONS AND NONBUDGETARY RESOURCES:	
A. Obligations Incurred	\$ 777,777
B. Less: Spending Authority for Offsetting Collections and Adjustments	(111,111)
C. Donations Not in the Entity's Budget	111,111
D. Financing Imputed for Cost Subsidies	222,222
E. Transfers-In (Out)	111,111
★F. Less: Exchange Revenue Not in the Entity's Budget	(333,333)
G. Other	111,111
H. Total Obligations as Adjusted and Nonbudgetary Resources	<u>\$ x,xxx,xxx</u>
2. RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS:	
★A. Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided - (Increases)/Decreases	(111,111)
★B. Costs Capitalized on the Balance Sheet - (Increases)/Decreases	(222,222)
★C. Financing Sources That Fund Costs of Prior Periods	(111,111)
★D. Other - (Increases)/Decreases	(xxx,xxx)
★E. Total Resources That Do Not Fund Net Costs of Operations	<u>\$ (x,xxx,xxx)</u>
3. COSTS THAT DO NOT REQUIRE RESOURCES:	
A. Depreciation and Amortization	xxx,xxx
B. Revaluation of Assets and Liabilities - Increases/(Decreases)	xxx,xxx
C. Other - Increases/(Decreases)	xxx,xxx
D. Total Costs That Do Not Require Resources	<u>\$ x,xxx,xxx</u>
4. Financing Sources Yet to be Provided	<u>xxx,xxx</u>
5. Net Cost of Operations	<u>\$ x,xxx,xxx</u>

Additional Information included in Note 19.

The accompanying notes are an integral part of these statements.

Figure 8-1

0802 INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF FINANCING080201. General Instructions.

★A. The Statement of Financing is designed to provide information on the total resources used by an agency and explain how those resources were used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity's net cost of operations. It is designed to report the differences and facilitate the reconciliation of accrual-based amounts used in the Statement of Net Cost and obligation-based amounts used in the Statement of Budgetary Resources. The computations and presentation of items in the Statement of Financing demonstrate that the budgetary and proprietary information in an agency's financial management systems are in agreement. All amounts used in this financial statement should be preclosing balances. The Office of Management and Budget (OMB) does not require a consolidated Statement of Financing for fiscal year (FY) 1999. Therefore, the Department of Defense (DoD) has elected to prepare for FY 1999 a combined Statement of Financing. The statements will be appropriately titled as combined. In addition, because the Department has elected to prepare combined and combining statements for FY 1999, disclose in Note 19 that intraentity transactions have not been eliminated.

B. Preparers of financial statements have flexibility as to the level of detail presented, i.e., the information should be presented for the reporting entity as a whole and, if the preparer elects, for the major suborganizations or responsibility segments or for the major budget accounts. Material disclosures pertinent to the Statement of Financing are provided at Note 19.

080202. Line Item Instructions. In addition to the narrative below see the general ledger crosswalk in paragraph 080306 for a description of the accounts and attributes applicable to each line item.

A. Obligations and Nonbudgetary Resources - Lines 1.A. through 1.H. The obligations and nonbudgetary resources section reports the computation of "Obligations Incurred" and adjustments for offsetting collections to expenditure accounts, recoveries of authority, and other items defined in the OMB Circular A-34. It also reports financing that is not recognized in the entity's budget. Financing sources other than exchange revenues which are not in the budget are added to obligations because they provide additional resources. Exchange revenues not in the budget are subtracted from obligations because they were subtracted from gross costs in the computation for net cost of operations.

1. Obligations Incurred – Line 1.A. This amount shall equal the obligations incurred as reported for the current year on the Statement of Budgetary Resources, Line 7. This line includes amounts for new orders placed, contracts awarded, services received, undelivered orders, expended authority, etc., that require payment some time during the same or future period.

★2. Less: Spending Authority from Offsetting Collections and Adjustments – Line 1.B. This line consists of three primary components: offsetting collections,

recoveries of authority, and changes in unfilled customer orders. Offsetting collections is a combination of collections from the public and other federal agencies for the various activities in which DoD engages. The recoveries of prior year authority component consist of budget authority that was recovered during the current year due to a reduction in a prior year obligation. The third and final component of this line is the change in unfilled customer orders. Unfilled customer orders are considered a budgetary resource at the time the order is accepted. Collections on those orders are also considered a resource. In order to avoid double-counting when relating net obligations to net outlays, the change in unfilled customer orders from the beginning of the period to the end of the period must be deducted from obligations incurred. This line includes the amount reported on the Statement of Budgetary Resources, Line 4.

3. Donations Not in the Entity's Budget – Line 1.C. Include “other than cash” amounts for donated revenue.

4. Financing Imputed for Cost Subsidies – Line 1.D. This amount includes the imputed financing sources for cost subsidies.

★5. Transfers-In (Out) – Line 1.E. Include the amounts for cash and capitalized assets that have been transferred in without reimbursement and transferred out without reimbursement. This amount should equal the net of lines 2.E. and 2.F. on the Statement of Changes in Net Position.

★6. Less: Exchange Revenue Not in the Entity's Budget – Line 1.F. This line should include amounts for nongovernment increases/decreases that are associated with nongovernment exchange revenue for accounts receivable and interest receivable. This line also includes other revenue that is associated with exchange revenue. Include interest earned on donations and investments in trust funds. This line is subtracted from obligations incurred due to the different recognition criteria for budgetary resources and revenue. In accordance with the Statements of Federal Financial Accounting Standards (SFFAS), revenue is recognized as intragovernmental receivables or public receivables. Under budgetary accounting intragovernmental receivables are recognized as a budgetary resource while public receivables are not recognized as a budgetary resource until they are actually collected. Therefore, any future collection of public receivables is going to be considered a budgetary resource, but not a financial revenue because it has already been recorded as a financial revenue. Therefore, changes in public receivables must be subtracted as a reconciling item in order to arrive at the net cost of operations on the Statement of Financing.

7. Other – Line 1.G. This line includes any other nonbudgetary revenue that is associated with nonexchange revenue. Any component of this line that represents more than 10 percent of the value of this line shall be separately disclosed.

8. Total Obligations as Adjusted and Nonbudgetary Resources
Line 1.H. Sum of lines 1.A. through 1.G.

B. Resources That Do Not Fund Net Costs of Operations. Some obligations or nonbudgetary financing sources do not result in expenses on the Statement of Net Cost for the period in which the obligation was made or the nonbudgetary resource recognized. Resources that do not fund net costs of operations commonly arise from three sources. One source is the change in goods, services, and benefits ordered but not yet received or provided. Another source is any good or service capitalized on the Balance Sheet. The third source is any item that is treated as a financing source yet to be provided in a prior period and that is being recognized as a budgetary resource in the current period. Because these items are included in obligations, as adjusted, and nonbudgetary financing sources, but not in the net cost of operations, they shall be subtracted in the reconciliation.

★1. Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided (Increases)/Decreases – Line 2.A. This line includes the net change in undelivered orders from the beginning of the period to the end. Net increases in undelivered orders and upward adjustments of prior-year undelivered orders should be subtracted from the net obligations and nonbudgetary resources; net decreases in undelivered orders and downward adjustments of prior-year undelivered orders should be added.

2. Costs Capitalized on the Balance Sheet (Increases)/Decreases – Line 2.B. This line includes obligations that do not affect net costs. Examples are: General property, plant, and equipment (PP&E), loans from liquidating funds, and nongovernment securities and investments. This amount should be subtracted from obligations and nonbudgetary resources.

3. Financing Sources That Fund Costs of Prior Periods – Line 2.C. Include on this line amounts received for budgetary resources in the current period that were previously reported as “financing sources yet to be provided.”

4. Other (Increases)/Decreases – Line 2.D. This line should include any other amounts that are not identified in lines 2.A. through 2.C. that are resources that do not fund net costs of operations. Any component of this line that represents more than 10 percent of the value of the line should be separately disclosed.

5. Total Resources That Do Not Fund Net Costs of Operations – Line 2.E. Sum of lines 2.A. through 2.D.

C. Costs That Do Not Require Resources. These are costs which do not require financing by either budgetary or nonbudgetary resources. Although there may be many expenses of this type, two of the most common are depreciation and expenses related to the revaluation of assets. Because these items are part of the net cost of operations but are not included in obligations, as adjusted, and nonbudgetary resources, they should be added in the reconciliation. As a practical matter, it may not always be feasible to report this information separately as displayed in the illustrated Statement of Financing.

1. Depreciation and Amortization – Line 3.A. Report those amounts for depreciation and amortization for General PP&E. This line should also include amounts for depletion.

2. Revaluation of Assets and Liabilities Increases/(Decreases) – Line 3.B. This line includes other gains and losses as a result of the revaluation of assets.

3. Other Increases/(Decreases) – Line 3.C. Include amounts for bad debts related to uncollectible noncredit report receivables. Include also amounts for the losses on the disposition of assets and the obligations associated with extraordinary items. Any component of this line which represents more than 10 percent of the value of the line should be separately disclosed.

4. Total Costs That Do Not Require Resources – Line 3.D. Sum of lines 3.A. through 3.C.

★D. Financing Sources Yet to be Provided – Line 4. The costs of the federal government are not always funded in the period the costs are incurred. Two examples most common to agencies funded by appropriations are the cost of increases in unused annual leave and the Federal Compensation Employment Act reimbursements to the Department of Labor. Costs of this nature are incurred in the reporting period, but are normally funded through appropriations in subsequent years. Future funding required for these costs is reported as “financing sources yet to be provided.” Because these costs are part of the net cost of operations but are not in obligations as adjusted, and nonbudgetary resources, they should be added in the reconciliation. Note that in a subsequent year, when budgetary resources are provided, the costs are subtracted in the section entitled “resources that do not fund net cost of operations.”

E. Net Cost of Operations – Line 5. This amount is determined by netting the “obligations as adjusted and nonbudgetary resources” and making appropriate adjustments for the total “resources that do not fund net cost of operations,” the total “costs that do not require resources,” and “financing sources yet to be provided.” The net cost of operations resulting from the reconciliation on the Statement of Financing shall be the same as the net cost of operations reported on the Statement of Net Cost (see Appendix B for the required reconciliation).

0803 GENERAL LEDGER CROSSWALK FOR THE STATEMENT OF FINANCING.

The following provides an explanation of the information included in the columns of the crosswalk (all ending balances are preclosing balances):

080301. Column (1) represents the line number on the statement.

080302. Column (2) identifies the title of the line number on the statement.

080303. Column (3) reflects the U.S. Government Standard General Ledger account numbers included on each line of the statement.

080304. Column (4) identifies the title of the general ledger account.

080305. Column (5) indicates the balance or value selected for each account (E = End of period balance, B = Beginning of period balance, E-B = End of period balance less the beginning of period balance).

080306. Column (6) additional information to be used in developing the presentation of the identified data.

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
1.	Obligations and Nonbudgetary Resources				
1.A.	Obligations Incurred	4801	Undelivered Orders – Unpaid	E-B	Category A. Direct.
		4802	Undelivered Orders – Paid	E-B	Category A. Direct.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Category A. Direct.

Table 8-1

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★1.A.	Obligations Incurred (Cont.)	4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Category A. Direct.
		4901	Expended Authority – Unpaid	E-B	Category A. Direct.
		4902	Expended Authority – Paid	E	Category A. Direct.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Category A. Direct.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Category A. Direct.
		4801	Undelivered Orders – Unpaid	E-B	Category B. Direct.
		4802	Undelivered Orders – Paid	E-B	Category B. Direct.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Category B. Direct.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Category B. Direct.
		4901	Expended Authority – Unpaid	E-B	Category B. Direct.
		4902	Expended Authority – Paid	E	Category B. Direct.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Category B. Direct.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Category B. Direct.
		4801	Undelivered Orders – Unpaid	E-B	Direct. Not subject to apportionment.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★1.A.	Obligations Incurred (Cont.)	4802	Undelivered Orders – Paid	E-B	Direct. Not subject to apportionment.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Direct. Not subject to apportionment.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Direct. Not subject to apportionment.
		4901	Expended Authority – Unpaid	E-B	Direct. Not subject to apportionment.
		4902	Expended Authority – Paid	E	Direct. Not subject to apportionment.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Direct. Not subject to apportionment.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Direct. Not subject to apportionment.
		4801	Undelivered Orders – Unpaid	E-B	Reimbursable.
		4802	Undelivered Orders – Paid	E-B	Reimbursable.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Reimbursable.
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Reimbursable.
		4901	Expended Authority – Unpaid	E-B	Reimbursable.
		4902	Expended Authority – Paid	E	Reimbursable.
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	E	Reimbursable.
		4982	Upward Adjustments of Prior Year Paid Expended Authority	E	Reimbursable.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★1.B.	Less: Spending Authority from Offsetting Collections and Adjustments	4252	Reimbursements and Other Income Earned – Collected	E	
		4261	Actual Collection of Fees	E	
		4262	Actual Collection of Loan Principal	E	
		4263	Actual Collection of Loan Interest	E	
		4264	Actual Collection of Rent	E	
		4265	Actual Collections from Sale of Foreclosed Property	E	
		4266	Other Actual Collections - Non-Federal	E	
		4271	Actual Program Fund Subsidy Collected – Definite – Current	E	
		4272	Actual Program Fund Subsidy Collected – Indefinite – Permanent	E	
		4273	Interest Collected from Treasury	E	
		4274	Actual Program Fund Subsidy Collected – Indefinite – Current	E	
		4275	Actual Collections from Liquidating Fund	E	
		4276	Actual Collections from Financing Fund	E	
		4277	Other Actual Collections – Federal	E	
		4872	Downward Adjustments of Prior Year Paid Undelivered Orders Refunds Collected	E	
		4972	Downward Adjustments of Prior Year Paid Expended Authority Refunds Collected	E	
		4251	Reimbursements and Other Income Earned – Receivable	E-B	
		4281	Actual Program Fund Subsidy Receivable – Definite – Current	E-B	
		4282	Actual Program Fund Subsidy Receivable – Indefinite – Permanent	E-B	

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★1.B.	Less: Spending Authority from Offsetting Collections and Adjustments (Cont.)	4283	Interest Receivable from Treasury	E-B	Obligated amounts only for final in year of expiration.
		4284	Actual Program Fund Subsidy Receivable – Indefinite – Current	E-B	
		4285	Receivable from Liquidating Fund	E-B	
		4286	Receivable from the Financing Fund	E-B	
		4287	Other Federal Receivables	E-B	
		4222	Unfilled Customer Orders With Advance	E-B	Obligated amounts only for final in year of expiration.
★		4221	Unfilled Customer Orders Without Advance	E-B	
		4255	Appropriation Trust Fund Expenditure Transfers – Collected	E	
★		4225	Appropriation Trust Fund Expenditure Transfers – Receivable	E-B	
		4871	Downward Adjustments of Prior Year Unpaid Undelivered Orders	E	
		4971	Downward Adjustments of Prior Year Unpaid Expended Authority	E	
★1.C.	Donations Not in the Entity's Budget	5610	Donated Revenue – Nonfinancial Resources	E	
★		5619	Contra Revenue for Donations – Nonfinancial Resources	E	
1.D.	Financing Imputed for Cost Subsidies	5780	Imputed Financing Sources	E	
1.E.	Transfers In/Out	5720	Financing Sources Transferred In Without Reimbursement	E	

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
1.E.	Transfer In/Out (Cont.)	5730	Financing Sources Transferred Out Without Reimbursement	E	
★1.F.	Less: Exchange Revenue Not in the Entity's Budget	1310	Accounts Receivable	E-B	Non-Government. Increases)/ Decreases. Portion associated with Non-Government exchange revenue. Excludes accounts receivable related to vendor overpayments
		1319	Allowance for Loss on Accounts Receivable	E-B	Non-Government. (Increases)/ Decreases. Portion associated with Non-Government exchange revenue.
		1340	Interest Receivable	E-B	Non-Government. (Increases)/ Decreases. Portion associated with Non-Government exchange revenue.
		1349	Allowance for Loss on Interest Receivable	E-B	Non-Government. (Increases)/ Decreases. Portion associated with Non-Government exchange revenue.
★		5310	Interest Revenue	E	Credit reform interest accruals and amortization adjustment to interest revenue.
★		4263	Actual Collection of Loan Interest	E	Credit reform interest accruals and amortization adjustment to interest revenue.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★1.F.	Less: Exchange Revenue Not in the Entity's Budget (Cont.)	5900	Other Revenue	E	Portion associated with exchange revenue. Exclude amounts included in 1310 and 1340. Nonbudgetary.
		4273	Interest Collected from Treasury	E	Credit reform interest accruals and amortization adjustment to interest revenue.
		5909	Contra Revenue for Other Revenue		Portion associated with exchange revenue. Exclude amounts included in 1310 and 1340. Nonbudgetary.
★1.G.	Other	1340	Interest, Penalty, and Administrative Fees Receivable	E-B	Accrued interest from Treasury securities held by special and trust funds.
		5900	Other Revenue	E	Portion associated with nonexchange revenue. Nonbudgetary.
		5909	Contra Revenue for Other Revenue	E	Portion associated with nonexchange revenue. Nonbudgetary.
		5100	Revenue from Goods Sold	E	Subtract. Trust or Special fund receipts related to exchange revenue in the entity's budget.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★ 1.G.	Other (Cont.)	5109	Contra Revenue for Goods Sold	E	Trust or Special fund receipts related to exchange revenue in the entity's budget.
		5200	Revenue from Services Provided	E	Subtract. Trust or Special fund receipts related to exchange revenue in the entity's budget.
		5209	Contra Revenue for Services Provided	E	Trust or Special fund receipts related to exchange revenue in the entity's budget.
★		5310	Interest Revenue	E	Subtract. Trust or Special fund receipts related to exchange revenue in the entity's budget.
★		5319	Contra Revenue for Interest	E	Trust or Special fund receipts related to exchange revenue in the entity's budget.
★		5400	Benefit Program Revenue	E	Subtract. Trust or Special fund receipts related to exchange revenue in the entity's budget.
★		5409	Contra Revenue for Benefit Program Revenue	E	Trust or Special fund receipts related to exchange revenue in the entity's budget.
★		5900	Other Revenue	E	Subtract. Trust or Special fund receipts related to exchange revenue in the entity's budget.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★1.G.	Other (Cont.)	5909	Contra Revenue for Other Revenue	E	Trust or Special fund receipts related to exchange revenue in the entity's budget.
★		5790	Other Financing Sources	E	
★1.H.	Total Obligations as Adjusted and Nonbudgetary Resources		Sum of 1.A. through 1.G.		
2.	Resources that Do Not Fund Net Cost of Operations:				
★2.A.	Change in Amount of Goods Services and Benefits Ordered but Not Yet Received or Provided (Increases)/Decreases	4221	Unfilled Customer Order Without Advance	E-B	Net Increases/(Decreases).
		4222	Unfilled Customer Orders With Advance	E-B	Net Increases/(Decreases).
		4801	Undelivered Orders – Unpaid	E-B	Net (Increases)/Decreases.
		4871	Downward Adjustments of Prior Year Unpaid Undelivered Orders	E	Normal debit value is shown as a plus.
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Normal credit value is shown as a minus.
		4802	Undelivered Orders – Paid	E-B	Net (Increases)/Decreases.
		4872	Downward Adjustments of Prior Year – Paid Undelivered Orders Refund Collected	E	Normal debit value is shown as a plus.
		4882	Upward Adjustments of Prior Year – Paid Undelivered Orders	E	Normal credit value is shown as a minus.
★2.B.	Costs Capitalized on the Balance Sheet (Increases)/Decreases	1711	Land and Land Rights	E-B	Assets purchased during fiscal year.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★2.B.	Costs Capitalized on the Balance Sheet (Increases)/ Decreases (Cont.)	1712	Improvements to Land	E-B	Assets purchased during fiscal year.
★		1720	Construction in Progress	E-B	Assets purchased during fiscal year.
★		1730	Buildings, Improvements, and Renovations	E-B	Assets purchased during fiscal year.
		1740	Other Structures and Facilities	E-B	Assets purchased during fiscal year.
		1750	Equipment	E-B	Assets purchased during fiscal year.
★		1810	Assets Under Capital Lease	E-B	Assets purchased during fiscal year.
★		1820	Leasehold Improvements	E-B	Assets purchased during fiscal year.
★		1830	Information Technology Software	E-B	Assets purchased during fiscal year.
★		1840	Other Natural Resources	E-B	Assets purchased during fiscal year.
★		1890	Other General Property, Plant, and Equipment	E-B	Assets purchased during fiscal year.
★		1350	Loans Receivable	E-B	Noncredit reform loans.
★		4901	Expended Authority – Unpaid	E	Credit reform loans.
★		4902	Expended Authority – Paid	E	Credit reform loans.
★		4971	Downward Adjustments of Prior - Year Unpaid Expended Authority	E	Credit reform loans.
★		4972	Downward Adjustments of Prior - Year Paid Expended Authority Refunds Collected	E	Financing account/liquidating account. Credit reform loans. Financing account/liquidating account.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★2.B.	Cost Capitalized on Balance Sheet (Increases)/ Decreases (Cont.)	4981	Upward Adjustments of Prior - Year Unpaid Expended Authority	E	Credit reform loans. Financing account/liquidating account. Credit reform loans.
★		4982	Upward Adjustments of Prior - Year Paid Expended Authority		
		1511	Operating Materials and Supplies Held for Use	E-B	
		1512	Operating Materials and Supplies Held in Reserve for Future Use	E-B	
		1513	Operating Materials and Supplies – Excess, Unserviceable and Obsolete	E-B	
		1521	Inventory Held for Sale	E-B	
		1522	Inventory Held in Reserve for Future Sale	E-B	
		1523	Inventory Held for Repair	E-B	
		1524	Inventory – Excess, Obsolete and Unserviceable	E-B	
★		1525	Inventory – Raw Materials	E-B	
★		1526	Inventory – Work-in-Process	E-B	
★		1527	Inventory – Finished Goods	E-B	
★		1561	Commodities Held Under Price Support and Stabilization Support Programs	E-B	
★		1571	Stockpile Materials Held in Reserve	E-B	Non-Government.
★		1572	Stockpile Materials Held for Sale		
★		1591	Other Related Property, Net	E-B	
★		1620	Investments in Securities Other Than Public Debt Securities	E-B	
		1690	Other Investments	E-B	Non-Government.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★2.B.	Cost Capitalized on Balance Sheet (Increases)/Decreases (Cont.)	1310	Accounts Receivable	E-B	Includes only vendor over-payments related to capitalized assets.
★2.C.	Financing Sources That Fund Costs of Prior Periods	4118	Reestimated Discretionary Loan Subsidy Appropriation – Indefinite – Permanent	E	Credit reform loans.
★		6790	Other Expenses Not Requiring Budgetary Resources	E	Net debit balance for vendor overpayments collected.
★			(The amount in account 6790 should equal the E-B Balance in account 1310 that relates only to vendor overpayment.)		
★		2190	Other Accrued Liabilities	E-B	If net decrease, unfunded.
		2220	Accrued Unfunded Liabilities	E-B	If net decrease.
		2610	Retirement Plans	E-B	If net decrease.
		2620	Insurance Plans	E-B	If net decrease.
		2690	Other Actuarial Liabilities	E-B	If net decrease.
		2940	Capital Lease Liability	E-B	If net decrease related to payment made prior to FY 1991.
		2920	Contingent Liabilities	E-B	If net decrease.
		2990	Other Liabilities	E-B	If net decrease.
★		2995	Accrued Cleanup Cost	E-B	If net decrease.
			(If the above accounts are not available the balance in account 6800 can be substituted if account 6800 has a credit balance.)		

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★2.D.	Other (Increases)/ Decreases	4261	Actual Collection of Fees	E	Credit reform.
		4262	Actual Collection of Loan Principal	E	Credit reform.
		4264	Actual Collection of Rent	E	Credit reform.
		4265	Actual Collections from Sale of Foreclosed Property	E	Credit reform.
★		4266	Other Actual Collections – Non-Federal	E	Credit reform, portion that increases loan guarantee liability or allowance for subsidy.
★		4271	Actual Program Fund Subsidy Collected – Definite-Current	E	Credit reform.
★		4272	Actual program Fund Subsidy Collected – Permanent	E	Credit reform.
★		4274	Actual Program Fund Subsidy Collected – Indefinite – Current	E	Credit reform.
★		4275	Actual Collections from Liquidating Fund	E	Credit reform, portion that increases loan guarantee liability or allowance for subsidy.
★		4277	Other Actual Collections – Federal	E	Credit reform, portion that increases loan guarantee liability or allowance for subsidy.
★		4281	Actual Program Fund Subsidy Receivable – Definite – Current	E-B	Credit reform.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★2.D.	Other (Increases)/ Decreases	4282	Actual Program Fund Subsidy Receivable – Indefinite – Permanent	E-B	Credit reform.
★		4284	Actual Program Fund Subsidy Receivable – Indefinite – Current	E-B	Credit reform.
★		4285	Receivable from the Liquidating Fund	E-B	Credit reform.
★		4286	Receivable from the Financing Fund	E-B	Credit reform.
★		4287	Other Federal Receivables	E-B	Credit reform.
★		5730	Financing Sources Transferred – Out Without Reimbursement	E	Adjustment for trust fund outlays that do not affect net cost. Portion related to nonexchange expenditure transfer – out.
★		7400	Prior Period Adjustments	E	Use if related to asset reported in Section 2.
★2.E.	Total Resources That Do Not Fund Net Costs of Operations		Sum of 2.A. through 2.D.		
3.	Cost That Do Not Require Resources				
★3.A.	Depreciation and Amortization	6710	Depreciation, Amortization and Depletion	E	
★3.B.	Revaluation of Assets and Liabilities – Increases/ (Decreases)	7190	Other Gains	E	Revaluation of assets.
		7290	Other Losses	E	Revaluation of assets.
★3.C.	Other – Increases / (Decreases)	6720	Bad Debt Expense	E	Related to uncollectible noncredit reform receivables.

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★3.C.	Other – Increases/ (Decreases) (Cont.)	7110	Gains on Disposition of Assets	E	Include if a budgetary resource is not recognized upon sale or disposition of asset.
★		7210	Losses on Disposition of Assets	E	
		6500	Cost of Goods Sold	E	Net credit balance for vendor overpayments receivable. Debit balance for other activity. Downward subsidy reestimate. Associated with obligations only.
		6790	Other Expenses Not Requiring Budgetary Resources		
★		6199	Adjustments to Subsidy Expense	E	
★		7300	Extraordinary Items	E	
★3.D.	Total Costs That Do Not Require Resources		Sum of Lines 3.A. through 3.C.		
★4.	Financing Sources Yet to be Provided	2190	Other Accrued Liabilities	E-B	If net increase, unfunded.
		2220	Accrued Unfunded Liabilities	E-B	If net increase.
		2610	Retirement Plans	E-B	If net increase.
		2620	Insurance Plans	E-B	If net increase.
		2690	Other Actuarial Liabilities	E-B	If net increase.
		2940	Capital Lease Liability	E-B	If net increase related to payment made prior to FY 1991.
		2920	Contingent Liabilities	E-B	If net increase.
		2990	Other Liabilities	E-B	If net increase, unfunded portion.
		2995	Accrued Cleanup Cost	E-B	If net increase.
		THE 9 ACCOUNTS ABOVE MUST EQUAL THE ACCOUNT BELOW			

Table 8-1 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
★4.	Financing Sources Yet to be Provided (Cont.)	6800	Future Funded Expenses	E	Debit account only when account has a debit balance.
5.	Net Cost of Operations		Sum of lines 1.H., 2.E., 3.D., and 4.		
			(The sum of line 5 shall equal Statement of Net Cost, Line 5)		

Table 8-1 (Cont.)

CHAPTER 9

STATEMENT OF CUSTODIAL ACTIVITY★0901 FORMAT FOR THE STATEMENT OF CUSTODIAL ACTIVITY

Department of Defense [Reporting Entity] STATEMENT OF CUSTODIAL ACTIVITY For the year ending September 30, 1999 (\$ in Thousands)	
	<u>FY</u> <u>1999</u>
SOURCES OF COLLECTIONS	
1. Deposits by Foreign Governments	\$ 888,888
2. Other Collections	<u>222,222</u>
3. Total Cash Collections	<u>\$ 1,111,110</u>
4. Accrual Adjustments (+/-)	<u>111,111</u>
5. Total Custodial Collections	<u>\$ 1,222,221</u>
DISPOSITION OF COLLECTIONS	
6. Disbursed on Behalf of Foreign Governments and International Organizations	\$ 555,555
7. Increase (Decrease) in Amounts to be Transferred	222,222
8. Collections Used for Refunds and Other Payments	222,222
9. Retained by the Reporting Entity	<u>222,222</u>
10. Total Disposition of Collections	<u>\$ 1,222,221</u>
11. Net Custodial Collection Activity	<u><u>\$ 0</u></u>
<u>Additional information included in Note 20.</u> The accompanying notes are an integral part of these statements.	

Figure 9-1

0902 INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF CUSTODIAL ACTIVITY

★090201. General Instructions. The Statement of Custodial Activity is required for entities that collect nonexchange revenue for the General Fund of the Treasury, a trust fund, or other recipient entities. The collecting entities do not recognize collections that have been or should be transferred to others as revenues. Rather, they shall account for sources and disposition of the collections as custodial activities on the Statement of Custodial Activity. Material disclosures pertinent to the Statement of Custodial Activity are provided at Note 20. Format is displayed using notional data to assist the user. All figures in this statement should be based on preclosing balances.

090202. An exception to requiring preparation of the Statement of Custodial Activity is made when collecting entities have custodial collections that are nonmaterial and incidental to their primary mission. In these cases, the sources and disposition of the collections may be disclosed in accompanying footnotes.

090203. Line Item Instructions. In addition to the narrative below see the general ledger crosswalk in paragraph 090306 for a description of the accounts and attributes applicable to each line item.

A. Sources of Collections – Lines 1 through 5. Report in this section of the statement, cash collections using an identifier that describes the general source (i.e., other federal agency, foreign governments, or U.S. public). If any of these collections represent more than 10 percent of the value of total collections, then those collections should be separately disclosed under line 2. In Note 20, provide information that describes the purpose for which the deposits were received. If refunds are material in relation to gross collections, then disclose the purpose(s) of the refunds in Note 20. Funds provided in the context of Foreign Military Sales (FMS) are an example of applicable cash collections. A Statement of Custodial Activity shall be provided which reports the amounts of cash receipts and disbursement of the FMS trust Fund during the year.

1. Sources of Collections: Deposits by Foreign Governments – Line 1. Include the deposits by foreign government during the period.

2. Sources of Collections: Other Collections – Line 2. Include collections made from sources other than deposits by Foreign Governments.

3. Total Cash Collections – Line 3. This line equals the sum of lines 1 and 2.

4. Accrual Adjustments – Line 4. For the Department of Defense (DoD), this line is normally not applicable. However, the amount of advances not collected by the FMS billing date must be identified in Note 20.

5. Total Custodial Collections – Line 5. This line is the sum of lines 3 and 4.

B. Disposition of Collections – Lines 6 through 9. This section of the statement accounts for the disposition of the collections reported in the preceding section.

1. Disbursed on Behalf of Foreign Governments and International Organizations – Line 6. The net amount disbursed on behalf of foreign governments and international organizations is computed by subtracting refunds from gross amounts disbursed.

2. Increase (Decrease) in Amounts to be Transferred – Line 7. Report the change in liability for collections yet to be transferred. The liability may exist because it is a receivable, but has not yet been collected, or because collections already made have not yet been transferred to the entity for which collected as of the end of the reporting period.

3. Collections Used for Refunds and Other Payments – Line 8. Report the refunds and other payments made from collections on this line.

4. Retained by the Reporting Entity – Line 9. In some cases, collecting entities are permitted to retain a portion of amounts collected. Amounts retained shall be separately reported by the collecting entity.

5. Total Disposition of Collections – Line 10. This line is the sum of lines 5, 6, 7, and 8.

C. Net Custodial Collection Activity – Line 11. The total of the sources of collection section (total revenue) shall equal the total of the disposition of collections section (total disposition of revenue). The net custodial activity shall always equal zero.

0903 GENERAL LEDGER CROSSWALK FOR THE STATEMENT OF CUSTODIAL ACTIVITY.

The following provides an explanation of the information included in the columns of the crosswalk (all balances are preclosing balances, except where noted):

090301. Column (1) represents the line number on the statement.

090302. Column (2) identifies the title of the line number on the statement.

090303. Column (3) reflects the U.S. Government Standard General Ledger account numbers included on each line of the statement.

090304. Column (4) identifies the title of the general ledger account.

090305. Column (5) indicates the balance or value selected for each account (E = End of period balance, B = Beginning of period balance, E-B = End of period balance less the beginning of period balance).

★090306. Column (6) additional information to be used in developing the presentation of the identified data. Z = Account balance for this account should be reduced to zero prior to the preparation of the preclosing trial balance used to prepare this statement at year end.

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Custodial Activity Title	Acct. No.	Account Title	Trial Bal.	Additional Detail Required
1.	Deposits by Foreign Governments	1010	Fund Balance With Treasury	E	Funds Collected. Custodial nonentity.
2.	Other Collections	1010		E	Funds Collected. Custodial nonentity.
3.	Total Cash Collections		Equals the sum of lines 1 and 2		
4.	Accrual Adjustments	1310	Accounts Receivable	E-B	Related to nonentity custodial collections.

Table 9-1

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Custodial Activity Title	Acct. No.	Account Title	Trial Bal.	Additional Detail Required
4.	Accrual Adjustments (Cont.)	2110	Accounts Payable	E-B	Related to nonentity custodial interest expense.
5.	Total Custodial Collections		Calculation (Line 3 plus line 4)		
6.	Disbursed on Behalf of Foreign Governments and International Organizations	1010	Fund Balance With Treasury	E	Funds Disbursed. Custodial nonentity.
7.	Increase (Decrease) in Amounts to be Transferred	2980	Custodial Liability	E-B	Custodial nonentity.
8.	Collections Used for Refunds and Other Payments	1010	Fund Balance With Treasury	E	Refunds. Custodial nonentity.
9.	Retained by the Reporting Entity		Calculation (Sum Line 5 minus line 6, minus line 7, minus line 8)		
10.	Total Disposition of Collections		Calculation (Sum Line 6, plus line 7, plus line 8, plus line 9)		
★11.	Net Custodial Collection Activity		Calculation (Sum Line 5 minus line 10)		Z

Table 9-1 (Cont.)

CHAPTER 10**NOTES TO THE FINANCIAL STATEMENTS****1001 GENERAL**

★100101. This chapter provides format, content, and instruction for the preparation and presentation of notes to the principal statements. In addition, specific required disclosures of material departures from Statements of Federal Financial Accounting Standards (SFFAS) will be issued by memorandum each year for inclusion in the financial statements of the Department of Defense (DoD) reporting entities. All calculations used in the note schedules and tables shall match the rounding used in the principal statements.

★100102. In many cases, the underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with this form and content guidance. Consequently, diversions from generally accepted accounting principles and DoD policy exist in many of the Department's organizations. This is due largely, but not entirely, to long-standing systems deficiencies. The continuing system deficiencies remain a serious challenge to the Department--and realistically will require a number of years to correct. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies must be explained and the reason for noncompliance annotated in the related footnote. In addition, departures from federal accounting standards should be identified in Note 1 "Significant Accounting Policies," and may be included in the "Overview of the Reporting Entity."

★100103. The following table provides a summary of the note numbers, titles, and Chapter 10 Sections:

Note Number:	Title:	Chapter 10 Section:
1	Significant Accounting Policies	1002
2	Fund Balances With Treasury	1003
3	Investments, Net	1004
4	Accounts Receivable	1005
5	Other Assets	1006
6	Direct Loans And Loan Guarantees, Non-Federal Borrowers	1007
7	Cash and Other Monetary Assets	1008
8	Inventory And Related Property	1009
9	General Property, Plant, And Equipment (PP&E), Net	1010
10	Reserved for Future Use	1011
11	Debt	1012
12	Environmental Liabilities	1013
13	Other Liabilities	1014

Table 10-1

Note Number:	Title:	Chapter 10 Section:
14	Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	1015
15	Net Position	1016
16	Disclosures Related To The Statement Of Net Cost	1017
17	Disclosures Related To The Statement Of Changes In Net Position	1018
18	Disclosures Related To The Statement Of Budgetary Resources	1019
19	Disclosures Related To The Statement Of Financing	1020
20	Disclosures Related To The Statement Of Custodial Activity	1021
21	Other Disclosures	1022

Table 10-1 (cont.)

★1002 NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

100201. Note 1 to the financial statements should describe the reporting entity and identify its major components. In addition, it should summarize the accounting principles and the methods of applying those principles, that management has concluded are the most appropriate for presenting the entity's significant assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Disclosure of accounting policies should identify and describe the accounting policies followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgements as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. Disclosure of accounting policies should not duplicate details presented elsewhere as part of the notes to the financial statements.

100202. The summary of significant accounting policies should disclose any significant changes, from the prior year, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

100203. In many cases, the underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with this form and content guidance. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies will be explained and the reason(s) for noncompliance annotated. At the discretion of entity management, such explanation may be included in the "Overview of the Reporting Entity;" but must be included in individual "Notes" to the financial statements or at Note 1, "Significant Accounting Policies."

100204. This section provides a **sample** Note 1. However, the specific wording shown will not be applicable to all DoD components. Each reporting entity must prepare Note 1 to describe its significant accounting policies.

Note 1. Significant Accounting Policies:

A. Basis of Presentation. These financial statements have been prepared to report the financial position and results of operations of the Department of Defense (DoD), as required by the Chief Financial Officers (CFO) Act of 1990, expanded by the Government Management Reform Act (GMRA) of 1994, and other appropriate legislation. The financial statements have been prepared from the books and records of the Department in accordance with "Department of Defense Financial Management Regulation" ("DoDFMR") as adapted from Office of Management and Budget (OMB) Bulletin No. 97-01, "Form and Content of Agency Financial Statements." These statements are in addition to the financial reports, also prepared by the DoD pursuant to OMB directives, that are used to monitor and control DoD's use of budgetary resources.

★B. Reporting Entity. The Department was created on September 18, 1947, by the National Security Act of 1947. The overall mission of the Department is to organize, train, and equip armed forces to deter aggression and, if necessary, defeat aggressors of the United States and its allies. Fiscal year (FY) 1999 represents the fourth year that the Department will prepare and have audited, DoD Agency-wide financial statements as required by the CFO Act and the GMRA.

1. The accounts used to prepare the statements are classified as entity/nonentity. Entity accounts consist of resources that the agency has the authority to use, or where management is legally obligated to use funds to meet entity obligations. Nonentity accounts are assets that are held by an entity but are not available for use in the operations of the entity. [List accounts and title categorized by fund type and grouped by entity and nonentity (see appendix A)]

2. The accompanying audited financial statements account for all resources for which the Department is responsible except that information relative to classified assets, programs, and operations have been excluded from the statement or otherwise aggregated and reported in such a manner that it is no longer classified. The audited financial statements are presented on the accrual basis of accounting as required by federal financial accounting standards.

C. Budgets and Budgetary Accounting. The Department's major activities are funded through general, working capital (revolving funds), trust, special, and deposit funds.

1. General funds are used to record financial transactions arising under congressional appropriations.

2. The Department expanded the use of businesslike financial management practices through the establishment of the Defense Business Operations Fund (DBOF) on October 1, 1991. On December 11, 1996, the DBOF became the Defense Working Capital Funds (DWCFs). The DWCFs ("the Funds") operate with financial principles that provide improved cost visibility and accountability to enhance business management and improve the decision making process. The Funds build on revolving fund principles previously used for industrial and commercial-type activities. The Department's working capital funds include industrial and commercial type transactions, e.g., supply management, distribution depot and depot maintenance type activity groups, and are composed of four divisions administered by the Departments of

the Army, Navy, Air Force and Defense Agencies. These activities provide goods and services on a commercial-like basis. Receipts derived from operations generally are available in their entirety for use without further congressional action.

3. Trust funds are used to record the receipt and expenditure of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute.

4. Special funds account for receipts of the government that are earmarked for a specific purpose.

5. Deposit funds generally are used to (1) hold assets for which the Department is acting as an agent or a custodian or whose distribution awaits legal determination or (2) account for unidentified remittances.

D. Basis of Accounting. Transactions generally are recorded on a budgetary basis, but are required to be reported (in these financial statements) on an accrual accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred, without regard to receipt or payment of cash. Budgetary accounting is accomplished through unique general ledger accounts to facilitate compliance with legal and internal control requirements associated with the use of federal funds. The effect of known intrafund transactions are eliminated.

E. Revenues and Other Financing Sources. Financing sources for general funds are provided through congressional appropriations that are received on both an annual and a multi-year basis. Revenue for business fund activities is recognized according to the percentage completion method.

1. For financial statement reporting purposes under accrual accounting, operating expenses for general fund activities are recognized in the period incurred. Expenditures for capital and other long-term assets are not recognized as expenses until consumed in the Department's operations. Unexpended appropriations are recorded as equity of the U.S. Government.

2. Certain expenses, such as annual and military leave earned but not taken, are not funded when accrued. Such expenses are financed in the period in which payment is made.

F. Accounting for Intragovernmental Activities. The Department, as an agency of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these financial statements do not reflect the results of all financial decisions applicable to the Department as though the agency was a stand-alone entity.

1. The Department's proportionate share of public debt and related expenses of the federal government are not included. Debt issued by the federal government and the related interests costs are not apportioned to federal agencies. The Department's financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

2. Financing for the construction of DoD facilities is obtained through budget appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized since the Treasury Department does not allocate such interest costs to the benefiting agencies.

★3. The Department's civilian employees participate in the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS), while military personnel are covered by the Military Retirement System (MRS). Additionally, employees and personnel covered by FERS and MRS also have varying coverage under Social Security. The Department funds a portion of the civilian and military pensions. Reporting civilian pension benefits under CSRS and FERS retirement systems is the responsibility of the Office of Personnel Management (OPM). The Department recognizes an imputed expense for the portion of civilian employee pensions and other retirement benefits funded by OPM in the statement of net cost; and recognizes corresponding imputed revenue for the civilian employee pensions and other retirement benefits in the statement of changes in net position. The Department reports the assets, funded actuarial liability, and unfunded actuarial liability for the military personnel in the Military Retirement Trust Fund financial statements. The Department recognizes the actuarial liability for the military retirement health benefits in the DoD Agency-wide statements.

4. Each year, the Department's Components sell assets to foreign governments under the provisions of the Arms Export Control Act of 1976. Under the provisions of the Act, the Department has authority to sell defense articles and services to foreign countries, generally at no profit or loss to the U.S. Government. Customers are required to make payments in advance to a trust fund maintained by the Department of the Treasury from which the Military Services are reimbursed for the cost of administering and executing the sales. In FY 19**, the Department received reimbursements of \$xxx thousands for assets and services sold under the Foreign Military Sales program.

G. Funds with the U.S. Treasury and Cash. The Department's financial resources are maintained in U.S. Treasury accounts. The Department's cash receipts and disbursements are processed by the Defense Finance and Accounting Service disbursing offices, the U.S. disbursing offices at the Department of State's financial service centers as well as the Department of the Treasury and the Federal Reserve. The balance with the U.S. Treasury represents the aggregate of all unexpended balances. Material disclosures are provided at Note 2.

H. Foreign Currency. The Department conducts a significant portion of its operations overseas. Gains and losses from foreign currency transactions for five general fund appropriations (operation and maintenance, military personnel, military construction, family housing operation and maintenance, and family housing construction) are recognized and reported in the net cost statement. The gains or losses are computed as the variance between the exchange rate current at the date of payment and a budget rate established at the beginning of each fiscal year. Similar gains and losses for other appropriations are not recognized in the net cost statement. Instead, they are absorbed by budgetary transactions in which obligations are increased or decreased to reflect foreign currency fluctuations. Material disclosures are provided at Note 7.

I. Accounts Receivable. As presented in the balance sheet statement, accounts receivable includes accounts, claims, and refunds receivable from other entities. Allowances for uncollectable accounts are based upon analysis of collection experience by fund type. Material disclosures are provided at Note 4.

J. Loans Receivable. Loans are accounted for as receivables after funds have been disbursed. The amount of loans obligated but not disbursed are disclosed in Note 6. For loans obligated prior to October 1, 1991, loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience, present market conditions, and an analysis of outstanding balances. For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the present value of the subsidy

costs (due to the interest rate differential between the loans and U.S. Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

K. Inventories and Related Property. Inventories, are reported at Latest Acquisition Cost (LAC). The LAC is determined by subtracting appropriate surcharges from the Standard Cost to arrive at the price most recently paid for a carried item. Gains and losses that result from valuation changes for inventory items are recognized and reported in the net cost statement and included in the calculation of the cost of goods sold. No gains or losses are recognized in the net cost statement as a result of changes in valuation for general fund operating supplies and materials. Such changes are reflected in the asset valuations and related invested capital as reported in the balance sheet statement. The related property portion of the amount reported includes operating materials and supplies, stockpile materials, seized property and forfeited property. Operating materials and supplies are valued at historical cost or an approximation of historical cost. Ammunition and munitions that are not held for sale are treated as operating materials and supplies. The consumption method of accounting for the recognition of expenses has been applied for operating materials and supplies, except where management determined that the purchases method is more appropriate as provided in SFFAS No. 3. Other material disclosures related to inventory and related property are provided at Note 8.

★L. Investments in U.S. Treasury Securities. Investments in U.S. Treasury securities are reported at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment using the effective interest rate method or other method if similar results are obtained. The reporting entity's intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. Material disclosures are provided at Note 3.

★M. General Property, Plant and Equipment (PP&E).

1. The only type of PP&E that shall be reported on the FY 1999 Balance Sheet are General PP&E and Multi-use Heritage Assets. Information pertaining to National Defense PP&E, Heritage Assets and Stewardship Land must not be reported on the Balance Sheet. Rather, such information shall be reported in the Required Supplemental Stewardship Information. (See Chapter 11 of this Regulation for Stewardship Asset reporting requirements and instructions.)

2. The DoD Components shall include in Note 1.M. general information pertaining to the accounting principles and treatment for General PP&E. The following are examples of such general information that should be included in Note 1.M. Material disclosures are provided at Note 9.

★a. General PP&E is valued at historical acquisition cost plus capitalized improvements. General PP&E assets are capitalized when an asset has a useful life of two or more years, and when the acquisition cost equals or exceeds the DoD capitalization threshold of \$100,000. All General PP&E other than land, is depreciated on a straight-line basis unless the DoD Component has an exception to DoD policy, which, if applicable, should be disclosed. General PP&E land is not depreciated.

★b. If significant amounts of General PP&E are not valued at historical acquisition cost, the method used to value such assets should be disclosed. For example, if estimates have been used, DoD Components shall disclose how the

estimates were determined, such as the cost of similar assets at the time of acquisition or the current cost of similar assets discounted for inflation to the time of acquisition.

★c. Multi-use Heritage Assets are Heritage Assets that are used predominately for government operations (e.g., The Pentagon). Multi-use Heritage Assets are treated as General PP&E for reporting and accounting purposes. The acquisition costs of Multi-use Heritage Assets, and any capitalized improvements, are reported on the Balance Sheet and depreciated.

★d. For entities operating as business-type activities (Working Capital Funds (WCF), all PP&E use in its operation is categorized as General PP&E, whether or not it meets the definition of a Stewardship Asset. Heritage Assets not used in the operation of a WCF activity shall be reported on the Component's Heritage Asset Stewardship Report. Prior to FY 1996, General PP&E with an acquisition cost equal to or greater than \$15,000, \$25,000, and \$50,000 for FY 1993, FY 1994, and FY 1995, respectively, with an estimated useful life of two or more years, was capitalized. These remain capitalized and subject to depreciation for WCF activities even though General Fund activities wrote off previously capitalized assets in FY 1998 that did not meet the current DoD capitalization threshold of \$100,000.

N. Prepaid and Deferred Charges. Payments in advance of the receipt of goods and services are recorded as prepaid and deferred charges at the time of prepayment and reported as an asset on the Balance Sheet. Prepaid charges are recognized as expenditures and expenses when the related goods and services are received.

★O. Leases. Generally, lease payments are for the rental of equipment, space, and operating facilities and are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property, (a capital lease), and the value equals or exceeds the current DoD capitalization threshold, the applicable asset and liability are recorded. The amount recorded is the present value of the rental and other lease payments during the lease term, excluding that portion of the payments representing executory costs paid to the lessor. Capital assets overseas are purchased with appropriated funds; however, title is retained by the host country. Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expenses during the period.

P. Other Assets. The Department conducts business with commercial contractors under two primary types of contracts-fixed price and cost. In order to alleviate the potential financial burden on the contractor that these long-term contracts can cause, the Department often times provides financing payments. One type of financing payment that the Department makes is based upon a percentage of completion. In accordance with SFFAS No. 1, these payments are reported as work in process and are not reported as advances or prepayments in the "Other Assets" line item. However, the Department has reported progress payments provided to contractors under the terms of fixed price contracts as an advance or prepayment in the "Other Assets line item. While our auditors do not agree with this presentation because SFFAS No. 1 does not address this type of financing payment, the Department treats these payments as advances because the Department becomes liable only after the contractor delivers the good in conformance with the contract terms. If the contractor does not deliver a satisfactory product, the Department is not obligated to reimburse the contractor for their costs and the contractor is liable to repay the Department for the full amounts of the advance.

Q. Contingencies.

1. At any given time, the Department may be subject to various legal and administrative actions and claims brought against it. These actions or claims primarily involve claims that may result from events such as aircraft, ship, and vehicle accidents, medical malpractice, property or environmental damages, and contract disputes.

★2. Most legal actions, other than contract claims, to which the Department may be a named party are covered by the provisions of the Federal Tort Claims Act and the provisions of Title 10, United States Code, Chapter 163, governing military claims.

★3. A liability is recognized for individual cases of pending, threatened, or potential litigation when it is extremely doubtful that the reporting entity will prevail, and the amount of loss can be reasonably estimated.

★4. Other contingencies are disclosed when conditions for liability recognition do not exist but there is at least a reasonable possibility that a loss or additional loss will be incurred.

★5. Material disclosures are provided in Note 13.

R. Accrued Leave. Civilian annual leave and military leave are accrued as earned and the accrued amounts are reduced as leave is taken. The balances for annual and military leave at the end of the FY reflect current pay rates for the leave that is earned but not taken. Sick and other types of nonvested leave are expensed as taken. Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources.

S. Equity.

1. Equity consists of unexpended appropriations and cumulative result of operations. Unexpended appropriations represent amounts of authority which are unobligated and have not been rescinded or withdrawn, and amounts obligated but for which neither legal liabilities for payments have been incurred nor actual payments made.

2. Cumulative results of operations represents the difference since inception of an activity between expenses and losses, and financing sources including appropriations, revenue, and gains. Beginning with FY 1998, this included the cumulative amount of donations and transfers of assets in and out without reimbursement. In addition, there is no longer a segregation of cumulative amounts related to investments in capitalized assets, such as PP&E, or precredit reform loans, or a separate negative amount shown for future funding requirements. Cumulative results of operations for WCFs represents the excess of revenues over expenses since fund inception, less refunds to customers and returns to the U.S. Treasury.

T. Treaties for Use of Foreign Bases. The DoD Components have the use of land, buildings, and other facilities, which are located overseas and have been obtained through various international treaties and agreements negotiated by the Department of State. Generally, treaty terms allow the DoD Components continued use of these properties until the treaties expire. Capital investments in buildings and other facilities (for example, runways) located on the overseas bases are capitalized as stipulated in Note 1-M. These fixed assets are subject to loss in the event treaties are not

renewed or other agreements are not reached which allow for the continued use by the Department. Therefore, in the event treaties or other agreements are terminated whereby use of foreign bases is no longer allowed, losses will be recorded for the value of any nonretrievable capital assets after negotiations between the United States and the host country have been concluded to determine the amount to be paid the United States for such capital investments.

★U. Comparative Data. Comparative data is not required by OMB 97-01 until FY 2000 annual financial statements. Comparative data will be presented starting in FY 2000 in order to provide an understanding of changes in the financial position and operations of the Department's reporting activities.

★V. Undelivered Orders. The Department is obligated for goods and services which have been ordered but not yet received (undelivered orders) and thus do not represent a liability for payment.

1003 NOTE 2. FUND BALANCES WITH TREASURY★100301. Footnote Format.Note 2. Fund Balances with Treasury:

(\$ in Thousands)

1. Fund Balances:

Fund Type	Entity Assets	Non-Entity Assets	Total
a. Appropriated Funds	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
b. Revolving Funds	xxx,xxx	xxx,xxx	xxx,xxx
c. Trust Funds	xxx,xxx	xxx,xxx	xxx,xxx
d. Other Fund Types	xxx,xxx	xxx,xxx	xxx,xxx
e. Total	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>

2. Fund Balance Per Treasury Versus Agency:

	Entity Assets	Non-Entity Assets
a. Fund Balance Per Treasury	\$ xxx,xxx	\$ xxx,xxx
b. Fund Balance Per [Reporting Entity]	xxx,xxx	xxx,xxx
c. Reconciling Amount	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>

3. Explanation of Reconciliation Amount:

4. Other Information Related to Fund Balance With Treasury: _____

Figure 10-1

★100302. Instructions.

A. Entity Fund and Account Balances. Entity Fund Balance with Treasury represents the total of all obligated, but not yet disbursed, as well as all unobligated undisbursed account balances with the U.S. Treasury that are available for use by the Department, as reflected in the entity's records. Differences between this amount and the amount reported on Financial Management Service (FMS) Form 2108, "Year End Closing Statement" or submitted through Federal Agencies Centralized Trial Balance II (FACTS II) must be computed in Part B. and explained in Part C. The Fund Balance With Treasury line does not include any amounts for which The Department of the Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with SFFAS Number 1. The total amount reported shall include amounts for appropriations with extended obligation authority (e.g., Shipbuilding and Conversion). In Part A. disclose by fund type the entity assets and nonentity assets. Compute and provide totals by fund type in the Total column. The total amount reported in the column entitled "Entity Assets" should agree with line 1.A.1. of the Entity's balance sheet. In addition, if

any of the individual balances included in the “Other Fund Types” line 1.d. of the note are material, list them separately. Material balances are line item components that comprise more than 10 percent of line 1.d. “Other Fund Types.”

★B. Non-Entity Fund and Account Balance. The total amount reported in this note, part A, column entitled “Non-Entity Assets” should agree with line 2.A.1. of the balance sheet. Included are balances in deposit, receipt, suspense, clearing and related nonspending accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others, not available to finance the entity’s activities. If any component included in the “Other Fund Types” line 1.d. of the note are material, list them separately. Material balances are line item components that represent more than 10 percent of line 1.d. “Other Fund Types.”

★C. Reconciliation of Reporting Entity Fund Balance With Treasury Amount and Treasury FMS Balances. Instructions for parts 2. and 3. of note 2. Insert the Fund Balance With Treasury amount, from the U. S. Treasury on the “Fund Balance Per Treasury” line of Note 2. Part 2. Insert the Fund Balance With Treasury amount reported in the reporting entity general ledger account, at appropriation level on “Fund Balance Per [Reporting Entity]” line in Part 2. The amount reported as entity assets on line 2.b. of Note 2. should equal the amount of entity assets reported on line 1.e. of Note 2. The amount reported as nonentity assets on line 2.b. of Note 2. should equal the amount of nonentity assets reported on line 1.e. of Note 2. In addition, all amounts should agree with the reporting entity’s Fund Balance amount in the general ledger account. Compute any difference and report on the “Reconciling Amount” line of note. Explain the cause of any reconciling amount in Part 3. of the note between the amount of fund balance with Treasury in the entity’s records and the corresponding account balances reported on the Treasury’s end of period (post closing) balances in the FMS Form 2108 or FACTS II. Discrepancies due to time lag should be reconciled and discrepancies due to error should be corrected when financial reports are prepared.

★D. Other Information Related to Fund Balance With Treasury. Provide other information, in Part 4. of the note, necessary for understanding the nature of fund balances. At a minimum, reporting entities should disclose information on (1) amounts of unused funds in expired appropriations that are returned to Treasury, (2) amounts of funds categorized as obligated but not yet disbursed, and (3) amounts categorized as unobligated.

1004 NOTE 3. INVESTMENTS, NET

★100401. Footnote Format.

<u>Note 3. Investments, Net</u> (\$ in Thousands)						
	(1)	(2)	(3)	(4)	(5)	(6)
	Cost	Amorti- zation Method	Amortized [Premium]/ Discount	Invest- ments, Net	Other Adjust- ments	Market Value Disclosure
1. Intragovernmental Securities:						
a. Marketable	\$ xxx,xxx		\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
b. Non-Marketable, Par Value	xxx,xxx		xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
c. Non-Marketable, Market-Based	xxx,xxx		xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
d. Subtotal	<u>\$ xxx,xxx</u>		<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
e. Accrued Interest	<u>xxx,xxx</u>		<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>xxx,xxx</u>
f. Total	<u><u>\$ xxx,xxx</u></u>		<u><u>\$ xxx,xxx</u></u>	<u><u>\$ xxx,xxx</u></u>	<u><u>\$ xxx,xxx</u></u>	<u><u>\$ xxx,xxx</u></u>
2. Other Securities:						
a. Commercial Paper	\$ xxx,xxx		\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
b. Other	xxx,xxx		xxx,xxx	xxx,xxx	\$ xxx,xxx	xxx,xxx
c. Subtotal	<u>xxx,xxx</u>		<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>xxx,xxx</u>
d. Accrued Interest	<u>\$ xxx,xxx</u>		<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>\$ xxx,xxx</u>
e. Total	<u><u>\$ xxx,xxx</u></u>		<u><u>\$ xxx,xxx</u></u>	<u><u>\$ xxx,xxx</u></u>	<u><u>\$ xxx,xxx</u></u>	<u><u>\$ xxx,xxx</u></u>
3. Total Intragovernmental and Other Securities	<u><u>\$ xxx,xxx</u></u>		<u><u>\$ xxx,xxx</u></u>	<u><u>\$ xxx,xxx</u></u>	<u><u>\$ xxx,xxx</u></u>	<u><u>\$ xxx,xxx</u></u>
4. Other Information:	_____					

Figure 10-2

★100402. Instructions. Columns 1 through 4 are for disclosing amounts to be recognized on the balance sheet. Column 4 equals column 1 plus column 3, column 5 includes any reduction in value that is more than temporary and other adjustments, and column 6 equals column 4 plus column 5. Securities are normally recognized at cost or amortized cost on the Balance Sheet. However, market value is used for Balance Sheet purposes (except for pension and other retirement plans) when (a) there is intent to sell the securities prior to maturity, and (b) there is a reduction in value that is more than temporary. Column 6 is to be used to disclose the market value of all marketable securities and all nonmarketable market-based securities.

★A. Intragovernmental Securities. Investments are comprised of marketable and non-marketable securities.

1. Non-Marketable Securities. Non-Marketable par value Intragovernmental Treasury Securities are issued by the Bureau of the Public Debt to federal accounts and are purchased and redeemed at par exclusively through Treasury's Finance and Funding Branch. Non-Marketable Market-Based Treasury Securities are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. All investments maintained by DFAS-HQ/ASRA are Non-Marketable Market-Based Treasury Securities (e.g., DoD Education Benefits Fund). The total net investment (column 4) in federal securities should agree with the amount reported on line 1.A.2. of the balance sheet.

2. Accrued Interest. The amount recorded as accrued interest represents the amount of interest accrued on investment securities but not received as of the date of the statement.

B. Other Securities. Any components of line 2.b. Note 3. that represents more than 10 percent of the value of the line should be separately disclosed.

C. Total. The sum of intergovernmental and other investments.

D. Other Information. Disclose other information relative to understanding the nature of reported investments or the "Other Adjustments" column such as permanent impairments.

★1005 NOTE 4. ACCOUNTS RECEIVABLE, NET

★100501. Footnote Format.

<u>Note 4. Accounts Receivable:</u> (\$ in Thousands)			
	(1) Gross Amount Due	(2) [Allowance for Estimated Uncollectibles]	(3) Net Amount Due
1. Entity Receivables:			
a. Intragovernmental	\$ xxx,xxx	N/A	\$ xxx,xxx
b. With the Public	xxx,xxx	[xxx,xxx]	xxx,xxx
2. Non-Entity Receivables:			
a. Intragovernmental			
(1) Cancelled appropriations	xxx,xxx	N/A	xxx,xxx
(2) Other	xxx,xxx	N/A	xxx,xxx
b. With the Public			
(1) Cancelled appropriations	xxx,xxx	[xxx,xxx]	xxx,xxx
(2) Other	xxx,xxx	[xxx,xxx]	\$ xxx,xxx
3. Allowance Method Used:			
4. Other Information:			

Figure 10-3

★100502. Instructions. Present, the gross receivables, the allowance for estimated uncollectibles (with the public), the method used to estimate the allowance, and the net amount due as further explained in the following instructions. Do not include receivables related to direct or guaranteed loans, which are reported in Note 6.

A. Entity Receivables. These receivables arise from transactions among federal entities and from transactions of the federal government or an entity of the federal government with nonfederal entities. These receivables, when collected, can be used in the reporting entity's operations. Receivables a federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection are "Entity Receivables" and should be reported separately from "Non-Entity Receivables."

★1. Intragovernmental. Intragovernmental entity receivables are claims of a federal entity against other federal entities. Column 3 for this line must equal line 1.A.3. of

the balance sheet statement. No allowance for uncollectible accounts shall be reported for intragovernmental receivables.

★2. With the Public. Entity receivables with the public are claims of the federal government or an entity within the federal government against nonfederal entities. The term “nonfederal entities” encompasses domestic and foreign persons and organizations outside the U.S. Government. Net amount due for this line must equal line 1.B. of the balance sheet statement.

B. Non-Entity Receivables. These receivables arise from transactions among federal entities and from transactions of the federal government or an entity of the federal government with nonfederal entities. These receivables, when collected, cannot be used in the reporting entity’s operations and must be deposited or transferred to another account or fund.

★1. Intragovernmental. Intragovernmental nonentity receivables are claims of a federal entity against other federal entities. Column 3 for this line must equal line 2.A.2. of the balance sheet statement. No allowance for uncollectible accounts shall be reported for intragovernmental receivables.

★2. With the Public. Nonentity receivables with the public are claims of the federal government or an entity within the federal government against nonfederal entities. The term “nonfederal entities” encompasses domestic and foreign persons and organizations outside the U.S. Government. Net amount due must equal line 2.B. of the balance sheet statement.

★3. Other Receivables – Line 2.a.2. and Line 2.b.2. If any of the components of “Other Receivables” represents more than 10 percent of the value of the line, those components should be separately disclosed.

C. Allowance Method Used. Disclose the method(s) of calculating the allowance for estimated uncollectibles.

D. Other Information. Disclose any other information relative to Accounts Receivable, including but not limited to, the amount of interest accrued on uncollectible accounts receivable that have not been officially waived or the associated debt written off.

★1006 NOTE 5. OTHER ASSETS★100601. Footnote Format.

<u>Note 5. Other Assets:</u>	
(\$ in Thousands)	
1. Other Entity Assets	
a. Intragovernmental	
(1) Assets Returned for Credit	\$ xxx,xxx
(2) Advances and Prepayment	xxx,xxx
(3) Other	xxx,xxx
(4) Total Intragovernmental	\$ x,xxx,xxx
b. Other	
(1) Outstanding Contract Financing Payments	\$ xxx,xxx
(2) _____	xxx,xxx
(3) Total Other	\$ x,xxx,xxx
2. Other Information related to entity assets. _____	
3. Other Non-Entity Assets	
a. Intragovernmental	
(1) _____	\$ xxx,xxx
(2) _____	xxx,xxx
(3) Total Intragovernmental	\$ x,xxx,xxx
b. Other	
(1) _____	\$ xxx,xxx
(2) _____	xxx,xxx
(3) Total Other	\$ x,xxx,xxx
4. Other Information related to nonentity assets. _____	

Figure 10-4

100602. Instructions.

★A. Other Entity Assets. List and describe each major category of intragovernmental and other assets not included on other lines on the statement. If any of the components of “Other Entity Assets,” either intragovernmental or with the public, represents more than 10 percent of the value of line, those components should be separately disclosed. The total of “Other Entity Assets-Intragovernmental” should agree with the amount reported on line 1.A.4. of the balance sheet statement. The total of “Other Assets” should agree with line 1.G. on the statement.

B. Other Information. Provide other relative information needed to understand the nature other entity assets. The Department will report financing payments for fixed price contracts as advances and prepayments on line A.2.a. as “Outstanding Contract Financing Payments.” At a minimum include the following language on the “Other Information” line for entity assets: “The Department has reported financing payments for fixed price contracts as an advance and prepayment, because under the terms of the fixed price contracts, the Department becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, the Department is not obligated to reimburse the contractor for their costs and the contractor is liable to repay the Department for the full amount of the advance. The auditors disagree with the Department’s application of the accounting standard pertaining to advances and prepayments because SFFAS No. 1 does not address this type of financing payment.”

★C. Other Non-Entity Assets. List and describe each major category of intragovernmental and other nonentity assets not included on other lines on the statement. If any of the components of “Other Non-Entity Assets,” either intragovernmental or with the public, represents more than 10 percent of the value of the line, those components should be separately disclosed. The total of Other Non-Entity Assets Intragovernmental should agree with the amount reported on line 2.A.3. of the balance sheet. The total of Other Non-Entity Assets should agree with the amount reported on line 2.D. of the statement.

D. Other Information. Provide other information relative to other nonentity assets needed to understand the nature other nonentity assets.

★1007 NOTE 6. LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY, NET. If applicable, use the following note disclosure. Some examples of DoD direct loans or loan guarantees are Navy Ship Vessel Transfer Account and Family Housing Improvement Fund.

100701. A. Footnote Format.

Note 6. Loans Receivable and Related Foreclosed Property, Net :

1. The entity operates the following direct loan and/or loan guarantee programs:

- a. _____
- b. _____
- c. _____

An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy and administrative costs associated with the direct loans and loan guarantees is provided in the following sections.

2.a. Direct Loans Obligated Prior to FY 1992 (Present Value Method):

Loan Guarantee Program Title	Loans Receivable Gross	Interest Receivable	Foreclosed Property	(Present Value Allowance)	Value Of Assets Related To Direct Loans
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx
(2) _____	xxx	xxx	xxx	(xxx)	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>

2.b. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):

Loan Guarantee Program Title	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Fore- closed Property	Value Of Assets Related To Direct Loans
(1) _____	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx	\$ xxx
(2) _____	xxx	Xxx	(xxx)	xxx	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

Figure 10-5

3. Direct Loans Obligated After FY 1991:

Loan Guarantee Programs Title	Loans Receivable Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value Of Assets Related To Direct Loans
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx
(2) _____	xxx	Xxx	xxx	(xxx)	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>

4.a. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Present Value Method):

Loan Guarantee Programs Title	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	(Present Value Allowance)	Defaulted Guaranteed Loans Receivable, Net
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx
(2) _____	xxx	Xxx	xxx	(xxx)	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>

4.b. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method):

Loan Guarantee Programs Title	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	(Allowance For Loan Losses)	Foreclosed Property	Defaulted Guaranteed Loans Receivable, Net
(1) _____	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx	\$ xxx
(2) _____	xxx	Xxx	(xxx)	xxx	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

5. Defaulted Guaranteed Loans from Post-1991 Guarantees:

Loan Guarantee Programs Title	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable
(1) _____	\$ xxx	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx
(2) _____	xxx	xxx	xxx	(xxx)	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ (xxx)</u>	<u>\$ xxx</u>

Figure 10 – 5 (Cont.)

6. Guaranteed Loans Outstanding:

<u>Loan Program Title</u>	<u>Outstanding Principal, Guaranteed Loans, Face Value</u>	<u>Amount of Outstanding Principal Guaranteed</u>
(1) _____	\$ xxx	\$ xxx
(2) _____	<u>xxx</u>	<u>xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>

7.a. Liability for Loan Guarantees (Present Value Method, pre 1992):

<u>Loan Program Title</u>	<u>Liabilities for Losses on Pre-1992 Guarantees, Present Value</u>	<u>Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value</u>	<u>Total Liabilities For Loan Guarantees</u>
(1) _____	\$ xxx	\$ xxx	\$ xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

7.b. Liability for Loan Guarantees (Estimated Future Default Claims, Pre 1992):

<u>Loan Program Title</u>	<u>Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims</u>	<u>Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value</u>	<u>Total Liabilities For Loan Guarantees</u>
(1) _____	\$ xxx	\$ xxx	\$ xxx
(2) _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

Figure 10 –5 (Cont.)

8. Subsidy Expense for Post-1991 Direct Loans

a. Current Year's Direct Loans

<u>Loan Program Title</u>	<u>Interest Differential</u>	<u>Defaults</u>	<u>Fees</u>	<u>Other</u>	<u>Total</u>
(1) _____	\$ xxx	\$ xxx	\$ (xxx)	\$ xxx	\$ xxx
(2) _____	xxx	xxx	(xxx)	xxx	xxx
Total					<u>\$ xxx</u>

b. Direct Loan Modifications and Reestimates

<u>Loan Program Title</u>	<u>Modifications</u>	<u>Reestimates</u>
(1) _____	\$ xxx	\$ xxx
(2) _____	xxx	xxx

c. Total Direct Loan Subsidy Expenses

<u>Loan Program Title</u>	
(1) _____	\$ xx
(2) _____	xx
Total	<u>\$ xxx</u>

9. Subsidy Expense for Post-1991 Loan Guarantees:

a. Current Year's Loan Guarantees

<u>Loan Program Title</u>	<u>Defaults</u>	<u>Fees</u>	<u>Interest Supplement</u>	<u>Other</u>	<u>Total</u>
(1) _____	\$ xx	\$ (xx)	\$ xx	\$ xx	\$ xx
(2) _____	xx	(xx)	xx	xx	xx
Total					<u>\$ xxx</u>

b. Loan Guarantee Modifications and Re-estimates

<u>Loan Program Title</u>	<u>Modifications</u>	<u>Reestimates</u>
(1) _____	\$ xx	\$ xx
(2) _____	xx	xx

Figure 10-5 (cont.)

c. Total Loan Guarantee Subsidy Expense			
<u>Loan Programs Title</u>			
(1)	_____	\$ xx	
(2)	_____	<u>xx</u>	
	Total	<u>\$ xxx</u>	
10. Administrative Expense:			
Direct Loans		Loan Guarantees	
<u>Loan Program Title</u>		<u>Loan Program Title</u>	
(1)	_____ \$ xx	(1)	_____ \$ xx
(2)	_____ <u>xx</u>	(2)	_____ <u>xx</u>
	Total <u>\$ xxx</u>		Total <u>\$ xxx</u>
11. Other Information: _____			

Figure 10-5 (Cont.)

100702. Instructions.A. Identity.

1. Enter the names of the direct loan and loan guarantee programs operated by the reporting entity. The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups: (a) Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees, and (b) Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. The definitions and explanations of terms and concepts in these instructions can be supplemented by referring to the Office of Management and Budget (OMB) Circular A-34, Section 12, and OMB Circular A-11, Section 33.

2. Section 506(a)(1) of the Federal Credit Reform Act exempts the credit activities of certain agencies, such as Federal Depositors Insurance Corporation and Tennessee Valley Authority. These agencies can report in accordance with other requirements.

3. Agencies should disclose that direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. The Act provides that the present value of the subsidy costs (which arises from interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are

reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value.

4. Agencies should also disclose whether pre-1992 direct loans and loan guarantees are reported on a present value basis or are reported under the allowance for loss method. (Under the allowance for loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount the agency estimates will more likely than not require a future cash outflow to pay default claims; under the present value method, the nominal amount of direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans, and the liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.) Depending on the reporting method selected by management for pre-1992 direct loans and loan guarantees, agencies should choose the appropriate format from the alternatives shown in sections B, D, and G, above. (Note: Agencies should follow either the net present value method or the allowance for loss method but not both. They may not change from one method to the other without the advance approval of OMB.)

5. Agencies should disclose that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds that they would expect to receive from selling their loans. When the reporting entity has made payments on behalf of borrowers which should be collected from the borrowers, the resulting receivables shall be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans. Receivables related to administrative costs of operating these programs shall be reported as accounts receivable in Note 5. and not as credit program receivables in this note.

B. Direct Loans Obligated Prior to FY 1992. For each program with pre-1992 Direct Loans, report Loans Receivable Gross and Interest Receivable in columns 2 and 3 respectively. If the present value method is used, report in column 4 the estimated net realizable value of related foreclosed property and report in column 5 the present value allowance. The sum of columns 2 through 4 less column 5 is reported as Loans Receivable, Net (column 6). If the allowance for loss method is used, report in column 4 the allowance for loan losses and in column 5, the estimated net realizable value of related foreclosed property. The sum of columns 2, 3, and 5 less column 4 is reported as Loans Receivable, Net (column 6).

C. Direct Loans Obligated After FY 1991.

1. For each program with post-1991 Direct Loans, report Loans Receivable, Gross, Interest Receivable and the estimated net realizable value of related foreclosed property in columns 2, 3, and 4, respectively.

2. Foreclosed property associated with post-1991 direct and acquired defaulted guaranteed loans shall be valued at the net present value of the projected cash flows associated with the property. To practicably accomplish this requirement, foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure. A portion of the

related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets. For guidance in recording transactions related to foreclosures, see Treasury's case 5B, Accounting for Collateral and Escrow Transactions for a Loan Guarantee Program Under the Credit Reform Act of 1990 (Present Value Reporting Approach), dated August 24, 1993.

3. Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Direct Loans (column 6).

D. Defaulted Guaranteed Loans from Pre-1992 Guarantees. For each program with pre-1992 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection in column 2 and the related interest receivable in column 3. If the present value method is used, report the estimated net realizable value of related foreclosed property in column 4, and the present value allowance in column 5. The sum of columns 2 through 4 less column 5 is reported as Defaulted Guaranteed Loans Receivable, Net (column 6). If the allowance for loss method is used, report the allowance for loan losses in column 4 and the estimated net realizable value of related foreclosed property in column 5. The sum of columns 2, 3 and 5 less column 4 is reported as Defaulted Guaranteed Loans Receivable, Net (column 6).

E. Defaulted Guaranteed Loans for Post-1991 Guarantees. For each program with post-1991 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection, related interest receivable, and the estimated net realizable value of related foreclosed property in columns 2, 3, and 4, respectively. Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Defaulted Guaranteed Loans Receivable (column 6). For foreclosed property, see the instructions for section C. The sum of the amounts reported in column 6 of sections B, C, D, and E shall equal the amount reported on the Balance Sheet as credit program receivables and related foreclosed property, net.

F. Guaranteed Loans Outstanding. For each loan guarantee program, report in column 2 the outstanding principal of guaranteed loans at face value. In column 3, report the amount of this outstanding principal that is guaranteed.

G. Liability for Loan Guarantees. For each program with pre-1992 loan guarantees, report in column 2 the liability for losses. If the present value method is used to calculate the liability, report in column 2 the present value of liabilities for losses on pre-1992 guarantees. If the estimated future default claims method is used, report in column 2 the estimated future default claims. For each program with post-1991 loan guarantees, report in column 3 the present value of the estimated net cash flows (outflows less inflows) to be paid by the entity as a result of the loan guarantees. Report the total of columns 2 and 3 as total liabilities for loan guarantees (column 4).

H. Subsidy Expense for Post-1991 Direct Loans. Report the direct loan subsidy expense, consisting of the following, at present value, as follows:

1. Current Year's Direct Loans. In column 2, the present value of the amount of the subsidy expense attributable to the interest rate differential between the interest rate to be collected from the borrowers and the interest rate to be paid on funds borrowed to finance the loans; in column 3, the present value of the estimated delinquencies and defaults (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows, including prepayments and proceeds of loan asset sales; and in column 6, the total of columns 2 through 5.

2. Direct Loan Modifications and Reestimates. In column 2, the subsidy cost of modifications of direct loans previously disbursed (whether pre-1992 or post-1991); and in column 3, reestimates of the subsidy cost of direct loans previously disbursed.

3. Total Direct Loan Subsidy Expense. The total subsidy expense for current year's direct loans, modifications, and reestimates.

I. Subsidy Expense for Post-1991 Loan Guarantees.

Loan Guarantees. Report the loan guarantee subsidy expense consisting of the following present values:

1. Current Year's Loan Guarantees. In column 2, the present value of the estimated payments for delinquencies and defaults on loan guarantees (net of recoveries); in column 3, the present value of the estimated fees collected (offsetting expense); in column 4, the present value of the amount of the interest supplement; in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.

★2. Loan Guarantee Modification and Reestimates. In column 2, the subsidy cost of modifications of loan guarantees previously made (whether pre-1992 or post-1991); in column 3, the reestimates of the subsidy cost of loan guarantees previously made.

★3. Total Loan Guarantee Subsidy Expense. The total subsidy expense for current year's loan guarantees, modifications, and re-estimates.

J. Administrative Expense. Report the portions of salaries and other administrative expenses that have been accounted for in support of the direct loan programs and loan guarantee programs. Report the expenses for the individual programs, if material.

K. Other Information.

1. Provide other information related to direct loan and loan guarantee programs, as appropriate, including any commitments to guarantee, management's method for

accruing interest revenue and recording interest receivable, and management's policy for accruing interest on nonperforming loans.

★2. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modification. Also, if appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

3. With respect to the foreclosed property reported in sections B, C, D, and E, the following information should be disclosed: changes from prior year's accounting methods, if any; restrictions on the use/disposal of the property; number of properties held and average holding period by type or category; and number of properties for which foreclosure proceedings are in process at the end of the period.

1008 NOTE 7. CASH AND OTHER MONETARY ASSETS

100801. Footnote Format.

<u>Note 7. Cash and Other Monetary Assets:</u> (\$ in Thousands)		
	Entity Assets	Non-Entity Assets
1. Cash	\$ xxx,xxx	\$ xxx,xxx
2. Foreign Currency	xxx,xxx	xxx,xxx
3. Other Monetary Assets	xxx,xxx	xxx,xxx
4. Total Cash, Foreign Currency, and Other Monetary Assets	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
5. Other Information:		

Figure 10-6

100802. Instructions.

A. Cash. The total of cash resources under the control of the reporting entity, which includes coin, paper currency, purchased foreign currency, negotiable instruments, and amounts on deposit in banks and other financial institutions. Cash available for agency use should include petty cash funds and other revolving funds, which will not be transferred into the general fund.

B. Foreign Currency. The total U.S. dollar equivalent of nonpurchased foreign currencies held in foreign currency fund accounts.

C. Other Monetary Assets. This amount represents other items including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. Any component of the "Other Monetary Assets" line that represents more than 10 percent of the total value that line shall be separately disclosed.

★D. Total Cash, Foreign Currency, and Other Monetary Assets. Entity cash equals line 1.D. of the balance sheet statement. Nonentity cash equals line 2.C. of the balance sheet statement.

E. Other Information. Disclose the value of Disbursing Officers (DO) cash included in nonentity assets. Disclose in "Other Information" any restricted cash. Restricted

cash includes holdings, which have not been transferred into the general fund as of the report date, which are unavailable for agency use (Non-Entity Cash). Restricted cash also includes cash held in escrow to pay property taxes and insurance for defaulted guaranteed loans. Disclose any restrictions on the use or conversions of cash denominated in foreign currencies; and the significant effects, if any, of exchange rate changes on the entity's financial position that occur after the end of the reporting period but before the issuance of financial statements. Disclose other information, as appropriate, such as the valuation rate for gold.

★1009 NOTE 8. INVENTORY AND RELATED PROPERTY, NET

★100901. Note 8. Summary of Inventory and Other Related Property, Net. Summary of the total amounts of inventories and other related property schedules in Note 8. (A.through F.). The summary total should agree with line 1.E. on the balance sheet statement.

<u>Note 8. Summary of Inventory and Other Related Property, Net:</u> (\$ in Thousands)	
	Amount
Inventory, Net (Note 8.A.)	\$ xxx,xxx
Operating Materials and Supplies, Net (Note 8.B.)	xxx,xxx
Stockpile Materials, Net (Note 8.C.)	xxx,xxx
Seized Property	xxx,xxx
Forfeited Property	xxx,xxx
Goods Held Under Price Support and Stabilization Programs	xxx,xxx
Total	<u>\$ x,xxx,xxx</u>

Figure 10-7

★100902. Note 8.A. Inventory and Other Related Property, Net.★A. Footnote Format.

Note 8.A. Inventory, Net:
(\$ in Thousands)

	(1)	(2)	(3)	(4)
	Inventory Amount	Allowance for Gains (Losses)	Inventory, Net	Valuation Method
1. Inventory Categories:				
a. Available and Purchased For Resale	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	
b. Held in Reserve For Future Sale	xxx,xxx	xxx,xxx	xxx,xxx	
c. Held for Repair	xxx,xxx	xxx,xxx	xxx,xxx	
d. Excess, Obsolete, and Unservicable	xxx,xxx	xxx,xxx	xxx,xxx	
e. Raw Materials	xxx,xxx	xxx,xxx	xxx,xxx	
f. Work in Process	xxx,xxx	xxx,xxx	xxx,xxx	
g. Total	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	
2. Restrictions on Inventory Use, Sale, or Disposition:				
3. Other Information:				
Legend: Valuation Methods				
LAC = Latest Acquisition Cost	NRV = Net Realizable Value			
SP = Standard Price	O = Other			
AC = Actual Cost				

Figure 10-8

★B. Instructions.

★1. Valuation. For each category of inventory, disclose the reported value (column 1), the allowance for gains/losses on inventory, if any (column 2), the net book value of the inventory (column 1 plus column 2), and the method used to value the inventory (column 4). The amounts identified in column 2, Allowance for Gains (Losses) in inventory represents the adjustment to the recorded value in column 1 that is required to arrive at historical cost (column 3). Use the following keys for column 4 as follows: LAC = Latest Acquisition Cost, SP = Standard Price, AC = Actual Cost, NRV = Net Realizable Value, or O = Other.

★2. Restrictions. Describe any restrictions on the use, sale or disposition of inventory. Disclose any restrictions on disposition of inventory as related to environmental or other liabilities.

★3. Inventory Held in Reserve for Future Sale. Inventory Held in Reserve for Future Sale consists of stocks maintained because they are not readily available in the market or because there is more than a remote chance they eventually will be needed. In the DoD these are principal and secondary items in inventory, except for ammunition, that are stratified in logistic reports as Economic Retention Stock and Contingency Retention Stock. Integrated Material Managers may retain stock up to the sum of the Approved Acquisition Objective, Economic Retention Stock, and Contingency Retention Stock. Economic Retention Stock is stock above the Approved Acquisition Objective that is more economical to retain than to dispose of. The methodology recommended by the DoD Materiel Management Regulation to set the maximum Economic Retention Stock level for an item is one based on an economic analysis that balances the costs of retention and the costs of disposal. Factors suggested for consideration by the DoD Components in an economic analysis of retaining item stocks are the potential long term demand for the item; potential repurchase costs; and, for items essential to the operation of a weapon system, the expected life of the system and the number of systems in use. Contingency Retention Stock is stock above the Approved Acquisition Objective and above the Economic Retention Stock level, if one exists, that is held to support specific contingencies. The DoD Components identify Contingency Retention Stock according to these categories: (1) Military contingency: Assets needed to meet military contingencies for U.S. Forces; (2) Potential security assistance: Assets held in expectation of foreign military demand under U.S. security assistance; (3) General contingency: Assets based on potential usefulness, for extreme procurement problems, or other special considerations involving nonmilitary contingencies, such as civil emergencies or natural disaster relief.

★4. Other Information. Disclose on line 3. "Other Information:" the general composition of inventory and the basis for determining inventory values, including any cost flow assumptions. Disclose changes from the prior year's accounting method, if any. The decision criteria for identifying the category to which inventory is assigned and changes in the criteria for identifying the category to which inventory is assigned. Disclose other required information relative to inventory not disclosed in Parts 1. or 2. of Note 8.A. In addition, disclose any amount included in inventory work in process that represents work in process at depot maintenance activities. The work in process at depot maintenance activities had to be recorded as Inventory work in process because the U.S. Government Standard General Ledger (USGSGL) does not contain an account for work in process that is not inventory. Due to this classification obstacle, include the following language in the other information section: "The amount reported as inventory work in process includes work in process at the depot maintenance activities. The work in process at the depot maintenance activities had to be recorded as inventory work in process because the U.S. Government Standard General Ledger does not contain an account for work in process that is not inventory."

★100903. Note 8.B. Operating Materials and Supplies (OM&S), Net.★A. Footnote Format.

<u>Note 8.B. Operating Materials and Supplies (OM&S), Net:</u> (\$ in Thousands)				
	(1)	(2)	(3)	(4)
	<u>OM&S Amount</u>	<u>Allowance for Gains (Losses)</u>	<u>OM&S, Net</u>	<u>Valuation Method</u>
1. OM&S Categories:				
a. Held for Use	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	
b. Held in Reserve For Future Use	xxx,xxx	xxx,xxx	xxx,xxx	
c. Excess, Obsolete, and Unserviceable	xxx,xxx	xxx,xxx	xxx,xxx	
d. Total	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	
2. Restrictions on operating materials and supplies:				
3. Other Information:				
Legend: Valuation Methods				
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		
SP = Standard Price		O = Other		
AC = Actual Cost				

Figure 10-9

B. Instructions.

★1. Valuation. For each category of OM&S, disclose the reported value (column 1), the allowance for gains (losses) on OM&S, if any (column 2), the net book value of OM&S (column 1 plus column 2), and the method used to value OM&S (column 4). The amounts identified in column 2 allowance for gains and losses in OM&S represents the adjustment to the recorded value in column 1 that is required to arrive at historical cost (column 3). Use the following keys for column 4 as follows: LAC = Latest Acquisition Cost, SP = Standard Price, AC = Actual Cost, NRV = Net Realizable Value, or O = Other.

2. Restrictions. Describe any restrictions on the use, sale or disposition of OM&S.

3. Other Information. Disclose on line 3. "Other Information:" the general composition of operating materials and supplies and the basis for determining operating materials and supplies values, including the valuation method and any cost flow assumptions. The decision criteria for identifying the category to which operating materials and supplies are assigned and changes in the criteria for identifying the category to which operating materials are

assigned. Disclose other information relative to OM&S not disclosed in Parts 1. or 2. of Note 8.B. Under other information, disclose the value of ammunition, munitions, and war reserves that are treated as OM&S. Also, disclose the method of accounting for the recognition of expenses that was applied for operating materials and supplies. In addition, disclose any amount of work in process at depot maintenance activities that was included as inventory work in process because the USGSGL does not contain an account for work in process that is not inventory. Due to this classification obstacle, include the following language in the other information section: "Work in process at depot maintenance activities is included as inventory work in process in Note 8A because the U.S. Government Standard General Ledger does not contain an account for work in process that is not inventory."

100904. Note 8.C. Stockpile Materials, Net.

★A. Footnote Format.

<u>Note 8.C. Stockpile Materials, Net:</u> (\$ in Thousands)				
	(1)	(2)	(3)	(4)
	<u>Stockpile Materials Amount</u>	<u>Allowance for (Losses)</u>	<u>Stockpile Materials, Net</u>	<u>Valuation Method</u>
1. Stockpile Materials:				
a. Held for Sale*	\$ xxx,xxx	(\$ xxx,xxx)	\$ xxx,xxx	
b. Held in Reserve for Future Sale	<u>xxx,xxx</u>	<u>(xxx,xxx)</u>	<u>xxx,xxx</u>	
Total	<u><u>\$ xxx,xxx</u></u>	<u><u>(\$ xxx,xxx)</u></u>	<u><u>\$ xxx,xxx</u></u>	
2. Restrictions on stockpile materials and supplies:	<hr/>			
3. Other Information:	<hr/>			
<hr/>				
* Not held for sale in the normal course of business				
Legend: Valuation Methods				
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		
SP = Standard Price		O = Other		
AC = Actual Cost				

Figure 10-10

B. Instructions.

1. Composition and Valuation. Explain the general composition of stockpile materials. Disclose the basis for valuing stockpile materials, including the valuation method. Use the following keys for column 4 as follows: LAC = Latest Acquisition Cost, SP = Standard Price, AC = Actual Cost, NRV = Net Realizable Value, or O = Other. Note: Column (2) is to be used only when stockpile materials are not valued at historical cost.

2. Disclosure. For each category of Stockpile Materials, disclose the reported value (column 1), the allowance for losses on stockpile materials, if any (column 2), the net book value of stockpile materials (column 1 plus column 2), and the method used to value the stockpile materials (column 4). This category of inventory reserved for use exclusively by the National Defense Stockpile Transaction Fund within the DoD.

3. Restrictions. Describe any restrictions on the use, sale or disposition of stockpile materials.

★4. Other Information. Disclose on line 3. “Other Information:” the (1) decision criteria for any stockpile materials held for sale, (2) changes in prior year accounting methods, (3) differences between the carrying amount of stockpile materials held for sale and their estimated selling price, and (4) cost flow assumptions used for valuing.

★100905. Note 8.D. Seized Property. Normally not applicable for DoD reporting entities. If applicable follow the OMB Number 97-01, Form and Content of Agency Financial Statements, October 30, 1996, Note 8. Inventory and Related Property, Seized Property – Required Disclosures, page 59.

★100906. Note 8.E. Forfeited Property, Net. Normally not applicable for DoD reporting entities. If applicable follow the OMB Bulletin Number 97-01, Form and Content of Agency Financial Statements, October 30, 1996, Note 8. Inventory and Related Property, Forfeited Property – Required Disclosures, page 59.

★100907. Note 8.F. Goods Held Under Price Support and Stabilization Programs, Net. Normally not applicable for DoD reporting entities. If applicable follow the OMB Bulletin Number 97-01, Form and Content of Agency Financial Statements, October 30, 1996, Note 8. Inventory and Related Property, Goods Held Under Price Support and Stabilization Programs, page 60.

★1010 NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT (PP&E), NET

★101001. Footnote Format.

Note 9. General (PP&E), Net: (\$ in Thousands)					
	(1)	(2)	(3)	(4)	(5)
	Depreciation/ Amortization Method	Service Life	Acquisi- tion Value	(Accumulated Depreciation/ Amortization)	Net Book Value
1. Major Asset Classes					
a. Land	N/A	N/A	\$ xxx,xxx	N/A	\$ xxx,xxx
b. Buildings, Structures, and Facilities	S/L	20 or 40			
c. Leasehold Improvements	S/L	Lease Term 2 to 5 or 10	xxx,xxx xxx,xxx	(\$ xxx,xxx) (xxx,xxx)	xxx,xxx
d. ADP Software	S/L	10			xxx,xxx
e. Equipment	S/L	5 or 10	xxx,xxx	(xxx,xxx)	xxx,xxx
f. Assets Under Capital Lease ¹	S/L	Lease Term	xxx,xxx	(xxx,xxx)	xxx,xxx
g. Construction-in- Progress	N/A	N/A	xxx,xxx	N/A	xxx,xxx
h. Other			xxx,xxx	xxx,xxx	xxx,xxx
i. Total			<u>\$ xxx,xxx</u>	<u>(\$ xxx,xxx)</u>	<u>\$ xxx,xxx</u>
2. Other Information: _____					
1. See Figure 10-12 and Note 13 part 5 for additional information on Capital Leases					

Figure 10-11

★101002. Instructions. Report the following information for each major class of General PP&E (rows a – g above):

★A. Column 1. Report the depreciation/amortization method used: SL = Straight Line or O = Other. Explain in the note to the principal statements any other depreciation/amortization method used. See Under Secretary of Defense (Comptroller) (USD(C)) memorandum, dated October 22, 1998, subject “Revised Policy for the Depreciation of DoD General Property, Plant, and Equipment Assets” for additional guidance on the exception to the straight line method of depreciation allowed for DWCF activities.

★B. Column 2. Report the range of service useful lives by Major Asset Class. (e.g., 5 or 10 years, or 20 or 40 years) based on the DoD Standard Recovery Periods.

★C. Column 3. Report acquisition costs by Major Asset Class.

★1. For assets under capital lease, report the lesser of the present value (using either the lessor's implicit rate or the Treasury borrowing rate) of the rental or other lease payments during the lease term, excluding that portion of the payments representing executory costs paid to the lessor, or the fair value. Capital lease amounts reported must be identified as "Covered by Budgetary Resources" and "Not Covered by Budgetary Resources."

★2. For the Other major asset class, separately disclose any material amounts. Material is defined as any component of Other that represents more than 10 percent of the value of the line.

★D. Column 4. Report the accumulated depreciation/amortization, including the current reporting period depreciation, by Major Asset Class.

★E. Column 5. Report the net book value of each Major Asset Class, (acquisition cost less accumulated depreciation/amortization) column 3 plus column 4. The computation is a plus given that accumulated depreciation/amortization is usually a credit (negative) balance. The total of this column shall agree with the amounts on line 1.F. of the Balance Sheet.

★F. "Other Information." The DoD Components shall not supplement their General PP&E information with values from the Contract Property Management System (CPMS)(SF 1662) data base. Rather, the DoD Components shall include the following statement verbatim in the Other Information section of Note 9, General PP&E:

The value of DoD (replace DoD with Army, Navy or Air Force, as applicable) General Property, Plant and Equipment (GPP&E) real property in the possession of contractors is included in the values reported above for the Major Classes of Land and Structures, Facilities, and Leasehold Improvements. The value of GPP&E personal property (Major Classes of ADP Software and Equipment) in the possession of contractors is not included in the values reported above. The Department of Defense presently is reviewing its process for reporting these amounts in an effort to determine the best method to annually collect this information. However, preliminary results of the Department's review have indicated that the value of non-fully depreciated GPP&E personal property in the possession of contractors that would be reported on the DoD (replace DoD with Army, Navy or Air Force, as applicable) financial statements is immaterial in relation to the Department's total assets.

In addition disclose on line 2 information relative to Component General PP&E, such as the nature and extent of significant amounts of assets that are reported at zero or nominal value, restrictions on the use or convertibility of General PP&E (i.e., Outside the Continental United States (OCONUS) real property), capitalization threshold, and adjustments resulting from changes in accounting standards. If the acquisition cost is unknown for certain types or significant amounts of General PP&E, the DoD Components must disclose the valuation method used. The Department has major efforts underway to value its general PP&E. If these efforts are completed and result in either (1) the validation of the recorded costs, (2) adjustments to the recorded costs, or (3) a statistically derived total cost amount, such results shall be disclosed in sufficient detail to provide an understanding of the method used to determine the amounts reported. However, if the efforts are not completed in time to report the General PP&E cost

amounts in FY 1999, the applicable DoD Component(s) shall disclose that such efforts are ongoing and should be completed for FY 2000 reporting and are expected to result in reasonably accurate property amounts.

★101003. Note 9.A. Asset Under Capital Lease.

A. Footnote Format.

Note 9.A. Assets Under Capital Lease:

(\$ in Thousands)

ENTITY AS LESSEE:

1. Capital Leases:

a. Summary of Assets Under Capital Lease:	\$ x,xxx,xxx
Land and Buildings	\$ x,xxx,xxx
Machinery and Equipment	\$ x,xxx,xxx
Other	\$ x,xxx,xxx
Accumulated Amortization	\$ x,xxx,xxx

b. Description of Lease Arrangements: _____

Figure 10-12

B. Instructions. SFFAS No. 6 provides the criteria for asset recognition with respect to capital leases.

1. Summary of Assets Under Capital Lease. Enter the gross assets under capital lease, by major category of asset and the total accumulated amortization.

2. Description of Lease Arrangements. Provide information that would disclose the level of the agency's funding commitments including, but not limited to, the major asset categories and such lease terms as the existence and terms of renewal options, escalation clauses, restrictions imposed by lease agreements, contingency rentals, and the amortization period.

★1011 NOTE 10. RESERVED FOR FUTURE USE★1012 NOTE 11. DEBT101201. Footnote Format.

<u>Note 11. Debt:</u> (\$ in Thousands)			
	<u>Beginning Balance</u>	<u>Net Borrowing</u>	<u>Ending Balance</u>
1. Public Debt:			
a. Held by Government Accounts	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
b. Held by the Public	xxx,xxx	xxx,xxx	xxx,xxx
c. Total Public Debt	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
2. Agency Debt:			
a. Debt to the Treasury	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
b. Debt to the Federal Financing Bank	xxx,xxx	xxx,xxx	xxx,xxx
c. Debt to Other Federal Agencies	xxx,xxx	xxx,xxx	xxx,xxx
d. Held by the Public	xxx,xxx	xxx,xxx	xxx,xxx
e. Total Agency Debt	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
3. Total Debt	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
4. Classification of Debt			
a. Intragovernmental Debt			\$ xxx,xxx
b. Governmental Debt			xxx,xxx
c. Total Debt			<u>\$ xxx,xxx</u>
5. Funding of Debt			
a. Covered By Budgetary Resources			\$ xxx,xxx
b. Not Covered By Budgetary Resources			\$ xxx,xxx
c. Total Debt			<u>\$ xxx,xxx</u>
6. Other Information:			

Figure 10-13

101202. Instructions.

A. Identity. Line 1, Public Debt, shall be reported by the Treasury Department only and shall distinguish between public debt held by government agencies and public debt held by the public. Line 2.a. shall report the amount of debt owed to the Treasury, which includes direct loan and guaranteed loan financing account liabilities to Treasury as well as other debt owed to Treasury. Line 2.b. shall report the amount of debt owed to the Federal

Financing Bank. Line 2.c. shall report the amount of debt owed to other federal agencies. The sum of Balance Sheet lines 4.A.2. and 5.A.2. shall equal the sum of the amounts on line 3 “Total Debt” of this note.

★B. Classification of Debt. Report as intragovernmental debt all debt owed to Treasury, the Federal Financing Bank or other federal agencies or accounts (lines 2.a., 2.b., and 2.c.) This amount shall equal the intragovernmental debt amount reported on line 4.A.2. and 5.A.2. of the balance sheet.

C. Other Information. The total debt covered by budgetary resources and the total debt not covered by budgetary resources must be disclosed. In addition, provide the names of the agencies, other than Treasury or the Federal Financing Bank, to which intragovernmental debt is owed and the amounts. Provide other information relative to debt (e.g., redemption or call of debts owed to the public before maturity dates, write-offs of debts owed to the U. S. Treasury or the Federal Financing Bank).

★1013 NOTE 12. ENVIRONMENTAL LIABILITIES

★101301. Footnote Format.

<u>Note 12.A. Environmental Liabilities Covered by Budgetary Resources</u> (\$ in Thousands)			
	<u>Current Liability</u>	<u>Noncurrent Liability</u>	<u>Total</u>
1. Intragovernmental			
a. Accrued Restoration Costs			
(1) Active Installations	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) BRAC Installations	xxx,xxx	xxx,xxx	xxx,xxx
(3) Formerly Used Defense Sites (FUDS)	xxx,xxx	xxx,xxx	xxx,xxx
b. Other Environmental Liabilities			
(1) Nuclear Powered Aircraft Carriers	xxx,xxx	xxx,xxx	xxx,xxx
(2) Nuclear Powered Submarines	xxx,xxx	xxx,xxx	xxx,xxx
(3) Other Nuclear Powered Ships	xxx,xxx	xxx,xxx	xxx,xxx
(4) Other National Defense Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(5) Chemical Weapons Disposal	xxx,xxx	xxx,xxx	xxx,xxx
(6) Conventional Munitions Disposal	xxx,xxx	xxx,xxx	xxx,xxx
(7) Training Ranges	xxx,xxx	xxx,xxx	xxx,xxx
(8) Other	xxx,xxx	xxx,xxx	xxx,xxx
c. Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>

Figure 10-14

2. With the Public			
a. Accrued Restoration Costs			
(1) Active Installations	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) BRAC Installations	xxx,xxx	xxx,xxx	xxx,xxx
(3) Formerly Used Defense Sites (FUDS)	xxx,xxx	xxx,xxx	xxx,xxx
b. Other Environmental Liabilities			
(1) Nuclear Powered Aircraft Carriers	xxx,xxx	xxx,xxx	xxx,xxx
(2) Nuclear Powered Submarines	xxx,xxx	xxx,xxx	xxx,xxx
(3) Other Nuclear Powered Ships	xxx,xxx	xxx,xxx	xxx,xxx
(4) Other National Defense Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(5) Chemical Weapons Disposal	xxx,xxx	xxx,xxx	xxx,xxx
(6) Conventional Munitions Disposal	xxx,xxx	xxx,xxx	xxx,xxx
(7) Training Ranges	xxx,xxx	xxx,xxx	xxx,xxx
(8) Other	xxx,xxx	xxx,xxx	xxx,xxx
c. Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
★3. Other Information: _____			

Figure 10-14 (cont.)

<u>Note 12.B. Environmental Liabilities Not Covered by Budgetary Resources</u> <u>(\$ in Thousands)</u>			
	<u>Current Liability</u>	<u>Noncurrent Liability</u>	Total
1. Intragovernmental			
a. Accrued Restoration Costs			
(1) Active Installations	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) BRAC Installations	xxx,xxx	xxx,xxx	xxx,xxx
(3) Formerly Used Defense Sites (FUDS)	xxx,xxx	xxx,xxx	xxx,xxx
b. Other Environmental Liabilities			
(1) Nuclear Powered Aircraft Carriers	xxx,xxx	xxx,xxx	xxx,xxx
(2) Nuclear Powered Submarines	xxx,xxx	xxx,xxx	xxx,xxx

Figure 10-15

(3) Other Nuclear Powered Ships	xxx,xxx	xxx,xxx	xxx,xxx
(4) Other National Defense Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(5) Chemical Weapons Disposal	xxx,xxx	xxx,xxx	xxx,xxx
(6) Conventional Munitions Disposal	xxx,xxx	xxx,xxx	xxx,xxx
(7) Training Ranges	xxx,xxx	xxx,xxx	xxx,xxx
(8) Other	xxx,xxx	xxx,xxx	xxx,xxx
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
2. With the Public			
a. Accrued Restoration Costs			
(1) Active Installations	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) BRAC Installations	xxx,xxx	xxx,xxx	xxx,xxx
(3) Formerly Used Defense Sites (FUDS)	xxx,xxx	xxx,xxx	xxx,xxx
b. Other Environmental Liabilities			
(1) Nuclear Powered Aircraft Carriers	xxx,xxx	xxx,xxx	xxx,xxx
(2) Nuclear Powered Submarines	xxx,xxx	xxx,xxx	xxx,xxx
(3) Other Nuclear Powered Ships	xxx,xxx	xxx,xxx	xxx,xxx
(4) Other National Defense Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(5) Chemical Weapons Disposal	xxx,xxx	xxx,xxx	xxx,xxx
(6) Conventional Munitions Disposal	xxx,xxx	xxx,xxx	xxx,xxx
(7) Training Ranges	xxx,xxx	xxx,xxx	xxx,xxx
(8) Other	xxx,xxx	xxx,xxx	xxx,xxx
Total	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
Other Information: _____			

Figure 10-15 (cont.)

★101302 Instructions.

★A. Intragovernmental Versus Public. Environmental cleanup costs shall be reported as intragovernmental if it is known that the reporting entity will be billed by another federal entity for the cost of the clean up. If it is not known at the balance sheet date who will conduct the clean up or if the reporting entity will be billed by a contractor, then the environmental cleanup costs shall be classified as public.

★B. Accrued Restoration Costs. Accrued restoration (cleanup) liabilities represent the cost to correct environmental problems that were created in the past. These liabilities relate to PP&E, including acquired land, and Stewardship Land, as those major asset

categories are described in Chapter 6 of Volume 4 of this Regulation. Environmental restoration activities may be conducted at operating installations, base realignment, and closure (BRAC) installations, or at formerly used defense sites, in accordance with applicable statutes and implementing regulations. Environmental restoration measurements involve the use of cost estimates that consider, on a current cost basis, the anticipated costs of the level of effort required to affect the restoration, as well as, applicable legal and/or regulatory requirements. Such cost estimates should be based on the current technology available. Site inventory and estimated cost data prepared for the Defense Environmental Restoration Program Report to Congress shall be used by the DoD Components as the baseline for environmental restoration (cleanup) liability measurement (e.g., the current cost to acquire the required services). Refer to Section G of the document titled, "Management Guidance for the Defense Environmental Restoration Program," and "Accrued Environmental Restoration (Cleanup) Liabilities," Chapter 14 of Volume 4 of this Regulation, (located at the following Internet address: http://www.dtic.mil/comptroller/fmr/04/04_14.pdf) for further guidance. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is considered a better estimate than any other estimate, that amount should be used. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range should be used, and the range disclosed. Current and noncurrent amounts reported must be identified as "Covered by Budgetary Resources" and "Not Covered by Budgetary Resources."

★C. Other Environmental Liabilities. Other environmental liabilities relate to the final disposition of property, structures, equipment, munitions, and weapons. It also includes the preservation and management of training ranges at active installations. Any component of the other environmental liabilities line that represents more than 10 percent of the value of the line shall be separately disclosed. Disposal measurements involve the use of cost estimates that consider, on a current cost basis, the anticipated level of effort required to dispose of the item, as well as the cost of complying with associated legal and/or regulatory requirements. Such cost estimates should be based on the current disposal or reuse technologies available. Cost estimates prepared in accordance with the guidance in Chapter 13 of Volume 4 of this Regulation, "Accrued Environmental and Nonenvironmental Disposal Cost Liabilities," (located at the following Internet address: http://www.dtic.mil/comptroller/fmr/04/04_13.pdf) shall be used by the DoD Components as the baseline for other environmental liability measurement. The estimated liability may be a specific amount or a range of amounts. If some amount within a range is considered a better estimate than any other estimate, that amount should be used for liability recognition. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range should be used, and the range disclosed. Current and noncurrent amounts reported must be identified as "Covered by Budgetary Resources" and "Not Covered by Budgetary Resources."

★D. Disclosure Requirements. Disclose environmental cleanup cost information in accordance with SFFAS No. 5 and SFFAS No. 6. Include the: (1) sources of cleanup requirements; (2) method for assigning estimated total cleanup costs to current operating periods; (3) unrecognized portion of estimated total cleanup cost associated with general PP&E; (4) material changes in total estimated cleanup costs due to changes in laws, technology, or plans, and the portion of the change in estimate that relates to prior period operations; and (5) nature of

estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations. Include all environmental liabilities not included elsewhere on the statement. Provide other information necessary for understanding Environmental cleanup liabilities.

★E. Definitions. While some categories of Other Environmental Liabilities in Note 12 are self-explanatory (nuclear powered aircraft carriers, submarines, and other ships), the definitions below are provided for clarity and consistency of reporting:

1. Other National Defense Weapon Systems. Includes other National Defense weapons systems disposal liabilities associated with hazardous materials that are not otherwise appropriately categorized in a Note 12 line item. This includes environmental liabilities associated with other National Defense weapons systems items reported in the Required Supplementary Stewardship Information. Include in the narrative disclosure, information on the components and amounts that are included in this Other National Defense Weapon System line item. Any component of this line that represents more than 10 percent of the total of the line shall be separately disclosed. The definition of a weapon system is a combination of one or more weapons with all related equipment, materials, services, personnel and means of delivery and deployment (if applicable) required for self-sufficiency.

2. Chemical Weapons Disposal. Includes types of weapons, the filler of which is primarily a chemical agent. The Army, as executive agent for the disposal of chemical weapons will compile this liability amount and provide the information for reporting in the DoD agency-wide financial statement as part of the Treasury Index Other Defense Organizations General Funds.

3. Conventional Munitions Disposal. Includes weapons which are neither nuclear, biological, nor chemical.

4. Other Asset Disposal. Includes all other environmental liabilities not otherwise applicable to the categories identified in Note 12. However, this category requires disclosure in a narrative format to Note 12 which specifically identifies both a description of similar groups of items included and the liability amount for each grouping. In addition, if any component of this line represents more than 10 percent of the balance of the line, that component shall be separately disclosed.

★1014 NOTE 13. OTHER LIABILITIES

★101401. Footnote Format Note 13. Parts 1 Through 4.

Note 13. OTHER LIABILITIES: (\$ in Thousands)			
1. Other Liabilities Covered by Budgetary Resources:			
	Current Liability	Noncurrent Liability	Total
a. Intragovernmental			
(1) Advances from Others	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) Deferred Credits	xxx,xxx	xxx,xxx	xxx,xxx
(3) Deposit Funds and Suspense Account Liabilities	xxx,xxx	xxx,xxx	xxx,xxx
(4) Liability for Borrowings to be Received	xxx,xxx	xxx,xxx	xxx,xxx
(5) Liability for Subsidy Related to Undisbursed Loans	xxx,xxx	xxx,xxx	xxx,xxx
(6) Resources Payable to Treasury	xxx,xxx	xxx,xxx	xxx,xxx
(7) Disbursing Officer Cash	xxx,xxx	xxx,xxx	xxx,xxx
★(8) Nonenvironmental Disposal Liabilities			
(a) Nuclear Powered Aircraft Carriers	xxx,xxx	xxx,xxx	xxx,xxx
(b) Nuclear Powered Submarines	xxx,xxx	xxx,xxx	xxx,xxx
(c) Other Nuclear Powered Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(d) Other National Defense Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(e) Conventional Munitions	xxx,xxx	xxx,xxx	xxx,xxx
(9) Other Liabilities	xxx,xxx	xxx,xxx	xxx,xxx
Total	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
b. With the Public			
(1) Accrued Funded Payroll and Benefits	xxx,xxx	xxx,xxx	xxx,xxx
(2) Advances from Others	xxx,xxx	xxx,xxx	xxx,xxx
(3) Deferred Credits	xxx,xxx	xxx,xxx	xxx,xxx
(4) Deposit Funds and Suspense Accounts	xxx,xxx	xxx,xxx	xxx,xxx
(5) Temporary Early Retirement Authority	xxx,xxx	xxx,xxx	xxx,xxx
★(6) Nonenvironmental Disposal Liabilities			
(a) Nuclear Powered Aircraft Carriers	xxx,xxx	xxx,xxx	xxx,xxx

Figure 10-16

(b) Nuclear Powered Submarines	xxx,xxx	xxx,xxx	xxx,xxx
(c) Other Nuclear Powered Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(d) Other National Defense Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(e) Conventional Munitions	xxx,xxx	xxx,xxx	xxx,xxx
(7) Other Liabilities	xxx,xxx	xxx,xxx	xxx,xxx
Total	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
2. Other Information: _____			
3. Other Liabilities Not Covered by Budgetary Resources:			
	<u>Current Liability</u>	<u>Noncurrent Liability</u>	<u>Total</u>
a. Intragovernmental			
(1) Accounts Payable--Canceled Appropriations	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(2) Custodial Liability	xxx,xxx	xxx,xxx	xxx,xxx
(3) Deferred Credits	xxx,xxx	xxx,xxx	xxx,xxx
(4) Liability for Borrowings to be Received	xxx,xxx	xxx,xxx	xxx,xxx
(5) Other Actuarial Liabilities	xxx,xxx	xxx,xxx	xxx,xxx
(6) Judgement Fund Liabilities	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
(7) Workman's Compensation Reimbursement	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
★(8) Nonenvironmental Disposal Liabilities			
(a) Nuclear Powered Aircraft Carriers	xxx,xxx	xxx,xxx	xxx,xxx
(b) Nuclear Powered Submarines	xxx,xxx	xxx,xxx	xxx,xxx
(c) Other Nuclear Powered Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(d) Other National Defense Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(e) Conventional Munitions	xxx,xxx	xxx,xxx	xxx,xxx
(9) Other Liabilities	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
b. With the Public	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
(1) Account Payable Canceled	xxx,xxx	xxx,xxx	xxx,xxx
(2) Accrued Unfunded Liabilities	xxx,xxx	xxx,xxx	xxx,xxx
(3) Accrued Unfunded Annual Leave	xxx,xxx	xxx,xxx	xxx,xxx
(4) Accrued Entitlement Benefits for Military Retirees and Survivors	xxx,xxx	xxx,xxx	xxx,xxx
(5) Deferred Credits	xxx,xxx	xxx,xxx	xxx,xxx
★(6) Nonenvironmental Disposal Liabilities			

Figure 10-16 (Cont.)

(a) Nuclear Powered Aircraft Carriers	xxx,xxx	xxx,xxx	xxx,xxx
(b) Nuclear Powered Submarines	xxx,xxx	xxx,xxx	xx,xxx
(c) Other Nuclear Powered Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(d) Other National Defense Weapon Systems	xxx,xxx	xxx,xxx	xxx,xxx
(e) Conventional Munitions	xxx,xxx	xxx,xxx	xxx,xxx
(6) Other Liabilities	xxx,xxx	xxx,xxx	xxx,xxx
Total	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
4. Other Information: _____			

Figure 10-16 (cont.)

101402. Instructions.

★A. Other Liabilities Covered by Budgetary Resources. Include all other liabilities not included elsewhere on the statement. Separately report other liabilities covered by budgetary resources and those not covered by budgetary resources, and separately disclose the current portion of other liabilities covered by budgetary resources. Sections 1 and 2 of Note 13 will be used to disclose “Other Liabilities Covered by Budgetary Resources.” The total amount disclosed as “Other Liabilities Covered by Budgetary Resources” should equal the total of lines 4.A.4. and 4.E. of the balance sheet. Provide other information necessary for understanding other liabilities.

★1. Contingent Liabilities Included on Balance Sheet. Contingent Liabilities are reported on the Other Liabilities line if all of the following conditions are met: (1) a past event or exchange transaction has occurred, (2) a future outflow or other sacrifice of resources is probable, and (3) the future outflow or sacrifice of resources is measurable.

a. Report the dollar amount of the probable loss.

b. If a specific dollar amount of the loss is not known, but a range of amounts is known, then report the low end of the range and disclose the range on line 2.

★2. Information Disclosed and Not Included on the Balance Sheet. A contingent liability should be disclosed if one or two of the conditions for liability recognition identified in paragraph 101402.B.1. above are met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. These liabilities may involve individual or aggregated cases of pending, threatened, or potential litigation.

a. Disclose specific amounts or ranges of losses that are reasonably possible.

b. Disclose the fact that an amount or range of amounts cannot be determined. In addition, the entity should disclose the nature of the contingency and an estimate of the obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment.

★3. Temporary Early Retirement Authority. Report the amount of temporary early retirement liability that has been incurred. In Column 1 identify the amount to be paid during the year following the reporting FY. In the noncurrent column report the balance.

★4. Other Information. Provide other information relevant to other liabilities that is not disclosed in the above categories.

★B. Other Liabilities Not Covered by Budgetary Resources. Include all other liabilities not included elsewhere on the statement. Separately disclose the current portion of other liabilities not covered by budgetary resources. Sections 3 and 4 will be used to disclose “Other Liabilities Not Covered by Budgetary Resources.” The total amount disclosed as “Other Liabilities Not Covered by Budgetary Resources” should equal the total of lines 5.A.4. and 5.E. of the balance sheet. Provide other information necessary for understanding other liabilities.

★1. Other Actuarial Liabilities. Includes actuarial liabilities not addressed on lines 4.C. and 5.C. of the Balance Sheet. Any component of the Other Actuarial Liability that represents more than 10 percent of the value of the line shall be separately disclosed.

★2. Judgement Fund Liabilities. Relates to the Department’s reimbursement to the Judgement Fund for claims paid by the Judgement Fund related to DoD.

★3. Workman’s Compensation Reimbursement. Related to the Department’s reimbursement to the Department of Labor for estimated actuarial liabilities for future workers’ compensation benefits.

★4. Contingent Liabilities Included on the Balance Sheet. Contingent Liabilities amounts are reported on the “Other Liabilities” line of the Balance Sheet if all of the following conditions are met: (1) a past event or exchange transaction has occurred, (2) a future outflow or other sacrifice of resources is probable, and (3) the future outflow or sacrifice of resources is measurable.

a. Report the dollar amount of the probable loss.

b. If a specific dollar amount of the loss is not known, but a range of amounts is known, then report the low end of the range and disclose the range on line 2.

★5. Information Disclosed and Not Included on the Balance Sheet. A contingent liability should be disclosed if one or two of the 3 conditions for liability recognition identified in paragraph 101402.B.1. above are met and there is at least a reasonable possibility

that a loss or an additional loss may have been incurred. These liabilities may involve individual or aggregated cases of pending, threatened, or potential litigation.

a. Disclose specific amounts or ranges of losses that are reasonably possible.

b. Disclose the fact that an amount or range of amounts can not be determined. In addition, the entity should disclose the nature of the contingency and an estimate of the obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment.

★6. Other Information. Provide other information relevant to other liabilities that is not disclosed in the above categories.

★C. Nonenvironmental Disposal Liabilities. Nonenvironmental disposal (removal, transportation, demilitarization, and final dismantlement and disposal) liabilities relate to the final disposition of property, structures, equipment, munitions, nuclear powered assets (when distinguishable from environmental disposal), and to other national defense weapons systems. Nonenvironmental disposal liabilities do not include range preservation and management activities that are treated as environmental disposal. Disposal measurements involve the use of cost estimates that consider, on a current cost basis, the anticipated level of effort required to dispose of the item, and the current disposal or reuse technologies available. Cost estimates prepared in accordance with the guidance in Chapter 13 of Volume 4 of this Regulation, “Accrued Environmental and Nonenvironmental Disposal Cost Liabilities” (located at the following Internet address: www.dtic.mil/comptroller/fmr/04/04_13.pdf), shall be used by the DoD Components as the baseline for nonenvironmental disposal liability measurement. The estimated liability may be a specific amount or a range of amounts. If some amount within a range is considered a better estimate than any other estimate, that amount should be used for liability recognition. If not amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range should be used. Current and noncurrent amounts reported must be identified as “Covered by Budgetary Resources” and “Not Covered by Budgetary Resources.”

1. Disclosure Requirements. Disclose any other information necessary for understanding the nature of the liabilities.

2. Definitions. While some categories of Nonenvironmental Disposal Liabilities in Note 13 are self explanatory, (e.g., nuclear powered aircraft carriers, submarines, and other ships), the definitions below are provided for clarity and consistent reporting.

a. ★Other National Defense Weapons Systems. Includes other National Defense weapons systems disposal liabilities that are not associated with the removal and disposal of hazardous materials that are not otherwise appropriately categorized in a Note 13 line item.

b. ★Conventional Munitions Disposal. Includes weapons which are neither nuclear, biological, nor chemical.

c. ★Other Asset Disposal. Includes all other nonenvironmental liabilities not otherwise applicable to the categories identified in Note 13. However, this category requires disclosure in a narrative format to Note 13, which specifically identifies both a description of similar groups of items included and the liability amount for each grouping.

★101403. Leases Footnote Format Note 13 Part 5. Leases.

<u>5. Leases:</u>				
(\$ in Thousands)				
ENTITY AS LESSEE:				
1. <u>Capital Leases:</u>				
a. <u>Future Payments Due:</u>				
<u>Fiscal Year</u>	<u>(1)</u>	<u>Asset Category</u> <u>(2)</u>	<u>(3)</u>	<u>Totals</u>
Year 1 (CY + 1)	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Year 2 (CY + 2)	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3 (CY + 3)	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4 (CY + 4)	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5 (CY + 5)	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Lease Payments	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx
Less: Imputed Interest Executory Costs (e.g., Taxes)	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)
Net Capital Lease Liability	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>
b. <u>Liabilities Covered by Budgetary Resources</u>				<u>\$ x,xxx,xxx</u>
c. <u>Liabilities Not Covered by Budgetary Resources</u>				<u>\$ x,xxx,xxx</u>

Figure 10-17

101404. Instructions. SFFAS Nos. 5 and 6 provide the criteria for liability and asset recognition with respect to capital leases.

A. Entity as Lessee.

1. Future Payments Due. Enter future lease payments, by major category, for all noncancelable leases with terms longer than one year.

2. Covered by Budgetary Resources vs. Not Covered by Budgetary Resources. Separately disclose the portions of the capital lease liability covered by budgetary

resources and not covered by budgetary resources (see Appendix B of OMB Circular A-11 for additional guidance but observe a difference in terminology that the term “capital leases” as used in this includes “capital leases and lease purchases” as the terms are used in Circular A-11).

★B. FY Information. The information presented in the FY column must be an actual FY. For example, if year 1 was FY 2000 then year 2 would be FY 2001, etc.

★1015 NOTE 14. MILITARY RETIREMENT BENEFITS AND OTHER EMPLOYMENT-RELATED ACTUARIAL LIABILITIES

★101501. Footnote Format.

<u>Note 14. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities:</u> (\$ in Thousands)				
<u>Major Program Activities</u>	(1) Actuarial Present Value of Projected Plan Benefits	(2) Assumed Interest Rate (%)	(3) (Less: Assets Available to Pay Benefits)	(4) Unfunded Actuarial Liability
1. Pension and Health Benefits:				
a. Military Retirement Pensions	\$ x,xxx,xxx	z.zz%	(\$ x,xxx,xxx)	\$ x,xxx,xxx
b. Military Retirement Health Benefits	x,xxx,xxx	z.zz%	(x,xxx,xxx)	x,xxx,xxx
2. Insurance/Annuity Programs:				
a.	\$ x,xxx,xxx	z.zz%	(\$ x,xxx,xxx)	\$ x,xxx,xxx
b. _____	<u>x,xxx,xxx</u>	<u>z.zz%</u>	<u>(x,xxx,xxx)</u>	<u>x,xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>		<u>(\$ x,xxx,xxx)</u>	<u>\$ x,xxx,xxx</u>
3. Other:				
a. Workmen's Compensation(FECA)	x,xxx,xxx	z.zz%	(x,xxx,xxx)	x,xxx,xxx
b. Voluntary Separation Incentive Program	x,xxx,xxx	z.zz%	(x,xxx,xxx)	x,xxx,xxx
c. DoD Education Benefits Fund	x,xxx,xxx	z.zz%	(x,xxx,xxx)	x,xxx,xxx
d. _____	<u>x,xxx,xxx</u>	<u>z.zz%</u>	<u>(x,xxx,xxx)</u>	<u>x,xxx,xxx</u>
Total	<u>\$ x,xxx,xxx</u>		<u>(\$ x,xxx,xxx)</u>	<u>\$ x,xxx,xxx</u>
4. Total Lines A+B+C:	<u>\$ xxx,xxx,xxx</u>		<u>(\$xxx,xxx,xxx)</u>	<u>\$ xxx,xxx,xxx</u>
5. Other Information: _____				
a. Actuarial Cost Method Used: _____				
b. Assumptions: _____				
★ c. Market value of investments in market-based and marketable securities _____				

Figure 10-18

★101502. Instructions. (Note: The information required by Note 14 shall only be reported by the entity that administers pension and/or other retirement benefit(s), except for line 3.a. Workmen's Compensation (FECA)).

A. Pension and Health Care Benefits. The Military Retirement Trust Fund and the Military Post Retirement Health Benefits program shall report the actuarially determined present value of all future pensions and/or retirement benefits earned to date, using the "aggregate entry age normal" method (refer to Chapter 10 of Volume 4 of this Regulation for

further guidance). Current and noncurrent amounts reported must be identified as “Covered by Budgetary Resources” and “Not Covered by Budgetary Resources.” In the required Note columns, enter:

1. Column 1. Actuarial present value of projected plan benefits accrued to date. For pensions, this would be the projected benefit obligation.
2. Column 2. Assumed interest rate used to discount the projected plan benefits cost to its present value.
3. Column 3. Net assets, if any, available to pay benefits.
4. Column 4. Actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected plan benefits (column 1) less fund assets (column 3).
- ★5. Other Information. Disclose, as other information, the actuarial, economic, and health care cost trend assumptions used in the calculations.

B. Insurance/Annuity Programs.

★C. Other.

1. Voluntary Separation Incentive Program. The Voluntary Separation Incentive Fund (recorded on Treasury’s books) is used to accumulate funds to finance, on an actuarially sound basis, the liabilities of DoD incurred under this program. The Voluntary Separation Incentive Fund covers program costs, including the salary and benefits, for qualified military personnel who opt for early retirement. Voluntary Separation Incentive payments are paid using the trust fund managed by DoD, Office of the Actuary and reimbursed annually by the services from their military personnel accounts. Accrual provisions should be established for the pool of military personnel who have selected this option. The amount of the liability accrual will be determine by actuarial data provided by the DoD, Office of the Actuary.

Voluntary Separation Incentive expense information for the payment to the Fund will be reported on the Military Services financial statements in the military personnel appropriation grouping. This expense is to be coded for elimination purposes against the Other Defense Organization, General Fund-All Other Defense Agencies General Fund Accounts. The Other Defense Organization, General Fund-All Other Defense Agencies General Fund Accounts will code the related revenue for elimination purposes against the Military Department-Military Personnel. Defense Finance and Accounting Service (DFAS) Headquarters Reporting Division A will provide the DFAS Centers with the amounts paid into the Fund by each Military Service. Further details concerning the elimination coding procedures and information will be sent under correspondence.

- a. Column 1. Actuarial present value of projected plan benefits accrued to date.

b. Column 2. Assumed interest rate used to discount the project benefits cost to its present value.

c. Column 3. Net assets available to pay benefits.

d. Column 4. Actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected plan benefits (column 1) less fund assets (column 3).

3. DoD Education Benefits Fund. The DoD Education Benefits Fund is designed to accumulate funds for the Educational Assistance program. This program promotes the recruitment and retention of members for the All-Volunteer Forces program and the Total Force Concept of the Armed Forces and aids in the readjustment of members of the Armed Forces to civilian life after separation from military service.

a. Column 1. Actuarial present value of projected plan benefits accrued to date.

b. Column 2. Assumed interest rate used to discount the project benefits cost to its present value.

c. Column 3. Net assets available to pay benefits.

d. Column 4. Actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected plan benefits (column 1) less fund assets (column 3).

4. Workman's Compensation (FECA) Liability Entries. Workman's compensation is a benefit coverage for death, disability, medical, and miscellaneous cost for approved cases of on the job incidents. Workman's compensation claims are submitted to and approved by the Department of Labor (DoL). DoL pays the claim holders. DoL then prepares a chargeback billing to the responsible Agencies. DFAS-KC Agency Reconciliation Branch receives a summary DoD chargeback bill. P.L. 93-416, Section 8147 (the FECA law) essentially gives Agencies two years to pay this chargeback bill, allowing time for the amount for the amount to be included in their budgets. Therefore, there should be an unfunded liability in the CFO Statements for these two years, which may be split into current for the portion to be paid in the following year. Under the FECA law once funding is received, it should be paid within 30 days. If DoD still has some amounts outstanding, these amounts should be reflected as a funded liability and an explanation is required.

a. Column 1. Actuarial present value of projected plan benefits accrued to date.

b. Column 2. Assumed interest rate used to discount the project benefits cost to its present value.

c. Column 3. Net assets available to pay benefits.

d. Column 4. Actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected plan benefits (column 1) less fund assets (column 3).

★D. Total, Lines A+B+C. For columns 1, 3, and 4, enter the sum of the totals on lines A., B., and C. above. The total funded actuarial liability (column 3) should agree with line 4.C. on the Balance Sheet, and the liability not covered by budgetary resources (column 4) should agree with line 5.C.

E. Other Disclosure Information. Provide the following minimum disclosures related to pensions and other actuarial liabilities: (1) total liability; (2) separate amounts for the liability covered by budgetary resources and not covered by budgetary resources; (3) assumptions used to calculate the liability; (4) individual components of the expense for the period; and (5) the market value of investments in market-based and marketable securities pertaining to pensions and other post retirement benefits investments.

1. Actuarial Cost Method Used. Provide a description of the actuarial cost method used to compute the projected plan benefit cost.

2. Assumptions. Disclose the actuarial, economic, and health care cost trend assumptions used in the calculations.

★1016 NOTE 15. NET POSITION

★101601. Footnote Format.

<u>Note 15: Net Position:</u>	
(\$ in Thousands)	
1. Unexpended Appropriations	
a. Unobligated,	
(1) Available	\$ x,xxx,xxx
(2) Unavailable	x,xxx,xxx
b. Undelivered Orders	<u>x,xxx,xxx</u>
c. Total Unexpended Appropriations	<u>\$xxx,xxx,xxx</u>
2. Other Information: _____	

Figure 10-19

★101602. Instructions.

A. Unexpended Appropriations. This amount includes the portion of the entity's appropriations represented by unobligated balances and undelivered orders. Unobligated balances should be segregated to show available and unavailable amounts. The unexpended appropriations unobligated, available and unexpended appropriations unobligated, unavailable must agree with the Statement of Budgetary Resources, line 8 and line 9, respectively. The undelivered orders amounts should be developed by using USGSGL accounts 4801, undelivered orders - unpaid and 4802, undelivered orders - paid.

★B. Other Information. Provide other information relevant to unexpended appropriations that is not disclosed in the above categories.

1017 NOTE 16. FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF NET COST

101701. NOTE 16.A. Suborganization Program Costs. (Optional) For some entities, the organizational structure and operations are so complex that supporting schedules should be used to fully display their suborganizations' major programs and activities. Supporting schedules similar to those illustrated below should be included in the notes to the financial statements and present detailed cost and revenue information supporting the summary information presented in the Statement of Net Cost. Reconcile program costs in Note 16.A. with program costs in Consolidating Statement of Net Cost. Include the following language as "Other Information:

The Department has identified the Government Performance and Results Act (GPRA) performance measures based on missions and outputs. However, the Department is unable to accumulate costs for major programs based on those performance measures, because its financial processes and systems were not designed to collect and report this type of cost information. Until the processes and systems are upgraded, the Department will break out programs by its nine major appropriation groupings.

A. Footnote Format.

Note 16.A. SUBORGANIZATION PROGRAM COSTS:			
Reporting Entity			
Supporting schedules by suborganization			
For the year ended September 30, xxxx			
(\$ in Thousands)			
	SUBORGANIZATION A		
	<u>Program A</u>	<u>Program B</u>	
COSTS:			
Intragovernmental costs	\$ xxx,xxx	\$ xxx,xxx	
Public:			
Transfer payments	xxx,xxx	xxx,xxx	
Administrative costs	xxx,xxx	xxx,xxx	
Other costs	<u>xxx,xxx</u>	<u>xxx,xxx</u>	
Total program costs	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	
	SUBORGANIZATION B		
	<u>Program C</u>	<u>Program D</u>	<u>Program E</u>
COSTS:			
Intragovernmental costs	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Public:			
Other costs	xxx,xxx	xxx,xxx	xxx,xxx
Administrative costs	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total program costs	xxx,xxx	xxx,xxx	xxx,xxx
Less earned revenue	<u>(xxx,xxx)</u>	<u>(xxx,xxx)</u>	<u>(xxx,xxx)</u>
Net program cost	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
	SUBORGANIZATION C		
	<u>Program F</u>	<u>Program G</u>	<u>Other Programs</u>
COSTS:			
Intragovernmental costs	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Public:			
Cost of Stewardship land	xxx,xxx	xxx,xxx	xxx,xxx
Cost of National Defense PP&E	xxx,xxx	xxx,xxx	xxx,xxx
Other costs	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total program costs	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>	<u>\$ x,xxx,xxx</u>

Figure 10-20

101702. NOTE 16.B. - Cost of National Defense PP&E. The cost of acquiring, constructing, improving, reconstructing, or renovating National Defense PP&E assets shall be recognized as a cost in the Statement of Net Cost in the period incurred. These costs shall be separately reported on the face of the statement or disclosed in the footnotes, depending on the materiality.

101703. NOTE 16.C. - Cost of Stewardship Assets. The cost of acquiring, constructing, improving, reconstructing, or renovating Stewardship assets shall be recognized in the Statement of Net Cost in the period incurred. These costs shall be separately reported on the face of the statement or disclosed in the footnotes, depending on the materiality.

101704. NOTE 16.D. - Stewardship Assets Transferred. If the cost of heritage assets and stewardship land transferred from other federal entities or acquired through donation or devise is not known, then the receiving entity shall disclose the fair value. If the fair value is not known or reasonably estimable, information related to the type and quantity of assets received shall be disclosed (see SFFAS No. 6).

101705. NOTE 16.E. - Exchange Revenue. Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies and any expected losses under goods made to order. These disclosures are described in SFFAS No. 7.

101706. NOTE 16.F. - Amounts for FMS Program Procurements From Contractors. This note provides a disclosure of management's estimate of amounts related to FMS program procurements from contractors during the period. The amounts disclosed are not included in the net cost principal or supporting statements. These amounts and this note are applicable to only the DoD Agency-wide financial statements. Suggested wording for this footnote is, "Amounts pertaining to FMS items provided by DoD contractors are not reported in the Statement of Net costs. In FY ____, we estimate these amounts to be \$ _____. A Statement of Custodial Activity is provided which reports the amounts of cash receipts and disbursements of the FMS Trust Fund during the year."

101707. NOTE 16.G. Benefit Program Expenses.

A. Footnote Format.

<u>Note 16.G. Benefit Program Expense:</u>	
Reporting Entity	
For the year ended September 30, xxxx	
(\$ in Thousands)	
1. Service Cost	\$ x,xxx,xxx
2. Period Interest on the Benefit Liability	\$ x,xxx,xxx
3. Prior (or Past) Service Cost	\$ x,xxx,xxx
4. Period Actuarial Gains or losses	\$ x,xxx,xxx
5. Gains/Losses Due to Changes in Medical Inflation Rate Assumption	\$ x,xxx,xxx
6. Total	<u>\$ x,xxx,xxx</u>

Figure 10-21

B. Instructions. Benefit Plan administering entities must disclose the Benefit Program Expenses as shown in Table 10-17. Within the DoD, this disclosure requirement applies to only the Military Retirement Trust Fund and the Military Post Retirement Health Benefits Program.

1. Service Cost. The service costs represent that portion of the actuarial present value (using the aggregate entry age normal actuarial method) of pension plan

and other retirement benefits and expenses that is allocated to a valuation year by the actuarial cost method.

2. Period Interest on the Benefit Liability. Disclose the interest on the benefit liability for the period. This cost is based on the future benefit obligation at the start of the period and increases the net pension cost.

3. Prior (or Past) Service Cost. The prior (or past) service cost resulting from any change in the future benefit obligation that results from a plan amendment (new plan initiation).

4. Period Actuarial Gains or Losses. The period actuarial gains or losses are those gains or losses that result from deviations between actual experience and the actuarial assumptions used, or from changes in actuarial assumptions.

★101708. NOTE 16.H. Gross Cost and Earned Revenue by Budget Functional Classification.

A. Footnote Format.

<u>Note 16.H. Gross Cost and Earned Revenue by Budget Functional Classification:</u> (\$ in Thousands)				
	<u>Budget Function Code</u>	<u>Gross Cost</u>	<u>(Less Earned Revenue)</u>	<u>Net Cost</u>
1. Department of Defense Military	051	\$ xxx,xxx	(\$ xxx,xxx)	\$ xxx,xxx
2. Water Resources by US Army Corps of Engineers	301	xxx,xxx	(xxx,xxx)	xxx,xxx
3. Pollution Control and Abatement by US Army Corps of Engineers	304	xxx,xxx	(xxx,xxx)	xxx,xxx
4. Federal Employee Retirement and Disability by Department of Defense Military Retirement Trust Fund	602	xxx,xxx	(xxx,xxx)	xxx,xxx
5. Veterans Education, Training, and Rehabilitation by Department of Defense Education Benefits Trust Fund	702	<u>xxx,xxx</u>	<u>(xxx,xxx)</u>	<u>xxx,xxx</u>
6. Total		<u>\$ xxx,xxx</u>	<u>(\$ xxx,xxx)</u>	<u>\$ xxx,xxx</u>

Figure 10-22

B. Instructions. Disclose the gross cost and earned revenue by budget functional classification. Gross cost and earned revenue should be net of intra-entity transactions (consolidated).

★101709. Note 16.I. Imputed Expenses.A. Footnote Format.

Note 16.I. Imputed Expenses (\$ in Thousands)	
1. CSRS/FERS Retirement	\$ 1,333,333
2. Health	1,222,222
3. Life Insurance	<u>111,111</u>
4. Total	\$ 2,666,666

Figure 10-23

★B. Instructions. Disclose the imputed expenses for a civilian employee retirement and other civilian retirement benefits. The imputed expense cost factors are provided by the Office of Personnel and Management to the Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD(P&R)). The DFAS provides civilian employees base salary and number of employees electing health benefits by reporting entity to OUSD(P&R). The OUSD(P&R) will compute and validate the imputed expenses for civilian employees retirement and other retirement benefits and provide to the reporting components for inclusion in the annual financial statements. The imputed expense amounts in this note should equal the imputed revenue amounts in Note 17.

★101710. Note 16.J. Other Disclosures. Include other disclosures applicable to the Statement of Net Cost. For example identify material amounts of extraordinary items (gains/losses) included on line 2, Costs not assigned to Programs. Any DWCF non-recoverable costs included in Program Costs on line 1.A or 1.B. should be fully discussed in this note.

★1018 NOTE 17: FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION★101801. Footnote Format.

<u>Note 17. Disclosures Related to the Statement of Changes in Net Position:</u> (\$ in Thousands)	
A. Prior Period Adjustments-Increase (Decrease) to Net Position Beginning Balance:	
1. Changes in Accounting Standards	\$ xxx,xxx
2. Errors and Omission in Prior Year Accounting Reports	xxx,xxx
3. Other	<u>xxx,xxx</u>
4. Total	<u>\$ xxx,xxx</u>

Figure 10-24

B. Imputed Financing	
1. CSRS/FERS Retirement	\$ xxx,xxx
2. Health	xxx,xxx
3. Life Insurance	xxx,xxx
4. Total	<u>\$ xxx,xxx</u>
C. Other Disclosures to the Statement of Changes in Net Position:	
Other Information: _____	

Figure 10-24 (Cont.)

★101802. Instructions to Note 17.A. Disclose the nature and amount of significant prior period adjustments. Any amounts over \$100 million should be specifically identified. The total in section A should agree with the amount on line 4 of the Statement of Changes in Net Position.

A. Changes in Accounting Standards. Include in this category those adjustments that result from changes in SFFASs or DoD application of those standards. This includes the offsetting charge for any cleanup cost liability recognized upon implementation of the standard that requires such recognition shall be shown on the Statement of Changes in Net Position as a prior period adjustment. In addition, the amounts involved shall be disclosed in a note, and to the extent possible, be categorized as current or prior periods. Under most circumstances changes in accounting standards will be recognized as current period activity. Prior period adjustments should not be made without prior approval from OUSD(C).

B. Errors and Omission in Prior Year Accounting Reports. Include in this category those adjustments that result from accounting errors and omission of data in prior year accounting records.

★C. Other. Include any prior period adjustment that is not identified in the above categories. Specifically identify any amounts reported in this category. Any component of this line that represent more than 10 percent of the value of the line should be separately disclosed.

★D. Other Information. Disclose any other information relative to prior period adjustments that is not disclosed in the above.

★101803. Instructions to Note 17.B. Disclose the imputed revenue for a civilian employee retirement and other civilian retirement benefits. The imputed revenue is equal to the imputed expense recognized in the Statement of Net Cost and disclosed in detail in note 16. I.

★101804. Instructions to Note 17.C. Disclose other information of a material amount relative to the Statement of Changes in Net Position in this note.

1019 NOTE 18. FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

101901. Footnote Format.

<u>Note 18. Disclosures Related to the Statement of Budgetary Resources:</u>	
(\$ in Thousands)	
1. Net amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period	\$ xxx,xxx
2. Available Borrowing and Contract Authority at the End of Period	\$ xxx,xxx
3. Other Information: _____	

Figure 10-25

101902. Instructions.

A. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period. Disclose the net amount of budgetary resources obligated for undelivered orders as of September 30. Standard general ledger accounts 4801 and 4802 are used for this line.

B. Available Borrowing and Contract Authority at the End of Period. Disclose the amount of available borrowing authority on September 30. Standard general ledger accounts 4139 and 4149 are used for this line.

C. The statement should exclude any amounts for which The Department of the Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with SFFAS Number 1.

D. Other Information. Disclose that intra-agency transactions have not been eliminated because the statements are presented as combined and combining. Reference the disaggregated Statements of Budgetary Resources in the Required Supplementary Information section of the financial statements, if applicable. Disclose material adjustments during the reporting period to budgetary resources available at the beginning of the year and an explanation thereof. Also if applicable, the existence, purpose, and availability of permanent indefinite appropriations; and information about legal arrangements affecting the use of unobligated balances of budget authority such as time limits, purpose, and obligation limitations. Explain any abnormal balances and disclose any other information relating to the reporting entity that provides a further understanding of the entity's Statement of Budgetary Resources. In the event that the accounting records do not support the identification and reporting of eliminating entries,

management is required to disclose in this footnote its best estimate of the amounts that should have been eliminated from the various lines on the consolidating statement. Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used. Explain the amount of any capital infusion received during the reporting period. Explain any material differences between the information required by the statement and amounts described as “actual” in the “Budget of the United States Government.” Eliminating entries for this statement are deferred by the revised OMB 97-01 bulletin for FYs 1998 and 1999. A combined Statement of Budgetary Resources will be prepared and labeled accordingly.

1020 NOTE 19. FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF FINANCING

102001. Footnote Format.

<u>Note 19. Disclosures Related to the Statement of Financing:</u> _____ _____ _____ _____

Figure 10-26

102002. Instructions. Report information relating to the reporting entity that provides a further understanding of the entity’s Statement of Financing. Disclose the amount of liabilities not covered by budgetary resources and provide an explanation that includes balance sheet components, when recognized liabilities not covered by budgetary resources do not equal the total financing sources yet to be provided. In addition, disclose that intra-entity transactions have not been eliminated because the statements are presented as combined and combining.

1021 NOTE 20. FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF CUSTODIAL ACTIVITY

102101. Footnote Format.

<u>Note 20. Disclosures Related to the Statement of Custodial Activity:</u> _____ _____ _____ _____
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Figure 10-27

102102. Instructions. Disclose basis of accounting and if trust fund revenues are not recorded in accordance with applicable law. Report other information relating to the reporting entity that provides a further understanding of the entity Statement of Custodial Activity, discussed further in Chapter 9.

1022 NOTE 21. OTHER DISCLOSURES

102201. Footnote Format.

★Note 21A: Other Disclosures; Leases:

1. ENTITY AS LESSEE:

a. Operating leases:

(1) Description of lease arrangements: _____

(2) Future Payments Due:

<u>Fiscal Year</u>	(1)	(2)	(3)	(4)
Year 1 (CY + 1)	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Year 2 (CY + 2)	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3 (CY + 3)	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4 (CY + 4)	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5 (CY + 5)	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Lease Payments	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>

2. ENTITY AS LESSOR:

a. Capital Leases:

(1) Description of lease arrangements: _____
_____(2) Future Projected Receipts:

<u>Fiscal Year</u>	<u>Asset Category</u>			<u>Totals</u>
	(1)	(2)	(3)	
Year 1	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Capital Lease Receivable	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>

b. Operating Leases:

(1) Description of lease arrangements: _____

Figure 10-28

(2) <u>Future Projected Receipts:</u>				
<u>Fiscal Year</u>	<u>Asset Category</u>			<u>Totals</u>
	(1)	(2)	(3)	
Year 1	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Capital Lease Receivable	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>

Figure 10-28 (cont.)

102202. Instructions. Report other information relating to the reporting entity's financial position and results that is not applicable to any other notes.

★A. Entity as Lessee.

1. Operating Leases.

a. Description of Lease Arrangements. Provide information that would disclose the level of the agency's funding commitments including, but not limited to, the major asset categories and such lease terms as the existence and terms of renewal options, escalation clauses, restrictions imposed by lease agreements, contingent rentals, and the amortization period.

2. Future Payments Due. Enter future lease payments, by major category, for all noncancelable leases with terms longer than one year.

★B. Entity as Lessor.

1. Capital Leases.

a. Description of Lease Arrangements. Provide the information necessary to disclose the commitments of the entity's assets including but not limited to the major asset category and lease terms.

b. Future Project Receipts. Enter future lease revenues by asset category for all noncancelable leases with terms longer than one year.

2. Operating Leases.

a. Description of Lease Arrangements. Provide the information necessary to disclose the commitments of the entity's assets including but not limited to the major asset category and lease terms.

b. Future Project Receipts. Enter future lease revenues by asset category for all noncancelable leases with terms longer than one year.

c. Other Disclosures. Any additional disclosures shall be consecutively numbered 21B., 21C., etc.

CHAPTER 11

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION REPORTING★1101 GENERAL110101. Purpose.

A. All stewardship information is deemed “required supplementary stewardship information” (RSSI) by the Office of Management and Budget (OMB), and all federal agencies are required to report RSSI. This reporting requirement is predicated on stewardship over resources entrusted to federal agencies and the responsibilities assumed by that stewardship. The need to report information in this manner is due to the unique nature of the federal government.

B. This chapter provides the Department of Defense (DoD) guidance and instructions for preparing the RSSI.

★110102. Stewardship Categories. There are three categories of RSSI (Stewardship property, plant, and equipment (PP&E); Stewardship Investments; and Stewardship Responsibilities). The DoD shall report RSSI for the categories of Stewardship PP&E and Stewardship Investments. The DoD is not required to report RSSI for Stewardship Responsibilities. For the DoD, the two applicable categories of RSSI and their subcategories follow:

A. Stewardship PP&E. Stewardship PP&E (also referred to as Stewardship Assets) is PP&E owned by the DoD that meets the definition of one the following:

1. National Defense PP&E. National Defense (ND) PP&E consists of weapon systems, components of weapon systems, mission support PP&E, and weapon systems support real property used by the DoD or its Components in the performance of military missions.

2. Heritage Assets. Heritage Assets are items of historical, natural, cultural, educational, or artistic significance or items with significant architectural characteristics.

★3. Stewardship Land. Land not acquired for, or in connection with items of General PP&E, is Stewardship Land. “Acquired for or in connection with” is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E, General PP&E’s common grounds. Land classified as Stewardship Land shall be reported as required supplementary stewardship information accompanying the financial statements of the DoD, and each DoD Component responsible for such land. Stewardship Land shall be reported in terms of physical units (acres) rather than cost or fair value. Without exception, all land provided to DoD from the public domain, or at no cost, shall be classified as Stewardship Land, regardless of its use. Therefore, public domain or

no-cost land used in a General PP&E context shall be reported as Stewardship Land and not reported as General PP&E.

B. Stewardship Investments. Stewardship Investments are expenses that are part of net cost calculation and merit special treatment to highlight their substantial investment and long-term benefit nature. There are three subcategories of Stewardship Investments (Non-Federal Physical Property, Research and Development, and Human Capital). The DoD is only required to report investments in Non-Federal Physical Property and Research and Development. The Human Capital subcategory is not applicable to the DoD.

★1. Non-Federal Physical Property Investments. Investments in Non-Federal Physical Property are incurred by the DoD for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase off major equipment; and the purchase or improvement of other physical assets. In addition, Non-Federal Physical Property Investments includes Federally-owned physical property transferred to state and local governments.

★2. Research and Development Investments. Investments in Research and Development are included in calculating the cost of research and development programs that are intended to increase or maintain national economic productive capacity or yield other future benefits shall be reported as investments in research and development in a supplemental stewardship report. For the DoD, Budget Activities 1 through 7 contain research and development programs that are applicable to this reporting requirement.

★1102 ND PP&E

★110201. General. The Military Departments shall disclose Supplementary Stewardship Report information pertaining to their National Defense PP&E. A report (Figure 11-1), titled “National Defense Property, Plant, and Equipment,” shall be used to disclose the quantities, additions, and deletions of ND PP&E, and a report (Figure 11-2), titled “National Defense Property, Plant, and Equipment - Yearly Investment,” shall be used to disclose the annual acquisition costs of ND PP&E. Specific guidance for the preparation of each report follows.

★110202. ND PP&E - Quantities Report. The DoD Components shall report the quantities of ND PP&E for which they are accountable. The ND PP&E to be included are those assets that are in an active status, including assets in a regular maintenance cycle and assets being overhauled, refurbished, and modified. The ND PP&E that have entered the disposal cycle or are in long-term storage (e.g., mothballed ships) should not be included in the report but must be disclosed in the narrative statement to the table. The report format is shown in Figure 11-1.

A. Specific guidance for report preparation follows.

★1. Column (a). Only the categories and major types of ND PP&E shown in Figure 11-1 shall be used. Do not use a category or major type not shown. If a category or major type is not applicable to a Military Department, it shall not be displayed in the

report (e.g., ships by the Department of the Air Force). Category definitions and examples of each major type of ND PP&E are included in the DoD PP&E Accountability Regulation to be issued by the Office of the Under Secretary of Defense (Acquisition & Technology) (OUSD(A&T)). If a Military Department identifies ND PP&E that is not properly classified in one of the specific subcategories of the major asset groupings shown in Figure 11-1, those assets should be classified as “Other” within that major asset grouping. For example, if the Navy has an aircraft which is not considered combat or airlift, then the quantities of that aircraft should be included in the “other aircraft” subcategory.

★2. Column (b). Report the quantity of ND PP&E for each major type identified in Column (a), as of the close of the prior year (or as of the beginning of the reporting year). Draft accountability guidance proposed by OUSD(A&T) may necessitate the need for DoD Components to reclassify assets reported as of the close of fiscal year (FY) 1998. For FY 1999, this column may not agree with the quantities reported for each category at the end of FY 1998. The reclassifications made between categories as of the beginning of the reporting year should be explained in the narrative statement to the table. These reclassifications should not affect columns (c) through (f).

★3. Column (c). Report the additions of ND PP&E acquired after the beginning of the fiscal year for each major type identified in Column (a).

NATIONAL DEFENSE PROPERTY, PLANT, AND EQUIPMENT For Fiscal Year Ended September 30, 19CY (Stated in Number of Systems or Items)					
(a)	(b) As Of 10/01/CY	(c) Additions	(d) Deletions	(e) As Of 09/30/CY	(f) Condition % Operational
<u>National Defense PP&E</u>					
1. Aircraft					
A. Combat					
B. Airlift					
C. Other					
2. Ships					
A. Submarines					
B. Aircraft Carriers					
C. Surface Combatants					
D. Amphibious Warfare Ships					
E. Mine Warfare Ships					
F. Support Ships					
G. Other Ships					
3. Combat Vehicles					
A. Tracked					
B. Wheeled					
C. Towed					
D. Other					

Figure 11-1

- 4. Guided, Self-propelled Ordnance
 - A. Missiles
 - B. Torpedoes
- 5. Space Systems
 - A. Satellites
- 6. Other
 - A. Other Weapon Systems
- 7. Weapon Systems Support Real Property
 - A. Active Ammunition Bunkers
 - B. Active Missile Silos
 - C. Active Satellite Ground Stations
 - D. ★Other

Narrative Statement

★Figure 11-1 (Cont.)

★4. Column (d). Report the quantity of ND PP&E dispositions for each major type identified Column (a). Dispositions may include assets that have been sold, transferred, involved in accidental crashes, or lost during military conflicts. Dispositions also include the number of items transferred into the disposal cycle or long-term storage.

5. Column (e). Report the year-end balance of ND PP&E for each major type identified in Column (a). The amount in this Column (e) shall equal the amount in Column (b) plus the amount in Column (c) minus the amount in Column (d).

★6. Column (f). Report the percentage of the ND PP&E year-end balances that are operational. Operational ND PP&E is defined as those items that are mission capable. Items that have entered the disposal cycle and long-term storage are not included in this table but are reported in the narrative statement.

B. Narrative Statement. The report shall include a narrative statement that provides the following:

★1. Include the following information in the Required Supplementary Stewardship Information section verbatim for all DoD reporting entities that have National Defense PP&E Stewardship information to report for FY 1999:

As of the date these statements were prepared, the Federal Accounting Standards Advisory Board (FASAB) had not determined the final reporting requirements for National Defense property, plant and equipment (ND PP&E). Therefore, the Department of Defense (DoD) elected to report ND PP&E in FY 1999 in the same manner as ND PP&E was reported in fiscal year (FY) 1998. For FY 1998, the DoD implemented early, as encouraged by the FASAB, then proposed amendments to the

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment," and No. 8, "Supplementary Stewardship Reporting." Those amendments required ND PP&E quantities, condition and investment trends to be reported for major types of ND PP&E. Since the FASAB did not adopt the proposed amendments to SFFAS No. 6 and No. 8, in electing to report in accordance with the proposed amendments to the standards, the DoD is not in full compliance with the existing reporting requirements contained in SFFAS No. 8 (SFFAS No.8 requires the Department to report acquisition costs). The DoD cannot fully comply with the SFFAS No. 8 reporting requirement because many of the Department's ND PP&E accountability and logistics systems do not contain a value for all or a portion of the ND PP&E assets. These systems were designed for purposes of maintaining accountability and other logistics requirements of ND PP&E, and not for reporting on the value of ND PP&E. Consequently, many of these systems do not accumulate costs or otherwise report values for individual items of ND PP&E.

The ND PP&E cost information is captured in the DoD accounting systems and reported in the Department's "Statement of Net Costs." However, the Department's accounting systems were designed to provide appropriated fund accounting reports required by the Congress, the Department and other applicable federal agencies. In addition, the Department's accounting systems were not designed to accumulate and retain costs for individual items of ND PP&E. Further, in many instances, even where values were recorded for some ND PP&E in some of the Department's systems, documentation (such as copies of purchase receipts) no longer is available to support such amounts. In part, such documentation is not available, because until recently, the Department was not required to maintain such documents for audit purposes. According to Title 36, Code of Federal Regulations, Chapter XII, "National Archives and Records Administration," receipts for the purchase of items such as ND PP&E are required to be retained for only 6 years and 3 months. Therefore, much of the supporting documentation that would be required to validate the reported values of ND PP&E for audit purposes no longer is available.

Due to the difficulties noted above, implementing the reporting requirements of the SFFAS No. 8 would be an enormous undertaking involving significant cost (requiring the expenditure of perhaps hundreds of millions of dollars). Given the complexity of the reporting requirements contained in the SFFAS No. 6 and SFFAS No. 8, the enormous cost of implementing those reporting requirements and the interim nature of the current reporting requirements, the Department is continuing its FY 1998 reporting display until such time as the Department has a better indication of the more permanent reporting requirements expected to be recommended by the FASAB. In the meantime, the Department believes that the most reasonable and responsible course of action is to report quantity information for the DoD's weapons systems until such time as the FASAB adopts permanent reporting requirements for ND PP&E.

★2. Information pertaining to significant increases or decreases in the quantities of ND PP&E, as shown in Columns (c) and (d). The information should identify or describe significant procurements and other actions, such as: excess disposals, sales, transfers, accidental crashes, losses during military conflicts, etc.

★3. Information explaining the condition percentages shown in column (f) of the report, when such percentages indicate that a significant quantity of the ND PP&E are not mission capable.

★4. Items in the disposal cycle and items in long-term storage should be disclosed separately. These items are not included in the quantities contained in this table. For items in the disposal cycle, the Components should include a discussion on the number of items disposed during the year and the expected timing of disposal of the items remaining.

★5. The narrative statement shall include a reference to the ND PP&E deferred maintenance disclosure in the required supplemental stewardship information of the financial statements.

★110203. ND PP&E - Yearly Investment Report. The DoD Components shall report their annual procurement outlays for all ND PP&E assets—not just the investment in major types of ND PP&E, as reported in Table 11-1. Annual amounts disclosed in this report shall be derived from the DoD Components' budget execution 1002 Report, "Appropriation Status by Fiscal Year Program and Subaccounts." The ND PP&E – Yearly Investment report format is shown in Figure 11-2. For FY 1999, only FY 1998 and FY 1999 investments shall be reported.

A. Specific guidance for preparing the report follows.

★1. Column (a). Only the categories shown in Figure 11-2 shall be used. Do not use a category not shown. If a category is not applicable to a Military Department or there are no acquisition costs for the reporting years, it should not be displayed in the report (i.e., ships by the Department of the Air Force). If a Military Department identifies ND PP&E that is not properly classified in one of the specific subcategories of the major asset groupings shown in Figure 11-2, those assets should be classified as "Other" within that major asset grouping. For example, if the Navy has an aircraft which is not considered combat or airlift, then the quantities of that aircraft should be included in the "other aircraft" subcategory.

★2. Columns (b) and (c). Report procurement outlays, rounded to millions of dollars, by the types of ND PP&E in Column (a) for each year. Such amounts shall be obtained from the fiscal year-end 1002 Report, "Appropriation Status by Fiscal Year Program and Subaccounts." Column (c) is the cost for the reporting year (FY 1999). Column (b) is the year prior (FY 1998).

★3. Report Footnotes. The report shall contain three footnotes. The first and second footnotes shall provide examples of the ND PP&E reflected in the subcategories of General Mission Support PP&E and Weapon Systems Support Real Property. The third footnote shall state the following "Investment values included in this report are based on outlays (expenditures). Outlays are used instead of acquisition costs, because current DoD systems are unable to capture and summarize Procurement Appropriation acquisition costs in accordance with accounting standards."

NATIONAL DEFENSE PROPERTY, PLANT, AND EQUIPMENT YEARLY INVESTMENTS For FY 1998 and FY 1999 (In Millions of Dollars)		
(a)	(b)	(c)
<u>National Defense PP&E</u>	<u>FY 1998</u>	<u>FY 1999</u>
1. Aircraft		
A. Combat		
B. Airlift		
C. Other		
D. Aircraft Support Principal End Items		
E. Other Aircraft Support PP&E		
2. Ships		
A. Submarines		
B. Aircraft Carriers		
C. Surface Combatants		
D. Amphibious Warfare Ships		
E. Mine Warfare Ships		
F. Support Ships		
G. Other Ships		
H. Ship Support Principal End Items		
I. Other Ship Support PP&E		
3. Combat Vehicles		
A. Tracked		
B. Wheeled		
C. Towed		
D. Other		
E. Combat Vehicles Support Principal End Items		
F. Other Combat Vehicles Support PP&E		
4. Guided, Self-propelled Ordnance		
A. Missiles		
B. Torpedoes		
C. Guided, Self-propelled Ordnance Support Principal End Items		
D. Guided, Self-propelled Ordnance Support PP&E		
5. Space Systems		
A. Satellites		
B. Space Systems Support Principal End Items		
C. Other Space Systems Support PP&E		

Figure 11-2

- 6. Other
 - A. Other Weapon Systems
 - B. Other Weapon Systems
Support Principal End Items
 - C. Other Weapon Systems
Support PP&E
- 7. Weapon Systems Support Real Property
 - A. Active Ammunition Bunkers
 - B. Active Missile Silos
 - C. Active Satellite Ground Stations
- 8. General Mission Support PP&E

★Figure 11-2 (Cont.)

★1103 HERITAGE ASSETS★110301. General.

★A. The DoD Components shall report the quantities, additions, and deletions of Heritage Assets under their control in a Supplemental Stewardship Report titled, “Heritage Assets” (Figure 11-3). Information regarding the general condition of Heritage Assets is required in the narrative statement.

B. Heritage Assets are items that are unique for one or more of the following reasons:

- 1. Historical or natural significance;
- 2. Cultural, educational or artistic importance; or
- 3. Significant architectural characteristics.

C. Heritage Assets are generally expected to be preserved indefinitely.

★110302. Reporting Guidance.

★A. The quantity of Multi-use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) shall be included in the quantities disclosed in this report even when these assets are also accounted for as General PP&E.

B. Specific guidance for the preparation of the report follows.

1. Reporting Categories. Heritage Assets shall be reported by type within the two following categories:

a. Collection Type. The Collection Type category includes items gathered and maintained for exhibition such as museum collections, art collections, and archival collections. The Collection Type category contains four subcategories: Archeological Artifacts, Archival, Artwork, and Historical Artifacts. Definitions of each subcategory can be found in the a draft Accountability Regulation to be issued by the OUSD(A&T).

b. Non-Collection Type. The Non-Collection Type category includes real property PP&E that exemplify the characteristics that make Heritage Assets unique and/or are eligible for or listed on the National Register. The Non-Collection category contains four subcategories: Archeological Sites, Buildings and Structures, Cemeteries, and Memorials and Monuments. Definitions of each subcategory can be found in the Accountability Regulation issued by the OUSD(A&T).

2. Column (a). Examples of Heritage Assets within the two categories (Collections Type and Non-Collection Type) of Heritage Assets are provided in Figure 11-3. Do not list PP&E categories that are not applicable. Additional PP&E categories may be listed, as appropriate.

HERITAGE ASSETS For Fiscal Year Ended September 19CY					
(a)	(b) Measurement <u>Quantity</u>	(c) As Of <u>10/01/CY</u>	(d) <u>Additions</u>	(e) <u>Deletions</u>	(f) As Of <u>9/30/CY</u>
<u>Collection Type</u>					
1. Archeological Artifacts	Cubic Feet				
2. Archival	Linear Feet				
3. Artwork	Item				
4. Historical Artifacts	Item				
<u>Non-Collection Type</u>					
5. Archeological Sites	Site				
6. Buildings and Structures	Item				
7. Cemeteries	Site				
8. Memorials and Monuments	Item				
<u>Narrative Statement:</u>					

★Figure 11-3

3. Column (b). The DoD Components must use the measurement method for each category shown in Column (a).

4. Column (c). Report the quantity in Column (a) of Heritage Assets as of the close of the prior year (or as of the first day of the reporting year) for each line. Because of the clarification to be issued in the Accountability Regulation, the Components may need to reclassify assets reported in FY 1998 between categories. For FY 1999, this column may not agree to the quantity for the category at the end of FY 1998. The reclassifications made between categories should be explained in the narrative statement to the table.

5. Column (d). Report the increase in the number of Heritage Assets by type. When an increase is significant, it should be explained in the narrative statement to the table (i.e., identify whether by donation, purchase, etc.).

6. Column (e). Report the decrease in the number of Heritage Assets by type. When a decrease is significant, it should be explained in the narrative statement to the table (i.e., identify the decrease was by sale, exchange, donation, abandonment, etc.).

7. Column (f). Report the year-end balance for each type.

8. Narrative Statement. The report shall include a narrative statement that provides the following:

a. Information on the process used to establish assets as Heritage Assets.

b. Information pertaining to significant increases or decreases in the quantities of Heritage Assets, as shown in Columns (c) and (d). The information should identify or describe significant sales, exchanges, donations, etc.

★c. Information pertaining to the condition of the Heritage Assets. The measurement of condition must be applied to the entire class and is, therefore, general in nature. The criteria used to establish the condition should be explained in sufficient detail to allow readers of the report to understand the measurement. The discussion may, for example, provide information on whether the condition of the assets is generally improving or deteriorating.

★d. A statement, if applicable, that financial information pertaining to multi-use heritage assets is included in the balance sheet.

★1104 STEWARDSHIP LAND

★110401. General.

A. The DoD Components shall disclose the quantities and condition of Stewardship Land under their control in a Supplemental Stewardship Report titled, “Stewardship Land” (Figure 11-4). Specific guidance for the preparation of the report is provided below.

★B. A military base or installation predominantly comprised of Stewardship Land may also include General PP&E land, when that land was subsequently purchased. General PP&E land shall not be reported in the Supplemental Stewardship Report; rather, the cost of that land shall be reported on the Balance Sheet.

C. Some Stewardship Land may have a dual identity, as both Stewardship Land and a Heritage Asset (i.e., a battlefield or cemetery), and should be reported in both Supplemental Stewardship Reports. Guidance for reporting Heritage Assets is provided at paragraph 1103, above.

★110402. Stewardship Land Supplemental Report. Specific guidance for the preparation of the Stewardship Land Supplemental Report follows.

A. Column (a). Report the number of acres of Stewardship Land based on the predominant use of the land. The predominant use categories are defined as follows:

1. Mission. Stewardship Land used as military bases, installations, training ranges, or other military mission related functions shall be reported as mission.

2. Parks and Historic Sites. Battlefields, cemeteries, and memorials. These sites should also be reported as Heritage Assets. Other land included as a Heritage Asset should also be reported here.

3. Wildlife Preserves. Stewardship Land on a DoD installation which is designated a Wildlife Preserve.

B. Column (b). Report the number of acres for each category as of the close of the prior year (or as of the first day of the beginning of the reporting year).

C. Columns (c) and (d). Report any changes during the reporting year. Report acreage increases in Column (c) and decreases in Column (d).

D. Column (e). Report the total acreage by category as of the end of the reporting year.

STEWARDSHIP LAND For Fiscal Year Ended September 30, 19CY (Acres in Thousands)				
(a)	(b)	(c)	(d)	(e)
<u>Land Use</u>	<u>As Of</u> <u>10/01/CY</u>	<u>Additions</u>	<u>Deletions</u>	<u>As Of</u> <u>09/30/CY</u>
1. Mission				
2. Parks & Historic Sites				
3. Wildlife Preserves				
Totals				
<u>Narrative Statement:</u>				

★Figure 11-4

E. Narrative Statement. The report shall include a narrative statement that provides the following:

1. Information pertaining to significant increases or decreases in the acreage of Stewardship Land, as shown in Columns (c) and (d). The information should identify or describe significant sales, exchanges, donations, etc.

2. Information pertaining to the condition of the Stewardship Land.

★1105 INVESTMENT IN NON-FEDERAL PHYSICAL PROPERTY

★110501. General. The DoD Components shall disclose in a Supplemental Stewardship Report the expenses included in calculating the net cost of Investments in Non-Federal Physical Property (INPP) programs. The dollar amount of those investments shall be disclosed for the reporting year (current year) and the preceding four years. Additional years' data also may be reported if such data would provide a better indication of the nature of the investment.

110502. Definition. The INPP refers to those recorded acquisition or estimated costs incurred by DoD from the transfer of DoD property, and the purchase, construction, or the major renovation of physical property that will be or is owned by state and local governments, including major additions, alterations and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. Grants for maintenance and operations are not considered investments.

110503. Measurement.

A. The INPP shall be measured on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities. Amounts shall be reported in nominal dollars.

B. Cash grants related to Non-Federal Physical Property programs are recognized and reported as expenses in arriving at the net cost of operations.

C. Expenses incurred for Non-Federal Physical Property program costs, contracts, or grants with split purposes shall be reported on the basis of an allocation of the expenses. If allocation is not feasible, the investment shall be reported on the basis of the predominant application of the expense or transfer. An example of an investment with a split purpose is a grant issued to a state government to construct an armory and to conduct military construction safety research.

★110504. Minimum Reporting.

A. The annual INPP shall be reported, including a description of federally-owned physical property transferred to state and local governments. The annual investment includes more than the annual expenditure reported by character class for budget execution. The annual investment is the full cost of the investment. This information will be provided for the current year and each of the four years preceding that year. If data for additional years would provide a better indication of the investment, reporting of the additional years' data is encouraged. However, because existing DoD financial systems do not readily support reporting INPP on the same basis of accounting as used for financial statements, which include accrual

adjustments, general and administrative overhead, and costs of facilities, INPP costs disclosed in this report shall be derived from alternative financial sources of the highest quality, until financial systems support the foregoing approach.

B. Reporting shall be at a meaningful category or program. The report for disclosing INPP, provided below (Figure 11-5), identifies National Defense Mission Related, Environmental Improvement, Base Realignment and Closure, and Other as the most probable categories. Disaggregation of these categories and other information may be provided in the notes to this Supplemental Stewardship Report, if the costs are significant and warrant individual disclosure.

C. In some cases, the information called for above is not available because the DoD Components have maintained records on the basis of outlays rather than expenses. For some DoD Components, to reconstruct their accounts on the basis of expense data may be impracticable. In this situation, the DoD Components shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available. If neither historical expense nor outlay data are available for each of the five years, the DoD Components shall report only expense data for the current reporting year and such other years as available.

D. Reporting shall include a description of the categories or programs involving INPP, as well as a description of programs or policies under which noncash assets are transferred to state and local governments.

110505. Non-Federal Physical Property Supplement Report. The Non-Federal Physical Property information shall be disclosed in the report format (Figure 11-5) provided below.

A. The report provides information in columnar form. The columns in the report shall provide the following information:

1. Column (a). Identify and list the appropriate categories and programs for grouping like INPP. Transferred Assets are assets that have a physical existence (buildings, land, etc.), as opposed to monetary (funds). Funded Assets result from DoD payments (funding the acquisition of an armory), as opposed to providing physical assets.

2. Columns (b), (c), (d), (e), and (f). Report the investments in state or local governments by fiscal year. Report the investments for the reporting year (FY CY) in Column (f). Report the investments for the appropriate fiscal years in Columns (b), (c), (d), and (e). Column (e) is the year immediately prior to the reporting year and is labeled "FY CY-1." Column (d) is two years prior to the reporting year and is labeled "FY CY-2." This logic continues through Columns (c) and (b), "FY CY-3" and "FY CY-4."

3. Reported INPP are not cumulative, are reported in millions of dollars, and represent only INPP incurred for the year shown in the appropriate Columns (b), (c), (d), (e), and (f).

4. Narrative Statement. A narrative statement shall be included in the report and shall contain a description of the categories and programs, including a description of programs or policies under which noncash assets are transferred to state and local governments. For transfers of noncash assets, when the value of the assets materially differs from the expense reported, the narrative statement will address this difference.

★5. The report shall also include the following language as a footnote:
 “Investment values included in this Report are based on Research and Development(R&D) outlays (expenditures). Outlays are used because current DoD systems are unable to capture and summarize costs in accordance with the accounting standards.”

NON-FEDERAL PHYSICAL PROPERTY Yearly Investment in State and Local Governments For Fiscal Years (Preceding 4 th Fiscal Year) through FY 19CY (In Millions of Dollars)					
(a) <u>Categories</u>	(b) <u>FY CY-4</u>	(c) <u>FY CY-3</u>	(d) <u>FY CY-2</u>	(e) <u>FY CY-1</u>	(f) <u>FY CY</u>
Transferred Assets:					
1. National Defense Mission Related					
2. Environmental Improvement					
3. Base Closure and Realignment					
4. Other					
Total					
Funded Assets:					
1. National Defense Mission Related					
2. Environmental Improvement					
3. Base Closure and Realignment					
4. Other					
Total					
Grand total					
Narrative Statement: Monetary value disclosed above represents amount reported as an expense in the Statement of Net Costs, additional material disclosures are provided below.					
1. (Example: Provided here are material disclosures where the value of property differed from that reported as an expense, above.					
	<u>Value</u>	<u>Recovery</u>	<u>Expense</u>		
• Base closure assets:					

★FIGURE 11-5

★1106 RESEARCH AND DEVELOPMENT

★110601. General. The DoD Components shall disclose in a Supplemental Stewardship Report information pertaining to their research and development programs. A

report (Figure 11-6), titled “Investment in Research and Development,” shall be used to disclose expenses incurred for research and development programs.

★110602. Definition. Investment in R&D refers to those expenses incurred in the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. All material amounts of DoD R&D shall be reported in the table provided at Figure 11-6.

★110603. R & D is composed of:

A. Basic Research: Basic Research is the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind.

B. Applied Research: Applied Research is the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

C. Development: Development is the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

★110604. Measurement. The following reporting requirements are applicable to DoD R&D programs.

A. The financial investment amounts reported shall be measured on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities. Amounts shall be reported in nominal dollars.

B. The R&D amounts are also recognized and reported as expenses in arriving at the net cost of operations.

C. By not later than FY 2000, the DoD Components shall provide information on the outcomes for the R&D programs for which investments are reported. If outcome data are not available, the outputs that best provide indications of the intended program outcomes shall be used until outcome data are available. Definitions and characteristics of outputs and outcomes follow.

1. Output. When appropriate, significant and substantial scientific outputs shall be presented as a tabulation, calculation, or recording of activity or effort that can be expressed in an aggregated and brief quantitative or qualitative manner. Outputs shall have two key characteristics: (1) an output shall be systematically or periodically captured through an accounting or management information system, and (2) there shall be a logical

connection between the reported measure and the R&D program's purpose. In research and development programs, this could consist of data for the year concerning the number of new projects initiated, the number continued from the prior year, the number completed and the number terminated. It also could consist of such quantitative measures as bibliometrics (for example, publication counts, citation counts and analysis, and peer evaluation); patent counts and analysis; science indicators that assess the ongoing vitality of the research.

2. Outcome. When appropriate, outcomes shall be presented in a aggregated and brief manner as an assessment of the results of a program compared to its intended purpose. Because of the difficulty of measuring the results of research and development programs in financial, economic, or quantitative terms, outcome data for such programs shall consist of a narrative discussion of the major results achieved by the program during the year, such as:

a. Basic Research. An identification of any major new discoveries that were made during the year.

b. Applied Research. An identification of any major new applications that were developed during the year.

c. Development. The progress of major developmental projects including the results of projects completed or otherwise terminated during the year and the status of projects that will continue.

3. Outcome information should be concisely written in a plausible manner for judging the extent to which the program is achieving its purpose.

★110605. Reporting Requirements.

★A. The DoD Component shall report the R&D made in the year ended this reporting period, as well as the investments in the 4 years preceding that year. In those unusual instances when there is no historical data, only the current reporting year data shall be reported. Reporting shall be at the category levels indicated in Figure 11-6. At a minimum, DoD components should report the FY 1998 amounts reported last in addition to the FY 1999 amounts. Reporting shall be at the category levels indicated in Figure 11-6.

★B. Existing DoD financial systems do not readily support reporting R&D on the same basis of accounting as used for financial statements, which include accrual adjustments, general and administrative overhead, and costs of facilities. Until financial systems support the foregoing approach, R&D costs disclosed in this report shall be derived from R&D outlays reflected in budget execution 1002 reports, "Appropriation Status by Fiscal Year Program and Subaccounts." Only unreimbursed costs that are direct to the reporting Component shall be reported. The 1002 report categories are provided below.

1. Basic Research. In the DoD budget, Basic Research is categorized as Budget Activity 1. Basic Research is defined as systematic study directed toward greater

knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind.

a. Explanation. Basic Research includes all efforts of scientific study and experimentation directed toward increasing fundamental knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long-term national security needs. It provides farsighted, high payoff research that provides the basis for technological progress. It forms a part of the base for: (a) subsequent applied research and advanced technology developments in Defense-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support.

2. Applied Research. In the DoD budget, Applied Research is categorized as Budget Activity 2. Applied Research is defined as systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met. It is a systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

a. Explanation. Applied Research translates promising Basic Research into solutions for broadly defined military needs, short of development projects. This type of effort may vary from systematic mission-directed research beyond that in basic research to sophisticated bread-board hardware, study, programming and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and nonsystem specific technology efforts. The dominant characteristic of this category of effort is that it be pointed toward specific military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters.

3. Development. Development is a systematic use of the knowledge or understanding gained from research, directed toward the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. Investments in Development shall be subdivided into a five-line presentation. The five lines correlate to the following budget activity categories: Budget Activity 3, Advanced Technology Development; Budget Activity 4, Demonstration and Validation; Budget Activity 5, Engineering and Manufacturing Development; Budget Activity 6, Research, Development, Test and Evaluation Management Support; and, Budget Activity 7, Operational System Development.

a. Advanced Technology Development. Includes all efforts that have moved into the development and integration of hardware for field experiments and tests. The results of this type of effort are proof of technological feasibility and assessment of operability and producibility rather than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs. Advanced Technology Development is used to demonstrate the general military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. Advanced

Technology Development also includes evaluation and synthetic environment and proof-of-principle demonstrations in field exercises to evaluate system upgrades or provide new operational capabilities. Projects in this category do not necessarily lead to subsequent development or procurement phases.

b. Demonstration and Validation. The demonstration and validation (Dem/Val) phase includes all efforts necessary to evaluate integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology. The Dem/Val phase is system specific and also includes advanced technology demonstrations that help expedite technology transition from the laboratory to operational use.

c. Engineering and Manufacturing Development. Includes those projects in engineering and manufacturing development for Service use but which have not received approval for full-production.

d. Research, Development, Test and Evaluation Management Support. Includes R&D effort directed toward support of installations or operations required for general research and development use. Included would be test ranges, military construction, maintenance support of laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the research and development program.

e. Operational System Development. Includes those development projects in support of development acquisition programs or upgrades still in engineering and manufacturing development, but which have received Defense Acquisition Board or other approval for production, or production funds have been included in the DoD budget submission for the budget or subsequent fiscal year.

C. A narrative description of the major research and development programs, those considered significant and substantial, shall be included in the notes. The narrative will address significant and substantial scientific elements or projects that compose the major programs contained in the report.

★110606. Investment in R & D Report. The R&D information described above shall be disclosed in the report format (Figure 11-6) provided below.

A. The report provides information in columnar form. The columns in the report shall provide the following information:

1. Column (a). The report for disclosing R&D, provided below (Figure 11-6), identifies categories and subcategories. Information shall be provided for the categories illustrated in Figure 11-6. When appropriate, additional meaningful category or program information may be provided in the narrative statement.

2. Columns (b), (c), (d), (e), and (f). Report the investments for the reporting year (FY CY) in Column (f). Report the investments for the appropriate prior fiscal years in Columns (b), (c), (d), and (e). Column (e) is the year immediately prior to the reporting

year and is labeled “FY CY-1.” Column (d) is two years prior to the reporting year and is labeled “FY CY-2.” This logic continues through Columns (c) and (b), “FY CY-3” and “FY CY-4.”

3. Reported R&D are not cumulative, are reported in millions of dollars, and represent only investments incurred for the year shown in the appropriate Columns (b), (c), (d), (e), and (f).

4. A narrative statement shall be included in the report and shall contain a description of significant and substantial scientific accomplishments or program discontinuance for each category identified in Figure 11-6. These disclosures shall be developed so as to satisfy the outputs and outcomes requirements discussed above.

INVESTMENTS IN RESEARCH AND DEVELOPMENT Yearly Investment in Research and Development For Fiscal Years (Preceding 4th Fiscal Year) through FY 19CY (In Millions of Dollars)					
(a) <u>Categories</u>	(b) <u>FY CY-4</u>	(c) <u>FY CY-3</u>	(d) <u>FY CY-2</u>	(e) <u>FY CY-1</u>	(f) <u>FY CY</u>
1. Basic Research					
2. Applied Research					
3. Development					
Advanced Technology Development					
Demonstration and Validation					
Engineering and Manufacturing Development					
Research, Development, Test and Evaluation					
Management Support					
Operational Systems Development					
Total					
<u>Narrative Statement:</u>					

★Figure 11-6

CHAPTER 12

REQUIRED SUPPLEMENTARY INFORMATION1201 DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES

120101. Disaggregated Statements of Budgetary Resources must be prepared and reported in the Required Supplementary Information section of the financial statements as described below. The format of the disaggregated Statement of Budgetary Resources will follow the format in Section 0701 of this Volume. The Office of Management and Budget does not require consolidated and consolidating statements of budgetary resources. Therefore, the Department of Defense (DoD) has elected to prepare for fiscal year (FY) 1999 a combined Principal Statement of Budgetary Resources and a combining Disaggregated Statement of Budgetary Resources. The statements will be appropriately titled combined or combining.

A. DoD Agency-Wide Disaggregated Statement of Budget Resources. The DoD Agency-wide Statement of Budgetary Resources will be disaggregated into nine appropriation/fund account groupings. Provide column headings and breakout by: (1) Military Personnel; (2) Operations and Maintenance; (3) Procurement; (4) Research, Development, Test, and Evaluation (RDT&E); (5) Military Construction/Family Housing; (6) Military Retirement Trust Fund; (7) Other General Fund Accounts; (8) Civil Works; and (9) Working Capital Fund (WCF) (see Table 12-1).

B. Military Department General Funds (GF) Disaggregated Statement of Budgetary Resources. The Department of the Army General Funds (GF), Department of the Navy GF, and the Department of the Air Force GF will be disaggregated into six appropriation/fund groupings. Provide column headings and breakout by: Military Personnel, Operations and Maintenance, Procurement, RDT&E, Military Construction/Family Housing, and Other GF Accounts (see Table 12-1).

C. Military Retirement Trust Fund and US Army Corps of Engineers (USACE) Disaggregated Statement of Budgetary Resources. A disaggregated Statement of Budgetary Resources for the Military Retirement Trust Fund is not applicable; and the US Army Corps of Engineers (USACE) Civil Works may disaggregate as appropriate the Treasury Index 96 accounts in the stand-alone USACE financial statements.

D. WCF Disaggregated Statement of Budgetary Resources. The stand-alone Army WCF, Navy WCF, and Air Force WCF will be disaggregated by business activity (see Table 12-2).

E. Narrative Information. Include the following language as the first disclosure under narrative information. "The Department has identified the Government Performance and Results Act (GPRA) performance measures based on missions and outputs. However, the Department is unable to accumulate costs for major programs based on those performance measures, because its financial processes and systems were not designed to collect and report

this type of cost information. Until the process and systems are upgraded, the Department will break out programs by its nine major appropriation groupings.”

★120102. Appropriation Groupings for the Disaggregated Statement of Budgetary Resources. The following Table 12-1 identifies the appropriation and fund accounts to be included in the disaggregated groupings for the DoD Agency-wide and stand-alone Army GF, Navy GF, and Air Force GF, Statements of Budgetary Resources.

★Table 12-1 Appropriation Groupings for the Disaggregated Statement of Budgetary Resources

APPROPRIATIONS GROUPINGS FOR THE DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES (SBR)	INCLUDE ALL LISTED ACCOUNTS IN THE DOD AGENCY-WIDE AND INCLUDE IN THE ENTITY REPORT IDENTIFIED	APPROPRIATION ACCOUNTS
Military Personnel		
	Army General Fund (GF)	21 2010, Military Personnel, Army*
	Army GF	21 2060, National Guard Personnel, Army*
	Army GF	21 2070, Reserve Personnel, Army*
	Dept. of the Navy GF	17 1105, Military Personnel, Marine Corps*
	Dept. of the Navy GF	17 1108, Reserve Personnel, Marine Corps*
	Dept. of the Navy GF	17 1405, Reserve Personnel, Navy*
	Dept. of the Navy GF	17 1453, Military Personnel, Navy*
	Air Force GF	57 3500, Military Personnel, Air Force*
	Air Force GF	57 3700, Reserve Personnel, Air Force*
	Air Force GF	57 3850, National Guard Personnel, Air Force*
	All Reporting Entities	Include all supplemental appropriations for this category
Operation and Maintenance		
	Army GF	21^2020, Operation and Maintenance, Army
	Army GF	21 2065, Operation and Maintenance, Army National Guard*
	Army GF	21 2080, Operation and Maintenance, Army Reserve*
	Army GF	21*7025, Operation and Maintenance, Family Housing, Army
	Dept. of the Navy GF	17 1106, Operation and Maintenance Marine Corps*
	Dept. of the Navy GF	17 1107, Operation and Maintenance, Marine Corps Reserve*
	Dept. of the Navy GF	17 1804, Operation and Maintenance, Navy*
	Dept. of the Navy GF	17 1806, Operation and Maintenance, Navy Reserve*
	Dept. of the Navy GF	17*0703C, Operation and Maintenance, Family Housing, Navy and Marine Corps
	Air Force GF	57 3400, Operation and Maintenance, Air Force*

Table 12-1

APPROPRIATIONS GROUPINGS FOR THE DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES (SBR)	INCLUDE ALL LISTED ACCOUNTS IN THE DOD AGENCY-WIDE AND INCLUDE IN THE ENTITY REPORT IDENTIFIED	APPROPRIATION ACCOUNTS
	Air Force GF	57 3740, Operation and Maintenance, Air Force Reserve*
	Air Force GF	57 3840, Operation and Maintenance, Air National Guard*
	Air Force GF	57*7045, Operation and Maintenance, Family Housing, Air Force
	Other Defense Agency GF	97^0100, Operation and Maintenance, Defense-wide
	Other Defense Agency GF	97*0107, Operation and Maintenance, Office of the Inspector General, Defense
	Other Defense Agency GF	97*0130, Defense Health Program, Defense
	All Reporting Entities	Include all supplemental appropriations for this category
Procurement		
	Army GF	21 2031, Aircraft Procurement, Army*
	Army GF	21 2032, Missile Procurement, Army*
	Army GF	21 2033, Procurement of Weapons and Tracked Combat Vehicles, Army*
	Army GF	21 2034, Procurement of Ammunition, Army*
	Army GF	21 2035, Other Procurement, Army*
	Dept. of the Navy GF	17 1109, Procurement, Marine Corps*
	Dept. of the Navy GF	17 1506, Aircraft Procurement, Navy*
	Dept. of the Navy GF	17 1507, Weapons Procurement, Navy*
	Dept. of the Navy GF	17 1508, Procurement of Ammunition, Navy and Marine Corps*
	Dept. of the Navy GF	17^1611, Shipbuilding and Conversion, Navy
	Dept. of the Navy GF	17 1810, Other Procurement, Navy*
	Air Force GF	57 3010, Aircraft Procurement, Air Force*
	Air Force GF	57 3011, Procurement of Ammunition, Air Force*
	Air Force GF	57 3020, Missile Procurement, Air Force*
	Air Force GF	57 3080, Other Procurement, Air Force*
	Other Defense Agency GF	97 0300, Procurement, Defense-wide*

Table 12-1 (Cont.)

APPROPRIATIONS GROUPINGS FOR THE DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES (SBR)	INCLUDE ALL LISTED ACCOUNTS IN THE DOD AGENCY-WIDE AND INCLUDE IN THE ENTITY REPORT IDENTIFIED	APPROPRIATION ACCOUNTS
	Other Defense Agency GF	97 0350, National Guard and Reserve Equipment, Defense*
	All Reporting Entities	Include all supplemental appropriations for this category
Research, Development, Test & Evaluation:		
	Army GF	21 2040, RDT&E, Army*
	Dept. of the Navy GF	17^1319, RDT&E, Navy
	Air Force GF	57 3600, RDT&E, Air Force*
	Other Defense Agency GF	97^0400, RDT&E, Defense-wide
	Other Defense Agency GF	97 0450, DT&E, Defense-wide*
	Other Defense Agency GF	97 0460, Operational, Test, and Evaluation
	All Reporting Entities	Include all supplemental appropriations for this category
Military Construction/Family Housing:		
	Army GF	21 2050, Military Construction, Army*
	Army GF	21 2085, Military Construction, Army National Guard*
	Army GF	21 2086, Military Construction, Army Reserve*
	Army GF	21^7020, Family Housing, Army
	Dept. of the Navy GF	17 1205, Military Construction, Navy*
	Dept. of the Navy GF	17 1235, Military Construction, Naval Reserve*
	Dept. of the Navy GF	17^0703A and 0703D, Family Housing, Navy and Marine Corps
	Air Force GF	57^3300, Military Construction, Air Force
	Air Force GF	57 3730, Military Construction, Air Force Reserve*
	Air Force GF	57 3830, Military Construction, Air National Guard*
	Air Force GF	57^7046, Family Housing, Air Force
	Other Defense Agency GF	97 0500, Military Construction, Defense-wide*
	Other Defense Agency GF	97^0706, Family Housing, Defense-wide
		Include all supplemental appropriations for this category

Table 12-1 (Cont.)

APPROPRIATIONS GROUPINGS FOR THE DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES (SBR)	INCLUDE ALL LISTED ACCOUNTS IN THE DOD AGENCY-WIDE AND INCLUDE IN THE ENTITY REPORT IDENTIFIED	APPROPRIATION ACCOUNTS
Military Retirement Trust Fund	No disaggregated SBR is applicable for the stand-alone Military Retirement Trust Fund	97X8097, Military Retirement Trust Fund
Other General Fund Accounts:		
	Dept. of the Army GF	All other Treasury Index 21 accounts
	Dept. of the Navy GF	All other Treasury Index 17 accounts
	Air Force GF	All other Treasury Index 57 accounts
	Other Defense Agency GF	All other Treasury Index 97 accounts
Civil Works		
	USACE Civil Works	All Treasury Index 96 accounts
	USACE Civil Works	Executive agency for Treasury index 20X8861, Inland Waterways Trust Fund and 20X8863, Harbor Maintenance Trust Fund
	USACE Civil Works	Include all supplemental appropriations for this category
Working Capital Funds (see Table 12-2 for Disaggregation of WCFs in Stand alone reports)		
	Army WCF	97X4930.01, Army WCF
	Dept. of the Navy WCF	97X4930.02, Navy WCF
	Air Force WCF	97X4930.03, Air Force WCF
	Other WCFs	97X4930 All other .04, and .05 WCFs
Narrative Information:		
<p>1. “The Department has identified the GPRA performance measures based on missions and outputs. However, the Department is unable to accumulate costs for major programs based on those performance measures, because it’s financial processes and systems were not designed to collect and report this type of cost information. Until the process and systems are upgraded, the Department will break out programs by its nine major appropriation groupings.”</p>		

Table 12-1 (cont.)

The asterisk () in the third position of the appropriation symbol identifies that the account includes all current and expired years for this FY appropriation.

*The asterisk at the end of an account name identifies for fiscal year.

^The caret (^) in the third position of the appropriation symbol identifies that the account includes all current and expired years for FY appropriation and also includes No Year accounts for this appropriation.

120103. Business Activity Groupings for the Stand-Alone WCF Disaggregated Statement of Budgetary Resources. The following Table 12-2 identifies the activity groups to be included in the disaggregated groupings for the stand-alone Army WCF, Navy WCF, and Air Force WCF, Disaggregated Statements of Budgetary Resources.

WCF STAND-ALONE REPORTING ENTITY	SBR COLUMN HEADING FOR WCF STAND-ALONE REPORTS
Army WCF	
	Depot Maintenance, Ordnance
	Depot Maintenance, Other
	Supply Management
	Information Services
Dept. of the Navy WCF	
	Depot Maintenance, Other
	Transportation
	Base Support
	Information Services
	Supply Management
	Research and Development
	Depot Maintenance, Aviation
	Depot Maintenance, Shipyards
Air Force WCF	
	Depot Maintenance
	Transportation
	Base Support
	Supply Management
	Information Services
Narrative Information: 1. “The Department has identified the GPRA performance measures based on missions and outputs. However, the Department is unable to accumulate costs for major programs based on those performance measures, because it’s financial processes and systems were not designed to collect and report this type of cost information. Until the process and systems are upgraded, the Department will break out programs by its nine major appropriation groupings.”	

Table 12-2

★1202 DEFERRED MAINTENANCE REQUIRED SUPPLEMENTARY INFORMATION. The DoD is required to disclose in annual financial statements material amounts of deferred maintenance on property, plant, and equipment (PP&E). This reporting requirement is prescribed in the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, “Accounting for Property, Plant, and Equipment” and the Statement of Recommended Accounting Standards (SRAS) No. 14, “Amendments to Deferred Maintenance Reporting.”

★120201. Policy. Implementation Strategy A.6., “PP&E Deferred Maintenance,” requires the Department to report:

A. Deferred maintenance amounts reported by the DoD Components in the budget process for General PP&E Real Property, and

B. Depot-level deferred maintenance amounts reported by the DoD Components in the budget process for National Defense PP&E.

★120202. General Disclosure Requirements.

A. The Department has material amounts of deferred maintenance for General PP&E Real Property and National Defense PP&E at the depot level. The Department’s amount of deferred maintenance for the General PP&E Personal Property, Heritage Assets, or Stewardship Lands are not material. Therefore, the DoD Components, as applicable, shall prepare two tables:

1. General PP&E Real Property Deferred Maintenance Table, and
2. National Defense PP&E Deferred Maintenance Table.

★120203. Narrative Statement. The narrative statement must disclose and describe the method used to determine the estimated amounts of deferred maintenance and information on asset condition. In addition, the component must disclose that it has no material amounts of deferred maintenance for General PP&E Personal Property, Heritage Assets, or Stewardship Lands.

★120204. General PP&E, Real Property Deferred Maintenance Table.A. Format.

<u>General Property, Plant, and Equipment</u> <u>Real Property Deferred Maintenance Amounts</u> As of September 30, 19CY (\$ in Thousands)	
(a) <u>Property Type/Major Class</u>	(b)
1. Real Property	
A. Buildings	\$ 4,444
B. Structures	3,333
C. Land	1,111
2. Total	<u>\$ 8,888</u>
<u>Narrative Statement:</u>	

Figure 12-1

B. Instructions.

★ 1. General PP&E Real Property Deferred Maintenance. The DoD Components shall report in the table (Figure 12-1) material amounts of deferred maintenance on General PP&E Real Property assets.

a. If a DoD Component does not have any material deferred maintenance amounts for real property, the table may be replaced by a brief statement indicating that the DoD Component does not have any material deferred maintenance on its PP&E assets.

★ b. Real Property assets will be reported by the three major classes shown (Buildings, Structures, and Land).

2. Multi-Use Heritage Assets Deferred Maintenance. If deferred maintenance amounts for multi-use heritage assets are included in the buildings and structures major classes, a comment in the narrative statement shall disclose this fact.

3. Real Property Deferred Maintenance. The real property deferred maintenance amounts disclosed in the table shall be consistent with the amounts reflected in:

a. Budget Exhibit OP-27, Backlog of Maintenance and Repair. Reduce the budget exhibit amounts by the cost of demolition that is included in those amounts;

b. Any other budget exhibits in which real property deferred maintenance is reported, regardless of appropriation or funding by a WCF.

4. Budget Authority. Guidance for the preparation of these budget exhibits is contained in Volume 2 of this Regulation. Although the updated budget exhibits are not due to the Office of the Under Secretary of Defense (Comptroller) until January, the DoD Components must ensure that the same amounts reported in the updated budget exhibits also are reported in the General PP&E Deferred Maintenance Table. According to the schedule contained in Chapter 2 of this Volume, the financial statements must be prepared and submitted to the DoD Chief Financial Officer by November 15, 1999. Therefore, it is imperative that the DoD Components move up their schedules for preparation of the updated budget exhibits to ensure that the deferred maintenance amounts are available for this reporting requirement.

★5. Condition Assessment Survey Method. A narrative statement shall be included with the table to explain the method used to value the deferred maintenance amounts, any changes to the method that may have taken place, and a description of requirements or standards for acceptable operating condition. In addition, the narrative statement will disclose the original date of the maintenance forecast and an explanation for any changes to the forecast, prior year balance of the cumulative deferred maintenance amounts, dollar amount of maintenance that was defined by the professionals who designed, built or managed the PP&E as required maintenance for the reporting period, dollar amount of maintenance actually performed during the period, difference between the required amount and the performed amount, adjustments to the scheduled amounts deemed necessary by the managers of the PP&E and the ending cumulative balance for the reporting period for each major class of asset experiencing deferred maintenance.

★6. Real Property Condition Information. Information on the condition of the real property shall be included. Condition information may be presented using: (1) averages of standardized condition rating codes, (2) percentage of assets above, at or below acceptable condition, (3) narrative information, or (4) any other method management believes useful. Figure 12-1 may be modified to display this information.

★120206. National Defense PP&E Deferred Maintenance Table.A. Format.

<u>National Defense Property, Plant, and Equipment Deferred Maintenance Amounts</u>	
As of September 30, 19CY (\$ in Thousands)	
(a)	(b)
<u>Major Type</u>	
1. Aircraft	\$2,222
2. Ships	3,333
3. Missiles	1,111
4. Combat Vehicles	2,222
5. Other Weapons Systems	1,111
6. Total	<u>\$ 9,999</u>
<u>Narrative Statement:</u>	

Figure 12-2

B. Instructions. The Military Departments shall report in a table (Figure 12-2) material amounts of deferred maintenance on National Defense PP&E assets.

1. National Defense PP&E Deferred Maintenance. Implementation Strategy A.6. requires that the deferred maintenance amounts reported in the updated (January time frame) Budget Exhibit OP-30 that accompanies the President's Budget be used to report amounts in the National Defense PP&E Deferred Maintenance Table (Figure 2).

a. Guidance for the preparation of the OP-30 Exhibit is contained in Volume 2 of this Regulation. Although the updated Budget Exhibit OP-30 is not due to the OUSD(C) until January, the Military Departments must ensure that the same amounts reported in the updated OP-30 also are reported for deferred maintenance in National Defense PP&E Deferred Maintenance Table. According to the schedule contained in Chapter 2 of this Volume, the financial statements must be prepared and submitted to the DoD Components by November 19, 1999. Therefore, it is imperative that the Military Departments move up their schedules for preparation of the updated Budget Exhibit OP-30 to ensure those amounts are available for this reporting requirement.

b. The prior fiscal year dollar amounts contained in the “Total Unfunded Requirement” column of the Budget Exhibit OP-30, titled “Summary of Unfunded Deferred Requirements,” shall be used.

★ c. The amounts reflected in the Budget Exhibit OP-30 are reported by lower level categories (i.e., for Aircraft: Airframe Maintenance, Engine Maintenance, Software Maintenance, and Other Maintenance) than the categories reflected in the National Defense PP&E Deferred Maintenance Table. Therefore, such amounts shall be rolled up to reflect the major asset type categories in Figure 12-2.

d. The Military Departments shall consolidate the amounts disclosed in their National Defense PP&E Deferred Maintenance Table to include the amounts reported in the Budget Exhibits OP-30 for their Reserve and Guard Components.

2. Narrative Statement. A narrative statement shall be included with the table to explain the method used to value the deferred maintenance amounts, any changes to the method that may have taken place, and a description of requirements or standards for acceptable operating condition.

3. National Defense PP&E Condition Information. Information on the condition of the National Defense PP&E shall be included. Condition information may be presented using: (1) averages of standardized condition rating codes; (2) percentage of assets above, at or below acceptable condition; (3) narrative information; or (4) any other method management believes useful. Figure 2 may be modified to display this information.

1203 SEGMENT INFORMATION

120301. Reporting entities are required to provide specific information for each franchise fund or other intragovernmental support revolving fund that is not separately reported on the entity’s principal statements.

120302. Within DoD segment information is to be provided for each of the WCF organizations that are not required to report as individual entities. Segment information is required for: (1) the Defense Information Systems Agency, (2) the Defense Commissary Agency, Defense Logistics Agency, Defense Finance and Accounting Service, and (3) the Joint Logistics Systems Command. In addition, segment information must also be provided for other significant revolving funds operated with the Department’s appropriated funds.

120303. Required Information.

A. Fund Description. A brief description of the services provided by the fund and the identity of the funds major customers (major customers are organizations that account for more than 15 percent of the fund’s revenues).

B. Assets and Liabilities. Condensed information about assets, liabilities, and net position showing, as of the reporting date: (1) fund balance, (2) accounts receivable,

(3) PP&E, (4) other assets, (5) liabilities due and payable for goods and services received, (6) deferred revenues, (7) other liabilities, and (8) cumulative results of operations.

C. Revenue and Expenses. A summary, for the reporting period, by product or line of business of: (1) the full cost of goods and services provided, (2) the related exchange revenues, and (3) the excess of costs over exchange revenues.

D. Reporting Format. The required format for providing the required segment information is contained in Figure 12-1, below.

★E. Segment Information Format.

Department of Defense [Revolving Fund] SEGMENT INFORMATION For the period ending September 30, 1999 (\$ in thousands)	
PART A. [Description]	
PART B.	
	FY <u>1999</u>
1. Fund Balance	\$1,111
2. Accounts Receivable	2,222
3. Property Plant and Equipment	8,888
4. Other Assets	3,333
5. Liabilities Due And Payable for Goods and Services Received	1,111
6. Deferred Revenue	2,222
Other liabilities	3,333
8. Cumulative Results of Operations	\$8,888
PART C.	
1. The Full Cost of Goods and Services Provided	\$9,999
2. The Related Exchange Revenue	<u>7,777</u>
3. The Excess of Costs Over Exchange Revenue	<u>\$2,222</u>

Figure 12-3

★1204 INTRAGOVERNMENTAL TRANSACTIONS FROM THE CONSOLIDATING TRIAL BALANCE

120401. Information on intragovernmental balances must be provided in the Required Supplemental Stewardship Information (RSSI) section of the financial statements. The following schedules will be included in all DoD annual financial statement reports.

A. Intragovernmental balances. Report, as required supplemental information, intragovernmental balances for assets and liabilities. Certain reporting entities shall also report intragovernmental revenues and the full cost of generating intragovernmental revenues. Except for the full cost of generating intragovernmental revenues, partner agencies shall be presented for each intragovernmental balance presented. The schedules of intragovernmental balances may be prepared for the consolidated agency-wide financial statements only and all balances should be net of intraentity transactions.

B. FY 1999 Reporting. For fiscal year 1999 financial statements, reporting entities are encouraged to reconcile asset and liability balances reported in these schedules with related balances at the listed partner agency. Balances reported in the “Other” categories of the schedules may be excluded from reconciliation.

C. FY 2000 Reporting. For fiscal year 2000, reporting entities shall reconcile intra-governmental balances with their partner agencies at least quarterly, starting with the quarter ending March 31, 2000. The Department of the Treasury, Financial Management Service, will provide guidance for reconciling intragovernmental transactions in its Intragovernmental Accounting Guide.

120402. Intragovernmental assets. Intragovernmental assets reported in this schedule should agree with the intra-governmental asset line items and totals on the reporting entity’s consolidated agency-wide balance sheet. For purposes of this presentation, reporting entities may aggregate partner agencies whose individual totals for a particular asset category collectively comprise less than 20 percent of the total asset category. For example, assume a reporting agency has the following intragovernmental assets: Fund Balance with Treasury-\$200; Accounts Receivable-\$100 (Treasury-\$82, Agency A-\$9, Agency B-\$9); Investments-\$100 (Treasury-\$9, Agency A-\$50, Agency B-\$41); and Other-\$15 (Treasury-\$5, Agency A-\$5, Agency B-\$5). In this case, the reporting entity’s intragovernmental assets schedule may be presented as follows (this example is for illustrative purposes only):

★Sample Required Supplementary Information (RSI) Intragovernmental balances proposed for Chapter 12 of Volume 6B, Form and Content of the Department of Defense (DoD) Audited Financial Statements, of the DoD Financial Management Regulation.

DoD Agency-wide Intragovernmental Asset Balances (In Thousands):

(1 indicates lines that will not be included in the DoD Agency-wide RSI Intragovernmental schedules)

(Grayed cells indicate that no value should be entered.)

Schedule, Part A DoD Intragovernmental Asset Balances Which Reflect Entity Amount with Other Federal Agencies	Treasury Index:	Fund Balance with Treasury:	Accounts Receivable:	Investments	Other:
Library of Congress	03				
Government Printing Office	04				
General Printing Office	05				
Congressional Budget Office	08				
Other Legislative Branch Agencies	09				
The Judiciary	10				
Executive Office of the President, Defense Security Assistance Agency	11		\$297,787		
Department of Agriculture	12		31,096		
Department of Commerce	13		4,372		
Department of the Interior	14		13,507		
Department of Justice	15		65,004		
Department of the Navy, General Funds (GF) ¹	17				
Department of Labor	16		4,128		
United States Postal Service	18				
Department of State	19		9,146		
Department of the Treasury	20	\$ 167,325,892	46,716	\$153,121,002	
Department of the Army, GF ¹	21				
Resolution Trust Corporation	22				
United States Tax Court	23				
Office of Personnel Management	24		119		
National Credit Union Administration	25				
Federal Retirement Thrift Investment Board	26				
Federal Communications Commission	27				
Social Security Administration	28		1,475		

Table 12-3

Schedule, Part A DoD Intragovernmental Asset Balances Which Reflect Entity Amount with Other Federal Agencies	Treasury Index:	Fund Balance with Treasury:	Accounts Receivable:	Investments	Other:
Federal Trade Commission	29				
Nuclear Regulatory Commission	31		514		
Smithsonian Institution	33				
International Trade Commission	34				
Department of Veterans Affairs	36		3,854		
Merit Systems Protection Board	41				
Pennsylvania Avenue Development Corporation	42				
U.S. Equal Employment Opportunity Commission	45				
Appalachian Regional Commission	46				
General Service Administration	47		128,589		
Independent Agencies	48				
National Science Foundation	49		251		
Securities and Exchange Commission	50				
Federal Deposit Insurance Group	51				
Federal Labor Relations Authority	54				
Advisory Commission on Intergovernmental Relations	55				
Central Intelligence Agency	56				
Department of the Air Force, GF ¹	57				
Federal Emergency Management Agency	58		16,714		
National Foundation on the Arts and Humanities	59				
Railroad Retirement Board	60				
Consumer Product Safety Commission	61				
Office of Special Counsel	62				
National Labor Relations Board	63				
Tennessee Valley Authority	64				
Federal Maritime Commission	65				
United States Information Agency	67				
Environmental Protection Agency	68		41,881		
Department of Transportation	69		155,677		
Overseas Private Investment Corporation	71				
Agency for International Development	72		676		

Table 12-3 (Cont.)

Schedule, Part A DoD Intragovernmental Asset Balances Which Reflect Entity Amount with Other Federal Agencies	Treasury Index:	Fund Balance with Treasury:	Accounts Receivable:	Investments	Other:
Small Business Administration	73		3,176		
American Battle Monuments Commission	74				
Department of Health and Human Services	75		15,504		
Independent Agencies	76				
Farm Credit	78				
National Aeronautics and Space Administration	80		68,666		
Export-Import Bank of the United States	83				
Armed Forces Retirement Home	84				
Department of Housing and Urban Development	86		1,583		
National Archives and Records Administration	88				
Department of Energy	89		6,972		
Selective Service System	90				
Department of Education	91		1,848		
Federal Mediation and Conciliation Services	93				
Arms Control and Disarmament Agency	94				
Independent Agencies	95				
U.S. Army Corps of Engineers (Civil Works) ¹	96				
Military Retirement Trust Fund ¹	97-8097				
Department of the Army WCF ¹	97-4930.001				
Department of the Navy WCF ¹	97-4930.002				
Department of the Air Force WCF ¹	97-4930.003				
Other Defense Organizations GF ¹	97				
Other Defense Organizations WCF ¹	97-4930				
Unidentifiable Federal Agency Entity	00		2,513,168		
Total of Seller Activity Disaggregated by Customer			\$3,456,443		
Totals:		\$ 167,325,892	\$ 3,456,443	\$ 153,121,002	

Table 12-3 (Cont.)

★120403 Intragovernmental liabilities: Intragovernmental liabilities reported in this schedule should agree with the intragovernmental liability line items and totals on the reporting entity's consolidated agency-wide balance sheet. For purposes of this presentation, reporting entities may aggregate partner agencies whose individual totals for a particular liability category collectively comprise less than 20 percent of the total liability category.

Sample RSI Intragovernmental balances.

DoD Agency-wide Intragovernmental Liability Balances (In Thousands):

(1 indicates lines that will not be included in the DoD Agency-wide RSI Intragovernmental schedules)

(Grayed cells indicate that no value should be entered.)

Schedule, Part B DoD Intragovernmental Entity Liabilities Which Reflect Entity Amounts with Other Federal Agencies:	Treasury Index:	Accounts Payable:	Debts/ Borrowings From Other Agencies:	Other:
Library of Congress	03			
Government Printing Office	04			
General Printing Office	05			
Congressional Budget Office	08			
Other Legislative Branch Agencies	09			
The Judiciary	10			
Executive Office of the President, Defense Security Assistance Agency	11	\$100,000		
Department of Agriculture	12			
Department of Commerce	13	200,000		
Department of the Interior	14	300,000		
Department of Justice	15			
Department of Labor	16	1,000,000		
Department of the Navy, General Funds (GF) ¹	17			
United States Postal Service	18			
Department of State	19	400,000		
Department of the Treasury	20	500,000		
Department of the Army, GF ¹	21			
Resolution Trust Corporation	22			
United States Tax Court	23			
Office of Personnel Management	24	600,000		
National Credit Union Administration	25			

Table 12-4

Schedule, Part B DoD Intragovernmental Entity Liabilities Which Reflect Entity Amounts with Other Federal Agencies:	Treasury Index:	Accounts Payable:	Debts/ Borrowings From Other Agencies:	Other:
Federal Retirement Thrift Investment Board	26			
Federal Communications Commission	27			
Social Security Administration	28	700,000		
Federal Trade Commission	29			
Nuclear Regulatory Commission	31	800,000		
Smithsonian Institution	33			
International Trade Commission	34			
Department of Veterans Affairs	36	900,000		
Merit Systems Protection Board	41			
Pennsylvania Avenue Development Corporation	42			
U.S. Equal Employment Opportunity Commission	45			
Appalachian Regional Commission	46			
General Service Administration	47	2,000,000		
Independent Agencies	48			
National Science Foundation	49			
Securities and Exchange Commission	50			
Federal Deposit Insurance Group	51			
Federal Labor Relations Authority	54			
Advisory Commission on Intergovernmental Relations	55			
Central Intelligence Agency	56			
Department of the Air Force, GF ¹	57			
Federal Emergency Management Agency	58			
National Foundation on the Arts and Humanities	59			
Railroad Retirement Board	60			
Consumer Product Safety Commission	61			
Office of Special Counsel	62			
National Labor Relations Board	63			
Tennessee Valley Authority	64			
Federal Maritime Commission	65			
United States Information Agency	67			
Environmental Protection Agency	68			
Department of Transportation	69	100,000		

Table 12-4 (Cont.)

Schedule, Part B DoD Intragovernmental Entity Liabilities Which Reflect Entity Amounts with Other Federal Agencies:	Treasury Index:	Accounts Payable:	Debts/ Borrowings From Other Agencies:	Other:
Oversees Private Investment Corporation	71			
Agency for International Development	72			
Small Business Administration	73			
American Battle Monuments Commission	74			
Department of Health and Human Services	75			
Independent Agencies	76			
Farm Credit	78			
National Aeronautics and Space Administration	80	1,500,000		
Export-Import Bank of the United States	83			
Armed Forces Retirement Home	84			
Department of Housing and Urban Development	86			
National Archives and Records Administration	88			
Department of Energy	89	600,000		
Selective Service System	90			
Department of Education	91			
Federal Mediation and Conciliation Services	93			
Arms Control and Disarmament Agency	94			
Independent Agencies	95		2,000,000 ¹	
U.S. Army Corps of Engineers (Civil Works) ¹	96			
Military Retirement Trust Fund ¹	97-8097			
Department of the Army WCF ¹	97-4930.001			
Department of the Navy WCF ¹	97-4930.002			
Department of the Air Force WCF ¹	97-4930.003			
Other Defense Organizations GF ¹	97			
Other Defense Organizations WCF ¹	97-4930			
Unidentifiable Federal Agency Entity	00	300,000		
Total		10,000,000	2,000,000	

Table 12-4 (Cont.)

¹ This \$2 billion debt amount is owed to the Federal Financing Bank.

★ 120404 Intragovernmental revenues and related costs: For fiscal year 1999, agencies with total intragovernmental revenues (net of intraentity activity) greater than \$2 billion shall report such intragovernmental revenues by trading partners. For fiscal year 2000, agencies with total intragovernmental revenues (net of intraentity activity) greater than \$500 million will be required to report such revenues. For purposes of this presentation, reporting entities may aggregate partner agencies whose individual totals for a particular revenue category collectively comprises less than 20 percent of the total revenue category. Agencies reporting intragovernmental revenues should also report the full cost of goods, services, and other transactions, which generated the intragovernmental revenues. For example, a providing/selling agency should report the full cost of providing products or services to an acquiring agency. A federal agency that acquires revenue from another federal agency should report the costs or expenses, which generated the revenue.

Sample RSI Intragovernmental balances.

DoD Agency-wide Intragovernmental Revenue and Related Cost Balances (In Thousands):
 (1 indicates lines that will not be included in the DoD Agency-wide RSI Intragovernmental schedules)
 (Grayed cells indicate that no value should be entered.)

Schedule, Part C DoD Intragovernmental Revenues and Related Costs with Other Federal Agencies	Treasury Index:	Earned Revenue:	Non-exchange Revenue:	Other:	Full Cost to Generate Revenue
Library of Congress	03				
Government Printing Office	04				
General Printing Office	05				
Congressional Budget Office	08				
Other Legislative Branch Agencies	09				
The Judiciary	10				
Executive Office of the President, Defense Security Assistance Agency	11	\$100,000			
Department of Agriculture	12				
Department of Commerce	13	200,000			
Department of the Interior	14	300,000			
Department of Justice	15				
Department of Labor	16	1,000,000			
Department of the Navy, General Funds (GF) ¹	17				
United States Postal Service	18				
Department of State	19	400,000			

Table 12-5

Schedule, Part C DoD Intragovernmental Revenues and Related Costs with Other Federal Agencies	Treasury Index:	Earned Revenue:	Non-exchange Revenue:	Other:	Full Cost to Generate Revenue
Department of the Treasury	20	500,000	2,000,000		
Department of the Army, GF ¹	21				
Resolution Trust Corporation	22				
United States Tax Court	23				
Office of Personnel Management	24	600,000			
National Credit Union Administration	25				
Federal Retirement Thrift Investment Board	26				
Federal Communications Commission	27				
Social Security Administration	28	700,000			
Federal Trade Commission	29				
Nuclear Regulatory Commission	31	800,000			
Smithsonian Institution	33				
International Trade Commission	34				
Department of Veterans Affairs	36	900,000			
Merit Systems Protection Board	41				
Pennsylvania Avenue Development Corporation	42				
U.S. Equal Employment Opportunity Commission	45				
Appalachian Regional Commission	46				
General Service Administration	47	2,000,000			
Independent Agencies	48				
National Science Foundation	49				
Securities and Exchange Commission	50				
Federal Deposit Insurance Group	51				
Federal Labor Relations Authority	54				
Advisory Commission on Intergovernmental Relations	55				
Central Intelligence Agency	56				
Department of the Air Force, GF ¹	57				
Federal Emergency Management Agency	58				
National Foundation on the Arts and Humanities	59				
Railroad Retirement Board	60				
Consumer Product Safety Commission	61				
Office of Special Counsel	62				

Table 12-5 (Cont.)

Schedule, Part C DoD Intragovernmental Revenues and Related Costs with Other Federal Agencies	Treasury Index:	Earned Revenue:	Non-exchange Revenue:	Other:	Full Cost to Generate Revenue
National Labor Relations Board	63				
Tennessee Valley Authority	64				
Federal Maritime Commission	65				
United States Information Agency	67				
Environmental Protection Agency	68				
Department of Transportation	69	200,000			
Overseas Private Investment Corporation	71				
Agency for International Development	72				
Small Business Administration	73				
American Battle Monuments Commission	74				
Department of Health and Human Services	75				
Independent Agencies	76				
Farm Credit	78				
National Aeronautics and Space Administration	80	2,000,000			
Export-Import Bank of the United States	83				
Armed Forces Retirement Home	84				
Department of Housing and Urban Development	86				
National Archives and Records Administration	88				
Department of Energy	89	200,000			
Selective Service System	90				
Department of Education	91				
Federal Mediation and Conciliation Services	93				
Arms Control and Disarmament Agency	94				
Independent Agencies	95				
U.S. Army Corps of Engineers (Civil Works) ¹	96				
Military Retirement Trust Fund ¹	97-8097				
Department of the Army WCF ¹	97-4930.001				
Department of the Navy WCF ¹	97-4930.002				
Department of the Air Force WCF ¹	97-4930.003				
Other Defense Organizations GF ¹	97				

Table 12-5 (Cont.)

Schedule, Part C DoD Intragovernmental Revenues and Related Costs with Other Federal Agencies	Treasury Index:	Earned Revenue:	Non-exchange Revenue:	Other:	Full Cost to Generate Revenue
Other Defense Organizations WCF ¹	97-4930				
Unidentifiable Federal Agency Entity	00	300,000			
Total:		12,000,000	2,000,000		\$ 14,000,000

Table 12-5 (Cont.)

CHAPTER 14

DISCLOSURE CHECKLIST1401 GENERAL

This disclosure checklist was prepared to assist preparers of federal financial statements by providing a list of disclosures required by the Statement of Federal Financial Accounting Standards (SFFAS). It is not a comprehensive or an authoritative list of required disclosures. The standards and the other provisions of this Volume provide that guidance. Furthermore, it does not address the portion of the standards that provide guidance for the recognition and measurement of information contained in the principal statements and related notes. The checklist begins by listing the SFFAS and their effective dates. It then presents each SFFAS in order, identifies the subtopic for which disclosure is required, cites the SFFAS paragraph number, refers to the section of this Volume that addresses the disclosure requirement, and describes the category in which the information is to be disclosed.

140101. The following provides an explanation of the information included in the columns of the crosswalk (all balances are preclosing balances, except where noted):

- Column (1) SFFAS, represents the SFFAS that addresses the disclosure identified in column (5),
- Column (2) Subject Area, identifies the title of a subject area within one of the SFFASs,
- Column (3) SFFAS Para. No., identifies the SFFASs paragraph number that addresses the disclosure contained in column (5),
- Column (4) DoD Financial Management Regulation (DoDFMR) Volume 6B Chapter, identifies the “DoDFMR” Volume 6B Chapter that address the disclosure identified in column (5),
- Column (5) Disclosure Requirement, identifies the specific disclosure requirements,
- Column (6) Fin. Stmt., an “X” or comment in this column indicates the disclosure is contained on one of the principal statements.
- Column (7) Footnote, an “X” or comment in this column indicates the disclosure is contained on one of the footnotes,
- Column (8) Required Supplementary Stewardship Information (RSSI), an “X” or comment in this column indicates the disclosure is contained on one of the RSSI section of the financial statements,
- Column (9) Required Supplementary Information (RSI) & Other Accompanying Information (OAI), an “X” or comment in this column indicates the disclosure is contained on one of the RSI section or in the OAI section of the financial statements.

★1402 DISCLOSURES REQUIRED BY SFFAS NO. 1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
1	Intragovernmental assets and liabilities	24	Chapter 4	Report intragovernmental assets and liabilities separately from governmental assets and liabilities.	X		X	
1	Entity and nonentity assets	26	Chapter 4	Report in the entity's financial statement both entity assets and nonentity assets under its custody or management.	X			
1	Fund balance with Treasury	38	Chapter 10, Section 1003, Note 2	Disclose any restrictions on future use of unobligated balances.		X		
1	Intragovernmental receivables	42	Chapter 4	Report intragovernmental receivables (amounts due from federal entities) separately from receivables from nonfederal entities.	X		X	
1	Receivables	43	Chapter 4	Distinguish between entity receivables and nonentity receivables.	X			
1	Receivables	52	Chapter 10, Section 1005, Note 4	Disclose the major categories of receivables by amount and type, the methodology used to estimate the allowance for uncollectible amounts, and the total allowance.		X		
1	Interest Receivable	55	Chapter 10, Section 1005, Note 4	Disclose accrued interest on uncollectible accounts receivable until it is officially waived by the entity or the related debt is written off.		X		
1	Interest Receivable	56	Chapter 4	Account for and report interest receivable from federal entities separately from interest receivable from the public.	X			

Table 14-1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
★ 1	Advances and Prepayments	61	Chapter 4, Section 040202.A.4.	Disclose in the notes advances and prepayments and the amount and nature of other major categories of "Other" assets. Material disclosures for this line should be provided in Note 5.		X		
★ 1	Investments	67	Chapter 4, Section 040202.A.2.	Investments in securities issued by the U.S. Treasury or other federal entities should be accounted for and reported separately from investments in securities issued by nonfederal entities.		X		
1	Investments in Treasury securities	72	Chapter 10, Section 1004, Note 3	Disclose the market value of investments in market-based and marketable Treasury securities.		X		
1	Accounts Payable	80	Chapter 4	Disclose accounts payable not covered by budgetary resources.	X			
1	Current liabilities	86	Chapter 4	Disclose the amount of current liabilities not covered by budgetary resources.		X		

Table 14-1 (Cont.)

★1403 DISCLOSURES REQUIRED BY SFFAS NO. 2

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
2	Guaranteed loans	23	Chapter 10, Section 1007, Note 6	Disclose the face value of guaranteed loans outstanding and the amount guaranteed.		X		
2	Loan modification	56	Chapter 10, Section 1007, Note 6	Disclose the nature of any modification of direct loans or loan guarantees, the discount rate used in calculating the modification expense, and the basis for recognizing a gain or loss related to the modification.		X		

Table 14-2

★1404 DISCLOSURES REQUIRED BY SFFAS NO. 3

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
3	Inventory	27	Chapter 10, Section 1009, Note 8	Report the value of inventory held in reserve for future sale as a component of the inventory and related property line item on the Balance Sheet with separate disclosure in footnotes.	X	X		
3	Inventory	28	Chapter 10, Section 1009, Note 8	Disclose the changes in criteria considered by management in identifying inventory held in reserve for future sale.		X		
3	Inventory	29	Chapter 10, Section 1009, Note 8	Report the category "excess, obsolete and unserviceable inventory" as a component of the inventory and related property line item on the Balance Sheet with separate disclosure in footnotes.	X	X		
★ 3	Inventory	31	Chapter 10, Section 1009, Note 8	Disclose the criteria for identifying excess, obsolete and unserviceable inventory.		X		
3	Inventory	35	Chapter 10, Section 1009, Note 8	Disclose the following: (1) General composition of inventory. (2) Basis for determining inventory values including the valuation method and any cost flow assumptions. (3) Changes from prior year's accounting methods, if any. (4) Balances for each of the following categories of inventory: (a) inventory held for current sale, (b) inventory held in reserve for future sale, (c) excess, obsolete and unserviceable inventory, and (d) inventory held for repair unless		X		

Table 14-3

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				otherwise presented on the financial statements. (5) Restrictions on the sale of material. (6) The decision criteria for identifying the category to which inventory is assigned. (7) Changes in the criteria for identifying the category to which inventory is assigned.				
★ 3	Operating Materials and Supplies (OMS)	45	Chapter 4 Chapter 10 Section 1009, Note 8 and Section 1022, Note 21	The value of Operating Materials and Supplies (OMS) held in reserve for future use that is included on the OMS line item on the face of the financial statement will be separately disclosed in Note 8.	X	X		
3	Operating Materials and Supplies	46	Chapter 10, Section 1009, Note 8	Disclose the criteria for identifying operating materials and supplies held in reserve for future use.		X		
3	Operating Materials and Supplies	47	Chapter 10, Section 1009, Note 8	Report the category "excess, obsolete and unserviceable operating materials and supplies" as a component of the inventory and related property line item on the Balance Sheet with separate disclosure in footnotes. Criteria for identifying "excess, obsolete and unserviceable operating materials and supplies" should also be disclosed.	X or	X		
3	Operating Materials and Supplies	50	Chapter 10, Section 1009, Note 8	Disclose the following: (1) General composition of operating materials and supplies. (2) Basis for determining operating materials and supplies values including		X		

Table 14-3 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				valuation method and any cost flow assumptions. (3) Changes from prior year's accounting methods, if any. (4) Balances for each of the categories of operating materials and supplies described above. (5) Restrictions on the use of material. (6) Decision criteria for identifying the category to which operating materials and supplies are assigned. (7) Changes in the criteria for identifying the category to which operating materials and supplies are assigned.				
3	Stockpile Materials	55	Chapter 10, Section 1009, Note 8	Disclose those materials authorized to be sold as "stockpile materials held for sale" as a component of the inventory and related property line item on the Balance Sheet with separate disclosure in footnotes.	X	X		
3	Stockpile Materials	55	Chapter 10, Section 1009, Note 8	Disclose any difference between the carrying amount of the stockpile materials held for sale and their estimated selling price.		X		
3	Stockpile Materials	56	Chapter 10, Section 1009, Note 8	Disclose the following: (1) General composition of stockpile materials. (2) Basis for valuing stockpile materials, including valuation method and any cost flow assumption. (3) Changes from prior year's accounting methods, if any. (4) Restrictions on the use of materials. (5) Balances of stockpile materials in		X		

Table 14-3 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				each category (stockpile materials and stockpile materials held for sale). (6) Decision criteria for categorizing stockpile materials as held for sale. (7) Changes in criteria for categorizing stockpile materials as held for sale.				
3	Seized property	62	Chapter 10, Section 1009, Note 8	Disclose seized property other than monetary instruments as a component of the inventory and related property line item on the Balance Sheet with separate disclosure in footnotes.	X	X		
3	Seized Property	66	Chapter 10, Section 1009, Note 8	Disclose the following: (1) Explanation of what constitutes a seizure and a general description of the composition of seized property. (2) Method(s) of valuing seizures. (3) Changes from prior year's accounting methods, if any. (4) Analysis of change in seized property, including the dollar value and number of seized properties that are: (a) on hand at the beginning of the year, (b) seized during the year, (c) disposed of during the year, and (d) on hand at the end of the year as well as known liens or other claims against the property. This information should be presented by type of seized property and method of disposition, where material.		X		
3	Forfeited Property	78	Chapter 10, Section 1009, Note 8	Disclose the following for forfeited property, including forfeited property that cannot be sold due to legal		X		

Table 14-3 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				<p>restrictions:</p> <p>(1) Composition of forfeited property.</p> <p>(2) Method(s) of valuing forfeited property.</p> <p>(3) Restrictions on the use or disposition of forfeited property.</p> <p>(4) Changes from prior year's accounting methods, if any.</p> <p>(5) Analysis of change in forfeited property providing the dollar value and number of forfeitures that:</p> <p>(a) are on hand at the beginning of the year,</p> <p>(b) are made during the year,</p> <p>(c) are disposed of during the year and the method of disposition, and</p> <p>(d) are on hand at the end of the year.</p> <p>This information should be presented by type of property forfeited, where material.</p> <p>(6) If available, an estimate of the value of property or funds to be distributed to federal, state and local agencies in future reporting periods.</p>				
3	Foreclosed Property	91	Chapter 10, Section 1009, Note 8	<p>Disclose the following:</p> <p>(1) Valuation basis used for foreclosed property.(2) Changes from prior year's</p>		X		

Table 14-3 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				accounting methods, if any. (3) Restrictions on the use/disposal of the property. (4) Balances in the categories described above. (5) Number of properties held and average holding period by type or category. (6) Number of properties for which foreclosure proceedings are in process at the end of the period.				
3	Commodities	99	Chapter 10, Section 1009, Note 8	Recognize the commodities as assets and report them on the face of the Balance Sheet upon producers surrender of title to satisfy a nonrecourse loan or upon purchase by the agency.	X			

Table 14-3 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
3	Commodities	109	Chapter 10, Section 1009, Note 8	General disclosure requirements: (1) Basis for valuing commodities, including the valuation method and any cost flow assumptions. (2) Changes from prior year's accounting methods, if any. (3) Restrictions on the use, disposal, or sale of commodities. (4) An analysis of change in the dollar value and volume of commodities, including those: (a) on hand at the beginning of the year, (b) acquired during the year, (c) disposed of during the year by method of disposition, (d) on hand at the end of the year, (e) on hand at year's end and estimated to be donated or transferred during the coming period, and (f) the amount and value of commodities that may be received as a result of surrender of collateral related to nonrecourse loans outstanding. The analysis should also show the dollar value and volume of purchase agreement commitments.		X		

Table 14-3 (Cont.)

★1405 DISCLOSURES REQUIRED BY SFFAS NO. 4

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
4	Full cost	89	Chapter 5	Report the full costs of outputs in general purpose financial reports.	X			
4	Costs not Assigned Programs	92 and 104	Chapter 5	Report on the financial statements as costs not assigned to programs, high level management and administrative support costs that cannot be assigned to segments and their outputs. A reporting entity may incur costs that are linked to events other than the production of goods and services. These nonproduction costs should not be assigned to outputs but should be assigned to programs, if possible.	X			

Table 14-4

★1406 DISCLOSURES REQUIRED BY SFFAS NO. 5

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
5	Contingent Liability	39	Chapter 10, Section 1011, Note 10	Report as an estimated contingent liability a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized and the range and a description of the nature of the contingency should be disclosed.	X	X		
5	Contingent Liability	40	Chapter 10, Section 1011, Note 10	Disclose a contingent liability if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred.		X		
5	Contingent Liability	41	Chapter 10, Section 1011, Note 10	Disclose the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made.		X		
5	Pensions	65 and 67	Chapter 10, Section 1015, Note 14	Use the best available actuarial estimates to calculate the pension expense and liability for financial reports prepared for the three primary federal pension plans. The administrative entity should disclose the assumptions used. Smaller federal administrative entities, if they use assumptions that differ from all of the primary plans,		X		

Table 14-5

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				Should explain in a footnote how and why the assumptions differ from one of those plans.				
★ 5	Pensions	68	Chapter 4 and Chapter 10, Section 1015, Note 14	Report assets separately from the pension liability. Do not report only a net liability. For investments in market-based and marketable securities, the market value of the investment should be disclosed.	X	X		
★ 5	Pensions	72	Chapter 10, Section 1015, Note 14	The administrative entity shall disclose the individual components for the net pension expense (service cost, period interest on the benefit liability, prior or past service cost, and period actuarial gains or losses).		X		
5	Other Retirement Benefits (ORB)	83	Chapter 10, Section 1015, Note 14	Report the following for amounts calculated for financial reports prepared for ORB plans: (1) General actuarial and economic assumptions that are consistent with those used for pensions, and (2) A health care cost trend assumption that is consistent with Medicare projections or other authoritative sources appropriate for the population covered by the plan. The administrative entity should disclose the assumptions used.		X		
★ 5	Other Retirement Benefits	85	Chapter 4 and Chapter 10, Section 1015, Note 14	Report assets separately from the ORB liability rather than merely reporting the net liability. For investments in market-based and marketable securities, the market value of the investment should	X	X		

Table 14-5 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoDFMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				be disclosed.				
★ 5	Other Retirement Benefits	88	Chapter 10, Section 1015, Note 14	The administrative entity shall disclose the individual components for the net ORB expense (service cost, period interest on the benefit liability, prior or past service cost, gains/losses due to a change in the medical inflation rate assumption, and other period actuarial gains or losses.		X		
★ 5	Insurance and Guarantees	117	Chapter 4	All Federal reporting entities with whole life insurance programs should follow private sector standards when reporting the liability for future policy benefits.	X	X		
★ 5	Insurance and Guarantees	121	Chapter 10	Disclose separately in a footnote all components of the liability for future policy benefits of whole life insurance. Include a description of each amount and an explanation of its projected use and any other potential uses		X		
5	Insurance and Guarantees	106	Chapter 11	When financial information pursuant to Financial Accounting Standards Advisory Board (FASAB) standards on federal insurance and guarantee programs conducted by government corporations is incorporated in general purpose financial reports of a larger federal reporting entity, the entity should report as RSSI what amounts and periodic change in those amounts should be reported under the "risk assumed" approach referred to in this section (see par. 105).			X	

Table 14-5 (Cont.)

★1407 DISCLOSURES REQUIRED BY SFFAS NO. 6

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
6	General Plant, Property, and Equipment (PP&E) Implementation Guidance	44	Chapter 10, Section 1010, Note 9	Disclose in the period that these standards are implemented, the adjustments, by major class of PP&E, made to general PP&E and accumulated depreciation/amortization.		X		
6	General PP&E Disclosure Requirements	45	Chapter 10, Section 1010, Note 9	Disclose the following information for general PP&E: (1) The cost, associated accumulated depreciation, and book value by major class. (2) The estimated useful lives for each major class. (3) The method(s) of depreciation for each major class. (4) Capitalization threshold(s), including any changes in threshold(s) during the period. (5) Restrictions on the use or convertibility of general PP&E.		X		
6	Federal Mission PP&E	53	Chapter 5	Recognize as a cost on the statement of net cost the periodic cost of acquiring, constructing, improving, reconstructing, or renovating National Defense PP&E. The cost shall be disclosed as "cost of National Defense PP&E" in Note 16. (Note: The term National Defense PP&E is used instead of Federal Mission PP&E in light of the proposed change contained in the exposure draft issued by the FASAB.)	X	X		

Table 14-6

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
6	Federal Mission PP&E	55		Remove National Defense PP&E that was previously recognized on the balance sheet as assets and contra assets. The amounts removed should be charged to Net Position. The amount of the adjustment should be shown as a "prior period adjustment" in the statement of changes of net position. The amounts removed from the balance sheet should be disclosed in the notes. (Note: The term National Defense PP&E is used instead of Federal Mission PP&E in light of the proposed change contained in the exposure draft issued by the FASAB.)		X		
6	Heritage Assets	61	Chapter 5 And Chapter 10, Section 1017, Note 16	Recognize as a cost in the period incurred the cost of improving, reconstructing, or renovating heritage assets. Also, in the event that heritage assets are acquired or constructed, the cost should be recognized as a cost of the period incurred. These costs should be disclosed as "Cost of Heritage Assets" in the footnotes. The cost of heritage assets transferred from other federal entities should be the book value of the asset recorded on the transferring entity's books. If the receiving entity does not know the book value, the fair value should be disclosed in notes to the statement of net cost. If fair value is not estimable, information related to the type and quantity of assets transferred should be disclosed.	X	X		

Table 14-6 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				No amounts of heritage assets acquired through donation or devise should be recognized in the cost of heritage assets. The assets' fair value, if known and material, should be disclosed in notes to the statement of net cost in the year received. If fair value is not known or reasonably estimable, information related to the type and quantity of assets should be disclosed.				
6	Heritage Assets	63	Chapter 10, Section 1018, Note 17	Remove from the balance sheet heritage assets previously recognized as assets. The amounts removed should be charged to Net Position of the entity. The amount of the adjustment should be shown as a "prior period adjustment" in the statement of changes in net position. The amounts removed from the balance sheet should be disclosed in a footnote.		X		
6	Stewardship Land	69	Chapter 5	Recognize as a cost in the period incurred the acquisition cost of stewardship land. The cost shall be disclosed as "cost of stewardship land" in the footnotes.	X	X		
6	Stewardship Land	71	Chapter 10, Section 1017, Note 16	No amounts for stewardship land acquired through donation or devise should be recognized as a cost on the statement of net cost. Its fair value, if known and material, should be disclosed in notes to the statement of net cost. If fair value is not estimable, information related to the type and quantity of assets received should be		X		

Table 14-6 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				disclosed in the year received.				
6	Stewardship Land	72	Chapter 10, Section 1017, Note 16	Stewardship land may be transferred between federal entities. Transfers of stewardship land should be disclosed in the notes if material.		X		
6	Stewardship Land	75	Chapter 10, Section 1018, Note 17	Remove from the balance sheet land previously recognized as an asset. The amounts removed should be charged to Net Position. The amount of the adjustment should be shown as a "prior period adjustment" in the statement of changes in net position. The amounts removed from the balance sheet should be disclosed in a footnote.		X		
★ 6 As amended by SRAS No. 14	Deferred Maintenance	79 As amended by SRAS No. 14	Chapter 12, Section 1202	Present on the Statement of Net Cost a line item for "deferred maintenance" with a reference to required supplemental information in lieu of a dollar amount. No amounts should be recognized for deferred maintenance.	X			X
★ 6 As amended by SRAS No. 14	Deferred Maintenance – Disclosure Requirements	80-84 As amended by SRAS No. 14	Chapter 12, Section 1202	Present the following information for all PP&E: (1) Identification of each major class of asset for which maintenance has been deferred. (2) Method of measuring deferred maintenance for each major class of PP&E (Amounts reported may be measured using: (a) condition assessment surveys, or (b) life-cycle cost forecasts).		X		

Table 14-6 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
6	Cleanup cost for General PP&E	105	Chapter 10 Section 1018, Note 17	The offsetting charge for any liability recognized upon implementation should be made to Net Position. The amount of the adjustment should be shown as a "prior period adjustment" in any Statement of Changes in Net Position that may be required. No amounts should be recognized as expense in the period of implementation. The amounts involved should be disclosed and, to the extent possible, the amount associated with current and prior periods should be noted.		X		
6	Cleanup Disclosure Requirements	107-111	Chapter 10, Section 1013, Note 12	Disclose the following: (1) Sources of cleanup requirements. (2) Method for assigning estimated total cleanup costs to current operating periods. (3) For cleanup costs associated with general PP&E, the unrecognized portion of estimated total cleanup costs. (4) Material changes in total estimated cleanup costs due to changes in laws, technology, or plans, and the portion of the change in estimate that relates to prior period operations. (5) The nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations.		X		

Table 14-6 (Cont.)

★1408 DISCLOSURES REQUIRED BY SFFAS NO. 7

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
7	Exchange Revenue	46 & 47	Chapter 10, Section 1017, Note 16	Each reporting entity that provides goods or services to the public or another government entity should disclose the following: (1) Differences in pricing policy from the full cost or market pricing guidance in Office of Management and Budget Circular A-25, "User Charges," for exchange transactions with the public. (2) Exchange transactions with the public in which prices are set by law or executive order and are not based on full cost or on market price. (3) The nature of intragovernmental exchange transactions in which the entity provides goods or services at a price less than the full cost or does not charge a price at all, with explanations of the amount and reason for disparities between the billing and the full cost. (4) The full amount of the expected loss when specific goods are made to order under a contract, or specific services are produced to order under a contract, and a loss on the contract is probable and measurable. When disclosing (1) and (2), cautionary language should be added to the effect that higher prices based on full cost or market price might reduce the quality of goods or services		X		X

Table 14-7

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				demanded and, therefore, the difference between revenue received and such higher prices does not necessarily provide an indication of revenue foregone. If a reasonable estimate is practicable to make, the entity should provide as other accompanying information the amount of revenue foregone and should explain whether, and to what extent, the quantity demanded was assumed to change as a result of a change in price.				
7	Non-Exchange Revenue	64 to 73	Chapter 10	<p>A summary of required disclosures follow:</p> <p>(1) Basis of accounting.</p> <p>(2) Entities that collect taxes should disclose:</p> <ul style="list-style-type: none"> (a) accounts receivable, (b) material revenue-related transactions, (c) cumulative cash collections and refunds by tax year and type of tax. <p>(3) If trust fund revenues are not recorded in accordance with applicable law, both the collecting and recipient entities should disclose the reasons.</p> <p>Entities that collect taxes and duties should provide the following supplementary information relating to their potential revenue and custodial responsibilities:</p> <p>(1) The estimated realizable value, as of the end of the reporting period, of</p>		X		X

Table 14-7 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				<p>compliance assessments and, if reasonably estimable, preassessment work in process.</p> <p>(2) If reasonably estimable, other claims for refunds that are not yet accrued but are likely to be paid when administrative actions are completed (unasserted claims for refunds should be provided separately).</p> <p>(3) The amount of assessments that the entity still has statutory authority to collect at the end of the period but that have been written off and thus excluded from accounts receivable.</p> <p>(4) If reasonably estimable, the amounts by which trust funds may be over - or under-funded in comparison with the requirements of law.</p> <p>Recipient entities that are trust funds should provide the same information as required for collecting entities in (4), above.</p> <p>Other accompanying information:</p> <p>(1) A perspective on the income tax burden.</p> <p>(2) Available information on the size of the tax gap.</p> <p>(3) Tax expenditures related to entity programs.</p> <p>(4) Directed flows of resources related to entity programs.</p>				

Table 14-7 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
7	Budgetary Information	78	Chapter 7	The reporting entity should provide information on budgetary resources for each of its major budget accounts as supplementary information. Small budget accounts may be aggregated.				X

Table 14-7 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
★ 7	Budgetary Information	79	Chapter 10, Section 1019, Note 18	<p>Disclose the following information about the status of budgetary resources:</p> <p>(1) The net amount of budgetary resources obligated for undelivered orders at the end of the period.</p> <p>(2) Available borrowing and contract authority at the end of the period (September 30).</p> <p>(3) Repayment requirements, financing sources for repayment, and other terms of borrowing authority used.</p> <p>(4) Material adjustments during the reporting period to budgetary resources available at the beginning of the year and an explanation thereof.</p> <p>(5) Existence, purpose, and availability of permanent indefinite appropriations.</p> <p>(6) Information about legal arrangements affecting the use of unobligated balances of budget authority.</p> <p>(7) Explanations of any material differences between the information required by paragraph 77 and the amounts described as "actual" in the <u>Budget of the United States Government</u>.</p> <p>(8) The amount, and an explanation that includes identification of balance sheet components, when recognized unfunded liabilities do not equal the total financing sources yet to be provided.</p>		X		

Table 14-7 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				(9) The amount of any capital infusion received during the reporting period.				
7	Dedicated Collections	84	Chapter 10, Section 1022, Note 21	Provide separate financial information about dedicated collections if they are material either to the reporting entity or to the beneficiaries or contributors. The separate information may be reported on the face of the entity's general purpose financial statements, or the information may be disclosed in the notes to the financial statements.	X or	X		
7	Dedicated Collections	85	Chapter 10, Section 1022, Note 21	Report the following information for individual funds that account for dedicated collections: (1) A description of each fund's purpose, how the administrative entity accounts for and reports the fund, and its authority to use those collections. (2) The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the government or the result of intragovernmental flows. (3) Condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable to beneficiaries, other liabilities, and fund balance. (4) Condensed information on net cost and changes to fund balance showing revenues by type, program expenses, other expenses, other financing	X	X		

Table 14-7 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				sources, and other changes in fund balance. (5) Any revenues, other financing sources, or cost attributable to the fund under accounting standards, but not legally allowable as credits or charges to the fund.				
★ 7	Dedicated Collections	86	Chapter 10, Section 1022, Note 21	The law may require the accounting for a fund to be done in a particular way. The disclosures called for by paragraph 85 of SFFAS No. 7 are required if the fund's recognition requirements, as determined by law, are contrary to applicable accounting standards with respect to certain revenue, other financing sources, or costs.		X		
7	Dedicated Collections	87	Chapter 10, Section 1022	Most dedicated collections are included in the financial statements of the entity carrying out the program and responsible for administration of the fund. However, this may not be the case where collections are outside the budget or are not otherwise included in the reporting entity under the concepts of Entity and Display. In either case, the information (revenues, other financing sources, assets, liabilities, and costs of the fund) is required to be disclosed.		X		

Table 14-7 (Cont.)

1409 DISCLOSURES REQUIRED BY SFFAS NO. 8

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
8	Heritage Assets	50	Chapter 11	Report the following for Heritage Assets: (1) Description of each major category. (2) The number of physical units added and withdrawn from the records during the year and the end-of-year number of physical units for each type of heritage asset. (3) Description of the methods of acquisition and withdrawal of heritage assets. (4) Condition of the assets unless it is already reported in a note to the financial statements in which case a reference to the note should suffice. (5) A reference to a note to the financial statements if deferred maintenance is reported for the assets.			X	

Table 14-8

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
8	Federal Mission PP&E	68	Chapter 11	Report the following for National Defense PP&E (Note: The term National Defense PP&E is used instead of Federal Mission PP&E in light of the proposed change contained in the exposure draft issued by the FASAB.) (1) A description of major types of National Defense PP&E by the holding entity and values assigned under the valuation method. (2) The value of National Defense PP&E added and withdrawn during the year, the changes in value resulting from revaluations of assets held to latest acquisition cost, and end-of-year value for each major type of property using the entity's valuation method. (3) A description of the methods of acquisition and withdrawal of National Defense PP&E at the major program or category level. (4) Condition of the assets unless it is already reported in a note to the financial statements; if this is the case, a reference to the note should suffice. (5) A reference to the applicable note to the financial statements if deferred maintenance is reported for the assets.			X	
8	Stewardship Land	81	Chapter 11	Report the following for Stewardship Land: (1) The number of physical units of stewardship land by category of major use, broken down within the category by principal holding agency.			X	

Table 14-8 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
8	Stewardship Land (Cont.)	81	Chapter 11	<p>(2) Where parcels have more than one use, the predominant use should be considered the major use. Where there is no predominant use, a description of the multiple uses should be presented.</p> <p>(3) Acquisitions, withdrawals, and ending balance should be shown by major categories of use and methods of acquisition and withdrawal identified.</p> <p>(4) The condition of the stewardship land, unless it is already reported in a note to the financial statement; if this is the case, a reference to the note should suffice.</p> <p>(5) A reference to the note to the financial statements if deferred maintenance is reported for the assets.</p>				

Table 14-8 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
★ 8	Nonfederal Physical Property	87	Chapter 11	Report the following for Nonfederal Physical Property: (1) Annual investment, including a description of federally owned physical property transferred to state and local governments. Reporting should be for the year ended, as well as for each of the 4 years preceding. (2) Reporting should be at a meaningful category or level. (3) If expense data are unavailable, outlay data are permissible for a transition period. If neither expense nor outlay data are available for the 5 years, entities need only report expense data for the current year. At the end of 5 years, entities are to report expense data. (4) Reporting should include a description of major programs involving federal investments in nonfederal physical property including a description of programs or policies under which noncash assets are transferred to state and local governments.			X	
★ 8	Human Capital	94	Chapter 11	Report the following for Human Capital: (1) Annual investment made in the year ended as well as in each of the 4 preceding years. (2) If expense data are unavailable, outlay data are permissible for a transition period. If neither expense nor outlay data are available for the 5 years, entities need only report expense data			X	

Table 14-8 (Cont.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
SFFAS	Subject Area	SFFAS Para. No.	DoD FMR Volume 6B Chapter	Required Disclosure	Fin. Stmt.	Footnote	RSSI	RSI & OAI
				for the current year. At the end of 5 years, entities should report expense data. (3) A narrative description of major education and training programs considered federal investments in human capital should be included.				
★ 8	Research and Development	100	Chapter 11	Report the following for Research and Development: (1) Annual investment made in the year ended, as well as in each of the 4 preceding years. (2) If expense data are unavailable, outlay data are permissible. If neither expense nor outlay data are available, outlay data are permissible for a transition period. If neither expense nor outlay data are available for the 5 years, entities need only report expense data for the current year. At the end of 5 years, entities should report expense data. (3) A narrative description of major research and development programs should be included.			X	

Table 14-8 (Cont.)

APPENDIX A

DISTRIBUTION OF APPROPRIATION AND FUND SYMBOLS BY REPORTING ENTITY

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Department of the Army	Entity Funds:	
	21*0702	Family Housing, Army
	21*7020	Family Housing, Army Construction
	21X1705	National Board for the Promotion of Rifle Practice, Army
	21*1705	National Board for the Promotion of Rifle Practice, Army
	21X1805	Salaries and Expenses, Cemeterial Expenses, Army
	21*2010	Military Personnel, Army
	21X2020	Operation and Maintenance, Army
	21*2020	Operation and Maintenance, Army
	21*2031	Aircraft Procurement, Army
	21*2032	Missile Procurement, Army
	21*2033	Procurement of Weapons and Tracked Combat Vehicles, Army
	21*2034	Procurement of Ammunition, Army
	21*2035	Other Procurement, Army
	21*2040	Research, Development, Test, and Evaluation, Army
	21*2050	Military Construction, Army
	21*2060	National Guard Personnel, Army
	21*2065	Operation and Maintenance, Army National Guard
	21*2070	Reserve Personnel, Army
	21*2080	Operation and Maintenance, Army Reserve
	21*2085	Military Construction, Army National Guard
	21*2086	Military Construction, Army Reserve
	21*4275	Arms Initiative Guaranteed Loan Financing
	21X4528	Working Capital Fund, Army Conventional Ammunition
	21X5095	Wildlife Conservation, etc., Military Reservations, Army
	21X5098	Restoration, Rocky Mountain Arsenal, Army

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Department of the Army (cont.)	21X5194	Department of Defense, 50th Anniversary of World War II Commemoration Account, Army
	21X5285	Forest Products Program, Army
	21X5286	National Science Center, Army
	21X8063	Bequest of Major General Fred C. Ainsworth Library, Walter Reed Army Medical Center
	21X8064	Fisher Houses Trust Fund
	21X8174	National Science Center Gift Fund
	21X8927	Department of the Army General Gift Fund
	Nonentity Funds: (Funds not available to support the normal activities of the reporting Entity.)	
	21X6001	Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property, Army
	21X6002	Personal Funds of Deceased, Mentally Incompetent or Missing Personnel, Army
	21X6010	Army Members Savings Deposit - Desert Shield/Desert Storm Savings Program
	21X6015	Funds of Civilian Internees and Prisoners of War, Army
	21X6031	Effects of Mentally Incompetent Soldiers, United States Army
	21X6050	Employees' Payroll allotment Account, United States Savings Bonds
	21*6060	Estates of Deceased Soldiers, Regular Army
	21X6075	Withheld Allotment of Compensation for Payment of Employee Organization Dues, Army

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Department of the Army (cont.)	21X6083	Withheld Allotment of Compensation for Charitable Contributions, Army
	21X6105	Withheld Employee Contributions, State or Territorial Retirement, Army
	21X6108	Employer Contributions, State or Territorial Retirement, Army
	21X6112	Withheld Employee Contributions, State or Territorial Disability Benefits, Army
	21X6113	Withheld Employee Contributions, State or Territorial Death Benefits, Army
	21X6129	Foreign Taxes Withheld, Army
	21X6131	Employee and Employer Contributions, Private Insurance Plans, Army
	21X6134	Amounts Withheld for Civilian Pay Allotments, Army
	21X6208	Amounts Withheld for Group Life Insurance, National Guard Members, Army
	21X6275	Withheld Income Taxes
	21X6325	Coupons, Petroleum, Oil and Lubricants, Army
	21X6434	Servicemen's Group Life Insurance Fund, Suspense, Army
	21*6763	Gains and Deficiencies on Exchange Transactions, Army
	21X6875	Budget Clearing Account
	21X6999	Accounts Payable, Check Issue Underdrafts, Army
Department of the Navy	Entity Funds:	
	17X0380	Coastal Defense Augmentation, Navy
	17*0703	Family Housing, Navy and Marine Corps
	17X0810	Environmental Restoration, Navy
	17*1105	Military Personnel, Marine Corps
	17X1106	Operation and Maintenance, Marine Corps
	17*1106	Operation and Maintenance, Marine Corps
	17*1107	Operation and Maintenance, Marine Corps Reserve
	17*1108	Reserve Personnel, Marine Corps
	17*1109	Procurement, Marine Corps
	17*1205	Military Construction, Navy

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Department of the Navy (cont.)	17*1235	Military Construction, Naval Reserve
	17X1236	Payments to Kaho'Olawe Island Conveyance, Remediation, and Environmental Restoration Fund, Navy
	17X1319	Research, Development, Test and Evaluation, Navy
	17*1319	Research, Development, Test, and Evaluation, Navy
	17*1405	Reserve Personnel, Navy
	17*1453	Military Personnel, Navy
	17*1506	Aircraft Procurement, Navy
	17*1507	Weapons Procurement, Navy
	17*1508	Procurement of Ammunition, Navy and Marine Corps
	17X1611	Shipbuilding and Conversion, Navy
	17*1611	Shipbuilding and Conversion, Navy
	17*1804	Operation and Maintenance, Navy
	17*1806	Operation and Maintenance, Navy Reserve
	17*1810	Other Procurement, Navy
	17X3980	Navy Management Fund
	17X4557	National Defense Sealift Fund, Navy
	17*4557	National Defense Sealift Fund, Navy
	17X5095	Wildlife Conservation, etc., Military Reservations, Navy
	17X5185	Kaho'Olawe Island Conveyance, Remediation and Environmental Restoration Fund, Navy
	17X5429	Rossmoor Liquidating Trust Settlement Account
	17X8008	Office of Naval Records and History Fund
	17X8423	Midshipmen's Store, United States Naval Academy
	17X8716	Department of the Navy General Gift Fund
	17X8723	Ships Stores Profits, Navy
	17X8730	United States Naval Academy Museum Fund
	17X8733	United States Naval Academy General Gift Fund

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Department of the Navy (cont.)	Nonentity Funds:	
	17X6001	Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property, Navy
	17X6002	Personal Funds of Deceased, Mentally Incompetent or Missing Personnel, Navy
	17X6025	Pay of the Navy, Deposit Fund
	17X6026	Pay of the Marine Corps, Deposit Fund
	17X6050	Employee Payroll Allotment Account (U.S. Bonds)
	17X6075	Withheld Allotment of Compensation for Payment of Employee Organization Dues, Navy
	17X6083	Withheld Allotment of Compensation for Charitable Contributions, Navy
	17X6134	Amounts Withheld for Civilian Pay Allotments, Navy
	17X6275	Withheld State and Local Income Taxes
	17X6434	Servicemen's Group Life Insurance Fund, Suspense, Navy
	17X6705	Civilian Employees Allotment Account, Navy
	17X6706	Commercial Communication Service, Navy
	17*6763	Gains and Deficiencies on Exchange Transactions, Navy
	17X6850	Housing Rentals, Navy
	17X6875	Suspense, Navy
	17X6999	Accounts Payable, Check Issue Underdrafts, Navy
	17X9082	Intra-Budgetary Transactions - Trust Funds National Defense
Department of the Air Force	Entity Funds:	
	57*0704	Family Housing, Air Force
	57*0810	Environmental Restoration, Air Force
	57X1999	Unclassified Receipts and Expenditures, Air Force
	57*3010	Aircraft Procurement, Air Force
	57*3011	Procurement of Ammunition, Air Force

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Department of the Air Force (cont.)	57*3020	Missile Procurement, Air Force
	57*3080	Other Procurement, Air Force
	57X3300	Military Construction, Air Force
	57*3300	Military Construction, Air Force
	57*3400	Operation and Maintenance, Air Force
	57*3500	Military Personnel, Air Force
	57*3600	Research, Development, Test, and Evaluation, Air Force
	57*3700	Reserve Personnel, Air Force
	57*3730	Military Construction, Air Force Reserve
	57*3740	Operation and Maintenance, Air Force Reserve
	57*3830	Military Construction, Air National Guard
	57*3840	Operation and Maintenance, Air National Guard
	57*3850	National Guard Personnel, Air Force
	57X3960	Air Force Management Fund
	57X5095	Wildlife Conservation, etc., Military Reservations, Air Force
	57*8170	Fisher House Trust Fund
	57X8418	Air Force Cadet Fund
	57X8928	Department of the Air Force General Gift Fund
Nonentity Funds:		
	57X6001	Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property, Air Force
	57X6002	Personal Funds of Deceased, Mentally Incompetent or Missing Personnel, Air Force
	57X6010	Pay of the Air Force, Deposit Fund
	57X6031	Effects of Mentally Incompetent Soldiers, United States Air Force
	57*6050	Employees' Payroll Allotment Account, United States Savings Bonds
	57*6060	Estates of Deceased Airmen, Regular Air Force

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Department of the Air Force (cont.)	57X6075	Withheld Allotment of Compensation for Payment of Employee Organization Dues, Air Force
	57X6083	Withheld Allotment of Compensation for Department of the Air Force
	57X6090	Unclaimed Moneys Due Creditors of Contractors with the United States under Cost-Plus-A-Fixed-Fee Contracts, Department of the Air Force
	57X6105	Withheld Employee Contributions, State or Territorial Retirement, Air Force
	57X6108	Employer Contributions, State or Territorial Retirement, Air Force
	57X6112	Withheld Employee Contributions, State or Territorial Disability Benefits, Air Force
	57X6113	Withheld Employee Contributions, State or Territorial Death Benefits, Air Force
	57X6129	Foreign Taxes Withheld, Air Force
	57X6130	Employee and Employer Contributions, Foreign Government Social Security and Related Programs, Air force
	57X6131	Employee and Employer Contributions, Private Insurance Plans, Air Force
	57X6134	Amounts Withheld for Civilian Pay Allotments, Air Force
	57X6136	Amounts Withheld for Group Life Insurance, National Guard Members, Air Force
	57*6275	Withheld State and Local Taxes, Air Force
	57X6434	Servicemen's Group Life Insurance Fund, Suspense, Air Force
	57*6763	Gains and Deficiencies on Exchange Transactions, Air Force
	57X6922	Air Transportation, Military Air Transport Service, Department of the Air Force

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Department of Defense Military Retirement Trust Fund	97X8097	Department of Defense Military Retirement Trust Fund
Army Working Capital Fund	97X4930.001	Depot Maintenance (Code AAP) Depot Maintenance Ordnance (Code AA3) Supply Management (Code AC) Information Services (Code AF)
Navy Working Capital Fund	97X4930.002	Depot Maintenance-Shipyards (Code NA1) Depot Maintenance-Aviation (Code NA2) Navy Ordnance (Code NA3) Supply Management (Code NC) Transportation (Code ND) Base Support (Code NE) Information Services (Code NF) Research & Development (Code NH) Depot Maintenance-Other (Code NA4)
Air Force Working Capital Fund	97X4930.003	Depot Maintenance (Code FA) Supply Management (Code FC) Base Support (Code FE) Information Services (Code FF) Transportation (Code FD11)
Other Defense Organizations Working Capital Funds:		
Defense Commissary Agency	97X4930.004	Commissary Operations (Code 4J and 5J) Commissary Resale Stock (Code 4K and 5K) Commissary Component Level (4**)

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Defense Logistics Agency Working Capital Fund	97X4930.005	Distribution Depots (Code 5B) Supply Management (Code 5C) Reutilization & Marketing (Code 5N) Defense Automated Printing Service (Code 5G) Information Services (Code 5F5) Defense Automated Printing Service (Code NG)
U.S. Transportation Command	97X4930.005	US Transportation Command (Codes FD20, FD30, FD40, FD 50 and FD60)
Defense Finance and Accounting Service Working Capital Fund	97X4930.005	Financial Operations (Code 5L) Information Services (Code 5F4)
Joint Logistics Systems Center	97X4930.005	Joint Logistics Systems Center (Code 5R10)
Management Systems Support Office/ Corporate Information Management	97X4930.005	MSSO/CIM (Codes 5R20, 5R30)
Defense Information Systems Agency	97X4930.005	Information Services (Code 5F3) Communication Information Services (Code 5F2)
Defense Technical Information Services	97X4930.005	Information Services (Code 5P)
Defense Security Services	97X4930.005	Defense Security Services (Code 5T)
Headquarters Account	97X4930.005	Headquarters Account (Code 5U)
Component Level Adjustment	97X4930.005	Component Level Adjustment (Code 999)

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Other Defense Organizations -	Entity Funds:	
General Funds (Includes any		
Portions of these appropriations	11X8242	Foreign Military Sales Trust Fund (Administrative expenses only)
Issued to the Military Departments)	97*0040	Payments to Military Retirement Fund, Defense
	97X0100	Operation and Maintenance, Defense-Wide
	97*0100	Operation and Maintenance, Defense-Wide
	97*0101	Contingencies, Defense
	97*0102	Claims, Defense
	97*0103	Base Realignment and Closure Account, Part I, Defense
	97*0104	Court of Military Appeals, Defense
	97*0105	Drug Interdiction and Counter-Drug Activities, Defense
	97*0106	Goodwill Games, Defense
	97*0107	Office of the Inspector General
	97*0108	Emergency Expenses, Defense Account
	97X0110	Persian Gulf Regional Defense Fund, Defense
	97*0115	Corporate Information Management (Business Process Reengineering)
	97*0116	Summer Olympics, Defense
	97*0118	Overseas Contingency Operations Fund
	97X0118	Overseas Contingency Operations Fund
	97*0130	Defense Health Program, Defense
	97*0131	Real Property Maintenance, Defense
	97X0132	Claims, Mount Pinatubo, Defense
	97*0132	Claims, Mount Pinatubo, Defense
	97*0133	Payment to Coast Guard, Defense
	97X0134	Former Soviet Union Threat Reduction, Defense
	97*0300	Procurement, Defense-Wide
	97*0350	National Guard and Reserve Equipment, Defense
	97X0360	Defense Production Act Purchases, Defense
	97*0360	Defense Production Act Purchases, Defense

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Other Defense Organizations - General Funds (Cont.)	97*0370	NATO Cooperative Defense Fund
	97X0390	Chemical Agents and Munitions Destruction, Defense
	97*0390	Chemical Agents and Munitions Destruction, Defense
	97X0400	Research, Development, Test, and Evaluation, Defense-Wide
	97*0400	Research, Development, Test, and Evaluation, Defense-Wide
	97*0450	Developmental Test and Evaluation, Defense
	97*0460	Operational Test and Evaluation, Defense
	97*0500	Military Construction, Defense-Wide
	97X0510	Base Realignment and Closure Account, Part II, Defense
	97*0706	Family Housing, Defense-Wide
	97*0800	Special Foreign Currency Program, Defense
	97X0801	Foreign Currency Fluctuations, Defense
	97X0803	Foreign Currency Fluctuation, Construction, Defense
	97X0804	North Atlantic Treaty Organization Investment Programs Defense
	97X0810	Environmental Restoration, Defense
	97X0819	Humanitarian Assistance, Defense
	97*0819	Humanitarian Assistance, Defense
	97*0827	World University Games, Defense
	97*0828	Defense Reinvestment for Economic Growth, Defense
	97*0829	World Cup USA, Defense
	97*0832	Special Olympics - World Games
	97*0834	DoD Family Housing Improvement Fund
	97X8035	Defense Export Loan Guarantee Program Account
	97X8036	DoD Military Unaccompanied Housing Improvement Program
	97X8038	Support for International Sporting Competitions, Defense
	97*0839	Quality of Life Enhancement, Defense
	97*0840	OPLAN 34A-35 P.O.W. Payment
	97*3296	Pinatubo Disaster Relief Fund
	97X3910	ADP Equipment Management Fund, Defense

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Other Defense Organizations - General Funds (Cont.)	97X4090	Homeowners Assistance Fund, Defense
	97*4090	Homeowners Assistance Fund, Defense
	97X4093	William Langer Jewel Bearing Plant Revolving Fund, Defense
	97*4166	Family Housing Improvement Fund, Direct Loan Financing Account
	97*4167	Family Housing Improvement Fund, Guaranteed Loan Financing Account
	97*4168	Defense Expense Loan Guarantee Financing Program
	97*4179	Reserve Mobilization Fund
	97X4555	National Defense Stockpile Transaction Fund, Defense
	97X4931	Buildings Maintenance Fund
	97X4950	Pentagon Reservation Maintenance Revolving Fund
	97X4965	Emergency Response Fund, Defense
	97X5187	Defense Cooperation Account, Defense
	97X5188	Disposal of Department of Defense Real Property
	97X5189	Lease of Department of Defense Real Property
	97X5193	Department of Defense Overseas Military Facility Investment Recovery Account
	97X5195	Use of Proceeds from the Transfer or Disposition of Commissary Facilities, Defense
	97X5196	Theater Missile Defense Cooperation Account, Defense
	97X8098	Department of Defense, Education Benefits Fund
	97*8164	Surcharge Collections, Sales of Commissary Stores
	97X8165	Foreign National Employees Separation Pay Account, Defense
	97X8168	National Security Education Trust Fund
	97*8238	Kuwait Civil Reconstruction Trust Fund
	97X8311	Uniformed Services University of the Health Sciences Gift Fund
	97X8335	Voluntary Separation Incentive Trust Fund

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
Other Defense Organizations - General Funds (Cont.)	Nonentity Funds:	
	97X6001	Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property, Office of Secretary of Defense
	97X6050	Employees Payroll Allotment Account, U.S. Savings Bonds
	97X6130	Employee and Employer Contributions, Foreign Government Social Security and Related Programs, Office of Secretary of Defense
	97X6131	Employee and Employer Contributions, Insurance Plans, Office of Secretary of Defense
	97X6147	NATO Airborne Early Warning Program, Office of Secretary of Defense
	97X6149	Cooperative Research & Development Project Fund, Defense Intelligence Agency
	97X6275	Withheld State and Local Taxes
	97X6875	Deposit Fund Suspense
	97X4555	National Defense Stockpile Transaction Fund, Defense
U.S. Army Corps of Engineers (USACE)	Entity Funds:	
	96*0200	Appalachian Regional Development Program
	96*1039	Construction, National Parks Service
	96*1105	State and Private Forestry, Forest Service
	96*2020	Manu'a Islands, Department of Army
	96*2050	Levee Restoration Program, Economic Development Administration
	96X3112	Flood Control, Mississippi River and Tributaries, Corps of Engineers, Civil
	96X3121	General Investigations, Corps of Engineers, Civil
	96X3122	Construction, General, Corps of Engineers, Civil
	96X3123	Operation and Maintenance, General, Corps of Engineers, Civil
★	96*3123	Operation and Maintenance, General, Corps of Engineers, Civil
	96X3124	General Expenses, Corps of Engineers, Civil
	96*3124	General Expenses, Corps of Engineers, Civil

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
U.S. Army Corps of Engineers	96X3125	Flood Control and Coastal Emergencies, Corps of Engineers, Civil
★(Cont.)	96*3125	Flood Control and Coastal Emergencies, Corps of Engineers, Civil
	96X3126	General Regulator Functions, Corps of Engineers, Civil
	96X3128	Washington Aqueduct Capital Improvements, Corps of Engineers
	96X3130	Formerly Utilized Sites Remedial Action Program (FUSRAP) (borrowing authority)
	96X3930	Consolidated Working Fund, Army, Engineers, Civil
	96*4045	Bonneville Power Administration
	96*4542	Federal Building Fund, GSA
	96X4902	Revolving Fund, Corps of Engineers, Civil
	96X5007	Special Recreation Use Fees, Corps of Engineers, Civil
	96X5066	Hydraulic Mining in California, Debris Fund
	96X5090	Payments to States, Flood Control Act of 1954
	96X5125	Maintenance and Operation of Dams and Other Improvements of Navigable Waters
	96X6094	Advances from the District of Columbia, Corps of Engineers, Civil
★	96X8861	Inland Waterways Trust Fund
	96X8862	Rivers and Harbors Contributed and Advance Funds, Corps of Engineers, Civil
★	96X8863	Harbor Maintenance Trust Fund
	96X8868	Oil Spill Research, Corps of Engineers, Civil
	Nonentity Funds:	
	96X6075	Withheld Allotment of Compensation for Payment of Employee Organization Dues, Corps of Engineers, Civil
	96X6145	Technical Assistance, United States Dollars Advanced from Foreign Government, Corps of Engineers, Civil
	96X6302	Moneys Withheld from Contractors, Corps of Engineers, Civil
★	96X6875	Disbursing Officer's Suspense Account

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
U.S. Army Corps of Engineers (Cont.)	**The USACE is executive agency for Treasury index 20X8861, Inland Waterways Trust Fund and 20X8863, Harbor Maintenance Trust Fund	

The following are applicable to: (1) the Army General Fund, (2) the Navy General Fund, (3) the Air Force General Fund, the (4) U.S. Army Corps of Engineers, and (5) the Other Defense Organizations reporting entities.

<u>Reporting Entity</u>	<u>Fund/Account</u>	<u>Treasury Symbol Title</u>
	F3875	Budget Clearing Account (Suspense)
	F3878	Budget Clearing Account (Deposits)
	F3879	Undistributed Letter of Credit Differences
	F3880	Unavailable Check Cancellations and Overpayments
	F3885	Undistributed Intra-Governmental Payments
	F3886	Civilian Thrift Savings Plan

NOTE: Include all current and expired fiscal years of appropriations shown with an asterisk (*) in the third position of the appropriation symbol. An (X) equals no year for the accounts.

APPENDIX B

RECONCILIATION REQUIREMENTS FOR THE
ANNUAL FINANCIAL STATEMENTS

The following are the required reconciliations. The first section shows the reconciliations within the annual financial statements (i.e., Balance Sheet to Balance Sheet or Balance Sheet to Statement of Changes in Net Position). The remaining three sections are reconciliations between the annual financial statements and the Report on Budget Execution, the Accounting Report (M) 1307, and the Report on Reimbursements (DD 725).

In each section, the lines listed under the left column should equal the statements and lines listed under the right column. Special considerations will be noted at the beginning of a section as well as throughout the section.

Section I. Reconciliation Requirements for the Annual Financial Statements (General Fund and Working Capital Fund Reporting Entities)

Annual Financial Statement		Annual Financial Statement	
Balance Sheet		Balance Sheet	
Total Assets	Line 3	Total Liabilities and Net Position	Line 10
Statement of Changes in Net Position		Statement of Changes in Net Position (Prior Year Statement - FY 1998)	
Net Position-Beginning of Period	Line 8	Net Position, End of Period	Line 9
Statement of Budgetary Resources		Statement of Budgetary Resources	
Total Budgetary Resources	Line 6	Total, Status of Budgetary Resources	Line 10
Obligations Incurred	Line 7	Obligations Incurred	Line 11
Spending Authority from Offsetting Collections	Line 4 Plus	Less: Spending Authority from Offsetting Collections	Less 12 (reverse sign) plus SF-133 Line 6 (plus a minus number)
Adjustments	Line 5		
Statement of Budgetary Resources		Statement of Budgetary Resources - Prior Year Statement - FY 1998	
Unobligated Balance - Beginning	Line 2	Unobligated Balances - Available	Line 8 Plus
		Unobligated Balances - Not Available	Line 9
Obligated Balance, Net - Beginning of Period	Line 13	Less: Obligated Balance, Net - End of Period	Line 15 (reverse sign)
Balance Sheet		Statement of Changes in Net Position	
Total Net Position	Line 9	Net Position-End of Period	Line 9

Annual Financial Statement		Annual Financial Statement	
Statement of Net Cost		Statement of Changes in Net Position	
★Net Cost of Operations	Line 4	Net Cost of Operations	Line 1
Statement of Net Cost		Statement of Financing	
★Net Cost of Operations	Line 4	Net Cost of Operations	Line 5
Statement of Changes in Net Position		Statement of Financing	
Net Cost of Operations	Line 1	Net Cost of Operations	Line 5
Statement of Budgetary Resources		Statement of Financing	
Obligations Incurred	Line 7	Obligations Incurred	Line 1.A.
Statement of Changes in Net Position		Statement of Financing	
Transfers-In and Transfers-Out	Line 2.E. plus Line 2.F.	Transfers-In (Out)	Line 1.E.
Statement of Budgetary Resources		Statement of Financing	
Offsetting Collections	Line 12	Offsetting Collections	Line 1.B
Statement of Budgetary Resources		Balance Sheet	
Unobligated Balances - Available	Line 8 Plus	Fund Balance with Treasury	Line 1.A.1
Unobligated Balances - Not Available	Line 9 plus		
Obligated Balance, Net - End of Period	Less 15 (reverse sign) Less		
Contract Authority	FMS 2108 Column 11, sub-line 911 931 941 971		

Section II. Reconciliation Requirements for the Statement of Budgetary Resources and the Report on Budget Execution (SF-133) (General Fund and Working Capital Fund Reporting Entities)

Statement of Budgetary Resources		Report on Budget Execution (SF-133)	
Budget Authority	Line 1	Budget Authority	Line 1
Unobligated Balance - Beginning of Period	Line 2	Unobligated Balance	Line 2A
Net Transfers Prior-Year Balance, Actual (+/-)	Line 3	Net Transfers Prior-Year Balance, Actual (+/-)	Line 2B
Spending Authority from Offsetting Collections	Line 4	Spending Authority from Offsetting Collections (Gross)	Line 3
Adjustments	Line 5	Recoveries of Prior Year Obligations	Line 4 plus
		Temporarily Not Available	Line 5 plus
		Permanently Not Available	Line 6
Total Budgetary Resources	Line 6	Total Budgetary Resources	Line 7
Obligations Incurred	Line 7	Obligations Incurred	Line 8
Unobligated Balances - Available	Line 8	Unobligated Balance	Line 9
Unobligated Balances - Not Available	Line 9	Unobligated Balance Not Available	Line 10
Total, Status of Budgetary Resources	Line 10	Total Budgetary Resources	Line 11
Obligations Incurred	Line 11	Obligations Incurred	Line 8
Less: Spending Authority From Offsetting Collections and Adjustments	Line 12	Earned (Collections and Receivable from Federal Sources)	Line 3A plus
		Changes in Unfilled Customer Orders	Line 3B plus
		Transfers from Trust Funds	Line 3D plus
		Actual (Recoveries of Prior year Obligations)	Line 4A (reverse sign)

Statement of Budgetary Resources		Report on Budget Execution (SF-133)	
Obligated Balance, Net - Beginning of Period	Line 13	Obligated Balance, Net as of 1 October	Line 12
Obligated Balance Transferred, Net	Line 14	Obligated Balance Transferred, Net	Line 13
Less: Obligated Balance, Net - End of Period	Line 15	Obligated Balance, Net, End of Period	Line 14 (reverse sign)
Total Outlays	Line 16	Outlays	Line 15

Section III. Reconciliation Requirements for the Annual Financial Statement and the Accounting Report (M) 1307 (Working Capital Fund Reporting Entities Only)

Note: There may be differences between the consolidated level of the Annual Financial Statement and the Accounting Report (M) 1307 because of eliminating entries for revenue, expenses, accounts receivable and accounts payable. However, the differences should reconcile to the eliminating entry value.

Annual Financial Statement		Accounting Report (M) 1307	
Balance Sheet		Statement of Financial Position	
Fund Balance with Treasury	Line 1.A.1 plus Line 2.A.1	Fund Balance with Treasury	Line 1
★Accounts Receivable, Net	Line 1.A.3 plus Line 1.B plus Line 2.A.2 plus Line 2.B	Accounts Receivable, Net	Line 3
Total Assets	Line 3	Total Assets	Line 11
★Accounts Payable	Line 4.A.1 plus Line 4.B plus Line 5.A.1 plus Line 5.B	Accounts Payable	Line 12.a.
Note: If there is a difference between the ANNUAL Financial Statement value and the AR 1307 for accounts payable, check GLAC 2130 , which is included in accounts payable on the ANNUAL financial statement and it is included in the AR 1307, line 12.g.			
★Total Liabilities Covered by Budgetary Resources	Line 4.F	Total Liabilities Covered by Budgetary Resources	Line 12.h.
★Total Liabilities not Covered by Budgetary Resources	Line 5.F	Liabilities not Covered by Budgetary Resources	Line 13
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Note: There may be a possible disconnect for the reconciliation of these two lines. The AR 1307, line 3 has GLAC 5600, which is in the Change in Net Position, line 2.C, GLAC 7110 and GLAC 7193, which are in the Statement of Net Cost, line 1.B.1 and GLAC 5910, which is in the Statement of Net Cost, line 1.D.			
Less Earned Revenue	Line 1.D.	Revenue from Sales of Goods and Services	Line 2 (reverse sign)
Note: There may be a possible disconnect for the reconciliation of these two lines. The AR 1307, line 3 has GLAC 5600, which is in the Change in Net Position, line 2.C, GLAC 7110 and GLAC 7193, which are in the Statement of Net Cost, line 1.B.1 and GLAC 5910, which is in the Statement of Net Cost, line 1.D.			
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		FY98 (PY) Transfers In of Property less	Line 15.b.(4)
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Annual Financial Statement		Accounting Report (M) 1307	
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DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7A

MILITARY PAY POLICY AND PROCEDURES ACTIVE DUTY AND RESERVE PAY

FEBRUARY 1999
(with changes through October 1999)

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



FEB 10 1999

FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Military Pay Policy and Procedures is divided into three volumes: Volume 7A, "Military Pay Policy and Procedures Active Duty and Reserve Pay," Volume 7B, "Military Pay Policy and Procedures for Retired Pay," and Volume 7C, "Special Military Pay/Personnel Programs and Operating Procedures." This Volume, Volume 7A, describes active duty and reserve component military pay and allowances entitlements.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Components' financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Recommended changes to and requests for deviations from or exceptions to the provisions of this Volume of the Regulation should be forwarded through appropriate chain of command channels, along with specific justification, to:

Office of the Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
1100 Defense Pentagon
Washington, DC 20301-1100

All 15 volumes of the "DoD Financial Management Regulation" are available on the Internet at <http://www.dtic.mil/comptroller/fmr/>. Printed or CD-Rom copies of the Regulation may be purchased through the Internet Homepage or directly from the Defense Automated Printing Service at 1401 S. Fern Street, Arlington, VA 22202 or by telephone at (703) 607-5212.


William J. Lynn

INTRODUCTION TO THE DOD FINANCIAL MANAGEMENT REGULATION

GENERAL

The “DOD Financial Management Regulation” stipulates the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller) (USD(C)). The Regulation is applicable to all DoD Components and consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Presentation and Formulation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Funds and Antideficiency Act Violations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction 7000.14 “DoD Financial Management Policy and Procedures,” dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A.1.a.(1)(a)
SUBPARAGRAPHS

**DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION
VOLUME 7A**

**DEPARTMENT OF DEFENSE
WASHINGTON DC**

**INTRODUCTION
TO
DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION**

1. Purpose. This regulation provides statutory provisions for entitlements, deductions, and collections, and establishes Department of Defense policy on the pay and allowances of military personnel. It is issued by the Under Secretary of Defense (Comptroller) in coordination with the Director, Defense Finance and Accounting Service.

2. Applicability. The provisions of this regulation apply to all Department of Defense activities. The regulation is issued for the information, guidance, and compliance of all personnel in the administration of military pay. It is the sole entitlement implementation by the Military Services. The regulation supersedes existing directives on military pay entitlement.

3. Relationship to Other Directives. Use this regulation with the systems and procedural pay directives of each of the Military Services. Appropriate references are included in the regulation text. Travel allowance entitlements are not included, as these instructions are covered by the Joint Federal Travel Regulations (JFTR) and Service directives.

4. Arrangement of Text:

a. Format. This regulation consists of one Volume with sixty-four chapters. The chapters are grouped as follows:

Chapters 01 through 21 -- Basic and Special Pay.

Chapters 22 through 24 -- Incentive Pay.

Chapters 25 through 31 -- Allowances.

Chapters 32 through 37 -- Miscellaneous Payments.

Chapters 38 through 40 -- Payment of Service Academy Cadets, Midshipmen, Academy Officials, and Aviation Cadet and Service Academy Preparatory School Students.

Chapters 41 through 43 -- Allotments of Pay.

Chapters 44 through 54 -- Deductions and Collections.

Chapters 55 through 64 -- Pay and Allowances for Members of the Reserve Components (Not on Extended Active Duty) and ROTC.

Supersedes DoD 7000.14-R, Volume 7, DoD Financial Management Regulation,
1 July 1996, Interim changes 5-96 thru 13-97.

No. of Printed Pages: 763

b. Appendices. Appendices such as comparable grades, comparable terms, etc., follow the text of the regulation.

c. Contents Page. A contents page, which lists contents of the regulation down to section level, precedes the introduction.

d. Numbering Paragraphs and Pages:

(1) For the system used for numbering paragraphs, please see page xviii.

(2) In correspondence, messages, etc., refer to this regulation as DoDFMR, Vol 7A by paragraph number (subparagraph or DLT if appropriate). For example: "DoDFMR, Vol 7A, subparagraph 080104.A."

e. Use of Decision Logic Tables (DLT). Decision logic tables have been used throughout the regulation to simplify technical instructions.

(1) Format. DLTs usually contain the following parts:

(a) Table heading to identify the type of instruction.

(b) Column headings, alphabetically designated. A heavy black line separates condition column headings from action column headings.

(c) Condition and action statement rules, numerically designated. A heavy black line separates condition and action headings from condition and action statement rules.

For example:

TABLE HEADING					
R U L E	A	B	C	D	E
	Column Heading	Column Heading	Column Heading	Column Heading	Column Heading
1					
2					
3					

(2) Reading DLTs. Follow this sequence in reading DLTs:

(a) Table heading, to identify instructions.

(b) Heading for column A, which leads you to the condition statements that describe the problem you are solving. Condition statements may be an extension of data in column headings, or may be limited to "X" or "Y" or "N." "Y" means yes. "N" means no. If the condition does not apply for that rule, the condition statement is left blank.

(c) If additional conditions are to be considered, you will know this from column headings B, C, etc.

(d) Then follow the rule line for the conditions describing your precise problem to the specific action statement which applies. Action statement may be an extension of data in action column headings, or may be limited to an "X." "X" means "take this action." The action statement is left blank if that action does not apply, or you are not to take that action.

5. Revisions:

a. Regular Changes. Revisions will be published by means of dated changes to the regulation. New or revised instructions appearing on the pages of a change are indicated by a star placed immediately before the new or revised paragraph, subparagraph, DLT, etc., and are listed in the Summary of Changes.

b. Interim Changes. All changes requiring rapid dissemination will be made by normal means employed by the Service concerned. Such instructions will be formalized and incorporated in the next regular change to the regulation.

c. Effective Date of Changes. The effective date of changes to the regulation will be as stated in the cover sheet accompanying a regular change or as dictated in an interim change message.

6. Requests for Technical Assistance:

- a. Send requests for technical assistance through channels of the Service concerned to:
- (1) Army-Deputy Assistant Secretary of the Army for Financial Operations
 - (2) Navy-Office of the Assistant Secretary of the Navy (Financial Management and Comptroller)
 - (3) Air Force-Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller)
 - (4) Marine Corps-Head, Liaison and Technical Services Division, Fiscal Division.

b. When required, the above offices submit requests for technical assistance to Defense Finance and Accounting Service-HQ/FMM, 1931 Jefferson Hwy, Crystal Mall #3, Room 404, Arlington VA 22240-5291.

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 7A
MILITARY PAY POLICY AND PROCEDURES ACTIVE DUTY AND RESERVE PAY**

New and revised instructions are indicated by a star placed immediately before the new or revised section, paragraph, subparagraph, DLT, etc.

Page	Paragraph	Explanation of Change/Revision	Purpose
	Definitions	I.C. 34-96 (Eff 6 Aug 96): Addition to the definition of a Dependent.	Update
1-3, 1-6	Subparagraphs 010104.K; 010201.F	I.C. 54-96 (Eff 23 Sept 96): Revision of the two paragraphs cites entitlement of creditable service for senior ROTC cadets and midshipmen in a simultaneous membership program.	Amendment
1-3	Subparagraph 0101041.I	I.C. 54-96 (Eff 23 Sept 96): Replacement of this paragraph cites cadet and midshipman coverage.	Amendment
1-3, 1-7	Subparagraphs 010104.P and 010201.K	I.C. 54-96 (Eff 23 Sept 96): Provides service credit retroactive to 1 August 1979.	Update
2-15	Table 2-5	I.C. 1-97 (Eff 1 Jan 97): Establishes basic pay for commissioned officers, aviation cadets, academy cadets, midshipmen, and ROTC members.	Amendment
2-17	Table 2-6	I.C. 1-97 (Eff 1 Jan 97): Establishes basic pay for commissioned officers credited with over four years of active duty as an enlisted member or warrant officer.	Amendment
2-18	Table 2-7	I.C. 1-97 (Eff 1 Jan 97): Establishes basic pay for warrant officers.	Amendment
2-19	Table 2-8	I.C. 1-97 (Eff 1 Jan 97): Establishes basic pay for enlisted members.	Amendment
2-20	Table 2-8, Note 2	I.C. 7-97 (Eff 6 Oct 96): Changes the dollar amount paid to senior NCOs while hospitalized and limits the period for receipt of payment to 180 days.	Amendment
5-13, 5-9	Section 0509, 050602, subparagraph 050603.A	I.C. 6-96 (Eff 1 Oct 95): Establishes Board Certified Pay for non-physician Health Care Providers.	Amendment
5-13, 5-14	050901; subparagraphs 050901.B; 050901.C, and 050904.A	I.C. 28-96 (Eff 10 Feb 96): Revises paragraphs to add special pay for Nurse Corps officers.	Revision

5-13, 5-14	Subparagraphs 050901.C, and 050904.A	I.C. 35-96 (Eff 21 Aug 96): Adds board certified pay for Navy radiation specialists and Air Force Health Physicists (medical) to both paragraphs.	Update
5-15	Section 0510	I.C. 6-96 (Eff 1 Oct 95): Establishes Diplomate Pay for Psychologists.	Amendment
6-2	060102; 060202	I.C. 53-96 (Eff 1 Oct 96): Changes these two paragraphs for new monthly rates on Special Pay for Dental Officers.	Amendment
6-4	Subparagraph 060305.A	I.C. 53-96 (Eff 1 Oct 96): Adds this new subparagraph for entitlement of additional special pay.	Update
6-6	Section 0605	I.C. 53-96 (Eff 1 Oct 96): Adds this new section for Special Pay for Active Duty of Reserve Dental Officers.	Update
6-1 through 6-7	Section 0601; paragraphs 060101;060102 060103;060104	I.C. 8-97 (Eff 1 Oct 96): Adds this new section including these paragraphs to establish the regulations governing dental officers accession bonuses. Renumbers subsequent sections in Chapter 06.	Update
8-3	Subparagraph 080105.B	I.C. 10-96 (Eff 1 Apr 96): Cites the new title and pay rate of increasing the maximum rate of special pay for enlisted members serving as recruiters.	Update
8-3	Subparagraph 080105.D	I.C. 10-97 (Eff 4 Mar 97): Changes the DoD guidance for increasing the maximum rate of special pay for enlisted members serving as recruiters.	Amendment
9-1, 9-2, 9-11	Subparagraph 090101.F; 090104; 090105; 090106; 090107, A, B, C, D and paragraph 090206	I.C. 36-96 (Eff 6 Sept 96): Implements the extension of certain bonuses for Reserve Component members. Enlistment and Reenlistment bonuses.	Update
9-1, 9-11	Subparagraph 090101.F; 090206	I.C. 52-96 and 46-96 (Eff 1 Oct 96): Extension of certain Reserve Component bonus entitlements.	Amendment
9-18	Subparagraph 090403.N.10	I.C. 40-96 (Eff 29 Nov 95): Clarifies recoupment bonuses for personality disorder.	Update
10-3, 10-4, 10-5	Figure 10-1	I.C. 45-96 (Eff 1 Oct 96): Update this figure to clarify the designation of, and individually identify, certain areas and countries of imminent danger and hostile fire pay areas (Croatia, Macedonia, Montenegro, Serbia, Slovenia, and Turkey).	Update

10-3, 10-4, 10-6	Figure 10-1	I.C. 5-97 (Eff 29 Nov 96): Figure changed to identify the entire land areas of Burundi, Zaire, and Pakistan as imminent danger pay areas in accordance with OASD (FMP) memo of 29 Nov 1996.	Amendment
10-4	Figure 10-1	I.C. 13-97 (Eff dates found within the table): Figure modified to designate Greece as a country eligible for imminent danger pay.	Amendment
10-3, 10-4, 10-5	Figure 10-1	I.C. 13-97 (Eff dates found within the table): Figure modified to implement changes that affect payment of hostile fire or imminent danger pay for the following countries: Egypt, Jordan, Turkey, Chad, Mozambique, Vietnam, Afghanistan, Cambodia, Colombia, El Salvador, Laos, Lebanon, Panama, Peru, Georgia, and Abkhazia.	Amendment
11-4	Subparagraph 110302.B	I.C. 30-96 (Eff 1 Sept 96): Revision to include deep sea diving independent duty corpsman.	Amendment
12-1 through 12-6	Chapter 12	I.C. 43-96 (Eff 10 Aug 96): Rewrite of chapter 12 clarifies the requirements of bonus payments.	Revision
12-1, 12-2, 12-4	Subparagraphs 120101.A 120201.A; 120301.A	I.C. 52-96 and I.C. 46-96 (Eff 1 Oct 96): Changes to the subparagraphs with regard to extension of certain Reserve Component bonus entitlements.	Amendment
17-3	170502	I.C. 56-96 (Eff 5 Nov 96): Paragraph changed to close Bujumbura and expand the area of Burundi.	Amendment
20-1	Section 2001	I.C. 15-96 (Eff 10 Feb 96): Cites the extension of Aviation Officer Retention Bonus.	Amendment
20-1	Section 2001	I.C. 52-96 and I.C. 46-96 (Eff 1 Oct 96): Changes to this section regarding extension of certain component bonus entitlements.	Amendment
20-2	Section 2007	I.C. 32-96 (Eff 2 Aug 96): Cites coverage of period of lapsed authority of aviation retention bonus.	Amendment
21-1, 21-2	210101; subparagraph 210201.A	I.C. 21-96 (Eff 1 Oct 96): Extends period of special pay to Nurse Corp officers, Registered Nurses, Nurse Anesthetists, and nurse officer candidates.	Amendment

21-1, 21-2	210101; subparagraph 210201.A	I.C. 52-96 and I.C. 46-96 (Eff 1 Oct 96): Changes to this section regarding extension of certain component bonus entitlements.	Amendment
22-9, 22-10	Subparagraphs 220201.A.2, through 220201.A.7, and B	I.C. 8-96 (Eff 1 Oct 91) cites the increase in the number of years required for officers to qualify for ACIP.	Amendment
22-8	220116	I.C. 9-96 (Eff 10 Feb 96): Cites the requirements for HDIP.	Amendment
22-9	Subparagraphs 220201.A.2; 220201.A.3	I.C. 3-97 (Eff 1 July 96): Changed to incorporate a change in years required for an officer to qualify for aviation career incentive pay.	Amendment
22-9	Subparagraph 220201.A.5	I.C. 3-97 (Eff 1 July 96): New subparagraph authorizes the service secretaries to authorize waivers and approve conditional ACIP.	Update
24-11, 24-12, 24-13	Subparagraphs 240501.B.3; 240501.B.4	I.C. 20-96 (Eff 1 June 96): Clarify the entitlement to ESD Pay.	Amendment
25-6, 25-7, 25-8, 25-9, 25-10	250301; 250406; subparagraphs 250407.C.; 250407.C.2; 250407.D.1; 250407.D.2; 250407.E.1; 250407.E.2; 250408.B.1; 250408.B.2;	I.C. 1-97 (Eff 1 Jan 97): Establishes BAS for all members.	Amendment
26-2, 26-4	Subparagraphs 260201.A; 260201.B; 260205.B.2; and Table 26-3	I.C. 24-96 (Eff 1 July 96): Cites under what conditions members are entitled to BAQ.	Amendment
26-3, 26-33, 26-36	Subparagraphs 260201.A; 260201.B; 260201.C; and Table 26-3	I.C. 6-97: Both the paragraphs and the table have changed; established by rank the criteria that entitles noncommissioned officers to BAQ while on sea duty.	Amendment
26-44	Table 26-9	I.C. 1-97 (Eff 1 Jan 97): Establishes BAQ for all members.	Amendment
27-1, 27-21	Subparagraph 270102.A Table 27-3	I.C. 55-96 (Eff 23 Sept 96): Subparagraph replaced by adding new subparagraph 270104D to clarify entitlement to FSA II.	Amendment
27-2, 27-3, 27-6, 27-8, 27-9	Subparagraphs 270104.A.2; 270104.A.3; 270104.D; 270301.A.2; 270301.A.2 and 270301.A.3; 270301.B through 270301.H	I.C. 38-96 (Eff 10 Feb 96): Cites who are authorized FSA.	Amendment

27-4	Subparagraph 270201.B	I.C. 39-96 (Eff 11 Sept 96): Cites exceptions to entitlement to FSA II.	Amendment
27-15	270306	I.C. 55-96 (Eff 23 Sept 96): Title of paragraph changed to add with dependent children.	Amendment
29-7	Table 29-1	I.C. 33-96 (Eff 5 Aug 96): Clarifies who is entitled to special initial clothing monetary allowance for Naval Officer candidates.	Amendment
29-7, 29-8, 29-10, 29-13	Table 29-1, 29-2, 29-3, 29-6	I.C. 50-96 (Eff 1 Oct 96): Changes these tables to reflect fiscal year 97 clothing monetary rates.	Amendment
29-13	Table 29-6	I.C. 13-96 (Eff 1 Oct 95): Cites the new rates for clothing allowance procedures for FY96.	Amendment
32-8, 32-9, 32-10	Table 32-1	I.C. 7-96 (Eff 15 March 96): Revises the table to implement the increased rate of advanced pay for basic trainees.	Amendment
32-1, 32-3, 32-4, 32-6, 32-7	Chapter 32, Title; section 3202; 320201; 320202; Figure 32-1	I.C. 37-96 (Eff 5 Sept 96): Cites standard policy/procedures for emergency partial payments via electronic fund transfer.	Amendment
32-11, 32-12	Table 32-2	I.C. 49-96 (Eff 31 Oct 96): Revises the advance pay rule to include forced retirements under SERB.	Amendment
34-2, 34-5, 34-6, 34-7, 34-8	Section 3405; subparagraph 341103.A; Tables 34-1 and 34-2	I.C. 29-96 (Eff 24 July 96): Revises procedural modification of pay entitlements for members missing in action, interned, etc.	Amendment
35-4, 35-29	Subparagraph 350101.F Table 35-1	I.C. 23-96 (Eff 10 Feb 96): New paragraph added to reflect revision to the limitations on the number of days accrued leave that may be paid upon the death of a member on active duty.	Amendment
35-5	Subparagraph 350103.B	I.C. 41-96 (Eff 10 Oct 96): Establishes tax exclusions for members serving in Bosnia-Herzegovina, Croatia, or Macedonia.	Update
35-12	Subparagraph 350205.B	I.C. 4-97 (Eff 1 Oct 96): Establishes new procedures for recouping separation pay, severance pay, or readjustment pay made after 30 September 1996.	Amendment

35-16	Subparagraph 350404.A.1	I.C. 16-96 (Eff 13 May 96): Cites the requirements for taxability and withholding of disability severance pay.	Amendment
35-20, 35-24	Subparagraphs 350702.F.3, 4, and 5 Subparagraph 350802.D.3, 4, and 5	I.C. 43-96 (eff 10 Aug 96): Corrected cross references due to the rewrite of Chapter 12 clarifying the bonus payments requirements.	Update
35-21	Subparagraph 350703.B	I.C. 4-97 (Eff 1 Oct 96): Clarifies the procedure applied governing federal income tax withholding when collecting special separation bonuses.	Revision
36-4	Subparagraph 360106.C	I.C. 12-97 (Eff 1 Oct 96): Revises the amount of death gratuity paid to survivors of military members after 20 August 1996 that is excludable from income.	Revision
38-1	Section 3803	I.C. 11-97 (Eff 1 Oct 97): Changes the rations in kind rate or commuted rations to \$5.03 a day.	Revision
43-6	Subparagraph 430404.C.7	I.C. 25-96 (Eff 17 July 96): Clarifies the deductions of TRICARE-FMDP premiums.	Revision
43-10	430407	I.C. 51-96 (Eff 29 Nov 96): Cites the new address for garnishments.	Update
44-1	440101	I.C. 2-97 (Eff 2 Jan 97): Establishes certain non-cash fringe benefits as being subject to federal and applicable state income taxes and provides process for determining valuation of such fringe benefits.	Amendment
44-1, 44-2	Subparagraph 44103.A.3	I.C. 22-96 (Eff midnight 30 June 96): Added this new subparagraph which terminates the combat zone designation for Vietnam and adjacent waters.	Update
44-1, 44-2, 44-3, 44-4, 44-5, 44-10, 44-12	Subparagraphs 440102.A; 440102.B; 440103; 440103.B; 440103.; 440103.D; 440103.E; 440103.F; 440203; Table 44-1	I.C. 41-96 (Eff 10 Oct 96): Establishes tax exclusions for members serving in Bosnia-Herzegovina, Croatia, and Macedonia.	Update
44-12 through 44-14	Table 44-1	I.C. 48-96 (Eff 1 Nov 96): Clarifies taxable income of separation payments.	Update

44-13	Table 44-1, rule 14	I.C. 12-97 (Eff 1 Oct 96): Revises the amount of death gratuity paid to survivors of military members after 20 August 1996 that is excludable from income.	Revision
44-14, 44-15	Table 44-1, rules 18 and 19	I.C. 2-97 (Eff 2 Jan 97): Establishes certain non-cash fringe benefits as being subject to federal and applicable state income taxes and provides process for determining valuation of such fringe benefits.	Update
47-1, 47-4, 47-5	470301; 470302; Table 47-1	I.C. 14-96 (Eff 1 Apr 96): Increases members life insurance or member can elect to take less or waive coverage. Table 47-1 implements the coverage.	Update
48-2, 48-3	480204, 480205	I.C. 31-96 (Eff 1 Apr 96): New paragraphs cite procedures for reduction in grade as a result of certain court-martial sentences.	Update
48-4	480501	I.C. 12-96 (Eff 1 Apr 96): Cites date to start fines and forfeitures on imposed court-martial convictions.	Update
48-3, 48-4	Section 4805; 480501; 480502	I.C. 17-96 (Eff 1 Apr 96): Cites effective dates of fines and forfeitures on court-martial convictions.	Update
48-4	480601	I.C. 18-96 (Eff 1 Apr 96): Cites forfeiture of pay and allowances during certain court-martial confinements.	Update
50-3, 50-4	Subparagraphs 500104.B.1; 500104.B.2; 500104.B.3	I.C. 9-97 (eff 24 Feb 97): Establishes the designee within DoD responsible for receiving 5 U.S.C. 5514 collections.	Amendment
50-8, 50-15	Subparagraph 500201.D.9 added; subparagraph 500304.G revised	I.C. 25-96 (Eff 17 July 96): Clarifies the deductions of TRICARE-FMDP premiums.	Amendment
50-6	Subparagraph 500110.D, E	I.C. 27-96 (Eff 25 July 96): New paragraph added to chapter 50.	Update
50-10	Subparagraph 500201.G.1	I.C. 51-96 (Eff 29 Nov 96): Cites the new address for garnishments.	Update
50-24	Table 50-6	I.C. 27-96 (Eff 25 July 96): Technical changes to Table 50-6.	Revision

51-1, 51-2, 51-7, 51-8, 51-9	510106 added; 510203 added; Table 51-1, Table 51-2 and Table 51-3 amended	I.C. 5-96 (Eff 1 Jan 96): These paragraphs added and the tables amended to establish eligibility for SDP in the total land area of Bosnia-Herzegovina, Croatia, Serbia, Montenegro, Slovenia, Macedonia, Hungary, and the air space there over, or the waters of the Adriatic Sea north of 40N for the purpose of executing OJE.	Amendment
54-3	540501	I.C. 26-96 (Eff 1 Aug 96): Revises the monthly premiums.	Update
55-1	New Chapter 55	I.C. 44-96 (Eff 1 Oct 96): New chapter created for Ready Reserve Mobilization Income Insurance Program.	Update
57-5, 57-6, 57-7	570402; subparagraph 570402.A; 570403; subparagraph 570403.A; subparagraph 570403.B; 570404	I.C. 42-96 (Eff 2 Oct 96): Initiates procedural changes to this interim change dealing with extension of certain bonuses for Reserve Component forces.	Update
57-4	Subparagraph 570401.C.3	I.C. 47-96 (Eff 1 Oct 96): Clarifies the limitations on use of excess flying time accumulated while serving on inactive duty.	Update
57-7	570404	I.C. 46-96 and 52-96 (Eff 1 Oct 96): Extension of certain Reserve Component bonus entitlements.	Amendment
57-14	Subparagraph 570604.A	I.C. 10-97 (Eff 4 March 97): Establishes the length of time that Reserve Component members may be paid disability.	Amendment
57-18	570710	I.C. 5-96 (Eff 1 Jan 96): New paragraph added allowing members serving on active duty to participate in SDP.	Amendment
58-4	Subparagraph 580107.D	I.C. 46-96 and 52-96 (Eff 1 Oct 96): Extension of certain Reserve Component bonus entitlements.	Amendment
58-15, 58-16	Subparagraphs 580702.A, B, and C.	I.C. 14-96 (Eff 1 Apr 96): Automatically increases members life insurance or member can elect to take less or waive coverage.	Update
60-3	600202.A.1 and 600202.A.2	I.C. 11-96 (Eff 9 May 96): Implement a standard policy for payment of initial and anniversary FAP grants.	Update
60-1, 60-2	Subparagraphs 600102.A and 600202.A	I.C. 19-96 (Eff 1 July 96): Cites the stipend and grant increase for armed forces health professions scholarship and financial assistance programs.	Update

61-1	Section 6102	I.C. 42-96 (Eff 2 Oct 96): Initiates procedural changes to this interim change of extension of certain bonuses for Reserve Component forces.	Update
61-1	Section 6102	I.C. 46-96 and 52-96 (Eff 1 Oct 96): Extension of certain Reserve Component bonus entitlements.	Amendment
62-1, 62-2	Subparagraphs 620102.A and 620202.A	I.C. 19-96 (Eff 1 July 96): Cites the stipend and grant increase for armed forces health professions scholarship and financial assistance programs.	Update
63-1	Section 6302	I.C. 21-96 (Eff 1 Oct 96): Extends period of special pay to Nurse Corps officers, Registered Nurses, Nurse Anesthetists, and nurse officer candidates.	Amendment
63-1	Section 6302	I.C. 46-96 and 52-96 (Eff 1 Oct 96): Extension of certain Reserve Component bonus entitlements.	Amended
Various	Various	Grammatical and format changes, corrections of certain publication errors in punctuation, spelling, DLT structures, and elimination of sex-based terminology, have been made.	Update

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(a) Chapter 962, 60 Stat 1057	Act of 13 Aug 1946	1-3
(b) 59 Stat 664	The Act of 28 Dec 1945	1-6
(c) Title 10	United States Code, Sections and Chapters as follows:	50-15
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270	Ready Reserve: Training Requirements	35-15, 57-16
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643	Chaplains: Discharge of Retirement upon Loss of Professional Qualifications	35-6, 35-7
651	Members: Required Service	35-7, 57-7, 57-8
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DEFINITIONS

1. Absence Over Leave. Absent beyond the period for which leave was authorized.
2. Absent Without Leave (AWOL). Absence from a place of duty without permission or authorization and without the intention of deserting.
3. Academic School Year. Commences with the date required to report for courses of instruction for the member's chosen degree or naval or military science classes, whichever occurs first, and terminates upon completion of either of the above, whichever occurs later.
4. Active Duty. Full-time duty in the active service of a Uniformed Service, including full-time training duty, annual training duty, full-time National Guard duty, and attendance, while in the active service, at a school designated as a Military Service school by law or by the Secretary concerned.
5. Active Duty for a Period of More Than 30 Days. Active duty under a call or order that does not specify a period of 30 days or less.
6. Active Duty for Training. Full-time duty in the active military service of the United States for training purposes.
7. Active Duty List. A single list for the Army, Navy, Air Force, or Marine Corps which contains the names of all officers of that Armed Force who are serving on active duty, other than officers described in 10 U.S.C. 641 (reference (c)).
8. Active Service. Active service means service on active duty.
9. Advance Payment. Payment of pay (pay and allowances in certain cases) before it is earned.
10. Advanced Leave. Leave authorized in advance of that accrued.
11. Air National Guard of the United States. The part of the Air Force Ready Reserve whose members are also members of the Air National Guard.
12. Allotment. A definite portion of the pay and allowances of a person in the Military Service, which is authorized to be paid to a qualified allottee.
13. Allottee. The person or institution to whom the allotment is made payable.
14. Allotter. The person from whose pay the allotment is made.
15. Allowance. A monetary amount paid to an individual in lieu of furnished quarters, subsistence, or the like.

16. Appropriation. An amount of money specifically authorized by Congress against which obligations may be incurred and from which payments may be made.
17. Armed Forces of the United States. Includes the Army, Navy, Air Force, Marine Corps, and Coast Guard, and all components thereof.
18. Army National Guard of the United States. The part of the Army Ready Reserve whose members are also members of the Army National Guard.
19. Aviation Service Career (Not on Extended Active Duty). An officer not on extended active duty who holds an aeronautical rating and is qualified for aviation service under regulations prescribed by the Secretary of the Military Department concerned, shall be considered to be performing aviation service on a career basis, as prescribed in 37 U.S.C. 301a (reference (aa)), so long as he or she is performing operational flying duty, or is assigned to a rated position in a Reserve Component or is considered by that component as an asset to the rated inventory and within the preceding 24 months was either on extended active duty as a rated officer or assigned to a rated position in a Reserve Component.
20. Basic Allowance for Quarters (BAQ). An amount of money prescribed and limited by law which an officer or enlisted member receives to pay for quarters not provided by the government.
21. Basic Allowance for Subsistence (BAS). A cash allowance, by law payable to officers at all times, to help reimburse them for the expense of subsisting themselves. For enlisted personnel, a cash allowance payable when rations in kind are not available; when permitted to ration separately; or when assigned to duty under emergency conditions where no messing facilities of the United States are available.
22. Basic Pay. The pay of an officer or enlisted member according to the rank and longevity before additional amounts are added for quarters, subsistence, flying status, overseas duty, etc.
23. Beneficiary. The recipient of certain benefits due as a result of relationship to or designation by a member.
24. Cadet or Midshipmen (ROTC). A member of the SROTC program under chapter 103 of Title 10, U.S.C. (reference (c)).
25. Captive Status. A missing status resulting from a member's involvement in a hostile action. Hostile action is determined by the Secretary of Defense.
26. Captivity-Related Offense. An offense, committed while in a captive status and related to the status, which is listed in 5 U.S.C. 8312(a) or (b) (reference (cl)), or which is listed in chapter 47 of the UCMJ (reference (i)) that is punishable by dishonorable discharge, dismissal, or confinement for a minimum of 1 year.

27. Cash Maintenance Allowance. Refers to the several types of clothing maintenance allowances paid by cash; for example: standard, basic, special, etc.
28. Certifying Officer. A person authorized to attest to the accuracy or legality of facts, especially those which support a demand for payment.
29. Commissioned Officer. Unless otherwise qualified, means a member of the Uniformed Services having rank or grade of second lieutenant, ensign, or above, either permanent or temporary, in any of the Uniformed Services.
30. Commuted Rations. The monetary allowance given in lieu of subsistence to entitled personnel on leave or otherwise authorized to mess separately.
31. Competent Orders. Orders issued by the Secretary concerned or such officer or officers as the Secretary may designate, to members of their respective Services or to members of other Services when such latter members are performing duty with a Service other than their own.
32. Continental United States. Unless otherwise qualified, means the 48 contiguous states and the District of Columbia.
33. Contingency Operation. Any military operation that:
- a. Is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or
 - b. Results in the call or order to, or retention on, active duty of members of the Uniformed Services under section 672(a), 673, 673b, 673c, 688, 3500, or 8500 of Title 10, U.S.C. (reference (c)); under chapter 15 of Title 10, U.S.C. (reference (c)); or under any other provision of law during a war or national emergency declared by the President or the Congress.
34. Critical Speciality. A medical speciality that is manned at, or is projected within two fiscal years to be manned at, less than 95 percent of budget authorized allowance with fully qualified physicians.
35. Currency-Blocked Country. A country, specified by the Treasury Department, to which dollar instruments may not be transmitted.
36. Dependent. With respect to a member of a Uniformed Service, dependent means:
- a. Spouse;
 - b. Unmarried child under the age of 21, including an adopted child or a stepchild, but not after the divorce of the member from the stepchild's natural parent;

c. An unmarried illegitimate child under the age of 21 provided the parentage on the part of the member is established by court-order, by a signed statement of parentage submitted by the member or, in the case of a female member, the birth certificate showing the member as the natural mother of the child;

d. An unmarried child under the age of 21 who has been placed in the member's home by a local, state, or foreign government placement agency or a government-approved adoption agency as a part of a normal adoption process, provided the member produces a document from such agency establishing the fact of relationship and the effective date of relationship.

e. An unmarried child who is at least 21 years of age but under 23 years of age who is enrolled in a full-time course of study at an educational institution approved by the Secretary concerned when the member demonstrates in a statement listing the child's income and expenses that the child is in fact dependent on the member for over one half of the child's support.

f. An unmarried child, 21 years of age or older, who is incapable of self-support because of a mental or physical incapacity and who is in fact dependent upon the member for more than one half of the incapacitated child's support.

g. A parent, including a stepparent, parent by adoption, or any person who has stood in loco parentis at any time for a continuous period of at least five years before the member's 21st birthday, or a parent, a stepparent or adopted parent of the member's spouse, any of whose dependency on the member has been determined in accordance with the rules and regulations established by the Secretary concerned.

h. Effective 1 July 1994, a ward, who is an unmarried person who meets each of the following criteria:

1. A court of competent jurisdiction in the United States, Puerto Rico, or a possession of the United States has placed the person in the custody of the member either permanently or for a period which lasts at least 12 months from the date of the order.

2. The person must be:

(a) Under 21 years of age;

(b) At least 21 years of age, but under 23 years of age who meets the criteria for a student set forth in e, above; or

(c) Incapable of self support because of a mental or physical incapacity that occurred while the person was considered a dependent ward of the member.

3. The person must be dependent upon the member for over one-half of the person's support.

4. The person must reside with the member unless separated either by the necessity of Military Service; to receive institutional care as a result of disability or incapacitation; or under such other circumstances as the Secretary concerned may by regulation prescribe.

5. The person may not be a dependent of any member under any other part of this definition.

★6. The person is considered to be in the same class of dependents as a member's other children for the purpose of determining entitlement.

37. Desertion. Absence without leave with intent to remain away permanently.

38. Designated Applicant (ROTC). A student at an institution where a unit of the Senior Reserve Officers' Training Corps (SROTC) is established who did not participate in the SROTC program during the first two academic years, but desires to participate in the advance portion of the program during the two remaining academic years (or three remaining years in an approved 5-year program) and possesses all other qualifications.

39. Disbursing Officer. An officer responsible and accountable for the disbursement and collection of public funds, especially military pay and allowances.

40. Dual Status. Enlisted members of the Naval or Marine Corps Reserve on duty as temporary officers under 10 U.S.C. 5596 (reference (c)).

41. Duty Station. The place at which the member is assigned for regular duty; also, the place at which the member performs an assigned duty.

42. Enforced Separation. Involuntary separation of the member from dependents as a result of official orders.

43. Enlisted Member. A person enlisted, enrolled, or conscripted into a Military Service.

44. Enlistee. A person who has voluntarily enlisted for military service.

45. Enlistment.

a. A voluntary entrance into military service under enlisted status, as distinguished from induction through Selective Service.

b. A period of time, contractual or prescribed by law, which enlisted members serve between enrollment and discharge.

46. Entitlement. The legal right to receive items of pay and/or allowances.

47. Erroneous Payment. A payment of pay and/or allowances to a member to which he/she is not entitled.
48. Excess Leave. Leave granted in excess of that accrued or advanced.
49. Exigencies of the Service. Urgent demands of a Military Service.
50. Expiration of Term of Service. The end of a required or contracted period of service.
51. Extension of Enlistment. Contracted agreement which extends an enlisted member's current enlistment for a stated period beyond normal expiration of that enlistment.
52. Federal Insurance Contribution Act (FICA) (reference (ci)). The federal statute that requires the withholding of tax from salaries of employees covered by the Social Security Act (reference (ca)) and the payment of employer's tax by federal agencies.
53. Field Duty. Serving with troops participating in maneuvers, war games, field exercises, or similar types of operations, and
- a. The member is subsisted in a government mess or with an organization drawing field rations, and is quartered in accommodations normally associated with field exercises, or
 - b. Students are participating in survival training and forage for subsistence and improvise their own shelter.
- Members furnished quarters and subsistence obtained by contract may also be considered as performing field duty when so declared by competent official.
54. Financial Organizations. Any bank, savings bank, savings and loan association or similar institution, or federal or state chartered credit union.
55. Flag Officer. A Navy term for an officer comparable to Army, Air Force and Marine Corps general officer.
56. Fleet Reserve or Fleet Marine Corps Reserve. A component of the Regular service to which members may be transferred and released from active duty after obtaining 20 or more years of active federal service.
57. Flight Requirement. The number of hours or minutes of flying time required to qualify for entitlement to incentive pay for a specific period of time.
58. Flying Status. The status of a member who is required by orders to participate in frequent and regular aerial flights.
59. Former Captive. A member who was held in a captive status.

60. Full-Time National Guard Duty. Training or other duty, other than inactive duty, performed by a member of the Army or Air National Guard of the United States in the member's status as a member of the National Guard of a state or territory, the Commonwealth of Puerto Rico, or the District of Columbia under Title 32, U.S.C. 316, 502, 503, 504, or 505 (reference (bq)), for which the member is entitled to (or has waived entitlement to) pay from the United States.

61. Fully Qualified. A physician that has completed a residency training program or is board certified or board eligible in a medical speciality and, if involved with independent patient care, is credentialed to practice medicine in that speciality by a credentialing authority.

62. Government Mess. Government mess means any of the following, provided it is made available to, or utilized by, the member concerned, even though officers are assessed a charge therefore:

- a. Any general or Military Service organizational mess, including messing facilities of a state-owned National Guard camp;
- b. Any Army or Air Force officers' or student officers' field mess;
- c. A Navy, Marine Corps, or Coast Guard officers' closed mess; or an officers' wardroom mess or warrant officers' and chief petty officers' mess afloat;
- d. Box lunches, in-flight meals, or rations furnished by the government.

63. Government Quarters or Housing Facilities. Includes the following:

- a. Any sleeping accommodations or family-type housing owned or leased by the United States Government;
- b. Lodgings or other quarters obtained by United States Government contract;
- c. Dormitories or similar facilities operated by cost-plus-a-fixed-fee contractors;
- d. Any sleeping or housing facilities furnished by a foreign government on behalf of the United States Government;
- e. Transient facilities such as guest houses, hostess houses, and hotel-type accommodations. (Accommodations built and operated by nonappropriated fund activities are considered to be rental quarters for the purpose of BAQ eligibility.) Payment of service charges for laundering of linens, janitorial services, etc., has no effect on whether the facilities are considered government quarters or housing facilities;
- f. Quarters in a state-owned National Guard camp.

64. He, His, Him. "He," "his," and "him" include the terms "she," "her" and "hers."
65. Home. The place recorded as home when the member was ordered to active duty.
66. Inactive Duty Training
- a. Duty prescribed for members of a Reserve Component by the Secretary concerned.
 - b. Special additional duties authorized for members of a Reserve Component by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned.
 - c. This term also includes duties in a. and b. above when performed by members of the National Guard. Such duties include:
 - (1) Unit training assemblies.
 - (2) Training or other duty the member is required to perform, with or without member's consent. This includes, but is not limited to, appropriate duty or equivalent training and additional flying training periods.
 - d. This term does not include work or study for a correspondence course of a Uniformed Service.
 - e. For pay purposes, inactive duty training must be performed under orders, cover a specific assignment, and have a prescribed time limit.
67. Inductee. One who is inducted.
68. Induction. The act of taking a person into any of the Armed Services of the United States without voluntary action on his or her part, conscription.
69. Initial Residency Training. That period of time in residency training before formal completion of an officer's first residency that qualifies the officer to take the speciality board, which qualifies the officer for board certification equivalency.
70. In Loco Parentis. A person who stood in place of the natural parent(s) to the Military Service member. (See also "Parent.")
71. Issue in Kind. An issue in goods rather than in money.

72. Legal Process. The term legal process means any writ, order, summons, or other similar process in the nature of garnishment, which:

a. Is issued by:

(1) A court of competent jurisdiction in any state, territory, or possession of the United States;

(2) A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement which requires the United States to honor such process; or

(3) An authorized official pursuant to an order of such a court of competent jurisdiction or pursuant to state or local law, and

b. Is directed to, and the purpose of which is to compel, a governmental entity, which holds money which is otherwise payable to an individual, to make a payment from such money to another party in order to satisfy a legal obligation of such individual to provide child support or make alimony payments.

73. Lost Time. That period of time not included in determining cumulative years of service for all military purposes.

74. Medical Officer. An officer of the Medical Corps of the Army or the Navy or an officer of the Air Force designated as a medical officer who is on active duty under a call or order to active duty for a period of not less than 1 year.

75. Medical or Osteopathic Internship and Residency Training

a. Medical or Osteopathic Internship. The first year of graduate medical education, immediately following medical or osteopathic school whether a formal internship or the first year of a residency. For the purposes of variable special pay, this includes the period during which the active duty medical corps officer is waiting to begin internship training as well as the period in which such an officer is awaiting separation because of failure to complete that training.

b. Medical or Osteopathic Residency. A formal program of medical or osteopathic specialty or subspecialty training.

76. Medical or Osteopathic Specialty. Any specialty for which there is an identifying specialty skill identifier number, a Naval officer billet classification number, or an Air Force specialty code number.

77. Member. A person appointed or enlisted in, or conscripted into, a Uniformed Service. (Cadets or midshipmen of the Service academies are considered members only for the purpose of establishing entitlement under the provisions of Chapter 34).

78. Member (ROTC). A student who is enrolled in the senior ROTC of an Armed Force, under 10 U.S.C., chapter 103 (reference (c)).

79. Militia. Includes all able-bodied males at least 17 years of age, but under 45 years of age (or under 64 years of age and a former member of the Regular Army, Regular Navy, Regular Air Force or Regular Marine Corps), who are U.S. citizens or who have declared the intention to become U.S. citizens; and female citizens who are commissioned officers of the National Guard.

80. Missing Status. Includes missing, missing in action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.

81. National Guard. The Army and the Air National Guard. The National Guard is that part of the organized militia of the 50 States, Puerto Rico, Guam, the Canal Zone, the Virgin Islands, and the District of Columbia, active and inactive, that is:

- a. Either a land or an air force;
- b. Trained, and has its officers appointed under the 16th clause of section 8, article I of the Constitution (reference (dy));
- c. Organized, armed, and equipped wholly or partly at federal expense; and
- d. Federally recognized.

The Army and the Air National Guard of the United States are subsets of the Army and the Air National Guard, respectively.

82. Nurse Corps Officer. An officer of the Nurse Corps of the Army or the Navy, or an officer of the Air Force designated as a nurse.

83. Officer. A commissioned or warrant officer.

84. Operational Flying Duty. Flying performed under competent orders by rated or designated members while serving in assignments in which basic flying skills normally are maintained in the performance of assigned duties as determined by the Secretary of the Military Department concerned, and flying performed by members in training that leads to the award of an aeronautical rating or designation.

85. Overpayment. An amount paid to a member which is in excess of that to which entitled.

86. Parachute Accident. An accident which results in injury to a qualified parachutist or parachute rigger, or a member in training for such rating during a regular tour of duty. To be considered a parachute accident the injury must occur while the member is on board an aircraft

incident to assigned duties, or as a result of jumping from, being thrown from, or being struck by an aircraft or any part or auxiliary thereof.

87. Parent. The natural father or mother, and father or mother through adoption. It also includes persons who have stood "in loco parentis" to a member. See also definition for "Dependent."

88. Permanent Change of Station. The assignment, detail, or transfer of a member or unit to a different duty station under competent orders which neither specify the duty as temporary, nor provide for further assignment to a new station, nor direct return to the old station. (For more detailed definition, see volume 1, Joint Federal Travel Regulations, Appendix J (reference (d))).

89. Permanent Station. In general, the post of duty or official station to which member is assigned for permanent duty. (For more detailed definition, see Joint Federal Travel Regulations, volume 1, Appendix J (reference (d))).

90. Prisoner of War. A member who was/is held in captivity by another nation's government as a result of hostilities between that nation and the United States (whether or not by declaration of war).

91. Public Quarters. See "Government Quarters or Housing Facilities."

92. Punitive Discharge. A dishonorable or bad conduct discharge ordered as punishment under the Uniform Code of Military Justice (reference (i)).

93. Rations in Kind. Meals furnished rather than money in lieu thereof.

94. Ready Reserves. Units or individual Reservists liable for active duty under Title 10 U.S.C., sections 672 or 673 (reference (c)).

95. Reenlistment Bonus. Special pay to an enlisted member who reenlists under provisions of 37 U.S.C. 308 (reference (aa)).

96. Rental Charge. Refers to a charge made on account of occupancy. Does not include service charges for linen, cleaning, maintenance, etc.

97. Reserve Components. The Army National Guard of the United States, Army Reserve, Naval Reserve, Marine Corps Reserve, Air National Guard of the United States, Air Force Reserve, Coast Guard Reserve, and the Reserve Corps of the Public Health Service.

98. Retired List. Any one of several lists of military members retired from the regular or Reserve Components of the Armed Forces.

99. Retired Reserves. Members of the Reserve Component of the Armed Forces who are or have been retired, or who have been transferred to the Retired Reserves upon their request, but

are not necessarily eligible to begin receiving retired pay. Although in a retired status, Retired Reserves retain their status as Reserves.

100. Saved Pay. Special pay provisions that allow military members, under certain circumstances, to retain entitlement to amounts of pay and/or allowances authorized under prior laws or for a lower grade from which promoted.

101. Selected Reserves. That part of the Ready Reserves which consists of units and, as designated by the Secretary concerned, individual Reservists trained as prescribed in 10 U.S.C. 10147(a)(1) (reference (c)) or 32 U.S.C. 502(a) (reference (bq)). Most Selected Reserve members are required to participate in a minimum of 48 scheduled drill or training periods annually and serve on active duty for training at least 12 days annually.

102. Separate Rations. See "Commuted Rations."

103. Separation. Discharge, release from active duty, retirement, death, or in the case of enlisted members, the date when they begin to serve on a voluntary extension of enlistment for any period of time.

104. Service Academy Cadet or Midshipman. A person in training at one of the Service academies to become a commissioned officer.

105. Statutory Limitations. The legal limits or restrictions as provided by law.

106. Stipend Payment. A fixed sum of money paid periodically for services or to defray expenses, especially payment to medical officers on duty at civilian medical facilities.

107. Temporary Officer Status. A member of the Navy or Marine Corps appointed a temporary officer under the provisions of 10 U.S.C. 5596 (reference (c)).

108. Total Forfeiture. Forfeiture of all pay and allowances as punishment under the Uniform Code of Military Justice.

109. Uniformed Services. The Army, Navy, Marine Corps, Air Force, Coast Guard, Public Health Service and the commissioned corps of the Environmental Science Services Administration now known as the National Oceanic and Atmospheric Administration.

110. United States. The 48 contiguous states, the District of Columbia, and the States of Alaska and Hawaii.

111. Variable Reenlistment Bonus. Special pay to an enlisted member with a critical skill, in addition to a regular reenlistment bonus, under provisions of 37 U.S.C. 308g (reference (aa)).

112. Warrant Officer. A person who holds a commission or warrant in a warrant officer grade.

CHAPTER 1**CREDITABLE SERVICE****0101 SERVICE WHICH IS CREDITABLE****010101. General**

A. The military pay and personnel systems use a variety of dates to determine various entitlements. Among them is the date which denotes how much service a member has for the purpose of determining longevity pay rates. The Army refers to this as the pay entry basic date, the Navy and Marine Corps refer to this as the pay entry base date, while the Air Force calls it simply the pay date. This chapter will refer to it as the basic pay date, which is defined as reflecting all service which is creditable towards longevity.

B. The member's servicing personnel office is responsible for providing, when necessary, a statement of service which can include the basic pay date, total active federal military service date, total commissioned federal military service date, and a variety of other dates, depending on the nature of the individual member's service. This regulation details only the computation of the basic pay date, since Military Service personnel regulations control the computation of all other dates.

010102. Computation of Creditable Service. For most members who enter and serve on active duty without a break in service, the basic pay date is the date the member enters active or inactive service. If, however, there is a break in service, the time between periods of service usually is not included. Also, there are statutory periods when service in a particular component may not be counted. Conversely, there are periods for which some members are given constructive service, even though they were not actually serving on active or inactive duty. Use the following to compute the basic pay date when there has been a break in service of any kind or if there is a need to include constructive service.

010103. Creditable Service Periods. Include active or inactive service in any of the following components without restriction:

- A. Air Force, Army, Naval, Marine Corps, and Coast Guard Reserves
- B. Air Force of the United States (Service without specification of component)
- C. Air National Guard
- D. Air National Guard of the United States
- E. Army of the United States (service without specification of component)

- F. Army National Guard
- G. Army National Guard of the United States
- H. National Guard
- I. National Guard of the United States
- J. Nurse Corps and Nurse Corps Reserve of the Public Health Service
- K. Public Health Service and Reserve Corps of the Public Health Service
- L. Regular service in the Army, Air Force, Navy, Coast Guard, and Marine Corps

010104. Other Creditable Service (With Restrictions as Noted). Include the following periods of service:

A. Officer, deck officer, or junior engineer service in the National Oceanic and Atmospheric Administration, including similar periods of service in the former Corps of the Environmental Science Services Administration and the US Coast and Geodetic Survey.

B. Service on a Military Service retired list, temporary disability retired list, or honorary retired list of any Uniformed Service, or service as a member of the Fleet Reserve or Fleet Marine Corps Reserve.

C. Any period of service during which a member is entitled to retired, retirement, or retainer pay from any Uniformed Service.

D. Any period of service during which the member is entitled to compensation from the Department of Veterans Affairs on account of service.

E. Periods after 11 December 1941, when an enlisted member is retained after expiration of term of service of an Armed Force for medical care or hospitalization for disease or injury incident to service. Do not credit such periods of service if the underlying medical condition requiring medical care or hospitalization was due to the member's misconduct.

F. Service otherwise creditable that is performed before a member reaches the statutory age for enlistment unless the enlistment contract was voided or invalidated for fraud.

G. Active service performed as a temporary member of the Coast Guard Reserve.

H. Service terminated by desertion or dishonorable discharge, unless the enlistment was fraudulent and was voided for that reason.

★I. Service as a cadet or midshipman, provided the member has concurrent Enlisted Selected Reserve status covering the period on or after 1 August 1979.

J. Periods of service when a member is detailed to and receiving pay and allowances from any other agency of the United States, even though accrual of military pay and allowances is suspended.

★K. Service as a member of the Army, Navy, or Air Force Reserve Officers' Training Corps, provided the member has concurrent Reserve status for duty performed on or after 1 August 1979.

L. Effective 26 December 1974, service as an aviation midshipman under the Act of 13 August 1946, 60 Stat. 1057, (reference (a)).

M. Service as an enlisted member in a Reserve Component before beginning active duty in a Regular Component, provided the member enlisted in the Reserve Component before 1 January 1985. This is frequently referred to as the delayed enlistment program.

N. Inactive service as an enlisted member in a Reserve Component between the time of enlistment and the date the member began active duty, or active duty for training, in a Reserve Component, provided the member enlisted in the Reserve Component before 28 November 1989. If the enlistment began after 27 November 1989, it is creditable service only if the enlisted Reserve member performed inactive duty training before beginning service on active duty for training.

O. Any period of service which was creditable under any federal statute in effect on 10 January 1962.

★P. Prior provisions of law excluded the Simultaneous Membership Program from creditable service for commissioned officers effective 13 October 1964. Public Law 104-201, Section 507, 23 September 1996 (reference (el)), amended these provisions to provide service credit retroactive to 1 August 1979. These amendments, as referenced in subparagraphs 010104.I and 010104.K, above, will result in no increase in pay, retired or retainer pay before the date of enactment, 23 September 1996. Service in the program for enlisted members who retain that status remains creditable under all provisions.

010105. Constructive Service

A. Some medical and dental officers are entitled to extra credit for longevity purposes to reflect the time spent in medical or dental school. Medical and dental officers must meet one or more of the following criteria to be entitled to the constructive credit:

1. On or before 15 September 1981, the officer already had the constructive service credit; the credit is not lost if there is a break in service either before or after that date. This includes PHS officers.

2. On 14 September 1981, the individual was enrolled in either the Armed Forces Health Professions Scholarship Program or the Uniformed Services University of Health Sciences, completes such program, and is appointed as a medical or dental officer.

3. On 14 September 1981, the individual was participating in a program which credits years of service and leads to an appointment as an officer in the Army, Navy, Air Force or Marine Corps.

B. Medical and dental officers who meet the criteria in subparagraph A, above, are entitled to 4 years constructive service credit. Also, those medical officers who have completed medical internship or its equivalent, or who entered military status while serving such an internship, are entitled to a fifth year of constructive service credit.

C. Where a member is entitled to service credit for a period covered by the constructive credit, reduce the constructive service credit by an amount equal to the actual service credit.

010106. Examples:

A. An individual completes dental school on 11 June 1977, and accepts commission as a dental officer on 3 August 1977. Credit the member with 4 years of constructive service and set basic pay date at 3 August 1973.

B. An individual completes medical internship on 30 June 1979, and accepts commission as a medical officer on 11 August 1979. Credit the member with 5 years constructive service and set basic pay date at 11 August 1974.

C. An individual enters medical school in 1970, and accepts a commission on 12 January 1972, he graduates from medical school on 10 June 1974, and completes a civilian residency during the period from 1 July 1974 through 30 June 1975. Compute basic pay date as follows:

First compute dual status period, which is the period of time between date of commission and date of graduation.

	<u>YR</u>	<u>MO</u>	<u>DAY</u>
Graduated:	74	06	10
Commission Date:	<u>72</u>	<u>01</u>	<u>12</u>
Dual Status Period:	02	04	28+1 (inclusive day)

Then compute constructive service credit, which is the 4 years constructive credit less the time already credited as commissioned service:

Maximum constructive			
service credit:	03	11	30
Less dual status time:	<u>02</u>	<u>04</u>	<u>29</u>
Constructive Credit:	01	07	01

The member's basic pay date is 1 year, 7 months, and 1 day before his commission date of 12 January 1972, or 11 June 1970.

D. The scenario is the same as in subparagraph C, above, except the member accepts the commission on 12 July 1974, after starting the internship, so he is entitled to 5 years of constructive service credit instead of 4.

	<u>YR</u>	<u>MO</u>	<u>DAY</u>
Date finished internship:	75	06	30
Commission date:	<u>74</u>	<u>07</u>	<u>12</u>
Dual status period:	00	11	17+1 (inclusive day)

Maximum constructive			
service credit:	04	11	30 (5 years)
less dual status time:	<u>00</u>	<u>11</u>	<u>18</u>
Constructive credit:	04	00	12

The member's basic pay date is 4 years, no months, and 12 days before his commission date, or 1 July 1970.

E. An officer who had been commissioned on 19 November 1962, enters dental school on 9 September 1970, and graduates 28 May 1974. To compute constructive service credit:

First, compute dual status:

	<u>YR</u>	<u>MO</u>	<u>DAY</u>
Graduated:	74	05	28
Started School:	<u>70</u>	<u>09</u>	<u>09</u>
Dual Service:	03	08	19+1 (inclusive day)

Then deduct the dual service from the 4-year constructive credit period to arrive at net constructive service credit.

	<u>YR</u>	<u>MO</u>	<u>DAY</u>
Maximum constructive service credit:	03	11	30 (4 years)
less Dual Service:	<u>03</u>	<u>08</u>	<u>20</u>
Constructive credit:	00	03	10

Change the member's basic pay date 3 months and 10 days before his previous one (19 November 1962) to 10 August 1962.

0102 SERVICE NOT CREDITABLE

010201. In general, do not use any service which is not listed as creditable service to compute a basic pay date. The following list includes a few types of service which are not creditable:

A. Time served in an enlistment which is terminated, voided, or invalidated as fraudulent.

B. Time served as a commissioned officer in the Philippine Army.

C. The constructive time authorized by the Act of 28 December 1945 (59 Stat 664), (reference (b)), for determining grade and eligibility for promotion.

D. The period of time a member was on the Emergency Officers' Retired List.

E. Time an individual was a member of a State, home, or territorial Guard.

★F. For commissioned officers, any period of service performed prior to 1 August 1979 in the Reserve Officers' Training Corps, even if such member held concurrent Reserve status.

G. Time an individual was a member of the inactive National Guard. This does not apply to an individual who was a member of the National Guard Reserve and the National Guard of the United States. Time during which the individual had dual status, enlisted or commissioned, in the inactive National Guard and the National Guard of the United States is creditable.

H. The time a member serves while enrolled in the Armed Forces Health Professions Scholarship and Financial Assistance Programs, (reference (c)), or while a student at the Uniformed Services University of Health Sciences (USUHS). Use any time creditable on the date the member enters USUHS to compute basic pay for longevity purposes while a student, not to exceed the limit of grade O-1 as shown in Table 2-5 or O-1E as shown in Table 2-6.

I. The time between the date of enlistment in the Delayed Enlistment Program and the date the member begins serving on active duty in a Regular Component, if the date of enlistment in the Reserve component is after 31 December 1984.

J. For Reserve enlistments after 27 November 1989, the time served in a Reserve Component prior to the member's entry on active duty or active duty for training. This time is creditable however, if the member performs inactive duty training between the date of enlistment in the Reserve Component and the date of entry on active duty, or active duty for training.

★K. Prior provisions of law excluded the Simultaneous Membership Program from creditable service for commissioned officers effective 13 October 1964. Public Law 104-201, Section 507, 23 September 1996 (reference (el)), amended these provisions to provide service credit retroactive to 1 August 1979. These amendments, as referenced in subparagraph 010104.I and 010104.K, above, will result in no increase in pay, retired or retainer pay, before the date of enactment, 23 September 1996. Service in the program for enlisted members who retain that status remains creditable under all provisions.

010202. Effect of Absence from Duty on Creditable Service

A. A commissioned or warrant officer is entitled to credit for every day in a commissioned or warrant status, without regard to absence of any kind, whether authorized or unauthorized, and including confinement prior to and during trial. In addition, absence during which a member was serving on active duty as an enlisted member is creditable if the enlisted member is also a Reserve officer.

B. See Table 1-1 to determine the creditability for absence while in enlisted status.

C. Enlisted members must make up any lost time. The period of service during which a member makes up lost time is creditable service. However, the time a member is held in a non-duty status while awaiting trial, as well as the time during trial, does not count towards making up lost time and is not creditable.

0103 COMPUTATIONS OF CREDITABLE SERVICE

010301. Computing a Basic Pay Date

A. All basic pay date computations start from the date of the member's most recent entry on duty without a break in service. Use the following dates:

1. For enlisted members, the date of enlistment, but see subparagraphs 010104.M and N, and 010201.I and J, above, for service under a delayed entry program.

2. For officers, the date of acceptance of a commission. The date of acceptance for officers graduating from a Military Service academy is the date of graduation.

3. For officers entitled to count service as an acting assistant surgeon, intern, or hospital steward in the Public Health Service or the Public Health Marine Hospital Service, the date of acceptance of the appointment. Do not count service performed before that date.

B. After determining initial basic pay date, compute creditable service for all service prior to that date. Use the following to compute basic pay date. If the member had any periods of service during which there was lost time, do not use those periods here. Instead, compute according to paragraph C, below.

1. List beginning dates of service for each separate period of service, without changing any of them, then add them together.

2. List all ending dates. If the day is the 31st day of the month, change it to 30. If the day is 28 February in a non-leap year, change it to 30 February for computation purposes. If the day is 29 February, change it to 30 February for computation purposes. Do not change 28 February of a leap year to 30 February. Then add all ending dates together.

3. Subtract the result in 1 above from the result in 2.

4. For each noncontinuous period of service, add 1 day to account for inclusive days. Explanation: Any period of service is at least one day. If, for example, the member had one day of service on 17 January 1962, the computation would look like this:

	<u>YR</u>	<u>MO</u>	<u>DAY</u>
Ending Day:	62	01	17
Less Beginning Day:	<u>62</u>	<u>01</u>	<u>17</u>
	00	00	00

It is necessary to add one day for inclusive days to avoid this erroneous answer.

5. Convert to full years, months, and days. The result is years of service creditable for pay purposes.

EXAMPLE:

Member served as follows:

	<u>From:</u>	<u>To:</u>
RA (enlisted)	1 Jan 51	28 Feb 54
AUS (Com)	1 Jun 54	26 May 61
AFUS (Com)	1 Aug 63	31 Mar 68
EASF (Com)	1 Apr 68	4 Jun 75

Beginning dates:

Ending Dates:

<u>YR</u>	<u>MO</u>	<u>DAY</u>	<u>YR</u>	<u>MO</u>	<u>DAY</u>
51	01	01	54	02	30
54	06	01	61	05	26
<u>63</u>	<u>08</u>	<u>01</u>	<u>75</u>	<u>06</u>	<u>04</u>
168	15	03	190	13	60

Convert 28 February 1954 to 30 February 1954, since 1954 was not a leap year. Convert 31 March 1968 to 30 March 1968, since the 31st day of a month does not count as an ending date, though it would count as a beginning date. The period from 1 August 1963 through 4 June 1975 is continuous, so it is all included in the third line of the computation.

Subtract total of beginning dates from total of ending dates:

<u>YR</u>	<u>MO</u>	<u>DAY</u>	
190	13	60	(total of ending dates)
189	25	60	(borrowed twelve months from year column)
<u>-168</u>	<u>15</u>	<u>03</u>	
21	10	57	

Add one day for each of the 3 periods used in the computation. The result is 21 years, 10 months, and 60 days, which converts to exactly 22 years of creditable service.

C. Computations involving lost time. When a member has lost time, compute the creditable service for the period served separately, as shown below. Add the results to any creditable service computed separately under paragraph B, above.

1. When there is a period of lost time that has not been made good, compute the lost time on a 30-day month basis; but, if the lost time begins on the 31st day of a month, include that day as a lost day. Compute as follows:

Determine the years, months, and days of lost time and deduct that amount from the total service during the period.

Example 1: Member enlisted for 4 years on 18 July 1970, but was absent without leave (AWOL) from 10 February 1973 through 16 March 1973. Member received a hardship discharge on 10 August 1973, without making up the lost time. Member reenlisted 20 February 1975. Compute creditable service and basic pay date as follows:

First compute the lost time:

	<u>YR</u>	<u>MO</u>	<u>DAY</u>	
Ended AWOL:	73	03	16	
Began AWOL:	<u>73</u>	<u>02</u>	<u>10</u>	
Lost Time:	00	01	06+1	(inclusive day)

Then compute first period of service:

Discharged:	73	08	10	
Entered AD:	<u>70</u>	<u>07</u>	<u>18</u>	
Subtotal:	03	00	22+1	(inclusive day)
Deduct lost time:	<u>00</u>	<u>01</u>	<u>07</u>	
Creditable Service:	02	11	16	

Subtract 2 years, 11 months, and 16 days from reenlistment date of 20 February 1975, to arrive at a new basic pay date of 4 March 1972.

2. A member who makes good lost time, does so on a day-to-day basis. When the member makes good lost time and completes the enlistment or contract period, compute the period of lost time on both a 30-day month basis and a day-to-day basis and use the result that is most to the member's advantage. To illustrate, if a member is AWOL on 30 March through 1 April, it would be 3 days on the day-to-day basis but only 2 days on a 30-day month basis. Compute creditable service as follows (and separately from periods of service which do not have lost time):

First step: Compute total lost time on both a 30 day basis and a day-to-day basis. Convert the day-to-day basis computation to years, months, and days and compare it to the computation on the 30-day basis. Discard the one which shows a higher total of days lost.

Second step: Compute the gross amount of service during the period by subtracting the entry date from the discharge date and adding one day for inclusive day.

Third step: Subtract the lost time from the result of the second step. If the result is at least as long as the enlistment contract, use this amount. If the result is less than the enlistment contract, increase it to equal the enlistment contract.

Fourth step: Add this creditable service to any other periods and use the total to figure the member's basic pay date.

Example 2: Assume the member in example 1 had not received a hardship discharge; instead, he had completed the enlistment contract, including making good the lost time. He made up the 35 days of lost time computed on a day-to-day basis. The days

served to make good the lost time were 18-31 July 1974 (14 days), and 1-21 August 1974 (21 days).

When member reenlists on 20 February 1975, compute creditable service as follows:

<u>YR</u>	<u>MO</u>	<u>DAY</u>	
74	08	21	(ending date of last period of service)
-70	07	18	(beginning date of last period of service)
04	01	03 +1	(inclusive day)

Result: 4 years, 1 month, and 4 days before deducting lost time. Note the lost time computed on a 30-day month basis was 37 days, but was only 35 days when computed on a day-to-day basis. Subtract the 35 days lost time from the period of service computed above.

<u>YR</u>	<u>MO</u>	<u>DAY</u>	
04	01	04	
- 00	01	05	
03	11	29	(total service)

The result is less than the enlistment contract of 4 years, but since the member completed the enlistment contract, he is entitled to credit for the entire 4 years. Set basic pay date at 20 February 1971, when the member reenlists on 20 February 1975.

Example 3: A member enlisted on 18 July 1970 for 4 years. She was AWOL from 28 July 1973 through 3 September 1973, which is 38 days on a day-to-day basis (28-31 July, 4 days; 1-31 August, 31 days; and 1-3 September, 3 days). She is discharged on 24 August 1974, after making good the 38 days of bad time by serving 18-31 July (14 days) and 1-24 August (24 days).

When she reenlists on 20 February 1975, compute prior service as follows:

<u>YR</u>	<u>MO</u>	<u>DAY</u>	
74	08	24	(ending date of last period of service)
-70	07	18	(beginning date of last period of service)
04	01	06+1	(inclusive day)

Result is 4 years, 1 month, and 7 days before deducting lost time.

Lost time on a day-to-day basis was 38 days. Lost time on a 30-day month basis is:

28-30 Jul 1973	03 days
1-30 Aug 1973	30 days
1-3 Sep 1973	<u>03 days</u>
Total	36 days

Following the rule set out in step 2, above, deduct the lost time in the manner most beneficial to the member.

<u>YR</u>	<u>MO</u>	<u>DAY</u>	
04	01	07	(service before deducting lost time)
-00	01	06	(lost time)
04	00	01	

Set basic pay date at 19 February 1971, when the member reenlists on 20 February 1975.

D. Adjusting Basic Pay Date when Member has Lost Time. Lost time does not change an officer's basic pay date. However, when an enlisted person returns to duty after a period of lost time, add the number of days lost time to the member's basic pay date to reflect the lost time.

Example: An enlisted member with no prior service enlisted on 18 July 1973. He was AWOL from 10 February 1975 through 16 March 1975. When member returns to duty status, change his basic pay date as follows:

Compute lost time:	
10-30 February	21 days
1-16 March	<u>16</u> days
	37 days lost time

<u>YR</u>	<u>MO</u>	<u>DAY</u>	
73	07	18	(original basic pay date)
+00	01	07	
73	08	25	

New basic pay date is 25 August 1973.

010302. Procedure when Basic Pay Date Falls on 29 February. When basic pay date falls on 29 February, entitlement to longevity increases begins on 1 March in non-leap years and on 29 February in leap years.

ABSENCE FROM DUTY IN ENLISTED STATUS			
R U L E	A	B	C
	When the absence is	and	the period of absence is
1	authorized leave or authorized excess leave		creditable.
2	unauthorized absence of more than 1 day (24 consecutive hours) (including detention of Army or Air Force members by or for civil authorities)	is administratively excused as unavoidable	
3		is not administratively excused as unavoidable	not creditable (note 2).
4	civil detention of a Navy or Marine Corps member	occurred before 24 Jul 1956 and the member was not acquitted or released without trial, and without making restitution	
5		occurred on or after 24 Jul 1956 and the member was absent under sentence or awaiting (and during) trial which resulted in conviction (note 1)	
6	inability to perform duty for more than 1 day (24 consecutive hours) because of intemperate use of alcohol or drugs, or disease or injury resulting from misconduct		
7	Desertion		
8	because of confinement for more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence (note 4)	the member was member of the Army or Air Force	
9	absence of a Navy or Marine Corps member because of confinement of more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence	the confinement occurred on or after 24 Jul 1956 (note 4)	
10		the confinement occurred before 24 Jul 1956	(note 3).

NOTES:

1. If the member is released without trial or acquitted, or if conviction is set aside on legal grounds (as distinguished from clemency), the period of absence is creditable. If the member is released upon agreement to make restitution or is later convicted by court-martial on the same facts, the period of absence is not creditable.
2. Absence during which a member was serving on active duty as an enlisted person and was also a Reserve officer is creditable.
3. The period of absence is not creditable only if the confinement was under general court-martial sentence and/or while awaiting (and during) trial which resulted in a sentence by a general court-martial to confinement and total loss of pay and allowances.
4. Period spent in confinement is creditable when the member is acquitted or the sentence is set aside or disapproved.

Table 1-1. Absence From Duty In Enlisted Status



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

MAY 24 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

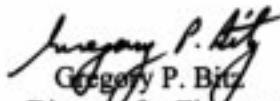
SUBJECT: Interim Change to the DoDFMR, Volume 7A, Regarding Active Enlisted and
Warrant Officer Service for Officers in Pay Grades O-1 to O-3 (DFAS Item #I-7)

Attached is DFAS Interim Change 16-99 concerning commissioned officers in pay grade O-1 through O-3 who had more than four years of active duty as enlisted/warrant officer. This change is effective immediately.

This change incorporates paragraphs which were inadvertently omitted in the printing of the July 1996 revision to Volume 7A.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Mr. Roger Castillo may be contacted at DSN 327-1907 or 607-1907.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM/SM

1. In the table of contents, renumber Section 0103 as 0104 and insert the following new Section 0103 titled as follows:

0103 ACTIVE ENLISTED AND/OR WARRANT OFFICER SERVICE
FOR MEMBERS IN BASIC PAY GRADES O-1E, O-2E, OR O-3E

2. Delete the last sentence in subparagraph 010201.H and insert the following in lieu thereof:

“However, use any service creditable on the date of the officer’s entry into USUHS to compute the officer’s basic pay for longevity purposes while a USUHS student, not to exceed the maximum rate of O-1 pay in Table 2-5 or, if applicable, the maximum O-1E pay in Table 2-6 in this volume.”

3. Renumber Section 0103 as 0104 and insert new Section 0103 to read as follows:

“0103 ACTIVE ENLISTED AND/OR WARRANT OFFICER SERVICE FOR
MEMBERS IN BASIC PAY GRADES O-1E, O-2E, OR O-3E

010301. Service Counted.

A. General. Commissioned officers with over 4 years of prior active service as an enlisted member, warrant officer, or combined service in both grades are entitled to count such service for purposes of computing basic pay for longevity purposes. Such prior service includes all active service, in either the Regular or Reserve Component or both (i.e., active duty for training in enlisted or warrant officer status, annual Reserve training duty, and full-time National Guard duty). Service on active duty or active duty for training for at least 4 years and 1 day satisfies the over 4 years of service requirement under this section. See subparagraphs 010201H and applicable notes to Tables 2-5 and 2-6 for Uniformed Services University of Health Sciences (USUHS) students’ entitlement to basic pay for longevity purposes while attending USUHS.

B. Creditable Prior Enlisted Service. Effective 20 May 1958, commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e. at least 4 years and 1 day) of prior active service as an enlisted member are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

C. Creditable Prior Warrant Officer Service. Effective 1 September 1980, commissioned officers in pay grades O-1, O-2, or O-3 who are credited

with over 4 years (i.e. at least 4 years and 1 day) of prior active service as a warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

D. Creditable Combined Prior Service. Effective 1 October 1993, commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e. at least 4 years and 1 day) of combined prior active service as an enlisted member and warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

010302. Service Not Counted. In computing active service, do not count:

A. Active service in a dual status (temporary officer-permanent enlisted) in the Navy or Marine Corps.

B. Service as a National Guard technician.

C. Except for periods of active duty service performed while a USUHS student, time served as a student at USUHS. See paragraph 010201.H and applicable notes to Tables 2-5 and 2-6.

4. In Table 2-5 in the pay grade column, “(note 3)” should be listed under grades O-3 and O-2, and “notes 3 and 4” should be listed under grade “O-1”.

5. Revise the first sentence in note 3 in Table 2-5 to read:

“3. O-1, O-2, or O-3 rates do not apply to commissioned officers who have been credited with over 4 years (i.e. at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer.”

6. Revise note 4 in Table 2-5 to read:

“4. These rates, or, when applicable, the O-1E rates in Table 2-6 apply during periods of active service while a student at the Uniformed Services University of Health Sciences (USUHS). Also see subparagraphs 010201H and 010301A.”

7. In Table 2-6, remove “(Note)” from the heading and insert “(Note)” beneath “O-1E” in the pay grade column.

8. Place the note for Table 2-6 at the end of the second part of the table and revise the text of the note to read:

“NOTE: These rates do not apply to students of the Uniformed Services University of Health Sciences (USUHS) who do not have over 4 years (i.e. at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer. See Table 2-5 for applicable rates. USUHS students with over 4 years of prior enlisted and/or warrant officer service are entitled to the O-1E rate of basic pay in this table during such active duty periods. Also see subparagraphs 010201.H and 010301.A.”

9. In the bibliography renumber Section 0103 as 0104 and insert a new Section 0103 titled as follows:

“0103 Active Enlisted and/or Warrant Officer Service for Members in Basic Pay Grades O-1E, O-2E, or O-3E”.

10. Add the following to the bibliography:

	“010201H	10 U.S.C. 2114(b)
0103		37 U.S.C. 203(d) 38 Comp Gen 68
	010301A	10 U.S.C. 2114(b)
	010301B	37 U.S.C. 232(a), as amended by Public Law 85-422, 72 Stat. 122, 19 May 1958
	010301C	Public Law 96-343, 8 September 1980
	010301D	Public Law 98-94, 24 September 1983
	010302B	32 U.S.C. 709
	Table 2-6	37 U.S.C. 203(d) Public Law 98-94, 1 October 1983 10 U.S.C. 2114(b)”

CHAPTER 2

COMPUTATION OF PAY0201 BASIC PAY ENTITLEMENTS

020101. When Entitled to Basic Pay. The pay of Military Service members is prescribed by law. Members are entitled to receive pay according to their pay grades and years' service, if they are:

- A. On active duty in a pay status.
- B. Not prohibited by law from receiving such pay.

020102. Employment of Members in Another CapacityA. Employment Under the Government

1. Unless otherwise provided by law (such as during the period a member is on terminal leave pending retirement, separation, or release from active duty under honorable conditions), a member may not be employed in another capacity by the government and receive pay therefor, other than the pay and allowances which accrue by reason of the military status. A member may be employed, however, on a voluntary basis, during off-duty hours in connection with nonappropriated fund activities.

2. Under agreements such as that between the Department of Defense and the Agency for International Development (AID) of the Department of State, military members may be detailed to agencies such as AID for certain types of service for specified periods. As provided in pertinent agreements, members so detailed are entitled to the pay and allowances of employees of the agency (AID foreign service personnel, in the case of that agency) holding comparable positions. Such members are paid by the agency in question, not by the Military Service involved.

B. Acceptance or Holding Civil Office

1. An officer of an armed force on active duty may not be employed on civil functions, if the civil duties separate the member from the parent organization or interfere with the performance of military duties. This applies to employment on civil works or internal improvements, by an incorporated company, or as acting paymaster or disbursing agent of the Bureau of Indian Affairs.

2. Unless otherwise provided by law, an officer of a Regular Component of the Army, Navy, Air Force, or Marine Corps may not hold a civil office by election or appointment under the United States, a territory, possession or state. Acceptance of such position terminates the officer's appointment and any further entitlement to receive pay and

allowances whether or not the officer continues to fulfill the duties as an officer subsequent to accepting the office.

C. Medical Officers. Medical officers on active duty who receive any compensation or stipend payments for services they perform as interns or resident physicians in private or public institutions (state, county, municipal, or privately owned hospitals) receive such payments for the benefit of the United States. Collect these payments from the officer for deposit in the United States Treasury. See Table 26-3, rule 24; Table 26-8, rule 2; and Table 25-1, rules 6 and 7, for BAQ and BAS payments.

020103. Formal Acceptance of Appointment-Officers

A. Pay and allowances generally accrue from the date of acceptance of appointment as an officer. The normal method of acceptance is taking the oath of office. Commencement of travel in compliance with an order is considered acceptance for pay purposes, but payment will not be made until formal signing of the oath of office. See Table 2-1 for specifics and for graduates of the academies.

B. An officer need not take the oath of office upon promotion if service has been continuous since the last oath.

020104. Restriction Against Dual Payments

A. A Reserve member who is called to active duty for more than 30 days in time of war or national emergency is entitled, while on that active duty, to the pay and allowances prescribed for active duty. Exception is authorized if the member is entitled to a pension, retired pay, or disability compensation for earlier military service, in an amount greater than that prescribed for active duty.

B. Except as prescribed in subparagraph A, above, a Reserve member who is entitled to payments for earlier military service, and is called to active duty and is entitled to pay, may elect to receive either:

1. The payments for the earlier military service; or
2. If member specifically waives those payments, the pay and allowances authorized for the active duty.

020105. Posthumous Promotions. Members may be posthumously promoted. The amount of bonus, gratuity, pay, or allowances is not changed by these promotions. This payment restriction does not apply to promotions of members while in a missing status where a Secretarial determination is subsequently made that the member died before the date of the promotion.

0202 COMPUTING MONTHLY PAY020201. Monthly Pay

A. Service of 30 Days or More. Compute monthly compensation as if each month had 30 days. When service begins on an intermediate day of the month, pay for the actual number of days served during that calendar month, but only through the 30th day of that month. If active military service begins on the 31st day of any month, compensation does not accrue for that day. Any person who enters active service during February and serves until the end of the month is entitled to the pay for 1 month (30 days), less the prorated amount for the number of days expired before entry on duty. If the service ends before the last day of February, pay the member only for the actual number of days served.

B. Service of Less Than 30 Days. Members of the Uniformed Services entitled to receive compensation for continuous periods of less than 1 month are entitled to pay and allowances for each day of the period at the rate of 1/30 of the monthly amount of such pay and allowances. Include the 31st day of a calendar month in the computation. Members who are obligated to serve on active duty for 30 days or more, but who were released before performing such active duty for at least 30 days, are entitled to receive pay and allowances on a day-to-day basis.

020202. Absence Without Pay

A. Deduct 1/30 of 1 month's pay for each day's absence in a nonpay status.

B. No pay is lost for unauthorized absence on the 31st day of a month, except when it is the first day of absence or when the member is paid for the day under subparagraph 020201.B, above.

C. Absence in a nonpay status on the 28th of February in a non-leap year results in loss of pay for 3 days. If member is absent only on the 28th day of February in a leap year, deduct the pay for 1 day for the 28th. If absence occurs on the 29th of February, deduct pay for 2 days. When payment is made under subparagraph 020201.B, above, on the basis of each day actually served, deduct only for the actual period of unauthorized absence.

020203. Annual Salary. Annual salary is divided into 12 equal installments. One installment represents the pay for each calendar month. The daily rate is 1/30 of the monthly rate. The above instructions for monthly pay also apply to annual salary.

020204. Basic Pay Rates

Pay Tables. Tables 2-5 through 2-8 contain monthly rates of basic pay.

0203 SAVED PAY020301. Saved Pay and Allowances

A. Enlisted. An enlisted member who accepts an appointment as an officer will, following appointment, be paid the greater of:

1. The pay and allowances to which such member would be entitled if the member had remained in the last enlisted grade held before appointment as an officer and continued to receive increases in pay and allowances authorized for that grade; or

2. The pay and allowances to which the member thereafter becomes entitled as an officer.

B. Warrant Officers. A warrant officer who accepts an appointment as a commissioned officer will, following appointment, be paid the greater of:

1. The pay and allowances to which the member thereafter becomes entitled as a commissioned officer; or

2. The pay and allowances to which such member would be entitled if the member had remained in the last warrant officer grade held before appointment as a commissioned officer and continued to receive increases in pay and allowances authorized for that grade; or

3. In the case of an officer who was formerly an enlisted member, the pay and allowances to which entitled, under subparagraph A.1, above, before appointment as an officer.

C. Restrictions

1. A member entitled to saved pay is not authorized the pay for one grade and an allowance for another grade.

2. The saved pay amount may be reduced when the member loses entitlement to specific items; however, these specific items shall be included in saved pay if the member again qualifies for such items. (See subparagraph C.8, below.)

3. In the case of a temporary officer, a member is not entitled to an increase in saved pay because of a promotion to a higher grade.

4. BAQ may be continued as an item of saved pay, and will be paid whenever it is not forfeited because the member is assigned to government quarters.

5. For enlisted members, basic allowance for subsistence (BAS) is the alternative for subsistence in kind. Since officers are not authorized subsistence in kind, a member eligible for saved pay is entitled to the appropriate BAS rate (including the "when permitted to mess separately rate" even when subsistence in kind would otherwise be provided or made available) under the conditions prevailing for enlisted members at their permanent station. Credit BAS at the "when permitted to mess separately rate" at all times except when the member would otherwise be entitled to a different rate. (See subparagraphs 250102.C and E.)

6. Special duty assignment pay, incentive pay for hazardous duty, special pay for diving duty, and sea and foreign duty pay may be retained as an item of saved pay only for as long as the member continues to perform the duty and would be eligible to receive payment had the member remained in the former status.

7. The enlisted cash clothing allowances prescribed in Chapter 29 may not be included in the saved pay computation if the officer is entitled to the initial uniform allowance prescribed in section 3002.

8. FSA-I may be continued as an item of saved pay under the same conditions as BAQ. See subparagraph 4, above. If the member was entitled to FSA-II due to enforced separation from the member's family at the time of appointment, the allowance may be included in the computation of saved pay until entitlement ends. FSA-R, FSA-S, or FSA-T may be reinstated for future periods if the member again qualifies for FSA-II due to enforced separation from the family. Similarly, other items of overseas station allowance and/or special or incentive pay may be reinstated if a member again qualifies for those entitlements.

D. Breaks in Service. A break in service (released from active duty, discharged) does not disqualify an officer for the saved pay and allowances entitlements of this section.

0204 INCREASED BASIC PAY DURING PERIOD OF SERVICE ESSENTIAL TO PUBLIC INTERESTS

020401. Entitlement to Increased Basic Pay. This section applies only to enlisted members of the Regular Navy or Marine Corps, or Naval or Marine Corps Reserve, whose enlistments expire while serving on a naval vessel in foreign waters.

A. Retention in Service. Such members may be retained on active duty until the naval vessel returns to the CONUS, if the period of retention is determined "service essential to the public interests." The senior officer present afloat makes this determination.

B. Pay and Allowances. During the period of retention, members are entitled to regular pay and allowances, plus a 25 percent increase in the basic pay, to which they were entitled on the day before the period of retention began.

020402. Members Not Eligible for Increase

A. Enlisted members are not entitled to the increased basic pay if retained on active duty after expiration of enlistment:

1. At shore stations.
2. On ships on duty in waters in or around possessions and territories of the United States.
3. On ships on duty in ports or waters within the sovereign jurisdiction of the United States.
4. Due to lack of transportation.
5. Merely because it is desirable to continue their services, or some benefit may be derived therefrom.

B. A member of the Naval Reserve or Marine Corps Reserve is not entitled to the 25 percent increase while retained beyond period of obligated service, as distinguished from normal date of expiration of enlistment.

020403. Inclusion of Increase in Death Gratuity. Include the 25 percent increase in basic pay in computing amount of death gratuity payable.

020404. Restrictions in Use. Do not use the 25 percent increase in computing:

- A. Cash settlement for unused leave on discharge.
- B. Physical disability, or temporary disability retired pay.
- C. Disability severance pay.
- D. Reenlistment bonus.

020405. Termination of Increase in Basic Pay

- A. The 25 percent increase in basic pay continues through:
1. Date of discharge, if the member is discharged within 30 days after arrival in CONUS.
 2. Date of transfer to a hospital for treatment.

B. See Table 2-3, rule 19, for the date of termination of normal pay and allowances.

0205 ALLOWABLE TRAVEL TIME FOR RESERVE MEMBERS CALLED TO OR RELEASED FROM ACTIVE DUTY

020501. Pay and Allowances Entitlement for Allowable Travel Time

A. Reserve members called to active duty are entitled to active duty pay and allowances for time allowed for necessary travel from:

1. Home to a first duty station; and
2. Last duty station to home (except when released from active duty for retirement, or dismissal, when discharged, or upon resignation).

B. Pay and allowances for allowable travel time is an earned entitlement. The payment for the return home may be made upon the member's release from such duty without regard to actual performance of the travel. If the member dies after payment, but before payment would otherwise be due, no part of the payment will be recovered by the United States.

020502. Terms and Special Conditions

A. Allowable travel time is considered active duty for all purposes normally ascribed to active duty. The computation of allowable travel time, whether actual or constructive will:

1. For periods of active duty of 30 days or less, be based upon the rules contained in Table 2-4.
2. For periods of active duty if more than 30 days, be based upon the rules and provisions of the JFTR, Vol I (reference (d)).

B. A member of a Reserve Component who:

1. Is ordered to perform active duty training (ADT);
2. Performs authorized inactive duty training (IDT) immediately before or after ADT at or near the same site; and
3. Receives orders which direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT, is entitled to active duty pay and allowances for allowable travel time, if any. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.

WHEN ACTIVE DUTY PAY BEGINS					
R U L E	A	B	C	D	E
	then active duty pay and allowances				
	When a person is	in the	and	begin on:	are authorized for:
1	Originally appointed as a permanent officer	Regular Army, Navy, Marine Corps or Air Force (note 1)	Continues on active duty in the commissioned officer grade	date of formal acceptance of appointment (see paragraph 020103).	period of the examination, and allowable travel time in connection therewith (notes 3, 5, 6, and 7).
2	An enlisted member temporarily appointed to a warrant or commissioned officer grade	Navy or Marine Corps			
3	An enlisted member or warrant officer on active duty appointed to a commissioned officer grade under 10 U.S.C. 593	Reserve			
4	enlisted, reenlisted, or inducted	Regular Army, Navy, Marine Corps, or Air Force		date of enlistment, reenlistment, or induction.	
5	Service academy graduate commissioned as a second lieutenant or ensign	Regular Army or Air Force		date of graduation (note 2).	
6		Regular Navy or Marine Corps		date of formal acceptance of appointment.	
7	Reserve or retired member called or recalled to active duty	Army, Navy, Marine Corps, or Air Force		date member necessarily complies with active duty order (note 3).	
8	AUS or USAF without component temporary officer called to active duty	Army or Air Force		date member necessarily complies with active duty orders (note 3).	
9	Reserve or retired member ordered to active duty to take a physical examination incident to being ordered to active duty for more than 30 days	Navy, Marine Corps, Army, or Air Force			
10	ARNG or ANG member called into federal service	Army or Air Force	The period of federal service is 30 days or less	date of reporting at place of rendezvous.	
11			the period of federal service is more than 30 days or an indefinite period	date member necessarily complies with active duty orders (notes 3 and 4).	
12	separated Service academy cadet required to serve a period of enlisted active duty	Regular Army, Navy, Marine Corps, or Air Force		date following date separated from the academy is approved.	

Table 2-1. When Active Duty Pay Begins

NOTES:

1. Original appointments include officers appointed from warrant officer, enlisted member, or civilian status.
2. Pay accrues from date of graduation even though appointment is issued and accepted at later date.
3. See section 0205 of this chapter and Table 2-4 for allowable travel time to include in computation. Pay and allowances do not accrue if the member begins travel or reports earlier than the travel time necessary to comply with the active duty orders.
4. Pay status does not begin if the ARNG or ANG member is unable to respond to the call to active duty because of illness or other reason.
5. If member passes the physical examination, pay and allowances accrue for travel time to first duty station when later ordered to active duty for more than 30 days.
6. If the member fails the physical examination, pay and allowances accrue for period required for the examination and travel time to and from the examination.
7. If the member is ordered to active duty solely to take a physical examination, not incident to being ordered to active duty, then active duty pay and allowances do not accrue.

Table 2-1. When Active Duty Pay Begins (Continued)

INCREASES IN PAY ON PROMOTION OR RESTORATION OF GRADE					
R U L E	A	B	C	D	E
	When member is a(n)	And action is	in the	and	then effective date of increase in pay and allowances is
1	officer	designation of special assignment under 10 U.S.C. 601(a)	Army, Air Force, or Marine Corps as General or Lt General; or Navy as Admiral or Vice Admiral		date officer assumes the designated duty (note 1).
2	Reserve officer not on the active duty list	promotion to grade above O-2	Navy or Marine Corps		date officer becomes eligible for promotion to the higher grade.
3		promotion to grade O-2			date of rank.
4	officer	promotion to grade above O-1	Uniformed Services		effective date of the promotion.
5	Reserve officer on active duty (other than for training) (but not on the active duty list)	permanent promotion to a higher Reserve grade	Army or Air Force	officer is ordered to serve on active duty in the higher permanent Reserve grade	effective date of orders to serve on active duty in the higher permanent Reserve grade (note 2).
6				officer is serving on active duty and assigned to a position requiring a grade equal to or higher than the grade to which promoted	effective date of orders or letter announcing promotion (note 3).
7		temporary promotion to a higher Reserve grade			effective date of orders announcing promotion; or date shown in special orders confirming verbal orders.
8	enlisted member	advancement in rank or rating	Navy	effective date is specified in the letter authorizing the advance	effective date is stated, or date of the letter, whichever is later (note 4).
9				effective date is not stated in letter	date advance was actually effected, but not before date member's commander receives the authority (note 4).
10			Marine Corps	effective date is specified in the directive authorizing the advance	effective date as stated in the directive or date of the directive, whichever is later (note 4).
11				promotion is not effected by directive	date certificate of appointment is signed by issuing authority (note 4).

Table 2-2. Increases In Pay On Promotion or Restoration of Grade

INCREASES IN PAY ON PROMOTION OR RESTORATION OF GRADE					
R U L E	A	B	C	D	E
	When member is a(n)	and action is	in the	and	then effective date of increase in pay and allowances is
12		appointment or promotion to a higher grade	Army or Air Force		1. date cited in orders, or date of orders, whichever is later (note 5); or 2. date of oral appointment or promotion, if later confirmed in writing (note 4).
13		restoration of former grade		reason for reduction was non-judicial punishment	may be retroactive to date of reduction.
14				reason for reduction was inefficiency	date of restoration orders.

NOTES:

1. If the officer's assignment is terminated because of:
 - a. Assignment to another position also designated a special assignment, the officer will continue to draw the pay rate of the terminated assignment through the day before assuming the new position.
 - b. Hospitalization, the officer will continue to draw the pay rate of the terminated assignment for the full period of hospitalization, but for not more than 180 days.
 - c. Retirement, the officer will continue to draw the pay rate of the terminated position through the day before retirement, but for not more than 90 days.
2. A retroactive amendment of active duty orders is authority to serve in the higher grade from date of the amendment only. Increased pay and allowances are authorized from that date. Such orders do not create entitlement to increased pay and allowances for the retroactive period.
3. A retroactive promotion date is to be used only for consideration of seniority and time in grade for future promotions. Such orders do not create entitlement to increased pay and allowances for the period between the eligibility date for promotion and the effective date of the promotion order or letter. The effective date of promotion for purposes of entitlement to increased pay and allowances must not be earlier than the date the officer is assigned to a position requiring a grade equal to or higher than the grade to which promoted.
4. An appointment, promotion, or advancement to a higher grade with an effective date beyond the expiration date of the current enlistment and which is contingent upon the member's extension of enlistment or reenlistment, entitles the member to increased pay and allowances from the effective date of extension or reenlistment, whichever is later. Payment for the higher rank or rating is not authorized for a period prior to date of current enlistment.
5. This restriction does not prevent payment to enlisted members for retroactive promotions or advancements that are made pursuant to 10 U.S.C. 1552(a)(2) (retroactive promotion or advancement without decision of the Board for Correction of Military Records), effective 23 Oct 1992.

Table 2-2. Increases In Pay On Promotion or Restoration of Grade (Continued)

TERMINATION OR REDUCTION OF ACTIVE DUTY PAY AND ALLOWANCES					
R U L E	A	B	C	D	E
	If member is in the	and status is an	and action is	and reason for retention is	then pay and allowances are authorized through date
1	Regular Army, Navy, Marine Corps, or Air Force	officer holding permanent appointment	resignation, discharge, or dismissal		1. shown as official date of separation in official notice; or 2. officer receives official notice, if no official date of separation is shown (note 1).
2			discharge or dismissal from permanent status		of termination of appointment.
3			resignation		before date placed on the retired list.
4			transfer to Fleet Reserve, or Fleet Marine Corps Reserve (note 7)		
5			involuntary retirement under Officer Personnel Act of 1947		
6			retirement on last day of month after month member completed 30 years of active service		
7			retirement, other than as shown in rules 5 and 6 includes physical disability retirement		
8			permanent appointment as an officer		before date of acceptance of permanent appointment.
9			termination of appointment for any other reason		of termination of appointment.
10	Army, Navy, Marine Corps, or Air Force Reserve	officer or enlisted member	release from active duty		of allowable travel time after release (see Table 2-4).
11			release from active duty for retirement		before date placed on retired list.
12			discharge, dismissal, or a resignation		shown in official separation notice, or date member receives official notice of separation.
13	Army, Navy, Marine Corps, or Air Force	enlisted member	retirement (including physical disability retirement)		before date placed on retired list.
14			transfer to Fleet Reserve or Fleet Marine Corps Reserve		of transfer.
15			discharge		of discharge (note 2).

Table 2-3. Termination or Reduction of Active Duty Pay and Allowances

TERMINATION OR REDUCTION OF ACTIVE DUTY PAY AND ALLOWANCES					
R U L E	A	B	C	D	E
	If member is in the	and status is an	and action is	and reason for retention is	then pay and allowances are authorized through date
16	Army, Navy, Marine Corps, or Air Force	enlisted member	retention in service after expiration of term of service (note 3)	convenience of the government	of the period of retention.
17				to make good lost time	of the period of retention, if retained in full duty status or if authorized to perform duty.
18				probation after confinement	of the probational period, if duty is performed during such period.
19			demotion (administrative)	medical care or hospitalization (with member's consent)	of release from medical care or hospitalization (note 4).
20				service is essential to public interest (section 0204, this chapter)	of discharge (note 5).
21				court-martial action	see paragraph 030207.
22					before date of demotion orders at the higher rate; and at the reduced rate on and after date of demotion orders.
23		officer or enlisted member	death		of death.
24			revoking a promotion (erroneous promotion through administrative error)		before date of discovery at the higher rate; at the reduced rate on or after date of discovery (note 6).
25			retirement	late delivery of retirement orders	retirement orders are delivered or member is notified that retirement orders were issued.

NOTES:

1. Discharge orders do not of themselves relieve the government of its obligation to an officer. The officer must have received actual or constructive notice by the effective date, unless the officer willfully avoids notice of separation. If kept in Military Service without fault, in ignorance of an order of dismissal, the officer is entitled to all salaries and benefits of the office. If held in Military Service under orders after the date shown in separation orders, the officer is entitled to pay if there is nothing in the records showing non entitlement.
2. Includes discharge for underage enlistment. Does not include discharge for fraudulent contract of enlistment. (See Chapter 4.)
3. A member whose enlistment is extended involuntarily by law comes under rule 15, not rules 16-21.
4. If medical care or hospitalization was due to member's misconduct, pay and allowances terminate on date of expiration of term of Military Service.
5. See paragraph 020405 for date of termination of the 25 percent increase in basic pay.
6. An erroneous promotion is later voided by revoking promotion orders (certificates of appointment or other documents used by the Military Service concerned to administratively effect promotions) from the original effective date. Payment of the pay and allowances of the higher grade through the date prior to the date of discovery is contingent, in each case, upon an administrative determination of the commander that service performed while serving in the higher grade may be regarded as service performed in a "de facto" status, that is, the member was promoted by competent authority and performed duties of the higher grade. (See procedural regulations of the Military Service concerned.)
7. A member who reverts from a temporary officer appointment to a permanent enlisted or warrant officer grade is entitled, if otherwise proper, to the active duty pay and allowances of the temporary officer grade through and including the date of reversion.

Table 2-3. Termination or Reduction of Active Duty Pay and Allowances (Continued)

ALLOWABLE TRAVEL TIME, TRAVEL BETWEEN PLACES WITHIN THE UNITED STATES					
R U L E	A	B	C	D	E
	If ordered active duty is for	and travel by	and total distance is	then travel time allowed is	using
1	30 days or less	all transportation is reasonably available (note 3)		computed on the basis of air transportation (not more than 1 day for travel between places within the continental United States) (note 4)	actual commercial air schedules, and including the actual or estimated time to travel to and from air terminal(s) (but not more than 2 hours for each trip) (notes 1 and 2).
2		air transportation is not reasonably available for entire travel (note 3)		computed as if actually performed by public surface transportation	actual schedules of fastest available mode (notes 1 and 2).

NOTES:

1. Travel is not expected to start or end between midnight and 0600.
2. Travel days will not exceed the computed travel time. In the computation of travel time, use existing commercial schedules to determine the latest departure time that would permit arrival at the duty station on the reporting date and hour. On release from active duty, use earliest schedule after release which would permit arrival home by fastest available means, without regard to actual performance of travel. A member of a Reserve Component who:
 - a. is ordered to perform active duty training (ADT),
 - b. performs authorized inactive duty training (IDT) immediately before or after ADT at or near the same site, and
 - c. receives orders which direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT is entitled to active duty pay and allowances for allowable travel time per paragraph 020502. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.
3. When the air terminal is within 50 miles of the active duty station and direct or connecting flights are obtainable within 50 miles of the place from which ordered to active duty.
4. Additional time may be allowed when there is an actual delay in air travel. The delay must have been due to reasons beyond the control of the member, such as mechanical failure, adverse weather conditions, excess passenger load, cancelled flights, illness of other passengers, etc.

Table 2-4. Allowable Travel Time - Travel Between Places Within the United States

MONTHLY RATES OF BASIC PAY, COMMISSIONED OFFICERS, AVIATION CADETS, ACADEMY CADETS, MIDSHIPMEN AND ROTC MEMBERS, EFFECTIVE 1 JAN 1997 (Notes 1 and 5)										
Rank	Pay Grade		Cumulative Years of Service							
			2 or Less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
Gen-ADM	O-10 (note 2)	BP	\$7360.20	\$7619.10	\$7619.10	\$7619.10	\$7619.10	\$7911.60	\$7911.60	\$8349.90
Lt Gen-VADM	O-9	BP	6522.90	6693.90	6836.70	6836.70	6836.70	7010.40	7010.40	7302.00
Maj Gen-RADM (UH)	O-8	BP	5908.20	6085.50	6229.80	6229.80	6229.80	6693.90	6693.90	7010.40
Brig Gen-RADM (LH)	O-7	BP	4909.20	5243.10	5243.10	5243.10	5478.30	5478.30	5795.70	5795.70
Col-Capt	O-6	BP	3638.40	3997.50	4259.70	4259.70	4259.70	4259.70	4259.70	4259.70
Lt Col-CDR	O-5	BP	2910.30	3417.00	3653.40	3653.40	3653.40	3653.40	3763.50	3966.60
Maj-LCDR	O-4	BP	2452.80	2987.10	3186.30	3186.30	3245.40	3388.50	3619.80	3823.20
Capt-Lt	O-3 (note 3)	BP	2279.40	2548.50	2724.90	3014.70	3159.00	3272.10	3449.40	3619.80
1st Lt-LT(JG)	O-2	BP	1987.80	2170.80	2608.20	2695.80	2751.60 Maximum			
2nd Lt-ENS	O-1 (notes 3 & 4)	BP	1725.90	1796.10	2170.80 Maximum					
Aviation Cadets (see para 4002) (note 5)		BP	1113.60 Maximum							
Academy Cadets/ Midshipmen		BP	558.04 Maximum							
ROTC Members & ROTC Applicants (see para 590801.A)		BP	558.04 Maximum							

★Table 2-5. Monthly Rates of Basic Pay--Commissioned Officers, Aviation Cadets, Academy Cadets, Midshipmen and ROTC Members, Effective 1 Jan 1997 (Notes 1 and 5)

Rank	Pay Grade		Cumulative Years of Service						
			Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
Gen-ADM	O-10 (note 2)	BP	\$8349.90	\$8947.20	\$8947.20	9546.30	\$9546.30	\$9546.30	\$10140.90
Lt Gen-VADM	O-9	BP	7302.00	7911.60	7911.60	8349.90	8349.90	8349.90	8947.20 Maximum
Maj Gen-RADM (UH)	O-8	BP	7010.40	7302.00	7619.10	7911.60	8106.60 Maximum		
Brig Gen-RADM (LH)	O-7	BP	6085.50	6693.90	7154.40 Maximum				
Col-Capt	O-6	BP	4404.60	5100.90	5361.30	5478.30	5795.70	5991.60	6285.60 Maximum
Lt Col-CDR	O-5	BP	4232.40	4549.20	4809.60	4955.70	5128.80 Maximum		
Maj-LCDR	O-4	BP	3997.50	4173.30	4287.90 Maximum				
Capt-Lt	O-3 (note 3)	BP	3708.60 Maximum						

NOTES:

- Basic pay is limited to the rate of basic pay for Level V of the Executive Schedule, which is \$9,016.80.
- Basic pay for pay grade O-10 is \$9,016.80 regardless of years of service when they are serving as:
 - Chairperson or Vice Chairperson (effective 1 Oct 1986) of the Joint Chiefs of Staff
 - Chief of Staff of the Army
 - Chief of Naval Operations
 - Chief of Staff of the Air Force
 - Commandant of the Marine Corps
- These rates do not apply to officers credited with over 4 years of active enlisted and/or warrant officer service. See Table 2-6 for applicable rates.
- These rates apply while a student of the Uniformed Services University of Health Sciences.
- Basic pay rates for:
 - Aviation Cadets - \$1113.60.
 - Academy Cadets/Midshipmen - \$558.04.
 - ROTC members/applicants - \$558.04.

★Table 2-5. Monthly Rates of Basic Pay—Commissioned Officers, Aviation Cadets, Academy Cadets, Midshipmen and ROTC Members, Effective 1 Jan 1997 (Notes 1 and 5) (Continued)

MONTHLY RATES OF BASIC PAY, COMMISSIONED OFFICERS CREDITED WITH OVER 4 YEARS' ACTIVE DUTY ENLISTED AND/OR WARRANT OFFICER SERVICE, EFFECTIVE 1 JAN 1997 (Note)								
Rank	Pay Grade		Cumulative Years of Service					
			Over 4	Over 6	Over 8	Over 10	Over 12	Over 14
Capt-Lt	O-3E	BP	\$3014.70	\$3159.00	\$3272.10	\$3449.40	\$3619.80	\$3763.50 Maximum
1st Lt-Lt (JG)	O-2E	BP	2695.80	2751.60	2838.90	2987.10	3101.40	3186.30 Maximum
2nd Lt-ENS	O-1E	BP	2170.80	2319.30	2404.50	2491.80	2578.20	2695.80 Maximum

NOTE: These rates apply while a student of the Uniformed Services University of Health Sciences.

★Table 2-6. Monthly Rates of Basic Pay —Commissioned Officers Credited with Over 4 Years' Active Duty Enlisted and/or Warrant Officer Service, Effective 1 Jan 1997

MONTHLY RATES OF BASIC -COMMISSIONED OFFICERS CREDITED WITH OVER 4 YEARS' ACTIVE DUTY ENLISTED AND/OR WARRANT OFFICER SERVICE, EFFECTIVE 1 JAN 1997 (NOTE)								
Rank	Pay Grade		Cumulative Years Service					
			Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
Cap-Lt	O-3E	BP	\$3763.50	\$3763.50	\$3763.50	\$3763.50	\$3763.50	\$3763.50
1st-Lt (JG)	O-2E	BP	3186.30	3186.30	3186.30	3186.30	3186.30	3186.30
2nd Lt-ENS	O-1E	BP	2695.80	2695.80	2695.80	2695.80	2695.80	2695.80

★Table 2-6. Monthly Rates of Basic Pay —Commissioned Officers Credited with Over 4 Years' Active Duty Enlisted and/or Warrant Officer Service, Effective 1 Jan 1997 (continued)

MONTHLY RATES OF BASIC PAY, WARRANT OFFICERS, EFFECTIVE 1 JAN 1997										
Rank	Pay Grade		Cumulative Years of Service							
			2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
Chief Warrant Officer	W-5									
Chief Warrant Officer	W-4	BP	\$2322.30	\$2491.80	\$2491.80	\$2548.50	\$2664.60	\$2781.90	\$2898.60	\$3101.40
Chief Warrant Officer	W-3	BP	2110.80	2289.60	2289.60	2319.30	2346.30	2517.90	2664.60	2751.60
Chief Warrant Officer	W-2	BP	1848.60	2000.10	2000.10	2058.30	2170.80	2289.60	2376.60	2463.60
Warrant Officer	W-1	BP	1540.20	1765.80	1765.80	1913.40	2000.10	2085.90	2170.80	2260.20
Cumulative Years of Service										
Rank	Pay Grade		Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	
Chief Warrant Officer	W-5	BP				\$3963.60	\$4113.60	\$4232.70	\$4410.90	
Chief Warrant Officer	W-4	BP	\$3245.40	\$3359.40	\$3449.40	3560.70	3679.80	3794.40	3966.60 Maximum	
Chief Warrant Officer	W-3	BP	2838.90	2923.80	3014.70	3132.30	3245.40	3245.40	3359.40 Maximum	
Chief Warrant Officer	W-2	BP	2548.50	2638.20	2724.90	2810.40	2923.80 Maximum			
Warrant Officer	W-1	BP	2346.30	2433.60	2517.90	2608.20 Maximum				

★Table 2-7. Monthly Rates of Basic Pay—Warrant Officers—Effective 1 Jan 1997

MONTHLY RATES OF BASIC PAY, ENLISTED MEMBERS, EFFECTIVE 1 JAN 1997									
Pay Grade (note 1)		Cumulative Years of Service							
		2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
E-9 (note 2)	BP							\$2701.80	\$2762.40
E-8	BP						\$2265.60	2330.70	2391.90
E-7	BPA	\$1581.90	\$1707.90	\$1770.60	\$1833.00	\$1895.40	1955.70	2018.40	2081.40
E-6	BP	1360.80	1483.50	1545.00	1610.70	1671.30	1731.30	1794.90	1887.30
E-5	BP	1194.30	1299.90	1362.90	1422.30	1515.90	1577.70	1639.80	1700.40
E-4	BP	1113.60	1176.30	1245.60	1341.60	1394.70 Maximum			
E-3	BP	1049.70	1107.00	1151.10	1196.70 Maximum				
E-2	BP	1010.10 Maximum							
E-1 (4 months or more active duty)	BP	900.90 Maximum							
E-1 (Less than 4 months' active duty)	BP	833.40 Maximum							
Pay Grade		Cumulative Years of Service							
		Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	
E-9 (note 2)	BP	\$2824.80	\$2889.90	\$2954.70	\$3011.70	\$3169.80	\$3293.40	\$3478.50 Maximum	
E-8	BP	2454.00	2519.10	2576.40	2639.70	2794.80	2919.30	3106.50 Maximum	
E-7	BP	2175.30	2237.10	2298.90	2329.20	2485.50	2609.10	2794.80 Maximum	
E-6	BP	1946.70	2009.40	2040.00 Maximum					
E-5	BP	1731.30 Maximum	1731.30						

★Table 2-8. Monthly Rates of Basic Pay—Enlisted Members—Effective 1 Jan 1997

NOTES:

1. For rank titles, see Appendix A, Comparable Terms.
- ★2. Basic pay for grade E-9 is \$4227.90 regardless of years of service while serving as:
 - a. Sergeant Major of the Army.
 - b. Master Chief Petty Officer of the Navy.
 - c. Chief Master Sergeant of the Air Force.
 - d. Sergeant Major of the Marine Corps.

If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, then the member is entitled to the higher pay rate (\$4227.90) up to a maximum of 60 days. If a member is hospitalized and, during or immediately before such hospitalization, completed service as the senior enlisted member of that Armed Force, the member shall continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay (\$4227.90) authorized for the senior enlisted member.

★Table 2-8. Monthly Rates of Basic Pay—Enlisted Members—Effective 1 Jan 1997 (Continued)



DFAS-HQ/FMM

DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JAN 7 1998

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Department of Defense, Financial Management
Regulations, Volume 7A (DoDFMR, Vol 7A), Regarding -
Basic Pay and Basic Allowance for Subsistence Increase
Effective January 1, 1998, (DFAS Item G-69)

This Interim Change 1-98 to the DoDFMR, Vol 7A. This item is effective January 1, 1998.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Roger Castillo, may be contacted at DSN 327-1907 or Commercial (703) 607-1907

for Gloria W. Harris
Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

1. Replace Table 2-5 with Tab A.
2. Replace Table 2-6 with Tab B.
3. Replace Table 2-7 with Tab C.
4. Replace Table 2-8 with Tab D.
5. Revise paragraph 250301, first sentence to read:

"250301. Officers. Except as indicated in table 25-1, officers are entitled to BAS at the rate of \$155.70 per month (effective 1 January 1998), regardless of grade or dependency status."

6. Revise paragraph 250406 as follows:

"250406. BAS Rates (Effective 1 January 1998)

A. When permitted to mess separately:

E-1 (less than 4 months' active duty)

. \$6.86 per day

E-1 (4 months' or more active duty) through E-9

. \$7.43 per day

B. When rations in kind are not available:

E-1 (less than 4 months' active duty)

. \$7.73 per day

E-1 (4 months' or more active duty) through E-9

. \$8.38 per day

E-1 (less than 4 months' active duty)

E-1 (4 months' or more active duty) through E-9

7. Revise paragraph 250407C1 and 2 to read:

a. Breakfast. \$1.38

b. Lunch.	2.74
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c. Dinner.	2.74
--------------------	------

Total per day	6.86
---------------	-----------	------

a. Breakfast. \$1.49

b. Lunch.	2.97
-------------------	------

c. Dinner.	2.97
--------------------	------

Total per day 7.43"

8. Revise paragraph 250407D1 and 2 to read:

"1. E-1 (less than 4 months' active duty)
(Effective 1 January 1998):

a. Breakfast.	\$1.55
b. Lunch.	3.09
c. Dinner.	3.09
Total per day	7.73

2. E-1 (4 months' or more active duty) through
E-9 (Effective 1 January 1998):

a. Breakfast.	\$1.68
b. Lunch.	3.35
c. Dinner.	3.35
Total per day	8.38"

9. Revise paragraph 250407E1 and 2 to read:

"1. E-1 (less than 4 months' active duty)
(Effective 1 January 1998):

a. Breakfast.	\$2.06
b. Lunch.	4.10
c. Dinner.	4.10

Total per day 10.26

2. E-1 (4 months' or more active duty) through
E-9 (Effective 1 January 1998):

a. Breakfast. \$2.22

b. Lunch. 4.44

c. Dinner. 4.44

Total per day 11.10"

10. Revise paragraph 250408B1 and 2 to read:

"1. E-1 (less than 4 months' active duty)
(Effective 1 January 1998):

a. Breakfast. \$.17

b. Lunch.34

c. Dinner.34

2. E-1 (4 months' or more active duty) through
E-9 (Effective 1 January 1998):

a. Breakfast.19

b. Lunch.38

c. Dinner.38"

MONTHLY RATES OF BASIC PAY--COMMISSIONED OFFICERS, AVIATION CADETS, ACADEMY CADETS, MIDSHIPMEN, AND ROTC MEMBERS--EFFECTIVE 1 JAN 1998 (Note 1)										
Rank	Pay Grade		Cumulative Years of Service							
			2 or Less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
Gen-Adm	O-10 (note 2)	BP	7,566.30	7,832.40	7,832.40	7,832.40	7,832.40	8,133.00	8,133.00	8,583.60
Lt Gen-VADM	O-9	BP	6,705.60	6,881.40	7,028.10	7,028.10	7,028.10	7,206.60	7,206.60	7,506.60
Maj Gen-RADM (UH)	O-8	BP	6,073.50	6,255.90	6,404.10	6,404.10	6,404.10	6,881.40	6,881.40	7,206.60
Brig Gen-RADM (LH)	O-7	BP	5,046.60	5,389.80	5,389.80	5,389.80	5,631.60	5,631.60	5,958.00	5,958.00
Col-Capt	O-6	BP	3,740.40	4,109.40	4,379.10	4,379.10	4,379.10	4,379.10	4,379.10	4,379.10
Lt Col-CDR	O-5	BP	2,991.90	3,512.70	3,755.70	3,755.70	3,755.70	3,755.70	3,868.80	4,077.60
Maj-LCDR	O-4	BP	2,521.50	3,070.80	3,275.40	3,275.40	3,336.30	3,483.30	3,721.20	3,930.30
Capt-Lt	O-3 (note 3)	BP	2,343.30	2,619.90	2,801.10	3,099.00	3,247.50	3,363.60	3,546.00	3,721.20
1st Lt-Ltjg	O-2 (notes 3 & 4)	BP	2,043.60	2,231.70	2,681.10	2,771.40	2,828.70 Maximum			
2nd Lt-Ens	O-1 (note 3)	BP	1,774.20	1,846.50	2,231.70 Maximum					
Aviation Cadets (see sec 4002)		BP	1,144.80 Maximum							
Academy Cadets/ Midshipmen		BP	558.04 Maximum							
ROTC Members/ ROTC Applicants (see para 580801)		BP	558.04 Maximum							

Table 2-5. Monthly Rates of Basic Pay--Commissioned Officers, Aviation Cadets, Academy Cadets, Midshipmen, and ROTC Members--Effective 1 Jan 1998 (Note 1)

Rank	Pay Grade		Cumulative Years of Service						
			Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
Gen-Adm	O-10 (note 2)	BP	8,583.60	9,197.70	9,197.70	9,813.60 (note 1)	9,813.60 (note 1)	9,813.60 (note 1)	10,424.70 (note 1)
Lt Gen-VADM	O-9	BP	7,506.60	8,133.00	8,133.00	8,583.60	8,583.60	8,583.60	9,197.70
Maj Gen-RADM (UH)	O-8	BP	7,206.60	7,506.60	7,832.40	8,133.00	8,333.70 Maximum		
Brig Gen-RADM (LH)	O-7	BP	6,255.90	6,881.40	7,354.80 Maximum				
Col-Capt	O-6	BP	4,527.90	5,243.70	5,511.30	5,631.60	5,958.00	6,159.30	6,461.70
Lt Col-CDR	O-5	BP	4,350.90	4,676.70	4,944.30	5,094.60	5,272.50 Maximum		
Maj-LCDR	O-4	BP	4,109.40	4,290.30	4,407.90 Maximum				
Capt-Lt	O-3	BP	3,812.40 Maximum						

NOTES:

- Basic pay is limited to the rate of basic pay for Level V of the Executive Schedule, which is \$9,225.00.
- Basic pay for pay grade O-10 is \$9,225.00 regardless of years of service when they are serving as:
 - Chairperson or Vice Chairperson (effective 1 Oct 1986) of the Joint Chief of Staff
 - Chief of Staff of the Army
 - Chief of Naval Operations
 - Commandant of the Marine Corps
 - Chief of Staff of the Air Force
- These rates do not apply to officers credited with over 4 years of active enlisted and/or warrant officer service. See table 2-6 for applicable rates.
- These rates apply while a student of the Uniformed Services University of Health Sciences.

Table 2-5. Monthly Rates of Basic Pay--Commissioned Officers, Aviation Cadets, Academy Cadets, Midshipmen, and ROTC Members--Effective 1 Jan 1998 (Note1) (Continued)

MONTHLY RATES OF BASIC PAY--COMMISSIONED OFFICERS CREDITED WITH OVER 4 YEARS' ACTIVE DUTY ENLISTED AND/OR WARRANT OFFICER SERVICE--EFFECTIVE 1 JAN 1998 (Note)								
Rank	Pay Grade		Cumulative Years of Service					
			Over 4	Over 6	Over 8	Over 10	Over 12	Over 14
Capt-Lt	O-3E	BP	3,099.00	3,247.50	3,363.60	3,546.00	3,721.20	3,868.80 Maximum
1st Lt-Ltjg	O-2E	BP	2,771.40	2,828.70	2,918.40	3,070.80	3,188.10	3,275.40 Maximum
2nd Lt-Ens	O-1E	BP	2,231.70	2,384.10	2,471.70	2,561.70	2,650.50	2,771.40 Maximum

NOTE:

These rates apply while a student of the Uniformed Services University of Health Sciences.

Table 2-6. Monthly Rates of Basic Pay--Commissioned Officers Credited With Over 4 Years' Active Duty Enlisted And/Or Warrant Officer Service--Effective 1 Jan 1998

MONTHLY RATES OF BASIC PAY--WARRANT OFFICERS--EFFECTIVE 1 JAN 1998										
Rank	Pay Grade		Cumulative Years of Service							
			2 or Less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
Chief Warrant Officer	W-5	BP								
Chief Warrant Officer	W-4	BP	2,387.40	2,561.70	2,561.70	2,619.90	2,739.30	2,859.90	2,979.90	3,188.10
Chief Warrant Officer	W-3	BP	2,169.90	2,353.80	2,353.80	2,384.10	2,412.00	2,588.40	2,739.30	2,828.70
Chief Warrant Officer	W-2	BP	1,900.50	2,056.20	2,056.20	2,115.90	2,231.70	2,353.80	2,443.20	2,532.60
Warrant Officer	W-1	BP	1,583.40	1,815.30	1,815.30	1,967.10	2,056.20	2,144.40	2,231.70	2,323.50

Rank	Pay Grade		Cumulative Years of Service							
			Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	
Chief Warrant Officer	W-5	BP				4,074.60	4,228.80	4,351.20	4,534.50	
Chief Warrant Officer	W-4	BP	3,336.30	3,453.60	3,546.00	3,660.30	3,782.70	3,900.60	4,077.60	
Chief Warrant Officer	W-3	BP	2,918.40	3,005.70	3,099.00	3,219.90	3,336.30	3,336.30	3,453.60	
Chief Warrant Officer	W-2	BP	2,619.90	2,712.00	2,801.10	2,889.00	3,005.70 Maximum			
Chief Warrant Officer	W-1	BP	2,412.00	2,501.70	2,588.40	2,681.10 Maximum				

Table 2-7. Monthly Rates of Basic Pay--Warrant Officers--Effective 1 Jan 1998

MONTHLY RATES OF BASIC PAY--ENLISTED MEMBERS EFFECTIVE 1 JAN 1988

Pay Grade (note 1)		Cumulative Years of Service							
		2 or Less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
E-9 (note 2)	BP							2,777.40	2,839.80
E-8	BP						2,328.90	2,396.10	2,458.80
E-7	BP	1,626.30	1,755.60	1,820.10	1,884.30	1,948.50	2,010.60	2,074.80	2,139.60
E-6	BP	1,398.90	1,524.90	1,588.20	1,655.70	1,718.10	1,779.90	1,845.30	1,940.10
E-5	BP	1,227.60	1,336.20	1,401.00	1,462.20	1,558.20	1,621.80	1,685.70	1,748.10
E-4	BP	1,144.80	1,209.30	1,280.40	1,379.10	1,433.70 Maximum			
E-3	BP	1,079.10	1,137.90	1,183.20	1,230.30 Maximum				
E-2	BP	1,038.30 Maximum							
E-1 (4 months or more of active duty)	BP	926.10 Maximum							
E-1 (Less than 4 of active duty)	BP	856.80 Maximum							

Pay Grade (note 1)		Cumulative Years of Service							
		Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	
E-9 (note 2)		2,904.00	2,970.90	3,037.50	3,096.00	3,258.60	3,385.50	3,576.00	
E-8		2,522.70	2,589.60	2,648.40	2,713.50	2,873.10	3,000.90	3,193.50	
E-7		2,236.20	2,299.80	2,363.40	2,394.30	2,555.10	2,682.30	2,873.10	
E-6		2,001.30	2,065.80	2,097.00 Maximum					
E-5		1,779.90 Maximum							

NOTES:

- For rank titles, see Appendix 2, Comparable Terms.
- Basic pay for grade E-9 is \$4,346.40 regardless of years of service while serving as:
 - Sergeant Major of the Army.
 - Master Chief Petty Officer of the Navy.
 - Chief Master Sergeant of the Air Force.
 - Sergeant Major of the Marine Corps.

If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, then the member is entitled to the higher pay rate \$4,346.40 up to a maximum of 60 days. If a member is hospitalized and, during or immediately before such hospitalization, completed service as the senior enlisted member of that Armed Force, the member shall continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay (\$4,346.40) authorized for the senior enlisted member.

Table 2-7. Monthly Rates of Basic Pay--Enlisted Members--Effective 1 Jan 1998



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JAN - 4 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Proposed Change to the DoDFMR, Volume 7A, Regarding -
Basic Pay and Basic Allowance for Subsistence Increase
Effective January 1, 1999, (DFAS Item H-41)

This is Interim Change 1-99 to the DoDFMR, Volume 7A. This item is effective January 1, 1999.

We have evaluated your comments on the draft change to the DoDFMRM, Volume 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFRM, Volume 7A, and the interim change.

Our point of contact, Roger Castillo may be contacted at DSN 327-1907 or Commercial (703) 607-1907

for Edward Gysavage
Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

1. Replace Table 2-5 with Tab A.
2. Replace Table 2-6 with Tab B.
3. Replace Table 2-7 with Tab C.
4. Replace Table 2-8 with Tab D.
5. Replace Table 25-5 with Tab E.
6. Replace Table 25-6 with Tab F.
7. Replace Table 26-9 with Tab G.

DFAS Item Number H-41 Interim Change 01-99 to DoDFMR, Volume 7A

MONTHLY RATES OF BASIC PAY--COMMISSIONED OFFICERS, AVIATION CADETS, ACADEMY CADETS, MIDSHIPMEN, AND ROTC MEMBERS--EFFECTIVE 1 JAN 1999 (Notes 1 and 5)										
Rank	Pay Grade		Cumulative Years of Service							
			2 or Less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
Gen-Adm	O-10 (note 2)	BP	7,838.70	8,114.40	8,114.40	8,114.40	8,114.40	8,425.80	8,425.80	8,892.60
Lt Gen-VADM	O-9	BP	6,947.10	7,129.20	7,281.00	7,281.00	7,281.00	7,466.10	7,466.10	7,776.90
Maj Gen-RADM (UH)	O-8	BP	6,292.20	6,481.20	6,634.50	6,634.50	6,634.50	7,129.20	7,129.20	7,466.10
Brig Gen-RADM (LH)	O-7	BP	5,228.40	5,583.90	5,583.90	5,583.90	5,834.40	5,834.40	6,172.50	6,172.50
Col-Capt	O-6	BP	3,875.10	4,257.30	4,536.60	4,536.60	4,536.60	4,536.60	4,536.60	4,536.60
Lt Col-CDR	O-5	BP	3,099.60	3,639.30	3,891.00	3,891.00	3,891.00	3,891.00	4,008.00	4,224.30
Maj-LCDR	O-4	BP	2,612.40	3,181.20	3,393.30	3,393.30	3,456.30	3,608.70	3,855.30	4,071.90
Capt-Lt	O-3 (note 3)	BP	2,427.60	2,714.10	2,901.90	3,210.60	3,364.50	3,484.80	3,673.80	3,855.30
1st Lt-Ltjg	O-2 (notes 3 & 4)	BP	2,117.10	2,312.10	2,777.70	2,871.30	2,930.40 Maximum			
2nd Lt-Ens	O-1	BP	1,838.10	1,913.10	2,312.10 Maximum					
Aviation Cadets (see sec 402)		BP	1,185.90 Maximum							
Academy Cadets/ Midshipmen		BP	600.00 Maximum							
ROTC Members/ ROTC Applicants (see para 580801)		BP	600.00 Maximum							

Table 2-5. Monthly Rates of Basic Pay--Commissioned Officers, Aviation Cadets, Academy Cadets, Midshipmen, and ROTC Members--Effective 1 Jan 1999 (Notes 1 and 5)

DFAS Item Number H-41 Interim Change 01-99 to DoDFMR, Volume 7A

Rank	Pay Grade		Cumulative Years of Service						
			Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
Gen-Adm	O-10 (note 2)	BP	8,892 60	9,528 90 (note 1)	9,528 90 (note 1)	10,167.00 (note 1)	10,167.00 (note 1)	10,167 00 (note 1)	10,800 00 (note 1)
Lt Gen- VADM	O-9	BP	7,776 90	8,425 80	8,425 80	8,892 60	8,892 60	8,892 60	9,528 90 (note 1)
Maj Gen- RADM (UH)	O-8	BP	7,466 10	7,776 90	8,114 40	8,425 80	8,633 70 Maximum		
Brig Gen- RADM (LH)	O-7	BP	6,481 20	7,129 20	7,619 70 Maximum				
Col-Capt	O-6	BP	4,690 80	5,432 40	5,709 60	5,834 40	6,172 50	6,381 00	6,694 20 Maximum
Lt Col-CDR	O-5	BP	4,507 50	4,845 00	5,122 20	5,277 90	5,462 40 Maximum		
Maj-LCDR	O-4	BP	4,257 30	4,444 80	4,566 60 Maximum				
Capt-Lt	O-3	BP	3,949 50 Maximum						

NOTES:

- 1 Basic pay is limited to the rate of basic pay for Level V of the Executive Schedule, which is \$9,225 00
- 2 Basic pay for pay grade O-10 is \$9,225 00 regardless of years of service when they are serving as:
 - a Chairperson or Vice Chairperson (effective 1 Oct 1986) of the Joint Chief of Staff
 - b Chief of Staff of the Army
 - c Chief of Naval Operations
 - d Commandant of the Marine Corps
 - e Chief of Staff of the Air Force
- 3 These rates do not apply to officers credited with over 4 years of active enlisted and/or warrant officer service
See table 2-6 for applicable rates
- 4 These rates apply while a student of the Uniformed Services University of Health Sciences
- 5 Basic pay rates for:
 - a Aviation Cadets - \$1,185 90
 - b Academy Cadets/Midshipmen - \$600 00
 - c ROTC members/applicants - \$600 00

Table 2-5. Monthly Rates of Basic Pay--Commissioned Officers, Aviation Cadets, Academy Cadets, Midshipmen, and ROTC Members--Effective 1 Jan 1999 (Notes 1 and 5)(Continued)

DFAS Item Number H-41 Interim Change 01-99 to DoDFMR, Volume 7A

MONTHLY RATES OF BASIC PAY--COMMISSIONED OFFICERS CREDITED WITH OVER 4 YEARS' ACTIVE DUTY ENLISTED AND/OR WARRANT OFFICER SERVICE--EFFECTIVE 1 JAN 1999 (Note)								
Rank	Pay Grade		Over 4	Over 6	Over 8	Over 10	Over 12	Over 14
Capt-Lt	O-3	BP	3,210 60	3,364 50	3,484 80	3,673 80	3,855 30	4,008 00 Maximum
1st Lt-Ltjg	O-2	BP	2,871 30	2,930 40	3,023 40	3,181.20	3,303 00	3,393 30 Maximum
2nd Lt-Ens	O-1	BP	2,312 10	2,469 90	2,560 80	2,653 80	2,745 90	2,871 30 Maximum

NOTE:

These rates apply while a student of the Uniformed Services University of Health Sciences

Table 2-6. Monthly Rates of Basic Pay--Commissioned Officers Credited With Over 4 Years' Active Duty Enlisted And/Or Warrant Officer Service--Effective 1 Jan 1999

Tab B

DFAS Item Number H-41 Interim Change 01-99 to DoDFMR, Volume 7A

MONTHLY RATES OF BASIC PAY--WARRANT OFFICERS--EFFECTIVE 1 JAN 1999										
Rank	Pay Grade		Cumulative Years of Service							
			2 or Less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
Chief Warrant Officer	W-5	BP								
Chief Warrant Officer	W-4	BP	2,473 20	2,653 80	2,653 80	2,714 10	2,838 00	2,962 80	3,087 30	3,303 00
Chief Warrant Officer	W-3	BP	2,247 90	2,438 40	2,438 40	2,469 90	2,498 70	2,681 70	2,838 00	2,930.40
Chief Warrant Officer	W-2	BP	1,968 90	2,130 30	2,130 30	2,192 10	2,312 10	2,438 40	2,531 10	2,623.80
Chief Warrant Officer	W-1	BP	1,640 40	1,880 70	1,880 70	2,037 90	2,130 30	2,221 50	2,312 10	2,407 20

Rank	Pay Grade		Cumulative Years of Service							
			Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	
Chief Warrant Officer	W-5	BP				4,221 30	4,380 90	4,507 80	4,697 70 Maximum	
Chief Warrant Officer	W-4	BP	3,456 30	3,577 80	3,673 80	3,792 00	3,918 90	4,041 00	4,224 30 Maximum	
Chief Warrant Officer	W-3	BP	3,023 40	3,114 00	3,210 60	3,335 70	3,456 30	3,456 30	3,577 80 Maximum	
Chief Warrant Officer	W-2	BP	2,714 10	2,809 50	2,901 90	2,993 10	3,114 00 Maximum			
Chief Warrant Officer	W-1	BP	2,498 70	2,591 70	2,681 70	2,777 70 Maximum				

Table 2-7. Monthly Rates of Basic Pay--Warrant Officers--Effective 1 Jan 1999

Tab C

MONTHLY RATES OF BASIC PAY--ENLISTED MEMBERS--EFFECTIVE 1 JAN 1999									
Pay Grade (note 1)		Cumulative Years of Service							
		2 or Less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
E-9 (note 2)	BP							2,877 30	2,942 10
E-8	BP						2,412 60	2,482 50	2,547 30
E-7	BP	1,684 80	1,818 90	1,885 50	1,952 10	2,018 70	2,082 90	2,149 50	2,216 70
E-6	BP	1,449 30	1,579 80	1,645 50	1,715 40	1,779 90	1,844 10	1,911 60	2,010 00
E-5	BP	1,271 70	1,384 20	1,451 40	1,514 70	1,614 30	1,680 30	1,746 30	1,811 10
E-4	BP	1,185 90	1,252 80	1,326 60	1,428 60	1,485 30 Maximum			
E-3	BP	1,117 80	1,179 00	1,225 80	1,274 70 Maximum				
E-2	BP	1,075 80 Maximum							
E-1 (4 months or more active duty)	BP	959 40 Maximum							
E-1 (Less than 4 months active duty)	BP	887 70 Maximum							

Pay Grade (note 1)		Cumulative Years of Service							
		Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26	
E-9 (note 2)	BP	3,008 40	3,078 00	3,147 00	3,207 60	3,375 90	3,507 30	3,704 70 Maximum	
E-8	BP	2,613 60	2,682 90	2,743 80	2,811 30	2,976 60	3,108 90	3,308 40 Maximum	
E-7	BP	2,316 60	2,382 60	2,448 60	2,480 40	2,647 20	2,778 90	2,976 60	
E-6	BP	2,073 30	2,140 20	2,172 60 Maximum					
E-5	BP	1,844 10 Maximum							

NOTES:

- 1 For rank titles, see Appendix 2, Comparable Terms
- 2 Basic pay for grade E-9 is \$4,503 00 regardless of years of service while serving as:
 - a Sergeant Major of the Army
 - b Master Chief Petty Officer of the Navy or Coast Guard
 - c Chief Master Sergeant of the Air Force
 - d Sergeant Major of the Marine Corps

If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, then the member is entitled to the higher pay rate \$4,503 00 up to a maximum of 60 days. If a member is hospitalized and during or immediately before such hospitalization, completed service as the senior enlisted member of that Armed Force, the member shall continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay (\$4,503 00) authorized for the senior enlisted member.

Table 2-8. Monthly Rates of Basic Pay--Enlisted Members--Effective 1 Jan 1999

STANDARD BAS RATES (effective 1 January 1999)

R U L E	A	B	C	D
	When the entitled type of BAS is	then the daily rate of BAS for an enlisted member in pay grade E-1 (with less than 4 months active duty) is	and the daily rate of BAS for an enlisted member in pay grades E-1 through E-9 (with over 4 months active duty) is	and the monthly rate of BAS for an officer is
1	Partial	83	83	N/A
2	SEPRATS	6 93	7 50	N/A
3	RIKNA	7 81	8 46	N/A
4	EMRATS	10 36	11 21	N/A
5	Full Officer	N/A	N/A	157 26

Table 25-5. Standard BAS Rates

SUPPLEMENTAL BAS RATES (effective 1 January 1999)

	A	B	C	D
R U L E	When the entitled type of BAS is	and the member becomes entitled to RIKNA by having obtained approval for supplemental BAS for a missed meal at (Note 1)	then the supplemental rate of BAS for that meal for an enlisted member in pay grade E-1 (with less than 4 months active duty) is	and the supplemental rate of BAS for that meal for an enlisted member in pay grades E-1 through E-9 (with over 4 months active duty) is
1	Partial	breakfast	1 40	1 53
2		lunch	2 79	3.05
3		dinner	2 79	3 05
4	SEPRATS	breakfast	18	20
5		lunch	35	38
6		dinner	35	38

NOTE:

1 See Table 25-4, rules 3, 5, and 6

Table 25-6. Supplemental BAS Rates

MONTHLY BAH TYPE II RATES EFFECTIVE 1 JAN 1999

Pay Grade	Partial	Differential	Without Dependent	With Dependent
0-10	\$50.70	\$202.80	\$878.40	\$1,081.20
0-9	50.70	202.80	878.40	1,081.20
0-8	50.70	202.80	878.40	1,081.20
0-7	50.70	202.80	878.40	1,081.20
0-6	39.60	167.70	805.80	973.50
0-5	33.00	162.30	776.10	938.40
0-4	26.70	108.00	719.10	827.10
0-3	22.20	107.70	576.60	684.30
0-2	17.70	127.20	457.20	584.40
0-1	13.20	137.40	385.20	522.60
0-3E	22.20	112.80	622.50	735.30
0-2E	17.70	134.70	528.90	663.60
0-1E	13.20	158.10	455.10	613.20
W-5	25.20	67.50	730.80	798.30
W-4	25.20	83.10	648.90	732.00
W-3	20.70	125.40	545.40	670.80
W-2	15.90	132.60	484.20	616.80
W-1	13.80	128.10	405.60	533.70
E-9	18.60	169.50	533.10	702.60
E-8	15.30	158.40	489.30	647.70
E-7	12.00	183.60	417.90	601.50
E-6	9.90	177.30	378.30	555.60
E-5	8.70	150.90	348.90	499.80
E-4	8.10	130.80	303.60	434.40
E-3	7.80	106.80	297.60	404.40
E-2	7.20	143.40	241.80	385.20
E-1	6.90	169.50	215.70	385.20

Table 26-9. Monthly Rates of BAH Type II Effective 1 Jan 1999

CHAPTER 3

ABSENCE FROM DUTY, EFFECT ON PAY AND ALLOWANCES0301 AUTHORIZED LEAVE

030101. Authority. All Military Service members on active duty for 30 consecutive days or more are entitled to accrue leave under applicable Military Service leave regulations. While on authorized leave they are entitled to full pay and allowances except as otherwise provided in Table 3-1.

030102. Applicable Service Leave Regulations. Applicable Military Service leave regulations are:

- A. Army. AR 630-5 (reference (e)).
- B. Navy. MILPERSMAN (reference (f)).
- C. Marine Corps. MCO P1050.3 (reference (g)).
- D. Air Force. AFR 35-9 (reference (h)).

030103. Reserved030104. Pay and Allowances During Leave

A. Entitlement. See Table 3-1.

B. Full Pay and Allowances Defined. This term means (includes) the following:

- 1. Basic pay
- 2. Special pays
- 3. Incentive pay for hazardous duty
- 4. Basic allowance for subsistence (enlisted leave rations)
- 5. Basic allowance for housing
- 6. Personal money allowances
- 7. Clothing maintenance allowances

8. Family separation allowances

9. Station allowances. (See Joint Federal Travel Regulations, Volume 1, Chapter 9 (reference (d).))

030105. Advance Leave Carryover or Change to Excess Leave (Effective 14 November 1986).

A. When Carryover Allowed. Members may elect to carry all or part of an advance leave balance over to a new term of service when discharged for the purpose of:

1. Reenlisting within 24 hours of discharge or extending an enlistment; or

2. Accepting an appointment as a warrant or commissioned officer of the Armed Forces. Carryover will not exceed the number of days or fraction of days the member will accrue in the new enlistment or term of service or 30 days, whichever is less.

Example 1: Member's current term of service ends 870430. Member reenlists for 6 years on 870301 and has a 5.0-day advance leave balance. The 5.0-day advance leave balance can be carried into the new term of service.

Example 2: Member's current term of service ends 870930. On 870501 member agrees to serve a 12-month extension and has a 12.5 day-advance leave balance which will be offset by leave accrual through 870930. Between 870501 and 870930 the member was charged for 30 days' leave. When the extension becomes operative (871001), the member may elect to carry the 30.0-day advance leave balance into the new term of service (12-month extension).

B. Advance leave becomes excess leave and requires collection of pay and allowances under the following conditions:

1. Discharge for the purpose of reenlisting, extending an enlistment or accepting a warrant or commission, and advance leave exceeds 30 days.

2. Advance leave balance exceeds that which will accrue in the new enlistment or term of service (for example, enlistment or extension(s)) including when an agreement to extend is cancelled by the Military Service. If an agreement to extend is cancelled by the member for the purpose of immediate reenlistment, collect under subparagraph 030105.B.1, above, if applicable.

3. Relief from active duty.

4. Appointment as a cadet or midshipman at a Service academy.

5. Death.

6. Return from a period of leave which was in excess of the number of days leave and fractions thereof member will accrue before the normal expiration of current enlistment or term of active service. The term of an extension(s) will be considered when determining the normal expiration of current enlistment or term of active service. Extension(s) will be considered from the date the member agrees to the extension(s). Excess leave properly charged before the date a member extends a term of service (reenlistment, appointment or agrees to extend voluntarily or is involuntarily extended) will not be affected and under no circumstances will pay and allowances previously collected be refunded. (See paragraph 030106, below, when it is known at the time leave is granted that the member will be in excess leave status.)

Example 3: Member's current term of service ends 880331. Member reenlists for 6 years on 870101 and has a 35.5-day advance leave balance. The member can carry 30.0 days of advance leave into the new term of service. The remaining 5.5-day advance leave balance will change to excess leave and will require immediate collection of pay and allowances. Paragraph 030106, below, applies.

Example 4: Same as example 2 except the member takes 34 days of leave between 870501 and 870930. Since a maximum of 30.0 days advance leave can be carried into the new term of service (12-month extension), the remaining 4.0 days would require immediate collection of pay and allowances when the leave was used. Paragraph 030106, below, applies.

C. Amount to be Collected. Compute collection under subparagraph B, above, on the basis of pay and allowances actually received by the member during the period of leave involved.

030106. Pay and Allowances During Excess Leave. Members on excess leave are not entitled to pay and allowances, except as provided by Chapter 26, subparagraph 260501.C. Apply the above as follows:

A. When the complete period of leave is granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of leave.

B. When a portion of the leave is granted as advance leave and a portion granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of excess leave. Members in an excess leave are considered to have a rate of pay.

030107. Leave Pending Review of Certain Courts-Martial Convictions. Under regulations prescribed by the Secretary concerned, members sentenced to unsuspended dismissal or unsuspended dishonorable or bad conduct discharge by court-martial may be required to take leave pending review of their conviction as provided by Article 76a, Uniform Code of Military Justice (UCMJ (reference (i))).

A. Such leave shall be charged against any accrued leave to the member's credit on the day before the day such leave begins unless the member elects to be paid for accrued leave under subparagraph 350101.C.

1. If the member does not elect to be paid for accrued leave or does not have sufficient accrued leave to cover the total period of leave required to be taken, the leave not covered by accrued leave shall be charged as excess leave.

2. If the member elects to be paid for accrued leave, the entire period of leave shall be charged as excess leave and pay and allowances will not accrue for such period except under the provisions of subparagraph B, below.

B. A member required to take leave under Article 76a, UCMJ (reference (i)), whose sentence by court-martial to dismissal or dishonorable or bad-conduct discharge is set aside or disapproved on appellate review, shall accrue pay and allowances for the period of leave charged as excess leave (except for any day of accrued leave for which the member has been paid under subparagraph A.2, above), unless a rehearing or new trial is ordered and dismissal or dishonorable or bad-conduct discharge results from the rehearing or new trial and such dismissal or discharge is later executed.

1. Computation of Payment. The amount of gross pay and allowances accrued under this subparagraph shall be reduced by the total gross income from wages, salaries, tips, other personal service income, unemployment compensation, and public assistance benefits from any government agency during the period the member is deemed to have accrued gross pay and allowances. However, the total gross income described above cannot reduce the amount of gross pay and allowances to the extent that the member becomes indebted to the government.

a. Approved Sentence Does Not Include Reduction. Pay and allowances under this section will be paid in the pay grade held by the member on the day before the day on which the court-martial sentence was approved by the convening authority.

b. Approved Sentence Includes Reductions. If the pay grade of the member was reduced to a lower grade as a result of the court-martial sentence and the reduction has not been set aside, disapproved, or otherwise vacated, pay and allowances accrued under this paragraph will be paid at the lower pay grade.

2. Time of Payment

a. Payment shall be made within 60 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable or bad-conduct discharge if no rehearing or new trial has been ordered.

b. Payment shall be made within 180 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable

or bad-conduct discharge if a rehearing or new trial has been ordered but charges have not been referred to a rehearing or new trial within 120 days from the date of that order.

c. If a rehearing or new trial has been ordered, and a dismissal or a dishonorable or bad-conduct discharge is not included in the result of the rehearing or new trial, payment shall be made within 60 days of the date of the announcement of the result of such rehearing or new trial.

d. If a rehearing or new trial has been ordered, and a dismissal for a dishonorable or bad-conduct discharge is included as the result of such rehearing or new trial, but such dismissal or discharge is not later executed, payment shall be made within 60 days of the date of the order which set aside, disapproved, or otherwise vacated such dismissal or discharge.

e. If a member who is entitled to be paid under this section, fails to provide sufficient information in a timely manner regarding his/her income when such information is requested under subparagraph C, below, the periods of time prescribed in this paragraph shall be extended until 30 days after the date on which the member provides the requested information.

C. In all cases where payment must be made under subparagraph B, above, the member is solely responsible for providing the information as to sources and amounts of income received by the member during periods of required appellate leave. Pay will be computed only on the basis of a written record. Information as to sources and amounts of income should include, at a minimum, copies of all pertinent income tax returns, employer statements of income earned from wages, salaries, tips, and documentation of other personal service income. In cases where the member has been unemployed, the required information shall include affidavits or written evidence of lack of employment and documentation to verify the duration of unemployment compensation and public assistance benefits received from any government agency.

0302 UNAUTHORIZED ABSENCE AND OTHER LOST TIME

030201. Effect on Pay and Allowances. The types of unauthorized absence and other lost time and their effect on pay and allowances are shown in Table 3-2. (Compute for forfeitures of pay and allowances as instructed in Chapter 2, paragraph 020202.)

030202. Unauthorized Absence and Desertion

A. Determination by Courts-Martial. A member found guilty of unauthorized absence by a courts-martial forfeits pay and allowances for the period of absence. An acquittal (or disapproval by the reviewing authority, in case of conviction) affects only the disciplinary aspects of the absence. It does not prevent an administrative determination that the member was absent without leave.

B. Administrative Determination of Unauthorized Absence. When a member is in an unauthorized absence status, an administrative determination must be made as to whether the absence was unavoidable. Table 3-3 contains rules for determining whether the absence was unavoidable. If it is not excused as unavoidable, the member (including one mentally incompetent) forfeits pay and allowances for the period of absence. This applies even though a court-martial finds the member not guilty of a charge of unauthorized absence, or when a finding of guilty has been disapproved by the reviewing authority.

C. Discharge for Desertion. A discharge for desertion is conclusive evidence of desertion for purpose of forfeiture of pay, even in the absence of trial by courts-martial.

D. Dropped From Rolls. A commissioned officer of the Army or Air Force who is dropped from the rolls by the President for absence without authority for 3 months, forfeits all pay due or to become due. However, pay and allowances due at the time the officer is dropped from the rolls will be used to satisfy debts due the United States and its instrumentalities.

E. Disposition of Forfeitures as a Result of Desertion. When an enlisted member, warrant officer, or limited duty officer forfeits pay as a result of desertion, deposit the gross amount of such forfeited pay to the Armed Forces Retirement Home Trust Fund. However, do not deposit this pay beyond the expiration of term of enlistment for enlisted members.

030203. Computing Periods of Unauthorized Absence. Unauthorized absence of 24 consecutive hours or less does not affect pay or allowances. This applies even though the absence involves parts of 2 days. When the period of unauthorized absence exceeds 24 consecutive hours, use Table 3-4 to determine the first and last day of the period of absence.

030204. Absence in the Hands of Civil Authorities

A. General. Pay member all pay and allowances earned through the day before the first day of unauthorized absence. If the member is delivered to civil authorities by military authorities, member is entitled to all pay and allowances earned through the day prior to the date of such delivery. For entitlement to pay and allowances during confinement, see Table 3-2, rules 4, 5, and 6.

B. Finding of Insanity. An administrative determination under the rules contained in Table 3-3 must be made as to whether the absence was unavoidable when a member is found not guilty by reason of insanity by a civil court and transferred to a mental institution for an indefinite period of time. Table 3-2 contains rules for determining the effect of the absence on pay and allowances.

C. Work Release Program. In some states and local jurisdictions a person convicted and sentenced to a term of civil confinement may be released from the confinement facility to the cognizance of an employer during the normal workday. Work release, job rehabilitation, or employment retention programs of this type are generally conducted for the

purpose of providing prisoners a means to continue support of their dependents and to demonstrate that they are capable of self-rehabilitation. When members are paroled to military authorities under a "work release" or similar program, they are entitled to pay and allowances for each day of full duty performed commensurate with their grade and military specialty.

030205. Absence Due to Disease

- A. When Pay Is Forfeited. See Table 3-2, rule 3.
- B. When Pay Is Not Forfeited. Pay is not forfeited for absence from duty caused by:
1. An injury.
 2. A disease, except under Table 3-2, rule 3.
 3. Simple drunkenness, if not coupled with chronic alcoholism or intemperate use of habit-forming drugs.
 4. Venereal disease, whether or not due to misconduct.

C. Personal Expense Money. A member whose pay is forfeited under Table 3-2, rule 3, for more than 1 month is entitled to \$5 for personal expenses for each full month that member forfeits pay. This payment will be made even though the member is indebted to the United States. The term "full month" is the period from a date in 1 month through the preceding date in the following month. For example, 3 July through 2 August is 1 month.

030206. Military Confinement

- A. General. Pay and allowances accrue to a member in military confinement except:
1. When confined by military authorities, for civil authorities. See Table 3-2, rules 6 and 8.
 2. When pay and allowances are forfeited by court-martial sentence. See Chapter 48, and Table 3-2, rule 10.
 3. When the term of enlistment expires. See paragraph 030207, below.

030207. Term of Enlistment Expires

A. General. Pay and allowances accrue to a member upon return to a full duty status. Full duty is attained when a member not in confinement is assigned useful and

productive duties (as opposed to duties prescribed by regulations for confinement facilities), on a full-time basis which are not inconsistent with the grade, length of service, and military occupational specialty (MOS). While placement in the same MOS is not essential, the decision to place a member in that MOS or to assign the member available duties consistent with the grade and service rests with the appropriate military commander.

B. Absentee Returned to Military Control. An absentee who surrenders or is apprehended after a term of enlistment has expired is not entitled to pay and allowances until restored to a full-duty status for the purpose of making good lost time. While held in retention, a member may be assigned duties as prescribed by regulations governing detained prisoners without being returned to full-duty status.

C. Enlistment Expires Before Trial. An enlisted member retained in the Military Service for the purpose of trial by court-martial is not entitled to pay for any period after expiration of the enlistment unless acquitted or the charges are dismissed, or the member is retained in or restored to a full-duty status.

D. Confined Awaiting Trial by Court-Martial. If a member is confined awaiting court-martial trial when the enlistment expires, pay and allowances end on the date the enlistment expires. If the member is acquitted when tried, pay and allowances accrue until discharge.

E. Confined Serving Court-Martial Sentence. If a member is confined serving court-martial sentence when the enlistment expires, pay and allowances end on the date the enlistment expires unless the sentence is completely overturned or set aside as specified in section 4809. Pay and allowances will not accrue again until the date the member is restored to a full-duty status.

F. Confined While in a Status of Being Held in the Service To Make Up Lost Time. If confined while in a status of being held in the Military Service to make up lost time, an enlisted member continues in a pay status, except to the extent that pay may be forfeited by court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service as extended to make up lost time would have expired, even if restored to duty at a later date.

G. Confinement Deferred or Prisoner Restored to Duty. A prisoner in a non-pay status is entitled to pay and allowances when service of sentence to confinement is deferred or the member is restored to a full-duty status. The date restored to duty is the date the member reported present for duty.

H. Absentee Confined Upon Return to Military Control. An enlisted member, whose term of enlistment has expired while in a status of absence without leave or desertion, is not entitled to pay and allowances upon return to military control while confined awaiting trial and disposition of the case, if the conviction becomes final and the member has not been returned to a full-duty status. However, a member returned to military control and restored

to full duty for the purpose of making good lost time before being confined to await trial, continues in a pay status except to the extent that pay may be forfeited by court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service as extended to make up lost time would have expired, even if restored to duty at a later date.

I. Confined Under Sentence of Death. The pay and allowances of a member serving in confinement under sentence of death and pending completion of the appellate review of the record of trial, do not accrue after the expiration of the enlistment.

J. Appellate Review of Court-Martial Sentence. A confined member who is pending appellate review of his/her court-martial sentence is not entitled to pay and allowances after expiration of term of enlistment, unless the conviction is completely overturned or set aside.

030208. Reserve Officer Absent From Duty. A Reserve officer whose term of active service expires while confined as a result of court-martial action, continues to be entitled to pay and allowances, except when forfeited under an approved sentence of a court-martial or a period of service is terminated by proper orders.

AUTHORIZED ABSENCE—EFFECT ON PAY AND ALLOWANCES				
R U L E	A	B	C	D
	When member is absent from duty	and	then member is	and the period of absence is
1	on authorized leave	such leave is: a. ordinary accrued leave b. emergency leave c. reenlistment leave d. delay en route	entitled to otherwise proper credit of full pay and allowances during the period of absence	charged as leave.
2		In advance of that accrued		charged against leave as it accrues (note 1).
3		such leave is: a. graduation leave b. sick or convalescent leave c. pass or liberty d. proceed time		not chargeable against leave.
4	at home on PCS orders awaiting final action on physical evaluation board proceedings		entitled to pay and allowances as follows: a. basic pay b. special pay (if a health professional officer) c. BAS officers and enlisted (note 3) d. BAQ (note 2) e. clothing maintenance allowance	chargeable to leave to the extent possible (note 4).
5	on excess leave		not entitled to pay and allowances except BAQ as provided in subparagraph 260501.C (note 7)	not chargeable to accrued leave (note 6).
6	on authorized educational leave of absence not to exceed 2 years		entitled to basic pay (member is not entitled to BAQ, BAS, or any other pay and allowance to which member might otherwise be entitled for period of leave of absence)	not chargeable to accrued leave.
7	on authorized rest and recuperative absence for not more than 30 days for extending duty under DoDFMR, Volume 7A, sections 1401-1403		entitled to otherwise proper credit of full pay and allowances during the period of absence (note 5)	not chargeable to accrued leave.

NOTES:

- See paragraph 030105 for collection requirements when advance leave is changed to excess leave.
- Members without dependents are entitled to BAQ as prescribed in Table 2-3, rules 20 and 21.
- Enlisted members are entitled to BAS at the rate shown in subparagraph 250406.B except for days of leave specifically authorized by the PCS orders. Pay BAS at the rate shown in subparagraph 250406.A for the PCS order-authorized leave period.
- A negative leave balance which existed prior to the member being ordered home continues until separation or retirement and will be collected as excess leave.
- Member is not entitled to special pay under Chapter 14, section 1402.
- Under DoDD 1327.5, a member does not accrue leave during periods of excess leave (here referred to as "non-accrual"). Computation of the number of days involved in an excess leave balance which accounts for this nonaccrual may result in a total which includes a fraction. Effective with leave taken on or after 1 Feb 1987, the total is not rounded to eliminate the fraction when pay and allowances are collected for excess leave. The fractional one-half day is considered to occur on the first day of the excess leave involved. Collect pay and allowances for the number of days, to include fractional days, according to paragraph 030105 or 030106.
- A member separating effective 1 Mar whose separation leave period through 28 Feb (or through 29 Feb during leap year) results in excess leave, is not entitled to pay and allowances for 29 and 30 Feb (or for 30 Feb during leap year). These days are not considered days of excess leave; however, the member is considered to be in a non-pay status through 30 Feb. See paragraph 020202.

Table 3-1. Authorized Absence—Effect on Pay and Allowances

UNAUTHORIZED ABSENCE AND OTHER LOST TIME—EFFECT ON PAY AND ALLOWANCES			
R U L E	A	B	C
	When member is absent from duty	and	the member (note 6)
1	without authority (AWOL) or over leave, delays en route, pass or liberty	the absence is excused as unavoidable	is entitled to otherwise proper credits of pay and allowances (note 1).
2		the absence is not excused as unavoidable	is not entitled to pay and allowances.
3	for more than 24 consecutive hours as a result of a disease	the disease is caused by and immediately follows intemperate use of alcoholic liquors or habit-forming drugs	is entitled to allowances but not to basic pay, special, or incentive pay (note 2).
4	in confinement by civil authorities	is being detained as a witness before a civil court	is entitled to otherwise proper credits of pay and allowances.
5		the absence is excused as unavoidable (see Table 3-3)	
6		the absence is not excused as unavoidable (see Table 3-3)	is not entitled to pay and allowances, except for that part of the period that is covered by authorized leave, liberty, or pass (note 5).
7	in confinement by military authorities for a foreign civil offense	is not considered "constructively absent" from duty (note 4)	is entitled to otherwise proper credits of pay and allowances.
8		is considered "constructively absent" from duty (note 7)	is not entitled to pay and allowances except for that part of the period that is covered by authorized leave, unless the absence is excused as unavoidable (see Table 3-3).
9	in military confinement (other than for civil authorities)	is awaiting trial by court-martial or serving a sentence of confinement which did not include a forfeiture of pay	is entitled to otherwise proper credits of pay and allowances.
10		is serving a court-martial sentence which includes a forfeiture of pay and allowances	is entitled to pay and allowances accruing before the date the sentence was approved by the convening authority and to any unforfeited pay and allowances accruing after that date.
11	as a deserter	is found guilty of deserting by court-martial or is administratively discharged for desertion or dies prior to return to military control or while awaiting trial by court-martial for the charge of desertion	forfeits all pay and allowances including that due on the first day of desertion (note 3).
12	without authority for 3 months while serving as an Army or Air Force officer	is dropped from the rolls by the President	forfeits all pay and allowances due or to become due (note 3).

NOTES:

1. Enlisted members are entitled to BAS at the rate prescribed when permission to ration separately is granted unless they were subsisted at government expense.
2. Member is not entitled to pay or allowances for period of hospitalization after expiration of enlistment.
3. Pay and allowances due on date of desertion and on date an officer was dropped from the rolls will be used to satisfy debts due the United States and its instrumentalities.
4. In any case where the commander of the military installation retains the discretionary authority to decide to incarcerate a member (or to merely restrict to the duty station and assign to perform useful and productive duties on a full-time basis), such member will not be considered as being "constructively absent" for the purposes of entitlement to pay and allowances.
5. A member is not entitled to pay and allowances if granted a pass or liberty to serve civil confinement.
6. See section 2605 for entitlement to basic allowance for quarters in a non-pay status.
7. Under existing DoD policy and Status of Forces Agreements, the United States Commander always retains discretionary authority to incarcerate or restrict a Military Service member to the installation when such a member is pending civil charges, even in cases where incarceration or restriction is requested by foreign authorities. Such member is not considered as being "constructively absent" for the purpose of entitlement to pay and allowances.

Table 3-2. Unauthorized Absence and Other Lost Time—Effect on Pay and Allowances

RULES FOR DETERMINING WHETHER ABSENCE IS UNAVOIDABLE				
R U L E	A	B	C	D
	When member is absent from duty	and	And	then the absence may
1	in confinement by civil authorities or by military authorities for civil authorities	is tried and acquitted		be excused as unavoidable.
2		charges are dismissed or member is released (or dies) without trial	it is clear that arrest and detention were not due to member's misconduct	
3		is released without trial upon agreement to make restitution or reparation for the alleged offense	the commander determines that absence was not due to member's misconduct	
4		is admitted to bail and trial is postponed indefinitely	it is apparent that the case will not be prosecuted	
5		was released because the case was discontinued by the prosecutor or plaintiff or because the jury failed to agree		
6		is tried and convicted		not be excused as unavoidable.
7		is released under bond (not in a full duty status) pending appeal of the case to a higher court	the appeal does not result in acquittal	
8		is discharged because of imprisonment or conviction by a civil court		
9		confinement is due to failure to obey a decree of a civil court		
10	in confinement by civil authorities	is tried and found not guilty by reason of insanity	is transferred to a state mental institution	be excused as unavoidable.
11	without authority (AWOL) or over leave	the absence could not have been avoided by the member or by military authorities	the absence was not due to member's misconduct	be excused as unavoidable.
12	over pass or liberty			
13		the absence could have been prevented by member or by military authorities		not be excused as unavoidable.

Table 3-3. Rules for Determining Whether Absence Is Unavoidable

COMPUTING PERIODS OF UNAUTHORIZED ABSENCE						
R U L E	A			B	C	D
	When a member of the			and the hour of expiration of leave,	And the member	then
	Army/ Air Force	Navy/ Marine Corps				
1	X	X	Leaves the post of duty, place of service or organization without authority		Remains absent more than 24 consecutive hours	the day of departure will be counted as the first day of unauthorized absence.
2			Fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty, or authorized travel time	is before 2400 hours as specified in leave orders	Does not report on or before the specified hour of the following day	the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.
3				is 2400 hours as specified in leave orders		the day following the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.
4			Fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty	is not specified in leave orders	Does not report before normal duty hours of the following day (note)	the day following the last day of leave, pass, or liberty is the first day of unauthorized absence.
5	X				Does not report by 2400 hours of the following day	
6	X	X	Fails to report to the organization or post of duty by 2400 hours on the last day of authorized travel time	is not specified in orders		the day following the last day of authorized travel time is the first day of unauthorized absence.
7			Is AWOL		Returns to the place of duty, or organization, or otherwise to the jurisdiction of the Armed Forces	the day before the member's return is the last day of unauthorized absence.

NOTE: The unauthorized absence begins at the normal duty hour. No unauthorized absence exists unless the member remains absent for more than 24 hours after the beginning of the normal duty hour.

Table 3-4. Computing Periods of Unauthorized Absence



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

DEC 22 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER

SUBJECT: Interim Change to the DoDFMR, Volume 7A, Regarding -
Hostile Fire/Imminent Danger Pay, (DFAS Item H-39)

Attached is a Interim Change 44-98 to Chapter 10 of the
DoDFMR, Volume 7A. It was effective October 17, 1998.

The purpose of this change is to issue revisions to policy
resulting from Section 621 of the FY 1999 National Defense
Authorization Act and ASD(FMP) Memorandum dated October 29, 1998,
which eliminate prorating of Hostile Fire/Imminent Danger Pay.
This is a complete rewrite and replacement of Chapter 10.

We have evaluated your comments on the draft proposal of
this change to the DoDFMR, Volume 7A. The attached final version
of the change incorporates your comments where appropriate.

Assignment of an interim change number is your authority to
start a procedural modification to facilitate this change. For
the Denver Center, use the attached to initiate the formal
printed change to the DoDFMR and the interim change message.

My point of contact, Mr. Gary McGee, may be contacted at DSN
332-5280 or at (703) 602-5280.

for Edward T. Hyslop
Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS PM

HOSTILE FIRE/IMMINENT DANGER PAY

1. Replace the entirety of Chapter 10 with the attached revision.
2. Delete subparagraph 560401F as now being obsolete and replace the second sentence in subparagraph 560401A with the following:

For exceptions, see subparagraphs B, C, D, and E below, and paragraphs 560402 through 560408.
3. Delete reference to Table 10-1 in the Table of Contents.
4. Replace Note 6 to Table 3-2 with the following:

See section 2605 for entitlement to basic allowance for housing in a non-pay status. See chapter 10 for entitlement to hostile fire/imminent danger pay which is payable in full for each month in which qualification is made.
5. In the Bibliography under Chapter 10, Section 1001:
 - a. Add citation: ASD(FMP) Memo, 29 Oct 1998.
 - b. Add citation: Public Law 105-261, 17 Oct 1998.

CHAPTER 10

**SPECIAL PAY-DUTY SUBJECT TO HOSTILE FIRE
OR IMMINENT DANGER**1001 **ENTITLEMENT PROVISIONS**

100101. **Policy.** A member shall be paid the entire monthly amount of special pay for duty subject to hostile fire or imminent danger (hereinafter referred to as HF/IDP) for any month, during any part of which the member, while on duty in a foreign area and entitled to basic pay, is:

- A. Subjected to hostile fire or explosion of a hostile mine, or
- B. On duty in an area in close proximity to a hostile fire incident and the member is in danger of being exposed to the same dangers actually experienced by other Service members subjected to hostile fire or explosion of hostile mines, or
- C. Killed, injured, or wounded by hostile fire, explosion of a hostile mine, or any other hostile action, or
- D. On official duty in a designated IDP area (figure 10-1).

100102. **Payment.** HF/IDP is in addition to all other pays or allowances. It is payable in the full amount of \$150, without prorating or reduction, for each month, during any part of which, a member qualifies. Active and Reserve component members who qualify, at any time during a month, will receive the full amount of HF/IDP regardless of the period of time on active duty or the number of days they receive basic pay during that month.

1002 **DETERMINATIONS OF FACT**

100201. **Eligibility.** The appropriate commander must certify that the member has met the requirements for entitlement to HF/IDP for a given month, except when the member is under orders on official duty in one of the designated IDP areas listed in figure 10-1.

- A. A death certificate or injury report may be substituted in place of the certification if the document establishes the cause of the death or injury was due to hostile fire or an explosion of a hostile mine in a foreign area.
- B. Certification of entitlement should be made at the lowest level of command that includes all the vessels, aircraft, or units subjected to the hostile fire or explosion of hostile mine incident. For example, in the case of a single vessel subjected to hostile fire or explosion of hostile mines, the vessel's commanding officer should certify payment for all Service members on board. If two or more vessels are involved, the commanding officer of the unit that includes all of the vessels should certify eligibility.

C. Certification must include the name and social security number of each member entitled to the hostile fire pay, a short description of the incident, and when and where it occurred. The certification should be forwarded directly to the servicing financial support office, with a copy to the cognizant Regional Combatant Commander.

D. A member is not considered to be on official duty in a designated IDP area and is, therefore, not eligible for HF/IDP pay if the member is in the area:

1. on leave from a duty station outside the IDP area;
2. while merely transiting (as distinguished from performing official duty) by any means (including vessel, aircraft, and land conveyance) the IDP area as a consequence of traveling between two points, both outside the IDP; or
3. solely for personal convenience.

E. When the airspace is specifically included in an IDP area designation, members who perform official duty while flying over the area are eligible for HF/IDP, even if they do not land in the area. When airspace is not specifically designated, members who perform duty over the area are not entitled to HF/IDP unless they land in the area.

F. Members who perform duty on a vessel performing operational duty while in an area designated for IDP are eligible for HF/IDP.

100202. Administration. Any determinations of fact made by commanders in the certification of hostile fire are conclusive. Such determinations are not subject to review by any officer or agency of the Government, unless there has been fraud or gross negligence. Such determinations, however, may be changed on the basis of new evidence or for other good cause.

1003 SPECIAL SITUATIONS

100301. Member Captured or Missing. A member entitled to HF/IDP immediately before entering a status of missing, missing-in-action, interned in a foreign country or captured by a hostile force shall continue to be credited with HF/IDP for each month while in such a status. (See Chapter 34 for more detailed instructions.)

100302. Hospitalization. A member entitled to HF/IDP, who is hospitalized for a wound or injury incurred as a result of hostile action, is entitled to HF/IDP for each month hospitalization continues, up to an additional 3 months after the month in which the wound or injury occurred.

100303. Absence. A member, otherwise entitled to HF/IDP as a consequence of assignment to a designated IDP area, who is absent from the designated area for an entire calendar month is not entitled to HF/IDP for that month.

DESIGNATED IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Afghanistan	Land area and airspace.	1 Nov 1988	
Albania	Land area and airspace.	22 May 1997	
Algeria	Land area.	7 Mar 1995	
Angola	(1) Land area and airspace.	22 Jun 1992	28 Feb 1998
	(2) Land area.	1 Mar 1998	
Arabian (Persian) Gulf Area See also: Bahrain, Oman, Kuwait, Qatar, Saudi Arabia, UAE, and Yemen	(1) Arabian Gulf area including the airspace thereover, and the countries of Bahrain and Kuwait, including the airspace thereover. The Arabian Gulf area is defined by the Arabian Gulf (Persian Gulf), the Strait of Hormuz, and that part of the Gulf of Oman which lies north of 25 degrees north latitude and west of 057-30 degrees east longitude	25 Aug 1987	1 Apr 1989
	(2) The following locations including the airspace above such locations: Red Sea, Persian Gulf, the Gulf of Oman, the portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, the total land areas of Oman, Saudi Arabia, Yemen, Bahrain, Qatar, and the United Arab Emirates	2 Aug 1990	31 Aug 1993
	(3) The following locations including the airspace above such locations: Persian Gulf, the land areas of Saudi Arabia and Yemen.	1 Sep 1993	28 Feb 1998
	(4) The following locations including the airspace above such locations: Persian Gulf and land area of Saudi Arabia.	1 Mar 1998	
Azerbaijan	Land area.	9 Jun 1995	
Bahrain	(1) Total land area including airspace thereover.	25 Aug 1987	1 Apr 1989
	(2) Total land area including airspace thereover.	2 Aug 1990	31 Aug 1993
	(3) Land area and airspace.	13 Jun 1997	
Bosnia-Herzegovina	Land area and airspace.	22 Jun 1992	
Burundi	Land area.	29 Nov 1996	
Cambodia	(1) Land area and adjacent sea area from the juncture of the Cambodia and Vietnam border, southwest to coordinates 10-16N, 104-14E, thence to 10-28N, 104-06E, thence to 10-30N, 104-01E, thence to 10-28N, 103-55E, thence to 10-26N, 103-54E, thence to 10-23N, 103-49E, thence to 10-21N, 103-44E, thence to 10-16N, 103-38E, thence 12 miles seaward from the base line from which the territorial water of Cambodia is measured to a point 12 miles seaward from the border of Cambodia and Thailand, thence to the juncture of the border of Cambodia and Thailand and the airspace thereover.	1 Jan 1971	14 Jul 1997
	(2) Land area.	15 Jul 1997	
Chad	(1) Total land area and airspace. Coastal waters are excluded.	22 Jun 1992	28 Jan 1997
	(2) Land area.	29 Jan 1997	28 Feb 1998

Figure 10-1. Designated Imminent Danger Pay Areas

DESIGNATED IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Colombia	Land area.	1 Jun 1985	
Croatia	Land area and airspace.	22 Jun 1992	
Egypt	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
	(2) Land area.	29 Jan 1997	
El Salvador	(1) Land area.	1 Oct 1983	14 Jul 1997
	(2) Land area, except Compalapa International Airport and Ilopango Air Base.	15 Jul 1997	
Georgia, Republic of (Abkhazia region)	Land area of Georgia and Abkhazia lying north of 42 degrees north latitude and west of 43 degrees east longitude.	28 Jan 1997	
Greece	Land area within a 14-km radius from the center of Athens (37-58 N, 23-43 E).	29 Jan 1997	
Haiti	(1) Total land area and airspace and the surrounding seas inside the area of 16-30N, 71-40W to 18-00N, 71-45W; along the Haiti - Dominican Republic border to 20-00N, 71-44W to 21-00N, 71-40W to 21-25N, 73-00W to 21-25N, 74-00W to 20-00N, 74-00W to 19-45N, 75-00W to 19-00N, 76-00W	16 Sep 1994	22 Nov 1994
	(2) Land area.	23 Nov 1994	
Iran	Land area.	4 Nov 1979	
Iraq	Land area and airspace.	17 Sep 1990	
Israel	Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
Jordan	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
	(2) Land area.	29 Jan 1997	
Kuwait	(1) Total land area, including airspace thereover.	25 Aug 1987	1 Apr 1989
	(2) Land area and airspace.	6 Aug 1990	
Laos	Land area.	26 Dec 1989	15 Jul 1997
Lebanon	Land area.	1 Oct 1983	
Liberia	Land area.	6 Aug 1990	
Macedonia	Land area and airspace.	22 Jun 1992	
Montenegro	Land area and airspace.	22 Jun 1992	
Mozambique	(1) Total land area and airspace Coastal waters are excluded.	22 Jun 1992	28 Jan 1997
	(2) Land area.	29 Jan 1997	28 Feb 1998
Oman	Total land area and airspace.	2 Aug 1990	31 Aug 1993
Pakistan	(1) Total land area within 50 miles of Karachi (24-55 N, 67-00 E).	24 Oct 1995	28 Nov 1996
	(2) Land area.	29 Nov 1996	
Panama	Total land area, including inland waters, coastal waters and the airspace thereover.	20 Dec 1989	30 Jan 1990
Peru	Land area.	1 Apr 1987	

Figure 10-1. Designated Imminent Danger Pay Areas

DESIGNATED IMMINENT DANGER PAY AREAS

AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Philippines	Total land area, including inland and coastal waters. Airspace thereover is excluded. Effective 1 Jun 1990, inland and coastal waters are excluded.	15 May 1990	30 Nov 1991
Qatar	(1) Total land area and airspace.	2 Aug 1990	31 Aug 1993
	(2) Land area and airspace.	7 Aug 1997	
Rwanda	Land area.	6 Oct 1997	
Saudi Arabia	Land area and airspace.	2 Aug 1990	
Serbia	Land area and airspace.	22 Jun 1992	
Sierra Leone	Land area	18 Jul 1997	
Slovenia	Total land area and airspace. Coastal waters are excluded.	22 Jun 1992	29 Sep 1995
Somalia	Land area and airspace.	28 Sep 1992	
Sudan	Land area and airspace.	4 Oct 1993	
Syria	Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
Tajikistan	Land area.	31 Mar 1997	
Turkey	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	29 Sep 1995
	(2) Total land area and inland waters. Airspace and coastal waters are excluded.	30 Sep 1995	28 Jan 1997
	(3) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits).	29 Jan 1997	28 Feb 1998
	(4) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits) and including the limited airspace south of 37-45N and east of 43-00E.	1 Mar 1998	
United Arab Emirates (UAE)	Total land area and airspace.	2 Aug 1990	31 Aug 1993
Vietnam	(1) Total land area of North and South Vietnam, including inland waters and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of North Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E; thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-26N, 103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border, and the air-space thereover.	1 Oct 1973	28 Jan 1997
	(2) Land area and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E, thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-	29 Jan 1997	15 Jul 1997

Figure 10-1. Designated Imminent Danger Pay Areas

DESIGNATED IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
	26N, 103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border.		
Yemen	Land area and airspace.	2 Aug 1990	28 Feb 1998
Zaire	Land area.	29 Nov 1996	

NOTES:

1. The designation of a land area encompasses all internal waters, unless otherwise noted. For HF/IDP purposes, the term "internal waters" is defined as waters landward of the baseline drawn in accordance with international law.
2. The designation of a water area (such as the Persian Gulf) includes the territorial seas of those waters, but not the internal waters of the coastal lands. For example, all waters of the Persian Gulf seaward of the baseline of the coastal states, drawn in accordance with international law, would be included in the Persian Gulf designation.
3. Unless otherwise specifically indicated, airspace is NOT part of the included area. When airspace is specifically included, it will normally be that space directly vertically above the approved land or sea area.
4. This figure reflects all designated areas which were active within the last ten years.

Figure 10-1. Designated Imminent Danger Pay Areas

CHAPTER 4**PAYMENT IN CASES OF VOID, VOIDABLE, OR
REJECTED ENLISTMENTS OR INDUCTIONS****0401 VOIDABILITY OF CONTRACT**

A fraudulent contract of enlistment or induction is not void but is voidable at the option of the government. When the government becomes aware of the fraud, it may void the contract or waive the objection and allow the contract to stand. (See Table 4-1.)

0402 FRAUDULENT ENLISTMENTS-PAY AND ALLOWANCES

Members under investigation or determined to be serving in fraudulent enlistments are due pay and allowances for periods shown in Table 4-1.

0403 DONATIONS AND TRAVEL PAYMENTS

See Chapter 35, of this volume.

0404 DISBURSING OFFICER ENTITLED TO CREDIT

A disbursing officer is entitled to credit for proper payments to a member who fraudulently enlisted, if payments were made without the knowledge of the fraud and before the government rescinded the contract.

0405 FAILURE TO DISCOVER PHYSICAL CONDITION OF ENLISTEE OR INDUCTEE

Failure to discover that the physical condition of an enlistee or inductee was such as would warrant rejection for military service does not deprive member of right to pay and allowances or of the status of being entitled to basic pay. (See Table 4-1.)

VOID, VOIDABLE OR REJECTED ENLISTMENTS OR INDUCTIONS—PAY AND ALLOWANCES			
R U L E	A	B	C
	When an individual	and	then pay and allowances
1	is under investigation for a fraudulent enlistment or induction		will continue to be paid until a determination of fraud is made.
2	is determined to be serving under a fraudulent enlistment or induction; or enlists in the Army or Air Force before 17 (male) or 18 (female), and the government discovers the defect after the member reaches minimum age; or enlists in the Army or Air Force while 17 (male), 18, 19, or 20 (female), without parent's or guardian's consent	the government neither voids the enlistment or induction nor waives the fraud (or defect)	are suspended (including unpaid pay and allowances) from the date the disbursing officer is notified of the determination of fraud until the government either voids the enlistment or induction, or allows it to stand.
3		the government voids the enlistment or induction	will not be paid (note 1).
4		the government waives the fraud (or defect)	continue and the service is as valid as that of any other member.
5	enlists in the Army or Air Force before 17 (male) or 18 (female), and the government discovers the defect before the member reaches minimum age		do not accrue between date of notification to disbursing officer and date of discharge (note 1).
6	enlists in the Army or Air Force while 17 (male) or while 18, 19, 20 (female), without parent's or guardian's consent	is discharged upon application of parent or guardian	accrue to include the date of discharge or release.
7	enlists in the Navy or Marine Corps while under the minimum statutory age (17)(male), or while under the minimum statutory age (18) or administrative age (21) (female)		
8	was judicially declared to have been mentally incompetent before entry on active duty	is released from military control for such reason	do not accrue for any part of the period involved (note 2).
9	was not judicially declared to be mentally incompetent before entry on active duty but is later found to have been mentally incompetent at the time of entry on active duty	is released from military control for such reason	accrue from the time of entry on active duty until release from military control.
10	enlisted or inducted into the Military Service is discovered by Military Service medical authorities to have been medically unfit for induction at the time of entrance into the Military Service		accrue from the time of entry on active duty through the date of release from military control.

NOTES:

1. Individual retains amounts received before disbursing officer is notified, if otherwise proper.
2. Individual retains amounts received while performing active duty before release from military control.

Table 4-1. Void, Voidable or Rejected Enlistments or Inductions—Pay and Allowances

Interim Changes 18-97, 25-97, 33-97, 12-98, 17-98, 32-98, and 2-99 are incorporated in this change. Interim change 2-99 affects other chapters and will not be deleted from the interim changes cited on the Internet.

CHAPTER 5

SPECIAL PAYS FOR MEDICAL OFFICERS

0501 VARIABLE SPECIAL PAY

050101. Entitlement

A. Active Duty for at Least One Year. An officer of the Medical Corps of the Army or the Navy or an officer of the Air Force designated as a medical officer who is on active duty under a call or order to active duty for a period of at least one year is entitled to special pay as provided in this section and sections 0502 through 0504, below.

B. Active Duty Less than One Year in Support of Persian Gulf Conflict. Any officer of the Medical Corps of the Army or the Navy or an officer of the Air Force designated as a medical officer who served on active duty in support of the Persian Gulf Conflict may be entitled to special pay benefits for medical officers. See Chapter 64, Health Care Officers on Active Duty in Support of the Persian Gulf Conflict, to determine eligibility and entitlement.

★C. Effective December 5, 1991, the following categories of medical officers on active duty less than one year, other than active duty for training are eligible to receive special pay provided under this section, in the same manner as a regular medical officer. Note: See paragraph 050601 for medical officers serving on active duty for training.

1. Reservists called to active duty for more than 30 days but less than one year, other than active duty for training.

2. Active duty medical officers involuntarily retained under 10 U.S.C. 12305 (reference (c)).

3. Active duty medical officers who voluntarily agree to remain on active duty for less than one year when officers are involuntarily retained on active duty under 10 U.S.C. 12305 (reference (c)), or the Secretary of Defense determines that special circumstances justify the payment of special pay under this subparagraph.

4. Retirees recalled to active duty for more than 30 days under 10 U.S.C. 688 (reference (c)).

D. Payment of special pay authorized by subparagraph 050101.C, above, may be made on a monthly basis, prorating for partial months when appropriate. The officer shall refund any amount received in excess of the amount that corresponds to the actual period of active duty served by the officer.

050102. Rates Payable. The monthly rates payable are:

- A. If the officer is an intern\$ 100.00
- B. If the officer has less than 6 years' creditable service and is
not an intern416.66
- C. If the officer has 6 but less than 8 years' creditable service.....1,000.00
- D. If the officer has 8 but less than 10 years' creditable service.....958.33
- E. If the officer has 10 but less than 12 years' creditable service.....916.66
- F. If the officer has 12 but less than 14 years' creditable service.....833.33
- G. If the officer has 14 but less than 18 years' creditable service.....750.00
- H. If the officer has 18 but less than 22 years' creditable service.....666.66
- I. If the officer has 22 or more years' creditable service.....583.33
- J. If the officer is serving in a pay grade above O-6, regardless
of years of creditable service.....583.33

050103. Special Provisions

A. A medical officer is entitled to variable special pay if an ordered tour of less than one year is amended to require continuous active duty for 1 year or more. Entitlement begins on the date the amending orders are issued to extend the tour to 1 year or more.

B. Entitlement to this variable special pay is in addition to any other pay and allowances of the officer.

050104. Creditable Service Defined. Use creditable service to compute the medical officer's entitlement to variable special pay. Creditable service includes:

A. All periods of internship and residency training successfully completed while not on active duty; and

B. All periods of internship and residency training not completed, if they were terminated or interrupted as the result of military operational requirements; and

C. All periods of active service in the Medical Corps of the Army or Navy, as an officer of the Air Force designated as a medical officer, or as a medical officer of the Public Health Service.

NOTE: Internship or residency in a foreign medical facility, which is not acceptable under the credentialing criteria of an American Medical or Osteopathic Specialty Examining Board, may not be included in the computation of creditable service.

0502 BOARD CERTIFIED PAY

050201. Entitlement. Medical officers as defined in paragraph 050101, above, are entitled to board certified pay for active duty when they meet the requirements of this section.

050202. Rates Payable. The monthly rates payable are:

- A. If the officer has less than 10 years' creditable service.....\$208.33
- B. If the officer has 10 but less than 12 years' creditable service.....291.66
- C. If the officer has 12 but less than 14 years' creditable service.....333.33
- D. If the officer has 14 but less than 18 years' creditable service.....416.66
- E. If the officer has 18 or more years' creditable service.....500.00

050203. Special Provisions

A. A medical officer is entitled to board certified pay if:

- 1. Entitled to variable special pay (section 0501, above); and
- 2. Board certified (paragraph 050205, below).

B. Entitlement to this board certified pay is in addition to any other pay and allowances of the officer.

050204. Creditable Service Defined. See paragraph 050104, above.

050205. Board Certified Defined. A medical officer is considered board certified if:

A. Certified by an American Medical or Osteopathic Specialty Examining Board. (American medical or osteopathic examining boards are those recognized by the American Board of Medical Specialties and the Advisory Board for Osteopathic Specialists. Listings of the recognized certifying boards are published annually in the Directory of Residency Training Programs, published by the American Medical Association, and the American Osteopathic Association Yearbook and Directory of Osteopathic Physicians.) or

B. Board certification equivalency has been established for specialties unique to military medicine for which there is a formal postgraduate medical training program of not less than two academic years. Successful candidates will receive a certificate of board certification equivalency.

0503 ADDITIONAL SPECIAL PAY

050301. Entitlement. Medical officers as defined in paragraph 050101, above, are entitled to additional special pay when they meet the requirements of this section and the requirements of the administrative regulations of the Military Service concerned.

050302. References

A. Army: DA Msg 041500Z Nov 88, as amended by DA Msg 201300Z Dec 89 (reference (k)).

B. Navy: SECNAVINST 7220.75 Series (reference (ac)).

C. Air Force: AFR 36-4 (reference (j)).

050303. Eligibility Criteria. To qualify for additional special pay under this section, a medical officer must:

A. Not be undergoing internship or initial residency training; and

B. Sign an agreement to remain on active duty for at least one additional year from the effective date of the agreement. For medical officers on active duty less than one year in support of the Persian Gulf Conflict, see Chapter 64 to determine eligibility and entitlement.

C. Effective December 5, 1991, the following categories of medical officers on active duty less than one year, other than active duty for training are eligible to receive special pay provided under this section.

1. Reservists called to active duty for more than 30 days but less than one year, other than active duty for training.

2. Active duty medical officers involuntarily retained under 10 U.S.C. 12305 (reference (c)).

3. Active duty medical officers who voluntarily agree to remain on active duty for less than one year when officers are involuntarily retained on active duty under 10 U.S.C. 12305 (reference (c)), or the Secretary of Defense determines that special circumstances justify the payment of special pay under this subparagraph.

4. Retirees recalled to active duty for more than 30 days under

10 U.S.C. 688 (reference (c)).

050304. Creditable Service Defined. See paragraph 050104, above.

050305. Rates Payable

A. If eligible under subparagraphs 050303.A and B, above, a medical officer is entitled to additional special pay of \$15,000 for each 12-month period.

B. If eligible under subparagraph 050303.C, above, a medical officer is entitled to a monthly pro rata portion of the annual additional special pay.

050306. Time of Payment

A. Pay additional special pay annually at the beginning of each 12-month period, starting with the effective date of the written agreement.

B. For medical officers eligible under subparagraph 050303.C, above, pay a pro rata portion of the applicable annual amount for additional special pay as a monthly entitlement. If service during any month is less than a full month, prorate the additional special pay on a daily basis.

050307. Termination, Recoupment and Refund of Unearned Additional Special Pay

A. The Secretary of the Military Department concerned may terminate, at any time, an officer's entitlement to additional special pay. If entitlement is terminated, recoup the unearned additional special pay on a pro rata basis (based on 360 days per year), subject to subparagraph C, below.

B. If an officer enters internship or initial residency training or does not serve on active duty for the period of the agreement, recoup the unearned additional special pay on a pro rata basis (based on 360 days per year), subject to subparagraph C, below.

C. Recoupment of unearned additional special pay is not required when the officer's failure to complete the period of active duty specified in the agreement is due to:

1. Death or disability that is not the result of misconduct or willful neglect and not incurred during a period of unauthorized absence;

2. Separation from military service by operation of laws or regulations of DoD or Service regulations, when approved by the Secretary of the Military Department concerned; or

3. In other cases, when the Assistant Secretary of Defense for Health

Affairs (ASD(HA)) determines recoupment is not in the best interest of the government.

D. Effective October 1, 1985, a discharge in bankruptcy that is entered less than 5 years after the termination of an additional special pay agreement does not discharge the medical officer from a debt arising under the terminated additional special pay agreement.

E. Medical officers on active duty for more than 30 days but less than one year, other than active duty for training, who do not serve the full term of active duty that corresponds to a monthly amount must refund any amount received in excess of the amount that corresponds to the actual period of active duty.

0504 INCENTIVE SPECIAL PAY

050401. Authorization. Medical officers as defined in paragraph 050101, above, may be authorized incentive special pay when they meet the requirements of the administrative regulations of the Military Service concerned.

050402. References

- A. Army: DA Msg 251350Z Jul 95 (reference (n)).
- B. Navy: CNO Msg 212325Z Aug 95 (reference (l)).
- C. Air Force: HQ AFMPC letter, 16 Aug 1995 (reference (m)).

050403. Eligibility Criteria. To be eligible for incentive special pay under this section, a medical officer must:

- A. Not be undergoing medical internship or initial residency training; and
- B. Be serving in pay grade O-6 or below; and
- C. Sign an agreement to remain on active duty for at least one year. For medical officers on active duty less than one year in support of the Persian Gulf Conflict, see Chapter 64 to determine eligibility and entitlement. The effective date of the agreement will be as prescribed in regulations issued by the Secretary concerned and will be included in the agreement; and
- D. Be determined by the Military Department concerned to be:
 - 1. Fully qualified in a medical specialty designated as critical and practicing in that specialty a substantial portion of the time, or
 - 2. Assigned to a position as the sole professional resource in the officer's category, or

3. Assigned to a position which has limited professional growth opportunities because of the nature of practice in the assignment, or

4. Isolated from medical educational opportunities, or

5. Lacking any opportunities to interact with the medical community,
or

6. Affected by other similar factors. Such determinations will be approved by the Secretary concerned or the Secretary's designee.

E. Effective December 5, 1991, the following categories of medical officers on active duty for less than one year, other than active duty for training, are eligible to receive special pay provided under this subparagraph.

1. Reservists who are called to active duty for more than 30 days but less than one year, other than active duty for training.

2. Active duty medical officers who are retained involuntarily under 10 U.S.C. 12305 (reference (c)).

3. Active duty medical officers who agree voluntarily to remain on active duty for less than one year when officers are involuntarily retained on active duty under 10 U.S.C. 12305 (reference (c)), or the Secretary of Defense determines that special circumstances justify the payment of special pay under this subparagraph.

4. Retirees recalled to active duty for more than 30 days under 10 U.S.C. 688 (reference (c)).

050404. Creditable Service Defined. See paragraph 050104, above.

050405. Amount Payable

★A. Effective October 1, 1992, an officer authorized incentive special pay may be paid an amount in accordance with amounts published annually by the military departments in conjunction with DoD Instruction 6000.13, Medical Manpower and Personnel (reference (r)). The maximum for any incentive special pay is \$36,000 per year.

B. For medical officers eligible under the provisions of subparagraph 050403.E, above, pay a monthly pro rata portion of the applicable annual amount, under regulations prescribed by the Secretary concerned. Prorate on a daily basis when service during any month is less than a full month.

050406. Time of Payment

A. Pay incentive special pay in a lump sum at the beginning of the 12-month period for which the officer is entitled to such payment or on a monthly basis when the officer is entitled under subparagraph 050403.E, above. Prorate on a daily basis when service during any month is less than a full month.

B. DoD policy generally precludes payment of ISP during the fiscal year in which the qualifying residency training is completed. This policy presents an injustice when the training is completed out of the normal cycle (at a time other than the end of June). In cases where the reason for this out of cycle completion is not the fault of the medical officer, the Surgeon General concerned is delegated the authority to waive DoD policy and grant ISP. The effective date for ISP shall be calculated from the completion date of the qualifying training plus 3 months.

★C. Medical officers who enter into a MSP contract at the rates authorized October 1, 1998, may enter into an ISP contract during FY99 at the amount listed for the same specialty as the MSP contract. An officer must sign a new MSP contract with an equal or longer obligation in order to receive any future increase in ISP rates.

050407. Termination, Recoupment, and Refund of Unearned Incentive Special Pay

A. The Secretary of the Military Department concerned, or designee, may terminate at any time an officer's entitlement to incentive special pay because of unprofessional conduct or medical incompetence, under pertinent departmental directives. If entitlement is terminated, recoup the unearned incentive special pay on a pro rata basis (based on 360 days per year), subject to the provisions of subparagraph C, below.

B. If an officer does not serve on active duty for the period of the agreement, is promoted to O-7, or enters internship or initial residency training, recoup the unearned incentive special pay on a pro rata basis (based on 360 days per year), subject to subparagraph C, below.

C. Recoupment of unearned incentive special pay is not required when the officer's failure to complete the period of active duty specified in the agreement is due to:

1. Death or disability that is not the result of misconduct or willful neglect and not incurred during a period of unauthorized absence;

2. Separation from military service by operation of laws or regulations of the Department or the cognizant Services, when approved by the Secretary of the Military Department concerned; or

3. In other cases, when the Assistant Secretary of Defense for Health Affairs (ASD (HA)) determines recoupment is not in the best interest of the government under

the terminated incentive special pay agreement.

D. Effective October 1, 1985, a discharge in bankruptcy that is entered less than 5 years after the termination of an incentive special pay agreement does not discharge the medical officer from a debt arising under the terminated incentive special pay agreement.

E. Medical officers on active duty other than active duty for training under the provisions of subparagraph 050403.E, above, who do not serve the full term of active duty that corresponds to a monthly amount must refund any amount received in excess of the amount that corresponds to the actual period of active duty.

★F. With approval by the Secretary of the Military Department concerned, or designee, a medical officer with an existing single-year ISP contract may terminate that contract on or after October 1, 1998, in order to enter into a new single-year contract only when the new contract will result in a higher ISP rate than the ISP contract being terminated. NOTE: This provision is not intended to allow medical officers arbitrarily to terminate an agreement solely for the purpose of changing the anniversary date to coincide with an Additional Special Pay agreement or a resignation/release from active duty.

0505 INTERSERVICE TRANSFERS

050501. Entitlement Policy. The following instructions apply to the interservice transfers of medical officers serving under additional special pay agreements and incentive special pay agreements:

A. The gaining Military Service will determine the special pay status of the transferred officer.

B. The gaining Military Service's approval of the interservice transfer will convey approval of any special pay agreement(s) then in effect.

C. Gaining and losing Military Services will prorate payments of special pay to the transferred officer based on effective date of the interservice transfer.

0506 SPECIAL PAY FOR ACTIVE DUTY OF RESERVE MEDICAL OFFICERS

★050601. Entitlement. A Reserve officer on active duty for less than one year is entitled to special pay at the monthly rate of \$450 for each month of active duty for annual training, active duty for training, or active duty for special work. The amount will be prorated for periods less than one month. A member cannot receive any other type of medical pay under this provision.

★050602. Active Duty of 1 Year or More. A Reserve medical officer who is on active duty for other than training for 1 year or more or whose orders are amended to require continuous active duty for 1 year or more (from date of amendment) is entitled to the special pays

provided in sections 0501 through 0504, above, and 0509 and 0510, below, if otherwise qualified.

050603. Active Duty for More than 30 Days But Less than One Year, Other than Active Duty for Training.

A. If otherwise qualified, medical officers involuntarily retained under 10 U.S.C. 12305 (reference (c)), or recalled to active duty under 10 U.S.C. 688 (reference (c)), or medical officers who voluntarily agree to remain on active duty when other officers are involuntarily retained pursuant to 10 U.S.C. 12305 (reference (c)), or when the Secretary of Defense determines that special circumstances justify payment of special pay under this subparagraph, are entitled to the special pays provided in sections 0501 through 0504, 0509 and 0510, below. Payment of special pays pursuant to this paragraph shall be paid on a monthly basis at a monthly pro rata portion of the annual amount. If service during any month is less than a full month, prorate on a daily basis.

B. Medical officers who receive special pay under this paragraph are not entitled to special pay under paragraph 050601, above, for the same period of time. No dual compensation is permitted. Any payment made under paragraph 050601 for the same period shall be recouped before special pay under this paragraph is authorized.

0507 MEDICAL OFFICER RETENTION BONUS (MORB)

050701. Entitlement. For the period January 1, 1989 through September 30, 1990 only, medical officers who are fully qualified in a designated specialty and who meet the provisions of this section are eligible to enter into a written agreement for medical officer retention bonus (MORB). A medical officer who enters into a MORB agreement and who also enters into an incentive special pay (ISP) agreement under section 0504 of this chapter may not be paid more than \$16,000 ISP during each year of the MORB agreement.

050702. References

A. Army: DA Message 051300Z Feb 90 as amended by DA Message 071200Z Feb 90 (reference (p)).

B. Navy: SECNAVINST 7220.75 Series (reference (ac)).

C. Air Force: HQ AFMPC/SGYF Messages 122200Z, Jan 89 and 311800Z, Mar 89 and HQ AFMPC/DPMMF Message 092205Z, Feb 90 (reference (o)).

050703. Special Provisions. To be eligible for the MORB, a medical officer must:

A. Be serving in pay grade O-6 or below;

B. Have at least 8 years' creditable service as defined in paragraph 050104, above, or have completed any active duty service commitment incurred for medical education and training;

C. Have completed initial residency training (or will complete before 1 October 1991) and not be pursuing a medical residency or fellowship subsequent to completing initial residency training.

D. Agree to remain on active duty for at least 2 years, but not more than 4 years.

050704. Payments and Rates Payable

A. MORB is payable in equal annual installments. The initial installment is payable upon execution of the MORB agreement. Thereafter, annual installments are payable on the anniversary of the agreement.

B. Officers with a training obligation under subparagraph 050703.C, above, must understand that they might receive one or more MORB installments before their MORB active duty commitment begins. See also subparagraph 050703.D, above.

★C. The officer's specialty group and the length of the MORB agreement determine the amounts payable.

★050705. Recoupment of Unearned MORB. The provisions of paragraph 050407, above, apply to unserved portions of MORB agreements.

0508 MULTI-YEAR SPECIAL PAY (MSP)

050801. Authorization and Entitlement. Medical officers who are fully qualified in a designated specialty and who meet the provisions of this section are eligible to enter into a written agreement for Multi-Year Special Pay (MSP). Subject to acceptance by the Secretary of the Military Service concerned, or designee, a medical officer with an existing MORB or MSP contract may terminate that contract in order to enter into a new MSP contract, with an equal or longer obligation, at the MSP annual rate in effect at the time of execution of the new MSP contract. Any unearned portion of the terminated contract shall be recouped. The earliest effective date for existing contracts under this authority is October 1, 1992.

050802. References

A. Army: DA Msg 251350Z Jul 95 (reference (n)).

B. Navy: CNO Msg 212325Z Aug 95 (reference (l)).

C. Air Force: HQ AFMPC letter, 16 Aug 1995 (reference (m)).

050803. Eligibility Criteria. A medical officer who is below the grade of O-7 is eligible for MSP when the officer:

A. Has at least eight years of creditable service or has completed any active duty service commitment incurred for medical education and training; and

★B. Has completed specialty qualification (or is scheduled to complete initial residency training before October 1, 1998); and

C. Executes a written agreement to remain on active duty for two, three, or four years, that is accepted by the Secretary of the Military Department concerned (or designee).

D. The Secretary concerned, or designee may, based on Service-unique requirements, decline to offer MSP to any specialty that is otherwise eligible or restrict the length of an MSP contract for a specialty to less than four years.

050804. Service Obligation. Active duty service obligations for MSP will be established as follows:

A. The officer must sign a written agreement to stay on active duty for either two, three, or four years, as applicable. The duration of the agreement will determine the amount payable.

B. Obligation for MSP begins after the obligation incurred for medical education and training and/or previous multi-year pay agreements, such as MORB, current at the time of agreement execution, expire.

C. Obligation for additional special pay, incentive special pay, promotion, PCS, and other miscellaneous obligations may be paid back concurrently with the MSP obligation.

050805. Payments and Rates Payable

★A. Annual payment amounts for multi-year contracts are published annually by the Military Departments in conjunction with DoD Instruction 6000.13, "Medical Manpower and Personnel" (reference (r)). Subspecialties of a primary specialty are included with the primary specialty except for subspecialties of general surgery, internal medicine, and pediatrics. Medical officers may be paid at the rate for any specialty for which they currently are credentialed; however, the MSP and ISP specialty must be the same.

B. Payment is due upon acceptance of the agreement by the Secretary of Military Service concerned, or designee. Thereafter, payments are due on the anniversary date of the effective date of the agreement for the term of the agreement (i.e., two, three, or four years).

C. The ASD(HA), in consultation with the Military Departments, will reassess the assignment of specialties to each category every 2 years and direct changes as appropriate to support desired staffing levels.

050806. Recoupment

★A. The provisions of paragraph 050407, above, apply to unserved portions of MSP agreements. However reduce the amount to be recouped by an amount equal to any reduction taken under subparagraphs 350702.F or 350802.D, above.

B. MSP payments for officers promoted to O-7 will be recouped on a pro rata basis from the effective date of the promotion to O-7.

0509 BOARD CERTIFIED PAY FOR NON-PHYSICIAN HEALTH CARE PROVIDERS

★050901. Entitlement. Officers in the Medical Service Corps of the Army or Navy, or Biomedical Science in the Air Force, Army Medical Specialist Corps, the Nurse Corps of the Army or Navy, or designated as a Nurse in the Air Force who are health care providers (other than psychologists) are entitled to this special pay in equal monthly amounts. Effective October 1, 1995 (or effective October 1, 1994, if authorized by the Secretary concerned; effective February 10, 1996 to include Nurse Corps Officers; effective October 1, 1997 for Neurorehabilitation and ergonomics) to be eligible for special pay under this section, a non-physician health care provider:

A. Must have a post baccalaureate degree in the officer's clinical specialty.

B. Must be certified by a professional board in the officer's specialty (as defined in paragraph 050904, below).

C. Must be in one of the following fields:

1. Dietetics
2. Occupational Therapy
3. Optometry
4. Pharmacy
5. Physical Therapy
6. Podiatry
7. Social Work

- 8. Nurse Anesthetist
- 9. Nurse Practitioners
- 10. Nurse Midwife
- 11. Navy Radiation Specialists
- 12. Air Force Health Physicists (Medical)
- ★13. Adult Nurse Practitioner
- ★14. Family Nurse Practitioner
- ★15. Physician Assistant
- ★16. Audiology/Speech Pathology
- ★17. Neurorehabilitation
- ★18. Ergonomics

050902. Rates Payable. The monthly rates payable are:

- A. If the officer has less than 10 years' creditable service.....\$166.66
- B. If the officer has 10 but less than 12 years' creditable service.....208.33
- C. If the officer has 12 but less than 14 years' creditable service..... 250.00
- D. If the officer has 14 but less than 18 years' creditable service.....333.33
- E. If the officer has 18 or more years' creditable service.....416.66

050903. Creditable Service Defined. For purposes of awarding psychologist Diplomate Pay and Board Certified Pay for non-physician health care providers, the creditable service of the officer is computed by totaling all periods of active service after the officer was qualified in the specialty in the Medical Service Corps of the Army or Navy; as a Biomedical Science Officer in the Air Force; in the Army Medical Specialist Corps; in the Nurse Corps of the Army or Navy; or designated as a Nurse in the Air Force.

050904. Board Certified Defined. A non-physician health care provider is considered board certified if:

- A. Certified by boards from an organization defined for each specialty:
- ★1. Dietitians -- Commission on Dietetic Registration and Fellow of the American Dietetic Association
 - 2. Occupational Therapy--American Occupational Therapy Certification Board
 - 3. Optometry -- American Academy of Optometry
 - ★4. Pharmacy -- American Board of Pharmaceutical Specialties, Oncology Pharmacy Board, and Psychiatric Pharmacy Board
 - 5. Physical Therapy -- American Board of Physical Therapy Specialists
 - 6. Podiatry -- Council on Podiatric Medical Education
 - 7. Social Work -- American Board of Examiners in Social Work
 - 8. Nurse Anesthetist -- American Association of Nurse Anesthetists
 - 9. Nurse Practitioners -- American Nurses Association
 - 10. Nurse Midwife -- American College of Nurse Midwives
 - 11. Navy Radiation Specialists -- American Board of Radiology
 - 12. Air Force Health Physicists (Medical) -- American Board of Radiology
 - ★13. Adult and Family Nurse Practitioner – American Academy of Nurse Practitioners Certification Program
 - ★14. Physician Assistant – National Commission of Certification of Physician Assistants
 - ★15. Audiology/Speech Pathology – Clinical Certification in (a) Audiology, (b) Hearing, or (c) Speech-Language
 - ★16. Neurorehabilitation – American Occupational Therapy Certification Board
 - ★17. Ergonomics – Board of Certification in Professional Ergonomics

0510 DIPLOMATE PAY FOR PSYCHOLOGISTS

051001. Entitlement. Officers in the Medical Service Corps of the Army or Navy or a Biomedical Sciences Officer in the Air Force and medical officers defined in paragraphs 050602 and 050603, above, are entitled to diplomate pay. Effective October 1, 1995 (or effective October 1, 1994, if authorized by the Secretary concerned), a psychologist who has been awarded a diploma as a Diplomate in Psychology by the American Board of Professional Psychology is eligible for diplomate pay.

051002. Rates Payable. The monthly rates payable are:

- A. If the officer has less than 10 years' creditable service..... \$166.66
- B. If the officer has 10 but less than 12 years' creditable service..... 208.33
- C. If the officer has 12 but less then 14 years' creditable service..... 250.00
- D. If the officer has 14 but less than 18 years' creditable service..... 333.33
- E. If the officer has 18 or more years' creditable service 416.66



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

MAY 12 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY
SYSTEM

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding Special Pay
for Select Reserve Health Care Professionals in
Critically Short Wartime Specialties (DFAS Item G-77)

Attached is interim change 20-98 to the DoDFMR, Volume 7A.
The purpose of this change is to extend special pay for
critically short wartime health specialist in the Selected
Reserves. This change is effective immediately.

We have evaluated your comments on the draft change to the
DoDFMR, Volume 7A. The attached final version of the change
includes your comments where appropriate.

Assignment of an interim change is your authority to start a
procedural modification to facilitate this change. For the
Denver Center, use the attached to initiate the formal printed
change to the DoDFMR and the interim change message.

Our point of contact, LtCol Robert Spath, may be reached at
DSN 327-2087 or (703) 607-2087.

Gregory P. Bitz
Acting Director for Finance

Attachment:
As stated

cc: DASD (MPP) (COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

SPECIAL PAY FOR SELECT RESERVE HEALTH CARE PROFESSIONALS IN
CRITICALLY SHORT WARTIME SPECIALTIES

1. Add the following to the TABLE OF CONTENTS to read:

"0511 SPECIAL PAY FOR CRITICALLY SHORT WARTIME HEALTH
SPECIALISTS IN SELECTED RESERVES.....46B"

2. Add the following new section 0511 to read:

0511 SPECIAL PAY FOR CRITICALLY SHORT WARTIME HEALTH
SPECIALIST IN SELECTED RESERVES.

051101. Entitlement. Beginning on and after 10 February 1996, an officer of a reserve component who executes a written agreement to serve in the Selected Reserve of an armed force for a period of at least one year and not more than three years is entitled to Special Pay for Critically Short Wartime Specialists in Selected Reserves. Such individual must be an officer in a health care profession who is qualified in a specialty designated by DoD regulations as a critically short wartime specialty. No agreement under this section may be entered into after 30 September 1999.

051102. Rates Payable. Special pay under this section shall be paid annually at the beginning of each twelve-month period for which the officer has agreed to serve. The annual rate may not exceed \$10,000.

051103. References

A. Air Force:

B. Army:

C. Navy:

051104. Termination and Refund of Special Pay. If an officer voluntarily terminates service before the end of any twelve-month period of the contract, recoup the full amount of the annual payment made at the beginning of that twelve-month period. A discharge in bankruptcy that is entered less than 5 years after the termination of Special Pay for Critically Short Wartime Health Specialists agreement does not discharge the medical officer from a debt arising under the terminated additional special pay agreement.

3. Add the following to the BIBLIOGRAPHY to read:

Paragraph

Citation

0511

37 U.S.C. 302g as amended,
PL 105-85, Section 611, 18 Nov 1997
DoDD 1205.20, 8 Jan 1996
DoDI 1205.21, 1 Mar 1996



DFAS-HQ/FMM

DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

OCT 14 1999

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding
Effect on Bonuses from Death of a Member,
(DFAS Item I-33)

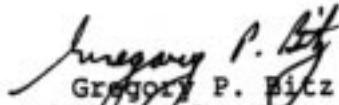
Attached is DFAS Interim Change 37-99 to Chapters 5, 6, 9,
and 20 of the DoDFMR, Volume 7A.

The purpose of this change is to establish parity with
regard to the payment of outstanding bonus obligations upon death
of enlisted and officer members. This change also clarifies the
payment policy with regard to death determined to be the result
of a member's own misconduct. This change was effective
June 29, 1999

We have evaluated your comments on the draft proposal of
this change to the DoDFMR, Volume 7A. The attached final version
of the change incorporates your comments where appropriate.

Assignment of an interim change number is your authority to
start a procedural modification to facilitate this change. For
the Denver Center, use the attached to initiate the formal
printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at
332-5280 or at (703) 602-5280.


Gregory P. Fitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
OUSD (C) ODCFO (FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

EFFECT ON BONUSES FROM DEATH OF MEMBER

1. Use the following standard paragraph to establish payment procedures for unpaid bonus balances in the event of death of a member. The paragraph is to be added to affected chapters of the DoD Financial Management Regulation; Volume 7A as set forth below.

" If a member dies before receiving the full amount of the bonus due (including contracted future year anniversary payments) and death is not caused by the member's misconduct, the remaining unpaid bonus balance is payable as a lump sum for inclusion in the settlement of the deceased member's final military pay account. If death is determined to be the result of the member's own misconduct, termination of future payments and proration or recoupment of the bonus, as applicable, will be made in accordance with procedures established for members whose inability to complete a contracted period of service is voluntary or the result of misconduct."

2. In Chapter 5, add a new paragraph numbered 050805D using the wording from the paragraph in number 1 above.

3. In Chapter 6, take the existing text under paragraph 060805 and renumber it as 060805A. Add a new paragraph numbered 060805B using the wording from the paragraph in number 1 above.

4. In Chapter 9, replace existing subparagraphs 090106B and 090205A with the wording from the paragraph number 1 above.

5. In Chapter 12, add a new paragraph 120203E using the wording from the paragraph in number 1 above.

6. In Chapter 20, add a new paragraph 200403 using the wording from the paragraph in number 1 above.

7. In Chapter 36, replace existing subparagraph 360201D with the wording from the paragraph in number 1 above.

8. Add the following citation to the bibliography under the entries for each of the new paragraphs:

ASD(FMP) Memo, 29 Jun 1999

CHAPTER 6**SPECIAL PAYS FOR DENTAL OFFICERS****★0601 ACCESSION BONUS****★060101. Entitlement**

★A. An individual, who executes a written agreement to accept a commission as an officer of the Dental Corps of the Army or the Navy or an officer of the Air Force designated as a dental officer, to serve on active duty for a period of not less than four years, and upon acceptance of the agreement by the Secretary of the Military Department concerned is entitled to dental officer accession bonus.

★B. A former dental officer who no longer holds an appointment, and is otherwise eligible, must have been discharged from any Uniformed Service at least two years prior to execution of the written agreement to be entitled to dental officer accession bonus.

★C. An individual who holds an appointment as a dental officer in either the active or Reserve Component is not eligible for the accession bonus.

★060102. Special Provisions

★A. The individual must not have received financial assistance from the Department of Defense to pursue a course of study in dentistry in exchange for an agreement to accept an appointment as a dental officer. Includes, but is not limited to, participants of the Armed Forces Health Professions Scholarship Program and Financial Assistance Program.

★B. Individual must be qualified to become and remain certified and licensed as a dentist as determined by the requirements of the Military Service concerned.

★C. Individual must be a graduate of an American Dental Association accredited dental school.

★D. Eligible officers who sign a written agreement, on or after 1 October 1996 through 30 September 2002, to serve on active duty in exchange for receiving the accession bonus are entitled.

★060103. Rates Payable. For the period 1 October 1996 through 30 September 1997, if eligible under paragraph 060102, above, a dental officer may receive an amount not to exceed \$30,000.

★060104. Termination, Recoupment, and Refund of Unearned Accession Bonus

★A. An officer who fails to become and remain certified or licensed as a

dentist during the period for which the payment is made shall refund the full amount of the bonus.

★B. An officer who voluntarily terminates service on active duty before the end of the obligated period shall refund the unserved portion of the accession bonus.

★C. A discharge in bankruptcy under Title 11 (reference (aj)) that is entered less than five years after the termination of an accession bonus agreement does not discharge a person from a debt arising under such agreement or subparagraphs A and B, above. This applies to any case commenced under Title 11 (reference (aj)) after 1 October 1996.

★0602 VARIABLE SPECIAL PAY

★060201. Entitlement

★A. Active Duty for at Least One Year. An officer of the Dental Corps of the Army or the Navy or an officer of the Air Force designated as a dental officer who is on active duty under a call or order to active duty for a period of at least one year is entitled to special pay as provided in this section and sections 0603 through 0605, below.

★B. Active Duty Less Than One Year in Support of Persian Gulf Conflict. Any officer of the Dental Corps of the Army or the Navy or an officer of the Air Force designated as a dental officer who served on active duty in support of the Persian Gulf Conflict may be entitled to special pay benefits for dental officers. See Chapter 64, Health Care Officers on Active Duty in Support of the Persian Gulf Conflict, to determine eligibility and entitlement.

C. Effective 5 December 1991, the following categories of dental officers on active duty less than one year, other than active duty for training, are eligible to receive special pay provided under this section, in the same manner as a regular dental officer.

1. Reservists called to active duty for more than 30 days but less than one year, other than active duty for training.

2. Active duty dental officers involuntarily retained under 10 U.S.C. 12305 (reference (c)).

3. Active duty dental officers who voluntarily agree to remain on active duty for less than one year when officers are involuntarily retained on active duty under 10 U.S.C. 12305 (reference (c)), or the Secretary of Defense determines that special circumstances justify the payment of special pay under this subparagraph.

4. Retired dental officers recalled to active duty for more than 30 days under 10 U.S.C. 688 (reference (c)).

★060202. Rates Payable. The monthly rates payable are:

★A. If the officer is an intern or has less than 3 years creditable

service.....\$250.00

★B. If the officer has 3 but less than 6 years' creditable service
and is not an intern.....\$583.33

★C. If the officer has 6 but less than 10 years' creditable service.....\$583.33

D. If the officer has 10 but less than 14 years' creditable service.....\$500.00

E. If the officer has 14 but less than 18 years' creditable service.....\$333.33

F. If the officer has 18 or more years' creditable service.....\$250.00

G. If the officer is serving in a pay grade above O-6, regardless of
years' of creditable service.....\$83.33

★060203. Special Provisions

A. A dental officer is entitled to variable special pay if an ordered tour of less than one year is amended to require continuous active duty for one year or more. Entitlement begins on the date the amending orders are issued to extend the tour to one year or more.

B. Entitlement to this variable special pay is in addition to any other pay and allowances of the officer.

★060204. Creditable Service Defined. Use creditable service to compute the dental officer's entitlement to variable special pay. Creditable service includes:

A. All periods of internship and residency training successfully completed while not on active duty; and

B. All periods of internship and residency training not completed, if they were terminated or interrupted as the result of military operational requirements; and

C. All periods of active service in the Dental Corps of the Army or Navy, as an officer of the Air Force designated as a dental officer, or as a dental officer of the Public Health Service.

★0603. BOARD CERTIFIED PAY

★060301. Entitlement. Dental officers as defined in paragraph 060201, above, are entitled to board certified pay for active duty when they meet the requirements of this section.

★060302. Rates Payable. The monthly rates payable are:

★A. If the officer has less than 10 years' creditable service.....\$208.33

- ★B. If the officer has 10 but less than 12 years' creditable service.....\$291.66
- ★C. If the officer has 12 but less than 14 years' creditable service.....\$333.33
- ★D. If the officer has 14 but less than 18 years' creditable service.....\$416.66
- ★E. If the officer has 18 or more years' creditable service.....\$500.00

★060303. Special Provisions

- A. A dental officer is entitled to board certified pay if:

- ★1. Entitled to variable special pay (section 0602, above); and
- ★2. Board certified (paragraph 060305, below).

B. Entitlement to this board certified pay is in addition to any other pay and allowances of the officer.

★060304. Creditable Service Defined. See paragraph 060204, above.

★060305. Board Certified Defined. A dental officer is considered board certified if:

A. Certified by an American Dental Specialty Examining Board recognized by the American Dental Association (ADA); or

B. Awarded a Board Certification Equivalency Certificate issued by the Department of Defense or a Military Department for a Service-recognized dental specialty which is unique to military dentistry. To be eligible for certification, a dental officer must have completed a formal postgraduate training program of not less than two academic years in a military dental specialty for which there is a documented requirement.

★0604 ADDITIONAL SPECIAL PAY

★060401. Entitlement. Dental officers as defined in paragraph 060201, above, are entitled to additional special pay when they meet the requirements of this section and the requirements of the Military Service concerned.

★060402. References

- A. Army: DA Msg 061843Z Aug 86 (reference (s)).
- B. Navy: SECNAVINST 7220.61F (reference (t)).
- C. Air Force: AFR 36-4 (reference (j)).

★060403. Eligibility Criteria. To qualify for additional special pay under this

section, a dental officer who is entitled to variable special pay under section 0602, above, must:

A. Not be undergoing internship or initial residency training; and

B. Sign an agreement to remain on active duty for at least one additional year from the effective date of the agreement. For dental officers on active duty less than one year in support of the Persian Gulf conflict, see Chapter 64 to determine eligibility and entitlement.

★C. Effective 5 December 1991, dental officers on active duty for less than one year, other than active duty for training, under the provisions of subparagraph 060201.C, above, receive additional special pay provided under this section.

★060404. Creditable Service Defined. See paragraph 060204, above.

★060405. Rates Payable. If eligible under paragraph 060403, above, a dental officer with:

★A. Less than 3 years' creditable service is entitled to additional special pay of \$4,000 for each 12-month period.

★B. At least 3, but less than 14 years' creditable service, is entitled to additional special pay of \$6,000 for each 12-month period.

★C. At least 14, but less than 18 years' creditable service, is entitled to additional special pay of \$8,000 for each 12-month period.

★D. Eighteen or more years' creditable service is entitled to additional special pay of \$10,000 for each 12-month period.

★E. If eligible under subparagraph 060403.C, above, pay a monthly pro rata portion of the applicable annual amount for additional special pay. If service during any month is less than a full month, prorate on a daily basis.

★060406. Time of Payment. Pay additional special pay annually at the beginning of each 12-month period, starting with the effective date of the written agreement. For dental officers eligible under subparagraph 060403.C, above, pay a monthly pro rata portion of the annual amount on a monthly basis, prorating on a daily basis for any month in which service is less than a full month.

★060407. Termination, Recoupment, and Refund of Unearned Additional Special Pay

A. The Secretary of the Military Department concerned may terminate at any time an officer's entitlement to additional special pay. If entitlement is terminated, recoup the unearned additional special pay on a pro rata basis (based on 360 days per year), subject to subparagraph C, below.

B. If an officer enters internship or initial residency training or does not serve on active duty for the period of the agreement, recoup the unearned additional special pay on a pro rata basis (based on 360 days per year), subject to subparagraph C, below.

C. Recoupment of unearned additional special pay is not required when the officer's failure to complete the period of active duty specified in the agreement is due to:

1. Death or disability that is not the result of misconduct or willful neglect and not incurred during a period of unauthorized absence;

2. Separation from military service by operation of laws or regulations of DoD or Military Service regulations, when approved by the Secretary of the Military Department concerned; or

3. In other cases, when the Assistant Secretary of Defense for Health Affairs (ASD(HA)) determines recoupment is not in the best interest of the government.

D. A discharge in bankruptcy that is entered within 5 years after the last day of a terminated additional special pay agreement which had specified the period of time an officer had agreed to serve, does not discharge the dental officer from a debt arising under the terminated additional special pay agreement.

E. Dental officers on active duty for less than one year, other than active duty for training, who do not serve the full term of active duty that corresponds to a monthly amount must refund any amount received in excess of the amount that corresponds to the actual period of active duty.

★0605 TRANSITION (SAVINGS) PROVISIONS

★060501. Entitlement

A. Effective 1 October 1985, a dental officer who is entitled to the special pays of this chapter is entitled to such pays in an annual amount at least equal to the total annual amount of special pay for active duty plus dental continuation pay, if any, the officer would have been entitled to on 30 September 1985, under the then existing provisions of law and DoD regulation.

★B. The computation under this section will include the dental officer's continuation pay entitlement amount (under previous law and DoD regulation in effect on 30 September 1985) only if the officer enters into an additional special pay agreement under section 0604, above, chapter. Otherwise, only the officer's monthly special pay for active duty (under previous law in effect on 30 September 1985) will be included.

C. The DoD regulation in effect 30 September 1985, provided that a dental officer who was in a residency training program or a formal dental education program was entitled to continuation pay in an amount equal to 2 months' basic pay at the rates in effect on 1 October 1979. When an officer was in a training status on 30 September 1985, the officer's

continuation pay entitlement (2 months' basic pay) is the amount which will be used to calculate the officer's saved pay. Effective 14 November 1986, and when no longer in such a training status, the officer's saved pay may be recalculated as if the officer had not been in a training status on 30 September 1985.

D. A dental officer who was accepted for a residency training program or a formal dental education program on or before 30 September 1985, which is scheduled to begin after 30 September 1985, is entitled to saved pay while in that program based upon his or her continuation pay entitlement on 30 September 1985.

★0606 SPECIAL PAY FOR ACTIVE DUTY OF RESERVE DENTAL OFFICERS

★060601. Entitlement. A Reserve dental officer on active duty for less than one year is entitled to special pay at the monthly rate of \$350 for each month of active duty, including active duty in the form of annual training, active duty for training, and active duty for special work. The amount will be prorated for periods less than one month.

★060602. Active Duty for More Than 30 Days But Less Than One Year, Other Than Active Duty for Training

★A. Reserve dental officers serving on active duty for more than 30 days but less than one year, other than active duty for training (37 U.S.C. 302f, subsection (b) (reference (aa))), are entitled to Variable Special Pay, Additional Special Pay, and Board Certified Pay at rates specified in sections 0602 thru 0604, above. Payments shall be paid monthly and amounts shall be prorated for periods of less than one month. Reserve dental officers receiving additional special pay under Title 37, U.S.C. subsection 302f (b) (reference (aa)) above, are not required to execute a written agreement to remain on active duty for at least one year.

★B. Reserve dental officers who receive special pay under this paragraph are not entitled to special pay under paragraph 060601, above, for the same period of time. No dual compensation is permitted.

★0607 INTERSERVICE TRANSFERS

★060701. Entitlement Policy. The provisions of paragraph 050501 apply to dental officers.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

FEB - 3 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Vol 7A, Regarding Variable
Special Pay (VSP) and Additional Special Pay (ASP) for
Dental Officers (DFAS Item G-53)

This is DFAS Interim Change 9-98 to the DoDFMR, Vol 7A. This change is effective November 18, 1997. It provides new rates and required years of creditable years' of service for Variable Special Pay and Additional Special Pay.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change.

Our point of contact, Lt Col Wies, may be contacted at DSN 327-5068 or (703) 607-5068.

Roger W. Searce
Brigadier General, USA
Director for Director

Attachment:
As stated

cc: DASD (MMP) (COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

DFAS ITEM NUMBER G-53
DFAS INTERIM CHANGE NUMBER -98

1. Revise subparagraphs 060202A through 060202G to read:

"060202A. If the officer is an intern or has less than 3 years' creditable service.....\$250.00."

B. If the officer has 3 but less than 8 years' creditable service.....\$583.33

C. If the officer has 8 but less than 12 years' creditable service.....\$1000.00

D. If the officer has 12 but less than 14 years' creditable service.....\$833.33

E. If the officer has 14 but less than 18 years' creditable service.....\$750.00

F. If the officer has 18 or more years' creditable service.....\$666.67

G. If the officer is serving in a pay grade above O-6, regardless of years' of creditable service.....\$583.33"

2. Change paragraph 060405B to read as follows:

"060405B. At least 3 but less than 10 years' creditable service, is entitled to additional special pay of \$6,000 for each 12 month period."

3. Change paragraph 060405C to read as follows:

"060405C. At least 10 or more years' creditable service is entitled to additional special pay of \$15,000 for each 12 month period."

4. "Delete paragraph 060405D and renumber paragraph 060405E as 060405D."

5. Add the following to the Bibliography:

"Paragraph

060202

Citation

Public Law 105-85, Section 618,
18 Nov 1997
OASD/HA memo, 11 Dec 1997

060405B

Public Law 105-85, Section 618,
18 Nov 1997
OASD/HA memo, 11 Dec 1997

060405C

Public Law 105-85, Section 618,
18 Nov 1997
OASD/HA memo, 11 Dec 1997



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

FEB 12 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Vol 7A, Multiyear Retention Bonus
for Dental Officers (DFAS Item G-56)

This is DFAS Interim Change 11-98 to the DoDFMR, Vol 7A. This change is effective November 18, 1997. It authorizes a multiyear retention bonus for dental officers of the Armed Forces.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change.

Our point of contact, Lt Col Wies, may be contacted at DSN 327-5068 or (703) 607-5068.

for Steven D. Harris
Roger W. Searce
Brigadier General, USA
Director for Finance

Attachment:
As stated

cc: DASD (MMP) (COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

DFAS ITEM NUMBER G-56
DFAS INTERIM CHANGE NUMBER 11-98

1. In the Table of Contents, Part One, Basic and Special Pay, renumber the section of Chapter 06-Special Pay for Dental Officers to read:

"0601 ACCESSION BONUS.....	47A
0602 VARIABLE SPECIAL PAY.....	47
0603 BOARD CERTIFIED PAY.....	48
0604 ADDITIONAL SPECIAL PAY.....	48
0605 TRANSITION (SAVINGS) PROVISIONS.....	49
0606 SPECIAL PAY FOR RESERVE DENTAL OFFICERS.....	50A
0607 INTERSERVICE TRANSFERS.....	50
0608 MULTIYEAR RETENTION BONUS (MRB).....	50B

2. Add the following new section 0608 to read:

"0608 MULTIYEAR RETENTION BONUS (MRB)"

060801. **Authorization and Entitlement.** A dental officer who executes a written agreement to remain on active duty for two, three, or four years after completion of any other active-duty service commitment may, upon acceptance of the written agreement by the Secretary of the military department concerned, be paid a retention bonus. The earliest effective date for contracts under this authority is 18 November 1997.

060802. References

- A. Army:
- B. Navy:
- C. Air Force: AFI 41-109

060803. **Eligibility Criteria.** An officer of the Armed Forces who is below the pay grade of O-7 is eligible for MRB when the officer:

A. is an officer of the Dental Corps of the Army or the Navy or an officer of the Air Force designated as a dental officer;

B. has a dental specialty in oral and maxillofacial surgery;

C. has at least eight years of creditable service or has completed any active-duty service commitment incurred for dental education and training; and

D. has completed initial residency training (or will complete such training before 30 Sep of the fiscal year in which the officer enters into an agreement under paragraph 060801).

060804. Special Provisions. At the discretion of the Secretary concerned, the Secretary may enter into a written agreement described in paragraph 060801 with a dental officer who does not have the dental specialty specified in paragraph 060803, and pay a retention bonus to the dental officer as provided in this section, if the officer otherwise satisfied the eligibility requirements specified in paragraph 060803.

060805. Rates Payable. The annual Dental Officer Multiyear Retention Bonus (DOMRB) payment authorized shall not exceed the following:

- a. \$14,000 for a four-year written agreement
- b. \$8,000 for a three-year written agreement
- c. \$4,000 for a two-year written agreement

060806. Recoupment. If the officer who has received payment fails to complete the total period of active duty specified in the agreement, as conditions and circumstances warrant, repayment on a pro rata basis is required. An obligation to reimburse the United States imposed under this section is for all purposes a debt owed to the United States. A discharge in bankruptcy under Title 11, United States Code, that is entered less than five years after the termination of an agreement under this section does not discharge the member signing such an agreement from a debt arising under such agreement. This applies to any case commenced under Title 11 after 18 November 1997."

3. Add the following to the Bibliography:

"Paragraph

Citation

0608

OASD/HA Memo, 30 Dec 1997
Public Law 105-85, Section 617,
18 Nov 1997



DEFENSE FINANCE AND ACCOUNTING SERVICE

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ARLINGTON, VA 22240-5291

DEC 30 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
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DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Change to the DoDFMR, Volume 7A, Fiscal Year 1999
Dental Officer Multiyear Retention Bonus (DOMRB) Pay
Rates (DFAS Item Number H-44)

This is DFAS Interim Change 45-98 to the DoDFMR, Volume 7A, and is effective October 13, 1998. The purpose of this change is to incorporate changes from the Fiscal Year 1999 Dental Officer Multiyear Retention Bonus (DOMRB) Pay Rates.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate.

Assignment of an interim change is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Lt Col Robert Spath, may be reached at DSN 327-2087 or (703) 607-2087.

for Gregory B. Fitz
Director of Finance

Attachment:
As stated

Cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

Fiscal Year 1999 Dental Officer Multiyear Retention Bonus
(DOMRB) Pay Rates

1. Change **Paragraph 060805**, to read as follows:

"060805. Rates Payable. The annual Dental Officer MRB payment is determined by the length of the agreement and the level, which depends upon eligibility specialties. These payments are paid on the anniversary date of the written agreement. Eligible specialties in Level 1 are Oral-Maxillofacial Surgeons, Endodontics, Orthodontics, and Periodontics. Eligible specialties in Level 2 are Comprehensive/Operative Dentistry, General Dentistry/Dental Research, Oral Pathology/Oral Diagnosis/Oral Medicine, Pediatric Dentistry, Prosthodontics, and Public Health Dentistry. Payment shall be paid at the following rates:

- a. \$14,000 for a four-year agreement at Level 1
- b. \$12,000 for a four-year agreement at Level 2
- c. \$ 8,000 for a three-year agreement at Level 1
- d. \$ 6,000 for a three-year agreement at Level 2
- e. \$ 4,000 for a two-year agreement at Level 1
- f. \$ 3,000 for a two-year agreement at Level 2"

2. Add the following to the **Bibliography**:

"Paragraph

060805

Citation

ASD/HA memo, 13 Oct 1998"

CHAPTER 7

SPECIAL PAY FOR VETERINARIANS AND OPTOMETRISTS0701 ENTITLEMENT

070101. Active Duty For at Least One Year. Veterinary and optometry officers who are on active duty for one year or more, or whose orders are amended to require continuous active duty for one year or more (from date of amendment) are entitled to special pay at the monthly rate of \$100.

070102. Active Duty Less Than One Year in Support of Persian Gulf Conflict. Any veterinary or optometry officer who served on active duty in support of the Persian Gulf Conflict may be entitled to special pay benefits for veterinary or optometry officers. See Chapter 64, Health Care Officers on Active Duty in Support of the Persian Gulf Conflict, to determine eligibility and entitlement.

070103. Effective 5 December 1991, the following categories of veterinary and optometry officers on active duty less than one year, other than active duty for training, are eligible to receive special pay provided under this section.

A. Reservists called to active duty for more than 30 days but less than one year, other than active duty for training.

B. Active duty veterinary or optometry officers involuntarily retained under 10 U.S.C. 12305 (reference (c)).

C. Active duty veterinary or optometry officers who voluntarily agree to remain on active duty for less than one year when officers are involuntarily retained on active duty under 10 U.S.C. 12305 (reference (c)), or the Secretary of Defense determines that special circumstances justify the payment of special pay under this subparagraph.

D. Any retired veterinary or optometry officer recalled to active duty for more than 30 days under 10 U.S.C. 688 (reference (c)).

CHAPTER 8

**SPECIAL PAY—PROFICIENCY PAY AND SPECIAL DUTY
ASSIGNMENT PAY—ENLISTED MEMBERS**0801 ENTITLEMENT PROVISIONS AND POLICY080101. Entitlement

A. Proficiency Pay. An enlisted member entitled to basic pay and proficient in a designated military skill may qualify for proficiency pay unless the member occupies one of the grade E-9 positions listed in Table 2-8, note 2, of this volume. A member entitled to proficiency pay may receive such pay in addition to any other pay or allowances to which entitled. Proficiency pay status is awarded according to the applicable regulations of the Military Service concerned. Only members entitled to proficiency pay on 30 September 1984, may continue to be paid such pay if otherwise entitled. However, no member may be paid proficiency pay and special duty assignment pay.

B. Special Duty Assignment Pay. An enlisted member entitled to basic pay may qualify for special duty assignment pay when the member performs duties designated by the Secretary concerned as extremely difficult or involving an unusual degree of responsibility. A member entitled to special duty assignment pay may receive such pay in addition to any other pay or allowances to which entitled. Special duty assignment pay status is awarded according to the applicable regulations of the Military Service concerned.

C. Certification. Appropriate authorities annually review eligibility and payment authority for each member receiving proficiency pay and special duty assignment pay. Payment stops automatically on the annual anniversary date of either pay if positive certification is not made that a member is still eligible for proficiency pay or special duty assignment pay.

080102. DefinitionsA. Military Specialty

1. An element of the enlisted classification structure (MOS, AFS, rating, Navy enlisted classification, career field subdivision, career management field, and occupational field, as appropriate to the Military Service concerned) that identifies an individual position or a group of closely related positions on the basis of the similarity of the duties involved. It is also the primary identifier of individuals who possess the ability, knowledge and other occupational qualifications required for effective performance in such positions.

2. A military specialty provides occupational standards for procurement, training, classification, and career development; identifies military skills so closely related that a degree of interchangeability exists between members assigned to the military specialty; provides a normal career progression pattern for members within that military specialty.

B. Special Duty Assignment. A duty assignment characterized by extremely demanding duties or duties demanding an unusual degree of responsibility.

C. Continuous Active Duty. Active federal military service (other than active duty for training as a Reserve), without a break in service of more than 3 months as computed in accordance with subparagraph 090301.C, of this volume.

D. Career Personnel

1. Members of the Army, Marine Corps, and Air Force on second or subsequent terms of active duty enlisted service and first term personnel who are serving in an enlistment, an enlistment as extended, or an extension of enlistment that will total 6 or more years of active service.

2. Members of the Navy on second or subsequent terms of active duty enlisted service and first term personnel who are serving in an enlistment, an enlistment as extended, or an extension of enlistment that will total 7 or more years of active service.

080103. Reserved

080104. Retired and Reserve Personnel

A. Retired enlisted members, Navy/Marine Corps Fleet Reserve members, and members of other Reserve Components, may be awarded proficiency pay when they are on extended active duty beyond obligated periods of active service. Those members recalled to active duty on or after 1 October 1984, are not entitled to proficiency pay.

B. Enlisted members of the Reserve Components are eligible to receive special duty assignment pay when on active duty. This includes active duty defined under subparagraph 570101.A, (other than active duty for training for less than 180 days).

080105. Maximum Monthly Rates

A. Proficiency Pay. The amount of proficiency pay may not exceed the maximum applicable rate shown in this subparagraph:

<u>Proficiency Rating</u>	<u>Monthly Rate</u>
P-1	\$ 50
P-2	100
P-3	150

B. Special Duty Assignment Pay. The amount of special duty assignment pay may not exceed the maximum applicable rate shown in this subparagraph:

<u>★Special Duty Assignment</u>	<u>Monthly Rate</u>
SD-1	\$ 55
SD-2	110
SD-3	165
SD-4	220
SD-5	275
SD-6	375
(for production recruiters only)	

C. The specific current monthly rates for each proficiency and special duty assignment rating are prescribed in the applicable regulations of the Military Service concerned.

★D. Designations of military specialties for proficiency pay and special duty assignment pay are in the applicable regulations of the Military Service concerned. The criteria for designation of military specialties are in DoDI 1304.27 (reference (u)).

0802 CONDITIONS OF ENTITLEMENT

080201. Eligibility Requirements. A member who meets the requirements in Table 8-1 may be awarded a proficiency pay rating or a special duty assignment rating under procedures in regulations of the Military Service concerned.

080202. Conditions Affecting Entitlement

A. Conditions affecting entitlement to proficiency pay and special duty assignment pay are shown in Table 8-2.

B. Detailed instructions on maintenance, retention, and termination of proficiency pay status are specified in regulations issued by the Secretary of each Military Department:

1. AR 600-200 (reference (v))
2. NGR 600-200 (reference (w))
3. OPNAVINST 1160.2 Series (reference (x))

4. MCO 7220.12 Series (reference (y))
5. AFR 39-45 (reference (z))

080203. Date to Stop Proficiency Pay and Special Duty Assignment Pay.

Table 8-2 shows how to determine the last day on which proficiency pay or special duty assignment pay accrues to a member. Stop proficiency pay or special duty assignment pay on the date shown in this table, unless an earlier date is specified in the order terminating such pay status.

080204. Effect of Proficiency Pay and Special Duty Assignment Pay on Other Computations. As special pay, neither proficiency pay nor special duty assignment pay is used in the computation for reenlistment bonus, severance pay, separation pay, or cash settlement of accrued leave. However, as special pay, either is included in the computation for death gratuity.

080205. Collection of Erroneous Payments. Collect from a member when a purported proficiency rating assignment or special duty assignment is revoked because either assignment was made without original basis of authority.

080206. Removal From Rating Status Without Original Basis of Authority. Military Service administrative regulations allow certain authorities to revoke orders which removed a member from proficiency rating or special duty assignment rating if the removal was without original basis of authority. When orders are so revoked, the member is entitled to proficiency pay or special duty assignment pay for the entire period involved (if otherwise entitled to either pay).

080207. Tax. Proficiency pay or special duty assignment pay is subject to withholding of income tax. Neither is subject to withholding of FICA taxes.

ELIGIBILITY REQUIREMENTS FOR PROFICIENCY PAY AND SPECIAL DUTY ASSIGNMENT PAY			
R U L E	A	B	C
	When an enlisted member	and	then
1	is on active duty (other than for training as a Reservist) in a pay status; has completed a minimum of 21 months of active service, other than active duty for training (note 1); is a career member (subparagraph 080102.D) (note 2); is serving in pay grade E-3 or higher; is qualified and serving in a designated military specialty; has a minimum of 6 months' continuous active service immediately before award of proficiency pay (subparagraph 080102.A) ; and is not receiving proficiency pay of another type	meets other conditions of eligibility as prescribed by the Secretary of the Military Department	member may be awarded shortage specialty (Proficiency Pay) through 30 Sep 1984 (note 4).
2	is on active duty in a pay status; is serving in pay grade E-3 or higher, is qualified for and serving in the designated special duty assignment; and is not receiving proficiency pay		member may be awarded special duty assignment pay.
3	attains eligibility under rule 2 above, before the date of termination of award in any special duty assignment designated for termination of award		

NOTES:

1. The 21-month limitation does not apply to a Reservist ordered to EAD who has completed service obligation under Title 10 U.S.C., section 651.
2. The requirement to be a career member does not apply to a member of Reserve Components ordered to active duty.
3. The requirement for completion of 6 months' continuous active service immediately before award of proficiency pay may be waived for members of Reserve Components ordered to EAD, if after entry on active duty they meet the standards for the specialty to which assigned. (See Chapter 8).
4. Only members entitled to proficiency pay on 30 Sep 1984 may continue to be paid such pay until discontinued under paragraph 080203.

Table 8-1. Eligibility Requirements for Proficiency Pay and Special Duty Assignment Pay

CONDITIONS AFFECTING ENTITLEMENT TO PROFICIENCY AND SPECIAL DUTY ASSIGNMENT PAY					
R U L E	A	B	C	D	E
	When a member receiving proficiency pay or special duty assignment pay	and the pay is	and	then proficiency pay status or special duty assignment pay status	and entitlement to proficiency pay or special duty assignment pay
1	has proficiency pay rating or special duty assignment pay rating withdrawn for any reason	proficiency pay or special duty assignment pay		is withdrawn	continues through the date stated in the order withdrawing the proficiency pay rating or special duty assignment pay rating.
2	fails to maintain the minimum level of qualification required for satisfactory performance in the military skill				stops on the date established by the authority determining the level of qualification does not meet established standards.
3	is discharged or relieved from active duty			does not reenlist within 24 hours	continues through the date of discharge (note 1).
4	is confined			confinement is result of court-martial sentence or non-judicial punishment	continues through the day prior to the date of approval of the court-martial sentence or the day prior to the date of confinement resulting from non-judicial punishment.
5	is AWOL			continues	stops during all of AWOL.
6	is reported in a missing status			continues (note 2)	continues.
7	is in a patient status, including convalescence leave	proficiency pay or special duty assignment pay	patient status is due to disease resulting from intemperate use of alcohol or habit-forming drugs	continues	stops while member is in a patient status or convalescent leave status.
8			patient status is not due to disease resulting from intemperate use of alcohol or habit-forming drugs, but exists for more than 12 months	will be withdrawn on the first day of the 13th month when a patient status continues to exist (note 2)	continues through the last day of the 12th month.
9	is demoted		grade to which reduced is below that for which either pay is authorized	will be withdrawn on the date of demotion	continues through the day prior to the date of demotion.
10	is on temporary duty or temporary additional duty		is not performing duties requiring use of skills on which either pay is based	continues for not more than 90 days	continues through 90th day of TDY or TAD.
11			is performing duties requiring use of the skills on which either pay is based	continues during entire period of TDY or TAD	continues through entire period of TDY or TAD.

Table 8-2. Conditions Affecting Entitlement to Proficiency and Special Duty Assignment Pay

R U L E	A	B	C	D	E
	When a member receiving proficiency pay or special duty assignment pay	and the pay is	and	then proficiency pay status or special duty assignment pay status	and entitlement to proficiency pay or special duty assignment pay
12	is reassigned (PCS or PCA without PCS) or detailed to duty not requiring use of skills on which proficiency pay or special duty assignment pay is based	proficiency pay	commanding officer determines the reassignment or detail is permanent (over 90 days)	is terminated on the date of reporting to the new assignment or detail	continues through the day before the date member arrives at the new duty station.
13			commanding officer determines the reassignment will be less than 90 days, but it exceeds 90 days	is terminated on the 91st day of the reassignment or detail	continues through the 90th day of the detail or reassignment.
14		special duty assignment pay	commanding officer determines the reassignment or detail is permanent (over 90 days)	is withdrawn on date of departure from special duty assignment	continues through the day prior to the date of departure from special duty assignment.
15			commanding officer determines the reassignment will be less than 90 days, but it exceeds 90 days	is terminated on the 91st day of the reassignment or detail	continues through the 90th day of the detail or reassignment.
16	enters retraining status	proficiency pay	the military skill into which member is retraining is designated for proficiency pay	continues	will be at the current award level in the member's prior skill or the award level in the skill into which retraining, whichever is lower.
17			the military skill into which member is retraining is not designated for proficiency pay or special duty assignment pay	is withdrawn	continues through the day prior to the date member enters retraining status.
18		special duty assignment pay			
19	is reclassified out of the military skill on which the pay is based	proficiency pay or special duty assignment pay	the military skill to which reclassified is not designated for an award of proficiency pay or special duty assignment pay	is withdrawn on the date of reclassification	continues through the pay prior to the date of reclassification.

Table 8-2. Conditions Affecting Entitlement to Proficiency and Special Duty Assignment Pay (Continued)

R U L E	A	B	C	D	E
	When a member receiving proficiency pay or special duty assignment pay	and the pay is	and	then proficiency pay status or special duty assignment pay status	and entitlement to proficiency pay or special duty assignment pay
20	is attending a course of instruction	proficiency pay or special duty assignment pay	the course of instruction is directly related to the military skill on which the proficiency pay is based or is necessary for member's continued qualification in the special duty assignment	continues	continues.
21			the course of instruction is not directly related to the military skill on which the proficiency pay is based or is not necessary to qualify the member for special assignment in the military skill, but the member will be reassigned to the military skill on which the pay is based upon completion of the training	continues for no more than 90 days	continues through the 90th day.
22			the course of instruction is not directly related to the military skill on which the proficiency pay is based or not necessary to qualify the member for a special assignment in the military skill and the member will not be reassigned to the military skill on which the pay is based upon completion of training	is withdrawn on the date of departure for training	continues through the date of departure for training.
23	is attending a course of instruction	proficiency pay or special duty assignment pay	the course of instruction leads to commission or warrant officer status	is withdrawn	stops on the date of departure for entry into training.
24	is on authorized leave			continues	continues.
25	is serving in military specialty designated for termination of award		member continues qualified and serves in the military specialty		continues at one-half rate for 1-year period following effective date of the termination.
26	is serving in military specialty designated for reduction of award	special duty assignment pay			continues at rate for reduced award on the effective date of the reduction.
27	is reassigned PCS requiring use of skills on which pay is based		member continues qualified and performs the special duties		continues during leave en route, for periods of allowable travel time between assignments and for duty at new permanent duty station.

NOTES:

1. If a Navy member fails to reenlist on board, either proficiency pay or special duty assignment pay continues through date of discharge or release from active duty.
2. Either proficiency pay or special duty assignment pay may be awarded, withdrawn, increased, or decreased while member, otherwise eligible, is in a patient or missing status.

Table 8-2. Conditions Affecting Entitlement to Proficiency and Special Duty Assignment Pay (Continued)

CHAPTER 9

**SPECIAL PAY-ENLISTMENT AND REENLISTMENT BONUS-
ENLISTED MEMBERS**0901 ENLISTMENT BONUS

090101. Basic Conditions of Entitlement. An enlistment bonus may be paid to an enlistee when an enlistee meets the following conditions:

A. Enlists for a period of 4 years or more for the purpose of qualifying and serving in a military specialty designated as critical, as specified by the Secretary of the Military Department concerned.

B. Is one of the following:

1. Non-Prior Service Enlistee. This term applies to a person who has never served or has served less than 180 days on active duty as a member of the Armed Forces. A non-prior Military Service enlistee who has received an enlistment bonus under the Selected Reserve Incentive Program (SRIP) retains eligibility for the Regular Component enlistment bonus under this section if other eligibility criteria are met.

2. Prior-Service Enlistee. This term applies to a person who has not previously received an enlistment or reenlistment bonus or who is not currently entitled to a reenlistment bonus; or

3. Reservist Not on Active Duty who Enlists in the Regular Component of the Military Service Concerned. This term applies to a person who has not previously received an enlistment or reenlistment bonus or is not currently entitled to a reenlistment bonus. (A Reservist who has received an enlistment or reenlistment bonus under SRIP retains eligibility for the Regular Component enlistment bonus if the Reservist meets all other eligibility criteria in the paragraph.)

C. Is not a Delayed Entry Program Reservist currently obligated to any other Military Service.

D. Qualifies for award of one of the designated military specialties.

E. Meets such additional eligibility criteria as may be prescribed by the Secretary of the Military Department concerned.

★F. The entitlement provisions to enlistment bonuses for critical skills expire on 30 September 1998.

090102. Amount of the Enlistment Bonus. The enlistment bonus is an amount prescribed by the Secretary concerned, but not more than \$12,000.

090103. Time of Payment. An enlistment bonus may be paid upon completion of training and award of the designated military specialty in periodic installments, as determined by the appropriate Secretary, except that the first installment may not exceed \$7,000 and the remainder shall be paid in equal periodic installments which may not be paid less frequently than once every 3 months. Prior Service enlistees who require formal training of 30 days or more may be paid their enlistment bonus upon completion of that formal training. Prior Service enlistees who do not require military specialty training may not receive payment earlier than 30 days after arrival at the first permanent duty station following reentry on active duty.

★090104. Expiration of Entitlement. No bonus may be paid under this paragraph with respect to any enlistment or extension of an initial period of active duty in the Armed Forces, after 30 September 1997.

★090105. Reduction and Termination of Award. When a military specialty is designated for reduction or termination of award, an effective date for reduction or termination of awards is established and announced at least 30 days in advance. All awards on or after that effective date in military specialties designated for reduction or termination of award level are at the bonus level contracted on the date of enlistment.

★090106. Determinations Affecting Enlistment Bonus Payments

A. When a member enlists in a Reserve Component under the Delayed Enlistment Program (DEP) with a concurrent commitment to serve in a Regular Component for a period of at least 4 years in a skill designated as critical, the award level of the enlistment bonus is fixed on the date of enlistment in the DEP, rather than on the date of entry on active duty.

B. When a member dies before receiving the full amount of the enlistment bonus due, the remaining unpaid balance is payable as a lump sum for inclusion in the settlement of the deceased member's final military pay account.

C. Unpaid installments of the enlistment bonus are payable to members separated prior to completion of enlistment when separated under conditions which do not require recoupment. (See section 0904, below.)

★090107. Special Pay: Bonus for Enlistment in the Army

★A. Entitlement Conditions. A bonus may be paid to an enlistee who meets the following conditions: Enlists in the Army for a period of at least 3 years in a skill designated as critical, scores at or above the fiftieth percentile on the Armed Forces Qualifications Test, and is a high school graduate (or has a high school equivalency certificate).

★B. Amount of Bonus. The bonus may be paid in an amount prescribed by the Secretary of the Army not to exceed \$4,000. The bonus may be paid in a lump sum or in equal periodic installments, as determined by the Secretary of the Army.

★C. Loss of Entitlement and Recoupment of Bonus. See paragraph 090401, below, for legal requirements regarding recoupment of unearned portions of enlistment bonuses.

★D. Expiration of Entitlement. No bonus may be paid under this paragraph with respect to an enlistment in the Army after 30 September 1997.

0902 SELECTIVE REENLISTMENT BONUS (SRB) (37 U.S.C. 308 (reference (aa)))

090201. Reenlistment Zones. Three zones of consideration are established. Zone A is composed of those reenlistments falling between 21 months and 6 years of active service. Zones B and C are composed of those reenlistments or extensions falling between 6 and 14 years of active service.

A. General Eligibility. Enlisted members are eligible to receive a SRB if they meet all of the following conditions and the conditions of Zones A, B, or C eligibility:

1. Are qualified in a military specialty designated by the Secretary of the Military Department concerned for award of the SRB;

2. Are serving in pay grade E-3 or higher;

3. Reenlist within 3 months (or within a lesser period if so prescribed by the Secretary of the Military Department concerned) after the date of their discharge or release from compulsory or voluntary active duty (other than for training) (see subparagraph 090301.C, below, for computation of 3-month period); or extend their enlistment; or enlist in a Regular Component within 3 months (or within a lesser period if so prescribed by the Secretary of the Military Department concerned) after the date of discharge or release from active duty (other than active duty for training) as a member of the Reserve Component. Veterans with more than a 3-month but less than a 4-year break in active duty may qualify for a broken service Selective Reenlistment Bonus Program in accordance with regulations prescribed by the Secretary of the Military Department concerned.

4. Attain eligibility before the effective date of termination of awards in any military specialty designated for termination of the award. (Members must attain eligibility before the effective date of a reduction of award level to be eligible for the higher award level. Eligibility attained through any modification of an existing service obligation, including any early discharge granted under 10 U.S.C. 1171 (reference (c)), must have been attained before the effective date of the termination or reduction of award in the military specialty); and

5. Meet such additional eligibility criteria as may be prescribed by the Secretary of the Military Department concerned.

6. An exception to subparagraph A.1 and A.4, above, is available to

members who agree to train and reenlist for service in a military specialty which, at the time the agreement is executed, is designated by the Military Service concerned for award of the SRB. Upon completion of qualification training and reenlistment in the specialty in which trained, if otherwise qualified, the member may be paid the bonus even if that specialty is no longer designated for award of the SRB. The bonus may be paid at the award level in effect at the time the agreement to train is executed or the award level in effect at the time of reenlistment, whichever is higher.

B. Zone A Eligibility. The enlisted member must:

1. Have completed at least 21 months of continuous active duty (other than active duty for training as a Reserve) but not more than 6 years of active duty on the date of reenlistment or beginning of an extension of enlistment. Continuous active duty is active federal military service (other than active duty for training as a Reserve), without a break in service of more than 3 months. A break in service of less than 3 months is considered continuous active duty; however, the actual period of the break in service is not included in the computation of continuous active duty. Effective 9 December 1994, the following applies for Marine Corps members: When computing the 6 years of active service for Zone A eligibility, prior active service in any other Military Department is excluded and only active service in the Marine Corps is included. However, this exclusion does not apply to the 14-year service cap on Marine Corps members' eligibility which considers a member's total active service.

2. Reenlist or voluntarily extend an enlistment in the Regular Component of the Military Service concerned for a period of at least 3 years provided the reenlistment or extension, when coupled with existing active service, provides a total period of active service of at least 6 years.

3. Not have previously received a Zone A SRB.

4. Except for members serving in the Navy 6-YO Program, not have previously received a variable reenlistment bonus (VRB).

C. Zone B Eligibility. The enlisted member must:

1. Have completed at least 6 but not more than 10 years of active duty on the date of reenlistment or beginning of an extension of enlistment.

2. Reenlist or voluntarily extend an enlistment in the Regular Component of the Military Service concerned for a period of at least 3 years provided the reenlistment or extension, when coupled with existing active service, provides a total period of active service of at least 10 years.

3. Not have previously received a Zone B SRB.

D. Zone C Eligibility. Enlisted members must:

1. Have completed at least 10 but not more than 14 years of active duty on the date of reenlistment or beginning of an extension of enlistment.

2. Reenlist or voluntarily extend enlistment in the Regular Component of the Military Service concerned for a period of at least 3 years, provided the reenlistment or extension, when coupled with existing active service, provides a total period of active duty of at least 14 years.

3. Not have previously received a Zone C SRB.

E. Special Conditions

1. Members with exactly 6 years of active duty at 2400 hours on the date before the date of reenlistment or beginning of an extension of enlistment are entitled to a Zone A SRB if otherwise eligible and they have not previously received a Zone A SRB. If members have received a Zone A SRB, or no Zone A SRB is designated, they are entitled to a Zone B SRB if all other eligibility requirements are met. Members with exactly 10 years of active duty at 2400 on the date before the date of reenlistment or beginning of an extension of enlistment are entitled to a Zone B SRB if otherwise eligible and they have not previously received a Zone B SRB. If they have received a Zone B SRB, or no Zone B SRB is designated, they are entitled to a Zone C SRB if all other eligibility requirements are met. Members with exactly 14 years of active duty at 2400 hours on the date before the date of reenlistment or beginning of an extension of enlistment will be entitled to a Zone C SRB if otherwise eligible.

2. Two or more extensions may not be combined to gain entitlement to an SRB. Additionally, entitlement gained through an extension cannot be increased by future extensions.

3. For the purposes of determining the eligibility of a member for a SRB and of computing the amount of that bonus, under regulations prescribed by the Secretary of the Military Service concerned, the following may be considered as part of an immediately subsequent term of reenlistment (or as part of an immediately subsequent voluntary extension of an enlistment):

- a. Any period of enlistment (including any extension of an enlistment) that is incurred by a member for the purpose of continuing to qualify for continuous submarine duty incentive pay under Chapter 23, section 2302, or

- b. Any unserved period of 2 years or less of an extension of an enlistment for which no bonus has been paid or for which no bonus is otherwise payable, provided the immediately subsequent term of reenlistment or immediately subsequent voluntary extension of an enlistment provides additional obligated service of at least 2 years.

4. Members who reenlist or extend to gain sufficient obligated service to participate in a program leading to a commissioned or warrant officer status are not entitled to

an SRB.

5. Officers of Uniformed Services who reenlist in the Military Service concerned within 3 months after their release from active duty as an officer are entitled to a SRB provided they served on active duty as an enlisted member in that Military Service immediately before serving as an officer and meet all other eligibility criteria. Pay grade for SRB computation is the grade of reenlistment.

6. Members who have received readjustment pay, severance pay, or separation pay are not eligible to receive a SRB.

7. The SRB is not payable for an enlistment in a Regular Component, following a discharge from a Reserve Component, during or at the completion of the period of active duty for training.

8. A member who is also eligible for the regular reenlistment bonus is paid either bonus, whichever the member elects. (See subparagraph 090303.B.)

9. Members receiving nuclear petty officer continuation pay are not eligible to receive an SRB.

090202. Amount of Payment. Bonus payments are based on multiples, not to exceed ten, of the member's monthly basic pay at the time of discharge, release from active duty, or the day before beginning of extension, multiplied by years of additional obligated service.

A. Additional Obligated Service

1. Additional obligated service is defined as any active service commitment beyond an existing contractual service agreement. Existing contractual service agreements include enlistments, extensions of enlistment, enlistment as extended, and reenlistments. However, members who entered into an extension agreement before 10 May 1974, and who cancel the extension before it becomes operative to immediately reenlist for a period of at least 2 years beyond the extension agreement, are allowed to use the period of the extension for SRB computation.

2. An extension of enlistment which is cancelled by the Military Service concerned before becoming operative is not considered as previously obligated service for SRB computation purposes. This applies only to cancellations initiated by the Military Service concerned and not to cancellations initiated by the member. Military Service-initiated cancellations occur when the basis for the extension no longer exists. An example of a Military Service-initiated cancellation would be a member who extends an enlistment for a special duty assignment, and before the extension becomes operative the Military Service denies the member the assignment.

3. Under authority provided to the Chief of Naval Operations, certain

nuclear trained and qualified enlisted members of the Naval Service who enter into an extension agreement on or after 10 May 1974, and who cancel the extension before it becomes operative to immediately reenlist for a period of at least 2 years beyond the extension agreement are allowed to use the period of the extension for SRB computation.

4. Members discharged before expiration of enlistment or operative extension may not receive an SRB based on any unserved full months of obligated service of the enlistment or extension when such discharge is specifically for the purpose of immediate reenlistment.

Example 1: Member discharged 30 June 1982 from an enlistment which expires 29 October 1982 and reenlisted 1 July 1982 for 4 years, would be paid for 3 years and 8 months of additional obligated service. (Subtract date following old ETS from the new ETS date.)

Members discharged within 3 months of their normal ETS for the purpose of immediate reenlistment are considered to have completed that contract, but the unserved period within the last 3 months is considered as existing obligated service when computing the SRB entitlement. (A member who is discharged no more than 3 days early, in accordance with the regulations of the Military Service concerned, is considered to have completed current enlistment for SRB computation.)

Example 2: Member discharged 2 months and 3 days before expiration of enlistment, and immediately reenlisted for 4 years, could not receive a SRB for 3 months of the reenlistment period.

5. Members discharged involuntarily before expiration of enlistment or operative extension in connection with Military Service early separation programs, who are reenlisted immediately following discharge, are considered to have completed their service agreement under the prior contract. The unserved period under the prior contract is considered to terminate on the date of involuntary discharge. Any Military Service member who elects an option for an early discharge, as opposed to being required to separate early, is not considered to have been involuntarily discharged and therefore the provisions of this subparagraph do not apply.

B. Computation Factors. Specifically, the SRB is:

1. Paid in the amount of basic pay for 1 month times the multiple assigned to the military specialty (not to exceed ten), times the years, or fractions of years (months), of additional obligated service as defined above. In the case of a member reenlisting after release from active duty as an officer, use the basic pay rate applicable on the day of reenlistment. (See subparagraph 090201.E.5, above.)

2. Not paid for obligated active service (including active duty for training) in excess of 16 years.

Example: Member with 13 years, 3 months, and 15 days active duty; 3 months, 5 days active duty for training; and 2 months, 15 days of existing obligated service, who enlists for 4 years, can be paid a SRB (Zone C) based on 2 years, 2 months as follows:

	<u>YR</u>	<u>MO</u>	<u>DAY</u>
Active duty	13	3	15
Active duty for training		3	5
Existing obligated service	—	<u>2</u>	<u>15</u>
Total	13	8	35
Or	13	9	5
Maximum SRB years	16	0	0

3. Does not exceed a maximum amount of \$45,000 per SRB. However, no more than 10 percent of the SRB's awarded during any fiscal year shall exceed \$20,000. (See maximum SRB years in example above.)

	<u>YR</u>	<u>MO</u>	<u>DAY</u>
Less obligated active service (partial months count as a whole month)	<u>13</u>	<u>10</u>	<u>0</u>
Time for which SRB (Zone C) is payable	2	2	0

4. Is not paid more than once within each zone of eligibility.

C. Computation Factors for Commissioning Program

1. Any member in the commissioning program with a class start date before 1 June 1983 is unaffected.

2. Any member with a class start date on or after 1 June 1983, bonus payments are suspended.

Example 1: Assume member reenlisted 820404 for 4 years. SRB Due: \$16,000. Member was paid first installment of \$8,000 (50 percent) on 820404, and second installment of \$2,666.66 on 830404. Total SRB paid to date: \$10,666.66.

Member entered officer training school (OTS) with class start date of 830601. The member's third and fourth installments would be suspended pending completion of OTS and commissioning. Given successful completion, the member would forfeit the remaining installments. However, had the member washed out of the program and returned to enlisted status in the same bonus skill, the remaining installments would be payable but at a rate reduced by the number of days spent in the OTS program. Computation is as follows:

Initial Bonus Information

SRB Entitlement	\$16,000
No. Days Paid	1440
Daily Rate	\$11.1111 (\$16,000 / 1440)
No. Days in OTS	96 (member washed out of TS 830906 (30-day basis))
New No. Days Paid	1344 (1440 - 96)
New SRB Entitlement	\$14,933.32 (1344 x \$11.1111)

Balance to be paid over remaining two (2) installments: \$4,266.66 (\$14,933.32 - \$10,666.66 paid to date)

Due final two (2) installments: \$2,133.33 (\$4,266.66 divided by 2).

Example 2: Assume member reenlisted on 811229 for 4 years. SRB Due: \$8,000. Member was paid first installment of \$4,000 (50 percent) on 811229, and second and third installments on 821229 and 831229, of \$1,333.33 each installment. Total SRB paid to date: \$6,666.66.

Member entered education and commissioning program (ECP) with class start date of 840101. Member's fourth installment would be suspended pending completion of ECP and commissioning. Given successful completion, the member would forfeit the remaining installments. However, had the member washed out of the program and returned to enlisted status in the same bonus skill, the remaining installments would be payable, but at a rate reduced by the number of days spent in the ECP program. Computation is as follows:

Initial Bonus Information

SRB Entitlement	\$8,000
No. Days Paid	1440
Daily Rate	\$5.5555
No. Days in ECP	430 (member washed out of ECP 850310 (use 30-day basis))
New No. Days Paid	1010 (1440 - 430)
New SRB Entitlement	\$5,611.06 (1010 x \$5.5555)

Balance to be paid over remaining installment: 0. (Member due \$5611.06; paid previously \$6,666.66.) No overpayment exists; however, for recoupment purposes, member is permitted to keep payments received before entrance in ECP.

Example 3: Assume member reenlisted on 820604 for 4 years. SRB Due: \$16,000. Member was paid first installment of \$8,000 (50 percent) on 820604, and second installment is due on 830604.

Member entered OTS with class start date of 830610. Member's acceptance in OTS was granted on 830310. Under this set of circumstances, the member would be due the second SRB

installment as it fell due before the class start date. Member should be paid the second SRB installment, but the third and fourth installments would be suspended pending completion of the commissioning program.

Example 4: Assume member reenlisted on 820604 for 4 years. SRB Due: \$16,000. Member was paid first installment of \$8,000 (50 percent) on 820604, and second installment is due on 830604.

Member entered ECP with class start date of 830602. Member's acceptance in ECP was granted on 830310. Under this set of circumstances, the member would not be due the second SRB installment as it fell due after the class start date. The member's second, third, and fourth SRB installments would be suspended pending the completion of the commissioning program.

Example 5: Assume member enlisted 830101 for 4 years. Member completed training 830331, and was awarded military specialty, entitling to enlistment bonus (EB) of \$6,000. Paid first installment of \$5,000, on 830401.

Member entered OTS with class start date of 830601. Member washed out of the commissioning program on 831130. Computation is as follows:

Initial Bonus Information

EB Entitlement	\$6,000
No. Days Paid	1,440
Daily Rate	\$4.1666 (\$6,000 / 1440)
No. Days in OTS	180 (member washed out of OTS 831130 (use 30-day basis))
New No. Days Paid	1260 (1440 - 180)
New EB Entitlement	\$5,249.92 (1260 x 4.1666)
Balance to be Paid	\$249.92 (\$5,249.92 - \$5,000 paid to date)

090203. Method of Payment. SRB payments are paid by installments. Under regulations prescribed by the Secretary concerned, up to 50 percent of the total SRB may be paid as the first installment with the remaining portion paid in equal annual amounts over the remainder of the reenlistment period. The initial payment will normally be made on the day of reenlistment or the date a member begins serving in the extension. Initial payment of the SRB to an eligible individual who reenlists with a break in active duty greater than 24 hours will be made no earlier than 30 days after arrival at the first permanent duty station following reenlistment. Later installments of a Zone A and B SRB are payable on the anniversary date in each year of the reenlistment. Later installments of a Zone C SRB are payable on the reenlistment anniversary dates which occur before the individual completes 16 years of active service. In either case where there is lost time, the subsequent installment payments will be delayed by the number of days of lost time. Discharge for the purpose of immediate reenlistment does not affect a member's entitlement to subsequent SRB installment payments.

090204. Reduction and Termination of Awards. When a military specialty is

designated for reduction or termination of award, an effective date for reduction or termination of award shall be established and promulgated to the field at least 30 days in advance. Except as provided in subparagraphs 090201.A.6, above, and 090205.C, above, all awards on and after the effective date in the military specialty designated for reduction of award will be at the reduced level, and no new awards will be made on or after the effective date in a military specialty designated for termination of award.

090205. Determinations Affecting SRB Payments

A. When a member dies before receiving the full amount of the SRB due, the remaining unpaid balance is payable as a lump sum for inclusion in the settlement of the deceased member's final military pay account.

B. Once a member establishes a right to a SRB upon reenlistment on or before 30 June 1977, the member is entitled to continued receipt of annual installment payments without further qualification in a critical military skill. The continued receipt of such payment does not depend upon performance of duties in the specialty for which the SRB is authorized. SRB payments for reenlistments on and after 1 July 1977 are subject to recoupment when a member is not technically qualified in the skill for which a bonus was paid, as provided in section 0904 of this chapter.

C. When a member extends an enlistment, SRB payments are based on the award level multiplier in effect on the date the extension agreement is executed rather than on the date the extension agreement becomes operative.

D. Unpaid installments of a SRB are payable to members separated prior to completion of enlistment when separated under conditions which do not require recoupment. (See section 0904, below.)

★090206. Expiration of Entitlement. No SRB may be paid with respect to any reenlistment, or voluntary extension of an active duty enlistment, in the Armed Forces entered into after 30 September 1998.

0903 REGULAR REENLISTMENT BONUS (RRB) 37 U.S.C. 308 (reference (aa))

090301. Basic Conditions of Entitlement. This section is applicable only to members who were on active duty on 1 June 1974.

A. To determine the number of reenlistments for which RRBs are payable, count the following:

1. An enlistment in the Regular Component of the Military Service concerned within 3 months from date of discharge or separation, on or after 1 October 1949, after compulsory or voluntary active duty (except active duty for training) in the Military Service concerned. See subparagraph 090301.C, below, for computation of 3-month period.

2. A reenlistment between 1 October 1949 and 15 July 1954 in a Regular Component following extended active duty of 1 year or more as a member of a Reserve Component.

3. A voluntary extension of an enlistment for 2 years or more. (For combined enlistment extension coverage, see paragraph 090304, below.)

4. An enlistment or reenlistment on or after 1 October 1949 for which a member received an enlistment allowance instead of a reenlistment bonus because the former was the greater amount.

5. Any former reenlistment for which a reenlistment bonus was payable by another Uniformed Service.

6. An enlistment in the Regular Component, on and after 16 July 1954, within 3 months after release from active duty as a commissioned or warrant officer under an appointment made on or after 12 October 1949. The commissioned or warrant service must have immediately followed active enlisted service in the same branch of Military Service.

B. Do not count:

1. Any enlistment or reenlistment entered into before 1 October 1949 for which an enlistment allowance was paid.

2. Any reenlistment for which a reenlistment bonus was not authorized, even if an erroneous payment was made and then remitted.

3. Any enlistment for which a minority discharge was issued.

C. The period of 3 months prescribed in this section (and in section 0902, above) that begins on the day following the date of discharge or separation and ends with the day of the month 3 months later corresponding to the date of discharge or separation.

1. Example: Member discharged 3 September 1978; period of computation begins 4 September 1978 and ends 3 December 1978.

2. If members are kept in the Military Service beyond the date their term of service would normally end for the purpose other than rendering service (retained for purposes of trial by court-martial, etc.) the 3-month period begins on the day following their normal expiration of term of service instead of the actual date of separation. (Example: Member's ETS date is 3 September 1978; member is retained for trial by court-martial 4 September 1978 and discharged 3 November 1978; period of computation begins on 4 September 1978.) There is no authority to waive the 3-month limitation on eligibility to receive a RRB or SRB.

090302. To Whom Payable. A RRB may be paid to an enlisted member who was on active duty on 1 June 1974, and who:

A. Enlists or reenlists in the Regular Component of the same Military Service within 3 months from the date of discharge or separation after compulsory or voluntary active duty (except active duty for training). This includes members enlisting under subparagraph 090301.A.6, above. See subparagraph 090301.C, above, for computation of 3-month period.

B. Was paid a reenlistment bonus under a prior law for a reenlistment on or after 16 July 1954, and who during that enlistment elects to be paid, if otherwise eligible, the difference between the amount received and that which would have been due as a RRB under this section.

C. Was inducted into the Armed Forces and who before the expiration of required service, was discharged in order to immediately enlist in the Regular Component of the same Military Service.

D. Was inducted into the Armed Forces, completed required service, and enlisted in the Regular Component of the same Military Service within a 3-month period.

090303. Computing Regular Reenlistment Bonus

A. Compute RRB as provided in Table 9-1. (See paragraph 090304, below, for restrictions.)

B. Members who also are eligible for the SRB may be paid either bonus, whichever they elect. If members receive the SRB in an amount of less than \$2,000 and if for a subsequent reenlistment they are eligible for the RRB under this section, they may at that time be paid the RRB, but only in an amount which when added to the award of the SRB (and RRB, if any) previously received, does not exceed a total of \$2,000.

090304. Extensions of Enlistments. Compute RRB as for actual reenlistment when members voluntarily extend their enlistment for 2 years or more. This includes combined extensions of enlistment as provided below. When part of a year is involved, compute the bonus by using as a multiplier the total number of years and fractions of years for which the enlistment was extended. Members who were paid a RRB when they first extended their enlistment for at least 2 years, but less than 4 years, are entitled to an additional RRB for later extensions. The additional bonus payable is computed on the basis of the combined extensions, not to exceed 4 years. Compute at pay rate applicable on day before they begin serving on the first extension. Deduct the bonus paid for the first extension. A single extension for less than 2 years, or a combination of extensions totaling less than 2 years, does not constitute a reenlistment for bonus purposes. Time lost made good is not considered an extension of enlistment. When members reenlist and qualify for a RRB after completing an extension, compute the bonus at the rate of basic pay they received on the date of actual discharge. If extensions entered into total 2 years or more, they constitute a reenlistment as provided in subparagraphs A and B, below.

Example 1: Members who extend for 20 months, and subsequently for 6 months, are entitled to a bonus on the day they start serving the 6 month extension. No bonus is payable for the 20 month extension if, before entry on the 6-month extension, the 6-month extension is cancelled.

Example 2: Members who extend their enlistment for 11 months, and then for 6 additional months, and then for 12 months are entitled to a bonus on the day they start serving the third extension.

A. Army and Air Force. Before 2 January 1968, Army and Air Force members could not combine extensions of enlistment to get a RRB. Two or more extensions entered into on or after 2 January 1968 are treated as a single extension. If the extensions total 2 years or more, they constitute a reenlistment. For the purpose of combining extensions of an enlistment, an extension entered into prior to 2 January 1968 may not be combined with extensions entered into on or after 2 January 1968.

B. Navy and Marine Corps. Two 1-year extensions of an enlistment before 10 August 1956 did not constitute a reenlistment. On or after 10 August 1956, extensions of 1 year or less which, when combined, equal 2 years or more, constitute one reenlistment for entitlement to RRB.

090305. Time of Payment. Payment of a RRB is normally made on the day the member reenlists. Members who extend their enlistment for 2 years or more are not paid the bonus for the extension until they actually begin serving the extension. Members who become entitled to a RRB by having extended for two or more times for a combined total of 2 years or more may not be paid a bonus until they actually begin serving the extension that, when combined with the previous extension(s), results in a service commitment of 2 years or more.

090306. Restrictions

A. Grade

1. Members in pay grade E-1 on date of last discharge or release from active duty are entitled to a RRB for a first reenlistment computed on the basis of only two-thirds of their monthly basic pay on date of last discharge or release from active duty.

2. A member in pay grade E-1 or E-2 on date of last discharge or release from active duty is not entitled to a RRB for second or subsequent reenlistments.

3. A member in pay grade E-3 on date of last discharge or release from active duty is not entitled to a RRB for a third or subsequent reenlistment.

B. Length of Service. A RRB may not be paid to members who reenlist:

1. During their prescribed period of basic recruit training (while a resident at a basic military training school where they receive both processing and training), or

2. After completing a total of 20 years of active federal service. Active federal service includes active duty for training.

3. After a break in service of more than 3 months subsequent to 1 June 1974. However, this is not a bar to entitlement for a subsequent reenlistment within 3 months of separation.

C. Cumulative Amount. The cumulative amount of a RRB paid to a member under any provisions of law may not exceed \$2,000.

1. Include any reenlistment bonus paid by one or more of the Uniformed Services, less any portion later recouped, in determining the cumulative total payable under this section.

2. Any amount of erroneous payment (no entitlement to bonus existed) or overpayment (amount in excess of that authorized) made under this section, which is later remitted, is not counted as part of the \$2,000 cumulative amount.

3. Amounts of any unearned RRB requiring recoupment which are remitted must be included in determining the cumulative amount of \$2,000.

4. Amounts paid as enlistment allowances after 1 October 1949 are not included in the \$2,000 cumulative amount limitation.

D. Discharge From Another Service. A RRB is not payable for an enlistment entered into, following discharge or separation from another branch of the Uniformed Services.

E. Members on Temporary Disability Retired List. A member whose name was placed on the temporary disability retired list, and who was later discharged and reenlisted in a Regular Component of the Uniformed Services more than 3 months after date of placement on such list, is not entitled to a RRB.

F. Members on Active Duty for Training. A RRB is not payable for an enlistment in a Regular Component, following a discharge from a Reserve Component, during or at the completion of a period of active duty for training.

G. Reenlistments Which Will Extend Service Beyond 20 Years. The RRB is payable for only the number of years, months, and days needed to complete 20 years' active federal service.

0904 RECOUPMENT OF ENLISTMENT AND REENLISTMENT BONUS

090401. Legal Requirements. Recoupment of unearned portions of enlistment bonuses and reenlistment bonuses (regular and selective) is required:

A. When a member voluntarily or because of misconduct does not complete the term of enlistment, reenlistment, extension of enlistment, or anniversary year for which the bonus was paid. Members discharged 3 months or less before expiration of enlistment for reasons set forth in subparagraph 090403.N, below, are considered to have completed the terms of enlistment, reenlistment, extension of reenlistment, or anniversary year for which the bonus was paid. For Army, Air Force, and Marine Corps members, this provision became effective 2 January 1968. In computing the period "3 months or less," the date of normal expiration of enlistment is excluded.

B. When a member is not technically qualified in the skill for which a bonus was paid (other than a member who is not qualified because of injury, illness, or other impairment, not the result of misconduct). This provision was effective 30 June 1977 for members paid an enlistment or selective reenlistment bonus.

090402. Recoupment Not Required

A. A member paid an enlistment bonus, who is discharged and immediately reenlisted prior to the completion of the term of service for which the bonus was paid, is not required to refund the unearned portion of the enlistment bonus provided a regular reenlistment bonus was not paid. The reenlistment must be for a period of at least 2 years beyond the period for which the enlistment bonus was paid.

B. A member paid any reenlistment bonus, who is discharged early for the purpose of immediate reenlistment for which no reenlistment bonus is paid, is not required to refund the unearned portion of the bonus provided the term of the reenlistment following the early discharge includes the remaining period of service in the prior enlistment.

090403. Reasons for Recoupment. For purpose of recoupment of any unearned portions of enlistment or reenlistment bonuses, the term "who voluntarily or because of misconduct" includes (but is not limited to) members separated for the reasons listed below:

A. Transfer to Fleet Reserve, Fleet Marine Corps Reserve, or the Army or Air Force Reserve (and placement on the retired list of the regular Army or Air Force) with release to inactive duty before expiration of the number of years' service for which a bonus was paid. Retirement for disability is excluded.

B. Marriage - female member.

C. Resignation-separation by reason of acceptance of member's resignation (includes resignation for the good of the Military Service in lieu of trial by court-martial).

D. As a result of a writ of habeas corpus.

E. Reduction to permanent grade member voluntarily separated, or transferred to a Reserve Component if required by law, following reduction to a lower permanent grade from a higher temporary grade in which the member was erroneously reenlisted.

F. Disability not in the line of duty.

G. Approved sentence of court-martial or conviction by a civil court.

H. Misconduct.

I. Homosexuality.

J. Defective enlistment (includes erroneous and fraudulent enlistments).

K. Entry level performance and conduct.

L. Unsatisfactory performance.

M. Drug and alcohol rehabilitation failure.

N. As directed by the Secretary of the Military Service concerned in individual cases. Includes voluntary separation, or transfer to a Reserve Component if required by law; and for the convenience of the government upon the application and interest of the member because of special or unusual circumstances including, but not limited to, the following:

1. To permit attendance at a civilian school.

2. To permit enlistment in another Military Service. Recoupment of unearned bonus is not required if the member is separated to permit acceptance of, or entry into a program leading to a commission or warrant appointment in the same or another Military Service; entitlement to additional unpaid bonus is suspended and will terminate upon commissioning or appointment. However, the entitlement to additional unpaid bonus will be reinstated and paid on a pro rata basis if the member is not commissioned or appointed and returns to an enlisted status in the same bonus skill.

a. Commissioning programs are defined as those programs which, upon successful completion, may lead to an appointment as a warrant or commissioned officer of the Armed Forces. These programs include attendance at:

(1) Colleges or universities to fulfill educational requirements for completion of baccalaureate degree, or

(2) Military Service academy preparatory schools to obtain educational requirements for entrance to Service academy, or

(3) Military Service schools for the purpose of training and screening eligible applicants for an appointment as a warrant or commissioned officer.

3. To permit enlistment of aliens in the armed forces of their country.

4. Sole surviving family member.

5. Conscientious objection.

6. Overweight/obesity or lack of physical fitness.

7. Pregnancy. Recoupment is required only where member is voluntarily separated, not when pregnancy causes loss of qualification in bonus skill.

8. Public office.

9. Parenthood.

★10. Personality Disorder. Recoupment is required for administrative discharges. Recoupment is not required when member is medically discharged with a physical disability.

EXCEPTIONS: Hardship and dependency separations are considered involuntary for the purposes of this paragraph and do not require recoupment of unearned portions of a bonus.

O. Reasons established by Military Departments (reasons will be approved by ASD (FMP)). The decision to recoup will be made by DASD (MPP).

P. See the Military Services' procedural instructions for lists of separation reasons and the corresponding separation program designator (SPD) codes.

090404. Additional Reasons for Recoupment. Except for members not qualified because of injury, illness, or other impairment not the result of their own misconduct, entitlement to the full amount of an enlistment or selective reenlistment bonus awarded after 30 June 1977, will be contingent upon a member maintaining the technical qualification required for effective performance in the military specialty for which the bonus was awarded.

A. A member will be considered not technically qualified in the bonus specialty when no longer classified in that specialty, when the specialty designator is removed from the member's records, and when current and future assignment in that military specialty is precluded for any of the following reasons within the member's control:

1. Refusal to perform certain duties required for effective performance in the military specialty when the member had volunteered for such duties in

writing before accepting the bonus.

2. Disciplinary action taken under UCMJ or civil court conviction when such action renders the individual unqualified for future performance in the military specialty.

3. Injury, illness, or other impairment resulting from own misconduct, as established through existing line of duty determination procedures, which interferes with effective performance in the military specialty.

4. Withdrawal of the minimum security clearance, loss of qualification under the Personnel Reliability Program (PRP), or loss of any other mandatory qualification required for effective performance in the military specialty, when such withdrawal or loss is voluntary or caused by the member's own misconduct and results in removal from the military specialty.

B. In addition to the criteria specified in subparagraph A, above, a member of the Navy will be considered not technically qualified for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants for the following reasons within the member's control:

1. Removal of the Navy Enlisted Classification Code (NEC) as a result of the member's demonstrated inability to maintain the required proficiency, or failure to meet the qualification or requalification measures required for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

2. Removal of the NEC as a result of the member's demonstrated lack of reliability for assignment to duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

090405. Recoupment Due to Lost Time. Time lost during a period for which an enlistment or reenlistment bonus was paid must be made good before discharge or a pro rata part of the bonus must be recouped.

090406. Computation of Recoupment of Enlistment and Reenlistment Bonuses

A. Regular Reenlistment Bonus (RRB) (37 U.S.C. 308 (reference (aa))). Recoupment is required on a percentage basis for the time remaining to be served. Reduce the amount paid to an amount per month. Multiply the number of months and fractions of months not served, including lost time, by the amount of bonus paid per month. The product is the amount to be recouped. When a member receives a RRB for a period less than that for which reenlisted because obligated service would extend beyond 20 years, recoupment is computed on the basis of the actual period for which paid. For purposes of this computation, a month consists of 30 days.

Example: A member reenlists for 4 years on 16 July 1973. Monthly basic pay on discharge was \$390.60; $\$390.60 \times 4 = \$1,562.40$, the total amount of the RRB paid. The amount per month is computed at $\$1,562.40 / 48$ months or \$32.55 per month. This member served 2 years, 11 months, and 15 days and was discharged on 30 June 1976 for a reason requiring recoupment. One year and 15 days were not served. Twelve and one-half months $\times \$32.55 = \406.88 , the amount to be collected from the member.

B. Selective Reenlistment Bonus (SRB). The same principle that is applied to the recoupment of the RRB applies to the SRB. However, a member who received a SRB did not receive a RRB for the same reenlistment. Also, the recoupment of a SRB is based on the period of additional obligated service and not on the entire enlistment period. Further, the total amount of a SRB is earned upon completion of 16 years of active service.

Example 1: A member reenlisted for 6 years with additional obligated service of 4 years. Member qualified for a SRB totaling \$6,000. Member received the first installment of \$1,000 on reenlistment and additional installments of \$1,000 on the first and second anniversary dates of the reenlistment, or a total of \$3,000. If the member is discharged for a reason requiring recoupment of the SRB after serving 2 years, 6 months of the 6-year reenlistment period, compute the amount due the United States as follows:

The member served only 6 months of additional obligated service. Since additional obligated service was 4 years or 48 months, the SRB was earned at the rate of \$125 per month during the 6-month period of additional obligated service ($\$6,000 / 48 = \125). $\$125$ per month $\times 6$ months = \$750 earned. Since the member was paid a total of \$3,000 in an initial and anniversary payments, \$2,250 is due the United States.

Example 2: A member reenlisted for 4 years with additional obligated service of 3 years 9 months. Member qualified and was paid a SRB of \$4,232.25. If the member is discharged for a reason requiring recoupment of the bonus after serving 1 year, 4 months, 20 days of the 4-year reenlistment period, compute the amount due the United States as follows:

The member served only 1 year, 1 month, and 20 days of the additional obligated service. Since additional obligated service was 3 years and 9 months (45 months), the SRB was earned at the rate of \$94.05 per month ($\$4,232.25 / 45 = \94.05). The amount earned for the 1 year, 1 month, and 20 days of service was \$1,285.35 ($1320/30$ months $\times \$94.05 = \$1,285.35$ earned). Since the member was paid a total of \$4,232.25 and \$1,285.35, then \$2,946.90 is due the United States. Although the above example shows the recoupment computation in terms of months, the computation may be made using a daily rate with each whole month converted to 30 days.

C. Enlistment Bonus. The same principle that is applied to the recoupment of a RRB applies to the enlistment bonus.

D. For all enlistment/reenlistment bonuses, reduce the amount to be recouped by an amount equal to any reduction taken under subparagraphs 350702.F or 350802.D.

COMPUTATION OF REGULAR REENLISTMENT BONUS—37 U.S.C. 308 (Note 1)					
R U L E	A	B	C	D	E
	When	compute reenlistment bonus by using	at pay rate applicable	multiplied by	to obtain amount payable as
1	an enlisted member reenlists on or after 16 Jul 1954	1 month’s basic pay (1st reenlistment); or two-thirds of basic pay for one month (2nd reenlistment); or one-third of one month’s basic pay (3rd reenlistment); or one-sixth of the basic pay for one month (4th and subsequent reenlistments) (note 2)	on date of discharge or release from active duty	number of years for which member reenlists	1st reenlistment bonus; 2nd reenlistment bonus; 3rd reenlistment bonus; or 4th or subsequent reenlistment bonus, as applicable (note 3).
2	an officer or warrant officer qualified under subparagraph 090301.A.6, reenlists on or after 16 Jul 1954		to grade in which enlisted (including cumulative years service) (note 4)		
3	an enlisted member’s reenlistment or extension extends the active service beyond 20 years		on date of discharge or release from active duty	number of years, months, and days needed to complete 20 years’ active federal service	
4	an enlisted member extends the enlistment for 2 years or more (note 5)		on day before the day member begins serving on the extension	number of full years and fractions thereof (not to exceed 4) for which member extended enlistment	
5	an enlisted member of the Navy or Marine Corps, on or after 10 Aug 1956, or of the Army or Air Force, on or after 2 Jan 1968, has combined enlistment extensions totaling 2 years or more (note 5)		on day before the day member begins serving on first extension		

NOTES:

1. Applicable only to members on active duty on 1 June 1974.
2. Navy and Marine Corps-exclude the 25 percent increase in basic pay provided under Chapter 2, section 0204.
3. See paragraph 090306 for grade, length of service, and cumulative amount payment restrictions.
4. Pay reenlistment bonus at the higher grade when there is a simultaneous promotion to a higher grade effective on the date of reenlistment.
5. Extension of two years or more is counted as a reenlistment in computing bonus payable for later reenlistments

Table 9-1. Computation of Regular Reenlistment Bonus-37 U.S.C. 308



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JAN 29 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Change to Department of Defense Financial
Management Regulation, Volume 7, Part A (DoDFMR
Vol 7A), Enlistment Bonus, (DFAS Item G-60)

This is Interim Change 8-98 to Chapter 9 of the DoDFMR, Vol 7A. The FY 98 Authorization Bill reflects an extension from September 30, 1998, to September 30, 1999, for the Reenlistment and Critical Skill enlistment bonuses.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start procedural or table modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal change to the DoDFMR, Vol 7A.

Our point of contact, Major Jeff Holden USMC, may be contacted at DSN 327-5065 or (703) 607-5065. Our FAX number is DSN 332-5271 or (703) 602-5271. His CC:mail address is: j1holden@cleveland.dfas.mil.

Roger W. Spearce
Brigadier General, USA
Deputy Director for Finance

Attachments:
As stated

cc: DASD (MMP) (COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

1. In paragraph 090101(F), change 30 Sep 1998 to read
"30 Sep 1999."
2. In paragraph 090206, change 30 Sep 1998 to read
"30 Sep 1999."
3. Revise the Bibliography as follows:

<u>Paragraph</u>	<u>Citation</u>
090101(F)	Public Law 105-85, Section 613, Nov 18, 1997 37 U.S.C. 308a(c) 37 U.S.C. 308f(c)
090206	Public Law 105-85, Section 613, Nov 18, 1997 307 U.S.C. 308(g)



DEFENSE FINANCE AND ACCOUNTING SERVICE

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AUG 6 1999

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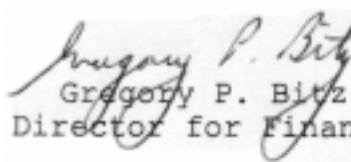
MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Interim change to the DODFMR, Volume 7A. Chapter 9,
Paragraph 0904031 regarding the removal of
'Homosexuality' as a reason for recoupment of unearned
portions of enlistment or reenlistment bonuses.
(DFAS Item, I-27)

Attached is interim change 29-99 to Chapter 9, paragraph
0904031, of the DODFMR, Volume 7A. The purpose of this change is
to remove 'homosexuality' as a reason for enlistment or
reenlistment bonus recoupment. This change is requested by the
Deputy Assistant Secretary of Defense for Military Personnel
Policy in compliance with the Deputy Secretary of Defense
memorandum dated May 17, 1994 (the Deutch Memorandum).

Assignment of an interim change is your authority to start
a procedural modification to facilitate this change. For the
Denver Center, use the attached to initiate the formal printed
change to the DODFMR and interim change message.

Out point of contact, Captain Jennifer Carter, may be
reached at DSN 327-51131 or (703) 607-5113.


Gregory P. Bitz
Director for Finance

Attachments:
As stated

cc: DASD (MPP) (Comp)
OUSD (C) ODCFO (FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PH@ Liaisons
MPMPO

RECOUPMENT OF ENLISTMENT AND REENLISTMENT BONUSES

1. Delete subparagraph 090403.I; “Homosexuality” and renumber the paragraphs that follow, accordingly.
2. Add the following citation to the Bibliography:

Paragraph	Reference
090403	OASD(FMP) Memo, Apr 14, 1999

3. Renumber the following bibliography citations as follows:

Current Paragraph	New Paragraph Number	Reference
090403N	090403M	39 Comp Gen 377
090403N10	090403M10	Navy Pers-20 Memo, Nov 29, 1995



DEFENSE FINANCE AND ACCOUNTING SERVICE

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FEB 17 1999

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MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
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KANSAS CITY CENTER

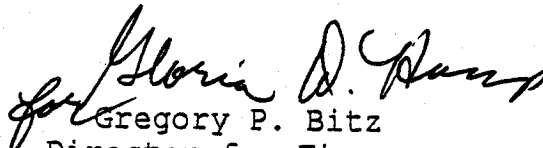
SUBJECT: Interim Change to the DoDFMR, Volume 7A, Regarding
Extension to Enlistment Bonuses, (DFAS Item, H-55)

Attached is interim change 6-99 to Chapter 9 of the DoDFMR, Volume 7A. The FY 1999 National Defense Authorization Act reflects a three-month extension from September 30, 1999 to December 31, 1999, for the reenlistment and Critical Skills enlistment bonuses.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate.

Assignment of an interim change is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed changed to the DODFMR and interim change message.

My point of contact, Captain Jennifer Carter, may be reached at DSN 327-5113, (703) 607-5113 or e-mail address Jennifer.Carter@dfas.mil


Gregory P. Bitz
Director for Finance

Attachments:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons

THREE MONTH EXTENSION ON ENLISTMENT BONUSES

1. In paragraph 090101(F), change 30 September 1999 to read "31 December 1999."
2. In paragraph 090206, change 30 September 1999 to read "31 December 1999."
3. Revise the Bibliography as follows:

Paragraph	Citation
090101(F)	Public Law 105-261, Section 613, Oct 17, 1998 37 U.S.C. 308a (c) 37 U.S.C. 308f(c)
090206	Public Law 105-261, Section 613, Oct 17, 1998 37 U.S.C. 308 (g)



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

SEP 20 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER


SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Imminent Danger Pay Termination for Locations in Italy,
Greece, Hungary, the Adriatic Sea and Ionian Sea,
(DFAS Item I-55)

Attached is DFAS Interim Change 33-99 to Chapter 10 of the
DoDFMR, Volume 7A. It was effective September 15, 1999.

This change includes a complete listing for all Imminent
Danger Pay areas (Figure 10-1).

Due to the routine nature and non-interpretive aspect of
this change, it was not submitted for preliminary review and
comment. Assignment of an interim change number is your
authority to start a procedural modification to facilitate this
change. For the Denver Center, use the attached to initiate the
formal printed change to the DoDFMR and the interim change
message.

Our point of contact, Mr. Gary McGee, may be contacted at
332-5280 or (703) 602-5280.


Gregory P. Bits
Director for Finance

Attachments:
As stated

DASD (MPP)(Comp)
OUSD(C)ODCFO(FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

**IMMINENT DANGER PAY TERMINATION FOR LOCATIONS IN ITALY, GREECE,
HUNGARY, THE ADRIATIC SEA AND THE IONIAN SEA**

1. Effective September 15, 1999, Imminent Danger Pay for the following areas is terminated:
 - a. The Adriatic Sea and airspace.
 - b. The Ionian Sea north of 39N and airspace.
 - c. Italy: Land areas of Aviano Air Base; Cervia Air Base; Gioia del Colle Air Base; Trapani Air Base; Vicenza (all military installations and facilities); San Vito Air Station; Brindisi (all military installations and facilities); Naples (all military installations and facilities including the port of Naples); Sigonella and Augusta Bay (all military installations and facilities including the ports of Catania and Augusta Bay); Gaeta (all military installations and facilities including the port of Gaeta); and Bari (all military facilities).
 - d. Greece: Land area of Souda Bay (all military installations and facilities including the port of Souda Bay); Thessaloniki, land area within a 25 kilometer radius of 40°27'N, 22°59'E; and the waters of Thermaikos Kolpos north of 40°15'N.
 - e. Hungary: Taszar; land area within 50 kilometer radius of 46°23'N, 17°55'E.
2. Replace Figure 10-1 in the DoD Financial Management Regulation, Volume 7A, with the attached revised Figure 10-1.
3. Update the bibliography for Chapter 10 by adding entries for the Adriatic Sea, the Ionian Sea, Italy, Greece and Hungary. Use the citations: ASD(FMP) Memo, Sep 15, 1999.

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
★ Adriatic Sea	Sea area and airspace.	12 Apr 1999	15 Sep 1999
Afghanistan	Land area and airspace.	1 Nov 1988	
Albania	Land area and airspace.	22 May 1997	
Algeria	Land area.	7 Mar 1995	
Angola	(1) Land area and airspace. ----- (2) Land area.	22 Jun 1992 ----- 1 Mar 1998	28 Feb 1998 -----
Arabian (Persian) Gulf Area See also: Bahrain, Oman, Kuwait, Qatar, Saudi Arabia, UAE, and Yemen	(1) Arabian Gulf area including the airspace thereover, and the countries of Bahrain and Kuwait, including the airspace thereover. The Arabian Gulf area is defined by the Arabian Gulf (Persian Gulf), the Strait of Hormuz, and that part of the Gulf of Oman which lies north of 25 degrees north latitude and west of 057-30 degrees east longitude. ----- (2) The following locations including the airspace above such locations: Red Sea, Persian Gulf, the Gulf of Oman, the portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, the total land areas of Oman, Saudi Arabia, Yemen, Bahrain, Qatar, and the United Arab Emirates. ----- (3) The following locations including the airspace above such locations: Persian Gulf, the land areas of Saudi Arabia and Yemen. ----- (4) The following locations including the airspace above such locations: Persian Gulf and land area of Saudi Arabia.	25 Aug 1987 ----- 2 Aug 1990 ----- 1 Sep 1993 ----- 1 Mar 1998	1 Apr 1989 ----- 31 Aug 1993 ----- 28 Feb 1998 -----
Azerbaijan	Land area.	9 Jun 1995	
Bahrain	(1) Total land area including airspace thereover. ----- (2) Total land area including airspace thereover. ----- (3) Land area and airspace.	25 Aug 1987 ----- 2 Aug 1990 ----- 13 Jun 1997	1 Apr 1989 ----- 31 Aug 1993 -----
Bosnia-Herzegovina	Land area and airspace.	22 Jun 1992	
Burundi	Land area.	29 Nov 1996	
Cambodia	(1) Land area and adjacent sea area from the juncture of the Cambodia and Vietnam border, southwest to coordinates 10-16N, 104-14E, thence to 10-28N, 104-06E, thence to 10-30N, 104-01E, thence to 10-28N, 103-55E, thence to 10-26N, 103-54E, thence to 10-23N, 103-49E, thence to 10-21N, 103-44E, thence to 10-16N, 103-38E, thence 12 miles seaward from the base line from which the territorial water of Cambodia is measured to a point 12 miles seaward from the border of Cambodia and Thailand, thence to the juncture of the border of Cambodia and Thailand and the airspace thereover. ----- (2) Land area.	1 Jan 1971 ----- 15 Jul 1997	14 Jul 1997 -----
Chad	(1) Total land area and airspace. Coastal waters are excluded. ----- (2) Land area.	22 Jun 1992 ----- 29 Jan 1997	28 Jan 1997 ----- 28 Feb 1998

Figure 10-1. Designated Hostile Fire or Imminent Danger Pay Areas

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Colombia	Land area.	1 Jun 1985	
Croatia	Land area and airspace.	22 Jun 1992	
Egypt	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
	(2) Land area.	29 Jan 1997	
El Salvador	(1) Land area.	1 Oct 1983	14 Jul 1997
	(2) Land area, except Compalapa International Airport and Ilopango Air Base.	15 Jul 1997	
Ethiopia	Land area.	13 Sep 1999	
Georgia, Republic of (Abkhazia region)	Land area of Georgia and Abkhazia lying north of 42 degrees north latitude and west of 43 degrees east longitude.	28 Jan 1997	
★ Greece	(1) Land area within a 14-km radius from the center of Athens (37-58 N, 23-43 E).	29 Jan 1997	
	(2) Land area of Souda Bay (all military installations and facilities including the port of Souda Bay), land area within a 25km radius from the center of Thessaloniki (40-27N, 22-59E), and the waters of Thermaikos Kolpos (Gulf of Salonika) north of 40-15N.	31 May 1999	15 Sep 1999
Haiti	(1) Total land area and airspace and the surrounding seas inside the area of 16-30N, 71-40W to 18-00N, 71-45W; along the Haiti - Dominican Republic border to 20-00N, 71-44W to 21-00N, 71-40W to 21-25N, 73-00W to 21-25N, 74-00W to 20-00N, 74-00W to 19-45N, 75-00W to 19-00N, 76-00W.	16 Sep 1994	22 Nov 1994
	(2) Land area.	23 Nov 1994	
★ Hungary	Land area within a 50km radius of Taszar (46-23N, 17-55E).	31 May 1999	15 Sep 1999
★ Ionian Sea	Those portions of the sea area and airspace that lie north of 39N.	12 Apr 1999	15 Sep 1999
Iran	Land area.	4 Nov 1979	
Iraq	Land area and airspace.	17 Sep 1990	
Israel	Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
★ Italy	Land areas of Aviano Air Base; Cervia Air Base; Gioia del Colle Air Base; Trapani Air Base; Vicenza (all military installations and facilities); San Vito Air Station; Brindisi (all military installations and facilities); Naples (all military installations and facilities including the port of Naples); Sigonella and Augusta Bay (all military installations and facilities including the ports of Catania and Augusta Bay); and Gaeta (all military installations and facilities including the port of Gaeta); and Bari (all military facilities).	31 May 1999	15 Sep 1999
Jordan	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
	(2) Land area.	29 Jan 1997	
Kuwait	(1) Total land area, including airspace thereover.	25 Aug 1987	1 Apr 1989
	(2) Land area and airspace.	6 Aug 1990	

Figure 10-1. Designated Hostile Fire or Imminent Danger Pay Areas

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Laos	Land area.	26 Dec 1989	15 Jul 1997
Lebanon	Land area.	1 Oct 1983	
Liberia	Land area.	6 Aug 1990	
Macedonia	Land area and airspace.	22 Jun 1992	
Montenegro	Land area and airspace.	22 Jun 1992	
Mozambique	(1) Total land area and airspace. Coastal waters are excluded.	22 Jun 1992	28 Jan 1997
	(2) Land area.	29 Jan 1997	28 Feb 1998
Oman	Total land area and airspace.	2 Aug 1990	31 Aug 1993
Pakistan	(1) Total land area within 50 miles of Karachi (24-55 N, 67-00 E).	24 Oct 1995	28 Nov 1996
	(2) Land area.	29 Nov 1996	
Panama	Total land area, including inland waters, coastal waters and the airspace thereover.	20 Dec 1989	30 Jan 1990
Peru	Land area.	1 Apr 1987	
Philippines	Total land area, including inland and coastal waters. Airspace thereover is excluded. Effective 1 Jun 1990, inland and coastal waters are excluded.	15 May 1990	30 Nov 1991
Qatar	(1) Total land area and airspace.	2 Aug 1990	31 Aug 1993
	(2) Land area and airspace.	7 Aug 1997	
Rwanda	Land area.	6 Oct 1997	
Saudi Arabia	Land area and airspace.	2 Aug 1990	
Serbia	Land area and airspace (includes the provinces of Vojvodina and Kosovo).	22 Jun 1992	
Sierra Leone	Land area.	18 Jul 1997	
Slovenia	Total land area and airspace. Coastal waters are excluded.	22 Jun 1992	29 Sep 1995
Somalia	Land area and airspace.	28 Sep 1992	
Sudan	Land area and airspace.	4 Oct 1993	
Syria	Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
Tajikistan	Land area.	31 Mar 1997	
Turkey	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	29 Sep 1995
	(2) Total land area and inland waters. Airspace and coastal waters are excluded.	30 Sep 1995	28 Jan 1997
	(3) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits).	29 Jan 1997	28 Feb 1998
	(4) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits) and including the limited airspace south of 37-45N and east of 43-00E.	1 Mar 1998	
United Arab Emirates (UAE)	Total land area and airspace.	2 Aug 1990	31 Aug 1993

Figure 10-1. Designated Hostile Fire or Imminent Danger Pay Areas

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Vietnam	(1) Total land area of North and South Vietnam, including inland waters and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of North Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E; thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-26N, 103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border, and the air-space thereover.	1 Oct 1973	28 Jan 1997
	(2) Land area and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E; thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-26N, 103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border.	29 Jan 1997	15 Jul 1997
Yemen	(1) Land area and airspace.	2 Aug 1990	28 Feb 1998
	(2) Land area.	15 May 1999	
Yugoslavia, Federal Republic of See also: Montenegro and Serbia	Land area and airspace of the republics of Montenegro and Serbia.	22 Jun 1992	
Zaire	Land area.	29 Nov 1996	

NOTES:

1. The designation of a land area encompasses all internal waters, unless otherwise noted. For HF/IDP purposes, the term "internal waters" is defined as waters landward of the baseline drawn in accordance with international law.

2. The designation of a water area (such as the Persian Gulf) includes the territorial seas of those waters, but not the internal waters of the coastal lands. For example, all waters of the Persian Gulf seaward of the baseline of the coastal states, drawn in accordance with international law, would be included in the Persian Gulf designation.

3. Unless otherwise specifically indicated, airspace is NOT part of the included area. When airspace is specifically included, it will normally be that space directly vertically above the approved land or sea area.

4. This figure reflects all designated areas which were active within the last ten years.

THROUGH INTERIM CHANGE 33-99 (DFAS Item I-55)

Figure 10-1. Designated Hostile Fire or Imminent Danger Pay Areas



DFAS-HQ/FMM

DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

FEB 23 1999

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding an Increase
in the Maximum Authorization of Army Enlistment
Bonuses, (DFAS Item, H-56)

Attached is interim change 8-99 to Chapter 9 of the DoDFMR, Volume 7A. The purpose of this change is to increase the Army's Enlistment Bonus maximum from \$4,000.00 to \$6,000.00 based on an increase dictated by the FY 1999 National Defense Authorization Act. This is effective October 17, 1998.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate.

Assignment of an interim change is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Captain Jennifer Carter, may be reached at DSN 327-5113, (703) 607-5113 or e-mail address Jennifer.Carter@dfas.mil.

for Gloria W. Harris
Gregory P. Bitz
Director for Finance

Attachments:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

INCREASE TO MAXIMUM ARMY BONUS AUTHORIZATION

1. In paragraph 090107(B), change "\$4000" to read "\$6000.
2. Revise the Bibliography as follows:

Paragraph	Citation
090107(B)	Public Law 105-261, Section 620, Oct 17, 1998 37 U.S.C. 308f (a)

Interim Change 44-98 is incorporated in this revised chapter and will be removed from the list of Interim Changes.

CHAPTER 10

SPECIAL PAY-DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER

1001 ENTITLEMENT PROVISIONS

100101. Policy. A member shall be paid the entire monthly amount of special pay for duty subject to hostile fire or imminent danger (hereinafter referred to as HF/IDP) for any month, during any part of which the member, while on duty in a foreign area and entitled to basic pay, is:

- A. Subjected to hostile fire or explosion of a hostile mine, or
- B. On duty in an area in close proximity to a hostile fire incident and the member is in danger of being exposed to the same dangers actually experienced by other Service members subjected to hostile fire or explosion of hostile mines, or
- C. Killed, injured, or wounded by hostile fire, explosion of a hostile mine, or any other hostile action, or
- D. On official duty in a designated IDP area (figure 10-1).

100102. Payment. HF/IDP is in addition to all other pays or allowances. It is payable in the full amount of \$150, without proration or reduction, for each month, during any part of which, a member qualifies. Active and Reserve component members who qualify, at any time during a month, will receive the full amount of HF/IDP regardless of the period of time on active duty or the number of days they receive basic pay during that month.

1002 DETERMINATIONS OF FACT

100201. Eligibility. The appropriate commander must certify that the member has met the requirements for entitlement to HF/IDP for a given month, except when the member is under orders on official duty in one of the designated IDP areas listed in figure 10-1.

A. Certification of entitlement should be made at the lowest level of command that includes all the vessels, aircraft, or units subjected to the hostile fire or explosion of hostile mine incident. For example, in the case of a single vessel subjected to hostile fire or explosion of hostile mines, the vessel's commanding officer should certify payment for all Service members on board. If two or more vessels are involved, the commanding officer of the unit that includes all of the vessels should certify eligibility.

B. Certification must include the name and social security number of each member entitled to the hostile fire pay, a short description of the incident, and when and where it occurred. The certification should be forwarded directly to the servicing financial support office, with a copy to the cognizant Regional Combatant Commander.

C. When the airspace is specifically included in an IDP area designation, members who perform official duty while flying over the area are eligible for HF/IDP, even if they do not land in the area. When airspace is not specifically designated, members who perform duty over the area are not entitled to HF/IDP unless they land in the area.

D. Members who perform duty on a vessel performing operational duty while in an area designated for IDP are eligible for HF/IDP.

E. A death certificate or injury report may be substituted in place of the certification if the document establishes the cause of the death or injury was due to hostile fire or an explosion of a hostile mine in a foreign area.

F. A member is not considered to be on official duty in a designated IDP area and is, therefore, not eligible for HF/IDP pay if the member is in the area:

1. on leave from a duty station outside the IDP area;
2. while merely transiting (as distinguished from performing official duty) by any means (including vessel, aircraft, and land conveyance) the IDP area as a consequence of traveling between two points, both outside the IDP; or
3. solely for personal convenience.

100202. Administration. Any determinations of fact made by commanders in the certification of hostile fire are conclusive. Such determinations are not subject to review by any officer or agency of the government, unless there has been fraud or gross negligence. Such determinations, however, may be changed on the basis of new evidence or for other good cause.

1003 SPECIAL SITUATIONS

100301. Member Captured or Missing. A member entitled to HF/IDP immediately before entering a status of missing, missing-in-action, interned in a foreign country or captured by a hostile force shall continue to be credited with HF/IDP for each month while in such a status. (See Chapter 34 for more detailed instructions.)

100302. Hospitalization. A member entitled to HF/IDP, who is hospitalized for a wound or injury incurred as a result of hostile action, is entitled to HF/IDP for each month hospitalization continues, up to an additional 3 months after the month in which the wound or injury occurred.

100303. Absence. A member, otherwise entitled to HF/IDP as a consequence of assignment to a designated IDP area, who is absent from the designated area for an entire calendar month, is not entitled to HF/IDP for that month.

DESIGNATED IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Afghanistan	Land area and airspace.	1 Nov 1988	
Albania	Land area and airspace.	22 May 1997	
Algeria	Land area.	7 Mar 1995	
Angola	(1) Land area and airspace.	22 Jun 1992	28 Feb 1998
	(2) Land area.	1 Mar 1998	
Arabian (Persian) Gulf Area See also: Bahrain, Oman, Kuwait, Qatar, Saudi Arabia, UAE, and Yemen	(1) Arabian Gulf area including the airspace thereover, and the countries of Bahrain and Kuwait, including the airspace thereover. The Arabian Gulf area is defined by the Arabian Gulf (Persian Gulf), the Strait of Hormuz, and that part of the Gulf of Oman which lies north of 25 degrees north latitude and west of 057-30 degrees east longitude.	25 Aug 1987	1 Apr 1989
	(2) The following locations including the airspace above such locations: Red Sea, Persian Gulf, the Gulf of Oman, the portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, the total land areas of Oman, Saudi Arabia, Yemen, Bahrain, Qatar, and the United Arab Emirates.	2 Aug 1990	31 Aug 1993
	(3) The following locations including the airspace above such locations: Persian Gulf, the land areas of Saudi Arabia and Yemen.	1 Sep 1993	28 Feb 1998
	(4) The following locations including the airspace above such locations: Persian Gulf and land area of Saudi Arabia.	1 Mar 1998	
Azerbaijan	Land area.	9 Jun 1995	
Bahrain	(1) Total land area including airspace thereover.	25 Aug 1987	1 Apr 1989
	(2) Total land area including airspace thereover.	2 Aug 1990	31 Aug 1993
	(3) Land area and airspace.	13 Jun 1997	
Bosnia-Herzegovina	Land area and airspace.	22 Jun 1992	
Burundi	Land area.	29 Nov 1996	
Cambodia	(1) Land area and adjacent sea area from the juncture of the Cambodia and Vietnam border, southwest to coordinates 10-16N, 104-14E, thence to 10-28N, 104-06E, thence to 10-30N, 104-01E, thence to 10-28N, 103-55E, thence to 10-26N, 103-54E, thence to 10-23N, 103-49E, thence to 10-21N, 103-44E, thence to 10-16N, 103-38E, thence 12 miles seaward from the base line from which the territorial water of Cambodia is measured to a point 12 miles seaward from the border of Cambodia and Thailand, thence to the juncture of the border of Cambodia and Thailand and the airspace thereover.	1 Jan 1971	14 Jul 1997
	(2) Land area.	15 Jul 1997	
Chad	(1) Total land area and airspace. Coastal waters are excluded.	22 Jun 1992	28 Jan 1997
	(2) Land area.	29 Jan 1997	28 Feb 1998

DESIGNATED IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Colombia	Land area.	1 Jun 1985	
Croatia	Land area and airspace.	22 Jun 1992	
Egypt	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
	(2) Land area.	29 Jan 1997	-
El Salvador	(1) Land area.	1 Oct 1983	14 Jul 1997
	(2) Land area, except Compalapa International Airport and Ilopango Air Base.	15 Jul 1997	
Georgia, Republic of (Abkhazia region)	Land area of Georgia and Abkhazia lying north of 42 degrees north latitude and west of 43 degrees east longitude.	28 Jan 1997	
Greece	Land area within a 14-km radius from the center of Athens (37-58 N, 23-43 E).	29 Jan 1997	
Haiti	(1) Total land area and airspace and the surrounding seas inside the area of 16-30N, 71-40W to 18-00N, 71-45W; along the Haiti - Dominican Republic border to 20-00N, 71-44W to 21-00N, 71-40W to 21-25N, 73-00W to 21-25N, 74-00W to 20-00N, 74-00W to 19-45N, 75-00W to 19-00N, 76-00W.	16 Sep 1994	22 Nov 1994
	(2) Land area.	23 Nov 1994	
Iran	Land area.	4 Nov 1979	
Iraq	Land area and airspace.	17 Sep 1990	
Israel	Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
Jordan	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
	(2) Land area.	29 Jan 1997	
Kuwait	(1) Total land area, including airspace thereover.	25 Aug 1987	1 Apr 1989
	(2) Land area and airspace.	6 Aug 1990	
Laos	Land area.	26 Dec 1989	15 Jul 1997
Lebanon	Land area.	1 Oct 1983	
Liberia	Land area.	6 Aug 1990	
Macedonia	Land area and airspace.	22 Jun 1992	
Montenegro	Land area and airspace.	22 Jun 1992	
Mozambique	(1) Total land area and airspace. Coastal waters are excluded.	22 Jun 1992	28 Jan 1997
	(2) Land area.	29 Jan 1997	28 Feb 1998
Oman	Total land area and airspace.	2 Aug 1990	31 Aug 1993
Pakistan	(1) Total land area within 50 miles of Karachi (24-55 N, 67-00 E).	24 Oct 1995	28 Nov 1996
	(2) Land area.	29 Nov 1996	
Panama	Total land area, including inland waters, coastal waters and the airspace thereover.	20 Dec 1989	30 Jan 1990
Peru	Land area.	1 Apr 1987	

Figure 10-1. Designated Imminent Danger Pay Areas

DESIGNATED IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Philippines	Total land area, including inland and coastal waters. Airspace thereover is excluded. Effective 1 Jun 1990, inland and coastal waters are excluded.	15 May 1990	30 Nov 1991
Qatar	(1) Total land area and airspace.	2 Aug 1990	31 Aug 1993
	(2) Land area and airspace.	7 Aug 1997	
Rwanda	Land area.	6 Oct 1997	
Saudi Arabia	Land area and airspace.	2 Aug 1990	
Serbia	Land area and airspace.	22 Jun 1992	
Sierra Leone	Land area.	18 Jul 1997	
Slovenia	Total land area and airspace. Coastal waters are excluded.	22 Jun 1992	29 Sep 1995
Somalia	Land area and airspace.	28 Sep 1992	
Sudan	Land area and airspace.	4 Oct 1993	
Syria	Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
Tajikistan	Land area.	31 Mar 1997	
Turkey	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	29 Sep 1995
	(2) Total land area and inland waters. Airspace and coastal waters are excluded.	30 Sep 1995	28 Jan 1997
	(3) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits).	29 Jan 1997	28 Feb 1998
	(4) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits) and including the limited airspace south of 37-45N and east of 43-00E.	1 Mar 1998	
United Arab Emirates (UAE)	Total land area and airspace.	2 Aug 1990	31 Aug 1993
Vietnam	(1) Total land area of North and South Vietnam, including inland waters and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of North Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E; thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-26N, 103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border, and the air-space thereover.	1 Oct 1973	28 Jan 1997
	(2) Land area and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E; thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-26N,	29 Jan 1997	15 Jul 1997
Vietnam		29 Jan 1997	15 Jul 1997

Figure 10-1. Designated Imminent Danger Pay Areas

DESIGNATED IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
	103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border.		
Yemen	Land area and airspace.	2 Aug 1990	28 Feb 1998
Zaire	Land area.	29 Nov 1996	

NOTES:

1. The designation of a land area encompasses all internal waters, unless otherwise noted. For HF/IDP purposes, the term "internal waters" is defined as waters landward of the baseline drawn in accordance with international law.
2. The designation of a water area (such as the Persian Gulf) includes the territorial seas of those waters, but not the internal waters of the coastal lands. For example, all waters of the Persian Gulf seaward of the baseline of the coastal states, drawn in accordance with international law, would be included in the Persian Gulf designation.
3. Unless otherwise specifically indicated, airspace is NOT part of the included area. When airspace is specifically included, it will normally be that space directly vertically above the approved land or sea area.
4. This figure reflects all designated areas which were active within the last ten years.

Figure 10-1. Designated Imminent Danger Pay Areas



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

APR 21 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding -
Imminent Danger Pay For the Adriatic and Ionian
Areas, (DFAS Item I-12)

Attached is DFAS Interim Change 12-99 to Chapter 10 of the
DoDFMR, Volume 7A. It was effective April 12, 1999.

This change implements the designation of Imminent Danger
Pay for the Adriatic and Ionian Sea areas. It also clarifies
existing designations for Serbia and Montenegro.

Due to the routine nature and noninterpretive aspect of this
change, it was not submitted for preliminary review and comment.
Assignment of an interim change number is your authority to start
a procedural modification to facilitate this change. For the
Denver Center, use the attached to initiate the formal printed
change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at
DSN 332-5280 or (703) 602-5280.

for Edward P. Bittz
Gregory P. Bittz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

IMMINENT DANGER PAY FOR ADRIATIC AND IONIAN SEAS

1. Make the following changes to designated hostile fire or imminent danger pay areas in Figure 10-1:

a. Insert the new designation:

AREA - Adriatic Sea
INCLUDES - Sea area and airspace.
that lie north of 39N.
EFFECTIVE - 12 Apr 1999

b. Insert the new designation:

AREA - Ionian Sea
INCLUDES - Those portions of the sea area and airspace
that lie north of 39N.
EFFECTIVE - 12 Apr 1999

c. For clarification, insert the designation:

AREA - Yugoslavia, Federal Republic of
See also:
Montenegro and Serbia
INCLUDES - Land area and airspace of the republics of
Montenegro and Serbia.
EFFECTIVE - 22 Jun 1992

d. For clarification, modify the designation for Serbia as follows:

INCLUDES - Land area and airspace (includes the
provinces of Vojvodina and Kosovo).

2. Update the bibliography for Chapter 10 as follows:

a. Insert a new entry for the Adriatic Sea. Use the
citation: ASD(FMP) Memo, 12 Apr 1999.

b. Insert a new entry for the Ionian Sea. Use the
citation: ASD(FMP) Memo, 12 Apr 1999.

c. Insert a new entry for Yugoslavia, Federal Republic of.
Use the citation: ASD(FMP) Memo, 22 Jun 1992.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

SEP 20 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER

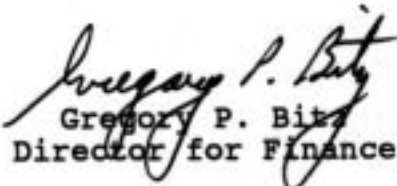
SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Imminent Danger Pay For Ethiopia (DFAS Item I-50)

Attached is DFAS Interim Change ~~32-99~~ to Chapter 10 of the
DoDFMR, Volume 7A. It was effective September 13, 1999.

This change includes a complete listing for all Imminent
Danger Pay areas (Figure 10-1).

Due to the routine nature and non-interpretive aspect of
this change, it was not submitted for preliminary review and
comment. Assignment of an interim change number is your
authority to start a procedural modification to facilitate this
change. For the Denver Center, use the attached to initiate the
formal printed change to the DoDFMR and the interim change
message.

Our point of contact, Mr. Gary McGee, may be contacted at
DSN 332-5280 or (703) 602-5280.


Gregory P. Bitts
Director for Finance

Attachments:
As stated

cc: DASD (MPP)(Comp)
OUSD(C)ODCFO(FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

IMMINENT DANGER PAY FOR ETHIOPIA

1. Effective September 13, 1999, the land area of Ethiopia was designated as an Imminent Danger Pay area.
2. Replace Figure 10-1 in the DoD Financial Management Regulation, Volume 7A, with the attached revised Figure 10-1.
3. Update the bibliography for Chapter 10 by adding a new entry for Ethiopia. Use the citations: ASD(FMP) Memo, Sep 13, 1999.

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS

AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Adriatic Sea	Sea area and airspace.	12 Apr 1999	
Afghanistan	Land area and airspace.	1 Nov 1988	
Albania	Land area and airspace.	22 May 1997	
Algeria	Land area.	7 Mar 1995	
Angola	(1) Land area and airspace. ----- (2) Land area.	22 Jun 1992 1 Mar 1998	28 Feb 1998 -----
Arabian (Persian) Gulf Area See also: Bahrain, Oman, Kuwait, Qatar, Saudi Arabia, UAE, and Yemen	(1) Arabian Gulf area including the airspace thereover, and the countries of Bahrain and Kuwait, including the airspace thereover. The Arabian Gulf area is defined by the Arabian Gulf (Persian Gulf), the Strait of Hormuz, and that part of the Gulf of Oman which lies north of 25 degrees north latitude and west of 057-30 degrees east longitude. ----- (2) The following locations including the airspace above such locations: Red Sea, Persian Gulf, the Gulf of Oman, the portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, the total land areas of Oman, Saudi Arabia, Yemen, Bahrain, Qatar, and the United Arab Emirates. ----- (3) The following locations including the airspace above such locations: Persian Gulf, the land areas of Saudi Arabia and Yemen. ----- (4) The following locations including the airspace above such locations: Persian Gulf and land area of Saudi Arabia.	25 Aug 1987 ----- 2 Aug 1990 ----- 1 Sep 1993 ----- 1 Mar 1998	1 Apr 1989 ----- 31 Aug 1993 ----- 28 Feb 1998 -----
Azerbaijan	Land area.	9 Jun 1995	
Bahrain	(1) Total land area including airspace thereover. ----- (2) Total land area including airspace thereover. ----- (3) Land area and airspace.	25 Aug 1987 2 Aug 1990 13 Jun 1997	1 Apr 1989 31 Aug 1993 -----
Bosnia-Herzegovina	Land area and airspace.	22 Jun 1992	
Burundi	Land area.	29 Nov 1996	
Cambodia	(1) Land area and adjacent sea area from the juncture of the Cambodia and Vietnam border, southwest to coordinates 10-16N, 104-14E, thence to 10-28N, 104-06E, thence to 10-30N, 104-01E, thence to 10-28N, 103-55E, thence to 10-26N, 103-54E, thence to 10-23N, 103-49E, thence to 10-21N, 103-44E, thence to 10-16N, 103-38E, thence 12 miles seaward from the base line from which the territorial water of Cambodia is measured to a point 12 miles seaward from the border of Cambodia and Thailand, thence to the juncture of the border of Cambodia and Thailand and the airspace thereover. ----- (2) Land area.	1 Jan 1971 ----- 15 Jul 1997	14 Jul 1997 -----
Chad	(1) Total land area and airspace. Coastal waters are excluded. ----- (2) Land area.	22 Jun 1992 29 Jan 1997	28 Jan 1997 28 Feb 1998

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS

AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Colombia	Land area.	1 Jun 1985	
Croatia	Land area and airspace.	22 Jun 1992	
Egypt	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover. ----- (2) Land area.	6 Feb 1991 ----- 29 Jan 1997	31 Dec 1991 -----
El Salvador	(1) Land area. ----- (2) Land area, except Compalapa International Airport and Ilopango Air Base.	1 Oct 1983 ----- 15 Jul 1997	14 Jul 1997 -----
★ Ethiopia	Land area.	13 Sep 1999	
Georgia, Republic of (Abkhazia region)	Land area of Georgia and Abkhazia lying north of 42 degrees north latitude and west of 43 degrees east longitude.	28 Jan 1997	
Greece	(1) Land area within a 14-km radius from the center of Athens (37-58 N, 23-43 E). ----- (2) Land area of Souda Bay (all military installations and facilities including the port of Souda Bay), land area within a 25km radius from the center of Thessaloniki (40-27N, 22-59E), and the waters of Thermaikos Kolpos (Gulf of Salonika) north of 40-15N.	29 Jan 1997 ----- 31 May 1999	-----
Haiti	(1) Total land area and airspace and the surrounding seas inside the area of 16-30N, 71-40W to 18-00N, 71-45W; along the Haiti - Dominican Republic border to 20-00N, 71-44W to 21-00N, 71-40W to 21-25N, 73-00W to 21-25N, 74-00W to 20-00N, 74-00W to 19-45N, 75-00W to 19-00N, 76-00W. ----- (2) Land area.	16 Sep 1994 ----- 23 Nov 1994	22 Nov 1994 -----
Hungary	Land area within a 50km radius of Taszar (46-23N, 17-55E).	31 May 1999	
Ionian Sea	Those portions of the sea area and airspace that lie north of 39N.	12 Apr 1999	
Iran	Land area.	4 Nov 1979	
Iraq	Land area and airspace.	17 Sep 1990	
Israel	Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
Italy	Land areas of Aviano Air Base; Cervia Air Base; Gioia del Colle Air Base; Trapani Air Base; Vicenza (all military installations and facilities); San Vito Air Station; Brindisi (all military installations and facilities); Naples (all military installations and facilities including the port of Naples); Sigonella and Augusta Bay (all military installations and facilities including the ports of Catania and Augusta Bay); and Gaeta (all military installations and facilities including the port of Gaeta); and Bari (all military facilities).	31 May 1999	
Jordan	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover. ----- (2) Land area.	6 Feb 1991 ----- 29 Jan 1997	31 Dec 1991 -----

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS

AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Kuwait	(1) Total land area, including airspace thereover.	25 Aug 1987	1 Apr 1989
	(2) Land area and airspace.	6 Aug 1990	
Laos	Land area.	26 Dec 1989	15 Jul 1997
Lebanon	Land area.	1 Oct 1983	
Liberia	Land area.	6 Aug 1990	
Macedonia	Land area and airspace.	22 Jun 1992	
Montenegro	Land area and airspace.	22 Jun 1992	
Mozambique	(1) Total land area and airspace. Coastal waters are excluded.	22 Jun 1992	28 Jan 1997
	(2) Land area.	29 Jan 1997	28 Feb 1998
Oman	Total land area and airspace.	2 Aug 1990	31 Aug 1993
Pakistan	(1) Total land area within 50 miles of Karachi (24-55 N, 67-00 E).	24 Oct 1995	28 Nov 1996
	(2) Land area.	29 Nov 1996	
Panama	Total land area, including inland waters, coastal waters and the airspace thereover.	20 Dec 1989	30 Jan 1990
Peru	Land area.	1 Apr 1987	
Philippines	Total land area, including inland and coastal waters. Airspace thereover is excluded. Effective 1 Jun 1990, inland and coastal waters are excluded.	15 May 1990	30 Nov 1991
Qatar	(1) Total land area and airspace.	2 Aug 1990	31 Aug 1993
	(2) Land area and airspace.	7 Aug 1997	
Rwanda	Land area.	6 Oct 1997	
Saudi Arabia	Land area and airspace.	2 Aug 1990	
Serbia	Land area and airspace (includes the provinces of Vojvodina and Kosovo).	22 Jun 1992	
Sierra Leone	Land area.	18 Jul 1997	
Slovenia	Total land area and airspace. Coastal waters are excluded.	22 Jun 1992	29 Sep 1995
Somalia	Land area and airspace.	28 Sep 1992	
Sudan	Land area and airspace.	4 Oct 1993	
Syria	Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	31 Dec 1991
Tajikistan	Land area.	31 Mar 1997	
Turkey	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover.	6 Feb 1991	29 Sep 1995
	(2) Total land area and inland waters. Airspace and coastal waters are excluded.	30 Sep 1995	28 Jan 1997
	(3) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits).	29 Jan 1997	28 Feb 1998
	(4) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits) and including the limited airspace south of 37-45N and east of 43-00E.	1 Mar 1998	
United Arab Emirates (UAE)	Total land area and airspace.	2 Aug 1990	31 Aug 1993
Vietnam	(1) Total land area of North and South Vietnam,	1 Oct 1973	28 Jan 1997

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS

AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
	including inland waters and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of North Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E; thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-26N, 103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border, and the air-space thereover.		
	(2) Land area and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E; thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-26N, 103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border.	29 Jan 1997	15 Jul 1997
Yemen	(1) Land area and airspace.	2 Aug 1990	28 Feb 1998
	(2) Land area.	15 May 1999	
Yugoslavia, Federal Republic of See also: Montenegro and Serbia	Land area and airspace of the republics of Montenegro and Servia.	22 Jun 1992	
Zaire	Land area.	29 Nov 1996	

NOTES:

1. The designation of a land area encompasses all internal waters, unless otherwise noted. For HF/IDP purposes, the term "internal waters" is defined as waters landward of the baseline drawn in accordance with international law.
2. The designation of a water area (such as the Persian Gulf) includes the territorial seas of those waters, but not the internal waters of the coastal lands. For example, all waters of the Persian Gulf seaward of the baseline of the coastal states, drawn in accordance with international law, would be included in the Persian Gulf designation.
3. Unless otherwise specifically indicated, airspace is NOT part of the included area. When airspace is specifically included, it will normally be that space directly vertically above the approved land or sea area.
4. This figure reflects all designated areas which were active within the last ten years.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUN - 2 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Imminent Danger Pay For Yemen, (DFAS Item I-22)

Attached is DFAS Interim Change 17-99 to Chapter 10 of the
DoDFMR, Volume 7A. It was effective May 25, 1999.

This change implements the designation of Imminent Danger
for the land area of Yemen.

Due to the routine nature and non-interpretive aspect of
this change, it was not submitted for preliminary review and
comment. Assignment of an interim change number is your
authority to start a procedural modification to facilitate this
change. For the Denver Center, use the attached to initiate the
formal printed change to the DoDFMR and the interim change
message.

Our point of contact, Mr. Gary McGee, may be contacted at
332-5280 or (703) 602-5280.

for J. E. Campbell
Gregory P. Blitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

IMMINENT DANGER PAY FOR YEMEN

1. Make the following changes to the entry for Yemen in Figure 10-1, Designated Hostile Fire or Imminent Danger Pay Areas:

- a. Number the existing entry for Yemen as (1),
- b. Insert a new entry for Yemen as number (2) with the below information:

INCLUDES - Land area.
EFFECTIVE - 25 May 1999

2. Update the bibliography for Chapter 10 by adding a new citation for Yemen. Use the citation: ASD(FMP) Memo, 25 May 1999.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUN -3 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER

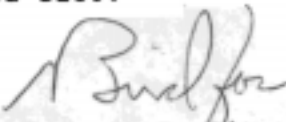
SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Imminent Danger Pay For Locations in Italy, Greece and
Hungary, (DFAS Item I-24)

Attached is DFAS Interim Change 18-99 to Chapter 10 of the
DoDFMR, Volume 7A. It was effective May 31, 1999.

This change implements the designation of Imminent Danger
Pay for the land area and waters of certain locations in Italy,
Greece and Hungary.

Due to the routine nature and non-interpretive aspect of
this change, it was not submitted for preliminary review and
comment. Assignment of an interim change number is your
authority to start a procedural modification to facilitate this
change. For the Denver Center, use the attached to initiate the
formal printed change to the DoDFMR and the interim change
message.

Our point of contact, Mr. Gary McGee, may be contacted at
DSN 332-5280 or (703) 602-5280.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

IMMINENT DANGER PAY FOR LOCATIONS IN ITALY, GREECE AND HUNGARY

1. Make the following changes to the entry to Greece in Figure 10-1, Designated Hostile Fire or Imminent Danger Pay Areas:

- a. Number the existing entry for Greece as (1),
- b. Insert an additional entry for Greece as number (2) with the below information:

INCLUDES - Land area of NSA Souda Bay, land area within a 25 km radius from the center of Thessaloniki (40°27'N, 22°59'E), and the waters of Thermaikos Kolpos (Gulf of Salonika) north of 40°15'N.

EFFECTIVE - 31 May 1999

2. Insert a new entry for Hungary in Figure 10-1, use the following information:

AREA - Hungary

INCLUDES - Land area within a 50km radius of Taszar (46°23'N, 17°55'E).

EFFECTIVE - 31 May 1999

3. Insert a new entry for Italy in Figure 10-1, use the following information:

AREA - Italy

INCLUDES - Land areas of Aviano Air Base; Cervia Air Base; Gioia del Colle Air Base; Trapani Air Base; Vicenza (areas bounded within military installations); San Vito Air Station; Brindisi (areas bounded within military installations); NSA Naples; NAS Sigonella; and NSA Gaeta.

EFFECTIVE - 31 May 1999

4. Update the bibliography for Chapter 10 by adding new citations for Greece, Italy and Hungary. Use the citation: ASD(FMP) Memo, 31 May 1999



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
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OCT -6 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Imminent Danger Pay For East Timor (DFAS Item I-64)

Attached is DFAS Interim Change 34-99 to Chapter 10 of the
DoDFMR, Volume 7A. It was effective September 30, 1999.

This change includes a complete revised listing for all
Imminent Danger Pay areas (Figure 10-1).

Due to the routine nature and non-interpretive aspect of
this change, it was not submitted for preliminary review and
comment. Assignment of an interim change number is your
authority to start a procedural modification to facilitate this
change. For the Denver Center, use the attached to initiate the
formal printed change to the DoDFMR and the interim change
message.

Our point of contact, Mr. Gary McGee, may be contacted at
DSN 332-5280 or (703) 602-5280.

Edward J. Hitz
for Gregory V. Hitz
Director for Finance

Attachments:
As stated

cc: DASD (MPP)(Comp)
OUSD(C)ODCFO(FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

IMMINENT DANGER PAY FOR EAST TIMOR

1. Effective September 30, 1999, the land area of East Timor was designated as an Imminent Danger Pay area.
2. Replace Figure 10-1 in the DoD Financial Management Regulation, Volume 7A, with the attached revised Figure 10-1.
3. Update the bibliography for Chapter 10 by adding a new entry for East Timor. Use the citations: ASD(FMP) Memo, Sep 30, 1999.

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Adriatic Sea	Sea area and airspace.	Apr 12, 1999	Sep 15, 1999
Afghanistan	Land area and airspace.	Nov 1, 1988	
Albania	Land area and airspace.	May 22, 1997	
Algeria	Land area.	Mar 7, 1995	
Angola	(1) Land area and airspace. ----- (2) Land area.	Jun 22, 1992 ----- Mar 1, 1998	Feb 28, 1998 -----
Arabian (Persian) Gulf Area See also: Bahrain, Oman, Kuwait, Qatar, Saudi Arabia, UAE, and Yemen	(1) Arabian Gulf area including the airspace thereover, and the countries of Bahrain and Kuwait, including the airspace thereover. The Arabian Gulf area is defined by the Arabian Gulf (Persian Gulf), the Strait of Hormuz, and that part of the Gulf of Oman which lies north of 25 degrees north latitude and west of 057-30 degrees east longitude. ----- (2) The following locations including the airspace above such locations: Red Sea, Persian Gulf, the Gulf of Oman, the portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, the total land areas of Oman, Saudi Arabia, Yemen, Bahrain, Qatar, and the United Arab Emirates. ----- (3) The following locations including the airspace above such locations: Persian Gulf, the land areas of Saudi Arabia and Yemen. ----- (4) The following locations including the airspace above such locations: Persian Gulf and land area of Saudi Arabia.	Aug 25, 1987 ----- Aug 2, 1990 ----- Sep 1, 1993 ----- Mar 1, 1998	Apr 1, 1989 ----- Aug 31, 1993 ----- Feb 28, 1998 -----
Azerbaijan	Land area.	Jun 9, 1995	
Bahrain	(1) Total land area including airspace thereover. ----- (2) Total land area including airspace thereover. ----- (3) Land area and airspace.	Aug 25, 1987 ----- Aug 2, 1990 ----- Jun 13, 1997	Apr 1, 1989 ----- Aug 31, 1993 -----
Bosnia-Herzegovina	Land area and airspace.	Jun 22, 1992	
Burundi	Land area.	Nov 29, 1996	
Cambodia	(1) Land area and adjacent sea area from the juncture of the Cambodia and Vietnam border, southwest to coordinates 10-16N, 104-14E, thence to 10-28N, 104-06E, thence to 10-30N, 104-01E, thence to 10-28N, 103-55E, thence to 10-26N, 103-54E, thence to 10-23N, 103-49E, thence to 10-21N, 103-44E, thence to 10-16N, 103-38E, thence 12 miles seaward from the base line from which the territorial water of Cambodia is measured to a point 12 miles seaward from the border of Cambodia and Thailand, thence to the juncture of the border of Cambodia and Thailand and the airspace thereover. ----- (2) Land area.	Jan 1, 1971 ----- Jul 15, 1997	Jul 14, 1997 -----

Figure 10-1. Designated Hostile Fire or Imminent Danger Pay Areas

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Chad	(1) Total land area and airspace. Coastal waters are excluded. ----- (2) Land area.	Jun 22, 1992 ----- Jan 29, 1997	Jan 28, 1997 ----- Feb 28, 1998
Colombia	Land area.	Jun 1, 1985	
Croatia	Land area and airspace.	Jun 22, 1992	
★East Timor	Land area	Sep 30, 1999	
Egypt	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover. ----- (2) Land area.	Feb 6, 1991 ----- Jan 29, 1997	Dec 31, 1991 ----- -----
El Salvador	(1) Land area. ----- (2) Land area, except Compalapa International Airport and Ilopango Air Base.	Oct 1, 1983 ----- Jul 15, 1997	Jul 14, 1997 ----- -----
Ethiopia	Land area.	Sep 13, 1999	
Georgia, Republic of (Abkhazia region)	Land area of Georgia and Abkhazia lying north of 42 degrees north latitude and west of 43 degrees east longitude.	Jan 28, 1997	
Greece	(1) Land area within a 14-km radius from the center of Athens (37-58 N, 23-43 E). ----- (2) Land area of Souda Bay (all military installations and facilities including the port of Souda Bay), land area within a 25km radius from the center of Thessaloniki (40-27N, 22-59E), and the waters of Thermaikos Kolpos (Gulf of Salonika) north of 40-15N.	Jan 29, 1997 ----- May 31, 1999	----- ----- Sep 15, 1999
Haiti	(1) Total land area and airspace and the surround- ing seas inside the area of 16-30N, 71-40W to 18-00N, 71-45W; along the Haiti - Dominican Republic border to 20-00N, 71-44W to 21-00N, 71-40W to 21-25N, 73-00W to 21-25N, 74-00W to 20-00N, 74-00W to 19-45N, 75-00W to 19-00N, 76-00W. ----- (2) Land area.	Sep 16, 1994 ----- Nov 23, 1994	Nov 22, 1994 ----- -----
Hungary	Land area within a 50km radius of Taszar (46-23N, 17-55E).	May 31, 1999	Sep 15, 1999
Ionian Sea	Those portions of the sea area and airspace that lie north of 39N.	Apr 12, 1999	Sep 15, 1999
Iran	Land area.	Nov 4, 1979	
Iraq	Land area and airspace.	Sep 17, 1990	
Israel	Total land area, inland waters, coastal waters and the territorial airspace thereover.	Feb 6, 1991	Dec 31, 1991
Italy	Land areas of Aviano Air Base; Cervia Air Base; Gioia del Colle Air Base; Trapani Air Base; Vicenza (all military installations and facilities); San Vito Air Station; Brindisi (all military installations and facilities); Naples (all military installations and facilities including the port of Naples); Sigonella and Augusta Bay (all military installations and facilities including the ports of Catania and Augusta Bay); and Gaeta (all military installations and facilities including the port of Gaeta); and Bari (all military facilities).	May 31, 1999	Sep 15, 1999

Figure 10-1. Designated Hostile Fire or Imminent Danger Pay Areas (Continued)

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Jordan	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover. -----	Feb 6, 1991	Dec 31, 1991
	(2) Land area.	Jan 29, 1997	-----
Kuwait	(1) Total land area, including airspace thereover. -----	Aug 25, 1987	Apr 1, 1989
	(2) Land area and airspace.	Aug 6, 1990	-----
Laos	Land area.	Dec 26, 1989	Jul 15, 1997
Lebanon	Land area.	Oct 1, 1983	
Liberia	Land area.	Aug 6, 1990	
Macedonia	Land area and airspace.	Jun 22, 1992	
Montenegro	Land area and airspace.	Jun 22, 1992	
Mozambique	(1) Total land area and airspace. Coastal waters are excluded. -----	Jun 22, 1992	Jan 28, 1997
	(2) Land area.	Jan 29, 1997	Feb 28 1998
Oman	Total land area and airspace.	Aug 2, 1990	Aug 31, 1993
Pakistan	(1) Total land area within 50 miles of Karachi (24-55 N, 67-00 E). -----	Oct 24, 1995	Nov 28, 1996
	(2) Land area.	Nov 29 1996	-----
Panama	Total land area, including inland waters, coastal waters and the airspace thereover.	Dec 20, 1989	Jan 30, 1990
Peru	Land area.	Apr 1, 1987	
Philippines	Total land area, including inland and coastal waters. Airspace thereover is excluded. Effective 1 Jun 1990, inland and coastal waters are excluded.	May 15, 1990	Nov 30, 1991
Qatar	(1) Total land area and airspace. -----	Aug 2, 1990	Aug 31, 1993
	(2) Land area and airspace.	Aug 7, 1997	-----
Rwanda	Land area.	Oct 6, 1997	
Saudi Arabia	Land area and airspace.	Aug 2, 1990	
Serbia	Land area and airspace (includes the provinces of Vojvodina and Kosovo).	Jun 22, 1992	
Sierra Leone	Land area.	Jul 18, 1997	
Slovenia	Total land area and airspace. Coastal waters are excluded.	Jun 22, 1992	Sep 29, 1995
Somalia	Land area and airspace.	Sep 28, 1992	
Sudan	Land area and airspace.	Oct 4, 1993	
Syria	Total land area, inland waters, coastal waters and the territorial airspace thereover.	Feb 6, 1991	Dec 31, 1991
Tajikistan	Land area.	Mar 31, 1997	
Turkey	(1) Total land area, inland waters, coastal waters and the territorial airspace thereover. -----	Feb 6, 1991	Sep 29, 1995
	(2) Total land area and inland waters. Airspace and coastal waters are excluded. -----	Sep 30, 1995	Jan 28, 1997

Figure 10-1. Designated Hostile Fire or Imminent Danger Pay Areas (Continued)

DESIGNATED HOSTILE FIRE OR IMMINENT DANGER PAY AREAS			
AREA	INCLUDES (Notes 1 through 4)	EFFECTIVE	TERMINATED
Turkey (continued)	(3) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits).	Jan 29, 1997	Feb 28, 1998
	(4) Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits) and including the limited airspace south of 37-45N and east of 43-00E.	Mar 1, 1998	
United Arab Emirates (UAE)	Total land area and airspace.	Aug 2, 1990	Aug 31, 1993
Vietnam	(1) Total land area of North and South Vietnam, including inland waters and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of North Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E; thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-26N, 103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border, and the air-space thereover.	Oct 1, 1973	Jan 28, 1997
	(2) Land area and the adjacent sea area west of a line from a point on the east coast of Vietnam at the juncture of Vietnam and China southeastward to a point 12 miles seaward from the base line from which the breadth of the territorial sea is measured; then continuing on that 12 mile seaward line to 10-16N, 103-38E; thence northeast to 10-21N, 103-44E; thence on straight lines to 10-23N, 103-49E; 10-26N, 103-54E; 10-30N, 103-55E; 10-30N, 104-01E; 10-28N, 104-06E; 10-16N, 104-14E; thence northeast to the juncture of the Cambodia and Vietnam border.	Jan 29, 1997	Jul 15, 1997
Yemen	(1) Land area and airspace.	Aug 2, 1990	Feb 28, 1998
	(2) Land area.	May 25, 1999	
Yugoslavia, Federal Republic of See also: Montenegro and Serbia	Land area and airspace of the republics of Montenegro and Serbia.	Jun 22, 1992	
Zaire	Land area.	Nov 29, 1996	

NOTES:

1. The designation of a land area encompasses all internal waters, unless otherwise noted. For HF/IDP purposes, the term "internal waters" is defined as waters landward of the baseline drawn in accordance with international law.
2. The designation of a water area (such as the Persian Gulf) includes the territorial seas of those waters, but not the internal waters of the coastal lands. For example, all waters of the Persian Gulf seaward of the baseline of the coastal states, drawn in accordance with international law, would be included in the Persian Gulf designation.
3. Unless otherwise specifically indicated, airspace is NOT part of the included area. When airspace is specifically included, it will normally be that space directly vertically above the approved land or sea area.
4. This figure reflects all designated areas which were active within the last 10 years.

Figure 10-1. Designated Hostile Fire or Imminent Danger Pay Areas (Continued)

CHAPTER 11

SPECIAL PAY—DIVING DUTY1101 ENTITLEMENT

110101. Members entitled to basic pay are entitled to special pay for diving duty for periods during which they are:

- A. Assigned by orders to diving duty;
- B. Required to maintain proficiency as a diver by frequent and regular dives;
and
- C. Actually performing diving duty. Situations or conditions which further affect a member's entitlement to diving duty pay are contained in section 1103 and Table 11-1.

110102. In time of war the President may suspend diving duty pay.

1102 QUALIFICATIONS FOR DIVING DUTY

110201. Army. Except as noted in section 1103, an Army member must be a rated diver in accordance with AR 611-75 (reference (ab)) and be assigned to:

- A. A TOE or TDA position in SC/MOS, SQI, or ASI specified in table 1-1, AR 611-75; or
- B. A position designated diving duty by the Deputy Chief of Staff Personnel.

110202. Navy and Marine Corps. Members must be designated divers, be assigned to diving duty under competent orders, and maintain their qualifications for diving.

110203. Air Force. Members must:

- A. Successfully complete an approved DoD course for underwater swimmers;
- B. Be under orders for diving duty as authorized by the major air command;
- C. Meet the other qualification standards prescribed by current Air Force instructions.

1103 RATES PAYABLE

110301. Officers. Officers assigned to diving duty are entitled to special pay for diving duty at a rate of not more than \$200 per month.

A. Army Officers

1. Army officers assigned to and performing initial diving duty under instruction (at an approved Armed Services diving school) will be paid diving duty pay at the rate of \$110. The period of entitlement will be the date of first dive under instruction through the date dropped from the course or the date of graduation, whichever is earlier.

2. After initial training, Army officers assigned to diving duty are entitled to receive special pay for diving duty at the following monthly rates:

Marine Diving Officers (ASI 5V).....	\$200
Combat Diver.....	\$175

The combat diver rating applies to officers serving primarily in Special Operations Forces (SOF) units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and who hold a combat diver rating in accordance with AR 611-75 (reference (ab)).

B. Navy Officers

1. Navy officers assigned to diving duty are entitled to special pay for diving duty at the monthly rates specified below. Entitlement commences on the date of graduation from the requisite diving course or, for the UDT/SEAL officer (113X designator) rate, on assignment of the naval special warfare officer (113X) designator.

Diving Officer (SCUBA)	\$110
Diving Officer	200
EOD Officer	200
UDT/SEAL Officer (113X designator)	200
UDT/SEAL Officer (118X designator)	110
Undersea Medical (Diving) Officer.....	200
Medical Service Corps (Diving) Officer	200
Ship Salvage Operations Officer.....	200
(effective 1 February 1983)	

2. Navy officers assigned to and performing diving duty under instruction (DUINS, TEMDUINS, TEMADDUINS) in a diving curriculum will be paid at the rate of \$110. Entitlement commences the date of the officer's first dive. However, if the officer is entitled to a higher rate prescribed in subparagraph 110301.B.1, above, the entitlement to the higher rate will continue.

C. Marine Corps Officers

1. Marine Corps officers assigned to and performing initial diving duty under instruction (at an approved Armed Services diving school) will be paid special pay for

diving duty at the rate of \$110 per month. The period of entitlement will be the date of the first dive under instruction through the date dropped from the course or the date of graduation, whichever is earlier.

2. After initial training, Marine Corps officers assigned to duty involving the use of SCUBA equipment are entitled to special pay for diving duty at the rate of \$150 per month. Marine officers assigned to billets designated as combatant swimmers are entitled to special pay for diving duty at the rate of \$200 per month.

3. See subparagraph 110302.C.3, below, concerning the limitation on Marine Corps members assigned to diving duty for pay purposes.

D. Air Force Officers Air Force officers assigned to diving duty are entitled to receive special pay for diving duty at the rate of \$150 per month.

110302. Enlisted Members. Enlisted members assigned to diving duty are entitled to special pay for diving duty at a rate of not more than \$300 per month.

A. Army

1. Army enlisted members assigned to and performing initial diving duty under instruction (at an approved Armed Forces diving school) will be paid diving duty pay at the rate of \$110. The period of entitlement will be the date of first dive under instruction through the date dropped from the course or the date of graduation, whichever is earlier.

2. After initial training, Army enlisted members assigned to diving duty are entitled to receive special pay for diving duty at the following monthly rates:

Master Diver.....	\$300
Diver First Class.....	175
Salvage Diver.....	135
Diver Second Class.....	110
Combat Diver.....	175

The combat diver rating applies to enlisted members serving primarily in Special Operations Forces (SOF) units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and who hold a combat diver rating in accordance with AR 611-75 (reference (ab)).

B. Navy

1. Navy enlisted members assigned to diving duty are entitled to receive special pay for diving duty at the following monthly rates:

Master Diver (SNEC 5341, 5346).....	\$300
Saturation Diver (SNEC 5311)	275
Diver First Class (SNEC 5342)	175
Advanced Underwater Construction Technician (PNEC 5931).....	175
Basic Underwater Construction Technician (PNEC 5932).....	110
Diver Second Class (SNEC 5343).....	110
SCUBA Diver (SNEC 5345).....	110
Special Amphibious Reconnaissance Independent Duty Corpsman, (HM 8403)	175
FMF Reconnaissance Corpsman (HM 8427)	175
Medical Deep-Sea Diving Technician (HM8493)	175
Medical Deep-Sea Diving Technician (Saturation) HM8493, 5311).....	275
★Deep Sea Diving Independent Duty Corpsman, (HM8494)	175
Medical Special Operations Technician (HM8492)	175
EOD Mobile Unit Diver(SNEC 5339).....	110
EOD Technician (SNEC 5332, 5333)	175
EOD Assistants (SNEC 5331)	110
Combatant Swimmer (SNEC 5321, 5322, 5325, 5326, 5327)	175
Basic Combatant Swimmer (SNEC 5320)d.....	110
Senior EOD Diver (PNEC 5334).....	175
Senior EOD Diver/Parachutist (PNEC 5335)	175
Master EOD Diver (PNEC 5336)	175
Master EOD Diver/Parachutist (PNEC 5337).....	175
SEAL Delivery Vehicle Pilot/ Navigator (SNEC 5323)	300
SEAL Delivery Vehicle Pilot/ Navigator (EOD Qualified) (SNEC 5324)....	300

2. Navy enlisted members assigned to and performing diving duty under instruction (DUINS, TEMDUINS, TEMADDUINS) in a diving curriculum will be paid at the rate of \$110. Entitlement commences the date of the member's first dive. However, if the member is entitled to a higher rate prescribed in subparagraph 110302.B.1 above, entitlement to the higher rate will continue.

C. Marine Corps

1. Marine Corps enlisted members assigned to and performing initial diving duty under instruction (at an approved armed services diving school) will be paid special pay for diving duty at the rate of \$110 per month. The period of entitlement will be the date of first dive under instruction through the date dropped from the course or the date of graduation, whichever is earlier.

2. After initial training, Marine Corps enlisted members assigned to diving duty as SCUBA divers are entitled to receive special pay for diving duty at the rate of \$110 per month. Enlisted Marines assigned to billets designated as combatant swimmers are entitled to receive special pay for diving duty at a rate of \$175 per month.

3. The number of Marine Corps members entitled to receive special pay for diving may not exceed the total number of officer and enlisted divers authorized for an activity by the commandant of the Marine Corps.

D. Air Force. Air Force enlisted members assigned to diving duty are entitled to receive special pay for diving duty at the following monthly rates:

SCUBA.....	\$110
Pararescue.....	150

1104 CONDITIONS OF ENTITLEMENT

See Table 11-1.

1105 RESTRICTION ON PAYMENT

110501. Diving Duty Pay and Hazardous Duty Incentive Pay. When assigned by orders to both diving duty and hazardous duty, a member may be paid special pay for diving duty and one payment of hazardous duty incentive pay under Chapter 22, section 2201, or Chapter 23 for the same period.

110502. Lapsed Qualifications. No member is entitled to receive special pay for performing diving duty after diving qualifications have lapsed. Upon requalification, payments will not be made for the period of lapsed qualification.

DIVING DUTY PAY—CONDITIONS OF ENTITLEMENT			
R U L E	A	B	C
	When a member entitled to diving duty pay under section 1101 and	and	then diving pay
1	is removed from diving duty or the member's diving qualifications lapse		ceases on the date of removal or lapse. (See paragraph 110502.)
2	is hospitalized as a result of a diving accident		accrues for not more than 90 days while hospitalized.
3	is hospitalized not as a result of a diving accident		accrues for the first 30 days.
4	is on leave in a pay status		
5	is on TAD/TDY other than diving duty		
6	is on TAD/TDY for diving duty purposes		continues to accrue (note 1).
7	is in confinement awaiting trial by court-martial	is subsequently acquitted or charges are dismissed	accrues retroactively to date of confinement.
8		is subsequently convicted	does not accrue from first day of confinement through the day before the date restored to a full duty status.
9			
10	is reassigned PCS and no TDY is required en route to the new duty station	is ordered to and actually performs diving duty at the new duty station	continues to accrue (notes 1 and 2).
11	is reassigned PCS and no TDY is required en route to the new duty station	is not ordered to diving duty at the new duty station	accrues through the date of detachment from the old duty station.
12	is reassigned PCS and TDY is required en route to the new duty station	PCS orders require diving duty at the TDY station <i>and</i> new duty station, and actually performs diving duty	continues to accrue (notes 1 and 2).
13		PCS orders require diving duty at the TDY station but <i>not</i> the new duty station	continues to accrue through the date of detachment from the TDY station (notes 1 and 2).
14		PCS orders do not require diving duty at TDY station	accrues through the date of detachment from the old duty station.
15	is a member of a Reserve Component	is released from active duty	ceases not later than the date the member departs for home from the last duty station.
16	is discharged and immediately reenlists at the same station without a break in service	diving duty orders are not specifically terminated	continues to accrue.
17		diving duty orders are specifically terminated	ceases on the date stated in the orders.

NOTES:

1. If the member is removed from diving duty, or the member's qualifications lapse during this period, the member's entitlement to diving duty pay terminates on the date removed from diving duty or the date qualifications lapse.
2. If a member is reassigned PCS and takes leave en route, diving duty pay will continue to accrue up to 30 days if the member has otherwise met the requirements for diving duty pay.

Table 11-1. Diving Duty Pay—Conditions of Entitlement



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

DEC 2 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding -
Special Pay for Diving Duty Entitlement Criteria,
(DFAS Item H-38)

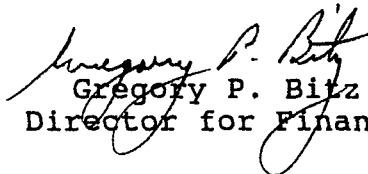
Attached is DFAS Interim Change 42-98 to Chapter 11 of the
DoDFMR, Volume 7A.

This change adds criteria for entitlement to Diving Duty Pay
resulting from the FY 1999 National Defense Authorization Act.
This change also corrects an erroneous reference within the
chapter. The criteria change was effective October 1, 1998.

We have evaluated your comments on the draft proposal of
this change to the DoDFMR, Volume 7A. The attached final version
of the change incorporates your comments where appropriate.

Modification to facilitate this change. For the Denver
Center, use the attached Assignment of an interim change number
is your authority to start a procedural to initiate the formal
printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at
DSN 332-5280 or at (703) 602-5280.


Gregory P. Blitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

SPECIAL PAY FOR DIVING DUTY ENTITLEMENT CRITERIA

1. Revise paragraph 110101 to read as follows:

Members entitled to basic pay are entitled to special pay for diving duty for periods during which they are:

- A. Assigned by orders to diving duty;
- B. Required to maintain proficiency as a diver by frequent and regular dives; and
- C. They are either -
 1. Actually performing diving duty while serving in an assignment for which diving is a primary duty; or
 2. Meeting the requirements to maintain proficiency as described in paragraph 110101B while serving in an assignment that includes diving duty other than as a primary duty.

2. Insert a new paragraph 110103 to read as follows:

Situations or conditions which further affect entitlement to diving duty pay are contained in section 1103 and table 11-1.

3. Revise paragraph 110501 to read as follows:

Diving Duty Pay and Hazardous Duty Incentive Pay. When assigned by orders to both diving duty and hazardous duty, a member may be paid special pay for diving duty and one payment of hazardous duty incentive pay under chapter 22, section 2201 or chapter 24 for the same period.

4. Revise the bibliography by inserting a reference to paragraph 110101 with the citation: Public Law 105-261, Section 616, 17 Oct 1998.

CHAPTER 12

SPECIAL PAY FOR NUCLEAR-QUALIFIED OFFICERS★1201 NUCLEAR POWER ACCESSION BONUS PROGRAM★120101. Entitlement

★A. Individuals accepted, before 1 October 1998, for officer naval nuclear power training for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants may be entitled to accession bonuses not to exceed a total of \$8,000.

★B. The Secretary of the Navy is assigned, under law, responsibility for issuing regulations which prescribe specific eligibility requirements and, annually, the value of the bonus payments, not to exceed the limit cited above. The amounts payable to an individual under this entitlement become fixed upon acceptance, by the Secretary of the Navy, of the individual's written agreement to participate in the training program. The regulation governing this program, including effective bonus rates, is SECNAVINST 7220.65 series (reference (ac)).

★C. The bonus is made of two parts, which the Secretary of the Navy has identified as follows:

★1. Nuclear Officer Accession Bonus. The Nuclear Officer Accession Bonus is payable upon selection and acceptance, by the Secretary of the Navy, of the individual's written agreement for participation in officer naval nuclear power training.

★2. Nuclear Career Accession Bonus. The Nuclear Career Accession Bonus is payable upon successful completion, as a commissioned officer, of training for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

★120102. Eligibility Requirements

★A. Nuclear Officer Accession Bonus. The following requirements must be met to qualify for the Nuclear Officer Accession Bonus:

★1. If individuals already are commissioned officers, they must not be restricted in performance of duty; that is, they must be officers of the unrestricted line;

★2. The individual must be selected and execute a written agreement to participate in officer naval nuclear power training; and

★3. The Secretary of the Navy must accept the individual into the training program.

★B. Nuclear Career Accession Bonus. An officer must meet the following requirements to qualify for the Nuclear Career Accession Bonus:

Bonus;

- ★1. Fulfill the above requirements for the Nuclear Officer Accession

- ★2. Be on active duty and entitled to basic pay; and

- ★3. Successfully complete the nuclear propulsion training program.

★120103. Payment

★A. Upon acceptance of a request for admission into the program, the Chief of Naval Personnel will provide an official written notification of acceptance to the individual. The date of acceptance will fix the value of both the Nuclear Officer Accession Bonus and the Nuclear Career Accession Bonus. Change 1 to SECNAVINST 7220.65H (reference (ac)) established the Nuclear Officer Accession Bonus at \$6,000 and the Nuclear Career Accession Bonus at \$2,000, both effective 12 August 1996.

★B. Nuclear Officer Accession Bonus. A properly executed acceptance document will establish authority to make payment of the Nuclear Officer Accession Bonus.

★C. Nuclear Career Accession Bonus. The commanding officer, Nuclear Power Training Unit (NPTU), shall certify the eligibility of each officer upon successful completion of the training program which will establish authority to make payment of the Nuclear Career Accession Bonus.

★120104. Recoupment

★A. An individual who has received a Nuclear Officer Accession Bonus and fails to commence or satisfactorily complete the nuclear power training specified in the agreement with the Secretary of the Navy, will, except for the reasons listed in SECNAVINST 7220.65 series (reference (ac)), be required to refund the entire bonus.

★B. Reduce the amount to be recouped by an amount equal to any reduction taken under subparagraphs 350702.F or 350802.D.

1202 NUCLEAR-QUALIFIED OFFICER EXTENDING PERIOD OF ACTIVE SERVICE (CONTINUATION PAY)

120201. Entitlement

★A. Nuclear qualified officers with applications for extension on active duty accepted, prior to 30 September 1998, may be entitled to a bonus not to exceed a total of \$12,000 for each year of the active service agreement.

★B. The Secretary of the Navy is assigned, under law, responsibility for issuing

regulations which prescribe specific eligibility requirements and, annually, the value of the bonus payments, not to exceed the limit cited above. The amounts payable to an individual under this entitlement become fixed upon acceptance, by the Secretary of the Navy, of the individual's written agreement to extend on active duty. Acceptance may not be made more than one year in advance of the end of an officer's initial existing period of obligated active service. The regulation governing this program, including effective bonus rates, is SECNAVINST 7220.65 series (reference (ac)).

★120202. Eligibility Requirements

★A. The following requirements must be met to qualify for Continuation Pay. The individual must:

★1. Be an officer on active duty, receiving basic pay and not restricted in the performance of duty (i.e., unrestricted line officer);

★2. Currently be qualified for duty in connection with supervision, operation, and maintenance of naval nuclear propulsion plants;

★3. Have not completed 23 years of commissioned service at the time of application;

★4. Be serving in pay grade 0-6 or below (not frocked to 0-7) and, at the time of application, not be selected for promotion to pay grade 0-7;

★5. Have executed a written agreement to remain on active duty in connection with supervision, operation, and maintenance of naval nuclear propulsion plants for a period of 3, 4, or 5 years; and

★6. Have the agreement accepted by the Chief of Naval Personnel on behalf of the Secretary of the Navy.

★B. A qualified officer may execute successive continuation agreements so long as any new period of obligated active service does not extend beyond the end of 26 years of commissioned service.

120203. Payment

★A. Upon acceptance of a request for extension, the Chief of Naval Personnel will issue an official written notification of acceptance to the individual. The date of acceptance will fix the value of the annual payments for the entire period of the extension. Change 1 to SECNAVINST 7220.65H established Nuclear Officer Continuation bonus at \$12,000 per contract year effective 12 Aug 1996.

★B. When an officer's agreement is accepted before the end of an existing

service obligation, continuation pay may be paid in a:

1. Number of installments equal to the number of years covered by the contract plus 1; the first upon acceptance of the application, the second upon expiration of existing obligated service, and the remaining payments annually (12-month intervals) thereafter. (Note: this provision only applies to the first contract for continuation pay.)

2. Number of annual installments equal to the number of years covered by the contract; the first upon expiration of existing obligated service and the remaining payments annually thereafter.

★C. When an officer's agreement is accepted after an existing service requirement expires, continuation pay is paid in equal annual installments over the length of the contract, commencing upon acceptance of the application and the remaining payments annually thereafter.

★D. Should the amount be increased that is paid to officers, who subsequently apply for continuation pay, officers with a contract in effect at a lower rate may execute a new agreement at the higher rate. The period of this new agreement shall be equal to or exceed the original period of the officer's existing agreement, but may in no case extend the obligation beyond 26 years of commissioned service. Upon execution of a new contract, the previous contract shall be canceled effective on the day before the anniversary date after the date on which continuation pay is increased.

120204. Recoupment

A. An officer who fails to maintain eligibility requirements for or who does not complete the full period of 3, 4, or 5 years of active duty as agreed, may not be paid any unpaid installments of continuation pay. Except under certain conditions prescribed in SECNAV Instruction 7220.65 series (reference (ac)), an officer must repay the unearned portion of any installments already paid. To arrive at an amount to be recouped, reduce the total continuation pay to an amount per month and multiply the monthly amount by the number of months, and fractions of months, for which payment was made that the officer has not served.

B. Reduce the amount to be recouped by an amount equal to any reduction taken under subparagraphs 350702.F or 350802.D.

1203 NUCLEAR CAREER ANNUAL INCENTIVE BONUS

★120301. Entitlement

★A. Nuclear qualified unrestricted line officers serving on active duty on the last day of the fiscal year, prior to 1 October 1998, may be entitled to an annual bonus not to exceed \$10,000. Nuclear qualified limited duty and warrant officers serving on active duty on the last day of the fiscal year, prior to 1 October 1998, may be entitled to an annual bonus not to

exceed \$4,500. Officers, otherwise eligible, but not on active duty on the last day of a nuclear service year (fiscal year) or who are not eligible for a portion of the year, may be paid a bonus on a pro rata basis.

★B. The Secretary of the Navy is assigned, under law, responsibility for issuing regulations which prescribe specific eligibility requirements and, the value of the annual bonus payments, not to exceed the limits cited above. The regulation governing this program, including effective bonus rates, is SECNAVINST 7220.65 series (reference (ac)).

★120302. Eligibility Requirements

★A. The following general requirements must be met to qualify for the Nuclear Career Annual Incentive Bonus. The individual must:

- ★1. Be an officer on active duty, receiving basic pay;
- ★2. Have current technical qualifications for duty in connection with supervision, operation, and maintenance of naval nuclear propulsion plants;
- ★3. Be serving in pay grade W-2 through W-4 or O-1 through O-6;
- ★4. Not be serving in a period of obligated service incurred as a result of the acceptance of Nuclear Officer Continuation Bonus (this does not preclude pro rata payments);
- ★5. Not be also entitled to receive aviation career incentive pay, except in the case of officers serving billets that require the officer to :
 - ★a. Be technically qualified for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants; and
 - ★b. Be qualified for the performance of operational flying duties.

★B. Additional requirements for eligibility are as follows:

- ★1. Unrestricted line officers must also have completed their period of initial obligated active service incurred from initial source training as extended for nuclear power training.
- ★2. Chief warrant officers and limited duty officers must be serving in an assignment with duties involving the direct supervision, operation, or maintenance of naval nuclear propulsion plants.

★120303. Payment

★A. The Nuclear Career Annual Incentive Bonus will be paid annually on 30 September to all eligible officers on active duty. Change 1 to SECNAVINST 7220.65H (reference (ac)) established the Nuclear Career Annual Incentive Bonus at \$10,000 for unrestricted line officers and \$4,500 for chief warrant and limited duty officers, both rates effective for bonus accruing after 30 Sep 1996.

★B. An officer eligible on 30 September or last working day of the fiscal year, but who had a period or periods of ineligibility during the fiscal year, shall be paid a pro rata share of the bonus for all periods of eligibility during the year.

★C. An officer separated from the naval service or who has lost technical qualification for duty involving the supervision, operation, and maintenance of naval nuclear propulsion plants prior to 30 September, shall be paid a pro rata share of the bonus for all periods of eligibility during the year provided the separation or loss of technical qualification was not the result of:

- ★1. Voluntary separation or voluntary loss of technical qualification;
- ★2. Voluntary request for relief;
- ★3. Refusal to accept orders to assignment in connection with supervision, operation, and maintenance of naval nuclear propulsion plants;
- ★4. Disability resulting from or during misconduct, willful neglect, or unauthorized absence;
- ★5. Misconduct; or
- ★6. Detachment for Cause.

★D. An officer promoted to pay grade 0-7, or selected for and assuming the rank of 0-7 (frocked) prior to 30 September shall be paid a pro rata share of the bonus for all periods of eligibility during the year.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JAN 27 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding -
Nuclear Bonuses, (DFAS Item G-65)

Attached is DFAS Interim Change 07-98 to Chapter 12 of the DoDFMR, Volume 7A. It is effective retroactively to October 1, 1997.

This change is the result of the Fiscal Year 1998 National Defense Authorization Act and increases the allowable ceiling on certain Nuclear Officer Bonus rates. Although this change raises the allowable maximums, the Navy Department has indicated they will not initially raise the current rates to the maximum.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate.

Assignment of an interim change number is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at DSN 332-5280 or (703) 602-5280.

Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

NUCLEAR OFFICER BONUSES

1. Revise paragraph 120101A to read as follows:

"Effective 1 October 1997, individuals accepted, on or before 30 September 1999, for officer naval nuclear power training for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants may be entitled to accession bonuses not to exceed a total of \$10,000."

2. Revise paragraph 120201A to read as follows:

"Effective 1 October 1997, nuclear qualified officers with applications for extension on active duty accepted, on or before 30 September 1999, may be entitled to a bonus not to exceed a total of \$15,000 for each year of the active service agreement."

3. Revise paragraph 120301A as follows:

- a. Replace "1 October 1998" with "1 October 1999" at both occurrences.

- b. Replace "\$10,000" with "\$12,000" and replace "\$4,500" with "\$5,500".

4. Revise the bibliography under paragraphs 120101A, 120201A and 120301A by replacing the current Public Law citation with "Public Law 105-85, Sections 613 and 624, 18 Nov 1997" in each instance it appears.

5. Note that this chapter under went extensive revision by DFAS Interim Change Number 43-96 and that the bonus dates and the bibliography were again revised by DFAS Interim Change Number 52-96.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

FEB 5 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

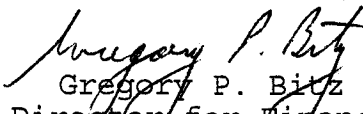
SUBJECT: Change to the DoDFMR, Volume 7A, Regarding -
Nuclear Officer Bonuses, (DFAS Item H-36)

Attached is DFAS Interim Change 04-99 to Chapter 12 of the DoDFMR, Volume 7A. This change is effective on the dates specified herein.

This change extends effective periods for certain Nuclear Officer Bonuses resulting from the FY 1999 National Defense Authorization Act. This change also revises the maximum bonus amounts authorized by the Department of the Navy.

Due to the routine nature, non-interpretive aspect and minimal perceived systems impact of this change, it was not submitted for preliminary review and comment. Assignment of an interim change number is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at DSN 332-5280 or (703) 602-5280.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

NUCLEAR OFFICER BONUSES

1. Revise paragraph 120101A by replacing 30 September 1999 with 31 December 1999.

2. Revise paragraph 120103A to read as follows:

Upon acceptance of a request for admission into the program, the Chief of Naval Personnel will provide the individual with official written notification of acceptance. The date of acceptance will fix the value of both the Nuclear Officer Accession Bonus and the Nuclear Career Accession Bonus.

1. Effective 12 August 1996, Navy set the Nuclear Officer Accession Bonus at \$6,000 and the Nuclear Career Accession Bonus at \$2,000.

2. Effective 1 October 1998, Navy set the Nuclear Officer Accession Bonus at \$8,000. The Nuclear Career Accession Bonus remained unchanged at \$2,000.

3. Revise paragraph 120201A by replacing 30 September 1999 with 31 December 1999.

4. Revise paragraph 120203A to read as follows:

Upon acceptance of a request for extension, the Chief of Naval Personnel will provide the individual with official written notification of acceptance. The date of acceptance will fix the value of the annual payments for the entire period of the extension.

1. Effective 12 August 1996, Navy set the Nuclear Officer Continuation Bonus at \$12,000 per contract year.

2. Effective 1 October 1998, Navy set the Nuclear Officer Continuation Bonus at \$15,000 per contract year.

5. Revise the bibliography for paragraphs 120101A and 120201A by replacing the current Public Law citations with Public Law 105-261, Section 613, 17 Oct 1998.

6. Note that this chapter under went extensive revision by DFAS Interim Change Number 43-96 and the bonus dates and amount were again revised by DFAS Interim Changes Numbered 52-96 and 7-98.

CHAPTER 13

SPECIAL PAY FOR OFFICERS SERVING
IN POSITIONS OF
UNUSUAL RESPONSIBILITY AND OF A CRITICAL NATURE

1301 ENTITLEMENT

Certain Navy officers entitled to the basic pay of grades *O-6 and below* are entitled to special pay while serving in a position of unusual responsibility and of a critical nature as designated by the Secretary of the Navy. This special pay will be referred to as responsibility pay.

1302 RATES PAYABLE

The monthly rates of responsibility pay are:

<u>Pay Grade</u>	<u>Amount</u>
O-6	\$150
O-5	100
O-4 and below	50

1303 AUTHORIZED PAYEES

Subject to the entitlement condition in section 1301 and the restrictions in section 1304, Navy officers are entitled to responsibility pay while serving as commanding officer or commander of a unit listed in a directive promulgated by the Chief of Naval Operations. Responsibility pay will continue to accrue while on TAD, leave, or similar temporary absences from duty where there is no permanent relief.

1304 RESTRICTIONS

Responsibility pay is not authorized for:

130401. Officers temporarily in command.

130402. Officers assigned in designated "Officer in Charge" billets other than those promulgated by the Chief of Naval Operations.

130403. More than one officer per designated billet, except for the dates of assumption of and relief from command.

CHAPTER 14**SPECIAL PAY—QUALIFIED ENLISTED MEMBERS
EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS****1401 CONDITIONS OF ENTITLEMENT**

Enlisted members entitled to basic pay are entitled to this special pay if they:

140101. Have a specialty designated by the Secretary concerned; and

140102. Have completed a tour of duty (as defined by the Secretary concerned) at a location outside the continental United States designated by the Secretary concerned; and

140103. At the end of the tour of duty execute an agreement to extend that tour for a period of at least 1 year.

1402 AMOUNT

An enlisted member is entitled, after acceptance of the agreement, to special pay for duty performed during an extension executed before, on, or after 1 January 1981 at a rate prescribed by the Secretary concerned of not more than \$50 per month, provided that no payments may be made for any period of the extension served before 1 January 1981. Members agreeing to extend on or after 1 April 1986 are entitled to a rate prescribed by the Secretary concerned of not more than \$80 per month.

1403 RESTRICTION

An enlisted member who elects to receive rest and recuperative absence or transportation at government expense, or any combination thereof, under Title 10, U.S.C. section 705 (reference(c)), is not entitled to the special pay authorized by this chapter for the period of extension of duty for which the rest and recuperative absence or transportation is authorized.

1404 TERMINATION OF ENTITLEMENT

140401. Voluntary early departure from overseas theater. An enlisted member's entitlement ceases on the day of PCS departure from the overseas area if the departure is the result of actions taken by or under the control of the member.

140402. Involuntary early departure from overseas theater. An enlisted member's entitlement continues through the scheduled termination date if the PCS departure from the overseas area is the result of actions taken by the Military Service concerned.

1405 SERVICE REGULATIONS

The following individual Service regulations provide additional information:

140501. Army: Army Regulation 614-200 (reference (ah))

140502. Navy: OPNAVINST 1306.1 (reference (ag))

140503. Air Force: DFAS-DE 7073.1-M (reference (ap))

140504. Marine Corps: MCO 7220.41 (reference (af))



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY

ARLINGTON, VA 22240-5291

APR 13 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding -SPECIAL PAY FOR
EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS, (DFAS
Item G-66)


Attached is DFAS Interim Change 18-98 to Chapter 14 of the DoDFMR, Volume 7A. It is effective retroactively to October 1, 1997.

This change is the result of the 1998 National Defense Authorization Act and adds a bonus option to the potential incentives that may be offered to enlisted members extending duty at designated locations overseas. Service Secretaries may use this authority to specify annual bonuses, not to exceed \$2000, in either lump sum or monthly installments.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate.

Assignment of an interim change number is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at DSN 332-5280 or Commercial (703) 602-5280.


Gregory P. Bitz
Acting Director for Finance

Attachment:
As stated

cc: DASD (MPP)(Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

SPECIAL PAY FOR EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

1. Replace the entirety of Chapter 14 with the following:

SPECIAL PAY OR BONUS-QUALIFIED ENLISTED MEMBERS
EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

1401 CONDITIONS OF ENTITLEMENT

140101. At the discretion of the Service Secretary, an enlisted member may be entitled to either a special pay or bonus provided they meet all of the following conditions:

- A. Entitled to basic pay
- B. Possess a specialty that is designated by the Secretary concerned for the purposes of this entitlement.
- C. Completed an overseas tour of duty, including previously approved extensions, at a location outside the continental United States that is designated by the Secretary concerned.
- D. At the end of that tour of duty, execute an agreement to extend the tour of duty for a period of not less than 1 year.

140102. Officers are not eligible for this entitlement.

1402 TYPES OF ENTITLEMENT

140201. When the Secretary concerned accepts the member's agreement to extend the tour of duty, the member becomes entitled, at the election of the Secretary, to either:

A. Special Pay in monthly installments in an amount prescribed by the Secretary, but not to exceed \$80 per month; or

B. An annual bonus in an amount prescribed by the Secretary, but not to exceed \$2,000 per year. The Secretary concerned may pay the bonus in either a lump sum or monthly installments.

140202. The member may elect to receive a period of special rest and recuperative (SR&R) absence instead of the special pay or bonus described in 140201A and B, if permitted by the Secretary concerned. If SR&R is elected and granted the member may not receive any special pay or bonus under this chapter for the same extension period.

140203. The payment rate for the special pay or bonus shall be fixed at the time of the agreement and may not be changed during the period of the extended tour of duty.

1403 TERMINATION OF SPECIAL PAY

140301. Voluntary early termination of overseas duty will result in termination of further monthly special pay under this chapter. A member's entitlement ceases on the day of PCS departure from the overseas area if the departure is the result of actions taken by or under the control of the member.

140302. Involuntary early termination of overseas duty will not affect monthly special pay awarded under this chapter. A member's entitlement continues through the scheduled termination date if the PCS departure from the overseas area is the result of actions taken by the Military Service concerned.

1404 TERMINATION AND RECOUPMENT OF BONUS

140401. Voluntary or involuntary early termination of overseas duty of a member in receipt of a bonus requires termination of further monthly installments and recoupment of the unearned portion of installments or lump sum payments. However, the Secretary concerned may waive the obligation of a member to reimburse the United States if the Secretary determines that conditions and circumstances warrant the waiver.

140402. Recoupment of the unearned portion of a bonus will be 1/12 of the bonus amount for each month or portion of a month not served. A member receives credit only for full months served.

140403. A discharge in bankruptcy under title 11, U.S.C. (reference (aj)), that is entered less than 5 years after termination of a bonus extension agreement under this chapter, does not relieve a member from the refund provisions of this section.

1405 SERVICE REGULATIONS

140501. The following individual Service regulations provide additional information:

- A. Army. AR 614-30 (reference (dz)).
- B. Navy. OPNAVINST 1306.1 (reference (ag)).
- C. Air Force. DFAS-DEM 7073-1 (reference (ea)).
- D. Marine Corps. MCO 7220.41 (reference (af)).

2. Replace the entries in the table of contents for chapter 14 with the following:

CHAPTER 14 SPECIAL PAY OR BONUS-QUALIFIED ENLISTED MEMBERS
EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

1401	CONDITIONS OF ENTITLEMENT	14-1
1402	TYPES OF ENTITLEMENT	14-1
1403	TERMINATION OF SPECIAL PAY	14-1
1404	TERMINATION AND RECOUPMENT OF BONUS	14-1
1405	SERVICE REGULATIONS	14-1

3. Add the following to Volume 7A References:

dz. AR 614-30, Overseas Service
ea. DFAS-DEM 7073-1, Defense Joint Military Pay System-
Active Component (DJMS-AC) FSO Procedures

4. Replace the entries in the bibliography for chapter 14 with the following:

Chapter 14-Special Pay or Bonus
Qualified Enlisted Members Extending
Duty at Designated Locations Overseas

1401-Conditions of Entitlement	37 U.S.C. 314 Public Law 105-85, Section 625 DoDD 1315.7, 9 Jan 1987 OASD (FM&P) Memo, 18 Mar 1986
1402-Types of Entitlement	OASD (FMP) (Comp) Memo, 3 Feb 98
140202	10 U.S.C. 705

CHAPTER 15**SPECIAL CONTINUATION PAY FOR
AVIATION CAREER OFFICERS****1501 ENTITLEMENT**

Navy officers who are pilots or naval flight officers and extend their period of active duty by written agreement after 30 September 1984 and before 1 October 1989, are entitled to aviation officer continuation pay (AOCP) when they meet the eligibility requirements of this chapter and SECNAVINST 7220.79 series (reference (ai)).

1502 ELIGIBILITY REQUIREMENTS

To qualify for continuation pay under this chapter, the officer must:

- 150201. Be entitled to aviation career incentive pay (ACIP);
- 150202. Be in pay grade O-6 or below;
- 150203. Be qualified to perform operational flying duty as defined in subparagraph 220202B.3;
- 150204. Have at least 6 years of aviation service as an officer, and at least 6, but less than 11 years of active duty;
- 150205. Be in an aviation specialty designated as critical;
- 150206. Execute a written agreement to remain on active duty in aviation service for either 3 or 4 years, or 6 years if such agreement is executed by an officer who has completed less than 8 years of active duty;
- 150207. Have completed the minimum service required for aviation training; and
- 150208. Have not previously been paid AOCP.

1503 COMPUTATION

Upon acceptance of an eligible officer's written agreement by the Secretary of the Navy, or the Secretary's designee, the officer is entitled to AOCP in addition to all other compensation to which entitled. The amount payable will not exceed:

- 150301. \$4,000 for each year of a 3-year agreement.

150302. \$6,000 for each year of a 4- or 6-year agreement. See SECNAVINST 7220.79 series (reference (ai)) for exact amounts authorized.

1504 TIME OF PAYMENT

AOCP shall be paid on the effective date of an officer's agreement. The Secretary of the Navy may specify that the continuation bonus be paid in a lump-sum or in equal monthly or annual installments.

1505 RECOUPMENT

Recoupment of the unearned portion of AOCP is required on a pro rata basis whenever an officer fails to maintain eligibility or fails to complete the full contractual period of additional obligated military service. However, recoupment is not required if an officer is unable to maintain eligibility or complete the full contractual period of additional obligated military service for any of the following reasons:

150501. Separation by operation of laws or by operation of military service or Department of Defense policies.

150502. Death or disability (including medical grounding or suspension) which is not the result of misconduct, willful neglect, and not incurred during a period of unauthorized absence.

1506 RESTRICTION

An agreement for AOCP under this section will not be accepted by the Secretary of Defense after 31 December 1988.

CHAPTER 16**ENGINEERING AND SCIENTIFIC CAREER**
CONTINUATION PAY (ESCCP)**1601 CONDITIONS OF ENTITLEMENT**

Officers entitled to basic pay may be paid this ESCCP if they:

- 160101. Are not receiving any other accession or career continuation bonus; and
- 160102. Are below grade O-7; and
- 160103. Hold a degree in engineering or science from an accredited college or university; and
- 160104. Have been certified by the Secretary of the Military Department as technically qualified for detail to engineering or scientific duty; and
- 160105. Have completed at least 3, but less than 14 years' active engineering or scientific duty as a commissioned officer. (After completion of 3 years' active service, an ESCCP period of obligated service will run concurrently with any other obligated service.); and
- 160106. Are serving in or selected for assignment to a critical engineering or scientific military specialty requiring an engineering or scientific degree and are in one of the Armed Forces that has a critical shortage. (Officers attending courses of professional military education or advanced training or education related to their specialty are considered to be serving in engineering or scientific-type duty.); and
- 160107. Execute a written agreement to remain on active duty for assignment to engineering or scientific duty for at least 1 year, but not more than 4 years.

1602 ENTITLEMENT AMOUNTS

- 160201. The Secretary of the Military Department concerned may pay ESCCP in either lump sum or yearly installments.
- 160202. The highest amount payable is \$3,000 for each year of obligated service for which the officer has agreed to remain on active duty according to paragraph 160107, above.

1603 TERMINATION AND RECOUPMENT

- 160301. Except for officers not qualified because of death, injury, illness, or other impairment incurred in the line of duty and not the result of their own misconduct, entitlement to

the full amount of the ESCCP is contingent on maintaining the technical qualifications required for performance of engineering or scientific duty.

160302. Except for termination of active duty because of disability incurred in the line of duty, or for termination of military service by operation of laws, or by operation of Military Service or DoD policies, officers who do not remain on active duty for the entire period for which paid shall refund that percentage of the payment that the unserved part of the period is of the total period for which the payment was made.

160303. The Secretary of the Military Department may waive, in whole or in part, the refund if it would be against equity or good conscience or would not be in the best interests of the United States.

160304. A discharge in bankruptcy under Title 11, U.S.C. (reference (aj)), does not relieve an officer from the refund provisions.

160305. An officer may not repay voluntarily an amount equal to the percentage of the unserved time on the agreement solely to reduce the period of obligated service required by the agreement.

CHAPTER 17

SPECIAL PAY—FOREIGN DUTY1701 ENTITLEMENT

Foreign duty pay is payable to enlisted members otherwise entitled to basic pay who are assigned to duty at certain places outside the 48 contiguous states and the District of Columbia, as designated by the Secretary of Defense.

1702 CONDITIONS OF ENTITLEMENT

See Table 17-1 for specific items pertaining to entitlement.

1703 RESTRICTIONS ON PAYMENT

170301. Foreign duty pay is not authorized for enlisted members who are residents of a designated foreign duty pay area while serving on permanent duty within that state, possession, or foreign country. A member's residence shall be the same as the member's designated legal residence for income tax purposes.

170302. Foreign duty pay is not payable to midshipmen, aviation cadets, or academy cadets.

170303. Foreign duty pay is not payable for the 31st day of the month.

170304. An enlisted member may not receive both foreign duty pay and career sea pay for the same period of service.

1704 RATES PAYABLE

<u>Grade</u>	<u>Monthly Rates</u>
E-9	\$22.50
E-8	22.50
E-7	22.50
E-6	20.00
E-5	16.00
E-4	13.00
E-3	9.00
E-2	8.00
E-1	8.00

1705 FOREIGN DUTY PAY AREAS

170501. The commander of the major command in which a designated place is located will issue a local directive to all concerned to:

- A. Identify the perimeter of the designated area, and
- B. List the units or installations included therein.

170502. Enlisted members assigned to duty in the places listed below are entitled to foreign duty pay.

FOREIGN DUTY PAY AREAS
(Notes 1 through 7)

Designated Area	Effective Dates	
	From	Through
Afghanistan	1 Oct 63	31 May 82
Kabul	1 May 84	
Alaska	1 Oct 83	
Algeria:		
Algiers	1 Feb 79	31 May 82
Algeria	1 Dec 83	
Andros Island (Bahamas)	1 Jan 66	
Antarctica	1 Oct 63	
Antigua Island (West Indies)	1 Oct 63	31 Mar 86 (note 6)
Argentina	1 Feb 64	31 May 82
Aruba Island (Netherlands Antilles)	1 Oct 63	
Ascension Island (United Kingdom)	22 Nov 63	
Australia:		
Alice Springs	1 Oct 63	
North West Cape	1 Feb 64	
Woomera City	1 Jul 70	
Azores Island	1 Oct 63	
Bahrain Island	1 Oct 63	
Bangladesh	1 Jan 73	
Barbados Island (West Indies)	1 Oct 63	31 Mar 86 (note 6)
Belgium:		
Baraque Fraiture (AFCENT Microwave Radio/ NATO Station)	1 Mar 78	31 May 82
Flobecq	1 Feb 64	31 May 82
Florennes	1 May 84	
Kleine-Brogel	1 Feb 64	31 May 82
Ostende	1 Jul 73	31 May 82
Belize:		
Belize City	1 Aug 89	
Bolivia	1 Oct 63	
Botswana:		
Gaberone	1 Feb 79	31 May 82
Brazil:		
Brasilia	1 Aug 89	
Fortaleza	1 Oct 63	
Recife	1 Oct 63	
Salvadore	1 Oct 63	
Santa Cruz	1 Oct 63	
All Other Areas of Brazil (except Rio de Janeiro and Sao Paulo)	1 Feb 64	31 May 82
Bulgaria	1 Oct 63	
Burma	1 Oct 63	
Burundi:		
★Bujumbura	1 Apr 87	25 Nov 96
★Burundi		
Cambodia	26 Nov 96	
Cameroon	1 Oct 63	
Canada (except metropolitan areas and St Johns)	1 Oct 63	
	1 Oct 63	31 May 82 (see Canada entry next page after 31 May 82)

FOREIGN DUTY PAY AREAS—Continued

Designated Area	Effective Dates	
	From	Through
Canada:		
British Columbia, Province of (Masset only)	1 May 85	
Yukon Territory	1 Jun 82	
Northwest Territory	1 Jun 82	
Labrador, Province of	1 Jun 82	
Newfoundland, Province of	1 Jun 82	
New Brunswick, Province of (St Margarets only)	1 Jun 82	
Quebec, Province of (Senneterre and Bagotville only)	1 Jun 82	
Cape Verde:		
Praia	1 Feb 79	
Central African Republic:		
Bangui	1 Jun 82	
Ceylon	1 Oct 63	
Chad	1 Jan 66	
Chile	1 Feb 64	31 May 82
China (Peking-1 Jul 73)	1 Jul 80	
Colombia	1 Oct 63	
Congo	1 Jul 80	
Costa Rica	1 Oct 63	
Crete	1 Oct 63	
Cuba	1 Oct 63	
Cyprus	1 Oct 63	
Czechoslovakia	1 Oct 63	
Denmark:		
Aalborg	1 Jul 80	31 May 82
Christiansfeld	1 Jul 72	31 May 82
Esbjerg	1 Jul 72	31 May 82
Holstebro	1 Jul 72	31 May 82
Karup Air Station	1 Oct 63	31 May 82
Kolding	1 Jul 72	31 May 82
Odense	1 Jul 72	31 May 82
Vejle	1 Jul 72	31 May 82
Viborg	1 Jul 72	31 May 82
Diego Garcia Island (Chagos Archipelago)	1 Jun 72	
Djibouti:		
Djibouti	1 Feb 79	
Dominican Republic	1 Oct 63	
Ecuador	1 Oct 63	
Egypt	1 Oct 63	
Eleuthera Island (Bahamas)	1 Oct 63	
El Salvador	1 Feb 64	
Epiwetok (Marshall Islands)	23 May 77	
England:		
Flyingdale Moors	1 Feb 64	31 May 82
Great Bromley	1 Jun 66	31 May 82
RAF Barkway	1 Jun 66	31 May 82
RAF Daventry	1 Jun 66	31 Mar 87 (note 7)
RAF Spadeadam	1 Mar 78	31 May 82
RAF Swingate	1 Jun 65	31 Mar 87
St Mawgan	1 Jan 66	(note 7)
Ethiopia	1 Oct 63	
Finland	1 Feb 64	
Gabon Republic:		
Libreville	1 Feb 76	

FOREIGN DUTY PAY AREAS—Continued

Designated Area	Effective Dates	
	From	Through
German Democratic Republic	1 Oct 82	
Germany:		
Ahlhorn	1 Jul 80	31 May 82
Allenbach (Radio Terminal 71)	1 Feb 76	31 May 82
Altmansdorf (Radio Relay Site Buick)	1 Jan 75	31 May 82
Alzey	1 Jun 65	31 May 82
Amberg	1 Feb 64	31 May 82
Auerbach	1 Jan 73	31 May 82
Bad Bergzabern	1 Jan 73	31 May 82
Baden Soellingen	1 Jul 75	31 May 82
Bad Neustadt an der Saale	1 Jul 78	31 May 82
Balesfeld	1 Jan 69	31 May 82
Barne	1 Jan 74	31 May 82
Barnstorf	1 Jun 65	31 May 82
Bischofsgruen	1 Jul 79	31 May 82
Blankenheim	1 Jan 73	31 May 82
Bocksberg	1 Feb 64	31 May 82
Boerfink	1 Jul 79	31 May 82
Borgholzhausen	1 Feb 76	31 May 82
Bosserode (OP Romeo)	1 Jan 73	31 May 82
Bottingen	1 Jan 66	31 Jan 77
Brand by Marktrewitz	1 Jan 73	31 May 82
Brandhof	1 Feb 64	31 May 82
Braunlage	1 Feb 76	31 May 82
Breungeshain	1 Jan 73	31 May 82
Brome-Radenbeck	1 Jan 71	31 May 82
Brueke-bei Soest	1 Jan 73	31 May 82
Bruggen	1 Feb 64	31 May 82
Burn	1 Jan 73	31 May 82
Buchel	1 Feb 64	31 May 82
Burbach Kreis Siegen	1 Jan 73	31 May 82
Buren	1 Oct 63	31 May 82
Camp Wollbach	1 Jan 74	30 Jun 81
Cham	1 Jul 74	31 May 82
Clausen	1 Jul 70	31 May 82
Coburg	1 Jul 70	31 May 82
Dallau	1 Jan 66	31 May 82
Dannenfels	1 Feb 64	31 May 82
Datteln	1 Jan 66	31 May 82
Deilingenhofen	1 Jan 73	31 May 82
Dichtelbach	1 Jan 66	31 May 82
Doebra (Doebraberg)	1 Feb 64	31 May 82
Donnersberg	1 Feb 64	31 May 82
Dornum	1 Feb 76	31 May 82
Dulmen	1 Jun 67	31 May 82
Duren-Drove	1 Feb 64	31 May 82
Edeweicht	1 Jul 78	31 May 82
Eibensbach	1 Feb 76	31 May 82
Eichenberg (OP Oscar)	1 Jan 73	30 Jun 81
Emmerich	1 Jul 73	31 May 82
Erbeskopf	1 Feb 76	31 May 82
Erding Air Station	1 Jun 67	31 May 82
Eschwege	1 Jul 78	30 Jun 81
Euskirchen	1 Jan 73	31 May 82
Feldberg (Schwarzwald)	1 Jul 74	31 May 82
Flensburg	1 Jan 81	31 May 82

FOREIGN DUTY PAY AREAS—Continued

Designated Area	Effective Dates	
	From	Through
Flensburg-Weiche.....	1 Mar 78	31 May 82
Freising.....	1 Jun 66	31 May 82
Garlstedt.....	1 May 68	31 May 82
Gartow.....	1 Feb 64	31 May 82
Grefath.....	1 Jan 73	31 May 82
Grossengsteingen.....	1 Jan 68	31 May 82
Gross Gusborne.....	1 Jan 71	31 May 82
Grunstadt.....	1 Feb 64	31 May 82
Hamminkeln.....	1 Jan 66	31 May 82
Handorf.....	1 Oct 63	31 May 82
Hardheim.....	1 Jan 66	31 May 82
Heidenheim.....	1 Jul 75	31 May 82
Hemau.....	1 Apr 70	31 May 82
Hemer-Menden.....	1 Feb 64	31 May 82
Hepberg.....	1 Jul 73	31 May 82
Hesselburg.....	1 Jul 78	31 May 82
Hinsbeck.....	1 Jan 69	31 May 82
Hofan der Saale.....	1 Jul 78	31 May 82
Hoerbogen-Rimbach.....	1 Jan 71	31 May 82
Hohenkirchen.....	1 Feb 76	31 May 82
Hohenpeissenberg.....	1 Feb 64	31 May 82
Hohenstadt.....	1 Feb 64	31 May 82
Holzwicheda-Opherdicke.....	1 Jan 73	31 May 82
Hontheim.....	1 Jan 69	31 May 82
Horinsgrinde.....	1 Jan 69	31 May 82
Inneringen.....	1 Jan 66	31 May 82
Itzehoe-Nordoe (formerly Itzehoe).....	1 Jan 66	31 Jan 76
Jever.....	1 Oct 63	30 Jun 75
Kalkar.....	6 Jul 77	30 Jun 84 (note 5)
Keltenbronn.....	1 Jun 65	31 May 82
Kappelen-Erft.....	1 Jan 68	31 May 82
Kappeln/Ellenburg.....	1 Jan 81	31 May 82
Kaster.....	1 Jan 73	31 May 82
Kellinghusen.....	1 Jan 65	31 May 82
Kingsley Kaserne.....	1 Jan 74	31 May 82
Konigshofen/Baden (Lauda Bunker).....	1 Jan 69	31 May 82
Kriegsfeld.....	1 Feb 64	31 May 82
Kronach.....	1 Jul 78	31 May 82
Lahn.....	1 Oct 63	31 May 82
Lahr.....	1 Feb 64	31 May 82
Landsberg.....	1 Feb 64	31 May 82
Langendamm.....	1 Jan 73	31 May 82
Langerkopf.....	1 Feb 64	31 May 82
Lehmgrube.....	1 Feb 77	31 May 82
Linderhofe.....	1 Jun 65	31 May 82
Lipperhohe.....	1 Feb 64	31 May 82
Lohne.....	1 Feb 76	31 May 82
Lohnfeld (Receiver Site).....	1 Jan 68	31 May 82
Luederbach (OP India).....	1 Jan 73	31 May 82
Marienheide.....	1 Jan 66	31 May 82
Memmingen.....	1 Feb 64	31 May 82
Messtetten.....	26 May 64	31 May 82
Monchberg.....	1 Jan 65	31 May 82
Montabaur.....	1 Jun 67	31 May 82
Morbach.....	1 Jan 73	31 May 82
Mt. Meissner.....	1 Oct 63	31 May 82
Muehl-Zuesch.....	1 Jan 74	31 May 82
Norvenich.....	1 Feb 64	31 May 82
Oberdachstetter (Relay Mercury).....	1 Jan 68	31 May 82
Oedingen.....	1 Jan 73	31 May 82

FOREIGN DUTY PAY AREAS—Continued

Designated Area	Effective Dates	
	From	Through
Paderborn	1 Jan 70	31 May 82
Passau	1 Jul 78	31 May 82
Pfullendorf	1 Oct 63	31 May 82
Potsdam	13 Apr 64	31 May 82
Pruem (Schonfeld)	1 Feb 64	31 May 82
Rasdorf (OP Alpha)	1 Jan 73	31 May 82
Regen	1 Jan 66	31 May 82
Reihwarzhofen	1 Feb 64	31 May 82
Reisenbach	6 Jul 77	31 May 82
Reisenberg	1 Feb 64	31 May 82
Rendsberg	1 Jul 73	31 May 82
Reitscheid	1 Jan 66	31 May 82
Rodenkirchen	1 Feb 76	31 May 82
Rotz	1 Jan 66	31 May 82
Schleswig	1 Jan 68	31 May 82
Schonborn	1 Jul 79	31 May 82
Schoppingen	1 May 68	31 May 82
Schoppingerberg	1 Jul 69	31 May 82
Schotten	1 Jan 73	30 Jun 81
Schwanberg	1 Feb 64	31 May 82
Sennelager	1 Feb 64	31 May 82
Siegenberg	1 Feb 64	31 May 82
Soegel	1 Jan 73	31 May 82
Station Hohne, Bergen/Belsen	1 Jul 79	31 May 82
Stein	1 Jun 66	31 May 82
Thum Duren	1 Jan 73	31 May 82
Todendorf	1 Feb 64	31 May 82
Treysa	1 Oct 63	31 May 82
Varrelbusch	1 Feb 76	31 May 82
Vorden	1 Jul 69	31 May 82
Wagenfeld	1 Feb 76	31 May 82
Waldbrol	1 Jan 73	31 May 82
Weiden	1 Feb 64	31 May 82
Weierhof	1 Jan 65	31 May 82
Werl-Westphalen	1 Feb 64	31 May 82
Westerburg	1 Jan 68	31 May 82
Westkirchen	1 Jan 66	31 May 82
Weyher	1 Jan 73	31 May 82
Wiesmoor	1 Feb 76	31 May 82
Woebeck	1 Jan 65	31 May 82
Ghana	1 Oct 63	
Gibraltar, B.C.C.	1 Feb 64	31 Mar 86 (note 6)
Grand Bahama Island (Bahamas)	1 Oct 63	
Greece (except Athens including Hellenikon Airport Formerly Athenia Apt)	1 Oct 63	31 May 82 (see Greece entry below after 31 May 82)
Greece (except Nea Makri)	1 Jun 82	31 Mar 87 (note 7)
Greece (except Nea Makri, Athens, Hellenikon Airport, And Tanagra)	1 Apr 87	
Greenland	1 Oct 63	
Grenada	1 Dec 83	
Guam (Mariana Islands)	1 Oct 63	
Guatemala	1 Oct 63	31 May 82
Guatemala City	1 May 84	

FOREIGN DUTY PAY AREAS—Continued

Designated Area	Effective Dates	
	From	Through
Guinea:		
Bissau	1 Feb 79	
Conarky	1 Feb 79	
Guyana	1 Jul 63	
Haiti	1 Oct 63	
Honduras	1 Oct 63	
Hungary	1 Oct 63	
Iceland	1 Oct 63	
India	1 Oct 63	
Indonesia	1 Oct 63	
Iran	1 Oct 63	
Iraq:		
Baghdad	1 Dec 86	
Iraq	17 Sep 90	16 Sep 90
Ireland:		
Londonderry	1 Oct 63	
Israel	1 Oct 63	
Italy:		
Bovolone	1 Oct 63	
Catron	1 Oct 63	31 May 82
Ceggia	1 Oct 63	31 Jan 76
Chioggia	1 Oct 63	31 May 82
Cima Gallina	13 Apr 64	31 May 82
Codogne	1 Oct 63	
Conselve	1 Oct 63	31 May 82
Cordovado	1 Oct 63	31 May 82
Finale Ligure	1 Jul 73	31 May 82
Ghedi Torre	26 May 64	
La Maddalena (Saradina)	1 Jan 74	
Martina Franca	1 Jan 65	
Mount Clavarina	1 Oct 63	
Mount Cimone	13 Apr 64	31 May 82
Mount Corna	13 Apr 64	
Mount Paganella	13 Apr 64	
Mount Venda	13 Apr 64	
Mount Vergine	1 Jan 65	
Oderzo	1 Oct 63	
Portogruaro	1 Oct 63	31 May 82
Ravenna	1 Feb 64	31 May 82
Reggio (Monte Nardello)	1 Jan 65	31 May 82
Rimini	1 Jan 65	
San Vito (Including Brindisi)(see San Vito entry below)	22 Nov 63	
San Vito	1 Apr 86	31 Mar 86 (note 6)
Sciaves	1 Jan 73	31 Mar 87 (note 7)
Sicily (Sigonella)(see Sicily entry below)	1 Oct 63	
Sicily (Sigonella and Comiso)(see Sicily entry below)	1 Oct 82	30 Sep 82
Sicily (Comiso)	1 Apr 86	31 Mar 86 (note 6)
Verona Area (to include AFFI, Grezzana and Verona itself)	19 Jul 79	
Zello	1 Oct 63	31 May 82
Ivory Coast	1 Oct 63	31 May 82
Jamaica:		
Kingston	1 Jan 70	
Kingston	1 Aug 89	31 May 82

FOREIGN DUTY PAY AREAS—Continued

Designated Area	Effective Dates	
	From	Through
Japan:		
Akizuki-Kire Area	13 Apr 64	
Fuji Maneuver Area.....	1 Oct 63	
Fukuoka.....	1 Jul 80	
Hokkaido Island (Chitose).....	1 Oct 63	
Iwakuni.....	1 Feb 64	31 May 82
Kashiwa.....	1 Jan 70	
Kisarazu.....	1 Jan 65	31 May 82
Misawa.....	1 Oct 63	31 May 87 (note 7)
Ryukyu Islands (includes Okino Erabu Shima and Okinawa).	1 Oct 63	31 May 82 (see Ryukyu Islands entry below after 31 May 82)
Ryukyu Islands:		
Kume-Shima only.....	1 Jun 82	
Seburiyama.....	1 Jul 80	
Johnston Island	1 Oct 63	
Jordan	1 Oct 63	
Kenya	1 Oct 63	
Korea	1 Oct 63	
Kosrae Island (Caroline Islands, Federated States of Micronesia).....	1 Dec 87	
Kuwait:		
Kuwait City	1 Jan 71	16 Sep 90
Kuwait	17 Sep 90	
Kwajalein (Marshall Islands).....	1 Oct 63	
Laos.....	1 Oct 63	
Lebanon.....	1 Oct 63	
Liberia	1 Oct 63	
Mahe Island (Seychelles Islands).....	1 Oct 63	
Malagasy Republic.....	1 Oct 63	
Malawi	1 Jan 66	
Malaysia Federation	1 Oct 63	
Mali	1 Oct 63	
Malta	1 Oct 63	
Mariana Islands:		
All areas except Guam and Saipan (see separate listing for Guam And Saipan).....	1 Jun 65	
Maui (Hawaiian Islands)	1 Jul 80	31 May 82
Mauritania	1 Jul 80	31 May 82
Mauritius:		
Port Louis	1 Feb 79	31 May 82
Port Louis	1 May 84	
Mexico:		
Mexico City.....	1 Aug 89	
Midway Islands	1 Oct 63	
Morocco	1 Oct 63	
Mozambique:		
Maputo.....	1 Feb 79	31 May 82
Maputo	1 Aug 89	
Nambia:		
Windhock	1 Aug 89	
Nepal	1 Oct 63	31 May 82
Nepal	1 Dec 83	

FOREIGN DUTY PAY AREAS—Continued

Designated Area	Effective Dates	
	From	Through
Netherlands:		
Den Helder	1 Mar 78	31 May 82
Havelte	1 Jan 73	31 May 82
Hoek Van Holland.....	1 Jan 73	31 May 82
Hoogbuul (MR LOGAEUR BENELUX Activity)	1 Mar 78	31 May 82
Tilberg.....	1 Jul 72	31 May 82
T'Harde.....	1 Oct 63	31 May 82
Vokel.....	1 Feb 64	31 May 82
New Zealand:		
Timaru.....	1 Jan 73	31 May 82
Woodburne RNZAF Station, Blenheim.....	1 Jan 68	31 May 82
Nicaragua	1 Oct 63	
Niger.....	1 Jul 80	
Nigeria.....	1 Oct 63	
Norway:		
Oslo	1 Aug 89	
Oman:		
Muscat.....	1 May 84	16 Sep 90
Thumrait.....	1 Dec 83	16 Sep 90
Oman.....	17 Sep 90	
Pakistan	1 Oct 63	
Panama	1 Oct 63	
Paraguay.....	1 Oct 63	
Peru	1 Oct 63	
Philippine Islands	1 Oct 63	
Phoenix Islands.....	1 Jun 65	
Poland.....	1 Oct 63	
Ponape (East Carolina Islands).....	1 Jan 82	
Puerto Rico:		
Culebra Island	1 Jul 73	31 May 82
Vieques Island.....	1 Oct 63	
Qatar.....	17 Sep 90	
Romania	1 Oct 63	
Rwanda:		
Kigali.....	1 Feb 79	10 Aug 94
Rwanda.....	11 Aug 94	
Saipan (Mariana Islands).....	1 Oct 63	
Samoa Islands.....	1 Jun 65	
Sardinia Island:		
Decimonannu	1 Jul 72	
Monte Limbara.....	1 Jan 65	
Saudi Arabia.....	1 Oct 63	
Scotland:		
Edzell.....	1 Oct 63	31 May 82
Glen Douglas.....	1 Jan 75	31 May 82
Holy Loch Area (including Dunoon, Greenock, and Prestwick)	1 Feb 64	31 Mar 86 (note 6)
Holy Loch Area (Afloat Activities only).....	1 Apr 86	
Machrihanish.....	1 Jun 67	31 Mar 87 (note 7)
RAF Mormond Hill	1 Jan 68	31 Mar 86 (note 6)
Thurso	1 Feb 64	31 Mar 86 (note 6)
Senegal	1 Oct 63	
Sierra Leone:		
Freetown.....	1 Dec 86	
Singapore.....	1 Jan 66	
Somalia.....	1 Oct 63	

FOREIGN DUTY PAY AREAS—Continued

Designated Area	Effective Dates	
	From	Through
South Africa, Republic of:		
Capetown.....	1 Feb 76	31 May 82
Pretoria.....	1 Jan 71	31 May 82
Spain:		
Balearic Islands	22 Nov 63	
Cartagena	1 Oct 63	31 Mar 87 (note 7)
Elizondo (including Gorramendi CMF)	22 Nov 63	
Estaca De Vares	1 Jan 74	
Guardamar del Segura	6 Jul 77	
Inoges	22 Nov 63	31 May 82
Moron AB	1 Jan 80	
Sonseca.....	1 Oct 63	
Sudan.....	1 Oct 63	
Suriname	1 Dec 83	
Swaziland:		
Mbabane.....	1 Feb 79	31 May 82
Sweden:		
Stockholm	1 Aug 89	
Syria:		
Damascus	1 Feb 77	31 May 82
Damascus	1 Jan 84	
Taiwan.....	1 Oct 63	
Tanzania:		
Dar Es Salaam	6 Jul 77	
Thailand	1 Oct 63	31 Mar 87 (note 7)
Thailand:		
Bangkok	1 Aug 89	
Chiang-Mai	30 Jan 91	
Togo	1 Jul 80	
Truk Atol (Caroline Islands).....	1 Jul 80	
Tunisia.....	1 Oct 63	
Turkey	1 Oct 63	
Turks and Caicos Islands.....	1 Oct 63	
Uganda	1 Jul 73	
United Arab Emirates:		
Abu Dhabi.....	1 May 84	16 Sep 90
United Arab Emirates.....	17 Sep 90	
Upper Volta.....	1 Jul 80	
Uruguay.....	1 Feb 64	31 May 82
U.S.S.R.....	1 Oct 63	
Venezuela	1 Oct 63	
Vietnam.....	1 Oct 63	
Wake Island.....	1 Oct 63	
Wales:		
Brawdy	1 Feb 76	31 Mar 86 (note 6)
Yemen, Arab Republic of.....	1 Feb 76	
Yugoslavia.....	1 Oct 63	
(includes the countries of Slovenia, Croatia, Bosnia-Herzegovina, Serbia, and the remaining land area within the former country of Yugoslavia)		
Zaire:		
Kinshasa	1 Feb 64	10 Aug 94
Zaire	11 Aug 94	
Zambia:		
Lusaka	1 Jul 78	
Zimbabwe:		
Harare (formerly Salisbury).....	1 Jul 81	

NOTES:

1. Designation of a single country or state indicates that enlisted members on duty at all places within the country or state are entitled to this special pay (example: Alaska and Turkey), unless exceptions are indicated (example: Greece).
2. Designation of places within a country indicates that only those places are entitled to this special pay (example: Cape Verde: Praia).
3. The special pay is currently payable when ending date is not shown in "Through" column.
4. Enlisted members who were receiving foreign duty pay on 31 May 1982, and who were assigned to places that no longer qualified them for this pay on 1 Jun 1982, shall continue to be eligible for such pay until permanently reassigned out of that geographical area.
5. Enlisted members who were receiving foreign duty pay on 30 Jun 1984 shall continue to be eligible for such pay until permanently reassigned from this location.
6. Enlisted members who were receiving foreign duty pay for these areas on 31 Mar 1986 will continue to receive the pay until permanently reassigned out of the geographical area. Members arriving or extending their tours at these areas after 31 Mar 1986 will not be eligible for foreign duty pay.
7. Enlisted members who were receiving foreign duty pay for these areas on 31 Mar 1987 will continue to receive the pay until permanently reassigned out of the geographical area. Members arriving or extending their tours at these areas after 31 Mar 1987 will not be eligible for foreign duty pay.

FOREIGN DUTY PAY—CONDITIONS OF ENTITLEMENT			
R U L E	A	B	C
	When enlisted member	and	then foreign duty pay
1	arrives at permanent duty station listed in section 1705		starts on day of arrival for duty (note 1).
2	departs PCS from foreign duty station		continues through day of departure.
3	is discharged	immediately reenlists at the same foreign duty station	continues to accrue.
4	is permanently assigned to duty at place designated in section 1705	is hospitalized, on authorized leave, operational flight, TDY, or TAD at that place	
5		is on authorized leave away from that place	continues for first 30 days.
6		is on operational flight, TDY, TAD, or hospitalized at a non-designated place (note 4)	
7		is on TDY, TAD (including hospitalization) or on operational flight at one or more designated places	continues to accrue (note 2).
8	is not permanently assigned to designated foreign duty station	is on TDY, TAD (including hospitalization) or on operational flight at one or more designated places	accrues if continuous period of 8 days or more occurs (including date of arrival and date of departure). Absences from a designated place of less than 24 hours does not break continuity.
9	is in confinement awaiting trial by court-martial	is acquitted or charges dismissed	accrues retroactive to first day of confinement.
10		is convicted	does not accrue from first day of confinement until date restored to full duty (note 3).
11	is confined as result of court-martial sentence		
12	is receiving career sea pay		does not accrue.
13	is assigned to and serving on a ship whose primary mission is accomplished in port and such ship is home ported in an area listed in section 1705	is not entitled to career sea pay	accrues from date of reporting to the ship and continues or terminates under the same conditions enumerated in this table (note 5).

NOTES:

1. If already at place designated a foreign duty area, the pay starts on day of designation.
2. If period of absence from permanent duty station exceeds 30 days and member is then ordered to duty at another designated place, foreign duty pay accrues only when member remains there for 8 continuous days or more (including date of arrival and date of departure). Absences from a designated place of less than 24 hours do not break continuity.
3. Nonjudicial punishment does not result in loss of foreign duty pay.
4. Rule 2 applies when a medical evacuee has been reassigned on PCS from the designated place for medical treatment.
5. When a ship's home port is first assigned or changed, foreign duty pay accrues from the date of ship's arrival at the home port which qualifies a member for such pay and terminates on date of ship's departure for new home port.

Table 17-1. Foreign Duty Pay—Conditions of Entitlement



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

MAR 8 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Hardship Duty Pay, (DFAS Item G-64)

Attached is DFAS Interim Change 11-99 to Chapter 17 of the DoDFMR, Volume 7A. It was effective February 4, 1999.

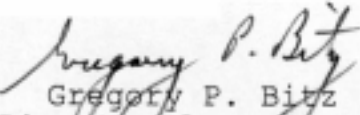
The purpose of this change is to implement the new entitlement to Hardship Duty Pay resulting from enactment of Section 619 of the FY 1998 National Defense Authorization Act and Section 617 of the FY 1999 National Defense Authorization Act. It is based on policy issued in Assistant Secretary of Defense (Force Management Policy) memorandum dated February 4, 1999.

This is a complete rewrite and replacement of Chapter 17. It is effective February 4, 1999 and it terminates the existing entitlement for Foreign Duty Pay effective February 3, 1999. The listing of hardship duty locations in Figure 17-1 contains essentially the same locations previously designated for Foreign Duty Pay. However, the list has been updated to reflect current country names and the deletion of entries with closed effective dates. The conditions of entitlement in Table 17-1 are the same as those used for Foreign Duty Pay with certain formatting modifications. Note that the entitlement to Hardship Duty Pay for performing missions involved with human remains recovery will be paid in the entire monthly amount without prorating, regardless of the number of days the member is performing the duty or the number of days on active duty during a qualifying month.

We have evaluated your comments on the draft proposal of this change to the DoDFMR, Volume 7A. The attached final version of the change incorporates your comments where appropriate.

Assignment of an interim change number is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at DSN 332-5280 or at (703) 602-5280.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

SPECIAL PAY - HARDSHIP DUTY

1. Replace the entirety of Chapter 17 with the attached revision.
2. Replace paragraph 180105C with the following:

An enlisted member may not receive both career sea pay and Hardship Duty Pay for Location Assignment (HDP-L) for the same period of service.
3. Replace the Table of Contents entry for Chapter 17 with the following:

CHAPTER 17 SPECIAL PAY-HARDSHIP DUTY

1701	ENTITLEMENT.....	17-1
1702	RATES PAYABLE.....	17-1
1703	RESTRICTIONS ON PAYMENT.....	17-2

4. Insert a new entry under the "Figure" section of the Table of Contents as follows:

Figure 17-1. Hardship Duty Pay Locations

5. Replace the Table of Contents entry for Table 17-1 with the following:

Table 17-1. Hardship Duty Pay-Conditions of Entitlement
for Duty at Designated Locations

6. In the Bibliography replace the entirety of the entry for Chapter 17 with the following:

Chapter 17-Special Pay-Hardship Duty

1701-Entitlement	37 U.S.C.305 Public Law 105-261,Section 617, 17 Oct 1998 ASD(FMP)Memo, 4 Feb 1999
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CHAPTER 17

SPECIAL PAY—HARDSHIP DUTY

1701 ENTITLEMENT

170101. General Provisions. Hardship Duty Pay (HDP) supersedes Foreign Duty Pay (FDP). HDP is established effective 4 February 1999 and FDP is terminated effective 3 February 1999. HDP is payable to members entitled to basic pay, at a monthly rate not to exceed \$300, while the member is performing duty designated by the Secretary of Defense as hardship duty. The Secretary of Defense has established that HDP will be paid to members (1) for performing specific missions or, (2) when assigned to designated locations. The approved missions, designated locations and applicable HDP rates are provided in this chapter. Except as noted under restrictions, HDP is payable in addition to all other pays and allowances.

170102. Mission Assignment Entitlement. Hardship Duty Pay for Mission Assignment (HDP-M) is payable to members, officer and enlisted, for performing designated hardship missions. HDP-M is payable at the full monthly rate, without prorating or reduction, for each month, during any part of which, the member performs a specified mission. Active and Reserve component members who qualify, at any time during a month, will receive the full amount of HDP-M regardless of the period of time on active duty or the number of days they receive basic pay during the month. A member assigned to, on temporary duty with, or otherwise under the operational control of the Joint Task Force-Full Accounting (JTF-FA) or the Central Identification Lab-Hawaii (CIL-HI) may qualify for HDP-M based on performance of a hardship mission. Members so assigned are entitled for each month in which they perform investigative or remains recovery duty in a remote, isolated area (including, but not limited to, areas in Laos, Cambodia, Vietnam, and North Korea) for recovery of U.S. service member remains.

170103. Location Assignment Entitlement. Hardship Duty Pay for Location Assignment (HDP-L) is payable only to enlisted members when assigned to duty in the locations designated in Figure 17-1. HDP-L is payable under the conditions set forth under Table 17-1.

1702 RATES PAYABLE

170201. Mission Assignment Rates. HDP-M is payable to all members at the rate of \$150 per month regardless of pay grade.

170202. Location Assignment Rates. HDP-L is payable only to enlisted members at the rates listed below.

<u>Grade</u>	<u>Monthly Rate</u>	<u>Grade</u>	<u>Monthly Rate</u>
E-9	\$22.50	E-4	\$13.00
E-8	22.50	E-3	9.00
E-7	22.50	E-2	8.00
E-6	20.00	E-1	8.00
E-5	16.00		

1703 RESTRICTIONS ON PAYMENT

170301. General Restrictions. As established by the Secretary of Defense, the maximum total HDP that may be paid to an individual member in any one month is \$150.

170302. Location Assignment Restrictions. Prorate or restrict payment of HDP-L in accordance with the following guidance and the rules in Table 17-1.

A. HDP-L is not payable to members who are residents of a designated hardship duty location while serving on otherwise qualifying duty within that state, possession, or foreign country. A member's residence shall be the same as the member's designated legal residence for income tax purposes.

B. HDP-L is not payable to midshipmen, aviation cadets, or academy cadets.

C. HDP-L is not payable to members receiving career sea pay for the same period of service.

D. HDP-L is not payable for any periods a member is in a non-pay status.

HARDSHIP DUTY PAY LOCATIONS-(Notes 1 through 3)		
Designated Locations	Effective Dates	
	From	Through
Afghanistan	4Feb 99	
Alaska.....	4Feb 99	
Albania.....	4Feb 99	
Algeria.....	4Feb 99	
Antarctica.....	4Feb 99	
Armenia (formerly part of the U.S.S.R.).....	4Feb 99	
Aruba (Neth.)	4Feb 99	
Ascension Island (St. Helena, U. K.).....	4Feb 99	
Australia:		
Alice Springs	4Feb 99	
North West Cape	4Feb 99	
Woomera City	4Feb 99	
Azerbaijan (formerly part of the U.S.S.R.)	4Feb 99	
Azores Islands (Port.)	4Feb 99	
Bahamas:		
Andros Island	4Feb 99	
Eleuthera Island	4Feb 99	
Grand Bahama Island	4Feb 99	
Bahrain	4Feb 99	
Bangladesh	4Feb 99	
Belarus (formerly part of the U.S.S.R.)	4Feb 99	
Belgium:		
Florennes	4Feb 99	
Belize.....	4Feb 99	
Bolivia.....	4Feb 99	
Bosnia-Herzegovina (formerly part of Yugoslavia).....	4Feb 99	
Brazil:		
Brasilia	4Feb 99	
Fortaleza	4Feb 99	
Recife	4Feb 99	
Salvadore.....	4Feb 99	
Santa Cruz	4Feb 99	
Bulgaria.....	4Feb 99	
Burkina Faso (formerly Upper Volta).....	4Feb 99	
Burma.....	4Feb 99	
Burundi.....	4Feb 99	
Cambodia	4Feb 99	
Cameroon	4Feb 99	
Canada:		
British Columbia, Province of (Masset only).....	4Feb 99	
Yukon Territory.....	4Feb 99	
Northwest Territory	4Feb 99	
Labrador, Province of	4Feb 99	
Newfoundland, Province of	4Feb 99	
New Brunswick, Province of (St Margarets only)	4Feb 99	
Quebec, Province of (Senneterre and Bagotville only)	4Feb 99	
Cape Verde Islands.....	4Feb 99	
Central African Republic.....	4Feb 99	
Chad	4Feb 99	
China	4Feb 99	
Colombia	4Feb 99	
Congo.....	4Feb 99	
Costa Rica	4Feb 99	
Crete	4Feb 99	
Croatia (formerly part of Yugoslavia)	4Feb 99	
Cuba	4Feb 99	
Cyprus	4Feb 99	
Czechoslovakia (all former land area)	4Feb 99	
Czech Republic (formerly part of Czechoslovakia)	4Feb 99	

Figure 17-1. Hardship Duty Pay Locations

Designated Locations	Effective Dates	
	From	Through
Diego Garcia Island (Chagos Archipelago, U.K.).....	4Feb 99	
Djibouti	4Feb 99	
Dominican Republic	4Feb 99	
Ecuador	4Feb 99	
Egypt	4Feb 99	
El Salvador	4Feb 99	
Eritrea (formerly part of Ethiopia)	4Feb 99	
Estonia (formerly part of the U.S.S.R.)	4Feb 99	
Ethiopia	4Feb 99	
Finland	4Feb 99	
Gabon Republic	4Feb 99	
Georgia (formerly part of the U.S.S.R.)	4Feb 99	
Germany (former land area of the GDR only)	4Feb 99	
Ghana	4Feb 99	
Greece (except Nea Makri, Athens, Hellenikon Airport, and Tanagra)	4Feb 99	
Greenland	4Feb 99	
Grenada	4Feb 99	
Guam (U.S.)	4Feb 99	
Guatemala	4Feb 99	
Guinea	4Feb 99	
Guinea Bissau	4Feb 99	
Guyana	4Feb 99	
Haiti	4Feb 99	
Honduras	4Feb 99	
Hungary	4Feb 99	
Iceland	4Feb 99	
India	4Feb 99	
Indonesia	4Feb 99	
Iran	4Feb 99	
Iraq	4Feb 99	
Israel	4Feb 99	
Italy:		
Cima Gallina	4Feb 99	
Finale Ligure	4Feb 99	
Ghedi Torre	4Feb 99	
Martina Franca	4Feb 99	
Mount Cimone	4Feb 99	
Mount Corna	4Feb 99	
Mount Paganella	4Feb 99	
Mount Venda	4Feb 99	
Mount Vergine	4Feb 99	
Reggio (Monte Nardello only)	4Feb 99	
Rimini	4Feb 99	
Sardinia:		
Decimonannu	4Feb 99	
La Maddalena	4Feb 99	
Monte Limbara	4Feb 99	
Sciaves	4Feb 99	
Sicily (Comiso only)	4Feb 99	
Ivory Coast (Cote D'Ivoire)	4Feb 99	
Jamaica	4Feb 99	
Japan:		
Akizuki-Kire Area	4Feb 99	
Fuji Maneuver Area	4Feb 99	
Fukuoka	4Feb 99	
Hokkaido Island (Chitose only)	4Feb 99	
Kashiwa	4Feb 99	
Ryukyu Islands (Kume-Shima only)	4Feb 99	
Seburiyama	4Feb 99	
Johnston Island (U.S.)	4Feb 99	
Jordan	4Feb 99	

Figure 17-1. Hardship Duty Pay Locations

Designated Locations	Effective Dates	
	From	Through
Kazakstan (formerly part of the U.S.S.R.)	4Feb 99	
Kenya	4Feb 99	
Kiribati	4Feb 99	
Korea, Republic of	4Feb 99	
Kuwait	4Feb 99	
Kyrgyzstan (formerly part of the U.S.S.R.)	4Feb 99	
Laos	4Feb 99	
Latvia (formerly part of the U.S.S.R.)	4Feb 99	
Lebanon	4Feb 99	
Liberia	4Feb 99	
Lithuania (formerly part of the U.S.S.R.)	4Feb 99	
Macedonia (formerly part of Yugoslavia)	4Feb 99	
Madagascar (formerly Malagasy Republic)	4Feb 99	
Malawi	4Feb 99	
Malaysia Federation	4Feb 99	
Mali	4Feb 99	
Malta	4Feb 99	
Marshall Islands	4Feb 99	
Mauritius	4Feb 99	
Mexico	4Feb 99	
Micronesia, Federated States of (formerly Caroline Islands)	4Feb 99	
Midway Islands (U.S.)	4Feb 99	
Moldova (formerly part of the U.S.S.R.)	4Feb 99	
Montenegro (currently part of Yugoslavia)	4Feb 99	
Morocco	4Feb 99	
Mozambique	4Feb 99	
Namibia	4Feb 99	
Nepal	4Feb 99	
Nicaragua	4Feb 99	
Niger	4Feb 99	
Nigeria	4Feb 99	
Northern Ireland: (U.K.)		
Londonderry	4Feb 99	
Northern Marianas (formerly Mariana Islands):		
All areas except Guam and Saipan	4Feb 99	
(see separate listings for Guam and Saipan)		
Norway	4Feb 99	
Oman	4Feb 99	
Pakistan	4Feb 99	
Panama	4Feb 99	
Paraguay	4Feb 99	
Peru	4Feb 99	
Philippine Islands	4Feb 99	
Poland	4Feb 99	
Puerto Rico (U.S.):		
Vieques Island	4Feb 99	
Qatar	4Feb 99	
Romania	4Feb 99	
Russia (formerly part of the U.S.S.R.)	4Feb 99	
Rwanda	4Feb 99	
Saipan (Northern Marianas)	4Feb 99	
Samoa Islands	4Feb 99	
Saudi Arabia	4Feb 99	
Scotland: (U.K.)		
Holy Loch Area (Afloat Activities only)	4Feb 99	
Senegal	4Feb 99	
Serbia (currently part of Yugoslavia)	4Feb 99	
Seychelles	4Feb 99	
Sierra Leone	4Feb 99	
Singapore	4Feb 99	
Slovakia (formerly part of Czechoslovakia)	4Feb 99	

Figure 17-1. Hardship Duty Pay Locations

Designated Locations	Effective Dates	
	From	Through
Slovenia (formerly part of Yugoslavia)	4Feb 99	
Somalia.....	4Feb 99	
Spain:		
Balearic Islands	4Feb 99	
Elizondo (including Gorramendi CMF).....	4Feb 99	
Estaca De Vares.....	4Feb 99	
Guardamar del Segura	4Feb 99	
Moron AB	4Feb 99	
Sonseca.....	4Feb 99	
Sri Lanka (formerly Ceylon).....	4Feb 99	
Sudan.....	4Feb 99	
Suriname	4Feb 99	
Sweden	4Feb 99	
Syria	4Feb 99	
Taiwan.....	4Feb 99	
Tajikistan (formerly part of the U.S.S.R.).....	4Feb 99	
Tanzania	4Feb 99	
Thailand	4Feb 99	
Togo	4Feb 99	
Tunisia.....	4Feb 99	
Turkey	4Feb 99	
Turkmenistan (formerly part of the U.S.S.R.).....	4Feb 99	
Turks and Caicos Islands (U.K.).....	4Feb 99	
Uganda	4Feb 99	
Ukraine (formerly part of the U.S.S.R.).....	4Feb 99	
United Arab Emirates.....	4Feb 99	
U.S.S.R. (all former land area)	4Feb 99	
Uzbekistan (formerly part of the U.S.S.R.).....	4Feb 99	
Venezuela.....	4Feb 99	
Vietnam.....	4Feb 99	
Wake Island (U.S.)	4Feb 99	
Yemen	4Feb 99	
Yugoslavia (Serbia, Montenegro and all former land area)	4Feb 99	
Zaire	4Feb 99	
Zambia	4Feb 99	
Zimbabwe.....	4Feb 99	

NOTES:

1. Designation of a single country or state indicates that enlisted members on duty at all places within the country or state are entitled to this special pay (example: Alaska and Turkey), unless exceptions are indicated (example: Greece).
2. Designation of places within a country indicates that only those places are entitled to this special pay (example; Northern Ireland: Londonderry).
3. The special pay is currently payable when ending date is not shown in "Through" column.

Figure 17-1. Hardship Duty Pay Locations

HARDSHIP DUTY PAY—CONDITIONS OF ENTITLEMENT FOR DUTY AT DESIGNATED LOCATIONS			
R U L E	A	B	C
	When enlisted member	and	then hardship duty pay
1	is assigned to permanent duty in an area designated by Figure 17-1 as a hardship duty location	reports PCS to the designated location	starts on day of arrival for duty (note 1).
2		departs PCS from the designated location	continues through day of departure.
3		is discharged and immediately reenlists at the same duty station	continues to accrue.
4		is on authorized leave and remains in the vicinity of the PDS and within a designated location	
5		is on authorized leave outside the vicinity of the PDS whether within or outside a designated location	
6		is on operational flight duty, TDY/TAD, or hospitalized in an area that is not a designated location (note 4)	continues for first 30 days.
7		is on operational flight duty, TDY/TAD, or hospitalized in one or more designated locations	
8	is not assigned to permanent duty in an area designated by Figure 17-1 as a hardship duty location		accrues if the member remains for a continuous period of 8 days or more (including date of arrival and date of departure). Absences from designated locations of less than 24 hours do not break continuity.
9	is otherwise entitled to hardship duty pay for assignment in an area designated by Figure 17-1 as a hardship duty location	is in confinement awaiting trial by court-martial and is acquitted or has charges dismissed	accrues retroactive to first day of confinement.
10		is in confinement awaiting trial by court-martial and is convicted	does not accrue from first day of confinement through the day before the date restored to full duty (note 3).
11		is in confinement as result of court-martial sentence	
12	is assigned to permanent duty in a ship whose primary mission is accomplished in port in an area designated by Figure 17-1 as a hardship duty location	is receiving career sea pay	does not accrue.
13		is not receiving career sea pay	accrues from date of reporting to the ship and continues or terminates under the same conditions enumerated in this table (note 5).

NOTES:

1. If already in an area designated a hardship duty location, the pay starts on day of designation.
2. If period of absence from permanent duty station exceeds 30 days and member is then ordered to duty at another designated location, hardship duty pay accrues only when member remains there for 8 continuous days or more (including date of arrival and date of departure). Absences from a designated location of less than 24 hours do not break continuity.
3. Non-judicial punishment does not result in loss of hardship duty pay.
4. Rule 2 applies when a medical evacuee has been reassigned on PCS from the designated place for medical treatment.
5. When a ship's home port is first assigned or changed, hardship duty pay accrues from the date of ship's arrival at the home port which qualifies a member for such pay and terminates on date of ship's departure for new home port.

Table 17-1. Hardship Duty Pay—Conditions of Entitlement for Duty at Designated Locations

CHAPTER 18

SPECIAL PAY—SEA DUTY1801 CAREER SEA PAY

180101. Entitlement. Effective 1 January 1981, a member entitled to basic pay who is in pay grade E-4 or above may be entitled to career sea pay (CSP) for sea duty as defined in paragraph 180103, below.

180102. Conditions of Entitlement. See Table 18-1.

180103. Definitions. Sea duty, for the purpose of entitlement to career sea pay, is service performed by a member under orders issued by competent authority:

A. While permanently assigned for duty to a ship, ship-based staff, or ship-based aviation unit and serving in a ship whose primary mission is accomplished underway, including periods not to exceed the first 30 consecutive days each while on temporary additional duty ashore.

B. While temporarily assigned for duty to a vessel, ship-based staff, or ship-based aviation unit and serving in a ship whose primary mission is accomplished underway.

C. While permanently or temporarily assigned for duty to a vessel or ship-based staff and serving in a ship whose primary mission is accomplished in port, but only during that period while the ship is away from its home port. A ship is considered away from its home port whenever it is at sea, or it is in port that is more than 50 miles away from the home port.

D. While serving as a member of the off crew of a two-crewed submarine (effective 14 October 1981).

E. The following changes are effective 1 January 1988 for those members stationed aboard category "B" vessels:

1. Entitled to CSP for every day the vessel is at sea or at a port at least 50 miles away from the vessel's assigned home port.

2. Entitled to credit for the cumulative sea-duty counter during the entire period while assigned to the category "B" vessel.

3. The above provisions are not retroactive for time already spent aboard category "B" vessels.

F. The word "vessel" or "ship" shall mean a self-propelled vessel in an active status, in commission or in-service.

180104. Rates

A. The monthly rates of career sea pay for commissioned officers are in Table 18-2.

B. The monthly rates of career sea pay for warrant officers are in Table 18-3.

C. The monthly rates of career sea pay for enlisted members are listed in Tables 18-4, 18-4A, and 18-4B. These tables apply to:

1. Members with less than 5 years of sea duty:

a. Members assigned to sea duty and in receipt of career sea pay for any period of time between 1 October 1987 and 31 December 1987, are entitled to the CSP rates in Table 18-4. The entitlement to saved CSP in this table terminates when members are permanently reassigned to duty for which the member would no longer qualify for CSP.

b. Members reporting to sea duty between 1 January 1988 and 30 April 1988 and who were not on sea duty for any period of time between 1 October 1987 and 31 December 1987 are entitled to the CSP rates in Table 18-4A.

c. Members reporting to sea duty on or after 1 May 1988 who were not on sea duty for any period of time between 1 October 1987 and 31 December 1987 are entitled to the CSP rates in Table 18-4B.

2. Members with more than 5 years of sea duty:

a. Members assigned to sea duty with over 5 years' sea duty on 1 January 1988 are entitled to the CSP rates in Tables 18-4/18-4A. The entitlement to saved CSP in these tables terminates when members are permanently reassigned to duty for which the member would no longer qualify for CSP.

b. Members assigned to sea duty with over 5 years' sea duty on 1 May 1988 are entitled to either the CSP rates in Tables 18-4/18-4A and CSP premium, or the CSP rates in Table 18-4B. CSP premium and the CSP rates in Table 18-4B are not allowed. Use the CSP rates that are most advantageous to the member. The following applies:

(1) When a member has less than 3 years' consecutive sea duty on 1 May 1988, then only the CSP rates in Table 18-4B apply.

(2) When a member has more than 3 years' consecutive sea duty immediately prior to 30 April 1988, and was on sea duty anytime during the period 1 February 1988 to 30 April 1988, then use either the CSP rates in Table 18-4B or the CSP rates in Table 18-4 or 18-4A and CSP premium.

180105. Restrictions on Payments

A. Passenger and Travel Status. Do not pay career sea pay to members en route to and from ships outside the CONUS, or on board a ship for transportation, regardless of the length of the period. This restriction applies for the period prior to a member reporting for permanent duty and after being permanently detached from duty on board a ship.

B. Midshipmen, Aviation Cadets, and Academy Cadets. Career sea pay is not payable to midshipmen, aviation cadets, or academy cadets.

C. An enlisted member may not receive both career sea pay and foreign duty pay for the same period of service.

180106. Status of Vessels (Navy). The status of each Naval vessel or craft is designated by the Chief of Naval Operations in accordance with and as defined by Article 0305, Navy Regulations (reference (ak)). When doubt exists as to the status of a vessel or craft for a particular period or when the nature of employment is not known, forward a request for determination of entitlement to career sea pay to the Comptroller of the Navy via the Chief of Naval Personnel.

1802 CAREER SEA PAY PREMIUM180201. Entitlement

A. All officers, warrant officers and enlisted members in pay grade E-4 who are entitled to career sea pay and who have served 36 consecutive months of sea duty are entitled to a monthly career sea pay premium for the 37th consecutive month and each subsequent consecutive month of sea duty served by such members.

B. Enlisted members in pay grades E-5 to E-9 with at least 3 years, but less than 5 years of sea duty and who have served 36 consecutive months of sea duty, are entitled to a monthly career sea pay premium for the 37th consecutive month and each subsequent consecutive month of sea duty served by such member.

C. Enlisted members in pay grades E-5 to E-9 with over 5 years of sea duty and who were on sea duty at anytime between 1 February 1988 and 30 April 1988 and have served 36 consecutive months of sea duty are entitled to career sea pay premium for the 37th consecutive month and each subsequent consecutive month of sea duty served by such members and the CSP rates in Table 18-4/18-4A. Under no circumstances will the CSP premium and the CSP rates in Table 18-4B be authorized.

180202. Rate Payable. The monthly rate of career sea pay premium is \$100.

180203. Computation of Consecutive Months of Sea Duty. The computation of consecutive months of sea duty is under regulations prescribed by the Secretary concerned.

CAREER SEA PAY—CONDITIONS OF ENTITLEMENT					
R U L E	A	B		C	D
	When an eligible member	and is serving on a ship whose primary mission is accomplished		and	then career sea pay
		underway	in port		
1	reports for permanent duty defined as sea duty	X			starts on date of reporting.
2			X	member is on board when ship departs from home port	accrues from departure date.
3			X	member reports on board while ship is away from home port	accrues from day of reporting.
4	is detached from permanent duty defined as sea duty	X	X		terminates on date of detachment provided member is otherwise entitled on that date.
5	is discharged while on sea duty	X	X	immediately reenlists on board	continues to accrue provided member is otherwise entitled.
6	on sea duty is entitled to career sea pay		X	ship returns to home port	accrues through the date the ship returns to home port.
7	on sea duty	X		is on TDY, TAD, temporarily based ashore, under orders, or hospitalized ashore (note 1)	accrues during the first 30 days member is in such status.
8			X		accrues during the first 30 days member is in such status provided member is otherwise entitled and ship remains away from its home port (note 2).
9	on sea duty is on authorized leave	X	X		accrues for the period of leave if otherwise entitled.
10	who is based on or stationed ashore	X		the type of duty is TAD or TDY	accrues from date of reporting through date of detachment (note 3).
11			X		accrues as indicated in rules 2 and 3, as applicable, and terminates as indicated in rule 6 or date of detachment if ship remains away from home port.
12	is suspended or otherwise removed from duty or confined awaiting trial by court-martial	X	X	is acquitted or charges are dismissed	accrues retroactively from first day of confinement, suspension, or removal from duty, provided member is otherwise entitled.
13		X	X	is convicted	does not accrue beginning first day of confinement, suspension, or removal from duty through date prior to day of return to duty from any status above (note 4).

Table 18-1. Career Sea Pay—Conditions of Entitlement

R U L E	A	B		C	D
	When an eligible member	and is serving on a ship whose primary mission is accomplished		and	then career sea pay
		underway	in port		
14	is confined as a result of court-martial	X	X		does not accrue beginning first day of confinement through date prior to date of release from confinement (note 4).
15	is permanently or temporarily assigned to duty on a ship which is undergoing alterations or repairs	X	X (note 5)	ship remains in an active status (in commission or in-service) (note 6)	continues to accrue.
16	is permanently or temporarily assigned to duty on a ship undergoing inactivation processing	X	X		stops when the ship reverts to inactive status.
17	is assigned to an FMF unit based on or stationed ashore	X		the type of duty is TAD or TDY	accrues from the date of embarkation through the date of debarkation (note 3).

NOTES:

1. Temporarily based ashore refers to a ship-based aviation unit or ship-based staff that has landed ashore with intent to return to a ship.
2. Entitlement terminates when the ship returns to the home port.
3. Further TAD/TDY ashore from ship will not interrupt career sea pay entitlement for the first 30 days member is in such status provided member is otherwise entitled and returns to the ship.
4. Where sentence is changed to restriction to ship and member performs duty, career sea pay is resumed. Nonjudicial punishment does not result in loss of career sea pay.
5. Entitlement accrues only when the ship is away from the home port.
6. OPNAVINST 4700.8 series defines ship status assignments for USN ships.

Table 18-1. Career Sea Pay—Conditions of Entitlement (Continued)

MONTHLY CAREER SEA DUTY PAY RATES—COMMISSIONED OFFICERS—EFFECTIVE 1 OCT 1985														
Years of Sea Duty														
Pay Grade	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	Over 10	Over 11	Over 12	Over 14	Over 16	Over 18	Over 20
O-1	\$150	\$160	\$185	\$190	\$195	\$205	\$215	\$225	\$225	\$240	\$250	\$260	\$270	\$280
O-2	150	160	185	190	195	205	215	225	225	240	250	260	270	280
O-3	150	160	185	190	195	205	215	225	225	240	260	270	280	290
O-4	185	190	200	205	215	220	220	225	225	240	270	280	290	300
O-5	225	225	225	225	230	245	250	260	265	265	285	300	315	340
O-6	225	230	230	240	255	265	280	290	300	310	325	340	355	380

Table 18-2. Monthly Career Sea Duty Pay Rates-Commissioned Officers-Effective 1 Oct 1985

MONTHLY CAREER SEA DUTY PAY RATES-WARRANT OFFICERS-EFFECTIVE 1 JAN 1988											
Years of Sea Duty											
Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9	
W-1	\$130	\$135	\$140	\$150	\$170	\$175	\$200	\$250	\$270	\$300	
W-2	150	150	150	150	170	260	265	265	270	310	
W-3	150	150	150	150	170	270	280	285	290	310	
W-4	150	150	150	150	170	290	310	310	310	310	
W-5	150	150	150	150	170	290	310	310	310	310	

Pay Grade	Over 10	Over 11	Over 12	Over 14	Over 16	Over 18	Over 20
W-1	\$325	\$325	\$340	\$360	\$375	\$375	\$375
W-2	340	340	375	400	400	400	400
W-3	350	375	400	425	425	450	450
W-4	350	375	400	450	450	500	500
W-5	350	375	400	450	450	500	500

Table 18-3. Monthly Career Sea Duty Pay Rates—Warrant Officers—Effective 1 Jan 1988

MONTHLY CAREER SEA DUTY PAY RATES—ENLISTED MEMBERS—EFFECTIVE 1 OCT 1984										
Years of Sea Duty										
Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9
E-4	\$ 50	\$ 60	\$125	\$160	\$175	\$175	\$175	\$175	\$175	\$175
E-5	60	70	140	175	185	190	205	220	220	220
E-6	125	135	170	190	210	215	225	235	245	255
E-7	135	145	215	235	255	260	265	265	270	275
E-8	165	180	225	255	265	270	280	285	290	300
E-9	175	195	235	265	280	290	310	310	310	310

Pay Grade	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18
E-4	\$175	\$175	\$175	\$175	\$175	\$175	\$175
E-5	220	220	220	220	220	220	220
E-6	265	265	280	295	310	325	340
E-7	280	300	310	330	350	370	390
E-8	310	310	320	340	360	380	400
E-9	320	330	350	370	390	410	410

Table 18-4. Monthly Career Sea Duty Pay Rates—Enlisted Members—Effective 1 Oct 1984 through 31 Dec 1987

MONTHLY CAREER SEA DUTY PAY RATES—ENLISTED MEMBERS WHO REPORT TO SEA DUTY ON OR AFTER 1 JAN 1988 AND PRIOR TO 1 MAY 1988										
Years of Sea Duty										
Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9
E-4	\$ 50	\$ 60	\$120	\$150	\$160	\$175	\$175	\$175	\$175	\$175
E-5	50	60	120	150	170	190	205	220	220	220
E-6	100	100	120	150	170	215	225	235	245	255
E-7	100	100	120	175	190	260	265	265	270	275
E-8	100	100	120	175	190	270	280	285	290	300
E-9	100	100	120	175	190	290	310	310	310	310

Pay Grade	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18
E-4	\$175	\$175	\$175	\$175	\$175	\$175	\$175
E-5	220	220	220	220	220	220	220
E-6	265	265	280	295	310	325	340
E-7	280	300	310	330	350	370	390
E-8	310	310	320	340	360	380	400
E-9	320	330	350	370	390	410	410

Table 18-4A. Monthly Career Sea Duty Pay Rates—Enlisted Members Who Report to Sea Duty On or After 1 Jan 1988 and Prior to 1 May 1988

MONTHLY CAREER SEA DUTY PAY RATES—ENLISTED MEMBERS—EFFECTIVE 1 MAY 1988										
Years of Sea Duty										
Pay Grade	1 or Less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8	Over 9
E-4	\$ 50	\$ 60	\$120	\$150	\$160	\$160	\$160	\$160	\$160	\$160
E-5	50	60	120	150	170	315	325	350	350	350
E-6	100	100	120	150	170	315	325	350	350	365
E-7	100	100	120	175	190	350	350	375	390	400
E-8	100	100	120	175	190	350	350	375	390	400
E-9	100	100	120	175	190	350	350	375	390	400

Pay Grade	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18
E-4	\$160	\$160	\$160	\$160	\$160	\$160	\$160
E-5	350	350	350	350	350	350	350
E-6	365	365	380	395	410	425	450
E-7	400	410	420	450	475	500	500
E-8	400	410	420	450	475	500	520
E-9	400	410	420	450	475	520	520

Table 18-4B. Monthly Career Sea Duty Pay Rates—Enlisted Members—Effective 1 May 1988

CHAPTER 19

SPECIAL PAY-FOREIGN LANGUAGE PROFICIENCY1901 ENTITLEMENT PROVISIONS AND POLICY190101. Entitlement

A. An officer or enlisted member of the Armed Forces entitled to basic pay, who has been certified by the Secretary concerned in accordance with Military Service regulations to be proficient in a foreign language, identified by the Secretary of Defense for such pay, and who meets one of the following conditions, may be paid foreign language proficiency pay:

1. Is qualified in a military specialty requiring a foreign language; or
2. Has received training under regulations prescribed by the Secretary concerned assigned to develop such proficiency; or
3. Is assigned to military duties requiring such proficiency; or
4. Is proficient in foreign language for which the Department of Defense may have a critical need (as determined by the Secretary of Defense).

B. Certification. The Secretary of the Military Department will annually certify member's level of proficiency.

C. Foreign language proficiency pay may be paid in addition to other pay and allowances to which a member may be entitled.

190102. Definitions

A. Critical Language. Any foreign language identified by the Secretary of Defense in which it is necessary to have proficient personnel because of national defense considerations. The Office of the Assistant Secretary of Defense (Intelligence) is the custodian of the critical language list.

B. Language Proficiency. Level of proficiency a member possesses in a foreign language skill (listening, reading and/or speaking) as certified by the Secretary concerned.

190103. Amount of Payment

A. The monthly rate of foreign language proficiency pay shall be determined by the Secretary concerned as prescribed in this paragraph:

Foreign Language <u>Proficiency</u>	Monthly <u>Rate</u>
FLPP-1	\$ 25
FLPP-2	\$ 50
FLPP-3	\$ 75
FLPP-4	\$100

B. Foreign language proficiency pay may be awarded for proficiency in multiple foreign languages; however, the monthly rate may not exceed \$100 payable to a member.

C. Entitlement to foreign language proficiency pay is computed on a 30-day month. Entitlement accrues from the date of authorization through the effective date of the termination order. Payment will be prorated for that portion of the month in which entitlement begins or ends.

1902 CONDITIONS OF ENTITLEMENT

190201. Entitlement. Detailed instructions on maintenance, retention, and termination of foreign language proficiency pay status are specified in regulations by the Secretary of each Military Department. Entitlement may be terminated at any time in accordance with such regulations.

190202. Tax. Foreign language proficiency pay is an item of pay subject to federal withholding tax. It is not subject to FICA tax.

Interim Changes 6-98, 43-98 and 9-99 are incorporated in this change.

CHAPTER 20

AVIATOR RETENTION BONUS

★2001 ENTITLEMENT

An aviation officer entitled to aviation career incentive pay (ACIP), who makes a written agreement to remain on active duty in aviation service for at least 1 year, may be paid a retention bonus as provided in this chapter. The written agreement must be executed during the period beginning January 1, 1989, and ending on December 31, 1999, and accepted by the Secretary of the Military Department concerned. An aviation officer eligible under this chapter is entitled to a retention bonus in addition to any other pay and allowances to which the officer is entitled.

★2002 ELIGIBILITY REQUIREMENTS

200201. To qualify for an aviation bonus under this chapter, an officer must:

- A. Be entitled to aviation career incentive pay (ACIP)
- B. Be in a pay grade below O-6 (although the Secretary of the Military Department concerned may establish more restrictive requirements)
- C. Be qualified to perform operational flying duty
- D. Have completed at least 6, but less than 13 years of aviation service
- E. Have completed any active duty service commitment incurred for undergraduate aviator training, and
- F. Be in an aviation specialty designated as critical by the Secretary of the Military Department concerned and approved

200202. Definitions of select terms used in this chapter are as follows:

A. Aviation Service. Aviation service is service performed by an officer (except a flight surgeon or other medical officer) while holding an aeronautical rating or designation or while in training to receive an aeronautical rating or designation.

B. Aviation Specialty. An aviation specialty is a specific community of pilots identified by type of aircraft or weapon system or a specific community of otherwise designated aeronautical officers.

C. Critical Aviation Specialty. A critical aviation specialty is an aviation specialty in which there exists a shortage of officers on the date of designation.

D. Operational Flying Duty. Operational flying duty is flying performed under competent orders by rated or designated members while serving in assignments in which basic flying skills normally are maintained in the performance of assigned duties as determined by the Secretary of the Military Department concerned, and flying performed by members in training that leads to the award of an aeronautical rating or designation.

★2003 AMOUNT OF BONUS

200301. The amount of a retention bonus paid under this chapter for agreements accepted on or after October 1, 1996, may not be more than one of the following:

A. \$25,000 for each year covered by the agreement, if the officer agrees to remain on active duty to complete 14 years of commissioned service; or

B. \$12,000 for each year covered by the agreement, if the officer agrees to remain on active duty for 1, 2, or 3 years.

200302. The amount of a retention bonus paid under this chapter for agreements accepted prior to October 1, 1996, may not be more than one of the following:

A. \$12,000 for each year covered by the agreement, if the officer agrees to remain on active duty to complete 14 years of commissioned service; or

B. \$6,000 for each year covered by the agreement, if the officer agrees to remain on active duty for 1 or 2 years.

2004 TIME OF PAYMENT

Subject to regulations of the Secretary of the Military Department concerned, the following applies:

200401. The term of the written agreement and the amount of payment may be prorated so long as an agreement does not extend beyond the date on which the officer would complete 14 years of commissioned service.

200402. Upon the officer's acceptance of the agreement, the total amount payable becomes fixed and may be paid in either a lump sum or in installments.

2005 RECOUPMENT

200501. Recoupment of the unearned portion of the bonus is required on a pro rata basis if the officer receiving the payment fails to complete the total period of active duty specified in the agreement, as conditions and circumstances warrant.

200502. The amount established for recoupment is for all purposes a debt owed to the United States.

200503. A discharge in bankruptcy under Title 11, United States Code (reference (aj)), that is entered less than 5 years after the termination of an agreement under this section does not discharge the member signing such agreement from a debt arising under such agreement or under section 2001, above. This paragraph applies to any case commenced under Title 11, United States Code (reference (aj)), after January 1, 1989.

200504. However, reduce the amount to be recouped, however, by an amount equal to any reduction taken under subparagraphs 350702.F or 350802.D of this volume

2006 RESTRICTION

After December 31, 1988, agreements for special pay under this chapter supersede the acceptance of agreements for special continuation pay for aviation career officers under Chapter 15 of this volume.

2007 COVERAGE OF PERIOD OF LAPSED AUTHORITY

During the 90-day period November 30, 1993, through February 27, 1994, officers who met eligibility requirements of this chapter any time during the period October 1, 1993, through November 29, 1993 may execute agreements. During the 90-day period February 10, 1996, through May 9, 1996, officers who met eligibility requirements of this chapter any time during the period October 1, 1995 through February 9, 1996, may execute agreements. Such agreements may be accepted and deemed to have been executed by the Secretary of the Military Department concerned on the first date on which the officer qualified during the period of lapsed authority, October 1, 1993, through November 29, 1993.

CHAPTER 21

SPECIAL PAYS FOR NURSE CORPS OFFICERS2101 REGISTERED NURSE ACCESSION BONUS

★210101. Entitlement. A nurse who qualifies for appointment as a Nurse Corps officer in one of the Military Departments, and who during the period beginning 29 November 1989 and ending on 30 September 1998, executes a written agreement to accept a commission and serves on active duty as a Nurse Corps officer for a period of not less than four years may, upon acceptance of the agreement by the Secretary of the Military Department concerned, be paid a lump sum accession bonus up to a maximum of \$5,000.

210102. Special Provisions

A. An individual who received financial assistance from the Department of Defense to pursue a baccalaureate degree is not eligible for the accession bonus.

B. An individual who holds an appointment as a Nurse Corps officer is not eligible.

C. An individual with prior active duty service as a Nurse Corps officer must have been discharged from active duty at least twelve months prior to execution of the written agreement for this accession bonus.

D. The Secretary of the Military Department concerned shall determine the amount of the accession bonus up to the maximum of \$5,000.

210103. Recoupment

A. An officer who receives an accession bonus and subsequently fails to become licensed as a registered nurse within eighteen months after receipt of the bonus, and/or remains licensed as a professional registered nurse in any state in the United States during the period for which the bonus was paid, shall refund the entire amount of bonus.

B. A Nurse Corps officer who dies or is separated from active duty while serving the required period of active duty incurred for an accession bonus is entitled to the proportionate part of the period of active duty served under the agreement. Payment exceeding that proportionate entitlement shall be recouped, except in the following circumstances:

1. Death or disability that is not the result of misconduct or willful neglect and not incurred during a period of unauthorized absence;

2. Separation from military service by operation of laws or regulations of the Department of Defense or Military Service, when approved by the Secretary of

the Military Department concerned;

3. In other cases, when the Assistant Secretary of the Defense for Health Affairs (ASD(HA)) determines recoupment is not in the best interest of the government.

C. A discharge in bankruptcy under Title 11, United States Code, shall not release a person from an obligation to reimburse the United States required under the terms of a written agreement entered into for this accession bonus, if the final decree of the discharge in bankruptcy was issued within a period of 5 years after the termination of the agreement. This paragraph applies to any case commenced under Title 11 (reference (aj)) after 1 October 1989.

D. An obligation to reimburse the United States imposed for the reasons stated above is for all purposes a debt owed to the United States.

E. However, reduce the amount to be recouped by an amount equal to any reduction taken under subparagraphs 350702.F or 350802.D.

210104. Coverage of Period of Lapsed Authority. During the 90-day period 30 November 1993 through 27 February 1994, officers who met eligibility requirements of this section any time during the period 1 October 1993 through 29 November 1993, may execute agreements. Such agreements may be accepted and deemed to have been executed by the Secretary concerned on the first date on which the officer qualified during the period of lapsed authority.

2102 INCENTIVE SPECIAL PAY FOR CERTIFIED REGISTERED NURSE ANESTHETISTS (CRNA)

210201. Entitlement

★A. Active Duty Not Less Than One Year. For the period 5 October 1994 through 30 September 1998, a Nurse Corps officer on active duty under a call or order to active duty for a period of not less than one year, who is qualified and performing as a CRNA may be paid incentive special pay in an amount not to exceed \$15,000 for each year of a properly executed written agreement to serve on active duty.

B. The ISP rate per year for any contract for which the CRNA is not obligated for training as a CRNA at the beginning of the contract year is \$15,000.

C. The rate per year during any period for which the CRNA is obligated for training as a CRNA is \$6,000.

D. Active Duty Less Than One Year in Support of Persian Gulf Conflict. Any qualified certified registered nurse anesthetist officer who served on active duty in support of the Persian Gulf Conflict may be entitled to special pay benefits for nurse anesthetists. See

Chapter 64, Health Care Officers on Active Duty in Support of the Persian Gulf Conflict, to determine eligibility and entitlement.

E. Effective 5 December 1991, the following categories of CRNA Nurse Corps officers on active duty less than one year, other than active duty for training, are eligible to receive special pay provided under this section in the same manner as a regular CRNA Nurse Corps officer.

1. Reservists called to active duty for more than 30 days but less than one year, other than active duty for training.

2. Active duty CRNA Nurse Corps officers involuntarily retained under 10 U.S.C. 12305 (reference (c)).

3. CRNA Nurse Corps officers who voluntarily agree to remain on active duty for less than one year when officers are involuntarily retained under 10 U.S.C. 12305 (reference (c)), or the Secretary of Defense determines that special circumstances justify the payment of special pay under this subparagraph.

4. Any retired CRNA Nurse Corps officer recalled to active duty for more than 30 days under 10 U.S.C. 688 (reference (c)).

210202. Special Provisions

A. The officer first must execute a written agreement under which he or she agrees to remain on active duty for a period of not less than 1 year. The effective date of the agreement shall be prescribed in Military Department regulations issued by the Secretary concerned and shall be included in the agreement. Subject to mutual acceptance, an officer may execute a 2 year agreement in Fiscal Year 1990. Under such agreement, payments shall be made at the beginning of the agreement and on the one year anniversary date.

B. Selection procedures for CRNAs to be awarded incentive special pay shall be made under guidance formulated by the Secretaries of the Military Departments, or their designees.

C. The ASD(HA) has determined that as a minimum the selection criteria shall stipulate: Approval authority for payment of incentive special pay to individual eligible officers rests with Secretary of the Military Department concerned, or designee. This authority shall not be delegated to an officer below the grade O-7.

D. Incentive special pay (ISP) is payable in lump sum annual installments upon execution of the written Military Service agreement. The Secretary of the Military Department concerned, or designee, may terminate at any time an officer's entitlement to ISP. If terminated, unearned ISP shall be recouped on a pro rata basis subject to the provisions described below. The authority to terminate an ISP agreement shall not be delegated to an officer below

the grade of O-7.

E. CRNA Nurse Corps officers eligible under subparagraph 210201.C, above, are entitled to a monthly pro rata portion of the annual amount authorized for a regular CRNA Nurse Corps officer. Also prorate on a daily basis for any month in which service is less than the full month.

210203. Recoupment. The provisions of subparagraph 210103.B, C, and D, above, apply to a CRNA who executes an incentive special pay agreement.

210204. Refund. CRNA Nurse Corps officers paid under subparagraph 210202.E, above, who do not serve the full term of active duty that corresponds to a monthly amount must refund any amount received in excess of the amount that corresponds to the actual period of active duty.

210205. Coverage of Period of Lapsed Authority. During the 90-day period 30 November 1993 through 27 February 1994, officers who met eligibility requirements of this section any time during the period 1 October 1993 through 29 November 1993, may execute agreements. Such agreements may be accepted and deemed to have been executed by the Secretary concerned on the first date on which the officer qualified during the period of lapsed authority.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

SEP 1 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY
SYSTEM

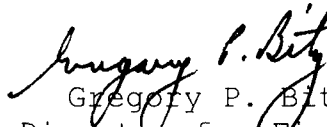
SUBJECT: Change to the DoDFMR, Volume 7A, Special Pay for Nurse
Corps Officers (DFAS Item Number G-55)

Attached is interim change 36-98 to the DoDFMR, Volume 7A.
The purpose of this change is to extend these special pay
authorities through September 30, 1999.

We have evaluated your comments on the draft change to the
DoDFMR, Volume 7A. The attached final version of the change
includes your comments where appropriate.

Assignment of an interim change is your authority to start a
procedural modification to facilitate this change. For the
Denver Center, use the attached to initiate the formal printed
change to the DoDFMR and the interim change message.

Our point of contact, LtCol Robert Spath, may be reached at
DSN 327-2087 or (703) 607-2087.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

SPECIAL PAY FOR NURSE CORPS OFFICERS

1. Change paragraph 210101, Entitlement, line 4 to read:

“... beginning 29 Nov 1989 and ending on 30 Sep 1999, ... “

2. Change paragraph 210201A, Active Duty Not Less Than One Year, line 2 to read:

“ ... For the period 5 Oct 1994 through 30 Sep 1999 ... “

3. Change paragraph 6202, Basic Conditions of Entitlement, line 3 to read:

“ ... agreement during the period 29 Nov 1989 through 30 Sep 1999 ... “

4. Add the following citations to the bibliography:

ParagraphCitation

210101	Public Law 105-85, Section 612, 18 Nov 1997
210201A	Public Law 105-85, Section 612, 18 Nov 1997
6202	Public Law 105-85, Section 612, 18 Nov 1997



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

FEB 17 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Change to the DoDFMR, Volume 7A, Registered Nurse
Accession Bonus (DFAS Item Number H-48)

This is DFAS Interim Change 5-99 to the DoDFMR, Volume 7A and is effective immediately. The purpose of this change is to extend the special pay authority through September 30, 1999.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate.

Assignment of an interim change is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Col Robert Spath, may be reached at DSN 327-2087 or (703) 607-2087.

for Gregory P. Bitz
Gregory P. Bitz
Director of Finance

Attachment:
As stated

Cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PMO

Special Pays for Nurse Corps Officers

Volume 7A

1. Change paragraph 210101. Entitlement. to read:

"....beginning 29 Nov 1989 and ending on 31 Dec 1999,...."

2. Change paragraph 210201A. Active Duty Not Less Than One Year. to read:

"...for the period 5 Oct 1994 through 31 Dec 1999,...."

3. Change paragraph 6202 BASIC CONDITIONS OF ENTITLEMENT to read:

"...during the period 29 Nov 1989 through 31 Dec 1999...."

4. Add the following citations to the Bibliography:

<u>"Paragraph</u>	<u>Citation</u>
210101	Public Law 105-261, Section 612, 17 Oct 1998
210201A	Public Law 105-261, Section 612, 17 Oct 1998
6202	Public Law 105-261, Section 612, 17 Oct 1998"

Interim Changes 5-98, 26-98, 40-98, and 41-98 are incorporated in this change. Interim change 5-98 affects other chapters and will not be deleted from the interim changes cited on the Internet.

CHAPTER 22

AERIAL FLIGHTS

2201 HAZARDOUS DUTY INCENTIVE PAY (HDIP) FOR FLYING DUTY

220101. Entitlement. Members under competent orders to participate in regular and frequent aerial flights as crew or non-crew members, who otherwise meet the requirements of this chapter, are entitled to flying pay for such duty. Officers, including aviation cadets, entitled to aviation career incentive pay under section 2202, below, of this chapter are not entitled to payments under this section.

220102. Rates

★A. Monthly HDIP rates for crew members covered by this section are shown in Table 22-1 except for HDIP entitlement under paragraph 220116, below. Monthly HDIP rate for non-crew members is \$150.

B. Definitions

1. Aerial Flights. Aerial flights mean flights in military aircraft or spacecraft, and also flights in nonmilitary aircraft when required by competent orders to fly such aircraft. A flight begins when the aircraft or spacecraft takes off from rest at any point of support located on the surface of the earth and terminates when it next comes to a complete stop at a point of support located on the surface of the earth.

2. Aviation Accident. Aviation accident means an accident in which a member who is required to participate frequently and regularly in aerial flights is injured or otherwise incapacitated as the result, as attested by the appropriate medical authority of the Uniformed Service concerned, of:

(a) Jumping from, being thrown from, or being struck by, an aircraft or spacecraft, or any part or auxiliary thereof, or

(b) Participation in any duty authorized aerial flight or other aircraft or spacecraft operations. Such term also means an incapacity incurred as the result, as certified by appropriate medical authority, of performance of flying duty, even though such incapacity is not the result of an actual aviation accident.

220103. Flight Requirements. A member in a flying status must perform the minimum aerial flights in subparagraph A, below:

A. Minimum Flying Time Each Month

1. During 1 calendar month--4 hours of aerial flight. However, if a member does not fly 4 hours in any month, hours flown during the last 5 preceding months which have not already been used to qualify for flight pay, may be applied to meet this 4-hour requirement.

2. During 2 consecutive calendar months when the requirements of subparagraph A.1, above, have not been met--8 hours of aerial flight.

3. During 3 consecutive calendar months when the requirements of subparagraph A.2, above, have not been met--12 hours of aerial flight.

B. Fractions of a Calendar Month. For fractions of a calendar month, figure what percentage the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month. (See Table 22-2.)

C. Fractions of 2 Consecutive Calendar Months. For fractions of 2 consecutive calendar months, consider the period in question as a unit. Figure what percentage the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month. (See Table 22-2.)

D. Application of Hours Flown. Hours flown in any month apply to the extent of hours available:

1. First, to meet flight requirements for that month.

2. Next, if the member has entered a grace period for meeting flight requirements, to the prior month or months, as applicable.

3. Next, in order, to the first, second, third, fourth, and fifth succeeding months, but only to the extent that the member fails, during each such month, to fly the required 4 hours. (Such hours available to meet requirements of later months are referred to as "excess" flight time.) See examples in Tables 22-4 and 22-5.

E. Military Operations or Unavailability of Aircraft. When, under authority conferred by the Secretary of the Military Department concerned, the commanding officer certifies a member is unable to meet normal flight requirements because military operations (combat or otherwise) or unavailability of aircraft prevents the completion of such requirements, the member may comply with the minimum flight requirements by performing 24 hours of aerial flight over a period of 6 consecutive calendar months. The commanding officer must certify that only conditions under this subparagraph prevent completion of normal flight requirements. The 24-hour flight requirement may be met at any time during the 6-calendar-month period and in any combination of flights.

1. If the member is in a 3-calendar-month grace period when military operations or unavailability of aircraft prevents fulfillment of flight requirements, then the 6 calendar month period for meeting the 24-hour flight requirement under this subparagraph begins on the first day of the grace period.

2. If the member is not in a 3-calendar-month grace period, then the first month in which military operations or unavailability of aircraft prevents fulfillment of flight requirements is the beginning of the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph.

3. During the 6-calendar-month period, hazardous duty incentive pay for flying may be paid for any single month or for multiple months when minimum requirements have been met.

4. At the end of the 6-calendar-month period, hazardous duty incentive pay for flying may be paid for missed months in the period to the extent the remaining hours flown are applicable. Excess hours are applied prospectively under subparagraph D, above, if member continues to fly under the same orders.

220104. Determination of a 3-Calendar-Month Period

A. When 3-Month Period Starts and Ends. The 3-calendar-month period in which flight requirements must be met begins with the first month in which flight requirements are not met. If the member flies enough time in the second month to cover the first and second months, then the period ends with the second month. If not, the period extends through the third month.

B. Deficiencies for Fraction of a Month. If a member fails to qualify for a fraction of a month (because flying status or active duty began on an intermediate day of the month), then the 3-month period ends on the last day of the second full month following the fractional month.

C. When Next 3-Month Period Starts. A new 3-month period starts with the first month in which flight requirements are not met following a month in which flight requirements were met. For a new 3-month period to begin immediately after a prior 3-month period, flight requirements must have been met for the entire prior 3-month period, not merely for the last month. If the requirements for the entire prior 3-month period were not met, a new period does not begin until flight requirements are met for at least 1 month after the prior 3-month period. After such a month when flight requirements are met, a month in which flight requirements are not met begins a new 3-month period. A new period may not start with the second or third month in which flight requirements are not met; nor may a new period start with the fourth month in which flight requirements are not met. There must be at least 1 month in which requirements are met before a new 3-month period begins. Tables 22-4 and 22-5 show how the above rules apply.

220105. Entitlement to Pay When No Flights Performed in First Month of 3-Month Period. Assume for the purposes of subparagraphs A, B, and C, below, that the member had no excess flight time from prior months.

A. Second Month. If a member performs no aerial flights during the first month of a 3-month period and in the second month performs at least 4 hours but less than 8 hours, member is entitled to pay for the second month only. For example: in January, no aerial flights are performed; in February, 5 hours of aerial flights are performed. Flying pay is payable for February.

B. Third Month. If a member performs no aerial flights during the first 2 months of a 3-month period, member must perform 12 hours of aerial flight in the third month to be entitled to incentive pay for all 3 consecutive months. For example: if flight requirements are met for January and a member performs no flights during the months of February and March, member must perform at least 12 hours in April to be entitled to receive the incentive pay for the period 1 February to 30 April. If the member performs 4 or more hours, but less than 12 hours in April, the member is entitled to incentive pay for April only.

C. First and Third Months. If a member performs no aerial flights during the first month and in the second month performs only sufficient flights to qualify for the second month, then the member must perform enough hours of flights to make a total of 12 hours during the third month to qualify for the incentive pay for the first and third month of the 3-month period. For example: In January, no aerial flights are performed; in February, 5 hours of aerial flights are performed. The deficiency in January must be made up in March; that is, if at least 7 hours are accomplished in March, flying for January and March is payable. If only 6 hours are flown in March, then flying pay is payable for March only (payment for February having previously been made) and incentive pay for January is lost.

220106. Injury or Incapacity Resulting From Performance of Hazardous Duty

A. Flight Requirements. When a member in a flying status is injured or otherwise incapacitated as a result of performance of flying or other hazardous duty to which ordered, member is considered to have met flight requirements during the incapacity, but for not longer than 3 months. Appropriate medical authority determines the cause of the incapacity and the date of recovery. If the member has met flight requirements for the month in which the incapacity occurs, then the 3-month period begins the first day of the following month. If member has not met flight requirements for the month in which the incapacity occurs, the 3 month period begins the first day of the month in which the incapacity occurs.

B. Change of Station for Medical Treatment. When a member in receipt of flying pay under the terms of subparagraph A, above, is ordered to a medical facility on permanent change of station, temporary duty, or temporary additional duty orders, member is entitled to flying pay for the period of incapacity, but not longer than 3 months, notwithstanding the change of station, provided member's continued flying status is not terminated.

C. Incapacity Due to Shock, Derangement, or Exhaustion. A member who becomes incapacitated for flying duty by reason of shock, derangement, or exhaustion of the nervous system, which can be attributed to an aviation accident or the performance of aerial flights, is deemed to have met the flight requirements for not more than 3 months following the date of the incapacity, as determined by appropriate medical authority. The 3-month period is determined under the provisions of subparagraph A, above. See also subparagraph 220102.B, above.

D. Hazardous Duty for Stated Period. If a member has been placed on flying status for a definite period and entitled to flying pay while incapacitated as a result of performance of flying duty, then flying pay is not normally payable beyond the ending date of duty period stated in the orders. However, when evidence is furnished that the member would have continued in flying status had it not been for the incapacity, flying pay may be paid beyond the ending date of the duty.

220107. Incapacity Not the Result of Performance of Hazardous Duty. The right of a member on flying status to flying pay during incapacity which is not the result of performing hazardous duty, depends on fulfillment of flight requirements under paragraph 220103, above.

220108. Right to Flying Pay Under Certain Conditions. See Table 22-3.

220109. Determinations Affecting Entitlement to Flying Pay

A. Flying Pay From Date of Reporting for Duty. A member is entitled to flying pay on and after the date that he or she reports for and enters upon duty under competent orders, subject to meeting flight requirements. A member in a non-duty status (such as on leave or sick) at the time that flying status orders are issued is not entitled to flying pay for any period before he or she reports for and enters on duty under such orders.

B. Excess Flight Time. When authorized under paragraph 220103, above, flight time in excess of the time required or insufficient to qualify for a particular month, may be applied against a later month in which minimum requirements are not met provided that the orders under which flying time was logged remain in effect.

C. Change of Designation, Non-crew Member to Crew Member or Vice Versa. A member whose status changes from non-crew member to crew member, or vice versa, within a month/unit period may not combine time flown in both categories for pay purposes. The member is entitled to flying pay as a non-crew member for the period of time member held that status if member met the pro rata requirements as a non-crew member. The member is entitled to flying pay as a crew member for the period of time member held that status if member met the pro rata requirements as a crew member.

D. Change From One Crew Member Status to Another Crew Member Status. Flights as one type of crew member may be combined with flights as another type of crew

member if the member remains on continuous active duty and continuous flying status. Total requirements may be met in either crew member status or a portion may be met in each status.

Example: Aviation cadet who is given a rating as navigator and issued new flying status orders immediately following termination of former orders.

E. Missing, Missing-in-Action, etc. A member is entitled to flying pay when carried in a missing status as defined in the definitions and for the period of required hospitalization and rehabilitation, not to exceed 1 year, after termination of member's missing status. (See paragraph 220115, below.) Members continued in a flying status are entitled to flying pay after termination of the period authorized under paragraph 220115 only if they meet flight requirements in subparagraph 220103.A, above. A new 3-month grace period does not start when the period authorized under paragraph 220115 ends; it starts with the month of deficiency, even though the member was in a missing status at that time. Hence, if the missing status goes beyond the 3-month grace period, the member must meet flight requirements for one month to become entitled to flight pay after the period authorized under paragraph 220115 ends. If the member does not meet flight requirements after the period authorized under paragraph 220115, then the member is entitled to pro rata flying pay through the date of such authorized period.

F. Death

1. Death Due to Aviation Accident. If death occurs on the date of the aviation accident, then flying pay accrues to include the date of death. However, if death occurs after the 3-month period has expired, flying pay is not authorized for any day after the expiration of such period. Flying pay for the month or period before the month in which the accident occurred is not authorized unless flight requirements were met for that period.

2. Death Due to Other Causes. If death occurs from causes other than an aviation accident, then flying pay is payable to and including the date of death if the member has met pro rata flight requirements for the month of death and was on flying status.

220110. Suspensions From Flying Status, Effect on Flying Pay

A. Flying Pay for Period of Suspension. Except under subparagraphs B and C, below, members are not entitled to flying pay for a period while suspended from flying status. Members are considered suspended on the effective date of suspension. Members are considered in a flying status on the day the suspension is removed or terminated. Payment for a period of suspension cannot be made in any case until the suspension has been removed or terminated.

B. Suspension for Other Than Physical Incapacity for Members Required to Perform Minimum Flight Requirements. Such members are entitled to flying pay for a period of suspension from flying status, provided the suspension is removed or terminated and they meet flight requirements as prescribed in paragraph 220103, above. If such members have excess flights performed before suspension, then the grace period in paragraph 220103 begins on the

first month of the period of suspension not covered by excess flights.

Example: Members suspended from flying status on February 1. They had 16 hours excess flying time as of January 31. Flying pay is stopped on January 31. Suspension subsequently is removed (or terminated) June 30. They flew 12 hours in the month of July. After removal of suspension, pay flying pay for February 1 through May on basis of the 16 excess hours accumulated in the 5 months before February 1. The grace period authorized by paragraph 220103 started on June 1. The hours flown in July qualified members for flying pay for June and July.

C. Suspension for Physical Incapacity of Members Subject to Minimum Flight Requirements. Members are entitled to flying pay during a period of grounding due to physical incapacity if flight requirements of paragraph 220103, above, are met. They are also entitled during a period of suspension, if the suspension is removed or terminated and flight requirements are actually met. (There are no flight requirements during the first 3 months of a period of incapacity incurred as the result of performance of an assigned hazardous duty. See paragraph 220106, above.)

D. Suspension Removed or Terminated. If a suspension is removed or terminated after the member can no longer qualify for flying pay under subparagraphs B or C, above, then there is loss of pay for any period that is not covered by paragraph 220103, above. Flying pay accrues after the suspension is removed or terminated for members required to meet minimum flight requirements from the date of reporting for flying duty after the suspension is removed or terminated, if flight requirements are met.

220111. Payment of Flying Pay and Incentive Pay for Other Hazardous Duty. Members who qualify for flying pay and incentive pay for one or more other types of hazardous duty may receive the flying pay and incentive pay for only one other hazardous duty for the same period. Dual hazardous duty incentive pay is limited to those members required by orders to perform specific multiple hazardous duty necessary for successful accomplishment of the mission of the unit to which assigned.

A. Conditions of Entitlement. The hazardous duties for which dual incentive pay is made must be an integral part of the member's assigned mission. Accomplishment of the assigned mission must require members to perform specific multiple hazardous duties. Members must meet minimum requirements for each of the hazardous duties except when injury or incapacity as the result of performance of hazardous duty is involved.

B. Types of Duties That Qualify Member for Dual Payment of Hazardous Duty Incentive Pay: (See also subparagraph 240105.B.)

1. Air Force pararescue team members placed on orders to perform duties as both crew members and parachutists.
2. Other combinations of hazardous duties for which dual payments

of incentive pay are authorized by the Military Services concerned.

C. Injury or Incapacity as a Result of Performance of Hazardous Duty or Dual Hazardous Duties. If members required to perform more than one hazardous duty are injured or otherwise incapacitated as a result of any of the duties, they then are entitled to dual incentive pay during the incapacity, but for no longer than 3 months. If not entitled to dual incentive pay at the time of the incapacity, they then are entitled to the type of incentive pay they were receiving at the time of the incapacity. The beginning date of the 3-month period must be determined separately for each type of incentive pay. Use paragraph 220106, above, or Table 24 -1, as applicable, to determine the 3-month period separately for each incentive pay.

220112. Restriction on Payment of Flying Pay and Diving Duty Pay. See paragraph 110501.

220113. Restriction on Payment of Flying Pay and Aviation Officer Continuation Pay (AOCP). See section 1506.

220114. Authority To Issue Orders. Authority to issue orders requiring performances of flying duty, granting waivers of performance requirements, and/or extending unit periods during which requirements may be met, as appropriate, is delegated by the Secretaries of the Military Departments to specific commanders within each Military Service. Such delegations are contained in personnel administrative regulations of the Military Services.

220115. Missing Status, Member's Entitlement. A member receiving flying pay when entering a missing status is entitled to flying pay during the period of absence and for the period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of missing status. The member's entitlement to flying pay upon termination of the required period of hospitalization and rehabilitation or the 1 year period after date of return from missing status, whichever is earlier, will be contingent on a determination of continued eligibility under paragraph 220101, above, and the applicable flight requirement provisions of this chapter.

220116. HDIP for Duty as Air Weapons Controller Crew Members for Officers, Warrant Officers, and Enlisted Members. Effective February 10, 1996, a member under competent orders to participate in frequent and regular aerial flight as an air weapons controller crew member aboard airborne warning and control system aircraft (AWACS), is entitled to HDIP at a monthly rate in Table 22-8 when requirements of this section are met.

A. An officer entitled to ACIP under section 2202 of this chapter is not entitled to HDIP under this paragraph.

B. A member entitled to HDIP for AWACS duty is not entitled to HDIP for flying.

C. An officer entitled to aviation officer continuation pay is not entitled to HDIP under this paragraph.

2202 AVIATION CAREER INCENTIVE PAY (ACIP) FOR RATED OR DESIGNATED OFFICERS, AVIATION CADETS AND WARRANT OFFICERS220201. Entitlement

★A. Aviation career incentive pay (ACIP) shall be restricted to regular and reserve officers who hold, or are in training leading to an aeronautical rating or designation and who engage and remain in aviation service on a career basis. Entitlement to ACIP may be on a continuous or conditional (month to month) basis. Officers above pay grade O-6 with over 25 years of aviation service are not authorized ACIP, either continuous or conditional.

1. Continuous ACIP. Qualification for entitlement to continuous ACIP is earned by completing a prescribed minimum number of operational flying years before reaching a specific control or gate year of aviation service. The detailed requirements are described below. Entitlement to continuous ACIP ceases for an officer (other than a warrant officer) upon completion of 25 years of aviation service. Flight surgeons and other medical officers are not entitled to continuous ACIP.

a. An officer qualified for aviation service (except a flight surgeon or medical officer) is entitled to continuous ACIP starting when the officer enters flight training leading to the original rating or when appointed an officer, whichever is later, and continues until the officer completes 12 years of aviation service.

b. An officer qualified for aviation service (except a flight surgeon or other medical officer) who has performed at least 8 years of operational flying duty upon completion of 12 years of aviation service is entitled to continuous ACIP for the first 18 years of aviation service.

c. An officer qualified for aviation service (except a flight surgeon or other medical officer) who has performed at least 10, but less than 12 years, of operational flying duty upon completion of 18 years of aviation service is entitled to continuous ACIP for the first 22 years of aviation service.

d. An officer qualified for aviation service (except a flight surgeon or other medical officer) who has performed at least 12 years of operational flying duty upon completion of 18 years of aviation service is entitled to continuous ACIP for the first 25 years of aviation service.

e. The Secretary of the Military Department concerned may permit, on a case by case basis, an officer to continue to receive continuous monthly incentive pay despite the failure of the officer to perform the prescribed operational flying duty requirements during the prescribed periods of time, so long as the officer has performed those requirements for not less than 6 years of aviation service. The Secretary concerned may not delegate this approval authority.

2. Conditional ACIP. Qualification for entitlement to conditional ACIP is earned by completing a prescribed minimum number of operational and/or proficiency flying hours per month. The detailed flying hour requirements are described in paragraph 220203. Flight surgeons and other medical officers who have an aeronautical rating or designation and are qualified for aviation service, as well as other aviation officers who do not qualify for continuous ACIP because of missed gate year requirements or aviation duty in excess of 25 years, may qualify for entitlement to conditional ACIP.

B. A rated or designated officer qualified for aviation service, but not receiving continuous or conditional ACIP, may be required by competent orders to perform hazardous duty for flying as a crew member or non-crew member. When the minimum flight requirements are met under the provisions of section 2201, the officer is entitled to HDIP for flying. A member entitled to ACIP is not entitled to HDIP when flying as crew member or non-crew member.

C. The provisions of this paragraph apply to Reserve Component officers as long as the requirements are met for an aviation service career (not on extended active duty) defined in the definitions.

220202. Rates and Definitions

★A. Rates. The rates for continuous and conditional ACIP are the same and are listed in table 22-6.

1. Warrant officers qualified for either continuous or conditional ACIP will continue to receive the rate prescribed for officers with over 14 years of aviation service, without reduction, when aviation service exceeds 22 years.

2. An officer in pay grade O-7 may not be paid ACIP at a rate greater than \$200 per month. An officer in pay grade O-8 or above may not be paid ACIP at a rate greater than \$206 per month. An officer above pay grade O-6 with over 25 years of aviation service may not be paid ACIP, either continuous or conditional.

3. In time of war, the President may suspend the payment of aviation career incentive pay.

B. Definitions

1. The terms "aerial flights and aviation accident" are defined in section 2201, subparagraph 220102.B, above.

★2. Aviation service. Aviation service means service performed by an officer (except a flight surgeon or other medical officer) while holding an aeronautical rating or designation or while in training to receive an aeronautical rating or designation. For the purposes of table 22-6, aviation service as an officer begins on the day, month, and year the officer first

reports under competent flight orders to the aviation facility having aircraft in which the officer receives flight training leading to the award of an aeronautical rating or designation, and continues to accumulate from that date without exceptions as long as the flight rating remains in effect.

3. Operational Flying. Operational flying is flying performed by officers in training that leads to the award of an aeronautical rating or designation, and flying performed under competent orders by rated or designated officers while serving in assignments in which basic flying skills (as determined by the Secretary concerned) normally are maintained in the performance of assigned duties.

★4. Proficiency flying. Proficiency flying is flying performed under competent orders by rated or designated members while serving in assignments in which such skills would normally not be maintained in the performance of assigned duties.

5. Aviation Cadet. Aviation cadet is a term which applies to a member enlisted and designated as an aviation cadet under 10 U.S.C. 6911 (reference (c)). Service as an aviation cadet on or after November 14, 1986 counts for entitlement to ACIP. Where aviation cadet is not specified in section 2202, the term "officer" includes member so designated.

220203. Flight Requirements for Monthly (Conditional) ACIP. An officer covered by subparagraph 220201.A, above, must meet the minimum flight requirements of this subparagraph to be entitled to monthly (conditional) ACIP.

A. Minimum Flying Time Each Month

1. During 1 calendar month--4 hours of aerial flight. However, if an officer does not fly 4 hours in any month, hours flown during the last 5 preceding months which have not already been used to qualify for ACIP may be applied to meet this 4-hour requirement.

2. During 2 consecutive calendar months when the requirements of subparagraph A.1, above, have not been met-- 8 hours of aerial flight.

3. During 3 consecutive calendar months when the requirements of subparagraph A.2, above, have not been met-- 12 hours of aerial flight.

B. Fractions of a Calendar Month. For fractions of a calendar month, figure what percentage the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month. (See Table 22-2.)

C. Fractions of 2 Consecutive Calendar Months. For fractions of 2 consecutive calendar months, consider the period in question as a unit. Figure what percentage the period in question is of a calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month. (See Table 22-2.)

D. Application of Hours Flown. Hours flown in any month apply to the extent of hours available:

1. First, to meet flight requirements for that month.
2. Next, if the officer has entered a grace period for meeting flight requirements, to the prior month or months as explained in paragraph 220205, below.
3. Next, in order, to the first, second, third, fourth, and fifth succeeding months, but only to the extent that the officer fails, during each such month, to fly the required 4 hours. (Such hours available to meet requirements of later months are referred to as "excess" flight time.) (See examples in Tables 22-4 and 22-5.)

E. Military Operations or Unavailability of Aircraft. When an officer is unable to meet normal flight requirements because military operations (combat or otherwise) or unavailability of aircraft prevents the completion of such requirements, the officer may comply with the minimum flight requirements by performing 24 hours of aerial flight over a period of 6 consecutive calendar months. The commanding officer must certify that only conditions under this subparagraph prevent completion of normal flight requirements. The 24-hour flight requirement may be met at any time during the 6 calendar-month period and in any combination of flights.

1. If the officer is in a 3-calendar-month grace period when military operations or unavailability of aircraft prevents fulfillment of flight requirements, then the 6 calendar-month period for meeting the 24-hour flight requirement under this subparagraph begins on the first day of the grace period.

2. If the officer is not in a 3-calendar-month grace period, then the first month in which military operations or unavailability of aircraft prevents fulfillment of flight requirements is the beginning of the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph.

3. During the 6-calendar-month period, monthly (conditional) ACIP may be paid for any single month or for multiple months when minimum requirements have been met.

4. At the end of the 6-calendar-month period, monthly (conditional) ACIP may be paid for missed months in the period to the extent the remaining hours flown are applicable. Excess hours are applied prospectively under subparagraph D, above, if officer continues to fly under the same orders.

F. Flight Requirements for Reserve Component Personnel (Not on Extended Active Duty). Minimum monthly flight requirements are contained in chapters 57 and 58.

220204. Determination of a 3-Calendar-Month Period for Entitlement to Monthly (Conditional) ACIP

A. First Month. The first month in which an officer fails to meet flight requirements marks the beginning of the initial 3-calendar-month grace period allowed for meeting flight requirements. Succeeding grace periods begin according to subparagraph D, below.

B. Second and Third Month. If the officer flies enough hours in the second month to cover the first and second months, then the grace period ends with the second month. If not, grace period extends through the third month.

C. Deficiencies for Fraction of a Month. If the officer fails to qualify for a fraction of a month because flying status or active duty began on an intermediate day of the month, then the 3-calendar-month period ends on the last day of the second full month following the fractional month.

D. When Next 3-Calendar-Month Period Starts. A new 3-calendar-month period starts on the first day of the month in which flight requirements are not met (month of failure). The foregoing is subject to the following limitations (See Tables 22-4 and 22-5 for examples.):

1. If a month of failure immediately follows a 3-calendar-month period in which all flight requirements were met (not merely for the last month), then a new 3-calendar-month period starts with the month of failure.

2. However, if a month of failure immediately follows a 3-calendar-month period in which all flight requirements were not met, then a month of failure does not start a new 3-calendar-month period. The officer must meet flight requirements for at least 1 month after which a new 3-calendar-month period may start.

3. After any month in which flight requirements are met following a 3-calendar-month period, a new 3-calendar-month period starts with the next month of failure whether or not requirements were met for the most recent 3-calendar-month period.

220205. Entitlement to Monthly (Conditional) ACIP When No Flights Performed in First Month of 3-Calendar-Month Period. Assume for the purpose of subparagraphs A, B, and C, below, that the officer had no excess flight time from prior months.

A. Second Month. If an officer does not fly during the first month of a 3-calendar-month period and in the second month flies at least 4 hours but less than 8 hours, the officer is entitled to conditional ACIP for the second month only. For example: If 0 hours are flown in January and 7 hours flown in February, then conditional ACIP is due for February.

B. Third Month. If an officer does not fly during the first 2 months of a

3-calendar-month period, then the officer must fly at least 12 hours in the third month to be entitled to conditional ACIP for more than the third month. For example: 0 hours flown in January; 0 hours flown in February; 12 hours flown in March. Conditional ACIP is due for January, February, and March. Otherwise: 0 hours flown in January; 0 hours flown in February; 10 hours flown in March. Conditional ACIP is due for March only. Excess hours flown in March are carried forward.

C. First and Third Months. If an officer does not fly during the first month and in the second month flies only enough hours to qualify for the second month, the officer must fly enough hours in the third month to total 12 hours to qualify for conditional ACIP for the first and third months of the 3-calendar-month period. For example: 0 hours are flown in January, 5 hours are flown in February, and 7 hours are flown in March, then, conditional ACIP is due for January, February, and March. Otherwise, if 0 hours are flown in January, 5 hours are flown in February, and 6 hours are flown in March, then conditional ACIP is due only for February and March. Excess hours from February and March are carried forward.

220206. Injury or Incapacity Resulting From Performance of Flying Duty. An officer who is medically incapacitated will be considered qualified for aviation service until disqualified for aviation service. Effective December 15, 1994, disqualification for medical incapacity will be effected on the first day following a period of 365 days that commences on the date of incapacitation, or on the date a competent medical authority determines the medical incapacitation to be permanent, whichever is earlier (referred to as the "incapacitation period"). No entitlement to ACIP exists during a period of disqualification. Entitlement for the period of incapacity before medical disqualification is shown in the subparagraphs that follow.

A. Officer Entitled to Continuous ACIP. When an officer who is entitled to continuous ACIP is injured or otherwise incapacitated as a result of flying or as a result of shock, derangement, or exhaustion of the nervous system attributed to an aviation accident or the performance of aerial flight, entitlement continues past the date of incapacitation and through the day before the date of disqualification for aviation service.

B. Officer Entitled to Monthly (Conditional) ACIP. Although a medically incapacitated officer who is entitled to monthly (conditional) ACIP remains qualified for aviation service during the incapacitation period described above, entitlement for this period is based on the following:

1. Flight Requirements. When an officer in this category is injured or otherwise incapacitated as a result of the performance of flying duty to which ordered, the officer is considered to have met flight requirements during the incapacity, but for not longer than 3 months. Appropriate medical authority determines the date and cause of incapacity, and the date of recovery. If the officer has met flight requirements for the month in which the incapacity occurs, then the 3-month period begins the first day of the following month. If the officer has not met flight requirements for the month in which the incapacity occurs, then the 3-month period begins on the first day of the month in which the incapacity occurs. The officer must have logged enough hours to meet minimum flight requirements for the remaining months of the

period before disqualification. An officer may not use hours flown after a period of disqualification to meet minimum flight requirements for a period before disqualification.

2. Change of Station for Medical Treatment. When an officer receiving monthly (conditional) ACIP under subparagraph B.1, above, is ordered to a medical facility upon permanent change of station, temporary duty, or temporary additional duty orders, the entitlement to pay continues for the period of incapacity, but not longer than 3 months. (This is true in the case of a change of station provided the officer's orders to fly are not terminated.)

3. Incapacity Due to Shock, Derangement, or Exhaustion. An officer entitled to monthly (conditional) ACIP who becomes incapacitated for flying duty by reason of shock, derangement, or exhaustion of the nervous system which can be attributed to an aviation accident or the performance of aerial flights, is considered to have met the flight requirements for not more than 3 months following the date of the incapacity, as determined by appropriate medical authority. The 3-month period is determined according to subparagraph B.1, above.

4. Flying Duty for Stated Period. When an officer ordered to flying duty for a definite period is entitled to monthly (conditional) ACIP while incapacitated as a result of performing flying duty, the entitlement does not normally extend beyond the ending date of the duty period stated in orders. However, when evidence is furnished that the officer would have continued under orders to fly had it not been for the incapacity, monthly (conditional) ACIP may be paid beyond the ending date of the duty but no longer than 3 months after the incapacity.

220207. Incapacity Not the Result of Performance of Flying Duty. An officer who is medically incapacitated will be considered qualified for aviation service until disqualified for aviation service. Disqualification for medical incapacity will be effected on the first day following a period of 365 days that commences on the date of incapacitation, or on the date a competent medical authority determines the medical incapacitation to be permanent, whichever is earlier. No entitlement to ACIP exists during a period of disqualification. Entitlement for the period of incapacitation before disqualification is shown in subparagraphs that follow:

A. Officer Entitled to Continuous ACIP. When an officer who is entitled to continuous ACIP is incapacitated not as the result of performing flying duty, entitlement continues past the date of incapacitation and through the day before the date of disqualification for aviation service.

B. Officer Entitled to Monthly (Conditional) ACIP. When an officer who is entitled to monthly (conditional) ACIP is incapacitated not as the result of performing flying duty, continuation of entitlement for the period before disqualification is dependent on the officer meeting the minimum flight requirements under paragraph 220203, above. The Officer is not entitled to 3-month grace period under subparagraph 220206.B.1, above.

220208. Right to ACIP Under Certain Conditions. See Table 22-3.

220209. Determinations Affecting Entitlement to ACIP

A. From Date of Reporting for Duty (Not Applicable to Continuous ACIP).

An officer who is entitled to monthly (conditional) ACIP is entitled to such pay on and after the date the officer reports for and enters upon duty under competent orders, subject to minimum flight requirements and the following qualification: An officer in a non-duty status (such as on leave or sick) at the beginning date for a period of flying under competent orders is not entitled to monthly (conditional) ACIP for any period before the officer reports for and enters on duty under such orders.

B. Excess Flight Time (Not Applicable to Continuous ACIP).

When authorized under paragraph 220203, above, flight time in excess of the time required or insufficient to qualify a particular month for pay, may be applied against a later month in which minimum requirements are not met, provided that the aeronautical orders under which the flying time was logged remain in effect (that is, continuous flying status exists for member concerned).

C. Death Due to Aviation Accident

1. If death occurs on the date of an aviation accident, then ACIP (either continuous or conditional) is payable for the month of death through the date of death. Note also the following subparagraph C.2.

2. Entitlement to continuous ACIP for the period before the month in which an aviation accident occurs is continuous. However, entitlement to monthly (conditional) ACIP for the period before the month in which an aviation accident occurs is subject to minimum flight requirements. Therefore, a situation may exist in which monthly (conditional) ACIP is payable according to subparagraph C.1, C.3, or C.5 of this paragraph, but not for the period immediately before the officer's aviation accident.

3. If death occurs within the 3-month grace period under paragraph 220206, above, then ACIP (either continuous or conditional) is payable from the month of medical incapacitation through the date of death.

4. If death occurs after the expiration of the 3-month grace period under paragraph 220206, above, and before the first day following the incapacitation period described in paragraph 220206, then continuous ACIP is payable through the date of death.

5. If death occurs after the expiration of the 3-month grace period under paragraph 220206, above, and before the first day following the incapacitation period described in paragraph 220206, then monthly (conditional) ACIP is payable through the 3-month period; it is payable after the 3-month period through the date of death to the extent excess flying hours are available for application.

6. If death occurs on or after the first day following the incapacitation period described in paragraph 220206, above, then continuous ACIP is payable through the incapacitation period.

7. If death occurs on or after the first day following the incapacitation period described in paragraph 220206, above, then monthly (conditional) ACIP is payable after the 3-month period through the incapacitation period to the extent excess flying hours are available for application.

D. Death Due to Other Causes

1. If death occurs from causes other than an aviation accident and the date of death is also the date of medical incapacitation, then continuous ACIP is payable through the date of death. Monthly (conditional) ACIP is payable through the date of death, subject to minimum flight requirements.

2. If death occurs from causes other than an aviation accident and the date of death is before the first day following the incapacitation period described in paragraph 220206, above, then continuous ACIP is payable through the date of death. Monthly (conditional) ACIP is payable to the extent excess flying hours are available for application.

3. If death occurs from causes other than an aviation accident and the date of death is on or after the first day following the incapacitation period described in paragraph 220206, above, then continuous ACIP is payable through the incapacitation period. Monthly (conditional) ACIP is payable through the incapacitation period to the extent excess flying hours are available for application.

220210. Disqualification for Aviation Service, Suspension of Aviation Service. Periods of disqualification and/or suspension are established by competent orders.

A. Disqualification. An officer may be disqualified for aviation service for medical or professional reasons according to regulations of the Military Service concerned. (In the case of disqualification for medical reasons, the following applies for all Military Services: Disqualification for medical incapacity will be effected on the first day following a period of 365 days that commences on the date of incapacitation, or on the date a competent medical authority determines the medical incapacitation to be permanent, whichever is earlier.) ACIP is not authorized on any basis for any period during which an officer is disqualified for aviation service. After a period of disqualification, entitlement to ACIP resumes as follows:

1. Officer Entitled to Continuous ACIP. Entitlement resumes on the date the officer is again qualified for aviation service. (For example, an officer who requalifies on the 20th is entitled to 11/30 of ACIP for that month.)

2. Officer Entitled to Monthly (Conditional) ACIP. Minimum flight requirements must be met beginning with the date that the officer is again qualified for aviation service. (For example, an officer who requalifies on the 16th, and flies 2 or more hours, is entitled to 15/30 of ACIP for that month.) An officer may not use hours flown after a period of disqualification to meet minimum flight requirements for a period before disqualification.

B. Suspension

1. An officer is suspended by competent orders to permit temporary termination of aviation service when the status of future aviation service is uncertain.

2. When the officer is removed from suspended status, the officer either will be disqualified for aviation service or again qualified for aviation service.

C. Entitlement to ACIP for a Period of Suspension Changed to Disqualified. ACIP (continuous or conditional) to which an officer otherwise would be entitled is stopped during a period of suspension starting with the effective date of suspension in competent orders. If the suspended status is resolved so that the officer is disqualified for aviation service, then no entitlement to ACIP exists for the period of disqualification. (The effective date for disqualification must be the same as the effective date for suspension.)

D. Entitlement to ACIP for Period of Suspension Changed to Qualified. ACIP (continuous or conditional) to which an officer otherwise would be entitled is stopped during a period of suspension starting with the effective date of suspension in competent orders. If the suspended status is resolved so that the officer is qualified for aviation service, then entitlement to ACIP is based on subparagraphs D.1 and D.2, below. (The effective date for qualification must be the same as the effective date for suspension.)

1. Officer Entitled to Continuous ACIP. The officer is entitled to continuous ACIP beginning with the date the officer is again qualified for aviation service.

2. Officer Entitled to Monthly (Conditional) ACIP. Subject to the minimum flight requirements of paragraphs 220203 and 220204, above, the officer is entitled to monthly (conditional) ACIP beginning with the date that he or she is again qualified for aviation service.

220211. Concurrent Entitlement to ACIP and Hazardous Duty Incentive Pay (HDIP). Officers who are entitled to ACIP may also be entitled to HDIP under the provisions of chapter 24 if the conditions for entitlement independently have been met. Entitlement to HDIP is limited to no more than two payments for the same period of time officers qualify for more than one payment of that pay. (See paragraph 240105.)

220212. Authority To Issue Orders. Authority to issue orders requiring performance of flying duty, granting waivers of performance requirements, and/or extending unit periods during which requirements may be met, as appropriate, is delegated by the Secretaries of the Military Departments to specific commanders within each Military Service. Such delegations are contained in the personnel administrative regulations of the Military Services.

220213. Missing, Missing-in-Action, Officer's Entitlement

A. General. An officer receiving ACIP at the beginning of a period of missing status is entitled to ACIP during the entire period of absence and also (if applicable) for the period, not to exceed 1 year, required for hospitalization and rehabilitation after missing status ends. (For the purpose of this paragraph, an officer entitled to conditional ACIP is considered to be receiving ACIP when under competent orders to perform flying duty whether or not the officer has met the minimum flight requirements.)

B. Officer Entitled to Continuous ACIP. Entitlement to continuous ACIP upon termination of the period of absence or (if applicable) termination of a period, not to exceed 1 year, this is required for hospitalization and rehabilitation is contingent only upon continued eligibility under paragraph 220201, above.

C. Officer Entitled to Monthly (Conditional) ACIP. Entitlement to monthly (conditional) ACIP upon termination of the entire period of absence or (if applicable) termination of the period, not to exceed 1 year, that is required for hospitalization and rehabilitation is contingent upon continued eligibility under paragraph 220201, above. In addition, the officer must again meet minimum flight requirements subject to the following:

1. The 3-calendar-month grace period for meeting minimum flight requirements does not start when the period authorized under subparagraph A, above, ends. Instead, it starts with the first month of missing status in which the officer does not fly. Therefore, if the officer has met flight requirements for the month in which the missing status begins, the next calendar month is designated as the first month of a 3-calendar-month grace period. If the officer has not met flight requirements for the month in which the missing status begins, then that month is designated as the first month of a 3-calendar-month grace period for meeting minimum flight requirements. (This applies even though under later application of paragraph 220204, above, the month so designated is considered to be a month in which requirements are met based on performance-free entitlement due to missing status.)

2. If the missing status is terminated before the end of the 3-calendar-month period started according to subparagraph C.1, above, then the officer must meet flight requirements for the month(s) not covered by performance-free entitlement. If the officer fails to complete requirements for this entire 3-calendar-month period, then the officer must meet flight requirements for 1 month following such 3-calendar-month period before a new 3-calendar-month period may start.

3. If the missing status is terminated after or at the end of the 3-calendar-month period started according to subparagraph C.1, above, then the officer is considered to have met all flight requirements for the 3-calendar-month period plus any additional months of missing status by performance-free entitlement due to missing status. Therefore, a new 3-calendar-month period starts with the first month in which flight requirements are not met after the period authorized under subparagraph A, above, ends.

D. Excess Flight Time. Excess flight time accumulated by the officer before a missing status may be applied to months following the months covered by performance-free entitlement if the period authorized under subparagraph A, above, is terminated within the 5–calendar-month period permitted by paragraph 220203, above.

CREWMEMBER (EXCEPT FOR AWACS) RATES (Effective 1 Oct 1998)					
Pay Grade		Pay Grade		Pay Grade	
O-10	150	O-2	150	E-9	240
O-9	150	O-1	150	E-8	240
O-8	150	W-5	250	E-7	240
O-7	150	W-4	250	E-6	215
O-6	250	W-3	175	E-5	190
O-5	250	W-2	150	E-4	165
O-4	225	W-1	150	E-3	150
O-3	175			E-2	150
				E-1	150

Table 22-1. Crew Member (Except for AWACS) Rates (Effective October 1, 1998)

TIME OF AERIAL FLIGHT REQUIRED FOR FRACTIONAL PART OF THE MONTH					
Days	Hours of Aerial Flight		Days	Hours of Aerial Flight	
	Active Duty	Inactive Duty		Active Duty	Inactive Duty
1	.2	.1	16	2.2	1.1
2	.3	.2	17	2.3	1.2
3	.4	.2	18	2.4	1.2
4	.6	.3	19	2.6	1.3
5	.7	.4	20	2.7	1.4
6	.8	.4	21	2.8	1.4
7	1.0	.5	22	3.0	1.5
8	1.1	.6	23	3.1	1.6
9	1.2	.6	24	3.2	1.6
10	1.4	.7	25	3.4	1.7
11	1.5	.8	26	3.5	1.8
12	1.6	.8	27	3.6	1.8
13	1.8	.9	28	3.8	1.9
14	1.9	1.0	29	3.9	2.0
15	2.0	1.0	30-31	4.0	2.0

Table 22-2. Time of Aerial Flight Required for Fractional Part of the Month

RIGHT TO FLYING PAY OR ACIP UNDER CERTAIN CONDITIONS				
R U L E	A	B	C	D
	When a member in flying status is	and	and	then flying pay
1	sick in line of duty	flying status orders remain in effect	member meets or has met flight requirements or flight requirements do not apply	continue for the period of illness.
2	on authorized leave in pay status			continues for the period of leave (note 1).
3	on TDY			continues for the TDY period.
4	in a travel status (including authorized delay en route) on change of station			continues for the period of travel.
5	a Reservist released from active duty of more than 30 days	orders are not issued directing relief from all assigned duties	member has met flight requirements	continues for the period of allowable travel time home (note 2).
6	discharged and immediately reenlists at the same station without a break in service	flying status orders are not specifically terminated		entitlement is determined as if there had been no discharge.
7		flying status orders are specifically terminated		ceases on the date stated in orders.
8	incapacitated as a result of performance of flying duty			is payable as indicated in paragraphs 220106 or 220206.
9	an enlisted crew member whose flight orders include a termination date	is involuntarily removed from flying duty (note 3)	was given less than 120 days of advance notice of removal from flying duty (note 4)	continues either for 120 days after the date on which notified of such removal or until original flight orders termination date, whichever occurs first, without regard to the flight requirements of paragraph 220103.
10	an enlisted crewmember whose flight orders do not include a termination date	is involuntarily removed from flying duty (note 3)	was given less than 120 days advance notice of removal from flying duty (note 4)	continues for 120 days after the date on which notified of such removal without regard to the flight requirements of paragraph 220103.

NOTES:

- Do not count flights performed while on leave for pay purposes.
- Do not pay flying pay beyond the last day of the calendar month for which requirements are met.
- A member is not considered to be involuntarily removed from flying duty upon separation, confinement, relief for cause, reduction in grade, medical unfitness, absence without leave, or transfer to ground duty at own request.
- Advance notice of removal from flying duty shall be issued by competent authority in writing. Advance notice may be provided verbally if a suitable memorandum for the record is made and is later followed by written notification.

Table 22-3. Right to Flying Pay or ACIP Under Certain Conditions

FLIGHT EXAMPLES INVOLVING BASIC 3-MONTH GRACE PERIODS														
Month	Example 1		Example 2		Example 3		Example 4		Example 5		Example 6		Example 7	
	Hours	Entitled	Hours	Entitled	Hours	Entitled	Hours	Entitled	Hours	Entitled	Hours	Entitled	Hours	Entitled
January	4	Yes (note 1)	4	Yes (note 1)	4	Yes (note 1)	4	Yes (note 1)	4	Yes (notes 1-7)	2	Yes (notes 7-9)	0	Yes (note 5)
February	0	No (note 2)	0	No (note 2)	0	Yes (notes 2-5)	0	Yes (notes 2-6)	0	Yes (note 9)	0	Yes (note 9)	0	Yes (note 5)
March	4	Yes (note 1)	0	No	0	Yes (note 5)	8	Yes (note 1)	0	Yes (note 9)	0	Yes (note 9)	12	Yes (note 1)
April	0	No (note 3)	4	Yes (note 1)	12	Yes (note 1)	0	Yes (notes 2-5)	0	Yes (note 9)	0	No (note 2)	4	Yes (note 1)
May	0	No (note 4)	0	No (note 4)	0	Yes (notes 2-5)	0	Yes (note 5)	0	Yes (notes 2-5)	0	No (note 8)	0	No (notes 2-8)
June	4	Yes (note 1)	0	No	0	Yes (note 5)	12	Yes	0	Yes (note 5)	7	Yes (notes 1-11)	0	No (notes 2-8)
July	4	Yes (note 1)	4	Yes (note 1)	12	Yes (note 1)			12	Yes (note 1)			11	Yes (notes 1-11)
August	0	No (notes 2-8)	0	No (notes 2-8)	0	No (notes 2-8)							5	Yes (notes 1-11)

NOTES

1. Entitled to incentive pay based on that month's flights.
2. Begins a 3-month grace period.
3. New 3-month period does not begin, since this is last month of first 3-month period.
4. New 3-month period does not begin, since flight requirements were not met for previous entire period.
5. Entitled to incentive pay based on 3-month period.
6. Entitled to incentive pay based on 2-month period.
7. Injured in aircraft accident.
8. Not entitled to incentive pay, unless sufficient flights performed in following 1- or 2-month period.
9. Free entitlement period.
10. Two unused hours from January lost.
11. With excess hours available for application in 5 succeeding months as required.

Table 22-4. Flight Examples Involving Basic 3-Month Grace Periods

FLIGHT EXAMPLES INVOLVING 3-MONTH PERIODS AND EXCESS TIME						
Month	Hours Flown	Entitlement	Based on Hours Flown During	Excess and Unused Hours		Pertinent Factors
				That Month	Accumulated	
16-31 Jan	3.3	Yes	Jan	1.3	1.3	Placed on flying status 16 Jan
Feb	0	Yes	Jan 1.3; Mar 2.7	0	0	
Mar	6.7	Yes	Mar	0	0	
Apr	9	Yes	Apr	5	5	
May	5.5	Yes	May	1.5	6.5	
Jun	0	Yes	Apr	0	2.5	
Jul	1.5	Yes	Jul 1.5; Apr 1; May 1.5	0	0	
Aug	2	No	(note 1)	2	2	
Sep	4	Yes	Sep	0	2	
Oct	5	Yes	Oct	1	3	1 Aug lost
Nov	0	No	(note 2)	0	3	
Dec	3	Yes	Dec 3; Aug 1	0	2	
Jan	10	Yes	Jan	6	8	
Feb	0	Yes	Jan 3; Oct 1	0	3	
Mar	0	Yes	Jan 3; May 1	0	0	
Apr	0	Yes	May 4	0	0	
May	10	Yes	May	1	1	
Jun	0	Yes	Aug 3; May 1	0	0	
Jul	0	Yes	Aug 4	0	0	
Aug	17	Yes	Aug	6	6	
Sep	0	Yes	Aug 4	0	2	
Oct	2	Yes	Oct 2; Aug 2	0	0	
Nov	12	Yes	Nov	8	8	
Dec	0	Yes	Nov 4 (note 3)	0	4	
Jan	0	Yes	Nov 4 (note 3)	0	0	Suspension ended 1 May
Feb	0	No	(note 4)	0	0	
Mar	0	No		0	0	
Apr	0	No		0	0	
May	4	Yes	May	0	0	
Jun	30	Yes	Jun	26	26	Physically incapacitated 20 Jun Suspended 1 Oct (6 hours lost)
Jul	0	Yes	Jun 4	0	22	
Aug	0	Yes	Jun 4	0	18	
Sep	0	Yes	Jun 4	0	14	
Oct	0	Yes	Jun 4	0	10	
					(note 3)	
Nov	0	Yes	Jun 4	0	6	
					(note 3)	
Dec	0	No		0	0	
Jan	0	No		0	0	
Feb	0	No		0	0	
Mar	0	No		0	0	
Apr	9	Yes	Apr	5	5	Suspension ended 1 Apr

NOTES:

1. No excess hours available from previous 5 months and deficiency not made up within 2 following months.
2. Insufficient excess hours available from previous 5 months. New 3-month period does not begin since requirements were not met for entire 3-month period of August-October.
3. Payment made after the suspension ended.
4. Three-month grace period expired before suspension ended.

Table 22-5. Flight Examples Involving 3-Month Periods and Excess Time

MONTHLY AVIATION CAREER INCENTIVE PAY RATES (EFFECTIVE OCTOBER 17, 1998)-ALL OFFICERS (Notes)

(Including Flight Training) as an Officer	<u>Years of Aviation Service</u>	Monthly Rate
2 or less		\$125
Over 2		\$156
Over 3		\$188
Over 4		\$206
Over 6		\$650
Over 14		\$840
Over 22		\$585
Over 23		\$495
Over 24		\$385
Over 25		\$250

NOTES:

1. A rated officer in pay grade O-7 may not be paid incentive pay at a rate greater than \$200 per month.
2. A rated officer in pay grade O-8 or above may not be paid incentive pay at a rate greater than \$206 per month.
3. A rated officer in pay grade above O-6 may not be paid incentive pay after completion of 25 years of aviation service.
4. A rated warrant officer with over 22, 23, 24, or 25 years of aviation service, will continue to receive the rate prescribed for officers with over 14 years of aviation service.

Table 22-6. Monthly Incentive Pay Rates (Effective November 29, 1989)-Rated Officers, Aviation Cadets, Flight Surgeons, and Other Designated Medical Officers

AIR WEAPONS CONTROLLER CREWMEMBER INCENTIVE PAYS (Effective November 18, 1997)								
Pay Grade	Years of Service as an Air Weapons Controller							
	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
O-7 and above	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
O-6	225	250	300	325	350	350	350	350
O-5	200	250	300	325	350	350	350	350
O-4	175	225	275	300	350	350	350	350
O-3	150	156	188	206	350	350	350	350
O-2	150	156	188	206	250	300	300	350
O-1	150	156	188	206	250	250	250	250
	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 25	
O-7 and above	\$200	\$200	\$200	\$200	\$200	\$200	\$150	
O-6	350	350	350	300	250	250	225	
O-5	350	350	350	300	250	250	225	
O-4	350	350	350	300	250	250	225	
O-3	350	350	300	275	250	225	200	
O-2	300	300	275	245	210	200	180	
O-1	250	250	245	210	210	180	150	
	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
W-4	\$200	\$225	\$275	\$300	\$325	\$325	\$325	\$325
W-3	175	225	275	300	325	325	325	325
W-2	150	200	250	275	325	325	325	325
W-1	150	150	150	175	325	325	325	325
	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 25	
W-4	\$325	\$325	\$325	\$276	\$250	\$225	\$200	
W-3	325	325	325	325	250	225	200	
W-2	325	325	325	275	250	225	200	
W-1	325	325	325	275	250	225	200	
	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12
E-9	\$200	\$225	\$250	\$275	\$300	\$300	\$300	\$300
E-8	200	225	250	275	300	300	300	300
E-7	175	200	225	250	275	275	275	300
E-6	156	175	200	225	250	250	250	300
E-5	150	156	175	188	200	200	200	250
E-4 and below	150	156	175	188	200	200	200	200
	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 25	
E-9	\$300	\$300	\$300	\$275	\$230	\$200	\$200	
E-8	300	300	300	265	230	200	200	
E-7	300	300	300	265	230	200	200	
E-6	300	300	300	265	230	200	200	
E-5	250	250	250	225	200	175	150	
E-4 and below	200	200	200	175	150	150	150	

★Table 22-7. Air Weapons Controller Crewmember Incentive Pay Rates (Effective November 18, 1997)

CHAPTER 23

SUBMARINE DUTY PAY2301 INCENTIVE PAY FOR OPERATIONAL SUBMARINE DUTY

230101. Entitlement. Effective 1 January 1981, a member of the Navy who is entitled to basic pay but is not entitled to continuous monthly submarine duty incentive pay under section 2302, below, of this chapter, is entitled to submarine duty incentive pay for the frequent and regular performance of operational submarine duty required by orders (including a submarine of a foreign nation). Effective 1 January 1988, this paragraph includes members of the Naval Service.

230102. Rates

A. The monthly rates of submarine duty pay for commissioned officers are in Table 23-3.

B. The monthly rates of submarine duty pay for warrant officers are in Table 23-4.

C. The monthly rates of submarine duty pay for enlisted members are in Table 23-5.

230103. Definitions

A. The term "operational submarine duty" means duty:

1. While attached under competent orders to a submarine;
2. While serving as an operator or crew member of an operational submersible (including an underseas exploration or research vehicle);
3. While undergoing training preliminary to assignment to a nuclear-powered submarine;
4. While undergoing rehabilitation after assignment to a nuclear-powered submarine; or
5. In the case of a member qualified in submarines, while attached as a member of a submarine operational command staff, whose duties require serving on a submarine during underway operations:

a. During 1 calendar month-48 hours. However, hours served underway in excess of 48 hours as a member of a submarine operational command staff during

any of the immediately preceding 5 calendar months and not already used to qualify for incentive pay, may be applied to satisfy the 48-hour underway time requirements for the current month.

b. During any 2 consecutive calendar months, when requirements have not been met for the first month-96 hours.

c. During any 3 consecutive calendar months, when requirements have not been met for the first 2 months-144 hours.

6. While receiving instruction to prepare for assignment to a submarine of advanced design; or

7. While receiving instruction to prepare for a position of increased responsibility on a submarine.

B. The term "submarine service" means the service performed under regulations prescribed by the Secretary of the Navy by a member, and the years of submarine service are computed beginning with the effective date of the initial order to perform submarine service.

230104. Submarine Duty Pay Start and Stop Dates. See Table 23-1.

230105. Submarine Operational Command Staff Members

A. General rules for meeting underway time requirements, including determination of a 2- or 3-month grace period, are substantially the same as those for flying pay. (See Chapter 22.)

B. For fractional part of a calendar month, or fractional parts of 2 consecutive calendar months (duty begins in 1 month and ends in the following month), the underway time required, based on the requirement of 48 hours for a calendar month, will be determined from Table 23-2.

230106. Temporary Additional Duty or Authorized Leave. A member who is entitled to submarine duty pay retains entitlement during periods of temporary additional duty or authorized leave. However, a submarine operational command staff member is required to fulfill the underway time requirements to retain entitlement during such periods if not otherwise entitled to continuous monthly submarine duty pay in accordance with section 2302.

230107. Missing Status, Member's Entitlement. A member receiving submarine duty pay when entering a missing status as defined in the Definitions is entitled to submarine duty pay during the period of absence and for the period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of missing status. The member's entitlement to submarine duty pay upon termination of the required period of hospitalization and rehabilitation or the 1-year period after date of return from missing status, whichever is earlier,

will be contingent on a determination of continued eligibility under paragraph 230101, above.

230108. Restriction. An officer who fails selection for assignment as an executive officer or commanding officer of a submarine, or who declines to serve in either such position, may not be paid submarine duty pay except for periods during which such officer is serving on a submarine during underway operations.

2302 CONTINUOUS MONTHLY SUBMARINE DUTY PAY FOR SUBMARINE SERVICE MEMBERS

230201. Entitlement. Effective 1 January 1981, a member of the submarine service (as defined in subparagraph 230103.B, above, is entitled to continuous monthly submarine duty pay as follows:

A. Through 26 years of service (as computed under 37 U.S.C. 205 (reference (aa)), except in the case of an officer, periods as an enlisted member before initial appointment as an officer are excluded), a member must perform operational submarine duties for at least 6 of the first 12, and at least 10 of the first 18 years of submarine service. However, if a member performs the prescribed operational submarine duties for at least 8 but less than 10 of the first 18 years of submarine service, such member is entitled to continuous monthly submarine duty pay for the first 22 years of service (as computed under 37 U.S.C. 205 (reference (aa))).

B. If upon completion of either 12 or 18 years of submarine service it is determined that a member has failed to perform the minimum prescribed operational submarine duty requirements during the prescribed periods of time, entitlement to continuous monthly submarine duty pay ceases. If entitlement to continuous monthly submarine duty pay ceases upon completion of 12 years of submarine service, entitlement to that pay may again commence upon completion of 18 years of submarine service if the minimum operational submarine duty requirements have been met, and such pay shall continue for the period of time prescribed in this section. However, if entitlement to continuous monthly submarine duty pay ceases in the case of any member at the completion of either 12 or 18 years of submarine service, or 26 years of service (as computed under 37 U.S.C. 205 (reference (aa)), except in the case of an officer, periods as an enlisted member before initial appointment as an officer are excluded), such member shall be entitled to that pay in the amount set forth in section 2301, above, for the performance of service as a member of a submarine operational command staff, if such member's duties require serving on a submarine during underway operations.

230202. Rates. The monthly rates of submarine duty pay are the same as indicated in paragraph 230102, above.

230203. Missing Status, Member's Entitlement. The provisions of paragraph 230107, above, are also applicable to submarine duty pay entitlement under this section.

230204. Restriction. An enlisted member may not be paid continuous submarine duty pay while serving ashore between submarine sea duty assignments unless the member has a

sufficient period of enlistment (including any extension of an enlistment) remaining to be reassigned to submarine sea duty.

SUBMARINE DUTY PAY, START AND STOP DATES				
R U L E	A	B	C	D
	If member under orders for submarine duty is	and	then credit for incentive pay	
			begins on	continues
1	attached to a submarine		day of reporting duty	through day of detachment.
2	assigned as prospective crewmember of submarine under construction			
3	attached to a nuclear-powered submarine manned by two crews or a crew and an augment crew (notes 1 and 2)		day of reporting on-ship or off-ship crew for duty	through last day of instruction.
4	undergoing instruction to qualify for duty on submarine of advanced design or for duty with increased responsibility (note 3)		day class convenes	
5	injured or incapacitated as a result of performing submarine duty	remains assigned to submarine duty		through date of detachment.
6		is transferred to a medical facility on temporary additional duty orders for treatment		for not more than 5 months after date of the incapacity, as determined by medical authorities.
7		is reassigned PCS to a medical activity for treatment during the 5-month period		through day of detachment only.

NOTES:

- Attachment to a submarine means duty as a crew member either on board the submarine or on duty ashore during periods of rehabilitation after reporting for permanent duty as a crew member, whether to the on-ship or off-ship crew.
- When an off-crew member in a training and rehabilitation status performs travel in connection with a change of home port of the member's submarine by means other than the submarine, member's entitlement to submarine pay continues during period in transit.
- This rule also applies to officers who previously qualified in submarines as enlisted members while attending the following:
 - Submarine Officers' Basic Course or Submarine Officers' Indoctrination Course, for the specific purpose of preparing for a position in a nuclear-powered submarine, or
 - a course of instruction, published in SECNAV Instruction 7330.48 series, specifically preparing them for positions of increased responsibility in nuclear-powered submarines.

Table 23-1. Submarine Duty Pay - Start and Stop Dates

SUBMARINE OPERATIONAL COMMAND STAFF MEMBERS UNDERWAY TIME REQUIRED FOR FRACTIONAL PART OF MONTH					
Days	Underway Time		Days	Underway Time	
	Hours	Minutes		Hours	Minutes
1	1	36	16.....	25	36
2	3	12	17.....	27	12
3	4	48	18.....	28	48
4	6	24	19.....	30	24
5	8	00	20.....	32	00
6	9	36	21.....	33	36
7	11	12	22.....	35	12
8	12	48	23.....	36	48
9	14	24	24.....	38	24
10	16	00	25.....	40	00
11	17	36	26.....	41	36
12	19	12	27.....	43	12
13	20	48	28.....	44	48
14	22	24	29.....	46	24
15	24	00	30-31.....	48	00

Table 23-2. Submarine Operational Command Staff Members Underway Time Required for Fractional Part of Month

MONTHLY SUBMARINE DUTY PAY RATES-COMMISSIONED OFFICERS-EFFECTIVE 1 JAN 1988							
Years of Service Computed Under 37 U.S.C. 205							
Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10
O-10	\$355	\$355	\$355	\$355	\$355	\$355	\$355
O-9	355	355	355	355	355	355	355
O-8	355	355	355	355	355	355	355
O-7	355	355	355	355	355	355	355
O-6	595	595	595	595	595	595	595
O-5	595	595	595	595	595	595	595
O-4	365	365	365	405	595	595	595
O-3	355	355	355	390	595	595	595
O-2	235	235	235	235	235	235	355
O-1	175	175	175	175	175	175	355
	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26
O-10	\$355	\$355	\$355	\$355	\$355	\$355	\$355
O-9	355	355	355	355	355	355	355
O-8	355	355	355	355	355	355	355
O-7	355	355	540	535	535	410	355
O-6	595	595	595	595	595	595	595
O-5	595	595	595	595	595	595	595
O-4	595	595	595	595	595	595	595
O-3	595	595	595	595	595	595	595
O-2	355	355	355	355	355	355	355
O-1	355	355	355	355	355	355	355

Table 23-3. Monthly Submarine Duty Pay Rates-Commissioned Officers-Effective 1 Jan 1988

MONTHLY SUBMARINE DUTY PAY RATES-WARRANT OFFICERS-EFFECTIVE 1 JAN 1988							
Years of Service Computed Under 37 U.S.C. 205							
Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10
W-5	235	310	310	355	355	355	355
W-4	235	310	310	355	355	355	355
W-3	235	310	310	355	355	355	355
W-2	235	310	310	355	355	355	355
W-1	235	310	310	355	355	355	355
	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26
W-5	355	355	355	355	355	355	355
W-4	355	355	355	355	355	355	355
W-3	355	355	355	355	355	355	355
W-2	355	355	355	355	355	355	355
W-1	355	355	355	355	355	355	355

Table 23-4. Monthly Submarine Duty Pay Rates-Warrant Officers-Effective 1 Jan 1988

MONTHLY SUBMARINE DUTY PAY RATES-ENLISTED MEMBERS-EFFECTIVE 1 JAN 1988							
Years of Service Computed Under 37 U.S.C. 205							
Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10
E-9	225	225	225	270	295	310	315
E-8	225	225	225	250	270	295	310
E-7	225	225	225	250	255	265	275
E-6	155	170	175	215	230	245	255
E-5	140	155	155	175	190	195	195
E-4	80	95	100	170	175	175	175
E-3	80	90	95	95	140	90	90
E-2	75	90	90	90	90	90	90
E-1	75	75	75	75	75	75	75
	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26
E-9	330	345	355	355	355	355	355
E-8	315	330	330	345	345	345	345
E-7	295	310	310	310	310	310	310
E-6	265	265	265	265	265	265	265
E-5	195	195	195	195	195	195	195
E-4	175	175	175	175	175	175	175
E-3	90	90	90	90	90	90	90
E-2	90	90	90	90	90	90	90
E-1	75	75	75	75	75	75	75

Table 23-5. Monthly Submarine Duty Pay Rates-Enlisted Members-Effective 1 Jan 1988



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JAN 16 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR Volume 7A, regarding Submarine
Duty Incentive Pay, (DFAS Item G-46)

Attached is DFAS Interim Change 3-98 to Chapter 23 of the
DoDFMR, Volume 7A. It is effective February 1, 1998.

This change aligns the DoDFMR with the SECNAV Instruction
7220.80 series that stipulates Continuous Submarine Duty Pay may
continue for 6 months after the date of incapacity vice 5 months
as stated in the regulation now.

We have evaluated your responses to the draft change to the
DoDFMR Volume 7A. The attached is the final version of the
change. The assigned interim change number is your authority to
start a procedural modification to effect this change. For
Denver Center, use the attached to initiate the formal printed
change to the DoDFMR and the interim change message. Our point
of contact CDR Maxine Engler may be reached at DSN 327-5058 or
(703) 607-5058.

Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

SUBMARINE DUTY PAY-START AND STOP DATES

Make the following change to the existing Table 23-1. Submarine Duty Pay - Start Stop Dates.

Change 6B to read "is transferred to a medical facility on temporary duty orders for treatment, rehabilitation or medical board review."

Change Rule 6D to read, "for not more than 6 months after date of the incapacity, as determined by medical authorities."

Change Rule 7B to read, "is reassigned to Limited Duty for treatment or rehabilitation.".

Change Rule 7D to read, "for not more than 6 months after date of assignment to Limited Duty, or until disqualifying condition is determined to be permanent, whichever is earlier."

CHAPTER 24

**PARACHUTE DUTY, FLIGHT DECK DUTY, DEMOLITION DUTY,
EXPERIMENTAL STRESS DUTY, AND OTHERS LISTED**2401 GENERAL PROVISIONS

240101. Entitlement. A Military Service member entitled to basic pay is, in addition, entitled to incentive pay for performing any of the hazardous duties listed in subparagraph C, below, when the member performs the duty under competent orders, and otherwise meets the requirements of this chapter.

A. Member of the Regular Force. When the requirements have been met, entitlement to hazardous duty incentive pay commences on the date the member reports for and enters on duty in compliance with competent orders. Entitlement ceases on the effective date published in orders for termination of such duty or the date the member is detached from and no longer required to perform the hazardous duty, whichever occurs first. When a member commences such duty on a date other than the first day of a month, or terminates such duty on a date other than the 30th day of a month (28th or 29th of February, as appropriate), and otherwise meets the requirements of this chapter for the month, the member is entitled to a prorated portion of the rate of pay for the month.

B. Member of the Reserve Components

1. A member of the Reserve Components on extended active duty (EAD) ordered to perform any of the hazardous duties listed in subparagraph C, below, is entitled to pay based on the terms of this chapter.

2. A member of the Reserve Components on active duty training (ADT) ordered to perform any of the hazardous duties listed below, is entitled to pay based on paragraphs 570302 and 570401 and the terms of this chapter as affected by Table 24-5, rules 9 through 13.

C. Hazardous Duties Listed

1. Duty involving parachute jumping as an essential part of military duty.

2. Duty involving frequent and regular participation in flight operation on the flight deck of an aircraft carrier or ship other than aircraft carrier from which aircraft are launched.

3. Duty involving the demolition of explosives as a primary duty, including training for such duty.

4. Duty inside a high- or low-pressure chamber.
5. Duty as a human acceleration or deceleration experimental subject.
6. Duty as a human test subject in thermal stress experiments.
7. Duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants.
8. Duty involving fumigation tasks utilizing highly toxic pesticides.
9. Duty involving laboratory work utilizing live dangerous viruses or bacteria.
10. Duty involving handling of chemical munitions.

240102. Rates

A. Except for a HALO parachutist, a member who qualifies for hazardous duty incentive pay under this chapter is entitled to such pay at monthly rate of \$110. Effective 1 October 1985, the monthly rate for a HALO parachutist who qualifies under this chapter is \$165. Only one type payment is authorized for a qualifying period. When a member qualifies for both type duties, the higher rate of pay is authorized.

B. In the case of a member required by competent orders to perform both regular and HALO parachute jumps (paragraph 240201, below), the following applies: Unless otherwise restricted by Military Service regulations (for example, restrictions on manning classification), the difference between the monthly rate of \$110 and \$165 is authorized for payment to a member who later qualifies for the HALO rate for a month in which the member earlier qualified for the regular rate of parachute pay.

240103. Injury or Incapacity Resulting From Performance of Hazardous Duty. When a member required to perform hazardous duty is injured or otherwise incapacitated as a result of performing such duty, the member is considered to have met the requirements for that duty during the incapacity, but for not longer than 3 months. Appropriate medical authority determines the cause of the incapacity and the dates thereof.

A. When To Start the 3-Month Entitlement Period. (See Table 24-1.)

B. Hazardous Duty for Definite Period. When a member has been placed on hazardous duty for a definite period and is entitled to incentive pay while incapacitated as a result of performance of such duty, incentive pay may not normally be paid beyond the ending date of the duty period stated in the orders. However, when evidence is furnished that the member would have continued in the hazardous duty status had it not been for the incapacity, incentive pay may be paid beyond the ending date of the duty stated in the orders.

C. Change of Station for Medical Treatment. See Table 24-2 for effect of permanent change of station. Temporary duty or temporary additional duty orders which specify a member's return to a permanent station do not affect assignment or attachment to the hazardous duty. A member ordered to a medical facility under such orders continues entitled to incentive pay during incapacity for no more than 3 months.

240104. Incapacity Not Caused by Hazardous Duty. A member's right to incentive pay during incapacity which is not the result of performing hazardous duty depends on fulfillment of hazardous duty requirements.

240105. Multiple Payments of Hazardous Duty Incentive Pay. Members who qualify for incentive pay for more than one type of hazardous duty may receive no more than two payments for the same period. Dual hazardous duty incentive pay is limited to those members required by orders to perform specific multiple hazardous duties necessary for successful accomplishment of the mission of the unit to which assigned. Members must meet minimum requirements for each of the hazardous duty with the exception of conditions in subparagraph C, below.

A. Conditions of Entitlement. A member who is under competent orders to perform more than one hazardous duty, but is limited to only one type of incentive pay (for example, due to receipt of diving duty pay under paragraph 110501 for the month or months involved), may receive payment for hazardous duty for which the higher incentive pay is authorized. The member must meet the minimum performance requirements for the selected hazardous duty incentive pay; however, the duty does not have to be the primary duty of the current assignment.

B. Types of Duties That Qualify Member for Dual Payment of Hazardous Duty Incentive Pay. (See also subparagraph 220111.B.)

1. Members assigned to pararescue units who are required to perform parachute jumps in addition to and in connection with explosive ordnance demolition duties.

2. Air Force pararescue team members placed on orders to perform duties as both crew members and parachutists.

3. Other combinations of hazardous duties for which dual payments of incentive pay are authorized by the respective Military Services.

C. Injury or Incapacity Resulting From Performance of Hazardous Duty or Dual Hazardous Duties. If members required to perform more than one hazardous duty are injured or otherwise incapacitated as a result of any of the duties, they are entitled to dual incentive pay during the incapacity but for no longer than 3 months. If not entitled to dual incentive pay at the time of the incapacity, they are entitled to the type of incentive pay they were receiving at the time of the incapacitation. The beginning date of the 3-month period must be

determined separately for each type of incentive pay. Use paragraph 220106 or Table 24-1, as applicable, to determine the 3-month period separately for each incentive pay.

240106. Concurrent Entitlement to ACIP and Hazardous Duty Incentive Pay (HDIP). Officers who are entitled to ACIP may also be entitled to HDIP under the provisions of this chapter if the conditions for entitlement have been met independently. Entitlement to HDIP is limited to not more than two payments for the same period of time officers qualify for more than one payment of that pay. See paragraph 240105, above.

240107. Restriction on Payment of HDIP and Diving Duty Pay. See paragraph 110501.

240108. Restriction on Payment of HDIP and Aviation Officer Continuation Pay (AOCP). See section 1506.

240109. Authority To Issue Orders. Authority to issue orders requiring performance of hazardous duty is delegated by the Secretaries to specific commanders within each Military Service. Such delegations are contained in personnel administrative regulations of the individual Military Services.

240110. Missing Status-Member's Entitlement. A member receiving incentive pay of a type listed in paragraph 240101, above, when entering a missing status, as defined in subparagraph 340101.C, is entitled to such incentive pay during the period of absence and for the period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of missing status. The member's entitlement to incentive pay of a type listed in paragraph 240101, above, upon termination of the required period of hospitalization and rehabilitation or the 1-year period after date of return from missing status, whichever is earlier, will be contingent on a determination of continued eligibility under paragraph 240101 and the applicable incentive pay requirements of this chapter.

2402 PARACHUTE DUTY

240201. Entitlement

A. General. Qualified members are those who have received a designation as a parachutist or parachute rigger, or are undergoing training for such designations; who are required by competent orders to engage in parachute jumping from an aircraft in aerial flight, and who meet the minimum performance requirements of Table 24-3.

B. Military Free Fall or High Altitude-Low Opening (HALO)

1. Members must perform duty involving parachute jumping, as an essential part of such duty, in military free fall operations where parachute deployment by the jumper occurs without the use of a static line.

2. Qualifying members are those who have graduated from the United States Army Military Free Fall Course or a Military Service recognized equivalent course; have received a designation as a HALO parachutist, or are undergoing training for such designation; are required by competent orders to engage in parachute jumping at high altitudes without use of a static line from an aircraft in aerial flight. Members must meet the requirements of Table 24-3. Performance requirements must be satisfied by free fall jumps. Effective 1 October 1985, qualified members receive HALO parachutist's rate under paragraph 240102, above.

240202. Parachute Jumps-Leave, PCS, TDY/ TAD, or ADT

A. General. Qualifying jumps for entitlement to parachute pay must be performed during a period of duty requiring parachute jumping as established by competent orders. Parachute jumps performed under the following circumstances do not qualify a member for entitlement to parachute pay:

1. Parachute jumps performed by any member while on PCS or TDY/TAD not requiring parachute jumping as an essential part of the duty; or while on leave.

2. Parachute jumps performed by a member of a Reserve Component while on active duty training not requiring parachute jumping as an essential part of the duty.

B. Examples (Not All Inclusive)

1. Leave

a. Facts

(1) A member is placed on parachute jump status by competent orders effective 15 January. Member performs a jump on 15 March.

(2) Member is on leave for the period 25 March-25 April. Member performs a jump on 15 April during the period of leave.

(3) Member returns to the permanent duty station 26 April and performs a jump on 15 July.

b. Entitlements

(1) Member is entitled to parachute pay from 15 January through 30 March based on the jump performed 15 March (Table 24-3, rule 1 and note 1).

(2) Member is entitled to parachute pay for May, June, and July based on the jump performed 15 July (Table 24-3, rule 1, and Table 24-5, rule 2).

(3) The jump performed on 15 April is not a qualifying jump for parachute pay entitlement so member is not entitled to parachute pay for April.

2. TDY or TAD

a. Facts

(1) Member is placed on parachute jump status by competent orders at permanent duty station. Member performs a jump on 15 January.

(2) For the period 25 January through 2 July, member is assigned TDY/TAD where parachute jumping is not required by competent orders. Member performs a parachute jump on 10 June while on TDY/TAD.

(3) Member returns to permanent duty station on 3 July and performs a jump on each date, 6 July, 13 July, and 6 August.

b. Entitlements

(1) Member is entitled to parachute pay for January, February, and March based on jump performed 15 January (Table 24-3, rule 1, and Table 24-5, rule 3).

(2) Member is entitled to parachute pay for May, June, and July based on jump performed 6 July. The jump performed on 13 July is not applied for entitlement because it is one of multiple jumps performed in the same month. Only one jump per month is used for qualification to parachute pay (Table 24-3, rule 1).

(3) Member is entitled to parachute pay for August, September, and October based on jump performed 6 August (Table 24-3, rules 1 and 2).

(4) Jump performed on 10 June during TDY/TAD is not a qualifying jump for parachute pay entitlement (subparagraph 240202.A.1, above); no entitlement exists for parachute pay for April.

3. ADT Less Than 20 Weeks, Reserve Component Member Assigned to a Unit

a. Facts

(1) A Reserve Component member is placed on parachute jump status at unit of assignment by competent orders. At the unit of assignment, member performs inactive duty training (IDT) drills on 14-15 January, 12-13 February, 15-16 March. Member performs a parachute jump on 15 January.

(2) Member is ordered to active duty training (ADT) for the period 28 March-22 May (less than 20 weeks). Member is not placed on parachute jump status at ADT station. Member performs a jump on 5 April while on ADT.

(3) Member returns to parachute duty at unit of assignment upon completion of ADT. Performs IDT drills 24-25 May, 8-9 June, and 9-10 July. Performs a parachute jump on 10 July.

b. Entitlements

(1) Member is entitled to parachute pay for IDT drills in January, February, and March based on the jump performed 15 January (Table 24-3, rule 1).

(2) Further, member is entitled to parachute pay for allowable travel time to ADT station and for ADT days, 28-30 March, also based on jump performed 15 January (paragraph 580204; Table 24-3, rule 1; Table 24-5, rule 13).

(3) Member is entitled to parachute pay for ADT 1-22 May plus allowable travel time from ADT station based on jump performed 10 July (paragraph 580204; Table 24-3, rule 2; Table 24-5, rule 13).

(4) Member is entitled to parachute pay for IDT drills performed in May, June, and July; also based on jump performed 10 July.

(5) Jump performed 5 April is not a qualifying jump for entitlement to parachute pay; no entitlement exists for April (subparagraph 240202.A, above).

4. ADT Any Number of Weeks, Reserve Component Member, With or Without Unit of Assignment

a. Facts

(1) Reserve Component member, if assigned to a unit, is not placed on parachute jump status at unit.

(2) Member is ordered to ADT, any number of weeks. Member is placed on parachute jump status at ADT station by competent orders.

(3) Member meets minimum performance requirements according to Table 24-3 by jumps performed during ADT.

b. Entitlements. Member is entitled to parachute pay for allowable travel time to and from ADT station and for period of ADT (Table 24-5, rules 9 and 11).

240203. Rates. See paragraph 240102, above.

240204. Performance Requirements. See Table 24-3.

240205. Table of Parachute Jumps. Table 24-4 gives examples of how minimum requirements are applied. This table does not necessarily cover all situations but is intended as a general guide. In each example, the member was required by orders to participate frequently and regularly in parachute jumps for the entire period. This table is not intended to show date of payment. In every case the parachute duty requirements must be met before payment is made.

240206. Right to Pay Under Certain Conditions. See Table 24-5.

2403 FLIGHT DECK DUTY

240301. Entitlement

A. Conditions of Entitlement. A member is entitled to incentive pay for flight deck duty (flight deck hazardous duty pay-FDHDP) when member:

1. Is a member of a crew of an eligible air capable ship or an aviation unit operating from such a ship; fixed-wing-aircraft carrier or an aviation unit operating from that type of carrier;

2. Is ordered by competent authority to duty in a billet which requires frequent and regular participation in flight operations; and

3. Participates, within a calendar month, in 4 days of flight operations or their equivalent on the flight deck of eligible air capable ships.

B. Quotas and Billets. The number of members entitled to FDHDP is subject to the monthly quotas applicable to the eligible air capable ships and type or combination of air units operating from such ships, as promulgated in Chief of Naval Operations Instructions in the 7220.4 series (reference (al)).

C. Members on Temporary Duty or Temporary Additional Duty. Members on temporary duty or temporary additional duty in the crew of an eligible air capable ship or an aviation unit operating from such a ship may be ordered to flight deck hazardous duty billets (FDHDBs). When so ordered, they are entitled to FDHDP for the actual period specified in the orders provided they meet the minimal participation requirements for an entire month (4 days of flight operations or their equivalent) within each calendar month. The actual date that an aviation unit departs the ship does not alter the entitlement for a full month provided the minimum requirements are met and the orders to such duty remain in effect.

D. Dual Payments. Members receiving incentive pay for any other type of hazardous duty are not entitled to FDHDP for the same period.

240302. Specialized Terms

A. Eligible Air Capable Ship. A ship having a flight deck which has been certified to launch or land aircraft under Chief of Naval Operations ship or helicopter facility certification program.

B. Flight Operations. The period of time during which launch and recovery of aircraft are in progress on the flight deck of an eligible air capable ship. It includes the turn-up and movement of aircraft preparatory to launch and the movement and shutdown of aircraft immediately following recovery.

C. Day of Flight Operations. One day of flight operations shall consist of a calendar day during which any combination of aircraft takeoffs and/or landings takes place, as specified for each ship by class in OPNAV Instruction 7220.4 series (reference (al)). Four days of such flight operations, or the equivalent thereof, shall constitute the basic calendar month qualification criteria.

D. Equivalent of 4 Days of Flight Operations. Any single day, or combination of days during a calendar month in which the number of aircraft take-offs and/or landing equals the monthly total requirement for that class ship in OPNAV Instruction 7220.4 series (reference (al)) shall constitute the equivalent of 4 days of flight operations.

E. Flight Deck Hazardous Duty Billet (FDHDB). A billet which requires frequent and regular participation in flight operations on the flight deck of an eligible air capable ship as promulgated in Chief of Naval Operation Instructions in the 7220.4 series (reference (al)).

F. Participation. Presence, during flight operations, at an assigned station in an FDHDB on the flight deck of an aircraft carrier or a ship other than an aircraft carrier from which aircraft are launched and recovered during flight operations.

240303. Rates. See paragraph 240102, above.

240304. Commencement and Termination of FDHDP. Eligibility for entitlement to FDHDP begins on the date a member is ordered to duty in a FDHDP. Entitlement eligibility ends on the date the orders to such billet are revoked, or when a member is permanently detached from the aircraft carrier or aviation unit, whichever occurs first. Orders may be terminated for other reasons but not for the sole purpose of providing FDHDP for additional members.

240305. Proration. FDHDP is prorated for the days of the calendar month during which the orders are in effect, providing the full month participation requirements are met.

240306. Right to Pay Under Certain Conditions. See Table 24-5.

2404 DEMOLITION DUTY240401. Entitlement

A. Condition of Entitlement. A member entitled to basic pay who is required by competent orders to perform duty involving the demolition of explosives, as prescribed by Military Service regulations, as a primary duty (including training for that duty), is entitled to incentive pay under the conditions stated in this section. Incentive pay is payable for any full month, or is prorated under paragraph 240101, above, for any portion of a calendar month during which a member under competent orders performs demolition duty by use of live explosives.

B. Duty Involving Demolition of Explosives. Effective 6 December 1984, duty involving the demolition of explosives is defined according to this subparagraph. Demolition duty is duty performed by members who engage in the following activities under competent orders and as a primary duty assignment:

1. Demolish by the use of explosives objects, obstacles, or explosives, or recover and render harmless, by disarming or demolition, explosives which have failed to function as intended or which have become a potential hazard.

2. Participate as students or instructors in instructional training, including that in the field or fleet, for the duties described in subparagraph B.1, above, provided that live explosives are used in such training.

3. Participate in proficiency training, including that in the field or fleet, for the maintenance of skill in the duties described in subparagraph B.1, above, provided that live explosives are used in such training; or

4. Experiment with or develop tools, equipment, or procedures for the demolition and rendering harmless of explosives, provided that live explosives are used.

240402. Rates. See paragraph 240102, above.

240403. Performance Requirements. A member who is assigned to demolition duty by competent orders and performs such duty during the month involved, is entitled to incentive pay for that duty provided live explosives are used. Local commanders are responsible for ensuring that the finance officer is informed when a member fails to perform the monthly demolition duty required for entitlement to the incentive pay.

240404. Right to Pay Under Certain Conditions. See Table 24-5.

2405 EXPERIMENTAL STRESS DUTY240501. Entitlement

A. Condition of Entitlement. A member on active duty who is required by competent orders to perform experimental stress duty is entitled to incentive pay under the conditions stated in this section. Incentive pay is payable for any full month, or is prorated in accordance with paragraph 240101, above, for any portion of a calendar month, during which experimental stress duty is performed under competent orders.

B. Duty Involving Experimental Stress. Experimental stress duties are limited to the following:

1. Human Acceleration or Deceleration Experimental Subject. Duty performed as human acceleration or deceleration experimental subjects utilizing experimental acceleration or deceleration devices.

2. Thermal Stress Duty. Duty performed as human thermal experimental subjects in thermal stress experiments.

★3. Low-Pressure Chamber Duty. Duty performed within a low-pressure (altitude) chamber at physiological facilities as human test subject, inside instructor-observer or inside observer-tender.

★4. High-Pressure Chamber Duty

★a. Duty performed within a high-pressure (hyperbaric or recompression) chamber or hyperbaric complex as a:

★(1) Human test subject for approved protocols applicable to the research, development, testing and evaluation of diving, hyperbaric and underwater-related tools, systems, equipment and procedures.

★(2) Recompression chamber/Hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of protocols involving the use of human test subjects.

★(3) Recompression chamber/Hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of hyperbaric treatment or hyperbaric therapy procedures which include, but are not limited to, treatment of ailments incidental to diving and hyperbaric/hypobaric exposure.

★b. Navy personnel only. For a Navy member to qualify for this incentive pay as a human test subject, inside instructor-observer or inside observer-tender in a recompression chamber/hyperbaric complex, all of the following conditions must be met. The member must:

★(1) Possess a NEC/NOBC listed below and be assigned by competent orders to a billet utilizing that NEC/NOBC:

Enlisted:	NEC
Saturation Diver	5311
SEAL (Basic)	5320
Swimmer Delivery Vehicle	5323
SEAL	5326
Basic Explosive Ordnance Disposal (EOD) Technician	5332
Basic EOD Technician (Parachutist)	5333
Senior EOD Technician	5334
Senior EOD Technician (Parachutist)	5335
Master EOD Technician	5336
Master EOD Technician (Parachutist)	5337
Master Diver	5341
First Class Diver	5342
Second Class Diver	5343
Master Saturation Diver	5346
Salvage/Construction Demolition Diver	5375
Advanced Underwater Construction Technician	5931
Basic Underwater Construction Technician	5932
Special Amphibious Reconnaissance Independent Duty Corpsman	8403
Fleet Marine Force Reconnaissance Corpsman	8427
Special Operations Independent Duty Corpsman	8491
Special Operations Technician	8492
Medical Deep Sea Diving Technician	8493
Medical Deep Sea Diving Technician	8494
Officer:	NOBC
Undersea Medical (Diving) Officer	0107
Medical Service Corps (Diving) Officer	0107
EOD Officer	9230
EOD Mobile Unit Officer	9231
SEAL Officer	9293
Diving Officer (General)	9312
Diving Officer (He02)	9313
Diving Officer (Salvage)	9314
Diving Officer (Saturation)	9315
Ship Salvage Diving Officer	9375

and;

★(2) Be ordered to perform additional duty as a human test subject, inside instructor-observer or inside observer-tender as described in subparagraphs 4.a., b, or c, above, or by the Commanding Officer having cognizance over the recompression chamber or hyperbaric complex, and;

★(3) Either be instructing or operating Navy approved underwater breathing equipment, support systems, and recompression chambers; or observing the other individual(s) for symptoms of diving injuries/illnesses and providing appropriate treatment, as ordered by competent authority.

★c. The following types of similar duties do not entitle Navy personnel to hazardous duty incentive pay as recompression chamber/hyperbaric complex inside instructor-observers or inside observer-tenders:

★(1) Inside observer-tender and divers for surface decompression procedures incidental to the conduct of diving operations as this is considered a normal procedure related to the safe conduct of routine diving operations.

★(2) Either under instruction inside instructor-observer, inside observer-tender or trainees. This includes saturation diving procedures and hyperbaric medical related training which is considered a normal requirement to establish or maintain proficiency and/or qualifications.

★(3) Inside observer-tender or test candidates during conduct of pressure and/or oxygen tolerance tests.

★(4) Inside observer-tender, technicians or others involved in recompression chamber or hyperbaric complex preventive or corrective maintenance or during the use of a chamber or complex for the purpose of conducting preventive or corrective maintenance procedures.

★(5) Patients undergoing hyperbaric treatment or therapy.

C. Restriction. A member is entitled to only one payment of incentive pay for experimental stress duty during any 1 month.

240502. Rates. See paragraph 240102, above.

240503. Performance Requirements. A member is entitled to incentive pay for experimental stress duty when assigned to that duty by competent orders and performs such duty during the month involved. Competent medical authorities of the Military Service concerned must determine if the member is engaged in one or more stress experiments involving risk of experimental hazard.

240504. Right to Pay Under Certain Conditions. See Table 24-5.

2406 TOXIC FUELS (OR PROPELLANTS) DUTY240601. Entitlement

A. Effective 1 October 1981, a member is entitled to hazardous duty incentive pay for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants when this duty is performed as a primary duty according to the requirements set forth in subparagraphs 240602.A through D and G, below.

B. Effective 1 October 1983, a member is entitled to hazardous duty incentive pay for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants for the testing of aircraft or missile systems (or components of such systems) during which highly toxic fuels are used when this duty is performed as a primary duty according to the requirements below.

240602. Requirements. Primary duty under this section requires:

A. Removal, replacement, and servicing of the emergency power unit of an aircraft with H-70 propellant (30 percent water, 70 percent hydrazine).

B. Participation by those personnel performing duties in subparagraph A, above, who must also participate in an emergency response force, spill containment, or spill cleanup involving H-70 propellant (30 percent water, 70 percent hydrazine).

C. Handling and maintaining the liquid propellants (liquid oxidizer-nitrogen tetroxide; unsymmetrical dimethyl hydrazine) used in the Titan weapon system if such duty requires the qualification in the use of the rocket fuel handler's clothing outfit and involves:

1. Launch duct operations, including flow, pressurization, on-load, off-load, set-up, or tear down involving propellant transfer operations;

2. Set-up, installation, or tear down for fuel/oxidizer flow;

3. Decontamination of equipment, including but not limited to the rocket fuel handler's clothing outfit;

4. Venting or pressurizing missile fuel or oxidizer tanks;

5. Removing or replacing missile components while missile fuel and oxidizer tanks are loaded with such propellants;

6. Transferring propellants between commercial and military holding trailers; or between holding trailers and fuel/oxidizer pump rooms; or

7. Normal preventive maintenance activities including but not limited to seal changes.

D. Handling and maintaining the propellants, unsymmetrical dimethyl hydrazine and inhibited red-fuming nitric acid used in the LANCE missile system.

E. Handling, transporting, or working with toxic fuels/propellants by members assigned to the Air Force Rocket Propulsion Lab (AFRPL) who:

1. Directly manage and inspect the activities of crew members conducting operations involving experimental rocket propulsion systems and components;

2. Directly monitor and set up measurement instruments in operational areas where contamination is suspected or may be physically present;

3. Install and remove instrumentation devices from propulsion systems and components;

4. Perform final test preparation and immediate safety inspection duties around pressurized, active systems during pre-run and post-run test periods; or

5. Install and repair electrical systems.

F. Handling, loading/unloading, and transporting toxic fuels and oxidizers at the precision sled track while working with the liquid rocket sled which uses JP-X (a mixture of jet fuel (JP-4) and unsymmetrical dimethyl hydrazine) and red-fuming nitric acid and a propulsion; or

G. Involvement with other toxic substances contained in missile or aircraft weapon system fuels or propellants as determined by the Secretary concerned.

240603. Rates. See paragraph 240102, above, for rates.

240604. Restriction. The entitlement to the pay under this section is based upon the performance of such duty which has the potential for accidental or inadvertent exposure to highly toxic fuels or propellants or related substances and not upon actual quantifiable exposure to such substances. Therefore, neither this construction of the term nor the receipt of the pay provided for in this section may be construed as indicating that any person entitled to such pay has been actually exposed to highly toxic fuels or propellants or related substances contrary to the provisions of any statute, executive order, rule, or regulation relating to health or safety which is applicable to the Uniformed Services.

2407 TOXIC PESTICIDES DUTY

240701. Entitlement. Effective 1 October 1981, a member is entitled to hazardous

duty incentive pay (HDIP) for duty involving frequent and regular exposure to highly toxic pesticides when the member is assigned by competent orders to the entomology, pest control, pest management, or preventive medicine functions of a Uniformed Service for a period of 30 consecutive days or more.

240702. Requirements

A. Members must perform fumigation duties described below during a calendar month to receive HDIP for the month. Duty under this section covers any fumigation task utilizing: (1) phosphine, sulfuryl fluoride, hydrogen cyanide, methyl bromide, or (2) a fumigant of comparable high-acute toxicity and hazard potential.

B. Restrictions. Effective 6 November 1986, the use of solid fumigant formulations such as aluminum phosphide, magnesium phosphide, and calcium cyanide in the outdoor control of burrowing animals does not qualify a member for incentive pay under this section.

240703. Rates. See paragraph 240102, above, for rates.

2408 DANGEROUS VIRUSES (OR BACTERIA) LAB DUTY

240801. Entitlement. Effective 1 October 1981, a member is entitled to hazardous duty incentive pay (HDIP) for duty involving laboratory work that utilizes live dangerous viruses or bacteria as a primary duty.

240802. Requirements. Under this section members must perform primary duty described below while assigned by competent orders for a period of 30 consecutive days or more to participate in or conduct applied or basic research that is characterized by a changing variety of techniques, procedures, equipment, and experiments. Duty under this section is primary duty performed by members who work with microorganisms:

A. That cause disease:

1. With a high potential for mortality; and
2. For which effective therapeutic procedures are not available.

B. For which no effective prophylactic immunization exists.

240803. Rates. See paragraph 240102, above, for rates.

2409 CHEMICAL MUNITIONS

240901. Entitlement. Effective 1 October 1985, a member is entitled to hazardous duty incentive pay (HDIP) for duty involving the handling of chemical munitions (or components

of such munitions) as a primary duty.

240902. Requirements

A. Primary duty under this section requires direct physical handling of:

1. Toxic chemical munitions incident to storage, maintenance, testing, surveillance, assembly, disassembly, demilitarization, or disposal of said munitions;
2. Chemical surety material defined by the Secretary concerned, incident to manufacture, storage, testing, laboratory analysis, detoxification, or disposal of said material;
3. Toxic chemical munitions incident to the technical escort of shipments of said munitions;
4. Chemical surety material, defined by the Secretary concerned, incident to technical escort of shipments of said material.

B. Restrictions. HDIP under this section does not include the following duties:

1. Handling of the individual components of binary chemical agents or munitions.
2. User handling incident to loading, firing, or otherwise launching the toxic chemical munitions, or field storage operations during hostilities.
3. Handling of research, development, testing, and evaluation dilute solutions of toxic chemicals as defined by the Secretary concerned.
4. Handling of riot control agents, chemical defoliants and herbicides, smoke, flame and incendiaries, and industrial chemicals.

240903. Rates. See paragraph 240102, above, for rates.

240904. Restriction. The entitlement to the pay under this section is based upon the performance of such duty that has the potential for accidental exposure to chemical agents and not upon actual quantifiable exposure to such agents. Therefore, neither the construction of the term nor the receipt of pay provided for in this section may be construed as indicating that any person entitled to such pay actually has been exposed to chemical agents contrary to the provisions of any statute, executive order, rule, or regulation relating to health and safety which is applicable to the Uniformed Services.

WHEN TO START THE 3-MONTH ENTITLEMENT PERIOD FOR INCAPACITY RESULTING FROM PERFORMANCE OF HAZARDOUS DUTY			
R U L E	A	B	C
	When the type of duty is	and	the 3-month period during which requirements are considered to have been met begins
1	demolition, experimental stress, toxic fuels, toxic pesticides, dangerous viruses, or handling chemical munitions		the first day of the month following the month in which the incapacity occurred.
2	parachute or flight deck	performance requirements for the month of incapacity have been met	
3		performance requirements for the month of incapacity have not been met	the first day of the month in which the incapacity occurred.

Table 24-1. When to Start the 3-Month Entitlement Period for Incapacity Resulting from Performance of Hazardous Duty

WHEN INCENTIVE PAY FOR INCAPACITY RESULTING FROM HAZARDOUS DUTY STOPS ON PCS		
R U L E	A	B
	When a member receiving incentive pay as a result of incapacity resulting from hazardous duty is ordered on permanent change of station to a medical facility for treatment during the 3-month entitlement period, and the hazardous duty involved is	incentive pay accrues
1	parachute	after PCS through the end of the 3-month entitlement period.
2	flight deck, demolition, experimental stress, toxic fuels, toxic pesticides, dangerous viruses, or handling chemical munitions	through the date of departure from the old station.

Table 24-2. When Incentive Pay for Incapacity Resulting from Hazardous Duty Stops on PCS

PARACHUTE JUMPS-INCENTIVE PAY FOR PARACHUTE DUTY-PERFORMANCE REQUIREMENTS			
R U L E	A	B	C
	When	in	then
1	a jump is performed	any calendar month	member qualifies for parachute duty pay for that month and one preceding and succeeding month; or that month and 2 preceding months; or that month and 2 succeeding months (note 1).
2	jumps are made	2 or more consecutive months	new 3-consecutive-calendar-month period starts with each month a jump is made, except when rule 3 applies.
3	a member is unable to perform a jump because of military operations of the command or the absence of jump equipment or aircraft	a 3-month period	member may qualify for parachute duty pay on a 12-month basis. He or she may qualify for the 3-month period plus the following 9 consecutive calendar months by performing four jumps any time during the 9-month period (note 2).
4	a member is unable to perform a jump by reason of being engaged in combat operations in a hostile fire area		minimum jump requirements may be waived by the member's commanding officer (note 2).
5	a member begins parachute training or reports for duty with a parachute unit	a fractional part of a month	month the training or duty begins becomes the first month of the 3-consecutive-calendar-month period (note 1).

NOTES:

1. Incentive pay for parachute duty may be paid, provided prescribed requirements are met, only from the date of reporting for duty or training. If that day is other than the first day of a month, that month's rate of pay will be prorated in accordance with paragraph 240101.
2. Military operations, combat operations in a hostile fire area, or absence of jump equipment are the only authorized reasons for not complying with requirements over a 3-month period.

Table 24-3. Parachute Jumps-Incentive Pay for Parachute Duty-Performance Requirements

PARACHUTE JUMPS														
	Example 1		Example 2		Example 3		Example 4		Example 5		Example 6		Example 7	
	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled
19--														
October	0	Yes ¹	0 ³	Yes ⁴	0	Yes ¹	0	Yes ¹	0	Yes ¹	0	Yes ¹	0	Yes ¹
November	0	Yes ¹	0 ³	Yes ⁴	1	Yes ²	0	Yes ¹	0	Yes ¹	0	Yes ¹	0	Yes ¹
December	1	Yes ²	0 ³	Yes ⁴	0	Yes ¹	1	Yes ²	1	Yes ²	1	Yes ²	1 ⁵	Yes ²
19--														
January	0	Yes ¹	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ⁶	Yes ⁷
February	1	Yes ²	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ¹	0 ³	Yes ⁴	0 ⁶	Yes ⁷
March	0	Yes ¹	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ¹	0 ³	Yes ⁴	0 ⁶	Yes ⁷
April	0	No	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ¹	2	Yes ²	0 ³	Yes ⁴	0 ⁶	No
May	0	Yes ¹	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ¹	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ⁶	No
June	0	Yes ¹	0 ³	Yes ⁴	0 ³	Yes ⁴	2	Yes ²	0 ³	Yes ¹	0 ³	Yes ⁴	0 ⁶	No
July	2	Yes ²	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ¹	0 ³	Yes ¹	0 ⁶	No
August	0	No	0 ³	Yes ⁴	0 ³	Yes ⁴	0 ³	Yes ⁴	1	Yes ²	0 ³	Yes ¹	1	Yes ²
September	0	No	4	Yes ²	0 ³	Yes ¹	0 ³	Yes ⁴	0 ³	Yes ¹	3	Yes ²	0	Yes ¹
October	0	Yes ¹	0	Yes ¹	0 ³	Yes ¹	0 ³	Yes ¹	0 ³	Yes ¹	1	Yes ²	0	Yes ¹
November	0	Yes ¹	1	Yes ²	3	Yes ²	0 ³	Yes ¹	1	Yes ²	0 ³	Yes ⁴	0	No
December	1	Yes ²	0	Yes ¹	1	Yes ²	2	Yes ²	0 ³	Yes ⁴	0 ³	Yes ⁴	0	No
19--														
January	0	No	0	No	0	No	0	No	0	No	0	Yes ¹	0	No
February	0	No	0	No	0	No	0	No	0	No	0	Yes ¹	0	No
March	0	No	0	No	0	No	0	No	0	No	1	Yes ²	0	No

NOTES:

1. Entitled to incentive pay for parachute duty based on jumps performed in 3 consecutive calendar months.
2. Entitled to incentive pay for parachute duty based on that month's jump.
3. No jumps performed because of absence of jump equipment or aircraft or on account of military operations.
4. Entitled to incentive pay for parachute duty based on jumps performed in 12 consecutive calendar months.
5. Incapacitated by reason of parachute accident.
6. No jumps performed because of incapacitation resulting from parachute accident.
7. Entitled to incentive pay for parachute duty-accident.

Table 24-4. Parachute Jumps

INCENTIVE PAY FOR HAZARDOUS DUTY-ENTITLEMENT UNDER CERTAIN CONDITIONS				
R U L E	A	B	C	D
	When a member under orders to perform hazardous duty is	and the hazardous duty involved is	and	then incentive pay entitlement
1	sick in line of duty	any type of hazardous duty listed in paragraph 240101	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	continues for the period of the illness.
2	on authorized leave			continues for the period of leave (note 1).
3	on temporary duty or temporary additional duty			continues for the period of TDY or TAD.
4	reassigned PCS including temporary duty in conjunction with PCS			is not affected by the PCS (note 2).
5	on temporary duty or temporary additional duty	any type of hazardous duty listed in paragraph 240101	orders to perform hazardous duty involved are in effect at the TDY station only. Member meets minimum performance requirements at the TDY station	begins on the date of reporting for duty at the temporary duty location and exists for the period of temporary duty.
6	discharged and immediately reenlisted at the same station without a break in service		orders to perform hazardous duty involved are not specifically terminated	is determined as though there had been no discharge.
7			orders to perform the hazardous duty involved are specifically terminated	ceases on effective date shown in orders.
8	removed from hazardous duty		removal is for cause, disqualification, or the member's own request	ceases on the date that cause or disqualification is determined to exist or the date the member is removed per request, which will be the effective date established in orders terminating the hazardous duty. (See note 2 for pay proration.)
9	a member of a Reserve Component being released from active duty performed either: a. while member is part of strength accountability of the active military establishment (EAD). b. while member is accountable to a Reserve Component (ADT) (note 5)	parachute	orders are not issued directing relief from assigned duties and requirements have been met for the period involved	continues for the period of allowable travel time (notes 3 and 5).

Table 24-5. Incentive Pay for Hazardous Duty-Entitlement Under Certain Conditions

R U L E	A	B	C	D
	When a member of a Reserve Component under orders to perform hazardous duty is	and the hazardous duty involved is	and	then incentive pay entitlement
10	being released from active duty performed either: a. while member is part of strength accountability of the active military establishment (EAD). b. while member is accountable to a Reserve Component (ADT) (note 4)	demolition, flight deck, experimental stress, toxic fuels, toxic pesticides, dangerous viruses, or handling chemical munitions	orders are not issued directing relief from assigned duties and requirements have been met for the period involved	ceases on detachment from last duty station.
11	on ADT for any number of weeks (with or without a unit of assignment) (note 4)	any type of hazardous duty listed in paragraph 240101	orders to perform the hazardous duty involved are in effect at the ADT station. Member meets minimum performance requirements at ADT station	1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. if IDT involved, see note 6.
12	on ADT for 20 weeks or more away from unit of assignment (note 4)		member is not ordered to perform the hazardous duty at the ADT station	1. does not exist for the period of ADT. 2. for IDT, see note 6.
13	on ADT for less than 20 weeks away from unit of assignment (note 4)		orders to perform the hazardous duty involved remain in effect at unit of assignment. Member is not ordered to perform hazardous duty at ADT station. Member meets minimum performance requirements during inactive duty training (IDT) at unit of assignment	1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. for IDT, see note 6.

NOTES:

- Performance of hazardous duty while on leave cannot be counted for pay purposes.
- Orders to perform hazardous duty remain in effect when member is being reassigned PCS successively to hazardous duty. If member cannot be immediately assigned to a hazardous duty position at a new station, orders to perform such duty will be terminated effective the date of arrival at new duty station and incentive pay stopped as of that date. When successive assignment does not require hazardous duty as an essential part of military duty at the new permanent duty station, orders to perform such duty will be terminated effective the date of departure from old duty station (or TDY point if performance of hazardous duty is required as an essential part of military duty at the TDY point) and incentive pay stopped as of that date. When effective date in the orders terminating hazardous duty is other than the last day of a calendar month and that month's performance requirements have been met, the month's hazardous duty pay will be prorated per subparagraph 240101.A.
- Parachute pay may not be paid beyond the last day of the calendar month for which requirements are met.
- ADT includes annual training, special tours of active duty for training, school tours, and the initial tour performed by enlistees without prior military service.
- Hazardous duty incentive pay entitlement for ADT includes time allowed for necessary travel from home to first duty station (paragraph 020501).
- Hazardous duty incentive pay for inactive duty training (IDT) is paid per Chapter 58.

Table 24-5. Incentive Pay for Hazardous Duty-Entitlement Under Certain Conditions (Continued)



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JAN 14 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding -
Hazardous Duty Incentive Pay Increase, (DFAS Item G-61)

Attached is DFAS Interim Change 05-98 to Chapters 22 and 24 of the DoDFMR, Volume 7A. It is effective November 18, 1997.

This change is the result of the 1998 National Defense Authorization Act and increases the minimum hazardous duty incentive pay rate to \$150 per month.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate.

Assignment of an interim change number is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at DSN 332-5280 or (703) 602-5280.

Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

HAZARDOUS DUTY RATE INCREASES

1. Revise Table 22-1 as follows:

a. Replace the existing rates of HDIP for air crewmembers with \$150 for each of the following pay grades:

O-10	W-1
O-9	E-4
O-8	E-3
O-7	E-2
O-1	E-1

b. Change the effective date in both the Table heading and the Table label to 18 November 1997.

2. Revise Table 22-8 as follows:

a. Replace the existing rates (note that rates for warrant officers and enlisted members were established by DFAS Interim Change Number 9-96) of HDIP for air weapons controller crewmembers with \$150 for each of the following pay grade and years of service combinations:

O-7 w/ over 25	W-1 w/ over 2
O-3 w/ 2 or less	E-5 w/ 2 or less
O-2 w/ 2 or less	E-4 and below w/ 2 or less
O-1 w/ 2 or less	E-4 and below w/ over 24
W-1 w/ 2 or less	E-4 and below w/ over 25

b. Change the effective date in both the Table heading and the Table label to "18 November 1997".

3. Revise paragraph 240102 as follows:

a. Change the paragraph heading to read: "Rates (effective 18 November 1997)".

b. In subparagraph 240102A delete the words: "Effective 1 October 1985".

c. In both subparagraphs 240102A and B replace \$110 with \$150 and replace \$165 with \$225.

4. Make the following changes to the Bibliography:

a. Create a new entry for Table 22-1 and use the citation "Public Law 105-85, Section 614, 18 Nov 1997".

b. Replace the existing citation for Table 22-8 with "Public Law 105-85, Section 614, 18 Nov 1997" (note the existing citation was established with DFAS Interim Change Number 9-96).

c. Add "Public Law 105-85, Section 614, 18 Nov 1997" to the existing citation for paragraph 240102.

CHAPTER 25

BASIC ALLOWANCE FOR SUBSISTENCE (BAS)2501 GENERAL PROVISIONS

250101. Authority. Except as otherwise provided by law, members who are entitled to basic pay are entitled to BAS under the conditions set out in this chapter.

A. Enlisted Members. These members may become entitled to one of the following types of BAS on a daily basis:

1. When rations in kind are not available;
2. When permission to mess separately is granted; or
3. When assigned to duty under emergency conditions where no messing facilities of the United States are available.

B. Officers. Officers entitled to basic pay are entitled to BAS at all times on a monthly basis. (See paragraph 250301, below.)

C. Advance Payments. Advance payment of BAS is authorized under the circumstances specified in Chapter 32.

D. Effect on Overseas Station Allowances. BAS under this chapter is in addition to the overseas cost of living allowances authorized by Joint Federal Travel Regulations (JFTR), volume 1, part B, chapter 9 (reference (d)).

250102. Specialized Terms. Apply the following terms to BAS determinations:

A. Government Mess. See the Definitions.

B. Subsisted at Government Expense. This term applies to enlisted members:

1. Subsisted in kind by the government; or
2. Furnished meals by a government contractor or a foreign government at their permanent station, either under the terms of a contract or agreement or on a complimentary basis without charge.

C. "When Rations in Kind Are Not Available." This term applies when a government mess is, in fact, not available. It also applies to situations where it has been determined that it is impracticable for the government to furnish subsistence in kind.

D. "When Permission To Mess Separately is Granted." This term applies to enlisted members authorized to subsist themselves independently while on duty at a permanent station where a messing facility is available for subsisting them. The term also applies to enlisted members during periods of hospitalization, authorized leave (including proceed time), authorized delays en route between duty stations chargeable as leave, and travel status under orders away from their post of duty (to include TDY/TAD, PCS, and travel in connection with hospitalization or convalescent leave). This term does not apply when an enlisted member in a travel status is not entitled to the subsistence portion of per diem because such member is required to subsist at no cost in a government mess. (See subparagraph 250201.B, below.)

E. When Assigned to Duty Under Emergency Conditions Where No Government Mess Is Available. Applies to enlisted members assigned to duty under conditions requiring extraordinary expenses for subsistence as determined per paragraph 250202, below, and Table 25-3.

F. Prorated Subsistence Allowance. This entitlement applies to enlisted members being subsisted in kind at their permanent station:

1. Whose assigned duties in a non-travel status require them to be absent from their permanent station and their working hours or duties prevent them from eating certain meals in a government mess.

2. When authorized BAS at their permanent station, who enter a travel or hospitalized status and are entitled to BAS for part of a day or at different rates for parts of a day.

3. When proper authority determines that a government mess is in fact not available for part of a day. (Example: Mess is closed for reasons beyond the control of the installation commander, such as equipment failure.)

G. Supplemental Subsistence Allowance. This entitlement applies to enlisted members granted permission to mess separately at a permanent station:

1. Whose assigned duties in a non-travel status require them to be absent from their permanent station and their working hours or duties require them to buy a meal or meals from other than a government mess.

2. When proper authority has determined that a government mess is in fact not available for certain meals. (Example: Mess is closed for reasons beyond the control of the installation commander, such as equipment failure.)

H. Field Duty. (Defined);

1. Effective 28 October 1994, the term "Field Duty" shall mean service by a member when the member is subsisted in a government mess or with an

organization drawing field rations and the member is serving with troops on maneuvers, war games, field exercises, or similar types of operations.

2. Prior to 28 October 1994, members under orders with troops operating against an enemy, actual or potential, were considered to be in a field duty status. After 28 October 1994, those members under orders (TDY/TAD) with troops operating against an enemy, actual or potential, are not considered to be in a field duty status.

I. Sea Duty. This term means service performed by a member in a self-propelled vessel that is in an active status, in commission or in service, and is equipped with berthing and messing facilities.

2502 BAS POLICY AND DETERMINATIONS RESPONSIBILITY

250201. BAS-Policy

A. Normally, enlisted members are subsisted in kind. For uniformity in making determinations, government messes available in the geographical area must be used to the fullest extent compatible with economy and efficiency.

B. Effective 15 September 1981, enlisted members on authorized leave, hospitalized, or performing travel (TDY/TAD or PCS) under orders away from their designated post of duty are entitled to BAS at the "when permitted to mess separately" rate for the duration of the leave, hospitalization, or travel status, regardless of the BAS rate authorized members at their permanent stations. (Enlisted members on TDY/TAD at a station where proper authority has approved authorization for the emergency ration rate may receive BAS at that rate.) Enlisted members are not entitled to BAS while in a travel status when not entitled to the meal portion of per diem because they are provided subsistence at no cost by the government (field duty, sea duty, group travel, essential unit messing, undergoing processing, and annual training duty for Reserves). However, if the member becomes entitled to per diem or actual expenses because subsistence was not provided by the government at no cost, then the member regains entitlement to BAS. Determinations of essential unit messing made by the Secretary concerned are in individual Military Service regulations. A member is not considered to be performing travel (TDY/TAD or PCS) under orders away from his/her designated post of duty (undergoing processing) if such member:

1. Is a non-prior service enlisted member serving on a first tour of active duty;
2. Has not actually reported to a permanent duty station pursuant to orders directing such assignment, and
3. Is not actually traveling between stations pursuant to orders directing a change of station.

NOTE: A member who has, under travel orders, departed (or been detached from) the station where the member received orders designating his/her first permanent duty station is considered to be actually traveling and therefore, is entitled to BAS. This includes periods of TDY/TAD en route to the first permanent duty station.

C. Separate Military Service regulations may permit commanders (including enlisted commandants of the non-commissioned officer (NCO) Academies) to grant authorization to mess separately to enlisted members, not included in paragraph 250204, below, based on two factors such as: location of a member's residence, specialized duties, working hours, dining hall capacity, or distance to the mess hall. These factors are guidelines and should not be construed as all-encompassing. Additional extenuating factors deemed appropriate by commanders (including enlisted commandants of (NCO) Academies) also may be considered. Each application should be considered on its own merit.

★D. When members of one or more Military Service perform duty under similar conditions at installations or are assigned to activities within the same area, the commanders will confer to ensure uniform determinations on the authorization of BAS. If commanders of more than one Military Service cannot agree on a uniform BAS rate, the senior officer within the area will report the differences, fully documented, through channels to the Under Secretary of Defense (Personnel and Readiness).

E. When members of more than one Military Service perform duty at an installation, the installation commander makes the BAS determinations. Such determinations are binding on all personnel of the DoD performing duty at that installation.

F. Enlisted members carried in a missing status are entitled to BAS at the rate payable when rations in kind are not available. (See subparagraph 340302.)

250202. Determinations of Duty Under Emergency Conditions. Authorizations for BAS rate for members "assigned to duty under emergency conditions where no government messing facilities are available," may be granted only with the approval of the Secretary of the Military Department concerned, or Secretary's designee. This approval authority may not be redelegated.

A. Authorizations. Authorizations may be made for periods not to exceed 180 days. In approving original and subsequent authorizations, practicability and cost of establishing government messing or contract facilities must be considered. (See Table 25-3.)

B. Request for Approval. Requests for authorization approvals are submitted through channels to the applicable office below:

1. Army: Deputy Chief of Staff for Personnel (ATTN: DAPE-MBB-C) Washington DC 20310-0300.

2. Navy: Chief of Naval Operations, (ATTN: OP-134), Washington DC 20370-2020.

3. Air Force: HQ USAF/DPPC, Washington DC 20330-5060.

4. Marine Corps: Commandant of the Marine Corps (MPP),
Washington DC 20380-0001.

250203. Determinations of Nonavailability

A. When a Government Mess Is In Fact Not Available. The installation commander will determine if rations in kind are not available for enlisted members performing duty at that installation.

B. When Location of Government Mess Makes Its Use Impracticable. Commanding officers will determine when the location of a government mess, in relation to members' posts of duty, makes its use impracticable. See paragraph 250201, above, and Table 25-2 for policy guidance and rules for making such determinations.

C. When Mission Prevents Use of Government Mess. A determination of impracticability may be made by the Secretary concerned or the Secretary's designee for enlisted members whose assigned duties are such that use of a government mess would adversely affect their mission. Address recommendations for such determinations to the appropriate office listed in subparagraph 250202.B, above.

D. When Duty Prevents Use of Mess. Commanders or their designees may determine if members' assigned duties or unusual work hours prevent the members from eating certain meals in a government mess. See Table 25-4, rules 5 and 6 for criteria.

250204. Authorization To Mess Separately. Separate Military Service regulations may provide automatic blanket authorization for enlisted members in pay grades E-7 and above and for enlisted members in pay grades E-1 and above who are residing with their dependents (except basic trainees). This includes members married to members, with no dependents, who reside together at the permanent station. In addition, members authorized single rate BAQ are authorized to mess separately. Such authorizations are in effect continuously except as provided in paragraph 250401, below, or in the Military Service regulations.

A. Army Members. Authorization to mess separately will be made in accordance with AR 210-10 (reference (am)).

B. Navy and Marine Corps Members. Authorization to mess separately will be made in accordance with the Naval Military Personnel Manual (reference (an)) or the current edition of Marine Corps Order 10110.33 (reference (ao)).

C. Air Force Members. Authorization to mess separately will be made in accordance with DFAS-DE 7073.1-M and DFAS-DE 7073.2-M (reference (ap)).

250205. Review of Determinations. Review of all determinations, except those

pertaining to members who have been authorized to mess separately, shall be made annually or when conditions to entitlement change, or more frequently if necessary pursuant to paragraph 250202 and subparagraphs 250203.A and B, above. Review is to ensure compliance with the policies outlined in this section. When review shows that existing determinations fail to meet requirements, those determinations shall be cancelled.

250206. Determination of BAS During Contingency Operations. When members of one or more Military Service perform duty under similar conditions within the same area of operations, as defined by the Joint Staff or the Commander in Chief of the Cognizant Combatant Command (CINC), or are assigned to activities within the same area, the CINC will make a uniform determination on the authorization of basic allowance for subsistence. For uniformity considerations, government mess available in the geographic area must be used to the fullest extent compatible with mission, economy, and efficiency. The impact on BAS during contingency operations depends on the type of orders issued and whether the member is assigned to a unit on land or afloat. The types of orders are outlined in Table 25-7.

250207. Determination of BAS During Non-Contingency Operations. When members temporarily are assigned to a Joint Task Force (JTF) performing duty under similar conditions within the same area of operations, the CINC, or the JTF commander if the authority is delegated, shall determine the appropriate type of temporary duty and TDY/TAD orders to be issued by all Military Services, after consultation with the Service component commanders. BAS entitlement for members on TDY/TAD during non-contingency operations is shown in Table 25-8.

2503 OFFICERS CONDITIONS OF ENTITLEMENT

★250301. Officers. Except as indicated in Table 25-1, officers are entitled to BAS at the rate of \$154.16 per month (effective 1 January 1997), regardless of grade or dependency status. Compute this allowance by the month, as for basic pay. See Table 25-1 for specific conditions of entitlement.

2504 ENLISTED MEMBERS CONDITIONS OF ENTITLEMENT

250401. When Authorized To Mess Separately. Enlisted members authorized to mess separately (subparagraph 250102.D and paragraph 250204, above) are entitled to BAS at the rates and under the conditions shown in Tables 25-4, 25-5, & 25-6.

A. Limitation. Authorization to mess separately cannot cover retroactive periods. However, this does not prevent payment of BAS from the time of an oral authorization by proper authority if the oral approval of the member's request is confirmed promptly in writing.

B. Duration of Authorization To Mess Separately. Once approved, these authorizations remain in full force under the following conditions unless sooner terminated by approving authority:

1. While the member's permanent, temporary duty, or temporary additional duty station, as applicable, remains unchanged.
2. While member is on leave or hospitalized.
3. While performing travel under orders in connection with TDY/TAD, PCS, hospitalization, or convalescent leave.
4. Upon discharge or retirement and reenlistment or recall to active duty at the same station within 24 hours.

C. Termination of Authorization To Mess Separately. Authorizations to mess separately terminate:

1. On date and hour travel (TDY/TAD or PCS) or hospitalization status ends unless continuation is authorized by proper authority at member's permanent station.
2. As of midnight of date of detachment from duty station when discharged or released from active duty if reenlistment at the same station does not occur within 24 hours after date of discharge.
3. When directed by the commander or commander's designee.
4. Upon request of the member concerned.
5. As of midnight on the date leave status ends.

250402. When Government Mess Is Not Available. Enlisted members on duty where a government mess is not available are entitled to BAS at the rate shown in paragraph 250406, below, and under the conditions shown in Tables 25-4, 25-5, and 25-6. Entitlement to BAS under this paragraph continues during weekends, holidays, administrative absence, pass, or liberty. See paragraph 250407, below, for conditions requiring BAS to be prorated.

250403. When Use of Government Mess Is Impracticable. Enlisted members on duty where use of an available government mess is impracticable are entitled to BAS at the rate shown in paragraph 250406, below, and under the conditions shown in Tables 25-4, 25-5, and 25-6.

250404. Duty Under Emergency Conditions. For rate payable and conditions of entitlement, see paragraphs 250202, above, and 250406, below, Table 25-3 and Table 25-4, rule 7.

250405. Subsistence Allowance-Shore Patrol Duty. Navy and Marine Corps commanders may authorize payment of the shore patrol subsistence allowance to members on shore patrol duty, in a non-travel status, when government messing facilities are not available. Such authorizations are made in accordance with administrative regulations of the Military

Service concerned. A member performing shore patrol duty, in a non-travel status, may elect to continue to receive BAS instead of the shore patrol subsistence. When the shore patrol subsistence allowance is elected, prorate BAS otherwise payable as in paragraph 250407, below.

★250406. BAS Rates (Effective 1 January 1997).

★A When permitted to mess separately:

E-1 (less than 4 months' active duty)
\$6.79 per day.

E-1 (4 months' or more active duty) through E-9
\$7.36 per day.

★B. When rations in kind are not available:

E-1 (less than 4 months' active duty)
\$7.65 per day.

E-1 (4 months' or more active duty) through E-9
\$8.30 per day.

★C. When assigned to duty under emergency conditions within the United States (except Alaska and Hawaii) where government messing facilities are not available:

E-1 (less than 4 months' active duty)
\$10.16 per day.

E-1 (4 months' or more active duty) through E-9
\$10.99 per day.

250407. Prorating Subsistence Allowance

A. When To Prorate BAS. Enlisted members may receive prorated BAS for that part of a day:

1. Before beginning or after end of shore patrol duty (not in travel status) at the BAS rate authorized at the permanent station when shore patrol subsistence allowance is elected.

2. Before beginning or after end of travel (TDY/TAD or PCS) or hospitalized status at the BAS rate authorized at the permanent station. Proration not required when authorized to mess separately at the permanent station.

3. Before beginning or after end of TDY/TAD to field or sea duty, at the BAS rate authorized at the permanent station, when no travel time is required before reporting to and subsequent to detaching from such duty.

4. After beginning or before end of travel (TDY/TAD or PCS) or hospitalized status at the "when permitted to mess separately" BAS rate (or "emergency ration

rate," where authorized). Proration not required when authorized to mess separately at the permanent station.

5. During which proper authority has determined that a government messing facility is in fact not available at the permanent station. Prorate at the "when rations in kind are not available" rate. (Applies to Table 25-4, rule 3.) (Example: Mess is closed for reasons beyond the control of the installation commander, such as equipment failure.)

6. During which their assigned duties in a non-travel status require them to be absent from their permanent station and their working hours or duties prevent them from eating certain meals in a government mess when they are normally subsisted in kind.

B. Divisions of the Day. The following hours are established as reasonable divisions of the day for the purpose of prorating BAS. Prorate BAS at the authorized rate for times at or before and after these hours as applicable:

0700.....	Breakfast
1200.....	Lunch
1800.....	Dinner

★C. Prorated Subsistence Allowance. The prorated BAS applicable for each meal at the "when permitted to mess separately" rate is as follows:

1. E-1 (less than 4 months' active duty) (Effective 1 January 1997):

a. Breakfast.....	\$1.35
b. Lunch.....	\$2.72
c. Dinner.....	\$2.72
Total per day.....	\$6.79
2. E-1 (4 months' or more active duty) through E-9 (Effective 1 January 1997):

a. Breakfast.....	\$1.48
b. Lunch.....	\$2.94
c. Dinner.....	\$2.94
Total per day.....	\$7.36

★D. Prorated Subsistence Allowance. The prorated BAS applicable for each meal at the "when rations in kind are not available" rate is as follows:

1. E-1 (less than 4 months' active duty) (Effective 1 January 1997):

a. Breakfast.....	\$1.53
b. Lunch.....	\$3.06
c. Dinner.....	\$3.06
Total per day.....	\$7.65

1 January 1997):

2. E-1 (4 months' or more active duty) through E-9 (Effective

- a. Breakfast..... \$1.66
- b. Lunch.....\$3.32
- c. Dinner \$3.32

Total per day..... \$8.30

★E. Prorated Subsistence Allowance. The prorated BAS applicable for each meal at the "emergency rations" rate is as follows:

1. E-1 (less than 4 months' active duty) (Effective 1 January 1997):

- a. Breakfast..... \$2.04
- b. Lunch..... \$4.06
- c. Dinner \$4.06

Total per day.....\$10.16

January 1997):

2. E-1 (4 months' or more active duty) through E-9 (Effective 1

- a. Breakfast..... \$2.19
- b. Lunch..... \$4.40
- c. Dinner \$4.40

Total per day.....\$10.99

250408. Supplemental Subsistence Allowance

A. Enlisted members granted permission to mess separately at their permanent station may receive the supplemental allowance at the amounts allowable for each meal as shown in subparagraph B, below, when:

1. Their assigned duties in a non-travel status require them to be absent from their permanent station and their working hours or duties require them to buy a meal or meals from other than a government mess.

2. Proper authority has determined that a government mess is in fact not available for certain meals. (Example: Mess is closed for reasons beyond the control of the installation commander, such as equipment failure.)

★B. Rates applicable:

1. E-1 (less than 4 months' active duty) (Effective 1 January 1997):

- a. Breakfast..... \$0.18
- b. Lunch..... \$0.34
- c. Dinner \$0.34

1997):

2. E-1 (4 months' or more active duty) through E-9 (Effective 1 Jan

- a. Breakfast..... \$0.18
- b. Lunch..... \$0.38
- c. Dinner \$0.38

SPECIFIC CONDITIONS OF ENTITLEMENT AND NON-ENTITLEMENT (BAS)-OFFICERS				
R U L E	A	B	C	D
	When a member is	and member has	and member	then member is
1	in a travel status		is entitled to mileage, travel per diem allowance, or to other monetary allowances	entitled to BAS.
2	on leave			not entitled to BAS. entitled to BAS (note 1). entitled to BAS (note 2).
3	in excess leave status			
4	sick in hospital			
5	subsisted in a government mess "(other than field duty)"			
6	serving in an active duty status as intern or resident physician or Nurse Corps officer or candidate at a state, county, municipal, or privately-owned hospital	dependents	subsists separately with the dependents and does not eat meals available without charge at the hospital (note 3)	entitled to BAS.
7		no dependents	is furnished meals without charge or meals are available without charge	not entitled to BAS.
8	training for, attending, or participating in Pan-American games, Olympic games, or other specifically authorized international amateur sports competition	dependents	is subsisted during that period by the sponsoring agency	entitled to BAS.
9		no dependents		not entitled to BAS.
10	at home or other non-military place awaiting orders in connection with Physical Evaluation Board proceedings			entitled to BAS.
11	absent without authority for more than 24 hours at any one time		the absence is not excused as unavoidable	not entitled to BAS (note 4).
12	in confinement; awaiting trial by court martial (CM); serving CM sentence to forfeit basic pay but not allowances; serving CM sentence which included total forfeitures, if sentence is set aside and retrial ordered (subparagraph 480902.A)			entitled to BAS (note 1).
13	a student training on a fellowship, scholarship, grant, or a professor granted an award to teach at a university, etc.		is furnished subsistence by the fellowship, grant, or award	not entitled to BAS.
14	serving on field duty, including field exercises and simulated combat		is furnished meals	entitled to BAS (notes 2 and 5).

NOTES:

- Collection for meals furnished will be prescribed by the regulations of the Military Service concerned.
- Officers will pay for their meals at the prescribed rates either by cash or by collection from pay. For officers' daily rate see DoD Manual 1338.10-M.
- Member is not entitled to BAS if furnished meals without charge.
- Not entitled to BAS for the same number of days that basic pay is forfeited.
- Under field duty conditions, officers are charged for all meals that are available whether or not eaten. Available meals include prepared meals, meals ready to eat (MRE), or meals contracted by the government.

Table 25-1. Specific Conditions of Entitlement and Non-Entitlement (BAS)-Officers

DETERMINATIONS OF IMPRACTICABILITY FOR USE OF A GOVERNMENT MESS BY ENLISTED MEMBERS				
R U L E	A	B	C	D
	If	And	and	then
1	cost of providing the member transportation (government or commercial) between duty and mess would exceed rations in kind not available rate less the when permitted to mess separately rate			use of the government mess may be determined impracticable, subject to rules 4 and 5 (note 1).
2	time between mess and post of duty is 30 minutes or less each way by government transportation	there are no other extenuating circumstances		determination of impracticability will normally not be made. When time between mess and post of duty is more than 30 minutes, or there are extenuating circumstances, apply rule 3 below (note 1).
3	assigned duties of members are such that use of government mess would adversely affect their mission			impracticability determination may be made by the Secretary of the Military Department concerned, or Secretary's designee, irrespective of other factors. Limit BAS to that authorized by Table 25-4, rule 4. See subparagraph 250203.C.
4	Member regularly performs duty outside a military installation (such as in a downtown office building)		messing facilities are available on base and normally used by members at this station	impracticability determination will not be made for full rations in kind not available rate. Limit BAS to that authorized by Table 25-4, rule 5 or 6.
5	Member lives in contract quarters at other than a government installation	member regularly performs duty at a government installation where mess is available and quarters are not available to single members	cost of providing the member transportation (government or commercial) between contract quarters assigned at other than a government installation mess would exceed the difference between the rations in kind not available rate and the when permitted to mess separately rate	determination of impracticability may be made for periods of off-duty (note 2). For amounts payable, see subparagraphs 250407.D or 250408.B.

NOTES:

1. Time and cost factors need not be applied for the noon meal when enlisted member's place of duty is not a military or naval installation.
2. A member is not entitled to BAS at the rations in kind not available rate during periods of leave, hospitalization, or travel status.

Table 25-2. Determinations of Impracticability for Use of a Government Mess by Enlisted Members

ESTABLISHING ENTITLEMENT TO THE EMERGENCY RATION RATE					
R U L E	A	B	C	D	E
	If	and	and	and	then
1	an enlisted member's duty assignment is under unusual or emergency conditions, of limited duration and in an out-of-the-way place in the United States (notes 1, 2, 3, and 4)	government dining facilities are not available	quarters do not have cooking facilities and member is required to purchase all meals from a commercial restaurant or contract mess	the member incurs extraordinary expense in obtaining meals	Request authorization of the ERR (subparagraph 250202.B) (note 5).

NOTES:

1. ERR is not authorized outside the United States or in Alaska or Hawaii.
2. Unusual or emergency conditions are unforeseen and/or uncontrollable circumstances affecting normal duty conditions.
3. Limited duration is when anticipated assignment is for 180 days or less.
4. The duty location will be considered "out-of-the-way" when the distance or traveling time to the nearest government facilities is such that the use of those facilities would adversely affect performance of the member's duties.
5. The approving authority will use, as a standard, the national urban average cost for procuring three meals per day from commercial sources. Approval will be based upon the average cost as determined by the Runzheimer survey of major United States cities.

Table 25-3. Establishing Entitlement to the Emergency Ration Rate

BAS ENTITLEMENT-ENLISTED MEMBERS-PERMANENT STATION					
R U L E	A	B	C	D	E
	When enlisted member is	and rations in kind are	and proper authority has	and member is	then daily rate of BAS is (see paragraph 250406 for rates)
1	at permanent station (note 5)	furnished by the government without charge to member			none.
2		available but not furnished	granted permission to mess separately		when permitted to mess separately rate.
3		in fact not available	made determination of non-availability		rations in kind not available rate (to prorate, see subparagraph 250407.A.5) (notes 1 and 7).
4		available but impracticable to furnish (note 2)	made determination of impracticability		rations in kind not available rate (note 1).
5	assigned to duty requiring the member to be absent from permanent station and working hours or duties prevent member from eating certain meals in a government mess	available and furnished for other meals	made determination of impracticability under provisions of Table 25-2 and approved payment for specified meals	not entitled to travel per diem or mileage allowances	rations in kind not available rate prorated for each such meal (paragraph 250407).
6	Assigned to duty requiring the member to be absent from permanent station and working hours or duties require member to buy a meal or meals from other than a government mess	available but not furnished for other meals	made determination of impracticability under provisions of Table 25-2; granted permission to mess separately; and approved payment for specified meals		when permitted to mess separately rate plus supplemental allowance for each meal (paragraph 250408) (notes 1 and 3).
7	Assigned to duty under emergency conditions with extraordinary subsistence expense (Table 25-3)	in fact not available	approved authorization for emergency ration rate		emergency rations rate.
8	at home or other non-military place awaiting orders in connection with Physical Evaluation Board proceedings	not available			rations in kind not available rate (notes 1 and 4).
9	serving on shipboard	available in a shore mess but not furnished	granted permission to mess separately		when permitted to mess separately rate.
10		available and furnished			none.
11		not available (note 6)			rations in kind not available rate.
12	at home or other non-military place awaiting assignment orders, subsequent to separation as a Service Academy Cadet or Midshipman prior to completion of the 4-year program	not available			

Table 25-4. BAS Entitlement-Enlisted Members-Permanent Station

NOTES:

1. A member is not entitled to BAS at the rations in kind not available rate during periods of authorized leave, hospitalization, or travel status (TDY/TAD or PCS).
2. This rule applies only to those cases where the impracticability determination is made under Table 25-2, rule 3.
3. BAS at the rations in kind not available rate is not authorized for periods of absence, pass, or liberty. BAS at the when permitted to mess separately rate should be paid for these off-duty periods if permission to mess separately has been granted.
4. Entitlement begins on actual or constructive date of arrival home or other designated place, whichever date is earlier. (Compute constructive arrival date via authorized transportation mode based upon the rules and provisions of the JFTR, volume 1.)
5. For the purpose of BAS entitlement, the permanent station is that station where the dining facility is located. (Does not apply if there is no dining facility in the immediate geographic area.)
6. Applies when shipboard mess is closed while undergoing alterations, repairs or inactivation of ship, and rations are also not available in a shore mess.
7. All enlisted members, including those authorized to mess separately, are entitled to RIKNA whenever rations in kind are in fact not available, including periods when messing facilities are closed for one or more meals during a day.

Table 25-4. BAS Entitlement-Enlisted Members-Permanent Station (Continued)

BAS ENTITLEMENT-ENLISTED MEMBERS-TRAVEL STATUS, SHORE PATROL DUTY, PROCEED TIME, ATHLETIC TRAINING, OR FIELD/SEA DUTY				
R U L E	A	B	C	D
	When enlisted member is	and member is	and member has	then daily rate of BAS is (see paragraph 250406 for rates)
1	in a travel status on TDY, TAD or PCS (notes 1, 2, and 3)	not required by regulation to be subsisted in kind at no cost (see subparagraph 250201.B)		when permitted to mess separately rate (prorated when applicable) (note 4).
2	training for, attending or participating in Pan American games, Olympic games, or other specifically authorized international amateur sports competition	subsisted by sponsoring agency (not at government expense)	dependents	rations in kind not available rate.
3			no dependents	none.
4				none (see paragraph 250407).
5	on proceed time (note 3)			when permitted to mess separately rate.

NOTES:

- Members are entitled to BAS at the rate authorized when permission to mess separately is granted for the periods of authorized travel in connection with hospitalization and convalescent leave.
- Includes TDY, TAD, or PCS under permissive orders.
- Members will pay for meals eaten in a government mess either by cash or by collection from pay in accordance with Military Service regulations.
- Enlisted members on TDY/TAD at a station where proper authority has approved authorization for the emergency ration rate may receive BAS at that rate.

Table 25-5. BAS Entitlement-Enlisted Members-Travel Status, Shore Patrol Duty, Proceed Time, Athletic Training, or Field/Sea Duty

BAS ENTITLEMENT-ENLISTED MEMBERS-LEAVE, HOSPITALIZATION, UNAUTHORIZED ABSENCE, OR CONFINEMENT		
R U L E	A	B
	When enlisted member is	then daily rate of BAS is (see paragraph 250406 for rates)
1	on authorized leave, including delay en route chargeable as leave	Rate when permitted to mess separately (notes 1 and 3).
2	sick in hospital	Rate when permitted to mess separately rate (prorate when applicable) (note 3).
3	in excess leave status	none.
4	in an unauthorized absence status	none (note 2).
5	confined in a guardhouse, brig, correctional barracks, or penal institution	none (note 4).

NOTES:

- Members receiving overseas station per diem allowance may continue to receive such in addition to BAS while on leave outside the United States, or in Alaska, or Hawaii.
- Enlisted members receiving BAS forfeit 1 day's BAS for each day of unauthorized absence.
- Members will pay for meals eaten in a government mess, or furnished by the hospital, either by cash or by collection from pay in accordance with the regulations of the Military Service concerned.
- If sentence to confinement is later disapproved or set aside, BAS is not payable for the period of confinement because the member was subsisted at government expense.

Table 25-6. BAS Entitlement-Enlisted Members-Leave, Hospitalization, Unauthorized Absence, or Confinement

BAS ENTITLEMENT DURING CONTINGENCY OPERATIONS							
R U L E	If the orders	and member is an		and subsists from	then the member is entitled to		Remarks
		OFF	ENL		BAS	PER DIEM	
1	are regular TDY/TAD orders	X	X	a commercial dining facility	yes	M&IE	All members pay for meals at commercial source
2		X	X	a government operated or contracted mess	yes	M&IE	All members pay for government meals (See notes 1,2 & 3 for rates)
3	require Essential Unit Messing		X		no	IE only	Enlisted pays nothing for meals
4		X			yes	IE only	Officer pays for government meals at discounted rate (note 3)
5	Assign or embark the member on a Navy ship or other U.S. government vessel		X	an enlisted dining facility or meals are provided to member	no	no	Enlisted pays nothing for meals
6		X			yes	no	Officer pays discounted rate (note 3) for meals
7		X		private officers' wardroom mess	yes	no	Officer pays for meals at private mess rate

NOTES:

- Effective 25 Apr 1995, all members pay for meals at the discounted rate if the dining facility is a temporary mess and the JTF operation is for a purpose other than for training. During JTF training operations or when personnel subsist from permanent dining facilities, members must pay the full meal rate.
- The full meal rate is the charge for both food costs and related services. Rates are established annually by the USD (Comptroller). Rates are found at <http://www.dtic.mil/comptroller>.
- The discounted rate is the charge for food costs only. The rate is established annually by the USD (Comptroller).

Table 25-7. BAS Entitlement During Contingency Operations

BAS ENTITLEMENT DURING NON-CONTINGENCY OPERATIONS							
R U L E	If the orders	and member is an		and subsists from	then the member is entitled to		Remarks
		OFF	ENL		BAS	PER DIEM	
1	are regular TDY/TAD orders	X	X	a commercial dining facility	yes	M&IE	All members pay for meals
2		X	X	a government operated or contracted mess	yes	M&IE	All members pay for government meals (See notes 1,2 & 3)
3	require Essential Unit Messing for Training and Readiness Purposes		X		no	IE only	Enlisted pays nothing for meals
4		X			yes	IE only	Officer pays for government meals at discounted rate (note 3)
5	place the member in Field Duty		X	government operated or contracted mess (including meals, ready to eat (MREs))	no	no incidentals are provided	Enlisted pays nothing for meals
6		X			yes		Officer pays for government meals at discounted rate (note 3)
7	assign or embark the member on a Navy ship or other U.S. government vessel		X	enlisted dining facility or meals are provided to member	no	no	Enlisted pays nothing for meals
8		X			yes	no	Officer pays discounted rate (note 3) for meals
9		X		private officers' wardroom mess	yes	no	Officer pays for meals at private mess rate

NOTES:

- Effective 25 Apr 1995, all members pay for meals at the discounted rate if the dining facility is a temporary mess and the JTF operation is for a purpose other than for training. During JTF training operations or when personnel subsist from permanent dining facilities, members must pay the full meal rate.
- The full meal rate is the charge for both food costs and related services. Rates are established annually by the USD (Comptroller).
- The discounted rate is the charge for food costs only. The rate is established annually by the USD (Comptroller).

Table 25-8. BAS Entitlement During Non-Contingency Operations



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUL 24 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7A, Regarding -Basic Allowance for
Subsistence when On Temporary Duty, (DFAS Item G-82)


Attached is DFAS Interim Change 29-98 to Chapter 25 of the DoDFMR, Volume 7A. It is effective January 1, 1998.

The purpose of this change is to include provisions for payment of Basic Allowance for Subsistence to enlisted members under orders for duty away from their permanent duty station. This change is the result of Section 605 of the FY 1998 National Defense Authorization Act and issuance of Under Secretary of Defense (Personnel and Readiness) Memorandum of March 7, 1998. It is a complete chapter rewrite.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate.

Assignment of an interim change number is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at DSN 332-5280 or (703) 602-5280.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

1. Revise the Bibliography by replacing the entries under Chapter 25, Basic Allowance for Subsistence (BAS) with the following:

2501-General Provisions	250101	EO 11157, Part III, 22 June 1964, as amended Public Law 105-85, Section 602, 18 Nov 1997
	250102	EO 11157, 22 June 1964
	250102B	DoD 1338.10-M, May 1992
	250102J	USD(P&R) Memo, 7 Mar 1998
	250102K	USD(P&R) Memo, 7 Mar 1998
2502-BAS Policy and Determinations Respon- sibility	250201A	OASD(FM&P) Memo, 15 Jun 1989
	250201C	Public Law 105-85, Section 602, 18 Nov 1997
	250201E	OASD Memo, 26 Aug 1981
	250201F	Public Law 105-85, Section 605, 18 Nov 1997
	250201G	Public Law 105-85, Section 605, 18 Nov 1997
	250201H	Public Law 105-85, Section 605, 18 Nov 1997
	250201M	52 Comp Gen 23
	250203A	42 Comp Gen 558
	250204	OASD(FM&P) (RM&S) Memo, 15 June 1989
		OASD(MPP) Memo, 14 Nov 1994
	250206	OUSD Memo, 4 Apr 1995
	250207	OUSD(P&R) Memo, 30 Sep 1994
		OUSD Memo, 4 Apr 1995
2503-Conditions of Entitlement	250302B	MS Comp Gen B-130033, 29 Jan 1957
	Table 25-1	
	Rule 6	29 Comp Gen 163
	Rule 7	DoDD 1322.6, 4 Aug 1981 10 U.S.C. 2603, 4341 & 9341 5 U.S.C. 5536
	Rule 8	37 U.S.C. 420
	Rule 11	2 Comp Dec 300 MS Comp Gen B-160588, 10 Mar 1967
	Table 25-3	OASD Memo, 26 Aug 1981
	Rule 3	USD(P&R) Memo, 7 Mar 1998

Rule 4 37 U.S.C. 420
Table25-4
Rule 2 39 Comp Gen 614
Rule 4 39 Comp Gen 615
Rule 8 32 Comp Gen 348
Table25-5 OASD(FMP)(MPP)COMP Memo,
9 Jan 1998
Table25-7 DODFMR, Vol 12, Chap 19
OUSD Memo, 26 Sep 1997

2. Replace the entirety of Chapter 25 with the following:

CHAPTER 25

BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

2501 GENERAL PROVISIONS

250101. Entitlement. Except as otherwise provided by law, members who are entitled to basic pay are entitled to BAS under the conditions set out in this chapter. Effective 1 January 1998, enlisted members being subsisted in kind are entitled to a Partial BAS payment as set forth in this chapter. Effective 1 January 1998, enlisted members temporarily assigned to duty away from their permanent duty station or to duty under field conditions at their permanent duty station are entitled to BAS at a rate not less than that which they had at their permanent duty station as set forth in this chapter.

A. Enlisted Members. These members may become entitled to one of the following types of BAS on a daily basis:

1. Full BAS at the rate:
 - a. When rations in kind are not available (RIKNA); or
 - b. When permission to mess separately is granted (SEPRATS); or
 - c. When emergency ration conditions are approved (EMRATS).
2. Partial BAS at the rate when subsisted in kind.

B. Officers. Generally, officers entitled to basic pay are entitled to a full BAS at all times on a monthly basis. Officers are not entitled to a partial BAS.

C. Advance Payments. Advance payment of BAS is authorized under the circumstances specified in part four, chapter 32.

D. Effect on Overseas Station Allowances. BAS under this chapter is in addition to the overseas cost of living allowances authorized by Joint Federal Travel Regulations Volume 1, (JFTR), Chapter 9, part B2 (reference (d)).

250102. Specialized Terms. Apply the following terms to BAS determinations:

A. Government Mess. See the Definitions.

B. Subsisted in Kind. Applies to enlisted members who do not receive any of the full BAS types because they are furnished meals or rations at no charge from an appropriated fund dining facility or are subsisted at no charge on behalf of the government.

C. Appropriated Fund (APF) Dining Facility. A generic term used in lieu of Government mess, general mess, dining hall, dining activity, dining facility, mess hall, galley, field kitchen, flight kitchen, or similar terms used to describe dining facilities funded totally by appropriated funds. It excludes activities operated by non-appropriated fund instrumentalities such as officer's mess, club, organized mess and all similar terms.

D. Subsisted at Government Expense. Applies to all members:

1. Subsisted in kind; or

2. Furnished meals or rations on behalf of the U.S. Government. Meals or rations furnished without charge by a government contractor or a foreign government or through a fellowship, grant or intern program while a member is receiving basic pay, either under the terms of a contract or agreement or on a complimentary basis are considered to be furnished on behalf of the U.S. government.

E. When Rations in Kind Are Not Available. Applies to enlisted members while on duty at a permanent station where a government mess is, in fact, not available or where it has been determined that it is impracticable for the government to furnish subsistence in kind.

F. When Permission To Mess Separately is Granted. Applies to enlisted members authorized to subsist themselves independently while on duty at a permanent station where a messing facility is available for subsisting them. The term also applies to enlisted members during periods of travel for which per diem or reimbursement is provided for meals and during authorized leave.

G. When Emergency Ration Conditions Are Approved. Applies to enlisted members assigned to permanent duty under conditions requiring extraordinary expenses for subsistence where no government messing facilities are available.

H. Partial BAS. Applies to enlisted members receiving basic pay who are being subsisted at government expense and not receiving any of the types of full BAS and who are not in basic training.

I. Supplemental Subsistence Allowance. The supplemental subsistence allowance is a per meal payment that, when added to the enlisted member's current BAS, brings the total to the RIKNA rate. Applies to enlisted members receiving Partial BAS for being subsisted in kind and to those receiving SEPRATS:

1. Whose assigned duties require them to be absent from their permanent station and/or their working hours or duties prevent them from obtaining certain meals from a mess operated by or on behalf of the government or require them to buy a meal or meals from other than a government mess; or

2. When proper authority determines that a mess operated by or on behalf of the government is, in fact, not available for part of a day. (Example: Mess is closed for reasons beyond the control of the installation commander, such as equipment failure.)

J. Field Duty. Any maneuvers, war games, field exercises, or similar operations in excess of 180 days where a member is subsisted in a mess operated by or on behalf of the government or with an organization drawing field rations.

K. Sea Duty. Service performed by a permanent party crewmember in a self-propelled vessel that is in an active status, in commission or in service, and is equipped with berthing and messing facilities.

L. Essential Unit Messing (EUM). Any group messing declared by appropriate authority as essential for operational readiness, the conduct of military operations or necessary for the effective conduct of training where members are required to use messing provided by or on behalf of the Government. Members are entitled to travel reimbursement for incidental expenses, but not for subsistence. Designation for essential unit messing shall be applied only to organizational units and to operational elements and detachments, not to individual service members.

M. Temporary Field Assignment (TFA). Any maneuvers, war games, field exercises, or similar operations of 180 days or less where a member is required to use messing provided by or on behalf of the Government. Member's travel reimbursement is the same as for field duty.

N. Temporary Afloat Assignment (TAA). Any service performed on a temporary duty basis in a self-propelled vessel that is in an active status, in commission or in service, where a member is required to use messing provided by or on behalf of the Government. Member's travel reimbursement is the same as for sea duty.

2502 BAS POLICY AND DETERMINATIONS RESPONSIBILITY

250201. BAS-Policy.

A. Normally, enlisted members in pay grades below E-7 who are assigned to single government quarters at their permanent duty station are subsisted in kind. For uniformity in making determinations, government messes available in the geographical area must be used to the fullest extent compatible with economy and efficiency.

B. Enlisted members undergoing basic training are subsisted in kind and not entitled to Partial BAS.

C. Except during basic training, enlisted members who are subsisted in kind are entitled to Partial BAS. Enlisted members on field duty (over 180 days) or permanent sea duty are subsisted in kind and entitled to Partial BAS. Note: Enlisted members serving on permanent sea duty, receiving Partial BAS and assigned to a private mess, such as an officer's wardroom or chief petty officer's mess, whose subsistence in kind ration entitlement is commuted to that mess, will have the commutation value limited to the difference between the current SEPRATS and the Partial BAS paid to the member.

D. Enlisted members on authorized leave (including proceed time, authorized delays en route between duty stations chargeable as leave, and convalescent leave) are entitled to full BAS at the SEPRATS rate, regardless of the BAS type authorized at their permanent duty station.

E. Enlisted members performing PCS travel (including TDY/TAD enroute) under orders away from their designated post of duty are entitled to full BAS at the SEPRATS rate, regardless of the BAS type authorized at their previous or subsequent permanent duty station.

F. Enlisted members performing regular or permissive TDY/TAD (not associated with PCS travel) or admitted to hospital as inpatients under orders away from their designated post of duty will retain the BAS entitlement they held at their permanent duty station, except that the rate will not be less than SEPRATS.

G. At the completion of basic training, enlisted members although entitled to Partial BAS, are not considered to be performing travel (TDY/TAD or PCS) under orders away from their designated post of duty (including processing) if such member:

1. Is a non-prior service enlisted member serving on a first tour of active duty,
2. Has not actually reported to a permanent duty station pursuant to orders directing such assignment, and
3. Is not actually traveling between stations pursuant to orders directing a change of station.

H. Enlisted members under orders for temporary field assignment, temporary afloat assignment, essential unit messing, or group travel, will retain the BAS (including Partial) and subsistence entitlement which they held at their permanent duty station. Note: Enlisted members serving on temporary afloat assignment, receiving Partial BAS and assigned to a private mess, such as an officer's wardroom or chief petty officer's mess, whose subsistence in kind ration entitlement is commuted to that mess, will have the commutation value limited to the difference between SEPRATS and the value of the Partial BAS paid to the member.

I. Enlisted members authorized to mess separately are entitled to full BAS at the SEPRATS rate.

J. Enlisted members serving under conditions where subsistence at government expense is not available or where it is impracticable to provide subsistence at government expense are entitled to full BAS at the RIKNA rate, except while on leave or travel.

K. Enlisted members receiving either Partial BAS or SEPRATS are entitled to a supplemental subsistence allowance when conditions are determined to warrant full BAS at the RIKNA rate for specific meals.

L. Officers are generally entitled to full BAS at all times except when in an excess leave status, absent without authority for more than 24 hours consecutive hours or otherwise not entitled to basic pay.

M. Enlisted members carried in a missing status are entitled to full BAS at the RIKNA rate. (See subparagraph 340302.)

N. When members of one or more Service perform duty under similar conditions at installations or are assigned to activities within the same area, the commanders will confer to ensure uniform determinations on the authorization of BAS. If commanders of more than one Service cannot agree on a uniform BAS rate, the senior officer within the area will report the differences, fully documented, through channels to the Secretary of Defense.

O. When members of more than one Service perform duty at an installation, the installation commander makes the BAS determinations. Such determinations are binding on all personnel of the DoD performing duty at that installation.

P. Military members may not receive a full BAS (SEPRATS, RIKNA, EMRATS or officer BAS) and meals or rations at no charge for the same period of service. Members in receipt of any type of full BAS must pay for meals and rations. This is a personal obligation of the individual. Meals or rations may be paid for with cash, by payroll deduction or by collection/reduction of otherwise entitled travel per diem. Meals or rations provided by or on behalf of the Government shall be paid for or charged at the rate set-by the Department of Defense Comptroller. Meals furnished by commercial air carriers (including AMC charter flights) are not meals furnished by a Government mess or on behalf of the Government.

250202. Determinations of Duty Under Emergency Conditions. Authorizations for BAS at the EMRATS rate may be granted only with the approval of the Secretary of the department concerned, or the Secretary's designee. This approval authority may not be redelegated.

A. Authorizations. Authorizations may be made for periods not to exceed 180 days. In approving original and subsequent authorizations, practicability and cost of establishing government messing or contract facilities must be considered.

B. Request for Approval. Requests for authorization approvals are submitted through channels to the applicable office below:

1. OASA, Deputy Chief of Staff for Personnel (ATTN: DAPE-PRR-C), 300 Pentagon, Washington DC 20310-0300.

2. Chief of Naval Operations, (ATTN: N-130), 2 Navy Annex, Washington DC 20370-2020.

3. HQ USAF/DPRC, 1040 Air Force Pentagon, Washington DC 20330-1040.

4. Commandant of the Marine Corps (MPP) Washington DC 20380-0001.

250203. Determinations of Nonavailability and Impracticability.

A. When a Government Mess Is In Fact Not Available. The installation commander will determine if rations in kind are not available for enlisted members performing duty at that installation.

B. When Location of Government Mess Makes Its Use Impracticable. Commanding officers will determine when the location of a government mess, in relation to members' posts of duty, makes its use impracticable. See paragraph 250201 and Table 25-2 for policy guidance and rules for making such determinations.

C. When Mission Prevents Use of Government Mess. A determination of impracticability may be made by the Secretary concerned or the Secretary's designee for enlisted members whose assigned duties are such that use of a government mess would adversely affect their mission. Address recommendations for such determinations to the office listed in subparagraph 250202.B.

D. When Duty Prevents Use of Mess. Commanders or their designees may determine if members' assigned duties or unusual work hours prevent the members from eating certain meals in a government mess. See Table 25-4, rules 5 and 6 for criteria.

250204. Authorization To Mess Separately.

A. Separate Service regulations may provide automatic blanket authorization for enlisted members in pay grades E-7 and above and for enlisted members in pay grades E-1 and above who are residing with their dependents (except basic trainees). This includes members married to members, with no dependents, who reside together at the permanent station. In addition, members authorized single rate BAH are authorized to mess separately. Such authorizations are in effect continuously except as provided in paragraph 250302 or in the Service regulations.

B. Separate Service regulations may permit commanders (including enlisted commandant of the non-commissioned officer (NCO) Academy) to grant authorization to mess separately to enlisted members based on two factors such as: location of a member's residence, specialized duties, working hours, dining hall capacity, or distance to the mess hall. These factors are guidelines and should not be construed as all encompassing. Additional extenuating factors deemed appropriate by commanders (including enlisted commandant of the non-commissioned officer (NCO) Academy) may also be considered. Each application should be considered on its own merit.

C. The following is a list of applicable Service regulations:

1. Army Members. Authorization to mess separately will be made in accordance with ALARACT message 061/98.

2. Navy and Marine Corps Members. Authorization to mess separately will be made in accordance with the Naval Military Personnel Manual (reference (an)) or the current edition of Marine Corps Order 10110.33 (reference (ao)).

3. Air Force Members. Authorization to mess separately will be made in accordance with DFAS-DE 7073.1-M and DFAS-DE 7073.2-M (reference (ap)).

250205. Review of Determinations. Review of all determinations, except those pertaining to members who have been authorized to mess separately under subparagraph 250204.A, must be made annually or when conditions to entitlement change, or more frequently if necessary pursuant to paragraph 250202, subparagraphs 250203.A and B, and subparagraph 250204.B. Review is to ensure compliance with the policies outlined in this section. When review shows that existing determinations fail to meet requirements, they will be canceled.

2503 CONDITIONS OF ENTITLEMENT

250301. Officers. Generally, officers are entitled to BAS regardless of grade or dependency status. Compute this allowance by the month, as for basic pay. See Table 25-1 for specific conditions of entitlement.

250302. Enlisted. Enlisted members are entitled to BAS on a daily basis. See tables 25-3 and 25-4 for specific conditions of entitlement.

A. Limitation. Authorization to mess separately cannot cover retroactive periods. However, this does not prevent payment of SEPRATS from the time of an oral authorization by proper authority if the oral approval of the member's request is promptly confirmed in writing.

B. Continuous Entitlements.

1. Enlisted members temporarily assigned to duty away from their permanent duty station and entitled to the same BAS they held at their permanent duty station will continue their BAS entitlement without interruption.

2. Enlisted members will continue their BAS entitlement without interruption upon discharge or retirement and reenlistment or recall to active duty at the same station within 24 hours.

3. Enlisted members receiving RIKNA will continue that entitlement without interruption during weekends, holidays, administrative absence, pass, or liberty.

C. Subsistence Allowance-Shore Patrol Duty. A member on sea duty or temporary afloat assignment who is assigned to temporary shore patrol duty is performing duty under orders away from their permanent duty station. They receive BAS as for other members on temporary duty. If they are entitled to Partial BAS at their permanent duty station and receive per diem or reimbursement for meals under the JFTR for their shore patrol duty, they become entitled to BAS at the SEPRATS rate. A member on shore duty performing shore patrol duty in the area of the permanent duty station will be entitled to BAS based upon the same factors used for others performing duties in the vicinity of the permanent duty station.

250303. Prorated and Supplemental Subsistence Allowances.

A. Any change among BAS types (see paragraph 250101A) or between full BAS and subsistence in kind, caused by a status change which extends beyond a single day, shall be credited on a full day basis without being prorated. The appropriate full day entitlements are as follows:

1. An enlisted member shall be entitled to BAS at the SEPRATS rate for any day they are under orders for leave or PCS travel. This includes the day of commencement and day of termination of the status under those orders.

2. An enlisted member entitled to Partial BAS at their permanent duty station shall be entitled to BAS at the SEPRATS rate for any day under orders for TDY/TAD (other than TAA, TFA, EUM or group travel) or as a hospital inpatient. This includes the day of commencement and day of termination of the status under those orders.

3. An enlisted member assigned to permanent sea duty or field duty (over 180 days) shall be entitled to Partial BAS for full days in such status. The day they enter and the day they terminate permanent sea duty they shall be entitled to a full day of BAS at the rate to which they are otherwise authorized.

4. An enlisted member who changes BAS status (to include termination) at the direction or under permission/direction of a commander, under blanket authority, or at their own request; shall have the entitlement change take effect at the beginning of the day specified.

B. BAS will be supplemented only for individual meals that are missed or not available due to impracticability, duty requirements, or temporary dining facility closure.

2504 BAS RATES

250401. Current rates for full and Partial BAS are in Table 25-5.

250402. Current rates for supplemental BAS are in Table 25-6.

2505 MEAL COLLECTION RATES

250501. Any member receiving a full BAS type must pay for all meals and rations provided to them by or on behalf of the government. All meals furnished by or on behalf of the U.S. Government will be charged at the rates established annually by the USD Comptroller. There are two daily rates for meals, the discount rate and the standard rate. The current rates for meal collections are in Table 25-7.

A. As described in Volume 12, Chapter 19, of this Regulation, the discount meal rate applies to meals and rations provided by or on behalf of the U.S. Government to a member on full BAS and not receiving per diem for subsistence, who is performing duty under the following circumstances:

1. On sea duty or temporary afloat assignment,
2. On field duty or temporary field assignment,
3. Under group travel,
4. Under essential unit messing,
5. On a U.S. Government aircraft (passengers or crew),

6. On Joint Task Force (JTF) operations with reduced per diem as specified in the Joint Federal Travel Regulations paragraph U4800 (when the operation is for purposes other than training and the base sites are temporary installations or the dining facilities are temporary establishments.)

B. The standard meal rate applies to meals and rations provided by or on behalf of the Government to any member not authorized the discount meal rate. The standard meal rate applies to any member entitled to per diem for subsistence, except those on Joint Task Force Operations as described in subparagraph A.

C. All members receiving any type of full BAS and not on per diem orders, in the following listed categories, will have the collections for meals deducted from their pay account. The collections will be for full days at the discount meal rate, except that the first and last day will be collected at 25% of the discount meal rate. Exception to pay account collection will be made for any meals paid in full by the individual in cash.

1. Sea duty or temporary afloat assignment,
2. Field duty or temporary field assignment,
3. Group travel,
4. Essential unit messing.

D. Generally, in circumstances other than those listed above, members receiving full BAS will pay for meals in cash or by collection/reduction of subsistence per diem from their travel claims. Members on JTF operations, under per diem travel orders, will generally have the subsistence portion of their per diem withheld or deducted from their travel reimbursement as payment for meals provided in theater. Members on regular TDY/TAD travel who receive deductible meals (meals at no cost) have the subsistence portion of their per diem reduced as payment for meals provided on behalf of the government.

E. Members being subsisted on behalf of the government, where no other collection means exists, should have collection for meals made through their pay account at the appropriate rate.

250502. Collections from individual pay accounts, for meals and rations provided by the government or on behalf of the government, will be credited to the appropriation specified by each military Service.

SPECIFIC CONDITIONS OF ENTITLEMENT AND NON-ENTITLEMENT (BAS)-OFFICERS			
R U L E	A	B	C
	When an officer is	and	then the officer is
1	in a travel status	is entitled to mileage, travel per diem allowance, or to other monetary allowances	entitled to BAS (note 2).
2	on leave		
3	in excess leave status		not entitled to BAS.
4	sick in hospital		entitled to BAS (note 1).
5	subsisted in a government mess or on behalf of the government		entitled to BAS (note 2).
6	serving in an active duty status as intern or resident physician or Nurse Corps officer or candidate at a state, county, municipal, or privately-owned hospital	is furnished meals without charge	entitled to BAS (note 2).
7	a student training on a fellowship, scholarship, grant, or a professor granted an award to teach at a university, etc.	is furnished meals without charge	entitled to BAS (note 2).
8	training for, attending, or participating in Pan-American games, Olympic games, or other specifically authorized international amateur sports competition	is subsisted during that period by the sponsoring agency	not entitled to BAS.
9	at home or other non-military place awaiting orders in connection with Physical Evaluation Board proceedings		entitled to BAS.
10	absent without authority for more than 24 hours at any one time	the absence is not excused as unavoidable	not entitled to BAS (note 3).
11	in confinement; awaiting trial by CM; serving CM sentence to forfeit basic pay but not allowances; serving CM sentence which included total forfeitures, if sentence is set aside and retrial ordered (subparagraph 480902.A)		entitled to BAS (note 1).

NOTES:

1. Collection for meals furnished in hospital will be prescribed by the regulations of the Service concerned.
2. Meals or rations provided by or on behalf of the U.S. Government will be paid for by cash or collection from pay or per diem at the rate specified by the DoD Comptroller (see Table 25-7). Officers will be charged for all meals and rations available, whether eaten or not, when under orders for field duty or temporary field assignments, essential unit messing, group travel, sea duty or temporary afloat assignment while underway, or when use of meals provided by or on behalf of the U.S. Government is directed by the commander or commanding officer. Meals provided from closed or private messes (e.g. traditional Navy wardroom mess) will be paid in cash by the individual officer at the rate prescribed by the mess treasurer.
3. Not entitled to BAS for the same number of days that basic pay is forfeited.

Table 25-1. Specific Conditions of Entitlement and Non-Entitlement (BAS)-Officers

DETERMINATIONS OF IMPRACTICABILITY FOR USE OF A GOVERNMENT MESS BY ENLISTED MEMBERS				
R U L E	A	B	C	D
	If	and	and	then
1	cost of providing the member transportation (Government or commercial) between duty and mess would exceed rations in kind not available rate less the when permitted to mess separately rate			use of the government mess may be determined impracticable, subject to rules 4 and 5 (note 1).
2	time between mess and post of duty is 30 minutes or less each way by Government transportation	there are no other extenuating circumstances		determination of impracticability will normally not be made. When time between mess and post of duty is more than 30 minutes, or there are extenuating circumstances, apply rule 3 below (note 1).
3	assigned duties of members are such that use of Government mess would adversely affect their mission			impracticability determination may be made by the Secretary of the military department concerned, or Secretary's designee, irrespective of other factors. Limit BAS to that authorized by Table 25-4, rule 4. See subparagraph 250203.C.
4	member regularly performs duty outside a military installation (such as in a downtown office building)		messing facilities are available on base and normally used by members at this station	impracticability determination will not be made for full rations in kind not available rate. Limit BAS to that authorized by Table 25-4, rule 5 or 6.
5	member lives in contract quarters at other than a government installation	member regularly performs duty at a government installation where mess is available and quarters are not available to single members	cost of providing the member transportation (government or commercial) between contract quarters assigned at other than a government installation mess would exceed the difference between the rations in kind not available rate and the when permitted to mess separately rate	determination of impracticability may be made for periods of off-duty (note 2).

NOTES:

1. Time and cost factors need not be applied for the noon meal when enlisted member's place of duty is not a military or naval installation.
2. A member is not entitled to BAS at the rations in kind not available rate during periods of leave, hospitalization, or travel status.

Table 25-2. Determinations Of Impracticability For Use Of A Government Mess By Enlisted Members

BAS ENTITLEMENT-ENLISTED MEMBERS-TRAVEL STATUS, LEAVE, HOSPITALIZATION AND OTHER SPECIAL CIRCUMSTANCES			
R U L E	A	B	C
	When enlisted member is	and member is	then, rate of BAS is (see Table 25-5 for rates)
1	in a regular TDY/TAD travel status (notes 1, 2, and 3)	not required by regulation to be subsisted in kind at no cost (see subparagraphs 250201E and F)	the same to which entitled at their permanent duty station, but not less than when permitted to mess separately (SEPRATS) rate-(note 4).
2	in a PCS travel status (note 3)		when permitted to mess separately (SEPRATS) rate-(note 4).
3	under orders for temporary field assignment, temporary afloat assignment, essential unit messing, or group travel (note 3)	directed to use meals or rations made available by or on behalf of the U.S. Government	the same to which entitled at their permanent duty station.
4	training for, attending or participating in Pan American games, Olympic games, or other specifically authorized international amateur sports competition	subsisted during that period by sponsoring agency	none.
5	on proceed time (note 3)		when permitted to mess separately (SEPRATS) rate.
6	on authorized leave, including delay en route chargeable as leave		when permitted to mess separately (SEPRATS) rate (notes 4 and 6).
7	sick in hospital		the same to which entitled at their permanent duty station, but not less than when permitted to mess separately (SEPRATS) (note 6).
8	in excess leave status		none.
9	in an unauthorized absence status		none (note 5).
10	confined in a guardhouse, brig, correctional barracks, or penal institution		none (note 7).

NOTES:

- Members are entitled to BAS at the rate authorized at their permanent duty station for the periods of authorized travel in connection with hospitalization and convalescent leave.
- Includes TDY/TAD under permissive orders.
- Meals or rations provided by or on behalf of the U.S. Government will be paid for by cash or collection from pay or per diem at the rate specified by the DoD Comptroller (see Table 25-7). Enlisted members receiving full BAS (SEPRATS, RIKNA or EMRATS) will be charged for all meals and rations available, whether eaten or not, when under orders for temporary field or temporary afloat assignments, essential unit messing, group travel, or when use of meals provided by or on behalf of the U.S. Government is directed by the commander or commanding officer. An enlisted member is not entitled to full BAS if furnished meals without charge.
- Members receiving overseas cost of living allowance may continue to receive such in addition to BAS while on leave outside the United States, or in Alaska, or Hawaii.
- Enlisted members receiving BAS forfeit 1 day's BAS for each day of unauthorized absence.
- Members will pay for meals eaten in a Government mess, or furnished by the hospital, either by cash or by collection from pay in accordance with the regulations of the Service concerned.
- If sentence to confinement is later disapproved or set aside, Partial BAS is payable for the period of confinement because the member was subsisted at Government expense.

Table 25-3. BAS Entitlement-Enlisted Members-Travel Status, Leave, Hospitalization and Other Special Circumstances

BAS ENTITLEMENT-ENLISTED MEMBERS-PERMANENT STATION					
R U L E	A	B	C	D	E
	When enlisted member is	and rations in kind are	and proper authority has	and member is	then, daily rate of BAS is (see Table 25-5 for rates)
1	at permanent station (note 5)	furnished by or on behalf of the U.S. Government without charge to member			Partial.
2		available but not furnished	granted permission to mess separately		when permitted to mess separately (SEPRATS) rate.
3		in fact not available	made determination of non-availability		rations in kind not available (RIKNA) rate (notes 1 and 7).
4		available but impracticable to furnish (note 2)	made determination of impracticability		rations in kind not available (RIKNA) rate (note 1).
5	assigned working hours or duties which prevent member from eating certain meals in a Government mess	available and furnished for other meals	made determination of impracticability under provisions of Table 25-2 and approved payment for specified meals	not entitled to travel per diem or mileage allowance	Partial rate plus supplemental allowance for each such meal (paragraph 250102.I).
6	assigned working hours or duties which require member to buy a meal or meals from other than a Government mess	available but not furnished for other meals	made determination of impracticability under provisions of Table 25-2; granted permission to mess separately; and approved payment for specified meals		when permitted to mess separately (SEPRATS) rate plus supplemental allowance for each meal (notes 1 and 3).
7	assigned to duty under emergency conditions with extraordinary subsistence expense	in fact not available	approved authorization for emergency ration rate		emergency rations (EMRATS) rate.
8	at home or other non-military place awaiting orders in connection with Physical Evaluation Board proceedings	not available			rations in kind not available (RIKNA) rate (notes 1 and 4).
9	serving on sea duty	available in a shore mess but not furnished	granted permission to mess separately		when permitted to mess separately (SEPRATS) rate.
10		available and furnished			Partial.
11		not available (note 6)			rations in kind not available (RIKNA) rate.
12	at home or other non-military place awaiting assignment orders, subsequent to separation as a Service Academy Cadet or Midshipman prior to completion of the 4-year program	not available			

NOTES:

1. A member is not entitled to BAS at the rations in kind not available rate during periods of authorized leave, or PCS travel status.
2. This rule applies only to those cases where the impracticability determination is made under Table 25-2, rule 3.
3. BAS at the rations in kind not available rate is not authorized for periods of absence, pass, or liberty. BAS at the when permitted to mess separately rate should be paid for these off-duty periods if permission to mess separately has been granted.
4. Entitlement begins on actual or constructive date of arrival home or other designated place, whichever date is earlier. (Compute constructive arrival date via authorized transportation mode based upon the rules and provisions of the JFTR, volume 1.)
5. For the purpose of BAS entitlement, the permanent station is that station where the dining facility is located. (Does not apply if there is no dining facility in the immediate geographic area.)
6. Applies when shipboard mess is closed while undergoing alterations, repairs or inactivation of ship, and rations are also not available in a shore mess.
7. All enlisted members, including those authorized to mess separately, are entitled to RIKNA whenever rations in kind are in fact not available, including periods when messing facilities are closed for one or more meals during a day.

Table 25-4. BAS Entitlement-Enlisted Members-Permanent Station

STANDARD BAS RATES (effective 1 January 1998)				
R U L E	A	B	C	D
	When the entitled type of BAS is	then the daily rate of BAS for an enlisted member in pay grade E-1 (with less than 4 months active duty) is	and the daily rate of BAS for an enlisted member in pay grades E-1 through E-9 (with over 4 months active duty) is	and the monthly rate of BAS for an officer is
1	Partial	.31	.31	N/A
2	SEPRATS	6.86	7.43	N/A
3	RIKNA	7.73	8.38	N/A
4	EMRATS	10.26	11.10	N/A
5	Full Officer	N/A	N/A	155.70

Table 25-5. Standard BAS Rates

SUPPLEMENTAL BAS RATES (effective 1 January 1998)				
R U L E	A	B	C	D
	When the entitled type of BAS is	and the member becomes entitled to RIKNA by having obtained approval for supplemental BAS for a missed meal at (Note 1)	then the supplemental rate of BAS for that meal for an enlisted member in pay grade E-1 (with less than 4 months active duty) is	and the supplemental rate of BAS for that meal for an enlisted member in pay grades E-1 through E-9 (with over 4 months active duty) is
1	Partial	breakfast	1.48	1.61
2	Partial	lunch	2.97	3.23
3	Partial	dinner	2.97	3.23
4	SEPRATS	breakfast	.17	.19
5	SEPRATS	lunch	.35	.38
6	SEPRATS	dinner	.35	.38

NOTES:

1. See Table 25-4, rules 3, 5 and 6.

Table 25-6. Supplemental BAS Rates

MEAL COLLECTION RATES (effective 1 January 1998) (Note 1)			
R U L E	A	B	C
	When a member receiving full BAS also receives subsistence	and the meal received is	then the collection rate is
1	from an appropriated fund dining facility at the discount meal rate (Note 2)	breakfast	1.20
2		lunch	2.40
3		dinner	2.40
4		daily total	6.00
5	from an appropriated fund dining facility at the standard meal rate (Note 3)	breakfast	1.60
6		lunch	3.20
7		dinner	3.20
8		daily total	8.00

NOTES:

1. Collections from pay under this table will be made only when a member is in receipt of a full BAS type and has not otherwise paid for meals provided at government expense (i.e., by cash, by personal check or charge, or by deduction/reduction of per diem). Collections from pay will be deducted from the member's pay account and credited to the appropriation specified by the military Service.
2. The discount meal rate applies to meals and rations provided by or on behalf of the U.S. Government to a member on full BAS (not entitled to per diem or other travel reimbursement for subsistence) who is performing duty in a U.S. Government vessel, a U.S. Government aircraft, on maneuvers, war games, field exercises, or similar operations, in a group travel status, or under essential unit messing. The discount meal rate also applies to meals and rations provided to a member assigned to Joint Task Force operations (for other than training) at temporary U.S. installations, or through a temporary dining facility. Meals furnished on behalf of the government means any meals or rations provided to a member receiving basic pay who receives subsistence free of personal charge from any source other than the government of the United States, or the treasury of a municipality or county or State within the U.S. and includes contractors, foreign governments, fellowships, grants, intern programs and other such sources.
3. The standard meal rate applies to meals and rations provided to any member not authorized the discount meal rate. This includes any member entitled to per diem for subsistence, except those on Joint Task Force Operations as described in note 2. Generally, when the standard meal rate is applicable, it will be collected, in cash from the member, by the dining facility.

Table 25-7. Meal Collection Rates



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

OCT 1 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Meal Collection Rates for FY-99, (DFAS Item H-24)

Attached is DFAS Interim Change 37-98 to Chapter 25 of the DoDFMR, Volume 7A. It is effective October 1, 1998.

This change updates the meal collection rates used for military payroll deductions under prescribed conditions. These rates have been issued by the Office of the Under Secretary of Defense, Comptroller for fiscal year 1999. The new daily discount meal rate of \$6.15 will also require resetting the values to be charged on the first and last days of temporary field and temporary afloat assignments. At 25 percent of the discount meal rate, the new partial day rate is \$1.54.

Due to the routine nature, non-interpretive aspect and minimal perceived systems impact of this change, it was not submitted for preliminary review and comment. Assignment of an interim change number is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at DSN 332-5280 or (703) 602-5280.

Gregory P. Bltz
Gregory P. Bltz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

MEAL COLLECTION RATES FOR FY-99

1. Make the following changes to Table 25-7:

a. Change the effective date in the table heading to read: effective 1 October 1998.

b. Replace the current collection rates in column "C" with the following:

<u>Rule</u>	<u>Rate</u>
1	\$1.25
2	\$2.45
3	\$2.45
4	\$6.15
5	\$1.50
6	\$3.00
7	\$3.00
8	\$7.50

2. Make the following changes to the bibliography under Table 25-7:

a. remove the citation: OUSD Memo, 26 Sep 1997.

b. insert a new citation: OUSD(C) Memo, 18 Sep 1998.

CHAPTER 26

BASIC ALLOWANCE FOR QUARTERS (BAQ)2601 GENERAL PROVISIONS260101. Entitlements

A. BAQ is payable to members on active duty according to the pay grade in which serving or appointed for basic pay purposes, as set forth in this chapter. See Table 26-9 for monthly rate.

B. In all cases involving enlisted members and in the cases of officers claiming BAQ for their parents, all waivers and determinations, including determination of dependency and relationships, are made by the Secretary of the Military Department concerned or by persons designated by the Secretary. The designee may redelegate this authority.

260102. Determining Dependency or Relationship for BAQ Entitlements, Army and Air Force Personnel. Determinations are made by offices shown in Table 26-1.

260103. Determining Dependency or Relationship for BAQ Entitlements, Navy and Marine Corps Personnel. Determinations are made by offices shown in Table 26-2.

260104. Fraudulent Claims. Any member who submits a claim for BAQ which contains false statements is subject to court-martial or criminal prosecution. In addition, fraudulent acceptance of benefits may cause the civilian recipient to be subject to criminal prosecution. The law provides for severe penalties of imprisonment and a fine. For military personnel, it can include dishonorable separation, total forfeitures, and confinement.

260105. Government Quarters-Responsibility for Assignment or Termination of Assignment. The base or installation commander assigns and terminates quarters. The commander also determines when quarters are "adequate" and "suitable" for assignment. government quarters or housing facilities under control of the Uniformed Services will be considered as assigned, suitable, and adequate whenever occupied by a member at the permanent station without payment of rental charges. This applies also to quarters furnished a member without charge:

- A. By an organization or institution on behalf of the United States; or
- B. By a foreign government for the member's official use; and
- C. When jointly assigned to one or more single members.

D. When member voluntarily vacates assigned quarters without approval of the installation commander. (Grade E-7 and above, without dependents, may elect not to occupy assigned quarters unless denied permission by the Secretary concerned; see paragraph 260201,

below.)

260106. Occupancy of Rental Quarters at United States Military Academy. A member is entitled to BAQ while renting quarters in the hotel on the grounds of the United States Military Academy.

260107. Computation

A. Computing BAQ. BAQ is computed in the same way as basic pay.

B. BAQ for Date of Assignment of Quarters. Except when a member is entitled to BAQ in accordance with Tables 26-3, 26-4, and 26-5, BAQ continues to accrue through the day before the date a member is assigned government quarters or begins to occupy (unassigned quarters on a non-rental basis up to 90 days) government quarters at the permanent station.

C. BAQ for Date of Termination of Quarters. BAQ begins to accrue (except as indicated in Tables 26-3, 26-4, and 26-5) on the date the assignment to government quarters is terminated, the date that quarters are vacated, or on the permanent change of station (PCS) departure date of the member and his/her dependents. (See Table 26-6.)

260108. Allowance for Quarters to Surviving Dependents. For payment of allowance for quarters to surviving dependents of members who die in the line of duty, see Chapter 36, section 3603 of this volume.

260109. Advance of Housing Allowances. Advances of BAQ, overseas housing allowance, and variable housing allowance may be authorized under the terms and conditions in the JFTR, volume 1, Chapters 8 and 9 (reference (d)).

2602 MEMBERS WITHOUT DEPENDENTS

★260201. Entitlements

★A. General. Members without dependents who are entitled to basic pay are entitled to BAQ at rates prescribed in Table 26-9 and conditions contained in Table 26-3. Members without dependents in pay grades E-7 and above, may elect at any time not to occupy government quarters at the permanent station and become entitled to BAQ unless the Secretary of the Military Service concerned or the Secretary's designee, has determined that the member's exercise of this option would adversely affect a training mission, military discipline, or readiness. See Table 26-3, rule 6 through 8 for BAQ entitlements while on field or sea duty.

★B. Members in Pay Grade E-6 not on Sea Duty. Effective on or after 1 July 1996, a member without dependents who is in pay grade E-6 and who is assigned to quarters of the United States that do not meet the minimum adequacy standards established by the Department of Defense for members in such pay grade, or to a housing facility under the

jurisdiction of a Uniformed Service that does not meet such standards, may elect not to occupy such quarters or facility and instead to receive the BAQ prescribed for the member's pay grade. The Secretary of the Military Service concerned, or the Secretary's designee, can deny BAQ if determined that the member's exercise of this option would adversely affect a training mission, military discipline, or readiness.

★C. Members on Sea Duty. See Table 26-3, rule 8 for BAQ entitlements while on sea duty.

★1. Members without dependents in grade E-5 assigned to sea duty. On or after 1 July 1997, under regulations prescribed by the Secretary concerned, the Secretary concerned may authorize the payment of BAQ to a member of a Uniformed Service without dependents who is serving in pay grade E-5 and is assigned to sea duty. In prescribing regulations under this subparagraph, the Secretary concerned shall consider the availability of quarters for members serving in pay grade E-5.

★2. Member married to member in grades below E-6 and both are assigned to sea duty. On or after 1 July 1997, two members of the Uniformed Services in a pay grade below pay grade E-6 who are married to each other, have no other dependents, and are simultaneously assigned to sea duty are jointly entitled to one BAQ allowance during the period of such simultaneous sea duty. The amount of the allowance shall be based on the without dependents rate for pay grade of the senior member of the couple. However, this subparagraph will not apply to a couple if one or both of the members are entitled (E-6 and above) or authorized (E-5) to BAQ identified in subparagraph 260201.C.1, above.

260202. Uninhabitable Quarters Aboard Ship

A. A member may be reimbursed for expenses (not to exceed the total of the BAQ of a member of the same grade without dependents and the variable housing allowance that could be paid to a member of the same pay grade in accordance with the JFTR, volume 1 (reference (d)) incurred in obtaining quarters when the official certifies that:

1. Such a member is prevented from occupying quarters assigned aboard a ship on which the member is serving on sea duty because such quarters are uninhabitable due to repairs, overhaul, conversion, or other conditions; and

2. Government quarters are not available; and

3. The hire of quarters is not practicable. A member entitled to BAQ may not be reimbursed for expenses under the conditions of this paragraph when such member can reside with dependents who are living in the area of the ship's location. A member's dependents are considered to be living in the area of the ship's location when the residence is within a distance of 50 miles (or 1-1/2 hours travel time), one-way, of such location or the member actually commutes daily, regardless of distance. The term "commutes daily" excludes duty periods when the member is required to remain aboard or within close proximity to the ship.

See paragraph 270203 for application of the distance and travel time restriction.

B. Request for reimbursement for expenses in place of quarters must be approved by the Chief of Naval Operations (OP-134).

C. The certification may be signed by the supervisor of shipbuilding of any shipyard or dry-dock where United States naval ships are undergoing repair or conversion.

D. These provisions are effective through 30 September 1992.

E. The provisions of subparagraphs A through D, above, expire after 30 September 1992 with respect to enlisted members and apply thereafter to officers only. The reimbursement, however, is limited to an amount equal to the basic allowance for quarters of an officer of that officer's grade. This provision shall not apply to an officer who is entitled to basic allowance for quarters.

260203. Reserve Component Members (See Definitions). A Reserve Component member without dependents who is called or ordered to active duty on or after 5 December 1991, in support of a contingency operation (other than a member who is authorized transportation of household goods as a part of the call or order), is entitled to BAQ at the without-dependent rate, if the member is unable to continue to occupy his/her primary residence because of the call or order to active duty. This applies when the residence is maintained as the primary residence of the member when called or ordered to active duty and is owned by the member or for which the member is responsible for rental payments.

260204. Missing Status. Members without dependents carried in a missing status are entitled to BAQ at the without dependent rate. (See paragraph 350103.B.)

260205. Partial BAQ Entitlement

A. A member without dependents who is assigned to single-type quarters or is on field or sea duty, and is not entitled to receive a basic allowance for quarters, is entitled to partial BAQ at the rates provided in Table 26-9.

B. Conditions

1. A member without dependents assigned to single-type government quarters at the permanent station and entitled to partial BAQ who is subsequently sick in a hospital (no PCS involved), continues to be entitled to partial BAQ while hospitalized.

★2. A member grade E-6 or below, without dependents, who is offered an assignment of government quarters, or is assigned adequate government quarters but elects not to occupy such quarters and resides in private quarters at own expense, is considered assigned to government quarters and not entitled to BAQ. Therefore, such member is entitled to partial BAQ.

3. Partial BAQ is not authorized during proceed time, leave en route, and/or travel time on PCS unless member is assigned to single-type government quarters and not entitled to BAQ.

4. A member married to another member, who has no dependents other than his or her spouse, is entitled to partial BAQ when assigned to single-type government quarters and not entitled to BAQ. However, such members assigned to family-type government quarters are not entitled to partial BAQ.

5. A member occupying single-type government quarters whose dependents reside in family-type government quarters, is not entitled to BAQ and, therefore, is entitled to partial BAQ, provided the family quarters are not assigned under the member's eligibility.

6. A single member without dependents is not entitled to partial BAQ when assigned to family-type government quarters.

7. A member without dependents on sea duty being reimbursed under paragraph 260202, above, for the expense incurred for quarters when the quarters aboard ship are uninhabitable is entitled to partial BAQ.

8. A member without dependents confined in a guardhouse, brig, or correctional barracks, who was assigned to single-type government quarters before confinement and remains assigned to such quarters during confinement, is entitled to partial BAQ unless forfeiture of allowance was directed.

9. A member without dependents who is restrained in a status of arrest in assigned single-type government quarters, and therefore not entitled to BAQ, is entitled to partial BAQ unless forfeiture of allowances was directed.

10. A member without dependents being treated at a hospital (PCS involved) and assigned quarters in the hospital is entitled to partial BAQ.

11. A member married to another member, neither having other dependents, who is assigned to sea duty and occupies government family quarters assigned to the spouse when vessel is in port, is considered a member without dependents assigned to quarters on the vessel and is not entitled to BAQ, but is entitled to partial BAQ.

12. A member without dependents who is ordered PCS to confinement in a guardhouse, brig, correctional barracks, or to additional training in a retraining or rehabilitation facility, is assigned to certain quarters therein and not entitled to BAQ, is entitled to partial BAQ unless forfeiture of allowances was directed.

13. A member without dependents assigned to single-type government

quarters between permanent duty stations and not entitled to BAQ is entitled to partial BAQ. This includes periods in excess of 30 days' government quarters are temporarily occupied without entitlement to BAQ.

14. Member without dependents is not entitled to partial BAQ when assigned to government single-type quarters (including government-leased quarters) that substantially exceed the minimum standards of single quarters for the member's grade.

2603 MEMBERS WITH DEPENDENTS

260301. Entitlements

A. When Entitled To BAQ. A member with dependents who is entitled to basic pay is entitled to BAQ at the rates prescribed for members with dependents when:

1. Adequate government quarters are not furnished for the member and dependents without payment of rental charge.

2. Adequate government quarters are not furnished for the member's dependents, or dependents are prevented by competent authority from occupying such quarters, even though quarters are assigned for the member's occupancy. Does not apply to the provisions of paragraph 260409, below.

3. Dependents are not en route or do not accompany the member to the permanent duty station, or the vicinity thereof, so as to preclude assignment of family quarters. Under such circumstances, the mere availability of quarters which could have been assigned does not defeat the right of a member to the basic allowance for quarters for dependents.

B. Naval Aviation Cadets. A naval aviation cadet with dependents is entitled to BAQ under the conditions and at the rates prescribed for an enlisted member in pay grade E-4 (over 4 years' service) with dependents.

C. Limitation on Quarters Occupied by Member. When adequate quarters are not furnished for a member's dependents, the member may not occupy, either at the permanent or TDY station, government quarters that exceed the minimum standards for the member's grade without dependents without affecting the right to BAQ, unless the only quarters available:

1. Exceed the minimum standards; and

2. Are made available for joint occupancy with other members.

D. Quarters Occupied During Special Duty Assignment. A member, not accompanied by dependents, serving outside the United States, its territories, or possessions, in a duty assignment having official or diplomatic responsibilities involving officials of foreign governments, may be assigned to quarters that exceed the minimum standards for the member's

grade without dependents, without affecting the member's right to BAQ. However, such quarters shall not be available on a continuing basis for single occupancy, if they are adequate for assignment as family housing to members of similar grade.

E. Additional Room Assigned to Chaplain. Assignment of an additional room to a chaplain for spiritual purposes does not affect the member's right to BAQ. The room must be used for official duties and not as living quarters.

260302. Government Quarters Assigned or Occupied

A. Adequacy of Government Quarters. The term "Government quarters or housing facilities" is in the Definitions section of this volume. The base, post, or installation commander determines when government quarters are adequate and appropriate for assignment.

B. Quarters Not Designated as Family-Type Quarters. A member who neither is assigned to nor occupies government quarters is entitled to BAQ for dependents even though the dependents occupy government quarters not designated as family-type quarters. Examples of such quarters are:

1. One room occupied by a member's spouse incident to employment as a domestic servant in quarters of a commissioned officer.

2. Dormitory quarters occupied by a member's child at a school for dependents of military personnel.

3. A hospital room occupied by a dependent under the Dependents' Medical Care Act (reference (aq)). However, a member is not entitled to BAQ when a sole dependent is hospitalized in a government or civilian hospital under the Dependents' Medical Care Act (reference (aq)) and the member is assigned to and occupies government quarters (even though private quarters are maintained and occasionally occupied).

4. Off base housing, non-government quarters, occupied by member's civilian spouse incident to employment overseas with Department of Defense Dependent Schools as a schoolteacher.

NOTE: Member is separated from spouse by competent orders.

C. Quarters Furnished on Behalf of the United States. A member is not entitled to BAQ for dependents if the member and dependents are furnished adequate family quarters on behalf of the United States without rental charge. Examples of such quarters are:

1. Family quarters furnished a member in an official capacity by a foreign government.

2. Family-type quarters furnished by a state, county, municipal, or

privately owned hospital to an officer serving on active duty as an intern or resident physician.

3. Family-type quarters furnished by a college, university, or research facility as part of a fellowship, scholarship or grant.

D. Quarters Occupied by Dependents. A member furnished single-type quarters is not entitled to BAQ on behalf of:

1. A spouse who is a sole dependent and who is furnished quarters in kind as a civilian employee at a government hospital.

2. A spouse who is a sole dependent and who is furnished government quarters overseas while serving with the American Red Cross.

3. A sole dependent who is a student nurse in training at a government hospital. However, BAQ is payable on behalf of a dependent who is a student nurse in training at a civilian hospital.

4. A civilian spouse who is a sole dependent and who is furnished government quarters while assigned overseas with Department of Defense Dependent Schools as a schoolteacher.

5. Dependents evacuated from a danger area, who occupy government housing facilities at a safehaven. (See subparagraph 260302.G, below, for exception when member must continue to pay for private housing).

6. Dependents, alone or when accompanied by the member, who occupy government quarters assigned to another member for more than 90 days at any one duty station. Occupancy for more than 90 days is considered to be of a permanent nature and BAQ entitlement does not accrue for any portion of the period of such occupancy. Visits of 90 days or less are considered temporary social visits and do not cause loss of BAQ. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.

7. Any dependent(s), if one or more of the member's dependents occupy the quarters with the member on a permanent basis or on a social visit in excess of 30 consecutive days, unless other dependents are precluded by competent orders from residing with the member.

E. Quarters Occupied by Dependents During Member's Sea Duty or Field Duty. A member whose dependents occupy public quarters while the member is on sea duty or field duty is entitled to BAQ for a period not to exceed 30 days. (See Table 26-5, rule 2.)

F. Rental Quarters (Other Than Inadequate Quarters). A member and dependents who occupy the following facilities on a rental basis are entitled to BAQ. (See

Definitions for "Rental Charge.")

1. Any housing facilities, including trailers, under the jurisdiction of the government other than public quarters constructed or designated for occupancy without charge. The member may sublease such quarters to a temporary sublessee with or without charge and neither the sublessor nor sublessee will lose their right to BAQ.

2. The hotel on the grounds of the United States Military Academy.

3. Quarters furnished a member in connection with service in a capacity other than that of a member; for example, while serving under Panama Canal employment.

G. Quarters at Safehaven Temporarily Occupied by Dependents. A member is entitled to otherwise proper credit of BAQ for dependents when:

1. The member's dependents occupy government-provided housing at a safehaven area after emergency evacuation from private housing at the permanent station; and

2. Due to conditions beyond the member's control is required to continue payment of rental for the private housing in order to house furnishings and belongings and to have quarters available upon return of the dependents.

3. This entitlement will continue until such time as dependents are authorized to return to member's permanent duty station or arrive at a designated place as contemplated by JFTR, volume 1, part C, chapter 5, paragraph U5240A (reference (d)).

H. Lease on Private Rental Quarters. When a member is ordered to make a local move from private, leased quarters to government housing, BAQ is payable for the remainder of the lease on the private quarters, up to a maximum of 30 days, provided the member is required to honor the lease.

260303. Quarters Designated as Inadequate Quarters

A. Entitlement to BAQ. A member with dependents may be assigned designated inadequate quarters on a rental basis without loss of BAQ. This does not apply to bachelor officer quarters, visiting officer quarters, guest houses, and similar type facilities, or to assigned quarters undergoing ordinary repairs. Orders stating that quarters were inadequate while repairs were being made do not operate to authorize BAQ during the period involved.

B. Effect of Subleasing Inadequate Quarters. The member may share the quarters with others or permit occupancy by others while on leave of absence. The member may also sublet the quarters on a rental basis without loss of BAQ, the amount of rent being immaterial.

C. Rental Charge for Inadequate (Substandard) Quarters. Collect rent from the member at the fair rental value of the quarters, as established by base housing personnel. The rental charge for the quarters will be the fair rental value of such quarters, not to exceed 75 percent of the member's with dependent BAQ rate. Rental charge is completely independent of the amount and type of BAQ being paid to the member. See also subparagraph 260302.G, above, for assignment of inadequate quarters to members married to one another. A member's receipt of BAQ-DIFF will not directly affect the rental charge.

D. Effective Date of BAQ and Rental Charge. BAQ and rental charge begin on the date of the member's assignment to such quarters or on the date the determination of inadequacy is effective, whichever is later.

E. Computation of BAQ and Rental Charge. Compute BAQ and rental charge on a 30-day month basis and prorate at one thirtieth of the monthly rate for each day inadequate quarters are assigned. Do not pay BAQ or charge rent for the 31st day of a month. Pay BAQ for 3 days and charge rent for 3 days when inadequate quarters are assigned on the 28th of February. Do not charge rent for the day the assignment is terminated. BAQ accrues for the day of termination if government quarters are not occupied on that day.

F. Inadequate Quarters Redesignated Adequate. Rental charges and BAQ cease on and after the date rehabilitated inadequate quarters are redesignated as adequate public quarters. If a member's assignment was continued during the period of rehabilitation, the redesignation of adequacy will be made effective as of the first day of the month following the month in which the rehabilitation was completed.

G. Husband and Wife Entitled to BAQ. When a husband and wife are both members who jointly occupy inadequate family quarters on a rental basis, use Table 26-4 to determine their respective BAQ entitlements just as if they were residing off base with appropriate permission. The rental charge for the quarters will be the fair rental value of the assigned inadequate family-type quarters, but will never exceed 75 percent of the with dependent BAQ rate which would be payable to a member of the same grade and rank as the member under whose eligibility the quarters are assigned. The amount of BAQ being paid to the respective members does not affect the amount of rent charged, even where a member is receiving BAQ-W/O as well as BAQ-DIFF. Collect as follows:

1. Army and Air Force Members. Compute the applicable rent as a percentage of the with-dependent BAQ rate for the member to whom the quarters are assigned and collect one half of the rent from each member, without regard to the fact that the members may be of different grades or ranks.

2. Navy and Marine Corps Members. Collect the entire rental charge from pay account of the member to whom the quarters are assigned. Do not collect any rent from the other member. This may mean that the rental charge may exceed the BAQ being paid to the member to whom the quarters are assigned. For inter-Service marriages, the rental charge will be collected in accordance with the policy of the Military Service furnishing the quarters.

H. Rental Charge for One Member Entitled to BAQ at the Without Dependent Rate. When one member, entitled to BAQ at the without-dependent rate, occupies inadequate family quarters, the rental charge is based on the with-dependents BAQ rate of the member and computed as in subparagraph 260303.C, above. Situations contemplated by this paragraph may arise when in the case of a member married to a member, there is a divorce, legal separation, or separation resulting from military orders.

260304. Dependent. The term "dependent" for BAQ purposes is the same as defined in the Definitions.

A. A member is not entitled to BAQ on behalf of:

1. A minor child who is entitled to basic pay as a member on active duty in a Uniformed Service. This includes a minor child attending one of the Military Service academies where quarters are furnished by the United States.

2. A spouse who is on active duty in a Uniformed Service of the United States and entitled to basic pay and allowances in his or her own right. When both spouses are in the Military Service and entitled to basic pay and allowances. (See Table 26-4 for guide to BAQ entitlement.)

3. A dependent for whom the member has been absolved of the requirement to provide support (for example, due to desertion without cause or marital infidelity).

4. A dependent whose whereabouts is unknown and whose absence or whereabouts remains unexplained.

5. A former spouse to whom the member is paying alimony ordered by a divorce decree.

6. A dependent who occupies government quarters as a permanent residence without payment of a rental charge. (See paragraph 260411, below, for exception.)

B. A member is entitled to BAQ on behalf of a spouse in military service of a government other than the United States. This applies even though furnished quarters or paid a monetary allowance in lieu of quarters by that government.

C. Dependency must be approved before entitlement to BAQ is authorized. After initial approval, the Military Services shall maintain adequate levels of internal audit to assure the legality, propriety, and correctness of all disbursements for BAQ. See individual Military Service regulations for procedures.

D. Each member (includes Reserve Component member) who is entitled to

BAQ on behalf of dependents must, when called upon, provide an annual certification to the Secretary concerned indicating the status of each dependent of the member to support entitlement to BAQ on behalf of dependents. If a member fails to provide the certification in a timely manner, take action to stop the BAQ on behalf of dependents at the end of the month in which the certification is due, but continue to pay BAQ at the appropriate partial or without-dependent rate unless the member is not entitled to that allowance for some other reason. Resume paying BAQ at the with-dependent rate effective the date the member provides proper certification of entitlement. Do not pay the higher rate retroactively in the absence of certification from the member's commander that the failure to certify timely was for reasons beyond control of the member.

260305. Entitlement During Leave, Travel Status, etc. See Table 26-5.

260306. Effective Dates To Start and Stop BAQ See Tables 26-6, 26-7, and 26-8.

2604 RULES FOR DETERMINING RELATIONSHIP AND DEPENDENCY

260401. Application of Rules This section includes rules and factors used in determining relationship or dependency for BAQ entitlement. It is to be used:

A. By applicable officers in determining relationship or dependency for those classes of dependents for which they are authorized in Tables 26-1 or 26-2 to decide.

B. To guide applicable officers in counseling members about their rights to BAQ on behalf of dependents.

260402. Lawful Spouse and Legitimate, Unmarried, Minor Children. A member's lawful spouse and legitimate, unmarried, minor children are at all times considered dependents for BAQ purposes, except under the situations shown below and in subparagraphs 260304.A, above, or 260406, below. A determination of relationship is required, but usually a determination of dependency is not. In all instances of a member having a spouse on active duty, full details must be given showing full name, social security number, duty station, and branch of Military Service of that spouse.

A. When two members are married to each other, they may elect which member will receive BAQ on behalf of their adopted children or children born of their marriage. Such election must be agreed to by both members. If the members cannot agree as to the election, entitlement to BAQ for their children will rest with the senior member. Entitlement may later be transferred to the other member in the event of promotion or similar change of circumstances which would merit such transfer. When only a stepchild is involved, either the stepparent or the natural parent may claim that child for BAQ purposes. The stepparent must meet the requirements of paragraph 260409, below, to be entitled to BAQ on behalf of the stepchild. However, if the natural parent objects to the other member claiming the stepchild, then BAQ entitlement rests with the natural parent.

Elections to transfer BAQ entitlement on behalf of adopted children, stepchildren, and children born of the marriage from one member to the other can only be applied to BAQ entitlement from the date of the election. Such elections cannot be retroactively applied.

B. When one of two members married to each other is already receiving BAQ at the with-dependent rate, on behalf of an adopted child(ren), child(ren) from a previous marriage, or an illegitimate child(ren), then any child(ren) born of their marriage or adopted by them, is considered to be within the class of dependents for which the member is receiving BAQ, and the other member may not claim the children for BAQ purposes. However, if the member elects to stop receiving BAQ at the with-dependent rate, then the other member may claim the child(ren) of their marriage or adopted by them for BAQ purposes. When married members are assigned to different locations, pursuant to competent military orders, their entitlement to increased allowances or to government-furnished quarters should be determined separately, without regard to the general rule that all children of the members are dependents of the same class for the purpose of determining allowance entitlements. (See Table 26-4.)

C. When one of two members married to each other is receiving BAQ at the with-dependent rate on behalf of a dependent parent(s), then the other member would be entitled to BAQ at the with-dependent rate on behalf of child(ren) born of their marriage, their adopted child(ren), child(ren) of a previous marriage, or an illegitimate child(ren), provided government family quarters are not assigned or occupied and no other member is entitled to the BAQ on behalf of the child(ren) of a previous marriage or an illegitimate child(ren).

260403. Validity of Member's Marriage. Any case where the validity of a member's marriage is questioned is considered a case of doubtful relationship. Cases in this category include:

A. Remarriage Within Prohibited Period Following Divorce. Under the laws of some states, a marriage is not dissolved until a specified period has elapsed after granting of a divorce decree. Remarriage is prohibited within the specified period. Moreover, in all states which grant an interlocutory decree before they grant a final divorce decree, remarriage may not be contracted before the final decree is granted.

B. Marriage by Proxy. Proxy marriages are considered valid if performed in a jurisdiction which recognizes common-law marriages and has no statute or judicial determination prohibiting proxy marriages.

C. Marriage by Telephone. A marriage by telephone will be recognized as entitling a member to BAQ on behalf of a "lawful spouse" only if a statute or court decision authorizes or recognizes telephone marriages in the jurisdiction where the marriage was performed.

D. Common-Law Marriages. Under laws of certain states, an informal (common-law) marriage may be entered into by persons who do not obtain a license to marry or go through certain other formalities. Common-law marriages entered into in those states are

considered valid if they are contracted in accordance with state law.

E. Foreign Nation Divorce. A foreign nation divorce may or may not be recognized as valid in the United States, depending on several factors. These factors include place of residence of the parties involved, whether they appeared in person to obtain the divorce, and applicable state laws. Any claim involving remarriage of a member following a foreign nation divorce and any claim by or on behalf of the spouse from whom the member has obtained a foreign nation divorce are cases of doubtful relationship. A claim based on a member's marriage to a person who has obtained a foreign nation divorce is also a doubtful case.

F. Purported Marriage

1. Void Marriage. If a member's marriage is void (because of a pre-existing marriage of the spouse, for example) the member has no lawful spouse and is not entitled to BAQ as a result of the purported marriage. When invalidity of the marriage is discovered, no further BAQ payments may be made for any period. (See Table 26-7, rule 4.) The member may retain payments already received if they are validated under Chapter 50, section 5005. When validity of a marriage is questionable, submit the case to the office shown in subparagraph F.3, below, for a determination on validity of the marriage and, if necessary, validation of payments already made.

2. Annulled Marriage. If a member's marriage is annulled by court decree, no further BAQ payments may be made for any period. (See Table 26-7, rule 3.) The member may retain payments received before the effective date of the decree. Since validation under Chapter 50, section 5005, is required for retention of such payments in some annulment cases (based on legal factors), submit all annulment cases to the office shown in subparagraph F.3, below, for review and, if necessary, validation of payments made.

3. Determination and Validations Submit requests for determination on validity of a marriage or for validation of payments to the appropriate address shown below:

- a. Army:
Director
DFAS-IN
Indianapolis IN
46249-0855
- b. Navy:
Director
Navy Family Allowance Activity
Anthony J. Celebrezze, Federal Building
Cleveland OH 44199
- c. Air Force:
DFAS-DE/FJPD

6760 E. Irvington Place
Denver CO 80279-7000

- d. Marine Corps:
Commandant of the Marine Corps
(Code MPH-82)
Washington, DC 20380

260404. Child of Marriage Null in Law. An unmarried minor child of a ceremonial marriage null in law, or annulled as void or voidable, is an eligible dependent for BAQ purposes unless and until a court finds such child is illegitimate. See paragraph 260408, below, concerning entitlement to BAQ for an illegitimate child.

260405. Reserved

260406. Support of Dependent--General

A. Proof of support of a lawful spouse or unmarried, minor, legitimate child of a member generally is not required. However, when evidence (e.g. special investigation reports; record reviews; fraud, waste and abuse complaints; sworn testimony of individuals; statement by member) or complaints from dependents of nonsupport or inadequate support of dependents are received, proof of adequate support as stated in subparagraph E, below, will be required. Failure to support a dependent, on whose behalf BAQ is being received, will result in nonentitlement to BAQ and recoupment for periods of nonsupport or inadequate support. Unless a period of nonsupport or inadequate support was caused as a result of mission requirements of the Military Service concerned (e.g., remote assignment, deployed, limited access to administrative support and/or financial networks, etc.), or the actions of outside agencies (such as financial institutions, postal service, etc.) over which the member has no control, as determined by Military Service regulations, the subsequent payment of arrears of support does not entitle a member to with-dependent rate BAQ for the period of non-support or inadequate support. If a member is not entitled to BAQ for dependents under any of the subsequent subparagraphs, consider entitlement to without-dependent or partial-rate BAQ under section 2602, above.

B. Member Refuses or Does Not Provide Support. A member is not entitled to BAQ on behalf of a dependent the member refuses to support or does not support. The statutory purpose of with-dependent rate BAQ is to at least partially reimburse Military Service members for the expense of providing private quarters for their dependents when government quarters are not furnished, and not to grant the with-dependent rate of BAQ as a bonus merely for the technical status of being married or a parent. Unless a period of non-support or inadequate support was caused as a result of mission requirements of the Military Service concerned (e.g., remote assignment, deployed, limited access to administrative support and/or financial networks, etc.), or the actions of outside agencies (such as financial institutions, postal service, etc.) over which the member has no control, as determined by Military Service regulations, the subsequent payment of arrears of support does not entitle a member to with-dependent rate BAQ for the period of nonsupport or inadequate support.

NOTE: A member does not avoid the legal responsibility to comply with a court order for support by forfeiting BAQ.

C. Legal Separation Agreement or Court Decree, Judgment or Order Silent on Support, Not Stating Amount of Support, or Absolving Member of Support Responsibility. A legal separation agreement, court decree, judgment, or order that is silent on dependent support does not state the amount of dependent support, or absolve the member of dependent support responsibility, does not of itself deprive the member of BAQ for a lawful dependent(s) (as defined in the Definitions). This is true regardless of the jurisdiction in which the decree, agreement or order was issued or in which the dependent(s) are domiciled. The member is entitled to BAQ if he or she contributes to the support of the dependent(s) in the full amount of the BAQ, or a reasonable amount requested by or on behalf of the dependent(s), whichever is less, but in no case may the support contributions be less than the difference between the member's applicable "with-" and "without-" dependent BAQ rates. If satisfactory evidence is received that the member has not provided the support specified above, action will be taken to recoup BAQ from the member for any period such support was not provided.

D. Legal Separation Agreement or Court Order Stating Amount of Support. If there is a court order or legal separation agreement stating the amount of support, the member must contribute to the support of the dependent the amount specified therein, or the full amount of BAQ, whichever is less, but in no case may the support payments be less than the difference between the applicable BAQ at the "with-" and "without-" dependent rate. If satisfactory evidence is received that the member has not provided the support specified above, action will be taken to recoup BAQ from the member for any period adequate support has not been provided.

1. When a member is divorced from a nonmember, and both share legal custody of a legitimate child, and the ex-spouse is awarded primary physical custody and is not living in government quarters, then the member is considered a noncustodial parent for the purpose of entitlement to BAQ. If the member's court-ordered support is less than the difference between the BAQ at the "with-" and "without-dependent" rate for his/her grade, then the member is entitled to the BAQ at the rate for members without dependents only if he/she is not residing in government quarters. However, if the ex-spouse having primary custody of the child agrees to accept an additional support amount in order for the member paying support to qualify for BAQ at the "with-dependent" rate, the member accordingly would be entitled to BAQ.

2. When the member has temporary custody of the child and both reside in private quarters, then the cost of maintaining a residence is not a factor in determining entitlement to BAQ with dependents and cannot be used instead of, or in addition to, child support to qualify for increased allowances. The dependent child must reside with the member on a nontemporary basis, e.g., for a continuous period of more than 90 consecutive days, to qualify for the BAQ "with-dependent" rate for the nontemporary period. The cost of maintaining a home cannot be added to the child support amount to qualify for the increased allowances.

E. Evidence or Complaints of Nonsupport or Inadequate Support. Support

requirements will apply if established as in subparagraphs C and D, above. If the support requirements are not established by court order or mutual agreement, as in those subparagraphs, the member must provide proof of support in an amount that is at least the lesser of (1) the BAQ received on behalf of the claimed dependent(s), or (2) a reasonable amount requested by or on behalf of the dependent(s); however, in no case may the support contributions be less than the difference between the "with-" and "without-" dependent BAQ rates applicable to the member's grade. Unless a period of nonsupport or inadequate support was caused as a result of mission requirements of the Military Service concerned (e.g., remote assignment, deployed, limited access to administrative support and/or financial networks, etc.), or the actions of outside agencies (such as financial institutions, postal service, etc.) over which the member has no control, as determined by Military Service regulations, the subsequent payment of arrears of support does not entitle a member to with dependent rate BAQ for the period of nonsupport or inadequate support. The amount of support required for entitlement to retain or receive BAQ on behalf of dependent(s) does not necessarily mean that such amount is deemed adequate to meet the policy of the Military Service concerned regarding what constitutes adequate support in the absence of a written mutual agreement or court order.

F. Increase in Support Required by Increase in BAQ Rates. Whenever there is an increase in BAQ rates, the minimum required support under subparagraphs C, D, and E, above, increase to the difference between the "with-" and "without-" dependent BAQ rates. The non-custodial member will continue to be entitled to the "with-dependent" BAQ rate only if the support order (if any) is modified to require increased support in the appropriate amount, or if there is a mutual agreement between the parents that the custodial parent will accept such increased support.

G. Voluntary Support Payments. Voluntary support payments will not be considered for purposes of determining BAQ entitlement unless there is a mutual agreement between the parents that the support payments will be accepted by the custodial parent.

H. Settlement Agreement

1. Property settlements made under a court order or written agreement are not considered support for BAQ purposes.

2. Payments made under a settlement in place of support are considered support for the period expressly provided in the written agreement or court order.

3. A lump-sum settlement in place of support made under written agreement or court order is considered support for the period the lump sum would reasonably cover support of the dependent.

I. Interlocutory Decree of Divorce. If an interlocutory decree of divorce does not provide for support to the spouse, the member is not entitled to BAQ for the spouse after the date of the decree unless proof of support is furnished.

J. Doubtful Cases. Submit any doubtful cases involving support for determination by authority shown in Tables 26-1 or 26-2.

260407. Support of Dependent, Both Parents Are Members

A. Divorce or Legal Separation Effective or Amended Before 1 July 1992. In addition to the provisions of paragraph 260406, the following subparagraphs apply when the divorced or legally separated parents are both members and the divorce or separation occurred prior to 1 July 1992. All of the situations set forth apply only when neither member is assigned to family-type government quarters, unless otherwise specified.

1. The non-custodial parent is entitled to BAQ at the with-dependent rate through 4 December 1991, on behalf of the child(ren), provided the payment of child support is an amount that is at least equal to the difference between the applicable BAQ-with and BAQ-without dependent rates. During the period 5 December 1991 through 30 June 1992, the non-custodial parent living in single-type government quarters will only be entitled to BAQ-DIFF for child support (unless "grandfathered," as described in paragraph 260416). If not residing in single-type government quarters, the non-custodial parent may also be entitled to BAQ at the without-dependent rate as described in paragraph 260201. If the non-custodial parent does not provide the required child support and resides in single-type quarters, then the member's BAQ entitlement is partial rate BAQ. The custodial parent is also entitled to BAQ in his or her own right at the without-dependent rate.

2. If the non-custodial member does not pay the required amount of child support (at least equal to that member's DIFF rate), the custodial member is entitled to BAQ at the with-dependent rate on behalf of the child(ren).

3. The custodial member is entitled to the with-dependent rate on behalf of the child(ren) if the non-custodial member declines to claim the child(ren) for BAQ purposes. Such declination should be in writing, if possible, and may be revoked at any time. Such revocation may not be retroactive. If the non-custodial member is entitled to the with-dependent rate of BAQ on behalf of another dependent, the custodial member is entitled to the with-dependent rate on behalf of the child(ren) of the marriage, provided the custodial member is providing substantial support to the child(ren).

4. Only one parent is entitled to BAQ on behalf of children of the marriage when all of the children reside in one household; this applies even if child support payments are specifically for support of only some of the children.

5. When the child(ren) of the marriage are in the custody of a third party, only one member is entitled to BAQ on behalf of the child(ren), even though both members are paying sufficient child support to qualify for the entitlement. The member senior in rank will receive BAQ on behalf of the child(ren) when the two members cannot agree on which person will claim the entitlement. If the members are of equal rank, date of rank will determine which one receives BAQ on behalf of the child(ren).

6. When each member has legal custody of one or more of the children of the marriage, then each member who is not assigned to government quarters is entitled to the with-dependents rate of BAQ in behalf of the child(ren) in his/her custody. Occupancy of family-type government quarters by the other child(ren) of the marriage does not affect a member's entitlement. If, however, one member is paying child support in an amount at least equal to that member's DIFF rate on behalf of the child(ren) in the other member's custody, the member not paying child support is not entitled to BAQ on behalf of the child(ren) in that member's custody.

7. In cases of joint legal custody, when physical custody changes from one parent to another, each parent is entitled to the with-dependent rate of BAQ during those periods the child(ren) are actually in their physical custody, except when there is a payment of child support to one of the parents, in which case the member paying child support is at all times entitled to BAQ on behalf of the child(ren), provided the amount of child support is at least equal to that member's DIFF rate.

8. In cases when a non-custodial member is paying child support to a member who also has another dependent who would make that member eligible for the with-dependent rate of BAQ, there is a presumption that the custodial member's entitlement is based on the dependent(s) other than the child(ren) of the marriage. Both the custodial and non-custodial members are entitled to the with-dependent rate of BAQ in such circumstances, provided neither member is assigned to government quarters.

B. Divorce or Legal Separation Effective or Amended After 30 June 1992. In addition to the provisions of paragraph 260406, above, the following subparagraphs apply when the divorced or separated parents are both members and the divorce or separation occurred after 30 June 1992. All of the situations set forth apply only when neither member is assigned to family-type government quarters, unless otherwise specified.

1. Unless the members agree between themselves to the contrary, and provided the child(ren) of the marriage do not reside in government quarters, the member having custody of the child(ren) is entitled to with-dependents rate BAQ on their behalf, regardless of the amount of child support received by that member. An order of a court in a divorce decree is not considered an agreement between the members. An order of a court will only be used to verify court-awarded custody. In addition to the court order, a separate notarized agreement between the members must be provided in order for the non-custodial member to receive BAQ on behalf of the child(ren). The non-custodial member is entitled to partial BAQ if assigned to single-type government quarters, or BAQ at the without-dependent rate if not assigned to government quarters.

2. When the members each have sole custody of one or more of the children of the marriage, they are each entitled to the with-dependent rate of BAQ on behalf of the child(ren) in their individual custody, regardless of any child support payments to one member by the other.

3. When the child(ren) are in the custody of a third party, apply the rule in subparagraph 260407.A.5, above, applies.

4. In cases when there is joint legal custody, with physical custody changing from one parent to the other, each parent is entitled to BAQ on behalf of the child(ren) during those months in which that parent maintained the principal residence and extended physical custody of the child(ren), regardless of any child support payments made to one member by the other. In cases when it cannot be determined which parent maintained the principal residence during a particular month, the senior member will be entitled to receive BAQ on behalf of the child(ren).

5. The rule in subparagraph 260407.A.8, above, applies without regard to the date of divorce or separation.

260408. Child Living With Former Spouse Remarried to Another Service Member

A. When the child's stepparent is assigned public quarters and the child occupies such quarters, then the divorced member parent paying child support is entitled to BAQ under section 2602, above, as a member without dependents.

B. If the child's stepparent is not assigned public quarters, but is paid BAQ, the divorced member is entitled to BAQ on behalf of the child, if otherwise eligible, even if assigned to or occupying single-type government quarters. However, BAQ may not be paid to both the stepparent and natural parent at the same time for the same dependent. The natural parent has priority to BAQ if supporting the child.

260409. Child Living With Former Spouse-Member Remarries

A. The provisions of subparagraph 260301.A.2, above, are not for application in the case of a member who is required to support a child in the custody of a former spouse when the member remarries and is assigned to and/or occupies government family quarters. The member is not entitled to basic allowance for quarters on behalf of the child living with the former spouse. This is equally applicable when, upon remarriage, the member marries a member.

B. If, in subparagraph A, above, the remarriage is of a member to a member with child(ren) born of marriage, and the member paying child support vacates government family quarters on PCS assignment with quarters being reassigned to spouse and child(ren), then the member reassigned PCS is entitled to with-dependent BAQ for child(ren) of the former marriage when that member or child(ren) do not reside in government family quarters.

C. When the former spouse with child custody in the situation cited in subparagraph A, above, is also a member, the former spouse may claim the child(ren) for BAQ purposes if not assigned to government family quarters and the member paying support has made

a declination in accordance with subparagraph 260407.B.2, above.

260410. Child(ren) Living With Former Spouse or Estranged Spouse Who is Member Assigned Family Quarters. When the member parent having custody of the child(ren) is assigned to, or occupies, adequate family-type quarters with the child(ren) while receiving child support, then the member parent paying child support is entitled to BAQ under section 2602, above, as a member without dependents.

260411. Child Living With Former or Estranged Spouse in Family Quarters Visits Member. When a child(ren) who normally resides in government family quarters with a member's former or estranged custodial spouse visits with the member in private quarters for more than 90 days, the visit is considered non-temporary and the member may claim BAQ for the child(ren) from the first day of the visit. If the visit is 90 days or less, BAQ is not payable for any part of the visit.

260412. Illegitimate Child. Public Law 93-64, 9 July 1973, amended 37 U.S.C. 401 (reference (ar)) to include in the definition of a dependent, an unmarried illegitimate child whose alleged member-father has been judicially decreed to be the father of the child or judicially ordered to contribute to the child's support, or whose parentage has been admitted in writing by the member-father or mother. Such a dependent either must be under 21 years of age or, because of a mental or physical incapacity, incapable of self-support and in fact dependent on the member. A member may claim basic allowance for quarters (BAQ) on behalf of an illegitimate child within the following guidelines:

A. General. A member who claims BAQ on behalf of an illegitimate child must show proof of parentage. In cases involving foreign court decrees, parentage must also be admitted in writing and under oath. Proof of in-fact dependency is required in all cases and will be recertified annually. This requires documentary evidence to substantiate that support has been provided in an amount not less than that specified in subparagraphs B or C, below. A voluntary allotment payable to or on behalf of a child in the applicable amount is adequate evidence to show proof of intent to provide continued support.

B. Illegitimate Child is in Physical Custody of Another Person and Member is Assigned Single-Type Government Quarters. The member-parent may claim such child as a dependent for BAQ purposes provided the amount of support paid is at least equal to the amount of BAQ received because of the dependency of the child. If a member is entitled to BAQ-DIFF, child support paid must equal or exceed member's BAQ-DIFF rate. Likewise, if the member is in government single-type quarters, and entitled to BAQ at the with-dependent rate on behalf of the child, the requirement for support must equal or exceed the member's BAQ-DIFF rate.

C. Illegitimate Child is in Physical Custody of Member-Parent or Another Person and Member is Not Assigned Government Quarters. The member-parent may claim such child as a dependent if proof is shown that monthly support is provided in an amount the greater of:

1. Over one-half of the child's support, or
2. The difference between the applicable BAQ at the "with-" and "without-" dependent rates. In any case where the amount in subparagraph C.1, above, exceeds the applicable BAQ at the "with-dependent" rate, support in at least the amount of the BAQ at the "with-dependent" rate will be considered adequate.

D. When Both Parents Are in the Service. When both parents are members of the Armed Forces, the one having physical custody of the illegitimate child is the only one authorized BAQ on behalf of that child. If neither has physical custody, the member providing chief support of the illegitimate child is considered to be the only member with a dependent for entitlement to BAQ on behalf of such child. In either case, the member-parent must meet the applicable guidelines furnished above. If the parents subsequently are married to each other, the child is then considered a legitimate child of the marriage and paragraph 260302, above, applies.

E. When Illegitimate Child is Adopted by Another Person. BAQ does not accrue to the natural father or mother of an illegitimate child when that child has been adopted by another person.

F. When Member Marries Mother of Illegitimate Child. The member may claim the illegitimate child of his spouse as a dependent, although he is not the father of the child. The child qualifies as a dependent, in the same manner as any other stepchild, when the member has accepted full responsibility for that child by marriage to the child's mother.

260413. Adopted Child or Stepchild

A. Adopted Child. A child adopted by a member is an eligible dependent for BAQ entitlement if a final decree of adoption has been entered and the child is, in fact, dependent upon the member. In cases involving interlocutory decrees, and those where the child receives support from other sources, see Tables 26-1 and 26-2.

B. Stepchild. A stepchild is an eligible dependent for BAQ entitlement if the child is in fact dependent on the member. This includes an illegitimate child of the spouse, when the member is not the blood parent (see subparagraph 260412.F, above). A member is not entitled to BAQ for a stepchild if the child is receiving support from the natural parent, who receives BAQ for the child. A stepparent-stepchild relationship ends upon divorce from the blood parent, but not upon death of the blood parent. Hence, entitlement to BAQ for a stepchild may be established after death of the blood parent.

C. In Fact Dependency. An adopted child or a stepchild is considered in fact dependent if the member contributes a substantial portion of the child's support, and if the child's welfare would be affected without this contribution. Residence in the member's household does not of itself establish dependency, nor is a child in fact dependent if the member's contributions merely improve the child's living conditions.

260414. Dependent Child Adopted by a Third Party. A member is not entitled to BAQ for a child after the child is adopted by a third party and final order or decree of adoption has been entered. Entitlement to BAQ continues after an interlocutory decree has been entered if the decree does not change the legal relationship between the child and adopting parent, and the member supports the child.

260415. Spouse or Child Confined in Penal or Correctional Institution

A. BAQ Payable. Confinement of a member's lawful spouse or unmarried minor child in a penal or correctional institution does not affect member's right to BAQ on the dependent's behalf, unless the:

1. Member refuses to support the dependent; or
2. Member has been absolved from supporting the dependent; or
3. Period of confinement may extend beyond 5 years; or
4. Case is otherwise doubtful.

B. Doubtful Cases. Submit cases involving sentence extending beyond 5 years, and any other doubtful cases, as follows:

1. Officer's Dependent. Request advance decision of the Comptroller General of the United States. Do not credit BAQ pending decision.

2. Enlisted Member's Dependent. Send the case to the appropriate address shown in subparagraph 260403.F.3, above, for determination. Do not credit BAQ pending determination if sentence provides for confinement beyond 5 years.

260416. Limitation on the Amount of BAQ Payable to a Member Entitled to BAQ Solely on the Basis of the Member's Payment of Child Support. The provisions of this paragraph are effective 5 December 1991.

A. Except as provided in subparagraphs 260416.B or C, below, a member of a Uniformed Service assigned to single quarters is authorized an allowance for quarters (referred to as BAQ-DIFF) for the payment of child support. The amount of BAQ-DIFF shall be equal to the difference between the with-dependent and without-dependent rates for the member's pay grade.

B. A member shall not be entitled to BAQ-DIFF solely on the basis of the member's payment of child support if the monthly rate of that child support is less than the BAQ-DIFF rate identified in subparagraph 260416.A, above.

C. A member who was assigned to single-type government quarters and

entitled to BAQ solely on the basis of the member's payment of child support on 4 Dec 1991, shall continue to be entitled to BAQ at the with-dependent rate until such time as that member becomes entitled to receive BAQ at the with-dependent rate for a reason other than, or in addition to, the member's payment of child support.

D. A member not assigned to government quarters, who is entitled to BAQ on behalf of a dependent solely on the basis of payment of child support, is entitled to BAQ at the without-dependent rate plus BAQ-DIFF, if the amount of the child support is equal to or greater than BAQ-DIFF.

E. The requirement to pay child support and the amount thereof will be documented either by a court order or by a statement signed by both the member and the custodian of the child on whose behalf support is paid. This signed statement will indicate the custodian's willingness to accept such support payments from the member and will be notarized.

260417. Dependent Parent. The term "parent" is defined in the Definitions. The term "dependent" as applied to father or mother means two dependents, if applicable.

A. Basis of Determination. Dependency of a parent is determined on the basis of an affidavit submitted by the parent, and any other evidence required under regulations prescribed by the Secretary concerned. Upon receipt of the member's application, the authority designated in Tables 26-1 or 26-2 sends a form to the parent for completion (thus delaying notification to the disbursing officer of final action on the member's application). A custodian or legal guardian may complete the form for a mentally incompetent parent. If a parent dies before completing the affidavit, payment of BAQ is precluded.

B. Dependency Requirement. A member does not qualify for BAQ on behalf of parents because of relationship alone. The additional factor of dependency must be met. The parents must be dependent upon the member for over one-half of their support. This means:

1. The parents' income, not counting the member's contribution, must be less than one-half of their monthly living expenses.

2. The member's contribution must be more than one-half of the parent's monthly living expenses.

C. Change in Status of Dependent. A member may be paid BAQ for any active duty period during which dependency of the parent is shown to exist, whether the dependency arose before or after the member entered service. If dependency arises because of changed circumstances, and the facts show the member has started to contribute over one-half of the parents' support, BAQ is authorized from the date the contribution began. No waiting period is required.

D. Stepparent. A stepparent-stepchild relationship ends upon divorce from the blood parent, but not upon death of the blood parent. Hence, BAQ entitlement because of a

stepparent may be established after death of the blood parent.

260418. Factors Used in Parent Determinations

A. Family Unit Rule. In determining dependency of a parent, the total income and expenses of the family unit of which the parent is a member must be considered. Normally, the member's contribution to the expenses of the unit must exceed one-half of the unit's total expenses before any one person in the unit can be considered dependent on him or her. For example, a mother cannot be considered dependent if she is a member of a family unit in which her husband is supporting himself but is not providing sufficiently for the mother's individual needs.

B. Equity and Good Conscience. When application of the family unit rule results in manifest injustice, any other available evidence of dependency is considered, and determination made according to principles of equity and good conscience.

C. Charity. Contributions made to parents by charitable organizations are not considered income.

D. Parents in a Charitable Institution. Residence of a parent in a charitable institution, public or private, is not a bar to entitlement if the member claims BAQ on behalf of the parent and other conditions of entitlement are met.

E. Social Security, Unemployment Compensation, and Pensions. Payments made to the parent from the Social Security Administration, and unemployment compensation are considered to be income. Pensions received by the parent also are considered to be income.

F. Capital Assets. Unliquidated capital assets are not considered income, and parents are not required to deplete their capital assets in order to establish dependency on a member for BAQ purposes. However, proceeds derived from the liquidation of capital assets are considered income. Amounts placed in reserve for depreciation of property held for income normally are considered available for current living expenses of a parent and, therefore, are considered to be income.

G. Rate of Return Rule. In determining dependency of parents who possess uninvested capital, compute the income return on the basis of 5-1/4 percent per annum.

2605 PAYMENT OF BAQ, MEMBERS IN A NON-PAY STATUS

260501. Entitlements. BAQ for members in pay grades E-1, E-2, E-3, or E-4 (4 years' or less service) with-dependent is authorized under the same conditions as specified for other enlisted members except that during periods such members are in a non-pay status as specified below, entitlement shall be as follows:

A. Unauthorized Absence or in Hands of Civil Authorities. For a period not to exceed 2 months from the first day of absence, BAQ at the rate being credited a member at the time absence commenced may be paid to a dependent on whose behalf BAQ was claimed prior to commencement of the absence, under the following conditions:

1. The member has been in an unauthorized absence status for more than 29 consecutive days.

2. The dependent applies for payment of BAQ and the application is received by appropriate authority within 3 months after the date absence commenced.

3. If the Military Service concerned fails to provide timely notice to dependents of their right to apply for BAQ, a waiver of the 3-month stipulation in subparagraph A.2, above, may be granted on a case-by-case basis by the authority specified in subparagraph B.1, below. If such a waiver is granted, payment may only be made on those applications received within 2 months after the dependents are properly notified of their right to submit such applications.

4. No positive information has been received that the dependent is residing or has joined the member at the place of absence.

5. If a member is assigned government family-type quarters (adequate or inadequate), no payment of BAQ may be made.

6. Payment of BAQ will not be made directly to the member on behalf of a dependent. Payment shall be made only to dependents residing in the home of the member, that is, members of the family unit whom member would ordinarily control and supervise as the head of the family. This includes dependents who were not, by reason of separation pursuant to competent orders, actually residing with the member at the time absence commenced.

B. Pretrial Confinement in a Foreign Country. Payment of BAQ is authorized as follows:

1. For enlisted members in pay grades E-1, E-2, E-3, and E-4 (4 years' or less service). Payment is authorized for a period not to exceed 2 months under the conditions stated in subparagraph A, above. For any subsequent months there must be showing of hardship on the dependent and approval on a case-by-case basis as follows:

- a. Army:
Director
DFAS-IN
ATTN: SAFM-FAA-EC
Indianapolis IN 46249-2201
- b. Navy:
Commander
Naval Military Personnel Command (NMPC-64)
Washington DC 20370
- c. Air Force:
HQ USAF/DPPC
Washington DC 20330-5000
- d. Marine Corps:
Commandant of the Marine Corps
(Code MPH)
Washington DC 20380

2. For enlisted members in pay grades E-4 (over 4 years' service) and above (cases where there has been a showing of hardship on the dependent). The approval authority for the initial and any subsequent payments is as shown in subparagraph A.1, above. No payment may be made without the approval of such authority on a case-by-case basis. Payments are subject to the conditions stated in subparagraphs A.1, 2, 3, 5, and 6, above. See Military Service regulations for procedures on processing claims.

C. Excess Leave. BAQ will continue to be paid to a member in pay grade E-4 (4 years' or less service) or below, with dependents, for a period not to exceed 2 months during which an excess leave status exists unless it is anticipated that member will not return to duty, for example, appellate leave. The 2-month period shall be computed from the first day of excess leave.

WHO DETERMINES RELATIONSHIP OR DEPENDENCY FOR BAQ ENTITLEMENT FOR ARMY AND AIR FORCE MEMBERS										
R U L E	A	B	C	D	E	F	G	H	I	J
	If dependent claimed is	and marriage is	and is under 21 years	and is	and certified court adoption papers are	and child has income from sources other than the member	and is incapable of self-support because of mental or physical incapacity	then -		
								determination is made by	send a claim to DFAS-IN for de-termination, opinion, or submission to Comp Gen of US for decision	
								Army disbursing officer or designee		
1	spouse	lawful						X (note 8)	X	
2		of questionable legality (note 1)							X (note 9)	X
3	child, unmarried		yes	legitimate, or legitimated by marriage of blood parents				X (notes 4 and 8)	X (note 4)	
4			yes	adopted (note 3)	available (note 5)	no		X (notes 4 and 8)	X (note 4)	
5			yes	adopted (note 3)	available (note 5)	yes			X (notes 4 and 9)	X (note 6)
6			yes	adopted (note 3)	not available				X (notes 4 and 9)	X (note 6)
7			yes	stepchild (notes 3 and 7)		no		X (notes 4 and 8)	X (note 4)	
8						yes			X (notes 4 and 9)	X (note 6)

Table 26-1. Who Determines Relationship or Dependency for BAQ Entitlement for Army and Air Force Members

R U L E	A	B	C	D	E	F	G	H	I	J
	If dependent claimed is	and marriage is	and is under 21 years	and is	and certified court adoption papers are	and child has income from sources other than the member	and is incapable of self-support because of mental or physical incapacity	then -		
								determination is made by		send a claim to DFAS-IN for determination, opinion, or submission to Comp Gen of US for decision
								Army disbursing officer or designee	Air Force AFO or designee	
9	child, unmarried		yes	illegitimate child of member or legitimated by affidavit or court order					X (note 9)	X
10			no				yes (note 2)		X (note 9)	X
11	child, married	terminated by divorce, annulment, or death of spouse	yes						X (note 9)	X
12	parent (including "in loco parentis") (note 2)								X (note 9)	X

NOTES:

1. Includes common-law spouse; those married by proxy or telephone or within a prohibited period following divorce, or a divorce granted by a foreign country; and purported marriages.
2. Must be in fact dependent on service member for substantial portion of his or her support.
3. Must be in fact dependent on service member for substantial portion of support.
4. Applies also if child is in custody of someone other than service member (divorced spouse, parent, etc.).
5. If this is interlocutory decree of adoption, case must be submitted to DFAS-IN or DFAS-DE for determination or submission to the Comptroller General.
6. In case of an Army member, the claim will be sent to DFAS-IN only when determination cannot be made by disbursing officer under AR 37-104-3 chapter 2, part 3 or is not covered by note 8.
7. This includes an illegitimate child of the spouse, when the member is not the blood parent. See paragraph 260412.F.
8. In the case of Army Reserve Component (RC) personnel, initial determinations for dependents listed in rules 1,3,4, and 7 can be made by the RC unit commander or servicing Military Personnel Officer.
9. Claim will be sent to DFAS-DE only when determination cannot be made by AFO or designee as prescribed in DFAS-DE 7073.1-M, or when requesting submission to Comptroller General.

Table 26-1. Who Determines Relationship or Dependency for BAQ Entitlement for Army and Air Force Members (Continued)

WHO DETERMINES RELATIONSHIP OR DEPENDENCY FOR NAVY OR MARINE CORPS MEMBERS													
R U L E	A	B	C				D	E	F				
	If dependent claimed is	and	and member is a				and	and	then determination is made by				
			Navy Officer	Marine Corps Officer	Navy Enlisted Member	Marine Corps Enlisted Member			Navy Family Allowance Activity	Com-mandant of the Marine Corps	Com-manding Officer of a battalion, squadron, or separate detached command	Dis-bursing Officer	Claim must be submitted through channels for determination or submission to Comp Gen of US for decision
1	any person who can qualify as a dependent				X				X				
2	a spouse	marriage is legal (unquestionable)	X									X	
3				X		X	neither member has been previously married	marriage was contracted within the various states or territories by legal civil or religious ceremony			X (note 1)		
4		marriage is of doubtful legality (see para 260403)					X				X		
5			X	X									X

Table 26-2. Who Determines Relationship or Dependency for Navy or Marine Corps Members

R U L E	A	B	C				D	E	F				
	If dependent claimed is	and	and member is a				and	And	then determination is made by				
			Navy Officer	Marine Corps Officer	Navy Enlisted Member	Marine Corps Enlisted Member			Navy Family Allowance Activity	Commandant of the Marine Corps	Commanding Officer of a battalion, squadron, or separate detached command	Disbursing Officer	Claim must be submitted through channels for determination or submission to Comp Gen of US for decision
6	an un-married legitimate child	child is under 21 years of age	X									X (note 2)	
7				X							X (note 2)		
8						X	Dep- Endent is child of present or former spouse (note 3)				X (note 4)		
9	a combination of any of the dependents in rules 2 through 8	child is under 21 years of age				X					X (note 4)		
10	an un-married child	child is over 21 years of age	X	X									X
11						X				X			

Table 26-2. Who Determines Relationship or Dependency for Navy or Marine Corps Members
(Continued)

R U L E	A	B	C				D	E	F				
	If depend- ent claimed is	and	and member is a				and	and	then determination is made by				
			Navy Officer	Marine Corps Officer	Navy Enlisted Member	Marine Corps Enlisted Member			Navy Family Allowance Activity	Com- mandant of the Marine Corps	Com- manding Officer of a battalion, squadron, or separate detached command	Dis- bursing Officer	Claim must be sub- mitted through channels for determi- nation or submis- sion to Comp Gen of US for decision
12	an un- married stepchild or adopted child	child's depend- ency relation- ship is not doubtful	X		X				X				
13				X							X		
14						X					X		
15			X		X				X				
16				X		X				X			
17	an un- married illegiti- mate child		X		X				X				
18						X				X			
19											X		
20	a parent (includ- ing "in loco pa- rentis")								X				
21										X			

NOTES:

1. This same rule applies when either member or spouse has been previously married, if the previous marriage was dissolved by death, final decree or divorce, or by annulment (not prohibiting remarriage).
2. Submit doubtful cases through channels to the Comptroller General of the United States.
3. The birthdate of the child must be after the date of the marriage concerned.
4. Submit questionable cases to the Commandant of the Marine Corps.

Table 26-2. Who Determines Relationship or Dependency for Navy or Marine Corps Members (Continued)

BAQ ENTITLEMENTS, MEMBERS WITHOUT DEPENDENTS, ENTITLED TO BASIC PAY			
R U L E	A	B	C
	Member is	then: BAQ accrues	BAQ does not accrue
1	Assigned to a permanent station	if government quarters or housing facilities are not assigned (notes 3 and 11)	if member is assigned or occupies Government quarters suitable and adequate for the member's grade (notes 9 and 10).
2		while on short period of special alert duty during which the member is furnished sleeping accommodations at the permanent station where government quarters are not available for assignment.	
3		while on short training periods not to exceed 45 days during which, due to military necessity, the member is furnished sleeping accommodations at the permanent station where government quarters are not available for assignment.	
4	Assigned to an off-ship crew of a nuclear powered submarine, temporarily serving ashore for more than 15 consecutive days for training and rehabilitation	if government quarters are not available at the training or rehabilitation site	if adequate government quarters are available for occupancy at the training or rehabilitation site.
5	in pay grade E-4 (less than 4 years' service), or lower and is ordered to report for TDY in connection with the fitting out or conversion of a vessel and permanent duty aboard when the vessel is placed in commission	if per diem allowance is not authorized for the period of TDY (note 1)	if quarters are available or member is entitled to per diem allowance for the period of such duty.
6	on field duty, PCS not involved (note 15)	if receiving BAQ at permanent station	if assigned or occupying government quarters at permanent station.
7	assigned PCS to a unit on field duty	if the commander certifies member was required to procure quarters at own expense at the initial field duty site	for the initial field duty in progress at time of PCS, unless member is required to procure quarters at own expense at field duty site.
★8	on sea duty (note 2)	if member is grade E-6 or above while aboard ship in homeport or overhaul and elects on or after 1 July 1996 not to occupy available quarters (notes 13 and 14).	if member is grade E-5 or below.
9	on authorized leave, accrued, advanced, or in connection with release from active duty or discharge (PCS not involved)	if receiving BAQ at permanent station or assigned quarters are terminated incident to separation (notes 3 and 11).	if assigned quarters at permanent station.
10	on excess leave		for any period of time.
11	sick in hospital, or on sick leave from a hospital (PCS not involved)	if receiving BAQ at permanent station, (notes 3 and 11).	if assigned quarters at permanent station.
12	being treated at hospital TDY en route PCS; or assigned PCS direct to hospital for treatment	if not assigned quarters	if assigned quarters in the hospital.

Table 26-3. BAQ Entitlements, Members Without Dependents, Entitled to Basic Pay

R U L E	A	B	C
	Member is	then: BAQ accrues	BAQ does not accrue
13	on TDY (PCS not involved), or TAD, including such duty on transport or under permissive orders (notes 6, 12, and 15)	if receiving BAQ at permanent station	if assigned quarters at permanent station.
14	in pay grade E-4 (4 or more years' service), or higher, in travel status on PCS, including travel under permissive orders, TDY en route, leave en route and proceed time; or is assigned PCS and is on authorized leave or duty at the old or new station (note 6)	if member is not assigned government quarters, or for the first 30 days member temporarily occupies government quarters at any one location (notes 4, 7, 11, and 16)	if member is assigned government quarters, or for any period in excess of 30 days member temporarily occupies government quarters at any one location.
15	in pay grade E-4 (less than 4 years' service), or lower, and is in a travel status on PCS, including leave en route and proceed time (note 8)		on and after the day of departure from old station.
16	in pay grade E-4 (less than 4 years' service), or lower, assigned PCS and is on authorized leave or duty at the old or new station	for not more than 30 days that member temporarily occupies government quarters incident to the PCS at either old or new station (notes 11 and 16)	for period of occupancy of government quarters not incident to a PCS.
17	in pay grade E-4 (less than 4 years' service), or below, initially assigned to a station for basic training, and after completion of such training performs temporary duty at that location pending the receipt of orders designating a permanent duty station to which member will report	between the date of completion of basic training the date member departs the basic training station to comply with PCS orders, when government quarters are not available for assignment.	
18	in pay grade E-4 (4 or more years' service), or higher, assigned to active duty and is performing temporary duty at other than basic training station pending receipt of orders designating a permanent duty station to which member will report upon completion of temporary duty	when government quarters are not available for assignment.	
19	in pay grade E-4 (less than 4 years' service), or lower, assigned to active duty and is performing temporary duty at other than basic training station pending receipt of orders designating permanent duty station to which member will report upon completion of temporary duty	between the date of commencement of temporary duty and the date of receipt of orders naming a permanent duty station when government quarters are not available for assignment.	
20	in pay grade E-4 (4 or more years' service), or higher, ordered home or to a place other than a military organization awaiting further orders in connection with Physical Evaluation Board proceedings	on and after day of departure from hospital or old station through day of discharge, or day prior to effective date of retirement.	

Table 26-3. BAQ Entitlements, Members Without Dependents, Entitled to Basic Pay (Continued)

R U L E	A	B	C
	Member is	then: BAQ accrues	BAQ does not accrue
21	in pay grade E-4 (less than 4 years' service), or lower, ordered home or to a place other than a military organization awaiting further orders in connection with Physical Evaluation Board proceedings	on and after day of arrival at the designated place, through day of discharge, or day prior to effective date of retirement (note 5)	while in travel status from hospital to the designated place or during delay en route chargeable as leave.
22	training for, attending or participating in Pan Am or Olympic games, or other international amateur sports competition	if not furnished quarters by the government or by an agency sponsoring the member's participation	if furnished quarters by the government, or by an agency sponsoring participation.
23	a medical officer on active duty in an intern or resident physician status at a state, county, municipal, or private hospital	if not furnished quarters without charge by the hospital	if furnished quarters without charge by the hospital. Such quarters are considered furnished on behalf of the United States.
24	a student training on a fellowship, scholarship or grant	if not furnished quarters by the college, university, or research facility	if furnished quarters by the college, university, or research facility. Such quarters are considered furnished on behalf of the United States.
25	a Nurse Corps officer or Nurse Corps candidate attending a course of instruction or affiliating with a state, county, municipal, or private hospital	if member is not furnished quarters without charge.	if furnished quarters without charge by the hospital. Such quarters are considered furnished on behalf of the United States.
26	in confinement in a guardhouse or brig pursuant to a court-martial	if acquitted, the charges are withdrawn or the sentence is set aside or disapproved and member is otherwise entitled to BAQ.	while confined pursuant to a court-martial (includes awaiting trial and serving sentence) and the sentence is approved, or, if acquitted, etc., when the member was not receiving BAQ on the day before the day of confinement and government quarters assignment was not terminated before or during confinement. Quarters termination must be certified by the commander under Military Service procedures.
27	a Reserve Component member in pay grade E-4 (4 or more years' service), or above, ordered to active duty for training (See subparagraph 570502.D for active duty other than for training)	at permanent duty station and for authorized travel time from home to first duty station and from last duty station to home (note 7).	For any period government quarters are occupied (notes 9 and 10).
28	a Reserve Component member in pay grade E-4 (less than 4 years' service), or lower, ordered to active duty for training (See subparagraph 570502.D, for active duty other than for training)	if the member was not assigned government quarters at the permanent duty station (note 7).	
29	a Reservist in any pay grade called or ordered to active duty on or after 2 Aug 1990, in connection with Operation Desert Shield/ Storm; a Reserve Component member in any grade called or ordered to active duty on or after 5 Dec 1991 in support of a contingency operation (other than for a member who is authorized transportation of household goods as part of the call or order)	If the member is unable to continue to occupy a primary residence which is maintained by the member and which is owned by the member, or for which the member is responsible for rental payments.	If the member is assigned or occupies government quarters suitable and adequate for the member's grade and does not maintain and own a primary residence or is not responsible for rental payments on the member's primary residence (notes 9 and 10).

Table 26-3. BAQ Entitlements, Members Without Dependents, Entitled to Basic Pay (Continued)

NOTES:

1. BAQ accrues from the date of reporting through the day before the date the ship is placed in full commission, reduced commission, or in service not in commission, whichever occurs first.
2. For the purpose of payment of BAQ under rule 8, duty for a period of less than 3 months is not considered to be sea duty. Duty for more than 3 months under temporary orders (TDY/TAD) which provide for return to the member's same permanent station is not considered sea duty. Ship-based staffs are not considered to be on sea duty for BAQ purposes when the entire staff is ordered ashore by written orders and the duty ashore is not considered to be service in a self-propelled vessel that is in an active status, in commission or in service and is equipped with berthing and messing facilities.
3. When not assigned to government quarters at the permanent station, BAQ accrues for up to 30 consecutive days at one location where government quarters are temporarily occupied while in a duty or authorized leave status not incident to PCS. BAQ for a 30-day period is not forfeited if occupancy exceeds 30 days.
4. Entitlement to BAQ for 30 days in government quarters applies only when occupancy of government quarters is of a temporary nature incident to the PCS as certified by the commander of the station involved. (For rule 16 the period of entitlement must be after receipt of PCS orders and before departure from old station and/or after arrival at new station.)
5. Entitlement begins on actual or constructive date of arrival home or other designated place, whichever date is earlier. (Compute constructive time arrival date via commercial transportation mode based upon the rules and provisions of the JFTR, Volume 1.)
6. Also applies to members entitled to pay and allowances while attending school under Operation Bootstrap.
7. BAQ and per diem may be credited for the same periods, if otherwise qualified.
8. This rule is not applicable when a member is performing temporary duty under PCS orders at a station which is ultimately the member's permanent duty station upon completion of the temporary duty; in such instances, see rule 1 of this table.
9. Government quarters in fact occupied without payment of rental charges shall be deemed to have been assigned as appropriate and adequate quarters.
10. Does not apply to temporary occupancy of government quarters assigned to another member for 90 days or less at any one duty station. Occupancy for more than 90 days is considered to be of a permanent nature and BAQ entitlement does not accrue for any portion of the period of such occupancy. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.
11. The intent of these entitlements is that BAQ continue for a maximum of 30 days at any one location. Movement from one unit of government quarters to another, or in and out of the same unit, at the same location, with or without a break in occupancy, does not break the consecutiveness and does not create new periods or extend the authorized 30 days without loss of BAQ. Occupancy of government quarters at different locations creates a new 30-day period at each location. However, if government quarters at one location are considered to be occupied by a member at the same time the member occupies government quarters at a second location, a new 30-day period does not begin at the second location.
12. A member away from permanent station may occupy quarters of the United States designated for members without dependents at the member's temporary duty station without affecting the member's right to receive payment of basic allowances for quarters or assignment of quarters, if any, at the member's permanent station. Under such circumstances, a member may not occupy quarters of the United States which exceed the minimum standards for members of that grade without dependents, as prescribed by the Secretary concerned, unless the only quarters available (a) exceed the minimum standards, and (b) are made available for joint occupancy with other members.
- ★13. Members in grade E-6 or above, who are assigned to an off-ship crew of a nuclear powered submarine, are entitled to BAQ under rule 8 upon reassignment as the on-ship crew provided entitlement accrued during training and rehabilitation.
- ★14. A member is also entitled to receive BAQ after reporting to a deployed vessel, if the homeport of that ship is the same as the previous assignment and the member was receiving BAQ at the homeport. Members TAD to the ship are also entitled to BAQ after reporting to the deployed vessel if in receipt of BAQ at the permanent duty station before being detached on TAD. Members in grade E-5, without dependents, assigned to sea duty may be authorized BAQ if appropriate considering the availability of quarters for E-5s. A member married to another member below pay grade E-6 may be authorized one BAQ Allowance. (See subparagraph 260201.C).
15. For members below pay grade E-7, entitlement does not exist during TDY or TAD if quarters are assigned or furnished at the permanent station, even though the quarters are vacated at the beginning of the TDY or TAD.
16. Installation commanders may, for reasons of military necessity or relief of hardship, authorize non-TDY members affected by PCS orders to temporarily occupy government quarters beyond 30 days without loss of BAQ.

Table 26-3. BAQ Entitlements, Members Without Dependents, Entitled to Basic Pay (Continued)

BAQ ENTITLEMENT AT PERMANENT STATIONS FOR SPOUSES IN UNIFORMED SERVICE- FAMILY-TYPE QUARTERS NOT ASSIGNED (Notes 1-7 and Note 16)									
R U L E	A	B	C	D		E		F	
	When member A has dependents other than spouse	and member B has dependents other than spouse	and members acquire a child(ren) (note 8)	and single-type government quarters are assigned to (note 9)		then member A is entitled to BAQ as a member		and member B is entitled to BAQ as a member (note 15)	
				member A	member B	with dependent	without dependent (notes 11 & 13)	with dependent	Without dependent (notes 11 & 13)
1	No	No	No				X		X
2	No	No	No	X	X				
3	No	No	No	X					X
4	No	No	No		X		X		
5	No	No	Yes			X (note 10)			X
6	No	No	Yes	X	X	X (note 10)			
7	No	No	Yes	X		X (note 10)			X
8	No	No	Yes		X	X (note 10)			
9	Yes	No	No			X (note 12)			X
10	Yes	No	No	X	X	X (note 12)			
11	Yes	No	No	X		X (note 12)			X
12	Yes	No	No		X	X (note 12)			
13	Yes	No	Yes			X			X
14	Yes	No	Yes	X	X	X			
15	Yes	No	Yes	X		X			X
16	Yes	No	Yes		X	X			
17	Yes	No	No			X (note 14)			X
18	Yes	Yes	No	X	X	X		X	
19	Yes	Yes	No	X		X		X	
20	Yes	Yes	No		X	X		X	
21	Yes	Yes	Yes			X (note 14)			X
22	Yes	Yes	Yes	X	X	X		X	
23	Yes	Yes	Yes	X		X		X	
24	Yes	Yes	Yes		X	X		X	

Table 26-4. BAQ Entitlement at Permanent Stations for Spouses In Uniformed Service - Family-Type Quarters Not Assigned

NOTES:

1. When family-type quarters are jointly occupied by the members, neither member is entitled to BAQ, even though the dependents do not reside in the quarters, unless dependents are prevented by military orders from occupying quarters.
2. When husband-wife members are stationed at the same or adjacent military installations, both members are normally authorized BAQ at the appropriate rate when family-type quarters are not assigned, notwithstanding the availability of adequate single quarters for either or both members.
3. Members may be considered to be stationed at the same or adjacent bases or shore installations when they are not precluded by distance from living together, or they actually commute on a regular basis, regardless of distance.
4. When husband-wife members have no other dependents and are precluded by distance from living together, they will normally be treated as members without dependents for purposes of entitlement to BAQ (see Table 26-3).
5. When husband-wife members, who are both entitled to BAQ at the same or adjacent military installation, are separated geographically by competent orders and one member remains assigned to the old duty station, that member normally will be authorized continuance of BAQ notwithstanding the availability of adequate single quarters for assignment to either member.
6. BAQ at the rate payable to members without dependents is authorized during travel status after departure from the old permanent station, or during a period of leave, delay en route, or proceed time between permanent duty stations, provided the members are in pay grade E-4 (4 years' or more service), and above, are not in receipt of BAQ for other dependents, and are not assigned to government quarters en route or temporarily occupy government quarters for more than 30 days at any one location.
7. When not assigned to government quarters at the permanent station, BAQ accrues for up to 30 consecutive days at one location where government quarters are temporarily occupied while in a duty or authorized leave status not incident to PCS. BAQ for a 30-day period is not forfeited if occupancy exceeds 30 days.
8. Refer to paragraph 260402.
9. If either column in column D is blank, that member is not assigned to single-type government quarters.
10. For purposes of this table, the members have agreed that member A is to receive BAQ at the with-dependent rate (subparagraph 260402.A).
11. See Table 26-3 for BAQ entitlement when a member is on field or sea duty.
12. When the dependents in column A, rules 9 through 12, are children from a prior marriage or illegitimate children residing with member A, the members may elect for member B to receive BAQ for stepchildren, in accordance with subparagraph 260413.B, and member A to receive without-dependent rate BAQ when not occupying single quarters.
13. When one member enters a non-pay status, the other member may claim the member not entitled to pay and allowances as a dependent and be authorized to draw BAQ at the with-dependent rate for the duration of the non-pay status if otherwise entitled (for exception, see paragraph 260415).
14. Members must elect which one is to receive the with-dependent rate BAQ. If they cannot agree as to the election, the entitlement will rest with the senior member. Elections cannot be retroactive.
15. When one or both of the dependents in columns A and B are dependent parents of the members, both members may receive with-dependent rate BAQ, if otherwise entitled. Also, when married members no longer share a common residence due to competent military orders, their entitlement to increased allowances or to government-furnished quarters should be determined separately, without regard to the general rule that all dependents of members are members of the same class for the purpose of determining allowance entitlements. Refer to paragraphs 260406 and 260407 for BAQ entitlement of divorced or legally separated members.
16. Members may temporarily occupy government quarters assigned to another member for 90 days or less at any one duty station without loss of BAQ. Occupancy for more than 90 days is considered to be of a permanent nature and BAQ entitlement does not accrue for any portion of the period of occupancy. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.

Table 26-4. BAQ Entitlement at Permanent Stations for Spouses In Uniformed Service- Family-Type Quarters Not Assigned (Continued)

BAQ ENTITLEMENT, MEMBERS WITH DEPENDENTS					
R U L E	A	B	C	D	E
	If member is	and is entitled to BAQ at the permanent station	and the member and dependents temporarily occupy government quarters (note 1)	and if the member is an	then BAQ entitlement
1	In a duty or authorized leave status not incident to PCS (includes accrued, advanced, or convalescent leave) (note 6).	Yes	No		continues.
2			Yes		continues, but not more than 30 consecutive days at one location where government quarters are temporarily occupied. BAQ for the 30-day period is not forfeited even if occupancy exceeds 30 days (notes 2 and 3).
3		No			does not exist. However, if quarters assignment at the permanent station is terminated while on duty at the beginning of or during leave, rules 1 and 2 apply on and after date of termination.
4	On excess leave	Yes		officer or enlisted member in pay grade E-4 (over 4 years' service), or higher	does not exist except as provided in subparagraph 260501.C for members in pay grade E-4 (4 years' or less), and below (note 4).
5	In a duty, travel or leave status incident to PCS (includes TDY en route) (notes 6 and 8)		No		exists unless permanent government quarters are assigned or occupied.
6			Yes (note 5)		exists, but not more than 30 days at any location where government quarters are temporarily occupied. Entitlement does not exist if permanent government quarters are also assigned or occupied (notes 2, 3, and 7).
7	On TDY or TAD, not incident to PCS (notes 6 and 8)	Yes	No		continues as long as the permanent station remains unchanged, except as restricted by subparagraph 260301.C.
8			Yes		continues, but not more than 30 consecutive days at one location where government quarters are temporarily occupied. BAQ for the 30-day period is not forfeited even if occupancy exceeds 30 days (notes 2 and 3).
9		No			does not exist.

Table 26-5. BAQ Entitlement, Members With Dependents

R U L E	A	B	C	D	E
	If member is	and is entitled to BAQ at the permanent station	and the member and dependents temporarily occupy Government quarters (note 1)	and if the member is an	then BAQ entitlement
10	AWOL, not excused as unavoidable			officer or enlisted member	does not exist.
11	Absent due to disease (as distinguished from injury) from alcohol or drugs, causing loss of pay	Yes			continues.
12		No			does not exist. However, if quarters assignment at the permanent station is terminated during an absence, BAQ accrues on and after date of termination.
13	home on PCS awaiting further orders in connection with physical evaluation board proceedings		No		continues until member's retirement or discharge.
14			Yes		does not exist.

NOTES:

- Does not apply to temporary occupancy of government quarters assigned to another member by a member and dependents, or dependents alone for a period of 90 days or less at any one duty station. Occupancy for more than 90 days is considered to be of a permanent nature and BAQ entitlement does not accrue for any portion of the period of such occupancy. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.
- BAQ credit continues if member has additional dependents who are precluded by competent authority from occupying government quarters or facilities furnished member and spouse, or spouse alone.
- The intent of these entitlements (rules 2, 6, and 8) is that BAQ continue for a maximum of 30 days at any one location. Movement from one unit of government quarters to another, or in and out of the same unit, at the same location, with or without a break in occupancy, does not break the consecutiveness and does not create new periods or extend the authorized 30 days without loss of BAQ. Occupancy of government quarters at different locations creates a new 30-day period at each location. However, if government quarters at one location are considered to be occupied by a member at the same time the member occupies government quarters at a second location, a new 30 day period does not begin at the second location.
- BAQ does not accrue during excess leave if member is not to continue in service after leave expires. Example: A member released from the disciplinary barracks on commandant's parole, and placed in excess leave status until sentence is ordered to be executed.
- Applies whether temporary occupancy of government quarters is at old station, while en route, or at new station. However, occupancy is limited to guest houses or other transient facilities. Family housing is excluded from such use.
- The phrase, "incident to PCS," refers to whether or not the member is en route to a new permanent station under PCS orders.
- Installation commanders may, for reasons of military necessity or relief from hardship, authorize non-TDY members affected by PCS orders to temporarily occupy government quarters beyond 30 days without loss of BAQ.
- Includes such status under permissive orders.

Table 26-5. BAQ Entitlement, Members With Dependents (Continued)

DATE TO START BAQ-MEMBERS WITH DEPENDENTS		
R U L E	A	B
	If member	then BAQ begins on
1	enlists, or is called to EAD	date of enlistment or entry on active duty, if member is not assigned government quarters for member and dependents on that date.
2	is appointed to commissioned or warrant officer status	date active duty pay begins, if member is not assigned government quarters for member and dependents on that date.
3	occupies government quarters with dependents and quarters assignment is terminated or member and dependents physically depart permanent station pursuant to PCS orders	date of termination of quarters assignment or date of PCS departure, unless dependents continue to occupy the quarters. If definite assignment of quarters was not required, then BAQ begins the date quarters are vacated.
4	occupies government quarters with dependents and the quarters are declared inadequate	date on which designation of inadequacy of quarters is effective, if member and dependents continue to occupy such quarters.
5	acquires a dependent (marriage, birth, adoption, etc.) (note 1)	date dependent is acquired, if member is not assigned government quarters for member and dependent(s) on that date (note 2).
6	acquires a dependent while in an unauthorized absence status	date member is returned to a pay status after apprehension or surrender, if member is not assigned government quarters for member and dependents on that date (note 3).
7	claims dependent parent	date determined or approved by authority shown in Table 26-1 or 26-2.
8	claims doubtful dependent	

NOTES:

1. Includes dependent acquired while member is on authorized leave.
2.
 - a. Applies to sole dependent of officer or enlisted member.
 - b. Applies to any dependent on whose behalf a member is entitled to increased BAQ.
 - c. BAQ starts with date of member's marriage even though the marriage occurs on same day as divorce from another member.
 - d. When blood parents of an illegitimate child marry, the child becomes a legitimate dependent for BAQ purposes.
 - e. In the case of Navy members, BAQ will not be started more than 6 months before submission of the application without prior approval by the authority shown in Table 26-2.
3. If there has been any change in the status of dependents on whose behalf BAQ existed on the date an unauthorized absence commenced, a member must reestablish the right to BAQ.

Table 26-6. Date To Start BAQ-Members With Dependents

DATE TO STOP BAQ-CHANGES IN DEPENDENCY STATUS		
R U L E	A	B
	If the sole dependent	then stop BAQ at 2400 hours of the day
1	dies	of death.
2	is divorced (note 1)	of the final decree of divorce (note 1).
3	is a spouse in a voidable (not void) marriage which is dissolved by final annulment decree	before date of the decree. (No payment of BAQ may be made on or after date of the decree, regardless of credits accrued and not paid; BAQ paid before the date of decree may be retained (note 2).)
4	is a spouse in an invalid (void) marriage	before discovery of invalidity of the marriage. (No payment of BAQ may be made on or after date of discovery, regardless of credits accrued and not paid. Retention of BAQ paid before that time depends on validation under Chapter 50, section 5005.)
5	becomes of age (except a child who is incapable of self-support because of mental or physical incapacity)	before the child's 21st birthday.
6	marries (regardless of age, or mental or physical incapacity)	of the child's marriage. (Applies even though child's marriage is to a Service member who is also entitled to BAQ on child's behalf for that date.)
7	is adopted by a third party by interlocutory order or decree which has effected a changed legal relationship	before date of adoption (note 3).
8	is adopted by a third party and a final order or decree has been entered	before date of adoption.
9	enters military service	before day of entry into service.
10	is one who must be "in fact" dependent on member, and such dependency ceases	before date dependency ceases.

NOTES:

1. Applies also when an affinitive relationship between a member and step-child ceases because of divorce from the child's parent.
2. Applies also when affinitive relationship between a member and step-child ceases because of annulment of marriage.
3. Case involving Army or Air Force member must be sent to DFAS-IN or DFAS-DE respectively, for determination as to whether order of decree effected a changed legal relationship. Cases involving Navy or Marine Corps members shall be forwarded to the Navy Family Allowance Activity or the Commandant of the Marine Corps, respectively.

Table 26-7. Date To Stop BAQ-Changes In Dependency Status

DATE TO STOP BAQ-OTHER THAN CHANGES IN DEPENDENCY STATUS		
R U L E	A	B
	If member	then stop BAQ at 2400 hours of the day
1	is furnished government quarters at the permanent station, adequate for the member and dependents	before the day quarters are assigned (or before day occupancy begins, if definite assignment not made) (note 1).
2	is furnished quarters (cash or in kind) on behalf of the United States, adequate for the member and dependents	before day quarters are furnished.
3	and dependents occupy inadequate quarters which are rehabilitated and designated as adequate quarters	before effective date of redesignation as adequate quarters.
4	and dependents occupy government quarters at the permanent station during family's visit, not incident to PCS (note 2)	before commencing the eighth consecutive day of occupancy (note 3).
5	and dependents temporarily occupy government quarters while on leave (not incident to PCS), or while in a travel status incident to PCS, including delay en route chargeable as leave	see Table 26-5.
6	is absent without leave	
7	is discharged or released from active duty	of discharge or release.
8	is retired	before effective date of retirement.
9	dies	of death.

NOTES:

1. When dependents are prevented from occupying the assigned quarters because of orders of competent authority, BAQ continues until transportation is arranged for household goods and is available for the dependents (if prompt application is made), plus the normal travel time for dependents to the member's station.
2. Does not apply to temporary occupancy of government quarters assigned to another member by a member and dependents, or dependents alone, for a period of 90 days or less at any one duty station. Occupancy for more than 90 days is considered to be of a permanent nature and BAQ entitlement does not accrue for any portion of the period of such occupancy. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.
3. BAQ credit continues if the member has additional dependents who are precluded by competent orders from residing with the member.

Table 26-8. Date To Stop BAQ-Other Than Changes In Dependency Status

★MONTHLY RATES OF BAQ EFFECTIVE 1 JAN 1997				
Pay Grade	BAQ-P	BAQ-Diff	BAQ-WO	BAQ-W
O-10	50.70	190.50	824.70	1015.20
O-9	50.70	190.50	824.70	1015.20
O-8	50.70	190.50	824.70	1015.20
O-7	50.70	190.50	824.70	1015.20
O-6	39.60	157.50	756.60	914.10
O-5	33.00	152.40	728.70	881.10
O-4	26.70	101.40	675.30	776.70
O-3	22.20	101.40	541.20	642.60
O-2	17.70	119.40	429.30	548.70
O-1	13.20	129.00	361.50	490.50
O-3E	22.20	106.20	584.40	690.60
O-2E	17.70	126.30	496.80	623.10
O-1E	13.20	148.50	427.20	575.70
W-5	25.20	63.60	686.10	749.70
W-4	25.20	78.00	609.30	687.30
W-3	20.70	117.60	512.10	629.70
W-2	15.90	124.50	454.80	579.30
W-1	13.80	120.30	380.70	501.00
E-9	18.60	159.30	500.40	659.70
E-8	15.30	148.80	459.30	608.10
E-7	12.00	172.20	392.40	564.60
E-6	9.90	166.50	355.20	521.70
E-5	8.70	141.60	327.60	469.20
E-4	8.10	123.00	285.00	408.00
E-3	7.80	100.20	279.60	379.80
E-2	7.20	134.40	277.10	361.50
E-1	6.90	159.00	202.50	361.50

★Table 26-9. Monthly Rates of BAQ Effective 1 Jan 1997



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

AUG 13 1998

DFAS-HQ/FMM

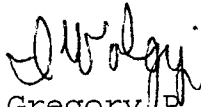
MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Interim Change to the DoDFMR, Volume 7A, Regarding -
the Assignment to Government Quarters When Member is
Required to Pay the Lessor of the Private Quarters
(DFAS Item H-1)

This is Interim Change 30-98 to the DoDFMR, Vol 7A. This
change is effective immediately on the date of this memorandum.

We have evaluated your comments on the draft change to the
DoDFMR, Vol 7A. The attached final version of the change
includes your comments where appropriate. Assignment of an
interim change number is your authority to start a procedural
modification, if necessary, to facilitate this change. For the
Denver Center, use the attached to initiate the formal printed
change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Roger Castillo, may be contacted at
DSN 327-1907 or Commercial (703) 607-1907.


for Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)

DFAS-DE/DG

Service Liaisons

USCG/NOAA/PHS Liaisons

1. Revise paragraph 260302H as follows:

"H. Lease on Private Rental Quarters

When a member is ordered to make a local move from private, leased quarters to Government housing, BAH is not payable for the remainder of the lease on the private quarters even though the member is required to honor the lease.

2. Insert the following to the bibliography between 260302G and 260303A:

260302H DoD/GC Memo Dec 8, 1997



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

NOV 15 1999

DFAS-HQ/FMM

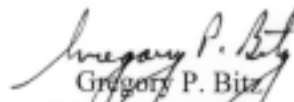
MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7a, Regarding: Basic Allowance for Housing
Type II (BAH-II) Rates Effective January 1, 2000 (DFAS Item #I-75)

Attached is DFAS Interim Change 41-99 to Chapter 26 of the DoDFMR, Volume 7A. This change is a complete replacement to Table 26-12. This change is effective January 1, 2000.

Due to the routine nature and noninterpretive aspect of this change, it was not submitted for preliminary review and comment. Assignment of an interim change number is your authority to start a procedural modification of facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Clyde Saunders, may be contacted at DSN 327-5038 or (703) 607-5038.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

1. Replace Table 26-12 as follows:

Monthly Rates of BAH-II, BAH-DIFF and Partial BAH —Effective January 1, 2000				
Pay Grade	BAH-II (With Dependent)	BAH-II (Without Dependent)	BAH-Diff	Partial BAH
O-10	\$1,113.60	\$904.80	\$208.80	\$50.70
O-9	\$1,113.60	\$904.80	\$208.80	\$50.70
O-8	\$1,113.60	\$904.80	\$208.80	\$50.70
O-7	\$1,113.60	\$904.80	\$208.80	\$50.70
O-6	\$1,002.60	\$830.10	\$172.50	\$39.60
O-5	\$966.60	\$799.50	\$167.10	\$33.00
O-4	\$852.00	\$740.70	\$111.30	\$26.70
O-3	\$704.70	\$594.00	\$110.70	\$22.20
O-2	\$601.80	\$471.00	\$130.80	\$17.70
O-1	\$538.20	\$396.90	\$141.30	\$13.20
O-3E	\$757.50	\$641.10	\$116.40	\$22.20
O-2E	\$683.40	\$544.80	\$138.60	\$17.70
O-1E	\$631.50	\$468.90	\$162.60	\$13.20
W-5	\$822.30	\$752.70	\$69.60	\$25.20
W-4	\$753.90	\$668.40	\$85.50	\$25.20
W-3	\$690.90	\$561.90	\$129.00	\$20.70
W-2	\$635.40	\$498.60	\$136.80	\$15.90
W-1	\$549.60	\$417.90	\$131.70	\$13.80
E-9	\$723.60	\$549.00	\$174.60	\$18.60
E-8	\$667.20	\$504.00	\$163.20	\$15.30
E-7	\$619.50	\$430.50	\$189.00	\$12.00
E-6	\$572.40	\$389.70	\$182.70	\$9.90
E-5	\$514.80	\$359.40	\$155.40	\$8.70
E-4	\$447.30	\$312.60	\$134.70	\$8.10
E-3	\$416.40	\$306.60	\$109.80	\$7.80
E-2	\$396.90	\$249.00	\$147.90	\$7.20
E-1	\$396.90	\$222.30	\$174.60	\$6.90

Table 26-12. Monthly Rates of BAH-II, BAH-DIFF and Partial BAH —Effective January 1, 2000



DEFENSE FINANCE AND ACCOUNTING SERVICE
1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON VA 22240-5291

DFAS-HQ/FMM

To: DFAS-CL, (Edwina Goudlock)
DFAS-DE (Carl Stanger)
DFAS-IN (Peter Picchi)
DFAS-KC (Connie Hamilton)
DFAS-DE/DG (Linda Etter/Mike Baskin)
DFAS-CL-AC/RC Merge (Sylvia Hanneken)
DFAS-DE-Systems Manager (COL Patsy Hughes)

To: DASD (MPP) (LtCol Brown) brownj@pr.osd.mil
U.S. Air Force FM Liaison (LtCol Watson) watsonr@af.pentagon.mil
U.S. Army FM Liaison (Marlin Erickson) marlin.erickson@hqda.army.mil
U.S. Marine Corps FM Liaison (Herman Leeman) leemanhe@hqmc.usmc.mil
U.S. Navy FM Liaison (Ramona Jones) jones.ramona@fmo.navy.mil
DGC(F) (Don Musselman) musselmd@osdgc.osd.mil
U.S. Coast Guard (CWO4 John Smith)
NOAA (LT Karl Mangels) karl.mangels@noaa.gov
PHS (Capt Bob Carolan) 4carolan@psc.gov

Subject: DFAS Item/Interim Change 14-99 to the DoDFMR, VOL 7A

Attached is forwarded.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

MAY 3 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

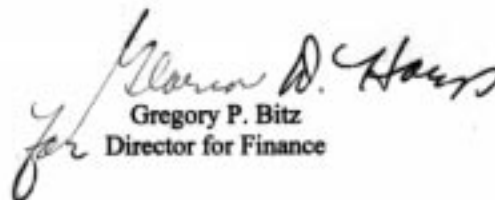
SUBJECT: Change to the DoDFMR, Volume 7A, Regarding - Basic Allowance for Housing
(DFAS Item G-76)

Attached is a reissuance of DFAS Interim Change 14-99 to the DoDFMR, Volume 7A. The initial issuance did not identify changes that were effective April 20, 1999. This item is effective January 1, 1998, unless otherwise specified. Also attached is a brief synopsis of major changes in this chapter that are effective April 20, 1999.

This change is a complete rewrite of chapter 26 of the DoDFMR, Volume 7A and implements the new basic allowance for housing which replaced basic allowance for quarters and variable housing allowance. All interim changes affecting chapter 26 in the DFAS web site are hereby cancelled.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Mr. Clyde Saunders may be contacted at DSN 327-1907 or (703) 607-1907.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

Changes to Chapter 26
Effective April 20, 1999

1. **Advance of Housing Allowances.** Revises paragraph 260109 to require the member to request the advance of BAH payment within 30 days after incurring the expense.
2. **Partial BAH.** Clarifies paragraph 260205 when a member exceeds the minimum standards for single-type quarters.
3. **Members with Dependents.** Amends paragraphs 260301.C and 260301.D to reflect the new requirements for geographical bachelors that occupy government quarters that exceed the minimum single standards for the member's grade without dependents.
4. **Certification of Dependents.** Paragraphs 260304.D and 260304.E clarifies certification requirements for members on active duty and Reserve members.
5. **Member Married to Member.** Amends paragraph 260402.B.2 to reflect when one of two members married to each other is receiving BAH at the with dependent rate, the class of dependents includes the parents of either member and only one BAH is payable.
6. **Member Married to Member.** Amends paragraph 260402.B.3 to require each member to have physical custody of the child(ren) in order to be paid BAH at the with dependents rate.
7. **Support of Dependent.** Revises paragraph 260406.F clarifies proof of support and restricts payments of BAH when nonsupport is known. In addition, whenever there is an increase in BAH-II rates the member must increase support within 60 days.
8. **Factors Used in Dependency Determinations for Parents.** Paragraph 260418 establishes that all compensation received by the Parent will be considered as income.

CHAPTER 26 BASIC ALLOWANCE FOR HOUSING (BAH)

2601 GENERAL PROVISIONS

260101. BAH Entitlements. Effective 1 January 1998, in general, BAH provides to members a monthly allowance for housing. This allowance is authorized for members with and without dependents. BAH is intended to pay only a portion of housing costs. BAH will consist of BAH-I, BAH-II, BAH Difference (BAH-DIFF), Partial BAH, Overseas Housing Allowance (OHA), and Family Separation Housing (FSH). BAH-I consists of the former allowances known as basic allowance for quarters (BAQ) and variable housing allowance (VHA). BAH-II replaced BAQ, and BAH Difference is the difference between the with and without dependents rates of BAH-II. FSH is the former allowance known as family separation allowance (FSA) Type I. See Web site for housing rates (www.dtic.mil/perdiem).

A. BAH is payable to members on active duty and will vary according to the grade in which serving or appointed for basic pay purposes, dependency status, and the permanent duty station (PDS) assigned (except as otherwise provided in section 2605).

B. A member's old PDS is the PDS for BAH purposes from the day the member departs the old PDS through the day before the member reports to the new PDS in compliance with permanent change of station (PCS) orders (if the member had been residing in government quarters at the old PDS, the member is entitled to BAH the date of termination of government quarters). See Tables 26-9 and 26-11 for further guidance.

C. BAH is not payable to members who are assigned to quarters of the United States appropriate to the grade, rank, or rating of the member and adequate for the member and dependents, if with dependents. A member is not entitled to a basic allowance for housing except as provided in paragraphs 260106, 260201, 260202, 260301, 260302, or 260303.

D. All determinations of dependency and relationships are made by the Defense Finance and Accounting Service (DFAS) (secondary dependents and doubtful primary dependents), Secretary of the department concerned (primary dependents) or by persons designated by the Secretary. The designee may redelegate this authority.

E. BAH rates are determined as set forth in paragraph 260107. BAH-II rates are established by the Secretary of Defense. BAH-II is the housing allowance entitlement for members not specifically entitled to BAH-I in some cases.

F. OHA rates are determined by the Per Diem Travel and Transportation Allowance Committee. See WEB site for published OHA rates (www.dtic.mil/perdiem).

260102. Determining Dependency or Relationship for BAH Entitlements—Army and Air Force Personnel. Determinations are made by offices shown in Table 26-1.

260103. Determining Dependency or Relationship for BAH Entitlements—Navy and Marine Corps Personnel. Determinations are made by offices shown in Table 26-2.

260104. Fraudulent Claims. Any member who submits a claim for BAH which contains false statements is subject to court-martial or criminal prosecution. In addition, fraudulent acceptance of benefits may cause a civilian recipient to be subject to criminal prosecution. The law provides for severe penalties of imprisonment and a fine. For military personnel, it can include dishonorable separation, total forfeitures, and confinement.

260105. Government Quarters - Responsibility for Assignment or Termination of Assignment.

A. Assignment of Government Quarters. The base or installation commander assigns and terminates quarters. The commander also determines when quarters are “adequate” and “suitable” for assignment. Government quarters or housing facilities under control of the Uniformed Services are considered assigned, suitable, and adequate whenever occupied by a member at the permanent station without payment of rental charges. This includes quarters furnished a member without charge:

1. By an organization or institution on behalf of the United States.
2. By a foreign government for the member’s official use.
3. When jointly assigned to one or more members without dependents.

Note: A member is still considered assigned to government quarters when the member voluntarily vacates assigned quarters without approval of the installation commander. (Grade E-7 and above, without dependents, may elect not to occupy assigned quarters unless denied permission by the Secretary concerned; see paragraph 260201.)

B. BAH for Date of Assignment of Quarters. Except when a member is entitled to BAH in accordance with Tables 26-3, 26-4, and 26-5, BAH continues to accrue through the day before the date a member is assigned government quarters or begins to occupy government quarters at the permanent station.

C. BAH for Date of Termination of Quarters. BAH accrues from the date the assignment to government quarters is terminated or the date that quarters are vacated as indicated in Tables 26-3 through 26-6.

260106. Occupancy of Rental Quarters at a Service Academy. A member is entitled to BAH while renting quarters in a hotel on the grounds of a Service Academy.

260107. Establishment of BAH-I Rates

A. BAH-I Rates.

1. The Secretary of Defense determines the costs of adequate housing in a Military Housing Area (MHA) for all members of the uniformed services entitled to BAH-I by location. The determination for housing allowances is based upon the costs of adequate housing for civilians with comparable income levels in the same area.

2. An adjustment in the rates of BAH-I as a result of the Secretary's redetermination of housing costs in a MHA takes effect on 1 January of every year.

3. The amount paid for BAH-I the preceding year is adjusted to reflect changes during the year. This process accounts for the number of members, grade distribution, geographic distribution, base closures, Unit/Command movements and dependency status of members of the uniformed services entitled to the allowance from the number of such members during the preceding year.

B. BAH-I Rate Protection. The monthly BAH-I amount actually paid a member (i.e., BAH-I Rate Protection) shall not be reduced as a result of changes in housing costs in the MHA, changes in the national monthly cost of housing, or promotion of the member. A member's BAH-I rate protection at the current amount will cease on the date the member's eligibility to BAH-I for a given MHA terminates, if the member is demoted, or loses entitlement to BAH-I at the with dependents rate. The current BAH-I rate at the current duty location becomes the member's new protected BAH-I rate.

260108. Allowance for Quarters to Surviving Dependents. For payment of basic allowance for housing to surviving dependents of members who die while on active duty, see section 3603 of this regulation.

260109. Advance of Housing Allowances.

★A. Entitlement. Effective 20 April 1999, when allowed by Service regulations, a member's commanding officer, the commanding officer's designated representative, or another designated official may authorize an advance payment of BAH to pay advance rent, security deposits, and/or initial expenses incident to occupying other than government housing. The advance may be made at any time during a member's tour at the station concerned. It also may be authorized when a member has located housing incident to PCS orders. Normally, the advance shall not be disbursed more than 3 working days before the date payment under the lease or rental agreement must be made. Officers listed herein may authorize disbursement, in extenuating circumstances, more than 3 working days before the date

payment must be made. The member must request the advance payment within 30 days after incurring the expense(s). Housing expenses will be documented to include copies of the lease, utility company statement and any other pertinent documentation available. Expenses identified by a member that will be used in the purchase of any real estate or living accommodations shall not be considered as a basis for authorizing or determining the amount of the advance.

B. Amount. The amount to be advanced will be determined based on the member's current prescribed BAH rate. The member's ability to repay the advance, considering other advances of pay which may have been made and any recurring pay deductions, will be considered in determining the amount of the advance. In no case shall the advance payment of BAH exceed a total of 3 months BAH expected to be accrued by the member.

C. Liquidation. Liquidation of the advance should be at a rate of not less than equal monthly installments of one-twelfth of the amount advanced, per month for the next 12 months. Collection action should begin on the first day of the month after payment of the advance has been made. When justified by the member and authorized by the member's commanding officer, the commanding officer's designated representative, or another service-designated official, the beginning of collection action may be postponed for up to 3 months after the advance is made. Repayment may be spread over a period of more than 1 year, but not to exceed 24 months or the member's tour at the station concerned. Action to recoup in a lump sum any advance made under this paragraph that has been returned to the member by the landlord must be taken immediately upon receipt of information that the member has vacated the housing for which the advance was made. Any balance of an advance not returned by the landlord may be liquidated in monthly installments, if desired by the member, for a period over the balance of the months remaining on the existing loan repayment schedule.

D. Administrative Instructions. Each Service concerned shall prepare regulations for the administration of the payment of an advance BAH to include the preparation and disposition of vouchers and supporting papers.

E. Special Circumstances. An advance payment of BAH is authorized in circumstances and conditions other than those under subparagraph A, when authorized by the Secretary concerned or designee. Liquidation procedures for advances under this subparagraph shall be prescribed by Service regulations.

F. Advances of Overseas Housing Allowance (OHA). Advances of OHA may be authorized under the terms and conditions in the JFTR, Chapter 9 (reference (d)).

2602 MEMBERS WITHOUT DEPENDENTS

260201. Entitlements

A. General. Members without dependents who are entitled to basic pay are entitled to BAH-I as set forth in Table 26-3. Members without dependents in pay grades E-7 and above may elect at any time not to occupy government quarters at the permanent station and

become entitled to BAH-I unless the Secretary concerned or designee has determined that the member's exercise of this option would adversely affect a training mission, military discipline, or readiness. See Table 26-3, rules 6 through 8, for BAH-I entitlements while on field or sea duty.

B. Members in Pay Grade E-6 not on Sea Duty. Effective on or after 1 July 1996, a member without dependents who is in pay grade E-6 and who is assigned to quarters of the United States that do not meet the minimum adequacy standards established by the Department of Defense for members in such pay grade, or to a housing facility under the jurisdiction of a Uniformed Service that does not meet such standards, may elect not to occupy such quarters or facility and instead to receive the BAH-I prescribed for the member's pay grade. The Secretary concerned, or the designee, may deny BAH-I on determining that the member's exercise of this option would adversely affect a training mission, military discipline, or readiness.

C. Members on Sea Duty. See Table 26-3, rule 8, for BAH-I entitlements while on sea duty.

1. Members without dependents in grade E-5 assigned to sea duty. On or after 1 July 1997, under Service regulations, the Secretary concerned may authorize the payment of BAH-I to a member without dependents who is serving in pay grade E-5 and is assigned to sea duty. In prescribing regulations under this subparagraph, the Secretary concerned shall consider the availability of quarters for members serving in pay grade E-5.

2. Member married to member in grades below E-6 and both are assigned to sea duty. On or after 1 July 1997, two members of the Uniformed Services in a pay grade below E-6 who are married to each other, have no other dependents, and are simultaneously assigned to sea duty are jointly entitled to one BAH-I allowance during the period of such simultaneous sea duty. The amount of the allowance shall be based on the without dependents rate for pay grade of the senior member of the couple. However, this subparagraph shall not apply to a couple if one or both of the members are authorized BAH-I identified in subparagraph 260201.C.1 above.

260202. Uninhabitable Quarters Aboard Ship.

A. A Navy officer may be reimbursed for expenses (not to exceed the total of the BAH-II of a member of the same grade without dependents) incurred in obtaining quarters when the Secretary of the Navy or designee certifies that:

1. Such an officer is prevented from occupying quarters assigned aboard a ship on which the officer is serving on sea duty because such quarters are uninhabitable due to repairs, overhaul, conversion, or other conditions;

2. Government quarters are not available; and

3. The hire of quarters is not practicable. An officer may not be reimbursed for expenses under the conditions of this paragraph when such officer is entitled to

BAH or when the officer can reside with dependents who are living in the area of the ship's location. An officer's dependents are living in the area of the ship's location when the residence is within a distance of 50 miles (or 1-1/2 hours travel time), one-way, of such location or the officer actually commutes daily, regardless of distance. The term "commutes daily" excludes duty periods when the officer is required to remain aboard or within close proximity to the ship. See paragraph 270203 for application of the distance and travel time restriction.

B. Request for reimbursement for expenses in place of quarters must be approved by OPNAV (N130).

C. The certification may be signed by the supervisor of shipbuilding of any shipyard or drydock where United States naval ships are undergoing repair or conversion.

260203. Reserve Component Members.

A. Duration of Orders. Reserve Component members called or ordered to active duty for 139 days or less are entitled to BAH-II, except as provided in subparagraph B below. However, if the member receives an order modification or extension of assignment, the prospective period of active duty must be 140 days or more and BAH-I would start on the date of modification. Members called or ordered to active duty for 140 days or more are entitled to BAH-I.

B. Contingency Operations. A reserve component member called or ordered to active duty in support of a contingency operation (other than a member who is authorized transportation of household goods as a part of the call or order) is entitled to BAH-I, if the member is unable to continue to occupy the primary residence because of the call or order to active duty. This applies when the residence is maintained as the primary residence of the member when called or ordered to active duty and is owned by the member or for which the member is responsible for rental payments.

C. Member Married to Member. Unless subparagraph B above applies, a reserve member married to another reserve member on active duty, without dependents, not assigned to government quarters, is entitled to single rate BAH-II, when called to active duty for 139 days or less. For such a reserve member on active duty for 140 days or more, each member is entitled to single rate BAH-I. If such members have dependents, see section 2603 for entitlement to BAH.

D. See Table 26-11 for the location rate of BAH payable for reserve members entitled to BAH. In addition, see paragraph 570502 for Reserve members.

260204. Missing Status. Members without dependents carried in a missing status are entitled to BAH-I at the without dependent rate. (See paragraph 340302.)

260205. Partial BAH Entitlement

A. Partial Rates. A member without dependents who is assigned to single-type quarters or is on field or sea duty, and is not entitled to receive a BAH, is entitled to partial BAH at the rates provided in table 26-12.

B. Conditions

1. A member without dependents assigned to single-type adequate government quarters at the permanent station and entitled to partial BAH who is subsequently sick in a hospital (no PCS involved), continues to be entitled to partial BAH while hospitalized.

2. Except as provided in subparagraphs 260201.B and C, a member without dependents in grade E-6 or below who is offered an assignment of adequate government quarters, or is assigned government quarters but elects not to occupy such quarters and resides in private quarters at own expense, is assigned to government quarters and not entitled to BAH. Therefore, such member is entitled to partial BAH.

3. Partial BAH is not authorized during proceed time, leave en route, or travel time on PCS unless member is assigned to single-type government quarters and not entitled to BAH.

4. Member married to another member who has no dependents other than the spouse is entitled to partial BAH when assigned to single-type government quarters and is not entitled to BAH. However, such members assigned to family-type government quarters are not entitled to partial BAH.

5. A member occupying single-type government quarters whose dependents reside in family-type government quarters, is not entitled to BAH and therefore, is entitled to partial BAH, provided the family quarters are not assigned under the member's eligibility.

6. A single member without dependents is not entitled to partial BAH when assigned to family-type government quarters.

7. A Navy officer without dependents on sea duty, being reimbursed under paragraph 260202 for the expense incurred for quarters, when the quarters aboard ship are uninhabitable, is entitled to partial BAH.

8. Member without dependents confined in a guardhouse, brig, or correctional barracks who was assigned to single-type, government quarters before confinement and remains assigned to such quarters during confinement is entitled to partial BAH unless forfeiture of allowances was directed.

9. Member without dependents who is restrained in a status of arrest in assigned single-type government quarters, and therefore not entitled to BAH, is entitled to partial BAH unless forfeiture of allowances was directed.

10. Member without dependents permanently assigned to a hospital for treatment and assigned quarters in the hospital is entitled to partial BAH.

11. Member married to another member, neither having other dependents, who is assigned to sea duty and occupies government family quarters assigned to the spouse when vessel is in port, is a member without dependents assigned to quarters on the vessel and is not entitled to BAH but is entitled to partial BAH.

12. Member without dependents who is ordered PCS to confinement in a guard-house, brig, correctional barracks, or to additional training in a retraining or rehabilitation facility, is assigned to certain quarters therein and not entitled to BAH. Such member is entitled to partial BAH unless forfeiture of allowances was directed.

13. Member without dependents assigned to single-type government quarters between permanent duty stations and not entitled to BAH is entitled to partial BAH. This includes periods of temporary occupancy of government quarters in excess of 30 days without entitlement to BAH.

★14. Effective 20 April 1999, a member without dependents is not entitled to partial BAH when assigned to government single-type quarters (including government-leased quarters) that exceed the minimum standards of single quarters for the member's grade.

2603 MEMBERS WITH DEPENDENTS

260301. Entitlements

. A. When Entitled To BAH. A member with dependents who is entitled to basic pay is entitled to BAH at the rates prescribed for members with dependents when:

1. Adequate government quarters are not furnished for the member and dependents without payment of rental charge.

2. Adequate government quarters are not furnished for the member's dependents, or all of the member's dependents are prevented by competent authority from occupying such quarters, even though quarters are assigned for the member's occupancy. Does not apply to the provisions of paragraph 260409.

3. Dependents are not en route or do not accompany the member to the permanent duty station, or the vicinity thereof, so as to preclude assignment of family quarters. Under such circumstances, the mere availability of quarters which could have been assigned does not defeat the right of a member to the BAH for dependents. See Table 26-9 for the location to be used in determining the member's BAH entitlement.

B. Naval Aviation Cadets. A naval aviation cadet with dependents is entitled to BAH under the conditions and at the rates prescribed for an enlisted member in grade E-4 (over 4 years' service) with dependents.

★C. Limitation on Quarters Occupied by Member. Effective 20 April 1999, when adequate quarters are not furnished for a member's dependents, the member may not occupy, either at the permanent or TDY station, government quarters which exceed the minimum standards for the member's grade without dependents without affecting the right to BAH unless:

- (1) These quarters are the only quarters available, and
- (2) The quarters are not suitable for joint occupancy; or

(3) If suitable for joint occupancy, the quarters are jointly occupied with other members permanently assigned to the PDS.

★D. Quarters Occupied During Special Duty Assignment. Effective 20 April 1999, a member, not accompanied by dependents, serving outside the United States, its territories, or possessions, in a duty assignment having official or diplomatic responsibilities involving officials of foreign governments, may be assigned to quarters that exceed the minimum standards for the member's grade without dependents, without affecting the member's right to BAH. The local CINC or major unit Commander is the appropriate authority to decide whether an assignment entails "official or diplomatic" responsibilities involving officials of foreign governments. However, such quarters shall not be available on a continuing basis for single occupancy, if they are adequate for assignment as family housing to members of similar grade.

E. Additional Room Assigned to Chaplain. Assignment of an additional room to a chaplain for spiritual purposes does not affect the member's right to BAH. The room must be used for official duties and not as living quarters.

260302. Government Quarters Assigned or Occupied.

A. Adequacy of Government Quarters. The term "government quarters or housing facilities" is in the Definitions. The base, post, or installation commander determines when government quarters are adequate and appropriate for assignment.

B. Quarters Not Designated as Family-Type Quarters. A member who is neither assigned to nor occupies government quarters is entitled to BAH or BAH-DIFF for dependents even though the dependents occupy government quarters not designated as family-type quarters. Examples of such quarters are:

1. One room occupied by a member's spouse incident to employment as a domestic servant in quarters of a commissioned officer.

2. Dormitory quarters occupied by a member's child at a school for dependents of military personnel.

3. A hospital room occupied by a dependent under the Dependents' Medical Care Act (reference (aq)). However, a member is not entitled to BAH or BAH-DIFF when a sole dependent is hospitalized in a government or civilian hospital under the Dependents' Medical Care Act (reference (aq)) and the member is assigned to and occupies government quarters (even though private quarters are maintained and occasionally occupied).

4. Off base housing, non-government quarters, occupied by member's civilian spouse incident to employment overseas with Department of Defense Dependent Schools as a schoolteacher. NOTE: Member is separated from spouse by competent orders.

C. Quarters Furnished on Behalf of the United States. A member is not entitled to BAH or BAH-DIFF for dependents if the member and dependents are furnished adequate family quarters on behalf of the United States without rental charge. Examples of such quarters are:

1. Family quarters furnished a member in an official capacity by a foreign government.

2. Family-type quarters furnished by a state, county, municipal, or privately owned hospital to an officer serving on active duty as an intern or resident physician.

3. Family-type quarters furnished by a college, university, or research facility as part of a fellowship, scholarship or grant.

D. Quarters Occupied by Dependents. A member furnished single-type quarters is not entitled to BAH on behalf of:

1. A spouse who is a sole dependent and who is furnished quarters in kind as a civilian employee at a government hospital.

2. A spouse who is a sole dependent and who is furnished government quarters while serving with the American Red Cross overseas.

3. A sole dependent who is a student nurse in training at a government hospital. However, BAH is payable on behalf of a dependent who is a student nurse in training at a civilian hospital.

4. A civilian spouse who is a sole dependent and who is furnished government quarters while assigned overseas with Department of Defense Dependent Schools as a schoolteacher.

5. Dependents evacuated from a danger area, who occupy government housing facilities at a safehaven. (See subparagraph 260302.G for exception when member must continue to pay for private housing).

6. Dependents alone or when accompanied by the member, who occupy government quarters assigned to another member for more than 90 days at any one duty station. Occupancy for more than 90 days is of a permanent nature and BAH entitlement does not accrue for any portion of the period of such occupancy. Visits of 90 or less days are social visits and do not cause loss of BAH. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.

7. Any dependent(s), if one or more of the member's dependents occupy the quarters with the member on a permanent basis or on a social visit in excess of 90 consecutive days, unless other dependents are precluded by competent orders from residing with the member.

E. Quarters Occupied by Dependents During Member's Sea Duty or Field Duty. A member whose dependents temporarily occupy government quarters while the member is on sea duty or field duty is entitled to BAH for a period not to exceed 90 days. (See Table 26-5, rule 2.)

F. Rental Quarters (Other Than Inadequate Quarters). A member and dependents who occupy the following facilities on a rental basis are entitled to BAH. (See Definitions for "rental charge.")

1. Any housing facilities, including trailers, under the jurisdiction of the government other than government quarters constructed or designated for occupancy without charge. The member may sublease such quarters to a temporary sublessee with or without charge and neither the sublessor nor sublessee will lose their right to BAH.

2. A hotel on the grounds of a Service Academy.

3. Quarters furnished a member in connection with service in a capacity other than that of a member.

G. Quarters at Safehaven Temporarily Occupied by Dependents. A member is entitled to BAH for dependents when:

1. The member's dependents occupy government-provided housing at a safehaven area after emergency evacuation from private housing at the permanent station; and

2. Due to conditions beyond the member's control, member is required to continue payment of rental for the private housing in order to house furnishings and belongings and to have quarters available upon return of the dependents.

3. This entitlement will continue until such time as dependents are authorized to return to member's permanent duty station or arrive at a designated place as contemplated by JFTR, paragraph U5240-A (reference (d)).

H. Lease on Private Rental Quarters. Effective 8 December 1997, when a member makes a local move from private, leased quarters to government housing, BAH is not payable for the remainder of the lease on the private quarters even though the member is required to honor the lease.

260303. Quarters Designated as Inadequate.

A. Entitlement to BAH-II. A member with dependents may be assigned designated inadequate quarters on a rental basis without loss of BAH-II. This does not apply to bachelor officer quarters, visiting officer quarters, guest houses, and similar type facilities, or to assigned quarters undergoing ordinary repairs. Orders stating that quarters were inadequate while repairs were being made do not operate to authorize BAH-II during the period involved.

B. Effect of Subleasing Inadequate Quarters. The member may share the quarters with others or permit occupancy by others while on leave. The member also may sublet the quarters on a rental basis without loss of BAH-II, the amount of rent being immaterial.

C. Rental Charge for Inadequate (Sub-standard) Quarters. Collect rent from the member at the fair rental value of the quarters, as established by base housing personnel. The rental charge for the quarters shall be the fair rental value of such quarters, not to exceed 75 percent of the member's with dependent BAH-II rate. Rental charge is independent of the amount and type of BAH-II being paid to the member. See also subparagraph 260303.G for assignment of inadequate quarters to members married to one another. A member's receipt of BAH-DIFF does not affect the rental charge.

D. Effective Date of BAH-II and Rental Charge. BAH-II and rental charge begin on the date of the member's assignment to such quarters or on the date the determination of inadequacy is effective, whichever is later.

E. Computation of BAH-II and Rental Charge. Compute BAH-II and rental charge on a 30-day month basis and prorate at one thirtieth of the monthly rate for each day inadequate quarters are assigned. Do not pay BAH-II or charge rent for the 31st day of a month. Pay 3 days' BAH-II and charge 3 days' rent when inadequate quarters are assigned on the 28th of February. Do not charge rent for the day the assignment is terminated; however, BAH-II accrues for the day of termination.

F. Inadequate Quarters Redesignated Adequate. Rental charges and BAH-II cease on the date rehabilitated inadequate quarters are redesignated as adequate government quarters. If a member's assignment was continued during the period of rehabilitation, the redesignation of adequacy is effective as of the first day of the month following the month in which the rehabilitation was completed.

G. Husband and Wife Entitled To BAH-II. When a husband and wife are both members who jointly occupy inadequate family quarters on a rental basis, use Table 26-4 to determine their respective BAH-II entitlements. The rental charge for the quarters shall be the fair rental value of the assigned inadequate family-type quarters, but may never exceed 75

percent of the with dependent BAH-II rate which would be payable to a member of the same grade and rank as the member under whose eligibility the quarters are assigned. The BAH-II paid to the respective members does not affect the amount of rent charged, even where a member is receiving BAH-II at the with dependent rate. Collect in accordance with Service regulations. For inter-Service marriages, the rental charge will be collected in accordance with the regulations of the Service furnishing the quarters.

260304. Dependent. The term “dependent” for BAH purposes is the same as defined in the Definitions.

A. Member with Dependents. A member is not entitled to BAH on behalf of:

1. A minor child who is entitled to basic pay as a member on active duty in a Uniformed Service. This includes a minor child attending one of the Military Service academies where quarters are furnished by the United States.

2. A spouse who is on active duty in a Uniformed Service of the United States and entitled to basic pay and allowances. See Table 26-4 for guide to BAH entitlement when both spouses are in the Military Service and entitled to basic pay and allowances.

3. A dependent for whom the member has been absolved of the requirement to provide support; for example, desertion without cause, marital infidelity.

4. A dependent whose whereabouts is unknown and whose absence or whereabouts remains unexplained.

5. A former spouse to whom the member is paying alimony.

6. A dependent who occupies government quarters as a permanent residence without payment of a rental charge. (See paragraph 260411 for exception.)

B. Dependent Spouse in Foreign Service. A member is entitled to BAH on behalf of a spouse in military service of a government other than the United States. This applies even though furnished quarters or paid a monetary allowance in lieu of quarters by that government.

C. Dependency Approval. Dependency must be approved before entitlement to BAH is authorized. After initial approval, the Services must maintain adequate levels of internal audit to assure the legality, propriety, and correctness of all disbursements for BAH. See individual Service regulations for procedures.

★D. Certification of Dependents Status. Effective 20 April 1999, each member who is entitled to BAH on behalf of dependents must provide recertification to the Secretary concerned indicating the status of each dependent of the member to support entitlement to BAH on behalf of dependents upon arrival at a new PDS. If a member fails to provide the certification

in a timely manner, stop BAH on behalf of dependents at the end of the month in which the certification is due, but continue to pay BAH at the appropriate partial or without-dependent rate unless the member is not entitled to that allowance for some other reason. Resume paying BAH at the with-dependent rate effective the date the member provides proper certification. Do not pay the higher rate retroactively in the absence of certification from the member's commander that the failure to recertify timely was for reasons beyond control of the member.

★E. Reserve Component Members. Effective 20 April 1999, after initial certification, Reserve component members must recertify dependency status at least every third year from the previous certification or upon change in dependency status.

F. Dependency Re-Determinations. Annual redetermination of dependency is required for members who claim BAH on behalf of :

1. Parents, parents-in-law, stepparents, parents-by-adoption, in-loco-parentis.
2. Students 21 and 22 years of age.
3. Incapacitated children over 21 years of age.
4. Ward of a court.

260305. Entitlement During Leave, Travel Status, Separation, and Other Situations.
See Table 26-5.

260306. Dates to Start and Stop BAH. See Tables 26-6, 26-7, and 26-8.

2604 RULES FOR DETERMINING RELATIONSHIP AND DEPENDENCY

260401. Application of Rules. In determining relationship or dependency for BAH entitlement, the appropriate officials must apply the rules in Table 26-1 or 26-2.

260402. Lawful Spouse and Legitimate, Unmarried, Minor Children. A member's lawful spouse and legitimate, unmarried, minor children are at all times considered dependents for BAH purposes, except under the situations shown below and in subparagraphs 260304.A or 260406. When both members are entitled to BAH or BAH-DIFF on behalf of a child(ren) from a previous relationship, when they marry and are stationed in the same area, all of the children are considered as one class of dependents. Therefore, only one BAH with Dependent rate (including BAH-DIFF) is payable. A determination of relationship is required, but usually a determination of dependency is not. In all instances of a member having a spouse on active duty, full details must be given showing full name, social security number, duty station, and branch of Service of that spouse.

A. When two members, with no other dependents, are married to each other, they may elect which member will receive BAH on behalf of their adopted children or children

born of their marriage. Both members must agree to the election. If the members cannot agree, the senior member is entitled to BAH for their children. The members may subsequently elect to transfer BAH entitlement on behalf of adopted children and children born of the marriage from one member to the other. Such elections may not be applied retroactively.

B. When one of two members married to each other is already receiving BAH at the with-dependent rate on behalf of an adopted child(ren), child(ren) from a previous marriage, or an illegitimate child(ren)), then any child(ren) born of their marriage, or adopted by them, is within the same class of dependents for which the member is receiving BAH and the other member may not claim the children for BAH purposes. However, if the member elects to stop receiving BAH at the with-dependent rate, then the other member may claim the child(ren) for BAH purposes.

1. When both members are entitled to BAH-I, BAH-II or BAH-DIFF on behalf of child(ren) from prior relationships, and marry, are assigned to the same or adjacent bases, and are not assigned government quarters, only one member may receive BAH at the with dependent rate on behalf of the common class of dependents.

★2. Effective 20 April 1999, when one of two members married to each other is receiving BAH at the with-dependent rate, the class of dependents includes the parents of either member and only one BAH at the with-dependent rate is payable.

★3. Effective 20 April 1999, when married members are assigned to different locations, pursuant to competent military orders, their entitlement to increased allowances or to government-furnished quarters should be determined separately, without regard to the general rule that all children and parents of the members are dependents of the same class for the purpose of determining BAH entitlements. However, each member is required to have physical custody of the child(ren) in order to be paid BAH at the with dependents rate. If the child(ren) is with a third party, only BAH-Diff can be paid. (See Table 26-4.)

260403. Validity of Member's Marriage. Any case where the validity of a member's marriage is questioned is considered a case of doubtful relationship.

A. Remarriage Within Prohibited Period Following Divorce. Under the laws of some states, a marriage is not dissolved until a specified period has elapsed after granting of a divorce decree. Remarriage is prohibited within the specified period. Moreover, in all states that grant an interlocutory decree before they grant a final divorce decree, remarriage may not be contracted before the final decree is granted.

B. Marriage by Proxy. Proxy marriages are considered valid if performed in a jurisdiction which recognizes common-law marriages and has no statute or judicial determination prohibiting proxy marriages.

C. Marriage by Telephone. A marriage by telephone will be recognized as entitling a member to BAH on behalf of a "lawful spouse" only if a statute or court decision

authorizes or recognizes telephone marriages in the jurisdiction where the marriage was performed.

D. Common-Law Marriages. Under laws of certain states, a common-law marriage may be entered into by persons who do not obtain a license to marry or go through certain other formalities. Common-law marriages entered into in those states are considered valid if they are contracted in accordance with state law.

E. Foreign Nation Divorce. A foreign nation divorce may or may not be recognized as valid in the United States depending on several factors. These factors include place of residence of the parties involved, whether they appeared in person to obtain the divorce, and applicable state laws. Any claim involving remarriage of a member following a foreign nation divorce and any claim by or on behalf of the spouse from whom the member has obtained a foreign nation divorce are cases of doubtful relationship. A claim based on a member's marriage to a person who has obtained a foreign nation divorce is also a doubtful case.

F Purported Marriage.

1. Void Marriage. If a member's marriage is void (because of a pre-existing marriage of the spouse, for example) the member has no lawful spouse and is not entitled to BAH as a result of the purported marriage. When invalidity of the marriage is discovered, no further BAH payments may be made for any period (see Table 26-7, rule 4). The member may retain payments already received if they are validated under section 5005. When validity of a marriage is questionable, submit the case to the office shown in subparagraph 3 for a determination on validity of the marriage and, if necessary, validation of payments already made.

2. Annulled Marriage. If a member's marriage is annulled by court decree, no further BAH payments may be made for any period (see Table 26-7, rule 3). The member may retain payments received before the effective date of the decree. Since validation under section 5005 is required for retention of such payments in some annulment cases (based on legal factors), submit all annulment cases to the office shown in subparagraph 3 for review and, if necessary, validation of payments made.

3. Determination and Validations. Submit requests for determination on validity of a marriage (doubtful cases) or for validation of payments to the appropriate address shown below:

- a. Army
DFAS-IN/FJECG
8899 East 56th Street
Indianapolis IN 46249-0855
- b. Navy:
DFAS-CL/FMA
1240 East 9th Street
Cleveland OH 44199-2055

- c. Air Force:
DFAS-DE/FJPD
6760 E. Irvington Place
Denver CO 80279-3000
- d. Marine Corps:
Commandant of the Marine Corps
(Code MHP-20)
Washington, DC 20380

260404. Child of Legally Invalid Marriage. An unmarried minor child of an invalid marriage or a marriage annulled as void or voidable is considered a dependent for BAH purposes.

260405. Reserved.

260406. Support of Dependent-General.

A. Proof of Support. The statutory purpose of BAH on behalf of a dependent is to at least partially reimburse members for the expense of providing private quarters for their dependents when government quarters are not furnished, and not to pay BAH on behalf of a dependent as a bonus merely for the technical status of being married or a parent. Proof of support of a lawful spouse or unmarried, minor, legitimate child of a member is generally not required. However, when evidence (e.g., special investigation reports; record reviews; fraud, waste and abuse complaints; sworn testimony of individuals; statement by member) or complaints from dependents of nonsupport or inadequate support of dependents are received, proof of adequate support as stated in subparagraph E is required.

B. Nonsupport. A member who fails to support a dependent on whose behalf BAH is received is not entitled to BAH on behalf of that dependent. Recoup for periods of nonsupport or inadequate support. Unless a period of nonsupport or inadequate support was caused as a result of mission requirements of the Service concerned (e.g., remote assignment, deployed, limited access to administrative support and/or financial networks, etc.), or the actions of outside agencies (such as financial institutions, postal service, etc.) over which the member has no control, as determined by Service regulations, the subsequent payment of arrears of support does not entitle a member to BAH on behalf of the dependent for the period of nonsupport or inadequate support. If a member is not entitled to BAH for dependents under any of the subsequent subparagraphs, consider entitlement to without-dependent or partial-rate BAH under section 2602. NOTE: A member does not avoid the legal responsibility to comply with a court order for support by forfeiting BAH.

C. Legal Separation Agreement or Court Decree, Judgment or Order Silent on Support, Not Stating Amount of Support, or Absolving Member of Support Responsibility. A legal separation agreement, court decree, judgment, or order that is silent on dependent support, does not state the amount of dependent support, or absolves the member of dependent support responsibility does not of itself affect a member's BAH entitlement. This is true regardless of

the jurisdiction in which the decree, agreement or order was issued or in which the dependent is domiciled. The member is entitled to BAH on behalf of a dependent if the member contributes to the support of the dependent in an amount that is not less than the difference between the member's applicable "with-" and "without-" dependent BAH-II rates.

D. Legal Separation Agreement or Court Order Stating Amount of Support.

If there is a court order or legal separation agreement stating the amount of support, a member must contribute to the support of the dependent the amount specified therein, but in no case may the support payments be less than the difference between the applicable BAH-II at the "with-" and "without-" dependent rate.

1. When a member is divorced from a nonmember, and they share joint legal custody of a child, and the ex-spouse is awarded primary physical custody and is not living in government quarters, then the member is considered a noncustodial parent for the purpose of entitlement to BAH. If the member's court-ordered support is less than the difference between the applicable BAH-II at the "with-" and "without-dependent" rate, then the member is entitled to the BAH at the rate for members without dependents only if not residing in government quarters. However, members who pay additional support to the ex-spouse having primary custody of the child and not assigned to government quarters, is entitled to BAH on behalf of a dependent solely on the basis of payment of child support, is entitled to BAH at the without-dependent rate and BAH-DIFF.

2. When a member has temporary custody of a child and they reside in private quarters, the cost of maintaining a residence is not a factor in determining entitlement to with dependent rate of BAH and may not be used instead of or in addition to child support to qualify for increased allowances. The dependent child must reside with the member on a nontemporary basis (e.g., for a continuous period of more than 90 consecutive days) to qualify for the with dependent rate BAH for the temporary period. The cost of maintaining a home may not be added to the child support amount to qualify for the increased allowances.

E. Adequate Support. If the support requirements are not established by court order or legal separation agreement, a member must provide support in an amount that is not less than the difference between the "with-" and "without-" dependent BAH-II rates applicable to the member's grade. The amount of support required to retain or receive BAH on behalf of a dependent does not necessarily mean that such amount is adequate to meet the policy of the Service concerned as to what constitutes adequate support in the absence of a legal separation agreement or court order.

★F. Increase in Support Required by Increase in BAH-II Rates. Effective 20 April 1999, whenever there is an increase in BAH-II rates, the minimum required support under subparagraphs C, D, and E, increases to the difference between the new "with-" and "without-" dependent BAH-II rates. Members receiving BAH on behalf of a dependent under these circumstances must increase the amount of support, when applicable, within 60 days of the increase in order to continue receiving the increased entitlement.

G. Voluntary Support Payments. Voluntary support payments will not be considered for purposes of determining BAH entitlement unless there is a mutual agreement between the member parents that the support payments will be accepted by the custodial member parent.

H. Settlement Agreement

1. Property settlements made under a court order or written agreement are not considered support for BAH purposes.

2. Payments made under a settlement in place of support are considered support for the period expressly provided in the written agreement or court order.

3. A lump-sum settlement in place of support made under written agreement or court order is considered support for the period the lump sum would reasonably cover support of the dependent.

I. Interlocutory Decree of Divorce. If an interlocutory decree of divorce does not provide for support to the spouse, the member is not entitled to BAH for the spouse after the date of the decree unless proof of support is furnished.

J. Doubtful Cases. Submit any doubtful cases involving support for determination to the offices listed in subparagraph 260403.F.

260407. Support of Dependent-Both Parents Are Members.

A. Divorce or Legal Separation Effective or Amended Before 1 July 1992. In addition to the provisions of paragraph 260406, the following subparagraphs apply when divorced or legally separated parents are both members and the divorce or separation occurred prior to 1 July 1992. These rules apply only when neither member is assigned to family-type government quarters, unless otherwise specified.

1. The non-custodial parent is entitled to BAH on behalf of the child(ren), provided the noncustodial parent pays adequate child support.

2. If the non-custodial member does not pay the required amount of child support, the custodial member is entitled to BAH on behalf of the children.

3. The custodial member is entitled to BAH on behalf of the child(ren) if the non-custodial member declines to claim the child(ren). Such declination should be in writing if possible, may be revoked at anytime, and may not be retroactive. If the non-custodial member is entitled to BAH on behalf of another dependent, the custodial member is entitled to BAH on behalf of the child(ren) of the marriage.

4. Only one parent is entitled to BAH on behalf of children of the marriage when all of the children reside in one household; this applies even if child support payments are specifically for support of only some of the children.

5. When the child(ren) of the marriage are in the custody of a third party, only one member is entitled to BAH on behalf of the children, even if both members are paying sufficient child support to qualify for the entitlement. The senior member is entitled to BAH on behalf of the child(ren) when the two members do not agree on which person will claim the entitlement. If the members are of equal rank, date of rank determines which one receives BAH on behalf of the child(ren).

6. When each member has legal and physical custody of one or more of the children of the marriage, each member is entitled to BAH on behalf of those child(ren). If one member is paying adequate child support on behalf of the child(ren) in the other member's custody, the custodial member is not entitled to BAH on behalf of the child(ren) in that member's custody.

7. In cases of joint legal custody, when physical custody changes from one parent to another, each parent is entitled to BAH on behalf of the child(ren) during those periods the child(ren) are actually in that parent's physical custody.

8. When a non-custodial member pays child support to the custodial parent who also has another dependent who makes that member eligible for BAH, there is a presumption that the custodial parent's entitlement is based on the dependent(s) other than the child(ren) of the marriage. The BAH entitlement for the custodial and non-custodial parents is determined individually.

B. Divorce or Legal Separation Effective or Amended After 30 June 1992.
In addition to the provisions of paragraph 260406, the following subparagraphs apply when the divorced or separated parents are both members and the divorce or separation occurred, or the decree or agreement was amended after 30 June 1992. These rules apply only when neither member is assigned to family-type government quarters, unless otherwise specified.

1. Unless the members agree to the contrary, the custodial parent is entitled to BAH-I on behalf of the child(ren) regardless of the amount of child support received by that member. In addition to the court order, a separate notarized agreement between the members must be provided in order for the non-custodial member to receive BAH on behalf of the child(ren).

2. When the members each have legal and physical custody of one or more of the children of the marriage, they are each entitled to BAH on behalf of the children in their individual custody, regardless of child support payments from one member to the other.

3. When the child(ren) are in the custody of a third party, the rule in subparagraph 260407.A.5 applies.

4. In cases when there is joint legal custody, with physical custody changing from one parent to the other, the rule in subparagraph 260407.A.7 applies.

5. When the dependents are not a common class, the rule in subparagraph 260407.A.8 applies.

260408. Child Living With Former Spouse Remarried to Another Service Member.

A. When a member's child resides in government quarters not assigned to the divorced member parent, that member is not entitled to BAH on behalf of the child.

B. BAH may not be paid on behalf of a child to both the step-parent and the natural parent at the same time. The natural parent has priority to BAH on behalf of that child if providing adequate support.

260409. Child Living With Former Spouse-Member Remarries.

A. Subparagraph 260301.A.2 does not apply in the case of a member who is required to support a child in the custody of a former spouse when the member remarries and is assigned to or occupies government family quarters. The member is not entitled to BAH on behalf of the child living with the former spouse. This rule also applies when, upon remarriage, the member marries a member.

B. If a member is required to support a child in the custody of a former spouse and the non-custodial parent marries another member and children are born of this marriage, and the member paying child support vacates government family quarters on PCS assignment with quarters being reassigned to the new spouse, the member reassigned PCS is entitled to BAH on behalf of the child(ren) of the former marriage.

260410. Child(ren) Living With Former Spouse or Estranged Spouse Who Is Member Assigned Family Quarters. When the member parent having custody of the child(ren) is assigned to, or occupies, adequate family-type quarters with the child(ren) while receiving child support, the member parent paying child support is not entitled to BAH on behalf of the child(ren).

260411. Child Living With Former or Estranged Spouse in Family Quarters Visits Member. When a child(ren) who normally resides in government family quarters with a member's former or estranged spouse (custodial parent) visits the member in private quarters for more than 90 days, the visit is considered non-temporary and the member is entitled to BAH on behalf of the child(ren) from the first day of the visit. If the visit is 90 days or less, BAH on behalf of the child(ren) is not payable for any part of the visit.

260412. Adopted, Illegitimate, and Step-Children. Adopted children, illegitimate children, and step-child(ren) are primary dependents. In fact dependency is no longer required for these dependents.

A. Proof of Parentage. A member who claims BAH on behalf of an adopted child, step-child, or a child born out of wedlock (parents are not married to each other at the time of the child's birth) must provide proof of parentage as follows:

1. for an adopted child, document showing the member is the child's legal parent.

2. for a step-child, a marriage license showing the member is married to the child's legal parent and documentation showing that the member's spouse is the parent of the child.

3. for a child born out of wedlock, a birth certificate with the member name cited is required. If the member name is not stated on the birth certificate, or a court-order, obtain a signed statement of parentage from the member. If the illegitimate child(ren) is (are) not in the custody of the member parent, the case is treated in accordance with the rules for BAH-DIFF. The same rules apply when applicable to a member-mother not having custody.

B. Support Requirements. A member-parent may claim a dependent child(ren) adopted children, illegitimate children, and step-child(ren) for BAH purposes. Proof of support for dependents is generally not required. The provisions of subparagraph 260406.A will be applied. The member is entitled to BAH if the member contributes to the support of the dependent(s) and that support is not less than the BAH-DIFF. This includes members entitled to BAH-DIFF and members assigned to single type quarters when the child(ren) is in the physical custody of another person.

260413. In Fact Dependency Determinations for Secondary Dependents. An incapacitated child over age 21, a ward of the court, or an unmarried child over age 21 and under age 23 full-time in college, requires in fact dependency in accordance with the regulations of the Service concerned. The child must be dependent upon the member for over one-half of the child's support. This means:

A. The child's income, not counting the member's contributions, must be less than one-half of the child's living expenses, and

B. The member's contribution must be more than one-half of the child's monthly living expenses.

260414. Dependent Child Adopted by a Third Party. A member is not entitled to BAH for a child after the child is adopted by a third party and final order or decree of adoption has been entered. Entitlement to BAH continues after an interlocutory decree has been entered if the decree does not change the legal relationship between the child and the member, and the member supports the child.

260415. Confinement in Penal or Correctional Institution.

A. BAH Payable. Confinement of a member's spouse or unmarried minor child in a penal or correctional institution does not affect member's right to BAH on the dependent's behalf, unless:

1. The member refuses to support the dependent.
2. The member has been absolved from supporting the dependent.
3. The period of confinement may extend beyond 5 years.
4. The case is otherwise doubtful.

B. Doubtful Cases. Submit cases involving a sentence extending beyond 5 years and doubtful cases to the addresses shown in subparagraph 260403.F.3. Do not pay BAH pending decision.

260416. Limitation on the Amount of BAH Payable to a Member Entitled to BAH Solely on the Basis of the Member's Payment of Child Support.

A. Except as provided in subparagraph B, if a member is assigned to single-type quarters of the United States or a housing facility under the jurisdiction of a Uniformed Service and is authorized BAH solely by reason of the member's payment of adequate child support, the member is entitled to BAH-DIFF.

B. A member who was assigned to single-type government quarters and entitled to BAQ at the with dependent rate solely on the basis of the member's payment of child support on 4 December 1991, is entitled to BAH-II at the with-dependent rate until such time as the member becomes entitled to receive BAH on behalf of a dependent for a reason other than, or in addition to, the member's payment of child support. If a member moves out of single-type government quarters on or after 1 January 1998, the member is no longer entitled to BAH-II under the preceding sentence. BAH entitlement in such cases will be determined under the normal rules.

C. A member not assigned to government quarters, who is entitled to BAH on behalf of a dependent solely on the basis of payment of child support, is entitled to BAH at the without-dependent rate and BAH-DIFF.

260417. Dependent Parent.

A. Basis of Determination. Dependency of a parent is determined on the basis of an affidavit submitted by the parent, and any other evidence required under applicable regulations. Determination of dependency is made by applicable authority listed in subparagraph 260403.F.3. A legal guardian may complete the form for a mentally incompetent parent.

B. Dependency Requirement. A member is entitled to BAH-I on behalf of parents if the parents are dependent upon the member for over one-half of their support. This means:

1. The parents' income, not counting the member's contribution, must be less than one-half of their monthly living expenses, and

2. The member's contribution must be more than one-half of the parent's monthly living expenses.

C. Change in Status of Dependent. A member is entitled to BAH for any active duty period during which dependency of the parent is shown to exist, whether the dependency arose before or after the member entered service. If dependency arises because of changed circumstances, and the facts show the member has started to contribute over one-half of the parents' support, BAH is authorized from the date the contribution began.

D. Stepparent. A stepparent-stepchild relationship ends upon divorce from the blood parent, but not necessarily upon the death of the blood parent. BAH on behalf of a stepparent may be established after death of the blood parent.

260418. Factors Used in Dependency Determinations for Parents.

A. Family Unit Rule. In determining dependency of a parent, the total income and expenses of the family unit of which the parent is a member must be considered. Normally, the member's contribution to the expenses of the unit must exceed one-half of the unit's total expenses before any one person in the unit can be considered dependent on him or her. For example, a mother cannot be considered dependent if she is a member of a family unit in which her husband is supporting himself but is not providing sufficiently for the mother's individual needs.

B. Equity and Good Conscience. When application of the family unit rule results in manifest injustice, any other available evidence of dependency is considered, and determination made according to principles of equity and good conscience.

★C. Charity. Effective 20 April 1999, contributions made to parents by charitable organizations are considered income of the parent.

D. Charitable Institution. Residence of a parent in a charitable institution, public or private, is not a bar to entitlement if the member claims BAH on behalf of the parent and other conditions of entitlement are met.

★E. Social Security, Unemployment Compensation, and Pensions. Effective 20 April 1999, payments made to the parent from the Social Security Administration, unemployment compensation, and financial assistance from governmental agencies, are considered income. Pensions received by the parent are also considered income.

F. Capital Assets. Unliquidated capital assets are not considered income, and parents are not required to deplete their capital assets in order to establish dependency on a member for BAH purposes. However, proceeds derived from the liquidation of capital assets are considered income. Amounts placed in reserve for depreciation of property held for income normally are considered available for current living expenses of a parent, and are therefore, income.

G. Rate of Return Rule. In determining dependency of parents who possess uninvested capital, compute the income return on the basis of 5.25 percent per annum.

2605 PAYMENT OF BAH, MEMBERS IN A NON-PAY STATUS

260501. Entitlements.

A. Unauthorized Absence. For a period not to exceed 2 months from the first day of absence, BAH at the rate being credited a member in grades E-1, E-2, E-3, and E-4 (4 years' or less service). at the time absence commenced may be paid to a dependent on whose behalf BAH was claimed prior to commencement of the absence, if all of the following conditions exist:

1. The member has been in an unauthorized absence status for more than 29 consecutive days.

2. The dependent applies for payment of BAH and the application is received by appropriate authority within 3 months after the date absence commenced.

3. If the Service concerned fails to provide timely notice to dependents of their right to apply for BAH, a waiver of the 3-month stipulation in A2 above may be granted on a case-by-case basis by the authority specified in B1 below. If such a waiver is granted, payment may only be made on those applications received within 2 months after the dependents are properly notified of their right to submit such applications.

4. No positive information has been received that the dependent is residing with or has joined the member at the place of absence.

5. If a member is assigned government family-type quarters (adequate or inadequate), no payment of BAH may be made.

Payment of BAH may not be made directly to the member on behalf of a dependent. Payment shall be made only to the dependents.

B. Pretrial Confinement in a Foreign Country. For a member in pretrial confinement in a foreign country, payment of BAH is authorized as follows:

1. Enlisted members in grades E-1, E-2, E-3, and E-4 (4 years' or less service). Payment is authorized for a period not to exceed 2 months under the conditions stated in subparagraph A above. For any subsequent months there must be showing of hardship on the dependent and approval on a case-by-case basis as follows:

- a. Army: Director
DFAS-IN/FJA
8899 East 56th Street
Indianapolis IN 46249-2301
- b. Navy:
Commander Naval Military Personnel Command
(NMPC-64)
Washington DC 20370
- c. Air Force:
HQ USAF/DPRC
Washington DC 20330-5000
- d. Marine Corps:
Commandant of the Marine Corps
(Code MHP-20)
Washington DC 20380

2. Enlisted members in grades E-4 (over 4 years' service) and above (cases where there has been a showing of hardship on the dependent). The approval authority for the initial and any subsequent payments is as shown in 1, above. No payment may be made without the approval of such authority on a case-by-case basis. Payments are subject to the conditions stated in A above. See Service regulations for procedures on processing claims.

C. Excess Leave. BAH may continue to be paid to a member in grade E-4 (4 years' or less service) or below, with dependents, for a period not to exceed 2 months during which an excess-leave status exists unless it is anticipated that member will not return to duty, for example, appellate leave. The 2-month period shall be computed from the first day of excess leave.

WHO DETERMINES RELATIONSHIP OR DEPENDENCY FOR BAH ENTITLEMENT FOR ARMY AND AIR FORCE											
	A	B	C	D	E	F	G	H	I	J	
R U L E	If dependent claimed is	and marriage is	and is under 21 years	and is	and certified court adoption	and child has income	and is incapable of self-support	then		send a claim to DFAS-IN for determination, opinion, or submission to Comp Gen of US for decision	
								determination is made by			
								Army disbursing officer or designee	Air Force AFO or designee		
1	spouse	lawful						X (note 7)	X		
2		of questionable legality (note 1)							X (note 8)	X	
3	child, unmarried		yes	legitimate, or legitimated by marriage of blood parents				X (notes 3 and 7)	X (note 3)		
4	child, married	terminated by divorce, annulment or death of spouse							X (note 8)	X	
5	parent (including “in loco parentis:”) (note 2)		yes	adopted (note 3)	no				X (note 4)		
6				stepchild (notes 3 and 7)					X (notes 4 and 8)	X (notes 4 and 9))	X (note 6)
7											
8					yes						
9	child, unmarried		yes	Illegitimate child of member or legitimated by affidavit or court order					X (note 9)	X	
10			no				yes (note 2)				
11	child, married	terminated by divorce, annulment, or death of spouse	yes								
12	parent (including “in loco parentis”) (note 2)										

Table 26-1. Who Determines Relationship or Dependency for BAH Entitlement for Army and Air Force Members

NOTES:

1. Includes common-law spouse; those married by proxy or telephone or within a prohibited period following divorce, or a divorce granted by a foreign country; and purported marriages.
2. Must be in fact dependent on service member for substantial portion of support.
3. Applies also if child is in custody of someone other than service member (divorced spouse, parent, etc.).
4. If this is interlocutory decree of adoption, case must be submitted to DFAS-IN or DFAS-DE for determination.
5. In case of an Army member, the claim will be sent to DFAS-IN only when determination cannot be made by disbursing officer under AR 37-104-3 chapter 2, part 3 or is not covered by note 8.
6. This includes an illegitimate child of the spouse, when the member is not the blood parent. See subparagraph 260412.F.
7. In the case of Army Reserve Component (RC) personnel, initial determinations for dependents listed in rules 1,3,4, and 7 can be made by the RC unit commander or servicing Military Personnel Officer.
8. Claim will be sent to DFAS-DE only when determination cannot be made by AFO or designee as prescribed in AFM 177-373, volume IV.

**Table 26-1. Who Determines Relationship or Dependency for BAH Entitlement for
Army and Air Force Members (Continued)**

WHO DETERMINES RELATIONSHIP OR DEPENDENCY FOR NAVY OR MARINE CORPS MEMBERS													
R U L E	A	B	C				D	E	F				
	If dependent claimed is	and	and member is a				and	and	then determination is made by				
			Navy officer	Marine Corps officer	Navy enlisted member	Marine Corps enlisted member			DFAS Cleveland	Commandant of the Marine Corps	Commanding Officer of a battalion, squadron, or separate detached command	Disbursing Officer	Claim must be submitted through channels for determination or submission to Comp Gen of US for decision
1	any person who can qualify as a dependent				X				X				
2	a spouse	marriage is legal (unquestionable)	X									X	
3				X		X	neither member has been previously married	marriage was contracted within the various states or territories by legal civil or religious ceremony			X (note 1)		
4		marriage is of doubtful legality (see para 260403)				X				X			
5			X	X									X
6	an un-married legitimate child	child is under 21 years of age	X									X (note 2)	
7				X							X (note 2)		
8						X	dependent is child of present or former spouse (note 3)				X (note 4)		X

Table 26-2. Who Determines Relationship or Dependency for Navy or Marine Corps Members

WHO DETERMINES RELATIONSHIP OR DEPENDENCY FOR NAVY OR MARINE CORPS MEMBERS													
R U L E	A	B	C				D	E	F				
	If dependent claimed is	and	and member is a				and	and	then determination is made by				
			Navy officer	Marine Corps officer	Navy enlisted member	Marine Corps enlisted member			DFAS Cleveland	Commandant of the Marine Corps	Commanding Officer of a battalion, squadron, or separate detached command	Disbursing Officer	Claim must be submitted through channels for determination or submission to Comp Gen of US for decision
9	a combination of any of the dependents in rules 2 through 8	child is under 21 years of age				X					X (note 4)		
10	an unmarried child	child is over 21 years of age	X	X									X
11						X				X			
12	an unmarried stepchild or adopted child	child's dependency relationship is not doubtful	X		X				X				
13				X							X		
14						X					X		
15			X		X				X				
16				X		X				X			
17	an unmarried illegitimate child		X		x				X				
18						X				X			
19				X							X		
20	a parent (including "in loco parentis")		X		X				X				
21				X		X				X			

NOTES:

1. This same rule applies when either member or spouse has been previously married, if the previous marriage was dissolved by death, final decree or divorce, or by annulment (not prohibiting remarriage).
2. Submit doubtful cases through channels to the Comptroller General of the United States.
3. The birth date of the child must be after the date of the marriage concerned.
4. Submit questionable cases to the Commandant of the Marine Corps.

Table 26-2. Who Determines Relationship or Dependency for Navy or Marine Corps Members (Continued)

BAH ENTITLEMENTS, MEMBERS WITHOUT DEPENDENTS, ENTITLED TO BASIC PAY			
R U L E	A	B	C
	Member is	then BAH accrues	BAH does not accrue
1	assigned to a permanent station	if government quarters or housing facilities are not assigned (notes 3 and 11)	if member is assigned or occupies government quarters suitable and adequate for the member's grade (notes 9 and 10).
2		while on short period of special alert duty during which the member is furnished sleeping accommodations at the permanent station where government quarters are not available for assignment.	
3		while on short training periods not to exceed 45 days during which, due to military necessity, the member is furnished sleeping accommodations at the permanent station where government quarters are not available for assignment.	
4	assigned to an off-ship crew of a nuclear powered submarine, temporarily serving ashore for more than 15 consecutive days for training and rehabilitation	if government quarters are not available at the training or rehabilitation site	if adequate government quarters are available for occupancy at the training or rehabilitation site.
5	in pay grade E-4 (less than 4 years' service), or lower and is ordered to report for TDY in connection with the fitting out or conversion of a vessel and permanent duty aboard when the vessel is placed in commission	if per diem allowance is not authorized for the period of TDY (note 1)	if quarters are available or member is entitled to per diem allowance for the period of such duty.
6	on field duty, PCS not involved (note 15)	if receiving BAH at permanent station	if assigned or occupying government quarters at permanent station.
7	assigned PCS to a unit on field duty	if the commander certifies member was required to procure quarters at own expense at the initial field duty site	for the initial field duty in progress at time of PCS, unless member is required to procure quarters at own expense at field duty site.
8	on sea duty (note 2)	if member is grade E-6 or above while aboard ship in homeport or overhaul and elects on or after 1 July 1996 not to occupy available quarters (notes 13 and 14).	if member is grade E-5 or below.
9	on authorized leave, accrued, advanced, or in connection with release from active duty or discharge (PCS not involved)	if receiving BAH at permanent station or assigned quarters are terminated incident to separation (notes 3 and 11).	if assigned quarters at permanent station.
10	on excess leave		for any period of time.
11	sick in hospital, or on sick leave from a hospital (PCS not involved)	if receiving BAH at permanent station, (notes 3 and 11).	if assigned quarters at permanent station.
12	being treated at hospital TDY en route PCS; or assigned PCS direct to hospital for treatment	if not assigned quarters	if assigned quarters in the hospital.
13	on TDY (PCS not involved), or TAD, including such duty on transport or under permissive orders (notes 6, 12, and 15)	if receiving BAH at permanent station	if assigned quarters at permanent station.

Table 26-3. BAH Entitlements, Members Without Dependents, Entitled to Basic Pay

R U L E	A	B	C
	Member is	then BAH accrues	BAH does not accrue
14	in pay grade E-4 (4 or more years' service), or higher, in travel status on PCS, including travel under permissive orders, TDY en route, leave en route and proceed time; or is assigned PCS and is on authorized leave or duty at the old or new station (note 6)	if member is not assigned government quarters, or for the first 30 days member temporarily occupies government quarters at any one location (notes 4, 7, 11, and 16)	if member is assigned government quarters, or for any period in excess of 30 days member temporarily occupies government quarters at any one location.
15	in pay grade E-4 (less than 4 years' service), or lower, and is in a travel status on PCS, including leave en route and proceed time (note 8)		on and after the day of departure from old station.
16	in pay grade E-4 (less than 4 years' service), or lower, assigned PCS and is on authorized leave or duty at the old or new station	for not more than 30 days that member temporarily occupies government quarters incident to the PCS at either old or new station (notes 11 and 16)	for period of occupancy of government quarters not incident to a PCS.
17	in pay grade E-4 (less than 4 years' service), or below, initially assigned to a station for basic training, and after completion of such training performs temporary duty at that location pending the receipt of orders designating a permanent duty station to which member will report	between the date of completion of basic training the date member departs the basic training station to comply with PCS orders, when government quarters are not available for assignment.	
18	in pay grade E-4 (4 or more years' service), or higher, assigned to active duty and is performing temporary duty at other than basic training station pending receipt of orders designating a permanent duty station to which member will report upon completion of temporary duty	when government quarters are not available for assignment.	
19	in pay grade E-4 (less than 4 years' service), or lower, assigned to active duty and is performing temporary duty at other than basic training station pending receipt of orders designating permanent duty station to which member will report upon completion of temporary duty	Between the date of commencement of temporary duty and the date of receipt of orders naming a permanent duty station when government quarters are not available for assignment.	
20	in pay grade E-4 (4 or more years' service), or higher, ordered home or to a place other than a military organization awaiting further orders in connection with Physical Evaluation Board proceedings	on and after day of departure from hospital or old station through day of discharge, or day prior to effective date of retirement.	
21	in pay grade E-4 (less than 4 years' service), or lower, ordered home or to a place other than a military organization awaiting further orders in connection with Physical Evaluation Board proceedings	on and after day of arrival at the designated place, through day of discharge, or day prior to effective date of retirement (note 5)	while in travel status from hospital to the designated place or during delay en route chargeable as leave.
22	training for, attending or participating in Pan Am or Olympic games, or other international amateur sports competition	if not furnished quarters by the government or by an agency sponsoring the member's participation	if furnished quarters by the government, or by an agency sponsoring participation.
23	a medical officer on active duty in an intern or resident physician status at a state, county, municipal, or private hospital	if not furnished quarters without charge by the hospital	if furnished quarters without charge by the hospital. Such quarters are considered furnished on behalf of the United States.

Table 26-3. BAH Entitlements, Members Without Dependents, Entitled to Basic Pay (Continued)

R U L E	A	B	C
	Member is	then BAH accrues	BAH does not accrue
24	a student training on a fellowship, scholarship or grant	if not furnished quarters by the college, university, or research facility	if furnished quarters by the college, university, or research facility. Such quarters are considered furnished on behalf of the United States.
25	a Nurse Corps officer or Nurse Corps candidate attending a course of instruction or affiliating with a state, county, municipal, or private hospital	if member is not furnished quarters without charge.	if furnished quarters without charge by the hospital. Such quarters are considered furnished on behalf of the United States.
26	in confinement in a guardhouse or brig pursuant to a court-martial	if acquitted, the charges are withdrawn or the sentence is set aside or disapproved and member is otherwise entitled to BAH.	while confined pursuant to a court-martial (includes awaiting trial and serving sentence) and the sentence is approved, or, if acquitted, etc., when the member was not receiving BAH on the day before the day of confinement and government quarters assignment was not terminated before or during confinement. Quarters termination must be certified by the commander under Military Service procedures.
27	a Reserve Component member in pay grade E-4 (4 or more years' service), or above, ordered to active duty for training (See subparagraph 570502.D for active duty other than for training)	at permanent duty station and for authorized travel time from home to first duty station and from last duty station to home (note 7).	for any period government quarters are occupied (notes 9 and 10).
28	a Reserve Component member in pay grade E-4 (less than 4 years' service), or lower, ordered to active duty for training (See subparagraph 570502.D, for active duty other than for training)	if the member was not assigned government quarters at the permanent duty station (note 7).	
29	a Reservist in any pay grade called or ordered to active duty on or after 2 Aug 1990, in connection with Operation Desert Shield/ Storm; a Reserve Component member in any grade called or ordered to active duty on or after 5 Dec 1991 in support of a contingency operation (other than for a member who is authorized transportation of household goods as part of the call or order)	if the member is unable to continue to occupy a primary residence which is maintained by the member and which is owned by the member, or for which the member is responsible for rental payments.	if the member is assigned or occupies government quarters suitable and adequate for the member's grade and does not maintain and own a primary residence or is not responsible for rental payments on the member's primary residence (notes 9 and 10).

NOTES:

1. BAH accrues from the date of reporting through the day before the date the ship is placed in full commission, reduced commission, or in service not in commission, whichever occurs first.
2. For the purpose of payment of BAH under rule 8, duty for a period of less than 3 months is not considered to be sea duty. Duty for more than 3 months under temporary orders (TDY/TAD) which provide for return to the member's same permanent station is not considered sea duty. Ship-based staffs are not considered to be on sea duty for BAH purposes when the entire staff is ordered ashore by written orders and the duty ashore is not considered to be service in a self-propelled vessel that is in an active status, in commission or in service and is equipped with berthing and messing facilities.
3. When not assigned to government quarters at the permanent station, BAH accrues for up to 30 consecutive days at one location where government quarters are temporarily occupied while in a duty or authorized leave status not incident to PCS. BAH for a 30-day period is not forfeited if occupancy exceeds 30 days.
4. Entitlement to BAH for 30 days in government quarters applies only when occupancy of government quarters is of a temporary nature incident to the PCS as certified by the commander of the station involved. (For rule 16 the period of entitlement must be after receipt of PCS orders and before departure from old station and/or after arrival at new station.)
5. Entitlement begins on actual or constructive date of arrival home or other designated place, whichever date is earlier. (Compute constructive time arrival date via commercial transportation mode based upon the rules and provisions of the JFTR, Volume 1.)

Table 26-3. BAH Entitlements, Members Without Dependents, Entitled to Basic Pay (Continued)

6. Also applies to members entitled to pay and allowances while attending school under Operation Bootstrap.
7. BAH and per diem may be credited for the same periods, if otherwise qualified.
8. This rule is not applicable when a member is performing temporary duty under PCS orders at a station which is ultimately the member's permanent duty station upon completion of the temporary duty; in such instances, see rule 1 of this table.
9. Government quarters in fact occupied without payment of rental charges shall be deemed to have been assigned as appropriate and adequate quarters.
10. Does not apply to temporary occupancy of government quarters assigned to another member for 90 days or less at any one duty station. Occupancy for more than 90 days is considered to be of a permanent nature and BAH entitlement does not accrue for any portion of the period of such occupancy. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.
11. The intent of these entitlements is that BAH continue for a maximum of 30 days at any one location. Movement from one unit of government quarters to another, or in and out of the same unit, at the same location, with or without a break in occupancy, does not break the consecutiveness and does not create new periods or extend the authorized 30 days without loss of BAH. Occupancy of government quarters at different locations creates a new 30-day period at each location. However, if government quarters at one location are considered to be occupied by a member at the same time the member occupies government quarters at a second location, a new 30-day period does not begin at the second location.
12. A member away from permanent station may occupy quarters of the United States designated for members without dependents at the member's temporary duty station without affecting the member's right to receive payment of basic allowances for quarters or assignment of quarters, if any, at the member's permanent station. Under such circumstances, a member may not occupy quarters of the United States which exceed the minimum standards for members of that grade without dependents, as prescribed by the Secretary concerned, unless the only quarters available (a) exceed the minimum standards, and (b) are made available for joint occupancy with other members.
13. Members in grade E-6 or above, who are assigned to an off-ship crew of a nuclear powered submarine, are entitled to BAH under rule 8 upon reassignment as the on-ship crew provided entitlement accrued during training and rehabilitation.
14. A member is also entitled to receive BAH after reporting to a deployed vessel, if the homeport of that ship is the same as the previous assignment and the member was receiving BAH at the homeport. Members TAD to the ship are also entitled to BAH after reporting to the deployed vessel if in receipt of BAH at the permanent duty station before being detached on TAD. Members in grade E-5, without dependents, assigned to sea duty may be authorized BAH if appropriate considering the availability of quarters for E-5s. A member married to another member below pay grade E-6 may be authorized one BAH Allowance. (See subparagraph 260201.C).
15. For members below pay grade E-7, entitlement does not exist during TDY or TAD if quarters are assigned or furnished at the permanent station, even though the quarters are vacated at the beginning of the TDY or TAD.
16. Installation commanders may, for reasons of military necessity or relief of hardship, authorize non-TDY members affected by PCS orders to temporarily occupy government quarters beyond 30 days without loss of BAH.

Table 26-3. BAH Entitlements, Members Without Dependents, Entitled to Basic Pay (Continued)

BAH ENTITLEMENT AT PERMANENT STATIONS FOR SPOUSES IN UNIFORMED SERVICE- FAMILY-TYPE QUARTERS NOT ASSIGNED (Notes 1-7 and Note 16)									
R U L E	A	B	C	D		E		F	
	When member A has dependents other than spouse	and member B has dependents other than spouse	and members acquire a child(ren) (note 8)	and single-type government quarters are assigned to (note 9)		then member A is entitled to BAH as a member		and member B is entitled to BAH as a member (note 15)	
				member A	member B	with de-- pendent	without depen- dent (notes 11 and 13)	with de-- pendent	without de- pendent (notes 11 and 13)
1	No	No	No				X		X
2	No	No	No	X	X				
3	No	No	No	X					X
4	No	No	No		X		X		
5	No	No	Yes			X (note 10)			X
6	No	No	Yes	X	X	X (note 10)			
7	No	No	Yes	X		X (note 10)			X
8	No	No	Yes		X	X (note 10)			
9	Yes	No	No			X (note 12)			X
10	Yes	No	No	X	X	X (note 12)			
11	Yes	No	No	X		X (note 12)			X
12	Yes	No	No		X	X (note 12)			
13	Yes	No	Yes			X			X
14	Yes	No	Yes	X	X	X			
15	Yes	No	Yes	X		X			X
16	Yes	No	Yes		X	X			
17	Yes	Yes	No			X (note 14)			X
18	Yes	Yes	No	X	X	X		X	
19	Yes	Yes	No	X		X		X	
20	Yes	Yes	No		X	X		X	
21	Yes	Yes	Yes			X (note 14)			X
22	Yes	Yes	Yes	X	X	X		X	
23	Yes	Yes	Yes	X		X		X	
24	Yes	Yes	Yes		X	X		X	

**Table 26-4. BAH Entitlement at Permanent Stations for Spouses In Uniformed Service - Family-Type
Quarters Not Assigned**

NOTES:

1. When family-type quarters are jointly occupied by the members, neither member is entitled to BAH, even though the dependents do not reside in the quarters, unless dependents are prevented by military orders from occupying quarters.
2. When husband-wife members are stationed at the same or adjacent military installations, both members are normally authorized BAH at the appropriate rate when family-type quarters are not assigned, notwithstanding the availability of adequate single quarters for either or both members.
3. Members may be considered to be stationed at the same or adjacent bases or shore installations when they are not precluded by distance from living together, or they actually commute on a regular basis, regardless of distance.
4. When husband-wife members have no other dependents and are precluded by distance from living together, they will normally be treated as members without dependents for purposes of entitlement to BAH (see Table 26-3).
5. When husband-wife members, who are both entitled to BAH at the same or adjacent military installation, are separated geographically by competent orders and one member remains assigned to the old duty station, that member normally will be authorized continuance of BAH notwithstanding the availability of adequate single quarters for assignment to either member.
6. BAH at the rate payable to members without dependents is authorized during travel status after departure from the old permanent station, or during a period of leave, delay en route, or proceed time between permanent duty stations, provided the members are in pay grade E-4 (4 years' or more service), and above, are not in receipt of BAH for other dependents, and are not assigned to government quarters en route or temporarily occupy government quarters for more than 30 days at any one location.
7. When not assigned to government quarters at the permanent station, BAH accrues for up to 30 consecutive days at one location where government quarters are temporarily occupied while in a duty or authorized leave status not incident to PCS. BAH for a 30-day period is not forfeited if occupancy exceeds 30 days.
8. Refer to paragraph 260402.
9. If either column in column D is blank, that member is not assigned to single-type government quarters.
10. For purposes of this table, the members have agreed that member A is to receive BAH at the with-dependent rate (subparagraph 260402.A).
11. See Table 26-3 for BAH entitlement when a member is on field or sea duty.
12. When the dependents in column A, rules 9 through 12, are children from a prior marriage or illegitimate children residing with member A, the members may elect for member B to receive BAH for stepchildren, in accordance with subparagraph 260413.B, and member A to receive without-dependent rate BAH when not occupying single quarters.
13. When one member enters a non-pay status, the other member may claim the member not entitled to pay and allowances as a dependent and be authorized to draw BAH at the with-dependent rate for the duration of the non-pay status if otherwise entitled (for exception, see paragraph 260415).
14. Members must elect which one is to receive the with-dependent rate BAH. If they cannot agree as to the election, the entitlement will rest with the senior member. Elections cannot be retroactive.
15. When one or both of the dependents in columns A and B are dependent parents of the members, both members may receive with-dependent rate BAH, if otherwise entitled. Also, when married members no longer share a common residence due to competent military orders, their entitlement to increased allowances or to government-furnished quarters should be determined separately, without regard to the general rule that all dependents of members are members of the same class for the purpose of determining allowance entitlements. Refer to paragraphs 260406 and 260407 for BAH entitlement of divorced or legally separated members.
16. Members may temporarily occupy government quarters assigned to another member for 90 days or less at any one duty station without loss of BAH. Occupancy for more than 90 days is considered to be of a permanent nature and BAH entitlement does not accrue for any portion of the period of occupancy. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.

Table 26-4. BAH Entitlement at Permanent Stations for Spouses In Uniformed Service - Family-Type Quarters Not Assigned (Continued)

BAQ ENTITLEMENT, MEMBERS WITH DEPENDENTS ENTITLED TO BASIC PAY					
R U L E	A	B	C	D	E
	If member is	and is entitled to BAQ at the permanent station	and the member and dependents temporarily occupy government quarters (note 1)	and if the member is an	then BAQ entitlement
1	in a duty or authorized leave status not incident to PCS (includes accrued, advanced, or convalescent leave) (note 6).	yes	No		continues.
2			Yes		continues, but not more than 30 consecutive days at one location where government quarters are temporarily occupied. BAQ for the 30-day period is not forfeited even if occupancy exceeds 30 days (notes 2 and 3).
3		no			does not exist. However, if quarters assignment at the permanent station is terminated while on duty at the beginning of or during leave, rules 1 and 2 apply on and after date of termination.
4	on excess leave	yes		officer or enlisted member in pay grade E-4 (over 4 years' service), or higher	does not exist except as provided in subparagraph 260501.C for members in pay grade E-4 (4 years' or less), and below (note 4).
5	in a duty, travel or leave status incident to PCS (includes TDY en route) (notes 6 and 8)		no		exists unless permanent government quarters are assigned or occupied.
6			yes (note 5)		Exists, but not more than 30 days at any location where government quarters are temporarily occupied. Entitlement does not exist if permanent government quarters are also assigned or occupied (notes 2, 3, and 7).
7	on TDY or TAD, not incident to PCS (notes 6 and 8)	yes	no		continues as long as the permanent station remains unchanged, except as restricted by subparagraph 260301.C.
8			yes		continues, but not more than 30 consecutive days at one location where government quarters are temporarily occupied. BAQ for the 30-day period is not forfeited even if occupancy exceeds 30 days (notes 2 and 3).
9		no			does not exist.
10	AWOL, not excused as unavoidable			officer or enlisted member	does not exist.

Table 26-5. BAQ Entitlement, Members With Dependents Entitled to Basic Pay

R U L E	A	B	C	D	E
	If member is	and is entitled to BAQ at the permanent station	and the member and dependents temporarily occupy government quarters (note 1)	and if the member is an	then BAQ entitlement
11	absent due to disease (as distinguished from injury) from alcohol or drugs, causing loss of pay	yes			continues.
12		no			does not exist. However, if quarters assignment at the permanent station is terminated during an absence, BAQ accrues on and after date of termination.
13	home on PCS awaiting further orders in connection with physical evaluation board proceedings		no		continues until member's retirement or discharge.
14			yes		does not exist.

NOTES:

- Does not apply to temporary occupancy of government quarters assigned to another member by a member and dependents, or dependents alone for a period of 90 days or less at any one duty station. Occupancy for more than 90 days is considered to be of a permanent nature and BAQ entitlement does not accrue for any portion of the period of such occupancy. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.
- BAQ credit continues if member has additional dependents who are precluded by competent authority from occupying government quarters or facilities furnished member and spouse, or spouse alone.
- The intent of these entitlements (rules 2, 6, and 8) is that BAQ continue for a maximum of 30 days at any one location. Movement from one unit of government quarters to another, or in and out of the same unit, at the same location, with or without a break in occupancy, does not break the consecutiveness and does not create new periods or extend the authorized 30 days without loss of BAQ. Occupancy of government quarters at different locations creates a new 30-day period at each location. However, if government quarters at one location are considered to be occupied by a member at the same time the member occupies government quarters at a second location, a new 30 day period does not begin at the second location.
- BAQ does not accrue during excess leave if member is not to continue in service after leave expires. Example: A member released from the disciplinary barracks on commandant's parole, and placed in excess leave status until sentence is ordered to be executed.
- Applies whether temporary occupancy of government quarters is at old station, while en route, or at new station. However, occupancy is limited to guest houses or other transient facilities. Family housing is excluded from such use.
- The phrase, "incident to PCS," refers to whether or not the member is en route to a new permanent station under PCS orders.
- Installation commanders may, for reasons of military necessity or relief from hardship, authorize non-TDY members affected by PCS orders to temporarily occupy government quarters beyond 30 days without loss of BAQ.
- Includes such status under permissive orders

Table 26-5. BAQ Entitlement, Members With Dependents Entitled to Basic Pay (Continued)

DATE TO START BAH-MEMBERS WITH DEPENDENTS		
R U L E	A	B
	If member	then BAH begins on
1	enlists, or is called to EAD	date of enlistment or entry on active duty, if member is not assigned government quarters for member and dependents on that date.
2	is appointed to commissioned or warrant officer status	date active duty pay begins, if member is not assigned government quarters for member and dependents on that date.
3	occupies government quarters with dependents and quarters assignment is terminated or member and dependents physically depart permanent station pursuant to PCS orders	date of termination of quarters assignment or date of PCS departure, unless dependents continue to occupy the quarters. If definite assignment of quarters was not required, then BAH begins the date quarters are vacated.
4	occupies government quarters with dependents and the quarters are declared inadequate	date on which designation of inadequacy of quarters is effective, if member and dependents continue to occupy such quarters.
5	acquires a dependent (marriage, birth, adoption, etc.) (note 1)	date dependent is acquired, if member is not assigned government quarters for member and dependent(s) on that date (note 2).
6	acquires a dependent while in an unauthorized absence status	date member is returned to a pay status after apprehension or surrender, if member is not assigned government quarters for member and dependents on that date (note 3).
7	claims dependent parent	date determined or approved by authority shown in Table 26-1 or 26-2.
8	claims doubtful dependent	

NOTES:

1. Includes dependent acquired while member is on authorized leave.
2.
 - a. Applies to sole dependent of officer or enlisted member.
 - b. Applies to any dependent on whose behalf a member is entitled to increased BAH.
 - c. BAH starts with date of member's marriage even though the marriage occurs on same day as divorce from another member.
 - d. When blood parents of an illegitimate child marry, the child becomes a legitimate dependent for BAH purposes.
 - e. In the case of Navy members, BAH will not be started more than 6 months before submission of the application without prior approval by the authority shown in Table 26-2.
3. If there has been any change in the status of dependents on whose behalf BAH existed on the date an unauthorized absence commenced, a member must reestablish the right to BAH.

Table 26-6. Date To Start BAH-Members With Dependents

DATE TO STOP BAH-CHANGES IN DEPENDENCY STATUS		
R U L E	A	B
	If the sole dependent	then stop BAH at 2400 hours of the day
1	dies	of death.
2	is divorced (note 1)	of the final decree of divorce (note 1).
3	is a spouse in a voidable (not void) marriage which is dissolved by final annulment decree	before date of the decree. (No payment of BAH may be made on or after date of the decree, regardless of credits accrued and not paid; BAH paid before the date of decree may be retained (note 2).
4	is a spouse in an invalid (void) marriage	before discovery of invalidity of the marriage. (No payment of BAH may be made on or after date of discovery, regardless of credits accrued and not paid. Retention of BAH paid before that time depends on validation under Chapter 50, section 5005.)
5	becomes of age (except a child who is incapable of self-support because of mental or physical incapacity)	before the child's 21st birthday.
6	marries (regardless of age, or mental or physical incapacity)	of the child's marriage. (Applies even though child's marriage is to a Service member who is also entitled to BAH on child's behalf for that date.)
7	is adopted by a third party by interlocutory order or decree which has effected a changed legal relationship	before date of adoption (note 3).
8	is adopted by a third party and a final order or decree has been entered	before date of adoption.
9	enters military service	before day of entry into service.
10	is one who must be "in fact" dependent on member, and such dependency ceases	before date dependency ceases.

NOTES:

1. Applies also when an affinitive relationship between a member and step-child ceases because of divorce from the child's parent.
2. Applies also when affinitive relationship between a member and step-child ceases because of annulment of marriage.
3. Case involving Army or Air Force member must be sent to DFAS-IN or DFAS-DE respectively, for determination as to whether order of decree effected a changed legal relationship. Cases involving Navy must be sent to DFAS-CL and Marines will send cases to Commandant of the Marine Corps, respectively.

Table 26-7. Date To Stop BAH-Changes In Dependency Status

DATE TO STOP BAH-OTHER THAN CHANGES IN DEPENDENCY STATUS		
R U L E	A	B
	If member	then stop BAH at 2400 hours of the day
1	is furnished government quarters at the permanent station, adequate for the member and dependents	before the day quarters are assigned (or before day occupancy begins, if definite assignment not made) (note 1).
2	is furnished quarters (cash or in kind) on behalf of the United States, adequate for the member and dependents	before day quarters are furnished.
3	and dependents occupy inadequate quarters which are rehabilitated and designated as adequate quarters	before effective date of redesignation as adequate quarters.
4	and dependents occupy government quarters at the permanent station during family's visit, not incident to PCS (note 2)	before commencing the eighth consecutive day of occupancy (note 3).
5	and dependents temporarily occupy government quarters while on leave (not incident to PCS), or while in a travel status incident to PCS, including delay en route chargeable as leave	see Table 26-5.
6	is absent without leave	
7	is discharged or released from active duty	of discharge or release.
8	is retired	before effective date of retirement.
9	dies	of death.

NOTES:

- When dependents are prevented from occupying the assigned quarters because of orders of competent authority, BAH continues until transportation is arranged for household goods and is available for the dependents (if prompt application is made), plus the normal travel time for dependents to the member's station.
- Does not apply to temporary occupancy of government quarters assigned to another member by a member and dependents, or dependents alone, for a period of 90 days or less at any one duty station. Occupancy for more than 90 days is considered to be of a permanent nature and BAH entitlement does not accrue for any portion of the period of such occupancy. Movement from one unit of quarters to another or in and out of the same unit, with or without a break, does not establish a new 90-day period.
- BAH credit continues if the member has additional dependents who are precluded by competent orders from residing with the member.

Table 26-8. Date To Stop BAH-Other Than Changes In Dependency Status

LOCATION MEMBER'S BAH RATE IS BASED UPON — MEMBERS WITH DEPENDENTS			
R U L E	A	B	C
	If member	and	then the payable BAH rate (for members entitled to (BAH) is that which is prescribed for (notes 3 & 4)
1	is assigned to a duty location within CONUS	dependents reside with or separately from the member	the members permanent duty station (PDS) unless member has a Secretarial waiver (see note 1)
2	is assigned to an unaccompanied tour at a PDS outside CONUS	dependents retain their permanent residence in the United States	the area within the United States where the dependents reside beginning on the date the member reports to the new PDS (note 2).
3		dependents relocate their permanent residence in the United States	the area within the United States where the dependents reside beginning when one or more dependents arrive at the location of the new residence, or when the member reports to the new PDS in connection with the transfer, whenever is later (BAH rate based on old PDS continues through the day before the day the rate applicable for the location of the new permanent residence beings) (note 2)
4		dependents relocate their residence while the member is serving an unaccompanied tour	the area within the United States where the dependents reside for the location of the old permanent residence through the day before the day one permanent residence. Entitlement to BAH at the rate applicable to the location of the new permanent residence will begin on the day one or more dependents arrive at that location. (note 2)
5	is assigned to an unaccompanied tour at a PDS outside CONUS (does not include Hawaii or Alaska) and the member is required to perform a TDY inside or outside CONUS, incident to a transfer to another unaccompanied tour	dependents reside inside the United States	the location of the permanent residence of the dependents (note 2)
6	is assigned to an unaccompanied tour at a PDS outside CONUS (does not include Hawaii or Alaska) and the member is required to perform a TDY incident to a transfer in the United States		the location of the permanent residence of the dependents through the day before the day the member reports to the new PDS. Entitlement to BAH at the rate for the new PDS will begin on the day the member reports at that duty station (note 2)
7	is assigned to an unaccompanied tour at a PDS outside CONUS (does not include Hawaii or Alaska)	dependents establish a residence in the United States incident to the member's transfer from a accompanied tour at at PDS outside the United States to an unaccompanied tour	the location where the dependents establish a permanent residence beginning when one or more dependents arrive at the location of the new residence provided all dependents have departed the overseas location (note 2).
8	is assigned in Alaska	dependents reside in, or during which all dependents return to, one of the other states or the District of Columbia to establish a permanent residence	the location of the permanent residence of the dependents, provided the member is entitled to FSH for during the assignment or following departure of dependents (in such case, the member is entitled to an FSH equal to BAH at the without dependent rate for the PDS, if government quarters are not assigned to the member, and BAH at the with dependent rate for the location of the dependents' permanent residence). If the member is not entitled to FSH, and not assigned to government quarters the member is entitled to only BAH at the with dependent rate for the PDS.
9		dependents visit for more than 30 continuous days (unless visit is extended because of illness, emergency, or member is entitled to a BAH on behalf of the remaining dependents who are not visiting the member)	member's PDS

Table 26-9. Location Member's BAH Rate Is Based Upon — Members With Dependents

R U L E	A	B	C
	If member	and	then the payable BAH rate (for members entitled to (BAH) is that which is prescribed for (notes 3 & 4)
10	is assigned in Alaska	dependents reside in, or return to a designated place as authorized in the JTFR, para U5222 D1, to establish a permanent residence other than in the U.S.	member's PDS
11	is assigned in Hawaii	dependents reside in, or during which all dependents return to, one of the other states or the District of Columbia to establish a permanent residence	the location of the permanent residence of the dependents, provided the member is entitled to FSH during the assignment or following departure of dependents (in such case, the member is entitled to an FSH equal to BAH at the without dependents rate for the PDS, if government quarters are not assigned to the member, and BAH at the with dependent rate for the location of the dependents' permanent residence). If the member is not entitled to FSH, and not assigned to government quarters the member is entitled to only BAH at the with dependent rate for the PDS.
12		dependents visit for more than 30 continuous days (unless visit is extended because of illness, emergency, or member is entitled to a BAH on behalf of the remaining dependents who are not visiting the dependents who are not visiting the member)	
13		dependents reside in, or return to a designated place as authorized in the JFTR, para U5222 D1, to establish a permanent residence other than in the US	member's PDS
14	is assigned to a ship or afloat unit		the homeport of ship or other afloat unit to which a member is assigned (note 1)
15	is in leave status away from PDS awaiting final discharge	incident to a PCS in the United States	old PDS
16	is processing for separation or retirement		old PDS unless the last PDS was outside the United States, in which case location for the processing station will be used.
17	is participating in the Educational Leave Program Relating to Continuing Public and Community Services		the designated unit of assignment during scheduled school breaks or periods of leave (only when member is entitled to BAH)
18	was not paid BAH at the old PDS because government quarters were assigned		the old PDS beginning the day the member becomes becomes entitled to BAH and the new PDS the day the member reports to the new PDS (provided the member is entitled to BAH at the new PDS).
19	was assigned to a duty location outside the United States		the new PDS on the date the member reports to the new PDS or the date the member reports at the TDY location if member reports there first; or the date the member reports to the TDY location if a new PDS is not named in the orders (provided the member is entitled to BAH at the new PDS).
20	was assigned in Alaska or Hawaii		the old PDS until the day before the day the member reports to the new PDS (provided the member is entitled to BAH at the new PDS).
21	was assigned in the United States	incident to a PCS in the United States, with a TDY en route to a location to which the member commutes from the permanent quarters that will be occupied at the new PDS	the new PDS on the day per diem has been stopped under the circumstances in the JFTR U5120-D.

Table 26-9. Location Member's BAH Rate Is Based Upon — Members With Dependents (Continued)

R U L E	A	B	C
	If member	and	then the payable BAH rate (for members entitled to (BAH) is that which is prescribed for (notes 3 & 4)
22	in receipt of appropriate orders associated with a prolonged hospitalization determination	member was transferred from a PDS outside or inside the United States to a hospital in the United States for observation or treatment	the location of the hospital to which the member has been transferred.
23	dies in the line of duty while assigned to a PDS in the United States		the deceased member's PDS regardless of where dependents choose to reside (unless dependent's are in receipt of a Secretarial Waiver.
24	dies in the line of duty while assigned to a PDS outside the United States		location where the dependents reside or choose to reside in the United States (if dependents stay overseas their housing allowance will be based on the OHA rate for the location the dependents reside and then revert to BAH at the location where the dependents later decide to reside in the United States, on the date one or more dependents arrive at the location where they choose to reside or the date all dependents have departed the PDS location, whichever is later) (entitlement exists for 180 days after member's death).
25	dies	dependents reside in government quarters	dependents location the day the housing facilities were vacated and continue for 180 days less the number of days the housing facilities were occupied following the date of the member's death.
26	is assigned to a duty location within CONUS	dependents are evacuated	the member's PDS (while member's PDS remains unchanged), if early return of the dependents to the vicinity of the member's PDS is anticipated; the member continue to maintain family type quarters at personal expense during the absence of the dependents; and the period for which such payment is made does not exceed 6 months (note 5).
27	member is assigned to a duty location at a PDS outside CONUS	command sponsored dependents are residing at a designated place in the 50 United States or the District of Columbia incident to an evacuation	location the dependents name as their designated place beginning on the day after the day on which per diem at the designated place terminates.
28	is assigned in Alaska or Hawaii and resides in government quarters	dependents reside separately from the member outside AK or HI in one of the other states or the District of Columbia	the location of the dependents (Note 1)
29	is newly inducted, enlisted, reenlisted, or an officer candidate		location of the dependents

NOTES:

1. A member assigned to a PDS in the United States is entitled to BAH at the rate applicable to the location where their dependents maintain a permanent residence if the Service Secretary, or a designated representative, determines it is necessary for dependents to reside in a military housing area other than the one in which the PDS is located when member is:
 - (1) assigned to a PDS in an area where sufficient quantities of housing do not exist;
 - (2) assigned to unusually arduous sea duty and the dependents reside at or relocate to a designated place in the United States;
 - (3) assigned or is in receipt of PCS orders to a ship entering overhaul involving a homeport change and dependents are not relocated incident to the homeport change;
 - (4) in receipt of PCS orders to a unit with a promulgated change of homeport and dependents relocate to the announced homeport before the effective date of the homeport (or designated place in the United States if appropriate) before the effective date of the homeport change;
 - (5) disadvantaged as a result of reassignment for reasons of improving mission capability and readiness of the unit, in receipt of PCS orders between duty stations located in the same proximity, and disallowed movement of household goods (see JFTR U5355). (The Secretary concerned or the Secretary's designated representative must issue a determination that a decision to implement this policy is in the interest of correcting an inequity incurred due to movement of the individual for purposes of improving mission capability and unit readiness); or
 - (6) assigned to indeterminate temporary duty, or temporary duty pending further orders. In addition to these cases, the Secretary or designated representative may issue a determination if circumstances or conditions at the new PDS require the dependents to reside at a separate location. This determination is made only in cases where the necessity to reside separately is caused by conditions at the duty station. This does not cover a personal election of either a member or dependents as the reason for residing separately.

Table 26-9. Location Member's BAH Rate Is Based Upon — Members With Dependents (Continued)

2. Applicable when dependents reside in, or during which all dependents return to, the United States to establish a permanent residence. None of these condition are applicable when the dependents' residence and the member's new PDS are both in Alaska or Hawaii and the member is not entitled to FSH.
3. A member assigned to a PDS outside CONUS and authorized BAH on behalf of dependents residing separately from the member in the United States, is entitled to that allowance through the day before the day one or more command or noncommand sponsored dependents arrive at the member's overseas location to establish a residence. This does not apply when dependents establish a residence in the vicinity of the member's PDS outside CONUS if the primary residence of the remaining dependents is in the United States and the member is entitled to BAH on behalf of those dependents.
4. In instances of multiple dependent location, the member will designate the primary residence of dependents. Rate for BAH will be based on this primary residence.
5. Commanding officers will review each case on its own merits; they will encourage members to terminate their family-type quarters when it becomes apparent that dependents will not return.

Table 26-9. Location Member's BAH Rate Is Based Upon — Members With Dependents (Continued)

LOCATION MEMBER'S BAH RATE IS BASED UPON — MEMBERS WITHOUT DEPENDENTS			
R U L E	A	B	C
	If member	and	then the payable BAH rate (for members entitled to (BAH) is that which is prescribed for (notes 3 & 4)
1	is assigned to a duty location within CONUS		members permanent duty station (PDS) unless member has a Secretarial waiver (see note 1).
2	is assigned to a ship or afloat unit		the homeport of the ship or other afloat unit to which a member is assigned.
3	is in leave status away from PDS awaiting final discharge	incident to a PCS in the United States	old PDS.
4	is processing for separation or retirement		old PDS unless the last PDS was outside the United States, in which case location for the processing station will be used
5	is participating in the Educational Leave Program Relating to Continuing Public and Community Services		the designated unit of assignment during scheduled school breaks or periods of leave (only when member is entitled to BAH)
6	was not paid BAH at the old PDS because government quarters were assigned		the old PDS beginning the day the member becomes becomes entitled to BAH and the new PDS the day the member signs into the new PDS (provided the member is entitled to BAH at the new PDS).
7	was assigned to a duty location outside the United States		the new PDS on the date the member reports to the new PDS or the date the member reports at the TDY location if member reports there first; or the date the member reports to the TDY location if a new PDS is not named in the orders (provided member is entitled to BAH at the new PDS).
8	was assigned in Alaska or Hawaii		the old PDS until the day before the day the member reports to the new PDS (provided member is entitled to BAH at the new PDS)
9	was assigned in the United States	incident to a PCS in the United States, with a TDY en route to a location to which the member commutes from the permanent quarters that will be occupied at the new PDS	the new PDS on the day per diem has been stopped under the circumstances in the JFTR U5120-D (provided member is entitled to BAH at the new PDS).
10	in receipt of appropriate orders associated with a prolonged hospitalization determination	member was transferred from a PDS outside or inside the United States to a hospital in the United States for observation or treatment	the location of the hospital to which the member has been transferred (provided the member is entitled to BAH).
11	was entitled to BAH at the PDS on the date an evacuation is ordered or authorized	continues to maintain commercial bachelor quarters	on the PDS as long as the member may temporarily be required to occupy government quarters for all or any portion of the period involved.
12	who is in pay grade E-4 (four or more years of service), or above	is in a travel or leave status between permanent duty stations, including time granted as delay en route or proceed time and not assigned to government quarters	rate at last PDS.

NOTES:

1. A member assigned to a PDS in the United States is entitled to BAH at the rate applicable to the member's residence if the Service Secretary, or a designated representative, determines that the PDS in which the member is located is:
 - disadvantaged as a result of reassignment for reasons of improving mission capability and readiness of the unit, in receipt of PCS orders between duty stations located in the same proximity, and disallowed movement of household goods (see JFTR U5355). (The Secretary concerned or the Secretary's designated representative must issue a determination that a decision to implement this policy is in the interest of correcting an inequity incurred due to movement of the individual for purposes of improving mission capability and unit readiness).

In addition to these cases, the Secretary or designated representative may issue a determination if circumstances or conditions at the new or conditions at the new PDS require the member to reside at a different location. This determination is made only in cases where the necessity to reside separately is caused by conditions at the duty station. This does not cover a personal election of a member as the reason for residing separately.
2. This is generally for the remainder of the unexpired lease on the privately-owned quarters, provided the member is required to honor the remainder of the lease.

TABLE 26-10. Location Member's BAH Rate Is Based Upon—Member Without Dependents (Continued)

DATE TO START BAH-MEMBERS WITH DEPENDENTS		
R U L E	A	B
	Member is	then the payable BAH rate (for members entitled to BAH) is that which is prescribed for:
1	called (or ordered) to active duty for 140 days or more at one location	the location from which they are called (or ordered) to active duty beginning on the day the member is entitled to BAH (notes 1 and 2).
2	called or ordered to active duty (other than for training) and a DoD retired member ordered to active duty under 10 USC Sec 688(a) for 140 days or more at one location away from the principal place of residence (at the time called or ordered to active duty), but not authorized transportation of household goods	the member's principal place of residence beginning on the day the member is entitled to BAH (note 1).
3	called (or ordered) to active duty in support of a contingency operation (note 3)	the location of the members principal place of residence at the time called or ordered to active duty.
4	injured or physically disabled while on active duty/inactive duty training, authorized incapacitation pay (including BAH) under DoDD 1241.1 (note 4)	the member's principal place of residence beginning on the date the member becomes entitled to incapacitation pay. (note 5).

NOTES:

- Entitlement for BAH for reserve members covered under 66 Comp Gen 453 (1987).
- The initial rate will terminate on the day before the day the member reports at the duty location prescribed in the active duty orders. Entitlement to BAH at the rate prescribed for the PDS location begins on the day the member reports to that location.
- A contingency operation is a military operation:
 - designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or
 - that result in the call or order to, or retention on, active duty of members of the Uniformed Services under 10 USC, Ch 15, Sec 672(a), 673, 673b, 673c, 688, 3500, or 8500, or any other provision of law during a war or during a national emergency declared by the President or Congress.
- The condition must be a result of an injury, illness, or disease incurred or aggravated:
 - in line of duty while performing active duty;
 - in line of duty while performing inactive-duty training (other than work or study in connection with a correspondence course of an armed force or attendance in an inactive status at an educational institution under the sponsorship of an armed force or the Public Health Service); or
 - while traveling directly to or from such duty or training.
- Entitlement for a BAH rate for an eligible reservist may not be paid for a period of more than 6 months except when, in the interest of fairness and equity, the Secretary concerned or the Secretary's designated representative extends incapacitation pay (see 37 USC Sec 204(g) and (h) and DODD 1241.1 for entitlement offsets).

TABLE 26-11. Location Member's BAH Rate Is Based Upon—Members of Reserve Components

Monthly Rates of BAH-II, BAH-DIFF and Partial BAH —Effective 1 January 1999				
Pay Grade	BAH-II (With Dependent)	BAH-II (Without Dependent)	BAH-Diff	Partial BAH
O-10	\$1,081.20	\$878.40	\$202.80	\$50.70
O-9	\$1,081.20	\$878.40	\$202.80	\$50.70
O-8	\$1,081.20	\$878.40	\$202.80	\$50.70
O-7	\$1,081.20	\$878.40	\$202.80	\$50.70
O-6	\$973.50	\$805.80	\$167.70	\$39.60
O-5	\$938.40	\$776.10	\$162.30	\$33.00
O-4	\$827.10	\$719.10	\$108.00	\$26.70
O-3	\$684.30	\$576.60	\$107.70	\$22.20
O-2	\$584.40	\$457.20	\$127.20	\$17.70
O-1	\$522.60	\$385.20	\$137.40	\$13.20
O-3E	\$735.30	\$622.50	\$112.80	\$22.20
O-2E	\$663.60	\$528.90	\$134.70	\$17.70
O-1E	\$613.20	\$455.10	\$158.10	\$13.20
W-5	\$798.30	\$730.80	\$67.50	\$25.20
W-4	\$732.00	\$648.90	\$83.10	\$25.20
W-3	\$670.80	\$545.40	\$125.40	\$20.70
W-2	\$616.80	\$484.20	\$132.60	\$15.90
W-1	\$533.70	\$405.60	\$128.10	\$13.80
E-9	\$702.60	\$533.10	\$169.50	\$18.60
E-8	\$647.70	\$442.50	\$205.20	\$15.30
E-7	\$601.50	\$417.90	\$183.60	\$12.00
E-6	\$555.60	\$378.30	\$177.30	\$9.90
E-5	\$499.80	\$348.90	\$150.90	\$8.70
E-4	\$434.40	\$303.60	\$130.80	\$8.10
E-3	\$404.40	\$297.60	\$106.80	\$7.80
E-2	\$385.20	\$241.80	\$143.40	\$7.20
E-1	\$385.20	\$215.70	\$169.50	\$6.90

Table 26-12. Monthly Rates of BAH-II, BAH-DIFF and Partial BAH —Effective 1 January 1999

CHAPTER 27

FAMILY SEPARATION ALLOWANCE (FSA)2701 ENTITLEMENT PROVISIONS

270101. Types Authorized. FSA is payable only to members with dependents. Two types of FSA are authorized, Type I and Type II. Both types are payable in addition to any other allowance or per diem to which a member may be entitled. A member may qualify for FSA-I and FSA-II for the same period. In such cases, concurrent payment of both types is authorized. A member may not, however, receive more than one payment of FSA-II for the same period, even though qualified for FSA-R and FSA-S or FSA-T. The purpose of FSA and the conditions of entitlement are set out in this chapter.

270102. Definitions

★A. Dependents. The term "dependents" has the same meaning as defined in the Definitions and is categorized below:

1. Primary - spouse or children,
2. Secondary - parents.

NOTE: Generally, a member of a Uniformed Service may not be paid an allowance (including FSA) for a dependent during any period for which the dependent is entitled to active duty basic pay. However, this does not apply to bar an entitlement to FSA-II to a couple comprised of a member married to another member with no other dependents. Such couple is entitled to FSA-II under the conditions of this chapter. The couple is not entitled to FSA-I.

B. Permanent Station. The term "permanent station" has the same meaning as defined in the Definitions.

C. Duty Station. The term "duty station" is the same as defined in the Definitions.

D. Overseas. For the purpose of FSA-I, this term applies to a location outside the contiguous 48 states, the District of Columbia, and Hawaii. (Alaska is considered to be overseas for this entitlement).

E. Household. This term means the same as "home" or "family." It applies to a collection of persons living under one roof, having one head or manager who controls and supervises the affairs of the family. For FSA-II purposes, this applies only to secondary dependents.

270103. FSA-I. The purpose of this FSA is to pay a member for added housing

expenses caused by enforced separation from dependents. It is not payable under any condition to a member permanently assigned to a duty station in Hawaii or to any duty station under permissive orders except when subparagraph 270301.C, below, applies. It is not payable to a member attached to the United States Truce Supervision Organization who is in receipt of the United Nations Mission Subsistence Allowance (mission per diem).

A. When Payable. FSA-I is payable to each member with dependents who is on permanent duty outside the United States or in Alaska who meets all of the following conditions:

1. Transportation of dependents to the permanent duty station or to a place near that station is not authorized at government expense;
2. Dependents do not live at or near the permanent duty station; and
3. Adequate government quarters or housing facilities are not available for assignment to a member and inadequate government quarters or housing facilities are not assigned.

B. Amount Payable. FSA-I is payable in a monthly amount equal to BAQ payable to a member without dependents in the same pay grade. (See BAQ pay tables in Chapter 26.)

C. Conditions. For specific conditions of entitlement, see section 2703, below, and Tables 27-1 and 27-2.

D. Divorced or Legally Separated Members. Treat FSA-I cases involving a divorced or legally separated member, or such a member with a child in the legal custody of a former spouse or another person, the same as for FSA-II cases. (See subparagraph 270201.B.)

270104. FSA-II. This FSA provides compensation for added expenses incurred because of an enforced family separation under one of the conditions in subparagraphs A.1 through 3, below. It is payable to qualified members serving inside or outside the United States. It is not authorized when a member performs duty at any station under permissive orders (except when subparagraph 270301.C, below, applies).

A. When Payable. Through 30 September 1980, FSA II is payable to a member serving in pay grade E 4 (over 4 years' service) or above as a member with dependents. Effective 1 October 1980, FSA-II is payable to a member serving in any grade as a member with dependents. A member must meet all general requirements and one of the following conditions:

1. FSA-II, Subcategory FSA-R. Transportation of dependents is not authorized at government expense (see paragraph 270301, below) and the dependents do not live in the vicinity of the member's home port/permanent duty station.

★2. FSA-II, Subcategory FSA-S. The member is on duty aboard a ship, and the ship is away from the homeport continuously for more than 30 days. Note: During the period 1 December 1994 through 9 February 1996 dependents were required to live in the vicinity of the home port. Effective 10 February 1996, the dependents are no longer required to reside in the vicinity of the homeport. Effective 20 June 1994, a member is entitled to FSA-S for a redeployment if the member returned to home port after the original deployment for a period of 30 days or less and redeployed for a period of more than 30 days.

★3. FSA-II, Subcategory FSA-T. The member is on TDY (or temporary additional duty) away from the permanent station continuously for more than 30 days, and the member's dependents are not residing at or near the TDY station. This includes members who are required to perform a period of the TDY before reporting to their initial station of assignment. Note: During the period 1 December 1994 through 9 February 1996, dependents were required to live in the vicinity of the permanent duty station. Effective 10 February 1996, the dependents are no longer required to reside in the vicinity of the permanent duty station. Effective 20 June 1994, a member is entitled to FSA-T for a redeployment if the member returned to the permanent duty station after the original deployment for a period of 30 days or less and redeployed for a period of more than 30 days.

B. Amount Payable

1. Effective 1 October 1985 through 14 January 1991, FSA-Type II is payable in a monthly amount of \$60.

2. Effective 15 January 1991, FSA-Type II is payable in a monthly amount of \$75.

C. Conditions. For specific conditions of entitlement, see Tables 27-3 through 27-6.

★D. Member Married to Member Couples. Effective 23 September 1996, a couple comprised of a member married to another member, with no other dependents, is entitled to FSA-II under the same general conditions as members with non-active duty dependents, provided the couple was residing together immediately before being separated by reason of execution of military orders.

1. Not more than one monthly allowance may be paid with respect to a married military couple for any month. Each may be entitled to FSA-II within the same month, but both cannot be simultaneously entitled. Payment will be made to the member whose orders resulted in the separation. If both members receive orders requiring departure on the same day, then payment will go to the senior member.

2. If a member meets the requirements for credit of FSA-II, but entitlement is precluded by an existing entitlement status of the spouse, then the second member may, if still qualified, become immediately entitled to FSA-II upon termination of the spouse's

status. The couple may qualify for sequential entitlements to FSA-II provided military orders keep them continuously separated.

3. In order to qualify for a subsequent entitlement to FSA-II, a married member couple, no longer separated by reason of military orders, must reestablish a joint household and reside together.

2702 DEPENDENTS SEPARATION REQUIREMENTS

270201. Dependents. A member is not considered "a member with dependents" for FSA-II entitlement when:

A. The sole dependent is placed in an institution for a known period of over 1 year or for an indefinite period which may be expected to exceed 1 year.

★B. The sole dependent is a spouse legally separated or child(ren) in the legal custody of another person. Exception: When the member has joint physical and legal custody of child(ren) and the child(ren) would otherwise reside with the member but for the current assignment, the member will be considered as a "member with dependents" for FSA-II entitlement.

C. The member's dependent parent does not reside in a home, which the member controls, supervises, and maintains for mutual use when circumstances permit.

270202. Temporary Social Visits by Dependents

A. FSA-I and FSA-R. Credit continues to accrue while the member's dependents visit at or near member's permanent station, but for no longer than 3 continuous months. Facts must clearly show that the dependents are merely visiting (not changing residence) and that the visit is temporary and not intended to exceed 3 months. If, for unforeseen reasons (due to illness or other emergency), a bona fide social visit extends beyond 3 months, stop credit for FSA at the end of the 3-month period. If the visit is initially intended to exceed 3 months, stop FSA credit the day before the dependents arrive at the member's permanent station. Credit is again authorized on and after the day dependents depart from the permanent station. However, a member is entitled to FSA-I and/or FSA-R even though one or more, but not all dependents visit for longer than 3 months, if the member is entitled on behalf of the dependents who do not visit.

B. FSA-T. Credit continues to accrue to a member whose dependents visit at or near the temporary duty station continuously for 30 days or less. Facts must show the dependents merely are visiting. If the visit exceeds 30 days, a member is not entitled to FSA-T for any part of the period, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of the allowance is limited to 30 days. Entitlement to FSA-T resumes on the day the dependents depart the temporary duty station, if the member's TDY extends for more than 30 days from that date. Entitlement to FSA-T exists if one or more,

but not all, of the dependents visit for longer than 30 days, if entitled on behalf of the dependents who are not visiting the member.

C. FSA-S. Credit continues to accrue to the member whose dependents are visiting at or near the duty station (or any port) continuously for 30 days or less. Facts must show that the dependents merely are visiting. If the visit exceeds 30 days, entitlement to FSA-S ends on the day preceding the date of their arrival, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of FSA-S is limited to 30 days. Entitlement to FSA-S exists if one or more, but not all of the dependents visit for longer than 30 days, if entitled to FSA-S on behalf of the dependents who are not visiting the member.

270203. Dependents Reside Near Duty Station. FSA does not accrue to a member if all of the dependents reside at or near the duty station. If some, but not all, of the dependents voluntarily reside near the duty station, FSA may accrue on behalf of the dependents who do not reside at or near the duty station. Consider dependents as residing near a duty station if the member actually commutes daily, regardless of distance. Consider dependents as residing near a duty station if they live within a reasonable commuting distance of that station, whether or not the member commutes daily. A distance of 50 miles, one way, is normally considered to be within reasonable commuting distance of a station; however, the 50-mile rule is not inflexible. Unusual conditions may permit a determination that dependents do not live within a reasonable commuting distance, even though the distance involved is less than 50 miles one way. In a situation where the distance is less than 50 miles but the time required to commute one way by commonly used route and method of transportation would exceed 1-1/2 hours, the dependents shall be considered as not residing near the member's duty station unless the member actually commutes daily. If dependents are authorized concurrent travel with the member to the duty station and are subsequently authorized to reside at a point over 50 miles from member's duty station for personal reasons, rather than as a result of military restriction on dependents' travel, FSA entitlement does not accrue. In questionable cases, commanders may submit requests for determination through channels to the appropriate office listed below:

- A. Army. OASA (FM&C), Attn: SAFM- FAA-EC, Indianapolis IN 46249-2201.
- B. Navy. Chief of Naval Operations, (OP-134), Washington, DC 20370-2020.
- C. Air Force. Cdr, HQ AFPC, 550 C Street West, Randolph AFB TX 78150-6421.
- D. Marine Corps. Commandant of the Marine Corps (Code FDD), Wash DC 20380.

2703 CONDITIONS OF ENTITLEMENT

270301. Entitlement Incident to PCS Reassignments

A. CONUS Assignments. This subparagraph applies to FSA entitlement incident to regular PCS reassignments (CONUS) and permissive PCS reassignments (CONUS).

1. Entitlement to FSA upon regular PCS is authorized only when movement of a member's dependents to the new permanent duty station is not authorized at government expense.

★2. A member who reported PCS from 1 December 1994 to 10 February 1996 and subsequently performed duty on board a ship while the ship was away from the home port for more than 30 continuous days, prior to 10 February 1996, was entitled to FSA-S only if the member's dependents(s) resided in the vicinity of the home port of the ship. Effective 10 February 1996, a member is entitled to FSA-S when performing duty on board a ship, if the ship is away from the home port for more than 30 continuous days. However, if the ship puts into a port other than the homeport, for a period of more than 30 days at a location where the member's dependents reside, payment of FSA-S is precluded if the member resides with the dependents. A member is entitled to FSA-S for a redeployment if the member returned to home port after the original deployment for a period of 30 days or less and redeployed for a period of more than 30 continuous days.

★3. A member who reported PCS from 1 December 1994 to 10 February 1996 and subsequently performed TDY away from the permanent duty station for more than 30 continuous days, prior to 10 February 1996, was entitled to FSA-T only if the member's dependent(s) resided in the vicinity of the permanent duty station. Effective 10 February 1996, a member is entitled to FSA-T for TDY periods of over 30 continuous days if the dependents do not reside at or near the TDY station. A member is entitled to FSA-T for a redeployment if the member returned to the permanent duty station after the original TDY for a period of 30 days or less and redeployed for a period of more than 30 continuous days.

4. A member who otherwise is authorized movement of dependents at government expense to permanent duty station is not so authorized when the member is voluntarily reassigned to PCS under permissive orders. Separation from dependents under these circumstances is not an enforced separation due to government requirements. The member, therefore, is not entitled to FSA under this subparagraph.

★B. Waiver Provision. See subparagraph 270301.E, below, for circumstances in which waivers may be granted.

★C. Overseas Assignments. Dependents are permitted in some areas overseas and not permitted in others (dependent-restricted areas). A member selected for PCS overseas to an area where the member's dependents are permitted must elect to serve either an unaccompanied or accompanied tour.

1. Effective 14 November 1986, except as waived by the Secretary concerned, a member electing to serve an unaccompanied tour, in lieu of an accompanied tour at a permanent station where the member's dependents are permitted, is not entitled to FSA-R for

such a tour. (Secretarial waiver of this policy may be granted in situations where it would be inequitable to deny FSA-R to a member because of unusual family or operational circumstances.) The following subparagraphs are applicable to the transition period:

a. A member who on 30 September 1986 was entitled to FSA-R based on an elected unaccompanied tour (formerly, "all others" tour) or initially entitled to FSA-R under Table 27-5, rule 1 or 2, remains entitled to FSA-R until reassigned PCS as long as the member's dependents do not live at or near the duty station.

(1) Under Table 27-5, rules 1 and 2, member's date of detachment or constructive date of detachment from old permanent station must be 30 September 1986 or earlier. Note the following subparagraph:

(2) A member with an elected unaccompanied tour (formerly "all others" tour) who departed the permanent station with TDY en route to the new permanent duty station before 1 October 1986, is entitled to FSA-R (versus FSA-T) under Table 27-3, rule 11.

b. A member with an elected unaccompanied tour (formerly "all others" tour) who was initially entitled to FSA-R during the period 1 October 1986 through 13 November 1986, under Table 27-5, rules 1 and 2, remains entitled to FSA-R through 13 November 1986. Entitlement may be extended by Secretarial waiver.

(1) Under Table 27-5, rules 1 and 2, member's date of detachment from the old permanent duty station must be during the period 1 October 1986 through 13 November 1986. Note the following subparagraph:

(2) A member with an elected unaccompanied tour (formerly "all others" tour) who departed the permanent duty station with TDY enroute to the new permanent duty station on any date, 1 October 1986 through 13 November 1986, and the period of TDY ends before 14 November 1986, is entitled to FSA-R (versus FSA-T) under Table 27-3, rule 11.

c. A member with an elected unaccompanied tour (formerly "all others" tour) who departed the permanent duty station with more than 30 days TDY en route to the new permanent duty station, with departure on any date, 1 October through 13 November 1986, and the period of TDY ends after 13 November, is entitled to FSA-T under Table 27-3, rule 12. Such member becomes entitled to FSA-R at the new permanent duty station only by Secretarial waiver.

2. See procedures for tour elections and Secretarial waiver in individual Military Service regulations: AR 55-46 (reference (as)); the Bureau of Naval Personnel Instructions in the 1300.26 series (reference (at)); the Marine Corps order in the 1300.8 series (reference (au)); AFR 39-11 (reference (av)) and AR 36-20 (reference (aw)).

3. Refer to Tables 27-1 and 27-4 for FSA entitlement for otherwise eligible members assigned PCS overseas.

4. A member who voluntarily is reassigned PCS (overseas) under permissive orders from a station where the member is already entitled to FSA-R, remains entitled if reassigned to an area overseas where dependents are not permitted (dependent-restricted tour) or under circumstances authorized by Secretarial waiver.

5. A member already entitled to FSA-R based on assignment to station where no accompanied tour is authorized, who is voluntarily reassigned PCS (overseas) during the period 1 October 1986 through 13 November 1986 under permissive orders to an area overseas where dependents are permitted, remains entitled to FSA-R through 13 November 1986. Entitlement may be extended by Secretarial waiver.

★D. Unusual Family or Operational Circumstances Defined. Unusual family or operational circumstances are defined as those in which the Secretary of the Military Department concerned determines it is in the best interest of the government to permit payment of FSA-II to members who, through no fault of their own, must relocate unaccompanied under certain circumstances.

1. The Military Services may waive provisions of subparagraphs 270301.A.1, 2, and 3, above, when it is in the best interest of the government to permit payment to members who, through no fault of their own, must relocate unaccompanied for reasons of equity in unusual family or operational circumstances. Waiver under these circumstances is effective upon the date granted. This approval authority is hereby granted to:

a. Service Secretaries or their designated representatives at the headquarters level which governs compensation policy, or

b. Combatant Commands and Service Major Commands.

2. This waiver authority should be used prudently.

3. Waiver under these circumstances is effective upon the date granted:

a. When ordered to a new overseas duty station where certified medical reasons involving family members or terrorist activity would make it inappropriate for dependents to accompany the member.

b. When ships in overhaul make temporary home port changes, or

c. When married military couples with dependents are separated involuntarily by military orders (inside or outside CONUS), or when married military

couples with dependents are separated by voluntary acceptance of unaccompanied tours in unrestricted areas.

4. Provided the requirements of subparagraph 270104.A, above, are met, other than the requirement that the member's dependents must reside at the home port or permanent duty station, a Secretarial waiver will apply for the entire period of deployment, interim period, and redeployment.

★E. Delays Caused by the Government (Tables 27-1 and 27-4). The following are examples of delays in transportation of dependents due to government reasons:

Example 1: On 1 July, member's advance application for concurrent travel of dependents to the overseas station was disapproved by the CONUS commander due to lack of available government-owned transportation facilities. The commander's disapproval contained the statement that the anticipated delay for movement of dependents is more than 60 days. The member departed old station on 6 July and arrived at the overseas station on 7 July where government quarters were not available. Dependents joined member on 26 September having performed travel under orders dated 10 September. The member was entitled to FSA-I for period 7 July through 25 September, and FSA-II for period 6 July through 25 September.

Example 2: The member applied for dependency determination for a dependent mother on 3 June and was transferred overseas on 14 September. After arrival overseas, the member received approval of the dependency application for a dependent mother retroactive to 1 May. The mother was not authorized concurrent travel to member's permanent station because a determination of dependency had not been made on the effective date of the orders. Delay in processing the dependency application was caused by the government. Before transfer overseas, member had maintained quarters to be shared with the mother. An enforced separation resulted upon transfer overseas. Credit for FSA-II accrues from the date member departed from the permanent station or the first day of authorized travel time, whichever is later, through the day before the date the dependent mother arrived at the overseas station.

★F. Changes in Tour Elections. See Table 27-1, rules 3 and 8, and Table 27-4, rules 12 and 13.

★G. Dependents Evacuated. See Table 27-2, rule 14, and Table 27-5, rule 8. A member is entitled to otherwise proper credit of FSA-II when the dependents are evacuated from a danger area and they temporarily occupy government quarters at a safe haven area under conditions outlined in subparagraph 260302.G.

★H. Dependents' Travel Prohibited Under Immigration Laws. If a dependent is otherwise authorized transportation at government expense but is not eligible under immigration laws for entry into United States before a member reports to the new permanent station, entitlement to FSA-R does not accrue. (Entitlement to FSA-T or FSA-S is not affected by this subparagraph.)

270302. Unit Ordered on Exercise for More Than 30 Days. Otherwise qualified members of a unit are entitled to FSA-T when the unit is ordered on an exercise for more than 30 days.

270303. FSA During a Missing Status

A. Special FSA Entitlement. A member, with dependents, who enters a missing status is entitled to a family separation allowance in the amount of \$60 per month while in a missing status during the Vietnam conflict. These provisions apply only to members who do not qualify for FSA-II under subparagraph 270104.A, above, prior to entering a missing status. Entitlement begins on the date the member is reported in a missing status and continues for the period the member is carried in such status.

B. FSA-T During a Missing Status. FSA-T continues to accrue to a qualified member while in a missing status, unless there is a change in the status of the dependents, which would terminate entitlement. (See Table 27-6.) A member may qualify for FSA-T while in a missing status, if a continuous period of more than 30 days is completed after entry into the missing status. (See paragraph 270304, below)

Example: The member departed the permanent station on TDY 9 August; was downed by hostile fire while flying over enemy territory on 2 September; remained in a missing status until 4 November and returned to permanent station on 10 November. The member qualified for FSA-T on 8 September. If otherwise qualified, entitlement exists to FSA-T for period 9 August to 9 November.

270304. Computation of Single or Multiple Periods of More Than 30 Days

A. FSA-T for Single Periods. Credit for FSA-T may not be applied until the member has been on TDY or TAD away from his permanent duty station continuously for more than 30 days. Compute this period as follows:

1. Count actual number of days in the month, including the day the member departs the permanent duty station on TDY and the day of return to the permanent duty station. Include the 31st day of the month in this computation, even though payment is made on a 30-day month basis, as prescribed in Chapter 2, section 0202.

2. Include days of authorized travel time to and from the TDY station. When there is no delay en route chargeable as leave, count the day of departure from the permanent station and the day of return to the permanent station. When delay en route chargeable as leave is authorized, count the constructive day of departure and the constructive day of return. Compute these days as follows:

a. Constructive day of departure from permanent duty station either is the actual date of detachment plus days of authorized leave, proceeed time and/or permissive travel days used, or the first day of authorized travel, whichever is later.

b. Constructive day of return to the permanent duty station is the actual date of return minus number of days leave authorized and used, minus the number of permissive travel days actually used.

Example 1: The member permanently stationed at site A is ordered TDY to site B for training of approximately 30 days; training is to begin 1 June. The member is authorized travel by POC as more advantageous to the government, and 5 days' leave en route. The member departs from site A on 25 May and uses 5 days' leave en route to site B. The member completes the training on 27 June, departs from site B on 28 June, and returns to duty at site A on 30 June. Constructive day of departure is 30 May. Period of absence is 32 days (30 May-30 June). If the member qualifies under paragraph 270104, above, entitlement exists to FSA-T for 30 days (pay does not accrue for 31 May and 30 June).

Example 2: Circumstances are the same as in Example 1, except member uses 5 days of leave after completion of training. The member departs from site A on 30 May, completes training on 27 June, departs from site B on 28 June, and returns to duty at site A on 5 July. Constructive day of return is 30 June. Period of absence is 32 days, computed as in example 1. If the member otherwise qualifies, entitlement exists to FSA-T for 30 days.

3. When TDY is authorized in conjunction with PCS, include days of authorized travel time to the TDY station and from the TDY station to the new duty station. When there is no delay en route and/or proceed time involved, count the day of departure from old duty station and the day of arrival at the new duty station. When delay en route and proceed time are authorized and used, the day of departure from the old station and the day of arrival at the new station will be constructed in the manner indicated in subparagraph A.2.a and b, above (proceed time authorized and used to be included with delay in the computation). Consecutive assignments to TDY in conjunction with PCS may be combined in determining the 30-day period.

4. Under specific circumstances, when travel in connection with TDY is performed by privately owned conveyance for the convenience of the traveler, payment based on actual travel expenses may be more economical to the government than payment based on constructive travel time over a usually traveled route. In such case, the JFTR authorizes travel payment based on the actual mode of transportation. In computing the more than 30 days required for entitlement to FSA-T under these circumstances, ensure that the computation is based on the mode of transportation which governed payment of the particular member's travel allowance. Computation for FSA-T entitlement under this subparagraph is not necessarily based on constructive travel time.

5. If a member's TDY status is interrupted, do not combine days before the interruption with those after the interruption to compute a continuous period of more than 30 days. Periods of leave, hospitalization, military confinement in a pay status, or short visits to the permanent station do not interrupt the period unless the member is relieved from the attachment to the TDY station. However, a member who returns to the permanent station to assume a duty status (such as participation in official flights) does interrupt a period of temporary

duty. If leave en route is authorized after detachment from the TDY station, add constructive travel time from the TDY station to the permanent station to the period of TDY in determining the 30-day period.

B. FSA-T for Multiple Periods of Deployment. Effective 20 June 1994, and provided the conditions of subparagraph 270104.A.3, above, are met, the periods of FSA-T eligibility for multiple periods of temporary duty deployment, including the periods between such deployments, are calculated as follows:

1. Although payment is made on a 30-day month basis, count the actual number of days in each applicable month by including the 31st day of the month as one of the actual days.

2. Initial Deployment Period: Calculate the FSA-T period of the initial TDY/TAD deployment as set forth in subparagraph A, above.

3. Interim and Redeployment Period:

a. The interim period starts the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.

b. The redeployment period will begin the day the member departs the permanent duty station and end upon return to the permanent duty station. The redeployment period must be more than 30 days and will be added to the interim period.

Example 1: The member permanently stationed at site A is ordered to perform TDY at site B for 45 days with departure from PDS on 2 January and return to PDS on 15 February. The member departs from PDS on 18 March for redeployment of 35 days. Since the member qualified for FSA-T for the initial deployment, the member is eligible for continued FSA-T for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

Example 2: The member permanently stationed at site A is ordered to perform TDY at site B for 60 days with departure from PDS on 1 March and returns to PDS on 29 April. The member departs from PDS on 31 May for redeployment of 40 days. Although the member qualified for the initial 60-day period deployment, the member is ineligible for the interim period, actual interim period is 31 days, (30 April - 30 May). The member would be entitled to FSA-T for the actual redeployment period (40 days).

Example 3: The member permanently stationed at site A is ordered to perform TDY at site B for 31 days with departure from PDS on 1 June and returns to the PDS on 1 July. The member departs from PDS on 2 July for redeployment of 41 days. Since the member qualified for FSA-T for the initial deployment of 31 days, the member is eligible for the continued FSA-T for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).

C. FSA-S for Single Periods. Credit for FSA-S may not be applied until the member has been on duty on board a ship away from the homeport of the ship for a continuous period of more than 30 days. Periods of leave, temporary additional duty, hospitalization, military confinement in a pay status, or short visits by the member (not the ship) to the home port of the ship do not interrupt the qualifying period unless the member is detached (PCS) from the ship. Consecutive assignments to duty on board two or more ships away from the homeport may be combined to meet this requirement. See Example 5, below. In computing the continuous period of more than 30 days, count the actual number of calendar days (including the 31st day of the month) the member was on duty on board a ship while it was away from its home port. Include in this computation the day of departure on board a ship from its home port (or the day the member joins or rejoins a ship away from its home port, if applicable) and the day of return on board a ship to its home port. The following examples show how to compute the more-than-30-day period and the related amount of FSA-S payable.

Example 1: A member onboard a ship departing its home port on 15 June and returning on 15 July is entitled to FSA-S in the amount of \$75 (actual period of 16 days in June and 15 days in July = 31 days; 16 days in June and 14 days in July = 30 days for payment.)

Example 2: A member onboard a ship departing its home port on 5 October and returning on 4 November is entitled to FSA-S in the amount of \$72.50 (actual period of 27 days in October and 4 days in November = 31 days; 26 days in October and 3 days in November = 29 days for payment).

Example 3: A member onboard a ship departing from its home port on 25 February (non-leap year) and returning on 26 March is not entitled to FSA-S since the absence is not more than 30 days (actual period of 4 days in February and 26 days in March).

Example 4: A member who reports onboard a ship on 25 May while its away from the home port and returns with the ship to the home port on 30 June is entitled to FSA-S in the amount of \$87.50 (actual period of 7 days in May and 30 days in June = 37 days; 6 days in May and 29 days in June = 35 days for payment).

Example 5: A member onboard ship A departing from its home port on 2 August was transferred (PCS) to ship B on 18 August (detached and attached the same day) while ship B was away from its home port. The member remains aboard ship B until it returns to the home port on 6 September. The member is entitled to FSA-S in the amount of \$85 (actual period of 30 days in August and 6 days in September = 36 days; 29 days in August and 5 days in September = 34 days for payment).

D. FSA-S for Multiple Periods of Deployment. Effective 20 June 1994, and provided the conditions of subparagraph 270304.A.2, above, are met, the periods of FSA-S eligibility for multiple periods of temporary duty deployment aboard a ship, including the period between such deployments, are calculated as follows:

1. Although payment is made on a 30-day month basis, count the

actual number of days in each applicable month by including the 31st day of the month as one of the actual days.

2. Initial Deployment Period: Calculate the FSA-S period of the initial deployment aboard a ship as set forth in subparagraph C, above.

3. Interim and Redeployment Period:

a. The interim period starts the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.

b. The redeployment period will begin the day the member departs the ship's homeport and end upon returning to the homeport. The redeployment period must be more than 30 days and will be added to the interim period.

Example 1: A member is onboard a ship departing from the homeport on 2 January and returning to the homeport on 15 February. The same member is onboard a ship departing from the home port 18 March for redeployment of 35 days. Since the member qualified for FSA-S for the initial deployment, the member is eligible for continued FSA-S for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

Example 2: A member is onboard a ship departing from the homeport on 1 March and returning to the homeport on 29 April. The member is onboard a ship that departs the homeport 31 May for redeployment of 40 days. Although the member qualified for the initial 60-day period deployment, the member is ineligible for the interim period, actual interim period is 31 days, (30 April - 30 May). The member would be entitled to FSA-S for the actual redeployment (40 days).

Example 3: A member is onboard a ship departing from the homeport on 1 June and returning to the homeport on 1 July. The same member is onboard a ship that departs the homeport 2 July for redeployment of 41 days. Since the member qualified for FSA-S for the initial deployment of 31 days, member is eligible for the continued FSA-S for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).

E. Restrictions. The following restrictions apply to subparagraphs A and B, above:

1. The 30-day requirements to qualify for FSA-T or FSA-S are separate, and periods of temporary duty and duty aboard ship while away from homeport may not be combined for the purpose of FSA entitlement.

2. Periods of hospitalization or temporary duty for more than 30 days by the member at a place residing with the dependents may not be included in arriving at the 30-

day requirement.

270305. Ship Moves From Home Port. When a ship moves from its homeport to another port within 50 miles (or 1-1/2 hours travel time as prescribed in paragraph 270203, above) of the homeport, those members attached to the ship whose dependents do not reside at or near such home port under the criteria of paragraph 270203, do not become entitled to FSA-S.

Example 1: A member upon reassignment to a ship, moves the family to a location outside the current 50 miles (or 1-1/2 hour travel time) limit from the home port of the ship. When the movement of the ship is less than 50 miles (or 1-1/2 hours travel time) from the homeport, FSA-S is not payable to those members. However, if the ship moves more than 50 miles (or 1-1/2 hours travel time) from the homeport, FSA-S is payable if otherwise entitled.

Example 2: A member, upon reassignment to a ship, moves the family to a location outside the current 50 mile/1-1/2 hour limit of the homeport of the ship. Subsequently, the ship moves from the homeport and, on the 29th day, docks at a port inside the 50-mile (1-1/2 hour travel time) limit of the homeport for 5 days. The ship then returns to the homeport. The docking of the ship within the 50-mile limit would, for purposes of this example, has the same consequence as if the ship had returned to its homeport since the member's dependents do not reside at or near the homeport and since the ship did not move to a location more than 50 miles (or 1-1/2 hours travel time) from the port. Therefore, entitlement to FSA-S does not accrue.

Example 3: A member, upon reassignment to a ship, moves the family to a location outside the current 50 mile/1-1/2 hour limit of the home port of the ship, but actually commutes. A movement of the ship from the homeport results in the member being unable to commute. In this example, the member's dependents would be considered as being in the area of the homeport. Therefore, since after movement of the ship to the new location the member is unable to commute, the member would meet the requirement for FSA-S, provided the dependents resided more than 50 miles (or 1-1/2 hours travel time) from the new location.

Example 4: A member, upon reassignment to a ship, moves the family to a location within the 50 mile/1-1/2 hour limit, the movement of the ship resulting in the residence being located outside the 50 mile/1-1/2 hour limit for some of the members, but not all. Those members whose dependents reside more than 50 miles (1-1/2 hours travel time) from the new location of the ship and who do not commute, would fulfill the vicinity requirement for entitlement to FSA-S. Those members whose dependents reside within 50 miles (1-1/2 hours travel time) of the new location of the ship would not become entitled to FSA-S by virtue of the ship's movement.

★270306. Member Married to Member with Dependent Child(ren). In the case of a member married to a member, and who have a child that either parent can claim for BAQ, one parent may claim the child for BAQ purposes and the other parent, when otherwise entitled, may claim the child for FSA. FSA may alternate between parents based on the same dependent; however, FSA may not be paid simultaneously to both members on behalf of the same dependent. (See subparagraph 270301.D, above.)

270307. Specific Conditions of Entitlement

A. FSA-I. See Tables 27-1 and 27-2.

B. FSA-II. See Tables 27-3, 27-4, 27-5, and 27-6.

FSA-I, CONDITIONS OF ENTITLEMENT						
R U L E	A	B	C	D	E	F
	If member's overseas PCS assignment to	and member elects to serve	and concurrent travel	and member changes election to	and member	then member's entitlement to FSA-I (note 1)
1	area where dependents are not permitted					exists for entire unaccompanied tour.
2	an area where concurrent travel is automatically authorized, or to an advance application area	the "all others" tour before departure from CONUS				exists for entire unaccompanied tour, including tour extensions.
3				"with command sponsored dependents" tour, and change is approved (note 2)		continues through day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 3).
4			is authorized and performed			does not exist.
5			is authorized by area commander but not performed due to government reasons (note 4)			exists through day before date dependents arrive at overseas station.
6			is not authorized by area commander		complies with all area regulations for entry of dependents	continues through day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 3).
7		the "with command sponsored dependents" tour before departing CONUS	is not authorized by area commander		fails to comply with area regulations for entry of dependents	stops at time member fails to take timely action according to area regulations.
8			is not performed for any reason	the "all others" tour before dependents depart CONUS		continues for entire unaccompanied tour, if otherwise eligible. If member is not drawing FSA-I, entitlement accrues on and after date reelection is officially approved.
9	an area covered by rules 1, 2, 3, 5, 6, 7, and 8				has an only dependent on active duty	does not exist.

Table 27-1. FSA - I, Conditions of Entitlement

Note:

1. Entitlement in all cases exists only if government quarters are not available for assignment to member, and dependents do not reside at or near duty station.
2. Change in tour election from "all others" to "with command-sponsored dependents" tour must be fully documented, and officially approved by the headquarters of the Military Service concerned. This also applies to elections (made after member arrives overseas) to serve the "with command-sponsored dependents" tour.
3. Delays due to government reasons include:
 - a. Lack of transportation facilities.
 - b. Disapproval by CONUS commanders.
 - c. Disapproval for reasons of health (pregnancy of wife, etc.)
 - d. Insufficient service retainability or time remaining in the overseas tour.
4. FSA credit accrues only if dependents are prevented from traveling with member for reasons caused by the government and the delay is more than 30 days. Period of more than 30 days begins date member departs from old station or first day of authorized travel time, whichever is later. It includes TDY en route and leave taken while attached to TDY station. It does not include leave en route.

Table 27-1. FSA-I, Conditions of Entitlement (Continued)

FSA-I, CONDITIONS AFFECTING ENTITLEMENT		
R U L E	A	B
	When eligible member	FSA credit
1	arrives at permanent station (in Alaska or elsewhere outside United States)	Starts on date of arrival.
2	departs upon reassignment from permanent station	Continues through the date of departure.
3	no longer has eligible dependent	Continues through the day before the date member no longer has an eligible dependent.
4	is assigned government quarters	Continues through the day before the day government quarters become available for assignment.
5	enters non-pay status for any reason, except as provided in paragraph 030205	Continues through the day before the date member enters non-pay status.
6	is discharged and immediately reenlists at same station	Continues through discharge and immediate reenlistment.
7	acquires dependent after arrival at permanent station and meets requirements for FSA-I	Starts date dependent is acquired.
8	is on TDY away from his permanent station, including TDY within the United States	Continues for 60 days or less without certificate from member (note 1).
9	is hospitalized at or away from permanent station, including hospitalization within the United States	
10	is on authorized leave (accrued or advance) at, or away from, permanent station, including leave within the United States	
11	is in military confinement or otherwise restricted by military authority	
12	continues in status covered by rules 8 through 11 for more than 60 days	Continues (note 2).
13	travels under PCS orders to and from a permanent station outside CONUS or in Alaska	Does not accrue while en route (see rules 1 and 2 for start and stop dates).
14	has dependent depart overseas duty station at government expense because of evacuation (other than medical), under determination of Secretary concerned (or designee) as being in national interest, or for other emergency reasons not personal or caused by dependent's misconduct (note 3)	Starts on date of dependents' departure from member's duty station.

NOTES:

1. Member must meet requirement of paragraph 270103.
2. Payment must be supported by member's certificate that member maintained private quarters at permanent station.
3. These circumstances are covered in JFTR, paragraphs U6000, U5240C, U5240-B. FSA-I does not accrue if evacuation under paragraph U5240-B was caused by the dependent's misconduct. Entitlement to FSA does not accrue if dependents are returned for reasons indicated under JFTR, paragraph U5240-D.

Table 27-2. FSA-I, Conditions Affecting Entitlement

FSA-II, CONDITIONS OF ENTITLEMENT				
R U L E	A	B	C	D
	If member	And	and	then
1	is on TDY, including TDY within the United States	member is entitled to FSA-R when entering such status (note 1)	member's permanent station remains unchanged	FSA-R credit continues during TDY.
2	is hospitalized at or away from member's permanent station including hospitalization in the United States			FSA-R credit continues during period hospitalized.
3	is in military confinement or otherwise restricted by military authority			FSA-R credit continues during period confined or restricted.
4	is on authorized leave (accrued or advance) at or away from member's permanent station, including leave in the United States			FSA-R credit continues during leave.
5	is on authorized leave (accrued or advance) at residence where member's dependents reside		member's leave is followed by a period of temporary duty (any number of days) within commuting distance of residence where member's dependents reside (paragraph 270203)	FSA-R credit continues during leave but is suspended during period of TDY.
6	is on any status covered by rules 1 through 4, or enters such status		member's permanent station changes	FSA-R credit stops (note 2).
7	is reassigned PCS from a permanent station in the United States to a hospital for observation or treatment	member's application for transportation of dependents to the hospital is disapproved by the hospital commander upon determination that prolonged treatment is not expected (note 3)	member meets requirements in note 1	member is entitled to FSA-R.
8	enters any status covered by rules 2, 3, and 4	member is entitled to FSA-T when entering such status	member is not relieved from attachment to the TDY station	member continues to receive FSA-T.
9	is ordered to a hospital as a patient in attached status			member is not entitled to FSA-T.
10	is on TDY for more than 30 days from member's permanent station	member does not qualify for FSA-R at permanent station	member's permanent station remains unchanged	member is entitled to FSA-T for authorized travel time to and from TDY station and for duty at that station (note 4).
11	is performing travel or TDY en route to new or first permanent duty station on PCS or initial permanent duty assignment	is entitled to FSA-R at new permanent duty station (note 4)		member is entitled to FSA-R for TDY and authorized travel period (note 4).

Table 27-3. FSA-II, Conditions of Entitlement

R U L E	A	B	C	D
	If member	and	and	then
12	is on TDY for more than 30 days en route to a new permanent assignment	member does not qualify for FSA-R at this new station		the member is entitled to FSA-T for authorized travel time to and from the TDY station and for duty at that station (note 4).
13	is on temporary additional duty	member is entitled to FSA-S when entering such status (note 1)	member remains assigned to duty aboard a ship which is away from its home port	FSA-S accrues during entire period of temporary additional duty (note 5).
14	is hospitalized away from the ship			FSA-S accrues during period of hospitalization (note 5).
15	is on authorized leave			FSA-S accrues during period of leave (note 5).
16	is in military confinement on or away from the ship or otherwise restricted by military authority from performing duty			FSA-S accrues during period member is confined or restricted.
17	is in any status covered by rules 13 through 16		the ship returns to home port	entitlement to FSA-S ends on day before ship returns to home port.
18			member is detached from ship while it is away from home port	entitlement to FSA-S ends on date of detachment from ship (note 6).
19			member is detached from ship while it is away from home port and is later reassigned to ship while it is away from its home port	FSA-S accrues from date of reassignment to ship provided ship does not return to home in less than 31 days (note 6).
20	is on TDY redeployment of more than 30 days	following earlier TDY deployment of more than 30 days which qualified member for FSA-T	period between deployments is 30 days or less	member's entitlement to FSA-T continues.
21	is on board a ship redeployed for more than 30 days	following earlier deployment of more than 30 days which qualified member for FSA-S	period between deployments is 30 days or less	member's entitlement to FSA-S continues.
22	meets the qualifying requirements of any of the rules 1 through 21	member's only dependent is a spouse on active duty	the couple were residing together immediately before being separated by reason of military orders	member is entitled to FAS-II under the specific rule (note 7).

NOTES:

1. Must meet the requirements of paragraph 270104.
2. A new determination of entitlement is required if member's permanent station changes.
3. More than 90 days is prolonged hospitalization.
4. Includes members in the recruit training/OCS pipeline. Members are not entitled to FSA-R or FSA-T during authorized leave en route or proceed time (see Table 27-5, rules 1 and 2). See Table 27-6, rule 9 for date to stop FSA-II.
5. If dependent's residence is within commuting distance of the place where member is in such status, FSA-S will continue for 30 days only.
6. Does not apply if member is detached and attached the same day to another ship away from its home port (subparagraph 270304.B).
- ★7. Not more than one monthly allowance may be paid with respect to a married military couple for any month. Each may be entitled to FSA-II within the same month, but both cannot be simultaneously entitled. Payment will be made to the member whose orders resulted in the separation.

Table 27-3. FSA-II, Conditions of Entitlement (Continued)

FSA-R, OVERSEAS ASSIGNMENT				
R U L E	A	B	C	D
	If eligible member is	and	and	then member(s)
1	selected for PCS overseas	the accompanied tour is not authorized		is entitled to FSA-R for entire unaccompanied tour (notes 1 and 6).
2		elects the unaccompanied tour instead of the authorized accompanied tour		is not entitled to FSA-R for the length of such tour, including tour extensions (note 5).
3		elects the accompanied tour	concurrent travel is authorized and dependents travel with member	is not entitled to FSA-R.
4		is assigned to an automatic concurrent travel area or an advance application area	application for concurrent travel has been approved by the area commander	is entitled to FSA-R if dependents do not travel with member for government reasons (notes 2 and 4).
5		in status covered by rule 4	dependents arrive at member's overseas station	FSA-R stops the day before date dependents arrive.
6	selected for PCS overseas to an advance application area	application for concurrent travel is disapproved by area commander		is entitled to FSA-R until dependents arrive at overseas station. (This rule is qualified by rules 7 and 8.)
7			member fails to comply with area regulations for entry of the dependents	FSA-R is stopped when timely action is not taken under applicable regulations (note 3).
8			there is a delay of more than 60 days in dependent's arrival (60-day period begins on date of orders)	entitlement to FSA-R continues through day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 4).
9	assigned overseas	one or more of the dependents live at or near the overseas station	member qualifies for FSA-R for the dependents who are not authorized to travel to the overseas station	is entitled to FSA-R.
10		after arrival at overseas station, an accompanied tour the accompanied tour is authorized (previously unavailable) and member elects the accompanied tour	change is approved	entitlement to FSA-R continues through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 4).

Table 27-4. FSA-R, Overseas Assignment

R U L E	A	B	C	D
	If eligible member is	and	and	then member(s)
11	assigned overseas	after arrival at overseas station, an accompanied tour is authorized (previously unavailable) and member does not elect the accompanied tour		entitlements to FSA-R continues based on original assignment under rule 1.
12		has previously elected the accompanied tour, but concurrent travel is not performed	reelects the unaccompanied tour before dependents depart CONUS	is not entitled to FSA-R on and after date reelection is approved (note 5).
13		has failed to make a tour election before arrival at new duty station	makes unaccompanied tour election after arrival at the overseas station	is not entitled to FSA-R for the entire unaccompanied tour (note 5).
14			elects accompanied tour after arrival at the overseas station	is entitled to FSA-R, for the period starting with the date the tour is approved through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 4).

NOTES:

1. In all cases, entitlement exists only if dependents do not live at or near the duty station. (See paragraph 270203.) In areas where dependents are not permitted, member does not have to apply for transportation of dependents or to elect type of tour.
2. Where dependents' travel delay is not due to government reasons, but member is required to perform TDY en route, family separation for period of TDY is considered to be due to military requirements and member is entitled to FSA-R under Table 27-3, rule 11.
3. FSA-R continues if member acted timely to apply for transportation of the dependents and the application was disapproved because of the lack of service retainability or time remaining in the overseas tour.
4. Delays due to government reasons include:
 - a. Lack of transportation facilities.
 - b. Disapproval by CONUS commanders.
 - c. Disapproval for reasons of health (pregnancy of wife, etc.).
 - d. Insufficient service retainability or time remaining in the overseas tour.
5. The Secretary concerned may waive the provision in this rule to authorize FSA-R in cases where unusual family or operational circumstances exist for the member. See subparagraph 270301.D for conditions subject to waiver and individual Military Service regulations for procedures for requesting Secretarial waiver.
6. This includes dependent-restricted tours and also situations where the member is not authorized to serve an accompanied-by-dependents tour in those locations where such tours are authorized.

Table 27-4. FSA-R, Overseas Assignment (Continued)

FSA-II, COMMENCEMENT DATES			
R U L E	A	B	C
	When eligible member	and member	then FSA credit
1	departs the permanent station on PCS (not authorized FSA-R at old station), or TDY, including TDY in conjunction with PCS (note 1)	is not authorized proceed time or leave en route	starts on date of detachment from old station (note 1).
2		is authorized proceed time or leave en route	starts on constructive date of detachment from old permanent duty station (either the actual date of detachment plus days of authorized leave and/or proceed time, or the first day of authorized travel, whichever is later) (note 1).
3	departs home port aboard ship, including a ship in an inactive status	remains in this status continuously for more than 30 days	starts on date of departure (note 2).
4	joins or rejoins a ship away from home port	remains on duty on board a ship away from its home port continuously for more than 30 days	starts on first day that member boards ship away from its home port (note 2).
5	acquires initial dependent after the date of departure from old station en route to PCS overseas, but no later than the effective date of the PCS order (FSA-R) (notes 6 and 7)	meets conditions of Table 27-4, rule 1	starts on date member acquires dependent or constructive date of detachment from old station (Table 27-5, rule 2), whichever is later.
6		meets conditions of Table 27-4, rule 13, note 5, or rule 14	(if any) starts according to Table 27-4, rule 13, note 5, or rule 14.
7	acquires initial dependent after the date of departure from old station en route to PCS overseas (member is not entitled to FSA-R, at the overseas station), but no later than the effective date of the PCS order (note 6)	is on TDY en route with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent's residence	for the period of TDY starts on the date the member acquires dependent (FSA-T) (note 1).
8	a. acquires dependent after the effective date of the PCS order (note 6), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near member's permanent duty station (FSA-R)	is not on TDY/TAD	starts on date member acquires dependent.
9		is on leave (co-resident with dependent or not)	
10		is on TDY/TAD not within commuting distance of dependent's residence	
11		is on TDY/TAD within commuting distance of dependent's residence	starts on member's date of return to permanent duty station.

Table 27-5. FSA-II, Commencement Dates

R U L E	A	B	C
	When eligible member	and member	then FSA credit
12	a. acquires dependent after the effective date of the PCS order (note 6), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's permanent duty station (where member is not entitled to FSA-R)	is on TDY/TAD with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent's residence	for the period of TDY starts on date member acquires dependent (FSA-T) (note 1).
13		remains away from home port aboard ship for more than 30 days after the date the dependent is acquired	starts on date member acquires dependent (FSA-S) (note 1).
14	has newly acquired dependent who joins member at duty station at member's expense	confirms whether dependent is making change of residence or temporary social visit	is based on paragraph 270202 (temporary social visit); paragraph 270203 (change of residence).
15		relocates dependent away from duty station at member's expense	starts on date of dependent's departure from duty station (note 5).
16	has dependent depart overseas duty station at government expense because of evacuation (other than medical), under determination of Secretary concerned (or designee) as being in national interest, or for other emergency reasons not personal or caused by dependent's misconduct (note 3)		starts on date of dependent's departure from duty station.
17	reports onboard ship after a change of home port has been declared	does not reside with dependents at or near the current home port of the ship	starts on the date member reports on board ship (note 4).

NOTES:

- Do not pay FSA-T or FSA-S until member has been on TDY/TAD or on duty aboard ship away from home port continuously for more than 30 days (or, if applicable, for more than 30 days after date dependent is acquired). In computing the amount payable, the 31st day of any month should be excluded from the computation and February should be treated as if it actually had 30 days. (See paragraph 270304.)
- Does not apply if the ship is in a port (other than its home port) located within commuting distance of the residence of member's dependents continuously for more than 30 days. Also see paragraph 270305.
- These circumstances are covered in JFTR, volume 1, paragraphs U6000, U5240-C, U5240-B. FSA-II does not accrue if evacuation under paragraph U5240-B was caused by the dependent's misconduct. Entitlement to FSA does not accrue if dependents are returned for reasons indicated under JFTR, paragraph U5240-D.
- FSA-R does not accrue if member was on board ship when the change in home port was declared, except under paragraph 270301.
- If already started under paragraph 270202, entitlement continues upon departure of dependents from duty station.
- The effective date of PCS orders is the date a member is required to begin travel from the old permanent duty station (PDS) or the last temporary duty station, in order to arrive at the new PDS on the date authorized by the mode of transportation authorized. (JFTR, Appendix A, Effective Date of PCS Orders)
- A member who acquired initial dependent after the date of departure from old station en route PCS to CONUS from overseas or en route PCS within CONUS, but no later than the effective date of the PCS order, is entitled to travel for dependent at government expense based on JFTR, part C, chapter 5; therefore, the member is not entitled to FSA-R. (In this case, no tour election provision exists to overcome the travel provision.)

Table 27-5. FSA-II, Commencement Dates (Continued)

DATE TO STOP FSA-II		
R U L E	A	B
	If member	then FSA-II credit continues through
1	Has dependents who arrive at the duty station with intent to establish a residence	the day before dependents arrive (note 1).
2	On next reassignment, arrives at a station where member does not qualify for FSA-II	the day before date member arrives at new station (note 5).
3	Returns from TDY (TAD) of more than 30 days	the day before date of member's return from TDY (TAD) (note 2).
4	Is in a non-pay status for any period	the day before the date entering such status, except as provided in paragraph 030205.
5	has sole dependent in an institution, and if the stay in the institution continues	the day before 1 year from the date member's sole dependent entered an institution (note 3).
6	is on board a ship away from its home port	the day before ship returns to home port or date of detachment from ship, whichever is earlier (note 4).
7	reports on board a ship after a change of home port has been declared	the effective date of the change of home port.
8	has only secondary dependents who reside with relatives or friends	day before date dependents move to home of relatives or friends.
9	completes period of TDY of more than 30 days in conjunction with PCS	the day before the date the member arrives at the new station (note 2).

NOTES:

1. See paragraph 270202 for temporary social visits.
2. If delay en route and/or proceed time is authorized, use constructive date. See subparagraph 270304.A.
3. Applies when stay in the institution is initially not expected to exceed 1 year.
4. FSA-S continues if member is detached and attached the same day to another ship away from its home port.
5. If a delay en route and/or proceed time is authorized and used, then use a constructive date of arrival. Constructive date will be computed by deducting the number of days' leave and/or proceed time authorized and used from the actual date of arrival.

Table 27-6. Date To Stop FSA-II



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUN - 2 1997

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to Department of Defense Financial Management
Regulation, Volume 7, Part A (DoDFMR Vol 7A), Family
Separation Allowance - II (R) (DFAS Item G-16)

This is Interim Change Number 15-97 to the DoDFMR, Volume 7A. This change which is effective immediately, rectifies a misprinted reference paragraph affecting Table 27-2, note 1. There are also cosmetic changes recommended to Table 27-1.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate. We have also determined that this policy change will have no effect on the administration of the entitlement. We have also determined that this policy change does not require a system or procedural change to the current pay system.

Our point of contact, Major Jeff Holden, may be contacted at DSN 327-5065 or (703) 607-5065. Our FAX number is DSN 332-5271 or (703) 602-5271.

Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachments:
As stated

cc: ASD (FMP)
DFAS-HQ/DG
DJMS PMO

1. Revise Column A, Rule 11 of Table 27-3 to read as follows:

"is performing recruit/basic training, school, OCS, travel or TDY en route to initial permanent duty assignment/station"

2. Revise Column B, Rule 11 of Table 27-3 to read as follows:

"is entitled to FSA-R at new permanent duty assignment/station (note 4)"

3. Revise Column D, Rule 11 of Table 27-3 to read as follows:

"member is entitled to FSA-R for Recruit/basic training, school, OCS, travel or TDY and authorized travel period (note 4)"

4. Revise Table 27-3, note 4 as follows:

Strike the following; "Includes members in the recruit training/OCS pipeline." All else in note 4 remains the same.

5. Revise Table 27-2 note 1 to read as follows:

"Member must....of paragraph 270103."

6. Revise Table 27-1 with the following administrative changes:

- a. In column B of rules 4 and 5, change "Prior to" to "before."

- b. In columns A and D between rules 5 and 6, remove the line.

- c. In columns A, C, and D between rules 6 and 7, remove the line.

- d. In columns A and C of rule 7, remove the text.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

SEP 13, 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding - Family
Separation Allowance Entitlement (FSA),
(DFAS Item I-41)

Attached is interim change 31-99 to Chapter 27 of the
DoDFMR, Volume 7A. The purpose of this change is to include
married member couples regardless of dependency status and
increase the entitlement rate to \$100, effective January 1, 1998.

Assignment of an interim change is your authority to start
a procedural modification, if necessary, to facilitate this
change. For the Denver Center, use the attached to initiate the
formal printed change to the DoDFMR and the interim change
message.

Our point of contact, Captain Jennifer Carter may be
contacted at DSN 327-5113 or (703) 607-5113.

for Gregory P. Fitz
Director for Finance

Attachments:
As stated

cc: DASD (MPP) (Comp)
OUSD (C) ODCFO (FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

FAMILY SEPARATION ALLOWANCE TYPE II

1. Add paragraph 270104B3; "Effective January 1, 1998, FSA TYPE II is payable in a monthly amount of \$100.
2. Add the following to the beginning of paragraph 270104D; "Effective January 1, 1998, FSA-II is payable to a member married to another member regardless of whether the member has any non-active duty dependents, when all other general conditions are met and provided members were residing together immediately before being separated by reason of execution of military orders."

Change the beginning of the next sentence in the same paragraph to read, "Prior to January 1, 1998 but after September 22, 1996, a couple comprised ..."

3. Delete subparagraph 270301D3c.
4. Change Table 27-3, Rule 22, column B to read, " member is married to another active duty member"
5. Add citation to the Bibliography:

Paragraph	Reference
270104B3	Public Law 105-85, Section 626, November 18, 1997 37 U.S.C. 427(a)
270104D	Public Law 105-85, Section 603, November 18, 1997 37 U.S.C. 427(d)
270301	Public Law 105-85, Section 603, November 18, 1997 37 U.S.C. 427(d)
Table 27-3, Rule 22	Public Law 105-85, Section 603, November 18, 1997 37 U.S.C. 427(d)

CHAPTER 28

★ STATION ALLOWANCES★2801 STATION ALLOWANCES

See the JFTR, Volume 1 (reference (d)), and Military Service procedural instructions for entitlement provisions, payment procedures, and systems requirements for the following:

- 280101. Temporary Lodging Allowance.
- 280102. Cost of Living Allowance.
- 280103. Overseas Housing Allowance.
- 280104. Interim Housing Allowance.
- ★ 280105. Advance of Housing Allowances (OHA or BAH).

CHAPTER 29

CLOTHING MONETARY ALLOWANCES, ENLISTED MEMBERS2901 GENERAL290101. Clothing Allowance Entitlement

A. Army and Marine Corps. Enlisted members of these Military Services on extended active duty are furnished the initial clothing allowance on an item or issue-in-kind basis. A cash allowance may be immediately provided in lieu of items not planned to be furnished in kind. An annual cash replacement allowance will be authorized for repair and replacement of clothing and will be paid at the end of the member's anniversary month of active duty.

B. Navy and Air Force. Enlisted members of these Military Services on extended active duty are credited with the amount of the initial clothing allowance against which the authorized clothing is furnished. Payment of those amounts prescribed in the initial allowance as cash allowances may be made immediately. An annual cash replacement allowance will be authorized for repair and replacement of clothing and will be paid at the end of the member's anniversary month of active duty.

290102. References. The following source directives contain detail on entitlements, policies, and procedures on the quantity and kind of clothing that must be provided, the cash allowance in lieu thereof, and the provisions for payment of clothing replacement allowances:

A. Army: AR 700-84 (reference (ax)). For rates payable, see DFAS-IN Military Pay Tables (Daily Rates) (reference (ay)).

B. Navy: MILPERSMAN, BUPERS-INST 1020.11 series (reference (az)) and COM-NAVRESFORINST 1001.5 series (reference (ba)).

C. Air Force: DFAS-DE 7073.1-M, DFAS-DE 7073.2-M (reference (ap)), and AFI 36-3014 (reference (be)).

D. Marine Corps: Individual Clothing Regulations (MCO P10120.28 (reference (bb))).

2902 INITIAL AND CONTINUING CLOTHING MONETARY ALLOWANCES290201. Initial Clothing Monetary Allowance (Navy and Air Force)

A. Enlisted members are entitled to an initial clothing monetary allowance under the following conditions:

1. Upon first enlistment or induction in the Military Service, or upon

reenlistment in the same branch of the regular Service after 3 months from date of last discharge or release from active duty.

2. Upon enlistment in the Navy or the Air Force following last discharge from another Military Service.

3. Enlisted members of the Reserve Components (except chief petty officers), upon first reporting for or upon recall to active duty, for more than 6 months, after 3 months from date of last discharge or release from active duty.

a. Navy members are not entitled to the initial clothing monetary allowance if they have been issued clothing in kind while on inactive duty.

b. Air Force members will return to active duty with the clothing required for service in the Reserve Component.

4. Upon restoration of a prisoner to duty after being sentenced to confinement and punitive discharge, to the extent necessary to fill clothing allowances.

5. Upon reenlistment within 3 months after last discharge or release from active duty if the complete initial allowance was not received or the turn-in of clothing was required. Reduce the amount of the initial allowance authorized in these cases by the monetary value of the clothing the member retained upon date of last discharge or release from active duty. This initial allowance will not be considered as the last authorization to an initial allowance when determining entitlement to a cash clothing replacement allowance.

6. Retired enlisted members (including members of the Fleet Reserve) upon recall to active duty after 3 months from date of last release from active duty or date of retirement. Only one such allowance shall be authorized during any period of 4 consecutive years.

7. Commissioned officers or warrant officers serving on active duty under temporary appointments who revert to active duty in an enlisted status for other than immediate retirement. Only one such allowance will be authorized during any 4 consecutive years. This provision does not apply to commissioned or warrant officers reverting to chief petty officer status.

8. Upon reenlistment in the regular Service after the expiration of 3 months from the date of transfer to the temporary disability retired list and release to inactive duty, if appointment to temporary officer status is not coincident with such reenlistment.

9. Chief petty officers of the Naval Reserve who are discharged and enlisted or reenlisted in the Regular Navy in pay grade E-6 or below.

10. Naval aviation cadets and officer candidates upon reverting to enlisted

status to serve for more than 6 months provided they have not previously received an initial clothing monetary allowance under any of the above provisions during their current period of continuous active duty.

B. For rates payable for initial clothing monetary allowances for Army, Marine Corps, and Air Force, see Military Service directives listed in subparagraphs 290102.A, C, and D, above. For Navy rates, see Table 29-1.

290202. Partial-Initial Clothing Monetary Allowance (Navy Only)

A. A partial-initial clothing monetary allowance is payable to enlisted members of the Naval Reserve in pay grade E-6 or below when:

1. First reporting for or upon recall to extended active duty of more than 6 months except those members who previously have received as an issue-in-kind, clothing items listed in both tables A and B for male members or C and D for female members, promulgated in the current BUPERSINST 1020.11 series (reference (az)).

2. Discharged while on inactive duty for immediate reenlistment in the regular Navy, upon the date that they enlist and report for active duty in the regular Navy.

B. A partial-initial clothing monetary allowance is not payable to enlisted members of the Naval Reserve in pay grade E-6 and below:

1. Who have drawn the partial-initial clothing monetary allowance during the current period of continuous active or inactive service.

2. Who are discharged while on inactive duty to immediately reenlist in the regular Navy if they have previously drawn the partial-initial clothing monetary allowance during their current period of continuous active or inactive service.

C. Rates payable are provided in Table 29-1.

290203. Reduced or Adjusted Initial Clothing Monetary Allowance (Navy and Air Force Only)

A. Compute this allowance by deducting the current value of items authorized to be retained by the member upon last discharge, from the current initial clothing monetary allowance. Enlisted members are entitled to a reduced or adjusted initial clothing monetary allowance when:

1. They did not receive the complete initial clothing monetary allowance during their last enlistment in a Regular or Reserve Component of the Military Service concerned.

2. They enlist or reenlist in a Regular Component within 3 months from date of discharge or release from active duty from a regular or Reserve Component of the same Military Service (includes Coast Guard for Navy), if they were required to turn in a portion or all of their uniforms upon discharge or release from active duty.

B. A reduced or adjusted initial clothing monetary allowance is not considered as the "last authorization to an initial allowance" when determining entitlement to a cash clothing replacement allowance.

290204. Clothing Allowance, Special Initial (Navy only)

A. This allowance is prescribed for enlisted members who are required to wear individual clothing of a type not customarily required for the majority of enlisted members of the Navy. The clothing allowance, special initial, is in lieu of the initial or partial-initial clothing monetary allowance.

B. The rates and conditions under which clothing allowances, special initial are payable are contained in Tables 29-1 and 29-2.

290205. Initial Cash Allowance for Female Enlisted Members. Female enlisted members of all Military Services are authorized a cash allowance for the purchase of underclothing and personal items, in addition to initial clothing allowances. The rate of this cash allowance is determined annually. For rates payable for this allowance, Army, Marine Corps, and Air Force, see Military Service directives listed in subparagraphs 290102.A, C, and D, above. For Navy rates, see Table 29-1.

290206. Civilian Clothing Monetary Allowances

A. Special-Initial Allowance. Enlisted personnel who are required by competent authority to wear civilian clothing in the performance of official duty may be authorized an initial allowance for civilian clothing.

B. Extension or Consecutive Tour

1. Enlisted members who voluntarily extend their tours or who are directed to remain in the assignment requiring the wearing of civilian clothing for at least an additional 6 months are authorized 20 percent of the initial tour length payment at the current fiscal year rate.

2. Enlisted members who voluntarily extend their tours or who are directed to remain in the assignment requiring the wearing of civilian clothing for at least an additional 12 months are authorized 30 percent of the initial tour length payment at the current fiscal year rate.

3. Enlisted members who have received an initial civilian clothing

allowance for duties performed at a permanent duty station and who are ordered to a consecutive permanent assignment requiring the wearing of civilian clothing are authorized 50 percent of the allowance for the latter tour assignment at the current fiscal year rate.

C. Continuing Allowance. Enlisted members who are required to wear civilian clothing on a continuing basis and who are not eligible for an allowance on the basis of tour extensions or consecutive assignments are authorized a continuing civilian clothing allowance. This allowance is authorized for members who remain in the assignment for which they received an initial clothing allowance and is payable on or after each 3-year anniversary date of the initial allowance. The amount shall be 50 percent of the current maximum initial allowance.

D. Replacement Allowance. A member is entitled to an appropriate cash clothing replacement allowance as prescribed in Table 29-5 during periods assigned to duty requiring the wearing of civilian clothing.

E. Temporary Duty Allowance. Enlisted members are authorized a temporary duty civilian clothing monetary allowance when they are assigned to a temporary duty tour (as specified by the Military Service directives listed in paragraph 290102, above) where civilian clothing is required. An enlisted member who has not received the maximum amount payable for temporary duty due to the length of the first assignment, who later performs additional temporary duty that qualifies for a larger payment, is authorized payment of the difference between the two amounts. Prorated payments will be based on the maximum fiscal year rate in effect at the time of payment. Total payments during a three year period may not exceed the maximum temporary duty allowance reflected in Table 29-3. Reenlistment within 3 months after separation is considered as continuous active duty.

F. Rates Payable. The rates payable for civilian clothing monetary allowances may not exceed those in Table 29-3. These are the maximum rates authorized.

G. Allowance Adjustment (for the period 1 October 1988 thru 30 September 1989). Enlisted members who received a lesser initial allowance in the past 12 months than currently authorized by this paragraph and shown in Table 29-3, and who are still assigned to duty requiring the wearing of civilian clothing are authorized an amount that equals the difference between the amount previously paid and the new rate.

290207. Settlement of Initial Clothing Monetary Allowances. See Table 29-4.

2903 CLOTHING REPLACEMENT ALLOWANCES

290301. Basic Replacement Allowance. This allowance provides for replacement of uniquely military items which would normally require replacement during the first 3 years of active duty. See Tables 29-5 and 29-6.

290302. Standard Replacement Allowance. This allowance provides for continued

replacement of uniquely military items which would normally require replacement after completion of 3 years of active duty. See Tables 29-5 and 29-6.

290303. Clothing Replacement Allowance, Special (Navy Only). This allowance accrues to each enlisted member, male or female, entitled to a clothing allowance, special initial. The conditions under which this replacement allowance is payable are contained in Table 29-5.

290304. Payment Restrictions, Clothing Replacement Allowance. See Table 29-5.

290305. Rates Payable. Cash clothing replacement allowances are payable annually at the end of the member's anniversary month of active duty at the rates specified in Table 29-6.

290306. Entitlement. Enlisted members may be authorized special or supplemental clothing allowances, in cash or "issue-in-kind," when assigned to duty requiring additional quantities or special items of individual uniform clothing not normally required for enlisted members in the same Military Service. No replacement allowance is prescribed for this clothing monetary allowance.

290307. References. For rates and conditions under which allowances are payable for Army, Marine Corps and Air Force, see the Military Service directives listed in subparagraphs 290102.A, C, and D, above. For Navy, see Table 29-7.

2904 MISCELLANEOUS CLOTHING PROVISIONS

290401. Clothing Lost or Damaged. An enlisted member will be paid for items of individual clothing damaged, lost, destroyed, abandoned, captured, or otherwise rendered unserviceable, incident to service, not by reason of normal wear and tear, if the loss was not caused in whole or in part by any fault or negligence of the member. Compensate in accordance with the regulations of the Military Service concerned.

290402. Clothing Price Adjustments (Navy and Air Force). Adjust pay records of enlisted members, who were entitled to an initial or partial initial clothing monetary allowance on entering the Military Service on or before 30 September to reflect the difference between old and new fiscal year prices of those clothing items they have not drawn prior to 1 October.

★SPECIAL INITIAL CLOTHING MONETARY ALLOWANCE-1 OCT 1996 (Navy Only)		
R U L E	A	B
	Members of the Navy are authorized	★in the amount of
1	an initial clothing monetary allowance for enlisted men (notes 1 and 3)	\$ 1023.86
2	an initial clothing monetary allowance for enlisted women (notes 1 and 2)	\$ 1395.16
3	a partial initial clothing monetary allowance for enlisted members of Naval Reserves: a. Male: b. Female: (note 1)	\$ 256.81 \$ 373.45
4	a special initial clothing monetary allowance for Naval Officer candidates, including candidates attending Aviation Officer's Candidate School, Pensacola, FL; and Officer's Candidate School, Newport, RI (including Enlisted Commissioning Program participants and Limited Duty Officer (LDO) aviation candidates). a. Male: b. Female:	\$ 1044.75 \$ 1366.39

NOTES:

1. Members receiving special initial clothing monetary allowance under Table 29-2 do not receive this allowance.
- ★2. This amount includes a cash allowance of \$328.06 authorized female members for purchase of personal items.
- ★3. This amount includes a cash allowance of \$112.82 authorized male members for purchase of personal items.

★Table 29-1. Special Initial Clothing Monetary Allowance-1 Oct 1996 (Navy Only)

★ENTITLEMENT TO CLOTHING ALLOWANCE, SPECIAL INITIAL (CASI)--1 OCT 1996 (Navy Only)							
R U L E	A	B	C	★D			
	When a Chief Petty Officer (CPO)	and	and	then a clothing allowance, special initial (CASI) is authorized in the amount of			
				Male \$733.50	Female \$884.50	Male \$366.75	Female \$442.25
1	first enlists in that rating			X	X		
2	reenlists in that rating	more than 3 months have elapsed from date of last discharge or release from active duty		X	X		
3	is first advanced to that rating while on active duty (note 1)	had not previously received this allowance as a member of the United States Navy band in Wash DC or Naval Academy band (note 2)		X	X		
4	reenlists in that rating	more than 3 months have elapsed from the date of transfer to the temporary disability retired lists and released to inactive duty	appointment to temporary officer status is not coincident with reenlistment	X	X		
5	of the Naval Reserve first reports for active duty or active duty for training	the period of duty is more than 6 months	such member has not drawn the CASI upon first enlistment in the rating of CPO	X	X		
6			is assigned or associated with a selected Reserve unit in a pay or non-pay status and who has drawn a CASI while on inactive duty			X	X
7			is assigned to or associated with a selected Reserve unit in a pay or non-pay status and who has not drawn a CASI while on inactive duty	X	X		

★Table 29-2. Entitlement to Clothing Allowance, Special Initial (CASI)-1 Oct 1996 (Navy Only)

R U L E	A	B	C	★D			
	When a Chief Petty Officer (CPO)	And	and	then a clothing allowance, special initial (CASI) is authorized in the amount of			
				Male \$733.50	Female \$884.50	Male \$366.75	Female \$442.25
8	of the Naval Reserve is ordered to active duty or active duty for training for a period of more than 6 months	the first day of active duty is more than 3 months after the date of discharge or release from a period of active duty of more than 6 months	is assigned to or associated with a selected Reserve unit in a pay or non-pay status and who has drawn a CASI while on inactive duty			X	X
9			is assigned to or associated with a selected Reserve unit in a pay or non-pay status and who has not drawn a CASI while on inactive duty	X	X		
10			is assigned to or associated with a selected Reserve unit in a pay or non-pay status and who previously has drawn the CASI for a CPO outfit	X (note 3)	X		
11	of the Fleet Reserve or retired list of the Navy or Naval Reserve first reports for a period of active duty or active duty for training of more than 6 months (note 3)			X	X		

NOTES:

1. This applies to enlisted members of the Regular or Reserve Components and members of the Fleet Reserve or retired list.
2. Members of the United States Navy Band, in Washington DC or Naval Academy Band in pay grade E-6 and below, are authorized this allowance upon assignment in the band. The restriction in subparagraph 290204.A is not applicable.
3. CASI is authorized only once during any period of 4 consecutive years.

★Table 29-2. Entitlement to Clothing Allowance, Special Initial (CASI)-1 Oct 1996 (Navy Only) (Continued)

★OFFICER AND ENLISTED CIVILIAN CLOTHING ALLOWANCES-RATES PAYABLE-1 OCT 1996			
R U L E	A	★B	★C
	When a member is required to have	Length of assignment and amounts payable	Amounts payable for temporary duty
1	both winter and summer clothing	Up to 12 months \$ 737.00	
		12-24 months \$ 983.00	
		Over 24 months \$ 1244.00 (maximum)	
2	either winter or summer clothing	Up to 12 months \$ 493.00	
		12-24 months \$ 646.00	
		Over 24 months \$ 804.00	
3	civilian clothes for temporary duty in excess of 15 days (but less than 30) (notes 1,2 and 3)		\$ 245.00
4	civilian clothes for temporary duty over 30 days (notes 2 and 3)		\$ 459.00

NOTES:

1. Fifteen day limitation does not apply to explosive ordnance disposal (EOD) and explosive detector dog (EDD) personnel. EOD and EDD personnel receive maximum allowance regardless of the number of days of TDY/TAD.
2. Applies to officers only when assigned to a permanent duty station outside the United States (see section 3005).
3. Applies to enlisted members when assigned to a temporary duty tour (see subparagraph 290206.E).

★Table 29-3. Officer and Enlisted Civilian Clothing Allowances-Rates Payable-1 Oct 1996

SETTLEMENT OF INITIAL MONETARY CASH CLOTHING ALLOWANCES							
R U L E	A	B				C	D
	When member is entitled to	and is a member of the				and has	then
		Army	Navy	Marine Corps	Air Force		
1	initial clothing allowance, partial initial clothing allowance, or reduced initial clothing allowance		X			completed 6 months of active duty (note 1)	settle balance of allowance due.
2			X		X	drawn clothing equalling or exceeding the allowance	settle amount, collect amount due from member, if appropriate.
3					X	completed 30 days of active duty (note 1)	settle balance of allowance due.
4			X			completed recruit or NAVOCS training, if applicable	settle balance of allowance due.
5					X	reenlisted in the same branch of the Regular service subsequent to expiration of 3 months from date of last discharge or release from active duty	settle allowances immediately by cash payment to member.
6	special initial clothing allowance		X				pay amounts due on the date status for which special initial clothing allowance authorization is awarded.
7	initial cash allowance (for female enlisted members) (note 2)	X	X	X	X	established entitlement to initial clothing allowance	pay amount authorized for personal items of clothing.
8	initial or TDY civilian clothing allowance	X	X	X	X	been assigned permanent or temporary duty requiring the wearing of civilian clothes	Army: members will obtain clothing as prescribed in AR 700-84; Air Force: members will obtain clothing as prescribed in AFR 35-52; Navy and Marine Corps: pay member amount authorized for purchase of clothing.

NOTES:

- On discharge, release from active duty, or death, before completion of 6 months' active duty (Navy), or 30 days (Air Force), reduce the monetary clothing allowance to amount of clothing already supplied.
- This monetary allowance is in addition to clothing allowance provided in rules 1 through 5.

Table 29-4. Settlement of Initial Monetary Cash Clothing Allowances

ENTITLEMENT TO CLOTHING REPLACEMENT ALLOWANCES			
R U L E	A	B	C
	When a member	and is not	then the member is entitled to an annual
1	completes 6 months of active duty after last entitlement to an initial, or partial initial clothing allowance (notes 1 and 2)	receiving any other clothing allowance; or missing, missing-in-action, captured, or detained in a foreign country; or forfeiting total pay; or in confinement under approved sentence providing a punitive discharge (note 5); or assigned to a command where clothing is replaced by an in-kind issue; or undergoing training in the Marine Corps leading to a commission and requiring clothing not required for other members of the Corps; or terminated from the status for which the special initial-clothing monetary allowance was awarded	basic clothing replacement allowance, accruing from the first day of the month following the date of completion of 6 months' active duty through the end of the 36th month of active duty. On completion of the 12th month of duty, payment will be made for one-half the annual rate and the full annual rate thereafter (note 6).
2	completes 6 months of active duty as a Naval aviation cadet or Naval aviation officer candidate (notes 1 and 3)		
3	is required to wear a uniform not customarily worn by the majority of Naval enlisted members		standard clothing replacement allowance accruing from the date the special initial clothing allowance is awarded and continuing for the first 36 months of such active duty (note 6).
4	receives a reduced or adjusted initial clothing allowance		basic or standard clothing replacement allowance accruing from the first day of active duty in a pay status. Annual payments will be made at the end of the member's anniversary month of last entitlement to an initial clothing monetary allowance (notes 4 and 6).
5	completes 36 months of active duty after last entitlement to an initial, partial initial, or special initial, clothing allowance (notes 1 and 2)		standard or special clothing replacement allowance accruing from the day following date of completion of 36 months' active duty. Annual payments will be made at the end of the member's anniversary month of active duty (note 6).

NOTES:

1. The time period is computed without regard to lost time.
2. Partial initial and special initial clothing monetary allowances apply to Navy only.
3. The basic replacement allowance continues during the member's entire service as an aviation cadet or aviation officer candidate.
4. The replacement allowance to be paid these members depends on the period that has elapsed since the member's last entitlement to an initial monetary clothing allowance (that is, before completion of 36 months of active duty basic, after completion of 36 months of active duty standard).
5. The term "approved sentence" means the date the sentence was approved by the convening authority.
6. If a member serves on this active duty less than 12 months or less than 12 months after the last annual payment, then a prorated amount will be paid, calculated at one-twelfth of the annual rate for each whole month, or fraction thereof actually served. Example: If a member on a 3-year enlistment leaves service after serving 2 years, 6 months, and 10 days, the member will receive a final payment in an amount equal to seven-twelfths the annual amount.

Table 29-5. Entitlement to Clothing Replacement Allowances

★CLOTHING REPLACEMENT ALLOWANCES-ANNUAL RATES PAYABLE- 1 OCT 1996							
R U L E	A	★B				★C	
	When a member of the	is entitled to clothing replacement allowance then the rate payable is				or is entitled to other special allowance	
		Male		Female			
		Basic	Standard	Basic	Standard	Special (Men and Women)	
1	Army	\$228.88	\$326.97	\$298.50	\$426.42		
2	Navy	\$226.80	\$324.00 (note 1)	\$273.60	\$392.40 (note 1)	Male: \$417.60 Female: \$558.00	
3	Marine Corps	\$187.20	\$266.40	\$219.60	\$313.20		
4	Air Force	\$180.00	\$255.60	\$205.20	\$295.20		

NOTES:

- ★1. Upon advancement to E-7 member continues to receive the standard replacement allowance of an E-6 until eligible for the special replacement allowance in accordance with Table 29-5, rule 5.

★Table 29-6. Clothing Replacement Allowances-Annual Rates Payable-1 Oct 1996

ENTITLEMENT TO SPECIAL OR SUPPLEMENT CLOTHING MONETARY ALLOWANCES (CAX)- (NAVY ONLY)-1 OCT 1990		
R U L E	A	B
	When a member is assigned to	then the CAX is authorized in the amount of (note 1)
1	a normal tour of shore duty in a BUPERS-controlled recruiting billet or a recruiting support billet (notes 2, 5, 6, and 7)	E-7 and above (male) \$300.00 E-7 and above (female) 300.00 E-1 through E-6 (female) 282.95 E-1 through E-6 (male) 276.00 NEC-9585 (Recruiter) and NEC-2186 CRF Recruiter) (note 10) 300.00
2	US Navy Ceremonial Guard	All grades 132.00
3	Ceremonial Guard Unit, Naval Air Facility, Washington DC	CPOs 80.00 E-6 and below 40.00
4	duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)	E-6 and below 9.95
5	duty in the Office of the Secretary of Defense including the Joint Staff	
6	duty as a recruit company commander at naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (note 3)	E-5 and E-6 (male) 276.00 E-5 and E-6 (female) 282.95 E-7 and above (male and female) 300.00
7	duty as a recruit drill instructor at naval training centers and meets eligibility requirements (note 3)	
8	duty with Naval Administrative Unit, Washington DC	E-6 and below (except Public Quarters Mess Management Specialists) 82.94
9	CNO Retention Team	CPOs 300.00
10	Armed Forces police or permanent shore patrol upon completion of 6 months' continuous duty with these detachments (note 4)	all grades 33.00
11	duty as a member assigned to (1) Transient Monitoring Unit, Enlisted Personnel Management Center, New Orleans; (2) Personnel and Administrative Assistant Team, Atlantic; (3) Reserve Personnel Management Assistance Team (RPMAT); or (4) Personnel and Administrative Assistance Team, Pacific	all grades 122.00
12	duty as master chief petty officer of the Navy or master chief petty officer of the fleet or force	MCPON AND MCPOFs 300.00
13 ★	Active duty and Selected Reserves (E-1 through E-9) which requires the wearing of a maternity uniform (note 8)	enlisted women 207.00 (note 11)
14	duty as a musician with fleet/area band	E-7 and above (male) 300.00 E-7 and above (female) 300.00 E-6 and below (female) 282.95 E-6 and below (male) 276.00 (note 9)

**Table 29-7. Entitlement to Special or Supplement Clothing Monetary Allowances (CAX)-
(Navy Only)-1 Oct 1990**

NOTES:

1. The CAX for enlisted members assigned to any of the duties, rules 1 through 14, is payable only once during an assignment to such duty. The allowance is not payable upon reassignment to the same type of duty during a period of continuous active duty, unless 3 years or more have elapsed between such assignments. (Exception: Notes 9 and 10.)
2. A normal tour of recruiting or recruiting support duty includes active duty assignment for such duty to:
 - a. Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities.
 - b. Naval aviation cadet procurement teams on duty at Naval Air Reserve activities.
3. Eligibility requirements are:
 - a. Have successfully completed recruit company commander's or Recruit Drill Instructor's school.
 - b. Can be expected to perform recruit company commander or drill instructor duty at their present station for at least 1 additional year.
4. Effective date is 14 Jan 1969. Members serving with these detachments on that date and who have already completed the required 6 months are also entitled.
5. Pay 50 percent of CAX to Reservist recalled to active duty as recruiter or recruiting support personnel for 1 year or more after serving on active duty as a recruiter for 1 year. Count shorter periods that accumulate to 12 consecutive months if breaks between active duty periods are no more than 7 days during preceding 12 months. Pay remaining 50 percent after completion of 18 months active duty provided that any breaks between active service periods are no more than 7 days during preceding 6-month period. Service before 14 July 1973 cannot be used in computing time served to establish eligibility for payment of full or partial CAX.
6. This allowance is payable to recruiters after reporting to the Enlisted Navy Recruiter Orientation Course at Orlando, FL or San Diego, CA, or upon completion of the Veteran Recruiter Orientation (VETRO) course at New Orleans, LA and 3 weeks on-the-job training (OJT); such OJT may be either prior to or after completion of VETRO.
7. This allowance is payable to recruiting support personnel upon receipt of orders to such duty.
8. Payment of the maternity uniform allowance is neither a one-time entitlement nor payable for each pregnancy. Subsequent payments of the allowance shall be authorized every 3 years, based on the date the member received the first maternity uniform allowance, and wearing of such uniform is required.
9. This supplementary allowance is payable to musicians upon initial assignment, and on every third anniversary while assigned to such duty with a fleet/area band. The following applies to fleet/area band members:
 - a. Members reporting to fleet/area bands after 1 Oct 1990 would become entitled to this allowance upon reporting, and every third anniversary thereafter while assigned to fleet/area bands.
 - b. Members who are currently assigned to and have served continuously in any of the fleet/area bands for three years or more are entitled to this supplementary allowance on 1 Oct 1990. The anniversary date for these members will now become 1 Oct 1990. For the purpose of this allowance, members attending Musician "C" school (UIC 30636) are considered continuously serving in a fleet/area band.
 - c. Members who are currently assigned to and have served continuously in any of the fleet/area bands for less than three years on 1 Oct 1990, are entitled to this supplementary allowance when three years have elapsed since receiving the initial supplementary allowance.
10. This supplementary allowance is payable to members with NEC 2186 (CRF Recruiter) upon initial assignment and on every three-year anniversary date. Members who are currently assigned to this duty are entitled to this supplementary allowance on 1 Oct 1990, provided three years have elapsed since receiving the initial supplementary allowance. Members reporting after 1 Oct 1990 will have the anniversary date established as the reporting date.
11. Effective date for this rate change is 3 Nov 1994.

**Table 29-7. Entitlement to Special or Supplement Clothing Monetary Allowances (CAX)-
(Navy Only)-1 Oct 1990 (Continued)**



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

AUG 14 1997

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Civilian Clothing Allowance for TDY - Exceptions,
(DFAS Item G-36)

Attached is DFAS Interim Change 27-97 to Chapter 29 of the DoDFMR, Volume 7A. The effective date for the DCS courier exception is November 1, 1996. The effective date for the OSIA member exception is July 24, 1997.

This change adds two new exceptions to the minimum required consecutive days of TDY to qualify for civilian clothing allowances.

Due to the routine nature, non interpretive aspect and minimal perceived systems impact of this change, it was not submitted for preliminary review and comment.

Assignment of an interim change number is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at DSN 332-5280 or (703) 602-5280.

Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

CIVILIAN CLOTHING ALLOWANCE FOR TDY - EXCEPTIONS

1. Change Note 1, Table 29-3 to read as follows:

"1. Fifteen day limitation does not apply to Explosive Ordnance Disposal (EOD), Explosive Detector Dog (EDD), Defense Courier Service (DCS) or On-Site Inspection Agency (OSIA) personnel. Otherwise entitled members of these organizations receive maximum (over 30 days) allowance regardless of the number of days of temporary duty."

2. Update the bibliography for Chapter 29 as follows:

Insert a new entry to read "Table 29-3, Note 1" with two citations "ASD(FMP) Memo, 1 Nov 1996" and "24 Jul 1997".



FORCE MANAGEMENT
POLICY

ASSISTANT SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000



JUL 24 1985

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (M&RA)
ASSISTANT SECRETARY OF THE NAVY (M&RA)
ASSISTANT SECRETARY OF THE AIR FORCE (MRAI&E)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Civilian Clothing Allowances for Members on Temporary Duty (TDY)

DoDI 1338.18, "Armed Forces Clothing Monetary Allowance Procedures," July 29, 1985, provides for an allowance for members to purchase civilian clothing when competent authority requires they wear civilian attire when performing their official duties. Currently, the DoDI provides for a maximum allowance of \$245 when TDY exceeds "15 consecutive days but less than 30 days", and \$459 for TDY "over 30 days."

Military members assigned to the On-Site Inspection Agency are required to dress in civilian clothing when performing TDY to prevent them from being targeted by terrorists or subversive groups. Due to the nature of their duties, their TDYs are short in duration, but occur on a frequent, recurring basis. In most cases, agency personnel cannot meet the "15 consecutive day" criteria to qualify for a TDY civilian clothing allowance. However, because their travel circumstances justify such an allowance, the On-Site Inspection Agency has requested their personnel performing recurring TDYs during which they are required to wear civilian clothing be provided a TDY civilian clothing allowance.

This memorandum exempts On-Site Inspection Agency personnel from the requirement that members be on TDY for more than 15 consecutive days to qualify for a civilian clothing allowance. On-Site Inspection Agency personnel must meet all other criteria established in the DoDI to qualify for the allowance.

This policy change affects DoDI 1338.18, par. 3b(3) in enclosure 1 thereto, and is effective immediately.


F. Pang

CF: Director, OSIA





ASSISTANT SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000



FORCE MANAGEMENT
POLICY

NOV 1 1996

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (M&RA)
ASSISTANT SECRETARY OF THE NAVY (M&RA)
ASSISTANT SECRETARY OF THE AIR FORCE (MRAI&E)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Civilian Clothing Allowances for Members on Temporary Duty (TDY)

DoDI 1338.18, "Armed Forces Clothing Monetary Allowance Procedures," July 29, 1985, provides for an allowance for members to purchase civilian clothing when competent authority requires they dress in civilian attire when performing their official duties. Effective October 1, 1996, the DoDI provides for a maximum allowance of \$245 when TDY exceeds "15 consecutive days but less than 30 days", and \$459 for TDY "over 30 days."

Defense Courier Service (DCS) couriers are required to wear civilian attire when performing TDY to prevent them from being targeted by terrorists or subversive groups while escorting highly classified, time sensitive material. These TDYs are always of short duration (one to three days) and on a frequent, recurring basis. DCS couriers do not, with rare exception, meet the 15 or 30 consecutive day criteria to qualify for a TDY civilian clothing allowance. I believe the circumstances of DCS courier travel merit an exception to the consecutive days policy.

Effective immediately, DCS couriers are exempt from the requirement that members must be on TDY for more than 15 consecutive days to qualify for a civilian clothing allowance. The DCS couriers must meet the other criteria established in the DoDI to qualify for the allowance. Like the Explosive Ordnance Disposal and Explosive Detector Dog personnel currently exempt this requirement, up to the maximum \$459 may be paid to DCS couriers when authorized by competent authority.

This policy change affects DoDI 1338.18, par. 3b(3) in enclosure 1 thereto, and will be reflected in an upcoming revision.

F. Fang
F. Fang





DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

OCT - 1 1997

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
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- DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Clothing Monetary Allowances for Fiscal Year 1998,
(DFAS Item G-40)

Attached is DFAS Interim Change 29-97 to Chapter 29 of the
DoDFMR, Volume 7A. It is effective October 1, 1997.

This change issues the new clothing monetary allowances for
military members.

Due to the routine nature, non-interpretive aspect and
minimal perceived systems impact of this change, it was not
submitted for preliminary review and comment. Assignment of an
interim change number is your authority to start a procedural
modification to facilitate this change. For the Denver Center,
use the attached to initiate the formal printed change to the
DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at
DSN 332-5280 or Commercial (703) 602-5280.

Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

CLOTHING MONETARY RATES FOR FISCAL YEAR 1998

1. Change Table 29-1 as follows:

- a. Replace the date in the caption with "1 Oct 1997",
- b. Replace the dollar amounts listed in column B with:

Rule 1	"\$1109.72"
Rule 2	"\$1475.88"
Rule 3	
Male	"\$316.40"
Female	"\$441.32"
Rule 4	
Male	"\$1116.65"
Female	"\$1403.51"

- c. Replace Note 2 with, "This amount includes a cash allowance of \$373.03 authorized female members for purchase of personal items.",
- d. Replace Note 3 with, "This amount includes a cash allowance of \$153.27 authorized male members for purchase of personal items.".

2. Change Table 29-2 as follows:

- a. Replace the date in the caption with "1 Oct 1997",
- b. Replace the dollar amounts in the subheading of column D with:

Male	Female	Male	Female
"\$757.20"	"\$900.80"	"\$378.60"	"\$450.40"

3. Change Table 29-3 as follows:

- a. Replace the date in the caption with "1 Oct 1997",
- b. Replace the dollar amounts listed in column B with:

Rule 1	Up to 12 months	" \$752.00"
	12 - 24 months	"\$1004.00"
	Over 24 months	"\$1270.00"
Rule 2	Up to 12 months	" \$503.00"
	12 - 24 months	" \$660.00"
	Over 24 months	" \$821.00"

c. Replace the dollar amounts listed in column C with:

Rule 3	" \$250.00"
Rule 4	" \$469.00"

4. Change Table 29-6 as follows:

a. Replace the date in the caption with "1 Oct 1997",

b. Replace the dollar amounts listed in the first sub-column (Male, Basic) of column B with:

Rule 1	"\$252.00"
Rule 2	"\$248.40"
Rule 3	"\$216.00"
Rule 4	"\$201.60"

c. Replace the dollar amounts listed in the second sub-column (Male, Standard) of column B with:

Rule 1	"\$360.00"
Rule 2	"\$356.40"
Rule 3	"\$306.00"
Rule 4	"\$288.00"

d. Replace the dollar amounts listed in the third sub-column (Female, Basic) of column B with:

Rule 1	"\$316.80"
Rule 2	"\$306.00"
Rule 3	"\$248.40"
Rule 4	"\$226.80"

e. Replace the dollar amounts listed in the fourth sub-column (Female, Standard) of column B with:

Rule 1	"\$453.60"
Rule 2	"\$435.60"
Rule 3	"\$352.80"
Rule 4	"\$324.00"

f. Replace the dollar amounts listed in column C with:

Rule 2	Male	"\$439.20"
	Female	"\$579.60"

5. Add the following citation to the bibliography under Chapter 29: "ASD(FMP) Memo, 29 Sep 97".



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

OCT 4 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE,
KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Clothing Monetary Allowances for Fiscal Year 1999,
(DFAS Item h-25)

Attached is DFAS Interim Change 38-98 to Chapter 29 of the
DoDFMR, Volume 7A. It is effective October 1, 1998.

This change issues the new clothing monetary allowance rates
for military members and includes recent changes to civilian
clothing allowances. This change will soon be superceded by a
complete revision to Chapter 29 which will incorporate all
provisions of the revised DoD instruction governing military
clothing monetary allowances.

Due to the routine nature, non-interpretive aspect and
minimal perceived systems impact of this change, it was not
submitted for preliminary review and comment. Assignment of an
interim change number is your authority to start a procedural
modification to facilitate this change. For the Denver Center,
use the attached to initiate the formal printed change to the
DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at
DSN 332-5280 or 602-5280.

for Gregory P. Bitz
Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

CLOTHING MONETARY RATES FOR FISCAL YEAR 1999

1. Change Table 29-1 as follows:

- a. Replace the date in the caption with 1 Oct 1998,
- b. Replace the dollar amounts listed in column B with:

Rule 1	\$1112.31
Rule 2	\$1462.07
Rule 3	
Male	\$328.36
Female	\$448.31
Rule 4	
Male	\$1123.40
Female	\$1413.31

- c. Replace Note 2 with; This amount includes a cash allowance of \$412.42 authorized female members for purchase of personal items.
- d. Replace Note 3 with, This amount includes a cash allowance of \$189.36 authorized male members for purchase of personal items.

2. Change Table 29-2 as follows:

- a. Replace the date in the caption with 1 Oct 1998,
- b. Replace the dollar amounts in the subheading of column D with:

Male	Female	Male	Female
\$809.00	\$856.65	\$404.50	\$428.33

3. Change Table 29-3 as follows:

- a. Replace the date in the caption with 1 Oct 1998,
- b. Replace the dollar amounts listed in column B with:

Rule 1	Up to 12 months	\$776.00
	12 - 24 months	\$776.00
	Over 24 months	\$776.00
Rule 2	Up to 12 months	\$776.00
	12 - 24 months	\$776.00
	Over 24 months	\$776.00

c. Replace the dollar amounts listed in column C with:

Rule 3	\$258.67
Rule 4	\$517.33

d. Add a new note 4 that is applicable to column C to read as follows:

Note 4. Unless exception is given, the maximum amount payable for all temporary duty performed in any 36-month period will not exceed the maximum prescribed for duty of at least 30 days.

e. Add a new note 5 that is applicable to column B to read as follows:

Note 5. The Permanent Duty Civilian Clothing Allowance has two parts, the initial allowance listed in column B and an annual replacement allowance of \$258.67. The initial allowance shall not be paid more than once in 3 years, nor shall it be paid if the member has been out of a qualifying assignment for less than 12 months. The replacement allowance is payable at the end of the anniversary month of commencing a qualifying assignment if the member is projected to serve at least 6 additional months. A Service may be given authority to pay the initial allowance and up to 2 annual replacement allowances in a lump sum advance to members projected to continue to meet the eligibility criteria for a civilian clothing allowance on a career basis.

f. The above rates replace the interim rates that were in effect from 1 April 1998 through 30 September 1998. Those interim rates were \$765.00 for all categories of the initial permanent duty allowance, \$255.00 for the annual replacement allowance, \$255.00 for temporary duty between 15 and 30 days, and \$510.00 for temporary duty of at least 30 days.

4. Change Table 29-6 as follows:

a. Replace the date in the caption with 1 Oct 1998,

b. Replace the dollar amounts listed in the first sub-column (Male, Basic) of column B with:

Rule 1	\$234.00
Rule 2	\$252.00
Rule 3	\$205.20

Rule 4 \$187.20

c. Replace the dollar amounts listed in the second sub-column (Male, Standard) of column B with:

Rule 1 \$334.80
Rule 2 \$360.00
Rule 3 \$291.60
Rule 4 \$266.40

d. Replace the dollar amounts listed in the third sub-column (Female, Basic) of column B with:

Rule 1 \$295.20
Rule 2 \$298.80
Rule 3 \$244.80
Rule 4 \$212.40

e. Replace the dollar amounts listed in the fourth sub-column (Female, Standard) of column B with:

Rule 1 \$421.20
Rule 2 \$424.80
Rule 3 \$349.20
Rule 4 \$302.40

f. Replace the dollar amounts listed in column C with:

Rule 2 Male \$460.80
 Female \$594.00

5. Change table 29-7 as follows:

a. Replace the date in the caption with 1 APR 1998.

b. Replace the dollar amounts listed in column B and add a new column C that will now provide a frequency of payment as listed below:

Rule	Column B Amount	Column C Frequency of Payment
1	\$220 (for all categories)	annual
2	\$200	only upon assignment
3	\$120 (for all categories)	only upon assignment
4	\$15 (for all categories)	only upon assignment
5	\$15 (for all categories)	only upon assignment
6	\$220 (for all categories)	annual
7	\$220 (for all categories)	annual

8	\$125 (for all categories)	only upon assignment
9	\$220 (for all categories)	annual
10	\$50	only upon assignment
11	\$185	only upon assignment
12	\$220	annual
13	\$225	once in three years
14	\$220 (for all categories)	annual

c. Replace all existing table notes with the following; making note 1 applicable to all of column C, note 2 applicable to rule 1, and note 3 applicable to rules 6 and 7:

Note 1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Allowances to be paid annually, will be paid on the anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least an additional six months. Allowances to be paid once in three years, will be paid upon certification that the individual's condition/duties require the allowance, provided 36 months have elapsed from the date of any prior payment for the same purpose. Allowances to be paid only upon assignment, will be paid only when first assigned to the specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty even if at different locations or commands or for subsequent recalls to active duty within one year, except by special authority of the Service Secretary or designee.

Note 2. Recruiting or recruiting support duty means active duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes Naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation (VETRO). It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members in BUPERS controlled recruiting billets or a recruit support billet upon initial assignment when specialized training is not required prior to the recruiting assignment.

Note 3. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.

d. Add a new rule number 15 as follows:

Column A to read; duty as a midshipmen company advisor in pay grade E7-E9 at the United States Naval Academy

Column B to read; \$220

Column C to read; annual

6. In the bibliography under Chapter 29, replace the citation ASD(FMP) Memo, 29 Sep 97 with ASD(FMP) Memo, 25 Sep 98, and change the effective date of DoD Instruction 1338.18 to 7 Jan 1998.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

MAR 8 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DODFMR, Volume 7A, Regarding -
Clothing Monetary Allowances, (DFAS Item H-08)

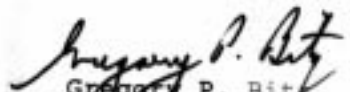
Attached is DFAS Interim Change 10-99 to Chapter 29 of the
DoDFMR, Volume 7A. It was effective October 1, 1998.

This change incorporates the provisions of DoD Instruction
1338.18 which was revised and reissued on January 7, 1998. This
change includes the clothing monetary allowance rates established
by the Assistant Secretary of Defense (Force Management Policy)
for fiscal year 1999. This is a complete chapter rewrite and
replacement for the existing Chapter 29. This change also
requires conforming modifications to be made to chapters 30, 57,
and 58 and to the Table of Contents.

We have evaluated your comments on the draft proposal of
this change to the DoDFMR, Volume 7A. The attached final version
of the change incorporates your comments where appropriate.

Assignment of an interim change number is your authority to
start a procedural modification to facilitate this change. For
the Denver Center, use the attached to initiate the formal
printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Gary McGee, may be contacted at
DSN 332-5280 or at (703) 602-5280.


Gregory P. Bitt
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

CLOTHING MONETARY ALLOWANCES

1. Revise Table of Contents by replacing the entries under Chapter 29 with the following:

CHAPTER 29 CLOTHING MONETARY ALLOWANCES

2901 GENERAL PROVISIONS.....	29-1
2902 INITIAL CLOTHING ALLOWANCES.....	29-2
2903 CASH CLOTHING REPLACEMENT ALLOWANCES.....	29-5
2904 EXTRA CLOTHING ALLOWANCES.....	29-6
2905 MISCELLANEOUS CLOTHING PROVISIONS.....	29-9

2. Revise the listing of tables under the Table of Contents for Chapter 29 by replacing the entries with the following:

Table 29-1.	Standard Initial Clothing Allowances
Table 29-2.	Special Initial clothing Allowances
Table 29-3.	Entitlement to Cash Clothing Replacement Allowances
Table 29-4.	Cash Clothing Replacement Allowances
Table 29-5.	Navy Supplementary Clothing Allowances
Table 29-6.	Air Force Supplementary Clothing Allowances
Table 29-7.	Civilian Clothing Allowances for Officer and Enlisted Members
Table 29-8.	Settlement of Cash Clothing Allowances

3. Make the following conforming changes to Chapters 30, 57 and 58:

A. Delete the opening catch line sentence, "Special Initial Allowance", in paragraph 300501 and also the word "initial" in the last line.

B. Delete paragraphs 300502 through 300508 and insert a new paragraph 300502 with the following:

Entitlement criteria and allowance rates for civilian clothing allowances are specified in Chapter 29, see paragraph 290403.

C. Replace paragraphs 570505C and 580401C with the following:

Initial Cash Allowance for Enlisted Members. An enlisted member of a Reserve component is entitled to an initial cash allowance for the purchase of items specifically designated by the military department concerned to be purchased by the member rather than to be furnished in kind. (See paragraph 290201).

D. Replace paragraph 570505D2 with the following:

Navy-DoDFMR, Volume 7A, Table 29-5.

E. Replace paragraph 570505D3 with the following:

Air Force-AFR 39-23 (reference (bd)), DFAS-DE 7073.1-M and 7073.3-M (reference (ap)) and DoDFMR, Volume 7A, Table 29-6.

4. Revise the Bibliography by replacing the entries under Chapter 29, Clothing Monetary Allowances - Enlisted Members, with the following:

Chapter 29-Clothing Monetary
Allowances

2901-General Provisions	290101	37 U.S.C. 418 EO 10113, 24 Feb 1950 DoDD 1338.5, 9 Mar 1998 DoDI 1338.18, 7 Jan 1998
2904-Extra Clothing Allowances	290402	ASD(FMP) Memo, 31 Mar 1998
	Table 29-1	ASD(FMP) Memo, 25 Sep 1998
	Table 29-2	ASD(FMP) Memo, 25 Sep 1998
	Table 29-4	ASD(FMP) Memo, 25 Sep 1998
	Table 29-7	ASD(FMP) Memo, 25 Sep 1998

3. Replace the entirety of Chapter 29 with the following:

(See next page)

CHAPTER 29

CLOTHING MONETARY ALLOWANCES2901 GENERAL PROVISIONS

290101. Clothing Allowance Entitlement. By law and under Presidential executive order, the Secretary of Defense, or the Secretary's designee, may prescribe the quantity and kind of clothing to be furnished annually to an enlisted member of the Military Services, and may prescribe the amount of cash allowance to be paid if clothing is not so furnished. It is DoD policy that the quantities and kinds of items of individual clothing to be furnished shall be prescribed by the individual Service Secretary or the Commandant of the Marine Corps under the parameters set by the Assistant Secretary of Defense for Force Management Policy.

290102. Types of Allowances. There are three basic types of clothing allowances:

A. Initial Clothing Allowances are provided to enlisted members upon initial enlistment or upon other special qualification for entitlement to a prescribed outfitting of uniforms. The initial issue may be an in kind issue or a combination of in kind issue and cash payment.

B. Cash Clothing Replacement Allowances are provided to enlisted members upon the anniversary month each successive year following the provision of an initial clothing allowance. Cash clothing replacement allowances are for replacement of required uniform items based on a normal wear rate.

C. Extra Clothing Allowances are additional to initial and replacement allowances and do not reduce, replace or otherwise affect them. Extra clothing allowances provide for unusual circumstances when an enlisted member may require additional uniform items or when an officer (with a permanent duty station outside the United States) or enlisted member may require civilian clothes to perform their assigned duties.

290103. References. The following source directives contain detail on entitlements, policies, and procedures on the quantity and kind of clothing that must be provided, the cash allowance in lieu thereof, and the provisions for payment of clothing replacement allowances:

A. Army, AR 700-84 (reference (ax)). For rates payable, see DFAS-IN Military Pay Tables (Daily Rates) (reference (ay)).

B. Navy, MILPERSMAN, BUPERS-INST 1020.11 series (reference (az)) and COM-NAVRESFORINST 1001.5 series (reference (ba)).

C. Air Force, DFAS-DE 7073.1-M, DFAS-DE 7073.2-M (reference (ap)), and AFI 36-3014 (reference (be)).

D. Marine Corps, Individual Clothing Regulations (MCO P10120.28 (reference (bb))).

2902 INITIAL CLOTHING ALLOWANCES

290201. Standard Initial Clothing Allowance – General Provisions. The Standard Initial Clothing Allowance is mainly provided as an in kind issue, although a cash payment may be made for items not furnished in kind. Each Service, as approved by the Assistant Secretary of Defense (Force Management Policy), may prescribe cash payments for items specifically designated to be purchased by the member rather than to be furnished in kind. Additionally, if any of the items of clothing normally prescribed to be furnished in kind are not available for issuance, the initial allowance may be completed by paying the member the cash value of the balance remaining. The Standard Initial Clothing Allowance rates, including prescribed cash payments for personal purchase of specified items are in table 29-1.

A. The total monetary value of items furnished in kind, plus any cash payments, may not exceed the amounts for the total value of the applicable Standard Initial Clothing Allowance as established in table 29-1.

B. If a Service member dies, is discharged, or is released from active duty within six months of entitlement to an initial allowance, the value of the initial allowance shall be reduced to the items of clothing already supplied or amount credited up to that date.

C. Navy and Air Force. Enlisted members of the Navy and Air Force entitled to a Standard Initial Clothing Allowance are credited with the amount of the allowance against which the authorized clothing is furnished. Payment of the amount prescribed in the initial allowance as a cash payment for personal purchase of specified items may be made immediately. If any of the prescribed items of clothing to be furnished in kind against the established credit are not available for issuance by the conclusion of basic training period, or within a period the Service considers appropriate, the initial allowance may be completed by paying the individual the balance remaining in cash.

D. Army and Marine Corps. Enlisted members of the Army and Marine Corps entitled to a Standard Initial Clothing Allowance are furnished the allowance on an item or issue in kind basis without establishing a monetary credit. Payment of the amount prescribed in the initial allowance as a cash allowance may be made immediately. Shortages of items being furnished on an in kind basis shall be recorded and issued when available to the Service member.

290202. Standard Initial Clothing Allowance - Entitlement Criteria. Enlisted personnel (except those entitled to a Special Initial Clothing Allowance) shall be furnished a Standard Initial Clothing Allowance, but only under the following circumstances:

A. Upon first enlistment in the Service, or reenlistment in the same branch of the regular Military Service if three months has expired from date of last discharge or release from active duty and the member is not reporting from a Reserve component that requires the member to maintain uniform clothing.

B. Upon enlistment or re-enlistment in a Service other than the one from which last discharged.

C. Upon reporting for or upon recall to active duty for more than six months, after three months have expired from the date of last discharge or release from active duty with the clothing required for service in a Reserve component. In these cases, the initial allowance shall be reduced to a Partial Standard Initial Clothing Allowance under regulations of the appropriate Service, to account for clothing required to be in the person's possession upon call or recall to active duty.

D. Upon being restored to duty, after being sentenced to confinement and punitive discharge, to the extent needed to fill the individual's clothing requirement.

E. Upon re-enlisting within three months of last discharge or release from active duty, when the Service member did not receive the complete initial allowance or was required to turn in issued clothing. The amount allowed, shall be the difference between the current initial clothing allowance and the current value of issued clothing that remained in the member's possession upon the date of last discharge or release from active duty, further reduced by any prior cash clothing payments toward the initial clothing allowance. For the purposes of determining entitlement to replacement allowances, issues or payments under this subparagraph are not considered to be the last authorization of an initial allowance.

F. Retired enlisted personnel (including Service members of the Fleet Reserve and the Fleet Marine Corps Reserve) recalled to active duty after three months from the date of last release from active duty or retirement. Only one such allowance shall be authorized during any period of four consecutive years.

G. Commissioned officers or warrant officers under temporary appointments who enlisted or re-enlisted, or who reverted to service on active duty in an enlisted (other than Chief Petty Officer) status, except for purposes of retirement. Only one such allowance is authorized in any period of four consecutive years.

H. Naval officer candidates, and Naval Reserve Chief Petty Officers who revert to or are enlisted or re-enlisted in the regular Navy in pay grade E-6 or below, except for purposes of retirement; provided they have not previously received a standard initial clothing allowance during their current period of continuous active duty.

290203. Special Initial Clothing Allowance – General Provisions. Enlisted members may be authorized a Special Initial Clothing Allowance if assigned to a tour of duty, or if they attain a status, requiring the wear of uniform clothing (other than special dress uniforms) of a style different from uniforms customary for most enlisted members of the same Service. Only one Special Initial Clothing Allowance is authorized during any period of continuous active duty. The Special Initial Clothing Allowance rates are in table 29-2.

A. The Special Initial Clothing Allowance is provided in lieu of the Standard Initial Clothing Allowance when it is the first initial allowance qualified for and issued. The Special Initial Clothing Allowance supercedes and replaces the Standard Initial Clothing Allowance and is considered to be the last authorization of an initial clothing allowance when a member who previously received a Standard Initial Clothing Allowance subsequently qualifies for and is provided a Special Initial Clothing Allowance. The Special Initial Clothing Allowance may be issued in kind, paid as a monetary payment, or provided as a combination, as established the Service concerned.

B. Examples of uses for Special Initial Clothing Allowance are when members in an enlisted status enter an officer training program, are advanced to Chief Petty Officer in the Navy, or are assigned to a military band with uniform styles different than those for others in their pay grade.

290204. Special Initial Clothing Allowance – Eligibility Criteria. Enlisted personnel shall be furnished a Special Initial Clothing Allowance only under the following circumstances:

- A. Upon selection and acceptance for specified officer-training programs.
- B. Upon assignment, in pay grade E-6 or below, to either the United States Navy Band Washington, DC or the United States Naval Academy Band.
- C. Upon first advancement to or first enlistment as a Chief Petty Officer in the Navy, while serving on active duty, provided no Special Initial Clothing Allowance has been previously paid.
- D. Upon first reporting for active duty for a period of more than six months as a Chief Petty Officer of the Naval Reserve provided no Special Initial Clothing Allowance has been previously paid either on active or inactive duty.
- E. Upon active duty reenlistment or receipt of orders to active duty as a Chief Petty Officer in the Navy, provided all of the following conditions are met:
 - 1. Over three months has expired from date of last discharge, release from active duty or retirement,
 - 2. The enlistment or re-enlistment period is for a period of more than six months,
 - 3. Appointment to temporary officer status is not coincident with the enlistment or re-enlistment, and
 - 4. The member has not been paid a Special Initial Clothing Allowance within the last four years while on inactive duty.
- F. A Chief Petty Officer of the Naval Reserve first reporting for active duty for a period of more than six months who has been previously paid a Special Initial Clothing Allowance while on inactive duty will receive a Partial Special Initial Clothing Allowance.

290205. Partial Initial Clothing Allowances. Enlisted personnel shall be paid a reduced or partial initial allowance when payment of a full Standard Initial Clothing Allowance or full Special Initial Clothing Allowance is not warranted as described in paragraphs 290202C and 290204F.

2903 CASH CLOTHING REPLACEMENT ALLOWANCES

290301. General. Cash clothing replacement allowances for uniform items shall be paid to enlisted members to provide them funds for the replacement of military unique items required for wear. Enlisted members engaged in officer training programs or who are attending academy preparatory schools are not eligible for cash clothing replacement allowances. Specific entitlement rules are listed in table 29-3. Cash clothing replacement allowance rates are listed in table 29-4.

290302. Basic Cash Clothing Replacement Allowance. This is a preliminary replacement allowance for uniform items. It is used during the first three years of active service subsequent to receipt of a Standard Initial Clothing Allowance or a reduced or Partial Standard Initial Clothing Allowance.

A. It accrues to each enlisted member beginning with the first day of the month following the date of completion of six months of active duty without regard to time lost. The first payment shall be made at the end of the member's anniversary month completing one year of uninterrupted active military service in an amount equal to one-half the applicable fiscal year rate then in effect.

B. When authorized under regulations of the Service concerned, enlisted members of a Reserve component who received a reduced or Partial Standard Initial Clothing Allowance, may be authorized to accrue the Basic Cash Clothing Replacement Allowance beginning with the first day of the month following the date of call or recall to active duty in a pay status.

C. The Basic Cash Clothing Replacement Allowance continues for the first three years of continuous active duty. It is payable for the second and third years at the end of the member's anniversary month using the applicable rate then in effect.

290303. Standard Cash Clothing Replacement Allowance. This allowance provides for replacement of uniform items after completion of three years of active service subsequent to receipt of a Standard Initial Clothing Allowance or a reduced or Partial Standard Initial Clothing Allowance. It is also used as the preliminary replacement allowance during the first three years of active service subsequent to receipt of a Special Initial Clothing Allowance or a reduced or Partial Special Initial Clothing Allowance.

A. When used as the follow on to the Basic Cash Clothing Replacement Allowance, the Standard Cash Clothing Replacement Allowance accrues beginning with the first day of the month following the date the member completes 36 months active duty without regard

to time lost. It continues during the remaining period of continuous active duty and is payable annually at the end of the Service member's anniversary month using the applicable rate then in effect.

B. When used as the preliminary replacement allowance for the Special Initial Clothing Allowance, the Standard Cash Clothing Replacement Allowance accrues beginning with the first day of the month following the date the Special Initial Clothing Allowance or a reduced or Partial Special Initial Clothing Allowance was authorized without regard to time lost. It is payable annually, for the first three years of continuous active duty, at the end of the Service member's anniversary month using the applicable rate then in effect.

290304. Special Cash Clothing Replacement Allowance. This allowance provides for replacement of uniform items after completion of three years of active service subsequent to receipt of a Special Initial Clothing Allowance. It accrues beginning with the first day of the month following the date the member completes 36 months active duty, subsequent to receiving a Special Initial Clothing Allowance or a reduced or Partial Special Initial Clothing Allowance, without regard to time lost, and continues during the remaining period of continuous active duty. It is payable annually at the end of the Service member's anniversary month using the applicable fiscal year rate then in effect. During the period the Special Cash Clothing Replacement Allowance is payable, the Service member is not entitled to any other cash clothing replacement allowance for uniforms.

2904 EXTRA CLOTHING ALLOWANCES

290401. General. Extra Clothing Allowances are provided in addition to any other entitled clothing allowance. Entitlement to or payment of an Extra Clothing Allowance does not replace or reduce any other clothing allowance.

290402. Supplementary Clothing Allowances. In addition to any other clothing allowance authorized, an enlisted member may become entitled to a Supplementary Clothing Allowance. Supplementary Clothing Allowances may be authorized only for enlisted personnel assigned to duty in a special organization or detail where the nature of the duty necessitates the member have, as a military requirement, additional quantities or special items of individual uniform clothing normally not required for most enlisted members in the same Service. Except for maternity uniforms, Supplementary Clothing Allowances may not exceed 20 percent of the current value of the Standard Initial Clothing Allowance.

A. Entitlement.

1. A Supplementary Clothing Allowance may be provided as an in kind issue, as a cash payment, or as a combination of an in kind issue and a cash payment. Generally, Navy and Air Force members are provided Supplementary Clothing Allowances as cash payments, whereas Army and Marine Corps members are normally provided Supplementary Clothing Allowances as in kind issues.

2. On the anniversary of receipt of an initial Supplementary Clothing Allowance, a subsequent Supplementary Clothing Allowance may be authorized for a member remaining in the qualifying assignment, provided the member is projected to remain in the assignment for at least six additional months. A Service member who has received a Supplementary Clothing Allowance may not be authorized a subsequent supplementary allowance for the same items upon reassignment to duty, if less than 12 months have elapsed since the last payment. However, the Service Secretary or Commandant of the Marine Corps or their designee, may waive this restriction under circumstances they deem appropriate.

3. As an exception to the above, an otherwise qualified member may not receive the Supplementary Clothing Allowance for maternity uniforms more often than once every three years.

B. Rates Payable.

1. Navy and Air Force provide Supplementary Clothing Allowances as cash payments. The Navy Supplementary Clothing Allowance rates are listed in table 29-5. The Air Force Supplementary Clothing Allowance rates are listed in table 29-6.

2. Army and Marine Corps provide Supplementary Clothing Allowances as in kind issues or a combination of in kind issues and cash payments. The Army and Marine Corps Supplementary Clothing Allowances are described in the appropriate Service references listed in paragraph 290103.

290403. Civilian Clothing Allowances for Officers and Enlisted Personnel. In addition to any other clothing allowance authorized, Service members (officer or enlisted) directed by competent authority to dress in civilian clothing more than half the time when performing official duty, as a military requirement, may be authorized a civilian clothing allowance. By law, an officer is authorized a civilian clothing allowance only if the officer's permanent duty station is outside the United States. During any period an enlisted member is on an assignment requiring the wear of civilian clothing, the applicable replacement allowance for uniform items continues to accrue. The Service Secretary or Commandant of the Marine Corps may prescribe reduced civilian clothing allowances, as appropriate for their respective Service, for personnel serving under conditions where the full authorized civilian clothing allowances in table 29-7 are not required.

A. Permanent Duty Civilian Clothing Allowances. The Permanent Duty Civilian Clothing Allowance has two parts, the Initial Civilian Clothing Allowance and the Replacement Civilian Clothing Allowance. The Initial Civilian Clothing Allowance is payable upon assignment to qualifying permanent duty when authorized by the Service concerned. When entitled, the Replacement Civilian Clothing Allowance is payable annually at the end of the Service member's anniversary month using the applicable rate then in effect. The rates payable for the Permanent Duty Civilian Clothing Allowances are in table 29-7.

1. Initial Civilian Clothing Allowance. An Initial Civilian Clothing Allowance shall not be paid more frequently than once in any three year period nor shall it be

paid if the member has been out of a qualifying assignment for less than 12 months. If the member receives a follow-on permanent assignment requiring the wear of civilian clothing within three years of receiving an Initial Civilian Clothing Allowance, or within 12 months of occupying a qualifying assignment, the member will receive the Replacement Civilian Clothing Allowance at the end of the original anniversary month.

2. Replacement Civilian Clothing Allowance. At the end of the anniversary month of the member commencing the qualifying assignment, a Replacement Civilian Clothing Allowance is payable if the member is projected to serve at least six additional months in a qualifying assignment. The member becomes entitled upon authorization of the Service concerned. If the member is projected to remain in the assignment less than six months beyond the anniversary month, the Replacement Civilian Clothing Allowance will not be authorized. However, if the member then actually serves six or more months in the assignment past the anniversary month, the replacement allowance will be paid.

3. Lump Sum Payments. A Service may be given authority to pay the Initial Civilian Clothing Allowance and up to two Replacement Civilian Clothing Allowance payments in an up-front lump sum to members projected to continue to meet the eligibility criteria for a civilian clothing allowance on a career basis. Such a lump-sum payment may be made only one time in a member's career and that is when the member first becomes eligible for the allowance. On the first or second anniversaries after a lump-sum initial payment, if it is determined the member will not actually be remaining in a qualifying position for at least the next six months, the annual unearned portion for the year(s) not served will be recouped from the member. At the end of the anniversary months for the third and subsequent years' of eligibility, the member will be paid the Replacement Civilian Clothing Allowance.

4. Prior Civilian Clothing Payments. A member assigned to duty for which a Permanent Duty Civilian Clothing Allowance is authorized will have that allowance reduced by the prevailing value of any Temporary Duty Civilian Clothing Allowance received within the preceding 12 months.

B. Temporary Duty Civilian Clothing Allowances. Generally, the Temporary Duty Civilian Clothing Allowance is for use when the Permanent Duty Civilian Clothing Allowance is not applicable. The Temporary Duty Civilian Clothing Allowance has two maximum rates, one for temporary duty of at least 15 days within any 30 day period and one for temporary duty of at least 30 days within any 36 month period. The total amount of all Temporary Duty Civilian Clothing Allowances payable in any 36 month period will not exceed the maximum allowed for temporary duty of at least 30 days. The amounts authorized by the Service concerned shall be within the maximum rates established in table 29-7.

1. Temporary Duty of at Least 15 Days. When competent authority determines the member will be on temporary duty at least 15 consecutive or accumulative days within a 30-day period, the maximum amount payable is that found in table 29-7. The 15-day threshold requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog personnel on United States Secret Service support duty, Defense Courier Service couriers, or On-Site Inspection Agency military personnel. These personnel may be authorized up to the

maximum payment for temporary duty of at least 30 days, upon their initial temporary duty assignment, regardless of the length of their temporary duty.

2. Temporary Duty of at Least 30 Days. When competent authority determines the member will be on temporary duty at least 30 consecutive or accumulative days within a 36 month period, the maximum amount payable shall be that found in table 29-7, less any amount paid within the past 36 month period.

3. Additional Temporary Duty Payments. In exceptional circumstances, the appropriate official, or the designated official, may make an exception to the maximum allowance permitted in a 36 month period and may authorize an additional payment of a 15 or 30 day allowance or some lesser amount. This authority may not be delegated below the Assistant Secretary level in the Army, Navy and Air Force, or the Deputy Chief of Staff for Manpower and Reserve Affairs in the Marine Corps.

2905 MISCELLANEOUS CLOTHING PROVISIONS

290501. Reserve Component Allowances. Generally, items of individual clothing required by Reserve component personnel on active duty for periods of less than six months or while on inactive duty, are furnished as in kind issues. However, the prescribed cash portion of the Standard Initial Clothing Allowance may be paid to the Reserve member at the time their initial allowance is issued for items designated to be personally purchased and not issued in kind. Members of Reserve components on active duty for periods of less than six months or on inactive duty are not entitled to any Civilian Clothing Allowances. Further guidance for payment of clothing allowances for Reserve members is set forth in Chapters 57 and 58.

290502. Lost or Damaged Clothing. Service members shall be compensated for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable, incident to military training or service, if the loss was not caused by any fault or negligence of the Service member. The Service concerned shall prescribe procedures for such compensation.

290503. Clothing Price Adjustments. Enlisted members of the Navy and Air Force entitled to an initial or partial initial clothing monetary allowance upon entering the Service may require adjustment to their pay records. When the entitlement date is on or before 30 September, but all clothing items have not been issued prior to 1 October, adjust the pay record to reflect the difference between old and new fiscal year prices of those items not issued.

290504. Settlement of Cash Clothing Allowances. Cash clothing replacement allowances are always paid on the last day of the anniversary month in which the member earned the entitlement, except when prorated as a result of discharge before the end of the anniversary month. Supplementary Clothing Allowances are paid when the entitlement is approved by the authorizing official. Other cash clothing allowances will be settled as outlined in Table 29-8.

STANDARD INITIAL CLOTHING ALLOWANCES – EFFECTIVE 1 OCT 1998					
R U L E	A	B	C	D	E
	When an entitled enlisted member is	and is	Then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is	and the Partial Initial cash allowance for a member of the Reserves or Guard called to active duty is
1	Army	male	\$ 948.20		
2		female	\$1,237.85	\$229.55	
3	Navy (E1-E6)	male	\$1,112.31	\$189.36	\$328.36
4		female	\$1,462.07	\$412.42	\$448.31
5	Air Force	male	\$ 897.45		
6		female	\$1,104.61	\$200.52	
7	Marine Corps	male	\$ 996.45		
8		female	\$1,265.61	\$200.52	

Table 29-1. Standard Initial Clothing Allowances

SPECIAL INITIAL CLOTHING ALLOWANCES – EFFECTIVE 1 OCT 1998					
R U L E	A	B	C	D	E
	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is	and the Partial Initial cash allowance for a member of the Reserves or Guard called to active duty is
1	assigned to the Navy Band, Washington, DC or the US Naval Academy Band	male	\$ 809.00	\$ 809.00	
2		female	\$ 856.65	\$ 856.65	
3	eligible to wear the uniform of a chief petty officer (E7-E9)	male	\$ 809.00	\$ 809.00	\$404.50
4		female	\$ 856.65	\$ 856.65	\$428.33
5	a Naval officer candidate, including those attending Aviation Officer Candidate School and Officer candidate School (includes Enlisted Commissioning Program and Limited Duty Officer participants)	male	\$1,123.40	\$1,123.40	
6		female	\$1,413.31	\$1,413.31	
7	a direct civilian accession student to the Air Force Officer Training School (OTS)	male	\$706.20	\$706.20	
8		female	\$912.86	\$912.86	
9	an enlisted accession student to the Air Force Officer Training School (OTS)	male	\$295.00	\$295.00	
10		female	\$295.00	\$295.00	
11	assigned to the United States Air Force Academy Preparatory School	male	\$775.10	\$775.10	
12		female	\$776.11	\$776.11	

Table 29-2. Special Initial Clothing Allowances

ENTITLEMENT TO CASH CLOTHING REPLACEMENT ALLOWANCES			
R U L E	A	B	C
	When a member	and is not	then the member is entitled to an annual
1	completes 6 months of active duty after last entitlement to a standard initial, partial standard initial or reduced standard initial clothing allowance (note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial-clothing monetary allowance was awarded	basic cash clothing replacement allowance, accruing from the first day of the month following the date of completion of 6 months' active duty through the end of the 36th month of active duty. On completion of the 12th month of uninterrupted active duty, payment will be made for one-half the annual rate and the full annual rate thereafter. Annual payments will be made at the end of the member's anniversary month of active duty (note 3).
2	completes 6 months of active duty as an officer candidate (note 1)		
3	becomes entitled to a special initial, partial special initial or reduced special initial clothing allowance		standard cash clothing replacement allowance accruing from the first day of the month following the date the special initial clothing allowance is awarded and continuing for the first 36 months of such active duty. Annual payments will be made at the end of the member's anniversary month of active duty (note 3).
4	completes 36 months of active duty after last entitlement to a standard initial, partial standard initial, or a reduced standard initial clothing allowance (note 1)		standard cash clothing replacement allowance accruing from the first day of the month following the date of completion of 36 months' active duty. Annual payments will be made at the end of the member's anniversary month of active duty (note 3).
5	completes 36 months of active duty after last entitlement to a special initial, partial special initial, or a reduced special initial clothing allowance (note 1)		special cash clothing replacement allowance accruing from the first day of the month following the date of completion of 36 months' active duty. Annual payments will be made at the end of the member's anniversary month of active duty (note 3).

NOTES:

1. The time period is computed without regard to lost time.
2. The term "approved sentence" means the date the sentence was approved by the convening authority.
3. If a member serves on this active duty less than 12 months or less than 12 months after the last annual payment, then a prorated amount will be paid, calculated at one-twelfth of the annual rate for each whole month or fractional month served. Example: A member on a 3-year enlistment leaves service after serving 2 years, 6 months, and 10 days. The final payment would be an amount equal to 7/12 of the annual amount.

Table 29-3. Entitlement to Cash Clothing Replacement Allowances

CASH CLOTHING REPLACEMENT ALLOWANCES – EFFECTIVE 1 OCT 1998					
R U L E	A	B	C	D	E
	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is
1	Army	male	\$234.00	\$334.80	
2		female	\$295.20	\$421.20	
3	Navy	male	\$252.00	\$360.00 (note 1)	\$460.80 (note 1)
4		female	\$298.80	\$424.80 (note 1)	\$594.00 (note 1)
5	Air Force	male	\$187.20	\$266.40	
6		female	\$212.40	\$302.40	
7	Marine Corps	male	\$205.20	\$291.60	
8		female	\$244.80	\$349.20	

NOTES:

1. Members of the USNA and Washington DC Navy bands and all Navy Chief Petty Officers receive these allowances as follow-on to the Special Initial Clothing Allowances and the Basic Cash Clothing Replacement Allowance is not used.

Table 29-4. Cash Clothing Replacement Allowances

NAVY SUPPLEMENTARY CLOTHING ALLOWANCES – EFFECTIVE 1 APRIL 1998			
R U L E	A	B	C
	When a Navy enlisted member is assigned to	then the supplementary clothing allowance to be paid in cash is	and the frequency of payment is (note 1)
1	shore duty in a BUPERS controlled recruiting billet or a recruiting support billet (note 2)	\$220.00	annual
2	the US Navy Ceremonial Guard	\$200.00	only upon assignment
3	the Ceremonial Guard Unit, Naval Air Facility, Washington DC	\$120.00	only upon assignment
4	duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)	\$15.00	only upon assignment
5	duty in the Office of the Secretary of Defense including the Office of the Joint Chiefs of Staff	\$15.00	only upon assignment
6	duty as a recruit company commander at naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (note 3)	\$220.00	annual
7	duty as a recruit drill instructor at naval training centers and meets eligibility requirements (note 3)	\$220.00	annual
8	duty with Naval Administrative Unit, Washington DC	\$125.00	only upon assignment
9	the CNO Retention Team	\$220.00	annual
10	a unit of the armed forces police or permanent shore patrol	\$50.00	only upon assignment
11	duty as a member assigned to (1) Transient Monitoring Unit, Enlisted Personnel Management Center, New Orleans; (2) Personnel and Administrative Assistance Team, Atlantic; (3) Personnel and Administrative Assistance Team, Pacific; or (4) Reserve Personnel Management Assistance Team (RPMAT)	\$185.00	only upon assignment
12	duty as the Master Chief Petty Officer of the Navy (MCPON) or a Master Chief Petty Officer of a Fleet or Force	\$220.00	annual
13	active duty or Selected Reserve duty and the individual's condition requires the wearing of a maternity uniform	\$225.00	once in three years
14	duty as a musician with a fleet or area band	\$220.00	annual
15	duty as a midshipmen company advisor in pay grade E7 – E9 at the United States Naval Academy	\$220.00	annual

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Allowances to be paid as annual allowances will be paid on the anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least an additional six months. Allowances to be paid as once in three year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance and they are projected to remain in the assignment for at least six additional months. Allowances to be paid as only upon assignment allowances will be paid only when first assigned to the specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty even if at different locations or commands or for subsequent recalls to active duty within one year, except by special authority of the Service Secretary or his designee.

2. Recruiting or recruiting support duty means active duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes Naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation (VETRO). It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members in BUPERS controlled recruiting billets or a recruit support billet upon initial assignment when specialized training is not required prior to the recruiting assignment.

3. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.

Table 29-5. Navy Supplementary Clothing Allowances

AIR FORCE SUPPLEMENTARY CLOTHING ALLOWANCES – EFFECTIVE 1 APRIL 1998			
R U L E	A	B	C
	When an Air Force enlisted member is assigned to	then the supplementary clothing allowance to be paid in cash is	and the frequency of payment is (note 1)
1	duty as an in-flight passenger service steward	\$150.00	annual
2	Detachment 1, 4950 th Test Wing	\$150.00	annual
3	89 th Air Wing Presidential Aircrew	\$150.00	annual
4	Headquarters USAF/CC as member of the security police	\$100.00	only upon assignment
5	89 th Air Wing as a member of the security police	\$100.00	annual
6	the United States Air Force Band, the Air Force Band of the Rockies, or a numbered Air Force band	\$150.00	once in three years
7	Hammer Ace	\$150.00	only upon assignment
8	duty as a basic military training instructor or manager	\$179.00	annual
9	duty as a cadet military training advisor at the United States Air Force Academy	\$150.00	annual
10	duty as a basic military training instructor at the United States Air Force Academy Preparatory School	\$150.00	annual
11	a recruiting group or squadron	\$179.00	annual
12	represent the Air Force as one the 12 Outstanding Airmen of the Year	\$179.00	only upon assignment
13	duty as a Professional Military education Instructor	\$179.00	annual
14	duty at a MAJCOM as a member of the security police Elite Guard	\$100.00	only upon assignment
15	duty as a member of the security police Elite Gate Guards	\$100.00	only upon assignment
16	duty as a student at the Security Forces Specialist Course (Law Enforcement & Security Specialist Students)	\$75.00	only upon assignment
17	duty as the Chief Master Sergeant of the Air Force	\$179.00	annual
18	duty as the Chief Master Sergeant of the Air Force Staff	\$179.00	only upon assignment
19	duty as a USAFA radio maintenance work center technician	\$125.00	once in three years
20	a military entrance processing station	\$125.00	annual
21	active duty and the individual's condition requires the wearing of a maternity uniform (note 2)	\$283.00	once in three years
22	active duty and the individual's condition requires the wearing of a maternity uniform when the individual is provided, as government issue, maternity working uniforms (e.g. hospital workers, note 2)	\$91.00	once in three years

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Allowances to be paid as annual allowances will be paid on the anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least an additional six months. Allowances to be paid as once in three year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance and they are projected to remain in the assignment for at least six additional months. Allowances to be paid as only upon assignment allowances will be paid only when first assigned to the specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty even if at different locations or commands or for subsequent recalls to active duty within one year, except by special authority of the Service Secretary or his designee.

2. When the reduced maternity uniform allowance has been paid and the member subsequently qualifies for a full maternity uniform allowance within three years of the reduced payment, the member will receive only the difference between the two allowances. A member may not receive more than the full maternity uniform allowance value within any 36-month period. A reduced maternity uniform allowance may not be paid within 36 months of a full maternity uniform allowance.

Table 29-6. Air Force Supplementary Clothing Allowances

CIVILIAN CLOTHING ALLOWANCES FOR OFFICERS AND ENLISTED MEMBERS – EFFECTIVE 1 OCTOBER 1998		
R U L E	When an officer or enlisted member is entitled to a Civilian Clothing Allowance for	then the amount of payment is (notes 1 and 2)
1	permanent duty initial payment	\$776.00
2	permanent duty annual replacement payment	\$258.67
3	temporary duty of at least 15 days in a 30 day period (note 3)	\$258.67
4	temporary duty of at least 30 days in a 36 month period	\$517.33

NOTES:

1. By law, an officer is authorized a civilian clothing allowance only if the officer's permanent duty station is outside the United States.
2. Unless exception is given, the maximum amount payable for all temporary duty performed in any 36- month period will not exceed the maximum prescribed for duty of at least 30 days.
3. The 15-day qualification requirement does not apply to explosive Ordnance Disposal and Explosive Detector Dog personnel on United States Secret Service support duty, Defense Courier Service couriers, or On-Site Inspection Agency military personnel. These personnel may be authorized up to the maximum Temporary Duty Civilian Clothing Allowance for 30 days upon their initial temporary duty travel requirement.

Table 29-7. Civilian Clothing Allowances for Officer and Enlisted Members

SETTLEMENT OF CASH CLOTHING ALLOWANCES							
R U L E	A	B				C	D
	When member is entitled to	and is a member of the				and has	then
		Army	Navy	Marine Corps	Air Force		
1	a Standard Initial Clothing Allowance, a reduced or Partial Standard Initial Clothing Allowance		X			completed 6 months of active duty (note 1)	settle balance of allowance due.
2			X		X	drawn clothing equalling or exceeding the allowance	settle amount, collect amount due from member, if appropriate.
3					X	completed 30 days of active duty (note 1)	settle balance of allowance due.
4			X			completed recruit training	settle balance of allowance due.
5			X		X	reenlisted in the same branch of the Regular Service subsequent to expiration of 3 months from date of last discharge or release from active duty	pay or credit amount authorized immediately.
6	a Special Initial Clothing Allowance or a reduced or Partial Special Initial Clothing Allowance		X		X		pay or credit amount authorized immediately.
7	an initial cash allowance for personal purchase of specified items	X	X	X	X	established entitlement to an initial clothing allowance	pay or credit amount authorized immediately.
8	a civilian clothing allowance	X	X	X	X		pay or credit amount authorized immediately.

NOTES:

1. On discharge, release from active duty, or death, before completion of 6 months' active duty (Navy), or 30 days (Air Force), reduce the monetary clothing allowance to amount of clothing already supplied.

Table 29-8. Settlement of Cash Clothing Allowances

CHAPTER 30**OFFICERS' UNIFORM AND EQUIPMENT ALLOWANCE****3001 ENTITLEMENT**

Effective 15 September 1981, officers are entitled to an initial uniform allowance upon call to active duty or active duty for training as prescribed by this chapter.

3002 INITIAL UNIFORM ALLOWANCE

The officers referred to in section 3001, above, are entitled to an initial uniform allowance under the conditions shown below:

300201. When Payable. Except as provided in subparagraph E, below, the initial uniform allowance is payable only once to an officer:

A. Upon first reporting for active duty (other than for training) for a period of more than 90 days.

B. Upon completing at least 14 days' active duty or active duty for training as a member of a Reserve Component.

C. When an officer commissioned in a Regular Component after 12 October 1964 upon ROTC graduation, enters on duty as a Regular officer (the member is considered then to have entered on active duty for more than 90 days).

D. Upon reporting for the first period of active duty required of a member of the Armed Forces Health Professions Scholarship Program; or

E. Upon transfer to another Reserve Component that requires a different uniform, a Reserve officer may receive another initial uniform allowance. Regular officers may not receive this allowance when transferring to another Military Service.

300202. Amounts Payable. Air Force, Army, Navy and Marine Corps - All officer personnel commissioned or appointed in the Regular or Reserve Components are authorized \$200 regardless of source of commission or previous enlisted status.

300203. Restrictions

A. If a member has received an initial uniform allowance in any amount as an officer under conditions other than those listed in subparagraphs 300201.A, B, C or D, above, the member cannot again be entitled to the initial uniform allowance.

B. Only periods of duty that require wearing of the uniform are counted for

entitlement to the initial uniform allowance.

C. An officer must be determined physically qualified for active duty before entitlement to an initial uniform allowance accrues.

3003 ADDITIONAL ACTIVE DUTY UNIFORM ALLOWANCE

Officers of Reserve Components, officers of the Army or Air Force of the United States without components, and ROTC graduates appointed in the Regular Components after 12 October 1964 are entitled to an additional active duty uniform allowance of \$100 as provided in this paragraph. This allowance is to pay for additional uniforms required while they are on active duty or active duty for training.

300301. When Payable

A. This allowance is payable each time of entry or reentry on active duty, or active duty for training (including authorized travel time) for more than 90 days. The period served may be under orders specifying active duty for more than 90 days, or under two or more orders requiring a continuous period of more than 90 days' active duty.

B. An officer commissioned in a Regular Component after 12 October 1964 upon ROTC graduation accrues entitlement to the allowance on commencement of duty as a regular officer. (The officer is considered then to have entered on active duty for more than 90 days.)

300302. Restrictions

A. This allowance is not payable if the officer has received an initial uniform allowance of more than \$200 during the current tour of active duty, or within a period of 2 years before entering on that tour.

B. This allowance is not payable when the tour of duty for which payment is being considered began within 2 years after the end of a previous period of active duty, or active duty for training, of more than 90 days. This applies whether or not a uniform allowance was paid for the previous tour of duty. It applies only if the prior service was performed as a Reserve officer, as an officer of the Army or Air Force of the United States without Component, or as a Regular officer commissioned upon ROTC graduation after 12 October 1964.

C. An officer of a Reserve Component or of the Army or Air Force of the United States without component is not due this allowance solely because of appointment therein or transfer thereto.

D. A Reserve officer ordered to an indefinite tour of active duty, or active duty for training, is not entitled to this allowance until the member completes more than 90 days of that tour.

E. Only periods of duty requiring the wearing of the uniform are counted for entitlement to the \$100 allowance prescribed in this paragraph.

F. To be entitled under this paragraph, an officer must be determined physically qualified for active duty.

300303. Computation of 2-Year Period. Compute the 2-year period during which no active duty or active duty for training was performed as follows:

A. When an officer is ordered to active duty, or active duty for training, for a period of more than 90 days, the 2-year period begins on the day following the day of release from active duty or active duty for training.

Example 1: A Reserve officer was ordered to active duty for training under orders specifying a 92-day tour of duty to begin 1 March 1995, and to end 31 May 1995. The officer actually was released from active duty for training 31 May 1995. The 2-year period begins 1 June 1995. Entitlement to the next \$100 additional active duty uniform allowance accrues if the officer is called to active duty or active duty for training for a period of more than 90 days on or after 1 June 1997.

Example 2: If the officer in Example 1 served 35 days of a tour of active duty under orders specifying duty of more than 90 days, and was released from active duty for training 4 April 1995, the 2-year period starts 5 April 1995. Entitlement to the next \$100 additional active duty uniform allowance accrues if the officer is called to active duty or active duty for training, for a period of more than 90 days on or after 5 April 1997. Refund of allowance, or any portion thereof, is not required since entitlement was based on reporting for active duty for a period of more than 90 days.

Example 3: If the officer in Example 1 actually served 120 days in the tour of active duty for training because the orders were extended, and was released from active duty 28 June 1995, the 2-year period starts 29 June 1995. Entitlement to the next \$100 additional active duty uniform allowance accrues if this officer is called to active duty, or active duty for training, on or after 29 June 1997, for a period in excess of 90 days.

B. When an officer is ordered to active duty for training for an indefinite period, and serves more than 90 days, the 2-year period begins on the day following the day of release from active duty.

Example 1: A Reserve officer was ordered to active duty for training for an indefinite period to begin 1 March 1995. The officer was released from active duty 1 July 1995. On the 91st day of duty (30 May 1995), the officer was entitled to the \$100 allowance as of the first day of duty (1 March 1995), if other conditions of entitlement were met. The 2-year period starts 2 July 1995. Entitlement to the next \$100 additional active duty uniform allowance accrues if the officer is called to active duty or active duty for training, for a period of more than

90 days on or after 2 July 1997.

Example 2: If the Reserve officer in Example 1, this subparagraph, has been released from active duty 4 April 1995, after serving only 35 days, member would not be entitled to the \$100 additional active duty uniform allowance for that period of active duty for training.

C. When an officer is separated from a Regular Component, and is later appointed an officer in a Reserve Component and ordered to active duty, or active duty for training for more than 90 days, the 2-year period restriction in subparagraph 300302.B, above, does not apply. Exception: Regular officers appointed upon completion of ROTC training after 12 October 1994.

Example 1: An officer is separated from a Regular Component on 30 June 1995 and is appointed an officer in a Reserve Component on 1 July 1995. Then the member reports for active duty for more than 90 days on 1 May 1997. The member would be entitled to the \$100 additional active duty uniform allowance when reporting on the present tour of active duty, since the previous tour was as a Regular officer.

3004 DETERMINATIONS

300401. An officer reporting for active duty for the first time who meets the requirements for entitlement to the initial uniform allowance and the additional active duty uniform allowance, is entitled to receive both allowances.

300402. An officer who receives, or has previously received, an initial uniform allowance as an officer under any conditions other than those listed in subparagraphs 300201.A, B, C or D, above, is not eligible to receive the initial uniform allowance upon transfer to or appointment in a Reserve Component or the Army or Air Force of the United States without component.

300403. A Reserve officer who receives, or has previously received, an initial uniform allowance under the conditions listed in subparagraphs 300201.A, B, C, or D, above, and again qualifies for the initial uniform allowance and/or the additional active duty uniform allowance by meeting the basic requirements of this chapter, is eligible to receive the \$200 initial and/or the \$100 additional allowance upon transfer to, or appointment in, another Reserve Component or the Army or Air Force of the United States without component, if the wearing of a different uniform is required.

300404. If otherwise eligible, a Reserve officer is entitled to be paid the additional active duty uniform allowance even if the member has not received an initial uniform allowance.

3005 CIVILIAN CLOTHING MONETARY ALLOWANCE

300501. Special Initial Allowance. Officers assigned to a permanent duty station outside the United States, who are required to wear civilian clothing all or a substantial portion of the time in the performance of official duty, may be authorized an initial allowance for civilian clothing.

300502 Extension of Overseas Consecutive Tour

A. Officers who voluntarily extend their tours or who are directed to remain in the assignment requiring the wearing of civilian clothing for at least an additional 6 months, are authorized 20 percent of the initial tour length payment at the current rate for that fiscal year.

B. Officers who voluntarily extend their tours or who are directed to remain in the assignment requiring the wearing of civilian clothing for at least an additional 12 months, are authorized 30 percent of the initial tour length payment at the current fiscal year rate.

C. Officers who have received an initial civilian clothing allowance for duties performed at an overseas permanent duty station and who are ordered to a consecutive permanent overseas assignment requiring the wearing of civilian clothing, are authorized 50 percent of the allowance for the latter tour assignment at the current fiscal year rate.

300503. Continuing Allowance. Officers who are required to wear civilian clothing on a continuing basis and who are not eligible for an allowance on the basis of tour extensions or consecutive assignments, are authorized a continuing civilian clothing allowance. This allowance is authorized for officers who remain in the assignment for which he or she received an initial clothing allowance and is payable on or after each 3-year anniversary date of the initial allowance. The amount shall be 50 percent of the current maximum initial allowance.

300504. Temporary Duty Allowance. Officers assigned to a permanent duty station outside the United States may be authorized a temporary duty civilian clothing allowance when assigned to temporary duty outside the United States where the wearing of civilian clothing is required all or a substantial portion of the time in the performance of official duty. An officer who has not received the maximum amount payable for temporary duty due to the length of his or her first assignment, who later performs additional temporary duty that qualifies for a larger payment, is authorized payment of the difference between the two amounts. Prorated payments will be based on the maximum fiscal year rate in effect at the time of payment. Total payments during a three year period may not exceed the maximum temporary duty allowance reflected in Table 29-3.

300505. Definition. The phrase "substantial portion of the time" shall be defined in accordance with Military Service regulations but may not be defined as less than 50 percent of the time.

300506. Rates Payable. The rates payable for civilian clothing monetary

allowances may not exceed those in Table 29-3. These are the maximum rates authorized. Original entitlement was effective 4 December 1987. Officers were not authorized these allowances for any period prior to such dates.

300507. References. The following Military Service directives contain detail on entitlement policy, procedures, and rates payable:

- A. Army: AR 700-84 (reference (ax))
- B. Navy: NAVMILPERSMAN (reference (an))
- C. Air Force: DFAS-DE 7073.1-M (reference (ap)), DFAS-DE 7073.2-M (reference (ap)), and AFI 36-3014 (reference (be)).
- D. Marine Corps: MCO-10120 (reference (bf))

300508. Allowance Adjustment (1 October 1988 through 30 September 1989). Officers who received a lesser initial allowance for this period than currently authorized by this paragraph, and shown in the Table 29-3, and who still are assigned to duty requiring the wearing of civilian clothing, are authorized an amount that equals the difference between the amount previously paid and the new rate.

CHAPTER 31

PERSONAL MONEY ALLOWANCE3101 ENTITLEMENT

Officers in the capacities listed below who are entitled to receive basic pay are also entitled to receive a personal money allowance. This allowance is in addition to any other pay or allowance authorized. The allowance is payable while the officer is serving in the grade of lieutenant general, vice admiral or above. When entitlement to the allowance is based on a specific duty assignment indicated in paragraphs 310103 or 310104, below, it does not accrue before the date member starts, or after the date member is released from such duty assignment.

310101. Lieutenant General or Vice Admiral. While serving in the grade of lieutenant general or vice admiral--\$500 per year.

310102. General or Admiral. While serving in the grade of general or admiral--\$2200 per year.

310103. Chairman and Vice Chairman of the Joint Chiefs of Staff and Chiefs of Services. While serving as Chairman of the Joint Chiefs of Staff, Vice Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army or Air Force; Chief of Naval Operations; or Commandant of the Marine Corps, in place of any other personal money allowance authorized in this chapter--\$4000 per year.

310104. Senior Member of the Military Staff Committee of the United Nations. While serving as a senior member of the Military Staff Committee of the United Nations and entitled to the grade, pay, and allowances of a lieutenant general or vice admiral--\$2700 per year (\$2200 plus \$500 authorized in paragraph 310101, above).

3102 MONTHLY AMOUNTS PAYABLE

The personal money allowance is payable at the following monthly rates:

<u>Rank</u>	<u>Monthly Rates</u>
Chairman or Vice Chairman of the Joint Chiefs of Staff or Chief of Staff	\$333.33
Senior Member of the Military Staff Committee of the United Nations	\$225.00
General or Admiral	\$183.33
Lieutenant General or Vice Admiral	\$ 41.67

3103 TAXABILITY AND WITHHOLDING TAX

A personal money allowance is subject to federal and state income tax and withholding.

CHAPTER 32

★ADVANCE, LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAY3201 ADVANCE PAYMENTS320101. Advance Pay for Permanent Change of Station (PCS)

A. General Provisions. The purpose of this advance payment is to give funds to a member to meet extraordinary expenses incident to a government-ordered relocation. It is intended to assist with the out-of-pocket expenses that exceed or precede reimbursements incurred in a duty location change, and are expenses not typical of day-to-day military living. An advance of pay shall not be authorized for the specific out-of-pocket expenses covered by advances of other pays and entitlements, if such advances are used (to include travel allowances and per diem, overseas station housing allowance, basic allowance for quarters, variable housing allowance, and dislocation allowance). The member's commander has oversight responsibility to ensure that the advance of pay is only used to help with the financial burden of a PCS.

B. Entitlement. The conditions and amounts payable are contained in Table 32-1, rules 1 and 2.

C. Repayment. Advances are repaid per Table 32-2, rules 1 through 5.

D. Effect on Allotments. Do not pay an advance of pay in an amount that will require the stoppage of allotments for insurance or support of dependents. No allotments may be started after the advance is made if it will prevent repayment within the allowed period. If separation is imminent, stop all allotments necessary to collect the advance.

E. Military Service Regulations. The following individual Military Service regulations provide additional guidance:

1. Army: AR 37-104-3 (reference (bh))
2. Navy: NAVMILPERSMAN para 2650100 (reference (an))
3. Air Force: DFAS-DE 7073.1-M (reference (ap))
4. Marine Corps: MCO 7220.21E (reference (bg)).

320102. Advance of Pay and Allowances. The purpose of the advance payment is to ease hardships imposed by the lack of regular payments when members are ordered to duty at distant stations, mobilized, or deployed aboard ships for more than 30 days.

A. Entitlement. The conditions and amounts payable are contained in Table 32-1, rules 6 through 9.

B. Repayment. These advances are repaid per Table 4-2, rules 3 through 5 and 9 through 12.

320103. Advance of Basic Allowance for Subsistence. Pay an advance of BAS when the commanding officer determines it to be necessary.

A. Entitlement. An enlisted member may be paid an advance of BAS not to exceed 3 months if the member is entitled to BAS and the commanding officer authorizes the payment. Individual Military Service regulations may limit BAS advances to less than 3 months.

B. Repayment. This advance is repaid based on Table 32-2, rule 6.

320104. Advance Pay Upon Evacuation of Members or Dependents. The purpose of this advance is to furnish evacuated members or dependents with funds to cover costs of travel, food, and other needs.

A. Entitlement. The conditions and amounts payable are contained in Table 32-1, rule 4.

B. Repayment. The advances are repaid per Table 32-2, rule 7.

320105. Advance of Allotment(s) to Dependents. The purpose of this advance payment is to allow a member to be paid the amount of an allotment(s) to dependent(s) if the member is assigned or scheduled for assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States and the allotment(s) is made by the member not more than 60 days before the scheduled date of the assignment of the member to this duty.

A. Entitlement. The conditions and amounts payable are contained in Table 32-1, rule 5.

B. Repayment. This advance is repaid per Table 32-2, rule 8.

320106. Advance Pay for Members of the Armed Forces Health Professions Scholarship Program (AFHPSP) on Active Duty.

A. Entitlement. An advance of pay not to exceed 1 month's basic pay may be paid to a member of the AFHPSP when reporting for the annual 45-day active duty tour.

B. Repayment. Collect the advance in full by the end of the 45-day active duty tour.

320107. Military Paydays

A. Effective September 1987 and except for an authorized midmonth payroll,

payday is the first calendar day of the month after the month in which the entitlement was earned.

B. Except for payrolls otherwise payable on 1 October, if the payday falls on a Saturday, Sunday, or Federal legal holiday, payment is authorized on the preceding workday, but not more than 3 days before the scheduled payday. This exception applies to foreign holidays recognized by United States forces abroad. It also applies to payments made to members upon separation from the Military Service through retirement or discharge when the last day of active duty falls on a Saturday, Sunday, or Federal legal holiday.

C. For payrolls otherwise payable on 1 October, the Secretary of Defense shall determine if the payroll may be dated in September.

D. If a member dies after receiving an advance payment under any of the above provisions, but before the last day of the pay period which the payment is made, the United States may not recover any part of the payment.

320108. Advance of Housing Allowances. Advances of BAQ, overseas housing allowance, and variable housing allowance may be authorized under the terms and conditions in the Joint Federal Travel Regulations, volume 1, chapters 8 and 9 (reference (d)).

320109. Advance Pay for SROTC Cadets and Midshipmen Ordered to Field Training or Practice Cruises. An advance of pay not to exceed the entitlement for 1 month, or the amount the SROTC member will accrue for the training, whichever is less, may be paid to an SROTC member who is ordered to perform field training or a practice cruise. Collect the advance in full from the member's field training or practice cruise entitlement.

★3202 LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAYMENTS

★320201. Local and Partial Payments. These payments are only authorized for overseas areas where banking facilities are not readily available, and members assigned to classified, or contingency operations where the exigencies of their assignments may require local cash or partial payments. In this circumstance the member's commander may authorize immediate cash payments up to the amount of accrued entitlement to date; when deemed appropriate to the mission (see Figure 32-1).

★320202. Emergency Partial Payment

★A. For members residing or assigned within the United States (including Alaska and Hawaii), this is a payment deemed time sensitive and required within 24 hours due to an unforeseen set of circumstances or the resulting state that calls for immediate action (see Figure 1). Payment must be made in an expeditious manner, e.g., direct deposit or a check payment. The respective DFAS central site may be able to effect overnight EFT payment if circumstances warrant.

★B. The member's commander in coordination with the local finance office may

authorize emergency payments, up to the amount of accrued entitlement to date in the Master Military Pay Account (MMPA) in the following circumstances:

★1. Emergency pay and allowances earned to date as reflected on the MMPA; no pay was received on regular payday or when there is a major medical emergency or death in the member's immediate family; payment is needed within 24 hours.

★2. Emergency travel advance, when the traveler does not have a government travel charge card.

★3. Discharge gratuity (as required by Table 35-11); payment is needed within 24 hours.

★4. Payment of military death gratuity benefit to beneficiary; payment is needed within 24 hours.

★5. Payment to military member of advanced pay and allowances and/or evacuation allowance to evacuate dependents as result of a natural disaster or life threatening situations.

3203 METHOD OF PAYMENT

320301. Local Partial and Emergency Payments

A. For Overseas Commands. Local payments (e.g., bonuses, annual special pays, separation, death, unpaid pay and allowances, or health and comfort) may be made when consistent with mission requirements and the non availability of banking facilities.

B. For Continental United States (including Alaska and Hawaii). No local payments except for emergency partial payments when approved by the member's commander and coordinated with the local finance office for the following circumstances:

1. Pay and allowances earned to date on the MMPA when no pay was received on regular payday or when there is a major medical emergency or death in the immediate family of the member.

2. Emergency travel advance when the traveler does not have a government travel charge card.

3. Discharge gratuity (as required by Table 35-11).

4. Payment of death gratuity benefit to beneficiary and payment.

5. Payment of military member of advanced pay and allowances and/or evacuation allowance to evacuate dependents as a result of a natural disaster or life

threatening situation.

320302. Advance Pays

A. For Overseas Commands. Payments may be paid locally when consistent with mission requirements and non availability of banking facilities.

B. For Continental United States (including Alaska and Hawaii). All advance pays are to be paid centrally via DD/EFT except advance pay for dependent evacuation.

PAYMENT PROCEDURES		
PAYMENT TYPE	PAYMENT PRACTICE	
	OVERSEAS COMMANDS (When consistent with mission requirements and nonavailability of banking facilities)	CONUS (Including Alaska and Hawaii)
Local Partial Payment: For overseas locations, local payments are authorized with commanders approval.	Local Payments: Bonuses, annual special pays, separation, death, unpaid pay and allowances, health and comfort, etc.	
Emergency Partial Payment (for Continental United States).		<p>No local payments <u>except for emergency</u> partial payments when approved by the member's commander and coordinated with the local finance office for the following circumstances:</p> <ol style="list-style-type: none"> 1. Pay and allowances earned to date on the MMPA when no pay was received on regular payday or when there is a major medical emergency or death in the immediate family of the member. 2. Emergency travel advance when the traveler does not have a government travel charge card. 3. Discharge gratuity (as required by Table 35-11). 4. Payment of death gratuity benefit to beneficiary and payment. 5. Payment to military member of advanced pay and allowances and/or evacuation allowance to evacuate dependents as a result of a natural disaster or life threatening situation.
ADVANCES:	Payments may be paid locally when consistent with mission requirements and non-availability of banking facilities.	Paid centrally via DD/EFT.
1. PCS	All pay grades 1 month pay (E3 and below CO approval) E4 and above: max 3 months pay with CO approval	Paid centrally via DD/EFT.
2. Basic Pay		Not to exceed 15 days basic pay at training or indoctrination center or centrally via DD/EFT as systems become available.
3. BAS	Max 3 months entitlement	Paid centrally via DD/EFT.
4. Dependent Evacuation	Max 2 months basic pay	Max 2 months basic pay paid locally as an emergency partial payment.
Allotment		
5. AFHPSP		Max 1 month basic pay when reporting for 45 day active duty tour paid centrally via DD/EFT.

★Figure 32-1. Payment Procedures

PAYMENT TYPE	PAYMENT PRACTICE	
	OVERSEAS COMMANDS (When consistent with mission requirements and nonavailability of banking facilities)	CONUS (Including Alaska and Hawaii)
6. Senior ROTC		1 month entitlement or the amount member will accrue for the training paid centrally via DD/EFT.
7 a. Overseas Housing Allowance	One year accrued allowances determined on the basis of housing expenses and the authorized OHA, interim housing allowance, and BAQ and may be paid locally, if required.	
7 b. VHA & BAQ		Paid centrally via DD/EFT.
8. Mobilization	May be paid locally when consistent with mission requirements and non availability of banking facilities. . . Max 3 months pay	Paid centrally via DD/EFT.
9. Shipboard Deployment	All pay due for USN/USMC; N/A for USA/USAF	
10. Distant Duty	May be paid locally when consistent with mission requirements and non availability of banking facilities. . .Max 3 months basic pay and allowances.	

★Figure 32-1. Payment Procedures (continued)

ADVANCE PAYMENTS, ELIGIBILITY AND AMOUNTS PAYABLE						
R U L E	A	B	C	D	E	★F
	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	paid daily by central site DFAS Ctr. See Para 320202 for emergency payment exceptions
1	a permanent change of station move, to include (note 1): -between stations -to new station upon reenlistment (following break-in-service) -commencement of active duty by newly commissioned regular officer -change of home port -Reserve forces member in receipt of orders to active duty of 140 days or more -extended active duty (Reserve or retired members)	the member signs a form confirming that the intended uses of the funds are for the purposes stated in the form; and the PCS is not due to separation from service or trial by court-martial	the member's commanding or recruiting officer (including enlisted commandant of the NCO Academy) for grades E-3 and below (except as more restrictively prescribed in regulations of the Military Service concerned)	advance of basic pay	of 1 month's basic pay, less deductions (note 2)	to member's financial institution not earlier than 30 days prior to departure (note 4); en route; first duty station or after beginning travel to first duty station after completion of physical examination; or within 60 days after arrival at new/first duty station (home port, note 3) (note 4).
2			the member's commander (including enlisted commandant of the NCO academy)		not to exceed 3 months' basic pay, less deductions, if warranted and justified (notes 2 & 5)	
★3.	a training or indoctrination center on induction or enlistment (Army, Air Force, and Navy only)		the center commander (including enlisted commandant of the NCO academy)	advance of basic pay	not to exceed 8 days' basic pay (note 6)	1. Advances will be deposited, via DD/EFT by the DFAS central site, to the basic trainee's account at the designated financial institution.

★Table 32-1. Advance Payments - Eligibility and Amounts Payable

R U L E	A	B	C	D	E	★F
	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	paid daily by central site DFAS Ctr. See Para 320202 for emergency payment exceptions.
4	evacuation of member or dependents from a place outside the U.S. or other place as the President designates (note 7)	evacuation of member or all military dependents in the area is ordered by the area commander, the State Department, or other authorized U.S. official		advance of basic pay, payable to member or to member's dependents, in one or more installments	as designated by the member, in a total amount of not more than 2 months' basic pay (net of any forfeiture and Montgomery G.I. Bill; no other deduction considered)	paid as an emergency local payment at permanent station or any military disbursing office either overseas or in the United States.
5	for assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States (note 8)			amount of an allotment(s) for dependent(s)	equal to amount of the allotment(s) for 1 month (note 9)	
6	mobilization or recall to active duty under 10 U.S.C. 672(a), 673, 673a, 673b, or 688	has reported for duty but cannot be paid pay and allowances due within 14 days of reporting for that duty	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	not to exceed 3 months' pay and allowances less deductions (note 2 and rule 5)	To member's financial institution or mailed from DFAS central site to an address.
7	assignment to a distant duty station	pay and allowances cannot be paid regularly			not more than 3 months' basic pay and allowances, less deductions (note 2)	
★8	assignment to a distant duty station	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	more than 3 months' basic pay and allowances, less deductions, when approved by: Army and Air Force-Major Command; Navy-Office of Comptroller; Marines-Commandant of the Marine Corps (MPP) (note 2)	

Table 32-1. Advance Payments -- Eligibility and Amounts Payable (Continued)

R U L E	A	B	C	D	E	★F
	A member in receipt of orders for (to)	and	when approved in writing by	May be paid an	in an amount	paid daily by the central site DFAS Ctr. See Para 320202 for emergency payment exceptions
9	deployment aboard ship for more than 30 days (Navy-Marine Corps only)	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the non-commissioned officer (NCO) academy.)	advance of pay and allowances	not more than the basic pay (plus submarine and sea duty pay for members attached to submarines) and allowances that will accrue during the period of deployment, less deductions (note 2).	To member's financial institution or mailed from DFAS central site to an address

NOTES:

1. TDY en route does not preclude payment. Advance payments for a PCS move in the same geographical area of the member's prior duty station or home port, or place from which ordered to active duty, are authorized only when movement of the member's household at government expense, per JFTR, chapter 5, part D, is authorized.
2. Deductions will be made for: (a) forfeitures, (b) Montgomery G.I. Bill, (c) Federal/state income tax withholding, (d) FICA, (e) SGLI, (f) AFRH, (g) Dependent Dental Plan, (h) monthly repayment of a prior advance, (i) indebtedness to the U.S. or its instrumentalities, whether scheduled (monthly debt installment) or unscheduled (one-time collection), (j) garnishments, (k) statutorily-required support allotments in force (l) court-ordered bankruptcy payments, (m) total of all allotments in force when computing an advance of pay and allowances (rules 6, 7, 8, 9).
3. Not later than 60 days after effective date of change or 60 days after vessel arrives at new home port/home yard, whichever is later.
- ★4. The "30-day window" may be expanded to not exceed 90 days prior, and the "60-day window" may be expanded to not exceed 180 days after, when justified for extenuating circumstances; requires written approval of the member's commander (including enlisted commandant of the NCO academy). The member must provide written justification indicating the specific circumstances requiring the early or late advance payment.
5. The member must provide written justification clearly showing that accrual or anticipated out-of-pocket PCS expenses equal or exceed the amount of advance requested; requires written approval of the member's commander. The advance payment may be made in 1, 2, or 3 installments.
6. This advance is collected in full when member receives first regular pay.
7. This advance is not payable for evacuation of individual dependents.
8. The advance payment may not be made more than 60 days before the scheduled date of the duty assignment.
9. Establish an allotment(s) for dependents in the member's pay record simultaneous to paying the advance.

★Table 32-1. Advance Payments-Eligibility and Amounts Payable (Continued)

REPAYMENT OF ADVANCES					
R U L E	A	B	C	D	E
	When a member was paid an	and	begin collection (note 12)	and when approved in writing	at the rate of
1	advance(s) of pay incident to a PCS		the first day of the month following payment of advance(s)		one-twelfth of the amounts advanced each month for the next 12 months (notes 1, 2, 3).
★2		when justified by the member that repayment within 12 months would create severe hardship (note 4)		the member's commander (including enlisted commandant of the non-commissioned officer (NCO) academy)	one-twenty-fourth of the amounts advanced each month for the next 24 months (notes 1, 2, 5, 6).
3	advance(s) of pay incident to a PCS or advance of pay and allowances (distance or deployed duty)	member dies	of the remaining outstanding advance		all unpaid pay and allowances are used to collect the outstanding advance (note 7).
★4		member's separation is imminent (includes member's unexpectedly forced to retire under the Selected Early Retirement Board (SERB) (note 8)			all unpaid pay and allowances, except enlisted separation advanced travel allowance, are used to collect the outstanding advance (notes 7, 13).
5		member's orders are revoked/cancelled	immediately in the full amount	The member's commander (including enlisted commandant of the NCO academy)	one-sixth of the amounts advanced each month for the next 6 months (notes 1, 2).
6	advance of BAS (enlisted members)		the day following the day payment was made		the amount of BAS accruing to the member's credit. If entitlement to BAS ends before repayment, collect the balance due as an overpayment.
7	advance pay for evacuation of member or dependents		the first day of the month following payment of advance(s) (note 9)		one-twelfth of the amounts advanced (or remaining amounts if waiver applies) each month for the next 12 months (notes 1, 10, 11).
8	advance payment in the amount of an allotment(s) to dependents		of the advance in the month following the month payment was made		one-sixth of the amount advanced each month for the next 6 months (notes 1, 2).

★Table 32-2. Repayment of Advances



DFAS-HQ/FMM

DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY

ARLINGTON, VA 22240-5291

JAN 6 1998

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Department of Defense Financial Management Regulations,
Volume 7A (DoDFMR, Vol 7A), Regarding - the Amount of
Advance Pay, (DFAS Item G-75)

This is Interim Change 2-98 to the DoDFMR, Vol 7A. This item is effective immediately.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Roger Castillo, may be contacted at DSN 327-1907 or Commercial (703) 607-1907.

for Gloria D. Harris
Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

1. At the end of Note 6 of Table 32-1, insert the following:

"For Army only, as an exception to the 15 days limit, members may be advance up to 21 days' basic pay, only for the purpose of paying the cost of round trip travel to member's home during the annual holiday leave period (mid-December through early January)."

2. Revise bibliography as follows:

Table 32-1	37 U.S.C. 1006(c)
Rules 1, 2	OASD (MR&L) Memo, 30 Oct 1980
Rule 3	
Note 6	DA (FM&C) Memo, 19 Nov 1997
Rule 4	Public Law 102-484, 23 Oct 1992
Table 32-2	37 U.S.C. 1006(c)
Rules 2,3,4	OASD (MI&L) Memo, 16 Apr 1985
and 5	
Rule 6	OASD (FM&P) (MM&PP) Memo
	6 Nov 1985
Rule 7	Public Law 102-484, 23 Oct 1992
Rule 15	OASD (FM&P) Memo, 14 Apr 1986
Note 5	MS Comp Gen B-144839, 13 Dec 1966
Note 9	37 U.S.C. 1006(c)
Note 12	DFAS General Counsel Memo,
	25 Sep 1992



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JAN 16 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Vol 7A, Regarding Emergency
Payments for Waiver of Forfeiture in Favor of
Dependents (DFAS Item G-19)

This is DFAS Interim Change 4-98 to the DoDFMR, Vol 7A.
This change is effective immediately. It adds a new category of
emergency partial payments for waivers of forfeiture in favor of
dependents.

We have evaluated your comments on the draft change to the
DoDFMR, Vol 7A. The attached final version of the change
includes your comments where appropriate. Assignment of an
interim change number is your authority to start a procedural
modification, if necessary, to facilitate this change. For the
Denver Center, use the attached to initiate the formal printed
change to the DoDFMR and the interim change.

Our point of contact, Lt Col Wies, may be contacted at DSN
327-5068 or (703) 607-5068.

Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment
As stated

cc: DASD (MMP) (COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

DFAS ITEM NUMBER G-19
DFAS INTERIM CHANGE NUMBER 4-98

1. Add a new subparagraph 320202B6 to read:

"Payment to dependents when forfeiture of pay and allowances is waived under conditions defined in paragraph 480306C."

Note: Paragraph 480306C is a new paragraph added by Interim Change 18-96 and amended by IC 24-97.

2 Delete current section 3203.

3. Change Figure 32-1 second column, to read:

"Local payments: Bonuses, annual special pays, separation, death, unpaid pay and allowances, health and comfort, waiver of forfeitures for dependents, etc."

4. Change Figure 32-1 third column to add:

"6. Payment to dependents when a member's forfeiture is waived in favor of those dependents."

CHAPTER 33**PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS****3301 ENTITLEMENT**

Members on active duty are entitled to active duty pay and allowances even though mentally incapable of managing their own affairs. This includes miscellaneous payments authorized on separation from the Military Service. See Chapter 35.

3302 PAYMENT

The appointment of a guardian, trustee, or other legal representative is a prerequisite to payment. For designation of trustee and payment offices, see Table 33-1.

3303 MEMBER MENTALLY INCOMPETENT BEFORE ENTRY ON ACTIVE DUTY

When it is shown that a member was judicially declared mentally incompetent before induction or enlistment, member is not entitled to pay and allowances. See Chapter 4.

3304 FINALITY OF PAYMENTS TO TRUSTEE

Any payments on behalf of a mentally incompetent member to a designated trustee(s) are a complete discharge of the obligation of the United States as to amounts paid.

3305 RESTRICTION AGAINST ACCEPTANCE OF FEES

A person serving in a legal, medical, fiduciary, or other capacity may not demand or accept a fee, commission, or other charge (except bonding fee) for any service performed in administration of a mentally incompetent member account.

PAYMENT OF MENTALLY INCOMPETENT MEMBERS						
R U L E	A	B			C	D
	When	and member is in the			the trustee is designated by	and payment is made by
		Army	Navy, Marine Corps	Air Force		
1	a court of competent jurisdiction has not appointed a guardian, committee, or other legal representative	X			Director, DFAS-IN	DFAS-IN.
2			X		Judge Advocate General	DFAS-CL or DFAS-KC, as applicable.
3				X	Director, DFAS-DE	DFAS-DE.
4	a court of competent jurisdiction has appointed a guardian, committee, or other legal representative	X	X	X	none required	appropriate office shown in rules 1, 2, or 3 above except as indicated in note.

NOTE: Army Only— Local disbursing officer servicing the member's financial record may make payments.

Table 33-1. Payment of Mentally Incompetent Members

Interim Change 28-98 is incorporated in this change. Interim Change 28-98 also affects other chapters and will not be deleted from the interim changes cited in the web site.

CHAPTER 34

PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION, INTERNEED, ETC., AND PAYMENTS TO DEPENDENTS

3401 DEFINITIONS

340101. Member. See the Definitions section of this volume (item 77, page lii).

340102. Dependent. See the Definitions section of this volume (item 36, page xlv). In addition, for the purposes of this chapter, the term "dependent" also means a dependent designated in official records, or a person determined to be a dependent by the Secretary of the Military Service concerned or the Secretary's designee.

340103. Missing Status. See the Definitions section (item 80, page liii) of this volume.

3402 AUTHORITY TO MAKE OFFICIAL DETERMINATIONS UNDER THE MISSING PERSONS ACT (reference (aa))

See Table 34-1.

3403 ENTITLEMENT TO PAY AND ALLOWANCES WHILE IN A MISSING STATUS

340301. General. A member who enters a missing status is entitled to the pay and allowances to which entitled when the missing status began or to which the member later becomes entitled. The right to a certain pay or allowance is not affected by the fact that the member had not actually received payment before entering missing status. See Table 34-2 for items of entitlement.

★340302. BAH and BAS Entitlement. Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS at the rate payable when rations in kind are not available. Payments of these allowances are authorized from the beginning of the missing status, even though there was no housing or subsistence allowance entitlement before the missing status began.

3404 ALLOTMENTS FOR MEMBERS IN MISSING STATUS

Allotments in effect before a member enters a missing status may be continued. As directed by the Secretary of the Military Service concerned (or designee), allotments may be initiated, suspended, resumed, increased, decreased, or discontinued where circumstances so warrant in the interests of the missing member, the dependents, or the government.

3405 TAX WITHHOLDING FOR MEMBERS IN MISSING STATUS

See paragraph 440102 and subparagraph 440103.C.2 of this volume.

3406 REVIEW OF CASE AFTER 12 MONTHS AND FINDING OF DEATH

340601. Review of Case After 12 Months. When a 12-month period (from starting date of the member's absence) is about to end and the member has not been reported officially as dead, imprisoned, or interned, the case is fully reviewed. After this review and when the 12-month period has ended (or following any later review warranted by information received or other circumstances), the Secretary of the Military Service concerned (or designee):

A. Directs continuance of the member's missing status, if the member reasonably may be presumed to be living, or

B. Makes a finding of death.

340602. Continuance of Member's Missing Status. When a member is continued in a missing status under subparagraph 340601.A, above, credit pay and allowances to his or her account. Allotments are continued, discontinued, increased, or initiated as provided in Chapters 41 through 43 of this volume. When the Secretary of the Military Service concerned (or designee) officially reports that a missing member is alive and in the hands of a hostile force or is interned in a foreign country, allotment payments are authorized. These payments on the member's behalf continue through the date on which the Secretary of the Military Department concerned (or designee) receives evidence that the member is dead. When a member returns to Military Service control, the member resumes control of allotments.

340603. Finding of Death. A finding of death includes the date upon which death is presumed to have occurred for the purposes of stopping pay and allowances, settlement of accounts, and payment of death gratuities. This date is the day following the day the member has been absent 12 months, unless the missing status is continued beyond that day. In this case, the date of death is the date determined by the Secretary of the Military Department concerned (or designee).

340604. Change in Date of Death. Payment of an account made following a report, determination, or finding of death may not be recovered and the case may not be reopened because of a later report or determination fixing an earlier date of death. If a later date of death is established, the account is reopened and settled on the basis of the later date.

3407 CONCLUSIVENESS OF SETTLEMENTS

Settlements made under this chapter are conclusive upon the accounting officers of the government in effecting settlement of the accounts of a disbursing officer. The Secretary of the Military Department concerned (or designee) is authorized to settle members' accounts for payment under the Missing Persons Act (reference (aa)). In the absence of fraud or criminal intent on the part of the disbursing officer, credit is allowed for any erroneous payment or overpayment made by the disbursing officer under this chapter. No recovery may be made from any officer or employee who authorizes any payment under this chapter in the absence of fraud or criminal intent on the part of that officer or employee.

3408 PENALTY FOR FRAUDULENT RECEIPT OF MONIES UNDER THIS CHAPTER

Any person who receives any money, check, or allotment under this chapter without being so entitled, and with intent to defraud, will be punished by a fine of not more than \$2,000, or by imprisonment for not more than 1 year, or both.

3409 PAYMENT OF DEATH GRATUITY

See Chapter 36 of this volume for payments when member in missing status is reported dead, or for whom a finding of death is made.

3410 ACCRUED LEAVE

341001. Accumulation. Members, while in a missing status, can accumulate leave without regard to any leave accrual limitations currently expressed in law. However, a member whose death is prescribed under section 3406, above, may, in addition to leave accrued before entering a missing status, accrue not more than 150 day's of leave during the period of a missing status, unless the actual date of death is found to have occurred on a date when the member had accrued leave in excess of 150 days. Leave accumulated while in a missing status may not be taken but shall be paid.

341002. Settlement. Leave accumulated while in a missing status will be accounted for separately and settled as follows:

A. Return From Missing Status. Members will be paid for all leave accumulated while in a missing status as soon as possible after return from a missing status. Items to be included in the accrued leave payment are provided in Table 35-5. Computation will be based on the rates to which the member was entitled on the date that his or her name was removed from the missing status.

B. Death in a Missing Status. Notwithstanding the death of a member while in a missing status, leave will continue to accrue to his or her account through the date that the Secretary of the Military Department concerned (or designee) receives evidence that the member

is dead or through the date of death as prescribed or determined under section 3406, above. Although leave will accrue for the entire missing status period, the actual accrued leave settlement will vary according to circumstances.

1. Death Prior to Fifth Year MIA Status. Payment for unused leave accrued to a member's credit while in a missing status is for 150 days, providing the he or she was continued in a missing status for 5 or more years. Payment for 150 days is made even though it later is found that member's actual death occurred within the first 5 years after entry into missing status or upon entry into such status. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status and the 150 days' leave described in paragraph 341001, above. Items to be included in the accrued leave payment are identified in Table 35-5. Computation is based on the rates to which the member was entitled on the date of death.

2. Death Subsequent to Fifth Year MIA Status. When it is found that the member's actual death occurred subsequent to the fifth year after entry into a missing status, payment for unused leave accrued to his or her credit while in a missing status is for the total accrued until death. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status plus the accrual until death described herein. Items to be included in the accrued leave payment are identified in Table 35-5. Computation is based on the rates to which the member was entitled on the date of death.

3. Death, MIA Status Less Than 5 Years. Payment for unused leave accrued to a member's credit while in a missing status, when he or she was continued in a missing status for less than 5 years, is for the total accrued through the date that the Secretary of the Military Department concerned (or designee) makes a finding of death. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status plus the accrual until finding of death described herein. Items to be included in the accrued leave payment are identified in Table 35-5. Computation is based on the rates to which the member was entitled on the date of death.

4. Special Conditions of Entitlement. Settlement of accrued leave for a deceased member who was promoted while in a missing status is based on the amount of leave accrued to his or her credit before entering the missing status and the amount of leave accumulated in a missing status as provided in the applicable provisions of subparagraphs 341002.B.1, 2, or 3, above. Computation is based on the grade to which promoted and rate of pay in effect on the date of the presumed finding or the date of the determination of death. This will apply even though the Secretary of the Military Department (or designee) concerned later determines that the member died before the date of promotion. See Table 34-2, rule 6.

3411 REFERENCES341101. Army

A. Casualty accounting, reporting, and notification. See AR 600-10 (reference (bi)).

B. Transportation of dependents, household goods, and personal effects. See JFTR, volume 1 (reference (d)), and AR 37-106 (reference (bj)).

341102. Navy

A. Casualty accounting, reporting, and notification. See MILPERSMAN (reference (f)).

B. Transportation of dependents, household goods, and personal effects. See JFTR, volume 1, and NTI (reference (d)).

341103. Air Force

A. Casualty accounting, reporting, and notification. See AFI 36-3002 (reference (ea)), AFMPCI 36-9 (reference (eb)), and AFR 35-40 (reference (bn)).

B. Transportation of dependents, household goods, and personal effects. See JFTR, volume 1 (reference (d)), AFR 75-25 (reference (bo)) and AFR 177-103 (reference (bp)).

341104. Marine Corps

A. Casualty accounting, reporting, and notification. See MCO P-3040.4 (reference (bk)).

B. Transportation of dependents, household goods, and personal effects. See JFTR, volume 1, NTI (reference (d)), and Marine Corps Transportation Manual (MCO P4600.7 (reference (bl))).

AUTHORITY TO MAKE OFFICIAL DETERMINATIONS UNDER THE MISSING PERSONS ACT							
R U L E	A	B	C	D	E	F	G
	If missing member is	authority to make all determinations is vested with the Secretary of the	who has delegated to	authority to make determinations of	and has delegated to the	authority to make determinations	and all such determinations
1	Army	Army	the Adjutant General, US Army, Washington DC 20310	status of members, of death, and of essential dates	Director, Defense Financing and Accounting Service-Indianapolis Center, Indianapolis IN 46249-0001	pertaining to facts of dependency and to the initiation, continuance, suspension, or resumption of allotments of pay	are conclusive in the absence of fraud or criminal intent
2	Navy	Navy	Bureau of Naval Personnel, ATTN: CODE PERS-6, Washington DC 20370-5156	status of members and their dependents, of death, of essential dates and facts of dependency			
3	Marine Corps		Head, Personal Affairs Branch, Human Resources Division Manpower Department US Marine Corps, Washington DC 20380-0001				
★4	Air Force	Air Force	Cdr, HQ AFPC, 550 C Street West, Randolph AFB TX 78150	status of members and their dependents, of death, and of essential dates	Director, Defense Finance and Accounting Service-Denver Center, 6760 E. Irvington Place, Denver CO 80279-3000	pertaining to facts of dependency, starting, stopping, or changing allotments of pay, waiving recovery of erroneous payment or overpayment, and settling accounts of members affected	

Table 34-1. Authority to Make Official Determinations Under the Missing Persons Act

PAY AND ALLOWANCES WHICH ACCRUE TO MISSING MEMBERS								
R U L E	A				B	C	D	E
	When member is				who is	then member is	with accounts maintained in	and
	Army	Navy	Marine Corps	Air Force				
★1	X				missing, missing in action, interned in a foreign country, beleaguered or besieged by a hostile force, or detained in a foreign country against a member's will	entitled to receive or have credited to member's account the pay and allowances to which entitled when missing status began or to which member becomes entitled later, as follows: Basic pay Special pay Incentive pay for Hazardous duty BAH (note 7) BAS (note 7) FSA I FSA II (note 1) Station per diem Allowances for not more than 90 days (note 2) HFP if the member qualified immediately before entry to a missing status (note 8)	DFAS-IN	payments continue through date of receipt by the Military Service concerned of evidence of death of the member or date of presumption of death made by the Secretary of the Military Department concerned or Secretary's designee, or date of return to Military Service jurisdiction (note 3)
2		X					DFAS-CL	
3			X				DFAS-KC	
4				X			DFAS-DE	
5	X	X	X	X	officially determined to be absent without authority rather than in a missing status	not entitled to pay and allowances for any such period (note 4)		
6	X	X	X	X	an officer, warrant officer or enlisted member who receives a promotion while in a missing status (note 5)	entitled to pay and allowances of the pay grade to which promoted from the date of orders announcing the promotion		
7	X	X	X	X	in a missing status has a change of conditions upon which pay and allowances are based	entitled to the pay and allowances based on the changed conditions (note 6)		

Table 34-2. Pay and Allowances Which Accrue to Missing Members

PAY AND ALLOWANCES WHICH ACCRUE TO MISSING MEMBERS								
R U L E	A				B	C	D	E
	When member is				who is	Then member is	with accounts maintained in	and
	Army	Navy	Marine Corps	Air Force				
8	X	X	X	X	an enlisted member who continues in missing status after expiration of term of service	entitled to continuance of pay and allowances		
9	X	X	X	X	in receipt of or has placed to member's credit pay, wages, allowances, or other compensation from the hostile force	not charged or debited with any such amount against member's pay and allowances		

NOTES:

1. A member may qualify for FSA-T while in a missing status if the continuous period of more than 30 days is completed after entering the missing status. (See paragraphs 270303 and 270304.)
2. Travel per diem and clothing monetary allowances do not accrue during a missing status, even though member was entitled to them when missing status began.
3. When facts or events warrant, the Secretary of the Military Department concerned (or designee) may change or modify a prior determination.
- ★4. See paragraph 260501 recontinuance of credit for BAH for 2 months following month of absence for members in pay grades E-1, E-2, E-3, or E-4 (4 years or less service) with dependents.
5. This applies even though the Secretary of the Military Department concerned (or designee) is later made that the member died before the date of promotion.
- ★6. For example, if the sole dependent of a missing member dies, credit for BAH at the with-dependents rate ceases and any allotment in force in the dependent's favor is stopped and deductions cease.
- ★7. Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS at the rate payable when rations in kind are not available. See paragraph 340302.
8. See paragraph 440102 and subparagraph 440103.C.2 to determine possible Combat Zone Tax Exclusion implications.

Table 34-2. Pay and Allowances Which Accrue to Missing Members (Continued)

Interim Changes 14-98, 31-98, and 7-99 are incorporated in this change. Interim Change 14-98 also affects other chapters and will not be deleted from the interim changes cited in the web site.

CHAPTER 35

SEPARATION PAYMENTS

3501 ACCRUED LEAVE PAY

350101. Entitlement

A. Except as provided in subparagraph 350101.D, below, a member who is discharged under honorable conditions is entitled to payment of unused accrued leave unless he or she continues on active duty under conditions that require accrued leave to be carried forward. Also, an enlisted member who voluntarily extends enlistment for the first time is entitled to payment for unused accrued leave. Effective on February 10, 1976, a military member can be paid for no more than 60 days of accrued leave during a military career. Payments for accrued leave made before that date will be excluded from this 60-day limitation. Effective July 14, 1976, a member eligible for an accrued leave settlement may elect to receive payment for a portion of the accrued leave, not to exceed a career total of 60 days, and have the remaining accrued leave carried forward to a new or extended enlistment. The combination of elections may exceed 60 days. Tables 35-1 through 35-4 identify the rules for determining whether a member may be paid for accrued leave.

B. Contingency Operation

1. 60-Day Career Ceiling Waiver for Members of a Reserve Component

a. Persian Gulf Conflict. Effective August 2, 1990, members of Reserve Components; the Retired Reserve; and the Retired Regular, or Fleet Reserve or Fleet Marine Corps Reserve who were ordered to active duty (other than for training) under the authority of Title 10, United States Code, sections 672, 12302, 12304, 12306, 12307, or 688 of (reference (c)), may be paid for more than 60 days unused leave.

b. Effective December 5, 1991, the categories of members identified in subparagraph 350101.A, above, who serve on active duty in support of a designated contingency operation may be paid for more than 60 days unused leave.

c. Payment Limitation. Payment for more than 60 days under subparagraphs 350101.A and B, above, may include only the unused leave that accrued on and after August 2, 1990, specifically during the Persian Gulf Conflict, or which accrued on and after December 5, 1991, specifically during a contingency operation active duty period. See paragraph

350102, below, for rules that apply to accounting for accrued and used leave and paragraph 350103, below, for the possible applicability of the combat zone tax exclusion. For a computation example, see subparagraph 350101.D, below.

d. Career Leave Total

(1) Unused leave accrued specifically during the Persian Gulf Conflict or a contingency operation active duty period which is paid under the authority of subparagraph 350101.B.1.a or subparagraph 350101.B.1.b, above, is not added to the member's career leave total. For example:

Example 1: An eligible member accrues 12 days of leave during a contingency operation period of active duty. The member does not use these days of leave, is separated from active duty and immediately is reordered to active duty for other than a contingency operation under the authority of Title 10, United States Code (reference (c)). The member elects payment of the 12 days of accrued, unused leave. The member previously had received payment for a total of 35 days leave. The member's career total remains 35 days and future entitlements are limited to a total of 25 days unless he or she again qualifies for payment under subparagraph 350101.B, above.

Example 2: On January 1, 1991, a National Guard member on active duty under Title 32, United States Code (reference (bq)) (other than for training) is mobilized with his or her unit under Title 10 United States Code, section 672 (reference (c)). Although career total leave sold is only 48 days, the member elects to carry forward all 32 current accrued, unused leave days. (The leave balance does not include any unused leave accrued before February 10, 1976.) On April 6, 1991, the member is discharged again and immediately ordered to active duty under Title 32, United States Code, (reference (bq)), for a period of 3 years. He or she used leave from April 2, 1991 through April 5, 1991 (4 days). The member may elect to sell 16 days (or less) leave at discharge. His or her previous 32-day balance, plus the 8 days accrued under the Title 10 active duty period, minus the 4 days leave used, totals 36 days accrued, unused leave at discharge ($32 + 8 - 4 = 36$). Of those days that the member elects to sell, only 4 may be applied to the 60 day ceiling waiver (because last leave earned is the first leave used) and the remaining 12 days, if sold, would result in a new career leave total of 60 days (or less if fewer than 16 days are sold at discharge).

(2) Unused leave accrued during the Persian Gulf Conflict may be "saved" and applied to the waiver at a later separation when consecutive tours are involved. In other words, it may be carried forward into a new contract period of active duty and later be sold in addition to other leave to which the 60-day career ceiling applies. See subparagraph 350102.A, below, for rules that apply to accounting for accrued and used leave. For example:

Example 1: Using the member from Example 1, above, he or she could have elected to carry forward the 12 days of leave with the intention of being paid for 37 days ($60 - 35 + 12 = 37$) at a later separation. However, since the last leave earned is the first leave used,

the member may sell only 25 days ($60 - 35 = 25$) at a later separation if the 12 days accrued during the contingency operation are used during a later active duty period.

Example 2: Using Example 2 above, on April 6, 1991, the member could have elected to carry forward the original 32 days plus the (net) 4 days under Title 10, United States Code, (reference (c)), intending to be paid for 16 days at a later separation. However, he or she would be limited to selling 12 days leave ($60 - 48 = 12$) at a later separation if the (net) 4 days accrued during the Persian Gulf Conflict are used during a later active duty period.

C. Under regulations prescribed by the Secretary of the Military Department concerned (or designee), a member sentenced to unsuspended dismissal or unsuspended dishonorable or bad-conduct discharge by court martial may be required to take leave pending review of the conviction as provided by Article 76a, Uniform Code of Military Justice (reference (i)). The member may elect to be paid for the leave accrued to his or her credit on the day before the day that the leave begins. Payment shall be based on the rate of basic pay to which the member was entitled on the day before the day leave begins.

D. A member who is discharged under other than honorable conditions forfeits all accrued leave to the his or her credit at the time of discharge. Also, a member separated because of a fraudulent enlistment is not entitled to payment for accrued leave, regardless of the length of time that he or she has served.

E. All Military Service members enlisted or commissioned on or after October 19, 1984, including prior Military Service members with breaks in service of 93 or more consecutive days, will forfeit all accrued leave at the time of discharge. This applies to members who are discharged after March 1, 1985, before completing 6 months of active duty. The basis of the discharge is for unsatisfactory performance or misconduct under any of the following reasons:

1. Enlisted Members
 - a. Defective enlistment and induction (minority and fraudulent entry only)
 - b. Entry level performance and conduct
 - c. Unsatisfactory performance
 - d. Homosexuality (unless the member receives an honorable discharge)
 - e. Drug or alcohol abuse rehabilitation failure
 - f. Misconduct

g. Separation in lieu of trial by court martial

h. Security (unless the member receives an honorable discharge)

2. Officers

a. Separation for cause

b. Dropped from the rolls

c. Homosexuality (unless the member receives an honorable discharge)

d. Misconduct, moral, or professional dereliction

e. Separation in lieu of trial by court-martial

f. Security (unless the member receives an honorable discharge)

F. Death of Member. Effective February 10, 1996, should a member die while on active duty (or if a member or former member dies after retirement or discharge, but before receiving payment of accrued leave), payment for accrued leave shall be based upon the unused accrued leave the member carried forward into the leave year during which he or she died, plus the unused leave that accrued to him or her during that leave year. In such cases, the limitation on payment for more than 60 days leave accrual discussed in subparagraph 350101.A, above, does not apply.

350102. Computation of Payment

★A. Settlement for leave accrued as of August 31, 1976, will include basic pay, BAH, BAS, and PMA as appropriate. Settlement for leave accrued on or after September 1, 1976, will include basic pay only. Account for leave used as follows: the last leave earned is the first leave used.

Example: On August 31, 1990, a member has 65 days of accrued leave, 55 of which was accrued prior to September 1, 1976, and remain unused. The member takes leave from September 5-24, 1990 (20 days), using 8 of the 55 days of saved leave and reducing the saved leave balance to 47 days. Future leave accrued and used will be computed using that balance.

B. Leave accrual and use for combat zone-earned leave also will be computed in the manner described above. For each month in which a member serves for any period of time in a designated zone, the total accrual for that month's accrual is identified as combat zone-earned leave.

NOTE: Service accounting (tracking) for combat zone-earned leave was not required until leave accrual commencing on January 1, 1991.

C. Payment will be based on the last 60 days (or less) accrued and unused or the first 60 days, whichever is more beneficial to the member, and will be computed based on the rules identified in Table 35-5.

350103. Taxability and Withholding Tax

A. Lump-sum payments of accrued leave, exclusive of allowances, normally are subject to taxation and withholding tax.

B. Payment for any leave accrued while serving in a designated combat zone or qualified hazardous duty area which remains unused at time of separation, is excluded from federal taxation (and state taxation where applicable) under the conditions set forth in paragraph 440103 of this volume and, consequently, is not subject to federal or state income tax withholding. (Also, see Table 44-1, rules 4 and 14). Payment does not have to be received during a month in which the member qualified for the exclusion. However, the exclusion for a commissioned officer may not exceed the monthly limitation which was not previously used by monthly exclusions that were attributable to the same periods of service.

Example: An O-3 (over 3 years service) commences active duty on January 25, 1991, and reports TAD to a designated combat zone on January 26, 1991. He departs the zone on March 2, 1991, and is separated from active duty on March 4, 1991. The officer earns \$456.00 basic pay and \$18.33 hostile fire/imminent danger pay (HFP/IDP) in January; \$2280.00 basic pay and \$110.00 HFP/IDP in February; and \$304.00 basic pay and \$14.67 HFP/IDP in March. Only a portion of the unused leave attributable to January and March (.5 days each) may be excluded from taxation, \$25.67 of a possible \$38.00 (\$500.00-\$474.33) for January and \$38.00 for March, for a total exclusion of \$63.67. The officer previously had met the exclusion limitation in February.

350104. Availability to Liquidate Debts. All items of the lump-sum payment for accrued leave (including subsistence and quarters allowance portions if applicable) may be used to liquidate debts to the U. S. Government.

350105. Payment to Beneficiaries

A. Death of Member on Active Duty. (See Table 35-1, rule 8.)

B. Death After Retirement or Discharge. If a member or former member dies after retirement or discharge, and before receiving any or all compensation for accrued leave, the balance is paid to beneficiaries designated in section 3602 of this volume. Submit claims for accrued leave under this subparagraph to the appropriate address below:

1. Army
Director
DFAS-Indianapolis Ctr
DFAS-I-JEC-I
Indianapolis IN 46249-0845
2. Navy
Director
DFAS-Cleveland Ctr. (JJCS)
Anthony J Celebrezze Fed Bldg
Cleveland OH 44199-2055
3. Air Force
Director
DFAS-Denver Center
DFAS-DE-FJP
6760 E. Irvington Pl.
Denver CO 80279-7000
4. Marine Corps
Director
DFAS-Kansas City Center
DFAS-KC-EYC
1500 E. 95th St.
Kansas City MO 64197-0001

3502 SEPARATION PAY (NONDISABILITY)

350201. Entitlement

A. Full Separation Pay. Effective June 20, 1991, full payment of nondisability separation pay is authorized to members of the Regular and Reserve Components who are involuntarily separated from active duty and who meet all of the following four conditions:

1. The member meets one of the following criteria for active military service:

a. The member is on active duty or full-time National Guard duty and has completed at least 6 years, but less than 20 years, active service. Reserve Component members not on the active duty list when separated must have 6 years of continuous active duty or full-time National Guard duty immediately preceding separation. A period of active duty is considered continuous if any break in active service does not exceed 30 days.

b. The member (other than a regular enlisted member) was on active duty or full-time National Guard duty on November 5, 1990, and, on that date, had 5 or more years but less than 6 years, of active service. Reserve Component members not on the active duty list when separated must have 5 years of continuous active duty or full-time National Guard duty immediately preceding separation. A period of active duty is considered continuous if any break in active service does not exceed 30 days.

c. Effective December 1, 1993, the member is a Regular officer who is being separated under Title 10, United States Code, chapter 36 (reference (c)) (except under sections 630(1)(A) or section 643 of that chapter (reference (c))) or under sections 580 or 6383 of (reference (c)) and has completed at least 6 years, but less than 20 years, of active service.

d. The member is a Regular officer, who is being separated under chapter 36 of 10 U.S.C. (reference (c)) (except under sections 630(1)(A) or 643 of such chapter (reference (c))), or under 10 U.S.C., sections 580 or 6383 (reference (c)), who had 5 or more years, but less than 6 years, of active service on November 30, 1993.

2. The member's separation is characterized as "honorable" and none of the conditions apply that are listed in paragraph 350202, below.

3. The member is being separated involuntarily through either the denial of reenlistment or the denial of continuation on active duty or full-time National Guard duty under one of the following four specific conditions:

a. The member is fully qualified for retention but is denied reenlistment or continuation. This includes a Military Service member who is eligible for promotion as established by the Secretary of the Military Department concerned, but is denied reenlistment or continuation on active duty under established promotion or high year of tenure policies.

b. The member is fully qualified for retention, but is being involuntarily separated under a Reduction in Force (RIF) by authority designated by the Secretary of the Military Department concerned.

c. The member is a Regular officer, commissioned or warrant, who is being separated under Title 10, United States Code, sections 564, 1165, or 6383, or chapter 36 (reference (c)); is a Reserve commissioned officer, other than a commissioned warrant officer, separated or transferred to the retired Reserve under Title 10, United States Code, chapters 361, 363, 573, 861, or 863 (reference (c)); or is a Reserve commissioned officer on the

active duty list or a Reserve warrant officer who is separated for similar reasons under the policies of the Military Service concerned.

d. The member is denied reenlistment or continuation on active duty or full-time National Guard duty under subparagraphs 350201.A.3.a through c, above, and accepts an earlier separation from active duty.

4. The member has entered into a written agreement with the Military Department concerned to serve in the Ready Reserve of a Reserve Component of the Armed Forces for a minimum period of 3 years following the separation from active duty.

a. A member who enters into this written agreement and who is qualified for the Ready Reserves will, upon separation from active duty, be enlisted or appointed, as appropriate, as a Reserve member by the Military Service concerned. If he or she has a service obligation under of Title 10, United States Code, section 651 (reference (c)), or any other law, which is not completed at the time of separation from active duty, the 3-year obligation begins on the day after the day on which the member completes the prior obligation.

b. A member who enters into this written agreement and is not qualified for enlistment or appointment in the Ready Reserve need not be enlisted or appointed by the Military Department concerned to be considered to have met this condition of eligibility for separation pay.

B. Half Separation Pay. Effective June 20, 1991, half payment of nondisability separation pay is authorized to members of the Regular and Reserve Components who involuntarily are separated from active duty and who meet all of the following four conditions: (Note: In extraordinary instances, the Secretary of the Military Department concerned (or designee) may award full separation pay to a member otherwise eligible for half separation pay when the specific reasons for the separation and the overall quality of the member's service have been such that denial of full separation pay would clearly be unjust.)

1. The member meets one of the criteria for active service specified in subparagraph 350201.A.1, above.

2. The member's separation is characterized as "honorable" or "general," and none of the conditions apply that are listed in paragraph 350202, below.

3. The member is being separated involuntarily by the Military Department concerned through either the denial of reenlistment or the denial of continuation on active duty or full-time National Guard Duty under one of the following specific conditions:

a. The member is not fully qualified for retention and is denied reenlistment or continuation under any of the following conditions:

(1) Expiration of service obligation

- (2) Selected changes in service obligation
- (3) Convenience of the government
- (4) Homosexuality
- (5) Drug abuse rehabilitation failure
- (6) Alcohol abuse rehabilitation failure
- (7) Security
- (8) Weight control failure

b. The member is being separated under a Military Service-specific program established as a half payment level by the Secretary of the Military Department concerned.

c. The member is denied reenlistment or continuation on active duty or full-time National Guard duty under subparagraphs 350201.B.3.a and b, above, and accepts an earlier separation from active duty.

4. The member has entered into a written agreement with the Military Department concerned to serve in the Ready Reserve for a minimum period of 3 years following separation from active duty. The same conditions cited in subparagraphs 350201.A.4.a and b, above, apply to this condition.

C. Separation Pay from November 5, 1990, through June 19, 1991. Members (including regular enlisted members) on active duty (other than for training) on November 5, 1990, who were involuntarily separated from active duty before June 20, 1991, are entitled to receive any separation pay to which they are entitled to under Title 10, United States Code, as amended by Public Law No. 101-510, section 501 (reference (q)), in accordance with the DoD policies and procedures in effect before June 20, 1991. (DoD Directive 1332.29, 20 July 1985 (reference (br)), and Table 35-6) modified as follows:

1. Regular enlisted members who are separated involuntarily or as a result of denial of reenlistment after having completed 6 or more, but less than 20 years of active duty, will receive separation pay.

2. Limitations concerning the maximum amount of separation pay that members may receive as stated in DoD Directive 1332.29, July 20, 1985 (reference (br)), and Table 35-6, do not apply.

3. In addition to the disqualifying circumstances listed in DoD Directive 1332.29, July 20, 1985 (reference (br)), a member is not eligible for separation pay if:

a. The member does not meet one of the criteria for active service stated in subparagraph 350201.A.1, above.

b. The member has not entered into a written agreement with the Military Department concerned to serve in the Ready Reserve for a minimum period of 3 years following separation from active duty under the same requirements and procedures stated in subparagraph 350201.A.4, above.

c. The member is separated from active duty during an initial term of enlistment or an initial period of obligated service. "Initial term of enlistment" and "initial period of obligated service" have the same meaning as stated in subparagraph 350202.B, below.

350202. Limitations of Eligibility. Military Service members separated under the following circumstances are not eligible for separation pay:

A. The member is separated from active duty at his or her own request. The following are considered to be separations at the member's own request:

1. A member declines training that the Military Service offers to qualify for a new skill or rating as a precondition to reenlistment or continuation on active duty.

2. A member requests separation under regulations established by the Secretary of the Military Department concerned as provided for in DoD Directives 1332.14 (reference (bs)) and 1332.30 (reference (bt)).

3. A Reserve officer declines a Regular appointment at the mandatory integration point, when an all-regular career force program is implemented by the Secretary of the Military Department concerned.

B. The member is separated from active duty during an initial term of enlistment or an initial period of obligated service. The initial term of enlistment or initial period of obligated service is the active service obligation that the member incurred upon initial enlistment or upon enrollment in a commissioning program. This limitation also applies to a member who desires to reenlist or continue at the conclusion of the initial term of enlistment or an initial period of obligation and is denied by the Military Department concerned.

C. The member is released from active duty for training or from full-time National Guard duty for training.

D. The member is immediately eligible at separation for retired or retainer pay based upon his or her term of service.

E. The member is a warrant officer whose appointment is terminated and who then elects to enlist.

F. The member is separated as a result of the execution of a court martial sentence.

G. The member is being dropped from the rolls of the Military Department concerned.

H. The member is being separated under other than honorable conditions.

I. The member is an enlisted member who is separated for unsatisfactory performance or misconduct as set forth in DoD Directive 1332.14 (reference (bs)), except when half-pay is authorized in subparagraph 350201.B, above.

J. The member is an officer who is separated for substandard performance, or acts of misconduct or moral or professional dereliction, except when half pay is authorized in subparagraph 350201.B, above.

K. The member is separated under a Military Service-specific program established as a “no payment” level by the Secretary of the Military Department concerned.

L. A determination is made by the Secretary of the Military Department concerned in an extraordinary case that the conditions under which the member is separated do not warrant separation payment. This authority is not to be delegated. It is intended that this discretionary authority to deny payment will be used sparingly.

350203. Computation of Active Service. Compute active service time as follows:

A. Qualifying years, except as noted in subparagraph 350201.A.1, above, do not have to be continuous; however, the last phase of the qualifying term must end immediately before the separation from active duty occurs.

B. Compute fractions of years in the following manner:

1. Separation Pay. Effective September 24, 1983, count each full month of military service that is in addition to the number of full years of active service as one-twelfth of a year. Disregard any remaining fractional part of a month.

2. Readjustment or Severance Pay. Count 6 months or more as a whole year, and disregard any part less than 6 months. (Note: In computing readjustment pay, the minimum eligibility of 5 full years of continuous active duty must be met first.)

C. Periods for which a Military Service member previously has received separation pay, severance pay, or readjustment pay may be counted for eligibility purposes (to ensure the member meets the minimum required years of active duty), but may not be used in the multiplier to determine the amount of separation pay for a subsequent separation.

D. Count periods of active military service in a Regular or Reserve Component. Include active duty for training performed on or after August 10, 1956.

E. Do not include periods of absence without leave, confinement time awaiting trial that results in a conviction, confinement time while serving a court-martial sentence, and time lost while not in the line of duty. Count time in service to makeup for lost time.

F. Do not include service as a cadet or midshipman while in a Military Service academy or a Reserve Officer Training Program.

350204. Computation of Separation Pay

A. Compute full separation pay at 10 percent of 12 times the amount of monthly basic pay to which entitled at the time of separation from active duty, times the active service time as computed in paragraph 350203, above.

B. Compute "half separation pay" at 50 percent of what the full separation pay would have been.

350205. Effect on Retired Pay or VA Compensation

A. Members who receive separation pay, severance pay, or readjustment pay under any provision of law based on service in the Armed Forces, and who later qualify for retired or retainer pay under Title 10 United States Code (reference (c)) or Title 14, United States Code (reference (bu)) will have deducted an amount equal to the total gross amount of separation pay, severance pay, and readjustment pay. This amount will be recouped from each payment of this retired or retainer pay until the total amount deducted is equal to the total gross amount of separation pay, severance pay, and readjustment pay received. (Note: See Volume 7B of this Regulation (reference (cn)) for the calculation of recoupment.)

B. Members who receive separation pay, severance pay, or readjustment pay under any law based on active military service, and become eligible for disability compensation administered by the Department of Veterans Affairs will have deducted from such disability compensation an amount equal to the total gross amount of separation pay, severance pay, or readjustment pay received. Effective for payments of separation pay, severance pay, or readjustment pay that are made after September 30, 1996, the amount subject to recoupment under this paragraph is the total gross amount of separation pay, severance pay, or readjustment pay received, less the amount of federal income tax withheld from such pay (such withholding, being at the flat withholding rate for federal income tax withholding, as in effect pursuant to regulations prescribed under Chapter 24 of the Internal Revenue Code) (reference (ec)). However, this reduction will not apply to disability compensation in which the entitlement to that disability compensation is based on a later period of active duty than the period of active duty for which the separation pay, severance pay, or readjustment pay was received.

C. Notwithstanding subparagraphs 350205.A and B, above, members who received readjustment or severance pay before September 15, 1981, and who, on or after September 15, 1981, become entitled to retired or retainer pay under Title 10, United States Code (reference (c)) or Title 14 United States Code (reference (bu)) are required to repay that readjustment pay or severance pay in accordance with the laws in effect on September 14, 1981.

350206. Availability To Liquidate Debts. Separation pay under this section may be used to liquidate debts to the United States Government.

3503 SAVINGS PROVISIONS FOR READJUSTMENT AND SEVERANCE PAY (OTHER THAN DISABILITY)

350301. Basic Conditions of Entitlement

A. This section is applicable only to members who were on active duty (other than for training) on September 14, 1981, and after such date are involuntarily discharged or released from active duty. Members entitled to readjustment or severance pay under this section and separation pay under section 3502, above, may not receive both, but shall elect which they will receive. If no election is made, members will receive the amount that is more favorable to them.

B. With respect to members discharged or released on or after October 19, 1984, the member is not entitled to readjustment or severance pay if the Secretary of the Military Department concerned determines that the conditions under which the member is discharged or separated do not warrant such pay. It is intended that this discretionary authority to deny payment be used sparingly. This provision does not apply to Regular officers who have completed 5 or more, but less than 20, years of service who are involuntarily discharged or released from active duty because of failure to be selected for promotion.

350302. Effect on Retired Pay or VA Compensation

A. See paragraph 350205, above, for procedures when readjustment or severance pay is received after September 14, 1981.

B. Refund upon Retirement. A Reserve member who has received a readjustment payment on separation after June 28, 1962 and before September 15, 1981, and who later qualifies for retired or retainer pay under Title 10, United States Code, (reference (c)) or Title 14 United States Code, (reference (bu)) (upon completing 20 years of active service), refunds 75 percent of the gross readjustment pay, without interest, by immediate deduction from retired or retainer pay. This is not required if readjustment pay has been waived or refunded under subparagraph 350302.C, below.

C. Waiver or Refund Before Retirement. A member may waive entitlement to readjustment pay. Also, the full amount of such pay may be refunded before retirement. Under either condition, the member will receive retired or retainer pay immediately upon retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

D. VA Disability Compensation. When a member who receives readjustment pay before September 15, 1981, is entitled to the VA disability compensation, the VA will deduct 75 percent of the readjustment payment from future VA compensation. The VA does not deduct when VA disability compensation is based on a later period of service. A member who elected on or before June 27, 1962 to receive readjustment pay in lieu of VA disability compensation may be awarded disability compensation effective on and after June 28, 1962. The VA reduces the disability compensation by 75 percent of the readjustment payment, unless readjustment pay was waived or refunded.

350303. Entitlement to and Computation of Readjustment Pay. Conditions of entitlement are in Tables 35-7 and 35-8. Table 35-9 shows how readjustment pay is computed.

350304. Computation of a 5-Year Continuous Period. To compute the 5 years of continuous active duty needed to qualify for readjustment pay, follow these rules:

A. Breaks in Service. Breaks in service of 30 days or less do not destroy the continuity of active duty (even though two or more breaks total more than 30 days). However, the time covered by such breaks must be excluded in computing the minimum 5 years of active duty.

NOTE: Do not consider AWOL, confinement, time awaiting trial which results in conviction, time lost through intemperate use of drugs or alcohol or time lost through disease or injury resulting from misconduct as "breaks in service."

B. Active Duty for Training. Include active duty for training performed on and after August 10, 1956.

C. Service Component. Combine service in the Regular Component with service in a Reserve Component.

D. Officer or Enlisted Service. Combine duty as an enlisted member and as a commissioned or warrant officer.

E. Other Branch of Service. The 5 years of continuous active duty need not be performed in the same Military Service.

F. Home Awaiting Orders. Do not include time spent at home awaiting active duty orders.

350305. Computation of Active Service. See paragraph 350203, above.

350306. Entitlement to and Computation of Severance Pay (Other Than Disability). See Table 35-10.

350307. Availability To Liquidate Debts. Readjustment and severance pay under this section may be used to liquidate debts to the U. S. Government.

3504 DISABILITY SEVERANCE PAY

350401. Entitlement. A member separated for physical disability is entitled to severance pay if qualified as prescribed in personnel regulations of the Military Service concerned. When a member is entitled to disability severance pay, separation orders specify this entitlement.

350402. Disability Incurred During Non-pay Status. A member who incurs a disability while in a total pay forfeiture status is not entitled to disability severance pay. This is true even though the Secretary of the Military Department concerned (or designee) remits the unexecuted portion of the sentence, including all uncollected forfeitures.

350403. Computation

A. Formula. To compute disability severance pay, multiply the sum of basic pay for 2 months by the number of combined years of active service and inactive duty training (but not over 12) (exception: a member of the Regular forces may not have inactive duty performed under Title 10, United States Code, section 10147 (reference (c)) included in the calculation). Do not include as basic pay the 25 percent increase prescribed under certain conditions for a Navy or Marine Corps member retained on active duty after enlistment expires.

B. Years of Service. The member's separation orders specify the total combined years of active service and inactive duty training (subject to the exception in subparagraph 350403.A, above) to be counted in computing severance pay. Round this total to the nearest whole year, with 6 months or more rounded up. If a member has less than 6 months' combined service, there is no disability severance pay entitlement.

C. Grade at Which Disability Severance Pay Is Computed. Compute severance pay on basic pay of the highest grade or rank described below:

1. The grade or rank in which the member is serving at separation;
2. The permanent Reserve grade held at separation;
3. The highest temporary or permanent grade or rank in which member served satisfactorily as determined by the Secretary of the Military Department concerned; or
4. If the disability is found during an examination for promotion, the grade or rank to which member would have been promoted if there was no disability.

D. Example of Computation. An E-6 has 11 years, 4 months, and 9 days' active service and 76 inactive duty training periods ("points") on the date of separation for physical disability. Compute the entitlement as follows:

$$\begin{array}{rcl} 11 \text{ years, 4 months, 9 days} & = & 11.3583 \text{ years} \\ 76 \text{ points} / 360 & = & .2111 \text{ years} \\ \hline \text{Total Service} & = & 11.5694 \text{ years} \end{array}$$

Since it is a decimal greater than .5, round the total upward to 12 years. 12 years x 2 months of basic pay of an E-6 over 12 = amount of disability severance pay.

NOTE: For purposes of this calculation, "points" in excess of 60 during any single year are disregarded.

350404. Taxability and Withholding

A. General. Disability severance pay is normally taxable income. However, it is not subject to tax withholding or reporting if at least one of the following three conditions exists:

1. On September 24, 1975, the individual was either a member of a Uniformed Service or was under a binding written commitment to become a member;

2. The entitlement resulted from combat-related injury or illness, as determined by the Secretary of the Military Department concerned (or designee), which happens as a result of any of the following activities:

- a. as a direct result of armed conflict,
- b. while actually performing extra-hazardous service, even if the service does not directly involve combat,
- c. under conditions simulating war, including maneuvers or training, or
- d. by an instrumentality of war, such as weapons; or

★3. The member has official notification from the Department of Veterans Affairs approving entitlement to disability compensation for the same illness or injury that caused the entitlement to disability severance pay.

B. Withholding Taxes. Withhold income taxes on all payments of disability severance pay unless the member qualifies for an exemption under subparagraph 350404.A, above. Finance officers should advise members that payments of disability severance pay could become non-taxable if the VA awards disability compensation for the same illness or injury for

which disability severance pay was paid.

NOTE: The VA may award disability compensation in either the same tax year or a subsequent tax year in which a member is paid disability severance pay. Once a member is awarded disability compensation, a refund of the income taxes withheld may be requested as discussed in the subparagraphs 350404.C and D, below.

C. VA Compensation Awarded in the Tax Year of Payment. Advise member that a refund of taxes withheld may be obtained from the supporting DFAS Center if disability compensation from the VA is awarded in the same calendar year in which the member received disability severance pay. To obtain a refund from the DFAS, requests must be submitted by December 31st of the year in which a disability severance pay payment is paid. In addition, a member who requests a refund must provide documentation to substantiate that the disability compensation award from the VA was awarded for the same injury or illness for which the member received disability severance pay.

D. VA Compensation Awarded in Tax Year After Payment. Advise member that a refund for income taxes withheld must be obtained from the Internal Revenue Service (IRS) if disability compensation from the VA is awarded in a different calendar year than the year in which the member received disability severance pay. The member should also be advised to submit the appropriate documentation from the VA along with related separation documents to claim a reduction in taxable income. A corrected IRS Form W-2 or other documents to support the decrease in taxable income will not be issued.

350405. Availability To Liquidate Debts. Disability severance pay may be used to liquidate debts to the U.S. Government.

350406. Deduction From VA Compensation. The VA deducts disability severance pay from any VA compensation to which the member or dependents later become entitled for the same disability. Deductions are not made from death compensation to which dependents become entitled after the member's death.

350407. Other Benefits and Claims. A member paid disability severance pay is not entitled to any payment from the Military Service for, or arising out of, service before separation. This does not prohibit payment if an amount is due the member on the date of separation, or if a claim is allowed under law.

3505 CONTRACT CANCELLATION PAY AND ALLOWANCES (NAVY AND MARINE CORPS ONLY)

350501. Entitlement. Members released from active duty in the Navy or Marine Corps without their consent before the end of their active duty agreement made under 10 U.S.C. 679(a) (reference (c)) are entitled to a special payment under 10 U.S.C. 12312 (reference (c)). This payment is in addition to any pay and allowances to which member is otherwise entitled.

350502. Computation. To compute the amount payable, multiply the number of years and fraction of years of the unexpired period of service under the contract by the sum of basic pay, special pay, and allowances for one month to which the member is entitled on the day of release. Count a fraction of a month that is 15 days or more as a whole month and disregard a fraction of a month that is less than 15 days. Separation orders show the number of years and months of unexpired service for which contract cancellation pay and allowances are payable.

350503. Restrictions. A member is not entitled to the special payment authorized by this section if:

- A. Dismissed or discharged under the sentence of a court martial;
- B. Released because of an unexplained absence without leave of at least 3 months;
- C. Released because of conviction and sentence to confinement in a federal or state penitentiary or correctional institution which sentence has become final;
- D. Released because of a physical disability resulting from intentional misconduct or willful neglect;
- E. Eligible for retired pay or severance pay under another provision of law (this restriction does not apply to readjustment pay);
- F. Placed on a temporary disability retired list; or
- G. Released to accept an appointment, or to be enlisted, in a Regular Component of an Armed Force.

350504. Withholding Tax. Contract cancellation pay is subject to withholding tax.

350505. Availability To Liquidate Debts. Contract cancellation pay may be used to liquidate debts to the United States Government.

3506 MISCELLANEOUS SEPARATION PAYMENTS

350601. Discharge Gratuity. See Table 35-11.

350602. Travel Allowance on Separation. See Joint Federal Travel Regulations (JFTR), paragraph U5125 (reference (d)), and travel regulations of the Military Service concerned.

3507 SPECIAL SEPARATION BENEFIT

350701. Entitlement. A member who separates voluntarily from Military Service before October 1, 1999, may, under conditions prescribed by the Secretary of the Military

Department concerned (or designee), elect to receive a special separation benefit (SSB). Such a member must meet each of the following conditions:

A. Time-in-service requirements:

1. A member separating prior to November 30, 1993, must have served for more than 6 years on active duty, full-time National Guard duty, or any combination thereof, before December 5, 1991, but have less than 20 years of service creditable for retirement.

2. A member separating on or after November 30, 1993, must have served for more than 6 years on active duty, full-time National Guard duty, or any combination thereof, but less than 20 years of service creditable for retirement.

B. The member must have completed initial term of enlistment or initial period of obligated service prior to separation.

C. The member must have served at least 5 years of continuous active duty, full-time National Guard duty, or any combination thereof, immediately prior to the date of separation.

D. The member must not be eligible immediately for retired or retainer pay because of Military Service.

E. The Secretary of the Military Department concerned (or designee) must approve the member's application for voluntary separation before the member may receive payment.

F. The member must enter into a written agreement to serve in the Ready Reserve for a period of not less than 3 years following separation. If the member has any other service obligation remaining unfulfilled at the time of separation, the new 3-year period of obligated service shall begin on the day after the day the member completes such period of prior obligated service.

G. The member's separation must not be due to a release from a period of active duty for training.

H. The member has not been approved for payment of VSI (See section 3508, below).

350702. Computation. Upon approval, and upon receipt of the member's election to receive an SSB, pay the member a lump sum computed according to this formula: Multiply rate of monthly basic pay on date of separation times 12 times years of active service times 0.15.

A. Compute years of active service according to the formula in subparagraphs 350203.B.1, D, E, and F, above. Do not count any period of prior military service for which the member has received separation pay, severance pay, or readjustment pay under any provision of

law relating to members of the Uniformed Services. When computing partial years of service, round fractional parts of a year to the nearest one tenth of one percent, or three decimal places. For example, if the member has 11 years and 5 months of service, the year multiplier in the formula would be 11.417.

B. Withhold federal and state taxes at the rate appropriate for onetime payments.

C. Deduct from the remaining balance any debt owed the United States.

D. Do not collect FICA taxes.

E. Payment will be made on, but in no cases prior to, date of separation.

F. For separations after November 11, 1993, reduce the gross amount of the SSB payment by the gross amount of any of the following bonuses which the member received during the calendar year in which the member is separating with entitlement to SSB:

1. Multi-year special pay (section 0508 of this volume)
2. Enlistment/reenlistment bonus of any type, (section 0901 and paragraphs 570402, 570403, 570404 of this volume)
3. Nuclear officer career accession bonus (Chapter 12 of this volume)
4. Nuclear career annual incentive bonus (Chapter 12 of this volume)
5. Nuclear officer accession bonus (Chapter 12 of this volume)
6. Aviator retention bonus (Chapter 20 of this volume)
7. Registered nurse accession bonus, (section 2101 of this volume)
8. Bonus for critical acquisition positions (37 U.S.C. 317) (reference (aa)) but do not effect this reduction if the member separates within one year of the date of termination of the period for which the bonus has been paid. Do not reduce any payment to less than zero. The date the bonus is received means the date on which the bonus is payable. Reduction in SSB entitlement and collection of unearned bonuses because of failure to fulfill the contract under which the bonus was paid are two separate actions. If the reduction in SSB equals or exceeds the bonus recoupment required elsewhere in this volume, no further action is necessary. If, however, the SSB reduction is less than the required bonus recoupment, the difference remains as a debt owing by the member.

Example 1: On March 1, 1993, a member reenlists for 4 years with entitlement to SRB in the amount of \$18,000. The member receives one-half of the bonus at reenlistment, with the remainder to be paid in three annual installments, \$3,000 each on March 1,

1994, 1995, and 1996. The member separates under the SSB program on December 31, 1993, with a SSB entitlement in the gross amount of \$28,000. Since the member received the bonus in the same calendar year in which separating under the SSB, reduce the member's gross SSB entitlement by \$9,000, the gross amount of the bonus paid. Since collection of the unearned SRB would have amounted to only \$5,250, (\$9,000 SRB paid minus the bonus earned for 10 months at \$375 per month), no further collection is required.

Example 2: The facts are the same as in the prior example except that the member separates on September 30, 1996. Since the separation event occurs within one year of the date of termination of the bonus period, do not make a reduction from the SSB payment. However, since the member did not complete 5 months of the period for which he or she received the bonus, he or she is indebted to the United States in the amount of \$1,875 (unearned bonus for 5 months at \$375 per month). This amount may be collected from any funds otherwise due at separation, including the SSB payment.

Example 3: The facts are the same as in the prior example except that the member separates under the SSB program on December 31, 1994. Since the member separates during a year in which he or she had received an SRB installment, the first action is to reduce her SSB entitlement by the amount of the March 1, 1994, \$3,000 installment. This reduces his or her SSB to \$25,000 (before taxes). However, the member only served 22 months of the reenlistment, so only \$8,250 was earned of a total bonus of \$12,000 that had been received (22 months at \$375 per month). The gross debt for the unearned bonus is \$12,000 minus \$8,250, or \$3,750. That debt is reduced by the \$3,000 reduction in her SSB entitlement, leaving a debt of \$750 to be collected from final pay, including his or her net SSB entitlement.

350703. Forfeiture and Recoupment

A. A member who has received SSB and later qualifies for retired or retainer pay shall have deducted a portion of such retired or retainer pay until an amount equal to the gross amount of such SSB has been deducted. See Volume 7B of this Regulation (section 0406) (reference (cn)) for details of the recoupment formula.

B. A member who has received an SSB and qualifies for benefits under the law as administered by the VA shall have deducted from such benefits the gross amount of the SSB paid to the member. Effective for payments of SSB that are made after September 30, 1996, the amount subject to recoupment under this paragraph is the total gross amount of SSB paid, less the amount of federal income tax withheld from such pay (such withholding being at the flat rate for federal income tax withholding as prescribed in Chapter 24 of the Internal Revenue Code) (reference (ec)). However, there shall be no such deduction if the disability for which the member receives compensation was incurred or aggravated during a period of later active duty.

C. Subsequent receipt of basic pay for active or Reserve service, of muster duty allowance, or compensation for a period of inactive duty training does not require a forfeiture of SSB.

D. If the member does not complete the required 3 years service in the Ready Reserve, for reasons other than through no fault of the member, collect on a pro rata basis any unearned portion of the member's SSB from the date of his or her cognizant failure to maintain Reserve affiliation through the date of the 3-year commitment. The Reserve Personnel Activity will certify when a member fails to complete the Reserve commitment as a result of his or her fault.

Example: A member separates on June 30, 1995, with an SSB entitlement of \$64,000, and a commitment to serve in the Ready Reserve through June 29, 1998. Effective December 17, 1997, member is separated from his Reserve unit, through fault of the member as certified by the servicing Personnel activity. Credit the member with serving a total of 2 years and 6 months of Reserve service using the following computation method (if more than 14 days round up, if less than 15 disregard):

<u>YR</u>	<u>MO</u>	<u>DAY</u>	
97	12	17	
<u>-95</u>	<u>06</u>	<u>30</u>	
02	05	17	
		+ 01	(inclusive day)
02	05	18	

The unearned portion of the SSB is 6/36ths of \$64,000, or \$10,667. Establish a debt against the member in that amount.

E. A member whose application for separation with entitlement to SSB was approved by competent authority after September 30, 1994, forfeits all entitlement to the SSB payment if he or she is employed in a civilian position in the Department of Defense at any time before the expiration of 180 days following the date that he or she is released from active duty with entitlement to SSB. This includes appointment to a position while on terminal leave if that appointment is not terminated prior to the date of the member's separation. Upon receipt of notification of such employment, institute collection action to recoup the gross amount of SSB paid to or on behalf of the member.

3508 VOLUNTARY SEPARATION INCENTIVE

350801. Entitlement. A member who separates voluntarily from Military Service before October 1, 1999, may, under conditions prescribed by the Secretary of the Military Department concerned, elect to receive a voluntary separation incentive (VSI). Such a member must meet each of the following conditions.

A. Time-in-service requirements:

1. A members separating prior to November 30, 1993, must have served more than 6 years on active duty, full-time National Guard duty, or any combination thereof before December 5, 1991, but have less than 20 years of service creditable for retirement.

2. A members separating on or after November 30, 1993, must have served more than 6 years on active duty, full-time National Guard duty, or any combination thereof, but have less than 20 years of service creditable for retirement.

B. The member must have completed the initial term of enlistment or initial period of obligated service prior to separation.

C. The member must have served at least 5 years of continuous active duty, full-time National Guard duty, or any combination thereof, immediately prior to the date of separation.

D. The member must not be immediately eligible for retired or retainer pay because of military service.

E. The Secretary of the Military Department concerned (or designee) must approve the member's application for voluntary separation before the member may receive payment.

F. The member must accept voluntary appointment or enlistment in, or transfer to, the Ready Reserve, and must continue to serve in a Reserve Component during the entire period of eligibility for VSI. If the member becomes ineligible to continue to serve in the Ready Reserve due to medical, age, failure to select for promotion, or other reasons determined to be no fault of the member concerned, the member will be transferred to the Standby Reserve or the Retired Reserve of a Reserve Component. The member will continue to receive annual VSI payments for the remaining period authorized.

G. The member has not been approved for payment of SSB. (See section 3507, above.)

350802. Computation. Upon approval, and upon receipt of the member's election to receive VSI, pay the member a lump sum at separation computed according to this formula:

A. Multiply the rate of monthly basic pay on date of separation times years of service times 12 times 0.025. When computing partial years of service, round fractional parts of a year to the nearest one tenth of one percent, or three decimal places. For example, if the member has 11 years and 5 months of service, the year multiplier in the formula would be 11.417.

B. So long as the member continues to serve in a Reserve Component, make annual payments on the anniversary date of the member's separation until the total number of payments made equals twice the number of years of active service used in computing the basic entitlement. See the example below for instance where the member's years of active service are not a whole number.

Example: A member separates on June 30, 1992, with a total of 11 years 3 months and 11 days of active service, at which time the member is a major with more than 10

years service. The initial installment of VSI, paid on the date of separation, is the member's basic pay of \$3,156.30 times 12 times .025 times 11-3/12 (only full months of service count) or \$10,652.51. The member is due 22 of these payments (11-3/12 times 2). Make 21 more payments of \$10,652.51, the last such full payment being due on June 30, 2013. On June 30, 2014, pay the member a final installment of \$5,326.26, which is one-half the amount of the prior installments.

C. Compute years of service according to Title 10, United States Code, section 1405 (reference (c)). Do not count any period of prior military service for which the member has received separation pay, severance pay, or readjustment pay under any provision of law relating to members of the Uniformed Services.

D. For separations after November 11, 1993, reduce the gross amount of the initial VSI payment (and any subsequent installments) until the total reduction equals the gross amount of any of the following bonuses which the member received during the calendar year in which the member is separating with entitlement to VSI:

1. Multi-year special pay (section 0508 of this volume)
2. Enlistment/reenlistment bonus of any type (Chapter 9 and paragraphs 570402, 570403, and 570404 of this volume)
3. Nuclear officer accession bonus (Chapter 12 of this volume)
4. Nuclear officer career accession bonus (Chapter 12 of this volume)
5. Nuclear officer accession bonus (Chapter 12 of this volume)
6. Aviator retention bonus; (Chapter 20 of this volume)
7. Registered nurse accession bonus (section 2101 of this volume)
8. Bonus for critical acquisition positions; Title 37, United States Code, section 317 (reference (aa)); but do not make such a reduction if the member separates within one year of the date of termination of the period for which the bonus has been paid. Do not reduce any payment to less than zero. Note: The date on which the bonus is received means the date on which the bonus is payable. If the reduction in the initial VSI installment equals or exceeds the bonus recoupment required elsewhere in this volume, no further action is necessary. If, however, the VSI installment reduction is less than the required recoupment, the difference remains as a debt owing by the member.

Example 1: Member A reenlists for 4 years on January 3, 1994, and receives a SRB payment in the gross amount of \$12,000. She separates on December 31, 1994, with entitlement to an initial gross VSI payment of \$3,232. Since she received a VSI payment in the same calendar year in which a bonus was paid, reduce the initial VSI payment to zero. However, the member still is liable for the unearned portion of the bonus, which can be collected

from any payments otherwise due the member, including any future VSI installment payments.

Example 2: The facts are the same as in the prior example except that member B separates under the VSI program on January 31, 1995. Since he did not receive a bonus during calendar year 1995, there is no reduction in the amount of his VSI entitlement. However, the member still is liable for the unearned portion of the bonus, which can be collected from any payments otherwise due the member, including the initial and any future VSI installments.

Example 3: Member C reenlists for 4 years on October 1, 1994, with entitlement to SRB in the total amount of \$12,000. She receives \$6,000 at reenlistment, with the remainder to be paid in \$2,000 installments on October 1, 1995, 1996, and 1997. On December 31, 1995, she separates with entitlement to 15 VSI payments of \$3,453 each. Since the member separated during a calendar year in which she received an SRB installment, reduce the gross VSI installment by the \$2,000 received October 1, 1995. Also, the member had earned only \$3,750 (15 months at \$250 per month) of the SRB paid to her, though she had been paid a total of \$8,000. The balance due for unearned SRB is \$8,000 less the \$3,750 earned and less the \$2,000 by which her VSI initial installment was reduced. This left a debt of \$2,250 to be collected from final pay. Use all final pay, including the remaining initial net VSI entitlement of \$1,453, to liquidate the debt.

Example 4: The facts are the same as in the prior example except that member D separates on October 31, 1996. Since the separation event occurs within one year of the date of the termination of the bonus period, do not make a reduction from the VSI payment. (This includes the initial and all annual payments.) However, since the member did not complete 11 months of the period for which he received the bonus, he is indebted to the United States for \$2,750. This amount may be collected from any funds otherwise due at separation, including the VSI payment.

E. A member who is in receipt of basic pay for active or Reserve service or inactive duty training compensation may elect to have his or her next VSI installment payment reduced by an amount no greater than the total amount of such pay or compensation received since the prior VSI installment payment. Do not reduce the installment payment unless the member signs an authorization that specifies the exact dollar amount by which to reduce the installment payment. If the member fails to qualify for retired or retainer pay for any reason, the amounts that have been offset are not refundable. A member may not reduce installment payments on account of muster duty allowances.

F. Withhold federal and state taxes at the rate appropriate for onetime payments.

G. Deduct from the payment any debt owed the United States.

H. Do not collect FICA taxes.

I. Payment will be made on, but in no cases prior to, date of separation.

350803. Forfeiture and Recoupment

A. A member who has received VSI later may qualify for retired or retainer pay through additional military service. See Volume 7B, (section 0405), of this Regulation (reference (cn)) for the requirement to reduce the member's retired pay until total reductions equal the gross amount of VSI the member has received. The reductions in retired pay will include only the amounts of VSI the member has received. Do not include prior reductions the member may have elected under subparagraph 350802.E, above.

Example: A member separates on June 30, 1992, with entitlement to VSI of \$8,000 per year for 16 years (a total of \$128,000). During each of the next 8 years, the member drills with a Reserve unit and authorizes a reduction in VSI of \$5,000 per year because of the Reserve training compensation the member receives. Thereafter, the member receives seven more VSI anniversary payments in the full amount of \$8,000 per year. When the member becomes eligible for retired or retainer pay, the total reduction of such pay is \$88,000 (\$8,000 for the initial installment, plus \$3,000 for each of the next eight installments, plus \$8,000 for each of the next seven installments). The reductions in retired pay are equal to the gross amount received by the member, including any taxes withheld from the VSI payment.

B. For a member who receives VSI and subsequently qualifies for disability compensation under laws administered by the VA, offset the amount of disability compensation payable to the member from next VSI payment.

1. The annual VSI payment will be offset by the same amount of disability compensation received during the 12 month period immediately preceding the VSI payment. In no instance will the disability compensation offset exceed the annual VSI installment.

Example 1: The VSI recipient was separated from active service on September 30, 1992, and received an initial VSI payment in the amount of \$7,000. On the VSI anniversary date of September 30, 1993, an annual payment of \$7,000 was made. On April 15, 1994, the member was paid a \$1,800 retroactive disability compensation payment (for the period November 1992 through April 1994) and received \$100 per month thereafter. The annual gross VSI payment on September 30, 1994 will be offset by \$2,300 (\$1,800 retroactive payment plus \$100 received per month from May 1994 through September 1994).

Example 2: The facts are the same as in the previous example except the member received a \$6,000 retroactive payment on April 15, 1994, and \$500 per month thereafter. The September 30, 1994, annual gross VSI installment of \$7,000 will be completely offset with no payment due the member. Although the member received \$8,500 in disability compensation during the immediate preceding 12-month period, the maximum deduction from the September 30, 1994, payment is \$7,000. No collection action is required on the remaining \$1,500, nor will it be carried forward to the September 30, 1995.

Example 3: The facts are the same as in example 1, above, except that through administrative oversight, \$2,300 was not offset from the VSI installment on September 30, 1994. The \$2,300 becomes a debt owed by the member and is subject to immediate collection action. If collection is not accomplished, deduct \$3,500 (\$2,300 which should have been offset from the previous payment plus the current offset of \$100 per month for 12 months) from the 30 September 1995 payment.

Example 4: The facts are the same as in example 2, above, except that due to administrative oversight, \$7,000 was not offset from the VSI installment on September 30, 1994. As in example 3, above, the \$7,000 becomes a debt and requires immediate collection from the member. If collection action is not accomplished, the \$7,000 debt can be collected from future VSI payments. Since the member received \$6,000 (\$500 for 12 months) disability compensation during the immediate 12-month period prior to the next installment, due on September 30, 1995, collect the remaining \$1,000 towards the \$7,000 debt. In this case, carry forward the remaining \$6,000 unpaid debt.

2. Do not deduct from the member's VSI payment if the member is receiving VA disability compensation related to a period of service earlier than the period of service for which the member is receiving VSI.

C. If a member elected to have deducted any amount of basic pay for active or Reserve service or compensation for inactive duty training, deduct the gross amount of such pay or compensation from the next installment of VSI due before computing tax withholding.

D. Do not pay any further installments to a former member who fails to maintain Reserve affiliation for reasons other than specified in subparagraph 350801.F, above, or whose Reserve Personnel Activity certifies the member was transferred to the Standby or Retired Reserve through fault of the member. Collect, on a pro rata basis, any unearned portion of the member's VSI from the date of his or her failure to maintain Reserve affiliation through the date the next installment would have been due.

Example: Member A separates on July 31, 1995, with an annual VSI entitlement of \$7,500. Effective November 30, 1995, the member is separated from his Reserve unit because of usage of illegal drugs. The unearned portion of the VSI (see subparagraph 350703.D, above, for computation method) is 8/12ths of \$7,500, or \$5,000. Establish a debt against the member in that amount.

E. In the event that a member becomes eligible for retired or retainer pay concurrently with annual VSI payments, both entitlements continue to be paid. However, retired or retainer pay is offset according to subparagraph 350803.A, above.

F. A member whose application for separation with entitlement to VSI was approved by competent authority after September 30, 1994, forfeits all entitlement to VSI payments, including the initial payment, if he or she is employed in a civilian position in the Department of Defense at any time before the expiration of 180 days following the date the member is released from active duty with entitlement to VSI. This includes appointment to a

position while on terminal leave if that appointment is not terminated prior to the date of the member's separation. Upon receipt of notification of such employment, institute collection action to recoup the gross amount of the first VSI installment. Do not pay any further VSI installments, even if the former member separates from such civilian employment during the period in which the member otherwise would be entitled to VSI installments.

★350804. Death. Upon the death of a member, VSI annual payments continue for the remaining period of the entitlement. Make payment to the beneficiary as designated by the member or as otherwise provided by law (see section 3602 of this volume). See Volume 7C, paragraph 010403, of this Regulation for beneficiary payment procedures.

350805. Transfer or Assignment. The member may not transfer or assign the right to VSI payments to any person or entity, except as indicated in paragraph 350804, above.

PAYMENT OF ACCRUED LEAVE-OFFICERS AND ENLISTED MEMBERS-SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY			
R U L E	A	B	C
	If a member has been on active duty for 30 or more consecutive days and	and	then accrued leave is
1	is discharged (including as a result of resignation)	separation is under honorable conditions (note 1)	payable (notes 2 and 8).
2	is released from active duty (note 3)		payable (notes 2, 4 and 8).
3	retires		payable (notes 2, 5 and 8).
4	is transferred to Fleet Reserve or Fleet Marine Corps Reserve		
5	is discharged for fraudulent enlistment		
6	is released from duty because of void enlistment or void induction		not payable (note 6).
7	is discharged from service as a cadet or midshipman at a Military Service academy, or as a midshipman elsewhere		
8	dies on or after August 28, 1965, while on active duty	member is not put to death as lawful punishment for a crime or a military offense	payable to beneficiary with other unpaid pay and allowances as prescribed in section 3602 (notes 7 and 8).
★ 9	is discharged before completing 6 months of active duty	separation is for unsatisfactory performance or misconduct for any reason set forth in subparagraph 350101.C of this volume.	not payable.

NOTES:

1. If member is discharged or relieved from active duty because of expiration of term of service (ETS), and is under investigation as an alleged security risk, do not pay accrued leave until investigation is completed and the character of the discharge determined. If discharge is under honorable conditions, accrued leave may then be paid.
2. The period when a member is home awaiting further orders in connection with physical evaluation board proceedings is charged as leave, to the extent that leave is available, beginning with the day after member arrives home or the day after constructive travel time ends, whichever is earlier. Limit payment to accrued leave remaining at time of retirement or discharge. (See note 4 for exception.) Authorized absence under these circumstances in excess of accrued leave is not chargeable as leave.
3. A period of active duty as a Reserve or National Guard member meets the 30-day requirement if it covers 30 or more consecutive days, even though it may be directed by more than one order covering unrelated duties.
4. If a Reserve member is entitled to pay and allowances during a disability period after a specified tour of active duty has expired, the period after that expiration date is not included in the period for which accrued leave is paid.
5. A member may not take accrued leave in lieu of payment beyond the effective date of retirement.
6. This rule does not apply when an individual inducted or enlisted into the Military Service is discovered by Military Service medical authorities to have been medically unfit for induction at the time of entrance into the Military Service and such individual is released from military control for such reason.
7. Accrued leave is payable retroactive to February 28, 1961 for a member in a missing status whose death is prescribed under section 3406 of this volume. Payment is made according to section 3410 of this volume.
- ★8. On and after February 10, 1976, a member may be paid for a maximum of 60 days accrued leave during a military career. See subparagraph 350101.B of this volume for contingency operation exception and subparagraph 350101.F for exception where a member dies while on active duty.

Table 35-1. Payment of Accrued Leave-Officers and Enlisted Members-Separation Without Immediate Reentry on Active Duty

PAYMENT OF ACCRUED LEAVE-OFFICERS-SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY				
R U L E	A	B	C	D
	If	has been on active duty for 30 or more consecutive days and is	and	then accrued leave is
1	an officer of any Military Service	retired	immediately reenters on active duty	not payable.
2		separated, on a day other than the end of the specified period of active duty, for the purpose of reentering on active duty in any status within any Uniformed Service (note 4)		
3		transferred to a different Uniformed Service by separation and immediate reappointment	immediately enters on active duty with the other Military Service	
4		separated for having failed selection to a higher grade	immediately reenters on active duty in an enlisted status	payable (notes 1 and 3).
5	a Reserve officer of any Military Service	released from active duty under honorable conditions under Title 10, United States Code, section 681, or similar laws authorizing release of Reserve officers at convenience of government, not for the purpose of reentering active service	immediately reenters on active duty (including active duty in enlisted or warrant officer status) for the purpose of retirement	payable (note 3).
6		released from active duty under honorable conditions at end of a specified period of time member agreed to serve or was obligated to serve (notes 2 and 4)	immediately reenters on active duty (note 4)	
7	a commissioned officer of any Military Service, who simultaneously holds a warrant officer appointment	released from active duty as a commissioned officer	reverts to warrant officer status and continues on active duty	not payable.
8	a temporary officer of the Navy or Marine Corps whose enlistment has expired	reverted to enlisted status and simultaneously discharged	immediately reenlists	payable at rate of pay of rank held at time of reversion (note 3).

NOTES:

1. Officers, who after notification of an impending discharge, resign for the purpose of continuing a military career are not entitled to payment of accrued leave.
2. A Reserve officer who remains on active duty beyond expiration date of initial obligation while awaiting Regular officer appointment is not entitled to payment of unused accrued leave as the separation to accept the appointment is not considered to be at the end of a specified period. The officer must be separated on the expiration date of the initial obligation for entitlement to exist.
3. On or after February 10, 1976, a member may be paid for a maximum for 60 days of accrued leave during a military career. See subparagraph 350101.B of this Regulation for the exception.
4. A National Guard member serving on active duty under Title 10 or Title 32, United States Code, who is ordered to active duty under the other title (Title 32 or Title 10) is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued, unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued, unused leave is payable.

Table 35-2. Payment of Accrued Leave-Officers-Separation With Immediate Reentry on Active Duty

PAYMENT OF ACCRUED LEAVE-ENLISTED MEMBERS-SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY				
R U L E	A	B	C	D
	If an enlisted member	has been on active duty for 30 or more consecutive days and	And	then accrued leave is (note 1)
1	of any Military Service	is separated under honorable conditions upon expiration of enlistment or is released from active duty under honorable conditions at the end of a specified period of time member agreed to serve or was obligated to serve (notes 2, 4 through 6)	immediately reenlists or immediately reenters on active duty	payable.
2		is separated before expiration of normal term of service or obligated period of duty for the specific purpose of enlisting or reenlisting (notes 3 and 6)		not payable.
3		is discharged for the purpose of enlisting or accepting a commission or appointment as a warrant officer in any Uniformed Service		
4		enlistment is extended		go to Table 35-4.
5		extension of enlistment is canceled before or during service under the extension		
6		is retired	continues on or is recalled to active duty	not payable.
7		accepts an appointment as a cadet or midshipman without being discharged from enlisted status	enters on duty as a cadet or midshipman	payable as though member were discharged on day before date appointment was accepted.
8	inducted under the Universal Military Training and Service Act, or enlisted in the Regular Army under that Act	is separated under honorable conditions at the end of the period member is required to serve	immediately enlists or reenlists	payable.
9	of the Army or Air Force who has more than 20 but less than 30 years of service	is retired and transferred to the Reserve Component of member's Military Service	is immediately ordered into active service	not payable.
10	of the Navy or Marine Corps	is transferred to the Fleet Reserve or Fleet Marine Corps Reserve	continues on active service without a break in active service	

NOTES:

- On or after February 10, 1976, a member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 350101.B.1 of this Regulation for exception.
- A member is considered as discharged upon expiration of enlistment if discharged not more than 3 months before the normal expiration date of the enlistment (effective January 2, 1968). The date of normal expiration of enlistment is excluded in computing the 3-month period.
- A member is not considered as having been discharged for the purpose of enlisting or reenlisting if discharge occurs not more than 3 months before the normal expiration of the extension period (effective January 2, 1968). The date of normal expiration of the extension period is excluded in computing the 3-month period.
- An extension of the active duty obligation does not create an entitlement under this rule.
- A Reserve member who is discharged for the purpose of immediately reenlisting in the Regular or Reserve Component of the same Military Service before the end of a specified period of time member agreed to serve or was obligated to serve, is considered as discharged upon expiration of enlistment only if the date of release is not more than 3 months before the normal expiration date of the Reserve enlistment under which the active service is being performed (effective January 2, 1968). The date of normal expiration of enlistment is excluded in computing the 3-month period.
- A National Guard member serving on active duty under Title 10 or Title 32, United States Code, who is ordered to active duty under the other Title or Title 10 is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued, unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued, unused leave is payable.

Table 35-3. Payment of Accrued Leave-Enlisted Members-Separation With Immediate Reentry on Active Duty

PAYMENT OF ACCRUED LEAVE-ENLISTED MEMBERS-EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED				
R U L E	A	B	C	D
	If an enlisted member of	has been on active duty for 30 or more consecutive days and	and member	then accrued leave is (note 1)
1	any Military Service	enlistment is involuntarily extended	continues on active duty in extension period	not payable until discharge.
2		voluntarily first extends enlistment, regardless of duration of extension		payable on day before effective date of extension (leave accrued during extension is paid on discharge after extension is completed) (note 2).
3	any Military Service, whose enlistment has been involuntarily extended	is separated under honorable conditions upon expiration of the involuntary extension of enlistment	immediately reenlists	payable.
4		is separated under honorable conditions, before extension period expires, for purpose of reenlisting		
5	any Military Service, who has voluntarily extended enlistment	extension is canceled before service under it begins and member is discharged under honorable conditions at normal expiration of enlistment (note 3)		not payable.
6		extension is canceled after service under it begins and member is discharged under honorable conditions, for purpose of reenlisting (note 4)		

NOTES:

1. On and after February 10, 1976, a member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 350101.B.1 of this volume for the exception.
2. No payment can be made on second or subsequent extensions.
3. A member is considered as discharged upon expiration of enlistment if discharged not more than 3 months before the normal expiration date of the enlistment (effective January 2, 1968). The date of normal expiration of enlistment is excluded in computing the 3-month period.
4. A member is not considered as having been discharged for the purpose of reenlisting if discharge occurs not more than 3 months before the normal expiration date of the extension period (effective January 2, 1968). The date of normal expiration of the extension period is excluded in computing the 3-month period.

Table 35-4. Payment of Accrued Leave-Enlisted Members-Extension of Enlistment: Discharge and Reenlistment Before Extension is Completed

COMPUTATION OF ACCRUED LEAVE PAYMENT (Note 6)						
R U L E	A	B	C			
	If member is entitled to accrued leave payment under Table 35-1, 35-2, 35-3, or 35-4, and is an	and member has	the complete payment for the number of days accrued leave, but not more than 60 in a military career, to include: (note 1)			
			Basic Pay (note 2)	BAS (note 6)	BAH (note 6)	Personal Money Allowances (note 6)
1	enlisted member in pay grades E-5 to E-9	dependents (note 3)	at rate applicable on date of separation (note 4)	70 cents per pay	\$1.25 per day	none.
2		no dependents			none	
3	enlisted member in pay grades E-1 to E-4					
4	Officer	dependents (note 3)	at rate applicable on date of separation (prorate for number of days of accrued leave)	at rate contained in Table 26-9 for member with dependents on date of separation (notes 4 and 5)	at rate contained in Table 26-9 for member without dependents on date of separation (notes 4 and 5)	if officer was receiving this allowance on date of separation (limited to allowances listed in chapter 31). Compute at rate payable on that date (note 4).
5		no dependents				

NOTES:

- When the final leave balance includes a one-half day total, compute the amount to be paid by crediting the member with one-half of a day entitlement. Round the total to the nearest penny.
- Do not include in basic pay the 25 percent increase authorized certain Navy and Marine Corps members retained beyond normal ETS.
- A dependent on active duty is not considered a dependent in determining right to BAH.
- Date of separation is date of discharge, release from active duty, transfer to Reserve, or death; day before effective date of retirement; day before date of appointment as cadet or midshipman; or day before effective date of extension of enlistment.
- Pay BAH even though the member is not receiving BAH on date of separation because public quarters are occupied or available.
- Cash settlement of leave accrued as of August 31, 1976 will be on the basis of basic pay, BAS, BAH, and PMA as appropriate. Cash settlement of leave accrued on and after September 1, 1976 will be on the basis of basic pay only for all grades, officer and enlisted. See subparagraph 350102.A for example.

Table 35-5. Computation of Accrued Leave Payment

SEPARATION PAY ENTITLEMENT AND COMPUTATION (Note 8)				
R U L E	A	B	C	D
	If a member is	and is involuntarily discharged or released from active duty because of (note 1)	then compute separation pay at	but not more than
1	an officer (notes 2 and 3)	failure to be selected for promotion (note 4)	10 percent of 12 months' basic pay multiplied by years and fractions of a year based on additional full months of active service	\$30,000.
2	a warrant officer separated during the 3-year probationary period	failure to be selected for promotion		
3	a warrant officer	second failure to be selected for promotion and does not enlist or the request to enlist is denied and is not retained on active duty in grade above W-4		
4	a Reserve member	non-selection for an additional tour of active duty for which member volunteered unconditionally		
5	a chaplain	failure to maintain professional qualifications		
6	a Reserve member	separation at any time prior to the completion of a specified period of active duty or indefinite period of active duty except separations for reasons shown in rules 8 and 9 and subparagraphs 350203.A.10 through 13 of this volume.		
7	a warrant officer or Reserve officer	age (notes 6 and 7)	one half of 10 percent of basic pay 12 months multiplied by years and fractions of a year based on additional full months of active service	\$15,000.
8	an officer or Reserve enlisted member (note 5)	substandard performance of duty, moral or professional dereliction, unfitness or unsatisfactory performance, misconduct, unsuitability, homosexuality, drug abuse, to include drug rehabilitation failure, inability to perform prescribed duties, repetitive absenteeism, nonavailability for worldwide assignment as a result of parenthood, or retention is not consistent with the interest of national security		
9	an officer	written notification that member must show cause for retention and who subsequently requests discharge or release from active duty		

NOTES:

- Includes member's acceptance of an earlier release before the scheduled involuntary separation date, as directed by the Secretary of the Military Department concerned (or designee).
- Includes a Regular commissioned officer with less than 5 years' commissioned service.
- Includes a Regular officer continued on active duty pursuant to 10 U.S.C. section 637(a) or a Reserve officer continued on active duty after failure to be selected for promotion, upon expiration of the period of continuation on active duty or upon separation if continuation is declined.
- Includes officer not found qualified for promotion to grade of First Lieutenant or Lieutenant (JG).
- A warrant officer who is eliminated for unfitness or unsatisfactory performance of duty and elects to enlist is not entitled to separation pay.
- Includes members separated after expiration of the retention period established by the Secretary of the Military Department concerned.
- If the member is eligible for voluntary retirement, he or she is not entitled to separation pay even though he or she does not apply for retirement concurrently with release from active duty.
- Entitlement provisions of this volume apply through June 19, 1991. The limitations in column D were removed effective November 5, 1990. See subparagraph 350201.C for additional eligibility requirements for the period of November 5, 1990 through June 19, 1991.

Table 35-6. Separation Pay Entitlement and Computation

ENTITLEMENT TO READJUSTMENT PAY (Note 1)				
R U L E	A	B	C	D
	If a Reserve member or a member of the without component (temporary) who has completed immediately before separation at least 5 years of continuous active duty, is (notes 2 and 8)	And	and	then readjustment pay is (note 9)
1	involuntarily released from active duty for reason other than moral or professional dereliction (see Table 35-8 rulings on whether separation is "involuntary release")	is immediately eligible for separation pay based on military service under some other law except Title 10 U.S.C. 680 (note 3)	elects to receive readjustment pay (note 4)	payable.
2			elects to receive other separation pay	not payable.
3		is immediately eligible for retired or retainer pay based solely on military service (including retired pay under 10 U.S.C., chapter 67 for non-regular service) (note 6)		
4		is eligible for VA disability compensation		payable but the VA will deduct from future VA compensation (see subparagraphs 350205.B and 350302.D of this volume).
5		released from active duty because of moral or professional dereliction (note 5)		not payable.
6	released from active duty at own request (note 7)			
7	released from active duty upon completion of a specific tour of active duty	volunteers for an additional tour of active duty in keeping with current directives	is not accepted for the additional tour	payable.
8	released from active duty upon completion of a specific tour of active duty	volunteers for a shorter period of active duty than permitted in current directives	is not accepted for the additional tour	not payable.
9		volunteers for a period of active duty contingent on assignment to certain type of duty or location, or being tendered specific type of contract		

Table 35-7. Entitlement To Readjustment Pay

NOTES:

1. Members entitled to readjustment pay (section 3503 of this volume) and separation pay (section 3502 of this volume) may not receive both, but shall elect which type of pay they will receive.
2. A period of active duty is continuous if it is not interrupted by a break in service of more than 30 days. Paragraph 350205 of this volume how to compute the 5-year active duty period.
3. "Separation pay" means an amount paid in connection with separation from the Military Service when the person's military status is terminated. This includes payments under sections 3502, 3503, 3504, and 3506.
4. A member may elect to receive either readjustment pay or other separation pay (as defined in note 3), but not both. A member who elects to receive readjustment pay may not later change the election to receive other separation pay.
5. A member dismissed or discharged as a result of trial by court-martial, dropped from the rolls of the Military Service concerned, or administratively discharged under other than honorable conditions is presumed to be separated because of moral or professional dereliction. An honorable discharge or a discharge under honorable conditions is presumed to be not due to moral or professional dereliction unless the Secretary of the Military Service concerned determines it to be such. Do not pay readjustment pay until character of discharge is determined.
6. If eligible for voluntary retirement under 10 U.S.C., 8911 or 10 U.S.C., 3911, a member is not entitled to readjustment pay even though such an election is made not to retire concurrently with involuntary release from active duty.
7. Disapproval of a Reserve officer's request to withdraw an application for separation will not change the release from "voluntary" for consideration of entitlement to readjustment pay.
8. Readjustment pay is not payable upon release from active duty for training or full-time training duty.
9. With respect to members discharged or released on or after October 19, 1984, the member is not entitled to readjustment pay if the Secretary of the Military Department concerned determines that the conditions under which the member is discharged or separated do not warrant such pay.

Table 35-7. Entitlement To Readjustment Pay (Continued)

RULES FOR DETERMINING WHETHER SEPARATION IS INVOLUNTARY RELEASE FROM ACTIVE DUTY (Note 1)				
R U L E	A	B	C	D
	If a Reserve member is	And	then separation is	and
1	involuntarily released from active duty as a Reserve officer	immediately enlists in the Regular Component of any Military Service, or enters on active duty as a regular or Reserve officer in the same or a different Military Service	an actual involuntary release from active duty, regardless of reentry on active duty	entitlement to readjustment pay is determined under Table 35-7.
2	a commissioned officer serving in dual status and is released from active duty as a Reserve commissioned officer	reverts to a Regular warrant officer status	not an actual release from active duty	readjustment pay is not authorized.
3	serving under a temporary appointment as a Reserve commissioned or warrant officer and the appointment is terminated	reverts to a permanent Reserve enlisted or warrant officer status without a break in service		
4	granted release from active duty at member's request, before completion of tour of duty	requests release after offer to serve another tour of active duty was denied	at member's own request	
5	released from active duty upon reaching the mandatory age limit of 60	does not offer to serve another tour of active duty	an involuntary release from active duty	entitlement to readjustment pay is determined under Table 35-7.
6		offer to serve another tour of active duty is denied		
7	a female officer and is involuntarily released from active duty for reasons of pregnancy or minor children	separation is under approved recommendation of board of officers (note 2)		

NOTES:

1. This table reflects the Comptroller General's decision regarding what constitutes "involuntary release from active duty." Do not consider the table all-inclusive.
2. A female officer may waive a hearing before the board without affecting her right to readjustment pay-the separation is still considered involuntary.

Table 35-8. Rules for Determining Whether Separation is Involuntary Release From Active Duty

COMPUTATION OF READJUSTMENT PAY						
R U L E	A	B	C	D	E	
	If readjustment pay is authorized under Table 35-7 and separation is	compute readjustment pay on basis of	multiplied by years of active service	but do not pay more than	and reduce by	
	1	for any reason other than stated in rules 2 and 3 below	2 months of basic pay of grade in which member is serving when separated	but not over 12 computed under paragraph 350203 of this volume.	2 years of basic pay or \$15,000, whichever is less	prior readjustment payments, unless they are refunded (note 1).
	2	because performance of duty falls below standards prescribed by the Secretary of the Military Department concerned (note 2)	one-half month of basic pay of grade in which member is serving when separated	but not over 18, computed under paragraph 350203 of this volume.	9 month of basic pay or \$15,000, whichever is less	
3	because retention is not clearly consistent with interests of national security (note 2)					

NOTES:

1. When prior readjustment payment is refunded, consider the period covered by the previous payment as a period for which no payment has been made.
2. See administrative regulations of the Military Service concerned to determine whether separation is in this category.

Table 35-9. Computation of Readjustment Pay

SEVERANCE PAY ENTITLEMENT AND COMPUTATION (OTHER THAN DISABILITY) (Note 1)					
R U L E	A	B	C	D	E
	If a member is	and is discharged because	then compute severance pay at (note 6)	multiply by (note 2)	but do not pay more than
1	a Regular commissioned officer of any Military Service	of failure of selection for promotion to grade O-3 or above	2 months of basic pay of grade held at time of discharge	years of service, but not more than 12 (note 3)	2 years of basic pay or \$15,000 whichever is less.
2	a woman officer of the Regular Navy or Regular Marine Corps in grade O-2	she is not on a promotion list and has completed 7 years of active commissioned service in the Navy or Marine Corps (note 5)		years of active commissioned service in the Navy or Marine Corps (note 3)	
3	a woman officer of the Regular Navy or Regular Marine Corps in grade O-3	she is not on a promotion list and has completed 13 years of active commissioned service in the Navy or Marine Corps		12 (note 3)	2 years of basic pay or \$15,000, whichever is less.
4	An ensign in the Navy or a second lieutenant in the Marine Corps	found not professionally qualified upon reexamination for promotion		years of active commissioned service in the Naval service, but not more than 6 (note 4)	1 year of basic pay.
5	a Regular commissioned officer of the Army or Air Force	of substandard performance of duty	1 month of basic pay of the grade held at time of discharge	years of active commissioned service but not more than 12 (note 3)	
6	An officer of the Navy or Marine Corps with less than 20 years of service	of unsatisfactory performance of duty, as determined by selection board	2 months of basic pay of grade held at time of discharge	years of service, but not more than 12 (note 3)	2 years of basic pay or \$15,000, whichever is less.
7		of unsatisfactory performance of duty, as determined by board in connection with temporary promotion in time of war or national emergency		years of service, but not more than 6 (note 3)	1 year of basic pay.
8	a Regular commissioned officer of the Army or Air Force	of moral or professional dereliction or in the interests of national security	1 month of basic pay of the grade held at time of discharge	years of active commissioned service, but not more than 12 (note 3)	1 year of basic pay.
9	An officer of the Navy or Marine Corps	found not qualified, from cause arising from own misconduct, upon reexamination for promotion		number of months stated in separation orders	

Table 35-10. Severance Pay Entitlement and Computation (Other Than Disability)

R U L E	A	B	C	D	E
	If a member is	and is discharged because	then compute severance pay at (note 6)	multiply by (note 2)	but do not pay more than
10	a Regular warrant officer of any Military Service	of failure of selection for promotion, and member does not enlist or is not retained on active duty in the commissioned grade in which serving	2 months of basic pay of grade held at time of discharge	years of active service, but not more than 12 (note 3)	2 years of basic pay or \$15,000 whichever is less.
11	a Regular warrant officer of any Military Service, who has more than 3 years of active service since original permanent appointment as a Regular warrant officer	of unfitness or unsatisfactory performance of duty, and member does not enlist	1 month of basic pay of grade held at time of discharge		1 year of basic pay.

NOTES:

- Members entitled to severance pay (sections 3503 and 3504 of this volume) and separation pay (section 3502 of this volume) may not receive both, but shall elect which type of pay they will receive.
- Military Service administrative regulations govern computations of years' service for purposes of severance pay.
- Count a fraction of a year that is 6 months or more as a full year. Disregard a fraction of a year that is less than 6 months. For Navy or Marine Corps officers, only years of commissioned service apply.
- Count whole years only. Disregard any fraction of a year.
- An officer retains entitlement to severance pay if discharged at member's request at any time during the fiscal year in which member fails to appear on a promotion list and will have completed 7 years of active commissioned service.
- With respect to members discharged or released on or after October 19, 1984, the member is not entitled to severance pay if the Secretary of the Military Department concerned determines that the conditions under which the member is discharged or separated do not warrant such pay.

Table 35-10. Severance Pay Entitlement and Computation (Other Than Disability) (Continued)

ENTITLEMENT TO DISCHARGE GRATUITY						
R U L E	A	B	C	D	E	F
	If	is	and	and	and	then
1	an enlisted member of any Military Service	a prisoner released from confinement in military or contract prison to parole pending completion of appellate review			has less than \$25 in possession	pay the member the difference between funds in possession and \$25 (note).
2		discharged for fraudulent enlistment	discharge is not for returning member to another branch of the Armed Forces on account of absence without authority from that branch	the member is present to receive the discharge		
3		discharged under other than honorable conditions				
4		discharged from active duty because of void enlistment	enlistment is void because contracted when member was under age			
5	an enlisted member of any Military Service	discharged from active duty because of void enlistment	enlistment is void because contracted when member was mentally incompetent			
6		discharged for minority with pay and allowances payable through date of discharge				

NOTE: Funds in the member's possession include personal funds and any item paid at the time of discharge or release, excluding mileage and cash advanced incident to furnishing transportation in kind.

Table 35-11. Entitlement To Discharge Gratuity



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

AUG 2 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding Continued Eligibility Under Voluntary Separation Incentive (VSI) Program for Members Who Involuntarily Lose Membership in a Reserve Component. (DFAS Item #I-9)

Attached is DFAS Interim Change 27-99 to Chapter 35 of the DoDFMR, Volume 7A. This change is effective immediately.

We have evaluated your comments to the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Roger Castillo may be contacted at DSN 327-1907 or (703) 607-1907.

for Edward Gysa
Gregory P. Bitt
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(COMP)
OUSD (C) ODCFO (FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

1. Revise subparagraph 350801.F as follows:

“F. The member must accept voluntary appointment or enlistment in, or transfer to the Ready Reserve of a Reserve Component, and must continue to serve in a Reserve Component during the entire period of eligibility for VSI. If the member does not continue to serve in the Ready Reserve, the VSI installments terminate on the date of separation from the Reserve Component or transfer to the Retired Reserve. If the member becomes ineligible to serve for the following reasons, VSI installments continue for the remaining period authorized if:

1. The separation or transfer is required by reason of the age or number of years service of the member,

2. The separation or transfer is required by reason of failure of selection for promotion or medical disqualification of the member, except in a case in which the Secretary of Defense or Secretary of Transportation determines that the basis of the separation or transfer is a result of a deliberate action by the member with the intent to avoid retention in the Ready Reserve or Standby Reserve, or

3. In the case of separation, the member is separated from the Reserve Component for appointment or enlistment in or transfer to another Reserve Component of an Armed Force for service in the Ready Reserve or Standby Reserve of that Armed Force.”

2. Revise bibliography as follows:

Paragraph

350801F

Citation

10 U.S.C. 1175(a)(2)

Atch to OASD(FM&P)

Memo, 3 Jan 1992,

Para C2

Public Law 105-261,

Section 563, of 17 Oct 1998

CHAPTER 36

PAYMENTS ON BEHALF OF DECEASED MEMBERS3601 DEATH GRATUITY

360101. Members for Whom Payable. Death gratuity will be paid, regardless of whether death occurred in the line of duty or was the result of member's misconduct, to eligible beneficiaries of the following (except a temporary member of the Coast Guard Reserve):

A. A member who dies while on active duty or while traveling to or from such duty.

B. A member, or former member who dies during the 120-day period beginning on the day following date of discharge or release, under honorable conditions, from active duty (including retirement for either disability or length of service). In this case, the Secretary of Veterans Affairs must determine that death resulted from disease or injury incurred or aggravated while the member was on active duty or while in authorized travel status to or from such duty.

C. Any person who dies while traveling to or from or while at a place for final acceptance, or for entry upon active duty (other than for training) in the Military Service, who has been ordered or directed to go to that place, and who has been:

1. Provisionally accepted for that duty; or

2. Selected, under the Military Selective Service Act (reference (bw)), for duty in that Military Service.

D. A member whose death is determined by administrative finding under the Missing Persons Act (reference (aa)).

E. A member of a Reserve Component who dies while traveling directly to or from active duty.

F. Any member of a Reserve Officers' Training Corps who dies while performing annual training duty under orders for a period of more than 13 days or while performing authorized travel to or from that annual training duty; or any applicant for membership in a Reserve Officers' Training Corps who dies while attending field training or a practice cruise or while performing authorized travel to or from the place where the training or cruise is conducted.

360102. Definitions

A. Active Duty. Active duty is full-time duty in the active service of a Uniformed Service, including active duty training (full-time training duty, annual training duty,

and attendance, while in the active service, at a school designated as a Military Service school by law or by the Secretary concerned). (The exception to this definition is noted in the pertinent paragraph of 360101, above.)

B. Member. A member of the military service is a person appointed, enlisted, or inducted into a branch of the Military Services, including Reserve Components, and cadets or midshipmen of the Military Service academies.

C. Reserve Components. The Reserve Components are the following: the Army National Guard of the United States, Army Reserve, Naval Reserve, Marine Corps Reserve, Air National Guard of the United States, Air Force Reserve, Coast Guard Reserve, and the Reserve Corps of the Public Health Service.

360103. Eligible Beneficiaries. See Table 36-1.

360104. Determining Eligible Beneficiaries. When officially notified that a member of his/her command has died, the commanding officer maintaining the member's personnel or service records determines if an eligible death gratuity beneficiary exists in the categories shown in Table 36-1. Legal assistance officers help in cases involving a question of law. Use the following evidence to establish whether an eligible beneficiary exists:

A. Lawful Spouse:

1. Entitlement to BAQ or evidence of assignment of government quarters to a member and spouse, or

2. In the absence of BAQ entitlement, as cited above, documentary evidence of marriage and proof of termination of any prior marriage of either the beneficiary or decedent.

B. Children. If a decedent is survived by a child or children, but no spouse:

1. Documentary evidence showing termination of any marriage, including a certified copy of the spouse's death certificate, divorce, or annulment decree.

2. Entitlement to BAQ for a child or children, or evidence of occupation of government quarters with the member before member's death, or

3. In the absence of BAQ entitlement, as cited above, base eligibility of child or children upon documentary proof of relationship, including:

a. The original or certified copy of the original birth certificate, or

b. A certified court order of adoption in the case of a legally

adopted child.

4. A certified copy of the appointment paper if a guardian of a minor child, or children, has been appointed by a court (as distinguished from being awarded physical custody).

5. If death gratuity is in excess of \$1,000, payment for a minor child may be made to the parent, including an adoptive parent, as natural guardian when all of the following conditions exist:

- a. A legal guardian has not been appointed,
- b. The parent has custody of the minor child,
- c. A statute of the state where the minor child and parent reside provides a means of obtaining a good acquittance and all statutory requirements have been met, and
- d. The parent has submitted a notarized statement, indicating the state statute involved, the facts bringing payment to the parent, and the parent understands the requirements of the statute.

6. The relationship between a member and his/her stepchild survives the end of the marriage from which it arose if close family ties have continued in fact. If such a relationship was created by a marriage ended by death, the relationship continues in the absence of evidence to the contrary. If the marriage ended by divorce, as distinguished from death, the relationship ends unless clear and convincing evidence is furnished showing continuance of close family ties and intention to continue the prior relationship.

C. Designated Beneficiaries. If the decedent is not survived by a spouse or child and has officially designated a father, mother, brother, or sister to receive death gratuity, no further evidence is necessary, except in "in loco parentis" cases. The beneficiary, however, must furnish:

- 1. Documentary evidence that any marriage entered into by the decedent has been terminated, and
- 2. A statement, witnessed by two individuals, that there are no living children. In "in loco parentis" cases, entitlement to BAQ for that person is sufficient evidence. If this relationship has not been established, the cognizant DFAS Center will make the determination.

D. Mentally Incompetent Beneficiary. If the beneficiary is mentally incompetent, a photostat or certified copy of the court order appointing a guardian, trustee, committee, or other such person is required.

E. Effect of a Will. A will does not constitute a legal designation for death gratuity, since such payment is not money or debt due the member and cannot become part of the member's estate.

360105. Determinations Affecting Entitlement

A. Death as Lawful Punishment. No death gratuity is payable in the case of a member whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by any hostile force with which the Armed Forces of the United States had engaged in armed conflict.

B. Member Killed by Beneficiary. Death gratuity is not payable to a beneficiary or survivor who kills a member, unless there is evidence which clearly absolves such beneficiary or survivor of any felonious intent.

C. Unauthorized Absence or Desertion

1. Absence Without Leave (AWOL) or Absence Over Leave (AOL). A death gratuity is payable in the case of a member whose death occurs while the member is in an unauthorized absence status, AWOL or AOL, including in custody of civil authorities, provided the date of death is prior to the normal expiration of contracted duty.

2. Desertion. No death gratuity is payable in the case of a member who is a declared deserter at the time of the member's death, unless it is later found that the declaration was in error.

360106. Amounts Payable

A. For deaths on or after 2 August 1990, the amount of death gratuity is \$6,000.

1. Pay the amount above on behalf of members specified in subparagraph 360101.C, above, who died on 2 August 1990 or later.

2. If a death gratuity payment was made on behalf of members described in subparagraph A.1, above, at the rate effective before 2 August 1990, adjust payment under this subparagraph by the amount of any previous death gratuity payment.

B. Exemption From Indebtedness. Do not use death gratuity payment to satisfy indebtedness (including overpayments).

★C. Taxability. See Table 44-1, Rule 14, and Note 11.

360107. Expediting Payments. Immediate payment of death gratuity (within

24 hours, if possible) will be made when the eligible beneficiary can be determined and there is no doubt as to propriety of payment.

360108. Responsibility for Payment of Death Gratuity

A. A death gratuity is payable on behalf of a member who dies while on extended active duty, or while traveling to or from such duty, as shown in Table 36-2 (Army), Table 36-3 (Marine Corps), Table 36-4 (Air Force), and Table 36-5 (Navy), or as specified in applicable cross-servicing regulations.

B. The cognizant DFAS Center makes death gratuity payments under circumstances described in subparagraph 360101.B, C, and D, above.

360109. Erroneous Payment. An erroneous payment of death gratuity is one made to a person clearly not entitled to it because of administrative error, rather than because of statements of record made by the member.

A. Make second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. Do not delay this payment pending recovery of the erroneous payment from the ineligible recipient.

B. Do not make a second payment of death gratuity to a different person if the original payment was based on statements of record made by the member, and the government has no reason to doubt the beneficiary's status was as stated.

3602 SETTLING DECEASED MEMBERS' ACCOUNTS

360201. General. This section contains the authority for payment of any unpaid pay and allowances due on behalf of members who die while on extended active duty. "Unpaid pay and allowances" here includes:

A. Pay and allowances due and unpaid at death, including settlement of accrued leave (subject to limitation in Chapter 35, paragraph 350101, unless Chapter 34, paragraph 341001 applies) when death occurs on or after 28 August 1965;

B. Amounts due for travel, per diem, transportation of dependents, and shipment of household goods;

C. Member's savings deposits and interest thereon;

D. Any remaining installments of an enlistment bonus or selective reenlistment bonus payable under Chapter 9, paragraphs 090105 and 090205; and

E. Proceeds of any checks for items subparagraphs A through D, above, unnegotiated by the member before death.

360202. Entitlement

A. Upon official notification of the death or finding of death, any amounts due the decedent are paid the person(s) determined to be the eligible beneficiary or beneficiaries.

B. Any payments made under this section bar their recovery by any other person.

C. When a minor child, otherwise eligible, is a designated or nondesignated beneficiary and a guardian has been appointed by a court (as distinguished from being awarded physical custody), a certified copy of this appointment paper is required.

360203. Designated Beneficiary. Current laws allow a member to designate anyone, related or not, to receive member's unpaid pay and allowances upon death. Designation of a beneficiary for unpaid pay and allowances must have been executed by the member and filed in accordance with regulations governing such designations. When more than one beneficiary has been named, the percentages specified by the member govern payment. If no percentages have been specified, payment will be divided equally among designated beneficiaries.

360204. Nondesignated Beneficiary

A. Order of Precedence. In cases of deceased members who have not designated a beneficiary, the following rules apply in determining the order of precedence:

1. The widow or widower of a member;
2. If there is no surviving spouse, to the child or children of the member and descendants of deceased children, by representation;
3. If none of the above, to the parents of the member, in equal shares, or to the surviving parent;
4. If none of the above, to the duly appointed legal representative of the member's estate; or
5. If none of the above, to the person(s) determined to be entitled under the laws of the state in which the member was domiciled.

B. Adopted Child. An adopted child is a legal heir in every state and is, therefore, entitled to payment of unpaid pay and allowances, if otherwise proper. If the deceased member's child is adopted by others, the child is a beneficiary only in those states where an adopted child inherits from its natural father.

C. Stepchild. A stepchild is not an eligible beneficiary, unless adopted by the

deceased member.

D. Illegitimate Child. An illegitimate child may not be paid unpaid pay and allowances of a deceased member, unless such child is recognized for inheritance purposes under the laws of the jurisdiction involved.

360205. Responsibility for Settlement of Accounts. Accounts of deceased members are settled as prescribed in the procedural instructions of the Military Service concerned.

360206. Tax Abatement. See Chapter 44, paragraph 440104 if member's death was caused by terrorist or military action overseas.

3603 ALLOWANCE FOR QUARTERS TO SURVIVING DEPENDENTS

360301. Eligibility

A. Effective 1 October 1993, an allowance for quarters will be paid to dependents of members who die in the line of duty when one of the following conditions exists:

1. The dependents do not occupy government quarters on the date of death.
2. The dependents are occupying government quarters on a rental basis on the date of death.
3. The dependents vacate government quarters within 180 days of the member's death.
4. The dependents cannot be claimed by another member for BAQ.

B. The allowance terminates 180 days after the date of the member's death.

C. When member is killed by a dependent(s), BAQ is not payable to that dependent, unless there is evidence which clearly absolves said dependent of any felonious intent.

360302. Priority of Payment. Payments to the surviving dependents will be made in the following order:

A. Current spouse (not including a military spouse eligible to receive quarters allowances for the same dependents as the deceased member);

B. If there is no current spouse, the housing allowance will be divided equally among the dependents on whose behalf the member was entitled to receive with-dependents BAQ.

360303. Amount and Method of Payment

A. The allowance shall be paid in the same amount and in the same manner as the deceased member would have been paid and may be paid in a lump sum as an advance payment. For amount of BAQ payable, see Table 26-9. For payment of VHA/OHA, see Joint Federal Travel Regulations, volume 1 (reference (d)).

B. Examples are:

1. Member dies 5 January 1994, and dependents vacate non-rental government quarters on 12 February 1994. Pay BAQ to the dependents at the appropriate monthly rate for 12 February through 4 July 1994, which is the 180th calendar day after the date of death. Had the member died 5 January 1996, the termination date for BAQ entitlement would have been 3 July 1996, because of the extra calendar day for leap year.

2. Member dies 16 March 1994, and the member's dependents do not occupy government family-type quarters. Pay BAQ to the dependents for the period from 17 March through 12 September 1994, a total of 180 calendar days. The dependents would receive 14 days in March, 30 days in the months of April, May, June, July, and August, and 12 days in September.

C. Payments under this section are not subject to collection of any debts owed by the deceased member to the United States.

ELIGIBLE BENEFICIARIES-DEATH GRATUITY		
R U L E	A	B
	Death gratuity is payable to, or for, the living survivor(s) of the decedent first listed below (notes 1 and 2)	which is defined as
1	lawful spouse	a man or woman legally married to a member at the time of death (note 3).
2	child, or children, without regard to age or marital status, in equal shares	a legitimate child.
3		a legally adopted child.
4		a stepchild if such child was a member of the decedent's household.
5		an illegitimate child if the father acknowledged the child in writing signed by him; or, was judicially ordered to contribute to the child's support; or, was prior to his death judicially or otherwise shown by satisfactory evidence to be the father of the child; an illegitimate child of a female member as evidenced by birth certificate or other satisfactory evidence that member was mother of the child.
6	a member's relatives consisting of parents, brothers, sisters, or any combination thereof as designated by the member (notes 4 and 5)	the natural father or mother.
7		the father or mother through adoption.
8		any person who stood "in loco parentis" for not less than one year at any time before the deceased member's entry into active service.
9		natural brothers and sisters.
10		brothers and sisters of half blood and those through adoption.
11	surviving parent(s) in equal shares	same as provided in rules 6, 7, and 8.
12	surviving brothers and sisters in equal shares	same as provided in rules 9 and 10.

NOTES:

1. If there are no survivors as listed in column A, death gratuity is not payable to any other person.
2. If an eligible beneficiary dies before receiving the amount to which entitled, such amount is paid to the then living survivor(s) first listed in column A.
3. A waiver by the lawful spouse is without effect and does not entitle another designee to the death gratuity payment.
4. Unless a specific percentage is shown, payment is divided equally among all designated beneficiaries.
5. Only one father or mother is recognized in any case. Give preference to the father or mother who exercised parental relationship immediately before the member's entry into active service.

Table 36-1. Eligible Beneficiaries-Death Gratuity

RESPONSIBILITY FOR PAYMENT OF DEATH GRATUITY-ARMY				
R U L E	A	B	C	D
	If the member is permanently assigned	and eligible beneficiary	and the beneficiary is located in	then death gratuity is settled by
1	to a station in CONUS	has been determined to be a lawful spouse or designated natural parent(s) and there is no doubt of propriety of payment	the CONUS	1. the FSO who is responsible for maintaining the member's financial record is the first to receive it after the member's death, or 2. a Designated Survivor Assistance Officer.
2			an overseas area	a Survivor Assistance Officer or DFAS-IN.
3		is a child or children or a designated relative(s) other than natural parent, whether or not doubtful (note 1)	the CONUS or an overseas area	DFAS-IN.
4		is non-designated relative(s), cannot be determined, or claim is of doubtful propriety (note 2)		
5	to an overseas station (including Alaska and Hawaii)	has been determined to be a lawful spouse or designated natural parent(s) and there is no doubt of propriety of payment	the CONUS	a designated Survivor Assistance Officer.
6		is a child or children or a designated relative(s) other than natural parent, whether or not doubtful (note 1)		DFAS-IN.
7		has been determined to be a lawful spouse or designated natural parent(s) and there is no doubt of propriety of payments	the same overseas area or country, or an overseas area or country which the FAO can serve expeditiously	same as rule 1.
8		is a child or children or a designated relative(s) other than natural parent, and there is no doubt of propriety of payment (note 1)		the AFO designated by the major Army commander of the overseas area.
9	to an overseas station (including Alaska and Hawaii)	is non-designated relative(s), cannot be determined, or claim is of doubtful propriety (note 2)	the CONUS or overseas area	DFAS-IN.

NOTES:

1. Relatives consist of a member's parents, brothers, and sisters, or any combination thereof.
2. Doubtful cases include:
 - a. All cases coming under subparagraphs 360105.A, B, C, or any questionable cases under subparagraph 360104.E.
 - b. Common law widow or widower.
 - c. A member's minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.
 - d. Parents who stood "in loco parentis" to the member, unless this status has been determined for BAQ purposes.

Table 36-2. Responsibility for Payment of Death Gratuity-Army

RESPONSIBILITY FOR PAYMENT OF DEATH GRATUITY-MARINE CORPS					
R U L E	A	B	C	D	E
	When the CO determines that the eligible beneficiary is	and eligibility of beneficiary or propriety of payment is	and	and	then death gratuity is paid by
1	a lawful spouse or a designated parent	not doubtful	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	the disbursing officer has access to member's pay and service records	a disbursing officer afloat or ashore (note 1).
2				payment is requested by the CO of an activity located in an outlying area	the disbursing officer servicing the activity.
3				member's unit is deployed, and the CO of the deployed unit requests by message that payment be made	the disbursing officer at the home port of permanent duty station of the deployed unit.
4	a lawful spouse, child or children, designated, or nondesignated relatives (note 2)	doubtful (notes 3, 4, 5, 6)	the relative did not reside with the member at or near member's duty station or home port		DFAS-KC upon CMC (MHP-10) authorization (note 7).
5		not doubtful			
6				payment is requested by the CO of an activity located near residence of the designated beneficiary	the DO servicing the activity upon CMC (MHP-10) authorization (note 7).

NOTES:

1. Disbursing officers afloat pay only when the ship is located in the immediate area in which the member's spouse or parent is residing.
2. Relatives consist of a member's parents, brothers or sisters, or any combination thereof.
3. Doubtful cases include "common law widow or widower."
4. All cases coming under paragraph 360105 and subparagraph 360104.E.
5. Doubtful cases include a member's minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.
6. Doubtful parent cases include "in loco parentis" relationships, if a determination for BAQ purposes was not made.
7. CMC may request that payments be effected by other than a Marine Corps activity.

Table 36-3. Responsibility for Payment of Death Gratuity-Marine Corps

RESPONSIBILITY FOR PAYMENT OF DEATH GRATUITY-AIR FORCE				
R U L E	A	B	C	D
	When eligibility of beneficiary or propriety of payment is	and determination is made that eligible beneficiary is	and	then death gratuity is settled by
1	not doubtful	a lawful spouse (notes 1 and 2); or a child or children (notes 2 and 3); or a designated relative (notes 2, 4, and 5)	upon receipt of notification of death (note 6)	the FSO located nearest the residence of the beneficiary (note 7).
2	doubtful			DFAS-DE.
3	not doubtful or doubtful	non-designated relative (note 4)		

NOTES:

1. DFAS-DE settles death gratuity payment to "common law widow or widower."
2. DFAS-DE settles all cases coming under subparagraphs 360105.A, B, or C, and any questionable cases under subparagraph 360104.E.
3. DFAS-DE settles doubtful cases, including a member's minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.
4. Relatives consist of a member's parents, brothers and sisters, or any combination thereof.
5. Doubtful parent cases include "in loco parentis." If this status has not been determined for BAQ purposes, DFAS-DE makes such payments.
6. If death occurs while a member is on a PCS move, the "losing" home installation notifies.
7. If pay data is needed to complete payment, make a partial payment in the amount of the member's 6 months' basic pay for the pay grade, but not more than \$3,000 or less than \$800. Contact PFR custodian for pay data to make supplemental payment, if necessary.

Table 36-4. Responsibility for Payment of Death Gratuity-Air Force

RESPONSIBILITY FOR PAYMENT OF DEATH GRATUITY-NAVY					
R U L E	A	B	C	D	E
	When the CO determines that the eligible beneficiary is	and eligibility of beneficiary or propriety of payment is	and	and	then death gratuity is paid by
1	a lawful spouse or a designated beneficiary	not doubtful	the spouse or beneficiary resides with the member at or near member's duty station or in the vicinity of the member's home port	the disbursing officer has access to member's pay and service records	a disbursing officer afloat or ashore (note 1).
2				member's unit is deployed, and the CO of the deployed unit requests by message that payment be made	the disbursing officer at the home port or permanent duty station of the deployed unit.
3	a lawful spouse, child or children, designated, or nondesignated relatives (note 2)	doubtful (notes 3, 4, 5, and 6)			DFAS-CL upon COMNAVMILPERS-COM authorization.
4		not doubtful	the relative did not reside with the member at or near member's duty station or home port		
5				payment is requested by the CO of an activity located near residence of the designated beneficiary	the disbursing officer servicing the activity upon COMNAVMILPERS-COM authorization.

NOTES:

1. Disbursing officers afloat pay only when the ship is located in the immediate area in which the member's spouse or designated beneficiary is residing.
2. Relatives consist of a member's parents, brothers or sisters, or any combination thereof.
3. Doubtful cases include "common law widow or widower."
4. All cases coming under subparagraph 360104.E and paragraph 360105.
5. Doubtful cases include a member's minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.
6. Doubtful parent cases include "in loco parentis" relationships, if a determination for BAQ purposes was not made.

Table 36-5. Responsibility for Payment of Death Gratuity-Navy



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
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JUL 1 1998

DFAS-HQ/FMM


MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Interim Change to the DoDFMR, Volume 7A, Regarding -
Basic Allowance for Housing for Missing Members and
Miscellaneous Paragraph Changes (DFAS Item H-3)

This is Interim Change 28-98 to the DoDFMR, Vol 7A. This change is effective January 1, 1998.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Roger Castillo, may be contacted at DSN 327-1907 or Commercial (703) 607-1907.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

1. Revise paragraph 340302 as follows:

"340302. BAH and BAS Entitlement. Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS at the rate payable when rations in kind are not available. Payment of these allowances are authorized from the beginning of the missing status, even though there was no housing or subsistence allowance entitlement before the missing status began."

2. Revise Table 34-2, column c of rules 1 through 4, line 14 as follows:

"BAH (Note 7) "

3. Revise Table 34-2, note 4 as follows:

"4. See paragraph 260501 recontinuance of credit for BAH for 2 months following month of absence for members in pay grades E-1, E-2, E-3, or E-4 (4 years or less service) with dependents."

4. Revise Table 34-2, notes 6 and 7 as follows:

"6. For example, if the sole dependent of a missing member dies, credit for BAH for a member with dependents ceases and any allotment in force in the dependent's favor is stopped and deductions cease.

7. Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS at the rate payable when rations in kind are not available. See paragraph 340302."

5. Revise paragraph 360104A1 as follows:

"1. Entitlement to BAH or evidence of assignment"

6. Revise paragraph 360104B2 as follows:

"2. Entitlement to BAH for a child or children"

7. Revise paragraph 360104C2 as follows:

"2. A statement, witnessed by two individuals, that there are no living children. In "in loco parentis" cases, entitlement to BAH for that"

8. Revise title of paragraph 3603 as follows:

"3603 BASIC ALLOWANCE FOR HOUSING TO SURVIVING DEPENDENTS"

9. Revise paragraph 360301A as follows:

"A. Effective 1 January 1998, basic allowance for housing will be paid to dependents of the members who die in the line of duty when one of the following conditions exists:....."

10. Revise paragraph 360301A4 as follows:

"4. The dependents cannot be claimed by another member for BAH."

11. Revise paragraph 360301C as follows:

"C. When member is killed by a dependent(s), BAH is not payable to that dependent, unless there is evidence which clearly absolves said dependent of any felonious intent."

12. Revise paragraph 360302A and 360302B as follows:

"A. current spouse (not including a military spouse eligible to receive basic allowance for housing allowance for the same dependents as the deceased member);

B. if there is no current spouse, the housing allowance will be divided equally among the dependents on whose behalf the member was entitled to receive with-dependent BAH."

13. Revise paragraph 360303A as follows:

"A. The allowance shall be paid in the same amount and in the same manner as the deceased member would have been paid and may be paid in a lump sum as an advance payment. For amount of BAH payable, see table 26-9. For payment of OHA, see Joint Federal Travel Regulations, volume 1 (reference (d))."

14. Revise paragraph 360303B1 and 360303B2 as follows:

"1. Member dies 5 January 1998, and dependents vacate non-rental government quarters on 12 February 1998. Pay BAH to the dependents at the appropriate monthly rate for 12 February through 4 July 1998, which is the 180th calendar day after the date of death. Had the member died on 5 January of a leap year, the termination date for BAH entitlement would be 3 July of the year.

2. Member dies 16 March 1998, and the member's dependents do not occupy government family-type quarters.

Pay BAH to the dependents for the period from 17 March through 12 September 1998, a total of 180 calendar days. The dependents would receive 14 days in March, 30 days in the months of April May, June, July, and August, and 12 days in September."

15. Revise Table 36-2, note 2d as follows:

"d. Parents who stood "in loco parentis" to the member, unless this status has been determined for BAH purposes."

16. Revise Table 36-3, note 6 as follows:

"6. Doubtful parent cases include "in loco parentis" relationships, if a determination for BAH purposes was not made."

17. Revise Table 36-4, note 5 as follows:

"5. Doubtful parent cases include "in loco parentis." If this status has not been determined for BAH purposes, DFAS-DE makes such payments."

18. Revise Table 36-5, note 6 as follows:

"6. Doubtful parent cases include "in loco parentis" relationships, if a determination for BAH purposes was not made."

19. Revise paragraph 4005 as follows:

"4005 BASIC ALLOWANCE FOR HOUSING

400501. Members Without Dependents. Aviation cadets without dependents who meet one or more of the conditions described in table 26-3, are entitled to BAH at the monthly rate provided for enlisted members without dependents in pay grade E-4.

400502. Members With Dependents. BAH accrues to aviation cadets with dependents at the monthly rate provided for enlisted members with dependents in pay grade E-4. See paragraph 260301 and tables 26-4 to 26-8, for conditions of entitlement."

20. Revise paragraph 410501B as follows:

"B. Basic allowance for housing (BAH) for members with dependents and members without dependents in the grade of E-7 or higher."

21. Delete paragraph 410501J and redesignate paragraphs 410501K and 410501L appropriately.

22. Revise paragraph 430404A2 as follows:

"2. Basic allowance for housing (BAH) for members with dependents and members without dependents in the grade of E-7 or higher."

23. Delete paragraph 430404A10.

24. Revise paragraph 500201C2 as follows:

"2. Basic allowance for housing."



DEFENSE FINANCE AND ACCOUNTING SERVICE

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ARLINGTON, VA 22240-5291

AUG 10 1998

DFAS-HQ/FMM

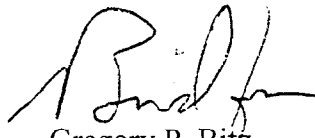
MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Change to the DoDFMR, Volume 7A, Chapter 36, Payments on Behalf of
Deceased Members (DFAS Item H-12)

This is DFAS Interim Change 34-98 to the DoDFMR, Vol 7A and is effective immediately. It provides clarification of entitlements for Reserve members who die while on active duty.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of interim change numbers is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed changes to the DoDFMR Volume 7A and the interim change.

Our point of contact, Lieutenant Colonel Imre Volgyi, may be contacted at DSN 327-5057 or Commercial (703) 607-5057.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MMP)(COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

Change DoDFMR Volume 7A, paragraph 360101E to read as follows:

“E. A Reserve member who dies while traveling directly to or from active duty for training or inactive training shall have a death gratuity paid to the eligible survivor.”

Add new subparagraph 360301D to read as follows:

“D. The surviving dependent of a Reserve member who dies while on inactive duty is not eligible for allowance for quarters up to the 180 days of BAH/OHA.”

Remove current Bibliography citation for paragraph 360301 and add new citation as follows:

“36301

37 U.S.C. 403 (1) (1) ”

CHAPTER 37

BENEFITS FOR MEMBERS HELD AS CAPTIVES3701 FORMER CAPTIVE PAYMENT

See the Definitions. Entitlement is effective 27 August 1986.

370101. Entitlement Provisions. Entitlement may only be authorized by the Secretary of Defense (SECDEF). Once the SECDEF makes a "hostile action" determination, which is the authority for former captive payments, Military Service Secretaries will provide the names and dates of entitlements to their respective DFAS Center. Entitlement dates may not include any of the following without specific case by case approval of the SECDEF:

A. Dates in a captive status which are not dates of actual physical custody by a hostile force (for example, dates evading capture where the presence of a hostile force prevented escape or rescue); or

B. Dates which are doubtful that the missing status was the result of hostile action or was the result of membership in the Uniformed Services. Commanders will forward any request with justification via the appropriate Military Service chain of command. When authorized, the DFAS Center concerned will make payment.

370102. Rates

A. For each day a member was held in a captive status, payment is 50 percent of the world-wide average per diem rate. (Rates are maintained by the Per Diem, Travel, and Transportation Allowance Committee.) Status beginning and ending days (for example, day of return to military control) are days of entitlement. Payment must be made within 1 year after the member's captive status ends.

B. Former captives may receive more than the 50 percent rate when specifically approved by the SECDEF. Forward recommendations justifying a higher percentage through command channels via the appropriate Military Service Secretary.

370103. Persian Gulf Conflict. Payment for members in a former captive status resulting from Operation Desert Storm from January 1991 through April 1991 is \$131.00 per day for January, February, and April; and \$133.00 per day for March.

370104. Death of Member. If a member dies while in a captive status, any amount due is considered pay and allowances for the purposes of Chapter 34 of this volume.

370105. Exceptions

A. The SECDEF may defer payment for anyone (within the 1 year payment window) charged with a captivity-related offense and may deny payment if the member is convicted. If convicted, whether or not payment has been made, commanders will forward the case to the SECDEF (as per paragraph 370101) with justified recommendations for payment determination. Previously-made payments later denied must be collected.

B. No payment is authorized when the Congress specifically provides for prisoner of war (POW) compensation for captivity periods. See section 3702, below.

370106. Taxability. Payments to Former captive generally are not taxable if the captive status resulted from the deprivation of personal rights, such as terrorist activity. However, if the captive status resulted from an engagement with another nation's armed forces, then payment may be taxable and is reported as taxable income. See Table 44-1 for possible applicability of the combat zone tax exclusion.

3702 PRISONER OF WAR COMPENSATION

Payment authorized by the Congress for a specific period of captivity as a POW is made by the Secretary of the Treasury and is not considered to be a Uniformed Services pay and allowances entitlement. The DFAS is not involved in payment procedures or tax reporting.

3703 SAVINGS ALLOTMENT

Military Service Secretaries may allot part or all of a captive's pay and allowances (except what is already allotted) to an interest-bearing savings fund that is maintained by the Secretary of the Treasury. Withdrawal procedures are established by the Secretary of the Treasury.

Interim Change 30-97 and 36-98 are incorporated in this change.

CHAPTER 38

SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

3801 ENTITLEMENT PROVISIONS

Cadets at the United States Military Academy and the United States Air Force Academy and midshipmen at the United States Naval Academy are entitled to pay at the monthly rate prescribed in Table 2-5. When rations-in-kind are not furnished, cadets and midshipmen are entitled to commuted rations at the daily rate established by the Secretary of the Navy. While traveling under orders, cadets and midshipmen are entitled to the travel and transportation allowances prescribed as identified in section 3804, below.

3802 SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

380201. Effective November 30, 1993, a student at the United States Military Academy Preparatory School, the United States Naval Academy Preparatory School, or the United States Air Force Academy Preparatory School, who was selected to attend the preparatory school from civilian life, is entitled to monthly student pay at the same rate as provided for cadets and midshipmen.

380202. Effective November 30, 1993, a student at a preparatory school referred to in subparagraph 380202, above, who, at the time of the student's selection to attend the preparatory school, was an enlisted member of the Uniformed Services on active duty for a period of more than 30 days, will continue to receive monthly basic pay at the rate prescribed for the student's pay grade and years of service as an enlisted member.

3803 RATIONS

★ Cadets and midshipmen are entitled to rations in kind or commuted rations at the rate of \$5.25 (October 1, 1998) (\$5.15 effective October 1, 1997) per day at all times. This includes periods while they are at the academies, on authorized leave, sick in hospitals, and in a travel status for which a per diem is payable.

3804 TRAVEL AND TRANSPORTATION ALLOWANCES

The travel and transportation allowances payable to cadets and midshipmen are prescribed in Joint Federal Travel Regulations (JFTR), Volume 1, Chapter 7 Part 4 (reference (d)).

3805 DATES TO START AND STOP PAY AND ALLOWANCES

See Table 38-1.

3806 FOREIGN CADETS AND MIDSHIPMEN--PAY AND ALLOWANCES

Persons from Canada, the American Republics, and the Republic of the Philippines who are receiving instructions at the Military Service academies are entitled to the same pay, commuted rations, and travel and transportation allowances as are authorized for United States cadets and midshipmen. However, the mileage allowance for persons from Canada and the American Republics for travel to the academy for initial admission is not limited to mileage for travel within the United States.

3807 INCENTIVE PAY AND SPECIAL PAY

Cadets and midshipmen are not entitled to incentive pay for hazardous duty (HDIP) or special pay for duty subject to hostile fire or imminent danger.

3808 SETTLEMENT FOR UNUSED ACCRUED LEAVE

Cadets and midshipmen are not entitled to lump-sum leave benefits.

3809 TAXES

The basic pay of cadets and midshipmen is subject to federal and state withholding tax and FICA tax. Chapters 1 and 2 of this volume are applicable.

3810 ALLOTMENTS

The Military Department concerned determines whether cadets and midshipmen may register allotments of pay.

3811 ADVANCE PAY FOR CLOTHING AND EQUIPMENT PURCHASES

381101. General. The Secretaries of the Military Department concerned prescribe the amount to be advanced each new cadet or midshipman to cover the cost of initial clothing and equipment. The amount advanced is deducted in regular installments from the cadet's or midshipman's monthly pay until fully collected. Any cadet or midshipman who is discharged (whether voluntarily or involuntarily) before graduation and before the total amount has been repaid, shall turn in as much of the clothing and equipment of a distinctive military nature as is necessary to liquidate the balance owed.

381102. Members Involuntarily Discharged. If a cadet or midshipman is involuntarily discharged, and the value of the turned-in clothing and equipment does not cover the balance owed, apply the value of the turned-in clothing and equipment to the balance owed and cancel the net remaining.

381103. Members Voluntarily Discharged. If a cadet or midshipman is discharged voluntarily, and the value of the turned-in clothing and equipment does not cover the balance owed, apply the value of the turned-in clothing and equipment to the balance owed and report the net remaining to the cognizant DFAS Center as a debt owed to the United States.

3812 COLLECTION OF INDEBTEDNESS

For general policies and requirements relating to collection of indebtedness, see Chapter 50 of this volume. Private indebtedness for services (laundry, dry cleaning, shoe repair, etc.) is not an indebtedness collectible under Chapter 50.

3813 CONTINUANCE OF PAY AND ALLOWANCES

Pay and allowances continue to accrue to cadets or midshipmen while they are absent in an official missing or missing-in-action status. See Chapter 34 of this volume. Cadets and midshipmen also are entitled to full pay while traveling under orders.

3814 DEATH BENEFITS

Death gratuity entitlement and settlement of unpaid pay and allowances instructions are contained in Chapter 36 of this volume.

3815 SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI)

Effective June 20, 1972, cadets and midshipmen became eligible for SGLI coverage while on full-time duty as a cadet or midshipman at a Service academy. See Chapter 47 of this volume. Details covering the administration of the SGLI program for cadets or midshipmen are contained in the pay procedural instructions of the Military Service academy concerned.

<u>DATES TO START AND STOP PAY AND ALLOWANCES</u>		
R U L E	A	B
	When a cadet or midshipman	then pay and allowances
1	has been officially admitted to one of the Service academies	start on the day of admission (note 1).
2	has been discharged and later reappointed to one of the Service academies	were stopped on date of discharge, and start again on day of reappointment (note 1).
3	has been dismissed by sentence of court-martial	stop on the date of termination of service as specified in orders directing dismissal.
4	has been dismissed from the academy by other than court-martial action before graduating	stop on date of dismissal.
5	dies before graduation	stop on the date of death.
6	is appointed a second lieutenant in the Army or Air Force upon graduation	stop on the day before the date of graduation.
7	is commissioned in the Regular Navy or Marine Corps	stop on the day before the date of formal acceptance of appointment.
8	is voluntarily placed in a leave without pay status	stop on the day before the member enters a leave without pay status. If the member is readmitted to the academy, pay and allowances start again on the day of readmission.
9	is not appointed a second lieutenant in the Army immediately upon graduation	continue until the member is appointed a second lieutenant or is discharged (note 2).

NOTES:

1. An Oath of Allegiance must be taken before first payment is made.
2. In case of appointment, active duty pay is payable from date of graduation (Table 2-1, rule 5); therefore, an adjustment is necessary between cadet pay received and active duty pay due.

Table 38-1. Dates to Start and Stop Pay and Allowances

CHAPTER 39**PAY OF SERVICE ACADEMY OFFICIALS****3901 GENERAL PROVISIONS**

A commissioned officer serving as an appointed official at a Military Service academy is entitled to the pay grade and pay and allowances established by law for the position. A commissioned officer detailed as an official at a Military Service academy is not entitled to an increase in pay and allowances because of such detail, except as provided in this chapter. A member appointed as director of music at the United States Military Academy or as leader of the Naval Academy band has the pay grade prescribed for such positions by the Secretary of the Department concerned.

3902 PAY AND ALLOWANCES

The pay and allowances authorized for academy officials are shown in Table 39-1.

3903 PERSONAL MONEY ALLOWANCES

The personal money allowances authorized for the Superintendent of the United States Naval Academy and the Commandant of Midshipmen may be spent at their discretion for the contingencies of their positions.

3904 LIBRARIAN

An officer of the Regular Army, retired from active service under Title 10, U.S.C., section 1251, (reference (c)), may be detailed on active duty to serve as librarian of the United States Military Academy. While serving as librarian, the officer is entitled to the pay and allowances prescribed for the officer's grade and years of service. Include the time spent in retirement in the computation of the officer's cumulative years of service.

3905 LEAVE OF ABSENCE-FACULTY AND OTHER OFFICERS

Professors, assistant professors, instructors, and other officers at either the United States Military Academy or the United States Air Force Academy may be granted a leave of absence for the period of suspension of the ordinary academic studies. Such leave is authorized to be granted by the superintendent concerned without deduction of pay and allowances.

3906 TRAVEL AND TRANSPORTATION ALLOWANCES

Members serving as officials at Service academies are entitled to the travel and transportation allowances prescribed in the JFTR, Volume 1, Chapter 4 (reference (d)).

PAY AND ALLOWANCES - ACADEMY OFFICIALS						
R U L E	A	B			C	D
	When officer is serving as	at the			and	then the officer is entitled to the pay and allowances prescribed for
		US Military Academy	US Naval Academy	US Air Force Academy		
1	superintendent	X		X		the officer's military grade and cumulative years of service.
2			X			the officer's military grade and cumulative years of service plus a personal money allowance of \$5200 per year.
3	Dean of the Academic Board	X				a brigadier general using the officer's cumulative years of service.
4	Dean of the Faculty			X		
5	Commandant of Cadets or Midshipmen	X		X		the officer's military grade and cumulative years of service.
6			X			the officer's military grade and cumulative years of service plus a personal money allowance of \$800 per year.
7	a permanent professor	X		X	is serving as head of a department or has been a permanent professor for more than 6 years	a colonel using the officer's cumulative years of service.
8					is not serving as head of a department and has been a permanent professor for 6 years or less	a lieutenant colonel using the officer's cumulative years of service (note 1).
9					has over 36 years of creditable service for pay purposes	the officer's military grade and cumulative years of service plus additional pay of \$250 per month (note 2).
10	Registrar	X		X	has served as registrar for more than 6 years	a colonel using the officer's cumulative years of service (note 3).
11	Registrar	X		X	has served as registrar for 6 years or less	a lieutenant colonel using the officer's cumulative years of service (notes 1 and 3).

12	Director of Music	X				a commissioned officer whose grade corresponds to the rank prescribed for the Director by the Secretary of the Army (note 4).
13	Band Leader		X			the grade prescribed by the Secretary of the Navy (note 4).
14	the second band leader		X			a warrant officer W-1 using the officer's cumulative years of service.

NOTES:

1. A permanent professor or a registrar appointed from the Regular Army or the Regular Air Force is entitled to the pay of a Colonel on the day after the date that a promotion list officer, junior to him or her on the promotion list on which his or her name was carried before his or her appointment as a professor or registrar, is promoted to the grade of Regular Colonel, even though he or she served as a professor or registrar for 6 years or less.
2. Do not use the additional pay in computation of retired pay.
3. An officer detailed to serve as registrar, who is serving in a temporary grade higher than those shown in column D, rules 10 and 11, is entitled to the pay and allowances prescribed for the higher temporary grade in which the officer is serving.
4. Compute the applicable number of cumulative years of service as outlined in Chapter 1.

Table 39-1. Pay and Allowances-Academy Officials

CHAPTER 40**PAY OF AVIATION CADETS****4001 AUTHORITY**

Aviation cadet is a special enlisted grade in the Naval service. Civilian citizens may be enlisted in the Navy or the Marine Corps as aviation cadets. Enlisted members of the Navy and Marine Corps, with their consent, may be designated as aviation cadets.

4002 ENTITLEMENT PROVISIONS

Unless entitled to the basic pay of a higher pay grade, an aviation cadet is entitled to monthly basic pay at the lowest rate prescribed for pay grade E-4. Aviation cadets are also entitled to the same basic allowance for subsistence as is provided for officers. Except for subsistence, aviation cadets or their beneficiaries are entitled to the same allowances, pensions, gratuities, and other benefits prescribed for enlisted members in pay grade E-4. While on active duty, aviation cadets are entitled to uniforms, clothing, and equipment at government expense.

4003 BASIC PAY

For active duty, pay aviation cadets basic pay at the monthly rate prescribed in Table 2-5. Compute the amount payable as instructed in Chapter 2, section 0202.

4004 BASIC ALLOWANCE FOR SUBSISTENCE

Pay aviation cadets at the monthly rate prescribed in Chapter 25, paragraph 250301. This allowance is payable under the conditions set out in Table 25-1.

4005 BASIC ALLOWANCE FOR QUARTERS

400501. Members Without Dependents. Aviation cadets without dependents who meet one or more of the conditions described in Table 26-3, are entitled to BAQ at the monthly rate provided for enlisted members without dependents in pay grade E-4.

400502. Members With Dependents. BAQ accrues to aviation cadets with dependents at the monthly rate provided for enlisted members with dependents in pay grade E-4. See Chapter 26, paragraph 260301 and Tables 26-4 to 26-8, for conditions of entitlement.

4006 AVIATION CAREER INCENTIVE PAY (ACIP)

Effective 14 November 1986, aviation cadets qualified for aviation service under regulations prescribed by the Secretary concerned are entitled to the ACIP rates under Table 22-6.

4007 CLOTHING ALLOWANCE

400701. Naval Aviation Cadets. These members are entitled to the special initial clothing monetary allowance and the basic maintenance clothing monetary allowance. For rates payable and conditions of entitlement, see Chapter 29, paragraph 290204 of this volume.

400702. Marine Corps Aviation Cadets. Pay these members the clothing allowances prescribed in the individual clothing regulations (MCO P10120.28 (reference (bb))).

4008 TRAVEL AND TRANSPORTATION ALLOWANCES

See JFTR, Volume 1, Chapter 7 (reference (d)).

CHAPTER 41

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY
(Other than Child and Spousal Support Allotments Required by Law)4101 GENERAL

410101. Application. The provisions of this chapter do not apply to child and spousal support allotments required by law to be started when a member has failed to make periodic payments under a support order. See Chapter 43, section 4304, for applicable provisions.

410102. Authority. Under instructions issued by the Secretary of Defense, the personnel identified in section 4104, below, may authorize allotments from their pay for the purposes set forth in Chapters 41-43.

410103. Policy. The allotment system is provided to help Military Service members adjust their personal and family finances to military service. It is a convenience and privilege not to be exploited or abused.

4102 SPECIALIZED TERMS410201. Certifying Officer

A. Navy. The disbursing officer responsible for registering an allotment on the military pay record. On ships without disbursing officers the commanding officer or such other officer as designated in writing, who is responsible for preparing, certifying, and forwarding allotment forms to the disbursing officer maintaining members' master pay account.

B. Marine Corps. Marine Corps allotment forms are normally prepared by the administrative office and certified by the disbursing officer.

410202. Allotment Officer (Navy and Marine Corps). The disbursing officer of the Defense Finance and Accounting Service-Cleveland Center, Anthony J. Celebrezze Federal Bldg, Cleveland, OH 44199, or the Director, Defense Finance and Accounting Service-Kansas City Center, Centralized Pay Operations (JE), Kansas City, MO 64197.

410203. Definitions. See Definitions for active duty, allotment, allottee, allotter, and financial organization.

4103 AUTHORIZED ALLOTMENTS

410301. General. Voluntary allotments of military pay and allowances of Military Service members in active military service are limited to discretionary and non-discretionary allotments.

410302. Discretionary Allotments. Members are authorized no more than six (6) purely discretionary allotments. The member shall certify that the allotment is within the limits of the law (e.g., allotments may not be used to repay gambling debts in a state where gambling is not permitted.) Examples include, but are not restricted to the following:

A. Payment of premium for commercial life insurance on the member, the member's spouse or children. This includes United States Government Life Insurance, Navy Mutual Aid Insurance, Army Mutual Aid Insurance, dental and health insurance for the benefit of family, and payment of vehicle insurance.

B. Voluntary payment to a dependent and relatives. This allotment may be made to a spouse, former spouse(s), other dependents, and to a relative(s) not legally designated as a dependent(s). Support allotments may be made payable directly to a court, a state agency, a court trustee, a welfare agency, or to the children's guardian or custodian. This allotment may be made payable to a financial organization for credit to the account of the allottee.

C. Deposits to a financial institution, mutual fund company, or investment firm.

D. Payment of car loans.

E. Payment of mortgage or rent.

F. Payment of a loan to repay consumer credit, e.g., a loan or finance company.

410303. Non-Discretionary Allotments. Non-discretionary allotments of military pay and allowances of members in active military service are limited to the following:

A. Purchase of U.S. savings bonds.

B. Repayment of loans to the Navy and Marine Corps Relief Society, Army Emergency Relief, Air Force Aid Society, and American Red Cross.

C. Voluntary liquidation of indebtedness to the United States that includes the following:

1. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

2. Payment of amounts due under the Retired Serviceman's Family Protection Plan, in the case of retired Military Service members serving on active duty.

D. Any other indebtedness to any department or agency of the United States Government (except to the Military Department paying the Military Service member).

E. Any repayment of debts owed to an organization for funds administered on behalf of the U.S. Government and any such debts assigned to a collection agency.

F. Payment for pledges for charitable contributions to the following:

1. Combined Federal Campaign (CFC). Only one such allotment is authorized for any Military Service member.

2. Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund. Only one such allotment is authorized for any Military Service member.

G. Allotments to the VA for deposit to the Post-Vietnam Era Veterans Educational Assistance Program. The allotment must be divisible by \$5 and with a minimum amount of \$25 and not more than \$100. Once authorized by the Military Service member, the allotment must run a minimum of twelve consecutive months, unless the Military Service member suspends participation or disenrolls from the program because of personal hardship or release from active duty.

H. Payment of delinquent federal, state, or local income or employment taxes.

4104 ELIGIBLE ALLOTTERS

410401. Members on extended active duty who may make allotments of pay include commissioned and warrant officers, aviation cadets, and enlisted members.

410402. Allotments may be continued to retired status; however, once any such allotment is discontinued by the retiree, it cannot be reestablished. Changes are permitted only when they are beyond the member's control and are of an administrative nature dictated by events incidental to the purpose of the allotment. Discontinuance occurs with any mortgage refinancing action.

4105 PAY AND ALLOWANCES WHICH MAY BE ALLOTTED

410501. Include the following items in computing the maximum amount of pay and allowances that may be allotted for members assigned within the continental United States:

A. Basic pay.

B. Basic allowance for quarters (BAQ) for members with dependents and members without dependents in the grade of E-7 or higher.

C. Basic allowance for subsistence (BAS) for commissioned and warrant officers.

- D. Career sea pay.
- E. Diving pay.
- F. Flying pay (all crew members).
- G. Proficiency pay and special duty assignment pay.
- H. Special pay for medical, dental, optometry, and veterinary officers.
- I. Submarine pay.

J. Variable housing allowance (VHA) for members with dependents and members without dependents in the grade of E-7 or higher.

- K. Personal money allowance.
- L. Incentive pay for hazardous duty.

410502. For members assigned outside the continental United States, include the following pay and allowance items in addition to those listed in paragraph 410501, above:

- A. Family Separation Allowance, Type II (FSA-R only).
- B. Foreign duty pay.
- C. Special pay for overseas extensions.
- D. Special pay for duty subject to hostile fire and imminent danger (applies only to members in a designated area).
- E. Overseas housing allowance.
- F. Cost-of-living allowance.

410503. The following amounts must be withheld from the maximum amount of pay and allowances that may be allotted:

- A. Federal, state and FICA taxes.
- B. The repayment of debts properly chargeable against a member's pay account (does not include repayments of advance pay).
- C. Premiums of SGLI.

D. Montgomery GI Bill deduction.

410504. Commanders may restrict further the total amount a member may allot when necessary to help the member meet essential personal needs.

4106 PERIODS OF ALLOTMENTS

Allotments are made for indefinite periods except those:

410601. To Military Service relief organizations

410602. To the American Red Cross

410603. To the United States for:

A. Repayment of indebtedness, or

B. Payment of delinquent federal income taxes.

410604. For Combined Federal Campaign (CFC) charity drive donations

410605. For payment of delinquent state or local income or employment taxes

4107 ALLOTMENT PAYMENT OFFICES

410701. Army. The Defense Finance and Accounting Service-Indianapolis Center, Military Pay Operations, Indianapolis, IN 46249, issues savings bonds and pays all allotments of pay except class X allotments, which are paid by local disbursing officers.

410702. Navy. The Defense Finance and Accounting Service-Cleveland Center, Anthony J. Celebrezze Federal Building, Cleveland, OH 44199, pays all allotments of pay.

410703. Air Force. The Defense Finance and Accounting Service-Denver Center, Denver, CO 80279-8000, issues savings bonds and pays all allotments of pay except class X which are paid locally.

410704. Marine Corps. The Defense Finance and Accounting Service-Kansas City Center, Kansas City, MO 64197, issues savings bonds and pays all allotments of pay.

4108 RESTRICTIONS

410801. Limitations. Members may have up to six (6) discretionary allotments as outlined in paragraph 410302, above.

410802. Minors. Allotments (except bonds) may not be made payable to children

under 16 years of age. They may be made payable to the children's guardian or custodian. Spouses of members may be named as allottees regardless of age.

410803. Mental Incompetents. Allotments may not be made payable to mentally incompetent persons. Allotments may be made payable to a guardian or to the institution where a mentally incompetent person is confined.

410804. Power of Attorney. A power of attorney is not acceptable to establish, change, or stop an allotment.

410805. Member Awaiting Trial by Court-Martial

A. Members may not register an allotment between the date a court-martial is ordered and the date of the approval or disapproval of the sentence.

B. Discontinue allotments whenever:

1. Necessary to permit collection of the forfeiture in the monthly amount specified and within the time limitation stated in the court-martial sentence.

2. A member is sentenced to forfeit all pay and allowances due from the date the sentence is approved by the convening authority. This applies even though the convening authority defers the forfeitures and suspends the discharge when ordering the sentence into execution.

3. Allotments may be registered by a prisoner provided the amount of pay and allowances not forfeited is sufficient to cover allotment deductions.

410806. Returned Absentees, Deserters, and Prisoners. Allotments will not be registered for a returned absentee or deserter, unless the cognizant Defense Finance and Accounting Service Center has verified the member's pay status.

410807. Fraudulent Enlistment. Pay and allowances may not be allotted when pay is suspended pending final action on determination of fraudulent enlistment.

410808. Reduced Pay of Allotter. When a reduction in grade or stoppage of pay does not leave sufficient funds for allotments in force, allotments will be discontinued.

4109 RIGHT TO ALLOTMENT IN CASE OF DEATH

410901. Death of Allotter. All allotments are revoked upon death of the allotter. No further allotment payments may be made by the paying allotment office after receipt of notice of the allotter's death. Deductions made from the allotter's pay, but not paid to the allottee, become part of the member's arrears of pay. Allotments paid after the allotter's death may not be collected from the allottee, with two exceptions:

A. Allotments erroneously established after notice of death of the allotter, and

B. Unearned insurance payment premiums (insurance premiums paid 1 month in advance of the day payment is actually due). See Military Service procedural instructions for actions required by the disbursing officer maintaining the pay account. However, the issuance of a check for an allotment does not constitute payment until it is negotiated and the amount is collected by the payee. Accordingly, if a check is sent directly to an allottee and has not been negotiated, then recoupment action is appropriate.

410902. Death of Allottee. An allotment check, even though endorsed, does not become part of an allottee's estate if it is not cashed or negotiated before the allottee's death. It is not subject to any expense incurred by, or on behalf of, the allottee before or after death. All unnegotiated allotment checks will be returned to the office that issued them. They will be credited to the member's account or paid in accordance with Military Service instructions if the member has been separated from the Military Service.

4110 ALLOTMENT OVERPAYMENT RESPONSIBILITIES

411001. Army and Air Force

A. If an allotment payment is made to an allottee before the disbursing office receives notice to stop the payment from the officer required by regulation to furnish this notice, payment is credited to the disbursing officer. Collection is made from the allottee, if possible. If an allotment is paid in error because the officer responsible failed to report either the death of the allotter or any other fact which makes the allotment not payable, the amount of the payment not recovered from the allottee is collected, if practicable, from the officer who failed to report.

B. Any check or bond received for which entitlement does not exist must be returned immediately to the office which issued it. When an allotment payment is made after deductions from the member's pay have ceased and the allottee does not return it to the office of issuance, the allottee should be required to submit a complete and detailed explanation. Liability determination will then be made.

411002. Navy and Marine Corps

A. Commanding Officer. The commanding officer is responsible for informing the disbursing officer of any facts which warrant the stoppage of an allotment and for any required follow-up action. The commanding officers of units or ships without disbursing officers have the same responsibility as disbursing officers to initiate any necessary follow-up action regarding unacknowledged allotment requests.

B. Disbursing Officers. The disbursing officer who registers an allotment for a member is held responsible for proper entry on the military pay record. If the initial entry is incorrect, the field disbursing officer making the entry is responsible for all payments or overpayments of the allotment. Failure to transfer an active allotment from a closed pay account

to a new pay account imposes a liability on the disbursing officer concerned for all payments or overpayments made by the allotment officer.

ALLOTMENTS OF PAY - GENERAL													
R U L E	A	B		C		D			E	F		G	
	When the purpose of an allotment is	and Military Service letter designation is		and member on active duty is		and is an			allotments which may be continued to retired status (Note)	then the allotment period		and payment is made by	
		Army and Air Force	Navy and Marine Corps	Army and Air Force	Navy and Marine Corps	Officer	Enlisted Member	Aviation Cadet		indefinite	definite	DFAS	local Disbursing Officer
1	purchase of United States Savings Bonds	B	B	X	X	X	X	X	X	X		X	
2	charitable drive donation (Combined Federal Campaign)	C	C	X	X	X	X	X			X	X	
3	repayment of loans to Navy and Marine Corps Relief Society, Army Emergency Relief, Air Force Aid Society, or American Red Cross	L	L	X	X	X	X	X	X		X	X	
4	contribution to post-Vietnam Era Veterans Educational Assistance Program	S	E Navy V USMC	X	X	X	X			X	X Army only	X	
5	payment of indebtedness to the United States	T	T	X	X	X	X	X	X		X	X	
6	payment of delinquent taxes (federal, state local, or employment taxes)												
7	emergency payment to a dependent	X		X		X	X			X			X
8	Remittance for RSFPP for retired members on active duty	U	U	X	X	X	X			X		X	

Table 41-1. Allotments of Pay - General

R U L E	A	B		C		D			E	F		G	
	When the purpose of an allotment is	and Military Service letter designation is		and member on active duty is		and is an			allotments which may be continued to retired status (Note)	then the allotment period		and payment is made by	
		Army and Air Force	Navy and Marine Corps	Army and Air Force	Navy and Marine Corps	Officer	Enlisted Member	Aviation Cadet		indefinite	definite	DFAS	local Disbursing Officer
9	charitable contribution to Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of Air Force Assistance Fund Army	F	C	X	X	X	X	X	X		X	X	

NOTE: Includes members of the Fleet Reserve or Fleet Marine Corps Reserve when not on active duty.

Table 41-1. Allotments of Pay - General (Continued)



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

MAR 18 1998

DFAS-HQ/FMM


MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, and DoDFMR, Volume 7B,
Regarding Power of Attorney to Establish, Change, or
Stop Allotment (DFAS Item G-42)

This is DFAS Interim Change 16-98 to the DoDFMR, Vol 7A and DFAS Interim Change R5-98 to DoDFMR, Volume 7B. This change is effective immediately. It provides authority for the use of a special power of attorney to establish, change, or stop an allotment. Action has been initiated to have DoDD 7330.1 rescinded to reflect this policy change.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A and 7B. The attached final version of the change includes your comments where appropriate. Assignment of interim change numbers is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed changes to the DoDFMR Volume 7A and 7B and the interim changes.

Our point of contact, Lieutenant Colonel Imre Volgyi, may be contacted at DSN 327-5057 or Commercial (703) 607-5057.


Edward T. Gryssavage
Acting Director for Finance

Attachment:
As stated

cc: DASD (MMP) (COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

Change DoDFMR Volume 7A, paragraph 410804. to read: "Power of Attorney. A special power of attorney may be used to establish, change, or stop an allotment. This special power of attorney must specifically state the authority to establish, change, or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment."



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUN - 4 1998

DFAS-HQ/FMM


MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Update to the Department of Defense Financial Management Regulation (DoDFMR),
Volume 7, Part A, Allotments of Pay (DFAS Item G-18)

This is DFAS Interim Change 21-98 to the DoDFMR, Volume 7A. This change is effective immediately.

We evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Ms. McGriff, may be contacted at DSN 327-5062 or (703) 607-5062.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MMP)(COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

1. Add the following new sentence to the bottom of the current paragraph 410103 Policy. to read:

"...exploited or abused. Other than amount changes, administrative changes may be made at the request of the allottee without the member's consent. This includes address changes."

2. Change paragraph 410402 to read:

"Allotments may be continued to retired status. To aid personnel in the transition from active duty to retired status, all existing authorized discretionary allotments of members on active military service may be continued as approved allotments."

3. Add the following new sentence to the bottom of paragraph 420101A to read:

"420101A...through 4206 of this chapter. Service members are authorized no more than one discretionary allotment to the same allottee."

4. Change the number on the current paragraph 410801 to read: "410802." Renumber all consecutive paragraphs in this section as follows:

"Current paragraph 410802" will be "410803"
"Current paragraph 410803" will be "410804"
"Current paragraph 410804" will be "410805"
"Current paragraph 410805" will be "410806"
"Current paragraph 410806" will be "410807"
"Current paragraph 410807" will be "410808"
"Current paragraph 410808" will be "410809"

5. Add the following new paragraph 410801 to read:

"410801. Establishment, Discontinuance, and Changes to Existing Allotments. A properly executed form (DD 2558, Authorization To Start, Stop or Change an Allotment) or an automated data exchange (from specific organizations) may be used to establish, discontinue, or change an allotment. This DD 2558 form is available electronically."



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

NOV 9, 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Proposed Change to the Department of Defense Financial
Management Regulation (DoDFMR), Volume 7, Part A,
Allotments of Pay (DFAS Item Number I-34)

This is DFAS Interim Change 40-99 to the DoDFMR, Volume 7A.
This change is effective immediately.

We evaluated your comments on the draft change to the DoDFMR,
Volume 7A. The attached final version of the change includes your
comments where appropriate. Assignment of an interim change number
is your authority to start a procedural modification, if necessary,
to facilitate this change. For the Denver Center, use the attached
to initiate the formal printed change to the DoDFMR, Volume 7A, and
the interim change.

Our point of contact, Ms. McGriff, may be contacted at DSN
327-5062 or Commercial (703) 607-5062.

for Gregory P. Bitz
Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MMP) (COMP)
OUSD (C) ODCFO (FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

Change paragraph 410801 to read:

"...A properly executed form (e.g., DD 2558, Authorization to Start, Stop or Change an Allotment) or a written request from a member (or from an agent acting under a specific power of attorney) or an automated data exchange (from specific organizations) may be used to establish, discontinue, or change an allotment. The DD 2558 form is available electronically. Further, service member's written signature is not required to effect an allotment from pay when automated data exchange is utilized. Automated computer programs that allow members to establish, discontinue, or change an allotment using a personal identification number (PIN) are permitted. Allotments will be established, discontinued, or changed only after the member's identity has been validated."

Interim Changes 21-98 is incorporated in this change. Interim Change 21-98 also affects other chapters and will not be deducted from the interim changes cited in the web site.

CHAPTER 42

DISCRETIONARY ALLOTMENTS

4201 RESTRICTIONS ON DISCRETIONARY ALLOTMENTS

420101. Restrictions

★A. General. Military Service members are authorized no more than six purely discretionary allotments. Discretionary allotments are considered as class D allotments and examples are indicated in sections 4202 through 4206, of this chapter. Service members are authorized no more than one discretionary allotment to the same allottee.

B. Savings Provision. All existing approved registered allotments of military pay and allowances from active duty and retired members that were authorized previously by this part at the time registered may be continued as approved allotments. If any such allotments are discontinued, they may not be reestablished except as a new allotment in accordance with the requirements of this part. Any change in the allotment initiated by the member is considered a discontinuance, except those that are beyond the control of the member. Changes beyond the control of the member are administrative changes that are dictated by events incidental to the allotment, i.e., name and address changes, or mortgage payment changes because of a variable rate mortgage or changing escrow requirements. Although the changes in this paragraph do not constitute a discontinuance, such administrative changes that adjust the amount of the allotment shall be accepted only when the member initiates a new allotment request. Discontinuance occurs with any mortgage refinancing action.

C. Allotments to Non-Individuals. Allotments shall be sent by Direct Deposit/Electronic Fund Transfer (DD/EFT).

4202 ALLOTMENTS TO DEPENDENTS OR RELATIVES

420201. Authorized Allottee. Officers and enlisted members of the Military Services may authorize allotments of pay to their dependents, relatives, or divorced spouse. These allotments may be authorized by the member or administratively initiated under procedures established by the Military Service concerned. It may be made payable to an individual or to a financial organization for credit to the account of the allottee, or a joint account of the allotter and allottee. The member may request to stop a dependent allotment administratively started.

420202. Locally Paid Dependent Allotment (Class X)-Army and Air Force Only. This allotment is locally paid and is authorized only in emergency circumstances which prevent the member from supporting the member's dependent(s) by the usual means. It may be paid directly to the member's dependent or made payable to a financial organization for credit to an

account. This allotment is intended to be flexible enough to cope with the various types of emergencies that may arise. The following are examples where an Army or Air Force member may authorize a class X allotment:

Example 1: An Army member stationed overseas (including Alaska and Hawaii) with dependents residing in the same overseas area but in a different foreign country may authorize a class X allotment (Type I) for an indefinite period.

Example 2: An Army member, stationed anywhere, who is required to depart the permanent station in a timeframe which precludes normal arrangements for support of dependents may authorize a class X allotment (Type II) for a definite period not to exceed 6 months. If the member has not returned to the permanent station by the date the allotment is due to expire, the commander may extend the allotment for another 6 months.

Example 3: An Air Force member stationed overseas (including Alaska and Hawaii) with dependents residing in the same overseas area may authorize a class X allotment for an indefinite period during periods the member is away from the permanent station.

Example 4: An Air Force member, stationed anywhere, may authorize a class X allotment for a one-time emergency payment.

Example 5: An Air Force member, stationed anywhere, who is TDY for more than 30 days may authorize a class X allotment for a period not to exceed 6 months. If the member has not returned to the permanent station by the date the allotment is due to expire, the accounting and finance officer or the appointed agent establishes a class D allotment to replace the class X allotment.

420203. Allotment or Deduction for Rent. An allotment or deduction of pay may be authorized by the appropriate Secretary of the Military Department concerned for the payment of rent of premises occupied for dwelling purposes by the spouse, children, or other dependents of a member. Such allotment or deduction will be processed in accordance with the procedural instructions of the Military Service concerned.

4203 INSURANCE ALLOTMENTS

420301. Purpose. Allotments are authorized to be made by all Military Service members for paying insurance premiums.

420302. Eligible Allottees

A. United State Government Life Insurance/National Service Life Insurance (USGLI/ NSLI). The allottee for this allotment is:

Department of Veterans Affairs
Insurance Center
PO Box 8079
Philadelphia PA 19101

A member may have only one NSLI allotment. If the member has more than one policy in effect under one class of insurance, or a combination of U.S. Government Life Insurance and National Service Life Insurance, the premium payments are combined into one allotment.

B. Commercial Insurers. Commercial insurers are eligible allottees. All new allotments for paying premiums on commercial insurance must be approved under the following Military Service regulations:

1. Army: AR 37-104-3 (reference (bh));
2. Navy and Marine Corps: SECNAVINST 1740.2 Series (reference (by));
3. Air Force: AFR 211-16 (reference (bz)).

All payments to an insurer are made to the home office of the agency issuing the policy or to a branch office named by the home office. A member may have more than one allotment for commercial insurance. However, if the member has more than one insurance policy with the same company, premium payments must be combined into one allotment to that company.

C. Navy Mutual Aid Insurance (Navy and Marine Corps only). The Navy Mutual Aid is an authorized allottee for the payment of life insurance. If the member has both the regular premium and the extra hazardous duty premium, the payments must be combined into one allotment.

420303. Effective Dates for Starting, Changing, and Stopping Insurance Allotments. Tables 42-1, 42-2, and 42-3 prescribe effective dates to start, change, or stop insurance allotments.

420304. Mandatory Stoppages

A. When Required. Table 42-3 gives conditions which require stopping insurance allotments.

B. Temporary Indebtedness or Forfeitures

1. Navy and Marine Corps Members. Do not stop a National Servicemen's Life Insurance allotment because of temporary indebtedness due to a request for collection of pay, or because of an authorized advance of pay, or temporary forfeiture of pay imposed by sentence of court-martial.

2. Air Force and Army Members. See Table 42-3, rule 11.

C. Cash Deposit for Insurance. Navy or Marine Corps members in a non-pay status may make cash deposits to protect a National Servicemen's Life Insurance allotment.

4204 ALLOTMENTS TO FINANCIAL ORGANIZATIONS AND INVESTMENT FIRMS

420401. Authorized Allottee. Officers and enlisted members may authorize allotments of pay to financial organizations for credit to the account of the member. Allotments may be deposited to:

A. A financial organization for credit to a savings, checking, or trust account of the allotter without restricting the use of the funds allotted.

B. A mutual fund company or investment firm.

4205 ALLOTMENTS FOR PAYMENT OF MORTGAGE OR RENT

420501. Authorized Allottee. Officers and enlisted members may authorize allotments of pay for mortgage or rent payment to a financial institution, mortgage company, realtor or to a landlord. See paragraph 420101, above, for restrictions that apply to this type of allotment.

4206 OTHER ALLOTMENTS

420601. Other Allotments. Officers and enlisted members may authorize an allotment for payment of car or personal loans. However, the restrictions in section 4108 of this volume are applicable when starting this type of allotment.

DATES TO START INSURANCE ALLOTMENTS				
R U L E	A	B	C	D
	If a member of	authorizes a/an	and	then start allotment effective the first day of the month
1	any Military Service	National Service Life Insurance allotment		preceding the month in which the insurance premium is due. If the member has credits to cover deductions, allotment may be retroactive to assure continuity of premium payments or to reinstate insurance on the member's return from unauthorized absence (notes 1 and 2).
2			insurance policy is backdated to save age	in which application is made. Member must pay the reserve to cover previous months by direct pay to the VA.
3	the Army and Air Force	insurance allotment		specified by the member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations. May be effective with the month allotter enters on duty but only when an enlisted member, warrant officer, or graduate of a Service academy is commissioned, or when an enlisted member is appointed a warrant officer.
4	the Navy or Marine Corps	commercial insurance or a Navy Mutual Aid allotment		specified by the member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.

NOTES:

1. A U.S. Government Life Insurance, or National Service Life Insurance allotment deducted for 1 month, pay the premium for the following month. For example, if premium for July is first one to be paid by allotment, allotment must be effective June 1.
2. When a National Service Life Insurance allotment has been discontinued, whether voluntarily or involuntarily, the allotter may reauthorize the allotment, except when starting an allotment that is prohibited by this chapter.

Table 42-1. Dates to Start Insurance Allotments

DATES TO CHANGE INSURANCE ALLOTMENTS					
R U L E	A	B	C	D	E
	If a member of	has a	and the	then stop present allotment effective the last day of the month	and start new allotment effective the first day of the month
1	the Army or Air Force	commercial insurance or a National Servicemen's Life Insurance allotment	member or accounting and finance officer requests a change in the allotment	specified in the allotment document, if authorization will reach the allotment office before the date specified in Military Service regulations (stop retroactively if requested by the Department of Veterans Affairs or allotment office)	following the month old allotment is stopped.
2	The Navy or Marine Corps	commercial insurance, National Servicemen's Life Insurance, or a Navy Mutual Aid allotment			
3	any Military Service	National Servicemen's Life Insurance allotment	allotment was authorized in incorrect amount or effective date	before its effective date	the original authorization was effective, or the date requested by allotment office or Department of Veterans Affairs. (Allotment office adjusts premium payments with VA.)

Table 42-2. Dates to Change Insurance Allotments

DATES TO STOP INSURANCE ALLOTMENTS				
R U L E	A	B	C	D
	If a member of	authorizes a	and	then stop allotment effective the first day of the
1	the Army or Air Force	commercial insurance or a National Servicemen's Life Insurance allotment	the member requests the allotment to be stopped	month specified by the member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.
2	the Navy or Marine Corps	commercial insurance, National Servicemen's Life Insurance, or a Navy Mutual Aid allotment		
3	any Military Service	National Servicemen's Life Insurance allotment	the application for insurance is disapproved by the VA	month before the effective starting date of the allotment (see note).
4	the Army or Air Force	commercial insurance or National Servicemen's Life Insurance allotment	is AWOL for 10 days or more	latest month in which enough pay accrues to satisfy deduction.
5	the Navy or Marine Corps	commercial insurance or Navy Mutual Aid allotment	is AWOL for 15 days (or less, if allotment discontinuance is necessary to prevent overpayment)	month before the month in which absence began if authorization will reach allotment office before the date specified in Military Service procedural regulations; otherwise the month absence began.
6		National Servicemen's Life Insurance allotment	is AWOL for at least 30 days	month before the month in which absence began.
7	the Army or Air Force	commercial or National Servicemen's Life Insurance allotment	approved court-martial sentence imposes total forfeiture of pay and allowances	latest month in which enough pay accrues to satisfy deduction.
8	the Navy or Marine Corps	commercial insurance, National Servicemen's Life Insurance, or Navy Mutual Aid allotment		month before the month in which court-martial sentence is approved.
9	the Army or Air Force	commercial insurance or National Servicemen's Life Insurance allotment	has insufficient "take-home" pay to satisfy IRS notice of levy	month before the month in which IRS notice of levy is received. (Stop insurance allotments only if discontinuance of other discretionary allotments will not satisfy levy.)
10	the Navy or Marine Corps	commercial insurance, National Servicemen's Life Insurance, or Navy Mutual Aid allotment		
11	the Army or Air Force	commercial insurance or a National Servicemen's Life Insurance allotment	has insufficient pay, because of reduction in grade, nonpay status, or stoppage of pay, to warrant continuance of allotment	latest month in which enough pay accrues to satisfy deduction. Avoid stopping allotment unnecessarily or earlier than required.
12			is separated, retires, or dies	(See procedural regulations of Military Service concerned.)
13	the Navy or Marine Corps	commercial insurance, National Servicemen's Life Insurance, or a Navy Mutual Aid allotment		

NOTE: If applicant has been separated from the Military Service, the commander forwards disapproval notice, with member's last known address thereon, to the allotment office.

Table 42-3. Dates to Stop Insurance Allotments

Interim Change 28-98 is incorporated in this change and will be deleted from the interim changes cited in the web site.

CHAPTER 43

NON-DISCRETIONARY ALLOTMENTS

4301 ALLOTMENTS FOR THE PURCHASE OF SAVINGS BONDS

430101. Authorized Purchases by Allotment. Members may purchase United States savings bonds by class B allotment in denominations of \$100, \$200, \$500, and \$1,000. The purchase price of the bond is one-half of the face value. Bond purchases in 1 calendar year may not exceed \$15,000 (purchase price). See Table 41-1 for members who may purchase bonds by allotment.

430102. Mailing Bonds. Generally, savings bonds may only be sent to an address within the United States, its territories or possessions, or the Commonwealth of Puerto Rico.

430103. Bonds Allotments for Members in Missing or Captured Status (Army and Air Force Only). Army and Air Force members may authorize class B allotments to become effective only if they enter a status of missing, missing-in-action, interned in a foreign country, captured, beleaguered or besieged by a hostile force, or detained in a foreign country against their will.

430104. Administration of Allotments. Details covering the administration of savings bond allotments are in the procedural instructions of the Military Service concerned.

430105. Safekeeping of Bonds. Members on active duty who prefer not to have their bonds mailed upon issue may have them held in safekeeping in accordance with the procedural instructions of the Military Service concerned.

4302 CHARITABLE CONTRIBUTIONS

430201. General

A. Combined Federal Campaign. Annual solicitations for donations to various community charity drives have been coordinated into a single combined fund-raising campaign. The name of this campaign is the Combined Federal Campaign (domestic areas) or the DoD Overseas Combined Federal Campaign (overseas areas). Basic information on the Combined Federal Campaign (domestic areas) is in the Manual on Fund-Raising Within the Federal Service for Voluntary Health and Welfare Agencies, and information for overseas areas is in appropriate Military Service regulations.

B. Service Relief Organizations. Members are authorized to make charitable contributions by allotment to the Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund.

C. Allotment. Members meeting the requirements of this section may authorize a class C (CFC) allotment for a charity contribution to the Combined Federal Campaign (domestic or overseas) or to any of the Military Service relief organizations (SRO) indicated in subparagraph 430201.B, above. All allotments authorized are paid centrally by the offices shown in section 4107 of this volume.

430202. Limitations. Allotments for CFC and SROs must be at least \$1 per month and each allotter is authorized only one CFC and one SRO allotment.

430203. Discontinuance (CFC Only). Once an allotment is stopped it may not be reinstated during the current allotment period. (This does not apply to Navy or Marine Corps members when the allotment is stopped because of change in pay group.) Stop the allotment:

A. At the end of the authorized withholding period

B. Upon member's written request

C. Upon separation (except when discharged and immediately reenlisted at the same station without a break in service), release from active duty, transfer to the Fleet Reserve or Fleet Marine Corps Reserve, retirement, or death

430204. Transfer. Continue the allotment when a member participating in a CFC campaign is transferred, unless the member submits a written discontinuance request.

430205. Administration of Allotment. Details covering charitable contributions allotments are in the procedural instructions of the Military Department concerned.

4303 POST-VIETNAM ERA VETERANS EDUCATIONAL ASSISTANCE PROGRAM

430301. General. The Post-Vietnam Era Veteran's Educational Assistance Program provides education assistance on a contributory basis to those eligible members entering the Armed Forces on or after January 1, 1977, and before July 1, 1985, who might otherwise be unable to obtain a higher education.

430302. Contributions. Contributions by the member will be by allotment, payroll deduction, or lump-sum payment. The amount of the allotment or payroll deduction (Marine Corps only) will be not less than \$25 nor more than \$100 and must be in \$5 increments. Contributions by the participant are limited to a maximum of \$2,700.

430303. Administration of Allotment or Payroll Deduction. Details covering the administration of this type of allotment or payroll deduction (Marine Corps only) and the method of remitting contributions to the Department of Veterans Affairs are contained in regulations issued by the Department of Defense, the Department of Veterans Affairs, and the Military Department concerned.

4304 ALLOTMENTS FOR CHILD AND SPOUSAL SUPPORT

430401. General. Upon proper notification from an authorized person, the cognizant DFAS Center will start a statutorily-required child or child and spousal support allotment from the pay and allowances of a member on extended active duty when the member has failed to make periodic payments, under a support order, in an amount equal to the support payable for 2 months or longer.

430402. Definitions

A. Authorized Person. Any agent or attorney of any state having in effect a plan approved under Title 42, United States Code, section 665 (reference (ca)). This agent or attorney has the duty or authority to seek recovery of any amounts owed as child or child and spousal support and the court has the authority to issue an order against a member for the support and maintenance of a child, or any agent of such court.

B. Child Support. Periodic payments for the support and maintenance of a child or children, subject to and in accordance with state or local law. This includes, but is not limited to, payments to provide for health care, education, recreation, and clothing, or to meet other specific needs of the child or children.

C. Designated Official. The cognizant DFAS Center Director (or designee) who is authorized to receive and to process notices under this chapter. See paragraph 430407, below, for a listing of designated officials.

D. Notice. A court order, letter, or similar documentation issued by an authorized person providing notification that a member has failed to make periodic support payments under a support order.

E. Spousal Support. Periodic payments for the support and maintenance of a spouse or former spouse, in accordance with state or local law. It includes, but is not limited to, separate maintenance, alimony while litigation continues, and maintenance. Spousal support does not include any payment for transfer of property or its value by an individual to his or her spouse or former spouse in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

F. Support Order. Any order providing for child or child and spousal support issued by a court of competent jurisdiction within any state, territory, or possession of the United States, including Indian tribal courts, or in accordance with administrative procedures established under state law that affords substantial due process and is subject to judicial review.

430403. Notice to Designated Official

A. An authorized person shall send to the appropriate designated official a signed notice that includes:

1. A statement that delinquent support payments equal or exceed the amount of support payable for 2 months under a support order, and a request that an allotment be established.

2. A certified copy of the support order.

3. The amount of the monthly support payment. Such amount may include arrearages, if a support order specifies the payment of such arrearages. The notice shall indicate how much of the amount payable shall be applied toward liquidation of the arrearages.

4. A statement that delinquent support payments are more than 12 weeks in arrears, if appropriate.

5. The following information that identifies the member:

a. Full name

b. Social security number

c. Military Service of the member.

6. The full name and address of the allottee. The allottee shall be an authorized person, or designee, or the recipient named in the support order.

7. Any limitations on the duration of the support allotment.

8. A certification that the official sending the notice is an authorized person.

B. The notice shall be sent by mail or delivered in person to the appropriate designated official. The designated official shall note the date and time of receipt on the notice.

C. The notice is effective when it is received in the office of the designated official.

D. When the notice does not sufficiently identify the member, it shall be returned directly to the authorized person with an explanation of the deficiency. However, before the notice is returned, if there is sufficient time, an attempt shall be made to inform the authorized person who sent the notice that it will not be honored unless adequate information is supplied.

E. Upon receipt of effective notice of delinquent support payments, together with all required supplementary documents and information, the designated official shall identify the member from whom moneys are due and payable. The allotment shall be established in the amount necessary to comply with the support order and to liquidate arrearages if provided by a support order, when the maximum amount to be allotted under this provision, together with any other moneys withheld for support from the member, does not exceed:

1. Fifty percent of the member's disposable earnings for any month in which the member asserts by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both, other than a party in the support order. When the member submits evidence, copies shall be sent to the authorized person, together with notification that the member's support claim shall be honored. If the support claim is contested by the authorized person, that authorized person may refer this matter to the appropriate court or other authority for resolution.

2. Sixty percent of the member's disposable earnings for any month in which the member fails to assert by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both.

3. Regardless of the limitations above, an additional 5 percent of the member's disposable earnings shall be withheld when the notice states that the total amount of the member's support payments is 12 or more weeks in arrears.

430404. Disposable Earnings

A. Include the following items in computing the disposable earnings for members assigned within the continental United States:

1. Basic pay (including Military Service academy cadet and midshipmen pay)

★2. Basic allowance for housing (BAH) for members with dependents and members without dependents in the grade of E-7 or higher

3. Basic allowance for subsistence (BAS) for commissioned and warrant officers

4. Career sea pay

5. Diving pay

6. Flying pay (all crew members)

7. Proficiency pay and special duty assignment pay

8. Special pay for medical, dental, optometry, and veterinary officers
9. Submarine pay

B. Include the following additional items in computing the disposable earnings for members assigned outside the continental United States:

1. Family separation allowance, Type II (FSA-R only)
2. Foreign duty pay
3. Special pay for duty subject to hostile fire and imminent danger (applies only to members permanently assigned in a designated area)
4. Special pay for overseas extensions
5. Overseas housing allowance
6. Cost-of-living allowance

C. After including the items in subparagraphs 430404.A and B, above, subtract the following items to compute the final disposable earnings value:

1. Amounts the member owes the United States
2. Deductions for the Armed Forces Retirement Home
3. Fines and forfeitures
4. Federal and state employment and income taxes to the extent that the amount deducted is consistent with the member's tax liability
5. Deductions for Servicemembers' Group Life Insurance
6. Advances of pay the member received before the date the designated official received notice of the support allotment. (In computing future advance pay entitlement, deduct the amount of the allotment required by law.)
- ★7. Other amounts required by law to be deducted (e.g., dental plan premium).

430405. Notice to Member and Member's Commanding Officer

A. Within 15 calendar days after the date of receipt of notice, the designated official shall send to the member, at his or her duty station, written notice:

1. That notice has been received from an authorized person, including a copy of the documents submitted.

2. Of the maximum percentages which can be withheld under subparagraph 430403.E, above, and a request that the member submit supporting affidavits or other documentation necessary for determining the applicable percentage.

3. That the member may submit supporting affidavits or other documentation as evidence that the information contained in the notice is in error.

4. That by submitting supporting affidavits or other necessary documentation, the member consents to the disclosure of such information to the party requesting the support allotment.

5. Of the amount or percentage that will be deducted if the member fails to submit the documentation necessary to enable the designated official to respond to the notice within the prescribed time limits.

6. That a consultation with a judge advocate or legal officer will be provided by the Military Department concerned, if possible, and that the member should immediately contact the nearest legal services office.

7. Of the date that the allotment is scheduled to begin.

B. The designated official shall notify the member's commanding officer, or designee, of the need for consultation between the member and a judge advocate or legal officer. The designated official shall provide the member's commanding officer, or designee, with a copy of the notice and other legal documentation received by the designated official.

C. The Military Department concerned shall give the member the following:

1. When possible, an in-person consultation with a judge advocate or legal officer of the Military Service concerned, to discuss the legal and other factors involved in the member's support obligation and failure to make payment.

2. Copies of any other documents submitted with the notice.

D. The member's commanding officer, or designee, shall confirm in writing to the designated official within 30 days of the date of notice that the member received a consultation concerning the member's support obligation and the consequences of failure to make payments, or when appropriate, of the inability to arrange such consultation, and the status of continuing efforts to fulfill the consultation requirement.

E. If, within 30 days of the date of notice, the member has furnished the designated official with affidavits or other documentation showing the information in the notice to be in error, the designated official shall consider the member's response. The designated official may return to the authorized person, without action, the notice for a support allotment required by law, together with the member's affidavit and other documentation, if the member submits substantial proof of error, such as:

1. The support payments are not delinquent.
2. The underlying support order in the notice has been amended, superseded, or set aside.

430406. Payments

A. Except as provided in subparagraph C, below, the cognizant DFAS Center Director (or designee) shall make the support allotment by the first end-of-month payday after the designated official is notified that the member has had a consultation with a judge advocate or legal officer, or that a consultation was not possible, but not later than the first end-of-month payday after 30 days have elapsed from the date of the notice to the member. DFAS Centers will not be required to vary their normal military allotment payment cycle to comply with the notice.

B. If several notices are sent with respect to the same member, payments shall be satisfied on a first-come, first-served basis within the amount limitations in subparagraph 430403.E, above.

C. When the member identified in the notice is found not to be entitled to money due from or payable by the DFAS Center, the designated official shall return the notice to the authorized person and shall advise him or her that no money is due from or payable by the DFAS Center to the named individual. When it appears that amounts are exhausted temporarily or otherwise unavailable, the authorized person shall be told why and for how long any money is unavailable, if known. If the member separates from active duty, the authorized person shall be informed that the allotment is discontinued.

D. Payment of statutorily-required allotments shall be enforced over other voluntary deductions and allotments when the gross amount of pay and allowances is not sufficient to permit all authorized deductions and collections. Allow the member to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, cancel in the following order:

1. Class C allotment for Combined Federal Campaign

2. Class B allotment for savings bonds
3. Discretionary allotment payable to a financial organization for deposit to the member's account (includes allotments payable to a mutual fund or investment firm and allotments to pay for personal or car loans)
4. Allotment for Post-Vietnam Era Veterans Educational Assistance Program contributions
5. Class L allotment to repay loans to Military Service relief agencies and the American Red Cross
6. Discretionary allotments in the following order:
 - a. Payments to dependents/relatives
 - b. Emergency payment to dependents (class X)
 - c. Repayment of home loans and payment of rent
 - d. Commercial life, health, and dental insurance
 - e. Navy Mutual Aid Insurance
 - f. NSLI or U.S. Government Life Insurance

E. The authorized person or allottee shall notify the designated official promptly if the operative court order upon which the allotment is based is vacated, modified, or set aside. The designated official shall also be notified of any events affecting the allottee's eligibility to receive the allotment, such as the former spouse's remarriage if a part of the payment is for spousal support, and notice of a change in eligibility for child support payments under circumstances of death, emancipation, adoption, or attainment of majority of a child whose support is provided through the allotment.

F. An allotment established under this chapter shall be adjusted or discontinued upon notice from the authorized person.

G. Neither the Department of Defense, nor any officer or employee, shall be liable for any payment made from moneys due from, or payable by, the Department of Defense to any individual pursuant to notice regular on its face, if such payment is made in accordance with this section. If a designated official receives notice based on a support order which, on its face, appears to conform to the laws of the jurisdiction from which it was issued, the designated official shall not be required to ascertain whether the authority that issued the order had obtained personal jurisdiction over the member.

★430407. Designated Official

Director
DFAS-CL/L
PO Box 998002
Cleveland OH 44199-8002
Telephone (216) 522-5301

430408. Information Requirements. Information requirements contained in the notice of delinquent support payments from the authorized person are assigned Office of Management and Budget (OMB) (reference (cb)) approval number 0704-0180.

4305 ALLOTMENTS FOR COMMERCIAL DEBTS

430501. General. Monies due from, or payable by, the United States to active duty members are subject to the involuntary allotment. The application for direct payment of an involuntary allotment to satisfy a judgment for commercial indebtedness from the pay of a member subject to involuntary allotment must be accompanied by a certified copy of a final judgment issued by a court of competent jurisdiction within any state, territory, or possession of the United States.

430502. Definitions. The following definitions apply to this section:

Designated Agent:

Director
DFAS-Cleveland Center
DFAS-CL/L
PO BOX 998002
Cleveland OH 44199-8002

(216) 522-5301

B. Active Duty Member. A Regular member or any member of a Reserve Component on active duty pursuant to Title 10, United States Code, section 12301, for a period in excess of 180 days at the time an application for involuntary allotment is received by DFAS, excluding members in a prisoner of war or missing in action status and retired members.

C. Final Judgment. A valid, enforceable order or decree, by a court from which no appeal may be taken, or from which no appeal has been taken within the time allowed, or from which an appeal has been taken and finally decided.

430503. Application to Designated Agent

A. To initiate an involuntary allotment, an applicant (creditor) shall send a copy of the final judgment certified by the clerk of the court, accompanied by DD Form 2653, Involuntary Allotment Application, and other supporting documents required by DoD Instruction 1344.12 ("application package") (reference (ed)), to the designated agent.

B. The application package shall be sent by mail or delivered in person to the designated agent. The designated agent shall note the date and time of receipt of the application package.

C. When the application package does not sufficiently identify the member, it shall be returned directly to the applicant with an explanation of deficiency.

D. Once the application package is effectively served on the designated agent, the application package will be processed in accordance with DoD Directive 1344.9 (reference (ee)) and DoD Instruction 1344.12 (reference (ed)).

E. Upon receipt of a completed application, together with all required supporting documents and information, including a certified copy of the court order, the designated agent shall identify the member from whom the monies are payable, and the member's commanding officer. Notice shall be sent to the member and the member's commanding officer in accordance with DoD Instruction 1344.12 (reference (ed)), paragraph F.2.b. The involuntary allotment shall not exceed the lesser of 25 percent of a member's pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law.

F. If the member's pay is subject to a garnishment or statutory allotment for spousal or child support, in addition to the involuntary allotment application, the combined amounts deducted from the member's pay shall not exceed the lesser of 25 percent of a member's pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law. If the maximum percentage allowed for involuntary allotments would be exceeded by both deductions, garnishments and statutory allotments for spousal and child support take priority over the involuntary allotment.

G. If the designated agent is served with more than one involuntary allotment application, the applications will be processed on a first-come first served basis. After the first application is processed, additional applications shall be returned to the applicant in accordance with DoD Instruction 1344.12 (reference (ed)), paragraph F.2.b(5)(c)6, with a notice that a current involuntary allotment is being paid and no funds are available.

430504. Pay Subject to Involuntary Allotment. See paragraph 500302 of this volume.

430505. Notice to Member and Member's Commanding Officer

A. The designated agent immediately will mail one copy of the application package and DD Form 2654 (Involuntary Allotment Notice and Processing) to the member and two copies of the application package, along with DD Form 2654, to the member's commanding officer. The designated agent will provide notice to the member and the member's commanding officer that automatic processing of the involuntary allotment application will occur if a response is not received within 90 calendar days from the original date of mailing, unless the member has been granted an extension to respond (see subparagraph 430505.B, below).

B. If the member is temporarily unavailable to respond, the member's commanding officer may grant a reasonable extension of time for the member's response. The commanding officer will notify the designated agent that the member has been granted an extension to respond, the date the response is due, and the reason (s) for the extension. In the absence of any additional correspondence from the member's commanding officer, the involuntary allotment application may be automatically processed within 15 calendar days after the date a response was due, including any approved extension response date.

430506. Payments

A. Except as provided in subparagraph 430506.C, below, the cognizant DFAS Center Director (or designee) shall begin payment of an involuntary allotment within 30 days after the designated agent approved the application package. However, the DFAS Centers will not be required to vary their normal military allotment system to comply with the application package. Payment of the involuntary allotment will continue until the amount specified in the judgment is collected, or the allotment is canceled or suspended.

B. If several applications are sent with respect to the same member, payment shall be satisfied on a first-come first served basis within the limitations of subparagraphs 430503.E, and F, above.

C. When the member identified in the application package is not entitled to any monies from the Military Department concerned, the designated agent shall return the application package to the applicant, with an explanation that no money is due, or payable to, the member. When it appears that amounts are exhausted temporarily or otherwise unavailable, the applicant shall be told why and for how long any money is unavailable, if known. If the member separates from active duty, the applicant shall be informed that the allotment is discontinued.

D. Payment of statutorily-required involuntary allotments shall be enforced over other voluntary deductions and allotments when the gross amount of pay and allowances is not sufficient to permit all authorized deductions and collections. The member will be allowed to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, the finance office will cancel discretionary allotments in the order listed in subparagraph 430406.D, above.

E. The applicant shall notify the designated agent promptly if the operative court order upon which the allotment is based is vacated, modified, or set aside. The designated agent shall also be notified of any event affecting the applicant's eligibility to receive the allotment.

F. An allotment established under this chapter shall be discontinued upon notice from the applicant.

G. Neither the United States, nor any officer or employee, shall be liable for failure to make payment or for any payment made from monies due from, or payable by, the Military Services to any individual pursuant to an application package that is regular on its face, if such payment is made in accordance with this section and DoD Instruction 1344.12 (reference (ed)). If the designated agent receives an application package based on a final judgment, which on its face, appears to conform to the laws of the jurisdiction from which it was issued, the designated agent shall not be required to ascertain whether the authority that issued the order has obtained personal jurisdiction over the member.

H. The applicant will refund directly to the member any amounts overcollected within 30 days of discovery or notice of overpayment.

430507. References. The following source directives contain detail on entitlements, policies, and procedures for allotments for commercial debts:

- A. Army:
AR 37-104-4 (reference (ef))
- B. Navy:
DFAS PAY/PERSONNEL
Procedures Manual (NAVY)
DFAS-CL (NAVSOP) 3050-2
- C. Air Force:
DFAS-DM 7073.1-M, DFAS-DE 7073.3-M
(reference (ap)); and AFI 36-2906 (reference (eg))
- D. Marine Corps:
Bond and Allotment Manual
(B&A Manual) MCO p7220.45;
Automated Pay Systems Manual
(APSM), MCO p7220.31 (reference (em))

CHAPTER 44

WITHHOLDING INCOME TAX4401 WITHHOLDING FROM CURRENT PAY

★440101. Wages Subject to Withholding of Federal and State Income Tax. The taxable pay (Table 44-1) of all Military Service members except those listed in paragraph 440102, below, is subject to withholding of federal and state income tax. The taxable value of certain noncash fringe benefits, in excess of statutory limitations, that is provided to some members, is subject to federal and applicable state income taxes (see Table 44-1, rules 18 and 19).

440102. Wages Not Subject to Withholding of Federal and State Income Tax. Military pay of the following Military Service members is not subject to withholding of federal and state income tax:

★A. On or before 31 March 1996, all active duty members for any month during which they qualify for combat zone or qualified hazardous duty area exclusion, as prescribed in paragraph 440103, below. Beginning 1 April 1996, for commissioned officers (O-1 and above), pay earned up to the highest rate of pay payable to any enlisted member plus the amount of hostile fire/imminent danger pay that is actually payable to the officer for any month during which they qualify for combat zone or qualified hazardous duty area exclusion, as prescribed in paragraph 440103, below, is not subject to withholding of federal and state income tax.

★B. All active duty members for any month during any part of which the member is in a missing status as defined in the Definitions during the Vietnam conflict as a result of such conflict; except for periods for which it is officially determined that the member is absent from post of duty without authority. These provisions are effective from 28 February 1961 and terminated on 30 June 1996.

C. Federal income tax will not be withheld upon military wages of legal residents of Puerto Rico. United States income tax withholding is precluded upon military wages properly subject to Puerto Rico withholding. Puerto Rico withholding is not required on wages earned but unpaid at the date of death of a military member. Federal income tax withholding is proper on these wages.

★440103. Combat Zone Income Tax Exclusion for Active Service in a Combat Zone or Qualified Hazardous Duty Area

A. Combat Zone Defined

1. Effective 1 January 1964, Executive Order 11216 (reference (cc)) designated the following area as a "combat zone." Vietnam, including the waters adjacent thereto within the following described limits: From a point on the east coast of Vietnam at the

juncture of Vietnam with China southeastward to 21 degrees N. Lat., 108 degrees 15' E. Long.; thence southward to 18 degrees N. Lat., 108 degrees 15' E. Long.; thence southeastward to 17 degrees 30' N. Lat., 111 degrees E. Long.; thence southward to 11 degrees N. Lat., 111 degrees E. Long.; thence southwestward to 7 degrees N. Lat., 105 degrees E. Long.; thence westward to 7 degrees N. Lat., 103 degrees E. Long.; thence northward to 9 degrees 30' N. Lat., 103 degrees E. Long.; thence northeastward to 10 degrees 15' N. Lat., 104 degrees 27' E. Long.; thence northward to a point on the west coast of Vietnam at the juncture of Vietnam with Cambodia. The island of Phu Quoc is a part of the territory of Vietnam.

2. Effective 17 January 1991, Executive Order 12744 (reference (cd)) designated the following areas (including air space and adjacent waters) as "combat zones." Persian Gulf; Red Sea; Gulf of Oman; Gulf of Aden; that portion of the Arabian Sea that lies north of 10 degrees N. Lat., and west of 68 degrees E. Long.; and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates.

★3. Per Executive Order 13002 (reference (eh)), signed 13 May 1996, the designation of Vietnam and waters adjacent thereto as a combat zone was terminated effective as of midnight 30 June 1996.

★B. Qualified Hazardous Duty Area Defined. Effective 21 November 1995, Public Law 104-117 (reference (ei)) authorized tax benefits for members performing services in peacekeeping efforts in Bosnia-Herzegovina, Croatia, and Macedonia, hereinafter referred to as qualified hazardous duty areas, in the same way as if services were performed in a combat zone.

★C. Qualification for Combat Zone Income Tax Exclusion for Active Service in a Combat Zone or Qualified Hazardous Duty Area. A member of the Armed Services is entitled to combat zone tax exclusion or qualified hazardous duty area exclusion for any month during any part in which:

★1. A member performs active service in a combat zone or qualified hazardous duty area designated in subparagraph A, above. Periods in the zone or area during which members are absent from their duty assignments in the zone or area on account of sickness, wounds, internment by the enemy, or other lawful cause are periods of active service.

★2. A member in active service in a combat zone or qualified hazardous duty area who becomes a prisoner of war or missing in action is deemed, for the purposes of this paragraph, to continue in active service in the combat zone or area for the period for which member is entitled to such status for military pay purposes.

★3. A member, assigned to duty in the combat zone or qualified hazardous duty area on or after 21 November 1995, who is directed to perform temporary duty, granted official leave, or is authorized to depart from the zone or area for other lawful cause, and whose departure or return is on any day of the month may receive the combat zone or qualified hazardous duty area exclusion for that month. Exception: In instances when the absence on leave, TAD, or TDY extends over a period which includes a full calendar month, the tax

exclusion may not be allowed for that calendar month.

★4. A member who is present, however briefly, in the combat zone or qualified hazardous duty area on official duty requiring presence in that zone or area qualifies for combat zone or qualified hazardous duty area tax exclusion for that month. When the airspace over a combat zone or qualified hazardous duty area is included as part of the zone or area, members who pass over or through the zone or area during the course of a trip between two points, both of which lie outside the zone or area, are entitled to an exclusion only if the members are assigned to official temporary duty to the airspace of the zone or area, or qualify for hostile fire/imminent danger pay as a result of the flight. If the airspace is not designated for imminent danger pay, (but is part of the designated zone or area), members must be assigned to perform duty in the airspace rather than flying over the zone or area as in an incidental part of the trip to qualify for the exclusion. The fact that most members are in an official duty status when flying through a designated airspace should not be construed to mean they are assigned to the airspace to perform duty and therefore entitled to the exclusion. The following examples apply:

★Example 1. Member A is assigned as a navigator to an air unit stationed outside the combat zone. On 4 June, during the course of a flight between Member A's home base and another base outside the combat zone, the aircraft on which Member A serves as a navigator flies over a combat zone (the airspace is part of the designated combat zone). Member A is not on official temporary duty in the airspace of the combat zone and does not qualify for hostile fire/imminent danger pay as a result of the flight. Accordingly, Member A is not deemed to have served in a combat zone since Member A passes through the zone without either being on official duty to the combat zone or qualifying for hostile fire/imminent danger pay.

★Example 2. Same scenario as example 1, except that the airspace is not part of the designated zone and Member B is entitled to hostile fire/imminent danger pay as a result of the flight. Member B is deemed to have served in a combat zone and entitled to the combat zone tax exclusion if Member B's duties are determined to be in direct support of the military operation in the zone.

★Example 3. Member C is a navigator of an air unit stationed outside a combat zone. On 4 June, Member C is ordered to perform duty (execute a mission) in the airspace over the combat zone (which is part of the designated zone) and return to his home station outside the combat zone. Member C is not entitled to hostile fire/imminent danger pay as a result of the flight. Member C is entitled to the combat zone tax exclusion for the month of June for performing official temporary duty in the airspace (combat zone) during the period.

★5. A member performs military duties in areas outside the combat zone or qualified hazardous duty area in direct support of military operations in the combat zone or qualified hazardous duty area and qualifies for hostile fire or imminent danger pay under Chapter 10. (The hostile fire or imminent danger pay entitlement must be related to activities or circumstances in the combat zone or qualified hazardous duty area.) Commanders/commanding officers who feel members of their unit qualify for combat zone or qualified hazardous duty area treatment under this provision should request certification from the applicable approval authority

as designated by the Secretary of Defense.

a. When members are entitled to tax exclusion under this paragraph, entitlement continues for periods of absence, prisoner or missing status, and temporary duty as stated for service in the actual combat zone or qualified hazardous duty area in subparagraph C.1, 2, 3, or 4, above.

b. Service is in direct support of military operations in a combat zone or qualified hazardous duty area if it has the effect of maintaining, upholding, or providing assistance for those involved in military operations in the combat zone or qualified hazardous duty area. The following examples are provided to assist in determining whether or not personnel qualify for combat zone or qualified hazardous duty area tax exclusion. In each case, personnel must be entitled to hostile fire pay/imminent danger pay.

★(1) Since the act of transporting necessary supplies is a function included within the concept of providing direct support of military operations, services rendered on a supply vessel transporting supplies to a combat zone or qualified hazardous duty area are in direct support of military operations in the combat zone or qualified hazardous duty area.

★(2) If an airship in a nearby country outside the combat zone or qualified hazardous duty area is used to transport supplies and personnel into the combat zone or qualified hazardous duty area, the ground crews who load the aircraft and the maintenance personnel who maintain the aircraft all qualify for combat zone or qualified hazardous duty area tax exclusion. In addition, members who maintain and control the airstrip (e.g., as a meteorologist or air traffic controllers) are performing services in direct support of military operations in the combat zone or qualified hazardous duty area and would also qualify.

★(3) Members of a unit or installation who support and assist other members of the unit or installation who serve in direct support of military operations in a combat zone or qualified hazardous duty area are considered as serving in direct support of military operations in the combat zone or qualified hazardous duty area. Generally, all members serving in support of operations at an installation where some members serve in direct support of military operations in a combat zone or qualified hazardous duty area are serving in direct support of military operations in that combat zone or qualified hazardous duty area (e.g., unit or installation personnel for an airstrip would qualify).

★6. A member is hospitalized or rehospitalized any place as a result of wounds, disease, or injury incurred while serving in a combat zone or qualified hazardous duty area or while serving in areas under subparagraph C.5, above. A member is considered as hospitalized or rehospitalized until such time as status as a hospital patient ceases by reason of discharge from the hospital. Combat zone or qualified hazardous duty area tax exclusion under this subparagraph shall not apply to any months beginning more than 2 years after the date of the termination of activities in the combat zone or qualified hazardous duty area.

★D. Periods For Which Tax Exclusion Does Not Apply. Members who are in the combat zone or qualified hazardous duty area merely for their own convenience, e.g., while on leave from a duty station not in the zone or area, are not entitled to the exclusion.

★E. Tax Abatement in Case of Death

★1. A member who dies in a combat zone or qualified hazardous duty area, or as a result of wounds, disease, or injury incurred while serving in the combat zone or qualified hazardous duty area (including under subparagraph C.5, above) is exempt from income tax for:

- a. The taxable year in which death occurs.
- b. Any prior taxable year ending on or after the first day served in a combat zone or qualified hazardous duty area.
- c. Any such tax for prior years which remains unpaid at date of death.

2. For missing members, the date of death is not earlier than the date on which a determination of death is made. The preceding sentence does not cause abatement of taxes for any taxable year beginning:

- a. After 2 January 1978, for service in the combat zone designated for purpose of the Vietnam conflict, or
- b. More than 2 years after the date designated under 26 U.S.C. 112 (reference (ce)) as the date of termination of combatants' activities in any combat zone other than that designated for purposes of the Vietnam conflict.

★F. Termination Date Other than Cases of Hospitalization. In no case will the tax exclusion authorized in subparagraph C.1 through C.6, above, for active duty members extend beyond the effective date specified in an executive order terminating the designation of the combat zone, or in the case of qualified hazardous duty areas, the effective date of the termination of imminent danger pay for the area.

440104. Tax Abatement for Death Caused by Terrorist or Military Action Overseas. A member whose death was caused by terrorist or military action (excluding training exercises) overseas qualifies for federal tax abatement under the provisions of 26 U.S.C. 692(c) (reference (ce)). The law forgives the deceased member's tax liability for the year of death and for all prior tax year(s) for the period beginning with the tax year before the year the injuries or wounds were incurred. The deceased member's survivors, executor, or administrator should contact the Internal Revenue Service for necessary guidance in claiming the tax exemption.

440105. Rate of Withholding

A. General. Federal and state withholding will be in accordance with Treasury Department Circular E (reference (cf)) and Treasury Department regulations governing state income tax withholding as implemented in Military Service directives.

B. Additional Federal and State Withholding Tax. A member may authorize an additional amount to be withheld monthly to meet the income tax needs while entitled to combat zone tax exclusion, or for other reasons. A member who becomes entitled to combat zone exclusion while on TAD or TDY may authorize that regular withholding be continued. The member's pay account must be adjusted currently, however, for the combat zone exclusion. See procedural instructions of the Military Service concerned for preparation of additional withholding tax requests and effective dates.

440106. State and Local Taxes

A. Tax Requirements. The state in which a member claims legal residence may tax compensation and other income regardless of the member's location. Compensation for Military Service, however, is not taxable by any state, territory, possession, political subdivision, or district which is not the legal residence of the member.

B. Legal Residence. Each member must designate a legal residence, and report any changes of legal residence. A member's legal residence does not change because of change of permanent station. Legal residence at the time of entry into the Armed Forces remains the same until changed by the member. Notification of a change of legal residence must be accomplished by DD Form 2058 (State of Legal Residence Certificate).

C. Withholding. Compensation for military service which is subject to federal taxation is also subject to the mandatory withholding of income taxes on behalf of those states (including the District of Columbia) which have entered into an agreement for the purpose of such withholding with the Secretary of the Treasury. The following states have entered into such an agreement:

<u>State</u>	<u>Effective Date To Commence Withholding</u>
Alabama	1 July 77
Arizona	1 Sep 93
Arkansas	30 Mar 81
California	1 Feb 78
Colorado	1 Aug 77
Connecticut	1 Jan 92
Delaware	1 July 77
District of Columbia	1 Aug 77
Georgia	1 Jan 79
Hawaii	1 Dec 77

Idaho	1 July 77
Indiana	1 Aug 77
Iowa	1 July 77
Kansas	1 July 77
Kentucky	1 Sep 77
Louisiana	1 Sep 77
Maine	1 Nov 77
Maryland	1 Aug 77
Massachusetts	1 Aug 77
Minnesota	1 Nov 77
Mississippi	1 June 78
Missouri	1 Jan 93
Nebraska	1 Sep 77
New Jersey	1 July 77
New Mexico	1 July 77
New York	1 July 77
North Carolina	1 July 77
North Dakota	29 July 87
Ohio	1 Sep 78
Oklahoma	1 Sep 77
Oregon	1 Nov 77
Pennsylvania	1 July 77
Puerto Rico	29 Nov 88
Rhode Island	1 Aug 77
South Carolina	1 July 77
Utah	1 July 77
Vermont	1 Jan 90
Virginia	1 July 77
Wisconsin	1 Aug 77

D. Delinquent Taxes. There is no authority for the involuntary collection of delinquent state tax liabilities of members.

440107. Nonresident Aliens

A. Definition. For the purpose of federal income tax withholding, a nonresident alien is an individual who is neither a citizen of the United States, nor a resident of the United States. An alien (non-citizen) is a resident of the United States if he or she is lawfully admitted to the United States for permanent residence, meets the substantial presence test, or makes an election to be treated as a resident during the first year of presence in the United States, except as may be provided by tax treaty between the United States and the alien's country of residence.

1. Lawfully admitted for permanent residence. An alien is considered lawfully admitted for permanent residence when first present in the United States after being

lawfully admitted for permanent residence. Status as lawfully admitted for permanent residence continues, regardless of the alien's location, until the alien is outside the United States after his or her immigration status as a permanent resident is revoked or is determined by a court or administrative body to have been abandoned. Nominal presence in the United States of 10 days or less after revocation or abandonment of permanent resident status will be disregarded if the alien is substantially connected to a foreign country during that time.

2. Substantial presence test. An alien meeting the substantial presence test is a resident from the first day of presence in the United States in a calendar year in which the test is met, except that nominal presence for less than ten days while still substantially connected to a foreign country is disregarded, until the alien leaves the United States and establishes closer connections to a foreign country than to the United States. Nominal presence in the United States of ten days or less after this point is disregarded. Also, days of presence in the United States during which the alien is unable to leave the United States due to a medical condition which arose while in the United States are disregarded in applying the substantial presence test. An alien meets the substantial presence test if:

a. Present in the United States on at least 31 days of the calendar year; and

b. The sum of the days on which the individual was present in the United States during the current calendar year, 1/3 of the days on which the individual was present in the first preceding calendar year, and 1/6 of the days on which the individual was present in the second preceding calendar year, equals or exceeds 183, except that

c. Individuals do not meet the substantial presence test for the current year if they are present on less than 183 days in the current year and have in the current year a tax home in a foreign country to which they have closer connections than to the United States, provided that they have not applied for an adjustment of immigration status or otherwise taken steps toward lawful permanent residence in the United States.

B. Tax Liability. A Military Service member who is a nonresident alien is liable for United States income tax on pay attributable to service performed in the United States, even if such pay is not subjected to federal income tax withholding because of the provisions in subparagraph C, below. A nonresident alien member's pay attributable to service performed outside the United States is not subject to United States income tax. For purposes of this paragraph, service outside the United States means shore duty at a naval or other military installation outside the United States and the States of Alaska or Hawaii, or duty on board a seagoing vessel of the Navy (other than a vessel normally used in coastal waters only). Service in a possession of the United States is considered duty outside the United States. A nonresident alien member is not disqualified from eligibility for any of the income exclusions or withholding exemptions set forth in Chapters 44 and 45 because of a nonresident alien status.

C. Income Tax Withholding. A non-resident alien member's pay for any period of service within the United States exceeding 60 calendar days is subject to federal

income tax withholding. Such pay may also be subject to state income tax withholding, depending on the state residency status of the alien. Pay for periods of service within the United States of 60 calendar days or less, or for service outside the United States, is not subject to federal or state income tax withholding. The nonresident alien member nevertheless is subject to federal income taxation, and may be subject to state income taxation, on pay for all days of service within the United States and is responsible for reporting, and paying any tax due on, all such income. The fact that income tax is not withheld on pay attributable to a particular day does not prevent that day from being counted as a day of presence in the United States for purposes of subparagraph A, above.

440108. Advance Payment of Earned Income Credit Amounts. Members who can satisfy the Internal Revenue Service (IRS) tests for earnings and status of dependents qualify for the earned income credit and may elect to receive advance payments. Advance payment will be made after such members file an Earned Income Credit Advance Payment Certificate (TD Form W-5) obtained from IRS. Payments may be made to members under Treasury Department regulations as implemented in Military Service directives.

4402 COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

440201. Authority. When a member does not pay any federal income tax due within 30 days after the IRS has issued a notice and payment demand to the member, the IRS may collect the tax by levy on the member's salary or other income. Receipt by a Military Service (or DFAS Center) of a levy notice is the legal authority to commence collection of the delinquent federal income taxes after taking into consideration the appropriate exemptions.

440202. Levy Processing Procedures

A. The IRS serves the tax levy by mail. The Notice of Levy on Wages, Salary, and Other Income, IRS Form 668-W(c) (a 5-part form), includes instructions for the employer (Military Service) and the employee (member).

B. Upon receipt of the levy, the disbursing officer immediately:

1. Completes part 3 and returns the levy to IRS if no funds are due the member (for example, higher precedence deductions (Table 52-1) or in a status described in paragraph 440203, below); or

2. Forwards parts 2 through 5 to the member if funds are due or will soon become due.

C. The member certifies his or her filing status and number of personal exemptions and returns parts 3 and 4 to the disbursing officer within 3 days (or other period authorized by the IRS in coordination with the Military Service concerned and as established within Military Service regulations). If the member does not return these parts, the levy will be processed as if the member is "married filing a separate return with one personal exemption."

D. The levy will continue in effect until the amount due in the levy notice is collected or until the levy is released by the IRS.

E. Forward a misrouted levy notice or levy release to the member's cognizant DFAS Center.

★440203. Effects on Members in a Combat Zone or Qualified Hazardous Duty Area in a Missing Status

A. The disbursing officer immediately will complete part 3, with appropriate notations, and return the levy to the IRS if the member is:

★1. Serving (performing official duties) in a designated combat zone or qualified hazardous duty area for any period of time;

★2. Serving (performing official duties) outside a designated combat zone or qualified hazardous duty area, but in direct support of military operations in a combat zone or qualified hazardous duty area, and in receipt of hostile fire or imminent danger pay as a result of duties performed in direct support of designated combat zone or qualified hazardous duty area operations.

★3. Continuously hospitalized as a result of service in a designated combat zone or qualified hazardous duty area (limited to 5 years of hospitalization in the United States); or

4. In a missing status.

B. Levy deferment remains in effect for 180 days after a Military Service member no longer meets any of the above criteria. Entitlement begins anew (including a new 180-day clock) when a member requalifies for deferment (again meets one of the above criteria), with one exception. Rehospitalization for a previously treated wound, illness, or injury does not requalify a member, nor does it stop/restart a 180-day clock.

440204. Attachment of Earnings and Payment to IRS

A. The member's "take home pay," minus exempt amounts claimed via the member's certified claim on part 3 of the levy, will be attached and sent to the IRS until the levy is satisfied or released by the IRS. The member's usual pay deductions will continue while levy is in effect.

B. When exemptions are equal to or exceed the member's "take home pay," advise the IRS office that served the levy.

440205. Problem Cases. When IRS determines a member's delinquent income tax

is a "problem case," it furnishes with the levy notice:

A. Statement of amount of delinquent taxes, and

B. Statement that member's "take home pay" is not enough to pay the levy and all available accrued pay should be attached. In such cases, use all items of pay and allowances including travel allowances and accrued leave settlement paid upon discharge, less exemptions (refer to Form 668-W(c)) and deductions and collections in Table 52-1, rules 1 through 12. Discontinue the member's voluntary (non-discretionary) allotments (except for allotments for support of minor children which are authorized in compliance with court orders when entered prior to date of levy) as necessary to pay the levy. If the amount of the levy does not require stopping all voluntary allotments, the member selects any allotments to be stopped. If the member does not select, the disbursing officer stops allotments as necessary. Stop insurance allotments last.

4403 INSTALLMENT COLLECTION OF DELINQUENT TAXES

440301. Agreement for Liquidation of Federal Tax Indebtedness by Payroll Deductions. A member may arrange with the IRS to pay delinquent taxes by monthly deductions from pay. Agreements are made on IRS Form 2159. A member may not cancel an agreement before the tax indebtedness is completely liquidated. The Military Services handle agreements as follows:

A. Army. Collect and pay to IRS as prescribed for payment of indebtedness to instrumentalities and agencies of the government.

B. Navy and Marine Corps. Process the agreement as a T allotment if the period of liquidation is 3 months or longer. If the period is less than 3 months, the disbursing officer pays each month to IRS in the amount of the deduction.

C. Air Force. Process as class T allotment.

440302. Change of Member's Status During Liquidation Period. See Table 44-2.

TAXABILITY OF ITEMS OF MILITARY PAY AND ALLOWANCES				
R U L E	A	B	C	D
	If item is	then item is		
		taxable and subject to federal/state income tax withholding (notes 5, 9, and 10)	taxable but not subject to federal/state income tax withholding (notes 5, 9, and 10)	not taxable (notes 5, 9, and 10)
★1	basic pay or inactive pay compensation (note 1)	for any month combat zone or qualified hazardous duty area exclusions does not apply (notes 2 and 13).		for enlisted members or warrant officers (W-1 through W-5), and up to \$500 per month of such pay for commissioned officers (O-1 and above) for any month combat zone tax exclusion applies. Beginning 21 Nov 1995, for commissioned officers (O-1 and above) in amounts up to the highest rate of pay payable to any enlisted member plus the amount of hostile fire/imminent danger pay that is actually payable to the officer for any month combat zone or qualified hazardous duty area tax exclusion applies (notes 2 and 7); or, for any member while in a missing status authorized tax exclusion under the provisions of subparagraph 440102.B.
2	incentive pay for hazardous duty (see Chapters 22-24)			
3	special pay (see Chapters 5-21)			
4	lump-sum payment of accrued leave (basic pay portion)			
★5	separation pay, readjustment pay, or severance pay (except for disability) (see note 6)	remains taxable income subject to reporting and withholding if paid during any month the combat zone exclusion applies.		

★Table 44-1. Taxability of Items of Military Pay and Allowances

R U L E	A	B	C	D
	If item is	then item is		
		taxable and subject to federal/state income tax withholding (notes 5, 9, and 10)	taxable but not subject to federal/state income tax withholding (notes 5, 9, and 10)	not taxable (notes 5, 9, and 10)
★6	contract cancellation pay	(Same as rule 5)		
★7	selective or regular reenlistment bonus (including applicable installments)	if reenlistment or extension occurs in a month during which combat zone exclusion does not apply.		if reenlistment or extension occurs in a month during which combat zone or qualified hazardous duty area exclusion applies.
8	pay forfeited by court-martial sentence or non-judicial punishment			and is loss of entitlement to pay in the amount of the forfeiture (however, remaining pay is subject to tax withholding (note 3)).
9	payment(s) in excess of actual travel and transportation costs incurred while carrying on business of U.S. Government (includes any temporary lodging entitlements)		and will not be reported on TD Form W-2 or 1099. Member will account for such payment(s) on individual income tax return.	
10	incentive payment paid to member for do-it-yourself move per chapter 5, part D, JFTR	at time of payment.		
11	muster duty allowance	at time of payment under the provisions of subparagraph 580106.C.		
12	personal money allowance	and will be reported on IRS Form W-2.		
13	an allowance (BAS, BAQ, FSA, VHA, clothing and uniform allowances, and overseas station allowances) (note 8)			at any time.
★14	Death gratuity		to the extent the total payment for any death exceeds \$3,000 (note 11).	
★15	Otherwise taxable item of pay earned by member but unpaid at death		but will be reported on TD Form 1099-MISC when paid to beneficiary (note 4).	if death occurs in month member was entitled to combat zone or qualified hazardous duty area exclusion.

★Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

R U L E	A	B	C	D
	If item is	then item is		
		taxable and subject to federal/state income tax withholding (notes 5, 9, and 10)	taxable but not subject to federal/state income tax withholding (notes 5, 9, and 10)	not taxable (notes 5, 9, and 10)
16	special separation benefit or voluntary separation incentive	at the flat withholding rate (currently 28 percent) for federal (FITW) withholding and at appropriate state (SITW) rate for SSB payments and initial VSI payments. Withhold taxes from VSI installment payments at the annual withholding rate contained in Table 7, IRS Circular E (note 12).		
17	former captive payment (see Chapter 37)		if payment is for former captive status resulting from a lawful action. Payment will be reported on IRS Form W-2 (note 4).	if payment is for former captive status resulting from the deprivation of personal rights.
★18	employer provided home-to- work transportation	even if transportation is provided for security reasons (note 14).		
★19	employer-provided parking	to the extent that the value exceeds the monthly exclusion limit (note 14).		to the extent that the value is equal to or less than the monthly exclusion limit.

NOTES:

- Excludes the reduction of basic pay for educational benefits under the "New G.I. Bill" after 31 Dec 1985. (38 U.S.C. 1411)
- ★2. Add payments (rules 1 through 6) made currently or at a later date for commissioned officer service (O-1 and above) to other pay for the month of service (up to the highest rate of pay payable to any enlisted member) to determine the maximum amount to be applied for combat zone or qualified hazardous duty area exclusion. (See subparagraph 350103.B).
- This does not apply to fines imposed by court-martial or non-judicial punishments. Withhold tax from the member's full pay credited before deducting the fine. Report the full amount of the pay credited, without deducting the fine, as earned income.
- ★4. Exception is pay earned for any month combat zone or qualified hazardous duty area exclusion applies. Combat zones and qualified hazardous duty areas are so designated by Executive Order or statute, respectively.
- The susceptibility of items of military pay and allowances to state income taxes depends upon the law of the member's state of legal residence. Items of pay and allowances which are not subject to Federal Income Tax Withholding (FITW), however, will not be subject to State Income Tax Withholding (SITW). Items of pay and allowances subject to FITW will be subject to SITW if member's state of legal residence has entered into a withholding agreement with the Secretary of Treasury. Total or partial exclusion by states of military pay from income will be recognized in the computation of the amount of state income tax to be withheld.
- See paragraph 350404 for exceptions to the normally taxable payment of disability severance pay.
- ★7. Only pay and allowances actually earned during any month a combat zone or qualified hazardous duty area designation applies are excludable, even if paid in later, non-qualifying month. Entitlements earned during any non-qualifying month but paid in a month the exclusion applies, remain taxable. Accrued leave payments qualify only for that portion of days which were actually earned during a qualifying month.
- Allowances considered nontaxable on 9 Sep 1986 remain nontaxable. Any allowance created after 9 Sep 1986 will be taxable for federal and state income tax purposes unless specified otherwise.
- ★9. If a member receives an overpayment of a taxable pay item, then the overpayment should be reported in the year paid unless the combat zone or qualified hazardous duty area tax exclusion is applicable. If recovery of the overpayment is waived, remitted, or canceled, there are no additional tax reporting requirements. If the overpayment consists of a nontaxable pay item, then the overpayment should not be reported as taxable income if the resulting debt is waived, remitted, or canceled.
- Taxable wages and withholding must reflect the debt in the year the payment was received. Collection action will reflect impact on taxable wages and withholding (if applicable) as collection is made, but only if made in the same year as the original payment.

★Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

- ★11 The amount of death gratuity payments made to survivors of military members who died after 20 August 1996 that is excludable from income, may not exceed \$3,000, regardless of the number of beneficiaries. If there are multiple beneficiaries, the \$3,000 exclusion should be applied proportionately. Report all death gratuity payments separately, using TD Form 1099R. Report the gross amount of each payment in box 1 and 2A. Enter code 4 in box 7. For members who died on or before 20 August 1996, the maximum exclusion amount is \$5,000.
- ★12 SSB and VSI payments remain taxable even if a member signs the agreement to separate while serving in a combat zone or qualified hazardous duty area.
- ★13 For combat zone and qualified hazardous duty areas, effective 1 April 1996, for commissioned officers (O-1 and above), amounts over the highest enlisted grade (Sergeant Major of the Army, Master Chief Petty Officer of the Navy, Chief Master Sergeant of the Air Force, or Sergeant Major of the Marine Corps ; see Table 2-8, note 2, for clarification) plus the amount of hostile fire/imminent danger pay that is actually payable to the officer for that month are taxable and subject to federal and state tax withholding.
- 14.
 - a. Per DOD 4500.36R, USD(C) and USD (P&R) will jointly issue updated annual guidance concerning the valuation, on a monthly basis, of taxable government employer-provided home-to-work transportation fringe benefits provided to certain military members. Armed Forces Tax Council service representatives will distribute the annually updated guidance to the Military Services.
 - b. Each DoD Component will determine the value, to be calculated on a monthly basis, of government employer-provided taxable parking fringe benefits provided to military members. The monthly exclusion amount for 1996 is \$165.
 - c. Determination must be accomplished utilizing the provisions of the Internal Revenue Code and Treasury Regulations and documented accordingly. Each member's service:
 - (1) Will identify members receiving government employer-provided home-to-work transportation and/or parking fringe benefits, certify that the fringe benefits were authorized, calculate and certify the value of the taxable fringe benefits, and submit the appropriate taxable gross income amounts to the servicing DFAS central site no less often than annually. Exception: When members receive taxable fringe benefits from active duty assignments outside their DoD Component, the agency providing the taxable fringe benefit (such as parking) calculates the value of the benefit provided, and the member's service verifies the correctness of the calculations;
 - (2) Should keep members receiving such benefits advised of the tax liability accruing to them annually.
 - d. Members' certified taxable fringe benefit amounts must be sent to the servicing DFAS central site no less often than annually and not later than 15 Dec, each year, for processing to:
 - (1) Include the taxable non-cash benefit amounts in members' gross income,
 - (2) Withhold and deduct appropriate federal and state income taxes (not FICA taxes).
 - (3) Generate TD Forms W-2 that reflect the adjusted gross income and withholdings. Military Service field finance offices are not authorized to process taxable fringe benefits as additional taxable wages, to withhold applicable taxes, or to generate manual TD Forms W-2.

★Table 44-1. Taxability of Items of Military Pay and Allowances (Notes Continued)

COLLECTION OF DELINQUENT TAXES BY INSTALLMENT—CHANGE OF MEMBER'S STATUS				
R U L E	A	B	C	D
	When a member who has arranged with IRS for installment collection of delinquent taxes	and	then	and
	1 is discharged or released from active duty	immediately reenlists	deduct from member's pay as agreed with IRS without interruption	
	2	does not immediately reenlist	deduct from final pay enough to liquidate the remaining indebtedness, or all available if the remaining indebtedness is more than is available	notify IRS of the member's separation.
	3 enters a period of unauthorized absence for which pay and allowances are not payable	is a member of the Army or Air Force	deduct from member's pay and pay to IRS for the month the absence begins the amount agreed to or as much as is available if less than agreed to	suspend further deductions and payments for tax indebtedness until member is restored to a pay status. If deductions and payments are suspended at the time additional payment is due, so notify IRS. Remove suspension when member is restored to a pay status. Deduct and pay for the month of restoration as much as is available if less than agreed to.
	4	is a member of the Navy or Marine Corps and a T allotment has not been established		
	5	is a member of the Navy or Marine Corps and a T allotment has been established	cancel T allotment on the 15th day following the date absence began (or earlier if necessary to prevent allotment overpayment)	stop as prescribed by Navy and Marine Corps allotment procedures.
	6 is retired from the Air Force	a T allotment has been established	allotment remains in effect	deductions required by allotment are made from retired pay.
	7 is retired from the Army	an E allotment has been established		
	8	an E allotment has not been established	deduct for the month of retirement or transfer, as agreed with IRS	notify member and IRS that new agreement must be made.
	9 is a Navy or Marine Corps member and is transferred to the Fleet Reserve, Fleet Marine Corps Reserve or retired list and not immediately recalled to active service	a T allotment has not been established		

Table 44-2. Collection of Delinquent Taxes by Installment—Change of Member's Status

COLLECTION OF DELINQUENT TAXES BY INSTALLMENT—CHANGE OF MEMBER'S STATUS				
R U L E	A	B	C	D
	When a member who has arranged with IRS for installment collection of delinquent taxes	and	then	and
10	is a Navy or Marine Corps member and is transferred to the Fleet Reserve, Fleet Marine Corps Reserve or retired list and not immediately recalled to active service	a T allotment has been established	T allotment remains in effect	deductions required by T allotment are made from retired pay or retainer pay.
11	qualified for collection deferment because of service in a combat zone or enters hospitalized/missing status as a result of service in a combat zone (note)		defer initiating collection effective the month entering such status	commence collection in accordance with paragraph 440203.

NOTE: Includes direct support of combat zone operations.

Table 44-2. Collection of Delinquent Taxes by Installment—Change of Member's Status (Continued)



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUL 29 1997

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Vol 7A, regarding Deductions and
Collections from Waived Forfeitures Paid to Dependents
(DFAS Item F-58)

This is DFAS Interim Change 24-97 to the DoDFMR, Vol 7A.
This change is effective April 1, 1996. It is intended to
clarify the changes made by IC 18-96 on Forfeiture of Pay and
Allowances During Certain Court Martial Confinements.

We have evaluated your comments on the draft change to the
DoDFMR, Vol 7A. The, attached, final version of the change
includes your comments where appropriate. Assignment of an
interim change number is your authority to start a procedural
modification, if necessary, to facilitate this change. For the
Denver Center, use the attached to initiate the formal printed
change to the DoDFMR and the interim change.

My point of contact, Lt Col Wies, may be contacted at
(703) 607-5068 or DSN 327-5068.

Roger W. Soearce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MMP) (COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

DFAS ITEM NUMBER F-58
DFAS INTERIM CHANGE NUMBER 24-97

1. **Renumber** paragraph 70506.1 (old numbering under IC 18-96) as 480306 and insert paragraph 480306 after paragraph 480305, retaining subparagraphs a., b., c., and d. of obsolete paragraph 70506.1 as 480306A, 480306B, 480306C, and 480306D.

2. **Revise** the second part of the sentence and renumbered paragraph 480306B to read:

"....but are limited to two-thirds of all pay."

3. **Revise** paragraph 480306C as follows:

"C. Waiver of Forfeitures in Favor of Dependents. The convening authority or a person acting under 10 U.S.C. 860 may waive any or all of the forfeitures of pay and allowances that were imposed by operation of law ("automatically"). The portion waived is payable to the accused member's dependent(s) as directed by the convening authority or person taking action.

1. **Intent of Waiver and Taxability of Waived Forfeiture Amount.** Direct payments, to dependents, of the waived portion of a forfeiture are intended to provide transitional compensation and direct financial assistance for a period not to exceed six months. Because the waived portion of the forfeiture remains wages generated by the member's military status, it is taxable income to the accused member, even though, paid to the member's dependents. Therefore, after appropriate Federal, State, and FICA taxes are withheld from the taxable portion of the waived forfeiture amount, the remaining (net) waived amount is paid to the member's dependent(s), as directed. Also, see table 44-1, rule 8.

2. **Other Deductions and Collections.** The Uniform Code of Military Justice (UCMJ) contains no provisions for the deduction of any of the items appearing in table 52-1 from the waived forfeiture of pay and allowances. Therefore, only applicable taxes listed in subparagraph 1 above, may be deducted from the waived portion of pay and allowances that would otherwise be forfeited, with the remaining amount paid to the member's dependent(s), as directed by the convening authority. See table 44-1, rule 20, and table 45-2, rule 2.

3. **Effective Date of Payments.** As directed by the convening authority or, if not specifically stated, the date of the convening authority action on the waiver.

4. **Add** the following rule and note to table 44-1:

a. Add rule 20 as follows:

Rule A

B

20 Waived portion of
 CM forfeiture of
 taxable pay or pay
 and allowances
 (Chapter 48)

See para. 480306C

5. **Add** subparagraph 450202G to read:

"G. Waived portions of forfeitures of basic pay payable to dependent(s) of confined members as prescribed in paragraph 480306.

6. **Add** note 1 to Table 45-2, rule 2, as follows:

a. In rule 2, Column B, at end of text, add the following:

"(note 1)"

b. Below Table 45-2, add the following:

"Note 1: However, the waived portion of a forfeiture under paragraph 480306 is taxable income to the confined member and subject to FICA under paragraphs 480306C and 450202G.

7. Change the bibliography as follows:

a. **Add** the following paragraph and citation:

paragraph

citation

"480306

10U.S.C. 858b (Art. 58b, UCMJ), as added by Public Law 104-106, Sect. 1122, 10 Feb 1996, and amended by Public Law 104-201, Sec. 1068(a)(1), 23 Sep 1996."



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

APR 22 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

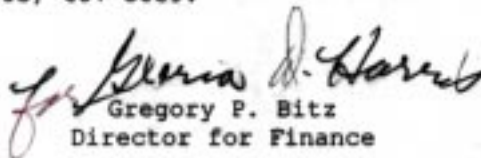
SUBJECT: Change to the DoDFMR, Volume 7A, Regarding Designation
of Federal Republic of Yugoslavia, Albania, the
Adriatic Sea, and part of the Ionian Sea as a Combat
Zone (DFAS Item I-13)

Attached is DFAS Interim Change 13-99 to chapter 44 of the
DoDFMR, Volume 7A. It was effective March 24, 1999.

This change implements Executive Order 13119 of
April 13, 1999, which designates the Federal Republic of
Yugoslavia (Serbia/Montenegro), Albania, the Adriatic Sea, and
the Ionian Sea North of the 39th parallel as a combat zone.

Due to the routine nature, non-interpretive aspect of this
change, and the urgency of disseminating this information, it
was not submitted for preliminary review and comment.
Assignment of an interim change number is your authority to
start a procedural modification to facilitate this change. For
the Denver Center, use the attached to initiate the formal
printed change to the DoDFMR and the interim change message.

Our point of contact, Ms. Ann Cook, may be contacted at
DSN 337-5059 or (703) 607-5059.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

**DESIGNATION OF FEDERAL REPUBLIC OF YUGOSLAVIA
(SERBIA/MONTENEGRO), ALBANIA, THE AIRSPACE ABOVE, AND ADJACENT
WATERS AS A COMBAT ZONE**

1. Make the following change to DODFMR, Volume 7A, Chapter 44 and the bibliography:

a. Insert new paragraph 440103A.4 to read as follows:

"Effective March 24, 1999, Executive Order 13119 designated the following areas (including the airspace above) as a combat zone: The Federal Republic of Yugoslavia (Serbia and Montenegro); Albania; the Adriatic Sea, and the Ionian Sea north of the 39th parallel."

CHAPTER 45

FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)4501 GENERAL

The Federal Insurance Contributions Act (reference (ci)) requires the withholding of tax from wages of employees covered by the Social Security Act and the payment of employer's tax by federal agencies.

4502 REQUIREMENTS

450201. Members Subject to FICA. Any member appointed to, enlisted in, or inducted into any Military Service is subject to FICA tax. This includes members serving:

- A. In the Military Service academies (excluding foreign nationals),
- B. In an aviation cadet status, or
- C. In a combat zone.

450202. Taxable Wages. The following wages are subject to FICA withholding:

A. Basic pay (excluding reduction for educational benefits under the Montgomery G.I. Bill) (reference (aa)).

B. Active duty compensation.

C. Inactive duty compensation. (This applies to inactive duty training performed after December 1987.)

D. Taxable amounts earned but unpaid at the date of death (subject to the maximum earnings tax) if paid to the beneficiary during the same calendar year on which member's death occurs.

E. Basic pay or compensation earned when absence is because of injury, sickness, or hospitalization.

F. Taxable amounts received prior to the government's voidance of the member's enlistment contract.

4503 DEDUCTION OF FICA TAX

450301. Amount. See Table 45-1 for the withholding percentage rate and for the total maximum tax.

450302. Maximum Tax. Discontinue deductions when the member's total active duty basic pay plus inactive duty compensation equal the annual maximum earnings subject to FICA withholding and when the maximum tax has been deducted.

450303. Effect of Punishment, Absence, and Non-pay Status. See Table 45-2.

450304. More Than One Employer. Deduct FICA tax regardless of any amounts previously or currently being deducted by another employer. Each Military Service is considered a separate employer, except that cross servicing of a member's pay account between the Military Services does not constitute a change of employers. A break in service of any length within the same Military Service does not constitute a change of employers. Consider all FICA tax withheld during the calendar year in determining the total amount withheld. If application of the above results in a withholding in excess of the maximum tax, the member may claim the excess from the Military Service concerned and adjustments will be made accordingly.

450305. Retroactive Entitlements and Deductions. Adjustments will be considered as affecting the pay for the year in which made and will be reflected in the quarter in which paid. Do not consider any adjustments made for under or overpayments of inactive duty compensation received prior to 1 January 1988. Adjust in the quarter in which the retroactive entitlement or deduction of basic pay is entered in the member's pay account. All retroactive payments are subject to FICA withholding at the rates in effect at the time of payment. If the member has been discharged, separated, or retired, issue a IRS Form W-2.

450306. Indebtedness. FICA taxes previously withheld may not be used to offset any indebtedness.

FICA PERCENTAGES AND MAXIMUM TAXABLE WAGES AND MAXIMUM TAX							
Year	Social Security	+	HI	=	Total	Maximum Wages	Maximum Tax
1981	5.35		1.30		6.65	29,700	1975.05
1982	5.40		1.30		6.70	32,400	2,170.80
1983	5.40		1.30		6.70	35,700	2,391.90
1984	5.40		1.30		6.70	37,800	2,532.60
1985	5.70		1.35		7.05	39,600	2,791.80
1986	5.70		1.45		7.15	42,000	3,003.00
1987	5.70		1.45		7.15	43,800	3,131.70
1988	6.06		1.45		7.51	45,000	3,379.50
1989	6.06		1.45		7.51	48,000	3,604.80
1990	6.20		1.45		7.65	51,300	3,924.45
1991	6.20					53,400	3,310.80
1991			1.45			125,000	1,812.50
1992	6.20					55,500	3,441.00
1992			1.45			130,200	1,887.90
1993	6.20					57,600	3,571.20
1993			1.45			135,000	1,957.50
1994	6.20					60,600	3,757.20
1994			1.45			unlimited	
1995	6.20					61,200	3,794.40
1995			1.45			unlimited	
1996	6.20					62,700	3,887.40
1996			1.45			unlimited	

Table 45-1. FICA Percentages and Maximum Taxable Wages and Maximum Tax

EFFECT OF PUNISHMENT, ABSENCE AND NON-PAY STATUS		
R U L E	A	B
	When a member	then
1	is fined by court-martial and the fine is deducted from pay	the amount of the fine is subject to FICA tax.
2	is required to forfeit pay as the result of court-martial or nonjudicial punishment	the forfeiture is a loss of entitlement to the basic pay involved and the amount so lost is not subject to FICA tax.
3	has pay detained under court-martial or nonjudicial punishment	the amount detained is not subject to FICA tax until it is actually paid to the member.
4	is absent without leave	the amount of basic pay deducted for the period is not subject to FICA tax.
5	is confined by civil authorities under conditions which require loss of pay	

Table 45-2. Effect of Punishment, Absence and Non-Pay Status

CHAPTER 46

DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES4601 ARMED FORCES RETIREMENT HOME (AFRH OR "RETIREMENT HOME")

The AFRH includes the United States Soldiers' and Airmen's Home and the Naval Home.

4602 GENERAL

Monthly deductions, up to a maximum of \$1.00, are set by the Secretary of Defense after consulting with the Armed Forces Retirement Home Board. Pay deductions are deposited in the Armed Forces Retirement Home Trust Fund. Do not prorate deductions for partial months of service.

4603 APPLICABILITY

460301. Members Subject to Deductions. Regular enlisted members, and warrant and limited duty officers (LDO) of the Armed Forces (includes the Coast Guard only when operating as a Military Service in the Navy) are subject to AFRH deductions.

460302. Members Not Subject to Deductions

- A. Reserve Component members,
- B. Commissioned officers other than LDOs,
- C. Selective trainees inducted into federal service, and
- D. Members in a non-pay status for the entire calendar month.

4604 PRECEDENCE OVER OTHER DEDUCTIONS AND COLLECTIONS

Retirement Home deductions apply only against pay. They take precedence over all other deductions and collections except forfeitures, "Montgomery G.I. Bill," and FICA taxes. See Chapter 52, the Precedence of Pay Deductions and Collections, Table 52-1.

CHAPTER 47

SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM4701 **DEFINITIONS**

The following terms vary from the Definitions and are applicable to this chapter only.

470101. **Active Duty.** Full-time duty in the Armed Forces other than active duty for training and full-time duty as a cadet or midshipman at a Military Service academy.

470102. **Active Duty for Training.** Full-time duty in the Armed Forces for training purposes performed by Reserve Components; full-time National Guard duty; and full-time duty as a cadet or midshipman of the Reserve Officers Training Corps (ROTC) while attending field training or practice cruises.

470103. **Coverage.** SGLI payable upon death while insured.

470104. **Inactive Duty Training.** Duty (other than full-time duty) prescribed or authorized for members of a Reserve Component that is scheduled in advance by competent authority with a specific time and place designated. This does not include work or study performed in connection with correspondence courses or attendance at educational institutions in an inactive status.

470105. **Member.** A person on active duty, active duty for training, or inactive duty training with the Uniformed Services in a commissioned, warrant, or enlisted rank or grade; a cadet or midshipman at a Military Service academy; or a cadet or midshipman of the ROTC while performing field training or practice cruises.

4702 **GENERAL**

Members (defined in paragraph 470105, above) who receive basic pay for 1 or more days per month are responsible for SGLI premiums (coverage listed in section 4703, below) unless they waive coverage.

4703 **FULL-TIME COVERAGE**

The SGLI Program is administered by the Department of Veterans Affairs (VA).

★470301. **Basic Coverage.** Effective 1 April 1996, this program automatically insures eligible members against death in the amount of \$200,000 when the member is performing active duty or active duty for training for an ordered period of more than 30 days, or while on full-time duty as a cadet or midshipman at a Service academy. All Selected Reservists and any other Ready Reserve members who are assigned or attached to a unit or position that may require performing active duty or active duty for training and that will require at least 12

scheduled periods of inactive duty for training annually are also covered full-time (includes, but is not limited to training and retired categories A, B, C, D, F, H, L, P, Q, T, and U). Members may elect coverage for an amount less than \$200,000, in \$10,000 increments, or may elect to waive coverage.

★470302. Changes in Coverage. A member who is covered for an amount less than maximum SGLI coverage may later apply for increased coverage in writing in an amount of up to maximum SGLI coverage with proof of good health. See Table 47-1, note 7, for the only exception to the proof of good health requirement.

4704 PERIODS OF COVERAGE

See Table 47-1.

4705 APPELLATE LEAVE (WHETHER OR NOT EXCESS)

Where coverage was never terminated prior to being placed on appellate leave (in a full duty status or never confined with loss of full pay and allowances), continue coverage. When placed on appellate leave following confinement with total forfeiture of pay and allowances (during which coverage had been properly stopped, see Table 47-1, rule 9), coverage is not reinstated. If appellate leave followed a restoration to duty with pay, coverage is reinstated on the date the member returns to a full duty status and continues during the period of excess leave. Coverage is reinstated at the amount in effect on the day prior to its stoppage.

4706 FORFEITURE OF COVERAGE

Any person guilty of mutiny, treason, spying, desertion, or who, because of conscientious objections, refuses to perform service in the Armed Forces of the United States, or refuses to wear the uniform of such force, forfeits all rights to any coverage. This insurance is not payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.

4707 DEDUCTIONS (SGLI PREMIUMS)

When a member is in a status referred to in section 4703 (eligible for full-time coverage), the monthly deduction (effective 1 July 1994) is \$.90 for each \$10,000 of coverage. The deduction will be made even though the member may have paid the yearly premium as a Reservist covered on a part time basis (Chapter 58, paragraph 580702). For rules concerning starting and stopping deductions, see Table 47-1. Monthly deductions are not prorated for partial months of service. Deduct the full month's premium for any month in which a member is covered for at least one day. During months in which coverage amounts change, deduct the full month's premium for the higher coverage rate.

4708 REFUNDS

Refunds will not be made of amounts deducted before the effective date of any election for reduced or waived coverage. When a request for reinstatement of coverage or for increased coverage is rejected by the Office of Servicemembers' Group Life Insurance (OSGLI), any increase in premiums withheld pending OSGLI rejection will be credited to the member's pay account.

4709 EXTRA HAZARD COSTS

470901. Cost. In addition to the deduction from the member's pay, each of the Military Services contributes from its appropriations an amount (determined by the VA) attributable to the extra hazard cost of SGLI. This premium reflects the cost of death claims in excess of the level of death claims that would result from normal peacetime service.

470902. Payment. The Military Services centrally pay the premium for extra hazard costs along with the member's premiums to the VA.

4710 SETTLEMENT OF SGLI CLAIMS

Death claims are filed with the OSGLI. The order of precedence for payment is the same as prescribed for arrears of pay (Chapter 36, section 3602). The OSGLI will reduce the insurance proceeds by the amount of any member premiums not paid.

EFFECTIVE DATES OF SGLI COVERAGE AND DEDUCTIONS (FULL-TIME AND PART-TIME)			
R U L E	A	B	C
	When a member required to perform duty described in section 4703, paragraph 580106, or 580702	then the effective date of	and SGLI deduction (note 1)
★1	enters such duty	coverage is the first day of entry on such duty (note 2). Maximum basic coverage is automatically in effect until the member elects reduced coverage or waives coverage (note 3).	starts the month of the date of entry.
★2	resumes the obligation or reenters on such duty in the same Uniformed Service the day following termination of such period of obligation (note 4)	insurance coverage (excluding elections of reduced or no coverage) is continuous (note 5).	continues at the appropriate rate.
3	elects a reduced amount of coverage after entry on such duty	coverage is the first day of the month following receipt by the Uniformed Service of the member's election, entered on VA Form SGLV 8286 or, if applicable, DA Form 41 (note 6)	starts in the reduced amount the first day of the month following receipt of the member's election. For deduction refunds, see section 4708.
★4	applies for increase or reinstatement of coverage after entry on such duty	coverage is the date of receipt by the Uniformed Service of the application with evidence of good health (note 7)	starts the month of the date the application is received by the Military Service.
5	elects not to be covered (declines or cancels) after entry on such duty	termination is the first day of the month following receipt by the Uniformed Service of the member's election, entered on VA Form SGLV 8286 (note 6)	stops at the end of the month in which the member's election is received by the Military Service. For deduction refunds, see section 4708.
6	is covered full-time and is separated and does not reenter active duty or immediately resumes part-time coverage	termination is 120 days after separation (note 8)	stop at the end of the month of separation.
7	is covered on a part-time basis and qualified period of duty ends	termination is the day active duty or active duty for training ends, or the hour inactive duty ends (notes 3, 9, and 10)	(See paragraph 580706.)
★8	is a Reservist not covered on a full-time basis and is called to active duty upon mobilization	coverage is the first day of active duty (maximum basic coverage is automatic unless a member applies for reduced or no coverage).	
9	is covered full-time and is AWOL, confined by civil authorities under a sentence adjudged by a civilian court, or confined by military authorities under a court-martial sentence involving total forfeiture of pay and allowances	termination is at the end of the 31st continuous day of such status (note 11)	stops at the end of the month in which the 31st day of such status is reached.
10	forfeits rights to SGLI under the provisions of section 4706 and paragraph 580705	termination is the end of the day before the date of conviction, refusal to perform service, or refusal to wear the uniform (note 12)	stops at the end of the month in which coverage is terminated.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time)

NOTES:

1. Members in an excess leave status normally remain eligible for coverage. (See section 4705 for the appellate leave exception.) Establish monthly premiums in such cases as deductions against member pay accounts or collect as cash according to procedures of the Military Service concerned.
2. First time enlistees in the Selected Reserves are eligible for coverage on the date of enlistment when assigned to a Ready Reserve unit that meets the requirements of 38 U.S.C. 1965(5)(B), regardless if they are or are not required to participate in periods of inactive duty training and have not yet been called to their initial active duty period. This does not apply to delayed entry active duty enlistees.
3. Elections made by Reserve Component members continue in effect during continuous obligation to perform duty in the same Uniformed Service. Reserves are not required to reelect or reapply for their desired level of coverage each time they perform duty. For the exception, see rule 8.
4. A new period of coverage begins and new elections must be submitted when a member resumes an obligation to perform duty or reenters on duty in the same Uniformed Service more than 1 day following termination of previous obligation; or when a member assumes an obligation to perform duty and enters on duty in a different Uniformed Service at any time. A member entering active duty after a break in service is automatically covered by the maximum basic coverage, until the member elects otherwise, even though the member may have converted former SGLI coverage to an individual policy following last discharge or release from active duty. A former member, insured under the Veterans Group Life Insurance (VGLI) Program, who declines SGLI coverage solely to maintain VGLI coverage, upon termination of VGLI, shall be automatically insured under maximum basic coverage if the member is otherwise qualified.
- ★5. Any previous election not to be insured or to be insured for less than \$200,000 is canceled. Maximum basic coverage is automatically in effect unless member again elects not to be insured or to be insured in a reduced amount.
6. For members covered on a part-time basis, an election for reduced or no coverage is effective at the end of the last day of the duty period being performed. If the election is made outside a duty period, the reduced or waived coverage is effective when the election is received by the Military Service.
- ★7. Increase or reinstatement of coverage is contingent upon written application by the member on DVA Form SGLV 8285, Request for Insurance, and approval by the OSGLI.
8. In the case of members totally disabled on the date of separation from such duty, the insurance shall cease 1 year after the date of separation or on the date the insured ceases to be totally disabled, whichever is earlier, but in no event prior to the expiration of 120 days after separation.
9. Part-time coverage is in effect only on the days of active duty or active duty for training, or during the hours of inactive duty training, including periods of travel to and from such duty. Coverage resumes at the beginning of each such period.
10. Coverage continues for 120 days after the period of duty if the member, during that duty period, incurs or aggravates a disability and the disability renders the member uninsurable at standard premium rates according to good health standards approved by the VA and as determined by the OSGLI.
11. Members carried in an AWOL or confined status, except for an offense listed in section 4706, remain eligible for coverage. Insurance terminated under the provisions of rule 9, together with any elections made, will be automatically reinstated as of the date the member is restored to duty with pay. Start premium deductions at the appropriate rate on the month of the date the member is restored to duty with pay.
12. Members restored to duty under conditions which, in effect, result in a remission of sentence may apply for reinstatement of coverage under rule 4.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUN 27 1997

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Interim Change to 19-97 Department of Defense
Financial Management Regulation, Volume 7, Part A
(DoDFMR Vol 7A), Servicemembers' Group Life Insurance
(SGLI) Program Premium Reduction (DFAS Item G-23)

The Department of Veterans Affairs has announced their decision to lower the SGLI premium. The reduction, effective July 1, 1997, lowers the premium for each \$10,000 of coverage from 90 cents to 85 cents.

This reduction is the result of program management efficiencies achieved by the Office of Servicemembers' Group Life Insurance (OSGLI) and the continued low death rates among Active Duty and Ready Reserve personnel.

The implementation of this reduced rate will require system changes. Our point of contact, Major Jeff Holden may be contacted at DSN 327-5065 or (703) 607-5065. Our FAX number is DSN 332-5271 or (703) 602-5271.

for Gloria D. Harris
Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachments:
As stated

cc: ASD (FMP)
DFAS-HQ/DG
DJMS PMO

1. Revise Paragraph 4707 DEDUCTIONS (SGLI PREMIUMS) to read as follows:

"When a member is in a status referred to in section 4703 (eligible for full-time coverage), the monthly deduction (effective 1 July 1997) is \$.85 for each \$10,000 of coverage..."

2. Change the Bibliography citation for paragraph 4707 to read:

Paragraph

Citation

4707

OASD (FM&P) Memo, 29 April 1997



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

AUG -1 1997

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the Department of Defense
Financial Management Regulation, Volume 7, Part A
(DoDFMR Vol 7A), Renaming of Servicemen's Group Life
Insurance Program (DFAS Item G-20)

This is DFAS Interim Change Number 26-97 to the DoDFMR, Vol 7A. This change is effective immediately

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. This name change is applicable to all DoDFMR volumes. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change.

Our point of contact is Major J.D. Holden. Major Holden may be contacted at DSN 327-5065 or (703) 607-5065. Our FAX number is DSN 332-5271 or (703) 602-5271.

Roger W. Scarce
Brigadier General, USA
Deputy Director for Finance

Attachments:
As stated

cc: DASD (FMP)
DFAS-HQ/DG
DJMS PMO

1. In the table of Contents, page xxxvi, Chapter 47, change the word "Servicemen's to read "Servicemembers'."
2. In the title for Chapter 47, change the word "Servicemen's" to read "Servicemembers'."
3. In paragraph 560704, change the word "Servicemen's" to Servicemembers'."
4. In paragraph 5707 change the word "Servicemen's" to Servicemembers'."
5. In paragraph 570709, third sentence, change the reference to the Office of Servicemen's Group Life Insurance to read "Office of Servicemembers' Group Life Insurance."
6. In paragraph 590104 change the title from Servicemen's Group Life Insurance (SGLI) to read "Servicemembers' Group Life Insurance (SGLI)."
7. Make the following changes to the Bibliography:

<u>"Paragraph</u>	<u>Citation</u>
Chapter 47 - Servicemembers' Group Life Insurance (SGLI) Program	Add: Public Law 104-276, Sec 405, 9 Oct 1996
Chapter 56 - Servicemembers' Group Life Insurance (SGLI) Program	Add: Public Law 104-276, Sec 405, 9 Oct 1996
Chapter 57 - Servicemembers' Group Life Insurance (SGLI) Program	Add: Public Law 104-276, Sec 405, 9 Oct 1996"



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUN 29 1998

DFAS-HQ/FMM


MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
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INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Change to the Department of Defense Financial Management Regulation, Volume 7, Part A (DoDFMR Vol 7A), Servicemembers' Group Life Insurance (SGLI) Program Premium Reduction (DFAS Item H-16)

This is DFAS Interim Change Number 25-98 to the DoDFMR Volume 7A. This change is effective July 1, 1998. The Department of Veterans Affairs has announced their decision to lower the SGLI premium. The reduction, effective July 1, 1998, lowers the premium for each \$10,000 of coverage from 85 cents to 80 cents.

This reduction is the result of program management efficiencies achieved by the Office of Servicemembers' Group Life Insurance (OSGLI) and the continued low death rates among Active Duty and Ready Reserve personnel.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached version includes your comments where appropriate. For the Denver and KC Center, use the attached to formalize any system changed. For the Denver Center, use the attached to initiate the formal change to the DoDFMR. Our point of contact is Major Jeff Holden. Major Holden may be reached at CCMAIL:j1holden@cleveland.dfas.mil. He may be contacted at DSN 327-5065 or (703) 607-5065. Our FAX number is DSN 332-5271 or (703) 602-5271.


Gregory P. Buz
Director for Finance

Attachments:
As stated

cc: ASD (FMP)
DFAS-HQ/G

1. Revise Paragraph 4707 DEDUCTIONS (SGLI PREMIUMS) to read as follows:

“When a member is in a status referred to in section 4703 (eligible for full-time coverage), the monthly deduction (effective 1 July 1998) is \$.80 for each \$10,000 of coverage...”

2. Change the Bibliography citation for paragraph 4707 to read:

Paragraph

Citation

4707

Under Secretary of Veterans Affairs Memo, 27 March 1998

CHAPTER 48

COURTS-MARTIAL SENTENCES4801 EFFECT OF SENTENCES ON PAY AND ALLOWANCES480101. Forfeitures

A. A sentence to partial forfeiture of pay deprives a member of the amount of pay stated in the sentence. The sentence applies for the number of months or days expressly stated.

B. Forfeitures apply to pay (and allowances if total forfeitures of pay and allowances are specifically adjudged) becoming due on and after the date the sentence is approved by the convening authority, unless the convening authority suspends or remits the forfeiture.

480102. Fines. A fine is in the nature of a judgment. It makes a member pecuniarily liable to the United States for the amounts specified in the sentence. Fines are not self-executing. They are debts to the government until:

A. Paid in cash by the member,

B. Collected by deduction from the member's current pay, or

C. Collected by deduction on settlement of a member's pay account at discharge.

480103. Forfeiture of Allowances. Allowances are forfeited only when a sentence by a general court-martial includes forfeiture of all pay and allowances.

480104. Application of Forfeitures. This means that forfeitures are withheld (as distinguished from collected) on and after the date a sentence is approved by the convening authority. It applies when a court-martial sentence, as approved by the convening authority, includes forfeiture and confinement, not suspended, or deferred, and the sentence is such that further appellate review is required before the sentence can be ordered executed.

480105. Execution of Forfeitures. This means actual collection of forfeitures when a sentence is ordered executed. The order of execution authorizes the collection of any monies withheld during the period specified in the convening authority's initial order to apply the forfeitures, and any monies remaining to be collected from current pay during the remainder of the period of the approved sentence. If any amount ordered forfeited is not actually withheld or collected during the period specified by the approved sentence, such amount may be involuntarily collected as an erroneous payment as provided in Table 50-1, rule 3, at a rate not to exceed the maximum authorized by Table 50-6, rule 2. However, the collection rate will not be less than

that fixed by the approved sentence.

4802 REQUIREMENT FOR REDUCTION IN GRADE UNDER CERTAIN COURTS-MARTIAL SENTENCES

Unless otherwise provided in regulations of the Military Service concerned, a court-martial sentence, as approved by the convening authority which includes dishonorable or bad conduct discharge, confinement, or hard labor without confinement, by operation of law requires reduction of an enlisted member to pay grade E-1 effective on the date of that approval. If the sentence of a member who is thus reduced in pay grade is set aside or disapproved, or, as finally approved, does not include any of the above punishment, all rights and privileges denied the member because of the reduction are restored. The member is entitled to the pay and allowances to which member would have been entitled, for the period the reduction was in effect, had the grade reduction not been applied. The Military Services apply reduction in this instance as follows:

480201. Army. An accused may be retained in the grade held at the time of the sentence or in any intermediate grade if the convening or higher authority, taking initial action on the case, suspends all elements of the sentence which would otherwise require reduction to pay grade E-1 by operation of law and provides for retaining the member's present or intermediate grade as set forth in AR 600-200 (reference (v)). When the action set forth in AR 600-200 (reference (v)) is not taken, the member is reduced to pay grade E-1 effective on the date the sentence is approved by the convening authority.

480202. Navy and Marine Corps. Exercising sole discretion, the convening authority or supervisory authority may retain the accused in the pay grade held at the time of sentence or an intermediate pay grade and suspend the automatic reduction to pay grade E-1 which would otherwise be effected. The automatic reduction may be suspended without regard to whether any part of the approved sentence was suspended. Additionally, the convening authority may direct that the accused serve in pay grade E-1 while in confinement but be returned to the pay grade held at the time of sentence or an intermediate pay grade upon release from confinement. If, however, the adjudged sentence included a reduction in pay grade, the reduction in pay grade should be suspended for the same period as the automatic reduction is suspended. Failure of the convening authority to address automatic reduction will result in the automatic reduction to pay grade E-1 on the date of the convening authority's action.

480203. Air Force. Effective with courts-martial sentences adjudged on and after 1 May 1975, involving enlisted members, an automatic reduction to pay grade E-1 is no longer prescribed by the Air Force. Any reduction in grade must be expressly stated in the court-martial sentence. If the sentence includes an approved reduction, as well as punitive discharge, confinement at hard labor, or hard labor without confinement, the member will be reduced under Article 58a, Uniform Code of Military Justice (UCMJ) (reference (i)), at the time of action by the convening authority. The reduction, if approved, will not be delayed until completion of appellate review under Article 71(c), UCMJ (reference (i)).

★480204. Effective Date of Automatic Reduction in Grade. If an enlisted member is reduced by operation of law to pay grade E-1, the effective date of the reduction is the date on which the sentence is approved by the convening authority.

★480205. Reduction in Grade as a Result of Courts-Martial Sentence. Effective for court-martial sentences adjudged after 31 March 1996, a reduction in grade that is imposed as part of a court-martial sentence takes effect on the date the sentence is approved by the convening authority, or on the 14th day after the sentence is adjudged, whichever is earlier.

4803 FORFEITURES

480301. Pay Subject to Forfeiture. Forfeitures, other than total forfeitures apply to:

- A. Basic pay, based on the member's years of service, and
- B. Career sea pay or foreign duty pay, provided such pay continues to accrue after the effective date of the sentence.
- C. An allotment made voluntarily.

480302. Pay Not Subject to Forfeiture. Forfeitures, other than total forfeitures, do not apply to special (other than sea or foreign duty pay) or incentive pay.

480303. Taxes. A forfeiture is a loss of entitlement to the pay involved. consequently, forfeitures are not taxed. Compute the amount of pay to be forfeited before withholding for federal and state income and FICA taxes. Compute taxes on the gross pay remaining after deductions of the forfeiture.

480304. Reduction in Grade. If a member's sentence includes or requires a reduction in grade, apply forfeitures to the pay of the grade to which reduced.

480305. Concurrent Forfeitures. When two or more sentences require forfeitures for a concurrent period, the amount stated in each sentence is forfeited only for the specified period. If each forfeiture results from a court-martial under which the maximum forfeiture which could be imposed is two-thirds of the pay subject to forfeiture, collect only two-thirds of the pay subject to forfeiture for the concurrent period. Following the concurrent period, pay is forfeited under the remaining sentence at the rate specified in the sentence for the time remaining in that sentence.

4804 EXECUTION OF COURTS-MARTIAL SENTENCES APPELLATE REVIEW REQUIREMENTS

See Table 48-1.

★4805 EFFECTIVE DATES OF FINES AND FORFEITURES

★480501. Fines. Begin collection of fines on the date the convening authority orders execution of the sentence.

★480502. Forfeitures

A. For courts-martial sentences adjudged before 1 April 1996, begin forfeiture of pay or allowances on the date the convening authority approves that part of the sentence establishing the forfeiture.

B. For courts-martial sentences adjudged after 31 March 1996, begin forfeiture of pay or allowances on the date the convening authority approves that part of the sentence establishing the forfeiture, or on the 14th day after the date the sentence was adjudged, whichever is earlier. However, the convening authority may defer the start of the forfeiture until the date the convening authority approves the sentence. The convening authority may revoke deferment at any time.

C. Other deferrals. A convening authority may defer the execution of a forfeiture until a prior forfeiture is executed.

4806 LOSS OF PAY AND ALLOWANCES WHEN CONFINED UNDER SENTENCE TO DISHONORABLE DISCHARGE, ARMY AND AIR FORCE

Pay and allowances of an enlisted member of the Army or Air Force who is in confinement under sentence of a dishonorable discharge, the execution of which has been suspended, accrue only until the affirmance of the discharge upon completion of the required appellate review under Article 71 of the UCMJ (reference (i)).

★480601. Forfeiture of Pay and Allowances During Certain Court Martial Confinements.

A. General Court Martial. Effective with general courts martial sentences adjudged after 31 March 1996, a member who is sentenced to

1. Death;
2. Confinement for more than six months; or
3. Confinement of any length and either a dishonorable discharge, a bad-conduct discharge, or a dismissal forfeits all pay and allowances while in confinement or in a parole status.

B. Special Court Martial. If the sentence is adjudged by special court martial, forfeitures under the same conditions apply as in subparagraph 480601.A, above, but are limited

to two-thirds of all pay and allowances.

C. Payments to Dependents. The convening authority or a person acting under 10 U.S.C. 860 may waive any or all of the forfeitures automatically imposed in this paragraph for a period not to exceed 6 months in the case of a member who has dependents. In the event of such a waiver, and when directed by the person acting under 10 U.S.C. 860, pay the waived portion of the forfeiture to the dependents of the member. Payments made to dependents are considered normal military pay and allowances otherwise due the member, and are treated as payments made to the member for tax withholding and reporting purposes.

D. Effect of Disapproval, Set aside, or Reduction of Punishment. If the sentence of a member who forfeits pay and allowances pursuant to this paragraph is set aside or disapproved or, as finally approved, does not provide for a punishment listed in subparagraph 480601.A, above, pay the member the pay and allowances that the member would have been paid except for the forfeiture, for the period during which the forfeiture was in effect. The payment to the member should be reduced by the amount of any payments made to the member's dependents under subparagraph 480601.C, above.

4807 COLLECTION

480701. Forfeitures. Since courts-martial forfeitures constitute a loss of entitlement of the pay concerned, the forfeitures take precedence over all debts.

480702. Fines. Fines constitute an indebtedness to the United States. Collect fines as follows:

A. Current Pay. Fines may be collected involuntarily from the current pay of all members. They are collected after all other prior indebtedness for the period involved has been collected. If prior deductions reduce the member's pay by two-thirds of gross pay for any month, no pay accrues against which fines may be applied. In such case, defer collection of fines until pay accrues against which they may be applied.

B. Final Pay. Fines may be collected involuntarily from the final pay of all members. They are collected after all other indebtedness. Collections will not reduce pay received by enlisted members of the Army or Air Force to less than one-third of gross pay. Separation travel allowances and donations on discharge will not be used to liquidate an indebtedness for enlisted members. Otherwise, all final pay and amounts due the member at separation may be collected involuntarily (see Table 50-6, rule 2.)

480703. Rate of Collection. Charge forfeitures of pay, as approved and ordered executed, against a member's pay at the rate required by the sentence until the sentence is fully satisfied. Forfeitures of pay are considered as collected from day to day as pay accrues. Prorate the monthly rate of forfeiture on a daily basis for a portion of a month. The amount of forfeiture or fine is governed by the language of the sentence. For example, a sentence to forfeit \$20 per month for 6 months means a forfeiture of \$120 to be collected at \$20 per month. Pay cannot be

forfeited by implication. For example, a sentence reading "to be confined for 2 months and to forfeit \$60 of his or her pay for a like period," does not mean a forfeiture of \$60 per month for two months, or a total of \$120, but means a forfeiture of only \$60.

480704. Non-Pay Status. During periods when a member is in a non-pay status, pay does not accrue against which forfeitures or fines can apply. Do not count such periods in computing the time during which pay is forfeited for a specific period.

480705. Restoration to Duty. A member restored to duty following a non-pay status is again entitled to pay against which forfeitures or fines may apply.

480706. Service Beyond ETS for Medical Care. The pay and allowances of an enlisted member retained beyond ETS for medical care or hospitalization are subject to forfeitures and fines.

480707. Non-collection Due to Administrative Error. Collect courts-martial forfeitures not collected due to administrative error when the error is discovered. Collection may be made for the court-martial forfeiture or for erroneous payments made during the period covered by the sentence. Indebtedness of this type cannot be remitted under statutes authorizing remission of indebtedness.

480708. Pay Due or Accrued. Pay of a member subject to forfeiture by sentence of court-martial is pay which is earned on and after the effective date of the forfeiture. See section 4805, above.

480709. Forfeiture Based on Reserve Status in Certain Circumstances. All punishments (as the result of any offense committed on or after 12 March 1987) remaining unserved (1) at the time a member of a Reserve Component is released from active duty or (2) at the end of a period of active duty training or the end of any normal period of inactive duty training may be carried over to subsequent periods of inactive duty training or active duty. A forfeiture of pay may be collected from active duty and inactive duty training pay during subsequent periods of duty. (See section 4813, below.)

4808 REMISSION, SUSPENSION, AND CANCELLATION OF FORFEITURES

480801. Death or Separation

A. The death or discharge of a member under a suspended sentence operates as a complete remission of any unexecuted or unremitted part of a sentence.

B. Discharge, release from active duty (except under paragraph 480709, above), or death of a member under an unsuspended sentence to forfeiture cancels any uncollected portion of the forfeiture which would extend beyond the date of discharge, release, or death.

480802. End of Term of Service, Unauthorized Absence, or Desertion. The end of term of service of a member in military confinement, the unauthorized absence, or desertion of a member, stops collections of uncollected forfeitures since no pay accrues against which forfeitures can operate. If an unauthorized absentee or deserter is restored to pay status, resume otherwise proper collections.

480803. Extension of Enlistment. When enlisted member begins to serve on a voluntary extension of enlistment, cancel any uncollected forfeitures the collection period of which would extend beyond the normal expiration of term of service. Involuntary extensions of enlistments do not interrupt collection of forfeitures.

480804. Restoration to Duty. A member under sentence to dishonorable or bad conduct discharge, total forfeiture, and confinement, released from confinement and restored to duty, is entitled to pay and allowances from the date restored to duty, and the forfeiture becomes inoperative thereafter. This applies even though no other action may have been taken to suspend, remit, or mitigate the sentence to total forfeiture. A restoration to duty to serve out an incomplete enlistment, from which an enlisted member has received a sentence of dishonorable or bad conduct discharge, revives partially unsatisfied forfeitures.

480805. Effective Date. Except when a later date is specified, an order remitting, mitigating, or suspending the unexecuted portion of a sentence is effective from and includes the date of the order. Such an order relieves the member of the unexecuted portion of the forfeiture or fine on and after the effective date.

480806. Results of Remission or Suspension. When an unexecuted portion of a sentence to forfeiture or fine is remitted or suspended, the member is no longer subject to the unexecuted forfeiture or fine. If forfeitures have been applied (as distinguished from collected), the member is relieved of such forfeitures.

480807. Vacation of Suspension. When a suspension of a forfeiture or fine is vacated, the uncollected forfeiture or fine is revived and proper for collection.

4809 SENTENCES DISAPPROVED OR SET ASIDE

480901. When New Trial or Rehearing Is Not Ordered. When a court-martial sentence is set aside or disapproved and a new trial or rehearing is not ordered, all rights, privileges, and property affected by the executed part of the sentence are restored to the member. Such restoration includes any executed forfeiture and any pay and allowances lost as a result of an executed reduction in grade.

480902. New Trial or Rehearing Ordered

A. When an executed court-martial sentence which includes a forfeiture is set aside or disapproved, and a new trial or rehearing is ordered that results in an approved sentence to forfeiture, credit the member with the amount of any forfeiture effected under the first

sentence. When an unexecuted court-martial sentence which includes a forfeiture is set aside or disapproved and a rehearing is ordered, the member is entitled to full pay and allowances (subject to other proper deductions) for the period from the convening authority's action on the original sentence until the convening authority's action on the subsequent sentence. Entitlement to pay and allowances thereafter depends on the terms of the new sentence.

B. When a previously executed dishonorable or bad conduct discharge is not imposed by a new trial, the member is entitled to the pay and allowances which the member would have received had the dishonorable or bad conduct discharge not been executed. When a previously executed dismissal of an officer is not imposed by a new trial, an administrative discharge is substituted. The President may reappoint the officer to the grade and rank the officer would have attained if the officer had not been dismissed. The total time between the dismissal and reappointment is considered as actual service for all purposes, including pay and allowances.

4810 REIMBURSEMENT OF PAY WITHHELD UNDER ILLEGAL SENTENCES

A member is entitled to reimbursement for pay withheld under an illegal sentence of a court-martial.

4811 PAY AND ALLOWANCES WHILE ON PAROLE

A member released on parole from a disciplinary barracks is considered to be in an authorized leave status and is entitled to pay and allowances to the extent the member has unused accrued leave to the member's credit, less any fines and forfeitures still remaining in effect. Once the member's accrued leave has been used, the member is considered to be in an excess leave/leave without pay status and is not entitled to pay and allowances during this period unless, upon appellate review, the conviction is completely overturned or set aside. However, if the member is subject to a new trial or rehearing, apply the provisions of paragraph 480902, above.

4812 DISPOSITION OF COURTS-MARTIAL FORFEITURES AND FINES

Transfer courts-martial forfeitures and fines of Armed Forces (regular and Reserve) enlisted members, warrant officers, and limited duty officers to the Armed Forces Retirement Home Trust Fund. Transfer only those amounts that are in excess of any government indebtedness. For purposes of this paragraph only, the term "government indebtedness" refers to an amount due from the member for reimbursement to the government. For example, the repayment of an advance of pay is a reimbursement but, an amount due to the Internal Revenue Service, while considered a debt to the government, is not a "reimbursement" or "government indebtedness," for purposes of this paragraph.

481201. Separation From Service Not Involved When enlisted members, warrant officers or limited duty officers have been sentenced by a court-martial to forfeit all or part of their pay, no part of the forfeiture is creditable to Armed Forces Retirement Home Trust Fund until amounts equal to all outstanding indebtedness to the government have been withheld. Transfer only those amounts forfeited that are in excess of any government indebtedness or

amounts owed any individuals. In addition, for the purposes of this paragraph, the term "amounts owed any individuals" refers to amounts owed from a member's pay by direction of a commanding officer pursuant to Article 139 of the UCMJ (reference (i)).

481202. Members Who Are Being Separated From Service. A court-martial forfeiture of a limited duty officer, warrant officer, or enlisted member is not credited to the Armed Forces Retirement Home Trust Fund when the member has unsatisfied indebtedness at date of separation, except as shown in paragraph 481203, below. It remains in the military personnel appropriation. If the unsatisfied debt at separation is less than the forfeiture, credit the difference between the aggregate unsatisfied debt and the forfeiture to the Armed Forces Retirement Home Trust Fund. (For example: If the uncollected indebtedness is \$500 and forfeiture is \$600, credit the Armed Forces Retirement Home Trust Fund the difference of \$100 between the unsatisfied indebtedness and the forfeiture.) Transfer amounts collected afterward to counterbalance the indebtedness not to exceed the aggregate forfeiture, less amounts previously credited to the Armed Forces Retirement Home Trust Fund.

481203. Indebtedness After Forfeiture Becomes Effective. If debts occur to enlisted members, warrant officers or limited duty officers after a court-martial has been executed and before credit of the forfeiture has been made to the Armed Forces Retirement Home Trust Fund, such debts will not affect the disposition of the forfeiture. Credit the forfeiture to the Armed Forces Retirement Home Trust Fund as if the indebtedness did not exist.

481204. Remission of Indebtedness. If a court-martial forfeiture of enlisted members, warrant officers or limited duty officers is not credited to the Armed Forces Retirement Home Trust Fund due to outstanding debts, and the unliquidated portion of the debts are thereafter remitted or cancelled, do not credit the forfeiture that equals the amount of indebtedness remitted or cancelled to the Armed Forces Retirement Home Trust Fund. That amount remains in the military personnel appropriation.

481205. Commissioned Officers. Credit courts-martial forfeitures and fines of commissioned officers (except limited duty officers and warrant officers) to the appropriation to which the member's pay is properly chargeable.

4813 FORFEITURE SENTENCES CARRIED OVER TO SUBSEQUENT RESERVE COMPONENT DUTY

481301. In the case of a forfeiture sentence carried forward according to paragraph 480709, above, convert the stated amount of forfeiture to a percentage using the monthly rate of basic pay in Table 2-5 through 2-8 for the member's grade and length of service on the date the forfeiture sentence is approved. Apply that percentage to the pay for every period of duty the member actually performs during the stated period of the forfeiture sentence.

481302. Example

- A. A member, E-4 over 2, receives a sentence which includes a forfeiture

(either nonjudicial punishment or court-martial sentence) of \$200 a month for two months (\$400).

B. The member's monthly rate of pay is \$912.60.

C. Convert the original forfeiture to a percentage, $(200/912.60) = 21.92\%$.

D. For each period of duty performed during the stated period of the sentence, collect 21.92% of the member's pay from active duty and inactive duty training pay.

481303. The forfeiture sentence is satisfied by collection from however few periods of duty the member performs during the stated period of forfeiture. With regard to collection, apply the following:

A. If a member performs the duty above without forfeiture collection, the amount not collected on the basis of paragraph 481203, above, becomes an amount due the United States.

B. Otherwise, collect forfeiture at the percentage rate computed according to paragraph 481301, above, from all periods of duty during the stated period of forfeiture.

481304. Note that the forfeiture sentence is satisfied by collection from duty performed during the stated period of forfeiture only. If a member performs no duty during the stated period of the forfeiture sentence, no further collection action is necessary.

EXECUTION OF COURTS-MARTIAL SENTENCES, APPELLATE REVIEW REQUIREMENTS			
R U L E	A	B	C
	When a court-martial sentence	the sentence may	who
1	involves a general or flag officer or includes the death penalty	not be executed until reviewed and approved by the President	will approve the sentence or any part or commuted form of the sentence, as the President sees fit. The President may suspend execution of all or any part of the sentence which the President approves except a death sentence.
2	involves dismissal of a commissioned officer (other than a general or flag officer) or a cadet or midshipman	not be executed until reviewed by the Secretary of the Military Department concerned or by an Under Secretary or Assistant Secretary designated by the cognizant Secretary.	will approve the sentence or any part or commuted form of the sentence, as the Secretary or designee sees fit. The Secretary or designee may suspend execution of any part of a sentence which the Secretary or designee approves.
3	includes, unsuspended, a dishonorable or bad conduct discharge, or confinement for 1 year or longer	not be executed until affirmed by a Court of Military Review and, in cases reviewed by it, the Court of Military Appeals	will affirm the sentence, or part of the sentence found to be correct in law and fact.
4	does not include any of the conditions stated in rules 1, 2, and above	be ordered executed by the convening authority	may suspend or defer the execution of any sentence.
5	includes a fine or forfeiture of pay	not be executed with respect to such fine or forfeiture until approved by the convening authority	orders the fine or forfeiture to be executed.

Table 48-1. Execution of Courts-Martial Sentences, Appellate Review Requirements

CHAPTER 49

NONJUDICIAL PUNISHMENT4901 AUTHORITY

Under authority of Article 15, Uniform Code of Military Justice (UCMJ) (10 U.S.C. 815) (reference (i)), authorized commanders may impose nonjudicial punishment for minor offenses without resorting to courts-martial.

4902 AUTHORIZED PUNISHMENTS AFFECTING PAY

Nonjudicial punishments which affect pay are forfeiture of pay, reduction in grade, or combinations of these. Except as provided in this chapter, provisions of Chapter 48 relating to forfeiture of pay and reduction in grade by courts-martial also apply when such penalties are imposed as nonjudicial punishment.

4903 LIMITATIONS

490301. Maximum Forfeiture of Pay. The maximum forfeiture of pay which may be imposed under Article 15, UCMJ (reference (i)), is outlined in the Manual for Courts-Martial, United States 1984, part V (reference (cj)) and appendix 2, section 815 (reference (i)).

490302. Concurrent Courts-Martial and Nonjudicial Forfeitures. When nonjudicial forfeitures run concurrently with partial courts-martial forfeitures which are subject to the two-thirds limitation, the maximum total amount collectible is two-thirds of the pay subject to forfeiture.

490303. Reduction in Grade. When punishment includes both reduction in grade, whether or not suspended, and forfeiture of pay, the forfeiture is based on the grade to which reduced.

4904 SUSPENSION, REMISSION, AND MITIGATION

See Table 49-1.

4905 EXECUTION OF PUNISHMENT DURING APPEAL PROCEDURES

A member who incurs nonjudicial punishment considered unjust or out of proportion to the offense may, through proper channels, appeal to the next higher authority. The member may be required to undergo the adjudged punishment pending determination of the appeal. (Air Force: See AFR 111-9 (reference (ck))).

4906 EFFECTIVE DATES

Forfeitures and reduction in grade, if unsuspended, are effective on the date the commander imposes the punishment. (For Navy and Marine Corps members, however, nonjudicial forfeitures do not run concurrently. If such forfeiture is imposed while a prior forfeiture is still in effect, it will not commence until the prior forfeiture is completed.) Pay accrued by a member before the imposition of the punishment is not subject to forfeiture. When a forfeiture of pay is suspended, the suspension takes effect on the date of the action. When a member is restored to a higher grade by suspension of a reduction, the member is entitled to pay of the higher grade only from the date of suspension. If, however, a reduction or forfeiture is set aside and all rights, privileges, and property affected by it are restored, the member is entitled to pay as though the reduction had never been imposed. When the suspension of a punishment is vacated, the effective date for pay purposes is the date of the vacation.

4907 DISPOSITION OF FORFEITURES COLLECTED BY NONJUDICIAL PUNISHMENT

Disposition of forfeitures as a result of non-judicial punishment is treated the same as those as a result of courts-martial action. Refer to Chapter 48, section 4812 for disposition policies/procedures.

SUSPENSION, REMISSION, SETTING ASIDE, AND MITIGATION OF NONJUDICIAL PUNISHMENT				
R U L E	A	B	C	D
	When nonjudicial punishment is	and the punishment has	the officer imposing the punishment, or the successor in command, may suspend the punishment probationally	or
1	reduction in grade	not been executed (note 2)	at any time	remit or set the reduction aside, or mitigate it to a forfeiture (note 1).
2	forfeiture of pay			remit or set the forfeiture aside (in whole or in part) or mitigate it to lesser forfeiture.
3	reduction in grade	been executed	only within 4 months after imposition	set the punishment aside in whole or in part or mitigate it to forfeiture (note 1 and 3).
4	forfeiture			set the punishment aside in whole or in part (note 3).

NOTES:

1. If mitigated, the amount of forfeiture or detention may not be greater than the amount that could have been imposed initially by the officer who imposed the reduction in grade.
2. An uncollected forfeiture of pay is considered to be unexecuted during the period for which it was imposed. Upon the expiration of the forfeiture period all unsuspended forfeitures, whether or not collected, are fully executed, but see section 4906.
3. Usually, this is done within 4 months after the punishment has been executed.

Table 49-1. Suspension, Remission, Setting Aside, and Mitigation of Nonjudicial Punishment

CHAPTER 50

**STOPPAGES AND COLLECTIONS OTHER THAN
COURTS-MARTIAL FORFEITURES**5001 VOLUNTARY AND INVOLUNTARY COLLECTIONS

500101. Collection With Member's Consent. Members indebted to the United States will be encouraged to discharge their indebtedness through lump-sum cash payment when possible. When the amount of the debt relative to the member's ability to repay indicates that lump-sum settlement would create financial hardship for the member, installment payments will be accepted. Members will be encouraged to voluntarily accept liability for their indebtedness and to agree to a repayment schedule which adequately protects the interests of both the United States and the member.

500102. Collection Without Member's ConsentA. Current Pay

1. Current pay is available for repayment of an indebtedness without the member's consent only if such recovery is expressly authorized by statute.

2. Where Tables 50-1 through 50-5 authorize collection to be made "involuntarily," there is a statute authorizing such collection. When the indebtedness is a type for which there is no statute authorizing collection from pay, the Tables authorize collection "with member's consent."

B. Final Pay. When a member receives final pay on separation, indebtedness to the United States may be collected under the general rule of setoff without specific statutory authority. Under this rule, debts which may be collected from current pay only with the member's consent may be collected from final pay and allowances without the member's consent. Amounts owed to a Service relief society (Army Emergency Relief, the Air Force Aid Society, the Navy Relief Society, or the Coast Guard Mutual Assistance) may also be collected from final pay without the member's consent (37 U.S.C. 1007(c) and (h) (reference (aa))).

500103. Limitation on Collections

A. Current Pay. Some of the laws authorizing collection of indebtedness from a member's pay impose restrictions on the amount that may be collected or on the items that may be collected or on the items of pay from which collection may be made. These limitations are shown in Tables 50-1 through 50-6. When a member voluntarily authorizes collection, a rate of collection agreeable to the member and the disbursing officer is determined within guidelines shown in the Tables; however, collection in greater amounts may be authorized or requested by the member.

B. Final Pay. Table 50-6 shows which items of final pay and allowances are

available for setoff of debts. The items shown as not available are specifically exempted by statute.

C. Gross Pay. Compute gross pay by adding together basic pay, all special and incentive pays, and all reenlistment bonuses. Gross pay does not include allowances or reductions in pay, such as forfeitures and MGIB.

D. Disposable Pay. Disposable pay when used to calculate maximum allowable deduction, is computed by deducting the following from gross pay of active duty members: FICA, Armed Forces Retirement Home, FITW, DDP, SGLI, SITW. For Reservists, the deductions to calculate disposable pay are: FICA, FITW, SITW, SGLI, SSLI, DDP.

500104. Installment Deduction for Indebtedness to the United States. Statutory authority to collect indebtedness to the United States by deductions from the member's pay exists under 37 U.S.C. 1007(c) (reference (aa)), 5 U.S.C. 5514 (reference (cl)). Other statutes authorize collection of specific classes of debts. It shall be the policy of the Military Departments to collect debts owed to the Department of Defense or any of its instrumentalities or other Uniformed Services under 37 U.S.C. 1007(c) (reference (aa)). Debts administratively determined to be owed the United States or any of its instrumentalities, other than the Department of Defense or other Uniformed Services, shall be collected under 5 U.S.C. 5514 (reference (cl)). Court judgments against a member in favor of the United States may not be collected under Public Law 97-276, 2 October 1982 (reference (cm)).

A. Collections Under 37 U.S.C. 1007(c) (reference (aa)). The law authorizes the deduction from a member's pay of amounts that the Secretary concerned (or designee) administratively determines to be owed the United States or any of its instrumentality's. Where a member of one Military Service owes a debt to another Military Service and the creditor Service makes an administrative determination of indebtedness, the creditor agency may forward such determination, along with certification that appropriate procedures set forth below have been complied with, to the cognizant DFAS Center. That Center then may initiate collection action.

1. Routine Adjustment. A routine adjustment corrects an overpayment resulting from clerical or administrative errors, delays in processing pay documents, or an automated pay system error which is discovered and collected within no more than two monthly pay periods after the date of overpayment. The member shall be provided with notice of adjustment when it is made, or as soon thereafter as practicable and shall be told whom to contact for additional information.

2. Other Collections. Before initiating any collection action other than a routine adjustment, the member shall be provided with at least 30 days written notice of the following (the Secretary concerned may prescribe additional rights prior to administrative determination of indebtedness under 37 U.S.C. 1007(c)) (reference (aa)). These procedures do not apply when the member has previously consented to pay checkage for the debt.

a. The nature and amount of the debt due the United States,

and the intent to commence collection through deductions from pay;

b. That the member has the opportunity to inspect and copy government records related to the debt;

c. That the member has an opportunity for review of all the decisions related to the debt;

d. That the member has an opportunity to enter into a written agreement with the Secretary of the Military Service concerned (or designee) under terms agreeable to both parties to establish a schedule for repayment of the debt;

e. That any portion of the debt remaining uncollected at the time of the member's separation shall be collected from the member's final pay and allowances; and

f. That the member has the right to seek waiver or remission of the debt, if appropriate.

3. The procedures specified in subparagraph 2, above, need not be completed prior to commencement of collection action if the time remaining before the member's estimated date of separation is not sufficient to complete collection and the government would be substantially prejudiced in its ability to collect the debt.

4. The maximum monthly amount that may be collected under this subparagraph is an amount equal to 2/3 of the member's pay less: (a) amounts deducted in arriving at disposable pay plus: (b) amounts collected under subparagraph B, below.

B. Collections Under 5 U.S.C. 5514 (reference (cl)).

★1. The Secretary of the Military Service concerned (or designee) determines that a member is indebted to the United States under the authority of 5 U.S.C. 5514 (reference (cl)). The designated office listed below is responsible for receiving these collection request:

DFAS-CL/ABA
1240 E. 9th Street
Cleveland OH 44199-8002

★2. Collection may be made in monthly installments or at established pay intervals not to exceed 15 percent of disposable pay for any pay period, unless a greater percentage is authorized by written consent of the member. Unsatisfied debts at discharge or retirement shall be deducted from subsequent payments of any nature due the member. The collection of a debt owned to departments and agencies other than the Department of Defense, its instrumentalities, or other uniformed services resulting from a court judgment is included under

this authority.

★3. Due Process. Debts collected under 5 U.S.C. 5514 (reference (cl)) are those owed to departments and agencies other than the Department of Defense or other Uniformed Services. The creditor agency is responsible for providing due-process rights to member debtors and for certifying to the Secretary of Defense that required due-process rights have been provided when requesting collection action. Once the Secretary of the Military Service concerned (or designee) has accepted the debt for collection, the member must be given written notice identifying the nature and amount of the debt due the United States and informing the member of the intent to commence collection through deductions from pay. The notice should provide a point of contact at the creditor agency for any questions or disputes the member may have.

500105. Interest, Penalties, and Administrative Costs

A. With respect to collections other than routine adjustments, the Secretary concerned shall charge a minimum annual rate of interest on an outstanding debt to the United States that is equal to the average investment rate for the Treasury tax and loan accounts for the 12-month period ending on 30 September of each year, rounded to the nearest whole percentage point.

B. Interest shall accrue from the date on which notice of debt and the interest requirements are first mailed or hand delivered to the debtor or such date as specified in the notice.

C. Interest may not be charged if the amount due on the claim is paid within 30 days after the date from which interest accrues in subparagraph B.

D. The Secretary concerned shall assess charges to cover administrative costs of processing and handling a delinquent debt.

E. A penalty charge not to exceed 6 percent a year shall be assessed for failure to pay a part of a debt more than 90 days past due. The charge will be calculated on the 91st day of delinquency, but shall accrue from the date the debt became delinquent.

F. Interest does not accrue on charges assessed under subparagraphs D and E; however, if the member defaults on a repayment agreement, uncollected interest, administrative costs, and penalty charges shall be added to the principal to be repaid.

G. The Secretary concerned may prescribe regulations identifying circumstances appropriate to waiving collection of interest and charges under subparagraphs A, D, and E.

500106. Collection From Retired Pay. Conditions for collection of active duty debts from retired pay are in Chapter 28, Volume 7B, of this Regulation (reference (cn)).

500107. Indebtedness Incurred in National Guard or Reserve. When a member reenters active military service, collect for unsatisfied indebtedness incurred in a National Guard or Reserve status.

500108. Early Payment. Payday payments made in advance in accordance with Chapter 32, paragraph 320107 are not considered "indebtedness" if the member dies before the date through which the pay was computed and paid.

500109. Bankruptcy. A member may file a petition of bankruptcy under chapters 7, 11, or 13 of the Bankruptcy Code (reference (aj)):

A. When the amount of an indebtedness due the United States is incurred prior to the filing date of the petition, the debt is termed prepetition indebtedness. Such debt may be collected by setoff from the member's pay account only through the day prior to the date the bankruptcy petition is filed, except as provided below:

1. After the date the bankruptcy petition is filed, prepetition indebtedness due the United States may be collected by the filing of proofs of claim with the United States Bankruptcy Court.

2. After the date the bankruptcy petition is filed, prepetition indebtedness due the United States may be setoff from the member's pay account if the member reaffirms indebtedness due the United States. Reaffirmation agreements must be approved by the court.

3. If the court subsequently dismisses a bankruptcy case, collection is permitted by setoff if otherwise authorized.

B. An indebtedness due the United States, but incurred after the filing date of the petition of bankruptcy, is collected by setoff if otherwise authorized.

C. A member voluntarily may enter into a "Chapter 13 Plan" (formerly Wage Earner's Plan) under the Bankruptcy Code (reference (aj)). When required by a Chapter 13 Plan (reference (aj)), send the member's pay to the court-appointed trustee as ordered by the court.

D. Refer to Military Service regulations listed below for payment procedures required by the foregoing paragraphs:

1. Army: Chapter 13, AR 37-103 (reference (co)).
2. Navy: Navy Comptroller Manual, Volume IV, Chapter 1 (reference (cp)).
3. Air Force: AFR 177-108, and AFR 110-24 (reference (cq)).

4. Marine Corps: MCO 7220-13G (reference (cr)).

500110. Pay Not Affected by Civil Process. An officer or enlisted member may not be deprived of pay by civil process except as follows:

- A. Garnishment for child support or alimony (see section 5002, below).
- B. Levy for delinquent federal income taxes (see Chapter 44, section 4402).
- C. Levy for child support (see section 5002, below).

★D. Statutorily-required child or child and spousal support allotments (Chapter 43).

★E. Involuntary allotment of pay for enforcement of commercial debts (see Chapter 43, paragraphs 430501-430507 and section 5004, below).

5002 LEGAL PROCESS FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

500201. Garnishment of Pay for Enforcement of Child Support and Alimony Obligations

A. General. Moneys due from or payable by the United States to active duty members, members of the Reserve Components not on active duty, and retired members (including members of Fleet Reserve and Fleet Marine Corps Reserve) are subject to legal process issued by a state or federal court of competent jurisdiction to enforce a legal obligation to pay child support or alimony. Legal process issued by foreign courts may be honored under this authority if issued by a court of competent jurisdiction of a country with which the United States has an agreement which requires the United States to honor such process. Such an agreement has been reached with the Federal Republic of Germany. When the law of the state or foreign nation in which the issuing court is located conflicts with the federal law, the more restrictive law applies. The Code of Federal Regulation (5 CFR 581) (reference (cs)) takes precedence when in conflict with the contents of paragraph 500201.

B. Pay Subject to Garnishment. Except for amounts excluded under subparagraph D, below, all moneys due uniformed personnel, regardless of duty status or component, entitlement to which is based on remuneration for employment, are subject to legal process. The following items of pay and bonuses are subject to legal process:

1. Basic pay (including Military Service academy cadet, academy officials, and midshipmen pay) but excluding reduction for educational benefits under "New G.I. Bill " (38 U.S.C. 1411 (reference (bx))).

2. Special pay (including enlistment and reenlistment bonuses).
3. Incentive pay.
4. Accrued leave payments (basic pay portion only).
5. Readjustment pay.
6. Severance pay (including disability severance pay).
7. Lump-Sum Reserve bonus.
8. Inactive duty training pay.
9. Retired pay (including disability retired pay).
10. Retainer pay.
11. Separation pay, Voluntary Separation Incentive (VSI), Special Separation Benefit (SSB), Reservists' Special Separation Pay (RSSP), and Reservists' Involuntary Separation Pay (RISP).

C. Pay and Allowances Not Subject to Garnishment. The following items of pay and allowances are not subject to legal process:

1. Basic allowance for subsistence.
2. Basic allowance for quarters.
3. Family separation allowance.
4. Station allowances.
5. Clothing allowances-enlisted.
6. Uniform allowances-officer.
7. Personal money allowance.
8. Discharge gratuity.
9. Position pay (Navy only).
10. ROTC subsistence allowance.

11. Death gratuity.
12. Allowance for recruiting expenses.
13. Travel and transportation allowances.
14. Armed Forces Health Professions Scholarship Program monthly stipend.

D. Other Amounts Not Subject to Garnishment. The amounts deducted from the pay of a Military Service member for the following purposes are not subject to legal process:

1. Federal income tax withholding (amount limited only to that which is necessary to fulfill member's tax liability).
2. FICA tax.
3. Armed Services Retirement Homes.
4. Servicemen's Group Life Insurance.
5. Retired Serviceman's Family Protection Plan.
6. Survivor Benefit Plan.
7. State income tax withholding.
8. Indebtedness to the United States.
- ★9. Other amounts required by law to be deducted (e.g., dental plan premium).

E. Maximum Amount of Pay Subject to Garnishment. The maximum part of disposable earnings to any pay period which is subject to legal process shall not exceed:

1. Fifty percent if the member concerned is supporting a spouse or dependent child (other than a spouse or dependent child with respect to whose support the legal process is issued);
2. Sixty percent if the member concerned is not supporting a spouse or dependent child within subparagraph E.1, above.

Disposable earnings is the pay subject to garnishment under subparagraph B, above, minus the amounts set forth in subparagraph D, above. If the member is in arrears for a period which is 12 weeks prior to the beginning of the pay period involved, the maximum percentage

under subparagraph E.1, above, is 55 percent and under subparagraph E.2, above is 65 percent. In no case may the amount of pay diverted exceed the limits prescribed by the applicable state law.

F. Allotments To Be Discontinued. The following allotments of the items of pay listed in subparagraph B, above, are subject to legal process. When possible, allow the member to determine which allotments are to be stopped. If the member involved refuses to or is unable to advise which allotment should be stopped to permit compliance with the legal process, the allotments of such member shall be involuntarily stopped in the following order:

1. Class C, CFC-Charity Drive.
2. Class B, BOND, Q-BOND-US Savings Bond.
3. Class D, FININ-Financial organizations.
4. Class S, EDSAV, E, V-Post-Vietnam Era Veterans Educational Assistance Program contributions.
5. Class L, AER, RED CR-Repay loans to Service Relief Agencies and Red Cross.
6. Class D, SPT-V-Payment to dependents/relatives.
7. Class X, Emergency payment to dependents.
8. Class D, HOME-Repay home loans.
9. Class D, INS-Commercial Life Insurance.
10. Class D, Navy-Mutual Aid Insurance.
11. Class D, NSLI-United States Government Life Insurance.

The following allotments of pay are not subject to legal process and should not be stopped:

12. Class T, RED-Repay indebtedness to the United States and repayment of delinquent federal taxes.
13. Class U, RSFPP-Remittance for RSFPP.

★G. Official Responsible for Dealing With Legal Process. The official listed below, or his/her representatives designated by Military Service regulations, has been designated as the official responsible for receiving and processing all legal process concerning active duty

members, members of the Reserve Components not on active duty, and retired members (including members of the Fleet Reserve and Fleet Marine Corps Reserve):

★1. Designated Official:

Director
DFAS-CL/L
PO Box 998002
Cleveland OH 44199-8002

Telephone (216) 522-5301

2. In the case of active duty members stationed in the Federal Republic of Germany, all legal process issued by German courts are to be served in the manner prescribed by German law on the appropriate liaison agency listed below for such members:

a. Army, Navy and Marine Corps:

Headquarters
USAREUR and Seventh Army
Attn: AEAJA-1A
6900 Heidelberg 1
Postfach, 10 43 23

b. Air Force:

HQ USAFE/JAIS
Gebäude 527
Ramstein-Flugplatz
66877 Ramstein-Miesenbach

Legal process issued by German courts received by the liaison agencies listed above shall be reviewed to determine whether they comply with applicable German law. In addition, the liaison agencies listed above shall determine whether the member was served notice and certification of Service issued in accordance with the provisions of Article 32(1)(a) of the German Supplementary Agreement (reference (ct) in the prior German court proceeding which resulted in an order creating the member's obligation to pay child support or alimony. Once the appropriate liaison agency listed above determines that legal process issued by a German court is legally sufficient and that the notice provisions of Article 32(1)(a) were complied with, the legal process shall be forwarded to the appropriate official designated in clauses (1) through (4) above. Upon receipt by the appropriate official, the legal process shall be processed in the manner set forth in paragraphs 500201.H.1 through 8, below.

H. Action Required. Once legal process has been served on the United States, the appropriate designated official indicated in subsection G, above, shall take or cause to be taken the following actions:

1. Notify the member and, where appropriate, the member's

commanding officer of the proceedings within 15 days after valid service. The written notification shall explain the potential effect of the legal process on the member's pay, including allotments, and advise the member that the burden to raise any available defenses in the appropriate court rests with the member. A copy of the legal process shall be included with the written notice. Further, the notice shall comply with any additional requirements for notice in the law of the state in which the proceeding is brought.

2. Determine the amount of pay due the member which is subject to the legal process.

3. Temporarily suspend payment of sufficient pay due the member named in the legal process so as to permit compliance with such process.

4. Examine the legal process to ensure that:

a. It was served in accordance with federal law and regulations by an official having authority, under the applicable law of the jurisdiction, to make service of process;

b. On its face, it complies with the applicable law;

c. It constitutes legal process; and

d. The designated official is satisfied that the process is for the enforcement of a legal obligation of the Military Service member for child support or alimony in the form and amount specified in the process, and that the underlying judgment is not void on its face.

5. Determine whether the applicable law provides an exemption that is more favorable to the member than the exemption stated in subparagraph 500201.E, above. Apply the greater exemption.

6. Determine whether the member is indebted to the United States. If such member owes a specific amount, such amount will be setoff against the amount of pay determined to be subject to legal process. Money owed to a nonappropriated fund activity may not be setoff. The following kinds of indebtedness may be setoff:

a. Amounts required to satisfy prior advance of pay and allowances;

b. Amounts required to satisfy prior overpayments of pay and allowances;

c. Courts-martial and nonjudicial fines and forfeitures; and

d. Administratively determined indebtedness.

7. Where required, file an answer to the legal process with the court in which the proceeding was brought and answer any interrogatories regarding the pay and allowances due the member. In all cases, the designated official shall make an appropriate response to the issuing authority within 30 days or such longer period as may be allowed under the applicable state law.

8. Pay the amount determined to be due and subject to legal process as ordered by the court. Where notice is received that the member has appealed the issuance of a legal process, which meets the requirements of subparagraph H.4, above, the process shall be honored nevertheless unless the issuing or appellate court orders otherwise or the applicable law of the jurisdiction provides otherwise. Where written notice is received, including copies of any appeal documents, that the member has appealed the underlying alimony and/or child support order, payment of moneys subject to the legal process shall be suspended until the governmental entity is ordered by a court, or other authority, to resume payments. However, no suspension action shall be taken where the applicable law of the jurisdiction wherein the appeal is filed requires compliance with the legal process while an appeal is pending.

9. If the legal process is determined not to be legally sufficient, and after any coordination within the department required by applicable Military Service directives, advise the General Litigation Section, Civil Division, Department of Justice, and the United States Attorney for the district in which the proceeding was brought that the legal process will not be honored. Send all pertinent documentation to the following address:

General Litigation Section
Civil Division
Department of Justice
Washington, DC 20530

I. Priority. The amount of pay being withheld pursuant to legal process may not be used to satisfy a notice of levy for unpaid federal taxes.

500202. Levy on Pay and Allowances for Enforcement of Child Support Obligations

A. Authority. Under the provisions of Public Law 93-647, effective 1 July 1975, (reference (cu)), the Secretary of the Treasury, upon receiving the certification of the Secretary of Health and Human Services, shall assess and collect the amount certified as unpaid child support in the same manner as if the amount were a delinquent federal tax, the collection of which would be jeopardized by delay. (See Chapter 44, paragraphs 440201 and 440204.)

B. Satisfaction of Levy. When the Secretary of the Treasury issues a notice of levy as described in subparagraph A, above, satisfy the levy in the manner prescribed in paragraph 440204. However, in the case of a first assessment against an active duty, retired

(including members of the Fleet Reserve and Marine Corps Fleet Reserve), or Reserve member for unpaid child support, satisfaction of the levy shall be stayed for a period of 60 days immediately following notice and demand. If a portion of such member's pay is being withheld in garnishment or attachment pursuant to a judgment entered by a court of competent jurisdiction for the support of minor children, the amount of pay withheld is exempt from the levy.

500203. Regulations

Detailed policies and procedures governing the administration of garnishment of pay for the enforcement of court-ordered child support and alimony and levy of pay and allowances for enforcement of court-ordered child support are contained in:

- A. Army: AR 37-104-3 (reference (bh)).
- B. Navy: SECNAVNOTE 7200 of 20 May 1975 (reference (cv)).
- C. Air Force: DFAS-DE 7073.1-M and DFAS-DE 7073.3-M (reference (ap)).
- D. Marine Corps: MCO P7220.31 (reference (cw)).

5003 INVOLUNTARY ALLOTMENT OF PAY FOR ENFORCEMENT OF COMMERCIAL DEBTS

500301. General. Monies due from, or payable by, the United States to active duty members (as defined in Chapter 43, subparagraph 430502.B) are subject to the involuntary allotment to satisfy a judgment for commercial indebtedness. The involuntary allotment application must be supported by a final judgment. The allotment of pay shall not exceed the lesser of 25 percent of a member's pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law. (For further procedures, see Chapter 43, section 4305.)

500302. Pay Subject to Involuntary Allotment. Only the following types of pay are subject to the involuntary allotment process (subject to the amounts excluded under paragraphs 500303 and 500304, below):

- A. Basic pay (excluding the reduction for education benefits under 38 U.S.C. 1411 ("New GI Bill")) (reference (bx)).
- B. Special pay, to include:
 - 1. Health care professionals (Including optometrists, dental officers, psychologists and nonphysician health care providers, registered nurses, nurse anesthetists, nurse corps officers, medical officers)

2. Veterinarians
3. Diving Duty
4. Foreign duty
5. Career sea pay
6. Responsibility pay
7. International military headquarters
8. Proficiency pay and Special duty assignment pay for enlisted members
9. Reenlistment bonus
10. Enlistment bonus
11. Prior service enlistment bonus
12. Hostile fire or imminent danger pay
13. Nuclear-qualified officers extending period of active duty
14. Nuclear-trained and qualified enlisted members
15. Nuclear career accession bonus
16. Nuclear career annual incentive bonus
17. Enlisted members extending duty at designated overseas locations
18. Foreign language proficiency pay
19. Officers in critical acquisition positions extending period of active duty
20. Multi Year Special Pay (MSP)
21. Aviation Retention Bonus
22. Continuation Pay for Engineering & Scientific Career
23. Selective Reenlistment Bonus (SRB)

- C. Incentive pay, including:
 - 1. Hazardous duty
 - 2. Aviation career
 - 3. Submarine duty
- D. Accrued leave payments (basic pay portion only)
- E. Readjustment pay
- F. Severance pay (Including disability severance pay)

500303. Pay and Allowances Not Subject to Involuntary Allotment. Separation pay, Voluntary Separation Incentive (VSI), and the Special Separation Benefit (SSB) are not subject to the involuntary allotment. In addition, allowances paid under Titles 10 and 37 of the United States Code, (references (c), (aa)), and other reimbursements for expenses incurred in connection with duty in the Military Service or allowances in lieu thereof, are not subject to the involuntary allotment.

500304. Other Amounts Not Subject to the Involuntary Allotment. After computing the pay subject to involuntary allotment (paragraph 500302, above), the following items must be deducted to compute the final value of pay subject to involuntary allotment:

- A. Federal and state income tax withholding (amount is limited to that which is necessary to fulfill the member's tax liability)
- B. FICA tax
- C. Armed Forces Retirement Home
- D. Servicemen's Group Life Insurance
- E. Indebtedness to the United States (including tax levies)
- F. Fines and forfeitures ordered by a court-martial or a commanding officer

★G. Amounts otherwise required by law to be deducted (e.g., dental plan premium) from a member's pay (except payments under 42 U.S.C., 659, 661, 662 and 665) (reference (ca)).

500305. Voluntary Allotments to be Discontinued. See Chapter 43, subparagraph 430506.D.

500306. Designated Agent Responsible for Dealing With Involuntary Allotments.
The designated agent listed below is responsible for receiving and processing the involuntary allotment application concerning active duty members (as defined in subparagraph 430502.B):

DFAS-Cleveland Center
DFAS-CL/L
PO Box 998002
Cleveland OH 44199-8002

Telephone (216) 522-5301

500307. References. The following source directives contain detail on entitlements, policies, and procedures for processing of involuntary allotment of pay for enforcement of commercial debts:

- A. Army: AR 37-104-4, ADSM (reference (bh)).
- B. Navy: DFAS PAY/PERSONNEL Procedures Manual (Navy) DFAS-CL (NAVSOP) 3050-2 (reference (ej)).
- C. Air Force: DFAS-DE 7073.1-M (reference ((ap))); DFAS-DE 7073.3-M (reference (ap)); and AFI 36-2906 (reference (eg)).
- D. Marine Corps: Bond and Allotment Manual (B & A Manual) MCO p7220.45; Automated Pay Systems Manual (APSM), MCO p7220.31.

5004 REMISSION AND CANCELLATION OF INDEBTEDNESS-ENLISTED MEMBERS

500401. Who May Apply

A. An enlisted member on active duty (including a Navy or Marine Corps temporary officer with permanent enlisted status) or member's commander may apply for remission of the enlisted member's indebtedness to the United States. The debt may not be remitted or cancelled after the member is discharged, retired, or released from active duty. An indebtedness arising in one period of active duty may, however, be remitted during a later period of active duty.

B. Remission action is not for application in the case of Reserve Component personnel performing inactive duty training or active duty for training except:

- 1. Army: An enlisted member of the Army National Guard who is charged with liability for government property that is lost, damaged, or destroyed on or after 1 October 1980, may have such liability remitted or cancelled under regulations prescribed by the Secretary of the Military Service concerned.

2. Air Force: Any member of the Air National Guard (officer or enlisted member) who is charged with liability for government property that is lost, damaged, or destroyed on or after 1 October 1980, may have such liability remitted or cancelled under regulations prescribed by the Secretary of the Military Service concerned.

500402. Indebtedness Which May Be Remitted

A. Debts to United States. Generally, any indebtedness may be considered for remission (including those listed in Tables 50-1, 50-3, and 50-4). Debts for erroneous payments may be processed for remission if relief action has been denied under the appeal provisions (section 5004). However, debts arising from erroneous payment of basic pay due to noncollection of courts-martial forfeitures may not be remitted or cancelled.

B. Debts Within Jurisdiction of Military Service Concerned. The debt must be one over which the military department concerned has jurisdiction. For example, a Secretary may not remit a member's indebtedness because of liability for damage to property of another Military Service. The member must have incurred the debt while serving as an officer or enlisted member of the military department in which the member currently serves.

500403. How To Apply. Process applicants for remission and cancellation of indebtedness as prescribed in procedural regulations of the Military Service concerned.

5005 APPEALS

500501. Right of Appeal. When it is established that a member is indebted to the United States because of an erroneous payment made by any Military Service within the Department of Defense, the member has the right to appeal. A member may appeal the validity of the debt, the amount, or the liability for it. A member may also request review of the rate of stoppage on the basis of undue hardship, or upon proof that the rate of stoppage is inequitable.

500502. Processing Appeals. Process appeals as prescribed in procedural regulations of the Military Service concerned.

500503. Claim for Refund. A member may file a written claim for any amounts considered erroneously collected from the pay account. The claim is sent to the disbursing officer or, if separated, to Defense Finance and Accounting Service-Indianapolis Center; Defense Finance and Accounting Service-Cleveland Center; Defense Finance and Accounting Service-Kansas City Center; or Defense Finance and Accounting Service-Denver Center, as applicable. After an adverse ruling the member has the right to submit a claim to the United States General Accounting Office, Claims Group, Room 5451, FGMS, Washington DC 20548. An adverse ruling by that office may be appealed to the Comptroller General or a civil suit for recovery may be started.

5006 VALIDATION OF PAYMENTS BASED ON PURPORTED MARRIAGES

500601. Authority for Validation. Payment of allowances based on a purported marriage and made under Title 37 U.S.C. (reference (aa)) or prior laws, before the marriage is annulled or terminated, are valid if:

A. A court of competent jurisdiction adjudges or decrees that the military member entered the marriage in good faith; or

B. In the absence of such judgment or decree, a finding of good faith is made by the Secretary of the Military Service concerned or a person designated by the Secretary to investigate the matter.

500602. Responsibility for Validation. Findings of good faith under subparagraph 500501.B are made (or forwarded to the appropriate office) by the offices listed in Chapter 26, subparagraph 260403.F. Purported marriages requiring such finding include those listed in paragraph 260403.

500603. Payments Not Validated. Payments based on invalid marriages are considered erroneous payments or overpayments unless validated.

5007 WAIVER OF CLAIMS FOR ERRONEOUS PAYMENTS OF PAY AND ALLOWANCES

500701. Applications for Waiver Under 10 U.S.C. 2774 (reference (c)) of Claims of United States Arising Out of Erroneous Payments. When a member applies for waiver of a claim under 10 U.S.C. 2774 (reference (c)), forward such applications to the cognizant DFAS Center. Only the waiver application processing office, as designated by the Directors of the DFAS Centers, has authority to suspend collection action pending action on a waiver application under 10 U.S.C. 2774 (reference (c)). See DFAS Regulation No. 005 (reference (cx)) and implementing instructions of the DFAS Center.

INDEBTEDNESS DUE TO ERRONEOUS PAYMENTS, GAO DISALLOWANCES, AND NOTICES OF EXCEPTION						
R U L E	A	B	C	D	E	F
	If	of	Is indebted to the United States for	and	then collect from current pay	at monthly rate not to exceed that shown below or in rule cited:
1	an officer or enlisted member	any Military Service	Payment disallowed by General Accounting Office (GAO) in accounts of a disbursing or certifying officer		involuntarily (note 1)	disposable pay (see subparagraph 500103.C).
2			Debt cited in GAO notice of exception or informal inquiries (note 2)			Table 50-6, rule 2.
3			Erroneous payment (including allotments the member knew or reasonably should have known were erroneous) made to or on behalf of the member of any Uniformed Service (note 3)	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid		
4	an officer	a Military Department	Erroneous payment of allotment caused by failure to report, as required, the death of the allotter or any other fact making the allotment not payable	appropriate investigation is made, and the overpaid amount is not recovered from the allottee	with officer's consent; or with approval of the Secretary concerned	amount applicable.

NOTES:

1. This does not change rules on collections of indebtedness of accountable, certifying, or disbursing officers.
2. If notice of exception covers erroneous payment by a Uniformed Service, rule 3 will be applied.
3. When a member's pay is not promptly reduced to allow for court-marital forfeiture, the resulting indebtedness is considered an erroneous payment within this rule.

Table 50-1. Indebtedness Due to Erroneous Payments, GAO Disallowances, and Notices of Exception

INDEBTEDNESS DUE TO LOSS OF PUBLIC FUNDS						
R U L E	A	B	C	D	E	F
	If	of	Is indebted to the United States for	and	then withhold from current pay	at monthly rate not shown below or in rule cited
1	an accountable officer (note 1)	the Armed Forces	Arrears in accounts because of failure to account for funds entrusted to the member	debt is admitted by officer (note 4)	Involuntarily	Disposable pay (see subparagraph 500103.C).
2				debt is shown by the judgment of a court		
3				debt is shown by special order issued by the Secretary of the Military Service concerned		rate directed by special order of Secretary of the Military Service concerned (all pay excluding allowances, or lesser amount).
4	an account-able enlisted member (note 2)	any Military Service	Public funds obtained or converted to own use through fraud, larceny, embezzlement, or other unlawful means		Involuntarily, or as prescribed by regulations of the Military Service concerned	disposable pay (see subparagraph 500103.C).
5	an officer or enlisted member			the misappropriation of funds is admitted by the member		Table 50-6, rule 2 (note 3).

NOTES:

1. Applies to officers who hold in trust sums or balances of public money for which they are required to account, such as disbursing officers and deputies or agents to disbursing officers.
2. Applies to enlisted members who are entrusted with public funds. It includes military postal clerks and members who, though not bonded, are entrusted with public funds for small purchases.
3. If exact amount of debt is not known at the time the loss is discovered, establish the debt at the amount then known and adjust when investigation is completed.
4. A mere acknowledgment or report of a shortage in accordance with Military Service regulations is not an admission for the purpose of this rule. The phrase "debt is admitted" means either a written statement made by the accountable officer admitting indebtedness, acknowledged or witnessed before a person authorized to administer oaths or, another person designated by higher authority, or if the accountable officer refuses to sign a statement, a certification by a commissioned officer that the accountable officer clearly and unequivocally admitted the indebtedness is sufficient to authorize the withholding from officer's current pay.

Table 50-2. Indebtedness Due to Loss of Public Funds

INDEBTEDNESS DUE TO LOSS OR DAMAGE TO PUBLIC PROPERTY OR SUPPLIES							
R U L E	A	B	C	D	E	F	G
	If	of	is indebted to the United States for	and	and	then collect from current pay	at monthly rate not to exceed that shown below or in rule cited
1	an accountable officer	the Army or Air Force	loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies	the officer fails to show satisfactorily that the loss or damage of property was not due to any fault on the officer's part	the officer is found pecuniarily liable by a report of survey or by a board of officers, and findings are approved by the Secretary concerned	Involuntarily	disposable pay (see subparagraph 500103.C).
2		the Navy or Marine Corps	loss or damage to public property entrusted to the officer, such as stores, supplies and receipts from sale of public property	the Commander, Naval Supply Systems Command or the Commandant of the Marine Corps (L) renders determination	the Director, DFAS-Cleveland Center, or the Director, DFAS-Kansas City Center (L) issues instructions to the member's commanding officer on action to take to liquidate debt		disposable pay (see subparagraph 500103.C) or lesser amount approved by the Assistant Secretary of the Navy (Financial Management and Comptroller) or the Commandant of the Marine Corps.
3	an officer or enlisted member	the Army or Air Force	damage or cost of repairs to arms or equipment	the member had the care of, or was using the property when damaged	negligence or abuse in care or use of property is established by a board of officers or on a report of survey, and findings are approved by Secretary concerned		Disposable pay (see subparagraph 500103.C).
4	a non-accountable officer or enlisted member	any Uni-formed Service	loss of or damage to government property	liability is established under regulations of the Military Service concerned	case is not within the scope of rule 3		Table 50-6, rule 2.
5	an officer or enlisted member	Armed Forces	damage to or failure to satisfactorily clean assigned housing or damage to or loss of equipment or furnishings of such housing	the damage, loss or requirement for cleaning was caused by the abuse or negligence of the member, the member's dependent(s) or a guest of either the member or the member's dependent(s)	the negligence or abuse is established by administrative determination under regulations of the Military Service concerned		

Table 50-3. Indebtedness Due to Loss or Damage to Public Property or Supplies

MISCELLANEOUS INDEBTEDNESS TO UNITED STATES				
R U L E	A	B	C	D
	If	of any Military Service is indebted to the United States	then collect from current pay	at monthly rate not to exceed that shown below or in rule cited
1	an enlisted member	enlistment or reenlistment bonus for period unserved	involuntarily	Table 50-6, rule 2.
2	an officer or enlisted member	unpaid hospital bills for medical services furnished a dependent	involuntarily or pursuant to Military Service regulations	
3		excess cost of shipment of household goods		
4	a medical officer	compensation or stipend payments received from state, county, municipal, or privately owned hospitals for medical service		
5	an officer or enlisted member	jury duty fees (as distinguished from expenses) from any court, except while on authorized leave, and receiving active duty pay and allowances	Involuntarily	
6		amount due the DoD, its instrumentalities, or other Uniformed Services by reason of court judgment		Table 50-6, rule 2.
7		a debt determined valid from a federal agency outside DoD or other Uniformed Service including debts resulting from court judgments		Table 50-6, rule 3.
8		a travel advance in excess of entitlements (note)	Involuntarily or pursuant to Military Service regulations	Table 50-6, rule 2.

NOTE: If the member has not filed a claim on a timely basis as defined by Military Service regulations, the entire amount of the advance is considered to be in excess of entitlements.

Table 50-4. Miscellaneous Indebtedness to United States

INDEBTEDNESS TO INDIVIDUALS AND GOVERNMENT INSTRUMENTALITIES AND AGENTS							
R U L E	A	B	C	D	E	F	G
	If	of	is indebted to	for	and	then collect from current pay	at monthly rate not to exceed that shown below or in rule cited
1	an officer or enlisted member	any Military Service	any person	willfully damaging or wrongfully taking property of that person	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily	amount approved by commander not to exceed disposable pay (see subparagraph 500103.C).
2			member's spouse, former spouse or child	court ordered child support or alimony			(see Chapter 50, section 5002).
3			a commissary	uncollectible check which member or member's authorized agent has issued or endorsed to the commissary (note 1)			disposable pay (see subparagraph 500103.C).
4		the Army or Air Force		uncollectible check endorsed or issued by member or member's agent (note 1)		involuntarily or pursuant to Military Service regulations	Table 50-6, rule 2.
5		the Navy or Marine Corps					
6		the Armed Forces	other appropriated fund activity or office				
7		any Military Service	a nonappropriated fund activity	any indebtedness by member or member's agent	the custodian of the nonappropriated fund instrumentality has tried all means for direct collection from member, and a request has been sent to member's commander for assistance in obtaining direct payment		(see Chapter 44, section 4002 and Chapter 50, section 5002).
8			the Internal Revenue Service	delinquent income taxes or court ordered child support (note 2)	IRS Notice of Levy is served		
			a military banking facility overseas	an uncollectible check endorsed or issued by the member or a defaulted loan made to the member	military banking facility overseas has complied with required procedures	involuntarily	Table 50-6, rule 2.

NOTES:

1. Generally, an agent is one who has been given a power of attorney by the member.
2. Upon certification from Department of Health and Human Services to the Department of Treasury, an IRS Notice of Levy may be issued for delinquent child support. (See paragraph 500201.)

Table 50-5. Indebtedness to Individuals and Government Instrumentalities and Agents

RATES OF COLLECTION						
R U L E	A	B	C	D	E	F
	If	is indebted for	and	then the Military Service may authorize or approve liquidation by monthly installments that	and if debt remains at time of separation, collect from final pay	and if total debt is not liquidated from final pay, establish collection from
1	officer or enlisted member of any Military Service	court-ordered child support or alimony	garnishment or attachment of pay is directed by court order	do not exceed limitations set forth in section 5002, Chapter 50	as directed by court order	retired pay, retainer pay, or pay in new enlistment and limited by Chapter 50, section 5002.
2		an administratively determined indebtedness to the United States or its instrumentalities		do not exceed maximum limitation specified in subparagraph 500104.A.4 unless member consents to collection of greater amount. Commander may authorize collection of a lesser amount when justified or as provided for in the regulations of the Military Service concerned (note 4)	unpaid pay and allowances, separation payments under Chapter 35, (except donation); Reservists' Involuntary Separation Payment; amounts deducted for United States savings bonds including undelivered bonds; separation travel allowance for officers; reimbursement for transportation of household goods, dislocation and trailer allowance (for enlisted members, do not collect from separation travel allowance, or donation on discharge). If member is retiring, see paragraph 500106 (notes 1, 2, 5 and 6)	retired pay (see paragraph 500105) or pay in new enlistment.
3	an officer or enlisted member of the Armed Forces	an administratively determined indebtedness to the United States excluding the DoD and its instrumentalities or other Uniformed Services		do not exceed 15 percent of disposable pay for that month (see subparagraph 500104.B)		
4	an officer or enlisted member of the Armed Forces	amount due United States as determined by a federal court		do not exceed 25 percent of disposable pay for that month (see subparagraph 500104.C) (note 3)		
5	an officer or enlisted member of any Military Service	any indebtedness incurred on or after 4 Dec 87 to a Service relief society, (Army Emergency Relief, Air Force Aid Society, Navy Relief Society, or Coast Guard Mutual Assistance)			involuntarily or pursuant to Military Service regulations (note 1)	

★Table 50-6. Rates of Collection

NOTES:

1. Do not exceed maximum limitation specified in subparagraph 500104.A.4.
2. For enlisted members, travel allowances remaining due after the completion of separation travel may be collected.
3. The limitation does not apply when deduction of a greater amount is necessary to complete the collection within the period of anticipated

- service and is required by court order.
4. In unusual circumstances, the initiation of collection action of travel advances pursuant to a consent agreement may be delayed if the delay is approved by the Director, Defense Finance and Accounting Service, (or designee). However, the repayment period shall, in all cases, be scheduled to repay the advance before the member's expected date of separation.
 5. For members transferring to the Retired Reserve and receiving Reservists' Special Separation Pay (RSSP), the entire amount of the RSSP payment(s) is available for offset.
 6. If indebtedness is a result of an unfulfilled bonus agreement, and separation is under the Special Separation Benefit (SSB) or Voluntary Separation Incentive (VSI) program, see subparagraph 350702.F for SSB or 350802.D for VSI.

★Table 50-6. Rates of Collection (Continued)



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUL 7 1997

(DFAS-HQ/FMM)

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

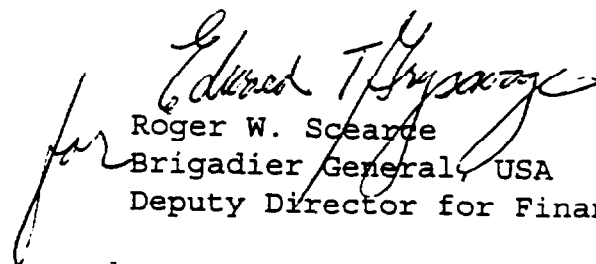
SUBJECT: Department of Defense Financial Management Regulation,
Volume 7, Part A and B (DoDFMR Vol 7A and 7B), Standard
Procedures and Dollar Thresholds for Routine Pay
Adjustments (DFAS Item F-65) and Other Clarifying
Corrections to Table 50-6.

This is Interim Change Number 20-97 to DoDFMR Vol 7A and
Interim Change Number R-15-97 to DoDFMR Vol 7B. We have
evaluated your comments on the draft changes to DoDFMR Vol 7A and
7B. These changes incorporate revised standard procedures and
dollar thresholds for routine pay adjustments and debts collected
in accordance with 37 U.S.C. 1007(d) and 5 U.S.C., 5514 (a) (1)
and 31 U.S.C. 3716. The attached final versions of the changes
include your comments, where appropriate. This is effective
immediately.

We have determined this regulatory change is to be
implemented under the auspices of DFAS Regulation 7920.3-R.
The purpose of the changes is to establish standard debt
procedures and dollar thresholds for processing under the Defense
Joint Military Pay System (DJMS), the Marine Corps Total Force
System (MCTFS), and the Defense Retiree and Annuitant System
(DRAS). The DJMS PMO, DFAS-CL, and DFAS-KC will ensure the
necessary systems changes are scheduled for implementation in
DJMS (active component and reserve component), DRAS, and MCTFS.
Centers are advised to make DFAS Headquarters (FM) an information

addressee on implementing field procedures. For the Denver Center, use the attached to initiate the formal printed changes to DoDFMR Vol 7A and 7B.

Our point of contact, Ms Ann Cook may be contacted at DSN 332-5274 or Commercial (703) 602-5275. Our FAX number is DSN 332-5271 or Commercial (703) 602-5271.


for Roger W. Searle
Brigadier General, USA
Deputy Director for Finance

Attachments:

As stated

cc: DASD (MMP) COMP
ODGC(F)
Service Liaisons
USCG/NOAA/PHS Liaisons
DFAS-DE/DG

1. Change DoDFMR, Volume 7A, paragraph 500104A1 to read:

"500104A1. Categories of Debt.

a. All debts will be divided into three categories: adjustments of \$100 or less, routine adjustments of greater than \$100, and debts requiring due process. A routine adjustment corrects an overpayment resulting from clerical or administrative errors, delays in processing pay documents, or an automated pay system error which is discovered and collected within no more than two monthly pay periods after the date of overpayment. The member shall be provided with notice of adjustment when it is made, or as soon thereafter as practicable.

b. Categories:

(1) Adjustments of \$100 or less. Such adjustments regardless of when discovered or collected will be treated the same as routine adjustments for collection purposes. The member shall be provided with notice of adjustment when it is made, or as soon thereafter as practicable.

(2) Routine adjustments greater than \$100 will be processed for collection in the month in which the debt is discovered. The system will generate an advisory LES remark and management notice regarding an impending collection against the member's account. This notice provides an opportunity for the member to correct any errors or request a different repayment schedule. If the repayment schedules are not changed, the system will automatically collect the debt.

(3) Debts greater than \$100 that require formal notification to the member in the form of a due process letter from the servicing field office. The field office will initiate formal due process of the member after receipt of a management notice from the pay system and initiate debt collection based on an appropriate liquidation schedule.

c. Current Month Overpayments. Entitlement overpayments identified during the current month are not scheduled as debt when the member's current EOM pay is adequate to collect the overpayment using the 2/3rds rule. The member's

pay will be automatically adjusted to eliminate the overpayment during the EOM payment processing.

d. "No Pay Due" Notice. As a precaution to prevent avoidable hardship to the member, a "no pay due" management notice will be generated to the servicing field office when a debt creates a "no pay due" situation for that member.

e. Separation. When a member is expected to be separated within the next ninety (90) days, the system will accelerate entitlement related debt schedules to collect all available funds prior to separation."

2. Change paragraph 500104A2 to read.

"500104A2. Due Process Debts. Before initiating any collection action other than adjustments as defined in paragraph 500104A1, the member shall...."

3. Change paragraph 500104B3 to read:

"500104B3. Due Process. Debts collected under 5 U.S.C. 5514 (reference (cl)) are those owed to departments or agencies other than the Department of Defense or other Uniformed Services. The creditor agency is responsible for providing due process to member debtors and for certifying to the Secretary of Defense that due process rights have been provided when requesting collection action. The requirement for due process does not apply to routine intra-agency adjustments of pay that are attributable to clerical or administrative errors or delays in processing pay documents that have occurred within the four pay periods preceding the adjustment and to any adjustment that amounts to \$50 or less, if at the time of such adjustment, or as soon thereafter as practical, the individual is provided written notice of the nature and the amount of the adjustment and a point of contact for contesting such adjustments. Once the Secretary of the Service concerned or the Secretary's designee accepts the debt for collection, members must be provided written notice informing them of the nature and amount of the debt due the United States and the intent to commence collection through deductions from pay. The notice should provide a point of contact at the creditor agency for any questions or disputes the member may have."

4. Change Table 50-6, Rates of Collection, to reflect the following:

a. Insert new note 1 to read:

"Note 1. For Army and Air Force enlisted members do not exceed the maximum limitation specified in subparagraph 500104A4. This limitation does not apply to enlisted members whose accounts are being settled on discharge for fraud, desertion, or because of mental incompetency."

b. Delete note 3.

c. Renumber current note 1 to read: "Note 3. Do not exceed maximum limitation specified in subparagraph 500104A4."

d. Revise Rule 2, Column D, note reference to read: "(note 1)".

e. Delete Rule 4.

f. Renumber Rule 5 to 4 and revise Column E note reference to read: "(note 3)".

5. Add the following to the bibliography:

"Paragraph

Citation

500104B3

5 U.S.C. as amended
Pub. L. 104-134, Sec 301,
26 Apr 1996"

CHAPTER 51

SAVINGS DEPOSIT PROGRAM (Effective 1 January 1991)5101 **DEFINITIONS**

For the purpose of this chapter, the following definitions apply:

★510101. **Geographic Areas.**

A. **Persian Gulf Area.** Arabian Gulf area as designated in Figure 10-1.

B. **Operation Joint Endeavor Area.** The area of operations is the total land area of Bosnia-Herzegovina, Croatia, Serbia, Montenegro, Slovenia, Macedonia, Hungary and the air space there over, or the waters of the Adriatic Sea north of 40N; plus forces operational control/tactical control (OPCON/TACON) to Supreme Allied Commander, Europe (SACEUR) for the purpose of executing Operation Joint Endeavor (e.g., SOCIFOR, DECISIVE EDGE, and DETERMINED EFFORT).

510102. **Permanent Duty Assignment.** An active duty assignment which contemplates duty in the designated area for more than 90 days on PCS, TAD, TDY, or with a deployed ship or unit.

510103. **Unallotted Current Pay and Allowances.** The amount of money a member is entitled to receive on the payday immediately before the date of deposit, less authorized deductions and allotments for dependents, insurance, etc. Pay and allowances include special continuation pay, reenlistment bonus, travel allowance on discharge, and pay and allowances for unused accrued leave. Advance pay and travel allowance on PCS and temporary duty may not be deposited.

510104. **Vietnam Conflict.** The period beginning 28 February 1961 and ending on 7 May 1975.

510105. **Persian Gulf Conflict.** The period beginning on 16 January 1991 and ending on the date thereafter prescribed by presidential proclamation or by law.

5102 **AUTHORITY AND ELIGIBILITY**

510201. The Act of 14 August 1966 (reference (cy)), authorized members of the Uniformed Services who were serving on a permanent duty assignment outside the United States, or its possessions, to deposit their "unallotted current pay and allowances" for savings purposes. Amounts up to \$10,000 could be deposited with interest accrual at the rate of 10 percent per annum. This program was phased out effective 30 June 1974, with the exception of accounts of members continued in a missing status resulting from service in the Vietnam conflict.

510202. Members of the Armed Forces (1) serving outside the United States or its possessions under arduous conditions (as determined by the Secretary of Defense) in connection with the Persian Gulf Conflict (e.g., Operation Desert Shield, including Desert Storm) or (2) on permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions) are authorized to make deposits of unallotted current pay and allowances and earn interest. For specific eligibility to make deposits see Table 51-1.

★510203. Effective January 1, 1996, members on permanent duty assignment outside the United States or its possessions serving on Operation Joint Endeavor are entitled to participate in the Savings Deposit Program by making deposits of unallotted pay and allowances payable after 1 January 1996. This includes units reassigned to the area of operations from areas outside the U. S. such as ships, mobile units, etc.

510204. The Secretary concerned (or designee) may, in the interest of a member who is in a missing status (as defined in the Definitions) or his dependents, initiate, stop, modify, and change allotments for deposit of unpaid pay and allowances accruing in a missing member's pay account, and authorize withdrawal of deposits made under this chapter, even though the member had an opportunity to make deposits and elected not to do so. Compute interest as prescribed by this chapter, from 1 January 1991, or the day the member enters a missing status, whichever is later. The \$10,000 limitation on the amount that interest is payable does not apply to deposit accounts of members in a missing status.

Examples

A. A member enters a missing status on 1 February 1991. Unpaid pay and allowances have been accruing in his pay account at the rate of \$100 per month since that date. An account is opened for the member on 1 May 1991, with an initial deposit of \$300 (February, March, and April). His account is credited with \$10 per month on 1 June 1991, and the first day of each month thereafter while he remains in a missing status, or until modified, stopped, or repaid at the direction of the Secretary (or designee) concerned. Interest accrues from 1 February 1991.

B. A member enters a missing status on 18 February 1991. The amount of unpaid pay and allowance due the member on the payday following 18 February 1991 would determine the amount of the initial deposit. The member's account is opened 1 Mar 1991 with the initial deposit and his account is credited with his unallotted pay and allowances monthly on the first day of each month thereafter as prescribed in example A, above. Interest accrues from 18 February 1991.

5103 LIMITATIONS ON AMOUNTS OF DEPOSITS

Deposits may not be more than the amount defined as unallotted current pay and allowances in paragraph 510103, above. However, when the member can establish to the satisfaction of his commanding officer that he or she was unable to make a deposit in the normal manner, unallotted pay in excess of current pay and allowances, may be deposited. Members

may not accumulate back pay prior to departure to a covered geographic area or on temporary duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions) for deposit after arrival in the area. When members arrive in a covered geographic area, or on temporary duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions), they may deposit the amount they could have, or did, accrue during the month of arrival, less authorized deductions. Members who are paid twice monthly may combine pay accrued at midmonth and pay accrued at end of month, or combine end-of-month pay with pay accrued on the following midmonth payday for a single deposit, provided the total amount deposited in a one month period does not exceed the amount they are entitled to be paid for one month. The maximum amount on which 10 percent interest is computed is \$10,000 (principal and accrued interest combined). The \$10,000 limitation on the amount that interest is payable does not apply to deposit accounts of members in a missing status.

5104 INTEREST ON DEPOSITS

510401. Accrual of Interest. See Table 51-2.

510402. Computation of Interest. Deposits made on or before the 10th of the month accrue interest from the 1st of the month. Deposits made after the 10th of the month accrue interest from the first day of the following month. The effective date of deposit is the date the deposit is made to the disbursing officer, finance officer, or any other designated officer of the Uniformed Service. Compute interest at the rate of 10 percent per annum, compounded quarterly, according to calendar quarter. Compute quarterly interest on the average quarterly balance on deposit. Ten percent is compounded quarterly on amounts less than \$10,000. Once \$10,000 is on deposit, simple interest will be computed on the \$10,000. No interest is paid on amounts exceeding \$10,000, except on amounts in the case of a member who is in a missing status.

510403. Computing Average Quarterly Balance

A. If there were no emergency withdrawals during the quarter, determine the average quarterly balance by adding amounts on deposit on the 10th day of each month of the quarter, and divide the total by three.

Example 1

<u>Date</u>	<u>Deposits</u>	Amount On <u>Deposit</u>	On 10th <u>Day of</u>
5 Jan	\$20.00	\$ 20.00	Jan
3 Feb	20.00	40.00	Feb
20 Feb	20.00		
10 Mar	20.00	<u>80.00</u>	Mar
		\$140.00	

\$140.00 divided by 3 = \$46.67 average quarterly balance.

Example 2

<u>Date</u>	<u>Deposits</u>	Amounts on <u>Deposit</u>	On 10th <u>Day of</u>
Jan	\$ 0.00	\$ 0.00	Jan
3 Feb	20.00	20.00	Feb
20 Feb	20.00		
3 Mar	20.00	<u>60.00</u>	Mar
		\$80.00	

\$80.00 divided by 3 = \$26.67 average quarterly balance.

B. Emergency withdrawals at any time during a quarter reduce the average quarterly balance on which interest accrues.

Example 3

<u>Date</u>	<u>Deposits</u>	With- drawals	Amount on <u>Deposit</u>	On 10th <u>Day of</u>
1 Apr	\$147.12	\$ 0.00		
	(Bal Fwd)			
3 Apr	20.00		\$167.12	Apr
			167.12	May
15 May	10.00		--	
4 Jun	30.00		--	Jun
15 Jun		\$80.00	<u>127.12</u>	Jun
			\$461.36	

\$461 divided by 3 = \$153.79 average quarterly balance.

C. Except for amounts on deposit in the case of a member who is in a missing status, the maximum amount upon which 10 percent interest is payable is \$10,000 (principal and accrued interest combined).

Example 4

<u>Date</u>	<u>Quarterly Interest</u>	<u>Amount on Deposit</u>
10 Jan	-0-	\$10,000.00
1 Apr	250.00	10,250.00
1 July	250.00	10,500.00

510404. Special Determinations. See Table 51-1.

5105 CONDITIONS UNDER WHICH DEPOSITS, PLUS INTEREST, ARE REPAYED

(See Table 51-3).

5106 PAYMENT OF INTEREST UPON FINAL SETTLEMENT OF DEPOSIT ACCOUNT

510601. General. Except when the 90-day limitation applies, interest will stop at the end of the month in which full repayment is made to the member or member's heirs.

510602. Ninety-Day Limitation Period After Eligibility to Make Deposits Terminates. In no case will interest accrue for a period longer than 90 days (computed on a day-for-day basis of actual elapsed time) after the member's eligibility to make deposits terminates. For the Persian Gulf Conflict, the 90-day limitation period begins on the day after the member's entitlement to Imminent Danger Pay (IDP) for the Persian Gulf area terminates. Should the 90-day limitation period end on any day other than the last day of a month, interest will accrue through the last day of the preceding month. If the 90-day limitation period ends on the last day of a month, interest accrues for that month. In determining when the 90-day limitation period terminates, the last day of the month is 28 February (29 February in leap year), the 30th of a 30-day month, or the 31st day of a 31-day month.

510603. Computation of Interest at 10 Percent Rate. Repay deposits, plus interest, under the conditions shown in Table 51-2. Compute interest at the rate of:

1 Month-1/12 of 10 percent or .00833

2 Months-2/12 of 10 percent or .01667

3 Months-(Full Quarter)-.025

Example 1: Member's Request

Member has \$355 (principal plus compounded interest as of 30 June 1991) on deposit when IDP terminates on 30 July 1991. He requests repayment on 12 August 1991. Repay deposit \$355 plus interest of \$5.92 for the months of July and August (.01667 x \$355) or \$360.92.

Example 2: Ninety-Day Rule

Same example as 1, above, except member requests repayment on 15 October 1991. Repay deposit \$355 plus interest of \$8.88 for the months of July, August, and September (.025 x \$355) or \$363.88. Interest for 1-15 October 1991, is not allowed since 90-day limitation period ended 12 October 1991 (a day other than the last day of the month).

Example 3: Member Discharged

Same example as 1, above, except member is discharged overseas for his/her own convenience on 15 July 1991. Repay deposit \$355 plus interest of \$2.96 for the months of July (.00833 x \$355) or \$357.96, assuming full repayment is in effect in the month of July.

Example 4: Member Dies

On 8 March 1991, the member has on deposit the maximum amount of \$10,000 (principal plus simple interest) and makes no new deposits. While in the Persian Gulf area, member dies on 15 November 1991, and settlement of unpaid pay and allowances is made to member's heir(s) on 15 December 1991. Repay deposit of \$10,000 and simple interest of \$833.33 for period 1 March through 31 December 1991 (.00833 x 10), or \$10,833.33.

5107 WITHDRAWAL OF DEPOSITS

510701. Emergency Withdrawals. Withdrawals may be made in an emergency only when the health or welfare of a member or his dependent(s) would be jeopardized if the withdrawal were not granted. Emergency withdrawals may be authorized by the member's commanding officer.

510702. Members in a Missing Status. Withdrawals may be made when directed by the Secretary concerned (or designee) when deemed in the best interest of the member, member's dependent(s), or the U.S. Government.

510703. Discharge While Eligible to Make Deposits. Members eligible to make deposits who are discharged and immediately reenlist, extend their enlistments, or who are discharged to accept a commission may not withdraw their deposits.

510704. Accounts Which Have Reached \$10,000. In situations where the member's principal and interest on deposit reaches \$10,000, any amounts representing interest accruing in the account subsequent to that time which causes the \$10,000 total to be exceeded, may be withdrawn quarterly at the member's request.

5108 APPLICATION TO INDEBTEDNESS OR FORFEITURE

Savings deposits and interest thereon are exempt from liability for member's debts except for levies issued by the Internal Revenue Service in problem cases. This includes any indebtedness to the U.S. Government or its agencies. Deposits are not subject to forfeiture by sentence of court-martial, and are not forfeited by desertion.

5109 LIABILITY OF DISBURSING OFFICERS

A disbursing officer who fails to properly process a deposit into his account is liable for the amount of the deposit, plus interest, from the effective date of the deposit to date of withdrawal or repayment.

ELIGIBILITY FOR MAKING DEPOSITS IN THE SAVINGS DEPOSIT PROGRAM (SDP) (Note 1)			
R U L E	A	B	C
	If	and	then
1	the member is serving outside the United States or its possessions under arduous conditions in connection with the Persian Gulf conflict (notes 2 and 3)	the member is serving on permanent duty assignment and entitled to hostile fire/imminent danger pay (HF/IDP) for the Persian Gulf area	the member may make deposits in the SDP (note 4).
2		the member is entitled to HF/IDP for duty in the Persian Gulf area for 3 consecutive months as of 30 Jun 1991	the member is eligible to make deposits in the SDP for subsequent periods the member is also entitled to HF/IDP for duty in the Persian Gulf area (note 5).
3		the member is serving on an active duty assignment for more than 90 days on PCS, TAD, TDY, or with a deployed ship or unit, and is entitled to Hostile Fire Pay on a month-by-month basis for the Persian Gulf area (note 7).	the member is eligible to make deposits in the SDP for periods that the member was entitled to HFP for duty in the Persian Gulf area (note 8).
★4	the member is serving outside the United States or its possessions in support of Operation Joint Endeavor (note 9)	the member is serving on an active duty assignment in the designated area for more than 90 days on PCS, TAD, TDY, or with a deployed ship or unit. This includes units reassigned to the area of operations from outside the United States, such as ships, mobile units, etc. (note 9)	the member may make deposits in the SDP (note 9)
★5	the member is on permanent duty assignment outside the U.S. or its possessions in support of a contingency operation designated by the Secretary of Defense	the member has served at least 30 consecutive days or at least one day in each of three consecutive months	the member is eligible to make deposits in the SDP for subsequent periods of temporary duty assignments outside the U.S. or its possessions in support of a contingency operation (note 6).
★6	the member is in a missing status resulting from service during the Vietnam conflict (note 2)		the member continues to be eligible for the SDP until the status ends.

NOTES:

- Amounts deposited shall be accounted for in the same manner as public funds. The amount of the deposits is limited to "unallotted" current pay and allowances and will be in multiples of \$5.
- The period concerned is contained in section 5101.
- Members eligible to make deposits may continue to do so when on TAD or TDY, provided the account was started while the member was in the Persian Gulf area.
- Applicable to deposits made before 1 July 1991. The amount of the deposits will be in multiples of \$5.
- Applicable to deposits made on or after 1 July 1991.
- Eligibility to make deposits will be determined on a month-by-month basis in accordance with guidelines provided by the Secretary of Defense.
- See section 5101 regarding areas in the Persian Gulf Area that are no longer designated areas.
- The amount of money that may be deposited will not be greater than the unallotted pay and allowances the member accrued on the paydays, during the month in which member qualified for HFP.
- ★9. See subparagraph 510101.B., and paragraph 510203 for Operation Joint Endeavor effective date and eligibility criteria.

Table 51-1. Eligibility for Making Deposits in the Savings Deposit Program (SDP)

SAVINGS DEPOSITS, SPECIAL DETERMINATIONS ON ACCRUAL OF INTEREST			
R U L E	A	B	C
	When an eligible member has a savings deposit account in effect and member	and	then interest
1	was in a desertion status	is returned to military control	accrues to the end of the month before the month the member entered a desertion status and resumes the first of the month after the month the member returns to military control (note 1).
2	returns to military control after desertion	has personnel records corrected to remove a mark of desertion	accrues during the period the member was originally considered to be a deserter (note 2).
3	is separated or discharged	repayment of deposits is delayed for any reason (note 3)	accrues to the end of the month in which repayment is made, not to exceed 90 days after eligibility to make deposits terminates.
4	does not request repayment after termination of eligibility to make deposits	within 90 days is again entitled to make deposits	accrues continuously.
5	is in a missing status	the Secretary concerned (or designee) directs repayment of total amount of deposit	accrues to the end of the month in which repayment is directed.
6		a finding of death is made	accrues to the end of the month in which repayment is made not to exceed 90 days after the date pay and allowances terminate.
★7	is assigned to duty in the Persian Gulf area or on permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Glossary) (Note 5)	is on TDY or TAD away from (1) the Persian Gulf area or (2) permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Glossary) for a period of 90 days (Note 5)	accrues for the first 90 days of TDY or TAD, but not after 90 days (note 4).

NOTES:

1. Interest does not accrue on deposits during the period a member is in a desertion status.
2. Interest will be computed and credited retroactively.
3. Delays in repayment of deposits include withholding of issued discharge certificates pending release from confinement when sentenced to dishonorable discharge.
4. Interest would again accrue upon return to the Persian Gulf area or permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions).
- ★5. See subparagraphs 510101.B., and paragraph 510203 for Operation Joint Endeavor contingency operation designation, effective date for deposits, and eligibility criteria.

Table 51-2. Savings Deposits, Special Determinations on Accrual of Interest

SAVINGS DEPOSITS, CONDITIONS UNDER WHICH DEPOSITS, PLUS INTEREST ARE REPAYED		
R U L E	A	B
	When an eligible member has a savings account and member	then all deposits, plus interest will be repaid upon
★1	departs the Persian Gulf area or is no longer on permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions)	The member's request upon departure from the permanent duty assignment outside the U.S. or its possessions or 90 days after the permanent duty assignment in the area of operations terminates for Operation Joint Endeavor (see note). For the Persian Gulf area, all deposits, plus interest, will be repaid upon the member's request, 90 days after IDP for the Persian Gulf area terminates, or 90 days after permanent duty assignment in the Persian Gulf area terminates. For contingency operations, all deposits, plus interest, will be repaid upon the member's request for 90 days after the permanent duty assignment outside the U.S. or its possessions terminates.
2	is discharged or separated overseas (not for reentry into the Military Service)	discharge or separation from the Military Service or not to exceed 90 days thereafter.
3	is in a missing status	direction of the Secretary concerned or designee.
4	dies	settlement of member's unpaid pay and allowances as provided in chapter 36, of this Regulation (note).

NOTE:

★Interest on deposits stops at the end of the month in which full repayment is made. Do not continue interest beyond 90 days after: the date of the member's death, when IDP for the Persian Gulf area terminates, or when a member's permanent duty assignment outside the U.S. or its possessions in support of Operation Joint Endeavor or in support of a contingency operation (as defined in the Glossary) terminates, whichever is earlier. See Table 51-2, Rule 6, for death cases where a missing status is involved.

Table 51-3. Savings Deposits, Conditions Under Which Deposits, Plus Interest Are Repaid.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

MAY 12 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

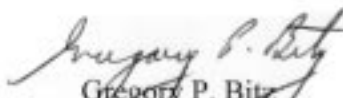
SUBJECT: Change to the DoDFMR, Volume 7A, Savings Deposit Program (SDP) (DFAS Item H-22 – formerly DFAS Item G-81)

Attached is the DFAS Interim Change 15-99 to the DoDFMR, Volume 7A. This change is effective as stated in the change.

This change is a complete rewrite of Chapter 51 of the DoDFMR, Volume 7A and implements the new areas and contingencies in the participation of the SDP. All interim changes affecting chapter 51 in the www.dtic.mil/comptroller/fmr/07a/07a_interim.html web site are hereby cancelled.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Roger Castillo may be contacted at DSN 327-1907 or (703) 607-1907.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

-
1. Revise the Bibliography for Chapter 51 to read as follows:

"Chapter 51 - Savings Deposit Program

5101-Definitions

510101.B	OASD (FMP) Memo, 23 Feb 1996
510101.C	OASD (FMP) Memo, 20 Mar 1997
	OASD (FMP) Memo, 14 Aug 1998
510102	OASD (FMP) Memo, 30 Jul 1991
510105	Public Law 102-190, Section 639, 5 Dec 1991

5102-Authority and Eligibility

510202	10 USC 1035 Public Law 102-190 Section 639, 5 Dec 1991 OASD (FMP) Memo, 29 Jan 1991 OASD (FMP) Memo, 30 Jul 1991
510203	OASD (FMP) Memo, 8 Jan 1996
510204	OASD (FMP) Memo, 20 Mar 1997
510205	OASD (FMP) Memo, 14 Aug 1998
510206	10 USC 1035(e)

5108-Application of Indebtedness
or Forfeiture

10 USC 1035(d)"

2. Replace the entirety of Chapter 51 with the following:

CHAPTER 51

SAVINGS DEPOSIT PROGRAM5101 DEFINITIONS

For the purpose of this chapter, the following definitions apply:

★510101. Geographic Areas.

A. Persian Gulf Area. Arabian Gulf area as designated in Figure 10-1.

B. Operation Joint Endeavor Area. The area of operations is the total land area of Bosnia-Herzegovina, Croatia, Serbia, Montenegro, Slovenia, Macedonia, Hungary and the air space there over, or the waters of the Adriatic Sea north of 40N; plus forces operational control/tactical control (OPCON/TACON) to Supreme Allied Commander, Europe (SACEUR) for the purpose of executing Operation Joint Endeavor (e.g., SOCIFOR, DECISIVE EDGE, and DETERMINED EFFORT).

C. Operation Joint Guard and Operation Joint Forge Area. The area of eligibility consists of the total land area of Bosnia-Herzegovina, Croatia, Serbia, Montenegro, Slovenia, Macedonia, Hungary, and the air space there over, or the waters of the Adriatic Sea north of 40N.

★510102. Permanent Duty Assignment. For the purposes of this chapter only, effective 1 July 1991, an active duty assignment that contemplates duty in the designated area as a PCS or for more than 30 days on TAD, TDY, or with a deployed ship or unit.

510103. Unallotted Current Pay and Allowances. The amount of money a member is entitled to receive on the payday immediately before the date of deposit, less authorized deductions and allotments for dependents, insurance, etc. Pay and allowances include special continuation pay, reenlistment bonus, travel allowance on discharge, and pay and allowances for unused accrued leave. Advance pay and travel allowance on PCS and temporary duty may not be deposited.

510104. Vietnam Conflict. The period beginning 28 February 1961 and ending on 7 May 1975.

510105. Persian Gulf Conflict. The period beginning on 16 January 1991 and ending on the date thereafter prescribed by presidential proclamation or by law.

5102 AUTHORITY AND ELIGIBILITY

510201. The Act of 14 August 1966 (reference (cy)), authorized members of the Uniformed Services who were serving on a permanent duty assignment outside the United States, or its possessions, to deposit their "unallotted current pay and allowances" for savings

purposes. Amounts up to \$10,000 could be deposited with interest accrual at the rate of 10 percent per annum. This program was phased out effective 30 June 1974, with the exception of accounts of members continued in a missing status resulting from service in the Vietnam conflict.

510202. Members of the Armed Forces (1) serving outside the United States or its possessions under arduous conditions (as determined by the Secretary of Defense) in connection with the Persian Gulf Conflict (e.g., Operation Desert Shield, including Desert Storm) or (2) on permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions) are authorized to make deposits of unallotted current pay and allowances and earn interest. For specific eligibility to make deposits see Table 51-1.

★510203. Effective 1 January 1996, members serving outside the United States or its possessions on Operation Joint Endeavor are entitled to participate in the Savings Deposit Program by making deposits of unallotted pay and allowances payable after 1 January 1996. This includes units reassigned to the area of operations from areas outside the U. S. such as ships, mobile units, etc.

★510204. Effective 1 January 1997, members of the armed forces serving on Operation Joint Guard outside the United States or its possessions are authorized to make deposits of unallotted current pay and allowances payable after 1 January 1997.

★510205. Effective 20 June 1998, any member assigned to Operation Joint Forge is eligible to participate in the SDP, provided that the member has served for at least 30 consecutive days or at least 1 day in each of 3 consecutive months in the Operation Joint Forge area of eligibility.

★510206. The Secretary concerned (or designee) may, in the interest of a member who is in a missing status (as defined in the Definitions) or his dependents, initiate, stop, modify, and change allotments for deposit of unpaid pay and allowances accruing in a missing member's pay account, and authorize withdrawal of deposits made under this chapter, even though the member had an opportunity to make deposits and elected not to do so. Compute interest as prescribed by this chapter, from 1 January 1991, or the day the member enters a missing status, whichever is later. The \$10,000 limitation on the amount that interest is payable does not apply to deposit accounts of members in a missing status.

Examples

A. A member enters a missing status on 1 February 1991. Unpaid pay and allowances have been accruing in his pay account at the rate of \$100 per month since that date. An account is opened for the member on 1 May 1991, with an initial deposit of \$300 (February, March, and April). His account is credited with \$10 per month on 1 June 1991, and the first day of each month thereafter while he remains in a missing status, or until modified, stopped, or repaid at the direction of the Secretary (or designee) concerned. Interest accrues from 1 February 1991.

B. A member enters a missing status on 18 February 1991. The amount of unpaid pay and allowance due the member on the payday following 18 February 1991 would determine the amount of the initial deposit. The member's account is opened 1 Mar 1991 with the initial deposit and his account is credited with his unallotted pay and allowances monthly on the first day of each month thereafter as prescribed in example A, above. Interest accrues from 18 February 1991.

★5103 LIMITATIONS ON AMOUNTS OF DEPOSITS

Deposits may not be more than the amount defined as unallotted current pay and allowances in paragraph 510103, above. However, when the member can establish to the satisfaction of his commanding officer that he or she was unable to make a deposit in the normal manner, unallotted pay in excess of current pay and allowances, may be deposited. Members may not accumulate back pay prior to departure to a covered geographic area or on [permanent](#) duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions) for deposit after arrival in the area. When members arrive in a covered geographic area, or on [permanent](#) duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions), they may deposit the amount they could have, or did, accrue during the month of arrival, less authorized deductions. Members who are paid twice monthly may combine pay accrued at midmonth and pay accrued at end of month, or combine end-of-month pay with pay accrued on the following midmonth payday for a single deposit, provided the total amount deposited in a one month period does not exceed the amount they are entitled to be paid for one month. The maximum amount on which 10 percent interest is computed is \$10,000 (principal and accrued interest combined). The \$10,000 limitation on the amount that interest is payable does not apply to deposit accounts of members in a missing status.

5104 INTEREST ON DEPOSITS

510401. Accrual of Interest. See Table 51-2.

510402. Computation of Interest. Deposits made on or before the 10th of the month accrue interest from the 1st of the month. Deposits made after the 10th of the month accrue interest from the first day of the following month. The effective date of deposit is the date the deposit is made to the disbursing officer, finance officer, or any other designated officer of the Uniformed Service. Compute interest at the rate of 10 percent per annum, compounded quarterly, according to calendar quarter. Compute quarterly interest on the average quarterly balance on deposit. Ten percent is compounded quarterly on amounts less than \$10,000. Once \$10,000 is on deposit, simple interest will be computed on the \$10,000. No interest is paid on amounts exceeding \$10,000, except on amounts in the case of a member who is in a missing status.

510403. Computing Average Quarterly Balance

A. If there were no emergency withdrawals during the quarter, determine the average quarterly balance by adding amounts on deposit on the 10th day of each month of the quarter, and divide the total by three.

Example 1

<u>Date</u>	<u>Deposits</u>	<u>Amount On Deposit</u>	<u>On 10th Day of</u>
5 Jan	\$20.00	\$ 20.00	Jan
3 Feb	20.00	40.00	Feb
20 Feb	20.00		
10 Mar	20.00	<u>80.00</u>	Mar
		\$140.00	

\$140.00 divided by 3 = \$46.67 average quarterly balance.

Example 2

<u>Date</u>	<u>Deposits</u>	<u>Amounts on Deposit</u>	<u>On 10th Day of</u>
Jan	\$ 0.00	\$ 0.00	Jan
3 Feb	20.00	20.00	Feb
20 Feb	20.00		
3 Mar	20.00	<u>60.00</u>	Mar
		\$80.00	

\$80.00 divided by 3 = \$26.67 average quarterly balance.

B. Emergency withdrawals at any time during a quarter reduce the average quarterly balance on which interest accrues.

Example 3

<u>Date</u>	<u>Deposits</u>	<u>With- drawals</u>	<u>Amount on Deposit</u>	<u>On 10th Day of</u>
1 Apr	\$147.12	\$ 0.00		
	(Bal Fwd)			
3 Apr	20.00		\$167.12	Apr
			167.12	May
15 May	10.00		--	
4 Jun	30.00		--	Jun
15 Jun		\$80.00	<u>127.12</u>	Jun
			\$461.36	

\$461 divided by 3 = \$153.79 average quarterly balance.

C. Except for amounts on deposit in the case of a member who is in a missing status, the maximum amount upon which 10 percent interest is payable is \$10,000 (principal and accrued interest combined).

Example 4

<u>Date</u>	<u>Quarterly Interest</u>	<u>Amount on Deposit</u>
10 Jan	-0-	\$10,000.00
1 Apr	250.00	10,250.00
1 July	250.00	10,500.00

510404. Special Determinations. See Table 51-1.

5105 CONDITIONS UNDER WHICH DEPOSITS, PLUS INTEREST, ARE REPAYED

(See Table 51-3).

5106 PAYMENT OF INTEREST UPON FINAL SETTLEMENT OF DEPOSIT ACCOUNT

510601. General. Except when the 90-day limitation applies, interest will stop at the end of the month in which full repayment is made to the member or member's heirs.

510602. Ninety-Day Limitation Period After Eligibility to Make Deposits Terminates. In no case will interest accrue for a period longer than 90 days (computed on a day-for-day basis of actual elapsed time) after the member's eligibility to make deposits terminates. For the Persian Gulf Conflict, the 90-day limitation period begins on the day after the member's entitlement to Imminent Danger Pay (IDP) for the Persian Gulf area terminates. Should the 90-day limitation period end on any day other than the last day of a month, interest will accrue through the last day of the preceding month. If the 90-day limitation period ends on the last day of a month, interest accrues for that month. In determining when the 90-day limitation period terminates, the last day of the month is 28 February (29 February in leap year), the 30th of a 30-day month, or the 31st day of a 31-day month.

510603. Computation of Interest at 10 Percent Rate. Repay deposits, plus interest, under the conditions shown in Table 51-2. Compute interest at the rate of:

1 Month-1/12 of 10 percent or .00833
2 Months-2/12 of 10 percent or .01667
3 Months-(Full Quarter)-.025

Example 1: Member's Request

Member has \$355 (principal plus compounded interest as of 30 June 1991) on deposit when IDP terminates on 30 July 1991. He requests repayment on 12 August 1991. Repay

deposit \$355 plus interest of \$5.92 for the months of July and August ($.01667 \times \$355$) or \$360.92.

Example 2: Ninety-Day Rule

Same example as 1, above, except member requests repayment on 15 October 1991. Repay deposit \$355 plus interest of \$8.88 for the months of July, August, and September ($.025 \times \$355$) or \$363.88. Interest for 1-15 October 1991, is not allowed since 90-day limitation period ended 12 October 1991 (a day other than the last day of the month).

Example 3: Member Discharged

Same example as 1, above, except member is discharged overseas for his/her own convenience on 15 July 1991. Repay deposit \$355 plus interest of \$2.96 for the months of July ($.00833 \times \$355$) or \$357.96, assuming full repayment is in effect in the month of July.

Example 4: Member Dies

On 8 March 1991, the member has on deposit the maximum amount of \$10,000 (principal plus simple interest) and makes no new deposits. While in the Persian Gulf area, member dies on 15 November 1991, and settlement of unpaid pay and allowances is made to member's heir(s) on 15 December 1991. Repay deposit of \$10,000 and simple interest of \$833.33 for period 1 March through 31 December 1991 ($.00833 \times 10$), or \$10,833.33.

5107 WITHDRAWAL OF DEPOSITS

510701. Emergency Withdrawals. Withdrawals may be made in an emergency only when the health or welfare of a member or his dependent(s) would be jeopardized if the withdrawal were not granted. Emergency withdrawals may be authorized by the member's commanding officer.

510702. Members in a Missing Status. Withdrawals may be made when directed by the Secretary concerned (or designee) when deemed in the best interest of the member, member's dependent(s), or the U.S. Government.

510703. Discharge While Eligible to Make Deposits. Members eligible to make deposits who are discharged and immediately reenlist, extend their enlistments, or who are discharged to accept a commission may not withdraw their deposits.

510704. Accounts Which Have Reached \$10,000. In situations where the member's principal and interest on deposit reaches \$10,000, any amounts representing interest accruing in the account subsequent to that time which causes the \$10,000 total to be exceeded, may be withdrawn quarterly at the member's request.

5108 APPLICATION TO INDEBTEDNESS OR FORFEITURE

Savings deposits and interest thereon are exempt from liability for member's debts except for levies issued by the Internal Revenue Service in problem cases. This includes any indebtedness to the U.S. Government or its agencies. Deposits are not subject to forfeiture by sentence of court-martial, and are not forfeited by desertion.

5109 LIABILITY OF DISBURSING OFFICERS

A disbursing officer who fails to properly process a deposit into his account is liable for the amount of the deposit, plus interest, from the effective date of the deposit to date of withdrawal or repayment.

ELIGIBILITY FOR MAKING DEPOSITS IN THE SAVINGS DEPOSIT PROGRAM (SDP) (Note 1)			
R U L E	A	B	C
	If	and	then
1	the member is serving outside the United States or its possessions under arduous conditions in connection with the Persian Gulf conflict (notes 2 and 3)	the member is serving on an active duty assignment for more than 90 days and is entitled to hostile fire/imminent danger pay (HF/IDP) for the Persian Gulf area	the member is eligible to make deposits in the SDP (note 4).
2		the member is entitled to HF/IDP for duty in the Persian Gulf area for 3 consecutive months (note 7)	the member is eligible to make deposits in the SDP for subsequent periods the member is also entitled to HF/IDP for duty in the Persian Gulf area (notes 5,8).
3		the member is assigned to duty contemplating presence in the Persian Gulf area for a period of at least 30 days	the member is eligible to make deposits in the SDP for subsequent periods the member is entitled to HF/IDP for duty in the Persian Gulf area (note 5).
4	the member is serving on permanent duty assignment (see paragraph 510102) outside the U.S. or its possessions in support of a contingency operation (as defined in Definitions) (notes 9, 10, 11)	the member has served on an active duty assignment in the designated area for more than 30 days. This includes units reassigned to the area of operations from outside the United States, such as ships, mobile units, etc.	the member is eligible to make deposits in the SDP for subsequent periods of service outside the U.S. or its possessions in support of a contingency operation (note 6).
5		the member is entitled to HF/IDP for duty in the designated area of the contingency operation for 3 consecutive months	the member is eligible to make deposits in the SDP for subsequent periods the member is also entitled to HF/IDP for duty in the designated area of the contingency operation (note 6).
6	the member is in a missing status resulting from service during the Vietnam conflict (note 2)		the member continues to be eligible for the SDP until the status ends.

NOTES:

1. Amounts deposited shall be accounted for in the same manner as public funds. The amount of the deposits is limited to "unallotted" current pay and allowances and will be in multiples of \$5.
2. The period concerned is contained in section 5101.
3. Members eligible to make deposits may continue to do so when on TAD or TDY, provided the account was started while the member was in the Persian Gulf area.
4. Applicable to deposits made before 1 July 1991. The amount of the deposits will be in multiples of \$5.
5. Applicable to deposits made on or after 1 July 1991.
6. Eligibility to make deposits will be determined on a month-by-month basis in accordance with guidelines provided by the Secretary of Defense.
7. See section 5101 regarding areas in the Persian Gulf Area that are no longer designated areas.
8. The amount of money that may be deposited will not be greater than the unallotted pay and allowances the member accrued on the paydays, during the month in which member qualified for HFP.
9. See subparagraph 510101B and paragraph 510203 for Operation Joint Endeavor effective date and eligibility criteria.
10. See subparagraph 510101C and paragraph 510204 for Operation Joint Guard effective date and eligibility criteria.
11. See subparagraph 510101C and paragraph 510205 for Operation Joint Forge effective date and eligibility criteria.

Table 51-1. Eligibility for Making Deposits in the Savings Deposit Program (SDP)

SAVINGS DEPOSITS, SPECIAL DETERMINATIONS ON ACCRUAL OF INTEREST			
R U L E	A	B	C
	When an eligible member has a savings deposit account in effect and member	and	then interest
1	was in a desertion status	is returned to military control	accrues to the end of the month before the month the member entered a desertion status and resumes the first of the month after the month the member returns to military control (note 1).
2	returns to military control after desertion	has personnel records corrected to remove a mark of desertion	accrues during the period the member was originally considered to be a deserter (note 2).
3	is separated or discharged	repayment of deposits is delayed for any reason (note 3)	accrues to the end of the month in which repayment is made, not to exceed 90 days after eligibility to make deposits terminates.
4	does not request repayment after termination of eligibility to make deposits	within 90 days is again entitled to make deposits	accrues continuously.
5	is in a missing status	the Secretary concerned (or designee) directs repayment of total amount of deposit	accrues to the end of the month in which repayment is directed.
6		a finding of death is made	accrues to the end of the month in which repayment is made not to exceed 90 days after the date pay and allowances terminate.
7	is assigned to duty in the Persian Gulf area or on permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in Definitions) (notes 5, 6, 7)	is on TDY or TAD away from (1) the Persian Gulf area or (2) permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in Definitions) for a period of 90 days (notes 5, 6, 7)	accrues for the first 90 days of TDY or TAD, but not after 90 days (note 4).

NOTES:

- Interest does not accrue on deposits during the period a member is in a desertion status.
- Interest will be computed and credited retroactively.
- Delays in repayment of deposits include withholding of issued discharge certificates pending release from confinement when sentenced to dishonorable discharge.
- Interest would again accrue upon return to the Persian Gulf area or permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions).
- See subparagraph 510101B and paragraph 510203 for Operation Joint Endeavor contingency operation designation, effective date, and eligibility criteria.
- See subparagraph 510101C and paragraph 510204 for Operation Joint Guard contingency operation designation, effective date, and eligibility criteria.
- See subparagraph 510101C and paragraph 510205 for Operation Joint Forge contingency operation designation, effective date, and eligibility criteria.

Table 51-2. Savings Deposits, Special Determinations on Accrual of Interest

SAVINGS DEPOSITS, CONDITIONS UNDER WHICH DEPOSITS, PLUS INTEREST, ARE REPAYED		
R U L E	A	B
	When an eligible member has a savings account and member	then all deposits, plus interest will be repaid upon
1	departs the Persian Gulf area or is no longer on permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in the Definitions)	the member's request upon departure from the permanent duty assignment outside the U.S. or its possessions or 90 days after the permanent duty assignment in the area of operations terminates (see note). For the Persian Gulf area, all deposits, plus interest, will be repaid upon the member's request, 90 days after IDP for the Persian Gulf area terminates, or 90 days after permanent duty assignment in the Persian Gulf area terminates. For contingency operations, all deposits, plus interest, will be repaid upon the member's request or 90 days after the permanent duty assignment outside the U.S. or its possessions terminates.
2	is discharged or separated overseas (not for reentry into the Military Service)	discharge or separation from the Military Service or not to exceed 90 days thereafter.
3	is in a missing status	direction of the Secretary concerned or designee.
4	dies	settlement of member's unpaid pay and allowances as provided in chapter 36, of this Regulation (note).

NOTE:

Interest on deposits stops at the end of the month in which full repayment is made. Do not continue interest beyond 90 days after: the date of the member's death, when HF/IDP for the Persian Gulf area terminates, or when a member's permanent duty assignment outside the U.S. or its possessions in support of a contingency operation (as defined in Definitions) terminates, whichever is earlier. See Table 51-2, Rule 6, for death cases where a missing status is involved.

Table 51-3. Savings Deposits, Conditions Under Which Deposits, Plus Interest, Are Repaid.

CHAPTER 52
PRECEDENCE OF PAY DEDUCTIONS AND COLLECTIONS

PRIORITY OF DEDUCTIONS AND COLLECTIONS		
R U L E	When the amounts due a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
1	Reduction of pay entitlement	Losses of pay entitlement take precedence over all items for deduction or collection: a. Forfeiture. (See note 1) b. Reduction for educational benefit under "Montgomery G.I. Bill" (note 1)
2	Reimbursement to United States	Amounts collected for deposit to the credit of the United States Treasury, in the following order: a. FICA tax b. Deductions for Armed Forces Retirement Homes c. FITW (this includes any amounts voluntarily authorized by member in excess of the minimum withholding required) d. TRICARE-Family Member Dental Plan e. Deductions for SGLI
3	State income tax withholding	
4	Involuntary repayment of indebtedness to United States	a. Routine pay adjustment as defined in subparagraph 500104.A.1. b. Repayment of advances of pay/allowances or advances of travel c. Other collections (overpayments of pay or allowances outside the scope of a routine pay adjustment). d. Repayment of public funds entrusted to an accountable member or funds obtained by any member through fraud, larceny, embezzlement, or other unlawful means e. Clothing allowance charges f. Transportation charges g. Subsistence charges h. Government property lost or damaged. (See note 2) i. Telephone or telegraph charges j. Damage to assigned housing due to negligence or abuse k. Indebtedness to a Commissary, DoD contracted Military Banking Facility overseas, or other appropriated fund activity for an uncollectable check or defaulted loan l. Unpaid hospital bills for medical services furnished a dependent m. Compensation or stipend payments received by a medical officer from state, county, municipal, or privately owned hospitals for medical services n. Jury duty fees received by a member o. Amounts due other Uniformed Services or departments or agencies outside DoD, including court judgments
5	Garnishment for alimony and child support payments	
6	Statutorily-required child and spousal support allotments	
7	Reimbursement to individuals and agencies	Remittances to an individual or agency by disbursing officer making deductions as follows: a. Deductions for rental of premises occupied by dependents b. Deduction for payment for damages to private property

Table 52-1. Priority of Deductions and Collections

R U L E	When the amounts due a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
8	Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Act	See note 3
9	Indebtedness to a nonappropriated fund activity	
10	Amounts due Service relief society (Army Emergency Relief, Air Force Aid Society, Navy-Marine Corps Relief Society, or Coast Guard Mutual Assistance) only at final separation	
11	Voluntary repayment of indebtedness to United States	In order specified by the Military Service member (See note 4.)
12	Involuntary Allotment for Commercial Debts	See note 5
13	Allotments	Payments made to an allottee by the United States or when a savings bond has been issued before the date amounts due a member are to be disbursed in the following order: <ul style="list-style-type: none"> a. Emergency support of dependent b. Government insurance (discretionary allotment) c. Repayment of individual indebtedness or for payment to an individual or financial organization for disposition as authorized by the allotter (discretionary allotment) d. Purchase of United States savings bonds e. Donation to charity drives f. Other discretionary allotments (See note 5.)
14	IRS levy for delinquent Federal income taxes	(See Chapter 44, section 4402) (See note 5.)
15	Court-Martial Fines	

NOTES:

1. Gross pay to which the Military Service member would otherwise be entitled must be reduced by the amount of the forfeiture. The forfeiture is subtracted to determine a new, reduced gross pay amount. Deductions based on gross pay will be computed on the reduced gross pay.
2. This is a voluntary indebtedness for members of the Navy or Marine Corps who fall under Table 50-3, rule 5.
3. In cases where the United States Bankruptcy Court has mandated that a sum be deducted monthly, the court order will be followed as prescribed in Military Service regulations. The above order of precedence will apply unless otherwise specified in the court order in which case the court's order prevails.
4. Upon separation, these become involuntary and fall under rule 4.
5. If the date of a tax levy is earlier than the effective date of a voluntary allotment or an involuntary allotment for commercial debts, the tax levy should be collected before either allotment.

Table 52-1. Priority of Deductions and Collections (Continued)

CHAPTER 53

VOLUNTARY PRIVATE HEALTH INSURANCE CONVERSION PROGRAM

5301 GENERAL

Detailed policies and procedures governing the administration of the Voluntary Private Health Insurance Conversion Program are contained in:

530101. Army: Chapter 30, section V, AR 37-104-3 (reference (bh)), and AR 635-10 (reference (cz)).

530102. Navy: NAVMILPERSCOM 1760.1A (reference (da)).

530103. Marine Corps: MCO 1741 Series (reference (db)).

530104. Air Force: AFR 211-21 (reference (dc)).

Interim Changes 32-97 and 33-98 are incorporated in this change.

CHAPTER 54

TRICARE DENTAL PLANS

5401 TRICARE FAMILY MEMBER DENTAL PLAN (TFMDP)

540101. Enrollment Eligibility

A voluntary dental insurance program for spouses and children of active duty members was established on August 1, 1987. Eligibility for enrollment in the TRICARE-FMDP is limited to dependent children and spouses of active duty members eligible for health benefits under CHAMPUS who are enrolled in the Defense Enrollment and Eligibility Reporting System (DEERS). Family members may reside anywhere in the world, but must receive care in one of the 50 states, District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, or Canada. The active duty member must intend to remain on active duty for the minimum period of enrollment at the time eligible dependents are enrolled. The minimum enrollment period is 24 months, during which a member may not disenroll voluntarily except under the conditions discussed in section 5404, below. Any member who does not have 24 months remaining on his or her period of active duty may enroll family members, if it is the intent of both the Military Service and the member to have the member remain on active duty for at least 24 months. All dependent family members (spouse and dependent children) age 4 and above residing in the family's household must be enrolled if any member of the family household is to be enrolled. If one or more family members are in an area where dental care is not available, but the other family members are in an area with military dental care, family members who do not have access to military dental care may be enrolled while the remaining family members are not. This may occur when:

- A. Children are attending college away from home.
- B. Children are living with an ex-spouse.
- C. Children are living with relatives away from the main family unit.
- D. Children are in a foster home.

TRICARE-FMDP is administered by the OCHAMPUS.

540102. Enrollment

A. Initial Enrollment. The member may enroll voluntarily in the TRICARE-FMDP at any time. Procedures for enrolling or changing enrollment status are published in Military Service regulations. The DD Form 2494 is used to enroll in the TRICARE-FMDP, or for effecting enrollment changes or terminations in the TRICARE-FMDP. Enrollment will be

effective the first of the month following the month in which the DD Form 2494 is received by the applicable Military Service administrative office.

B. Voluntary Changes to Enrollment Status. Enrollment will be effective the first of the month following the month in which the DD Form 2494 is received by the applicable Military Service administrative office.

C. Involuntary Changes to Enrollment Status Due to Loss or Gain in Dependent Eligibility. Changes in enrollment status from family to individual as a result of loss of dependent eligibility are effective the first day of the month following the month in which the eligibility change occurs. An automatic enrollment status change occurs when an enrolled member's dependent child becomes 4 years of age, at which time the enrollment coverage will change from individual to family if family coverage had not already been elected. This change in coverage will be effected the first of the month after the child turns 4 years of age, and is supported by the DD Form 2494 already on file for the member.

540103. Disenrollment

A. Voluntary Disenrollment. The member may terminate enrollment voluntarily at any time after the minimum period of enrollment by completing the applicable procedures established in Military Service regulations. All voluntary terminations are effective on the last day of the month in which the member completes the DD Form 2494 electing termination of participation in the TRICARE-FMDP.

B. Separation or Absence. Enrollment in the TRICARE-FMDP is terminated automatically when the member terminates active duty service or when the member enters a non-pay status over 1 month in duration regardless of whether the member has completed the minimum enrollment period. Terminations in these two situations are automatic without completion of any additional procedures. When a member terminates active service, TRICARE-FMDP coverage is terminated as of the last day of the month in which the member terminates active service. When a member enters a non-pay status of over 30 days, TRICARE-FMDP coverage is terminated as of 11:59 p.m. of the day the Military Service member became ineligible for basic pay.

C. Loss of Eligibility. When a member no longer has dependents eligible to participate in the TRICARE-FMDP, the member must complete disenrollment procedures established by the Military Service concerned; however, the TRICARE-FMDP coverage will be terminated as of the last day of the month in which the member lost dependent eligibility. A member is considered to no longer have eligible dependents when:

1. The member becomes divorced and the only enrolled dependent was the spouse,

2. The member's only enrolled dependent was a child who is emancipated,

3. All enrolled dependents establish a permanent residence in an area not eligible for the TRICARE-FMDP, or,

4. All enrolled dependents die.

D. Other Dental Insurance. Members may not terminate enrollment immediately following enrollment of their family members in an employment-based dental insurance plan (i.e., spouse becomes entitled to another dental plan). To terminate enrollment on this basis, members first must complete the initial 24 month minimum enrollment requirement.

540104. Exceptions to the Minimum Enrollment Period

Under the following conditions, a member may elect to disenroll from the TRICARE-FMDP prior to the end of the minimum enrollment period.

A. Orders. Termination of enrollment following a PCS move in CONUS is permitted only in areas where family members have access to space available dental care. If member desires to terminate enrollment, it must be done within 90 days of the date following the date of arrival at the new permanent duty station.

B. Areas Where TRICARE-FMDP is Not Offered. Members may terminate enrollment following a change in permanent duty station resulting in a move of the family's residence to areas where the TRICARE-FMDP is not offered.

C. Orders From Overseas Area. Members who depart overseas areas on or after October 1, 1995 (with 12 to 23 months of service obligation remaining), may enroll their family members in the TRICARE-FMDP during their remaining service period, if the family members accompanied the member on the overseas assignment and are now returning to CONUS. These enrollments will be assigned unique enrollment codes and are an exception to the 24 month minimum enrollment contract. Use of these unique enrollment codes is authorized only for members who were assigned to a dependent accompanied overseas tour. There is no grandfather period prior to the October 1, 1995, effective date and enrollment elections must be made within 30 days of a member reporting for duty at the new duty station. Note: Calculate the months remaining on the service obligation by adding only the full months remaining on the service obligation as of the date of enrollment. The member must have 12 full months of service remaining on the date of enrollment. To ensure the maximum enrollment period, please encourage eligible members to enroll their family members prior to departing their overseas duty station.

540105. Deductions for TRICARE-FMDP

★A. Monthly Premium. The monthly premium for TRICARE-FMDP coverage (effective August 1, 1998) is \$8.09 for individual coverage and \$20.00 for family coverage; deductions began as of July 1998. The monthly premium is not prorated under any circumstances. DDP premiums are deducted from the member during the month preceding the effective date of the coverage.

B. Retroactive Adjustment. When a notice of enrollment is received after the date the first premium collection was due, immediate collection will be made of all past due premiums. When a notice of disenrollment is received, after premiums already have been collected or when TRICARE-FMDP premiums were collected prior to notification of a loss of member or dependent eligibility, excess premiums will be refunded to the member.

★5402. TRICARE SELECTED RESERVE DENTAL PLAN

540201. General Provisions

A. Definitions. The following terms may vary from Definitions used elsewhere in this regulation and are applicable to this chapter only:

1. Covered Beneficiary. A member of a Uniformed Service (beneficiary) entitled under of Title 10, United States Code, Chapter 55, other than a beneficiary under section 10 U.S.C. 1074(a).

2. TRICARE Program. The term means the managed health care program that is established by the Secretary of Defense under the authority of Title 10, United States Code, Chapter 55, principally 10 U.S.C. 1097 and includes the competitive selection of contractors to financially underwrite the delivery of health care services under the Civilian Health and Medical Program of the Uniformed Services.

540202. Entitlement

A. Members of the Selected Reserve can voluntarily enroll in the dental insurance plan. The plan will provide for premium sharing between the Department of Defense and the members enrolled in the plan.

B. The member's share may not exceed \$25 per month. The Secretary of Defense may reduce the monthly premium required to be paid by enlisted members if the Secretary determines that the reduction is appropriate in order to assist enlisted members to participate in the TSRDP. Interested eligible selected reservists may contact the dental contractor to obtain the premium cost for the current period.

C. The TSRDP provides benefits for basic dental care and treatment, including diagnostic services, preventative services, basic restorative services, and emergency oral examinations.

540203. Enrollment. Effective October 1, 1997, all eligible Selected Reservists will be identified to a contractor. The contractor is responsible for enrolling eligible members and collection of 4 months prepayment for premiums. After the initial enrollment and prepayment, the contractor will provide an electronic file, monthly, through the Defense Manpower Data Center to the Defense Finance and Accounting Service (DFAS) Centers and the United States Coast Guard (USCG) Finance Center to identify enrollees.

540204. Deductions. Effective November 1, 1997, all enrollees identified in the electronic file to DFAS and USCG Centers by the contractor will have the monthly premium deducted from any monies due. If the member is due no funds, or less than the entire amount of the premium, the contractor will be responsible for billing the member direct for that premium.

540205. Failure to Make Premium Payments. Failure to make monthly premium payments will result in disenrollment from the TSRDP and subject the member to a 12-month lock out period. Following the lock out period, eligible members may reenroll if they so choose.

540206. Terminations. Coverage of TSRDP shall terminate on the last day of the month in which the member is discharged; transfers to the Individual Ready Reserve, Standby Reserve, or Retired Reserve; or is ordered to active duty for a period of more than 30 days.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

OCT 23 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

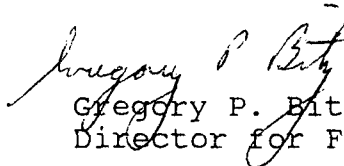
SUBJECT: Change to the DoDFMR, Volume 7A, Regarding Terminating
Ready Reserve Mobilization Income Insurance Program
(DFAS Item G-58)

The Fiscal Year 1998 National Defense Authorization Act, Section 512 (Public Law 105-85) terminates the Ready Reserve Mobilization Income Insurance Program. Attached is interim change 39-98, which incorporates the provisions of P.L. 105-85 in the DoDFMR Volume 7A. This change is effective November 18, 1997.

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where applicable.

Assignment of an interim change is your authority to start a procedural modification to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Mr. Robert Bird, may be reached at (703) 602-5279 or DSN 332-5279. Our Fax number is (703) 602-5271 or DSN 332-5271.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
DASD (RA)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PMO

1. Add the following new paragraph 54A0107 to read:

54A0107. Termination of Program.

54A0107A Termination of New Enrollments. The Secretary may not enroll a member of the Ready Reserve for coverage under this insurance program after 18 November 1997.

54A0107B Termination of Coverage. Enrollment of insured members is terminated as of 18 November 1997. An insured member who on 18 November 1997, is serving on covered service for a period of service, or has been issued an order directing the performance of covered service, that satisfied or would satisfy the entitlement-to-benefit provision of this chapter, is terminated as of the date of termination of the period of covered service of that member.

54A0107C Termination of Payment of Benefits. The Secretary may not make any benefit payment under this program after 18 November 1997, other than to an insured member who on that date (1) is serving on an order to covered service, (2) has been issued an order directing performance of covered service, or (3) has served on covered service before that date for which benefits under the program have not been paid to the member.

54A0107D Termination of Insurance Fund. The Secretary shall close the Fund not later than 60 days after the date on which the last benefit payment from the Fund is made. Any amount remaining when closed shall be paid into the Treasury as miscellaneous receipts."

2. Add the following to the Bibliography:

Paragraph

Citation

54A0107

PL 105-85, Section 512,
18 November 1997



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

Aug 24 1999

DFAS-HQ/FMM

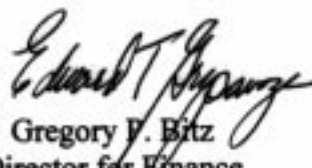
MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, TRICARE Active Duty Family Member
Dental Plan (TFMDP) Premium Rate Changes. (DFAS Item #I-17)

Attached is DFAS interim change 30-99 to the DoDFMR, Volume 7A. The purpose of this change is to update the premium rate for TFMDP coverage. This change was effective August 1, 1999. Payroll deductions begin as of July 1999.

Assignment of an interim change number is your authority to for a systemic modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Ms. Ann Cook, may be contacted at DSN 327-2087 or (703) 607-5059.

for 
Gregory P. Birtz
Director for Finance

Attachment
As stated

cc: DASD (MPP)(COMP)
OUSD(C) ODCFO(FC)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

1. Revise first two sentence to subparagraph 540105.A as follows:

“The monthly premium for TRICARE-FMDP coverage (effective August 1, 1999) is \$8.53 for individual coverage and \$21.33 for family coverage; deductions begin as of July 1999.”

2. Change the citations for the following paragraph in the bibliography to:**Paragraph**

540105.A

Citation

OASD/TMA Memo, 5 May 1999

★CHAPTER 55

**READY RESERVE MOBILIZATION
INCOME INSURANCE PROGRAM**5501 GENERAL PROVISIONS

550101. Definitions. The following terms may vary from definitions at the beginning of this manual and are applicable to this chapter only:

A. Active Duty (AD). Full-time with a Military Service including full-time duty with the National Guard.

B. Active Duty for Training (ADT). Full-time duty for training purposes with a Reserve Component or the Reserve Officers Training Corps.

C. Beneficiary/Designated Recipient. The person or agent that the insured member designates in writing to receive benefit payments. A spouse, child, parent, heir or other person with an insurable interest (i.e., business partner, friend, etc.) may be designated. In addition, a member may direct that payments of insurance benefits be deposited with a bank or other financial institution to the credit of the designated person. If no such designation has been made, and the member is deceased upon establishment of a valid claim, the amount shall be payable in accordance with the laws of the state of the member's domicile.

D. Covered Service. The term means AD performed by a member of a Reserve Component under an order to AD for a period of more than 30 days. The order must specify that the member's service is in support of:

1. An operational mission for which members of the Reserve Components have been ordered to AD without their consent; or,

2. Forces activated during a period of war or national emergency declared by the President or the Congress.

E. Insured Member. The term means a member of the Ready Reserve who is enrolled for coverage under the insurance program in accordance with 10 U.S.C. 12524 (reference (c)).

F. Ready Reserve. Consists of the Selected Reserve, the Individual Ready Reserve, and the Inactive National Guard.

550102. Entitlement

A. An insured member (defined in subparagraph 550101.E, above) ordered into covered service (as defined in subparagraph 550101.D, above) is entitled to payment of a

benefit for each month (and fraction thereof) after a 30-day period of covered service. The active duty order must specify that the member's service is covered service as defined in subparagraph 550101.D, above.

B. No member may be paid a benefit for more than 12 months during any period of 18 consecutive months.

C. Proof of loss of income or expenses incurred as a result of covered service is not required.

D. If, at any time, assets of the RRMIP Fund are insufficient to pay the benefits, the Secretary of Defense shall request the President to submit to the Congress a request for a special appropriation to cover the insufficiency. If such appropriation is not made, the Secretary of Defense shall reduce the amount of benefits paid to a total amount that does not exceed the assets of the Fund by the end of the fiscal year. Benefits that cannot be paid because of such a reduction shall be deferred and may be paid only after and to the extent that additional funds become available.

550103. Amount of Benefits

A. The amount of a member's monthly benefit under an automatic enrollment shall be the basic benefit amount of \$1,000 per month as adjusted annually to offset the effect of inflation and to maintain the constant dollar value of the benefit.

B. A member automatically enrolled or a member who is offered the opportunity to enroll may make an election within 60 days of the first day of the first full month after such automatic enrollment or of the member being offered the opportunity to enroll. Members may elect:

1. A reduced coverage amount equal to one-half the amount of the basic benefit amount.

2. An enhanced benefit in the amount of \$1,500, \$2,000, \$2,500, \$3,000, \$3,500, \$4,000, \$4,500, or \$5,000 per month as adjusted annually to offset the effect of inflation.

3. To decline enrollment.

C. Members who are enrolled or who are offered coverage may, at any time after their initial election, make an election to reduce coverage to a lesser amount in \$500 increments or cancel enrollment. They may not elect to increase coverage.

D. An election to decline insurance may not be revoked. EXCEPTION: A member of the Ready Reserve, who is ineligible to enroll because the member is serving on active duty (or full-time National Guard duty) when the program of insurance is first offered, is eligible to enroll when released from active duty unless the member has previously declined

coverage while a member of the Selected Reserve Force. A member of the Individual Ready Reserve who becomes a member of the Selected Reserve shall not be denied eligibility to purchase insurance upon becoming a member of the Selected Reserve unless the member previously declined to enroll while a member of the Selected Reserve. Also, a declination of insurance may be revoked when a member is discharged from the Ready Reserve or transfers to another Military Service. After being separated from the Military Service, an individual who rejoins the Ready Reserve is automatically enrolled in the insurance program (see subparagraph 550104.A, below).

E. Partial Months. The amount of insurance payable to an insured member for a period of covered service less than one month is 1/30th of the monthly benefit amount multiplied by the number of days served.

F. Adjustments. Benefit amounts shall be adjusted on an annual basis to offset the effect of inflation and maintain the constant dollar value of the benefit amounts. If the amount of a benefit adjustment is not evenly divisible by \$10, the amount shall be rounded to the nearest multiple of \$10. Except that an amount evenly divisible by \$5 (but not by \$10) shall be rounded to the next lower amount that is evenly divisible by \$10.

550104. Enrollment

A. On or after 1 October 1996, and upon first becoming a member of the Ready Reserve, a member is automatically enrolled for the basic benefit amount of \$1,000 per month or an amount as adjusted under subparagraph 550103.F, above.

B. Members of the Ready Reserve, as of 30 September 1996, other than members ineligible under subparagraph 550104.E, below, shall be offered an opportunity to enroll for coverage under the insurance program.

C. A member under paragraph 550104.A, above, who fails to complete the enrollment process within 60 days after being automatically enrolled or a member under paragraph 550104.B, above, who fails to complete the enrollment process within 60 days after being offered the opportunity to enroll, shall be considered as having declined to be insured under the insurance program.

D. A member of the Ready Reserve, ineligible to enroll under subparagraph 550104.E, below, shall be afforded an opportunity to enroll in accordance with subparagraphs 550104.B and C, above, upon being released from active duty, if the member has not previously declined to be insured under paragraphs 550104.A and B, above.

E. Members Ineligible to Enroll. Members of the Ready Reserve serving on full-time active duty in a Military Service, including full-time National Guard duty, are ineligible to enroll. Such duty includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a Service school by law or by the Secretary of the Military Department concerned. Also, ineligible to enroll are members of the

Ready Reserve who are not subject to mobilization or those who are non-deployable in accordance with DoDI 1235.12 (reference (ek)). The Secretary of Defense may define any additional category of members of the Ready Reserve to be included or excluded from eligibility to purchase insurance under this program.

550105. Deductions (RRMIIP Premiums)

A. Premium rates prescribed will be subject to change by the Secretary of Defense to reflect program administrative costs, program experience, or any other change in actuarial assumptions.

B. Premiums will be collected in accordance with procedures specified by the Secretary of Defense.

C. All premium payments must be paid in advance of the period for which the member is to be insured.

D. Premium liability for a member who is automatically insured is incurred on the first day of the month after the first full month of automatic coverage. For example: A member entering the Military Service during the month of April (1-30 day) will have premium liability beginning on June 1.

E. The Military Service concerned shall advance to any member who is "automatically" insured an amount equal to the first monthly insurance premium payment. The advance premium payment may be paid out of appropriations for military pay. Such advance payment shall be reimbursed by the member if the member elects coverage under the program.

F. A member who is automatically insured and who opts to decline the insurance coverage or who fails to complete the enrollment process at any time during the 60-day enrollment period, shall incur no liability for premium payment for any part of the 60-day period. The Military Service which has made an advance payment of premium on behalf of said member will incur no liability for the unearned premium payments and shall be allowed to recover such advance payment through an accounting adjustment.

G. Premium amounts collected shall be paid directly to and shall be credited monthly to the Fund not later than 10 working days after the end-of-month payday for the month.

H. A member under subparagraph 550104.A, above, who is called to active duty for covered service, and who commences active duty prior to completing the enrollment process is insured for the basic benefit amount of \$1,000.

550106. Termination, Forfeiture, Reinstatement

A. Termination. The coverage of a member under the insurance program shall be terminated without prior notice upon failure of a member to make the required payment

of premiums for two consecutive months.

B. Forfeiture. A member convicted of mutiny, treason, spying or desertion, or who refuses to perform service in the Armed Forces, or refuses to wear the uniform of any Armed Force, forfeits all rights to insurance in accordance with 10 U.S.C. 12532 (reference (c)).

C. Reinstatement. When the Military Service determines that a member's insurance coverage has been revoked due to an administrative error deemed to be no fault of the member, the member's insurance may be reinstated when all premiums from the date of revocation are paid by the member.

CHAPTER 56

SERVICE CREDITABLE

5601 **GENERAL**

The provisions of Chapter 1 apply to members of the Reserve Components.

Interim Changes 26-97, 22-98, 23-98, 24-98, 27-98, 44-98 and 10-99 are incorporated in this change. Interim changes 26-97, 22-98, 44-98, and 10-99 also affect other chapters and will not be deleted from the interim changes cited on the Internet.

CHAPTER 57

ACTIVE DUTY (NOT EXTENDED ACTIVE DUTY) ENTITLEMENTS

5701 GENERAL PROVISIONS

570101. Entitlements

A. Active Duty With Pay. A member of a Reserve Component serving on active duty with pay is entitled to receive pay according to the member's years of service and the grade in which the member is serving.

NOTE: As used in this chapter, the term active duty includes active duty training, active duty for training, full-time training duty, annual training duty and attendance while in active service at a school designated as a Service school by law or the Secretary of the Military Department concerned, temporary active duty when the pay is chargeable to a Reserve appropriation or, in the case of the National Guard, full-time training, and other full-time duty. It does not mean extended active duty. Extended active duty (EAD) is defined as active duty performed by a member of a Reserve Component when strength accountability passes from the Reserve Component to the active military establishment.

★B. Active Duty Without Pay. A member of a Reserve Component may, with his or her consent, be ordered to active duty without pay when authorized by the Secretary of the Military Department concerned. See subparagraphs 570501.B and 570502.B for entitlement to allowances.

C. Combination Active Duty and Inactive Duty. A member of a Reserve Component may be paid the equivalent total of more than 360 days' pay in a year, when so directed, if this total is based on a combination of active duty pay and inactive duty training pay.

D. Effective Date of Promotion for Increase in Pay and Allowances Reserve and National Guard Officers. See Table 57-1.

E. Effective Date of Promotion for Increase in Pay and Allowances, Enlisted Members of the Reserve Components. Table 2-2, rules 7 through 11 apply to these members.

570102. Saved Pay. The provisions of chapter 2, section 0203, apply to members of Reserve Components.

570103. Limitation. A member of a Reserve Component cannot be paid inactive duty pay on any day that he or she is entitled to active duty pay.

570104. Waiver of Benefits. A member of a Reserve Component who is drawing a pension, disability compensation, retainer pay, or retirement pay from the United States for prior military service, and who performs duty for which he or she is entitled to pay, may elect to receive either:

- A. The payments for prior military service, or
- B. If member specifically waives those payments, the pay and allowances authorized for the duty the member is currently performing.

1. Department of Veterans Affairs (VA) Disability Compensation.

A Reservist who is entitled to VA disability compensation must waive the equivalent VA compensation for one day for each Reserve active duty day or each inactive duty period. (Thus, the performance of two inactive duty periods in 1 calendar day requires waiver of the equivalent VA compensation for two days.) These waiver requirements apply for all days in a calendar month.

2. Retired or Retainer Pay. A Reservist who is entitled to retired or retainer pay must waive the equivalent of retired or retainer pay for one day for each Reserve active duty day or inactive duty performance day. (Thus, the performance of two inactive duty period in 1 calendar day requires waiver of the equivalent retired or retainer pay.) These waiver requirements apply for all days in a calendar month.

570105. Allotments of Pay. Except as prescribed in paragraph 570708, below, a member of a Reserve Component not on EAD may not have pay allotted. Members of Reserve Components serving on active duty, active duty for training, or full-time training duty under competent orders which specify periods of duty of more than 180 days, or upon involuntary recall under 10 U.S.C. 12302 (reference (c)), are excluded from this restriction when prescribed in Military Service regulations and may allot their pay, even though such pay is chargeable to Reserve or National Guard appropriations. Section 3404 of this Regulation applies should a member enter a missing status and paragraph 570604, below, applies should a member incur a disability.

570106. Leave. A member of a Reserve Component who serves on active duty with pay for periods of 30 consecutive days or more accrues leave at the rate of 2-1/2 calendar days for each month of active service, excluding periods of:

- A. Absence from duty without leave.
- B. Absence over leave.
- C. Confinement as a result of a court-martial.

The member is entitled to lump-sum settlement of unused accrued leave upon completion

of a tour per Table 57-2. When consecutive tours are involved, a member may be reimbursed for unused accrued leave or it may be carried forward, at the member's option, until completion of the final tour. When computing the length of a period of active duty, include allowable travel time. See also chapter 35, paragraphs 350101 and 350102, and procedural instructions of the Military Services concerned; refer to Tables 35-1 through 35-4 for specific entitlement criteria.

5702 ALLOWABLE TRAVEL TIME FOR PAY ENTITLEMENT PURPOSES

570201. Entitlement. The provisions of chapter 2, section 0205, apply to members of the Reserve Components.

5703 COMPUTATION OF PAY

570301. Annual Salary. The provisions of paragraph 020203 apply to members of the Reserve Components.

570302. Computation of Monthly Pay

A. Active Duty for 30 Days or More. When a member is ordered to active duty for 30 days or more and the tour of duty starts on the first day or an intermediate day of a calendar month, the member is entitled to pay and allowances through the 30th day. Payment is not authorized for the 31st day of a calendar month (except BAS for enlisted members). This includes a member who is ordered to active duty for less than 30 days and is continued on active duty for 30 days or more by new orders or an amendment to the original orders. When computing the number of days for which pay is due, include the entire period the member actually serves on active duty, including allowable travel time. (See Table 57-2, rules 1 and 2.)

B. Active Duty for Less Than 30 Days. A member ordered to active duty for less than 30 days is entitled to pay and allowances at 1/30th the monthly rate for each day actually served, including the 31st day of a calendar month. This includes a member ordered to active duty for 30 days or more but released before performing at least 30 days of active duty, including allowable travel time. (See Table 57-2, rule 3.)

C. Active Duty During February. (See Table 57-2, rules 4 through 11.)

570303. Absence From Duty

A. Active Duty for Less Than 30 Days. Deduct 1/30th of pay for 1 month for each day of unauthorized absence.

B. Active Duty of 30 Days or More. The provisions of chapter 2, paragraph 020202 applies to members of the Reserve Components.

570304. Basic Pay Rates. Tables 2-5 through 2-8 contain current monthly rates of basic pay.

5704 SPECIAL AND INCENTIVE PAY570401. Entitlement

★A. General. A member of a Reserve Component on active duty is entitled to special and incentive pays under the same conditions as a member on EAD. For exceptions, see subparagraphs B, C, D, and E, below, and paragraphs 570402 through 570408, below.

B. Career Sea Duty and Foreign Duty Pay. For career sea duty and foreign duty pay, the ship or duty station at which a member is performing active duty is considered member's permanent duty station.

C. Aviation Career Incentive Pay (ACIP); Hazardous Duty Incentive Pay (HDIP) for the Performance of Aerial Flights

★1. A Reserve Component officer is entitled to ACIP (continuous or conditional) while performing active duty as defined in subparagraph 570101.A, above, when the requirements of chapter 22, section 2202 and the requirements for an Aviation Service Career nor on Active Guard and Reserve (AGR) Duty) as defined in the Definitions have been met. AGR aviators on full time active duty on a career basis shall be entitled to ACIP (continuous or conditional) under provisions of chapter 22 on the same basis as officers on extended active duty.

2. Excess Flying Time. The excess flying time provisions in section 2202 of this regulation, for rated officers, flight surgeons, and rated or designated warrant officers entitled to ACIP, and in section 2201, of this regulation, for enlisted crew members entitled to flying pay, apply to a member of Reserve Component only if on continuous active duty for a period of 30 days or more.

★3. Combined Flight Requirements. When a member performs both active and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any ACIP or hazardous duty incentive pay (HDIP) flight requirements for that month. For specific details, see subparagraph 580202, below.

4. Flying Pay for Allowable Travel Time. A member on active duty for 30 days or less is entitled to flying pay (if otherwise entitled) for travel time from duty station to home, even though the period extends into the following calendar month (see Table 22-3, rule 5).

★5. Entitlement to ACIP While on Active Duty for Training for Members Who Perform Inactive Duty Training Without Pay. An officer who performs inactive duty for training without pay is entitled to ACIP when performing active duty for training only if member is considered to be performing aviation service on a career basis. (See Definitions for "Aviation Service Career" (Not on Extended Active Duty nor on Active Guard and Reserve (AGR) Duty.))

D. Parachute Duty Pay. Parachute jumps performed during periods of active duty for training or during inactive duty training periods, if performed per chapter 24, section 2402, may be used to qualify the member for parachute pay for either type of training. Parachute jumps performed while on EAD do not qualify a Reservist for parachute pay in an inactive duty training status.

E. Special Duty Assignment Pay. An enlisted member on active duty for training is entitled to special duty assignment pay if otherwise entitled under chapter 8.

570402. Selected Reserve Reenlistment or Voluntary Extension

★A. Basic Condition of Entitlement. A bonus may be awarded during the period of February 24, 1986 through September 30, 1999 to an enlisted member of a Reserve Component who meets all the following criteria:

1. Reenlists or extends in a unit and/or a military occupational specialty approved by the Secretary concerned;

★2. Has not previously received two 3-year reenlistment/extension bonuses or one 6 year reenlistment bonus for service in the Selected Reserve;

3. Is not reenlisting or extending to qualify for a civilian position (excluding temporary assignments) where membership in the Reserve Component is a condition of employment;

4. Holds rank or grade commensurate with the billet vacancy (within authorized substitution limits as prescribed by the Military Service concerned); and

5. Has been a satisfactory participant in the Selected Reserve for at least the last 3 months of his or her Selected Reserve service at the time of reenlistment or extension.

★B. To Whom Payable. An enlisted member of a Reserve Component who has completed less than 14 years total military service and reenlists or voluntarily extends his or her enlistment for:

1. A period of 6 years may receive an amount not to exceed \$5,000.

2. An initial period of 3 years may receive an amount not to exceed \$2,500.

3. A second period of 3 years may receive an amount not to exceed \$2,000.

Note: A member may not be paid more than one 6-year reenlistment bonus or two 3-year reenlistment/extension bonuses.

★C. Amounts Payable. The initial amount payable may not exceed one-half of the total amount of the bonus with subsequent partial payments in an amount and schedule established by the Secretary of the Military Department concerned.

570403. Selected Reserve Enlistment

★A. Basic Condition of Entitlement. A bonus may be awarded during the period February 24, 1986, through September 30, 1999, to an individual who enlists in the Selected Reserve of the Ready Reserve for a term of not less than 6 years and a total Ready Reserve obligation of not more than 8 years and who meets the following criteria:

1. Has not previously served in any component of the Armed Forces (Service non-prior service definitions apply);
2. Is classified in test score category I, II, or III;
3. Is a graduate of a secondary school;
4. Is not enlisting to qualify for a military technician position where membership in a Reserve Component is a condition of employment (persons on temporary assignment are excluded);
5. Is enlisting as a member of a unit and/or in a military specialty established as critical by the Secretary of the Military Department;
6. Is not selecting an optional enlistment program (that is, 3x3, 4x2, 5x1); and
7. Is not enlisting for voluntary assignment to full-time active duty or active duty for training in excess of 90 days in support of a Reserve program;

★B. Prior Service Enlistments. Effective February 24, 1986, through September 30, 1999, an enlistment bonus for prior Service personnel may be paid to an honorably discharged member who enlists in the Selected Reserve for a critical skill designated by the Secretary of the Military Department concerned for either a 3- or 6-year enlistment, executes an agreement, and:

1. Has completed the service obligation but has less than 14 years total military service;
2. Is not being released from active service for the purpose of enlisting in a Reserve Component; and

3. Has not previously been paid a bonus for enlistment, reenlistment or extension in a Reserve Component.

C. Amount and Time of Payment

1. Nonprior Service. The amount of the enlistment bonus may vary by military specialty, except that the amount may not exceed \$5,000. Payment may be an amount not to exceed one-half upon satisfactory completion of initial active duty for training (IADT), including military specialty qualification or sufficient training to be deployable. The remainder of the bonus may be paid in periodic installments or in a lump sum as determined by the Secretary concerned.

★2. Prior Service

a. A person who is a former enlisted member of an Armed Force and enlists in the Selected Reserve of the Ready Reserve in a skill designated as critical by the Secretary of the Military Department concerned, may be paid a bonus as follows:

(1) \$5,000, when the person enlists for a period of 6 years;

(2). \$2,500 when the person who never received a bonus under this section enlists or extends for a period of 3 years; and

(3). \$2,000 when the person who received a bonus under this section for a previous 3-year enlistment or extension, enlists or extends the enlistment for an additional period of 3 years.

(4). A member may not be paid more than one 6-year prior service enlistment bonus or two 3-year prior service enlistment bonuses.

b. Any bonus payable under this section shall be paid in one initial payment of an amount not to exceed one-half of the total amount of the bonus and subsequent periodic partial payments of the balance of the bonus. The Secretary of the Military Department concerned shall prescribe the amount of each partial payment and the schedule for making the partial payments.

NOTE: A member may not be paid a bonus under this paragraph unless the specialty associated with the position the member is projected to occupy is a specialty in which the member successfully served while on active duty and attained a level of qualification commensurate with the member's grade and years of service.

★570404. Affiliation Bonus. A Reserve affiliation bonus is authorized during the period October 1, 1980 through September 30, 1985, and February 24, 1986, through September 30, 1999, to any person who:

A. Is serving on active duty, is eligible for reenlistment or for an extension of the active duty status, has 180 days or less remaining on the active duty obligation and, upon discharge or release from active duty upon the completion of such active duty obligation, will have a Reserve service obligation under 10 U.S.C. 651 (reference (c)) or under section 6(d)(1) of the Military Selective Service Act (reference (bw)); or

B. Has served on active duty for any period of time, has completed satisfactorily any term of enlistment or period of obligated active duty service, was discharged or released from such active duty under honorable conditions, is serving a period of Reserve service obligation under 10 U.S.C. 651 (reference (c)) or section 6(d)(1) of the Military Selective Service Act (reference (bw)), and meets the following eligibility criteria:

1. Is affiliating with a unit and/or holds and is qualified in a military specialty designated by the Secretary of the Military Department concerned for the purpose of this bonus;

2. Has a grade or rating and military occupational specialty for which there is a vacancy in the Reserve Component in which the person is to become a member; (Service grade and skill substitution rules apply);

3. Is not affiliating to qualify for a civilian position where membership in the Guard or Reserve is a condition of employment (persons on temporary assignment excluded);

4. Enters into a written agreement with the Secretary concerned to serve as an enlisted member of the Selected Reserve of the Ready Reserve of an Armed Force for the period of obligated Reserve service such person has remaining at the time of affiliation;

5. Has not enlisted under the IRR Direct Enlistment Program; and

6. Meets all other requirements established by the Reserve Components.

C. A person who meets the eligibility criteria outlined above may be awarded a bonus, calculated on a basis of up to \$50 a month, as determined by the Secretary of the Military Department concerned, for each month of remaining military service obligation or, if on active duty, that will remain at the time of discharge or release from active duty (only whole months will be counted).

1. If the person has 18 months or less remaining on the military service obligation, the entire amount may be paid upon the signing of a Selected Reserve agreement and affiliation with a Selected Reserve unit.

2. If the person has more than 18 months remaining, the bonus may be payable one-half upon the execution of a Selected Reserve agreement and affiliation with a Selected Reserve unit and one-half on the sixth anniversary of the date upon which statutory military obligation began (original enlistment contract or entry on active duty).

3. In lieu of the payment methods authorized in subparagraphs 1 and 2, above, the Secretary of the Military Department concerned may authorize a bonus to be paid in monthly installments of an amount to be determined by the Secretary. In such cases, payments will begin upon the member's completion of the first month of satisfactory service and will be paid only for those months that he or she maintains satisfactory. "Satisfactory participation" will be determined in accordance with appropriate Service personnel guidance.

570405. Obligation. To be eligible for any incentive, a member must be contractually obligated to participate satisfactorily, as prescribed by Component regulations, in the selected Reserve for the full term of the enlistment, reenlistment, extension or affiliation period. The member further must be obligated to continue to serve in the same component and in the same military occupational specialty unless excused for the convenience of the government.

570406. Termination of Incentive Entitlement for Enlistment, Reenlistment, or Affiliation Bonuses. Entitlement to further bonus payments will be terminated if a member:

A. Fails to participate satisfactorily in accordance with the Military Service in the Selected Reserve.

B. Accepts a civilian position where membership in the Reserve Component is a condition of employment (persons on temporary assignment excluded).

C. Is separated from the Selected Reserve as an enlisted person for any reason (including enlistment or voluntary recall into the active forces).

D. Becomes a simultaneous member of an authorized officer program drawing a stipend.

E. Moves out of a bonus-qualified military occupational specialty, unless at the express direction of the Military Service concerned.

F. Moves to a nonbonus eligible unit, unless at the express direction of the parent Component. (Exceptions: Provided they remain otherwise qualified, current bonus participants retain bonus entitlement if they either volunteer for active duty or active duty for training in excess of 90 days in support of a Reserve Component, or accept a temporary military technician position where membership in a Reserve Component is a condition of employment.)

G. Fails to extend the contracted term of service for a period of authorized nonavailability.

570407. Relief From Termination of Bonuses. Members who move from one location to another may continue bonus eligibility if they remain in the Selected Reserve of the same Component and join a bonus-eligible unit or bonus-eligible military occupational specialty, as appropriate. Relocated members who remain eligible for continuation in the bonus program may not receive a payment before qualifying in the gaining unit position. Members whose military occupational specialty is changed at the convenience of the government or whose units are inactivated, relocated, reorganized, or converted may continue to be entitled to incentive payments provided they meet all other eligibility criteria.

570408. Nonavailability

A. Members who incur a period of authorized nonavailability (such as, temporary overseas residence, missionary obligation, overseas employment obligation, etc.) are not actually terminated from the incentive program. Such personnel will be assigned temporarily to the Standby Reserve or the Inactive National Guard, as appropriate, and be required to extend their enlistment, reenlistment, or extension period in the Ready Reserve in order to serve the full contract period in the Selected Reserve. During the period of nonavailability, the member will not be entitled to subsequent incentive payments. Entitlements to subsequent payments will resume on the adjusted anniversary date of satisfactory creditable Selected Reserve service.

B. Members who incur a period of authorized nonavailability of up to 1 year for valid personal reasons will be assigned temporarily to the Individual Ready Reserve (IRR) or the Inactive National Guard, as appropriate, and be required to extend their enlistment, reenlistment, or extension period in the Ready Reserve in order to serve the full contract period in the Selected Reserve. During a period of nonavailability, the member will not be entitled to subsequent incentive payments or any incentives available to members of the Ready Reserve not in the Selected Reserve. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory Selected Reserve service. (The date will be adjusted for that period of nonavailability.)

570409. Recoupment of Payments. Any refund made by a member does not affect the period of obligation of such member to serve as a Ready Reservist.

A. Recoupment of enlistment, reenlistment and affiliation bonuses will be effected for any member who:

1. Fails to participate satisfactorily in training with the Selected Reserve during the entire period of enlistment, reenlistment or extension, per the Selected Reserve written agreement, unless the failure to participate satisfactorily was due to reasons beyond the control of the member (that is, death, injury, illness or other impairment not the result of the member's misconduct).

2. Accepts a civilian position where membership in the Reserve Component is a condition of employment, if less than one-half of the contract term for which a bonus is payable has been served (members on temporary assignment excluded).

3. Separates from the Selected Reserve as an enlisted person for any reason (including enlistment or voluntary recall into the active forces) other than by death or to accept an immediate appointment as an officer in the Ready Reserve (in which case, recoupment is required if less than 1 year of the term has been served).

4. Moves out of a bonus-eligible military occupational specialty, unless at the express direction of member's component.

5. Moves to a bonus-ineligible unit unless at the express direction of the Military Service concerned.

B. Recoupment of enlistment, reenlistment, and affiliation bonuses is calculated as follows:

1. The number of months served satisfactorily during the term for which a bonus was paid will be multiplied by the monthly rate authorized by the particular bonus.

2. That amount is subtracted from the total amount of bonus paid to the individual to date (initial and any subsequent payments).

3. If the calculation indicates overpayment to the individual, that amount is recouped. If the calculation indicates that the member has earned more than has been paid (total of initial and any subsequent payments) on the same prorata basis, that amount is paid in the final installment.

4. The amount to be recouped will be reduced by an amount equal to any reduction taken under chapter 35, subparagraphs 350702.F or 350802.D.

5705 ALLOWANCES

570501. Basic Allowance for Subsistence (BAS)

A. Entitlement-Active Duty With Pay. A member of a Reserve Component ordered to active duty with pay is entitled to BAS as prescribed in chapter 25.

B. Entitlement-Active Duty Without Pay. A member of a Reserve Component ordered to active duty without pay is entitled to subsistence in kind or commutation thereof as stipulated for in subparagraphs 1 and 2, below. When a member is ordered to active duty "without pay and allowances," no payment is authorized.

1. Duty at the Permanent Duty Station. BAS will be paid at the same rates and under the same conditions as provided for members on active duty with pay.

2. Duty at Other Than the Permanent Duty Station. When a government mess is not available, reimbursement for meals is authorized at the rate of \$1.50 per meal (maximum \$4.50 per day).

★570502. Basic Allowance for Housing (BAH)

★A. Entitlement-Active Duty With Pay. Members of a Reserve Component on active duty with pay are entitled to BAH under terms and conditions of chapter 26. Members of a Reserve Component on active duty (other than for training) with pay are entitled to BAH under the same terms and conditions as members serving on full time active duty. A member who is receiving quarters allowance incident to civilian employment also may receive BAH as a result of military service, if otherwise entitled. See chapter 26, paragraph 260203 for further guidance.

B. Entitlement-Active Duty Without Pay. A member of a Reserve Component ordered to active duty without pay is entitled to quarters in kind or commutation thereof as provided for in subparagraphs 1 and 2, below. When a member is ordered to active duty "without pay and allowances," payment is not authorized.

★1. Duty at the Permanent Duty Station. BAH will be paid at the same rates prescribed in Table 26-9 and under the same conditions as provided for a member without dependents on active duty with pay.

2. Duty at Other Than the Permanent Duty Station. When government quarters are not available, reimbursement for quarters is authorized at the rate of \$4.50 per day.

★C. Permanent Duty Station-Active Duty For Training. For members of the Army National Guard, the Air National Guard, or Reserve Components of any of the Uniformed Services on active duty for training, the place where the training duty is being performed shall be deemed to be the permanent station of such members for BAH entitlement purposes. These rates payable are reflected in Table 26-9

★D. Permanent Duty Station-Active Duty Other Than For Training and No Permanent Change of Station (PCS) Orders. Effective August 2, 1990, the permanent duty station (PDS) for members of Reserve Components ordered to active duty (other than for training and no PCS orders issued) is their monthly drill/training station. The permanent duty station (PDS) for Reserve members who have no monthly drill/training station (i.e., Individual Ready Reserve (IRR), some individual mobilization augmentees (IMA), Standby Reservists, and Retired Reservists) is the place from which they were called/ordered to active duty. Any follow-on duty away from the PDS (to include involuntary reassignment to another Reserve Component unit for the purpose of cross leveling members to support operational missions) is considered TDY/TAD. Therefore, when those members, without dependent, are not furnished government

quarters at the PDS, they are entitled to without-dependent BAH under Table 26-3, rule 1, and the BAH will continue for the TDY/TAD periods under Table 26-3, rule 13, even though government quarters are furnished at the TDY/TAD location. See paragraph 260203 for further guidance. The rate payable is based on the locality rate at the members permanent duty station.

★E. Contingency Operations. BAH is authorized to Reservists without dependents, under terms and conditions of chapter 26, when called or ordered to active duty in connection with a contingency operation as defined in 10 U.S.C. 101(a)(13) (reference (c)), who because of the call or order are unable to continue to occupy their primary residence that is owned by the member, or for which the member remains responsible for rent payment. The rate payable is based on the locality rate at the members permanent duty station

F. Annual Certification. See paragraph 260304 for annual certification of dependency requirements.

570503. Family Separation Allowance (FSA)

A. The provision of chapter 27, apply to a member of a Reserve Component on active duty with pay for periods of more than 30 days.

B. A member of a Reserve Component may be entitled to FSA-I or FSA-II (FSA-R, FSA-S, or FSA-T), depending on length of tour specified in orders and whether or not dependent travel is authorized at government expense under Joint Federal Travel Regulations (for example, tour length of over 20 weeks, etc.).

570504. Station Allowances Outside the United States. The provisions of chapter 28 apply to members of the Reserve Components.

570505. Clothing Monetary Allowances-Enlisted Members

A. Active Duty for Periods of 6 Months or Less. An enlisted member of a Reserve Component ordered to active duty for 6 months or less is not entitled to a clothing monetary allowance.

B. Active Duty for Periods of More Than 6 Months. See chapter 29 for specific references to enlisted members of the Reserve Components ordered to active duty for periods of more than 6 months.

★C. Initial Cash Allowance for Enlisted Member. An enlisted member of a Reserve Component is entitled to an initial cash allowance for the purchase of items specifically designated by the Secretary of the Military Department concerned to be purchased by the member rather than to be furnished in kind. (See paragraph 290201).

D. Maternity Clothing. Pregnant enlisted women of a Reserve Component are entitled to a supplemental maternity clothing allowance in accordance with the provisions of:

1. Army: AR 700-4 (reference (ax))
2. Navy: DoDFMR, Volume 7A, Table 29-5
3. Air Force: AFR 39-23 (reference (bd)), DFAS-DE 7073.1-M and DFAS-DE 7073.3-M (reference (ap)) and DoDFMR, Volume 7A, Table 29-6.
4. Marine Corps: CO P10120.28 (reference (bb))

570506. Officers' Uniform and Equipment Allowances. See specific references to Reserve officers in chapter 30.

5706 MISCELLANEOUS PAYMENTS

570601. Advance Pay

A. A member of a Reserve Component in receipt of orders for PCS movement (140 days or more) is entitled to advance pay per chapter 32, paragraph 320101. Non-prior-service Army and Air Force enlistees with no prior service may be paid an advance pay under the conditions set forth in Table 32-1, rule 4.

B. A member of a Reserve Component, the Fleet Reserve, or a military retiree who is mobilized or recalled to active duty for any period under the provisions of Title 10, U.S.C 672(a), 673, 673a, 673b, or 688 (reference (c)), is entitled to advance pay and allowances per Chapter 32, paragraph 320102.

570602. Payments on Behalf of Mentally Incompetent Members

A. Active Duty (Not for Training). The provisions of chapter 33 apply to these members.

B. Active Duty for Training. Except as provided in subparagraphs 1 and 2, below, a member of a Reserve Component who becomes mentally incompetent while performing active duty for training has no entitlement to pay and allowances beyond the expiration or termination (whichever is earlier) of the orders that called the member to active duty for training.

1. A member may qualify for disability pay and allowances under the provisions of paragraph 570604, below.

2. A member may be entitled to miscellaneous payments resulting from separation (that is, travel allowance, accrued leave, etc.).

570603. Pay Entitlement of Members Missing, Missing in Action, Interned, etc., and Payments to Dependents. The provisions of chapter 34 apply to members of the Reserve Components.

570604. Disability Entitlements for the Reserve Forces

A. Entitlement. See Table 57-3 for disabilities incurred or aggravated after September 29, 1988; use Table 57-4 for disabilities incurred or aggravated between November 15, 1986, and September 29, 1988, inclusive; use Table 57-5 for disabilities incurred prior to November 15, 1986. Pay and allowances under these provisions generally may not be paid for a period of more than 6 months; however, the Secretary of the Military Department concerned may extend the period of entitlement beyond 6 months in the interest of fairness and equity.

B. Miscellaneous Provisions

1. Duty Without Pay. Duty without pay is considered for all purposes as if it were duty with pay. The rules in Tables 57-3, 57-4, and 57-5 apply equally to duty with and duty without pay. The rate of pay and allowances applicable is the rate the member would have been entitled to if in a pay status at the time the disability occurred.

2. Incentive Pay for Hazardous Duty. A member who is entitled to any of the incentive pays identified in chapters 22 through 24 on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the orders to perform the hazardous duty remain in effect, all performance requirements were met, and any other conditions in chapters 22 through 24 are satisfied.

3. Special Pays. A member who is entitled to any of the special pays in chapters 5 through 21 on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the special conditions, if any, in chapters 5 through 21 are satisfied.

4. Disability Not in Line of Duty. In the case of ordered active duty, not in the line of duty determinations cause pay and allowances to cease on the date of expiration of the ordered active duty plus allowable travel time, if any, or on the date member is relieved from active duty by competent authority. In the case of inactive duty performance, not in the line of duty determinations cause pay to cease on the day disability occurs.

5. Leave. Leave does not accrue to a member who is disabled and receiving pay and allowances beyond the ending date of the active duty orders, or the date of performance of inactive duty, as appropriate. If disability retirement or separation proceedings have begun, the period of time while awaiting orders will be first charged against the member's accrued leave.

C. Termination of Pay and Allowances. Subject to the provisions in Table 57-3, 57-4, or 57-5, a member's entitlement to pay and allowances while disabled terminates upon:

1. Retirement.

2. Separation for physical disability.

3. Determination by Military Service medical personnel that the member has recovered sufficiently to perform normal military duties, or when actually restored to normal military duties, whichever occurs first. A member must submit to timely Service medical examination(s) necessary for preparation of required medical certificate(s) in order to extend entitlement to pay and allowances beyond the ordered duty or training period. This provision does not apply to Table 57-3, rules 2, 5, and 8 since the member's entitlements therein are based upon lost civilian income. Likewise, this provision does not apply to Table 57-4, rules 3, 4, 6, 7, 9, and 10 since the member's entitlements therein are based upon lost civilian income whether or not fit for military duty. Civilian earned income does not include retirement income.

4. Discharge from the Reserve Component.

570605. Payments on Behalf of Deceased Members

A. Death Gratuity. The eligible beneficiaries of a member of a Reserve Component are entitled to payment of death gratuity under the provisions of the chapter 36.

B. Settling Deceased Members Accounts. The provisions of chapter 36, section 3602, apply to members of the Reserve Components.

★C. Allowance for Housing to Surviving Dependents. The provisions of section 3603 of this volume apply to the surviving dependents of members of the Reserve Components that were on active duty at the time of death.

570606. Disability Severance Pay

A. A member called or ordered to active duty (other than active duty for training under 10 U.S.C. 270(b)) (reference(c)) for more than 30 days and separated for a physical disability, which was the proximate result of the performance of such duty, is entitled to severance pay if otherwise qualified under appropriate personnel regulations.

B. A member on active duty for 30 days or less, or a member on active duty training for any period (including active duty for training under 10 U.S.C. 270(b)) (reference(c)) and separated for physical disability resulting from injury, is entitled to severance pay when injury was the proximate result of performance of such duty, if otherwise qualified under appropriate personnel regulations.

- C. Computation of severance pay will be as prescribed in chapter 35.

5707 DEDUCTIONS AND COLLECTIONS

570701. Income Tax Withholding

A. Federal Income Tax Withholding (FITW). The FITW provisions of chapter 44 apply to members of the Reserve Components.

B. State Income Tax Withholding (SITW). A Reservist's taxable income for FITW purposes is also subject to state tax withholding providing the state has entered into a withholding agreement with the Secretary of the Treasury as published within the Treasury Financial Manual (reference (de)). See also subparagraph 440106.C of this volume for states that have entered into such an agreement.

C. Legal Residence. Each member must designate a legal residence and report any change of legal residence. The provisions of subparagraph 440106.B, above, apply to members of the Reserve Components.

D. Local Tax Withholding. Only localities having agreements with the Department of the Treasury, as published in the Treasury Financial Manual, are eligible for withholding as follows:

1. When the Reservist resides and performs duty in the same city or county covered by an agreement, withholding is mandatory.

2. When the Reservist performs duty in a city or county other than where he or she resides, but within the same state of legal residence, withholding is mandatory for all jurisdictions with agreements. This includes the Reservist's city and county of residence, as well as the city and county where duty is performed.

3. When a Reservist performs duty in a city or county located in a state where the Reservist does not maintain a residency, and assuming all localities have agreements, withholding is voluntary for the city or county of duty and the city or county of residence.

570702. Federal Insurance Contributions Act (FICA). The provisions of chapter 45 apply to members of the Reserve Components.

570703. Deductions for Armed Forces Retirement Home (AFRH). The pay of a member of a Reserve Component is not subject to deductions for AFRH.

★570704. Servicemembers' Group Life Insurance (SGLI)

A. Duty in Excess of 30 Days Specified. The provisions of chapter 47 apply to members of the Reserve Components who are under a call or order to duty that does not specify a period of 30 days or less.

B. Duty of 30 Days or Less Specified. The provisions of section 5807 of this volume, apply to members of the Reserve Components who are under a call or order to duty that specifies a period of 30 days or less.

570705. Courts-Martial Sentences. The provisions of chapter 48 apply to members of the Reserve Components.

570706. Nonjudicial Punishment. The provisions of chapter 49 apply to members of the Reserve Components.

570707. Stoppages and Collections Other Than Courts-Martial Forfeitures. The provisions of chapter 50 apply to members of the Reserve Components.

570708. Allotments for National Guard Members. Members of the National Guard who are not on extended active duty are authorized to make one allotment from pay for the payment of premiums under a group life insurance program sponsored by the state military department in which such member holds a National Guard membership or by the state associations of the National Guard. Details covering the administration of the allotment program for National Guard members are contained in the pay procedural instructions of the Military Services concerned.

570709. TRICARE-Family Member Dental Plan (TRICARE-FMDP). Reserve members on active duty with dependents, who meet the eligibility requirements under chapter 54, may enroll their dependents in the TRICARE-FMDP. Members must intend to be on active duty for the minimum period of enrollment set in chapter 54.

570710. Savings Deposit Program (SDP). Members serving on active duty who meet the eligibility criteria as set forth in chapter 51, sections 5101 and 5102 are eligible to participate in the SDP.

INCREASE IN PAY ON PROMOTION—RESERVE AND NG OFFICERS			
R U L E	A	B	C
	When a Reserve officer is	in the	the effective date of increase in pay and allowances is the
1	promoted to a higher Reserve grade	Army or Air Force Reserve or National Guard	effective date of the promotion stated in the orders (note 1).
2	promoted under chapter 549 of Title 10 U.S.C. to a grade above lieutenant (jg)	Naval Reserve	date on which member became eligible for promotion to the higher grade (see note 2.)
3	promoted under chapter 549 of Title 10 U.S.C. to a grade above first lieutenant	Marine Corps Reserve	
4	promoted under section 5908 of Title 10 U.S.C. to the grade of lieutenant (jg)	Naval Reserve	date given as date of rank.
5	promoted under section 5908 of Title 10 U.S.C. to the grade of first lieutenant	Marine Corps Reserve	

NOTES:

1. For officers serving on active duty, other than for training, who are not on the active duty list, see Table 2-2.
2. If an officer has not established the moral and professional qualifications prescribed by the Secretary of the Navy under 10 U.S.C. 5867 within 1 year after the date on which the President approved the selection board's recommendation for promotion, officer is entitled to the pay and allowances of the grade to which promoted only from the date appointed to that grade.

Table 57-1. Increase in Pay on Promotion—Reserve and NG Officers

ENTITLEMENT TO PAY AND ALLOWANCES FOR VARIOUS PERIODS OF ACTIVE DUTY				
R U L E	A	B	C	
	If a member serves on active duty under competent orders for	during the period	then the member is entitled to pay and allowances for	
			active duty for	and lump-sum settlement of accrued leave
1	31 days	1-31 May	30 days (note 1)	yes
2	40 days	2 Jan-10 Feb	39 days (note 1)	yes
3	29 days	4 Jan-1 Feb	29 days	no
4	28 days	1-28 Feb (not leap year)	28 days	no
5	28 days	1-28 Feb (leap year)	28 days	no
6	29 days	1-29 Feb (leap year)	29 days	no
7	33 days	6 Feb-10 Mar	35 days (note 2)	yes
8	29 days	2 Feb-2 Mar (not leap year)	29 days	no
9	30 days	2 Feb-2 Mar (leap year)	31 days (note 3)	yes
10	31 days	1 Feb-2 Mar (leap year)	32 days (note 3)	yes
11	29 days	1 Feb-1 Mar (not leap year)	29 days	no
12	30 days	2 Jan-31 Jan	29 days (note 1)	yes

NOTES:

1. Member is not entitled to pay and allowances for the 31st day of the calendar month.
2. Member is entitled to pay and allowances (except BAS for enlisted members) for the constructive days of 29 and 30 February.
3. Member is entitled to pay and allowances (except BAS for enlisted members) for the constructive day of 30 February.

Table 57-2. Entitlement to Pay and Allowances for Various Periods of Active Duty

DISABILITY ENTITLEMENTS FOR THE RESERVE FORCES (FOR DISABILITIES INCURRED OR AGGRAVATED AFTER 29 SEP 1988)						
R U L E	A	B			C	D
	If a member is physically disabled in line of duty while	and the member is			then the member is entitled to	and
		not fit for military duty	fit for military duty but can show lost civilian income	fit for military duty and can't show lost civilian income		
1	serving on ordered active duty, or while traveling directly to or from such active duty (notes 1 and 10)	X			active duty pay and allowances for the period of the orders, plus authorized travel time. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of six months. (notes 2, 4, 6, 7, and 11)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8).
2			X		active duty pay and allowances for the period of orders, plus authorized travel time. Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months. (notes 2, 3, 5, 6, and 7)	

Table 57-3. Disability Entitlements for the Reserve Forces (For Disabilities Incurred or Aggravated After 29 Sep 1988)

R U L E	A	B			C	D
	If a member is physically disabled in line of duty while	and the member is			then the member is entitled to	and
		not fit for military duty	fit for military duty but can show lost civilian income	fit for military duty and can't show lost civilian income		
3	serving on ordered active duty, or while traveling directly to or from such active duty (notes 1 and 10)			X	active duty pay and allowances for the period of the orders, plus authorized travel time	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8).
4	performing inactive duty training or while, on the day of training, traveling directly to or from such training (notes 1 and 9)	X			inactive duty training compensation for the day (both periods if two had been scheduled). If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months. (notes 2, 4, 6, 7, and 11)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8).

Table 57-3. Disability Entitlements for the Reserve Forces (For Disabilities Incurred or Aggravated After 29 Sep 1988) (Continued)

R U L E	A	B			C	D
	If a member is physically disabled in line of duty while	and the member is			then the member is entitled to	and
		not fit for military duty	fit for military duty but can show lost civilian income	fit for military duty and can't show lost civilian income		
5	performing inactive duty training or while, on the day of training, traveling directly to or from such training (notes 1 and 9)		X		inactive duty training compensation for the day (both periods if two had been scheduled). Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months. (notes 2, 3, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8).
6				X	inactive duty training compensation for the day (both periods if two had been scheduled).	
7	traveling directly to or from inactive duty training on a day(s) other than the training day (notes 1 and 9)	X			beginning on the day of disability, pay and allowances less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months. (notes 2, 4, 6, 7, and 11)	
8			X		beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months. (notes 2, 3, 5, 6, and 7)	
9				X		

Table 57-3. Disability Entitlements for the Reserve Forces (For Disabilities Incurred or Aggravated After 29 Sep 1988) (Continued)

NOTES:

1. A member is considered to be traveling to the duty or training site upon departing residence with the intention of going directly to such duty or training site. A member is considered to be traveling from the duty or training site upon direct return to residence after completion of the duty or training.
2. Failure of the member to provide current and sufficient information as established by administrative regulations of the Military Service concerned may result in discontinuation of pay and allowances.
3. Lost civilian earned income is the difference between the member's normal wages or salary or other earnings (including self-employment earnings) that would have been payable for the disability period had the member been fully engaged in civilian employment, less any payments the member received. Civilian earned income does not include retirement income. The member must report all income from an income protection plan, vacation pay or sick leave that is received during the disability period. If the sum of all these equals or exceeds the member's usual and customary earned income, no pay and allowances payments will be made. Any payments to the member will first be paid as the basic pay element and then, if necessary, as allowances (BAQ and BAS).
4. A member is entitled to compensation (but not point credit) at the rate of 1/30 of monthly basic pay for each scheduled inactive duty training period he or she is unable to attend because of the disability. However, there is no entitlement if, while traveling to or from the training or duty site, the member was disabled because of his or her gross negligence or misconduct. This entitlement will be factored into the pay and allowances payable so that total payments to the member for the disability period do not exceed the pay and allowances of a member of the Regular Component.
5. Any military duty which the member performs will be factored into the pay and allowances payable in note 3 so that the total payments to the member do not exceed the pay and allowances of a member of the Regular Component.
6. The Secretary of the Military Department concerned may extend the period of entitlement beyond 6 months in the interests of fairness and equity.
7. There is no entitlement to pay and allowances beyond the training or duty period if the disability resulted from the member's gross negligence or misconduct.
8. There is no entitlement to medical and dental care if the member is disabled because of gross negligence or misconduct and the disability occurred while traveling to or from the training or duty site.
9. Does not include work or study in connection with a correspondence course of an Armed Force or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service.
10. A member who is called to active duty to undergo a physical examination, not incident to a call to active duty for more than 30 days, becomes entitled to provisions of rule 1, 2, or 3, as applicable, on the day of incurrence of disability.
11. Earned income is the total amount a member received from civilian employment or self-employment. It includes receipts from an income protection plan, vacation pay, or sick leave the member elects to receive.

Table 57-3. Disability Entitlements for the Reserve Forces (For Disabilities Incurred or Aggravated After 29 Sep 1988) (Continued)

DISABILITY ENTITLEMENTS FOR THE RESERVE FORCES (FOR DISABILITIES INCURRED OR AGGRAVATED BETWEEN 15 NOV 1986 AND 29 SEP 1988 INCLUSIVE)						
R U L E	A	B			C	D
	If a member is physically disabled in line of duty while	and the member			then the member is entitled to	and
		demonstrates lost civilian compensation but is fit for military duty	demonstrates lost civilian compensation but is not fit for military duty	cannot demonstrate lost civilian compensation and is not fit for military duty		
1	serving on ordered active duty for more than 30 days or while traveling to or from such active duty (note 1)				active duty pay and allowances for the period of the orders plus authorized travel time. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability and the member is unfit to perform normal military duty per proper medical authority, entitlement exists to pay and allowances commensurate with the regular forces. (notes 2 and 3)	medical and dental care (including hospitalization), and other treatment appropriate for the disability which is commensurate for the regular forces.
2	serving on ordered active duty undergoing a physical examination which is incident to an active duty assignment of more than 30 days, or while traveling to or from such physical examination (note 1)					
3	serving on ordered active duty for 30 days or less, or while traveling directly to or from such active duty (note 1)				active duty pay and allowances for the period of the orders plus authorized travel time. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to disability pay and allowances for not more than 6 months, in an amount which equals the member's lost civilian compensation or full pay and allowances, whichever is less (notes 2, 4, 7, 8, and 9)	medical and dental care (including hospitalization), and other treatment appropriate for the disability which is commensurate for the regular forces.

Table 57-4. Disability Entitlements for the Reserve Forces (For Disabilities Incurred or Aggravated Between 15 Nov 1986 and 29 Sep 1988 Inclusive)

R U L E	A	B			C	D
	If a member is physically disabled in line of duty while	and the member			then the member is entitled to	and
		demonstrates lost civilian compensation but is fit for military duty	demonstrates lost civilian compensation but is not fit for military duty	cannot demonstrate lost civilian compensation and is not fit for military duty		
4	serving on ordered active duty for 30 days or less, or while traveling directly to or from such active duty (note 1)		X		active duty pay and allowances for the period of the orders, plus authorized travel time. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances for not more than 6 months, in an amount which equals the member's lost civilian compensation or full pay and allowances, whichever is less (notes 2, 4, 5, 8, and 9)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. Member is also entitled to subsistence in kind while hospitalized when not otherwise entitled to BAS (notes 9 and 10).
5				X	active duty pay and allowances for the period of the orders, plus authorized travel time (note 6)	
6	performing inactive duty training or while, on the day of training, traveling directly to or from such training (notes 1 and 11)	X			inactive duty training compensation for the day (both periods if two had been scheduled). If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances for not more than 6 months, in an amount which equals the member's lost civilian compensation or full pay and allowances, whichever is less (notes 2, 4, 7, 8, and 9)	

Table 57-4. Disability Entitlements for the Reserve Forces (For Disabilities Incurred or Aggravated Between 15 Nov 1986 and 29 Sep 1988 Inclusive) (Continued)

R U L E	A	B			C	D
	If a member is physically disabled in line of duty while	and the member			then the member is entitled to	And
		demonstrates lost civilian compensation but is fit for military duty	demonstrates lost civilian compensation but is not fit for military duty	cannot demonstrate lost civilian compensation and is not fit for military duty		
7	performing inactive duty training or while, on the day of training, traveling directly to or from such training (notes 1 and 11)		X		inactive duty training compensation for the day (both periods if two had been scheduled). If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances for not more than 6 months, in an amount which equals the member's lost civilian compensation or full pay and allowances, whichever is less (notes 2, 4, 7, 8, and 9)	Medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. Member is also entitled to subsistence in kind while hospitalized when not otherwise entitled to BAS (notes 9 and 10).
8				X	inactive duty training compensation for the day (both periods if two had been scheduled). (note 6)	
9	traveling directly to or from inactive duty training on a day(s) other than the training day (notes 1 and 11)	X			an amount which equals the member's lost civilian compensation or pay and allowances, whichever is less, for the day disabled. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances for not more than 6 months, in an amount which equals the member's lost civilian compensation or full pay and allowances, whichever is less (notes 2, 4, 7, 8, and 9)	

Table 57-4. Disability Entitlements for the Reserve Forces (For Disabilities Incurred or Aggravated Between 15 Nov 1986 and 29 Sep 1988 Inclusive) (Continued)

R U L E	A	B			C	D
	If a member is physically disabled in line of duty	and the member			then the member is entitled to	And
		demonstrates lost civilian compensation but is fit for military duty	demonstrates lost civilian compensation but is not fit for military duty	cannot demonstrate lost civilian compensation and is not fit for military duty		
10	traveling directly to or from inactive duty training on a day(s) other than the training day (notes 1 and 11)		X		an amount which equals the member's lost civilian compensation or pay and allowances, whichever is less, for the day disabled. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances for not more than 6 months, in an amount which equals the member's lost civilian compensation or full pay and allowances, whichever is less (notes 2, 4, 5, and 9)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. Member is also entitled to subsistence in kind while hospitalized when not otherwise entitled to BAS (notes 9 and 10).
11				X	(notes 6)	

NOTES:

1. A member is considered to be traveling to the duty or training site upon departing residence with the intention of going directly to such duty or training site. A member is considered to be traveling from the duty or training site upon direct return to residence after completion of the duty or training.
2. Failure of the member to provide current and sufficient information as established by administrative regulations of the Military Service concerned may result in discontinuation of disability pay and allowances.
3. Entitlement to pay and allowances for disability beyond the period of the ordered active duty tour is not affected by resumption of normal civilian occupation, including government civilian occupation.
4. Lost civilian compensation is the difference between member's normal wages or salary or other earnings that would have been payable for the disability period had the member been fully engaged in civilian employment, less any reduced payments made to the member. Civilian earned income does not include retirement income. The member must report all leave payments and income protection payments that are received during the disability period. If the sum of these income protection plan or sick leave payments equals or exceeds the member's lost civilian compensation, no pay and allowances payments will be made. Any payments to the member will first be paid as the basic pay element and then, if necessary, as allowances (BAQ and BAS).
5. A member is entitled to compensation (but not point credit) at the rate of 1/30 of monthly basic pay for each scheduled inactive duty training period he or she is unable to attend because of the disability. This entitlement will be factored into the pay and allowances payable in note 4 so that total payments to the member for the disability period do not exceed the pay and allowances of a member of the Regular Component.
6. A member is entitled to compensation (but not point credit) at the rate of 1/30 of monthly basic pay for each scheduled inactive duty training period he or she is unable to attend because of disability incurred in the line of duty while at the training or duty site. Additionally, the member is entitled to the compensation described in the preceding sentence if disabled while traveling to or from the training or duty site unless the disability resulted from the member's gross negligence or misconduct.
7. Any military duty which the member performs will be factored into the pay and allowances payable in note 4 so that the total payments to the member do not exceed the pay and allowances of a member of the Regular Component.
8. Entitlement to disability pay and allowances exists for a period not to exceed a total of 6 months unless the Secretary of the Military Department concerned determines otherwise.

Table 57-4. Disability Entitlements for the Reserve Forces (For Disabilities Incurred or Aggravated Between 15 Nov 1986 and 29 Sep 1988 Inclusive) (Continued)

9. There is no entitlement to disability pay and allowances or medical and dental care if the member is disabled because of gross negligence or misconduct and the disability occurred while traveling directly to or from the training or duty site.
10. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS.
11. Does not include work or study in connection with a correspondence course of an Armed Force or attendance in an inactive status at an education institution under the sponsorship of an Armed Force or the Public Health Service.

Table 57-4. Disability Entitlements for the Reserve Forces (For Disabilities Incurred or Aggravated Between 15 Nov 1986 and 29 Sep 1988 Inclusive) (Continued)

DISABILITY ENTITLEMENTS FOR THE RESERVE FORCES (FOR DISABILITIES INCURRED BEFORE 15 NOV 1986)					
R U L E	A	B		C	D
	If a member of	is disabled in the line of duty due to		While	then the member is
		injury	disease		
1	a Reserve Component	X		serving on active duty for any period of time, or while performing authorized travel to or from such duty or training (note 1)	Entitled to active duty pay and allowances until the orders terminate. If disability continues beyond the termination of orders, or if there is a subsequent recurrence of the disability, and the member is unfit to perform normal military duty per medical authority, entitlement exists to active duty pay and allowances and medical benefits commensurate with the Regular forces (notes 2, 4, 5, and subparagraph 570604.B.5)
2			X	serving on active duty for a period of more than 30 days (except for additional training of 45 days or less under 10 U.S.C. 270(b)) or while performing authorized travel to or from such duty	
3		X		ordered to temporary duty for physical examination incident to an active duty assignment and is disabled while traveling to or from the temporary duty station	
4		X		performing inactive duty training (including additional flying training periods)	entitled to inactive duty training compensation for the day member is disabled. If disability continues beyond the inactive duty training date, or if there is a subsequent recurrence of this disability, and the member is unfit to perform normal military duty per medical authority, entitlement exists to active duty pay and allowances and medical benefits commensurate with the Regular force (notes 2, 4, and 5).
5	a Reserve Component, other than Navy and Marine Corps Reserve		X	performing additional training of 45 days or less under 10 U.S.C. 270(b)	entitled to the basic pay and allowances to which entitled at the time the disease was contracted. Such entitlement exists during periods of hospitalization or rehospitalization but not for more than a total of 6 months after the end of the member's prescribed tour of duty or training. The member is entitled to subsistence during periods of hospitalization or rehospitalization past the period of entitlement to pay and allowances (notes 2 and 6).
6				serving on active duty for 30 days or less	
7	The Navy or Marine Corps Reserve		X	serving on active duty for 30 days or less	not entitled to pay and allowances beyond the date authorized by the orders (note 3).
8				performing additional training of 45 days or less under 10 U.S.C. 270(b)	
9	a Reserve Component		X	performing inactive duty training (including additional flying training periods)	not entitled to pay and allowances beyond the date of performance of such inactive duty training.

Table 57-5. Disability Entitlements for the Reserve Forces (For Disabilities Incurred before 15 Nov 1986)

NOTES:

1. For the purpose of medical and disability entitlements, a member is considered in a travel status upon departing residence with the intention of going directly to the place where ordered to perform duty and terminates upon direct return to residence upon completion of the tour of duty.
2. Member is also entitled to hospitalization, rehospitalization, and medical and surgical care in a hospital or at home. Entitlement exists only until the disability cannot be materially improved by further hospitalization or treatment. Member is also entitled to necessary transportation to the hospital and return home.
3. Member is entitled to receive medical, hospital, and other treatment appropriate for the disability at government expense. The treatment will be continued until the disability resulting from the illness or disease cannot be materially improved by further treatment. Such a member is also entitled to necessary transportation and subsistence incident to treatment and return to home upon discharge from treatment.
4. Entitlement to active duty pay and allowances and medical benefits commensurate with the Regular forces is not affected by resumption of normal civilian occupation and includes government civilian occupation.
5. Failure of the member to provide current and sufficient information as established by administrative regulations of the Military Service concerned may result in the discontinuance of active duty pay and allowances.
6. The term "hospitalization or rehospitalization" is meant to include periods of disability while under medical treatment in an outpatient status. See paragraph 570604.

Table 57-5. Disability Entitlements for the Reserve Forces (For Disabilities Incurred before 15 Nov 1986)
(Continued)

Interim Changes 26-97, and 22-98 are incorporated in this change. Interim Changes 26-97 and 22-98 also affect other chapters and will not be deleted from the interim changes cited in the web site.

CHAPTER 58

PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING

5801 GENERAL PROVISIONS

580101. Entitlement and Computation of Basic and Special Pay

A. Inactive Duty Training With Pay. A member of a Reserve Component is entitled to compensation at the rate of one-thirtieth of the basic pay prescribed for grade and years' service for the performance of each authorized period of:

1. Regular inactive duty training (drill or unit training assembly (UTA));
2. Equivalent training, instruction, or duty;
 - a. Army: For details and exceptions, see AR 140-1 and NGR 350-1 (reference (df)).
 - b. Navy: See BUPERS Instruction 1001.39(C) Series (reference (dg)).
 - c. Air Force: See ANGM 50-01 and Table 11-1, AFR 35-41 (reference (dh)).
 - d. Marine Corps: See MCO P1001R.1J (reference (di)).
3. Appropriate duty;
4. Additional flying training period (AFTP); or
5. Additional inactive duty training.

To qualify for pay for a period of inactive duty training, each member must engage in such duty or training for the period (not less than 2 hours) prescribed by the Secretary of the Military Department concerned. Compensation will not accrue for periods of inactive duty performed in excess of the number authorized by the appropriate regulations of the Military Service concerned. NOTE: A member cannot qualify for pay for more than two periods of inactive duty training during a single calendar day.

B. Inactive Duty Training Without Pay. Members of the Reserve Components may, with their consent, be ordered to inactive duty training without pay when authorized by the Secretary of the Military Department concerned.

C. Combination Active Duty and Inactive Duty. A member of a Reserve Component may be paid the equivalent total of more than pay for 360 days' pay in a year, when so directed, if this total is based on a combination of active duty pay and inactive duty training compensation.

580102. Limitation. A member cannot accrue compensation for inactive duty training performed on a day on which also entitled to basic pay for active duty or active duty for training or on a day on which entitled to muster duty allowance.

580103. Waiver of Benefits. The provisions of paragraph 570104, above, apply to members of the Reserve Components who perform inactive duty training in a pay status.

580104. Allotment of Pay. Except as prescribed in paragraph 570708, above, members of the Reserve Components are not authorized to allot inactive duty training compensation.

580105. Special Pays

A. Members of the Reserve Components are not entitled to special pay for periods of inactive duty except as noted in the following subparagraphs.

B. A member of a Reserve Component who meets the requirements of section 1901 of this volume and any additional requirements of the Military Service concerned, is entitled to foreign language proficiency pay for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe.

C. A member under conditions cited in subparagraph B, above, is entitled to an increase in compensation equal to one-thirtieth of the monthly special pay authorized under paragraph 190103 of this volume.

D. A member of a Reserve Component who meets the requirements of Chapter 11 of this volume, based on diving duty performed on and after April 1, 1988, is entitled to diving duty pay for each regular period of instruction, or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe.

E. A member under conditions cited in subparagraph D, above, is entitled to an increase in compensation equal to one-thirtieth of the monthly special pay authorized for performance of diving duty for the comparable diving classification under section 1103 of this volume.

580106. Muster Duty Allowance (MDA) for Reservists

A. Entitlement. A member of the Ready Reserve who is not a member of the National Guard or the Selected Reserve is entitled to a MDA for a minimum of 2 hours muster duty performed pursuant to 10 U.S.C. 12319 (reference (c)). An MDA is paid once during a calendar year.

B. Amount Payable. Refer to Joint Federal Travel Regulations (JFTR), Volume 1, Chapter 7 (reference (d)), for MDA amount, established yearly, effective January 1 of each year. The MDA amount is payable effective January 1 of each year. The MDA amount is payable regardless of pay grade.

C. Collections. From the MDA, collect:

1. FITW at the rate for one-time payments.
2. SITW at the rate appropriate for one-time payments.
3. SGLI premium of \$.50 or \$1.00. Members who perform muster duty are covered part-time under the SGLI Program. Coverage is at the maximum Basic Coverage rate of \$100,000 with a \$.50 deduction unless the member elects to waive coverage or applies (elects) for SSGLI at the maximum additional rate of \$100,000 with a deduction of \$1.00. Members may be covered for either \$100,000 or \$200,000, or may decline coverage. See Table 47-1 for coverage effective dates.
4. Do not collect FICA taxes.

D. Pay the allowance on or before the date muster duty is performed. The allowance may be paid to a Ready Reservist before, on, or after the date on which muster duty is performed, but not 30 days after that date. The Ready Reservist is not entitled to other payment of any kind, including inactive duty training compensation under paragraph 580101, above, for the performance of a muster duty.

580107. Designated Unit Pay

A. An enlisted member assigned to a unit designated as a high priority unit of the Selected Reserve by the Secretary of the Military Department concerned is, while performing inactive duty training for compensation, entitled to a maximum of \$10 designated unit pay for the performance of each authorized period of:

1. Regular inactive duty training (drill or unit training assembly); or
2. Equivalent training, instruction, or duty, provided each authorized period is not less than 4-hours duration. Authorized periods may be performed on a Sunday or a legal holiday.

B. An enlisted member of designated unit is entitled to designated unit pay for authorized periods of drill or duty performed with a nondesignated unit, but enlisted members of a nondesignated unit may not receive designated unit pay for authorized periods of drill or duty performed with a designated unit.

C. Designated unit pay is subject to federal and state withholding, but is not subject to FICA taxation.

★D. No payment of designated unit pay may be made for any period before the date the Secretary of the Military Department concerned designates a unit as a high priority unit, nor may any payment be made for any period of drill or instruction performed after September 30, 1998.

5802 INCENTIVE PAY

580201. Entitlement. Members of the Reserve Components who are in a pay status are entitled to incentive pay for hazardous duty performed during periods of inactive duty training if serving under competent orders and otherwise meets the requirements of this section. Members entitled to incentive pay for hazardous duty are entitled to an increase in compensation equal to one-thirtieth the applicable monthly rate for each authorized period of inactive duty training of not less than 2 hours.

580202. ACIP (Continuous or Conditional) or HDIP. Members of the Reserve Components who perform inactive duty training in a pay status are entitled to ACIP or incentive pay for flying under the conditions of sections 2201 or 2202 of this volume. Effective July 12, 1973, the provision of subparagraphs 220103.A.1 or 220203.A.1, regarding the use of hours flown during the preceding 5 months not already used to qualify for flight pay, are equally applicable to members otherwise eligible who are performing inactive duty training. Exception: Minimum flight requirements are one-half of those prescribed for a member on active duty, that is, 2 hours per month when the calendar month is the unit period. If a fraction of a calendar month is the unit period, flying time required for such period will be as shown in Table 22-2 under "Inactive Duty." A member who has performed less than the total number of regularly scheduled drills or unit training assemblies during a month or a fractional part of a month must meet the minimum flight requirements for the month, or fraction thereof, in order to be entitled to any flying pay for the drills or unit training assemblies actually performed. When scheduled inactive duty training was not attended and performed in a subsequent month, flying pay for such period(s) is payable, provided the member met minimum flight requirements for each period involved.

★A. Combined Flight Requirements. When a member performs both active and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any ACIP or Hazardous Duty Incentive Pay (HDIP) flight requirements for that month.

★1. Active and inactive duty flying time may be combined for application to flight requirements only in the month in which the flying is performed. Combined flying time that is in excess of the requirements of the month in which actually performed, or that otherwise cannot be used in the month earned, must be redistributed into active and inactive flying time categories. Combined flying time may be applied only to other monthly flight requirements (see Chapter 22) for the appropriate status category into which redistributed (i.e., active duty flying time for active duty requirements and inactive duty flying time for inactive duty requirements). Combined flying time will be applied and any excess or unused time will be divided and placed into appropriate categories as set forth below. Note: Unless the member is performing continuous active duty in excess of 30 days, or unless the active duty period extends unbroken over parts of two months, the excess/unused active flying duty hours may not be banked for potential application to other requirements.

a. When the hours flown while on active duty are in excess of the active duty flight requirement of the month and the hours flown during the inactive duty period are also in excess of the inactive duty flight requirement of the month; all excess hours will be retained in their respective categories for application to the requirements for other months, if otherwise allowable.

Example 1: A member performed 15 days active duty and was in an inactive duty training status 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on active duty and 1.5 hours while on inactive duty. The 5.0 hours earned while on active duty are excess to the 2 hours required, and the 1.5 hours earned while on inactive duty are excess to the 1.0 hours required. The 3.0 hours that are in excess of the active duty requirement will be “banked” as active duty time, if the criteria of the note in 580202.A.1 are met. The 0.5 hours excess to the inactive duty requirement will be banked as inactive duty time.

b. When the hours flown while on active duty are in excess of the active duty flight requirement of the month, and the hours flown during the inactive duty period are insufficient for the inactive duty flight requirement of the month, the excess active duty hours will be applied to the inactive duty requirement. Any remaining excess or unused active duty hours will be retained for application to the requirements for other months of active duty, if otherwise allowable. If the excess active duty hours applied to the inactive duty requirement are not sufficient to meet the inactive duty requirement for that month, then any banked inactive hours shall also be applied. If the inactive duty requirement is still not satisfied, all hours revert to their respective categories to be used in meeting the requirements for other months, as allowable.

Example 2: A member performed 15 days active duty and was in an inactive duty training status 15 days in the same calendar month. Member performed 5.0 hours of flying duty while on active duty and 0.5 hours while on inactive duty. The active duty flying time is in

excess of the active duty requirement of 2.0 hours, while the inactive flying time is insufficient for the inactive duty requirement of 1.0 hours. Apply 0.5 of the excess active duty hours to the inactive requirement. The remaining 2.5 excess active duty hours may be banked as active duty time, if the criteria of the note in 580202A.1 are met.

c. When the hours flown while on active duty are insufficient for the active duty flight requirement of the month, and the hours flown during the inactive duty period are in excess of the inactive duty flight requirement of the month, the excess inactive duty hours will be applied to the active duty requirement. Any remaining excess or unused inactive duty hours will be retained for application to inactive duty requirements in a subsequent month. If the excess inactive duty hours applied to the active duty requirement are not sufficient for the months' active duty requirement, then any banked active duty hours shall be applied. If the active duty requirement is still not satisfied, all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 3: A member performed 15 days active duty and was in an inactive duty training status 15 days in the same calendar month. The member performed 0.5 hours of flying duty while on active duty and 1.5 hours while on inactive duty. The member has 0.0 hours of active duty flying time and 3.0 of inactive flying time banked. The active duty flying time is insufficient for the active duty requirement of 2.0 hours and the inactive flying time is in excess of the inactive duty requirement of 1.0 hours. Apply the 0.5 excess inactive duty hours to the active duty requirement. Combined, the active duty and inactive duty flying time is short of the requirement by 1.0 hours. In this case, there are no banked active duty hours and the active duty requirement remains unfulfilled. Therefore, the 0.5 unused active duty hours may be banked as active duty time if the criteria of the note in 580202.A.1 are met and the 0.5 hours of unused inactive duty time will be banked as inactive duty time.

d. When the hours flown while on active duty are insufficient for the active duty flight requirement of the month and the hours flown during the inactive duty period are also insufficient for the inactive duty flight requirement of the month, the hours will be applied in the following sequence. First, the inactive duty hours flown will be applied to the active duty requirement. If the combined active and inactive duty hours flown are not sufficient for the active duty requirement, then any banked active duty hours shall also be applied. If the active duty requirement is still not satisfied, the active duty hours flown will instead be applied to the inactive duty requirement. If the combined active and inactive duty hours flown are not sufficient for the inactive duty requirement, then any banked inactive duty hours shall also be applied. If the inactive duty requirement is still not satisfied, all hours revert to their respective categories use in meeting requirements for other months, as allowable.

Example 4: A member performed 15 days active duty and was in an inactive duty training status 15 days in the same calendar month. The member performed 0.3 hours of flying duty while on active duty and 0.4 hours while on inactive duty. The member has 0.1 hours of active duty flying time (as a result of a period of active duty that began near the middle of the previous month and was continuous into the present month) and 0.2 hours of inactive duty flying time banked. The active duty flying time is insufficient for the active duty requirement of 2.0 hours and the inactive flying time is insufficient for the inactive duty requirement of 1.0 hours. First, apply the 0.4 hours of the inactive duty flying time to the

active duty requirement. Combined, the active duty and inactive duty flying time is short of the requirement by 1.3 hours. In this case, there are 0.1 of banked active duty hours, but that also is insufficient and the active duty requirement remains unfulfilled. Next, apply the 0.3 hours of the active duty flying time to the inactive duty requirement. Again, the coverage is not sufficient, being 0.3 hours short of the inactive duty requirement. In this case, there are 0.2 hours of banked inactive duty hours, but that also is insufficient and the inactive duty requirement remains unfulfilled. Finally, since neither the active nor the inactive requirements could be fulfilled, the unused time will be banked as allowed. The unused 0.3 hours of active flying time may be banked as active duty time, if the criteria of the note in subparagraph 1 is met and the unused 0.4 hours of inactive flying time will be banked as inactive duty time.

2. Active Duty of Less Than One Calendar Month Covering Parts of Two Calendar Months. When active duty of less than 1 month covers parts of 2 consecutive calendar months, flights performed on inactive duty training may be combined to satisfy requirements for the whole period of active duty if the inactive duty flight requirements for both months have been met.

Example 1: A member performed 3.4 hours of flying while on an inactive duty training status from April 1-23. The member did not fly during active duty for training period of April 24 -May 7, or while in an inactive duty training status May 8-31. A total of 1.1 excess flying hours were accumulated before April 1. Flying time of 3.4 hours is first applied to the inactive duty training flight requirements for April (1.6 hours) and then to active duty flight requirements for April (1.0 hours). The .8 excess flying hours during April added to the 1.1 excess flying hours accumulated before April results in 1.9 excess flying hours available to apply against May flight requirements. Flight time in May totals 2.6 hours (24 days inactive duty requires 1.6 hours; 7 days of active duty requires 1.0 hours; see Table 22-2.) Accumulated excess hours first are applied to the inactive duty training flight requirements. Do not credit pay for the period 1-7 May since only 0.3 unused hours available is less than the 1.0 hours requirement.

Example 2: A member performed the following flights while on active and inactive duty training during parts of 2 calendar months. No excess flying hours were available on March 1.

<u>Periods</u>	<u>Time Flown</u>	<u>Flight Requirements</u>
(Inactive)		
March 1	1.8 hrs	1 hr
(Active)		
March 16-31	1.2 hrs	2.2 hrs
(Active)		
April 1-9	1 hr	1.2 hrs
(Inactive)		
April 10-30	1.6 hrs	1.4 hrs

NOTE: The continuous period of active duty training (March 16-April 9) is a unit period of 25 days, which requires 3.4 hours flying time. For that reason, the 31st day of March imposes required flying time. Since this member is unable to meet the flight requirements for the active duty flight period which covers parts of 2 calendar months, it is necessary to determine if the member can meet the requirements for a single month. Entitlement for the month of March requires a composite of only 3 hours of flying time, and the month of April requires 2.6 hours. Thus, the member qualifies for flying pay for each inactive duty period and for the active duty training periods.

★B. Additional Flying Training Periods. A member who performs an additional flying training period (AFTP) in a pay status, if otherwise qualified, is entitled to incentive pay for flying if he or she meets the flight requirements of this paragraph for the month in which the AFTP is performed. Flying time accumulated during an AFTP may be used to satisfy requirements for inactive duty training and under the provisions of subparagraphs 580202 A.1 and 2, may also be used for requirements for periods of active duty or active duty for training.

C. Operational Flying. Flying duty required by competent orders and performed by members of a Reserve Component, irrespective of unit of assignment, is considered to be operational flying.

580203. Continuous ACIP. An officer of a Reserve Component who performs inactive duty training in a pay status is entitled to continuous ACIP so long as the requirements are met for an aviation service career (not on extended active duty) defined in the Definitions and the provisions of section 2202 of this volume.

580204. Submarine Duty Pay. A member of a Reserve Component who participates in scheduled drills aboard a submarine during underway operations, while under competent orders, and in a pay status, is entitled to incentive pay for submarine duty.

580205. Parachute Duty Pay. A member of a Reserve Component who performs inactive duty training in a pay status is entitled to incentive pay for parachute duty under the provisions of section 2402 of this volume.

A. Parachute jumps performed during periods of inactive duty training or active duty for training qualify a member for incentive pay for either type of duty.

B. Parachute jumps performed while on extended active duty do not qualify a member for incentive pay for inactive duty training. (See paragraph 570101, note, in this volume.)

580206. Flight Deck Duty, Demolition Duty and Experimental Stress Duty. A member of a Reserve Component who performs inactive duty training in a pay status is entitled to incentive pay under provisions of Chapter 24 of this volume.

5803 RESERVED5804 ALLOWANCES

580401. Clothing Monetary Allowances, Enlisted Members. Except as provided for in subparagraphs 580401.A through C, below, an enlisted member of a Reserve Component is not entitled to any cash clothing allowances when on inactive duty training.

A. Special Initial Clothing Monetary Allowance (Navy). Enlisted members of the Naval Reserve, who are assigned to Selected Reserve units or non-pay units, are entitled to a special initial clothing monetary allowance in the amount of one-half the special initial clothing monetary allowance prescribed for chief petty officers on active duty:

1. Upon first promotion to chief petty officer;
2. Upon joining a pay selected Reserve unit or non-pay unit, if in pay grade E-7 or above, provided they have not previously been paid a cash clothing allowance for an initial outfit of clothing.

B. Quarterly Maintenance Clothing Allowance (Navy). Chief petty officers of the Naval Reserve who are assigned to Selected Reserve units, or non-pay units, and who have participated in a minimum of 75 percent of the regularly scheduled drills in the quarter concerned, are entitled to a Reserve quarterly maintenance clothing allowance (RMA) in the amount of \$9.00 per quarter. Participation in authorized equivalent drills and drills missed as a result of active duty for training will be considered participation in regularly scheduled drills for purposes of entitlement to an RMA. A chief petty officer who is advanced to that grade or who becomes a member of a pay unit in a pay or non-pay status on other than the first day of a quarter is not entitled to a quarterly allowance until the first day of the next quarter. The allowance will not be paid for a fractional part of a quarter.

C. Initial Cash Allowance for Female Enlisted Member. A female enlisted member of a Reserve Component is entitled to an initial cash allowance for the purchase of underclothing and personal items not available in the defense supply system as determined by the Secretary of the Military Department concerned. (See paragraph 290205 of this volume.)

580402. Officers' Uniform and Equipment Allowances

A. Initial Uniform Allowance. An officer of a Reserve Component is entitled to an initial uniform allowance upon completing 14 periods of inactive duty training as an officer in the Ready Reserve, provided each period is of at least 2 hours duration. See also Chapter 30, section 3002 of this volume.

B. Repeal and Save Pay Provision of Uniform Maintenance Allowance. The authority (37 U.S.C. 416(a) (reference (aa)) for payment of the uniform maintenance allowance in subparagraph 580402.C, below, was repealed by the Congress effective November 29, 1989. However, a save pay provision was enacted which provides that an officer of a Reserve Component who, but for the repeal of the authority for the uniform maintenance allowance,

would have become entitled to such allowance before the end of the one-year period beginning on November 29, 1989, shall be entitled (during such one-year period) to receive the allowance as in effect on November 28, 1989.

C. Uniform Maintenance Allowance. An officer of a Reserve Component who has not become entitled to a uniform allowance during the preceding 4 years is entitled to \$50.00 as reimbursement for the purchase of required uniforms and equipment upon completion of each period, after July 9, 1952, of 4 years of satisfactory federal service (SFS) in an active Reserve status in one or more Reserve Components, including at least 28 days of active duty or active duty for training. A year of SFS is any year in which member is credited with 50 points earned as a member of a Reserve Component of an Armed Force or in the Army or Air Force without component.

1. Restrictions. The following periods of service will not be included in the computation of 4 years of SFS:

a. Any period of active duty or active duty for training of more than 90 consecutive days.

b. Any period of duty during which the officer is not required to wear the uniform.

c. Any service as an enlisted member of the Reserve Components.

d. A 4 year period of SFS completed before October 3, 1964, if part of the service was performed in a different Reserve Component. However, a 4 year period of SFS completed on or after October 3, 1964 may include service in a different Reserve Component, even though such service was performed before October 3, 1964. (See example 1.)

2. Examples of Uniform Maintenance Allowance (UMA) Conditions:

Example 1: An officer completed 2 years of SFS in the Air Force Reserve on March 3, 1965, at which time the Reserve unit was inactivated. On April 1, 1965, the officer transferred to an ANG unit and, thereafter earned points as follows:

April 1, 1965 - March 31 1966	50 points
April 1, 1966 - March 31, 1967	50 points

On April 1, 1967, it was determined that the officer had completed 2 years of SFS in the ANG as of March 31, 1967. This may be combined with the 2 years of SFS earned in the Air Force Reserve unit to qualify the officer for UMA of \$50.00 as of March 31, 1967.

Example 2: An officer completed 2 years of SFS in the Army Reserve on March 31, 1963, at which time the Reserve unit was inactivated. On April 1, 1963, the officer transferred to an ANG unit, and was paid an initial uniform allowance because a different uniform was required and, thereafter earned points as follows:

April 1, 1963 - March 31, 1964	50 points
April 1, 1964 - March 31, 1965	50 points
April 1, 1965 - March 31, 1966	50 points
April 1, 1966 - March 31, 1967	50 points

On 1 April 1966, it was determined that the officer had completed 2 years of SFS in the ANG as of March 31, 1966. This may be combined with the 2 years of SFS earned in the Army Reserve to give the officer a total of 4 years of SFS. However, a UMA was not payable until April 1, 1967, 4 years after the date the officer was paid the initial uniform allowance. Note that the required period of 4 years since entitlement to the last allowance (an initial allowance in this case) does not have to be 4 years of SFS.

Example 3: An officer completed 2 years of SFS in the Army Reserve on March 31, 1963, and transferred to the Marine Corps Reserve on April 1, 1963. The officer was immediately called to active duty for more than 90 days and qualified for both the initial and active duty allowances, thereafter earning points as follows:

1 Apr 1963 - 30 July 1963	(Note 1)
1 July 1963 - 31 Mar 1964	30 points
1 Apr 1964 - 31 Mar 1965	50 points
1 Apr 1965 - 15 July 1965	(Note 2)
1 Apr 1965 - 31 Mar 1966	30 points
1 Apr 1966 - 31 Mar 1967	50 points

NOTES:

1. Active duty (must be excluded).
2. Active duty (must be excluded, officer did not qualify for active duty allowance).

On 1 April 1965, it was determined that the officer completed 1 year of SFS for UMA purposes as of 30 June 1964.

On 1 April 1966, it was determined that the officer had not completed another year of SFS for UMA purposes as of June 30, 1965, because the period of active duty, April 1-July 15, 1965, had to be excluded. However, it was determined that the year of SFS was completed as of October 31, 1965. These 2 years may be combined with the 2 years of SFS earned in the Army Reserve to give the officer 4 years of SFS. However, payment of the \$50.00 UMA could not be made until April 1, 1967, 4 years after entitlement to last allowance.

Example 4: An officer began a 4-year period of federal service on July 1, 1949 and earned points as follows:

1 July 1949 - 30 June 1950	50 points
1 July 1950 - 30 Sep 1950	(Note)
1 July 1950 - 30 June 1951	30 points
1 July 1951 - 30 June 1952	50 points
1 July 1952 - 30 June 1953	50 points
1 July 1953 - 30 June 1954	50 points

NOTE: Active duty (more than 90 days, must be excluded; officer did not qualify for active duty allowance).

While this officer had completed the 4 years of SFS on September 30, 1953 to qualify for the \$50.00 UMA, this could not be determined until July 1, 1954, when the officer completed the year of SFS from July 1, 1953, to June 30, 1954, and was credited with the \$50.00 UMA on July 1, 1954.

Example 5: An officer began a 4-year period of federal service on July 1, 1949, and earned points as follows:

1 July 1949 - 30 June 1950	50 points
1 July 1950 - 30 June 1951	30 points
1 Oct 1950 - 31 Dec 1950	(Note)
1 July 1951 - 30 June 1952	50 points
1 July 1952 - 30 June 1953	50 points
1 July 1953 - 30 June 1954	50 points
1 July 1954 - 30 June 1955	50 points

NOTE: Active duty (more than 90 days, must be excluded, officer qualified for active duty allowance of \$100).

On July 1, 1954, it was determined that the officer had completed 4 years of SFS as of October 2, 1953. However, the member was not entitled to the \$50.00 UMA until 4 years after date of entitlement to the last allowance, which was October 1, 1950. The member was credited with the \$50.00 UMA on October 1, 1954.

5805 MISCELLANEOUS PAYMENTS

580501. Pay and Allowances While Disabled

See paragraph 570604 of this volume for entitlements when a member of a Reserve Component is disabled while performing inactive duty training.

580502. Payment on Behalf of Deceased Members

A. Death Gratuity. The eligible beneficiaries of a member of a Reserve Component are entitled to payment of death gratuity, regardless of whether death occurred in the line of duty or was the result of the member's misconduct, if member dies:

1. While on inactive duty training.
2. While traveling directly to or from inactive duty training.
3. Within 120 days after discharge or release from inactive duty training, if the Department of Veteran's Affairs (VA) determines that death resulted from an injury or disease incurred or aggravated while performing, or traveling directly to or from such training.

B. Eligible Beneficiaries. The provisions of Table 36-1 apply to members of the Reserve Components.

C. Determining Eligible Beneficiaries. The provisions of paragraph 360104 of this volume apply to members of the Reserve Components.

D. Determination Affecting Entitlement. The provisions of paragraph 360105 of this volume apply to members of the Reserve Components.

E. Amounts Payable. The provisions of paragraph 360106 of this volume apply to members of the Reserve Components.

F. Expediting Payments. The provisions of paragraph 360107 of this volume apply to members of the Reserve Components.

G. Erroneous Payment. The provisions of paragraph 360109 of this volume apply to members of the Reserve Components.

H. Settling Deceased Member's Accounts. The provisions of section 3602 of this volume, apply to members of the Reserve Components.

580503. Disability Severance Pay

A. A member who performs inactive duty training and is separated for physical disability due to injury which was the proximate result of the performance of such duty, is entitled to severance pay if otherwise qualified under appropriate personnel regulations.

B. Computation of severance pay will be as prescribed in Chapter 35 of this volume.

580504. Reservists' Special Separation Pay (RSSP)

A. Eligibility. Upon approval of the Secretary of the Military Department concerned, pay RSSP to a Reservist who has served more than 20 years of service but who has not reached his/her 60th birthday and meets the following conditions:

1. The member must apply for such pay and request transfer to the Retired Reserve on or after March 11, 1993.

2. The member must have completed at least 20 years of service computed under 10 U.S.C. 12732 (reference (c)), and be qualified to receive nonregular retired pay (except for having reached the age of 60), not later than September 30, 1999.

3. Members who are authorized to receive early (completed at least 15 but less than 20 years of service as computed under 10 U.S.C. 12732 (reference (c))) nonregular retired pay at age 60 are not authorized to receive RSSP.

4. Members are not eligible to receive RSSP if they are entitled to immediate payment of retired or retainer pay based solely on military service.

B. Computation of Annual Payment

1. Using an official statement of service, determine the member's total years of creditable service under 10 U.S.C. 12732 (reference (c)) as of the date of transfer to the Retired Reserve. (Do not pay RSSP if the member has less than 20 years of service.) Round total years down to the nearest whole year.

2. Using the total years determined above, determine the multiplier from the following Table:

<u>Years of Service</u>	<u>Multiplier</u>
20	5.0%
21	5.5%
22	6.0%
23	6.5%
24	7.0%
25	7.5%
26	8.0%
27	8.5%
28	9.0%
29	9.5%
30 or more	10.0%

3. Compute annual RSSP installment by multiplying 12 times the monthly basic pay to which the member would be entitled if the member were serving on active duty on the date the member transfers to the Retired Reserve times the multiplier.

4. Subject to the exception set out below, pay the member a maximum of five installments, the number of installments being as determined by the Secretary of the Military Department concerned. Pay the first installment on the member's date of transfer to the Retired Reserve. Any additional installments are due on successive anniversary dates. Do not make any payments after a member reaches age 60. For transfers which occur after October 5, 1994, prorate any installment, including the initial payment, which is due the member after the member's 59th birthday but before the member's 60th birthday. See example 2 below.

Example 1: A member who was born June 5, 1937, and who has 23 years 10 months of creditable service under 10 U.S.C. 12732 (reference (c)), and who has 28 years total service for pay purposes (includes service not creditable under 10 U.S.C. 12732 (reference (c))), transfers to the retired reserve on June 19, 1993, in the grade E-8, and the Secretary of the Military Department concerned approves payment of RSSP. Years of creditable service for RSSP purposes is 23 years (the 10 months are rounded down), with a multiplier of 6.5 percent basic pay for an E-8 with 28 years for pay purposes is \$2808.60. The member's RSSP is \$2190.71 ($\$2808.60 \times 12 \times .065$). Pay an initial installment of \$2190.71 on June 19, 1993, with additional installments on June 19, 1994, June 19, 1995, and June 19, 1996. Since the member's 60th birthday will occur before the next installment date of June 19, 1997, no further payment will be made.

Example 2: On June 30, 1995, a member (who was born on December 5, 1936) transfers to the Retired Reserve with entitlement to two years of RSSP at the rate of \$6,000 per year, as determined by the Secretary of the Military Department concerned. The initial payment is in the full amount. The second installment, however, is due on June 30, 1996, which is after the member's 59th birthday but before his 60th birthday. Prorate for each full month between the due date and the member's sixtieth birthday. In this case, this means a payment of 5/12ths of \$6,000, or \$2,500.

5. Withhold taxes from the initial payment at the rate appropriate for one-time payments for both federal and applicable state tax withholding purposes. Withhold taxes from any other RSSP installment payments at the rate appropriate for salaries paid on an annual basis, currently set forth for federal withholding purposes in of IRS Circular E, Table 7 (reference (cf)). When withholding taxes payments under Table 7, give appropriate consideration to any withholding exemptions claimed by the member on a Form W-4.

6. Receipt of these annual payments does not decrease or otherwise affect the retired pay to which the member is entitled at age 60.

7. In the event of the member's death, do not make any remaining annual payments.

580505. Reservists' Involuntary Separation Pay (RISP)

A. Payment. Upon approval by the Secretary of the Military Department concerned, and subject to the restrictions in this paragraph, pay RISP to a member the Selected Reserve who has at least 6 years but less than 15 years of service under 10 U.S.C. 12732 (reference (c)) as of the date of discharge from a Reserve Component or involuntary transfer from the Selected Reserve. Do not make payment if the separation occurs before March 11, 1993.

B. Computation

1. Using an official statement of service, determine years of service under 10 U.S.C. 12733 (reference (c)), computing to three decimal places and rounding to two decimal places. Do not include in the 10 U.S.C. 12733 (reference (c)) service any days or points for which the member previously received separation, severance, or readjustment pay.

2. Multiply the number of years of service under 10 U.S.C. 12733 (reference (c)) times 0.15 times 62 times the member's daily rate of basic pay if serving on active duty as of the date of separation or transfer from the Selected Reserve. The product is the RISP.

Example: A member who is an E-5 over 8 years total service for pay purposes (daily rate of pay \$47.55) and a total of 1,760 retirement points credit is approved for discharge on August 27, 1993, by the Secretary of the Military Department concerned. Compute RISP as follows: Divide total Retirement Points Credit 1,760 by 360 = 4.89 years (computing to 3 decimal places rounding to 2 decimal places) x 15% x 62 x \$47.55 (daily rate of pay) = \$2,162.43 RISP.

3. Withhold federal and state income taxes in accordance with Volume 7C, paragraph 050503 of this regulation. RISP payments are not subject to FICA or Medicare taxes.

4. A recipient of RISP who later receives basic pay, inactive duty training compensation, or retired or retainer pay, shall have such pay, compensation, or retired pay reduced by 75 percent until the total reductions equal the total RISP received.

5. A member who has received RISP, who later receives disability compensation from the Department of Veterans Affairs, shall have deducted from such disability compensation the total amount of RISP. However, there shall be no such reduction if the disability compensation is for a disability incurred or aggravated after the period for which the RISP was paid.

6. Members are not authorized to receive RISP when they are authorized to receive early (completed at least 15 but less than 20 years of service as computed under 10 U.S.C. 12732 (reference (c))) nonregular retired pay at age 60.

5806 DEDUCTIONS AND COLLECTIONS

580601. Income Tax Withholding. The provisions of Chapter 57, paragraph 570701 apply to members of the Reserve Components who are performing inactive duty training.

580602. Federal Insurance Contributions Act (FICA). See Chapter 45 of this volume.

580603. Courts-Martial Sentences. The provisions of Chapter 48 of this volume apply to members of the Reserve Components who are performing inactive duty training.

580604. Nonjudicial Punishment

A. The provisions of Chapter 49 of this volume, except paragraph 490302, apply to members of the Reserve Components who are performing inactive duty training.

B. The maximum forfeiture to which a member of a Reserve Component is subject, while in an inactive duty status, is limited to one-half of the inactive duty training compensation to which entitled during the period of the sentence. This applies also to a member who is on active duty for training when the nonjudicial punishment is imposed, and reverts to an inactive duty status during the period of the sentence.

580605. Stoppages and Collections Other Than Courts-Martial Forfeitures. The provisions of Chapter 50 of this volume apply to members of the Reserve Component who are performing inactive duty training. Remission of indebtedness is not applicable to members in an inactive duty status.

580606. Waiver of Claims for Erroneous Payment of Pay and Allowances. See paragraph 500601 of this volume.

580607. Legal Process for the Enforcement of Child Support and Alimony Obligations. See paragraphs 500201, 500202, and 500203 of this volume.

★5807 SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM

580701. Definitions. See section 4701 of this volume.

580702. Part-Time Coverage. The SGLI Program is administered by the VA.

A. Basic Coverage. Effective April 1, 1996, this program automatically insures eligible members against death in the amount of \$200,000 while they are performing active duty or active duty for training for an ordered period of 30 days or less, or are performing inactive duty training. Members may elect coverage for less than \$200,000, in \$10,000 increments, or may elect to decline coverage.

NOTE: All Selected Reservists, and any other Ready Reserve members who are assigned or attached to a unit or position that may require performing active duty or active duty for

training and that will require at least 12 scheduled periods of inactive duty for training annually, are covered full-time. (See Chapter 47 of this volume for full-time coverage policy and procedures.)

B. Changes in Coverage. A member who is covered for an amount less than maximum SGLI coverage may later apply for increased coverage in writing, in an amount of up to \$200,000 with proof of good health. See Table 47-1, note 7, for the only exception to the proof of good health requirement.

C. Any election made continues in effect during continuous obligation to perform duty in the same Uniformed Service, including any active duty for a period of more than 30 days. For mobilization, see Table 47-1, rule 8.

580703. Periods of Coverage. See Table 47-1.

580704. Appellate Leave. See section 4705 of this volume.

580705. Forfeiture of SGLI. See provisions of section 4706 of this volume.

580706. Deductions (SGLI Premiums)

A. General. Amounts for premium deductions are \$1.00 for each \$10,000 of coverage per fiscal year. The premium due is for the entire fiscal year without regard for any portion served by a member. The annual premium is collected from the member's pay account during the first period of duty each year in which the member is in a pay status. The premium is not prorated.

B. Election Changes. Amounts deducted for coverage before the effective date of a waiver of coverage or before an election of a lesser amount of coverage are not refunded. Should a member elect increased coverage during a year in which a duty period has already been performed, collect the difference (between the higher annual premium and the premium previously collected) during the first period of duty in which the member is in a pay status that same year, if applicable.

580707. Refunds. See section 4708 of this volume.

580708. Settlement of SGLI Claims. See section 4710 of this volume.

★580709. Retired Reserve. SGLI coverage terminates on the day a member is assigned to (or who upon application would be eligible for assignment to) the Retired Reserve. These members may apply for and receive retired coverage until they receive their first increment of retired pay or until they reach 61 years of age, whichever occurs first. Anyone on medical hold must apply directly to the Office of Servicemember's Group Life Insurance (OSGLI) for coverage. Members are covered on a full-time basis and must pay their own premiums directly to the OSGLI.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

FEB 27 1998

DFAS-HQ/FMM


MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Update to the Department of Defense Financial Management Regulation
(DoDFMR), Volume 7, Part A, Muster Duty Allowance For Reservists (DFAS
Item G-68)

This is DFAS Interim Change 13-98 to the DoDFMR, Volume 7A. This change is
effective immediately.

We evaluated your comments on the draft change to the DoDFMR, Volume 7A. The
attached final version of the change includes your comments where appropriate. Assignment of
an interim change number is your authority to start a procedural modification, if necessary, to
facilitate this change. For the Denver Center, use the attached to initiate the formal printed
change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Mr. Malufau, may be contacted at DSN 327-5061 or Commercial
(703) 607-5061.


Roger W. Searce
Brigadier General, USA
Director for Finance

Attachment:
As stated

cc: DASD (MMP)(COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

1. Change paragraph 570106D to read:

"Payment. The allowance may be paid to a Ready Reservist before, on, or after the date on which the muster duty is performed, but not more than 30 days after that date. The Ready Reservist is not entitled to other payment of any kind, including inactive duty training compensation under 570101 for the performance of a muster duty."

2. Add the following to the Bibliography:

"Paragraph**Citation**

570106D

Public Law 105-85, Section

627, Nov 18, 1997



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

OCT 21 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding Pay and Allowances for Inactive Duty Training (DFAS Item #I-30)

Attached is interim change 38-99 regarding pay and allowances for inactive duty training.

We have evaluated your comments to the electronic coordination comments from the Office of Secretary of Defense for Reserve Affairs on Chapter 58 to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Mr. Roger Castillo may be contacted at DSN 327-1907 or (703) 607-1907.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(COMP)
OUSD(C)ODCFO(FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

1. In the bibliography delete all references made to subparagraph 580402.C.
2. Replace chapter 58 in its entirety with the following.

Interim change 38-99 is incorporated in this change and supersedes interim changes 26-97, 13-98, 22-98, 10-99, and 19-99. Interim change 13-98 will be deleted from the interim changes cited in the web site. This change incorporates and supersedes the portions of interim changes 26-97, 22-98, 10-99, and 19-99 applicable to Chapter 58.

CHAPTER 58

PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING

5801 GENERAL PROVISIONS

★580101. Entitlement and Computation of Inactive Duty Training Pay and Special Pay

A. Inactive Duty Training With Pay. A member of a Reserve Component is entitled to compensation at the rate of one-thirtieth of the basic pay prescribed for grade and years' service for the performance of each authorized period of:

1. Regular inactive duty training (drill or unit training assembly (UTA));
2. Equivalent training, instruction, or duty;
 - a. Army: For details and exceptions, see AR 140-1 and NGR 350-1 (reference (df)).
 - b. Navy: See BUPERS Instruction 1001.39 Series (reference (dg)).
 - c. Air Force: See ANGM 50-01 and Table 11-1, AFR 35-41 (reference (dh)).
 - ★d. Marine Corps: See MCO [P1001R.1j](#) (reference (di)).
3. Appropriate duty;
4. Additional flying training period (AFTP); or
5. Additional inactive duty training.

To qualify for pay for a period of inactive duty training, each member must engage in such duty or training for the period (not less than 2 hours) prescribed by the Secretary of the Military Department concerned. Compensation will not accrue for periods of inactive duty performed in excess of the number authorized by the appropriate regulations of the Military Service concerned. NOTE: A member cannot qualify for pay for more than 2 periods of inactive duty training during a single calendar day.

B. Inactive Duty Training Without Pay. Members of the Reserve Components may, with their consent, be ordered to inactive duty training without pay when authorized by the Secretary of the Military Department concerned.

★C. Combination Active Duty and Inactive Duty. A member of a Reserve Component may be paid the equivalent total of pay for more than 360 days in a year, when so directed based on actual entitlement, if this total is based on a combination of active duty pay and inactive duty training compensation.

580102. Limitation. A member cannot accrue compensation for inactive duty training performed on a day on which also entitled to basic pay for active duty or active duty for training or on a day on which entitled to muster duty allowance.

580103. Waiver of Benefits. The provisions of paragraph 570104, above, apply to members of the Reserve Components who perform inactive duty training in a pay status.

580104. Allotment of Pay. Except as prescribed in paragraph 570708, above, members of the Reserve Components are not authorized to allot inactive duty training compensation.

580105. Special Pays

A. Members of the Reserve Components are not entitled to special pay for periods of inactive duty except as noted in the following subparagraphs.

B. A member of a Reserve Component who meets the requirements of section 1901 of this volume and any additional requirements of the Military Service concerned, is entitled to foreign language proficiency pay for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe.

C. A member under conditions cited in subparagraph B, above, is entitled to an increase in compensation equal to one-thirtieth of the monthly special pay authorized under paragraph 190103 of this volume.

D. A member of a Reserve Component who meets the requirements of Chapter 11 of this volume, based on diving duty performed on and after April 1, 1988, is entitled to diving duty pay for each regular period of instruction, or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe.

E. A member under conditions cited in subparagraph D, above, is entitled to an increase in compensation equal to one-thirtieth of the monthly special pay authorized for performance of diving duty for the comparable diving classification under section 1103 of this volume.

580106. Muster Duty Allowance (MDA) for Reservists

★A. Entitlement. A member of the Ready Reserve who is not a member of the National Guard or the Selected Reserve is entitled to a MDA for a minimum of 2 hours muster duty performed pursuant to [10 U.S.C. 12319](#) (reference (c)). An MDA is paid once during a calendar year.

B. Amount Payable. Refer to Joint Federal Travel Regulations (JFTR), Volume 1, Chapter 7 (reference (d)), for MDA amount, established yearly, effective January 1 of each year. The MDA amount is payable effective January 1 of each year. The MDA amount is payable regardless of pay grade.

C. Collections. From the MDA, collect:

1. FITW at the rate for one-time payments.
2. SITW at the rate appropriate for one-time payments.
3. SGLI premium of \$.50 or \$1.00. Members who perform muster duty are covered part-time under the SGLI Program. Coverage is at the maximum Basic Coverage rate of \$100,000 with a \$.50 deduction unless the member elects to waive coverage or applies (elects) for SSGLI at the maximum additional rate of \$100,000 with a deduction of \$1.00. Members may be covered for either \$100,000 or \$200,000, or may decline coverage. See Table 47-1 for coverage effective dates.
4. Do not collect FICA taxes.

★D. Payment. The allowance may be paid to a Ready Reservist before, on, or after the date on which the muster duty is performed, but not more than 30 days after that date. The Ready Reservist is not entitled to other payment of any kind, including inactive duty training compensation under paragraph 580101, above, for the performance of a muster duty.

★E. Retirement Point Credit. Muster duty shall not be credited in determining entitlement to, nor computing, retired pay under chapter 1223 of Title 10, U.S.C.

580107. Designated Unit Pay

A. An enlisted member assigned to a unit designated as a high priority unit of the Selected Reserve by the Secretary of the Military Department concerned is, while performing inactive duty training for compensation, entitled to a maximum of \$10 designated unit pay for the performance of each authorized period of:

1. Regular inactive duty training (drill or unit training assembly); or
2. Equivalent training, instruction, or duty, provided each authorized period is not of less than 4-hours duration. Authorized periods may be performed on a Sunday or a legal holiday.

B. An enlisted member of a designated unit is entitled to designated unit pay for authorized periods of drill or duty performed with a non-designated unit, but enlisted members of a non-designated unit may not receive designated unit pay for authorized periods of drill or duty performed with a designated unit.

C. Designated unit pay is subject to federal and state withholding, but is not subject to FICA taxation.

★D. No payment of designated unit pay may be made for any period before the date the Secretary of the Military Department concerned designates a unit as a high priority unit, nor may any payment be made for any period of drill or instruction performed after [December 31, 1999](#).

5802 INCENTIVE PAY

★580201. Entitlement. Members of the Reserve Components who are in a pay status are entitled to incentive pay for hazardous duty performed during periods of inactive duty training if serving under competent orders and [otherwise meeting](#) the requirements of this section. Members entitled to incentive pay for hazardous duty are entitled to an increase in compensation equal to one-thirtieth [of](#) the applicable monthly rate for each authorized period of inactive duty training of not less than 2 hours.

★580202. ACIP (Continuous or Conditional) or HDIP. Members of the Reserve Components who perform inactive duty training in a pay status are entitled to ACIP or incentive pay for flying under the conditions of sections 2201 or 2202 of this volume. Effective July 12, 1973, the [provisions](#) of subparagraphs 220103.A.1 or 220203.A.1, regarding the use of hours flown during the preceding 5 months not already used to qualify for flight pay, are equally applicable to members otherwise eligible who are performing inactive duty training. Exception: Minimum flight requirements are one-half of those prescribed for a member on active duty, that is, 2 hours per month when the calendar month is the unit period. If a fraction of a calendar month is the unit period, flying time required for such period will be as shown in Table 22-2 under "Inactive Duty." A member who has performed less than the total number of regularly scheduled drills or unit training assemblies during a month or a fractional part of a month must meet the minimum flight requirements for the month, or fraction thereof, in order to be entitled to any flying pay for the drills or unit training assemblies actually performed. When scheduled inactive duty training was not attended and performed in a subsequent month, flying pay for such period(s) is payable, provided the member met minimum flight requirements for each period involved.

A. Combined Flight Requirements. When a member performs both active and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any ACIP or Hazardous Duty Incentive Pay (HDIP) flight requirements for that month.

1. Active and inactive duty flying time may be combined for application to flight requirements only in the month in which the flying is performed. Combined flying time that is in excess of the requirements of the month in which actually performed, or that otherwise cannot be used in the month earned, must be redistributed into active and inactive flying time categories. Combined flying time may be applied only to other monthly flight requirements (see Chapter 22) for the appropriate status category into which redistributed (i.e., active duty flying time for active duty requirements and inactive duty flying time for inactive duty requirements). Combined flying time will be applied and any excess or unused time will be divided and placed into appropriate categories as set forth below. Note: Unless the member is performing continuous active duty in excess of 30 days, or unless the active duty period extends unbroken over parts of 2 months, the excess/unused active flying duty hours may not be banked for potential application to other requirements.

a. When the hours flown while on active duty are in excess of the active duty flight requirement of the month and the hours flown during the inactive duty period are also in excess of the inactive duty flight requirement of the month; all excess hours will be retained in their respective categories for application to the requirements for other months, if otherwise allowable.

Example 1: A member performed 15 days active duty and was in an inactive duty training status 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on active duty and 1.5 hours while on inactive duty. The 5.0 hours earned while on active duty are excess to the 2 hours required, and the 1.5 hours earned while on inactive duty are excess to the 1.0 hours required. The 3.0 hours that are in excess of the active duty requirement will be “banked” as active duty time, if the criteria of the note in 580202.A.1 are met. The 0.5 hours excess to the inactive duty requirement will be banked as inactive duty time.

b. When the hours flown while on active duty are in excess of the active duty flight requirement of the month, and the hours flown during the inactive duty period are insufficient for the inactive duty flight requirement of the month, the excess active duty hours will be applied to the inactive duty requirement. Any remaining excess or unused active duty hours will be retained for application to the requirements for other months of active duty, if otherwise allowable. If the excess active duty hours applied to the inactive duty requirement are not sufficient to meet the inactive duty requirement for that month, then any banked inactive hours shall also be applied. If the inactive duty requirement is still not satisfied, all hours revert to their respective categories to be used in meeting the requirements for other months, as allowable.

Example 2: A member performed 15 days active duty and was in an inactive duty training status 15 days in the same calendar month. Member performed

5.0 hours of flying duty while on active duty and 0.5 hours while on inactive duty. The active duty flying time is in excess of the active duty requirement of 2.0 hours, while the inactive flying time is insufficient for the inactive duty requirement of 1.0 hours. Apply 0.5 of the excess active duty hours to the inactive requirement. The remaining 2.5 excess active duty hours may be banked as active duty time, if the criteria of the note in 580202A.1 are met.

c. When the hours flown while on active duty are insufficient for the active duty flight requirement of the month, and the hours flown during the inactive duty period are in excess of the inactive duty flight requirement of the month, the excess inactive duty hours will be applied to the active duty requirement. Any remaining excess or unused inactive duty hours will be retained for application to inactive duty requirements in a subsequent month. If the excess inactive duty hours applied to the active duty requirement are not sufficient for the month's active duty requirement, then any banked active duty hours shall be applied. If the active duty requirement is still not satisfied, all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 3: A member performed 15 days active duty and was in an inactive duty training status 15 days in the same calendar month. The member performed 0.5 hours of flying duty while on active duty and 1.5 hours while on inactive duty. The member has 0.0 hours of active duty flying time and 3.0 of inactive flying time banked. The active duty flying time is insufficient for the active duty requirement of 2.0 hours and the inactive flying time is in excess of the inactive duty requirement of 1.0 hours. Apply the 0.5 excess inactive duty hours to the active duty requirement. Combined, the active duty and inactive duty flying time is short of the requirement by 1.0 hours. In this case, there are no banked active duty hours and the active duty requirement remains unfulfilled. Therefore, the 0.5 unused active duty hours may be banked as active duty time if the criteria of the note in 580202.A.1 are met and the 0.5 hours of unused inactive duty time will be banked as inactive duty time.

d. When the hours flown while on active duty are insufficient for the active duty flight requirement of the month and the hours flown during the inactive duty period are also insufficient for the inactive duty flight requirement of the month, the hours will be applied in the following sequence. First, the inactive duty hours flown will be applied to the active duty requirement. If the combined active and inactive duty hours flown are not sufficient for the active duty requirement, then any banked active duty hours shall also be applied. If the active duty requirement is still not satisfied, the active duty hours flown will instead be applied to the inactive duty requirement. If the combined active and inactive duty hours flown are not sufficient for the inactive duty requirement, then any banked inactive duty hours shall also be applied. If the inactive duty requirement is still not satisfied, all hours revert to their respective categories use in meeting requirements for other months, as allowable.

Example 4: A member performed 15 days active duty and was in an inactive duty training status 15 days in the same calendar month. The member performed 0.3 hours of flying duty while on active duty and 0.4 hours while on inactive duty. The member has 0.1 hours of active duty flying time (as a result of a period of active duty that began near the middle of the previous month and was continuous into the present month) and

0.2 hours of inactive duty flying time banked. The active duty flying time is insufficient for the active duty requirement of 2.0 hours and the inactive flying time is insufficient for the inactive duty requirement of 1.0 hours. First, apply the 0.4 hours of the inactive duty flying time to the active duty requirement. Combined, the active duty and inactive duty flying time is short of the requirement by 1.3 hours. In this case, there are 0.1 of banked active duty hours, but that also is insufficient and the active duty requirement remains unfulfilled. Next, apply the 0.3 hours of the active duty flying time to the inactive duty requirement. Again, the coverage is not sufficient, being 0.3 hours short of the inactive duty requirement. In this case, there are 0.2 hours of banked inactive duty hours, but that also is insufficient and the inactive duty requirement remains unfulfilled. Finally, since neither the active nor the inactive requirements could be fulfilled, the unused time will be banked as allowed. The unused 0.3 hours of active flying time may be banked as active duty time, if the criteria of the note in subparagraph 580202.A.1 is met and the unused 0.4 hours of inactive flying time will be banked as inactive duty time.

2. Active Duty of Less Than 1 Calendar Month Covering Parts of 2 Calendar Months. When active duty of less than 1 month covers parts of 2 consecutive calendar months, flights performed on inactive duty training may be combined to satisfy requirements for the whole period of active duty if the inactive duty flight requirements for both months have been met.

Example 1: A member performed 3.4 hours of flying while on an inactive duty training status from April 1-23. The member did not fly during active duty for training period of April 24 –May 7, or while in an inactive duty training status May 8-31. A total of 1.1 excess flying hours were accumulated before April 1. Flying time of 3.4 hours is first applied to the inactive duty training flight requirements for April (1.6 hours) and then to active duty flight requirements for April (1.0 hours). The .8 excess flying hours during April added to the 1.1 excess flying hours accumulated before April results in 1.9 excess flying hours available to apply against May flight requirements. Flight time in May totals 2.6 hours (24 days inactive duty requires 1.6 hours; 7 days of active duty requires 1.0 hours; see Table 22-2.) Accumulated excess hours first are applied to the inactive duty training flight requirements. Do not credit pay for the period May 1-7 since only 0.3 unused hours available is less than the 1.0 hours requirement.

Example 2: A member performed the following flights while on active and inactive duty training during parts of 2 calendar months. No excess flying hours were available on March 1.

<u>Periods</u>	<u>Time Flown</u>	<u>Flight Requirements</u>
(Inactive) March 1-15	1.8 hrs	1 hr
(Active) March 16-31	1.2 hrs	2.2 hrs
(Active) Apr 1-9	1 hr	1.2 hrs
(Inactive) Apr 10-30	1.6 hrs	1.4 hrs

NOTE: The continuous period of active duty training (March 16 – April 9) is a unit period of 25 days, which requires 3.4 hours flying time. For that reason, the 31st day of March imposes required flying time. Since this member is unable to meet the flight requirements for the active duty flight period which covers parts of 2 calendar months, it is necessary to determine if the member can meet the requirements for a single month. Entitlement for the month of March requires a composite of only 3 hours of flying time, and the month of April requires 2.6 hours. Thus, the member qualifies for flying pay for each inactive duty period and for the active duty training periods.

★B. Additional Flying Training Periods. A member who performs an additional flying training period (AFTP) in a pay status, if otherwise qualified, is entitled to incentive pay for flying if he or she meets the flight requirements of this paragraph for the month in which the AFTP is performed. Flying time accumulated during an AFTP may be used to satisfy requirements for inactive duty training and under the provisions of subparagraphs 580202 A.1 and 2, may also be used for requirements for periods of active duty or active duty for training.

C. Operational Flying. Flying duty required by competent orders and performed by members of a Reserve Component, irrespective of unit of assignment, is considered to be operational flying.

580203. Continuous ACIP. An officer of a Reserve Component who performs inactive duty training in a pay status is entitled to continuous ACIP so long as the requirements are met for an aviation service career (not on extended active duty) defined in the Definitions and the provisions of section 2202 of this volume.

580204. Submarine Duty Pay. A member of a Reserve Component who participates in scheduled drills aboard a submarine during underway operations, while under competent orders, and in a pay status, is entitled to incentive pay for submarine duty.

580205. Parachute Duty Pay. A member of a Reserve Component who performs inactive duty training in a pay status is entitled to incentive pay for parachute duty under the provisions of section 2402 of this volume.

A. Parachute jumps performed during periods of inactive duty training or active duty for training qualify a member for incentive pay for either type of duty.

B. Parachute jumps performed while on extended active duty do not qualify a member for incentive pay for inactive duty training. (See paragraph 570101, note, in this volume.)

580206. Flight Deck Duty, Demolition Duty and Experimental Stress Duty. A member of a Reserve Component who performs inactive duty training in a pay status is entitled to incentive pay under provisions of Chapter 24 of this volume.

★5803 SPECIAL PAY FOR CRITICALLY SHORT WARTIME HEALTH SPECIALIST IN
SELECTED RESERVES

580301. Entitlement. Beginning on and after February 10, 1996, an officer of a reserve component who executes a written agreement to serve in the Selected Reserve of an armed force for a period of at least 1 year and not more than 3 years is entitled to Special Pay for Critically Short Wartime Specialists in Selected Reserves. Such individual must be an officer in a health care profession who is qualified in a specialty designated by DoD regulations as a critically short wartime specialty. No agreement under this section may be entered into after December 31, 1999.

580302. Rates Payable. Special pay under this section shall be paid annually at the beginning of each 12-month period for which the officer has agreed to serve. The initial installment is payable upon execution of the written agreement. The annual rate may not exceed \$10,000.

580303. References

Air Force:

Army:

Navy:

580304. Termination and Refund of Special Pay. If an officer voluntarily terminates service before the end of any 12-month period of the contract, recoup the full amount of the annual payment made at the beginning of that 12-month period. A discharge in bankruptcy that is entered less than 5 years after the termination of Special Pay for Critically Short Wartime Health Specialists agreement does not discharge the medical officer from a debt arising under the terminated additional special pay agreement.

5804 ALLOWANCES

580401. Clothing Monetary Allowances, Enlisted Members. Except as provided for in subparagraphs 580401.A through C, below, an enlisted member of a Reserve Component is not entitled to any cash clothing allowances when on inactive duty training.

A. Special Initial Clothing Monetary Allowance (Navy). Enlisted members of the Naval Reserve, who are assigned to Selected Reserve units or non-pay units, are entitled to a special initial clothing monetary allowance in the amount of one-half the special initial clothing monetary allowance prescribed for chief petty officers on active duty:

1. Upon first promotion to chief petty officer;

2. Upon joining a pay selected Reserve unit or non-pay unit, if in pay grade E-7 or above, provided they have not previously been paid a cash clothing allowance for an initial outfit of clothing.

B. Quarterly Maintenance Clothing Allowance (Navy). Chief petty officers of the Naval Reserve who are assigned to Selected Reserve units, or non-pay units, and who have participated in a minimum of 75 percent of the regularly scheduled drills in the quarter concerned, are entitled to a Reserve quarterly maintenance clothing allowance (RMA) in the amount of \$9.00 per quarter. Participation in authorized equivalent drills and drills missed as a result of active duty for training will be considered participation in regularly scheduled drills for purposes of entitlement to an RMA. A chief petty officer who is advanced to that grade or who becomes a member of a pay unit in a pay or non-pay status on other than the first day of a quarter is not entitled to a quarterly allowance until the first day of the next quarter. The allowance will not be paid for a fractional part of a quarter.

★C. Initial Cash Allowance for Enlisted Member. An enlisted member of a Reserve component is entitled to an initial cash allowance for the purchase of items specifically designated by the military department concerned to be purchased by the member rather than to be furnished in kind. (See paragraph 290201 of this volume.)

580402. Officers' Uniform and Equipment Allowances

A. Initial Uniform Allowance. An officer of a Reserve Component is entitled to an initial uniform allowance upon completing 14 periods of inactive duty training as an officer in the Ready Reserve, provided each period is of at least 2 hours duration. See also Chapter 30, section 3002 of this volume.

B. Repeal and Save Pay Provision of Uniform Maintenance Allowance. The authority (37 U.S.C. 416(a) (reference (aa)) for payment of the uniform maintenance allowance in subparagraph 580402.C, below, was repealed by the Congress effective November 29, 1989. However, a save pay provision was enacted which provides that an officer of a Reserve Component who, but for the repeal of the authority for the uniform maintenance allowance, would have become entitled to such allowance before the end of the 1-year period beginning on November 29, 1989, shall be entitled (during such 1-year period) to receive the allowance as in effect on November 28, 1989.

5805 MISCELLANEOUS PAYMENTS

580501. Pay and Allowances While Disabled

See paragraph 570604 of this volume for entitlements when a member of a Reserve Component is disabled while performing inactive duty training.

580502. Payment on Behalf of Deceased Members

A. Death Gratuity. The eligible beneficiaries of a member of a Reserve Component are entitled to payment of death gratuity, regardless of whether death occurred in the line of duty or was the result of the member's misconduct, if member dies:

1. While on inactive duty training.
2. While traveling directly to or from inactive duty training.
3. Within 120 days after discharge or release from inactive duty training, if the Department of Veteran's Affairs (VA) determines that death resulted from an injury or disease incurred or aggravated while performing, or traveling directly to or from such training.

B. Eligible Beneficiaries. The provisions of Table 36-1 apply to members of the Reserve Components.

C. Determining Eligible Beneficiaries. The provisions of paragraph 360104 of this volume apply to members of the Reserve Components.

D. Determination Affecting Entitlement. The provisions of paragraph 360105 of this volume apply to members of the Reserve Components.

E. Amounts Payable. The provisions of paragraph 360106 of this volume apply to members of the Reserve Components.

F. Expediting Payments. The provisions of paragraph 360107 of this volume apply to members of the Reserve Components.

G. Erroneous Payment. The provisions of paragraph 360109 of this volume apply to members of the Reserve Components.

H. Settling Deceased Member's Accounts. The provisions of section 3602 of this volume, apply to members of the Reserve Components.

580503. Disability Severance Pay

A. A member who performs inactive duty training and is separated for physical disability due to injury which was the proximate result of the performance of such duty, is entitled to disability severance pay if otherwise qualified under appropriate personnel regulations.

B. Computation of disability severance pay will be as prescribed in Chapter 35 of this volume.

580504. Reservists' Special Separation Pay (RSSP)

★A. Eligibility. Upon approval of the Secretary of the Military Department concerned and in accordance with Public Law 102-484, Section 4411-4422, as amended, October 23, 1992 (reference (en)), pay RSSP to a Reservist who has served more than 20 years of service but who has not reached his/her 60th birthday and meets the following conditions:

1. The member must apply for such pay and request transfer to the Retired Reserve on or after March 11, 1993.

★2. The member must have completed at least 20 years of service computed under 10 U.S.C. 12732 (reference (c)), and be qualified to receive nonregular retired pay (except for having reached the age of 60), not later than September 30, 2001.

3. Members who are authorized to receive early (completed at least 15 but less than 20 years of service as computed under 10 U.S.C. 12732 (reference (c))) nonregular retired pay at age 60 are not authorized to receive RSSP.

4. Members are not eligible to receive RSSP if they are entitled to immediate payment of retired or retainer pay based solely on military service.

B. Computation of Annual Payment

1. Using an official statement of service, determine the member's total years of creditable service under 10 U.S.C. 12732 (reference (c)) as of the date of transfer to the Retired Reserve. (Do not pay RSSP if the member has less than 20 years of service.) Round total years down to the nearest whole year.

2. Using the total years determined above, determine the multiplier from the following Table:

<u>Years of Service</u>	<u>Multiplier</u>
20	5.0%
21	5.5%
22	6.0%
23	6.5%
24	7.0%
25	7.5%
26	8.0%
27	8.5%
28	9.0%
29	9.5%
30 or more	10.0%

3. Compute annual RSSP installment by multiplying 12 times the monthly basic pay to which the member would be entitled if the member were serving on active duty on the date the member transfers to the Retired Reserve times the multiplier.

4. Subject to the exception set out below, pay the member a maximum of 5 installments, the number of installments being as determined by the Secretary of the Military Department concerned. Pay the first installment on the member's date of transfer to the Retired Reserve. Any additional installments are due on successive anniversary dates. Do not make any payments after a member reaches age 60. For transfers which occur after October 5, 1994, prorate any installment, including the initial payment, which is due the member after the member's 59th birthday but before the member's 60th birthday. See example 2 below.

Example 1: A member who was born June 5, 1937, and who has 23 years 10 months of creditable service under 10 U.S.C. 12732 (reference (c)), and who has 28 years total service for pay purposes (includes service not creditable under 10 U.S.C. 12732 (reference (c))), transfers to the retired reserve on June 19, 1993, in the grade E-8, and the Secretary of the Military Department concerned approves payment of RSSP. Years of creditable service for RSSP purposes is 23 years (the 10 months are rounded down), with a multiplier of 6.5 percent basic pay for an E-8 with 28 years for pay purposes is \$2808.60. The member's RSSP is \$2190.71 ($\$2808.60 \times 12 \times .065$). Pay an initial installment of \$2190.71 on June 19, 1993, with additional installments on June 19, 1994, June 19, 1995, and June 19, 1996. Since the member's 60th birthday will occur before the next installment date of June 19, 1997, no further payment will be made.

Example 2: On June 30, 1995, a member (who was born on December 5, 1936) transfers to the Retired Reserve with entitlement to 2 years of RSSP at the rate of \$6,000 per year, as determined by the Secretary of the Military Department concerned. The initial payment is in the full amount. The second installment, however, is due on June 30, 1996, which is after the member's 59th birthday but before his 60th birthday. Prorate for each full month between the due date and the member's sixtieth birthday. In this case, this means a payment of 5/12ths of \$6,000, or \$2,500.

5. Withhold taxes from the initial payment at the rate appropriate for one-time payments for both federal and applicable state tax withholding purposes. Withhold taxes from any other RSSP installment payments at the rate appropriate for salaries paid on an annual basis, currently set forth for federal withholding purposes in of IRS Circular E, Table 7 (reference (cf)). When withholding taxes from payments under Table 7, give appropriate consideration to any withholding exemptions claimed by the member on a Form W-4.

6. Receipt of these annual payments does not decrease or otherwise affect the retired pay to which the member is entitled at age 60.

7. In the event of the member's death, do not make any remaining annual payments.

580505. Reservists' Involuntary Separation Pay (RISP)

A. Payment. Upon approval by the Secretary of the Military Department concerned, and subject to the restrictions in this paragraph, pay RISP to a member of the Selected Reserve who has at least 6 years but less than 15 years of service under 10 U.S.C.

12732 (reference (c)) as of the date of discharge from a Reserve Component or involuntary transfer from the Selected Reserve. Do not make payment if the separation occurs before March 11, 1993.

B. Computation

1. Using an official statement of service, determine years of service under 10 U.S.C. 12733 (reference (c)), computing to 3 decimal places and rounding to 2 decimal places. Do not include in the 10 U.S.C. 12733 (reference (c)) service any days or points for which the member previously received separation, severance, or readjustment pay.

2. Multiply the number of years of service under 10 U.S.C. 12733 (reference (c)) times 0.15 times 62 times the member's daily rate of basic pay if serving on active duty as of the date of separation or transfer from the Selected Reserve. The product is the RISP.

Example: A member who is an E-5 with over 8 years total service for pay purposes (daily rate of pay \$47.55) and a total of 1,760 retirement points credit is approved for discharge on August 27, 1993, by the Secretary of the Military Department concerned. Compute RISP as follows: Divide total Retirement Points Credit 1,760 by 360 = 4.89 years (computing to 3 decimal places rounding to 2 decimal places) x 15% x 62 x \$47.55 (daily rate of pay) = \$2,162.43 RISP.

3. Withhold federal and state income taxes in accordance with Volume 7C, paragraph 050503 of this regulation. RISP payments are not subject to FICA or Medicare taxes.

4. A recipient of RISP who later receives basic pay, inactive duty training compensation, or retired or retainer pay, shall have such pay, compensation, or retired pay reduced by 75 percent until the total reductions equal the total RISP received.

5. A member who has received RISP, who later receives disability compensation from the Department of Veterans Affairs, shall have deducted from such disability compensation the total amount of RISP. However, there shall be no such reduction if the disability compensation is for a disability incurred or aggravated after the period for which the RISP was paid.

6. Members are not authorized to receive RISP when they are authorized to receive early (completed at least 15 but less than 20 years of service as computed under 10 U.S.C. 12732 (reference (c))) nonregular retired pay at age 60.

5806 DEDUCTIONS AND COLLECTIONS

580601. Income Tax Withholding. The provisions of Chapter 57, paragraph 570701 apply to members of the Reserve Components who are performing inactive duty training.

580602. Federal Insurance Contributions Act (FICA). See Chapter 45 of this volume.

580603. Courts-Martial Sentences. The provisions of Chapter 48 of this volume apply to members of the Reserve Components who are performing inactive duty training.

580604. Nonjudicial Punishment

A. The provisions of Chapter 49 of this volume, except paragraph 490302, apply to members of the Reserve Components who are performing inactive duty training.

B. The maximum forfeiture to which a member of a Reserve Component is subject, while in an inactive duty status, is limited to one-half of the inactive duty training compensation to which entitled during the period of the sentence. This applies also to a member who is on active duty for training when the nonjudicial punishment is imposed, and reverts to an inactive duty status during the period of the sentence.

580605. Stoppages and Collections Other Than Courts-Martial Forfeitures. The provisions of Chapter 50 of this volume apply to members of the Reserve Component who are performing inactive duty training. Remission of indebtedness is not applicable to members in an inactive duty status.

580606. Waiver of Claims for Erroneous Payment of Pay and Allowances. See paragraph 500601 of this volume.

580607. Legal Process for the Enforcement of Child Support and Alimony Obligations. See paragraphs 500201, 500202, and 500203 of this volume.

5807 SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM

580701. Definitions. See section 4701 of this volume.

580702. Part-Time Coverage. The SGLI Program is administered by the VA.

★A. Basic Coverage. Effective April 1, 1996, this program automatically insures eligible members against death in the amount of \$200,000. Part-time coverage is available to certain eligible members of the Ready Reserve who do not qualify for full-time coverage while performing active duty or active duty for training under calls or orders specifying periods of less than 31 days. Members may elect coverage for less than \$200,000, in \$10,000 increments, or may elect to decline coverage.

★NOTE: Selected Reservists, and any other member of the Ready Reserve assigned or attached to a unit or position where such member is scheduled to perform at least 12 periods of inactive duty for training annually, is eligible for full-time coverage. (See Chapter 47 of this volume for full-time coverage policy and procedures.)

B. Changes in Coverage. A member who is covered for an amount less than maximum SGLI coverage may later apply for increased coverage in writing, in an amount of up to \$200,000 with proof of good health. See Table 47-1, note 7, for the only exception to the proof of good health requirement.

C. Any election made continues in effect during continuous obligation to perform duty in the same Uniformed Service, including any active duty for a period of more than 30 days. For mobilization, see Table 47-1, rule 8.

580703. Periods of Coverage. See Table 47-1.

580704. Appellate Leave. See section 4705 of this volume.

580705. Forfeiture of SGLI. See provisions of section 4706 of this volume.

580706. Deductions (SGLI Premiums)

★A. General. Amounts for premium deductions are \$1.00 for each \$10,000 of coverage per fiscal year. The premium due is for the entire fiscal year without regard for any portion served by a member. The annual premium is collected from the member's pay account during the first period of duty each year in which the member is in a pay status, or for those not in a pay status, by direct payment by the member to the appropriate Military Service. The premium is not prorated.

B. Election Changes. Amounts deducted for coverage before the effective date of a waiver of coverage or before an election of a lesser amount of coverage are not refunded. Should a member elect increased coverage during a year in which a duty period has already been performed, collect the difference (between the higher annual premium and the premium previously collected) during the first period of duty in which the member is in a pay status that same year, if applicable.

580707. Refunds. See section 4708 of this volume.

580708. Settlement of SGLI Claims. See section 4710 of this volume.

★580709. Retired Reserve. Reservist with full-time coverage, will upon retirement, have the option of converting their SGLI coverage to Veterans' Group Life Insurance (VGLI). On the day that a member is assigned to (or who upon application would be eligible for assignment to) the Retired Reserve, that member's SGLI coverage will remain in effect for 120 days after separation and/or retirement. A member also has 1 year and 120 days after separation and/or retirement to apply for conversion to VGLI. If the member applies for conversion to VGLI within 120 days after separation and/or retirement, medical proof of insurability is not required.

CHAPTER 59

**PAYMENT OF MEMBERS OF THE SENIOR RESERVE
OFFICERS' TRAINING CORPS (ROTC)**5901 SUBSISTENCE ALLOWANCE590101. First Two Years

A. Scholarship Cadets or Midshipmen. Except while performing field training or at-sea training and for the period(s) between academic school years, a scholarship (10 U.S.C. 2107 (reference (c))) cadet or midshipman is entitled to subsistence allowance of \$150 per month effective 1 September 1995. Entitlement begins on the day the cadet or midshipman starts the first term of college work and continues through completion of the second year, except for the periods of any field/at-sea training and periods between academic school years, for a maximum of 20 months. The 20 months' limitation is based upon a 10-month academic school year. Individual cadet or midshipman entitlement will be based upon his or her actual academic school year, not to exceed 10 months per academic year.

B. Non-scholarship Cadets or Midshipmen. Nonscholarship cadets and midshipmen are not entitled to subsistence allowance.

590102. Advanced Training. Except while performing field training or at-sea training, a cadet or midshipman who has been selected for advanced training is entitled to subsistence allowance of \$150 per month effective 1 September 1995. Entitlement begins on the day the cadet or midshipman starts the advanced training and continues uninterrupted except for the periods of any field/at-sea training until completion of instruction, but not for more than 20 months (30 months when the Secretary of the Military Service has authorized the individual extended entitlement for a 5-year program).

590103. Accelerated Completion of Military Instruction. A cadet or midshipman participating in advanced training at an institution which is withdrawn from the program may complete the third and fourth years (or the fourth and fifth years of a 5-year program) of military training in the third year (or the fourth year of a 5-year program) and be paid subsistence allowance during the fourth academic year (or the fifth year of a 5-year program), as though enrolled for training in the fourth year (or the fifth year of a 5-year program).

590104. Limitations

A. Deduction for Field Training and At-Sea Training. A cadet or midshipman is not entitled to the subsistence allowance while performing field training or at-sea training. During the period of field training or at-sea training, the cadet or midshipman is entitled to pay as specified in paragraph 590801, below.

B. Vacation Periods

1. A cadet or midshipman enrolled in the first 2 years of the program is not entitled to subsistence allowance for any period(s) between academic school years, for example, summer vacations between academic school years. (Holiday breaks do not interrupt the entitlement.)

2. A cadet or midshipman enrolled in the advanced course is entitled to subsistence allowance uninterrupted by any periods between academic school years (subject only to the overall 20 months (30 months in an approved 5-year program) entitlement limitation and subject to deduction for any periods of field training or at-sea training).

C. Government Meals Furnished Without Charge. ROTC members will have deducted from their subsistence allowance on a per meal basis the charge for government meals furnished without charge. The total deduction for any day will not exceed one-thirtieth of the subsistence allowance. This recoupment provision does not apply when meals are furnished during training events conducted during the academic year.

590105. Payment Procedures. Detailed instructions governing the payment of subsistence allowance to the respective ROTC members are contained in:

A. Army: AR 37-104-3 (reference (bh)).

B. Navy: Regulations for the administration and management of the Naval Reserve Officers Training Corps (NROTC), CNET Instruction 1533.12 Series. (reference (dj))

C. Air Force: AFR 45-25 (reference (dk)) and AFROTC Regulation 170-1 (reference (dl)).

5902 SUBSISTENCE ALLOWANCE FOR MARINE CORPS PLATOON LEADERS CLASS

Except while serving on active duty, a member of the Marine Corps Platoon Leaders Class program is entitled to subsistence allowance at the rate of \$150 per month effective 1 September 1995. Detailed instructions governing the payment of the subsistence allowance are in MCO P7220.31D (reference (cw)).

5903 TRAVEL AND TRANSPORTATION ALLOWANCES

Joint Federal Travel Regulations (JFTR), Volume 1, paragraph U7150-F4 (reference (d)), governs the travel and transportation allowances of ROTC cadets and midshipman.

5904 COMMUTATION IN LIEU OF UNIFORMS

590401. Army: See AR 710-2 (reference (dm)).

590402. Navy: See Naval Reserve Officers Training Corps Regulations, CNET

Instruction 7220.2 Series (reference (dn)).

590403. Air Force: See AFROTC Manual 170-1(reference (dl)) and AFR 45-25 (reference (dk)).

5905 TEXTBOOK ALLOWANCES, SCHOLARSHIP CADETS AND MIDSHIPMEN

590501. Army: No specific monetary entitlement. Required texts are issued by respective universities, which in turn are reimbursed with appropriated funds.

590502. Navy: See Naval Reserve Officers Training Corps Regulation, CNET Instruction 7330.3 series (reference (do)).

590503. Air Force: See AFROTC Manual 170-1(reference (dl)) and AFR 45-25 (reference (dk)).

5906 ALLOTMENTS

A member or applicant for membership in the ROTC program is not authorized to register allotments.

5907 NONENTITLEMENT TO RESERVE DRILL PAY (NAVY)

Drill payments to NROTC members are authorized only for students selected for advanced training in their freshman and sophomore years and who specifically request continuation in a drill status.

5908 FIELD TRAINING OR AT-SEA TRAINING

590801. Basic Pay. A member or applicant for membership in the ROTC program is entitled to pay at the monthly rate prescribed in Table 2-5. Pay status begins on the day of arrival at the training site or on the effective date of orders, whichever is later, and ends on the day the member or applicant is relieved from such training. Member is not entitled to basic pay while performing authorized travel to or from the training site.

NOTE: A member or applicant for membership in the ROTC program is not entitled to longevity increases.

590802. Special and Incentive Pay. A member or applicant for membership in the ROTC program is not entitled to special or incentive pay.

590803. Allowances. A member or applicant for membership in the ROTC program is not entitled to allowances while performing field training or at-sea training except as authorized in section 5903, above.

590804. Deductions. The basic pay of a member or applicant for membership in the ROTC program is income subject to withholding for federal income tax and Federal Insurance Contributions Act taxes (FICA). (See Treasury Circular E (reference (cf)) and paragraph 450306 for rates of deduction.)

590805. Servicemembers' Group Life Insurance (SGLI). Public Law 89-214, 29 September 1965, as amended by Public Law 91-291, effective 25 June 1970 and Public Law 93-289, effective 24 May 1974 (reference (dp)), provides for SGLI coverage to Reserve Officer Training Corps members.

A. Chapter 47 applies to members, cadets or midshipmen of the Reserve Officers Training Corps performing full-time duty while attending field training or practice cruises under calls or orders not limited to 30 days or less.

B. Chapter 58, section 5807, applies to members, cadets, or midshipmen of the Reserve Officer Training Corps performing full-time duty while attending field training or practice cruises under calls or orders limited to 30 days or less.

C. Member, cadet, or midshipman is provided SGLI coverage while proceeding directly to or returning directly from the place where such duty is performed.

590806. Advance Pay. See Chapter 32, paragraph 320109.

5909 DISABILITY BENEFITS

590901. Entitlements for Cadets and Midshipmen Disabled While Enroute to or From Field or At-Sea Training. A cadet or midshipman, who is disabled enroute to or from field or at-sea training and who is otherwise entitled to the subsistence allowance described in section 5901, is entitled to the subsistence allowance for the day of incurrence of the disability and continuing thereafter subject to the provisions of Chapter 59, section 5901. The cadet or midshipman may also be entitled to the compensation and other benefits of Title 38., U.S.C., chapter 11 (reference (bx)).

590902. Entitlement for Cadets and Midshipmen Disabled While Attending Field or At-Sea Training. A cadet or midshipman who is disabled while attending field or at-sea training is entitled to the monthly cadet rate of pay prescribed in Table 2-5 through the last day of the ordered training period. If the disability continues beyond the ordered tour, the cadet or midshipman, if otherwise entitled, is entitled to the subsistence allowance described in section 5901. As in paragraph 590901, above, the cadet or midshipman may be entitled to the compensation and other benefits of Title 38, U.S.C., chapter 11 (reference (bx)).

5910 PAYMENTS ON BEHALF OF DECEASED MEMBERS

Beneficiaries of any member or applicant for membership in the ROTC program who dies under the conditions specified in paragraph 590902, above, are entitled to:

591001. Death gratuity under the provisions of Chapter 36, section 3601.

591002. Unpaid pay and allowances under the provisions of Chapter 36, section 3602.

5911 ROTC GRADUATES ORDERED TO ACTIVE DUTY

591101. Officers Ordered to Extended Active Duty. The provisions of Chapters 1 through 55 apply to these officers.

591102. Officers Performing Initial Periods of Active Duty Training Under 50 U.S.C. App 454(d) or 456(d) (reference (dq)). The provisions of Chapter 57 apply to these officers.



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

FEB 10 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

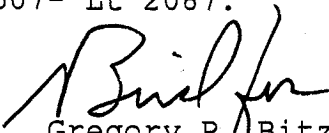
SUBJECT: Change to the DoDFMR, Volume 7A, Stipend and Grant
Increases for the F. Edward Hebert Armed Forces Health
Professions Scholarship and Financial Assistance
Programs (AFHPSP/FAP (DFAS Item Number H-46)

This is DFAS Interim Change 3-99 to the DoDFMR, Volume 7A and is effective July 1, 1998. The purpose of this change is to revise the AFHPSP/FAP stipend and grant amounts stated in Health Affairs memorandum of February 18, 1998. In accordance with 10 U.S.C. 2121(d), the monthly stipend and annual grant amounts shall be increased each year by the overall percentage increase in the dollar rate of basic pay for members of the Uniformed Services and rounded to the next highest dollar..

We have evaluated your comments on the draft change to the DoDFMR, Volume 7A. The attached final version of the change includes your comments where appropriate.

Assignment of an interim change is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change message.

Our point of contact, Col Robert Spath, may be reached at DSN 327-2087 or (703) 607- Lt 2087.


Gregory P. Bitz
Director of Finance

Attachment:
As stated

Cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PMO

Stipend and Grant Increases for the F. Edward Hebert Armed Forces
Health Professions Scholarship and Financial Assistance Programs
(AFHPSP/FAP)

1. Revise Chapter 59, paragraph 590102A, lines 3 and 4 to read:

"program are entitled to a stipend of \$939 per month
(effective 1 July 1998) including periods of..."

2. Revise Chapter 59, paragraph 590202A, lines 3 and 4 to read:

"(B below). Effective 1 July 1998, the annual grant is
\$19,875."

3. Revise Chapter 61, paragraph 610102A, lines 5 and 6 to read:

"is entitled to a stipend of \$939 per month (effective 1
July 1998). This rate is subject to..."

4. Revise Chapter 61, paragraph 610202A, line 7 to read:

"stipend of \$939 except as noted in subparagraph..."

5. Change the citations for the following paragraphs in the
bibliography to:

<u>"Paragraph</u>	<u>Citation</u>
590102A	10 U.S.C. 2121(d) OASD(HA) Memo of 09 Nov 98
590202A	10 U.S.C. 2127(e) OASD(HA) Memo of 09 Nov 98
610102A	OASD(HA) Memo of 09 Nov 98
610202A	OASD(HA) Memo of 09 Nov 98"

Interim Changes 21-97, 26-97, 19-98 & 3-99 are incorporated in this change. Interim changes 21-97, 26-97, 19-98 and 3-99 also affect other chapters and will not be deleted from the interim changes cited in the web site.

CHAPTER 60

PAYMENT OF MEMBERS OF THE ARMED FORCES HEALTH PROFESSIONS SCHOLARSHIP AND FINANCIAL ASSISTANCE PROGRAM (AFHPS/FAP)

6001 ARMED FORCES HEALTH PROFESSIONS SCHOLARSHIP PROGRAM

600101. Authority. Public Law 92-426 (reference (dr)) established the Armed Forces Health Professions Scholarship Program. Under this program selected individuals are appointed commissioned officers in the Reserve Components and detailed to civilian institutions for training in a health profession.

600102. Pay Entitlement

★A. Stipend. Except during periods of active duty (see subparagraph 600102.B, below), members enrolled in this program are entitled to a stipend of \$939.00 per month (effective July 1, 1998 (\$913.00 effective July 1, 1997)) including periods of absence. This rate is subject to annual increases on 1 July of each year as determined by the Secretary of Defense.

1. Payment. The stipend is payable during the course of study and during vacation periods when members are not on active duty. The stipend is prorated for portions of a month at the beginning and end of the course of study and at the beginning and end of any active duty period.

2. Termination. Some students complete their professional degree requirements several months before the formal graduation ceremony and conferral of the professional degree. In those cases where the actual award of the professional degree is a prerequisite to recommissioning into a professional corps or utilization in the profession, and a lapse of time occurs for administrative reasons, the payment of the stipend should be terminated. The date for termination of the stipend should be the completion of the academic training if this date precedes the date of graduation by more than 45 days.

3. Recoupment. Educational costs of the program are subject to recoupment when members of the program are dropped for deficiency in conduct or studies, or when members for other reasons fail to fulfill their contractual agreement as a result of action not initiated by the government. Effective September 25, 1980, the stipend ceased to be part of educational costs and is, therefore, not subject to recoupment.

B. Active duty. Members enrolled in this program will be ordered to active duty for a period of 45 days during each year of participation in the program. Such members may be paid an advance of pay when reporting for the 45-day active duty tour. (See paragraph

320106 of this volume.) During the active duty period including allowable travel time under Table 2-4, members serve in pay grade O-1 and are entitled to full pay and allowances (see Chapter 57) of that grade. This applies even though a member may hold a higher Reserve grade under a different statute. Any creditable service before entering this program is includable in determining the rate of basic pay.

600103. Officer's Initial Uniform Allowance. A member of the Armed Forces Health Professions Scholarship Program is entitled to an initial uniform allowance upon reporting for the first period of active duty required by 10 U.S.C. 2121(c) (reference (c)). (See section 3002 of this volume.)

600104. Servicemembers' Group Life Insurance (SGLI). While under this program, members are entitled to SGLI coverage for the 45-day active duty tour. (See sections 4701-4708 of this volume.) For deductions during active duty periods, see section 4705 of this volume.

600105. Tax Withholding

A. Active duty pay paid under this program is subject to federal income tax withholding (FITW) and Federal Insurance Contribution Act (FICA) in the same manner as prescribed in Chapters 44 and 45 of this volume.

B. Monthly stipends paid to students entering the program on and after January 1, 1981, are subject to FITW. The stipend of students enrolled before January 1, 1981, remains exempt through calendar year 1984. Monthly stipends are not subject to FICA withholding.

C. Amounts paid directly to schools on behalf of students for tuition, books, fees, and laboratory expenses and any reimbursements for such items paid to students participating at any time in the program are not subject to either FITW or FICA withholding.

600106. Settlement of Deceased Member's Accounts. See section 3602 of this volume for authority for payment of any unpaid pay and allowances (includes amount of unpaid stipend.)

6002 FINANCIAL ASSISTANCE PROGRAM

600201. Authority. Public Law 101-189, section 725 (reference (ds)), substantially modified the Armed Forces Health Professions Scholarship Program. Effective November 29, 1989, the law added a new Financial Assistance Program (FAP) which provides for the award of grants and stipends to eligible physician residents and fellows in specialized training who agree to active duty service obligations. As a member of the FAP, a physician is appointed as a Medical Corps officer under DoDD 1320.7 (reference (dt)).

600202. Pay Entitlement

★A. Grant. A member of the FAP is paid an annual grant in addition to the authorized stipend (subparagraph B, below). Effective July 1, 1998, the annual grant is \$19,875 (effective July 1, 1997, the annual grant was \$19,333).

1. A grant is paid annually based on the rate in effect on the date of entitlement. Only the final payment is prorated. Subsequent installments are to be issued on the anniversary date of the initial payment.

2. A grant is pro-rated only for partial years of participation.

3. The amount of grant is reviewed and increased as appropriate in the same manner as provided for the stipend.

B. Stipend. Except when serving on active duty (see paragraph 600204, above), a member is entitled to a monthly stipend at a rate equal to that authorized for other AFHPS participants by paragraph 590102, above.

1. Payment starts effective on the date of execution of the oath of office, the date of execution of the FAP contract, or the date of commencement of specialized training, whichever is latest.

2. Payment normally continues until the date of completion of specialized training. If a member of the FAP is suspended or disenrolled from the designated course of specialized training, stipend payments terminate effective on that date.

C. Dual Payments. The authority to make the grant and stipend payments is not affected by any payments made to the member by the civilian training institution.

600203. Recoupment. A member of the FAP who fails to complete speciality training because of deficiency in conduct or studies, or who for other reasons fails to fulfill the contractual agreement as a result of action not initiated by the government, may be required to reimburse the government for all or portion of payments received while a member of the FAP. Recoupment is at the direction of the Secretary of the Military Service concerned. The requirement to recoup may be waived by the Secretary concerned as being in the best interest of the government.

600204. Active Duty. A member of the FAP is required to serve on active duty with full pay (including Reserve Medical Officer's special pay) and allowance in the member's grade for a period of 14 days each year of participation, or portion thereof. This active duty period may be served at the location where the person is receiving specialized training if it would interrupt the member's residency or fellowship training to serve on active duty elsewhere.

600205. Officer's Initial Uniform Allowance. A member of the FAP is entitled to an initial uniform allowance upon reporting for the first period of active duty required by 10 U.S.C. 2121(c) (reference (c)). (See section 3002 of this volume.)

600206. Servicemembers Group Life Insurance (SGLI). A member of the FAP is eligible for SGLI with part-time coverage of the annual 14-day active duty tour above. For part-time coverage deductions, see paragraph 580703 of this volume.

600207. Tax Withholding

A. Active duty pay under this program is subject to federal income tax withholding (FITW) and the Federal Insurance Contribution Act (FICA) in the same manner as prescribed in Chapters 44 and 45.

B. Monthly stipends are subject to FITW, but not subject to FICA withholding.

C. Annual grant is subject to FITW, but not subject to FICA withholding.

600208. Settlement of Deceased Member's Accounts. See section 3602 of this volume for authority for payment of any unpaid pay and allowances (include the amount of unpaid stipend).



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

AUG 6 1999

DFAS-HQ/FMM

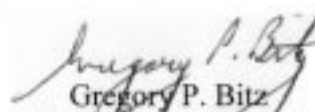
MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding Payment of Members of the
Armed Forces Health Professions Scholarship and Financial Assistance Program
(DFAS Item #I-25)

This is interim change 28-99 regarding payment of members of the Armed Forces Health Professions Scholarship and Financial Assistance Program. This change was effective July 1, 1999.

We have evaluated your comments to the electronic coordination comments from the Office of Secretary of Defense for Reserve Affairs revising the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Mr. Roger Castillo, may be contacted at DSN 327-1907 or (703) 607-1907.


Gregory P. Bitz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(COMP)
OUSD (C) ODCFO(FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

1. Change the citations for the following paragraphs in the bibliography to:

Paragraph	Citations
600102.A	10 U.S.C. 2121(d)
April 30, 1999	OASD (HA) Memo,
600202.A	10 U.S.C. 2121(e)
April 30, 1999	OASD (HA) Memo,

2. Replace chapter 60 in its entirety with the following.

Interim change 28-99, 21-97, and 3-99 are incorporated in this Chapter. Interim change 21-97, 3-99, and 28-99 will be deleted from the web site. This chapter change incorporates and supercedes the portions of interim changes 26-97 and 19-98 applicable to chapter 60.

CHAPTER 60

PAYMENT OF MEMBERS OF THE ARMED FORCES HEALTH PROFESSIONS SCHOLARSHIP AND FINANCIAL ASSISTANCE PROGRAM (AFHPS/FAP)

6001 ARMED FORCES HEALTH PROFESSIONS SCHOLARSHIP PROGRAM

★600101. Authority. Public Law 92-426 (reference (dr)) established the Armed Forces Health Professions Scholarship Program. Under this program selected individuals are appointed commissioned officers in the Reserve Components and detailed as students at an accredited civilian institution for training in a health profession.

600102. Pay Entitlement

★A. Stipend. Except during periods of active duty (see subparagraph 600102.B, below), members enrolled in this program are entitled to a monthly stipend of \$973 (effective July 1, 1999), including periods of absence. This rate shall be increased by the Secretary of Defense on July 1 each year by an amount to be rounded to the next highest multiple of \$1 equal to the amount of the previous stipend, multiplied by the overall percentage of the increase in the rates of basic pay for members of the uniformed services made effective for the fiscal year in which the school year ends..

1. Payment. The stipend is payable during the course of study and during vacation periods when members are not on active duty. The stipend is prorated for portions of a month at the beginning and end of the course of study and at the beginning and end of any active duty period.

2. Termination. Some students complete their professional degree requirements several months before the formal graduation ceremony and conferral of the professional degree. In those cases where the actual award of the professional degree is a prerequisite to recommissioning into a professional corps or utilization in the profession, and a lapse of time occurs for administrative reasons, the payment of the stipend should be terminated. The date for termination of the stipend should be the completion of the academic training if this date precedes the date of graduation by more than 45 days.

3. Recoupment. Educational costs of the program are subject to recoupment when members of the program are dropped for deficiency in conduct or studies, or when members for other reasons fail to fulfill their contractual agreement as a result of action not initiated by the government.

B. Active duty. Members enrolled in this program will be ordered to active duty for a period of 45 days during each year of participation in the program. Such members

may be paid an advance of pay when reporting for the 45-day active duty tour. (See paragraph 320106 of this volume.) During the active duty period including allowable travel time under Table 2-4, members serve in pay grade O-1 and are entitled to full pay and allowances (see Chapter 57) of that grade. This applies even though a member may hold a higher Reserve grade under a different statute. Any creditable service before entering this program is includable in determining the rate of basic pay.

600103. Officer's Initial Uniform Allowance. A member of the Armed Forces Health Professions Scholarship Program is entitled to an initial uniform allowance upon reporting for the first period of active duty required by 10 U.S.C. 2121(c) (reference (c)). (See section 3002 of this volume.)

600104. Servicemembers' Group Life Insurance (SGLI). While under this program, members are entitled to SGLI coverage for the 45-day active duty tour. (See sections 4701-4708 of this volume.) For deductions during active duty periods, see section 4705 of this volume.

600105. Tax Withholding

A. Active duty pay paid under this program is subject to federal income tax withholding (FITW) and Federal Insurance Contribution Act (FICA) in the same manner as prescribed in Chapters 44 and 45 of this volume.

B. Monthly stipends paid to students entering the program on and after January 1, 1981, are subject to FITW. The stipend of students enrolled before January 1, 1981, remains exempt through calendar year 1984. Monthly stipends are not subject to FICA withholding.

C. Amounts paid directly to schools on behalf of students for tuition, books, fees, and laboratory expenses and any reimbursements for such items paid to students participating at any time in the program are not subject to either FITW or FICA withholding.

600106. Settlement of Deceased Member's Accounts. See section 3602 of this volume for authority for payment of any unpaid pay and allowances (includes amount of unpaid stipend.)

6002 FINANCIAL ASSISTANCE PROGRAM

★600201. Authority. Public Law 101-189, section 725 (reference (ds)), substantially modified the Armed Forces Health Professions Scholarship Program. Effective November 29, 1989, the law added a new Financial Assistance Program (FAP) which provides for the award of grants and stipends to [eligible health professional participants in specialized training](#) who agree to active duty service obligations. As a member of the FAP, [the health professional is appointed as a health profession officer in its particular specialty and the Military Department under DoDD 6000.13 \(reference \(dy\)\)](#).

600202. Pay Entitlement

★A. Grant. A member of the FAP is paid an annual grant in addition to the authorized stipend (subparagraph B, below). **Effective July 1, 1999, the annual grant is \$20,591.**

1. A grant is paid annually based on the rate in effect on the date of entitlement. Only the final payment is prorated. Subsequent installments are to be issued on the anniversary date of the initial payment.

2. A grant is pro-rated only for partial years of participation.

3. The amount of grant shall be increased in the same manner as the stipend.

B. Stipend. Except when serving on active duty (see paragraph 600204, below), a member is entitled to a monthly stipend at a rate equal to that authorized for other AFHPS participants by paragraph 600102, above.

1. Payment starts effective on the date of execution of the oath of office, the date of execution of the FAP contract, or the date of commencement of specialized training, whichever is latest.

2. Payment normally continues until the date of completion of specialized training. If a member of the FAP is suspended or disenrolled from the designated course of specialized training, stipend payments terminate effective on that date.

C. Dual Payments. The authority to make the grant and stipend payments is not affected by any payments made to the member by the civilian training institution.

600203. Recoupment. A member of the FAP who fails to complete specialty training because of deficiency in conduct or studies, or who for other reasons fails to fulfill the contractual agreement as a result of action not initiated by the government, may be required to reimburse the government for all or portion of payments received while a member of the FAP. Recoupment is at the direction of the Secretary of the Military Service concerned. The requirement to recoup may be waived by the Secretary concerned as being in the best interest of the government.

600204. Active Duty. A member of the FAP is required to serve on active duty with full pay (including Reserve Medical Officer's special pay) and allowance in the member's grade for a period of 14 days each year of participation, or portion thereof. This active duty period may be served at the location where the person is receiving specialized training if it would interrupt the member's residency or fellowship training to serve on active duty elsewhere.

600205. Officer's Initial Uniform Allowance. A member of the FAP is entitled to an initial uniform allowance upon reporting for the first period of active duty required by 10 U.S.C. 2121(c) (reference (c)). (See section 3002 of this volume.)

600206. Servicemember's Group Life Insurance (SGLI). A member of the FAP is eligible for SGLI with part-time coverage of the annual 14-day active duty tour above. For part-time coverage deductions, see paragraph 580703 of this volume.

600207. Tax Withholding

A. Active duty pay under this program is subject to federal income tax withholding (FITW) and the Federal Insurance Contribution Act (FICA) in the same manner as prescribed in Chapters 44 and 45.

B. Monthly stipends are subject to FITW, but not subject to FICA withholding.

C. Annual grant is subject to FITW, but not subject to FICA withholding.

600208. Settlement of Deceased Member's Accounts. See section 3602 of this volume for authority for payment of any unpaid pay and allowances (include the amount of unpaid stipend).

CHAPTER 61

**BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE
AND INACTIVE NATIONAL GUARD**6101 AUTHORITY

Title 37 U.S.C., section 308h (reference (aa)), authorizes a bonus for the Individual Ready Reserve (IRR) and Inactive National Guard (ING). Current or prior Military Service members must enlist, reenlist, or voluntarily extend an enlistment in the IRR or ING for 3 years or more to qualify for the bonus.

6102 BASIC CONDITIONS OF ENTITLEMENT

★ An enlisted member of the IRR/ING is authorized a bonus during the period 29 May 1984 through 30 September 1985 and 24 February 1986 to 30 September 1998 under the following conditions:

610201. An individual must:

- A. Remain an enlisted member during the period of enlistment, reenlistment, or extension;
- B. Be qualified in and assigned a primary or secondary military occupational specialty (MOS) rate, specified Navy ratings or NEC's or Air Force Specialty Code (AFSC) in a combat or combat support skill designated by the Secretary of the Military Service concerned;
- C. Enlist, reenlist, or extend for 3 or 6 years beyond the military service obligation in accordance with Military Service regulations;
- D. Not have completed more than 14 years of total Military Service.

610202. An individual who completes obligation to one Military Service may be accepted by another Military Service for enlistment under this program, provided the individual possesses a skill approved by the gaining Military Service for the payment of the bonus.

610203. Army members who transfer from the ING to the IRR may continue to receive this bonus provided such members continue to serve satisfactorily.

6103 AMOUNTS PAYABLE

610301. An amount not to exceed \$1,500 may be paid to a person who enlists, reenlists, or extends for a period of 6 years or \$750 to a person who enlists, reenlists, or extends for a period of 3 years.

A. A bonus paid for a 6-year reenlistment or extension contract will be as follows: \$500 shall be paid at the time of the enlistment, reenlistment, or extension with the remainder paid in equal annual increments.

B. A bonus paid for a 3-year reenlistment or extension contract will be in equal annual increments.

610302. An additional amount of up to \$1,500 may be paid for a subsequent reenlistment or extension provided the individual meets the eligibility criteria of section 6102, above.

6104 OBLIGATION

A member must be contractually obligated to serve satisfactorily, as prescribed by the regulations of the Military Service concerned, in the IRR or ING for the full term of enlistment, reenlistment, or extension. As a condition of receipt of the bonus, recipients must agree to participate in an annual muster of the Reserve Component or in active duty for training as may be required by the Secretary of the Military Service concerned. The use of extensions in lieu of reenlistments is authorized and encouraged to reduce the administrative burden of the reenlistment process and to eliminate the need for the oath of enlistment or reenlistment. Participants must obligate themselves to continue to serve in the same MOS unless excused for the convenience of the government. A bonus recipient who later transfers to the Selected Reserve is not required to refund the IRR and ING bonus. Bonus recipients who transfer to the Selected Reserve are not eligible for a selected Reserve reenlistment bonus during the period for which an IRR or ING bonus was paid.

6105 TERMINATION OF BONUS ENTITLEMENT

Entitlement to the IRR and ING bonus will be terminated if a member:

610501. Fails to participate satisfactorily in the Ready Reserve in accordance with the regulations of the Military Service concerned;

610502. Accepts a civilian position where membership in the Reserve Component is a condition of employment (persons on temporary assignment excluded);

610503. Is separated from the Ready Reserve as an enlisted member for any reason (including enlistment or voluntary recall into the active forces);

610504. Becomes a simultaneous member of an authorized officer program drawing a stipend; or

610505. Moves to a nonbonus-qualified MOS, unless at the express direction of the Military Service concerned (through no fault of the member).

6106 RECOUPMENT OF PAYMENTS

610601. Any refund made by a member shall not affect the period of obligation of such member to serve as a Ready Reservist. Recoupment of unearned portions of the IRR and ING bonus is required when the member:

A. Fails to satisfactorily complete the designated term of enlistment, reenlistment, or extension of enlistment for which the bonus was paid unless the failure was due to reasons beyond the control of the member (for example, death, injury, illness, or other impairment not the result of member's misconduct);

B. Accepts a civilian position where membership in the Reserve Component is a condition of employment, if less than one-half of the contract term for which a bonus is payable has been served (persons on temporary assignment excluded);

C. Separates from the Ready Reserve as an enlisted member (including enlistment or voluntary recall into the active component) other than by death or to accept an appointment as an officer in the Ready Reserve;

D. Accepts an immediate appointment as an officer in the Ready Reserve, if less than 1 year of the term has been served; or,

E. Moves to a nonbonus-eligible MOS, unless at the express direction of the Military Service concerned (through no fault of the member).

610602. Recoupment will be the amount of bonus received multiplied by the quotient produced by dividing the number of whole months remaining unserved by the number of months in the term of the bonus. The product is the amount recouped.

Example: An individual reenlists in the IRR for 3 years and receives the maximum bonus of \$750. Five months later, the individual is disqualified from entitlement to the bonus:

Amount of bonus received	\$ 750.00
Multiplied by:	
Number of whole months remaining divided by term of bonus: $31/36 = .8611$	<u>.8611</u>
Amount to be recouped	\$ 645.83

610603. However, reduce the amount to be recouped by an amount equal to any reduction taken under Chapter 35, subparagraphs 350702.F or 350802.D.

Interim Changes 21-97, 29-98, and 3-99 are incorporated in this change. Interim Changes 21-97, 29-98, and 3-99 also affect other chapters and will not be deleted from the interim changes cited in the web site.

CHAPTER 62

HEALTH PROFESSIONAL STIPEND

6201 PRIOR STIPEND PROGRAM REPEALED WITH EXCEPTION

620101. Authority. Public Law 99-145 (reference (du)), November 8, 1985, authorizes the Secretaries of each Military Department concerned to provide financial assistance to commissioned officers of the Reserve Components engaged in specialized advanced training in the health professions. Effective December 4, 1987, the program under this section is repealed in favor of the program in section 6202 of this chapter. Repeal, however, does not affect an earlier agreement under which an officer receives the stipend authorized by this section. Payment of such stipend continues while officer is otherwise entitled.

620102. Pay Entitlement

★A. A commissioned officer in the Selected Reserve of a Reserve Component who is engaged full-time in a course of specialized advanced training approved by the Secretary of the Military Department concerned, in a health profession, is entitled to a stipend of \$939.00 per month (effective July 1, 1998 (\$913.00 effective July 1, 1997)). This rate is subject to annual increases on July 1 each year, as determined by the Secretary of Defense.

B. The stipend is payable during the course of specialized advanced training, during vacation periods, and during periods when officers are participating in annual training with the Selected Reserve. The stipend is prorated for portions of a month at the beginning and end of the course of specialized advanced training.

C. When an officer's eligibility to the stipend program is terminated, the officer no longer is entitled to receive the stipend. The effective date of termination is set by program administrators and communicated to the paying activity. Termination is based on criteria set by the Department of Defense.

D. An officer terminated from the stipend program may be required, at the discretion of the Secretary of the Military Department concerned, to repay an amount equal to the total amount received under the program. The Secretary of the Military Department concerned may relieve an officer from the recoupment requirement.

620103. Nonavailability. Members of the Ready Reserve may incur periods of authorized nonavailability, in accordance with Military Service regulations, of not more than 30 months (that is, members transferred from the Ready Reserve because of temporary overseas

residence, hardship, or disability, key employee status or theological studies). These members are assigned temporarily to the Standby Reserve or to the Inactive National Guard, as appropriate, during the period of authorized nonavailability and are required to extend their Selected Reserve service agreement for a period of time that equals the period of authorized nonavailability.

A. Although not terminated from the stipend program during an authorized period of nonavailability, an officer is not entitled to a monthly stipend during such period of nonavailability.

B. An officer is again entitled to stipend payments when the anniversary date of satisfactory and creditable Ready Reserve service is adjusted for the period of authorized nonavailability.

620104. Tax Withholding

A. Monthly stipends are subject to federal income tax withholding (FITW).

B. Monthly stipends are not subject to Federal Insurance Contribution Act (FICA) (reference (ci)) withholding.

620105. Settlement of Deceased Members' Accounts. See section 3602 of this volume for authority for payment of any unpaid pay and allowances (includes amount of unpaid stipend).

6202 CURRENT STIPEND PROGRAM

620201. Authority. Public Law 100-180, December 4, 1987 (reference (dv)), authorizes the Secretary of the Military Department concerned to provide financial assistance to members of the Reserve Components engaged in specialized training in the health professions.

620202. Pay Entitlement

★A. A commissioned officer in the Ready Reserve of a Reserve Component of the Armed Forces, who is engaged in a program of professional training for physicians or registered nurses in critical specialties designated by the Secretary of the Military Department concerned, is entitled to a monthly stipend of \$939.00 (effective July 1, 1998 (\$913.00, effective July 1, 1997)), except as noted in subparagraph 620202.A.2, below. This rate is subject to annual increases on July 1, of each year, as determined by the Secretary of Defense. The amount is the same as that authorized each year in subparagraph 600102.A, above.

1. The officer described above must agree to serve, upon successful completion of the stipend program, two years in the Selected Reserve for each year, or part thereof, for which the stipend is provided. However,

2. If the officer agrees to serve, upon successful completion of the stipend program, two years in the Individual Ready Reserve (IRR) for each year, or part thereof, for which the stipend is provided, the officer is entitled to a monthly stipend at one-half the rate shown above in subparagraph A.

B. An enlisted member in the Ready Reserve of a Reserve Component of the Armed Forces engaged in training as described in this subparagraph is entitled to a monthly stipend of \$100 per month. The member must be enrolled or accepted for enrollment in the third or fourth year of an accredited baccalaureate nursing program or other accredited baccalaureate program leading to a degree in a health-care profession. Such profession is one designated by the Secretaries of the Military Department concerned as a profession critically needed by that Military Department in wartime. The stipend is payable for the period or the remainder of the period of the baccalaureate program in which the member enrolls or is enrolled. Under this subparagraph:

1. The member must be eligible upon completion of a baccalaureate program, for appointment, designation, or assignment as a Reserve officer for duty as a nurse or other health professional.

2. The member agrees to serve, upon graduation from the baccalaureate program, one year in the Ready Reserve for each year, or part thereof, for which the stipend is paid.

C. The stipend is payable for the period, or the remainder of the period, of member's specialized training or baccalaureate program. This includes vacation periods and periods of active duty while the member participates in the stipend program. The stipend is initially payable effective the first day of specialized training or baccalaureate training immediately following the date member completes the contract agreement. It is prorated for a partial month at the beginning of member's entitlement and for a partial month at the end of a member's specialized training or baccalaureate program.

D. A member of the stipend program who is dropped from the program for deficiency in training, or who fails to complete the program for other reasons, is no longer entitled to the stipend. Termination is based on criteria set by the Department of Defense.

E. A member terminated from the stipend program may be required, at the discretion of the Secretary of the Military Department concerned, to repay an amount equal to the total amount paid to the person under the program. The Secretary of the Military Department concerned may relieve a member from the recoupment requirement.

620203. Tax Withholding

A. Monthly stipends are subject to federal income tax withholding (FITW).

B. Monthly stipends are not subject to Federal Insurance Contribution Act (FICA) (reference (ci)) withholding.

620204. Settlement of Deceased Members' Accounts. See section 3602 of this volume for authority for payment of any unpaid pay and allowances (includes amount of unpaid stipend).



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

MAY 12 1998

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY
SYSTEM

SUBJECT: Change to the DoDFMR, Volume 7A, Stipend and Grant
increases for the F. Edward Hebert Armed Forces Health
Professions Scholarship and Financial Assistance
Programs (AFHPSP/FAP) (DFAS Item H-13)

Attached is interim change 19-98 to the DoDFMR, Volume 7A.
The purpose of this change is to update stipend and grant
increases for AFHPSP/FAP participants. The rate increases are
effective July 1, 1998.

We have evaluated your comments on the draft change to the
DoDFMR, Volume 7A. The attached final version of the change
includes your comments where appropriate.

Assignment of an interim change is your authority to start a
procedural modification to facilitate this change. For the
Denver Center, use the attached to initiate the formal printed
change to the DoDFMR and the interim change message.

Our point of contact, LtCol Robert Spath, may be reached at
DSN 327-2087 or (703) 607-2087.

Gregory P. Bitz
Acting Director for Finance

Attachment:
As stated

cc: DASD (MPP) (Comp)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons

STIPEND AND GRANT INCREASES FOR THE F. EDWARD HEBERT ARMED FORCES
HEALTH PROFESSION SCHOLARSHIP AND FINANCIAL ASSISTANCE PROGRAMS
(AFHPSP/FAP)

1. Revise paragraph 590102A, lines 3 and 4 to read:

"program are entitled to a stipend of \$938.56 per month
(effective 1 Jul 1998) including periods of..."

2. Revise paragraph 590202A, lines 3 and 4 to read:

"(B below). Effective 1 Jul 1998, the annual grant is
\$19,874.32."

3. Revise paragraph 610102A, lines 5 and 6 to read:

"is entitled to a stipend of \$938.56 per month
(effective 1 Jul 1998). This rate is subject to..."

4. Revise paragraph 610202A, line 7 to read:

"stipend of \$938.56 except as noted in subparagraph..."

5. Change the citations for the following paragraphs in the
bibliography to:

Paragraph	Citations
590102A	10 U.S.C. 2121(d) OASD(HA) memo of 19 Feb 98
590202A	10 U.S.C. 2127(e) OASD(HA) memo of 19 Feb 98
610102A	OASD(HA) memo of 19 Feb 98
610202A	OASD(HA) memo of 19 Feb 98



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

AUG 2 1999

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY
SYSTEMS

SUBJECT: Change to the DoDFMR, Volume 7A, Regarding Health Professional Stipend (DFAS Item #I-26)

Attached is interim change 24-99 regarding Health Professional Stipend. This change was effective July 1, 1999.

We have evaluated your comments to the electronic coordination comments from the Office of Secretary of Defense for Reserve Affairs revising the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification, if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR, Volume 7A, and the interim change.

Our point of contact, Mr. Roger Castillo, may be contacted at DSN 327-1907 or (703) 607-1907.

for Gregory P. Birtz
Director for Finance

Attachment:
As stated

cc: DASD (MPP)(COMP)
OUSD(C) ODCFO(FC)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
MPMPO

1. Change the citations for the following paragraphs in the bibliography to:

Paragraph	Citations
620102.A	OASD (HA) Memo, April 30, 1999
620103	DoDI 1205.21 March 1, 1996
620202.A	OASD (HA) Memo, April 30, 1999

2. Replace chapter 62 in its entirety with the following.

This is interim change 24-99. It incorporates and supercedes the portions of interim changes 21-97 and 3-99 applicable to chapter 62.

CHAPTER 62

HEALTH PROFESSIONAL STIPEND

6201 PRIOR STIPEND PROGRAM REPEALED WITH EXCEPTION

★620101. Authority. Public Law 99-145 (reference (du)), November 8, 1985, authorizes the Secretaries of each Military Department concerned to provide financial assistance to commissioned officers of the Reserve Components engaged in specialized advanced training in the health professions specialties critically needed in wartime. Effective December 4, 1987, the program under this section is repealed in favor of the program in section 6202 of this chapter. Repeal, however, does not affect an earlier agreement under which an officer receives the stipend authorized by this section. Payment of such stipend continues while officer is otherwise entitled.

620102. Pay Entitlement

★A. A commissioned officer in the Selected Reserve of a Reserve Component who is engaged full-time in a course of specialized advanced training approved by the Secretary of the Military Department concerned, in a health profession, is entitled to a stipend of \$973.00 per month (effective July 1, 1999). This rate shall be increased on July 1 each year, as determined by the Secretary of Defense.

B. The stipend is payable during the course of specialized advanced training, during vacation periods, and during periods when officers are participating in annual training with the Selected Reserve. The stipend is prorated for portions of a month at the beginning and end of the course of specialized advanced training.

C. When an officer's eligibility to the stipend program is terminated, the officer no longer is entitled to receive the stipend. The effective date of termination is set by program administrators and communicated to the paying activity. Termination is based on criteria set by the Department of Defense.

D. An officer terminated from the stipend program may be required, at the discretion of the Secretary of the Military Department concerned, to repay an amount equal to the total amount received under the program. The Secretary of the Military Department concerned may relieve an officer from the recoupment requirement.

★620103. Nonavailability. Members of the Ready Reserve who incur a period of authorized nonavailability shall be suspended without recoupment from their incentive. If subsequently assigned to the Reserve status and skill originally contracted for, members may be reinstated in the incentive program, if they extend their term of service, or contract for service so as to be able to serve the full original incentive contract period. Entitlement to subsequent

payments shall resume on the adjusted anniversary date of satisfactory and creditable Reserve Service, as appropriate. These members are assigned temporarily to the Standby Reserve or to the Inactive National Guard, as appropriate, during the period of authorized nonavailability and are required to extend their Selected Reserve service agreement for a period of time that equals the period of authorized nonavailability.

★A. Members of the Selected Reserve may incur a period of authorized nonavailability for up to 1 year for valid personal reasons as determined by the Secretary of the Military Department concerned.

★B. During the period of non-availability a member is suspended without concurrent recoupment. The member shall not be entitled to subsequent payments or any other available incentives.

★C. An officer is again entitled to stipend payments when the anniversary date of satisfactory and creditable Ready Reserve service is adjusted for the period of authorized nonavailability.

620104. Tax Withholding

A. Monthly stipends are subject to federal income tax withholding (FITW).

B. Monthly stipends are not subject to Federal Insurance Contribution Act (FICA) (reference (ci)) withholding.

620105. Settlement of Deceased Members' Accounts. See section 3602 of this volume for authority for payment of any unpaid pay and allowances (includes amount of unpaid stipend).

6202 CURRENT STIPEND PROGRAM

★ 620201. Authority. Public Law 100-180, December 4, 1987 (reference (dv)), authorizes the Secretary of the Military Department concerned to provide financial assistance to members of the Reserve Components engaged in specialized training in the health professions specialties critically needed in wartime.

620202. Pay Entitlement

★A. A commissioned officer in the Ready Reserve of a Reserve Component of the Armed Forces, who is engaged in a program of professional training for physicians, dentists, or registered nurses in critical specialties designated by the Secretary of the Military Department concerned, is entitled to a monthly stipend of \$973.00 (effective July 1, 1999), except as noted in subparagraph 620202.A.2, below. This rate shall be increased on July 1 of each year, as determined by the Secretary of Defense. The amount is the same as that authorized each year in subparagraph 600102.A, above.

1. The officer described above must agree to serve, upon successful completion of

the stipend program, 2 years in the Selected Reserve for each year, or part thereof, for which the stipend is provided. However,

2. If the officer agrees to serve, upon successful completion of the stipend program, 2 years in the Individual Ready Reserve (IRR) for each year, or part thereof, for which the stipend is provided, the officer is entitled to a monthly stipend at one-half the rate shown above in subparagraph A.

B. An enlisted member in the Ready Reserve of a Reserve Component of the Armed Forces engaged in training as described in this subparagraph is entitled to a monthly stipend of \$100 per month. The member must be enrolled or accepted for enrollment in the third or fourth year of an accredited baccalaureate nursing program or other accredited baccalaureate program leading to a degree in a health-care profession. Such profession is one designated by the Secretaries of the Military Department concerned as a profession critically needed by that Military Department in wartime. The stipend is payable for the period or the remainder of the period of the baccalaureate program in which the member enrolls or is enrolled. Under this subparagraph:

1. The member must be eligible upon completion of a baccalaureate program, for appointment, designation, or assignment as a Reserve officer for duty as a nurse or other health professional.

2. The member agrees to serve, upon graduation from the baccalaureate program, 1 year in the Ready Reserve for each year, or part thereof, for which the stipend is paid.

C. The stipend is payable for the period, or the remainder of the period, of member's specialized training or baccalaureate program. This includes vacation periods and periods of active duty while the member participates in the stipend program. The stipend is initially payable effective the first day of specialized training or baccalaureate training immediately following the date member completes the contract agreement. It is prorated for a partial month at the beginning of member's entitlement and for a partial month at the end of a member's specialized training or baccalaureate program.

D. A member of the stipend program who is dropped from the program for deficiency in training, or who fails to complete the program for other reasons, is no longer entitled to the stipend. Termination is based on criteria set by the Department of Defense.

E. A member terminated from the stipend program may be required, at the discretion of the Secretary of the Military Department concerned, to repay an amount equal to the total amount paid to the person under the program. The Secretary of the Military Department concerned may relieve a member from the recoupment requirement.

620203. Tax Withholding

A. Monthly stipends are subject to federal income tax withholding (FITW).

B. Monthly stipends are not subject to Federal Insurance Contribution Act (FICA) (reference (ci)) withholding.

620204. Settlement of Deceased Members' Accounts. See section 3602 of this volume for authority for payment of any unpaid pay and allowances (includes amount of unpaid stipend).

Interim Changes 35-98, and 5-99 are incorporated in this change. These changes also affect Chapter 22 and will not be deleted from the interim changes cited on the Internet.

CHAPTER 63

NURSE OFFICER CANDIDATE PROGRAM AUTHORIZING ACCESSION AND CONTINUATION BONUS

6301 AUTHORITY

Public Law 101-189, November 29, 1989 (reference (ds)), authorizes the Secretaries of the Military Departments to provide financial assistance to full-time students enrolled in baccalaureate degree in nursing programs to assist in the completion of degree requirements and earn commissions as a nurse corps officers on the active duty list.

★6302 BASIC CONDITIONS OF ENTITLEMENT

The Accession and Continuation Bonus is authorized for nursing students who execute an agreement during the period November 29, 1989, through December 31, 1999, under the following conditions:

630201. The student is enrolled as a full-time student in an accredited baccalaureate degree program in nursing at a civilian educational institution that does not have a Senior Reserve Officer's Training program established and will complete this nursing degree program.

630202. The student has completed the second year of an accredited baccalaureate degree program in nursing and has more than six months of academic work remaining before graduation.

630203. The student meets the qualifications for appointment as an officer of a Reserve Component of the Army, Navy, or Air Force as set forth in the regulations of the Military Department concerned.

6303 WRITTEN AGREEMENT EXECUTED

The student described in section 6302, above, will execute a written agreement which must include the following:

630301. Agreement to complete the nursing degree program as stated in paragraph 630201, above.

630302. Agreement that, upon acceptance of the agreement by the Secretary of the Military Department concerned, the student will enlist in a Reserve Component of the Armed Forces.

630303. Agreement that the student will accept an appointment as an officer in the Nurse Corps of the Army or the Navy or as an officer designated as a nurse officer in the Air Force, as the case may be, upon graduation from the nursing degree program.

630304. Agreement that the individual will serve on active duty as an officer as follows:

A. For period of 4 years in the case of a person whose agreement was accepted by the Secretary concerned during that person's fourth year of the nursing degree program, or

B. For period of 5 years in the case of a person whose agreement was accepted by the Secretary concerned during that person's third year of the nursing degree program.

6304 AMOUNTS PAYABLE

630401. Accession Bonus. An amount of not more than \$5,000 shall be paid in periodic installments, as determined by the Secretary of the Military Department concerned at the time the agreement is accepted, except that the first installment may not exceed \$2,500.

630402. Continuation Bonus. In addition to the accession bonus, the student shall be entitled to a monthly continuation bonus of not more than \$500 for each month that the individual is enrolled as a full-time student in an accredited baccalaureate degree program in nursing at a civilian educational institution that does not have a Senior Reserve Officers' Training Program established under 10 U.S.C. 2102 (reference (c)). The continuation bonus may be paid for not more than 24 months.

6305 RECOUPMENT

630501. The nurse officer candidate shall refund the entire amount of the accession and continuation bonus upon failure to:

A. Complete a nursing degree program in which the person is enrolled in accordance with the agreement entered into with the Military Department;

B. Accept an appointment, if tendered, as an officer of the Nurse Corps of the Army or the Navy or as an officer designated as a nurse officer of the Air Force; or

C. Complete the period of obligated active service required under the agreement.

630502. Under the following circumstances no recoupment will be required; however, no further payments will be made:

A. Death or disability that is not the result of misconduct or willful neglect and not incurred during a period of unauthorized absence;

B. Separation from military service by operation of laws or regulations of the Department of Defense or Military Service regulations, when approved by the Secretary concerned;

C. In other cases, when the ASD(HA) determines recoupment is not in the best interest of the government.

630503. Effective November 29, 1989, a discharge in bankruptcy under Title 11, U.S.C. (reference (aj)) shall not release a person from an obligation to reimburse the United States required under the terms of a written agreement entered into for this accession bonus and continuation bonus, if the final decree of the discharge in bankruptcy was issued within a period of 5 years after the last day of a period that such person had served on active duty.

630504. An obligation to reimburse the United States imposed for the reasons stated above is for all purposes a debt owed to the United States.

6306 TAX WITHHOLDING

630601. The accession and continuation bonus is subject to federal income tax withholding (FITW).

630602. The accession and continuation bonus is not subject to Federal Insurance Contribution Act (FICA) (reference (ci)) withholding.

CHAPTER 64

**HEALTH CARE OFFICERS ON
ACTIVE DUTY IN SUPPORT OF THE PERSIAN GULF CONFLICT**6401 AUTHORITY

Public Law 101-510, Section 1111, 5 November 1990 (reference (q)), authorizes special pay for Reserve medical and dental officers called to active duty in support of Operation Desert Shield (during fiscal years 1990 and 1991) in the same manner as Regular medical and dental officers. Public Law 102-25, Section 304, 6 April 1991 (reference (dw)), as amended by Public Law 102-190, Section 656, 5 December 1991 (reference (dx)), authorizes special pay for health care officers described in Section 302 (medical officers), 302a (optometrists), 302b (dentists), 302e (nurse anesthetists), or 303 (veterinarians) of Title 37, U.S.C. (reference aa) (whichever applies), notwithstanding any requirement in those sections that the call or order to active duty be for a period of not less than 1 year or that the officer execute a written agreement to remain on active duty for a period of not less than 1 year.

6402 DEFINITIONS

640201. Health Care Officer. An officer of the Armed Forces, including Reserve Components and National Guard, described in the following sections of Title 37, U.S.C. (reference aa)):

A. Medical Officers (section 302 (reference aa)). An officer of the Medical Corps of the Army or the Navy or an officer of the Air Force designated as a medical officer.

B. Optometrists (section 302a (reference aa)). An officer of the Army, Navy, or Air Force designated as an optometry officer.

C. Dental Officers (section 302b (reference aa)). An officer of the Dental Corps of the Army or the Navy or an officer of the Air Force designated as a dental officer.

D. Nurse Anesthetists (section 302e (reference aa)). A qualified certified registered nurse anesthetist who is either an officer of the Army or Navy Nurse Corps or an officer of the Air Force designated as a nurse.

E. Veterinarians (section 303 (reference aa)). An officer of the Veterinary Corps of the Army or an officer of the Air Force designated as a veterinary officer.

640202. Operation Desert Storm. Operations of United States Armed Forces conducted as a consequence of the invasion of Kuwait by Iraq including the operation known as Operation Desert Shield.

640203. Persian Gulf Conflict. Means the period beginning on 2 August 1990, and ending thereafter on the date prescribed by presidential proclamation or by law.

6403 ENTITLEMENT

640301. Health Care Officers who are otherwise eligible to receive special pay under 37 U.S.C. 302, 302a, 302b, 302e or 303 (reference (aa)) shall be eligible for such payments for all periods of active duty beginning on or after 1 August 1990 (other than for training) while:

A. A Reserve officer on active duty under a call or order to active duty for a period of less than 1 year in connection with the Persian Gulf Conflict, or

B. A retired officer recalled to active duty under 10 U.S.C. 688 (reference (c)), in connection with the Persian Gulf Conflict, or

C. An officer involuntarily retained on active duty under 10 U.S.C. 673c (reference (c)), or an officer who has voluntarily agreed to remain on active duty for a period of less than 1 year in support of the Persian Gulf Conflict.

640302. Health care officers voluntarily agreeing to remain on active duty are eligible for payments only for those periods served following the expiration of any previously existing active duty service obligations for education, training or special pay agreements as determined by the Secretary concerned or designee.

640303. Reserve medical and dental officers in either an active or inactive Reserve status who were called or ordered to active duty for a period of less than 1 year in connection with Operation Desert Shield are eligible for special pay effective 1 August 1990. For retired medical or dental officers called or ordered from an inactive status, their period of eligibility begins 1 August 1990.

640304. The provisions of this chapter will end on the first day of the first month beginning on or after the date 180 days after the end of the Persian Gulf Conflict.

6404 LIMITATIONS AND RECOUPMENT

640401. Any payments made for periods the health care officer subsequently fails to actually serve on active duty will be recouped on a pro-rata basis.

640402. Medical officers are not entitled to the \$450 per month special pay (see Chapter 5, section 0506) for the same period they receive the special pay provided by this chapter. Any payments made under 37 U.S.C. 302(h) (reference (aa)) are to be recouped for any period that special pay is received under this chapter.

640403. Health care officers on active duty for training are not eligible for the four types of special pay, as applicable (additional, board certified, incentive, and variable), even if they support the Persian Gulf Conflict.

6405 BOARD CERTIFICATION WAIVER (MEDICAL AND DENTAL OFFICERS)

640501. Medical and dental officers in categories eligible for board certification pay, who are unable to schedule or complete board certification examinations because of active duty service in connection with the Persian Gulf Conflict, may be eligible for board certification pay if the otherwise eligible officer:

A. Had completed all other requirements for board certification including all requisite graduate medical education prior to the effective date of the call or order to active duty, and

B. Successfully completes all required certification examinations within 180 days after release from the duty to which the officer was assigned in connection with the Persian Gulf Conflict.

640502. Secretaries of the Military Departments or their designees may waive the 180-day limitation for up to 1 year for those officers whose board examinations are not offered within the 180-day period or in other well-justified cases. Certification must be obtained before the medical or dental officer receives payment.

640503. Payments for periods of active duty pursuant to board certification waivers shall be made in lump sum when that officer successfully completes the first available board certification examination after the release from the duty assignment on which the waiver was based. Officers not successfully completing this first available examination shall only receive board certification pay after they become board certified.

6406 SPECIAL PROVISIONS

640601. All payments provided for in this chapter may be made on a monthly basis, notwithstanding the provisions of 37 U.S.C. 302(e), 302b(d) or 302e(e) (reference (aa)) that would require some payments to be made annually in advance.

640602. For medical and dental officers previously eligible for payments under Public Law 101-510, section 1111 (reference (q)), payments shall continue to be made effective the first day the eligible officer began active duty in connection with Operation Desert Storm. Retroactive payments are authorized for any period which the eligible officer actually served on active duty under the call or order to active duty described above.

6407 RATES PAYABLE

Any health care officer who meets the eligibility requirements, shall be paid special pay equivalent to their active duty counterpart for the period of time the officer is on active duty. Health care officers will be paid the following rates:

640701. Medical officers are paid the monthly rates in Chapter 5 for variable

special pay, board certified pay, incentive special pay and additional special pay, as applicable.

640702. Dental officers are paid the monthly rates in Chapter 6 for variable special pay, board certified special pay and additional special pay, as applicable.

640703. Veterinarians and optometrists are entitled to special pay at the monthly rate of \$100.

640704. Certified registered nurse anesthetists are entitled to incentive special pay at the monthly rate of \$500.

APPENDIX A**COMPARABLE TERMS**

ARMY	NAVY	MARINE CORPS	AIR FORCE
Secretary of the Army	Secretary of the Navy	Secretary of the Navy	Secretary of the Air Force
Chief of Staff, United States Army	Chief of Naval Operations	Commandant of the Marine Corps	Chief of Staff, United States Air Force
The Adjutant General	Chief of Naval Personnel	Deputy Chief of Staff for Manpower	Directorate of Administration
Army Audit Staff, US General Accounting Office	Navy Audit Staff, US General Accounting Office		Air Force Audit Staff, US General Accounting Office
Finance and Accounting Officer	Disbursing Officer	Disbursing Officer	Accounting and Finance Officer
Enlisted Member(s)	Enlisted Member(s)	Enlisted Member(s)	Airman (Airmen)
Official Army Register	Navy and Marine Corps Register-Naval Reserve and Marine Corps Reserve Register	Navy and Marine Corps Register-Naval Reserve and Marine Corps Reserve Register	Official Air Force Register
Regular Army	Regular Navy	Regular Marine Corps	Regular Air Force
Pay Entry Basic Date (PEBD)	Pay Entry Base Date (PEBD)	Pay Entry Base Date (PEBD)	Pay Date

APPENDIX B

		<u>COMPARABLE GRADES</u>		
PAY GRADE	ARMY	NAVY	MARINE CORPS	AIR FORCE
0-10	General	Admiral	General	General
0-9	Lieutenant General	Vice Admiral	Lieutenant General	Lieutenant General
0-8	Major General	Rear Admiral (UH)	Major General	Major General
0-7	Brigadier General	Rear Admiral (LH) or Commodore	Brigadier General	Brigadier General
0-6	Colonel	Captain	Colonel	Colonel
0-5	Lieutenant Colonel	Commander	Lieutenant Colonel	Lieutenant Colonel
0-4	Major	Lieutenant Commander	Major	Major
0-3	Captain	Lieutenant	Captain	Captain
0-2	1st Lieutenant	Lieutenant (JG)	1st Lieutenant	1st Lieutenant
0-1	2nd Lieutenant	Ensign	2nd Lieutenant	2nd Lieutenant
E-9	Sergeant Major Or Command Sergeant Major	Master Chief Petty Officer	Sergeant Major or Master Gunnery Sergeant	Chief Master Sergeant
E-8	First Sergeant or Master Sergeant	Senior Chief Petty Officer	First Sergeant or Master Sergeant	Senior Master Sergeant
E-7	Platoon Sergeant or Sergeant First Class	Chief Petty Officer	Gunnery Sergeant	Master Sergeant
E-6	Staff Sergeant	Petty Officer, 1st Class	Staff Sergeant	Technical Sergeant
E-5	Sergeant	Petty Officer, 2nd Class	Sergeant	Staff Sergeant

Appendix B - Comparable Grades

PAY GRADE	ARMY	NAVY	MARINE CORPS	AIR FORCE
E-4	Corporal or Specialist	Petty Officer, 3rd Class	Corporal	Sergeant or Senior Airman
E-3	Private First Class	Seaman	Lance Corporal	Airman, First Class
E-2	Private	Seaman Apprentice	Private First Class	Airman
E-1	Private	Seaman Recruit	Private	Airman, Basic

Appendix B - Comparable Grades (Continued)

APPENDIX CBIBLIOGRAPHY

Paragraph	Citation
Chapter 01—Creditable Service	
0101—Service Which is Creditable	37 U.S.C. 205 27 Comp Gen 530 24 Comp Gen 829 25 Comp Gen 680 10 U.S.C. 1038 62 Stat 1082 10 U.S.C. 507 37 Comp Gen 838 Public Law 86-197, 25 Aug 1959 Public Law 77-230, Section 3, 21 Aug 1941 Public Law 77-658, 8 July 1942 1 Comp Gen 668 45 Comp Gen 149 MS Comp Gen B-195448, 3 Apr 1980 42 Comp Gen 296 10 U.S.C. 2106(c) 10 U.S.C. 2107(g) 45 Comp Gen 103 Public Law 93-545, 26 Dec 1974 OASD (MI&L) Memo, 24 Dec 1984 37 U.S.C. 203(d) 38 Comp Gen 68 37 U.S.C. 201(e) ★010104I Public Law 104-201, Section 507, 23 Sep 1996 10 U.S.C. 2107 (g) ★010104K Public Law 104-201, Section 507, 23 Sep 1996 10 U.S.C. 2106 (c)

★010104P	Public Law 104-201, Section 507, 23 Sep 1996
0102—Service Not Creditable	36 Comp Gen 146 37 Comp Gen 237 Public Law 96-513, Section 402, 625, 12 Dec 1980 MS Comp Gen B-221944.2- O.M., 24 Mar 1989 1 Comp Gen 511 1 Comp Gen 668 3 Comp Gen 61 22 Comp Gen 987 25 Comp Gen 718 37 U.S.C. 205(b)(d)(e) 45 Comp Gen 103 22 Comp Gen 907 23 Comp Gen 755 10 U.S.C. 2126 10 U.S.C. 2114(b) Public Law 98-525, Section 607, 19 Oct 1984 38 Comp Gen 553 38 Comp Gen 352
★010201F	Public Law 104-201, Section 507, 23 Sep 1996 10 U.S.C. 2106 (c)
★010201K	Public Law 104-201, Section 507, 23 Sep 1996
010202	38 Comp Gen 553 38 Comp Gen 352
0103—Computations of Creditable Service	5 U.S.C. 5505 38 Comp Gen 824 37 Comp Gen 455 MPAC Action 1001, 23 Feb 1966
Table 1-2 Rule 1 Rule 2, 3, 5,	55 Comp Gen 1244 10 U.S.C. 972

	6, 8, and 9 Note 2	38 Comp Gen 553
	010301	5 U.S.C. 5505 38 Comp Gen 824 37 Comp Gen 455 MPAC Action 1001, 23 Feb 1966
	010302	5 U.S.C. 5505 38 Comp Gen 824 37 Comp Gen 455 MPAC Action 1001, 23 Feb 1966
Chapter 02—Computation of Pay		
0201—Basic Pay Entitlements	020102A	5 U.S.C. 5536 5 U.S.C. 5534a 3 Comp Gen 40 17 Comp Gen 1049 18 Comp Gen 213 46 Comp Gen 400 52 Comp Gen 471 MS Comp Gen B-214919, 22 Mar 85
	020102A2	22 U.S.C. 2385(d)
	020102B	10 U.S.C. 973 5 U.S.C. 5534a
	020103A	21 Comp Gen 819
	020103B	10 U.S.C. 3394, 5792, 8394, 8312, 8451
	020104	10 U.S.C. 12316
	020105	10 U.S.C. 1523 37 U.S.C. 552(a)
0202—Computing Monthly Pay	020201A	5 U.S.C. 5505 13 Comp Dec 75 4 Comp Gen 757 20 Comp Dec 165 45 Comp Gen 395 54 Comp Gen 952 5 Comp Gen 935 10 Comp Gen 11
	020201B	37 U.S.C. 1004 46 Comp Gen 100

		54 Comp Gen 952
		62 Comp Gen 266
	020202	5 U.S.C. 5505
		37 U.S.C. 503
	020202B and 020203	5 U.S.C. 5505
0203—Saved Pay	020301A	37 U.S.C. 907
	020301B	MS Comp Gen B-232042, 7 July 1989
	020301C	45 Comp Gen 763
	020301C2	46 Comp Gen 57
	020301C5	46 Comp Gen 804
	020301C8	46 Comp Gen 57
	020301D	61 Comp Gen 296
0204—Increased Basic Pay During Period of Service Essential to Public Interests		
	020401	10 U.S.C. 5540
0205—Allowable Travel Time for Reserve Members Called to or Released From Active Duty		
	020501	EO 12683, 21 July 1989
		37 U.S.C. 204(b)
		MS Comp Gen B-146551, 13 Dec 1961
	020501B	37 U.S.C. 204(e)
	020502A	37 U.S.C. 204(b)
		EO 12683, 21 July 1989
	020502B	48 Comp Gen 78
Table 2-1		
Rule 5		37 U.S.C. 204(f)
Rule 8		37 U.S.C. 204(b)
Rule 9		MS Comp Gen B-181762, 18 July 1975
		19 Comp Gen 282
Rule 10		37 U.S.C. 204(c)
Rule 11		43 Comp Gen 293
Table 2-2		
Rule 1		10 U.S.C. 601(a)
Rule 2		37 U.S.C. 905(a)
Rule 3		37 U.S.C. 905(b)
Rule 4		37 U.S.C. 1010
Rules 5 and 6		10 U.S.C. 3380, 8380

Rule 11	MS Comp Gen B-208043, 18 Jan 1983
Rule 12	10 U.S.C. 1552(a)(2) amended by Public Law 102-484, Section 1052(19)
Rule 13	36 Comp Gen 137
Note 1	10 U.S.C. 601(b)
Note 2	MS Comp Gen B-143510, 29 Sep 1960 42 Comp Gen 445
Note 3	MS Comp Gen B-107486, 15 Nov 1966
Note 5	10 U.S.C. 1552(a)(2) amended by Public Law 102-484, Section 1052(19)
Table 2-3	
Rule 5	61 Stat 795
Rule 16	37 Comp Gen 228
Rule 19	10 U.S.C. 507
Rule 25	49 Comp Gen 429
Note 1	27 Comp Dec 13
Note 6	55 Comp Gen 109
Note 7	49 Comp Gen 800
Table 2-4	EO 10153, 17 Aug 1950, amended by EO 10649, 28 Dec 1955 EO 12683, 12 July 1989 MS Comp Gen B-146551, 13 Dec 1961
Note 4	41 Comp Gen 56
Table 2-5 through 2-8	37 U.S.C. 203 37 U.S.C. 1009
Table 2-5	37 U.S.C. 201(d) 37 U.S.C. 209(c)
Note 1a	Public Law 100-180, Section 1334(D)(3), 4 Dec 1987 37 U.S.C. 1009, Note
★Table 2-8 Notes	37 U.S.C. 1009 37 U.S.C. 210, added by Public Law 102-190

Section 606, approved
5 Dec 1991
Public Law 104-201,
Section 603,
23 Sep 1996
implemented by
EO 13033,
27 Dec 1996

Chapter 03—Absence from Duty, Effect on Pay and Allowances

0301—Authorized Leave	030101 030104B.9 030105A 030105B 030105C 030106 030107 030107B 030107B1	10 U.S.C. 701(a) MS Comp Gen B-181710, 2 Apr 1975 37 U.S.C. 502(b) 10 U.S.C. 701 Public Law 99-661, Section 506, 14 Nov 1986 60 Comp Gen 51 50 U.S.C. App 2205 Public Law 93-64, 9 July 1973 Public Law 97-81, 20 Nov 1981 MS Comp Gen B-213883, 30 May 1984 55 Comp Gen 507,
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0302—Unauthorized Absence and Other Lost Time

030202A 030202C 030202E 030204A 030204B 030204C 030205A 030205B1 030206A1 030207A	50 U.S.C. App 2205 MS Comp Gen B-147334, 6 Nov 1961 9 Comp Dec 517, 518 10 U.S.C. 2772 MS Comp Gen B-169366, 8 Apr 1970 52 Comp Gen 317 MS Comp Gen B-194949, 7 Nov 1979 14 Comp Gen 710 Op JAGA, 27 Sep 1934 MS Comp Gen B-169366, 8 Apr 1970 54 Comp Gen 862
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030207B	9 Comp Gen 323 MS Comp Gen B-23804, 21 Feb 1942 MS Comp Gen B-113109, 30 Jan 1953 9 Bul JAG 50 54 Comp Gen 862
030207C	MS Comp Gen B-131446, 26 June 1957
030207D	30 Comp Gen 449
030207E	11 Comp Gen 342 54 Comp Gen 862
030207F	37 Comp Gen 488 47 Comp Gen 487
030207H	37 Comp Gen 380 9 Comp Gen 323 3 Comp Dec 676
030207I	33 Comp Gen 195
030207J	59 Comp Gen 12
030208	MS Comp Gen B-171865, 25 Mar 1971
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Rule 4	32 Comp Gen 348
Rule 6	10 U.S.C. 708
Rule 7	10 U.S.C. 705
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Note 2	10 U.S.C. 703
Note 7	5 Comp Gen 935
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Rules 5&6	8 Comp Gen 80 36 Comp Gen 173
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Rule 11	<u>US v Landers</u> , 92 US 77
Rule 12	37 U.S.C. 803
Note 1	37 U.S.C. 402
Note 2	19 Comp Gen 288, 290
Note 3	<u>US v Landers</u> , 92 US 77
Notes 4&5	55 Comp Gen 186
Note 5	MS Comp Gen B-191301,

17 May 1978

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Rule 2	7 Comp Gen 496
Rule 3	39 Comp Gen 781
Rule 4	10 Comp Dec 490
Rule 5	Op JAG, 18 Mar 1909
Rule 7	11 Comp Dec 755
Rule 8	14 Comp Dec 116
Rule 9	Op JAG, 15 Apr 1916
Rule 10	MS Comp Gen B-194949, 7 Nov 1979
Rules 11 through 13	40 Comp Gen 366

Chapter 04—Payment in Cases of Void, Voidable, or Rejected Enlistments or Inductions

0401—Voidability of Contract	12 Comp Dec 445 3 Comp Gen 61 9 Comp Gen 26 54 Comp Gen 291
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0404—Disbursing Officer Entitled to Credit	11 Comp Dec 710 47 Comp Gen 671
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0405—Failure to Discover Physical Condition of Enlistee or Inductee

48 Comp Gen 377

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Rule 7	10 U.S.C. 505 10 U.S.C. 6292
Rule 8	39 Comp Gen 742
Rule 9	39 Comp Gen 742
Rule 10	48 Comp Gen 377

Chapter 05—Special Pays for Medical Officers

0501—Variable Special Pay

050101	37 U.S.C. 302(a)(1)
050101C and D	ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
050102	37 U.S.C. 302(a)(2)
050102J	37 U.S.C. 302(a)(3) amended by Public Law 101-510, 5 Nov 1990
050104	37 U.S.C. 302(g) DoD Directive 1340.13, 23 July 1988

0502—Board Certified Pay

050202	37 U.S.C. 302(a)(5)
050205	DoD Directive 1340.13, 23 July 1988

0503—Additional Special Pay

050303	37 U.S.C. 302(a)(4)
050303C	37 U.S.C. 302(c)(1) ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
050305	37 U.S.C. 302(a)(4) ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
050306	37 U.S.C. 302(e) ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
050307	37 U.S.C. 302(c)(2)
050307E	37 U.S.C. 302(f) ASD (HA) Memo,

19 Jan 1993
Public Law 102-190,
Section 634, 5 Dec 1991

0504—Incentive Special Pay

050403	37 U.S.C. 302(b) & (c) DoD Directive 1340.13, 23 July 1988
050403E	ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
050404	37 U.S.C. 302(b) Public Law 101-189, 29 Nov 1989 ASD (HA) Memo, 1 Sep 1992 ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
050405	37 U.S.C. 302(e) ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
050406	37 U.S.C. 302(c)(2) 37 U.S.C. 302(f)
050406E	ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991

0505—InterService Transfers

050501	DoD Directive 1340.13, 23 July 1988
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0506—Special Pay for Active Duty of Reserve Medical Officers

050601	Public Law 101-189, Section 702, 29 Nov 1989
050602	37 U.S.C. 302(h) 37 U.S.C. 302(h)

050603	ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
0507—Medical Officer Retention Bonus (MORB)	
050701-050705	Public Law 100-456, Section 612, 29 Sep 1988
0508—Multi-Year Special Pay (MSP)	
050801	Public Law 101-510, 5 Nov 1990 ASD (HA) Memo, 22 Jan 1991 ASD (HA) Memo, 1 Sep 1992
050803	ASD (HA) Memo, 1 Sep 1992
050806	Public Law 103-139, Section 8127, 11 Nov 1993
★0509—Board Certified Pay for Non-Physician Health Care Providers	
050901	OASD (HA) memos, 22 Sep 1994, 6 Sep 1995, 30 May 1996, and 10 July 1996 37 USC 302c(d) as amended by Public Law 104-106, Section 617, 10 Feb 1996 OASD (HA) Memo, 30 May 1996 OASD (HA) Memo, 10 July 1996
050904	OASD (HA) Memo, 30 May 1996 Public Law 104-106, Section 617, 10 Feb 1996 OASD (HA) Memo, 10 July 1996

★0510--Diplomate Pay for Psychologists

051001

OASD (HA) Memo,
22 Sep 1994 and
6 Sep 1995
37 USC 302c (c)

Chapter 06—Special Pays for Dental Officers

★0601—Accession Bonus

37 U.S.C. 302h
OASD (HA) Memo,
6 Jan 1997
Public Law 104-201,
Section 615, 23 Sep 1996

★0602—Variable Special Pay

060201
060201C

37 U.S.C. 302b(a)(1)
ASD (HA) Memo,
19 Jan 1993
Public Law 102-190,
Section 634, 5 Dec 1991

060202

37 U.S.C. 302b(a)(2)
OASD/HA Memo,
28 Oct 1996

060204

37 U.S.C. 302b(g)
DoD Directive 1340.8,
21 Feb 1986

0603—Board Certified Pay

060302

37 U.S.C. 302b(a)(4)
OASD/HA Memo,
28 Oct 1996

060305

DoD Directive 1340.8,
21 Feb 1986

★0604—Additional Special Pay

060403
060403C

37 U.S.C. 302b(a)(4)
ASD (HA) Memo,
19 Jan 1993
Public Law 102-190,

		Section 634, 5 Dec 1991
	060405	OASD (HA) Memo, 28 Oct 1996
	060405D	ASD (HA) Memo, 19 Jan 1993
		Public Law 102-190, Section 634, 5 Dec 1991
	060406	37 U.S.C. 302b(d) ASD (HA) Memo, 19 Jan 1993
		Public Law 102-190, Section 634, 5 Dec 1991
	060407	37 U.S.C. 302b DoD Directive 1340.8, 21 Feb 1986
	060407E	ASD (HA) Memo, 19 Jan 1993
		Public Law 102-190, Section 634, 5 Dec 1991
★0605—Transition (Savings) Provisions		
	060501	DoD Directive 1340.8, 21 Feb 1986
★0606—Special Pay for Active Duty of Reserve Dental Officers		
		OASD (HA) Memo, 28 Oct 1996
Chapter 07—Special Pay for Veterinarians and Optometrists		
	0701—Entitlement	
	070103	37 U.S.C. 302a and 303 ASD (HA) Memo, 19 Jan 1993
		Public Law 102-190, Section 634, 5 Dec 1991
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	0801—Entitlement Provisions and Policy	
		37 U.S.C. 307 DoD Directive 1304.21,

2 Aug 1985
DoD Instruction 1304.22,
7 Aug 1985
53 Comp Gen 184
Public Law 104-106,
Section 619, 10 Feb 1996

★080105B

0802—Conditions of Entitlement

DoD Directive 1304.21,
2 Aug 1985
37 U.S.C. 307

Chapter 09—Special Pay, Enlistment and Reenlistment Bonus, Enlisted Members

0901—Enlistment Bonus

★090101F

37 U.S.C. 308a
Public Law 104-106,
Section 613, 10 Feb 1996

37 U.S.C. 308a (c)
Public Law 104-201,
Section 613, 23 Sep 1996

090102 and 090103

37 U.S.C. 308a (c), 308f (c)
Public Law 101-189,
Section 612, 29 Nov 1989

★090104

Public Law 104-106,
Section 613, 10 Feb 1996

★090106

37 U.S.C. 308a (c)

★090107

58 Comp Gen 282

★090107A

37 U.S.C. 308f

★090107B

37 U.S.C. 308f (a)

★090107D

37 U.S.C. 308f (a)

37 U.S.C. 308f (c)

0902—Selective Reenlistment Bonus

37 U.S.C. 308
Public Law 93-277,
10 May 1974

090201

DoD Instruction 1304.22,
7 Aug 1985

090202

Public Law 101-189,
Section 611, 29 Nov 1989
DoD Instruction 1304.22,

	7 Aug 1985
090202A4	55 Comp Gen 37
090202A5	MS Comp Gen B-230360, 9 Nov 1990
090201B1	ODASD(MPP)OEPM Memo, 9 Dec 1994
090205	58 Comp Gen 282
090205D	45 Comp Gen 379
★090206	Public Law 104-201, Section 613, 23 Sep 1996 37 U.S.C. 308 (g)

0903—Regular Reenlistment Bonus

090301	Public Law 93-277, 10 May 1974
090301A5	36 Comp Gen 786
090301A6	MS Comp Gen B-123049, 1 July 1955
090301B1	34 Comp Gen 715
090301B2	42 Comp Gen 172 45 Comp Gen 561
090301B3	36 Comp Gen 439
090301C	30 Comp Gen 222 38 Comp Gen 333
090302C	35 Comp Gen 371
090302D	35 Comp Gen 664
090304	37 U.S.C. 906 45 Comp Gen 123 MS Comp Gen B-175846, 4 Oct 1972
090304A	34 Comp Gen 615 40 Comp Gen 14
090304B	40 Comp Gen 14
090305	35 Comp Gen 663 MS Comp Gen B-175846, 4 Oct 1972
090306C	JAGA, Dig Ops, Volume 3, page 618
090306C3 and 4	42 Comp Gen 172
090306D	28 Comp Gen 460
090306F	36 Comp Gen 127

0904—Recoupment of Enlistment and Reenlistment Bonus

090403	OASD (MRA&L) Memo, 13 Apr 1983 MS Comp Gen B-210827, 21 Sep 1983 MS Comp Gen B-206550, 27 Oct 1982
090403N	39 Comp Gen 377
★090403N10	Navy Pers-20 Memo, 29 Nov 1995
090404	Public Law 95-57, 29 June 1977
090405	10 U.S.C. 972 33 Comp Gen 513
090406	33 Comp Gen 513
090406D	Public Law 103-139, Section 8127, 11 Nov 1993
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Chapter 10—Special Pay—Duty Subject to Hostile Fire or Imminent Danger

1001—Entitlement Provisions

	37 U.S.C. 310 DoD Instruction 1340.9, 10 Apr 1992
100103	Public Law 102-190, 5 Dec 1991
Figure 10-1	ASD (FMP) Memo, 7 Mar 1995
Afghanistan	ASD (FM&P) Memo, 20 Oct 1988
Algeria	ASD(FMP) Memo, 7 Mar 1995
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★Arabian (Persian) Gulf Area

OASD (FM&P) Memos,
25 Aug 1987
and 20 Mar 1989

SECDEF Memo,
19 Sep 1990
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10 Dec 1990, and
ASD (P&R) Memo,
23 Aug 1993

Azerbaijan

ASD(FMP) Memo,
9 June 1995

Bosnia
(Herzegovina,
Yugoslavia,
Macedonia)

ASD (FM&P) Memo,
22 June 1992
ASD (FM&P) Memo,
22 June 1992 and
ASD (P&R) Memo,
23 Aug 1993

Burundi

ASD (FMP) Memo,
29 Nov 1996

Chad

ASD (FM&P) Memo,
22 June 1992, ASD (FMP)
Memo, 29 Jan 1997

Colombia

ASD (MI&L) Memo,
8 May 1985

Croatia

ASD (FM&P) Memo,
22 June 1992

★Egypt

OSD Memo, 6 Feb 1991
ASD (FMP) Memo,
29 Jan 1997

El Salvador

ASD (MRA&L) Memo,
30 Sep 1983

★Georgia

ASD (FMP) Memo,
28 Jan 1997

★Greece

ASD (FMP) Memo,
29 Jan 1997

Haiti

USD (P&R) Memo,
16 Sep 1994
CINCUSACOM Msg
262133Z Sep 94
USD (P&R) Memo,
23 Nov 1994

Iran

OASD (MRA&L) (MPP)
Memos, 4 May 1979
and 23 Jan 1981

Iraq	OSD Memo, 17 Sep 1990
Israel	OSD Memo, 6 Feb 1991
★Jordan	OSD Memo, 6 Feb 1991
	ASD (FMP) Memo, 29 Jan 1997
Kuwait	ASD (FM&P) Memo, 6 Aug 1990
Lebanon	ASD (MRA&L) Memo, 30 Sep 1990
Liberia	ASD (FM&P) Memo, 6 Aug 1990
★Macedonia	ASD (FM&P) Memo, 22 Jun 1992 and ASD (P&R) Memo, 23 Aug 1993
★Montenegro	ASD (FM&P) Memo, 22 Jun 1992
★Mozambique	ASD (FM&P) Memo, 22 June 1992 ASD (FMP) Memo, 29 Jan 97
★Pakistan	ASD (FMP) Memo, 29 Nov 1996
Panama	ASD (FM&P) Memo, 20 Dec 1989
Peru	OASD (FM&P) Memos, 27 Mar 1987 and 29 Oct 1987
Philippines	ASD (FM&P) Memos, 15 May 1990 and 22 Nov 1991
★Serbia	ASD (FM&P) Memo, 22 Jun 1992
Somalia	ASD (FMP) Memo, 28 Sep 1992
Slovenia	ASD (FM&P) Memo, 22 June 1992 ASD (FM&P) Memo, 29 Sep 1995
Sudan	OASD (FM&P) Memos, 17 July 1986, 12 May 1987, 27 Nov 1987, and ASD (P&R) Memo, 4 Oct 1993

	Syria	ASD (FM&P) Memo, 26 Dec 1991
	★Tajikistan	OSD Memo, 6 Feb 1991 ASD (FMP) Memo, 31 Mar 1997
	★Turkey	ASD (FMP) Memo, 29 Sep 1995 and ASD (FMP) Memo, 29 Jan 1997
	Vietnam	DEPSECDEF Memo, 26 Sep 1973 (MPAC Item 73-155) and ASD (FMP) Memo, 29 Jan 1997
	★Zaire	ASD (FMP) Memo, 29 Nov 1996
	★Notes 1, 2	ASD (FMP) Memo, 29 Jan 1997
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	1101Entitlement	
	1105-Restriction on Payment	1101 and 1105 37 U.S.C. 304
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	★1201—Nuclear Power Accession Bonus Program	
	★120101-120104	37 U.S.C. 312b Public Law 104-106, Section 613(f), 10 Feb 1996
	★120101A	Public Law 104-201, Section 613, 23 Sep 1996 37 U.S.C. 312b (c)
	1202—Nuclear-Qualified Officer Extending Period of Active Service (Continuation Pay)	
	★120201-120204	37 U.S.C. 312
	★120201A	Public Law 104-201, Section 613, 23 Sep 1996 37 U.S.C. 312 (e)

1203—Nuclear Career Annual Incentive Bonus

★120301A

Public Law 104-201, Section
613, 23 Sep 1996
37 U.S.C. 312c (d)Chapter 13—Special Pay for Officers Serving In Positions of Unusual Responsibility and of a
Critical Nature

1301—Entitlement

37 U.S.C. 306
Public Law 102-587,
Section 5205, 4 Nov 1992Chapter 14—Special Pay—Qualified Enlisted Members Extending Duty at Designated
Locations Overseas

1401—Conditions of Entitlement

37 U.S.C. 314
OASD(FM&P) Memo,
18 Mar 1986

1404—Termination of Entitlement

DoD Directive 1315.7,
9 Jan 1987

Chapter 15—Special Continuation Pay for Aviation Career Officers

1501—Entitlement

37 U.S.C. 301b

Chapter 16—Engineering and Scientific Career Continuation Pay

1601—Conditions of Entitlement

37 U.S.C. 315

Chapter 17—Special Pay—Foreign Duty

1701—Entitlement

37 U.S.C. 305
Part II, EO 11157,
22 June 1964

1703—Restrictions on Payment

170301
170303
17030438 Comp Gen 710
24 Comp Gen 131
37 U.S.C. 305(d)
Sec 206(a), EO 11157,
22 June 1964

1704—Rates Payable		37 U.S.C. 305(a)
1705—Foreign Duty Pay Areas		
	170502	OASD (FM&P) (MM&PP) Memo, 18 July 1989 OASD Memo, 17 Sep 1990 OUSD (P&R) (MPP) Memo, 11 Aug 1994 ★OASD (FM&P) (MPP) Memo, 26 Nov 1996
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	Rule 8	EO 11292, 1 Aug 1966
	Rule 13	OASD (MRA&L) Memo, 26 Jan 1983
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1801—Career Sea Pay	180101-180104 180105C	37 U.S.C. 305a 37 U.S.C. 305(d) Sec 206(a), EO 11157, 22 June 1964
1802—Career Sea Pay Premium	180201-180202 180203	37 U.S.C. 305a EO 12274, 16 Jan 1981
Chapter 19—Special Pay—Foreign Language Proficiency		
1901—Entitlement Provisions and Policy	190101	Public Law 99-661 14 Nov 1986 DoD Instruction 7280.3, 15 Apr 1987
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★2001—Entitlement		Public Law 104-201, Section 613, 23 Sep 1996 37 U.S.C. 301b (a)
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	Public Law 103-139, Section 8127, 11 Nov 1993 Public Law 103-335, Section 8106A, 30 Sep 1994
2006—Restriction	Public Law 100-456, Section 611(e), 29 Sep 1988
★2007—Coverage of Period of Lapsed Authority	Public Law 103-160, Section 613(i), 30 Nov 1993 Public Law 104-106, Section 613(i), 10 Feb 1996
Chapter 21—Special Pays for Nurse Corps Officers	
2101—Registered Nurse Accession Bonus	37 U.S.C. 302d ASD (HA) Memo, 19 Dec 1989 Public Law 101-510, Section 613, 5 Nov 1990
★210101	Public Law 102-484, Section 612(g), 23 Oct 1992 ASD (HA) Memo, 19 Dec 1994 Public Law 104-201, Section 612, 23 Sep 1996 37 U.S.C. 302d (a) (1)
210102	ASD (HA) Memo, 19 Dec 1994 Public Law 103-337, Section 612, 5 Oct 1994
210103	Public Law 103-139, Section 8127, 11 Nov 1993
210103A-C	ASD (HA) Memo, 19 Dec 1994

2102—Incentive Special Pay for Certified Registered Nurse Anesthetists (CRNA)

	37 U.S.C. 302e Public Law 103-160, Section 611(c), 30 Nov 1993 ASD (HA) Memo, 19 Dec 1989 Public Law 101-510, 5 Nov 1990
210201	ASD (HA) Memo, 19 Dec 1994 Public Law 103-337, Section 612, 5 Oct 1994
★210201A	Public Law 102-484, Section 612(i), 23 Oct 1992 ASD (HA) Memo, 19 Dec 1994 Public Law 104-201, Section 612, 23 Sep 1996 37 U.S.C. 302e (a) (1)
210201B	ASD (HA) Memo, 19 Dec 1994 Public Law 103-337, Section 612, 5 Oct 1994
210201C	ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
210202E	ASD (HA) Memo, 19 Dec 1994 ASD (HA) Memo, 19 Jan 1993 Public Law 102-190, Section 634, 5 Dec 1991
210204	ASD (HA) Memo, 19 Jan 1993, Public Law 102-190, Section 634, 5 Dec 1991

Chapter 22—Aerial Flights

2201—Hazardous Duty Incentive Pay (HDIP) for Flying Duty

220101	37 U.S.C. 301(a)(1)and(4) Public Law 93-294, 31 May 1974
220102	37 U.S.C. 301(b) and (c)
220103	EO 11157, 22 June 1964 EO 11292, 1 Aug 1966
220104B	25 Comp Gen 534
220104C	37 Comp Gen 183 4 Comp Gen 975 9 Comp Gen 487
220106A	EO 11157, 22 June 1964
220106B	38 Comp Gen 83
220106C	22 Comp Gen 1038 Committee Action 1006, 8 Feb 1966 23 Comp Gen 267
220109A	2 Comp Gen 370
220109B	46 Comp Gen 776
220109C	37 Comp Gen 322
220109E	37 U.S.C. 552 23 Comp Gen 948 Public Law 92-482, 12 Oct 1972
220109F1	23 Comp Gen 449
220109F2	7 Comp Gen 476 36 Comp Gen 57
220110	9 Comp Gen 234 39 Comp Gen 604 41 Comp Gen 173 46 Comp Gen 776
220111	37 U.S.C. 301(e)
220111A	56 Comp Gen 983
220111B	56 Comp Gen 983
220111C	MS Comp Gen B-153331, 11 Dec 1964
220112	37 U.S.C. 304(b)
220114	Public Law 92-482, 12 Oct 1972
★220116	Public Law 104-106 Section 615, 10 Feb 1996
Table 22-3	
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Rule 9	EO 11929, 26 July 1976
Rule 10	EO 11929, 26 July 1976

Note 3	EO 11929, 26 July 1976
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Note 10	46 Comp Gen 776
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★Table 22-8	Public Law 104-106, Section 615 10 Feb 1996

2202—Aviation Career Incentive Pay (ACIP) for Rated or Designated Officers,
Aviation Cadets and Warrant Officers

★220201A2	37 U.S.C. 301a ASD (FMP) Memo, 17 Jul 1996
220203	EO 11157, 22 June 1964 EO 11292, 1 Aug 1966
220204B	25 Comp Gen 534
220204C	37 Comp Gen 183 4 Comp Gen 975 9 Comp Gen 487
220206	EO 11157, 22 June 1964 DoD Directive 7730.57, 5 Feb 1976 OASD (M,I&L) Memo, 15 Feb 1985 ASD (FMP) Memo, 15 Dec 1994
220206B	ASD (FMP) Memo, 15 Dec 1994
220206B2	38 Comp Gen 83
220206B3	22 Comp Gen 1038
220207	DoD Directive 7730.57, 5 Feb 1976 OASD (M,I&L) Memo, 15 Feb 1985 ASD (FMP) Memo, 15 Dec 1994
220209 and 220209A	2 Comp Gen 370
220209B	46 Comp Gen 776
220209C	23 Comp Gen 449
5-7	ASD (FMP) Memo, 15 Dec 1994
220209D	7 Comp Gen 476

2,3	36 Comp Gen 57
	ASD (FMP) Memo,
	15 Dec 1994
220210	DoD Directive 7730.57,
	5 Feb 1976
	OASD(M,I&L) Memo,
	15 Feb 1985
220210A	ASD (FMP) Memo,
	15 Dec 1994
220211	OASD (MRA&L) MPP
	Memo, 12 Aug 1981
220213	37 U.S.C. 552
	23 Comp Gen 948
	Public Law 92-482,
	12 Oct 1972

Chapter 23—Submarine Duty Pay

2301—Incentive Pay for Operational Submarine Duty

230101	37 U.S.C. 301c(a)(1) and (2)
230103 and 230105	37 U.S.C. 301c(a)(5)
230107	Public Law 92-482,
	12 Oct 1972

2302—Continuous Monthly Submarine Duty Pay for Submarine Service Members

230201	37 U.S.C. 301c(a)(3)
230204	37 U.S.C. 301c(c)(2)

Chapter 24—Parachute Duty, Flight Deck Duty, Demolition Duty, Experimental Stress Duty, and Others Listed

2401—General Provisions	240101	37 U.S.C. 301
		EO 12394, 18 Nov 1982,
		amending
		EO 11157, 22 June 1964
		EO 12420, 11 May 1983,
		amending
		EO 11157, 22 June 1964
	240102	37 U.S.C. 301(c)
	240103	EO 11157, 22 June 1964
	240103C	38 Comp Gen 83
	240105	37 U.S.C. 301(e)
	240105A	56 Comp Gen 983

	240105D	MS Comp Gen B-15331, 11 Dec 1964
	240106	37 U.S.C. 304(a)
	240107	EO 11157, 22 June 1964
	240108	Public Law 92-482, 12 Oct 1972
2402—Parachute Duty	240201	37 U.S.C. 301(a)(3) 37 U.S.C. 301(c)(1) Public Law 102-190, 5 Dec 1991 EO 11157, 22 June 1964 EO 11259, 3 Dec 1965 OASD (FM&P) Memo, 5 Mar 1992
	240202	MS Comp Gen B-112720, 3 Feb 1953
2403—Flight Deck Duty	240301	37 U.S.C. 301(a)(12) EO 11473, 14 June 1969
	240302	SECNAV Inst 7220.53
	240303	37 U.S.C. 301(c)
2404—Demolition Duty	240401	37 U.S.C. 301(a)(8) EO 11157, 22 June 1964 EO 12494, 6 Dec 1984
	240402	37 U.S.C. 301(c)
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250102

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37 U.S.C. 404 (b)(2)
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250203A

42 Comp Gen 558

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7B

MILITARY PAY POLICY AND PROCEDURES FOR RETIRED PAY

★ SEPTEMBER 1999 ★

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



SEP 14 1999

FOREWORD

This volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Volume 7 of the "DoD Financial Management Regulation" establishes policies and procedures for military pay. The volume is divided into three volumes: Volume 7A, "Military Pay Policy and Procedures Active Duty and Reserve Pay;" Volume 7B, "Military Pay Policy and Procedures for Retired Pay;" and Volume 7C, "Special Military Pay/Personnel Programs and Operating Procedures Manual." Volume 7B, specifically details entitlements for retired personnel, survivor annuitants, and victims of abuse.

This volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

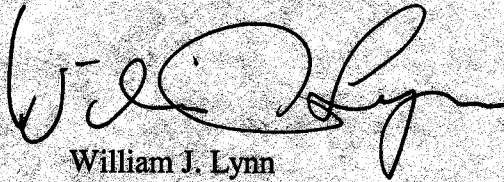
This volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Components' financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Recommended changes to, and requests for deviations from or exceptions to, the provisions of this volume of the Regulation should be forwarded through appropriate chain of command channels along with specific justification to:

Office of the Under Secretary of Defense (Comptroller)
Office of the Deputy Chief Financial Officer
1100 Defense Pentagon
Washington, DC 20301-1100

All 15 volumes of the "DoD Financial Management Regulation" are available on the Internet at: <http://www.dtic.mil/comptroller/fmr/>. Printed or CD-ROM copies of the Regulation may be purchased through the Internet Homepage or directly from the Defense Automated Printing Service, at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.

A handwritten signature in black ink, appearing to read "W. J. Lynn", with a stylized flourish at the end.

William J. Lynn

INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD Components with policies, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller) (USD(C)). The Regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation and Presentation
3. Availability and Use of Budgetary Resources, Policy and Procedures
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations, Policy and Procedures
12. Special Accounts, Funds and Programs, Policy and Procedures
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Appropriations, Policy and Procedures
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

<u>01</u>	<u>01</u>	<u>01</u>	<u>A. 1. a. (1) (a)</u>
CHAPTER 01	SECTION 1	PARAGRAPH 1	SUBPARAGRAPHS

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R VOLUME 7B
MILITARY PAY POLICY AND PROCEDURES
FOR
RETIRED PAY**

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1-9, 1-11, 1-28, 1-31	010107.B.3, 010108.A.2, 010301.B.4, 010301.F	Increase in annual limit on inactive duty training points-Reserve Retirement DFAS Item F-79, IC R3-97	Law change, Clarification
1-11, 1-55	010108.B.3, Table 1-4	Minimum required Reserve service change from 8 years to 6 years - Non-Regular Service Retirement eligibility DFAS Item F-89, IC R5-97	law change
34, 1-35,	010501.B through 010501.F,	Retired Grade-Commissioned Officers and members serving in special positions revision DFAS Item F-87, IC R7-97	law change
3-8, 3-12, 3-13	030301.D., 030301.E., 030503.A., 030504		
5-1, 5-14	050101, 050102, 050401.D.1., 050402.A	Repeal on Defense-Related Employment reporting requirements DFAS Item G-9, IC R12-97	law change
5-26, 7-1, 7-4, 7-11,	Table 5-4, 070102, 070601, Table 7-1, Rules 71-74 and Notes 8, 9	Military Retired Pay and Survivor Annuity Cost-of-Living Increase for Dec 1996 DFAS Item F-80, IC R6-97	update, clarification, and law change,
7-18,	Table 7-2, Rules 69-73 and Notes 6, 7		
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6-1,	060101, 060301, 060301.A.,	Clarification of policy on foreign citizenship for retirees DFAS Item G-5, IC R9-97	clarification
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24-4, 42-4, 45-9, 52-1, 52-2, 57-3	241001, 420230, sec. 4508, 520301, 520303, sec. 5703	Clarification of taxability of Survivor Benefit Plan/Reserve Component Survivor Benefit Plan premiums and annuity payments DFAS Item E-41, IC R8-96	law change clarification
28-4	280601 through 280603	Designation of Agent for all collections under the DoD Salary Offset Program DFAS Item F-83, IC R8-97	update
29-3, 29-6	290501, 290607	Change to manner of service and inclusion of out-of-state court order modifications on Former Spouse Payments from Retired Pay DFAS Item F-88, IC R4-97	law change
29-4	290504.A.	Update to designated officials for processing garnishments from military retired pay DFAS Item F-72, IC R11-96	update
43-4, 43-7, 43-13 through 43-15, 45-7, 45-8, 45-13,	430401.F., 430503.C.1., 430801, 430802, 450501, 450504, Table 45-4, Rule 9,	Addition of provisions for voluntary termination of Survivor Benefit Plan coverage for a natural person with an insurable interest DFAS Item F-36, IC R5-96	law change, law change and realignment
54-5, 56-6, 56-9	540301.I., 560305, 560502.D.		
45-8, 49-2, 56-11	450503.G., 490301, 490302, 560505.B.	Coordination of increase in SBP costs with the payment of an increase in military retired pay DFAS Item G-6, IC R11-97	law change, clarification

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52-2	520302	Change in Tax Exclusion on Certain Survivor Benefit Plan annuities DFAS Item G-11, IC R13-97	law change
52-2	sec. 5205	Change of Address-Internal Revenue Service DFAS Item F-56, IC R9-96	Update
59-1 through 59-6	Chapter 59	Technical amendment to original provisions for Victims of Abuse-Non-Retirement Eligible Members DFAS Item D-59, IC R6-96	law change, update
R-1	Appendix R	Addition of MIW Rate DFAS Item G-4, IC R10-97	Update

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(none)	080482
(none)	080483

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80406a	360601
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90102x	420224
90102y	420225
90102z	420226
90102aa	420227
90102ab	420228
90102ac	420229
(none)	420230
90103	4203
90103a	420301
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90203	4303
90203a	430303A
90203b	430303B
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90204a	430401
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(dv) MCO P2511.1		18-1
(dw) Title 26	United States Code, sections as follows	
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3402(i)	Income Tax Collected At Source	29-7
(dx) 52 Comp Gen 420		24-5
(dy) 778 F. Supp 894	St. Clair v. U.S.,	24-6

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(dz) Treasury Department Circular E		25-1
(ea) Rev Ruling 82-200		25-2
(eb) Rev. Ruling 66-190, 1966-2 CB 457		25-3
(ec) Public Law 93-647, Jan 4, 1975	Social Services Amendment of 1974	27-1
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(ee) 4 C.F.R., Chapter II, Part 103	“Standards for the Compromise of Claims”	28-1
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(ew) Public Law 92-425, Sep 21, 1972	86 Stat 706	33-1, 51-1
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DEFINITIONS

1. **Active Duty.** Full-time duty in the active service of a Uniformed Service, including full-time training duty, annual training duty, and attendance while in the active service at a school designated as a Military Service school by law or by the Secretary concerned.
2. **Active Duty List.** A single list for the Army, Navy, Air Force, or Marine Corps which contains the names of all officers of that Armed Force, other than officers described in 10 U.S.C. 641 (reference (c)), who are serving on active duty.
3. **Active Saved Pay.** Special pay provisions that allow members under certain circumstances, to retain entitlement to pay authorized under prior laws or for a lower grade from which promoted.
4. **Amendatory Birth Certificate.** A birth certificate that has been corrected, changed, or revised.
5. **Annuitant.** A person receiving an annuity.
6. **Annuity.** A monthly payment made to a person as a result of a specific survivorship plan.
7. **Armed Forces of the United States.** Includes the Army, Navy, Air Force, Marine Corps, and Coast Guard, and all Components thereof.
8. **Basic Pay.** The active duty pay rates prescribed for an officer or enlisted member according to pay grade and years of service.
9. **Beneficiary.** The recipient of certain benefits due as a result of relationship to or designation by a member.
10. **Benefits.** Compensation or pension (Department of Veterans Affairs definition only).
11. **Common Law Marriage.** A marriage not solemnized by religious or civil ceremony as defined in pertinent State law.
12. **Compensation.** A monthly payment made by the Department of Veterans Affairs to a veteran because of service-connected disability or to a surviving spouse, child, or parent of a veteran because of the service-connected death of the veteran occurring before Jan 1, 1957 (Department of Veterans Affairs definition only).
13. **Cost of Living Adjustment.** Percentage change applied to retired pay and SBP annuities based on laws using the Consumer Price Index (CPI), as published by the Bureau of Labor Statistics, to determine the amount of income.
14. **Currency Blocked Country.** A country specified by the Treasury Department to which dollar instruments may not be transmitted.

15. Dependency and Indemnity Compensation (DIC). Compensation paid by the Department of Veterans Affairs to the widow or widower of a member who dies after Dec 31, 1956 from a service-connected or compensable disability.
16. Entitlement. The legal right to receive items of retired pay or annuities.
17. Fiduciary. A person, legally designated, who holds something in trust for another.
18. Fleet Reserve or Fleet Marine Corps Reserve. A Component of the Regular service to which members may be transferred and released from active duty after obtaining 20 or more years of active federal service.
19. Foreign Address. An address outside of United States, its possessions and territories.
20. Inactive Duty Training:
 - a. Duty prescribed for members of a Reserve Component by the Secretary concerned.
 - b. Special additional duties authorized for members of a Reserve Component by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned.
21. Missing Status. Includes missing, missing-in-action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.
22. Non-Service-Connected. With respect to disability or death, such disability was not incurred or aggravated, or the death did not result from a disability incurred or aggravated, in line of duty in the active military, naval, or air service (Department of Veterans Affairs definition only).
23. Overpayment. An amount paid to a retiree, annuitant, or legal fiduciary which is more than that to which entitlement exists.
24. Parent. A father, mother, father through adoption, mother through adoption; or an individual who for not less than 1 year stood in the relationship of a parent of a veteran at any time before the veteran's entry into active military, naval, or air service for 1 year or more; or the person who last stood in the relationship of father or mother before the veteran's last entry into active military, naval, or air service (Department of Veterans Affairs definition only).
25. Pay Grade. The step or degree in a graduated scale to which members of the Uniformed Services are assigned or distributed for military pay and allowances purposes. See Appendix I, Comparable Grades.
26. Pension. A monthly payment made by the Department of Veterans Affairs to a veteran because of service, age, or non-service-connected disability, or to a surviving spouse, or child of a

veteran because of the non-service-connected death of the veteran (Department of Veterans Affairs definition only).

27. Reserve Component. With respect to the Armed Forces, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air Force Reserve, the Coast Guard Reserve, the National Guard of the United States, and the Air National Guard of the United States (Department of Veterans Affairs definition only).

28. Retainer Pay. Pay received by a member of the Fleet Reserve/Fleet Marine Corps Reserve.

29. Retired List. Any one of several lists of military members retired from the Regular or Reserve Components of the Armed Forces.

30. Retired Pay (Includes Fleet Reserve and FMCR Retainer Pay). The gross entitlement for a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, percentage of disability, if applicable, and date of retirement (transfer).

31. Retired Saved Pay. Special pay provisions that allow retired members, under certain conditions, to retain entitlement to pay under prior laws when beneficial to the member.

32. Retirement Date. The first day of entitlement to retired pay, not a day of active duty.

33. Service-Connected. With respect to disability or death, such disability was incurred or aggravated or the death resulted from a disability incurred or aggravated in line of duty in the active military, naval, or air service (Department of Veterans Affairs definition only).

34. Surviving Spouse. A person of the opposite sex who was the spouse of a veteran at the time of the veteran's death, who lived with the veteran continuously from the date of marriage to the date of the veteran's death (except when there was a separation due to the misconduct of, or procured by, the veteran without the fault of the spouse). In addition, the person who was not remarried or has not lived with another person and held himself or herself out openly to the public to be the spouse of such other person since the death of the veteran, and after Sep 19, 1962 (Department of Veterans Affairs definition only).

35. Tower Amendment (reference (c)). The law provided that a member retiring after Jan 1, 1971 may not receive less retired pay than the monthly retired or retainer pay to which he or she would be entitled if the member had become entitled to retired or retainer pay at an earlier date.

36. Transfer Date. (Fleet Reservists, Fleet Marine Reservists) Date of release from active duty, a day of entitlement to active duty pay and allowances.

37. Uniformed Services. The Army, Navy, Air Force, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service.

- 38. United States. The 50 states and the District of Columbia.
- 39. VA. Department of Veterans Affairs.
- 40. Veteran. A person who served in the active military naval, or air service, and who was discharged or released under honorable conditions. (Department of Veterans Affairs definition only)
- 41. Widow. The surviving wife of the deceased member.
- 42. Widower. The surviving husband of the deceased member.

CHAPTER 1**INITIAL ENTITLEMENTS-RETIREMENTS****0101 SERVICE CREDITABLE FOR RETIREMENT PURPOSES****010101. General**

A. A computation of creditable service may be required at any time during a member's military career for the purpose of retirement. A warrant officer or an enlisted member may be retired voluntarily after completion of 20 years of creditable service. An enlisted member of the Army or Air Force, who retires upon completion of 20 years of creditable service, becomes a member of the Reserve force. A commissioned officer may be retired voluntarily after completion of 20 years of active service at least 10 years of which is active commissioned service. (During the period October 1, 1990 through September 30, 1999, the Secretary concerned may reduce the requirement for 20 years of creditable service to 15 years and the active commissioned service requirement for the retirement of officers from 10 years to 8 years.) Members who continue on active duty after completion of 20 years of service may be retired for voluntary or involuntary reasons. Members who incur a disability while serving on active duty or while called to active duty for training for 30 days or less in the military services may be retired, at which time a service computation is required.

B. Service creditable for the purpose of determining either retirement eligibility or whether a member meets the requirements for retirement varies with each type of retirement. Retirement types and the specific service creditable for each are found in paragraphs 010102 through 010108, below. Service that is not creditable is cited in paragraph 010109, below.

010102. Voluntary Retirement-Enlisted Members. (Table 1-1)

- A. All active service in the Uniformed Services.
- B. Active service in the Army or Navy Nurse Corps as it existed at any time before April 16, 1947.
- C. Active service performed under appointment under the Act of December 22, 1942 (reference (a)), or the Act of June 22, 1944 (reference (b)).
- D. Active full-time service, except as a student or apprentice, with the Medical Department of the Army as a civilian employee in the dietetic or physical therapy categories, if that service was performed after April 6, 1917 and before April 1, 1943.
- E. Active full-time service, except as a student or apprentice, in the occupational therapy category, if that service was performed before appointment in the Army Nurse Corps or Women's Medical Specialist Corps or before appointment in the Air Force with a view to designation as an Air Force nurse or medical specialist and before January 1, 1949.

F. Service as a cadet or midshipman at Service academy.

010103. Voluntary Retirement-Regular and Reserve Commissioned Officers.
(Table 1-1)

A. Active service in the Uniformed Services.

B. The following service, computed under 10 U.S.C. 3683 (repealed) (reference (c)) in addition to any other service that may be credited:

1. Active service performed in the Army Nurse Corps and Navy Nurse Corps as they existed at any time before April 16, 1947.

2. Active service performed under appointment under the Act of December 22, 1942 (reference (a)) or the Act of June 22, 1944 (reference (b)).

3. Active full-time service, except as a student or apprentice, with the Medical Department of the Army as a civilian employee in the dietetic or physical therapy categories, if the service was performed after April 6, 1917 and before April 1, 1943.

4. Active full-time service, except as a student or apprentice, in the occupational therapy category, if that service was performed before appointment in the Army Nurse Corps or Women's Specialist Corps and before January 1, 1949.

C. If an officer of the Regular Army or Air Force, all active service performed as an officer of the Philippine Constabulary.

D. If an officer of the Regular Army or Regular Air Force in the Medical Corps, in addition to the above service, all full-time service performed as a:

1. Contract surgeon

2. Active assistant surgeon

3. Contract physician, under a contract to serve full-time and to take and change station as ordered.

E. If retiring as an officer of the Regular Army or Regular Air Force in the Dental Corps, in addition to the above service, all full-time service performed as a:

1. Contract dental surgeon

2. Acting dental surgeon.

F. To determine whether a commissioned officer of the Army Nurse Corps or the Army Medical Specialist Corps may be retired under 10 U.S.C. 3911 (reference (c)), and whether an Air Force nurse or medical specialist may be retired under 10 U.S.C. 8911 (reference (c)), treat all service credited under subparagraphs 010103.B.1, 2, 3, and 4, above, as service as a commissioned officer.

010104. Voluntary or Mandatory Retirement-Warrant Officers. (Table 1-1)

A. Active service in the Uniformed Services.

B. All service as a:

1. Nurse or contract nurse before February 2, 1901
2. Reserve nurse after February 2, 1901
3. Contract surgeon
4. Contract dental surgeon
5. Acting dental surgeon
6. Veterinarian in the quartermaster department, cavalry, or field

artillery.

C. Service on the active list, or on active duty, or while participating in full-time training or other full-time duty provided for or authorized under the National Defense Act of 1916 (reference (d)), or the Naval Reserve Act (reference (e)), as a:

1. Army field clerk
2. Field clerk, Army Quartermaster Corps.

010105. Mandatory Retirement-Regular Commissioned Officers, Army, and Air Force. (Table 1-2) Years of service credited at the time of original appointment in the Regular Army for the purpose of determining eligibility for promotion, except that in subparagraph 010109.B, below, plus all years of active commissioned service in the Regular Army after that appointment, or years of service computed as in subparagraphs A through L, below, whichever applies:

A. Reserve judge advocate appointed in the Regular Army in grade of captain in the Judge Advocate General's Department:

1. Years of active commissioned service in the Army after becoming 21 years of age, after December 7, 1941 and before date of that appointment, or the number of days,

months, and years by which the member's age at the time of appointment exceeded 25 years, whichever is greater, plus

2. Years of active commissioned service in the Regular Army after that appointment.

B. Officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps before December 31, 1947, other than an officer covered by subparagraph A, above, or appointed in the Regular Army under the Act of December 28, 1945 (reference (f)):

1. Years of active commissioned service in the Regular Army after that appointment, plus

2. Years of active commissioned service in the Army after becoming 21 years of age and after December 7, 1941, under any earlier appointment.

C. Officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps after December 31, 1947, other than an officer appointed in the Women's Army Corps, Regular Army, under section 108 of the Women's Armed Services Integration Act of 1948 (reference (g)):

1. Years of active commissioned service in the Regular Army after that appointment, plus:

2. Years of active commissioned service in the Army after becoming 21 years of age and after December 31, 1947, under any earlier appointment.

D. Officer of the Regular Air Force appointed in the Regular Air Force before January 1, 1948, under the Act of December 28, 1945 (reference (f)), the sum of:

1. The years credited under that Act at the time of appointment,

2. Years of active commissioned service in the Regular Army or Regular Air Force after that appointment, plus

3. The service, but not more than 2 years, by which the member's service on July 20, 1956 was authorized to be increased under section 27, Public Law 85-861 (reference (h)) for the purpose of determining grade, position on the promotion list, seniority, eligibility for promotion, and mandatory retirement.

E. Officer appointed in the Regular Air Force under section 308 of the Women's Armed Services Integration Act of 1948 (reference ((g))), the sum of:

1. The years of service credited under that section at the time of appointment,
2. The years of active commissioned service in the Regular Air Force after that appointment, plus
3. The service credited under subparagraph D.3, above.

F. Reserve judge advocate appointed in the Regular Army in the grade of captain in the Judge Advocate General's Department under section 24e of the National Defense Act (reference (d)), as amended:

1. The years of active commissioned service in the Army after becoming 21 years of age, after December 7, 1941, and before the date of that appointment, or the number of days, months, and years by which the member's age at the time of that appointment exceeded 25 years, whichever is greater, plus:
2. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment plus the service credited under subparagraph D.3, above.

G. Air Force nurse or medical specialist:

1. The period of service credited under the Army-Navy Nurses Act of 1947 (reference (i)), as amended, or commissioned service in the Armed Forces, not to exceed 14 years, after December 6, 1941, performed after becoming 21 years of age and before appointment, plus
2. The years of active commissioned service in the Regular Air Force after appointment in the Regular Air Force.

H. Officer of the Regular Air Force appointed in the Regular Army or Regular Air Force before December 31, 1947, other than an officer covered by subparagraphs D, F, and G above, the sum of:

1. The years of active commissioned service in the Regular Army and Regular Air Force after that appointment,
2. The years of active commissioned service in the Army and Air Force after becoming 21 years of age and after December 7, 1941, under any earlier appointment, plus
3. The service credited under subparagraph D.3, above.

I. Officer of the Regular Air Force appointed in the Regular Army or Regular Air Force after December 31, 1947, under section 506 of the Officer Personnel Act of 1947 (reference (j)), the sum of:

1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment,

2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and after December 6, 1941, under any earlier appointment, plus

3. The service credited under subparagraph E.3, above.

J. Officer of the Air Force who was appointed in the Regular Army or Regular Air Force after December 31, 1947, other than an officer covered by subparagraphs E, G, I, above, or K, below:

1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment,

2. The years of active commissioned service in the Air Force after becoming 21 years of age and after December 31, 1947, under any earlier appointment, plus

3. The service credited under subparagraph D.3, above.

K. Officer of the Regular Air Force who was appointed in the Regular Air Force after July 19, 1956, other than an officer covered by subparagraphs G or I, above, or who is designated as a medical or dental officer, the sum of:

1. The years of active commissioned service in the Regular Air Force after that appointment,

2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and before appointment, plus

3. The years credited for the purpose of determining grade, position on a promotion list, seniority, and eligibility for promotion under one of the following conditions.

a. Three years, if appointed in the Regular Air Force with a view to designation as a medical service officer, and if holding a degree of doctor of philosophy or comparable degree in science allied to medicine,

b. Not more than 8 years, if one of not more than 100 persons in any calendar year who are appointed from civil life or from Reserves of the Air Force who have qualifications not otherwise available from members of the Air Force on active duty,

c. Not more than 2 years, if appointed while on active duty in the Air Force.

L. An officer of the Army or Air Force under the Defense Officer Personnel Management Act (reference (k)) is credited with:

1. The years of active service.
2. The years of service, other than active service in subparagraph 1, above, with which member was entitled to be credited on May 31, 1958, in computing basic pay.

010106. Mandatory Retirement-Regular Officers-Navy and Marine Corps.
(Table 1-2)

A. The total commissioned service of a male officer on the active list in the line of the Navy or of the Marine Corps is computed from June 30 of the fiscal year in which the officer accepted that appointment. The computation applies when the officer has served continuously on the active list since appointment in the grade of ensign or second lieutenant either upon graduation from the Naval Academy or under 10 U.S.C. 2106, 2107, or 6909 (repealed) (reference (c)).

B. Every other male officer on the active list in the line of the Navy or Marine Corps is considered to have the same service as in subparagraph A, above, who:

1. Has not lost numbers or precedence, and
2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during the other officer's latest period of continuous service on the active list.

C. The total commissioned service of each officer on the active list of the Navy in the Supply Corps or the Civil Engineer Corps who originally was appointed as a Regular or as a Reserve in the grade of ensign in the line, or any staff corps, or in the grade of lieutenant (junior grade) in the Civil Engineer Corps, and who has served continuously on active duty since that appointment, is computed from June 30 of the fiscal year in which the officer accepted that appointment, beginning August 7, 1947.

D. The total commissioned service of each officer originally appointed in the grade of lieutenant (junior grade) or ensign in any staff corps of the Navy, except the Supply Corps and the Civil Engineer Corps who has since that appointment served continuously on the active list of the Navy, is computed from June 30 of the fiscal year in which the officer accepted that appointment. This provision does not apply, however, to officers appointed under the Act of April 18, 1946 (reference (l)).

E. Every other commissioned officer on the active list of the Navy in any staff corps is considered to have the same total commissioned service as the officer in the same corps described in subparagraphs C and D, above, having the maximum total commissioned service who:

1. Has not lost numbers or precedence; and

2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during that other officer's latest period of continuous service on the active list.

F. Notwithstanding the provisions of subparagraph E, above, officers on the active list of the Navy in the Medical Service Corps appointed under the Act of April 18, 1946 (reference (l)), are considered to have total commissioned service equivalent to that of their running mate.

G. Officers on the active list of the Navy in the Nurse Corps are credited with:

1. Active service in the Nurse Corps and the Nurse Corps Reserve, and
2. Active service in the Nurse Corps and the Nurse Corps Reserve, which was abolished by the Army-Navy Nurses Act of 1947 (reference (i)).

H. An officer of the Navy or Marine Corps under the Defense Officer Personnel Management Act (reference (k)) is credited with:

1. The years of active service;
2. The years of service, other than the service included in subparagraph 1, above, with which member was entitled to be credited on May 31, 1958, in computing basic pay.

010107. Disability Retirement. (Table 1-3)

A. A member of a Regular Component of the Armed Forces is credited with the greater of all service he or she is considered to have for the purpose of separation or mandatory elimination from the active list, or the sum of:

1. All active service as a member of the Armed Forces as a nurse, Reserve nurse after February 2, 1901, contract surgeon, contract dental surgeon, or acting dental surgeon;
2. Active service as a commissioned officer of the National Oceanic and Atmospheric Administration (NOAA), or the Public Health Service (PHS). See subparagraph 010201.C, below, for information regarding NOAA and its two predecessor organizations (Environmental Science Services Administration and the Coast and Geodetic Survey).
3. Service while participating in exercises or performing active duty training and drills in the National Guard, under 32 U.S.C. 502, 503, 504, and 505 (reference (m)).

B. A member who is not a member of a Regular Component of the Armed Forces is credited with the sum of 1 through 4 below, divided by 360:

1. All days of active service;
2. All days of full-time service while performing annual training duty or attending prescribed periods of instruction designated as a Military Service school by law or by the Secretary concerned;
- ★3. One day for each point, but not more than 75 days in any one-year period after September 22, 1996, credited for attendance at a drill or a period of equivalent instruction prescribed for that year by the Secretary concerned that conform to requirements by law or credited as service in the Health Professions Scholarship and Financial Assistance Program under 10 U.S.C. 2126 (reference (c)). The maximum number was 60 days in any one-year period ending before September 23, 1996. Credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army or Air Force without component, or service in the following categories before July 1, 1949:
 - a. Federally recognized National Guard before June 15, 1933.
 - b. Federally recognized status in the National Guard before June 15, 1933.
 - c. The National Guard after June 14, 1933, if service was continuous from date of enlistment in the National Guard, or federal recognition as an officer, to date of enlistment or appointment in the National Guard of the United States, the Army National Guard of the United States, or the Air National Guard of the United States.
 - d. The Naval Reserve Force.
 - e. The Naval Militia that conformed to standards prescribed by the Secretary of the Navy.
 - f. The National Naval Volunteers.
 - g. The Army or Navy Nurse Corps, or the Nurse Corps Reserve of the Army or Navy, as it existed any time after February 2, 1901.
4. Fifty days for each year before July 1, 1949, and proportionately for each fraction for a year, for service (other than active service) in a Reserve Component of the Armed Forces, in the Army or Air Force without component, or in any other category covered by 10 U.S.C. 12732(a)(1) (reference (c)).

010108. Age and Service Retirement- Non-Regular Member

- A. Creditable service for retirement includes:

1. Years of service before July 1, 1949 in:
 - a. The Uniformed Services
 - b. Federally recognized National Guard before June 15, 1933
 - c. Federally recognized status in the National Guard before June 15, 1933
 - d. National Guard after June 14, 1933, if service was continuous from date of enlistment in the National Guard or federal recognition as an officer therein, to date of enlistment or appointment in the National Guard of the United States, the Army National Guard of the United States, or the Air National Guard of the United States
 - e. Naval Reserve force
 - f. Naval militia that conformed to the standards prescribed by the Secretary of the Navy
 - g. National naval volunteers
 - h. Army or Navy Nurse Corps, Reserve of the Army or Navy as it existed at any time after February 2, 1901
 - i. The Army under appointment under the Act of December 22, 1942 (reference (a))
 - j. Active full-time status, except as a student or apprentice with the Medical Department of the Army as a civilian employee in:
 - (1) The dietetic or physical therapy categories if the service was performed after April 6, 1917, and before April 1, 1943 or
 - (2) The occupational therapy category, if the service was performed before appointment in the Army Nurse Corps or Women's Medical Specialist Corps and before January 1, 1949, or before appointment in the Air Force before January 1, 1949, with a view to designation as an Air Force nurse or medical specialist.
2. Each 1-year period after July 1, 1949, in which the member earned at least 50 days on this basis:
 - a. One point for each day of active service. Service as a cadet or midshipman at a Service academy is active service for non-regular enlisted members only.

b. One point for each day of full-time service, while performing annual training or attending a prescribed course of instruction at a school designated as a Service school by law or by the Secretary concerned.

c. One point for each attendance at a drill or period of equivalent instruction prescribed for that year by the Secretary concerned.

d. Points at the rate of 15 per year for membership in a Reserve Component of the Armed Forces, in the Army or Air Force without component, or in any other category covered by 10 U.S.C. 12732(a)(1) (reference (c)), except a Regular Component.

NOTE: For the purpose of subparagraphs 010108.B.1, 2, and 3, below, all service in the National Guard is treated as if it were service in a Reserve Component, if the member was later appointed in the National Guard of the United States or Air National Guard of the United States, or as a Reserve of the Army or Air Force and served continuously in the National Guard from date of federal recognition to date of that appointment.

★e. Members whose anniversary year closed on or after September 23, 1996 may be credited with up to 75 inactive duty points (vice 60 inactive duty training points for anniversary years that closed before that date).

★f. Points credited as service in the Health Professions Scholarship and Financial Assistance Program under 10 U.S.C. 2126 (reference (c)).

★B. A member of the Armed Forces or National Guard is entitled to retired pay computed under rule 14, Table 3-1, for non-regular service upon application if he or she:

1. Is at least 60 years of age;

2. Has performed at least 20 years of service (see subparagraph 010108.E, below) as shown in subparagraphs 010108.A, above, or this subparagraph;

★3. Has performed the last 8 years of qualifying service as a member of any category named in 10 U.S.C. 12732(a)(1) (reference (c)) but not while a member of a Regular Component, the Fleet Reserve or the Fleet Marine Corps Reserve (Note: The 8-year period is reduced to 6 years for the period October 5, 1994 through September 30, 1999); and

4. Is not entitled, under any other provision of law, to retired pay from the Armed Forces or retainer pay as a member of the Fleet Reserve or the Fleet Marine Corps Reserve.

C. A member who has been notified that the years of service requirement has been met for eligibility for retired pay at age 60, may not have that eligibility denied or revoked on the basis of any error, miscalculation, misinformation, or administrative determination of years of service performed, unless it resulted directly from fraud or misrepresentation of the person.

1. The notification of eligibility, which is based on the member's completion of the service requirement, conforms to applicable Military Department regulations. A nonconforming written notice, administratively issued, which shows completion of service requirements of eligibility for retired pay at age 60 may not result in the denial of retired pay, unless evidence shows that the member caused the service record to be altered or confused.

2. The number of years of creditable service upon which retired pay is computed may be adjusted to correct any error, miscalculation, misinformation, or administrative determination. When a correction is made, the retiree is entitled to retired pay in accordance with the number of years of creditable service, as corrected, from the date the retiree is granted retired pay.

3. Notwithstanding subparagraph C.2, above, the granting of retired pay to a retiree under 10 U.S.C., Chapter 1223 (reference (c)) is conclusive as to that retiree's entitlement to such pay only if the payment of retired pay began after October 14, 1966. A notification that a person has completed the years of service required for eligibility for retired pay under Chapter 1223 (reference (c)) is conclusive as to that person's subsequent entitlement to such pay only if the notification is made after October 14, 1966.

D. Under 10 U.S.C. 12731 (reference (c)), members of a Reserve Component who have reached age 60, and have at least 20 years of qualifying federal service are qualified for retired pay. A member who has qualified for retired pay, but retained under 10 U.S.C. 12308 (reference (c)), with member's consent, may be credited with the service for all purposes. However, a member who elects to receive retired pay under 10 U.S.C. 12731 (reference (c)) may not be retained simultaneously on active duty or in active service under 10 U.S.C. 12308 (reference (c)).

E. A temporary special retirement qualification authority, 10 U.S.C. 12731a (reference (c)), provides for the Secretary concerned to allow certain members with at least 15 years of creditable service to retire during the period October 1, 1991 - September 30, 1999.

010109. Service Not Creditable for Determining Retirement Eligibility

A. Service may not be credited to enlisted member for the following time required to be made up:

1. Desertion
2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by Military Service concerned
3. Confinement for more than one day awaiting trial and disposition of case, when conviction has become final, or under a sentence that has become final

4. Inability for more than 1 day, as determined by competent authority, to perform duties because of intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from own misconduct.

B. Constructive service, credited under 10 U.S.C. 3287(a)(2)(A) or (B) (repealed), 10 U.S.C. 3294(b) (repealed) (reference (c)) or section 506(c) of the Officer Personnel Act of 1947 (reference (j)), is not included in the service computation under subparagraph 010105.A, above. Constructive service creditable may be:

1. Three years, if appointed as a chaplain, or for service in the Judge Advocate General's Corps or in the Veterinary Corps of the Regular Army.

2. Three years, if appointed in the Medical Service Corps and if holding the degree of doctor of philosophy or comparable degree recognized by the Surgeon General.

3. Four years (five, if member completed 1 year internship) credited at the time of appointment in the Medical or Dental Corps for the purpose of determining grade, position on a promotion list, seniority in grade in the Regular Army, and eligibility for promotion.

C. This service may not be counted for the purpose of determining retirement eligibility under paragraph 010107, above:

1. Service, other than active service, in an inactive section of the Organized Reserve Corps or Army Reserve, or inactive section of the officer's section of the Air Force Reserve.

2. Service, other than active service, after June 30, 1949 while on the Honorary Retired List of the Naval Reserve or of the Marine Corps Reserve.

3. Service in the inactive National Guard or in a nonfederally recognized status of the National Guard.

4. Inactive service in the Fleet Reserve or Fleet Marine Corps Reserve.

5. Service as an inactive Reserve nurse of the Army Nurse Corps established by the Act of February 2, 1901 (reference (n)) as amended, and service before July 1, 1938, as an inactive Reserve nurse of the Navy Nurse Corps, established by the Act of May 13, 1908 (reference (o)).

6. Service in any status other than that as a commissioned officer, warrant officer, nurse, flight officer, appointed aviation cadet, or enlisted member, and that described in paragraph 010101, above, as creditable.

0102 SERVICE CREDITABLE FOR BASIC PAY

010201. Service for Basic Pay. Basic pay varies with the number of years of service to a member's credit. In computing cumulative years of service for this purpose, members are credited for full-time service.

A. Organizations in General. Active or inactive service as a commissioned officer, commissioned warrant officer, warrant officer, flight officer, or enlisted member in any of these:

1. Air Corps Reserve
2. Air Force Reserve
3. Air Force of the United States (without specification of component)
4. Air National Guard
5. Air National Guard of the United States
6. Army of the United States (without specification of component)
7. Army National Guard
8. Army National Guard of the United States
9. Army Reserve
10. Coast and Geodetic Survey (see subparagraph C, below)
11. Coast Guard Reserve
12. Commissioned Corps of the Environmental Science Services Administration (see subparagraph C, below)
13. Commissioned Corps of the National Oceanic and Atmospheric Administration (see subparagraph C, below)
14. Dental Reserve Corps of the Navy
15. Enlisted Reserve Corps
16. Enlisted Section of the Air Force Reserve
17. Marine Corps Reserve
18. Marine Corps Reserve Force

19. Medical Reserve Corps of the Army
20. Medical Reserve Corps of the Navy
21. National Guard
22. National Guard of the United States
23. National Guard Reserve
24. National Naval Volunteers
25. Naval Reserve
26. Naval Reserve Force
27. Nurse Corps of the Public Health Service
28. Nurse Corps Reserve of the Public Health Service
29. Officers' Reserve Corps
30. Officers' Section of the Air Force Reserve
31. Organized Reserve Corps
32. Philippine Constabulary before July 4, 1946
33. Philippine Scouts
34. Public Health Service
35. Regular Air Force
36. Regular Army
37. Regular Army Reserve
38. Regular Coast Guard
39. Regular Marine Corps
40. Regular Navy

41. Reserve Corps of the Public Health Service

B. Nurse Service Before April 16, 1947. Creditable periods are those during which members held appointments as nurses, Reserve nurses, or commissioned officers in the Army Nurse Corps or the Navy Nurse Corps, of the Reserve Components thereof, as they existed before April 16, 1947.

C. National Oceanic and Atmospheric Administration (NOAA). Periods during which a member was an officer, deck officer, hydrographic and geodetic engineer, junior hydrographic and geodetic engineer or aid in the NOAA (includes periods served in the former corps of the Environmental Science Services Administration or the Coast and Geodetic Survey) is creditable service. Service as a shipkeeper, seaman, fireman, oiler, etc. under "shipping articles" is not creditable service.

D. Service Counted on January 10, 1962. All service is creditable which, under any law in effect on January 10, 1962, was creditable in computing basic pay.

E. Service on Retired List or as Member of Fleet Reserve or Fleet Marine Corps Reserve. Creditable periods are those while on a temporary disability retired list, honorary retired list, or retired list of any Uniformed Service; and periods while entitled to retired pay, retirement pay, or retainer pay from any Uniformed Service or the Department of Veterans Affairs as a member of the Fleet Reserve or Fleet Marine Corps Reserve. Except for periods of active service and except as provided under 10 U.S.C. 1402 and 1402a, subsections (b), (c), and (d) (reference (c)), periods of service on a retired list, in a retired status, or in the Fleet Reserve or Fleet Marine Corps Reserve, may not be credited to increase retired or retainer pay. Under subsections (b), (c), and (d) of 10 U.S.C. 1402 and 1402a (reference (c)), where a member is retired (including a retirement other than for physical disability), serves on active duty and is again retired, the inactive time on the retired list prior to the recall to active duty is included in a recomputation of retired pay for disability.

F. Honorary Reserve. All periods are creditable for service as member of the Honorary Reserve of the Officers Reserve Corps or the organized Reserve Corps.

G. Women's Army Auxiliary Corps. Effective August 7, 1959, active service during the period May 14, 1942 through September 29, 1943, as a member of the Women's Army Auxiliary Corps (WAAC) may be counted if active military service was performed after September 29, 1943.

H. Army and Air Force Officers Restored to Duty Under Act of June 29, 1948. (reference (p)). The period between the date of removal and the date of restoration of an Army or Air Force officer restored to the active list under the Army and Air Force Vitalization and Retirement Equalization Act of 1948 (reference (q)) is creditable.

I. Retention for Medical Care After Expiration of Term of Service. Any period on and after December 12, 1941, when an enlisted member of the Armed Forces is retained

in service after expiration of his or her term of service for medical treatment or hospitalization for disease or injury incident to service and not due to member's misconduct is creditable.

J. Service Before Attainment of Statutory Age for Enlistment. Any service which is otherwise creditable may be counted even if the service was performed before a member attained the statutory age for enlistment. Such service may not be counted if it is determined to be fraudulent and is voided for that reason.

K. Temporary Member of Coast Guard Reserve. Active service performed as a temporary member of the Coast Guard Reserve is creditable.

L. Army of the United States Commissions-World War II. Appointments made on and after December 7, 1941, in the Army of the United States, without component, under the Joint Resolution of September 22, 1941 (reference (r)) are considered to have continued in effect through March 31, 1953 unless terminated before that date by administrative action or specific law. The period from the date of separation through March 31, 1953, may be credited for officers who:

1. Did not have Reserve or National Guard status,
2. Did not accept a Reserve commission, and
3. Were separated on or before March 31, 1953, without vacating their status in the Army of the United States.

M. Warrant Officer Appointment-World War II. For a temporary appointment as a warrant officer under section 3 of the Act of August 21, 1941 (reference (s)), the period from separation from active duty through April 1, 1953 is creditable unless the appointment expressly was terminated earlier.

N. Flight Officer Appointment-World War II. For an appointment as a flight officer under the Flight Officer Act of July 8, 1942 (reference (t)), the period from separation from active duty through October 27, 1952 is creditable unless the appointment was expressly terminated earlier.

O. Service Terminated By Desertion or Dishonorable Discharge. Service in an enlistment terminated by desertion or dishonorable discharge is creditable unless the enlistment was fraudulent and was voided for that reason.

P. Women's Army Corps. Appointments in the Women's Army Corps in the Army of the United States, without component, if not previously terminated, were terminated on March 31, 1953. Such service is creditable for basic pay purposes.

Q. Service as Cadet or Midshipman. Cadet or midshipman service is creditable in computing basic pay of enlisted members. For officers, see Table 1-5.

R. Detail to Agencies such as the Agency for International Development (AID), Department of State. Service is creditable AID and certain other agencies under agreement, such as that between the Department of Defense and AID.

S. Reserve Officers' Training Corps. Service as a member of the Army, Navy, or Air Force Reserve Officer's Training Corps is creditable service as follows:

1. Before October 14, 1964, any member who had concurrent Reserve status.

2. After October 13, 1964, an enlisted member who had concurrent Reserve status.

T. Aviation Midshipman. Service in the aviation midshipman program, under the Act of August 13, 1946 (reference (u)), is creditable service for basic pay purposes effective on and after December 26, 1974.

U. Delayed Enlistment (Entry) Program

1. For a Regular Component. Service as an enlisted member in a Reserve Component before beginning active duty in a Regular Component is creditable service if the member enlisted in the Reserve Component before Jan 1, 1985.

2. For a Reserve Component. Service as an enlisted member in a Reserve Component before beginning service on active duty or active duty for training in a Reserve Component is creditable service if the member enlisted in the Reserve Component before November 28, 1989. For enlistments on or after November 28, 1989, such service is creditable if the Reserve member performs inactive duty training before beginning service on active duty for training.

010202. Constructive Service Credit for Medical and Dental Officers

A. Crediting of Constructive Service after September 14, 1981. Crediting of constructive service for medical or dental training or internship is not authorized after September 14, 1981 except as provided in subparagraph B, below.

B. Savings Provisions for Constructive Service Previously Granted. Prior to September 15, 1981, medical and dental officers who completed medical/dental training received 4 years of credit for such training. Medical officers who completed medical internship or its equivalent or entered military status while serving such internship received an additional 1 year credit. The 4 or 5-years of constructive service credit is reduced when required by subparagraph C, below. After September 14, 1981, medical/dental officers with military or Public Health Service status may be credited with constructive service if one of the following conditions exist:

1. On September 14, 1981, they were enrolled in the Armed Forces Health Professions Scholarship Program or Uniformed Services University of the Health Sciences and completed such program or graduated on or after September 15, 1981 and are appointed as medical or dental officer (includes Public Health Service).

2. On September 14, 1981, they were participating in a program leading to an appointment as an officer in the Army, Navy, Air Force, or Marine Corps for which the years of service would be credited.

3. On September 15, 1981, they were medical or dental officers (includes officers of the Public Health Service commissioned as medical or dental officers) entitled to include constructive service.

4. On or before September 14, 1981, they had at any time been credited with constructive service as officers, notwithstanding any subsequent break in service.

C. Reduction of Constructive Service for Dual Credit. Reduce the 4 or 5-years of credit by the amount of any service otherwise counted (such as active duty or reserve status) which covers any part of the actual periods spent in medical or dental school or as an intern.

1. Constructive service credit for a medical or dental officer who accepts a commission during the time the officer is a medical or dental student is computed on a 4-year basis.

2. Constructive service credit for a medical officer who accepts a commission while interning is computed on a 5-year basis.

3. A medical or dental officer who was commissioned before entering medical or dental school is still entitled to any allowable constructive service credit.

4. No reduction of constructive service credit is required for the period a medical or dental officer participated in the Armed Forces Health Professions Scholarship Program or while a student of the Uniformed Services University of Health Sciences, since the member was not given any creditable service for pay purposes for that period of service.

D. Examples of Constructive Service Credit for Medical and Dental Officers. All examples, except those in subparagraph D.6, below, assume no creditable service before acceptance of commission.

1. A dental officer completed all education requirements before accepting commission. Constructive service credit: 4 years.

2. A medical officer completed internship before accepting commission. Constructive service credit: 5 years.

3. A medical officer entered medical school September 9, 1970 and graduated May 28, 1974, interned at a civilian hospital from July 1, 1974 to June 30, 1975, and accepted a commission on Jan 12, 1972. Compute as follows:

	<u>Year</u>	<u>Month</u>	<u>Day</u>
a.	74	05	28
b.	<u>72</u>	<u>01</u>	<u>12</u>
c.	02	04	17
(1 day added for inclusive dates)			
d.	03	11	30 (4 years)
e.	<u>02</u>	<u>04</u>	<u>17</u>
f.	01	07	13

NOTES:

- | | |
|------------------------|------------------------|
| a. Graduated | d. Maximum credit |
| b. Accepted commission | e. Less dual status |
| c. Dual status | f. Constructive credit |

4. Same as subparagraph D.3, above, except officer accepted a commission on January 12, 1975. Since officer accepted a commission while interning, computation is based on 5 years of constructive credit.

	<u>Year</u>	<u>Month</u>	<u>Day</u>
a.	75	06	30
b.	<u>75</u>	<u>01</u>	<u>12</u>
c.	00	05	19
(1 day added for inclusive dates)			
d.	4	11	30 (5 years)
e.	<u>0</u>	<u>05</u>	<u>19</u>
f.	4	06	11

NOTES:

- | | |
|-------------------------|------------------------|
| a. Completed internship | d. Maximum credit |
| b. Accepted commission | e. Less dual status |
| c. Dual status | f. Constructive credit |

5. This officer attended the same medical school as in subparagraph D.3, above, but accepted a commission on September 9, 1962 (before entering medical school).

	<u>Year</u>	<u>Month</u>	<u>Day</u>
a.	74	05	28
b.	<u>70</u>	<u>09</u>	<u>09</u>
c.	03	08	20
(1 day added for inclusive dates)			

	<u>Year</u>	<u>Month</u>	<u>Day</u>
d.	3	11	30 (4 years)
e.	<u>3</u>	<u>08</u>	<u>20</u>
f.	0	03	10

NOTES:

- | | |
|-------------------|------------------------|
| a. Graduated | d. Maximum credit |
| b. Entered school | e. Less dual status |
| c. Dual status | f. Constructive credit |

NOTE: This member could have been on active duty during any or all of the medical or dental school attendance period, and it would make no difference in the computation. However, the effective date of the change to the basic date for pay purposes (under paragraph 010207, below) is the date the officer was designated a medical officer. For any periods of active duty, active duty for training, or inactive duty training in a pay status, before being designated a medical or dental officer, the member would be paid based on the normal basic date for pay purposes.

6. A member enlisted in the Army Reserve on May 15, 1969, and entered medical school on September 1, 1970, was discharged from the Army Reserve on August 31, 1972, accepted a commission in the Air Force Reserve on September 1, 1972, and graduated on June 3, 1974.

	<u>Year</u>	<u>Month</u>	<u>Day</u>
a.	74	06	03
b.	<u>70</u>	<u>09</u>	<u>01</u>
c.	03	09	03
(1 day added for inclusive dates)			
d.	03	11	30 (4 years)
e.	<u>03</u>	<u>09</u>	<u>03</u>
f. .	00	02	27

NOTES:

- | | |
|-------------------|------------------------|
| a. Graduated | d. Maximum credit |
| b. Entered school | e. Less dual status |
| c. Dual status | f. Constructive credit |

NOTE: This member could have been in any branch of service, active or inactive, enlisted, warrant or commissioned status, and it would make no difference in the computation of the dual status period and constructive service credit.

010203. Service Not Creditable. The types of service listed below are not creditable. This list is not all-inclusive, but shows some of the service precluded by law.

A. Fraudulent Enlistment. Time spent in an enlistment which is determined to be fraudulent and is specifically terminated by reason of fraud. (A member is entitled to credit for time in a fraudulent enlistment which is not voided by the government).

B. Officer in Philippine Army. Service as a commissioned officer in the Army of the Philippines.

C. Constructive Service for Determining Grade and Eligibility for Promotion. The constructive service authorized Army and Air Force officers by the Act of December 28, 1945 (reference (f)) for determining grade and eligibility for promotion.

D. Emergency Officers' Retired List. The period of time a member was on the Emergency Officers' Retired List.

E. State, Home or Territorial Guard. Time spent as a member of a state, home, or territorial guard.

F. Reserve Officers' Training Corps. For commissioned officers any period of service after October 13, 1964 as a member of the Army, Navy, or Air Force Reserve Officers' Training Corps, even if the member held concurrent Reserve status.

G. Inactive National Guard. Time when a person was a member of the inactive National Guard (as distinguished from the National Guard, Reserve and National Guard of the United States) is not creditable. If a member held a commission or an enlisted status in the inactive National Guard and the National Guard of the United States at the same time, such service then is creditable.

H. Service Under Armed Forces Health Professions Scholarship Program. Time served as a commissioned officer while training under the Armed Forces Health Professions Scholarship Program is not creditable service (See subparagraph 010202.C, above).

I. Service as a Student of Uniformed Services University of Health Sciences. Time served as a commissioned officer while a student of the Uniformed Services University of Health Sciences is not creditable service.

J. Service as a Cadet or Midshipman at the United States Military Academy, or United States Naval Academy Under an Appointment Accepted After June 25, 1956. (Table 1-5)

010204. Effect of Absence From Duty on Creditable Service

A. Absence While in Officer Status. Authorized or unauthorized absence while a member is in a commissioned or warrant officer status is counted as creditable service. Absence of commissioned or warrant officers because of sickness due to misconduct or because of confinement while awaiting (and during) trial, as distinguished from enlisted members under

similar circumstances, is counted as creditable service. Absence during which a member was serving on active duty as an enlisted status and was a Reserve officer is creditable.

B. Absence While in Enlisted Status. (Table 1-6)

C. Making Up Time Lost During Enlistment. After return to full duty, an enlisted member is liable to make up time lost. The time served to make up lost time is creditable service. If a member is held (but not restored to a duty status) for trial or to serve sentence, this does not count as making up time lost and is not creditable. **Example:** During a 4-year enlistment, a member was in a non-duty status for 1 year. He or she is retained in service 1 year beyond the date his or her enlistment would have expired. The year during which he or she was retained in service is counted in computing basic pay. The member is entitled to total credit for 4 years (the period actually served) but not 5 years.

010205. Active Enlisted and Warrant Officer Service-Pay Grade O-1E, O-2E, or O-E

A. Service Counted

1. Commissioned officers in pay grades O-1, O-2, or O-3 are entitled to the special rate of pay for O-1E, O-2E, or O-3E if the officer has had over 4 years of active service as an enlisted member. In computing active enlisted service, include active duty for training in an enlisted status.

2. Effective September 1, 1980, commissioned officers in pay grades O-1, O-2, or O-3 are entitled to the special rate of pay for O-1E, O-2E, or O-3E if they have had over 4 years of active service as warrant officers. In computing active warrant officer service, include active duty for training in a warrant officer status.

3. Effective October 1, 1983, commissioned officers in pay grades O-1, O-2, or O-3 are entitled to the special rate of pay for O-1E, O-2E, or O-3E if they have a combined total of over 4 years of active service as warrant officers and enlisted members. In computing this active warrant officer and enlisted service, include active duty training in a warrant officer or enlisted status.

B. Service Not Counted. In computing active service, do not count active service in a dual status in the Navy or Marine Corps (temporary officer-permanent enlisted).

010206. How to Compute Total Creditable Service for Basic Pay

A. Basic Method Without Regard to Lost Time. To compute creditable service, use the following method for all periods during which no time was lost:

1. List all beginning dates. Never change these dates.

2. List all ending dates. Change the ending date to 30 if it is the last day of the month and other than 30. Caution: if service ends on February 28 of a leap year, do not change the 28 to 30, since the 29th is the last day of month.

3. Add all beginning dates.

4. Add all ending dates.

5. Subtract total beginning dates from total ending dates. (If more months are needed to make the subtraction, deduct 1 year from the total ending dates and add 12 months. If more days are needed, deduct 1 month from total of ending dates and add 30 days.)

6. Add 1 day for each period of continuous service to account for inclusive dates.

7. Convert the result into full years, months, and days. This is the amount of service creditable for basic pay purposes.

Example 1:

<u>Component</u>	<u>From</u>	<u>To</u>	<u>Beginning Dates</u>			<u>Ending Dates</u>		
			<u>Year</u>	<u>Month</u>	<u>Day</u>	<u>Year</u>	<u>Month</u>	<u>Day</u>
RA (Enl)	Jan 1, 51	Feb 28, 54	51	1	1	54	2	30
AUS (Com)	Jun 1, 54	May 26, 61	54	6	1	61	5	26
AFUS (Com)	Aug 1, 63	Mar 31, 68	<u>63</u>	<u>8</u>	<u>1</u>	<u>75</u>	<u>6</u>	<u>4</u>
AFUS (Com)	Apr 1, 68	Jun 4, 75	168	15	3	190	13	60

(Note that period from August 1, 1963 through June 4, 1975 is continuous service.)

<u>Year</u>	<u>Month</u>	<u>Day</u>	
190	13	60	(total of ending dates)
<u>168</u>	<u>15</u>	<u>-3</u>	(total of beginning dates)
21	10	57	
—	—	<u>+3</u>	(day for each period to cover inclusive dates)
21	10	60	
22	00	00	(total creditable service converted to full years)

Member completed 22 years of service on June 4, 1975.

B. Computing Periods of Service Involving Lost Time. Compute separately periods of enlistment during which some time was lost. Add total of such periods to total computed under subparagraph A., above.

1. Lost Time Not Made Good. When the lost time is not made up, compute the lost time on a 30-day-month basis, except that when the absence begins on the 31st day of a month, that day is counted as a day lost. Compute as follows: Date of discharge minus date of enlistment, plus 1 day for inclusive dates, minus number of days lost computed on 30-day-month basis. Add this total to the total computed under subparagraph A., above.

Example 2: A member enlisted on July 18, 1970 for 4 years, and was AWOL from February 10, 1972 through March 16, 1972. He was given a hardship discharge on August 10, 1973; the lost time was not made good. He reenlisted on February 20, 1975. Creditable service on reenlistment is computed as follows:

Year	Month	Day
73	8	10 (ending date of last period of service)
72	19	40 (month changed to 30 days and 1 year to 12 months)
<u>-70</u>	<u>7</u>	<u>18</u> (beginning date last period of service)
2	12	22
—	—	+1 (extra day for inclusive dates)
2	12	23 (service before deducting lost time)
—	<u>-1</u>	<u>7</u> (lost time)
2	11	16 (total creditable service on date of reenlistment)

Lost time is computed on a 30-day month basis as follows:

Feb 10-30	21 days
Mar 1-16	<u>16</u> days
	37 days total lost time

2. Lost Time Made Good: Time lost is made good on a day-for-day basis. When lost time is made good, and the member completes the enlistment contract or period for which inducted, compute the lost time on a day-for-day basis (instead of 30-day-month basis) if this would be to the member's advantage. Under the day-for-day basis, an unauthorized absence March on 30 and 31 and April 1, for example, is counted as 3 lost days. An unauthorized absence on February 28 and 29 and March 1 is also counted as 3 days. Time served on March 30 and 31 and April 1, to make good lost time, is counted as 3 days of service. Time served on February 28 and 29 and March 1, to make good lost time, is also counted as 3 days of service. When a period of service involves lost time made good, compute that period as follows:

First Step. Subtract the enlistment date from the discharge date and add 1 day.

Second Step. Compute the total lost time both on a 30-day month basis and a day-for-day basis. Use whichever result shows the lesser number of days lost.

Third Step. Subtract the total of the second step from the total of the first step. If the resulting total equals or exceeds the period of the enlistment contract, use this total as the service

creditable for this period of service. If the resulting total is less than the period of the enlistment contract, do not use this total. Use the full period of the contract, since the member has completed the contract. (In some cases, neither the 30-day month nor the day-for-day basis will produce a total equal to the enlistment contract or induction period. This is because of the different dates of the year when time was lost and made good. (See Example 3, below.)

Fourth Step. Add the total computed under the third step above to any other periods computed under subparagraph A, above, to obtain the members' total creditable service.

Example 3: Assume the member in Example 2, above, had not been given a hardship discharge, but completed the enlistment contract including time served to make good lost time. The member's discharge date would be August 21, 1974 (35 days of lost time computed on a day-for-day basis -14 days made good July 18-31 and 21 days August 1-21, 1974). Compute creditable service on reenlistment February 20, 1975:

Year	Month	Day	
74	8	21	(ending date last period of service)
<u>70</u>	<u>7</u>	<u>18</u>	(beginning date last period of service)
4	1	3	
—	—	<u>+1</u>	(extra day for inclusive dates)
4	1	4	(service before deducting lost time)

As in Example 2, above, the lost time computed on a 30-day month basis is 37 days. On a day-for-day basis it is 35 days (19 days from February 10-28 and 16 days from March 1-16). Deduct the lesser number of days (35).

Yr	Mo	Day	
4	1	4	(service before deducting lost time)
<u>3</u>	<u>12</u>	<u>34</u>	(change of year to months and months to days)
—	<u>-1</u>	<u>5</u>	(lost time)
3	11	29	(total service)

Since this amount of service is less than the enlistment contract, and the member completed the contract, do not use this amount. Credit the member with 4 years of prior service on reenlistment February 20, 1975.

Example 4: A member enlisted July 18, 1970 for 4 years; was AWOL July 28, 1973 through September 3, 1973. Member was required to make up 38 days to complete the enlistment term (July 28-31 = 4 days; August 1-31 = 31 days; September 1-3 = 3 days). In making up AWOL time at the end of the enlistment, member would be credited with 14 days from July 18-31 and 24 days from

August 1-24. The discharge date was August 24, 1974. With reenlistment on February 20, 1975, compute prior service as follows:

Year	Month	Day	
74	8	24	(ending date of last period of service)
<u>-70</u>	<u>7</u>	<u>18</u>	(beginning date last period of service)
4	1	6	
<u>—</u>	<u>—</u>	<u>+1</u>	(extra day for inclusive dates)
4	1	7	(service before deducting lost time)

Computation of lost time on 30-day-month basis:

Jul 28-30, 1973	3 days
Aug 1-30, 1973	30 days
Sep 1-3, 1973	<u>3 days</u>
	36 days

As noted above, the time lost is 38 days computed on a day-for-day basis. Under the rule in the second step above, deduct 36 days (computed on 30-day-month basis) since it is the lesser.

Year	Month	Day	
4	1	7	(service before deducting lost time)
<u>—</u>	<u>-1</u>	<u>6</u>	(lost time)
4	0	1	(total creditable service)

Although this member served the same number of days as the member in Example 3, above, this member is credited with 4 years and 1 day of service with reenlistment with February 20, 1975.

010207. Computing Basic Date for Pay Purposes. After computation of creditable service, establish a basic date for use in determining the date when a member is entitled to increased basic pay. Names established for these dates are:

Army--pay entry basic date (PEBD)

Navy and Marine Corps--pay entry base date (PEBD)

Air Force--pay date

Compute the date as follows:

A. Continuous Military Status. Except for medical and dental officers who receive constructive service credit, the date member enlists, is inducted, or accepts an appointment is the basic date for pay purposes. This date stays in effect if the military status continues without any breaks.

B. Noncontinuous Service. When military status has not been continuous, determine the date by deducting total prior creditable service from the date the current period of service began.

Example: Member reenlisted February 20, 1975. Total prior creditable service (computed under paragraph 010206, above) was 4 years and 1 day.

Year	Month	Day	
1975	2	20	(date of reenlistment)
<u>-4</u>	<u>0</u>	<u>1</u>	(prior creditable service)
1971	2	19	(basic date upon reenlistment)

010208. Adjusting Basic Date for Pay Purposes for Lost Time. When an enlisted member loses time in a non-duty status under Table 1-6, advance the basic date for pay purposes by a period equal to the time lost computed on a 30-day month basis. (For officers, this date is not affected by non-duty status.)

Example: An enlisted member with no prior service enlisted on July 18, 1973. He was AWOL from February 10, 1975 through March 16, 1975. On the member's return to full duty status the date changes from July 18, 1973 to August 25, 1973. The change is computed:

Feb 10-30	21 days
Mar 1-16	<u>16 days</u>
	37 days of lost time

Yr	Mo	Day	
1973	7	18	(original date)
	<u>+1</u>	<u>7</u>	(lost time)
1973	8	25	(adjusted date)

010209. Procedure When Basic Date for Pay Purposes Falls on February 29. When the basic date for pay purposes falls on February 29, use that date. In non-leap years, increased pay begins on March 1. In leap years, it begins on February 29.

0103 SERVICE CREDITABLE FOR PERCENTAGE PURPOSES

010301. Service for Percentage Multiple. Service authorized to be used as a percentage multiple is specified in each law section authorizing computation of retired pay for each type of retirement. Retirement types and service for percentage for each are:

A. Voluntary Retirement Enlisted Members. Service credited under paragraph 010102, above.

B. Voluntary Retirement Commissioned Officers

1. Active service in the Uniformed Services.

2. For an officer of the Medical Corps or Dental Corps of the Army or Navy, an officer of the Air Force designated as a medical or dental officer, or an officer of the

Public Health Service commissioned as a medical or dental officer, credit 4 years. For a medical officer who has completed 1 year of medical internship or the equivalent thereof, credit 1 additional year.

a. A medical or dental officer who was in a Reserve Component for a period of time during which the member also was receiving educational training would be entitled to receive the same amount of constructive service credit which would have been credited had the member not been in that Reserve Component.

b. Any credit otherwise accrued during the same period by reason of Reserve membership would not be for use in determining the multiplier for computing retired pay.

3. The years of service, not included in subparagraph B.1, or 2, above, with which the member was entitled to be credited on June 1, 1958 in computing basic pay as stated in paragraph 010201, above.

4. Years of service, not included in subparagraphs B.1, 2, or 3, above, with which the member would be entitled to be credited under 10 U.S.C. 12733 (reference (c)):

a. Days of active service.

b. Days of full-time service under 32 U.S.C. 316, 502-505 (reference (m)) while performing annual training duty or attending a prescribed course of instruction at a school designated as a Service school by law or by the Secretary concerned.

★c. One day for each point, but not more than 75 days in any one-year period after September 22, 1996 credited for attendance at a drill or a period of equivalent instruction prescribed for that year by the Secretary concerned that conform to requirements by law or credited as service in the Health Professions Scholarship and Financial Assistance Program under 10 U.S.C. 2126 (reference (c)). The maximum number was 60 days in any one-year period ending before September 23, 1996. Credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army or Air Force without component, or service in the following categories before Jul 1, 1949:

(1) Federally recognized National Guard before June 15, 1933.

(2) Federally recognized status in the National Guard before June 15, 1933.

(3) The National Guard after June 14, 1933, if service was continuous from date of enlistment in the National Guard, or federal recognition as an officer therein, to date of enlistment or appointment in the National Guard of the United States, the Army National Guard of the United States, or the Air National Guard of the United States.

(4) The Naval Reserve Force.

(5) Naval Militia that conformed to standards prescribed by the Secretary of the Navy.

(6) National Naval Volunteers.

(7) Army or Navy Nurse Corps or the Nurse Corps Reserve of the Army or Navy as it existed at any time after February 2, 1901.

d. Fifty days for each year before July 1, 1949, and proportionately for each fraction of a year of service other than active service in a Reserve Component of the Armed Forces, in the Army or Air Force without component, or in any other category of:

(1) Federally recognized National Guard before June 15, 1933.

(2) Federally recognized status in the National Guard before June 15, 1933.

(3) The National Guard after June 14, 1933, if service was continuous from date of enlistment in the National Guard, or federal recognition as an officer therein, to date of enlistment or appointment in the National Guard of the United States, the Army National Guard of the United States, or the Air National Guard of the United States.

(4) The Naval Reserve Force.

(5) Naval Militia that conformed to standards prescribed by the Secretary of the Navy.

(6) National Naval Volunteers.

(7) Army or Navy Nurse Corps or the Nurse Corps Reserve of the Army or Navy as it existed at any time after February 2, 1901. The sum of the periods described in paragraph subparagraph B.4, is then divided by 360.

C. Voluntary Retirement Warrant Officers. Service credited under subparagraph 010301.B, above.

D. Mandatory Retirement

1. Army and Air Force service credited under paragraph 010105 or subparagraph 010301.B, above, whichever is more favorable.

2. Navy and Marine Corps service credited under paragraph 010106 or subparagraph 010301.B, above, whichever is more favorable.

E. Disability Retirement. Service credited under paragraph 010107, above.

★F Age and Service Retirement, Reservist. Total days of service, as stated in subparagraphs 010301.B.4.a through d, divided by 360 equals equivalent years and any fraction of a year of service.

G. Other

1. Commissioned officers and warrant officers voluntarily retired before June 1, 1958 are authorized to use the years of service credited for basic pay purposes as the years for determining the percentage multiple. Service creditable for basic pay purposes is in paragraphs 010201 and 010202, above.

2. Commissioned officers who served as members of the military or naval forces of the United States before November 12, 1918 are authorized to use a 75 percent multiple for retired pay computation.

3. Enlisted members are authorized to count double time for service beyond the continental limits of the United States between 1898 and 1912 while serving in the Army, Navy, or Marine Corps of the United States.

4. Members who were retired for disability before October 1, 1949, who did not elect within a 5-year period to receive retired pay under Section 511 of the Career Compensation Act of 1949 (reference (w)), are still authorized to use a 75 percent multiple for computation of retired pay. See Chapter 3, section 0304.

0104 UNIFORM RETIREMENT DATE ACT (URDA) APPLICATION (5 U.S.C. 8301(b))
(reference (x))

010401. Authority

A. Except as otherwise specifically provided by statute, retirement is effective on the first day of the month after that in which retirement would otherwise be effective.

B. Notwithstanding subparagraph A, above, the rate of pay is computed as of the date retirement would have occurred but for the provisions of subparagraph A, above. See Table 1-7. Members who enter a Uniformed Service after September 7, 1980 receive retired pay based on an average of basic pay rates for the period actually served not to exceed a 36-month period. See Chapter 3 for gross pay computation.

010402. ApplicationA. Voluntary Retirement

1. Compute pay on the current active duty basic pay rate in effect on the first day of retirement if:

a. Retired on other than an active duty basic pay rate change date.

b. Retired on the same day as an active duty basic pay rate change, but was fully qualified for retirement or met requirements to be retired at least 1 month before the month immediately preceding the active duty basic pay rate change date, except for warrant officers retired under the provisions of 10 U.S.C. 564 (repealed), 580, 1255 (repealed), 1263, 1293, and 1305 (reference (c)).

c. Retired as an enlisted member regardless of qualification date.

d. Retired as a commissioned officer under provisions of 10 U.S.C. 6323 (reference (c)).

2. Compute pay on the active duty basic pay rate in effect on the day before the first date of retirement if:

a. Retired as a warrant officer under 10 U.S.C. 564 (repealed), 580, 1255 (repealed), 1263, 1293, and 1305 (reference (c)).

b. Retired on an active duty basic pay rate change date as a commissioned officer (other than an officer retired under 10 U.S.C. 6323 (reference (c))) or warrant officer who first qualified for retirement during the month immediately preceding the active duty rate change date.

B. Mandatory Retirement

1. Compute pay on the active duty basic pay rate in effect on the date when the member met the requirements for involuntary retirement, and is retired for mandatory reasons.

2. The above provision does not apply if:

a. Before the date scheduled for mandatory retirement, the member qualifies for and requests voluntary retirement which is approved before the member is scheduled for mandatory retirement. See provisions for voluntary retirement in subparagraph 010402.A, above.

b. The member is retained on active duty beyond mandatory retirement date for physical evaluation to determine eligibility for disability retirement and is retired for disability. See provisions for disability retirement.

C. FR/FMCR. The provisions of the Uniform Retirement Date Act do not apply to members transferred to the Fleet Reserve/Fleet Marine Corps Reserve.

D. Disability Retirement

1. Compute pay on the active duty rate in effect on the first day of retirement if the member:

a. Retired on other than an active duty basic pay rate change date.

b. Retired on an active duty pay rate change date and otherwise is eligible for voluntary retirement and met those requirements at least 1 month before the month immediately preceding the new basic pay rates. The new rates apply only to the formula for computation of entitlement for voluntary retirement.

2. Compute pay on the active duty basic pay rate in effect on the day before the first day of retirement if the member:

a. Retired on an active duty rate change date as a commissioned officer, warrant officer, or enlisted member, and

b. Disability retirement findings approved without the Secretary concerned having designated an earlier retirement date under 10 U.S.C. 1221 (reference (c)). The effective date of retirement is governed by the provisions of the Uniform Retirement Date Act.

E. Non-Regular Service Reserve Retirement. Compute pay on the active duty basic pay rate in effect on the date when the member is granted retired pay.

010403. Special Provisions. Under specific circumstances, computation may be based on another basic pay rate that may provide greater pay. See Chapter 3, sections 0302 and 0303.

0105 RANK AND PAY GRADE

★010501. General Determination

A. Unless entitled to a higher grade under some other provisions of law, those Regular and Reserve members who retire other than for disability, will retire in the Regular or Reserve grade they hold on the date of retirement.

B. A commissioned officer of the Army, Navy, Air Force, or Marine Corps who voluntarily retires in a grade above major or lieutenant commander must serve on active duty in that grade for not less than 3 years. The President may waive this requirement in cases of hardship or exceptional or unusual circumstances. The Secretary concerned may reduce the service-in-grade requirement to 2 years during the period October 1, 1990- September 30, 1999.

C. An officer who does not meet the service-in-grade requirement retires in the next lower grade in which member served on active duty satisfactorily for at least six months.

D. Grades 0-9 and 0-10

1. An officer in the grade of general or admiral or lieutenant general or vice admiral may retire in that grade, if the Secretary of Defense certifies, in writing, to the President and the Congress that the officer served on active duty satisfactorily in that grade.

2. The 3-year service-in-grade requirement cannot be reduced or waived if the officer is under investigation for alleged misconduct or if an adverse personnel action is pending against the officer for alleged misconduct.

E. Reserve Officers

1. Unless entitled to a higher grade, or to credit for satisfactory service in a higher grade under some other provision of law, a person who becomes entitled to a non-Regular service reserve retirement shall, upon application, receive credit for satisfactory service in the highest grade held in the Armed Forces, as determined by the Secretary concerned.

2. To receive credit for satisfactory service in a grade below lieutenant colonel or commander, other than a warrant officer grade, a person must serve satisfactorily in that grade, as determined by the Secretary concerned as a Reserve commissioned officer in an active status, or in a retired status on active duty, for at least six months.

3. To receive credit for satisfactory service in a grade above major or lieutenant commander, a person must serve satisfactorily in that grade, as determined by the Secretary concerned, as a reserve commissioned officer in an active status, or in a retired status on active duty, for at least 3 years.

a. A person who completes at least six months of satisfactory service in grade, upon transfer from an active status or upon discharge as a reserve commissioned officer for mandatory age or years of service, receives credit for satisfactory service in the grade in which serving at time of transfer or discharge in that grade.

b. If the person completes at least six months of satisfactory service in grade while serving as adjutant general under 32 U.S.C. 314 (reference (m)) or as assistant adjutant general to such adjutant general and the person is unable to complete 3 years of

service in such grade because the appointment is terminated or vacated under 32 U.S.C. 324(b), (reference (m)), then the person may be credited with satisfactory service in that grade.

c. The Secretary concerned may allow credit in a higher grade to a person who has been recommended for promotion but before promotion to the recommended grade. Such credit may be allowed when a person who is in the next lower grade serves in a position after recommendation where the minimum authorized grade for the position the member is serving in is the higher grade to which the member is recommended for promotion. The period of service credit may not include any period before the date the Senate provides advice and consent for the appointment in the recommended grade.

d. The Secretary concerned may allow credit for service-in-grade to a Reserve officer in the Army or Air National Guard in a particular grade that has been extended temporary federal recognition. In order to be considered under this provision, the person must serve in the position after being extended temporary federal recognition in the minimum authorized grade for that position and the person must later be extended permanent federal recognition as a Reserve Officer in that grade and serve in that position after the permanent federal recognition.

4. A person whose length of service in the highest grade held does not meet service-in-grade requirements specified in this, subparagraph E, receives credit for satisfactory service in the next lower grade in which the person serves satisfactorily for at least 6 months as determined by the Secretary concerned.

F. Unless entitled to a higher grade under some other provision of law, members of the Armed Forces who retire for disability are entitled to the highest of:

1. The grade or rank in which serving when placed on the Temporary Disability Retired List or, if not carried on that list, on date of retirement.

2. The highest grade or rank in which member satisfactorily serves.

3. The permanent Regular or Reserve grade to which the member would have been promoted had it not been for the disability for which member is retired that was found upon physical examination.

4. The temporary grade to which member would have been promoted had it not been for the disability for which member is retired, if eligibility for that promotion was required based on the cumulative years of service or years of service in grade, and the disability is found upon physical examination.

010502. Special Provisions

A. Commissioned officers of the Regular or Reserve Component of the Army or Air Force and Regular officers of the Navy or Marine Corps may, at the discretion of the

President, be retired by and with the consent of the Senate, in the highest grade held at any time on the active list if they have served as:

1. Chief of Staff to the President.
2. Chief of Staff of the Army.
3. Chief of Naval Operations.
4. Chief of Staff of the Air Force.
5. Senior member of the Military Staff Committee of the United Nations.
6. General or lieutenant general in a position of importance and responsibility designated by the President.
7. Admirals or vice admirals in positions of great importance and responsibility designated by the President under 10 U.S.C. 601 (reference (c)).
8. Chief or assistant chief of a branch of the Regular Army for at least 4 years.
9. Surgeon General of the Army or Air Force in the grade of lieutenant general.
10. Permanent professor of the United States Military Academy or United States Air Force Academy. If the grade is below brigadier general and service as professor is long and distinguished, the professor may, at the discretion of the President, be retired in the grade of brigadier general.
11. Chiefs of Bureaus and Judge Advocate General.

B. Regular and Reserve commissioned officers of the Army and Air Force are entitled to the grade equal to the highest temporary grade in which they served on active duty satisfactorily for not less than 6 months. See exception in subparagraph 010501.B, above.

C. Members of the Regular Army in the Army Nurse Corps or Army Medical Specialist Corps and an Air Force nurse or medical specialist are entitled to a retired grade equal to the highest grade or relative rank in which they served on active duty satisfactorily after September 8, 1940 and before July 1, 1946, as:

1. A member of the Army Nurse Corps established by the Act of July 9, 1918 (reference (y)).

2. A dietitian or physical therapist appointed under the Act of December 22, 1942 (reference (a)).

3. An officer appointed under the Act of June 22, 1944 (reference (b)).

D. Where an existing statute authorizes computation of pay on the basis of a grade in which the member served satisfactorily which is higher than the pay of the grade otherwise entitled, computation is based on the higher grade:

1. Without regard to whether that grade was temporary or permanent.

2. Even though the Military Service in which the member held that higher grade is not the Military Service in which retired.

E. Retired warrant officers of the Army and Air Force, and enlisted members of the Regular Army and Regular Air Force are entitled to be advanced on the retired list to the highest grade in which they served on active duty satisfactorily, when their active service plus time on the retired list equals 30 years.

F. Unless otherwise entitled to a higher grade, officers of the Regular Navy or Regular Marine Corps holding a permanent grade of W-1 or above, retired with 30 or more years of service are retired in the grade in which they are serving at the time of retirement.

G. Unless otherwise entitled to a higher grade, members of the Navy and Marine Corps retired while serving in a temporary grade to which they were appointed in time of war or national emergency which terminates on date of detachment are retired in the grade they would hold if they had not received such appointment.

H. Warrant officers of the Navy and Marine Corps who retire after completion of 20 years of service may elect to be retired in the highest grade entitled under any provision of law.

I. Unless otherwise entitled to a higher grade, members, other than retired members of the Navy or Marine Corps, when retired are advanced on the retired list to the highest officer grade in which they served satisfactorily under a temporary appointment.

J. A courtesy title is not to be used for computation of pay. The grade for pay purposes is determined under the above criteria of general determinations and special provisions with specific reference to the law section authorizing grade for pay purposes.

K. Members promoted while missing in action (MIA) whose status is changed to killed in action (KIA) are exempted from the 6-month time-in-grade requirement since promotions received while in a missing status are "fully effective for all purposes" under 37 U.S.C. 552(a) (reference (z)). Applicable only to Air Force and Army.

L. A member who enters a Uniformed Service after September 7, 1980 and who later retires may receive retired pay computed from a retired pay base made up of active duty pay rates from more than one grade.

010503. Satisfactory Service. The determination as to what constitutes satisfactory service for the purpose of retirement in the highest grade is within the discretionary power of the Secretary of the Military Service concerned.

0106 NONCITIZENS

010601. Philippine Constabulary. The Act of February 2, 1901 (reference (n)), as amended by the Act of May 16, 1908 (reference (aa)), authorized the President of the United States to organize a military component to be known as the Philippine Scouts and make it a part of the Regular Army.

A. The total number of enlisted men was limited to 12,000 voluntary enlisted natives of the Philippine Islands. The pay and allowances of whatever nature and kind authorized were to be fixed by the Secretary of the Army, not to exceed or be of classes other than those authorized enlisted men of the Regular Army. Retirement eligibility was the same as for enlisted men of the Regular Army.

B. Officers initially were selected from the Regular Army on provisional appointments. Effective July 1, 1920, all officers who were citizens of the United States, if qualified, were recommissioned in the Regular service and, if not recommissioned, continued to serve under their commissions as officers of the Philippine Scouts. Officers later were selected from citizens of the Philippine Islands, appointed in the grade of second lieutenant. Officers were entitled to the same pay, privileges, and retirement benefits authorized officers of like grade and service of the Regular Army.

C. The Philippine Scouts are not now maintained as a continuing part of the Army.

010602. Insular Force. The Insular Force of the United States Navy was established by Executive Order on April 5, 1901 (reference (ab)), as amended on June 25, 1901, authorizing the Secretary of the Navy to enlist in the Insular Force a total of 500 natives of the Islands of the Philippines and the Island of Guam. The Force was established primarily to use the services of these men in various positions throughout the area in which they were enlisted and to which they were particularly adapted or suited. Members of the Insular Force were eligible for transfer to the Fleet Reserve or to the retired list. The Insular Force is not now maintained as a continuing part of the Navy.

010603. Payment

A. Philippine Scouts. The rates of pay prescribed from time to time for enlisted men of the Philippine Scouts on the active list formed the basis for computing the amount of retired

pay. There was no increase in pay and allowances (including retired pay) for the period June 1, 1946 through August 31, 1965.

B. Insular Force. Pay and allowances were permanently fixed at one-half the current prevailing rates for other members of the Regular Navy of corresponding grades. Retired pay is computed as for the Regular Navy at one-half of the basic pay rate.

C. Equalization of Pay. Effective September 1, 1965, the Secretary of the Army authorized new rates of basic pay for Philippine Scouts computed per subparagraph C.1 or 2, below, whichever is greater:

1. One-half of the basic pay of enlisted members of the Army with comparable grades and length of service authorized by the Military Pay Act of 1958 (reference (ac)); or

2. One-half of the basic pay authorized enlisted members of the Army with comparable grades and length of service on the day before the effective date of the Military Pay Act of 1958 (reference (ac)), increased by 6 percent, and further increased by 5 percent.

3. The retired pay of Philippine Scouts also was authorized to be recomputed on the basis of the rates of basic pay so established and that amount, in turn, further increased by the same percentage of increase in retired pay as that provided by section 5(a) of the Act of August 21, 1965 (reference (ad)). Future adjustments of retired pay of Philippine Scouts will be made to reflect changes in the Consumer Price Index as provided by 10 U.S.C. 1401a (reference (c)).

0107 HEROISM PAY

010701. Entitlement

A. Service Retirement. Enlisted members of the Army, Air Force, Navy, and Marine Corps retired after the completion of 20 but less than 30 years of active service are eligible to receive 10 percent additional retired or retainer pay if credited with extraordinary heroism in the line of duty. Total retired pay, including the 10 percent increases, may not exceed maximum pay of 75 percent. Enlisted members of the Coast Guard retired after completion of 20 years, voluntarily or involuntarily, are eligible to have retired pay increased by an amount equal to 10 percent of the active duty pay and permanent additions thereto of the grade or rating with which retired if credited with extraordinary heroism in the line of duty. See Chapter 2 for transfer of Navy and Marine Corps enlisted members to the Fleet Reserve and Fleet Marine Corps Reserve.

B. Disability Retirement. Enlisted members retired for disability who otherwise are eligible for voluntary retirement for more than 20 years of service and entitled to a 10 percent increase in pay for certified acts of extraordinary heroism are entitled to an additional computation under the computation for a length of service retirement. Payment is based on the most favorable computation.

010702. Determination of Entitlement. The Secretary of the Military Service concerned has the authority to grant 10 percent additional retired pay to an individual who has performed an act of extraordinary heroism in the line of duty.

010703. Special Provisions

A. Advancement on the Retired List. Retired enlisted members of the Regular Army or Air Force receiving the 10 percent additional increase in pay for extraordinary heroism are not entitled to the 10 percent increase when advanced to a higher grade on the completion of 30 years of service. See Chapter 9 of this volume.

B. Recomputation After a Period of Active Duty

1. Retired enlisted members of the Army and Air Force are entitled to the 10 percent increase in retired pay for extraordinary heroism when pay is recomputed to reflect active service performed after date of retirement. The retired pay may not exceed 75 percent of the monthly basic pay upon which retired pay is based. Regardless of when the member's retired pay was recomputed, benefits shall not accrue under this provision for any period prior to November 1, 1992.

2. Enlisted members of the Navy and Marine Corps who elected to receive retainer or retired pay computed under laws in effect on August 9, 1945, are not entitled to the 10 percent increase in their pay for extraordinary heroism when that pay is recomputed to reflect active service performed after date of transfer or retirement.

3. Enlisted members of the Navy and Marine Corps who elected to receive retainer or retired pay computed under the Act of August 10, 1946 (reference (ae)) and 10 U.S.C. 6330 and 6331 (reference (c)) are entitled to the 10 percent increase in their pay for extraordinary heroism on and after August 10, 1956, when that pay recomputed to reflect active service performed after date of transfer or retirement.

0108 PAYMENT

010801. Effective Date of Payment. Pay accrues on a day-to-day basis from and including the date on which retirement is effective, except members who are transferred to the Fleet Reserve/Fleet Marine Corps Reserve. These members become entitled to pay on the day after the date of transfer.

A. Service Retirement. Except as otherwise provided by law, the effective date of retirement eligibility is the first day of the month after the month in which service requirements are fully met.

B. Disability Retirement. Placement on the Temporary and Permanent Disability Retired Lists may become effective on any day of the month as specified by the Secretary of the Military Service concerned.

C. Mandatory Retirement for Age and Service. Members attaining age and/or service requirements for involuntary retirements are retained on active duty through the last day of the month in which age or service requirements are met.

D. Non-Regular Service Retirement. Reservists are entitled to pay effective on the date on which the requirements for age and service have been met, or on the first day of any later month that the retiree may elect.

010802. Revocation of Retirement and/or Transfers

A. A member who is placed on the retired list is legally retired and such status cannot thereafter be changed retrospectively because of a mistake or poor judgment on the part of the retiring authorities. Fully executed orders for retirement, if not cancelled before the date of retirement, are final and may not be reopened, revoked, or amended in the absence of fraud, manifest error, mathematical miscalculation, mistake of law, or substantial new evidence.

B. Transfer of members to the Fleet Reserve/Fleet Marine Corps Reserve and to the retired list of the Regular Navy or Marine Corps or the Retired Reserve is conclusive for all purposes. The Secretary may correct any error or omission in the determination as to the member's grade and years of creditable service.

C. Payment of active duty pay and allowances may be permitted after the first of the month in which retirement is effective until retirement orders are actually delivered to member later in the same month, provided prior notice of retirement orders had not been received.

D. Where advance notice of retirement orders is given, but orders are not delivered, an attempt may be made to revoke them after they become effective and replace them with orders directing retirement at a later date. When it is apparent that the member had no knowledge of the lack of legal authority for this action and active duty pay and allowances were received "under color of authority," the "de facto rule" permits repayment of active duty pay and allowances paid for the period and later collected.

010803. Computation

A. Monthly Pay. Compute monthly pay as if each month had 30 days. The daily rate is 1/30 of the monthly rate.

B. Intermediate Day. When retirement begins on an intermediate day of the month, compute pay at the rate of 1/30 for the actual number of days after date of retirement but only through the 30th day of that month. If pay begins on February 28, pay accrues for 3 days. If the pay begins on February 29, pay accrues for 2 days.

VOLUNTARY RETIREMENT						
R U L E	A	B	C	D	E	F
	A person who is	of the	and years of service total	including at least	may retire under 10 U.S.C.	with retired pay computed under Table 3-1
1	an enlisted member	Army	20 (note 1)		3914	rule 3.
2		Air Force			8914	
3	a Regular enlisted member	Army	30		3917	rule 5.
4		Air Force			8917	rule 6.
5	a commissioned officer	Army	20 (note 2)	10 years of active commissioned service	3911	rule 5.
6		Air Force			8911	rule 6.
7		Army	30 (note 2)		3918	rule 5.
8		Air Force			8918	rule 6.
9		Army	40 (note 2)		3924	rule 5.
10		Air Force			8924	rule 6.
11	a warrant officer	Armed Forces	20 (note 3)		1293	rule 4.
12		Army	40 (note 3)		3924	rule 5.
13		Air Force			8924	rule 6.
14	a Regular officer W-1 and above	Navy or Marine Corps Reserve	40 (note 2)		6321	rule 7.
15			30 (note 2)		6322	rule 8.
16				20 (note 2)	10 years of active commissioned service	6323 (note 4)

Table 1-1. Voluntary Retirement

R U L E	A	B	C	D	E	F
	A person who is	of the	and years of service total	including at least	may retire under 10 U.S.C.	with retired pay computed under Table 3-1
17	a Regular enlisted member (note 5)	Navy or Marine Corps Reserve	30 (note 1)		6326	rule 8.
18	an officer or enlisted member		30 (note 2)		6327 (note 6)	rule 9.
19			20 (note 2)	10 years of active service served in the 11 years immediately before retirement		

NOTES:

1. Paragraph 010102 (10 U.S.C. 3683 (repealed), 3925, 8683 (repealed), and 8925). Under Temporary Early Retirement Authority, the Secretary concerned may reduce the 20 years of creditable service requirement to 15 years of creditable service.
2. Paragraph 010103 (10 U.S.C. 3926, 6321, 6323, and 8926). Under Temporary Early Retirement Authority, the Secretary concerned may reduce the 20 years of creditable service requirement to 15 years of creditable service.
3. Paragraph 010104 (CCA 1949, section 511; 10 U.S.C. 6321 and 6322). Under Temporary Early Retirement Authority, the Secretary concerned may reduce the 20 years of creditable service requirement to 15 years of creditable service.
4. Members mandatorily retired under Public Law 86-155 are thereafter considered as having retired voluntarily pursuant to 10 U.S.C. 6323.
See section 3, Public Law 86-155. No officers processed under Public Law 86-155 after June 1, 1966.
5. Including Regular enlisted members holding temporary appointment as commissioned officer or warrant officer.
6. Section 6327 expired January 1, 1973.

Table 1-1. Voluntary Retirement (Continued)

MANDATORY RETIREMENT - COMMISSIONED OFFICERS AND WARRANT OFFICERS										
R U L E	A	B	C	D	E	F				G
	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary concerned under 10 U.S.C.				with retired pay computed under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
1	Regular commissioned officer of the Army or Air Force		Below Maj Gen (note 1)		60	3883 (note 22)	8883 (note 22)			rule 11 or 13.
2					62 (note 23)	1251	1251	1251	1251	rule 10.
3		35 years (note 2)	Maj Gen	5 years	60	3884 (note 22)	8884 (note 22)			rule 11 or 13.
4					62	3885 (note 22)	8885 (note 22)			
5					64	3886 (note 22)	8886 (note 22)			
6		20 years (note 2)	any grade (note 3)			3913 (note 22)	8913 (note 22)			
7		28 years (note 2)	Lt Col (note 4)			3916 (note 22)	8916 (note 22)			

Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers

R U L E	A	B	C	D	E	F				G
	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary concerned under 10 U.S.C.				with retired pay com- puted under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
8	Regular commis- sioned officer of the Army or Air Force	30 years (note 2)	any grade (note 5)	5 years		3919 (note 22)	8919 (note 22)			
9			Col (note 6)			3921 (note 22)	8921 (note 22)			
10			Brig Gen			3922 (note 22)	8922 (note 22)			
11			Maj Gen			3923 (note 22)	8923 (note 22)			
12	Regular officer of the Navy or Marine Corps	35 years of total commis- sioned service (note 2)	Rear Adm (notes 7 & 8)	5 years				6371 (notes 18 and 22)		rule 12.
13			Rear Adm (notes 8 & 9)	7 years				6372 (notes 19 and 22)		
14			Maj Gen (notes 8 & 10)	5 years				6373 (note 22)		

**Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers
(Continued)**

R U L E	A	B	C	D	E	F				G
	A Person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary concerned under 10 U.S.C.				with retired pay com- puted under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
15	Regular officer of the Navy or Marine Corps	35 years of commis- sioned service (note 2)	Rear Admiral (Navy) - Brig Gen (USMC) (note 7)					6374 (note 22)		rule 12
16			Rear Admiral (Navy) Brig Gen (USMC) (notes 8 & 10)	5 years				6375 (note 24)		
17		30 years of total commis- sioned service (note 2)	Capt (Navy) Col (USMC) (notes 7 & 11)					6376 (note 22)		
18		31 years of total commis- sioned service (note 2)	Capt (Navy) Col (USMC) (notes 8 & 12)							
19		30 years of total com- missioned service (note 2)	Capt (Navy) Col (USMC) (notes 9 & 11)					6377 (notes 20 & 22)		

R U L E	A	B	C	D	E	F				G
	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary concerned under 10 U.S.C.				with retired pay computed under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
20	Regular officer of the Navy or Marine Corps	31 years of total commissioned service (note 2)	Capt (Navy) Col (USMC) (notes 8, 9, & 12)					6377 (notes 20 & 22)		rule 12.
21		26 years (note 2)	Commander (Nurse Corps) (notes 8, 9, & 11)							
22		35 years (note 2)	Capt (Navy) Commander (Nurse Corps) (notes 5 & 9)		62			6378 (notes 21 & 22)		
23		26 years of total commissioned service (note 2)	Commander Lt Col (note 11)							
24		20 years of total commissioned service (note 2)	Lt Commander Major (note 11)							

**Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers
(Continued)**

R U L E	A	B	C	D	E	F				G
	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary concerned under 10 U.S.C.				with retired pay computed under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
25	Regular officer of the Navy or Marine Corps	30 years of active naval service	any grade (note 13)					6383		rule 12.
26			Lt Commander, Major (notes 11 & 13)							
27			Any grade below Fleet Adm		62			6390 (note 22)		
28			Rear Admiral Maj Gen and Brig Gen					6394 (note 22)		
29		20 years of active commissioned service (note 2)	Lt Comdr and below (Nurse Corps)					6396 (note 22)		

**Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers
(Continued)**

R U L E	A	B	C	D	E	F				G
	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary concerned under 10 U.S.C.				with retired pay computed under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
30	Female Regular officer of the Navy or Marine Corps	26 years of active commissioned service	Comdr Lt Col (USMC)					6398 (note 22)		rule 12.
31		30 years of active commissioned service	Captain Col (USMC) (note 14)							
32		20 years of active commissioned service	Lt Comdr Maj (note 3) and below					6400 (note 22)		
33	Commissioned officer of the Army	30 years of commissioned service (note 17)	permanent professor, USMA			3920				rule 11.
34	Commissioned officer of the Air Force		permanent professor, USAFA				8920			rule 13.

**Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers
(Continued)**

R U L E	A	B	C	D	E	F				G
	A Person who is a	and has at least	who holds the regular grade of	and time in grade is	and is age	is retired by Secretary concerned under 10 U.S.C.				with retired pay com- puted under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
35	Commis- sioned officer of the Army, Air Force	30 years of commis- sioned service (note 17)	Permanent professor, USMA or USAFA		64	1251	1251			rule 10.
36	Permanent Regular warrant officer of the Armed Forces	20 years (note 15)	WO1, WO2, and WO3 (note 11)					0564 (repeal- ed), 580		
37			WO1, WO2, WO3, and WO4		55 (note 16)				1255 (repeal- ed)	
38					62				1263	
39					30 years of service					

**Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers
(Continued)**

R U L E	A	B	C	D	E	F				G
	A Person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary concerned under 10 U.S.C.				with retired pay com- puted under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
40	Regular officer of the Army, Air Force, Marine Corps, or Navy	28 years of commissioned service	Lt Col, Commander (Navy)	5 years		633	633	633	633	rule 10.
41		30 years of commissioned service	Col, Capt (Navy)			634	634	634	634	
42			Brig Gen Rear Adm (Navy)			635	635	635	635	
43			Maj Gen Rear Adm (Navy)			636	636	636	636	

**Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers
(Continued)**

NOTES:

1. Except professor or registrar of United States Military Academy or Air Force Academy.
2. Army or Air Force - Service under paragraph 010105 (10 U.S.C. 3927, 8927 were repealed by Public Law 96-513).
3. Not recommended for promotion.
4. Promotion list lieutenant colonel.
5. Excessive number in any grade.
6. Promotion list colonel.
7. Not restricted in performance of duty.
8. Not recommended for continuation on active duty.
9. Restricted in performance of duty.
10. Serving as Commandant of Marine Corps.
11. Twice failed of selection for promotion to next higher grade not on promotion list.
12. Not on promotion list. Retirement subject to completion of 5 years of service in grade.
13. Designated for limited duty.
14. Except women officers on promotion list or serving as assistant to Chief of Naval Personnel with rank of captain, or assistant to Commandant of Marine Corps with rank of colonel.
15. Service computed under paragraph 010104.
16. Female regular warrant officer. This statute was repealed by Public Law 90-130, November 8, 1967 (81 Stat 374).
17. Service computed under paragraph 010103.
18. Section 6371 suspended by Executive Order 11284, May 27, 1966.
19. Section 6372 suspended by Executive Order 11436, December 2, 1968.
20. Section 6377(c) repealed by Public Law 90-130, November 8, 1967.
21. Any Navy captain or commander who will complete 35 years of total commissioned service or who will become age 62 in the fiscal year in which the selection board is convened is ineligible for consideration for retention.
22. Sections repealed by Public Law 96-513, December 12, 1980, effective September 15, 1981.
23. Except a permanent professor, Director of Admissions, or Registrar of United States Military Academy or United States Air Force Academy or a commissioned warrant officer, effective September 15, 1981.
24. Section 6375 was repealed by Public Law 87-123, August 3, 1961.

**Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers
(Continued)**

DISABILITY RETIREMENT						
R U L E	A	B	C	D	E	F
	A person who is	of the	ordered to active duty for	And is determined	may retire under 10 U.S.C.	with retired pay computed under Table 3-1
1	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	30 days or less (note 1)	Unfit to perform duties of his or her office, grade, rank, or rating because of physical disability (note 2)	1204	rule 1.
2					1205	rule 2.
3			more than 30 days (note 1)		1201	rule 1.
4					1202	rule 2.

NOTES:

1. Paragraph 010107 (10 U.S.C. 1208).
2. Disability rating must be at least 30 percent unless the member has 20 years of service (10 U.S.C. 1201, 1202, 1204, 1205).

Table 1-3. Disability Retirement

AGE AND SERVICE, NON-REGULAR RETIREMENT						
R U L E	A	B	C	D	E	F
	A person who is	of the	and has at least	and is age	may retire under	with retired pay computed under
1	An enlisted member, warrant officer, or commissioned officer	Armed Forces, Reserve, or National Guard (note 1)	20 years of service (note 2)	60	10 U.S.C. 12731 (note 3)	Table 3-1, rule 14.

NOTES:

- ★1. Who performed last 8 years (6 years during the period October 5, 1994 through September 30, 1999) of qualifying service as a member of a Reserve or National Guard component.
2. Paragraph 010108 (10 U.S.C. Sec 12732). Under Temporary Early Retirement Authority, the Secretary concerned may reduce the 20 years of satisfactory service requirement to 15 years of creditable service for retirement under 10 U.S.C. 12731a.
3. Not entitled to retired or retainer pay under any other provision of law.

Table 1-4. Age and Service, Non-Regular Retirement

SERVICE AS CADET OR MIDSHIPMAN-OFFICERS-FOR BASIC PAY PURPOSES				
R U L E	A	B	C	D
	When a member currently serving as an officer has had service as a cadet or midshipman in	to which appointed	and	the period involved is
1	any of the military academies		held no concurrent enlisted and/or Reserve status	not creditable.
2		after June 25, 1956	enlistment contract or period of obligated service was not terminated	
3		as a permanent midshipman before Jun 26, 1956		creditable.
4			concurrently retained a commission or warrant in the Army or Air Force Reserve	
5		on or after January 1, 1953	concurrently held an enlisted status in the Army or Air Force Reserve	
6		before June 26, 1956		
7		on or after January 1, 1953 and before June 26, 1956	concurrently held an enlisted status in the Naval Reserve	
8		as a temporary midshipman, Naval Reservist, before June 16, 1956		
9	an aviation cadet program	in the appointive grade of aviation cadet	performed active service	
10		as an enlisted aviation cadet on or after June 3, 1941		
11	a United States Merchant Marine or State Maritime Academy	under the Naval Reserve Act of 1938	concurrently held an inactive Naval Reserve status	not creditable.
12	NROTC program	as a temporary midshipman before June 26, 1956	concurrently held a Reserve status in a Uniformed Service	creditable through October 12, 1964.
13		as a contract student		
14	AROTC and AFROTC program	before October 13, 1964		

Table 1-5. Service as Cadet or Midshipman-Officers-For Basic Pay Purposes

ABSENCE FROM DUTY IN ENLISTED STATUS			
R U L E	A	B	C
	When absence is	and	the period of absence is
1	Authorized leave or authorized excess leave		creditable.
2	Unauthorized absence of more than 1 day (24 consecutive hours), including detention of Army or Air Force members by or for civil authorities	is administratively excused as unavoidable	
3		is not administratively excused as unavoidable	not creditable (note 2).
4	Civil detention of a Navy or Marine Corps member	occurred before Jul 24, 1956 and the member was not acquitted or released without trial and without making restitution	
5		occurred on or after July 24, 1956 and the member was absent under sentence or awaiting (and during) trial which resulted in conviction (note 1)	
6	Inability to perform duty for more than 1 day (24 consecutive hours) because of intemperate use of alcohol or drugs, or disease or injury resulting from misconduct		
7			
8	Because of confinement for more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence (note 4)	member was a member of the Army or Air Force	
9	Absence of a Navy or Marine Corps member because of confinement of more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence	confinement occurred on or after July 24, 1956 (note 4)	
10		confinement occurred before July 24, 1956	creditable (note 3).

NOTES:

1. If the member is released without trial or acquitted, or if conviction is set aside on legal grounds (as distinguished from clemency), the period of absence is creditable. If the member is released upon agreement to make restitution or is later convicted by court-martial on the same facts, the period of absence is not creditable.
2. Absence during which a member was serving on active duty as an enlisted person and was also a reserve officer is creditable.
3. The period of absence is not creditable only if the confinement was under general court-martial sentence and/or while awaiting (and during) trial which resulted in sentence by a general court-martial to confinement and total loss of pay and allowances.
4. Period spent in confinement is creditable service when the member is acquitted or the sentence is set aside or disapproved.

Table 1-6. Absence From Duty in Enlisted Status

RATE OF BASIC PAY FOR RETIRED PAY COMPUTATION (5 U.S.C. 8301(b))(Note 7)					
R U L E	A	B	C	D	E
	A member who	and is	who fully qualified or met requirements to be retired	and retirement is	may compute pay using active duty basic pay rates in effect on
1	retires on other than the first day of an active duty basic pay rate change	an enlisted member, warrant officer, or commissioned officer	at any time	voluntary, mandatory, disability, Reservist (age and service)	the first day of retirement (notes 1, 2, and 3).
2	retires on the first day of an active duty basic pay rate change	an enlisted member (note 4)		voluntary	the first day of retirement (notes 1 and 2).
3		a warrant officer			the day before the first day of retirement (notes 1, 2, and 3).
4		a commissioned officer	before the month immediately preceding the active duty basic pay rate change date (note 5)		the first day of retirement (notes 1 and 2).
5			at any time prior to the active duty basic pay rate change date	voluntary (note 5)	
6			during the month immediately preceding the active duty basic pay rate change date	voluntary	
7		a warrant officer	any time	mandatory	the day before the first day of retirement (notes 1 and 2).
8		a commissioned officer			
9		an enlisted member, warrant officer, or commissioned officer	during the month immediately preceding the active duty basic pay rate change date without Secretarial action designating an earlier retirement date	disability (note 6)	the day before the first day of retirement (note 1).
10			any time	Reservist (age and service)	the date the member is granted retired pay (note 1).

Table 1-7. Rate of Basic Pay for Retired Pay Computation (5 U.S.C. 8301(b))

NOTES:

1. Under former section 10 U.S.C.1401a(e) (repealed by Public Law 98-94, September 24, 1983), a member may use one prior rate of basic pay if more advantageous to the member provided the member is eligible for retirement on or before September 24, 1983 and retires on or before Sep 24, 1986. If such member retires after September 24, 1986, the retired or retainer pay may not be less than it would have been had the member actually retired on September 23, 1986.
2. For members who qualify for retirement on an earlier computation date under the same or some other provision of law, compute under rates in effect on that earlier date based on grade and service credited at that time, if that rate is greater (10 U.S.C. 1401a(f)).
3. Warrant officers voluntarily retired (10 U.S.C. 1401, formula 4).
4. Not applicable to Navy and Marine Corps enlisted members transferred to the Fleet Reserve or Fleet Marine Corps Reserve.
5. Applicable only to retirements under 10 U.S.C. 6323.
6. If otherwise retirement eligible, follow rule for that retirement.
7. A retired pay base is used in lieu of a basic pay rate in the computation of retired pay for members who enter the Uniformed Services after September 7, 1980.

Table 1-7. Rate of Basic Pay for Retired Pay Computation (5 U.S.C. 8301(b)) (Continued)

CHAPTER 2

**INITIAL ENTITLEMENT-FLEET RESERVE/
FLEET MARINE CORPS RESERVE**0201 GENERAL020101. Purpose

A. The Fleet Reserve/Fleet Marine Corps Reserve was established to provide an available reserve of former members of the Regular Navy or Naval Reserve and the Regular Marine Corps or Marine Corps Reserve who could be used without further training to fill billets requiring experienced personnel in the first stages of mobilization during an emergency or in time of war.

B. When not on active duty, members of the Fleet Reserve/Fleet Marine Corps Reserve may accept employment in any civil branch of the public service and may receive the pay and allowances incident to such employment in addition to any pay and allowances to which they may be entitled under the provisions of law.

C. Members of the Fleet Reserve/Fleet Marine Corps Reserve may be ordered to active duty without their consent:

1. In time of war or national emergency declared by the Congress and for 6 months thereafter.

2. In time of national emergency declared by the President or when otherwise authorized by law. Members of the Fleet Reserve/Fleet Marine Corps Reserve are not, unless urgently required by particular circumstances, ordered to active duty until examined by a medical officer of the Navy or Naval Reserve and found physically qualified for active duty.

3. When otherwise authorized by law.

D. In time of peace, any member of the Fleet Reserve/Fleet Marine Corps Reserve may be required to perform not more than 2 months active duty for training during each 4-year period.

020102. Retirement for Physical Disability. A member of the Fleet Reserve/Fleet Marine Corps Reserve found physically unfit for duty is transferred to the Regular Retired List or Reserve Retired List of the Navy or Marine Corps, as appropriate. Such retirement is by reason of physical disability.

020103. Retirement After 30 Years of Service. On completion of 30 years of active and inactive service, a member of the Fleet Reserve/Fleet Marine Corps Reserve is transferred to either the Regular Retired List or the Reserve Retired List of the Navy or Marine Corps, as

appropriate. On being placed on the retired list, a member may be advanced to the highest officer grade in which the member served satisfactorily under a temporary appointment with retired pay based on that grade. See Chapter 9, for advancement on the retired list.

0202 TRANSFER ELIGIBILITY-SERVICE FOR PERCENTAGE MULTIPLE PURPOSES

020201. Minimum Required Service. Enlisted members of the Regular Navy/Marine Corps or Naval Reserve/Marine Corps Reserve upon completion of at least 20 years of active service in the Armed Forces to include service as a cadet or midshipman.

A. Prior to December 31, 1977, a member became eligible for transfer upon completion of 19 years and 6 months of active service since that part of a year that is 6 months or more is creditable as a whole year.

B. On and after December 31, 1977, a member must complete a total of 20 years of active service to be eligible for transfer to the Fleet Reserve or Fleet Marine Corps Reserve. However, time creditable as active service for a completed minority enlistment, and an enlistment terminated within 3 months before the end of the term of enlistment under 10 U.S.C. 6330(d) (reference (c)) prior to Dec 31, 1977, may be used in determining eligibility for transfer.

020202. Application for Transfer to Fleet Reserve/Fleet Marine Corps Reserve

A. Navy (Fleet Reserve)

1. A member must initiate the request for transfer to the Fleet Reserve. The member submits the applications for transfer, NAVPERS Form 1830/1 (formerly NAVPERS Form 630), to the Chief of Naval Personnel. It is then determined whether the member meets the eligibility requirements for transfer. The approval or disapproval of a request for such transfer is based on the needs of the Military Service and the criteria in effect when the request is received.

2. Upon approval of the request for transfer, the Bureau of Naval Personnel prepares the NAVPERS Form 1830/2 (formerly NAVPERS Form 631), Fleet Reserve Transfer Authorization, specifying a "not earlier than date" for the member's transfer to the Fleet Reserve and sends it to the member's commanding officer. The authorization also states whether the member is entitled to extraordinary heroism pay.

3. At the time of the member's transfer, the commanding officer completes the first endorsement area of the authorization and the disbursing officer completes the second endorsement area. The original authorization is sent to the DFAS-Cleveland Center, Retired Pay Department.

B. Marine Corps (Fleet Marine Corps Reserve)

1. A member submits application for transfer, NAVMAC 10831 (REV 7-71), to the Commandant of the Marine Corps (Code MMSR), where it is determined if the

member meets the eligibility requirements for transfer. The approval or disapproval of a request for such transfer is based on the needs of the Military Service and the criteria in effect when the request is received.

2. Upon approval of a member's request for transfer, the Commandant of the Marine Corps issues a letter-type order authorizing the member's release from active duty to the Fleet Marine Corps Reserve on a specified date. This order, which also states whether the member is entitled to extraordinary heroism pay, is addressed and forwarded to the member's commanding officer.

3. At the time of member's transfer, the commanding officer issues a letter-type order effecting the member's release from active duty and transfer to the Fleet Reserve. A copy of this order is sent to the DFAS-Kansas City Center, Retired Pay Branch, Centralized Pay Division.

020203. Service Creditable for Transfer to the Fleet Reserve/Fleet Marine Corps Reserve

A. Service in the following components is creditable for transfer eligibility and percentage multiple purposes if performed in an active duty (and active duty for training status after August 9, 1956) in the:

1. Army
2. Navy
3. Air Force
4. Marine Corps
5. Coast Guard and former Revenue Cutter Service
6. Any component of the above listed Military Services

a. Service as an appointed or enlisted aviation cadet in the Naval Reserve or Marine Corps Reserve is creditable.

b. Service as a cadet or midshipman at a Service academy is creditable.

c. Not creditable is time lost which occurred before July 24, 1956 because of confinement as a result of sentence of any court martial other than general court martial and while confined awaiting trial and during trial which results in conviction as finally approved is creditable.

B. Service in the following is not creditable for transfer eligibility and percentage multiple purposes:

1. Service in the Philippine Constabulary
2. Furlough without pay (FWOP)
3. Inactive service as a member of a Reserve Component
4. Inactive service while on the Temporary Disability Retired List (TDRL)
5. Time lost in excess of 1 day (24 consecutive hours) because of:
 - a. Sickness due to misconduct (SKMC). Before June 17, 1955, the Bureau of Naval Personnel credited time lost due to SKMC for transfer purposes.
 - b. Non-performance of duty before July 24, 1956 because imprisoned as a result of general court martial sentence and while in arrest awaiting trial and during trial which results in conviction as finally approved. Non-performance of duty after July 23, 1956, due to confinement under sentence by any court martial, as finally approved, before, during, and after trial. If member is acquitted or sentence is set aside and charges dismissed, period of confinement is not considered time lost.
 - c. Absence while in civil arrest, while in custody of civil authorities, unless member is acquitted or released without making restitution or reparation.
 - d. Unauthorized absence which includes absence without leave, absence over leave, and desertion (previously shown as AOL; AWOL; now shown as Unauthorized Absence).

020204. Constructive Service. This is service for which credit is given although not actually performed. Constructive service is creditable as service for transfer eligibility and percentage multiple purposes. Constructive service is not creditable for determining basic pay rate upon which retainer pay is computed. No constructive service is to be credited after December 31, 1977. Constructive service earned prior to December 31, 1977 will be used for eligibility and percentage multiple purposes.

A. Minority Enlistments. This is an enlistment of a male between the age of 14 and 18, or female between the age of 18 and 21 who enlists with the consent of his or her parents or guardians to serve in the Navy or Marine Corps until reaching age 21 years. (The Navy policy is to accept men for enlistment at 17 years.) A completed minority enlistment, or a minority enlistment which terminates within 3 months of the expiration date of the enlistment, is counted as 4 years of active service when actual day-for-day service performed totals at least the period constituting the member's minority upon enlistment less 3 months.

B. Short-term Enlistment. This is an enlistment that is terminated within 3 months before the end of the term of enlistment. A short-term enlistment is counted as active service for the full term when the actual day-for-day active service performed amounts to at least the full term of the enlistment less 3 months.

C. Voluntary Extensions. Modify the original minority or term enlistment contract by increasing the period of time which the member agrees to serve. The same rule established for crediting constructive service for short-term enlistments applies for voluntary extensions.

D. Involuntary Extension. When an enlistment (including a minority enlistment) is involuntarily extended for a specific period, computation of service based on the constructive service principle for short-term enlistments applies equally for computing service for transfer by the Bureau of Naval Personnel on and after March 15, 1966, and by the Commandant of the Marine Corps on and after January 1, 1968.

1. Before March 15, 1966, the Bureau of Naval Personnel, in preparing Fleet Reserve Transfer Authorizations (NAVPERS Form 631, currently NAVPERS Form 1830/2) did not credit constructive service for periods of involuntary extension in computing service for transfer.

2. A Marine is not credited with constructive service for periods of involuntary extensions in computing service for transfer before January 1, 1968. However, a Marine who previously served in the United States Navy is credited constructive service performed in the Navy for periods of involuntary extensions on and after March 15, 1966.

E. Lost Time and Inactive Service. Before crediting constructive service for a period of service, deduct any lost time and any inactive service from the member's day-for-day service. After these deductions, if the member is eligible to receive constructive service for the period of enlistment, credit it. If after deductions the member is not eligible for constructive service for a period of enlistment, give credit only for the actual day-for-day service after the deductions.

020205. Conclusiveness of Transfer. All transfers of members to the Fleet Reserve/Fleet Marine Corps Reserve, when effected, are conclusive for all purposes except that the Chief of Naval Personnel or the Commandant of the Marine Corps acting for the Secretary of the Navy may correct any error or omission in the determination as to a member's grade and years of creditable service. When such a correction is made, the member is entitled when not on active duty, to retainer pay based on the grade and number of years of creditable service, as corrected, from the effective date of transfer.

0203 SERVICE FOR BASIC PAY PURPOSES

The total service for basic pay purposes follows the same principle as service for percentage multiple purposes. For an explanation of service creditable for basic pay purposes, see section 0102 of this volume.

0204 DATE OF TRANSFER

020401. Effective Date of Transfer. Members are transferred to the Fleet Reserve/Fleet Marine Corps Reserve only upon the authority of and on the date specified by the Chief of Naval Personnel or the Commandant of the Marine Corps. Commanding officers may defer transfers to the Fleet Reserve up to 30 days beyond the date authorized when urgent operational commitments demand the member's service. Transfers to the Fleet Marine Corps Reserve may not be made on a date other than the date specified in the authority for release. Any change in this date must be authorized by the Commandant of the Marine Corps before the effective date of transfer. The date of transfer is the member's last day of active duty and the member is entitled to active duty pay and allowances for that date.

020402. Application of Uniform Retirement Date Act (reference (x)). Since a transfer to the Fleet Reserve/Fleet Marine Corps Reserve is not considered to be a retirement, the Uniform Retirement Date Act (reference (x)) does not apply. Once the member has completed a total of 30 years of active service and is eligible for retirement, member's date of retirement comes under the Uniform Retirement Date Act (reference (x)). A transfer to the Fleet Reserve may be made on any intermediate day of a month as approved by the Chief of Naval Personnel. Transfers to the Fleet Marine Corps Reserve are made on the last day of the month except where transfer has been requested on the effective date of an expiration of enlistment. Except in time of war or national emergency, personnel transferred to the Fleet Marine Corps Reserve are released from active duty on date of such transfer, unless an order to the contrary is received.

020403. Modification of "Not Earlier Than Date." The Chief of Naval Personnel normally does not approve a requested change of authorized date for transfer to the Fleet Reserve. In case of hardship, meritorious circumstances, or unusual conditions, a member may submit a request for a change of authorized date for the transfer to the Chief of Naval Personnel through the commanding officer and cognizant personnel distribution. If earlier date of transfer is requested, the commanding officer's endorsement must state whether the member's services can be spared. The Chief of Naval Personnel approves by message to the commanding officer and sends a copy to the DFAS-Cleveland Center, Retired Pay Department.

020404. Effective Date of Retainer Pay. Members transferred to the Fleet Reserve/Fleet Marine Corps Reserve receive "retainer" pay versus "retired" pay as they are considered to have their services retained for possible use. A member becomes entitled to retainer pay starting on the day after the effective date of transfer to the Fleet Reserve/Fleet Marine Corps Reserve.

020405. Retainer Pay Effective on the First Day of New Active Duty Pay Rates

A. When a member is transferred to the Fleet Reserve/Fleet Marine Corps Reserve, compute retainer pay using the rate of active duty pay received at the time of transfer. Therefore, if a member transferred on December 31, 1991, with retainer pay effective on January 1, 1992, compute member's retainer pay using the January 1, 1991 active duty pay rates. If

a member transferred on January 1, 1992, with retainer pay effective on January 2, 1992, compute retainer pay using the January 1, 1992 active duty pay rates.

B. Notwithstanding any other provision of law, the monthly retainer pay of a Fleet Reservist/Fleet Marine Corps Reservist who first became entitled to that pay on or after January 1, 1971, may not be less than the monthly retainer pay to which member would be entitled if the member had become entitled to retainer pay at an earlier date, adjusted to reflect any applicable increase in such pay under 10 U.S.C. 1401a (reference (c)). In computing the amount of retainer pay to which the member would have been entitled on that earlier date, base the computation, subject to 10 U.S.C. 1401a (reference (c)), on the member's grade, length of service and the rate of basic pay applicable at that time.

0205 RANK AND GRADE

A member transferred to the Fleet Reserve/Fleet Marine Corps Reserve has retainer pay computed based on the pay grade in which serving on date of transfer.

020501. A member who has served as a temporary officer but holds permanent enlisted status must revert to permanent enlisted pay grade upon transfer to the Fleet Reserve/Fleet Marine Corps Reserve.

020502. A member who has served as senior enlisted advisor of the Navy or as sergeant major of Marine Corps is entitled to retainer pay at the highest basic pay rate to which the member was entitled while so serving, if that rate is higher.

0206 GROSS PAY COMPUTATION

020601. Computation. See section 0301 of this volume.

020602. Extraordinary Heroism. See section 0107 of this volume. See section 0301 of this volume for computation.

020603. Good Conduct (Markings). For members retired and being paid under laws in effect before October 1, 1949, a 10 percent credit for good conduct may apply. To qualify for this credit a member must be retired under the specific citation which contains the authority for this increase and the member's average marks for conduct for 20 or more years must not be less than 95 percent of the maximum.

020604. Insular Force. See section 0106 of this volume.

0207 PAYMENT DATE

See section 0108 of this volume.

CHAPTER 3**GROSS PAY COMPUTATION****0301 BASIC COMPUTATION****030101. Disability. (Table 3-1, Rules 1 and 2)**

A. Members permanently retired for disability receive the basic pay of the grade authorized, multiplied at their election by either:

1. Two and one-half percent times the years of service credited for percentage purposes, or
2. The percentage of disability with which retired, not to exceed 75 percent maximum retired pay.

B. Members placed on the Temporary Disability Retired List (TDRL) for disability receive the basic pay of the grade authorized, multiplied at their election by either:

1. Two and one-half percent times the years of service credited for percentage purposes, or
2. The percentage of disability with which retired, or
3. If neither renders at least 50 percent of the basic pay upon which pay is computed, minimum pay of 50 percent is authorized while on the TDRL.

C. For members retired for disability who are also otherwise eligible to be retired under some other provision of law follow the rule applicable to that section of law.

D. Members who first enter a Uniformed Service after September 7, 1980, receive the retired pay base as computed under 10 U.S.C. 1407(b) (reference (c)), multiplied at their election by either:

1. Two and one-half percent times the years of service credited for percentage purposes, or
2. The percentage of disability with which retired. (See paragraph 030402, below.)

030102. Voluntary. (Table 3-1, Rules 3 through 9) Members voluntarily retired receive the basic pay of the grade authorized, multiplied by two and one-half percent times the years of service credited for percentage purposes. Members who first enter a Uniformed Service after September 7, 1980, receive the retired pay base computed under 10 U.S.C. 1407 (reference (c)),

multiplied by two and one-half percent times the years of service credited for percentage purposes. See paragraph 030108, below, for retired pay computation and recomputation for members retired under the Temporary Early Retirement Authority.

A. Enlisted Members. See subparagraph 010301.A for service credited for percentage multiple.

B. Commissioned Officers. See subparagraph 010301.B for service credited for percentage multiple.

C. Warrant Officers. See subparagraph 010301.C for service credited for percentage multiple.

030103. Mandatory. (Table 3-1, Rules 10 through 13) Members mandatorily retired receive the basic pay of the grade authorized multiplied by two and one-half percent times the years of service credited for percentage purposes. Members who first enter a Uniformed Service after September 7, 1980 receive the retired pay base as computed under 10 U.S.C. 1407 (reference (c)), multiplied by two and one-half percent times the years of service credited for percentage purposes.

A. Army and Air Force. See subparagraph 010301.D.1 of this volume for service credited for percentage multiple.

B. Navy and Marine Corps. See subparagraph 010301.D.2 of this volume for service credited for percentage purposes.

030104. Reservist (Age and Service Retirement). (Table 3-1, Rule 14) Members of the Reserve or National Guard retired for age and service receive the basic pay of the grade authorized multiplied by two and one-half percent times the years of service credited for percentage purposes. Members who first enter a Uniformed Service after September 7, 1980, receive the retired pay base as computed under 10 U.S.C. 1407 (reference (c)), multiplied by two and one-half percent times the years of service credited for percentage purposes. See subparagraph 010301.F of this volume for service credited for percentage multiple. (This is the formula for converting retirement points into percentage years: total number of retirement points divided by 360. Carry the result to 3 decimal places; then round to 2 decimal places.)

Example: 4735 retirement points divided by 360 = 13.152 or 13.15 years for percentage purposes.

030105. Fleet Reserve/Fleet Marine Corps Reserve. (Table 3-1, Rule 15) Members transferred to the Fleet Reserve/Fleet Marine Corps Reserve are entitled, when not on active duty, to have their retainer pay computed by:

A. Multiplying monthly basic pay received at time of transfer by two and one-half percent times the number of years of active service (as adjusted under paragraph 030505, below) in the Armed Forces.

B. Multiplying retainer pay base (if member became a member of a Uniformed Service after September 7, 1980) computed under 10 U.S.C. 1407 (reference (c)) by two and one-half percent times the number of years of active service (as adjusted under paragraph 030505, below) in the Armed Forces.

030106. Historical Pay Computations for Fleet Reserve/Fleet Marine Corps Reserve Members

A. The laws which governed the computation of retainer pay for members transferred to the Fleet Reserve/Fleet Marine Corps Reserve from its inception in 1916 through June 30, 1938, are of no value since they were assembled in the Naval Reserve Act of 1938 (reference (e)), effective July 1, 1938. Therefore, the earlier computations are not included in this manual since they were restated effective July 1, 1938. See Table 3-2 for the pay computations.

B. Members transferred to the Fleet Reserve (FR) or Fleet Marine Corps Reserve (FMCR) were administratively placed in separate classes to differentiate between laws and conditions governing the computation of these pay entitlements. The following classes are applicable to these members:

<u>COMPONENT</u>	<u>CODE</u>	<u>APPLICABLE TO</u>
FR FMCR	F-4c 1-b	Members who are in the naval service on July 1, 1925 and later transferred to the Fleet Reserve/Fleet Marine Corps Reserve after completion of 16 years of active service.
FR FMCR	F-4d 1-c	Members who were in the naval service on July 1, 1925 and later transferred to the Fleet Reserve/Fleet Marine Reserve after completion of 20 years but less than 30 years of active service.
FR FMCR	F-5 H-1	Members who first enlisted in the naval service after July 1, 1925 and later transferred to the Fleet Reserve/Fleet Marine Corps Reserve before August 10, 1946 after completion of 20 years but less than 30 years of active service.
FR FMCR	F-6 1-d	Members who first enlisted in the naval service after July 1, and later transferred to the Fleet Reserve/Fleet Marine Corps Reserve or after August 10, 1946 after completion of 20 years but less than 30 years of active service.

C. Longevity Pay. Longevity is the length of service performed by each member.

1. Before October 1, 1949, longevity pay was a big factor in computing retainer pay. Certain pay laws contained provisions for computing longevity pay. Such pay was based on the length of service. During this period, base pay and longevity were fitted into the framework of pay formulas to arrive at retainer pay. The computation for the longevity pay changed several times before being superseded by basic pay. The various computations and the periods applicable are:

a. Until May 31, 1942, for Navy members, the computation was 10 percent of base pay for the first increment of 4 years of naval service, plus 5 percent of base pay for each 4-year increment thereafter, but not to exceed 16 years, or 25 percent.

Example: Member served 18 years; on transfer to the Fleet Reserve the longevity pay credit was computed:

1. 10% - 4 years
2. 5% - 4 years
3. 5% - 4 years
4. 5% - 4 years
5. 0% - 4 years

b. From June 1, 1942 to September 30, 1949, the computation was 5 percent of base pay of grade for each 3 years of service up to 30 years, maximum of 50 percent.

2. On October 1, 1949, when basic pay became an important factor, longevity pay was not computed separately but was included in the rate of basic pay.

a. Members transferring to the FR/FMCR on or after October 1, 1949 were required to elect the formula under which their pay would be computed. The two formulas were the fractional, under which a member would receive one-third or one-half of base pay, and the percentage, two and one-half percent times years of active federal service times basic pay. Such election was indicated on the authorization for transfer to the Fleet Reserve.

b. Effective August 10, 1956 (reference (ag)), members transferring to the FR/FMCR would receive retainer pay computed on the formula included in the codification of the military pay laws under Title 10, United States Code (reference (c)). The prior computations were still in effect for the members to whom they applied. Members who enter a Uniformed Service before September 8, 1980 receive retainer pay computed under this formula.

c. Members who enter a Uniformed Service after September 7, 1980 receive retainer pay under the formula codified in 1956 except the retainer pay base is used instead of a monthly basic pay rate.

030107. Heroism Pay and Good Conduct (Markings). Enlisted members retired after 20 years of active service may be entitled to an additional 10 percent retired pay for extraordinary heroism, if authorized, not to exceed 75 percent of the basic pay on which their retirement pay is computed. See paragraph 010701 of this volume. Navy and Marine Corps personnel may have been authorized an additional 10 percent for good conduct, but not both. See paragraph 020603 of this volume.

030108. Temporary Early Retirement Authority (TERA)

A. Initial Computation of Retired Pay. The initial retired pay entitlement for members of the Army, Navy, Marine Corps, and Air Force retired under the provisions of the Temporary Early Retirement Authority (TERA) of Section 4403, Public Law 102-484, October 23, 1992 (reference (fh)), will be computed as prescribed below. The amount of retired pay otherwise prescribed under the applicable section of 10 U.S.C., sections 3991(a), 6333(a), 8991(a), 1401, or 12739 (reference (c)) will be multiplied by the applicable reduction factor from Table 3-5. The resulting reduced amount of retired pay, if not a multiple of \$1, will be rounded to the next lower multiple of \$1, according to provisions of the applicable section of 10 U.S.C., sections 3991 (b) (2), 6333(b)(1), 8991(b)(2), 1412, or 12739 (reference (c)). Such rounded amount is the initial gross monthly retired pay entitlement.

B. Reduction Factor. The reduction factor applicable to the above computations is the amount listed in Table 3-5 based on the number of full months by which the number of months of active service of the member are less than 240 as of the date of the member's retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

1. Any portion of a month of active service in excess of a whole month is rounded up to the next whole month. For example, total active service of 15 years, 7 months, and 12 days is rounded to 15 years, 8 months. The reduction factor based on 15 years and 8 months is computed as: $15 \times 12 + 8 = 188$ months, and the applicable reduction factor corresponds to the Table 3-5 entry for 240 less 188, or 52 months. The applicable reduction factor is .95667.

2. Note that in computing the retired pay, the 12 days in excess of 187 months of service are disregarded and the retired pay itself is based on 187 months.

Example: A member retired as an E-7, with calculations as follows:

$$\begin{aligned} \$1,967.10 \text{ Basic pay} \times 187/12 \times .025 \times .95667 &= \\ \$30,653.975 \times .025 \times .95667 &= \\ \$766.3494 \times .95667 = \underline{\$733.14} &\text{ (Since this is not a multiple of \$1, round down to} \\ &\text{\$733.)} \end{aligned}$$

C. Recomputation of Retired Pay at Age 62

1. A member retired under TERA will be able to recompute retired pay entitlement if such member is credited with any employment under the provisions of Section 4464 of Public Law 102-484 (reference (fh)). Such employment will be credited according to procedures prescribed in separate instructions. DFAS will be notified by the Defense Manpower Data Center (DMDC) of the total number of years, months, and days of employment credited. On the first day of the first month beginning after the date member reaches age 62, such member's retired pay is recomputed. Member's retired pay will be computed as in paragraph 030108.A, above. However, the new total years of service will be obtained by adding the years, months, and days of service used in the original retired pay computations to the years, months, and days associated with the certified periods of full-time employment credited under the provisions of Section 4464, Public Law 102-484 (reference (fh)). Add the credit for these employment periods to the previously credited service as though they were periods of active duty. After obtaining the new total amount of service, the recomputation of retired pay is made using each full month of the new total years of service credited as 1/12 of a year and any remaining fractional part of a month is disregarded. In no case will the number of months applicable to these procedures exceed 240. Thus, the maximum retired pay under the recomputation may not exceed 50 percent of the applicable rate of basic pay.

Active Service (Initial retirement)	187 months, 12 days
Public/Community service	<u>32 months, 20 days</u>
TOTAL SERVICE	219 months, 32 days =
	220 months, 2 days

2. Retired pay will be recomputed as though the initial retired pay had been computed on the basis of the new total service credit, but the increased amount is payable only for months after the month in which member reaches age 62. All retired pay percentage increases (for example, a cost-of-living adjustment) granted to such member will be included in the recomputation with annual rounding and recomputation made as if the extra service credit had been included in the original computation. The additional service credit may affect the amount of basic pay used in the retired pay computation, as it is treated as years of active duty service in the Armed Forces for purposes of recomputation. The additional credit could also reduce the impact of the reduction factor for months short of 20 years of service.

Example: A member retired as E-7 (see Example below). The recomputed retired pay is based on the E-7 rate with over 18 years of service from the active duty basic pay tables that were in effect at the time of such member's retirement. The reduction factor is based on 240 less 221 = 19 months, or .98417, so the initial retired pay as recomputed is:

$$\begin{aligned}
 &\$2,079.00 \times (220/12) \times .025 \times .98417 = \\
 &\$38,115.00 \times .025 \times .98417 = \\
 &\$952.875 \times .98417 = \underline{\$937.79} \text{ (Since this is not a multiple of \$1, round down to} \\
 &\hspace{10em} \$937.00.)
 \end{aligned}$$

This amount would be adjusted by applying each annual cost-of-living adjustment given such member since retirement, rounding down after each adjustment as required.

0302 APPLICATION OF SAVED PAY030201. Career Compensation Act Effective October 1, 1949 (reference (w))

A. An officer retired for disability before October 1, 1949 who failed to elect within a 5-year period to receive pay under the 1949 Act (reference (w)), or who did not qualify for pay under the 1949 Act (reference (w)), continued to receive pay under laws in effect before October 1, 1949 computed at 75 percent of the basic pay of the grade authorized.

B. Members who, on October 1, 1949 were hospital patients and who, before January 1, 1951, retired for disability as the result of the disease or injury for which they were hospitalized, could elect to receive retired pay:

1. Computed under laws in effect on September 30, 1949 at 75 percent of the basic pay of the grade authorized; or

2. Computed under section 402(d) of Public Law 81-351 (reference (ah)).

C. Members who, on October 1, 1949 were receiving or were entitled to receive pay under any provision of law, were authorized to continue their entitlement to receive the pay which they were entitled to receive under laws in effect on September 30, 1949.

030202. Military Pay Act Effective June 1, 1958 (reference (ac))

A. Members who retired or transferred to FR/FMCR on or after June 1, 1958 and before April 1, 1963, who were receiving active duty basic pay under the April 1, 1955, "saved pay" rates, continued to receive pay computed under those rates, based upon service credited for basic pay purposes as of June 1, 1958.

B. Members retired or transferred to Fleet Reserve/Fleet Marine Corps Reserve on June 1, 1958, were entitled to pay computed on the June 1, 1958, active duty basic pay rates, or on the April 1, 1955 active duty basic pay rates plus 6 percent, whichever was greater.

C. Members retired or transferred to FR/FMCR after June 1, 1958, who were receiving active duty saved pay were entitled to retired pay computed on the April 1, 1955 active duty basic pay rates, but were not entitled to the additional 6 percent increase.

030203. Military Pay Act Effective October 1, 1967 (reference (ai))

A. With respect to members entitled to retired pay computed under this paragraph, their retired or retainer pay may not be less than it would have been if they had become entitled to that pay based on the same basic pay grade, years of service for basic pay and percentage purposes, and percent of disability (if any) on the day before the effective date of the rates of monthly basic pay on which retired or retainer pay is based. Such members receive pay:

1. Computed under the current basic pay rates in effect on date of retirement or transfer, or

2. Computed under the rates of basic pay in effect immediately before the current rates, whichever is greater.

B. The above computations were, in some instances, subject to the provisions of the Uniform Retirement Date Act (reference (x)). For application of this Act, see paragraph 010402 of this volume.

C. The "1-year look-back" provision codified at 10 U.S.C. 1401a(e) (reference (c)) was repealed by Section 921 of the DoD Authorization Act, FY 84 (Public Law 98-94, September 24, 1983) (reference (aj)). Under the provisions of that repeal, this paragraph now applies only to:

1. Members retired or transferred to the Fleet Reserve/Fleet Marine Corps Reserve October 1, 1967 through September 24, 1983, inclusive; and

2. Members eligible for retirement or transfer on or before September 24, 1983, provided such member retires or transfers on or before September 24, 1986. If such member retires or transfers after September 24, 1986, the retired or retainer pay may not be less than it would have been had the member actually retired or transferred on September 23, 1986.

0303 TOWER AMENDMENT

030301. Basic Provisions

A. A member who retires or transfers to the Fleet Reserve/Fleet Marine Corps Reserve on January 1, 1971, and thereafter, who fully qualifies for retirement on a date earlier than the actual retirement date, receives the most favorable rate of pay as though the member had actually retired or been transferred on the earlier date:

1. After becoming retirement-eligible on or after January 1, 1971 (see section 0101 of this volume, Service Creditable for Retirement Purposes);

2. Based upon the grade and the service creditable on the earlier computation date; (For retirements on or after October 5, 1994, the grade used in the computation cannot be higher than the grade in which the member is retired); and

3. Subject to the provisions of paragraph 030203, above.

B. A member who retires or transfers to the Fleet Reserve/Fleet Marine Corps Reserve before October 7, 1975, the effective date of the Tower Amendment, is entitled to pay adjusted from October 7, 1975. No adjustment is authorized under provisions of the amendment for any period before October 7, 1975.

C. A member who retires between October 1, 1988 and October 4, 1994, and who is reduced in grade under sentence of court-martial after initially becoming eligible for retired pay, is not entitled to computation on a grade higher than the grade in which retired.

★D. See subparagraph 030503.A, below, for provision concerning an officer who served in a special position as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of Service.

★E. See paragraph 030504, below, for provision concerning an enlisted member who served in a special position as a senior enlisted member.

030302. Earlier Computation Dates

A. Predetermined earlier computation dates are established for uniformity in computing pay of members who qualify under 10 U.S.C. 1401a(f) (reference (c)). Generally, the day immediately preceding an active duty basic pay rate change should be used as the earlier date of voluntary retirement eligibility, unless the computation would be more favorable based on the first day of the month preceding an active duty basic pay rate change.

B. Members of the Fleet Reserve/Fleet Marine Corps Reserve may be transferred on any intermediate day of a month. Therefore, the earlier computation date for these members is the day before new active duty basic pay rates become effective.

C. Warrant officers retired under provisions of 10 U.S.C. 1293 (reference (c)) (see Table 3-1, rule 4), on the effective date of a change in the active duty pay rates, compute retired pay using the rate of basic pay in effect on the day before the date of retirement (or one prior pay rate under 10 U.S.C. 1401a (e) (reference (c)) if subparagraph 030203.C, above, applies). Therefore, the earlier retirement eligibility date would be 1 year earlier with retired pay computed based on pay rates in effect on the day before the earlier eligibility date, (or one prior pay rate under 10 U.S.C. 1401a(e) (reference (c)), if subparagraph 030203.C applies).

030303. Computation at Time of Retirement or Transfer to the FR/FMCR

A. Members receive the most favorable retired pay as adjusted by applicable cost-of-living adjustments computed by using:

1. The active duty basic pay rate applicable on the actual retirement or transfer date, or
2. One prior active duty basic pay rate at the same grade and service applicable on the actual retirement or transfer date if the provisions of subparagraph 030203.C, above, apply.

3. Any active duty basic pay rate in effect on or after January 1, 1971 at the grade and service credited on the earlier computation date, if retirement eligible on the earlier date. After this rule is used, apply subparagraph A.2, above, without further loss of grade and service.

B. Members retiring for disability who are eligible for voluntary retirement or transfer to Fleet Reserve/Fleet Marine Corps Reserve on an earlier date may have gross retired pay entitlement computed in accordance with the provisions of the Tower Amendment when more favorable. However, the basic pay rate applicable for an earlier retirement date under this condition for gross pay computation cannot be used for computing pay based upon the disability rating. The rate of pay based upon degree of disability may be calculated only on the basic pay rate applicable under subparagraph A.1, or A.2., above.

0304 RETIRED PAY BASE

030401. Basic Provisions

A. Public Law 96-342, (reference (bp)) September 8, 1980, enacted the first major change in the computation of military retired or retainer pay since 1948. Public Law 96-342 (reference (bp)) revised the method for computing retired pay for a member who enters a Uniformed Service after September 7, 1980. Previously, retired or retainer pay was computed as a percentage of basic pay rate. Under 10 U.S.C. 1407 (reference (c)), retired pay is computed as a percentage of member's retired pay base. The retired pay base is the average of the monthly basic pay rates a member receives or is entitled to for a period of 36 months, whether or not consecutive. This commonly is referred to as "High 36 months" or "High 3 average." If the member serves on active duty for less than 36 months, the retired pay base is equal to the total amount of monthly basic pay which the member receives during the period of active duty divided by the number of months, including any fraction, which the member serves on active duty.

B. A member is considered to have first entered a Uniformed Service when any individual, on or after September 8, 1980 is first appointed or enlisted in the Uniformed Services. A member who first enlists before September 8, 1980 under the delayed entry program, in a Reserve Component as part of the Senior Reserve Officers' Training Corps (ROTC) or ROTC Financial Assistant programs, as a student at a Uniformed Services University of Health Sciences, or as a participant in the Armed Forces Health Professions Scholarship Program is considered to have first become a member before September 8, 1980.

030402. Computation of Pay

A. Monthly basic pay amounts, starting with the highest rate of pay, are added together until the total number of months equals 36 months. Divide the total pay derived from the sum of these months by 36, and round to the nearest cents to obtain the high-three average monthly basic pay rate applicable to the member. Any bad time the member had should not be included in the computations.

1. A full month served counts as one month regardless of any interruption by a pay rate change and regardless of the number of days in that month.

a. A member serves the entire calendar month at a single rate of basic pay. This counts as one month of applicability under this rate of basic pay regardless of the number of days in the month--28, 29, 30, or 31.

b. A member serves the entire calendar month with multiple rates of basic pay applicable. If a member is paid more than one rate during a given month which is a full month of service, each rate will be carried as applicable for the number of days paid at that rate. For example, if a member has a longevity pay increase effective February 11, the old rate is applicable for 10 days and the new rate is applicable for 20 days (regardless of any leap year). If a month has 31 days, the 31st is ignored; i.e., if the member has a longevity pay increase effective August 11, the old rate is applicable for 10 days and the new rate is applicable for 20 days. The 30-day months are allocated in a straight-forward manner.

2. If the member has less than 36 months of service, add up all the member's basic pay and compute the number of months in the same manner described above for accumulating 36 months or more of pay. Divide the total pay by the total time expressed as months plus days where days less than 30 are counted as 1/30 of a month. Round to the nearest cent.

3. When a member serves less than a full month, count only the number of days actually paid so that each total of 30 days equals 1 month. If a member serves less than a full month and one or more rates of basic pay apply, each rate should be carried as applicable for the number of days the member was actually paid at the particular rate. For example, assume the member had a break in service and returned to active duty on February 8, but has a longevity increase effective February 11. When a member serves through the end of February, the month is assumed to have 30 days. This member receives 3 days at one rate and 20 days at the new rate, or 23 days of pay even though only 21 or 22 days were served.

Example: A member receives monthly basic pay of \$17,658.30 over 14 months and 11 days.

$$\begin{array}{rcl}
 \frac{\$17,658.30}{14 \text{ mos} + 11 \text{ days}} & = & \frac{\$17,658.30}{14.36667} = \$1,229.12 \text{ Retired Pay Base} \\
 \\
 \$1,229.12 & \text{Retired Pay Base} & \\
 \times \underline{\hspace{1cm}} \% & \text{Retired Pay Multiplier} & \\
 \\
 = & \$\text{x,xxx.xx} & \text{Retired Pay Rounded}
 \end{array}$$

B. When it is to the member's advantage, a saved pay rate under the provisions of 10 U.S.C. 1401a(e) (reference (c)) may be used to compute retired pay. The saved pay

provisions of 10 U.S.C. 1401a(e) (reference (c)) were eliminated September 24, 1983. See paragraph 030303, above, for eligibility. This provision of Title 10, United States Code 1401a(e) (reference(c)) authorizes the use of basic pay rates in effect on the day before the effective date of the rates of monthly basic pay on which the member's retired pay would otherwise be based.

C. Cost-of-living adjustments to military retired pay under 10 U.S.C. 1401a(b) through (e), (reference (c)) full and partial (or pro-rata) cost-of-living adjustments, also apply to military retired pay computed on the new retired pay base method provided for by 10 U.S.C. 1407 (reference (c)), Retired Pay Base. The most recent active duty basic pay rate used to compute the retired pay base determines whether a member is entitled to a full or partial (or pro-rata) cost-of-living adjustment.

0305 SPECIAL PROVISIONS

030501. Entitlement Under More Than One Pay Formula. Members who are entitled to pay computed under more than one pay formula or provision of law are entitled to be paid under the formula that is most favorable to them.

030502. Commissioned Officers With More Than 4 Years of Active Enlisted and/or Warrant Officer Service. Members who, at the time of retirement, are in pay grades O1E, O2E, and O3E, having served more than 4 years of active duty as enlisted members and/or warrant officers, receive pay computed on the special basic pay rates authorized for them.

030503. Commissioned Officers Serving in Special Positions

★A. An officer who serves as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of Service may receive retired pay which is computed on the highest rate of basic pay applicable to the member while serving in the special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. The term "Chief of Service" refers to one of the following:

1. Chief of Staff of the Army
2. Chief of Naval Operations
3. Chief of Staff of the Air Force
4. Commandant of the Marine Corps
5. Commandant of the Coast Guard

B. On December 14, 1944, special grades of Fleet Admiral of the United States Navy and General of the Army were created with insignia of five stars. The pay was set at the same pay and allowances as a rear admiral of the upper half, plus a personal money allowance of \$5,000 a year. When retired, these members received pay equal to 75 percent of their active duty pay. The

five-star grade was made permanent by an Act of Congress on March 23, 1946 (reference (ak)). Active duty pay remained the same as set by the 1944 Act(reference (al)). These members were exempted from mandatory retirement because of age. These members received the same pay and allowances that they received while on active duty. The grade expired July 1, 1950.

★030504. Enlisted Members Serving in Special Positions. A senior enlisted member of an Armed Force serving in a special position may receive retired pay which is computed on the highest rate of basic pay applicable to the member while serving in the special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. The term “senior enlisted member” refers to one of the following:

1. Sergeant Major of the Army
2. Master Chief Petty Officer of the Navy
3. Chief Master Sergeant of the Air Force
4. Sergeant Major of the Marine Corps
5. Master Chief Petty Officer of the Coast Guard

030505. Service Credit Rounding of Months. For percentage purposes in computing retired or retainer pay:

A. Members who retired before January 1, 1982 receive credit for any fractional part of a year that is 6 months or more as an additional year. Any portion of a year that is less than 6 months is disregarded. This applies to any member who, before January 1, 1982:

1. Applied for retirement;
2. Applied for transfer to the Fleet Reserve/Fleet Marine Corps Reserve;
3. Was being processed for retirement under the provisions of 10 U.S.C., Chapter 61 reference (c));
4. Was on the temporary disability retired list and thereafter retired under the provisions of 10 U.S.C. 1210(c) or (d) (reference (c)).

B. Unless covered by subparagraph A, above, members who became entitled to retired or retainer pay January 1, 1982, through September 30, 1983, inclusive, received credit on a month-by-month basis for each full month served of 6 months or more. Any fraction of a year less than 6 months was disregarded.

C. Members who become entitled to retired or retainer pay on or after October 1, 1983, receive credit for each full month actually served. Less than full months are disregarded. See Table 3-4.

NOTE: If a member retires October 1, 1983 or later and the member is entitled to retired pay under 10 U.S.C. 1401a(f) (reference (c)) using a hypothetical retirement date which is before January 1, 1982, service credit of 6 months or more is rounded to a full year effective July 1, 1986.

D. In calculating the percentage factor under subparagraphs B or C, above, the percent will be rounded at least to the nearest 1/100 of one percentage. For example, 20 years 7 months (20.58 years) times 2.5 percent equals 51.45 percent. See Table 3-4. This rounding method will also be used for computing retired or retainer pay under 10 U.S.C. 1401a(e) and (f) (reference (c)). (See subparagraph 030101.C, above.)

030506. Computation Under the Uniformed Services Pay Act, October 2, 1963
(reference (am))

A. Beginning October 1, 1963, members retired between October 1, 1949 and May 31, 1958, including members retired before October 1, 1949 receiving pay under the 1949 Act, received the greater of:

1. An increase of 5 percent in the retired pay to which entitled on September 30, 1963, or
2. Pay computed on the basic pay rates established under the June 1, 1958 Act without a 5 percent increase.

B. Beginning October 1, 1963, members retired for service before October 1, 1949, and being paid under laws in effect on September 30, 1949, receive the greater of:

1. An increase of 5 percent in the retired pay to which entitled on September 30, 1963; or
2. Pay recomputed on the basic pay rates established by the Military Pay Act of 1958 (reference (ac)) without a 5 percent increase, based on actual active service creditable.

030507. Computation Under the Military Pay Act, May 20, 1958 (reference (ac))

A. Members who first became entitled to retired pay on June 1, 1958 were authorized to receive pay computed on the new June 1, 1958 basic pay rates or on the April 1, 1955 active duty basic pay rates plus 6 percent, whichever is greater.

B. Members retired after June 1, 1958 who were receiving active duty saved pay were entitled to retired pay computed on the April 1, 1955 active duty basic pay rates but were not entitled to the additional 6 percent increase.

C. An increment of \$200 for generals and admirals and \$100 for lieutenant generals and vice admirals was added to the basic pay rate used in the computation of pay before a 6 percent increase on June 1, 1958 for retired officers:

1. Who had served in that grade for at least 180 days, and
2. Who were entitled to retired pay on the day before the effective date of the Military Pay Act of 1958 (reference (ac)).

030508. Commissioned Officers With World War I Service. Members retired for any reason as Regular commissioned officers, and those who retired for disability as nonregular commissioned officers, who served in any capacity as members of the military or naval forces of the United States before November 12, 1918, are entitled to receive pay computed at 75 percent of the basic pay of the grade in which retired.

030509. Emergency Officers Retired List (EORL). All persons who served as officers of the Army, Navy, or Marine Corps during World War I, other than officers of the Regular Army, Navy, or Marine Corps, and who during such service incurred a physical disability incurred in the line of duty, were placed on a separate retired list.

A. Payment was authorized at 75 percent of the pay and rank at time of discharge from commissioned service, with entitlement to the same privileges as provided by law for officers of the Regular Army, Navy, or Marine Corps retired for physical disability incurred in the line of duty.

B. Payments are made by the Department of Veterans Affairs from funds appropriated to that agency.

030510. Rate of Basic Pay for Certain Members With Over 24 Years of Service. Members in pay grade E-7, E-8, E-9, W-4, W-5, or O-6 who have over 24, but less than 26 years of service, are entitled to a special rate of pay effective January 1, 1993.

R U L E	COMPUTATION OF RETIRED PAY						
	A	B	C	D	E	F	G
	A member of the	who is	Under Provisions of 10 U.S.C.	receives the (note 7)	multiplied by	plus	minus (note 8)
1	Armed Forces	Retired for disability	1201 1204	retired pay base computed under 10 U.S.C. 1406(b) or 1407 (note 1)	2-1/2 percent times the years of service credited for percentage purposes, or the percentage of disability assigned (note 3)		excess over 75 percent of retired pay base.
2			1202 1205			amount necessary to increase the product of steps D and E to 50 percent of retired pay base	
3	Army or Air Force	voluntarily retired	3914 8914		2-1/2 percent times the years of service credited for percentage purposes (note 3)	10 percent of the product of steps D and E (note 2)	
4	Armed Forces		1293				
5	Army		3911 3917 3918 3924				
6	Air Force		8911 8917 8918 8924				
7	Navy or Marine Corps		6321 6323				

Table 3-1. Computation of Retired Pay

R U L E	A	B	C	D	E	F	G
	A member of the	who is	under provisions of 10 U.S.C.	receives the (note 7)	multiplied by	plus	minus (note 8)
8	Navy or Marine Corps	voluntarily retired	6322 6326	retired pay base computed under 10 U.S.C. 1406(b) or 1407 (note 1)	75 percent		excess over 75 percent of retired pay base.
9			6327		50 percent (note 5)		
10	Armed Forces	involuntarily retired	0564 (note 9) 0580 0633 0634 0635 0636 1251 1255 (note 9) 1263 1305		2-1/2 percent times the years of service credited for percentage purposes (note 3)	amount necessary to increase the product of steps D and E to 50 percent of retired pay base	
11	Army		3883 3884 3885 3886 3913 3916 3919 3920 3921 3922 3923 (note 6)				

Table 3-1. Computation of Retired Pay (Continued)

R U L E	A	B	C	D	E	F	G
	A member of the	who is	under provisions of 10 U.S.C.	receives the (note 7)	multiplied by	plus	minus (note 8)
12	Navy or Marine Corps	involuntarily retired	6371 6372 6373 6374 6375 6376 6377 6378 6379 6380 6383 6390 6391 6394 6396 6398 6400 (note 6)	retired pay base computed under 10 U.S.C. 1406(b) or 1407 (note 1)	2-1/2 percent times the years of service credited for percentage purposes (note 3)	amount necessary to increase the product of steps D and E to 50 percent of retired pay base	excess over 75 percent of retired pay base.
13	Air Force		8883 8884 8885 8886 8913 8916 8919 8920 8921 8922 8923 (note 6)				
14	Armed Forces, Reserve, or National Guard	Reservist (age and service retirement)	12731	retired pay base computed under 10 U.S.C. 1406(b) or 1407 (note 1)	2-1/2 percent times the years of service credited for percentage purposes (note 4)		excess over 75 percent of retired pay base.
15	Navy or Marine Corps	transferred to the FR/FMCR	6330		2-1/2 percent times the years of service credited for percentage purposes (note 3)	10 percent of the product of steps D and E (note 2)	

Table 3-1. Computation of Retired Pay (Continued)

NOTES:

1. For active duty basic pay rate applicable, see paragraphs 010402, 030201, 030301, 030302, 030303, 030501, 030502, and 030504. For a person who first became a member of a Uniformed Service after September 7, 1980, take the monthly retired pay base.
2. Enlisted members credited with an act of extraordinary heroism in the line of duty.
3. See chapter 1 for service creditable for percentage purposes:

Voluntary retirement:	Paragraph 010301.A-Enlisted members Paragraph 010301.B-Commissioned Officers Paragraph 010301.C-Warrant Officers
Mandatory retirement:	Paragraph 010301.D.1 Army and Air Force Paragraph 010301.D.2 Navy and Marine Corps
Disability Retirement:	Paragraph 010301.E
Reservist age and service retirement:	Paragraph 010301.F
4. Total number of retirement points divided by 360. Carry the resultant figure to three decimal places, then round to two decimal places.

EXAMPLE: 4735 retirement points divided by 360 = 13.152 or 13.15 years of service for percentage Purposes (for the 10 U.S.C. 12731 retiree only) to be multiplied by 2 -1/2 percent.

5. Members retired under 10 U.S.C. 6327 are authorized to receive retired pay at 50 percent of the active duty basic pay of their grade when not on active duty. This provision applies only to persons who were members of the Naval Reserve or Marine Corps Reserve on January 1, 1953. The provisions of 10 U.S.C. 6327 terminated on January 1, 1973. However, termination of the section did not affect any accrued rights to retired pay.
6. Public Law 96-513, December 12, 1980, repealed the following Title 10 U.S.C. sections: 3913, 3916, 3919, 3921-3923, 6371-6374, 6376-6380, 6390, 6394, 6396, 6398, 6400, 8883, 8884-8886, 8913, 8915, 8916, 8919, 8921-8923, 8927. Section 6375 was repealed by Public Law 87-123, August 3, 1961.
7. If member entered a Uniformed Service after September 7, 1980, substitute the retired pay base for the monthly active duty pay.
8. If member was initially retired on or after October 1, 1983, the amount computed, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. Any future adjustments to such pay must be made on the rounded figure. Retired pay of members retired on September 30, 1983 will not be rounded until there is an adjustment under 10 U.S.C. 1401a; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. The rounded amount becomes the member's entitlement and any future adjustments shall be based on this rounded entitlement.
9. Section 1255 repealed by Public Law 90-130, November 8, 1967. Section 564 repealed by Public Law 102-190, December 5, 1991.

Table 3-1. Computation of Retired Pay (Continued)

HISTORICAL PAY COMPUTATIONS-FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
R U L E	A	B	C	D	E	F
	If member retires in class	During period	with years of service	then pay computation formula is	plus	and applicable law is
1	F-4c 1-b	pre-1938 to 5/31/42	at least 16; less than 20	1/3 x base pay rating in which transferred (note 1)	longevity pay (25% maximum), extraordinary heroism (10%)	52 Stat 1179, section 203, 34 U.S.C. 854b.
2	F-4d 1-c		at least 20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (25% maximum), extraordinary heroism (10%), or good conduct (10%)	
3	F-5 H-1					52 Stat 1179, section 204, 34 U.S.C. 854c.
4	F-4c 1-b	6/1/42 to 8/9/46	at least 16; less than 20	1/3 x base pay rating in which transferred (note 1)	longevity pay (50% maximum), extraordinary heroism(10%)	56 Stat 359, Public Law 607, 6/6/42.
5	F-4d 1-c		at least 20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (50% maximum), extraordinary heroism (10%), or good conduct (10%)	
6	F-5, H-1					
7	F-4c 1-b	8/10/46 to 9/30/49	at least 16; less than 20 (note 2)	1/3 x base pay rating in which transferred (note 1) or (note 2)	longevity pay (50% maximum), extraordinary heroism (10%)	60 Stat 993, Public Law 720, 8/10/46.
8	F-4d 1-c		at least 20; less than 30	1/2 x base pay rating in which transferred (note 2)	longevity pay (50 % maximum), extraordinary heroism (10%), or good conduct (10%)	
9	F-6 (note 3) 1-d		at least 20	1/2 x base pay rating in which transferred (note 1) or 2 1/2 % x years of active federal service multiplied by base pay of rating in which transferred (note 2)	longevity pay (75% maximum), extraordinary heroism (10%)	

Table 3-2. Historical Pay Computations-Fleet Reserve and Fleet Marine Corps Reserve

R U L E	A	B	C	D	E	F
	If member retires in class	during period	with years of service	then pay computation formula is	plus	and applicable law is
10	all classes	transferred before 10/1/49, effective on 10/1/49	at least 20	pay received on 9/30/49 (saved pay) or 2 1/2 % x years of active service = percent; percent x basic pay of highest federally recognized rating satisfactorily held (note 4)		Public Law 351, 81st Congress, 10/1/49.
11	F-4c 1-b	on or after 10/1/49		1/3 x basic pay receiving at transfer (note 5) or 2 ½ % x years of active federal service = percent; percent x basic pay of rating in which transferred (notes 6 and 8)	extraordinary heroism (10%)	
12	F-4d 1-c			1/2 x basic pay receiving at transfer (note 5) or 2 ½% x years of active federal service = percent; percent x basic pay of rating in which transferred (notes 6 and 8)	extraordinary heroism (10%), or good conduct (10%)	
			extraordinary heroism(10%)			
13	F-6 1-d		1/2 x basic pay receiving at transfer (note 5) or 2 ½% x years of active federal service = percent; percent x basic pay of rating in which transferred (note 6)	extraordinary heroism(10%)		

**Table 3-2. Historical Pay Computations-Fleet Reserve and Fleet Marine Corps Reserve
(Continued)**

	A	B	C	D	E	F
R U L E	If member retires in class	during period	with years of service	Then pay computation formula is	plus	and applicable law is
14	F-6 1-d	on or after 8/10/56	at least 20 years	2 ½ % x years of active service in Armed Forces = percent; percent x basic pay receiving at transfer (notes 7 and 8)	extraordinary heroism (10%)	Public Law 1028, 8/10/56, 10 U.S.C. 6330.

NOTES:

1. Fractional year of 6 months or more not creditable as 1 year for longevity or transfer.
2. Fractional year of 6 months or more creditable equals full year for transfer and longevity effective August 10, 1946.
3. Effective August 10, 1946 class F-5 changed to class F-6.
4. Six months or more equals 1 year for active service; 6 months or more does not equal 1 year for basic pay; no good conduct or extraordinary heroism.
5. Six months equals 1 year for basic pay and not for computing years of naval service for transfer.
6. Six months or more equals 1 full year for active service and basic pay.
7. Six months equals 1 year for active service (include constructive service in active service). Six months equals 1 year for basic pay (do not include constructive service in service for basic pay).
8. If member entered a Uniformed Service after September 7, 1980, substitute the retainer pay base for the base or basic pay.

**Table 3-2. Historical Pay Computations-Fleet Reserve and Fleet Marine Corps Reserve
(Continued)**

EXAMPLES OF HOW YEARS, MONTHS, AND DAYS ARE CONVERTED TO YEAR AND PERCENTAGE MULTIPLE							
At Least			Not More Than			Converted Years	Percentage
Years	Months	Days	Years	Months	Days		
	6	0		5	29	1	2-1/2
	6	0		5	29	2	5
	6	0		5	29	3	7-1/2
	6	0		5	29	4	10
	6	0		5	29	5	12-1/2
	6	0		5	29	6	15
	6	0		5	29	7	17-1/2
	6	0		5	29	8	20
	6	0		5	29	9	22-1/2
	6	0		5	29	10	25
	6	0		5	29	11	27-1/2
	6	0		5	29	12	30
	6	0		5	29	13	32-1/2
	6	0		5	29	14	35
	6	0		5	29	15	37-1/2
	6	0		5	29	16	40
	6	0		5	29	17	42-1/2
	6	0		5	29	18	45
	6	0		5	29	19	47-1/2
	6	0		5	29	20	50
	6	0		5	29	21	52-1/2
	6	0		5	29	22	55
	6	0		5	29	23	57-1/2
	6	0		5	29	24	60
	6	0		5	29	25	62-1/2
	6	0		5	29	26	65
	6	0		5	29	27	67-1/2
	6	0		5	29	28	70
	6	0		5	29	29	72-1/2
	6	0				30	75

NOTE: This Table applies to members retired before January 1, 1982 with several exceptions covered in subparagraph 030505B.

Table 3-3. Examples of How Years, Months, And Days Are Converted To Year and Percentage Multiple

SERVICE CONVERSIONS EFFECTIVE JANUARY 1, 1982											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
		=00.	2		= 5.00	4		=10.00	6		=15.00
	1	=00.20	2	1	= 5.20	4	1	=10.20	6	1	=15.20
	2	=00.43	2	2	= 5.43	4	2	=10.43	6	2	=15.43
	3	=00.63	2	3	= 5.63	4	3	=10.63	6	3	=15.63
	4	=00.83	2	4	= 5.83	4	4	=10.83	6	4	=15.83
	5	= 1.05	2	5	= 6.05	4	5	=11.05	6	5	=16.05
	6	= 1.25	2	6	= 6.25	4	6	=11.25	6	6	=16.25
	7	= 1.45	2	7	= 6.45	4	7	=11.45	6	7	=16.45
	8	=1.68	2	8	= 6.68	4	8	=11.68	6	8	=16.68
	9	= 1.88	2	9	= 6.88	4	9	=11.88	6	9	=16.88
	10	= 2.08	2	10	= 7.08	4	10	=12.08	6	10	=17.08
	11	= 2.30	2	11	= 7.30	4	11	=12.30	6	11	=17.30
1		= 2.50	3		= 7.50	5		=12.50	7		=17.50
1	1	= 2.70	3	1	= 7.70	5	1	=12.70	7	1	=17.70
1	2	= 2.93	3	2	= 7.93	5	2	=12.93	7	2	=17.93
1	3	= 3.13	3	3	= 8.13	5	3	=13.13	7	3	=18.13
1	4	= 3.33	3	4	= 8.33	5	4	=13.33	7	4	=18.33
1	5	= 3.55	3	5	= 8.55	5	5	=13.55	7	5	=18.55
1	6	= 3.75	3	6	= 8.75	5	6	=13.75	7	6	=18.75
1	7	= 3.95	3	7	= 8.95	5	7	=13.95	7	7	=18.95
1	8	= 4.18	3	8	= 9.18	5	8	=14.18	7	8	=19.18
1	9	= 4.38	3	9	= 9.38	5	9	=14.38	7	9	=19.38
1	10	= 4.58	3	10	= 9.58	5	10	=14.58	7	10	=19.58
1	11	= 4.80	3	11	= 9.80	5	11	=14.80	7	11	=19.80

Table 3-4. Service Conversions Effective January 1, 1982

Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
8		=20.00	10		=25.00	12		=30.00	14		=35.00
8	1	=20.20	10	1	=25.20	12	1	=30.20	14	1	=35.20
8	2	=20.43	10	2	=25.43	12	2	=30.43	14	2	=35.43
8	3	=20.63	10	3	=25.63	12	3	=30.63	14	3	=35.63
8	4	=20.83	10	4	=25.83	12	4	=30.83	14	4	=35.83
8	5	=21.05	10	5	=26.05	12	5	=31.05	14	5	=36.05
8	6	=21.25	10	6	=26.25	12	6	=31.25	14	6	=36.25
8	7	=21.45	10	7	=26.45	12	7	=31.45	14	7	=36.45
8	8	=21.68	10	8	=26.68	12	8	=31.68	14	8	=36.68
8	9	=21.88	10	9	=26.88	12	9	=31.88	14	9	=36.88
8	10	=22.08	10	10	=27.08	12	10	=32.08	14	10	=37.08
8	11	=22.30	10	11	=27.30	12	11	=32.30	14	11	=37.30
9		=22.50	11		=27.50	13		=32.50	15		=37.50
9	1	=22.70	11	1	=27.70	13	1	=32.70	15	1	=37.70
9	2	=22.93	11	2	=27.93	13	2	=32.93	15	2	=37.93
9	3	=23.13	11	3	=28.13	13	3	=33.13	15	3	=38.13
9	4	=23.33	11	4	=28.33	13	4	=33.33	15	4	=38.33
9	5	=23.55	11	5	=28.55	13	5	=33.55	15	5	=38.55
9	6	=23.75	11	6	=28.75	13	6	=33.75	15	6	=38.75
9	7	=23.95	11	7	=28.95	13	7	=33.95	15	7	=38.95
9	8	=24.18	11	8	=29.18	13	8	=34.18	15	8	=39.18
9	9	=24.38	11	9	=29.38	13	9	=34.38	15	9	=39.38
9	10	=24.58	11	10	=29.58	13	10	=34.58	15	10	=39.58
9	11	=24.80	11	11	=29.80	13	11	=34.80	15	11	=39.80

Table 3-4. Service Conversions Effective January 1, 1982 (Continued)

Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
16		=40.00	18		=45.00	20		=50.00	22		=55.00
16	1	=40.20	18	1	=45.20	20	1	=50.20	22	1	=55.20
16	2	=40.43	18	2	=45.43	20	2	=50.43	22	2	=55.43
16	3	=40.63	18	3	=45.63	20	3	=50.63	22	3	=55.63
16	4	=40.83	18	4	=45.83	20	4	=50.83	22	4	=55.83
16	5	=41.05	18	5	=46.05	20	5	=51.05	22	5	=56.05
16	6	=41.25	18	6	=46.25	20	6	=51.25	22	6	=56.25
16	7	=41.45	18	7	=46.45	20	7	=51.45	22	7	=56.45
16	8	=41.68	18	8	=46.68	20	8	=51.68	22	8	=56.68
16	9	=41.88	18	9	=46.88	20	9	=51.88	22	9	=56.88
16	10	=42.08	18	10	=47.08	20	10	=52.08	22	10	=57.08
16	11	=42.30	18	11	=47.30	20	11	=52.30	22	11	=57.30
17		=42.50	19		=47.50	21		=52.50	23		=57.50
17	1	=42.70	19	1	=47.70	21	1	=52.70	23	1	=57.70
17	2	=42.93	19	2	=47.93	21	2	=52.93	23	2	=57.93
17	3	=43.13	19	3	=48.13	21	3	=53.13	23	3	=58.13
17	4	=43.33	19	4	=48.33	21	4	=53.33	23	4	=58.33
17	5	=43.55	19	5	=48.55	21	5	=53.55	23	5	=58.55
17	6	=43.75	19	6	=48.75	21	6	=53.75	23	6	=58.75
17	7	=43.95	19	7	=48.95	21	7	=53.95	23	7	=58.95
17	8	=44.18	19	8	=49.18	21	8	=54.18	23	8	=59.18
17	9	=44.38	19	9	=49.38	21	9	=54.38	23	9	=59.38
17	10	=44.58	19	10	=49.58	21	10	=54.58	23	10	=59.58
17	11	=44.80	19	11	=49.80	21	11	=54.80	23	11	=59.80

Table 3-4. Service Conversions Effective January 1, 1982 (Continued)

Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
24		=60.00	26		=65.00	28		=70.00
24	1	=60.20	26	1	=65.20	28	1	=70.20
24	2	=60.43	26	2	=65.43	28	2	=70.43
24	3	=60.63	26	3	=65.63	28	3	=70.63
24	4	=60.83	26	4	=65.83	28	4	=70.83
24	5	=61.05	26	5	=66.05	28	5	=71.05
24	6	=61.25	26	6	=66.25	28	6	=71.25
24	7	=61.45	26	7	=66.45	28	7	=71.45
24	8	=61.68	26	8	=66.68	28	8	=71.68
24	9	=61.88	26	9	=66.88	28	9	=71.88
24	10	=62.08	26	10	=67.08	28	10	=72.08
24	11	=62.30	26	11	=67.30	28	11	=72.30
25		=62.50	27		=67.50	29		=72.50
25	1	=62.70	27	1	=67.70	29	1	=72.70
25	2	=62.93	27	2	=67.93	29	2	=72.93
25	3	=63.13	27	3	=68.13	29	3	=73.13
25	4	=63.33	27	4	=68.33	29	4	=73.33
25	5	=63.55	27	5	=68.55	29	5	=73.55
25	6	=63.75	27	6	=68.75	29	6	=73.75
25	7	=63.95	27	7	=68.95	29	7	=73.95
25	8	=64.18	27	8	=69.18	29	8	=74.18
25	9	=64.38	27	9	=69.38	29	9	=74.38
25	10	=64.58	27	10	=69.58	29	10	=74.58
25	11	=64.80	27	11	=69.80	29	11	=74.80
						30		=75.00

Table 3-4. Service Conversions Effective January 1, 1982 (Continued)

NOTE:

To arrive at the above multipliers, divide the number of whole months by 12, carry the quotient 3, round to 2. Add this to the number of years and multiply by .025.

Example 1: 20 years, 7 months, 13 days
7 months \div 12 = .583 (.58)
20.58 x .025 = 51.45%

Example 2: 20 years, 8 months, 28 days
8 months \div 12 = .667 (.67)
20.67 x .025 = 51.68%

Exception: Members who retire between January 1, 1982 and September 30, 1983 and meet requirements of subparagraph 030505.B will round service credit of 6 months or more as shown on the Table.

Table 3-4. Service Conversions Effective January 1, 1982 (Continued)

Reduction Factors Applicable to Temporary Early Retirement Authority					
Months Less than 240	Reduction Factor	Months Less than 240	Reduction Factor	Months Less than 240	Reduction Factor
1	.99917	2	.99833	3	.99750
4	.99667	5	.99583	6	.99500
7	.99417	8	.99333	9	.99250
10	.99167	11	.99083	12	.99000
13	.98917	14	.98833	15	.98750
16	.98667	17	.98583	18	.98500
19	.98417	20	.98333	21	.98250
22	.98167	23	.98083	24	.98000
25	.97917	26	.97833	27	.97750
28	.97667	29	.97583	30	.97500
31	.97417	32	.97333	33	.97250
34	.97167	35	.97083	36	.97000
37	.96917	38	.96833	39	.96750
40	.96667	41	.96583	42	.96500
43	.96417	44	.96333	45	.96250
46	.96167	47	.96083	48	.96000
49	.95917	50	.95833	51	.95750
52	.95667	53	.95583	54	.95500
55	.95417	56	.95333	57	.95250
58	.95167	59	.95083	60	.95000

Table 3-5. Reduction Factors Applicable to Temporary Early Retirement Authority

CHAPTER 4

**RECOUPMENT OF READJUSTMENT PAY, NONDISABILITY SEVERANCE PAY,
SEPARATION PAY, VOLUNTARY SEPARATION INCENTIVE,
AND SPECIAL SEPARATION BENEFIT**

0401 GENERAL PROVISIONS

040101. Purpose. To provide guidance covering recoupment of payments made to certain members upon involuntary discharge, release from active duty, or voluntary separation, when members are later placed on a retired list.

040102. Definitions

A. Readjustment Pay. A lump-sum payment to members of a Reserve Component of any Military Service, members of the Army or Air Force without component, and Regular Army commissioned officers below the grade of major who are involuntarily released after completing at least 5 years of continuous active duty and who do not qualify for retirement.

B. Nondisability Severance Pay. A lump-sum payment specifically authorized by law to certain commissioned and warrant officers who are involuntarily discharged from active duty under certain conditions.

C. Separation Pay. A lump-sum payment to a Regular officer or a member of a Reserve Component who is discharged involuntarily or released from active duty September 15, 1981 or later, who has completed 5 or more, but less than 20 years of active service, and who does not qualify for retirement. Effective October 1, 1983, the 5 years of minimum active duty must have been continuous for any member who was not on the active duty list. A period of active duty is continuous if any break in service does not exceed 30 days.

D. Voluntary Separation Incentive. An annual payment to members who separate voluntarily from service before October 1, 1995, under conditions prescribed by the Secretary concerned.

E. Special Separation Benefit. A lump-sum payment to members who separate voluntarily from service before October 1, 1995, under conditions prescribed by the Secretary concerned.

F. Recoupment. Refund or recovery of readjustment pay, nondisability severance pay, separation pay, voluntary separation incentive or special separation benefit previously received, due to entitlement to retirement benefits based on the same active service.

0402 READJUSTMENT PAY040201. Members Affected

A. A member who receives readjustment pay before September 15, 1981, because of involuntary discharge or release from active duty after June 28, 1962 and later qualifies for retired pay on completion of 20 years of active service must refund 75 percent of the readjustment payment. For this purpose, a member transferred to the Fleet Reserve or the Fleet Marine Corps Reserve is considered to have "qualified for retired pay under a statute authorizing retirement upon completion of 20 years of active service," even though such transfer may have occurred after completion of less than 20 years of actual service. See Table 4-1.

B. A Regular Army commissioned officer in the grade of second lieutenant, first lieutenant, or captain, who receives readjustment pay from December 30, 1974 through December 30, 1977, and who later qualifies for retired pay upon completion of 20 years of active service, must refund 75 percent of the readjustment payment. See Table 4-1.

C. A member of the Uniformed Services who served on active duty as a temporary officer and held a Reserve officer status upon release from active duty receives readjustment pay after June 28, 1962 but before September 15, 1981, and who after a period of enlisted service is retired for temporary or permanent disability and also qualifies for service retirement as a Reserve officer, must refund 75 percent of the readjustment payment. See Table 4-1.

D. A member who receives readjustment pay September 15, 1981 or later, and who later qualifies for retired pay, must refund an amount equal to the total amount of readjustment pay received. See subparagraph 040202.B, below.

040202. Recoupment of Readjustment PayA. Readjustment Pay Received Before September 15, 1981.

1. A total of 75 percent of the gross readjustment pay without interest is deducted immediately from retired pay.

2. There is no entitlement to retired pay until 75 percent of the lump-sum pay is recovered. Cost for coverage under the Survivor Benefit Plan must be paid by direct remittance to the servicing finance activity during the period member is not entitled to retired pay.

3. When applying the 75 percent formula to lump-sum readjustment payment to determine the amount to be recouped from retired pay, any mustering-out payment previously received under the Mustering-Out Payment Act of 1944 (reference (an)) or the Veteran's Readjustment Assistance Act of 1952 (reference (ao)) must be first deducted from the gross readjustment pay.

B. Readjustment Pay Received September 15, 1981 or Later.

1. A member who receives readjustment pay September 15, 1981 or later and subsequently qualifies for retired pay must refund an amount equal to the total amount of the readjustment pay received.

2. Recoupment of the readjustment pay shall be by monthly deduction based on the service used in the computation of readjustment pay.

040203. Special Provisions

A. No income tax withholding is made from retired pay used for satisfying the readjustment pay recoupment. Neither is such pay included on Treasury Department Form W-2P (Statement for Recipients of Annuities, Pensions or Retired Pay) nor reported as taxable earnings.

B. A member who receives readjustment pay and also is immediately eligible to receive disability compensation from the Department of Veterans Affairs may retain the gross readjustment pay; however, 75 percent (or the total amount, if applicable) of that gross readjustment payment is deducted from the disability compensation. Acceptance of the gross readjustment pay, however, does not prevent the member from becoming entitled to disability compensation based on service performed after that payment was received.

1. Readjustment pay received before September 15, 1981, which has not been recovered from disability compensation shall, upon a later retirement from an active Uniformed Service, be immediately deducted from retired pay. Readjustment pay received September 15, 1981 or later, which has not been recovered from disability compensation shall, upon a later retirement from an active Uniformed Service, be deducted from retired pay by monthly deductions.

2. No deduction from retired pay is required when 75 percent (or the total amount, as applicable) of the readjustment payment has been recovered by the Department of Veteran's Affairs before retirement.

C. If a member previously was paid readjustment pay or a payment of mustering-out pay under the Mustering-Out Payment Act of 1944 (reference (an)) or the Veterans' Readjustment Assistance Act of 1952 (reference (ao)), the prior readjustment or mustering-out payments are deducted from the readjustment pay to which member is entitled after June 28, 1962. If the member has repaid the prior payment of readjustment pay to the United States, the period covered by it is treated as a period for which a payment has not been made.

D. A member may waive entitlement to readjustment pay. Also, the full amount of such pay may be refunded before retirement. Under either condition, the member receives retired pay immediately upon retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

E. Reserve members retired under 10 U.S.C. 12731-12737 (reference (c)), who received readjustment pay before September 15, 1981, are not subject to recoupment or readjustment pay. Such members receiving readjustment pay September 15, 1981, or later are subject to recoupment of readjustment pay under subparagraph 040202.B, above.

0403 SEVERANCE PAY-NONDISABILITY

040301. General. Before September 15, 1981, certain provisions of law governing separation, from the active list required refund of severance pay upon a member's retirement. See Table 4-2 for conditions governing refund of severance pay received before September 15, 1981. Members who receive severance pay September 15, 1981, or later and subsequently qualify for retirement are subject to recoupment under paragraph 040302, below.

040302. Recoupment of Nondisability Severance Pay

A. Lump-sum severance pay must be recouped by deducting from retired pay each month an amount based on the service for which the severance pay was received until the total deducted equals the amount of the severance pay.

B. The member may refund the full amount by direct remittance to the servicing finance activity or may authorize deduction in an amount greater than that required by law.

0404 SEPARATION PAY

040401. Members Affected

A. Entitlement After September 15, 1981. A Regular officer (including a Regular warrant officer) and nonregular member of an Armed Force involuntarily discharged or released on or after September 15, 1981, with at least 5 but less than 20 years of active service, are entitled to separation pay as determined by the Secretary concerned. Effective October 1, 1983, the 5-year minimum active duty requirement must have been continuous for any member who was not on the active duty list. A period of active duty is continuous if any break in service does not exceed 30 days.

B. Entitlement Before September 15, 1981. A member of the Army, Navy, Air Force, or Marine Corps on active duty September 14, 1981, who later is involuntarily discharged or released from active duty, is entitled to readjustment pay or severance pay under the laws in effect on that date. A member who also is eligible for separation pay elects which payment to receive. If the member fails to make an election in a timely manner, the more favorable amount is paid.

040402. Recoupment of Separation Pay

A. A member who receives separation pay and who later qualifies for retired pay will repay an amount equal to the total amount of separation pay received by a monthly deduction from retired pay based on the service for which separation pay was computed.

B. A member who receives separation pay and who also is eligible for disability compensation from the Department of Veterans Affairs will repay an amount equal to the total amount of separation pay received from the disability compensation awarded. However, no deduction for separation pay shall be made from disability compensation based on service performed after the separation pay was received.

0405 VOLUNTARY SEPARATION INCENTIVE (VSI)

040501. Members Affected. Certain members who voluntarily separated before October 1, 1995, received annual payments of voluntary separation incentive (VSI), based on their grade or rank at separation and number of years of service creditable for retirement purposes.

040502. Recoupment of VSI. If a member who has received VSI becomes eligible for retired pay, recoup from the member the gross amount of VSI paid. The gross amount paid does not include any amounts offset because of the member's receipt of military compensation between the date of separation which caused the VSI to begin and the date the member becomes eligible for receipt of retired pay. Recoupment is according to the following formula-divide the total days service for retirement prior to the separation by the total days of service for retirement: the resulting fraction is the percentage of retired pay to recoup until the entire amount due has been collected. Also apply this collection rate to any increases in the member's retired pay resulting from any cost-of-living increases.

0406 SPECIAL SEPARATION BENEFIT (SSB)

040601. Members Affected. Certain members who voluntarily separated before October 1, 1995, received a lump-sum special separation benefit (SSB) based on years of service for pay purposes and grade or rank at date of separation.

040602. Recoupment of SSB

A. If a member who has received an SSB payment becomes eligible for retired pay, recoup from the member the gross amount of SSB received, as shown on the member's DD Form 214. Use the formula in paragraph 040502, above, to compute the collection rate.

B. A member who receives SSB and who subsequently becomes eligible for disability compensation from the Department of Veterans Affairs will repay an amount equal to the SSB from the disability compensation. However, no deduction for SSB shall be made from disability compensation based on service performed after the SSB was received.

RECOUPMENT OF READJUSTMENT PAY RECEIVED BEFORE SEPTEMBER 15, 1981 (Note 1)				
R U L E	A	B	C	D
	If a member was a	and received before September 15, 1981 (note 1)	and later qualifies for retirement	then readjustment pay is
1	Reserve member (or member of the Army or Air Force without component (temporary))	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	after 20 years of active service (note 2)	recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).
2	Regular Army officer below the grade of major	readjustment payment upon involuntary release after at least 5 years of continuous active service because of a reduction in force for the period December 30, 1974 through December 30, 1977		
3	temporary officer on active duty and held a Reserve officer status	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	for disability after a period of enlisted service and also qualifies for retirement for 20 years of active service	
4	Reserve member (or member of the Army or Air Force without component (temporary))		under 10 U.S.C. 12731	not recouped from retired pay (note 4).

NOTES:

1. For recoupment of readjustment pay received September 15, 1981 or later, see subparagraph 040202.B.
2. Includes transfer to Fleet Reserve with less than 20 years of active service if otherwise qualified.
3. Payment of readjustment pay before June 28, 1962 is not for recoupment from retired pay.
4. There is no provision of law that authorizes recoupment of readjustment pay for members not qualified for retired pay based on 20 years of active service.

Table 4-1. Recoupment of Readjustment Pay Received Before September 15, 1981 (Note 1)

RECOUPMENT OF SEVERANCE PAY RECEIVED BEFORE SEPTEMBER 15, 1981 (Note)					
R U L E	A	B	C	D	E
	If a member was	and was discharged	and received before September 15, 1981 (note)	and later qualifies for	then
1	a Regular commissioned Air Force or Army officer	because of failure of selection for promotion to grade O-3 or above	severance pay	retired pay	do not deduct severance pay.
2		because of moral or professional dereliction, or unsatisfactory performance			
3	a Regular commissioned officer of the Navy, Marine Corps, or Coast Guard	because of unsatisfactory performance with less than 20 years			deduct full amount of severance pay.
4		because of failure of selection for promotion to grade O-3 or above			
5	a Regular warrant officer of any Military Service	because of unfitness or unsatisfactory performance of duty and did not reenlist			
6		because of failure of selection for promotion and did not reenlist or was not retained on AD commissioned grade			
7	an officer of the Navy or Marine Corps	because found not qualified from causes arising from own misconduct upon reexamination for promotion			do not deduct severance pay.

Table 4-2. Recoupment of Severance Pay Received Before September 15, 1981 (Note)

R U L E	A	B	C	D	E
	If a member was	and was discharged	and received before September 15, 1981 (note)	And later qualifies for	then
8	a woman officer of the Regular Navy or Regular Marine Corps in grade O-3	because she is not on a promotion list and has completed 13 years of active service in the Navy or Marine Corps	severance pay	retired pay	do not deduct severance pay.
9	a woman officer of the Regular Navy or Regular Marine Corps in grade O-2	because she is not on a promotion list and has completed 7 years of active service in the Navy or Marine Corps			
10	an ensign in the Navy or a second lieutenant in the Marine Corps	because found not professionally qualified upon reexamination for promotion			
11	a Reserve member of any Military Service	without member's consent before active duty agreement under 10 U.S.C. 12311(a)			
12	a Regular commissioned officer of the Coast Guard	because performance is below standard or because of moral or professional dereliction			

NOTE: For recoupment of severance pay received September 15, 1981 or later, see paragraph 040302.

**Table 4-2. Recoupment of Severance Pay Received Before September 15, 1981 (Note)
(Continued)**

CHAPTER 5

EMPLOYMENT★0501 REPORTING REQUIREMENT★050101. General.

Certain retired members, as specified below, are required to adhere to laws and regulations pertaining to conflict of interest and civilian employment by the federal government.

★050102. Notification of Personnel Action

A. What Agencies Must File. Filing is required of each agency of the federal government in the legislative, executive, or judicial branch (including each corporation owned or controlled by the federal government and non-appropriated fund instrumentalities under the jurisdiction of the Armed Forces) or in the municipal government of the District of Columbia.

B. Where to File. The SF 50 (Notification of Personnel Action) or its equivalent must be sent by an employing agency to the Military Service responsible for administering retired pay of Regular commissioned officers or warrant officers retired for length of service, age, or noncombat-incurred disability.

C. When to File. Submit the SF 50 or its equivalent to the Military Service concerned whenever a retired member is added to the employing agency's rolls or whenever a change or termination of employment occurs.

D. Purpose of the Notification of Personnel Action. The Military Service concerned uses the Personnel Action to determine the application of the dual compensation and pay cap laws as they relate to the employment.

E. Explanation of Codes and Data Elements on the SF 50 (Blocks 5, 6, 24, and 45). Table 5-1 identifies codes for the tenure group, most commonly used codes for nature of action, and an explanation of abbreviations and data in the remarks section. Uniformed Service pay grades and basic titles are in Appendix I.

0502 FEDERAL EMPLOYMENT050201. Introduction

A. Various laws have been enacted that restrict the acceptance of federal civilian employment by retired commissioned officers and warrant officers. Generally the basis for these restrictions are:

1. Government economy, and

2. Expansion of employment opportunities.

B. The general provisions of the three major laws relating to dual compensation restrictions are in paragraphs 050202-050204, below.

C. During fiscal years 1983, 1984, and 1985, there was a dollar deduction from civilian pay equal to the military retired or retainer pay cost-of-living increase. The deduction is described in paragraph 050210, below.

050202. The Dual Office Act of 1894 (reference (aq))

A. Section 2 of the Act of July 31, 1894 (reference (aq)), as amended, prohibited a person from holding another office under the federal government when compensation or salary received from one office equaled or exceeded \$2,500 per annum. This prohibition did not apply to:

1. Retired officers when elected or appointed to public office,

2. Enlisted members retired for any cause, and

3. Retired officers who were retired for:

a. Injuries received in battle; or

b. Disabilities incurred in combat with an enemy of the United States; or

c. Disabilities resulting from any instrumentality of war in the line of duty during a period of war as defined in 38 U.S.C. 101 and 301 (reference (ar)).

B. Retired military personnel, unless specifically exempted, who were receiving retired pay were considered to be holding an office with compensation attached within the meaning of the Act (reference (aq)). Persons who rendered full-time service in regular civilian positions likewise held "an office to which compensation was attached." Accordingly, they were prohibited from holding another office where either the retired pay or civilian salary was \$2,500 or more per annum.

C. If the compensation of the retired officer was less than \$2,500, and he or she was subject to the 1894 Act (reference (aq)), the officer could have been appointed to a civilian position, provided the yearly civilian salary was less than \$2,500.

D. When the retired officer's pay exceeded \$2,500 per annum, the prohibition of the Act of July 31, 1894 (reference (aq)), could not be overcome by waiving or relinquishing either the retired pay or salary attached to the full-time civilian position. An appointment to a

civilian position made under such circumstances was illegal and had to be cancelled and the civilian salary refunded in full.

050203. Economy Act of June 30, 1932, as Amended (reference (as))

A. This Act did not render inoperative any portion of the Act of July 31, 1894 (reference (aq)). It placed a limitation of \$3,000 per annum on the combined total rates of pay received for, or on account of, commissioned service and the salary received when the appointment to the civilian position was authorized under the Act of July 31, 1894 (reference (aq)).

B. The limitation on the combined total rates of pay from both sources was increased to \$10,000 effective August 4, 1955.

1. If the civilian salary equaled or exceeded the \$10,000 limitation, payment of retired pay was suspended.

2. If civilian salary was less than the \$10,000 limitation but when combined with full retired pay exceeded the limitation, retired pay was reduced to keep combined income within the \$10,000 limitation.

3. If maximum per annum compensation payable under the civilian appointment when combined with annual retired pay totaled less than \$10,000, neither civilian compensation nor retired pay was subject to reduction.

C. While warrant officers, including retired temporary warrant officers not retired for injuries or incapacitation incurred in the line of duty, held an "office" within the meaning of the Act of July 31, 1894 (reference (aq)), they were not considered commissioned officers for dual compensation purposes under this Act (reference (aq)).

D. Enlisted members who received pay for or on account of commissioned service were subject to the 1932 Act (reference (as)) unless retired for wounds received in battle, disability incurred in combat with an enemy of the United States or as a result of an instrumentality of war. Enlisted members advanced on the retired list to commissioned officer rank retained the office of an enlisted member within the meaning of the 1894 Act (reference (aq)).

E. Members entitled to retired pay as officers or former officers in the Reserve Components of the Armed Forces were exempt from the dual compensation restrictions of the Economy Act of 1932 (reference (as)), as amended, if retired under authority of, and entitled to, retired pay under laws relating to Reserve Components of the Armed Forces.

050204. Dual Compensation Act of 1964 (reference (at))

A. This Act repealed all previous dual compensation statutes and combined all dual compensation restrictions into one act. Before December 1, 1964, restriction on federal

employment was governed by the Dual Office Act of 1894 (reference (aq)) or the Economy Act of 1932 (reference (as)), as amended.

B. The Act (reference (at)) provides that a retired commissioned or warrant officer of any Regular Component may receive full salary of any federal civilian office held but during the period for which salary is received, retired pay is reduced to an annual rate equal to the first \$2,000 plus one half of the remainder.

1. The \$2,000 base amount effective December 1, 1964, has been increased by later cost-of-living increases as shown in Table 5-4.

2. The term "civilian office" means a civilian office or position in the United States Government, including each corporation owned or controlled by the government and including non-appropriated fund instrumentalities under the jurisdiction of the Armed Forces.

C. Reduction in retired pay does not apply if retired pay is:

1. Based on a disability resulting from injury or disease received in the line of duty as a direct result of armed conflict, or

2. Caused by an instrumentality of war and incurred in the line of duty during a period of war.

050205. General Provisions

A. Retired pay may be subject to reduction under dual compensation laws for members employed by the federal government.

1. Table 5-2 identifies categories of members (Regular or non-regular) and specifies the statute governing pay reduction.

2. Civilian positions exempt from reduction are in Table 5-3. Exceptions to restrictions on retired pay for other positions may be made when warranted on the basis of special emergency government employment needs which cannot otherwise be met. These exceptions may be approved by the:

a. President of the Senate, with respect to positions in the Senate.

b. Speaker of the House, with respect to positions in the House of Representatives.

c. Architect of the Capitol, with respect to positions in the Office of the Architect of the Capitol.

d. Office of Personnel Management, subject to supervision and control of the President, with respect to all other positions.

e. Administrator of National Aeronautics and Space Administration (NASA) with respect to not more than 30 NASA employees appointed to scientific, engineering, or administrative positions under 42 U.S.C. 2473(c)(2)(A) (reference (au)).

f. The Governor of the Armed Forces Retirement Home Board with respect to physicians' positions in the Home.

g. The Board of Regents of the Uniformed Services University of Health Sciences, with respect to physicians' positions.

h. The Director of the Office of Personnel Management with respect to employees on a case-by-case basis. Effective February 14, 1991, the Director, at the request of the head of an Executive Agency, may waive dual compensation restrictions in positions for which there is exceptional difficulty in recruiting or retaining a qualified employee. The Director may grant authority to the head of an agency to waive the dual compensation restrictions for an employee serving on a temporary basis, but only if, and for so long as, the authority is necessary due to an emergency involving a direct threat to life or property or other unusual circumstances.

i. The Director of the Administrative Office of the United States Courts, with respect to an employee in the Judicial Branch, has the same waiver authority as would be available to the Director of the Office of Personnel Management, or a duly authorized agency head, under subparagraph A.2.h, above, with respect to any employee of an Executive Agency. Authority under this subsection may not be exercised with respect to a justice or judge of the United States, as defined in 28 U.S.C. 451 (reference (av)). Authority may be exercised with respect to an employee of an agency in the Legislative Branch, by the head of such agency; with respect to an employee of the House of Representatives, by the Speaker of the House of Representatives; and with respect to an employee of the Senate, by the Committee of Rules and Administration of the Senate. This became effective December 5, 1991.

B. Reduction in retired pay is not required when retirement is based on a disability:

1. Resulting from injury or disease received in line of duty as a direct result of armed conflict; or

2. Caused by an instrumentality of war and incurred in line of duty during a period of war (as defined in 38 U.S.C. 101 and 301) (reference (ar)).

C. If doubt exists as to whether a disability qualifies a member or her for exemption under the dual compensation statute, a special determination must be requested from the Military Service legal staff.

D. Reduction in retired pay is not required when a member is employed by an agency supported by a grant from the United States if the position was created by the state and the salary is paid out of funds which have been receipted for by the state and have become state funds. However, employment in a cooperative position between state and federal governments, where an employee is entitled to benefits of Federal Employee's Group Life Insurance and civil service retirement deductions are made from pay, is subject to the dual compensation restrictions.

E. Retired members who are employed by schools participating in the Junior Reserve Officers' Training Corps Program are entitled to receive their full retired pay without reduction. They also receive an additional amount of not more than the difference between their retired pay and the active duty pay and allowances which they would receive if ordered to active duty. One-half of that additional amount is paid to the institution concerned by the Secretary of the Military Department concerned, from funds appropriated for that purpose.

F. Indebtedness resulting from erroneous payment of retired pay due to dual compensation is collectible when discovered after 6 years from the last period of employment ONLY if the United States General Accounting Office is notified within the 6-year period. Otherwise, the overpayment is barred from recovery. Automatic collection is possible and required within 6 years immediately after the last period of federal employment.

050206. Time Limit for Accepting Employment. The Dual Compensation Act of 1964 (reference (at)) prohibits the employment of any retired member of the Armed Forces in the Department of Defense (including a nonappropriated fund instrumentality under the jurisdiction of the Armed Forces) within 180 days immediately after retirement, except:

A. When the appointment is authorized by the Secretary of a Military Department or designee, and if appropriate, approved by the Office of Personnel Management;

B. The minimum rate of basic compensation for the office has been increased by Presidential authority in order to recruit or retain well qualified individuals; or

C. A state of national emergency exists.

050207. Restrictions for Members Retired Before December 1, 1964

A. The criteria in paragraphs 050204 and 050205, above, automatically apply to:

1. Members retired before December 1, 1964, who were employed on Nov 30, 1964, if they elected before March 1, 1965 to become subject to the restrictions of the 1964 Act (reference (at)).

2. Members retired before December 1, 1964, who were not employed on Nov 30, 1964, and later became employed by the federal government.

3. Members retired before December 1, 1964, who were employed on Nov 30, 1964, and later had a break in federal employment of 30 days or more regardless of any election made to remain subject to statutes in effect before December 1, 1964.

B. For members who were employed on Nov 30, 1964, and did not elect to become subject to the 1964 Act, (reference (at)), the dual compensation statutes in effect on Nov 30, 1964 governing retired pay reduction remain applicable:

1. Under the Economy Act of 1932 (reference (as)), combined retired pay and civilian federal salary may not exceed \$10,000 in one calendar year. (Before August 4, 1955, the limitation was \$3,000 per calendar year.)

2. The total amount of salary earned during a calendar year is applied toward the \$10,000 limitation, even though the daily or monthly rate, when calculated on an annual basis, would exceed \$10,000 per year.

3. A refund of amounts withheld from the member's retired pay or collection from the member may be required to adjust the account.

050208. Experts and Consultants

A. The term "expert" means a member with a proficiency in a particular skill who is employed by the federal government to perform specific service in return for a fixed fee or a specific daily rate of pay only on those days when such service is performed.

B. The term "consultant" means a person with a special knowledge who may be employed by the federal government to give professional advice in return for a fixed fee or a specific daily rate of pay only on those days when such advice is given.

C. The head of any department, when authorized by law, may procure the temporary (not longer than 1 year) or intermittent services of experts or consultants.

D. Experts and consultants are permitted to renew appointments from year to year. A different appointment is one in which the duties and responsibilities are recognizably different from those of the previous assignment and cannot be considered a continuation, outgrowth, or extension of the assignment.

E. Method of computing retired pay overpayment due to employment is in paragraph 050303, below.

050209. Civil Service Reform Act of 1978 (reference (aw))

A. The provisions of the Civil Service Reform Act of 1978 (reference (aw)) apply to any officer or enlisted member of a Regular or Reserve Component who retired after January 11, 1979, and becomes employed in a federal civilian position. The restrictions imposed

on Regular officers and warrant officers under the Dual Compensation Act of 1964 (reference (at)) remain in effect for such members.

B. The provisions of this Act do not apply to:

1. Regular officers retired on or before January 11, 1979, and eligible to receive retired pay, whether employed before or after January 11, 1979. Members are subject only to the 1964 Act (reference (at)).

2. Reserve officers and Reserve enlisted members, otherwise eligible to receive retired pay but for the fact they are not age 60, and employed by the federal government in any position on October 13, 1978, so long as the individual continues to hold any such position without a break in service of more than 3 days.

3. Retired Reserve officers and retired Regular or Reserve enlisted members eligible to receive retired pay on or before January 11, 1979, whether employed by the federal government before or after January 11, 1979.

4. Members whose retired pay is computed in whole or in part based on a disability resulting from injury or disease received in the line of duty as a direct result of armed conflict, or caused by an instrumentality of war and incurred in line of duty during a period of war.

C. The full base pay of the civilian position is retained. The amount of civilian pay used in this determination includes, for members employed by the Legislative Branch, temporary pay increases, even though they may be intended as bonuses. If the amount of pay (not including locality pay) for the civilian position combined with retired pay exceeds the rate of pay currently paid for positions classified at Level V of the Executive Schedule, a reduction is required in retired pay. See Table 5-9 for Executive Schedule Level V rates and dates.

1. The amount of each reduction may not result in retired pay, when combined with civilian pay, being at a rate less than the current rate paid for Level V of the Executive Schedule.

2. The amount of retired pay used in this reduction excludes the amount of retired pay waived in order to receive disability compensation from the Department of Veterans Affairs.

3. For retired Regular officers, the amount of retired pay used in this reduction is the amount remaining after the reduction in subparagraph C.2, above, if applicable, and further reduced by the amount of the reduction required under the Act of 1964 (reference (at)).

4. The cost of participation in a survivor benefits program or a veterans insurance program is not considered in computing the required reduction, unless the remainder is inadequate to cover that cost.

D. When combined civilian pay and retired pay exceeds Level V, the amount of the reduction to retired pay will be deposited to the general fund of the Treasury of the United States.

E. The reduction does not apply if the member is employed on a temporary (full or part-time) basis, for the first 30-day period for which the member receives pay.

F. A limited 5-year waiver authority has been designated to the Office of Personnel Management to meet special or emergency employment needs of the government with regard to civilian medical officer positions. However, if there is a break in service of 3 or more days, the waiver is terminated.

G. The limitation on the amount received applies to any one pay period rather than for any given calendar year or fiscal year. The amount of the retired pay reduction is not refundable even though the retiree's combined retired pay and civilian salary for the entire year may be less than the annual pay for Level V of the Executive Schedule.

H. Leave Without Pay (LWOP) during a period of pay cap reduction is treated the same as during a period of dual compensation reduction.

050210. Deductions From Civilian Pay for Increases in Military Retired or Retainer Pay. Under Public Law 97-253 (reference (ax)), each federal agency deducted from the civilian pay of a member or former member of a Uniformed Service, an amount equal to the cost-of-living increase in military retired or retainer pay under 10 U.S.C. 1401a(b) (reference (c)) in April 1983. Public Law 98-270 (reference (ay)), repealed this provision before any further reductions could be made as set out in Public Law 97-253 (reference (ax)). The deduction in civilian pay did not apply if a member's retirement was based on war or combat-incurred injury or disability. The annual amount of the increase was computed as the difference between the adjusted gross before and after the cost-of-living increase. The adjusted gross equals gross less VA compensation less SBP/RCSBP/RSFPP less dual compensation less pay cap.

0503 PAY ADJUSTMENTS

050301. Effective Date for Reduction

A. Permanent (Full-Time or Part-Time) Appointments

1. Reduction in retired pay is required effective with the first day of employment with pay when employed in a permanent full-time appointment.

a. A member of a Uniformed Service, while in a terminal leave status pending retirement, may accept a civilian office or position in the United States Government, its territories or possessions, or the government of the District of Columbia. The pay of that office or position may be received in addition to pay and allowances from the Uniformed Service for the

unexpired portion of the terminal leave (5 U.S.C. 5534a (reference (az)), Public Law 90-93 (reference (az)), 56 Comp Gen 855 (reference (ba))).

b. Reduction in retired pay for employment which begins before retirement is effective with the first day of entitlement to retired pay.

c. Employment before retirement is subject to the time limit contained in paragraph 050206, above, prohibiting employment with the Department of Defense immediately after retirement.

2. Reduction is required effective the 31st calendar day when employed in a part-time appointment regardless of hours worked per day, but only for the days for which the employee actually receives pay.

3. When a member is in a leave-without pay status for an entire day which is normally a working day, no reduction in retired pay is required for that day.

B. Temporary (Full-Time or Part-Time), Intermittent, and When Actually Employed (WAE) Appointments

1. Reduction of retired pay is not required for the first 30-day period for which salary is received. The 30-day exclusion does not apply to more than one appointment aggregating more than 30 days within the same fiscal year nor to a reappointment to the same position in the succeeding fiscal year. Reduction is required effective the 31st calendar day for a full-time temporary appointment, and effective with the 31st actual day worked for a temporary part-time or intermittent appointment.

2. Temporary full-time is regular employment with a limited duration. The 30 days are calculated by the full-calendar period employed including Saturdays and Sundays.

3. Temporary appointments may be renewed yearly as long as an employer has the authority to renew them. If a member is serving under more than one appointment, the first period for which the member is paid in an aggregate of 30 days in the fiscal year from all positions in which employed is exempt from reduction.

4. A second appointment conversion which meets the following conditions is not a new appointment, but rather an extension in the original appointment; therefore, a new 30-day exemption is not allowed when there is no change in:

a. The appropriation to be charged with the salary and traveling expenses; and

b. The department or agency under which the service is to be performed; and

c. The position.

5. In determining the aggregate of 30 days in a fiscal year (FY) for members employed under two or more appointments, the period July 1 through September 30, 1976 is treated as part of the FY 77 which began October 1, 1976. FY 77 is treated as a 15-month period for this purpose.

C. Temporary Appointment Pending Establishment of Register (TAPER).
Reduction in retired pay is required effective with the first day of employment with pay.

050302. Effective Date for Termination of Reduction in Retired Pay. Full retired pay entitlement is restored effective the day after the last day for which civilian salary is received. Lump-sum payments of accrued leave have no effect on payment of retired pay.

050303. Computation of Reduced Retired Pay Under the 1964 Act (reference (as))

A. See Tables 5-5 and 5-6 for formulas and example for computing reduced retired pay and reduced taxable pay under the 1964 Act (reference (at)).

B. When a member is employed on an intermittent when actually employed (WAE) basis, divide the monthly reduced retired pay entitlement by 30 days to determine the daily rate of entitlements on the days worked for which salary is paid.

1. Do not prorate partial-day payments.

2. Reduce retired pay for each day civilian salary is received regardless of the number of hours for which salary is paid.

C. If the member's gross retired pay, or gross retired pay as reduced by the Department of Veterans Affairs (VA) waiver, amount is equal to or less than the dual compensation exempt portion, there is no reduction.

D. The amount of reduction in retired pay, regardless of the type of appointment, may not exceed the gross amount of civilian salary received.

050304. Computation of Reduced Retired Pay Entitlement Under the Economy Act of 1932 (reference (as))

A. If the retired member's civilian salary is equal to or exceeds the \$10,000 limitation of the 1932 Act (reference (as)), no entitlement to retired pay exists. If member's civilian salary is less than \$10,000 annually, retired pay is reduced to an annual rate sufficient to keep combined incomes within the \$10,000 limitation.

1. When a member receives VA compensation, deduct the VA compensation amount before determining the annual rate of retired pay payable, then determine whether the dual compensation provisions will further reduce retired pay.

2. This is an example of the method for computing reduced retired pay when a member is employed under an unlimited appointment on a per annum civilian salary:

\$ 640.90	Basic retired pay entitlement
<u>- 350.00</u>	Less VA compensation
290.90	Monthly gross retired pay available
<u>x 12</u>	
\$ 3,490.80	Annual retired pay payable
\$10,000.00	Limited combined income
<u>- 7,560.40</u>	Less civilian salary
2,439.60	Annual retired pay allowable
<u>÷ 12</u>	
\$ 203.30	Monthly retired pay allowable

B. A retired member could not have accepted appointments limiting the total number of days employed so that a combined civilian salary and retired pay may not exceed the \$10,000 limitation.

1. Limited appointments must state on the face of the appointment (Notification of Personnel Action) a specific number of days or hours for which consultative services are to be performed and the daily rate or hourly rate to be paid.

2. Compute the anticipated annual civilian income using the information shown on the Notification of Personnel Action. If the combined retired pay and civilian income exceed the \$10,000 limitation, retired pay must be adjusted accordingly.

C. Conversion to the 1964 Dual Compensation Act (reference (at)). The method of applying the \$10,000 limitation under the 1932 Act (reference (as)) for members who were subject to the provisions of the 1964 Act (reference (at)) beginning December 1, 1964, was an eleven-twelfths computation of \$10,000, or the combined rate of \$9,166.66.

050305. Effect on Pay - Dual Compensation Reduction and Department of Veterans Affairs (VA) Waiver

A. Retired pay is adjusted retroactively, first to effect a waiver because of VA compensation, and then further reduced under the dual compensation formula when these conditions exist:

1. A Regular commissioned officer or warrant officer accepts federal civilian employment, and

2. Immediately or concurrent with retirement, the member executes a waiver of retired pay in order to receive disability compensation from the VA, and

3. The award, though administratively delayed, is granted by the VA retroactive to the date of the waiver.

B. Retired pay is not adjusted retroactively for members who have a waiver of retired pay in effect in favor of VA compensation and who later accept employment with the federal government. Reduction as provided in subparagraph A, above, is effective with the first day of employment.

C. Retired pay is adjusted retroactively for members employed by the federal government who:

1. Have a waiver of retired pay in effect in favor of VA compensation, and

2. Receive a retroactive VA increase after the effective date of employment.

D. A DD Form 2279 (Request for Retroactive Waiver of Military Retired Pay) is completed by the member, authorizing the Department of Veterans Affairs to pay the member any additional compensation due. This form also authorizes the VA to deduct the overpayment of retired pay from the compensation and refund it to the DFAS-Cleveland Center.

0504 CONFLICT OF INTEREST

050401. General

A. Conflict of interest statutes are intended to safeguard the integrity of public administration and prevent government officials from using their positions and influence for personal gain.

B. The conflict of interest statutes applicable in general to those whose government service has ended accomplish these purposes by:

1. Imposing limitation in some cases upon the employment of former DoD procurement personnel by defense contractors;

2. Requiring the employment of such personnel by defense contractors in other instances be reported; and

3. Restricting the activities of former DoD officers and employees in representing or assisting their employers in claims-related matters or becoming personally involved in the process of "selling" to the government.

C. A comprehensive digest of laws, including conflict of interest laws applicable to retired military personnel, is set forth in DoD 5500.7-R (reference (bb)), Chapters 5 and 9, and Appendix A.

D. Although violation of conflict of interest laws may result in the imposition of criminal penalties (including fines and imprisonment) or administrative fines and sanctions, entitlement to military retired pay is directly affected only when:

★1. A retired Regular officer is convicted of violating 18 U.S.C. 281(a) (reference (bc)) during any period prior to October 13, 1994; or

2. Any member is convicted of violating the Hiss Act (5 U.S.C. 8311-8322) (reference (bd)).

E. Fines levied for convictions under other statutes may result in debts to the United States that may be collected in accordance with Chapter 28; they do not, however, affect a convicted member's entitlement to receive retired pay.

050402. Selling

★A. "Selling," as an activity under the conflict of interest laws, is prohibited during any time prior to October 13, 1994, under 18 U.S.C. 281(a) (reference (bc)). A retired Regular officer may not, during the 2-year period following retirement, represent any person in the sale of anything to the department in which the officer holds retired status. This statute has been interpreted by the Department of Justice as prohibiting a retired Regular officer from representing any party other than himself in connection with a contract for the sale of services or for the sale of supplies. Since an officer is disqualified from holding a position of honor, trust, or profit under the United States as a result of conviction, entitlement to retired pay ceases.

B. The prohibition against selling has been broadly interpreted to include virtually all activities involved in the selling process and to apply in any case reasonably within the scope of the statute where the conduct at which it was directed could arise.

C. The following activities are examples of conduct by retired Regular officers that might be interpreted as selling:

1. Contacting military installations or consulting with DoD officials to obtain information on current or projected military needs and suggesting new lines of potential product development to member's employer.

2. Attending precontract negotiations or preproposal conferences with other members of the employer's firm.

3. Making contacts to promote goodwill that directly or indirectly may result in sales to Uniformed Services agencies or their nonappropriated fund instrumentalities.

4. Giving demonstrations and explaining products with a view toward an eventual sale on behalf of an employer.

5. Making contacts at social functions sponsored by the employer with Uniformed Services personnel who are in positions to influence procurement.

6. Making calls at installations to render technical assistance, update catalog materials, or provide information on companies represented.

7. Contacting procurement and budget personnel on behalf of the employer to discuss general trends in the military environment.

8. Conducting promotional seminars on supplies or products already sold by the employer to the Department of Defense.

D. Whether the retired officer acted in good faith, was ignorant of the law, or will experience financial hardship, has no effect upon the requirement to withhold retired pay for the period of statutory violation.

E. See Table 5-7 for synopsis of Comptroller General decisions as they relate to conflict of interest statutes.

050403. Withholding Retired Pay. Retired pay may be withheld when the employment falls under the category of activities prohibited under conflict of interest laws.

0505 FOREIGN GOVERNMENT EMPLOYMENT

050501. Background

A. Employment of retired members by a foreign government is restricted. The primary restriction is in article 1, section 9, clause 8 of the Constitution of the United States (reference (bf)), which reads: "No Title of Nobility shall be granted by the United States: And no person holding any Office of Profit or Trust under them, shall, without the Consent of Congress, accept any present, emolument, office, or title, of any kind whatever, from any King, Prince, or foreign state." The Comptroller General interpreted this to prohibit employment of all retired personnel, including members of the Fleet Reserve or Fleet Marine Corps Reserve, by a foreign government unless congressional consent is granted.

B. The conditions for accepting foreign employment were modified by Public Law 95-105, section 509(a)(1) and (2) (reference (bg)). The Congress granted consent for retired members to accept employment or compensation from foreign governments if the members obtain the approval of the Secretary concerned and the Secretary of State before acceptance.

1. The approval by the Secretary concerned and Secretary of State for a member to accept foreign employment is only effective prospectively from the date the approval is granted and may not be made retroactively to authorize foreign employment and compensation received before approval is granted.

2. The compensation received from the foreign government without approval is considered received by the retired member for the United States. A debt in favor of the government is created which is to be collected by withholding from retired pay. The debt is an amount equal to the compensation received from the foreign government. When the compensation earned during the period of unauthorized employment exceeds the amount of retired pay accrued during the same period, only the retired pay amount may be collected.

050502. Legislative History

A. The history of the constitutional provisions under consideration indicates that the condition intended to be avoided is the exercise of undue influence by a foreign government upon retired members of the United States.

B. In determining the existence of an employer-employee relationship between a retired member and a foreign government, or instrumentality thereof, the common law rules of agency are applied to determine whether such instrumentality has the right to control and direct an employee in performance of his or her work and the manner in which the work is done.

C. There are at least five criteria that may be considered in determining whether the relationship of employer and employee exists. These are:

1. The selection and engagement of the employee
2. The payments of wages
3. The power to discharge
4. The power to control the employee's conduct

5. The relationship of the work to the employer's business, whether the work is a part of the regular business of the employer.

D. The decisive test to determine the existence of an employer-employee relationship is whether the employer has the right to control and direct the employee in the performance of his or her work and in the manner in which the work is to be done. Additionally, the Comptroller General has ruled that a corporation incorporated in the United States, which maintains a separate identity and appears to be a separate legal entity from its dominant shareholder, does not necessarily become an instrumentality of a foreign government when its principal shareholder is a foreign corporation substantially owned by a foreign government.

050503. Types of Employment

A. Employment by educational or commercial institutions owned, operated, or controlled by a foreign government is included within the scope of this restriction.

B. Employment with a foreign government which requires acquisition of foreign citizenship results in forfeiture of entitlement to retired pay. See Chapter 6, Foreign Citizenship, for additional information.

C. Employment by international agencies, such as the United Nations, is not prohibited.

050504. Adjustment to Retired Pay

A. Withhold retired pay in an amount equal to the amount of compensation received from the foreign government. Compensation includes salary, free transportation, household goods shipments at employer's expense, housing allowances, and gifts. To determine the amount to be withheld from a member on account of the nonmilitary elements of compensation, the value should be set fairly, considering the actual value or estimates of the compensation received. A gift of more than minimal value is deemed to have been accepted on behalf of the United States. It is deposited by the donee for use and disposal as property of the United States.

B. Amounts of retired pay withheld from members of the Uniformed Services who accept foreign employment without congressional consent, as required by the United States Constitution, should be treated as though the member has no entitlement to them and should not be "held in trust" for them pending possible future congressional consent to their receipt.

0506 FEDERAL JUDGES050601. General

A. Title 10, U.S.C. Judges. A person who has completed a term of service as a judge of the U.S. Court of Appeals for the Armed Forces may be eligible for a retirement annuity upon separation from civilian service in the federal government. Retirement annuities and survivor annuities for judges retired from the U.S. Court of Appeals for the Armed Forces are paid from the DoD Military Retirement Fund.

B. Title 28, U.S.C. Judges. Any justice or judge of the United States appointed to hold office during good behavior may retire after meeting age and service requirements.

050602. Limitations

A. Title 10, U.S.C. Judges. A person who is receiving a retirement annuity by reason of service as a judge of the U.S. Court of Appeals for the Armed Forces, and who

subsequently is appointed to a position in the federal government, is entitled to the higher of the retirement annuity as a judge or the pay for the federal government position.

B. Title 28, U.S.C. Judges. A member who becomes a judge may not receive military retired pay while performing regular judicial active service as a judge. When the member later retires from judicial active service or enters senior status as a judge, military retired pay shall be resumed or commenced without reduction.

0507 SERVICE IN MILITARY FORCE OF NEWLY DEMOCRATIC NATIONS

050701. Background

A. The Congress has consented to a retired member of the Uniformed Services accepting employment by, or holding an office or position in, the military forces of a newly democratic nation and accepting compensation associated with such employment, office, or position.

B. The Secretary concerned and the Secretary of State jointly shall determine whether a nation is a newly democratic nation.

050702. Approval Required

The consent provided for a member of the Uniformed Services to accept employment or hold an office or position shall apply to a retired member only if the Secretary concerned and the Secretary of State jointly approve the employment or the holding of such office or position.

050703. Continued Entitlement to Retired Pay and Benefits

The eligibility of retired members to receive retired or retainer pay and other benefits arising from the member's status as a retired member of the Uniformed Services may not be terminated by reason of employment or holding of an office or position consented to in paragraph 050702, above. The eligibility of such retired member's dependents to benefits also may not be terminated.

EXPLANATION OF CODES AND DATA ELEMENTS SHOWN ON SF 50, NOTIFICATION OF PERSONNEL ACTION (REV-7/91)			
BLOCK 24 TENURE			
CODE NO.		EXPLANATION	
	0	Temporary	
	1	Career	
	2	Career-Conditional Appointment	
	3	Temporary Appointment Pending Establishment of Register (TAPER)	
BLOCKS 5 AND 6 NATURE OF ACTION			
CODE NO.		AUTHORITY	EXPLANATION
1.	100	CS Register	Career appointment by selection from register.
2.	101	315.301(a)	Career-conditional appointment by selection from register.
3.	110	316.402(a)	Temporary limited appointment by selection NTE 1 year.
4.	112	316.201	Temporary appointment pending establishment of register (TAPER); eligible for life insurance, health insurance, and bonds, but not eligible for CS retirement.
5.	113	316.402(a)	Temporary limited appointments outside register NTE 1 year.
6.	115	316.402(b)(1)	Appointments based on eligibility for reinstatement.
7.	130	5 U.S.C. 3304c	Career appointment.
8.	131	E.O. 10794	Career-conditional appointment.
9.	132	Cite specific authority (for example, law, reorganization, plan, etc.)	Mass transfer.
10.	140	330.201	Reinstatement career.
11.	141	330.201	Reinstatement career-conditional.
12.	160	Part 353, CS Register	Reemployment after military service.
13.	170	213.3102	Excepted appointment.
14.	171	213.312	Excepted appointment NTE (date).
15.	172	213.312	Excepted appointment - indefinite.
16.	173	213.312	Excepted appointment – conditional.
17.	181	Part 353, CS Regulations	Returned to duty from military.
18.	300 Series	None required with limited exceptions.	Separations.
19.	500	CS Register	Conversion to career appointment.
20.	510	CS Register	Conversion to career-conditional appointment.

Table 5-1. Explanation of Codes and Data Elements Shown on SF 50, Notification of Personnel Action (Rev-7/91)

CODE NO.		AUTHORITY	EXPLANATION
21.	520	Certification number and date	Conversion to temporary appointment NTE (date) from register.
22.	540	5 U.S.C. 3304(c)	Conversion to career appointment.
23.	541	E.O. 10794	Conversion to career-conditional appointment.
24.	550	213.213	Conversion to excepted appointment.
25.	552	213.312	Conversion to excepted appointment - indefinite.
26.	553	213.312	Conversion to excepted appointment - conditional.
27.	561	352.507	Conversion to reemployment.
28.	602	315.202	Conversion to career tenure.
29.	651	213.312	Conversion to excepted appointment NTE (date).
30.	712	351.603	Change to lower grade - RIF.
31.	720	351.603	Reassignment - RIF.
32.	721	335.102	Reassignment CAO register.
33.	894	5 U.S.C. 5337	Pay adjustment.
BLOCK 45 REMARKS			
EXAMPLE			
LINE ENTRY RETO/A11-1-74/309264307/05/REG/20/NONCOMBAT/NOT 5532(e) or 5 U.S.C. 5532(a), CS Reg 550.603 if granted by OPM.			
POSITION	A	B	C D E F G H I
EXPLANATION			
1.	A	RETO - Retired commissioned officer	
2.	B	Military Service from which retired (A = Army)	
3.	C	Date of retirement	
4.	D	Social security number	
5.	E	Retired grade (see table 5-3)	
6.	F	Component (regular or nonregular)	
7.	G	Retired grade (see table 5-3)	
8.	H	Whether retired for combat disability	
9.	I	Whether or not "position" is exempt	

Table 5-1. Explanation of Codes and Data Elements Shown on SF 50, Notification of Personnel Action (Rev-7/91) (Continued)

APPLICATION OF LAW - WHETHER TO REDUCE RETIRED PAY				
R U L E	A	B	C	D
	If	is	then officer's retired pay is subject to	
			\$10,000 limit of Act of June 30, 1932	loss of 1/2 retired pay in excess of \$2,000 per year limit of Act of 1964 (as amended)
1	a Regular commissioned officer	retired for other than disability	No-unless employed on Nov 30, 1964 and elected to remain subject to limitations of the Act	Yes
2		appointed to public office by President with advice and consent of Senate	Yes	
3		retired for disability resulting from injury or disease received in line of duty and as a direct result of armed conflict; or caused by an instrumentality of war and incurred in line of duty during a period of war	No	No
4		retired for disability not as defined in rule 3 above	Yes	Yes
5	a Regular warrant officer	retired for reasons other than disability	No	
6		appointed to public office by President with advice and consent of Senate		
7		retired for disability resulting from injury or disease received in line of duty and as a direct result of armed conflict; or caused by an instrumentality of war and incurred in line of duty during a period of war		
8		retired for disability not as defined in rule 3 above		Yes
9	a Regular warrant officer advanced on retired list to commissioned officer grade	retired for other than disability	Yes	No
10		retired for disability resulting from injury or disease received in line of duty and as a direct result of armed conflict; or caused by an instrumentality of war and incurred in line of duty during a period of war	No	

Table 5-2. Application of Law - Whether to Reduce Retired Pay

R U L E	A	B	C	D
	If	is	then officer's retired pay is subject to	
			\$10,000 limit of Act of June 30, 1932	loss of 1/2 retired pay in excess of \$2,000 per year limit of Act of 1964 (as amended)
11	a Regular warrant officer advanced on retired list to commissioned officer grade	retired for disability not as defined in rule 3 above	Yes	Yes
12	nonregular commissioned officers	retired for any reason	No	No
13		retired between August 7, 1947 and March 31, 1953, with commission under section 515 of the Officer Personnel Act of 1947	Yes	
14	an enlisted member	retired for any reason and receiving retired pay of enlisted member	No	
15		retired for any reason, advanced on retired list, and receiving commissioned officer grade pay	Yes	
16	a Reserve officer	retired for disability under the Act of April 3, 1939 or Title IV, CCA of 1949, as a Reserve officer who last served on active duty as a Regular warrant officer or enlisted member, with warrant officer or enlisted status terminated and the retired pay grade (temporary higher active duty grade under the Officer Personnel Act of 1947) is the same or higher than the Reserve grade		
17	an AUS warrant Reserve officer advanced on retired list to commissioned grade	retired for any reason		
18	a Reserve officer	retired under 10 U.S.C. 12731-12737		

Table 5-2. Application of Law - Whether To Reduce Retired Pay (Continued)

CIVILIAN POSITIONS EXEMPT FROM DUAL COMPENSATION RESTRICTIONS (Includes But Not Limited to These:)	
Type Position and/or Employing Agency	Explanation
1. Armed Forces Entrance and Examining Stations	Exception granted by Civil Service Commission (CSC) letter, dated June 19, 1972, to employment of retired military physicians to remain in effect as long as the member remains employed in that position. Exemption expired June 30, 1974 except for those appointed to the position before June 30, 1974.
2. Army Emergency Relief (AER)	Employment with AER is not considered employment with the federal government under Act of 1964. (26 Comp Gen 192)
3. Chaplains employed part time by Department of Veterans Affairs	The CSC exercised its authority to provide an exception to the reduction in retired pay. The exception applies to persons in positions where the duties typically do not require the services for more than 6 hours a day required reduction in retired pay. (United States Civ Svc Directive, April 4, 1966)
4. Fee basis physicians	Fee basis physicians on a contractual relationship do not occupy a "civilian office" within the purview of 5 U.S.C. 3101(3). (45 Comp Gen 81)
5. International organization	Civilian salary is paid from mixed funds contributed by several different countries. (27 Comp Gen 12)
6. Military Sea Transportation Service (MSTS)	Under provisions of 5 U.S.C. 5532(d), CSC has approved exemption from the dual compensation restrictions with reference to these seafaring positions in the MSTS: Radio officer - deck officer - engine officer; unlicensed skill deck positions requiring employee to have United States Coast Guard document as an able seaman; unlicensed skilled engine department positions requiring employee to have a United States Coast Guard document as a qualified member of engine dept., oiler, or fireman-watertender. The exception applies to retired regular officers now employed and who become employed during the period ending February 28, 1969. Exception will continue in effect for an individual who becomes subject to it for as long as he or she remains in one of the positions covered. The exception is subject to removal as the need requires.
7. Mutual Security Act	Employment is limited by the 1932 Act except when appointment as an expert or consultant under provisions of Section 530(a) of the Mutual Security Act of 1954; then position is exempt for all dual compensation statutes.
8. National Aeronautics and Space Administration (NASA)	The administrator of NASA may make exception to the restrictions with respect to not more than 30 NASA employees appointed to scientific, engineering, or administrative positions under 42 U.S.C. 2473(b)(2)(A).

Table 5-3. Civilian Positions Exempt From Dual Compensation Restrictions

Type Position and/or Employing Agency	Explanation
9. Nonappropriated Fund Activity	<p>Before December 1, 1964, employment not subject to 1932 Act. Effective December 1, 1964, employment under direct jurisdiction and supervision of an administrative official of the Armed Forces is subject to Act of 1964.</p> <p>Direct jurisdiction and supervision by administrative office must be determined by the agency personnel office in addition to the notice of employment with a nonappropriated activity before a conclusive determination of the applicability of dual compensation statute can be activated. (MS Comp Gen B-165534, December 17, 1968)</p>
10. Nonpersonal Service Contract	<p>A retiree employed by nonpersonal-service contract is not subject to dual compensation statutes. (26 Comp Gen 501 and 28 Comp Gen 50)</p> <p>Lecturers are considered under nonpersonal-service contracts. (23 Comp Gen 425 and MS Comp Gen B-134618, May 31, 1958)</p>
11. Retired Nurses	<p>If receiving pay under Act of June 20, 1930, 46 Stat 790, they were not considered retired officers June 22, 1944. On and after June 22, 1944, retired employed nurses who were receiving retired pay on basis of commissioned office became subject to the Act of 1932, as amended.</p>
12. US Soldiers' and Airmen's Home	<p>Subject to 1932 Act from date of appointment (Public Law 374, 78th Congress, June 28, 1944). The Governor of the Home may exempt at any time, not more than two physicians, if it is determined that such exemptions are necessary to recruit or retain well-qualified physicians for the Home. An exemption granted under this section shall terminate upon any break in employment with the Home by a physician of 3 days or more. (Public Law 99-145, Nov 8, 1985)</p>
13. VA Consultant	<p>Appointment to a position with the Department of Veterans Affairs under provisions of 38 U.S.C. 4114(a) as a consultant in a capacity on a fixed fee basis. (45 Comp Gen 559)</p>
14. VISTA (Volunteers in Service to America)	<p>Employees are not deemed to be federal employees except for the purpose of Internal Revenue, Social Security, Federal Employees Compensation and the Federal Tort Claims provisions of 28 U.S.C. (Public Law 88-452, August 20, 1964, Economic Opportunity Act of 1964)</p>
15. VA Doctor or Osteopath	<p>The Secretary of VA may make exception to the restrictions, when necessary, to meet special or emergency employment needs in DM&S resulting from a severe shortage of well-qualified candidates which otherwise cannot be readily met. (Public Law 98-528, October 19, 1984)</p>

Table 5-3. Civilian Positions Exempt From Dual Compensation Restrictions (Continued)

Type Position and/or Employing Agency	Explanation
16. Uniformed Services University of the Health Sciences	The Board of Regents may exempt, at any time, not more than two physicians if it is determined that such exemptions are necessary to recruit or retain well-qualified physicians for the University. An exemption granted under this section shall terminate upon any break in employment with the University by a physician of 3 days or more. The effective date of this exemption is the first day of the month after the month the exemption is granted.
17. Board of Governors of the Federal Reserve Board	The Federal Reserve Board is a "nonappropriated fund" instrumentality and the only such instrumentalities covered by the law are those of the Armed Forces. (<i>Denkler v. United States</i> , 782 F.2d 1003 (Fed. Cir. 1986) and Comp Gen Dec B-226074, June 3, 1988)
18. Contract for Health Services	Retired personnel are not subject to dual compensation restrictions when they enter into contracts with the government under the authority of 10 U.S.C. 1091 (Supp. IV 1986) to provide health care services (B-231565, Nov 14, 1988).
19. 1990 Decennial Census	Temporary Bureau of the Census employees carrying out the 1990 census of population are granted a 6-month exemption between August 16, 1989 and December 31, 1990. The period of this exemption is computed in the same manner as described in 5 U.S.C. 5532(a). However, any employee who was in a position subject to dual compensation restrictions immediately before being placed in the temporary position is not eligible for this exemption. On May 17, 1990 this exemption was revised to eliminate the 6-month limitation and grant exemption through December 31, 1990 to all temporary employees. Those employees whose 6-month exemption had expired were again exempt beginning with May 17, 1990. (Public Law 101-86 as amended by Public Law 101-293) (See exception B-244417, July 1, 1992)
20. National Civilian Community Corps	Members of the CCC's permanent cadre pursuant to Title 42, U.S.C., section 12619(c)(2), (Public Law 103-337, Section 640, October 5, 1994 and ASD (Force Management Policy) Memo, December 23, 1994)

Table 5-3. Civilian Positions Exempt From Dual Compensation Restrictions (Continued)

EXEMPT AMOUNT BASED ON COST-OF-LIVING INCREASES		
A	B	C
Effective Date	Percentage of Increase	Yearly Rate
December 1, 1964		\$2,000.00
September 1, 1965 (note 1)	4.4	2,088.00
December 1, 1966 (note 2)	3.7	2,074.00
April 1, 1968	3.9	2,154.89
February 1, 1969	4.0	2,241.09
Nov 1, 1969	5.3	2,359.87
August 1, 1970	5.6	2,492.02
June 1, 1971	4.5	2,604.16
July 1, 1972	4.8	2,729.16
July 1, 1973	6.1	2,895.64
January 1, 1974	5.5	3,054.90
July 1, 1974	6.3 (note 3)	3,247.36
January 1, 1975	7.3	3,484.42
August 1, 1975	5.1	3,662.13
March 1, 1976	5.4	3,859.89
March 1, 1977	4.8	4,045.16
September 1, 1977	4.3	4,219.10
March 1, 1978	2.4	4,320.36
September 1, 1978	4.9	4,532.06
March 1, 1979	3.9	4,708.81
September 1, 1979	6.9	5,033.72
March 1, 1980	6.0	5,335.74
September 1, 1980	7.7	5,746.59
March 1, 1981	4.4	5,999.40
March 1, 1982	8.7	6,521.39
April 1, 1983	3.3	6,736.60
	3.9 (note 4)	6,775.72
December 1, 1984	3.5 (note 4)	6,972.38
		7,012.87
December 1, 1986	1.3	7,104.04
December 1, 1987	4.2 (note 5)	7,402.41
	3.2 (note 6)	7,331.37
December 1, 1988	4.0 (note 5)	7,698.51
	3.0 (note 6)	7,551.31
December 1, 1989	4.7 (note 5)	8,060.34
	3.7 (note 6)	7,830.71
December 1, 1990	5.4 (note 5)	8,495.60
	4.4 (note 6)	8,175.26
December 1, 1991	3.7 (note 5)	8,809.94
	2.7 (note 6)	8,395.99
December 1, 1992	3.0 (note 5)	9,074.24
	2.0 (note 6)	8,563.91
December 1, 1993	2.6 (note 5)	9,310.17
	1.6 (note 6)	8,700.93
December 1, 1994	2.8 (note 5)	9,570.85
	1.8 (note 6)	8,857.55
December 1, 1995	2.6 (note 5)	9,819.69
	1.6 (note 6)	8,999.27
★December 1, 1996	2.9 (note 5)	10,104.46
	1.9 (note 6)	9,170.26

Table 5-4. Exempt Amount Based On Cost-Of-Living Increases

Notes:

1. The 4.4 percent cost-of-living index increase in retired pay authorized by Public Law 89-132, approved August 21, 1965 (79 Stat 545-548), increased the \$2,000 amount to \$2,088 a year (\$174 a month) effective September 1, 1965 for members entitled to retired pay computed on basic (A/D) pay rates authorized by laws in effect before September 1, 1965. Members who are entitled to retired pay based on A/D rates authorized by Public Law 89-132 are restricted to the \$2,000 amount plus one-half of the balance of their retired pay. See 45 Comp Gen 164.
2. In 46 Comp Gen 549 and 46 Comp Gen 575, it was held that the amount exempt from reduction for all members irrespective of the date of retirement would be \$2,074 effective December 1, 1966.
3. Because of an error in the Consumer Price Index for April 1974, the July 1974 cost-of-living increase was corrected from 6.4 percent to 6.3 percent. The dual compensation exemption amount was originally computed as \$270.87 monthly and \$3,250.41 yearly. No action is required to adjust the accounts that were reduced by the erroneous exempt amount for the period July 1, 1974 through December 31, 1974.
4. Under 5 U.S.C. 5532(b) and Section 301, Public Law 97-253, members who:
 - a. As of March 1, 1983 are under age 62, are entitled to retired pay on such date, and are holding a federal civilian position on April 1, 1983, are entitled to the exempt amount adjusted by 3.3 percent plus one-half the remainder of retired pay, if any; or
 - b. As of March 1, 1983 are age 62 or more, or military disability retirees who are entitled to retired pay and are holding a federal civilian position on April 1, 1983, are entitled to the exempt amount adjusted by 3.9 percent plus one-half the remainder of retired pay, if any.
 - c. As of December 1, 1984 are under age 62, are entitled to retired pay on such date and are holding a federal civilian position on Dec 1, 1984, are entitled to the exempt amount adjusted 3.5 percent to \$6,972.38 plus one-half the remainder of retired pay, if any; or
 - d. As of December 1, 1984 are age 62 or more, or military disability retirees who are entitled to retired pay and are holding a federal civilian position on December 1, 1984, are entitled to the exempt amount adjusted by 3.5 percent to \$7,012.87 plus one-half the remainder of retired pay, if any.
5. Applies to officers of the Regular Component who first became a member of a Uniformed Service before August 1, 1986.
6. Applies to officers of the Regular Component who first became a member of a Uniformed Service on or after August 1, 1986.

Table 5-4. Exempt Amount Based On Cost-Of-Living Increases (Continued)

FORMULA FOR COMPUTATION OF REDUCTION (ACT OF 1964)★					
A	B	C	D	E	F
Multiply	multiply	subtract	subtract	divide	divide
Monthly gross retired pay by 12 months (note 1)	monthly VA compensation by 12 months (note 2)	results of column B from results of column A	the yearly rate Act of 1964 column C, Table 5-4, from column C (or column A if no VA comp)(note 3)	results of column D by 2	results of column E by 12. This is the monthly reduction Act of 1964
EXAMPLES 1. 4,588.00 <u> x 12 </u> 55,056.00			55,056.00 <u>- 9,570.85</u> 45,485.15	<u>22,742.58</u> 2√45,485.15	<u>1,895.22</u> 12√22,742.58
2. 4,588.00 <u> x 12 </u> 55,056.00	170.00 <u> x 12 </u> 2,040.00	55,056.00 <u>-2,040.00</u> 53,016.00	53,016.00 <u>- 9,570.85</u> 43,445.15	<u>21,722.58</u> 2√43,445.15	<u>1,810.22</u> 12√21,722.58
3. 4,588.00 <u> x 12 </u> 55,056.00	790.00 <u> x 12 </u> 9,480.00	55,056.00 <u>-9,480.00</u> 45,576.00	45,576.00 <u>-9,570.85</u> 36,005.15	<u>18,002.58</u> 2√36,005.15	<u>1,500.22</u> 12√18,002.58

NOTES:

- Legend: Gross pay 4,588.00
SBP 171.43
VA Comp 170.00
VA Comp 790.00
- If member does not have VA Compensation, proceed to column D.
- Use the effective date Table 5-4, column A, to determine applicable yearly rate for computation.

Table 5-5. Formula for Computation of Reduction (Act of 1964)

FORMULA FOR COMPUTING TAXABLE RETIRED PAY WITH ACT OF 1964 AND PARTIAL TAXABLE RETIRED PAY						
R U L E	A	B	C	D	E	F
	If retired pay	subtract	subtract	Divide	subtract	multiply
1	is fully taxable	results of Table 5-5, column F, from gross monthly retired pay. Results equal taxable pay.				
2	is fully taxable with VA comp	results of Table 5-5, column F, from gross monthly retired pay	monthly VA comp from results column B. ★ Results equal taxable pay.			
3	is computed on years of service with disability pay	disability pay from gross monthly retired pay		results of column B by gross monthly retired pay; carry to 5, round to four decimal points	results of Table 5-5, column F, from monthly gross retired pay	results of column E by results of column D. Results equal taxable pay.
4	is computed on years of service with disability pay, VA comp	disability pay from gross monthly retired pay	monthly VA comp from gross monthly retired pay	results of column B by results of column C, carry to 5, round off to four decimal points	results of Table 5-5, column F, from results of column C	
5	is computed on years of service with disability pay, VA comp, and SBP	disability pay and cost of SBP from monthly retired pay	cost of SBP and VA comp from gross monthly retired pay			
6	is computed on years of service with disability pay	VA comp from gross monthly retired pay	results of Table 5-5, column F, from results of column B. Results equal taxable pay.			

Table 5-6. Formula for Computing Taxable Retired Pay With Act of 1964 and Partial Taxable Retired Pay

	A	B	C	D	E	F
	If retired pay is	subtract	subtract	divide	subtract	multiply
1	1,939.33 G.P.	1,939.33 - 801.12 1,138.21				
2	1,939.33 G.P. 139.00 V.A.	1,939.33 - 731.62 1,207.71	1,207.71 - 139.00 1,068.71			
3	1,939.33 G.P. 775.73 D.P.	1,939.33 - 775.73 1,163.60		$\frac{1,939.33}{1,163.60} = .6000$	1,939.33 - 801.12 1,138.21	1,138.21 $\times .60$ 682.93
4	1,939.33 G.P. 775.73 D.P. 139.00 V.A.	1,939.33 - 775.73 1,163.60	1,939.33 - 139.00 1,800.33	$\frac{1,800.33}{1,163.60} = .6463$	1,800.33 - 731.61 1,068.72	1,068.72 $\times .6463$ 690.71
5	1,939.33 G. P. 775.73 D. P. 139.00 V.A. 171.43 SBP	1,939.33 - 775.73 171.43 992.17	1,939.33 - 139.00 171.43 1,628.90	$\frac{1,628.90}{992.17} = .6091$	1,628.90 - 731.62 897.28	897.28 $\times .6091$ 546.53
6	1,939.33 G.P. 775.73 D.P. 790.00 V.A.	1,939.33 - 790.00 1,149.33	1,149.33 - 406.12 743.21			

Table 5-6. Formula For Computing Taxable Retired Pay With Act of 1964 and Partial Taxable Retired Pay- Examples (Continued)

DECISIONS OF THE COMPTROLLER GENERAL-CONFLICT OF INTEREST			
SUMMARY			
No.	Reference	Condition	Decision
1.	38 Comp Gen 470	Employment under a contract for personal services with a person who manufactures and/or sells supplies of war materials to military departments, but no personal connection with sales or promotion of sales, is not engaged in selling, contracting, or negotiating to sell.	Not considered in violation of 37 U.S.C. 801(c), as amended.
		Employment requires contact with military departments to promote goodwill.	Such activity will result in sales and is in violation, even though the actual sale is made by another employee of the firm or the sale was not a result of the contact.
2.	39 Comp Gen 366	Retiree signs a proposal and a contract for construction of air field improvements.	This is a violation even though retiree signed only as president of the firm.
3.	39 Comp Gen 751	Retiree contracts for and operates a concession on a military installation.	Not concerned with sale of anything to the Government; not a violation of 37 U.S.C. 801(c), (repealed by Public Law 103-355, October 13, 1994) as amended
4.	40 Comp Gen 511	Consultant to advise a military supplier concerning government needs and assist in designing and manufacturing products for current or future military need.	Not a violation as long as employee does not personally contact the military departments. If contact is made, there is a conflict of interest.
		Employee demonstrates and explains products to representatives of military.	Such activity is aimed at eventual sales and is a violation of statutes.
5.	41 Comp Gen 642	Operations manager, in which capacity employee continued sporadic contact with military.	A violation of statute.
6.	41 Comp Gen 677	Retiree negotiates a contract for shipment of household goods of military personnel which does not transfer ownership of the property to the government.	Such a contract is for performance of services only and does not represent a violation.
7.	41 Comp Gen 784	Retiree is executive of a firm which sells to the military. Vice president for sales reports to the executive.	No violation as long as executive does not sign a bid, proposal, or contract; negotiate a contract; contact the military; or perform liaison activities to promote sales.
8.	41 Comp Gen 799	Retiree performs analytical services for a firm selling to the military. Provides assistance, information, and advice, but does not engage in any activity to induce sales.	No violation unless other information indicates selling may be involved.

Table 5-7. Decisions of the Comptroller General-Conflict of Interest

SUMMARY			
No.	Reference	Condition	Decision
9.	42 Comp Gen 32	Employee engaged in contracting activities, but later removed himself from any connection with a bid being considered by the military.	Is a violation only for contracts the employee signed before self-removal from such activity.
10.	42 Comp Gen 87	Over-the-counter sales by a retired Regular officer as owner or representative of the firm. Sales to military not the result of bid, proposal, or contract.	No violation.
		Employment activity which repairs equipment, sells public utilities or meals to military installations.	No violation since these activities are regarded as service rather than sale of tangible property.
		Supervisor responsibility over the sales department or salespersons, but makes no contacts in person or otherwise with military customers.	No violation.
		Retiree maintains lines of communication with military, but has no authority to make sales or negotiate contracts.	No violation.
		Retiree analyzes and reports on legislative or executive agency programs, attends conventions or meetings with military.	No violation unless for the purpose of making sales.
		Retiree arranges for travel and lodging, appointments, and general assistance for a corporation's office in Washington, D.C.	No violation.
		Retiree manages a local office of a company doing business with the military.	Depends on the scope of the job.
		Public relations activities.	Depends on the scope of the job.
		Liaison activities with representatives of foreign governments.	No violation of 37 U.S.C. 801 (c).
11.	42 Comp Gen 236	Precontract discussions with military personnel.	Depends on the nature of the discussions.
		Employment in a consultant firm that represents companies engaged in contracting or selling to military.	No violation solely by reason of such employment as long as selling for the companies is not involved.
		Contacts at places other than government offices, including social gatherings, which are made for the purpose of selling.	A violation of statute.

Table 5-7. Decisions of the Comptroller General-Conflict of Interest (Continued)

SUMMARY			
No.	Reference	Condition	Decision
12.	43 Comp Gen 408	Contact with procurement and budget personnel of the military to discuss general trends.	A violation, but see 42 Comp Gen 236.
13.	49 Comp Gen 85	Manufacturer's representative for companies selling to the military. Obtain data from invitations to bid, pass along to manufacturers, monitor progress of the contract, act as intermediary between military and manufacturer.	Considered liaison activities prohibited by 37 U.S.C. 801 (c).
14.	53 Comp Gen 616	Sales representative making calls on military for the purpose of technical assistance, updating catalog materials, providing information on productions and determining future markets.	Considered participating in the procurement process for the purpose of selling and is in violation of statute.
15.	53 Comp Gen 753	Foreign government.	Violation of article 1, section 9, clause 8 of the Constitution of the United States.
16.	B-203079, March 22, 1982	Retiree demonstrates an employer's product to customers in the Army and Air Force Exchange Service stores, stocks store with employer's sales literature, and takes inventory of company's sales.	No violation of 37 U.S.C. 801(c) (repealed by Public Law 103-355, October 13, 1994).
		Employee visits exchange service stores to perform warranty repairs on employer's product.	No violation.
		Conducts a seminar for the purpose of explaining the use of products already procured by the agency or service.	No violation.
17.	B-217096, March 11, 1985	Retiree employed by a law firm incorporated in Virginia as a professional corporation, serving as legal counsel for Office of Saudi Military Attache, an instrumentality of foreign government.	Violation of article 1, section 9, clause 8 of the Constitution of the United States.
18.	68 Comp Gen 240	Retiree employed by a DoD contractor discussed changes in specifications of a contract by coordinating a mutually satisfactory technical solution to a problem.	No violation.
19.	B-231498, June 21, 1989	During the period when retiree was employed by Arabian Oil Company (ARAMCO), if the corporation was owned by a foreign government, then the restrictions would be violated and any claim from the violation may be waived under 10 U.S.C. 2774.	Violation of article 1, section 9, clause 8 of the Constitution of the United States.

Table 5-7. Decisions of the Comptroller General-Conflict of Interest (Continued)

FORMULA FOR COMPUTATION OF REDUCTION (ACT OF 1978)								
A	B	C	D	E	F	G	H	I
From	subtract	multiply	subtract (note 1)	divide	Add	add	subtract	divide
Monthly gross retired pay	monthly VA compensation	result of column B by 12 months	annual exempt amount 1964 Act	result by 2	Annual exempt amount	annual civilian salary to result from column F (note 2)	Executive Level V salary from result of column G	result from column H by 12 (note 3)

Example:

A.	\$ 4,588.00	Monthly gross retired pay						
B.	- 170.00	VA compensation						
	\$ 4,418.00	Reduced retired pay						
C.	x 12	Months						
	\$ 53,016.00	Annual retired pay						
D.	- 9,570.85	Annual exempt amount (1964 Act)						
E.	43,445.15	Remainder of retired pay						
	= 2							
	\$ 21,722.58							
						To adjust within a pay period:		
F.	+9,570.85	Exempt amount						
	\$ 31,293.43	Annual retired pay reduced by 1964 Act			=26 pay periods =	\$1,203.60 biweekly		
G.	+83,512.09	Annual civilian salary (note 2)			=26 pay periods =	\$3,212.00 biweekly		
	\$114,805.52					(note 4)		
	\$114,805.52	Annual combined salary			=26 pay periods =	\$4,415.60 biweekly		
H.	-108,200.00	Level V of the Executive Schedule			=26 pay periods =	\$4,161.54 biweekly		
I.	6,605.52	Annual pay in excess of Level V						
	= 12							
	\$ 550.46	Monthly reduction under Civil Service Reform Act of 1978 (note 3)				\$ 254.06 biweekly		

NOTES:

1. Delete steps in column D, E, and F for a Reservist or enlisted member not subject to the 1964 Act. Add result of column C to column G and proceed with column H.
2. The civilian salary equals the annual rate provided on the Standard Form 50 divided by 2,087 hours and multiplied by 2,080 (the actual number of hours a member is entitled to civilian salary) and divided by 26 pay periods.
3. If the result of column I in the example leaves an insufficient amount to cover the cost of the member's participation in any survivor benefit program, the pay cap deduction is recomputed with survivor benefit program, the pay cap deduction is recomputed with the cost of that program collected from the result of column F.
4. To adjust Leave Without Pay (LWOP), divide the biweekly civilian salary amount by 80 hours (or use the hourly rate as it appears on the employee's LES) and multiply the results by the number of LWOP hours taken within that biweekly period. The resultant adjustment in the retired pay reduction for the hours of LWOP (pay loss) cannot exceed the biweekly reduction under Civil Service Reform Act of 1978.

Table 5-8. Formula for Computation of Reduction (Act of 1978)

EXECUTIVE LEVEL V RATES	
January 11, 1979	\$47,500.00
October 1, 1979	\$50,112.50
January 1, 1982	\$57,500.00
December 18, 1982	\$63,800.00
January 1, 1984	\$66,400.00
January 1, 1985	\$68,700.00
January 1, 1987	\$70,800.00
February 8, 1987	\$72,500.00
January 1, 1989	\$75,500.00
January 1, 1990	\$78,200.00
January 1, 1991	\$101,300.00
January 1, 1992	\$104,800.00
January 1, 1993	\$108,200.00

Table 5-9. Executive Level V Rates

CHAPTER 6**FOREIGN CITIZENSHIP AFTER RETIREMENT****0601 GENERAL APPLICATION**

★060101. The right to retired pay based on years of active service or disability for Regular or Reserve officers and Regular enlisted personnel generally is contingent upon continuation of their military status; loss of citizenship is inconsistent with a continuation of that status.

060102. A member retains military status with the attendant obligation to conform to prescribed rules and regulations and to remain subject to recall to active duty.

A. Retired enlisted members of Regular Components are still considered to hold an office under the United States within the meaning of that term as used in the constitutional provision quoted in Chapter 5, paragraph 050501.

B. Retired Regular officers of the Armed Forces are still in the military service of the United States.

060103. Termination of such military status by loss of United States citizenship would operate to deprive these members of entitlement to retired pay.

060104. A recognized distinction exists between the term "retired" and "entitled to retired pay."

A. It is the law under which a member is retired or becomes entitled to retired pay that governs the member's "retired" status and fixes associated rights. The award of disability retirement pay to Army of the United States officers under section 5 of the Act of April 3, 1939 (reference (bh)), did not confer a retired status to such personnel but merely authorized their entitlement to retired pay without relation to continued military status.

B. The effect of a member's loss of United States citizenship upon payment of retired pay must be viewed in light of circumstances in the individual's case.

0602 FOREIGN RESIDENCE

A citizen of the United States may live outside the United States indefinitely without losing United States citizenship.

0603 LOSS OF UNITED STATES CITIZENSHIP

★060301. Generally, loss of citizenship requires a measure of voluntary positive action. A person who is a citizen of the United States loses that citizenship by voluntarily and intentionally relinquishing United States citizenship:

★A. Obtaining citizenship in a foreign state upon member's application or upon an application filed in member's behalf by a parent, guardian, or duly authorized agent; or

B. Taking an oath or making an affirmation or other formal declaration of allegiance to a foreign state or a political subdivision thereof.

060302. See Table 6-1 for decisions of the Comptroller General pertaining to loss of United States citizenship upon acquisition of foreign citizenship.

0604 CONDITIONS NOT SUBJECTED TO LOSS OF UNITED STATES CITIZENSHIP AND/OR LOSS OF ENTITLEMENT TO RETIRED PAY

060401. Retired pay benefits authorized for non-regular service members of the Uniformed Services in 10 U.S.C., Chapter 1223 (reference (c)) are viewed as a pension and entitlement to retired pay under 10 U.S.C. 12731 (reference (c)) is not dependent on the continuation of military status.

A. A member eligible to receive retired pay at age 60 who, before attaining age 60, acquires foreign citizenship and/or status in a foreign military service, does not lose entitlement to retired pay at age 60.

B. A member who receives retired pay pursuant to 10 U.S.C. 12731 (reference (c)) is not required to forfeit such pay upon becoming a citizen of a foreign country. Further, entitlement continues if the member enters the armed forces of the foreign country if the foreign country is not one that is engaged in hostile military operations against the United States.

★060402. A retired alien member of a Regular Component of the Armed Forces who lives in a foreign country does not lose the right to retired pay, in the absence of some provision of law or regulation affecting the member's right in such circumstances.

060403. A right to retirement pay for non-regular members retired for disability under the provisions of the Act of August 27, 1940 (reference (bi)), is not conditioned on their remaining in the military service. Therefore, these non-regular members are entitled to retirement pay without regard to whether they remain citizens of the United States, since that retired pay is viewed as being in the nature of a pension.

0605 DUAL CITIZENSHIP AND/OR SERVICE IN THE ARMED FORCES OF A FOREIGN COUNTRY

★060501. A retired member of a Regular Component, who resides in a foreign country and acquires foreign citizenship by operation of that country's law and who does not relinquish United States citizenship, is considered to have dual citizenship. Dual citizenship alone does not require a member to lose entitlement to retired pay.

060502. Service in the military force of a foreign country by a retired member of the Regular Component would be inconsistent with a Regular retired status, as well as being prohibited without congressional consent by article I, section 9, clause 8 of the Constitution (reference (bf)). Conditional congressional consent to accept foreign government "civil employment" granted by Section 509, Public Law 95-105 (reference (bg)) does not apply to foreign military service.

★060503. Retired pay must be discontinued when a retired member becomes a member of a foreign military service without authorizing legislation. See Chapter 5, section 0507, for provisions regarding service in military forces of newly democratic nations.

COMPTROLLER GENERAL DECISIONS-FOREIGN CITIZENSHIP	
Decision Number	Synopsis
1. 37 Comp Gen 207	The right of a retired member of Regular Navy to receive retired pay is contingent upon continuation of a status in the Regular Navy and loss of United States citizenship by a member is inconsistent with continuation of military status. Therefore, the right to retired pay terminates if a member of the Regular Navy becomes a citizen of a foreign country.
★2. 41 Comp Gen 715	<p>★ a. Retired Reserve officers, receiving retired pay under laws other than 10 U.S.C. 12731, who lose U.S. citizenship by acquiring foreign citizenship are no longer eligible for involuntary recall to active duty in times of war or national emergency, and the acquisition of foreign nationality would be inconsistent with the oath prescribed for Reserve officers to support and defend the Constitution of the United States in 5 U.S.C., section 16. Therefore, in the absence of any law authorizing continuation of an officer's membership in a Reserve organization after the officer becomes a citizen of a foreign country, payment of retired pay may not be approved.</p> <p>b. A Reserve officer may not terminate retired status through resignation or other means, then acquire foreign citizenship and continue to receive retired pay.</p> <p>c. Retired enlisted members of the Regular Components remain a part of the Armed Forces, and their right to retired or retirement pay is dependent on continuation of their military status.</p>
3. 44 Comp Gen 51	<p>a. A retired enlisted member of a Regular Component of the Armed Forces who loses United States citizenship when he or she acquires citizenship in a foreign country has taken a voluntary action so inconsistent with the oath of allegiance to the United States and status as a member of the Armed Forces to warrant termination of retired pay.</p> <p>b. United States citizenship is not a prerequisite to receipt of retired pay; however, if a citizen of the United States by birth acquires foreign citizenship, his or her retired pay may be terminated.</p>
★4. 44 Comp Gen 227	A retired member who voluntarily loses U.S. citizenship by becoming a citizen of a foreign country is regarded as having taken a voluntary action inconsistent with an oath of allegiance to the United States to warrant termination of retired pay.
5. 48 Comp Gen 699	Retired pay benefits authorized non-Regular service members under 10 U.S.C. 12731, viewed as a pension, are not dependent on continuation of military status. Member acquiring foreign citizenship and/or status in a foreign military service before age 60 does not lose entitlement to retired pay at age 60. Neither is retired pay forfeited upon becoming a citizen of a foreign country, and/or entry in the armed forces of a foreign country, provided that country is not one engaged in hostile military operations against the United States.
6. 50 Comp Gen 269	Payment of retired pay to an alien who chooses to live outside the United States after retirement would not constitute a bar to the receipt of retired pay in the absence of some provision of law or regulation affecting retiree's right in such circumstances.

Table 6-1. Comptroller General Decisions-Foreign Citizenship

Decision Number	Synopsis
7. MS Comp Gen B-144694, Feb 14, 1961	An enlisted member of the Regular Air Force-an alien who had met the statutory requirement for enlistment by filing a legal intention to become a citizen of the United States-when retired is entitled to receive retired pay. In the absence of a provision of law barring the payment of retired pay to an alien or indicating the lack of citizenship is consistent with status as a retired member of the Regular Air Force, it would appear that so long as member's allegiance status remains unchanged after retirement, the fact that he or she chooses to live outside the United States after retirement would not in and of itself constitute a bar to the receipt of retired pay.
8. MS Comp Gen B-157646, Oct 5, 1965	A naturalized citizen retired for disability under 10 U.S.C. 1201, who returned to the country of birth and resumes former nationality because of employment, loses retired status. Member receives retired pay, as distinguished from a grant of retirement pay, and upon transfer to the retired Reserve is subject to recall to active duty.
9. 58 Comp Gen 566	<p>a. A retired Regular Army officer residing in Israel acquired Israeli citizenship by operation of Israeli law, but also remains a United States citizen. While the loss of United States citizenship is inconsistent with status as a retired Regular officer and thus results in loss of status as an officer and loss of entitlement to retired pay, dual Israeli/United States citizenship alone does not require loss of entitlement to retired pay.</p> <p>b. A retired Regular Army officer residing in Israel who has dual Israeli/United States citizenship is subject to service in the Israel Defense Forces, the Israeli armed force. Such service in a foreign armed force by a retired Regular officer appears inherently inconsistent with the position as a Regular Army officer, as well as being prohibited (without congressional consent) by article I, section 9, clause 8 of the Constitution of the United States. Thus, service in the foreign armed force would make the status as a retired Army officer very doubtful. Retired pay may not be paid without authorizing legislation.</p>
10. MS Comp Gen B-212481, Feb 2, 1984	A retired member of the Armed Forces who becomes a citizen of a foreign country by naturalization and who voluntarily renounces United States citizenship loses the right to retired pay since entitlement to retired pay depends upon the continuation of the individual's status as a retired member of the military service available for service as required and that status is incompatible with renunciation of United States citizenship. However, such a person who elected to participate in the Survivor Benefit Plan and from whose retired pay the required deductions were being made for coverage under the plan when United States citizenship is renounced, may continue coverage under the plan by making the required payments into the U.S. Treasury.

Table 6-1. Comptroller General Decisions-Foreign Citizenship (Continued)

CHAPTER 7**RECOMPUTATION AFTER ADDITIONAL ACTIVE DUTY**0701 **GENERAL**

070101. A retiree is not entitled to receive retired pay upon recall to active duty. On release from active duty, a retiree is entitled to credit the additional time served on active duty for recomputation of retired pay, and may be eligible to receive:

A. Retired pay based on a higher grade to which advanced while on active duty;
or

B. Retired pay based on a disability incurred or aggravated while serving on active duty.

★070102. A member of the Armed Forces who first becomes a member of a Uniformed Service after September 7, 1980, and who has become entitled to retired or retainer pay and later serves on active duty (other than for training) is entitled to recomputation of retired pay per paragraph 070607, below, and Table 7-4, rules 2 and 4.

070103. As an exception to section 0703, below, and subject to the following criteria, a member of the Armed Forces shall have retired or retainer pay recomputed under the rates of basic pay in effect at the time of that release from active duty and increased by the amount by which the member's retired or retainer pay would have increased during the period beginning on the date of the member's release from active duty and ending on October 18, 1984

A. Was voluntarily called or ordered to active duty during the period beginning Oct 1, 1963, and ending Sep 30, 1971;

B. Was at the time of such call or order entitled to retired or retainer pay;

C. Served on such active duty under such call or order for a continuous period of at least 2 years; and

D. Was released from such active duty before October 1, 1973. . This provision applies to monthly retired and retainer pay payable beginning November 1984.

0702 COMPUTATION OF ADDITIONAL ACTIVE SERVICE

070201. The additional time spent on active duty after retirement either:

A. Increases the years of service for percentage and basic pay purposes for recomputing retired pay reversion.

	<u>YR</u>	<u>MO</u>	<u>DAY</u>
Date released from active duty	74	05	28
Date recalled to active duty	<u>71</u>	<u>09</u>	<u>09</u>
Additional time on active duty	02	08	20

(1 day added for inclusive dates)

Service credited upon retirement	22	06	03
Plus additional active duty	<u>02</u>	<u>08</u>	<u>20</u>
Service credited for recomputation	25	02	23

B. Increases the years of service for percentage purposes, as shown in subparagraph A, above, and the retired or retainer pay base for recomputing retired pay upon reversion for members who first become members after September 7, 1980.

0703 LENGTH OF TIME ON ACTIVE DUTY

070301. A retiree who serves on active duty after retirement for a continuous period of at least 2 years and returns to the retired list not by reason of disability is entitled to:

A. Retired pay recomputed under the rates of basic pay in effect upon release from active duty if the retiree received these rates for at least 2 years, see paragraph 070103, above, for exception; or

B. Retired pay recomputed under the basic pay rates in effect before the current basic pay rate if the retiree did not receive the current rate for at least 2 years, plus applicable cost-of-living increases; or

C. Retired pay computed using the basic pay rates under which the member's retired pay was computed when the member entered on active duty, plus applicable cost-of-living adjustments made under 10 U.S.C. 1401a (reference (c)) after the member first became entitled to that pay.

070302. A retiree who does not serve on active duty for at least 2 years is entitled to retired pay recomputed under the rates of basic pay under which retired pay was computed when the retiree entered on that active duty, plus applicable cost-of-living adjustments.

070303. A retiree who reverts to retired status with a disability rating of 30 percent or more is entitled to recomputation of retired pay per paragraph 070603, below.

0704 APPLICABLE BASIC PAY RATES

070401. See Tables 7-1 and 7-3 for basic pay rates and cost-of-living adjustment percentages to use when a retiree reverts and is entitled to retired pay based on service.

070402. See Tables 7-2 and 7-3 for basic pay rates and cost-of-living adjustment percentages to use when a retiree reverts with a disability rating of 30 percent or more.

070403. See the provisions of 10 U.S.C. 1401a(f) (the Tower Amendment) (reference (c)) (Chapter 3, section 0303) to determine if basic pay rates authorized under that provision afford greater retired pay entitlement than the basic pay rates in Tables 7-1 and 7-2.

070404. See paragraph 070103, above, for certain recalled members who may receive retired or retainer pay recomputed using the current basic pay rate upon release from active duty although the member had not received the rate at least 2 years.

0705 GRADES AUTHORIZED FOR RECOMPUTATION

070501. A retiree advanced in grade on the retired list while serving on active duty after retirement may decline advancement to the higher grade upon release from active duty if advancement results in a reduction in retired pay entitlement. The retiree is entitled to:

A. Recomputation at the higher grade based on the basic pay rates applicable at the time of retirement increased by an applicable adjustment in that pay, (see Chapter 8) or,

B. Recomputation at the grade held before advancement based on the basic pay rates replaced by those in effect upon release from active duty if active duty after retirement was for a continuous period of at least 2 years.

070502. It is not mandatory that a retiree be advanced on the retired list. The retiree is "entitled" to be advanced, if the retiree so chooses. Once advanced, the retiree has retired pay rights determined under the section governing such advancement.

070503. A retired officer recalled to active duty (other than for training) in the grade held on the retired list, under former 10 U.S.C. 6150 (reference (c)) (repealed), or under any other law that authorized advancement on the retired list based on a special commendation for the performance of duty in actual combat, may have retired pay recomputed upon release from active duty based on that grade; and,

A. As prescribed in Table 7-4, rule 1, and

B. On the basis of the rates in effect upon release from active duty if the retiree received these rates for a continuous period of at least 3 years; or

C. On the basis of the rates replaced by those in effect upon release from active duty if the retiree did not receive the current rates for a continuous period of at least 3 years.

070504. A retiree recalled to active duty after retirement and promoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either

A. The higher grade to which promoted in which the retiree served satisfactorily; or

B. The lower grade held at initial retirement.

070505. A retiree recalled to active duty after retirement and demoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either

A. The grade to which demoted; or

B. The pay to which entitled in the grade held at initial retirement.

0706 RECOMPUTATION OF ENTITLEMENT

★070601. A member of the Armed Forces entitled to retired pay, who thereafter serves on active duty (other than for training) and who does not incur a disability of at least 30 percent, is entitled to recomputation of retired pay upon release from active duty per Table 7-4, rules 1 or 2. (See Figures 7-1 and 7-2.)

070602. A member of the Armed Forces is entitled, upon release from active duty, to retired pay, as specified in paragraph 070604, below, if he or she:

A. Retired other than for physical disability; and

B. While on active duty incurs a physical disability of at least 30 percent for which the member would be otherwise eligible for disability retired pay.

070603. A member of the Armed Forces is entitled upon release from active duty, to recomputation of retired pay, per paragraph 070604, below, if he or she:

A. Retired for temporary disability or on the Temporary Disability Retired List (TDRL); and

B. Incurs, while on active duty after his or her name was placed on that list, an additional physical disability or one that aggravates the original physical disability; and

C. Is qualified for temporary or permanent disability retirement

070604. A member of the Armed Forces covered by paragraph 070602 or 070603, above, may elect to receive either:

A. The retired pay to which entitled when the member retired, increased by applicable adjustments in that pay, as specified in, Chapter 8, after the member first became entitled to that pay; or

B. Retired pay computed per Table 7-4, rule 2.

070605. A retiree covered by paragraph 070602 or 070603, above, who is promoted to a higher grade in which he or she serves satisfactorily (as determined by the Secretary concerned) while on active duty after retirement or after member's name was placed on the TDRL, is entitled to retired pay of the grade in which:

A. The member would be eligible to retire if retiring upon that release from active duty in that higher grade; or

B. The member would be eligible to transfer to the FR/FMCR if transferring upon that release from active duty.

070606. Notwithstanding paragraph 070601, above, a retiree covered by that paragraph may elect, upon release from active duty, to have retired pay:

A. Recomputed according to the formula in Table 7-4, rule 1, but using the rate of basic pay under which retired pay was computed when the member entered on active duty; and

B. Increased by any applicable adjustments in that pay as specified in Chapter 8, after the member first became entitled to that pay.

070607. A member of the Armed Forces who first became a member of a Uniformed Service after September 7, 1980, and who has become entitled to retired or retainer pay and thereafter serves on active duty (other than for training) is entitled to have retired pay:

A. Recomputed according to the formula in Table 7-4, rule 2, but using the retired pay to which the member became entitled upon retirement, and

B. Increased by any applicable adjustments in that pay under 10 U.S.C. 1401a (reference (c)) after the member initially became entitled to that pay.

0707 HEROISM PAY. See Chapter 1, section 0107.

Retired 7/1/63 10 U.S.C. 6323

O-5 @ 775.00 (6/58 BP O-5 over 22 years)

24-6-23

OAD 7/6/68 - 6/30/70 (1-11-25)

O-5 @ 1363.50 (1/70 BP O-5 over 22 years)

26-6-18

Saved Pay

2-1/2% x 25 yrs = 62-1/2%

62-1/2% x 775.00 = 484.38

(6/58 BP O-5 over 22 yrs)

62-1/2% x 885.00 = 553.13

(10/63 BP O-5 over 22 yrs)

+ 4.4% = 577.47

+ 3.7% = 598.84

+ 3.9% = 622.19

+ 4.0% = 647.08

+ 5.3% = 681.38

+ 5.6% = 719.54

10 U.S.C. 1402(a) and (e)

10/63 BP O-5 over 22 yrs

2-1/2% x 27 yrs = 67-1/2%

67-1/2% x 885.00 = 597.38

+ 4.4% = 623.66

+ 3.7% = 646.74

+ 3.9% = 671.96

+ 4.0% = 698.84

+ 5.3% = 735.88

+ 5.6% = 777.09

For grade O-5 with "over 22 yrs" this is the maximum pay allowable.

Figure 7-1. Recomputation Upon Reversion (After Serving on Active Duty)

Transferred to the Fleet Reserve 8/14/59

BP 19-6-5

E-8 @ 360.00 (6/58 BP E-8 over 18 yrs)PCT 19-11-10

OAD 11/16/66 - 3/16/71 (4-4-1)

BP 23-10-6

E-9 @ 975.00 (1/71 BP E-9 over 26 yrs)PCT 24-3-11

Promoted from E-8 to E-9 2/16/69

Transferred to the Retired List 10/1/69

Saved Pay

6/58 BP E-8 over 20 yrs				6/58 BP E-9 over 20 yrs			
2-1/2% x 20 yrs	=	50%		2-1/2% x 20 yrs	=	50%	
50% x 370.00	=	185.00		50% x 430.00	=	215.00	
+ 5.0%	=	194.25		+ 5.0%	=	225.75	
+ 4.4%	=	202.80		+ 4.4%	=	235.68	
+ 3.7%	=	210.30		+ 3.7%	=	244.40	
+ 3.9%	=	218.50		+ 3.9%	=	253.93	
+ 4.0%	=	227.24		+ 4.0%	=	264.09	
+ 5.3%	=	239.28		+ 5.3%	=	278.09	
+ 5.6%	=	252.68		+ 5.6%	=	293.66	
+ 4.5%	=	264.05		+ 4.5%	=	306.87	

10 U.S.C. 1402(a)

1/70 BP E-8 over 22 yrs				1/70 BP E-9 over 22 yrs			
2-1/2% x 24 yrs	=	60%		2-1/2% x 24 yrs	=	60%	
60% x 726.30	=	435.78		60% x 823.50	=	494.10	
+ 2.5%	=	446.67		+ 2.5%	=	506.45	
+ 4.5%	=	466.77		+ 4.5%	=	529.24	

10 U.S.C. 1402(e)

6/58 BP E-8 over 22 yrs				6/58 BP E-9 over 22 yrs			
2-1/2% x 24 yrs	=	60%		2-1/2% x 24 yrs	=	60%	
60% x 380.00	=	228.00		60% x 440.00	=	264.00	
+ 3.7%	=	236.44		+ 3.7%	=	273.77	
+ 3.9%	=	245.66		+ 3.9%	=	284.45	
+ 4.0%	=	255.49		+ 4.0%	=	295.83	
+ 5.3%	=	269.03		+ 5.3%	=	311.51	
+ 5.6%	=	284.10		+ 5.6%	=	328.95	
+ 4.5%	=	296.88		+ 4.5%	=	343.75	

Figure 7-2. Recomputation Upon Reversion (Transfer to Fleet Reserve or FMC)

SERVICE REVERT - RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH AT LEAST 2 YEARS OF ACTIVE SERVICE AFTER RECALL)						
R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recompu- tation is	increased by cost-of-living adjustment applicable at time of recomputation	and apply later cost-of-living adjustment per Table 7-3, rule (note 5)
1	Oct 1, 63-Aug 31, 64	Oct 1, 63	Jun 1, 58	Jun 1, 58		1 through end.
2	Sep 1, 64-Aug 31, 65	Sep 1, 64	Oct 1, 63	Oct 1, 63		
3	Sep 1, 65-Jun 30, 66	Sep 1, 65	Sep 1, 64	Sep 1, 64	4.4	2 through end.
4	Jul 1, 66-Nov 30, 66	Jul 1, 66	Sep 1, 65	Sep 1, 65		3 through end.
5	Dec 1, 66-Sep 30, 67			Sep 1, 65 (note 1)	3.7	
6	Oct 1, 67-Dec 15, 67					
7	Dec 16, 67-Mar 31, 68					
8	Apr 1, 68-Jun 30, 68	Jul 1, 68	Oct 1, 67	Jul 1, 66	3.7 + 3.9	4 through end.
9	Jul 1, 68-Jan 31, 69			Oct 1, 67 (note 2)	1.3	5 through end.
10	Feb 1, 69-Jun 30, 69			Oct 1, 67 (note 3)	1.3 + 4.0	
11	Jul 1, 69-Oct 31, 69			Jul 1, 68	2.1	
12	Nov 1, 69-Apr 14, 70				2.1 + 5.3	6 through end.
13	Apr 15, 70-Jul 31, 70	Apr 15, 70	Jul 1, 69	Jul 1, 69	.9	7 through end.
14	Aug 1, 70-Jan 1, 71				.9 + 5.6	
15	Jan 2, 71-May 31, 71			Apr 15, 70	2.5	
16	Jun 1, 71-Sep 30, 71				2.5 + 4.5	8 through end.
17	Oct 1, 71-Dec 31, 71	Oct 1, 71	Jan 1, 71	Jan 1, 71	.6	
18	Jan 1, 72-Jun 30, 72	Jan 1, 72	Oct 1, 71	Oct 1, 71		Apply 1.7% on Jul 1, 72 then 9 through end.
19	Jul 1, 72-Sep 30, 72				1.7	9 through end.

**Table 7-1. Service Revert - Rates of Entitlement Upon Reversion to Retired List
(10 U.S.C. 1402) With at Least 2 Years of Active Service After Recall)**

R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is (note 4)	increased by cost-of-living adjustment applicable at time of recomputation	and apply later cost-of-living adjustment per Table 7-3, rule (note 5)
20	Oct 1, 72-Jun 30, 73	Oct 1, 72	Jan 1, 72	Jan 1, 72	1.0	9 through end.
21	Jul 1, 73-Sep 30, 73				1.0 + 6.1	10 through end.
22	Oct 1, 73-Dec 31, 73	Oct 1, 73	Oct 1, 72	Oct 1, 72	3.6	11 through end.
23	Jan 1, 74-Jun 30, 74				3.6 + 5.5	
24	Jul 1, 74-Sep 30, 74				3.6 + 5.5 + 6.3	
25	Oct 1, 74-Dec 31, 74	Oct 1, 74	Oct 1, 73	SP Oct 1, 72		12 through end.
26	Jan 1, 75-Jul 31, 75				3.6+5.5+6.3+7.3	
27	Aug 1, 75-Sep 30, 75				3.6+5.5+6.3+7.3+5.1	
28	Oct 1, 75-Feb 29, 76	Oct 1, 75	Oct 1, 74	SP Oct 1, 73	6.2+7.3+5.1	13 through end.
29	Mar 1, 76-Sep 30, 76				6.2+7.3+5.1+5.4	
30	Oct 1, 76-Feb 28, 77	Oct 1, 76	Oct 1, 75	SP Oct 1, 74	5.0+5.4	14 through end.
31	Mar 1, 77-Aug 31, 77				5.0+5.4+4.8	
32	Sep 1, 77-Sep 30, 77				5.0+5.4+4.8+4.3	
33	Oct 1, 77-Feb 28, 78	Oct 1, 77	Oct 1, 76	SP Oct 1, 75	1.7+4.8+4.3	15 through end.
34	Mar 1, 78-Aug 31, 78				1.7+4.8+4.3+2.4	
35	Sep 1, 78-Sep 30, 78				1.7+4.8+4.3+2.4+4.9	
36	Oct 1, 78-Feb 28, 79	Oct 1, 78	Oct 1, 77	SP Oct 1, 76	5.3+2.4+4.9	16 through end.
37	Mar 1, 79-Aug 31, 79				5.3+2.4+4.9+3.9	
38	Sep 1, 79-Sep 30, 79				5.3+2.4+4.9+3.9+6.9	

**Table 7-1. Service Revert-Rates of Entitlement Upon Reversion to Retired List
(10 U.S.C. 1402) (With at Least 2 Years of Active Service After Recall) (Continued)**

R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is (note 4)	increased by cost-of-living adjustment applicable at time of recomputation	and apply later cost-of-living adjustment per Table 7-3, rule (note 5)
39	Oct 1, 79-Feb 29, 80	Oct 1, 79	Oct 1, 78	SP Oct 1, 77	6.1+3.9+6.9	21 through end.
40	Mar 1, 80-Aug 31, 80				6.1+3.9+6.9+6.0+7.7	22 through end.
41	Sep 1, 80-Sep 30, 80				6.1+3.9+6.9+6.0+7.7	23 through end.
42	Oct 1, 80-Feb 28, 81	Oct 1, 80	Oct 1, 79	SP Oct 1, 78	8.9+6.0+7.7	24 through end.
43	Mar 1, 81-Sep 30, 81				8.9+6.0+7.7+4.4	
44	Oct 1, 81-Feb 28, 82 (note 6)	Oct 1, 81	Oct 1, 80	SP Oct 1, 79	10.8+4.4	25 through end.
45	Mar 1, 82-Sep 30, 82 (note 6)				10.8+4.4+8.7	
46	Oct 1, 82-Mar 31, 83 (note 7)				2.7+8.7	
47	Apr 1, 83-Sep 23, 83	Oct 1, 82	Oct 1, 81	SP Oct 1, 80	2.7+8.7+3.3/3.9	26 through end.
48	Sep 24, 83-Dec 31, 83			Oct 1, 81	.7+3.3/3.9	
49	Jan 1, 84-Nov 30, 84			Oct 1, 82	Oct 1, 82	
50	Dec 1, 84-Dec 31, 84	3.5	27 through end.			
51	Jan 1, 85-Sep 30, 85	Jan 1, 85		Jan 1, 84	Jan 1, 84	2.8
52	Oct 1, 85-Nov 30, 86	Oct 1, 85		Jan 1, 85	Jan 1, 85	
53	Dec 1, 86-Dec 31, 86		1.3			
54	Jan 1, 87-Nov 30, 87	Jan 1, 87	Oct 1, 85	Oct 1, 85		29 through end.
55	Dec 1, 87-Dec 31, 87				4.2	
56	Jan 1, 88-Nov 30, 88	Jan 1, 88	Jan 1, 87	Jan 1, 87	3.7	

Table 7-1. Service Revert-Rates of Entitlement Upon Reversion to Retired List (10 U.S.C. 1402) (With at Least 2 Years of Active Service After Recall) (Continued)

R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is (note 4)	increased by cost-of-living adjustment applicable at time of recomputation	and apply later cost-of-living adjustment per Table 7-3, rule (note 5)
57	Dec 1, 88-Dec 31, 88	Jan 1, 88	Jan 1, 87	Jan 1, 87	3.7+4.0	30 through end.
58	Jan 1, 89-Nov 30, 89	Jan 1, 89	Jan 1, 88	Jan 1, 88	3.2	
59	Dec 1, 89-Dec 31, 89				3.2+4.7	31 through end.
60	Jan 1, 90-Nov 30, 90	Jan 1, 90	Jan 1, 89	Jan 1, 89	3.6	
61	Dec 1, 90-Dec 31, 90				3.6+5.4	32 through end.
62	Jan 1, 91-Nov 30, 91	Jan 1, 91	Jan 1, 90	Jan 1, 90	4.4	
63	Dec 1, 91-Dec 31, 91				4.4+3.7	33 through end.
64	Jan 1, 92-Nov 30, 92	Jan 1, 92	Jan 1, 91	Jan 1, 91	2.0	
65	Dec 1, 92-Dec 31, 92				2.0+3.0	34 through end
66	Jan 1, 93-Nov 30, 93	Jan 1, 93	Jan 1, 92	Jan 1, 92	2.3	
67	Dec 1, 93-Dec 31, 93				2.3 + 2.6	35 through end
68	Jan 1, 94-Nov 30, 94	Jan 1, 94	Jan 1, 93	Jan 1, 93	1.9	
69	Dec 1, 94-Dec 31, 94				1.9 + 2.8	36 through end
70	Jan 1, 95-Nov 30, 95	Jan 1, 95	Jan 1, 94	Jan 1, 94	2.2	
★71	Dec 1, 95-Dec 31, 95				2.2 + 2.6	37 through end
★72	Jan 1, 96-Nov 30, 96	Jan 1, 96	Jan 1, 95	Jan 1, 95	2.0	37 through end
★73	Dec 1, 96-Dec 31, 96				2.0 + 2.9	--
★74	Jan 1, 97 -	Jan 1, 97	Jan 1, 96	Jan 1, 96	2.5	--

**Table 7-1. Service Revert-Rates of Entitlement Upon Reversion to Retired List
(10 U.S.C. 1402) (With at Least 2 Years of Active Service After Recall) (Continued)**

NOTES:

1. See 48 Comp Gen 398.
2. See 50 Comp Gen 232.
3. See 48 Comp Gen 204.
4. If member was first retired on or after Oct 1, 1967, was recalled to active duty on or after Oct 1, 1967, and reverted to retired status, the provision of 10 U.S.C. 1401a(e) may be applied (52 Comp Gen 469). However, 10 U.S.C. 1401a(e) was repealed by Public Law 98-94, Sep 24, 1983. (See paragraph 030203.)
5. If member was initially retired on or after Oct 1, 1983, the amount computed, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. Any future adjustments to such pay must be made on the rounded figure. Retired pay of members retired on Sep 30, 1983 will not be rounded until there is an adjustment under 10 U.S.C. 1401a; then, and with each subsequent adjustment, the amount adjusted, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. The rounded amount becomes the member's entitlement and any future adjustments shall be based on this rounded entitlement.
6. Public Law 97-92 established new rates for Executive Level V personnel effective Jan 1, 1982, which permitted an increase in the maximum amount payable for grades O-7, O-8, O-9, and O-10. Members received a .7 percent cost-of-living adjustment effective Mar 1, 1982, and rule 25 through end from Table 7-3.
7. Public Law 97-377 permitted an increase in the maximum amount payable for Executive Level V personnel effective Dec 18, 1982. Grades O-8, O-9, and O-10 were affected. Members received cost-of-living adjustment under Table 7-3, rule 26 through end.
- ★8. See, Chapter 8, section 0804 for the applicable first cost-of-living adjustment for members who enter a Uniformed Service after Jul 31, 1986, or before Aug 1, 1986 and whose retired pay is computed using a retired pay average (high 36 month pay average).
- ★9. Members who enter a Uniformed Service on or after August 1, 1986 receive the difference between the full cost-of-living adjustment and 1% vice the full cost-of-living adjustment shown on Table 7-3.

**Table 7-1. Service Revert-Rates of Entitlement Upon Reversion to Retired List
(10 U.S.C. 1402) (With at Least 2 Years of Active Service After Recall) (Continued)**

DISABILITY REVERT - RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH DISABILITY OF AT LEAST 30 PERCENT AFTER RECALL)						
R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is	increased by cost- of-living adjustment applicable at time of recomputation	and apply later cost-of- living adjustment per Table 7-3, rule
1	Oct 1, 63- Aug 31, 64	Oct 1, 63	Oct 1, 63	Oct 1, 63		1 through end.
2	Sep 1, 64- Aug 31, 65	Sep 1, 64	Sep 1, 64	Sep 1, 64		2 through end.
3	Sep 1, 65- Jun 30, 66	Sep 1, 65	Sep 1, 65	Sep 1, 65		
4	Jul 1, 66- Nov 30, 66	Jul 1, 66	Jul 1, 66	Jul 1, 66		
5	Dec 1, 66- Sep 30, 67					
6	Oct 1, 67- Nov 15, 67	Oct 1, 67		Jul 1, 66 (note 1)		
7	Dec 16, 67- Mar 31, 68		Oct 1, 67	Oct 1, 67		apply 1.3 % on Apr 1, 68 then 4 through end.
8	Apr 1, 68- Jun 30, 68				1.3	4 through end.
9	Jul 1, 68- Jan 31, 69	Jul 1, 68	Jul 1, 68	Jul 1, 68		apply 2.1% on Feb 1, 69 then 5 through end.
10	Feb 1, 69- Jun 30, 69				2.1	5 through end.
11	Jul 1, 69- Oct 31, 69	Jul 1, 69	Jul 1, 69	Jul 1, 69		apply .9% on Nov 1, 69 then 6 through end.
12	Nov 1, 69- Apr 14, 70				.9	6 through end.
13	Apr 15, 70- Jul 31, 70	Jan 1, 70- Apr 15, 70	Jan 1, 70- Apr 15, 70	Apr 15, 70		apply 2.5% on Aug 1, 70 then 7 through end.

**Table 7-2. Disability Revert - Rates of Entitlement Upon Reversion to Retired List
(10 U.S.C. 1402) (With Disability of at Least 30 Percent After Recall)**

R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is	increased by cost-of-living adjustment applicable at time of recomputation	and apply later cost-of-living adjustment per Table 7-3, rule
14	Aug 1, 70- Dec 31, 70	Jan 1, 70- Apr 15, 70	Jan 1, 70- Apr 15, 70	Apr 15, 70	2.5	7 through end.
15	Jan 1, 71- May 31, 71	Jan 1, 71	Jan 1, 71	Jan 1, 71		apply .6% on Jun 1, 71 then 8 through end.
16	Jun 1, 71- Sep 30, 71				.6	8 through end.
17	Oct 1, 71- Dec 31, 71	Oct 1, 71	Oct 1, 71	Oct 1, 71		if receiving pay on Oct 1, 71 increased rate apply 1.7% on Jul 1, 72 then 9 through end.
18	Jan 1, 72- Jun 30, 72	Jan 1, 72	Jan 1, 72	Jan 1, 72		if receiving pay on Jan 1, 72 increased rate apply 1.0% on Jul 1, 72 then 9 through end.
19	Jul 1, 72- Sep 30, 72				1.0	9 through end.
20	Oct 1, 72- Jun 30, 73	Oct 1, 72	Oct 1, 72	Oct 1, 72		apply 3.6% on Jul 1, 73 then 10 through end.
21	Jul 1, 73- Sep 30, 73				3.6	10 through end.
22	Oct 1, 73- Dec 31, 73	Oct 1, 73	Oct 1, 73	Oct 1, 73		change to Oct 1, 72 saved pay on Jan 1, 74 then apply 3.6% then 10 through end.
23	Jan 1, 74- Jun 30, 74			SP Oct 1, 72	3.6 + 5.5	11 through end.
24	Jul 1, 74- Sep 30, 74				3.6 + 5.5 + 6.3	12 through end.
25	Oct 1, 74- Dec 31, 74	Oct 1, 74	Oct 1, 74	SP Oct 1, 73	6.2	13 through end.

Table 7-2. Disability Revert - Rates of Entitlement Upon Reversion to Retired List (10 U.S.C. 1402) (With Disability of at Least 30 Percent After Recall) (Continued)

R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is	increased by cost-of-living adjustment applicable at time of recomputation	and apply later cost-of-living adjustment per Table 7-3, rule
26	Jan 1, 75-Jul 31, 75	Oct 1, 74	Oct 1, 74	SP Oct 1, 73	6.2 + 7.3	13 through end.
27	Aug 1, 75-Sep 30, 75				6.2 + 7.3 + 5.1	14 through end.
28	Oct 1, 75-Feb 29, 76	Oct 1, 75	Oct 1, 75	SP Oct 1, 74	5.0	
29	Mar 1, 76-Sep 30, 76				5.0 + 5.4	15 through end.
30	Oct 1, 76-Feb 28, 77	Oct 1, 76	Oct 1, 76	Oct 1, 76		Recompute Mar 1, 77 on Oct 1, 75 plus cost-of-living adjustment 1.7 + 4.8 and 16 through end.
31	Mar 1, 77-Aug 31, 77			SP Oct 1, 75	1.7 + 4.8	16 through end.
32	Sep 1, 77-Sep 30, 77				1.7 + 4.8 + 4.3	17 through end.
33	Oct 1, 77-Feb 28, 78	Oct 1, 77	Oct 1, 77	Oct 1, 77		Recompute Mar 1, 78 on Oct 1, 76 plus cost-of-living adjustment 5.3 + 2.4 and 18 through end.
34	Mar 1, 78-Aug 31, 78	Oct 1, 77	Oct 1, 77	SP Oct 1, 76	5.3 + 2.4	18 through end.
35	Sep 1, 78-Sep 30, 78				5.3 + 2.4 + 4.9	19 through end.
36	Oct 1, 78-Feb 28, 79	Oct 1, 78	Oct 1, 78	Oct 1, 78	6.1	
37	Mar 1, 79-Aug 31, 79			SP Oct 1, 77	6.1 + 3.9	20 through end.

Table 7-2. Disability Revert - Rates of Entitlement Upon Reversion to Retired List (10 U.S.C. 1402) (With Disability of at Least 30 Percent After Recall) (Continued)

	A	B	C	D	E	F
R U L E	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is	increased by cost-of-living adjustment applicable at time of recomputation	and apply later cost-of- living adjustment per Table 7-3, rule
38	Sep 1, 79- Sep 30, 79	Oct 1, 78	Oct 1, 78	SP Oct 1, 77	6.1 + 3.9 + 6.9	21 through end.
39	Oct 1, 79- Feb 29, 80	Oct 1, 79	Oct 1, 79	Oct 1, 79	8.9	
40	Mar 1, 80- Aug 31, 80			SP Oct 1, 78	8.9 + 6.0	
41	Sep 1, 80- Sep 30, 80				8.9 + 6.0 + 7.7	
42	Oct 1, 80- Feb 28, 81	Oct 1, 80	Oct 1, 80	Oct 1, 80		Recompute Mar 1, 81 on Oct 1, 79 plus cost-of-living adjustment 10.8 + 4.4 and 24 through end.
43	Mar 1, 81- Sep 30, 81			SP Oct 1, 79	10.8 + 4.4	24 through end.
44	Oct 1, 81- Feb 28, 82	Oct 1, 81	Oct 1, 81	Oct 1, 81	.7 (note 2)	0.7 (note 2) and 25 through end.
45	Mar 1, 82- Sep 30, 82					25 through end.
46	Oct 1, 82- Mar 31, 83	Oct 1, 82	Oct 1, 82	Oct 1, 82		Recompute Apr 1, 83 on Oct 1, 81 plus cost-of-living adjustment .7 and 25 through end (note 3).
47	Apr 1, 83- Dec 31, 83			SP Oct 1, 81	.7 + 3.9 (note 3)	26 through end.
48	Jan 1, 84- Nov 30, 84	Jan 1, 84	Jan 1, 84	Jan 1, 84		2.8 and 27 through end.
49	Dec 1, 84- Dec 31, 84				2.8	27 through end.

**Table 7-2. Disability Revert - Rates of Entitlement Upon Reversion to Retired List
(10 U.S.C. 1402) (With Disability of at Least 30 Percent After Recall) (Continued)**

R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is	increased by cost-of-living adjustment applicable at time of recomputation	and apply later cost-of- living adjustment per Table 7-3, rule
50	Jan 1, 85- Sep 30, 85	Jan 1, 85	Jan 1, 85	Jan 1, 85		27 through end.
51	Oct 1, 85- Nov 30, 86	Oct 1, 85	Oct 1, 85	Oct 1, 85		27 through end (note 4).
52	Dec 1, 86- Dec 31, 86				1.3	28 through end.
53	Jan 1, 87- Nov 30, 87	Jan 1, 87 (note 5)	Jan 1, 87	Jan 1, 87		3.7 (see para 080463 for post- Aug 86 mbr) and 29 through end.
54	Dec 1, 87 Dec 31, 87				3.7 (see para 080463 for post-Aug 86 mbr)	29 through end.
55	Jan 1, 88- Nov 30, 88	Jan 1, 88	Jan 1, 88	Jan 1, 88		3.2 (see para 080465 for post- Aug 86 mbr) and 30 through end.
56	Dec 1, 88- Dec 31, 88				3.2 (see para 080465 for post-Aug 86 mbr)	30 through end.
57	Jan 1, 89- Nov 30, 89	Jan 1, 89	Jan 1, 89	Jan 1, 89		3.6 (see para 080467 for post- Aug 86 mbr) and 31 through end.
58	Dec 1, 89- Dec 31, 89				3.6 (see para 080467 for post-Aug 86 mbr)	31 through end.
59	Jan 1, 90- Nov 30, 90	Jan 1, 90	Jan 1, 90	Jan 1, 90		4.4 (see para 080469 for post- Aug 86 mbr) and 32 through end.

**Table 7-2. Disability Revert - Rates of Entitlement Upon Reversion to Retired List
(10 U.S.C. 1402) (With Disability of at Least 30 percent After Recall) (Continued)**

R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is	increased by cost- of-living adjustment applicable at time of recomputation (note 6)	and apply later cost-of- living adjustment per Table 7-3, rule (notes 6, 7)
60	Dec 1, 90- Dec 31, 90	Jan 1, 90	Jan 1, 90	Jan 1, 90	4.4 (see para 080469 for post-Aug 86 mbr)	32 through end.
61	Jan 1, 91- Nov 30, 91	Jan 1, 91	Jan 1, 91	Jan 1, 91		2.0 (see para 080471 for post- Aug 86 mbr) and 33 through end.
62	Dec 1, 91- Dec 31, 91				2.0 (see para 080471 for post-Aug 86 mbr)	33 through end.
63	Jan 1, 92- Nov 30, 92	Jan 1, 92	Jan 1, 92	Jan 1, 92		2.3 (see para 080474 for post- Aug 86 mbr) and 34 through end.
64	Dec 1, 92- Dec 31, 92				2.3 (see para 080474 for post-Aug 86 mbr)	34 through end
65	Jan 1, 93- Nov 30, 93	Jan 1, 93	Jan 1, 93	Jan 1, 93		1.9 (see para 080476 for post- Aug mbr) and 35 through end.
66	Dec 1, 93- Dec 31, 93				1.9 (see para 080476 for post-Aug 86 mbr)	35 through end.
67	Jan 1, 94- Nov 30, 94	Jan 1, 94	Jan 1, 94	Jan 1, 94		2.2 (see para 080478 for post- Aug 86 mbr) and 36 through end.
68	Dec 1, 94- Dec 31, 94				2.2 (see para 080476 for post-Aug 86 mbr)	36 through end.
★69	Jan 1, 95- Nov 30, 95	Jan 1, 95	Jan 1, 95	Jan 1, 95		2.0 and rule 37 through end (See paragraph 080482 for post- Aug 86 mbr)
★70	Dec 1, 95- Dec 31, 95				2.0 (see para 080480 for post-Aug 86 mbr)	37 through end
★71	Jan 1, 96- Nov 30, 96	Jan 1, 96	Jan 1, 96	Jan 1, 96		2.5 (See paragraph 080482 for post- Aug 86 mbr)
★72	Dec 1, 96- Dec 31, 96				2.5	--
★73	Jan 1, 97	Jan 1, 97	Jan 1, 97	Jan 1, 97	--	--

**Table 7-2. Disability Revert - Rates of Entitlement Upon Reversion to Retired List
(10 U.S.C. 1402) (With Disability of at Least 30 Percent After Recall (Continued))**

NOTES:

1. See 48 Comp Gen 398.
2. On Mar 1, 1982, members eligible for recomputation on Oct 1, 1980 rate plus cost-of-living adjustment 2.7 (March 1981) and 8.7 (March 1982), and Table 7-3, rules 25 through end are: grades 31, 32, 33, O-7, O-8, O-9, and O-10. However, members in grade O-7, O-8, O-9, and O-10 eligible for computation under January 1982 rates (see para 080450) remain under January 1982 rates plus cost-of-living adjustment .7 (March 1982) and rules 25 through end, Table 7-3.
3. On Apr 1, 1983, grades O-7 are recomputed on Jan 1, 1982 rate plus cost-of-living adjustment .7 and Table 7-3, rules 25 through end. Grades O-8, O-9, and O-10, who retire Oct 1, 1982 through Dec 17, 1982, remain under January 1982 rate plus cost-of-living adjustment .7 (March 1982) and rules 25 through end. Grades O-8, O-9, and O-10, who retire Dec 18, 1982, or later, remain under rates effective Dec 18, 1982, plus cost-of-living adjustment for rule 26 through end, Table 7-3.
4. On Dec 1, 1986, pre-August 1986 members received a 1.3 cost-of-living adjustment. Post-August 1986 members entitled to retired pay based on October 1985 rates did not receive a cost-of-living adjustment.
5. Executive Level V increased effective March 1, 1987 for grades O-8, O-9, and O-10.
- ★6. See Chapter 8, section 0804 for the applicable first cost-of-living adjustment for members who enter a Uniformed Service after Jul 31, 1986, or before Aug 1, 1986 and whose retired pay is computed using a retired pay average (high 36 month pay average).
- ★7. Members who enter a Uniformed Service on or after August 1, 1986 receive the difference between the full cost-of-living adjustment and 1% vice the full cost-of-living adjustment shown on Table 7-3.

Table 7-2. Disability Revert - Rates of Entitlement Upon Reversion to Retired List (10 U.S.C. 1402) (With Disability of at Least 30 Percent After Recall) (Continued)

COST-OF-LIVING ADJUSTMENT PERCENTAGE TABLE					
No.	Date of COLADJ	Percent	No.	Date of COLADJ	Percent
1	Sep 1, 65	4.4	24	Mar 1, 82	8.7
2	Dec 1, 66	3.7	25	Apr 1, 83 (note 1)	3.3
3	Apr 1, 68	3.9			3.9
4	Feb 1, 69	4.0	26	Dec 1, 84	3.5
5	Nov 1, 69	5.3	27	Dec 1, 86	1.3
6	Aug 1, 70	5.6	28	Dec 1, 87	4.2 Pre-Aug 86 Member
7	Jun 1, 71	4.5			3.2 Post-Aug 86 Member
8	Jul 1, 72	4.8	29	Dec 1, 88	4.0 Pre-Aug 86 Member
9	Jul 1, 73	6.1			3.0 Post-Aug 86 Member
10	Jan 1, 74	5.5	30	Dec 1, 89	4.7 Pre-Aug 86 Member
11	Jul 1, 74	6.3			3.7 Post-Aug 86 Member
12	Jan 1, 75	7.3	31	Dec 1, 90	5.4 Pre-Aug 86 Member
13	Aug 1, 75	5.1			4.4 Post-Aug 86 Member
14	Mar 1, 76	5.4	32	Dec 1, 91	3.7 Pre-Aug 86 Member
15	Mar 1, 77	4.8			2.7 Post-Aug 86 Member
16	Sep 1, 77	4.3	33	Dec 1, 92	3.0 Pre-Aug 86 Member
17	Mar 1, 78	2.4			2.0 Post-Aug 86 Member
18	Sep 1, 78	4.9	34	Dec 1, 93 (note 2)	2.6 Pre-Aug 86 Member
19	Mar 1, 79	3.9			1.6 Post-Aug 86 Member
20	Sep 1, 79	6.9	35	Dec 1, 94 (note 2)	2.8 Pre-Aug 86 Member
21	Mar 1, 80	6.0			1.8 Post-Aug 86 Member
22	Sep 1, 80	7.7	36	Dec 1, 95 (note 2)	2.6 Pre-Aug 86 Member
23	Mar 1, 81	4.4			1.6 Post-Aug 86 Member
			★37	Dec 1, 96	2.9 Pre-Aug 86 Member
					1.9 Post-Aug 86 Member

NOTES

1. See paragraph 080454.
2. See associated cost-of-living adjustment paragraph in section 0804 to determine whether member's cost-of-living adjustment is delayed.

Table 7-3. Cost-of-Living Adjustment Percentage Table

COMPUTATION OF RETIRED PAY UPON REVERSION TO THE RETIRED LIST						
R U L E	A	B	C	D	E	F
	If	and	take	multiply by	add	subtract (note 3)
★ 1	member reverts and is entitled to pay based on years of service	member first became member before Sep 8, 1980	monthly basic pay (note 1) of the grade in which member would be eligible: (1) to retire if retiring upon that release from active duty; or (2) to transfer to the FR or FMCR if transferring to either upon that release from active duty	2-1/2 percent of the sum of: (1) the years of service that may be credited to the retiree in computing retired pay or retainer pay; and (2) years of active service after becoming entitled to retired pay or retainer pay (note 2)		excess over 75 percent of pay upon which computation is based.
★ 2		member first became member after Sep 7, 1980	retired pay base or retainer pay base to which member would be entitled to use if: (1) retiring upon release from that active duty; or (2) transferring to the FR or FMCR upon that release from active duty	the retired pay multiplier or the retainer pay multiplier (with reduction under paragraph 080315 for post-Aug 1, 1986 members) for the sum of: (1) the years of service that may be credited to the retiree in computing retired pay; and (2) years of active service after becoming entitled to retired or retainer pay		excess over 75 percent of retired or retainer pay base upon which computation is based
★ 3	member reverts with a disability rating of 30 percent or more	member first became member before Sep 8, 1980	highest monthly basic pay that member received while on active duty after retirement or after date when member's name was placed on Temporary Disability Retired List (TDRL)	as a member elects: (1) 2-1/2 percent of years of service credited under 10 U.S.C. 1208; (note 2) or (2) the highest disability percentage attained while on active duty after retirement or after the date member's name was placed on TDRL	Amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL	excess over 75 percent of pay upon which computation is based

Table 7-4. Computation of Retired Pay Upon Reversion to the Retired List

R U L E	A	B	C	D	E	F
	If	and	take	multiply by	add	subtract (note 3)
★4	member reverts with a disability rating of 30 percent or more	member first became member after Sep 7, 1980	the retired pay base	as member elects (1) 2-1/2 percent of years of service credited under 10 U.S.C. 1208 (note 2); or (2) the highest disability percentage attained while on active duty after retirement or after the date when member's name was placed TDRL	Amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL	excess over 75 percent of retired or retainer pay base upon which computation is based

NOTES:

- ★1. For a member who has been entitled, for a continuous period of at least 2 years, to basic pay under the rates of basic pay in effect upon release from active duty, compute under those rates. For a member who has been entitled to basic pay for a continuous period of at least 2 years upon that release from active duty, but who is not covered by the preceding sentence, compute under the rates of basic pay replaced by those in effect upon that release from active duty. For any other member, compute under the rates of basic pay under which the member's retired pay or retainer pay was computed when member entered on that active duty.
- ★2. Before applying percentage factor, credit each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year. Disregard any remaining fractional part of a month.
3. If member was initially retired on or after Oct 1, 1983, the amount computed, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. Any future adjustments to such pay must be made on the rounded figure. Retired pay of members retired on Sep 30, 1983 will not be rounded until there is an adjustment under 10 U.S.C. 1401a; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. The rounded amount becomes the member's entitlement and any future adjustments shall be based on this rounded entitlement.

Table 7-4. Computation of Retired Pay Upon Reversion to the Retired List (Continued)

CHAPTER 8**BASIC PAY RATES, LEGISLATIVE AND COST-OF-LIVING
ADJUSTMENTS TO RETIRED PAY****0801 PURPOSE**

080101. Information in this chapter enables the reader to determine the accuracy of a member's current retired pay through a history of basic pay rates, retired pay increases, and the application of special provisions in determining retired pay since October 1949. Retired pay for members who have entered a Uniformed Service after September 7, 1980 is computed using a retired or retainer pay base. See Chapter 3 for gross pay computation. This chapter explains the effect of legislative and cost-of-living adjustments on retired pay that has been computed using a retired or retainer pay base.

080102. Before June 1, 1958, compiling tables to show the actual rates of retired pay was relatively simple since all members (except the pre-October 1, 1949, "saved pay" accounts) received a direct percentage of the active duty basic pay rates in effect October 1, 1949 through May 31, 1958. With the enactment of Public Law 85-422 (reference (ac)), and later active duty and retired pay adjustments, it became increasingly more difficult to prepare and maintain tables reflecting the pay of members on the retired rolls and, eventually, preparing such tables was no longer feasible. The applicable active duty pay tables are now serve as the basis for determining the rate of retired pay.

080103. For members who have entered a Uniformed Service after September 7, 1980:

A. The amount of retired pay is individualized. Members who retire with the same grade and years of service for percentage and basic pay purposes may or may not receive the same amount of retired pay.

B. The member's current retired pay can be verified from the retired or retainer pay base, years of service for percentage purposes or percentage of disability, retired pay increases, and the application of any special provisions in retired pay identified in this chapter.

0802 DEFINITIONS

080201. The terms used in this chapter are:

A. Pay Table Code. The designation by number (or other means) used by the Military Services to identify active duty pay rates in effect during the different time periods.

★B Cost-of-Living Adjustment. Percentage change increases applied to retired pay based on laws using the Consumer Price Index (CPI), Urban Wage Earners and Clerical

Workers-U.S. City Average, CPI-W, as published by the Bureau of Labor Statistics, to determine the amount of the increase. Full cost-of-living adjustment percentages appear in Table 7-3.

1. Full Cost-of-Living Adjustment. Members on the retired rolls receive the full cost-of-living adjustment if their retired pay is computed using the basic pay rates which were effective before the previous cost-of-living adjustment.

2. Partial Cost-of-Living Adjustment. Members whose retired pay is computed using the basic pay rates that become effective at the same time or after the previous cost-of-living adjustment receive a partial cost-of-living adjustment. This increase is effective from the later of the date of the full cost-of-living adjustment or date of retirement.

C. One Percent Add-On. This is an additional 1 percent added to all full cost-of-living adjustment in retired pay from November 1, 1969 through March 31, 1976. The 1 percent did not apply to partial cost-of-living adjustment. The add-on was provided to make up for the 3-month time lag between the rise in the CPI and the actual increase in retired pay. Public Law 94-440 (reference (bj)), eliminated the 1 percent add-on.

D. Legislative Increases. This is any adjustment in retired pay authorized by legislation that identifies a percentage increase rather than being based on the CPI.

E. Recomputation. This is the provision for recomputing retired pay using a pay table other than that used in the first computation of retired pay.

F. Uniform Retirement Date Act (URDA) (reference (x)). This statute (1) provides, under certain retirement laws, that members cannot be retired before the first day of the month after the date of first eligibility, and (2) determines the pay table used in computing retired pay. This provision is especially significant when the retirement date coincides with the effective date of an active duty basic pay rate increase, because of the additional requirement to compute pay on the rates in effect as of the date retirement would have occurred except for this restriction.

G. Otherwise Qualified. This term refers to members, retired under a particular law, who are eligible for retirement under another law that may provide greater benefits. It pertains primarily to disability retirees when members have enough service to be retired for non-disability.

H. Years of Service for Basic Pay. Computation of service years creditable in determining the basic pay rate upon which retired pay is to be based, may vary depending upon retirement law. (See Chapter 1.)

I. Years of Service for Percentage Multiplier. This refers to service years creditable in determining the percentage multiplier factor (2-1/2 percent times years of service of basic pay) in retired pay computation. Computation of years of service may vary depending upon retirement law. For Reserve retirements under 10 U.S.C., Chapter 1223 (reference (c)), Reserve service points are converted to years of service (i.e., total points divided by 360 = years of service). (See Chapter 1.)

J. Burchinal Decision. This Comptroller General decision held that, under 10 U.S.C. 1401a(e) (reference (c)), retired pay is computed only under the current pay rates or the pay rates in effect immediately before the current rate.

K. Pay Inversion. A condition that exists during the periods when the cost-of-living adjustment in retired pay exceeds the percentage increases applied to active duty basic pay rates.

L. Retired Pay Base. This is an average of the highest monthly basic pay rates applicable to a member determined by the length of time member was a member of a Uniformed Service (less than or at least 36 months) and/or the type of retirement (e.g., disability or voluntary). The retired pay base or retainer pay base applies to members who entered a Uniformed Service after September 7, 1980. It replaced the monthly basic pay rate formerly used to compute of retired or retainer pay.

0803 MAJOR CHANGES IN THE USE OF BASIC PAY RATES AND CONDITIONS APPLICABLE TO COMPUTATION OF RETIRED PAY

080301. The Career Compensation Act (reference (w)) stipulated that basic pay rates would be based both on pay grade and total years of service. The Act also established new methods for computing disability retirements.

080302. Before June 1, 1958, the pay of all members on the retired rolls (except "saved pay" accounts under the Career Compensation Act (reference (w))) represented a direct percentage of a basic pay rate of a member on active duty and whenever the active duty rates increased, the retired pay increased accordingly. Public Law 85-422 (reference (ac)), effective June 1, 1958, prohibited the recomputation of retired pay based on changes in the active duty basic pay rates after retirement. Essentially, the date of retirement was an added factor in computing retired pay since the retired member's pay was fixed to the basic pay rate in effect on the date of retirement (with exceptions permitting members to use another basic pay rate under certain conditions and circumstances which are outlined in later paragraphs).

080303. Retirees receiving saved pay under laws in effect on September 30, 1949, received legislative increases in 1952 and 1955. The pay for retirees receiving pay computed under the Career Compensation Act (reference (w)) was recomputed on the 1952 and 1955 basic pay rates. Effective October 1, 1963, 10 U.S.C. 1401a (reference (c)), as added by Public Law 88-132 (reference (am)), stipulated that future adjustments to retired pay would be based on the CPI. Each January, the Secretary of Defense was to review the CPI for the previous calendar year and, if it had increased 3 percent or more, would effect a percentage increase in retired pay as of April 1, using the percentages of increase in the CPI.

080304. Public Law 89-132 (reference (bk)), effective September 1, 1965, changed the provisions for determining the retired pay cost-of-living adjustment. Instead of the yearly determination, the Secretary of Defense would determine the retired pay increase once the CPI had increased at least 3 percent over the previous CPI base and remained at that rate for 3 consecutive

months. The adjustment in retired pay was the highest percent of increase reached during the 3-month period. The cost-of-living adjustment was effective the first day of the third month beginning after the 3-month period.

080305. Public Law 90-207 (reference (bl)), effective October 1, 1967, added subsections (c) through (e) under 10 U.S.C. 1401a (reference (c)). Subsections (c) and (d) of reference (c) stipulated that retired pay, when computed from the current basic pay rates, would increase at the later of the next cost-of-living adjustment or retirement date by a partial adjustment. The partial adjustment represented the percent by which the new base index exceeded the index in effect on the day before the basic pay increase. Subsection (e) (reference (c)), a saved-pay provision, permitted computation of retired pay on the basic pay rates in effect immediately preceding those in effect on retirement date if they were more favorable because of a cost-of-living adjustment. Title 10 United States Code, section 1401a(e) (reference (c)) was repealed by Public Law 98-94 (reference (aj)), effective September 24, 1983. See paragraph 080313, below. Section 8(a) of Public Law 90-207 (reference (bl)) provided that, effective January 1, 1968, whenever the General Schedule of Compensation for federal classified employees increased, an adjustment in the monthly basic pay authorized members of the Uniformed Services immediately would become effective.

080306. Public Law 91-179 (reference (bm)) effective October 31, 1969, stipulated that 1 percent would be added to the percentage increase each time there was a general cost-of-living adjustment to retired pay. Partial cost-of-living adjustment increases did not include the 1 percent.

080307. Public Law 94-440 (reference (bj)) again changed the provisions for determining the cost-of-living adjustments to retired pay. Beginning with March 1977, cost-of-living adjustments occurred twice each year; effective March 1 and September 1. The March adjustment was determined by the percentage change in the consumer price index (CPI) between June and December of the previous year. The September adjustment was determined by the percentage change in the CPI between the previous December and June. In accordance with Public Law 94-361 (reference (bn)), these adjustments were the actual percentage change (nearest 1/10 of 1 percent) without the additional 1 percent. Beginning October 1976, partial cost-of-living adjustment changes were made for members whose retired pay was computed using the basic pay rates which became effective in months other than January or July. The partial cost-of-living adjustment was the percentage (closest 1/10 of one percent) of change in the CPI between the month before establishment of the new basic pay rates and the following June or December (which was used as the new base CPI).

080308. Pay Inversion. Effective with Public Law 85-422 (reference (ac)) on June 1, 1958 (which prohibited recomputation of retired pay each time active duty pay was increased), it was assumed that members, of the same pay grade and years of service retired under later active duty pay increases, would receive a greater retired pay. Beginning in 1971, however there were instances where the cumulative cost-of-living adjustment applied to retired pay was greater than the increases in the active duty pay rates. This was popularly known as "pay inversion" and created some retention problems because, through early retirement, members could increase their retired

pay rather than remaining on active duty. Under 53 Comp Gen 698 (reference (bo)), known as the "Burchinal Decision," members were restricted to the greater amount, based on two computations of retired pay, of pay computed on the active duty pay rates in effect:

A. At the time of retirement using the pay grade and years of service for both basic pay and percentage multiplier at the time of retirement, or

B. Immediately before the active duty basic pay rates in effect on the date of retirement, plus the cost-of-living adjustment in retired pay applicable to those basic pay rates. For this computation, the same pay grade and years of service for both basic pay and multiplier at time of retirement were used even though the computation used the earlier basic pay rates.

080309. Tower Amendment. Public Law 94-106, October 7, 1975, (reference (fg)), added subparagraph (f) to 10 U.S.C. 1401a (reference (c)). The new provision stipulated another method to offset partially the effect of "pay inversion." This method involved computing pay based on any previous basic pay rates, on and after January 1, 1971, plus cost-of-living adjustment, if the member was eligible for retirement at the time those rates were in effect. The computation was restricted to the pay grade and years of service at that earlier time. (For retirements on October 5, 1994 or later, the computation may not be based on a grade higher than that held at time of retirement.) The statute applies to all members retired on or after January 1, 1971. There were no retroactive pay adjustments however, for the period before October 7, 1975. A member who is recalled to active duty after retirement is not entitled to recomputation of retired pay under the Tower Amendment upon release from that active duty. Pay recomputation upon that release is restricted to the methods prescribed in 10 U.S.C. 1402 (reference (c)) covered in Chapter 7 of this Regulation. The Tower Amendment did not repeal or modify those provisions.

080310. Basic Pay Average. Public Law 96-342 (reference (bp)), as codified at 10 U.S.C. 1407 (reference (c)), established a Retired Pay Base for use in computing retired or retainer pay. Section 1407 of reference (c) applies to members who have entered a Uniformed Service after September 7, 1980. The percentage of cost-of-living increases is determined by the most recent basic pay rate used in the computation of the retired or retainer pay base.

080311. On August 13, 1981, Public Law 97-35 (reference (bq)) revised the frequency for cost-of-living adjustment from semiannual to annual for retired pay, retainer pay, survivor annuities, and dual compensation amounts. This legislation became effective with the amendment to 5 U.S.C. 8340(b) (reference (az)), also enacted by Public Law 97-35 (reference (bq)). The annual cost-of-living adjustment, effective March 1 of each year, was based on the accumulative percentage change in the price index published for December of the preceding year over the price index published for December of the year prior to the preceding year, adjusted to the nearest 1/10th of 1 percent.

080312. Public Law 97-253 (reference (ax)), revised the cost-of-living adjustment mechanism under federal retirement systems during fiscal year 1983. The revision affected the eligibility, percentage, and effective dates of such adjustments. See Chapter 5, paragraph 050210,

of this Regulation for the civilian dollar offset reduction coincident to the military cost-of-living increase (repealed in Public Law 98-369 (reference (br))).

A. First (partial) Adjustment. Members who had entitlement to a first adjustment in initial amounts of retired or retainer pay under 10 U.S.C. (reference (c)), as computed on the active duty base pay scale, became entitled to a first adjustment in retired or retainer pay equal to the percentage increase in CPI occurring between September and December 1982.

B. Members Under Age 62. Any member under age 62 on or before March 1, 1983, who was entitled to an adjustment under 10 U.S.C. 1401a(b) (reference (c)), received an adjustment based on an assumed increase in the price index. The assumed increase in the price index was 6.6 percent for fiscal year 1983. Retired or retained pay increased by one-half the assumed increase plus the amount by which the actual percentage increase in the price index increased over the assumed increase from December through December of the preceding time period.

C. Members Age 62 or Over. Any member who was age 62 or more on March 1, 1983, and entitled to an adjustment under 10 U.S.C. 1401a(b) (reference (c)) in retired or retainer pay on that date, became entitled to that increase without limitation.

D. Military Disability Retirees. Any member who was retired by reason of physical disability under 10 U.S.C., Chapter 61 (reference (c)), and entitled to an adjustment of retired pay under 10 U.S.C. 1401a(b) (reference (c)) on March 1, 1983, received that adjustment without limitation.

E. Effective Date. The effective date for cost-of-living adjustments for FY 1983 was changed from March 1 to April 1.

080313. The DoD Authorization Act, FY 1984 (reference (aj)), affected computation of retired and retainer pay.

A. Section 921 of the Act (reference (aj)) repealed the 1-year look-back provision (10 U.S.C. 1401a(e)) (reference (c)). Members who first become eligible to retire or transfer after September 24, 1983, would not use the 1-year look-back provision in computing their retired pay. Section 921 of (reference (aj)), however, had a savings provision that permitted any member, who was eligible to retire on September 24, 1983, to use the 1-year look-back as though that provision had not been repealed, provided that the member retired on or before September 24, 1986. If such member retired after September 24, 1986, the retired or retainer pay could not be less than what it would have been if the member actually retired on September 23, 1986.

NOTE: Section 921 reference (aj) did not affect the Tower Amendment (10 U.S.C. 1401a(f) (reference (c))). Under this statute, any member who used the Tower Amendment to compute his or her retired pay, as though he or she had retired on a date when he or she otherwise would have been entitled to use the 1-year look-back provision, could apply the 1-year look-back

provision to ensure that their retired pay was not less than what it would have been had they actually retired on the earlier date.

B. Section 922 of reference (aj) amended all statutes that previously had authorized the rounding of monthly retired or retainer pay. All members who retire on or after October 1, 1983 had their retired or retainer pay rounded. In the initial computation of gross retired pay, any amount that was not a multiple of \$1 was rounded down to the next lower multiple of \$1. All further reductions, deductions, withholdings, and allotments were made from the rounded entitlement. Future adjustments to such pay were made on the rounded figure. For members retired on September 30, 1983, no rounding was made until there was an adjustment under 10 U.S.C. 1401a (reference (c)); then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of \$1, is rounded to the next lower multiple of \$1. This became the member's entitlement and any future adjustments were based on this rounded figure.

080314. Public Law 98-270 (reference (ay)), amended 5 U.S.C. 8340(a) and (b) (reference (az)) to modify cost-of-living adjustments that also applied to military retired and retainer pay under 10 U.S.C. 1401a(b) (reference (c)). The effective date for cost-of-living adjustments was changed from March 1 to December 1. The cost-of-living adjustment equaled the percentage change in the price index for the base quarter of such year over the price index for the base quarter of the preceding year. The price index for a base quarter was defined as the arithmetical mean of such index for the 3 months of the base quarter. The partial cost-of-living adjustment equaled the percentage increase of the average CPI for July, August, and September over the CPI for the preceding December.

080315. The Military Retirement Reform Act of 1986, Public Law 99-348 (reference (bs)):

A. Reduced the retired pay multiplier for any member who first became a member of a Uniformed Service after July 31, 1986, and who retired before age 62 with less than 30 years of creditable service (excluding retirements under Title 10, Chapters 61 and 1223 (reference (c))). The multiplier was reduced by:

1. 1 percentage point for each full year that the member's years of creditable service were less than 30; and
2. 1/12 of 1 percentage point for each month by which the member's years of creditable service (after counting all full years of such service) was less than a full year,

B. Stipulated cost-of-living increases for any member who first became a member of a Uniformed Service on or after August 1, 1986, when the increase in the CPI exceeded 1 percent. The cost-of-living increase was 1 percentage point less than the increase in CPI; and

C. Restored the reduction in retired pay multiplier under (1) above at age 62 and provided a one-time restoral at age 62 for the reduction in cost-of-living increase under

(2) above. Sample calculations of retired pay catch up at age 62 and the average monthly CPI by quarter are in Appendix U.

080316. Public Law 99-576 (reference (bt)) guaranteed that military retired pay cost-of-living adjustments were unaffected by Public Law 99-177 (reference (bu)) during fiscal years 1987 through 1989.

080317. The grade Chief Warrant Officer, W-5, was established, effective February 1, 1992, for the four Military Services.

080318. Effective January 1, 1993, a longevity step for "over 24," but less than 26 years, was added for pay grades E-7, E-8, E-9, W-4, W-5, and O-6.

080319. Public Law 103-66, August 10, 1993 (reference (fm)) delayed the payment of the December 1, 1993, military retirement cost-of-living adjustment until March 1, 1994. Disability retirements and survivor annuities were unaffected.

080320. The FY 1995 DoD Authorization Act (reference (fi)) and the FY 1995 DoD Appropriation Act (reference (fj)) prohibited the payment of increased retired pay associated with the cost-of-living adjustment for December 1994 for months before March 1, 1995, excluding disability retirements under 10 U.S.C., Chapter 61 (reference (c)), and survivor annuities.

080321. In FY 1996, the cost-of-living adjustment became effective December 1, 1995. Certain adjustments, however, were not payable for periods before March 1996: increases in retired or retainer pay for members and former members retired on the basis of longevity, age, or non-Regular service (10 U.S.C., Chapter 1223, (reference (c))). Adjustments, which became payable beginning December 1, 1995, included the increases in survivor annuities and survivor benefit program costs, retired pay based on disability, and the exclusion amounts for dual compensation.

★080322. The FY 1997 DoD Authorization Act (reference (fp)) clarified the method of computing the first cost-of-living adjustment of retired pay for members who entered a Uniformed Service after September 7, 1980, but before August 1, 1986.

0804 PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS

080401. The Career Compensation Act (reference (w)) stipulated the:

A. Establishment of new basic pay rates, using a combination of pay grade and total years of service pay.

B. Disability retirement based on a percentage of disability, using the Department of Veterans Affairs Schedule of Ratings for establishing such percentages with pay computed based on years of service or percentage of disability, as the member elected.

C. A revised method for recomputing pay for members who served on active duty after retirement.

D. Automatic recomputation for members retired for non-disability reasons before October 1, 1949, on the October 1, 1949 basic pay rates, if greater than rates in effect before October 1, 1949.

E. An option for members retired for disability before October 1, 1949, upon physical evaluation and assignment of a percentage of disability, to elect not later than October 1, 1954, to:

1. Remain at the rates in effect before October 1, 1949 (saved pay);
2. Have pay computed on the October 1, 1949 rates, using either disability percentages assigned or years of active service; or
3. Receive severance pay.

F. An option for members who were hospitalized on October 1, 1949, and retired before January 1, 1951 for the disability for which they were hospitalized, to elect pay based on the laws and pay tables in effect before October 1, 1949 (saved pay).

080402. Public Law 82-346 (reference (bv)), effective May 1, 1952, provided for an increase of 4 percent applied to retired saved pay accounts, regular retired accounts, and active duty basic pay rates.

080403. Public Law 84-20 (reference (bw)), effective April 1, 1955, provided for:

- A. Increased basic pay rates.
- B. A 6 percent increase for disability retired saved pay accounts.
- C. Recomputation of retired accounts (other than saved pay) on the new basic pay rates.

D. A 6 percent increase for non-disability retirees receiving pay computed on pre-October 1, 1949 rates or recomputation on April 1, 1955 basic pay rates, whichever was greater.

E. For officers with less than 3 years of service and warrant officers and enlisted members with less than 2 years of service retired for disability or placed on the TDRL. Pay computed on the April 1, 1955 rates, plus 6 percent.

080404. The Military Pay Act 1958 (reference (ac)), effective June 1, 1958, provided for:

- A. Increased basic pay rates.
 - B. Retired pay increase of 6 percent for members receiving retired pay on May 31, 1958.
 - C. Pay computed on the June 1, 1958 basic pay rates, plus 6 percent for members retired for disability on or after June 1, 1958, with 2 or less years of service.
 - D. An additional new basic pay rate for certain pay grades with more than 20 years of service.
 - E. Two new enlisted pay grades, E-8 and E-9, and two new officer pay grades, O-9 and O-10.
 - F. Basic pay rates for new pay grades O-1E, O-2E, O-3E, for officers in grades O-1, O-2, O-3 with 4 or more years of active enlisted service.
 - G. Computation of retired pay on the April 1, 1955 basic pay rates (active duty saved-pay rates), if greater.
 - H. Retired pay computed on the April 1, 1955 pay rates, but not the 6 percent increase, for members retired after June 1, 1958, and receiving active duty saved pay.
 - I. The greater of pay computed on the June 1, 1958, basic pay rates, or the April 1, 1955 rates plus 6 percent, for members retired on June 1, 1958.
 - J. Retired pay recomputed effective June 1, 1958, for officers retired before June 1, 1958, who served on active duty before that date in the grade of general, admiral, lieutenant general, or vice admiral for at least 180 days. This recomputation was computed on the April 1, 1955 basic pay rates of pay grade O-8 increased by \$100 for pay grade O-9 and \$200 for pay grade O-10 with the result increased by 6 percent.
080405. The Uniformed Services Pay Act (reference (am)), effective October 1, 1963, provided for:
- A. Increased basic pay rates.
 - B. Retired pay computed on the October 1, 1963 basic pay rates plus 6 percent for members retired for disability on or after October 1, 1963, with 2 years of service or less.
 - C. A 5 percent increase in retired pay for members retired before September 30, 1963, except that:

1. Nondisability retirees receiving pay computed on the rate in effect before October 1, 1949, were entitled to the 5 percent increase or recomputation on the June 1, 1958, basic pay rates, using the 2-1/2 percent formula, whichever was greater.

2. Retirees receiving pay computed on the April 1, 1955 basic pay rates plus 6 percent were entitled to that pay plus 5 percent, or recomputation on the June 1, 1958 basic pay rates, whichever was greater.

3. Members retired on April 1, 1963, who were not subject to the URDA (5 U.S.C. 8301) (reference (x)) and members retired between April 2, 1963, and September 30, 1963, were entitled to a 5 percent increase or recomputation on the October 1, 1963 basic pay rates, whichever was greater.

D. Amendment to 10 U.S.C. 1401a (reference (c)) to provide for adjustments to retired pay based on the CPI.

080406. Public Law 88-422 (reference (bx)), and effective September 1, 1964, provided for:

A. Increased basic pay rates.

B. No increase in retired pay except that:

1. Members retired for disability on September 1, 1964, with 2 years of service or less, were entitled to pay computed on the October 1, 1963 basic pay rates plus 6 percent.

2. Members retired for disability on or after September 2, 1964, with 2 years of service or less, were entitled to pay computed on the September 1, 1964 basic pay rates plus 6 percent.

C. No entitlement to pay computed on the September 1, 1964 basic pay rates for members retired on September 1, 1964, who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (August 31, 1964 transfers). Their pay was computed on the October 1, 1963, basic pay rates.

080407. Public Law 89-132 (reference (bk)) effective September 1, 1965, together with the cost-of-living formula, provided for:

A. Increased basic pay rates.

B. A 4.4 percent cost-of-living adjustment in retired pay for all members on the rolls on August 31, 1965.

C. Pay computed on the September 1, 1964 basic pay rates, plus 4.4 percent for members retired on September 1, 1965 who were:

1. Subject to the URDA (reference (x)),
 2. Navy Fleet Reservists and Fleet Marine Corps Reservists (August 31, 1965, transfers), or
 3. Warrant officers.
- D. Pay computed on the September 1, 1964 basic pay rates, plus 6 percent and 4.4 percent for members retired for disability on September 1, 1965, with 2 years of service or less.
080408. Public Law 89-501 (reference (by)), effective July 1, 1966, provided for:
- A. Increased basic pay rates.
 - B. No increase for members on the retired rolls on June 30, 1966.
 - C. Pay computed on the July 1, 1966 basic pay rates, notwithstanding the URDA (reference (x)) for all members who first became entitled to retired pay on or after July 1, 1966.
080409. A cost-of-living adjustment, effective December 1, 1966, provided for:
- A. Increased retired pay by 3.7 percent for all members on the rolls on November 30, 1966.
 - B. Pay computed on the July 1, 1966 basic pay rates, plus 3.7 percent from date of retirement for entitled members retired on or after December 1, 1966.
080410. Public Law 90-207 (reference (bl)), effective retroactive to October 1, 1967, provided for:
- A. Increased basic pay rates.
 - B. No increase in retired pay for members on the rolls on September 30, 1967.
 - C. Pay computed on the October 1, 1967 basic pay rates, notwithstanding the URDA (reference (x)) for all members who first became entitled to retired pay on or after October 1, 1967.
 - D. A 3.7 percent increase in retired pay from the date of retirement for members who retired after November 30, 1966, whose retired pay was computed using the July 1, 1966, active duty pay rates.

E. An adjustment of military active duty basic pay whenever the General Schedule for Classified Employees was adjusted upward, effective January 1, 1968.

080411. A cost-of-living adjustment, effective April 1, 1968, provided for:

A. Increased retired pay by 3.9 percent for all retirees receiving pay computed on basic pay rates in effect before October 1, 1967.

B. Entitled members whose pay was computed on the October 1, 1967 basic pay rates to:

1. An increase of 1.3 percent of the pay they were receiving on March 31, 1968, or

2. Pay computed on the July 1, 1966, basic pay rates, increased by 7.7443 percent, from April 1, 1968, or date of retirement, if later.

080412. Executive Order 11414 (reference (bz)), effective July 1, 1968, provided for:

A. Increased basic pay rates.

B. No increase to retired members on the rolls on June 30, 1968.

C. No entitlement to pay computed on the July 1, 1968 basic pay rates for members retired on July 1, 1968, who were subject to the URDA (reference (x)), warrant officers, Navy Fleet Reservists, and Fleet Marine Corps Reservists (June 30, 1968, transfers). Their pay was computed on the July 1, 1966, basic pay rates, plus 7.7443 percent.

080413. A cost-of-living adjustment, effective February 1, 1969, provided for:

A. Increased retired pay by 4 percent for retirees receiving retired pay computed on the basic pay rates in effect before July 1, 1968.

B. Entitled members whose pay was computed on the July 1, 1968, basic pay rates, to:

1. A 2.1 percent increase in the pay they were receiving on January 31, 1969, or

2. Recomputation of pay on the July 1, 1966 basic pay rates plus 7.7443 percent and 4 percent.

080414. Executive Order 11475 (reference (ca)), effective July 1, 1969, provided for:

A. Increased basic pay rates.

B. No increase for retired members on the rolls on June 30, 1969.

C. No entitlement to pay computed on the July 1, 1969 basic pay rates for members retired on July 1, 1969, who were subject to the URDA (reference (x)), warrant officers, Navy Fleet Reservists, and Fleet Marine Corps Reservists (June 30, 1969, transfers). Their pay was computed on the July 1, 1968, basic pay rates, plus 2.1 percent.

080415. A cost-of-living adjustment, effective from November 1, 1969, provided for:

A. Members whose retired pay was computed on the basic pay rates in effect before July 1, 1969, were entitled to an increase of 4.3 percent.

B. Members whose retired pay was computed on the July 1, 1969 basic pay rates, received a 0.9 percent increase.

C. Members who retired after November 1, 1969, received a 0.9 percent increase from the date of retirement.

080416. Public Law 91-179 (reference (bm)) amended 10 U.S.C. 1401a(b) (reference (c)) to provide an additional 1 percent to all cost-of-living adjustments. The additional 1 percent was retroactive to the November 1, 1969 cost-of-living adjustment, which effectively made the increase 5.3 percent.

080417. Executive Order 11525 (reference (cb)), effective January 1, 1970, provided for:

A. Increased basic pay rates.

B. Pay computed on the January 1, 1970 basic pay rates for members who first became entitled to retired pay on or after April 15, 1970.

C. No entitlement to pay computed on the January 1, 1970 basic pay rates for members who first became entitled to retired pay before April 15, 1970. Their pay was computed using the July 1, 1969 basic pay rates, plus .9 percent.

080418. A cost-of-living adjustment, effective from August 1, 1970, provided for:

A. Members whose retired pay was computed on the basic pay rates in effect before January 1, 1970, were entitled to a 5.6 percent increase, effective August 1, 1970.

B. Members whose retired pay was computed on the January 1, 1970, basic pay rates, were entitled to a 2.5 percent increase in retired pay effective August 1, 1970, or date of retirement, if later.

080419. Executive Order 11577 (reference (cc)), increased active duty basic pay rates, effective January 1, 1971, and provided for:

A. Increased basic pay rates.

B. No entitlement to pay computed on January 1, 1971 basic pay rates for members who retired on January 1, 1971, who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1970 transfers). Their pay was computed on the rates effective January 1, 1970.

C. No increase for retired members whose pay was computed on basic pay rates in effect before January 1, 1971.

080420. A cost-of-living adjustment, effective from June 1, 1971, provided for:

A. Members whose retired pay was computed on basic pay rates in effect before January 1, 1971, were entitled to an increase of 4.5 percent.

B. Members whose retired pay was computed on the January 1, 1971, basic pay rates, were entitled to a .6 percent increase effective June 1, 1971, or date of retirement, if later.

080421. Public Law 92-129 (reference (cd)), effective October 1, 1971, increased basic pay rates for only certain pay grades and years of service. (Because of an economic pay freeze, the rates were not effective until November 14, 1971.) It provided for:

A. Increased basic pay rates for:

1. Pay grades E-1 through E-4, regardless of years of service,
2. Pay grades E-5 through E-7 with less than 2 years of service,
3. Pay grade O-1, regardless of years of service, and
4. Pay grade O-2 with less than 2 years of service.

B. Computation of retired pay of members who retired on or after October 1, 1971, in all other pay grades, on the January 1, 1971 basic pay rates, increased by 0.6 percent.

080422. Executive Order 11638 (reference (ce)), increased active duty basic pay rates, effective January 1, 1972, and provided for:

A. Increased basic pay rates.

B. No entitlement to pay computed on the January 1, 1972, basic pay rates for members retired on January 1, 1972, who were subject to the URDA (reference (x)), warrant

officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1971 transfers). Their pay was computed on the basic pay rates effective October 1, 1971, or January 1, 1971.

C. No increase for retired members whose pay was computed on basic pay rates in effect before January 1, 1972.

080423. A cost-of-living adjustment, effective July 1, 1972, provided for:

A. Members whose pay was computed on basic pay rates in effect before October 1, 1971, were entitled to an increase of 4.8 percent.

B. Members whose pay was computed on the basic pay rates effective October 1, 1971, were entitled to an increase of 1.7 percent.

C. Entitlement to a 1 percent increase, effective July 1, 1972, or date of retirement, if later, for members whose retired pay was computed on the January 1, 1972 basic pay rates.

080424. Executive Order 11692 (reference (cf)), increased active duty basic pay rates, effective January 1, 1973, and provided for:

A. Increased basic pay rates.

B. No increase for members whose retired pay was computed on basic pay rates in effect before January 1, 1973. Executive Order 11778 (reference (cg)) changed the effective date of the basic pay rates from January 1, 1973 to October 1, 1972.

C. No entitlement to pay computed on the October 1, 1972 basic pay rates for members who on October 1, 1972, were subject to the URDA (reference (x)), warrant officers, Navy Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1972 transfers). Their pay was computed on the basic pay rates effective January 1, 1972.

080425. A cost-of-living adjustment, effective July 1, 1973, provided for:

A. Members whose retired pay was computed on basic pay rates in effect before January 1, 1973, later changed to computation on October 1, 1972 rates, received a 6.1 percent increase.

B. Entitlement to an increase of 2.7 percent from July 1, 1973, or date of retirement, if later, for members whose retired pay was computed on the January 1, 1973 basic pay rates. These accounts were later recomputed to provide 3.6 percent instead of 2.7 percent from July 1, 1973.

080426. Executive Order 11740 (reference (ch)), effective October 1, 1973, provided for:

A. Increased basic pay rates.

B. No entitlement to pay computed on the October 1, 1973 basic pay rates for members who retired on October 1, 1973 and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1973 transfers).

C. No increase for members on retired rolls on September 30, 1973.

080427. A cost-of-living adjustment, effective January 1, 1974, provided for:

A. An increase of 5.5 percent for members whose retired pay was computed on the basic pay rates in effect before October 1, 1973.

B. Entitlement to a 0.8 percent increase effective January 1, 1974, or retired pay computed on the January 1, 1973 basic pay rates, increased by 2.7 percent (later 3.6 percent) and 5.5 percent for members whose retired pay was computed on the October 1, 1973 basic pay rates.

080428. A cost-of-living adjustment, effective July 1, 1974, provided for:

A. Entitlement to an increase of 6.4 percent for members whose retired pay was computed on basic pay rates in effect before October 1, 1973.

B. Entitlement to a 6.3 percent increase (0.8 not applied) effective July 1, 1974, or date of retirement for members whose retired pay was computed on the October 1, 1973 basic pay rates.

Note: Because of an error in the Consumer Price Index, all accounts were overpaid by 0.1 percent from July 1974 through December 1974. (The Office of the Secretary of Defense waived the overpayments.) The accounts were corrected on a current basis to 6.3 percent and 6.2 percent effective January 1975.

080429. Executive Order 11812 (reference (ci)), effective October 1, 1974, provided for:

A. Increased basic pay rates.

B. Retired pay computed on the October 1, 1973 rates, plus 6.3 percent, which was reduced to 6.3 percent, which was reduced to 6.2 percent effective January 1, 1975 for members retired on or after October 1, 1974.

C. No increase for members on retired rolls on September 30, 1974.

080430. A cost-of-living adjustment, effective January 1, 1975, provided that members whose retired pay was computed on the basic pay rates in effect before October 1, 1974, received a 7.3 percent increase. To adjust accounts for the error in the CPI for July 1, 1974, the accounts were increased by 7.1992 percent, effective January 1, 1975.

080431. A cost-of-living adjustment, effective August 1, 1975, provided for:

A. Entitlement to an increase of 5.1 percent for members whose retired pay was computed on the basic pay rates in effect before October 1, 1974.

B. Pay increased by 5 percent, or computed on the October 1, 1973 basic pay rates, plus 6.2 percent, 7.3 percent, and 5.1 percent for members whose retired pay was computed on the October 1, 1974, basic pay rates.

080432. Executive Order 11883 (reference (cj)), effective October 1, 1975, provided for:

A. Increased basic pay rates.

B. No increase for members retired before October 1, 1975.

C. No entitlement to pay computed on the October 1, 1975 basic pay rates for members retired on October 1, 1975, who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1975 transfers). Their pay was computed on the October 1, 1974 basic pay rates.

D. Pay computed on the October 1, 1974, basic pay rates, plus 5 percent for members whose retired pay was computed on the October 1, 1975 basic pay rates. In computing the first retirements, some members benefited by using the October 1, 1974, rates plus 5 percent and for others, the October 1, 1975 rates were slightly higher.

080433. A cost-of-living adjustment, effective March 1, 1976, provided for:

A. An increase of 5.4 percent for members whose retired pay was computed on the basic pay rates in effect before October 1, 1975.

B. A 1.7 percent increase or recomputation on the October 1, 1974 basic pay rates, plus 5 percent and 5.4 percent for members whose retired pay was computed on the October 1, 1975 basic pay rates.

080434. Executive Order 11941 (reference (ck)), effective October 1, 1976, provided for:

A. Increased basic pay rates.

B. No entitlement to pay computed on the October 1, 1976 basic pay rates for members who retired on October 1, 1976, who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1976, transfers). Their pay was computed on the October 1, 1975 basic pay rates.

C. No increase in retired pay for members on the retired rolls on September 30, 1976.

080435. A cost-of-living adjustment, effective March 1, 1977, provided for:

A. A 4.8 percent increase for members whose retired pay was computed on the basic pay rates in effect before October 1, 1976.

B. A 1 percent increase or pay computed on the October 1, 1975 basic pay rates plus 1.7 percent and 4.8 percent for members whose retired pay was computed on the October 1, 1976 basic pay rates.

080436. Special rates, effective March 1, 1977, for Executive Level V personnel, increased maximum rates for grades O-9 and O-10. Members entitled to retired pay computed under these new rates were also entitled to a 1 percent cost-of-living adjustment from date of retirement.

080437. A cost-of-living adjustment effective September 1, 1977, provided a 4.3 percent increase for all members whose retired pay was computed on the basic pay rates in effect prior to October 1, 1976. Members whose retired pay was computed on the October 1, 1976 basic pay rates were entitled to a 5.3 percent increase. The 1 percent cost-of-living adjustment credited March 1, 1977 must be reversed prior to applying the 5.3 percent increase. If determined to be advantageous to retired members, 10 U.S.C. 1401a(f) (reference (c)) was applied to members and former members whose retired pay was computed on the October 1, 1976 basic pay rates.

080438. Executive Order 12010 (reference (cl)), effective October 1, 1977, provided for:

A. Increased basic pay rates.

B. No increase for members retired before October 1, 1977.

C. No entitlement to pay computed on the October 1, 1977 basic pay rates for members who retired on October 1, 1977, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1977, transfers). Their pay was computed on the October 1, 1976, basic pay rates.

080439. A cost-of-living adjustment, effective March 1, 1978, provided for:

A. A 2.4 percent increase for members whose retired pay was computed on the basic pay rates in effect prior to October 1, 1977.

B. A 1.1 percent increase or pay computed on the October 1, 1976 basic pay rates plus 5.3 percent and 2.4 percent for members whose retired pay was computed on the October 1, 1977, basic pay rates.

080440. A cost-of-living adjustment, effective September 1, 1978, provided a 4.9 percent increase for all members whose retired pay was computed on the basic pay rates in effect prior to October 1, 1977. Members whose retired pay was computed on the October 1, 1977 basic pay rates were entitled to a 6.1 percent increase. The 1.1 percent cost-of-living adjustment credited March 1, 1978, must be reversed prior to applying the 6.1 percent increase. If determined to be advantageous to retired members, 10 U.S.C. 1401a(f) (reference (c)) was applied to members and former members whose retired pay was computed on the October 1, 1977, basic pay rates.

080441. Executive Order 12087 (reference (cm)), effective October 1, 1978, provided for:

A. Increased basic pay rates.

B. No increase for members retired before October 1, 1978.

C. No entitlement to pay computed on the October 1, 1978, basic pay rates for members who retired on October 1, 1978, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1978, transfers). Their pay was computed on the October 1, 1977, basic pay rates.

080442. A cost-of-living adjustment, effective March 1, 1979, provided for:

A. A 3.9 percent increase for members whose retired pay was computed on the basic pay rates in effect prior to October 1, 1978.

B. A 1.9 percent increase or pay computed on the October 1, 1977 basic pay rates plus 6.1 percent and 3.9 percent for members whose retired pay was computed on the October 1, 1978 basic pay rates.

080443. A cost-of-living adjustment, effective September 1, 1979, provided a 6.9 percent increase for all members whose retired pay was computed on the basic pay rates in effect prior to October 1, 1978. Members whose retired pay was computed on the October 1, 1978 basic pay rates were entitled to an 8.9 percent increase. The 1.9 percent cost-of-living adjustment credited March 1, 1979, must be reversed prior to applying the 8.9 percent increase. If determined to be advantageous to retired members, 10 U.S.C. 1401a(f) (reference (c)) was applied to members and former members whose retired pay was computed on October 1, 1978, basic pay rates.

080444. Executive Order 12165 (reference (cn)), effective October 1, 1979, provided for:

- A. Increased basic pay rates.
- B. No increase for members retired before October 1, 1979.
- C. No entitlement to pay computed on the October 1, 1979 basic pay rates for members who retired on October 1, 1979, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1979, transfers). Their pay was computed on the October 1, 1978, basic pay rates.

080445. A cost-of-living adjustment, effective March 1, 1980, provided for:

- A. A 6.0 percent increase for members whose retired pay was computed on the basic pay rates in effect prior to October 1, 1979.
- B. A 2.8 percent increase or pay computed on the October 1, 1978, basic pay rates plus 8.9 percent and 6.0 percent for members whose retired pay was computed on the October 1, 1979, basic pay rates.

080446. A cost-of-living adjustment, effective September 1, 1980, provided a 7.7 percent increase for all members whose retired pay was computed on the basic pay rates in effect before October 1, 1979. Members, whose retired pay was computed on the October 1, 1979, basic pay rates were entitled to a 10.8 percent increase. The 2.8 percent cost-of-living adjustment credited March 1, 1980, must be reversed prior to applying the 10.8 percent increase. If determined to be advantageous to retired members, 10 U.S.C. 1401a(f) (reference (c)) was applied to members and former members whose retired pay was computed on October 1, 1979, basic pay rates.

080447. Public Law 96-342 (reference (bp)), that became effective October 1, 1980, provided for:

- A. Increased basic pay rates.
- B. No increase for members retired before October 1, 1980.
- C. No entitlement to pay computed on the October 1, 1980 basic pay rates for members who retired on October 1, 1980, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1980 transfers). Their pay was computed on the October 1, 1979 basic pay rates.

080448. A cost-of-living adjustment, effective March 1, 1981, provided for:

- A. A 4.4 percent increase for members whose retired pay was computed on the basic pay rates in effect prior to October 1, 1980.

B. A 2.7 percent increase or pay computed on the October 1, 1979 basic pay rates plus 10.8 and 4.4 percent for members whose retired pay was computed on the October 1, 1980, basic pay rates.

080449. Executive Order 12330 (reference (co)), effective October 14, 1981, provided for:

A. Increased basic pay rates.

B. No increase for members retired before October 1, 1981.

C. No entitlement to pay computed on the October 1, 1981, basic pay rates for members who retired on October 1, 1981, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1981, transfers). Their pay was computed on the October 1, 1980, basic pay rates.

080450. Public Law 97-92 (reference (cp)), effective January 1, 1982, established new rates for Executive Level V personnel which permitted an increase in the maximum amount payable under the October 1, 1981, basic pay rates, for grades O-7, O-8, O-9, O-10, and the Joint Chiefs of Staff. Members were entitled to a 0.7 percent cost-of-living adjustment effective March 1, 1982.

080451. A cost-of-living adjustment, effective March 1, 1982, provided for:

A. An 8.7 percent increase for members whose retired pay was computed on the basic pay rates in effect prior to October 1, 1981.

B. A 0.7 percent increase or pay computed on the October 1, 1980, basic pay rates plus 2.7 and 8.7 percent for members whose retired pay was computed on the October 1, 1981, basic pay rates. If determined to be advantageous to retired members, 10 U.S.C. 1401a(f) (reference (c)) was applied to members and former members whose retired pay was computed on the October 1, 1981, basic pay rates.

080452. Executive Order 12387 (reference (cq)), effective October 1, 1982, provided for:

A. Increased basic pay rates.

B. No increase for members retired before October 1, 1982.

C. No entitlement to pay computed on the October 1, 1982, basic pay rates for members who retired on October 1, 1982, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1982 transfers). Their pay was computed on the October 1, 1981, basic pay rates.

080453. Public Law 97-377, approved December 21, 1982 (reference (cr)), effective December 18, 1982, established new rates for Executive Level V personnel which permitted an increase in the maximum amount payable under October 1982 basic pay rates, for grades O-8, O-9, and O-10, and the Joint Chiefs of Staff.

080454. A cost-of-living adjustment, effective April 1, 1983, provided for:

A. A 3.3 or 3.9 percent adjustment for members whose pay was computed on basic pay rates in effect before October 1, 1982. Members who are age 62 or more on March 1, 1983, or who retired by reason of physical disability under Chapter 61, 10 U.S.C. (reference (c)), were entitled to a 3.9 percent increase. Members under age 62 on March 1, 1983, were entitled to a 3.3 percent increase.

B. No entitlement to a partial cost-of-living adjustment on April 1, 1983, for members whose pay was computed on the basic pay rates effective October 1, 1982. (The CPI declined from 292.8 in September 1982 to 290.0 in December 1982.)

080455. Executive Order 12456 (reference (cs)), effective January 1, 1984, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1984.

C. No entitlement to pay computed on the January 1, 1984, basic pay rates for members who retired on January 1, 1984, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1983, transfers). Their pay was computed on the October 1, 1982, basic pay rates.

080456. A cost-of-living adjustment effective December 1, 1984, provided for:

A. A 3.5 percent adjustment for members whose pay was computed on basic pay rates in effect before January 1, 1984.

B. A partial cost-of-living adjustment of 2.8 percent for members whose pay was computed on the basic pay rates effective January 1, 1984.

080457. Executive Order 12496 (reference (ct)), effective January 1, 1985, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1985.

C. No entitlement to pay computed on the January 1, 1985 basic pay rates for members who retired on January 1, 1985, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1984, transfers). Their pay was computed on the January 1, 1984, basic pay rates.

080458. Executive Order 12540 (reference (cu)), effective October 1, 1985, provided for:

- A. Increased basic pay rates.
- B. No increase for members retired before October 1, 1985.

C. No entitlement to pay computed on the October 1, 1985 basic pay rates for members who retired on October 1, 1985, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (September 30, 1985, transfers). Their pay was computed on the January 1, 1985, basic pay rates.

080459. The cost-of-living adjustment, effective December 1, 1985, of 3.1 percent (2.4 percent partial cost-of-living adjustment) was suspended under Public Law 99-177 (reference (bu)).

080460. A cost-of-living adjustment effective December 1, 1986, provided for:

A. A 1.3 percent adjustment for members whose pay was computed on basic pay rates in effect before October 1, 1985.

B. A 1.3 percent adjustment for members whose pay was computed on the basic pay rates effective October 1, 1985.

080461. Executive Order 12578 (reference (cv)), effective January 1, 1987, provided for:

- A. Increased basic pay rates.
- B. No increase for members retired before January 1, 1987.

C. No entitlement to pay computed on the January 1, 1987, basic pay rates for members who retired on January 1, 1987, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1986, transfers). Their pay was computed on the October 1, 1985, basic pay rates.

080462. Executive Level V rates increased to \$72,500 effective March 1, 1987. The increase in the salaries of senior government officials recommended in the January 5, 1987, Presidential Budget message to Congress (reference (cw)), became effective on February 4, 1987. The new, maximum basic pay amounts for grades O-8, O-9, and O-10, and the Joint Chiefs of

Staff, under 2 U.S.C. 359 (reference (cx)), are effective March 1, 1987. **Note:** Table 5-9 shows rate of \$72,500 effective February 8, 1987 (first full pay period), for pay cap purposes.

080463. A cost-of-living adjustment effective December 1, 1987, provided for:

A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986 and whose retired pay has been computed on active duty pay rates in effect before January 1, 1987, received a 4.2 percent adjustment.

2. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1987, active duty pay rate received to a 3.7 partial cost-of-living adjustment.

B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1987, received a 3.2 percent adjustment.

2. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1987, received to a pro-rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
Jan 1, 1987 - Mar 31, 1987	3.7
Apr 1, 1987 - Jun 30, 1987	2.5
Jul 1, 1987 - Sep 30, 1987	1.2
Oct 1, 1987 - Dec 31, 1987	-0-

080464. Executive Order 12622 (reference (cy)), effective January 1, 1988, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1988.

C. No entitlement to pay computed on the January 1, 1988, basic pay rates (exception: certain grades O-8, O-9, O-10 members were computed on rates effective March 1, 1987) for members who retired on January 1, 1988, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1987, transfers).

080465. A cost-of-living adjustment effective December 1, 1988, provided for:

A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active duty pay rates in effect before January 1, 1988, received a 4.0 percent adjustment.

2. Members who first entered service before August 1, 1986 and who became entitled to retired pay computed on the January 1, 1988, active duty pay rate received a 3.2 percent adjustment.

B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986 and who became entitled to retired pay before January 1, 1988, received a 3.0 percent adjustment.

2. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1988, received a pro-rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
Jan 1, 1988 - Mar 31, 1988	2.4
Apr 1, 1988 - Jun 30, 1988	2.1
Jul 1, 1988 - Sep 30, 1988	1.1
Oct 1, 1988 - Dec 31, 1988	-0-

080466. Executive Order 12663 (reference (cz)), effective January 1, 1989, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1989.

C. No entitlement to pay computed on the January 1, 1989, basic pay rates for members who retired on January 1, 1989, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1988, transfers). Their pay was computed on the January 1, 1988, basic pay rates.

080467. A cost-of-living adjustment effective December 1, 1989, provided for:

A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active duty pay rates in effect before January 1, 1989, received a 4.7 percent adjustment.

2. Members who first entered service before August 1, 1986, and who became entitled to retired pay on January 1, 1989, active duty pay rates received a 3.6 percent adjustment.

B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1989, received a 3.7 percent adjustment.

2. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1989, received a pro rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
Jan 1, 1989 - Mar 31, 1989	2.9
Apr 1, 1989 - Jun 30, 1989	2.1
Jul 1, 1989 - Sep 30, 1989	0.5
Oct 1, 1989 - Dec 31, 1989	-0-

080468. Executive Order 12698 (reference (da)), effective January 1, 1990, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1990.

C. No entitlement to pay computed on the January 1, 1990, basic pay rates for members who retired on January 1, 1990, and were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1989, transfers).

080469. A cost-of-living adjustment effective December 1, 1990, provided for:

A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active duty pay rates in effect before January 1, 1990, received a 5.4 percent adjustment.

2. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1990, active duty pay rate received a 4.4 percent adjustment.

B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1990, received a 4.4 percent adjustment.

2. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1990, received a pro-rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
Jan 1, 1990 - Mar 31, 1990	3.7
Apr 1, 1990 - Jun 30, 1990	2.2
Jul 1, 1990 - Sep 30, 1990	1.5
Oct 1, 1990 - Dec 31, 1990	-0-

080470. Executive Order 12736 (reference (db)), effective January 1, 1991, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1991.

C. No entitlement to pay computed on the January 1, 1991, basic pay rates for members who retired on January 1, 1991, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1990, transfers).

080471. A cost-of-living adjustment effective December 1, 1991 provided for:

A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active duty pay rates in effect before January 1, 1991, received a 3.7 percent adjustment.

2. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1991, active duty pay rate received a 2 percent adjustment.

B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1991, received a 2.7 percent adjustment.

2. Members who first entered service on or after August 1, 1986 and who became entitled to retired pay on or after January 1, 1991, received a pro-rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
Jan 1, 1991 - Mar 31, 1991	1.2
Apr 1, 1991 - Jun 30, 1991	.9
Jul 1, 1991 - Sep 30, 1991	1.5
Oct 1, 1991 - Dec 31, 1991	-0-

080472. Executive Order 12786 (reference (dc)), effective January 1, 1992, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1992.

C. No entitlement to pay computed on the January 1, 1992, basic pay rates for members who retired on January 1, 1992, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1991, transfers).

080473. Effective February 1, 1992, pay rates were added for the new pay grade Chief Warrant Officer, W-5.

080474. A cost-of-living adjustment effective December 1, 1992, provided for:

A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active duty pay rates in effect before January 1, 1992, received a 3 percent adjustment.

2. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1992, active duty pay rate received a 2.3 percent adjustment.

B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1992, received a 2 percent adjustment.

2. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1992, received a pro-rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
Jan 1, 1992 - Mar 31, 1992	1.5
Apr 1, 1992 - Jun 30, 1992	1.2
Jul 1, 1992 - Sep 30, 199	2.5
Oct 1, 1992 - Dec 31, 1992	-0-

080475. Executive Order 12826 (reference (dd)), effective January 1, 1993, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1993.

C. No entitlement to pay computed on the January 1, 1993, basic pay rates for members who retired on January 1, 1993, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1992, transfers).

080476. A cost-of-living adjustment effective December 1, 1993 provides the following increases. Public Law 103-66, August 10, 1993 (reference (fm)), prohibits the payment for months before March 1994 of any increase in retired pay associated with the cost-of-living adjustment except for those members retired for disability under 10 U.S.C., Chapter 61 (reference (c)).

A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active duty pay rates in effect before January 1, 1993, received a 2.6 percent adjustment.

2. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1993, active duty pay rate received a 1.9 percent adjustment.

B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1993, received a 1.6 percent adjustment.

2. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1993, received a pro-rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
Jan 1, 1993 - Mar 31, 1993	1.2
Apr 1, 1993 - Jun 30, 1993	.7
Jul 1, 1993 - Sep 30, 199	3.2
Oct 1, 1993 - Dec 31, 1993	-0-

080477. Executive Order 12886 (reference (fk)), effective January 1, 1994, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1994.

C. No entitlement to pay computed on the January 1, 1994, basic pay rates for members who retired on January 1, 1994, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1993, transfers).

080478. A cost-of-living adjustment effective December 1, 1994, provides the following increases. 10 U.S.C. 1401ab2Bii (reference (c)), as amended by Public Law 103-337, October 5, 1994 (reference (fi)), and Public Law 103-335, September 30, 1994 (reference (fj)), prohibited payment for months before March 1995, of any increased retired pay associated with cost-of-living adjustments except for those members or former members retired for disability. The delay did not pertain to SBP base amounts and associated annuities and premiums, or to the exclusion amounts for dual compensation.

A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active duty pay rates in effect before January 1, 1994, received a 2.8 percent adjustment.

2. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1994, active duty basic pay rate, received a 2.2 percent adjustment.

B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1994, received a 1.8 percent adjustment.

2. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1994, received a pro-rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
Jan 1, 1994 - Mar 31, 1994	1.4
Apr 1, 1994 - Jun 30, 1994	1.2
Jul 1, 1994 - Sep 30, 1994	4.7
Oct 1, 1994 - Dec 31, 1994	-0-

080479. Executive Order 12944 (reference (fl)), effective January 1, 1995, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1995.

C. No entitlement to pay computed on the January 1, 1995, basic pay rates for members who retired on January 1, 1995, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1994, transfers).

080480. A cost-of-living adjustment effective December 1, 1995, provides the following increases: increases in survivor annuities (including SBP base amounts and associated annuities and premiums), retired pay based on disability, and exclusion amounts for dual compensation. Under 10 U.S.C. 1401a(b)(2) (reference (c)) and Public Law 104-106 (reference (fn)), the payment of increased retired pay associated with the FY 1996 cost-of-living adjustment was prohibited for all other members for periods before March 1, 1996.

A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active duty basic pay rates in effect before January 1, 1995, received a 2.6 percent adjustment.

2. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1995, active duty pay rate received a 2.0 percent adjustment.

B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1995, received a 1.6 percent adjustment.

2. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1995, received a pro-rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
Jan 1, 1995 - Mar 31, 1995	1.3
Apr 1, 1995 - Jun 30, 1995	.8
Jul 1, 1995 - Sep 30, 199	5.2
Oct 1, 1995 - Dec 31, 1995	-0-

080481. Executive Order 12990 (reference (fo)), effective January 1, 1996, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1996.

C. No entitlement to pay computed on the January 1, 1996, basic pay rates for members who retired on January 1, 1996, and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1995, transfers).

★080482. A cost-of-living adjustment effective December 1, 1996, provided for:

★A. Pre-August 1986 members:

1. Members who first entered service before August 1, 1986, and whose retired pay has been computed under active duty pay rates in effect before January 1, 1996, received a 2.9 percent adjustment.

2. Members who first entered service before September 8, 1980, and who become entitled to an initial amount of retired pay computed on the January 1, 1996, active duty pay rate received a 2.5 percent adjustment.

3. Members who first entered service after September 7, 1980, but before August 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1996, received a pro rata initial adjustment as follows:

<u>Retired Pay Effective Date</u>	<u>Percent Increase</u>
Jan 1, 1996 - Mar 31, 1996	2.5
Apr 1, 1996 - Jun 30, 1996	1.5
Jul 1, 1996 - Sep 30, 1996	.5
Oct 1, 1996 - Dec 31, 1996	0

★B. Post-August 1986 members:

1. Members who first entered service on or after August 1, 1986, and who become entitled to retired pay before January 1, 1996, received a 1.9 percent adjustment.

2. Members who first entered service on or after August 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1996, received a pro rata initial adjustment as follows:

<u>Retired Pay Effective Date</u>	<u>Percent Increase</u>
Jan 1, 1996 - Mar 31, 1996	1.7
Apr 1, 1996 - Jun 30, 1996	1.0
Jul 1, 1996 - Sep 30, 199	6.2
Oct 1, 1996 - Dec 31, 1996	0

★080483. Executive Order 13033 (reference (fq)) effective January 1, 1997, provided for:

A. Increased basic pay rates.

B. No increase for members retired before January 1, 1997.

C. No entitlement to pay computed on the January 1, 1997 basic pay rates for members who retired on January 1, 1997 and who were subject to the URDA (reference (x)), warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1996, transfers).

CHAPTER 9**ADVANCEMENTS ON RETIRED LIST****0901 PURPOSE**

090101. This chapter covers advancements of retired members, Fleet Reservists, and Fleet Marine Corps Reservists who are retired when:

A. Their active service, inactive service (Navy or Marine Corps members only), and service on the retired list or in the Fleet Reserve or Fleet Marine Corps Reserve totals 30 years; or

B. Members are found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve.

0902 GENERAL

090201. Section 0103 of this volume covers members retired from active service in:

A. A higher grade because of serving on active duty in special positions,

B. The highest grade or rating held while serving on active duty, or

C. The grade to which members would have been promoted had it not been for the physical disability for which retired and which was found to exist as a result of physical examination for promotion.

0903 ADVANCEMENTS

090301. Army and Air Force. Each warrant officer of the Army or Air Force and each enlisted member of the Regular Army or Air Force is entitled, when active service plus service on the retired list totals 30 years, to be advanced on the retired list to the highest temporary or permanent grade in which the member served satisfactorily as determined by the Secretary of the Army or Air Force.

090302. Navy and Marine Corps

A. When an enlisted member of the Fleet Reserve or Fleet Marine Corps Reserve has completed 30 years of service, or when the member is found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve as a result of the required quadrennial physical examination, the member is transferred to the retired list.

B. Such a member may be advanced on the retired list to the highest officer grade in which the he or she served satisfactorily under a temporary or permanent appointment as determined by the Secretary of the Navy.

0904 EFFECTS ON PAY

090401. The advancement authorities do not impose the absolute requirement that a member of the Armed Forces must be advanced on the retired list. When a member would receive a lesser rate of the retired pay when advanced than when originally retired or transferred, the member should be consulted and advised that retired pay would be less if member elects to be advanced on the retired list.

090402. Warrant officers advanced on the retired list are entitled to use only years of active service in determining the percentage multiplier to be used in computing retired pay for the advanced grade. When recomputation results in a reduction of retired pay and is effected solely on the basis of administrative determination without regard to member's wishes, the member may elect advancement and reduction in pay or remain in the grade in which retired with benefits of original retirement.

090403. If an enlisted member is in fact advanced on the retired list, retired pay must be recomputed, even though a reduction of retired pay would result. Before being advanced, the member should be consulted and advised that the retired pay entitlement will be less if the member elects to be advanced.

090404. Retired pay may be computed at the higher grade in which a member had served satisfactorily, without regard to whether the higher grade was temporary or permanent, even though the Military Service in which the individual held the higher grade is not the Military Service from which retired. Where required by statute, an administrative approval that the service at the higher grade was satisfactorily performed must be issued by the Secretary of the Military Department concerned in which the member performed service at the higher grade.

090405. An enlisted member who, when retired or transferred, was awarded a 10 percent increase in retired pay because of extraordinary heroism performed in the line of duty is not eligible to continue receiving the additional 10 percent upon advancement to officer rank.

090406. A member of the Armed Forces advanced on the retired list is entitled to retired pay recomputed by:

A. Taking the rate of monthly basic pay for the grade on the initial date of retirement or transfer (or taking the monthly retired pay base if member entered a Uniformed Service after September 7, 1980);

B. Multiplying two and one-half percent times the total number of years of active service (using 6 months or more as a whole year) for members advanced before

October 1, 1983, and using whole months actually served, in excess of whole years, as 1/12 of a year for members advanced after September 30, 1983;

C. Subtracting the excess over 75 percent of pay upon which computation is based; and

D. Adding all applicable cost-of-living adjustments from the date of initial retirement or transfer.

0905 RESTORATION OF FORMER GRADE

Each retired warrant officer, enlisted member of the Regular Army or Air Force, or enlisted member retired from the Fleet Reserve or Fleet Marine Corps Reserve who has been advanced on the retired list to a higher temporary or permanent commissioned officer grade may apply to the Secretary concerned within 3 months after advancement for restoration to the former enlisted or warrant officer grade. If the Secretary of the Military Department concerned approves the request, the member may be restored to the former warrant officer or enlisted grade. A member so restored is thereafter considered for all purposes to be a warrant officer or an enlisted member, as applicable.

CHAPTER 10**CORRECTION OF RECORDS****1001 AUTHORITY**

100101. The Secretary of a Military Department, under procedures established by that Secretary and approved by the Secretary of Defense, and acting through boards of civilians of the executive part of that Military Department, may correct any military record of that department when the Secretary concerned considers it necessary to correct an error or remove an injustice.

100102. Corrections of military records are final and conclusive on all officers of the United States except when procured through fraud.

100103. If there is to be a proper correction and a right to the payment of money as a result of that proper correction, there must be a change of facts as set out in the original record, or an addition or deletion of a fact. A reaffirmation of the existing facts already in the original record does not constitute a proper correction of that record. A recital of existing facts does not avoid the operation of a statute of limitations. The statute of limitations on a proper correction of the record begins to run from the date of the correction. For example, when the record of a member of the naval service transferred to the Fleet Reserve or the Fleet Marine Corps Reserve was corrected to show additional service credits, the 6-year (10-year before July 1975) limitation period started from the date of the correction of the member's records rather than from the date of the transfer, and upon correction, the member was entitled to retainer pay from the date of transfer in accordance with member's grade and number of years of creditable service, as corrected.

100104. Corrections may be made when:

A. The member, the member's heir, or legal representative filed a request before October 26, 1961, or within 3 years after member has discovered the error or injustice, whichever is later, or

B. The Board excuses a failure to file within 3 years when it is in the interest of justice.

1002 PAY COMPUTATION

100201. Payments based on a correction of military records must be made in the amounts determined to be due by applying pertinent laws and regulations to all the material facts shown in the corrected record. Generally, the payments resulting from the correction of military records are based on the:

A. Pay entitlement the member had before the correction,

B. Actual payments made for these entitlements, and

C. New pay entitlements that accrue as a result of the correction. For specific computation, see the chapters concerning the entitlement to and computation of retired or retainer pay, and participation in and payment of survivor annuities under the Retired Serviceman's Family Protection Plan (RSFPP) and/or the Survivor Benefit Plan (SBP).

100202. The settlement of retired pay, retainer pay, or survivor annuities due as a result of the correction of a military record must be reduced, as applicable, by:

- A. Any previous settlements of active duty pay and allowances involving the same periods
- B. Prior payments of readjustment pay or disability severance pay
- C. Prior payments of disability compensation, pensions, or Dependency and Indemnity Compensation (DIC) made by the Department of Veterans Affairs
- D. Federal income tax
- E. Cost of participation in the Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan
- F. Dual compensation statutes if a retired Regular officer is employed by the United States Government
- G. Prior payments of the mother's benefit received from social security and the amount of the spouse's social security entitlement, if any, resulting from the retiree's active military service.

100203. When payment cannot be made to the member because of member's death, payment may be made to member's legal representative. In the absence of a demand for payment by the legal representative, payments are made:

- A. To the surviving spouse, heir, or beneficiaries, in the order prescribed by the law applicable to that kind of payment,
- B. In the order of precedence in Chapter 30 or if there is no such law covering order of payment,
- C. As otherwise prescribed by the law applicable to that kind of payment.

100204. A claimant's acceptance of settlement fully satisfies the claim concerned. Settlement of this claim does not preclude payment of a separate and distinct claim and acceptance of settlement does not preclude recomputation and adjustment when there is a mutual mistake. Payments are not authorized for any claim compensated by private law before October 25, 1951.

1003 TAX ADJUSTMENT

See section 2412 of this volume.

1004 APPROPRIATION CHARGES

The payments that become due and payable as a result of the correction are charged to the applicable current retired pay appropriation for all amounts due on and after the date of approval by the Secretary concerned. Amounts due for periods before date of approval by the Secretary concerned are charged to the Claims, Department of Defense appropriation.

1005 RESTRICTIONS

No payment resulting from a correction of records may be made for a benefit to which the claimant might later become entitled under the laws and regulations administered by the Secretary of Veterans Affairs.

CHAPTER 11

REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST1101 **ENTITLEMENT TO DISABILITY SEVERANCE PAY**

A member on the TDRL is given a physical examination at least once every 18 months. The Secretary concerned may make a final determination as to the member's disability at that time or at the end of the 5-year TDRL period. If the physical disability is rated less than 30 percent and if the member has less than 20 years of active service, the member's name is removed from the TDRL and the member may be separated with severance pay.

1102 **COMPUTATION OF SEVERANCE PAY**

110201. When the member is removed from the TDRL with entitlement to disability severance pay, the pay is computed by multiplying years of active service, but not more than 12, by the highest of these amounts:

A. Twice the amount of monthly basic pay that the member would be entitled if serving on active duty on the date of removal from the TDRL and in the grade or rank in which serving on the date of transfer to the TDRL.

B. Twice the amount of monthly basic pay to which the member would be entitled if serving on active duty when the his or her name was placed on the TDRL or on the date of separation, if not carried on TDRL. This basic pay rate reflects any temporary grade or rank higher than that in subparagraph 110201.A, above, in which the member served satisfactorily as determined by the Secretary concerned.

C. Twice the amount of monthly basic pay to which the member would be entitled if serving on active duty when the member's name was placed on TDRL or on the date of separation, if not carried on TDRL. This basic pay rate reflects the permanent Regular or Reserve grade that the member would have been promoted to but for the disability for which separated and which was found on physical examination for promotion.

D. Twice the amount of monthly basic pay to which the member would be entitled to if serving on active duty when the member's name was placed on TDRL or on the date of separation, if not carried on TDRL. This basic pay rate reflects the temporary grade or rank to which the member would have been promoted had it not been for the physical disability for which member separated and which was found on physical examination for promotion, if promotion eligibility was required to be based on cumulative years of service or years in grade.

110202. To compute the years of active service multiplier, count a part of a year of active service that is 6 months or more as a whole year, and disregard a part of a year that is less than 6 months. A member with less than 6 months of active service is not entitled to disability severance pay.

110203. To determine the taxability of the disability severance pay, see Chapter 24, section 2413 of this volume.

1103 SEVERANCE PAY AND DEPARTMENT OF VETERANS AFFAIRS (VA) DISABILITY COMPENSATION

The amount of disability severance pay received under 10 U.S.C. 1212 (reference (c)) is deducted from any compensation for the same disability to which the former member for the Armed Forces or the member's dependents become entitled under any law administered by the Department of Veterans Affairs. However, no deduction is made from any death compensation to which the former member's dependents become entitled after member's death.

1104 RETURN TO ACTIVE DUTY

If, as a result of the physical examination or determination by the Secretary concerned referenced in section 1101, above, it is determined that the member is physically fit to perform the duties of the office, grade, rank, or rating, the member is removed from the TDRL. Any member removed may, with his or her consent, be recalled to active duty, appointed, reappointed, enlisted, reenlisted, or resume status in the Fleet Reserve or Fleet Marine Corps Reserve. See Table 11-1.

1105 DISABILITY OF A PERMANENT NATURE

110501. If, as a result of the physical examination or determination by the Secretary concerned, referenced in section 1101, above;

A. The member's physical disability is determined to be permanent and is at least 30 percent under the standard schedule of rating disabilities in use by the Department of Veterans Affairs at the time of the determination, then the member's name is removed from the TDRL and member is retired by reason of permanent physical disability.

B. The member's physical disability is determined to be permanent and is less than 30 percent under the standard schedule of rating disabilities in use by the Department of Veterans Affairs at the time of the determination and, if member has at least 20 years of service, then the member's name is removed from the TDRL and member is retired by reason of permanent physical disability with retired pay computed under 10 U.S.C. 1401 (reference (c)). See Table 11-1.

1106 TERMINATION OF TEMPORARY DISABILITY RETIRED PAY

110601. The disability retired pay of a member terminates on the earlier of:

A. The date of removal from TDRL because of

1. Recall to active duty,

2. Resumption of status in Fleet Reserve and Fleet Marine Corps Reserve,
 3. Appointment, reappointment, enlistment, or reenlistment,
 4. Physical examination in which the member is found fit for duty or the disability is less than 30 percent, or
- B. Upon the expiration of 5 years after the date when the member's name was placed on the TDRL.

1107 NOTIFICATION TO DEPARTMENT OF VETERANS AFFAIRS (VA)

When a total or partial VA waiver of retired pay is in effect on the date of the retiree's discharge from the TDRL, the DFAS Center notifies the cognizant VA office of the effective date of discharge, amount of disability severance pay entitlement, if applicable, and the VA disability codes, if available, for which severance pay was paid.

REMOVAL FROM TEMPORARY DISABILITY RETIRED LIST (TDRL)			
R U L E	A	B	C
	If member's disability	then member may be	and is entitled to
1	is less than 30 percent and member has less than 20 years of service as determined by 10 U.S.C. 1208	discharged under 10 U.S.C. 1203 or 1206	disability severance pay computed by multiplying years of active service not to exceed 12, times twice the highest basic pay rate determined by reference to subparagraphs 110201.A, B, C, or D. The retiree's pay entitlement terminates the effective date of separation under 10 U.S.C. 1203 or 1206 (note).
2	is less than 30 percent and member has at least 20 years of service	removed from the TDRL and retired under 10 U.S.C. 1201 and 1204	retired pay computed under 10 U.S.C. 1401. TDRL entitlement terminates on date of removal and transfer to PDRL (note).
3	is 30 percent or more		
4	no longer exists and member is found fit for duty and is a member of the Army or Air Force	with his or her consent recalled to active duty, appointed, reappointed, enlisted or reenlisted	retired pay terminating (1) on the date of removal from TDRL. (2) on the date of expiration of 5 years on the TDRL.
5	no longer exists and member is found fit for duty and is a member of the Navy, Marine Corps, or Coast Guard	with his or her consent recalled to active duty, appointed, reappointed, enlisted, reenlisted, or resume status in the Fleet Reserve or Fleet Marine Corps Reserve	
6	no longer exists and member is found fit for duty	discharged without severance pay if member does not consent to be recalled, appointed, reappointed, enlisted, or reenlisted	no retired pay after effective date of separation under 10 U.S.C. 1203 or 1206 (note).

NOTE: The date the member completes 5 years on TDRL supersedes this effective date. Rules 4, 5, and 6: If member is fit, there is no disability percent. See 10 U.S.C. 1210(f).

Table 11-1. Removal From Temporary Disability Retired List (TDRL)

CHAPTER 12

WAIVER OF RETIRED PAY1201 WAIVER CONDITIONS AND BENEFITS120101. General

A. Retired pay is a statutory right and, as such, cannot be waived except as authorized by law. These two laws authorize a member to waive entitlement to retired pay:

1. 38 U.S.C. 5305 (reference (ar)) permits a member to receive compensation or pension from the Department of Veterans Affairs (VA).

2. 5 U.S.C. 8332(c) (reference (az)) permits a member to include creditable military service in computing a civil service retirement annuity.

★B. A member may not waive his or her right to retired pay. Even if retired pay is not being sent to a member on a monthly basis (for example, the member's whereabouts is unknown), the retired pay continues to accrue. Since, for income tax purposes, such retired pay is deemed to have been constructively received by the member once it is made available and can be drawn upon, it is subject to the withholding and reporting requirements of ordinary wages.

C. A member who waive his or her retired pay in order to receive VA compensation or a pension may benefit for these reasons:

1. VA benefits are nontaxable income for federal, state, and local income taxation. See Chapter 24 of this volume for computation of taxable pay and federal income tax withholding.

2. VA benefits may exceed the retired pay entitlement.

3. A retired Regular officer who also is employed by the federal government and is subject to the dual compensation statutes may have that reduction reduced because of the waiver of retired pay to receive VA benefits. See Chapter 5 of this volume for computation of the dual compensation deduction.

1202 DEPARTMENT OF VETERANS AFFAIRS BENEFITS

120201. Dual Benefits. A retiree receiving retired pay who is also eligible to receive disability compensation/pension from the Department of Veterans Affairs is barred from receiving concurrent payments of both retired pay and the VA benefit, unless the member elects to waive that portion of retired pay that is equal to the amount of the VA benefit awarded. A retiree receiving retired pay who also is eligible to receive an improved VA pension from the Department of

Veterans Affairs is not required to waive any retired pay effective October 1, 1980. See Appendix G, article III, paragraph 3-1.

120202. Initial Award. See Appendix G, article I, paragraph 1-2.

A. The timeframe for processing the initial waiver is in accordance with agreements in the VA-DoD Memorandum of Understanding in Appendix G, article II, paragraphs 2-1 and 2-2.

B. Responsibility for recouping overpayments in accordance with the VA-DoD Memorandum of Understanding is in Appendix G, article II, paragraphs 2-1 and 2-2.

C. When a Regular retired officer is employed by the federal government or instrumentality thereof during the period of a retroactive initial award of VA benefits, all amounts classified as retired pay are subject to reduction under the dual compensation formula. Disability compensation payable by the Department of Veterans Affairs is not retired pay. Payments equal to the VA compensation entitlement, and received after the effective date of the waiver, are classified as disability compensation and are not subject to reduction under the Dual Compensation Act (reference (at)). When a member executes a retroactive waiver of retired pay, the DFAS-Cleveland Center must recompute any dual compensation reduction as of the retroactive effective date of the waiver. A DD Form 2279 (Request for Retroactive Waiver of Military Retired Pay), once completed by the member, authorizes the Department of Veterans Affairs to pay the member any additional compensation due. This form also authorizes the Department of Veterans Affairs to deduct the overpayment of retired pay from compensation and refund it to the DFAS-Cleveland Center.

120203. Change in Awards

A. For increased, reduced awards, or a statutory increase, see Appendix G, article II, paragraphs 2-1 and 2-2.

B. A retiree may receive VA compensation while receiving Federal Employees Compensation Act (FECA) benefits as long as such payment is not for the same injury or retainer pay; and retired pay or retainer pay while receiving FECA benefits subject to the limitations on receipt of dual compensation by retired officers.

120204. Withdrawal. A retiree who has waived retired pay in favor of VA benefits may withdraw the waiver and elect to receive retired pay at any time. The notification of the withdrawal of the previous waiver of retired pay must be submitted to the Department of Veterans Affairs in writing over the retiree's signature. This renouncement of VA benefits terminates the retiree's right to these benefits from such filing of notification. Renouncement of VA benefits does not preclude the retiree from filing a new waiver of retired pay at a later date, enabling the retiree to receive VA benefits again. The effective date or reinstatement of retired pay is determined by the VA procedures outlined below.

A. When the Department of Veterans Affairs is the initial recipient of the request or withdrawal, the Department of Veterans Affairs notifies the appropriate retired pay activity of the effective date of termination of VA benefits. The effective date is the first of the month after the month of the request for withdrawal or termination of VA benefits, whichever is later. See Appendix G.

B. When a retired pay activity is the first recipient of the request for withdrawal, it sends the request to the appropriate VA office by a cover letter indicating the monthly gross retired pay. Upon receipt, the Department of Veterans Affairs follows the procedure in subparagraph 12004.A, above.

120205. Incompetents. See Appendix G, article III, paragraph 3-2. The effective date for restoration of retired pay will be the first of the month following the month of the restoration request or termination of VA benefits, whichever is later.

120206. RSFPP and SBP. Any retiree participating in RSFPP and/or SBP who waives retired pay in favor of VA benefits may:

A. Authorize the Department of Veterans Affairs to withhold the cost of the RSFPP and/or SBP from the benefits awarded and remit that amount to the cognizant retired pay activity. (See Chapters 36, 45 and 56 of this volume); or

B. Be subject to involuntary collection action by the DFAS. Such collection action is subject to the provisions of the Public Law 97-365 (reference (de)). For procedures, see Appendix V, Interagency Agreement Between the Department of Veterans Affairs and the Department of Defense Military Retired Pay, September 6, 1990.

1203 CIVIL SERVICE RETIREMENT

120301. General. A retiree receiving retired pay, pursuant to any provision of law authorizing such payments, who applies for a retirement annuity under the laws administered by the Office of Personnel Management (OPM), or the Foreign Service, which bar credit for the military service, may elect to waive the retired pay in order to credit military service for computing civil service annuity. To avoid a delay in adjudicating a civil service retirement claim, the member should execute a waiver and send it to the DFAS at least 60 days before the anticipated starting date of the annuity.

120302. Creditable Service. All periods of military service before the date of separation on which title to annuity is based are creditable. However, if a member is awarded retired pay on account of military service, the military service may not be credited unless:

A. The retired pay is awarded on account of a service-connected disability

1. Incurred in combat with an enemy of the United States; or

2. Caused by an instrumentality of war and incurred in line of duty during a period of war as defined by 38 U.S.C. 1101 (reference (ar)). The term "period of war" includes, in the case of any veteran:

a. Any period of service performed after November 11, 1918, and before July 2, 1921, if such veteran served in the active military, naval, or air service after April 5, 1917, and before November 12, 1918; and

b. Any period of continuous service performed after December 31, 1946, and before July 26, 1947, if such period began before January 1, 1947.

B. The retired pay is awarded under 10 U.S.C., Chapter 1223 (reference (c)); or

C. The member waives retired pay.

120303. Initial Waiver. A retiree may request waiver of retired pay so that military service may be used in establishing eligibility for and/or computation of civil service retirement annuity. The request for waiver of retired pay must be submitted over the retiree's signature and should contain the effective date of the waiver of retired pay. Certain civil service annuities, starting on or after October 1, 1982, commence the first day of the month after separation from civil service or pay ceases and the service and age requirements for title to annuity are met. Individuals retiring during the first 3 days of a month are excluded; their annuities begin the following day. Also excluded are survivor annuities, disability annuities, or discontinued service annuities based on involuntary separation, death, or last day of pay. The member should also authorize the OPM to withhold amounts necessary from the civil service retirement annuity to repay amounts of retired pay paid beyond the effective date of waiver. The retired pay activity notifies the OPM of the date retired pay is waived. The OPM, in turn, advises the retired pay activity of the actual date member's retirement annuity started, enabling the retired pay activity to make any final settlement that might be due the retired member.

120304. Dual Waivers. Civil service regulations prohibit the credit of military service for retirement annuity purposes if the retiree is receiving retired pay except retired pay awarded in accordance with paragraph 120302, above. When a retiree has a total waiver of retired pay in effect to receive VA compensation, the OPM interprets its regulations as providing for crediting military service for retirement annuity purposes.

120305. Withdrawal of Waiver. The waiver of military retired pay to receive an increased civil service retirement annuity may be withdrawn and military retired pay reinstated under these conditions:

A. The member becomes a reemployed annuitant and the civil service annuity is terminated.

B. When the member becomes eligible for social security benefits based on the member's wages and/or self-employment income, military service performed after 1956 must be

excluded from the computation of civil service annuity. The waiver may be withdrawn, and retired pay must be reinstated, but only if the military service was not used to establish eligibility for a civil service retirement annuity.

C. Any time a member revokes a waiver of military retired pay, provided that this will not produce dual retirement benefits based on the same period of service.

120306. Relationship of Civil Service Survivor Annuity to Military RSFPP/SBP. When a retiree, who is participating in the survivor annuity program, elects to waive retired pay in favor of civil service retirement, the retiree is required to:

A. Pay the RSFPP cost during the period the waiver is in effect.

B. Pay the SBP cost during the period the waiver is in effect unless the OPM notifies the DFAS that the member elected to provide spouse coverage under the civil service annuity program.

120307. Addresses. The correspondence addresses for the OPM and the Foreign Service are:

Office of Personnel Management
Retirement and Insurance Group
1900 E. Street NW
Washington, D.C. 20415

Foreign Service
Department of State
Washington, D.C. 20520

1204 RESERVE TRAINING (ARMY AND AIR FORCE ONLY)

120401. Definitions

A. Retired member, as used in this section, refers to:

1. Army and Air Force Reserve officers who retire under 10 U.S.C. 3911 or 8911 (reference (c)), and

2. Army and Air Force Regular officers or enlisted members who transfer to a Reserve unit of the Armed Forces after retirement.

B. Active duty, as used in this section, does not include extended active duty (more than 30 days) where strength accountability passes from the Reserve Components to the active military establishment.

120402. Reserve Training Category. Each Armed Forces Reserve Component, is divided into three categories: ready (active status), standby (inactive status) and retired (retired status).

A. Ready Reserve

1. A member of the ready Reserve may, without consent, be ordered to active duty by the Secretary concerned during a period of war or national emergency, or when otherwise authorized by law.

2. Retired personnel having Ready Reserve status may participate in active duty for training or inactive duty training required by virtue of their assignment in a Reserve Component. Each period of training must be a duration of at least 2 hours with a maximum of two training periods in 1 calendar day. Compensation for each regular period of instruction or period of appropriate duty is at the rate of 1/30 of the member's authorized monthly pay and allowance, including that performed on a Sunday or holiday. Where the duty performed is for a continuous period of less than 1 month, compensation for each day of the period is at the rate of 1/30 of the monthly pay and allowances. The 31st day may not be excluded from computation. A member may perform inactive duty training without pay.

a. Active duty for training. This duty may include full-time training, annual training tours, or attendance at a school designated as a Military Service school by the Secretary concerned.

b. Inactive duty training. This training may include assemblies, additional flying training periods, and other additional duties as authorized by the Secretary concerned.

B. Standby Reserve. A member of the Standby Reserve may be called to active duty only in time of war or national emergency declared by the Congress or when otherwise authorized by law. This member does not participate in the duty referred to in subparagraph 120402.A.2.a or b, above.

C. Retired Reserve. A member of the Retired Reserve who is entitled to retired pay not be placed in the Ready Reserve unless the Secretary concerned makes a special finding that the member's services in the ready Reserve are indispensable. The Secretary may not delegate authority in this instance.

120403. Entitlement. A Reservist entitled to retired pay who performed Reserve training for compensation may elect to receive for that duty:

A. The retired pay to which entitled because of earlier military service; or

B. The pay and allowances authorized for the duty being performed, if the member specifically waives retired pay.

120404. Effect on Pay. A retired member who elects to receive compensation for periods of active duty for training or inactive duty training must waive 1 day of retired pay for each calendar day on which the Reserve training is performed. Performance of more than one drill in 1 calendar day requires the withholding of only 1 day of retired pay for that calendar day.

A. Waiver of Pay. The member must prepare in advance a waiver of retired pay for the entire or remainder of the fiscal year in which the training is to be performed. The waiver form should show, by month, the number of training periods for inactive duty and the inclusive dates of each anticipated active duty tour. Timely preparation of the waiver will prevent a possible overpayment of pay.

B. Supplemental Certificate of Waiver. The certificate is required when a member performs active or inactive duty not covered by the first declaration. This certification shows, by month, the additional days of duty performed and is added to the first declaration.

C. Certificate of Recoupment. The certificate recovers previously waived benefits that exceed active or inactive duty training performed. This request for recoupment must be signed by the unit commander and may not be submitted earlier than the last day of the fiscal year involved. The schedule for both the active and inactive duty for training may be shown on the same waiver form or certificate.

D. Adjustment of Pay. Pay is adjusted on an individual basis. Procedures for liquidating an outstanding debt or for collecting cash for RSFPP and SBP coverage are the same as for all other retired members.

CHAPTER 13

SUSPENSION OF PAY1301 GENERAL

The pay account of a retiree may be placed in a suspended (non-payment) status for a definite or indefinite period of time. The pay may be suspended to comply with statutory or regulatory requirements, or Military Service procedures. Such suspension may not necessarily affect continued or future entitlement when the requirements or procedures that were the basis for the suspension no longer apply. When a retired member is missing and there is no information concerning the member's whereabouts, the member's retired pay must be suspended from the date that the member was last known to be alive.

1302 STATUTORY REQUIREMENTS

130201. The statutes may prohibit the retiree's receipt of concurrent payments, payments after a specific period of time, or payments if a member fails to comply with statutory requirements.

130202. A retiree's pay is suspended if the retiree:

- A. Is recalled to active duty; or
- B. Requests waiver of retired pay because of:
 - 1. Award of Department of Veterans Affairs disability compensation or pension payments, or
 - 2. Military service being used for United States civil service retirement annuity purposes; or
- C. Completes 5 years on the TDRL; or
- D. Fails to report for a required physical examination while on the TDRL or while a member of the Fleet Reserve/Fleet Marine Corps Reserve; or
- E. Is employed by a foreign government (to include local government units within a foreign country as well as the national government itself) without applicable congressional or Secretarial approvals; or
- F. Is reported to be, or is found to be, mentally incapable of managing his or her own affairs, and no guardian, trustee, or other legal representative has been appointed. (See Table 13-1); or

- G. Is repaying readjustment pay.

1303 REGULATORY REQUIREMENTS

Retired pay may be suspended if certain situations exist where regulations prohibit making payments. For example, retired pay is suspended if the retiree requests that the retired paycheck be mailed to a country listed in Appendix A.

1304 SERVICE DEPARTMENT ADMINISTRATIVE REQUIREMENTS

130401. In accordance with the Military Department procedures, the head of the retired pay activity may suspend retired pay if the retiree fails to take necessary administrative actions on time, or if the retiree declines further payments.

130402. Retired pay is suspended if the retiree:

- A. Fails to furnish a required proof of existence;
- B. Fails to notify the Military Department of an address change and the retiree's current address is unknown;
- C. Refuses to accept further payments; or
- D. Is potentially being overpaid because there is some doubt concerning entitlement.

130403. Retired pay may be suspended if the retiree is repaying government debts or delinquent RSFPP or SBP costs.

1305 EFFECT OF SUSPENSION ON TAXABLE INCOME, FEDERAL INCOME TAX WITHHELD, AND OTHER ACTIONS

130501. Taxable Income and Federal Income Tax Withheld. The suspension of a retiree's pay account for any reason cited in sections 1302 through 1304, above, may result in the suspension of any other reporting of taxable income and income taxes withheld. The reporting of taxable income and taxes withheld, if applicable, resumes upon removal of the suspension of pay. See Chapter 24 of this volume regarding taxable income, tax withheld, and issuance of TD Form W-2P.

130502. Allotment Deductions. Handle the retiree's allotments according to the procedures of the Military Department's concerned. (See Chapters 19 through 23 of this volume.)

130503. Survivor Annuity Deductions. Handle the retiree's cost for participation in the Retired Serviceman's Family Protection Plan and/or the Survivor Benefit Plan according to the procedures of the Military Department concerned. (See Chapters 33 through 57 of this volume.)

SUSPENSION OF PAY – STATUTORY REQUIREMENTS			
R U L E	A	B	C
	If a member of the	has pay suspended for	then authority is
1	Army	Recall to active duty	10 U.S.C. 688
2	Air Force		10 U.S.C. 688
3	Navy or Marine Corps		10 U.S.C. 688. 10 U.S.C. 6485
4	Armed Forces	Waiver of retired pay in favor of VA compensation or pension	38 U.S.C. 5305
5		Waiver of retired pay in favor of civil service annuity	5 U.S.C. 8332
6		Completion of 5 years on TDRL	10 U.S.C. 1210(h)
7		Failure to report for TDRL periodic physical	10 U.S.C. 1210(a)
8	Navy or Marine Corps	Failure to report for quadrennial physical examination – Fleet Reserve/Fleet Marine Corps Reserve	10 U.S.C. 6485(b) (repealed)
9	Armed Forces	Employment by a foreign government without Congressional or Secretarial approvals	Public Law 95-105, section 509, Aug 17, 1977; Article 1, section 9, clause 8, United States Constitution
10		Being mentally incapable of managing own affairs	37 U.S.C., Chapter 11
11		Repayment of readjustment pay	10 U.S.C. 687 (repealed)

Table 13-1. Suspension of Pay - Statutory Requirements

CHAPTER 14

PAYMENT RESTRICTIONS1401 GENERAL

140101. Payment Dates. DoD policy requires all retired/retainer and annuity payments be paid no earlier than the first business day of the succeeding month.

1402 GEOGRAPHIC140201. Checks

A. Mailing of Checks to Foreign Countries. The Secretary of the Treasury has determined that the mailing of checks is prohibited to the countries listed in Appendix A. Postal, transportation, banking facilities in general, or local conditions are such that there is not a reasonable assurance that a retiree or annuitant in listed countries actually will receive checks drawn against funds of the United States, or negotiate checks for full value. Power of attorney for receipt or collection of checks or for the proceeds of checks included within the determination of the Secretary of the Treasury are not recognized.

B. Claims. Claims for the release of checks withheld from delivery, or for proceeds thereof, are filed with the DFAS Center, that originally authorized issuance.

C. Philippine Islands. Checks drawn on the Treasury of the United States for delivery to Philippine citizens located in The Republic of the Philippines are inscribed with the phrase "Payable only in pesos through authorized agent banks of the Central Bank of Philippines and Postal Offices." Proof of United States citizenship, claimed by a retiree living in The Philippines, must be verified by the disbursing office responsible for delivering checks to The Philippines.

1403 EXPIRATION OF ELIGIBILITY TO RETIRED PAY140301. Conditions

- A. Five Years on the TDRL. See Chapter 11 of this volume.
- B. Foreign Citizenship. See Chapter 6 of this volume.
- C. Employment by Foreign Government. See Chapter 5 of this volume.
- D. Conflict of Interest. See Chapter 5 of this volume.
- E. National Security Violations Within the Scope of 5 U.S.C. 8311-8322 (reference (bd)).

NOTE: The "Hiss Act," codified as 5 U.S.C. 8311-8322 (reference (bd)), as amended, prohibited the payment of retired pay to military personnel who were convicted of any of a long list of criminal offenses enumerated in the statute. The Act did not prohibit the payment of retired pay if both the offense or conviction and the award of retired pay occurred before September 1, 1954. However, retired pay awarded on or after September 1, 1954, could not be paid regardless of the date the offense or conviction occurred. If the individual involved received a presidential pardon or later was cleared by decision of a higher court, the right to retired pay was restored. Public Law 87-299 (reference (be)), amended the Hiss Act and limited provisions to cases involving the national security. Members convicted by courts-martial or federal civil courts of offenses, which were felonies or equivalent of felonies but not involving the national security were no longer subject to the provisions of the Hiss Act.

F. Denial Upon Certain Punitive Discharges or Dismissals. The non-Regular service retired pay of a member is denied when the member's court-martial sentence includes death or separation by dishonorable discharge, bad conduct discharge, or dismissal effective with court-martial sentences adjudged after February 10, 1996.

140302. Recall to Active Duty. A retiree who receives orders, issued by proper authority, for recall to active duty for an indefinite or definite period is not entitled to retired pay for the period of active duty. Members on active duty for training are covered in section 1204 of this volume.

CHAPTER 15**PROOF OF EXISTENCE****1501 GENERAL**

For the protection of the government, certain safeguards are required for retired pay checks mailed through the international postal system or payable to legal representatives of mentally incompetent members.

1502 COMPETENT RETIREE

150201. When retired pay checks are delivered to the retired member through the international postal system to foreign countries, the retiree must furnish a report of existence (ROE) semiannually. The retiree does this by filling out a form provided by the Military Service or by letter over the retiree's signature.

150202. The ROE is not required when the retiree's check is mailed to a financial institution in the United States. The endorsement by the financial institution constitutes a certificate of the existence of the retiree.

150203. A competent retiree residing in the United States whose retired pay check is mailed to an address other than a financial institution is not required to submit an ROE.

150204. Retired pay checks mailed to an APO, FPO, or a finance officer or disbursing officer at an overseas address do not require submission of an ROE. Checks are not addressed to a United States Consulate, Embassy, or Military Attache unless the retiree is employed by that particular agency.

1503 MENTALLY INCOMPETENT RETIREE

Comptroller General decisions (66 C.G. 340, 65 C.G. 621, 62 C.G. 202, 51 C.G. 438) prohibit forwarding checks directly to retirees who are found mentally incompetent to manage their own affairs. Checks may be drawn payable to a legal guardian, trustee, or other legal representative after receipt of proper documentation of the authority of the guardian, trustee, or other legal representative to receive such payments. See Chapter 16 of this volume for appointment or designation of legal representatives.

150301. The legal representative must sign the monthly report of his or her ward's continued existence. The retired pay check may be mailed to the legal representative or to a financial institution established by the legal representative for the retiree (ward).

150302. In the absence of the appointment of a guardian, trustee, or other legal representative for an incompetent retiree, payment may be made to the Administrator of a VA hospital to provide the retiree with health and comfort items. See Chapter 16 of this volume.

1504 MAILING OF RETIRED PAY CHECKS

Retired pay checks are mailed at the end of each month, provided a signed ROE, when required, has been received that certifies the retiree's continued existence.

CHAPTER 16

PHYSICAL OR MENTAL INCAPACITATION1601 DEFINITIONS

160101. Physically or Mentally Incapacitated Retiree. An individual who is impaired by physical disability, mental illness, mental deficiency, advanced age, chronic use of drugs or alcohol, or other causes which prevent sufficient understanding or capacity to competently manage the his or her own affairs.

160102. Committee. A person, assembly, or board of persons to whom the consideration or management of any matter is committed or referred by some court, as a person or persons having guardianship of the person and property of an insane person.

160103. Conservator. A guardian, protector, or preserver; a maintainer.

160104. Court of Competent Jurisdiction. A court having power and authority of law at the time of acting to do the particular act; one that has jurisdiction both of the person and of the subject matter; one provided for in the Constitution (reference (df)) or created by the legislature and which has jurisdiction of the subject matter and of the person.

160105. Guardian. A person who legally has the care of the person or property, or both, of another person who is incompetent to act for himself or herself.

160106. Trustee. As used in the legal sense, a person who takes and holds the legal title to the trust property for the benefit of another, one to whom another's property is legally committed in trust; or a person holding the legal title to property under an expressed or implied agreement to apply it, and the income arising from it, to the use and for the benefit of another person.

1602 PHYSICALLY INCAPACITATED RETIREE

160201. It frequently has been held that physical infirmity does not warrant the appointment of a guardian for the estate of a person. A statute which makes physical disability or infirmity a ground for the appointment of a guardian of the property of a person mentally competent, but physically incompetent is unconstitutional and an unwarranted abridgment of the liberty of such person, and an unwarranted abridgment of the person's right to acquire, possess, and protect property. On the other hand, in some cases, incompetence to manage an estate or property has been found primarily from evidence of advanced age and physical infirmity, and a guardian or conservator has been appointed. Also, in some jurisdictions there are statutes, held to be constitutional, which authorize the appointment of guardians of the estates of those who, because of old age or physical incapacity, are incapable of managing their property.

160202. In several states, statutes authorize persons who, although of sound mind, believe themselves incapable of managing their own estates or of caring for their own property, to apply for, request or consent to the appointment of a conservator or guardian of the estate or of their persons, or both. The conservator or guardian, when appointed, possesses over the estate substantially the same power and is subject to substantially the same duties as a guardian of an incompetent.

160203. Because of the variety of county and state statutes regarding the appointment of legal representatives for physically incapacitated members, the DFAS Centers accept and process court orders appointing such representatives. It is not the responsibility of the DFAS Center to authenticate each order.

160204. Examples

A. A person who is bedfast and physically incapacitated as the result of two strokes is not necessarily incompetent so as to require the appointment of a guardian.

B. A 77-year-old woman suffering from complete paralysis of the left side, was unable to speak except an occasional word, could not swallow and could write only with difficulty and very briefly, but could hear, read, watch television, walk with assistance, and could be out of bed and sit up for short periods of time. She was, according to medical testimony, mentally competent, but the evidence was sufficient to support a finding that she was physically incompetent and unable to manage her property.

C. When an adult person has sufficient mental capacity to understand the nature and consequences of the application for a conservator, that person's wishes, if conducive to welfare and contentment of mind, may properly be given great weight in determining whether a conservator (rather than a guardian) should be appointed.

D. The physical condition of the person for whom a conservator is required can be considered only insofar as it may affect the person's mental condition.

1603 MEDICAL EXAMINATION

160301. Federal agencies authorized to make determinations of the competency of a retired service member hospitalized in a facility under its jurisdiction are:

- A. Department of the Army
- B. Department of the Navy
- C. Department of the Air Force
- D. Department of Health and Human Services

E. Department of Veterans Affairs

160302. Upon receipt of information that a retiree may be mentally incapacitated, a board of no fewer than three medical officers or physicians (including one specially trained in treatment of mental disorders), is convened to determine whether the retiree is competent. The board is also convened when requested to do so by proper authority.

160303. The convening authority ensures that the board's findings are certified by three members of the board.

160304. The convening authority sends one copy of the board's findings, as applicable, to:

A. Army and Air Force. Director, DFAS-Cleveland Center, Attn: DFAS-CL/DG, A.J. Celebrezze Building, 1240 East 9th Street, Cleveland OH 44199-2055.

B. Navy and Marine Corps. Head, Fiduciary Affairs Branch, Civil Affairs Division, Office of the Judge Advocate General, 200 Stovall Street, Alexandria, VA 22332-2400.

1604 MILITARY DEPARTMENT APPOINTMENT OF TRUSTEE

160401. The authority of the Secretary of the Army to appoint trustees without the necessity of official action has been delegated to the Director, DFAS-Indianapolis Center.

160402. The authority of the Secretary of the Navy to appoint trustees without the necessity of judicial action has been delegated to the Head, Fiduciary Affairs Branch, Civil Affairs Division, Office of the Judge Advocate General, 200 Stovall Street, Alexandria, VA 22332-2400.

160403. The authority of the Secretary of the Air Force to appoint trustees without the necessity of judicial action has been delegated to the Director, DFAS-Denver Center.

160404. The Director, DFAS-Indianapolis Center, or the Director, DFAS-Denver Center may designate one of the following persons as trustee for Army and Air Force retirees if the trustee is 21 years of age or over:

- A. Lawful spouse (not subject to age retirement)
- B. Legitimate son or daughter or legally adopted son or daughter
- C. Parents
- D. Head of an institution, if member is a patient
- E. Any other person or persons if in the best interest of the member

160402. The Judge Advocate General of the Navy may designate a suitable person, not under legal disability, as trustee to receive and expend all amounts due to Navy or Marine Corps retirees.

A. While a next of kin or other relative of the retiree ordinarily is preferred for designation as trustee, any other person, willing and suitable to act as such may be designated as temporary or permanent trustee unless a committee, guardian, or other legal representative is appointed by a court of competent jurisdiction.

B. Upon the designation of a trustee to receive monies payable to an incompetent Navy or Marine Corps retiree, the Director, Fiduciary Affairs Division, notifies the Director, DFAS-Cleveland Center, Attn: Dir, Retired Pay Operations, A.J. Celebrezze Building, 1240 East 9th Street, Cleveland, OH 44199-2055, of that designation. After such notification, all monies due to the incompetent are paid to the designated trustee.

160403. The trustee designated to receive monies in behalf of the incompetent retiree furnishes a suitable bond in all cases when the amounts to be received may be expected to exceed \$1,000. The bond so required and furnished must have, as the surety, a company approved by the U.S. Government and must be in such amount as required by the Military Department concerned. The person who has been designated as trustee acts in this capacity without remuneration. However, if a bond is required, the premium fee charged by the bonding company may be paid from the funds received on behalf of the mentally incompetent retiree. Any other expenses incurred in securing the bond may not, however, be paid from the amount payable to the incompetent retiree.

160404. The trustee appointed by the Military Department has the authority only to receive, expend, and account for monies received from the appointing Military Department; the appointment does not convey authority to act as a trustee in a civilian capacity without prior authority from a court of competent jurisdiction. The Military Department trustee must use the monies received for the benefit of the incompetent retiree. The Military Department may not appoint a trustee in any case in which a legal committee, guardian or other representative has been appointed by a court of competent jurisdiction.

160405. The designated trustee submits accounting reports annually or at such times as directed by the Military Department. The reports must show all funds received, all expenditures made in behalf of the incompetent retiree, and a statement of the condition of the trustee account at the time the report is submitted. The trustee also may be required to provide all receipts, cancelled checks, or voucher accounts, savings account pass books or statements, or any other records concerning the trustee account. If the trustee fails to report promptly at the end of the accounting period, the appointing authority either may temporarily suspend or terminate further payments to the trustee, and may designate a successor trustee.

160406. Payments due an incompetent retiree cease to be paid to the trustee upon receipt of notification by the DFAS-Cleveland Center of:

- A. Death of the incompetent
- B. Death or disability of the trustee
- C. Receipt of notice that a committee, guardian, or other legal representative has been appointed for the incompetent by a court of competent jurisdiction
- D. Failure of a trustee to render required accounting reports
- E. Probable cause to believe that there is improper use of monies received on behalf of the incompetent;
- F. Receipt of notification that a board of medical officers or other appropriate medical authorities have now found the retiree to be capable of managing his or her affairs. The appointing authority may, at his or her discretion, accept the findings of a Department of Veterans Affairs hospital or of a Public Health Service hospital, or the findings of other public or private institutions, that a person formerly found incompetent is now competent. If payments are terminated under subparagraphs B, D, or E, above, the appointing authority may appoint a successor trustee.

160410. The Director, DFAS-Cleveland Center notifies the Head, Fiduciary Affairs Branch, of any changes in the status of the incompetent retiree's pay account; that is, death of retiree or trustee, appointment of a legal guardian, committee, or other legal representative by a court of competent jurisdiction, waiver of retired pay to receive Department of Veterans Affairs compensation, or failure of trustee to submit required report of existence. The Director also furnishes the Head, Fiduciary Affairs Branch, a report as to the amount of payments made to trustees annually, or as requested, or at the time of a change in the status of the trusteeship.

160411. When payments under this chapter are terminated, the trustee files a final accounting report with the appointing authority. When the final accounting report has been approved, the trustee is discharged and the surety released of its bond. Upon death or disability of a trustee, the trustee's legal representative makes the final accounting report.

1605 COURT APPOINTMENT OF A GUARDIAN OR OTHER LEGAL REPRESENTATIVE FOR PHYSICALLY, OR MENTALLY INCAPACITATED RETIREE

160501. The incapacitated retiree or any person interested in the welfare of the retiree may petition a court of competent jurisdiction for a finding of incapacity and appointment of a guardian or other legal representative.

160502. A copy of the appropriate court order certifying to the appointment of the guardian, committee, or conservator is required before payments may be made to the appointee.

160503. Accounting reports, similar to those identified in paragraph 160408, above, are not required. Such reports, if required by the court, are matters of concern between the court-appointed guardian or legal representative and the court.

1606 COMFORT ITEMS WHILE IN THE HOSPITAL

The commanding officer of any military hospital or the director of a VA hospital may designate an officer under the command to receive and receipt for a sum of money from the accrued pay of a retiree who, as a patient at the hospital, has been found to be physically or mentally incapacitated in a report of medical officers. This money may be used only for the purchase of comfort items for the use and benefit of that retiree when all of the following conditions exist.

160601. A trustee has not been designated and a guardian or other legal representative has not been appointed by a court of competent jurisdiction; and

160602. There are no other funds available for use on behalf of the retiree; and

160603. Competent medical authority agrees that the items to be purchased will serve the comfort of the retiree.

1607 GENERAL MAINTENANCE OF ACCOUNTS

Once the appointment of trustee, guardian, committee, etc., has been made, the supporting DFAS Center shall change or update the account per the appropriate provisions of this regulation.

CHAPTER 17**BANKRUPTCIES****1701 WAGE EARNER'S PLAN UNDER THE BANKRUPTCY ACT, CHAPTER 13**

(reference (dg))

170101. A wage earner's plan under Chapter 13 (reference (dg)) is one relating to future earnings of the debtor and relief is predicated upon the primary concept that, while the debtor is unable to pay existing debts, a plan to effect a composition or extension out of future earnings has been presented to the bankruptcy court for approval. The plan must provide for submitting such earnings or wages to the supervision and control of the court for the purpose of enforcing the plan.

170102. When the plan is confirmed by the court, its provisions are binding upon the debtor and all creditors of the debtor, whether they are affected by the plan, have accepted it and have filed their claims, or whether their claims have been scheduled or allowed, or are allowable.

170103. The court has authority to issue orders needed to implement the provisions of the plan including orders directed to an employer of the debtor.

170104. The retired pay of a retiree is subject to payment to the trustee appointed by the court pursuant to Chapter 13 of the Bankruptcy Act (reference (dg)). The payment by accounting, finance or disbursing officers of part of the retiree's pay in response to a court order issued in a Chapter 13 (reference (dg)) Wage Earner's Plan case does not violate 31 U.S.C. 3727 (reference (dh)). Compliance with such a court order gives the government a valid acquittance against the member since the court order is binding on the retiree.

170105. If the United States is both the debtor and creditor when the member files a Chapter 13 (reference (dg)) Wage Earner's Plan, the government's priority under 31 U.S.C. 3713 (reference (dh)) may be asserted in the absence of a judicial determination to the contrary.

170106. The rules governing the payments of retired pay made to the trustee appointed by the court pursuant to a Chapter 13 (reference (dg)) Wage Earner's Plan are set forth in the following regulations:

- A. Army: AR 37-103, chapter 16 (reference (di)).
- B. Navy/Marine Corps: Navy Comptroller Manual 041355.3 (reference (dj)).
- C. Air Force: Volume 5 of this Regulation (reference (dk)) and AFR 110-24 (reference (dl)).

170107. A retiree who is participating in a Chapter 13 (reference (dg)) Wage Earner's Plan must pay the delinquent taxes which he or she owes that had not been assessed before the date of confirmation of the plan. The retiree also is responsible for all taxes that may become due. The United States may accept the provisions of any plan dealing with the assumption, settlement, or payment of any such delinquent taxes.

A. When the DFAS-Cleveland Center sends the entire amount of the retiree's pay to the court-appointed trustee, the IRS Notice of Levy should be forwarded to the court-appointed trustee for disposition.

B. When the DFAS-Cleveland Center sends part of the pay due the retiree to the court-appointed trustee, the IRS Notice of Levy should be processed in the normal manner against the amount due the retiree. The court-appointed trustee is provided a copy of the IRS Notice of Levy and notified of the action taken in establishing the liquidation procedures on a continuing Notice of Levy.

1702 REGULAR BANKRUPTCY

A retiree is within the class of persons specified in 11 U.S.C. 301 (reference (dm)), as entitled to the benefits of voluntary bankruptcy.

170201. Continuing deductions from retired pay without the retiree's consent, after the filing of a petition in bankruptcy that lists the debt(s) to the government, is improper in view of the pending bankruptcy proceedings. A debt included on a bankrupt person's schedule of debts is not subject to involuntary collection. All involuntary deductions to liquidate the listed indebtedness must be discontinued promptly upon notice or actual knowledge of the filing of a bankruptcy petition. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the retiree.

170202. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the retiree has listed the U.S. government as a creditor, the DFAS-Cleveland Center:

A. Requests the local U.S. attorney to file claim with the federal court concerned, or

B. Files a claim with the federal court concerned.

170203. If the bankruptcy petition is approved, the listed indebtedness to the United States is discharged. The bankruptcy proceedings have no bearing on the liquidation of any new item of indebtedness discovered after the filing of a petition in bankruptcy and not included in the petition.

CHAPTER 18

RELEASE OF INFORMATION1801 FREEDOM OF INFORMATION ACT (reference (dn))

Public Law 89-554 (reference (dn)), enacted Sep 6, 1966, commonly known as the Freedom of Information Act, 5 U.S.C. 552 (reference (dn)) as amended, was enacted with the intent of having openness in government and making information available to the public.

1802 PRIVACY ACT (reference (do))

Public Law 93-579, (reference (do)) enacted Dec 31, 1974, commonly known as the Privacy Act of 1974, 5 U.S.C. 552a (reference (do)), as amended, was enacted to safeguard individual privacy by governing the collection, safe-guarding, maintenance, public notice, use, access, amendment, and dissemination of personal information.

1803 ADMINISTRATION

Administration of the Freedom of Information Act (reference (dn)) and the Privacy Act (reference (do)) must be in accordance with these Military Service directives:

Army: AR 340-17 (reference (dp))
AR 340-21 (reference (dq))

Air Force: AFR 12-30 (reference (dr))
AFR 12-35 (reference (ds))

Navy: SECNAVINST 5720.42B
(reference (dt))
SECNAVINST 5211.5A
(reference (du))

Marine Corps: SECNAVINST 5720.42B
(reference (dt))
MCO P2511.1
(reference (dv))

CHAPTER 19

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY1901 GENERAL

Personnel receiving retired pay may authorize allotments from their retired pay for the purposes set forth in Chapters 19-23 of this volume. The voluntary allotment system enables retirees to make a limited number of payments by payroll deduction. Allotments are designed for the convenience and privilege of retirees and are not to be exploited or abused. Allotments are an assignment of retired pay by the retiree to a third party, financial institution, or agency. The retired pay activity acts solely as an agent of the retiree in the assignment of pay and assumes no liability concerning any contract between the retiree and the allottee. Allotments paid erroneously through administrative error must be recovered from the allottee, if possible, or may be collected from the retiree if such payment provided a benefit to that retiree.

1902 SPECIALIZED TERMS

190201. Allotment. As used herein, a definite portion of the retired pay of a person retired from a Military Service, which is authorized to be paid to a qualified allottee.

190202. Allottee. The person, institution, or agency to whom the allotment is made payable.

190203. Allotter. The person from whose retired pay the allotment is made.

190204. Financial Institution. A bank, credit union, or thrift association.

1903 AUTHORIZED ALLOTMENTS

190301. Voluntary allotments. Allotments authorized for establishment from retired pay are limited to:

A. Purchase of U.S. Savings Bonds.

B. Payments of premiums for insurance on the life of the allotter. This includes U.S. Government Life Insurance, National Service Life Insurance, Veterans Group Life Insurance, Navy Mutual Aid Insurance, Army Mutual Aid Insurance, and commercial life insurance. Allotments for insurance on the life of an allotter's spouse or children are not authorized, except under a family group contract which primarily provides insurance on the life of the allotter and as a subordinate feature includes insurance on the lives of the spouse or children.

C. Voluntary Liquidation of Debts to the United States. This includes indebtedness incurred by defaulted notes guaranteed by the Federal Housing Administration or the Department of Veterans Affairs; delinquent federal income taxes; or any other indebtedness to the

United States Government, except indebtedness to one of the Military Services or any other organization in the Department of Defense, to include its non-appropriated fund instrumentalities.

D. Dependents. The allotment may be made to a spouse, former spouse, and/or children of the retired member having permanent residence other than that of the retired member. It may be made payable to a financial institution for credit to the account of the dependent.

E. Charity. Allotments may be initiated for charitable contributions to the Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund. These allotments may be registered only for a definite period of time.

F. Loans. Allotments may be made for the repayment of loans to the Army Emergency Relief, Navy and Marine Corps Relief Society, or Air Force Aid Society.

G. In addition to allotments authorized above, and to aid personnel in the transition from active duty to retired status, all existing authorized allotments of members on active military duty, except those for Combined Federal Campaign and Post-Vietnam Era Veterans' Educational Assistance Program, may be continued as approved allotments.

1. If any allotments are discontinued by order of the retiree, they may not be reestablished and only allotments authorized in subparagraphs 190301.A. through F., above, may be established by the retiree. Establishment or change of allotment for voluntary liquidation of debts to the United States (subparagraph C., above) is controlled by the DFAS-Cleveland Center, which pays the retiree. Any change in the amount of an allotment or change in the name of an allottee constitutes a discontinuance of the allotment unless the change is beyond the control of the retiree. This pertains only to existing allotments continued from active duty, and not to those under subparagraphs 190301.A. through F., above.

2. Changes beyond the control of the retiree are changes that are of an administrative nature dictated by events incidental to the purpose of the allotment. An example of an administrative change by the payee is an amount change due to contractual obligations existing at the time the allotment was executed, such as mortgage payment changes because of a variable-rate mortgage or changing escrow requirements. Although a change of this nature does not constitute a discontinuance, any administrative change that adjusts the amount to the allotment shall be accepted only when communicated by the retiree on a new allotment request. Discontinuance occurs with any mortgage refinancing action. A change in allotments made by an organizational allottee may be accepted when the change is properly documented, is of an administrative nature, and does not increase the amount allotted.

190302. Limitations. Multiple allotments authorized for establishment from retired pay are limited to purpose codes B, D, I, and T (multiple T-allotments are limited to federal debts). Purpose codes are found at Figure 19-1 and Table 19-1.

190303. Establishment, Discontinuance, and Changes to Existing Allotments. A letter or form signed by the retiree or an automated data exchange for National Service Life Insurance and Veterans Group Life Insurance establishes, discontinues, or changes an allotment. The letter must include: (1) retiree's name and social security number, (2) amount of the allotment and start and/or stop date as appropriate, and (3) allotter's full name and address. Also required are full name, title (Mr., Mrs., or Ms.), and social security number of first named person on bond. Normally, allotments are not established retroactively.

1904 RETIRED PAY WHICH MAY BE ALLOTTED

The amount of retired pay, which may be allotted, can be limited administratively to exclude amounts required to be withheld:

190401. For tax purposes.

190402. For liquidation of an indebtedness determined under applicable provisions of law to be chargeable against the member's retired pay account.

190403. For cost of participation in the Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan.

190404. Because of federal civilian employment of a retired Regular officer.

190405. For garnishments.

190406. For continuing tax levies.

190407. For VA compensation.

190408. For former spouse.

1905 PERIODS OF ALLOTMENTS

Allotments are registered for an indefinite period except allotments for:

190501. Repayment of an indebtedness to the United States, to include payment of delinquent federal income taxes.

190502. Charity as specified in subparagraph 190301.E, above.

1906 RESTRICTIONS

190601. Minors. Allotments (except U.S. Savings Bonds) may not be made payable to children under 16 years of age. Such allotments may be made payable to the children's guardian or custodian. Spouses of retirees may be named as allottees regardless of age.

190602. Mental Incompetents. Allotments are not payable to mentally incompetent persons. Such allotments are payable to a guardian or the institution where confined.

190603. Multiple Allotments. See restrictions in paragraph 190301, above, and Chapters 20-23 of this volume.

190604. Power of Attorney. A power of attorney is not acceptable to establish, change, or stop an allotment.

190605. Reduced Retired Pay of Allotter. When a stoppage or reduction of retired pay does not leave enough funds for deduction of allotments in force, those allotments are stopped administratively by the disbursing officer without the signature of the retiree.

190606. Administrative Stops. Allotments may be stopped because of the required deductions from retired pay listed in section 1904, above. When possible, the retiree is allowed to determine the allotments to be stopped. However, if the retiree involved refuses, or is unable, to identify those that should be stopped, the allotments of that retiree are involuntarily stopped:

<u>Precedence</u>	<u>Type</u>	<u>Letter Designation</u>
1	Charitable contributions to Army Emergency Relief, Navy and Marine Corp Relief Society, or Air Force Assistance Fund	See Table 19-1
2	Bonds	B
3	Savings	S
4	Loans	L
5	Payment of delinquent state or local income or employment taxes	T
6	Dependents	D
7	Home Loans	H
8	Commercial life insurance/Army Mutual Aid Insurance	I
9	Navy Mutual Aid Insurance	M
10	Government life insurance	N
11	Veterans Group Life Insurance	See Table 19-1
12	Deductions for court-ordered support	D
13	Repayment of indebtedness to the United States	T
14	Payment of delinquent federal income taxes	T

Figure 19-1

1907 RIGHT TO ALLOTMENTS IN CASE OF DEATH

190701. Death of Retiree. Entitlements to allotments end with the death of the member. No further allotment payments may be made after receipt of notice of the allotter's death. Deductions made from the retiree's pay, but not paid to the allottee, become part of the arrears of retired pay. Allotments paid after the retiree's death may not be collected from the allottee, except:

A. Allotments erroneously established after notice of death of the retiree, and

B. Unearned insurance premiums (insurance premiums are paid 1 month before the day payment is actually due).

190702. Death of Allottee. An allotment check, even though endorsed, does not become part of an allottee's estate if it is not cashed or negotiated before the allottee's death. It is not subject to any expense incurred by or on behalf of the allottee before or after death. All unnegotiated allotment checks must be returned to the office that issued them. Such checks are credited to the retiree's account.

1908 ALLOTMENT OVERPAYMENT RESPONSIBILITIES

Any check or bond issued and mailed to recipient for which entitlement does not exist must be recovered immediately by the issuing office. When an allotment payment is made after deductions from retiree's retired pay have ceased, and the retiree does not return the amount of that payment, the office of issuance starts recovery action of an equal amount from the recipient, or the retiree, if that office determines that the retiree benefited from the payment. If the retiree is liable, overpayment is recovered by deductions from retired pay due to the retiree.

ALLOTMENTS OF RETIRED PAY - GENERAL								
R U L E	A	B			C		D	
	When purpose of allotment is	and Service's letter designation is			and member is not on active duty and has allotment (notes 1 and 2)		Then the allotment period required is	
		Army	Navy/ USMC	Air Force	authorized for carry- over from active duty	authorized for establishment from active duty	Indefinite	Definite
1	purchase of U.S. Savings Bonds	B	B	B	X	X	X	
2	payment to dependents (note 5)	D	D	D	X	X	X	
3	repayment of home loans	H	H	H	X		X	
4	Commercial life insurance/Army Mutual Aid Insurance (note 3)	I	I	I	X	X	X	
5	repayment of loans to Navy and Marine Corps Relief Society, Army Emergency Relief, American Red Cross, or Air Force Aid Society	L	L	L	X	X		X
6	Navy Mutual Aid Insurance (note 2)	None	M	none	X	X	X	
7	U.S. Government Life Insurance and/or National Service Life Insurance (note 4)	N	N	N	X	X	X	

Table 19-1. Allotments of Retired Pay - General

R U L E	A	B			C		D	
	When purpose of allotment is	and Service's letter designation is			authorized for carryover from active duty		then the allotment period required is	
		Army	Navy/ USMC	Air Force	authorized for carry-over from active duty	authorized for establishment from active duty	Indefinite	Definite
8	repayment of loans on Department of Veterans Affairs Insurance (note 4)	N	N	N			X	
9	payment of financial institution or credit to account of retiree (note 6)	S	S	S	X		X	
10	payment of delinquent federal income taxes and/or payment of indebtedness to the United States (note 7)	T	T	T		X		X
11	charitable contributions to the Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund	L	C	F	X	X		X
12	payment of delinquent state or local income or employment taxes (note 8)	T	T	T	X			X
13	Veterans Group Life Insurance	I	I V	I		X	X	

NOTES:

- Includes members of the Fleet Reserve or Fleet Marine Corps Reserve when not on active duty.
- In addition to allotments authorized, member may continue any other allotments in effect (except Combined Federal Campaign and aviation premiums payable to the Navy Mutual Aid Association) at the time of retirement.
- On the life of the allotter, spouse and/or children.
- Payment of allotments for insurance premiums and repayment of insurance loans are made by one NSLI or class N allotment.
- Authorized to a spouse, former spouse, spouse and/or children of the retired member having a permanent residence other than that of the retired member.
- Includes credit unions within the United States, its possessions, Puerto Rico, and Panama Canal Zone operating under a federal or state charter. Also includes credit unions authorized under Volume 5, Chapter 34 of this Regulation (reference (fr)) to operate an overseas United States military installation.
- Delinquent federal income taxes are payable to the applicable District Director, Internal Revenue.
- Delinquent state or local and employment taxes are payable to the applicable state or local tax authorities.

Table 19-1. Allotments of Retired Pay - General (Continued)

CHAPTER 20

ALLOTMENTS TO DEPENDENTS AND RELATIVES OR FOR INDEBTEDNESS2001 DEPENDENTS AND RELATIVES200101. Allotments to Dependents and Relatives

A. Eligibility and Purpose. A retiree may continue any allotments in effect while on active duty that were payable to a spouse, former spouse, other dependents, or to provide financial assistance to relatives who are not legally designated as dependents, so long as these allotments do not exceed the total amount of retired pay. A retiree also may allot a portion of retired pay to a spouse, former spouse, and/or children who have a permanent residence other than that of the retired member.

B. Type of Allotments. Class D allotments are established for this purpose.

C. Specific Instructions. Establish class D allotments only upon request of the retiree using procedures established by the Military Service concerned. The allotment may be made payable to an individual or to a financial institution for credit to the account of the allottee or a joint account of the allotter and allottee. A class D allotment administratively established when the member was on active duty may be terminated by request of the member.

D. Prior Arrangements Necessary. When an allotment is made payable to a financial institution, the retiree or allottee must make satisfactory arrangements with the financial institution to accept these deposits before starting the allotment. **Note:** Maximum use will be made of electronic funds transfer.

2002 INDEBTEDNESS200201. Allotments Authorized for Repayment of Indebtedness

A. Purpose of Allotments. Retired members may make allotments to:

1. Repay defaulted notes insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

2. Pay delinquent federal income taxes (see Chapter 22 of this volume).

3. Repay any other indebtedness to any federal agency. The allotment cannot be used to repay a loan from a government or commercial insurance policy. (See Chapters 33 through 41 of this volume for payments of amounts due under the Retired Serviceman's Family Protection Plan.)

B. Period of Allotment. An allotment for repayment of an indebtedness to the United States is registered for a definite period required to liquidate the indebtedness. The retiree may terminate the allotment at any time.

C. Type of Allotments. Class T allotments are established for this purpose.

CHAPTER 21

PAYMENT OF INSURANCE PREMIUMS2101 CLASS N ALLOTMENTS

210101. Purpose. Class N allotments are authorized by all Military Services to pay premiums on U.S. Government Life Insurance and/or National Service Life Insurance. The allotment cannot be used for the repayment of loans on U.S. Government Life Insurance.

210102. Eligible Allottee. The allottee for class N allotments is:

The Department of Veterans Affairs
P.O. Box 8079
Philadelphia, PA 19101

210103. Number of Allotments Permitted. A member may have only one class N allotment. When the member has more than one policy in effect under one class of insurance, or a combination of U.S. Government and National Service Life Insurance, combine the premium payments into one allotment.

210104. Effective Dates for Starting, Changing, and Stopping Allotments.
Tables 21-1, 21-2, and 21-3 prescribe effective dates on which class N allotments are started, changed, or stopped.

210105. Cash Deposit for Insurance. If a retiree's retired pay account is in a non-pay status, (such as, full waiver of pay, failure to report for periodic physical examination, or 5 years on the Temporary Disability Retired List, inform the retiree that he or she may request the Department of Veterans Affairs to pay insurance premiums by deduction from disability compensation benefits, or that the retiree must pay premiums by sending remittances directly to:

The Department of Veterans Affairs
P.O. Box 7787
Philadelphia, PA 19101

2102 CLASS I ALLOTMENTS (COMMERCIAL LIFE INSURANCE)

210201. Purpose

A. Allotments Authorized. Class I allotments are authorized to pay premiums on commercial life insurance on the life of the allotter, spouse and/or children.

B. Restrictions. Allotments are not permitted for health, accident, or hospitalization insurance, or other contracts or agreements, which as a secondary or incidental feature include insurance on the life of the allotter.

210202. Eligible Allottees

A. Commercial Life Insurers. Commercial life insurers are eligible allottees for class I allotments under this section. All payments to an insurer are made to the home office of the agency issuing the policy or to a branch office named by the home office of the agency.

B. The allottee for Veterans Group Life Insurance is:

OSGLI
213 Washington Street
Attn: VGLI Program
Newark, NJ 07102

210203. Number of Allotments Permitted. A member may have more than one class I allotment for commercial life insurance. However, if he or she has more than one life insurance policy with the same company, combine premium payments into one allotment to that company.

210204. Effective Dates for Starting, Changing, and Stopping Allotments.
Tables 21-1, 21-2, and 21-3 prescribe effective dates on which class I allotments for commercial life insurance may be started, changed, or stopped.

2103 CLASS M ALLOTMENTS (NAVY AND MARINE CORPS ONLY)

210301. Purpose. Class M allotments are authorized only for use by Navy and Marine Corps personnel to pay premiums on Navy Mutual Aid Insurance. The restrictions in paragraph 210201, above, on commercial insurance allotments apply to class M allotments.

210302. Eligible Allottees. The allottee for class M allotments is:

Navy Mutual Aid Association
Navy Department
Washington, DC 20370

210303. Effective Dates for Starting, Changing, and Stopping Allotments.
Tables 21-1, 21-2, and 21-3 prescribe effective dates on which class M allotments may be started, changed, or stopped.

2104 VETERANS GROUP LIFE INSURANCE (VGLI) ALLOTMENTS

210401. Purpose. VGLI allotments are authorized by all Military Services to pay premiums on Veterans Group Life Insurance.

210402. Eligible Allottees. The allottee for VGLI allotments is:

OSGLI
213 Washington Street
Attn: VGLI Program
Newark, NJ 07102

210403. Number of Allotments Permitted. A member may have only one VGLI allotment.

210404. Effective Dates for Starting, Changing, and Stopping Allotments.
Tables 21-1, 21-2, and 21-3 prescribe effective dates on which VGLI allotments are started, changed, or stopped.

EFFECTIVE DATES FOR STARTING INSURANCE ALLOTMENTS (I, M, V, OR N)				
R U L E	A	B	C	D
	If a retired member of the	is authorized a class	and the	then start allotment effective the first day of the month
1	any Military Service	N allotment		before the month in which insurance premium is due (note).
2			insurance policy is dated back to save age	in which application is made. Retiree must pay the reserve to cover previous months by direct payments to VA.
3	the Army or Air Force	I allotment		specified by retiree, if authorization reaches the servicing finance center before the date specified in Military Service procedural regulations.
4	the Navy or Marine Corps	I or M allotment		
5	any Military Service	I or V allotment		the date submitted by the Veterans Group Life Insurance through the automated data exchange process.

NOTE:

A U.S. Government or National Service Life Insurance allotment deducted for 1 month pays the premium for the next month. For example, if premium for July is paid by allotment, allotment must be effective June 1.

Table 21-1. Effective Dates for Starting Insurance Allotments (I, M, V, or N)

EFFECTIVE DATES FOR CHANGING INSURANCE ALLOTMENTS (I, M, V, OR N)					
R U L E	A	B	C	D	E
	If a retired member of the	has a class	and	then stop present allotment effective the last day of the month	then start new allotment effective the first day of the month
1	Army or Air Force	I or N allotment	the retiree or fiduciary or guardian requests a change in allotment	specified in request if allotment change can be processed by the date specified in Military Service procedural regulations	after the month old allotment is stopped.
2	Navy or Marine Corps	I, M, or N allotment			
3	any Military Service	N allotment	allotment was authorized in incorrect amount or effective date	before its effective date	specified in original request or authorization of the date requested by the VA.
4		I or V allotment	the OSGLI automated data exchange provides a change in the allotment	as specified by the automated data exchange process	specified by the automated data exchange process.

Table 21-2. Effective Dates for Changing Insurance Allotments (I, M, V, or N)

EFFECTIVE DATES FOR STOPPING INSURANCE ALLOTMENTS (I, M, V, OR N)				
R U L E	A	B	C	D
	If a retired member of the	has a class	and	then stop allotment effective the last day of the
1	Army or Air Force	I or N allotment	the retiree requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Center before the date specified in Military Service procedural regulations.
2	Navy or Marine Corps	I, M, or N allotment		
3	Any Military Service	N allotment	the application for insurance is disapproved by the VA	month before the effective starting date of the allotment.
4	Army or Air Force	I allotment	has insufficient "net" pay to satisfy IRS Notice of Levy for delinquent income tax determined by IRS to be a "problem case"	month before the month in which IRS levy is received (stop insurance allotments only if discontinuance of other voluntary allotments will not satisfy levy).
5	Navy or Marine Corps	I or M allotment		
6	Army or Air Force	I or N allotment	has pay suspended (note 1) or insufficient pay	last month in which enough pay accrues to satisfy deduction. Avoid stopping allotment unnecessarily or earlier than required.
7	Navy or Marine Corps	I, M, or N allotment		
8	Army or Air Force	I or N allotment	dies	(note 1.)
9	Navy or Marine Corps	I, M, or N allotment		
10	any Military Service	I or V allotment	the retiree or OSGLI requests the allotment	month specified by the retiree, if authorization reaches the servicing DFAS Center before the date specified in Military Service procedural regulations; for OSGLI as specified by the automated data exchange process (note 2).

NOTES:

1. See procedural regulations of Military Service concerned.
2. Advise OSGLI immediately of reason for stoppage of allotment if it was discontinued by the automated data exchange process.

Table 21-3. Effective Dates for Stopping Insurance Allotments (I, M, V, or N)

CHAPTER 22

PAYMENT OF DELINQUENT FEDERAL TAXES2201 VOLUNTARY LIQUIDATION

A retiree may execute an agreement with the Internal Revenue Service (IRS) to pay delinquent taxes by monthly deductions from retired pay. Agreements are made by executing an IRS Form 2159. A retiree may cancel an agreement before the tax indebtedness is completely liquidated. This indebtedness is not increased periodically to include additional accrued interest and/or penalty expenses. Agreements are processed as follows:

220101. Army and Air Force. Process as a class T allotment.

220102. Navy and Marine Corps. Process as a class T allotment if the period of liquidation is 3 months or longer. If the period is less than 3 months, the disbursing officer remits the monthly deduction from retired pay to the appropriate IRS office.

2202 INVOLUNTARY LIQUIDATION

Delinquent federal taxes involuntarily liquidated are not treated as allotments. See Chapter 28 of this volume.

CHAPTER 23**UNITED STATES SAVINGS BONDS****2301 AUTHORIZED PURCHASES BY ALLOTMENT**

Retired members may purchase U.S. Savings Bonds by class B allotment. Denominations of issue and pay deduction schedules are contained in Volume 5 of this Regulation. The purchase price of the bond is one-half of the face amount. Bond purchases in one calendar year may not exceed \$15,000 (purchase price).

2302 MAILING BONDS

Bonds may be mailed to any address except those in blocked countries.

CHAPTER 24

**COMPUTATION OF WAGES SUBJECT TO
FEDERAL INCOME TAX WITHHOLDING**2401 **BACKGROUND**

Federal income tax withholding (FITW) is based on payments actually or constructively paid, regardless of date on which they are earned. Retired pay is paid constructively when it is credited to the account or set apart for a retiree so that he or she may draw on it at any time, although it is not actually reduced to possession. It must have been credited to or set apart for the retiree without any substantial limitation or restriction as to the time or manner of payment or condition under which it is to be made and brought within the retiree's control and disposition.

2402 **RETIRED PAY SUBJECT TO FITW**

Except as otherwise indicated in this chapter, retired pay is income and constitutes wages subject to FITW.

2403 **RETIRED PAY NOT SUBJECT TO FITW**

240301. The gross retired pay of a member is not subject to FITW if the member's retired pay is computed only on the basis of percentage of disability and the member is on the temporary or permanent disability retired lists, if:

A. On or before September 24, 1975, the member was entitled to receive retired pay computed on the basis of percentage of disability (26 U.S.C. 104(a)(4) and 104(b)(2)(A)) (reference (dw)); or

B. On September 24, 1975, he or she was a member of the Armed Forces (or Reserve Component thereof) or under a binding written commitment to become such a member (26 U.S.C. 104(a)(4) and 104(b)(2)(B) (reference (dw))); or

C. The member receives disability retired pay because of a combat-related injury. The term combat-related injury means personal injury or sickness incurred as a direct result of armed conflict, or while engaged in extra hazardous service, or under conditions simulating war, or caused by an instrument of war.

2404 **EFFECT OF VA AWARD ON FEDERAL INCOME TAX WITHHOLDING**

240401. A member is entitled to exclude from the taxable portion of retired pay:

A. The maximum amount that he or she would be entitled to receive as disability compensation upon application to the Department of Veterans Affairs (VA);

B. An additional amount based on the difference between a prospective VA disability compensation award and the amount excluded under section 2403, above.

C. The retroactive amount of a VA disability compensation award not previously excluded from retired pay.

2405 GROSS PAY PARTIALLY TAXABLE

Part of the retired pay for members who are entitled to have their retired pay computed on the basis of both percentage of disability and years of service may be designated as FITW wages. Any reduction of FITW wages for disability retired pay must meet one of the conditions set forth in section 2403, above.

240501. Compute the FITW wages of members retired for disability on or after October 1, 1949, as follows:

A. If the member is placed on the Permanent Disability Retired List (PDRL), subtract retired pay based on the percentage of disability from retired pay based on the years of service. The result of such subtraction is FITW wages.

B. If the member is placed on the Temporary Disability Retired List (TDRL), use one of these two methods:

1. If the member's disability rating is 50 percent or more, compute as in subparagraph 240501A., above.

2. If the member's disability rating is less than 50 percent, and retired pay is computed based on years of service, exclude from FITW wages the amount of retired pay the member would have received if such pay were computed solely on the actual percentage of disability. If the member's disability rating is less than 50 percent, and the member elects to receive disability retired pay based on the percentage of disability, the retired pay received is not FITW wages.

240502. FITW wages for members who retired before October 1, 1949, fell into two categories. Such retired pay either was based on years of service and was fully taxable, or it was based on disability and was nontaxable. Members retired for physical disability before October 1, 1949 were assigned a disability rating for purposes of computing retired pay entitlement under the provisions of the Career Compensation Act (reference (w)). These members could either continue to receive the nontaxable retired pay they were receiving on September 30, 1949, or elect to receive retired pay computed under the provisions of the Career Compensation Act (reference (w)) based on the percentage of disability assigned or years of active service. If members chose to have their pay computed based on the Career Compensation Act (reference (w)), their FITW wages were computed as described in section 2403 or subparagraph 240501A., above.

2406 FITW WAGE REDUCTIONS FROM DEDUCTIONS AND COLLECTIONS

240601. Deductions and collections that reduce FITW wages include:

A. The total reduction of a member's retired pay in order to participate in the Retired Serviceman's Family Protection Plan (RSFPP). This deduction did not reduce taxable income until the tax laws were changed to permit a dollar-for-dollar reduction effective January 1, 1966. The tax implication for a member who pays for this protection by direct remittance is discussed in section 2411, below.

B. The total reduction of a member's retired pay to participate in the Survivor Benefit Plan (SBP). The tax implication for a member who pays for this protection by direct remittance is discussed in section 2410, below.

C. Waiver of pay because a member is receiving compensation or a pension from the VA.

1. If the member's gross retired pay is fully subject to FITW, subtract the amount of the VA waiver from FITW wages.

2. In the case of a member retired because of physical disability, reduce FITW wages, if any, by the amount of the VA waiver or the portion of the member's retired pay based on the actual percentage of disability, whichever is greater.

D. Reduction of retired pay due to the Dual Compensation Act of 1964 (reference (at)):

1. Reduce the FITW wages of a non-disability retiree by the amount of retired pay forfeited because of the retired member's federal civil service employment.

2. Determine the FITW wages of a member retired with a disability using the following process:

a. Step A. Gross retired pay less amount of RSFPP and/or SBP deduction and less amount of disability retired pay or VA disability compensation (whichever is greater) equals amount of FITW wages if there is no Dual Compensation Act (reference (at)) deduction. If there is a deduction due to the Dual Compensation Act (reference (at)), use the formula in Step B to compute the amount of FITW wages.

b. Step B. Gross retired pay, less amounts of RSFPP and/or SBP deduction and less any amount of retired pay waived to receive VA compensation, equals the amount of adjusted gross pay.

c. Step C. Taxable pay from Step A, divided by adjusted gross retired pay from Step B equals percentage ratio. Carry to five decimal places and round to four decimal places.

d. Step D. Subtract the amount of retired pay forfeiture for federal civilian employment from the adjusted gross pay obtained in Step B. Multiply the resulting figure by the percentage ratio from Step C to obtain FITW wages.

2407 UNITED STATES CITIZENS ABROAD

The retired pay of members who temporarily or permanently reside in a foreign country is subject to FITW as if they resided in the United States or its possessions. Thus, apply the withholding rules discussed above.

2408 ARREARS OF PAY

See section 3003 of this volume, for taxation policies that apply to deceased members and their beneficiaries.

2409 COLLECTION OF DELINQUENT TAXES

240901. Voluntary Withholding. A retiree may, with the consent of the IRS, have deductions made from his or her retired pay to satisfy a debt due to tax delinquency. The class T allotment has been designated to allow a member to make payments to IRS in this manner. See Chapter 22 of this volume.

240902. Involuntary Withholding. If a retiree neglects or refuses to pay his or her federal income tax liability within 10 days after receiving notice of liability, the cognizant IRS District Director can collect the amount by placing a levy on the member's retired pay. The IRS is required to give the member 10 days notice that a levy will be executed. This notice normally is included with the notification of liability. See Chapter 28 of this volume.

2410 TAXABILITY OF DIRECT REMITTANCE PAYMENTS FOR COVERAGE UNDER THE SURVIVOR BENEFIT PLAN (SBP)

★241001. When the retired pay account of an SBP participant is placed in a suspended status, the retiree is required to pay monthly SBP costs by remittance. (See section 5203 of this volume for resulting tax consequences.)

241002. A certificate of costs is not issued to cover deposits made in later years. During those years, the member will have received no taxable retired pay against which the certificate could be applied. If, in the future, the member again becomes entitled to receive retired pay, a certificate of costs is issued at the time the pay account is reinstated, covering all deposits made during years of suspension and not previously included on a certificate of costs. If the member does not again receive retired pay before death and, as a result, the retired pay income

exclusion for SBP costs is not fully used during the member's lifetime, the remaining income exclusion (the unused "consideration for the contract") is available to the annuitant for purposes of reducing taxable income derived from annuity payments. In such cases, therefore, at the time the annuity is established, the annuitant is furnished a certificate of costs covering pertinent deposits made. See Chapter 52 of this volume.

2411 TAXABILITY OF DIRECT REMITTANCE PAYMENTS FOR COVERAGE UNDER THE RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP)

The SBP rules in section 2410, above, apply to members who paid RSFPP coverage by direct remittance after January 1, 1966. Note that certificates of costs were issued to all members whose accounts were active as of December 31, 1965. These certificates covered costs that were paid by direct remittance and automatically deducted from the member's retired pay.

2412 PROCESSING CORRECTION OF RECORDS CASES

241201. If payment is made as the result of a correction of military records, that payment is processed as follows.

A. When amounts previously paid and reported as FITW wages are not subject to FITW as a result of the correction, the member is provided either a corrected TD Form W-2P for the 3 calendar years before the year that the correction action is made or a letter citing the "before" and "after" amounts for each calendar year involved. The member then may obtain a tax refund, if any is due, from the IRS based on his or her total tax liability for 3 years. If the retiree asks for a refund for periods before this 3-year period, a claim must be filed with the retired pay activity. That activity may use 52 Comp Gen 420 (reference (dx)) as authority for refunding excess FITW before this 3-year period.

B. When the member's retired pay is subject to FITW, the payment is reported as FITW wages from applicable current year appropriations reserved for such payment.

2413 TAXABILITY AND WITHHOLDING

241301. General. Disability severance pay normally is taxable income. However, disability severance pay is not subject to tax withholding or reporting if at least one of the following three conditions exists:

A. On September 24, 1975, the individual either was a member of an Armed Force or was under a binding written commitment to become a member;

B. The entitlement resulted from combat-related injury or illness, as determined by the Secretary of the Military Department concerned (or designee), which happens as a result of any of the following activities:

1. Directly from armed conflict,

2. While actually performing extra-hazardous service, even if the service does not directly involve combat,

3. Under conditions simulating war, including maneuvers or training,
or

4. By an instrumentality of war, such as weapons.

C. The member would be entitled to receive VA disability compensation for the same illness or injury that resulted in his or her entitlement had he or she made application.

241302. VA Compensation Awarded Prior to Separation. Finance offices will not withhold taxes if, before separation, the member provides documentation that he or she is entitled to disability compensation from the VA per subparagraph 241301.C., above.

241303. VA Compensation Awarded After Separation. When a VA disability compensation award has not been made by the separation date, the commander should advise the member that a VA compensation award after separation could make the disability severance pay non-taxable. The member also should be advised to file appropriate tax returns, with VA provided documentation and related separation documents, claiming reduction in taxable income based on the St. Clair v. U.S. (reference (dy)) district court decision. A corrected IRS Form W-2 (W-2c) or other document, which could support the decrease in taxable income, will not be issued.

2414 TAXABILITY OF RETIRED PAY FOR FLEET RESERVIST/FLEET MARINE CORPS RESERVIST NOT PHYSICALLY QUALIFIED FOR RETENTION IN THE FLEET RESERVE/FLEET MARINE CORPS RESERVE (FR/FMCR)

The retired pay of a member of the FR/FMCR who is transferred to the retired list, when found not physically qualified for retention in the FR/FMCR (as stated in paragraph 020102 of this volume) is subject to FITW.

CHAPTER 25

COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING2501 WAGES SUBJECT TO WITHHOLDING OF FEDERAL INCOME TAX

250101. Taxable pay, as computed under provision of Chapter 24, is subject to withholding of federal income tax.

250102. The gross monthly amount of the annuity (RSFPP/SBP), or the monthly amount of the SBP annuity remaining after it has been reduced by a Dependency and Indemnity Compensation (DIC) award and/or Social Security offset, is taxable income and is subject to FITW unless the annuitant elects no withholding. See paragraphs 410201 and 410202 and paragraphs 520201 and 520202 of this volume.

2502 RATES FOR REGULAR AND ADDITIONAL WITHHOLDING OF FEDERAL INCOME TAX

250201. Federal income tax will be withheld in accordance with Treasury Department Circular E (reference (dz)).

250202. A member may authorize an additional monthly amount of federal income tax to be withheld. Refer to the procedural instructions of the retired pay activity concerned regarding the additional withholding of federal income tax.

250203. FITW for an annuitant will be computed on the basis of "married, three exemptions" unless the annuitant elects no withholding or submits a certificate requesting a different rate of withholding.

250204. Nonresident Alien

A. Service Outside the United States. Members who are nonresident aliens are not liable for United States income tax on income received for service outside the United States, and such income is not subject to FITW. Service by a nonresident alien member assigned to a base outside the United States, or to a U.S. vessel (other than vessels normally used in coastal waters only) on which the enlisted members are entitled to sea duty pay, is considered service outside the United States.

B. Service Within the United States. For purposes of this paragraph, the United States includes the 50 states and the District of Columbia. Service on board a coast-wide vessel is regarded as service within the United States. Duty on the Great Lakes, the Mississippi River, and other inland waters of the United States, or while serving on a vessel normally operating within the territorial limit of the United States, is considered service within the United States. Gross pay for this service is subject to FITW.

C. FITW Computation

1. Step 1. Compute the member's FITW wages from gross retired pay as if he or she is a United States citizen.

2. Step 2. Determine the ratio of the number of days of active duty inside United States to the total number of days of active duty.

3. Step 3. Multiply FITW wages determined under Step 1 by the ratio determined under Step 2. The resulting amount is subject to FITW at the rate of 30 percent, without being reduced by withholding allowances of personal exemptions, unless the member is a citizen of a country that has a tax treaty with the United States. Use the withholding rate specified in the treaty if the member files TD Form 1001 with the supporting DFAS Center and the Director of International Operations, Internal Revenue Service, Washington, DC 20225. Note that when the member files an income tax return, the IRS will refund any excess tax withheld. A member in this status is responsible for reporting the income to the country of the member's citizenship and paying any tax owed on this income.

2503 RATES OF FEDERAL INCOME TAX WITHHOLDING FOR ONE-TIME PAYMENTS

Special computation rules have been developed by the IRS for the computation of FITW for one-time payments. These rules differentiate whether the taxable portion of a one-time payment must be lumped together with normal taxable pay or should the taxable portion of a one-time payment be treated separately. The rules are differentiated by whether the taxable portion of the one-time payment is made concurrently with a regular payment, or made separately from the regular monthly payment.

250301. One-time payments made concurrently with a regular monthly payment. When a one-time payment is combined with the regular monthly payment, FITW may be computed at 28 percent on the one-time payment portion if it separately is identified and if tax is withheld on the monthly payment at the appropriate rate. (See Revenue Ruling 82-200 (reference (ea)).)

250302. One-time payment made separately from a regular monthly payment. There are two computation rules available. The difference between the rules is not the type of payment, but whether federal income tax previously was withheld from the member's regular monthly payment.

A. When federal income tax was not withheld because the member's exemptions exceeded the taxable portion of retired or retainer pay, the one-time payment must be included with the wages paid for the last pay period (in the same calendar year) or with the wages paid for the current pay period. The amount of withholding is then computed as if this was a single payment.

B. When federal income tax has been withheld there are two alternatives:

1. Combine the taxable portion of the payments, as in subparagraph 750302.A., above, and compute the aggregate withholding amount. Then subtract the amount of federal income tax previously withheld or the amount scheduled to be withheld for the current period. The excess amount then would be deducted from the one-time payment.

2. Withhold a flat 28 percent of the taxable portion of the one-time payment. This amount is computed without regard to the withholding exemptions claimed and cannot be used when there was no federal income tax withheld from the regular monthly payment. (See Revenue Ruling 66-190, 1966-2 CB 457 (reference (eb)).)

CHAPTER 26

STATE AND LOCAL TAXES

2601 INTRODUCTION

The taxing authorities of a member's legal residence may tax the member's retired pay.

2602 WITHHOLDING

260201. A retiree may request voluntary state income tax withholding if the designated state has signed the standard written agreement with the Department of Defense.

260202. The retiree's request must be in writing and is revocable at any time. The withholding amount requested must be an even dollar amount, at least \$10, or the state's minimum, if that amount is higher.

2603 PAYMENTS AND REPORTS

260301. The Uniformed Services will disburse amounts withheld to the states in the month following each calendar quarter. Payment procedures and state income tax withholding shall follow the usual fiscal practices of the Uniformed Services.

260302. The Uniformed Services will provide each retiree an IRS Form W-2P that indicates the total tax withheld for each state at the year's end.

CHAPTER 27**GARNISHMENTS****2701 BACKGROUND**

Public Law 93-647, section 459 (reference (ec)), waived the United States' sovereign immunity from suit to allow garnishment (or similar process in the nature of garnishment) against the United States for the enforcement of child support and alimony obligations of certain U.S. Government employees, including active duty and retired members of the Armed Forces. Public Law 95-30, section 509 (reference (ed)), which made substantial changes in the garnishment law, clarified congressional intent, and authorized issuance of regulations to establish procedures to carry out the provisions of the garnishment law.

2702 PURPOSE

This chapter prescribes guidelines for administering the garnishment law for payment of retired members.

2703 SCOPE

The Armed Forces must comply with valid legal process issued for the enforcement of child support or alimony obligations by federal and state courts or administrative agencies when such agencies are authorized by state law to issue such legal process. The member's retired pay, based upon remuneration for employment, is subject to legal process the same as if the United States were a private person. However, the DFAS Centers are not required to vary their normal pay and disbursement cycle to comply with any such legal process.

2704 DEFINITIONS

270401. Alimony. This is defined as periodic payments of funds for the support and maintenance of a spouse or former spouse. Alimony includes (subject to and in accordance with state law) separate maintenance, alimony pending legal process, maintenance, and spousal support. It also includes attorney fees, interest, and court costs when, and to the extent that they are, expressly made recoverable as such by a decree, order, or judgment issued in accordance with applicable state law by a court of competent jurisdiction. Alimony, as used in Chapters 27 through 29 of this volume, excludes payments or transfers of property made in compliance with any community property settlement, equitable distribution of property, or other division of property between the spouses or former spouses.

270402. Child Support. This is defined as periodic payments of funds for the support and maintenance of a child or children. Subject to and in accordance with state law, child support includes (but is not limited to) payments to provide for health care, education, recreation, clothing, or other specific needs. It also includes attorney fees, interest, and court costs, when and to the

extent that they are made recoverable as such by a decree, order, or judgment issued in accordance with applicable state law by a court of competent jurisdiction.

270403. Disposable Earnings. This is defined as that part of an individual's earnings remaining after lawful deductions. To determine disposable earnings of retired members, deduct the following from gross retired pay:

- A. Amounts withheld in payment of debts owed to the United States;
- B. Deductions required by law (i.e., SBP and RSFPP cost deductions, deductions for VA waiver, and dual compensation);
- C. Federal income tax withholding (FITW), if required or authorized by law. Additional amounts for tax withholding are made from retired pay only when the member submits evidence of a tax obligation, which supports the additional withholding.
- D. State income tax withholding if authorized (i.e., when the retiree's state of legal residence has a withholding agreement with the Department of Defense). The amount withheld will not exceed the retiree's estimated retired pay state income tax liability.

270404. Legal Process. This is defined as any writ, order, summons, or other similar process in the nature of garnishment. Legal process may be issued by:

- A. A court of competent jurisdiction within any state, territory, or possession of the United States;
- B. A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that obligates the United States to honor such process or,
- C. An authorized official according to an order of such a court of competent jurisdiction or pursuant to state or local law.

270405. Remuneration for Employment. This term includes severance pay, retirement or retired pay including disability retired pay, and RSFPP, SBP, and limited income widow's annuities. Does not include death gratuity.

270406. Wage Assignment. This is defined as an order of the court assigning a portion of the member's retired pay on a continuing basis without a recurring court order. Wage assignments are valid only if specifically authorized by state law.

2705 RECEIPT OF PROCESS

270501. Method of Service. The document invoking the legal process to enforce an individual's obligations to provide child support or alimony is served by certified or registered mail

(return receipt requested) or by personal service upon the head of the government entity having payment responsibility for the money involved, or on its designee. The process should be served by a party who, under state law, is authorized to do so. The process must be accompanied by data to permit prompt identification of the individual and the monies involved and must clearly show that it is issued for child support or alimony.

270502. Designated Activity

Director
Defense Finance and Accounting Service -
Cleveland Center
Attn: Director, Retired Pay Operations
Anthony J. Celebrezze Federal Building
Cleveland, OH 44199-2055

2706 EFFECTS ON ALLOTMENTS

270601. Allotments are stopped to comply with a writ of garnishment or attachment in the following order unless the member advises his or her Military Service otherwise.

- A. Charitable contributions
- B. Bonds
- C. Savings
- D. Loans
- E. Delinquent state or local income taxes
- F. Dependents
- G. Home loans
- H. Commercial insurance
- I. Army, Navy Mutual Aid Insurance
- J. U.S. Government Life Insurance

270602. Allotments for repayment of indebtedness to the United States or delinquent federal taxes may not be garnished.

270603. Allotments for individuals who are garnishing the pay of members are subject to garnishment or attachment. Allotments to dependents or relatives are not involuntarily

cancelled if there are funds remaining for payment of the allotment after the garnishment has been honored.

270604. Allotments discontinued to satisfy a garnishment action may be reinstated by the paying office upon request of the retiree when such amounts are no longer needed to satisfy the garnishment action.

270605. Allotments of pay for delinquent state or local income or employment taxes will not be excluded from pay subject to garnishment.

2707 RESPONSIVE PLEADINGS

Response to interrogatories or to legal process seeking the payment of child support or alimony obligations must be made within 30 days (or a longer period if provided by applicable state law or if there is an agreement for extension of time) from the effective date of service.

2708 NOTICE TO MEMBER

The person who is served must, as soon as possible but no more than 15 days after the date of service, send written notice to the retired member whose pay is affected that the process has been served. The notice must explain the potential effect of the legal process on the member's pay and should be accompanied by a copy of the process and all pertinent documents.

2709 LIMITATIONS

The amount of pay subject to garnishment or similar process for child support or alimony is limited to 50 percent of disposable pay if the member is supporting a second family or 60 percent if the member is not supporting a second family. If, however, the member is more than 12 weeks in arrears, the amount subject to legal process is increased to 55 percent where the member is supporting a second family, and 65 percent where the member is not supporting a second family.

2710 LIABILITIES

271001. Neither the United States nor any disbursing officer or other government entity is liable for any payment made from monies due or payable from the United States to any individual according to legal process if the payment is made in accordance with the regulations pertaining to garnishments.

271002. Federal employees, whose duties include responding to relevant interrogatories made before issuance of legal process and authorized by law, are not subject to any disciplinary action or civil or criminal liability or penalty for, or on account of, any disclosures of information made in connection with the answering of such interrogatories.

2711 PRIORITIES

271101. Legal Process Issued From Two or More Parties

A. When a governmental entity is served with more than one legal process with respect to money payable to any individual, available pay is available on a first-come, first-served basis.

B. The next process is satisfied out of pay subject to garnishment that remains after the prior process has been satisfied.

271102. Effect of Tax Levies on Garnishment

A. The amount of pay being withheld in garnishment or similar legal process according to a judgment by a court of competent jurisdiction for child support or alimony may not be used to satisfy a notice of levy for unpaid federal taxes.

B. To take priority, legal process for collection of alimony must be served before receipt of the tax levy.

C. If an attaching process containing indebtedness for both child support and alimony is served before a tax levy, both take precedence; however, if the judgment predates the tax levy but the attaching process is served after the tax levy, only child support is entitled to exemption and the levy is entitled to priority.

2712 COLLECTIONS BY GARNISHMENTS

A garnishment procedure may not attach more than 65 percent of a retired member's disposable earnings. If the member is indebted to the United States, only so much of the indebtedness that is being withheld each month is deducted from gross earnings to calculate disposable earnings.

EXAMPLE: An order is served June 1, 1977 on the designated activity against pay of retiree. The retiree's monthly gross is \$1,500; SBP cost, \$127.50; FITW, \$205.88; and he or she is indebted to the United States for \$2,000. Liquidation of the indebtedness has been established at the rate of \$500 per month. Gross earnings thus are reduced by the debt deduction (that is, \$500), SBP cost, and FITW, resulting in disposable earnings of \$666.62. The 65-percent rule limits the garnishment to \$433.30 (\$666.62 X 65 percent) and member receives \$233.32 (\$666.62 minus \$433.30).

2713 GARNISHMENT OF RENOUNCED PAY

A writ of garnishment must be honored even though the member has renounced receipt of pay. Entitlement to pay continues as "due from or payable by" the United States and is subject to garnishment. The right to accrue pay may not be waived, except as authorized by law. See Chapter 12 of this volume concerning the waiver of retired pay.

CHAPTER 28

COLLECTION OF DEBTS2801 GENERAL

A debt may be due to an overpayment or erroneous payment not legally due a member, or an amount due to the U. S. Government but unpaid by a member. A debt may be for an overpayment of retired pay, an overpayment of active duty pay and allowances, or other indebtedness arising from service on active duty, an overpayment from another federal agency, unpaid government hospital bills, unpaid rent due military installations, IRS tax levies, court judgments, and bad checks tendered to appropriated or non-appropriated fund activities. Also, a failure to deduct or an under-deduction from retired pay for VA compensation, federal civil employment, Retired Serviceman's Family Protection Plan or Survivor Benefit Plan costs, or allotments constitute an overpayment of retired pay. Pay or salary that has been earned for personal services rendered to the United States is authorized to be withheld only when expressly provided for by statute. See Table 28-1 for additional information. See paragraph 190606 of this volume for precedence of discontinuing allotments, if required, to increase available pay for collection.

2802 SPECIALIZED TERMS

280201. Administrative Offset. The withholding of money payable by the U. S. Government to, or held by the government for, a person to satisfy a debt that person owes to the government.

280202. Allowances. Includes, but is not limited to, allowances for subsistence, quarters, uniforms, personal money, family separation, travel and transportation, and overseas station allowances.

280203. Compromise. The acceptance of a lesser amount in settlement of a debt in accordance with 31 U.S.C. 3711 (reference (dh)) and 4 C.F.R., Chapter II, Part 103, (reference (ee)).

280204. Creditor Agency. The United States agency to which the debt is owed.

280205. Delinquent Debt. A debt that is past due and unpaid.

280206. Disposable Pay. That part of pay remaining after deduction of any amount required or authorized by law to be withheld for state or federal income taxes.

280207. Erroneous Payment. A payment that was not legal and proper when made.

280208. Involuntary Collections. Collection action taken without a member's consent following provision of procedural due process rights to member. Involuntary collection action requires a statute specifically authorizing such collection.

280209. Pay. That part of current pay remaining after any reductions in entitlements required by law because of:

- A. Civilian employment (dual compensation, foreign employment, and conflict of interest restrictions)
- B. Reserve duty (IDT/ADT)
- C. Retired Serviceman's Family Protection Plan premium
- D. Survivor Benefit Plan premium
- E. VA compensation

280210. Paying Agency. The federal agency from which the debtor is receiving current pay.

280211. Routine Adjustments. The correction of an overpayment resulting from clerical or administrative errors or delays in processing pay documents that is discovered and corrected within no more than 2 monthly pay periods after the date of overpayment. This includes retroactive VA increases resulting from legislation.

280212. Salary Offset. The collection of a debt to the United States by installment deduction(s) at officially established pay intervals from the current pay account of a member.

280213. Waiver and Waive. The authority to forego the collection of a government claim arising out of an erroneous payment or an overpayment of pay or allowance.

2803 COLLECTION WITH MEMBER'S CONSENT

Members indebted to the United States will be encouraged to discharge their indebtedness through lump-sum cash payment when possible. When the amount of the debt relative to the member's ability to repay indicates that lump-sum settlement would create financial hardship for the member, installment payments will be accepted. Members will be encouraged to accept liability voluntarily for their indebtedness and agree to repayment schedules that adequately protect the interests both of the United States and those members.

2804 AUTHORITY FOR INVOLUNTARY COLLECTION

Current pay is available for repayment of an indebtedness without the member's consent only if such recovery is expressly authorized by statute. Statutory authority to collect indebtedness to the United States is contained in 37 U.S.C. 1007(c) (reference (z)), 5 U.S.C. 5514 (reference (az)), and 31 U.S.C. 3716 (reference (dh)). Debts to the Department of Defense or any of its instrumentalities or other Uniformed Services will be collected under 37 U.S.C. 1007(c) (reference

(z)). Debts administratively determined to be owed to another federal agency shall be collected by salary offset under authority of 5 U.S.C. 5514 (reference (az)). Debts determined to be owed to another federal agency shall be collected administratively under authority of 31 U.S.C. 3716 (reference (dh)). However, requests by courts to be paid money due non-federal debtors are not debts to the United States that can be involuntarily offset, unless the offset specifically is authorized by statute.

2805 COLLECTION UNDER 37 U.S.C. 1007(C) (reference (z))

The law authorizes the deduction from a member's pay of amounts that the Secretary of the Military Department concerned (or designee) administratively determines to be owed the United States or any of its instrumentalities.

280501. Routine Adjustments. See paragraph 280211, above, for definition. The member shall be given notice of the adjustment when it is made, or as soon thereafter as practicable. The member shall be told whom to contact for additional information.

280502. Other Collections. Before initiating any collection action, other than a routine adjustment, the member shall be given at least 30 days written notice that includes the following provisions. (Note: the Secretary concerned may prescribe additional rights prior to collection by offset under 37 U.S.C. 1007(c)) (reference (z)).)

A. The nature and amount of the debt due the United States, and the intent to commence collection through deductions from pay;

B. The member's opportunity to inspect and copy or request and receive a copy of government records related to the debt;

C. The member's opportunity for review of the decision related to the debt;

D. The member's opportunity to request a written agreement with the Secretary of the Military Department concerned (or designee) under terms acceptable to both parties to establish a schedule for repayment of the debt;

E. The member's right to seek waiver or remission of the debt, if appropriate.

280503. Active duty debts will be transferred on retirement and collection will be resumed from retirement or retainer pay. It will not be necessary to repeat the due process procedures in paragraphs 280501 and 280502, above.

280504. Where a member of one Military Service owes a debt to another Military Service and the Secretary of the creditor Service makes an administrative determination of indebtedness, the Secretary may forward that determination, along with certification of compliance with appropriate procedures set forth above, to the Secretary of the member's Military Service. That Secretary (or designee) then may initiate collection.

2806 COLLECTION UNDER 5 U.S.C. 5514 (reference (az))

★280601. The Secretary of the Military Department concerned (or designee) determines that a member is indebted to the United States under the authority of 5 U.S.C. 5514 (reference (az)). The designated agent listed below is responsible for receiving these collection requests:

DFAS-CL/ABA
1240 E 9th Street
Cleveland, OH 44199-8002

★280602. Collection may be made in monthly installments or at established pay intervals not to exceed 15 percent of disposable pay for any pay period, unless a greater percentage is authorized by written consent of the member. Unsatisfied debts at discharge or retirement shall be deducted from subsequent payments of any nature due the member.

★280603. Due Process. Debts collected under 5 U.S.C. 5514 (reference (az)) are those owed to departments and agencies outside the Department of Defense or other Uniformed Services. The creditor agency is responsible for providing due process rights to member debtors and for certifying to the Secretary of Defense that required due process rights have been provided when requesting collection action. Once the Secretary of the Military Department concerned (or designee) has accepted the debt for collection, a member should be given written notice giving the nature and amount of the debt due the United States and the intent to commence collection through deductions from pay. The notice should identify a point of contact at the creditor agency for any questions or disputes that the member may have concerning the intended collection action.

2807 LIMITATION ON AMOUNT OF DEDUCTIONS

280701. The amount to be collected each month in order to recoup an indebtedness from a member's retired pay should be no less than \$50, or an amount each month reasonable to the size of the debt and the member's ability to pay. Minimum amounts do not apply where collection amounts are specified by statute.

280702. The maximum monthly amount that may be collected under section 2805, above, is two-thirds of the member's pay less:

- A. Amounts deducted in arriving at disposable pay plus
- B. Amounts collected under section 2806, above, and this section.

2808 INTEREST, PENALTIES, AND ADMINISTRATIVE COSTS

280801. With respect to collections, other than routine adjustments, the Secretary concerned shall charge a minimum annual rate of interest on an outstanding debt to the United

States that is equal to the average investment rate for the Treasury tax and loan accounts for the 12-month period ending on September 30 of each year, rounded to the nearest whole-percentage point.

280802. Interest shall accrue from the date on which notice of debt and the interest requirements are first mailed, or hand delivered, to the debtor or such date as specified in the notice.

280803. Interest under paragraph 280801, above, may not be charged if the amount due on the claim is paid within 30 days after the date from which interest accrues in paragraph 280802, above.

280804. The Secretary concerned shall assess charges to cover the administrative cost of processing and handling a delinquent debt.

280805. A penalty charge, not to exceed 6 percent a year, shall be assessed for failure to pay a part of a debt more than 90 days past due. The charge will be calculated from the 91st day of delinquency, but shall accrue from the date the debt became delinquent.

280806. The interest specified in paragraph 280801, above, does not accrue on charges assessed under paragraphs 280804 and 280805, above.

280807. The Secretary of the Military Department concerned may prescribe regulations identifying circumstances appropriate to waiving collection of interest and charges under paragraphs 280801, 280804, and 280805, above.

2809 WAIVER OF INDEBTEDNESS

280901. Recovery of erroneous payments of pay and allowances to or on behalf of a member or former member of the Uniformed Services, may be waived if recovery is determined to be against equity and good conscience. (Erroneous payments of travel and transportation allowances, made prior to December 28, 1985, may not be waived.) Application for waiver must be received by the Department of Defense within 3 years from the date the erroneous payment was discovered. The member must apply for a refund of any amount collected within 2 years from the date of waiver approval. A claim of the United States against a member or former member of the Uniformed Services, arising out of such erroneous payment, may be considered for waiver within 3 years from the date of discovery, when collection of the erroneous payment would be against equity and good conscience, and not in the best interest of the United States. Generally, these criteria are met by a finding that: (a) the erroneous payment occurred through administrative error; and (b) there is no indication of fraud, misrepresentation, fault, or lack of good faith on the part of the member or any other person having an interest in obtaining a waiver of the claim. Any significant unexplained increase in pay that would require a reasonable person to inquire about the correctness of pay would preclude a waiver when the member fails to bring the matter to the attention of the appropriate officials. Collection action may be suspended in certain cases pending action on an application for waiver. In determining, on a case-by-case basis, whether suspension of collection would be appropriate, consider whether:

- A. There is a reasonable possibility that a waiver will be granted;
- B. The government's interest will be protected if suspension is granted by reasonable assurance that the erroneous payment could be recovered if waiver is not granted;
- C. The collection of the debt will cause undue hardship. See procedural instructions of the Military Service concerned.

2810 APPLICATION OF THE FEDERAL CLAIMS COLLECTION ACT

The Secretary of the Military Department concerned shall make all reasonable efforts to collect all claims of the United States for money or property arising out of the activities of, or referred to, that agency. Any claims that have not been referred to another agency for further collection action and do not exceed \$20,000 exclusive of interest, may be compromised or collection action may be terminated when the Secretary concerned determines that no person liable in the claim has the present or prospective financial ability to repay the claim, or that cost of collecting the claim is likely to exceed the amount of recovery. See the appropriate regulation of the Military Department concerned.

- 281001. Army: AR 27-40 (reference (eg))
- 281002. Navy: NAVCOMPTINST 4365.1 (reference (eh))
- 281003. Air Force: AFR 112-1 (reference (ef))

2811 IRS TAX LEVIES

281101. Background. IRS tax levies are requests for one-time deduction from a member's retired pay to collect back taxes owed. If the amount collected in any particular month is not enough to pay off the member's tax debt, the IRS may issue additional tax levies to cover later months of retired pay income. Medal of Honor recipients are exempt from tax levy.

281102. Procedures. The IRS will transmit IRS Forms 668-W or 668-W(c) in five parts (the letter "c" designates a computer-generated form which is the same as the version of the form without the "c") which will identify the member; specify the amount of the tax liability; give instructions for providing due process; show how to compute the levy based on input from the taxpayer; and give the address to which to send the payment.

Read and follow the instructions on the IRS Form 668-W; in general, this requires notifying the taxpayer, computing the amounts available for payment to the IRS, and making the payment. Currently, the IRS Form 688-W requires the employer to send to the IRS all of the taxpayer's net pay less what is exempt from levy. Net pay is gross retired pay less all deductions and allotments in effect as of the date of receipt of IRS Form 688-W. Follow the instructions on that form when computing exemptions.

Specific instructions:

A. Within 3 working days from the date of receipt of the levy, notify the taxpayer by using a formal letter similar to that at Appendix W and enclosing the member's copies of the IRS Form 668-W.

B. If the date of receipt of the levy is between the 1st and the 15th day of the month, advise the member that the deduction from retired pay will be on the first business day of the second month after current month. If the date of receipt of the levy is between the 16th and the last day of the month, the deduction will be on the first business day of the third month after current month. Thus, if the receipt of the levy is November 11, 1993, deduction will be in the retired pay check of January 1, 1994. If the receipt of the levy is November 28, 1993, the deduction will be on February 1, 1994.

C. Notify affected former spouses with divorce dates prior to February 3, 1991 (division of property settlement cases only), that a future payment will be different from anticipated. Do not tell the former spouse the reason for the fluctuation.

D. Even if the member's declaration of exemption is not timely, it should be honored if received prior to the last date for making changes to the member's retired pay account.

281103. Problem Cases. When the IRS has determined the taxpayer to be a "problem case," the taxpayer will be furnished with the Form 668-W, a statement of the amount of delinquent taxes and a statement that "net pay" is not enough to pay the levy and that all available accrued pay should be sent to the IRS. Available accrued pay is gross retired pay less:

- A. Withholding for current federal taxes (statutory amounts only)
- B. Amounts required to satisfy prior overpayments of pay and allowances
- C. Amounts waived in favor of compensation from the Department of Veterans Affairs
- D. Amounts forfeited for dual compensation and pay cap (see paragraphs 050203, 050204, and 050209 of this volume)
- E. SGLI premiums
- F. Deductions for military survivor benefit plans of whatever type
- G. Voluntary child support allotments to satisfy court orders, provided the court order is dated prior to the date of the levy from the IRS
- H. Pay attached or garnished for child support or alimony

I. The levy exemptions calculated under normal levy procedures

The main difference between a regular levy and a problem case levy is that, under the latter, the member's voluntary allotments of retired pay must be stopped to satisfy the levy. If it is not necessary to stop all allotments, the member should be given the opportunity to select those allotments to be stopped. If the member does not so elect, stop such allotments as are necessary, stopping any commercial insurance allotments last.

2812 BANKRUPTCY

A member may file a petition of bankruptcy under Chapters 7, 11, or 13 of the Bankruptcy Code (reference (dg)).

281201. When the amount of an indebtedness due the United States is incurred prior to the filing date of the petition, the debt is termed prepetition indebtedness. Such debt may be collected by set-off from the member's pay account only through the day prior to the date the bankruptcy petition is filed, except as provided below:

A. After the date of bankruptcy petition is filed, prepetition indebtedness due the United States may be collected by the filing of proofs of claim with United States Bankruptcy Court. No collection action may begin until the Bankruptcy Court has provided a repayment plan or liquidation schedule. Collection is then limited to the amount provided in such a plan or schedule.

B. After the date the bankruptcy petition is filed, prepetition indebtedness due the United States may be set-off from the member's pay account if the member reaffirms indebtedness due the United States. Reaffirmation agreements must be approved by the court.

C. If the court subsequently dismisses a bankruptcy case, collection is permitted by set-off if otherwise authorized in Chapters 27 through 29 of this volume.

281202. An indebtedness due the United States, but incurred after the filing date of the petition of bankruptcy, may be collected by set-off if otherwise authorized by Chapters 27 through 29 of this volume.

281203. A member may enter voluntarily into a Chapter 13 Plan (formerly Wage Earner's Plan) under the Bankruptcy Code (reference (dg)). When required by a Chapter 13 Plan (reference (dg)), send the member's pay to the court-appointed trustee as ordered by the court. (See Chapter 17 of this volume.)

2813 PAY NOT AFFECTED BY CIVIL PROCESS

A retired member may not be deprived of his or her pay by civil process of garnishment or levy except as follows:

- 281301. Garnishment for child support or alimony. (See Chapter 27 of this volume.)
- 281302. Levy for delinquent federal income taxes. (See section 2811, above.)
- 281303. Levy for child support

INDEBTEDNESS TO GOVERNMENT AGENCIES					
R U L E	A	B	C	D	E
	If a (an)	of	is indebted for	then collect from retired pay	at maximum monthly rate of
1	retired member	any Military Service	overpayment of retired pay	involuntarily	see note 1.
2			overpayment of active duty pay and allowances carried forward from active duty		rate established while on active duty (note 1).
3			unpaid hospital bills for medical services furnished a dependent	involuntarily or pursuant to Military Service regulations	see note 1.
4			excess cost of shipment of household goods		
5		the Army or Air Force	uncollectible check to a commissary issued or endorsed by member or member's agent	involuntarily	all pay (excluding FITW).
6		the Navy or Marine Corps		involuntarily or pursuant to Military Service regulations	see note 1.
7		any Military Service	any indebtedness to a non-appropriated fund activity		
8			hospital rations furnished to a member		
9			CHAMPUS payment on behalf of member's dependents	with member's consent	amount applicable.
10			delinquent federal income tax	involuntarily	see section 2811.
11		the Army or Air Force	loss, damage, or destruction of arms or equipment in member's care or use	involuntarily or pursuant to Military Service regulations	see note 1.
12		the Navy or Marine Corps		with member's consent	

Table 28-1. Indebtedness to Government Agencies

R U L E	A	B	C	D	E
	If a (an)	of	is indebted for	then collect from retired pay	at maximum monthly rate of
13	accountable officer	any Military Service	loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies	involuntarily or pursuant to Military Service regulations	see note 1.
14	retired member		damage to assigned family housing, or damage to or loss of equipment or furnishings caused by the abuse or negligence of the member or the member's dependent(s) or guests of member or the member's dependent(s) while on active duty and established by a Report of Survey	involuntarily	
15			a debt determined valid from another federal agency		not to exceed 15 percent of disposable pay.
16			RSFPP and SBP payments to a surviving annuitant when retiree presumed dead is later found to be alive		all pay or amount applicable.
17			advanced and unused travel expense		see note 1.
18			dual compensation restrictions		
19			negotiating both original and substitute checks		

Table 28-1. Indebtedness to Government Agencies (Continued)

R U L E	A	B	C	D	E
	If a (an)	of	is indebted for	then collect from retired pay	at maximum monthly rate of
20	retired member	any Military Service	retired pay paid concurrently with active duty pay while serving as a Reservist. (a) prior fiscal year(s) or prior month(s) (b) current	involuntarily	see note 1. 1/12 of total for fiscal year
21			readjustment pay (a) paid prior to Sep 15, 81 (see Table 4-1) (b) paid after Sep 14, 81		all.
22		any of the Armed Forces	non-disability severance pay (a) paid prior to Sep 15, 81 (see Table 4-2) (b) paid after Sep 14, 81		see note 2.
23			separation pay		
24		any Military Service	an uncollectible check endorsed or issued by the member or a defaulted loan made to the member at a military banking facility overseas		see note 1.
25			an uncollectible check endorsed by the member to a disbursing officer		

NOTES:

1. Deductions will not exceed limitation set forth in paragraph 280702 of this volume.
2. Monthly rate based on service for which readjustment, severance, or separation pay was received as a proportion of the total deducted equals the lump-sum payment received.

Table 28-1. Indebtedness to Government Agencies (Continued)

CHAPTER 29

FORMER SPOUSE PAYMENTS FROM RETIRED PAY2901 **BACKGROUND**

Public Law 97-252 (reference (ei)), as amended by Public Laws 98-525 (reference (ej)), 99-661 (reference (ek)), and 101-510 (reference (el)), authorizes direct payments to a former spouse from the retired pay of a member in response to court-ordered alimony, child support, or division of property.

2902 **PURPOSE**

This chapter implements procedures to effect the deduction of former spouse payments from retired pay.

2903 **DEFINITIONS**

290301. **Alimony.** Periodic payments for support and maintenance of a spouse or former spouse in accordance with state law under 42 U.S.C. 662(c) (reference (au)). Alimony includes, but is not limited to, spousal support, separate maintenance, and maintenance. Alimony does not include any payment for the division of property.

290302. **Annuitant.** A person receiving a monthly payment under a survivor benefit plan related to retired pay.

290303. **Child Support.** Periodic payments for the support and maintenance of child(ren) subject to and in accordance with state law under 42 U.S.C. 662(b) (reference (au)). Child support includes, but is not limited to, payments to provide for health care, education, recreation, and clothing, or to meet other specific needs of such child(ren).

290304. **Court.** Any court of competent jurisdiction of any state, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands and any court of the United States (as defined in 28 U.S.C. 451 (reference (av))) having competent jurisdiction; or any court of competent jurisdiction of a foreign country with which the United States has an agreement requiring the United States to honor any court order of such country.

290305. **Court Order.** As defined under 10 U.S.C. 1408(a)(2) (reference (c)), a final decree of divorce, dissolution, annulment, or legal separation issued by a court, or a court-ordered, ratified, or approved property settlement incident to such a decree. A court order includes a final decree modifying the terms of a previously issued decree of divorce, dissolution, annulment, or legal separation, or a court-ordered, ratified, or approved property settlement incident to such previously issued decree. A court order must stipulate the payment to a member's former spouse of

child support, alimony or division of property. In the case of a division of property, the court order must specify that the payment is to be made from the member's disposable retired pay.

290306. Creditable Service. Service counted towards the establishment of any entitlement for retired pay. See Chapter 1, paragraphs 010102 through 010108, above, 42 U.S.C. 212 for the Public Health Service (reference (au)), and 33 U.S.C. 864 (reference (em)) and 10 U.S.C. 6323 (reference (c)) for the National Oceanic and Atmospheric Administration.

290307. Designated Agent. The representative of a Uniformed Service who will receive and process court orders under this chapter.

290308. Division of Property. Any transfer of property or its value by an individual to his or her former spouse in compliance with any community property settlement, equitable distribution of property, or other distribution of property between spouses or former spouses.

290309. Entitlement. The legal right of the member to receive retired pay.

290310. Final Decree. As defined under 10 U.S.C. 1408(a)(3) (reference (c)), a decree from which no appeal may be taken or from which no appeal has been taken within the time allowed for taking such appeals under the laws applicable to such appeals, or a decree from which timely appeal has been taken and such appeal has been finally decided under the laws applicable to such appeals.

290311. Former Spouse. The former husband or former wife, of a member.

290312. Garnishment. The legal procedure through which payment is made from an individual's pay, that is due or payable, to another party in order to satisfy a legal obligation to provide child support, to make alimony payments, or both, or to enforce a division of property (other than a division of retired pay as property under 10 U.S.C. 1408(d)(5)) (reference (c)).

290313. Renounced Pay. Retired pay to which a member has an entitlement, but for which receipt of payment has been waived by the member.

290314. Retired Member (Retiree). A person originally appointed or enlisted in, or conscripted into, a Uniformed Service who has retired and is now carried on one of the lists of retired personnel from the Regular or Reserve Components of the Uniformed Services.

290313. Retired Pay. The gross entitlement due a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, if applicable, and date of retirement (transfer to the Fleet Reserve or Fleet Marine Corps Reserve); also known as retainer pay.

290314. Uniformed Services. The Army, Navy, Air Force, Marine Corps, Coast Guard, the commissioned corps of the Public Health Service, and the commissioned corps of the National Oceanic and Atmospheric Administration.

2904 ELIGIBILITY OF FORMER SPOUSE

290401. A former spouse is eligible to receive direct payments from a retiree's retired pay if the court order satisfies the requirements and conditions specified for such payment as set forth in this chapter. In the case of a division of property, the court order specifically must provide that payment is to be made from disposable retired pay.

290402. To establish eligibility for a court-ordered division of retired pay as property, the former spouse must have been married to the member for 10 years or more during which time the member performed 10 years creditable service. Court-ordered payments for child support and/or alimony do not require a specified length of marriage.

2905 APPLICATION BY FORMER SPOUSE

★290501. The former spouse must initiate the effective service through notification of the designated agent. The notification is by facsimile or electronic submission, by mail, or by personal service. Effective service is accomplished when a complete application is received by the appropriate designated agent. The designated agent shall note the date and time of receipt on the notification document.

290502. The notification is a signed statement or a signed DD Form 2293 (Request for Former Spouse Payments From Retired Pay) by the former spouse that includes:

A. Notice to make direct payment to the former spouse from the member's retired pay;

B. A certified copy of the court order and other certified accompanying documents, if applicable, that provide for payment of child support, alimony, or division of property;

C. A statement that the court order has not been amended, superseded, or set aside;

D. Sufficient information to identify the retired member so the application can be processed. The identification should give the retiree's full name, social security number, and Uniformed Service;

E. The full name, social security number, and address of the former spouse;

F. Personal agreement, prior to payment, that any future overpayments are recoverable and subject to involuntary collection from the former spouse or his or her estate;

G. Personal agreement, prior to payment, to notify the designated agent promptly if the court order upon which the payment is based is vacated, modified, or set aside. The former spouse also must notify the designated agent upon remarriage if all or part of the payment is

for alimony or of any change in eligibility for child support payments as a result of the child's death, emancipation, adoption, or attainment of majority if payment is for child support.

290503. If the court-ordered division of retired pay as property does not state that the former spouse satisfied the eligibility criteria in section 2904, above, the former spouse must furnish sufficient evidence for the designated agent to verify eligibility.

290504. The designated agent for each Uniformed Service is:

★A. Army, Navy, Air Force, Marine Corps

Director
DFAS-Cleveland Center
ATTN: Code L
PO Box 998002
Cleveland, OH 44199-8002

Telephone (216) 522-5301

B. United States Coast Guard

Commanding Officer (L)
Pay and Personnel Center
444 Quincy Street
Topeka, KS 66683-3591

C. Public Health Service

Office of General Counsel
Department of Health and
Human Service, Room 5362,
330 Independence Avenue, SW
Washington, D.C. 20201

D. National Oceanic and Atmospheric Administration

See Coast Guard address.

290505. U.S. Attorneys are not designated agents authorized to receive court orders or garnishments under this chapter.

290506. The designated agent will respond to the former spouse, who makes an application, not later than 90 days after effective service:

A. If the court order will be honored, the former spouse shall be informed of the date that payments tentatively will begin; the amount of each payment; the amount of gross retired pay, total deductions, and disposable retired pay (except in cases where full payment of a court-ordered fixed amount will be made); and other relevant information, if applicable; or

B. If the court order will not be honored, the designated agent shall explain in writing to the former spouse why the court order was not honored.

2906 REVIEW OF COURT ORDERS

290601. The acceptable form of a court order that directs payments to a former spouse shall be:

A. A final decree.

B. Regular on its face. This means the court order is issued by a court of competent jurisdiction in accordance with the laws of that jurisdiction.

C. Legal in form and include nothing on its face that provides reasonable notice that it is issued without authority of law. The court order must be authenticated or certified within the 90 days immediately preceding its service on the designated agent.

290602. If the court order was issued while the member was on active duty and the member was not represented in court, the court order or other court document shall certify that the rights of the member were observed under the 50 App. U.S.C.A., Section 501-591 (reference (en)).

290603. The court order must contain sufficient information to identify the retiree.

290604. Additionally, a court order that stipulates a division of retired pay as property must meet the following conditions:

A. The court must have jurisdiction over the retiree by reason of his or her:

1. Residence, other than because of military assignment, in the territorial jurisdiction of the court;

2. Domicile in the territorial jurisdiction of the court; or

3. Consent by the retiree to the court's jurisdiction.

B. The treatment of retired pay as property solely of the retiree or as property of the retiree and the former spouse of that retiree shall be in accordance with the law of the jurisdiction of such court.

C. The court order or other accompanying documents served with the court order must show that the former spouse was married to the member during 10 years or more of creditable service.

290605. Any court order that awards a division of retired pay as property, which was issued before June 26, 1981, will be honored if it otherwise satisfies the requirements and conditions shown in this chapter. A modification on or after June 26, 1981, of a court order which originally awarded a division of retired pay as property prior to June 26, 1981, may be honored if subsequent court-ordered changes were made for clarification purposes. For example, a subsequent court order may provide a clarifying interpretation of a computation formula that was included in the original court order. For a court order issued before June 26, 1981, a subsequent amendment after that date to provide for division of retired pay as property is unenforceable under this chapter. A court order awarding a division of retired pay as property that is issued on or after June 26, 1981, will be enforced if otherwise satisfying the requirements and conditions in this chapter.

290606. The court order shall require payment of child support or alimony or, in the case of a division of property, specifically provide for the payment of an amount of disposable retired or retainer pay, expressed as a dollar amount or as a percentage. Court orders specifying a percentage or fraction of retired pay shall be construed as a percentage or fraction of disposable retired pay. A court order that stipulates a division of retired pay by means of a formula wherein the elements of the formula are not specifically set forth or readily apparent on the face of the court order will not be honored unless clarified by the court.

★290607. The Secretary of the Military Department concerned (or designee) may refuse service of a court order that is an out-of-state modification and not comply with the court order provisions, unless the court issuing that order has jurisdiction, as shown in paragraph 290604, above, over both the retiree and the spouse or former spouse involved. A court order is considered an out-of-state modification if the court order:

A. Modifies a previous court order upon which payments under this chapter are based; and

B. Is issued by a court of a state other than the state of the court that issued the previous court order.

2907 GARNISHMENT ORDERS

290701. If a court order stipulates a division of property other than retired pay in addition to specifying an amount of disposable retired pay to the former spouse, the former spouse may garnish the retiree's retired pay to enforce the division of property. The designated agents authorized to receive service of process shall be those listed in section 2905, above. The amount payable to the former spouse is limited under 15 U.S.C. 1673 (reference (eo)) and section 2908, below.

290702. Garnishment orders for divisions of property, other than retired pay, shall be processed in the manner prescribed in 5 CFR, part 581 (reference (ep)), to the extent that it is consistent with this chapter. (See Chapter 27 of this volume.)

2908 LIMITATIONS

290801. Divorces, Dissolutions of Marriage, Annulments, and Legal Separations that Become Effective Before Feb 3, 1991. Upon proper service, a retiree's retired pay may be paid directly to a former spouse in the amount necessary to comply with the court order, provided the total amount does not exceed:

A. Fifty percent of disposable retired pay for all court orders and garnishment actions paid under this chapter.

B. Sixty-five percent of disposable retired pay for all court orders and garnishments paid under this chapter and garnishments paid under 42 U.S.C. 659 (reference (au)). (See Chapter 27 of this volume.)

290802. Divorces, Dissolutions of Marriage, Annulments, and Legal Separations that Become Effective On or After February 3, 1991. Upon proper service, a retiree's retired pay may be paid directly to a former spouse in the amount necessary to comply with the court order, provided the total amount paid does not exceed:

A. Fifty percent of disposable retired pay for all court orders and garnishment actions paid under this chapter.

B. Sixty-five percent of the remuneration for employment as defined under 42 U.S.C. 659 and 662 (reference (au)) for all court orders and garnishments under this chapter and garnishments paid under 42 U.S.C. 659 (reference (au)). (See Chapter 27 of this volume.)

290803. Disposable Retired Pay. Disposable retired pay is the gross pay entitlement, including renounced pay, less authorized deductions. Disposable retired pay does not include annuitant payments under 10 U.S.C., Chapter 73 (reference (c)). For court orders issued on or before November 14, 1986 (or amendments to such court orders), disposable retired pay does not include retired pay of a member retired for disability under 10 U.S.C., Chapter 61 (reference (c)). The authorized deductions are:

A. For divorce, dissolution of marriage, annulment, or legal separation that became effective before February 3, 1991:

1. Amounts owed to the United States.
2. Amounts required by law to be deducted from a member's pay.
3. Fines and forfeitures ordered by a court martial.
4. Amounts waived in order to receive compensation under Title 5 or Title 38, United States Code (references (az) and (ar)).

5. Federal employment taxes and income taxes withheld to the extent that the amount is consistent with retiree's tax liability, including amounts for supplemental withholding under 26 U.S.C. 3402(i) (reference (dw)) when he or she presents evidence to the satisfaction of the designated agent that supports such withholding. State employment taxes and income taxes are withheld when the retiree makes a voluntary request for such withholding from retired pay and the Uniformed Services have an agreement with the state concerned for withholding from retired pay.

6. Premiums paid as a result of an election under 10 U.S.C., Chapter 73 (reference (c)), to provide an annuity to a spouse or former spouse to whom payment of a portion of such retiree's retired pay is being made pursuant to a court order under this chapter.

7. The amount of the retiree's retired pay under 10 U.S.C., Chapter 61 (reference (c)) computed using the percentage of his or her disability on the date when he or she was retired (or the date on which his or her name was placed on the temporary disability retired list), for court orders issued after November 14, 1986.

B. For divorces, dissolutions of marriage, annulments, or legal separations that become effective on or after February 3, 1991:

1. Amounts owed to the United States for previous overpayments of retired pay and for recoupments required by law resulting from entitlement to retired pay.

2. Forfeitures of retired pay ordered by a court martial.

3. Amounts waived in order to receive compensation under Title 5 or Title 38, United States Code (references (az) and (ar)).

4. Premiums paid as a result of an election under 10 U.S.C., Chapter 73 (reference (c)) to provide an annuity to a spouse or former spouse to whom payment of a portion of such member's retired pay is being made pursuant to a court order under this chapter.

5. The amount of the retiree's retired pay under 10 U.S.C., Chapter 61 (reference (c)) computed using the percentage of his or her disability on the date when the he or she was retired (or the date on which his or her name was placed on the temporary disability retired list).

2909 NOTIFICATION OF MEMBER

290901. The designated agent will send a written notice to the affected retiree at his or her last known address no later than 30 days after effective service of a court order or garnishment action described in this chapter.

290902. The notice shall include:

- A. A copy of the court order and accompanying documentation;
- B. An explanation of the limitations placed on the direct payment to the former spouse;
- C. A request that the retiree submit notice to the designated agent if the court order has been amended, superseded, or set aside; (the member must provide an authenticated or certified copy of the court documents when there are conflicting court orders);
- D. The dollar amount or percentage of disposable retired pay that will be deducted if the retiree fails to respond to the notification as prescribed by this chapter;
- E. The effective date that payments to the former spouse will tentatively begin;
- F. A notice that the retiree's failure to respond within 30 days of the date that notification is mailed may result in the payment of retired pay as set out in the notice to the member;
- G. The statement that if the retiree submits information in response to this notification, he or she thereby consents to the disclosure of such information to the former spouse or the former spouse's agent.

290903. The designated agent will consider any response by the retiree and will not honor the court order if it is defective or is modified, superseded, or set aside.

2910 LIABILITY OF THE DESIGNATED AGENT

291001. The United States and any officer or employee of the United States shall not be liable with respect to any payment made from retired or retainer pay to any retiree, spouse, or former spouse pursuant to a court order that is regular on its face if such payment is made according to this chapter.

291002. Any officer or employee of the United States who, under this chapter, has the duty to respond to interrogatories shall not be subject under any law to any disciplinary action or civil or criminal liability or penalty for, or because of, any disclosure of information made by him or her in carrying out any of the duties which directly or indirectly pertain to answering such interrogatories.

291003. If a court order on its face appears to conform to the laws of the jurisdiction from which it was issued, the designated agent will not be required to ascertain whether the court had obtained personal jurisdiction over the retiree.

291004. Whenever a designated agent is effectively served with interrogatories concerning implementation of this chapter, the designated agent shall respond to such

interrogatories within 30 calendar days of receipt or within such longer period as may be prescribed by applicable state law.

2911 PAYMENTS

291101. Contingent on the retiree's eligibility for retired pay and the effective service of a court order, the Uniformed Service concerned shall start payments to the former spouse not later than 90 days after the date of effective service.

291102. Payments will conform with the normal pay and disbursement cycle for military retired pay.

291103. Payments may be in a fixed-dollar amount or based on a percentage or fraction of disposable retired pay. Payments based on a percentage or fraction will increase in direct proportion with, and at the effective date of future cost-of-living adjustments, unless the court directs otherwise.

291104. Payments terminate on the date of death of the retiree, death of the former spouse or as stated in the court order, whichever occurs first. Payments shall also be terminated or reduced upon the occurrence of a condition under the applicable state or local law that requires termination or reduction.

291105. When several court orders are served on a retiree's retired pay, payments will be satisfied on a first-come, first-served basis within the limitations shown in section 2908, above.

291106. In the event of effective service of conflicting court orders which direct that different amounts be paid during the month to the same former spouse from a given retiree's retired pay, the designated agent will authorize payment on the court order directing payment of the least amount. The difference in amounts will be held by the designated agent pending resolution by the court with jurisdiction or by agreement of the parties. The amount held will be paid as provided in a subsequent court order or agreement. The total of payments released and moneys held will be within the limitations of section 2908, above.

291107. The designated agent shall comply with a stay of execution issued by a court of competent jurisdiction and shall suspend payment of disputed amounts pending resolution of the issue.

291108. When service is made and the identified retiree is found not to be currently entitled to payments, the designated agent shall advise the former spouse that no payments are due from or payable by the Uniformed Service to the named individual. If the member is on active duty when service is accomplished, the designated agent shall retain the application until the member's retirement. In such case, payments to the former spouse, if otherwise proper, shall begin not later than 90 days from the date the retiree first becomes entitled to receive retired pay. If the retiree becomes entitled to receive retired pay more than 90 days after first being notified under

section 2909, above, the notification procedures prescribed above shall be repeated by the designated agent.

291109. If net pay is only temporarily exhausted or otherwise unavailable, the former spouse shall be fully advised of the reason or reasons why and for how long such funds will be unavailable. Service shall be retained by the designated agent and payments to the former spouse, if otherwise proper, shall begin not later than 90 days from the date the retiree becomes entitled to receive retired pay. If the retiree becomes entitled to receive retired pay more than 90 days after first being notified under section 2909, above, the notification procedures prescribed above shall be repeated by the designated agent.

291110. If the gross amount of retired pay is not sufficient to cover all authorized deductions and collections, refer to the order of precedence for disbursement in the Treasury Financial Manual for Guidance of Departments and Agencies (reference (eq)). The court-ordered payments to a former spouse will be enforced over other voluntary deductions and allotments from retired pay.

291111. Payments to the former spouse are prospective in terms of the amount stated in the court order and arrearages will not be considered in determining the amount payable from retired pay.

291112. No right, title, or interest that can be sold, assigned, transferred, or otherwise disposed of including by inheritance, is created under this chapter.

291113. The former spouse may be required to submit a signed certification of continued eligibility upon request of the designated agent. The certification of eligibility for the former spouse will include a notice of a change in status or circumstances that affects eligibility. If the former spouse fails or refuses to comply with the certification requirement, payments may be suspended or terminated after notice to the former spouse.

291114. For divorce, dissolution of marriage, annulment, or legal separation that became effective on or after February 3, 1991, payments to a former spouse for a division of property are excluded in determining a retiree's gross wages concerning retired pay.

2912 RECONSIDERATION

A retiree or a former spouse may request that the designated agent reconsider the designated agent's determination in response to service of an application for payments under this chapter or the member's answer to the designated agent with respect to notice of such service. For reconsideration, the request must express the issues that the retiree or the former spouse believes were incorrectly resolved by the designated agent. The designated agent shall respond to the request for reconsideration, giving an explanation of the determination reached.

CHAPTER 30

DEATH OF RETIREE3001 ARREARS OF PAY

300101. General. Entitlement to retired pay terminates on the date of the retiree's death. Arrears of pay include all unencumbered amounts due to deceased member. Arrears are not due if the retiree waived pay in favor of a civil service annuity. VA benefits terminate on the last day of the month before death. For members who waive retired pay for VA benefits, only retired pay is due on behalf of the member for the month of death. A retiree's account is placed in a suspended status upon receipt of a notification of death from any source until the date of death can be verified. The retiree's account is terminated upon receipt of a death certificate or DD Form 1300 (Report of Casualty).

300102. Related Inquiries. The Military Department concerned advises the surviving spouse to contact the Department of Veterans Affairs or the Social Security Administration on matters relating to entitlements benefits payable by those agencies.

300103. Responsibilities. The DFAS-Cleveland Center, when notification of a retiree's death is received, terminates payment of retired pay; recoups outstanding retired pay checks or direct deposit payments; discontinues and collects overpayments of allotments; pays death gratuity if applicable; collects debts; furnishes claim forms to prospective beneficiaries; and prepares vouchers and tax statements upon final account settlement.

300104. Eligible Beneficiaries. Each Military Service periodically advises retirees of their right to designate a beneficiary or beneficiaries to receive the amounts due, and disposition to be made of unpaid amounts where no beneficiary or beneficiaries have been designated. Any person or persons including a legal entity or the estate of the member may be designated.

A. Arrears of retired pay are paid to the person living on the date of the retiree's death in this order of precedence:

1. Beneficiary designated by the member in writing, if the designation is received by the Military Department concerned before the member's death

2. Surviving spouse

3. Children and their descendants, by representation

- a. Adopted Child. An adopted child is a legal heir in every state and, therefore, is entitled to payment of unpaid pay and allowances, if otherwise proper. If the deceased retiree's child is adopted by others, the child is a beneficiary only in those states where an adopted child inherits from its natural father.

b. Stepchild. A stepchild is not an eligible beneficiary, unless adopted by the deceased retiree.

c. Illegitimate Child. An illegitimate child may not be paid unpaid pay and allowances of a deceased retiree, unless that child is recognized for inheritance purposes under the laws of the jurisdiction involved.

4. Father and mother in equal parts or, if either is dead, the survivor

5. Legal representative

6. Person entitled under the law of the domicile of the deceased retiree

B. The retiree may change a beneficiary previously designated if the change is in writing and is received by the Military Department concerned before the retiree's death.

C. If there is no person listed in the order of precedence in this section, obtain a claim from the person paying the funeral expenses.

D. If the retiree was killed by the beneficiary, the arrears are not paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent. This does not preclude the person from receiving the arrears in the capacity of custodian or guardian of minor children.

E. If the beneficiary dies after the retiree but before receiving final settlement, the arrears are paid to the beneficiary's estate. If doubt as to entitlement exists, forward claim to the DFAS Cleveland Center for review and payment.

300105. Substantiating Documents and Collection of Overpayments

A. To effect settlement, these documents must be a matter of record:

1. Completed SF 1174 (Claim for Unpaid Compensation of Deceased Member of the Uniformed Services) from the beneficiary

2. Proof of death (DD Form 1300 or a copy of the death certificate)

3. Retirement orders

4. Adoption papers, court orders of appointment, or custodianship papers, if required

B. Every attempt should be made to recover all outstanding checks or direct deposits (not negotiated before the retiree's death or forwarded past the date of entitlement) or the proceeds thereof. Unrecovered funds are treated as erroneous payments with the indebtedness

subject to the debt collection authority. In situations where the recipient of the erroneous payments is also the beneficiary for arrears of pay, the amount of arrears due the individual should be offset administratively by the erroneous payments received by the individual. In situations where there has been an erroneous payment to an individual who is not entitled to it, and another individual is entitled to the retiree's arrears of pay, payment of the amount due as arrears should be made to the appropriate payee, regardless of whether collection has been made from the recipient of the erroneous pay.

300106. Questionable Date of Death

A. When the date of death is shown as a "found date," the Military Department concerned verifies whether an autopsy was performed. If so, use the date of death determined by the coroner. If two dates are shown, such as member dies between 2300, June 10, 1976, and 0400, June 11, 1976, use the earlier date since that was the last date member was known to be alive. If neither is available, obtain a statement from one or more disinterested persons attesting to the last known date that the member was alive. When this statement is received, settle the arrears through submission to the Defense Office of Hearings and Appeals.

B. In claims involving missing persons, provided there is no evidence to the contrary, assume the date of death to be the presumed date established by state court decree.

C. If evidence exists that a retiree died on a particular date several years before the date of presumptive death declared by a state court, arrears of pay are payable only through the earlier date of suspected death.

D. A judicial decree is not necessary to establish RSFPP or SBP annuity payments if a person has been missing for more than 30 days and a determination by the Secretary of the Military Department concerned (or designee) is made that presumes the member to be deceased (see paragraph 330206 and paragraph 420212 of this volume).

300107. Doubtful Claims. Cases involving questions of fact or law cannot be paid without approval of the Defense Office of Hearings and Appeals (DOHA).

A. These include cases when:

1. Doubt exists as to the amount or validity of the claim.
2. Doubt exists as to the person or persons properly entitled to the payment.

B. Notify claimant that claim has been forwarded to DOHA for approval of settlement.

300108. Six-Year Statute of Limitations

A. Title 31, United States Code, section 3702(b) (reference (er)), limits the time for filing of claims against the United States to 6 years, effective July 2, 1975. A claim that accrued before July 2, 1969, was barred if it had not been received by the GAO before July 2, 1975. Claims which accrued on or after July 1, 1965, were not barred if they were received by the GAO before July 2, 1975.

B. Effective June 15, 1989, the GAO ruled that claims may be filed with either the individual federal agency or with GAO within 6 years after the time the claim accrued or the claim is forever barred. Since the transfer of certain functions from GAO to OMB effective June 30, 1996, claims are filed with the Department of Defense.

300109. Three-Year Rule. When the person entitled to arrears of pay has not submitted a claim and cannot be located within 3 years after the retiree's death, payment is made to the person or persons in the same class of entitlement, or in the absence of anyone in the same class, next in order of precedence.

300110. Death of Mentally Incompetent Retiree. If retired pay was waived in favor of VA compensation, but compensation was withheld because the retiree's estate exceeded \$1,500, contact the Department of Veterans Affairs to ascertain periods and reasons for non-payment of VA compensation and verify whether withdrawal of the waiver was made by guardian or trustee before the retiree's death. See section 1201 of this volume regarding withdrawal of waiver. **Note:** Non-payment of compensation could occur at any time from the effective date of VA waiver through the month of death and is not limited to the month of death.

3002 DEATH GRATUITY

300201. General

A. Death gratuity may be payable when the retiree's death occurs on or after January 1, 1957, and during the 120-day period which begins the day after release from active duty or active duty for training. The Department of Veterans Affairs must certify entitlement to death gratuity.

B. Death gratuity is not payable for a member who retires for non-Regular service (age and service) unless the member was on active duty the day before retirement.

300202. Definitions

A. Basic pay. The monthly rate of active duty pay to which the deceased retiree was entitled on the last day of active duty or active and inactive duty training.

B. Additional pays. Special and incentive pays (including proficiency and hostile fire pay).

300203. Amount Payable

A. Deaths before August 2, 1990:

1. The amount payable is active duty basic pay for 6 months plus additional pays. Do not include allowances in the computation.

2. The amount payable cannot be less than \$800 nor more than \$3,000.

3. If applicable, include a 25-percent increase in basic pay in computing the amount of death gratuity. The increase in basic pay is authorized to personnel serving on a naval vessel in foreign waters who are retained beyond their active duty obligation because their services are essential to public interest.

B. Deaths on or after August 2, 1990. The amount payable is \$6,000.

C. Do not collect debts from death gratuity payments.

300204. Eligible Beneficiaries. Payment of a death gratuity is made to or in behalf of the deceased retiree's living survivors in this order:

A. Spouse. A man or woman is considered to be the spouse if legally married to the retiree on the date of the retiree's death. A waiver by a lawful spouse of the statutory right to death gratuity is without force or effect.

B. Children in Equal Shares. The term children includes (regardless of age or marital status):

1. Legitimate child

2. Legally adopted child

3. Stepchild, if such child is a member of the deceased member's household

4. Illegitimate child (See subparagraph 300207.A.4.,below.)

C. Designated Relatives. The retiree must have designated the relatives in writing before death. Authorized designations may be only one or both of the retiree's parents, brothers or sisters, or any combination thereof, including those of half-blood and those through adoption. In the absence of a written designation on file, or any evidence to the contrary, it is deemed that a designation has not been made.

D. Parents or Persons in Loco Parentis. In equal shares.

E. Brothers and Sisters. This includes those of half-blood and those through adoption in equal shares. Should a survivor die before receiving the amount to which entitled, the amount is paid to the then living survivor or survivors next in order of precedence. If there are no survivors, death gratuity is not payable to any other person.

300205. Determinations Affecting Entitlement

A. Death as Lawful Punishment. No death gratuity is payable in the case of a retiree whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by any hostile force with which the Armed Forces of the United States was engaged in armed conflict.

B. Member Killed by Beneficiary. No death gratuity is payable to a beneficiary or survivor who kills a retiree, unless there is evidence that clearly absolves the beneficiary of any felonious intent.

300206. Erroneous Payment. An erroneous payment of death gratuity is one made to a person clearly not entitled to that payment because of administrative error, rather than because of statements of record made by the retiree.

A. Make a second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. Do not delay this payment pending recovery of the erroneous payment from the ineligible recipient.

B. Do not make a second payment of death gratuity to a different person if the original payment was based on statements of record made by the retiree, and the government has no reason to doubt the beneficiary's status was as stated.

300207. Documentary Evidence

A. In some cases, the beneficiary must furnish proof of relationship:

1. Lawful Spouse. Documentation may be required to substantiate the marriage or proof of termination of prior marriages entered into by the beneficiary or deceased retiree.

2. Legally Adopted Child. A copy of adoption papers.

3. Stepchild. Information to prove that the child was a member of the deceased member's household.

4. Illegitimate Child. Documentation is required as proof that the retiree was the parent of the child, or a copy of the court order which ordered the parent to contribute to the child's support.

5. Designated Relative:

a. Documentary evidence that any marriage entered into by the deceased retiree has been terminated and a notarized statement that there are no living children.

b. Persons in loco parentis must furnish satisfactory evidence of the relationship as deemed necessary by the Military Department concerned.

B. Payments for minor children must be supported by custodianship documents or court orders of guardianship appointment.

3003 TAXABLE INCOME

300301. Taxability of Arrears of Retired Pay. Arrears of retired pay due the deceased retiree at time of death are taxable to the beneficiary who receives payment if they were taxable to the retiree. See Chapter 24 of this volume. The tax liability is computed in accordance with the Internal Revenue Code of 1954, as amended (reference (es)). The arrears of retired pay are not subject to federal income tax withholding.

300302. Taxability of Death Gratuity. Death gratuity payments are exempt from taxation.

300303. Issuance of TD Form W-2P. If no arrears of retired pay are paid, the retired pay activity issues one TD Form W-2P (Statement for Recipients of Annuities, Pensions, or Retired Pay) in the decedent's name. If arrears of retired pay are paid, an additional TD Form W-2P is issued to each beneficiary to whom the arrears were paid.

CHAPTER 31**DEATH OF SURVIVOR ANNUITANT****3101 ARREARS OF ANNUITY**

This chapter refers to the settlement of the arrears of annuity where the annuitant is a spouse with no eligible child annuitant, the last remaining child annuitant, or a natural person with an insurable interest. Arrears of annuity may result from checks not having been negotiated before the annuitant's death or failure of Secretary of the Military Department concerned (or designee) to establish and make payment of an annuity to which entitlement exists. Payment of the arrears of the annuity under RSFPP, SBP, and MIW provision of the SBP law is made in accordance with the law applicable to the estate of the deceased annuitant or settled as described in paragraphs 310302 and 310303, below.

3102 DOCUMENTATION

To settle the arrears of annuity, the listed documentation must be on file:

310201. Copy of death certificate. A notification of death from any source (next of kin, post office, or neighbor) is sufficient to suspend future payment of the annuity.

310202. A written claim over the signature and address of the claimant or of the claimant's authorized agent or attorney.

310203. Evidence (affidavit, court order, or letters testamentary) of authority to act as the executor, administrator, personal representative, or other fiduciary of the deceased annuitant; evidence of an agent or attorney's right to act for the claimant.

310204. Proof of recoupment of outstanding payments. All outstanding checks or direct deposits (not negotiated before the annuitant's death or forwarded past the date of entitlement) or the proceeds thereof must be returned to the DFAS-Denver Center before a settlement of arrears of annuity may be made.

3103 PAYMENT OF THE ARREARS

The annuity is not prorated for the month of annuitant's death. Entitlement stops as of the last day of the month before the date of the annuitant's death. When all documentation is received, payment of the arrears is made to the executor, administrator, fiduciary of the estate, or claimants pursuant to the small estate statutes of the state of domicile of the annuitant, provided the claimant submits the statutorily required proof under the law of that state, together with copies of the state small estate statute.

310301. Any indebtedness resulting from the overpayment of the annuity (for example, overlap of SBP and DIC, payment made beyond date of entitlement or miscalculations)

must be liquidated before arrears of the annuity can be settled. Debts of the member, other than for delinquent costs for RSFPP or SBP, may not be offset against the arrears of the annuity.

310302. If no executor, administrator, or fiduciary has been or will be appointed by the court, or if for any reason the claim is questionable, send such claim to the DFAS Denver Center.

310303. A claim for arrears of annuity must be filed the within the 6-year statute of limitation restriction. However, when the person otherwise entitled to payment has not submitted a claim and cannot be located within 3 years after the death of the annuitant, a claim made by other than the executor, administrator, or fiduciary may be settled by the DFAS Denver Center.

3104 TAXABILITY

The retired pay activity issues one or more TD Forms W-2P (Statement for Recipients of Annuities, Pensions, or Retired Pay) in case of deceased annuitants. If arrears of annuity are not paid, the retired pay activity issues one TD Form W-2P in the decedent's name. If arrears of annuity are paid, an additional TD Form W-2P is issued to each claimant to whom the arrears were paid.

CHAPTER 32**RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION****3201 ACCOUNTABILITY OF FINANCIAL INSTITUTION FOR DIRECT DEPOSIT PAYMENTS**

320101. When, because of death of the retiree or annuitant, a financial institution received one or more direct deposit payments that should have been returned to the appropriate finance center, that institution is accountable for the total amount of any such payment.

320102. If, however, the financial institution:

A. Is unable to recover the total amount due from the decedent's account or from the individual who has withdrawn the funds from the decedent's account, and

B. Had no knowledge of the death of the retiree or annuitant at the time of deposit and withdrawal, its liability will not exceed the amount available in the recipient's account and the amount recovered by it, plus the lesser of:

1. The amount not recovered, or
2. An amount equal to the credit payments received by it within 45 days after the death of the retiree or annuitant.

3202 EXAMPLES OF FINANCIAL INSTITUTION ACCOUNTABILITY

The following shows the accountability of a financial institution to the appropriate DFAS Center under different circumstances, assuming paragraph 320102, above, applies:

	A	B	C	D
Total Amount of Payments Received (Note)	\$800	\$800	\$800	\$800
Recovered & Returned	<u>-0-</u>	<u>300</u>	<u>600</u>	<u>750</u>
Remaining Due	\$800	\$500	\$200	\$ 50
Amount for Which Financial Organization Remains Accountable	\$200	\$200	\$200	\$ 50

NOTE: Assume four payments of \$200 each were received by the financial institution after the death of the retiree or annuitant, one of which was received within 45 days after the death.

3203 LIABILITY OF DISBURSING OFFICER

The accountability of the financial institution does not affect the liability of the disbursing officer for any amounts not recovered. The disbursing officer may be relieved of liability for amounts not recovered when the officer has shown that he or she did not know and could not have known of a retiree's or annuitant's death prior to making payments after the date of death.

CHAPTER 33

**RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) –
APPLICATION OF PLAN**3301 **BACKGROUND**

Public Law 83-239 (reference (et)) authorizes a voluntary survivorship annuity plan under which members of the Uniformed Services may provide an annuity for their spouses and/or eligible dependent children after the member's death in retirement. This legislation was first known as the Uniformed Services Contingency Option Act of 1953 (USCOA) (reference (et)). It was amended and renamed the Retired Serviceman's Family Protection Plan (RSFPP) by Public Law 87-381 (reference (eu)). Public Law 90-485 (reference (ev)), introduced several new statutory amendments that became effective November 1, 1968. Public Law 92-425 (reference (ew)), terminated RSFPP for members retired on or after that date and created the Survivor Benefit Plan (SBP) as covered in Chapters 42 through 57 of this volume. On September 30, 1978, Public Law 95-397 (reference (ex)) was enacted with provisions affecting certain annuities. A provision in Public Law 98-94 (reference (aj)) provided for rounding annuities. Public Law 98-525 (reference (ej)), authorized annuity payments under certain circumstances where the participating member is missing.

3302 **SPECIALIZED TERMS**

330201. **Annuitant.** A widow, widower, or child entitled to benefits based on a deceased retiree's participation in the RSFPP.

330202. **Change in Family Status.** Change in a retiree's immediate family resulting from death, divorce, annulment, remarriage; or the birth or adoption of a child.

330203. **Child.** A member's child who is living on the date of retirement and who meets any of these requirements:

A. **Natural Child.** Under 18 years of age and unmarried.

1. More than 18 years of age, unmarried, and incapable of self-support because of being mentally defective or physically incapacitated, if that condition existed before reaching age 18.

2. At least 18, but under 23 years of age and unmarried, pursuing a full-time course of study or training in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. This applies only if the member retired on or after November 1, 1968.

B. **Step-Child.** Under 18 years of age and unmarried, and dependent on the member for more than one-half of his or her support, or meeting the requirements of subparagraphs 330203.A.1 or A.2, above.

C. Legally Adopted. Under 18 years of age and unmarried, or meeting the requirements of subparagraphs 330203.A.1 or A.2, above.

330204. Cost and Conversion Tables. Tables prescribed by the Board of Actuaries (tables of percentage reduction of retired pay and conversion tables under the RSFPP/USCOA showing the factors for computation of costs).

330205. Declination. Election not wanted.

330206. Determination of Presumed Death. A determination by the Secretary of the Military Department concerned that a participating member is presumed dead, where the member's retired or retainer pay has been suspended and the member has been missing at least 30 days under circumstances that lead to a reasonable conclusion that the member is dead.

330207. Election in Effect. Valid election existing on the date of retirement.

330208. Eligible Spouse. The lawful wife or husband of a member at the time of retirement.

330209. Extrapolation. Method of determining the reduction factor for option 1, 1 with 4, and 3 with 4 when the member's wife is more than 25 years younger than the member. (Special computation is necessary only for members who became eligible for retired pay before November 1, 1968.)

330210. Fractional Amount. That portion of reduced retired pay to be paid in monthly annuities for members retired before November 1, 1968.

330211. In-Fact Dependent. Stepchild who is dependent on the member for more than half of his or her support.

330212. Modification. A change in percentage of the amount of retired pay under any option, or a change in option(s) elected.

330213. Multiple Option. Combination of options 1 and 2, with or without option 4.

330214. Option. A choice by the member to provide an annuity for his or her dependents. (See paragraph 340103 of this volume for a definition of each option.)

330215. Plan. Retired Serviceman's Family Protection Plan (formerly called the Uniformed Services Contingency Option Act) (reference (et)).

330216. Reduced Retired Pay. Retired pay remaining after the cost of participation has been deducted.

330217. Reduction Factor. Four-digit decimal fraction used to compute monthly RSFPP cost.

330218. Revocation. Cancellation of a previous election.

330219. Single Option. Election of options 1, 2, or 3 with or without option 4.

330220. Withdrawal. Voluntary termination of a member's participation in the plan.

3303 MEMBERS ELIGIBLE TO ELECT UNDER THE PLAN

330301. All members of the Uniformed Services, including all Components and members thereof, who retired with pay before September 21, 1972.

330302. Personnel on the Emergency Officer's Retired List (EORL).

330303. Reserve members not on active duty who were in an active status (participating in Reserve training) as distinguished from those in an inactive status (on the retired Reserve list).

330304. Members of the Reserve Components of the Uniformed Services who were in an inactive status and who had completed 20 years of satisfactory service on November 1, 1953.

3304 MEMBERS INELIGIBLE TO ELECT UNDER THE PLAN

330401. Members on the retired Reserve list without pay who did not complete the requirements to receive retired pay.

330402. Cadets serving at the United States Military Academy, the United States Air Force Academy, or the Coast Guard Academy; and

330403. Midshipmen.

3305 GENERAL PROVISIONS

330501. All elections were effective on date of retirement or November 1, 1953, whichever was later.

330502. An election by any member who had not yet retired on September 21, 1972, was automatically voided on that date.

330503. Members already retired on September 21, 1972, who had coverage under the RSFPP, had three choices:

- A. Convert from RSFPP to the Survivor Benefit Plan (SBP); or
- B. Retain RSFPP and also elect coverage under SBP to the extent that combination of the two annuities did not exceed monthly gross retired pay; or
- C. Retain RSFPP and decline coverage under SBP.

CHAPTER 34

RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN
ELECTION AND WITHDRAWALS3401 ELECTION340101. General Provisions

A. Effective November 1, 1953, elections under the USCOA had to be signed, witnessed, and submitted to the appropriate official before completion of 18 years of service for pay purposes. A change to a previous election did not become effective until 5 years after the date of its execution. If a member retired before the expiration of 5 years, the terms of the most recent valid election more than 5 years old became effective. A previous election could be revoked but did not become effective for 5 years, and if a member retired in the meantime, the revocation had no effect. Under options 1, 2, and 3, the premiums paid from retired pay continued for the retiree's life even if beneficiaries became ineligible through age, divorce, or death. However, option 4 combined with one of those options provided that no further deductions be made from retired pay after the loss of all eligible beneficiaries. Dependents acquired after retirement were not eligible to become beneficiaries. Revocations which became effective were irrevocable. Annuities payable were based on one-half, one-quarter, or one-eighth of the reduced retired pay. Reduced retired pay was the remainder after deduction for the cost of the USCOA. A member could elect separate options to provide for a spouse and children; however, the combined annuities could not exceed one-half of the member's retired pay.

B. Effective October 4, 1961, the name of the program was changed from USCOA to the Retired Serviceman's Family Protection Plan (RSFPP). Cost Tables changed for all retirements on or after that date. The reduction for options 3 and 4 became the same as the reduction for option 1 with 4. The age of the youngest child had no effect on the reduction for option 3 if it was combined with option 4. Retired members were permitted to withdraw from the RSFPP where continued participation would cause extreme hardship and violate equity and good conscience. A change to, or revocation of, a previous election became effective 3 years after execution of the revocation or change. If a member was granted retired pay before the 3-year period ended, the change or revocation had no effect and the prior election remained valid. A revocation is superseded by an election change.

C. Effective November 1, 1968, a withdrawal could be requested any time and became effective on the first day of the seventh month after the application is made. The amount of the annuity could be reduced as low as one-eighth of retired pay or \$25, whichever is greater. The reduction became effective on the first day of the seventh month after application is made. Elections were made before completing 19 years of service. If the election was made after completing 19 years, it became effective 2 years before date of retirement. Changes or revocations to prior elections became effective 2 years after execution of change or revocation. Members who did not include option 4 in their initial elections had until September 1, 1969, to purchase this option.

D. Effective November 1, 1968, the eligibility age of a surviving child was extended to age 23 when the child was pursuing a full-time course of study or training in a recognized educational institution. A child remains a potentially eligible beneficiary between ages 18 and 23, whether or not attending college or training, unless the retiree specifically requested that the child be dropped as an eligible beneficiary. Under option 2 (coverage for children only), a retiree could request that a child over 18 (except any child incapable of self-support because of mental or physical disability existing before age 18) be declared an ineligible beneficiary. A retiree who elected option 3 but who, on the date of retirement (1) had no eligible child, had the protection changed to option 1 (coverage for spouse only) or (2) had no eligible spouse, had the protection changed to option 2 (coverage for children only). Birth certificates were required for spouse and youngest child for option 3. When a retiree has option 3 (both spouse and children), and the spouse became ineligible through death or divorce (after retirement), protection would continue for eligible children at no cost to the retiree. Full retired pay is restored the month after the death or divorce of the spouse. The member could elect an annuity based on either a specific dollar amount or a percentage of gross retired pay. The total annuity, however, could not be greater than 50 percent nor less than 12-1/2 percent of the gross retired pay entitlement at the time of retirement. In no case could the annuity be less than \$25.

340102. Time of Election. Election to participate in RSFPP had to be made within specific time limitations based on provisions of law in effect at the time of election. (See Tables 34-1 through 34-4 of this volume.)

A. Elections had to be made before completion of 19 years of service for members who became entitled to retired pay on or after August 13, 1968, after making an election between October 4, 1961 and August 12, 1968.

B. Members who filed an election before August 13, 1968, could submit a written application to the Military Service concerned requesting that the election remain under the time-of-election provision by November 1, 1969. That is, the election was made before completing 18 years of service or 3 years before retirement.

340103. Valid Options. Members could elect one of three basic options, or a combination of two, to determine the RSFPP coverage desired for their beneficiaries. Supplement option 4, combined with any of the basic options, permits discontinuance of collection of costs when there are no longer any eligible beneficiaries.

A. Option 1 provides an annuity payable to or on behalf of a member's widow or widower. The annuity is payable until the death or remarriage of the beneficiary.

B. Option 2 provides an annuity payable to or on behalf of children as described in paragraph 330203 of this volume. The annuity is payable until no eligible beneficiaries or children survive.

C. Option 3 provides annuity payable to or on behalf of the widow or widower and children. The annuity is paid to the widow or widower until death or remarriage and,

thereafter, is divided in equal shares to or on behalf of the surviving eligible children. The member also may allocate a part of this option to surviving children of a previous marriage. The allotted amount may not exceed the equitable share for which such children would be eligible after the remarriage or death of the widow or widower.

D. **Multiple Option.** A combination of options 1 and 2 provides separate annuity checks for the member's widow or widower and child or children. Each annuity is payable until its respective annuitants are no longer eligible. The cost is determined separately for each annuity. The only combination permitted is option 1 and 2. Combinations of options 1 and 3, 2 and 3, or 1, 2, and 3 are improper. When options 1 and 2 are elected, and there ceases to be an eligible beneficiary under one of the options, the costs under that option terminate (if option 4 is in effect). If multiple options were elected, the total amount of the combined annuities could not exceed one-half or 50 percent of member's reduced retired pay.

E. **Option 4.** This supplemental option permits discontinuance of the collection of annuity costs from retired pay beginning with the first day of the month after that in which there are no eligible beneficiaries. Election of option 4 permits the retiree to withdraw from the plan. (See section 3402, below.)

1. Optional Election of Option 4. A member retiring before August 13, 1968, did not have to choose option 4. However, cost of coverage continues during the member's lifetime even though the beneficiary no longer exists. Public Law 90-485 (reference (ev)) permitted a member who failed to elect option 4 and who had no eligible beneficiaries on August 13, 1968, to elect option 4. To be valid, the election had to be postmarked before September 1, 1969. The election was effective the first day of the month after postmark date. For cost adjustment, see Chapter 36 of this volume.

2. Mandatory Inclusion of Option 4. Members retiring on or after November 1, 1968, who elected to participate in the plan, had to purchase option 4.

340104. Amount of Annuity

A. Before November 1, 1968, a member could elect an annuity based on one-half, one-fourth, or one-eighth of the reduced retired pay.

B. On or after November 1, 1968, a member could elect either a specified dollar amount or a percentage of his or her total monthly retired pay award, but not both. The total annuity elected (whether a percent or a dollar amount) could not be more than 50 percent, nor less than 12-1/2 percent of the gross retired pay at retirement and, in no case, less than \$25. If, at the member's retirement, the annuity amount elected was greater than 50 percent or less than 12-1/2 percent, it was adjusted down to 50 percent or up to 12-1/2 percent as appropriate. Members who became entitled to retired pay on or after November 1, 1968, but who had elected before November 1, 1968, were considered as having elected an annuity at 50 percent, 25 percent, or 12-1/2 percent of total retired pay rather than reduced retired pay.

340105. Ineligible or Non-Existent Beneficiary at Time of Retirement. When, on the effective date of retirement, there was no eligible beneficiary under the option elected, the election was ineffective and there were no deductions for cost of the annuity. Verification was made that there were no eligible beneficiaries. When option 3 or multiple option were elected, and a beneficiary changed by the time of retirement, the member's cost for coverage was adjusted. (See Chapter 36 of this volume.)

340106. Documentary Evidence of Election

A. The election of options under the RSFPP form was used to make an initial election, decline election coverage, modify or revoke a prior election, or change the designation of a beneficiary. All forms had to be signed and notarized or attested to by an officer. A copy of the form furnished by the retiree is valid for RSFPP purposes (if otherwise proper and timely) if the original cannot be located.

B. In the absence of a signed copy of RSFPP election, secondary evidence (including punchcard data that indicates the amount of the option and the time of execution) may be considered as evidence of an election. However, any determination of the validity of an election on the basis of secondary evidence depends upon the particular facts for the individual case, the nature of the secondary evidence, and the degree of certainty of the evidence to establish the facts.

C. An election made by a power of attorney for any member, competent or incompetent, is not valid.

D. If an election is found to be void for any reason except fraud or willful intent of the member, the member may make a corrected election at any time within 90 days after notification in writing. The corrected election is effective as of the date of the void election.

340107. Validity of Documentary Evidence. A valid election must be signed, witnessed, and delivered to the member's appropriate official not later than midnight on the day in which member completed 18 or 19 years of service. On some election forms, it is difficult to determine the date received by finance center officials. If the date of receipt by an official is not shown, consider the date of attestation as the receipt date. If no date is shown, use the postmark date as date of receipt. If there is no postmark date, use the date of receipt by the finance center activity, as stamped on the election.

340108. Mentally Incompetent Members

A. Whenever a member, because of mental incompetence, was incapable of making an election within the time limitations prescribed by the plan, the Secretary of the Military Department concerned (or designee) made an election on behalf of the member upon a request from the spouse or, if there was no spouse, by or on behalf of the child or children of the member.

B. A member later determined to be mentally competent may, within 180 days after such determination, change or revoke the election made on his or her behalf. This change or

revocation is effective on the date of the member's request for such change or revocation. Do not refund deductions previously made for premiums for coverage.

340109. Correction of Records. A member whose records have been corrected by the Secretary of the Military Service concerned may participate in the RSFPP as stipulated on the correction of records directive. The Secretary concerned also has the authority to correct an election, or change an option or a revocation, if the Secretary considers it necessary to correct an administrative error.

340110. Temporary Disability Retired List (TDRL)

A. Any member who was on the TDRL who elected one or more of the annuities specified in the plan, and who later was removed from the list for any reason other than permanent retirement, was entitled to a refund of cost over the cost of term insurance.

B. An election made by a member who was transferred from TDRL to PDRL continued in effect.

340111. Members Retiring Under 10 U.S.C. 12731 (reference (c)). Coverage for members of the Reserve Components, who would have accumulated enough service to be eligible for retired pay at age 60, had certain stipulations.

A. Before October 4, 1961, members must have elected under the plan before completion of 18 years of service. Modification or revocation after attaining age 55 would be valid only if it was submitted at least 5 years before retirement.

B. From October 4, 1961, through October 31, 1968, members must have elected under the plan before completion of 18 years of service. Modifications or revocations would be valid only if submitted at least 3 years before retirement.

C. From November 1, 1968, through September 20, 1972, members must have elected under the plan before their 58th birthday. Elections, modifications, or revocations submitted after age 58 would be valid only if made and submitted at least 2 years before retirement.

3402 WITHDRAWALS

340201. General Provisions. The Secretary of the Military Department concerned (or designee) may, upon application by the retired member, allow him or her to withdraw completely from participation. An approved withdrawal is not effective earlier than the first day of the seventh month beginning after the date application is received by the DFAS-Cleveland Center.

A. A member, who retired before November 1, 1968, must have elected option 4 to be eligible to withdraw from participation in the plan (see subparagraph 340103.E, above).

B. Members who retired on or after November 1, 1968, with automatic option 4, were automatically eligible to request withdrawal from the plan.

C. A request to withdraw from the plan is irrevocable, and a retired member who withdraws may never again participate in the plan.

Example: A retiree withdraws from the RSFPP (options 3 and 4) effective 7 months after retirement. Records were later corrected to show that the member elected options 1 and 2 more than 2 years before retirement. On this basis, the premium for coverage between the retirement date and the withdrawal date may be adjusted. The correction of records, however, does not void the withdrawal from the program.

D. Premiums for coverage continue unless a member submits a request to withdraw and an indebtedness accrues after retired pay is waived. RSFPP participants, who want to terminate their coverage when they waive retired pay to increase their civil service annuity, specifically must request withdrawal from the plan.

ELECTING OPTIONS ON OR BEFORE OCTOBER 31, 1953		
R U L E	A	B
	If a member's status was	then the member
1	an active member with less than 18 years of service	could have elected before completion of 18 years of service or November 1, 1954, whichever was later.
2	an active member with less than 18 years of service who is retired for physical disability before 18 years of service	could have made an election at time of retirement, and not later than 30 days after retirement date.
3	an active member who had completed more than 18 years of service for basic pay	could have elected within 1 year after the effective date of Public Law 83-239 (effective November 1, 1953).
4	already retired	could have elected before April 30, 1954.
5	an active member in status of missing, missing in action, interned in a neutral country, captured, beleaguered or besieged because of military operations and unable to make an election before completing 18 years of service for basic pay purposes	could have made election within 6 months after return to the jurisdiction of the Uniformed Service.

Table 34-1. Electing Options On or Before October 31, 1953

ELECTING OPTIONS BETWEEN NOVEMBER 1, 1953 AND OCTOBER 3, 1961		
R U L E	A	B
	If a member's status was	then the member
	1 an active member with less than 18 years of service for basic pay	must have made an election before completing 18 years of service or November 1, 1954, whichever was later.
	2 an active member with less than 18 years of service for basic pay purposes who is retired for physical disability before 18 years	could have made an election at time of retirement, and not later than 30 days after retirement.
	3 an active member who completed more than 18 years of service from November 1, 1953 through April 30, 1954	could have made the election before midnight of April 30, 1954.
	4 an active member who completed more than 18 years of service from May 1, 1954 through October 3, 1961	could have made the election before midnight of November 1, 1954.

Table 34-2. Electing Options Between November 1, 1953 and October 3, 1961

ELECTING OPTIONS BETWEEN OCTOBER 4, 1961 AND OCTOBER 31, 1968		
R U L E	A	B
	If a member's status was	then the member
1	an active member with less than 18 years of service for basic pay purposes	must have made an election before completing 18 years of service or 3 years before retirement. If such election was not changed or revoked, it became effective immediately upon later retirement.
2	active member retired for physical disability and awarded retired pay on or after October 4, 1961 and before completion of 18 years of service (and had not already made an election before October 4, 1961)	could have made an election at time of retirement. If not made earlier, not later than 30 days after retirement.
3	an active member who completed more than 18 years of service for basic pay purposes during this period	could have made an election after completing 18 years of service if he or she had failed or declined to make an election before that time, but must have made the election at least 3 years before the date the member became entitled to receive retired pay.
4	changed whereby retired pay was granted retroactively, and member was otherwise eligible to make an election	could have made the election within 90 days after receiving notice that such pay had been granted.
5	missing, interned in a neutral country, assigned to isolated station, captured by hostile force, or beleaguered or besieged upon completing 18 years of service for basic pay purposes	Could have made the election within 1 year after member ceased to be assigned to that station or returned to the jurisdiction of the Military Service, and such election immediately became effective.

Table 34-3. Electing Options Between October 4, 1961 and October 31, 1968

ELECTING OPTIONS BETWEEN NOVEMBER 1, 1968 AND SEPTEMBER 20, 1972		
R U L E	A	B
	If a members status was	then the member
1	active member with less than 19 years of service for basic pay purposes	must have made an election not later than midnight on the day in which he or she completed 19 years of service or 2 years before retirement. Election was effective immediately upon later retirement.
2	active member who completed more than 19 years of service for pay purposes	must have made an election before 19 years of service was completed, or 2 years before retirement.
3	Missing, interned in a neutral country, assigned to isolated station, captured by hostile force, or beleaguered or besieged upon completing 19 years of service for basic pay purposes	could have made an election to become effective immediately, within 1 year after member ceased to be assigned to that station or returned to the jurisdiction of the Armed Forces.
4	changed whereby retired pay was granted retroactively, and member was otherwise eligible to make an election	could have made the election within 90 days after receiving notice that such pay had been granted.

NOTE: No retired member may elect coverage under Retired Serviceman's Family Protection Plan (RSFPP) after September 20, 1972.

Table 34-4. Electing Options Between November 1, 1968 and September 20, 1972

CHAPTER 35

**RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN –
BENEFICIARIES**3501 **ELIGIBLE BENEFICIARIES**

Eligible beneficiaries for RSFPP annuities are:

350101. Spouse of the member on the date the member is retired or becomes entitled to retired pay, or, if the member was already retired or entitled to retired pay on November 1, 1953, the spouse on that date.

350102. Children of the member who:

A. Are unmarried and under 18 years of age.

B. Are more than 18 years of age, unmarried, and incapable of self-support because of being mentally defective or physically incapacitated, if that condition existed before they reached age 18.

C. Are at least 18 but under 23 years of age, and pursuing a full-time course of study or training (applies only to children of members who retired on or after November 1, 1968). This study may be in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution (a child is considered to be pursuing a full-time course of study or training during an interval between school years that does not exceed 150 days if the child demonstrated to the satisfaction of the Secretary of the Military Department concerned (or designee) that the child has a bona fide intention of resuming or continuing to pursue a full-time course of study or training in a recognized educational institution immediately after the interval). For the purpose of this subsection, a child who is at least 18 but less than 23 years of age, and is not pursuing a course of study or training, is considered an eligible beneficiary unless the member applies to the Secretary concerned to have such child considered not to be an eligible beneficiary.

D. Are legitimate or adopted children of the member, or step-children dependent upon the member for their support.

E. Are living on the date when the member is retired or becomes entitled to retired pay or, if the member was already retired or entitled to retired pay on November 1, 1953, living on that date.

F. Have been adopted by a third person before the parent-member's death. A child loses his or her eligibility for an annuity under the plan under this condition. However, the eligibility is not affected if the child is adopted by a third person after the parent-member's death.

3502 DESIGNATING BENEFICIARIES

350201. When submitting an election, the member must furnish the birth dates of the named beneficiaries as applicable to the option(s) elected to provide information for computing annuity costs.

350202. A member without dependents may designate beneficiaries when making an election; however, the designation is not effective unless he or she has eligible dependents at retirement.

350203. A member may have a different lawful spouse at the time of retirement from the lawful spouse at the time of election. The lawful spouse at the time of retirement is the spouse eligible for an annuity. Divorce of the member after retirement removes the former spouse as a prospective annuitant.

Example: The member's records were corrected in December 1955 to show retirement in 1952. The member divorced on November 4, 1955 and remarried November 12, 1955. Thus, the former spouse ceases to be an eligible annuitance. In addition, since the second spouse was not the spouse on November 1, 1953, she or he also is not an eligible beneficiary.

3503 SUBSTANTIATING EVIDENCE REGARDING DEPENDENCY AND AGE OF DEPENDENT

The age of the beneficiaries and/or dependents must be substantiated by birth certificates or other competent evidence. When conflicting statements on birth dates exist, the ones made in earlier life have less margin for error than those made in later years. Give earlier records more probative value in determining RSFPP costs.

350301. Proof of Spouse's and Children's Dates of Birth. Acceptable evidence may include one copy of any of the listed items in the sequence shown:

- A. Copy of birth certificate (primary evidence)
- B. Baptismal or other church records
- C. Hospital record of birth
- D. Sworn statement of attending doctor or midwife
- E. Certified abstract or photostat of baby book or family bible
- F. Affidavits from two persons knowing date of birth (Affiants' ages, relationship, and basis for stated facts must be given)

G. Affidavit from either parent or member

H. Passport

I. School records

J. Census Report (**Note:** The Bureau of Census will furnish this information upon request of the widow or widower. This costs a minimum of \$4.00 and takes about 4 to 6 weeks to obtain. Address request to:

US Department of Commerce
Bureau of the Census
Personal Census Service Branch
Pittsburg, KS 66762

K. Information obtained from the Immigration and Naturalization Service may be acceptable as primary evidence for establishing a date of birth.

350302. Proof of Parentage

A. Adopted Children. Member must furnish certified copy of the decree of adoption.

B. Stepchild. A statement, signed by the member, stating that the stepchild is "in fact" dependent upon the member for more than half of his or her support will suffice. This statement need not be attested to or notarized.

350303. Child Incapable of Self-Support. The member must submit a certificate by the attending physician or an appropriate official of a hospital or institution for a child 18 years of age or over and unmarried who is incapable of self-support because of mental defect or physical incapacity. This certificate must state the basis for the physician's or the hospital's or institution official's conclusion. Further, a physician or appropriate official of a hospital or institution must certify that such condition existed before the child's 18th birthday. This certificate will be required at least once every 2 years after the annuity becomes payable, except in a case where medical prognosis indicates that recovery is impossible.

3504 EVIDENCE OF MARRIAGE

Evidence of the legality of a marriage is required only when there are apparent discrepancies regarding previous marriages. In such cases, marriage certificates and/or evidence of dissolution of previous marriages are required.

3505 COMMON-LAW MARRIAGES

A common-law marriage has the same recognition as a ceremonial statutory marriage when the parties live in a state where the marriage is recognized. The status of common-law marriages can be changed by the state legislature or by court decisions. Refer all cases involving common-law marriage to the responsible DFAS Center legal office.

CHAPTER 36

**RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN –
COST OF COVERAGE**3601 **GENERAL PROVISION**

The cost of RSFPP coverage for the option or options elected is computed based on age of the member and beneficiaries and rate of retired pay in effect on date of retirement or effective date of election, whichever is later. Exclude cost-of-living increases effective on date of retirement. The cost remains the same regardless of future pay increases or decreases.

3602 **CONTINUANCE OR DISCONTINUANCE OF COST BASED ON OPTIONS ELECTED**

360201. For members who withdraw, the reduction ends effective the first day of the seventh month after the date the application for withdrawal is received. (See section 3402 of this volume.)

360202. When option 4 was not elected with options 1, 2, or 3 (retirements before November 1, 1968), premiums for coverage continue even though all beneficiaries die before the retiree or are ineligible to receive annuity benefits.

360203. When option 4 (automatic after October 31, 1968), is combined with options 1, 2, or 3, premiums for coverage end on the first day of the month after the month in which there are no eligible beneficiaries.

360204. When option 3 is elected (retirements on or after November 1, 1968), premiums for coverage end on last day of month that the spouse becomes an ineligible beneficiary. Eligible children remain covered at no cost to the member.

3603 **REDUCTION OF RETIRED PAY FOR COST OF COVERAGE**

360301. The RSFPP reduction in retired pay was computed on cost tables in effect on the date of retirement or date of election, whichever is later. The cost tables were published as Tables of Percentage Reduction of Retired Pay under the RSFPP and are available at the DFAS-Cleveland Center.

360302. If the member had no eligible dependents under the option or options elected on date of retirement, no reduction was made in retired pay.

360303. An adjustment could have been made in the reduction of retired pay upon finding an administrative error or a mistake of fact.

360304. If a member elected option 3, with or without option 4, but on the date of retirement:

A. Had no children eligible for the annuity, premiums were computed as though the member elected option 1 with or without option 4.

B. Had no spouse eligible for the annuity, premiums were computed as though member elected option 2 with or without option 4.

360305. If member elected multiple options (option 1 and option 2) but on date of retirement:

A. Had no spouse eligible for the annuity, premiums were computed as though member elected option 2 or option 2 with 4 only.

B. Had no children eligible for the annuity, premiums were computed as though member elected option 1 or option 1 with 4 only.

360306. A member who retired before November 1, 1968, had until September 1, 1969, to add option 4 to a previous election. (See subparagraph 340103.E.1 of this volume.) The additional premium was effective the first day of the month in which the original RSFPP election became effective. The retiree had to pay the additional premium which would have been deducted from retired pay if he or she had first elected option 4, plus interest. The interest was not deductible from taxable income. If undue hardship or financial burden resulted, payment could have been made:

A. In 2 to 12 monthly installments when the monthly amounts involved were \$25 or less, or

B. In 2 to 36 monthly installments when the monthly amounts exceeded \$25.

360307. No amounts by which retired pay was reduced before the election of option 4 were refunded to, or credited on behalf of, the retiree by virtue of an application to include option 4.

3604 EFFECTIVE DATE OF REDUCTION

360401. The effective date of reduction is the date of retirement or date of election, whichever is later.

360402. For members who retired and died during the same month, the premium deduction was made only from date of retirement through date of death.

3605 PAYMENT OF COST DURING NON-RECEIPT OF RETIRED PAY

360501. The RSFPP premium that otherwise would be withheld from retired pay must be deposited by direct remittance to the DFAS-Cleveland Center. Deposits are due on the effective date of coverage. For example, if the member retired June 1, the first payment is due on June 1 for period June 1-30.

360502. The retired pay activity informs the retiree of the amount and date when deposits are to be made.

360503. If a total VA waiver is in effect, the retiree may authorize Department of Veterans Affairs to withhold the premium from the VA benefits. See the DoD/VA Memorandum of Understanding, June 13, 1985, at Appendix G of this volume.

360504. Payments for RSFPP premiums for retirees recalled to active duty for more than 30 days may be paid by a class U allotment. This allotment is stopped upon release from active duty. See Volume 7A, Chapters 41 and 42 of this Regulation (reference (ey)).

360505. If deposits are not made within 30 days of the due date, the DFAS-Cleveland Center informs the retiree of the delinquency and advises him or her that beneficiaries cannot be paid an annuity under the plan until all delinquent premiums, plus interest at the rate applicable for the delinquent period, is paid. The notification of delinquency advises the retiree that 15 additional days have been granted in which to remit the deposit and, if the arrears are not deposited within that period, the retiree will be charged interest to include the first day of delinquency. In no case will the expiration date of the 15 days exceed a date later than 45 days from the date the deposit was due. Compute interest monthly on the interest rate applicable for the delinquent period. Withhold any arrears, with compound interest, if the retiree later receives retired pay.

3606 TEMPORARY DISABILITY RETIRED LIST (TDRL)

360601. The RSFPP coverage terminates when the retiree is removed from the TDRL for reasons other than transfer to the Permanent Disability Retired List.

360602. For members who remain on the TDRL for 5 full years, premiums and coverage cease at the end of the 5-year period. If the retiree dies after the 5-year period, no benefits are payable.

3607 CALCULATION FOR DELINQUENT PREMIUMS

360701. RSFPP interest rates are:

Effective Date	Annual Rate	Monthly Rate
Nov 1, 1953	3.00%	.00247
Jan 1, 1961	3.25%	.00267
Jan 1, 1966	3.75%	.00307
Jan 1, 1970	4.25%	.00348
Mar 1, 1975	6.00%	.00487

360702. For delinquent accounts, calculate the total cost plus interest by multiplying the monthly cost by the compound interest factor shown opposite the total number of payments due on the appropriate RSFPP compound interest Tables 1 through 5. (See Appendices B through F.)

360703. These following examples show how to compute interest when intermittent payments have been received. The computations are as of the 30th of each month on the basis that past due amounts were received after 45 days elapsed.

Examples

Date	Delinquent Amount	Monthly Premium	Amount Received	Amount Applied to Pay Premium Current/Month	Amount Applied To Delinquent Amount	Interest	Balance Due
Nov 30	\$476.16	\$20.00	-0-	-0- / -0-	476.16 x .00487 =	2.32	\$498.48
Dec 31	498.48	20.00	\$60.00	\$20.00 / \$40.00	458.48 x .00487 =	2.23	460.71
Jan 31	460.71	20.00	\$20.00	\$20.00 / -0-	460.71 x .00487 =	2.24	462.95
Feb 28	462.95	20.00	-0-	-0- / -0-	462.95 x .00487 =	2.25	485.20
Mar 31	485.20	20.00	\$40.00	\$20.00 / \$20.00	465.20 x .00487 =	2.27	476.47

3608 AGE FACTOR

360801. Calculate the age of the member and beneficiaries as of their nearest birthday on the day of the member's retirement, or the effective date of election, whichever was later. Round 6 months or more to the next full year.

- A. Option 1- Member and spouse
- B. Option 2- Member and youngest child
- C. Option 3- Member, spouse, and youngest child

360802. Age Adjustments

A. For a female member, adjust her age and the age of her husband. Subtract 5 years from her actual age; add 5 years to his actual age. If the actual age or adjusted age of the member is over 90, consider the actual or adjusted age to be 90.

B. If the member's age and the wife's age are the same, use the table for "wife older by 0 years." This applies to Table of Percentage Reduction of Retired Pay Under RSFPP before November 1, 1968.

C. If the member's wife is more than 15 years older than the member, consider the difference to be exactly 15 years.

D. If a member's wife is more than 25 years younger than member, find the reduction factor using extrapolation. If a member's husband is more than 25 years younger than the member, see the Table of Percentage Reduction of Retired Pay Under RSFPP before November 1, 1968.

E. If a child is over 17-1/2 years of age, but less than 18, consider the age to be 17 for cost computation before November 1, 1968. Consider the age to be 18 for cost computation on or after November 1, 1968.

F. If child is less than 6 months old, consider the age to be 0.

G. If child is exactly 6 months old, consider the age to be 1 year.

H. If youngest child is 18 or older and physically or mentally incapacitated (because of disability which existed before age 18), base the cost on factor for child aged 17.

3609 CALCULATING COST FOR SINGLE OPTION

360901. Retirements before November 1, 1968

Annuities of one-half of reduced retired pay:

Basic Data for Examples

Date of Retirement	August 1, 1966
Member born January 15, 1916	Age 51 (nearest age)
Wife born February 27, 1918	Age 48
Difference between ages	3 years
Youngest child born August 15, 1954	Age 12
Member's gross retired pay entitlement	\$884.03

MEMBER	WIFE	YOUNGEST CHILD
66-08-01	66-08-01	66-08-01
<u>16-01-15</u>	<u>18-02-27</u>	<u>54-08-15</u>
50-06-16	48-05-04	11-11-16
or	or	or
51 years	48 years	12 years

A. Example 1: A member retired with 20 years of service and elected option 1 with option 4 to provide his widow with an annuity of one-half of his reduced retired pay.

1. Using the appropriate table (Table of Percentage Reduction of Retired Pay Under RSFPP, April 1966, with 20 years of service), find the member's age (51) in the extreme left column headed "Age" and the difference between the member's age and his wife's age (member older than wife by 3 years) at the top of the table. The percentage reduction factor is located in the column headed by the difference in age on the line with the member's age. (0.1232)

Option 1-4 and Option 3-4-One-Half

Age	Retired Member Older than Dependent Wife by:			
-	25	4	3	2_____
-				
-				
-				
49				
50				
51_____				.1232

2. Multiply the member's gross retired pay by the reduction factor. This gives the monthly deduction to be made from the member's retired pay.

Gross retired pay	\$884.03
Reduction factor	<u>x 0.1232</u>
Monthly deduction from retired pay	\$108.91

B. Example 2: A member retired with 20 years of service and elected option 2 with option 4 for one-half of member's reduced retired pay.

1. Under the table (April 1966) with more than 20 years of service, for option 2 with option 4 for one-half, find the member's age (51) in the extreme left column headed "Age" and the child's age (12) along the top of the table. The reduction factor is in the column headed by the child's age on the line with the member's age (0.0133).

Option 2-4-One-Half

Age	Age of Child at Retirement			
-	1	11	12	13 _____
-				
50				
51	_____ .0133			

2. Multiply the member's gross retired pay by the reduction factor. This gives the monthly deduction to be made from member's retired pay.

Gross retired pay	\$884.03
Reduction factor	<u>x 0.0133</u>
Monthly deduction from retired pay	\$11.76

C. **Example 3:** A member retired with 20 years of service and elected option 3 for one-half of member's reduced retired pay.

1. Using the table for option 1 find the member's age (51) in the extreme left column headed "Age" and the difference between the member's age and his wife's age (member older than wife by 3 years) along the top of the table. The reduction factor is in the column headed by the difference in age on the line with the member's age. Use Table for January 1, 1966, for retirement on or after January 1, 1966, with more than 20 completed years of service.

Option 1-One-Half

Age	Retired Member Older than Dependent Wife by:				
-	Years 25 _____	4	3	2	1
-					
-					
50					
51	_____ .1137				

2. From the lower part of the same table, select the multiplier appearing below the age of the youngest child.

Age of Child	0	11	12
Multiplier			1.001

3. Multiply the reduction factor for an annuity of one-half for option 1 by the multiplier based on age of youngest child.

$$0.1137 \times 1.001 = 0.1138$$

4. Multiply the member's gross retired pay by the reduction factor. This gives the monthly deduction to be made from member's retired pay.

Gross retired pay	\$884.03
Reduction factor	<u>x 0.1138</u>
Monthly deduction from retired pay	\$100.60

NOTE: When the youngest child is at least 13 years old, use only the factor for option 1. (The multiplier based on the age of the youngest child is 1.000.)

5. Annuities of one-quarter or one-half of reduced retired pay. Use conversion tables to convert the percentage reduction factor for an annuity of one-half of the reduced retired pay. Locate the first three digits of the one-half reduction factor in the extreme left column of the appropriate conversion table. The column is titled RF one-half (i.e., Reduction Factor for one-half of reduced retired pay). The fourth digit of the reduction factor for an annuity of one-half appears at the top of one of the succeeding columns. Find converted reduction factor in the column headed by the fourth digit in the reduction factor for one-half on the line opposite the first three digits. For example: Reduction factor for one-half is .1232 and member wants to provide an annuity of one-quarter. The reduction factor is .0656.

Conversion Table-One-Quarter

Range .100 to 149

100	0	1	2	3	4	5	6	7	8	9
-										
-										
-										
123										.0656

360902. Retirements November 1, 1968 Through September 20, 1972. Cost is now based on 12-1/2, 25, or 50 percent of full, rather than reduced, retired pay. Figure the amount of the annuity before computing the cost of coverage per month.

Example: A member aged 41 retired with more than 19 years of service after November 1, 1968. The member elected option 2 with 4 to provide the child, age 2, with 50 percent of total retired pay:

Gross Retired Pay	\$547.86
Percentage	<u>x .50</u>
Annuity Payable per month	\$273.93
*Reduction Factor	<u>x .0434</u>
Cost 11.888562 or	\$11.89

*Obtained from actuarial cost table according to the member's age, child's age, option elected, percentage factor and type of retirement.

3610 CALCULATING COST FOR MULTIPLE OPTIONS

361001. November 1, 1953 - October 3, 1961. Public Law 83-239 (reference (et)), required the cost for multiple options to be computed by an actuarial equivalent method using, as a basis, appropriate actuarial tables selected by the DoD Board of Actuaries. Use these steps to compute cost:

A. For each one-quarter option chosen, find the reduction factor for the corresponding one-half option. For each one-eighth option chosen, find the reduction factor for the corresponding one-quarter option. There will be two factors, one for the option 1 portion and another for the option 2 portion.

B. For each factor in Step A, find the complement by subtracting the factor from 1.0000.

C. Obtain the product of the complements by multiplying them together. Obtain their sum by adding them together.

D. Divide the product by the sum and carry the answer to six decimal places.

E. Multiply the factor from Step D by the gross monthly retired pay and round off to dollars and cents. This is the member's monthly reduced retired pay for each option chosen.

F. Find the cost of each option by multiplying the answer found in Step E by the quotient of the reduction factor for the option divided by its complements.

Example: A member, age 50, retired for physical disability on August 1, 1961:

- a. Wife's age is 48
- b. Youngest child's age is 8
- c. Gross monthly retired pay is \$452.62

The member combines option 1 for one-quarter reduced retired pay with option 2-4 for one-eighth reduced retired pay.

STEP 1. Determine reduction factors:

Option 1 - 1/4 same factor as for option 1, $1/2 = .1688$

Option 2-4 - 1/8 same factor as for option 2-4, $1/4 = .0196$

STEP 2. Determine complements of reduction factors:

$$\text{Option 1 - } 1.0000 - .1688 = .8312$$

$$\text{Option 2-4 - } 1.0000 - .0196 = .9804$$

STEP 3. Multiply and then add complements:

$$.8312 \times .9804 = .81490848 \text{ (product)}$$

$$.8312 + .9804 = 1.8116 \text{ (sum)}$$

STEP 4. Divide product by sum:

$$.81490848 \div 1.8116 = .449828$$

STEP 5. Multiply gross monthly retired pay by the answer in Step 4:

$$\$452.62 \times .449828 = \$203.60$$

STEP 6:

a. Divide reduction factors (Step 1) by complements (Step 2):

$$\text{Option 1 - } .1688 \div .8312 = .203079$$

$$\text{Option 2-4 - } .0196 \div .9804 = .019991$$

b. Figure cost of each option by multiplying product in Step 5 by each quotient
in Step 6:

$$\text{Option 1- } \$203.60 \times .203079 = \$41.35$$

$$\text{Option 2-4- } \$203.60 \times .019991 = \$ 4.07$$

STEP 7. Determine total reduced retired pay by multiplying answer in Step 5 times 2:

$$2 \times \$203.60 = \$407.20$$

Note: Annuity for each option is: (See subparagraph 370502.A of this volume.)

$$\text{Option 1 - } 1/4 \times \$407.20 = \$101.80$$

$$\text{Option 2-4- } 1/8 \times \$407.20 = \$ 50.90$$

361002. October 4, 1961-October 31, 1968. The cost is computed by multiplying the reduction factor elected by gross retired pay. Use conversion tables to determine reduction factor when the member elects annuity of one-quarter or one-eighth of reduced retired pay instead of one-half as shown in paragraph 360902, above.

Example: A member, age 46, retired for physical disability on December 16, 1965, with less than 18 years of service for pay purposes. Table of Percentage Reduction of Retired Pay-April 1962.

- a. Wife's age is 43
- b. Youngest child's age is 13
- c. Gross monthly retired pay is \$814.95. Elected option 1 with 4 for one-quarter combined with option 2 with 4 for one-quarter. Reduction Factor:

Option 1-4 for $\frac{1}{2}$ = .1504; factor for $\frac{1}{4}$ is .0813

Option 2-4 for $\frac{1}{2}$ = .0109; factor for $\frac{1}{4}$ is .0055

	Retired Pay	Cost	Reduced Retired Pay	Annuity Payable
Option 1	$\$814.95 \times .0813 =$	\$66.25	$\$748.70 \times \frac{1}{4} =$	\$187.18 *
Option 2	$\$814.95 \times .0055 =$	\$4.48	$\$810.47 \times \frac{1}{4} =$	\$202.62

* (See subparagraph 370502.B of this volume.)

361003. November 1, 1968 - September 20, 1972. Public Law 90-485 (reference (ev)), again changed the method for computing coverage premiums. The premium is based on the amount of annuity payable. The annuity payable is specified as either a dollar amount or a percentage of retired pay, but not both. Multiply the reduction factor for the annuity elected by the monthly annuity payable for each option.

Example: A member, age 52, retired for years of service on July 31, 1970, with more than 19 years of service for basic pay purposes.

- a. Wife's age is 51
- b. Youngest child is 17
- c. Monthly gross retired pay award is \$1,082.34

The member elected option 1 with option 4 for one-quarter combined with option 2 with option 4 for 1/4.

	Retired Pay	Annuity Payable
Option 1-4	\$1,082.34 x 25% or 1/4 =	\$270.59 *
Option 2-4	\$1,082.34 x 25% or 1/4 =	\$270.59 annuity payable monthly
Option 1-4	\$270.59 x .2561 factor (Cost Table D, opt#1)	\$69.30 cost of coverage
Option 2-4	\$270.59 x .0253 factor (Cost Table D, opt#2)	\$6.85 cost of coverage

* (See subparagraph 370502.B of this volume.)

3611 TAXABILITY OF COST

For federal income tax purposes, the cost of RSFPP coverage is excluded from taxable income on TD Form W-2P. A refund of premiums resulting from administrative error, correction of records, late receipt of withdrawal request, or youngest child attaining maximum age is taxable income to the retiree.

3612 INCOME EXCLUSION

The retiree will receive an income exclusion for the amount of the direct remittance for cost of coverage upon returning to a pay status. The DFAS-Cleveland Center will exclude the amount of the direct remittance from the taxable income on TD Form W-2P. See section 3605 of this volume for payment of cost during non-receipt of retired pay.

CHAPTER 37**RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN – ANNUITY AMOUNTS****3701 GENERAL**

370101. An annuity payable under the RSFPP is not assignable or subject to execution, levy, attachment, or garnishment-except for child support or alimony or to collect a debt caused by an overpayment described in Chapter 38, paragraph 3801. A debt to the United States or its instrumentalities incurred by the annuitant may be offset from the annuity. The annuity may be paid to a trustee in bankruptcy pursuant to the order of a bankruptcy court in a proceeding under Chapter 13 of the Bankruptcy Code, 11 U.S.C. (reference (dg)), since such proceeding is voluntary.

370102. Annuities payable are in addition to any pension or other payment to which the beneficiaries may now or later be entitled by law, and may not be considered as income under any law administered by the Department of Veterans Affairs except when the annuitant is entitled to DIC as a parent of a veteran.

370103. See Table 37-1 for general provisions affecting annuity payments.

370104. For settlement of arrears of annuities, see Chapter 31.

3702 EFFECTIVE DATE OF ANNUITY

370201. Each annuity payable normally accrues as of the first day of the month in which the member dies. If the Secretary concerned makes a determination that a participating member is presumed dead, the annuity accrues from the first day of the month in which retired or retainer pay was suspended on the basis of the member's missing status. When a member elects coverage for spouse and children (Option 3), an annuity is payable to eligible children on the first day of the month in which the widow or widower becomes an ineligible annuitant. For the child who is at least age 18 and attending a recognized educational institution (see Chapter 35, subparagraph 350102.C), the annuity accrues:

A. As of the first day of the month in which the retired member dies, if the eligible child's 18th birthday occurs in the same or a preceding month.

B. As of the first day of the month in which the child's 18th birthday occurs if the retired member died in the preceding month.

C. As of the first day of the month in which the child becomes or again becomes eligible if that child's 18th birthday and the retired member's death occurred in a preceding month or months.

370202. The first payment of the annuity cannot be made until a completed application is received. If a properly completed application is received, first payment must be made

not later than the 15th of the month after the month in which the retired member dies, nor later than the 15th of the month after the month in which the Secretary concerned has made a determination that the member is presumed dead. Payments are made in equal monthly installments thereafter as long as entitlement exists.

370203. No annuity accrues or is paid for the month in which all annuitants lose eligibility.

370204. If a member retires and dies during the same month, the annuity is payable for the full month.

3703 ANNUITY PAYMENTS

Upon official notification of death or Secretarial determination that a participating member is presumed dead, annuity accounts are established in accordance with the provisions of the election made by or on behalf of the member. A completed DD Form 768 (Application for Annuity Under RSFPP) validates the annuity account. Payment of annuity is barred when the member is retired for disability before completing 19 years of service (18 years of service before October 1968) if beneficiaries are eligible for VA Dependency and Indemnity Compensation. For payments for a representative payee of an annuitant, see Chapter 46, subparagraph 460103.C.

3704 CLAIMS FOR ANNUITY

The claim for annuity payments must be properly completed and signed by the person or persons authorized to receive annuity.

370401. An individual holding a valid power of attorney may complete (including the signature element) and file the annuity application form on behalf of an annuitant provided payments are to be made directly to the annuitant and provided further that the annuitant has not been determined to be incompetent of managing his or her own affairs by a state court, physician or psychologist. (See Chapter 46, paragraph 460103) An annuitant whose application is signed with an "X" must be witnessed (two disinterested persons) or notarized or countersigned by the person holding power of attorney. A copy of the power of attorney and explanation why the annuitant required assistance must be submitted with the annuity application.

370402. A claim signed by a legal representative must be accompanied by a copy of the court order of appointment.

370403. A claim signed by the custodian of a minor child or children must be accompanied by a document evidencing custodianship.

370404. A doubtful claim must be submitted to the United States General Accounting Office (GAO) for certification before payment.

370405. When a claim is not received within 6 years, the case is closed. If a claim is received later, the case is reopened.

3705 ANNUITY AMOUNTS

370501. Single Option

A. Retirement before Nov 1, 1968. The monthly annuity payable, as elected by the retiree, is one-eighth, one-quarter, or one-half of the retiree's reduced retired pay as computed on the date of retirement or effective date of election, whichever is later.

B. Retirements from Nov 1, 1968 through Sep 20, 1972. The monthly annuity payable as elected by the retiree is:

1. One-eighth, one-quarter, or one-half of the retiree's gross retired pay on date of retirement; or
2. A specific dollar amount of not more than 50 percent nor less than 12-1/2 percent of the retiree's gross retired pay on date of retirement, but in no case less than \$25.

370502. Multiple Options

A. Retirements before Nov 1, 1968. The monthly annuity payable for each option, as elected by the retiree, is one-eighth or one-quarter of the retiree's total reduced retired pay as computed on the date of retirement or effective date of election, whichever is later. The combined amount of annuities cannot exceed 50 percent of the retiree's total reduced retired pay.

B. Retirements from Nov 1, 1968 through Sep 20, 1972. The monthly annuity payable for each option, as elected by the retiree, is:

1. One-eighth or one-quarter of the retiree's gross retired pay on date of retirement; or
2. A specific dollar amount of not more than 25 percent nor less than 12-1/2 percent of the retiree's gross retired pay on date of retirement, but in no case less than \$25.

370503. Public Law 98-94 (reference (aj)). This statute provides that all monthly annuities to which a survivor becomes entitled on or after Oct 1, 1983, if not a multiple of \$1, are rounded to the next lower multiple of \$1. Annuities to which survivors were entitled on Sep 30, 1983, were not rounded until there was an adjustment made in accordance with 10 U.S.C. 1401a (reference (c)); then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of \$1, is rounded to the next lower multiple of \$1. All subsequent adjustments are based on the rounded amount.

3706 PAYMENTS TO WIDOW OR WIDOWER

For unique conditions affecting entitlement of annuity payments to widow or widower, see Table 37-2 for decisions of the Comptroller General.

3707 PAYMENT TO CHILDREN

370701. Annuities for a minor child or children are paid to the legal guardian, or if there is no legal guardian, to the natural parent who has care, custody, and control of the child or children as the custodian, or to a representative payee of the child or children.

370702. Annuities may be paid direct to the child when the law governing the state of residence stipulates the child to be majority age. The child then is considered an adult for annuity payment purposes, and a custodian or legal fiduciary is not required. See Appendix H for age of majority.

370703. The annuity is payable in equal shares to or in behalf of all eligible children. The annuity entitlement terminates when the youngest child becomes an ineligible annuitant.

370704. For unique conditions affecting entitlement and payment of annuities for a child or children, see Table 37-3 for decisions of the Comptroller General.

3708 COST-OF-LIVING ADJUSTMENT

370801. Annuities payable on Sep 30, 1978, to a spouse or child of a member who died on or before Mar 20, 1974, were increased by 66.1 percent effective Oct 1, 1978. The 66.1 percent increase was the percentage change in retired and retainer pay authorized by 10 U.S.C. 1401a (reference (c)) from Sep 21, 1972 to Sep 30, 1978.

370802. Whenever retired pay is increased through a cost-of-living adjustment, each annuity payable on the day before the effective date of that increase to a spouse or child or a member who dies on or before Mar 20, 1974, are increased at the same time by the same percentage. Beginning Oct 1, 1983, after each cost-of-living adjustment the annuity as adjusted, if not a multiple of \$1, is rounded to the next lower multiple of \$1. All subsequent adjustments are based on the rounded amount.

COMPTROLLER GENERAL DECISIONS - ANNUITY PAYMENTS, GENERAL	
Decision Number	Synopsis
1. 35 Comp Gen 12 41 Comp Gen 500	Unpaid Cost for Coverage. Any unpaid RSFPP cost at time of a retiree's death, including nonpayment of direct remittance or erroneous computation of cost, must be collected before payment of any annuities.
2. 34 Comp Gen 664	Retired Pay Status Relinquished. Personnel who relinquish retired status (either voluntarily or involuntarily) are not permitted to pay RSFPP costs to entitle beneficiaries to annuities.
3. 43 Comp Gen 125	Effective Date of Payment. Annuity payments are paid under provisions of the RSFPP law as amended effective Oct 4, 1961, even though the election was made on Oct 4, 1961, before the hour in which the President signed the bill which amended the law.
4. 34 Comp Gen 151 38 Comp Gen 146	Annuity Payment Adjustments. Annuity payments must be adjusted on the basis of proper retired pay at the time the election became effective as though the member had actually been receiving such pay at that time. This applies to elections by members who elected while in a "saved pay" status, who later elected and received pay under the Career Compensation Act (CCA) retroactive to Oct 1, 1949.
5. MS Comp Gen B-156862, Jun 30, 1965	Failure to Submit Valid Election Form. After a member's death a copy of the RSFPP election is found in his personal effects. If it is not attested or notarized, and neither the original nor duplicate is located, it cannot be established that the member made an election. On the basis of information available, no annuity is payable.
6. 43 Comp Gen 418	Allocations of Annuity. The allocation of annuity payable under option 3 between the present spouse and the children of a former marriage applies to elections made before and after the Oct 4, 1961 RSFPP amendment. Public Law 90-485, Aug 13, 1968.
7. MS Comp Gen B-139217, Jun 29, 1959, Aug 12, 1960	Withholding Annuity to Satisfy Members Indebtedness. Annuity payments may be withheld to satisfy the member's indebtedness for overpayment of retired pay since the annuitant is under no obligation to the United States. However, the annuitant may voluntarily agree to repay the indebtedness by withholding from the annuity.
8. 39 Comp Gen 481 MS Comp Gen B-141131, Dec 30, 1959	Valid Intent of Member to Elect Spouse and Child Coverage. Both the spouse and children are covered when it can be established that the member intended to cover the children listed on the election certificate even though the election was checked to show spouse only.
9. 65 Comp Gen 621	Annuity payments should not be made payable to an agent acting under power of attorney when the annuitant is mentally incompetent even if a state statute had preserved the validity of a power of attorney executed before the annuitant was declared to be incompetent.
10. 66 Comp Gen 340	In the absence of a determination of incompetence made by a state court, physician, or psychologist that an annuitant is incapable of managing his or her own affairs, payments may be made directly to the annuitant. An individual, in accordance with a valid power of attorney, may assist the annuitant in completing and filing the annuity application form. (65 Comp Gen 621, clarified).

Table 37-1. Comptroller General Decisions - Annuity Payments, General

COMPTROLLER GENERAL DECISIONS – ANNUITY PAYMENTS, WIDOW OR WIDOWER	
Decision Number	Synopsis
1. MS Comp Gen B-158906, Jun 7, 1966	Validity of Annuitant's Marriage to the Member. Evidence must be of record to establish that a former marriage was legally ended. No annuity payments are authorized to be paid until legal proceedings are instituted to determine the validity of the marriage.
2. 44 Comp Gen 480	Foreign Divorce. The State of New York does not recognize a foreign divorce unless both parties appear personally or through authorized counsel in the country where the foreign divorce is obtained.
3. 43 Comp Gen 567	Foreign Divorce. A member's marriage to a woman who had previously obtained an illegal foreign divorce is not valid for annuity payment purposes.
4. MS Comp Gen B-154387, Jul 16, 1964	Interlocutory Decree of Divorce. An interlocutory decree does not end a marriage. A foreign divorce in the interim period is not valid. The final divorce decree terminates the marriage.
5. 42 Comp Gen 112	Divorce and Later Remarriage to Same Spouse. A spouse who divorces the member after retirement terminates eligibility for annuity. A later remarriage of the same people to each other does not reinstate eligibility to the annuity, even though deductions from pay are continued under terms of the member's election.
6. 38 Comp Gen 208	Annuity Elections at Time of Correction of Records. A member is regarded as having been in a retired status on Nov 1, 1953, effective date of the RSFPP law, if after that date a Correction of Records retired the member retroactive to a date before Nov 1, 1953. A spouse whom the member married after Nov 1, 1953 is not entitled to annuity since he or she was not the spouse on Nov 1, 1953.

Table 37-2. Comptroller General Decisions - Annuity Payments, Widow or Widower

COMPTROLLER GENERAL DECISIONS – ANNUITY PAYMENTS, CHILD OR CHILDREN	
Decision Number	Synopsis
1. 47 Comp Gen 270	Custodianship of Minor Child. Payment of RSFPP annuity may be made to a natural parent having care and custody of minor child or children, without the appointment of a legal guardian, even though such payments might eventually exceed the sum of \$1,000.
2. 35 Comp Gen 521	Custodianship of Minor Children. Payment can also be made to an adopting parent, as custodian of minor child since all rights and duties were acquired with the adoption.
3. 47 Comp Gen 371	Child Physically Incapacitated. A chiropractor's statement attesting to a child's physical incapacity is sufficient to substantiate eligibility as a beneficiary under RSFPP.
4. 48 Comp Gen 167	Ineligible Child. Child born May 1, 1950, became eligible for annuity benefits on May 1, 1968. Payment for month of April 1968 is proper.
5. MS Comp Gen B-160876, Apr 18, 1967	Incapacitated Child. An incapacitated child does not have to meet that condition as of member's retirement date of Nov 1, 1953, if later (as required by DoDD #1332.17, section 102c) to qualify as an eligible RSFPP beneficiary. Also, proof of continued incapacitation of a child annuitant is required at least every 2 years after age 18.
6. MS Comp Gen B-158411, Mar 10, 1966	Mentally Incapacitated Child. Mentally incapacitated child who married and whose marriage was annulled is considered unmarried and an eligible contingent beneficiary.
7. 44 Comp Gen 280	Unmarried Child. The term "unmarried child" is defined as not having a husband or wife at time of member's retirement, and without regard to the fact that the child may have been previously married.
8. MS Comp Gen B-131677, Jun 3, 1957	Legitimate Child. Children born from illegal marriage (one spouse not legally divorced from prior marriage) may be considered legitimate children for RSFPP annuity payments.
9. MS Comp Gen B-132012, Jun 17, 1957	Clarification of Election Fraction. A member who elected option 2 with both 1/2 and 1/8 factors checked, who failed to clarify the fraction desired, and who later stated a wish not to participate in the plan, must be assumed to have elected the minimum of 1/8 rate.
10. 36 Comp Gen 325	Adoption of Child. Child of deceased retired member receiving annuity under option 2 who is adopted after death of a retired member, is entitled to continue receiving the annuity. An adoption before death of retired member, or divorce from wife in which member elected option covering stepchild constitutes basis for terminating reduction of retired pay if option 4 included, and likewise voids entitlement to annuity upon later death of retiree.
11. 35 Comp Gen 521	Amendatory Birth Certificate. Amendatory birth certificate along with statement on election form is normally sufficient to substantiate date of birth and claimed relationship of adopted child.
12. 62 Comp Gen 193	Incapacitated Annuitant. Annuity payable to an incapacitated annuitant may not be suspended unless annuitant is capable of earning amounts sufficient for own particular personal needs through substantial and sustainable gainful employment. Advance written notice will be made prior to suspension and annuitant shall be given the opportunity to submit rebutting evidence.
13. 62 Comp Gen 302	Incapacitated Annuitant – Reinstatement of Annuity - Payment to Third Parties. An annuity may be reinstated upon the recurrence of original disabling condition. Annuity payments to incapacitated adult can be made to third parties only if appointed as guardian by court or under valid power of attorney. Power of attorney executed by mentally incapacitated annuitant may be invalid, even in absence of formal adjudication of incompetence. If annuitant suffering from mental illness has not been adjudged incompetent, and is considered by psychiatrist to be competent to manage annuity properly for personal maintenance, annuity may be paid directly to annuitant. If annuity cannot be paid directly to annuitant or properly paid to third party, annuity should accrue to annuitant's account until annuitant recovers or until guardian is appointed by court.

Table 37-3. Comptroller General Decisions - Annuity Payments, Child or Children

CHAPTER 38**RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN –
ANNUITY OVERPAYMENTS****3801 CAUSES OF OVERPAYMENTS**

Overpayments in retiree annuity payments may be caused by one or more of the following situations:

380101. Failure of the annuitant, custodian, or guardian to notify the Secretary of the Military Department concerned (or designee) of:

- A. Remarriage of the annuitant, before age 60 or death
- B. Youngest child reaching age 18
- C. Marriage or death of a child annuitant
- D. Recovery of an incapacitated child
- E. Termination of student status

380102. Erroneous computation

380103. Correction of member's military records

380104. Concurrent payment of RSFPP annuity and DIC if the RSFPP was payable based on the service of a member who retired for disability before completing 18 years of service after October 5, 1961, or before completing 19 years of service after November 1, 1968.

380105. A secretarial determination that a member is alive after the Secretary of the Military Department concerned (or designee) previously determined that the member was presumed dead. The member is liable for any indebtedness created where the annuity payments were made based on the presumption of such member's death. The member's indebtedness cannot be considered for waiver under 10 U.S.C. 2774 or 1442 (reference (c)). If the member dies before those payments are fully recovered, the annuitant may be liable for the indebtedness if the annuitant was the recipient of the annuity payments made under the presumption of death. (See Chapter 28, Table 28-1, of this volume for collection of indebtedness from retired or retainer pay.)

3802 RECOVERY OF OVERPAYMENTS

Upon discovery of an overpayment, start recovery action immediately. Advise the annuitant of the debt and the method in which the overpayment is being, or may be, recovered.

3803 METHOD OF RECOVERY

The debt resulting from an annuity overpayment shall be liquidated by one of the following methods.

380301. Direct remittance to the DFAS-Denver Center

380302. Reduction by the DFAS-Denver Center of later RSFPP annuity payments, or withholding of future annuity payments until debt has been liquidated.

3804 WAIVER OF INDEBTEDNESS

When applicable, the DFAS-Denver Center advises the annuitant of the right to request a waiver of indebtedness.

380401. Recovery of an overpayment of the RSFPP annuity is not required if, in the judgment of the DFAS Director, or the Director's designee, there was no fault by the person to whom the amount was erroneously paid and recovery would be contrary to the purpose of the plan or against equity and good conscience. Proof of hardship is not required if the waiver otherwise is in order. Suspension of collection action may be authorized on receipt of a waiver request. Refund of an amount withheld before receipt of a request for waiver is not authorized. When a waiver is granted, refund amounts collected after receipt of the waiver request.

380402. Failure to withhold the cost of coverage from retired pay of a member cannot be considered an overpayment of annuity to a designated beneficiary to authorize waiver of recovery of the overpayment.

380403. RSFPP annuitants who obtain a correction of records for entitlement to additional survivorship annuity under a second election may not retain the benefits of the original election. A correction made under 10 U.S.C. 1552 (reference (c)), except when procured by fraud, is final and conclusive on all officers of the United States. Recovery of overpayments that occur in these instances may not be waived under 10 U.S.C. 1442 (reference (c)). Repayment may be made over a reasonable period of time as determined by the retired pay activity.

CHAPTER 39

**RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN - ANNUITY
TERMINATIONS AND REINSTATEMENTS**3901 **TERMINATIONS**

390101. **Time of Termination.** Entitlement to the RSFPP annuity terminates as of the end of the month that precedes the month in which eligibility ceases.

390102. **Reasons for Termination.** Terminate RSFPP annuity upon:

A. **Death of Widow or Widower.** Terminate payments the last day of the month that precedes the month in which widow or widower dies. If children are involved, see section 3902, below.

B. **Remarriage of Widow or Widower Before Age 60.** Terminate payments the last day of the month that precedes the month in which widow or widower, younger than age 60, remarries. If children are involved, see paragraph 390202, below.

C. **Loss of Eligibility by Child Annuitant.** Reasons for loss are:

1. Youngest child reaching age 18 and not incapable of self-support (applicable to children of members who retired before November 1, 1968).

2. Youngest child reaching age 18 and not pursuing a full-time course of study nor incapable of self-support (applicable to children of members retiring on or after November 1, 1968).

3. Youngest child who is pursuing full-time course of study, reaches age 23 and is not incapable of self-support (applicable to children of members who retired on or after November 1, 1968).

4. Marriage or death of child annuitant.

5. Recovery of an incapacitated child over age 18. Annuity may be suspended if the annuitant becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. The annuitant will receive advance written notice from DFAS prior to suspension. The annuitant will be given an opportunity to submit rebutting evidence. The annuity may be reinstated (see subparagraph 390202.B, below).

6. Termination of student status of a child over age 18, under age 23 (applicable only to retirees who retired on or after November 1, 1968).

7. Reinstatement to widow or widower of annuity previously terminated.

D. Secretarial Determination. Terminate payments the last day of the month preceding the month in which the Secretary of the Military Department concerned (or designee) determines that a participating member previously presumed to be dead is now alive.

390103. Due and Unpaid Annuity. If, on death of the annuitant, an amount remains payable to the annuitant, but is unpaid because the annuity checks were not negotiated or because payments had not been established, the account is settled in accordance with Chapter 31 of this volume. There is no designated beneficiary for settlement of arrears of an annuity.

3902 REINSTATEMENTS

390201. Remarriage Terminated by Death of Spouse and/or Remarriage of Widow or Widower Before Age 60 Terminated by Divorce. The annuity is not reinstated.

390202. Reinstatement of Annuities on Behalf of Children

A. If an annuity was terminated because of the death or remarriage of the widow or widower before age 60, and the member's election also included coverage for children, reestablish the full annuity in equal shares in favor of the eligible children (see Chapter 37). The effective date is the first day of the month in which the death or remarriage of the widow or widower occurred.

B. An annuity to an incapacitated child over 18 years of age may be reinstated upon either a recurrence of the original disability that rendered the annuitant incapable of self-support or upon receipt of evidence from the annuitant that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular needs.

390203. Termination of Remarriage by Annulment

A. Annulment of a "Void" Marriage:

1. The annuity may not be reinstated for any period earlier than the date of separation after the discovery that the marriage was void.

2. The annuity may not be reinstated for any period in which annuity payments were made on behalf of children under option 3 (when notice is received that the widow or widower's remarriage was void, payment to the children under option 3 is suspended pending resolution of the issues involved).

3. In the absence of a judicial decree terminating the marriage as void, the case must be sent to the Defense Office of Hearings and Appeals for decision.

B. Annulment of a "Voidable" Marriage. The annuity may not be reinstated when a voidable marriage is annulled.

390204. Reinstatement of Annuities Terminated Before Oct 1, 1978 Because of Remarriage of Widow or Widower After Age 60. If the annuity was terminated because of remarriage, and the widow or widower was 60 years of age or older, the annuity may be reinstated not earlier than October 1, 1978. The annuity will be increased by cost-of-living adjustments, if appropriate, in accordance with paragraph 370802 of this volume.

CHAPTER 40

**RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN –
CERTIFICATES OF ELIGIBILITY AND REPORT OF EXISTENCE**4001 ANNUAL CERTIFICATE OF ELIGIBILITY

400101. Purpose. The certificate validates the continued eligibility of annuitants, whether widow or widower, or eligible children. A widow or widower must remain unmarried for continued eligibility. Children must meet prescribed criteria contained in paragraph 350102 of this volume.

400102. Frequency of Certification

A. Annually. A certificate of eligibility must be sent to the DFAS-Denver Center each year by a:

1. Widow or widower of any age. The form must be signed by the widow or widower. If he or she is incompetent, the form must be signed by the legal fiduciary.

2. Custodian or legal fiduciary for minor children.

B. Biennially. A medical certification must be submitted every 2 years for any incapacitated child over 18 years of age, unless a medical prognosis indicates that the disability is permanent.

C. Other. A student between ages of 18 and 23 must provide evidence of intent to continue study or training at a recognized educational institution. The certificate is required for the school semester or other period in which the school year is divided.

1. Payments to students continue during any interval between school years that does not exceed 150 days if the students have demonstrated to the satisfaction of the DFAS-Denver Center that they have a bona fide intention of starting, resuming, or continuing a full-time course of study or training in a recognized educational institution immediately after that interval.

2. An eligible student annuitant under the RSFPP who is properly enrolled in a recognized educational institution employing the usual quarter or semester system, and who becomes ill or requires non-elective surgery during the school term, retains the student status for the rest of that term.

400103. Failure to Return Certificate of Eligibility. The annuity payment is suspended if the annuitant, custodian, or legal fiduciary fails to furnish the certificate as required. Payments will be restarted only after receiving satisfactory proof of eligibility.

4002 REPORT OF EXISTENCE (ROE)

400201. Purpose. The ROE fulfills the requirement for proof of existence for:

A. Annuitants who receive payments through foreign postal channels. Annuity checks mailed to an APO, FPO, or a finance officer or disbursing officer at an overseas address, do not require submission of a report of existence.

NOTE: Do not mail checks to an annuitant living in currency blocked countries. See Appendix A for a list of blocked countries.

B. Mentally incompetent annuitants who receive payments through a legal fiduciary.

C. Annuitants whose payments are sent to a third party, other than a financial institution for negotiation under a power of attorney.

400202. When Required. An ROE is required on a "1 month behind" basis for those annuitants that meet the criteria of subparagraphs 400201.B. and C., above, and semiannually for annuitants identified in subparagraph 400201.A., above. Receipt of the certificate within the above prescribed time frame after issuance of the annuity check verifies the annuitant's existence. Under no circumstances may the ROE be signed by other than the annuitant, custodian, or legal fiduciary.

400203. Failure to Return Report of Existence. The annuity payment is suspended if the annuitant, custodian, or legal fiduciary fails to return the ROE as required. Payments will be restarted only after receiving satisfactory proof of existence.

CHAPTER 41

**RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN –
TAXABILITY OF ANNUITIES**4101 FEDERAL INCOME TAX

Annuities paid under the RSFPP are taxable for federal income tax purposes. Refunds for coverage premiums are taxable income to the annuitant. The refund of premiums may result from administrative error, corrections of record, late receipt of withdrawal request, or youngest child attaining age 18. See Table 52-1 for exceptions on the taxability of the annuities.

4102 FEDERAL INCOME TAX WITHHOLDING (FITW)

410201. General Provisions. RSFPP annuity payments are subject to FITW. An annuitant has the right to elect no withholding. In the absence of such an election, or if the annuitant does not otherwise submit a withholding certificate, the DFAS-Denver Center will withhold on a "married-three exemptions" basis. The annuitant may use TD Form W-4P or any substitute form furnished by the payer.

410202. Notice Requirements. The DFAS-Denver Center must advise the annuitant of the withholding requirement, and the right to elect "no withholding," when making the first payment to the annuitant. Thereafter, the DFAS-Denver Center must send an annual notice to the annuitant of the right to elect no withholding, to revoke an election, or to submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke such election, or request any rate of withholding.

410203. One-Time Payments. RSFPP annuity payments, other than the regular monthly entitlement, are subject to FITW at the rate of 20 percent unless the annuitant has elected no withholding.

4103 INCOME EXCLUSION

410301. The annuitant may exclude from gross income:

A. Premiums for coverage deducted from retired pay before January 1, 1966, not previously excluded from the member's retired pay.

B. The amount of direct remittance for any RSFPP premiums not previously excluded from the member's retired pay.

410302. In addition, the annuitant may exclude from the RSFPP annuity gross income an amount, not to exceed \$5,000, if the member retired on disability and dies prior to attaining retirement age. Reference Public Law 89-365 (reference (ez)).

4104 ADJUSTMENT TO TAXABLE ANNUITIES

Reserved

4105 FEDERAL ESTATE TAX

The value of the annuity at the time of the member's death may be subject to federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. The DFAS may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For a computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member's estate may write:

Internal Revenue Service
Chief, Estate and Gift Tax Branch
Attn: CC:IND:E
1111 Constitution Avenue, NW
Washington DC 20224

4106 STATE TAXATION

Whether RSFPP annuities are subject to state inheritance or income tax and the method of calculating such tax depend upon the laws of the state concerned. However, the TD Form W-2P information is furnished to the appropriate state tax authority.

4107 FURTHER TAX INFORMATION

Survivors should be advised that further information concerning taxation of RSFPP annuities may be obtained from the District Director of Internal Revenue or the state tax authority.

CHAPTER 42

SURVIVOR BENEFIT PLAN (SBP) – APPLICATION OF THE PLAN4201 **PURPOSE**

420101. SBP establishes a survivor benefit program for military personnel in retirement to complement the survivor benefits under social security laws. This Plan gives all pre-September 21, 1972, Uniformed Service retirees and those who retire on or after September 21, 1972, an opportunity to leave part of their retired pay to their survivors at a reasonable cost. Under this Plan, a member who retired before September 21, 1972 and who had previously elected to participate in the Retired Serviceman's Family Protection Plan (RSFPP) had the option to retain or cancel the RSFPP coverage when electing to participate in the SBP.

420102. The Plan provides, without cost, a minimum guarantee to a widow of a member who died before March 21, 1974. (See Chapter 51.) A surviving spouse of a member who died before November 1, 1953, is entitled to an annuity which may be in addition to the annuity payable under the minimum income annuity provisions.

420103. The Plan includes survivor benefits for the surviving spouse, dependent child or former spouse of a member who dies on active duty under certain circumstances, or to a member eligible to provide a Reserve Component annuity but who dies before notification of retirement eligibility under 10 U.S.C., Chapter 1223 (reference (c)), or during the 90-day period following notification of retirement eligibility if member had not made an election.

420104. The Plan provides for annuity payments under a determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead.

420105. Under a Supplemental SBP program, a member who has maximum annuity coverage for spouse or former spouse also may provide a Supplemental SBP annuity in increments of 5, 10, 15, or 20 percent of the base amount. The Supplemental SBP annuity begins on the first day of the month after the annuitant becomes age 62 or the day SBP annuity becomes payable, whichever is later.

4202 **SPECIALIZED TERMS**

420201. **Annuitant.** A person named by or on behalf of the retiree who is eligible for annuity payments under the Plan.

420202. **Base Amount.** The money amount selected by the member, with the concurrence of the member's spouse if required under, 10 U.S.C. 1448(a)(3) (reference (c)), or the amount selected on behalf of a member by the Secretary of the Military Department concerned, on which the annuity is based. This amount may range from \$300 minimum up to full gross retired pay entitlement. If the member's gross pay is less than \$300 per month, full gross pay must be

designated as the base amount. The base amount is adjusted consistent with cost-of-living increases in retired pay. If, upon advancement or change from TDRL to PDRL, gross retired pay is reduced to less than the current base amount, the member's new base amount is the new full gross retired pay entitlement. A member may not designate different base amounts between the spouse and the children.

420203. Beneficiary. A spouse and/or child(ren) of the retiree; a former spouse or former spouse and children; a natural person with an insurable interest in the life of the retiree who is designated to receive coverage under the plan.

420204. Change in Coverage. An action taken because of a change in the member's family status which requires a change in beneficiaries.

420205. Change in Election. An authorized change in the type of beneficiary eligible for survivor coverage because of a change in the retiree's family status.

420206. Common-Law Marriage. Marriage as defined by pertinent state law. (See section 3505 of this volume.)

420207. Cost of Coverage. The cost for coverage under the plan paid by deductions from retired pay or by direct remittance when member is not receiving retired pay.

420208. Cost Refund. The difference between cost paid by the member and the recalculated cost of the annuity after Dependency and Indemnity Compensation reduction.

420209. Date of Receipt. The day of receipt of an election or election change by the office administering payment of retired pay. The postmarked date of an election may be considered as date of receipt when the validity of such election might be prejudiced because of a limited time factor.

420210. Declination. Member with eligible beneficiaries declines to elect any type of survivor coverage under this plan.

420211. Dependency and Indemnity Compensation Offset. Reduction from SBP annuity due to compensation entitlement from the Department of Veterans Affairs to the widow or widower of a member who dies after December 31, 1956, from a service-connected or comparable disability.

420212. Determination of Presumed Death. The determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead where the member's retired or retainer pay has been suspended or would have been suspended had the member been in a receipt of pay and the member has been missing at least 30 days under circumstances which lead to a reasonable conclusion that the member is dead.

420213. Former Spouse. The surviving former husband or wife of a person who is eligible to participate in the plan.

420214. Maximum Level. Full, gross retired pay used as a base amount for coverage.

420215. Minimum Income Widow. Any person who on September 21, 1972, was or during the period beginning on September 22, 1972, and ending on March 20, 1974, became a widow of a person who was entitled to retired or retainer pay when he died. This individual must meet the eligibility criteria in paragraphs 510101-510104 of this volume.

420216. Missing Status. A member missing, missing in action, interned in a foreign country, captured, beleaguered, besieged by hostile force, or detained in a foreign country against his or her will.

420217. Natural Person With an Insurable Interest. A person who has a reasonable and lawful expectation of pecuniary benefits from the continued life of the participating member. See Chapter 44 of this volume.

420218. Pre- and Post- September 21, 1972 Retiree. Pre-, a member who retired before September 21, 1972; Post-, a member who retires on or after September 21, 1972.

420219. Plan. The Survivor Benefit Plan or SBP.

420220. Recognized Educational Institute. High school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institute.

420221. Reduced Base Amount. An amount less than the member's full gross retired pay but not less than \$300.

420222. Reduction Factor. A four-digit actuarial decimal used to compute the monthly cost for children.

420223. Reserve Component Annuity. An annuity provided by virtue of eligibility under 10 U.S.C. 1448(a)(1)(B) (reference (c)).

420224. Retired Pay. Includes retainer pay.

420225. Social Security Offset. Reduction from SBP annuity due to widow's or widower's social security entitlements based on the member's active service after December 31, 1956.

420226. Standard Annuity. The annuity provided by virtue of eligibility under 10 U.S.C. 1448(a)(1)(A) (reference (c)).

420227. Supplemental Survivor Benefit Plan (SSBP). A supplemental annuity provided to a spouse or former spouse by virtue of eligibility under 10 U.S.C. 1458 (reference (c)).

420228. Surviving Spouse. The widow or widower of a deceased member.

420229. Threshold. This term applies to one of the alternative cost formulas. In the cost formula of 2.5 percent of the first \$XXX.XX, plus 10 percent of the remainder of the base amount, the portion of the base amount upon which the member is charged 2.5 percent cost is the threshold. The threshold is indexed. See section 4902 and Table 49-1 of this volume for threshold amounts.

★420230. Consideration for Contract. The total amount of premiums paid by the participant member for the type of SBP selected. Also see definition for cost of coverage in paragraph 420207, above.

4203 ELIGIBLE PARTICIPANTS

Examples of members eligible to participate in the plan are:

420301. A member who retired before September 21, 1972, and elected coverage under the Plan on or before March 20, 1974, if on September 21, 1973, the member had a spouse and/or dependent children or, if not, elected coverage for a natural person with an insurable interest. If, on September 21, 1973, the member had no spouse or dependent children and later marries or acquires dependent children, the member must elect within 1 year from the date of marriage or acquisition of the children in order to participate.

420302. A member who retires on and after September 21, 1972, and does not decline participation in the Plan before the first day of retirement and who:

- A. Has a spouse or dependent children on date of retirement; or
- B. Has no spouse or dependent children on the date of retirement and before retirement elects coverage for a natural person with an insurable interest; or
- C. Has no spouse or dependent children on date of retirement, but later marries or acquires dependent children and elects within 1 year of the date of marriage or acquisition of the children; or,
- D. Has a former spouse and elects to provide coverage for that former spouse before the first day of retirement (on or after September 8, 1982) or elects former spouse coverage as set out in paragraph 430503 of this volume.

420303. A non-Regular (Reserve) member eligible for retirement under 10 U.S.C. 12731 (reference (c)) who has applied for such pay.

420304. A Member on the Emergency Officers' Retired List (EORL). Members of the EORL are persons who have served as officers of the Army, Navy, or Marine Corps during World War I, other than officers of the Regular Army, Navy, or Marine Corps and who, during such service, incurred a physical disability in the line of duty and were later awarded retired pay under the Tyson-Fitzgerald Act (reference (fa)). These members are paid retired pay by the Department of Veterans Affairs but the coverage is established and maintained by the DFAS.

420305. A Member on the Temporary Disability Retired List (TDRL). Eligibility ends when the member is removed from TDRL without further entitlement to retired pay. The coverage continues when the member is transferred from TDRL to PDRL. If the member's retired pay is reduced to an amount less than the base amount originally elected, the full retired pay to which the member is entitled thereafter is considered the base amount.

420306. A Mentally Incompetent Member. The plan applies to a mentally incompetent member regardless of date of retirement. If retirement was before September 21, 1972, the Secretary of the Military Department concerned may, upon request, elect survivor coverage that the retiree would have been allowed to elect if the member were competent. The Secretary concerned makes the determination concerning the continuance or discontinuance of the RSFPP coverage when electing into the plan. For members retiring after September 20, 1972, the Secretary concerned, upon request, may act on behalf of the member and elect other than the maximum automatic coverage as provided in section 4301 of this volume. In the absence of an eligible spouse or children, the Secretary concerned may, upon request, elect coverage for a natural person with an insurable interest. The person applying to have an election made is not given preference in designation as the beneficiary.

420307. Retirees After a Record Correction

A. A member whose military record is corrected after September 20, 1972, to show retirement before September 21, 1972, is not automatically covered under the plan. Coverage may be established upon request of the member if the election is received within 18 months from the date of notification of the correction action.

B. A member who retroactively becomes entitled to retired pay on a date after September 20, 1972, is automatically given full coverage, unless the member elects reduced coverage or declines participation before the correction action (date of entitlement).

420308. A member may be eligible to participate under open season provisions in section 4309 of this volume.

CHAPTER 43

SURVIVOR BENEFIT PLAN - ELECTIONS AND ELECTION CHANGES4301 ELECTION

430101. A member who retired before September 21, 1972 had until March 20, 1974 to elect to participate in the Plan. If the member was recalled to active duty before March 20, 1974, and not returned to the retirement list until after March 20, 1974, an election made at the end of the period of extended active duty may be considered valid. A member who retires on or after September 21, 1972 has automatic participation at the maximum level unless he or she elects otherwise before retirement or is ordered to participate in the Plan by a court order. If, on September 21, 1973 (pre-September 21, 1972 retiree), or on date of retirement (post-September 21, 1972 retiree), the member has no spouse or dependent children and later marries or acquires dependent children, the member may participate in the Plan. This election must be received by the Secretary concerned within 1 year of the marriage date or acquisition of the children. A member retiring between September 21, 1972 and March 20, 1973, had a "grace period" for making the final decision concerning this coverage. This member had 180 calendar days after the retirement date to change the automatic full coverage given at retirement if no election otherwise had been made. An election made before September 21, 1972, was null and void as of September 21, 1972, if the member retired on or after September 21, 1972.

430102. Public Law 97-35 (reference (bq)) gave certain eligible members an opportunity to elect or to change SBP coverage from October 1, 1981, through September 30, 1982. See section 4309, below.

430103. Public Law 98-94 (reference (aj)) gave certain participating members a limited opportunity from September 24, 1983, to September 23, 1984, to change SBP coverage from spouse or spouse and child(ren) to coverage for former spouse.

430104. Public Law 101-189 (reference (fb)), as amended, gave certain eligible members an opportunity to elect or change SBP coverage from April 1, 1992, through March 31, 1993. It also allowed members who were providing spouse or former spouse coverage at the maximum level a chance to elect SSBP.

4302 ELECTION OPTION

430201. Base Amount. A member who participates in the SBP must elect a base amount of maximum coverage or reduced coverage. A member must choose maximum coverage if electing SSBP. The base amount at any level is adjusted with each cost-of-living increase after retirement. See section 4901 of this volume.

430202. Coverage. Coverage may be provided for:

- A. Spouse and/or children;

- B. Former spouse or former spouse and children; or
- C. Natural person with an insurable interest (at maximum level of coverage only).

430203. Supplemental SBP Coverage. A member who elects SBP coverage for spouse or former spouse at the maximum level may elect a supplemental spouse annuity for that beneficiary. A member elects a monthly SSBP annuity payable to the beneficiary in increments of 5, 10, 15, or 20 percent of the base amount. A member may not elect SSBP if the annuity of the spouse or former spouse will be computed under the social security offset method, 10 U.S.C. 1451(e) (reference (c)). However, the member may elect SSBP as any other member if the right to have annuity computed under the social security offset method is waived.

4303 ELECTION DATA

430301. Elections by the Member. DD Form 1881 (SBP Election Certificate by Existing Retiree), DD Form 1882 (SBP Election Change), DD Form 1883 (SBP Election Certificate), and DD Form 2618 (SBP Open Enrollment Election) when available, are recommended for use by the member. Elections in writing, signed by the member, which contain information necessary for establishing or declining coverage are acceptable. Spousal concurrence of certain elections is required beginning March 1, 1986. A member who anticipates becoming an SBP participant with maximum coverage for spouse or former spouse, must elect SSBP before the day on which the member first becomes a participant in SBP. If, upon becoming a participant in SBP, the member is not providing an annuity for spouse or former spouse at the maximum level, any SSBP election shall be void. If the former spouse election form does not include an election statement signed by the member and the former spouse, a separate election statement is required. In the election statement, the member attests as to whether the former spouse election is pursuant to a court order or a voluntary written agreement. Information concerning content of the written statement and the proper court order appears in paragraph 430503, below.

430302. Deemed Elections Requested By the Former Spouse. On deemed elections, requested by the former spouse or the former spouse's attorney, the request for the Secretary of the Military Department concerned to deem that an election has been made is accompanied by a court order or a statement from the clerk of the court. Information concerning content of the request by the former spouse or the former spouse's attorney and the statement from the clerk of the court, where necessary, appears in paragraph 430503.C, below.

430303. Election Data Requirements. The election data requirements are:

- A. Identification. Member's name, social security number, birth date, and date of retirement.
- B. Base Amount. The election form must indicate full coverage, in lieu of a dollar amount, when maximum coverage is elected. When a reduced base amount is elected, the

dollar amount must be indicated on the election form. The reduced base amount must not be less than \$300. When retired pay is less than \$300, the election form must indicate full coverage.

C. Beneficiary. Show the name, birthdate, and social security number for each beneficiary named.

1. If coverage includes spouse, or former spouse, the member must furnish the date of marriage and divorce (if applicable).

2. When the beneficiary is a natural person with an insurable interest, the address and relationship must be shown. For the natural person with an insurable interest, the member must provide a signed statement to show proof of financial benefit if the person designated is more distantly related than cousin.

3. If the beneficiary designation is for a former spouse, the member must complete a statement signed by the member and the former spouse setting forth whether the election is being made pursuant to a written agreement previously entered into voluntarily by the member as a part of or incident to a proceeding of divorce, dissolution, or annulment and (of so) whether that voluntary written agreement has been incorporated in, or ratified or approved by, a court order.

D. Signature. The member must sign and date the election. Two disinterested persons must witness a document signed by an "X".

NOTE: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law.

E. Spousal Concurrence. Effective March 1, 1986, a married member is enrolled with spouse coverage on full retired pay at the time of retirement unless that spouse has concurred in writing to another election requested by the member. When the spouse's concurrence is required, the signature indicating concurrence must be corroborated by one or more witnesses. The spouse's concurrence with, or request for, an election other than that requested by the member shall be disregarded. If all requirements for an election needing the spouse's concurrence have not been satisfied prior to retirement, for whatever reason, full spouse costs and coverage will be implemented, regardless of any request by the member to do otherwise. In such cases, when the member has requested any form of child coverage, full spouse and child coverage will be implemented. Any change in SBP election subsequent to retirement will be done through an administrative correction of records. The requirements for spousal concurrence do not affect any obligation or right of the member to provide coverage for a former spouse. If former spouse coverage is elected or deemed, the spouse's concurrence is not required; however, the spouse will be notified of that election, as previously required when spouse coverage was declined. Spousal concurrence is not required in any case if the member establishes to the satisfaction of the Secretary concerned that either the spouse's whereabouts cannot be determined or, due to exceptional circumstances, the requirement of the member to seek the spouse's concurrence would be otherwise inappropriate. Exceptional circumstances will be evaluated on a case-by-case basis.

F. SSBP Percentage of Annuity Coverage. A member who elects spouse or former spouse coverage at the maximum level may provide an additional percentage of the base amount in increments of 5, 10, 15, or 20 percent. A member may not make an SSBP election if the spouse or former spouse is entitled to annuity computed under the social security offset method, 10 U.S.C. 1451(e) (reference (c)). However, the member may elect SSBP if he or she waives the right to have the annuity computed under the social security offset method

4304 IRREVOCABLE ELECTIONS, CORRECTIONS AND DISCONTINUED PARTICIPATION

430401. An election by a pre-September 21, 1972 retiree on the basis of adequate information concerning the Plan or an election by a post-September 21, 1972 retiree (unless revoked or changed before the first day of retirement) is irrevocable, except under the following circumstances:

A. The member discontinues participation as a totally disabled member under section 4308, below.

B. A mentally incapacitated member later is determined to be mentally competent and revokes or changes the SBP election within 180 days after such determination of judgment.

C. A member, who became an SBP participant between October 19, 1984, and November 8, 1985, elects to withdraw from SBP before November 8, 1986, under the provision of Public Law 99-145, section 711 (reference (fc)).

D. A member retired on March 1, 1986 or later, who elected less than maximum SBP coverage without the spouse's concurrence, and it later is determined by the Secretary concerned that the spouse's concurrence in such election was appropriate.

E. The Secretary concerned revokes an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a prerogative of the Secretary of the Military Department concerned and, except when procured by fraud, is final and conclusive on all officers of the United States.

★F. A member voluntarily terminates SBP coverage for a natural person with an insurable interest (not a former spouse).

430402. The SBP election may be changed as set out in sections 4307 and 4309, below.

4305 ELECTION COVERAGE430501. Spouse and/or Children

A. A member may elect coverage at the maximum level, or at a reduced amount with spouse's concurrence, if required, for:

1. An eligible spouse only
2. An eligible spouse and dependent children
3. Dependent children only

A member with spouse coverage at the maximum level also may elect SSBP coverage.

B. A member who retires on or after September 21, 1972, automatically is covered at the maximum level for spouse and/or dependent children unless the member elects not to participate or to participate at a reduced level before the first day of eligibility to retired pay with the concurrence of the member's spouse, if required. See subparagraph 430501.D., below.

C. A member with an eligible spouse and dependent children on September 21, 1973, (pre-September 21, 1972, retiree) or on date of retirement (post-September 21, 1972, retiree) who:

1. Declines coverage is prohibited from electing into the Plan, except under section 4309, below;
2. Refuses coverage for an eligible spouse, and elects coverage for children only, is prohibited from electing spouse coverage at a later date, except under section 4309, below.
3. Refuses coverage for his or her dependent children, and elects coverage for spouse only, is barred from electing child coverage at a later date.

D. A married member who is eligible to provide SBP may not elect, without the concurrence of his or her spouse, to decline participation in SBP, to provide an annuity for the member's spouse at less than maximum level, or to provide an annuity for a dependent child but not for spouse unless the member establishes to the satisfaction of the Secretary concerned that:

1. The spouse's whereabouts cannot be determined; or
2. Due to exceptional circumstances, a requirement that the member seek the spouse's consent would otherwise be inappropriate.

E. A member with dependent children, who was unmarried on September 21, 1973, (pre-September 21, 1972, retiree) or on date of retirement (post-September 21, 1972, retiree), may elect spouse coverage upon marriage regardless of whether coverage was elected for his or her dependent children. A member who is going to elect SBP for his or her spouse at the maximum level simultaneously may elect SSBP coverage.

F. A member with an eligible spouse who did not have dependent children on September 21, 1973, (pre-September 21, 1972, retiree) or on date of retirement (post-September 21, 1972, retiree) later may elect coverage for dependent children.

G. If a member elects to provide an SBP annuity for a former spouse or a former spouse and child and the member has remarried, the member's spouse shall be notified of that election and any SSBP election. The member may make such election without spousal concurrence.

430502. Natural Person With Insurable Interest. An election for a natural person with an insurable interest may be made only when there is no eligible spouse or dependent children. As an exception, a person who is unmarried but who has a dependent child may provide coverage for that child under the insurable interest provision rather than an election for child. For a pre-September 21, 1972, retiree, the Secretary concerned must have received the election by March 20, 1974 and, for the post-September 21, 1972, retiree, before the first day of eligibility for retired pay. A member must elect full coverage when electing for a natural person with an insurable interest.

430503. Former Spouse or Former Spouse and Children. When a member elects former spouse coverage, the member and the former spouse must complete an election statement indicating whether the election is being made pursuant to the requirements of a court order or by a voluntary written agreement. If the member entered into a voluntary written agreement as a part of, or incident to, a proceeding of divorce, dissolution or annulment, the member must indicate on the written statement whether the agreement has been incorporated in, or ratified or approved by, a court order. If the member has a spouse or child, a former spouse election prevents an annuity to that spouse or child (other than the child beneficiary under an election for a former spouse and child). If there is more than one former spouse, the member shall designate which former spouse is to receive the annuity.

A. Upon Retirement. A member who has a former spouse and dependent child when becoming eligible to participate on March 1, 1986, or later may elect former spouse or former spouse and child coverage, provided the child resulted from the member's marriage to that former spouse. A member with former spouse coverage at the maximum level also may elect SSBP coverage. The annuity for the former spouse is provided under the spouse category. If the former spouse election was effective before March 1, 1986, the former spouse annuity was provided under the insurable interest category and child coverage, in conjunction with former spouse coverage, was unavailable. A member participating before March 1, 1986, with former spouse coverage could provide an annuity for a former spouse and child, if such election was made before March 1, 1987, for a member who elected former spouse coverage before November 8, 1985, and not later than

November 13, 1987, for the member who elected former spouse coverage November 8, 1985 through February 28, 1986.

NOTE: An annuity for the former spouse first must be provided under the spouse category in order to add child coverage.

B. Following Retirement. A member with spouse or spouse and child coverage may, before September 24, 1984, or within 1 year of date of the decree of divorce, dissolution, or annulment, whichever is later, change that election to provide an annuity to a former spouse or to a former spouse and child. If the member elects to provide former spouse coverage at the maximum level, he or she simultaneously may elect SSBP coverage. A member who has SSBP for spouse and who changes coverage from spouse to former spouse may drop SSBP. If a member had SBP and SSBP coverage for spouse and the member is changing to former spouse coverage, the level of SSBP may be increased. The former spouse beneficiary may not be the former spouse that the member had when he or she became eligible to participate in the Plan. If the SBP election was changed to former spouse coverage and was in effect before March 1, 1986, the annuity was provided under the insurable interest category and child coverage in conjunction with former spouse coverage was unavailable. A member participating in the Plan before March 1, 1986, with former spouse coverage could provide an annuity to a former spouse and child if such election was made before March 1, 1987, for a member who elected former spouse coverage before November 8, 1985, and not later than November 13, 1987, for the member who elected former spouse coverage November 8, 1985 through February 28, 1986.

NOTE: An annuity for the former spouse must first be provided under the spouse category before child coverage may be added. If a member elects coverage for a former spouse who the member acquired after becoming eligible for retired pay, the member and former spouse must have been married at least one year or the former spouse must be the parent of a child or children born of that marriage in order for the former spouse to be an eligible beneficiary. Public Law 99-145 (reference (fc)) allowed SBP participants who had not elected former spouse coverage to elect former spouse coverage during the period November 8, 1985 through November 7, 1986.

C. Deemed Elections. If a member enters, incident to a proceeding of divorce, dissolution, or annulment, into a written agreement to elect an SBP annuity for a former spouse, and such agreement has been incorporated in, or ratified or approved by, a court order, and then the member fails or refuses to make the election, the Secretary concerned may deem an election for the former spouse. The former spouse or the former spouse's attorney makes a written request. The request is acceptable if it refers to, or cites provisions in a court order concerning SBP former spouse coverage, or makes clear by other references to SBP that there is an intent that the coverage be provided to a former spouse. The written request is accompanied by a copy of the court order and/or a statement from the clerk of the court. The court order, regular on its face, must require an SBP election or, incorporate, ratify, or approve the written agreement of the member. If an election is deemed on a case involving a statement from the clerk of the court, the statement from the clerk of the court or other appropriate official must indicate that the agreement has been filed with the court under applicable state law.

★1. The former spouse will provide a certified copy of the court order, regular on its face, which requires such election, or incorporates, ratifies, or approves the written agreement of the member; a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable state law; or, for a deemed SBP election only, a copy of the court order which requires the SBP election. A court order which requires the member to elect (or to enter into an agreement to elect) SBP for a former spouse or former spouse and child must be issued on or after November 14, 1986. If the member was ordered by a court to elect former spouse coverage before November 14, 1986, a second court order, issued on or after November 14, 1986, enforcing the original order which requires a former spouse election, constitutes a modification of the previous order and establishes a new one-year period during which a request for a deemed election may be filed.

2. The request from the former spouse must have been received by the Secretary concerned before October 1, 1985, or within 1 year of the date of the court order or filing involved, whichever is later. If an election of former spouse coverage was agreed to or ordered by an earlier court order, a subsequent order or modification that merely restates the previous provision and imposes no new obligation on the member does not begin a new 1-year period. A subsequent court order holding a member in contempt of court for failing to fulfill the prior agreement is not the type of court order that can be used to begin a new 1-year period to deem an election.

3. No election may be deemed to have been made which could never have been made by the member concerned.

4. If the request is received from a former spouse and the member still has time remaining during the 1-year period in which to make an election, the member should not yet be considered to have failed to make the election. The member should be notified within 30 days of receipt of the former spouse's request for a deemed election. The member shall be given 60 days from the date of the notice in which to make a voluntary election.

5. A qualifying election shall be deemed no later than the last known day during which the member voluntarily could make the election, or 60 days after the member had been notified, whichever is earlier.

6. If a member dies before making an election, a former spouse's request, which is otherwise qualified, shall be honored even if the date of the request is after the date of the member's death.

7. If a member has more than one former spouse, the first request for a deemed election received with complete documentation shall be the one honored.

430504. SSBP. A member may not be ordered or required to elect (or to enter into an agreement to elect) to provide a spouse or former spouse with a supplemental spouse annuity. Except as provided in subparagraph 430503.C, above, in no case shall a person be deemed to have made an election to provide a supplemental annuity for a spouse or former spouse of such person.

430505. Federal Civil Service Retiree

A. A member with SBP coverage (or SBP and SSBP coverage) who (1) retires under the civil service retirement program, (2) waives military retired pay to combine civilian and military service credits and (3) elects survivor coverage, at any level, under the civil service retirement, has SBP coverage suspended while the waiver is in effect. If the waiver is terminated for any reason, SBP (or SBP and SSBP) coverage resumes concurrent with the resumption of retired pay. The type of coverage and level of participation, as adjusted by any changes in retired pay during the period of waiver, is as first elected. If the retired service member dies while the waiver of military retired pay is in effect, no SBP (or SBP and SSBP) annuity becomes due and payable to either the surviving spouse and/or children.

B. An election in the SBP with concurrent cancellation of previous RSFPP coverage is without force or effect if retired pay previously was waived for civilian retirement and survivor coverage from the civilian annuity was elected.

C. A member who elects SBP coverage, including SSBP coverage, and who does not waive military retired pay for civil service retirement, may have survivor coverage under both retirement plans.

D. A member may waive retired pay in total to receive VA compensation and retire from civil service. The waiver of full retired pay in favor of VA benefits also may be considered as a waiver of retired pay for the purpose of a civil service retirement. A specific waiver of military retired pay for the civilian retirement is not required. The SBP coverage, including SSBP coverage, is suspended if survivor coverage is elected from the civil service annuity.

E. Provisions in subparagraphs 430505.A. and D., above, do not apply to a member who retired under 10 U.S.C. 12731 (reference (c)) or retired due to a combat-incurred disability.

F. Death of a federal civil service employee before waiver of military retired pay. The survivor of a federal civil service employee who was awarded retired pay based on any period of military service and who dies before separation from civil service shall receive a survivor annuity computed using military service. The survivor annuity from civil service shall be reduced by any military survivor benefits payable. The survivor may elect not to be covered by this provision, which automatically uses military service credit in computing the federal survivor annuity.

G. Foreign Service and Judiciary Retirements. Except for participation in federal service survivor annuity programs, SBP coverage does not terminate when a member participates in other survivor benefit plans administered by the U.S. Government such as under the Foreign Service or federal judges retirement systems.

4306 COMBINED RSFPP AND SBP COVERAGE

430601. Members participating in RSFPP on or before September 21, 1972, could, before March 20, 1974:

- A. Decline SBP coverage and continue RSFPP, or
- B. Cancel RSFPP in favor of SBP, or
- C. Elect coverage under both Plans.

430602. The commitment concerning the RSFPP participation must have been made at the time of the SBP election. In the absence of such commitment, coverage under both Plans was established and the member was contacted regarding his or her intent on the RSFPP. A member could not cancel RSFPP participation and, at the same time, decline SBP coverage. Cancellation of the RSFPP in favor of SBP was both final and complete. A member having RSFPP coverage under two options could not cancel one option and retain the other.

430603. When electing coverage under both Plans, the member could, within certain limitations, designate the amount of coverage under each Plan. The total of the annuities could not exceed the gross retired pay entitlement on the effective date of the SBP election. The reduced base amount limits had to be maintained and the original RSFPP base amount could not be increased. A member retiring before November 1, 1968, could reduce RSFPP coverage to one-fourth or one-eighth of the gross pay entitlement or reduce RSFPP coverage on date of retirement. A member retiring on or after November 1, 1968, and electing SBP, could reduce the RSFPP annuity by any amount provided the amount was not less than 12-1/2 percent of the retired pay entitlement on the date SBP was elected and the monthly annuity elected was not less than \$25.

430604. Cancellation of the RSFPP at the time of election into the SBP did not entitle the member to a refund of the previous RSFPP premiums. Any delinquent premiums under the RSFPP on the date of conversion to SBP continued as debts, subject to interest, until paid.

4307 CHANGES IN ELECTION AND COVERAGE

430701. Later-Acquired Spouse and/or Child. This election must be received within 1 year of the event.

A. A member who is participating with spouse or spouse and child coverage and who does not have an eligible spouse beneficiary may, upon remarriage: resume coverage, increase the level of coverage up to and including full retired pay, or elect not to have spouse coverage resumed. A member who is participating with maximum spouse coverage, but who is not a participant in the SSBP, may elect SSBP upon remarriage. The SSBP election is irrevocable and shall be made within one year after the remarriage.

1. The member may not add child coverage by virtue of this remarriage alone if child coverage was previously bypassed.

2. The level of SBP coverage may not be reduced nor may child coverage be eliminated. The SSBP level of coverage may be increased upon remarriage.

3. SBP elections become effective when the new spouse becomes an eligible beneficiary, and any increase in premium, plus interest, has been paid. When the level of SBP coverage is increased, the member must pay the difference between the present premium and the premium that would have been incurred had the higher level of coverage been elected originally, plus interest. Interest is compounded monthly using a factor equal to the 12th root of 1 plus the annual interest rate used by the DoD Board of Actuaries to calculate the retirement accrual costs. The current compounding factor is 1.00526. Interest is to be compounded monthly on the accumulated difference existing prior to any computation month. If payment of cost plus interest is not completed before spouse becomes an eligible beneficiary, the election becomes null and void and a refund of cost and interest and reinstatement of original election coverage occurs. Cost plus interest will be paid to member's estate should the member die before refund is completed.

4. If a member has spouse or spouse and child coverage and elects not to resume SBP participation for the spouse, the spouse is notified and any SSBP coverage is terminated. An election to terminate spouse coverage is irrevocable. If the member elects to increase the level of spouse coverage to an amount less than full retired pay, the spouse is notified.

B. If, on September 21, 1973, for the pre-September 21, 1972, retiree, or on date of retirement, for the post-September 21, 1972, retiree, the member:

1. Has no eligible beneficiaries and declines to participate, the declination does not prohibit the later election for spouse and/or children; or

2. Has no eligible spouse and elected for children only, he or she may, within 1 year after marriage or remarriage, include the spouse with coverage previously elected for the children.

3. Has no eligible children and elected for spouse only, he or she may, within 1 year of acquisition of children, include the children with coverage previously elected for the spouse.

4. Elects coverage for a former spouse or former spouse and children, or elects coverage for a natural person with an insurable interest, the member may later change the election to spouse and/or children. The member is not required to change the election to spouse and/or children; however, if such a change is made, it permanently terminates the eligibility of the former spouse or the natural person with insurable interest. It is not necessary that maximum level coverage be elected for the spouse and/or children. See paragraph 430703, below, for additional information concerning changes in former spouse coverage.

430702. Change From Spouse or Spouse and Children. A member who elected spouse or spouse and child coverage may terminate that election and provide an SBP annuity for a former spouse or former spouse and child, provided the child resulted from the member's marriage to that former spouse. A member who elects to provide former spouse coverage at the maximum level may elect SSBP coverage. If the member is married when the former spouse election is made, that spouse is notified (See subparagraph 430501.G, above). A former spouse may request that an election be deemed by the Secretary of the Military Department concerned (or designee).

A. The Secretary concerned shall notify the former spouse of any changes in election.

B. Changes to a Former Spouse Election

1. If a member was required to elect former spouse coverage by a court order, incident to a proceeding of divorce, dissolution, or annulment, the member may change to spouse or child coverage if the member furnishes, to the Secretary of the Military Department concerned (or designee) a certified copy of a court order. The court order, regular on its face, modifies the provisions of all previous court orders relating to the former spouse election so that the member is permitted to change the election. The member certifies to the Secretary concerned that the court order is valid and in effect. These same restrictions apply to the member who elected former spouse coverage pursuant to a written agreement that was incorporated in, or ratified or approved by, a court order.

2. In the case of a written agreement that has not been incorporated or ratified or approved by a court order, the member shall furnish, to the Secretary concerned, a statement (in a format prescribed by that Secretary), signed by the member and the former spouse that evidences the former spouse's agreement to an election change. The member must certify that the statement is current and in effect.

430703. Change to Former Spouse Coverage Under Insurable Interest. Members were allowed to change an election for former spouse coverage under the insurable interest category to former spouse coverage under the spouse category during the period November 8, 1985, through November 7, 1986. A member also could add child coverage to former spouse coverage provided the child was the result of the member's marriage to that former spouse and if member is providing coverage for the former spouse under the spouse category. These election changes apply to elections effective before March 1, 1986.

430704. Changed Retirement Eligibility. If a member elects RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility under 10 U.S.C., Chapter 1223, (reference (c)), the RCSBP election remains effective until the member actually retires. A member then may make a new election as any other retiring member.

430705. Open Enrollment Periods

A. Public Law 97-35 (reference (bq)) allowed certain members to enroll in the SBP, to increase a reduced level of coverage, or to add spouse coverage to child coverage. The open enrollment period was October 1, 1981, through September 30, 1982. See section 4309, below. Public Law 97-252 (reference (ei)) allowed certain Reservists to participate in an open enrollment period October 1, 1982, through September 30, 1983.

B. See subparagraphs 430503.A., B. and C., above, for open periods under Public Laws 98-94 (reference (aj)), 98-525 (reference (ej)), 99-145 (reference (fc)), and 99-661 (reference (ek)) involving elections for a former spouse. Members who elected SBP (or RCSBP) during the period October 19, 1984, through November 8, 1985 could elect to withdraw November 8, 1985 through November 7, 1986, with a refund of cost plus interest.

C. Public Law 100-180 (reference (fd)) provided an open season withdrawal. A member with spouse or spouse and child coverage who remarried before March 1, 1986, and at a time when that person was a participant in SBP could, with the spouse's consent, withdraw from the Plan. The withdrawal period was March 3, 1988, through March 2, 1989. Premiums and coverage stop on the first day of the month following receipt of the withdrawal request. There is no refund of SBP premiums.

D. Public Laws 101-189 (reference (fb)) and 101-510 (reference (el)) provided an open season April 1, 1992, through March 31, 1993. A member who was not participating in SBP could have elected into the SBP program. A member who elected SBP coverage for spouse or former spouse at the maximum level during open season also could elect SSBP. A member could add spouse coverage or increase the base amount of coverage during open season. A member who already was participating in SBP with maximum coverage for a spouse or former spouse could have elected SSBP during open season.

430706. Mental Incompetency. If a mentally incompetent member later is determined to be mentally competent, he or she may, within 180 days after such determination, change or revoke the SBP, or SBP and SSBP election made on his or her behalf. The change or revocation shall be effective on the date of the member's request.

430707. Correction of Administrative Error. The Secretary of the Military Department concerned (or designee) may correct any election or any change or revocation of an election when the Secretary considers it necessary to correct an administrative error. See paragraph 420307 of this volume.

4308 DISCONTINUANCE OF PARTICIPATION★430801. Withdrawal by a Totally Disabled Member

★A. Any person who elects to participate in SBP with a service-connected disability rated by the Department of Veterans Affairs (VA) as totally disabling and is so rated for

10 or more continuous years (or, if so rated for a lesser period, at least 5 years from the date of last discharge or release from active duty) may request to discontinue participation in the Plan by submitting a request to the Secretary of the Military Department concerned (or designee). The initial date for determining the 5- or 10-year period is the effective date of the VA rating of total disability. Validation must be obtained from the VA if not available from the individual.

1. The request for discontinuance must be with the written consent of the beneficiary or beneficiaries under the Plan. Should that beneficiary be a dependent child or children, written consent may be accepted from a parent, stepparent, foster parent, guardian, or an individual appointed by a court of competent jurisdiction.

2. The Secretary concerned shall furnish a written statement of the advantages of participating and the possible disadvantages of discontinuing participation or the provisions of 10 U.S.C. 1452(g) (reference (c)) to each person requesting discontinuance.

3. A person may withdraw the discontinuance request within 30 days of submission to the Secretary concerned.

4. Participation in the Plan and cost of SBP and SSBP coverage is discontinued on the first day of the month after receipt of the request by the Secretary concerned. This provision is effective December 1, 1980.

5. If a member dies after the date that the request for withdrawal has been received by the Secretary concerned, but before the effective date of that request, the beneficiary is entitled to the annuity.

★B. Upon the death of a person who has discontinued participation in the Plan under this section, a refund of SBP and SSBP amounts deducted from retired or retainer pay without interest shall be made to the widow or widower.

★C. Any person who has discontinued participation in the Plan may again elect to participate if the VA reduces the disability rating to less than total and the person applies within 1 year to participate in the Plan and includes the required information determined by the Secretary concerned.

1. Participation in the Plan and reduction in pay is effective the first day of the month after receipt of the application to the Secretary concerned on DD Form 1883 (SBP Election Certificate). Documentation attesting to the less than total disability rating must accompany the application.

2. If the member applies for resumption of participation, but dies before the effective date, the beneficiary is entitled to an annuity on the date the election would have been effective.

3. Resumption of participation shall be limited to the type and level of coverage initially elected allowing for beneficiary changes as otherwise provided for in Chapters 42 through 57.

★430802. Voluntary Termination of Coverage for a Natural Person With an Insurable Interest

A. A member who is participating in SBP with coverage for a natural person with an insurable interest (not a former spouse) voluntarily may terminate his or her participation in SBP. No request for termination is effective before November 1, 1994.

B. If a member is considering termination of an insurable interest coverage, he or she should contact the responsible agent: DFAS-Cleveland Center, or the Military Service Reserve Component Personnel Center for members not yet age 60 (or an appropriately determined office for non-DoD Uniformed Services).

C. A member who is eligible and wants to terminate coverage may send a written request to the responsible agent identified in subparagraph 430802.B., above. The request, signed by the member, must identify the member and state that the member wants to terminate SBP participation. A request for information is not a request to terminate SBP participation.

D. When the responsible agent receives a request from an SBP participant eligible to terminate coverage, the agent will determine whether the request is for information or actually is a request to terminate participation. In either case, the member will be mailed two fact sheets that explain: the procedures for terminating participation; and the advantages and disadvantages of participation and the disadvantages of terminating participation. If the request is determined to be a request for termination, the member will be advised in the cover letter that a request for termination can be withdrawn within 30 days of the date of that letter.

E. No premiums are refunded as a result of terminating coverage. No premiums will be charged after the effective date of termination unless the member had Reserve Component Survivor Benefit Plan (RCSBP) coverage. See paragraph 560305 of this volume for recomputation of the original “add-on” portion of the RCSBP premium when member terminates coverage before age 60.

F. A member who wishes to withdraw the request to terminate participation must notify the Secretary of the Military Department concerned (or designee) using a legible, signed written notice to the member’s responsible agent in subparagraph 430802.B., above. The notice must identify the member’s name and social security number and state that the member no longer wants to discontinue SBP participation. If the member withdraws the request to discontinue participation within the prescribed 30-day period, the SBP participation is not terminated. If the withdrawal notice is received after the prescribed date, it has no effect and the member is so notified within 30 days. However, if the member provides proof of the date of the mailing and such date is favorable to honoring the member’s withdrawal request, that date of mailing serves as the date submitted. If the member effectively withdraws a request to discontinue participation, the

member is notified within 30 days. If participation already was discontinued, it will be reinstated as if no break in coverage occurred. Any premiums not collected or paid, or premiums that were refunded, will be collected from the member and the member notified of the final action concerning participation.

G. The member may only resume SBP participation by electing coverage for a spouse or dependent child within one year of acquiring a family member.

4309 OPEN ENROLLMENT PERIODS

430901. Eligible members from each Military Service were notified of Public Law 97-35 (reference (bq)), which provided an open enrollment period for SBP from October 1, 1981, through September 30, 1982. Public Law 97-252 (reference (ei)) authorized an open enrollment period for certain Reservists October 1, 1982, through Sep 30, 1983.

A. An eligible member was a member or former member of the Uniformed Services who was entitled to retired or retainer pay on or before August 13, 1981. If a member discontinued participation in the SBP program under provisions of Public Law 96-402 (reference (fe)) for the totally disabled before August 13, 1981, that member could re-enroll during the open enrollment period or resume participation under paragraph 430801, above. The Secretaries of the Military Departments were permitted to make elections on behalf of mentally incompetent members. A member who did not have an eligible beneficiary during the open enrollment period could not elect into SBP later except under subparagraphs 430501.D and E, above. Also, a member who previously did not have an eligible beneficiary to make an election for, could be able to elect coverage for that beneficiary under subparagraphs 430501.D and E.

B. An eligible member could elect to:

1. Enroll in the SBP if not presently participating (an initial election for former spouse coverage could be made from September 8, 1982, through September 30, 1982);
2. Change the current level of coverage to a higher level; and/or
3. Change the current children only coverage to include coverage for spouse. Election information can be accepted in writing rather than on the approved form.

C. A member could only elect or change SBP once during the open enrollment period.

D. The election was effective when received by the Secretary of the Military Department concerned. The postmark of the envelope could be used when beneficial to the member or survivor. An annuity was not payable under the open enrollment election for a period of 2 years. The 2-year waiting or penalty period began on the effective date of the open enrollment election and ended 2 years from that date.

1. If a member died before the end of the 2-year waiting period:

a. The open enrollment election was void and premiums attributed to that election were refunded to or on behalf of the beneficiary(ies) designated in the open enrollment election. If the member had no prior coverage and elected for spouse and children, the total refund was made to the eligible spouse beneficiary. If the eligible spouse beneficiary was no longer living, premiums were refunded without interest, to the remaining eligible beneficiary(ies). If the member had an election in effect before the open enrollment election, the premium was recalculated under the earlier election and deducted from the refund of the premiums due the eligible beneficiary(ies) for the open enrollment election.

b. An annuity was established to the eligible beneficiary(ies) under the terms of the earlier election.

c. If a member made an initial election to provide spouse coverage during the open enrollment period, changed that election made under paragraph 430702, above, during the 2-year waiting period, and died before the end of the 2-year waiting period, no annuity was payable to the former spouse. Premiums attributed to the open enrollment election were refunded to or on behalf of the beneficiary(ies) of that election; premiums attributed to the changed election were refunded to the former spouse. If the member had an election in effect before the open enrollment election, the premium was recalculated under the earlier election and deducted from the refund of premiums due the former spouse.

2. If the beneficiary died during the 2-year period, the premium was suspended on the first day of the month after death. If the member later acquired the same type of beneficiary, but during the 2-year waiting period, the premium was resumed for the remainder of the 2-year period. If the member acquired the beneficiary after the 2-year waiting period, the premium was resumed when the beneficiary became eligible for the annuity. See paragraphs 440101 and 440102 of this volume.

E. A member who wished to cancel RSFPP coverage to coincide with the election of SBP during the open enrollment period had to initiate separate action to withdraw from RSFPP under section 3402 of this volume.

F. The Military Services were not required to notify the beneficiary of a change in the member's election.

G. SBP cost for an open enrollment election was effective on the first day of the month after receipt of the election (by the Secretary of the Military Department concerned at the appropriate DFAS Center), except that costs for an initial election of former spouse coverage were effective February 1, 1983. See Table 45-2.

H. If a member increased the base amount (or level of coverage), the premiums were recalculated on the existing cost factor(s). If the member made an initial election which

included children or added spouse coverage, premiums were calculated using cost factors that were based on ages on the date of election.

I. SBP costs were not refunded to a member who was discharged from the TDRL.

J. The cost for spouse coverage paid during the 2-year waiting period are included in any cost refund that results from a DIC award.

430902. Public Law 101-189 (reference (fb)), amended by Public Law 101-510 (reference (el)), provided an open enrollment period from April 1, 1992 through March 31, 1993. A member could make only one open season election. A member with suspended spouse or former spouse coverage could make any election otherwise allowable even if the premium resulting from the open season election was immediately in a suspended status.

A. Non-participants. A member or former member of the Uniformed Services who, on March 31, 1992, was not a participant in the SBP and was entitled to retired pay could elect SBP during the open enrollment period. A member could make an election for spouse, former spouse, spouse/former spouse and child, child only, or a natural person with an insurable interest. If the member elected spouse or former spouse coverage at the maximum level, the member could elect Supplemental SBP.

B. Existing participants:

1. A member with reduced SBP coverage could elect to increase the base amount of coverage.

2. A member could add spouse or former spouse coverage to child coverage. If adding spouse coverage, existing child coverage could not be dropped. An election for former spouse coverage terminated any previous coverage. If adding a former spouse, a member could drop coverage for children. A member could cover former spouse and children; however, the only children eligible were the children of the member-former spouse marriage. Thus, when a member with child coverage elected former spouse and child coverage, any children not the result of the member-former spouse marriage became ineligible and coverage for such children ceased.

3. A member could not change from spouse to former spouse coverage even if the spouse coverage and premium currently were suspended. A member could not change from former spouse to spouse coverage. A member with coverage for a natural person with an insurable interest (including a former spouse covered under the insurable interest category) could not change that election.

4. A member with spouse or former spouse coverage at the maximum level could elect Supplemental SBP.

C. No election could be deemed under the provisions of the open enrollment period.

D. An open enrollment election for a former spouse, by a member who is otherwise under a qualified court order to elect SBP coverage for a former spouse, is later subject to the provisions of that court order. This applies even though the open enrollment election was purely voluntary.

E. The open enrollment election was effective for premium purposes on the first day of the month after the election was received by the Secretary concerned, but not earlier than April 1, 1992. If the date received is prejudicial to the member, the postmark date is considered the date the election was received.

F. The premium for an open season election was established as though the member first became a participant in SBP at the time of election.

G. In addition to the SBP premium for an open enrollment election for spouse or former spouse, there is an additional premium charged on the basis of the number of years the member has been retired. The number of years was determined from the date of initial retirement through the date the election became effective. Months and days less than a full year were ignored. The additional premium percentage was applied to the full base amount or, if the member was previously providing reduced coverage for a spouse or former spouse, to the increase in the base amount over the annuity base amount that previously existed. The premium addition did not apply to any member making an open season election who was currently paying an RSFPP premium for spouse coverage or, who was electing SBP coverage for spouse and who previously participated in SBP but who later withdrew from participation under the provision for totally disabled members. The additional premium percentage charged for an open season election is not refunded when recalculating SBP premium due to DIC award.

H. An open season election became void if the member died before the end of the 2-year survival period beginning on the cost-effective date in subparagraph 430902.E., above, with the exception of the member who made an open enrollment election for a spouse and that spouse was entitled before November 1, 1990, to receive DIC based on a previous marriage to another member. If an open season election was void, the member's election reverted to any previously established coverage.

I. Any premium for the voided open enrollment election is refunded to the member's beneficiary under the open enrollment election. If the beneficiary predeceases the member, there is no refund of premium.

CHAPTER 44

SURVIVOR BENEFIT PLAN - BENEFICIARIES4401 **ELIGIBLE BENEFICIARIES**

The eligible beneficiaries under the Survivor Benefit Plan (SBP) are the spouse and/or dependent children, a former spouse, or a natural person with an insurable interest, providing they meet certain eligibility requirements. The election, if required, must be received within the time period allowed.

440101. Spouse (Including the Spouse of a Common-Law Marriage). The spouse is an eligible beneficiary if he or she is/was:

A. Married to a pre-September 21, 1972, retiree on or before September 21, 1973. The election must have been received before March 21, 1974.

B. Married to a post-September 21, 1972 retiree on date of retirement. Unless the member elects otherwise before retirement, the spouse and/or children are automatically designated as the beneficiaries even though the beneficiary data is not received before date of retirement.

C. Married to a pre-September 21, 1972, retiree after September 21, 1973; or a post-September 21, 1972, retiree after the date of retirement if, on September 21, 1973, or date of retirement, whichever is later, the member has or had no spouse.

D. Married to a pre-September 21, 1972, retiree, or a post-September 21, 1972, retiree and, on September 21, 1973, or date of retirement, whichever is later, the member either had no beneficiaries and elected coverage for a natural person with an insurable interest coverage for a former spouse September 8, 1982, or later, coverage for former spouse and child March 1, 1986, or later. A spouse becomes eligible upon the first anniversary of the marriage or date of birth of the child of that marriage, whichever is earlier, provided the member changed to spouse coverage. A change of election must be received within 1 year of marriage. Until the spouse and/or child becomes eligible, the previously designated class of beneficiary remains in effect.

E. Married to the member, regardless of the date of retirement, after the ineligibility of the spouse previously covered by the Plan provided spouse coverage was resumed. A spouse becomes eligible upon the first anniversary of remarriage or birth of child of that remarriage, whichever is earlier. The member has up to 1 year after remarriage to decide whether to resume spouse coverage.

F. Married to a pre-September 21, 1972, retiree at the time of retirement, divorced, and later remarried to the member, but not married to member during the period September 21, 1972 to March 21, 1974. A spouse becomes eligible upon first anniversary of the

remarriage or upon birth of child of that remarriage, whichever is earlier. The election must be received within 1 year of the remarriage.

G. Married to a post-September 21, 1972, retiree at the time of retirement and member elected spouse coverage, divorced, and later remarried to the member. A spouse becomes eligible immediately upon remarriage provided spouse coverage was resumed. The member has up to 1 year after remarriage to decide whether to resume spouse coverage.

H. Married to a pre-September 21, 1972, retiree before March 21, 1974, and member elected spouse coverage, divorced, and later remarried to the member. A spouse becomes eligible immediately upon remarriage provided spouse coverage was resumed. The member has up to 1 year after remarriage to decide whether to resume spouse coverage.

I. Married to a pre-September 21, 1972, retiree after March 21, 1974, or a post-September 21, 1972, retiree after date of retirement, divorced, and later remarried to the member. A spouse becomes eligible upon first anniversary of remarriage or date of the birth of child of that remarriage. The election must be received within 1 year of the remarriage.

J. Married to a member who dies on active duty after: becoming eligible to receive retired pay, qualifying for retired pay except that member has not applied for or been granted that pay; or completing 20 years of active service but before member is eligible to retire as a commissioned officer because the member has not completed 10 years of active commissioned service. However, if the member elected former spouse coverage, or if the member is required under a court order or spousal agreement to elect former spouse coverage, the surviving spouse will not receive the annuity. A surviving spouse (or child) newly eligible upon enactment of section 712 of Public Law 99-145 (reference (fc)), which expanded the active duty death provision, had until October 1, 1988, to apply for such annuity. The annuity was payable March 1, 1986, or the first day after application is received by the Secretary of the Military Department concerned, whichever is later.

K. Married to a member who died before September 21, 1972, while serving on active duty. The member must have served on active duty for not less than 20 years and have been entitled to retired or retainer pay or would have been entitled to pay except that member had not applied for or been granted that pay.

440102. Children (Including Children of a Common-Law Marriage). A child is an eligible beneficiary if he or she is:

A. A child of the member who met the eligibility requirements on the date of the initial election for pre-September 21, 1972, retiree; on date of retirement for the post-September 21, 1972, retiree; or, within 1 year of the acquisition of the child after the election or retirement the same as for spouse coverage in paragraph 440101, above. The election must be received by the same date as required for the spouse, excluding a child election in conjunction with a former spouse election.

B. A child of the member and the former spouse if the member elects former spouse and child coverage effective on March 1, 1986, or on the first day of the month after the election change is received by the Secretary concerned, whichever is later. A member who elected former spouse coverage before November 8, 1985, could change to former spouse and child coverage before March 1, 1987, or if former spouse coverage was elected during the period November 8, 1985 through February 28, 1986, no later than November 13, 1987. The change to former spouse and child could only be made if the former spouse coverage was provided under the spouse category.

C. A child of a member who died on active duty provided that the member died on active duty after the same requirements were met as in subparagraph 440101.J, above, and that the member did not elect former spouse coverage or was not required by a spousal agreement to provide former spouse coverage.

D. The child is an eligible beneficiary if:

1. Unmarried.
2. Under age 18, or at least 18 but under 22 and pursuing a full-time course of study in a recognized educational institution.
3. Incapable of self-support because of physical or mental disability which existed before the 18th birthday or incurred before age 22 while pursuing a full-time course of study.
4. An adopted child; stepchild, foster child, grandchild or recognized natural child who lived with the retiree in a regular parent-child relationship; a child under age 18 and serving on active duty in the Uniformed Services, or under age 22 and enrolled in an institution of higher learning under a military subsistence scholarship. In addition, to qualify as a dependent child, a foster child must have resided with the retiree at time of death, received over one-half of his or her support from the retiree and cannot have been cared for under a social agency contract.

NOTE: A child whose 22nd birthday occurs before July 1 or after August 31 of a calendar year is considered to have become 22 years of age on the 1st day of July after that birthday.

E. Child eligibility terminates for school nonattendance. If the child resumes school attendance, eligibility is reinstated. Child eligibility terminates by marriage of the child, regardless of whether the child is an incapacitated child entering into a valid marriage with another incapacitated individual. The termination of a child's marriage by death or divorce does not serve as a basis for reinstating child coverage. An annulment of the child's marriage, however, which renders the marriage void or invalid, or by a judicial decree by a court of competent jurisdiction declaring the marriage void, would serve as a basis for reinstating child coverage.

F. In the case of a member who has served 20 years of active service and who dies on active duty, and the member's spouse is no longer living, the child remains an eligible beneficiary through age 22 if pursuing a full-time course of study in a recognized educational institution.

440103. Spouse and Children. Eligibility requirements are as shown in paragraphs 440101 and 440102, above. The spouse is the primary beneficiary with coverage passing to the children if the spouse remarries before age 55 (age 60, if remarried before November 14, 1986), or dies. Exception: If the annuity is payable because member dies on active duty (See 10 U.S.C. 1448(d) (reference (c))), or the member is eligible to provide RCSBP but dies before notification of eligibility or during the 90-day period after notification (See 10 U.S.C. 1448(f) (reference (c))), eligibility does not pass to the child when a spouse remarries.

440104. Former Spouse or Former Spouse and Child. A former spouse is an eligible beneficiary if:

A. The former spouse is the member's former spouse (at time of retirement) when the member became eligible to participate in the Plan and is elected the beneficiary by the member or through a request to the Secretary of the Military Department concerned to deem an election.

B. The former spouse was not the member's former spouse (at time of retirement) when the member becomes eligible to participate in the Plan, and the prior election is changed pursuant to paragraph 430503 of this volume to provide coverage for the former spouse. A former spouse acquired after member became eligible to participate in the Plan is an eligible beneficiary if married to the member for at least 1 year or the parent of issue of the marriage.

C. If coverage includes child, former spouse is the primary beneficiary with coverage passing to the children if the former spouse remarries before age 55 (age 60, if remarried before November 14, 1986), or dies. The child is an eligible beneficiary provided the conditions in subparagraph 440102.D, above, are met and the child resulted from the member-former spouse marriage.

440105. Natural Person With Insurable Interest. The eligibility requirements are:

A. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This category may include parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, dependent or non-dependent child or stepchild, any other person more nearly related than cousin, or

B. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree.

NOTE: Proof of financial benefit from the continuance of the life of the member is required for persons other than those listed in subparagraph 440105.A., above. The legal staff of the supporting Military Service activity may coordinate on the eligibility requirements.

CHAPTER 45

SURVIVOR BENEFIT PLAN - PREMIUMS4501 **GENERAL**

450101. **SBP**. The premium for SBP coverage is based on the type of coverage (spouse and/or children, former spouse or former spouse and children, or natural person with an insurable interest) and the base amount, maximum or reduced, as elected by or on behalf of the member. The SBP premium increases at the same time and by the same percentage as do increases for retired or retainer pay.

450102. **SSBP**. The SSBP premium for spouse or former spouse coverage is added to the SBP premium. The SSBP premium is expressed as a percentage of the base amount, full retired pay. The SSBP premium increases in the same manner as the SBP premium.

4502 **PREMIUM/FORMULA**

450201. If the SBP coverage is for spouse and child, former spouse and child, or child only, a formula must be applied against the base amount (or base amount times 55 percent before April 1983) to determine the charge for coverage of the children. The age of the youngest child is used to determine the premium; however, if there is an incapacitated child over 18 years of age and there also is a competent child over age 18 but younger than the incapacitated child, then use age 17 to determine the premium. The premium can be determined from the SBP Factor Table available at the DFAS-Denver Center. When the premium cannot be determined from the SBP Factor Table, refer to DFAS-Denver Center procedures.

450202. Before enactment of Public Law 99-145 (reference (fc)), the initial premium was computed on a standard cost formula of 2.5 percent of the first \$300 of the base amount, plus 10 percent of the base amount in excess of \$300. The "\$300" is now referred to as a threshold amount and is subject to two possible indexing provisions.

A. First, a member who becomes a participant on or after March 1, 1986, will have the \$300 threshold amount increased by any active duty percentage increase effective October 1, 1985, or later, provided his or her retired pay is based on that active duty basic pay rate. For example, a member retires on March 31, 1986, and retired pay is computed on the active duty basic pay rate in effect on October 1, 1985. The active duty increase was 3 percent. The formula is 2.5 percent of the first \$309 (\$300 times 3 percent), plus 10 percent of the base amount in excess of \$309.

B. Secondly, a member who becomes a participant on or after March 1, 1986, and who receives the benefit of a cost-of-living adjustment in the initial computation of retired pay (and that cost-of-living adjustment is effective on or after October 1, 1985) will have the threshold amount increased by that cost-of-living adjustment percentage. For example, if a member retires on March 31, 1986, with retired pay computed under the October 1985 active duty basic pay rates and adjusted by a December 1985 cost-of-living adjustment increase of 2.4 percent under 10 U.S.C.

1401a (reference (c)), the cost formula is 2.5 percent of the first \$316.42 (\$300 times 3 percent October 1985 times 2.4 percent December 1985), plus 10 percent of the base amount in excess of \$316.42. If a member retires on March 31, 1986, and retired pay is computed on basic pay rates effective before October 1985, but retired pay includes a cost-of-living adjustment of 3.1 percent for December 1985, the formula is 2.5 percent of the first \$309.30 (\$300 times 3.1 cost-of-living adjustment percentage), plus 10 percent of the base amount in excess of \$309.30. On March 1, 1990, the formula for spouse or former spouse coverage is a flat 6.5 percent of the base amount.

C. A member who is entitled to retired pay under 10 U.S.C., Chapter 61, disability retirement (reference (c)), or Chapter 1223, non-Regular service retirement (reference (c)), is entitled to use whichever formula is more favorable. If the individual first became a member of a Uniformed Service before March 1, 1990, and is providing spouse coverage and SBP premium exceeds 6.5 percent of the base amount, the SBP premium will be recomputed effective March 1, 1990, on the flat-rate reduction formula of 6.5 percent.

450203. On March 1, 1990, the SBP formula for spouse or former spouse coverage is 6.5 percent of the base amount. A member who is entitled to retired pay under Chapter 61, disability retirement, or Chapter 1223, non-Regular service retirement, 10 U.S.C. (reference (c)) is entitled to whichever formula is more favorable. If the individual first became a member of a Uniformed Service before March 1, 1990, and is providing spouse coverage, and the SBP premium exceeds 6.5 percent of the base amount, that SBP premium was recomputed effective March 1, 1990, on the flat-rate reduction formula of 6.5 percent.

450204. Supplemental SBP coverage became available April 1992. The premium for SSBP is in addition to premium for SBP. The SSBP premium is expressed as a percentage of the base amount. The member elects SSBP coverage in increments of 5, 10, 15, or 20 percent of the base amount and the SSBP premium is computed by multiplying the SSBP premium factor based on member's age at election by 1, 2, 3, 4, respectively. The premium rates are for each 5 percent of SSBP coverage. Standard SSBP rates are shown on Table 45-5.

450205. A member who became an SBP participant, increased the base amount of coverage, or elected spouse or former spouse coverage during the open enrollment period April 1, 1992, through March 31, 1993, was subject to an additional premium based on the number of years member had been retired. The open enrollment premium additions are shown on Table 45-6.

4503 COMPUTATION OF PREMIUM

450301. Spouse Only or Former Spouse Only. See Table 45-1, rule 1.

450302. Spouse and Child, Former Spouse and Child, or Children Only. See Table 45-1, rules 2 and 3. The steps to be used in computing the premium are:

A. Compute age of member, spouse and child for spouse and child coverage. Compute the age of member, former spouse and child for former spouse and child coverage. Compute age of member and child for child coverage. If the member has less than 19 years of

service, add 5 years to member's age. Note: The SBP Factor Tables, effective April 1, 1983, no longer require this adjustment.

B. Determine the cost factor from SBP Factor Table.

C. Multiply base amount by the factor to determine the child premium. Add the child premium to the spouse (or former spouse) premium.

Example 1: A member retires on July 1, 1985, with 20 or more years of active service. The gross retired pay is \$1,000. The member elects maximum coverage for spouse and children. Birthdates are: member-February 2, 1950; spouse-September 2, 1954; child-May 1, 1980.

Step 1. Compute ages. Six months or more is considered a full year.

Member 890701	Spouse 890701	Child 890701
<u>500202</u>	<u>540902</u>	<u>800501</u>
390429	340929	90200
(39)	(35)	(9)

Step 2. Use the SBP Factor Table to locate the combination of a member age 39, spouse 35, and child 9. The resulting factor is .0012.

Step 3. Determine total premium: Compare the spouse premium under the flat-rate formula of 6.5 percent to the spouse premium under the threshold formula, where applicable (see section 4502, above).

Spouse premium:

(Threshold formula)	\$1,000.00	
	<u>- 337.00</u>	(Table 49-1)
	663.00	
	<u>x .10</u>	
	66.30	
	<u>+ 8.43</u>	(\$337.00 x .025)
	\$ 74.73	

(Flat-rate formula)	\$1,000.00	
	<u>x .065</u>	
	\$ 65.00	\$65.00

Child premium:	\$1,000.00	
	<u>x .0012</u>	
	\$ 1.20	+\$ 1.20
Total Premium:		\$66.20

Example 2: The spouse in Example 1 becomes an ineligible beneficiary on March 3, 1990. Coverage changes to child only. (If the former spouse becomes an ineligible beneficiary, coverage changes to child.)

Step 1. Recompute the ages for member and child.

Member	900304	Child	900304
	<u>500202</u>		<u>800501</u>
	400102		91003
	(40)		(10)

Step 2. Use the SBP Factor Table to locate combination of a member age 40 and child age 10. The resulting factor is .0051.

Step 3. Determine total premium: $\$1,000 \times .0051 = \5.13

Example 3a: The member elects spouse and child coverage (Example 1). The spouse becomes an ineligible beneficiary and coverage changes to child only (Example 2). The member remarries on May 14, 1990. The birthdate for the new spouse is October 12, 1955. Coverage reverts to spouse and child on May 14, 1991, unless the member elects not to resume spouse coverage. The new premium for spouse and child is effective on June 1, 1991 (Table 45-3, rule 9 and note 8).

Step 1. Recompute ages for member, spouse, and child.

Member	910514	Spouse	910514	Child	910514
	<u>500202</u>		<u>551012</u>		<u>800501</u>
	410312		350702		110013
	(41)		(36)		(11)

Step 2. Use the SBP Factor Table to locate combination of a member age 41, spouse 36, and child 11. The resulting factor is .0009.

Step 3. Determine the total premium:

Spouse premium:

(Threshold formula)	\$1,005.00	
	<u>- 338.69</u>	(Table 49-1)
	666.31	
	<u>x .10</u>	
	66.63	
	<u>+ 8.47</u>	(\$338.69 x .025)
	\$ 75.10	

(Flat-rate formula)	\$1,005.00	
	<u>x .065</u>	
	\$ 65.33	\$ 65.33
Child premium:	\$1,005.00	
	<u>x .0009</u>	
	\$.90	+ \$.90
Total Premium		\$ 66.23

Example 3b: The member elects spouse and child coverage (Example 1). The spouse becomes an ineligible beneficiary and coverage changes to child only (Example 2). The member remarries on May 14, 1990. The birthdate for new spouse is October 12, 1955. Coverage would have resumed on spouse and child on May 14, 1991, the first anniversary; however, the spouse becomes the parent of issue by that marriage before the first anniversary. Coverage changes to spouse and child on the date the child is born of that marriage. The new premium is effective the first day of the month following the birth (Table 45-3, rule 9 and note 8). Assume that the child is born March 27, 1991.

Step 1. Recompute ages for member, spouse, and child.

Member	910327	Spouse	910327	Child	910327
	<u>500202</u>		<u>551012</u>		<u>910327</u>
	410125		350515		000000
	(41)		(35)		(0)

Step 2. Use the SBP Factor Table to locate combination of a member age 41, spouse 35, and child 0. The resulting factor is .0037.

Step 3. Determine total premium:

Spouse premium:		
(Threshold formula)	\$1,005.00	
	<u>- 338.69</u> (Table 49-1)	
	666.31	
	<u>x .10</u>	
	66.63	
	<u>+ 8.47</u>	(\$338.69 x .025)
	\$ 75.10	
(Flat-rate formula)	\$1,005.00	
	<u>x .065</u>	
	\$ 65.33	\$65.33

Child premium:	\$1,005.00	
	x .0037	
	\$ 3.72	+\$ 3.72
Total Premium:		\$69.05

Example 4: Same facts as Example 1. The member divorces on April 15, 1990, and coverage changes to child only. See Example 2 for recomputation. The member elects coverage for former spouse and child, and the election is received on June 2, 1990. Coverage for former spouse and child is effective on June 2, 1990, and the premium for the former spouse and child is effective July 1, 1990. Recompute ages on date election is received.

Step 1. Recompute ages.

Member	900602	Former	900602	Child	900602
	<u>500202</u>	Spouse	<u>540902</u>		<u>800501</u>
	400400		350900		100101
	(40)		(36)		(10)

Step 2. Use the SBP Factor Table to locate combination of a member age 40, spouse 36, and child 10. The resulting factor is .0010.

Step 3. Determine the premium as in Example 1.

Example 5: The member has spouse and child coverage (Example 1). The member divorces and coverage changes to child coverage (Example 2). The member elects former spouse and child coverage (Example 4). The member remarries on March 22, 1991, and elects coverage for newly acquired spouse. See Examples 3a and 3b for resuming spouse coverage on the first anniversary or on the birth of a child of the marriage, if married less than 1 year. The premium is recomputed on the date of the event, remarriage or birth, and the premium change is effective the first day of the month after the event. However, if the birth or remarriage occurs on the first day of the month, the premium change is effective that month.

Example 6: The member has spouse and child coverage (Example 1). The member divorces and coverage changes to child coverage as in Example 2. The member elects former spouse or former spouse and child coverage as in Example 5. The member remarries on March 22, 1989, and chooses to elect for newly acquired spouse. The premium and coverage for newly acquired spouse effective as in Examples 3a or 3b.

450303. Former Spouse (Insurable Interest Category) or Natural Person With an Insurable Interest. See Table 45-1, rule 4.

4504 EFFECTIVE DATE OF PREMIUM

See Table 45-2 or 45-3 as applicable.

4505 SUSPENSION, CHANGE, AND TERMINATION OF PREMIUM

★450501. Suspend premiums for spouse or former spouse coverage when there is no longer an eligible beneficiary during any period after:

A. SBP--October 1, 1976;

B. SSBP--April 1, 1992.

Suspend premiums for child coverage when there is no eligible child beneficiary.

450502. If the SBP premium was adjusted or discontinued based on school nonattendance of the child beneficiary, the premium is adjusted retroactively to the first day of the month after the child resumed school attendance.

450503. The premium changes when coverage is:

A. For spouse and children (or former spouse and children) and the last dependent child is no longer an eligible beneficiary. The premium for coverage is changed to spouse (or former spouse) only. See Table 45-3, rule 8.

B. For spouse only and the spouse is no longer eligible. Within 1 year after member's remarriage, the member may:

1. Resume coverage (including SSBP);
2. Elect not to resume spouse coverage (any SSBP terminates);
3. Increase the base amount up to and including full retired pay for spouse or spouse and child coverage (see Table 45-3, rule 6); or
4. Elect SSBP if participation is at the maximum base amount. See Table 45-3, rule 6.

C. For spouse and children (or former spouse and children) and the spouse (or former spouse) is no longer eligible. See Table 45-3, rule 7, for computation of the premium for child coverage. Within 1 year after the member's remarriage, the member has the same options as in subparagraph 450503.B., above. See Table 45-3, rule 9.

D. For spouse before March 21, 1974 (pre-September 21, 1972 retiree), or on date of retirement (post-September 21, 1972 retiree), and the member subsequently divorces and

then remarries that former spouse. The premium is effective the first day of the month following the remarriage, unless the remarriage is the first day of the month, then the premium is effective on the date of marriage.

E. Elected for spouse on or after March 21, 1974 (pre-September 21, 1972 retiree) or after date of retirement (post-September 21, 1972 retiree), subsequently divorces and remarries that former spouse. The premium of coverage is resumed the first day of the month following the first anniversary unless the remarriage is the first day of the month, then the premium resumes the first day of the first anniversary.

F. For spouse or spouse and child is changed to coverage for former spouse under paragraph 430703 of this volume. Beginning on the first day of the month after receipt by the Secretary of the Military Department concerned of the change in election, the premium will be calculated as provided in Table 45-3, rule 10. If the member elects SSBP coverage for a former spouse, begin collecting the premium for SSBP.

★G. For retired or retainer pay increases under 10 U.S.C. 1401a (reference (c));

1. SBP premiums normally increase at the same time and by the same percentage that retired pay increases by cost-of-living adjustment.

2. When the payment of increased retired pay due to a cost-of-living adjustment is delayed, the increase to SBP premiums will occur at the same time the retired pay is increased rather than the effective date of the cost-of-living increase (or the date that the retired pay would have increased if the member were currently in receipt of retired pay).

★450504. Terminate the SBP premium for a natural person with an insurable interest when the beneficiary dies, when the member terminates coverage for the natural person with an insurable interest, or on the date a spouse or child acquired after retirement becomes the eligible beneficiary. The SBP premium is terminated as of the date shown in Table 45-4, Suspension and Termination of Cost. See section 4308 of this volume for termination procedures.

450505. See Table 45-4 for other suspension and termination of premium situations.

4506 PAYMENT OF PREMIUM

450601. A member who receives enough retired pay to cover the premiums for SBP and SSBP has those premiums withheld from his or her retired pay. Voluntary allotments may be discontinued to satisfy the premiums for SBP and SSBP coverage (see Chapter 19). Do not treat the reduction in retired pay for the premium of SBP and SSBP coverage as a collection for accounting purposes.

450602. Civil Service Annuitant

A. For any period in which the member is not receiving retired pay because of non-entitlement to or waiver of such pay or the pay received is not enough to cover the total cost of coverage, the member must remit the amount due to the DFAS-Denver Center. Deposits are due on the effective date of coverage. For example, member retires June 1, the first payment is due June 1, for the period June 1-30. A member who waives full retired pay for VA compensation may pay the premium by direct remittance or by deduction from the compensation payments.

B. If the member waives participation in the military survivor benefit program and elects participation in the civil service survivor benefit plan, and the civil service waiver later becomes ineffective for any period for any reason, previous participation in the military survivor benefit program is resumed and military SBP premium is due from the member.

450603. Emergency Officer's Retired List (EORL). A member on the EORL may pay premiums by direct remittance or by deduction from EORL payments.

450604. If a member is recalled to active duty for more than 30 days after a break in service, the member does not pay the premium while on active duty.

450605. The member remains an SBP participant while on active judicial duty and is required to pay the SBP premiums while military retired pay is suspended.

4507 DELINQUENT SBP PREMIUMS

Interest at the rate of 6 percent compounded annually is levied against delinquent SBP premiums. Any delinquent RSFPP premiums existing on date of conversion to the SBP continue, with interest, until paid. Upon the death of a retiree, any delinquency, plus interest, is collected from the annuitant's benefits before payment of any annuity.

★4508 TAXABILITY OF PREMIUMS

For federal income tax purposes, premiums for SBP coverage are excluded from taxable income when they are deducted from the member's retired pay. A member whose pay is subject to tax reporting will, while in a pay status, receive the tax benefit through a reduction in the taxable income reported to the Internal Revenue Service. No reduction against the taxable income can be given for interest paid on the delinquent premiums.

4509 INCOME EXCLUSION

The member will receive an income exclusion for the amount of direct remittance for coverage premiums upon returning to a pay status. The appropriate DFAS Center will exclude the amount of the direct remittance from the taxable income on IRS Form 1099R (Distributions From Pensions, Annuity, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.) See paragraph 450602, above, for payment of premiums during nonreceipt of retired pay.

COMPUTATION OF SBP PREMIUM ON ESTABLISHMENT		
R U L E	A	B
	If beneficiary is	the formula is
1	spouse or former spouse (spouse category)	6.5 percent of the base amount (note 1) or 2.5 percent of the threshold amount (note 2), as adjusted, plus 10 percent of the remaining base amount. If gross retired pay is less than \$300, 2.5 percent of gross retired pay.
2	spouse (former spouse-spouse category) and children (notes 3, 4)	Spouse (former spouse) premium determined under rule 1, plus an additional premium for children computed by applying the factor from the SBP Factor Table against the base amount. See section 4503 for examples.
3	children only (notes 3, 4)	to apply the factor shown in the SBP Factor Table, based on the ages of the member and youngest dependent child, against the base amount. See section 4503 for example.
4	natural person with an insurable interest or former spouse (insurable interest category)	10 percent of the member's gross retired pay if the age of the beneficiary is equal to or greater than member's age. If the beneficiary's age is less than member's age, the formula is 10 percent of the member's gross retired pay, plus an additional 5 percent of the gross retired pay for each full 5 years that the beneficiary is younger than member. Six months or more is not counted as an additional year. Total premium may not exceed 40 percent of gross retired pay.

NOTES:

1. The following members are entitled to spouse premium computation under the flat-rate formula of 6.5 percent of the base amount:
 - a. A member who is entitled to retired pay based on disability;
 - b. A member who is entitled to retired pay based on a non-Regular service retirement, 10 U.S.C. 12731; or
 - c. A member who first became a member of a Uniformed Service before March 1, 1990, and who is providing spouse (or former spouse) coverage under the threshold formula at a cost in excess of 6.5 percent of the base amount.
2. The members described in note 1 are entitled to spouse premium computation under the threshold formula if more beneficial than the flat-rate formula of 6.5 percent of the base amount. The threshold portion of the cost formula upon which the member pays 2.5 percent as cost is subject to two possible indexing provisions for those members who become participants March 1, 1986 or later—percentage increases for active duty basic pay rates and cost-of-living adjustment under 10 U.S.C. 1401a, on or after October 1, 1985.
3. Do not recalculate premiums when a child different from the child first established as the youngest child becomes the youngest eligible child.
4. Dependent Child—use age of youngest child. Exception: Use age 17 for an incapacitated child over 18 years of age when there is a competent child also over 18, but younger than the incapacitated child.

Table 45-1. Computation of SBP Premium On Establishment

EFFECTIVE DATE OF PREMIUM-INITIAL ELECTION					
R U L E	A	B			
	If on the date of election (pre-September 21, 1972 retiree) or date of retirement (post-September 21, 1972 retiree), the member has	effective date of premium is			
		first day of the month following retirement	first day of the month following election by the Secretary of the Military Department concerned	first day of the month following receipt of the election	first day of the month following the first anniversary of the marriage
1	spouse, spouse and children, children only, or natural person with insurable interest (NIP) (pre-September 21, 1972 retiree)			X	
2	spouse, spouse and children, children only, or NIP (post-September 21, 1972 retiree)	X			
3	no dependents, later marries (note 1)				X (note 4)
4	no dependents, later acquires dependent children (note 1)			X (note 2)	
5	no dependents, later marries and acquires dependent children (note 1)			X (note 3)	X (note 5)
6	been declared mentally incompetent (Secretary may make election)		X		
7	former spouse (post-September 7, 1982 retiree) or former spouse and children (post-February 28, 1986 retiree)	X (note 6)			

NOTES:

1. Member must elect within 1 year of marriage or acquiring dependent children.
2. Compute the child premium using ages of member and youngest child as of date of receipt of election.
3. The child only premium is established and continues until the first of the month following the first anniversary of the marriage. Compute child only premium using ages of member and youngest child on date of receipt of the election. When spouse becomes an eligible beneficiary, child only coverage then is changed to spouse and children coverage. Then compute child premium using ages of member, spouse, and youngest child on the date the spouse becomes an eligible spouse beneficiary.
4. If the first anniversary is on the first day of the month, cost begins that month.
5. If a child is born of that marriage before the first anniversary, the premium for spouse and child coverage is effective the first of the month following the event. If the birth or anniversary is the first day of the month, the premium is charged for that month.
6. The effective date of premium for an election for a former spouse election made from September 8, 1982 through January 31, 1983 is February 1, 1983.

Table 45-2. Effective Date Of Premium-Initial Election

EFFECTIVE DATE FOR CHANGE OF PREMIUM					
R U L E	A	B			
	If on the date of election (pre-September 21, 1972 retiree) or date of retirement (post-September 21, 1972 retiree) the member has	the effective date of premium change is			
		first day of the month following receipt of election	first day of month following family status change	first day of month following first anniversary of (re)marriage	first day of month after loss of eligibility or October 1, 1976, whichever is later
1	spouse, no child, later acquires children (notes 1, 2)	X			
2	no spouse, child only, later acquires spouse (notes 1, 7, 8)			X	
3	natural person with insurable interest (NIP) (or former spouse), later marries (notes, 1, 7, 8, 11)			X	
4	NIP (or former spouse), later acquires child (notes, 1, 3, 8, 11)	X			
5	NIP (or former spouse), later acquires spouse and child (notes 1, 4, 7, 8, 11)	X (child)		X (spouse)	
6	spouse, loses spouse, remarries (notes 1, 7, 8, 9)			X	
7	spouse and child (or former spouse and child), loses spouse (or former spouse), premium is recomputed for child (notes 5, 9)			X	
8	spouse and child (or former spouse and child), loses child (note 6)		X		
9	spouse and child (or former spouse and child), loses spouse (or former spouse), premium recomputed for child, member later marries (notes 1, 4, 7, 8, 11)			X	

Table 45-3. Effective Date for Change of Premium

R U L E	A	B			
	If on the date of election (pre-September 21, 1972 retiree) or date of retirement (post-September 21, 1972 retiree) the member has	the effective date of premium change is			
		first day of the month following receipt of election	first day of month following family status change	first day of month following first anniversary of (re)marriage	first day of month after loss of eligibility or October 1, 1976, whichever is later
10	spouse and/or child, acquires former spouse, changes coverage to former spouse or former spouse and child (note 10)	X			
11	election for former spouse deemed by Secretary concerned	premium and coverage on the later of: (a) member's retirement date; (b) the first day member could have voluntarily made such an election; or (c) the first day of month after the effective date of court order involved.			
12	been declared mentally incompetent but later adjudged competent may, within 180 days, change a Secretarial election	X			

NOTES:

- Member must elect within 1 year of (re)marriage or acquiring dependent child or children.
- Compute premium for additional child using ages of member, spouse, and youngest child as of date of receipt of election.
- Compute premium for child using ages of member and youngest child as of date of receipt of election.
- Child only premium is effective until the first of the month following the first anniversary of the (re)marriage. Compute child only premium using ages of member and youngest child on the date of receipt of the election or on the day after the date spouse eligibility is lost (rules 5 and 8). When spouse becomes an eligible beneficiary, child only coverage is changed to spouse and child coverage. Then compute new child premium using ages of member, spouse, and youngest child on date spouse becomes an eligible spouse beneficiary.
- Compute child only premium using ages of member and youngest child as of the first date following the date the spouse (or former spouse) became an ineligible beneficiary or October 1, 1976, whichever is later. If eligibility was lost the first day of the month, the child only premium begins the following month.
- If member gives exact date of loss of last dependent child, the change in premium is effective the first of the month following date provided. If exact date is not given, use first day of the month after receipt of notification.
- The premium for spouse coverage is effective first day of the month following the birth of child of that marriage if earlier than first anniversary of the marriage.
- If birth or anniversary is the first day of the month, the premium is effective that month.
- Before enactment of Public Law 94-496, October 14, 1976, the deduction for spouse premium continued past the date spouse became an ineligible beneficiary.
- Member must make election within 1 year of the date of a decree of divorce, dissolution, or annulment of marriage to spouse. Election for former spouse only may not be effective before September 24, 1983 (earliest day for premium is October 1, 1983). Election for former spouse and child may not be effective before March 1, 1986 (earliest date for premium is March 1, 1986).
- An election to terminate coverage for a NIP premium must be done in accordance with subparagraph 430701.B; an election to terminate coverage for a former spouse must be done in accordance with subparagraph 430701.B.; an election to terminate coverage for a spouse or spouse and child must be done in accordance with paragraphs 430701 and 430702.

Table 45-3. Effective Date For Change of Premium (Continued)

SUSPENSION AND TERMINATION OF PREMIUM					
R U L E		then the premium is		with an effective date	and member is
	If a member	terminated	suspended		
1	is deceased	X		last day of month of death.	
2	is recalled to active duty for more than 30 days		X	the day before entry on active duty	not required to remit premium for coverage while on active duty.
3	waives retired pay for a civil service retirement		X	date of waiver as furnished by member	providing coverage elected under civil service retirement.
4	is removed from the TDRL and retired pay is terminated (note 1)	X		date of removal from TDRL	not entitled to a refund of prior premiums.
5	elected for children and the last dependent child is no longer an eligible beneficiary (note 2)	X		first of the month after loss of eligibility (notes 3 and 4)	due a refund from first of month after loss of eligibility (note 5).
6	who has been declared mentally incompetent is restored to competency and, within 180 days, revokes election made on his or her behalf	X		first of month after receipt of election	not due a refund for period of coverage.
7	elected for spouse (or former spouse) and spouse (or former spouse) becomes an ineligible beneficiary		X	first day of month after that in which spouse became an ineligible beneficiary	due a refund from October 1, 1976 or first of month after ineligibility, whichever is later.
8	elected coverage for a natural interest person (or former spouse in insurable interest category) who dies before the member	X		last day of month in which beneficiary dies	
★9	elected coverage for a natural interest person (not a former spouse) and member discontinues participation from the Plan (see Chapter 56, paragraph 560305 for the RCSBP participant)	X		first day of month after receipt of election	

Table 45-4. Suspension and Termination of Premium

NOTES:

1. If the member returns to active duty and is subsequently retired, a new election must be made. Any election in effect while on TDRL is void.
2. A child is no longer an eligible beneficiary when he or she dies, marries, is between age 18 and 22 and not attending school, or has reached age 22 (see note 3).
3. A student whose 22nd birthday occurs before July 1 or after August 31 of any calendar year is considered age 22 on July 1 after that birthday and the premium is discontinued.
4. When the birthday is the first day of the month, the premium terminates the first day of that month.
5. If the member gives exact date of loss of last dependent child, cost is terminated the first of the next month. If exact date is not given, use first day of month after receipt of notification

Table 45-4. Suspension and Termination of Premium Continued

STANDARD SUPPLEMENTAL SBP ANNUITY PREMIUM RATES - EACH 5%					
16	.0067	48	.0162	80	.0668
17	.0070	49	.0167	81	.0698
18	.0072	50	.0174	82	.0725
19	.0075	51	.0180	83	.0761
20	.0077	52	.0188	84	.0795
21	.0080	53	.0197	85	.0842
22	.0083	54	.0207	86	.0884
23	.0086	55	.0217	87	.0931
24	.0089	56	.0227	88	.0975
25	.0093	57	.0237	89	.1029
26	.0097	58	.0248	90	.1082
27	.0100	59	.0260	91	.1135
28	.0104	60	.0262	92	.1187
29	.0108	61	.0287	93	.1239
30	.0113	62	.0302	94	.1291
31	.0118	63	.0316	95	.1342
32	.0123	64	.0331	96	.1391
33	.0127	65	.0346	97	.1439
34	.0133	66	.0362	98	.1482
35	.0136	67	.0380	99	.1520
36	.0119	68	.0395	100	.1543
37	.0112	69	.0413	101	.1579
38	.0113	70	.0430	102	.1635
39	.0117	71	.0450	103	.1681
40	.0122	72	.0474	104	.1710
41	.0127	73	.0495	105	.1764
42	.0128	74	.0518	106	.1871
43	.0131	75	.0538	107	.2180
44	.0137	76	.0564	108	.2741
45	.0143	77	.0590	109	.5809
46	.0149	78	.0613		
47	.0156	79	.0642		

Table 45-5. Standard Supplemental SBP Annuity Premium Rates - Each 5%

OPEN ENROLLMENT PREMIUM ADDITIONS	
Years Retired	Added Premium (Percent of Increased Base Amount)
0	.0%
1	.2%
2	.4%
3	.6%
4	.8%
5	1.0%
6	1.2%
7	1.4%
8	1.6%
9	1.8%
10	2.1%
11	2.4%
12	2.7%
13	3.0%
14	3.3%
15	3.6%
16	3.9%
17	4.2%
18 +	4.5%

Table 45-6. Open Enrollment Premium Additions

CHAPTER 46

SURVIVOR BENEFIT PLAN - ANNUITY AMOUNT AND OFFSETS4601 ANNUITY AMOUNT460101. General

A. The SBP, as originally enacted, provided a monthly annuity of 55 percent of the annuity base amount, cost-of-living adjusted, to the eligible spouse or children. The monthly annuity for a natural person with an insurable interest was 55 percent of the amount of the gross retired pay after cost of participation is subtracted. The annuity payable to a spouse was subject to social security offset when the spouse reached age 62.

B. If the former spouse election was effective before March 1, 1986, an annuity is provided under the insurable interest category. The annuity for a former spouse election effective on or after March 1, 1986 (or where coverage was changed to spouse category with former spouse's concurrence), is provided under the spouse category.

C. Effective March 1, 1986, under Public Law 99-145, section 711 (reference (fc)), there is a two-tier annuity benefit system for spouse and former spouse (spouse category) beneficiaries. The social security offset system was eliminated. Effective March 1, 1986, if the spouse or former spouse (spouse category) annuitant is under age 62 when becoming entitled to the annuity, the monthly annuity is 55 percent of the base amount, as adjusted under 10 U.S.C. 1401a (reference (c)). If the beneficiary is age 62 or older when becoming entitled to the annuity, the monthly annuity is 35 percent of the base amount, as adjusted under 10 U.S.C. 1401a (reference (c)). Where the annuitant reaches age 62 after becoming entitled to the annuity, the amount of the annuity is reduced to 35 percent of the base amount, as adjusted by 10 U.S.C. 1401a (reference (c)), on the first day of the month after the annuitant reaches age 62. The annuity entitlement for a natural person with an insurable interest or former spouse (insurable interest category) remains unchanged.

1. A spouse or former spouse who is an eligible annuitant on October 1, 1985, will receive 55 percent of the base amount, as adjusted under 10 U.S.C. 1401a (reference (c)), less social security offset or 35 percent of the base amount, as adjusted under 10 U.S.C. 1401a (reference (c)), whichever is greater. The greater amount becomes payable March 1, 1986 or effective on the first day of the month after the annuitant reaches age 62, whichever is later. There is no subsequent comparison.

2. The eligible spouse or former spouse beneficiary of a member on October 1, 1985, who:

- a. Is a Plan participant,
- b. Is entitled to retired pay,

c. Is qualified for that pay except that member has not applied for or been granted that pay, or

d. Would be eligible for retired pay under 10 U.S.C., Chapter 1223, (reference (c)) but for the fact that member is under age 60, may receive the greater of the two annuity amounts described in subparagraph 460101.C.1., above. The greater annuity amount becomes payable the first month the annuitant would otherwise be entitled to the annuity of 35 percent of the base amount. There is no subsequent comparison.

D. Effective April 1, 1992, a member may provide the spouse or former spouse annuitant with a Supplemental SBP (SSBP) annuity. The SSBP is an additional 5, 10, 15, or 20 percent of the annuity base amount as elected by the member and becomes payable when the annuitant reaches age 62. The SSBP is increased by cost-of-living adjustments similar to SBP.

460102. Eligible Annuitants and Annuity Amounts. Monthly annuities to which a survivor becomes entitled on or after October 1, 1983, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. Annuities to which survivors were entitled on September 30, 1983, shall be rounded when there is an adjustment under 10 U.S.C. 1401a (reference (c)); then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. All subsequent adjustments shall be based on the rounded amount. SSBP annuities, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1.

A. Spouse or Former Spouse (Spouse Category) Only. See Table 46-1. The SBP annuity for a spouse or former spouse is reduced by any Dependency and Indemnity Compensation (DIC), if the annuity is payable on behalf of the same member. An SSBP annuity is not reduced by DIC.

B. Children Only. If there is more than one eligible child, the annuity is paid in equal shares. The annuity for children is not subject to DIC offset.

C. Spouse and Child or Former Spouse and Child. The annuity is paid to the spouse or former spouse, as long as eligibility exists. If the surviving spouse or former spouse loses eligibility due to death or remarriage before age 55 (age 60, if remarried before November 14, 1986), the annuity is paid to the child annuitants. An election for former spouse and child includes the children that resulted from the member-former spouse marriage. The annuity amount for the spouse or former spouse is shown on Table 46-1. The annuity amount for children is the same as for children only in subparagraph 460102.B, above. If member elects coverage for the spouse and children and the spouse is not eligible under 10 U.S.C. 1447(3)(A) (reference (c)), the spouse qualifies as the eligible annuitant on the birth of a posthumous child of the member's marriage.

D. Former Spouse (Insurable Interest Category) or Natural Person with an Insurable Interest. The annuity is payable only to the former spouse or natural person with an insurable interest as designated by or on behalf of the member. The benefits may not be transferred to another person. The annuity amount is 55 percent of the member's gross retired pay less cost, at the time of member's death. The annuity is not reduced by DIC.

460103. Payment of Annuity

A. The SBP annuity is paid monthly to the eligible annuitant. The SBP payment is effective the first day after the death of the member unless death occurs on the 30th day of a 31-day month. In that case, the annuity starts on the first day of the next month. If a member elected coverage for a former spouse between September 8, 1982 and January 31, 1983, and died before February 1, 1983, the annuity begins February 1, 1983. Annuity payments end effective the last day of the month before the month in which the annuitant becomes ineligible.

1. An annuity for a minor child is paid to the legal guardian or, if there is no legal guardian, to the natural parent who has care, custody, and control of the child as the custodian, or to a representative payee of the child. An annuity may be paid directly to the child when the child is considered to be of majority age under the law in the state of residence. The child then is considered an adult for annuity purposes and a custodian or legal fiduciary is not required. See Appendix H for age of majority by state.

2. When the payment of premiums is in arrears, no annuity may be paid until that debt, with interest (6 percent compounded annually) has been recovered.

3. Debts of a deceased member, other than for delinquent premiums, are not the responsibility of the annuitant and may not be offset involuntarily against the annuity.

4. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

5. Debts to the United States or any of its instrumentalities incurred by the annuitant may be offset from the annuity.

6. The annuity may be paid to a trustee in bankruptcy pursuant to the order of a bankruptcy court in a proceeding under Chapter 13 of the Bankruptcy Code (reference (dg)) since such proceeding is voluntary.

7. An annuity may be paid to a third party on behalf of an incapacitated annuitant only if the third party has been appointed as guardian, custodian, or other fiduciary pursuant to a state court order or has been designated a representative payee under subparagraph 460103.C., below. Otherwise, the annuity may be paid only to the annuitant unless the annuitant has been determined to be incompetent of managing his or her own affairs by a state court, physician or psychologist. If the annuity cannot be paid directly to the annuitant or to a third party, amounts will remain unpaid and credited on account until the annuitant is determined to be competent or until a third party has been properly appointed to receive the annuity on behalf of the annuitant.

8. An eligible survivor who is physically or mentally incapacitated (but who has not been determined to be mentally incompetent by a state court, physician, or psychologist) may accept assistance from a person holding a power of attorney in completing

(including the signature element) and filing the annuity application form. Benefit payments must be made payable thereunder directly to the annuitant.

9. If the Secretary of the Military Department concerned determines that a participating member is presumed dead, the annuity accrues from the first day after retired or retainer pay was suspended or would have been suspended had the member been in receipt of pay on the basis that the member is missing.

B. The SSBP annuity begins on the later of:

1. The day on which SBP annuity becomes payable to the spouse or former spouse beneficiary if age 62 or older; or

2. The first day of the month after the month in which the spouse or former spouse beneficiary becomes age 62.

The SSBP annuity is paid monthly. The SSBP terminates effective the first day of the month in which the spouse or former spouse dies or becomes ineligible to receive an SBP annuity (except if ineligible for SBP annuity due to DIC award). SSBP coverage was not available until April 1, 1992, and the earliest effective date for SSBP annuity payment is May 1, 1992.

C. The SBP annuity due a minor, mentally incompetent, or otherwise legally disabled person for whom a guardian or other fiduciary has not been appointed may be paid to a representative payee, who in the judgment of the Secretary of the Military Department concerned, is responsible for the care of the annuitant. This includes any SSBP payable to the spouse or former spouse annuitant. The representative payee is required to spend or invest the amount paid on behalf of the annuitant solely for the benefit of the annuitant. The representative payee must certify that SBP (and SSBP, if applicable) payments received on the annuitant's behalf are used for the annuitant's benefit.

1. An annuitant is determined to be incompetent if the Secretary concerned receives an actual determination of incompetency made either by a state court, or by a physician or psychologist. A representative payee will not be established solely on the basis of a letter request from a third party that an annuitant is incapable of handling financial affairs. The annuitant will be notified of actions being taken to make a determination of incompetency and will be provided an opportunity to review the evidence being considered. The annuitant also will have the opportunity to submit additional evidence before a determination is made.

2. If a court order provides for payment of a fee to the representative payee, or if the Secretary concerned determines that payment of a fee is necessary in order to obtain the fiduciary services of a representative payee, a monthly fee will be allowed. In such circumstances, a fee of 4 percent of the monthly SBP annuity will be allowed, unless a court order dictates a lesser fee. In the case of a spouse or former spouse annuitant, the fee will be no more than 4 percent of the adjusted annuity-gross annuity less any DIC or social security offset reduction. Any court order that provides for a fee in excess of 4 percent shall be limited to 4 percent. The

representative payee will be notified of the fee percentage allowed. The fee is not a separate payment to be mailed to the representative payee, but can be withheld by the representative payee from the monthly annuity payment. The fee is part of the periodic financial accounting by the representative payee.

3. In cases where it appears necessary to protect the annuitant, the Secretary concerned may require the payee to provide a surety bond in an amount sufficient to protect the interests of the annuitant. The representative payee may pay for such bond(s) out of the SBP annuity. This is part of the periodic financial accounting by the representative payee. The Secretary concerned will determine the amount necessary in surety bond(s) based on the amount of the SBP annuity payable. A surety bond ordinarily will not be required if the representative payee is a close family member or a government or financial institution.

4. The representative payee shall be required to maintain (and, upon request by the Secretary concerned, provide) a periodic accounting of expenditures and investments of amounts paid to the payee. If the representative payee is a close family member or a government or financial institution, a periodic accounting will not be required. In situations where a periodic accounting is required, it ordinarily will be submitted annually, unless the Secretary concerned determines that a more frequent submission is required.

a. Final financial reporting will be required upon: the loss of a beneficiary's eligibility; a change of representative payee; or the determination later that an annuitant is competent to manage financial affairs.

b. Major expenditures (i.e., those in excess of \$1,000 or the value of the annuity for one year, whichever is less) from the representative payee's bank account for the annuitant require prior written approval by the Secretary concerned.

c. If the Secretary concerned has evidence to suggest that the annuity funds have been or are being misused by the representative payee, the annuity may be suspended. An investigation will be conducted to determine if a new representative payee should be appointed or if payments may be resumed to the representative payee.

5. The selection of the representative payee will be made on the basis of the individual annuitant's circumstances. Generally, the order of preference for appointing a representative payee is the:

- a. Spouse
- b. Son or daughter or legally adopted son or daughter
- c. Brother or sister
- d. Parents

- e. Head of federal or state institution
- f. Trustee of a private trust
- g. Any other individual whose appointment appears to be in the best interest of the annuitant.

If more than one person or institution requests to be named the representative payee of the annuitant, the Secretary concerned shall determine which applicant is a more appropriate payee.

6. In addition to SBP annuity payments (including payments to Minimum Income Widows covered under Chapter 51 of this volume), annuity payments under USCOA, RSFPP, and RCSBP also may be made to a representative payee.

7. The representative payee will be required to submit Reports of Existence and Certificates of Continued Eligibility as specified in Chapter 50 of this volume.

8. An annuity paid to a person on behalf of an annuitant in accordance with these provisions discharges the obligation of the United States for payment to the annuitant of the amount of the annuity paid.

460104. Provisional Annuity Payments

A. In cases involving delayed receipt of an annuity application, the head of the retired pay activity may authorize that provisional annuity payments for 2 consecutive months provided that all of the following conditions have been met:

- 1. The Military Service verifies that the member is deceased
- 2. The annuitant has been contacted
- 3. The SBP election confirms the beneficiary's identity and eligibility
- 4. The annuity to a child is paid only after the Military Service verifies school attendance for dependent child annuitants age 18 to 22.

B. Upon receipt of the annuity application, there will be an adjustment for the difference between the actual annuity entitlement due and the provisional annuity payments made.

C. Annuity payments will be suspended if a completed annuity application is not received within 60 days of the first provisional payment.

4602 OFFSETS TO THE ANNUITY

460201. When Required. The gross SBP annuity payable to a spouse or former spouse (spouse category) is offset by an award of DIC. The annuity may be further reduced by social security offset. Social security offset was eliminated March 1, 1986. When the two-tier benefit system was established, a grandfather provision allowed certain annuitants to receive annuity computed at 55 percent of the annuity base amount less social security offset if it exceeded 35 percent of the base amount. Where both offsets apply, DIC is applied first.

460202. Dependency and Indemnity Compensation (DIC) Offset. The Department of Veterans Affairs (VA) determines entitlement to and the amount of the DIC award. DIC rates are listed in Appendix L. DIC rates were based on pay grade of member until January 1, 1993. Effective January 1, 1993, DIC is payable at a flat-rate, cost-of-living adjusted. The survivors of members who died before January 1, 1993 continue to receive DIC rates based on pay grade, if it exceeds the flat-rate. The award is effective the first day of the month in which the retiree dies. The DIC payment begins on the first day of the month after the effective date of the award. The SBP annuity is reduced by the amount of the DIC as of the date on which the DIC payment begins. The DIC offset equals the actual DIC payment the spouse or former spouse receives and it increases each time DIC rates increase. For offset purposes, the DIC entitlement does not include any amount attributable to child entitlement or aid and attendance. Payment of the SBP annuity is not withheld or delayed pending verification of the DIC award if the annuitant signs a statement authorizing the VA to collect any overpayment that results from the overlap of the DIC and SBP payments.

A. Premium Refund Due to DIC Award

1. SBP. When an annuity is reduced due to DIC entitlement, a refund of SBP premium is made based on the difference between the premium actually paid and the premium that would have been needed to provide the annuity payable after the DIC reduction. The refund of premium is computed using the SBP annuity of 55 or 35 percent, whichever is applicable on the effective date of the DIC award. If the annuity is later reduced to 35 percent at age 62, no additional refund is due. If DIC entitlement is lost due to remarriage of the spouse or former spouse, SBP may be reinstated provided the spouse or former spouse repaid, or is repaying in installments, the refund of SBP contributions. When a refund is repaid and annuity begins, no additional refund is authorized if spouse or former spouse again becomes entitled to DIC.

2. SSBP. SSBP premium are not refunded. At age 62 when the SBP annuity amount decreases to 35 percent, SSBP becomes payable at the 5, 10, 15, or 20 percent rate elected by the member whether or not the SBP annuity is or was exceeded by DIC.

B. DIC Equal to or Greater than Annuity. The SBP annuity to the spouse or former spouse ends permanently except under the conditions shown in subparagraph 460202.D., below. The SSBP annuity is not affected. The SBP premium for spouse or former spouse only is refunded to the spouse or former spouse after any annuity debt is liquidated. If the annuitant dies before a refund of SBP premium is made, the refund shall be made to the annuitant's estate. If the

spouse or former spouse becomes ineligible through death, the full annuity is paid to the eligible children in equal shares.

C. Sample Computation of Refund. See Tables 46-2, 46-3, and 46-4 for a sample computation of refund. If DIC later exceeds the gross SBP annuity, the SBP annuity to the spouse or former spouse terminates.

D. Reinstatement of SBP Annuity Upon Loss of Entitlement to DIC Because of Remarriage After Age 55

1. If the spouse or former spouse whose SBP annuity entitlement was adjusted under subparagraph 460202.A. or B., above, subsequently loses entitlement to DIC because of remarriage, and the beneficiary is 55 years of age (60 years of age if remarried before November 14, 1986) or more at the time of remarriage, the annuity is reinstated under conditions specified in subparagraph 460202.D.2., below, on the effective date of the loss of DIC entitlement. The annuity is adjusted to reflect all authorized cost-of-living adjustments. If the spouse or former spouse again should become eligible for DIC, a second refund is not authorized if the spouse or former spouse received any annuity payments.

2. The widow(er) or former spouse who loses entitlement to DIC may repay the amount due in either a lump sum or in installments. If repayment is in installments, the installment payments is deducted from the SBP annuity payable. The installment will be 50 percent of the DIC amount or 50 percent of the gross annuity, whichever is less. When annuity is increased by cost-of-living adjustment, the same percentage increase will be applied to the installment deduction. No interest will accrue until the date of the first readjusted annuity payment. Thereafter, interest accumulates on any unrepaid balance at the rate of .534 of 1 percent monthly until the full amount has been repaid. Thus, the remaining debt on the date of each installment deduction will be increased by a factor of 1.00534. This is based on the 12th root of 1 plus the current 6.6 percent annual interest rate used by the DoD Board of Actuaries to determine the retirement accrual cost.

E. Late Award of DIC. When a claim for DIC is not filed within 1 year after the member's death and the spouse received an SBP annuity, no cost refund is made when DIC is later awarded. The effective date of the reduced annuity is the date that the VA receives.

460203. Social Security Offset

A. Social security offset was eliminated on March 1, 1986; however, certain spouse and former spouse annuitants age 62 or over are eligible under the social security offset system, if it provides a larger SBP annuity. Annuitants who are eligible under the grandfather provision include:

1. The spouse annuitant of a member who, on October 1, 1985:
 - a. Is a participant in the plan;

b. Is entitled to retired pay or is qualified for that pay except that member has not applied for or been granted that pay; or

c. Would be eligible for retired pay under 10 U.S.C., Chapter 1223 (reference (c)), except member is under age 60.

2. The former spouse annuitant of a member described in subparagraphs 460203.A.1a through c, above, whose divorce from the member became final on or after November 30, 1989.

★B. Before March 1, 1986, spouse annuity was reduced by social security offset based on eligibility for or receipt of social security benefits resulting from a member's active service after December 31, 1956. The SBP annuity was reduced by social security offset based on entitlement to the social security benefits of the mother, or father, or widow(er). Benefits in the social security offset system are computed under the primary insurance amount (PIA) Table Method, a Decoupled (Indexing) Formula Method, or a Transitional Guarantee Savings provision.

1. Under the PIA Table Method, the social security benefit is based upon the PIA which is determined from a schedule that relates the member's average monthly earnings (AME) under social security covered employment to the PIA. See Appendix S for this method which applies to members who attained age 62, became disabled or died before January 1, 1979. If a member in a missing-in-action status later is presumed dead, include in social security benefits only earnings through the year in which the member entered the "missing" status.

2. Under the Decoupled Formula Method (also called the "Indexing Method"), the social security benefit is computed by indexing the member's past earnings, which take into account the change in general wage levels that has occurred during the member's years of service, in proportion to the increase in average wages of all workers. Use this method to determine the member's "average indexed monthly earnings" (AIME). Compute the PIA using portions of the AIME which are multiplied by constant percentages called "bend points" depending on the year of eligibility. This method, which appears in Appendix T, applies to members who reach age 62, become disabled or die after 1978. See subparagraph 460203.B.3 for the exception. If the member was in a missing-in-action status and is later presumed dead, include in social security benefits only the earnings through the year in which the member entered the missing status.

★3. Under the Transitional Guarantee savings provision, which applies to any member who became age 62 during the period January 1, 1979 through December 31, 1983, the social security offset is computed under the Decoupled (Indexing) Method and the Transitional Guarantee formula. The Transitional Guarantee formula is computed using the pre-1979 PIA Table Method, except that earnings in the first year of eligibility and later are not included. The DFAS uses the method that provides the higher social security benefit.

C. A member with SSBP waives the right to have an SBP annuity computed under the social security offset method. The waiver is irrevocable.

460204. Offset to SBP Annuity Because of Social Security Benefits. The offset is based on the member's active military service after December 31, 1956. The reduction factor applies against the total military PIA calculated to member's age 65, unless the annuitant demonstrates that the benefit was reduced because the member was receiving a nondisability social security retirement benefit before age 65. Establish and continue the offset unless evidence is received that makes it improper. The burden is on the survivor to furnish documentation for this purpose. In applying this offset, the annuitant is considered entitled to social security benefits even if he or she has not applied for those benefits. The annuitant also is considered to be entitled, if otherwise eligible, but instead has elected to receive benefits based on his or her personal employment or the employment of some third person.

NOTE: SBP annuity is not reduced by social security offset if the Social Security Administration (SSA) determines that the annuitant is ineligible for benefits.

A. Denial of Benefits. When establishing a social security offset, advise the annuitant to submit a copy of any letter denying social security benefits. Reasons for denial of benefits include, but are not limited to, the following: insufficient credits for a member to qualify for a benefit, administrative denial, and receipt of a governmental pension.

B. Reduction of Benefits

1. A working widow(er)'s social security offset is reduced to the same extent that the full social security benefit is reduced. For example, if a widow loses 80 percent of the full social security benefit as a result of wages or salaries earned and receives only 20 percent of the benefit, the offset is computed by taking 20 percent of the member's benefit based on military earnings times the widow(er)'s offset factor. The social security offset is adjusted on verification of the social security reduction shown on the Annual Report of Earnings letter.

2. If social security payments are reduced because of employment of the widow(er) at any age with only one dependent child under age 16 (or disabled before age 22, while unmarried), the amount of the offset is a ratio computed as follows:

$$\text{Offset} = \frac{\text{Total mother's benefit after SSA reduction}}{\text{Total mother's benefit before SSA reduction}} \times \text{Mother's benefit attributable to military service}$$

The offset is recomputed on receipt of the Annual Report of Earnings letter furnished by the SSA. Significant changes in earnings during a calendar year may be reported to adjust benefits and preclude large overpayments at the end of a calendar year.

3. Offset may be reduced because of work even though no claim has been made for social security benefits.

4. If the deceased member drew nondisability social security retirement (old-age) benefits before age 65, step 16 of Appendices S and T provides for a reduction in the social security offset calculation. The social security offset calculation is not adjusted if the annuitant drew nondisability benefits before age 62.

C. Period of Offset

1. No dependent children. Social security offset begins the first day of the month after the widow, widower, or former spouse reaches age 62 or when the member dies if the annuitant is age 62 or older. The offset percentage factor is computed under subparagraph 460205.A., below.

2. One dependent child. Social Security offset began the first day of the month in which there was only one dependent child remaining. Social Security offset due to receipt of mother's SSA benefit was terminated after February 1986 under Public Law 99-145 (reference (fc)).

460205. Offset Factors

A. Widow, Widower, or Surviving Divorced Spouse's Benefit. The offset percentage factor is permanently fixed based on the survivor's age on the date the annuity starts. If the survivor's age is:

1. Under 62, the offset factor is 82.9 percent of military PIA at age 62 when the offset becomes effective.

2. Between 62 and 65, the offset factor is 100 percent of the military PIA less 19/40 of 1 percent for each month the widow or widower is under 65. See Appendix O for table of computations.

3. Age 65 or over, the offset factor is 100 percent of military PIA.

NOTE: Fractions of a month are not considered in computing the factor for ages 62-65; 6 months or over do not constitute an additional year. Before October 1977, the offset percentage for the widow or widower age 62 or over was computed at 82.5 percent of the PIA.

B. Mother's Benefit. The offset is 75 percent of the PIA based solely on the member's active service. The offset is reduced by any amount not payable by SSA because of the widow's earnings.

460206. Computation of Social Security Offset. See Appendix S for computation of social security offset for members whose eligibility year is before 1979. See Appendix T for computation of social security offset for members whose eligibility year is after 1978. The amount of the social security offset that was effective December 1, 1980, may not exceed 40 percent of the annuity payable to the surviving spouse or former spouse.

460207. Computing Social Security Offset for 10 U.S.C. 12731 (reference (c)) Retirees. The member's military earnings are computed on periods of active duty or active duty for training after December 31, 1956. Free wage credits are awarded assuming active duty tours were performed during July, unless information is provided showing actual active duty tours.

A. The member is credited with free wage credits of \$300 in any calendar quarter from January 1, 1957, through December 31, 1977, in which active duty or active duty for training wages were paid.

B. The member is credited with free wage credits in \$100 increments for each \$300 of active duty or active duty for training wages paid after December 31, 1977.

C. Any period of less than 30 continuous days of service performed on or after December 1, 1980, for which the member is entitled to a federal tax refund of the social security tax paid on the income from that service is excluded from the computation for the social security offset.

D. Appendices S and T are applicable for computation of social security offset for 10 U.S.C. 12731 (reference (c)) retirees.

ANNUITY FOR WIDOW OR WIDOWER OR FORMER SPOUSE (SPOUSE CATEGORY)				
R U L E	A	B	C	D
	If member died or was declared dead after September 20, 1972 and was (note 8)	and the annuitant was	and the annuity is (note 6)	offset by (note 9)
1	in a retired status	married to member on date of election (pre-September 21, 1972 retiree) or on date of retirement and married to member at time of member's death (note 1)	35 or 55 percent of base amount of coverage on date of member's death (note 2)	Dependency and Indemnity Compensation (DIC); Social Security offset.
2		married to member a minimum of 1 year at time of member's death if marriage occurred after September 21, 1973 (pre-September 21, 1972 retiree) or on date of retirement (note 3)		
3		the parent of a "living issue" of the marriage which occurred after September 21, 1973 or date of retirement (note 4)		
4		the former spouse of a member when member became eligible to participate September 8, 1982 or later; or the former spouse that a member acquired after becoming eligible to participate and who had been married to member at least 1 year or was the parent of issue of that marriage (note 4)		
5	on active duty before September 21, 1972 and was entitled to retired or retainer pay but had not applied for or been granted such pay	married to member on member's date of death	55 percent of retired pay to which the member would have been entitled at date of death based on active service as adjusted from date of death through November 30, 1980 (note 7)	DIC, Social Security offset, RSFPP annuity.

Table 46-1. Annuity for Widow or Widower or Former Spouse (Spouse Category)

R U L E	A	B	C	D
	If member died or was declared dead after September 20, 1972 and was (note 8)	and the annuitant was	and the annuity is (note 6)	offset by (note 9)
6	on active duty September 21, 1972 or later but was qualified for retired pay but had not applied for or been granted such pay	married to member on member's date of death or the former spouse of a member when member became eligible to participate on September 8, 1982 or later; the former spouse member acquired after becoming eligible to participate and who was married to member at least 1 year or the parent of issue of that marriage; or the former spouse which member was required under a court order or spousal agreement to provide an annuity to upon becoming eligible to participate (note 10)	35 or 55 percent of retired pay to which member would have been entitled based on years of service at time of death (note 2)	DIC, Social Security offset.
7	on active duty September 21, 1972 or later, completing 20 years of active service but, before member is able to retire as a commissioned officer because member has less than 10 years of active commissioned service		35 or 55 percent of retired pay to which member would have been entitled based on the basic pay rate at time of death for highest grade other than a commissioned officer grade in which member served on active duty satisfactorily as determined by the Secretary of the Military Department concerned (note 2)	
8	on active duty after having been retired but immediately recalled to active duty		35 or 55 percent of retired pay entitlement on date of death which pay may be computed under 10 U.S.C. 1402(a) or (e), whichever is higher and which previous election has no effect (note 2)	
9	on active duty after having retired and recalled to active duty for more than 30 days after break in service		35 or 55 percent of retired pay at time of death. Pay may be computed by whichever of two methods gives the higher rate of annuity: (a) as if member had never retired and computed as if rule 5, or (b) pay at the time of retirement, with applicable adjustments for SBP coverage as elected by the member (note 2)	

**Table 46-1. Annuity for Widow or Widower or Former Spouse (Spouse Category)
(Continued)**

R U L E	A	B	C	D
	If member died or was declared dead after September 20, 1972 and was (note 8)	and the annuitant was	And the annuity is (note 6)	offset by (note 9)
10	eligible to authorize Reserve Component annuity and dies: (a) before being notified of retirement eligibility under 10 U.S.C., Chapter 1223, or (b) during the 90-day period beginning when member receives notification of retirement eligibility, if member had not made an election	married to member on member's date of death or the former spouse of a member when member became eligible to participate September 8, 1982 or later; the former spouse member acquired after becoming eligible to participate and who was married to member at least 1 year or the parent of issue of that marriage; or the former spouse which member was required under a court order or spousal agreement to provide an annuity to upon becoming eligible to participate (note 10)	35 or 55 percent of retired pay to which member would have been entitled based on years of active service when the member died and computed on basic pay rates in effect on the effective date of the annuity (note 2)	DIC, Social Security offset.
11	being carried in a "missing in action" status at the time determination of death was made by the Secretary of the Military Department concerned, provided member met retirement eligibility at time of declaration of death	married to member on date Secretary concerned makes the determination of death	(See rule 5.)	DIC and Social Security offset.
12	retired from both military and civil service but did not waive military service for civil service purposes	(See rules 1, 2, or 3.)	(See rule 1.)	
13	retired from both military and civil service, waived military retired pay for civil service purposes, but did not elect survivor coverage at any level under the civil service retirement			

Table 46-1. Annuity for Widow or Widower or Former Spouse (Spouse Category)
(Continued)

NOTES:

1. For a member married to the same spouse at time of retirement and date of death, the statute does not require that an intervening divorce be followed by 1 year of remarriage immediately before date of death.
2.
 - a. If the beneficiary is under age 62 when becoming entitled to the annuity, the monthly annuity shall be 55 percent of the annuity base amount (as adjusted under 10 U.S.C. 1401a). The SBP annuity shall be reduced to 35 percent on the first day of the month after the beneficiary reaches age 62. However, if the beneficiary is eligible to have SBP annuity computed under the old social security offset method, 10 U.S.C. 1451 (e), the more favorable computation is payable. If a member has SSBP coverage, the member was required to waive any annuity computation under the social security offset method and the SSBP annuity of 5, 10, 15, or 20 percent of the annuity base amount, as elected by the member and adjusted under 10 U.S.C. 1401a, begins on the first day of the month after the beneficiary becomes age 62.
 - b. If the beneficiary is age 62 or older when becoming entitled to the annuity, the monthly SBP annuity shall be 35 percent of the annuity base amount (as adjusted under 10 U.S.C. 1401a). However, if the beneficiary is eligible to have SBP annuity computed under the old social security offset method, 10 U.S.C. 1451(e), the more favorable computation is payable. If a member has SSBP coverage, the member was required to waive any annuity computation under the social security offset method and the SSBP annuity of 5, 10, 15, or 20 percent of the annuity base amount, as elected by the member and adjusted under 10 U.S.C. 1401a.
 - c. Under the social security offset method, 10 U.S.C. 1451(e), a former spouse was entitled to 55 percent less no social security offset, if the divorce from the member became final before November 30, 1989, (date of P.L. 101–189 technical amendment to 10 U.S.C. 1451(e)).
3. Minimum requirement for a marriage is 1 year. A widow(er) previously ineligible to receive an annuity because of a 2-year requirement may now qualify for the annuity. No monetary adjustment is made for persons before October 1, 1976.
4. "Living issue" means the "issue by that marriage" or a child of such marriage who dies shortly after birth (such child's birth is the criterion, not the duration of the child's life).
5. If member is required under a court order or spousal agreement to provide an annuity to a former spouse upon becoming eligible to participate in the Plan or if a member has made an election to provide former spouse annuity, the Secretary concerned may not pay the annuity to the surviving spouse.
6. All SBP monthly annuities to which a survivor becomes entitled on or after October 1, 1983, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. Annuities to which survivors were entitled on September 30, 1983, shall not be rounded until there is an adjustment under 10 U.S.C. 1401a; then the amount, as adjusted, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. All subsequent adjustments shall be based on the rounded amount. SSBP annuities, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1.
7. If the "forgotten widow" is entitled to an SBP or RCSBP annuity resulting from a subsequent marriage to a member, the individual may not receive the two annuities, but must elect in writing which to receive. The annuity for a "forgotten widow" is effective December 1, 1980.
8. Under 10 U.S.C. 1448(d), annuity is payable to the surviving spouse and dependent children of a person who dies on active duty after September 20, 1972, and the former spouse of a person who dies after September 7, 1982. Under 10 U.S.C. 1448(f), annuity is payable to the surviving spouse and dependent children of a person who dies after September 30, 1978, and the former spouse of a person who dies after September 7, 1982.
9. If annuity is computed as 35 percent of the annuity base amount for an annuitant age 62 or older, the social security offset reduction under 10 U.S.C. 1451(e) does not apply.
10. Former spouse annuity applicable only where member dies after September 7, 1982.

Table 46-1. Annuity for Widow or Widower or Former Spouse (Spouse Category)
(Continued)

SAMPLE COMPUTATION OF SBP COST REFUND EFFECTIVE THROUGH FEB 28, 1981 (Note 1)										
Election or Change Effective (note 1)	Period Through (note 2)	Base Amount	Annuity	Simulated DIC Award During This Period Would Have Been	Difference	New Base Amount (note 4)	Original Cost for Spouse (note 3)	Adjusted Cost	Difference in Cost	Refund Due Widow/er (note 5)
1 Oct 72	30 Jun 73	\$1,000.00	\$550.00	\$337.00	\$213.00	\$387.27	\$77.50	\$16.23	\$61.27	\$551.43
1 Jul 73	31 Dec 73	1,061.00	583.55	337.00	246.55	448.27	83.60	22.33	61.27	367.62
1 Jan 74	30 Apr 74	1,119.36	615.65	337.00	278.65	506.64	89.44	28.16	61.28	245.12
1 May 74	30 Jun 74	1,119.36	615.65	394.00	221.65	403.00	89.44	17.80	71.64	143.28
1 Jul 74	31 Dec 74	1,191.00	655.05	394.00	261.05	474.64	96.60	24.96	71.64	429.84
1 Jan 75	31 Jul 75	1,276.74	702.21	394.00	308.21	560.38	105.17	33.54	71.63	501.41
1 Aug 75	28 Feb 76	1,341.85	738.02	441.00	297.02	540.04	111.69	31.50	80.19	561.33
1 Mar 76	30 Sep 76	1,414.31	777.87	441.00	336.87	612.49	118.93	38.75	80.18	561.26
1 Oct 76	28 Feb 77	1,414.31	777.87	476.00	301.87	548.85	118.93	32.39	86.54	432.70
1 Mar 77	18 Apr 77	1,482.20	815.21	476.00	339.21	616.75	125.72	39.18	86.54	138.38

NOTES:

1. The DoD Actuary's formula, as approved by the SBP Board, was available for use beginning March 1, 1983. For example: If the cost refund period extends from April 1, 1980 through September 30, 1983, the portion of cost refund for April 1, 1980 through February 28, 1981, is computed using Table 46-2. The portion of the refund for March 1, 1981 through September 30, 1983, is computed on the DoD Actuary's formula. See Table 46-3.
2. Legend: Member is a colonel, first election effective October 1, 1972 for spouse and children. Member died on April 18, 1977. DIC awarded on April 19, 1977.
3. Refund of cost is made for cost of coverage for spouse only.
4. New base amount is computed by dividing the difference of the annuity and DIC award by 55 percent.
5. Interest charges are due to delinquent cost should not be refunded to annuitant.

Table 46-2. Sample Computation of SBP Cost Refund Effective Through February 28, 1981 (Note 1)

REFUND OF MONTHLY PREMIUM FOR SBP EFFECTIVE MARCH 1, 1983 (See Note)

All figures should be in month that premium calculation is desired. A change would occur in any month the base amount, DIC, or cost changes. Additionally, the cost formula for spouse and former spouse changed effective March 1, 1990.

1. Month of premium calculation =
2. Actual SBP base amount =
3. Spouse annuity = (.35 or .55) times (2) =
4. DIC amount =
5. Revised spouse annuity = (3) minus (4) =
6. Revised base amount = (5) divided by .35 (or .55) =
7. Calculate N.

For members with cost computed on the 6.5 percent flat-rate reduction formula, skip to (17).

- Step 1. Month of retirement =
- Step 2. Point in time premium calculation is desired =
- Step 3. List all applicable cost of living increases which the member received between (or included in) the months listed in steps 1 and 2 as a factor of 1.xxx where xxx is the cost of living increase. For example, the 4.4 percent cost of living increase of March 1981 would be listed as a factor of 1.044.

FACTORSFULLSPECIAL

Beginning of SBP	1.0	
March 1981	1.044	
March 1982	1.087	
April 1984	1.039	1.033
December 1984	1.035	
December 1986	1.013	
December 1987	1.042	
December 1988	1.04	
December 1989	1.047	
December 1990	1.054	
December 1991	1.037	
December 1992	1.03	
December 1993	1.026	
December 1994	1.028	
December 1995	1.026	

- Step 4. Multiply all factors in step 3 together. If no factors appear in step 3, use 1.0 here. =

Table 46-3. Refund of Monthly Premium for SBP Effective March 1, 1983 (See Note)

Step 5.	$N = \text{Step 4 times } 300 \text{ (or initial threshold amount if it was not \$300)}$	=
8.	Revised base amount minus $N = (6) - (7)$ (if less than zero, use zero)	=
9.	.025 times the lesser of (6) or (7)	=
10.	.1 times (8)	=
11.	Revised premium = (9) + (10) If actual premium for the month known, skip to (15)	=
12.	Base minus $N = (2) - (7)$	=
13.	.1 times (12)	=
14.	.025 times (7)	=
15.	Actual premium = (13) plus (14)	=
16.	<u>Monthly refund</u> = (15) – (11)	
17.	If member had cost computed using the 6.5 percent flat-rate reduction formula, the difference in cost due the annuitant is: .065 times (2) less .065 times (6)	=

NOTE: Table 46–3 is effective March 1, 1983, for refund periods which include March 1, 1981 or later.

**Table 46-3. Refund of Monthly Premium for SBP Effective March 1, 1983 (See Note)
(Continued)**

TABLE 46-4	
REFUND OF MONTHLY PREMIUM FOR SBP EFFECTIVE JANUARY 4, 1994 (See Note)	
The refund of premiums due a spouse or former spouse is determined using the following defined values:	
CBP or Current Basic Premium: The actual current premium amount for the basic SBP spouse coverage elected by the member. This does not include premiums for child coverage, Supplemental SBP premiums, open enrollment premium additions, or any interest charges.	
CRP or Current Recalculated Premium: The implied current premium associated with recalculated SBP basic annuity as reduced due to receipt of DIC. This does not include premiums for child coverage, Supplemental SBP premiums, open enrollment premium additions, or any interest charges.	
TP or Total Premiums: The Total Premiums paid by the member for basic SBP, including open enrollment premium additions. This does not include any premiums for child coverage, Supplemental SBP premiums, or interest charges. This amount may be obtained from historical pay files pertaining to the member and/or from a file of total spouse premiums to be produced under the Director of Compensation, ODASD (Military Personnel Policy) by the DoD Actuary and the Defense Manpower Data Center in coordination with the DFAS.	
PR or Premium Refund: This is the premium refund amount. The premium refund is determined according to the following formula:	
$PR = (1 - CRP/CBP) \times TP$	
For example: Member is a retired O-5, deceased July 1, 1993. Data is for June 1994.	
Retired Pay:	\$2,297.00
Current Basic Premium (CBP):	149.31
SBP Spouse Annuity: .55 X 2,297	= 1,263.00
DIC Annuity:	750.00
Recalculated SBP Annuity	1,263.00 - 750.00 = 513.00
Implied Base Amount = \$513.00/.55	= 932.73
Current Recalculated Premium (CRP)	= 60.63
Total Premiums (TP) from Data Files	= 10,153.08
Premium Refund (PR) is:	
$PR = (1 - 60.63/149.31) \times 10,153.08$	
$= (1 - .4060679) \times 10,153.08$	
$= .5939321 \times 10,153.08 = 6,030.24$	

NOTE: Table 46-4 is effective January 4, 1994 for deaths which occurred on or after January 1, 1993.

Table 46-4. Refund of Monthly Premium for SBP Effective January 4, 1994

CHAPTER 47**SURVIVOR BENEFIT PLAN - ANNUITY OVERPAYMENTS****4701 CAUSES OF OVERPAYMENTS**

470101. Generally, SBP annuity overpayments are caused by:

A. Failure to reduce annuity by amount of Dependency and Indemnity Compensation (DIC) or social security benefits.

B. Nontermination of annuity because of ineligibility.

C. Erroneous computation.

D. Insufficient or untimely information.

E. A determination by the Secretary of the Military Department concerned that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead.

4702 LIABILITY

The annuitant is liable for debts created from the overpayment of an annuity. The member is liable for any indebtedness created where the annuity payments were made based on the presumption of such member's death. The member's indebtedness cannot be considered for waiver under 10 U.S.C. 2774 or 1453 (reference (c)). If the member dies before such payments are fully recovered, the annuitant may be liable for the indebtedness if such annuitant was the recipient of the annuity payments made under the presumption of death. (See Chapter 28, Table 28-1 for the collection of member's indebtedness.)

4703 LIQUIDATION OF DEBT

470301. Upon discovery of an overpayment, advise the annuitant of the debt and the method in which the overpayment is being, or may be, liquidated. The debt may be liquidated by:

A. The annuitant making direct remittance to the DFAS-Denver Center.

B. The annuitant authorizing the Department of Veterans Affairs to reduce DIC and remit the amount collected to the DFAS-Denver Center.

C. The DFAS-Denver Center reducing later SBP annuity payments.

4704 WAIVER OF INDEBTEDNESS

When applicable, the DFAS-Denver Center advises the annuitant of the right to request a waiver of indebtedness. The right to request a waiver does not constitute removal of the responsibility for repayment of the debt.

470401. Recovery of an overpayment of an SBP annuity is not required if, in the judgment of the Secretary of the Military Department concerned (or designee) and the Comptroller General, there was no fault by the person to whom the amount was erroneously paid and recovery would be contrary to the purpose of the plan or against equity and good judgment. DFAS reviews the facts of the case and recommends to the Comptroller General whether the debt should be waived.

470402. Suspension of collection action may be authorized upon receipt of a waiver request. Refund of an amount withheld before receipt of a request for a waiver is not authorized. When a waiver is granted, any amount collected after the receipt of the waiver request is refunded to the annuitant.

CHAPTER 48

**SURVIVOR BENEFIT PLAN - ANNUITY TERMINATIONS, REINSTATEMENTS
AND SUSPENSIONS**4801 TERMINATIONS

480101. Time of Termination. Entitlement to an SBP or SSBP annuity terminates effective as of the first day of the month in which eligibility is lost. If a determination is made by the Secretary of the Military Department concerned that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead, the annuity is terminated immediately since entitlement exists.

480102. Reasons for Termination. Terminate the SBP annuity when:

A. Dependency and Indemnity Compensation (DIC) equals or exceeds the SBP annuity. No annuity is paid to children if the member also provided coverage for children. SSBP annuity may be payable, however, to the spouse or former spouse annuitant age 62 or older.

B. Spouse or former spouse (spouse category) annuitant remarries before age 55 (age 60, if remarried before November 14, 1986), or dies. If the member also provided coverage for children, the full annuity is payable, in equal shares, to the remaining eligible dependent children effective on the first of the month in which the spouse or former spouse dies or remarries.

C. Child or children annuitants lose eligibility because of:

1. Child's attaining age 18 and not pursuing a full-time course of study.
2. Marriage or death of child annuitant.
3. Recovery of an incapacitated child over age 18. An annuity may be suspended if annuitant becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. The annuitant will receive advance written notice from DFAS-Denver Center prior to suspensions and will be given an opportunity to submit rebutting evidence. An annuity may be reinstated. See paragraph 480204, below.
4. Termination of student status (child over age 18 and under age 22).
5. Reinstatement of spouse or former spouse (spouse category) annuity following divorce or annulment. When only one child loses eligibility, the annuity is redivided among the remaining eligible dependent children in equal shares.

D. Former spouse (insurable interest category) or natural person with an insurable interest dies. The termination is final. There are no provisions for designating a contingent survivor annuitant.

E. A determination by the Secretary concerned that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead.

480103. Due and Unpaid Annuity. If, on the death of the annuitant, an amount remains due to the annuitant, unpaid either because the annuity checks were not negotiated or because the payment had not been established, the account is settled in accordance with Chapter 31 of this volume. There is no designated beneficiary for settlement of arrears of annuity.

4802 REINSTATEMENT OF ANNUITY

480201. Remarriage Terminated by Death of Spouse. Reinstate the annuity effective the first day of the month in which the death occurs. If annuity entitlement from the terminated marriage exists, the spouse or former spouse (spouse category) may not receive both annuities but must elect the one desired. If the spouse or former spouse elects to receive the annuity which had been terminated, update the annuity by any cost-of-living increases which occurred after termination.

480202. Remarriage Terminated by Divorce or Annulment. The annuity normally is reinstated effective the first of the month in which the divorce decree is final. In the case of foreign divorce, annulment, or other questionable information, contact the DFAS-Denver Center legal staff for guidance.

480203. Loss of DIC Entitlement Because of Remarriage After Age 60. The annuity is reinstated effective as of the date of the loss of the DIC entitlement, adjusted to reflect all cost-of-living adjustments. See subparagraph 460202.D of this volume.

480204. Reinstatement of Annuity to Incapacitated Annuitant. An annuity to an incapacitated child over 18 years of age may be reinstated upon the recurrence of the original disability rendering the annuitant incapable of self-support, or if the annuitant furnishes evidence that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular personal needs.

480205. Child Resumes School Attendance. The child's eligibility for an annuity which is terminated for school nonattendance is reinstated effective the first day of the month that the child resumes school attendance.

480206. Child's Marriage Terminated by Annulment. An annulment of a child's marriage which renders the marriage void or invalid, or by a judicial decree by a court of competent jurisdiction declaring the marriage void, would serve as a basis for reinstating a child's eligibility for annuity prospectively from the date of the judicial decree. The termination of a child's marriage by death or divorce does not serve as a basis for reinstatement of annuity eligibility.

4803 SUSPENSION

480301. Reasons for Suspension

- A. Non-receipt of yearly certificate of eligibility or monthly report of existence
(see Chapter 50 of this volume)
- B. Non-receipt of verification of school attendance
- C. Recoupment of the cost of coverage
- D. Adjustment of the annuity due to administrative error

CHAPTER 49**SURVIVOR BENEFIT PLAN - COST-OF-LIVING ADJUSTMENT****4901 BASE AMOUNTS**

All SBP base amounts are increased by cost-of-living adjustments. The adjustment to the base amount is made at the same time and by the same total percentage that retired or retainer pay is increased. If a member before retirement elects a base amount that is less than full gross pay, the elected base amount is established as the initial base amount regardless of the cost-of-living adjustment that apply to the initial computation of retired pay (excluding RCSBP elections effective July 1, 1986).

4902 THRESHOLD AND PREMIUMS FOR COVERAGE

490201. Before March 1, 1986, initial SBP cost was computed on a standard formula of 2.5 percent of the first \$300 of the base amount and 10 percent of the base amount in excess of \$300. When retired pay increased by a cost-of-living adjustment under 10 U.S.C. 1401a (reference (c)), the SBP premium was recomputed under the standard cost formula. Effective December 1, 1980, and beginning with the March 1981 cost-of-living adjustment, the percentage increase applies directly to the premium.

490202. Beginning March 1, 1986, members who elect SBP and have retired pay computed on active duty basic pay rates in effect October 1, 1985, or later, will have initial SBP premium computed using the standard formula described in paragraph 490201, above, except that the \$300 threshold amount is indexed by active duty basic pay rates effective October 1, 1985, or later. For example: A member retires on May 1, 1986. Active duty basic pay rates increased by 3 percent effective Oct 1, 1985. The initial SBP premium is computed on 2.5 percent of the first \$309 (\$300 threshold x 1.03 increase October 1985), plus 10 percent of the base amount in excess of \$309. If the member's initial computation of retired pay includes a cost-of-living adjustment effective October 1, 1985, or later, the threshold amount will be adjusted by the same cost-of-living adjustment percentage. After retirement, cost increases on cost-of-living adjustments as in paragraph 490201, above. See Table 49-1 for SBP threshold amounts.

490203. On March 1, 1990, the formula for spouse and former spouse coverage changed to a flat-rate reduction of 6.5 percent of the base amount. An individual who entered a Uniformed Service before March 1, 1990, or a member who is entitled to retired pay under Title 10, United States Code chapter 61 (disability) or chapter 1223 (non-Regular service retirement) (reference (c)) is entitled to use whichever formula is more favorable to the member.

490204. The SSBP premium is a percentage of the base amount. SSBP premiums increase in the same manner as SBP premiums. The member elects SSBP coverage in increments of 5, 10, 15, or 20 percent, and the SSBP premium is computed by multiplying the SSBP premium factor (factor rates are for each 5 percent of SSBP coverage) based on member's age at election by 1, 2, 3, or 4, respectively. The SSBP premium rates are shown on Table 45-5.

490205. Members who elect spouse or former spouse coverage, or who increase the base amount of spouse or former spouse coverage during the open enrollment period April 1, 1992, through March 31, 1993, are subject to a premium addition as shown on Table 45-6. The additional premium is based on the number of years member had been retired. The premium addition does not apply to any member making an open season election who currently is paying RSFPP premiums for spouse coverage or who is electing SBP coverage for spouse and previously participated in SBP but later withdrew from participation under the provision for totally disabled members.

4903 ANNUITIES

★490301. Normally, SBP and SSBP annuities increase under 10 U.S.C. 1401a (reference (c)) at the same time and by the same percentage that retired pay increases by cost-of-living adjustment. EXCEPTION: When the payment of increased retired pay due to a cost-of-living adjustment is delayed by law, the increased annuity due to a cost-of-living adjustment is not delayed.

A. The cost-of-living adjustment applies to the monthly gross annuity amount (that is, before any reductions such as DIC).

B. Annuities that initially were effective on the same day as the cost-of-living adjustment before December 1, 1980 were not entitled to the adjustment as the law required that an annuity be payable on the day before the effective date of the adjustment. Effective December 1, 1980, annuities were recomputed to include the previously denied cost-of-living adjustment; however, no retroactive payment was made for the period before December 1, 1980.

C. In April 1983, costs that normally would have increased by the full cost-of-living adjustment were increased by 3.3 percent (one-half of an assumed cost-of-living adjustment) for members under age 62 effective March 1, 1983. Costs increased by 3.9 percent for members age 62 or older on March 1, 1983, or any age if retired for disability. All base amounts for computing SBP annuity increased by 3.9 percent. See paragraph 080454 of this volume.

★490302. See paragraph 510202 of this volume regarding cost-of-living adjustments for Minimum Income Widow annuities.

SURVIVOR BENEFIT PLAN THRESHOLD AMOUNT			
R U L E	A	B	C
	If retired pay is based on active duty rates effective	and increased by cost-of-living adjustment	Then the SBP threshold is
1	before October 1, 1985		\$300.00
2	October 1, 1985- 3 %		309.00
3		December 1, 1986- Pre-August 1986 Member 1.3% Post-August 1986 Member 0%	313.02 309.00
4	January 1, 1987- 3%		318.00
5		December 1, 1987: Pre-August 1986 Member 3.7% Post-August 1986 Member: if retired January-March 1987 3.7% if retired April-June 1987 2.5% if retired July-September 1987 1.2% if retired October-December 1987 0%	329.77 329.77 325.95 321.82 318.00
6	January 1, 1988- 2%		324.00
7		December 1, 1988: Pre-August 1986 Member 3.2% Post-August 1986 Member: if retired January-March 1988 2.4% if retired April-June 1988 2.1% if retired July-September 1988 1.1% if retired October-December 1988 0%	334.37 331.78 330.80 327.56 324.00
8	January 1, 1989- 4.1%		337.00
9		December 1, 1989: Pre-August 1986 Member 3.6% Post-August 1986 Member: if retired January-March 1989 2.9% if retired April-June 1989 2.1% if retired July-September 1989 .5% if retired October-December 1989 0%	349.13 346.77 344.08 338.69 337.00
10	January 1, 1990- 3.6%		349.00
11		December 1, 1990: Pre-August 1986 Member 4.4% Post-August 1986 Member: if retired January-March 1990 3.7% if retired April-June 1990 2.2% if retired July-September 1990 1.5% if retired October-December 1990 0%	364.36 361.91 356.68 354.24 349.00

Table 49-1. Survivor Benefit Plan Threshold Amount

R U L E	A	B	C
	If retired pay is based on active duty rates effective	and increased by cost-of-living adjustment	then the SBP threshold is
12	January 1, 1991- 4.1%		\$363.00
13		December 1, 1991: Pre-August 1986 Member 2.0% 370.26 Post-August 1986 Member: if retired January-March 1991 1.2% 367.36 if retired April-June 1991 .9% 366.27 if retired July-September 1991. 5% 364.82 if retired October-December 1991 0% 363.00	
14	January 1, 1992- 4.2%		378.00
15		December 1, 1992: Pre-August 1986 Member 2.3% 386.69 Post-August 1986 Member: if retired January-March 1992 1.5% 383.67 if retired April-June 1992 1.2% 382.54 if retired July-September 1992 .5% 379.89 if retired October-December 1992 0% 378.00	
16	January 1, 1993- 3.7%		392.00
17		December 1, 1993: Pre-August 1986 Member 1.9% 399.45 Post-August 1986 Member: if retired January-March 1993 1.2% 396.70 if retired April-June 1993 .7% 394.74 if retired July-September 1993 .2% 392.78 if retired October-December 1993 0% 392.00	
18	January 1, 1994- 2.2%		401.00
19		December 1, 1994: Pre-August 1986 Member 2.2% 409.82 Post-August 1986 Member: if retired January-March 1994 1.4% 406.61 if retired April-June 1994 1.2% 405.81 if retired July-September 1994 .7% 403.81 if retired October-December 1994 0% 401.00	
20	January 1, 1995- 2.6%		411.00
21		December 1, 1995: Pre-August 1986 Member 2.0% 419.22 Post-August 1986 Member: if retired January-March 1995 1.3% 416.34 if retired April-June 1995 .8% 414.29 if retired July-September 1995 .2% 411.82 if retired October-December 1995 0% 411.00	

Table 49-1. Survivor Benefit Plan Threshold Amount (Continued)

R U L E	A	B	C
	If retired pay is based on active duty rates effective	and increased by cost-of-living adjustment	then the SBP threshold is
22	January 1, 1996- 2.4%		421.00
★23		December 1, 1996: Pre -August 1986 and Pre-September 8, 1980 Member: 2.5% Pre-August 1986 and Post September 7, 1980 Member: Retired January-March 1996 2.5% Retired April-June 1996 1.5% Retired July-September 96 .5% Retired October-December 1996 0% Post-August 1986 Member: Retired January-March 1996 1.7% Retired April-June 1996 1.0% Retired July-September 1996 .2% Retired October-December 1996 0%	431.53 431.53 427.32 423.11 421.00 428.16 425.21 421.84 421.00
★24	January 1, 1997 - 3.0%		434.00

Table 49-1. Survivor Benefit Plan Threshold Amount (Continued)

CHAPTER 50

**SURVIVOR BENEFIT PLAN – CERTIFICATE OF ELIGIBILITY AND
REPORT OF EXISTENCE**5001 ANNUAL CERTIFICATE OF ELIGIBILITY

500101. Purpose. The certificate validates continued eligibility of annuitants, whether eligible spouse, former spouse (spouse category), or children. The spouse, former spouse, and child must meet eligibility requirements in section 4401 of this volume.

500102. Frequency of Certification

A. Annually. Each year the eligible spouse, former spouse (spouse category), or custodian or legal fiduciary for a minor child must submit a certificate of eligibility to the DFAS-Denver Center.

B. Biennially. Every 2 years a medical certification must be submitted to the DFAS-Denver Center for an incapacitated child over 18 years of age, unless medical prognosis indicates the disability is permanent.

C. Other. A student between the ages of 18 and 22 must submit evidence of intent to continue study or training at a recognized educational institution. The certificate is required for the school semester or other period in which the school year is divided.

1. Payments to students continue during any interval between school years that does not exceed 150 days if those students demonstrate, to the satisfaction of the DFAS-Denver Center, that they have a bona fide intention of resuming or continuing a full-time course of study or training in a recognized educational institution immediately after that interval.

2. An eligible student annuitant under SBP properly enrolled in a recognized educational institution employing the usual quarter or semester system, who becomes ill or requires non-elective surgery during the school term, retains his or her student status for the rest of that term.

500103. Failure to Furnish Certificate. Annuity payments are suspended if the annuitant, custodian, or legal fiduciary fails to furnish the certificate as required. Payments are restarted only after receiving satisfactory proof of eligibility.

5002 REPORT OF EXISTENCE (ROE)

500201. Purpose. The ROE fulfills the requirement for report of existence for:

A. Annuitants who receive payment through foreign postal channels. The ROE is not required when the payment is addressed to a United States Consulate, American Embassy, military attache', or FPO or APO address. NOTE: Do not mail checks to an annuitant living in currency-blocked countries. See Appendix A for a list of blocked countries.

B. Mentally incompetent annuitants who receive payments through a third party.

C. Annuitants whose payments are sent to a third party, other than a financial institution for negotiation under a power of attorney.

500202. Frequency. An ROE is required on a "1 month behind" basis for those annuitants that meet the criteria of subparagraphs 500201.B and C, above, and semi-annually for annuitants in subparagraph 500201.A, above. The term "1 month behind," as defined in Appendix K, means a member's acknowledgement of the receipt of a check would permit the release of the check for the next month. Receipt of the certificate within the above-prescribed time frames after issuance of the annuity check verifies the annuitant's existence. Under no circumstances may the ROE be signed by other than the annuitant, custodian, or legal fiduciary.

500203. Failure to Return Report of Existence. Annuity payments are suspended if the annuitant, custodian, or legal fiduciary fails to return the ROE as required. Payments are restarted only after receiving satisfactory proof of existence.

CHAPTER 51**SURVIVOR BENEFIT PLAN - MINIMUM INCOME WIDOW****5101 ELIGIBILITY CRITERIA**

510101. An annuity under the minimum income widow provision of the SBP law (see paragraph 420102 of this volume) is payable to widows receiving a Spanish-American War pension without regard to income. The annuity is payable to all other widow's who meet all of the following conditions.

A. The widow is not otherwise entitled to an annuity under other provisions of the Plan or to Dependency and Indemnity Compensation from the Department of Veterans Affairs.

B. The widow is eligible for a widow's non-service-connected death pension from the Department of Veterans Affairs under 38 U.S.C., Chapter 15, subchapter III (reference (ar)).

C. The widow has annual income from all sources (including amount of RSFPP annuity entitlement but excluding amount of VA pension), as determined by the Department of Veterans Affairs, that is less than the annual income rate in Appendix R. If the widow previously was denied an annuity because of income in excess of income limitations, entitlement may exist upon notice from the widow or from the Department of Veterans Affairs that her current yearly income, as determined by the Department of Veterans Affairs, is less than the income limitation. The annuitant is not entitled to a monetary adjustment for periods before October 1, 1976.

D. The widow is a person who, on September 21, 1972, was--or during the period beginning on September 22, 1972, and ending on March 20, 1974, became--a widow of a person who was entitled to retired or retainer pay when he died. Remarriage by the widow bars entitlement to an annuity under this provision of law unless the remarriage is terminated by an annulment. If there are questions as to whether an annuity should be reinstated after an annulment, refer the matter to the appropriate legal office.

NOTE: DD Form 1885 (Survivor Benefit Plan-Minimum Income Claim) and DD Form 1895 (Request for Veterans Administration Pension and Annual Income Information) have been approved for use in administering the minimum income widow annuity under Public Law 92-425 (reference (ew)) and 38 U.S.C. 1503 (reference (ar)).

5102 AMOUNT OF ANNUITY

The maximum annuity payable is shown in Appendix R. The Department of Veterans Affairs determines the yearly entitlement and advises the DFAS. This amount is prorated by the DFAS-Denver Center and is paid on a monthly basis.

510201. The annuity of a widow receiving a Spanish-American War pension is reduced by the amount of any RSFPP which may be payable.

510202. The amount of the annuity is neither rounded nor increased to reflect retired pay cost-of-living adjustments. However, the annual income rates (Appendix R) shall be increased by the same amount and shall have the same effective date whenever there is an increase in the limitation on annual income for the purposes of eligibility for pension benefits under 38 U.S.C. 1541(b) (reference (ar)).

510203. There is no social security offset against the annuity.

510204. The annuity is subject to federal income tax.

510205. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

5103 EFFECTIVE DATE OF ENTITLEMENT

The effective date of entitlement is the date that the SBP law was enacted (September 21, 1972) or the date on which the requirements of law are met, whichever is later, subject to the 6-year statute of limitations.

5104 ANNUITANT - MENTALLY OR PHYSICALLY INCAPACITATED

510401. If, for any reason, a minimum income widow is mentally or physically incapable of applying for or negotiating the payment of the annuity, a court-appointed guardian may act on her behalf. If no guardian has been or will be appointed, the person having care, custody, and control of the incapacitated annuitant is authorized to act on her behalf.

510402. A report of existence is required when the annuitant receives payments through foreign postal channels or through a third party if the annuitant is incapacitated. See paragraph 500201 of this volume.

510403. The yearly certificate of continued eligibility is not required.

5105 CHANGES AND TERMINATION

Changes in the amount of the annuity payable or termination of the annuity must be in accordance with the effective date of change or termination as shown by the Department of Veterans Affairs. If termination is due to death of the annuitant, entitlement ceases as of the first day of the month in which death occurs. Any amounts which are due and payable at the time of annuitant's death may, on receipt of a properly executed and documented claim, be paid to the widow's estate.

5106 REOPENED CLAIM

The DFAS-Denver Center will reestablish an annuity that has been temporarily suspended because of the widow's excessive income or net worth as of the first day of the month in which the widow meets the income level for an annuity as determined by the Department of Veterans Affairs. Notification of any change in income is the widow's responsibility.

5107 CAUSES OF OVERPAYMENT

510701. The widow's minimum income annuity was not timely terminated when her annual income exceeded the applicable rates shown in Appendix R.

510702. Erroneous computation.

510703. Insufficient or untimely information.

5108 LIABILITY

510801. The annuitant is liable for debts caused by overpayment of the annuity. The annuity may not be used as an offset against an indebtedness incurred by the member. The debt may be liquidated by:

A. The annuitant by making direct remittance to the DFAS-Denver Center.

B. The annuitant authorizing the Department of Veterans Affairs to reduce the pension under 38 U.S.C., Chapter 15, subchapter III (reference (ar)), and remitting the amount collected to the DFAS-Denver Center.

C. The DFAS-Denver Center by reducing later annuity payments to minimum income widows.

5109 WAIVER OF INDEBTEDNESS

The request for waiver consideration is handled under the provisions of 10 U.S.C. 1453 (reference (c)). See section 4704 of this volume.

CHAPTER 52

SURVIVOR BENEFIT PLAN - TAXABILITY OF ANNUITIES5201 FEDERAL INCOME TAX

SBP annuities are taxable for federal income tax purposes. A refund of cost resulting from an administrative error, correction of records, or the awarding of DIC is taxable to the annuitant. The member's retired pay tax status has no bearing on the taxability of the annuity or the refund of cost. See Table 52-1 for exceptions on the taxability of the annuities.

5202 FEDERAL INCOME TAX WITHHOLDING (FITW)

520201. General Provisions. SBP annuity payments are income subject to FITW. An annuitant has the right to elect that no tax be withheld. In the absence of such an election, or if the annuitant does not otherwise submit a withholding certificate, the DFAS-Denver Center will withhold on the basis of "married, three exemptions." The annuitant may use TD Form W-4P or any substitute form furnished by the payer.

520202. Notice Requirements. The DFAS-Denver Center must advise the annuitant of the withholding requirement, and the right to elect that no tax be withheld, when making the first payment to the annuitant. Thereafter, the DFAS-Denver Center must provide annual notice to the annuitant of the right to elect no withholding, revoke an election or submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke such election, or request any rate of withholding.

520203. One-Time Payments

A. SBP Cost Refunds. Cost refunds, a "non-periodic distribution," are subject to FITW at the rate of 10 percent unless the annuitant has elected no withholding. The annuitant has the right to make a FITW election on this refund separately from any election already in operation for all other SBP annuity payments.

B. Other. SBP annuity payments, other than the regular monthly entitlement, and other than the cost refunds above, are subject to FITW at the rate of 28 percent unless the annuitant has elected no withholding.

5203 INCOME EXCLUSION

520301. Consideration for Contract. The SBP annuitant is entitled to an income exclusion when, upon death of the participant member, the "consideration for contract" has been excluded in whole from the member's gross income.

After December 31, 1965, the member's survivor who is receiving the annuity may exclude from gross income such annuity payments received until the total exclusion equals the portion of

the “consideration of contract” not previously excluded from the member’s taxable income. The DFAS-Denver Center will accomplish the applicable direct reduction in taxable income for the annuitant and report the residual amount as taxable income on the annuitant’s Form 1099-R.

Example: When a member died on January 1, 1995, \$1000 of the total “consideration for contract” had not yet been excluded from the member’s non-disability retired pay. For 1995, DFAS would have reported the taxable annuity less \$1000, and this reported residual amount would have been used by the surviving spouse in his or her income tax computation for the calendar year.

★520302. Disabled Member’s Death Before Normal Retirement Age. In addition to the income exclusion allowed for “consideration for the contract,” the survivor of a member who retired because of a physical disability resulting from military service and died after September 20, 1972, but before August 21, 1996, before reaching normal “retirement age,” may exclude an aggregate of \$5,000 from taxable income on income tax returns. The survivor includes amounts in excess of \$5,000 in gross income. The DFAS-Denver Center should, upon request, provide the effective date of premiums, the total premiums paid (showing separate totals for deductions and direct remittances), the effective date, and amount of annuity.

★520303. Direct Cost Payments. The tax-free benefit on SBP premiums is not available to members who waived military retired pay to receive disability compensation from the Department of Veterans Affairs (see paragraph 450602 of this volume). Instead, upon the member’s death, annuity paid to the member’s survivor will be exempt from federal income tax until the amount excluded equals the total of the member’s direct cost payments.

5204 ADJUSTMENT TO TAXABLE ANNUITY

Reserved

★5205 FEDERAL ESTATE TAX

The value of the annuity at the time of the member’s death may be subject to federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. The DFAS may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For a computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member’s estate may write to:

Internal Revenue Service
Chief, Estate and Gift Tax Branch
Attn: CC:DOM:PSI:4 RM 5431
1111 Constitution Avenue, NW
Washington, DC 20224

Commercial Telephone (202) 622-3090

5206 STATE TAXATION

The Form 1099-R information is furnished to the appropriate state tax authority whether SBP annuities are subject to state inheritance or income tax and the method of calculating such tax depend upon the laws of the state concerned.

5207 FURTHER TAX INFORMATION

Survivors should be advised that they may obtain further information concerning taxation of SBP annuities from the cognizant District Director of Internal Revenue or the cognizant state tax authority.

TAXABILITY OF SURVIVOR BENEFIT PLAN/RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN-NON-RESIDENT ANNUITANTS RESIDING OUTSIDE THE UNITED STATES				
R U L E	A	B	C	D
	If the SBP annuitant resides in the country of	and	then the SBP annuity is	at the rate of
1	Australia, Belgium, Cyprus, Egypt, Finland, France, Germany, Iceland, Korea, Morocco, Netherlands, Norway, Pakistan, Romania, Trinidad and Tobago, and United Kingdom	is a citizen of the country in which residing	not taxable (note)	
2	Italy	is an Italian national		
3		is not an Italian national	taxable	30 percent.

NOTE: In order to claim entitlement to exemption from taxation based upon a tax convention or treaty, a non-resident alien annuitant is required to file Treasury Form 1001 (Ownership, Exemption, or Reduced Rate Certificate) with DFAS–Denver Center.

Table 52-1. Taxability Of Survivor Benefit Plan/Retired Serviceman's Family Protection Plan-Non–Resident Annuitants Residing Outside the United States

CHAPTER 53

**RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP) –
APPLICATION OF PLAN**5301 PURPOSE

The RCSBP extends eligibility to the survivor benefit program to Reserve Component members who would be eligible to receive retired pay at age 60. The Plan allows members to leave a portion of their retired pay to survivors.

5302 SPECIALIZED TERMS

530201. Base Amount. The amount of monthly retired pay to which a member would be entitled:

A. On date of death, if the member died before age 60 and elected the immediate annuity option, or died after age 60 with an immediate or a deferred annuity option; or

B. Upon age 60, if member died before age 60 and elected the deferred annuity option; or

C. Any lesser amount of pay designated by the member before the end of the 90-day period beginning on the date the member receives the 20-year notification of eligibility for retired pay under 10 U.S.C., Chapter 1223 (reference (c)), with the concurrence of the spouse of the member, if required, but not less than \$300. If full retired pay is less than \$300, full retired pay must be designated by the member.

530202. Date of Receipt of Election for RCSBP. The date of the receipt of the election by the member's records custodian, or the date of postmark on the envelope in which the election was received by the records custodian when the member's election intent may be prejudiced.

530203. Date of Retirement. The first day the member is entitled to draw pay or the first day the member would have received pay if alive at age 60.

530204. Eligible for Retired Pay. The date the member receives notice of eligibility for retired pay at age 60.

530205. Entitled Member. A person who is age 60 and is entitled to receive retired pay.

530206. Member. Current and former Reserve Component personnel who have completed 20 years of qualifying federal service.

530207. RCSBP or Plan. The Reserve Component Survivor Benefit Plan.

530208. Reserve Components. The following is a listing of the Reserve Components:

- A. Army National Guard of the United States
- B. U.S. Army Reserve
- C. U.S. Naval Reserve
- D. U.S. Marine Corps Reserve
- E. Air National Guard of the United States
- F. U.S. Air Force Reserve
- G. U.S. Coast Guard Reserve
- H. Army National Guard
- I. Air National Guard
- J. Navy Militia.

530209. Retirement-Eligible Member or Eligible Member. A member who becomes eligible for retired pay under 10 U.S.C., Chapter 1223 (reference (c)), upon completion of 20 years of satisfactory service.

530210. SBP. The Survivor Benefit Plan for members of the Uniformed Services.

NOTE: SBP (see Chapters 42 through 52 of this volume) and RCSBP share many of the same terms. Terms that are not defined specifically in this paragraph are defined in section 4202 of this volume.

530211. Supplemental Survivor Benefit Plan (SSBP). This is a supplemental annuity paid to a spouse or former spouse by virtue of eligibility under 10 U.S.C. 1458 (reference (c)). The SSBP for Reserve Component SBP participants sometime is referred to as RC-SSBP.

5303 ELIGIBLE PARTICIPANTS

The following members are eligible to participate in the Plan in one of the following coverage categories: spouse, spouse and child, child, or natural person with an insurable interest. Members who became eligible to participate in the Plan on September 8, 1982, or later, may elect

former spouse coverage. Members who became eligible to participate on March 1, 1986, or later, may elect former spouse and child coverage.

CHAPTER 54

**RESERVE COMPONENT SURVIVOR BENEFIT PLAN –
ELECTION AND ELECTION CHANGES**5401 ELECTION

540101. Any member who was eligible for retired pay under 10 U.S.C., Chapter 1223 (reference (c)) on September 30, 1978, but who was under age 60, or who received by June 30, 1979, a notification of completion of the years of service required for eligibility of such retired pay, had until September 30, 1979 to make an RCSBP election. Public Law 96-107 (reference (ff)) extended the period to elect participation in the RCSBP. Any member who met the service requirement, but not the age, before September 30, 1978, had through March 31, 1980 to elect RCSBP, to decline RCSBP or to revoke a previous RCSBP election. A member who declined RCSBP or revoked a previous RCSBP election retained eligibility to participate in the SBP at age 60.

540102. Any member who is notified of his or her completion of the years of service required for retired pay eligibility under 10 U.S.C., Chapter 1223 (reference (c)) may elect to participate in the Plan before the end of a 90-day period that begins on the date of such notification. A member who does not participate before the end of the 90-day period remains eligible to participate in the SBP at age 60.

540103. Any Reserve member in receipt of retired pay on August 13, 1981 was eligible to participate in the SBP or to increase RCSBP coverage during the open enrollment period October 1, 1981 through September 30, 1982.

540104. Any Reserve member who was entitled to retired pay under 10 U.S.C., Chapter 1223 (reference (c)), but not yet age 60 on August 13, 1981, was eligible for the open enrollment period October 1, 1982 through September 30, 1983.

540105. Any Reserve member who has a former spouse and dependent child when becoming eligible to participate in the Plan on March 1, 1986, or later, may elect former spouse or former spouse and child coverage, provided the child is the result of the member-former spouse marriage. If the member elected former spouse coverage between September 8, 1982 and February 28, 1986, that former spouse coverage is under the insurable interest category and the election does not include children.

540106. Any Reserve member participating in the Plan with spouse or spouse and child coverage could have changed that election between September 24, 1983 and September 23, 1984, or within 1 year of the date of divorce, dissolution or annulment, whichever is later, to provide an annuity to a former spouse (elections March 1, 1986, or later, may be for former spouse or former spouse and child).

540107. Any member who became a participant between October 19, 1984, and November 8, 1985, could have withdrawn from the Plan between November 8, 1985, and November 7, 1986, except those participating with former spouse coverage on the basis of a deemed election.

540108. Any member who made a former spouse election before November 8, 1985, could have changed that election between November 8, 1985, and November 7, 1986, to provide coverage for former spouse and child provided the child was the result of the member-former spouse marriage.

540109. Any member who elected former spouse coverage before November 8, 1985, could have, with the concurrence of the former spouse, changed that election from former spouse (insurable interest category) to former spouse (spouse category). Such election had to be made between November 8, 1985 and November 7, 1986.

540110. Any member who was a participant before November 8, 1985, and who did not elect former spouse coverage, could have elected former spouse coverage between November 8, 1985 and November 7, 1986.

540111. Any member who, before November 8, 1985, elected former spouse coverage could have changed the election to former spouse and child coverage not later than March 1, 1987. Any member who elected former spouse coverage between November 8, 1985 and February 28, 1986, could have changed the election to former spouse and child coverage not later than November 13, 1987.

540112. Effective April 1, 1992, members who are providing spouse or former spouse coverage at the maximum level may elect Supplemental SBP coverage. A member who anticipates becoming an RCSBP participant with maximum coverage for spouse or former spouse, and who wants Supplemental SBP coverage, must elect RC-SSBP before the day on which the member first becomes a participant in the Plan. If, upon becoming a participant in the Plan, the member is not providing an annuity for spouse or former spouse at the maximum level, any RC-SSBP election shall be void. Certain eligible members were given an opportunity from April 1, 1992 through March 31, 1993, to elect RCSBP, RC-SSBP coverage, or to change RCSBP coverage.

5402 ELECTION DATA

540201. The modified version of DD Form 1883 (Survivor Benefit Plan Election Certificate) and DD Form 1882 (Survivor Benefit Plan Election Change (when available)), are recommended for use by the member. However, any election is acceptable provided it is in writing, contains the information necessary to establish or decline coverage, and is signed by the member. Spousal concurrence of certain elections, however, is required beginning March 1, 1986. A former spouse election by the member will be accompanied by a written statement setting forth whether the election is made pursuant to a voluntary, written agreement previously entered into by the member as a part of, or incident to, a proceeding of divorce, dissolution, or annulment and, if so, whether

such agreement has been incorporated in, or ratified or approved by a court order. On a deemed former spouse election, the Secretary of the Military Department concerned receives a written request, in a manner prescribed by the Secretary, and a copy of the court order, regular on its face, which incorporates, ratifies, or approves the voluntary, written agreement of such person or a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable state law. The election should show:

A. Identification. Member's name, social security number, date of birth, and date of retirement.

B. Base Amount. A member who participates in the Plan elects a base amount of maximum or reduced coverage. Effective July 1, 1986, a member who receives a 20-year notification of eligibility, and who elects to participate in RCSBP, must elect to cover:

1. One hundred percent of retired pay; or
2. A percentage of retired pay which is less than 100 percent, but which is greater than or equal to \$300 when computed against the amount of retired pay which would be payable as of the effective date of the election; or
3. A given dollar amount which is greater than or equal to \$300, but less than 100 percent of retired pay.

If a member's full retired pay, computed as of the effective date of the election, is less than \$300, he or she must elect to cover 100 percent of retired pay. If the member elects to cover a dollar amount which is greater than 100 percent of his or her retired pay, as computed on the effective date of the election, the election will be considered to be for 100 percent of retired pay. Any dollar election will be converted to a percentage of retired pay as of the effective date of the election. A member making this election should be advised that his or her election will be converted to a percentage of retired pay as would be payable if he or she were 60 years of age on the date the RCSBP election becomes effective and will be based on that same percentage of retired pay regardless of the changes in the retired pay that may occur as a result of pay rate increases, additional points accumulated, or promotion or longevity step increases.

C. Annuity Option. In addition to Option A, Survivor Benefit Plan (SBP), the member has two survivor annuity options, Options B and C.

1. Option A. The member defers a survivor annuity election or declines coverage until age 60. There is no coverage for the years between becoming eligible for retirement and reaching age 60. If the member dies before reaching age 60, no survivor annuity is payable. At age 60, the member may elect to participate in SBP as any other member becoming entitled to retired pay.

2. Option B. The member elects to provide a deferred survivor annuity that begins on the date that would have been the member's 60th birthday, or on the day after the member's death, whichever is later.

3. Option C. The member elects to provide an immediate survivor annuity beginning on the day after the member's death, whether before or after age 60.

D. Coverage. A member may elect coverage for:

1. Spouse and/or children;
2. Former spouse or former spouse and children; or
3. Natural person with an insurable interest (at maximum level of coverage only).

E. Beneficiary. Show the name, birthdate, and social security number for each beneficiary named. If coverage includes spouse, the member must furnish the date of marriage. When the beneficiary is a natural person with an insurable interest, the address and relationship must be shown. For the natural person with an insurable interest, the member must provide a signed statement to show proof of financial benefit if the person designated is more distantly related than cousin.

F. Signature. The member must sign and date the election. Two disinterested persons must witness a document signed by an "X."

NOTE: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law.

G. Spousal Concurrence. Effective March 1, 1986, a married member who elects RCSBP coverage for less than maximum coverage for the spouse, when the member becomes eligible to participate, must obtain the concurrence of the spouse in writing. If former spouse coverage is elected or deemed, the spouse's concurrence is not required; however, the spouse is notified of the former spouse coverage. (See paragraph 430305 of this volume if spousal concurrence is required.) If the member chooses to defer the SBP decision to age 60; that is, elects Option A, spousal concurrence is not required.

H. SSBP Percentage of Annuity Coverage. A member who elects spouse or former spouse coverage at the maximum level may provide an additional percentage of the base amount in increments of 5, 10, 15, or 20 percent. A member may not make an SSBP election if the spouse or former spouse is entitled to annuity computed under the social security offset method (see 10 U.S.C. 1451(e) (reference (c))). However, the member may elect SSBP if he or she waives the right to have annuity computed under the social security offset method.

5403 IRREVOCABLE ELECTIONS AND DISCONTINUED PARTICIPATION

540301. Elections filed during the 90-day period are irrevocable unless revoked before the expiration of the 90-day period, except under the following circumstances:

- A. The election was revoked before March 31, 1980.
- B. The member discontinues participation as a totally disabled member as described in section 4308 of this volume.
- C. The mentally incapacitated member later is determined to be mentally competent and revokes or changes the RCSBP election within 180 days after such determination of judgment.
- D. The member, who elected to participate between October 19, 1984, and November 8, 1985, elected to withdraw from RCSBP before November 8, 1986, under section 711 of Public Law 99-145 (reference (fc)).
- E. The member elected less than maximum coverage without spousal concurrence and it later is determined by the Secretary of the Military Department concerned that spousal concurrence was appropriate.
- F. The Secretary concerned revokes an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a Secretarial prerogative and, except when procured by fraud, is final and conclusive on all officers of the United States.
- G. The SBP election may be changed to and from former spouse coverage shown in sections 4307 and 5405 of this volume.
- H. Changed retirement eligibility. See section 5405 of this volume.
- ★I. The member voluntarily terminates RCSBP coverage for a natural person with an insurable interest (not a former spouse).

5404 ELECTION COVERAGE540401. Spouse and/or Children

A. A member may elect coverage at the maximum level or at a reduced amount for an eligible spouse, spouse and children, or dependent children only. Spousal concurrence is required on elections for less than maximum spouse coverage. A member with maximum spouse coverage may also elect SSBP coverage.

B. When a member declines coverage for eligible spouse and children beneficiaries, the member is prohibited from later electing in to the Plan except under section 4309 (open enrollment) or section 5405 (changed retirement eligibility). When a member refuses coverage for only one class of eligible beneficiary, apply the same exceptions contained in sections 4309 and 5405 of this volume.

540402. Former Spouse or Former Spouse and Child. A former spouse election prevents an annuity to the member's spouse and child (other than a child beneficiary under a former spouse and child election). The spouse is notified of the member's election for the former spouse. A former spouse or former spouse and child election may be made:

A. When the member becomes eligible to participate. A member who has a former spouse and dependent child when becoming eligible to participate on or after March 1, 1986, may elect former spouse or former spouse and child coverage provided the child is the result of the member-former spouse marriage. The coverage is provided under the spouse category. A former spouse election effective before March 1, 1986 provides coverage under the insurable interest category and the election could not include child coverage. If member elects former spouse coverage at the maximum level under the spouse category, the member also may elect SSBP.

B. After the member becomes eligible to participate but before member meets age and service requirements. A member who elected spouse or spouse and child coverage may, before September 24, 1984, or within 1 year of the date of the decree of divorce, dissolution, or annulment, whichever is later, change that election to provide an annuity to a former spouse or to a former spouse and child. The former spouse is not eligible if he or she was the former spouse that the member had when the member became eligible to participate in the Plan. If the former spouse coverage was in effect before March 1, 1986, the annuity was provided under the insurable interest category and child coverage in conjunction with former spouse coverage was unavailable. A member who elected former spouse coverage before November 8, 1985, may provide annuity for a former spouse and child if that election was made before March 1, 1987. Also, a member who elected former spouse coverage between November 8, 1985 and February 28, 1986, could have provided an annuity for a former spouse and child if that election was made not later than November 13, 1987.

NOTE: An annuity for the former spouse first must be provided under the spouse category before child coverage may be added. A member who elects former spouse coverage at the maximum level under the spouse category may elect SSBP for the former spouse.

C. When the member meets age and service requirements. The former spouse election is considered under the SBP and SSBP program.

D. By the Secretary of the Military Department concerned upon the receipt of a request from the former spouse that an election be deemed for the former spouse. The provisions shown in section 4305 of this volume for deemed former spouse elections under SBP and SSBP apply to RCSBP.

540403. Natural Person With Insurable Interest. An election for a natural person with insurable interest may be made only when there is no eligible spouse or dependent child(ren). There are two exceptions: a person who is unmarried but who has a dependent child may provide coverage for that child under the insurable interest provision; and former spouse elections made between September 8, 1982, and February 28, 1986. A member elects gross retired pay as the base amount under an election for a natural person with an insurable interest.

5405 CHANGES IN ELECTION AND COVERAGE

540501. Later-Acquired Spouse and/or Child. This election must be received within 1 year of the event.

A. If a member has no eligible beneficiary at the end of the 90-day period to elect, or on March 31, 1980, whichever is later, and the member declines to participate, the member later may elect for an eligible class of beneficiary.

B. If a member elects RCSBP spouse coverage and the spouse becomes an ineligible beneficiary through death or divorce, the member may resume spouse coverage upon remarriage.

C. If a member with spouse or spouse and child coverage loses the spouse beneficiary, the member may upon remarriage: resume coverage, increase the level of coverage up to and including full retired pay, or elect not to resume spouse coverage. A member who provides spouse coverage at the maximum level, but who is not a participant in the SSBP, may elect SSBP upon remarriage. The SSBP election is irrevocable and shall be made within one year of the remarriage.

1. The member may not add child coverage by virtue of this marriage alone if child coverage previously was bypassed.

2. The level of RCSBP coverage may not be reduced nor may child coverage be eliminated. The RC-SSBP level may be increased upon remarriage.

3. If the member elects not to resume spouse coverage or provides coverage at less than the maximum level, the spouse is notified.

D. If a member has former spouse or former spouse and child coverage, he or she may later elect RCSBP and SSBP coverage for the newly-acquired spouse and/or child.

E. If a member has insurable interest coverage, he or she may elect coverage for the newly-acquired spouse and/or child.

540502. Change From Spouse or Spouse and Child

A. A member may terminate his or her election and provide an annuity for a former spouse or former spouse and child provided the child is the result of the member-former spouse marriage. See paragraph 430702 and section 5405 of this volume. A member who elects to provide former spouse coverage at the maximum level may include Supplemental SBP coverage.

B. The former spouse may request that the Secretary of the Military Department concerned deem an election for the former spouse.

540503. Change to Former Spouse Election and Coverage

A. A member who has a former spouse and dependent child when becoming eligible to participate in the Plan on or after March 1, 1986, may elect former spouse or former spouse and child coverage, provided the child is the result of the member-former spouse marriage. If the member elected former spouse coverage between September 8, 1982, and February 28, 1986, that coverage is under the insurable interest category and the election does not include children. A member who elects former spouse coverage at the maximum level may elect Supplemental SBP coverage.

B. A member participating in the Plan with spouse or spouse and child coverage could change that election between September 24, 1983 and September 23, 1984, or within 1 year of the date of divorce, dissolution, or annulment, whichever is later, to provide an annuity to a former spouse. (NOTE: Elections made on or after March 1, 1986 or later may be for former spouse or former spouse and child.)

C. A member enters into a voluntary written agreement, incident to a proceeding of divorce, dissolution, or annulment, to elect former spouse coverage and the agreement has been incorporated in, or ratified or approved by, a court order or a member is required by a court order to make an RCSBP election, and the member fails or refuses to make the election, the Secretary concerned may deem an election.

1. The former spouse or the former spouse's attorney requests, in writing, that the Secretary concerned deem an election for former spouse coverage. The former spouse's request must be received before October 1, 1985 or within 1 year of the date of the court order involved, whichever is later.

2. Deemed elections for RC-SSBP coverage operate under the same rules for SBP except that no RC-SSBP elections may be required by court order. Deemed RC-SSBP elections may be made only in instances where there is a voluntary written agreement to elect made by the member and such agreement is properly incorporated in a court order or filed with the court of appropriate jurisdiction. An election may not be deemed for RC-SSBP before April 1, 1992.

D. A member who, before November 8, 1985, made a former spouse election could have changed that election between November 8, 1985, and November 7, 1986, to provide

coverage for former spouse and child, provided the child was the result of the member-former spouse marriage.

E. A member who elected former spouse coverage before November 8, 1985, could have, with the concurrence of the former spouse, changed that election from former spouse (insurable interest category) to former spouse (spouse category). That election had to be made between November 8, 1985, and November 7, 1986.

F. A member who, before November 8, 1985, elected former spouse coverage, could have changed the election to former spouse and child coverage not later than March 1, 1987. Any member who elected former spouse coverage between November 8, 1985, and February 28, 1986, had to change the election to former spouse and child coverage not later than November 13, 1987.

540504. Changed Retirement Eligibility. If a member elects RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility under 10 U.S.C., Chapter 1223 (reference (c)), the RCSBP and RC-SSBP elections remain effective until the member actually retires. A member may then make a new election including a Supplemental SBP annuity election as any other retiring member.

540505. Open Enrollment Periods

A. Public Law 97-35 (reference (bq)), allowed members entitled to retired pay to enroll in SBP, increase a reduced level of coverage, or add spouse coverage to child coverage between October 1, 1981, and September 30, 1982. See section 4309 of this volume for restrictions.

B. Public Law 97-252 (reference (ei)), September 8, 1982, authorized an open enrollment period for Reserve Component members who, on August 13, 1981, would have been entitled to retired pay under 10 U.S.C., Chapter 1223 (reference (c)) but for the fact that they had not reached age 60 on August 13, 1981. Open enrollment extended from October 1, 1982 through September 30, 1983.

1. Members could have enrolled in RCSBP, increased a reduced level of coverage, or added spouse coverage to child coverage. Election information was acceptable in writing rather than on the approved form.

2. There was no authority for eligible members to change the annuity option from immediate to deferred.

3. Elections made by eligible members were effective when received by the Secretary concerned, but not earlier than October 1, 1982.

4. A member could have elected former spouse coverage during the open season. The member could have elected coverage for a former spouse which the member had

when becoming eligible to participate in the Plan between October 1, 1982 and September 30, 1983.

5. A member with suspended spouse coverage under RCSBP could have increased the level of coverage.

C. See section 4305 of this volume for open enrollment periods under Public Laws 98-94 (reference (aj)), 98-525 (reference (ej)), 99-145 (reference (fc)), and 99-661 (reference (ek)) involving elections for a former spouse. Members who elected RCSBP coverage between October 19, 1984, and November 8, 1985, could have elected to withdraw between November 8, 1985, and November 7, 1986, with a refund of any cost plus interest.

D. Certain members were eligible to withdraw from the Plan between March 3, 1988, and March 2, 1989. Under Public Law 100-180 (reference (fd)), a member with spouse or spouse and child coverage who remarried before March 1, 1986, could, with the spouse's concurrence, withdraw from the Plan. There was no refund of cost.

E. Public Laws 101-189 (reference (fb)) and 101-510 (reference (el)) provided an open season between April 1, 1992, and March 31, 1993. A member who was not currently participating in RCSBP could have elected RCSBP. A member who made an open season election for RCSBP coverage for spouse or former spouse at the maximum level could have elected RC-SSBP. A member could have added spouse coverage or increased the base amount of coverage during that open season. A member who already was providing spouse or former spouse coverage at the maximum level could have added Supplemental SBP coverage during that open season.

540506. The SBP Open-Season. The open-season restrictions in section 4309 of this volume apply to RCSBP open-season elections unless otherwise specified above.

CHAPTER 55

RESERVE COMPONENT SURVIVOR BENEFIT PLAN - BENEFICIARIES5501 **ELIGIBLE BENEFICIARIES**

Eligible beneficiaries under the RCSBP include: spouse, spouse and child, child, former spouse, former spouse and child, or natural person with an insurable interest.

550101. Spouse (including the spouse of a common-law marriage). The spouse is an eligible beneficiary if:

A. Married to the member on the date that the member became eligible to participate in the Plan, and married to the member when the member died.

B. Married to the member after the date that the member became eligible to participate in the Plan (that is, married after the member completed the years of service required for retired pay), married to the member at least 1 year before the member's death, and married to the member when the member died. An election must be received within 1 year of the remarriage.

C. Married to the member after the date that the member became eligible to participate in the Plan and married to the member for less than 1 year before member's death, but is a parent of a living child from that marriage. Election must be received within 1 year of the remarriage.

D. Married to a member who:

1. Was entitled to participate in the RCSBP on or after October 1, 1978;

2. Was deceased on or after October 1, 1978;

3. Was unable to exercise an election option due to the necessary actions to implement RCSBP; and

4. Had not executed a statement of intent to participate in the RCSBP and provide a deferred annuity effective on the 60th anniversary of the member's birth or on the date following the date of death, whichever is later; or had declined to participate. In instances of eligible surviving spouse and children, the surviving spouse is the only eligible beneficiary.

5. Married to a member who is eligible to provide a Reserve Component annuity and who dies:

a. Before being notified of completion of the years of service required for eligibility of retired pay for non-Regular service retirement; or

b. During the 90-day period beginning on the date member receives notification of retirement eligibility, if member had not made an RCSBP election. The surviving spouse (or eligible child) of a member described above who died during the period of September 30, 1978, through October 1, 1985, had until October 1, 1988, to apply for the annuity. Such annuity is payable March 1, 1986, or the first day of the month after the application is made, whichever is later.

550102. Children (including children of a common-law marriage)

A. Children of a member who elected child coverage when he or she initially became eligible to participate in the Plan.

B. Children of a member who elected child coverage after initially becoming eligible to participate in the Plan. Election must be received within 1 year of acquiring such class of beneficiary.

C. Children of a member who died before being notified of retirement eligibility or during the 90-day period immediately following such notification.

D. Children of a member described in subparagraph 550101.D.4., above, if there is no eligible surviving spouse.

550103. Spouse and Children. Eligibility requirements are shown as in paragraphs 550101, and 550102, above. The spouse is the primary beneficiary with eligibility passing to the children if the spouse remarries before age 55 or dies.

550104. Former Spouse or Former Spouse and Children

A. The former spouse is an eligible beneficiary if he or she:

1. Is the member's former spouse when the member becomes eligible to participate in the Plan and is elected beneficiary by the member or is deemed as the beneficiary by the Secretary concerned upon request by the former spouse.

2. Was not the member's former spouse when the member became eligible to participate in the Plan and a prior election is changed to provide coverage for the former spouse. A former spouse acquired after a member became eligible to participate in the Plan is an eligible beneficiary if married to the member for at least 1 year or if the former spouse is a parent of a child born of the marriage.

B. If coverage is provided for the former spouse and children, the former spouse is the primary beneficiary with eligibility passing to the child(ren) if the former spouse remarries before age 55 or dies. Only the child(ren) who resulted from the marriage to the former spouse are eligible beneficiaries.

C. The former spouse for whom coverage is provided under the insurable interest category remains an eligible beneficiary following a remarriage, unless the remarriage is to the member who is providing the former spouse coverage.

550105. Natural Person With Insurable Interest. The natural person with an insurable interest is an eligible beneficiary if member elected:

A. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This may include parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, dependent or non-dependent child or step-child, any other person more nearly related than cousin, or

B. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree.

NOTE: Proof of financial benefit from the continuance of the life of the member is required for other than persons listed in subparagraph 550105.A, above. The legal staff of the supporting Military Service activity may coordinate on the eligibility requirements.

CHAPTER 56

RESERVE COMPONENT SURVIVOR BENEFIT PLAN - PREMIUM5601 GENERAL

560101. RCSBP. The cost of providing RCSBP coverage under the immediate or deferred annuity option is not subsidized by the government but is shared by members and beneficiaries who potentially will benefit from the coverage. The cost to the retiree is in the form of an additional deduction from his or her retired pay beyond the standard SBP cost. The RCSBP, unlike SBP, requires a reduction in the survivor annuity. That deduction begins when the member meets the age and service requirements even though member may delay application for retirement, or, in the event of the member's death before age 60, when the survivor begins to receive an annuity which is reduced due to RCSBP coverage. The premium increases at the same time and by the same percentage that retired pay increases by cost-of-living adjustments.

560102. RC-SSBP. The premium for RC-SSBP coverage for spouse or former spouse is added to the RCSBP premium. The Supplemental SBP premium is expressed as a percentage of the base amount (full retired pay). Once the RC-SSBP deduction is established from retired pay, the premium shall be increased by cost-of-living adjustments at the same time and in the same manner as the RCSBP premium.

5602 FACTOR TABLES

560201. The original RCSBP factor tables, developed under contract, were applicable to members who elected RCSBP and who retired or died before January 1, 1980. Members age 59 years, 6 months or more, were considered age 60. Effective December 1, 1984, these pre-1980 factors were changed to the January 1, 1980 factors with a save-pay clause that limited the factor to the pre-1980 factor. The tables were separated by:

- A. Annuity Option-Immediate or Deferred
- B. Type of Beneficiary
- C. Male or Female Member
- D. Differences Between the Ages of the Member and the Beneficiary
(In some instances)
- E. Male or Female Beneficiary for Insurable Interest Person

560202. The Office of the DoD Actuary created new RCSBP factor tables in 1979 to reflect military specific death rates, to include remarriage and divorce rates and to incorporate dynamic actuarial assumptions. The new factors, which became effective January 1, 1980, affected members who elected RCSBP and who retired or died on or after January 1, 1980. The tables were

built on a “years younger or older than member” concept. The ages at the nearest birthday to date of election receipt were used. When ages expressed in years are the same, the table is determined by comparing months and days.

A. The child-only tables were later added and were effective on January 1, 1980.

B. Under the January 1, 1980 cost factor tables, ages 59 years, 6 months or more were rounded down to age 59 instead of age 60. The premium computed using age 60 is the same as the standard SBP premium. Separate tables for members age 59 years, 6 months or more (but less than 60) later were developed and became effective on January 1, 1980.

C. The RCSBP premium is the SBP premium for the same class(es) of beneficiary plus an actuarial change (add-on premium) for the RCSBP deferred or immediate annuity option.

560203. In December 1984, RCSBP factors were revised to show the SBP premium portion of the RCSBP premium as not related to gender.

560204. Effective March 1, 1986, the FY 1986 DoD Authorization Act (reference (fc)) eliminated the social security offset system, established a two-tier benefit system for annuitants, and significantly changed the initial calculation of the SBP premium. As a result, there are two sets of RCSBP factors: one set for the social security offset system (revised due to changes in economic assumptions) and one set for the two-tier benefit system. Neither set of factors includes the built-in SBP premiums. The calculated SBP premium plus the Reserve add-on premium equals the RCSBP premium. The two sets of RCSBP factors apply to existing and future RCSBP participants on and after July 1, 1986.

560205. On March 1, 1990, the threshold formula for computing the SBP premium was replaced with a flat-rate reduction formula of 6.5 percent of the base amount. Members who retire under 10 U.S.C., Chapter 1223 (reference (c)) (non-Regular service retirement) remain eligible for whichever cost formula is more advantageous to the member.

560206. Supplemental SBP coverage became effective on April 1, 1992. The premium for RC-SSBP is in addition to the member’s RCSBP premium. The SSBP premium is expressed as a percentage of the base amount. The member elects SSBP coverage in increments of 5, 10, 15, or 20 percent of the base amount. SSBP premium factors applicable to each 5 percent increment are shown in Table 56-2 for members who elected an immediate annuity under RCSBP and Table 56-3 for members who elected a deferred annuity under RCSBP.

560207. The premium additions for open season election, Table 45-6, do not apply to the RCSBP. The premiums for RCSBP open season elections, however, will be computed in two parts. The first part is the premium for the RCSBP open season election. The second part of the premium is an additional charge for the previously-existing RCSBP coverage. This second part is defined as the RCSBP premium applicable to member’s original election minus the RCSBP

premium applicable to that earlier election using the ages of the member and beneficiaries on their birthday anniversaries nearest the date the new election becomes effective. All premium rates for this computation are based on the current factor table.

5603 CALCULATION OF PREMIUM

560301. The RCSBP premium consists of an SBP premium and an RCSBP or reserve add-on premium.

A. SBP Premium. The initial, standard SBP cost formula, before Public Law 99-145, was 2.5 percent of the first \$300 of the base amount, plus 10 percent of the base amount in excess of \$300. The \$300 in the formula that became effective on March 1, 1986, is referred to as the threshold, or low-cost amount. The threshold amount is subject to two possible indexing provisions including active duty increases and cost-of-living adjustments associated with the pay tables used to calculate that member's retired pay. Effective March 1, 1990, the formula for spouse or former spouse coverage changed to a flat-rate reduction formula of 6.5 percent of the base amount. An individual who entered a Uniformed Service before March 1, 1990, or a member who is entitled to retired pay Chapter 61 (disability), or chapter 1223 (non-Regular service retirement) under Title 10, United States Code (reference (c)) is entitled to use whichever formula is more favorable to the member.

B. Reserve Add-on Premium. The Reserve add-on premium depends on the type of beneficiary elected, the annuity option elected, and the applicable method of annuity computation. As the anticipated benefits under the social security offset system are higher, the cost factors and the associated premiums are higher. The social security offset system is still applicable to the survivors of members who, on October 1, 1985, had attained sufficient service so as to be eligible for retired pay under 10 U.S.C., Chapter 1223 (reference (c)), but for the fact of being under 60 years of age.

560302. The member elects a given dollar amount or a percentage of retired pay as the base amount. Any dollar election is converted to a percentage of gross retired pay as of the effective (date of election to guarantee full indexing in proportion to member's retired pay). If the given dollar amount exceeds 100 percent of the member's retired pay on the effective date of election, the base amount is 100 percent of the monthly retired pay. If the given dollar amount is less than 100 percent of gross retired pay but greater than \$300 when computed against the retired pay, use the ratio against the gross retired pay entitlement at age 60, assuming member has met age and service requirements. Table 56-1 is a worksheet for use in conjunction with the RCSBP factor tables effective July 1, 1986.

Example:

Member's age at election =	52
Member's elected monthly base amount =	\$300.00
Member's estimated current monthly retired pay =	\$1000.00
Ratio =	$300/1000 = .3$

Eight years later:

Member's monthly retired pay at age 60 =	\$2000
Member's base amount at age 60 =	$.3 \times \$2000 = \600.00

560303. Premium Examples. Examples follow for spouse or former spouse, spouse and child or former spouse and child, child, or insurable interest person. The premium for former spouse or former spouse and child is the same computation as the spouse or spouse and child premium if coverage for the former spouse is provided under the spouse category vice the insurable interest category.

A. Spouse Premium. Member lives to age 60. The threshold amount associated with the pay table used to compute member's pay is \$321. The SBP premium portion of the RCSBP premium could be computed March 1, 1990 on the flat-rate reduction formula of 6.5 percent of the base amount for comparison. The SBP premium is based on whichever cost formula that produced the lesser cost. The member's election provides an immediate annuity option for spouse only.

Method:	Offset
Type:	Immediate annuity
Option:	Spouse only
Member's age nearest birthday at election:	52
Beneficiary's age nearest birthday at election:	49
Age difference:	3 years younger than member
Reserve factor:	.0400
Monthly base amount:	\$600.00
Monthly SBP premium portion of RCSBP premium:	
$(.025 \times \$321) + (.10 \times \$279) =$	\$35.93
OR	
$(.065 \times \$600) =$	39.00
Lesser =	\$35.93
Monthly Reserve add-on premium portion of RCSBP premium:	
$(.0400 \times \$600) =$	\$24.00
Monthly RCSBP premium:	
$(\$35.93 + \$24) =$	\$59.93
Revised base amount to be used in survivor annuity:	
$(\$600 - \$24) =$	\$576.00

B. Spouse and Child Premium. Same facts as subparagraph 560303.A, above, except the member's election provides a deferred annuity option for spouse and child--both

beneficiaries are still eligible. Subparagraph 560303.B(1), below, covers the premium for spouse and child coverage when the spouse is no longer eligible; subparagraph B(2), below covers the premium for spouse and child coverage when the child is no longer eligible on the date that member meets age and service requirements.

Method:	Offset
Type:	Deferred annuity
Option:	Spouse and child
Member's age nearest birthday at election:	52
Beneficiaries' ages nearest birthday at election:	
Spouse	49
Child	8
Age difference:	3 years younger than member
Reserve factor:	.0344
Monthly base amount:	\$600.00
Monthly SBP premium portion of RCSBP premium:	
$(.025 \times \$321) + (.10 \times \$279) =$	\$35.93
OR	
$(.065 \times \$600) =$	39.00
Lesser =	\$ 35.93
$(\$600 \times .0003) =$.18
	\$ 36.11
Monthly Reserve add-on premium portion of RCSBP premium:	
$(.0344 \times \$600)$	\$ 20.64
Monthly RCSBP premium:	
$(\$36.11 + \$20.64)$	\$ 56.75
Revised base amount to be used in survivor annuity:	
$(\$600 - \$20.64)$	\$579.36

(1) Spouse and child premium. Same facts as B, above, except member's spouse is no longer eligible.

Method:	Offset
Type:	Deferred annuity
Option:	Spouse and child
Member's age nearest birthday at election:	52
Beneficiaries' ages nearest birthday at election:	
Spouse	N/A
Child	8
Age difference:	N/A
Reserve factor:	.0090
Monthly base amount:	\$600.00
Monthly SBP premium portion of RCSBP premium:	
$(\$600 \times .0062) =$	\$ 3.72
Monthly Reserve add-on portion of RCSBP premium:	

(\$600 x .0090) =	\$ 5.40
Monthly RCSBP premium:	
(\$3.72 + \$5.40) =	\$ 9.12
Revised base amount to be used in survivor annuity:	
(\$600 – \$5.40) =	\$594.60

(2) Spouse and child premium. Same facts as B, above, except member's child is no longer eligible.

Method:	Offset
Type:	Deferred annuity
Option:	Spouse and child
Member's age nearest birthday at election:	52

Beneficiaries' ages nearest birthday at election:	
Spouse	49
Child	8
Age difference:	3 years younger than member
Reserve factor:	.0344
Monthly base amount:	\$600.00
Monthly SBP premium portion of RCSBP premium:	
(.025 x \$321) + (.10 x \$279) =	\$35.93
OR	
(.065 x \$600) =	\$39.00
Lesser =	\$ 35.93
Monthly Reserve add-on premium portion of RCSBP premium:	
(.0344 x \$600) =	\$ 20.64
Monthly RCSBP premium:	
(\$35.93 + \$20.64) =	\$ 56.57
Revised base amount to be used in survivor annuity:	
(\$600 – \$20.64)=	\$579.36

560304. The SSBP premiums for spouse or former spouse coverage are added to RCSBP premiums. The SSBP premium factors depend on the type of RCSBP annuity option elected by member, immediate or deferred. See Table 56-2 (Reserve Component Immediate Supplemental Spouse Annuity Premium Rates) and Table 56-3 (Reserve Component Deferred Supplemental Spouse Annuity Premium Rates). The member elects SSBP coverage in increments of 5, 10, 15, or 20 percent of the base amount. The SSBP premium factors shown on the tables apply to each 5 percent of the base amount member elects. The SSBP premium is computed by multiplying the SSBP premium factor from either the immediate or the deferred SSBP table, based respectively on the member's age on the birthday nearest the date the election first becomes effective, by 1, 2, 3, or 4.

★560305. An RCSBP participant who voluntarily terminates coverage for a natural person with an insurable interest (not a former spouse) will pay the Reserve add-on premium for the

lifetime of the member. However, if the member terminates the coverage before age 60, the add-on premium is pro-rated. Multiply the original (add-on) factor by the number of full months during which the member had coverage, dividing the result by the number of full months the member would have had coverage if coverage had not terminated before age 60. The result, rounded to 4 decimal places, shall serve as the member's pro-rated (add-on) factor.

Revised		Original		No. of Months		No. of months
add-on	=	RCSBP	X	member had	÷	member would
factor		factor		pre-age 60		have had pre-
				coverage		age 60 coverage

5604 INITIAL PREMIUM AND EFFECTIVE DATE

560401. If a member has eligible beneficiaries, RCSBP and any SSBP premium begins on the first day of the month after member meets the age and service requirements for 10 U.S.C., Chapter 1223 (reference (c)) retirement. If the member meets the age and service requirements on the first day of the month, the premium is effective that month. If the member specifies a retirement date which is after the date member meets age and service requirements, or if the member delays application for retirement, the premium is retroactive to the date mentioned in the previous sentence(s).

Exception: Child beneficiary--If the member elects child coverage and the child is no longer eligible, the Reserve add-on premium portion of the RCSBP premium, for pre-age 60 coverage, begins on the same date that cost begins for an eligible beneficiary.

560402. If a member who elected RCSBP dies before the age and service requirements are met, the Reserve add-on premium for the pre-age 60 coverage begins with the immediate or deferred annuity as an actuarial reduction of that annuity.

560403. In some instances, a member may change the type of coverage before premiums begin. Among the election changes, such as those included below, the initial premium is effective on the first day of the month after member meets age and service requirements (or, if member meets age and service requirements on the first day of the month, the premium is effective that month).

A. A member has no spouse beneficiary and acquires a spouse beneficiary effective before the member meets age and service requirements. The spouse may be covered under the SSBP program.

B. A member has child coverage and later acquires a spouse beneficiary before the date member meets age and service requirements. The spouse may be covered under the SSBP program.

C. A member has no child beneficiary and later elects child coverage within 1 year of acquiring a child which is before the member meets age and service requirements.

D. Coverage changes from former spouse or former spouse and child to spouse or spouse and child coverage effective before the member meets age and service requirements. Previous SSBP coverage now covers the spouse.

E. Member has no coverage or coverage is changed to former spouse under a deemed election by the Secretary concerned. The former spouse may be covered under SSBP.

F. Member has insurable interest coverage and acquires a spouse and/or child before the date member meets age and service requirements. The spouse may be covered under the SSBP.

5605 SUSPENSION, TERMINATION, REINSTATEMENT, AND CHANGE OF PREMIUM

560501. Suspension

A. Spouse

1. Spouse dies. The premium is suspended the first day of the month following the spouse's death.

2. Spouse and member divorce. The premium is suspended the first day of the month following the divorce.

B. Child. No premium suspension situations.

C. Former Spouse (spouse category). Former spouse remarries before age 55. The RCSBP premium is suspended on the first day of the month following the remarriage.

D. Natural Person with an Insurable Interest or Former Spouse (insurable interest category). No premium suspension situations.

560502. Termination

A. Spouse. If the member loses a spouse beneficiary, remarries, and elects not to resume spouse coverage, any premium terminates as of the first day of the month following the receipt of member's election.

B. Last Dependent Child:

1. Child dies before age 22 while still eligible. The RCSBP premium terminates on the first day of the month following the death of the last dependent child.

2. Child marries. The SBP premium portion of the RCSBP premium terminates on the first day of the month after the marriage of the last dependent child.

3. Child discontinues full-time school attendance. The SBP premium portion of the RCSBP premium terminates the first day of the month after the last dependent child discontinues school attendance. If the exact date is unknown, the SBP premium portion of the RCSBP premium is discontinued on the first day of the month after receipt of the notification from the member.

C. Former spouse (either category) or natural person with an insurable interest. The premium terminates the first day of the month following the death of the former spouse or natural person with an insurable interest.

★D. Natural Person With an Insurable Interest (not a former spouse). The member will pay the Reserve add-on premium for the lifetime of the member. The Reserve add-on premium is recomputed under paragraph 560305, above, when a member terminates coverage before age 60. Any SBP premium portion of the RCSBP premium terminates effective the first day of the month after member terminates coverage.

560503. Reinstatement

A. Spouse. If the member resumes spouse coverage upon remarriage and the member has met age and service requirements, the premium is effective on the first day of the month after the anniversary date or the birth of a child of that marriage, whichever is earlier. If the anniversary or birth date is the first day of the month, the premium is effective with that month. If the spouse is immediately eligible upon remarriage, the premium is effective the first day of the month after the remarriage. If remarriage occurred on the first day of the month, the premium is effective in the month of remarriage. If member previously elected SSBP coverage, SSBP is reinstated upon remarriage. The level of any previously elected SSBP coverage may not be reduced. The level of SSBP coverage may be increased or SSBP may be added.

B. Child

1. Child resumes school attendance. The SBP premium portion of the RCSBP premium is reinstated on the first day of the month after the child resumes school attendance.

2. Child's marriage is terminated by an annulment which renders the marriage void or invalid, or terminated by a judicial decree by a court of competent jurisdiction declaring the marriage void. The SBP premium portion of the RCSBP premium would be reinstated effective the date the SBP premium portion of the RCSBP premium was terminated by the marriage. The termination of the child's marriage by death of the child's spouse or by divorce does not serve as a basis for reinstatement of child coverage.

3. Member acquires another child following a period where all existing children are no longer eligible, the full RCSBP premium is reinstated on the first day of the month

following the date member acquires the child. The SBP premium portion of the RCSBP premium is recomputed using the age of the youngest child (child only coverage).

C. Former spouse (spouse category). If the former spouse's remarriage is terminated by death of the spouse, annulment, or divorce, RCSBP and SSBP premiums resume on the first day of the month after the marriage is so terminated.

D. Former spouse (insurable interest category) or natural person with an insurable interest. No premium reinstatement situations.

560504. Premium Changes

A. Spouse

1. If a member loses a spouse beneficiary, remarries, and elects to increase the level of coverage, the member pays the difference between any SBP premiums incurred and any SBP premiums that would have been incurred if the new level of participation had been elected originally, including interest. The difference in premiums is remitted before the spouse becomes an eligible beneficiary. The SSBP election is made within one year of the remarriage. SSBP premiums start as of the date the spouse becomes an eligible beneficiary or on the date age and service requirements are met, whichever is later. The SSBP premium is computed using member's age at the time of SSBP election.

2. If a member has spouse and child coverage, and loses the spouse beneficiary, the premium changes from a spouse RCSBP premium to a child RCSBP premium on the first day of the month after spouse eligibility is lost. Any SSBP premium is suspended on the date the RCSBP premium changes. The RCSBP eligible child premium equals SBP child premium plus a Reserve portion of premium. If the child is ineligible, only the Reserve add-on premium portion of the RCSBP premium is charged.

3. If coverage changes from former spouse or former spouse and child to spouse or spouse and child after member meets age and service requirements, the RCSBP premium is computed using member's age as 60 which is the same premium as SBP. The Supplemental SBP premium is associated with RC-SSBP tables.

4. RC-SSBP Tables 56-2 and 56-3 show factors for members over age 60 because a member over age 60 may have RCSBP without Supplemental SBP, divorce and later elect SBP former spouse coverage and elect Supplemental SBP. An RC-SSBP annuity is a percentage of the base amount less the Reserve add-on premium.

5. If member has child coverage and later acquires a spouse beneficiary after the member meets the age and service requirements, the RCSBP premium for the child is changed to an SBP premium for spouse and child. If the spouse later becomes ineligible, the RCSBP is charged for child coverage. If the child becomes ineligible, SBP spouse premium is charged.

B. Child. If child coverage is added to spouse coverage within 1 year of acquiring the child, the premium is recomputed on the first day of the month after member meets age and service requirements or on the first day of the month after member's child election is received by the Secretary concerned. An election effective before member meets age and service requirements is considered RCSBP.

C. Former Spouse

1. If the member has former spouse and child coverage and the former spouse dies or remarries, the premium changes as in subparagraph 560504.A.2., above.

2. If coverage changes from spouse or spouse and child to former spouse or former spouse and child, the change in premium is effective on the first day of the month after member meets the age and service requirements or the first day of the month after the election is received by the Secretary concerned, whichever is later. An election effective after the member meets age and service requirements is considered SBP.

3. The premium for a former spouse under a deemed election by the Secretary concerned is effective on the first day of the month after the later of:

- a. The member's retirement date;
- b. The first day member could have voluntarily made such an election; or
- c. The date of the court order involved.

560505. Other Changes, Suspension, or Terminations of Premium

A. If a member is declared mentally incompetent, later adjudged competent and elects to change the RCSBP or RC-SSBP election, the premium changes the first day of the month following the receipt of the election.

★B. RC-SBP and RC-SSBP premiums increase at the same time and by the same percentage as retired pay cost-of-living adjustments. When the payment of a cost-of-living adjustment is delayed by law, the increase in premiums will be applied at the same time that payment of increased retired pay is payable.

C. If a member is recalled to active duty for more than 30 days, the premium is suspended effective the first day that member returns to active duty.

D. The premium is charged through the date of a member's death.

WORKSHEET USED TO CALCULATE MONTHLY RCSBP REDUCTION			
1.	Method:	_____	Offset Method
		_____	Two-tier Method
2.	Type:	_____	Immediate
		_____	Deferred
3.	Option:	_____	Spouse/Former Spouse only
		_____	Spouse/Former Spouse and Child (both beneficiaries still eligible)
		_____	Insurable Interest
		_____	Child only
		_____	Spouse/Former Spouse and Child (Spouse/Former Spouse no longer eligible)

4.	Member's age nearest birthday at election:		
5.	Beneficiary's age nearest birthday at election:		
6.	Age difference (4) - (5): (A negative number indicates beneficiary older than member)		
7.	Reserve factor:		
8.	Monthly base amount (gross retired pay for insurable interest option):		
9.	Monthly SBP premium portion of RCSBP premium: (note 1)		
10.	Monthly Reserve add-on premium portion of RCSBP premium: (note 2) (7) x (8) for all options except insurable interest: (7) x (8) - (9) for insurable interest options:		
11.	Monthly RCSBP premium (9) + (10):		
12.	Revised base amount to be used in survivor annuity: (8) - (10) for all options except insurable interest: (8) - (11) for insurable interest option:		

NOTES:

1. The SBP premium portion of the RCSBP should be treated the same as SBP only. The threshold used in the SBP calculation should be the one relating to the basic pay scale used in the calculation of the member's retired pay. See Table 49-1 for SBP threshold amount.
2. When calculating the Reserve add-on premium portion of the RCSBP premium, several things should be noted. Make sure you use the table that relates to the correct method, type, and option. Spouse or former spouse and child factors are the same as spouse or former spouse only factors when both spouse or former spouse and child are still eligible. If the spouse or former spouse becomes ineligible, the factor switches to child only even if the child is no longer eligible. The Reserve add-on premium for child never terminates.

Table 56-1. Worksheet Used To Calculate Monthly RCSBP Reduction

RESERVE-COMPONENT IMMEDIATE SUPPLEMENTAL SPOUSE ANNUITY PREMIUM RATES (EACH 5%)			
Age at Election	Premium Rate	Age at Election	Premium Rate
35	.0363	73	.0468
36	.0359	74	.0490
37	.0352	75	.0512
38	.0349	76	.0536
39	.0344	77	.0564
40	.0338	78	.0589
41	.0335	79	.0615
42	.0317	80	.0642
43	.0308	81	.0672
44	.0307	82	.0700
45	.0307	83	.0731
46	.0305	84	.0766
47	.0303	85	.0810
48	.0298	86	.0849
49	.0294	87	.0894
50	.0289	88	.0936
51	.0286	89	.0987
52	.0283	90	.1037
53	.0281	91	.1087
54	.0279	92	.1137
55	.0276	93	.1187
56	.0273	94	.1236
57	.0270	95	.1284
58	.0267	96	.1331
59	.0262	97	.1376
60	.0250	98	.1418
61	.0266	99	.1454
62	.0279	100	.1476
63	.0293	101	.1511
64	.0307	102	.1565
65	.0321	103	.1610
66	.0337	104	.1639
67	.0353	105	.1693
68	.0369	106	.1800
69	.0386	107	.2035
70	.0405	108	.2658
71	.0424	109	.5677
72	.0447		

Table 56-2. Reserve-Component Immediate Supplemental Spouse Annuity Premium Rates -Each 5%

RESERVE COMPONENT DEFERRED SUPPLEMENTAL SPOUSE ANNUITY PREMIUM RATES (EACH 5%)			
Age at Election	Premium Rate	Age at Election	Premium Rate
35	.0373	73	.0469
36	.0368	74	.0491
37	.0361	75	.0514
38	.0357	76	.0538
39	.0351	77	.0565
40	.0345	78	.0591
41	.0342	79	.0617
42	.0323	80	.0644
43	.0313	81	.0674
44	.0312	82	.0702
45	.0311	83	.0733
46	.0309	84	.0769
47	.0307	85	.0812
48	.0302	86	.0851
49	.0297	87	.0897
50	.0292	88	.0939
51	.0288	89	.0990
52	.0285	90	.1040
53	.0282	91	.1091
54	.0280	92	.1141
55	.0277	93	.1190
56	.0274	94	.1239
57	.0270	95	.1288
58	.0267	96	.1335
59	.0262	97	.1380
60	.0251	98	.1422
61	.0267	99	.1458
62	.0280	100	.1481
63	.0294	101	.1516
64	.0308	102	.1570
65	.0322	103	.1615
66	.0338	104	.1644
67	.0354	105	.1698
68	.0370	106	.1806
69	.0388	107	.2041
70	.0406	108	.2666
71	.0425	109	.5695
72	.0448		

Table 56-3. Reserve-Component Deferred Supplemental Spouse Annuity Premium Rates - Each 5%

CHAPTER 57

**RESERVE COMPONENT SURVIVOR BENEFIT PLAN –
ANNUITY AMOUNT AND OFFSETS**5701 ANNUITY AMOUNT570101. General

A. The amount of RCSBP annuity payable to a surviving spouse or former spouse (spouse category) beneficiary is computed in the same manner as SBP except the base amount is reduced by the Reserve add-on premium portion of the RCSBP premium before applying the 35 or 55 percent multiplier. The SBP premium portion of the RCSBP premium is not subtracted from the base amount in determining the annuity amount. The RC-SSBP annuity is computed as the base amount reduced by the Reserve add-on premium portion of the RCSBP premium times the 5 to 20 percent multiplier elected by the member. The monthly annuity for a dependent child is computed on the base amount less the Reserve add-on premium, times 55 percent. The monthly annuity for a natural person with an insurable interest or a former spouse (insurable interest category) is computed on the base amount less the entire RCSBP premium, SBP premium and Reserve add-on premium, times 55 percent.

1. Immediate Annuity Option. If the member dies before age 60 with immediate annuity option, the initial annuity amount payable is computed on the basis of what the member's retired pay would have been on the date of member's death using the basic pay rates on that date.

2. Deferred Annuity Option. If the member dies before age 60 with the deferred annuity option, the initial annuity amount payable is computed on the basis of the retired pay the member would have received had that member lived to age 60 and become entitled to receive retired pay.

B. Public Law 99-145, Section 711 (reference (fc)), establishes a two-tier benefit system for annuitants and eliminates the social security offset system. Effective March 1, 1986, the spouse or former spouse (spouse category) beneficiary who is under age 62 receives a monthly annuity that is computed on the base amount, cost-of-living adjusted, less the Reserve add-on premium, times 55 percent. If the spouse or former spouse is age 62 or more when becoming entitled to the annuity, or the first day of the month after the spouse or former spouse reaches age 62, the monthly annuity is computed on the base amount, cost-of-living adjusted, less the Reserve add-on premium, times 35 percent. However, the eligible spouse or former spouse annuitant on October 1, 1985, or the eligible spouse or former spouse beneficiary of a member on October 1, 1985, who is qualified for that pay except that member has not applied for or been granted that pay, may receive annuity at the 55 percent rate less social security offset, if it is more favorable. There is no subsequent comparison.

C. Effective April 1, 1992, a member may provide the spouse or former spouse (spouse category) annuitant with RC-SSBP coverage. The Supplemental SBP annuity is an additional percentage of the annuity base amount less the Reserve add-on premium portion of the RCSBP premium elected by the member. The RC-SSBP annuity becomes payable when the annuity is reduced at age 62. Supplemental SBP annuity increases by cost-of-living adjustments similar to RCSBP.

570102. Eligible Annuitants and Amounts. Monthly RCSBP and RC-SSBP annuities, if not a multiple of \$1, shall be rounded to the next lower multiple of \$1. Annuities to which survivors were entitled on September 30, 1983, were rounded with the next cost-of-living adjustment. Then, and with each later cost-of-living adjustment, the annuity is rounded to the next lower multiple of \$1. After rounding, RCSBP and RC-SSBP annuities are combined for payment.

A. Spouse or Former Spouse (Spouse Category). See Table 46-1. Generally, however, the RCSBP annuity is somewhat less than 55 or 35 percent, depending on the Reserve add-on premium which is deducted in determining the annuity amount. The RCSBP annuity for a spouse or former spouse is reduced by a Dependency and Indemnity Compensation (DIC) award payable on behalf of the same deceased retired member. The RC-SSBP annuity like the RCSBP annuity is somewhat less than the 5 to 20 percent elected by member. The RC-SSBP annuity is not reduced by DIC.

B. Children Only. If there is more than one eligible child, the annuity is paid in equal shares. The annuity for children is not subject to DIC offset.

C. Spouse and Child or Former Spouse and Child. The annuity is paid to the spouse or former spouse, as long as eligibility exists. If the surviving spouse or former spouse loses eligibility due to death or remarriage before age 55 (age 60, if remarriage is before November 14, 1986), the annuity is paid to the child annuitants. An election for former spouse and child includes the children that resulted from the member-former spouse marriage only. If the member elects coverage for the spouse and children and the spouse is not eligible under 10 U.S.C. 1447(3)(a) (reference (c)), the spouse qualifies as the eligible annuitant on the birthdate of a posthumous child of the marriage.

D. Former Spouse (Insurable Interest Category) or Natural Person With an Insurable Interest. The annuity is payable only to the former spouse or natural person with an insurable interest as designated by or on behalf of the member. The benefits may not be transferred to another person. The annuity is not reduced by DIC.

570103. Payment of Annuity. See paragraph 460103 of this volume. The provisions in subparagraph 460103.C for making annuity payments to representative payees also apply to the RC-SBP program.

5702 OFFSETS TO THE ANNUITY

570201. Offsets. See paragraphs 460201 through 460207 of this volume.

NOTE: The information in Chapters 47 through 50, and 52 of this volume, excluding the minimum income annuitant material, applies to the RCSBP annuitant.

★5703 TAXABILITY OF ANNUITY

570301. The provisions of Chapter 52 of this volume regarding the taxability of annuities also apply to annuities under RCSBP.

REFUND OF MONTHLY RCSBP PREMIUM (See Note)

All figures should be in month that premium calculation is desired. A change would occur in any month where the base amount, DIC, or cost changes. Additionally, the cost formula for the SBP portion on spouse or former spouse coverage changed effective March 1, 1990.

- | | | |
|----|---|---|
| 1. | Month of premium calculation | = |
| 2. | Actual RCSBP base amount | = |
| 3. | Reserve actuarial factor | = |
| 4. | Reserve add-on premium (2) x (3) | = |
| 5. | Spouse annuity .55 (or .35) x ((2) - (4)) | = |
| 6. | DIC amount | = |
| 7. | Revised spouse annuity (5) - (6) | = |
| 8. | Revised base amount (7) divided by .55 or (.35) | = |
| 9. | Calculate N. | = |

For members with cost computed on the 6.5 percent flat-rate reduction formula, skip to (19).

Step 1. Month of retirement =

Step 2. Point in time premium calculation is
Desired =

Step 3. List all applicable cost of living increases which the member received between (or included in) the month listed in steps 1 and 2 as a factor of 1.xxx where xxx is the cost of living increase. For example, the 4.4 percent cost of living increase of March 1981 would be listed as a factor of 1.044.

FACTORS

	<u>FULL</u>	<u>SPECIAL</u>
Beginning of SBP	1.0	
March 1981	1.044	
March 1982	1.087	
April 1983	1.039	1.033
December 1984	1.035	

Table 57-1. Refund of Monthly RCSBP Premium (See Note)

December 1986	1.013		
December 1987	1.042		
December 1988	1.04		
December 1989	1.047		
December 1990	1.054		
December 1991	1.037		
December 1992	1.03		
December 1993	1.026		
December 1994	1.028		
Step 4.	Multiply all factors in step 3 together. If no factors appear in step 3, use 1.0 here.	=	
Step 5.	N = step 4 x the initial threshold amount.	=	
10.	Revised base amount minus N = (8) - (9)	=	
11.	.025 x the lesser of (8) or (9)	=	
12.	.10 x (10)	=	
13.	Revised RCSBP premium = (11) + (12) If actual premium for the month is known, skip to (17)	=	
14.	Base less Reserve add-on minus N = (2) less (4) less (9)		
15.	.10 x (14)	=	
16.	.025 x (9)	=	
17.	Actual premium = (15) + (16)	=	
18.	Monthly refund = Revised premium less actual premium (17) - (13)	=	
19.	If member had premium computed using the 6.5 percent flat-rate reduction formula, the monthly refund = 6.5 x (2) - (4) less .065 x (8)	=	

Note: For computation of refund for periods before March 1981, refer to Military Service procedures.

Table 57-1. Refund of Monthly RCSBP Premium (See Note) (Continued)

CHAPTER 58**VICTIMS OF ABUSE-RETIREMENT-ELIGIBLE MEMBERS****5801 BACKGROUND**

Public Law 102-484, section 653 (reference (fh)) authorizes various benefits for the spouses and former spouses of retirement-eligible members who lose eligibility for retired pay as a result of misconduct involving abuse of dependents. Generally, the spouses and former spouses are provided the same rights and benefits that they would have had if there had been no abuse and the member had retired under normal circumstances.

5802 DEFINITIONS

580201. The definitions in 10 U.S.C. 1408 (reference (c)), Former Spouse Payments From Retired Pay, which are found in Chapter 29 of this volume, apply to this chapter unless otherwise noted.

580202. Dependent Child. Dependent child means an unmarried legitimate child, including an adopted child or stepchild of the member or former member who is:

A. Under 18 years of age;

B. Incapable of self-support because of a mental or physical incapacity that existed before becoming 18 years of age and is dependent on the member or former member for over one-half of the child's support; or

C. Enrolled in a full-time course of study in an institution of higher education recognized by the Secretary of Defense for these purposes, under 23 years of age and dependent on the member or former member for over one-half of the child's support.

5803 ELIGIBILITY

580301. The DFAS will pay the eligible spouse or former spouse under the following conditions:

A. A court order stipulates (in the same manner applicable to division of property) the payment of an amount from the disposable retired pay of a member or former member to the spouse or former spouse. The court order must satisfy the requirements of 10 U.S.C. 1408(a)(2) (reference (c)). Generally, the court order must be a final decree of divorce, dissolution, annulment, or legal separation issued by a court, or a court-ordered, ratified, or approved property settlement incident to such a decree; and it must specifically provide for the payment of an amount, expressed in dollars or as a percentage of disposable retired pay, from the disposable retired pay of a member to the spouse or former spouse of that member.

B. A member or former member, while a member of the Armed Forces and after becoming eligible to be retired from the Armed Forces on the basis of years of service, has eligibility to receive retired pay terminated as a result of misconduct while a member involving abuse of the spouse or dependent child. The eligibility of the member to receive retired pay as determined by the Secretary concerned is considered terminated effective upon the approval of the court-martial sentence terminating retired pay eligibility; and

C. The spouse or former spouse

1. Was the victim of the abuse and was married to the member or former member at the time of that abuse; or

2. Is a natural or adopted parent of a dependent child of the member or former member who was the victim of the abuse; and

D. The spouse or former spouse to whom payments are to be made was married to the member for a period of 10 years or more during which the member performed at least 10 years of service creditable in determining the member's eligibility for retired pay.

E. If the punishment that results in the termination of eligibility to receive retired pay is later remitted, set aside, or mitigated to a punishment that does not result in termination of eligibility, benefits to the eligible dependent under this chapter that are based on the punishment so vacated, set aside, or mitigated shall cease. Such benefits cease effective on the first day of the first month after the month the Secretary of the Military Department concerned notifies the recipient, in writing, that benefits cease. The recipient may not be required to repay the benefits received before that effective date, excluding any erroneous payments.

5804 APPLICATION FOR PAYMENT

An eligible spouse or former spouse must apply for payment from the supporting DFAS Center, in the same manner as an application for former spouse payments from retired pay, set out in Chapter 29 of this volume.

5805 METHOD OF PAYMENT

580501. The Secretary of the Military Department concerned shall determine and certify the amount of the monthly retired pay that the member or former member would have been entitled to receive as of that date of certification (that is, including any cost-of-living increases to retired pay through the date of certification):

A. If the member or former member's eligibility for retired pay had not been terminated; and

B. If, in the case of a member or former member not in receipt of retired pay immediately before that termination of eligibility for retired pay, the member or former member had retired on the effective date of that termination of eligibility.

580502. When certifying retired pay of a member separated for misconduct involving abuse of a dependent, the Secretary concerned shall ignore reductions in grade and forfeitures of pay or retired pay resulting from the administrative separation or court-martial resulting from the misconduct.

580503. The amount certified by the Secretary concerned shall be deemed to be the disposable retired pay of the member for the purposes of this provision. The total amount payable under this provision may not exceed 50 percent of such disposable retired pay.

580504. A court order may provide that, whenever retired pay is increased under 10 U.S.C. 1401a (reference (c)) (or any other provision of law), the amount payable under the court order to the spouse or former spouse of a member or former member shall be increased at the same time and by the percent by which retired pay would have increased if the member or former member were receiving retired pay.

580505. Payments shall not be made more frequently than once a month.

580506. The effective date for computing retired pay shall be the date that the sentence terminating eligibility for retired pay is approved by the appropriate official.

580507. Payments terminate under the terms of the applicable court order, but not later than the date of the death of the member or former member or the date of death of the spouse or former spouse to whom payments are being made, whichever occurs first.

580508. Payments made to an eligible spouse on the basis of being the natural or adopted parent of a dependent child who was the victim of abuse shall not cease solely because the dependent child is no longer considered a dependent child; that is, payment requires only that the child was dependent at the time of the abuse, and not necessarily at the time of payment.

580509. If a former spouse who is receiving payments under these conditions marries again after the payments begin, his or her eligibility to receive further payments terminates on the date of the marriage. In the event of termination of that marriage by death, annulment or divorce, payments resume as of the first day of the month in which the marriage is terminated. The monthly amount shall be the amount that would have been paid if the continuity of the payments had not been interrupted by the marriage.

580510. Payments shall be made from funds in the Department of Defense Military Retirement Trust Fund.

580511. A spouse or former spouse, while receiving payments under this chapter, is entitled to medical, dental, commissary, exchange, and other benefits as though the member or former member were entitled to retired pay.

580512. A dependent child, who was a member of the household of the member or former member at the time of the misconduct, is entitled to medical, dental, commissary, exchange and other benefits as though the member or former member were entitled to retired pay.

580513. No payments under this chapter accrue for periods before October 23, 1992.

580514. Tax liability for payments under this chapter is the responsibility of the spouse or former spouse who receives the payments.

CHAPTER 59

★VICTIMS OF ABUSE - NON-RETIREMENT ELIGIBLE MEMBERS
(Transitional Compensation)5901 GENERAL

This chapter covers transitional compensation to abused dependents of non-retirement eligible members of the Armed Forces for up to 3 years. Chapter 58 of this volume identifies benefits for spouses and former spouses of retirement-eligible members who lose eligibility for retired pay as a result of misconduct involving abuse of dependents.

590101. Definitions

A. Dependent-Abuse Offense. A criminal offense defined by 10 U.S.C. 801-940 (reference (c)) or other criminal code applicable to the jurisdiction where the act of abuse is committed. Crimes that may qualify as "dependent-abuse offenses" are ones such as sexual assault, rape, sodomy, assault, battery, murder, and manslaughter. This is not an exhaustive or exclusive listing of dependent-abuse offenses.

B. Punitive or Other Adverse Action. An action in which a member of the Armed Forces on active duty more than 30 days is:

1. Convicted of a dependent-abuse offense and whose conviction results in separation from active duty under a court-martial sentence or forfeiture of all pay and allowances under a court-martial sentence; or

2. Administratively separated from active duty under applicable Military Service regulations if the basis for separation includes a dependent-abuse offense.

C. Cohabitation. The spouse or former spouse residing in the same household as the former member after punitive or other adverse action is executed.

D. Dependent Child. An unmarried child, including an adopted child or a stepchild, who is residing with the member at the time of the dependent-abuse which results in the separation of the former member and who is:

1. Under age 18;

2. Age 18 or older and incapable of self-support due to a mental or physical incapacity that existed before age 18 and who is (or, when a punitive or other adverse action was carried out on the member, was) dependent on the member for over one-half of the child's support; or

3. Age 18 or older, but less than age 23, enrolled in a full-time course of study in an institution of higher learning approved by the Secretary of Defense and who is (or, when a punitive or other adverse action was carried out on the member, was) dependent on the member for over one-half of the child's support.

E. Spouse or Former Spouse. The individual who:

1. Is married to the member or former member at the time of the commission of the dependent-abuse offense resulting in separation;

2. Does not cohabit with the member or former member after the punitive or other adverse action; and

3. Was not an active participant in the conduct constituting the dependent-abuse offense.

590102. Eligibility for Transitional Compensation Payment. The dependents of a member who separates on or after November 30, 1993, are eligible for transitional compensation payments. Payments begin on or after December 1, 1993, for qualified dependents. If a recipient is incapable of handling his or her own affairs, payments are made only to court-appointed guardian. In the case of a dependent child under 18 years of age, payments are made only to a court-appointed guardian or a natural parent (who is not a spouse of the member), if the natural parent legally has custody of the dependent child.

A. Spouse or Former Spouse. In the case of a separation from active duty under punitive or other adverse action, payments are made to the person who was the member's spouse at the time of the offense. The spouse or former spouse does not have to be the victim in order to receive transitional compensation. If the spouse or former spouse is ineligible for transitional compensation because of remarriage, cohabitation, or active participation in the abuse, payments are made to each dependent child who does not reside in the same household as the spouse, former spouse, or former member. If there is no eligible spouse for reasons other than those listed in the preceding sentence (e.g., the member was not married or the spouse died), compensation is paid to the dependent children of the member who do not reside in the household of the member.

B. Dependent Child. A dependent child's eligibility is determined as of the date on which the member is convicted of the dependent-abuse offense or the date on which the member is administratively separated. The dependent children receiving the transitional compensation payments cannot live in the same household as the former member or the remarried former spouse.

590103. Commencement and Duration of Payment

A. Payment of transitional compensation begins on the date that:

1. The court-martial sentence was approved by the person acting under 10 U.S.C. 860(c) (reference (c)) if the member has been convicted by a court-martial for a dependent-abuse offense and the court-martial sentence as approved includes a dismissal, dishonorable discharge, or bad conduct discharge; or

2. Separation action was initiated by the commander under regulations of the Secretary concerned, if administratively separated.

B. Payments are made for a period of 36 months. EXCEPTION: If, as of the starting date of payment, the unserved portion of the member's obligated active duty service is less than

36 months, the duration of payment is the greater of the unserved portion or 12 months. For enlisted members, the "obligated active duty service" is the time remaining on their term of enlistment. For officers, the "obligated active duty service" is indefinite unless the officer has a date of separation established, in which case it is the time remaining until the date of separation.

590104. Amount of Payment

A. A spouse or former spouse receives transitional compensation at the same rate as monthly Dependency and Indemnity Compensation (DIC) under 38 U.S.C. 1311(a)(1) (reference (ar)).

<u>DIC Rate</u>	<u>Effective Date</u>
\$769	December 1, 1993
790	December 1, 1994
810	December 1, 1995
833	December 1, 1996

B. If the spouse or former spouse has custody of a dependent child or children of the member, transitional compensation is increased for each child by an amount equal to the monthly DIC amount payable for dependent children under 38 U.S.C. 1311(b) (reference (ar)).

<u>DIC Rate</u>	<u>Effective Date</u>
\$150	October 1, 1993
200	October 1, 1994
205	December 1, 1995
211	December 1, 1996

C. If transitional compensation is payable only to dependent children, transitional compensation is paid in equal shares in an amount equal to the monthly DIC amount payable for dependent children under 38 U.S.C. 1313 (reference (ar)).

	DIC Child Rate Eff December 1, 1993	DIC Child Rate Eff December 1, 1994	DIC Child Rate Eff December 1, 1995
1 child	\$327	\$336	\$334
2 children	471	484	496
3 children	610	627	643
Over 3	610 + \$120 for each child over 3	627 + \$123 for each child over 3	643 + \$126 for each child over 3

DIC Child Rate
Eff December 1, 1996

1 child	\$354
2 children	510
3 children	662
Over 3	\$662 + \$130 for each child over 3

D. Payments will be prorated for months when payments start or stop in the middle of a month.

E. When paying multiple children and the payment amount does not divide equally, the youngest child shall receive the odd cent(s).

F. Arrears of compensation, in the event of the death of a spouse or dependent child, will not be paid.

590105. Forfeiture Provisions

A. The transitional compensation payable to the spouse or former spouse is forfeited as a result of:

1. Cohabitation. A punitive or other adverse action has been executed and the former member resides in the same household as the spouse or former spouse or child who is receiving the compensation. Compensation terminates as of the date the former member begins residing in that household. Any compensation paid before the member resides in the household shall not be recouped. Once terminated for cohabitation, the payments do not resume.

2. Remarriage. The former spouse who is receiving the compensation remarries. Compensation terminates effective as of the date of the former spouse's remarriage. Payments do not resume if the remarriage is terminated. If the payments to the former spouse terminate due to remarriage and there is a dependent child who is not living in the same household as the former spouse or member, payments shall be made to the eligible dependent child.

3. Active Participation. If the victim was a dependent child, and the spouse has been found by competent authority designated by the Secretary concerned to have been an active participant in the conduct constituting the criminal offense, or to have actively aided or abetted the member in such conduct against that dependent child, the spouse may not be paid transitional compensation. Dependent children living with the spouse also will not receive payment.

B. Annual Certification. The spouse certifies annually to the DFAS-Denver Center that he or she has not remarried and has not been cohabiting with the offender. The form to be used is a Certificate of Eligibility (COE). The spouse must notify the DFAS-Denver Center within 30 days of the date of remarriage or the date the member begins residing in the same household as the spouse or former spouse or dependent child. Dependent children annually will certify that they are not cohabiting with the offender or ineligible spouse via the COE process. If the COE is not received within 60 days of date of COE, payments will be suspended until verification of eligibility is received.

590106. Effect of Military Pay Continuation. Transitional compensation is not payable when a member's court-martial sentence, which includes a dismissal, dishonorable discharge, or bad conduct discharge, is remitted, set aside, or mitigated to a lesser punishment that does not include such punishment; or, the administrative separation is disapproved. Any payment of transitional compensation that has started shall stop effective the first day of the month after the Secretary of the Military Department concerned notifies the recipient in writing that payment shall cease for such reason. The recipient is not required to repay transitional compensation received before the effective date of cessation, excluding erroneous payments.

590107. Multiple Benefits. A spouse or former spouse may not receive both payments of transitional compensation and payments under 10 U.S.C. 1408(h) (reference (c)) of benefits for spouses and former spouses of retirement-eligible members who lost eligibility for retired pay as a result of misconduct involving abuse of dependents. See Chapter 58 of this volume. The spouse or former spouse must elect which benefit he or she chooses to receive.

590108. Effective Date. Transitional compensation provisions apply to members who, on or after November 30, 1993, separate from active duty under a court-martial sentence resulting from a dependent-abuse offense; who separate from active duty for administrative reasons if the basis for separation includes a dependent-abuse offense; or who are sentenced to forfeiture of all pay and allowances by a court-martial which has convicted the member of a dependent-abuse offense.

A. Transitional compensation is payable to dependents who qualify on or after December 1, 1993, for periods on or after December 1, 1993.

B. If payments for the period December 1, 1993, through the expiration of member's active obligated service (ETS) represent less than 12 months, payments continue until the 12 month minimum period is met.

590109. Applications. An individual requests transitional compensation through a Military Service representative. The Military Service representative approves payment, provides the O&M fund cite, and forwards the application to the DFAS at:

DFAS-DE/FRB
6760 East Irvington Place
Denver, CO 80279-6000

Facsimile numbers: DSN 926-4667
 COMM (303) 676-4667

APPENDIX A

Blocked Countries

Republic of Cuba

Democratic Kampuchea (Cambodia)

Democratic People's Republic of Korea (North Korea)

(31 CFR 211.1)

APPENDIX B

RSFPP COMPOUND INTEREST TABLE #1**Based on 3% per year - .247% per month****(Period November 1, 1953 - December 31, 1960)**

Total Payments <u>Due</u>	Compound Interest <u>Factor</u>	Total Payments <u>Due</u>	Compound Interest <u>Factor</u>	Total Payments <u>Due</u>	Compound Interest <u>Factor</u>
1	1.00000	41	43.08872	81	89.53559
2	2.00247	42	44.19499	82	90.75641
3	3.00740	43	45.30399	83	91.98024
4	4.01482	44	46.41572	84	93.20708
5	5.02472	45	47.53019	85	94.43696
6	6.03712	46	48.64741	86	95.66986
7	7.05200	47	49.76739	87	96.90581
8	8.06940	48	50.89013	88	98.14481
9	9.08930	49	52.01564	89	99.38686
10	10.11171	50	53.14392	90	100.63197
11	11.13665	51	54.27499	91	101.88016
12	12.16412	52	55.40885	92	103.13142
13	13.19412	53	56.54550	93	104.38577
14	14.22666	54	57.68496	94	105.64322
15	15.26175	55	58.82722	95	106.90376
16	16.29939	56	59.97231	96	108.16741
17	17.33958	57	61.12022	97	109.43418
18	18.38235	58	62.27095	98	110.70407
19	19.42768	59	63.42453	99	111.97710
20	20.47560	60	64.58095	100	113.25327
21	21.52610	61	65.74023		
22	22.57918	62	66.90236		
23	23.63487	63	68.06736		
24	24.69316	64	69.23523		
25	25.75406	65	70.40598		
26	26.81758	66	71.57962		
27	27.88372	67	72.75616		
28	28.95249	68	73.93559		
29	30.02389	69	75.11794		
30	31.09794	70	76.30320		
31	32.17463	71	77.49138		
32	33.25398	72	78.68250		
33	34.33600	73	79.87655		
34	35.42068	74	81.07354		
35	36.50803	75	82.27349		
36	37.59807	76	83.47640		
37	38.69080	77	84.68228		
38	39.78622	78	85.89112		
39	40.88434	79	87.10295		
40	41.98518	80	88.31777		

APPENDIX C

RSFPP COMPOUND INTEREST TABLE #2

**Based on 3.25% per year - .267% per month
(Period January 1, 1961 - December 31, 1965)**

Total Payments <u>Due</u>	Compound Interest <u>Factor</u>	Total Payments <u>Due</u>	Compound Interest <u>Factor</u>	Total Payments <u>Due</u>	Compound Interest <u>Factor</u>
1	1.00000	36	37.73334	71	78.05822
2	2.00267	37	38.83404	72	79.26654
3	3.00801	38	39.93768	73	80.47808
4	4.01604	39	41.04427	74	81.69286
5	5.02676	40	42.15381	75	82.91089
6	6.04017	41	43.26631	76	84.13216
7	7.05629	42	44.38178	77	85.35669
8	8.07513	43	45.50022	78	86.58449
9	9.09668	44	46.62166	79	87.81557
10	10.12095	45	47.74608	80	89.04993
11	11.14797	46	48.87350	81	90.28759
12	12.17772	47	50.00394	82	91.52855
13	13.21022	48	51.13739	83	92.77282
14	14.24547	49	52.27386	84	94.02041
15	15.28349	50	53.41337	85	95.27133
16	16.32428	51	54.55592	86	96.52560
17	17.36785	52	55.70152	87	97.78320
18	18.41420	53	56.85018	88	99.04417
19	19.46334	54	58.00190	89	100.30850
20	20.51528	55	59.15670	90	101.57623
21	21.57004	56	60.31457	91	102.84729
22	22.62760	57	61.47554	92	104.12177
23	23.68799	58	62.63961	93	105.89965
24	24.75121	59	63.80678	94	106.68094
25	25.81727	60	64.97707	95	107.96565
26	26.88617	61	66.15048	96	109.25379
27	27.95792	62	67.32702	97	110.54537
28	29.03254	63	68.50671	98	111.84039
29	30.11002	64	69.68954	99	113.13887
30	31.19038	65	70.87552	100	114.44082
31	32.27362	66	72.06468		
32	33.35975	67	73.25700		
33	34.44878	68	74.45251		
34	35.54072	69	75.65121		
35	36.63557	70	76.85311		

APPENDIX D

RSFPP COMPOUND INTEREST TABLE #3

**Based on 3.75% per year - .307% per month
(Period January 1, 1966 – December 31, 1969)**

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
1	1.00000	36	38.00484	71	79.20420
2	2.00307	37	39.12162	72	80.44756
3	3.00923	38	40.24182	73	81.69474
4	4.01847	39	41.36546	74	82.94575
5	5.03082	40	42.49256	75	84.20060
6	6.04628	41	43.62312	76	85.45931
7	7.06485	42	44.75715	77	86.72189
8	8.08656	43	45.89467	78	87.98835
9	9.11141	44	47.03568	79	89.25869
10	10.13940	45	48.18020	80	90.53294
11	11.17056	46	49.32824	81	91.81111
12	12.20488	47	50.47980	82	93.09320
13	13.24238	48	51.63490	83	94.37924
14	14.28307	49	52.79355	84	95.66922
15	15.32695	50	53.95576	85	96.96317
16	16.37404	51	55.12154	86	98.26109
17	17.42435	52	56.29091	87	99.56300
18	18.47789	53	57.46386	88	100.86891
19	19.53466	54	58.64042	89	102.17883
20	20.59469	55	59.82060	90	103.49278
21	21.65796	56	61.00440	91	104.81077
22	22.72451	57	62.19184	92	106.13280
23	23.79433	58	63.38292	93	107.45890
24	24.86744	59	64.57767	94	108.78907
25	25.94385	60	65.77609	95	110.12333
26	27.02356	61	66.97818	96	111.46169
27	28.10659	62	68.18398	97	112.80416
28	29.19295	63	69.39347	98	114.15075
29	30.28264	64	70.60669	99	115.50149
30	31.37569	65	71.82363	100	116.85637
31	32.47209	66	73.04431		
32	33.57186	67	74.26874		
33	34.67501	68	75.49693		
34	35.78155	69	76.72890		
35	36.89149	70	77.96465		

APPENDIX E

RSFPP COMPOUND INTEREST TABLE #4

**Based on 4.25% per year (compounded monthly) - .348% per month
(Period January 1, 1970 - February 28, 1975)**

Total Payments <u>Due</u>	Compound Interest <u>Factor</u>	Total Payments <u>Due</u>	Compound Interest <u>Factor</u>	Total Payments <u>Due</u>	Compound Interest <u>Factor</u>
1	1.00000	36	38.27784	71	80.36723
2	2.00348	37	39.41084	72	81.64647
3	3.01045	38	40.54778	73	82.93015
4	4.02091	39	41.68867	74	84.21830
5	5.03489	40	42.83352	75	85.51092
6	6.05238	41	43.98235	76	86.80803
7	7.07342	42	45.13517	77	88.10965
8	8.09800	43	46.29200	78	89.41579
9	9.12614	44	47.45284	79	90.72647
10	10.15786	45	48.61772	80	92.04171
11	11.19315	46	49.78665	81	93.36151
12	12.23205	47	50.95964	82	94.68590
13	13.27456	48	52.13670	83	96.01489
14	14.32068	49	53.31786	84	97.34850
15	15.37044	50	54.50312	85	98.68674
16	16.42385	51	55.69249	86	100.02963
17	17.48092	52	56.88600	87	101.37719
18	18.54167	53	58.08365	88	102.72942
19	19.60609	54	59.28547	89	104.08637
20	20.67422	55	60.49146	90	105.44802
21	21.74606	56	61.70164	91	106.81440
22	22.82162	57	62.91603	92	108.18554
23	23.90092	58	64.13464	93	109.56143
24	24.98397	59	65.35748	94	110.94211
25	26.07078	60	66.58457	95	112.32758
26	27.16137	61	67.81592	96	113.71786
27	28.25574	62	69.05155	97	115.11298
28	29.35392	63	70.29148	98	116.51295
29	30.45592	64	71.53571	99	117.91778
30	31.56174	65	72.78426	100	119.32749
31	32.67141	66	74.03716		
32	33.78493	67	75.29440		
33	34.90232	68	76.55602		
34	36.02359	69	77.82202		
35	37.14876	70	79.09242		

APPENDIX F

RSFPP COMPOUND INTEREST TABLE #5

**Based on 6% per year (compounded annually) - .487% per month
(Period March 1, 1975 - Current Date)**

<u>Total Payments Due</u>	<u>Compound Interest Factor</u>	<u>Total Payments Due</u>	<u>Compound Interest Factor</u>	<u>Total Payments Due</u>	<u>Compound Interest Factor</u>
1	1.00000	36	39.24293	71	84.57023
2	2.00487	37	40.43395	72	85.98189
3	3.01464	38	41.63077	73	87.40041
4	4.02932	39	42.83341	74	88.82584
5	5.04893	40	44.04191	75	90.25821
6	6.07351	41	45.25629	76	91.69755
7	7.10308	42	46.47658	77	93.14390
8	8.13766	43	47.70282	78	94.59729
9	9.17728	44	48.93502	79	96.05775
10	10.22195	45	50.17322	80	97.52532
11	11.27171	46	51.41744	81	99.00004
12	12.32658	47	52.66772	82	100.48193
13	13.38659	48	53.92409	83	101.97104
14	14.45176	49	55.18658	84	103.46739
15	15.52210	50	56.45520	85	104.97103
16	16.59766	51	57.73001	86	106.48198
17	17.67846	52	59.01102	87	108.00030
18	18.76452	53	60.29826	88	109.52600
19	19.85586	54	61.59177	89	111.05913
20	20.95251	55	62.89158	90	112.59972
21	22.05450	56	64.19771	91	114.14781
22	23.16186	57	65.51020	92	115.70343
23	24.27461	58	66.82908	93	117.26663
24	25.39277	59	68.15438	94	118.83744
25	26.51638	60	69.48613	95	120.41589
26	27.64545	61	70.82436	96	122.00202
27	28.78002	62	72.16911	97	123.59588
28	29.92011	63	73.52040	98	125.19749
29	31.06576	64	74.87827	99	126.80690
30	32.21698	65	76.24275	100	128.42415
31	33.37380	66	77.61387		
32	34.53625	67	78.99166		
33	35.70436	68	80.37616		
34	36.87816	69	81.76740		
35	38.05767	70	83.16541		

APPENDIX G**COPY****MEMORANDUM OF UNDERSTANDING BETWEEN THE VETERANS
ADMINISTRATION AND THE DEPARTMENT OF DEFENSE****RETIRED PAY AND SURVIVOR ANNUITIES****ARTICLE I****INTRODUCTION**

1-1 **Purpose.** The Memorandum of Understanding (MOU) establishes administrative procedures and assigns responsibilities for the purpose of making timely, accurate, and complete payments of (or deductions from) military retired pay, survivor annuities and specified veterans' benefits. This guidance conforms with pertinent statutory authorities and Comptroller General decisions. The procedures improve coordination between the Veterans Administration (VA) and the Department of Defense (DoD), and minimize benefit overpayments. It supersedes the DoD/VA MOU of July 1969 with the change of September 1976 and the Memorandum of Record of March 11, 1974.

1-2 **General.** A retired member of the Armed Forces may receive VA compensation payments. To become eligible for VA payments, the member must waive retired pay, or retainer pay, in the amount payable by the VA. The individual's application for VA benefits on VA Form 21-526 or 21-526e constitutes an election of waiver in the absence of a written statement to the contrary. Or, the waiver may be accomplished by executing section I of VA Form 21-651. The Military Service shall accept the award action by the VA as certification. The VA shall provide the Military Service with documentation upon specific request. Legislative increases will be transmitted to the Military Service in the format contained in the attachment. A legislative increase refers to the rates of VA compensation, pension, or Dependency and Indemnity Compensation (DIC) specified in the periodic changes to 38 U.S.C. Chapters 11, 13, and 15.

ARTICLE II**RESPONSIBILITIES**

2-1 **Responsibilities of VA.** The VA shall:

A. Transmit new and revised pay data in the attached format for retired personnel to the Military Services from the VA Data Processing Center (DPC) in Hines, Illinois, using a mutually agreed upon means. This data will be transmitted upon completion of each VA processing cycle, normally twice weekly.

B. Transmit the VA award change data to arrive at the Military Services no later than the 18th calendar day of the month in which the VA amount is to be entered as a reduction in the Military Service account. Accept the Military Service's effective date for VA transaction received by the Military Service after the 18th calendar day of the current month.

C. Ensure that all VA legislative rate transactions are furnished to the Military Service not later than 90 days following the date of the public law authorizing the legislative increase. This shall include those accounts reported by the Military Services to the VA Central Office (VACO) 45 days following the date of the public law authorizing the legislative increase.

D. Recoup any overpayments that result from a legislative increase, when the Military Service is notified of the rate change more than 90 days following the date of the public law authorizing the legislative increase.

E. Ensure that VA improved pension awards (authorized under Public Law 96-385; October 7, 1980) payable concurrently with retired pay are not included in the automated data exchange.

F. Take corrective action on all data input transactions originated by VA, that are rejected by the Military Services due to a validity test discrepancy.

G. Recoup overpayments resulting from VA initial, reopened, and increased awards paid prior to the actual reduction in the Military Service account, provided the Military Service made the reduction on a timely basis upon receipt of the VA award transaction.

H. Ensure the availability of resources to support the interchange of data.

I. Furnish the Military Services with replacement tapes within 48 hours after notification by the Military Services of defective tapes.

2-2 Responsibilities of DoD. The Military Services shall:

A. Process all data received from the VA DPC since the last retired pay file update.

B. Accept the VA effective date as the Military Service effective date of VA award or change provided the transaction is received on a timely basis, is identified as a valid legislative change, or constitutes a decrease in the VA award.

(1) If the effective date of a decreased VA award is earlier than the current activity month, the Military Service shall make the required adjustment.

(2) If the effective date of an initial award of VA benefits to a regular retired officer employed by the Federal Government is earlier than the current activity month, the Military Service will make the adjustment.

(3) If the effective date of an increased VA award that is not a legislative change is earlier than the current activity month, the Military Service shall effect the new amount in the current accounting month and notify the appropriate VA Regional Office (VARO) of the discrepancy. This same procedure will be followed when processing initial awards other than subsection 2-2B.(2), above.

C. Process initial, reopened and increased VA award transactions in the Military Service activity month in which the transaction is received. If the effective date is in a prior month, the Military Service will effect the change in the current activity month and notify the assigned VARO of the discrepancy.

D. Recoup on all transactions with valid effective dates received on or before the 18th calendar day of each month, but processed with a Military Service effective date of the following month.

E. Contact the assigned VARO for resolution of transactions which fail to pass the Military Services' edit and validation routines. The Military Services shall provide sufficient data to identify the transaction and explain why it was rejected.

F. Notify the VA field stations to update the VA records in all VA total waiver cases, when entitlement to retired or retainer pay is terminated or an inactive account (total waiver of retired or retainer pay) is reestablished because of an increase to a rate exceeding the VA compensation.

G. Furnish the assigned VARO with a certification of gross retired or retainer pay and effective dates for the previous two years upon receipt of a transaction that shows VA benefits exceed retired or retainer pay.

H. Ensure resources are available to support the data interchange.

I. Report to the VACO in VARO sequence those accounts not updated by the legislative increase not later than 45 days following the receipt of legislative increase data from the VA DPC.

J. Recoup any overpayments that may result from a legislative increase when notified by the VA within 90 days of the date of the public law authorizing the legislative increase.

K. Notify the VA point of contact within 24 hours of receipt of a defective tape from the VA.

ARTICLE III**PROCEDURES**

3-1 VA Improved Pension Payable Concurrently With Retired or Retainer Pay under Public Law 96-385 of October 7, 1980.

A. The VA shall:

(1) Identify retiree accounts that no longer require a waiver of retired or retainer pay.

(2) Notify the Military Service of those retirees who elect to discontinue VA pension payments under prior law to receive an Improved Pension.

(3) Furnish the documentation required by the Military Service for adjusting or resuming retired or retainer pay.

B. The Military Service shall:

(1) Accept the VA effective date (not earlier than October 1, 1980) for payment of retired or retainer pay previously waived when the effective date of Improved Pension payment is a retroactive date.

(2) Adjust retired or retainer pay to reflect payment concurrently with VA Improved Pension.

(3) Furnish the requesting VARO a statement of gross retired or retainer pay rates required for determining the rate of Improved Pension payable.

3-2 Fiduciary Cases. When a retired member who waived retired pay in favor of VA compensation has become incompetent, the trustee or guardian may request withdrawal of a previously executed waiver and restoration of retired pay. The processing will be as follows:

A. When VA receives the restoration request first, it will terminate VA benefits and forward the request to the appropriate Military Service finance center with a cover letter furnishing the date of termination of VA benefits. The receiving Military Service will restore retired pay and return a copy of the letter to the VA, annotated with the amount of the restored pay and the effective date of the restoration. The effective date will be the first day of the month following the month of the termination of VA benefits.

B. When the Military Service finance center receives the restoration request first, it will forward the request to the assigned VARO with a cover letter indicating the monthly gross retired pay. Upon receipt by the VARO, the procedure above will be followed.

3-3 Guaranteed Minimum Income to Widows of Military Retirees.

A. On receipt of a minimum income annuity claim, the Military Service shall:

(1) Prepare a DD Form 1895, Request for Veterans Administration Pension and Annual Income Information, and forward an original and one copy with a copy of DD Form 1885, Survivor Benefit Plan - Minimum Income Claim, to the VARO servicing the widow's pension claim.

(2) Complete the upper right identification data block and lines B and C of the "Eligibility Determination" block, and indicate on line 3 of the DD Form 1895 the effective date of annuity payments, if entitlement is determined.

(3) Suspend the payment and promptly notify the assigned VARO of the death or remarriage of the annuitant, when prior VA notification has not been received.

(4) Initiate the payments. Or, when there is no entitlement, notify the claimant of the reason for ineligibility upon receipt of a complete and authenticated DD Form 1895 from the VA.

(5) Adjust, or discontinue, the Survivor Benefit Plan (SBP) annuity upon receipt of subsequent notification of the adjustment in the widow's annual income for VA purposes before SBP or upon receipt of a termination notice from the VA.

(6) Schedule reductions in future annuity payments and notify the annuitant when SBP overpayments are detected.

(7) Request authorization from the annuitant for collection from future VA pension payments, when DoD payments are not available for such offset.

B. The VARO shall:

(1) Confirm the claimant's entitlement to a VA pension, complete items 1 and 2, and lines D and E of the "Eligibility Determination" block, authenticate, and return the original DD Form 1895 to the appropriate Military Service finance center.

(2) Retain a copy of the DD Forms 1885 and 1895.

(3) Notify the appropriate Military Service on subsequent adjustments to the widow's annual income for VA purposes before SBP or termination of the widow's pension due to death, remarriage, or other reason. The notification shall include the effective date of the VA action, reason and type of action (i.e., pension termination, adjustment, etc.) and the adjusted VA payment.

(4) Effect the collection of SBP overpayments in monthly amount that the annuitant agrees to and forward the collections with identifying listings to the appropriate Military Services.

3-4 DIC Award to Surviving Spouse.

A. Upon death of the retiree who has an eligible spouse beneficiary, the Military Service shall:

(1) Notify the VARO of the retiree's death and furnish the amount of SBP annuity payable.

(2) Request the amount and the effective date of DIC award on behalf of the widow(er) only.

(3) Inform the retiree's annuitant that the SBP annuity will be paid in the full amount due. But, if DIC is awarded, the DIC payment shall be reduced by the amount needed to offset any intervening SBP overpayment. Obtain a statement signed by the annuitant agreeing with the conditions for SBP payment and forward it to VA.

(4) Pay the full SBP annuity amount. If DIC payments are made, pay only the amount by which the SBP entitlement exceeds the DIC award.

(5) Furnish the VARO with a statement of the amount (if any) to be recouped from DIC with the annuitant's signed authorization for withholding to satisfy an existing SBP overpayment created by the DIC and SBP overlap. If no recoupment is required, a negative statement will be furnished to the VARO.

(6) Enter the current, basic DIC award amount as a reduction to the SBP annuity.

B. The VA shall:

(1) Research files to associate SBP notices with pertinent files regarding the annuitant.

(2) Upon receipt of the SBP award, query the VA Beneficiary Identification and Records Locator Subsystem (BIRLS) to determine whether there is a current VA claim file. When no current file exists, a VA claim file will be established, containing sufficient information to alert the VARO to a DIC-SBP payment overlap should DIC be awarded later to the annuitant.

(3) Access SBP payment files on the award of DIC payments; and when an overlap exists, offset the initial DIC payment by the amount necessary to recoup any SBP overpayment.

(4) Contact the appropriate Military Service to request the amount of SBP payment to be withheld from the DIC award and furnish the DIC effective date and amount awarded.

(5) Forward a check in the amount of the recoupment with the information necessary for adjusting the SBP payments to the Military Service.

(6) Furnish the DIC rate changes, or late awards for basic DIC rates only, to the Military Service.

3-5 SBP Premium Payments by Retirees Receiving Emergency Officers Retired List (EORL) or Pension/ Compensation Payments.

A. The Military Services shall:

(1) Forward retiree requests for payments of SBP premiums by VA deductions from EORL or compensation payments to the servicing VARO. A retiree's request must provide for collection of the current SBP premium payable and future adjustments in the amount due to cost-of-living or other changes requiring a premium adjustment. Requests will not require retroactive reductions by the VA without prior agreement.

(2) Notify VA of any necessary adjustment to the premium amount.

B. The VA shall:

(1) Deduct premium the first of the month specified in the election.

(2) Process the requested deduction and forward monthly checks and listing (identifying retirees by name, social security number, and the amount of deduction) to the appropriate Military Service.

3-6 File Development and Maintenance.

A. DoD standard data elements and codes, as published in DoD Manual 5000.12-M, will be used, when available and applicable.

B. Comparable data edit and validation routines will be maintained by the VA and the Military Services.

ARTICLE IV

EFFECTIVE DATE, MODIFICATION, AND TERMINATION

4-1 Duration. The memorandum becomes effective on the date of the last signature. Either party may propose amendments to this MOU, but both must agree for amendments to take effect. Either party may terminate the MOU upon 30 days written notice to the other party.

/S/ Robert W. Helm

Robert W. Helm

Assistant Secretary of Defense

(Comptroller)

/S/ Harry W. Walters

ADMINISTRATOR OF VETERANS AFFAIRS

Jun 13, 1985

ATTACHMENT

DATA RECORD FORMAT

<u>Field Descriptions</u>	<u>Positions</u>
Blanks.....	1-3
Name of Person Entitled.....	4-7
Blanks.....	8-10
Veteran's SSN.....	11-19
Blank	20
Branch of Service.....	21
Veteran's SSN Verification Ind.....	22
File Number	23-31
Payee Number.....	32-33
Station Number	34-35
Transaction Code	36-37
Processing Month	38-39
Processing Cycle.....	40
Master Record Type.....	41
Blank	42
Amount (prior).....	43-48
Effective Date (prior).....	49-54
Amount 1	55-60
Effective Date 1	61-66
Reason Code 1	67-68
Blanks.....	69-86
Date of Death	87-92
Active Reservist Indicator	93
Special Law Code 06-08.....	94-95
Competency Code.....	96
Special Law 01.....	97-98
Withholding Indicator.....	99
Pay Grade.....	100-101
Payee's SSN.....	102-110
Payee's SSN Verification Ind.....	111
Veteran's Name	112-115
Blanks.....	116-120

APPENDIX H

AGE OF MAJORITY
BY STATE & UNITED STATES POSSESSIONS

Alabama	19	Ohio	18
Alaska	19	Oklahoma	18
Arizona	18	Oregon	18
Arkansas	18	Pennsylvania	21
California	18	Puerto Rico	21
Colorado	18	Rhode Island	18
(For Contracts)		South Carolina	18
Connecticut	18	South Dakota	18
Delaware	18	Tennessee	18
District of Columbia	18	Texas	18
Florida	18	Utah	18
Georgia	18	Vermont	18
Hawaii	18	Virginia	18
Idaho	18	Virgin Islands	18
Illinois	18	Washington	18
Indiana	18	West Virginia	18
Iowa	18	Wisconsin	18
Kansas	18	Wyoming	19
Kentucky	18		
Louisiana	18		
Maine	18		
Maryland	18		
Massachusetts	18		
Michigan	18		
Minnesota	18		
Mississippi	21		
Missouri	18		
Montana	18		
Nebraska	19		
Nevada	18		
New Hampshire	18		
New Jersey	18		
New Mexico	18		
New York	18		
North Carolina	18		
North Dakota	18		

APPENDIX I

COMPARABLE GRADES

Grade	Army	Navy	Marine Corps	Air Force
0-10	General	Admiral	General	General
0-9	Lieutenant General	Vice Admiral	Lieutenant General	Lieutenant General
0-8	Major General	Real Admiral	Major General	Major General
0-7	Brigadier General	Rear Admiral (LH)	Brigadier General	Brigadier General
0-6	Colonel	Captain	Colonel	Colonel
0-5	Lieutenant Colonel	Commander	Lieutenant Colonel	Lieutenant Colonel
0-4	Major	Lieutenant Commander	Major	Major
0-3	Captain	Lieutenant	Captain	Captain
0-2	1 st Lieutenant	Lieutenant (JG)	1 st Lieutenant	1 st Lieutenant
0-1	2 nd Lieutenant	Ensign	2 nd Lieutenant	2 nd Lieutenant

Grade	Army	Navy	Marine Corps	Air Force
E-9	Sergeant Major and Specialist Nine	Master Chief Petty Officer	Sergeant Major or Master Gunnery Sergeant	Chief Master Sergeant
E-8	First Sergeant or Master Sergeant and Specialist Eight	Senior Chief Petty Officer	Sergeant Major or Master Gunnery Sergeant	Senior Master Sergeant
E-7	Platoon Sergeant or Sergeant First Class and Specialist Seven	Chief Petty Officer	Gunnery Sergeant	Master Sergeant
E-6	Staff Sergeant and Specialist Six	Petty Officer, 1 st Class	Staff Sergeant	Technical Sergeant
E-5	Sergeant and Specialist Five	Petty Officer, 2 nd Class	Sergeant	Staff Sergeant
E-4	Corporal and Specialist Four	Petty Officer, 3 rd Class	Corporal	Sergeant and Airman
E-3	Private First Class	Seaman	Lance Corporal	Airman First Class
E-2	Private	Seaman Apprentice	Private First Class	Airman
E-1	Private	Seaman Recruit	Private	Airman Basic

APPENDIX J**STATE TAX REPORTING**

State	Mail Copy 1 of IRS TD 1099 or Automated Reports to:	State	Mail Copy 1 of IRS TD 1099 or Automated Reports to:
Alabama	State Department of Revenue Montgomery AL 36102	Illinois	Illinois Department of Revenue PO Box 3627 Springfield IL 62708
Alaska	Department of Taxation State of Alaska Juneau AK 99080	Indiana	State Gross Income Tax Division Indianapolis IN 46204
Arizona	State Tax Commission 1700 W. Washington Phoenix AZ 85007	Iowa	State Tax Commission Des Moines IA 50319
Arkansas	Income Tax Division Arkansas Revenue Dept State Revenue Building Little Rock AR 72201	Kansas	Kansas Director of Revenue Income Tax Division State Office Building Topeka KS 66612
California	Franchise Tax Board Sacramento CA 95814	Kentucky	State Department of Revenue Frankfort KY 40601
Colorado	State Department of Revenue Denver CO 80203	Louisiana	Collector of Revenue PO Box 201 Baton Rouge LA 70821
Connecticut	Dept of Revenue Services 92 Farmington Avenue Hartford CT 06105	Maine	Income Tax Division Maine Bureau of Taxation State House Augusta ME 04330
Delaware	State Tax Department Wilmington DE 19899	Maryland	Comptroller of the Treasury Income Tax Division Annapolis MD 21404
District of Columbia	Assessor District of Columbia Washington DC 20004	Massachusetts	State Department of Corporation and Taxation 100 Cambridge St Boston MA 02202
Georgia	State Department of Revenue Atlanta GA 30334	Michigan	Michigan Income Tax Treasury Building Lansing MI 48924
Hawaii	State Tax Commissioner Honolulu HI 96809	Minnesota	State Department of Taxation St Paul MN 55101
Idaho	Office of State Tax Collector Boise ID 83701	Mississippi	State Tax Commission Jackson MS 39205

APPENDIX J**STATE TAX REPORTING****(Continued)**

State	Mail Copy 1 of IRS TD 1099 or Automated Reports to:	State	Mail Copy 1 of IRS TD 1099 or Automated Reports to:
Missouri	Department of Revenue Income Tax Department PO Box 629 Jefferson City MO 65101	Oregon	State Tax Commission Salem OR 97310
Montana	Department of Revenue State Capitol Building Helena MT 59601	Pennsylvania	Department of Revenue Personal Income Tax Bureau Harrisburg PA 17129
Nebraska	Nebraska Dept of Revenue Box 94818 Lincoln NE 68509	Rhode Island	Division of Taxation 269 Promenade Street Providence RI 02908
New Mexico	State of New Mexico Bureau of Revenue Santa Fe NM 87503	South Carolina	State Tax Commission Columbia SC 29202
New York	State Income Tax Bureau Albany NY 12227	Utah	State Tax Commission Salt Lake City UT 84114
North Carolina	State Department of Revenue Raleigh NC 27602	Vermont	Commissioner of Taxes Montpelier VT 05602
North Dakota	North Dakota State Tax Dept State Capitol Bismarck ND 58501	Virginia	State Department of Taxation Richmond VA 23215
Ohio	Department of Taxation 60 E. Gay Street Columbus OH 43215	West Virginia	State Tax Commission State of West Virginia Charleston WV 25305
Oklahoma	Oklahoma Tax Commission Oklahoma City OK 73194	Wisconsin	State Department of Taxation Madison WI 53702

Note: Information shown in this appendix was by the Government Accounting Systems Staff, Financial Management Service, Department of the Treasury.

APPENDIX K**REPORTS OF EXISTENCE**

1. The requirement for reports of existence (ROE) frequently is questioned by retired members or management officials not familiar with the retired payroll system. The requirement is based on the fact that retired pay is payable only during the lifetime of the retired member and unless otherwise authorized by law or regulation. The check must be issued with the retired member as payee. As early as 1931, the General Accounting Office recognized that certain controls over the issuance and delivery of retired pay checks were necessary for protection of government funds.

2. Checks may be issued to a person or institution other than the retired member only under these conditions:

a. When the retiree has been declared mentally incompetent and a trustee, guardian, or fiduciary has been appointed to manage the financial affairs of the retiree.

b. Under Treasury Department regulations providing for the checks to be made payable to a financial institution, or for the issuance of composite checks and electronic fund transfer of payments where several members have designated the same financial institution for deposit of their retired pay checks.

Under subparagraph 2.a., above, a monthly ROE must be filed by the fiduciary. Under subparagraph 2.b., above, Treasury Department regulations place responsibility on the financial institution that funds deposited after the death of the member will be returned.

3. For checks mailed to retirees within the United States, the Comptroller General of the United States relies on the US Postal Service not to deliver checks after the death of the payee. The check envelope carries a notice to the Postmaster that if the addressee is deceased, the check must be returned to the sender. Also, "Retired pay payable only during the life of the payee," is printed on all retired pay checks under the object for which drawn. During the lifetime of the retired member, a further control against fraudulently endorsed and cashed checks is provided by the member's notifying the retired pay activity of non-receipt or a lost check. This control no longer applies after the death of the member. Without the precautions cited above, checks could continue to be cashed either fraudulently or in the mistaken belief of entitlement.

4. In addition to ROEs from fiduciaries, monthly reports are required from members whose checks are delivered through foreign postal systems. However, many members living in a foreign country receive these checks in person at United States military activities, embassies, or consulates, or report their existence to such activities monthly before deposit of their check into a foreign mail system.

5. This is a chronology of Comptroller General decisions showing the changes in control requirements:

a. **A-3531, Apr 6, 1931.** The Comptroller General established a policy to provide full protection to the government in payment of retired pay. In this letter, the Comptroller General required that this certification be signed by the proper administrative officer and attached to the retirement pay voucher, roll or schedule:

"I certify that each person to whom retirement pay is paid and not under guardianship or committee has reported over his bona-fide signature within the last 12 months his residence; that each person known to have given a power of attorney to endorse his checks for pay has reported on the last day or thereafter to which he is paid over his bona-fide signature: that reports as to the continued existence of each person paid who is under guardianship or in the custody of a committee, or whose estate is under control of a conservator has been received from the guardian, committee or conservator on or subsequent to the last day for which payment is made, and that each person residing in the foreign country or was traveling from his permanent residence as reported to this department has reported over his bona-fide signature on the last day or thereafter to which he is paid."

b. **A-3551, June 29, 1931.** The Comptroller General permitted Navy members living in China to send ROEs to the Navy Purchasing Office (NPO) in Shanghai, and checks were sent in bulk, to the NPO Shanghai for delivery to the members. However, the Comptroller General required that the ROEs should be forwarded to the Retired Pay Department each month by the NPO.

c. **A-3551, Dec 3, 1932.** The Comptroller General approved the application of the June 29, 1931 decision cited above to Fleet reservists and retired members living in the Philippine Islands to have their checks delivered via the Commandant of the 16th Naval District.

d. **A-3551, Dec 15, 1932.** The Comptroller General agreed that the procedure for bulk mailing of checks described in A-3551, June 29, 1931, could also be applied to Guam. This decision extended the concept that a third party could control ROEs. The checks were sent to the Governor of Guam rather than to a Navy activity.

e. **A-3551, Feb 10, 1933.** The Comptroller General agreed to extension of the procedure cited in the previous decisions to the Governor of American Samoa and to the Commandant of the 14th Naval District (Hawaii). However, permission to use the procedure using American consuls was denied. The decision stated in part:

"With respect to alleged hardships suffered by men residing in foreign countries generally, it would appear that the requirement of the initial certificate may have entailed a slight inconvenience due to its transmission to and receipt by the paying officer, and thereafter mailing of the check to the payee, but it would seem that if said requirement had been and is being properly complied with on the last day of each month, checks should be regularly received by the payee at monthly intervals. But irrespective of any inconvenience incident to the mailing of the certificate, the practice of mailing checks to third persons generally, including American consuls, for individuals residing abroad in their consular districts is unsound in that it increases possibility of loss and no substantial reason is apparent why the procedure should now be extended. These men receiving

substantial bounty from the Treasury of the United States and reasonable regulations for the purpose of guarding against losses to the government should not be further waived or relinquished for their individual benefit or convenience."

f. **A-3551, Aug 21, 1933.** The Comptroller General agreed to alteration of the paying officer's certificate of the monthly payroll. The revised certification follows with additions underlined and deletions bracketed:

"I certify that each person to whom retirement pay is paid and not under guardianship or committee has reported over his bona-fide signature within the last 12 months his residence; that each person known to have given power of attorney to endorse his checks for pay **or whose check is mailed to a bank** has reported on the last day or thereafter to which he is paid over bona-fide signature; that reports as to the continued existence of each person paid who is under guardianship, or in the custody of a committee or whose estate is under the control of a conservator (has) **have** been received from the guardian, committee, or conservator on or subsequent to the last day for which payment is made, and that each person residing **or traveling** in a foreign country (or who was traveling from his permanent residence as reported to this department) has reported over his bona-fide signature on the last day or thereafter to which he is paid."

g. **A-3551, Oct 24, 1946.** It was proposed that a procedure be authorized whereby a member's acknowledgment (ROE) of the receipt of a check would permit the release of the check for the next month (a 1-month-behind basis). The Comptroller General ruled:

"While it is fully appreciated that there may be cases where the delayed delivery of a retirement check may cause personal hardship, less effective measures than those above outlined would not, in the opinion of this office, fully protect the interests of the United States. Accordingly, permission for the adoption of the proposal. . . for mailing of retirement pay checks is withheld."

h. **A-3551, Mar 9, 1951.** The annual ROE for retired members having their checks mailed to a home address within the United States was eliminated. The Comptroller General approved a proposal to:

(1) Print "Retired Pay payable only during the life of the payee" under "object for which drawn" on the checks; and

(2) Print a notice on the envelopes being used that would direct postal employees not to forward the contents to addresses other than those shown and directing that delivery not be made where payee is deceased, but to return the letter to the issuing office. With further recognition that postal employees in the United States would respect such procedures, the Comptroller General eliminated the annual report requirement for accounts meeting the above requirements.

i. **A-3551, Feb 3, 1964.** The Comptroller General ruled that ROEs were not required if a payment is made payable to a member:

(1) Who is traveling outside the United States and the check is mailed to a bank or residence in the United States.

(2) Who lives in The Philippines and has checks mailed to a bank in the United States.

The Comptroller General also indicated ROEs would not be required if the check were made payable to a bank or financial institution:

"There is no objection to the issuance of retired pay checks payable to a bank for credit to the account of the retired officer of the Army who has made assignment thereof if the check carries an appropriate legend to the effect that the check is payable only during the life of the retired officer and that the check is not subject to deposit in a joint account in which the retired officer is named and the bank is appropriately notified that crediting the check to a joint account will be at its risk."

This same letter indicated that if allotments of retired pay are authorized by regulation, there is no objection to permitting an allotment of a member's retired pay in favor of a bank if the same check legend (payable only during the lifetime of the retired officer) and notice to the bank (not to be deposited to a joint account), mentioned above are observed.

(j.) **44 Comp Gen 208.** In response to a request that reports be obtained on a "1-month-behind" basis (previously proposed in 1946), the Comptroller General agreed that technological improvements in methods of payment, record keeping and communications made such procedure acceptable. The system should work:

"A report would be enclosed with each check with instructions to complete and return it. Thus, reports of existence would still be required on a monthly basis, but there would be an after-the-fact verification of the member's existence, which would eliminate the delay in release of checks, reduce handling costs, simplify procedures, and the maximum overpayment which could result would be 1 month's retired pay."

(k.) **53 Comp Gen 75.** The Comptroller General authorized that composite retired pay checks in favor of a financial institution could be made where a group of retired members had all designated the same financial institution as an address for their retired pay checks. This authorization was tentative and subject to the issuance of Treasury regulations which require the financial institution to return to the retired pay activity any deposits made to retired members after date of death.

(l.) **B-206129, June 28, 1982.** The Comptroller General agreed the furnishing of ROEs by military retirees and survivor annuitants whose checks are mailed to a foreign address and delivered through foreign postal channels may be changed to semiannual reporting from the current "1-month-behind" reporting requirement.

APPENDIX L

DEPENDENCY AND INDEMNITY COMPENSATION RATES**JANUARY 1, 1972 – OCTOBER 1, 1976**

PAY GRADE	PL 92-197 December 15, 1971 Eff January 1, 1972	PL 93-295 May 31, 1974 Eff May 1, 1974	PL 94-71 August 5, 1975 Eff August 1, 1975	PL 94-433 September 30, 1976 Eff October 1, 1976
E1	\$184	\$215	\$241	\$260
E2	189	221	248	268
E3	195	228	255	275
E4	206	241	270	292
E5	212	248	278	300
E6	217	254	284	307
E7	227	266	298	322
E8	240	281	315	340
E9	251	294	329	355
Sgt Major of the Army	270	316	354	382
Sr Enl Adv of the Navy	270	316	354	382
Ch MSgt of the Air Force	270	316	354	382
Sgt Major of the Marines	270	316	354	382
W-1	232	271	304	328
W-2	241	282	316	341
W-3	249	291	326	352
W-4	262	307	344	372
O-1	232	271	304	328
O-2	240	281	315	340
O-3	257	301	337	364
O-4	272	318	356	384
O-5	299	350	392	423
O-6	337	394	441	476
O-7	365	427	478	516
O-8	399	467	523	565
O-9	429	502	562	607
O-10	469	549	615	664
Chm Joint Chiefs of Staff	503	589	660	712
Chief of Staff – Army	503	589	660	712
Chief of Naval Operations	503	589	660	712
Chief of Staff – Air Force	503	589	660	712
Commandant – Marine Corps	503	589	660	712

APPENDIX L

DEPENDENCY AND INDEMNITY COMPENSATION RATES**OCTOBER 1, 1977 - OCTOBER 1, 1980**

PAY GRADE	PL 95-117 October 3, 1977 Eff October 1, 1977	PL 95-479 October 18, 1978 Eff October 1, 1978	PL 96-128 November 28, 1979 Eff October 1, 1979	PL 96-385 May 7, 1980 Eff October 1, 1980
E1	\$277	\$297	\$326	\$373
E2	286	307	337	385
E3	293	314	345	394
E4	311	334	367	419
E5	320	343	377	431
E6	327	351	386	441
E7	343	368	404	462
E8	362	388	426	487
E9	378	406	446	510
Sgt Major of the Army	407	437	480	549
Sr Enl Adv of the Navy	407	437	480	549
Ch MSgt of the Air Force	407	437	480	549
Sgt Major of Marines	407	437	480	549
W-1	350	376	413	472
W-2	364	391	430	491
W-3	375	402	442	505
W-4	397	426	468	535
O-1	350	376	413	472
O-2	362	388	426	487
O-3	386	416	457	522
O-4	409	439	482	551
O-5	451	484	532	608
O-6	507	544	598	684
O-7	550	590	648	741
O-8	602	646	710	812
O-9	647	694	763	872
O-10	708	760	835	954
Chm Joint Chiefs of Staff	759	814	895	1,023
Chief of Staff – Army	759	814	895	1,023
Chief of Naval Operations	759	814	895	1,023
Chief of Staff – Air Force	759	814	895	1,023
Commandant – Marine Corps	759	814	895	1,023

APPENDIX L

DEPENDENCY AND INDEMNITY COMPENSATION RATES**OCTOBER 1, 1981 - DECEMBER 1, 1984**

PAY GRADE	PL 97-66 October 17, 1981 Eff October 1, 1981	PL 97-306 October 14, 1982 Eff October 1, 1982	PL 98-223 March 2, 1984 Eff April 1, 1984	PL 98-543 October 24, 1984 Eff December 1, 1984
E1	\$415	\$445	\$461	\$476
E2	428	459	475	490
E3	438	470	486	502
E4	466	500	518	535
E5	479	514	532	549
E6	490	526	544	561
E7	514	552	571	589
E8	542	582	602	621
E9	567	608	629	649
Sgt Major of the Army	610	655	678	700
Sr Enl Adv of the Navy	610	655	678	700
Ch MSgt of the Air Force	610	655	678	700
Sgt Major of the Marines	610	655	678	700
W-1	525	563	583	602
W-2	546	586	607	626
W-3	562	603	624	644
W-4	595	639	661	682
O-1	525	563	583	602
O-2	542	582	602	621
O-3	580	622	644	665
O-4	613	658	681	703
O-5	676	726	751	775
O-6	761	817	846	873
O-7	824	884	915	944
O-8	903	969	1,003	1,035
O-9	970	1,041	1,077	1,111
O-10	1,161	1,139	1,179	1,217
Chm Joint Chiefs of Staff	1,138	1,222	1,265	1,305
Chief of Staff – Army	1,138	1,222	1,265	1,305
Chief of Naval Operations	1,138	1,222	1,265	1,305
Chief of Staff – Air Force	1,138	1,222	1,265	1,305
Commandant – Marine Corps	1,138	1,222	1,265	1,305

APPENDIX L

DEPENDENCY AND INDEMNITY COMPENSATION RATES**DECEMBER 1, 1985 - JANUARY 1, 1991**

PAY GRADE	PL 99-238 Eff December 1, 1985	PL 99-576 Eff December 1, 1986	PL 100-227 Eff December 1, 1987	PL 100-687 Eff December 1, 1988	PL 100-237 Eff December 1, 1989	PL 102-3 Eff 1 January 1991
E1	\$491	\$498	\$518	\$539	\$564	\$594
E2	505	513	534	555	581	612
E3	518	526	548	570	597	629
E4	552	560	583	606	634	668
E5	566	574	598	622	651	686
E6	578	587	611	636	666	701
E7	607	616	641	667	698	735
E8	640	650	677	704	737	776
E9	669	679	707	735	770	811
Sgt Major of the Army	722	733	763	794	831	875
Sr Enl Adv of the Navy	722	733	763	794	831	875
Ch MSgt of the AF	722	733	763	794	831	875
Sgt Major of the Marines	722	733	763	794	831	875
MCPO of the Coast Guard			763	794	831	875
W-1	621	630	656	682	714	752
W-2	645	655	682	709	742	782
W-3	664	674	702	730	764	805
W-4	703	714	743	773	809	852
O-1	621	630	656	682	714	752
O-2	640	650	677	704	737	776
O-3	686	696	725	754	789	831
O-4	725	736	766	797	834	879
O-5	799	811	845	879	920	969
O-6	900	914	952	991	1,038	1,094
O-7	973	988	1,029	1,071	1,121	1,181
O-8	1,067	1,083	1,128	1,174	1,229	1,295
O-9	1,145	1,162	1,210	1,259	1,318	1,389
O-10	1,255	1,274	1,327	1,381	1,446	1,524
Chm Joint Chiefs of Staff	1,345	1,365	1,422	1,480	1,550	1,633
Chief of Staff – Army						
Chief of Naval Operations	1,345	1,365	1,422	1,480	1,550	1,633
Chief of Staff - Air Force						
Commandant – Marine Corps	1,345	1,365	1,422	1,480	1,550	1,633
Commandant – Coast Guard	1,345	1,365	1,422	1,480	1,550	1,663
			1,422	1,480	1,550	1,663

APPENDIX L

DEPENDENCY AND INDEMNITY COMPENSATION RATES**DECEMBER 1, 1991 - DECEMBER 1, 1994**

PAY GRADE	PL 102-152 Eff December 1, 1991	PL 102-510 Eff December 1, 1992 (Note 1)	PL 103-140 Eff December 1, 1993 (Note 1)	PL 103-418 Eff December 1, 1994 (Note 1)
E1	\$616	\$634		
E2	635	654		
E3	652	672		
E4	693	714		
E5	711	732		
E6	727	749		
E7	762	785	794	816
E8	805	829	838	861
E9	841	866	875	899
Sgt Major of the Army	907	934	943	969
Sr Enl Adv of the Navy	907	934	943	969
Ch MSgt of the AF	907	934	943	969
Sgt Major of the Marine Corps	907	934	943	969
MCPO of the Coast Guard	907	934	943	969
W-1	780	803	812	834
W-2	811	835	844	867
W-3	835	860	869	893
W-4	884	911	920	945
O-1	780	803	812	834
O-2	805	829	838	861
O-3	862	888	897	922
O-4	912	939	948	974
O-5	1,005	1,035	1,044	1,073
O-6	1,134	1,168	1,177	1,209
O-7	1,225	1,262	1,271	1,306
O-8	1,343	1,383	1,392	1,430
O-9	1,440	1,483	1,492	1,533
O-10	1,580	1,627	1,636	1,681
Chm Joint Chiefs of Staff	1,693	1,744	1,753	1,802
Chief of Staff - Army	1,693	1,744	1,753	1,802
Chief of Naval Ops - Navy	1,693	1,744	1,753	1,802
Chief of Staff - Air Force	1,693	1,744	1,753	1,802
Commandant - Marine Corps	1,693	1,744	1,753	1,802
Commandant - Coast Guard	1,693	1,744	1,753	1,802

APPENDIX L

DEPENDENCY AND INDEMNITY COMPENSATION RATES**DECEMBER 1, 1995 - DECEMBER 1, 1996**

PAY GRADES	PL 104-57 Eff December 1, 1995 (Note 1)	★PL 104-263 Eff December 1, 1996 (Note 1)
E-1	(blank)	(blank)
E-2	"	"
E-3	"	"
E-4	"	"
E-5	"	"
E-6	"	"
E-7	837	861
E-8	883	909
E-9	922	949
Sgt Major of the Army	994	1023
Sr Enl Adv of the Navy	994	1023
CH MSgt of the Air Force	994	1023
Sgt Major of the Marine Corps	994	1023
MCPO of the Coast Guard	855	880
W-1	889	915
W-2	916	943
W-3	969	997
W-4	855	880
O-1	883	909
O-2	945	972
O-3	999	1028
O-4	1,100	1132
O-5	1,240	1276
O-6	1,339	1378
O-7	1,467	1510
O-8	1,572	1618
O-9	1,724	1774
O-10	1,848	1902
CHM Joint Chiefs of Staff	1,848	1902
Chief of Staff - Army	1,848	1902
Chief of Naval Ops	1,848	1902
Chief of Staff - Air Force	1,848	1902
Commandant - Marine Corps	1,848	1902
Commandant - Coast Guard		

Note:

1. DIC is payable at a flat rate as increased by cost-of-living adjustments, when a veteran dies on or after January 1, 1993. An additional amount may be payable if the veteran was receiving a service-connected disability compensation (or would have but for the receipt of retired or retainer pay) for at least 8 years immediately preceding death. If a veteran dies before January 1, 1993, DIC is payable based on the pay grade of the veteran; however, effective January 1, 1993, DIC is payable at the flat rate of \$750 (including \$165, if applicable) if it is more favorable than the DIC amount based on veteran's pay grade.

Flat Rate	Additional	Effective Date
\$769	\$169	December 1, 1993
\$790	\$173	December 1, 1994
★\$810	\$177	December 1, 1995
★\$833	\$182	December 1, 1996

Dependency And Indemnity Compensation Rates
(continued)

APPENDIX M

TOTAL EARNINGS TABLE

Year of Retirement	Maximum Pay Covered By Social Security	Year of Retirement	Maximum Pay Covered By Social Security
1957	\$4,200	1982	\$32,400
1958	4,200	1983	35,700
1959	4,800	1984	37,800
1960	4,800	1985	39,600
1961	4,800	1986	42,000
1962	4,800	1987	43,800
1963	4,800	1988	45,000
1964	4,800	1989	48,000
1965	4,800	1990	51,300
1966	6,600	1991	53,400
1967	6,600	1992	55,500
1968	7,800	1993	57,600
1969	7,800	1994	60,600
1970	7,800	1995	61,200
1971	7,800	1996	62,700
1972	9,000	1997	★65,400
1973	10,800	1998	
1974	13,200		
1975	14,100		
1976	15,300		
1977	16,500		
1978	17,700		
1979	22,900		
1980	25,900		
1981	29,700		

If member made less than these amounts, add up to \$1,200 per year free credits (\$300 per quarter or \$100 per month for quarter in which member retires) to bring up to maximum.

APPENDIX N

SOCIAL SECURITY PIA TABLES

Average Monthly Wage		Primary Insurance Amount					
At least	But not more than	Sep 72	Mar 74	Jun 74	Jun 75	Jun 76	Jun 77
\$	\$76	\$84.50	\$90.50	\$93.80	\$101.40	\$107.90	\$114.30
77	78	85.80	91.90	95.30	103.00	109.60	116.10
79	80	87.80	94.00	97.50	105.30	112.10	118.80
81	81	89.40	95.70	99.30	107.30	114.20	121.00
82	83	91.00	97.40	101.10	109.20	116.20	123.10
84	85	92.90	99.50	103.20	111.50	118.70	125.80
86	87	94.60	101.30	105.10	113.60	120.90	128.10
88	89	96.20	103.00	106.80	115.40	122.80	130.10
90	90	98.10	105.00	108.90	117.70	125.30	132.70
91	92	99.80	106.80	110.80	119.70	127.40	135.00
93	94	101.40	108.50	112.60	121.70	129.50	137.20
95	96	103.00	110.30	114.40	123.60	131.60	139.40
97	97	104.90	112.30	116.50	125.90	134.00	142.00
98	99	106.70	114.20	118.50	128.00	136.20	144.30
100	101	108.80	116.50	120.80	130.50	138.90	147.10
102	102	110.30	118.10	122.50	132.30	140.80	149.20
103	104	112.10	120.00	124.50	134.50	143.20	151.70
105	106	114.20	122.20	126.80	137.00	145.80	154.50
107	107	116.00	124.20	128.80	139.20	148.20	157.00
108	109	117.90	126.20	130.90	141.40	150.50	159.40
110	113	119.70	128.10	132.90	143.60	152.80	161.90
114	118	121.40	129.90	134.80	145.60	155.00	164.20
119	122	123.30	132.00	136.90	147.90	157.40	166.70
123	127	125.10	133.90	138.90	150.10	159.80	169.30
128	132	127.10	136.00	141.10	152.40	162.20	171.80
133	136	128.80	137.90	143.00	154.50	164.40	174.10
137	141	130.50	139.70	144.90	156.50	166.60	176.50
142	146	132.50	141.80	147.10	158.90	169.10	179.10
147	150	134.30	143.80	149.10	161.10	171.50	181.70
151	155	136.00	145.60	151.00	163.10	173.60	183.90
156	160	138.00	147.70	153.20	165.50	176.10	186.50
161	164	139.70	149.50	155.10	167.60	178.40	189.00
165	169	141.60	151.60	157.20	169.80	180.70	191.40
170	174	143.40	153.50	159.20	172.00	183.10	194.00
175	178	145.20	155.40	161.20	174.10	185.30	196.30
179	183	147.20	157.60	163.40	176.50	187.80	198.90

APPENDIX N

SOCIAL SECURITY PIA TABLES**(Continued)**

Average Monthly Wage		Primary Insurance Amount					
At least	But not more than	Sep 72	Mar 74	Jun 74	Jun 75	Jun 76	Jun 77
\$ 184	\$ 188	\$ 148.80	\$ 159.30	\$ 165.20	\$ 178.50	\$ 190.00	\$ 201.30
189	193	150.90	161.50	167.50	180.90	192.50	203.90
194	197	152.70	163.40	169.50	183.10	194.90	206.40
198	202	154.40	165.30	171.40	185.20	197.10	208.80
203	207	156.40	167.40	173.70	187.60	199.70	211.50
208	211	158.20	169.30	175.70	189.80	202.00	214.00
212	216	159.80	171.00	177.40	191.60	203.90	216.00
217	221	161.80	173.20	179.60	194.00	205.50	218.70
222	225	163.60	175.10	181.60	196.20	208.80	221.20
226	230	165.50	177.10	183.80	198.60	211.40	223.90
231	235	167.30	179.10	185.80	200.70	213.60	226.30
236	239	169.40	181.30	188.10	203.20	216.30	229.10
240	244	171.00	183.00	189.90	205.10	218.30	231.20
245	249	172.70	184.80	191.70	207.10	220.40	233.50
250	253	174.80	187.10	194.10	209.70	223.20	236.40
254	258	176.60	189.00	196.10	211.80	225.40	238.70
259	263	178.10	190.60	197.10	213.60	227.30	240.80
264	267	180.20	192.90	200.10	216.20	230.10	243.70
268	272	182.00	194.80	202.10	218.30	232.30	246.10
273	277	183.90	196.80	204.20	220.60	234.80	248.70
278	281	185.70	198.70	206.20	222.70	237.00	251.00
282	286	187.50	200.70	208.20	224.90	239.30	253.50
287	291	189.50	202.80	210.40	227.30	241.90	256.20
292	295	191.10	204.50	212.20	229.20	243.90	258.30
296	300	193.10	206.70	214.40	231.60	246.50	261.10
301	305	194.90	208.60	216.40	233.80	248.80	263.50
306	309	196.60	210.40	218.30	235.80	250.90	265.80
310	314	198.60	212.60	220.50	238.20	253.50	268.50
315	319	200.30	214.40	222.40	240.20	255.60	270.70
320	323	202.00	216.20	224.30	242.30	257.90	273.20
324	328	204.00	218.30	226.50	244.70	260.40	275.80
329	333	205.80	220.30	228.50	246.80	262.60	278.10
334	337	207.90	222.50	230.80	249.30	265.30	281.00
338	342	209.40	224.10	232.50	251.10	267.20	283.00
343	347	211.20	226.00	234.50	253.30	269.60	285.60
348	351	213.30	228.30	236.80	255.80	272.20	288.30

APPENDIX N

SOCIAL SECURITY PIA TABLES**(Continued)**

Average Monthly Wage		Primary Insurance Amount					
At least	But not more than	Sep 72	Mar 74	Jun 74	Jun 75	Jun 76	Jun 77
\$ 352	\$ 356	\$ 215.00	\$ 230.10	\$ 238.70	\$ 257.80	\$ 274.30	\$ 290.50
357	361	217.00	232.20	240.90	260.20	276.90	293.30
362	365	218.70	234.10	242.80	262.30	279.10	295.60
366	370	220.40	235.90	244.70	264.30	281.30	297.90
371	375	222.40	238.00	246.90	266.70	283.80	300.60
376	379	224.20	239.90	248.90	268.90	286.20	303.10
380	384	226.20	242.10	251.10	271.20	288.60	305.70
385	389	227.80	243.80	252.90	273.20	290.70	307.90
390	393	229.60	245.70	254.90	275.30	293.00	310.30
394	398	231.60	247.90	257.10	277.70	295.50	313.00
399	403	233.30	249.70	259.00	279.80	297.80	315.40
404	407	235.40	251.90	261.30	282.30	300.40	318.20
408	412	236.90	253.50	263.00	284.10	302.30	320.20
413	417	238.00	255.40	264.90	286.10	304.50	322.50
418	421	240.30	257.20	266.80	288.20	306.70	324.80
422	426	242.20	259.20	268.90	290.50	309.10	327.40
427	431	243.80	260.90	270.70	292.40	311.20	329.60
432	436	245.40	262.60	272.40	294.20	313.10	331.60
437	440	247.20	264.80	274.70	296.70	315.70	334.40
441	445	248.90	266.40	276.30	298.50	317.70	336.50
446	450	250.60	268.20	278.20	300.50	319.80	338.70
451	454	252.50	270.20	280.30	302.80	322.20	341.30
455	459	254.10	271.90	282.10	304.70	324.30	343.50
460	464	255.80	273.80	284.00	306.80	326.50	345.80
465	468	257.40	275.50	285.80	308.70	328.50	347.90
469	473	259.40	277.60	288.00	311.10	331.10	350.70
474	478	260.90	279.20	289.60	312.80	332.90	352.60
479	482	262.60	281.00	291.50	314.90	335.10	354.90
483	487	264.50	283.10	293.60	317.10	337.40	357.40
488	492	266.10	284.80	295.40	319.10	339.60	359.70
493	496	267.80	286.60	297.30	321.10	341.70	361.90
497	501	269.70	288.60	299.40	323.40	344.10	364.50
502	506	271.20	290.20	301.10	325.20	346.10	366.60
507	510	272.90	292.10	303.00	327.30	348.30	368.90
511	515	274.60	293.90	304.90	329.30	350.40	371.10
516	520	276.40	295.80	306.90	331.50	352.80	373.70

APPENDIX N

SOCIAL SECURITY PIA TABLES**(Continued)**

Average Monthly Wage		Primary Insurance Amount					
At least	But not more than	Sep 72	Mar 74	Jun 74	Jun 75	Jun 76	Jun 77
\$ 521	\$ 524	\$ 278.10	\$ 297.60	\$ 308.70	\$ 333.40	\$ 354.80	\$ 375.80
525	529	279.80	299.40	310.60	335.50	357.00	378.10
530	534	281.70	301.50	312.70	337.80	359.50	380.80
535	538	283.20	303.10	314.40	339.60	361.40	382.80
539	543	284.90	304.90	316.30	341.70	363.60	385.10
544	548	286.80	306.90	318.40	343.90	366.00	387.60
549	553	288.40	308.60	320.20	345.90	368.10	389.90
554	556	290.10	310.50	322.10	347.90	370.20	392.10
557	560	291.50	312.00	323.60	349.50	371.90	393.90
561	563	293.10	313.70	325.40	351.50	374.00	396.10
564	567	294.60	315.30	327.10	353.30	376.00	398.20
568	570	296.20	317.00	328.80	355.20	378.00	400.40
571	574	297.60	318.50	330.40	356.90	379.80	402.30
575	577	299.20	320.20	332.20	358.80	381.80	404.40
578	581	300.60	321.70	333.70	360.40	383.50	406.20
582	584	302.20	323.40	335.50	362.40	385.60	408.40
585	588	303.60	324.90	337.00	364.00	387.30	410.20
589	591	305.30	326.70	338.90	366.10	389.60	412.60
592	595	306.80	328.30	340.60	367.90	391.50	414.60
596	598	308.30	329.90	342.30	369.70	393.40	416.70
599	602	309.80	331.50	343.90	371.50	395.30	418.70
603	605	311.30	333.10	345.60	373.30	397.20	420.70
606	609	312.80	334.70	347.30	375.10	399.20	422.80
610	612	314.40	336.50	349.00	377.00	401.20	424.90
613	616	315.90	338.10	350.70	378.80	403.10	426.90
617	620	317.40	339.70	352.40	380.60	405.00	428.90
621	623	318.90	341.30	354.00	382.40	406.90	431.00
624	627	320.40	342.90	355.70	384.20	408.80	433.00
628	630	321.90	344.50	357.40	386.00	410.80	435.10
631	634	323.40	346.10	359.00	387.80	412.70	437.10
635	637	325.00	347.80	360.80	389.70	414.70	439.20
638	641	326.60	349.50	362.60	391.70	416.80	441.40
642	644	328.00	351.00	364.10	393.30	418.50	443.20
645	648	329.60	352.70	365.90	395.20	420.50	445.40
649	652	331.00	354.20	367.50	396.90	422.40	447.40
653	656	332.00	355.30	368.60	398.10	423.60	448.60

APPENDIX N**SOCIAL SECURITY PIA TABLES****(Continued)**

Average Monthly Wage		Primary Insurance Amount					
At least	But not more than	Sep 72	Mar 74	Jun 74	Jun 75	Jun 76	Jun 77
\$ 657	\$ 660	\$ 332.90	\$ 356.30	\$ 369.60	\$ 399.20	\$ 424.80	\$ 449.90
661	665	334.10	357.50	370.90	400.60	426.30	451.50
666	670	335.30	358.80	372.20	402.00	427.80	453.10
671	675	336.50	360.10	373.60	403.50	429.40	454.80
676	680	337.70	361.40	374.90	404.90	430.90	456.40
681	685	338.90	362.70	376.20	406.30	432.40	458.00
686	690	340.10	364.00	377.60	407.90	434.10	459.80
691	695	341.30	365.20	378.90	409.30	435.50	461.20
699	700	342.50	366.50	380.20	410.70	437.00	462.80
701	705	343.70	367.80	381.60	412.20	438.60	464.50
706	710	344.90	369.10	382.90	413.60	440.10	466.10
711	715	346.10	370.40	384.20	415.00	441.60	467.70
716	720	347.30	371.70	385.60	416.50	443.20	469.40
721	725	348.50	372.90	386.90	417.90	444.70	471.00
726	730	349.70	374.20	388.20	419.30	446.20	472.60
731	735	350.90	375.50	389.50	420.70	447.70	474.20
736	740	352.10	376.80	390.90	422.20	449.30	475.90
741	745	353.30	378.10	392.20	423.60	450.80	477.40
746	750	354.50	379.40	393.50	425.00	452.20	478.90
751	755	355.50	380.40	394.70	426.30	453.60	480.40
756	760	356.50	381.50	395.80	427.50	454.90	481.80
761	765	357.50	382.60	396.90	428.70	456.20	483.20
766	770	358.50	383.60	398.00	429.90	457.50	484.50
771	775	359.50	384.70	399.10	431.10	458.70	485.80
776	780	360.50	385.80	400.20	432.30	460.00	487.20
781	785	361.50	386.90	401.30	433.50	461.30	488.60
786	790	362.50	387.90	402.40	434.60	462.50	489.80
791	795	363.50	389.00	403.50	435.80	463.70	491.10
796	800	364.50	390.10	404.60	437.00	465.00	492.50
801	805	365.50	391.10	405.80	438.30	466.40	494.00
806	810	366.50	392.20	406.90	439.50	467.70	495.30
811	815	367.50	393.30	408.00	440.70	469.00	496.70
816	820	368.50	394.30	409.10	441.90	470.20	498.00
821	825	369.50	395.40	410.20	443.10	471.50	499.40
826	830	370.50	396.50	411.30	444.30	472.80	500.70
831	835	371.50	397.60	412.40	445.40	474.00	502.00

APPENDIX N

SOCIAL SECURITY PIA TABLES**(Continued)**

Average Monthly Wage		Primary Insurance Amount					
At least	But not more than	Sep 72	Mar 74	Jun 74	Jun 75	Jun 76	Jun 77
\$ 836	\$ 840	\$ 372.50	\$ 398.60	\$ 413.50	\$ 446.60	\$ 475.20	\$ 503.30
841	845	373.50	399.70	414.60	447.80	476.50	504.70
846	850	374.50	400.80	415.70	449.00	477.80	506.00
851	855	375.50	401.80	416.90	450.30	479.20	507.50
856	860	376.50	402.90	418.00	451.50	480.40	508.80
861	865	377.50	404.00	419.10	452.70	481.70	510.20
866	870	378.50	405.00	420.20	453.90	483.00	511.50
871	875	379.50	406.10	421.30	455.10	484.30	512.90
876	880	380.50	407.20	422.40	456.20	485.40	514.10
881	885	381.50	408.30	423.50	457.40	486.70	515.50
886	890	382.50	409.30	424.60	458.60	488.00	516.80
891	895	383.50	410.40	425.70	459.80	489.30	518.20
896	900	384.50	411.50	426.80	461.00	490.60	519.60
901	905	385.50	412.50	428.00	462.30	491.90	521.00
906	910	386.50	413.60	429.10	463.50	493.20	522.30
911	915	387.50	414.70	430.20	464.70	494.50	523.70
916	920	388.50	415.70	431.30	465.90	495.80	525.10
921	925	389.50	416.80	432.40	467.00	496.90	526.30
926	930	390.50	417.90	433.50	468.20	498.20	527.60
931	935	391.50	419.00	434.60	469.40	499.50	529.00
936	940	392.50	420.00	435.70	470.60	500.80	530.40
941	945	393.50	421.10	436.80	471.80	502.00	531.70
946	950	394.50	422.20	437.00	473.00	503.30	533.00
951	955	395.50	423.20	439.10	474.30	504.70	534.50
956	960	396.50	424.30	440.20	475.50	506.00	535.90
961	965	397.50	425.40	441.30	476.70	507.30	537.30
966	970	398.50	426.40	442.40	477.80	508.40	538.40
971	975	399.50	427.50	443.50	479.00	509.70	539.80
976	980	400.50	428.60	444.60	480.20	511.00	541.20
981	985	401.50	429.70	445.70	481.40	512.30	542.60
986	990	402.50	430.70	446.80	482.60	513.50	543.80
991	995	403.50	431.80	447.90	483.80	514.80	545.20
996	1000	404.50	432.90	449.00	485.00	516.10	546.60
1001	1005		433.90	450.00	486.00	517.20	547.80
1006	1010		434.90	451.00	487.10	518.30	548.90
1011	1015		435.90	452.00	488.20	519.50	550.20

APPENDIX N

SOCIAL SECURITY PIA TABLES**(Continued)**

Average Monthly Wage		Primary Insurance Amount					
At least	But not more than	Sep 72	Mar 74	Jun 74	Jun 75	Jun 76	Jun 77
\$ 1016	\$ 1020	\$	\$ 436.90	\$ 453.00	\$ 489.30	\$ 520.70	\$ 551.50
1021	1025		437.90	454.00	490.40	521.80	552.60
1026	1030		438.90	455.00	491.40	522.90	553.80
1031	1035		439.90	456.00	492.50	524.10	555.10
1036	1040		440.90	457.00	493.60	525.20	556.20
1041	1045		441.90	458.00	494.70	526.40	557.50
1046	1050		442.90	459.00	495.80	527.60	558.80
1051	1055		443.90	460.00	496.90	528.60	559.80
1056	1060		444.90	461.00	497.90	529.80	561.10
1061	1065		445.90	462.00	499.00	531.00	562.40
1066	1070		446.90	463.00	500.10	532.20	563.60
1071	1075		447.90	464.00	501.20	533.30	564.80
1076	1080		448.90	465.00	502.20	534.40	566.00
1081	1085		449.90	466.00	503.30	535.60	567.30
1086	1090		450.90	467.00	504.40	536.70	568.40
1091	1095		451.90	468.00	505.50	537.90	569.70
1096	1100		452.90	469.00	506.60	539.10	571.00

Notes:

1. Use \$76.00 to compute Social Security Income for PIA less than the minimum amount.
2. Mother's Benefit (Any Age): 75 percent of PIA (with only one dependent child).
3. Widow or Widower's Benefit (without dependent children).
 - a. Age 62 - 82.9% of PIA.
 - b. Between 62 and 65: 100% of PIA less 19/40 of 1% for each month the widow or widower is under age 65.
 - c. Age 65 and over: 100% of PIA.

APPENDIX O

OFFSET FACTORS

Age of Spouse on Date Annuity Commences (years)	Age of Spouse on Date Annuity Commences (months)	No Mos Under 65	Percentage Factor of 100% PIA	Increase The Present Offset of 82.5% by
65		0	0	.212121
64 yrs	11 mos	1	.995250	.206364
	10 mos	2	.9905	.200606
	9 mos	3	.98575	.194848
	8 mos	4	.9810	.189091
	7 mos	5	.97625	.183333
	6 mos	6	.9715	.177576
	5 mos	7	.96675	.171818
	4 mos	8	.962	.166061
	3 mos	9	.95725	.160303
	2 mos	10	.9525	.154545
	1 mo	11	.94775	.148788
64 yrs		12	.943	.143030
63 yrs	11 mos	13	.93825	.137273
	10 mos	14	.9335	.131515
	9 mos	15	.92875	.125758
	8 mos	16	.924	.120000
	7 mos	17	.91925	.114242
	6 mos	18	.9145	.108485
	5 mos	19	.90975	.102727
	4 mos	20	.905	.096970
	3 mos	21	.90025	.091212
	2 mos	22	.8955	.085455
	1 mo	23	.89075	.079697
63 yrs		24	.886	.073939
62 yrs	11 mos	25	.88125	.068182
	10 mos	26	.8765	.062424
	9 mos	27	.87175	.056667
	8 mos	28	.867	.050909
	7 mos	29	.86225	.045152
	6 mos	30	.8575	.039394
	5 mos	31	.85275	.033636
	4 mos	32	.848	.027879
	3 mos	33	.84325	.022121
	2 mos	34	.8385	.016364
	1 mo	35	.83375	.010606
62 yrs		36	.829	.004848

RESERVED

APPENDIX Q

(COPY)

SOCIAL SECURITY ADMINISTRATION AND DEPARTMENT OF DEFENSE

Memorandum of Understanding on the Survivor Benefit Plan

(Public Law 92-425)

GENERAL

This Memorandum of Understanding establishes the procedures to be used by the Military Services and the Social Security Administration to obtain social security covered military earnings for use in adjudicating survivor annuities payable by the Department of Defense pursuant to Public Law 92-425, September 21, 1972.

ANNUITY REDUCTION

Conditions under which a survivor annuity payable by the Department of Defense shall be reduced are set forth in Title 10, United States Code, Chapter 73, Section 1451.

PROCEDURES

1. The Military Services shall request from the Social Security Administration, social security earnings that are attributable to active military service on an “as needed basis” only. The agreement covering the type of services and the estimated cost of furnishing these services are contained in the attached Social Security Form SSA-1034, Agreement Covering Reimbursable Services. DD Form 1947, Request for Social Security Covered Military Earnings Information, shall be used for this purpose. The member’s name, social security number, job number, period for which data are needed, and the employer identification number(s) shall be completed by the requesting military Finance Center. Entries on the DD Form 1947 may be typed or handwritten.

2. The Social Security Administration shall use Form OAR-1009 and/or Form OAR-1009a, Earnings Record Transcription, to record social security covered military earnings that are attributable to military service. Data furnished should relate to the period of request as shown on DD Form 1947. When data are not of record for the period or a portion thereof, the symbol “N/R” (no record) shall be entered. Entries on the Form OAR-1009, and Form OAR-1009a may be typed or handwritten. The Social Security Administration shall validate the DD Form 1947, Form OAR-1009, and Form OAR-1009a, by entry of their stamp. The requested information is attached, Social Security Administration per (identification of Social Security Administration employee). The Form OAR-1009 or Form OAR-1009a will be attached to DD Form 1947 and mailed to the preindicated service. The Social Security Administration will accept a maximum of 200 search requests per month for all Services on a 4-6 weeks processing schedule. A maximum of an additional 200 requests will be handled on an available time basis. Since no priority can be assigned to these additional requests, at least 8-12 weeks will be allowed for processing.

3. The “Remarks” block of DD Form 1947 may be used by the Military Services or the Social Security Administration. Any information or comments which may be useful in the data exchange may be entered in this block.

SIGNEDDATE Sep 17, 1975/S/J. B. Cardwell
Social Security AdministrationDATE Jan 30, 1976/S/Joseph P. Welsch
Department of Defense

MILITARY EMPLOYER IDENTIFICATION NUMBERS
(ACTIVE)

SERVICE		EIN	EFFECTIVE DATE
	Air Force	84-0464669	1957-1958
		84-9990000	1959 to date
	Army	35-0930434	1957-1958
		35-9990000	1959 to date
	Navy	34-0812882	1957-1958
		34-9990000	1959 to date
	Marine Corps	53-0235327	1957-1958
		53-9990000	1959 to date
	Coast Guard	52-0233902	1957-1958
		52-9980000	1959 to date

APPENDIX R

**ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER
SURVIVOR BENEFIT PLAN (SBP)****MINIMUM INCOME ANNUITY CHANGES**

MAXIMUM MONTHLY ANNUITY PAYABLE	MINIMUM ANNUAL INCOME	EFFECTIVE FROM
\$116.67	1,400	21 Sep 1972
175.00	2,100	1 Oct 1976
195.00	2,340	1 Oct 1978
214.67	2,576	1 Jun 1979
245.83	2,950	1 Jun 1980
273.75	3,285	1 Jun 1981
294.25	3,531	1 Jun 1982
304.67	3,656	1 Dec 1983
315.50	3,786	1 Dec 1984
325.42	3,905	1 Dec 1985
329.75	3,957	1 Dec 1986
343.75	4,125	1 Dec 1987
357.67	4,292	1 Dec 1988
374.67	4,496	1 Dec 1989
395.08	4,741	1 Dec 1990
409.83	4,918	1 Dec 1991
422.25	5,067	1 Dec 1992
433.33	5,200	1 Dec 1993
445.83	5,347	1 Dec 1994
457.33	5,488	1 Dec 1995
★470.75	5,649	1 Dec 1996

APPENDIX S

SOCIAL SECURITY OFFSET to SURVIVOR BENEFIT PLAN
(Eligibility Year Before 1979)

Worksheet for calculating social security offset for members whose eligibility year is before 1979 and whose offset year is 1979 or later.

Definitions:

1. **Member** is the retired military person.
2. **Starting Year** is 1957 or the year the member joined the Service, whichever is later.
3. **Ending Year** is the year the member turned or would have turned age 65.
4. **Eligibility Year** is the year in which the member turned age 62 or the year the member died, whichever is earlier.
5. Not applicable.
6. **Elapsed Years:**
 - a. For a male who turned or would have turned **age 62 in 1975 or later** and **all female members**, is equal to the number of years obtained by subtracting (the later of 1951 or the year the member turned age 22) from (the year the member turned or would have turned age 62).
 - b. For a **male member** who turned or would have turned **age 62 in 1973 or 1974**, is equal to 24.
 - c. For a **male member** who turned or would have turned **age 62 before 1973**, is equal to the number of years obtained by subtracting 1951 from the year the member turned or would have turned age 65.
7. **Offset Year** is the year the offset goes into effect.
8. **Free Wage Credits** are gratuitous wage credits that must be included in calculating the SBP offset. For years 1957 through 1977, credit \$300 for each calendar quarter in which he or she received **any** basic pay for active duty or active duty for training. For 1978 and later, credit increments of \$100 up to a maximum of \$1,200 per calendar year. The \$100 increments are granted for each \$300 of reported wages as follows: (1) No credit for wages less than \$300. (2) One credit (\$100) if wages are between \$300 and \$600. (3) Two credits (\$200) if wages are between \$600 and \$900. (4) And so on up to a maximum of \$1,200 per calendar year.

Step 1

Calculate: Eligibility Year =
Starting Year =
Ending Year =
Elapsed Years =
Offset Year =

(If Eligibility Year is 1979 or later, this worksheet should not be used.)

Step 2

List every year from the starting year to the ending year in Column (A).
NOTE: See definitions of 'starting' and 'ending.'

Step 3

Record member's active duty pay in column (B).
Record zero for all remaining years through the 'ending year.'

Step 4

Calculate and record free wage credits in column (C).

Step 5

Add columns (B) and (C) and record in column (D). Round to nearest dollar (round \$.50 up).

Step 6

List maximum FICA wages in column (E). See Appendix M for maximum FICA wages.

Step 7

Record in column (F) the lesser of column (D) or column (E).

Step 8

Not applicable.

Step 9

Not applicable.

Step 10

- (a) Compute $n = \text{elapsed years} - 5$
 - (b) Cross out all but highest n values in column (F)
 - (c) Total remaining n values
- If n is zero or less, the Social Security Offset is zero.

Step 11

- (a) Months = $(n) \times 12$ = _____
- (b) Member's AME = $\frac{\text{Step 10(c)}}{\text{Step 11(a)}}$ = _____
(round **down** to nearest dollar)

Step 12

Determine the member's AME PIA from the attached table I.

(a) If the AME from Step 11(b) is **less than** the minimum average monthly wage listed in table I (\$76), then:

$$\begin{aligned} \text{Member's AME PIA} &= \frac{\text{Step 11(b)}}{\$76 \text{ (table I minimum AME)}} \times \$121.80 \text{ (table I PIA for minimum AME)} \\ &= \underline{\hspace{2cm}} \\ &\quad \text{(Round \textbf{up} to the nearest dime)} \end{aligned}$$

(b) Otherwise, read the member's AME PIA directly from:
table I = _____

Step 13

List Social Security CPI's from June 1979 up to and including offset year. (If CPI is 9.9% list it as 1.099.) If the time of offset is before the Social Security CPI release date then assume that the CPI in the offset year is zero. Multiply these values together to obtain one value. Round to 3 decimals.

Step 14

Member's AME PIA = Step 12 times Step 13 = _____
(round **up** to nearest dime)

Step 15

If widow and one child:

Social Security offset = Step 14 times .75 = _____
(round **up** to nearest dime)

Step 16

Social Security offset = Step 14 times factor defined below = \$ _____.
(round value down to nearest dollar)

FACTOR SELECTION

(1) If the widow **does not** provide evidence from the Social Security Administration that the decedent was in receipt of **nondisability** Social Security benefits prior to age 65, select the spouse age-related reduction factor from the following chart and use in formula.

SPOUSE AGE-RELATED REDUCTION FACTOR

<u>Spouse Age</u>	Factor for <u>Offset</u>	<u>Spouse Age</u>	Factor for <u>Offset</u>	<u>Spouse Age</u>	Factor for <u>Offset</u>
65 & over	1.00000	64 yrs, 0 mo	.94300	63 yrs 0 mo	.88600
64 yrs, 11 mos	.99525	63 yrs, 11 mos	.93825	62 yrs, 11 mos	.88125
64 yrs, 10 mos	.99050	63 yrs, 10 mos	.93350	62 yrs, 10 mos	.87650
64 yrs, 9 mos	.98575	63 yrs, 9 mos	.92875	62 yrs, 9 mos	.87175
64 yrs, 8 mos	.98100	63 yrs, 8 mos	.92400	62 yrs, 8 mos	.86700
64 yrs, 7 mos	.97625	63 yrs, 7 mos	.91925	62 yrs, 7 mos	.86225
64 yrs, 6 mos	.97150	63 yrs, 6 mos	.91450	62 yrs, 6 mos	.85750
64 yrs, 5 mos	.96675	63 yrs, 5 mos	.90975	62 yrs, 5 mos	.85275
64 yrs, 4 mos	.96200	63 yrs, 4 mos	.90500	62 yrs, 4 mos	.84800
64 yrs, 3 mos	.95725	63 yrs, 3 mos	.90025	62 yrs, 3 mos	.84325
64 yrs, 2 mos	.95250	63 yrs, 2 mos	.89550	62 yrs, 2 mos	.83850
64 yrs, 1 mo	.94775	63 yrs, 1 mo	.89075	62 yrs, 1 mo	.83375
				62 yrs, 0 mo	.82900

(2) If the widow provides evidence from the Social Security Administration (SSA) that the decedent was in receipt of **non-disability** Social Security benefits prior to age 65, calculate the decedent's reduction factor using one of the following methods and information supplied by SSA:

(a) divide the actual benefit payable (DMBA) by the death PIA. If decedent lived to age 65 or older, this data must be for a month subsequent to the January following the date of death.

(b) if data is not available for (a), determine the number of months (M) for which the decedent received a reduced benefit prior to age 65. Calculate, to five digits, the factor using the following formula:

$$\text{factor} = (1.0) \text{ minus } (M/180)$$

$$\text{example: 3 months early} = (1.0) - (3/180) = .98333$$

(c) insert answer from (a) or (b) here.

(d) insert the greater of .825 or (c) here.

(e) insert factor obtained in Step 16(1) above here.

(f) insert lesser of (d) or (e) here and use in formula.

Step 17

(a) Net monthly SBP annuity before Social Security offset but after all other reductions = _____

(b) .4 times Step 17(a) = _____
(round **down** to nearest dime)

(c) Total from either Step 15 or Step 16 = _____

(d) Social Security offset equals lesser of Step 17(c) or Step 17 (b) = _____

SOCIAL SECURITY OFFSET CALCULATION SHEET

(A) Year (Starting to Ending)	(B) Member's Active Duty Pay	(C) Free Wage Credit	(D) Member's Total Pay Credit (B)+(C)	(E) Maximum FICA Wage	(F) FICA Wage = Lesser of (D) or (E)
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
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11.					
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48.					
49.					
50.					

TABLE I

PRIMARY INSURANCE AMOUNTS FOR EACH AVERAGE MONTHLY WAGE

Average Monthly Wage	Dec 1978 PIA	Average Monthly Wage	Dec 1978 PIA	Average Monthly Wage	Dec 1978 PIA
Up to \$76	\$121.80	\$179-183	\$211.90	\$343-347	\$304.20
77-78	123.70	184-188	214.40	348-351	307.10
79-80	126.60	189-193	217.20	352-356	309.40
81-81	128.90	194-197	219.90	357-361	312.40
82-83	131.20	198-202	222.40	362-365	314.90
84-85	134.00	203-207	225.30	366-370	317.30
86-87	136.50	208-211	228.00	371-375	320.20
88-89	138.60	212-216	230.10	376-379	322.90
90-90	141.40	217-221	233.00	380-384	325.60
91-92	143.80	222-225	235.60	385-389	328.00
93-94	146.20	226-230	238.50	390-393	330.50
95-96	148.50	231-235	241.10	394-398	333.40
97-97	151.30	236-239	244.00	399-403	336.00
98-99	153.70	240-244	246.30	404-407	338.90
100-101	156.70	245-249	248.70	408-412	341.10
102-102	158.90	250-253	251.80	413-417	343.50
103-104	161.60	254-258	254.30	418-421	346.00
105-106	164.60	259-263	256.50	422-426	348.70
107-107	167.30	264-267	259.60	427-431	351.10
108-109	169.80	268-272	262.10	432-436	353.20
110-113	172.50	273-277	264.90	437-440	356.20
114-118	174.90	278-281	267.40	441-445	358.40
119-122	177.60	282-286	270.00	446-450	360.80
123-127	180.40	287-291	272.90	451-454	363.50
128-132	183.00	292-295	275.10	455-459	365.90
133-136	185.50	296-300	278.10	460-464	368.30
137-141	188.00	301-305	280.70	465-468	370.60
142-146	190.80	306-309	283.10	469-473	373.50
147-150	193.60	310-314	286.00	474-478	375.60
151-155	195.90	315-319	288.30	479-482	378.00
156-160	198.70	320-323	291.00	483-487	380.70
161-164	201.30	324-328	293.80	488-492	383.10
165-169	203.90	329-333	296.20	493-496	385.50
170-174	206.70	334-337	299.30	497-501	388.20
175-178	209.10	338-342	301.40	502-506	390.50

TABLE I
(Continued)

PRIMARY INSURANCE AMOUNTS FOR EACH AVERAGE MONTHLY WAGE

Average Monthly Wage	Dec 1978 PIA	Average Monthly Wage	Dec 1978 PIA	Average Monthly Wage	Dec 1978 PIA
\$507-510	\$392.90	\$642-644	\$472.10	\$811-815	\$529.00
511-515	395.30	645-648	474.40	816-820	530.40
516-520	398.00	649-652	476.50	821-825	531.90
521-524	400.30	653-656	477.80	826-830	533.30
525-529	402.70	657-660	479.20	831-835	534.70
530-534	405.60	661-665	480.90	836-840	536.10
535-538	407.70	666-670	482.60	841-845	537.60
539-543	410.20	671-675	484.40	846-850	538.90
544-548	412.80	676-680	486.10	851-855	540.50
549-553	415.30	681-685	487.80	856-860	541.90
554-556	417.60	686-690	489.70	861-865	543.40
557-560	419.60	691-695	491.20	866-870	544.80
561-563	421.90	696-700	492.90	871-875	546.60
564-567	424.10	701-705	494.70	876-880	547.60
568-570	426.50	706-710	496.40	881-885	549.10
571-574	428.50	711-715	498.20	886-890	550.40
575-577	430.70	716-720	500.00	891-895	551.90
578-581	432.70	721-725	501.70	896-900	553.40
582-584	435.00	726-730	503.40	901-905	554.90
585-588	436.90	731-735	505.10	906-910	556.30
589-591	439.50	736-740	506.90	911-915	557.80
592-595	441.60	741-745	508.50	916-920	559.30
596-598	443.80	746-750	510.10	921-925	560.60
599-602	446.00	751-755	511.70	926-930	561.90
603-605	448.10	756-760	513.20	931-935	563.40
606-609	450.30	761-765	514.70	936-940	564.90
610-612	452.60	766-770	516.00	941-945	566.30
613-616	454.70	771-775	517.40	946-950	567.70
617-620	456.80	776-780	518.90	951-955	569.30
621-623	459.10	781-785	520.40	956-960	570.80
624-627	461.20	786-790	521.70	961-965	572.30
628-630	463.40	791-795	523.10	966-970	573.40
631-634	465.60	796-800	524.60	971-975	574.90
635-637	467.80	801-805	526.20	976-980	576.40
638-641	470.10	806-810	527.50	981-985	577.90

TABLE I
(Continued)

PRIMARY INSURANCE AMOUNTS FOR EACH AVERAGE MONTHLY WAGE

Average Monthly Wage	Dec 1978 PIA	Average Monthly Wage	Dec 1978 PIA	Average Monthly Wage	Dec 1978 PIA
\$ 986-990	\$579.20	\$1,161-1,165	\$624.90	\$1,336-1,340	\$666.20
991-995	580.70	1,166-1,170	626.20	1,341-1,345	667.40
996-1,000	582.20	1,171-1,175	627.50	1,346-1,350	668.40
1,001-1,005	583.50	1,176-1,180	628.70	1,351-1,355	669.60
1,006-1,010	584.60	1,181-1,185	629.97	1,356-1,360	670.70
1,011-1,015	586.00	1,186-1,190	631.20	1,361-1,365	671.90
1,016-1,020	587.40	1,191-1,195	632.30	1,366-1,370	672.90
1,021-1,025	588.60	1,196-1,200	633.50	1,371-1,375	674.10
1,026-1,030	589.80	1,201-1,205	634.70	1,376-1,380	675.20
1,031-1,035	591.20	1,206-1,210	636.00	1,381-1,385	676.20
1,036-1,040	592.40	1,211-1,215	637.10	1,386-1,390	677.30
1,041-1,045	592.80	1,216-1,220	638.20	1,391-1,395	678.30
1,046-1,050	595.20	1,221-1,225	639.50	1,396-1,400	679.40
1,051-1,055	596.20	1,226-1,230	640.80	1,401-1,405	680.50
1,056-1,060	597.60	1,231-1,235	641.90	1,406-1,410	681.50
1,061-1,065	599.00	1,236-1,240	643.10	1,411-1,415	682.60
1,066-1,070	600.30	1,241-1,245	644.40	1,416-1,420	683.70
1,071-1,075	601.60	1,246-1,250	645.50	1,421-1,425	684.70
1,076-1,080	602.80	1,251-1,255	646.70	1,426-1,430	685.80
1,081-1,085	604.20	1,256-1,260	647.90	1,431-1,435	686.90
1,086-1,090	605.40	1,261-1,265	649.20	1,436-1,440	687.90
1,091-1,095	606.80	1,266-1,270	650.30	1,441-1,445	689.00
1,096-1,100	608.20	1,271-1,275	651.50	1,446-1,450	690.10
1,101-1,105	609.20	1,276-1,280	652.70	1,451-1,455	691.10
1,106-1,110	610.60	1,281-1,285	653.70	1,456-1,460	692.20
1,111-1,115	612.00	1,286-1,290	654.90	1,461-1,465	693.30
1,116-1,120	613.20	1,291-1,295	656.10	1,466-1,470	694.30
1,121-1,125	614.60	1,296-1,300	657.20	1,471-1,475	695.40
1,126-1,130	615.80	1,301-1,305	658.30	1,476-1,480	696.40
1,131-1,135	617.10	1,306-1,310	659.40	1,481-1,485	697.40
1,136-1,140	618.40	1,311-1,315	660.60	1,486-1,490	698.40
1,141-1,145	619.80	1,316-1,320	661.70	1,491-1,495	699.40
1,146-1,150	621.10	1,321-1,325	662.80	1,496-1,500	700.40
1,151-1,155	622.20	1,326-1,330	664.00	1,501-1,505	701.40
1,156-1,160	623.60	1,331-1,335	665.00	1,506-1,510	702.40

TABLE I
(Continued)

PRIMARY INSURANCE AMOUNTS FOR EACH AVERAGE MONTHLY WAGE

Average Monthly Wage	Dec 1978 PIA	Average Monthly Wage	Dec 1978 PIA	Average Monthly Wage	Dec 1978 PIA
\$1,511-1,515	\$703.40	\$1,686-1,690	\$738.40	\$1,861-1,865	\$773.40
1,516-1,520	704.40	1,691-1,695	739.40	1,866-1,870	774.40
1,521-1,525	705.40	1,696-1,700	740.40	1,871-1,875	775.40
1,526-1,530	706.40	1,701-1,705	741.40	1,876-1,880	776.40
1,531-1,535	707.40	1,706-1,710	742.40	1,881-1,885	777.40
1,536-1,540	708.40	1,711-1,715	743.40	1,886-1,890	778.40
1,541-1,545	709.40	1,716-1,720	744.40	1,891-1,895	779.40
1,546-1,550	710.40	1,721-1,725	745.40	1,896-1,900	780.40
1,551-1,555	711.40	1,726-1,730	746.40	1,901-1,905	781.40
1,556-1,560	712.40	1,731-1,735	747.40	1,906-1,910	782.40
1,561-1,565	713.40	1,736-1,740	748.40		
1,566-1,570	714.40	1,741-1,745	749.40		
1,571-1,575	715.40	1,746-1,750	750.40		
1,576-1,580	716.40	1,751-1,755	751.40		
1,581-1,585	717.40	1,756-1,760	752.40		
1,586-1,590	718.40	1,761-1,765	753.40		
1,591-1,595	719.40	1,766-1,770	754.40		
1,596-1,600	720.40	1,771-1,775	755.40		
1,601-1,605	721.40	1,776-1,780	756.40		
1,606-1,610	722.40	1,781-1,785	757.40		
1,611-1,615	723.40	1,786-1,790	758.40		
1,616-1,620	724.40	1,791-1,795	759.40		
1,621-1,625	725.40	1,796-1,800	760.40		
1,626-1,630	726.40	1,801-1,805	761.40		
1,631-1,635	727.40	1,806-1,810	762.40		
1,636-1,640	728.40	1,811-1,815	763.40		
1,641-1,645	729.40	1,816-1,820	764.40		
1,646-1,650	730.40	1,821-1,825	765.40		
1,651-1,655	731.40	1,826-1,830	766.40		
1,656-1,660	732.40	1,831-1,835	767.40		
1,661-1,665	733.40	1,836-1,840	768.40		
1,666-1,670	734.40	1,841-1,845	769.40		
1,671-1,675	735.40	1,846-1,850	770.40		
1,676-1,680	736.40	1,851-1,855	771.40		
1,681-1,685	737.40	1,856-1,860	772.40		

APPENDIX T

SOCIAL SECURITY OFFSETtoSURVIVOR BENEFIT PLAN

(Eligibility Year 1979 or Later)

Work sheet for calculating social security offset for members whose eligibility year is after 1978.

Definitions:

1. **Member** is the retired military person.
2. **Starting Year** is 1957 or the year the member joined the Military Service, whichever is later.
3. **Ending Year** is the year the member turned or would have turned age 65.
4. **Eligibility Year** is the year in which the member turned age 62 or the year the member died, whichever is earlier.
5. **Indexing Year** is equal to the eligibility year minus two.
6. **Elapsed Years** is equal to the number of years obtained by subtracting (the later of 1951 or the year the member turned age 22) from (the year the member turned or would have turned age 62). If the member was born in 1929 or later, this will equal 40.
7. **Offset Year** is the year the offset goes into effect.
8. **Free Wage Credits** are gratuitous wage credits that must be included in calculating the SBP offset. For years 1957 through 1977, credit \$300 for each calendar quarter in which he or she received **any basic** pay for active duty or active duty for training. For 1978 and later, credit increments of \$100 up to a maximum of \$1,200 per calendar year. The \$100 increments are granted for each \$300 of reported wages as follows:
 - a. No Credit for wages less than \$300.
 - b. One credit (\$100) if wages are between \$300 and \$600.
 - c. Two credits (\$200) if wages are between \$600 and \$900.
 - d. And so on up to a maximum of \$1,200 per calendar year.

9. **Indexing Factors** are derived by dividing the average wage of the indexing year by the average wage in the specific year. For all years greater than and including the indexing year, the indexing factors equal one.

10. **Bend Points** are the Social Security bend points associated with the eligibility year.

Step 1

Calculate: Eligibility Year =
Starting Year =
Ending Year =
Elapsed Years =
Offset Year =

(If Eligibility Year is 1978 or earlier, this worksheet should not be used.)

Step 2

List every year from the starting year to the ending year in Column (A).

NOTE: See definitions of 'starting' and 'ending.'

Step 3

Record member's active duty pay in column (B).

Record zero for all remaining years through the 'ending year.'

Step 4

Calculate and record free wage credits in column (C).

Step 5

Add columns (B) and (C) and record in column (D). Round to nearest dollar (round \$.50 up).

Step 6

List maximum FICA wages in column (E). See Appendix M for maximum FICA wages.

Step 7

Record in column (F) the lesser of column (D) or column (E).

Step 8

Calculate and record the indexing factors in column (G).

Step 9

Multiply column (F) by column (G) and record in column (H).

Step 10

- (a) Compute $n = \text{elapsed years} - 5$
- (b) Cross out all but highest n values in column (H)
- (c) Total remaining n values. If n is zero or less, the Social Security Offset is zero.

Step 11

- (a) $\text{Months} = (n) \times 12$ = _____
- (b) Member's AIME = $\frac{\text{Step 10(c)}}{\text{Step 11(a)}}$ = _____
(round **down** to nearest dollar)

Step 12

Place bend point one in following formula where 'A' appears and bend point two in formula where 'B' appears.

$$\begin{array}{rcl}
 .90 \text{ times } \underline{A} \text{ of } \underline{\text{AIME}} & = & \$ \underline{\hspace{2cm}} \\
 .32 \text{ times AIME over } \underline{A} \text{ through } \underline{B} & & \$ \underline{\hspace{2cm}} \\
 .15 \text{ times AIME over } \underline{B} & = & \$ \underline{\hspace{2cm}} \\
 \text{(round down to the nearest dime) Total} & = & \$ \underline{\hspace{2cm}}
 \end{array}$$

Step 13

List Social Security CPI's from eligibility year up to and including offset year. (If CPI is 9.9% list it as 1.099.) If the eligibility year equals the offset year, only one CPI will be listed. If the time of offset is before the Social Security CPI release date then assume that the CPI in the offset year is zero. Multiply these values together to obtain one value. Round to 3 decimals.

Step 14

- (a) Member's AIME PIA = $\text{Step 12 times Step 13}$ = \$ _____
(round down to the nearest dime)

Step 15

If widow and one child:

$$\text{Social Security offset} = \text{Step 14 times } .75 = \underline{\hspace{2cm}}$$

(round down to nearest dollar)

Step 16

$$\text{Social Security offset} = \text{Step 14 factor defined below} = \$ \underline{\hspace{2cm}}$$

(round value down to nearest dollar)

FACTOR SELECTION

(1) If the widow **does not** provide evidence from the Social Security Administration (SSA) that the decedent was in receipt of **nondisability** Social Security benefits prior to age 65, select the spouse age-related reduction factor from the following chart and use in formula.

SPOUSE AGE-RELATED REDUCTION FACTOR

<u>Spouse Age</u>	<u>Factor for Offset</u>	<u>Spouse Age</u>	<u>Factor for Offset</u>	<u>Spouse Age</u>	<u>Factor for Offset</u>
65 & over	1.00000	64 yrs, 0 mo	.94300	63 yrs, 0 mo	.88600
64 yrs, 11 mos	.99525	63 yrs, 11 mos	.93825	62 yrs, 11 mos	.88125
64 yrs, 10 mos	.99050	63 yrs, 10 mos	.93350	62 yrs, 10 mos	.87650
64 yrs, 9 mos	.98575	63 yrs, 9 mos	.92875	62 yrs, 9 mos	.87175
64 yrs, 8 mos	.98100	63 yrs, 8 mos	.92400	62 yrs, 8 mos	.86700
64 yrs, 7 mos	.97625	63 yrs, 7 mos	.91925	62 yrs, 7 mos	.86225
64 yrs, 6 mos	.97150	63 yrs, 6 mos	.91450	62 yrs, 6 mos	.85750
64 yrs, 5 mos	.96675	63 yrs, 5 mos	.90975	62 yrs, 5 mos	.85275
64 yrs, 4 mos	.96200	63 yrs, 4 mos	.90500	62 yrs, 4 mos	.84800
64 yrs, 3 mos	.95725	63 yrs, 3 mos	.90025	62 yrs, 3 mos	.84325
64 yrs, 2 mos	.95250	63 yrs, 2 mos	.89550	62 yrs, 2 mos	.83850
64 yrs, 1 mo	.94775	63 yrs, 1 mos	.89075	62 yrs, 1 mo	.83375
				62 yrs, 0 mo	.82900

(2) If the widow **does** provide evidence from the SSA that the decedent was in receipt of **non-disability** Social Security benefits prior to age 65, calculate the decedent's reduction factor using one of the following methods and information supplied by SSA:

(a) divide the actual benefit payable (DMBA) by the death PIA. If decedent lived to age 65 or older, this data must be for a month subsequent to the January following the date of death.

(b) if data is not available for (a), determine the number of months (M) for which the decedent received a reduced benefit prior to age 65. Calculate, to five digits, the factor using the following formula:

$$\text{factor} = (1.0) \text{ minus } (M/180)$$

$$\text{example: 3 months early} = (1.0) \text{ minus } (3/180) = .98333$$

(c) insert answer from (a) or (b) here.

(d) insert the greater of .825 or (c) here.

(e) insert factor obtained in Step 16(1) above here.

(f) insert lesser of (d) or (e) here and use in formula.

Step 17

(a) Net monthly SBP annuity before Social Security offset but after all other reductions = _____

(b) .4 times Step 17(a) = _____
(round **down** to nearest dime)

(c) Total from either Step 15 or Step 16 = _____

(d) Social Security offset equals lesser of Step 17(c) or Step 17 (b) = _____

SOCIAL SECURITY OFFSET CALCULATION SHEET

(A) Year (Starting to Ending)	(B) Member's Active Duty Pay	(C) Free Wage Credit	(D) Member's Total Pay Credit (B) + (C)	(E) Maximum FICA Wage	(F) FICA Wage – Lesser of (D) or (E)	(G) Indexing Factor	(H) Member's Indexed Annual Military Earnings
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
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26.							
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28.							
29.							
30.							
31.							
32.							
33.							
34.							
35.							

APPENDIX U

AVERAGED MONTHLY CONSUMER PRICE INDEX (CPI-W)

For use in calculation of retired pay catch up at age 62 under 10 U.S.C. 1410. Sample calculations follow the quarterly CPI figures.

3rd Qtr 2nd Qtr	FY86 CY86	4th Qtr 3rd Qtr	FY86 CY86	1st Qtr 4th Qtr	FY87 CY86	2nd Qtr 1st Qtr	FY87 CY87
Apr 86	320.4	Jul 86	322.9	Oct 86	325.0	Jan 87	327.7
May 86	321.4	Aug 86	323.4	Nov 86	325.4	Feb 87	329.0
Jun 86	<u>323.0</u>	Sep 86	<u>324.9</u>	Dec 86	<u>325.7</u>	Mar 87	<u>330.5</u>
AVG CPI	321.6	AVG CPI	323.7	AVG CPI	325.4	AVG CPI	329.1
3rd Qtr 2nd Qtr	FY87 CY87	4th Qtr 3rd Qtr	FY87 CY87	1st Qtr 4th Qtr	FY88 CY87	2nd Qtr 1st Qtr	FY88 CY88
Apr 87	332.3	Jul 87	112.7	Oct 87	114.1	Jan 88	114.5
May 87	333.4	Aug 87	113.3	Nov 87	114.3	Feb 88	114.7
Jun 87	<u>334.9</u>	Sep 87	<u>113.8</u>	Dec 87	<u>114.2</u>	Mar 88	<u>115.1</u>
AVG CPI	333.5	AVG CPI	113.3	AVG CPI	114.2	AVG CPI	114.8
3rd Qtr 2nd Qtr	FY88 CY88	4th Qtr 3rd Qtr	FY88 CY88	1st Qtr 4th Qtr	FY89 CY88	2nd Qtr 1st Qtr	FY89 CY89
Apr 88	115.7	Jul 88	117.2	Oct 88	118.9	Jan 89	119.7
May 88	116.2	Aug 88	117.7	Nov 88	119.0	Feb 89	120.2
Jun 88	<u>116.7</u>	Sep 88	<u>118.5</u>	Dec 88	<u>119.2</u>	Mar 89	<u>120.8</u>
AVG CPI	116.2	AVG CPI	117.8	AVG CPI	119.0	AVG CPI	120.2
3rd Qtr 2nd Qtr	FY89 CY89	4th Qtr 3rd Qtr	FY89 CY89	1st Qtr 4th Qtr	FY90 CY89	2nd Qtr 1st Qtr	FY90 CY90
Apr 89	121.8	Jul 89	123.2	Oct 89	124.2	Jan 90	125.9
May 89	122.5	Aug 89	123.2	Nov 89	124.2	Feb 90	126.4
Jun 89	<u>122.8</u>	Sep 89	<u>123.6</u>	Dec 89	<u>124.6</u>	Mar 90	<u>127.1</u>
AVG CPI	122.4	AVG CPI	123.3	AVG CPI	124.4	AVG CPI	126.5
3rd Qtr 2nd Qtr	FY90 CY90	4th Qtr 3rd Qtr	FY90 CY90	1st Qtr 4th Qtr	FY91 CY90	2nd Qtr 1st Qtr	FY91 CY91
Apr 90	127.3	Jul 90	128.7	Oct 90	131.9	Jan 91	132.8
May 90	127.5	Aug 90	129.9	Nov 90	132.2	Feb 91	132.8
Jun 90	<u>128.3</u>	Sep 90	<u>131.1</u>	Dec 90	<u>132.2</u>	Mar 91	<u>133.0</u>
AVG CPI	127.7	AVG CPI	129.9	AVG CPI	132.1	AVG CPI	132.9

APPENDIX U

AVERAGED MONTHLY CONSUMER PRICE INDEX (CPI-W)
(Continued)

3rd Qtr 2nd Qtr	FY91 CY91	4th Qtr 3rd Qtr	FY91 CY91	1st Qtr 4th Qtr	FY92 CY91	2nd Qtr 1st Qtr	FY92 CY92
Apr 91	133.3	Jul 91	134.3	Oct 91	135.4	Jan 92	136.0
May 91	133.8	Aug 91	134.6	Nov 91	135.8	Feb 92	136.4
Jun 91	<u>134.1</u>	Sep 91	<u>135.2</u>	Dec 91	<u>135.9</u>	Mar 92	<u>137.0</u>
AVG CPI	133.7	AVG CPI	134.7	AVG CPI	135.7	AVG CPI	136.5
3rd Qtr 2nd Qtr	FY92 CY92	4th Qtr 3rd Qtr	FY92 CY92	1st Qtr 4th Qtr	FY93 CY92	2nd Qtr 1st Qtr	FY93 CY93
Apr 92	137.3	Jul 92	138.4	Oct 92	139.6	Jan 93	140.3
May 92	137.6	Aug 92	138.8	Nov 92	139.8	Feb 93	140.7
Jun 92	<u>138.1</u>	Sep 92	<u>139.1</u>	Dec 92	<u>139.8</u>	Mar 93	<u>141.1</u>
AVG CPI	137.7	AVG CPI	138.8	AVG CPI	139.7	AVG CPI	140.7
3rd Qtr 2nd Qtr	FY93 CY93	4th Qtr 3rd Qtr	FY93 CY93	1st Qtr 4th Qtr	FY94 CY93	2nd Qtr 1st Qtr	FY94 CY94
Apr 93	141.6	Jul 93	142.1	Oct 93	143.3	Jan 94	143.6
May 93	141.9	Aug 93	142.4	Nov 93	143.4	Feb 94	144.0
Jun 93	<u>142.0</u>	Sep 93	<u>142.6</u>	Dec 93	<u>143.3</u>	Mar 94	<u>144.4</u>
AVG CPI	141.8	AVG CPI	142.4	AVG CPI	143.3	AVG CPI	144.0
3rd Qtr 2nd Qtr	FY94 CY94	4th Qtr 3rd Qtr	FY94 CY94	1st Qtr 4th Qtr	FY95 CY94	2nd Qtr 1st Qtr	FY95 CY95
Apr 94	144.7	Jul 94	145.8	Oct 94	147.0	Jan 95	147.8
May 94	144.9	Aug 94	146.5	Nov 94	147.3	Feb 95	148.3
Jun 94	<u>145.4</u>	Sep 94	<u>146.9</u>	Dec 94	<u>147.2</u>	Mar 95	<u>148.7</u>
AVG CPI	145.0	AVG CPI	146.4	AVG CPI	147.2	AVG CPI	148.3
3rd Qtr 2nd Qtr	FY95 CY95	4th Qtr 3rd Qtr	FY95 CY95	★1st Qtr 4th Qtr	FY96 CY95	★2nd Qtr 1st Qtr	FY 96 CY 96
Apr 95	149.3	Jul 95	149.9	Oct 95	151.0	Jan 96	151.7
May 95	149.6	Aug 95	150.2	Nov 95	150.9	Feb 96	152.2
Jun 95	<u>149.9</u>	Sep 95	<u>150.6</u>	Dec 95	<u>150.9</u>	Mar 96	<u>152.9</u>
AVG CPI	149.6	AVG CPI	150.2	AVG CPI	150.9	AVG CPI	152.3

APPENDIX U

AVERAGED MONTHLY CONSUMER PRICE INDEX (CPI-W)
(Continued)

★3rd Qtr 2nd Qtr	FY 96 CY 96	★4th Qtr 3rd Qtr	FY 96 CY 96
Apr 96	153.6	Jul 96	154.3
May 96	154.0	Aug 96	154.5
Jun 96	<u>154.1</u>	Sep 96	<u>155.1</u>
AVG CPI	153.9	AVG CPI	154.6

SAMPLE CALCULATION OF RETIRED PAY CATCH UP AT AGE 62

1.	Date of Initial Entry into Armed Services	<u>August 1, 1986</u>
2.	Date of Birth	<u>November 15, 1966</u>
3.	Date of 62nd Birthday.....	<u>November 15, 2028</u>
4.	Effective Date of Catch Up.....	<u>December 1, 2028</u>
5.	Date of Retirement.....	<u>August 1, 1987</u>
6.	Calendar Quarter Immediately Before Retirement.....	<u>April-June 1987</u>
7.	CPI for (6)	<u>341.2</u>
8.	Most Recent Base Quarter Ending More Than 31 Days Before 62nd Birthday	<u>July-September 2028</u>
9.	CPI for (8)	<u>2553.1</u>
10.	Ratio of Indexes to the Nearest 1/10 of 1% (9) + (7)	<u>7.483</u>
11.	Initial Unreduced Monthly Gross Retired Pay at Retirement	<u>\$1,000.00</u>
12.	New Gross Monthly Retired Pay (11) X (10).....	<u>\$7,483.00</u>
13.	Initial Monthly SBP Base Amount at Retirement	<u>\$1,000.00</u>
14.	New Monthly SBP Base Amount..... (13) X (10).....	<u>\$7,483.00</u>
15.	Initial Monthly SBP Cost at Retirement.....	<u>\$ 76.83</u>
16.	New Monthly SBP Cost..... (15) X (10).....	<u>\$ 574.92</u>

SAMPLE CALCULATION OF RETIRED PAY CATCH UP AT AGE 62

1. Date of Initial Entry into Armed ServicesAugust 1, 1986
2. Date of BirthOctober 31, 1966
3. Date of 62nd Birthday.....October 31, 2028
4. Effective Date of Catch Up.....November 1, 2028
5. Date of Retirement.....August 1, 1987
6. Calendar Quarter Immediately Before Retirement.....April-June 1987
7. CPI for (6)341.2
8. Most Recent Base Quarter Ending More Than 31 Days
Before 62nd BirthdayJuly-September 2028
9. CPI for (8) 2431.5
10. Ratio of Indexes to the Nearest 1/10 of 1% (9) + (7)7.126
11. Initial Unreduced Monthly Gross Retired Pay
at Retirement.....\$1,000.00
12. New Gross Monthly Retired Pay (11) X (10).....\$7,126.00
13. Initial Monthly SBP Base Amount at Retirement\$1,000.00
14. New Monthly SBP Base Amount (13) X (10) \$7,126.00
15. Initial Monthly SBP Cost at Retirement.....\$ 76.83
16. New Monthly SBP Cost..... (15) X (10).....\$ 547.49

SAMPLE CALCULATION OF RETIRED PAY CATCH UP AT AGE 62

1. Date of Initial Entry into Armed Services August 1, 1986
2. Date of Birth October 31, 1966
3. Date of 62nd Birthday..... October 31, 2028
4. Effective Date of Catch Up..... November 1, 2028
5. Date of Retirement..... January 1, 2007
6. Calendar Quarter Immediately Before Retirement October-December
..... 2006
7. CPI for (6)..... .. 882.7
8. Most Recent Base Quarter Ending More Than 31 Days
Before 62nd Birthday..... July-September 2028
9. CPI for (8)..... 2431.5
10. Ratio of Indexes to the Nearest 1/10 of 1% (9) + (7) 2.755
11. Initial Unreduced Monthly Gross Retired Pay
at Retirement..... \$3,300.00
12. New Gross Monthly Retired Pay (11) X (10)..... \$9,174.00
13. Initial Monthly SBP Base Amount at Retirement..... \$3,300.00
14. New Monthly SBP Base Amount (13) X (10)..... \$9,174.00
15. Initial Monthly SBP Cost at Retirement \$ 255.87
16. New Monthly SBP Cost..... (15) X (10)..... \$ 704.92

SAMPLE CALCULATION OF RETIRED PAY CATCH UP AT AGE 62

1.	Date of Initial Entry into Armed Services	<u>August 1, 1986</u>
2.	Date of Birth	<u>February 12, 1967</u>
3.	Date of 62nd Birthday.....	<u>February 12, 2029</u>
4.	Effective Date of Catch Up.....	<u>March 1, 2029</u>
5.	Date of Retirement.....	<u>May 1, 2009</u>
6.	Calendar Quarter Immediately Before Retirement.....	<u>Jan-Mar 2009</u>
7.	CPI for (6)	<u>949.7</u>
8.	Most Recent Base Quarter Ending More Than 31 Days Before 62nd Birthday	<u>Oct-Dec 2028</u>
9.	CPI for (8)	<u>2553.1</u>
10.	Ratio of Indexes to the Nearest 1/10 of 1% (9) + (7)	<u>2.688</u>
11.	Initial Unreduced Monthly Gross Retired Pay at Retirement	<u>\$ 3,755.00</u>
12.	New Gross Monthly Retired Pay(11) X (10).....	<u>2.688</u>
13.	Initial Monthly SBP Base Amount at Retirement	<u>\$ 3,755.00</u>
14.	New Monthly SBP Base Amount.....(13) X (10).....	<u>\$10,093.00</u>
15.	Initial Monthly SBP Cost at Retirement.....	<u>\$ 288.53</u>
16.	New Monthly SBP Cost.....(15) X (10).....	<u>\$ 775.57</u>

APPENDIX V

INTERAGENCY AGREEMENT
BETWEEN THE
DEPARTMENT OF VETERANS AFFAIRS
AND THE
DEPARTMENT OF DEFENSE
MILITARY RETIRED PAY

I. INTRODUCTION

A. Purpose: This Interagency Agreement establishes responsibilities for the purpose of allowing the Department of Veterans Affairs (VA) to collect, by administrative offset from veterans benefit compensation, amounts owed by retired military personnel to the Department of Defense (DoD) for participation in the Retired Serviceman's Family Protection Plan (RSFPP) or the Survivor Benefit Plan (SBP).

B. General: Public Law 99-576, October 28, 1986, as amended, 38 U.S.C. 3101, permits collection of amounts owed DoD for costs of participating in RSFPP or SBP from VA compensation or pension in accordance with the procedures prescribed in 31 U.S.C. 3716.

II. RESPONSIBILITIESA. Department of Defense:

1. The Deputy Comptroller (Management Systems)/Director Financial Services Policy shall be responsible for executing this Interagency Agreement.

2. The Military Services shall:

(a) Determine the amount of indebtedness for each member.

(b) Ensure any collection action is conducted in accordance with the procedures prescribed in 31 U.S.C. 3711-3720, as amended, and DoD regulations for administrative offset.

(c) Answer all inquiries from the retiree regarding the indebtedness.

(d) Certify to VA that due process procedures, in accordance with 31 U.S.C. 3716, have been completed for each member and that each member has been notified that his or her VA compensation or pension is to be withheld.

(e) Certify to VA that the military service (a) has attempted to collect the debt; (b) has been unable to collect the debt; and (c) has determined that the debt is not

collectable from amounts payable by the military to the veteran or that the veteran is not receiving any payment from the military service.

(f) Request VA to offset the total debt amount from the veteran's compensation or pension.

(g) Credit any payment collected to the DoD Military Retirement Fund under Chapter 74 of Title 10 in accordance with 38 U.S.C., Section 3101(c)(4).

(h) Refund any amounts overcollected directly to the member.

B. Department of Veterans Affairs:

1. The Chief, Benefits Payment Policy Division, Financial Management Service (047F2), Department of Affairs shall be responsible for:

(a) Computing the maximum amount to be collected from the veteran's compensation or pension.

(b) Complying with the provisions of 38 CFR, 1, 912a and initiating collection action against the veteran's compensation or pension, and return the funds collected to the appropriate military service for crediting to the Military Retirement Fund.

III. TERMS OF IMPLEMENTATION

A. Effective Date: This agreement will become effective upon the signature of both parties.

B. Amendment or Cancellation: This agreement may be revised or amended by the signature approval of the signatories hereto or by their successors. Cancellation may be made upon 60 days written notice to either party or their successors, to the other.

ACCEPTED

ACCEPTED

DEPARTMENT OF DEFENSE

DEPARTMENT OF VETERANS AFFAIRS

BY: Signed
Sean O'Keefe
DoD Comptroller

BY: Signed
H. Robert Saldvar
Deputy Assistant Secretary
for Acquisition and Materiel
Management

DATE: Aug 6, 1990

DATE: 6-21-90

APPENDIX W**LETTER-INTERNAL REVENUE SERVICE
TAX LEVY**

The IRS has sent us the attached Notice of Levy on Wages, Salary, and Other Income (IRS Form 668-W). Under current rules, this is a one-time levy against your retired pay to collect delinquent federal taxes. Please read the IRS Form 668-W carefully as it may be advisable to discuss it with your attorney or other tax adviser.

If you have been awarded the Medal of Honor, you are exempt from levy, and you should, as soon as possible, send us a copy of the citation awarding you the Medal of Honor to prevent the levy of your retired pay.

Current tax law protects a part of your retired pay from levy. You should complete the attached form and return it to us within five working days to claim your partial exemption. If we do not receive the completed form, we will compute your exemption for you, using the exemption for a married person filing separately with no other exemptions. Please note that the exemptions you claimed for tax withholding purposes are NOT the same and we will not use them to compute your exemption from levy.

We will deduct the levy from your (month/year) retired pay check. This is a one-time levy under current IRS rules; we will advise you if the IRS requests levy of any further retired pay checks. So long as future levies are for the same tax debt, you will not need to provide us further exemption information. We will use the information we have on file from this levy to compute future payments to the IRS.

If you have any questions concerning the levy itself, please contact the IRS office which issued it.

APPENDIX X**BIBLIOGRAPHY**

Paragraph	Citation
Chapter 01-Initial Entitlements-Retirements	
0101-Service Creditable for Retirement Purposes	
010101	Public Law 101-510, Section 523, Nov 5, 1990 Public Law 103-160, Section 561, Nov 30, 1993
010102	10 U.S.C. 3925, 3683, 8925, 8683, 1043
★010102F	MS Comp Gen B-195448, Apr 3, 1980
010103	10 U.S.C. 3926, 8926, 6321, 6323, 1043
010104	Section 511, CCA of 1949 Public Law 81-351, Oct 12, 1949 10 U.S.C. 1293, 1305, 6321, 6322, 1043
010105	10 U.S.C. 8927, 8286, 8294 10 U.S.C. 3927, 3286, 3294, 532
010106	10 U.S.C. 6387, 6388
010107	10 U.S.C. 1208, 1043, 12732, 12733
★010107B3	Public Law 104-201, Section 531, 543, Sep 23, 1996
★010108	10 U.S.C. 12731, 12732, 12733, 1043
★010108A2	Public Law 104-201, Section 531, Sep 23, 1996
★010108A2e	Public Law 104-201, Section 543, Sep 23, 1996
★010108B3	Public Law 103-337, Section 636, Oct 5, 1994
010108C2	10 U.S.C. 12738 58 Comp Gen 390

010108E	Public Law 103-160, Section 561, Nov 30, 1993
010109A4	10 U.S.C. 972
0102-Service Creditable for Basic Pay	
010201	37 U.S.C. 205
010201B	27 Comp Gen 530
010201C	37 U.S.C. 205(a)(5) 24 Comp Gen 829 25 Comp Gen 680
010201D	37 U.S.C. 205(a)(6)
010201E & F	37 U.S.C. 205(a)(9)
010201G	10 U.S.C. 1038
010201H	62 Stat 1082
010201I	10 U.S.C. 507
010201J	37 U.S.C. 205(d)
010201K	37 Comp Gen 838
010201L	Public Law 86-197, Aug 25, 1959
010201M	Public Law 77-230, Section 3, Aug 21, 1941
010201O	1 Comp Gen 668
010201P	45 Comp Gen 149
010201Q	42 Comp Gen 296
010201R	37 U.S.C. 205(e) 10 U.S.C. 2106(c), 2107(g) 45 Comp Gen 103
010201T	Public Law 93-545, Dec 26, 1974 36 Comp Gen 146 37 Comp Gen 237
010201U	37 U.S.C. 205 OASD (MI&L) Memo, Dec 24, 1984
010202A	37 U.S.C. 205(a)(7)
010202B	37 U.S.C. 205(a)(8)
010202B4	Public Law 96-513, Dec 12, 1980
010202C4	10 U.S.C. 2126
010203A	1 Comp Gen 511 1 Comp Gen 668 3 Comp Gen 61
010203B	22 Comp Gen 987
010203C	25 Comp Gen 718

010203F	37 U.S.C. 205(e) 45 Comp Gen 103
010203G	22 Comp Gen 907 23 Comp Gen 755
010204A	38 Comp Gen 352 38 Comp Gen 553
010205A	38 Comp Gen 68
010205A3	37 U.S.C. 203(d)
010205B	37 U.S.C. 203(d)
010205B2	38 Comp Gen 68
010205B3	38 Comp Gen 497
010206A1	38 Comp Gen 824
010206A2	37 Comp Gen 455
0103-Service Creditable for Percentage Purposes	
010301A	10 U.S.C. 3914, 3917, 3925, 6326, 8914, 8917, 8925
010301B	10 U.S.C. 1405, 12733, 12732(1), (2)(B) and (C), 3911, 8911, 6321, 6322, 6323, 3918, 8918, 3924, 8924, 3920, 8920 37 U.S.C. 205(a)(7) and (8) MS Comp Gen B-195855, Apr 1, 1980
010301B2b	54 Comp Gen 675
★010301B4c	Public Law 104-201, Section 531, 543, Sep 23, 1996
010301C	10 U.S.C. 1405
010301D1	10 U.S.C. 3927, 8927, 1405
010301D2	10 U.S.C. 6387, 6388, 1405
010301E	10 U.S.C. 1208
010301F	10 U.S.C. 12733
010301G1	Public Law 80-810, June 29, 1948 10 U.S.C. 1405
010301G2	Act June 16, 1942, Section 15(d) Public Law 77-607 as amended
010301G3	Public Law 79-474, June 29, 1946
010301G4	Public Law 81-351,

Section 511, Oct 12, 1949

0104-Uniform Retirement Date Act Application

010401B	5 U.S.C. 8301 Public Law 96-342, Sep 8, 1980
010402A2b	44 Comp Gen 373, 584 40 Comp Gen 80
010402B1	43 Comp Gen 742
010402B2a	48 Comp Gen 239 53 Comp Gen 135
010402B2b	44 Comp Gen 373, 584 56 Comp Gen 98 MS Comp Gen B-168303, Jan 14, 1970
010402E	10 U.S.C. 12739

0105-Rank and Pay Grade

010501A	10 U.S.C. 3961, 8961
★010501B	10 U.S.C. 1370 (a)(2) Public Law 96-513, Section 629, Dec 12, 1980
★010501C	10 U.S.C. 1370(b) 40 Comp Gen 240
★010501D	10 U.S.C. 1370(c)
★010501E	10 U.S.C. 1370(d)
★010501F	10 U.S.C. 1372 40 Comp Gen 240
★010501F3	Public Law 104-201, Section 577, Sep 23, 1996
★010501F4	Public Law 104-201, Section 577, Sep 23, 1996
010502A	10 U.S.C. 1370(c)
★010502A1-4	10 U.S.C. 1406(i)
★010502A5	10 U.S.C. 601
★010502A7	10 U.S.C. 601
010502A8	10 U.S.C. 3962, 8962
★010502A9	10 U.S.C. 1406(i)
010502A10	10 U.S.C. 5133
★010502A11	10 U.S.C. 601
010502C3	10 U.S.C. 3963, 8963
010502D2	49 Comp Gen 618
010502E	10 U.S.C. 3963, 8963
010502F	10 U.S.C. 6325, 6321, 6322

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7C

SPECIAL MILITARY PAY/PERSONNEL PROGRAMS AND OPERATING PROCEDURES

JUNE 1998

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

JUN 18 1998



FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Military Pay Policy and Procedures is divided into three volumes: Volume 7A, "Military Pay Policy and Procedures Active Duty and Reserve Pay," Volume 7B, "Military Pay Policy and Procedures for Retired Pay," and Volume 7C, "Special Military Pay/Personnel Programs and Operating Procedures." This Volume, Volume 7C, describes policies and procedures for various unique military payment programs.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Recommended changes to and requests for deviations from or exceptions to the provisions of this Volume of the Regulation should be forwarded through appropriate chain of command channels along with specific justification, to:

Office of the Under Secretary of Defense (Comptroller)
Office of the Deputy Chief Financial Officer (Financial Commerce)
1100 Defense Pentagon
Washington, DC 20301-1100

All 15 volumes of the Financial Management Regulation are available on the Internet at: <http://www.dtic.mil/comptroller/fmr/>. Printed or CD-Rom copies of the Regulation may be ordered through the Internet Homepage or directly from the Defense Automated Printing Service, at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.

William J. Lynn

INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller)(USD(C)). The Regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Presentation and Formulation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Funds and Antideficiency Act Violations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction 7000.14 "DoD Financial Management Policy and Procedures," dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A.1.a.(1)(a)
SUBPARAGRAPHS

REFERENCES

- a. Title 10, United States Code, Sections 1174a and 1175.
- b. Deputy Secretary of Defense memorandum, "Delegation of Authorities and Assignment of Duties under the National Defense Authorization Act for Fiscal Years 1992 and 1993," December 6, 1991.
- c. Assistant Secretary of Defense (Force Management and Personnel) memorandum, "Voluntary Separation Incentive (VSI) and Special Separation Benefit (SSB) Policy Guidance," January 3, 1992.
- d. "Department of Defense Financial Management Regulation 7000.14-R, Volume 7, Part A," (DoDFMR Vol. 7A).
- e. Department of Defense Instruction 1332.29, "Eligibility of Regular and Reserve Personnel for Separation Pay," June 20, 1991.
- f. Assistant Secretary of Defense (Force Management and Personnel) memorandum, "Policy Changes for Transition Assistance Initiatives," June 7, 1991.
- g. Department of Defense Instruction 1341.9, "DoD Adoption Reimbursement Policy," July 29, 1993.
- h. Deputy Assistant Secretary of Defense, Military Manpower & Personnel Policy, "Selected Reserve Transition Program Policy Guidance," March 11, 1993.
- i. "Department of Defense Financial Management Regulation 7000.14-R, Volume 7B," (DoDFMR Vol. 7B).

CHAPTER 1**SPECIAL AND VOLUNTARY SEPARATION PAYMENT PROCEDURES**

(NOTE: Concurrent with the publication of this chapter, Volume 12, Chapter 17, “Military Special Separation Benefit and Voluntary Separation Incentive Programs” will be cancelled.)

0101 GENERAL PROVISIONS

010101. Purpose. This chapter provides procedures for the administration and payment of the special separation benefits programs to mid-career service members of the Military Services in over strength inventories. Special separation benefits (SSB) and voluntary separation incentives (VSI) are authorized in Title 10, United States Code, sections 1174a and 1175.

010102. Applicability and Scope. This chapter applies to each Defense Finance and Accounting Service (DFAS) Center that maintains a military pay system, each Military Service personnel activity, the Defense Manpower Data Center (DMDC), and all eligible members of the Military Services.

010103. Policy. The VSI/SSB programs provide two alternative incentive payments and benefit options, each with a requirement for affiliation with the Ready Reserve of a Reserve component. Service members who are approved for the voluntary separation incentive programs have the option to receive either a VSI or an SSB.

010104. Responsibilities

A. Service Member's Personnel Activity. The member's servicing active duty personnel activity is the primary coordinating activity responsible for the overall administration of these programs. Each activity approves a separation with entitlement to a VSI or an SSB, and advises the appropriate DFAS Center through normal personnel/finance communications media. The personnel activity also notifies the appropriate DFAS Center immediately if there are any changes which would affect payment.

B. VSI Recipient's Reserve Personnel Activity. The VSI recipient's Reserve personnel activity must notify the DFAS-Cleveland Center (see subparagraph 010202.B.3 for the address) in the event that the member is transferred from the Ready Reserve to the Standby Reserve or the Retired Reserve, through fault considered to be within the control of the member. This notification is necessary to stop any remaining VSI installments.

C. Service Member's Original DFAS Center. The member's original servicing DFAS Center will record the initial VSI/SSB payment, as well as process any correction or change authorized by the personnel activity. The applicable DFAS Center sends all corrections or changes made to a member's initial VSI/SSB payment to the DFAS-Cleveland Center, within 30 days after the account has been corrected. The member's original servicing DFAS Center is the

primary source for information concerning the initial VSI/SSB payment, as well as general guidance concerning VSI/SSB payment procedures. Each DFAS Center is responsible for keeping the DFAS-Cleveland Center informed of any changes to a member's account.

D. DFAS-Cleveland Center. The DFAS-Cleveland Center is the central site location for all VSI annual payments. The member's original servicing DFAS Center transfers VSI accounts to the DFAS-Cleveland Center following the initial payment. Once the account is transferred, the DFAS-Cleveland Center will provide customer service support for VSI recipients and become the primary source for VSI account assistance and maintenance. As such, the DFAS-Cleveland Center will maintain a VSI telephone "hot line" and a customer service unit that is responsive to the needs of the VSI recipient. The DFAS-Cleveland Center will maintain the VSI account until all annual installments are paid, or until the death of the VSI member recipient.

E. DFAS-Denver Center. The DFAS-Denver Center is the central site location for all VSI annual beneficiary payments. Following the death of a VSI recipient, the DFAS-Denver Center will provide customer service support for designated beneficiaries and be the primary source for VSI member beneficiary account assistance and maintenance.

F. Defense Manpower Data Center. The DMDC will maintain a personnel data base that identifies and tracks participation in the VSI/SSB programs. Because of the requirement for Reserve affiliation, the DMDC will provide advice of Reserve participation to the DFAS-Cleveland Center.

G. Department of Defense Board of Actuaries. The DoD Board of Actuaries (hereinafter referred to as the "Board") shall:

1. Determine an amount which is the total present value, as of January 1, 1993, of the future benefits payable to persons who separate under VSI prior to January 1, 1993. The Board also shall determine an amortization schedule for liquidating the original unfunded liability of the "Fund." (The "Fund" is classified as a trust fund and has been designated as account number 97X8335, "Voluntary Separation Incentive Fund." This Fund will consist of both a receipt and an expenditure account.)

2. Determine an amount which is the total present value, as of September 30, 1995, of the future benefits payable to persons who separate under VSI after December 31, 1992.

3. For each fiscal year after fiscal year 1996, carry out an actuarial valuation for the Fund and determine any new unfunded liabilities arising from gains and losses to the Fund. The Board also shall determine an amortization schedule for liquidating these new unfunded liabilities. For the upcoming fiscal years, the Board will determine, in sufficient time as to be included in the fiscal year's budget requests, the amount of Department of Defense contributions to the Fund necessary to comply with the amortization schedules for the Fund's original and new unfunded liabilities.

0102 REQUIREMENTS AND PAYMENTS PROCEDURES010201. General Administrative Requirements

A. Eligibility for VSI/SSB. The Secretary concerned may offer a member of the Armed Forces the opportunity to apply for VSI/SSB if the member meets the administrative requirements found in DoDFMR Vol. 7A, Chapter 35.

B. Application for VSI/SSB. Service members meeting the eligibility criteria described above may request, and subsequently enter into, a written agreement with the Secretary concerned to separate from active duty and accept an appointment or enlistment in, or transfer to, the Ready Reserve of a Reserve component.

C. Approval for VSI/SSB. Eligible service members will not automatically be entitled to receive VSI/SSB based solely on their request. The Secretary concerned will review all applications for special and voluntary separation benefits and approve only those consistent with the needs of the Military Department concerned.

010202. Payment Processing

A. VSI/SSB Personnel Support. The servicing personnel activity will provide Service members who are approved for special voluntary separation benefits with guidance and counseling necessary to complete the separation process. The personnel activity will complete all documentation necessary to support the initial VSI/SSB payment.

B. VSI payments

1. Upon separation, the Service member will complete a DD Form 2058 (State of Legal Residence Certificate) and IRS Form W-4 (Employee's Withholding Allowance Certificate). Members who wish to designate beneficiaries must complete a VSI Beneficiary Designation Form.

2. The DFAS-Cleveland Center will send annual VSI payments to the VSI recipient's bank via electronic funds transfer (EFT). The Service member should complete SF 1199-A to establish EFT payments. If an SF 1199-A is not available, the VSI recipient must submit the financial institution's routing transit number and a canceled check or deposit slip, that shows his/her account number and bank address.

3. The Service member's servicing personnel activity will submit completed forms to:

Defense Finance and Accounting Service
Cleveland Center (Code FRCBC)
1240 East Ninth Street
Cleveland, OH 44199-2056

4. The Service member's original servicing DFAS Center will close out the member's active duty pay account and record the initial VSI payment. That DFAS Center will send information needed to establish the VSI account, via file transfer, to the DFAS-Cleveland Center within 30 days after the active duty pay account is closed. However, whenever a member has identified him/herself as a VSI recipient, but no record was transferred to the DFAS-Cleveland Center, the member's original servicing DFAS Center immediately will initiate efforts to confirm VSI status and provide either the required account information, or VSI account denial, to the DFAS-Cleveland Center within two workdays after a member's status has been confirmed. If any DFAS Center changes or corrects a member's status, e.g., a member previously identified as a VSI separate corrected to a SSB separate, that Center must notify the DFAS-Cleveland Center immediately with a telephone call and follow up with a facsimile document authorizing the change.

5. After the initial payment, the DFAS-Cleveland Center will issue all subsequent annual payments on the anniversary of the member's separation. In the event that the anniversary date falls on a weekend or holiday, make the payment according to the same rules followed for regular active duty paydays.

C. SSB Payments. The member's original servicing DFAS Center will make all SSB payments. The respective Center will close out the member's active duty pay account, record the SSB payment, and send information concerning the SSB account to the DFAS-Cleveland Center within 30 days after the active duty account was closed.

D. Withholding Requirements

1. Federal Income Tax Withholding (FITW)

a. Initial VSI and SSB Payments. Withhold FITW at the applicable flat rate percentage of the gross payment. All SSB and initial VSI payments are included with the member's other taxable pay amounts during that calendar year and reported via the IRS Form W-2 in January of the following calendar year.

b. Annual VSI Payments. Withhold FITW from annual VSI payments based upon the annual Percentage Method of Withholding Table. A valid IRS Form W-4 is required to compute the proper withholding amount under this method. If the member does not submit an IRS Form W-4, compute the tax withholding as if the member is single, with no withholding exemptions. All anniversary payments are produced by the DFAS-Cleveland Center and reported to the member via IRS Form W-2 in January of the calendar year following the payment.

2. State Income Tax Withholding (SITW). All VSI and SSB payments are subject to State withholding for residents of states which have entered into an agreement with the Secretary of the Treasury. State withholding and reporting for the SSB and initial VSI payment is based on the member's legal residence at the time of separation from active duty (see DoDFMR

Volume 7A, paragraph 440106C, for those states which have entered into this agreement). For VSI anniversary payments, withhold State income tax based upon the State of legal residence claimed on DD Form 2058 or, if no new DD Form 2058 is submitted, withhold State income tax based upon the State of legal residence claimed on the member's DD Form 2058 on file at separation.

3. The DFAS Center will not withhold FICA or any other payroll taxes from VSI and SSB payments.

0103 DEBT COLLECTION PROCEDURES

010301. General. VSI/SSB payments are subject to offset for debt collection. When a Service member is released from active duty with debts due the United States, offset from the initial VSI/SSB entitlement the amount of the debt. In the case of VSI, if the debt is greater than the initial payment, the remaining debt may be collected from subsequent installments. Collections are made according to the administrative offset provisions contained in 31 U.S.C. 3716. The collection of debts from VSI/SSB payments must be consistent with standard debt collection procedures and policies.

010302. Debt Collection

A. VSI Overpayment

1. Overpayment of Initial VSI installment. The DFAS Center that paid the Initial VSI payment will pursue collection action using "out of service" debt collection procedures. If the VSI account has already been transferred to the DFAS-Cleveland VSI pay system, notify the DFAS-Cleveland Center, Code FRCBC, within five days with the correct payment information. If debt collection actions prove unsuccessful, follow the provisions of paragraph 010302.C.2. below.

2. VSI Anniversary Overpayment. A debt incurred as a result of an anniversary overpayment, is pursued as an "out of service" debt by the DFAS-Cleveland Center. If the debt cannot be collected through these procedures, offset the amount owed from subsequent installment payments. This offset will include any applicable interest, administrative, and/or penalty charges.

B. SSB Overpayment. The Service member's original servicing DFAS Center will treat a debt incurred as a result of overpayment of SSB entitlement, as an "out of service" debt. Pursue overpayment according to standard debt collection procedures.

C. Active Duty Debts

1. Amounts due the United States should be offset against the initial VSI/SSB payment at the time of the member's separation. The member's original servicing

DFAS Center will pursue any uncollectible amounts using "out of service" debt collection procedures.

2. The DFAS-DE Center will retain debts for VSI recipients as long as collection efforts are satisfactory. If collection efforts prove unsuccessful, the servicing DFAS Center will forward the debt to the DFAS-Cleveland Center, Code FRCBC, for administrative offset against the next VSI installment payment. Such debts should be transferred to the DFAS-Cleveland Center no later than 90 days before the next VSI installment payment using a DD Form 139 (Pay Adjustment Authorization). The DD Form 139 must state that due process has been accorded the member. Once offset action has been taken, the DFAS-Cleveland Center will credit the proper military personnel appropriation and notify the applicable DFAS Center of the amounts collected. If the total debt cannot be liquidated from a single VSI anniversary installment, the respective DFAS Center should resubmit the remaining debt for offset, including any applicable interest, administrative and/or penalty charges, until the total debt has been satisfied.

D. Debts from Non-Appropriated Fund Instrumentalities (NAFI). A member's annual VSI installments are available for collection of debts owed to NAFI activities.

1. The NAFI is responsible for providing notification of the existence of the debt and due process to the debtor. The initial NAFI notification to the debtor must include demand for immediate payment in full of the debt.

2. The NAFI must send a DD Form 139 to the DFAS-Cleveland Center to effect collection (see subparagraph 010202.B.3. above for the address). The DD Form 139 must contain the following statement: "Member has been provided due process according to DoDFMR, Volume 7A, subparagraph 500104.A.2."

3. The entire amount of the VSI entitlement is available for offset according to the administrative offset provisions contained in Title 31, United States Code, section 3716.

E. Debts from Non-DoD Federal Agencies. The DMDC will receive and certify all requests for administrative offset from non-DoD Federal agencies. Once certified, the DMDC will send the request, via a DD Form 139 or letter of transmittal, to the member's original servicing DFAS Center. This DFAS Center will satisfy the request by administrative offset of the SSB or initial VSI payment. For VSI payments, once the account is transferred to the DFAS-Cleveland Center, refer any debts to the DFAS-Cleveland Center for offset against future VSI installments.

010303. Garnishments. Garnishment orders remain in effect. Transfer garnishment cases for VSI recipients to the DFAS-Cleveland Center for administration.

0104 BENEFICIARY PAYMENT PROCEDURES

010401. Designation of Beneficiaries

A. Service members may designate beneficiaries to receive VSI installments which remain unpaid after the death of the member.

1. The VSI recipient should make designations using the VSI Beneficiary Designation Form. The VSI recipient may designate different percentages to be received by multiple recipients. In the event percentage elections are not made, divide payments evenly among the designated beneficiaries.

2. The member's servicing personnel activity will administer the form at time of separation. Send the completed form to the DFAS-Cleveland Center, Code FRCBC, within 30 days of the election.

3. After separation, the VSI recipient may change his/her beneficiary information by sending a notarized VSI Beneficiary Designation Form to the DFAS-Cleveland Center.

B. The DFAS-Cleveland Center will maintain beneficiary forms for all VSI accounts until the end of the VSI entitlement period, or until the person's death.

010402. Notification of Death and Beneficiary Claim

A. The DFAS-Cleveland Center requires notification of a VSI recipient's death. Proof of death, such as a civil death certificate, is required. Upon receipt of proper notification and proof of death, the DFAS-Cleveland Center will close out the member's active VSI account and transfer it to the DFAS-Denver Center for beneficiary payment.

B. The DFAS-Denver Center will notify the beneficiary of his/her entitlement to the deceased VSI recipient's future VSI payments. The DFAS-Denver Center must receive a claim by the beneficiary before any payments can be made.

C. No specific form is required for making claim for beneficiary payments. A statement claiming future VSI payments, signed by the beneficiary, and with the beneficiary's social security number, will be sufficient. Beneficiary claims are sent to:

Defense Finance and Accounting Service
Denver Center (DFAS-DE/FRSA)
6760 E. Irvington Place
Denver, CO 80279-6000

010403. Beneficiary Payment

A. The DFAS-Denver Center will make all remaining installments to the designated beneficiaries. If a valid designation was not made or received, distribute payments

according to the order of precedence contained in 10 U.S.C. 2771. Continue to make annual installments on the date of the deceased VSI recipient's original anniversary payment date.

B. The DFAS-Denver Center will pay annual installments to the beneficiary for the remainder of the deceased VSI recipient's entitlement period. Payments will be distributed to a beneficiary's estate in the event a beneficiary dies after a VSI recipient's date of death. The DFAS-Denver Center will make such payments according to the laws governing the beneficiary's state of legal residence.

C. Withholding Requirements

1. FITW is based upon the IRS Form W-4P submitted by the recipient. If an IRS Form W-4P is not submitted, the DFAS Center will calculate withholding as for a married person claiming three withholding allowances.

2. State income taxes or FICA will not be withheld from beneficiary payments.

3. The DFAS-Denver Center will issue an IRS Form 1099-R to each beneficiary recipient.

D. The DFAS-Denver Center will not honor garnishment orders against beneficiary payments.

E. Beneficiary payments generally are not subject to offset. For instance, VSI beneficiary payments are not offset even though the beneficiary is entitled to receive Social Security on behalf of the deceased VSI recipient. However, if a beneficiary is indebted to the government, the debt may be collected from VSI installment payments.

010404. Report of Existence. The DFAS-Denver Center will send a report of existence letter annually to each beneficiary.

0105 ACCOUNTING PROCEDURAL GUIDANCE

010501. Purpose. This section prescribes accounting procedures for implementing and administering the SSB and VSI programs.

010502. Financing Sources

A. Special Separation Benefit Program:

1. Special Separation Benefit (SSB) entitlements will be funded from the current Military Personnel appropriation.

2. All obligations for SSB will be recorded separately from other pay and allowances.

B. Voluntary Separation Incentive Program. All Voluntary Separation Incentive (VSI) Program payments made after December 31, 1992, are paid from a "Voluntary Separation Incentive Fund" (hereafter referred to as the "Fund") established by the Department of the Treasury. The Fund is used to accumulate amounts needed to finance liabilities accrued under the VSI Program.

010503. Responsibilities

A. The Office of Deputy Comptroller (Program/Budget), OUSD(C), shall include in Military Personnel Appropriations requests, amounts sufficient to fund SSB/VSI payments and liquidate the unfunded liabilities of the Fund in accordance with amortization schedules determined by the DoD Board of Actuaries.

B. The Military Departments shall deposit amounts annually for liquidation of the original unfunded liability and all other payments due into the VSI Fund according to the amortization schedule provided by the DoD Board of Actuaries and the military department specific "break-outs" determined by the Office of the Deputy Comptroller (Program/Budget).

C. The Defense Finance and Accounting Service shall:

1. Establish appropriate operational procedures to manage fiscal aspects of the SSB program and prepare necessary fiscal reports.

2. Establish appropriate operational procedures to manage fiscal aspects of, account for, invest, and report on the assets of the Fund.

010504. Procedures

A. The Military Departments shall:

1. Deposit required amounts into the Fund (in accordance with subparagraph 010503.B. above) by use of the USA Card-On-line Payment and Collection System (OPAC) or the Standard Form 1081 (Voucher and Schedule of Withdrawals and Credits) citing account 97X8335.1. A copy of Standard Form 1081 will be forwarded by facsimile to DFAS-HQ/AE (FAX (703) 607-2824). Forward this copy no later than three business days prior to the effective date of the transaction.

2. Record obligations in the respective Military Personnel Appropriations annually in amounts equal to those determined by the DoD Board of Actuaries in its amortization schedule. Disbursements from the Military Personnel Appropriation to the Fund will be equal to amounts obligated.

3. Authorize transfer of funds from the Military Personnel Appropriation to the VSI Fund. Report total current liability payments to the VSI Fund annually, using the USA Card, OPAC or an SF 1081, both as a disbursement from the applicable Military Personnel Appropriation (as cited in subparagraph 010504.A.1 above) and as a deposit to the fund. Forward a copy of the SF 1081 to DFAS-HQ/AE by electronic media no later than three business days prior to the end of the month.

4. Submit a memorandum to DFAS-HQ/AE (FAX (703) 607-2824) indicating the estimated initial disbursements to Service members for the next month.

B. The Defense Finance and Accounting Service (DFAS) shall:

1. Make the initial VSI payments from the fund charging account 97X8335.

2. Report collection and disbursement transactions in the monthly Statement of Transactions (DD Form 1329).

3. Ensure applicable transactions are recorded in the appropriate budgetary and proprietary accounts in all military pay and other accounting systems as prescribed in this Regulation.

4. Ensure the Fund is classified as a trust fund and has been designated as account number 97X8335, "Voluntary Separation Incentive Fund." This Fund will consist of both a receipt and an expenditure account.

a. Make deposits to the following Fund receipt accounts as applicable:

(1) 97X8335.1 - Employing Agency Contributions, Voluntary Separation Incentive Fund. Payments from the Military Departments for accrual of future voluntary separation incentive programs.

(2) 97X8335.2 - Earnings of Investments, Voluntary Separation Incentive Fund. Payments of interest by Treasury on Fund investments.

b. Use the following accounts for reporting investment activity within the Fund:

(1) (88)97X8335 - Investment in Treasury Securities (Par), Voluntary Separation Incentive Fund. To record the purchase of Treasury securities in the Fund.

(2) (98)97X8335- Redemption of Treasury Securities (Par), Voluntary Separation Incentive Fund. To record the redemption of Treasury securities.

(3) (75)97X8335 - Unrealized Discount on Treasury Securities. To record unrealized discounts on Treasury securities.

c. Amounts deposited to the above receipt accounts are immediately available to the Fund for investment or payment of Voluntary Separation Incentive benefits. After December 31, 1992, the DFAS-Cleveland Center will make all anniversary payments of benefits payable to persons under this program from the Fund, charging account 97X8335. The DFAS-Cleveland Center must also submit to DFAS-HQ/AE a monthly forecast of anniversary payments. One month's forecast may be submitted each month or else, a twelve month forecast is due annually. In either case, the forecast submission is due no later than three business days prior to the month the disbursements are expected to occur. The DFAS-Denver Center will make anniversary payments to beneficiaries and submit a forecast of beneficiary payments to DFAS-HQ/AE.

d. Perform accounting at the budget activity level, at a minimum. Establish lower level accounts as necessary to meet reporting requirements.

5. Ensure the following VSI and SSB reporting requirements are met:

a. Appropriation Status by Fiscal Year Program and Subaccounts (Acct Rpt (M) 1002). The DFAS will report according to the instructions in Volume 6, Chapter 4 or the Department of Defense Financial Management Regulation (DoD 7000.14-R). DFAS-HQ/AE will submit this report for the Fund expenditure account using Budget Activity 1 for Officers and Budget Activity 2 for Enlisted Personnel, as currently required for DoD Military Personnel Appropriations. Each DFAS Center will submit feeder reports according to the schedule of due dates published by DFAS-HQ/AE. Complete all applicable columns of the report, including disbursements for each budget subactivity.

(1) Special Separation Benefit Program. Report obligations by fiscal program year within Acct Rpt(M)1002 by budget category as a separate line. Use two separate cost categories as shown below:

Special Separation Benefit
(SSB) – Officers
Cost of Personnel

Special Separation Benefit
(SSB) - Enlisted
Cost of Personnel

(2) Voluntary Separation Incentive Program. Report military personnel separated under this program on or after January 1, 1993, separately under account 97X8335 in the Acct Rpt(M)1002 by budget category. Use two separate cost categories as shown below:

Voluntary Separation Incentive
(VSI) – Officers
Cost of Personnel

Voluntary Separation Incentive
(VSI) - Enlisted
Cost of Personnel

b. Report on Budget Execution (SF 133). The DFAS will submit SF 133 for the Fund's receipt and expenditure accounts. Each DFAS Center will submit feeder SF 133 reports on its disbursements by limits established for each Service and for initial, anniversary, and beneficiary payments to DFAS-HQ/AE.

VOLUNTARY SEPARATION INCENTIVE PROGRAM RECAP OF DFAS RESPONSIBILITIES		
EVENT	DFAS CENTERS	DFAS-CL
Military Pay Appropriation (MPA) authorized to finance the annual payment to the VSI Trust Fund.	Record receipt of the MPA fund authorization	
Make annual Service payment determined by the DoD Board of Actuaries to liquidate the unfunded liabilities. Payments financed by the Services' Military Pay Appropriations are due each January beginning in FY 1993 and are deposited into the VSI Trust Fund.	<p>Prepare the annual payment charging the MPA accounting and crediting 97X8335.1 (See Note 1)</p> <p>Forward the SF 1081 to the disbursing office for processing</p> <p>Simultaneously record MPA obligations and disbursements for the amount of the annual payment</p> <p>Forward a copy of the SF 1081 annual payment voucher to DFAS-HQ/AE</p>	
Receive annual Service payments		Record the VSI Trust Fund receipts
Issue/receive VSI Trust Fund authorization documents	Accept, process and record the VSI Trust Fund allocation received (See Note 2)	Issue VSI Trust Fund authorization document

Table 1-1.

VOLUNTARY SEPARATION INCENTIVE PROGRAM RECAP OF DFAS RESPONSIBILITIES (continued)		
EVENT	DFAS CENTERS	DFAS-CL
Reverse MPA disbursements made for initial VSI Trust Fund account. Reverse disbursements are processed in the same month in which the summary recap is produced in the military payroll system.	<p>Prepare SF 1081 charging 91X8335, limit for initial payment, and budget activity code 1 for Officers or budget activity code 2 for Enlisted Personnel</p> <p>Forward the SF 1081 to the disbursing office for processing</p> <p>Provide DFAS-HQ/AE a copy of the SF 1081 on or before the 5th business day of the month following the month the trust fund disbursements were processed</p> <p>Enter processed SF 1081 voucher in the MPA and VSI Trust Fund accounting records</p>	
Forecast VSI Trust Fund cash requirements. (DFAS-CL is responsible for forecasting anniversary payments.)	<p>Submit monthly or yearly to DFAS-HQ/AE a forecast of anniversary payments by month</p> <p>Submit a revised forecast on an as required basis</p>	
Purchase/redemption of securities		Enter investment transactions in the VSI Trust Fund accounting records

Table 1-1. Continued.

VOLUNTARY SEPARATION INCENTIVE PROGRAM RECAP OF DFAS RESPONSIBILITIES (continued)		
EVENT	DFAS CENTERS	DFAS-CL
Process VSI anniversary payments. (DFAS-CL has responsibility for anniversary payments.)	<p>Prepare voucher for anniversary payments charging 97X8335, limit for anniversary payments, and the application budget activity code</p> <p>Forward payment to the disbursing office for processing</p> <p>Provide DFAS-HQ/AE a copy of the SF 1081 on or before the 5th business day of the month following the month the trust fund disburse-ments were processed</p> <p>Enter processed vouchers in the VSI Trust Fund accounting records</p>	
Process VSI payments to beneficiaries. (DFAS-DE has responsibility for beneficiary payments.)	<p>Prepare voucher for beneficiary payment charging 97X8335, limit for the anniversary payment, and the applicable budget activity code</p> <p>Forward payment voucher to the disbursing office for processing</p> <p>Provide DFAS-HQ/AE a copy of the SF 1081 on or before the 5th business day of the month following the month the trust fund disburse-ments were processed</p> <p>Enter processed vouchers in the VSI Trust Fund accounting records</p>	

Table 1-1. Continued.

VOLUNTARY SEPARATION INCENTIVE PROGRAM RECAP OF DFAS RESPONSIBILITIES (continued)		
EVENT	DFAS CENTERS	DFAS-CL
Year end processing.	Transfer all VSI initial payments charged to Military Pay appropriations to the VSI Trust Fund prior to the end of the fiscal year	
Prepare monthly reports.	<p>Submit Acct Rpt (M) 1176 and DD-Comp (M) 1002 feeder reports for the VSI Trust Fund to DFAS-HQ/AE. Report level for SF 1176 data is appropriation and for SF 1002, appropriation/limit/budget activity</p> <p>Submit Statement of Transactions (DD Form 1329) to Treasury Department</p>	<p>Receive feeder reports, record monthly execution in the departmental accounting record, and prepare the departmental reports for the VSI Trust Fund</p>

NOTES:

1. Services may prepare annual payment.
2. Services may accept fund authorization.

Table 1-1. Continued.

CHAPTER 2**MILITARY PAY SYSTEM RECONCILIATIONS****0201 PURPOSE**

This chapter describes the requirements and procedures DFAS Centers must follow to ensure the integrity and accountability of the military pay systems under their control.

0202 APPLICABILITY AND SCOPE

This chapter applies to each DFAS Center which maintains a military pay system.

0203 POLICY

The basic tenets of any fiscally responsible pay system include: accurate calculation of entitlements, disbursement only to authorized recipients, and proper summarization and/or reporting of results. To accomplish these objectives, each military pay system must perform periodic reconciliations which verify the validity of the payment and then accurately account for the disbursement. A periodic match between each military pay and corresponding personnel system helps to ensure the propriety of payment to authorized recipients. A gross to net pay reconciliation will provide the checks and balances necessary to verify the accuracy of the system's disbursements and output products.

0204 MILITARY PAYROLL AND PERSONNEL FILE SYSTEM RECONCILIATION

020401. **Responsibilities.** Each DFAS Center that does not have a shared military pay/personnel database is required to perform a data match and complete reconciliation every two months. The match and reconciliation results must be documented, certified by the applicable DFAS Center Deputy Director for Finance, and retained on file for at least one year.

020402. **Requirements.** Each military pay/personnel “bump” will match, as a minimum, the following data elements: name, Social Security Number (SSN), pay grade, rank, and if applicable, loss date. Since each DFAS Center interfaces with a unique personnel database, DFAS Centers may supplement the basic reconciliation with additional data elements or do other pay/personnel system integrity checks. Discrepancies resulting from this reconciliation must be resolved before the next systems match is performed.

0205 GROSS TO NET RECONCILIATION

020501. **Responsibilities.** A gross pay to net pay reconciliation is required monthly to ensure gross payroll entitlements, minus total deductions, equal net disbursements. Each DFAS Center must perform a gross-to-net payroll reconciliation by the end of the calendar month following the payroll month using the data from the month being reconciled. For example, for the payroll period ending March 31, reconciliation must be completed no later than April 30. This

reconciliation must be accomplished using a Military Payroll Disbursement Reconciliation Form (figure 2-1). These forms, and all supporting documentation, must remain on file for at least two years.

020502. Requirements. The Military Payroll Disbursement Reconciliation Form will be used by each DFAS Center to document the gross-to-net reconciliation process. Each DFAS Center's Deputy Director for Finance must sign this form. Amounts shown on each line of the form should be the net value of all retroactive adjustments made during the month. In addition, each line entry must have supporting documentation. This supporting documentation may be in the form of military pay system output products, file search products, or computations of various system output products. If line entries are a compilation of more than one output product, the DFAS Center will show how the line entry was computed and exactly where (what output product/report and line item) the figures used in the compilation can be found. This process must be documented. All documentation supporting the form must be kept a minimum of two years.

MILITARY PAYROLL DISBURSEMENT RECONCILIATION FORM

DFAS CENTER _____	PAYROLL MONTH _____
1a. CURRENT MONTH ENTITLEMENTS/CREDITS:	
(1) Basic Pay	_____
(2) BAH	_____
(3) BAS	_____
(4) Incentive Pay	_____
(5) Special Pay	_____
(6) Uniform/Clothing Allowance	_____
(7) Advance Pay	_____
(8) FSA	_____
(9) FSH	_____
(10) OHA	_____
(11) COLA	_____
(12) Other Entitlements	_____
(13) Employer Contribution for Social Security Taxes	_____
(14) Employer Contribution for Medicare Taxes	_____
b. Total Current Month Entitlements	_____
c. PRIOR MONTHS UNPAID BROUGHT FORWARD	_____
d. GROSS ENTITLEMENTS/CREDITS	_____ *

Figure 2-1 Military Payroll Disbursement Reconciliation Form

MILITARY PAYROLL DISBURSEMENT RECONCILIATION FORM (Cont.)

2a. CURRENT MONTH DEDUCTIONS/PAYMENTS:

(1) Federal Income Taxes	_____
(2) Social Security Taxes	_____
(a) Employees Contribution for Social Security Taxes	_____
(b) Employers Contribution for Social Security Taxes	_____
(3) Medicare Taxes	_____
(a) Employers Contribution for Medicare Taxes	_____
(4) State Income taxes	_____
(5) Dental Insurance	_____
(6) SGLI	_____
(7) AFRHTF	_____
(8) Repay Advance Pay	_____
(9) Bond Allotments	_____
(10) Allotments (other)	_____
(11) Indebtedness	_____
(12) Garnishment	_____
(13) VEAP/MGIB	_____
(14) Fines and Forfeitures	_____
(15) Other Deductions	_____
(16) Payments	_____
(17) Fines/Forfeitures to Homes	_____
(18) Retired Pay Accrual	_____
b. Total Current Month Deductions	_____
c. CURRENT MONTH UNPAID CARRIED FORWARD	_____
d. GROSS DEDUCTIONS	_____*

Accountable Officer
* These amounts must equal.

Signature

Figure 2-1 Military Payroll Disbursement Reconciliation Form

To ensure uniformity in the reconciliation process, each DFAS Center will use the following line-by-line instructions:

A. Line 1a.(1). Basic Pay. This is the total basic pay credited. It includes any pay forfeited during the month and any increased basic pay earned during a period of service essential to public interests. This amount is net of any absent without leave/unauthorized absence adjustments.

B. Line 1a.(2). BAH. This is the total Basic Allowances for Housing credited during the month.

C. Line 1a.(3). BAS. This is the Basic Allowance for Subsistence total credited during the month.

D. Line 1a.(4). Incentive Pay. This is the total incentive pay credited during the month including: Hazardous Duty Incentive Pay, Aviation Career Incentive Pay, Submarine Duty Pay, Parachute Duty Pay, Flight Deck Duty Pay, Demolition Duty Pay, Experimental Stress Duty Pay, Toxic Fuels Duty Pay, Toxic Pesticides Duty Pay, Dangerous Viruses Lab Duty Pay, and Chemical Munitions Pay.

E. Line 1a.(5). Special Pay. This is the total amount of special pay credited during the month including: Special Pays for Medical, Dental, Veterinarians, and Optometrists; Proficiency and Special Duty Assignment Pay; Hostile Fire or Imminent Danger Pay; Diving Duty Pay; Nuclear-Qualified Officer Pay; Special Pay for Officers Serving in Positions of Unusual Responsibility; Special Pay for Enlisted Members Extending Duty at Designated Overseas Locations; Special Continuation Pay for Aviation Career Officers; Engineering and Scientific Career Continuation Pay; Special Foreign Duty Pay; Special Sea Duty Pay; Special Foreign Language Proficiency Pay; Aviation Retention Bonus Pay; Enlistment/Reenlistment Bonus; and Special Pay for Nurse Corps Officers.

F. Line 1a.(6). Uniform/Clothing Allowances. This is the total clothing, uniform, and equipment allowances credited during the month.

G. Line 1a.(7). Advance Pay. This is the total of Pay and Allowances advanced during the month.

H. Line 1a.(8). FSA. This is the total amount of Family Separation Allowances credited during the month.

I. Line 1a.(9). FSH. This is the total amount of Family Separation Housing credited during the month.

J. Line 1a. (10). OHA. This is the total amount Overseas Housing Allowance credited during the month.

K. Line 1a.(11). COLA. This is the total amount of Cost of Living Allowances credited during the month.

L. Line 1a.(12). Other Entitlements. This is the total of all other entitlements earned during the month. This may include, but is not limited to: Personal Monetary Allowances for qualifying Flag Officers, all types of Separation Pay, Accrued Leave Pay, and Death Gratuities (if applicable).

M. Line 1b. Total Current Month Entitlements. This is the total of lines 1a.(1.) through 1a.(14.) and should represent the total amount of entitlements earned and advanced.

N. Line 1c. Prior Months Unpaid Brought Forward. This is the total amount of all prior months earned but unliquidated entitlements.

O. Line 1d. Gross Entitlements/Credits. This is the total of lines 1b and line 1c. This line represents the Center's total pay liability for that payroll month.

P. Line 2a. (1). Federal Income Taxes. This is the total amount of federal income taxes withheld during the month.

Q. Line 2a. (2). Social Security Taxes. This is the total amount of social security taxes withheld during the month.

R. Line 2a. (2a). Employee's Contribution for Social Security Taxes. This is the total amount of social security taxes applied to employees contribution withheld during the month.

S. Line 2a. (2b). Employer's Contribution for Social Security Taxes. This is the total amount of social security taxes applied to employer's contribution during the month.

T. Line 2a. (3). Medicare Taxes. This is the total amount of Medicare taxes withheld during the month.

U. Line 2a. (3a). Employer's contribution for Medicare Taxes. This is the total amount that the employer contributes to Medicare taxes during the month.

V. Line 2a. (4). State Income Taxes. This is the total amount of state income taxes withheld during the month.

W. Line 2a.(5). Dental Insurance. This is the total amount withheld for dependents dental insurance.

X. Line 2a.(6). SGLI. This is the total amount withheld for Servicemembers' Group Life Insurance.

Y. Line 2a.(7). AFRHTF. This is the total amount withheld from pay for deposit to the Armed Forces Retirement Home Trust Fund (AFRHTF).

Z. Line 2a.(8). Repay Advance Pay. This is the total amount of advance pay repaid during the month.

AA. Line 2a.(9). Bond Allotments. This is the total withheld for Savings Bonds allotments.

BB. Line 2a.(10). Allotments (other). This is the total amount withheld for member allotment payments (other than for savings bonds).

CC. Line 2a.(11). Indebtedness. This is the total amount of member's pay deducted as a result of indebtedness. This does not include indebtedness from garnishment actions or repayment of advance pay.

DD. Line 2a.(12). Garnishment. This is the total amount withheld as a result of garnishment action.

EE. Line 2a.(13). VEAP. This is the total amount withheld for the Veterans Education Assistance Program. MGIB. This is the total amount withheld for the Montgomery GI Bill.

FF. Line 2a.(14). Fines and Forfeitures. This is the total amount of fines and forfeitures withheld during the month. This does not include any amounts to be paid to the AFRHTF.

GG. Line 2a.(15). Other Deductions. This is the total of any other amounts withheld from the member's pay. Other deductions may include, but are not limited to amounts withheld for deposit to the Savings Deposit Program.

HH. Line 2a.(16). Payments. This is the total amount of disbursements reported during the month. This includes mid and end-of-month payrolls, and all transient, casual, partial, one time payments (such as bonuses), and any other local payments posted to the master file during the month.

II. Line 2a.(17). Fines/Forfeitures to Homes. This is the total amount of fines and forfeitures withheld from members pay to be deposited to the AFRHTF.

JJ.. Line 2a(18). Retired Pay Accrual This is the total amount applied to member's accrued retired pay account for the month.

KK. Line 2b. Total Current Month Deductions. This is the total of lines 2a.(1.) through 2a.(18.). This represents the total amount of deductions and payments made for the monthly reporting period.

LL.. Line 2c. Current Month Unpaid Carried Forward. This is the total amount of entitlements earned during the month, plus total amounts carried forward from previous months, minus all deductions, that were not liquidated during the month. This represents the amount that will be carried forward on line 1c. of the reconciliation form for the following month.

MM. Line 2d. Gross deductions. This is the total of lines 2b and 2c. This represents the total amount of deductions, payments, and earned unliquidated entitlements for the month.

NN. The amounts on line 1d and 2d must equal.

CHAPTER 3**DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF
COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION**0301 **PURPOSE**

This chapter describes the transfer of certain forfeitures and fines, as a result of courts-martial, nonjudicial punishment, and desertion, to the Armed Forces Retirement Home Trust Fund (AFRHTF).

0302 **APPLICABILITY AND SCOPE**

This chapter applies to each DFAS Center that maintains a military pay system and to limited duty officers, regular and Reserve warrant officers, and regular and Reserve enlisted members of the Army, Navy, Air Force, and Marine Corps.

0303 **GENERAL POLICY**

The Armed Forces Retirement Home Board determines, on the basis of the financial needs of the Armed Forces Retirement Home, a percentage of forfeitures and fines adjudged by courts-martial and nonjudicial punishment, and amounts forfeited on account of desertion against limited duty officers, warrant officers, and enlisted members to be transferred to the AFRHTF. The Armed Forces Retirement Home Board has determined that 100 percent of all forfeitures and fines will be transferred to the AFRHTF. Transfer only those amounts which are in excess of any indebtedness to the United States and amounts owed to individuals. For the purposes of this chapter, the term "indebted" or "debt" refers to amounts due from the member for reimbursement to the United States; for example, an amount due the Internal Revenue Service pursuant to a tax levy, which may ordinarily be thought of as a "debt" to the United States, is not a "reimbursement" or "debt" for purposes of this chapter. "The term "amounts owed to individuals" refers to amounts owed from a member's pay by direction of a commanding officer pursuant to Article 139 of the Uniform Code of Military Justice."

0304 **PROCEDURES**

030401. **Transfer of Fines.** When a limited duty officer, warrant officer, or enlisted member is sentenced by a court-martial or nonjudicial punishment to pay a fine, the supporting DFAS Center will transfer the amount to the AFRHTF within 30 days from the end of the month in which the fine was collected.

030402. **Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures.** When a limited duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, the supporting DFAS Center will transfer the amount to the AFRHTF within 30 days from the end of the month in which the forfeiture is collected. Multiple-month forfeitures, or

forfeiture amounts which are collected over two or more months, will be transferred on a monthly basis to the AFRHTF. Do not wait until the entire amount of the forfeiture has been collected before making such transfers. For example: a member is sentenced to forfeiture of pay of \$500 per month for 2 months, with the convening authority approving the sentence on November 29. The transfer would be \$33.33 (\$500 divided by 30 days, times 2 days left in the month) no later than December 30, \$500 (\$500 divided by 30 days times 30 days) no later than January 30, and \$466.67 (\$500 divided by 30 days times 28 days left uncollected) no later than March 2, into the AFRHTF.

030403. Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures When Indebted to the Government.

A. Separation from Service not involved. When a limited duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, and the member is indebted to the government, the supporting DFAS Center will not transfer any amounts to the AFRHTF until all known debts have been established. Any forfeiture amounts exceeding the uncollected indebtedness will be transferred to the AFRHTF. All amounts collected thereafter, not to exceed the total amount of the forfeiture, will be transferred to the AFRHTF. (For example: Member has a forfeiture of \$200 per month for 2 months, with outstanding debts totaling \$300. Transfer \$100 to the Armed Forces Retirement Home Trust Fund only after the first \$300 of forfeitures have been collected. Transfer the remaining \$300 to the AFRHTF as the debt is collected.)

B. Members are separated from the Service. A forfeiture of a limited duty officer, warrant officer, or enlisted member is not credited to the AFRHTF when the member has unsatisfied indebtedness at date of separation, except as shown in paragraph 030404 below. It remains in the military personnel appropriation. If the total unsatisfied debt at separation is less than the forfeiture, credit the difference between the two to the AFRHTF. The supporting DFAS Center will transfer to the AFRHTF Trust Fund the amounts of the debt that subsequently are collected, not to exceed the total amount of the forfeiture. If the unsatisfied debt at separation is more than the forfeiture, no amounts will be transferred to the AFRHTF at that time. The AFRHTF will receive only those amounts subsequently collected that exceed the difference between the original uncollected debt and the forfeiture amount.

Example 1: If the uncollected indebtedness is \$500 and forfeiture is \$600, the supporting DFAS Center will transfer the difference of \$100 to the AFRHTF. All further collections there will be transferred to the AFRHTF.

Example 2: If the uncollected indebtedness is \$800 and forfeiture is \$500 at separation, no amounts will be transferred to the AFRHTF at this time. If subsequent collection recovers \$700, the first \$300 (\$800 indebtedness minus \$500 forfeiture) collected will be credited to the applicable military personnel appropriation, and the next \$400 received will be credited to the AFRHTF.

030404. Indebtedness After Forfeiture Becomes Effective. Debts incurred by a limited duty officer, warrant officer, or enlisted member after a sentence has been executed and before credit of the forfeiture to the AFRHTF, do not affect the disposition of the forfeiture. The forfeiture will be credited to the AFRHTF as if the indebtedness did not exist.

030405. Remission of Indebtedness. If a forfeiture of a limited duty officer, warrant officer, or enlisted member is not credited to the AFRHTF due to outstanding debts, and the unliquidated portion of the debts is thereafter remitted or canceled, the DFAS Center will not credit the forfeiture that equals the amount of indebtedness remitted or canceled to the AFRHTF. It remains in the military personnel appropriation.

030406. Commissioned Officers. The DFAS Center will credit forfeitures and fines of Regular and Reserve commissioned officers (except warrant and limited duty officers), to the appropriation to which the member's pay is properly chargeable.

030407. Forfeitures as a Result of Desertion. When a limited duty officer, warrant officer, or enlisted member is declared a deserter, all pay and allowances that otherwise would accrue to the member if he/she were in a pay status, will be credited to the AFRHTF. Desertion forfeiture periods for the purposes of this paragraph begin on the date the member is declared a deserter and end on the day before the member is placed into another status (separated, return to duty, etc.).

030408. Transfer of Desertion Forfeitures. The DFAS Center will transfer desertion forfeitures according to the procedures in paragraph 030402, above.

CHAPTER 4**REIMBURSEMENT OF ADOPTION EXPENSES****0401 PURPOSE**

The purpose of this chapter is to describe the procedures necessary to reimburse adoption expenses to qualified members, as authorized by 10 U.S.C. 1052.

0402 APPLICABILITY AND SCOPE

This chapter applies to each DFAS Center that maintains a military pay system, each Military Service personnel activity, and Military Service and active duty members serving on continuous active duty for at least 180 days. This also includes full-time Active Guard/Reserve members on active duty orders for at least 180 days.

0403 POLICY

Service members specified in subsection 0402 above, whose adoption of a child under 18 years of age is finalized on or after December 5, 1991, may be reimbursed a maximum of \$2,000 per child for qualified expenses related to the adoption. In the event of multiple adoptions, the maximum reimbursable amount is \$5,000 per calendar year. The DFAS-Cleveland Center is responsible for paying all approved adoption reimbursement claims. DFAS-CL instruction 1341.1 contains amplifying information. The member's servicing DFAS Center is responsible for providing primary guidance concerning adoption expense reimbursement procedures. The date the claim form is served on the DFAS-Cleveland Center by certified mail determines the creditable calendar year for adoption expense reimbursement purposes.

0404 ELIGIBILITY REQUIREMENTS

040401. Active Duty Requirements. Service members defined in subsection 0402 above, must serve on continuous active duty for at least 180 days. In addition, members are not entitled to reimbursement expenses if they leave active duty before the adoption is final. However, applicants will remain eligible for reimbursement expenses if the adoption is final before leaving active duty, the final claim had been signed and certified by the member's commanding officer, and the claim is submitted to the DFAS-Cleveland Center prior to discharge. Members may request a voluntary extension of assignment beyond their normal expiration of term of service to complete the adoption process.

040402. Periods of Eligibility. An active duty member, who incurs expenses when adopting a child under 18 years of age, must have the adoption finalized on, or after, December 5, 1991. Members must submit a reimbursement request to the DFAS-Cleveland Center not later than one year after completion of an adoption, or within one year from July 29, 1993, whichever is later. However, qualifying members who incurred expenses adopting a child under 18 years of

age during the period October 1, 1990, through December 4, 1991, were eligible for reimbursement, provided the member's application was submitted no later than October 23, 1993.

040403. Eligible Members. Adoption expense reimbursements may be paid to married or single members. However, if both parents are Service members (including members of the Coast Guard), only one member may be reimbursed for expenses related to the adoption of the same child.

040404. Qualifying Adoptions. Adoptions that qualify for reimbursement include: a child under the age of 18, intercountry adoptions, and adoptions of children with special needs (see DoD Instruction 1341.9, (reference (g)) for definition of children with special needs). These adoptions qualify only if they are arranged by a qualified adoption agency. A qualified adoption agency means a state or local government agency that has responsibility under state or local law for child placement through adoption, or a nonprofit, voluntary adoption agency that is authorized by state or local law to place children for adoption, or any other source authorized by a state to provide adoption placement, if the adoption is supervised by a court under state or local law. (As used in this Chapter, "state or local" refers to a state or locality in the United States. In addition, "arranged by" means that the appropriated agency played an active role in the planning and/or preparation stages that effectively led to the actual physical change of custody of a child to its adoptive parents.)"

0405 RESPONSIBILITIES

040501. Member Responsibilities.

A. Service members must submit requests for reimbursement for qualifying reimbursement expenses using DD Form 2675 (Reimbursement Request for Adoption Expenses). Forms can be obtained from the member's servicing personnel activity. The member will prepare a separate DD Form 2675 for each qualifying adoption. The completed reimbursement request and substantiating documentation must be submitted to the member's servicing personnel activity, which will review the package for completeness. If the request and documentation appear to be complete, the member's commanding officer or designee will certify the member's eligibility for reimbursement by completing block 30 of the DD Form 2675.

B. If neither the member nor the spouse is able to appear personally at the servicing personnel activity, completed claim requests and certification forms may be mailed to the personnel activity. The spouse of a Service member, who is unable to complete a claims package due to military duty, can sign a claim form under a power of attorney. All claims signed by a spouse must include the power of attorney as a part of the claims package.

C. Service members must substantiate all expenses with documentation, such as receipts marked "PAID", or canceled checks. Reconstruction of expense records is permissible when the original records are unavailable. In addition, the member is responsible for providing the appropriate documentation, which establishes that the adoption is final and that it was arranged by a qualified adoption agency, as defined in paragraph 040404. With respect to

documents originating from a state or other authorized adoption agency, copies of those documents must be certified as true copies of the original by the State or adoption agency. If the original document is filed with the court, the member must submit a copy of the adoption order certified by the clerk of courts. These documents will not be returned to the member.

D. In determining whether an adoption of a child in a foreign country is final, a determination made by the Immigration and Naturalization Service (INS) will be considered conclusive. To document the INS determination, the member should submit a copy of the front and back of the resident alien card ("green card"), or if the green card is unavailable, obtain a letter from the INS which states the status of the child's adoption. If the member has surrendered the green card in order to apply for citizenship for the adopted child, a copy of the Certificate of Citizenship is acceptable.

E. The Service member is responsible for maintaining a file for the reimbursement claim. This file should contain copies of all paperwork related to the claim including the receipts, agency documentation, and court papers associated with the adoption proceedings or court certified copies, until the claim is paid or denied.

F. The Service member will submit only one reimbursement claim per adoption.

040502. Servicing Personnel Activity Responsibilities. The member's servicing personnel activity is the primary coordinating activity and the first point of contact for the reimbursement claim. That office is responsible for maintaining adequate stocks of DD Forms 2675, assisting the member in assembling the proper adoption expense receipts, and providing the member necessary guidance to accurately complete the reimbursement application. When completed, the Personnel Activity will mail the application by certified mail to:

Defense Finance and Accounting Service
Cleveland Center (Code FMA)
1240 East Ninth Street
Cleveland, OH 44199-2055

040503. Servicing DFAS Center. The member's servicing DFAS Center is the primary source for guidance concerning the adoption expense reimbursement program. The following are the DFAS Center primary points of contact:

DFAS-Cleveland Center
(Code FMA)
Commercial: (216) 522-5576/5514
DSN: 580-5576/5514

DFAS-Denver Center (Code FJEP)
Commercial: (303) 676-7145
DSN: 926-7145

DFAS-Indianapolis Center
(Code FFD)
Commercial: (317) 542-3242
DSN: 699-3242

DFAS-Kansas City Center
(Code G)
Commercial: (816) 926-7103
DSN: 465-7103

040504. DFAS-Cleveland Center Responsibilities. The DFAS-Cleveland Center is the central site location for review, certification, and payment of adoption expense reimbursement payments. The DFAS-Cleveland Center will also maintain data on expenditures on a fiscal year basis. Send this data to DFAS-HQ/FM no later than October 31, following each fiscal year.

040505. DFAS-HQ Responsibilities. DFAS-HQ/FM is responsible for overall guidance and promulgation of payment procedures.

040506. Military Services' Adoption Expense Reimbursement Funding Responsibilities. The Military Services provide funding authorization to the DFAS-Cleveland Center by memorandum each fiscal year. The DFAS-Cleveland Center charges the applicable military service provided appropriations according to standard cross-disbursing operating procedures.

0406 ADOPTION REIMBURSEMENT PROCEDURES

040601. Authorized Reimbursable Expenses. The DFAS-Cleveland Center will pay documented, reasonable, and necessary adoption expenses, up to \$2000 per adoptive child. Not more than \$5000 shall be paid per calendar year to any Service member. In the case of two married Service members (including the Coast Guard), only one member may claim expenses for each adopted child and the couple is limited to the \$5,000 per calendar year maximum. The calendar year is determined by the date the claim is received by the DFAS-Cleveland Center for payment. Reasonable and necessary expenses include the following:

A. Public and private agency fees, including adoptive fees charged by an agency in a foreign country.

B. Placement fees, including fees charged adoptive parents for counseling.

C. Legal fees, including court costs, for services that are unavailable to a member of the military services under 10 U.S.C. 1044 or 1044a.

D. Under certain circumstances, some medical expenses for the pre-adoptive child and biological mother.

E. Temporary foster care charges when payment of such charges is required to be made before the adoptive child's placement.

040602. Payment Processing Requirements

A. A separate DD Form 2675 must support each claim.

B. Eligibility for reimbursement is supported by the documentation submitted. If eligibility for reimbursement cannot be determined from the documents provided, or claimed expenses are not properly supported by receipts, the DFAS-Cleveland Center Director will retain the claim and request from the member the necessary information or documentation.

C. The DFAS-Cleveland Center will issue the reimbursement by EFT to the member's EFT account within 30 days of receipt of a properly prepared and supported claim package. A service member without access to an EFT account must submit a request for EFT waiver to receive a check.

D. If the claim is denied, the DFAS-Cleveland Center will send a letter to the member stating this fact. DFAS-Cleveland Center will not return documents to service members.

CHAPTER 5**RESERVE TRANSITION BENEFIT PAYMENTS**0501 **PURPOSE**

This chapter describes the Reserve Transition Benefit (RTB) or Reserve Transition Assistance Program (RTAP) payment procedures which include the Reservists' Special Separation Pay (RSSP) and Reservists' Involuntary Separation Pay (RISP).

0502 **APPLICABILITY AND SCOPE**

This chapter applies to each DFAS Center that maintains a military pay system and to members of the Selected Reserve.

0503 **POLICY**

Members of the Selected Reserve who are separated during the period from March 11, 1993, through September 30, 1999, are eligible for RTB/RTAP payments upon approval of the Secretary concerned.

0504 **ELIGIBILITY REQUIREMENTS**

050401. **RSSP**. See DoDFMR, Volume 7A, paragraph 570504, for eligibility requirements.

050402. **RISP**. See DoDFMR, Volume 7A, paragraph 570505, for eligibility requirements.

0505 **PAYMENT PROCEDURES**050501. **RSSP**

A. See DoDFMR, Volume 7A, paragraph 570504B, for payment computation.

B. Original Servicing DFAS Center Payment Responsibilities. The Reserve member's original servicing DFAS Center will pay and record the initial RSSP payment, as well as any correction or change authorized by the servicing personnel activity. This Center is also the primary source of information concerning the initial RSSP payment, as well as general guidance concerning RSSP payment procedures. The Reserve member's original servicing DFAS Center is responsible for keeping the DFAS-Cleveland Center informed of any changes to a RSSP recipient's account. This includes sending all changes or corrections made to an initial RSSP

payment to the DFAS-Cleveland Center within 30 days after such corrections or changes are made.

C. DFAS-Cleveland Center Payment responsibilities. The DFAS-Cleveland Center is the central site location for RSSP annual payments. Once the Reserve member's original servicing DFAS Center transfers the account information, the DFAS-Cleveland Center becomes the primary source for RSSP account assistance.

1. The DFAS-Cleveland Center will maintain a RSSP telephone "hot line" and a customer service unit that is responsive to the needs of the RSSP recipient.

2. The DFAS-Cleveland Center will send annual RSSP payments via EFT. The member should complete SF 1199-A to establish EFT payments. If an SF 1199-A is not available, the member must submit a canceled check or deposit slip that shows his/her account number, routing transit number (RTN), and bank address. This information will be sent to:

Defense Finance and Accounting Service
Cleveland Center (Code FRCBC)
1240 East Ninth Street
Cleveland, OH 44199-2056

3. The DFAS-Cleveland Center will maintain the RSSP account until all annual installments are paid or until the death of the RSSP recipient.

D. RSSP Payment Funding Procedures. The DFAS-Cleveland Center will make all anniversary installment payments citing the appropriate selected reserve military personnel appropriation. Payment accounting will be reported per standard cross-service disbursing procedures.

E. In the event of the member's death, no more annual installments will be paid.

050502. RISP. See DoDFMR, Volume 7A, paragraph 570505.B. for payment computation.

050503. Withholding Requirements

A. Federal Income Tax Withholding (FITW)

1. Initial RSSP and RISP Payment. For the initial RSSP and RISP payment, the DFAS Center will withhold based upon the applicable flat rate percentage. The initial RSSP and RISP payments are included with the member's other taxable pay amounts during that calendar year and reported via the IRS Form W-2 in January of the following calendar year.

2. For the annual RSSP payments, the DFAS Center will withhold based upon the annual Percentage Method of Withholding Table. A valid IRS Form W-4 is required to compute the proper withholding amount under this method. If the member does not submit an IRS Form W-4, withhold tax as if the member is single, with no withholding exemptions. All anniversary payments are produced by the DFAS-Cleveland Center and reported to the member via IRS Form W-2 in January of the calendar year following the payment.

B. State Income Tax Withholding (SITW). All RSSP and RISP payments are subject to state withholding for residents of states which have entered into an agreement with the Secretary of the Treasury. State withholding and reporting for the initial RSSP and RISP payment is based upon the member's legal address at the time of transfer to the Retired Reserves or separation date, as applicable (see DoDFMR, Volume 7A, paragraph 440106, for those states which have entered into this agreement). For RSSP anniversary payments, withhold state income tax based upon the state of legal residence claimed on DD Form 2058, or if no DD Form 2058 is submitted, based upon the member's state tax election coded on his/her MMPA at separation or retirement.

C. The DFAS Center will not withhold FICA or any other payroll taxes from RSSP and RISP payments.

0506 DEBT COLLECTION PROCEDURES

050601. General. RSSP/RISP payments are subject to offset for debt collection. Offset from the amount of the RSSP/RISP payment any debts remaining at separation/retirement. In the case of RSSP, if the debt is greater than the initial payment, the remaining debt may be collected from any subsequent installments. Collections are made according to the administrative offset provisions contained in 31 U.S.C.3716

050602. Debt Collection

A. RSSP Overpayment

1. Overpayment of the Initial RSSP Payment. The DFAS-DE Center will pursue collection action against the RSSP recipient. If the RSSP account has been transferred to the DFAS-Cleveland Center RSSP pay system, that Center, Code FRCBC, will be notified of the correct payment information within five days. If debt collection actions prove unsuccessful, follow the provisions of subparagraph 050602.C.1., below. If the debt cannot be satisfied through RSSP offset, the DFAS-Cleveland Center will forward the uncollectible amount to the DFAS-DE Center for collection action. Offset from retired pay will include all appropriate interest, administrative, and/or penalty charges.

2. RSSP Anniversary Overpayments. The DFAS-Cleveland Center will collect RSSP anniversary overpayments as an "out of service" debt. In the event the debt cannot be collected through these procedures, the DFAS-Cleveland Center will offset from any

subsequent installment payments. This offset will include all applicable interest, administrative, and/or penalty charges.

B. RISP Overpayments. The Reserve member's servicing DFAS Center will pursue all RISP overpayments according to "out of service" debt procedures.

C. Other DoD Debts

1. RSSP Payments. The Reserve member's original DFAS Center will offset debts against the initial RSSP payment. If debts are established after the initial payment, the RSSP recipient's original servicing DFAS Center will pursue collection using "out of service" debt collection procedures. The RSSP recipient's original servicing DFAS Center will retain the debt as long as collection actions are satisfactory. If collection actions prove unsuccessful, notice of the debt will be forwarded to the DFAS-Cleveland Center, Code FRCBC, for administrative offset against any remaining RSSP installment payment. The debt will be transferred to the DFAS-Cleveland Center no later than 90 days from the next RSSP installment payment using a DD Form 139. Once offset action has been taken, the DFAS-Cleveland Center will credit the proper Military Personnel Appropriation and notify the applicable DFAS Center of the amount collected. If the total debt cannot be liquidated from a single RSSP anniversary installment, the applicable DFAS Center will resubmit the remaining debt for offset until the total debt has been satisfied. If the debt is not satisfied by offset from the last RSSP payment, the RSSP recipient's applicable DFAS Center will collect against their retired pay.

2. RISP Payments. The DFAS Center will offset amounts due the United States against the RISP payment at the time of the Reserve member's separation. If debts are established after RISP payment, pursue the debt using "out of service" debt collection procedures.

D. Debts from non-DoD Federal Agencies. DFAS-Cleveland Center/Code ABA will receive and certify all requests for administrative offset from non-DoD Federal agencies. Once certified, DFAS-Cleveland Center/ABA sends the requests to the Defense Manpower Data Center for locator service. Once the debtor's DFAS Center has been identified, the requests for offset are sent via a letter of transmittal or cartridge to the Reserve member's servicing DFAS Center. This DFAS Center provides the member with a courtesy notice of salary offset beginning and satisfies the request by administrative offset of the RISP or initial RSSP payment. For RSSP payments, once the account is transferred to the DFAS-Cleveland Center, advice of any debts owed to non-DoD Federal agencies will be transmitted to the DFAS-Cleveland Center, Code FRCBC, for offset against any future RSSP installments.

E. Other RISP Offsets

1. Individuals who subsequently receive basic pay, compensation for inactive duty training, or retired or retainer pay under a purely military retirement program, will have such pay or compensation reduced by 75 percent until the total amount withheld equals the RISP entitlement.

2. Service members, who subsequently receive disability compensation from the Department of Veterans Affairs (DVA), will have deducted from such compensation the total amount of RISP. However, there is no reduction if the disability compensation is for a disability incurred or aggravated after the period for which the RISP was paid.

050603. Garnishments. Garnishment orders remain in effect. Garnishment cases for RSSP recipients will be transferred to the DFAS-Cleveland Center for administration.

CHAPTER 6**DATA FOR PAYMENT OF RETIRED PERSONNEL**0601 **PURPOSE**

This chapter provides the procedures for the administration and completion of the DD Form 2656 (Data for Payment of Retired Personnel), and DD Form 2656-1 (Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage).

0602 **APPLICABILITY AND SCOPE**

The DD Form 2656 and DD Form 2656-1 if appropriate, must be completed by those Service members requesting retirement, members transferring to the Fleet Reserve, Retired Reserve, Inactive Reserve, and former members who qualify to retire under Title 10, United States Code, chapter 1223. This form replaces NAVCOMPT 2272, DA Form 4240, and AF Forms 1266, 1267, and 1268.

0603 **RESPONSIBILITIES**

060301. **DFAS-Cleveland Center Responsibilities.** The DFAS-Cleveland Center is the primary source for information and technical guidance concerning the DD Form 2656 and DD Form 2656-1.

060302. **Military Service Responsibilities.** Each respective personnel activity will provide preretirement counseling to prospective retirees. As part of the counseling process, each personnel activity will ensure that DD Forms 2656 and 2656-1, if appropriate, are properly completed by the prospective retirees. The forms and appropriate documentation will be forwarded to the DFAS-Cleveland Center, Code RO.

060303. **Service Member Responsibilities.** Members requesting retirement or transfer to the Fleet Reserve, Retired Reserve, Inactive Reserve, and former members who qualify under Title 10, United States Code, Chapter 1223, will complete the DD Form 2656 and DD Form 2656-1, if appropriate. Completion of these forms is necessary to establish the retired/retainer pay account, designate beneficiaries for Survivor Benefit Plan electors, determine Federal tax withholding and establish payee address information.

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 8

**CIVILIAN PAY
POLICY AND PROCEDURES**

AUGUST 1999

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



AUG 25 1999

FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the DoD. It directs financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations. Activities must satisfy their bargaining obligations under Title 5, United States Code, section 71, adhering to policies and procedures contained in this Volume. Unions should be given advance notice of the changes, and the changes ordinarily would not be implemented until bargaining is completed. When changes conflict with existing negotiated agreements, they generally do not apply to covered employees until the agreement expires and the bargaining obligation is fulfilled.

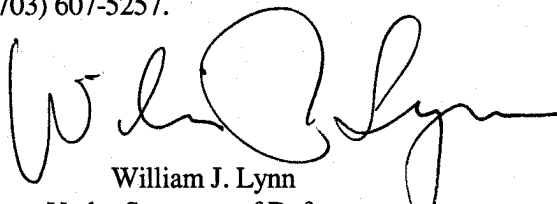
This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. The Heads of DoD Components shall not issue supplementary directives or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements contained in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
Director for Financial Commerce
1100 Defense Pentagon
Washington, DC 20301-1100

All 15 volumes of the "DoD Financial Management Regulation" are available on the Internet at <http://www.dtic.mil/comptroller/fmr/>. Printed or CD-ROM copies of the Regulation may be purchased through the Internet home page or directly from the Defense Automated Printing Service, 1401 South Fern Street, Arlington, Virginia 22202, (703) 607-5257.


William J. Lynn
Under Secretary of Defense
(Comptroller)

INTRODUCTION TO THE DOD FINANCIAL MANAGEMENT REGULATION

GENERAL

This Regulation provides all DoD Components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller). The Regulation consists of the following 15 Volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation and Presentation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations, Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Appropriations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the Under Secretary of Defense (Comptroller) under authority of DoD Instruction 7000.14 (reference (a)).

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The 6-digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A.1.a.(1)(a)
SUBPARAGRAPHS

PUBLICATIONS INCORPORATED

This volume of the Regulation (Volume 8) supersedes Volume 8 dated January 1995.

SUMMARY OF MAJOR CHANGES

1. This is the first revision to the DoD FMR, Volume 8. Major changes throughout this Volume are denoted by a star (★) symbol. An explanation of those changes follows:

Figures

Change Figure 1-11 to 1-13.
Add Figure 1-11, Sample Letter to Employee.
Add Figure 1-12, Sample Letter to DMDC Monterey/DFAS Center.
Change Figure 3-1 to include TSP deduction.
Update Figure 8-1 and Attachment 1 and 2.
Change Figure 8-2, editorial change ("starting" to "beginning").

Tables

Table 4-1, change to include availability pay in number 1.
Table 4-2, adds FICA rates for 1996, 1997, 1998 and 1999.
Table 4-4, deleted.
Table 4-5, renumbered to Table 4-4 and adds cost changes for optional life insurance.
Table 4-6, renumbered to Table 4-5 and adds new codes for group life insurance.
Table 4-7, renumbered to Table 4-6 and clarifies allotments of pay table.
Table 8-1, addition of TSP.
Table 9-1, addition of FML.

References, pages

Adds references to 5 U.S.C. to include chapters and sections 31, 3392, 5543, 5921, 5922, 5923, 5924, 5925, 5928, 6106, 6327, 7115, 8114, and 8401.
Adds reference to 31 U.S.C. to include section 1345.
Adds reference to 31 C.F.R. to include section 208.
Adds references to Public Laws to include 101-335, 102-138, 102-486, 103-226, 103-329, 103-388, 104-106, 104-134, 104-201, 104-208, 104-316, 105-61 and 105-85.
Adds reference to Under Secretary of Defense (Comptroller) memorandum covering payroll allotments to political action committees.
Adds reference to DFAS memorandum covering Use of Source Data Automation Systems.
Adds references to 5 C.F.R. to include Parts 334, 351.201, 550.408, 551.424, 551.501, 551.531, 582, 582.402, and 950.901.
Adds reference to Comptroller General Decisions to include Comp Gen. B-202564, July 31, 1981.
Adds reference to Executive Order 5396, July 17, 1960.
Changes reference to DoD 1400.25-M, subchapters 630, 711 and 1250.
Adds reference to 11 U.S.C. to include section 13.
Adds reference to DoD 1401.1-M.

Adds reference to 10 U.S.C. to include sections 2164 and 12301.

Adds reference to 4 C.F.R. to include part 92.6.

Adds reference to 26 C.F.R. 1.61-21.

Deletes reference to DoD Directive 1426.1.

Deletes reference to DoD Instruction 1400.6.

Definitions

Adds "Availability Pay"

Abbreviations and/or Acronyms

Adds Base Realignment and Closure (BRAC)

Adds Civilian Personnel Management Service (CPMS)

Adds College Retirement Equity Fund (CREF)

Adds Customer Service Representative (CSR)

Adds Civil Service Retirement and Disability Fund (CSRDF)

Adds Domestic Dependent Elementary and Secondary Schools (DDESS)

Adds Defense Office of Hearings and Appeals (DOHA)

Adds Family Friendly Leave (FFL) Act of 1994

Adds Family and Medical Leave (FML) Act of 1993

Adds Financial Management Service (FMS)

Adds Human Resources Organization (HRO)

Adds Interim Geographic Adjustment (IGA)

Adds Injury Compensation/Unemployment Compensation (IC/UC)

Adds National Archives and Records Administration (NARA)

Adds Operating Location (OPLOC)

Adds Teachers Insurance and Annuity Association (TIAA)

Adds Under Secretary of Defense (Comptroller) (USD(C))

Adds Union Central Group Life Insurance (UCGLI)

Adds United States Soldiers and Airmens Home (USSAH)

Adds Uniformed Services Employment and Reemployment Rights Act (USERRA)

Adds Voluntary Separation Incentive (VSI) Pay

Adds Wage Leader (WL)

Adds Wage Supervisor (WS)

Adds Washington Headquarters Service (WHS)

Paragraph 010103. Adds that Operating Manuals are replacing several of the FPM supplements.

Subparagraph 010201.A. Changed to provide updated requirements for operation of a payroll system other than DCPS.

Subparagraphs 010202.A.1. and 2. Deleted. The debit and credit entries may be found in Volume 4 of this Regulation.

Subparagraph 010203.A.5. Replaces "authorize pay and entitlements for personnel" with "compute the payroll."

Section 0103. Updated with new EFT guidelines and policy.

Subparagraph 010402.A. Deleted "at the civilian payroll processing site."

Subparagraph 010403.A. Changes the liaison office to the customer service representative (CSR).

Subparagraph 010403.B.4. Addition of DFAS-CL/L information.

Subparagraph 010403.D. Changes the liaison office to the CSR.

Subparagraph 010403.D.2. Deleted.

Subparagraph 010406.A.2.a. Deleted. Original subparagraphs 010406.A.2.b. through j. realigned as subparagraphs 010406.A.2.a. through i.

Subparagraph 010406.B.4.e. Deletion of master control totals information.

Subparagraph 010407.A. Change from civilian personnel office to appropriate human resources organization. Deletes reference to nonintegrated civilian payroll systems. Deletes subparagraphs 010407.A.1. through 26. All data element values will be reconciled.

Subparagraph 010407.B. Replaced.

Paragraph 010503. Addition of procedures for completion within 90 days.

Subparagraph 010504.A. Adds clarification of duties by the losing civilian payroll offices.

Subparagraph 010504.B. Adds clarification of employee substantiating document files.

Subparagraph 010504.C.3.b. Addition. Original subparagraphs 010504.C.3.b. and c. realigned as subparagraphs 010504.C.3.c. and d.

Subparagraph 010504.G.9. Deleted. Original subparagraphs 010504.G.10. and 11. realigned as subparagraphs 010504.G.9. and 10.

Subparagraph 010504.H. Adds clarification of types of adjustments.

Subparagraph 010504.I. Adds guidance on maintenance and disposition of historical files.

Subparagraph 020102.A.6. Editorial change ("promptly" to "electronically").

Subparagraph 020102.B. Clarification of supervisor's responsibilities for time and attendance.

Subparagraph 020102.C.3.d. Deleted. Clarification of subparagraphs 020102.C.3.a. through c.

Paragraph 020103. Deleted.

Subparagraph 020205.C. Deletion of "and week."

Subparagraph 020205.G. Deletion of "and times."

Subparagraphs 020206.A. and B. Clarifies work schedule information.

Subparagraphs 020206.B.1.a. and c. Deleted. Subparagraphs 020206.B.1.b. and d. realigned.

Subparagraphs 020206.C. Adds reference to OPM Handbook on Alternative Work Schedules.

Subparagraphs 020208.A. and B. Clarifies overtime and compensatory time authorization.

Subparagraph 020208.D. Replaced.

Subparagraph 020209.A. Clarifies COP information.

Subparagraphs 020301.A. and B. Deleted.

Paragraphs 020301., 020302., 020303., and 020305. Changes made in accordance with Title 6 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies, March 22, 1996.

Paragraph 020307. Adds information in 5 U.S.C. 6106 for use of recording clocks.

Subparagraph 020402.A. Rewords the paragraph to clarify certification of time and attendance.

Paragraphs 020404., 020405., 020406., 020501., 020502., 020503., and 020504. Changes made in accordance with Title 6 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies, March 22, 1996.

Paragraph 020406. Deleted.

Paragraph 020602. Changes the liaison office to the CSR.

Section 0209. Adds the Source Data Automation System information.

Subparagraph 030101.A. Changes the reference payroll computations are based on.

Subparagraph 030101.G. Changes the liaison office to the CSR.

Subparagraphs 030103.A.2. and 3 and B.2. Clarifies premium pay limitations.

Subparagraph 030201.D. Change in interim geographic adjustment information.

Subparagraph 030201.D.1. through 4. Deletes detailed interim geographic adjustment information.

Subparagraph 030201.G. Changes “works” to “official duty station.”

Paragraph 030301. Removes reference to FPM Supplement 990-2.

Subparagraph 030302.A.1. Removes reference to FPM Supplement 990-2. Adds information on intermittent employees.

Subparagraph 030302.B.2. Clarifies reference of 5 U.S.C. Chapter 55.

Subparagraphs 030302.E.1. and 2. Order was reversed.

Subparagraphs 030302.E.5. Adds new compensatory time information.

Subparagraphs 030302.E.1., 2., 6 and 7. Removes reference to FPM letters. Adds information for compensatory time for FWS employees.

Subparagraph 030302.E.7. Adds reference to 5 C.F.R. 551.501.

Subparagraph 030302.E.9. Deleted.

Subparagraphs 030302.E.10. through 12. Realigned.

Subparagraph 030302.F. Adds reference to section 0507. for additional information.

Subparagraphs 030303.A. and B. Removes reference to FPM Supplements.

Paragraph 030304. Removes reference to FPM Supplements.

Subparagraphs 030304.A. and B. Removes statement concerning part-time employees.

Paragraph 030307. Adds information on AUO payment circumstances.

Subparagraph 030308.A.3. Adds TSP.

Subparagraph 030308.B.1. Adds TSP.

Paragraph 030309. Adds new form of premium pay called "availability pay."

Paragraph 030401. Adds change in DoD 1400.25-M, CPM Subchapter 1250.

Subparagraphs 030402.A. through G. Adds change in DoD 1400.25-M, CPM Subchapter 1250.

Subparagraph 030402.F. Adds information on imminent danger pay.

Paragraph 030403. Editorial change to delete “non.” Clarify entitlement percentages.

Subparagraph 030404.C.2. Clarify entitlement percentages.

Subparagraph 030404.D.3. Adds TSP.

Paragraph 030502. Updated with changes to DoD 1400.25-M, subchapter 575. Changed to include all payment data in a single paragraph and adds FEGLI.

Paragraph 030503. Deleted. Paragraph 030504. and 030505. realigned.

Paragraph 030504. Updated with changes to DoD 1400.25-M, subchapter 575 and adds FEGLI.

Section 0306. Updated with changes to DoD 1400.25-M, subchapter 575.

Paragraph 030603. Changes minimum period of required service.

Subparagraph 030704.C. Adds remark for employees with tours of duty commencing on or after October 28, 1991.

Subparagraph 030704.F. Editorial change to add "Form."

Subparagraph 030705.A. Removes reference to FPM Supplement 990-2.

Paragraph 030706. Provide information on lump sum payment of BRAC restored annual leave and closure of an installation in Panama.

Subparagraphs 030801. and 030802.B. Provide information on lump-sum payment of severance pay.

Paragraphs 030901., 030902., 030904. and 030905. Adds changes in policy for advances of pay for DoD employees for overseas transfers.

Section 0311. Updates procedures for awards in the DoD 1400.25-M, subchapter 451.

Subparagraph 031203.C. Adds TSP.

Subparagraph 031203.D. Adds TSP, FEHB, and FEGLI.

Subparagraph 031303.D.1. Changes reference from FPM Letter 550-78 to 5 C.F.R. 550.805.

Subparagraph 031303.D.4. Deletes reference to FPM Letter 550-78. Changes Form 1099-MISC to Form 1099-INT.

Subparagraph 031303.E.5.a. Updates OPM address.

Subparagraph 031305.A. Adds reference to the “Federal Employees Health Benefits Handbook for Personnel and Payroll Offices.”

Subparagraph 031404.B. Adds reference to DSSR, section 610 m. and n.

Paragraphs 031502. and 031503. Adds information on transportation fringe benefits and Government provided home-to-work transportation.

Section 0401. Changes the liaison office to the Customer Service Representative (CSR).

Subparagraph 040301.E.8.d. Change in remarks on SF 2806/3100 for sick leave.

Subparagraphs 040301.E.11.a. and b. Change in disposition of SF 2806/3100.

Subparagraphs 040301.E.11.g.(1). Updates payment procedures for military service credit deposits.

Subparagraph 040301.H.2.a.(1). Editorial change on posting of accumulative deductions.

Subparagraphs 040303.B. and D. Adds information concerning NAF retirement portability.

Paragraph 040304. Change to remittance of funds.

Subparagraphs 040502.C., 040511.B.2. and 3., 040511.F.2., 040601.A.13., 040601.A.16(b), 040703.A. and C., 040801.E., 040803.A.1.a., 041402.J.2. and 041402.K.5.a. Changes the liaison office to the CSR.

Subparagraphs 040508.A. and C. Changes the method of disbursement of taxes to FEDTAX.

Subparagraph 040601.A.14. Change to collection of delinquent state taxes by DFAS-CL/L.

Paragraph 040602. Updated with current IRS tax information for Guam and the Commonwealth of the Northern Mariana Islands.

Subparagraph 040703.B. Changes the Form 7311 from TFS to FMS.

Subparagraph 040801.B. D. and E. Changes the usage of SF 2809/2810 in FEHB coverage.

Subparagraph 040802.B.8. Deletes Four-Day Rule and adds the FEHB daily proration rule.

Subparagraphs 040802.B.10., and 11. Changes reference from "four-day rule" to "subparagraph 040802.B.8."

Subparagraph 040802.B.12. Adds new guidance for retroactive changes in FEHB enrollment.

Subparagraph 040901.A. Provides information for the Federal Employees Life Insurance Improvement Act.

Subparagraph 040902.B.6. Adds availability pay to basic pay for FEGLI deduction.

Subparagraph 040904.B. Adds information for the Federal Employees Life Insurance Improvement Act.

Subparagraph 040906.H. Adds information for FEGLI withholding from employees whose pay is insufficient to cover the cost of the premiums.

Paragraph 040914. Adds the FEGLI daily proration rule.

Paragraph 040915. Adds the FEGLI revised rule for movement to new age band.

Subparagraphs 041202.A. and B. Adds final guidance for commercial garnishments.

Subparagraph 041402.B. Adds additional forms to be used for authorized allotments

Subparagraph 041402.N. Adds allotment to a political action committee.

Paragraph 041408.A.7. Clarifies the forms to be used for allotment cancellation.

Subparagraph 041409. Adds additional forms to be used for authorized allotments

Paragraph 041501. Clarifies definition of basic pay provided in 5 U.S.C. 8331 and TSP Bulletin 96-33.

Subparagraphs 041505.C. and D. Editorial change ("tape" to "file")

Subparagraphs 041507.A. and B. Editorial change ("tape" to "file")

Paragraph 041602. Changes the types of TSP loans permitted.

Section 0417. Adds new section on TSP lost earnings.

Paragraph 050101. Deletes FPM Supplement 990-2, Book 630. Adds reference to DoD 1400.25-M, Subchapter 630.

Subparagraph 050202.C. Adds remark concerning an employee on OWCP.

Subparagraphs 050203.A., B., and C. Updates the uncommon tours of duty leave accruals and charges to leave to the DoD 1400.25-M, Subchapter 630.

Subparagraph 050204.B. Deletes FPM Supplement 990-2, Book 630. Adds reference to DoD 1400.25-M, Subchapter 630.

Subparagraph 050204.D. Updates with lump sum leave provisions in 5 U.S.C. 3392.

Subparagraph 050303.A. Removes the 3 years break in service rule for recredit of sick leave with exceptions.

Paragraph 050304. Adds an example of advance criteria for uncommon tours of duty.

Paragraph 050307. Adds sick leave for adoption purposes.

Section 0504. Adds the Family and Medical Leave Act provisions.

Section 0505. Adds the Family Friendly Leave Act provisions.

Section 0506. Adds the bone marrow or organ donor leave provisions.

Section 0507. Adds the leave provisions for NAF portability.

Paragraph 050807. Updates lump sum leave provisions of employees entering military service.

Paragraph 050901. Deletes FPM Supplement 990-2, Book 630 reference.

Paragraph 051001. Removes "only GS employees are authorized compensatory time off under compressed schedules."

Paragraph 051201. Replaces "makes" with "made" permanent the voluntary leave transfer and voluntary leave bank programs.

Paragraph 051401. Adds definition of "credit hours."

Paragraph 051402. Changes information provided in paragraph 051401.

Paragraph 051601. Removes FPM chapter 630 reference.

Paragraphs 051602. through 051607. Adds information on DoD 1400.25-M, Subchapter 630.

Paragraph 051608. Adds 5 C.F.R. 551.424 reference.

Paragraph 051609. Adds excused absence for official duty status for a federal firefighter or federal law enforcement officer.

Paragraphs 051710. and 051715. Adds the CSR.

Paragraph 051802. Adds the provisions of 5 U.S.C. 5519 for reducing the civilian pay for military service.

Paragraph 051803. Adds guidance for civilian employees to attend weekend drills as a member of a Reserve Component of the Armed Forces.

Paragraph 051809. Adds the employee guidance concerning usage of accrued annual leave or available compensatory time for military service.

Paragraph 051810. Editorial change ("time" to "leave")

Paragraph 051811. Adds the entitlement for military reserve technicians of an additional 44 workdays of military leave in a calendar year.

Paragraph 052101. Adds "one-time" basic service period for home leave.

Subparagraph 052201.F. Adds reference to official duty status of an employee under 5 U.S.C. 6327.

Subparagraph 052401.A. Removes reference to FPM Supplement 351-1 and adds reference to 5 C.F.R. 351.201.

Subparagraph 052401.C. Removes reference to FPM chapter 340 and adds reference to 5 C.F.R. Part 340.

Paragraph 052501. Removes reference to FPM chapter 343.

Paragraph 052502. Removes reference to FPM chapter 353.

Paragraph 052601. Removes reference to FPM chapter 630.

Paragraph 060101. Change from civilian personnel office to the appropriate human resources organization.

Subparagraph 060102.A.. Change from civilian personnel office to the HRO.

Subparagraphs 060102.B.1. and 2. Adds information on the Injury Compensation - Unemployment Compensation application developed by the Civilian Personnel Management Service.

Subparagraph 060103.A. Adds new guidance on the UCFE program.

Subparagraph 060103.A.2.b. Deletion. Realignment of 060103.A.2.c. through e.

Subparagraph 060103.A.2.c. Adds new guidance on the UCFE program.

Subparagraph 060103.B.2. Adds new guidance on the UCFE program.

Paragraph 060104. Change from civilian personnel office to the HRO.

Subparagraph 060106.A.3. Adds new guidance on the UCFE program.

Paragraph 060302. Adds "via the major command or claimant."

Subparagraphs 060303.A. and B. Updates the losing civilian payroll office responsibilities.

Subparagraph 060303.A.9. Changes the liaison office to the CSR.

Subparagraphs 060303.B.4, 7, 10, 11, 12, 15, and 16. Deletion. Realignment of subparagraphs 060303.B.5. through 17. Replaces DD Form 2274 with the SF 1190 in subparagraph 060303.B.4.

Subparagraph 060303.C.4. Updates the requirements for bond balance refunds for mass transfers.

Subparagraph 060303.C.5. Updates the requirements for compensatory hours payment for mass transfers.

Subparagraph 060303.C.6. Deletion and realignment of 060303.C.7.

Section 0604. Changes from GAO to OPM responsibility with appropriate address. Provides updated procedures for claims.

Paragraph 070101. Changes the DoD 1400.25-M, Chapter 592 to Subchapter 1250.

Subparagraph 070103.B. Provide additional information on the Panamanian Cedula number.

Paragraph 070204. Adds information on the DoD Domestic Dependent Elementary and Secondary Schools (DDESS).

Paragraph 070302. Removes reference to FPM Chapter 340 and adds 5 C.F.R. Part 340.

Paragraph 070303. Removes reference to FPM Chapter 340 and adds 5 C.F.R. Part 340.

Paragraph 070304. Removes reference to FPM Chapter 340 and adds 5 C.F.R. Part 340.

Paragraph 070304. Removes reference to FPM Supplement 532-1 and adds OPM Operating Manual, Federal Wage System.

Paragraph 070501. Change from civilian personnel office to the HRO.

Paragraph 070502. Change from civilian personnel office to the HRO.

Subparagraphs 070502.B. and C. Change from GAO to OPM.

Paragraph 070508. Adds the death gratuity payment authorized under P.L. 104-208.

Paragraph 070601. Removes reference to FPM Chapter 304 and adds 5 U.S.C. Chapter 31

Paragraph 070606. Removes reference to FPM Chapter 304.

Paragraph 070704. Change from GAO to OPM in processing of doubtful claims.

Paragraph 070905. Change from civilian personnel office to the HRO.

Paragraphs 071403 and 071404. Updated original paragraph 071403. with specific information for Leave and Overtime. Realigned paragraphs 071404. and 071405. to paragraphs 071405. and 071406.

Paragraph 071406. Deleted references to FPM letters.

Paragraph 071502. Update of the U.S. Court of Military Appeals Judges information.

Subparagraph 071602.E. Change from civilian personnel office to the HRO.

Section 0717. Addition of Service Secretariats.

Subparagraph 080102.A. Clarifies the requesting official for special payments.

Subparagraph 080102.F. Clarifies the gross-to-net payments of special payments.

Subparagraph 080102.G. Change from 080102.F.4.

Subparagraph 080102.G.1. Deletes the Form 8109 and provides additional information.

Subparagraph 080102.I. Change from 080102.H.

Subparagraph 080201.A. Adds Debt Collection Improvement Act of 1996.

Subparagraph 080305.A.1. Adds that requests for hearings shall be processed by the Defense Debt and Claims Management Office.

Paragraph 080306. Changes provision concerning waivers of erroneous payments of pay and allowances.

Subparagraph 080307.A. Adds the collection of overpayments through routine pay adjustments authorized under the Debt Collection Improvement Act of 1996.

Paragraph 080309. Clarifies procedures for collection from final salary and lump sum payments.

Paragraph 080403. Clarifies procedures for debt cases when an employee transfers outside the Department.

Subparagraph 080404.A.5. Clarifies procedures for transfer of debt case once SF 2805 has been sent to OPM.

Subparagraphs 080405.A. and B. Changes address for transfer of debts after employee separation.

Paragraph 080504. Adds reference (b).

Paragraph 080506. Adds collection by the civilian payroll office will be initiated upon receipt of the DD Form 2481.

Paragraph 080513. Adds comment for collection of dishonored personal checks.

Subparagraph 080601.A. Changes Secretary of Defense designee and address for salary offset requests from non-DoD Federal agencies.

Subparagraph 080601.D. Clarifies request to collect a debt by salary offset.

Subparagraph 080601.E. Change from DAO-CL, Arlington to DFAS-CL.

Subparagraph 080601.F. Changes debt collection procedures.

Paragraph 080602. Changes from "appropriate DFAS Center" to "DFAS-CL."

Subparagraph 080602.B. Deletes "30 days in advance of offset."

Subparagraph 080602.F. Changes from "DFAS Center which originally forwarded the salary offset request" to "DFAS-CL."

Subparagraph 080603.A.3. Changes from "DMDC, Monterey, and the DFAS Center which originally forwarded" to "DFAS-CL."

Paragraph 080604. Changes from "DMDC, Monterey, and the DFAS Center which originally forwarded the salary offset request" to "DFAS-CL."

Subparagraph 090101.A.1. Replaced "facsimile equipment, if available" with "RITS."

Subparagraph 090101.B.5. Changes reconciliation from monthly to quarterly.

Paragraph 090102. Adds payroll records required for retroactive computations involving former civilian payroll offices.

Subparagraph 090202.C. Updates report on transfer of employee.

Subparagraph 090203.H. Deletes "as specified in the withholding agreement."

Subparagraph 090203.I. Adds new biweekly report on Combined Federal Campaign.

Subparagraph 090203.J. Adds new biweekly report on Voluntary Separation Incentive (VSI) Agency Contributions.

Subparagraph 090204.C. Adds monthly report on Full-Time Equivalent or Work Year Reporting.

Subparagraph 090205.D. Adds new quarterly report on Health Benefits Reconciliation.

Subparagraph 090205.E. Adds new quarterly report on Transportation Fringe Benefits.

Subparagraph 090205.F. Adds new quarterly report on Civilian Direct Deposit Participation.

Subparagraph 090206.A.2. Updates addresses for the semiannual savings bond report.

Subparagraph 090206.B. Updates reporting requirement.

Subparagraph 090207.D.1. Adds new information on the SF 2809/2810/2811.

Subparagraph 090207.D.2.f. Deletes (1), (5) and (6) and realigns (2), (3) and (4)

REFERENCES, FIGURES AND TABLES

REFERENCES

- (a) DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992
- (b) Title 5, United States Code, chapters and sections as follows:
 - 102 Military Departments
 - 105 Executive agency
 - 552a Records maintained on individuals
 - 556 Hearings; presiding employees; powers and duties; burden of proof; evidence; record as basis of decision
 - 557 Initial decisions; conclusiveness; review by agency; submissions by parties; contents of decisions; record
 - 2103 The excepted service
 - ★ 31 Authority for employment
 - 3104 Employment of specially qualified scientific and professional personnel
 - 3105 Appointment of administrative law judges
 - 3343 Details; to international organizations
 - ★ 3392 General appointment provisions
 - 3394 Noncareer and limited appointments
 - 3401 Definitions
 - 3402 Establishment of part-time career employment programs
 - 3403 Limitations
 - 3404 Personnel ceilings
 - 3405 Nonapplicability
 - 3406 Regulations
 - 3407 Reports
 - 3408 Employee organization representation
 - 3582 Rights of transferring employees
 - 41 Training
 - 4108 Employee agreements; service after training
 - 45 Incentive awards
 - 4502 General provisions
 - 5102 Definitions; application
 - 53 Pay rates and systems
 - 5304 Locality-based comparability payments
 - 5305 Special pay authority
 - 5307 Limitation on certain payments
 - 5311 The Executive Schedule
 - 5312 Positions at Level I
 - 5313 Positions at Level II
 - 5314 Positions at Level III

5315	Positions at Level IV
5316	Positions at Level V
5317	Presidential authority to place positions at Levels IV and V
5318	Adjustments in rates of pay
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5384	Performance awards in the Senior Executive Service
5385	Regulations
55	Pay administration
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5514	Installment deduction for indebtedness to the United States
5515	Crediting amounts received for jury or witness service
5517	Withholding State income taxes
5518	Deductions for State retirement systems; National Guard employees
5519	Crediting amounts received for certain Reserve or National Guard service
5520	Withholding of city or county income or employment taxes
5520a	Garnishment of pay
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5524a	Advance payments for new appointees
5525	Allotment and assignment of pay
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★ 5543	Compensatory time off
5544	Wage board overtime and Sunday rates; computation
5545	Night, standby, irregular, and hazardous duty differential
★ 5545a	Availability pay for criminal investigators
5546	Pay for Sunday and holiday work
5546a	Differential pay for certain employees of the Federal Aviation Administration and the Department of Defense
5547	Limitation on premium pay
5548	Regulations
5549	Effect on Other statutes
5550a	Compensatory time off for religious observances
5551	Lump-sum payment for accumulated and accrued leave on separation

5552	Lump-sum payment for accumulated and accrued leave on entering Active Duty; Election
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 - 213 Excepted Service
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- ★ 950.901 Payroll allotment
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 - 204 Administration
 - 205 Special industry committees for Puerto Rico and Virgin Islands
 - 206 Minimum wage
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- Chapter 300 Representation allowances
- Chapter 400 Official residence allowance
- Chapter 500 Post differential
- Chapter 600 Payments during an ordered/authorized departure
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 - 609 Unemployment compensation for Federal civilian employees
 - 609.9 Provisions of State law applicable to UCFE claims
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 - 79.6 Responsibilities
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 - 91.5 Conditions for waiver
 - 92 Procedure
 - ★ 92.2 Where to apply

- ★ 92.3 Report of the agency or department
- ★ 92.6 Refund of amounts paid and waived
 - 101 Scope of Standards
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 - 102.4 Administrative offset against amounts payable from Civil Service Retirement and Disability Fund
 - 102.13 Interest, penalties, and administrative costs
 - 103 Standards for the compromise of claims
 - 104 Standards for suspending or terminating collection action
 - 104.2 Suspension of collection activity
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 - 1002 Possession of false papers to defraud United States
- (bc) DoD Directive 1342.20, "Department of Defense Education Activity," October 13, 1992
- (bd) Title 6, General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies; Pay, Leave, and Allowances, March 22, 1996
- (be) DoD Instruction 7720.22, "Report of Work-Years and Personnel Costs for DoD Civilian Employment," June 13, 1979
- (bf) Federal Information Resources Management Regulation Bulletin B-2
- (bg) DoD Instruction 7710.3, "Reporting of Personnel and Payroll Outlays by Operating Location," January 12, 1987

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DEFINITIONS

1. Administrative Offset. The withholding of money payable by the United States to, or held by the United States for a debtor to satisfy a debt the debtor owes the United States. Administrative offset includes offset from salary (pay).
2. Advance of Pay. A single lump-sum payment authorized with each permanent change of station to a post in a foreign area.
3. Allotment. A recurring, specified deduction from pay authorized by a civilian employee to be paid to an allottee.
4. Allottee. A person or institution to whom an allotment is made payable.
5. Allotter. The employee from whose civilian pay the allotment is made.
6. Annuitant. A retired federal employee or his/her survivor who is receiving payments from the Office of Personnel Management.
7. ★ Availability Pay. A premium pay provided for criminal investigators in job series 1811 and 1812, required to work, or be available to work, substantial amounts of unscheduled overtime duty based on the needs of the employing activity.
8. Beneficiary. A person other than a recipient who is entitled to receive all or part of a benefit payment from the federal government.
9. Continental United States (CONUS). The 48 contiguous states and the District of Columbia.
10. Continuation of Pay. Payment made to an employee during an absence from the job due to a traumatic on-the-job injury.
11. Data Element. A named identifier of each of the entities and their attributes that are represented in a database.
12. Data Element Value. Value input into a database that represents the literal representation for a data element.
13. Debt. Any amount of money or any property owed to a DoD Component or another federal agency by any person, organization, or entity except another federal agency. Debts include insured or guaranteed loans and any other amounts due from fees, leases, rents, royalties, services, sales of real or personal property, or overpayments, penalties, damages, interest, fines and forfeitures, and all other claims and similar sources. Delays in processing employee-elected coverage or a change in coverage under federal benefits programs are not normally considered debts if processing delays

did not exceed two monthly or four biweekly pay periods. Amounts due a nonappropriated fund instrumentality are not debts owed the United States unless specifically included by this Regulation.

14. Deductions. Monies withheld, by law or voluntarily, from an employee's pay (salary). The three basic types of deductions are:

- a. Those required by law, regulations, or civilian legal decisions;
- b. Those for benefits specifically authorized by law, such as health and life insurance; and
- c. Voluntary, personal allotments to a designated payee.

15. Departmental Reporter. An organizational entity located at a DFAS Center responsible for serving as the focal point for a Military Service when dealing with the Office of Personnel Management and the Thrift Investment Board concerning retirement or Thrift Savings Plan reporting.

16. Deposit Fund Accounts. Expenditure accounts established to account for receipts (a) held in suspense temporarily and later refunded or paid into some other fund of the government, or other entity, or (b) held by the government as banker or agent for others and paid out at the direction of the owner. Such funds are not available for paying salaries, grants, or other expenses of the government. Expenditures are often offset by receipts within this type of fund.

17. Direct Deposit System. A federal government service for employees who authorize the automatic deposit of net pay, travel, and savings allotments to their personal bank account.

18. Disposable Pay. The amount that remains after pay (salary) is reduced by amounts that are:

- a. Required by law to be deducted;
- b. Properly withheld for federal, state, and local income taxes;
- c. Deducted as health insurance premiums;
- d. Deducted as normal retirement contributions; and
- e. Deducted as normal life insurance premiums.

19. DoD Components. The Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

20. Due Process. Formal proceedings carried out in accordance with established rules and regulations for the collection of debts due the United States.

21. Electronic Funds Transfer (EFT). A system that provides the authority to debit or credit accounts in financial institutions by electronic means rather than source documents (e.g., paper checks.). Processing typically occurs through the Federal Reserve System and/or the Automated Clearing House (ACH) computer network. EFT transmissions shall be designed to conform to the American National Standards Institute (ANSI) Accredited Standards Committee (ASC) X12 standard.
22. Emergency Medical Technician. A specialist in the technical details of medical treatment responding to an urgent need for assistance requiring immediate action.
23. Employee. An individual appointed to a position in the Department and paid from appropriated, revolving, or trust funds.
24. Entitlement. Legally established benefits available to any person or unit of the federal government meeting eligibility requirements established by law.
25. Federal Agency. Any executive agency as defined by Title 5, United States Code (U.S.C.), section 105 (reference (b)), including the U.S. Postal Service and the Postal Rate Commission; a Military Department as defined by 5 U.S.C. 102 (reference (b)); an agency of the legislative branch, including the U.S. Senate and U.S. House of Representatives; and an agency or court of the judicial branch.
26. Federal Reserve System. Any Federal Reserve District Head Office, Branch, or regional check processing center that processes EFT payments, including Automated Clearing House, for the federal government.
27. Financial Institution. Bank, savings association, or credit union eligible under Title 31, Code of Federal Regulations (C.F.R.), part 210 (reference (c)) to serve as a government depository.
28. Garnishment. A written notification concerning the attachment of monies to satisfy a debt that results in the withholding of a specified amount from the employee's pay (salary) to satisfy a debt.
29. Internal Controls. The manner in which financial, manpower, and property resources are to be controlled and safeguarded by the regular authorization, approval, documentation, recording, reconciling, reporting, and related accounting processes.
30. Leave and Earnings Statement. A document provided to each employee showing gross pay, deductions, and net pay for a pay period and cumulative totals for the year to date, along with leave balances at the end of the pay period.
31. Leave Record. A record showing the amounts of leave earned and used, and the balance available.

32. Lump-Sum Leave Pay. Payment for accumulated annual leave upon separation or change to a nonconvertible leave system.
33. Military Furlough. Absence due to extended active duty for general service with the Armed Forces.
34. Military Leave. An approved absence with pay authorized under 5 U.S.C. 6323 (reference (b)).
35. National Guard. The Army or Air National Guard of a state.
36. National Guard Technician. A federal employee of the National Guard, exclusive of National Guard Bureau employees.
37. Net Pay. The amount of wages, pay, or salary due after all payroll deductions is made.
38. Pay (Salary). Pay and salary have the same meaning. They include basic, premium, and any other authorized pay and allowances other than travel and transportation expenses.
39. Pay Period. A segment of time during which employees perform work and receive pay. For most federal civilian employees, a pay period covers 14 consecutive days, normally beginning on Sunday.
40. Pay Record. The part of each civilian employee's master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay record includes information such as pay grade, record of payments, all earnings separately identified by type (basic pay, bonuses, danger pay, etc.); allowances; allotments; any other deductions; year-to-date gross earnings; taxable earnings, and taxes withheld.
41. Recipient. A person authorized by a federal agency to receive benefit payments from the federal government.
42. State. A state or territory of the United States, including the Commonwealth of Puerto Rico.
43. United States. Unless otherwise qualified, means the 50 states and the District of Columbia.
44. Voluntary Deduction. Deduction from an employee's pay which requires written authorization from the employee to affect withholding.
45. Waiver. The cancellation, forgiveness, or non-recovery of a debt owed by an employee to an agency as permitted or required by law.

ABBREVIATIONS AND ACRONYMS

ACH	Automated Clearing House
ANSI	American National Standards Institute
ASC	Accredited Standards Committee
AUO	Administratively Uncontrollable Overtime
AWOL	Absence Without Leave
AWS	Alternate Work Schedule
★BRAC	Base Realignment and Closure
CFC	Combined Federal Campaign
C.F.R.	Code of Federal Regulations
CMSA	Consolidated Metropolitan Statistical Area
COLA	Cost of Living Allowance
Comp. Gen.	Comptroller General of the United States
CONUS	Continental United States
COP	Continuation of Pay
CPM	Civilian Personnel Manual
★CPMS	Civilian Personnel Management Service
★CREF	College Retirement Equity Fund
★CSR	Customer Service Representative
★CSRDF	Civil Service Retirement and Disability Fund
CSRS	Civil Service Retirement System
DAO	Defense Accounting Office
DBMS	Defense Business Management System
DCPS	Defense Civilian Pay System
DD/EFT	Direct Deposit and/or Electronic Funds Transfer
★DDESS	Domestic Dependent Elementary and Secondary Schools
DFAS	Defense Finance and Accounting Service
DMDC	Defense Manpower Data Center
DoD	Department of Defense
DoDEA	Department of Defense Education Activity
★DOHA	Defense Office of Hearings and Appeals
DPA	Danger Pay Allowance
DSSR	Department of State Standardized Regulations
EDP	Environmental Differential Pay
EFT	Electronic Funds Transfer
EIC	Earned Income Credit
EIN	Employer Identification Number
EMT	Emergency Medical Technician
E.O.	Executive Order
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefits

FEPCA	Federal Employees Pay Comparability Act
FERS	Federal Employees' Retirement System
★FFLA	Family Friendly Leave Act of 1994
★FIC	Federal Identification Number
FICA	Federal Insurance Contributions Act
FIRMR	Federal Information Resources Management Regulation
FITW	Federal Income Tax Withheld
FLSA	Fair Labor Standards Act
★FMLA	Family and Medical Leave Act of 1993
★FMS	Financial Management Service
FPM	Federal Personnel Manual
FRB	Federal Reserve Bank
FWS	Federal Wage System
GAO	General Accounting Office
GS	General Schedule
HDP	Hazardous Duty Pay
★HRO	Human Resources Organization
IA	Intra-Agency
IAD	Interest Accrual Date
★IC/UC	Injury Compensation/Unemployment Compensation
★IDP	Imminent Danger Pay
IO	International Organization
IRCN	Interagency Report Control Number
IRS	Internal Revenue Service
JROTC	Junior Reserve Officer Training Corps
★LBB	Leave Buy Back
LEO	Law Enforcement Officer
LES	Leave and Earnings Statement
LQA	Living Quarters Allowance
LSL	Lump Sum Leave
LWOP	Leave Without Pay
NAF	Nonappropriated Fund
★NARA	National Archives and Records Administration
NFC	National Finance Center
NGAUS	National Guard Association of United States
NOL	Notice of Levy
NPRC	National Personnel Records Center
NSA	National Security Agency
OCONUS	Outside the Continental United States
OFEGLI	Office of Federal Employees' Group Life Insurance
OMB	Office of Management and Budget
OPAC	On-line Payment and Collection
OPF	Official Personnel Folder
★OPLOC	Operating Location
OPM	Office of Personnel Management

OWCP	Office of Workers Compensation Program
PCS	Permanent Change of Station
P.L.	Public Law
PMRS	Performance Management Recognition System
RCS	Report Control Symbol
RIF	Reduction In Force
RITS	Retirement Insurance Transfer System
SCD	Service Computation Date
★SDA	Source Data Automation
SES	Senior Executive Service
SF	Standard Form
SSA	Social Security Administration
SSN	Social Security Number
TAPER	Temporary Appointment Pending Establishment of a Register
TDY	Temporary Duty
TFM	Treasury Financial Manual
★TIAA	Teachers Insurance and Annuity Association
TP	Teaching Position
TQSA	Temporary Quarters Subsistence Allowance
TSP	Thrift Savings Plan
UCFE	Unemployment Compensation for Federal Employees
★UCGLI	Union Central Group Life Insurance
UIC	Unit Identification Code
★UIC	Unemployment Insurance Commission
U.S.	United States
U.S.C.	United States Code
★USD(C)	Under Secretary of Defense (Comptroller)
★USERRA	Uniformed Services Employment and Reemployment Rights Act
★USSAH	United States Soldiers' and Airman's Home
USUHS	Uniformed Services University of the Health Sciences
★VSI	Voluntary Separation Incentive
WG	Wage Grade
★WHS	Washington Headquarters Services
★WL	Wage Leader
★WS	Wage Supervisor
WGI	Within-Grade Increase

CHAPTER 1**INTRODUCTION AND OVERALL REQUIREMENTS****0101 INTRODUCTION**

010101. Purpose. This chapter prescribes the principles, objectives, and related requirements for DoD civilian employee pay operations and systems. The requirements in this chapter apply to civilian pay systems operated by the Department for employees paid from appropriated, revolving, or trust funds. These requirements apply to the processes related to computing payments for permanent, temporary, full-time, part-time, irregular, and special category employees.

010102. Statutory Authority. The authority of the Department to establish payroll procedures consistent with the requirements of law and regulation is derived from Title 5, United States Code (U.S.C.), chapters 53, 55, and 81 (reference (b)). Responsibilities, duties and liabilities are established by 31 U.S.C., sections 3527, 3528, 3529, and 3541 (reference (d)).

★ 010103. Additional Guidance. The instructions issued by the Office of Personnel Management (OPM) in the Federal Personnel Manual (FPM) were abolished. Several of the supplements were replaced with Operating Manuals that are to be used as guides in the administration of civilian pay and leave. Abolished portions of the FPM should no longer be used.

0102 OVERALL REQUIREMENTS**010201. Overview**

★ A. As determined by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the DoD Components will use the Defense Civilian Pay System (DCPS) and will eliminate their own payroll systems.

★ 1. Any approved unique payroll system shall be integrated or interfaced with other applicable systems, such as the Defense Civilian Personnel Data System, general ledger or an installation-level general accounting system.

★ 2. The Director, Defense Finance and Accounting Service (DFAS) shall approve continued operation of any such unique payroll system.

B. DoD payroll operations and systems shall meet the following objectives:

1. Prompt and accurate payments to all those entitled to be paid, in compliance with appropriate statutes and regulations, with consideration being given to all authorized deductions from gross pay.

2. Prompt accounting for and disposition of, all authorized deductions from gross pay.
3. Proper control over, retention of, and disposition of, all payroll-related documents.
4. Timely preparation of adequate and reliable payroll records to support management purposes; planning, preparing, executing, and reviewing the budget; and internal and external reporting requirements.
5. Effective communication between employing activities and employees on payroll matters in addition to timely, accurate, and responsive customer service action to resolve payroll-related inquiries from employees.
6. Adequate controls over all phases of pay, leave, and allowances.
7. Interface of the payroll function with the general ledger, cost accounting, and personnel functions, with provisions for reconciling common data elements in any separate system to one another.
8. Capability to query current, historical, and/or archived data.
9. Audit trails to permit the tracing of transactions through the payroll system as specified in Volume 1 of this Regulation.
10. Compliance with accounting system development criteria specified in Volume 1 of this Regulation.
11. Compliance with internal control requirements, including data security and prevention of data disclosure, as specified in Volume 1 of this Regulation.
12. Compliance with DoD direction to standardize data elements for cross-functional shareability and integration.

★ 010202. Funds Control

- ★ A. Funds used to pay DoD civilian employees are appropriated by the Congress and apportioned to the Department by the Office of Management and Budget (OMB). At least monthly, an estimate of obligations shall be made for the payroll. As the payments are made, estimates shall be adjusted to reflect actual payment data.
- B. Department civilian payroll systems shall be integrated or interfaced with, and fully support, the accounting system. These systems shall consist of detailed accounts and records that are kept as a subsidiary to, or support for, controlling or summary accounts in the

general ledger of the accounting system. The payroll systems shall produce required obligation and accrual data needed by the accounting system.

010203. **Requirements.** The Director, DFAS is responsible for the overall planning and general direction of the pay, leave, and allowance functions and systems. This responsibility necessitates that adequate written procedures are established and implemented; all personnel are adequately trained in their functions; and sufficient controls are installed and management oversight is established and implemented to ensure compliance with payroll system objectives summarized in subparagraph 010201.B. The Director, DFAS shall also ensure that payroll systems meet legal criteria and the requirements below.

A. Payroll procedures shall be:

1. Clearly written and be in accordance with applicable laws, regulations, and legal decisions;
 2. Amended to reflect changes in applicable laws, regulations, and legal decisions;
 3. As uniform as possible throughout the Department;
 4. Distributed to payroll staffs and be available to individual employees as needed to ensure efficient and effective operations; and
- ★ 5. Reflective of clear assignments of responsibility, delegation of authority, and separation of duties for personnel who compute the payroll, certify payments, record payroll data in the accounts, distribute pay, review payroll transactions, and develop, test and maintain supporting computer systems.

B. Personnel engaged in pay, leave, and allowances activities shall:

1. Be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions;
2. Be adequately supervised to help prevent any unauthorized, fraudulent, or other irregular act;
3. Perform operations effectively, efficiently, and economically in accordance with laws, regulations, and legal decisions;
4. Review the operations, including internal controls, on an ongoing basis to ensure such performance; and
5. Identify and resolve inconsistencies in information submitted, processed, and reported during the various payroll cycles.

C. Payroll systems shall be integrated or interfaced with:

1. Personnel systems to obtain current information on which to process pay, leave, and allowances. Additionally, accurate information is needed to help minimize the possibility of fraud, waste, and mismanagement;

2. The general ledger system to provide information to prepare various financial statements;

3. Cost accounting systems to distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments; to help in properly evaluating operations and management; and to support budget conception and development; and

4. Other financial management systems to meet reporting and management objectives.

D. The interfaces discussed in subparagraph 010203.C. shall be used to assist in timely reconciliation of data elements and discrepancies noted between the systems.

E. Transactions recorded in the pay, leave, and allowance records shall be adequately supported by properly authorized documents.

F. Procedures will be in effect to properly back-up data in the event of power failure, equipment malfunction, or other hazards.

G. External audits and internal examinations of payroll operations shall be made by persons not engaged in those operations to determine whether such operations are efficient, effective, and economical and are in accordance with laws, regulations, and legal decisions.

★ H. The frequency with which payrolls must be prepared has considerable bearing upon the cost of carrying out the payroll functions. So that payroll operations may be performed without incurring undue cost, employees' pay shall be computed on a biweekly basis, unless law requires a different time frame. Special payments are prohibited except as addressed in paragraph 080102. Advances of pay are covered in section 0309. All employees will be informed of the designated payday. Pay should be made available to the employees on the day designated as the payday. The payday lag between the close of the pay period and payday shall not exceed 12 calendar days. When a payday falls on a holiday or an 'in lieu of' holiday, the payday will be on the first preceding business day.

I. Savings bonds shall be mailed to the address provided by the employee. All purchased bonds shall be issued biweekly and mailed as soon as possible after payday. Bonds returned by the U.S. Postal Service shall be returned to the disbursing or issuing officer. All bonds

shall be kept in a safe or locked fireproof cabinet, pending distribution or return to the disbursing or issuing officer.

010204. Privacy Act Requirements

A. General

1. All Standard Forms (SF) and locally approved forms containing information subject to the Privacy Act of 1974 (reference (e)) should have a Privacy Act statement either incorporated in the body of the document or in a separate statement accompanying each form. When separate, the accompanying statement carries the same number as the form.

2. Whenever agencies ask for personal information, including the Social Security number (SSN) from an employee, that employee must be notified of the following:

- a. The statutory authority for gathering the information;
- b. The purpose for which the information will be used;
- c. The “routine uses” of the information (persons or organizations who normally receive the information); and
- d. The effect on the employee of not supplying the information.

This notification will be contained in the Privacy Act statement.

B. Forms. Whenever personal information is requested from an employee on forms covered by the Act, a copy of the form accompanied by the applicable statement will be given to the employee at the same time as the request for information.

C. Access and Accounting. Employees generally are entitled to have access to their own records under the Privacy Act, as are personnel who need to know the information to carry out their duties. Under specified conditions, certain other persons or agencies may receive information. Employees must be notified of release of information to outside agencies upon request. Agencies responsible for maintaining records must account for information released and requests for change by the employee concerned.

★0103 ELECTRONIC FUNDS TRANSFER (EFT) FOR FEDERAL CIVILIAN SALARY PAYMENTS

010301. General

A. Authority. Public Law 104-134, the Debt Collection Improvement Act of 1996 (Act) (reference (e)), requires all Federal payments to be made by electronic funds transfer (EFT), with the exception of tax refunds, beginning January 2, 1999. On September 25, 1998,

the Department of the Treasury and its Financial Management Service issued final rule 31 CFR Part 208 (reference (c)), which implements the EFT requirements of the Act.

B. Policy. The Department requires participation in EFT as a condition of employment. The policy covers all categories of DoD personnel including civilians, military, military retirees, and annuitants.

C. Responsibilities

1. Director, DFAS, in conjunction with the Office of the Deputy Chief Financial Officer shall:

a. Publish EFT payment policy and implementing procedures for pay of all DoD civilian personnel.

b. Coordinate the presentation of issues and proposed exceptions in the Department's mandatory EFT policy to the Department of the Treasury for approval.

c. Prepare appropriate reports for submission to the Department of the Treasury.

d. Ensure that DFAS Centers provide periodic reports to DFAS-HQ which reflect EFT participation; and

e. Furnish, to employing organizations at the end of each fiscal year quarter, a listing of DoD employees paid by DFAS who do not participate in EFT.

2. DoD Component Personnel Directors shall:

a. Ensure all civilian employees are informed of the conditions under which participation in the EFT program is required.

b. Promote EFT enrollment. Employing activities will be furnished a report after the end of each fiscal year quarter of employees, by organization, who do not participate in EFT.

3. Directors or Commanders of all DoD Activities shall:

a. Ensure that all personnel are made aware of, and comply with, the mandatory EFT provisions.

b. Monitor EFT participation.

c. Ensure that waivers for all eligible employees are on file.

d. Ensure reimbursements are made to civilian employees who incur charges due to the government's failure to accurately and timely deposit pay in their EFT accounts (see paragraph 010304.); and

e. Provide information for reporting purposes to DFAS Centers when so requested (see paragraph 010305.).

D. Applicability. The mandatory EFT provisions apply to all DoD personnel, including nonappropriated fund (NAF) personnel.

E. Waivers

1. General. Individuals who believe that EFT will cause them a hardship may elect a waiver.

2. Waiver Submission. Waivers will be submitted to the commanding officer or civilian director of the employing activity.

3. Authorized Waivers. In accordance with 31 CFR Part 208.4 (reference (c)), payment by EFT is not required in the following cases:

a. Where an individual determines that payment by EFT would impose a hardship due to a physical or mental disability or a geographic, language, or literacy barrier, or would impose a financial hardship.

b. Where the political, financial, or communications infrastructure in a foreign country does not support payment by EFT.

c. Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area. This waiver is limited to payments made within 120 days after this disaster is declared.

d. Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law enforcement action may be compromised.

e. Where the agency does not expect to make more than one payment to the same recipient with a one-year period, i.e., the payment is non-recurring, and the cost of making the payment via EFT exceeds the cost of making the payment by check.

010303. EFT Documentation for Enrollment

A. To enroll in the EFT program, an employee must complete one of the following Direct Deposit authorization forms and submit the form to his or her local Customer Service Representative.

1. SF 1199A (Direct Deposit Sign-Up Form);
2. FMS Form 2231 (FASTSTART Direct Deposit); or
3. DD Form 2762 (Direct Deposit Authorization).

Each form contains detailed instructions for completing the authorization. The SF 1199A has a section that must be completed by the employee's financial institution. FMS Form 2231 and DD Form 2762 do not require approval by a financial institution.

B. The following enrollment sources may be used to support the FMS Form 2231 or DD Form 2762:

1. Canceled check or share draft (micro encoded data on the bottom).
2. Savings or checking account identification card.
3. Department of the Treasury 1099-INT (Statement for Recipients of Interest Income).
4. Bank statement.

NOTE: A combination of sources may be necessary to obtain the required information to start or change EFT enrollment.

010304. Reimbursement of Financial Institution Charges

A. General. Charges by financial institutions resulting from erroneous information provided by the individual or the financial institution to the civilian payroll office are not the liability of the government and will not be reimbursed. Reimbursement is authorized and limited to overdraft charges or minimum balance or average balance charges levied by the financial institution as a result of an administrative or mechanical error on the part of the government which causes pay to be deposited late or in an incorrect manner or amount.

B. Procedures. When charges result from government errors, servicing DFAS Centers will contact the financial institution to explain the error and request charges levied against the account holder be reversed.

1. If the financial institution declines to reverse the charges, government reimbursement of the charges will be made. While the servicing DFAS Center normally absorbs

such charges, the DFAS Center reserves the right to charge the applicable agency's operating appropriation for such amounts when the error was caused by information furnished by that agency.

2. Letters will be provided to dishonored check recipients explaining that the dishonored check was caused by government error, not an error on the part of the individual.

010305. Reporting Requirements. The DFAS Centers will periodically report to DFAS-HQ/F on EFT participation. Refer to subparagraph 090205.F. for reporting guidance.

010306. Payments other than EFT

A. The disbursing officer shall mail checks to the non-work address provided by the employee. On an exception basis, checks shall be delivered to designated agents in the employing offices for delivery to the employees at the work locations.

B. In those situations when delivery of paychecks to individuals by designated agents is authorized, persons designated to deliver these paychecks shall not participate in the following activities: preparing, approving, or certifying vouchers and personnel action documents; maintaining the payroll; time and attendance records; and leave records. Each employee shall be known by, or identified to, the person who delivers the employee's paycheck. Paychecks should be handled as few times and by as few people as possible. Checks not delivered within the time specified by the disbursing officer shall be returned to the disbursing or issuing officer. All checks shall be kept in a safe or locked fireproof cabinet, pending distribution or return to the disbursing or issuing officer.

C. If, under extraordinary circumstances, payments must be made in cash, DoD civilian employees shall properly identify themselves and shall acknowledge payment by signing a receipt form when payments are received. Requiring a pay receipt in advance of actual payment shall not be permitted. All payments shall be made only by persons who have been authorized to perform disbursing functions and were not part of the pay computation process.

0104 ESTABLISHMENT AND CONTROL OF EMPLOYEES' PAY RECORDS

010401. Use of SSN for Identification

A. The SSN will be used to identify all employees paid by the Department.

B. The SSN has nine digits, with hyphens as separators before the fourth and sixth digits. Adding a prefix or suffix is not authorized. Only the nine digits are used in internal computer processing; however, the hyphens may be printed on output documents.

C. If an employee is not required to have an SSN, a pseudo SSN shall be used.

010402. Pay Records

★ A. Each employee shall have an individual pay record maintained as part of the master pay record. Normally, only one pay record shall be active at any given time for each authorized position. If more than one pay record is maintained, the rationale must be thoroughly documented and an audit trail maintained between the two pay records. Sufficient information on active pay records shall be retained or be accessible at the civilian payroll office to facilitate local input, payment, and administrative functions.

B. The pay record shall contain all transaction information related to payments and deductions with an audit trail to the authorizing source document. The record shall contain information on hourly, daily, or piece work pay rate; all earnings by type (overtime, night differential, danger pay, etc.) separately identified; all deductions by type (charity, union, health insurance, life insurance, etc.) separately identified; year-to-date wages earned; year-to-date deductions withheld; annual, sick, and any other leave earned; leave taken, lost, or forfeited; excess leave taken; and a settlement of lost or unused leave balances. The pay record shall contain other information, as necessary, for computing pay and preparing reports, as well as being the source for the Leave and Earnings Statement (LES).

C. The master pay record shall contain current month, and, as an integral part thereof or in a separate data file, at least the five preceding months' records readily available for processing and inquiry. Summary information shall be carried forward, longer than six months when required, until new summary records are established. Disposition of pay records shall be done in accordance with the General Records Schedule 2 (reference (g)).

010403. Payroll Substantiating Document File

★ A. With the centralization of the civilian payroll function, two separate document files will be established and maintained for each employee. One will be located at the civilian payroll office and one with the CSR. All source documents that substantiate the employee's entitlement to compensation, leave, benefits, and authorize or support deductions will be kept in the file folders as indicated in subparagraph 010504.B. The file label will contain the employee's name and SSN and will be maintained in SSN sequence.

B. The civilian payroll office file will contain the following:

1. SF 1150 (Record of Leave Data) and SF 1150-A (Transfer of Leave Records for Leave Recipient Covered by the Voluntary Leave Transfer Program);

2. Voluntary/involuntary DoD/non-DoD indebtedness to the U.S. Government;

3. Voluntary/involuntary tax levies;

★ 4. Bankruptcies, court-ordered garnishments of alimony, child support, and commercial debts are maintained by DFAS-CL/L;

5. Thrift Savings Plan (TSP) loan information;
6. NAF 401k authorization;
7. NAF retroactive TSP election authorization;
8. SF 1190 (Foreign Allowances Application, Grant, and Report);
9. Documentation for all manual pay and leave adjustments;
10. Cash collection vouchers;
11. Physician's allowance authorizations; and
12. Any other documentation to support payments.

C. The civilian payroll office will maintain and safeguard the retirement records (SF 2806, "Individual Retirement Record (CSRS)," SF 3100, "Individual Retirement Record (FERS)," and OPM Form 1514, "Military Deposit Worksheet") in a separate file per instructions in subparagraph 040301.E.

★ D. The employing activity/CSR files will contain the following documentation.

1. Preconversion historical files (all personnel and payroll data of an existing civilian payroll system prior to conversion to another civilian payroll system or a consolidated civilian payroll office);

★ 2. Employment/loan verification requests;

3. Employee deduction information (allotments and net pay distribution; charities; unions; federal, state and local taxes; bonds; and address changes); and

★ 4. The disposition of active and inactive files shall be in accordance with the General Records Schedule 2 (reference (g)).

★ E. All verified source documents will be placed in the document file not later than the end of the pay period in which the document applies. The folders will remain in an active status during the period the employee's pay account is maintained by the civilian payroll office. Upon the employee's separation or transfer, and after all final payroll transactions have been completed, the folder will be removed from the active file and placed in an inactive file. The disposition of active and inactive files shall be in accordance with the General Records Schedule 2 (reference (g)).

F. All files (manual and electronic) will be protected in accordance with "For Official Use Only" and Privacy Act (reference (e)) requirements.

010404. Document Control. In order to ensure timely processing of payroll documents and to facilitate audits and reconciliation of individual pay accounts, source documents should be controlled at the retention site. The following procedures are recommended:

- A. Assign a control number to all source documents. The numbering system should facilitate the use of one line entries on the log (e.g., two digits identifying the pay period number and the last digits identifying the document number, beginning with one (1) for each pay cycle);
- B. Identify the type of document or form number;
- C. Record the date received and the clerk to whom routed for processing; and
- D. Record the date processed and logged out for filing.

010405. Personnel Actions

A. The SF 50 (Notification of Personnel Action) is the primary source for payroll and personnel information systems. The content of the SF 50 will form the basis for personnel transactions flowing to payroll via automated personnel/payroll system interfaces.

B. The SF 2809 (Health Benefits Registration Form) and SF 2810 (Notice of Change in Health Benefits Enrollment) are used to start, change, and stop the coverage of health benefits for employees.

C. The Form TSP-1 (TSP Election Form) is used to start, change, and stop deductions for employees. The Form TSP-19 (Transfer of Thrift Savings Plan Information Between Agencies) is used to transfer TSP information between agencies. The civilian payroll office uses the Form TSP-22-R (Loan Payment Allotment Form-Reamortization) to begin deductions for a TSP loan.

010406. Payroll Controls. Appropriate controls must be established over payroll operations that will include, but are not limited to, the items below.

A. Controls that will help ensure the correct, complete, accurate, and properly authorized processing of payroll documents include, but not limited to, the following items.

1. An authorized official must approve in writing or through electronic signature (made by entering designated codes into an automated system under safeguards to prevent unauthorized use) corrections and other adjustments to data in official records, as follows:

a. Records of all changes made after records have been approved or certified must be generated and maintained.

b. Manual corrections on documents made after the documents have been approved or certified must be made in a way that does not obliterate the original entries. Corrections must be initialed and dated by the person making them and must be approved by a designated authorizing official.

c. Automated system changes to data must be made in such a way that an audit trail is maintained to show or provide reference to documents which show the original and new data and the authorization for the change. Such changes must be only on the basis of properly approved documents authorizing the changes.

★ 2. There must be separation of duties among those in the following list. When the size of the organization does not permit separation of all of the duties, the most effective separation feasible under the circumstances must be provided. In order to minimize opportunities for carrying out unauthorized, fraudulent, or otherwise irregular acts, the separation of duties should ensure that no one person performs all phases of a transaction from beginning to end without the intervention of some other person or persons who provide a cross-check:

- a. Certification of payments,
- b. Payroll computation,
- c. Recording of payroll account data,
- d. Distribution of pay,
- e. Review of payroll transactions,
- f. Automated system development,
- g. System testing,
- h. System implementation, and
- i. System maintenance.

3. The following must be restricted to authorized personnel:

- a. Access to personnel, payroll, and disbursement records or data files;
- b. Access to forms used in authorizing special entitlements, allowances, and pay rates; and
- c. Payroll processing equipment and related software.

4. When feasible, employees engaged in civilian payroll functions must not maintain or provide service for their own payroll and personnel records. This internal control shall be incorporated into security system software that governs access to civilian payroll system records. When the size of an office is so small that this is not feasible, employees engaged in payroll activity may only maintain and provide service for their own:

a. Routine deductions, such as withholding exemptions for federal, state, and local tax purposes, and voluntary allotments; and

b. Time and attendance documents under certain circumstances as provided for in paragraph 020404.

5. To detect inappropriate data at the earliest time and to the extent practical, data entered into automated payroll systems must be subjected to computerized edits when entered. Data elements not susceptible to such edits must be edited at the earliest practical time. Inappropriate data detected must be promptly investigated, corrected and, if appropriate, reprocessed. A record of such data, its originator, and its disposition must be generated and maintained.

B. Controls that help ensure that computerized payroll operations process transactions and produce reports accurately, by use of the following and other techniques:

1. Testing computer programs and changes to programs prior to placing them in operation and subsequently testing the various data elements and computational procedures as needed to ensure that they are operating as intended;

2. Certifying acceptance of software changes by the civilian payroll offices;

3. Performing periodic preventive maintenance on hardware, noting and promptly resolving problems; and

4. Including in the programmed instructions such techniques as:

a. Verification of SSNs or other identifying information for employees authorized to be paid against a master list or file of such information for valid current employees;

b. Use of proper authorization codes by authorized payroll employees;

c. Acceptance of data entry from authorized terminals only;

d. Verification of data entry using batch control totals, when applicable; and

★ e. The software in use must ensure that beginning totals plus transaction totals equal ending totals.

010407. Reconciliation with Human Resources Organization

★ A. Reconciliation of common data between the appropriate human resources organization (HRO) and the civilian payroll office must be accomplished every four months. The appropriate HRO reviews the reconciliation and annotates any mismatches it resolves and passes them to the civilian payroll office for its action. The civilian payroll office will ensure that review and necessary corrections are made to the civilian pay database. The civilian payroll office will accomplish the reconciliation within 10 workdays after receipt from the appropriate HRO.

★ B. Based on the predetermined schedule, DCPS will generate and transmit the reconciliation files to the appropriate personnel system host.

0105 CIVILIAN PAYROLL OFFICE DISESTABLISHMENT PROCEDURES

010501. Purpose. These procedures prescribe the responsibilities and actions for DoD civilian payroll operations that are being disestablished in accordance with consolidation initiatives. Refer to section 0603 for procedures concerning mass transfer of employee accounts between existing civilian payroll offices.

010502. Applicability and Scope. These instructions apply to all DoD civilian payroll offices regardless of Component affiliation whose payroll accounts are being transferred to a consolidated civilian payroll operation.

★ 010503. Responsibilities. Responsibility for implementing these procedures lies primarily with the civilian payroll office whose accounts are being transferred. However, there must be close coordination with the civilian payroll office's major command/claimant, the DFAS Center which has responsibility for the closing civilian payroll office, and the consolidated civilian payroll office which will assume responsibility for the transferred accounts. These procedures must be completed within 90 days after the date the payroll accounts are transferred to the consolidated civilian payroll office.

010504. Actions Required by the Losing Civilian Payroll Office

★ A. Notify Affected Parties. All parties who are currently receiving support from the civilian payroll office that is to be disestablished must be informed that the existing payroll servicing arrangement is being changed and when that change will occur. It is recommended that these parties be notified well in advance of the transfer, but not later than 30 days prior to the date of the actual transfer. For consolidations occurring overseas, it is recommended that notification be made not later than 45 days prior to the date of actual transfer.

★ 1. The following is a list of affected parties who should be notified of the impending change of the payroll servicing arrangement. Sample letters that may be used for that

purpose are shown in Figures 1-1 through 1-12. While the list is intended to be all inclusive, individual civilian payroll offices may have unique customers who are not mentioned. If this situation should occur, the losing civilian payroll office must develop a letter for those customers using one of the sample letters as a basis.

a. The appropriate HRO providing support to the civilian payroll office. The appropriate HRO will be responsible for notifying labor organizations and professional associations. See Figure 1-1.

★ b. Each Internal Revenue Service (IRS) District to which payments for tax levies is submitted. See Figure 1-2. Inform the IRS office that there will be no further annual civilian pay reporting for the losing civilian payroll office EIN. The consolidated civilian payroll office may submit adjustments to prior tax reports. See Figure 1-3.

c. Each state and local taxing authority for which withholding is being made (including those taxing authorities who do not have an agreement with the Department of the Treasury but for whom employees are making tax payments via allotments). See Figure 1-4.

★ d. The National Finance Center (NFC), as the TSP Recordkeeper. Adjustments prior to conversion will be made using the old payroll office number. See Figure 1-5.

e. Each court to which alimony, child support, bankruptcy, and commercial debt payments are being remitted. See Figure 1-6.

f. The supporting Federal Reserve Bank (FRB) and other financial institutions to which remittances are being made. See Figure 1-7.

★ g. The OPM. Adjustments prior to conversion will be made using the old payroll office number. See Figure 1-8.

h. Each NAF Employee Benefit System for whom retirement deductions are being remitted under the Portability of Benefits for Nonappropriated Fund Employees Act of 1990, P.L. 101-508, (reference (e)). See Figure 1-9.

i. Each Combined Federal Campaign (CFC) office for which charitable contributions are being remitted. See Figure 1-10.

★ j. Employees making installment payments by check or money order for indebtedness to the U.S. Government. See Figure 1-11.

★ k. The Defense Manpower Data Center (DMDC) and DFAS-Cleveland Center for salary offsets which will be processed at the consolidated civilian payroll office. See Figure 1-12.

★ 1. Health Benefits Insurance Carriers. Inform insurance carriers by preparing an SF 2811 (Transmittal and Summary Report to Carrier - Federal Employees Health Benefits Program). Attach a system-generated listing, initiated by the civilian payroll office, to the SF 2811 in lieu of individual SFs 2810.

m. Other federal agencies for whom debts are being collected, e.g., Department of Education or Department of Veterans Affairs.

B. Prepare Employee Substantiating Document Files. Although every effort will be made to transfer data through the automated conversion process rather than by transferring hard-copy documents, it will still be necessary to send certain hard-copy documents from the losing civilian payroll office to the consolidated civilian payroll office. In many cases the information may not be contained in the automated files of the losing civilian payroll office and, therefore, would not be a part of the conversion process. In other cases, the documentation is required for legal support for action to be taken by the consolidated civilian payroll office. These hard-copy documents will supplement the automated conversion process and will facilitate the movement of civilian payroll accounts without degradation of timely and accurate payroll service.

1. In order to facilitate the movement of hard-copy documents, the losing civilian payroll office must prepare substantiating document files containing hard-copy documents that must be transmitted to the consolidated civilian payroll office. The files will consist of originals or copies, as appropriate. If the original is forwarded to the consolidated civilian payroll office, the losing civilian payroll office should retain a copy.

★ 2. Substantiating document files may be transmitted in either subject matter or employee sequence, depending on how files are maintained by the losing civilian payroll office. Subject matter files are defined for this purpose as a file maintained for a particular type of document, e.g., bankruptcies.

★ 3. The files will be letter size with the label in the upper left-hand corner. Labels must be either typed or printed legibly. If files are transmitted in subject matter sequence, the subject matter title will be contained in the first line of the upper left corner of the label and the second line will show the losing civilian payroll office name and number. All documents contained in the subject matter file should contain the employee's name and SSN.

★ 4. If files are transmitted in employee sequence, the first line of the label will contain the employee's SSN; the second line will contain the employee's last name, first name, and middle initial in that order; and the third line will show the losing payroll office name and number. The files will be assembled in either SSN sequence within payroll block or straight SSN sequence and sent as one package to arrive at the consolidated civilian payroll office not later than the end of the first week following conversion.

5. Listed below is documentation that must be included in the substantiating document file and transferred to the consolidated civilian payroll office:

a. Indebtedness to the U.S. Government. Forward a copy of documentation to support current collections with the unpaid balance of the debt, the appropriation or fund cite to be used, and the remittance address. Examples of indebtedness to the U.S. Government are advance of pay, government property lost or damaged/report of survey, travel collection, health benefits for leave without pay, Office of Workers' Compensation Programs (OWCP) leave buy back, or salary overpayment.

b. Form 668-W (Notice of Levy on Wages, Salary, and Other Income). Forward the original IRS tax levy (voluntary or involuntary) showing the unpaid balance. Any levies received after payroll accounts have been transferred should be forwarded directly to the consolidated civilian payroll office.

c. Court Ordered Bankruptcy. Forward the original court orders and addendums with balance due on the current order. Any court orders received after payroll accounts have been transferred should be forwarded directly to the consolidated civilian payroll office.

★ d. Court Ordered Garnishment. Forward a copy of the most current garnishment for alimony, child support, and/or commercial debt including addendum. If the garnishment was for a set amount, furnish the unpaid balance. Any court orders received after payroll accounts have been transferred should be forwarded in accordance with subparagraph 041202.C.

e. Authorizations of NAF 401k Contributions. Forward a copy of the authorization which supports employee contributions to a NAF 401k plan allowable by the Portability of Benefits for Nonappropriated Fund Employees Act of 1990 (reference (e)).

f. TSP Retroactive Contribution Authorization. Forward a copy of the authorization made by an employee who is currently making retroactive TSP contributions allowable by the Thrift Investment Board under its error correction procedures.

g. SF 1190. Forward a copy of the latest SF 1190 if the data is not included in the automated conversion process. The SF 1190 will be used to support payment of allowances and differentials in foreign areas.

★ h. Form TSP-22 (TSP Loan Payment Allotment Form). Forward a copy of all Forms TSP-22 which support TSP loan information.

i. SF 1150. Forward a copy of the SF 1150 if all leave data is not included in the automated conversion process. The SF 1150 will be produced and leave balances annotated in the remarks section if credit hours, compensatory hours, advance annual or sick leave, restored and/or reinstated leave, and compensatory time off for religious reasons are not included in the automated conversion process. Ensure all absence without pay, home leave, and military leave including leave for law enforcement purposes are annotated on the SF 1150 in blocks 16 through 23.

(1) Compensatory time balances must include the overtime rate of pay at which each occurrence of compensatory time was earned.

(2) Restored/reinstated leave information must include the effective date, the termination date, and the balance of each occurrence.

j. SF 1150A. Forward a copy of the SF 1150A if all donated leave data are not included in the automated conversion process. Information concerning individual donors and balances must be included in order to return unused leave.

k. LES. Forward a copy of the LES used to establish temporary leave balances for recent employee accessions when an SF 1150 has not been received by the losing civilian payroll office.

l. Authorization for Physician's Comparability. Forward a copy of the physician's comparability allowance service agreement (or equivalent) annotated with the unpaid balance.

m. Statement of Annual Annuity Amount for Reemployed Annuitants. Forward a copy of the most recent SF 50 or other documentation that supports the amount of biweekly salary offset for reemployed annuitants.

n. OPM Form 1514. Forward a copy of each OPM Form 1514 with an unpaid balance, a copy of the related SF 2806/3100, and supporting SF 2803/3108 (Application to Make Deposit or Redeposit). Ensure that the copy of OPM Form 1514 forwarded to the consolidated civilian payroll office includes postings for the final pay period paid by the losing civilian payroll office. NOTE: One pay period prior to conversion, forward an advance copy of OPM Form 1514. Ensure that the final OPM Form 1514 is included in the substantiating document file.

o. Form W-5 (Earned Income Credit Advance Payment Certificate). Forward a copy of the Form W-5 to support payment of the advance earned income credit if data is not included in the automated conversion process. If the transfer occurs the last pay period of the year, do not forward. The employee must submit a new Form W-5.

p. Continuation of Pay, Workers' Compensation, and Buy Back of Leave. Forward a copy of the documentation that supports payment of continuation of pay and/or places an employee on workers' compensation if available. Forward copies of the documentation to support buy back of leave.

q. SF 1154 (Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee). Complete and forward an SF 1154 for each deceased employee who has not been officially separated from the payroll system and whose unpaid compensation has not been paid to the beneficiaries. The face of the SF 1154 should be completed only for the block beginning "Amount of unpaid compensation due....". The Summary of "Unpaid Compensation" on

the reverse of the SF 1154 must be completed in its entirety. Ensure that any unpaid compensation placed in the deposit fund account is transferred to the consolidated civilian payroll office via hard copy check. The consolidated civilian payroll office will make the payment to the beneficiaries using the SF 1154 furnished by the losing civilian payroll office upon receipt of the SF 1153 (Claim for Unpaid Compensation of Deceased Civilian Employee) from the appropriate HRO.

★ r. Unprocessed Documents. The CSR should process documents that have been received, but were not processed prior to the transfer of payroll accounts, to the consolidated civilian payroll office. Processing should be in accordance with procedures established for that CSR.

s. Severance Pay Authorization. Forward a copy of an SF 50 for each employee authorized and receiving severance pay. Annotate the remaining severance pay to be paid and weekly severance amount, if not included in the automated conversion process.

C. Prepare Payroll Office Substantiating Document Files. While the majority of employee-related information will be a data transfer as part of the automated conversion process, historical data to support the summary or civilian payroll office level will not be included. Therefore, it will be necessary to transfer certain documents that support actions taken by the losing civilian payroll office in the past.

1. In order to facilitate the movement of hard-copy documents, the losing civilian payroll office must prepare a civilian payroll office substantiating document file that consists of copies of the original documents. The losing civilian payroll office will retain the original documents in accordance with the General Records Schedule 2 (reference (g)). This will enable the consolidated civilian payroll office to make future corrections or adjustments as necessary.

★ 2. The files will be letter size with the label in the upper left-hand corner. The first line of the label will contain the applicable calendar year; the second line will show the losing civilian payroll office employer identification number (EIN); and the third line will contain the civilian payroll office name and number. One file for each calendar year will be assembled and sent as one package to the consolidated civilian payroll office as soon as practical, but not later than the end of the first week following conversion.

3. Listed below is the documentation that must be included in the substantiating document file:

a. Form 941 (Employer's Quarterly Federal Tax Return) and Form 941c (Statement to Correct Information Previously Reported on the Employer's Federal Tax Return). Forward copies of Forms 941 and 941c for the quarters of the current year plus the quarters for the three years prior to transfer to the gaining civilian payroll office;

★ b. Form W-3 (Transmittal of Wage and Tax Statements) and Form W-3c (Transmittal of Corrected Income and Tax Statements). Forward copies of Forms W-3 and

W-3c for the current year of conversion plus the three years prior to conversion for the losing civilian payroll office.

★ c. State and Local Tax Returns. Forward copies of all state and local tax reporting files for the current year and the prior three years; and

★ d. SF 135 (Records Transmittal and Receipt). Furnish copies of the SF 135 with accession number and storage bin number after the files have been forwarded to the National Personnel Records Center (NPRC) for the current and previous six years.

D. Complete Final Pay Period Processing. The losing civilian payroll office must complete processing for the last pay period for which it has responsibility. Completion of these actions will allow employee records to contain the most current information to be included in the automated conversion process.

1. Compute and process final salary and other payments.

a. Prior to processing the final pay period, ensure that all time and attendance reports have been received from employing activities and that all documentation has been received from the appropriate HROs and employees. The losing civilian payroll office will establish and publish cutoff dates for receipt of all documents for this last pay period.

b. Responsibility for special payments will be determined based upon time frames within which the automated conversion process is completed. Payments made after the last payday and before the automated conversion process is accomplished are the responsibility of the losing civilian payroll office. It is crucial that employee records be updated with such payments prior to the automated conversion processing. Payments made after the last payday and after the automated conversion process is accomplished are the responsibility of the consolidated civilian payroll office.

2. Prepare, balance, and distribute final pay period pay, leave, and management reports. Complete pay period processing in accordance with regular biweekly procedures and make final distribution of management reports. It is suggested that these reports be annotated "FINAL" and a short memorandum attached stating these are the last reports to be sent from this civilian payroll office and that future reports will be sent from the consolidated civilian payroll office. Furnish the consolidated civilian payroll office copies of certified documents, e.g., Form 941, state and local tax reports.

3. Produce SFs 2806/3100. Those civilian payroll offices whose automated system maintains and produces SFs 2806/3100 should ensure that these records are produced for the final pay period paid. Fiscal history records should be closed out for the current year, and the service history should reflect the last SF 50 or other applicable documentation.

E. Reconcile and Clear/Remit Deposit Fund Account Balances. Moneys that have been placed in deposit fund accounts pending remittance to the applicable payee must be

remitted immediately after the final pay period. These accounts must not contain a balance after payroll accounts have been transferred to the consolidated civilian payroll office. Any moneys remaining in these accounts after final remittances have been made must be reconciled and the account cleared. Listed below are types of accounts that may contain balances after completion of final pay period processing along with instructions for the disposition of those balances.

1. **State and Local Tax.** The disbursing office will remit all state and local taxes that have been withheld from employees, but not paid to the applicable taxing authority regardless of the regular payment schedule. Annotate the payment as “FINAL” and inform the taxing authority that future payments will be forthcoming from the consolidated civilian payroll office. An exception is the civilian payroll office which reports non-payroll type taxes under the same employer identification number as the civilian payroll office. For those, do not mark the remittance as “FINAL.”

2. **Savings Bonds.** The bond issuing agent or disbursing officer shall remit all savings bond balances in the form of a Treasury check made payable to the disbursing officer (in his/her official capacity) at the consolidated civilian payroll office. Accompanying the check should be a listing or report which contains each employee identified by name, SSN, and the unpaid balance.

3. **Indebtedness.** Remit all collections that have been made for indebtedness that have other than a biweekly remittance schedule. Annotate the payment as the last one from the losing civilian payroll office and inform the creditor agency that future payments will be forthcoming from the consolidated civilian payroll office.

4. **Other Items Not Remitted on a Biweekly Basis.** Remit all collections that have been made for items that have other than a biweekly remittance schedule, e.g., monthly allotments. Annotate the payment as “FINAL” and inform the payee that future payments will be forthcoming from the consolidated civilian payroll office.

5. **Beneficiary Compensation.** Remit unpaid compensation due beneficiaries of deceased employees in the form of a Treasury check made payable to the disbursing officer at the consolidated civilian payroll office. Accompanying the check should be a listing or report containing the deceased employee's name, SSN, and the amount of unpaid compensation due. This information should support the SF 1154 contained in the employee substantiating document file transferred to the consolidated civilian payroll office and should be only for those deceased employees who have not been officially separated from the payroll system.

F. **Prepare and Remit Quarterly and Annual Reports.** Although the final pay period paid by the losing civilian payroll office may not coincide with the last pay period of the quarter or of the pay or leave year, the losing civilian payroll office will prepare reports or submit documentation to the applicable office.

1. **Individual Leave Record (or equivalent).** Prepare Individual Leave Records (or equivalent) for the year of transfer, if not previously produced. These records will be

maintained at the losing payroll office site for research and reference on the part of the consolidated civilian payroll office until the accounting activity is consolidated to a DFAS Operating Location (OPLOC).

2. Individual Pay Record (or equivalent). Prepare the Individual Pay Record (or equivalent) for the year of transfer, if not previously produced. These records will be maintained at the losing payroll office site for research and reference on the part of the consolidated civilian payroll office until the accounting activity is consolidated to an OPLOC.

3. Form 1099-MISC (Miscellaneous Income). Prepare and distribute unissued Form 1099-MISC (or Form W-2) to beneficiaries of deceased employees for whom the SF 1153 has been received. Distribution of the Form 1099-MISC (or Form W-2) to beneficiaries of deceased employees should be made as soon as payment has been made. The Form 1099-MISC will be prepared and submitted to the Social Security Administration (SSA) with the Form 1096 (Annual Summary and Transmittal of U.S. Information Returns). Transfer unpaid beneficiary compensation to the consolidated civilian payroll office in accordance with subparagraph 010504.E.5.

4. Form W-2 (Wage and Tax Statement). The Form W-2 for the current year may not be available when payroll accounts are transferred to the consolidated civilian payroll office. Therefore, it will not be possible to print and distribute these tax statements. The civilian payroll office assuming responsibility for the payroll accounts shall print and distribute Forms W-2 at the end of the current tax year using the EIN and address of the losing civilian payroll office. The losing civilian payroll office shall be responsible for undeliverable tax statements except in the case of a complete base closure. In the case of a base closure, the consolidated civilian payroll office shall assume responsibility for undeliverable Forms W-2. See subparagraph 090207.C.1. for additional information.

5. Form 941/941c. Prepare and balance the Form 941 for all wages, deductions, and contributions for the quarter of conversion and prepare Form 941c for prior quarters as necessary. Mail these tax reports as soon as all necessary balancing has been done. Form 941/941c must be filed within the time limits specified in Circular E (reference (h)). Inform the IRS of the gaining civilian payroll office's address and EIN.

6. Federal Tax Reporting. Magnetic tape specifications for the current year may not be available when payroll accounts are transferred to the consolidated civilian payroll office. Therefore, it may not be possible to create the year-end tape at the time payroll accounts are transferred. Conversion procedures will contain instructions for preparation and delivery of data files that will be used in creating the magnetic tape.

7. State and Local Annual Tax Reports. Prepare all state and local tax reports for the year of transfer. Taxable wages and year-to-date tax deductions must be balanced for all affected employees and any necessary corrections or adjustments made. Submit all state and local annual tax reports to the applicable taxing authority as soon as they are balanced and

reconciled. State and local tax reports must be filed within the time limits specified by the state or local authority.

8. Department of Labor Quarterly Continuation of Pay Report. Prepare the Department of Labor Quarterly Continuation of Pay Report as of the last pay period paid by the losing civilian payroll office. Submit the Department of Labor Quarterly Continuation of Pay Report in accordance with normal distribution instructions as soon as possible after the end of the last pay period paid, but not later than 30 days after the date of the last payday.

9. Report of Work Years and Personnel Costs for DoD Civilian Employment (0197-OPM-AN). Prepare Part C (Leave Earned and Used) of the Report of Work Years and Personnel Costs for DoD Civilian Employment as of the last pay period paid by the losing civilian payroll office. Part C was formerly Part D and has been redesignated for fiscal year 1992. The report should contain leave information for all pay periods paid during the current leave year by the losing civilian payroll office. Submit the Report of Work Years and Personnel Costs for DoD Civilian Employment in accordance with instructions as soon as possible after the end of the last pay period paid, but not later than the regularly scheduled submission date.

10. Report of Personnel and Payroll Outlays by Operating Location (RCS: DD-COMP(A) 1600). Prepare the Report of Personnel and Payroll Outlays by Operating Location as of the last pay period paid by the losing civilian payroll office. The report should contain information from the fourth quarter of the prior calendar year and all pay periods paid prior to the transfer of payroll accounts to the consolidated civilian payroll office. Submit the Report of Personnel and Payroll Outlays by OPLOC in accordance with instructions as soon as possible after the end of the last pay period paid, but not later than the regularly scheduled submission date.

11. Report of Collections for Federal Salary Offset (RCS: DD-COMP(M) 1659). Prepare the Report of Collections for Federal Salary Offset as of the last pay period paid by the losing civilian payroll office. The report should contain all collections made during the month in which the losing civilian payroll office accounts are transferred to the consolidated civilian payroll office. Submit the Report of Collections for Federal Salary Offset to the departmental level as soon as possible after the end of the last pay period paid, but not later than the regularly scheduled submission date.

G. Balance, Close Out, and Transfer Retirement Records. All SFs 2806/3100 must be balanced, closed out, and transferred from the losing civilian payroll office. The OPM has agreed to accept all SFs 2806/3100 for the CSRS/FERS as a part of the consolidation initiative. This includes those records being maintained for frozen CSRS accounts and military deposits. Records will only be forwarded to the OPM when the civilian payroll office, the departmental reporter, and the OPM are in balance. Listed below are the tasks that must be accomplished in order to submit the SFs 2806/3100.

1. Resolve Retirement Plan Discrepancies. Employees who have been erroneously placed in an incorrect retirement plan, and whose records have not been adjusted, must have such adjustments completed prior to submitting the records to the OPM. Complete

adjustment actions underway to correct the SFs 2806/3100 and correct associated reports such as the SF 2812 (Journal Voucher and Report of Withholdings and Contributions for Health Benefits, Group Life Insurance and Retirement) and Form 941 as necessary. Inform the consolidated civilian payroll office of any changes to previously converted data such as year-to-date Social Security and Medicare wages. In addition, request the appropriate servicing HRO perform a review of employee records to ensure that previously reported retirement plans are correct. Ensure that frozen CSRS accounts have been properly handled in accordance with instructions contained in OPM Operating Manual, the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

2. Complete SF 2806/3100 Posting. Ensure that the name history, date of birth, SSN, payroll office information, service history, and fiscal history on the SF 2806/3100 are completely posted. The name history and service history must contain all SF 50 data received during the last pay period. The fiscal history calendar year salary deductions for the current pay year must include deductions for the last pay period paid by the losing civilian payroll office. Annotate the last entry of the service history with the following: "Transfer of payroll function to the Defense Civilian Pay System -- (name of consolidated civilian payroll office)." For example, the records for those payroll accounts transferred to the DFAS-Denver Center would read: "Transfer of payroll function to Defense Civilian Pay System - DFAS-Denver Center."

3. Balance SFs 2806/3100. The monetary amount contained on the last posting on the fiscal history accumulative total salary deductions for each hard copy SF 2806/3100 must be in agreement with cumulative retirement deductions for each employee contained in the automated civilian payroll system. Ultimately, this amount must also be in agreement with cumulative amounts agreed upon by the OPM and the departmental level. Discrepancies must be resolved and corrective action taken to adjust either cumulative retirement deductions and/or hard copy SFs 2806/3100.

4. Balance Military Deposit Worksheets. Ensure that all repayments (cash collections or payroll deductions) made for military service credit deposits have been posted to the OPM Form 1514 and the remaining balance reflects accrued interest through the date of the last payment. Ensure that each OPM Form 1514 is supported by, and is in agreement with, the SF 2806 or SF 3100 maintained for that purpose. This SF 2806/3100 is separate and apart from the SF 2806 or SF 3100 maintained for regular retirement. Ensure that all collections have been reported via the SF 2812.

5. Balance TSP Accounts. Amounts reported to the NFC on Form TSP-2 (Thrift Savings Plan Certifications of Transfer of Funds and Journal Voucher) must be in agreement with amounts reported by the disbursing officer to the departmental level. The departmental level will have performed an analysis of the two amounts based on information provided by the disbursing officer and the NFC. The losing civilian payroll office will be responsible for reconciling the difference and making necessary adjustments.

6. Balance SFs 2812. Amounts reported to the OPM on the SF 2812 must be in agreement with amounts reported by the disbursing officer to the departmental level. The departmental level will have performed an analysis of the two amounts based on information

provided by the disbursing officer and the OPM. The losing civilian payroll office will be responsible for reconciling the difference and making necessary adjustments. Ensure that all collections have been reported via the SF 2812.

7. Certify SFs 2806/3100. Each SF 2806/3100 must be certified for its accuracy. The certification will begin on the line below the last fiscal entry and will carry the annotation "Deductions and service certified correct." The payroll certifying officer will be responsible for signing the certification.

8. Transmit SFs 2806/3100. All SFs 2806/3100 for CSRS and FERS shall be forwarded to the OPM. This includes those records being maintained for frozen CSRS accounts and military deposits. SF 2807 (Register of Separations and Transfers for CSRS) and SF 3103 (Register of Separations and Transfers for FERS) shall be prepared to forward records to the OPM. A copy of the register shall be provided to the consolidated civilian payroll office. In order to minimize the number of registers submitted to OPM, each register except for the last should contain 100 records. The records will be arranged in alphabetical order within the register. Only the last page of the register should contain page totals, totals brought forward from page..., and accumulated totals to date; therefore, except for the final page of each register, cut off each page just above the "Page Totals" block.

a. Employees who separate or retire before their records are transferred to the OPM will have their SFs 2806/3100 submitted immediately in accordance with standard procedures. They will not be batched with other records submitted to the OPM as part of the transfer of the payroll function. The consolidated civilian payroll office must be informed of the register number that submits this type of record so the number may be annotated on the retirement transmittal submitted to the OPM from the consolidated civilian payroll office for the same employee. This will allow the OPM to combine both submissions into one package.

★ b. SFs 2807 received by a losing civilian payroll office after payroll accounts have been transferred to the consolidated civilian payroll office will be returned to the sender. Attach the SF 2807 to a memorandum explaining that the payroll accounts have transferred to the consolidated civilian payroll office and the SFs 2806/3100 must be sent to the OPM. A sample memorandum is at Figure 1-13.

★ 9. Clear OPM Discrepancy Notifications. All outstanding OPM discrepancy notifications must be resolved and returned as soon as possible. The goal is two weeks after the last SF 2806/3100 has been submitted.

★ 10. Microfiche SFs 2806/3100. A permanent record of SFs 2806/3100 must be made in case they are lost or destroyed during submission. Microfiche all SFs 2806/3100 prior to shipment from the losing civilian payroll office. Microfiche must be of a quality acceptable for the General Records Schedule 2 (reference (g)). Retirement cards are to be filmed in the same order as they appear on the register to OPM. The quality of the product should be reviewed after records are microfiched to ensure the records are legible. Two sets of microfiche must be produced.

One set must be retained as a part of the documents retained by the losing civilian payroll office and one set must be forwarded to the consolidated civilian payroll office.

★ H. Complete In-Process Adjustments. Losing civilian payroll offices may have work in progress that will not be completed prior to the transfer of payroll accounts to the consolidated civilian payroll office. Examples of these types of adjustments would include research and recalculation of retroactive adjustments to pay, leave, and deductions for court cases such as Armitage, et al. v. United States, MSPB and FLRA judgments, arbitrations, grievances, unfair labor practice determinations, and settlement agreements. The consolidated civilian payroll offices will not assume the responsibility for completion of these actions.

1. Adjustments for active employees that have not been updated in the losing civilian payroll office's current payroll system will not be included in data converted for the consolidated civilian payroll office. The losing civilian payroll office must complete the action and inform the consolidated payroll office of the results so that office may take the appropriate action.

2. Inactive employee records will not be converted for the consolidated civilian payroll office. The losing civilian payroll office must complete the in-process adjustment and take appropriate action to ensure the records and reports applicable to that office includes the adjusted amounts. Forward any report which has changed and which was previously included in the payroll office substantiating document files to the consolidated civilian payroll office.

★ I. Maintenance and Disposition of Historical Files

1. The losing civilian payroll office/accounting activity will be responsible for maintenance and disposition of those residual records that are not forwarded to the consolidated civilian payroll office. Records disposition will be in accordance with the General Records Schedule 2 (reference (g)).

2. Upon consolidation of the accounting activity to an OPLOC, provide microfiched copies of the residual employee pay records (or equivalent), leave records (or equivalent), and time and attendance records (as available) to the consolidated civilian payroll office. The quality of the product should be reviewed after records are microfiched to ensure that records are legible. Microfiched records which are not of an archival quality will not be accepted by the consolidated civilian payroll office.

a. Forward only the residual microfiched records that have not met disposition requirements in accordance with the General Records Schedule 2 (reference (g)). These records should be in chronological order, by pay block (if applicable) and SSN. For civilian payroll offices using other than the SSN for record sequencing (i.e. employee identification number or name), a listing should be provided, either on microfiche or hard copy, for converting the employee identification number or name to the SSN.

b. Forward either the hard copy or microfiched pay records to the NPRC. For civilian payroll offices using other than the SSN for record sequencing, also forward a

copy of the above mentioned listing to the NPRC. Forward to the consolidated civilian payroll office a copy of the SF 135 that accompanied these records to the NPRC.

c. Dispose of remaining records in accordance with local disposition procedures.

d. Employee and payroll substantiating files as specified in subparagraphs 010504.B. and C. may be disposed of in accordance with local disposition procedures since copies or originals of these documents have already been forwarded to the consolidated civilian payroll office.

MEMORANDUM FOR HUMAN RESOURCES OFFICERS

SUBJECT: Change in Payroll Servicing Arrangement

The payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____. The Payroll Office Number assigned to the (name of consolidated site) is 97-38-(number).

This memorandum is to notify you officially of the impending change in the payroll servicing arrangement, and to request that you disseminate this information to all affected parties including state unemployment offices. We are particularly interested in ensuring that all labor organizations and other like employee associations be notified well in advance of the change in servicing arrangement and the effective date so they may inform their members. The (name of consolidated site) will be forwarding a “welcome” package to you under separate cover. This package will explain in greater detail the payroll services that will be provided and will also outline changes that you may expect.

It is also requested that you initiate action to change the servicing Payroll Office Number associated with each employee record contained in your automated civilian personnel system. This change is necessary to ensure that automated submissions of entitlement and deduction data are directed to the proper payroll office. The change in servicing Payroll Office Number should be made after completing all transactions for the pay period ending _____, and before initiating the first transaction for the pay period beginning _____. We have established a cut off date of _____ which will be the last date transactions may be received and processed by this payroll office. You are requested to make every effort to honor this date as we must be in a position to complete final pay period processing and prepare for the transfer of payroll files to the consolidated site.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Local Finance and Accounting Officer

Attachment

★Figure 1-1 (Sample Memorandum to Human Resources Officers)

Internal Revenue Service
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that remittances for tax levies and voluntary repayment of delinquent taxes will no longer be made by this payroll office after _____. Enclosed is a list of employees within your jurisdiction for which this office is making payroll deduction for tax levy(s). The Form 668-W (Notice of Levy on Wages, Salary, and Other Income) provided to this payroll office has been forwarded to the (name of consolidated site) as part of the official records of that office. The (name of consolidated site) will honor the Notice of Levy, and you may expect to receive the first remittance on or about _____. Levies, which have been misrouted to this office and received after, _____ will be forwarded directly to the (name of consolidated site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

★Figure 1-2 (Sample Letter to Internal Revenue Service for Levies)

Date _____

Internal Revenue Service
(Enter address of Regional Service Center)

Dear Sir:

The purpose of this letter is to advise you that all civilian payroll accounts located at _____, Employer Identification Number (EIN) _____ will be moved to a consolidated civilian payroll office located at _____, effective _____.

The _____ uses Employer Identification Number _____. Its address is:

Civilian employees affected by the consolidation will receive two Wage and Tax Statements (Forms W-2) for tax year _____. _____ will issue Forms W-2 to employees and submit federal tax reports to the IRS through _____. The _____ will also issue Forms W-2 to employees for wages paid beginning _____ through the end of the current tax year. Although _____ will perform no further annual civilian payroll reporting after tax year _____, we may have occasion to report certain adjustments for civilian employees against it in the future. Therefore, it must continue to be available for this purpose. Any questions, which pertain to the planned consolidation, should be directed to _____.

Sincerely,

Local Finance and Accounting Officer

★Figure 1-3 (Sample Letter to Internal Revenue Service for Closure)

State/Local Taxing Authority
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address), Employer Identification Number (EIN) _____, is scheduled to be consolidated into the (name of consolidated site -- Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that this payroll office after will no longer make the withholding and remittance of taxes for your jurisdiction _____. The (name of consolidated site), EIN _____, will be withholding taxes according to your published formulas, and remittance will be in accordance with your agreement with the Department of the Treasury.

We will be providing you tax reports as a part of our normal disestablishment procedures. These reports will include those normally furnished to you after the end of the tax year other than Form W-2 and automated reporting media. The Form W-2 to individual employees will be produced and distributed after the end of the tax year by the consolidated payroll office. You will also receive year-end automated reporting at that time.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-4 (Sample Letter to State/Local Taxing Authority)

National Finance Center
Thrift Savings Plan Operations Office
P.O. Box 61150
New Orleans, Louisiana 70161-1500

Dear Sir:

The payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay date of _____. The Payroll Office Number assigned to the (name of consolidated site) is 97-38-(number).

This letter is to notify you officially of the impending change in the payroll servicing arrangement so that you may make the necessary changes to your records. Employee data records for the final submission from this payroll office will contain the TSP Separation Code "T" for those records that are being transferred to the (name of consolidated site). All other records will carry the TSP Separation Code applicable to the particular employee being reported. Enclosed is a list of employees currently having deductions made for TSP loans. Documentation to support these loans will be transferred to the (name of consolidated site) and you may expect to receive loan payment data along with regular biweekly employee data and payment record submissions.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

cc:

Thrift Investment Board

NOTE: Address correspondence to the Thrift Investment Board as follows:

Federal Retirement Thrift Investment Board
1250 H Street, NW
Washington, DC 20005

★Figure 1-5 (Sample Letter to National Finance Center)

Court of _____
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that withholding and remittance of payments for (alimony, child support, bankruptcy, commercial debt) will no longer be made by payroll office after _____. The enclosed list reflects employees who are having deductions made by this payroll office on your behalf. The (name of consolidated site) has been provided the official court documentation and will continue to honor the collection. You may expect to receive remittances from them on a biweekly basis beginning on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

★Figure 1-6 (Sample Letter to Courts)

Federal Reserve Bank/Financial Institution
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that remittances for net salary payments and allotments will no longer be furnished by this payroll office after _____. Previously completed employee authorization for deposit to accounts will be transferred to the (name of consolidated site) and will continue to honor these authorizations. You may expect to receive the first remittance on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-7 (Sample Letter to Federal Reserve Bank/Financial Institution)

Chief
Financial Management Division
Retirement and Insurance Division
Office of Personnel Management
Washington, DC 20415-0001

Dear Sir:

The payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____. The Payroll Office Number for the (name of consolidated site) is 97-38-(number).

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that you will no longer receive biweekly reports for withholdings and contributions. Submission of the last SF 2812 (Journal Voucher and Report of Withholdings and Contributions for Health Benefits, Group Life Insurance, and Civil Service Retirement) will be on _____. Individual Retirement Records for the Civil Service Retirement System and the Federal Employees Retirement System will be forwarded in accordance with agreements you have reached with the Director, Defense Finance and Accounting Service. We will be working closely with our departmental personnel and your staff to ensure that our records are in balance before they are remitted. Any questions concerning our records once they are balanced and forwarded should be directed to the (name of consolidated site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-8 (Sample Letter to Office of Personnel Management)

Nonappropriated Fund Employee Benefit System

Street Address

City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that remittances for nonappropriated fund retirement will no longer be furnished by this payroll office after _____. Responsibility for deduction and remittance of retirement contributions will be assumed by the (name of consolidated site). You may expect to receive the first remittance on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-9 (Sample Letter to NAF Employee Benefit System)

Combined Federal Campaign of _____

Street Address

City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that withholding and remittance of payments for charitable contributions will no longer be made by this payroll office after _____. The (name of consolidated site) will continue to honor previously executed employee authorizations for charitable contributions. You may expect to receive remittances on a biweekly basis beginning on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-10 (Sample Letter to Combined Federal Campaign)

Name of Employee
Street Address
City, State ZIP Code

Dear Sir:

The civilian payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that collection and processing of your payments for an indebtedness to the U.S. Government will no longer be made by the civilian payroll office after (date). The (name of consolidated site) has been provided the official documentation and will continue to honor your remittances. After the date mentioned above, send your remittances, paid to the order of _____ to the (name of consolidated site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to the (name of consolidated site).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-11 (Sample Letter to Employee)

DMDC Monterey/DFAS - Cleveland Center

Street Address

City, State ZIP Code

Dear Sir:

The civilian payroll office located at (local civilian payroll office and address), is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement so that you may make the necessary changes to your records. Salary offsets will no longer be made by this civilian payroll office after _____. Enclosed is a list of employees having salary offsets and whose documentation will be forwarded to the (name of site) for salary offset. Requests for salary offset that are misrouted to this office and received after _____ will be forwarded directly to the (name of site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of site) is _____. He/she may be reached telephonically at _____, or by addressing mail to the (name of site).

Sincerely,

Local Finance and Accounting Officer

Enclosure

★Figure 1-12 (Sample Letter to DMDC Monterey/DFAS Center)

MEMORANDUM FOR FINANCE AND ACCOUNTING OFFICE**SUBJECT: Return of Individual Retirement Records**

The civilian payroll office located at (local civilian payroll office and address), Payroll Office Number _____, has been consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

In addition to the transfer of payroll accounts to the consolidated site, the Office of Personnel Management (OPM) has agreed to accept all Individual Retirement Records for the Civil Service Retirement System and the Federal Employees Retirement System. Therefore, as a result of the consolidation effort and the OPM agreement, it is not possible for this office to accept the retirement records attached to SF 2807 IA XX-XX. The attached SF 2807 is being returned to you without action, and the Individual Retirement Records erroneously forwarded to this office must now be forwarded to the OPM. You should prepare an SF 2807 in the OPM series and forward these records as soon as possible after receipt.

Local Finance and Accounting Officer

Attachment

★Figure 1-13 (Sample Memorandum to Finance & Accounting Office)

CHAPTER 2

TIME AND ATTENDANCE

0201 INTRODUCTION

020101. Objective. The payroll functional objective for time and attendance is to ensure that the attendance (i.e., presence and absence) of employees is accurately recorded and reported in order to compute pay, leave, and allowances.

020102. Responsibilities

A. Employing Activity's Responsibilities

1. Timekeepers and time and attendance certifiers have been properly trained.

2. Timekeeping and time and attendance certification processing are performed as required by the designated individuals.

3. All required supporting documentation is available for audit purposes.

4. Procedural guidance is clear and adequate to ensure that timekeeping and time and attendance certification is correctly performed.

5. The timekeepers and time and attendance certifiers make every effort to correct errors prior to electronic certification.

★ 6. All errors that were not detected and corrected prior to electronic certification are promptly reported electronically to the civilian payroll office. These errors would include the failure to enter the correct separation date as well as other time and attendance entries.

★ B. Supervisor's Responsibilities

1. Supervisors are responsible for the timely and accurate preparation, certification, and submission of time and attendance. The supervisor may assign checking of daily attendance and posting of time and attendance to a timekeeper. Assignment of these duties to a timekeeper does not relieve the supervisor of the responsibility for the accuracy of the time and attendance to which he or she certifies including that leave is approved and administered in accordance with applicable policies, regulations, instructions, and bargaining agreements. The supervisor should inform the timekeeper when an employee is on any type of leave, or has worked any type of premium work.

2. Normally, timekeeping responsibilities should be assigned to individuals who are aware of employees' attendance and absence each day.

3. Supervisors should ensure that exceptions to the employee's normal tour of duty are recorded timely and accurately.

4. An alternate timekeeper should be appointed to maintain time and attendance during the absence of the primary timekeeper.

C. Timekeeper's Responsibilities

1. Timekeeping is a critical function. Personnel chosen as timekeepers must be competent and responsible. They are responsible for keeping complete and accurate time and attendance reports. If possible, timekeepers should be collocated with the employees whose records they keep.

2. Organizations may designate supervisors or other employees (secretaries, clerk typists, or others) to serve as timekeepers. Timekeepers may be civilian or military personnel.

3. All employees appointed as timekeepers for time and attendance are responsible for:

★ a. Timely and accurate recording of all exceptions to the employee's normal tour of duty.

★ b. Ensuring, when required, that employees have requested exceptions (e.g., leave usage) to their established work schedules or have attested to their actual work schedules. These requests or attestations should be documented in writing or electronically including: a manually completed hard copy (e.g., a signed SF 71 (Application for Leave); or a sign-in, sign-out sheet), a printout of an automated record (e.g., a time and attendance report) with the employee's signature (written or electronic) or initials affirming the correctness of the data, or an automated or electronic record retained on magnetic medium.

★ c. Ensuring that all entries for overtime and compensatory time earned have been approved, and totals are correct before certification.

0202 REQUIREMENTS

020201. Daily Record of Time. For each civilian employee, a daily record of time in pay and nonpay status or piecework completed shall be maintained by a designated timekeeper who takes no part in preparing the payroll or by electromechanical devices, if permitted by local law. When such devices are used, adequate supervisory surveillance shall be maintained to ensure

proper and accurate time recording. Timekeepers responsible for time and attendance reports shall have positive knowledge as to the employee's presence and absence before marking the report.

020202. Time Period. The time period shown on time and attendance reports shall correspond to the length of a pay period; i.e., if payment is made for a 2-week period, the time and attendance report shall cover a 2-week period.

020203. Charge of Annual Leave. Time and attendance data shall indicate clearly whether annual leave taken is to be charged against the employee's current leave account or to a separate leave account established for restored leave. Unless annual leave taken is identified to an employee's restored account, regular leave will be charged.

020204. Accounting for Time and Leave. The time and attendance data shall reflect a proper and accurate accounting of an employee's actual time and attendance and leave.

020205. Data Element Values. Minimum data element values to be included on time and attendance reports or supporting documentation for each employee are as follows:

- A. Employee name and SSN.
- B. Pay period number or dates.
- ★ C. Number of hours worked by day and in total.
- D. Number of hours of premium work, by type, to which employee is entitled.
- E. Number of credit hours and compensatory time earned.
- F. Number of leave hours (by type), credit hours and compensatory time used.
- ★ G. Dates leave is taken.
- H. Any required supporting documentation for absences, e.g., court orders, SFs 71 or military orders.
- I. Handwritten signature or automated approval code of an authorizing official.
- J. Such other information as may be required in support of operations.

020206. Work Schedules

- ★ A. Basic Work Requirement. The basic work requirement is defined as the number of hours, excluding overtime hours, an employee is required to work or to account for by charging leave. Generally, a full-time employee's basic work requirement is 80 hours in a pay

period. The Department of Defense Education Activity (DoDEA) employees in pay plan "TP" (which includes educators, principals and assistant principals) are scheduled to work either full or half days. This includes educators employed in part-time and substitute positions. Attendance and absence must be recorded accordingly. If it is necessary to convert time for teacher personnel to hours, eight hours will be used for a full day and four hours for a half-day. An approved work schedule shall be maintained showing the planned arrival and departure for each day to support the time and attendance report.

★ B. Alternative Work Schedules (AWS). Title 5, United States Code, Chapter 61, subchapter II (reference (b)) made the AWS program permanent in 1985. The program permits a variety of flexible and compressed work schedules.

1. Flexible Work Schedule. Under certain flexible schedules, DoD civilian employees may work longer or shorter hours including credit hours on any given workday without taking leave or being paid overtime, as long as their basic biweekly work requirements are met (5 U.S.C. 6123) (reference (b)). By electing to work hours in excess of their tour of duty, employees may also complete the biweekly basic work requirements in fewer than 10 workdays without being paid overtime or being charged leave for the nonworkdays. This provision does not apply to TP pay plan employees.

★ a. Material variances or deviations as determined by the FWS plan must be approved by the supervisor before the change occurs, if feasible, or promptly after occurring, if not feasible. As part of their approval of the change, supervisors or designees must verify that the dates and amounts of material changes have been recorded in the appropriate time and attendance record.

★ b. In the case of a full-time employee, an 80-hour biweekly work requirement allows an employee to determine his or her own schedule within the limits set by the employing activity. A part-time employee determines his or her own schedule for a biweekly work requirement of less than 80 hours. The following are variations of the flexible work schedule:

(1) Flextime is a flexible work schedule that splits the tour of duty into 2 distinct kinds of time--core hours and flexible hours. Under any flextime schedule, an employee must be at work or on approved absence during core hours and must account for the total number of hours he or she is scheduled to work.

(2) Flexitour is a work schedule in which an employee, having once selected starting and stopping times within the flexible hours, continues to adhere to these times. Further opportunities to select different starting and stopping times may be provided subsequently by the employing activity.

(3) Gliding schedule is a flexible work schedule in which an employee has a basic work requirement of 8 hours in each day and 40 hours in each week. They

may select an arrival time each day and may change that arrival time daily as long as it is within the established flexible hours.

(4) Maxiflex is a flexible work schedule that contains core hours on fewer than 10 work days in the biweekly pay period and in which an employee has a basic work requirement of 80 hours for the biweekly pay period (or multiple thereof). The employee may vary the number of hours worked on a given workday or the number of hours each week within the limits established for the organization.

2. Compressed Work Schedule

a. A compressed schedule is a fixed schedule which enables the full-time employee to complete the basic work requirements of 80 hours in fewer than 10 full workdays in each biweekly pay period by increasing the number of hours in the workday. There are no flexible times in a compressed schedule. Employees' times of arrival and departure from work are set, as are the days on which they are to complete the basic work requirement. For employees working under compressed schedules, overtime pay will continue to be paid for work outside the compressed schedule (5 U.S.C. 6121 and 6128) (reference (b)). The two most common compressed schedules are the 4-10 and the 5-4/9 schedules. On the 4-10 schedule, employees work 10 hours a day for 4 days each workweek. On the 5-4/9 schedule, employees work 9 hours a day for 8 days, 8 hours for 1 day, and get 1 day off each pay period. Compressed work schedules are determined either by management or through negotiations with exclusive employee representatives.

b. The recording of absences is treated in the same manner as for employees working a regular or alternative work schedule. However, employees working a compressed work schedule will be charged leave in accordance with their basic work schedule.

★ C. For additional guidance, refer to the OPM Handbook on Alternative Work Schedules (reference (j)).

020207. Approval of Leave. Leave approval may be by handwritten or automated signature. Leave approvals must be in accordance with paragraph 050105.

020208. Overtime and Compensatory Time Earned Authorizations

★ A. An authorized official (preferably the official most knowledgeable of the time worked) will approve any overtime, compensatory time, or holiday work. The approval, which could be documented in writing or electronically, must be retained in accordance with section 0207.

★ B. Approval should be granted before the hours are worked whenever feasible and, when not feasible, as soon as possible after the work has been performed.

C. In granting such approval, care must be taken to distinguish between regular overtime and irregular or occasional overtime in order to properly determine an employee's overtime entitlement.

★ D. Compensatory time earned may be granted for irregular and occasional overtime work only. It is not authorized for regularly scheduled overtime work.

020209. Continuation of Pay (COP)

★ A. An employee who sustains a disabling job-related traumatic injury is entitled to the continuation of regular pay for up to 45 calendar days. See section 0312 for additional information regarding COP.

B. Controls will be established to ensure that employees do not exceed the 45-day limit. COP time will be accounted for as follows:

1. Days are counted on a calendar basis. If an employee is charged COP on Friday and the disability continues through the weekend, he or she is charged COP for Saturday and Sunday. Holidays, weekends, and regular days off following a COP day are counted as COP days. If 1 hour is used to see a physician and 7 hours are worked, it is still counted as 1 COP day. The time and attendance source document will show the actual hours worked in order to give an accurate picture of employee's work record.

2. Unless the injury occurs before the beginning of the workday, time lost on the day of injury should be charged to administrative leave. The period to be charged to COP begins with the first day or shift of disability or medical treatment following the date of injury, provided that the absence began within 45 days after the injury. COP should be charged for weekends and holidays if the medical evidence shows the employee was disabled on the days in question. For example, if the physician indicates that disability will continue only through Saturday for an individual who has Saturday and Sunday off, COP will be charged only through Saturday.

3. If work stoppage occurs for only a portion of a day or shift other than the date of injury, a full day of COP will be counted against the 45-calendar day entitlement, even though the employee is not entitled to COP for the entire day or shift. For example, if an employee who has returned to work uses 3 hours in order to receive physical therapy for the effects of the injury, he or she is entitled to only 3 hours of COP even though 1 full calendar day will be charged against the 45-day limit. If an employee is absent for all or part of the remaining workday, the time loss should be covered by leave, leave without pay (LWOP), absence without leave (AWOL), etc., as appropriate, since absence beyond the time needed to obtain the physical therapy cannot be charged to COP.

4. If the employee is only partially disabled following the injury, and continues to work several hours each workday, each day or partial day of absence from work is chargeable as a full day of COP against the 45-day period.

5. Absences charged to COP and disapproved later by the Department of Labor require conversion to sick or annual leave. If sick or annual leave is not available, COP will be converted to LWOP and reimbursements to the government must be for gross earnings paid while in a COP status. Refer to section 0803 for due process procedures. This collection includes payments made on behalf of the employee and adjustments to the deposit fund accounts by the civilian payroll office.

6. A physician, as necessary, must certify the time the employee takes off due to the injury.

C. Injured employees are permitted to return to duty with lighter jobs or a modification of their own job. When an injured employee returns to duty in an official light-duty status within the first 45 days of disability following an injury, each day or portion of a day in light-duty status will be counted as one day of COP. This also includes any day or portion of a day worked while under injury-related work restrictions imposed by a physician.

020210. Temporary Duty (TDY)

A. When an employee is on TDY, the hours worked and hours of leave will be recorded on the time and attendance document. All time actually spent away from the permanent duty station during the basic workweek will be recorded as time worked or leave taken by the employee's permanent duty station. The travel order will support entries on the time and attendance document for regular time.

B. When an employee is on extended TDY (official government-directed travel of 3 weeks or more in duration), the supervisor may require the employee to submit time and attendance data. Telephone, overnight mail, facsimile machine, or other acceptable means of communication may be used.

0203 TIME AND ATTENDANCE RECORDING

★ 020301. Requirements. Scheduled starting and ending times of the day for each employee or for groups of employees shall be established and recorded. The day an employee's shift begins is designated as the day of work for night and shift differential purposes. These requirements shall be modified for AWS (see subparagraph 020206.B.).

★ 020302. Certification of Absences. Indicated absences shall be initialed or signed by the employee or supported by an approved application for leave. A supervisor may require a medical certificate or other evidence of illness from an employee when granting sick leave. Such certification will be retained by the employing activity in accordance with section 0207.

★ 020303. Verification of Leave Charges. Employees must officially confirm each leave charge, except for administrative leave, AWOL charges, suspension or holiday absences.

020304. Leave Charges. All leave types are charged to the employee either by whole days, whole days or fractional hours.

★ 020305. DoDEA Educator Absences. Absences of DoDEA educators in the TP pay plan shall be recorded in full or half days. When an educator is required to work during any portion of a half-day increment, the educator's time shall be recorded in a duty status for the entire half-day increment. However, an educator who fails to work part of a scheduled increment for unacceptable reasons shall be charged leave or AWOL for the entire increment.

020306. Daylight Saving Time

A. Civilian employees working on a tour of duty when daylight saving time goes into effect are credited with the actual number of hours worked on the tour of duty. The hour lost as a result of the change is charged to annual leave, compensatory time used, credit hour used, or leave without pay, whichever is applicable with the employee's request. Employees may be allowed to work 1 hour beyond the end of their shift.

B. Civilian employees working on a tour of duty when standard time goes into effect are credited with the actual number of hours worked. Any time worked in excess of 8 hours will be paid as overtime and/or compensatory time earned or recorded as credit hours.

★ 020307. Recording Clock. A recording clock may not be used to record time of an employee of an executive department in the District of Columbia. See 5 U.S.C. 6106 (reference (b)).

0204 TIME AND ATTENDANCE CERTIFICATION

020401. Controls. The certification of time and attendance is an authorization for the expenditure of government funds. Each employee's time and attendance report shall be certified correct by the employee's supervisor, acting supervisor, or other designated representative authorized to act as an alternate certifier at the end of the pay period. Certification shall not ordinarily be made earlier than the last workday of a pay period. In some circumstances (such as when a legal holiday falls on a Friday or Monday), it is not practical to operate without an early cutoff. In such cases, additional controls, which shall be demonstrated in the system design, shall be in place and operating. These controls shall ensure that any change in attendance or absence certified by a supervisor that occurs after the cutoff date either is identified and reported before pay computation or is reported for the next pay computation. The employee may initial the corrected entry(ies) or submit an SF 71 for such absence, as appropriate.

020402. Responsibility. All time and attendance reports and other supporting documents shall be reviewed and approved by an authorized official. This official shall be aware of his or her responsibilities for ensuring accuracy of the reports and shall have knowledge of the time worked and absence of employees for whom approval is given.

★ A. Certification of time and attendance documents must be based on knowledge from personal observation, work output, timekeeper verification, from checking data against other independent sources (such as matching starting and ending times of work against sign-in and sign-out sheets or time clock entries), from reliance on other internal controls, or a combination of these. Approving officials must have a reasonable basis for relying on systems of internal control to ensure accuracy and legal compliance when they do not have positive, personal knowledge of the presence and absence of, or other information concerning, employees whose time and attendance documents are being approved. This basis must involve periodic testing of internal controls to ensure that they are working as intended.

B. Approvals shall be made individually for each employee, and a handwritten or automated signature shall be provided for each time and attendance report.

C. A single supervisory signature for a multiple employee report may be made to approve the information recorded for all employees listed on the report. There are three prerequisites for a single signature:

1. The data elements itemized in paragraph 020205. shall appear on the report for each employee listed on the report;

2. Supporting documents required for the information on the report shall be reviewed by the supervisor; and

3. The supervisor shall initial or sign each page of the report and also shall either sign the last page of the report or enter an approval code into an automated system.

D. For computerized ("paperless") time and attendance systems in which time and attendance data is contained in a computer file and displayed on a terminal, a single automated code may be entered by the supervisor to approve the information contained in the file provided that the data elements itemized in paragraph 020205. are contained in the file. The supervisor prior to approving time and attendance data reviews supporting documents or computerized files. A record of changes made to a file, once approved by someone other than the original approving official, is generated and sent to either the original approving official or a designated person other than the one who made the changes.

020403. Delay. Certification of the time and attendance report may not be delayed for the purpose of obtaining the employee's initials or signature for leave when the employee is not available. The employee shall submit a confirming SF 71 upon return to duty.

★ 020404. Maintenance by Employee. Normally, employees may not maintain their own time and attendance reports. The situations in which employees may maintain their own time and attendance recordings are as follows:

- A. The employee is the timekeeper;
- B. Employees work flexible hours outside the hours of the timekeeper and supervisor;
- C. An employee is working alone at a remote site; and
- D. Employees are based at, but are frequently away from, the location of their supervisors and timekeepers during working hours.

To provide reasonable assurance that employees are working when scheduled, supervisors can make occasional telephone calls to employees during the times they are scheduled to work and can determine the reasonableness of work output for the time spent.

★ 020405. Prior Approval. When it is not practical for the supervisor to approve a time and attendance record prior to the receipt of supporting documents, the employee may be paid and a subsequent review performed of the documents by the supervisor.

★ 020406. Exceptions. Exceptions to the general prohibition of employees approving their own time and attendance recordings are intended to apply only when it is not feasible for employees described to have their time and attendance report approved by a supervisor. In such instances, the Component head or designee shall grant an official authorization in writing. These exceptions are:

- A. An employee working alone at a remote site for long periods;

B. Employees are based at, but frequently away from, the location of their supervisors and timekeepers during working hours; and

C. The employee is head of an organization within an agency that has no supervisor on site.

0205 TIME AND ATTENDANCE REPORTING

★ 020501. Methods. Time and attendance (T&A) data must be transmitted to the payroll system, as required, by using positive (100 percent) reporting or exception reporting. Under positive reporting, all T&A data are reported to the payroll system for each employee. Under exception reporting, only exceptions to the employee's scheduled tour of duty are reported to the payroll system. (NOTE: The appropriate function key must be pressed to denote that all exceptions have been reported) When reporting to the payroll system by source data automation (SDA), positive reporting will be required for each employee.

★ 020502. Controls. Regardless of the reporting method, the controls shall ensure that all required T&A information, including current period corrections and prior period adjustments, are properly reviewed and approved by an authorized official and reported timely and accurately.

★ 020503. Generation of a Charge to Annual Leave. If any required T&A data are missing for an employee, the civilian payroll system will generate a charge against the employee's annual leave balance. (NOTE: T&A data are considered missing if (a) under positive reporting, time has not been reported for the employee's entire scheduled tour of duty; or (b) under exception reporting, the appropriate function key has not been pressed to denote that all exceptions have been reported.) If the annual leave balance is not sufficient to support the employee's regularly scheduled tour of duty, the remainder will be charged as shown in Table 5-2. The employee's pay and leave record will be corrected upon submission of the certified time and attendance data.

★ 020504. Source Data Automation (SDA). Refer to section 0209 for information on SDA systems.

0206 ADJUSTMENTS AND CORRECTIONS

020601. Current Period Corrections. Timekeepers will correct errors in data as discussed in subparagraph 020102.C.3.d.

★ 020602. Prior Period Adjustments. If the time and attendance for the current pay period has been processed and a change is required, certified adjusted time and attendance data will be input to the payroll system or forwarded to the civilian payroll office via the CSR. The adjustment will be promptly processed in the employee's pay and/or leave record no later than the pay period following receipt for on-line adjustments.

020603. Electronic Corrections. Electronic corrections for current period corrections and prior period adjustments will be made in accordance with the payroll system's users manual.

0207 RETENTION OF RECORDS

020701. Storage Location. Employing activities shall establish a uniform practice to be followed as to the locations at which the time and attendance reports and related supporting documentation are to be maintained. Time and attendance reports, together with approved applications for leave, overtime approvals, military orders, jury duty certification, etc., may be retained at the timekeepers' offices, or sent to a designated storage location.

020702. Internal Controls. Sufficient internal controls shall be established to prevent unauthorized changes to completed time and attendance reports, regardless of where they are retained.

020703. Retention Period. Time and attendance reports and all other payroll records shall be kept in accordance with records retention requirements as explained in the General Records Schedule 2 (reference (g)). This schedule requires time and attendance reports and other supporting documents to be kept available for audit or for 6 years, and 3 months, whichever occurs first.

0208 LABOR DISTRIBUTION

020801. Interface with Cost Accounting Systems. Civilian payroll systems shall interface with cost accounting systems, if established, to ensure payroll labor costs are distributed and charged to appropriate cost centers. Organizations that operate a formal cost accounting system shall ensure that costs are reconciled to the labor distribution processes no less frequently than monthly.

★0209 SOURCE DATA AUTOMATION SYSTEMS

020901. Requirements. The requirements for obtaining approval to use an SDA were established by DFAS memorandum of November 10, 1992 (reference (k)). The requirements are:

A. The SDA will not cause the need for, or lead to the development of, a new interface to an existing legacy accounting system.

B. The SDA must provide time and attendance data to DCPS in a timely manner each pay period.

C. The SDA must have the capability to receive data from or transmit data to more than one DCPS civilian payroll office.

D. Only one SDA process will be approved per major claimant/major command/Defense activity. Employees not using the SDA must use either the DCPS on-line time

and attendance input system or the DCPS PC-based input system. Effective October 1, 1999, the DCPS PC-based input system will no longer be available.

E. The SDA must have the capability to support supervisory electronic certification of time and attendance, even if the major claimant/major command/Defense activity does not use this capability.

F. The SDA must provide positive acknowledgment of accurate time and attendance prior to payroll processing.

G. Standard DCPS time and attendance codes must be used with the SDA software application.

H. The SDA should support at least 1,000 employees.

I. Use of the SDA must eliminate any need for dual reporting of time and attendance and labor cost data.

020902. SDA Owner Responsibilities. The owner of the SDA is responsible for:

A. Maintaining the SDA software in accordance with DCPS interface specifications.

B. Any Federal Managers' Financial Integrity Act requirement pertaining to the SDA system.

020903. Approval. A request for SDA approval must be routed through the Component's chain of command to Service or Agency Headquarters. If the Service or Agency approves, the request is forwarded to DFAS-HQ for final approval. After approval, contact the Systems Engineering Organization in Pensacola, Florida, to obtain a test schedule and procedures.

CHAPTER 3

PAY ADMINISTRATION0301 GENERAL PROVISIONS030101. Payroll Computation

★ A. Payroll computations shall be based on statutorily authorized entitlements and in accordance with 5 C.F.R. 530, 531, 532, 534, 550, 551, 572, 575, 581, 591, 595, 610 and 630 (reference (l)). These entitlements shall be evidenced by an SF 50 or other approved documents, and a time and attendance report for days actually worked and any leave actually taken during the period.

B. Documents supporting entries made in the pay, leave, and allowance records shall consist of SFs 50 and other personnel documents; certified copies of travel orders; time and attendance reports, including any necessary supporting documents such as sign-in and sign-out registers or SFs 71; authorizations or approvals of overtime when required separately from time and attendance reports; pay adjustment authorizations; and similar official records.

C. Source documents need not be transmitted to the civilian payroll office provided the pay entitlement data in such documents are transmitted to the civilian payroll office and controlled by feedback to ensure consideration of that data in the pay computation process; controls are established to ensure that all data which should be transmitted are transmitted; and source documents and transmittal and control evidence are retained for audit in accordance with the General Records Schedule 2 (reference (g)).

D. Civilian payroll personnel shall ensure that payroll data are complete, correct, and accurate. Specifically, civilian payroll office personnel shall ensure that an employee's compensation is consistent with grade, position classification and other individual entitlements (retained grade and pay), and employment location. For example, an employee assigned to stateside duties shall not be paid any foreign area allowances, regardless of authorizing documents. In this example, the human resources organization (HRO) that issued such entitlement documents shall be requested to clarify and/or correct these documents.

E. The pay computation shall be accomplished as soon as possible after the close of the pay period.

F. Pay computations shall be based on the completed time and attendance record maintained for each employee.

★ G. Adequate channels of communication shall exist between the civilian payroll office, the HRO, and the CSR to ensure that all entitlement information is considered in each pay computation. At least every four months, personnel and pay data shall be reconciled and

discrepancies corrected promptly. The functional area that entered the incorrect data shall have primary responsibility for reconciling discrepancies in common data. Also see paragraph 010407.

030102. Notification of Changes to Pay. Notification of changes in pay is the responsibility of the HRO servicing the employee. The civilian payroll office shall adequately inform each employee in writing as to the nature and amount of the changes in gross pay from one pay period to the next. This information may be disclosed on an LES in lieu of a separate written advisory. This information shall be in sufficient detail to show total pay, allowances, deductions, and net pay.

030103. Statutory Ceilings on Compensation

A. Limitations on Premium Pay

1. Except as explained below, premium pay (night pay, compensatory pay, overtime pay, premium pay on an annual basis, and pay for Sunday and holiday work), in combination with basic pay, may not cause the total for any pay period for General Schedule (GS) employees to exceed the maximum rate payable for GS-15. No premium payments or compensatory time may be granted to an employee whose rate of basic pay is greater than the maximum rate for GS-15 (5 U.S.C. 5547(a) (reference (b)) and 5 C.F.R. 550.105 (reference (l))). Computation of the biweekly statutory pay limit for 32 U.S.C. (reference (m)) technicians does not include compensatory time worked. Title 32, U.S.C., section 709 (reference (m)) precludes National Guard technicians from being paid overtime; therefore, compensatory time earned by National Guard technicians will not be paid. For General Schedule (GS) employees receiving a geographic adjustment, the Supplementary Salary table will be followed to determine the GS-15, step 10 rate. Employees in occupations and/or locations for which a special rate has been established for the GS-15 are subject to a biweekly limitation equal to the special rate for GS-15, step 10.

★ 2. When the head of an agency, his or her designee, or the Office of Personnel Management (OPM) determines that an emergency exists, the biweekly limitation described in subparagraph 030103.A.1. does not apply to employees who are paid premium pay for work in connection with that emergency. In such situations, the total basic pay and premium pay for most GS employees are limited to the annual rate for GS-15, step 10, for the calendar year. This limit may include locality-based comparability or special salary rates.

★ 3. The biweekly limitation described in subparagraph 030203.A.1. does not apply to overtime pay earned by employees who are nonexempt from the FLSA (reference (n)).

B. Aggregate Limitation on Pay

1. The FEPCA (reference (e)) and 5 C.F.R. 530, subpart B (reference (l)) established a new aggregate limitation on pay. This limitation applies to members of the Senior Executive Service (SES) who previously were covered by an aggregate limitation that was applied on a fiscal year basis under 5 U.S.C. 5383(b)(1) (reference (b)), as well as to most other federal

employees. Under 5 U.S.C. 5307 (reference (b)), a covered employee may not receive any allowance, differential, bonus, award, or other payment in any calendar year to the extent such payment, in combination with the employee's basic pay, would exceed the rate payable for Level I of the Executive Schedule at the end of that calendar year. Amounts in excess of that amount generally will be paid at the beginning of the next calendar year. If an employee separates from the federal service, the entire excess amount is payable following a 30-day break in service.

★ 2. The aggregate limitation on pay applies to basic pay, allowances, differentials, bonuses, awards, and other similar cash payments made under 5 U.S.C. 5547 (reference (b)). Some of these payments are made on a one-time basis, and some are paid at the same time and in the same manner as basic pay. The FEPCA (reference (e)) classifies these as "continuing payments" and "noncontinuing payments" respectively. The aggregate limitation on pay does not apply to overtime pay earned by employees who are nonexempt from the FLSA (reference (n)).

3. Under the FEPCA (reference (e)), an agency may not authorize any discretionary continuing payment that would cause the total of all continuing payments at any time to exceed the rate payable for Level I of the Executive Schedule (5 C.F.R. 530.203(c)) (reference (l)). Examples of discretionary continuing payments include retention allowances, supervisory differentials, and physicians' comparability allowances. Nondiscretionary continuing payments (e.g., basic pay, locality-based comparability payments or interim geographic adjustments, cost of living allowances, post differentials, and remote work site allowances) are not subject to this regulatory restriction.

4. Finally, the FEPCA (reference (e)) provides that nondiscretionary continuing payments may not be discontinued or deferred for any period of time in order to make a continuing payment or discretionary continuing payment that would otherwise cause an employee's pay to exceed any of the limitations in these regulations. The FEPCA (reference (e)) also establishes an order of precedence for nondiscretionary continuing payments and any authorized physicians comparability allowance when the total of such payments exceeds the rate then payable for Level I of the Executive Schedule (5 C.F.R. 530.203 (e) and (f)) (reference (l)).

030104. Multiple Appointments. An employee shall not be entitled to receive pay from more than one position for more than an aggregate of 40 hours of work in one calendar week (Sunday through Saturday) (5 U.S.C. 5533a) (reference (b)). Generally, there is no restriction on the number of appointments that a person may hold, only upon the number of hours for which the person may be paid. An individual may be given more than one simultaneous part-time or intermittent appointment, or an employee on leave with pay may accept another federal appointment, so long as pay is not received for more than 40 hours a week (unless the employee is regularly paid for more than 40 hours a week under an authorized alternative work schedule) or from two sources for the same hours. The HROs will notify civilian payroll offices of multiple appointments via an SF 50.

0302 BASIC PAY030201. General Schedule (GS) Employees

A. Basic Pay. Generally, basic pay for these employees means the rate of pay set by the law or an administrative action for the job held before any deductions and exclusive of additional pay of any kind.

B. Pay Computation. Computations will be based on the rates contained in the OPM salary tables.

C. Basic Rates

1. The hourly basic rate is derived by dividing the annual rate by 2,087 with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent.

2. The biweekly rate is derived by multiplying the hourly rate by 80.

3. A daily rate is derived by multiplying the hourly basic rate by the number of daily hours of service.

4. For employees whose pay is monthly or covers one calendar month paid under the provisions of 5 U.S.C. 5505 (reference (b)), the following rules for division of time and computation of pay govern:

a. The pay for one month's pay is one-twelfth of the pay for one year;

b. The pay for one day is one-thirtieth of the pay for one month;

c. The 31st day of a calendar month is ignored in computing pay, except that the pay for one day is forfeited for a day of unauthorized absence on the 31st day of a calendar month;

d. For each day of the month elapsing before entering on duty, the pay for one day is deducted from the first month of pay for the individual.

★ D. Interim Geographic Adjustment (IGA). The IGAs of 8 percent that were authorized for the Consolidated Metropolitan Statistical Areas (CMSA) were discontinued because locality-based comparability payments (see subparagraph 030201.G.), exceeded the 8 percent rate. However, under 5 C.F.R. 531.701 (reference (l)), an IGA will still be taken into consideration when determining continued rates of pay. Refer to Subpart G of 5 C.F.R. (reference (l)) for additional information.

E. Special Higher Minimum Rates for Law Enforcement Officers (LEO) at Grades GS-3 through GS-10. Section 403 of FEPCA (reference (e)) provides LEOs at grades GS-3

through GS-10 worldwide special salary rates, beginning in January 1992. A special salary table number 491 authorized by section 403 of FEPCA, P.L. 101-509 (reference (e)), as amended by P.L. 102-378 (reference (e)), is published by the OPM. The LEOs are entitled to receive the higher of special rates under section 403 of FEPCA or special salary rates under 5 U.S.C. 5305 (reference (b)).

F. Special Pay Adjustment for Law Enforcement Officers (LEO) in Selected Geographic Areas. Section 404 of FEPCA (reference (e)) establishes special pay adjustments of 4, 8, and 16 percent for GS, SES, and senior-level LEOs whose official duty stations are in one of eight designated areas. These special pay adjustments are considered basic pay for retirement, life insurance, premium pay, severance pay, workers' compensation purposes, and for advances in pay. For grades GS-3 through GS-10 only, the rates of basic pay must be used for all other pay administration purposes, except as provided in 5 C.F.R. 531.203(d)(2)(vi) (reference (l)). For all other grades, the rates of basic pay in the General Schedule must be used for all other pay administration purposes. Under 5 U.S.C. 5304(g)(1) (reference (b)), the LEO special pay adjustment, when added to the employee's rate of basic pay under the General Schedule, may not exceed the rate for level IV of the Executive Schedule.

★ G. Locality-Based Comparability Payments. The FEPCA (reference (e)) authorizes the payment of locality pay for GS employees and certain other categories of positions in numerous locality pay areas. Locality pay is considered basic pay for retirement, life insurance, premium pay, advance pay, severance pay, lump-sum leave and workers' compensation purposes. Eligibility is based on where an employee's official duty station, not where he or she lives. Locality pay does not transfer with an employee from one pay zone to another. Employees shall receive whatever rate of pay applies at his or her new duty station. Employees on temporary assignment in a different pay zone shall continue receiving their current salary. Locality pay does not apply overseas, nor in Alaska or Hawaii.

030201. Employees Under the Performance Management and Recognition System (PMRS)

A. On September 30, 1993, P.L. 103-89, Performance Management and Recognition System Termination Act of 1993 (reference (e)), was enacted, thereby terminating the PMRS on October 31, 1993. The provisions of this law apply to all employees who were covered by PMRS on October 31, 1993, and provide for the transition of former PMRS employees into their agency's Performance Management System and the GS pay plan, with its within-grade increases and waiting periods. It also permits agencies to pay current rates of pay, as adjusted by the 1993 final merit increases.

B. In order to identify all employees who are covered by the provisions of this law, the OPM decided to retain the GM pay plan code. The step for all employees using the GM pay plan code will continue to be "00".

C. All GS employees, including those still designated GM after October 31, 1993, will be eligible for within-grade increases according to the waiting periods established in

statute. The last PMRS merit increase received, including one for zero dollars, is an equivalent increase for the purpose of calculating and completing the prescribed waiting periods. Within-grade increases have the dollar value of one-ninth of the pay range and employees will have that increase added to their basic pay rate (including an off-step rate) upon completion of the appropriate waiting period, provided performance has been at an acceptable level of competence.

D. Promotion, change to a lower grade, a break in service of more than three days, transfer to another non-DoD agency, or reassignment to a nonsupervisory or nonmanagement position will end an employee's coverage under P.L. 103-89 (reference (e)). At that time, the employee's rate of basic pay will be adjusted to the designated GS step rate that meets or exceeds the current rate of pay, not to exceed step 10.

030202. SES Employees

A. Definition. In accordance with 5 U.S.C. 5381-5385 (reference (b)), SES employees are in positions in the Executive Branch which were formerly classified at GS-16, 17, and 18, and Executive Levels IV or V (or their equivalents) which do not require Senate confirmation. Nonsupervisory positions are not covered unless they carry significant policy-making responsibilities.

B. Rate of Pay. There are six rates of basic pay for SES employees. The minimum rate of basic pay is 120 percent of GS-15, step 1 and the maximum rate is Level IV of the Executive Schedule. These rates may be adjusted by the President when comparability adjustments are made in GS rates under the provisions of 5 U.S.C. 5305 (reference (b)).

030203. Senior Level Positions

A. Definition. Senior Level positions, established by section 102 of the FEPCA (reference (e)), are non-SES positions formerly classified at GS-16, 17, and 18. These positions do not include administrative law judges and board of contract appeals positions that have their own pay schedules.

B. Rate of Pay. These positions are paid under 5 U.S.C. 5376 (reference (b)), which establishes the minimum rate of basic pay at 120 percent of GS-15, step 1 and the maximum rate equal to Level IV of the Executive Schedule. There are no grades or steps under 5 U.S.C. 5376 (reference (b)). Therefore, employees may be paid at any rate between the minimum and maximum rates.

030204. Scientific and Professional Employees

A. Definition. Scientific and professional employees are those in positions above GS-15 who are engaged in research and development positions established under 5 U.S.C. 3104 (reference (b)) and section 102 of the FEPCA (reference (e)).

B. Rate of Pay. These positions are paid under 5 U.S.C. 5376 (reference (b)), which establishes the minimum rate of basic pay at 120 percent of GS-15, step 1 and the maximum rate equal to Level IV of the Executive Schedule. There are no grades or steps under 5 U.S.C. 5376 (reference (b)); therefore, employees may be paid at any rate between the minimum and maximum rates.

030205. Executive Schedule Employees

A. Definition. The Executive Schedule, defined in 5 U.S.C. 5311-5318 (reference (b)), is divided into five pay levels and is the basic pay schedule for senior management positions described in those sections. SES positions are not included.

B. Rate of Pay. The rate of pay is contained in the OPM annual salary tables.

030206. Federal Wage System (FWS) Employees

A. Definition. An FWS employee means an individual who is in a recognized trade or craft, or other skilled mechanical craft, or in an unskilled, semiskilled or skilled manual labor occupation. Included is any other individual, including a foreman or a supervisor, in a position having trade, craft or laboring experience and knowledge as a paramount requirement. These positions are commonly referred to as blue collar, wage grade, or wage board. For consistency, the term FWS will be used throughout this Volume. Pay for these positions is based on the prevailing rates in an area. See Appendix A to Subpart B of Part 532 of 5 C.F.R. (reference (1)). FWS employees are hourly rate employees who receive annual wage adjustments based on a review of comparability pay by wage area. Each area pay scale is divided into five parts or classes: WG (wage grade employee); WL (wage leader employee); WS (wage supervisor); WD (nonsupervisory employees covered by the production facilitating pay plan); and WN (supervisory employees covered by the production facilitating pay plan).

B. Rate of Pay. The rates are adjusted from time to time for comparable work within a local wage area. Basic pay for FWS employees means the scheduled rate of pay plus any night shift or environmental differential.

0303 PREMIUM PAY

★ 030301. Premium pay consists of certain types of pay such as overtime pay, which is discussed in paragraph 030302.; night pay; holiday pay for employees not in receipt of annual premium pay for standby duty; Sunday pay; annual premium pay for regularly scheduled standby duty; annual premium pay for administratively uncontrollable work; availability pay for LEOs; environmental pay for FWS employees; and hazard pay for GS employees. Rates and authorization for these various pays are contained in 5 U.S.C. 5343, 5542, 5544, 5545, 5546a, 5547, and 5549 (reference (b)). Employees, as defined by 5 U.S.C. 5541 (reference (b)), may be paid premium pay as authorized by 5 U.S.C. 5542, 5545(a)-(c), and 5546(a) and (b) (reference (b)) only to the extent that the pay does not cause the aggregate rate of pay for any pay period to exceed the maximum applicable rate for a GS-15. Premium pay cannot be paid to any GS employee whose basic rate of

pay equals or exceeds the maximum applicable rate for grade GS-15. Premium pay may be paid to an employee whose basic rate of pay is less than the maximum applicable rate of GS-15 only to the extent that the payment does not cause the total rate of pay for any pay period to exceed the maximum applicable rate for GS-15. The maximum rate does not apply to nonexempt GS employees (see subparagraph 030302.B). Hazard pay is excluded from this limitation. SES employees are not entitled to premium pay under any circumstances. TP pay plan employees are excluded from title 5 (reference (b)) premium pay provisions.

030302. Overtime Pay. Each employing activity shall be responsible for controlling overtime. Supervisors shall ensure that overtime worked is covered by funds targeted for their employing activity. Approval or disapproval of overtime shall be consistent with direction from the Deputy Secretary of Defense (reference (o)). The civilian payroll office shall pay only approved overtime as certified on the time and attendance report. Normally, approval to work overtime shall be made in writing in advance of performing the work.

A. Title 5 Overtime

★ 1. Regularly Scheduled. Title 5, C.F.R., Part 550 (reference (l)) contains provisions on premium pay for overtime. Regular overtime work means overtime work that is scheduled prior to the beginning of an employee's regularly scheduled administrative workweek. For each GS employee whose rate of pay does not exceed a minimum applicable rate for a GS-10, the overtime hourly rate is one and one-half times the employee's hourly rate of pay. For each GS employee whose rate of basic pay exceeds the minimum applicable rate for a GS-10, the overtime hourly rate is one and one-half times the hourly rate of basic pay at the minimum applicable rate for a GS-10 (5 U.S.C. 5542) (reference (b)). Regular overtime is authorized for full-time, part-time, and intermittent GS employees. An intermittent work schedule is appropriate when work is unpredictable and sporadic; therefore, instances of repetitive regularly scheduled overtime should seldom, if ever, occur. Refer to 5 C.F.R. 340.403 (reference (l)).

2. Irregular/Occasional. Irregular or occasional overtime work is overtime work that is not part of an employee's regularly scheduled administrative workweek.

B. FLSA (Nonexempt Employees)

1. For employees paid under 29 U.S.C. 201-219 (FLSA) (reference (n)), entitlement to overtime compensation is determined by calculating of an "hourly regular rate." The "hourly regular rate" of pay for all "nonexempt" employees is computed by adding all includible payments for the week, and then dividing by the total hours of work and paid leave. The Department shall compensate an employee who is nonexempt under the provisions of 5 C.F.R. 551.101 (reference (l)) for all hours of work in excess of 8 a day or 40 in a workweek at a rate equal to one and one-half times the employee's hourly regular rate of pay.

★ 2. Under section 210 of the FEPCA (reference (e)), effective on May 4, 1991, overtime pay computations for nonexempt employees must be made solely in accordance with the FLSA (reference (n)) regulations in 5 C.F.R. 551 (reference (l)), as amended. Agencies are

no longer required to compare overtime pay entitlements for nonexempt employees under 5 C.F.R. 550 and 551 (reference (l)) and pay whichever amount is greater. However, entitlements arising prior to May 3, 1991, still must be calculated using the previous rules. Nonexempt employees continue to be covered by the other premium pay provisions of 5 U.S.C., chapter 55, subchapter V (reference (b)) for night, Sunday, or holiday and annual premium pay for regularly scheduled standby duty or administratively uncontrollable overtime (AUO) work. The maximum biweekly and aggregate limitations on title 5 premium pay do not apply to overtime pay earned by employees who are nonexempt from the FLSA (reference (n)).

3. According to 5 U.S.C. 5544(a) (reference (b)), as amended by section 529 of P.L. 101-509 (reference (e)), hours of work (as defined in 5 U.S.C. 5542) (reference (b)) in excess of 8 hours in a day are deemed to be overtime hours for the purposes of section 7 of the FLSA (29 U.S.C. 207) (reference (n)), if the employee is not receiving annual premium pay for regularly scheduled standby duty (5 U.S.C. 5545(c)(1)) (reference (b)) or annual premium pay for AUO work (5 U.S.C. 5545(c)(2) (reference (b)); 5 U.S.C. 5544(a) (reference (b)) for FWS employees). Under the FLSA (reference (n)), such hours are considered overtime hours regardless of the total number of hours of work in the workweek. For example, an employee who works 10 hours on the first day of the workweek and is on LWOP for the remainder of the workweek is entitled to 2 hours of overtime pay under FLSA (reference (n)), even though the employee has worked a total of only 10 hours in the workweek.

★ C. Excluded Employees. SES employees are excluded from premium pay by the provisions of 5 U.S.C. section 5541 (reference (b)). Certain GS and all Executive Schedule employees are also excluded since, under the provisions of 5 U.S.C. 5547 (reference (b)), premium pay may be paid only to the extent that payment does not cause aggregate pay to exceed the maximum rate for GS-15. National Guard technicians are not entitled to premium pay for overtime. Instead, they may earn compensatory time.

D. Callback Overtime. A minimum of two hours of overtime will be paid if an employee is required to return to the place of employment for unscheduled overtime work or to work unscheduled overtime on a nonscheduled workday. If the callback occurs on a holiday during the employee's regular schedule, a minimum of two 2 hours holiday premium pay will be paid. When an FLSA nonexempt employee performs unscheduled overtime work on a day when work was not scheduled for the employee, or for which the employee is required to return to the place of employment, the employee is paid for two hours of work or the actual number of hours worked, whichever is greater. In all cases, the actual time worked will be recorded.

E. Compensatory Time

★ 1. Eligible employees, including FWS employees, can have compensatory time off from their scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. Those employees whose basic rate of compensation exceeds the maximum applicable rate for grade GS-10 may be required by their employing activity to take compensatory time off instead of overtime pay. The FWS and nonexempt employees may not be required to take compensatory time off instead of being paid overtime pay unless they request

compensatory time. See 5 C.F.R. 532.504 and 551.531 (reference (l)) and 5 U.S.C. 5543 (reference (b)).

★ 2. Compensatory time worked must be approved in advance in writing and administered in accordance with paragraph 020208. Compensatory time may not be earned when payment of the extra hours at overtime rates would be improper, as in the case of employees whose pay for any period is limited to the maximum rate payable for a GS-15 (26 Comp. Gen. 750 (1947)) (reference (p)). Compensatory time which may be earned by an employee in any one pay period is limited to the number of hours for which there would otherwise be an entitlement to overtime compensation before reaching the limitation on total pay period earnings (37 Comp. Gen. 362) (reference (p)). The granting of compensatory time off in lieu of overtime pay under 5 U.S.C. 5542 (reference (b)) is not to be administered in opposition to the overtime pay requirements of the FLSA (reference (n)). For the instructions on compensatory time off for nonexempt employees, see 5 C.F.R. 551.531 (reference (l)). For exempt employees, refer to 5 C.F.R. 550.114 (reference (l)).

3. Compensatory time worked cannot be credited to an employee whose basic rate of pay equals or exceeds the maximum rate for grade GS-15. Compensatory time worked in a pay period may be credited to an employee whose basic rate is less than the maximum rate of GS-15 only to the extent that the monetary value of the compensatory time worked does not cause the total rate of pay for that pay period to exceed the maximum applicable rate for GS-15.

4. Exempt GS employees may choose to earn compensatory time in place of payment for an equal amount of time spent in occasional or irregular overtime work. They may not earn compensatory time for regularly scheduled overtime. Compensatory time cannot be earned for holiday work.

★ 5. Compensatory time off must be granted to an exempt employee within a reasonable time after the overtime is worked. The limit for the use of compensatory time off is the end of the 26th pay period after that in which the overtime was worked. The unused compensatory time worked will then be paid at the overtime rate at which it was earned. Compensatory time earned before June 8, 1997, was placed in an “old compensatory time” account on June 7, 1998, and thereafter will be charged only if the employee has insufficient current compensatory time to cover the compensatory time off requested. National Guard employees are not paid for unused compensatory time worked. They must use their compensatory time by the end of the 26th pay period after it is earned or will forfeit that compensatory time.

★ 6. Upon request of a FWS or nonexempt employee, an employing activity may grant compensatory time off from a scheduled tour of duty instead of payment under FLSA for an equal amount of time spent in irregular or occasional overtime work, i.e., overtime work not scheduled in advance of the employee's workweek. However, if an employee fails to use compensatory time before the expiration of the established time period, the employee shall be paid for the overtime work at the FLSA overtime rate in effect at the time it was worked. See 5 C.F.R. 532.504 and 551.531 (reference (l)).

★ 7. Upon request of the employee, the employing activity may grant compensatory time off to a FWS or nonexempt employee on a flexible work schedule under 5 U.S.C. 6122 (reference (b)) instead of payment under 5 C.F.R. 532.504 and 551.501 (reference (l)) for an equal amount of time spent in overtime work, without regard to whether the overtime work was irregular or occasional in nature.

8. Employees on flexible or compressed schedules may earn compensatory time off.

9. When a GS employee takes compensatory time off during his or her scheduled tour of duty which includes night pay, the employee is still entitled to night pay for that time if the employee's scheduled tour of duty is between 6 p.m. and 6 a.m. and the employee's leave total is less than 8 hours in a pay period.

10. Compensatory time off may be granted before annual leave is approved except when annual leave would otherwise be forfeited.

★ 11. When an employee separates, dies, or transfers to another DoD Component (e.g., from Army to Navy, or Air Force to the Defense Logistics Agency) or the employee moves to a non-DoD agency (e.g., Army to Department of the Treasury) the losing Component shall pay for any unused compensatory time balances. The balance shall be paid at the overtime rate in effect when the compensatory time was earned. National Guard employees are not paid for unused compensatory time.

★ F. Time Off for Religious Reasons. Employees may earn compensatory time off for religious observances under provisions of 5 U.S.C. 5550a (reference (b)). Time off for religious reasons will be recorded in a special leave account and may be worked either before or after the period of time off. Advance time off for religious reasons should be repaid within a reasonable time. Any time-off balance will not transfer. When an employee separates, dies, or transfers to another DoD Component, any unused time-off balance will be paid, by the losing activity, at the basic hourly rate in effect when the time was worked. If the employee has an unliquidated advance time-off balance at the time of separation, death or transfer, an indebtedness is created. See paragraph 080309 for liquidation of this indebtedness. Compensatory overtime worked in this manner is exempt from maximum pay limitations and all other provisions of overtime and premium pay contained in 5 C.F.R. 550.1001-1002 (reference (l)), 5 U.S.C., chapter 55, subchapter V (reference (b)), and 29 U.S.C. 207 (reference (n)). See section 0511. for additional information regarding compensatory time off for religious reasons.

030303. Night and Shift Differential

★ A. GS Employees. Under 5 U.S.C. 5545(a) (reference (b)), night differential, at the rate of 10 percent of the hourly basic rate, is payable to employees for work between 6 p.m. and 6 a.m. if the regular tour of duty includes work during such hours. Accordingly, the hourly basic rate is multiplied by 10 percent, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. The hours worked must be part of the regular tour. An employee is

entitled to a night differential for a period of paid leave only when the total amount of that leave in a pay period, including both night and day hours, is less than 8 hours. Exceptions to this rule are employees on court leave, military leave including leave for law enforcement and encampment purposes, time off with pay for a holiday, official travel status, administrative leave, compensatory time used, credit hours used, COP, and time off awards. They get night differential when temporarily assigned during the administrative workweek to a daily tour of duty that includes night work (5 C.F.R. 550.121-122) (reference (l)). Night differential is payable for overtime work between the hours of 6 p.m. and 6 a.m. if the overtime is regularly scheduled in advance of the administrative workweek.

★ B. FWS Employees. Under 5 U.S.C. 5343(f) (reference (b)), FWS employees will receive shift differential at the rate of 7.5 percent of their hourly rate for nonovertime work when a majority of scheduled hours occur between 3 p.m. and midnight; or 10 percent of their hourly rate for nonovertime work when the majority of scheduled hours occur between 11 p.m. and 8 a.m. (see the OPM Operating Manual, Federal Wage System, subchapter S8-4c) (reference (q)). An employee may be paid shift differential only when five or more hours of the regularly scheduled 8-hour shift (including meal periods) occur during the hours specified. See 53 Comp. Gen. 814 (1974) (reference (p)). Shift differential also is payable when an employee is:

1. On military leave including leave for law enforcement and encampment purposes.
2. In an official travel status during the hours of the regular shift.
3. On paid leave such as court leave, holiday leave, compensatory time used, COP, time off awards, and administrative leave.
4. Temporarily assigned to a different tour of duty.

C. National Guard Technicians. Army and Air National Guard technicians are not entitled to payment of night differential during periods of overtime work (50 Comp. Gen. 847 (1971)) (reference (p)). National Guard technicians are not entitled to premium pay for overtime. They earn compensatory time.

D. Part-time Employees. Part-time GS employees are eligible for night differential for work performed between 6 p.m. and 6 a.m. as part of their regularly scheduled administrative workweek.

E. Intermittent Employees. Intermittent GS employees who have no regularly scheduled tour of duty are not eligible for night differential. These employees are eligible for night differential during temporary assignment to a regular tour of duty with night work.

★ 030304. Sunday Premium Pay. Under 5 U.S.C. 5544 and 5546(a) (reference (b)), additional pay at a rate of 25 percent of the hourly basic rate is payable to full-time employees whose regularly scheduled basic workweek (which does not include overtime hours) includes

Sunday. The additional pay is payable for the entire period of nonovertime service for each daily tour of duty that includes Sunday. Full-time employees as defined in 5 U.S.C. 6301 (reference (b)) who receive basic pay for a period of paid leave or excused absence during that tour of duty are entitled to Sunday premium pay not to exceed October 9, 1997, under 5 U.S.C. 5544 or 5546(a) (reference (b)). Effective October 10, 1997, P.L. 105-61 (reference (e)), prohibited the payment of Sunday premium pay to all employees governmentwide who do not actually perform work on Sunday. Employees who have part-time or intermittent tours of duty are not entitled to Sunday premium pay. The maximum number of hours of Sunday premium pay that an employee can be paid for one Sunday is 16 hours. (This would be for two 8-hour tours: one starting on Saturday night and ending on Sunday morning; and the next tour starting Sunday night and ending on Monday morning.) To calculate, the hourly basic rate is multiplied by 25 percent with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent (see OPM Operating Manual, Federal Wage System, subchapter S8-4e) (reference (q)).

★ A. Flexible Work Schedule. A full-time employee on a flexible work schedule who performs regularly scheduled nonovertime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for the entire period of duty, not to exceed 8 hours.

★ B. Compressed Work Schedule. A full-time employee on a compressed work schedule who performs nonovertime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for his or her entire period of duty on that day.

030305. Holiday Premium Pay. In accordance with 5 U.S.C. 5546 (reference (b)), an employee who performs work on a holiday designated by federal statute is entitled to pay at the rate of basic pay plus premium pay at a rate equal to the rate of the basic pay, for that holiday work which is not in excess of the scheduled tour of duty or overtime work as defined by 5 U.S.C. 5542 (reference (b)). An employee required to perform any work on a designated holiday is entitled to pay for at least two hours of holiday work. An employee who performs overtime work as defined by 5 U.S.C. 5542(a) (reference (b)) on a Sunday or a designated holiday is entitled to pay for that overtime work in accordance with 5 U.S.C. 5542 (reference (b)). Premium pay under 5 U.S.C. 5546 (reference (b)) is in addition to the premium pay which may be due for the same work under section 5545(a) and (b) of 5 U.S.C. (reference (b)), which provides premium pay for night work.

A. Flexible Work Schedule. For an employee working a flexible work schedule, holiday pay for nonovertime work is limited to 8 hours in a day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day.

B. Compressed Work Schedule. For an employee working a compressed work schedule, holiday pay for nonovertime work is limited to the number of hours normally scheduled for that day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day.

C. GS Employees. GS employees receive their basic pay, including any night differential, for holidays on which they are not required to work. Employees are entitled to

additional holiday premium pay for work performed on a holiday not to exceed 8 hours, during the hours of their regularly scheduled tour of duty.

D. FWS Employees. FWS employees who have a regular tour of duty and are not required to work due to a holiday are entitled to the same rate of pay for that day as if they had worked. When work is performed on a holiday, FWS employees are entitled to their basic rate plus premium pay at a rate equal to their basic pay for holiday work which is not more than 8 hours or is not overtime work.

E. Callback. Unscheduled overtime work performed by an employee on a day when work was not scheduled, or for which the employee is required to return to the place of employment, is deemed at least two hours in duration (5 U.S.C. 5542) (reference (b)). If the callback occurs on a holiday during the employee's regular schedule, a minimum of two hours holiday premium pay will be paid. However, the actual time worked shall be recorded for time and attendance purposes. If the employee works more than two hours, the actual number of hours worked will be paid.

030306. Regularly Scheduled Standby Duty Pay. Employees in a position requiring them to remain at, or within the confines of, the station during longer than ordinary periods of duty, a substantial part of which consists of remaining in a standby status rather than performing work, can receive premium pay on an annual basis instead of premium pay provided by other provisions, except for irregular, unscheduled overtime duty in excess of the regularly scheduled weekly tour. Premium pay under 5 C.F.R. 550.141-550.144 (reference (l)) is determined as an appropriate percentage, not in excess of 25 percent, of such part of the rate of basic pay for the position as does not exceed the minimum applicable rate of basic pay for GS-10 (including any applicable locality based comparability payment under 5 U.S.C. 5304 (reference (b)) or similar provision of law, and any applicable special rate of pay under 5 U.S.C. 5304 (reference (b)) or similar provisions of law).

A. Firefighter Positions. Firefighters generally are scheduled for duty six 12-hour days for an average of 72 hours a week or three alternate 24-hour shifts during each administrative workweek. A 60-hour week consisting of five 12-hour days may be established when firefighters are scheduled only during daylight hours. The rate of standby premium pay is determined by the HRO and forwarded to the civilian payroll office via SF 50 data. It is subject to retirement and life insurance deductions. Further guidance regarding firefighters and law enforcement personnel may be found in 5 C.F.R., Part 551 (reference (l)).

B. Other Fire Protection Personnel. Fire chiefs, assistant fire chiefs, fire prevention inspectors, and similar fire protection personnel have basic weekly tours of duty of 40 hours unless duties require substantial amounts of standby time. The rate of standby premium pay is determined by the HRO and forwarded to the civilian payroll office via SF 50 data. Standby premium pay is subject to retirement, TSP, and life insurance deductions.

★ 030307. Administratively Uncontrollable Overtime (AUO) - Annual Premium Pay for Overtime. Premium pay may be paid on an annual basis (except premium pay for regular overtime work, and work at night, on Sundays, and on holidays), when an employee is in a position

in which the hours of duty cannot be controlled administratively. The position requires substantial amounts of irregular, unscheduled overtime work, with the employee generally being responsible for recognizing, without supervision, circumstances that require an employee to remain on duty. The circumstances under which payment of AUO is appropriate are extremely limited; in particular, AUO is not appropriate for nonexempt employees. Annual premium pay under 5 U.S.C. 5545(c)(2), as amended (reference (b)), provides that premium pay for administratively uncontrollable overtime is an appropriate percentage (not less than 10 percent nor more than 25 percent) of the employee's rate of basic pay, which includes any interim geographic adjustment, special rate of pay for LEOs, or special pay adjustment for LEOs under section 302, 403, or 404 of FEPCA (reference (e)), a locality-based comparability payment under 5 U.S.C. 5304 (reference (b)), and any applicable special rate of pay under 5 U.S.C. 5305 (reference (b)) or similar provision of law (5 C.F.R. 550.151) (reference (l)). The rate is determined by the HRO and forwarded to the civilian payroll office via the SF 50 data. AUO for law enforcement personnel, which includes the office of special investigations agents, is subject to retirement, and life insurance deductions (5 U.S.C. 8331(3)(D) and 8704(c)(2)) (reference (b)). The AUO for Open Mess/Club Managers is not subject to retirement or life insurance deductions (5 U.S.C. 8331(3)(C) and (D), and 8704(c)(1) and (2)) (reference (b)).

030308. Hazardous Duty and Environmental Differentials

A. Hazardous Duty Pay (HDP)

1. Under 5 U.S.C. 5545(d) and 5548(d) (reference (b)), and 5 C.F.R. 550.901-907 (reference (l)), this entitlement, determined by the HRO, involves additional pay to GS employees for the performance of hazardous duty or duty involving physical hardship. Hazardous duty means a duty performed under conditions in which an accident could result in serious injury or death. Duty involving physical hardship means duty that may not in itself be hazardous, but causes extreme physical discomfort or distress and is not adequately alleviated by protective or mechanical devices, such as duty involving exposure to extreme temperatures for a long period of time, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation.

2. The amount of HDP is determined by multiplying the percentage rate authorized for the exposure, found in Appendix A, 5 C.F.R., Part 550, Subpart I (reference (l)), by the employee's hourly rate of pay. That amount is then multiplied by the number of HDP hours to be paid.

★ 3. HDP is not included as part of the employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, or the amount of retirement, TSP, and life insurance deductions.

4. HDP is paid for all hours in a pay status the day on which the exposure occurs.

5. Payment of HDP is not subject to the limit placed on other premium pay.

6. HDP may not be more than 25 percent of the employee's rate of basic pay.

7. TP pay plan employees are not authorized HDP.

B. Environmental Differential Pay (EDP)

★ 1. Under 5 C.F.R. 532.511 (reference (l)), EDP is included as part of an FWS employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, and the amount of retirement, TSP, and life insurance deductions. It is not part of basic pay for purposes of lump-sum leave payments and severance pay. The HROs determine the local situation for which EDP is payable and obtain approval from the OPM for additional categories not listed in Appendix J to the OPM Operating Manual, Federal Wage System (reference (q)). TP pay plan employees are not authorized EDP.

2. EDP is payable for actual exposure or for all hours in a pay status. The amount that is payable is determined by multiplying the percentage rate authorized for the exposure by the basic hourly rate of a WG 10, step 2. That amount is then multiplied by the number of EDP hours to be paid.

a. When environmental differential is payable for actual exposure, consider each exposure separately. Hours posted must not exceed the hours of active duty on the day of exposure. If the exposure is less than one hour, a minimum of one hour must be paid. If the exposure is longer than one hour, the actual amount of time exposed is payable in 15 minute increments.

b. When EDP is payable for all hours in a pay status, it will be paid for all regular and overtime hours the employee is in a pay status that day.

★ 030309. Availability Pay. A new form of premium pay called "availability pay" has been provided for LEOs by P.L. 103-329 (reference (e)). Refer to 5 U.S.C. 5545a for additional information. Availability pay applies to LEOs who perform criminal investigative work and are required to work, or be available to work, substantial amounts of unscheduled overtime duty based on the needs of the employing activity. The availability pay provision became effective on the first day of the first pay period beginning on or after October 30, 1994, except implementation was delayed until September 1995, for certain LEOs employed by Inspectors General. The HRO will determine entitlement to availability pay and will authorize payment via an SF 50. The OPM Operating Manual, Guide to Processing Personnel Actions (reference (r)), has specific instructions for completing the SF 50 authorizing availability pay.

★ A. Availability pay is fixed at 25 percent of basic pay (including locality pay). Availability pay will replace AUO pay for covered employees. Standby duty pay and AUO pay

may not be paid to an LEO receiving availability pay. Receipt of availability pay does not affect the LEO's entitlement to other types of premium pay based on hours other than unscheduled duty hours. An LEO receiving availability pay, however, may not be paid any other premium pay based on unscheduled duty hours.

★ B. The LEOs receiving availability pay may be compensated only for scheduled overtime hours that are in excess of the first two hours of overtime work on any day containing a part of the LEO's basic 40-hour workweek or for scheduled overtime hours on non-workdays.

★ C. Availability pay shall be treated as part of basic pay only for the following purposes:

- ★
1. Advances in pay under 5 U.S.C. 5524a (reference (b));
 2. Severance pay under 5 U.S.C. 5595(c) (reference (b));
 3. Workers' compensation under 5 U.S.C. 8114(e) (reference (b));
 4. Retirement benefits under 5 U.S.C. 8331(3) (reference (b));
 5. TSP under 5 U.S.C. 8431 (reference (b)); and
 6. Group life insurance under 5 U.S.C. 8704(c) (reference (b)).

★ D. The LEOs receiving availability pay are exempt from the minimum wage and overtime pay provisions of the FLSA (reference (n)).

★ E. Availability pay is subject to garnishment.

★ F. Availability pay shall be used in computing a lump-sum payment for accumulated annual leave under 5 U.S.C 5551 and 5552 (reference (b)).

0304 FOREIGN AND NONFOREIGN DIFFERENTIALS AND ALLOWANCES

★ 030401. Consistent with 5 U.S.C. 5941 (reference (b)) and 5 C.F.R. Part 591 (reference (l)), allowances and differentials payable to employees officially stationed in nonforeign areas and the 50 states are established by the OPM. Under 5 U.S.C. 5921 (reference (b)) and Executive Order No. 10,903 (reference (s)), allowances and differentials payable to employees officially stationed in foreign areas are established by the Secretary of State and published in the Department of State Standardized Regulations (DSSR) (reference (t)). DoD 1400.25-M, subchapter 1250 (reference (u)) sets forth the specific rules regarding foreign allowances and differentials for DoD civilian employees. The HROs will notify the civilian payroll office through the interface via SF 50 data when an employee is eligible for a nonforeign differential or allowance. The civilian payroll office will pay foreign differentials and allowances upon receipt through the interface of the SF 1190 (Foreign Allowances Application, Grant, and Report).

030402. Allowances and Differentials in Foreign Areas

★ A. Quarters Allowances. Quarters allowances are intended to reimburse an employee for substantially all costs associated with either temporary or residence quarters whenever government-owned or government-rented quarters are not provided to the employee without charge. See 5 U.S.C. 5923(a)(1) and (2) (reference (b)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 1. Living Quarters Allowance (LQA). The LQA entitlement is intended to reimburse an employee substantially for rent plus any costs not included in the rent for heat, light, fuel, gas, electricity and water. Employees receiving LQA may not receive the temporary quarters subsistence allowance (TQSA) for the same period of time. The daily rate is derived by dividing the annual amount by the number of days in a calendar year. It is paid for all applicable days in a pay period. The LQA may be paid on a biweekly basis or advanced for a period of not less than three months or of more than one year unless specifically approved by the officer designated to authorize allowances, and shall not exceed:

★ a. The total rent advanced to the lessor, or

★ b. The employee's maximum LQA rate as authorized in the DSSR section 920 (reference (t)).

An exception is the advancement of LQA for employees living in Korea for two years. See DSSR, chapter 100 (reference (t)), 5 U.S.C. 5923(a)(1) and (2) (reference (b)), and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 2. Temporary Quarters Subsistence Allowance. The TQSA is an allowance granted to an employee for the reasonable cost of temporary quarters, meals and laundry expenses incurred by the employee and/or family members for a period not to exceed 90 days after first arrival at a new post in a foreign area or a period ending with the occupation of residence (permanent) quarters, if earlier; or for a period not to exceed 30 days immediately preceding final departure from the post subsequent to the necessary vacating of residence quarters. The TQSA may continue during periods of official travel which authorize per diem if the head of the agency determines the employee acted responsibly in retaining temporary quarters during the period of travel. A possible extension of up to 60 additional days may be granted in compelling circumstances. The TQSA is authorized during periods when travel per diem is being paid. No post allowance is authorized while an employee is receiving TQSA. Receipts are required for lodging and laundry expenses, and the employee must supply a certified statement of the daily cost of meals. The TQSA is based on the maximum per diem rate for the foreign location found in the DSSR section 925 (reference (t)). Payment of TQSA may be made in advance for up to 30-day increments, in biweekly payments, or upon the completion of the TQSA period upon request of the employee and as authorized by the HRO. Also see DSSR, chapter 100, section 120 (reference (t)), 5 U.S.C. 5923(a)(1) and (2) (reference (b)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

B. Cost of Living Allowance (COLA). The COLA is intended to reimburse an employee for certain excess costs, exclusive of any quarters costs, which result from being officially stationed in a foreign area. See DSSR, chapter 200 (reference (t)) and 5 U.S.C. 5924 (reference (b)).

★ 1. Post Allowance. The post allowance is a cost-of-living allowance granted to an employee officially stationed at a post in a foreign area where the cost-of-living, exclusive of the cost of quarters, is substantially higher than in Washington, D.C. It is intended to reimburse an employee for certain excess costs resulting from being stationed in a foreign area. Post allowance, which is an annual rate, is a percentage amount based on salary, size of family and location of the post. The daily rate is derived by dividing the annual amount by the number of days in a calendar year. It is paid for all applicable days in a pay period. Post allowance is not authorized at the same time an employee is receiving TQSA. Post allowance is included in the computation of lump-sum leave payments upon separation from federal service if separated in the foreign area (Comp. Gen. B-178428, June 28, 1973, reference (p)). See DSSR, chapter 200, section 220 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 2. Foreign Transfer Allowance. The foreign transfer allowance (FTA) is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred by an employee incident to establishing that employee at any post of assignment in a foreign area. The subsistence expense portion of the FTA is intended to reimburse an employee for allowable expenses incurred prior to departure from a post in the United States, its territories, possessions, the Commonwealth of Puerto Rico and the Commonwealth of the Northern Mariana Islands, to a post in a foreign area. The miscellaneous expense portion of the FTA payment is \$350 or the equivalent of salary for one week, whichever is the lesser amount, for an employee without family, and \$700 or the equivalent of salary for two weeks, whichever is the lesser amount, for an employee with family. In any case, the ceiling for reimbursement shall be the salary for a GS-13, step 10. The allowance is authorized within the Department for payment of the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within the Department. See DSSR, chapter 200, section 240 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 3. Home Service Transfer Allowance. The home service transfer allowance is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred by an employee in connection with a transfer to a post of assignment in the United States with a certified understanding by the employee to complete 12 months of government service following the effective date of transfer. The allowance is authorized within the Department for payment of the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within the Department. See DSSR, chapter 200, section 250 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 4. Separate Maintenance Allowance. A separate maintenance allowance is an additional cost-of-living allowance paid to assist an employee to maintain a separate household other than at the assigned post for the family or a member of the family. The employee must be

compelled or authorized to obtain such quarters for one or more of the following reasons: dangerous, notably unhealthy, or excessively adverse living conditions; for the convenience of the government; or because of special family needs. The rate is determined by the number of dependents maintained elsewhere and is computed and paid as an annual rate. The daily rate is derived by dividing the annual amount by the number of days in a calendar year. It is paid for all applicable days in a pay period. See DSSR, chapter 200, section 260 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 5. Education Allowance. The education allowance assists the employee with the extraordinary and necessary expenses, not otherwise compensated for, incurred because of service in a foreign area in providing adequate elementary and secondary education for his or her dependents. The allowance is not authorized for payment within the Department. However, reimbursement is authorized for transportation costs of dormitory student dependents of eligible employees between the employee's overseas duty station and the DoD approved school. See DSSR chapter 200, section 270 (reference (t)), 5 U.S.C. 5924 (reference (b)), and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 6. Education Travel. Educational travel is reimbursement for travel to and from a school in the United States for purposes of attending a full-time course for secondary or college education. Reimbursement will be limited to one annual round trip. An annual trip is defined as one round trip at any time within any one 12-month period. Any portion of the round trip not taken in the 12-month period does not accrue to a subsequent period. See DSSR chapter 200, section 280 (reference (t)), DoD 1400.25-M, subchapter 1250 (reference (u)), and 5 U.S.C. 5924 (reference (b)).

★ C. Representation Allowance. Representation allowances are intended to cover allowable items of expenditure by employees, including foreign national employees, whose official positions entail responsibility for establishing and maintaining relationships of value to the United States in foreign countries and by adult family members acting with, or on behalf of, these employees. Examples of allowable items are those of an entertainment or protocol nature, tips and gratuities, purchase of flowers, wreaths, etc., and other representational expenses which the head of an agency may authorize or approve as being a type to promote the interest of the United States. The employee's position first must be designated by the Secretary of Defense as eligible for the allowance. A voucher of expenses incurred will be the basis for payment. See DSSR, chapter 300 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ D. Official Residence Allowance. The defraying of official residence expenses is intended to make possible the operation and maintenance of official residences in which a principal representative can properly represent the United States abroad. Such representation includes extending official (as distinct from personal) hospitality to foreign dignitaries and important visitors, receiving official deputations and callers, and holding requisite and appropriate ceremonies smoothly and with dignity. This representation also includes keeping the residence appropriately staffed and operating. The Secretary of State must designate eligible employees. See DSSR, chapter 400 (reference (t)), 5 U.S.C. 5913 (reference (b)), and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ E. Post Differential. Post differential is established for a location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions affecting the majority of employees officially stationed or detailed at that place. Living costs are not considered in differential determination. Post differential is additional compensation based on an established percentage over basic compensation ranging from 5 to 25 percent. Post differential is subject to Social Security and/or Medicare and federal tax deductions. Employees with tours of duty commencing on or after October 28, 1991, will have post differential excluded from the lump-sum leave payment in accordance with P.L. 102-138 (reference (e)). See DSSR, chapter 500 (reference (t)), 5 U.S.C. 5551 and 5925 (reference (b)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ F. Danger Pay Allowance (DPA). An employee serving in a foreign area may be granted DPA on the basis of civil insurrection, civil war, terrorism or wartime conditions that threaten physical harm or imminent danger to the health or well being of the employee. An additional, but separate, imminent danger pay (IDP) allowance may be granted to civilian employees who accompany U.S. military forces in areas designated by the Department of State as subject to hostile fire or imminent danger. The IDP allowance may be paid only to employees who are on temporary duty or a detail of 42 days or less. See 5 U.S.C. 5928 (reference (b)), DSSR chapter 650 (reference (t)) and DoD 1400.25-M, subchapter 1250 (reference (u)).

★ 1. The DPA may not exceed 25 percent of the basic pay of the employee, except that if an employee is granted additional differential pay with respect to an assignment, the sum of the additional differential and any DPA may not exceed 50 percent of the basic pay of the employee. The DPA is paid to full-time employees, temporary employees assigned for four consecutive hours or longer, and part-time and intermittent employees. For part-time regularly scheduled employees and intermittent employees, the DPA shall be computed at the prescribed percentage of basic compensation earned during the applicable period. The DPA is not subject to any ceiling that would provide less than the full percentage rate authorized for the post. The DPA is subject to Social Security and/or Medicare, federal, state, and local tax deductions. Danger pay is not included as part of the lump-sum leave payment. See DSSR chapter 656 (reference (t))

★ 2. On October 1, 1995, the State Department, at the Department's request, added section 652g (reference (t)) to the DSSR. This section authorized the IDP allowance for civilian employees. The State Department authorizes the areas in which civilian employees are eligible to receive IDP. The IDP allowance shall be the same monthly flat rate amount paid to uniformed military personnel. Danger pay authorized under this section will not be paid for periods of time that the employee either receives danger pay authorized under DSSR, chapter 650, section 652f (reference (t)) or post differential that would duplicate political violence credit. The IDP will be calculated as a daily rate and paid on a monthly basis. Daily rates will be determined by dividing the monthly amount by the number of days in a month. This rate will change based on the number of days in a month. For periods of less than a month, an employee is entitled to the daily rate, times the number of days in the month the employee is in the allowance area. The IDP is subject to Social Security and/or Medicare, federal, state, and local tax deductions. The IDP is not included as part of the lump-sum leave payment.

★ G. Tropical Differential. Entitlement to tropical differential is limited to a maximum of 25 percent of the basic pay when authorized for the U.S. employees in Panama. See 35 C.F.R., part 251 (reference (v)).

H. Cuba Benefit Allowance. The Cuba benefit allowance applies to DoD non U.S. citizens, NAF and appropriated fund employees in the area of Guantanamo Bay, Cuba. The benefit allowance includes cash allowances (laundry, clothing, meals and transportation). The total pay rate will include the base rate plus the benefit allowance. Premium pay is to be calculated on the base rate only.

★ 030403. Entitlement When Both an Allowance and a Differential Have Been Established. Extra pay from an allowance or a differential each may not exceed 25 percent of the employee's rate of basic pay. When both an allowance and a differential have been authorized, the total pay for the allowance and the differential may not exceed 50 percent of the employee's rate of basic pay.

030404. Allowances and Differentials in Nonforeign Areas

A. Categories

1. Nonforeign Cost-of-Living Allowance. Nonforeign cost-of-living allowance is payable under 5 U.S.C. 5941 (reference (b)), at a location in a nonforeign area where living costs are substantially higher than those in the Washington, DC area. Nonforeign areas are the states of Alaska and Hawaii, the Commonwealths of Northern Mariana Islands and Puerto Rico, territories and possessions of the United States that the Secretary of State designates as being within the scope of Part II of Executive Order 10,000, as amended (reference (s)).

2. Nonforeign Post Differential. Nonforeign post differential is payable under 5 U.S.C. 5941 (reference (b)), at a location in a nonforeign area if conditions of environment differ substantially from conditions of environment in the contiguous United States and warrant its payment as a recruitment incentive.

B. Basic Requirement in Nonforeign Areas

1. When an allowance or a differential (or both) is set, each executive department, independent establishment, and wholly-owned government corporation must pay that allowance or differential (or both). Agencies must make these payments to all civilian employees in the area whose basic pay is fixed by statute and who are eligible; however, certain exceptions do exist.

2. The pay of employees under the FWS is based on the wages paid in the locality; therefore, these employees are not covered under this section.

C. Processing Allowances and Differentials

1. Notice of Eligibility. The civilian payroll office will accept SF 50 data as notice of an employee's eligibility for allowances or differentials. It will be a source document for payroll purposes. The HRO must report promptly to the civilian payroll office any changes in assignment and employment status that affects an employee's eligibility (including changes in rates).

★ 2. Entitlement When Both an Allowance and a Differential Have Been Established. Extra pay from an allowance or a differential, or both, may not exceed 25 percent of the employee's rate of basic pay. An employee eligible for an allowance is entitled to the full allowance set for a nonforeign area; therefore, the allowance should be paid first. If the allowance is less than 25 percent of the employee's basic pay, that part of the differential that will bring such employee's total extra pay to 25 percent of the basic rate shall be paid. Refer to 5 C.F.R. 591.210(d) (reference (l)).

D. Payment of Allowances and Differentials

1. Payment. An allowance or differential shall not be paid for time for which an employee does not receive basic pay except as stated in subparagraph 070202.B.

2. Duration of Payment. Payment of allowances and differentials shall start as of the date of arrival at the post of duty on regular assignments or on the date of entrance on duty, when an employee is recruited locally. Payment shall be stopped on the date of separation or as of the date of departure or transfer to a new post of regular assignment.

★ 3. Effect on Other Salary Payments. Allowances or differentials shall not be included in the base used to compute overtime pay under title 5 U.S.C., night differential, holiday pay, or any other extra pay, allowance or pay differential, retirement, TSP or FEGLI deductions. See 5 C.F.R. 591.210(e)(1) (reference (l)). An allowance or differential is included in an employee's regular rate of pay for computing overtime pay entitlement under the FLSA Act of 1938, as amended (reference (n)). See 5 C.F.R. 591.210(e)(2) (reference (l)). The cost-of-living allowance and post differential are included in the computation of lump-sum leave payments if separated in the nonforeign area. See 5 C.F.R. 591.210(c)(1) (reference (e)).

4. Effect on Gross Pay. Allowances shall not be included in gross income for Social Security/Medicare, federal income tax deductions, and state tax deductions except for the state of Hawaii. Include the differentials in gross income for Social Security/Medicare, federal, state, and local income tax deductions. See Table 4-1.

0305 OTHER DIFFERENTIALS AND ALLOWANCES030501. Physicians' Comparability Allowance

A. Title 5, C.F.R., Part 595 (reference (l)) and 5 U.S.C. 5948(e) (reference (b)) authorize the payment of allowances to certain eligible federal physicians who enter into service agreements with their agencies. These allowances are paid only in the case of categories of physicians for which the agency is experiencing recruitment and retention problems, and are fixed at the minimum amounts necessary to deal with such problems. Unless otherwise provided in the agreement or if the head of the agency by which the physician is employed determines that the failure was necessitated by circumstances beyond the control of the physician, if the physician fails to complete at least one year of service, (either voluntarily or because of misconduct) a refund of the total amount received is required.

B. The amount received shall not exceed:

1. \$14,000 per annum if, at the time the agreement is entered into, the government physician had served as a government physician for 24 months or less, or
2. \$20,000 per annum if the government physician has served as a government physician for more than 24 months.

C. An allowance may not be paid pursuant to this section to any physician who:

1. Is employed less than 20 hours per week or on an intermittent basis,
2. Occupies an internship or residency training position,
3. Is a reemployed annuitant, or
4. Is fulfilling a scholarship obligation to the U.S. Government.

D. Any allowance paid under this section shall not be considered as basic pay for the purposes of 5 U.S.C. 5551, 5552 and 5595, Chapters 81, 83, or 87 (reference (b)), or other benefits related to basic pay. See also 5 U.S.C. 5948(h)(1) (reference (b)).

E. Any allowance under this section for a government physician shall be paid in the same manner and at the same time as the physician's basic pay is paid. This allowance is subject to federal, state, and local income tax, Social Security and Medicare. This allowance is not subject to retirement or TSP.

★ 030502. Supervisory Differential

★ A. The authority to approve payment of supervisory differentials under Title 5, U.S.C. section 5755 (reference (b)) is delegated through, and subject to, the authority of the head of the DoD Component and the Component chain of command to the official(s) who exercises personnel appointing authority (normally, the head of an installation or activity). Only the Secretary or Deputy Secretary of Defense may approve a supervisory differential for an individual appointed to a Schedule C position, as defined by 5 U.S.C. 2103 (reference (b)). Additional detailed guidance

on the supervisory differential entitlement is contained in the DoD 1400.25-M, subchapter 575 (reference (u)). Payment of a supervisory differential is authorized to an employee under the General Schedule who has supervisory responsibility for one or more civilian employees not under the General Schedule. The differential is allowed if one or more of the subordinate civilian employees would, in the absence of such a differential, be paid more than the supervisory employee. A supervisory differential shall be calculated as a percentage of the supervisor's rate of basic pay. A dollar amount equal to the value of the authorized percentage will be provided by the HRO via SF 50 data.

★ B. The supervisory differential shall be paid in the same manner and at the same time as basic pay, but shall not be considered to be part of basic pay for any purpose. This differential is subject to Social Security and Medicare deductions and to federal, state, and local income tax. The supervisory differential is not subject to retirement, FEGLI, or TSP.

★ 030503. Retention Allowance

★ A. A retention allowance of up to 25 percent of basic pay may be offered to certain current employees in order to retain their services. A current employee is eligible for a retention allowance if the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services make it essential to retain the employee. The approving officer must certify in writing that, absent a retention allowance, the employee likely would leave the federal service.

★ B. In general, the authority to approve a retention allowance is delegated through, and subject to, the authority of the head of the DoD Component and the Component chain of command to the official(s) who exercises personnel appointing authority (normally, the head of an installation or activity). Only the Secretary or Deputy Secretary of Defense may approve a retention allowance for an individual appointed to a Schedule C position, as defined by 5 U.S.C. 2103 (reference (b)). The authority to approve retention allowances for all other SES positions is delegated to the head of the DoD Component. This official may further delegate authority to appropriate levels consistent with existing pay administration policy. Additional guidance on the retention allowance entitlement is contained in DoD 1400.25-M, subchapter 575 (reference (u)).

★ C. Payment of retention allowances are authorized by 5 U.S.C. 5754 (reference (b)) and 5 C.F.R. 575 (reference (l)). A retention allowance shall be paid in the same manner, and at the same time, as basic pay although this allowance shall not be considered a part of basic pay. The retention allowance may be paid for as long as the conditions warranting the allowance continue to exist. This allowance is subject to Social Security and Medicare deductions and to federal, state, and local income tax. This allowance is not subject to retirement, FEGLI, or TSP.

030504. Remote Site Allowance. The remote site allowance is paid to an employee who is assigned to duty, except temporary duty, at a site so remote from the nearest established communities or suitable places of residence as to require an appreciable degree of expense, hardship, and inconvenience. Such hardships and inconveniences must extend beyond that normally encountered in metropolitan commuting, on the part of the employee in commuting to and

from his/her residence and such work site. When so assigned, the employee is entitled, in addition to pay otherwise due him, to an allowance not to exceed \$10 per day. See 5 U.S.C. 5942 (reference (b)).

★0306 RECRUITMENT AND RELOCATION BONUSES

030601. The FEPCA section 208(a) (reference (e)), 5 U.S.C. 5753 (reference (b)), and 5 C.F.R. 575 (reference (l)) authorize payment of a recruitment and relocation bonuses. A recruitment or relocation bonus of up to 25 percent of basic pay may be offered to recruit certain newly appointed employees or retain certain current employees who must relocate to accept a position in a different commuting area. The approval of recruitment and relocation bonuses is treated in the same manner as the retention allowance in paragraph 030503. of this volume. Additional guidance for recruitment and relocation bonuses is contained in the DoD 1400.25-M subchapter 575 (reference (u)).

030602. Eligibility Criteria. Candidates for hard-to-fill positions and/or occupations that are critical to the organization's mission are eligible for recruitment or relocation bonuses. TP pay plan employees are not eligible to receive recruitment and relocation bonuses.

030603. Service Agreement. The OPM regulations (5 C.F.R. 575.106 and 206) (reference (l)) require that, before a recruitment or relocation bonus may be paid, the employee offered this bonus shall sign a written agreement to serve a specified number of months with the Department. The minimum period of such service shall be 6 months.

030604. Documentation and Recordkeeping. Each recruitment or relocation bonus shall be documented by the HRO via SF 50 data.

030605. Payment and Reduction or Termination of Recruitment and Relocation Bonuses. The recruitment or relocation bonus shall be paid as a lump-sum and shall be considered a supplemental wage. Federal income taxes shall be withheld at a flat 28 percent of the bonus. Social Security and Medicare shall be withheld as applicable. State and local taxes shall be withheld in accordance with tax formulas in effect for supplemental wages.

A. The bonus will be included with regular salary payments and separately identified on the LES.

B. The bonus shall not be considered part of basic pay for any purpose; i.e., no withholding shall be made for retirement coverage (CSRS/FERS) or life insurance.

C. The bonus shall be included in determining the aggregate limitation on pay as defined by 5 U.S.C. 5307 (reference (b)). No portion of the bonus shall be paid that would cause aggregate pay to exceed Level I of the Executive Schedule. This portion shall be paid in a lump-sum at the beginning of the following calendar year.

D. The bonus shall be recovered if the employee fails to complete the period of employment established by the service agreement. The amount to be repaid shall be determined by providing credit for each full month of employment completed by the employee under the service agreement. The amount owed by the employee shall then be recovered in accordance with provisions established by debt collection regulations. If a recruitment or relocation bonus must be recovered, the HRO shall notify the civilian payroll office via SF 50 data.

0307 LUMP-SUM LEAVE PAYMENTS

030701. Regulations. The regulations governing lump-sum payment for annual leave are contained in 5 U.S.C. 5551, as amended (reference (b)).

030702. Lump-Sum Payable. Lump-sum payment for accumulated and current accrued annual leave is as follows:

A. Separated Employees. An employee who is separated is paid in a lump-sum for all unused annual leave through the last full pay period before separation. If, however, if the employee is separated or has a break in service (from one agency to another), and is reemployed in a position under a leave system before a lump-sum payment check can be issued by the separating activity, payment is made for the days the employee was not in the federal service (less withholding tax) and the remainder of the annual leave is transferred to the gaining agency.

B. Certain Other Employees. An employee is entitled to a lump-sum payment for accumulated and accrued annual leave when he or she:

1. Transfers to a position not under a leave system to which annual leave may be transferred;

2. Moves to a position as an intermittent employee for whom there is no established regular tour of duty or to a position as a temporary employee engaged in construction work at hourly rates;

3. Enters the Armed Forces or transfers to a public international organization, provided the employee does not elect to retain the annual leave to his or her credit. However, leave restored under 5 U.S.C. 6304(d) (reference (b)) must be liquidated by lump-sum payment even though election is made to retain the accumulated and current accrued annual leave.

C. Payment to Beneficiary. Accumulated and accrued annual leave to the credit of an employee at the time of death shall be paid in a lump-sum to a designated beneficiary. If the employee has not designated a beneficiary, a lump-sum shall be paid in the established order of precedence under 5 U.S.C. 5581-5582 (reference (b)).

030703. Lump-Sum Not Payable. A lump-sum payment may not be made to an employee for accumulated annual leave when he or she is:

- A. Transferring to a position to which annual leave is transferable; or
- B. A student trainee placed in an intermittent status between full-time tours of duty.

★ 030704. Computation of Lump-Sum Payment

A. General Rule. The lump-sum payment for annual leave, including restored and reinstated annual leave, is calculated to include all pay changes to which the employee would be entitled had he or she remained in a duty status throughout the projected leave period. For example, an employee whose retained pay is scheduled to terminate during the projected leave period should have the lump-sum leave payment computed on the basis of the pay being received at the time of separation for the period covered by the retained rate, with the remainder computed at the scheduled reduced rate. Also, an employee is entitled to an adjustment in the lump-sum leave payment whenever a statutory change in pay becomes effective on a date which occurs during the projected leave period. The lump-sum payment for an FWS employee is similarly adjusted if the separation occurs after the issue date of a wage schedule or after a wage survey was ordered, but before the effective date of the wage increase as follows:

1. When an FWS employee is on the rolls on the date an order granting an increase is issued, but separates before the effective date of the wage increase and if his or her accrued annual leave extends beyond the effective date of the wage increase, the employee is entitled to have his or her lump-sum annual leave payment, authorized under 5 U.S.C. 5551(a) (reference (b)), paid at the higher rate for the leave that extends beyond the effective date of the increase (59 Comp. Gen. 494 (1980)) (reference (p)).

2. When an FWS employee separates after a wage survey is ordered, but before the date the order granting the wage increase is issued, and if his or her accrued annual leave extends beyond the effective date of the increase, the employee is entitled to have the lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase. The order that grants the new wage rate, however, must be issued before the effective date set by 5 U.S.C. 5344(b)(1) and (2) (reference (b)). Refer to 59 Comp. Gen. 494 (1980) (reference (p)).

B. Projecting the Leave. Nonworkdays (except holidays) are not counted against the leave when projecting the period over which the leave would otherwise be charged. The period covered by a lump-sum leave payment is not counted as federal civilian service.

★ C. Additional Pay. There is no provision to pay any premium pay for the period covered by a lump-sum payment and, therefore, employees are only entitled to their basic pay. Employees, however, who receive annual premium pay for standby duty under 5 U.S.C. 5545(c)(1) (reference (b)), employees who meet the definition of an LEO performing criminal investigator work receiving availability pay, and employees who meet the definition of an LEO receiving annual premium pay for administratively uncontrollable overtime under 5 U.S.C.

5545(c)(2) (reference (b)) also will receive annual premium pay as part of their basic pay. Consequently, only those premium pays would be included in a lump-sum payment.

D. Reemployed Annuitants. The lump-sum payment for reemployed annuitants upon separation from the service is based on the full pay rate without any reduction by the amount of the annuity.

E. Temporary Promotions. If the HRO has not terminated a temporary promotion prior to or as of the employee's separation date, lump-sum leave will be paid at the rate of the temporary promotion through the not-to-exceed date. After that time, the rate will revert to the employee's permanent rate of pay.

★ F. Payment. Lump-sum leave will be paid at the end of the pay period in which the separation transaction is received. Thus, lump-sum leave may or may not be included with any regular pay earned, depending on when the separation transaction is received. Payments will be identified separately, allowing the lump-sum leave to be taxed at a flat 28 percent for federal withholding, except when the employee's exemptions claimed on the Form W-4 exceed the regular pay. In the latter situation, the lump-sum leave and the regular pay for the pay period will be combined, and the taxes will be computed as if the total were a single payment.

★ 030705. Refunds. When a lump-sum payment has been made, and the employee reenters the federal service in a position subject to a formal leave system, he or she is required to refund the unexpired portion of the period covered by the lump-sum leave payment. This refund is required because all such unexpired leave is subject to recredit even though transfer to a different leave system is involved. Recredit of leave will be determined subject to the following paragraphs.

★ A. Regular Annual Leave

1. If reemployment is in the same leave year, any part of the refund which is for a period of leave in excess of the employee's formerly established leave ceiling for the year shall become subject to the regular procedures regarding forfeiture or possible restoration at the end of the leave year. Excess leave may be paid in another lump-sum payment if another separation occurs before the end of the leave year.

2. If reemployment is in a subsequent leave year, and any part of the refund is for a period represented by more than the leave ceiling (e.g., 240 hours), a refund will be required of all the unexpired portion. However, only a maximum of the leave ceiling hours may be recredited to the regular leave account. Any hours in excess of the leave ceiling are considered forfeited, unless it can clearly be established that the excess would have become restored in a separate account if the separation had not occurred.

B. Restored Annual Leave. If any part of the refund is for a period of restored leave, the restored leave shall again be established in a separate account. The limiting date for its use shall be the same date as that originally established during the former employment. If the originally established limiting date for the use of the restored leave would have occurred before the

date of reemployment, a refund will be required for all of the unexpired portion. None of that restored leave, however, may be recredited.

C. Procedures. Obtain a refund in the gross amount equal to the gross compensation received for the unexpired portion of the leave period. Make collections either by cash or payroll deduction.

1. Processing Actions:
 - a. Audit the transferred SF 1150.
 - b. Credit the refund to the appropriation currently charged for the employee's salary.
 - c. Process the cash collection or payroll deduction.
 - d. Credit the employee's leave account when the total amount has been collected.
 - e. Process as a cash collection to the United States Treasury any check for the unexpired portion of lump-sum leave payable that is received from another DoD installation.
2. After collection of the full amount of the refund, prepare a statement for the employee including:
 - a. References to 5 U.S.C. 5551 (reference (b)) as the basis for the refund.
 - b. Date the refund was fully paid.
 - c. Total amount collected.
 - d. Statement that the earnings shown on Form W-2 (Wage and Tax Statement) for the calendar year in which the refund was made were not decreased by the refund amount. If the refund is spread over two payroll years, make a separate statement for each year.
3. Distribute the statement as follows:
 - a. Give the signed original and one copy to the employee.
 - b. Attach a signed copy to Form W-2 or tapes sent to the SSA.
 - c. Send a copy to any state or local taxing authority as appropriate.

★ 030706. Lump-Sum Payment for Restored Annual Leave for Base Realignment and Closure (BRAC) and the Closure of an Installation in the Republic of Panama in Accordance With the Panama Canal Treaty of 1977. of Title 5 United States Code, section 5551 (reference (b)) requires payment of restored annual leave under 5 U.S.C. 6304(d)(3) (reference (b)) in certain situations. Effective on or after September 23, 1996, for BRAC and October 17, 1998, for Republic of Panama closures (P.L. 105-261, reference (e)), a lump-sum payment shall be made to any DoD employee moving to a position in any non-DoD federal agency or to any position within the Department that is not located at an installation being closed or realigned under 5 U.S.C. 6304(d)(3) (reference (b)). The SF 50 must contain a remark to indicate that "lump-sum payment for unused annual leave restored under 5 U.S.C. 6304(d)(3) is required under section 1611 of P.L. 104-201, dated September 23, 1996." The payroll office will make the lump-sum payment when this remark is received.

0308 SEVERANCE

★ 030801. Qualifications. An employee who qualifies under 5 U.S.C. 5595 (reference (b)) is entitled to severance pay in regular pay period intervals and amounts equal to that paid before separation. Public Law 104-106, section 1035 (reference (e)) allows Heads of DoD Components to authorize payment of severance pay in a lump-sum rather than on a biweekly basis. Title 5, United States Code, Section 5595(i)(4) (reference (b)) authorizes the Department to make a lump-sum payment of severance pay for separations taking effect before October 1, 1999. An employee separated within a pay period rather than at the end of a pay period receives an initial payment of severance pay for the remainder of that pay period. Severance pay for employees with variable work schedules or rates of pay is computed on the basis of the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation (5 C.F.R. 550.707) (reference (l)).

030802. Payments

A. The civilian payroll office will make severance payments. If the civilian payroll office is inactivated, the civilian payroll office assuming responsibility for servicing the closed civilian payroll office continues payment for the period of eligibility. The inactivated payroll office will discontinue the payments and send the new civilian payroll office enough pay data to establish the severance payments.

★ B. Severance payments are made biweekly based on SF 50 data provided. Appropriate withholding will be made for Social Security/Medicare, federal, state and local income taxes. If a former employee dies before the expiration of the entitlement period, severance payments will be continued on a biweekly basis to the beneficiary of the deceased or held in account until identification of the beneficiary by the HRO. Collection of an indebtedness from an employee's severance pay is permissible under 31 U.S.C. 3716 (reference (d)). These payments are subject to collection for any outstanding debts owed to the government. Additionally, under 5 C.F.R. 581.103 (reference (l)), severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts. However, any court-ordered garnishments are canceled upon

the death of an employee. Payments to beneficiaries are not subject to federal tax withholding requirements.

030803. Withholding Tax Reports

A. When a separated employee has been paid the total severance pay to which entitled, or at the end of the calendar year, whichever is earlier, a Form W-2 will be issued.

B. Severance pay paid to beneficiaries of deceased employees will be reported on Form 1099-MISC.

030804. Discontinued Entitlement. When the civilian payroll office that is making severance payments to a former employee receives official notification from a HRO or other appropriate source that the individual has been reemployed in the federal service, severance payments will be discontinued. Discontinuation of such payments shall be effective on the date of reemployment. The total of amounts paid will be reported to the gaining activity or agency. This information will be used in determining future entitlement to severance pay since total severance pay during an employee's lifetime cannot exceed one year's pay at the rate received immediately before separation (5 U.S.C. 5595(c)) (reference (b)).

0309 ADVANCE OF PAY

030901. Policy

A. Title 5 United States Code, section 5524a (reference (b)) allows agencies to make advances of pay to new hires., The Department, however, has not authorized the use of these advances.

★ B. Advances of pay for DoD civilian employees proceeding to or arriving at a post of assignment in a foreign area are authorized, when applicable. An advance of pay is a prepayment made available to an employee in a pay status. A teacher in a nonpay status because of the summer recess shall be eligible for an advance of pay. A single, lump-sum pay advance of base pay for up to three months may be authorized to an employee with each permanent change of station (PCS) to a foreign area. Advances are intended to finance unusual employee expenses associated with overseas assignments that often are not otherwise reimbursed and to aid foreign assignment recruitment and retention. Such expenses may include transportation, storage of household goods, shipping costs, deposits on living quarters overseas, and purchase of household items. See 5 U.S.C. 5927 (reference (b)) and DoD 1400.25-M, subchapter 1250 (reference (u)). Refer to subparagraphs 030402.A.1. and 2. for advances of LQA and TQSA.

C. For purposes of this section, a DoD civilian employee is defined as a full-time DoD employee who is a U.S. citizen paid from appropriated, revolving, or trust funds. New hires that are in a pay status and traveling to a foreign area on travel orders are also included. With respect to teachers, employment during a normally scheduled shift shall be considered full-time.

D. A foreign area is defined as an area located outside the United States, exclusive of the Commonwealth of Puerto Rico, territories of the United States, and other areas designated by the Secretary of State under E.O. 10903 (reference (s)).

★ E. Advances of pay for overseas transfers will be paid only by the disbursing officer (or the disbursing officer's overseas agent) who support the civilian payroll office servicing the overseas area, or in OCONUS from a disbursing officer who is a deputy to the CONUS office. Payment may be made in a single lump-sum or included in the next regular biweekly pay.

030902. Eligibility

★ A. The HRO responsible for the employee shall verify the eligibility for an advance by confirming the travel orders and the appropriate pay grade and step at the foreign post. If confirmation of the foreign pay grade or step is not obtained, the current gross pay at the time of the advance shall be used.

B. An employee may request an advance of pay 3 weeks before the estimated departure date for assignment to a foreign duty post or up to 2 months after arrival.

030903. Counseling. Each employee eligible for an advance shall be counseled by the HRO concerning authorized purposes of the advance, repayment requirements, expenses that can be anticipated at the foreign assignment, and application procedures.

★ 030904. Application. The employee shall request an advance on the SF 1190. The form serves as the request, authorization, and voucher document.

030905. Collection of Advance

★ A. Repayment shall be made by payroll deduction over a maximum of 26 pay periods. Advances for DoDEA employees must be repaid in no more than the number of full pay periods remaining in the school year, if applicable. Deductions shall begin the first pay period after receipt of the advance or following arrival at the foreign post, whichever is later. A copy of the SF 1190 must be sent to the gaining civilian payroll office for collection when payment is made by the losing disbursing office.

B. Partial or lump-sum repayments, in addition to payroll deductions, shall be accepted.

C. When an employee separates or transfers, the outstanding balance shall be due in full. Advances of pay are recoverable from the employee or the employee's estate by deduction from accrued pay, amount of retirement credit, other amounts due the employee from the government, or by other methods as provided in DFAS Regulation Number 005 (reference (w)).

D. The Defense Debt and Claims Management Office, DFAS-Denver Center, may waive, in certain cases, the government's right of recovery of an erroneous pay advance in accordance with the requirements in DFAS Regulation Number 005 (reference (w)) and 5 U.S.C. 5584 (reference (b)).

030906. Other Requirements or Conditions

A. An employee is authorized only one outstanding advance at a time, regardless of the frequency of PCS. If an employee becomes eligible for a second advance, the first shall be liquidated before payment is made for the second advance request.

B. More than one member of a household may be eligible for an advance.

C. Allotments and assignments of advances shall not be authorized.

D. Advances shall be paid to employees of another federal agency on a reimbursable basis provided there is an agreement between the other agency and DFAS to make similar payments to DoD employees.

E. Submission of statements and documents from the employee establishing the need for, and the use of, an advance may be required.

F. Management controls shall be developed to ensure only authorized employees obtain an advance and complete accountability procedures exist for the disbursement and collection of pay advances. Accounting records shall include current, accurate, and complete records of obligations, receivables, and collections.

G. On an exception basis, an additional payment on an advance shall be authorized when circumstances warrant and the employee has not received the full amount of the maximum possible advance consistent with the employee's pay grade. Examples of circumstances warranting a second payment, but not an all-inclusive list, are a substantial understatement of the maximum advance authorized; inadequate or inappropriate counseling on the purpose of the advance; and unforeseeable events leading to a significant increase in the cash outlay requirements of an employee at the foreign assignment location.

★0310 SPECIAL PAYMENTS. Special salary payments (e.g., beneficiary payments, employees erroneously omitted from the payroll) will be made in accordance with paragraph 080102.

★0311 AWARDS

031101. General. Title 5, United States Code, Chapter 45 (reference (b)) is the legal basis for the government-wide incentive awards program for civilian employees. The OPM prescribes regulations in 5 C.F.R., chapter 45 (reference (l)) under which the awards programs shall

be carried out. The DoD 1400.25-M, subchapter 451 (reference (u)) prescribes awards policies governing the award program for DoD civilian employees.

031102. Incentive Awards. The DoD 1400.25-M delegates to the heads of the DoD Components the authority to pay cash awards, grant time-off as an award, and incur the necessary expense for the honorary recognition of an employee (either as an individual or as a member of a group) on the basis of (a) suggestions, inventions, superior accomplishments, productivity gains, or other personal efforts that contribute to the efficiency, economy, or other improvements of government operations; (b) a special act or service in the public interest in connection with or related to official employment; or (c) performance as reflected in the employee's most recent record of rating.

A. Time Off as an Incentive Award. Authorized by 5 U.S.C. 4502(e) (reference (b)), a time off award may be granted in lieu of cash (5 C.F.R. 451.101-451.107) (reference (l)). Title 5, C.F.R. 451.104(f) (reference (l)) does not permit a time-off award to be converted to a cash payment under any circumstances.

1. Time off granted as an incentive award must be used within one year from the effective date. Sick leave may be granted to an employee who becomes incapacitated for duty during a period of time off. Supervisors and employees are responsible for scheduling the use of this leave within one year. The incentive leave is forfeited if not used within the one-year time frame. There is no provision for restoring time-off awards.

2. The maximum amount of time off that can be granted to any one individual for a single achievement should not exceed 40 hours. The maximum amount of time off that can be granted to any one individual within one leave year should not exceed 80 hours. Part-time employees and employees with uncommon tours of duty may be granted one-half the average number of hours in the employee's biweekly tour of duty for a single achievement. The maximum amount of time off which can be granted to part-time employees and employees with uncommon tours of duty during any one leave year is the average number of hours of work in the employee's biweekly scheduled tour of duty.

3. Unused time off should be transferred when an employee transfers from one activity to another, but remains within the same DoD Component. If an employee changes to another agency, any unused time off shall be forfeited.

B. Foreign Language Awards. These awards may be paid to qualifying LEOs who are proficient in, and use, a foreign language(s) in the performance of their duties. Additional information is in 5 U.S.C. 45, subchapter III (reference (b)).

031103. Payroll and Payment Procedures

A. The civilian payroll office accepts the SF 50 or automated systems equivalent from the HRO as authorization for payment of cash awards or granting of time-off

awards. Awards will be delivered to employees in the same manner as their net pay. Incentive award payments are not distributed to the worksite.

B. Time-off awards shall be posted to the employee's record and reduced when the time off is taken and or forfeited. Usage reported prior to the receipt of notification of the award shall be reflected as a negative balance in the civilian payroll system. Failure of the HRO to provide notification of the granting of the award within two pay periods of the usage shall be assumed to be a time and attendance error. The usage shall be converted as shown in Table 5-2.

C. Cash award payments are subject to the withholding provisions of the federal, state, and local income tax laws, and the provisions of FICA. The payroll system will deduct 28 percent federal tax automatically on special earnings of this nature. The applicable state and local tax deductions and Social Security and/or Medicare deductions will be computed based on tax information in the employee's current master record. No state and local taxes are withheld for employees assigned to overseas duty locations unless requested by the employee.

D. Payment to Separated Employees

4. When possible, the employee can be reestablished on the payroll using the last known information on the employee's master account record for applicable deductions and mailing address.

5. If the employee cannot be reestablished, payment can be made using an SF 1034 (Public Voucher for Purchases and Services Other Than Personal).

E. Cash award payments must be included on an employee's LES as well as the Form W-2.

0312 CONTINUATION OF PAY (COP) FOR FEDERAL EMPLOYEES

031201. The Federal Employees' Compensation Act (FECA), codified in pertinent part in 5 U.S.C., Chapter 81 (reference (b)), provides compensation and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. Regulations governing injury compensation are contained in 20 C.F.R. Part 10 (reference (x)).

A. Civilian employees are entitled to medical care and compensation for absences due to traumatic on-the-job injuries and disease sustained while in the performance of duty. Traumatic injury is not the same as disability from occupational disease. Eligible employees are entitled to up to 45 calendar days of COP for traumatic injury.

B. The FECA is administered by the OWCP, U.S. Department of Labor, through district offices. Each HRO maintains the address of the district office that services its region.

★ 031202. Continuation of Pay - Traumatic Injury

A. Entitlement to Continuation of Pay. An employee who sustains a disabling job-related traumatic injury is entitled to the continuation of regular pay for a period not to exceed 45 calendar days for each occurrence. The pay is subject to Social Security and/or Medicare, federal, state, and local tax, retirement, and all other normal deductions. The pay for a separated employee (unless the date of termination has been established prior to the injury) who is entitled to COP will be subject to Social Security and/or Medicare, federal, state, and local tax if appropriate. No other deductions will be taken. The injured employee's pay must continue unless denied by the Department of Labor.

1. Regular Pay. Regular pay is defined as follows:

★ a. For a full-time or part-time employee who works the same number of hours per week, the weekly pay rate shall be equal to the number of hours regularly worked each week times the hourly pay rate on the date of injury including premium pay, night or shift differential, holiday pay, and other extra pay, exclusive of overtime.

b. For a part-time employee who does not work the same number of hours per week, the weekly pay rate will be the average weekly earnings for the one-year period before the date of injury, exclusive of overtime.

c. For an intermittent or part-time employee, either permanent or temporary, who does not work each week of the year (or the period of appointment), the weekly pay rate equals the average of the employee's weekly earnings during the one-year period before the injury. It is computed on the basis of the total earnings divided by the number of weeks worked (partial weeks worked are counted as whole weeks). The annual earnings used for this computation must not, however, be less than 150 times the average daily wage earned within one year before the date of injury.

2. Standby premium, night or shift differential, holiday pay, or other extra pay should be included in regular pay in all instances. Overtime pay, however, must not be made part of COP except in the case of firefighters and law enforcement officers. If a salary increase (pay raise, step increase, promotion, etc.) occurs during the 45-day period, the new salary rate as of the effective date of the increase will be used for computing the remaining COP.

B. Controversion. Sometimes an agency objects to paying a claim for COP, either for one of the reasons provided by regulation or for some other reason. This action is controversion. The employing activity may controvert a claim by completing the indicated portion of Form CA-1 (Federal Employee Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation) and submitting detailed information in support of the controversion to the OWCP.

★ C. Denial of COP. No COP may not be paid if the disability is not caused by a traumatic injury and the employee:

1. Is not a U.S. or Canadian citizen,
2. Does not file a written claim within 30 days of the date of injury,
3. Does not report the injury until after separation from employment,
4. Is injured away from the activity's premises by an event that is outside of the employee's official duties,
5. Is injured because of his or her own willful misconduct, intent to injure a person, intoxication by alcohol or illegal drugs, or
6. Does not stop work within 45 days after the injury.

D. Termination of COP. When pay is continued after the employee stops work because of a disabling injury, it must not be interrupted until the earliest of one of the following occurs:

1. The employee has not provided prima facie medical evidence of injury-related disability within 10 calendar days after the employee claims COP or the disability begins or recurs.
2. The activity receives medical information from the attending physician to the effect that the employee is no longer disabled.
3. The activity receives notification from the OWCP that pay should be terminated.
4. The COP has been used for 45 calendar days.
5. The employing agency receives evidence that the employee is partially disabled and the employee refuses suitable work.
6. The employee's scheduled term of employment expires and the date of termination has been established prior to the date of injury.
7. The employee returns to work with no loss of pay.
8. The OWCP determines that the employee refused or obstructed a medical examination required by OWCP.
9. Implementation of a disciplinary action where the preliminary notice is issued before the employee is injured.

E. COP Period. The COP period is 45 calendar days. If the employee has stopped work because of the disabling effects of the injury, the period starts at the beginning of the first full day or first full shift on which the disability begins. If disability occurs on the date of injury, the remainder of that day or shift will not be counted as COP. If the employee stops work for only a portion of a day or shift (other than the day or shift when the disability begins), that day or shift will be considered as one calendar day. If an employee is not immediately disabled as a result of the injury, the 45 days will begin on the first full day or the first full shift when the disability begins. The initial use of COP must begin within 45 days of the date of injury or the employee is only entitled to compensation from OWCP. The employee's scheduled nonwork days are included in determining the 45 days if medical evidence supports that the employee is disabled; however, there will be no COP paid for those nonwork days.

F. Light-duty Status. When a determination can be made that an employee is capable of performing light duty after an on-the-job injury, COP is chargeable against the 45-day entitlement when a personnel action has been taken to:

1. Assign or detail the employee to an identified position for which a position description exists which is classified at a lower salary level than that earned by the employee when injured;

2. Change the employee to a lower grade, or to a lower rate of basic pay;

or

3. Change the employee to a different schedule of work that results in loss of salary or premium pay, other than Sunday premium, authorized for the employee's normal administrative workweek. An employee placed in light duty status who refuses to work after suitable work is offered is not entitled to COP.

G. Recurrence of Disability. Should an employee suffer a recurrence of the disability, the regular pay can be continued, providing the 45 calendar days were not all "used" during the initial period of disability. This is applicable, however, only during a 45-day period beginning from the date the employee first returned to work following the initial disability. If a recurrence happens after the 45-day window has expired, the regular pay should not be continued although some of the 45 days of COP eligibility may remain "unused." In that instance, the employee is entitled only to compensation payable by OWCP.

H. Use of Leave Instead of COP

1. An employee may use annual or sick leave to cover all or part of an absence due to an injury. If an employee elects to use leave each full or partial day for which leave is taken will be counted against the 45 days of entitlement. Therefore, when an employee uses COP intermittently along with sick or annual leave, entitlement is not extended beyond 45 days of combined absences.

2. An election of sick or annual leave is not always irrevocable. If an employee who has elected leave for the period wishes to elect COP, the employing activity must make that change on a prospective basis from the date of the employee's request. The employee may also receive COP in lieu of previously requested annual or sick leave, provided the request is made within one year of the date the leave was used or the claim was approved in writing, whichever is later. A corrected time and attendance report is needed to authorize a change from leave to COP.

3. Leave Status of Employees Eligible for COP

a. Employees eligible for COP must be placed in a leave status for time lost from work due to injury in excess of the 45 days of COP. They may take annual or sick leave, or LWOP, if necessary, until OWCP approves their claims. Employees who are receiving OWCP compensation after the 45-day period must be in a LWOP status.

b. These employees may buy back annual or sick leave taken under subparagraph 031202.H.3.a. when they are awarded compensation by OWCP except under subparagraph 031202.H.3.c. They cannot receive dual compensation for pay and leave and OWCP compensation for that time lost due to injury. The leave will be reinstated when bought back.

c. Employees eligible for COP who take annual or sick leave for time lost due to injury instead of COP are not eligible for OWCP compensation for that leave. These employees may not buy back that leave and have it reinstated.

4. Employees not eligible for COP must be in a leave status during absence due to injury. Employees may take annual or sick leave or LWOP while awaiting a decision from OWCP on their claims. Employees must be in an LWOP status while receiving OWCP compensation. These employees may buy back, and have reinstated, all annual and sick leave used for time lost from work due to injury if OWCP approves their claims for compensation.

031203. Buy Back of Leave

A. General. When an employee elects to take sick or annual leave, or both, subsequent to the completion of 45 days of COP or in the case of occupational disease, and the claim for compensation is subsequently approved by OWCP, the employee may arrange with the civilian payroll office to buy back the leave used within one year of the date the claim was approved and have it reccredited to the leave account. The civilian payroll office shall make arrangements with OWCP to have compensation for the "buy-back" period paid directly to that office. After receipt, the civilian payroll office will notify the employee of the amount to be repaid and the method of repayment. An employee who elects to use sick or annual leave, or both, during the 45-day period of COP may not buy back the leave by claiming compensation for such period.

B. Computation. The gross amount paid for leave used during a period retroactively covered by compensation must be recovered; however, certain deductions may be recovered by payroll adjustment. The amount recovered from the employee and/or OWCP will

depend on whether payment for the leave was made in the current year or in a prior year. See Figures 3-1 and 3-2 for examples.

★ C. Current Year Recovery. The amount to be collected for leave payments made in the current calendar year will be the net pay plus deductions for bonds, savings allotments, alimony and/or child support, rent, indebtedness to the United States, and any other deductions for which the employee received value, but cannot be otherwise collected. Deductions that will be reversed (if applicable and if the moneys are recovered) in the payroll system are CSRS/FERS, Social Security and/or Medicare, federal, state and local taxes, FEHB (if OWCP payment is for more than 28 days), FEGLI (basic and optional), TSP, union dues, charitable contributions, military service credit deposits and civilian service credit deposits. Adjustments to earnings to date for other than those items reversed in the payroll system shall be made. Amounts collected from the employee and/or OWCP shall be taken up as a cash refund on a voucher for disbursement and/or collection.

★ D. Prior Year Recovery. The amount to be collected for leave payments made during a prior year will be the gross amount less CSRS/FERS, Social Security and/or Medicare, TSP, FEHB (if OWCP payment is for more than 28 days), and FEGLI (basic and optional). The procedure in subparagraph 031203.C. will be followed for payroll reversals and cash collection. The credit to CSRS/FERS will be posted as a separate credit line item on the SF 2806/3100 fiscal side indicating the year for which the adjustment was made with an explanation in the "Remarks" column. Adjustments for federal, state, and local income taxes are not authorized. The Form W-2 prepared for the employee upon separation or at the end of the payroll year, as appropriate, will not include any tax adjustments for a prior year. A certified statement must be prepared to go with the current year's Form W-2. It will state that a refund for prior year CCYY was made in the amount of \$____, but that the gross wages shown on the current year Form W-2 have not been reduced by the amount of the refund.

E. Partial Payroll Deductions. If circumstances warrant, the amount due from the employee, after recovery of the amount repaid by OWCP, may be repaid by partial payroll deductions. Adjustment of those deductions to be reversed on the payroll will not be accomplished until the full amount has been repaid.

F. Recrediting of Leave. The full amount of leave used during the "buy-back" period will be recredited to the employee's leave account. Leave bought back, however, may not be recredited until the total amount has been repaid.

0313 BACK PAY

★ 031301. General. Title 5 United States Code, section 5596. (reference (b)) and implementing regulations in 5 C.F.R. 550, subpart H (reference (l)) authorize the payment of back pay and reasonable attorney fees for the purpose of making an employee financially whole (to the extent possible). Payment of back pay can be made when, on the basis of a timely appeal or an administrative determination (including a decision relating to an unfair labor practice or a grievance), an appropriate authority finds that the employee was affected by an unjustified or

unwarranted personnel action. Such action must have resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials, otherwise due the employee under an applicable law, rule, regulation, or provision of a collective bargaining agreement. The HROs will determine entitlement to payment of back pay that will be indicated in the remarks section of the SF 50.

031302. Correcting Unjustified or Unwarranted Personnel Action

A. When an appropriate authority corrects or directs the correction of an unjustified or unwarranted personnel action, the employee shall be deemed to have performed service in the Department during the period covered by the corrective action and the civilian payroll office shall compute, for the period covered by the corrective action, the pay, allowances, and differentials of the employee as if the improper personnel action had not occurred. In no case, however, will the employee be granted more pay, allowances, and differentials under the back pay law than he or she would have been entitled to if the improper personnel action had not occurred.

B. When an employee's total interim earnings (including those from other federal employment) exceed the total amount of back pay, the excess amount may be retained by the employee (Comp. Gen. B-194777, October 30, 1979) (reference (p)).

C. When an employee has been separated, corrective action is completed on the date the Department has reasonably set, with written notice to the employee, for return to duty. Until that date, the erroneous action is in effect. Failure by the employee to report for duty on the date set by the Department may result in the employee being charged annual leave, leave without pay, or absence without leave for the period from the date set for return of the employee to work until the date the employee actually returns to work. An employee who resigns instead of returning to duty, however, still is entitled to back pay, since there is no requirement that the employee must return to duty. In this case, the employee will receive back pay up to the date that he or she legitimately is separated, which may not be the date that he or she is requested to report for duty.

031303. Back Pay Computations

A. General. In computing the amount of gross back pay due an employee, the civilian payroll office must include premium pay and any changes that would affect the amount of pay, allowances, and differentials which the employee would have earned if the unjustified or unwarranted personnel action had not occurred. The computation of the net back pay to which an employee is entitled is a three-step process: interim net outside earnings from employment taken to take the place of government employment must be deducted from the gross back pay due the employee; erroneous payments received from the government as a result of an unjustified or unwarranted personnel action must be deducted from net back pay due the employee; and other authorized deductions. Authorized deductions which include retirement deductions computed on gross basic pay for the period of separation, federal and state taxes computed on net back pay after deductions for interim net earnings, and health benefits premiums, if any, may be made from the remaining back pay due the employee.

B. Computation of Gross Back Pay

1. Under 5 C.F.R. 550.805(c) (reference (l)), an agency may not pay back pay for any period during which the employee was not ready, willing, and able to perform his or her duties because of an incapacitating illness. The employing agency, however, must grant, upon request of the employee, any sick or annual leave to the his or her credit to cover the period of incapacity by reason of illness or injury. In addition, an agency may not pay back pay for any period during which the employee was unavailable for performance of their duties for reasons not related to, or caused by, the unjustified or unwarranted personnel action.

2. In computing an employee's pay, it is necessary to include any within-grade increases (WGI) to which the he or she became entitled during the period covered by the corrected personnel action. When the grant or denial of a WGI requires an acceptable level of competence determination, under 5 C.F.R., part 531, subpart D (reference (l)), the requirements for such a determination, including the right of reconsideration and appeal, must be followed (even though the determination is made retroactively) before the WGI may be included in the computation of the amount of back pay due the employee. It should be noted that the regulations governing WGIs waive the requirement of an acceptable level of competence determination when the employee had less than 60 days of service during the final 52 calendar weeks of the waiting period because of the unjustified and unwarranted personnel action (5 C.F.R. 531.409(d)) (reference (l)).

3. In computing the back pay of an employee who is restored to the rolls after an improper personnel action, any overtime the employee would have earned during the period of the erroneous separation is to be included in the back pay even though the overtime was not actually scheduled. The method of computing overtime incident to a back pay award due an employee may be based on the average number of overtime hours worked by fellow employees occupying similar positions during the same period (41 Comp. Gen. 273 (1961)) (reference (p)).

4. An employee who should have been selected for overtime work because a regulation or collective bargaining agreement provided for assignment of overtime work in a prescribed manner is entitled to back pay for the overtime not worked if the regulation or nondiscretionary provision of the agreement is violated. The appropriate authority must find that the action taken was unjustified or unwarranted and direct that corrective action be taken. The overtime will be computed on the basis of the number of hours worked by the employee selected to perform the overtime work during the same period (54 Comp. Gen. 1071 (1975)) (reference (p)).

5. Any allowances or differentials that the employee would have received if the improper personnel action had not occurred are included in the amount due the employee. This is true even though the employee did not physically remain in the location giving rise to entitlement to the allowance or differential (40 Comp. Gen. 479 (1961), 52 id 860 (1973), and 59 id 261 (1980)) (reference (p)).

6. In determining the amount of irregular or intermittent pay for physical hardship or hazard duty to which a GS employee would have been entitled, the civilian payroll

office may determine the number of days per week the employee performed each type or irregular or intermittent hardship or hazard duty during the 52 weeks preceding the unjustified or unwarranted separation for which they would have been compensated. The civilian payroll office may use an average of the amounts to make the necessary computations.

7. Payment of environmental differentials on an actual exposure basis or on the basis of hours in a pay status must be computed in accordance with the OPM regulations and instructions. The Department determines entitlement to such differentials on the basis of the 52 weeks preceding the unjustified or unwarranted separation for which the FWS employee would have been compensated.

8. When the Department is not able to determine with certainty the number of hours that the intermittent employee would have worked during the period covered by the corrected personnel action, the civilian payroll office may estimate the amount of back pay. This estimate is determined by taking an average of the number of hours worked by other DoD employees under the same type of appointment and performing the same kind of work to which the employee in question would have been assigned during this period. The civilian payroll office also may determine the average number of hours a week the employee actually worked for a representative period preceding the unjustified or unwarranted personnel action (such as 26 or 52 weeks, whichever would represent a fairer approximation of the employee's earnings if he or she had actually worked) and use these average weekly hours to make the necessary computations.

C. Computation of Net Back Pay

1. Under 5 C.F.R. 550.805(e) (reference (b)), the civilian payroll office must deduct any amounts earned by an employee from other employment during the period covered by the corrective action. The amount of entitlement is the difference between the amount of compensation the employee would have earned, including all premium pay, and the amount actually earned in employment during the period covered by the corrected personnel action. The amount earned in employment obtained to take the place of federal employment means net earnings, that is, gross earnings less losses and certain expenses incurred in connection with the interim employment or business (34 Comp. Gen. 382 (1955)) (reference (p)). Losses sustained in a venture unrelated to that separation, however, are not allowable for deductions (35 Comp. Gen. 268 (1955)) (reference (p)).

2. The only earnings from other employment that may not be deducted from back pay are earnings from outside employment the employee already had before the unjustified suspension or separation. For example, if an employee worked 20 hours on an outside part-time job prior to separation from government employment, and during the period of separation worked 40 hours, the amount representing the 20 hours additional time worked would be offset against the back pay computation. To clearly establish whether the pay for outside employment increased substantially during the period of separation, the Department should obtain a statement or affidavits from the employee covering his or her outside earnings.

D. Computation of Interest on Back Pay Awards

★ 1. Under 5 U.S.C. 5596 (reference (b)) interest shall be paid on all back pay awards that became final on or after December 22, 1987. In most cases, the actual date of the award or decision is not the date the decision becomes final, i.e., no longer subject to reconsideration or higher level review or appeal. Interest begins to accrue on the effective date of the withdrawal of pay, allowances, and differentials. As a result, most computations will involve a series of effective dates—one for each date (usually a pay date) on which the employee failed to receive an amount of pay, allowances, and differentials because of the unjustified or unwarranted personnel action. Section 550.805 of 5 C.F.R. (reference (l)) sets out procedures for the computation of back pay, and 5 C.F.R. 550.806 (reference (l)) addresses the computation of interest.

2. The Department must issue the interest within 30 calendar days of the date on which accrual of interest ends. If issuance of the interest payment is delayed more than 30 calendar days after the date on which accrual of interest ends, interest must be recomputed based on a new ending date meeting the 30-day requirement.

3. The applicable interest rate is the "overpayment rate" adjusted quarterly by the Secretary of the Treasury and published in an IRS Bulletin issued before the beginning of each quarter.

★ 4. Interest is computed in accordance with the formula or computer software provided to civilian payroll offices by the OPM. Taxes will not be withheld from interest payments on back pay awards. The civilian payroll office will provide employees with a Form 1099-INT for all interest payments. The OPM has requested a formal opinion from IRS regarding the tax status of interest on back pay.

E. Erroneous Payments. The following deductions are mandatory and necessary to achieve the "make whole" purpose of the back pay statute:

1. Retirement Annuity Payments. Any employee who, as a result of separation that is subsequently determined by an appropriate authority to have been erroneous, has been in receipt of retirement annuity payments (either special payments or regular annuity payments) is indebted to the government for the gross amount of retirement annuity payments authorized for the period covered by the corrective action. Because the gross amount of annuity payments had already been reduced by required health benefits and life insurance premiums, the civilian payroll office recovers an amount of annuity from the back pay award equal to the gross annuity less health benefits and life insurance premiums, and transfers that amount to the retirement system. The government then recovers the amounts paid from the CSRS or FERS gross annuity for health benefits and life insurance from the respective carriers for those programs, and the retired employee's account is satisfied. The civilian payroll office then must collect from the back pay due the employee the required amount for health benefits coverage during the period following restoration and transfer that amount, plus the agency's share, to the OPM on the SF 2812.

a. As an example of the above instruction, consider that the retired employee was entitled to a gross annuity of \$500 per month less \$50 per month for health benefits coverage and \$50 per month for unreduced basic life insurance coverage after age 65, and optional insurance. The net amount payable to the annuitant in this example was \$400 per month. If the period of erroneous annuity payment was for only one month, the gross indebtedness was \$500. However, the net amount of indebtedness to be withheld from the back pay award is \$400 (the amount the annuitant actually received).

b. Erroneous separations resulting in indebtedness to the retirement fund may occur in a number of circumstances, including: an erroneous separation resulting from removal for misconduct or poor performance that subsequently is overturned on appeal; a reduction-in-force action that subsequently is overturned on appeal; separation for retirement that subsequently is determined to have been coerced; and erroneous separation for retirement because of incorrect counseling about eligibility for retirement. The civilian payroll office must deduct the amount of the net erroneous retirement payments from the back pay award. The civilian payroll office must remit the appropriate amount payable to the U.S. Office of Personnel Management and if a check payment, mail that payment to the U.S. Office of Personnel Management, Funds Control Branch, Room 1312, 1900 E Street, N.W., Washington, D.C. 20415.

2. Refund of Retirement Contributions. Title 5, United States Code, section 8342(a) (reference (b)) authorizes refund of an employee's retirement contributions only upon absolute separation from the service or transfer to a position not subject to the law. An employee must be separated or transferred for at least 31 consecutive days to be eligible for this refund. Therefore, a refund of retirement contributions paid to an employee based on a separation which subsequently is found erroneous and canceled by restoring the employee to duty retroactively so that there was no break in service removes the legal basis for the refund. A refund that was paid in error represents a debt due the retirement fund that must be deducted from any back pay entitlement. If the restored employee is entitled to back pay, the civilian payroll office should contact the OPM to determine the amount of refund, if any, to be offset against the back pay entitlement. A payment for the appropriate amount should be remitted to the OPM, at the address shown in subparagraph 031303.E.1.b.

3. Severance Pay. The severance pay paid to an erroneously separated employee at the time of his or her removal must be deducted from the back pay award upon restoration to duty.

4. Lump-sum Payment for Annual Leave. The lump-sum payment that an erroneously separated employee received upon his or her removal must be refunded by the employee upon cancellation of the separation action. This is because the lump-sum payment for annual leave is authorized under 5 U.S.C. 5551(a) (reference (b)) only upon separation from the service. Therefore, when a separation is canceled and the employee is restored to duty as of the date of separation, the lump-sum payment is considered erroneous. Any lump-sum received by the employee must be offset against the employee's back pay award, and the leave must be reccredited to the employee's leave account. There is no authority to permit an employee to elect to retain

payment or receive credit for the leave. The procedures for collecting leave payments are in subparagraphs 031203.C. and 031203.D.

5. Order of Precedence. The order of precedence for deducting erroneous payments from back pay awards when the net amount of back pay is insufficient to cover all the deductions is as follows: retirement annuity payments or refunds of retirement contributions, severance pay, and lump-sum payment for accrued annual leave.

★ a. Employees may request the OPM to waive recovery of erroneous payments of any amount from the Civil Service Retirement and Disability Fund. Requests for waiver should be submitted to U.S. Office of Personnel Management, Office of Retirement Programs, Reconsideration and Debt Collection Division, Room 3H30, 1900 E Street, N.W., Washington, D.C. 20415. Employees also may submit requests to that address to repay debts owed to the Civil Service Retirement and Disability Fund by installment deductions from salary.

b. For severance pay and lump-sum annual leave payments, any net indebtedness remaining after liquidation of back pay is subject to waiver (by GAO or DFAS, as applicable) under the authority of 5 U.S.C. 5584 (reference (b)).

F. Other Authorized Deductions

1. The retirement contribution is computed on the employee's gross back pay subject to retirement and deducted after subtracting the earnings from outside employment. Even if no amount of back pay is due the employee, because of excessive outside earnings, the employee must remit the appropriate amount of retirement fund contributions to the Department in order to receive full retirement credit for the period of the unjustified or unwarranted separation (Comp. Gen. Decision B-235638, December 4, 1990) (reference (p)) and (5 U.S.C. 8334(c) (reference (b))).

2. Income tax withholdings are not computed on gross back pay before deductions from outside employment. Rather, interim net earnings (i.e., gross earnings less losses and certain expenses incurred in connection with the interim employment or business, but before income tax withholdings), if any, must be deducted from the gross amount of back pay and income tax withheld on the remainder (unpublished Comp. Gen. Decision B-125762, 1957) (reference (p)).

3. Health benefits premiums for an employee restored to duty following an erroneous separation for retirement must be deducted if coverage under the health benefits program continued without interruption during the erroneous retirement.

G. Examples of Back Pay Computations. The following examples are set forth as an aid to computing back pay (figures are not actual but illustrative only):

Example 1:

An employee's gross back pay computation (based on basic pay only) is \$10,000. During the period covered by the corrective action the employee earned \$7,000 from outside employment (interim earnings).

Gross back pay	\$10,000
Less interim earning	\$7,000
Subtotal	\$3,000
Less authorized deductions	
Retirement deductions computed on gross back pay (\$10,000)	\$700
Federal tax computed on net back pay (\$3,000)	\$325
State tax computed on net back pay (\$3,000)	\$97
Total deductions	\$1,122
Net back pay	\$1,878

Example 2:

An employee's gross back pay computation is \$32,420, as follows:

Basic pay	\$31,000
Overtime pay	\$300
Holiday pay	\$120
On-call pay	\$1,000

The employee received lump-sum payments amounting to \$1,000, and net retirement payments (gross retirement less the amount withheld for health benefits and the amount withheld for post retirement basic life insurance) amounting to \$10,000. During the period covered by the corrective action the employee earned \$11,000 from outside employment (interim earnings).

Gross back pay	\$32,420
Less interim earnings	\$11,000
Subtotal	\$21,420
Less erroneous payments	
Erroneous retirement payments (not including FEHB and FEGLI premiums)	\$10,000
Erroneous lump-sum payments for annual leave	\$1,000
Total	\$11,000
Subtotal	\$10,420
Less other authorized deductions	
Retirement deductions computed on gross basic pay (\$31,000)	\$2,170
Federal tax computed on net back pay (\$21,420)	\$3,026
State tax computed on net back pay (\$21,420)	\$1,200
Health Benefits Premiums	\$1,116
Total	\$7,512
Net back pay	\$2,908

031304. Restoration of Leave. Under 5 C.F.R. 550.805(g) (reference (l)), annual leave that is restored to an employee as a result of the correction of an unjustified or unwarranted personnel action, and that is in excess of the maximum leave accumulation authorized by law, must be credited to a separate leave account for use by the employee. Annual leave in such a separate leave account must be scheduled and used as follows:

A. For a full-time employee, excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. This period is extended by one leave year for each additional 208 hours of excess annual leave or any portion thereof. Note: For both part-time and full-time employees, the ending date of the time limit for use of excess annual leave is not necessarily exactly 2 years, or the additional years, as appropriate, from the restoration date. Rather, the time limit ends at the end of the appropriate leave year.

B. A part-time employee shall schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee's scheduled tour of duty over a 52 calendar week period by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. The agency shall extend this period by one leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks.

C. To determine the time limitations for use of restored leave, see paragraph 050403.

031305. Health Benefits and Life Insurance

★ A. Health Insurance. Title 5, United States Code, section 8908 (reference (b)) provides that if the enrollment of an employee, who was removed or suspended without pay, was terminated and the employee is ordered restored to duty on the grounds that the removal or suspension was unjustified or unwarranted, he or she may elect to (1) have the prior enrollment reinstated retroactive to the date it was terminated, with appropriate adjustments made in contributions and claims, to the same extent and effect as though the removal or suspension had not taken place, or (2) enroll the same as a new employee. Note: The statutory provisions of 5 U.S.C. 8908 (reference (b)) do not apply when an employee was separated erroneously for retirement under conditions that entitle him or her to continued enrollment. In such cases, there is no need to restore health benefits coverage; it was transferred to the retirement system and automatically continued. Refer to the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) for additional information.

B. Life Insurance

1. If an employee is restored retroactively to duty with pay after an erroneous suspension or removal, any insurance coverage the employee had before the improper action will continue as though the erroneous action never occurred. Retroactive salary deductions

for life insurance, however, shall not be withheld from any back pay awarded for the period of separation or suspension. If death or accidental dismemberment occurs during the period between the employee's removal and the finding that the separation was erroneous, insurance proceeds will be paid and premiums will be withheld from the back pay award for the period of separation or suspension (5 U.S.C. 8706(d)) (reference (b)) and Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices (reference (z)).

2. An employee who had no insurance coverage prior to an erroneous suspension or removal and who is restored to duty after the closing date of an open season for life insurance which occurred during the period between the employee's suspension or removal and restoration is entitled upon restoration to elect life insurance coverage, as permitted during the open season. Since coverage for basic life insurance is automatic, the effective date is the first day in a pay and duty status. For options A, B, and C, the effective date is the first day in a pay and duty status on or after the date the SF 2817 (Life Insurance Election) is received by the employing office. An employee who had life insurance coverage prior to an erroneous suspension or removal and who is restored to duty after the closing date of an open season for life insurance which occurred during the period between the employee's suspension or removal and restoration, is entitled upon restoration to elect additional life insurance coverage, as permitted during the open season. The effective date is the first day in a pay and duty status on or after the date the employing office receives the SF 2817.

031306. Payment of Reasonable Attorney Fees. Title 5, United States Code, section 5596(b)(1)(A)(ii) (reference (b)) provides for payment of reasonable attorney fees in accordance with the standards established under 5 U.S.C. 7701(g) (reference (b)), under certain conditions. Under 5 C.F.R. 550.807 (reference (l)), such payment is available in all back pay cases, without regard to the nature of the case or the appropriate authority in the case HROs will determine entitlement to payment of attorney fees and indicate the amount in the remarks on the SF 50.

031307. Reporting Back Pay to State Agencies. If an employee is awarded back pay, see subparagraph 060105. regarding notification of the state agency.

0314 EMERGENCY EVACUATION PAYMENTS

031401. Purpose. This section prescribes the responsibilities of the civilian payroll offices in the event of evacuation of civilian employees or their dependents under the provisions of the DSSR, chapter 600 (reference (t)) and 5 C.F.R., Part 550, subpart D (reference (l)). Civilian payroll offices will use these procedures when evacuation for military or other reasons of national interest or because of imminent danger to their lives has been ordered by the proper authority. The place these persons are evacuated from may be within or outside the United States.

A. Forms. DD Form 2461 (Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees) is used to authorize and record emergency payments to employees and dependents. This record is kept by the civilian payroll office to record these payments on the permanent records. Information on this form may, in appropriate cases, be disclosed to other federal agencies (i.e., IRS, SSA, OPM) to state and local taxing/welfare

authorities, and to certain private organizations for crediting the payments to the employee's account. Before payment can be made to the employee or his dependents, an application for payment of amounts due the evacuated civilian employees or family members is required.

B. Determining entitlement and payee. Determine specific rates of entitlement, duration of evacuation/departure payments, and eligible allottees as follows:

1. For employees at foreign installations, use the DSSR, chapter 600 (reference (t)).

2. For all other employees, use 5 C.F.R. 550.401 through 550.408 (reference (l)).

C. Payments. Payments at the rate to which the employee was entitled immediately before the order of evacuation/departure may be made to the employee, or payments in the form of allotments may be made to an adult family member or designated representative.

031402. Transmission of Data to Safe-Haven Post

A. To the extent possible and practical, pay, leave, and other significant data will be sent from the evacuated installation to the safe-haven post as soon as possible after the evacuation order has been issued so that they will be available to support further payments. Some of the possible methods of communicating such data to the safe-haven post are shipping a machine or manual listing of the data; shipping the last complete payroll together with appropriate notations and changes; transmitting the essential data over available telephone, telegraph, or radio facilities; shipping the actual payroll, leave, and other appropriate records; providing the evacuated employees and dependents at the time that the evacuation is ordered with a statement of essential data in a locally reproduced format.

B. For the most part, the conditions and circumstances existing at the evacuation installation will determine the method and timing to be followed in transmitting the data. The safeguarding and preservation of the payroll, leave, and travel records are matters of primary concern because of the continuing need of the records after the conditions which gave rise to the emergency evacuation have been resolved. Accordingly, steps as necessary to safeguard and preserve the records should take precedence over the immediate need for them at the safe-haven post.

031403. Action Upon and During Evacuation. To the extent possible and practicable, employees and dependents remaining at the evacuated installation will continue to be paid in accordance with the normal fiscal procedures of that installation. A special advance payroll will be prepared in accordance with normal payroll procedures and charged against the appropriate funds available to the installation for advance payments authorized to be made to persons being evacuated.

031404. Action Upon Assignment of an Evacuated Employee

A. Return to Former Place of Employment

1. The disbursing officer will obtain a record of payments made to the employee and dependents from the safe-haven post and immediately request the supporting DFAS Center to furnish from its records the total amounts paid to each employee and dependents during the time of evacuation.

2. Upon receipt of the payment information from the supporting DFAS Center, the disbursing officer will reconcile all amounts paid and determine the amounts due the employee. A final payroll will be prepared to settle the employee's pay account subsequent to the last normal payment. That payroll will include all deductions that were suspended during the period of evacuation.

★ B. Assignment to an Installation Other Than One from Which Evacuated. The disbursing officer will take all action required in subparagraphs 031404.A.1. and 2. In addition, the disbursing officer will initiate a request to the former employing activity for the date of the last normal payment and all other pertinent information that normally would be furnished by a releasing activity. A new pay record will be established on the basis of the information obtained. When the required information cannot be obtained from the employee's last permanent station because of destruction of the records, it will be assumed that the employee drew all amounts due the employee as of the last day prior to evacuation. See DSSR, chapter 600 (reference (t)) and 5 C.F.R., Part 550, subpart D (reference (l)).

0315 MISCELLANEOUS

031501. Uniform Allowance. Uniform allowance is not paid through the civilian payroll system. It is paid through commercial accounts.

★ 031502. Transportation Fringe Benefits

A. Public Law 102-486 (reference (e)) requires employers report the valuation of fringe benefits as taxable income for amounts that exceed the established IRS threshold. The IRS publishes the qualified transportation fringe benefits excludable amount each year. Employers must determine the fair-market value of free or reduced parking provided to employees by comparing it to nearby commercial parking rates. The valuation in excess of the qualified published limits is includible as gross income and is subject to Social Security and/or Medicare, federal, state, and local income tax withholding. The valuation is not subject to retirement, group life insurance, or TSP deductions. See subparagraph 090205.D. for reporting information.

★ B. Beginning October 24, 1994, the Assistant Secretary of Defense (Force Management Policy) authorized DoD Components to implement the payment of subsidies for transit passes and riding in a commuter highway vehicle when going between a residence and work.

★ 031503. Government Provided Home-to-Work Transportation. Title 26, C.F.R., section 1.61-21 (reference (aa)), provides detailed rules as to the proper valuation method required for determining the employer-provided home-to-work benefit, as it must be reported on each applicable employee's Form W-2. The DoD 4500.36-R (reference (ab)) requires the USD(C), in coordination with the USD(P&R), to provide the necessary guidance annually concerning the valuation methods for home-to-work transportation. Employers are responsible for determining the value of the employer-provided benefit and reporting it to DFAS to be properly reported on the employee's Form W-2. The benefit is subject to Social Security/Medicare, federal, state, and local income taxes. The benefit is not subject to retirement, group life insurance, or TSP deductions.

Buy Back of Leave Computation – Sick Leave for Full Pay Period

<u>PP#</u>	<u>HRS</u>	<u>GROSS</u>	<u>CSRS</u>	<u>FICA/</u> <u>MED</u>	<u>TAX</u>	<u>FEHB</u>	<u>FEGLI</u>	<u>OPT</u> <u>FEGLI</u>	<u>CHARITY</u>	<u>UNION</u> <u>DUES</u>
21	80	\$680.80	47.66	9.19	120.57	31.50	5.50	16.00	2.00	1.75
<u>ALLOT</u>	<u>TSP</u>	<u>NET</u>								
50.00	10.00	\$386.63								

Current Year Recovery:

Net pay	\$386.63
Allotment	50.00
Charity	2.00
Health Benefits	31.50
Union dues	<u>1.75</u>
Amount of repayment	471.88
Amount of OWCP check (75% X 680.80)	<u>510.60</u>
Amount due employee	\$ 38.72

Prior Year Recovery:

Net pay	\$386.63
Allotment	50.00
Tax	120.57
Charity	2.00
Health Benefits	31.50
Union dues	<u>1.75</u>
Amount of repayment	592.45
Amount of OWCP check (75% X 680.80)	<u>510.60</u>
Amount due from employee	\$ 81.85

★ Figure 3-1 (Example of Buy Back of Leave Computation for Employee Who Used Sick Leave for a Full Pay Period)

Buy Back of Leave Computation – Sick Leave for Less Than a Full Pay Period

<u>PP#</u>	<u>HRS</u>	<u>GROSS</u>	<u>CSRS</u>	<u>FICA</u>		<u>TAX</u>	<u>FEHB</u>	<u>FEGLI</u>	<u>OPT</u>		<u>UNION</u>		<u>NET</u>
				<u>MED</u>					<u>FEGLI</u>	<u>CHARITY</u>	<u>DUES</u>	<u>ALLOT</u>	
20	80	\$680.80	47.66	9.19		120.57	31.50	5.50	16.00	2.00	1.75	50.00	\$396.63
Worked	47	\$399.97	28.00	5.40		71.14	31.50	5.50	16.00	2.00	1.75	50.00	\$188.68
Sick Lv	33	\$280.83	19.66	3.79		49.43	-	-	-	-	-	-	\$207.95
21	80	\$680.80	47.66	9.19		120.57	31.50	5.50	16.00	2.00	1.75	50.00	\$396.63
Worked	12	\$102.12	7.15	1.38		18.09	31.50	5.50	16.00	2.00	1.75	-	\$ 18.75
Sick Lv	68	\$578.68	40.51	7.81		102.48	-	-	-	-	-	50.00	\$377.88

Current Year Recovery:

Net Pay	\$585.83
Allotment	<u>50.00</u>
Amount of repayment	\$635.83
Amount of OWCP check (75% x \$859.51)	<u>644.63</u>
Amount due employee	\$ 8.80

Prior Year Recovery:

Net Pay	\$585.83
Allotment	50.00
Tax	<u>151.91</u>
Amount of repayment	\$787.74
Amount of OWCP check (75% X 859.51)	<u>644.63</u>
Amount due from employee	\$143.11

Figure 3-2 (Example of Buy Back of Leave Computation for Employee Who Used Sick Leave for Less Than a Full Pay Period)

CHAPTER 4**DEDUCTIONS**

★0401 **GENERAL REQUIREMENTS.** Written authority to make voluntary deductions from pay shall be obtained from DoD employees in all cases. All mandatory deductions shall be based on specific provisions of law or a court order. The authorization for each type of deduction shall contain sufficient information to properly establish the deduction and to enable payment to the proper payee of the amount deducted. A current file of all deduction authorizations shall be kept in the civilian payroll office, with the CSR or at other designated storage sites as justification for each deduction and maintained in accordance with General Records Schedule 2 (reference (g)).

0402 **ORDER OF PRECEDENCE**

040201. **Deductions.** Mandatory deductions are amounts required by law or regulation to be withheld from an employee's pay. Voluntary deductions are amounts withheld from pay that require written authorization from the employee. In some instances, an employee's gross pay is not sufficient to permit all mandatory and voluntary deductions to be made. In those cases, the following order of precedence shall apply:

A. Retirement, including retirement withheld under the Civil Service Retirement System (CSRS) Act of May 29, 1930, as amended (reference (ac)), the Federal Employees' Retirement System (FERS) Act (P.L. 99-335) (reference (e)) (5 U.S.C. 8334 and 8422) (reference (b)), state Retirement deductions for Title 32 National Guard technicians who elected to remain covered by a state retirement system (P.L. 90-486, section 6c) (reference (e)) and 5 U.S.C. 5518 (reference (b)), and retirement contributions withheld for NAF plans (P.L. 101-508) (reference (e)).

B. Federal Insurance Contributions Act (FICA); i.e., Social Security and/or Medicare (26 U.S.C. 3102, 3121, and 3122) (reference (ad)).

C. Current federal income tax authorized or required by law to be withheld (26 U.S.C. 3402) (reference (ad)). This includes any amounts voluntarily authorized by an employee in excess of the minimum withholding required.

D. Health insurance premiums for the current pay period and, when owed by the employee, for up to four pay periods immediately preceding the current period (5 C.F.R. 550.1104(c)) (reference (l)).

E. Basic group life insurance premiums (5 U.S.C. 8707) (reference (b)) and state life insurance premiums.

F. State income tax authorized, or required by law to be withheld, pursuant to an agreement between the state and the Secretary of the Treasury (5 U.S.C. 5517) (reference (b)).

G. Local income tax authorized, or required by law to be withheld, pursuant to an agreement between the local taxing authority and the Secretary of the Treasury (5 U.S.C. 5520) (reference (b)).

H. Mandatory repayments of indebtedness to the United States based on the age of the debt, not the agency to which it is owed, excluding those permitting IRS levy for prior year federal income taxes, as discussed in subparagraphs 040201.M. and O. (5 U.S.C. 5514, 5522, 5705, and 5724) (reference (b)) and (31 U.S.C. 3716) (reference (d)).

1. The amounts to be withheld and the duration of such withholdings must be determined under the due process provisions and other limitations contained in the law that applies to the particular collection action.

2. When there are multiple deductions required to satisfy various debts to the United States, and an employee's available pay subject to deduction is insufficient for all such deductions, priority shall be determined in accordance with the best interest of the United States. Debts to be collected normally are subject to the statute of limitations. Deductions for those debts for which the statute of limitations would first bar collection normally shall be made before deductions are made for debts under statutes of limitation allowing a longer time before barring collection.

I. Court-ordered garnishments for alimony and child support payments. If gross pay is not sufficient for both payments ordered in a single garnishment, a proportionate share of each payment must be made to the extent gross pay is available (42 U.S.C. 659) (reference (ae)). If there are multiple garnishments for these payments, the garnishments filed earliest are withheld first.

J. Court-ordered bankruptcy payments under 11 U.S.C. 1325 (reference (af)).

K. Court-ordered garnishments for commercial debts (P.L. 103-94) (reference (e)).

L. Optional life insurance premiums (5 U.S.C. 8714a, 8714b, and 8714c) (reference (b)).

M. Voluntary repayments of indebtedness due the U. S. Government in the order specified by the employee. These are separate payments from those set forth in subparagraphs 040201.H. (5 U.S.C. 5525) (reference (b)) and 040201.O. See 31 U.S.C. 3716 (reference (d)).

N. All other voluntary deductions in the following order (5 U.S.C. 5525 and 8432) (reference (b)):

1. Voluntary allotment for alimony and child support;

2. TSP loan allotments;
3. TSP deductions;
4. Employee organization dues;
5. Charity deductions;
6. Savings bond deductions;
7. Military service deposits;
8. National Guard Association of the United States (NGAUS) basic and optional insurance;
9. State-sponsored insurance for National Guard technicians; and
10. Other allotments.

O. IRS levy for prior year federal income taxes. The levy is based upon an employee's net pay and, during the time period it is effective, the affected employee may not increase the number or size of voluntary deductions (26 U.S.C. 6331 and 6334) (reference (ad)).

040202. Available Pay. An employee's available gross pay shall be reduced by the amount of each deduction withheld in the order specified in paragraph 040201. If an employee's remaining available pay, after applying as many deductions in the order of precedence as the pay will allow, is not sufficient to fund entirely the next deduction, then that deduction, if voluntary, will not be made. The full remaining available salary shall be paid the employee as net pay. If that next deduction is mandatory, however,, it will be made to the full extent of the remaining available pay, in which case, net pay will be zero.

0403 RETIREMENT

040301. CSRS and FERS Recordkeeping

A. General. The CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)) contains the instructions that civilian payroll offices need to carry out their responsibilities under CSRS and for basic retirement benefits under FERS.

B. Coverage. For employees subject to retirement, the SF 50 will reflect the appropriate retirement system to which an employee is subject. See Table 4-1 for pay subject to retirement deductions. Refer to the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)) for the current deduction rates for both CSRS and FERS employees as well as the rates for employer contributions.

C. Responsibilities. Civilian payroll offices must fulfill the following general responsibilities relating to CSRS and FERS:

1. Withholding retirement deductions from employees' pay, making the correct agency contribution, and transmitting these monies to the fund.
2. An individual retirement record is prepared and maintained for each employee who is covered by CSRS or FERS.
3. Maintaining post-1956 military deposit accounts.
4. Certifying individual retirement records and related records, and ensuring the correctness of data in these records.
5. Certifying that the civilian payroll office portion of applications for retirement and survivor benefits is accurate and complete.
6. Maintaining retirement control accounts and preparing retirement accounting reports.

D. Communication with the OPM. Forward records of separated employees directly to the OPM Employees Service and Records Center, Boyers, PA, as follows:

1. CSRS Retirement Records
OPM/CSRS
P.O. Box 45
Boyers, PA 16020
2. FERS Retirement Records
OPM/FERS
P.O. Box 200
Boyers, PA 16020

E. Preparation and Maintenance of SF 2806/3100

1. An SF 2806/3100 is maintained for each employee subject to CSRS or FERS. These forms are used by the OPM to adjudicate the retirement rights of a separated employee or survivors. It is important each SF 2806/3100 be correct, complete, clear in every detail, and properly certified. Timely and accurate maintenance of the SF 2806/3100 also expedites closeout procedures when an employee is separated or transferred to the paying jurisdiction of another agency.

★ 2. The civilian payroll office will prepare an SF 2806/3100 for each employee subject to CSRS or FERS to include FERS reemployed annuitants. An SF 2806 will be

prepared for CSRS reemployed annuitants who choose to have CSRS deductions withheld. Additionally, an SF 2806 will be prepared at separation for a reemployed CSRS annuitant that qualifies for a supplemental annuity and did not have deductions withheld. Also, prior service in the same agency that is not subject to retirement coverage is recorded on the SF 2806/3100. Examples are shown in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

3. Method of Posting

a. The SF 2806/3100 may be posted by an automated data processing system, by typewriter, or handwritten in permanent ink. All entries must remain within the ruled lines on the hard copy form. If necessary, use a second line to complete an entry, but do not post in the margin.

b. Manual corrections to the SF 2806/3100 will be noted by the officer who certifies the form or other responsible person, by lining through an incorrect item, entering the correct data, and initialing the correction.

c. If the "Service History" or "Fiscal Record" becomes filled on one side of the record for a manually maintained record, continue posting on the reverse side by bringing the cumulative salary deductions forward with the annotation "Balance Forward."

4. Civilian Payroll Office Number. Each civilian payroll office has been assigned a civilian Payroll Office Number that has been forwarded to the OPM. This number is used by the OPM to control records and identify the civilian payroll office making and remitting deductions and contributions. This number must be reflected on each retirement record.

5. Maintenance of Service History

a. Post Service History entries as they occur. Obtain the data from the SF 50. The OPM Operating Manual, the Guide to Personnel Data Standards (reference (ag)), contains the standard data elements that shall be used. Examples are shown in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

b. Include additional pay to which an employee is regularly entitled and which is a part of basic salary for CSRS/FERS deductions, e.g., firefighter standby premium. Omit postings for additional pay that are received on an irregular or unscheduled basis. Also omit additional pay not subject to CSRS/FERS deductions.

6. Posting to "Fiscal Record"

a. Post the total of retirement deductions withheld during the year in column 6 of the SF 2806/3100 at the end of the calendar year. If no deductions were made because of a nonpay status, enter a zero in column 6. If an employee had more than one retirement

deduction rate during the year, enter separate yearly totals for each retirement deduction rate and note the deduction percentage rate for each entry in column 8.

b. If calendar year deductions entered in column 6 include deductions from additional pay not included in the base pay posted in the Service History, place an asterisk after the amount in column 6. Place an asterisk and footnote additional pay status or night shift pay in the lower left corner of the form. If calendar year deductions are annotated additional pay status or night shift pay, show in column 8 the number of LWOP hours for each hourly rate during the year. All LWOP must be shown. If none, show "No Leave Without Pay."

7. Entries in "Remarks" Columns. In addition to the "Service History" and "Fiscal Record," record the following information on the SF 2806/3100 under "Remarks," column 4 and 8, as appropriate.

a. Enter periods of LWOP or furlough of more than 6 months in a calendar year. Enter LWOP of more than 3 calendar days for reemployed annuitants.

b. For employees serving on an intermittent basis without a regular tour of duty, enter the number of days in a pay status during each calendar year. If the employee is paid at an hourly rate and the number of days on which work was performed cannot be determined, enter the number of hours in a pay status during each calendar year.

c. For employees serving on a part-time basis with a regular tour of duty administratively determined in advance, enter the tour of duty (e.g., 4 hours a day or 5 days a week). Refer to section 81A2.2-1C in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)) for additional information.

d. Enter the last date on which the employee was in a pay status, unused sick leave, and the service computation date annotated as "Service Computation Date (month, day, year)" when an employee retires or dies.

e. For piecework employees, record the aggregate earnings and number of days of LWOP, if any, during each calendar year.

f. Record periods of employment under the Social Security Act Amendments of 1965.

8. Sick Leave. If an employee dies, retires, or elects to convert to FERS, enter the amount of unused sick leave in column 4 of the SF 2806/3100 as follows:

a. If there is a minus or zero sick leave balance, enter "No unused sick leave balance."

b. If the employee has unused sick leave at the time of separation, enter the number of hours and cite "5 U.S.C. Chapter 63."

c. For employees with uncommon tours of duty, enter the number of hours of unused sick leave, with a notation showing there was an uncommon tour of duty, and the date the sick leave, if used, would have expired. Cite "5 U.S.C. Chapter 63."

★ d. If the SF 2806/3100 is for an application of disability retirement, post "Will use all sick leave" or "No unused sick leave." Only show sick leave on the SF 3100 if there is a CSRS component. When the application for disability retirement has been approved, post, if applicable, unused sick leave balance on the final SF 2806/3100 to be forwarded to the OPM.

9. Health Benefits Data. SFs 2806/3100 forwarded to the OPM for regular retirement, disability retirement, or deceased employees must be annotated with the status of health benefits in column 4 of the record. Examples are shown in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

10. FEGLI must be shown on the SF 2806/3100 as follows, selecting the appropriate statement shown in parentheses.

a. "Basic life: Elected (75%), (50%), (No) reduction."

b. "Standard Optional Insurance: (declined), (eligible to continue, coverage began (date)), (not eligible to continue)."

c. "Additional Optional Insurance: (declined), (eligible to continue, coverage began (date)), (not eligible to continue)."

d. "Family Optional Insurance: (declined), (eligible to continue, coverage began (date)), (not eligible to continue)."

11. Disposition of SFs 2806/3100

★ a. Transfers between civilian payroll offices in the same DoD Component, e.g., from one DoD (code 97) civilian payroll office to another DoD Component civilian payroll office:

(1) If the employee is covered by CSRS, complete the SF 2806 and transmit to the new civilian payroll office using an SF 2807. This type of transfer is commonly referred to as an "Intra-Agency Transfer."

(2) If the employee is covered by FERS, complete the SF 3100 and transmit the form to the OPM at the address cited in subparagraph 040301.D.2. using an SF 3103.

★ b. Transfers between civilian payroll offices not in the same Component, e.g., from a DoD civilian payroll office to a Department of Commerce payroll office (an "Inter-Agency Transfer"):

(1) If the employee is covered by CSRS, complete the SF 2806 and transmit it to the OPM at the address in subparagraph 040301.D.1. using an SF 2807.

(2) If the employee is covered by FERS, complete the SF 3100 record and transmit it to the OPM at the address in subparagraph 040301.D.2. using an SF 3103.

c. Employee Death. Send the SF 2806/3100 using an SF 2807/3103 to the OPM within 5 days of the date of the computation of final pay. Enter in column 4 of the SF 2806/3100 the service computation date "SCD (month, day, year)," FEHB carrier control number and enrollment code, "unused sick leave (enter hours) 5 U.S.C. Chapter 63" and pay ceased (date). The deceased employee's records and associated applications are to be received by the OPM within 30 days of the date of death.

d. Application for Refund of Retirement

(1) Upon leaving federal employment, an employee may request a refund of retirement deductions by submitting an SF 2802/3106 (Application for Refund of Retirement Deductions).

(2) If the request for refund is received at the same time as the notification of the separation, attach the SF 2802/3106 to the SF 2806/3100 and submit to the OPM within 10 calendar days after the ending date of the pay period in which the employee was separated. Annotate in column 4 of the SF 2807/3103 that the SF 2802/3106 is attached.

(3) If the employee completes the SF 2802/3106 within 30 days after the separation date and the SF 2802/3106 is received in the civilian payroll office after the SF 2806/3100 is transmitted to the OPM, send the SF 2802/3106 to the OPM. Annotate the SF 2802/3106 showing the date and number of the SF 2807/3103 on which the SF 2806/3100 was transmitted.

(4) If the employee has been separated more than 30 days, he or she must file the SF 2802/3106 directly with the OPM.

e. Disability Retirement Separations. Advance closeout of the SF 2806/3100 is required when an application for disability retirement is received from a current employee.

(1) Annotate the SF 2806/3100 as follows:

(a) Add the words: "Preliminary Disability Retirement" in the top margin of the SF 2806/3100.

(b) Post retirement deductions to the close of the previous calendar year.

(c) Enter the date the application for disability retirement was made in the "Service History."

(d) Show the pay status of the employee, as applicable: "Employee in duty status," "Leave with pay will end (date)," or "Pay stopped (date)." Also, enter in column 4 of the SF 2806/3100 the service computation date as follows: "SCD (month, day, year)."

(e) On each preliminary SF 2806/3100 submitted with an application for disability retirement, enter in column 4 the status of health insurance and life insurance. Examples are shown in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

(f) Show the unused sick leave data in column 4 of the SF 2806/3100 and enter "Will use all sick leave" or "No unused sick leave." In addition enter the projected date sick leave pay will terminate.

(2) Prepare a new SF 2806/3100 to record retirement deductions withheld after sending the preliminary SF 2806/3100 to the OPM. Add the words "Final-Disability Retirement" above the date of birth. Enter "APP FOR DIS RET EXC" and annotate the date the SF 2801/3107 (Application for Immediate Retirement) was executed on the "Service History" side of the SF 2806/3100. In addition, add a comment to reference the "Preliminary Retirement SF 2806/3100" on which calendar year deductions were reported to the OPM, plus the date and number of the SF 2807/3103 that transmitted the records. Post all actions that occur after submission of the SF 2801/3107 to this record.

(3) Prepare the SF 2807/3103 and send the preliminary SF 2806/3100 with the SF 2801/3107 to the applicable address listed in subparagraph 040301.D. within 5 calendar days after receipt of the application. Annotate column 4 of the SF 2807/3103 with "Preliminary Disability" and the date established by the HRO.

(4) On approval of the application, complete the final SF 2806/3100. Post retirement deductions withheld after the Preliminary SF 2806/3100 was sent. Show the effective date of the disability retirement and the date that pay ceased on the SF 2806/3100. Send the final SF 2806/3100 to the OPM within 5 calendar days after the date of the employee's final paycheck.

(5) Continue using the final SF 2806/3100 if the employee's application is denied. The OPM will not return the Preliminary SF 2806/3100. Annotate in column 4 of the SF 2806/3100 denial of the disability and the date.

f. Nondisability Retirement Separations. Send the SF 2806/3100 with the SF 2801/3107 with attached CSC Form 1084 (Information in Support of Civil Service Retirement Application) to the applicable address, listed in subparagraph 040301.D., within 10 calendar days after the ending date of the pay period in which the employee retired.

(1) Use the OPM checklists to ensure complete and accurate processing. Submit the completed and signed checklist to the OPM with the retirement package.

(2) Post retirement deductions through the date of retirement on the "Fiscal Record" of the SF 2806/3100.

(3) Enter the type of nondisability retirement in the "Service History," i.e., "Optional Service," "Mandatory Service," or "Discontinued Service."

(4) Enter the date pay stopped in column 4 of the SF 2806/3100. This will normally be the date of retirement; however, if the employee's pay status ends before the retirement date, enter the earlier date. Enter the "SCD (month, day, year)."

g. Service credit deposits for Post-1956 military service. Any individual first employed in a position subject to the CSRS Act (reference (ac)) on or after October 1, 1982, will receive credit for post-1956 military service only if he or she deposits a sum equal to 7 percent of the military basic pay received for post-1956 military service. Individuals who were first employed under CSRS before October 1, 1982, will have the option of making deposits for post-1956 military service and avoid a possible annuity reduction. A FERS employee may receive credit for post-1956 military service under FERS rules only if he or she deposits a sum equal to 3 percent of the military basic pay he or she earned during the period of military service, plus interest.

★ (1) Payment of military service credit deposits may be made either by cash payment or biweekly payroll deductions. Installment payments must be in whole dollar amounts not less than \$25 per pay period, except for the last payment that may be in any amount to complete repayment. Unpaid balances are subject to interest calculations, and the OPM will issue annual guidance concerning the rate of interest to be used. Payments other than payroll deductions will be submitted directly to the disbursing office that supports the civilian payroll office operation in the form of a negotiable instrument. These payments must be submitted in time to be received by the disbursing officer by the close of business on the last regular business day before the interest accrual date. Therefore, if a deposit is sent by mail, the date of the postmark does not constitute the date of payment. Interest will be computed on the unpaid balance on the employee's interest accrual date.

(a) CSRS. Interest begins to accrue on deposits on October 1, 1985, or 2 years after an individual is first employed (or reemployed after a period of military service) in a position subject to CSRS. The interest accrual date (IAD) is the date each year when accrued interest is added to the amount owed by the employee. The initial IAD is the

date 1 year after the end of the interest free grace period. Thereafter, the IAD falls on the anniversary of the first IAD until the deposit is paid in full.

(b) FERS. For employees first employed prior to January 1, 1987, interest started to accrue on January 1, 1989. Therefore, the initial IAD for these employees is January 1, 1990. For employees first employed on or after January 1, 1987, interest begins to accrue 2 years from the date the individual was first employed subject to FERS. Therefore, the initial IAD for these employees is one year after the two-year interest free grace period ends.

(2) Record payments on the OPM Form 1514 (Military Deposit Worksheet). In addition, a separate SF 2806/3100 will also be maintained for Post-1956 military deposits. The SF 2806/3100 Service History should carry the annotation "Military Service History and Deposit Record."

(3) Upon retirement, close out the SF 2806/3100 when military service credit deposits are complete and annotate in the "Remarks" column "Deposit paid in full." Submit the SFs 2806/3100 along with the OPM Form 1514 and the SF 2803/3108 to the OPM via a regular SF 2807/3103.

(4) Close out and submit the SF 2806/3100 to the OPM via a regular SF 2807/3103 in the event an employee resigns, retires, or dies prior to completing the military service credit deposits. Annotate the SF 2806/3100 in the "Remarks" column with either "Paid in full" or "Partially paid," depending upon action taken by the employee or survivor. Notify the employee or survivor of the intended close out and provide the opportunity to complete payment prior to submitting to the OPM. Advise the employee or survivor that refunds of military service credit deposits may be made only by the OPM.

(5) Close out and send the SF 2806 for military deposits to the gaining civilian payroll office when an employee transfers to another civilian payroll office within the same Component. When the transfer is to another civilian payroll office, but not in the same Component, close out the SF 2806 and submit it to the OPM. A FERS post-1956 SF 3100 is sent to the OPM together with the regular SF 3100 for all transfers to another civilian payroll office including transfers within the same Component.

F. Safeguarding the SF 2806/3100. SFs 2806/3100 not maintained in a mechanized manner must be stored in secured fireproof containers. Manually maintained SFs 2806/3100 must be microfilmed/microfiched after the annual posting, and stored separately from the record itself in accordance with the OPM requirements.

G. Register of Separations and Transfers

1. The SF 2807 is used to control and transmit SFs 2806 to other civilian payroll offices and the OPM. The SF 3103 is used to control and transmit SFs 3100 to the OPM.

2. Series Designations. Maintain two separate series of SFs 2807 transmittal numbers depending on whether the SF 2807 is transmitted to another civilian payroll office or to the OPM. Each series is numbered consecutively throughout the calendar year, and the first SF 2807 prepared in a new calendar year will begin with the number 1. SFs 2807 transmitted to another civilian payroll office will be designated Intra-Agency (IA). Those transmitted to the OPM will be designated "OPM." For example, the first SF 2807 transmitted to the OPM for calendar year 1998 will be designated "OPM-98-1," while the first SF 2807 submitted to another civilian payroll office will be designated "IA-98-1."

3. Because all SFs 3100 are transmitted to the OPM, it is necessary to maintain only one series of transmittal numbers for SFs 3103. These forms must also be consecutively numbered throughout the calendar year, and the first SF 3103 transmitted to the OPM in a calendar year will begin with the number 1. All SFs 3103 will be designated "FERS." For example the first SF 3103 submitted to the OPM for calendar year 1998 will be designated "FERS-98-1."

4. More than one SF 2806/3100 may be submitted with each SF 2807/3103. However, the transmittal of completed retirement records should not be delayed while other records are being prepared for submission.

5. Copies Required

a. OPM Series. Prepare and submit the original to the OPM. Retain one copy in the civilian payroll office's files. An additional copy may be required according to the applicable DFAS Center instructions.

b. IA Transfers. Prepare and submit the original and one copy to the gaining civilian payroll office. Retain one copy for the losing civilian payroll office's files. An additional copy may be required according to the supporting DFAS Center instructions.

c. FERS Series. Prepare and submit the original to the OPM. Retain one copy for the civilian payroll office's files. An additional copy may be required according to the supporting DFAS Center instructions.

6. Filing the SF 2807/3103. File SFs 2807 received from other civilian payroll offices in a separate file in order of receipt by calendar year. Maintain a separate file for "IA" series of SFs 2807 forwarded to other civilian payroll offices. Maintain a separate file for "OPM" series of SFs 2807 forwarded to the OPM. Maintain a separate file for "FERS" series of SFs 3103 forwarded to the OPM. These files shall be in numerical order for each calendar year.

H. Adjustments

1. Current Employees

a. **Erroneous Deductions.** If an overdeduction was made for retirement from the pay of a current employee, make an adjustment during the next payroll cycle. Decrease the current retirement deductions from the employee's current pay period earnings, and make a corresponding adjustment in the employer's contributions.

b.. **Deductions Not Withheld When Required.** If an underdeduction occurred, or if deductions were not made for a period when an employee should have been covered by CSRS/FERS, that employee must be afforded rights under due process to repay the overpayment. If deductions were made for a NAF retirement plan when deductions are required for CSRS/FERS, adjust the NAF retirement deductions and contributions and Social Security contributions and deductions in the next pay period. These amounts should then be offset against the amounts that should have been submitted for CSRS/FERS to determine the net amount that must be withheld from the employee's current period pay.

2. Separated Employees

a. Overdeductions

★ (1) When an excess amount has been deducted from a former employee's pay, and the SF 2806/3100 has not yet been forwarded to the OPM, the amount is to be corrected in the current calendar year and the correct total accumulative deductions posted in columns 6 and 7 respectively on the SF 2806/3100 prior to forwarding to OPM.

(2) If the overdeduction is found after the SF 2806/3100 was sent to the OPM, an SF 2806-1 (Notice of Correction of Individual Retirement Record for CSRS Employees) or an SF 3101 (Notice of Correction of Individual Retirement Record for FERS Employees) must be prepared and submitted to the OPM.

(3) If an overdeduction from a former employee's pay results in excess employer contributions, the amount of the excess should be deducted from the next pay period's SF 2812 report.

b. Underdeductions

(1) When an insufficient amount has been deducted from a former employee's pay, and the SF 2806/3100 has not yet been submitted to the OPM, note the amount of the deficiency in column 8 of the SF 2806/3100. If the SF 2806/3100 has been submitted, another SF 2806/3100 must be prepared and annotated "Supplemental" in the upper left margin.

(2) When an underdeduction from a former employee's pay results in insufficient employer contributions, the insufficient amount will normally be included in the SF 2812 report for the next pay period.

c. In the cases of subparagraphs 040301.H.2.a. and b, an SF 1081 (Voucher and Schedule of Withdrawals and Credits) shall to be prepared and attached to the SF 2812 for accounting purposes.

d. Service History Corrections. Corrections to the SF 2806/3100 should be made on the retirement record if the error is detected before the record is submitted to the OPM. If the error is detected after the record is sent to the OPM, prepare an SF 2806-1 or SF 3101.

3. Transferred Employees

a. Overdeductions

★ (1) When an excess amount has been deducted from a transferred employee's pay, and the SF 2806/3100 has not been forwarded, the amount is to be corrected in the current calendar year and the correct total accumulative deductions posted in columns 6 and 7, respectively, on the SF 2806/3100 prior to forwarding.

★ (2) Prepare and submit an SF 2806-1 to the gaining civilian payroll office if the overdeduction is found after the SF 2806 was forwarded to another civilian payroll office within the Department.

(3) When an overdeduction from a transferred employee's pay results in excess employer contributions, deduct the amount of excess employer contributions from the SF 2812 report for the next pay period.

b. Underdeductions. Note the amount of underdeductions in column 8 of the SF 2806 when an insufficient amount has been deducted from a former employee's pay, and the SF 2806 has not yet been forwarded to another civilian payroll office within the same Component. Prepare and forward a supplemental SF 2806 to the gaining civilian payroll office if the SF 2806 has previously been submitted.

c. Service History Corrections. Correct the "Service History" portion of the SF 2806 if the error is detected before the record is sent to another civilian payroll office within the same Component. Prepare and submit an SF 2806-1 to the gaining civilian payroll office if the error is detected after the record is submitted.

d. Retroactive Payments

(1) Report CSRS/FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100, and forwarding it to the OPM using an SF 2807/3103.

(2) Include CSRS/FERS deductions withheld from a retroactive salary payment for a current employee in the current year salary deduction on the SF 2806/3100 being maintained for the employee.

(3) Report CSRS/FERS deductions withheld from a retroactive salary payment for an employee transferred to another civilian payroll office within the same Component by preparing a supplemental SF 2806/3100. Send the SF 2806 to the gaining civilian payroll office using an SF 2807. The SF 3100 will be sent to the OPM using an SF 3103.

I. Availability of Retirement Funds for Loans, Garnishments, and Indebtedness

1. Loans and Garnishments

a. An employee may not borrow from the retirement fund or assign money credited to his or her account as security for a loan or for any other purpose. An employee's retirement account is not subject to any execution of levies, attachments, garnishments, or other legal processes except as follows:

(1) The OPM will comply with a garnishment or attachment order issued to enforce child support or alimony obligation.

(2) The OPM will comply with the assignment of retirement benefits in a state court order, decree, or community property settlement agreement in connection with the divorce, annulment of marriage, or legal separation of a federal employee or retiree.

2. Indebtedness

a. Conditions governing collection for indebtedness.

(1) An employee's contributions to the retirement fund may be offset to recover any valid debt to the U.S. Government.

(2) All of the following conditions must be met before an offset of these contributions may be made:

(a) The employee has been separated.

(b) The civilian payroll office has exhausted all other means of recovery.

(c) The employee has filed an application for refund or for a monthly civil service annuity benefit.

(d) The creditor agency has given the employee an opportunity to request reconsideration of the collection including an oral hearing, waiver, or compromise.

(3) If the employee dies before becoming entitled to annuity benefits, retirement fund contributions may be offset when an application for lump sum benefits is filed.

b. Collection procedures

(1) Before a civilian payroll office can request the OPM to recover a debt for a former employee from the retirement fund, the employee must be notified in writing of the following:

(a) The reason for, and amount of, the debt;

(b) The date repayment must be made, (normally not more than 30 days after the date of the notice);

(c) The intention to collect the debt by offset from the retirement fund unless the employee has entered into a repayment agreement with the agency;

(d) An opportunity to request reconsideration of the decision to collect the indebtedness, including waiver or compromise; and

(e) An explanation of the employee's right to an oral hearing.

(2) Only one written demand containing the above information is required to be sent to the employee. If there is no reason to believe that the employee has not received the demand notice, the civilian payroll office has the right to judge the claim based on evidence in its possession.

(3) An SF 2805 (Request for Recovery of Debt Due the United States) will be prepared, and the civilian payroll office will send Part 1, 2, and 4 of the SF 2805 to the OPM. Part 3 will be retained in the civilian payroll office. See section 0408 for instructions for health benefits indebtedness.

(4) If a debt has been pursued to judgment, written demand need not be made. A copy of the court order must be attached to the SF 2805.

(5) Do not retain the SF 2806/3100 pending completion of action necessary to prepare and submit an SF 2805. If an SF 2805 will be submitted at a later date, the SF 2806/3100 should be annotated in column 8, "Remarks," of the existence of the debt, the amount (if known), and the reason for the debt. If the exact amount of the debt is unknown, note in column 8 of the SF 2806/3100 that the employee is indebted in an unknown amount.

J. Entries on the Payroll Voucher. Employee deductions and employer contributions shall be reported separately on the DD Form 592, Part I - Payroll Summary. Civilian payroll offices reporting to the OPM via hard-copy SF 2812 shall cite the OPM deposit fund

account 24X8135.8 for the deductions and contributions on Part I. Civilian payroll offices reporting to the OPM via the Retirement Insurance Transfer System (RITS) shall report deductions and contributions on Part I, but shall not cite the OPM deposit fund account. Employer contributions shall be charged to the appropriation(s) from which the employee's salary is paid and shall be reported on Part II, Accounting Classification.

K. Pay Period Transmission of Deductions and Contributions. Deductions and contributions for CSRS and FERS are reported to the OPM each pay period using procedures described in subparagraph 090203.C.

040302. Contributions to State Retirement Programs for National Guard Technicians

A. General. The Department will negotiate agreements with states for federal employees' contributions to a state or state-sponsored contributory retirement program; and cooperate and process agreements with each state requesting a withholding agreement covering technicians of the National Guard for a state-sponsored retirement program.

B. Procedures

1. P.L. 90-486, section 6 (reference (e)) requires technicians who elected to continue coverage under a state retirement plan to make such an election by January 1, 1969. If a technician filed a valid election to remain covered by an employee retirement system sponsored by a state, the U.S. Government may pay the amount of the employer's contribution and withhold the employee's designated share for deposit to the state program that becomes due for the period beginning on or after January 1, 1969.

2. The federal share of payments, including employer's taxes imposed by 26 U.S.C. 3111 (reference (ad)), may not exceed the amount that the employing agency otherwise would contribute on behalf of the technician to the Civil Service Retirement and Disability Fund under 5 U.S.C. 8334 (reference (b)) and 32 C.F.R. 79.5(b) (reference (ah)).

3. A person covered under a state-sponsored program shall not earn credits concurrently toward retirement or receive an annuity under 5 U.S.C. 8331-8345 (reference (b)).

4. A person who retires under a state retirement program shall not be eligible for any rights, benefits, or privileges to which retired civilian employees of the U.S. Government may be entitled.

5. Agreements with states shall comply with the standards contained in subparagraph 040302.D.

C. Responsibilities

1. The Under Secretary of Defense (Comptroller) shall establish policy and procedures regarding state retirement programs for National Guard technicians and shall update

agreements with authorized state officials for the Secretary of Defense. This authority may be redelegated. See 32 C.F.R. 79.6 (reference (ah)).

2. The Secretary of the Army and the Secretary of the Air Force shall coordinate and implement the provisions of this chapter, and designate the National Guard Bureau as the responsible agent for maintaining existing agreements with states and for coordinating administrative actions, to include preparing updated agreements.

D. Standards for Contribution Agreements with State Retirement Programs for National Guard Technicians. Each agreement between the Secretary of Defense and a Governor, or other authorized state official--for employer and employee contributions to a state retirement program for National Guard technicians--shall be completed within 120 days of receipt of a state request, provided that:

1. State law provides for payment of employee contributions to a state-sponsored employee retirement system by withholding sums from the employee's compensation and making payment to the official designated to receive sums withheld.

2. The program is limited to technicians of the National Guard.

3. Each agreement is consistent with 32 C.F.R. Part 79 (reference (ah)) and contains a clause that subjects the agreement to any statutory amendments occurring after the effective date of the agreement.

4. The agreement shall comply with the requirements of state law that specifies who is eligible for such state-sponsored retirement programs.

5. The commencement date for contributions must be specified.

6. Contribution procedures, filing requirements, and payment instructions conform, when practicable, to the usual fiscal practices of the Department.

7. The agreement does not impose requirements on the Department that are more burdensome than those requirements imposed on departments, agencies, or subdivisions of the state concerned. Except to the extent that an agreement may be inconsistent with 32 C.F.R. Part 79 (reference (ah)), the agreement shall continue in full force and effect until amended, modified, or terminated by appropriate authority. See 32 C.F.R. 79.7(g) and (h) (reference (ah)).

040303. Civil Service Employees Covered By Retirement Systems for Nonappropriated Fund Employees

A. The Portability of Benefits for Nonappropriated Fund Employees Act of 1990, P.L. 101-508, subsection 7202 (reference (e)) permitted certain NAF employees to retain coverage under a NAF retirement plan during employment in a position that normally would be covered by CSRS or FERS. An employee who elects to remain covered by a NAF retirement plan

is excluded from coverage under CSRS or FERS for all subsequent periods of employment including periods of service as a reemployed annuitant. Refer to 5 C.F.R. 831.201(h), 831.204, 842.102, 842.104(g), and 842.106 (reference (l)) for additional information.

★ B. In accordance with P.L. 101-508 (reference (e)), the opportunity to retain coverage under a NAF retirement plan is limited to NAF employees who move after December 31, 1986, to positions within the Department or the Coast Guard which are covered under CSRS or FERS. Section 1043 of the National Defense Authorization Act for Fiscal Year 1996, P.L. 104-106 (reference (e)), broadens the definition of a qualifying move under P.L. 101-508 (reference (e)), for the purposes of remaining in the employee's prior retirement plan following a move to or from a NAF position. It also allows certain FERS and NAF employees who had a qualifying move after December 31, 1965, and before August 10, 1996, to combine all their service, both NAF and CSRS, toward a single retirement benefit.

C. Employees who elect to retain coverage under a NAF retirement system will have block 30 of the SF 50 annotated as "5-Other." The "Remarks," block of the SF 50 will state that the employee has elected to retain coverage under a NAF retirement system.

★ D. Employee retirement deductions, employer contributions, contributions to applicable 401(k) plans, and loan repayments will be made biweekly and submitted to the appropriate NAF employee benefit system. FICA shall be withheld and reported in accordance with current guidance of the Department of the Treasury.

E. There currently are six NAF retirement plans. Employees who elect to retain NAF coverage will continue to be covered by the plan in effect at the time of election.

★ 040304. Uniformed Services University of the Health Sciences (USUHS) Faculty Retirement. All full-time civilian faculty members of the USUHS with an appointment of more than 1 year are covered under the Teachers Insurance and Annuity Association and College Retirement Equities Fund, which is a tax deferred retirement plan. A total of 15 percent of the employee's base salary is collected for the retirement plan. The employer (USUHS) contribution is 10 percent and the employee's deduction is 5 percent. Funds will be directly remitted to TIAA/CREF, 730 Third Avenue, New York, NY 10017. Off-line collections may be deposited into and disbursed from deposit fund --X6875 and remitted to address above.

0404 FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA) TAX

040401. Authority. The FICA (reference (ad)) states that all civilian employees of the U.S. Government are eligible to receive FICA benefits. See paragraph 040406. for employees who are exempt from Social Security and/or Medicare withholdings. Wages for covered employment are taxable regardless of the worker's age or whether the worker is receiving Social Security benefits. For purposes of this Regulation, taxes withheld under FICA (reference (ad)) will be referred to as Social Security and Medicare taxes. The term FICA applies to total deductions for both Social Security and Medicare.

A. Generally, civilian federal employees are covered by Social Security and Medicare or Medicare only, based on the type of appointment. Coverage is determined by the HRO and is reflected on the SF 50. Social Security and/or Medicare taxes are withheld on the same entitlements, but are subject to different wage limitations. The guidance herein applies to both Social Security and Medicare deductions. The deductions are shown separately on the Form W-2. For purposes of determining the maximum wages subject to Social Security and/or Medicare withholding, the Department is considered one employer. Effective with the first pay period in calendar year 1983, federal employees under CSRS became subject to Medicare withholding.

B. Effective January 1, 1984, new federal employees were subject to Social Security and Medicare withholding as well as retirement deductions directed by the OPM. If an employee transfers between DoD Components, the gaining civilian payroll office must consider those Social Security and/or Medicare taxes already deducted by the losing civilian payroll office in order not to exceed the maximum Social Security and/or Medicare tax liability due for that payroll year. When an employee transfers, include Social Security and/or Medicare year-to-date wages, and Social Security and/or Medicare year-to-date taxes in the "Remarks," section of the SF 1150.

040402. Compensation Subject to Social Security and/or Medicare

A. Current Earnings and Allowances

1. For employees covered under FICA, generally any compensation subject to federal income tax (without regard to exemption status) is subject to Social Security and Medicare deductions (see Table 4-1). Employees covered under CSRS are subject only to Medicare withholding. The basis for Social Security and/or Medicare tax deductions is the employee's gross pay for each pay period.

2. In areas outside the United States, the gross amount upon which Social Security and/or Medicare deduction is computed includes the Canal Zone tropical differential, foreign post differentials, and nonforeign post differentials.

B. Back Pay Awards. Employee and employer portions of Social Security and/or Medicare taxes computed for back pay awards should be figured at the rate in effect for the periods covered by the corrective action.

040403. Tax Amounts. The tax rate percentage and wage base limitation for Social Security and/or Medicare taxes require separate computation and reporting.

A. Employee Deductions. For each pay period, deduct the applicable Social Security and/or Medicare tax from the gross pay of each employee covered by Social Security and/or Medicare. Discontinue these deductions when the employee's earnings reach the applicable maximum limitation. Refer to IRS Circular E (reference (h)) for the yearly update. Maximum limitations for prior years are listed in Table 4-2.

B. Employer's Social Security and/or Medicare Tax. The U.S. Government must pay an employer's contribution equal to the same rate used for employees.

C. Official Social Security and Medicare Tax Tables. Tax tables are published in IRS Circular E (reference (h)).

040404. Voucher Entry. For each pay period, enter the employees' deductions and the employer's contributions for Social Security and/or Medicare taxes on the appropriate line of the DD Form 592 (Payroll for Personal Services-Certification and Summary). The employer's portion is charged to the same appropriation(s) as the employee's salary.

040405. Adjustments. Adjustments due to errors and cancellation of paychecks are outlined in section 0808.

040406. Employees Exempt from Social Security and/or Medicare. The following employees are exempt from Social Security and/or Medicare deductions:

A. Noncitizens employed outside the United States, the U.S. Virgin Islands, and Puerto Rico;

B. Interns, student nurses, and other student employees of federal hospitals (except medical and dental interns and residents) (26 U.S.C. 3121(b)(6)) (reference (ad));

C. Employees hired temporarily to handle fires, storms, earthquakes, floods, and other similar emergencies and disasters (26 U.S.C. 3121(b)(6)) (reference (ad));

D. Civilian chaplains. If a civilian chaplain wants to be covered under Social Security and/or Medicare, he or she must apply as a self-employed person, or if the order in which the chaplain belongs has made an election for its members to be covered by Social Security and/or Medicare, then the chaplain may also be covered by Social Security and/or Medicare;

E. Employees of instrumentalities of the U.S. Government that are specifically exempt from Social Security and/or Medicare by law (26 U.S.C. 3112) (reference (ad)); and

F. Title 32 National Guard technicians in Massachusetts and Nevada who elected to remain in the State Employees Retirement System.

040407. Panama Social Security System. All non-U.S. citizens employed by the Panama Canal Commission, after September 30, 1979, are covered by the Panama Social Security System (Social Security Provisions of the Agreement in Implementation of Article III of the Panama Canal Treaty). The employee's withholding is 7.25 percent of salary, and the employer's contribution is 12.45 percent of salary. Non-U.S. citizens covered by CSRS prior to October 1, 1979, who are employed by the Panama Canal Company or Canal Zone Government and were covered by CSRS, will continue to be covered under CSRS until termination.

0405 FEDERAL INCOME TAX WITHHOLDING040501. General

A. Withholding Authority for Federal Income Tax. The Internal Revenue Code, 26 U.S.C. 3402 (reference (ad)), requires each federal agency to withhold federal income taxes from wages paid to employees. The current IRS Circular E (reference (h)) summarizes the employer's responsibilities and contains rates and tables prescribed by the Treasury Department. Title 26, U.S.C., section 3306 (c)(6), (reference (ad)) states that services performed in the employ of the United States are exempt from the tax imposed under the Federal Unemployment Tax Act.

B. Employer's Identification Number (EIN). An EIN is assigned by the cognizant District Director of the IRS to identify the tax accounts of employers. Only one identification number per civilian payroll office is authorized for use in reporting all federal and Social Security and/or Medicare taxes. Note that the federal taxes deducted for PCS are not reported under the civilian payroll EIN. The civilian payroll office has the responsibility for the collection and reporting of federal and Social Security and/or Medicare taxes using an Form 941. The current IRS Circular E (reference (h)) should be used for guidance to withhold and report federal income tax and Social Security and/or Medicare.

C. Method of Withholding. The two most common methods for withholding tax provided by the IRS are the percentage method and the wage-bracket method. Refer to IRS Circular E (reference (h)) for information on these two methods.

★ 040502. Form W-4. Statutory deductions for federal income taxes will be supported by Form W-4 (Employee's Withholding Allowance Certificate) from each employee stating the number of exemptions claimed or extra withholding authorized. Forms W-4 may be obtained from the nearest HRO or CSR. An employee may also be allowed to process tax changes through an automated computer program by using a personal identification code.

★ A. Withholding Allowances. An employee completes, at the time of entrance on duty, a Form W-4, and any additional forms required for withholding state or local taxes. The number of allowances claimed and the employee's marital status provides the basis to compute federal income tax withholding (FITW). The withholding of additional income tax in a fixed amount is permitted when the employee requests such withholding in either paper or electronic form. If an employee fails to submit a Form W-4, assume the employee is single and has no withholding allowances. Once filed, a Form W-4 remains in effect until the employee furnishes an amended certificate.

1. Permissible allowances are described on the Form W-4. Determining the accuracy of the number of allowances claimed is not the responsibility of the civilian payroll office.

2. The number of allowances claimed on the Form W-4 may be different than the number of exemptions claimed on the employee's tax return. Employees may use the worksheet on the Form W-4 to determine if they qualify for claiming extra allowances.

B. Additional withholding allowances, as computed through use of the table on Form W-4, may be claimed. An employee who wants to increase the amount of tax withheld may reduce the number of exemptions to which entitled. If an increase only in federal tax withheld is desired, the employee may request an additional amount be withheld on Form W-4, in whole dollar amounts, regardless of the number of exemptions claimed. The amount of withholding remains in effect until changed by the employee.

★ C. Reporting Certain Forms W-4 to the IRS. Civilian payroll offices must report to the IRS if certain Forms W-4 are received. This information will be accumulated by the CSR and sent to the civilian payroll office to be submitted with the Form 941, for each quarter. The Forms W-4 that are required to be reported include:

1. Any forms received with more than 10 allowances claimed.

2. Any form received from an employee who claims exemption from income tax, but is expected to earn more than \$400 in a biweekly pay period. The reports must contain the following information: EIN; name and address of the civilian payroll office; and employee's name, SSN, and address.

D. The civilian payroll office will submit a copy of the Form W-4 currently in effect (or make the original available for inspection), when a written request is received from the IRS.

040503. Allowance Status Change. If an employee submits a new Form W-4, change the withholding effective the next pay period. If an employee claims the Form W-4 on file is erroneous and submits a corrected one, no retroactive adjustment is permitted.

040504. Compensation Subject to Income Tax. The general rule is that all wages and differentials are taxable, and all allowances are not taxable. See Table 4-1 for taxability on specific types of compensations.

040505. Withholding Allowances

A. Withholding Not Required. An employer is not required to deduct and withhold any federal income tax from wages paid to an employee who has certified to the employer (as prescribed by IRS) that the employee incurred no income tax liability for the preceding year and that the employee expects no liability for the current year. The employee uses the Form W-4 to make this certification. The employee must file a Form W-4 each year by February 15 to claim exemption from withholding.

B. Retained Copies of Forms 941 (Employer's Quarterly Federal Tax Return) and Related Reports. As forms are superseded or become obsolete, remove them from the active file and place in an inactive file. Treasury Department forms (e.g., Forms 941 or Forms W-4) do not have to be sent to the IRS District Director. However, the civilian payroll office must show, on request that the information is on file as a supporting record.

040506. Tax Tables and Tax Periods. Refer to IRS Circular E (reference (h)) for the current tax tables or applicable payroll system tax package.

040507. Adjustment in Tax Withheld

A. Undercollection. If no tax (or less than the correct amount) is withheld due to a computing error, instruct the employee to refund the overpayment in accordance with due process procedures (refer to section 0803 for procedures). If the employee is separated, refer to section 0804 for procedures.

B. Overcollection. If more than the correct amount of tax is deducted, refund the overcollection to the employee if within the same payroll year. Refund on the next payroll voucher, if possible, or use SF 1049 (Public Voucher for Refunds). Make an appropriate entry on the individual pay record. Include the amount refunded and the disbursing voucher number. If a Form W-2 was issued, prepare a corrected form as stated in IRS Circular E (reference (h)). Adjust overcollection of taxes on the current payroll. Enter the amount refunded, less the current pay period's tax withholdings on the pay record. Increase the normal net pay amount accordingly and note the reason for the adjustment on the pay record.

040508. Tax Payments - Payment of Withheld Tax

★ A. Tax Collection. All FITW, Social Security and Medicare taxes collected by the civilian payroll office will be directly remitted to IRS through FEDTAX, except for off-line payments that may be deposited in account --X6875.

B. Accounting. The civilian payroll office making the tax collection is responsible for preparing the Form W-2 and issuing it to the individual.

★ C. Disbursement. The disbursing office will disburse all taxes withheld based on the information provided by the civilian payroll office and the frequency of the payroll involved. The taxes are remitted for amounts withheld from wages for federal income taxes, Social Security and/or Medicare, and employer's contributions for Social Security and/or Medicare via FEDTAX on payday.

040509. Resident and Nonresident Aliens

A. Withholding Tax. Wages paid to both resident and non-resident aliens for services performed in the United States are subject to the withholding of federal income tax. The

same regulations, procedures, and rates that govern U.S. citizens apply to resident and nonresident aliens.

B. Withholding Allowances. Resident aliens may claim the full number of withholding allowances to which they would be entitled if they were U.S. citizens. Nonresident aliens who are residents of Canada, Mexico, Japan, or Korea may claim the full number of withholding allowances to which they would be entitled if they were U.S. citizens. All other nonresident aliens should not claim exemption from income tax withholding, request withholding as if they are single, and claim only one allowance. This may avoid underwithholding of income taxes.

C. Payment of Taxes and Tax Return. Federal income and Social Security/Medicare taxes withheld for resident and nonresident aliens covered in this chapter will be included with the total tax deposit payment and reported on the Form 941.

040510. Lump-Sum Leave Payment Refunds

A. Refer to section 0808 regarding procedures on adjustments of overpayments and underpayments.

B. When the entire amount has been collected, prepare a statement (a sample format is shown in Figure 4-1) to be distributed as follows:

1. The original is sent to the employee, with one copy for each taxing authority for which tax has been withheld from the employee's pay.

2. One signed copy is sent to the IRS, the state (if applicable), the city or county (if applicable), and any other authorized taxing authority.

040511. Advance Earned Income Credit (EIC). Civilian payroll offices must make advance EIC payments to eligible employees; however, eligible employees must request payment by filing an Form W-5 (Earned Income Credit Advance Payment Certificate) with their employing activity. They must file a new certificate each year.

A. Eligibility. Eligibility requirements are shown on Form W-5 and are summarized below:

1. The employee's expected earned income and adjusted gross income must each be less than the amount set by IRS for each taxable year.

2. The tax return must be filed as single, married filing jointly, head of household, or qualifying widow(er) with dependent child.

3. The employee cannot be a qualifying child of another person.

4. The employee generally must have a qualifying child, as defined in the instructions on Form W-5, living with him or her more than half the year, including time when the child is away at school or on vacation (the entire year for a foster child). The child must be under the age of 19 at the end of the year, a full-time student under the age of 24, or permanently and totally disabled.

5. The employee generally must claim a married child as a dependent. There are special rules that may apply, however, if the child is the child of divorced or separated parents, or if the employee qualifies as an unmarried head of household. See Form W-5 for details.

B. Form W-5. On Form W-5 an employee must show if in a married status. If the spouse also has filed a Form W-5 with an employer, use the advance EIC tables in the IRS Circular E (reference (h)) (either the wage bracket or percentage method table) titled "Married with Both Spouses Filing Certificate."

1. Form W-5 remains in effect until the end of the calendar year. Eligible employees must file a new certificate each year.

★ 2. The signed form becomes effective with the first payroll period ending (or the first wage payment made without regard to a payroll period) on or after the date the certificate is received by the CSR.

★ 3. If an employee has given the CSR a signed Form W-5 and later becomes ineligible for the credit, the employee must revoke the previously filed form. If the employee's situation changes because his or her spouse files a Form W-5, the employee then must file a new Form W-5 showing that his or her spouse has a Form W-5 in effect with an employer.

4. If an employee has a Form W-5 certifying that their spouse has a Form W-5 in effect and the spouse's form is no longer in effect, the employee must file a new Form W-5.

C. Amounts to be Paid to Eligible Employees

1. IRS Circular E (reference (h)) contains a biweekly payroll period table to be used with the employee's biweekly taxable wages to compute the advance payment.

2. The civilian payroll office will refer employees with questions about their eligibility for advance EIC payments to the IRS.

D. Paying the Advance EIC to Employees

1. The advance EIC payment does not change the amount of federal income tax, Social Security, or Medicare taxes that is withheld from employees' wages. The advance EIC payment is not compensation for services rendered and is not subject to payroll taxes.

2. Generally, employers will pay the amount of the advance EIC payment from withheld income, Social Security, and Medicare taxes. These taxes are normally required to be paid over to IRS either through federal tax deposits or with employment tax returns.

3. If for any pay period the advance EIC payments are more than the withheld income, Social Security, and Medicare taxes (including the employer's share of Social Security and Medicare taxes), the civilian payroll office may take one of two actions:

a. Proportionately reduce each advance EIC payment. (Each payment must be reduced by an amount that has the same ratio to the excess as the payment has to the total of all advance payments for the payroll period).

b. Elect to make full payment of the advance EIC amount and have these full amounts treated as an advance payment of the employer's tax liability. If excess EIC payments are applied against any other taxes, attach an explanation to that tax return on which the credit for overpayment is taken.

E. Reporting EIC Payments

1. Advance EIC payments will be identified on the DD Form 592 and reported on the Form 941.

2. The total amount of advance EIC payments made during the year will be shown on the employee's Form W-2.

3. The amounts shown on Form W-2 for income tax withheld (if any), Social Security, and Medicare taxes withheld are not affected by advance EIC payments. Likewise, no other entries on Form W-2 are changed because of these payments.

F. Recordkeeping

1. The civilian payroll office retains the following:

a. Amounts and dates of all wage payments and advance EIC payments.

b. Dates and amounts of tax deposits made.

c. Copies of Form 941 returns filed.

★

2. The CSR will retain the following:

a. The employee's state withholding allowance certificate. These forms will be kept until superseded or canceled.

- b. Copies of the employee's Form W-5.
- c. Dates of employment.

0406 STATE INCOME TAX WITHHOLDING

040601. General. Each DoD employee shall complete a withholding certificate for state taxes as a basis for proper withholding. The certificate shall specify the employee's tax liability, place of residence, regular place of employment, exemptions and allowances. This certificate remains in effect until the employee submits a new certificate. state tax withholding is required for any DoD employee who is subject to the tax and whose regular place of federal employment is within the political boundaries of the state that has entered into an agreement with the Department of Treasury.

A. State Income Tax Withholding

1. Withholding Authority. Title 5, United States Code, section 5517 (reference (b)) and E.O. 11997 (reference (s)) provide for the withholding of state and territorial income taxes from the compensation of federal employees if an agreement has been entered into between the Secretary of the Treasury and the proper official of the state or territory. Employees may elect to have voluntary withholding for a state that has not reached an agreement.

2. Agreements with States. Agreements exist between the Secretary of the Treasury and many of the states for withholding income tax from the compensation of federal employees whose regular place of employment is within the state (TFM, Part Three, Chapter 5000, Appendix 2) (reference (ai)). The civilian payroll office will send copies of Forms W-2 to states that have negotiated agreements with the Secretary of the Treasury with respect to employees who (1) are subject to mandatory state withholding, or (2) may elect withholding under a state law (TFM, paragraph 3-5070.10) (reference (ai)).

3. Deduction for More than One State. If the employee is subject to withholding in more than one state, use separate deduction columns or codes to identify tax remittance for each state. The state requirements for withholding income tax may be modified by reciprocal agreements between states. The effect of reciprocal agreements generally is to relieve the nonresident employee of a tax liability to the state in which employed, and to relieve the employer of the duty to withhold such taxes.

4. Determination of Exemptions. Use the number of exemptions shown on Form W-4 for withholding state taxes unless other instructions are in state regulations or specified in the agreement with the Secretary of the Treasury. In some instances the Treasury-state agreement or state law permits nonresident employees to certify their compensation is not subject to that state's income tax. When the agreement or state law contains such a specific provision, the employee's signed statement is accepted as justification to discontinue withholding of state income tax, and the statement is filed with the employee's Form W-4.

5. Contacting States when a Civilian Payroll Office is Activated or a New Withholding Agreement is Established. To prepare to withhold state income taxes, the civilian payroll office will immediately prepare a letter to the state concerned including:

- a. A request for the forms and instructions required to withhold tax, process returns, and pay the tax.
- b. A request for a state EIN for the civilian payroll office.
- c. The approximate date withholding will begin.
- d. The name, address, and telephone number of the civilian payroll office.

6. Determining Employees Subject to Automatic State Withholding

a. Employees normally are subject to withholding for the state in which their duty station is located. The duty station is usually shown on the SF 50. The duty station also governs withholding for employees in continual travel status. For an employee whose duties are performed at a place other than the official duty station, the place where the employee regularly performs his or her duties is considered the regular place of employment for state tax withholding purposes.

b. Reciprocal agreements between states may affect automatic withholding according to the duty station.

c. In all disputed cases, the civilian payroll office will:

- (1) Withhold the tax; and
- (2) Advise the employee to negotiate directly with the proper taxing authority as to liability.

7. Voluntary Deductions of State Income Tax

a. When a state provides for voluntary allotment withholdings, civilian payroll offices must withhold tax for employees who have a legal obligation to pay. This applies whether or not the Department of the Treasury has a withholding agreement with the state.

(1) Employees must request the allotment on a proper withholding certificate.

(2) Employee tenure does not affect the allotment.

b. Civilian payroll offices located in foreign areas are not expected to exercise sole responsibility for determining the need for collection of state and local taxes for assigned employees. Each employee must assume that responsibility. Before a request is submitted, an employee must be advised of the following:

(1) Obtain assistance from the employing activity legal staff available to him or her; or

(2) Contact the appropriate state or local income tax office as to the applicability of withholding taxes while on an overseas assignment. Preferably, this should be done prior to an employee's departure from CONUS. Once a determination is made that withholding applies, civilian payroll offices will honor the request.

c. The civilian payroll office must comply with the agreement, regulations, and instructions of the state concerned.

d. The civilian payroll office will base the allotment amount on either:

(1) The amount (in whole dollars) set by an employee; or

(2) The withholding certificate filed by an employee and the state withholding tables or formulas.

e. The civilian payroll office will pay withheld state income taxes to each state concerned as prescribed for that state.

8. Wages Subject to State Withholding. All wages and salaries subject to federal income tax withholding are subject to state withholding. All cost-of-living allowances paid to employees in Hawaii are included as taxable income. Severance pay paid in accordance with 5 U.S.C. 5595 (reference (b)) is included; however, severance pay paid to the survivor of a deceased employee is excluded. Nonresident employees, who under the state income tax law are required to allocate at least three-fourths of their compensation to the state, shall be subject to withholding on their entire compensation. Nonresident employees, who under the state income tax law are required to allocate less than three-fourths of their compensation to the state, may elect to have:

a. State income tax withheld on their entire compensation, or

b. No income tax withheld on their compensation (31 C.F.R. 215.11) (reference (c)).

9. Amount of State Withholding and Personal Withholding Allowance

Forms

a. The civilian payroll office will withhold amounts based on personal exemptions and either:

- (1) The state withholding tax tables; or
- (2) Percentage or formula methods in accordance with the proper withholding agreement.

b. Generally, the tax withheld, after subtracting proper exemptions and allowances, should not be less than:

- (1) The amount set in the state withholding table; or
- (2) The amount determined by the percentage or formula method prescribed.

c. The civilian payroll office may use the employee's Form W-4 to determine state withholding in place of state forms if:

- (1) The withholding agreement authorizes it; and
- (2) The state and federal exemptions allowed are the same.

d. Employees must file a state employee withholding exemption certificate if:

- (1) Exemptions under state law are not the same as under federal law; or
- (2) The state requires the use of a separate form.

10. State Exemption Certificates. Employees normally are subject to mandatory withholding under Treasury-state withholding agreements; however, an employee may claim exemption from withholding under certain conditions. Civilian payroll offices shall:

a. Require the use of state-furnished tax exemption certificates, if available.

b. Give the designated official of the taxing state the following information (on request) about employees claiming exemption:

- (1) Name.
- (2) SSN.

- (3) The basis for the claimed exemption.

11. Accounting for Withheld Taxes

a. Employee Pay Records. The civilian payroll office shall record the amounts withheld each pay period on an employee's pay record when a special payment occurs; otherwise the system will automatically update an employee's records.

b. Deposit Accounts. The civilian payroll office shall:

(1) List the total of withheld state taxes as "State Taxes" under Payroll Summary on DD Form 592.

(2) Deposit the total in deposit fund account --X6275, Withheld State Income Taxes. (This account will be credited regardless of the employing activity of the employee; however, taxes deposited in the deposit fund account of the U. S. Army Corps of Engineers civil function will be credited to 96X6070).

c. Error Corrections. The civilian payroll office should correct a clerical error made in the prior pay period to the current calendar year if the employee is still on the payroll. If the error resulted in the underdeduction of withheld taxes, due process procedures will be followed to collect the overpayment. If the error resulted in the overdeduction of withheld taxes, the amount of the overdeduction will be refunded to the employee on the next regular payroll cycle. The civilian payroll office will not make any adjustment if:

(1) The employee is no longer on the payroll; or

(2) The error was in a prior calendar year.

d. Paying Out Withheld Taxes

(1) Frequency. Civilian payroll offices will comply with the state's current tax law, whether payment is required biweekly, monthly, or quarterly. (Current laws may differ from those cited in Treasury-State agreements executed in the past.) Civilian payroll offices will not make payments more often than required.

(2) Payment identification. The disbursing officer will issue checks on the basis of the SF 1049 that is prepared by the civilian payroll office. The civilian payroll office must prepare required tax payment documents.

12. Balancing State Wage and Tax Information. The civilian payroll office will balance the amounts reported on the Forms W-2 or magnetic tape to each state with year-to-date control totals for state taxes withheld and state taxable wages. These amounts must be balanced before Forms W-2 are distributed to employees and forwarded to the states.

★ 13. Change of Address. Employees must furnish a change of address to the CSR as needed.

★ 14. Collection of Delinquent Taxes. Title 5, C.F.R. Part 582 (reference (l)) authorizes the collection of a tax levy from a state or local government. The DFAS-Cleveland Center (DFASCL/L) has been designated as the agent to accept legal process for DoD civilian employees for state or local tax levies. All state income tax liens will be sent to: Defense Finance and Accounting Service - Cleveland Center, Office of General Counsel, Attention: Code L, P.O. Box 998002, Cleveland, Ohio 44199-8002.

15. Notice to Employees. The DoD Components shall advise their employees that information returns will be sent to state and other taxing authorities of the employee's state of residence (and, in some cases, employment) where such authorities have requested the information; however, only information properly releasable under the Privacy Act (reference (e)) shall be released. The notice should point out that employees may have income tax liability to these taxing jurisdictions.

16. Recordkeeping

a. The civilian payroll offices shall keep the following records of state tax deductions:

(1) EIN assigned by the state.

(2) Amounts and dates of all wages subject to state tax withholding.

(3) Names, addresses, and SSNs of employees.

(4) Copies of returns filed.

★ b. The CSR shall keep the following:

(1) The employee's state withholding allowance certificate. These forms shall be kept until superseded or canceled.

(2) Copies of the employee's Form W-5.

(3) Employment dates.

17. Annual Form W-2 Reporting. Refer to subparagraph 090207.C. for procedures.

18. Official State and Territory Codes and Abbreviations. The official abbreviations and state codes for all the states of the United States (including D.C.) and U.S. possessions and territories are listed in Table 4-3. No other abbreviations or codes shall be used.

★ 040602. Guam or the Commonwealth of Northern Mariana Islands Federal Income Taxes. The total amount of federal income taxes withheld from employee salaries creditable to Guam or the Commonwealth of Northern Mariana Islands shall be certified and submitted each calendar quarter to the IRS. The certifications must include the employer identification number, the quarter covered by the certifications, and the dollar amount withheld. The submission may contain one certification, but amounts attributable to Guam and the Commonwealth of Northern Mariana Islands separately shall be reported. Refer to TFM, Part 3, section 4085 (reference (ai)) for additional information.

040603. Puerto Rico Taxes

A. The U.S. Court of Appeals issued a decision on October 19, 1994, which invalidated the Department of the Treasury withholding agreement with Puerto Rico.

B. The decision does not relieve federal employees of their tax liability to Puerto Rico. The effect of the Court's decision is that all federal agencies making wage payments to federal employees in Puerto Rico must withhold federal income taxes on those payments in the same manner as they did prior to the withholding agreement with Puerto Rico, even though Puerto Rico (rather than the United States) is entitled to income tax on those payments.

0407 CITY AND LOCAL INCOME AND EMPLOYMENT TAX WITHHOLDING

040701. Withholding Authority. Title 5, United States Code, section 5520 (reference (b)) and E.O. 11997 (reference (s)) authorized withholding of city, county or employment tax from compensation of federal employees who are subject to tax and whose regular place of federal employment is within the city which entered into a proper agreement with the Secretary of the Treasury. Withholding is also required if the employee is a resident of the local tax authority. Each DoD employee shall complete a withholding certificate for city or local taxes as a basis for proper withholding. An out-of-state employee's consent to have city or local taxes withheld is also required when applicable.

A. An agreement must be reached between the Secretary of the Treasury and the applicable city, county or local taxing authority before withholding is required (TFM, Part Three, Chapter 5000, Appendix 3) (reference (ai)). The agreement provides for mandatory withholding of income or employment tax from the compensation of federal employees whose regular place of employment is within the city or county or is a resident of the city or county. Generally, this is based on where employees report for work. In the case of employees who perform their services other than where they report, the regular place of employment is where the employee regularly performs his or her services.

B. Administration of City and County Withholding Agreements. Civilian payroll offices shall apply policies and follow procedures as prescribed for states. Wages subject to mandatory city and county withholding:

1. Basic wages. All wages and salaries subject to federal income tax withholding are normally subject to city and county withholding. Severance pay paid to an employee is included; however, severance pay paid to the survivor of a deceased employee is excluded.

2. Mandatory withholding

a. The civilian payroll office shall withhold tax from wages of federal employees who reside in cities or counties that have entered into withholding agreements.

b. The civilian payroll office shall withhold tax from the wages of federal employees whose regular place of federal employment is within a city or county if they are subject to tax. If the employee resides in a different state than that in which the city or county is located, he or she is exempt from mandatory withholding.

c. The federal employee's regular place of employment usually is the employee's official duty station that is shown on the SF 50. If an employee actually performs service at a location other than the official duty station, that alternate location will be considered the regular place of employment.

d. Services performed outside a city or county. Many local ordinances tax only wages for services performed within the city or county; in most cases, this applies only to nonresident employees. An employee eligible to exclude part of his or her annual income under such provisions must submit a withholding certificate that specifies the amount or percentage. The civilian payroll office shall then reduce withholding accordingly. If the employee does not file a certificate, the civilian payroll office shall withhold tax based on his or her total compensation.

Note: Civilian payroll offices shall not make an adjustment in withholding if the employee performs less than 25 percent of his or her services outside the city or county.

040702. Voluntary Withholding of City or Local Tax

A. Nonresident Employees. An employee who does not reside in the state in which the city or county (place of employment) is located is exempt from mandatory withholding; however, if there is an agreement between the city or county taxing authority and the Secretary of the Treasury, the civilian payroll office may withhold tax with the employee's consent. The employee must submit a withholding certificate.

B. Allotment for Voluntary Deduction. Employees have the option of making voluntary allotments for the payroll deduction of taxes of their city or county of residence if they are

employed outside that location. The fact that taxes are withheld for the city or county of employment does not affect the employee's voluntary allotment.

1. An employee may make a voluntary allotment for withholding even though the city or county does not have a withholding agreement.

2. The civilian payroll office shall set the allotment amount on the city or county withholding method or deduct a whole dollar amount set by the employee. The employee must submit a proper withholding certificate.

C. Accounting for Voluntary Withholding. The civilian payroll office shall account for voluntary tax deductions as prescribed for mandatory withholdings.

D. Amount of Withholding

1. The civilian payroll office shall withhold tax based on:
 - a. The proper city or county tax withholding rate set in the city or county instructions;
 - b. The prescribed percentage or formula method; or
 - c. Computation of a set amount to be deducted from the employee's pay each pay period.
2. The civilian payroll office shall deduct an amount, at a minimum, nearly equal to the tax required by the city or county.

040703. Withholding Certificates

★ A. Employees must submit withholding certificates; they must provide the CSR with all the information needed to properly deduct city or county income taxes. If an employee does not furnish a certificate, the civilian payroll office shall withhold tax at the highest level that applies to that employee's annual wages; however, the civilian payroll office shall not withhold any tax from wages of an out-of-state employee until they submit a form consenting to withholding.

★ B. Employing activities may use a withholding or exemption certificate furnished by a city or county if it contains all required information. If the form does not contain all needed information, employing activities may use FMS Form 7311 (Employee Withholding Certificate for Local Taxes).

★ C. The CSR may furnish copies of the employees' withholding forms to the city or county on request; however, only information properly releasable under the Privacy Act (reference (e)) shall be released.

040704. Accounting for City and County Mandatory and Voluntary Withholdings

A. The civilian payroll office shall record amounts withheld each pay period in the employee's pay records when a special payment occurs; otherwise, the system will automatically update an employee's record.

B. Deposits. The civilian payroll office shall make a one-line entry on the DD Form 592 as follows:

1. Enter "Withheld City (or County) Income Tax" below state or territorial tax and the total amount withheld each pay period.

2. Credit the withheld tax to deposit fund account--X6275 for city and county tax.

C. Correcting Errors. Civilian payroll offices shall apply the same instructions applicable to the withholding of state taxes. Refer to subparagraph 040601.A.11.c. for procedures.

D. Paying Out Withheld Taxes. Civilian payroll offices shall apply instructions for state tax.

E. Annual Form W-2 Reporting. Refer to subparagraph 090207.C. for procedures.

040705. Recordkeeping

A. Civilian payroll offices shall keep all records of city or county income tax deductions. Records should include the:

1. EIN assigned by the city or county;

2. Amounts and dates of all wages subject to city or county tax withholding;

3. Names, addresses, and SSN of employees;

4. Dates and amounts of city or county tax paid; and

5. Copies of all returns filed.

B. The employing activity shall file withholding authorization certificates for city tax deductions in a file for each employee until superseded or canceled.

0408 FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB)

040801. General

A. Statutory Authority. The FEHB Program, authorized by P.L. 86-382 (reference (e)) and 5 U.S.C. Chapter 89 (reference (b)) as amended, provides for health insurance to protect civilian employees against the cost of hospital and doctor care in case of sickness or accident. The employee and the employer share the cost of the insurance. The OPM specifies the amount that the employer contributes towards the cost of each type of enrollment. The employee pays the remainder of the cost through withholdings from his or her salary. The employee's participation in the program is voluntary.

★ B. Enrollment, Change of Enrollment, and Cancellation. The SF 2809 is completed by the employee to enroll, elect not to enroll, change enrollment, or cancel enrollment of FEHB coverage. An employee may elect to cancel FEHB coverage at any time. The HRO reviews SFs 2809 and, if they are properly completed, forwards two copies to the civilian payroll office for processing. The SF 2810 (Notice of Change in Health Benefits Enrollment) is used for the following situations: employment terminated; conclusion of 365 days in LWOP or other non-pay status; return to military duty for more than 30 days; transfer in from another agency or payroll office; reinstatement (correction of erroneous action); or change in name of enrollee.

C. Effective Dates. Unless otherwise noted, enrollments and changes to enrollments shall become effective the first day of the pay period that begins after receipt of an SF 2809 in an HRO. An employee shall be in a pay status at least part of the pay period proceeding the effective date of enrollment or change. If an employee was not in a pay status during this preceding pay period, an enrollment becomes effective on the first day of the pay period after the return to pay status. Effective dates of "open season" enrollments and changes in enrollment are set by the OPM. Report any discrepancies in establishing effective dates to the HRO.

★ D. Contact with Carriers. The civilian payroll office is the point of contact with the insurance carriers concerning names and numbers of enrollees under a carrier's health benefits plan. The carrier's copies of SFs 2809 and SFs 2810 should be sent to the appropriate carrier (with an SF 2811) on a daily or weekly basis, depending on the volume in the civilian payroll office. Under no circumstances should SFs 2809 and SFs 2810 be accumulated for longer than 1 week, nor should they be delayed to coincide with applicable payroll deductions. Before the carrier's copies of SFs 2809 or SFs 2810 are transmitted, the civilian payroll office should verify that the payroll action required by the form can be taken, e.g., that the employee was in a pay status sometime during the pay period preceding the effective date, if the pay status requirement is applicable to the action being taken.

★ E. Communication. Civilian payroll offices shall maintain appropriate communication with the HROs or the CSRs to ensure prompt action in processing and solving any problems. Answers to carriers about personnel actions shall be verified with the HRO or the CSR before a reply is made to the carrier.

040802. Deductions and Contributions

A. Enrollment Codes. A three-digit enrollment code is designated by the OPM to identify health benefit plans. The first two digits identify the plan and the third digit identifies the options, such as high or standard option and self-only or self and family option.

B. Employee Deductions

1. Withholding. Deductions for full-time employees shall be made each pay period except as discussed in subparagraphs 040802.B.3. and 040802.B.4. The amount to be withheld is determined by the rate applicable to the plan, option, and coverage selected. The benefits, biweekly deduction, and other major features of each participating plan are described in the brochure for that plan. Refer to the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) for a description of the types of plans offered. The formula provided in the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) is used to compute employee and employer biweekly deductions and contributions for employees, such as teachers, who are paid an annual pay in less than 26 pay periods. Deductions are started only at the beginning of a pay period. Effective dates of termination of enrollment or coverage are outlined in the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices, subchapter S9 (reference (y)).

2. Partial Premiums. Partial premiums are not authorized except for employees who transfer to another government agency, employees who retire and are eligible to continue FEHB or die and there apparently is a survivor eligible to continue the enrollment, or employees whose enrollment is terminated or reinstated because of entry into, or return from, military service. Refer to subparagraph 040802.B.8. for the proration of deductions. Otherwise, the full withholding shall be made for each pay period even if an employee is in a pay status for only a part of the period.

3. Insufficient Salary for Withholding. If an employee's salary is not enough to cover the full withholding, nothing is withheld. The requirements are the same as during a nonpay status. If no FEHB premium is withheld from the employee, the government contribution is forwarded to the OPM immediately. If the government contribution has been forwarded to the OPM on the SF 2812, and an adjustment is required in a subsequent pay period because of late receipt of the FEHB cancellation, appropriate changes must be made to the DD Form 592 and the SF 2812.

4. Withholding While in Nonpay Status

a. If an employee is in a nonpay status for the entire pay period, the employee's portion of the FEHB premium still must be paid in order to maintain coverage. Payment can be made by check, money order, or payroll deduction from subsequent earnings. Any FEHB premiums collected during a period of leave without pay (LWOP) pending disability retirement or OWCP should be refunded if the disability retirement or OWCP is approved. The amounts due will be collected from the disability retirement or OWCP.

b. The payroll system shall be programmed to produce a listing of enrolled employees with no deductions for FEHB. One copy of the listing should be retained and one copy should be sent to the HRO. The HRO prepares the notices to each employee in accordance with instructions in the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices, paragraph S20-2b and in Exhibit 20 (reference (y)). If an employee does not respond, it is presumed that coverage is to be continued. The employee should be advised of any withholding from pay, if possible, before the withholding occurs, and the employee should be given an opportunity to set a reasonable installment rate to liquidate the indebtedness. Any amount due accumulated over four pay periods or less immediately preceding the current pay period, can be collected without an employee's consent. The civilian payroll office should note payments received or payroll deductions withheld. Payments should be recorded in the OPM deposit fund for FEHB premiums. If the employee separates, the amount an employee owes should be offset against any entitlements due. If pay is not sufficient to cover the debt, the OPM Form 1522 (Request for Offset for Past Due Health Benefits Premiums from Monies Payable Under the Civil Service Retirement System) should be used to offset against CSRS/FERS. There is no minimum amount subject to offset. Payments shall be withheld when the annuity begins. If the employee has made any payments, they should be refunded.

c. The date of last withholding and amount due should be shown in the "Remarks," on the SF 1150 when an employee transfers and owes for FEHB premiums. Amounts due from employees transferring to or from another civilian payroll office can be collected and reported to the OPM by the gaining civilian payroll office.

d. An employee who is restored to duty retroactively after an erroneous suspension or removal may have his or her enrollment retroactively reinstated, or may enroll in the plan and option of the his or her choice, the same as a new employee. If the employee elects to have the enrollment retroactively reinstated, payroll deductions for the period of suspension or removal must be made from the retroactive pay adjustment. Government contributions are also required as though the suspension or removal had not occurred.

e. An employee may elect, within 60 days, to continue health insurance benefit coverage for the entire period while in an authorized LWOP status to serve as a full-time officer or employee of a labor organization. If this election is made, the employee pays his or her share of the premiums, through the civilian payroll office, with the employing activity making the government contributions (Federal Employees Health Benefits Handbook for Personnel and Payroll Offices, subchapter S8) (reference (y)).

f. An employee granted LWOP while temporarily assigned to a state or local government or to an institution of higher education may continue the coverage for the duration of the assignment. The employee shall pay his or her share of the premiums, through the civilian payroll office, with the employing activity making the government contributions.

g. An employee transferred to an international organization with the consent of his or her agency may continue health benefit coverage for the duration of the transfer.

The employee pays his or her share of the premiums, through the civilian payroll office, with the employing activity making the government contributions.

5. Withholding From Lump-Sum Leave (LSL) Payment. No health benefits deductions are made from the LSL payment. This does not apply to collections for indebtedness.

6. Cancellation of Coverage. An employee's cancellation of enrollment is effected by forwarding an SF 2809 to the HRO. The effective date of cancellation of enrollment is the last day of the pay period in which the cancellation is received by the HRO. See 5 C.F.R. 890.304(d) (reference (l)).

7. Deductions Withheld Upon Transfer. An employee's enrollment and coverage continues without change when the employee transfers from one civilian payroll office to another without a break in service of more than 3 days. Prorate withholdings and contributions in accordance with subparagraph 040802.B.8.

★ 8. Daily Proration Rule. In accordance with the OPM Payroll Office Letter P-96-05 (reference (aj)), the "four-day rule" has been abolished and replaced with the FEHB daily proration rule. The civilian payroll office (gaining and losing) is responsible for FEHB withholdings and contributions for the actual time the employee is paid by the office. To ensure consistency, all civilian payroll offices shall compute the daily FEHB withholdings and contributions rate separately as follows:

Biweekly withholdings rate multiplied by 26 and divided by 364 equals daily withholdings rate.

The denominator of 364 always is used, even during a leap year. When an employee transfers or retires at a time other than the beginning of a pay period, the following rules apply.

★ a. Active Employees. Daily FEHB withholdings and contributions rate will be obtained by applying the daily proration rule.

★ b. Retiring Employees. When an employee retires, the FEHB withholdings and contributions will depend on the employee's annuity date.

★ (1) If the annuity commencement date is after the end of the final pay period, withholdings and contributions will be made for the entire final pay period.

★ (2) If the annuity commencement date is before the end of the pay period, make withholdings and contributions through the day before the commencing date of annuity using the daily proration rule.

9. Mass Transfers. When a group of 25 or more employees enrolled in the same plan are to be transferred on the same day from one civilian payroll office to another, separate

transfer-out and transfer-in forms need not be prepared. A list may be prepared and attached to one SF 2810 documenting the mass transfer-out. The gaining civilian payroll office should use copies of the same list attached to the SF 2810 to process the mass transfer-in.

★ 10. Withholding Upon Retirement or Death. If an employee retires and is eligible to continue enrollment as an annuitant, or dies and there is a survivor eligible to continue enrollment, as determined by the HRO, the losing civilian payroll office makes withholdings and contributions, according to subparagraph 040802.B.8. If there is no eligible survivor or the annuitant is not eligible to continue enrollment, a full deduction is withheld. The OPM makes withholdings beginning with the effective date of the annuity.

★ 11. Withholding Upon Termination for Military Service or Reinstatement. If an employee's enrollment is terminated or reinstated because of entry into, or return from, military service, prorate withholdings and contributions according to subparagraph 040802.B.8. The effective date of the action to be used as a basis in prorating is the date of entrance into, or return to duty from, the Military Service.

★ 12. Retroactive Changes in Enrollment. Employing offices have authority to make a change to self-only retroactive to the first day of the pay period after the one in which there were no family members eligible for coverage under the employee's family enrollment. Such a retroactive change, with a corresponding adjustment in health benefits withholdings and contributions, may be made only if the employee requests it and only if the employing office is satisfied that the last family member lost eligibility under the family enrollment. If an employee retroactively changes from family to self only, adjustments should be processed in accordance with paragraph 040807.

C. Employer Contributions

1. The government's contribution shall be paid every pay period during which an employee's enrollment continues, whether the employee is in a pay or nonpay status. The government's contribution should be submitted as soon as it becomes due, that is, with the other deductions and contributions forwarded on the SF 2812, for the same pay period in which the coverage continued (Federal Employees Health Benefits Handbook for Personnel and Payroll Offices, subchapter S20) (reference (y)).

2. See the OPM Schedule of Subscription Charges for contribution rates for full-time employees. Charge the total to the same appropriation from which the salaries of the employees are paid.

D. Withholdings and Contributions for Part-Time Employees. Public Law 95-437 (Federal Employees Part-Time Career Employment Act of 1978) (reference (e)) provides that part-time employees subject to the act may elect coverage under FEHB. The law requires that certain part-time employees, however, will pay not only the regular deduction for health benefit coverage but also a portion of the government's contribution. The HRO determines if the employee is exempt from the provisions of this law regarding proration of the government's contribution. If

the employee is not exempt, the amount of the government's contribution is based on the proration of the number of hours the part-time employee is scheduled to work, as indicated on the SF 50, compared to the number of hours worked by full-time employees. See 5 U.S.C. 8906(b)(3) (reference (b)). The following example is provided:

1. A part-time employee is scheduled to work 50 hours per pay period.
2. Hours worked by a full-time employee are 80 hours per pay period.
3. The total health benefit premium per pay period is \$51.55 of which \$24.03 is the employee's share and \$27.52 is the government's share.
4. Divide the hours a part-time employee is scheduled to work (50) by the hours a full-time employee is scheduled to work (80) to determine a factor (.6250).
5. Multiply the government's contribution (\$27.52) by the factor (.6250) to determine the government's contribution for the part-time employee (\$17.20).
6. Subtract the government's contribution for the part-time employee (\$17.20) from the total health benefit cost (\$51.55). The difference is the pay period deduction for the part-time employee.

E. Temporary Employees. Public Law 100-654 (Federal Employees Health Benefits Amendments Act of 1988) (reference (e)) provides FEHB coverage for certain temporary employees. Generally, for a temporary employee to be eligible for coverage, the employee must have completed 1 year of current continuous employment, excluding any break in service of 5 days or less. The HROs determine the eligibility of temporary employees for FEHB coverage. Once enrolled, the law requires that temporary employees with FEHB coverage pay both the employee and government share of the health benefits premium. The HRO shall include the following statement in "Remarks" on the SF 2809: "Temporary employee eligible under 5 U.S.C. 8906a must pay the full premium amount with no government contribution." Civilian payroll offices shall report the total premium withheld from the pay of the enrollee to OPM using an SF 2812. Since the full premium is deducted from the pay of the enrollee, it will be reported in the "withholdings" field on the "Health Benefits" line of the SF 2812. This amount also will be included in the amounts classified by enrollment code on the SF 2812 (5 U.S.C. 8906a) (reference (b)).

F. Temporary Continuation of FEHB Coverage

1. Public Law 100-654 (reference (e)) also provides temporary continuation of FEHB coverage to eligible individuals. These individuals are former employees, former spouses, and children of current or former employees or of annuitants. The HRO determines the eligibility of these individuals for such continued coverage. The Direct Premium Remittance System (operated by the National Finance Center (NFC) in New Orleans, LA), provides insurance services for enrollees participating in the FEHB under P.L. 100-654 (reference (e)) and P.L. 98-615 (reference (e)). It is a centralized billing, collection, and reporting system operated by

the NFC. Participation in the NFC system eliminates the necessity for civilian payroll offices to process transactions related to FEHB premiums for these enrollees. The NFC also reports data to OPM related to the SF 2812, SF 2812-A, and the OPM Form 1523 (Supplemental Semiannual Headcount Report). See 5 U.S.C. 8905a (reference (b)).

2. Section 4438 of P.L. 102-484 (reference (e)) and 5 U.S.C. 8905a(d) (reference (b)) allow eligible DoD employees separated by reduction in force (RIF) to continue their health benefits coverage at the rates paid by current federal employees. The Department pays the government share and the 2 percent administrative charge. This provision applies to separations on or after October 23, 1992, through September 30, 1997, or through January 31, 1998, if specific RIF separation notice was given by September 30, 1997.

040803. Payroll Processing

A. Registration to Enroll

1. Upon receipt of the SF 2809 signifying enrollment:

★ a. Verify that the effective date of enrollment meets the requirement that the employee was in a pay status before the beginning of the current pay period. Also make sure that the effective date of enrollment or change of enrollment is the first day of a pay period and cancellation of an enrollment is the last day of the pay period. If there is any variance from the above, return both copies of the SF 2809 to the HRO or the CSR with appropriate notation.

b. Enter the civilian Payroll Office Number under part F, item 4, of the form.

2. Distribute the SF 2809 as follows:

a. Send the copy of the SF 2809 to each carrier concerned. If it is known that the employee will not be in a pay status during the pay period before the normal effective date, keep the SF 2809 until the employee returns to a pay status and the effective date of enrollment can be determined.

b. Separation before enrollment becomes effective. If an employee who has filed an SF 2809 retires, dies, or otherwise is separated (except by transfer) before the effective date of enrollment, his or her registration is void. Under such circumstances, note in "Remarks" on the SF 2809, "Employee separated (date), (reason)." If the carrier's copy was already transmitted, print "VOID" across the face of the original SF 2809 and mail it to the carrier. When the SF 2809 was not sent to the carrier or the registration was not to enroll, destroy all copies of the SF 2809. In all instances, note the action on the pay record.

c. Change in enrollment. Changes in enrollment may be processed on either an SF 2809 or an SF 2810. Process the SF 2809 as in 040803.A.2.a. and b. Upon receipt of an SF 2810, make the necessary adjustments in the payroll system and complete the SF 2811

(Transmittal and Summary Report to Carrier) report number, and the payroll action boxes of the form. Distribution instructions are printed on the back of the payroll copy of the SF 2810.

B. To terminate enrollment, send a copy of the SF 2809 to the carrier concerned.

040804. File. The SFs 2811, along with the supporting SFs 2809/2810, are filed in a single file. Destroy the copy of the SF 2811 originally retained and file the copy returned by each carrier. Carriers use the "Remarks" section of the returned copy of the SF 2811 to report any discrepancies. Clear all such discrepancies before filing the SF 2811. If an enrolled employee cancels coverage, file the SF 2809 in the employee's file. If an employee transfers or is separated, file the SF 2809 (and SF 2810, if applicable) in a separate file. For disposition, file the SF 2809 (and SF 2810) for retired and deceased employees in a separate file and destroy 6 months after the date of separation.

040805. Entries on the Payroll Voucher. Employee deductions and employer contributions shall be reported separately on the DD Form 592, Part I, Payroll Summary. Civilian payroll offices reporting to the OPM using a hard-copy SF 2812 shall cite the OPM deposit fund account 24X8135.8 for the deductions and contributions on Part I. Civilian payroll offices reporting to the OPM via RITS shall report deductions and contributions on Part I, but shall not cite the OPM deposit fund account. Employer contributions shall be charged to the appropriation(s) from which the employee's salary is paid and shall be reported on Part II, Accounting Classification.

040806. Pay Period Transmission of Deductions and Contributions to the OPM. The deductions and contributions for health benefits are reported to the OPM each pay period using the procedures described in paragraph 090203.

040807. Adjustment of Errors

A. Underdeduction. An overpayment as a result of the underdeduction of FEHB premiums is exempt from due process for up to four pay periods immediately preceding the current pay period (5 C.F.R. 550.1104(c)) (reference (l)). FEHB premium underdeductions of more than four pay periods, for any amount, are subject to due process. See paragraph 080302. for procedures.

B. Overdeduction. If more than the correct FEHB premium is deducted, refund the overdeduction to the employee and adjust the employer contribution during the next pay period.

040808. Panamanian Program

A. Non-U.S. citizens employed in Panama by the U.S. Government may elect to be covered under this program. Biweekly, withhold one percent from the employee's salary; the Panama Canal Commission's contribution is an amount equal to the maximum biweekly government contribution for the Federal Employee's Health Benefits Act (reference (e)).

B. Withholdings and contributions are collected into a deposit fund and disbursed from this fund to the payee on the agreed dates.

040809. Disability Insurance for Uniformed Services University of the Health Sciences (USUHS)

A. Full-time faculty and staff members of the USUHS, School of Medicine, not eligible for coverage under the CSRS/FERS program, are covered under a Disability Insurance Program. The employer and employee share the cost of the coverage equally. Monthly premium rates are based on the average of salary and age for the entire group covered.

B. Deductions shall be made from the employee's pay and collected into a deposit fund. Disbursements from the deposit fund are made monthly to Teachers Insurance and Annuity Association/College Retirement Equities Fund, 730 Third Avenue, New York, NY 10017.

0409 FEDERAL EMPLOYEES GROUP LIFE INSURANCE

040901. General

★ A. The Federal Employees Group Life Insurance (FEGLI) Act of 1954 (reference (e)) (5 U.S.C. Chapter 87) (reference (b)), as amended, and P.L. 105-311, the Federal Employees Life Insurance Improvement Act, as enacted on October 30, 1998, provides life insurance coverage for federal employees and their families. Under this program an employee may elect basic insurance in which the government shares the cost.

B. Three types of optional insurance for which the employee pays the entire cost are also available. Refer to paragraph 040904 for a description of each type of optional insurance. The Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices (reference (z)) provides details on life insurance coverage for federal employees.

040902. Basic Insurance

A. An employee can have basic life insurance and accidental death and dismemberment insurance each in the following amounts:

1. If annual pay is \$8,000 or less, the employee is insured for \$10,000.

★ 2. If annual pay is more than \$8,000, the employee is insured for an amount equal to the sum of the annual salary, rounded to the next highest thousand, plus \$2,000.

B. The annual pay on which an employee's basic insurance deduction is based is the annual pay as fixed by applicable law or regulation. Included in this basic pay are:

1. Night shift differential pay for FWS employees.

2. Environmental differential pay for FWS employees.
3. Tropical differential pay for government employees in the Republic of Panama.
- ★ 4. Annual premium pay percentage for standby time not affected by P.L. 105-277, the Firefighter Overtime pay Reform Act of 1998 (reference (e)).
5. Annual premium pay percentage for irregular, unscheduled overtime for law enforcement officers. See 5 C.F.R. 870.302(c) (reference (l)).
- ★ 6. Availability pay for criminal investigators. See 5 U.S.C. 5545a(h)(2) (reference (b)).

C. The annual pay of a part-time employee is the basic salary applicable to his or her tour of duty in a calendar year. For example, an employee who has a salary rate of \$8,000 a year and is employed half time would have an annual salary of \$4,000 for insurance purposes. See subparagraph 070301.C.3. for additional information. Also see 5 C.F.R. 870.302(c) (reference (l)).

D. Multiple rates -- regular schedule. For life insurance purposes, the annual pay of employees who are regularly scheduled to work at different pay rates such as day and night rates, two positions at different rates for each, etc., is the weighted average of the rates at which the employees are paid, projected to an annual basis. For example, the annual pay of an employee who is paid \$3.87 per hour on a day shift and \$4.08 per hour on a night shift and who regularly is scheduled to work 8 months on day shift and four months on night shift is \$3.87 multiplied by 1,391 hours plus \$4.08 multiplied by 696 hours, or \$8,223; the weighted hourly average then is \$3.94, which when multiplied by 2,087 hours produces the same result. A regular schedule may exist even though the schedule varies within a year or even within a pay period.

E. Multiple rates -- no regular schedule. For life insurance purposes, the annual pay of employees who work at different pay rates, but not on a regular schedule, is the annual rate which they were receiving at the end of the pay period, or in the event of death or dismemberment, the annual rate they were receiving at the time of the death or accident.

040903. Withholding Schedule for Basic Coverage. Both the employee and the government share the cost for basic insurance. The government contributes one third of the total cost for basic insurance. See Table 4-4 for the effective rates.

040904. Optional Insurance

A. An employee who has not waived basic FEGLI coverage can purchase additional optional life insurance plans. The employee pays the entire cost. Credit amounts deducted for optional insurance coverage to the same deposit fund account as regular FEGLI. The premium rate for optional coverage is increased the first day of the pay period beginning on or after

that in which the employee's birthday occurs for the next age group. An employee may elect optional life insurance coverage provided:

1. The employee is enrolled for basic insurance coverage;
2. The employee has filed an SF 2817 (Life Insurance Election) to elect the optional insurance or OPM Form RI 76-27 (FEGLI '99 Open Enrollment Period Election Form). The OPM Form RI 76-27 must be used for open season enrollments exclusively;
3. An uncanceled declination of optional insurance is not on file.

A covered employee may elect to stop or reduce optional insurance coverage at any time, although the opportunity to elect or increase multiples is strictly limited. If an employee cancels basic insurance, all optional insurance is automatically canceled.

B. Types of Optional Life Insurance

★ 1. Option A - Standard Optional Insurance. The amount of standard optional life insurance available to all employees is \$10,000.

★ 2. Option B - Additional Optional Life Insurance. An employee may elect Option B - Additional in an amount equal to one, two, three, four or five times the annual basic pay (after rounding to the next \$1,000).

★ 3. Option C - Family Optional Insurance. An employee may elect Option C - Family to cover "eligible family members": \$5,000 for a spouse and \$2,500 for each dependent child. The withholdings do not vary based on the family size. P.L. 105-311 extends family coverage to allow for employees to elect additional coverage in multiples of up to five times the current amounts.

040905. Enrollment Status Codes. An employee's life insurance enrollment status is indicated on the SF 50 by use of the codes in Table 4-5.

040906. Premium Withholding

A. When to Withhold Premiums. Deductions will be made from an employee's salary when the employee is in a pay status for all or part of a pay period. If the salary is insufficient to permit all payroll deductions, the order of precedence shown in paragraph 040201. shall be used. For new employees, deductions shall begin with the pay period in which coverage begins as follows:

1. Basic insurance. Coverage is effective on the first day in pay and duty status.

2. Optional insurance (all types). Coverage is effective the first day in a pay and duty status on or after the date the election (SF 2817) is received in the HRO.

3. When an employee waives basic insurance, cancels any or all optional insurance, or reduces the number of multiples under additional optional, coverage and deductions stop or are reduced effective the last day of the pay period in which an SF 2817 is properly filed. See 5 C.F.R. 870.204(a) (reference (1)).

B. Retroactive Adjustments. Retroactive adjustment shall not be made to recover deficiencies in deductions for prior periods because of LWOP. Effective after October 20, 1972, if an employee is retroactively restored to duty with pay after an erroneous suspension or removal, there will be no life insurance withholding made from the retroactive pay adjustment for the period of suspension or separation. However, if death or dismemberment occurred during the period of suspension or separation, insurance proceeds shall be paid and premiums withheld from the back pay. When an employee receives a retroactive within-grade increase (one that was delayed beyond its proper effective date through administrative error or oversight) and results in an increase in life insurance premiums, the insurance deductions retroactively shall be applied.

C. Withholding During Nonpay Status

1. If an employee is in a nonpay status for an entire pay period, no withholdings for that pay period are made from future salary payments. An employee keeps insurance coverage without cost while in a nonpay status for up to 12 continuous months from the last date of pay.

2. Employees granted LWOP while assigned to a state or local government or to an institute of higher learning may continue insurance for the period of LWOP. The employee's share of the premiums is paid to the civilian payroll office and that office pays the government contribution. Employees transferred to international organizations and employees on approved LWOP to serve as full time officers or employees of an international organization may continue coverage for the period in LWOP status. Employees shall pay or arrange to have paid on their behalf, to the civilian payroll office on a current basis, the employee withholding and the government contributions to cover the premium cost for the entire period of LWOP. Premiums for any pay period are considered currently paid if received before, during, or within one month after the end of the pay period. Advance payments may be accepted at regular intervals in multiples of the amount due each pay period. Any excess advance payments resulting from death, retirement, etc., are refunded. The beginning date of premiums payable by the employee is the first day of the pay period following the one for which withholdings of the premiums were made. The ending date is the last day of the pay period before the employee returns to a pay status.

D. Withholding While Employee is Receiving Office of Workers' Compensation Program (OWCP) Payments

1. An employee keeps basic life insurance (not accidental death and dismemberment) without cost if:

a. On the day basic insurance would otherwise end, he or she is receiving benefits under the FECA because of disease or injury and is held by the Department of Labor to be unable to return to duty; and

b. The employee does not convert to an individual policy.

2. An employee may keep optional life insurance (not accidental death and dismemberment) while receiving compensation from OWCP if eligible to continue basic insurance and if, in addition, optional insurance has been in force for not less than:

a. The full period or periods of service during which optional insurance was available to the employee; or

b. The 5 years of service immediately preceding the date the employee becomes entitled to compensation. Withheld from compensation is the full cost of optional insurance for any period before the first of the month following the employee's 65th birthday during which an insured employee or former employee receives compensation.

3. An employee who qualifies for compensation benefits remains insured as an employee until such coverage ends because of separation or completion of 12 months in a nonpay status. When coverage as an employee stops for either of these reasons, the employee may convert the insurance to an individual policy, but the HRO should inform the employee of the right to have the life insurance continued while receiving compensation and unable to return to duty.

4. The OWCP collects for all life insurance including basic. The OWCP shall make no optional insurance withholding if the employee receives compensation for less than 29 days.

E. Withholding During Nonpay Status, Employee Accepts Temporary Employment in Another Position. If an insured employee, entitled to free insurance for up to 12 months while in a nonpay status, accepts a temporary (or other) appointment to another position in which he or she normally would be excluded from insurance coverage, insurance (basic or basic and optional) continues in the temporary position. The amount of basic insurance is based on the greater of the two salary rates. The \$10,000 minimum applies. Withholdings shall be made from pay in the temporary position. The HRO is responsible for determining if the employee is insured in the first position and to indicate appropriate withholdings. Upon termination of the temporary appointment, the insurance coverage reverts to the employee's coverage under the first nonexcluded position. If on termination of the temporary position the employee has been separated from the first position, the employee's insurance ends subject to the 31-day temporary extension of coverage. If, on termination, the employee still is on LWOP from the first position, the coverage under the first position continues until the employee is separated or the end of the 12 month nonpay status. If the employee served four consecutive months in the temporary position, a new 12-month nonpay period of free insurance begins.

F. Withholding From Lump-Sum Annual Leave Payments. No insurance premium is withheld from the lump-sum payment.

G. Withholding From Employees Paid an Annual Salary on a School Year Basis. A full annual insurance premium deduction for educators is required. Compute the biweekly deduction for those employees not paid each pay period of the year (26 or 27 times) as follows:

1. Multiply the biweekly deduction rate based on the salary bracket by 26.
2. Divide this total by the number of pay periods in the school year.
3. Round the total in subparagraph 040906.G.2. to the nearest cent. This is the biweekly insurance deduction.

★ H. Withholding From Employees Whose Pay Is Insufficient to Cover the Cost of the Premiums. This provision of P.L. 105-311 became effective on the first pay period beginning on or after October 30, 1998. It allows for an employee to arrange to make direct payments to the employing office for periods when an employee's pay is insufficient to cover the cost of the premiums. A determination of insufficient pay can be made when it is expected that an employee's pay, after all other applicable deductions, is insufficient to cover the cost of the premiums for a period of six months or more.

040907. Entries on the Payroll Voucher. Employee deductions and employer contributions shall be reported separately on the DD Form 592, Part I, Payroll Summary. Civilian payroll offices reporting to the OPM via hard-copy SF 2812 shall cite the OPM deposit fund account 24X8135.8 for the deductions and contributions on Part I. Civilian payroll offices reporting to OPM via RITS shall report deductions and contributions on Part I, but shall not cite the OPM deposit fund account. Employer contributions shall be charged to the appropriation(s) from which the employee's salary is paid and shall be reported on Part II, Accounting Classification.

040908. Adjusting Errors

A. Current Employees

1. Overdeduction. When amounts have been erroneously withheld from the salary of an employee, refund the erroneous withholding the next pay period. This automatically corrects the excess government contribution involved.

2. Underdeduction of FEGLI premiums of four pay periods or less immediately preceding the current pay period, are exempt from due process (5 C.F.R. 550.1104(c) (reference (1))). Underdeductions of FEGLI premiums after four pay periods, for any amount, are subject to due process. See paragraph 080302. for procedures. Government contributions shall be adjusted when payment is received from the employee.

B. Separated Employees

1. When an adjustment in withholdings is necessary for a separated employee, process it in the final salary payment to the employee or, if deceased, to the employee's beneficiary or estate.

2. If a valid claim for refund of deductions is received from a separated employee, process it on a regular payroll on which FEGLI deductions are more than the refund amount.

C. Adjustment to Proper Appropriation. Be sure to adjust the correct appropriation when there is a change in fiscal years between the processing of the erroneous payroll and the processing of the payroll on which the adjustment is made. Credit the government contribution for a prior year appropriation on DD Form 592 under "Other" (itemize) and explain.

040909. Pay Period Transmission of Deductions and Contributions. Deductions and contributions for life insurance shall be reported to the OPM each pay period using the procedures described in paragraph 090203.

★ 040910. Waiver of Insurance. When notification of waiver is received from an insured employee, discontinue withholdings beginning with the next pay period. When the waiver is canceled, the withholding applies for the full pay period in which the waiver is revoked.

040911. Canceling Optional Insurance. The employee may cancel optional life insurance at any time without waiving basic life insurance; however, if the employee cancels basic life insurance, all optional insurance is automatically canceled.

040912. Continued Protection for 31 Days. When basic or optional insurance, or both, terminates except by waiver or declination, the employee continues to have life insurance protection (not accidental death or dismemberment) for 31 days. Thereafter, this 31-day temporary extension is automatic. There is no extension of protection when insurance stops by waiver or declination. See 5 C.F.R. 870.501, 871.501, 872.501, and 873.501 (reference (l)).

040913. Office of Federal Employees' Group Life Insurance (OFEGLI) Requests for Pre-Payment Verification. Civilian payroll offices shall cooperate with the OFEGLI when it requests pre-payment verification. The OFEGLI is required to obtain verification before making payment to beneficiaries of enrollees with \$200,000 or more of FEGLI coverage. When seeking pre-payment verification, the OFEGLI will ask for the insured's current salary, annual salary (if different), and details on enrollment in optional insurance, if applicable.

★ 040914. FEGLI Daily Proration Rule. In accordance with the OPM Payroll Office Letter P-96-05 (reference (aj)), the "four-day rule" has been abolished and replaced with the FEGLI daily proration rule. The civilian payroll office (gaining and losing) is responsible for FEGLI withholdings and contributions for the actual time the employee is paid by the office. When an

employee transfers or retires at a time other than the beginning of a pay period, the following rules apply.

★ A. Active Employees. A daily rate shall be computed using the FEGLI daily proration rule - biweekly withholdings and contribution rates multiplied by 26 and divided by 364. The daily rate is then multiplied by the coverage/days on the payroll, see the formulas below for determining the amount of withholdings and contributions:

★ 1. Basic and Option B - daily rate multiplied by coverage/1000 multiplied by days on payroll.

★ 2. Option A and Option C - daily rate multiplied by days on payroll.

★ B. Retiring Employees. Life Insurance withholdings and contributions depend on the employee's age at the time of retirement.

★ 1. If the employee will be less than 65 years old on the commencing date of the annuity, the employing agency shall make basic life insurance withholdings and contributions and optional life insurance withholdings based on the commencing date of annuity.

★ a. If the annuity commencement date is after the end of the pay period, the civilian payroll office shall make full withholdings and contributions for the entire pay period.

★ b. If the annuity commencement date is before the end of the pay period, the civilian payroll office shall make withholdings and contributions through the day before the annuity commencement date, using the daily proration rule.

★ 2. If the employee will be age 65 or older on the commencing date of the annuity, the civilian payroll office shall ascertain the post-65 basic life insurance coverage the employee had chosen. Civilian payroll offices shall refer to the SF 2818 (Continuation of Basic Life Insurance Coverage) to determine the retiree's post-retirement life insurance election, so the correct life insurance withholdings and contributions for the retiring employee's last pay period will be processed.

★ a. If the employee elects the basic life insurance with the 75 percent reduction, the civilian payroll office shall make withholdings and contributions through the end of the pay period in which the employee separates for retirement.

★ b. If the employee elects basic life insurance with the 50 percent reduction or with no reduction, the civilian payroll office shall make withholdings and contributions based on the commencing date of annuity. If the annuity commencement date is after the end of the pay period, the civilian payroll office shall make withholdings and contributions through the end of the pay period. If the annuity commencement date is before the end of the pay period, the civilian

payroll office shall make withholdings and contributions through the day before the commencing date of annuity, using the daily proration rule.

★ c. For optional insurance, the civilian payroll office shall make the withholdings and contributions through the end of the pay period in which the employee separates for retirement.

★ 040915. Revised Rule for Movement to New Age Band. OPM Payroll Office Letter P-99-07 (reference (aj)), identified three new age bands for optional coverage. The “60 and over” has been replaced with “60-64,” “65-69,” and “70 and over.” The new withholding rates are effective on the first day of the first pay period beginning on or after April 24, 1999. For an employee who reaches age 35, 40, 45, 50, 55, 60, 65 or 70, the new withholding rate will take effect on the first day of the first pay period following his/her actual birthday.

0410 NATIONAL GUARD ASSOCIATION OF UNITED STATES (NGAUS) INSURANCE TRUST PROGRAM

041001. Participation. National Guard technicians may participate in this program as authorized by an agreement between the Secretary of Defense and the state or territory (5 U.S.C. 5518) (reference (b)). Biweekly deduction rates depend on the coverage selected and the age group of the employee. Deductions will be applied to the following accounts:

A. --X6875 - Withheld Employee Contributions, State or Territorial Disability Benefits.

B. --X6875 - Withheld Employee Contributions, State or Territorial Death Benefits. The funds collected are disbursed to the proper payee on agreed dates.

041002. Termination. When an employee converts from a Title 32 to a Title 5 appointment, the NGAUS insurance must be terminated since the employee would no longer be eligible for the disability portion of the plan.

0411 COLLECTION OF DEBTS DUE THE UNITED STATES

041101. Authority. The Department shall collect indebtedness due the United States promptly in accordance with the law and applicable regulations. Title 5, United States Code, section 5514 (reference (b)), and Volume 5 of this Regulation authorizes collection of indebtedness from those civilian employees who are indebted to the U.S. Government. Generally, the amount deducted may not exceed 15 percent of the employee's disposable pay unless written the employee provides consent for a greater percentage to be deducted. Refer to chapter 8 for further procedures on indebtedness.

0412 GARNISHMENTS041201. Child Support and Alimony

A. Authority. Title 42, United States Code, section 659, (reference (ae)) provides consent by the U. S. Government for garnishment and similar proceedings for enforcement of child support and alimony obligations against civilian employees. Court-ordered garnishment under this section shall be deducted from the employee's pay. See 5 C.F.R. Part 581 (reference (l)) for guidance.

B. Pay Subject to Garnishment. All moneys due active civilian employees, the entitlement to which is based upon remuneration for employment, are subject to court-order garnishment or attachment. The term "remuneration for employment" means all compensation paid or payable for personal services performed by an individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, or otherwise, and includes, but is not limited to, those items set forth in 5 C.F.R. 581.103 (reference (l)). Moneys paid as reimbursement, normally defined by law or regulations as allowances, awards paid for making suggestions, and injury compensation payments are not deemed to be "remuneration for employment" and, therefore, are not subject to garnishment. Deductions not subject to garnishment are as follows:

1. CSRS/FERS,
2. Social Security and/or Medicare,
3. TSP contributions,
4. Federal income taxes (not including additional withholdings unless the employee presents evidence of a tax obligation which supports the additional withholding),
5. FEHB,
6. FEGLI (basic only),
7. Indebtedness due the U.S. Government except where the employee's debt is for child support and the amount owed the United States results from an income tax lien or levy,
8. State income tax and city/local employment tax, and
9. Other deductions required by law or regulations to be withheld.

C. Maximum Percentage of Disposable Weekly Pay Subject to Garnishment. The term "disposable pay" means the amount of any pay that is due or payable to an employee as "remuneration for employment" minus the deductions listed in subparagraph 041201.B. The following maximum percentages apply (5 C.F.R. 581.402) (reference (l)):

1. If an employee is supporting a spouse or a dependent child (other than the spouse or child whose support is required by the garnishment order), 50 percent of that employee's disposable weekly pay is subject to garnishment.

2. If an employee is not supporting a spouse or dependent child (other than those named in garnishment order) 60 percent of that employee's disposable weekly pay is subject to garnishment.

3. An additional 5 percent of disposable weekly pay is subject to garnishment in each case if the outstanding arrearages are over 12 weeks old.

4. If the applicable law of the state from which the legal process was issued exempts a lesser percentage of the employee's disposable weekly pay, that percentage of earnings will be subject to garnishment.

D. Procedures

★ 1. All court orders for child support and alimony shall be sent to the DFAS-Cleveland Center legal review office (DFAS-CL/L) for processing. For employees serviced by DCPS, DFAS-CL/L will review and input the garnishment deduction information.

2. One-time Payment. If the garnishment involves a one-time payment, the amount due shall be processed on the next regular payroll.

3. More Than One Payment. If the garnishment order involves more than one payment, the DFAS-CL/L shall establish an involuntary deduction for the amount(s) shown in such order. Payment shall be made to the party named in the legal process.

4. Deduction Termination. Cancellations are automatic on the date of separation from the Department, upon death of the employee, or upon notification to the civilian payroll office that the legal process is terminated. The employee may not voluntarily stop deductions.

5. Payroll Procedure. Deductions shall be taken in accordance with the order of precedence in paragraph 040201.

6. Recording Deductions. The DFAS-CL/L shall establish deduction data within the employee's payroll record. The total amount of all garnishments processed for the current pay period shall be indicated on the DD Form 592. All remittance records shall be forwarded to the servicing disbursing officer.

★ 041202. Commercial Debts

A. Authority. Effective February 3, 1994, 5 U.S.C. 5520a (reference (b)) authorized the garnishment of federal civilian employees' wages for commercial debts. Authorization from the legal review organization is required prior to the garnishment becoming effective. Final regulations are found at 5 C.F.R. part 582 (reference (l)).

B. Pay Subject to Garnishment. A maximum of 25 percent of an employee's disposable pay may be used to satisfy garnishments for commercial debts. The term disposable pay means the amount of any pay due or payable to an employee as remuneration for employment, minus the deductions listed in subparagraph 041201.B. If the total deduction for child support and alimony equal or exceeds 25 percent of an employee's disposable pay, a deduction for commercial debt will not be processed. Further, limitations on the amount to be garnished are found in 5 C.F.R. 582.402 (reference (l)). There is no maximum amount for garnishment for state or local tax obligations, or bankruptcy.

C. Procedures

1. All orders for commercial debts shall be sent to the DFAS-Cleveland Center legal review office (DFAS-CL/L) for processing except for those categories found in Appendix A to Part 582 of 5 C.F.R. published at 59 Federal Register 14544-14545, March 29, 1994 (reference (ak)).

2. For employees serviced by DCPS, DFAS-CL/L will review and input the garnishment deduction information.

3. Deductions may be withheld as a fixed biweekly amount or as a percentage amount, but not both, provided it does not exceed the amount discussed in subparagraph 041202.B.

4. Current procedures shall be used for disbursement of the commercial garnishment. The return check process shall also follow existing procedures. The requirements of the court order regarding disbursement of funds will be followed.

5. Administrative Fee

★ a. An administrative fee of \$75.00 shall be collected from the amount of the garnishment due to the creditor. The administrative fee will be collected in full before any payments are remitted to the creditor. An administrative fee may be assessed for each case if more than one commercial debt exists.

b. The administrative fee is not subject to the 25 percent rule. If an employee is in a nonpay status, the court order shall be returned by DFAS-CL/L with no action taken and the administrative fee shall not be charged.

c. If a court amends a garnishment order, an additional administrative fee may be charged.

6. As with all other garnishments, deductions for commercial debts shall be handled on a first in, first out basis. The civilian payroll office shall make these deductions each pay period as directed. Deductions shall be taken in accordance with the order of precedence in paragraph 040201. Care must be taken to process these garnishments as quickly as possible to ensure payment occurs before termination of the garnishment.

7. The total amount deducted for garnishments during the payroll cycle shall be reflected on a separate line on the DD Form 592.

8. A commercial debt may be received with a termination date. Payroll deductions shall be discontinued at the end of the pay period in which the termination date falls. If the termination date does not fall on the last day of the pay period, no proration of deduction shall be required. If the account is in escrow, the total amount withheld shall be disbursed based on the termination date.

0413 BANKRUPTCY

041301. General. Title 11, United States Code, section 1325, (reference (af)) permits an indebted individual who has a regular income to file a Wage Earner's Plan designed to liquidate all or part of a creditor's claim. When a plan has been approved, the court may order the Department to pay all or part of those wages to a trustee for the debtor. The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the U.S. bankruptcy courts. Accordingly, the civilian payroll office shall honor these orders. Questions regarding a particular case should be referred to the DFAS Office of General Counsel. See paragraph 080703. for additional information. As a general matter, placing payments ordered by the bankruptcy court in the order of precedence in paragraph 040201. shall conform with the bankruptcy court's requirements. There are two exceptions:

A. If a bankruptcy court orders that a certain amount of net pay shall be paid an employee regardless of deductions, then:

1. The amount of the net pay shall be deducted from gross pay first. Remaining deductions shall then be withheld in accordance with paragraphs 040201. and 040202.

2. Deductions based on gross pay (for example, Social Security/Medicare deductions which are calculated by multiplying applicable portions of the gross pay by a required percentage) shall be computed on applicable portions of the full gross pay, that is, gross pay before subtracting court-ordered net pay.

B. In individual cases, the bankruptcy court may mandate that a sum be deducted each pay period or monthly under a different order of precedence or without providing an order of precedence. In those situations when a different order of precedence is mandated, the court's order shall be followed. If there is a question of conflict or nonpayment, the civilian payroll offices shall contact the designated trustee by telephone.

0414 ALLOTMENTS

★ 041401. Voluntary Deductions. An allotment or an assignment of pay, or a modification thereof, shall be requested in writing by the person from whose pay the deduction will be made or through automated computer programs that allow an employee to process allotments using a personal identification code. This request shall show the authority under which the allotment or assignment is permitted, the amount to be deducted, the period of time over which the deduction is to be made, and the name and address of the allottee or assignee. Employees shall request voluntary allotments from their pay consistent with the allotments authorized in paragraph 041402. See 5 C.F.R. 550.301-550.381 (reference (I)).

041402. Authorized Allotments. Allotments may be made in accordance with the eligibility criteria specified in paragraph 041404 for the following purposes:

- A. Support of relatives or dependents of the allotter.
- B. Savings.

1. Unrestricted as to allottee. Two such allotments at any one time may be authorized an employee whose place of employment is within the continental United States. Employees stationed outside the continental United States may make as many allotments as they want. The eligibility criteria are specified in subparagraph 041404.A.

★ 2. Allotted to a financial organization for credit to a savings or checking account of the allotter as authorized by I-TFM 3-9000 (reference (ai)). Any employee whose place of employment is within the continental United States, may authorize allotments to any U.S. bank, savings bank, savings and loan association or similar institution, or federal or state chartered credit union. Allotments must be in fixed whole dollar amounts, minimum \$1, to be deducted in each successive pay period and must not exceed two such allotments per employee at any one time. Moneys thus credited to the allotter's account (savings or checking) may be used for any purpose in accordance with the desires and direction of the allotter as long as that purpose does not circumvent any statute, Executive Order or other applicable regulation. A completed SF 1199A including the endorsement of the financial institution, an FMS Form 2231, or a DD Form 2762 serves as the request and authority for the allotment.

- C. Payment of commercial insurance premiums on the life of the allotter.
- D. Payment of U.S. Government Life Insurance or National Service Life Insurance premiums.
- E. Voluntary liquidation of indebtedness to the U.S. Government, including voluntary payment of back taxes.
- F. Repayment of loans obtained for the purchase of a home or automobile.

G. Payment of certain state and District of Columbia income taxes when an employee has a legal obligation to pay, but the agency has no legal obligation to withhold, as authorized by 5 C.F.R. 550.351 (reference (l)).

H. Payment of certain city and/or local taxes when an employee has a legal obligation to pay, but the agency has no legal obligation to withhold, as authorized by 5 C.F.R. 550.351 (reference (l)).

★ I. Payment of labor organization dues as authorized by 5 U.S.C. 7115 (reference (b)) and DoD 1400.25-M, subchapter 711 (reference (u)).

1. Allotment Authorization. Any eligible employee has the right to make a voluntary allotment for the payment of dues to not more than one eligible labor organization. An SF 1187 (Request and Authorization for Voluntary Allotment of Compensation for Payment of Labor Organization Dues) shall be used to request and authorize an allotment of pay. Such allotments shall become effective the first pay period beginning after receipt of the properly executed SF 1187.

2. Amount of Employee's Deductions. Unless the negotiated agreement specifies otherwise, the procedure for setting and changing dues rates shall be as follows. When the amount of an employee's dues is stated on an SF 1187 in terms of an annual amount (covering a period of 12 months), the figure shall be divided by 26. When an amount is stated in terms of a monthly amount, the figure shall be multiplied by 12 and the result divided by 26. This amount shall remain unchanged until the appropriate official in the labor organization certifies that the amount of the regular dues has changed. Upon input, the civilian payroll office shall begin to withhold the certified amount of the dues on the first complete pay period for which the deductions are made or a later date if requested by the labor organization. When an employee is in a nonpay status for an entire pay period, withholding shall not be made to cover that pay period from future earnings nor shall the employee deposit the amount that would have been withheld if the employee had been in a pay status during that period. If an employee is in a nonpay status for only a part of such pay period, and the salary is not sufficient to cover the full deduction, none shall be made.

3. Termination of Allotments

a. An employee may submit a request to revoke the allotment for the payment of union dues at any time; however, such revocation shall be effective only at the beginning of the first pay period which begins on or after the 1-year anniversary of the effective date of the employee's initial allotment of union dues. Thereafter, revocation of an allotment shall be effective at 1-year intervals. (Previously, dues could be revoked at 6-month intervals. Negotiated agreements providing for 6-month revocation periods can be continued and may still exist. In such situations, revocation shall occur at the beginning of the first pay period after the termination dates of the 6-month intervals which commonly are March 1 and September 1.)

b. Dues withholding procedures are negotiable to the extent they are consistent with applicable law and regulation. This includes bargaining on yearly intervals for revoking dues and the date from which the 1-year interval is measured. Activities are responsible for certifying the effective date of dues revocations.

c. An employee shall use an SF 1188 (Revocation of Voluntary Authorization for Allotment of Compensation for Payment of Labor Organization Dues) to voluntarily revoke an allotment. However, a written request for revocation of an allotment that is otherwise in order and signed by the employee shall be accepted and acted upon, even though it is not submitted on a SF 1188. Unless the collective bargaining agreement provides otherwise, the employing activity is responsible for furnishing the SF 1188 to employees upon request.

d. Allotments of all union members are terminated automatically when the union loses its eligibility for exclusive recognition. Termination shall be effective at the beginning of the first pay period after notification is received concerning the loss of recognition.

e. An allotment is terminated when an employee is suspended or expelled from union membership. Termination of dues shall be effective at the beginning of the first pay period after written notification is received that an employee was suspended or expelled from membership.

f. An allotment is terminated when an employee no longer is a member of the exclusive bargaining unit, e.g., an employee separates from the employing activity or is promoted to a supervisory position. Termination of dues shall be effective with the final pay check or at the beginning of the first pay period after notification that an employee left the exclusive bargaining unit, as appropriate.

g. Dues allotments may continue for a reasonable time where a question arises as to whether an exclusive bargaining unit remains appropriate or needs to be clarified, or whether an employee left the bargaining unit. The need to clarify a unit, or determine its appropriateness, could arise where a transfer of function or reorganization impacts the unit and could require the gaining organization to continue dues withholding. Termination of dues would be effective at the beginning of the first pay period after notification is received concerning the resolution of the representational question.

J. Charitable contributions to a CFC as authorized by DoD Directive 5035.1 (reference (al)) and DoD Instruction 5035.5 (reference (am)). See 5 C.F.R. 550-341-550.342 (reference (l)).

1. An employee may initiate a CFC allotment only when employed in an area in which a CFC exists that has been authorized by the OPM. Generally, employees serving under an appointment of 1 year or less may not make an allotment. Such an employee may make an allotment when an official of the employing agency decides that the employee will be employed long enough to justify it. This includes part-time and intermittent employees who are regularly employed.

★ 2. Employees or CFC agents shall submit completed authorization forms for the CFC allotment to the CSR by the date established by the CSR each year; however, if forms are received after that date, they should be accepted and processed.

3. An allotment shall be voluntary, based on the employee's written authorization. Authorization forms in standard format shall be printed by the CFC campaign organizations at each location and shall be distributed to employees along with other campaign materials at the time charitable contributions are solicited.

4. Allotments must be 1-year term allotments. They shall start with the first full pay period starting in January and end with the last pay period starting in December. An employee not on duty for 1 full year can submit an allotment if he or she has enough service time remaining to make it practical. Three months or more is a reasonable period for an allotment.

5. Employees shall make a single allotment of an equal amount to be deducted each pay period during the year. The minimum amount is \$1 biweekly or \$2 if paid on a monthly basis. Amounts deducted for teachers paid for less than 1 year shall be accelerated for the term of employment. No change of amounts can be authorized during the term of the allotment; however, an employee voluntarily may discontinue the allotment (in writing) at any time. If the allotment is canceled, it cannot be reinstated.

6. If an employee transfers within the Department during the 1-year term of the allotment, the allotment continues unless the transfer is to or from an OCONUS area.

K. Purchase of savings bonds. Employees can have the maximum number of savings bond allotments that the payroll and/or bond accounting system can accommodate.

1. An employee shall authorize an allotment for the purchase of U.S. Series EE Savings Bonds on SBD 2104 (Authorization for Purchase and Request for Change United States Series EE Savings Bonds). An SBD 2104 may be obtained from the nearest HRO. The SBD 2104 shall remain in effect until canceled or changed in writing. Requests for savings bonds allotments that are otherwise complete but lack the payee's SSN shall not be processed.

2. Payroll Deductions. U.S. Series EE Savings Bonds with a minimum face value of \$100 may be purchased through payroll deduction. The minimum payroll deduction for these bonds is \$5 per pay period. Amounts greater than \$5 per pay period may be established if that amount divides evenly into the total purchase price of the bond(s). If the earnings for a given pay period do not cover the authorized bond deduction, do not take the deduction for that pay period.

3. Bond Dating. A bond is dated as of the first day of the month in which at least one-half of the purchase price is accumulated, regardless of the number of payroll deductions required to complete the full purchase price for issuance of the bond. This provision

permits the purchase of larger denomination of bonds without loss of interest. The full purchase price must be deducted before the bond is issued.

4. Authorization and Discontinuance

a. Employee completes and submits SBD 2104 to:

(1) Authorize payroll deduction,

(2) Change deduction, bond denomination, bond ownership or address, or:

(3) Stop deduction.

b. A separate authorization (SBD 2104) is required for each allotment.

5. Employee Transfers

★ a. Individual transfers. For employees transferred within the same DoD Component or from another federal agency, the CSR shall require that the employee file a new SBD 2104 to continue bond deductions. Retroactive bond deductions are not authorized.

b. Mass transfers. Refer to subparagraph 060303.C.4 for procedures involving mass transfers.

★ L. Payment of dues to a professional or other association. An employee may have only one allotment at a time to an association. Dues for these organizations are allowed under 5 C.F.R. 550.311/550.331 (reference (l)) and DoD 1400.25-M, subchapter 251 (reference (u)).

M. Voluntary allotment for alimony and/or child support. The pay regulations of the OPM in 5 C.F.R. 550.371 (reference (l)) provide for the use of voluntary allotments to effect payment for child support and/or alimony. Garnishment orders issued for alimony and/or child support obligations shall continue to be enforced as involuntary deductions as discussed in section 0412, above. Requests for voluntary allotment for alimony and/or child support shall be verified against legal agreements or court orders to ensure proper registration. A written request from the employee to the civilian payroll office shall be used to substantiate the allotment. The request shall contain the name and address of the designated allottee, the amount of the allotment, and the signature of the prospective allotter. The allotment may be in dollars and cents. The employee shall agree that any dispute regarding the voluntary allotment is a matter between the allotter and the allottee.

★ N. An allotment to a political action committee was approved by the DoD Deputy Comptroller's memorandum of May 26, 1994 (reference (f)).

041403. Allotments Not Authorized. The following allotments are not authorized:

- A. Collection of debts to private creditors and nongovernmental agencies;
- B. Contributions to charities, except as authorized in subparagraph 041402.J.;
- C. Payment of insurance premiums, except as authorized in subparagraphs 041402.C. and 041402.D.; and
- D. Payment of dues to civic, fraternal or other organizations, except as authorized in this paragraph.

041404. Eligibility Rules. Eligibility for the making of an allotment is dependent on such factors as residence of employee, place of employment and type of allotment desired. The specified rules listed below are summarized in Table 4-6. The table must be used in conjunction with the specific rules listed below.

A. An employee may make an allotment of pay as provided in subparagraphs 041402.A., 041402.B.1., and 041402.C. through F., and 041402.K. through M. when the employee is:

- 1. Assigned to an OCONUS post of duty;
- 2. Working on an assignment away from their regular post of duty when the assignment is expected to continue for 3 months or more; or
- 3. Serving as an officer or member of a crew of a vessel under the control of the U.S. Government.

B. An employee whose place of employment is within the continental United States (CONUS) may authorize an allotment of pay as provided in subparagraphs 041402.B.2., 041402.E., and 041402.K. through M.

C. An employee working outside his or her state of residence who has a legal obligation to pay income taxes to the state or the District of Columbia, but the agency has no legal obligation to withhold those taxes, may make an allotment of pay for the purpose specified in subparagraph 041402.G.

D. An employee who has a legal obligation to pay city and/or local taxes, but the agency has no legal obligation to withhold those taxes, may make an allotment of pay for the purpose specified in subparagraph 041402.H.

★ E. An employee who meets the eligibility requirements prescribed in DoD 1400.25-M, subchapter 711 (reference (u)) as a labor organization member may make an allotment of pay for the purpose of payment of labor organization dues as specified in subparagraph 041402.I.

F. An employee who meets the eligibility requirements prescribed in DoD Directive 5035.1 (reference (al)) may make an allotment of pay for charitable contributions to CFC as specified in subparagraph 041402.J.

041405. Emergency Allotments. Allotments may be authorized to become effective during an emergency evacuation. Such allotments will not become effective until an evacuation order has been issued. See 5 C.F.R. 550.401-550.407 (reference (l)).

041406. Allotments for Foreign Nationals. Foreign nationals employed by the Department and working outside their own country on assignments of 3 or more months duration may be permitted to make allotments for any of the purposes authorized in paragraph 041402., providing all other provisions of section 0414 are observed.

1. Foreign nationals employed by DoD Components to work in their own countries or in the Canal Zone may be permitted to make allotments for the purposes shown in subparagraphs 041402.I. and J. and to pay premiums on group health benefits and group life insurance subject to the provisions of any agreement between the U.S. Government and the foreign national's country of citizenship.

2. Foreign nationals may be permitted to make other allotments from pay when such allotments are based on local customs and practices or are pursuant to treaties or country-to-country agreements.

041407. Allotment Limitations

A. A power of attorney will not be accepted to establish, change, or discontinue an allotment.

B. Allotment payments shall be made in accordance with the schedule established by the Department provided such allotment checks are not issued until the related earnings have accrued. This shall be stipulated as a requirement for the allotment.

C. Except as provided by subparagraphs 041402.B., K., and M., a DoD employee shall not have more than one allotment payable to the same allottee at the same time.

D. Allotments will not exceed the pay due the allotter.

041408. Discontinuance of Allotments. Allotments shall be discontinued under the following conditions--

A. Upon receipt of:

1. Notice of retirement or separation of the allotter.

2. Notice that the allotter has been placed in an extended LWOP status.
 3. Written notice from the allotter to cancel the allotment, unless this right is otherwise restricted by law or established labor agreement.
 4. Notice of death of the allotter. Payment will not be made after notice of the allotter's death, even though deductions were made from the allotter's pay and not paid to the allottee.
 5. Notice of death of allottee. Upon notice of the death of any person to whom an allotment is payable, the civilian payroll office shall stop the allotment and notify the allotter. All nonnegotiated allotment checks must be returned to the disbursing officer for cancellation. After these checks are canceled, the civilian payroll office shall refund the money to the allotter.
 6. Notice that the whereabouts of the allottee is unknown.
- ★
7. FMS Form 2231 or DD Form 2762 with the "cancel" block marked.
 8. SF 1199A with \$0.00 in the allotment amount block.
- B. When the conditions under which an allotment was permitted no longer exist.
- C. When the allotter transfers to an installation serviced by a different civilian payroll office, except for:
1. An allotment for CFC contribution, or
 2. A labor organization dues authorization (when the employee remains within the same bargaining unit).

041409. Allotments - Savings

A. Procedures

1. Allotment Changes or Cancellations

★ a. Changes. A change in the amount of the allotment, financial organization, or savings account to be credited requires a new SF 1199A, FMS Form 2231, or DD Form 2762 to be executed in accordance with instructions on the form. Insert the new allotment amount, not the amount of the change, in the amount block.

b. Cancellations. Refer to paragraph 041408 for conditions under which an allotment is stopped.

2. Payroll Procedures

★ a. Effective Date. Deductions for allotments will be made the first pay period beginning after receipt of the properly executed SF 1199A, FMS Form 2231, or DD Form 2762.

b. Allotment Deductions. Deductions for allotments shall be made each pay period and shall be taken in accordance with the order of precedence outlined in section 0402. If the net pay, after applying all payroll deductions otherwise required, is less than the allotment amount when only one allotment is authorized, the allotment shall be nullified for that pay period. If the net pay is less than the aggregate amount when two such allotments are authorized, both shall be nullified for that pay period.

c. Routing Number. A nine-digit number shall identify each financial institution. Rand McNally and Company, agent for the American Banker's Association, assigns the routing number. This number is the identification information which Automated Clearing House (ACH) distributes payments to financial institutions. An ACH is a facility that performs inter-bank clearing of paperless entries for participating financial institutions.

B. OCONUS Allotment Procedures

1. An employee shall meet one of the requirements below before they can make an OCONUS allotment. The employee must be:

- a. Assigned to an OCONUS post of duty;
- b. Working on an assignment away from his or her their regular post of duty that is expected to continue for 3 months or more; or
- c. Serving as an officer or member of a vessel under the control of the U.S. Government.

2. Only allotments in whole dollar amounts (or equivalent in value) shall be permitted. Refer to paragraph 041404 for authorized allotments for OCONUS employees.

041410. Withholding

A. Full deductions shall be effected each pay period if the salary is enough to cover the deduction, even if an employee is in a pay status for only part of a pay period. No deductions shall be made if the salary amount is insufficient to cover the deduction.

B. Retroactive deductions shall not be made for a period in which the employee's net pay was not enough to withhold the allotment. Adjustments shall not be made in future pay periods for amounts the civilian payroll office failed to deduct in the current pay period,

unless requested by the employee in writing. The civilian payroll office shall make adjustments for overdeductions.

0415 THRIFT SAVINGS PLAN

★ 041501. General. The Thrift Savings Plan (TSP) is a retirement savings and investment plan for federal employees. The Congress established the plan as part of the Federal Employees' Retirement System Act of 1986 (P. L. 99-335) (reference (e)) and (5 U.S.C. 8431-8440d) (reference (b)). The plan offers both FERS and CSRS employees tax deferral advantages similar to those on an individual retirement account (IRA). The Federal Retirement Thrift Investment Board which operates the plan solely for the benefit of the participants and their beneficiaries, administers the plan. The recordkeeper for the plan is the NFC in New Orleans, Louisiana. The NFC issues TSP Bulletins providing necessary guidance relating to TSP operations. All Bulletins are to be retained pending NFC's disposition instructions. See 5 U.S.C. 8331(3) (reference (b)) and TSP Bulletin 96-33 (reference (an)) for the definition of basic pay for determining TSP contributions. TSP deductions for reemployed annuitants are based on the gross salary, not the net amount after subtraction of the offset. Temporary Appointment Pending Establishment of a Register (TAPER), Term, and indefinite appointees may participate in TSP. Employees on temporary (not to exceed 1 year) or intermittent appointments are not generally covered by FERS or CSRS and are not eligible to participate in TSP (TSP Bulletin 87-22) (reference (an)).

 041502. Participation Rules. Both FERS and CSRS employees are eligible to join the TSP plan.

 A. FERS employees may contribute up to 10 percent of their basic pay per pay period to the plan.

 B. FERS employees receive agency matching contributions up to 5 percent of their basic pay contributed each pay period. The matching is dollar for dollar on the first 3 percent contributed and fifty cents on the dollar for the next 2 percent.

 C. FERS employees receive agency automatic contribution of one percent of basic pay whether or not they contribute to their TSP accounts.

 D. CSRS employees may contribute up to 5 percent of basic pay per pay period. CSRS employees, however, do not receive any agency matching or automatic contributions.

 E. All contributions must be made through payroll deductions. Lump-sum contributions are not permitted. See Table 4-8 for the annual elective deferral amounts.

 F. Employees may contribute either a whole percentage of pay or a whole dollar amount.

 041503. When to Begin TSP Deductions. Elections made during an open season become effective no earlier than the first full pay period beginning in the last month of that open

season. Initial enrollment or a change to an enrollment can only occur during the TSP open season. The choice to stop contributing to TSP is permitted at any time, however, and is effective at the end of the pay period in which that election is accepted by the HRO.

041504. Enrollment

★ A. Employees obtain the Form TSP-1 (TSP Election Form) from the HRO. If available, employees may also enroll by accessing an interactive voice response (IVR) system or WEB site to make the appropriate TSP election.

B. FERS and CSRS employees can allocate contributions among three investment plan funds.

1. G Fund which consists of investment in U.S. Government securities.

2. F Fund which is invested in guaranteed private-sector investment contracts, certificates of deposit and other securities that offer a specified interest rate.

3. C Fund which is invested in an index of common stocks.

★ C. A copy of the Form TSP-1 is forwarded to the civilian payroll office from the HRO. For those civilian payroll offices using the personnel-pay interface, the data to establish the TSP contributions in the master record will flow electronically to the civilian payroll office. However, all offices must work closely with the HRO to ensure accurate data is established for the employee in accordance with the information provided on the Form TSP-1. For employees who enroll by accessing an IVR system or WEB site, the automated election is processed electronically using the personnel-pay interface and no hard copy of the TSP-1 is forwarded to the civilian payroll office.

041505. Biweekly Processing and Accounting Procedures

A. A no-check-issue procedure is used to transfer to the NFC the amount collected from employee TSP deductions, as well as the agency contributions. Under this procedure, the disbursing office does not use a check as the means of payment to the NFC. Funds are transferred to the NFC using the DoD accounting procedure and the TSP Journal Voucher (Form TSP-2 or certified automated listing).

B. Credit the amounts due the NFC to the following accounts:

--F3886.6010, Employing Agency Automatic Contributions to FERS Thrift Savings Plan. (Includes the automatic 1 percent of salary contribution by the employing agency on behalf of all FERS employees.)

--F3886.6020, Employing Agency Contribution to Thrift Savings Plan G.

--F3886.6030, Employing Agency Contribution to Thrift Savings Plan F.

--F3886.6040, Employing Agency Contribution to Thrift Savings Plan C.

--F3886.6060, Employee Contribution to Thrift Savings Plan G.

--F3886.6070, Employee Contribution to Thrift Savings Plan F.

--F3886.6080, Employee Contribution to Thrift Savings Plan C.

★ C. Prepare Form TSP-2 in accordance with the TSP voucher/summary type output product that is produced from the automated system or use a certified automated listing. After certification, the journal voucher (or certified listing) is forwarded to the NFC together with the TSP file produced for that pay period. The NFC requests receipt of the journal voucher (or certified listing) and file no later than 2 workdays prior to the actual payroll payment date. If the Acknowledgment of Processing Letters issued by the NFC do not arrive within 10 work days for CONUS civilian payroll offices or within 15 workdays at overseas locations after the TSP file has been transmitted to the NFC, contact the recordkeeper to determine if a processing letter was issued or what type of problem exists concerning the processing cycle in question.

★ D. A TSP file processing log shall be maintained to monitor TSP file transmissions to the NFC. The log, at a minimum, must include report number, pay date, pay period number, date of certification, date transmitted, date processed by the NFC and amounts processed. The contribution amounts contained on the original journal voucher (or certified listing) shall be compared with the processed TSP contributions per the Acknowledgment of Processing Letters, the Payroll Recapitulation Report (rejected items), and the TSP contributions per the Statement of Transactions to ensure that the amounts processed by the Recordkeeper agree or can be reconciled with amounts submitted by the civilian payroll office. The log need not be limited to the above items. It can include such additional data as date of initial run, recycle dates, date of the final run or other data that would be helpful in the TSP file processing cycle.

041506. Correction Procedures

A. The NFC has published regulations governing the correction of errors (TSP Bulletin 97-3) (reference (an)). Procedures for reporting payments and adjustments for previous calendar years are contained in TSP Bulletin 90-22 (reference (an)).

B. Civilian payroll offices shall process TSP adjustments within 14 days of when the rejections or deletions are received.

041507. TSP Discrepancies

★ A. TSP discrepancies are differences between amounts entered in and charges made by the Department of the Treasury to the DoD TSP clearing account based on transactions transmitted to the NFC on TSP files and adjustment record input. The differences may be caused

by changes made to the TSP file before it is sent to the NFC, where entries are not adjusted accordingly; or transactions that were rejected by the NFC but were not resubmitted, resulting in no charge to the TSP clearing account.

★ B. The civilian payroll office shall ensure that all transactions involving money amounts submitted on the TSP file or as adjustments have a corresponding entry.

0416 TSP LOAN PROGRAM

041601. General. Under 5 U.S.C. 8433(i) (reference (b)), all TSP participants currently employed are eligible to obtain a TSP loan. A maximum of two TSP loans per employee can be current.

★ 041602. Types of Loans. Loans can be made for the following purposes:

- A. Residential; and
- B. General purpose.

For additional information, see TSP Bulletin 96-33 (reference (an)).

041603. Loan Minimum. The minimum amount of a TSP loan is \$1,000. Employees may borrow only their own contributions and earnings.

041604. Interest Rate. The interest rate shall be the posted rate for the G Fund at the time the terms of the loan are established. The rate is fixed at that level for the life of the loan, and the interest paid on the loan shall go back to the employee's own TSP account and is not tax deductible.

041605. Biweekly Processing and Accounting Procedures

A. The civilian payroll office shall receive Form TSP-22 (TSP Loan Payment Allotment Form) from the NFC after it has issued a payment to the employee. An official at the NFC must properly certify this form. The certified Form TSP-22 shall contain the TSP loan number, pertinent employee data, the repayment information and the DD/EFT routing number.

B. Loan repayment via DD/EFT. This procedure shall be used for installations having DD/EFT capabilities. TSP loan repayments shall be established as allotments in the employee's master record. Accounting procedures are the same as those currently used for disbursement of net pay and other types of allotments except the same type of checkless remittance and TSP clearing account procedures used for TSP savings deductions are to be utilized.

C. Loan repayment using other than DD/EFT procedures. Utilize the same type of checkless remittance and TSP clearing account procedures currently used for TSP savings deductions (see paragraph 041505). The TSP loan clearance account is --X3886.6090. Prepare the

TSP loan payment input and related journal vouchers in accordance with the procedures provided in TSP Bulletin 88-26 (reference (an)). Loan payment data and the journal voucher shall be express mailed to the NFC.

★0417 LOST TSP EARNINGS DUE TO AGENCY ERROR

★ 041701. Authority. Title 5 C.F.R. Part 1606 (reference (l)) implemented section 2 of P.L. 101-335 (reference (e)), which provides statutory authority for employing agencies to pay to the TSP amounts representing lost earnings resulting from agency errors. If an employee receives pay from which employee contributions should have been deducted, but as a result of agency error, all or any part of those deductions were not made, then even if the employee makes up those employee contributions, the belated employee contributions shall not be subject to lost earnings. The following are conditions that require payment of lost earnings:

★ A. Delayed or Erroneous Contributions When Employee Received Pay

★ 1. If an employee receives pay, but as a result of an agency error all or any part of the Agency Automatic Contributions (1 percent) associated with that pay are not timely received by the TSP Recordkeeper, the belated contributions shall be subject to lost earnings.

★ 2. If an employee receives pay from which his or her contributions were properly deducted but, as a result of an agency error, all or any part of the associated agency matching contributions were not timely received by the TSP Recordkeeper, then the belated contributions will be subject to lost earnings.

★ 3. If an employee receives pay from which his or her contributions were properly deducted but, as a result of an agency error all or any part of those employee contributions were not timely received by the TSP Recordkeeper, the belated contributions will be subject to lost earnings.

★ B. Agency Delay in Basic Pay. Where, as the result of an agency error, an employee does not timely receive all or any part of basic pay to which entitled, all such belated employee contributions, Agency Automatic Contributions (1 percent), and agency matching contributions shall be subject to lost earnings.

★ C. Fund Errors. An employing agency will be required to pay lost earnings on contributions that, due to an agency administrative error, are incorrectly invested.

★ D. Late Payroll Submissions. All contributions contained in a payroll submission received by the TSP Recordkeeper more than 30 days after the pay date associated with that payroll submission shall be subject to lost earnings.

★ E. Loan Allotments. Loan allotments deducted from an employee's pay but not timely received by the TSP Recordkeeper due to agency error shall be subject to lost earnings.

★ 041702. Minimum Dollar Amount. Lost earnings on loan allotments and late contributions shall be calculated by the TSP system only for those contributions and loan allotments that are \$1 or more.

★ 041703. Agency Responsibility. The employing agency whose error caused a late or erroneous investment of money in the TSP is responsible for payment of any lost earnings resulting from that error. The civilian payroll office that submitted payment records or loan allotments that are subject to lost earnings is also responsible for submitting the appropriate lost earnings records relating to those submissions. The amount of lost earnings that is calculated shall be charged to the TSP clearing account of the submitting civilian payroll office. Where another employing agency caused the late or erroneous submission by the submitting civilian payroll office, the civilian payroll office that was charged for the amount of lost earnings calculated should seek reimbursement from the other civilian payroll office.

★ 041704. TSP Clearing Account. The civilian payroll office shall prepare the TSP record (51-record) and the TSP-2-E (Request to Calculate Lost Earnings: Certification of Transfer of Funds and Journal Voucher) for submission to the NFC for processing and calculation of the lost earnings. The NFC shall forward detailed reports back to the civilian payroll office. The civilian payroll office shall prepare and process an SF 1081 (Voucher and Schedule of Withdrawals and Credits) to charge the employing activity fund and credit the TSP clearing account --F3886 for the amount of lost earnings. Ensure that the SF 1081 is processed expeditiously once the detailed reports are received from the NFC in order to avoid the TSP lost earnings clearing account reflecting a negative balance at month end. The amount of lost earnings calculated by the NFC shall be charged to the civilian payroll office TSP account --F3886 as reported on the TSP-2-E.

★ 041705. For detailed information concerning the lost earnings process, refer to TSP Bulletins 90-39, 90-40, 90-41, 90-42, 91-3, 91-4, 91-34, 92-29, 95-13, and 98-21 (reference (an)). The TSP Bulletins are available on the Internet at <http://www.tsp.gov>.

0418 TAX LEVY FOR UNPAID FEDERAL INCOME TAX

041801. Levying Official and Levy Restrictions. IRS District Directors are authorized under 26 U.S.C. 6331 (reference (ad)) to collect delinquent federal income taxes by levy on the salary or wages of any U.S. or D.C. employee. The levy is served against the "take-home pay" of the employee and shall attach only to the salary check or cash disbursement the employee would receive on payday if it were not for the levy. Employees shall not be allowed to increase or add any voluntary allotments after a levy is received in the civilian payroll office. Changes that increase existing voluntary allotments are only authorized after the total tax liability has been paid or arrangements made with the IRS.

041802. Procedures. Form 668-W (Notice of Levy (NOL)) shall be served in person or by mail. Service by mail is limited to the United States, its territories and possessions, and ships at sea. The NOL is served on the civilian payroll office responsible for payments to the employee. All civilian payroll offices will honor the NOL whether served in person or by mail. Once an NOL is received, it shall continue in effect until the collection is complete or until the IRS releases the

levy. The IRS shall send an original and two copies of the NOL. The civilian payroll office shall sign and date all copies and enter the time of receipt on the forms.

041803. Authorization to Start Deductions. The civilian payroll office shall make deductions from the current salary of indebted employees if one of the conditions below exist:

- A. The NOL is served by an employee of the IRS in person or by mail.
- B. Agreement in writing has been made between an indebted employee and the IRS to liquidate the debt through regular deductions.

041804. Wages Subject to Levy

A. The NOL attaches the gross amount of the accrued wages or salary, less the following:

- 1. Social Security and/or Medicare deductions,
- 2. Retirement deductions,
- 3. FEHB deductions,
- 4. FEGLI deductions,
- 5. Pay attached or garnished for child support or alimony,
- 6. Overpayments due the U.S. Government,
- 7. Allowable personal exemptions, certified on Form 668-W, parts 5 and 6 subtitled "Statement of Exemptions."

B. All voluntary allotments and bond allotments are considered items of pay that may be subject to the NOL. The civilian payroll office shall not start a new voluntary allotment or bond allotment after the levy is received. Unless the IRS instructs the civilian payroll office that a deduction should not be allowed, the taxpayers payroll deductions which were in effect when the levy was received shall be allowed when determining the employee's take home pay. The civilian payroll office shall send the IRS the taxpayer's take home pay minus the allowable exceptions. This action shall be continued until the full amount of the levy has been paid to the IRS. The NOL shall contain instructions for figuring the allowable exceptions from the levy. The IRS may notify the payroll office when different procedures should be followed for specific employees.

041805. Notice to Employees

A. Parts 3, 4, and 5 of Form 668-W permit a biweekly personal exemption for the employee and a biweekly exemption for each dependent. The IRS changes the amounts each

year. See IRS Publication 1494 (reference (ao)). A copy of the current amounts is included with the NOL. The employee shall certify his or her exemptions on parts 3 and 4 of the form.

B. Upon receipt of the NOL, the civilian payroll office immediately shall advise the employee in writing. The letter must include Form 668-W, parts 2, 3, 4, and 5, as an enclosure. For a sample letter see Figure 4-2.

C. Normally, an employee is allowed 3 workdays to return parts 3 and 4 of Form 668-W after receipt. Civilian payroll offices shall establish timely follow-up procedures to ensure that Form 668-W is returned within 3 workdays after receipt of the notification letter. The return date for Form 668-W shall be determined by estimating the mail transit time and adding 3 workdays. The civilian payroll office shall request guidance from the IRS office that issued the levy if known circumstances exist (employee is on leave, TDY, etc.) that may delay return of the form. When parts 3 and 4 are not returned within the 3-day period, and no unusual circumstances exist, a dependency exemption shall not be allowed until the form is returned. The minimum personal exemption amount shall be allowed the employee for each pay period until parts 3 and 4 of Form 668-W are received in the civilian payroll office.

D. The civilian payroll office shall return the original part 1 of Form 668-W to the IRS office that ordered the collection with the check for the first deduction made under NOL. The civilian payroll office shall return part 3 to the IRS with the check for the first deduction made after the employee returns the properly completed part 3. If the employee is required by a court judgment (made before the date of the levy) to contribute to the support of minor children, that amount of salary, wages, or other income is already exempt from the levy. Therefore the employee must not list these minor children, as exemptions on parts 3, 4, and 5 of Form 668-W.

E. If the civilian employee has been reassigned to an organization serviced by another civilian payroll office, the losing civilian payroll office shall inform the cognizant IRS District Director of the employee's new address. The losing civilian payroll office shall mail the complete NOL package to the new civilian payroll office for processing.

F. If the employee has moved from overseas, transferred to another federal agency, separated or retired, the civilian payroll office will:

1. Return the NOL to the IRS District Director; and
2. Note the employee's new address, if known, on the bottom of the NOL.

G. If the civilian payroll office receiving the NOL has no record that payroll service has been furnished the employee, annotate that fact on the bottom of the NOL and return it to the cognizant IRS District Director.

041806. Evidence Received That the Tax Has Been Paid

A. If an employee produces evidence that the full amount of the tax has been paid, the civilian payroll office shall record on the NOL:

1. The date of payment;
2. The manner in which the levy was paid; and
3. The office of the IRS District Director to which payment was made.

B. Adequate evidence of payment shall be the stub of the money order or the canceled check showing payment to the IRS. If payment was made by money order, the number and location of the issuing agent shall be shown on the stub. If payment was made by check, the name and location of the bank, and endorsement by the IRS shall be shown. There are two forms issued by the IRS that are also acceptable as evidence of payment: Form 668-R (Release of Levy on Wages, Salary, and Other Income) and Form 668-G (Provisional Release of Levy on Wages, Salary, and Other Income). Either form serves as valid notice of payment or release. If no deductions were made from an employee's salary or wages, the civilian payroll office shall return all annotated copies of the NOL to the issuing IRS Center. The civilian payroll office shall not keep the NOL. If an overdeduction has been made, the civilian payroll office shall annotate the amount on the Form 668-R or 668-G and return the form to the IRS. The IRS shall then provide a refund to the employee of any excess money collected. The civilian payroll office shall inform the employee of this process and instruct them to contact the IRS office that issued the NOL if no refund is received within 60 days after the civilian payroll office has forwarded amounts from the levy to the IRS.

Lump-Sum Annual Leave Repayment

REPAYMENT OF LUMP-SUM ANNUAL LEAVE		Date
To:	From:	
<p>Under the provisions of the Lump-Sum Payment Act (December 21, 1944), the following statement is furnished for submission with your federal and state income tax returns for calendar year _____</p> <p>_____</p> <p style="text-align: center;">Name and Number of Employee</p> <p>refunded during the calendar year _____ the sum of \$_____, representing refund of Lump-Sum Annual Leave payment under the provisions of the Lump-Sum Payment Act. The Form W-2 (Wage and Tax Statement) for calendar year _____ has not been decreased by this amount.</p>		
Duty Station	Federal Employer's Identification Number	
	State Identification Number	
Typed Name, Title and Telephone	Signature	
<p>Copy Forwarded To:</p> <p>Internal Revenue Service</p> <p>State of _____</p> <p>City or County of _____</p>		

Figure 4-1 (Lump-Sum Annual Leave Repayment Sample Format)

Sample Notice of Levy Letter

Dear _____,

This office has received a Notice of Levy for federal income tax against your pay for \$_____. This attachment against your pay shall remain in effect until the total debt has been collected.

From receipt of this letter, you have three working days to complete the enclosed IRS Form 668-W. Return parts 3 and 4 in the enclosed self-addressed envelope; parts 2 and 5 are for your records.

If you do not return the IRS Form 668-W, within 3 working days, a personal exemption of \$_____ per pay period will be your biweekly salary. The remainder of your check will be forwarded to the IRS.

If you have any questions concerning this levy, contact the IRS through the 1-800 number that appears on the attached IRS Form 668-W.

If we can be of any further assistance, please contact our office at _____ between the hours of 7:30 a.m. and 4:00 p.m. Monday through Friday.

Sincerely,

Enclosures

Figure 4-2 (Notice of Levy Sample Letter)

Deductions Withheld From Civilian Pay
For CSRS and FERS Employees

	FED. TAX	SOCIAL SECURITY	MEDI CARE	STATE	CITY/ LOCAL	RET	TSP
1. Premium pay: Sunday, Holiday and Overtime;	YES	YES	YES	YES	YES	NO	NO
Standby Duty, Availability Pay, and Administratively Uncontrollable Overtime	YES	YES	YES	YES	YES	YES	YES
2. Basic Pay	YES	YES	YES	YES	YES	YES	YES
3. Differentials include Night, Hazardous, Post (nonforeign & foreign), Staffing, Supervisory	YES	YES	YES	YES	YES	NO	NO
4. Other Differentials: Shift, Environmental, and Tropical	YES	YES	YES	YES	YES	YES	YES
5. Lump-Sum Leave	YES	YES	YES	YES	YES	NO	NO
6. Severance Pay	YES	YES	YES	YES	YES	NO	NO
7. Awards	YES	YES	YES	YES	YES	NO	NO
8. Allowances include Living Quarters, Temporary Quarters Subsistence, Post, Foreign Transfer, Home Service Transfer, Separate Maintenance, Official Residence, Representation, Cuba Benefit	NO	NO	NO	NO	NO	NO	NO
9. Other Allowances:							
a. Nonforeign Cost of Living	NO**	NO	NO	*	*	NO	NO
b. Physicians Comparability	YES	YES	YES	YES	YES	NO	NO
c. Remote Site	YES	YES	YES	*	*	NO	NO
d. Danger Pay	YES	YES	YES	YES	YES	NO	NO
e. Retention	YES	YES	YES	YES	YES	NO	NO
10. Recruitment and Relocation Bonuses	YES	YES	YES	YES	YES	NO	NO
11. Separation Incentive Pay	YES	YES	YES	YES	YES	NO	NO

* Varies by state and city/local taxing authority.

** Except for Hawaii

★ Table 4-1 (Deductions Withheld from Civilian Pay for CSRS and FERS Employees)

Percentage Rates of FICA Deduction and Total Maximum Tax

CALENDAR YEAR	MAXIMUM GROSS PAY	SOCIAL SECURITY PERCENT	MEDICARE PERCENT	TOTAL PERCENT	MAXIMUM TAX*
1963 – 1965	\$ 4,800	3.625	.00	3.625	\$ 174.00
1966	6,600	3.85	.35	4.20	277.20
1967	6,600	3.90	.50	4.40	290.40
1968	7,800	3.80	.60	4.40	343.20
1969 – 1970	7,800	4.20	.60	4.80	374.40
1971	7,800	4.60	.60	5.20	405.60
1972	9,000	4.60	.60	5.20	468.00
1973	10,800	4.85	1.00	5.85	631.80
1974	13,200	4.95	.90	5.85	772.20
1975	14,100	4.95	.90	5.85	824.85
1976	15,300	4.95	.90	5.85	895.05
1977	16,500	4.95	.90	5.85	965.25
1978	17,700	5.05	1.00	6.05	1,070.85
1979	22,900	5.08	1.05	6.13	1,403.77
1980	25,900	5.08	1.05	6.13	1,587.67
1981	29,700	5.35	1.30	6.65	1,975.05
1982	32,400	5.40	1.30	6.70	2,170.80
1983	35,700	5.40	1.30	6.70	2,391.90
1984	37,800	5.70	1.30	**7.0	**2,532.60
1985	39,600	5.70	1.35	7.05	2,791.80
1986	42,000	5.70	1.45	7.15	3,003.00
1987	43,800	5.70	1.45	7.15	3,131.70
1988	45,000	6.06	1.45	7.51	3,379.50
1989	48,000	6.06	1.45	7.51	3,604.80
1990	51,300	6.20	1.45	7.65	3,924.45
1991***	53,400				3,310.80
	125,000				1,812.50
1992	55,500				3,441.00
	130,200				1,887.90
1993	57,600				3,571.20
	135,000				1,957.50
1994	60,600				3,757.20
	****				****
1995	61,200				3,794.40
	****				****
1996	62,700				3,887.40
	****				****
1997	65,400				4,054.80
	****				****
1998	68,400				4,240.80
	****				****
1999	72,600				4,501.20
	****				****

*The maximum tax may vary based on cost of living increases. The Secretary of Health and Human Services publishes in the Federal Register, by November 1 of each year, the amount of gross pay from which deductions is to be made.

** The combined rate of Social Security/Medicare for 1984 was 7 percent. Employees were given a .3 percent credit applied to the portion.

*** Beginning in 1991, maximum gross wages were separated for Social Security and Medicare purposes. The maximum gross pay allowed for Social Security is listed first followed by the maximum for Medicare.

**** There are no maximum gross wages subject to Medicare tax and no maximum tax.

★Table 4-2 (Percentage Rates of FICA (SS/Medicare) Deduction and Total Maximum Tax)

State Abbreviations and Numeric Codes

<u>State</u>	<u>Abbreviation</u>	<u>Code</u>
Alabama	AL	01
Alaska	AK	02
Arizona	AZ	04
Arkansas	AR	05
California	CA	06
Colorado	CO	08
Connecticut	CT	09
Delaware	DE	10
District of Columbia	DC	11
Florida	FL	12
Georgia	GA	13
Hawaii	HI	15
Idaho	ID	16
Illinois	IL	17
Indiana	IN	18
Iowa	IA	19
Kansas	KS	20
Kentucky	KY	21
Louisiana	LA	22
Maine	ME	23
Maryland	MD	24
Massachusetts	MA	25
Michigan	MI	26
Minnesota	MN	27
Mississippi	MS	28
Missouri	MO	29
Montana	MT	30
Nebraska	NE	31
Nevada	NV	32
New Hampshire	NH	33
New Jersey	NJ	34
New Mexico	NM	35
New York	NY	36
North Carolina	NC	37
North Dakota	ND	38
Ohio	OH	39
Oklahoma	OK	40
Oregon	OR	41

Table 4-3 (State Abbreviations and Numeric Codes)

State Abbreviations and Numeric Codes (Continued)

<u>State</u>	<u>Abbreviation</u>	<u>Code</u>
Pennsylvania	PA	42
Rhode Island	RI	44
South Carolina	SC	45
South Dakota	SD	46
Tennessee	TN	47
Texas	TX	48
Utah	UT	49
Vermont	VT	50
Virginia	VA	51
Washington	WA	53
West Virginia	WV	54
Wisconsin	WI	55
Wyoming	WY	56

AREAS OUTSIDE THE U.S.

<u>Possession or Territory</u>	<u>Code</u>
American Samoa	60
Defense Complex Panama	61
Canton and Enderbury Islands	62
Guam	66
Johnston Atoll	67
Midway Islands	71
Puerto Rico	72
Ryuku Islands, Southern	73
Swan Islands	74
Trust Territories of Pacific Islands	75
U.S. Miscellaneous Caribbean Islands	76
U.S. Miscellaneous Pacific Islands	77
Virgin Islands	78
Wake Island	79

Table 4-3 (State Abbreviations and Numeric Codes (continued))

★Basic Life Insurance Employee Cost

Payroll Method	Withholding per \$1,000 Insurance
Biweekly	\$0.1550
Monthly	\$0.3358

★Optional Life Insurance Employee Cost

OPTION - A (Per \$10,000 coverage)		OPTION - B (Per \$1,000)	
Under 35	\$.30	Under 35	\$.03
35-39	\$.40	35-39	\$.04
40-44	\$.60	40-44	\$.06
45-49	\$.90	45-49	\$.10
50-54	\$1.40	50-54	\$.15
55-59	\$2.70	55-59	\$.31
60-64	\$6.00	60-64	\$.70
65-69	\$6.00	65-69	\$.70
70 and over	\$6.00	70 and over	\$.70

OPTION - C	
(Per Multiple of \$5,000/\$2,500)	
Under 35	\$.27
35-39	\$.34
40-44	\$.46
45-49	\$.60
50-54	\$.90
55-59	\$1.45
60-64	\$2.60
65-69	\$2.60
70 and over	\$2.60

Note: The withholding amounts shown for optional life insurance are based on a biweekly payroll period.

★Table 4-4 (Life Insurance Employee Cost)

Life Insurance Enrollment Status Codes

<u>Code</u>	<u>Coverage</u>
A0	Ineligible for life insurance coverage
B0	Waived all life insurance
C0	Basic life insurance only
D0	Basic life plus Standard Option
E1	Basic life plus Family Option with 1 multiple
E2	Basic life plus Family Option with 2 multiples
E3	Basic life plus Family Option with 3 multiples
E4	Basic life plus Family Option with 4 multiples
E5	Basic life plus Family Option with 5 multiples
F1	Basic life plus Standard and Family Option with 1 multiple
F2	Basic life plus Standard and Family Option with 2 multiples
F3	Basic life plus Standard and Family Option with 3 multiples
F4	Basic life plus Standard and Family Option with 4 multiples
F5	Basic life plus Standard and Family Option with 5 multiples
G0	Basic life plus Additional Option with 1 times basic pay
H0	Basic life plus Additional Option with 1 times basic pay and Standard Option
I1	Basic life plus Additional Option with 1 times basic pay and Family Option with 1 multiple
I2	Basic life plus Additional Option with 1 times basic pay and Family Option with 2 multiples
I3	Basic life plus Additional Option with 1 times basic pay and Family Option with 3 multiples
I4	Basic life plus Additional Option with 1 times basic pay and Family Option with 4 multiples
I5	Basic life plus Additional Option with 1 times basic pay and Family Option with 5 multiples

★Table 4-5 (Employees' Life Insurance Enrollment Status Codes)

<u>Code</u>	<u>Coverage</u>
J1	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 1 multiple
J2	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 2 multiples
J3	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 3 multiples
J4	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 4 multiples
J5	Basic life plus Additional Option with 1 times basic pay and Standard Option and Family Option with 5 multiples
K0	Basic life plus Additional Option with 2 times basic pay
L0	Basic life plus Additional Option with 2 times basic pay and Standard Option
M1	Basic life plus Additional Option with 2 times basic pay and Family Option with 1 multiple
M2	Basic life plus Additional Option with 2 times basic pay and Family Option with 2 multiples
M3	Basic life plus Additional Option with 2 times basic pay and Family Option with 3 multiples
M4	Basic life plus Additional Option with 2 times basic pay and Family Option with 4 multiples
M5	Basic life plus Additional Option with 2 times basic pay and Family Option with 5 multiples
N1	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 1 multiple
N2	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 2 multiples
N3	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 3 multiples
N4	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 4 multiples
N5	Basic life plus Additional Option with 2 times basic pay and Standard Option and Family Option with 5 multiples
90	Basic life plus Additional Option with 3 times basic pay
P0	Basic life plus Additional Option with 3 times basic pay and Standard Option

Table 4-5 (Employees' Life Insurance Enrollment Status Codes (continued))

<u>Code</u>	<u>Coverage</u>
Q1	Basic life plus Additional Option with 3 times basic pay and Family Option with 1 multiple
Q2	Basic life plus Additional Option with 3 times basic pay and Family Option with 2 multiples
Q3	Basic life plus Additional Option with 3 times basic pay and Family Option with 3 multiples
Q4	Basic life plus Additional Option with 3 times basic pay and Family Option with 4 multiples
Q5	Basic life plus Additional Option with 3 times basic pay and Family Option with 5 multiples
R1	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 1 multiple
R2	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 2 multiples
R3	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 3 multiples
R4	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 4 multiples
R5	Basic life plus Additional Option with 3 times basic pay and Standard Option and Family Option with 5 multiples
S0	Basic life plus Additional Option with 4 times basic pay
T0	Basic life plus Additional Option with 4 times basic pay and Standard Option
U1	Basic life plus Additional Option with 4 times basic pay and Family Option with 1 multiple
U2	Basic life plus Additional Option with 4 times basic pay and Family Option with 2 multiples
U3	Basic life plus Additional Option with 4 times basic pay and Family Option with 3 multiples
U4	Basic life plus Additional Option with 4 times basic pay and Family Option with 4 multiples
U5	Basic life plus Additional Option with 4 times basic pay and Family Option with 5 multiples

Table 4-5 (Employees' Life Insurance enrollment Status Codes (continued))

<u>Code</u>	<u>Coverage</u>
V1	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 1 multiple
V2	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 2 multiples
V3	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 3 multiples
V4	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 4 multiples
V5	Basic life plus Additional Option with 4 times basic pay and Standard Option and Family Option with 5 multiples
W0	Basic life plus Additional Option with 5 times basic pay
X0	Basic life plus Additional Option with 5 times basic pay and Standard Option
Y1	Basic life plus Additional Option with 5 times basic pay and Family Option with 1 multiple
Y2	Basic life plus Additional Option with 5 times basic pay and Family Option with 2 multiples
Y3	Basic life plus Additional Option with 5 times basic pay and Family Option with 3 multiples
Y4	Basic life plus Additional Option with 5 times basic pay and Family Option with 4 multiples
Y5	Basic life plus Additional Option with 5 times basic pay and Family Option with 5 multiples
Z1	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 1 multiple
Z2	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 2 multiples
Z3	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 3 multiples
Z4	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 4 multiples
Z5	Basic life plus Additional Option with 5 times basic pay and Standard Option and Family Option with 5 multiples

Table 4-5 (Employees' Life Insurance Enrollment Status Codes (continued))

Allotments of Pay

RULE: ALLOTMENT OF PAY MAY BE AUTHORIZED FOR THE PURPOSES INDICATED WHEN THE EMPLOYEE IS:	A	B.1	B.2	C	D	E	F	G	H	I	J	K	L	M
1. Assigned to a post of duty outside the U.S., away from regular duty post 3 months or more or on duty on a vessel under U.S. Government control.	X	X		X	X	X	X					X	X	X
2. Working within the United States.			X			X								
3. Working outside the state of residence and obligated to pay state taxes, but no obligation to withhold those taxes.								X						
4. Obligated to pay city and/or local taxes, but no obligation to withhold those taxes.									X					
5. A member of a labor/employee organization for which employer has agreed to collect dues.										X				
6. Working in an area participating in a combined federal campaign.											X			

NOTE: THE LETTER AND NUMBER IDENTIFYING EACH RULE AND ALLOTMENT PURPOSES REFERENCES THE SUBPARAGRAPH 041402. AND 041404. THAT PROVIDES A COMPLETE DESCRIPTION.

AUTHORIZED ALLOTMENTS

A. Support of Dependents	G. State Income Tax
B.1. Savings	H. City Income Tax
B.2. Financial Institution Account	I. Labor Organization Dues
C. Commercial Life Insurance	J. Combined Federal Campaign
D. National Service and Government Life Insurance	K. Savings Bonds
E. Indebtedness to U.S. Government	L. Professional and Other Association
F. Home/Auto Loan Repayment	M. Alimony and/or Child Support

★Table 4-6 (Allotments of Pay)

CHAPTER 5**LEAVE****0501 GENERAL REQUIREMENTS**

★ 050101. Eligibility. The type, amount, and nature of leave benefits are dependent on the type and length of employment, military status, and other eligibility requirements. See DoD 1400.25-M, subchapter 630 (reference (u)), 5 U.S.C., chapter 63 (reference (b)), and 5 C.F.R., Part 630 (reference (l)).

050102. Objectives. The leave objectives to be met by payroll operations and systems are as follows. Leave records shall be properly maintained for each employee; leave shall be accurately accrued; leave taken shall be properly authorized and reported; and information on leave use and accrual shall be accurately determined and promptly reported to facilitate collection of certain leave-related debts from employees and for preparation of financial reports, including those for cost accounting purposes.

050103. Documentation. Leave records shall be maintained to show the following for each employee: rate of accrual for each type of leave; hours or days accrued and used by leave type; and hours or days advanced by leave type. Additional documentation requirements for specific types of leave are described in this chapter in the paragraphs discussing the type of leave. The mechanized leave record is created automatically from accession leave data obtained from information on the SF 50 and SF 1150. Annual and sick leave balances for employees transferring in are furnished to the civilian payroll office on the SF 1150. Prior to receipt of the SF 1150, the leave balances from the last LES issued the employee by the losing civilian payroll office may be used. Upon receipt of the SF 1150, the gaining civilian payroll office makes any necessary adjustments. See subparagraph 090202.C. for additional guidance.

050104. Accruals

A. The leave year begins with the first full pay period starting in the calendar year. For leave accruals, the civilian payroll system shall contain accurate information on the type of appointment for each employee and the leave hours or days to which the employee is entitled. Leave earned shall be accurately accrued for each type of leave using correct rates effective at the proper times. Reductions shall be made at the beginning of each leave year for accumulated leave exceeding statutory limits. Reductions shall be made in accruals for annual and sick leave when necessary to reflect extended leave without pay or absence without leave.

B. Annual and sick leave earned shall be posted to an employee's record each pay period before leave taken in that period is charged against leave balances. During a pay period in which an employee's service is interrupted by a non-leave-earning period, he or she earns leave on a pro rata basis (5 C.F.R. 630.204) (reference (l)). For example, leave shall be prorated when an employee has reemployment rights in connection with military service, both at the time of

separation and at the time of reemployment, and both separation and reemployment occur within the normal biweekly pay period; when an employee is in receipt of injury compensation, both at the beginning and at the end of the nonpay status, and the nonpay status begins and ends within the normal biweekly pay period; when an employee transfers to an agency having a different pay period; when an employee is restored after a period of unwarranted suspension or removal for which retroactive compensation is paid; and when an employee is attending school or college as a student trainee. Full-time and part-time employees who change to an intermittent work schedule during the pay period are eligible to have their leave accruals prorated. See Table 5-1 for proration of leave.

050105. Approval. To support the time and attendance record, employees shall request approval of leave. Leave used shall be documented and approved in writing by a supervisor designated to make such approvals. Documentation for leave used shall show the dates, times, and types of leave taken. Employees may not be compensated for leave taken in excess of leave accrued except for religious observances taken for which compensatory time off for religious reasons was not worked in advance and for authorized advance leave.

★ 050106. Minimum Charge. Unless an agency establishes a minimum charge of less than 1 hour, or establishes a different minimum charge through negotiations, the minimum charge for leave is 1 hour, and additional charges are in multiples thereof. It is Department policy, as stated in DoD 1400.25-M, subchapter 630 (reference (u)), that minimum charges of less than six minutes shall not be established.

050107. Interfaces. The payroll system shall be integrated or interfaced with general ledger and cost accounting systems to ensure prompt and accurate collection of health and life insurance premiums from employees on unpaid leave, when required, and court reimbursements for time served as a juror while on court leave, when required. Amounts of leave accrued and used and their related values shall be maintained to compute leave expenses and liabilities by designated general ledger and cost accounting classifications and to report externally.

050108. Conversions. See Table 5-2 for conversions when there is an insufficient amount of the type of hours requested.

0502 ANNUAL LEAVE

050201. General. Annual leave is absence with pay for personal and emergency purposes. An absence that is otherwise chargeable to sick leave may be charged to annual leave if requested by the employee and approved by the supervisor. Other than for the liquidation of advance sick leave indebtedness, the retroactive substitution of annual leave for sick leave is not authorized. A substitution of annual leave for sick leave may not be made retroactively for the purpose of avoiding a forfeiture of annual leave at the end of the leave year.

050202. Amount of Annual Leave Earned

A. Full-time and part-time employees earn annual leave. Intermittent employees (that is, employees with no scheduled tour of duty) do not earn annual leave. Employees who are appointed to positions not limited to less than 90 days are entitled to annual leave earning upon completion of the first biweekly pay period. Employees whose current employment is limited to less than 90 days are entitled to annual leave earning only after being currently employed for a continuous period of 90 days under successive appointments without a break in service. After completing the 90-day period, employees are entitled to be credited with the leave that would have accrued during those 90 days.

B. The amount of annual leave earned depends on the length of service. Full-time employees with less than 3 years of service earn 4 hours of annual leave per biweekly pay period. Full-time employees with 3 years, but less than 15 years of service, earn 6 hours per biweekly pay period. In the last full pay period of the calendar year, they earn 4 additional hours. Full-time employees with 15 or more years of service earn 8 hours per biweekly pay period. Employees must be employed for the full biweekly pay period to be entitled to accrue annual leave for that period. An employee is considered to have been employed for a full biweekly pay period if he or she is employed during the days falling within that period, exclusive of holidays and nonworkdays established by federal statute, Executive Order, or administrative order (5 U.S.C. 6302(b)) (reference (b)).

★ C. Each time the number of hours in a nonpay status, which includes all nonpay hours, in a full-time employee's leave year equals the number of base pay hours in a pay period, the civilian payroll system shall reduce his or her credits for leave by an amount equal to the amount of leave the employee earns during the pay period. When an employee's number of hours of nonpay status does not require a reduction of leave credits, the civilian payroll system shall drop those hours of nonpay status at the end of the employee's leave year. An employee in the Office of Workers Compensation Program does not accrue leave; therefore, reduction in leave credits is not required.

D. Part-time employees with regularly scheduled tours of duty earn leave for the time they are in a pay status. Part-time employees with less than 3 years of service earn 1 hour of annual leave for each 20 hours in a pay status. Part-time employees with 3 years, but less than 15 years of service, earn 1 hour of annual leave for each 13 hours in a pay status. Part-time employees with 15 or more years of service earn 1 hour of annual leave for each 10 hours in a pay status. Hours in a pay status in excess of an activity's basic working hours (normally 80 hours) in a pay period are disregarded in computing the leave earnings of a part-time employee. Part-time employees may carry over from one pay period to the next those excess hours that are not evenly divisible by 10, 13, or 20 hours, as applicable. These hours will be added to the next pay period work hours for leave accrual. See 5 C.F.R. 630.202 (b) and 630.303 (reference (l)).

E. Annual leave earned shall be posted to an employee's record each pay period before annual leave taken in that period is charged against annual leave.

050203. Uncommon Tours of Duty, Leave Accruals, and Charges to Leave

★ A. Employees who work a 24-hour shift or a 72-hour workweek, such as firefighters, accrue and use leave based on the uncommon tours of duty. The 72-hour workweek leave accrual for up to 3 years of service is 7 hours 12 minutes per biweekly pay period. For 3 to 15 years of service, the accrual is 10 hours 48 minutes per biweekly pay period and 18 hours for the last full pay period. For 15 or more years of service, the accrual is 14 hours 24 minutes per biweekly pay period. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ B. Employees with up to 3 years of service who work standby tours of 56-hour workweeks, such as fire chiefs, accrue 5 hours and 36 minutes per biweekly pay period. Employees with 3 to 15 years of service accrue 8 hours and 24 minutes per biweekly pay period and 14 hours the last full pay period. Employees with 15 or more years of service accrue 11 hours and 12 minutes per biweekly pay period. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ C. Employees who work uncommon tours of duty are charged leave on an hour-for-hour basis for time off. For example, an employee working a 72-hour workweek would be charged 72 hours for a week's absence. See 5 C.F.R. 630.210 (reference (l)) and DoD 1400.25-M, subchapter 630 (reference (u)).

050204. Limitations and Variances

A. The maximum carried forward from one leave year to another is usually 240 hours. See paragraph 050408 regarding unlimited annual leave carryover for civilian DoD employees who are employed at installations that are facing planned base closures. Employees stationed outside the United States, who meet the conditions for eligibility established by 5 U.S.C. 6304(b) (reference (b)) and 5 C.F.R. 630.302 (reference (l)), may carry forward a maximum of 360 hours. Employees returning from an OCONUS assignment outside the continental United States (OCONUS) may carry forward the balance of leave to their credit at the end of the pay period which includes the date the employee departs for reassignment. If an employee is placed on detail to another OCONUS assignment, the date he or she ceases to perform duty at the detailed post is considered the date the employee departs for reassignment. Annual leave in excess of 240 hours, which was accumulated under 5 U.S.C. 6304(b) (reference (b)) by an employee who becomes subject to the 240 hour maximum carry forward, remains to the credit of the employee until used. The excess annual leave is reduced at the beginning of the first full biweekly pay period occurring in a leave year, by the amount of annual leave the employee used during the preceding year that is in excess of the amount which accrued during that year. This process continues until the employee's accumulated leave does not exceed 240 hours.

★ B. The following formula is used to arrive at the maximum hour accumulation for a newly assigned standby employee who has a 30-day maximum accumulation. Multiply 240 times the number of hours in the standby workweek; then divide the result by 40. Using this formula, the maximum accumulation for an employee with a 72-hour standby workweek would be 432 hours. For an employee with a 56-hour standby workweek, the maximum accumulation would be 336 hours.

C. There is a 90-day (720-hour) maximum limitation on the amount of annual leave that an SES member may carry over from one leave year to the next. SES members with accumulated annual leave that exceeds 90 days (720 hours) are allowed to retain their excess annual leave in a personal leave ceiling as of the first day of the first applicable pay period beginning after October 13, 1994. The amount of annual leave credited to an SES member's personal leave ceiling will be based on the amount of annual leave accumulated by the employee as of the end of the pay period preceding the first applicable pay period beginning after October 13, 1994. Annual leave accrued for any pay period during only a portion of which the employee served under an appointment to the SES shall be prorated.

★ D. Executive Schedule employees generally do not accrue leave (5 U.S.C. 6301(2)(x)) (reference (b)). Any unused annual leave that remains to his or her credit immediately before an employee moves to an appointment under the Executive Schedule shall be liquidated by a lump-sum payment (5 U.S.C. 5551(b)) (reference (b)). Lump-sum annual leave payments are based on the rate of pay the employee was receiving immediately before the date became applicable to him or her (5 U.S.C. 6301(2)(x)) (reference (b)). If a career appointee is appointed at a rate of basic pay which is equal to or greater than the rate payable for Level V of the Executive Schedule, the career appointee may elect to continue under leave provisions as if the career appointee had remained in the SES position from which appointed. If the appointee elects to continue under leave provisions, the liquidation of leave by lump-sum payment would not apply. See 5 U.S.C. 3392 (reference (b)) for additional information.

E. Annual leave may be changed to sick leave, if the employee becomes ill during a period of annual leave.

★ 050205. Advance Criteria. The current leave year accrual of annual leave may be advanced if approved by the supervisor and if there is reasonable assurance the employee will be in a duty status long enough to earn the advanced leave. Doubtful cases shall be disapproved. Subsequent loss of accrual may result in an indebtedness situation. An employee separating from federal service must repay any advanced annual leave unless the separation is caused by death, disability retirement, or a disability that prevents return to duty or continued service, and which is the basis of the separation as determined by the employing office on medical evidence acceptable to it. See 5 C.F.R. 630.209 (reference (1)).

050206. Unused Annual Leave. Upon separation from federal employment, all employees are entitled to a lump-sum payment for the balance of their annual leave account. Refer to 5 U.S.C. 5551 (reference (b)) for additional information. Employees who enter on active duty in the Armed Forces are entitled to elect to have the leave remain to their credit until they return from active duty. See section 0307 for additional information on lump sum leave payments.

★ 050207. Transferred Employees. Employees who transfer to another DoD or non-DoD civilian payroll office are not required to repay unearned annual leave until they separate from federal service. For transferred employees, see subparagraph 090202.C. for the instructions for the SF 1150 to transfer annual leave balances.

0503 SICK LEAVE

050301. General. Sick leave is provided for an employee's use when sick, injured, confined by pregnancy, required to give care to a member of his or her immediate family who is afflicted with a contagious disease, or the health of others would be jeopardized by his or her presence on duty because of exposure to a contagious disease, or for medical, dental, or optical appointments. Sick leave usage information under the Family and Medical Leave Act is in section 0504 of this volume. Sick leave usage information under the Family Friendly Leave Act is in section 0505 of this volume.

050302. Amount of Sick Leave Earned

A. Full-time employees earn 4 hours of sick leave for each full biweekly pay period. Employees on uncommon tours of duty accrue 7 hours and 12 minutes of sick leave per pay period for a 72-hour workweek and 5 hours and 36 minutes of sick leave per pay period for a 56-hour workweek. Each time the number of hours in a nonpay status, which includes all nonpay hours except OWCP, in a full-time employee's leave year equals the number of base pay hours in a pay period, the civilian payroll system shall reduce his or her credits for sick leave by an amount equal to the amount of sick leave the employee earns during the pay period. Part-time employees earn 1 hour of sick leave for each 20 hours in a pay status. They may not earn more than 4 hours of sick leave for 80 hours in a pay status during any biweekly pay period. Intermittent employees do not earn sick leave.

B. Sick leave earned shall be posted to an employee's record each pay period before sick leave taken in that period is charged against the sick leave balance.

050303. Limitations and Variances

★ A. There is no limit on accrued balances of sick leave. Sick leave is reccredited after a break in service to an employee, who returns to federal employment on or after December 2, 1994, unless the sick leave was forfeited upon reemployment in the federal government before December 2, 1994. See 5 C.F.R. 630.502 (reference (l)). The exception is when sick leave has been used in the computation of an annuity for an employee (5 C.F.R. 630.407) (reference (l)).

B. Executive Schedule employees generally do not accrue leave (5 U.S.C. 6301(2)(x) (reference (b))). Any unused leave that remains to his or her credit when an employee moves to an appointment under the Executive Schedule will be certified on an SF 1150 by the civilian payroll office. The SF 1150 will be sent to the human resources organization (HRO) for retention in the Official Personnel Folder (OPF), until the employee is reemployed in a leave-accruing position or separated from the Executive Schedule position. Career appointees appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule, may elect to continue to have leave provisions as if the career appointee remained in the SES position from which appointed.

★ 050304. Advance Criteria. In cases of serious disability or illness, employees, except those serving under a limited appointment or with a specified termination date, may be advanced up to 30 days sick leave, or equivalent for uncommon tours of duty. Example: An employee with an 80-hour biweekly tour of duty may be advanced up to 240 hours, and an employee on a 144-hour biweekly uncommon tour of duty may be advanced 432 hours. Employees should submit requests in writing for advance sick leave to the leave-approving official. Advance sick leave should not be granted if it appears likely that the employee will not return to duty long enough to earn the leave. Employees separating from federal service must repay any advanced sick leave unless the separation is caused by death, disability retirement, or a disability which prevents the employee from returning to duty or continuing in the service, and which is the basis of the separation as determined by the employing office on medical evidence acceptable to it. See 5 C.F.R. 630.209 (reference (l)).

050305. Unused Sick Leave. Employees are not paid for unused sick leave upon separation. The unused sick leave balance upon retirement or death is shown in the remarks column under "Service History" on the SF 2806/3100. See 5 C.F.R. 630.209 (reference (l)).

★ 050306. Transferred Employees. Employees who transfer to another DoD or non-DoD civilian payroll office are not required to repay unearned sick leave until they separate from federal service. For employees transferred, see subparagraph 090202.C. for the instructions for the SF 1150 to transfer sick leave balances.

★ 050307. Sick Leave for Adoption. Section 629(b) of P.L. 103-329 (reference (e)) authorizes federal employees to use sick leave for purposes related to the adoption of a child. Employees may use sick leave for appointments with adoption agencies, social workers, and attorneys; court proceedings; required travel; and any other activities necessary to allow the adoption to proceed. This entitlement is in addition to unpaid leave for the placement of a child with an employee for adoption under the Family and Medical Leave Act. Refer to 5 C.F.R. 630.401 and 630.409 (reference (l)) for additional information on sick leave usage for adoption.

★0504 FAMILY AND MEDICAL LEAVE ACT

★ 050401. General. The Family and Medical Leave (FML) Act of 1993, P.L. 103-3 (reference (e)), provides a total of up to 12 administrative workweeks of unpaid leave (LWOP) during any 12-month period to take care of specified family and medical needs for employees covered by the sick and annual leave provisions of 5 U.S.C. Chapter 63, subchapter V (reference (b)) and 5 C.F.R. Part 630, Subpart L (reference (l)), and certain other federal employees.

★ 050402. Entitlement. The employee must have completed at least 12 months of federal service. Temporary or intermittent employees are not entitled to FML. A total of up to 12 administrative workweeks of unpaid leave will be available during any 12-month period (which begins when the FML is first used and ends 12 months later). An employee may elect to substitute annual, sick, or educator leave, or leave made available to the employee under the Voluntary Leave Transfer Program or the Voluntary Leave Bank Program for the LWOP. The employee's work schedule will be the basis for computing the number of hours of FML available for the

12 administrative workweeks. For example: An 80-hour full-time employee will have 480 hours available for FML - 40 hours per week times 12 weeks.

- ★ 050403. Usage. The FML may be used for:
- A. The birth of a son or daughter and care of the newborn; or
 - B. The placement of a son or daughter with the employee for adoption or foster care; or
 - C. The care of a spouse, son, daughter, or parent with a serious health condition; or
 - D. A serious health condition of the employee that makes the employee unable to perform the duties of his or her position.

★ 050404. Conditions. Under certain conditions, FML may be taken intermittently, or the employee may work under a work schedule that is reduced by the number of hours of leave taken as family and medical leave. The FML is in addition to other paid time off available to an employee.

★ 050405. Advance Notice and Medical Certification. The employee must provide notice of intent to take FML not less than 30 days before leave is to begin or as soon as is practicable. The agency may request medical certification for FML taken to care for an employee's spouse, son, daughter, or parent who has a serious health condition or for the serious health condition of the employee.

★0505 THE FAMILY FRIENDLY LEAVE ACT

★ 050501. General. Title 5 United States Code, section 6311 (reference (b)) and 5 C.F.R. Part 630, subpart D (reference (l)) allow for the use of sick leave for family care or bereavement. Employees who accrue sick leave under 5 U.S.C. 6307 (reference (b)) may use the total number of hours of sick leave normally accrued by that employee during a leave year for family care or bereavement purposes.

★ 050502. Entitlement. A full-time federal employee may use up to 104 hours (13 days) of sick leave in a leave year for family care or bereavement. The part-time employee or an employee with an uncommon tour of duty may use up to the number of hours of sick leave normally accrued by that employee during the leave year. The full-time employee may use 40 hours (5 days) of sick leave without regard to his or her current sick leave balance. A part-time employee or an employee with an uncommon tour of duty may use the average number of hours of work in the employee's scheduled tour of duty each week. An additional 64 hours (8 days) may be used if the employee maintains a balance of at least 80 hours of sick leave in his or her sick leave account. The part-time employee or an employee with an uncommon tour of duty may use an

additional amount equal to twice the average number of hours of work in the employee's scheduled tour of duty.

★0506 BONE-MARROW OR ORGAN DONOR LEAVE. Title 5 United States Code, section 6327 (reference (b)) provides up to 7 days of paid leave in a calendar year (in addition to sick or annual leave) to serve as a bone-marrow or organ donor.

★0507 NONAPPROPRIATED FUND (NAF) TRANSFER OF LEAVE UNDER EMPLOYEE BENEFIT PORTABILITY PROGRAM

★ 050701. General. In accordance with DoD 1404.1-M (reference (ap)), an employee who transfers from a NAF position to an appropriated position or the reverse without a break in service of more than three days, shall transfer all leave without limit. An employee may not be paid for any accumulated hours of leave. Leave will be administered in accordance with the rules of the gaining employment system (civil service or NAF). The employee shall be credited with the full amount of leave even in those cases where the employee may receive a higher rate of pay from the gaining employment system (civil service or NAF).

★ 050702. Provisions. Service in the losing employment system (civil service or NAF) shall be credited in determining the appropriate leave accrual rate. All provisions are applied exactly the same regardless of whether the move is voluntary or involuntary, and regardless of the direction of the move, civil service to NAF or NAF to civil service.

0508 RESTORED LEAVE

050801. General. Except as otherwise authorized by regulation, annual leave restored under 5 U.S.C. 6304(d) (reference (b)) must be scheduled and used not later than the end of the leave year ending 2 years after the date:

A. Of restoration of the annual leave forfeited because of administrative error;
or

B. Fixed by the agency head, or his designated official, as the termination date of the exigency of the public business which resulted in forfeiture of the annual leave; or

C. The employee is determined to be recovered and able to return to duty if the leave was forfeited because of sickness.

050802. Approval Requirements. The following requirements must be met before forfeited annual leave can be considered for restoration:

A. Use of the annual leave must have been scheduled in writing before the start of the third biweekly pay period prior to the end of the leave year; and

B. The determination that an exigency is of major importance and, therefore, annual leave may not be used, must be made by the head of an activity no lower than a major field headquarters or major field installation.

050803. Time Limit. For an extended exigency of the public business, the time period for use of restored leave is 2 years for each calendar year, or part thereof, during which the exigency existed. This time period starts at the beginning of the leave year following the leave year in which the exigency is declared to be ended. An extended exigency is one that threatens the national security, safety or welfare; lasts more than three calendar years; affects a segment of an agency or occupational class; and precludes subsequent use of both restored and accrued annual leave within the time limit specified in 5 U.S.C. 6304(d) (reference (b)) and 5 C.F.R. 630.306 and 630.309 (reference (l)). The time limit established under 5 C.F.R. 630.306 (reference (l)), during which restored leave must be used in order to avoid forfeiture, is not changed by entry into the SES.

050804. Separate Leave Account. The payroll system shall maintain three separate restored leave accounts for each calendar year. Restored annual leave must be credited to a separate leave account identifying the date of restoration, the date of forfeiture, the amount credited for use, the amount of usage, and the unused balance. Restored annual leave is not included in, and does not increase, the maximum annual leave carryover for an employee.

050805. Time and Attendance Reports. Timekeeping instructions in paragraph 020203 specify the method to be used to identify the leave account to be charged.

050806. Forfeiture of Annual Leave. Restored annual leave, if unused at the expiration of the time limitation, is forfeited with no further right to restoration.

★ 050807. Lump-Sum Payment. Upon separation, employees entitled to lump sum payment shall be paid for their unused restored annual leave if such leave has not been forfeited. If the leave is forfeited because of an administrative error, a claim must be filed within 3 years of the discovery of the administrative error leading to the forfeiture (5 U.S.C. 6304(e)) (reference (b)). Employees entering active duty in the Armed Forces may elect to have leave remain to their credit until their return from active duty (5 U.S.C. 5552 and 6304) (reference (b)). See section 0307 for additional information on lump sum leave payments.

050808. Maximum Annual Leave Accumulation

★ A. Title 5, United States Code, section 6304(d) (reference (b)) was amended so that civilian DoD employees who are employed at installations that are facing planned base closures may carry into the next leave year more than 240 hours of annual leave. Annual leave accumulated in excess of 240 hours at closing bases under this provision shall be considered restored leave. It applies to the period beginning October 1, 1992, and ending on December 31, 1997. As of September 23, 1996, leave restored under 5 U.S.C. 6304(d)(3) (reference (b)) must be liquidated by lump sum payment when an employee transfers to another federal agency outside of the Department or to a position within the Department not located at an installation being closed or realigned.

B. The HROs shall furnish civilian payroll offices with listings by the end of each leave year that identify each employee who is eligible (including those who were eligible in prior years and those who are newly eligible) for restoration of annual leave under this provision. The list shall contain each eligible employee's full name, SSN, and employing activity. The list should be labeled "Employees eligible for annual leave restoration under Section 4434 of P.L. 102-484" (reference (e)) or an equivalent heading, and it should be signed by the personnel officer. This listing should be separate and distinct from any employee listing, form, or memorandum which is used to inform civilian payroll offices that an employee's annual leave is to be restored under provisions of 5 C.F.R. 630.306 (reference (l)).

0509 RESTORED LEAVE RESULTING FROM CORRECTION OF UNJUSTIFIED OR UNWARRANTED PERSONNEL ACTION

★ 050901. General. Annual leave that is restored to an employee as a result of the correction of an unjustified or unwarranted personnel action in excess of the maximum leave accumulation authorized by law shall be credited to a separate leave account for use by the employee (5 C.F.R. 550.805(g)) (reference (l)). This restored leave shall be referred to as reinstated leave. Annual leave in such a separate account must be scheduled and used as provided in the following subparagraphs. If leave is not used within the prescribed time frames, it shall be forfeited. Refer to 5 U.S.C. 5596(b)(1)(B) (reference (b)) for additional information.

A. Full-Time Employees. Excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year ending 2 years after the date on which the leave is credited to the separate account. This period is extended by 1 year for each additional 208 hours of excess annual leave or any portion thereof. See Table 5-3.

B. Part-Time Employees. These employees shall schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks by the end of the leave year ending 2 years after the date on which the annual leave is credited to the separate account. This period shall be extended by 1 leave year for each additional number of hours of excess annual leave or any portion thereof, equal to 10 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks. See Table 5-3.

0510 COMPENSATORY TIME USED

★ 051001. General. Compensatory time off in lieu of overtime pay derives from entitlement to pay for overtime work (i.e., work in excess of 8 hours in a day or 40 hours in a week, ordered in advance by management). At the request of an employee, the head of an agency may grant an eligible employee compensatory time off from the employee's scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. An agency may provide that an FLSA exempt employee whose rate of basic pay exceeds the maximum rate for GS-10 shall be compensated for irregular or occasional overtime work with an equivalent

amount of compensatory time off in lieu of payment for overtime worked. Refer to 5 U.S.C. 5543, 5544, 6122, 6123, 6127, and 6128 (reference (b)) and 5 C.F.R. 550.114 (reference (l)).

★ 051002. Usage. Compensatory time off shall be granted to an employee within a reasonable time after the overtime is worked. The limit for the use of compensatory time is the end of the 26th pay period after that in which the overtime was worked. The unused compensatory time then shall be paid at the overtime rate at which it was earned. Compensatory time earned before June 8, 1997, was placed in an "old compensatory time" account on June 7, 1998, and thereafter shall be charged only if the employee has insufficient current compensatory time to cover the compensatory time off requested. National Guard employees are not paid for unused compensatory time worked. They shall use their compensatory time by the end of the 26th pay period after it is earned or forfeit it.

051003. Separation or Transfer. When a DoD employee separates or transfers to another DoD Component or federal agency, unused compensatory time balances shall be paid at the overtime rate in effect when the compensatory time was earned. Title 32 National Guard technicians shall forfeit any unused compensatory time when they separate or transfer to another DoD Component or federal agency.

0511 COMPENSATORY TIME OFF FOR RELIGIOUS REASONS. Compensatory time off for religious observances is provided for in 5 U.S.C. 5550a (reference (b)). An employee whose personal religious beliefs require not working during certain periods of time may elect to work compensatory time for the time lost to meet those religious requirements. An employee who works compensatory time for religious reasons shall be granted equal compensatory time off from the scheduled tour of duty (5 C.F.R. 550.1002) (reference (l)). See subparagraph 030302.F. for additional information regarding compensatory time off for religious reasons.

0512 LEAVE-SHARING PROGRAMS (VOLUNTARY LEAVE TRANSFER AND VOLUNTARY LEAVE BANK)

★ 051201. General. The "Federal Employees Leave Sharing Amendments Act of 1993," P.L. 103-103 (reference (e)), made permanent the voluntary leave transfer and voluntary leave bank programs. The Act requires all agencies to operate a leave transfer program, allows all agencies to establish leave banks at any time, permits employees to participate in both programs, eliminates the requirement to count any advanced leave an employee may have when determining whether the employee qualifies to be a leave recipient, and permits leave recipients who exhaust transferred leave to use leave accrued while in a transferred leave status. The Act took effect on February 5, 1994.

051202. Voluntary Leave Transfer Program. In accordance with 5 C.F.R. 630.901 et seq. (reference (l)), federal employees may donate annual leave to other employees who need leave because of a medical emergency. Medical emergency used herein is defined as a medical condition of an employee or a family member of an employee (as defined in 5 C.F.R. 630.902) (reference (l)) that may require an employee's absence from duty for a prolonged period of time and result in a substantial loss of income to the employee because of the unavailability of paid leave.

A. Interagency leave transfer is mandatory if any of the following conditions are met:

1. If a family member of a leave recipient is employed by another agency and requests the transfer of annual leave to the leave recipient.

2. If, in the judgment of the leave recipient's employing agency, the amount of annual leave transferred from leave donors employed by the leave recipient's employing agency may not be sufficient to meet the needs of the leave recipient.

3. If, in the judgment of the leave recipient's employing agency, acceptance of leave transferred from another agency would further the purpose of the Voluntary Leave Transfer Program (5 C.F.R. 630.906(f) (reference (l))).

B. Leave donors may not contribute to an immediate supervisor. The annual leave donated must be accrued and available at the date of donation. The maximum amount of annual leave that may be donated during the leave year shall be the lesser of:

1. One-half of the amount of annual leave he or she would be entitled to accrue during the leave year in which the donation is made; or

2. The number of hours remaining in the leave year (as of the date of the transfer) for which the leave donor is scheduled to work and receive pay. These limitations may be waived according to the agency's established written criteria. The waivers shall be documented in writing.

C. The recipient only for the documented medical emergency may use the donated leave. It may not be used for any other purpose. The law provides that a leave recipient shall earn annual and sick leave while using donated leave, but only up to 40 hours of each, which are placed in separate accounts for use after the recipient exhausts all donated leave or the medical emergency ends. An employee may use any annual or sick leave accrued while in a shared leave status if the medical emergency continues after the leave recipient exhausts all transferred leave. Leave accruals for employees who use donated leave intermittently shall be prorated between the regular leave accounts and the separate leave accounts until the maximum accrual is reached or termination of the emergency. Accruals are prorated based on the number of hours of donated leave used within the pay period.

D. Upon termination of the medical emergency, the unused donated leave shall be transferred pro rata back to each donor (5 C.F.R. 630.911) (reference (l))). Each donor has an election as to how the leave is to be recredited from the following options:

1. Crediting the donated annual leave to the donor's annual leave account in the current leave year;

2. Crediting the donated annual leave to the donor's annual leave account effective as of the first day of the first leave year beginning after the date of election; or

3. Donating such leave in whole or part to another leave recipient.

E. The civilian payroll office shall process all leave balances, restore unused balances and track the identified civilian payroll office cost.

051203. Voluntary Leave Bank Program. Under the Voluntary Leave Bank Program (5 U.S.C. 6361-6373) (reference (b)) and (5 C.F.R. 630.1001 et seq.) (reference (l)), employees can make a specified contribution of annual leave to their agency's leave bank in order to become leave bank members. See 5 C.F.R. 630.1004 (g) through (i) (reference (l)) for minimum leave contributions. Should a leave bank member experience a medical emergency, he or she can apply to the leave bank board for withdrawal of annual leave from the leave bank.

051204. Participation in Both Programs. The law permits an employee to participate in both leave transfer and leave bank programs in the same agency for the same medical emergency if his or her agency has established both programs.

0513 HOLIDAY

051301. When No Work Is Performed. An employee in a pay status on either the regularly scheduled workday preceding a holiday or on the regularly scheduled workday succeeding a holiday is entitled to straight-time pay for the holiday, regardless of his status on the holiday not worked.

A. Regular full-time employees receive their regular straight-time pay, including night and shift differential, for holidays on which they are not required to work.

B. Part-time employees receive their regular pay for holidays falling on their regularly scheduled workdays. When an installation is closed for an "in lieu of" holiday that falls on a part-time employee's regularly scheduled workday and the employee is prevented from working on that day, the installation may excuse the employee from duty by an administrative order or grant the employee annual leave or LWOP for the hours scheduled to be worked on that day.

C. Intermittent employees, including experts and consultants, with no regularly scheduled tour of duty receive no compensation unless actual work is performed.

051302. When Work Is Performed. See holiday premium pay provisions in paragraph 030305.

0514 CREDIT HOURS

★ 051401. General. Credit hours are any hours within a flexible schedule established under 5 U.S.C. 6122 (reference (b)), that are in excess of an employee's basic work requirement, and that the employee elects to work to vary the length of a workweek or a workday.

★ 051402. Requirements. Only employees on flexible schedules may work credit hours. Credit hours are used within the tour of duty. Credit hours shall be earned and used in the same increments as other absences with pay. The hours are in excess of the employee's basic work requirement (8 hours in a day, 40 hours in a week, or 80 hours in the biweekly pay period). Credit hours are distinguished from overtime hours in that they are not officially ordered in advance by management. See 5 U.S.C. 6121-6126 (reference (b)).

051403. Accumulation. A full-time employee may accumulate not more than 24 credit hours to be carried forward for credit against a later pay period. The 24 credit hours carried forward must be accounted for the same as other types of absences with pay. (5 U.S.C. 6126) (reference (b)).

051404. Part-Time Employees. A part-time employee is limited to the credit hours to be carried forward on a pro rata basis. For carry-over purposes, a part-time employee may carry over credit hours from one biweekly pay period to a subsequent biweekly pay period, in an amount equal to 25 percent of the biweekly scheduled hours of work.

051405. Payment. The employee receives no additional pay for credit hours when these hours are credited to his or her account. Credit hours are considered a part of the basic work requirement (nonovertime work) in the biweekly pay period to which they are applied. An employee is entitled to his or her basic rate of pay for credit hours. Credit hours shall be paid at the employee's current hourly rate when an employee is no longer subject to a flexible work schedule program, transfers to another employing activity, or upon separation (5 U.S.C. 6126(b)) (reference (b)). For full-time employees not more than 24 accumulated credit hours can be paid. For part-time employees, credit hours that are not more than 25 percent of such employee's biweekly scheduled hours can be paid.

051406. Entitlement. An employee shall not use credit hours to increase the entitlement to overtime pay. An employee shall not be paid Sunday pay or holiday pay for credit hours. Whether an employee is entitled to night pay for credit hours on the workday in which taken depends on the rules for night pay. Credit hours shall be considered daytime hours whenever possible. For example, if an employee's schedule includes daytime and nighttime hours, credit hours may be applied only to the daytime portion of the schedule. An employee has the right to use earned credit hours, subject to the activity's authority to approve the time at which they may be used (5 U.S.C. 6123(c)) (reference (b)).

★ 051407. Biweekly Pay Period. There is no limit on the number of credit hours that may be accumulated during the biweekly pay period; however, a supervisor may limit the number of credit hours accumulated during the biweekly pay period. Any credit hours worked in a pay period that exceed the 24-hour maximum carryover must be taken during that pay period, or they will be forfeited. Credit hours must be earned before they are used. Employees may carry forward

only 24 credit hours into the succeeding pay period. Credit hours under a maxiflex schedule may be used during the pay period in which they are earned.

0515 TIME OFF AS AN INCENTIVE AWARD. Authorized by 5 U.S.C. 4502(e) (reference (b)), a time-off award may be granted in lieu of cash (5 C.F.R. 451.301-451.307) (reference (l)). A time-off award is an absence with pay. See subparagraph 031102.C for additional information.

0516 EXCUSED ABSENCE

★ 051601. General. Excused absence is an absence from duty, administratively authorized, without loss of pay and without charge to leave. Agency heads or their designees have authority to grant excused absence in limited circumstances for the benefit of the agency's mission or a government-wide recognized and sanctioned purpose. The following are some of the more common situations in which agencies generally excuse absence without charge to leave. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051602. Blood Donation. Employees who serve as blood donors shall be excused from work without charge to leave for the time necessary to donate the blood, for recuperation following blood donation, and for necessary travel to and from the donation site (30 Comp. Gen. 521 (1951)) (reference (p)). This provision does not cover an employee who gives blood for his or her personal use or receives compensation for giving blood. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051603. Closure of Installations or Activities. Administrative leave may be granted when employees are prevented from working due to extreme weather conditions or other severe disruptions.

★ 051604. Tardiness and Brief Absence. Comptroller General decisions limit discretion to grant excused absence to situations involving brief absences. Where absences are for other than brief periods of time, a grant of excused absence is not appropriate unless the absence is in connection with furthering a function of the Department. The absence also may be compensated for by additional work or may be charged against any compensatory time the employee may have to his or her credit or may be charged to annual leave, LWOP (with the employee's consent), or AWOL. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051605. Registering and/or Voting. Excusal from duty is authorized for registering and/or voting in any election or referendum for a reasonable period of time. Generally, employees are excused from duty to permit them to report for work 3 hours after the polls open or to leave work 3 hours before the polls close, whichever results in the lesser amount of time off. Employees on flexible work schedules will be excused only for those hours that cannot be accommodated by their flexible schedules. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051606. Taking Examinations. This applies only to examinations given by or taken at the request of the employing activity. Employees shall be excused, without charge to leave or loss of pay, for all examinations required for converting to career-conditional appointments or for

required noncompetitive examinations within the same employing activity. See DoD 1400.25-M, subchapter 630 (reference (u)).

★ 051607. Attending Conferences or Conventions. Employees may be excused to attend conferences or conventions when it is determined that the attendance will serve the best interest of the federal service. Such absences may be restricted to those situations in which the employee is an official representative of the organization involved or is a contributor on the agenda. Employees shall not be excused to attend conferences or conventions of political parties or partisan political groups or committees.

★ 051608. Representing Employee Organizations. Representative leave hours shall be reported by three separate categories. The categories are negotiations, grievance and appeals, and on-going labor and management committees. Absence charged as representative leave may be subject to the provisions of local negotiated agreements and/or supervisory approval. See 5 C.F.R. 551.424 (reference (l)) for additional information.

★ 051609. Official Duty Status - Funerals of Fellow Federal Law Enforcement Officers or Federal Firefighters. Excused absence from duty without loss of pay or leave may be granted for a federal firefighter or federal law enforcement officer to attend the funeral of a fellow federal firefighter or federal law enforcement officer who was killed in the line of duty. See 5 U.S.C. 6327 (reference (b)). When excused from duty, attendance at the service shall be considered official duty for the firefighter or officer for the purposes of 31 U.S.C. 1345(1) (reference (d)).

0517 COURT LEAVE

051701. General. Employees are authorized court leave with pay when summoned in connection to serve as a juror; or as a witness in a nonofficial capacity on behalf of any party in connection with any judicial proceeding to which the United States, the District of Columbia, or a state or local government is a party. See 5 U.S.C. 6322 (reference (b)).

051702. Annual Leave. If an employee is on annual leave when called for jury duty or witness service, court leave shall be substituted. No charge shall be made to annual leave for the court service.

051703. Requirements. An employee who is under proper summons from a court to serve on a jury should be granted court leave for the entire period, regardless of the number of hours per day or days per week he actually serves on the jury during the period. Jury service for which an employee is entitled to court leave does not include periods when the employee is excused or discharged by the court, either for an indefinite period, subject to call by the court or for a definite period in excess of 1 day. Therefore, an employee may be required to return to duty or be charged annual leave if excused from jury service for 1 day or even a substantial part of a day. The employee may not, however, be required to return to duty if it would cause a hardship.

051704. Intermittent Employees. Intermittent employees are not eligible for court leave (49 Comp. Gen. 287 (1969)) (reference (p)).

051705. Nonexempt Employees. Nonexempt employees shall not have their pay reduced under FLSA (reference (n)) due to court leave for jury duty or witness service during their regularly scheduled tour of duty (5 U.S.C. 6322) (reference (b)). The Comptroller General has determined that the court leave provision provides authority to pay nonexempt employees the same pay as they otherwise would receive for their regularly scheduled tour of duty in the biweekly pay period under FLSA (62 Comp. Gen. 216 (1983)) (reference (p)).

051706. Documentation. When an employee is called for court service (as a witness or juror), the court order, subpoena, or summons, if one was issued, must be presented to the supervisor as far in advance as possible.

051707. Jury Duty Service Payment. Employees who perform jury duty service on behalf of:

- A. A state or local court is paid jury duty fees;
- B. The United States or District of Columbia Government are not paid jury duty fees (5 U.S.C. 5537) (reference (b)).

051708. Witness Service Payment. Employees who perform witness service on behalf of:

- A. A state or local government in a nonofficial capacity is paid witness fees.
- B. A private party in a nonofficial capacity to which the United States, District of Columbia, or a state or local government is a party is not paid witness fees.

051709. Certificate of Attendance. The employee cannot retain fees received for jury duty and witness service performed in subparagraphs 051707.A. and 051708.A. The employee must submit fees received for jury or witness service by money order or personal check to the employing activity. A certificate of attendance from the clerk of the court must also be submitted. The certificate shows inclusive dates of jury duty or witness service and amount of fees the court paid to the employee. The certificate of attendance separately should identify fees and allowances. Fees received by the employee are collected while allowances are not collected. If the certificate of attendance does not identify allowances separately, all moneys are considered fees and shall be collected. The employee may keep reimbursements for expenses received from the court, authority, or party that caused the employee to be summoned and may keep fees that exceed the employee's compensation for the days of service. An employee serving on a jury in a state or local court who waives or refuses to accept jury fees is still liable to the U.S. Government for the fees he or she would have received.

★ 051710. Retention of Fees. Fees should not be paid for jury duty or witness service performed in subparagraphs 051707.B. and 051708.B. If fees are paid to an employee while serving in a nonofficial capacity, however, the employee cannot retain those paid fees. Such fees must be

turned in to the customer service representative (CSR) at the employing activity. An employee may keep reimbursements for expenses received from the court, authority, or party that caused the employee to be summoned.

051711. Official Capacity. Employees who perform witness service in an official capacity on behalf of the U.S. or District of Columbia Government, a state or local government, or a private party shall not be paid witness fees nor shall the time served as a witness be charged to court leave or annual leave. The time shall be recorded as official duty. If any fees are paid, they must be turned in to the employing activity.

051712. Nonofficial Capacity. Employees who testify in a nonofficial capacity on behalf of a private party to which the United States, the District of Columbia, a state, or local government is not a party are not entitled to court leave. The employee must take annual leave or LWOP. He or she is entitled to the fees and expenses related to such witness service.

051713. Holiday. When a holiday occurs during the time an employee is on jury duty or witness service, the employee can keep the jury duty or witness service fee paid for the holiday.

051714. Nonworkday. If an employee is called to jury duty on a nonworkday, the employee may keep the fees paid.

★ 051715. Submission of Fees. Moneys submitted to the payroll office from the CSR for fees collected by employees for jury duty or witness service shall be accounted for on a DD Form 1131. Under 5 U.S.C. 5515 (reference (b)), the appropriation and accounting classification that paid the employee's salary while on jury duty or witness service will be credited with these moneys.

051716. Employee Absence. See Table 5-4 for employee absences for court or court-related services.

051717. Payroll Deduction. Fees not submitted in a timely manner are subject to payroll deduction. Payroll deductions to collect the fees will be made in the next regular pay period.

0518 MILITARY LEAVE

051801. General. Public Law 96-431 (reference (e)), as codified at 5 U.S.C. 6323 (reference (b)), provides, that effective October 1, 1980, military leave shall be made available to eligible employees on a fiscal year rather than a calendar year basis; unused military leave up to 15 calendar days shall be allowed to accumulate for subsequent use; and eligible part-time employees, as defined by 5 U.S.C. 3401(2) (reference (b)), are entitled to military leave on a prorated basis. Employees with temporary appointments of 1 year or less, or intermittent work schedules are not entitled to military leave. Employees with appointments exceeding one year are entitled to military leave.

★ 051802. Reduction of Civilian Pay. Under the provisions of 5 U.S.C. 5519 (reference (b)), an employee's civilian pay is reduced by the amount (other than a travel, transportation, or per diem allowance) received by the employee for military service as a member of the Reserve or National Guard for a period for which he is granted military leave for law enforcement assistance under 5 U.S.C. 6323(b) or (c) (reference (b)). When the employee uses annual leave or compensatory time, the offset rules do not apply and the employee receives full military pay and full civilian pay. Refer to subparagraph 080512. for further information.

★ 051803. Weekend Drills. Civilian employees whose regular workweek includes Sunday, may not take military leave under 5 U.S.C. 6323(a) (reference (b)) to attend weekend drills since an employee, as a member of a Reserve Component of the Armed Forces, is entitled to military leave under 5 U.S.C. 6323(a) (reference (b)) only if on active duty. Weekend drills are considered inactive duty. See Comp. Gen. B-202564 (reference (p)).

051804. Recording Military Leave. At the beginning of each fiscal year (1 October) eligible full-time employees shall be credited with 15 calendar days of military leave. Eligible part-time employees shall be credited with leave on a prorated basis. The percentage is determined by dividing 40 into the number of hours in the employee's regularly scheduled workweek during that fiscal year. Any portion of the leave unused at the end of the fiscal year, not to exceed 15 days, shall be carried forward to the next fiscal year. New eligible employees and new members of Reserve components shall be credited with the full 15 days (prorated if employed part-time) when entering upon duty or upon joining the Reserve unit. It shall not be prorated for a partial year.

051805. Military Leave Charges. To substantiate leave charges, an employee is required to submit a copy of the orders directing him or her to active military duty and a certified verification of attendance indicating completion of training duty upon return to duty from military leave. Military leave is charged on a calendar-day basis. No charge is made to nonworkdays at the beginning and end of a period of absence on active military duty, but all intervening nonworkdays falling within the period of active military duty must be charged to military leave. If an employee has separate sets of orders or orders which cover separate periods of time, with return to civilian status between the periods covered in the orders, military leave shall not be charged for the time the employee is returned to civilian status. Military leave may be taken intermittently, a day at a time, or all at one time, regardless of the number of training sessions.

051806. Effective Date of Separation for Military Duty. Before a Reserve or National Guard member is separated from civilian employment, the member must be given the chance to use any accrued military leave. If a member takes military leave and is then separated, the date the separation is effective shall be the date the military leave expires.

051807. Pay Status Required. A maximum of 30 days of military leave can be used in any fiscal year. The military leave may be used during one or more periods of military duty during the fiscal year. Employees can take the full 15 days of military leave immediately at the beginning of a fiscal year even if up to a maximum of 30 days had been taken during the prior fiscal year and even if the military duty is continuous (70 Comp. Gen. 263 (1991)) (reference (p)).

051808. Nonexempt Employees. Nonexempt employees shall not have their pay reduced under FLSA due to military leave for training. Employees shall receive the same pay as they would otherwise receive for their regularly scheduled biweekly tour of duty.

★ 051809. Reserve or National Guard Members. Permanent or temporary indefinite (including all appointments exceeding one year) employees who as Reserve or National Guard members provide military aid to enforce the law or assistance to civil authorities in the protection or saving of life or property or the prevention of injury are also entitled to leave not to exceed 22 workdays in a calendar year. At the employee's request, the period the employee is absent to perform service may be charged to the employee's accrued annual leave or available compensatory time balance. It may not be charged to sick leave. See 5 U.S.C. 6323(b) (reference (b)). A copy of the orders and a certificate of attendance is required. Leave granted for these purposes are charged in hours. The 22 workdays are converted to 176 hours and charged on the same basis as annual and sick leave. An employee working an uncommon tour of duty shall have this additional leave entitlement adjusted on a pro rata basis (49 Comp. Gen. 233 (1969)) (reference (p)).

★ 051810. National Guard of the District of Columbia. Employees who are members of the National Guard of the District of Columbia are entitled to leave without loss in pay or leave for each day of a parade or encampment ordered or authorized under title 39, District of Columbia Code (reference (aq)). This covers each day of service, or a portion thereof, the National Guard is ordered to perform by the commanding general. See 5 U.S.C. 6323(c) (reference (b)).

★ 051811. Military Reserve Technicians. Under P.L. 104-106 (reference (e)), employees who are defined by 5 U.S.C. 8401(30) (reference (b)) as military reserve technicians are entitled to an additional 44 workdays of military leave in a calendar year. See 5 U.S.C. 6323(d) (reference (b)). This military leave is in addition to the military leave already available under 5 U.S.C. 6323(a), (b), and (c) (reference (b)). To be eligible for military leave, the military reserve technician must be on active duty without pay under section 12301(b) or 12301(d) of 10 U.S.C. (reference (ar)) (other than active duty during a war or national emergency declared by the President of Congress) for participation in noncombat operations outside the United States, its territories, and possessions. A copy of the military orders or a statement by the employee's commanding officer which shows either 10 U.S.C. 12301(b) or 12301(d) (reference (ar)) authority is required as acceptable evidence that the military duty was performed and was without military pay. The compensation of an employee granted leave under 5 U.S.C. 6323(d)(1) (reference (b)) shall not be reduced by reason of such absence. An employee shall receive the same pay he or she would have received for the regularly scheduled work. The carryover of all or a portion of the 44 workdays is not permitted. There is no charge for holidays and nonworkdays. At the employee's request, the period the employee is absent to perform service may be charged to the employee's accrued annual leave or available compensatory time. It may not be charged to sick leave. See 5 U.S.C. 6323(d)(2) (reference (b)).

0519 EDUCATORS LEAVE. See subparagraph 070201.M. for provisions on educator's leave.

0520 SHORE LEAVE

052001. General. An officer, crew member, or other employee serving aboard an oceangoing vessel on an extended voyage may be granted leave of absence under 5 U.S.C. 6305(c) (reference (b)) and 5 C.F.R. 630.701-630.704 (reference (l)) at a rate not to exceed 1 day for each 15 calendar days of absence on one or more extended voyages. An employee has an absolute right to use shore leave, subject to the right of the head of the agency to fix the time at which shore leave may be used.

052002. Extended Voyage. Shore leave accrues for service by employees on an extended voyage. An extended voyage must be at least 7 consecutive calendar days long, including voyage-preparation time on board the vessel.

052003. Employee Record. An employee earns shore leave at the rate of 1 day of shore leave for each 15 calendar days of absence on one or more extended voyages. The master of the vessel will keep a record of accrual and use of shore leave for each employee.

052004. Time and Attendance Report. Civilian payroll offices shall accept shore leave taken on the time and attendance report.

052005. Request by Employee. Shore leave may be granted during a voyage at the request of the employee. An employee must submit the request in writing; if the shore leave is denied, the denial must be in writing.

052006. Limitation. Shore leave is in addition to annual leave. It may be accumulated for future use without limitation.

052007. Minimum Charge. The minimum charge for shore leave is 1 day. Additional charges are in whole days.

052008. Lump-Sum Leave Payment. Shore leave is not included for lump-sum leave payment.

052009. Forfeiture. Shore leave is forfeited if not granted before:

A. Separation from the service; or

B. Official assignment (other than for temporary detail) to a position in which the employee does not earn shore leave. To the extent administratively practicable, the employing activity shall give an employee an opportunity to use the shore leave to his or her credit either before the reassignment, or not later than 6 months after the date of the reassignment when the employing activity is unable to grant the shore leave before the reassignment.

052010. Transfer. At the time of an employee's transfer to a position at another employing activity or agency, accumulated shore leave shall be transferred if:

A. He or she is entitled to shore leave in the new position, and

B. There is no break in service.

0521 HOME LEAVE

★ 052101. General. Employees who met the requirements of 5 U.S.C. 6304(b) (reference (b)) for the accumulation of a maximum of 45 days of annual leave earn home leave. Home leave is earned from the day of arrival in a post of duty outside the United States or on the date of entrance on duty when recruited abroad. Employees earn 5, 10, or 15 days of leave based on the criteria established in 5 C.F.R. 630.604(a) (reference (l)). Employees may be granted home leave after completion of a one-time basic service period of 24 months of continuous service abroad. The minimum charge is 1 day and multiples thereof. There is no maximum accumulation. Balances shall be retained on the SF 1150 for future use. Home leave is to be granted only during an employee's period of service abroad, or within a reasonable period after return from service abroad when it is contemplated that the employee will return to service abroad immediately or on completion of an assignment in the United States (unpub. Comp. Gen. Decision, B-147031, September 11, 1961, and February 5, 1962) (reference (p)).

052102. Indebtedness. An employee is indebted for the home leave used when he or she fails to return to service abroad after the period of home leave, or after the completion of an assignment in the United States. However, a refund for this indebtedness is not required when the employee has completed not less than six months' service in an assignment in the United States following the period of home leave; the employing activity determines that the employee's failure to return was due to compelling personal reasons of a humanitarian or compassionate nature, such as involving physical or mental health or circumstances over which the employee has no control; or the employing activity which granted the home leave determines that it is in the public interest not to return the employee to the overseas assignment. Home leave can only be used in the United States, Commonwealth of Puerto Rico, or a territory or possession of the United States. For additional information, see 5 U.S.C. 6305(a) (reference (b)) and 5 C.F.R. 630.601-630.607 (reference (l)).

052103. Transfer and Recredit of Home Leave. An employee is entitled to have the home leave account transferred or recredited when he or she moves between agencies or is reemployed without a break in service of more than 90 days. No lump-sum payment is made for home leave.

0522 FUNERAL LEAVE

052201. General. Funeral leave is granted to allow an employee to make arrangements for, or to attend, the funeral or memorial service for an immediate relative who died as a result of wounds, disease, or injury incurred while serving as a member of the Armed Forces in a combat zone. Title 5, United States Code, section 6326 (reference (b)) requires an activity to grant an employee funeral leave as is needed and requested, not to exceed 3 workdays, without loss of or reduction in pay, leave to which he or she is otherwise entitled, or credit for time or service, and without adversely affecting his or her performance or efficiency rating. The 3 days need not be

consecutive, but if not, the employee shall furnish the approving authority satisfactory reasons justifying a grant of funeral leave for nonconsecutive days. Combat zone means those areas determined by the President under the authority of 26 U.S.C. 112 (reference (ad)). An activity may grant funeral leave only from a prescribed tour of duty, including regularly scheduled overtime. Immediate relatives are the following relatives of the deceased member of the Armed Forces:

- A. Spouse and his or her parents;
- B. Children, including adopted children, and their spouses;
- C. Parents;
- D. Brothers and sisters, and their spouses;

E. Any person related by blood or affinity whose close association with the deceased was the equivalent of a family relationship. See 5 C.F.R. 630.801-630.804 (reference (l)) and 5 U.S.C. 6326 (reference (b)).

★ 052202. Official Duty Status. Refer to paragraph 051609 for information concerning the official duty status of an employee in connection with funerals of fellow federal law enforcement officers or federal firefighters under second 5 U.S.C. 6327 (reference (b)).

0523 CONTINUATION OF PAY (COP) AND OFFICE OF WORKERS' COMPENSATION PROGRAM (OWCP). For information on COP and OWCP, see section 0312. See subparagraph 050104.B. for proration of leave.

0524 FURLOUGH

052401. General

★ A. Use. A furlough action is the placement of an employee in a temporary nonduty and nonpay status on a continuous basis (for example, 10 consecutive days), or a noncontinuous basis (for example, one day a week) because of lack of work or funds or for other nondisciplinary reasons. An SF 50 must be issued for furlough. Reduction-in-Force (RIF) procedures under 5 C.F.R. 351.201 (reference (l)) must be followed to furlough an employee when the furlough will be for more than 30 consecutive days (or more than 22 workdays if done on a noncontinuous basis), if caused by one of the reasons in 5 C.F.R. 351.201 (reference (l)), and is not in accordance with preestablished conditions of employment. See 5 C.F.R. Part 752 (reference (l)) for additional information.

B. Time Limit. An employee may be furloughed for up to 1 year. The 1-year limit begins the day after the notice period ends and when the furlough begins.

C. Exclusions

★ 1. Placement in nonpay and nonduty status in accordance with preestablished conditions of employment is not a RIF action, but is covered by the requirements in 5 C.F.R. Part 340 (reference (l)).

2. A furlough for 30 days or less (or 22 workdays or less if done on a noncontinuous basis) is not a RIF action but is covered by the adverse action procedures.

0525 ABSENCE FOR MILITARY DUTY

★ 052501. General. Whether an employee is placed on a leave of absence or military separation while absent on military duty depends on the authority under which the employee enters on military duty. A member of a Reserve Component who performs active duty for training or inactive duty training covered under 38 U.S.C. 2024(d) (reference (as)) must be granted a leave of absence upon request. Similarly, an employee is entitled to a leave of absence for the period required to report for induction, enlistment, or to determine by preinduction or other examination the employee's physical fitness to enter the Armed Forces under 38 U.S.C. 2024(e) (reference (as)).

★ 052502. Provisions Under 5 U.S.C. Chapter 83. An absence to perform military duty under any other section of Title 38, United States Code, (reference (as)) ordinarily should be processed as a military separation except during a period of war or national emergency when the provisions of 5 U.S.C. 8332(g) (reference (b)) have been explicitly invoked. In this situation, all employees who enter on military duty will be granted a leave of absence unless an employee has applied for and received a lump-sum credit under 5 U.S.C. Chapter 83 (reference (b)). See 38 U.S.C. 2021 et seq. (reference (as)) and 5 C.F.R. Part 353 (reference (l)). Refer to paragraph 051805. for additional information.

0526 LEAVE WITHOUT PAY (LWOP)

★ 052601. Employee Request. LWOP is a temporary nonpay status and absence from duty granted at the employee's request. Employee requests for paid leave absence, such as annual or sick leave, when such absence converts to LWOP because of insufficient leave available, are considered to be the requests for LWOP.

052602. Authorization. Authorizing LWOP is a matter of administrative discretion. An employee cannot demand LWOP as a matter of right except as follows:

A. Disabled veterans are entitled to LWOP if required for medical treatment under Executive Order 5396, July 17, 1960, (reference (s)).

B. Reserve and National Guard members are entitled to LWOP if required to perform military training duties under 38 U.S.C. 2024(d) (reference (as)). See paragraph 052501.

C. For limited periods, employees are entitled to LWOP if receiving injury compensation under 5 U.S.C. chapter 81 (reference (b)).

052603. Leave Conversion. LWOP granted an employee may not, at a later time, be converted to annual or sick leave except in the case of administrative error, participation in the voluntary leave transfer or voluntary leave bank programs, disability retirement and employee compensation cases in which claims are disallowed or when there has been a settlement or an order of an arbitrator, administrative law judge, or federal judge in an employee dispute.

052604. Reduction of Leave Accrual. When the number of LWOP status hours in a full-time employee's leave year equals his or her biweekly tour of duty (i.e., 80, 112, 144 hours), the employee's leave accrual is reduced by an amount equal to the amount of leave (sick and annual) earned during a pay period. When reduction of accrual is required during the last pay period in the calendar year for an employee in the 6-hour leave accrual category (entitled to accrue 10 hours of leave in such period), leave accrual for that period shall be reduced only by 6 hours. When an employee has one or more breaks in service during the leave year, include all hours in a LWOP status (other than nonpay status during a fractional pay period when no leave accrues). When an employee's number of LWOP hours at the end of the leave year is less than his or her biweekly tour of duty, the LWOP hours are dropped.

0527 ABSENCE WITHOUT LEAVE (AWOL)

052701. General. An absence from duty which is not authorized or approved, or for which a leave request has been denied, is properly charged as AWOL although disciplinary action may be taken on the basis of AWOL. It does not necessarily mean that the employee has insufficient reason for requesting leave but that the employee's presence was required and the reason for requesting leave was one for which approval is not mandatory. AWOL shall be charged on the time and attendance report and leave record for the exact amount of time the employee is AWOL.

052702. Reduction of Leave Accrual. When the number of AWOL status hours in a full-time employee's leave year equals his or her biweekly tour of duty (i.e., 80, 112, 144 hours), the employee's leave accrual is reduced by an amount equal to the amount of leave (annual and sick) earned during the pay period. When reduction of accrual is required during the last pay period in the calendar year for an employee in the 6-hour leave accrual category (entitled to accrue 10 hours of leave in such period), leave accrual for that period shall be reduced only by 6 hours. When an employee has one or more breaks in service during the leave year, include all hours in a AWOL status (other than nonpay status during a fractional pay period when no leave accrues). When an employee's number of AWOL hours at the end of the leave year is less than his or her biweekly tour of duty, the AWOL hours are dropped.

0528 SUSPENSION. Suspension is the placement of an employee in a temporary nonpay and nonduty status for disciplinary reasons. An SF 50 must be issued for all suspensions. See 5 U.S.C. chapter 75 (reference (b)) and 5 C.F.R. Part 752 (reference (l)).

Leave Proration for Fractional Pay Periods

Biweekly Pay Period	Hourly Accrual Rate		
	Category 4 *	Category 6	Category 8
1	1	1	1
2	1	1	2
3	1	2	2
4	2	2	3
5	2	3	4
6	2	4	5
7	3	4	6
8	3	5	6
9	3	5	7
10	4	6	8

* This column may be applied for sick leave purposes.

Table 5-1 (Leave Proration for Fractional Pay Periods)

Leave Conversion Matrix

If the hours available to an employee are insufficient to cover the hours used or requested, the precedence for charging the excess is as follows:

TYPE OF HOURS USED OR REQUESTED	COMP TIME *	ANNUAL LEAVE WITH USE OR LOSE	ANNUAL LEAVE WITH NO USE OR LOSE	RESTORED LEAVE (OLDEST ACCOUNT FIRST)	LEAVE WITHOUT PAY	CREDIT HOURS	DONATED LEAVE FOR FAMILY	DONATED LEAVE FOR EMPLOYEE	REIN- STATED LEAVE
ANNUAL LEAVE	1			2	6	5	4		3
SICK LEAVE	2	1	5	3	8	7		6	4
COMP TIME		1	4	2	6	5			3
MILITARY LEAVE	2	1	5	3	7	6			4
RESTORED LEAVE**	2	1	4		6	5			3
TRAUMATIC INJURY (COP)					1				
MILITARY LEAVE FOR LAW ENFORCE- MENT	2	1	5	3	7	6			4
HOME LEAVE	2	1	5	3	7	6			4
SHORE LEAVE	2	1	5	3	7	6			4
EDUCATORS LEAVE***					1				
REINSTATED LEAVE	2	1	4	3	6	5			
CREDIT HOURS	2	1	5	3	6				4
PGS INCENTIVE					1				
TIME OFF AWARDS ****	2	1	5	3	7	6			4
ANY PURPOSE LEAVE					1				

If no hours are available, LWOP should be charged.

* The oldest compensatory time within the 26 pay period limitation will be charged first, then any grandfathered compensatory time in the separate compensatory time account, if available. DCPS implementation is scheduled for June 1998.

** All restored leave account balances will be used prior to converting to annual leave.

*** Educators leave converts directly to LWOP. Usable annual leave that is grandfathered is kept manually.

**** This conversion occurs if the payroll office has not received notification of the granting of the award within two pay periods after the usage.

Table 5-2 (Leave Conversion Matrix)

Time Limitations for Use of Reinstated Leave

Full-Time Employees	
Hours in excess of maximum accumulation	Time limitation for use of reinstated leave (end of leave year in progress after)
416 or less	2 years
417 – 624	3 years
625 – 832	4 years
833 – 1040	5 years
1041 – 1248	6 years

Part-Time Employees	
Hours in excess of maximum accumulation	Time limitation for use of reinstated leave (end of leave year in progress after)
If 208 or less multiply tour of duty by 20% (1040 x 20% = 208)	2 years
209 – 312 multiply tour of duty by 10% (1040 x 10% = 104)	3 years
313 – 416	4 years
417 – 520	5 years
521 – 624	6 years

Table 5-3 (Time Limitations for Use of Reinstated Leave)

Employee Absences for Court or Court-Related Services

Nature of Service	Type of Absence			Fees			Government Travel Expenses	
	Court leave	Official duty	Annual leave or LWOP	No	Yes		No	Yes*
					Retain	Turn in to agency		
I. JURY SERVICE								
A. U.S. or D.C. court	X			X			X	
B. State or local court	X					X	X	
II. WITNESS SERVICE								
A. On behalf of U.S. or D.C. Government		X		X				X
B. On behalf of state or local government:								
1. Official capacity		X				X		X
2. Non-official capacity	X					X	X	
C. On behalf of a private party:								
1. Official capacity		X				X		X
2. Non-official capacity:								
a. When party is U.S., D.C. or state or local government	X					X	X	
b. When party is not U.S., D.C. or state or local government			X		X		X	

* Offset to the extent paid by the court, authority or party that caused the employee to be summoned.

Table 5-4 (Employee Absences for Court or Court-Related Services)

CHAPTER 6

MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)0601 UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES

★ 060101. General. The Secretary of Labor administers the Unemployment Compensation for federal Employees (UCFE) Program under 5 U.S.C. chapter 85 (reference (b)), and prescribes regulations necessary to carry out its provisions. See 20 C.F.R. Part 609 (reference (x)). Each DoD Component has responsibility for managing the UCFE program within that Component. The appropriate human resources organization (HRO) at all DoD employing activities has primary responsibility for UCFE management. The civilian payroll office has the responsibility to assist the HRO by providing wage data needed to complete the Department of Labor ES Form 931 (Request for Wage and Separation Information) and any other information within its control requested by a state, the Department of Labor, other federal agencies, or other DFAS offices. State employment security agencies determine entitlement to compensation and the amount of benefits payable to unemployed federal civilian employees under the applicable state unemployment insurance law. See 20 C.F.R. 609.9 (reference (x)).

060102. Civilian Payroll Office Responsibilities

★ A. The civilian payroll office shall report accurate wages to the HRO to support an accurate state determination. Monetary information that can affect the claim, such as lump-sum annual leave payments and severance pay, also must be accurately reported.

★ B. The state agency prepares an ES Form 931 from information gathered during the claimant's interview and the employee's copy of the SF 8 (Notice to Federal Employee About Unemployment Insurance). Three copies of the ES Form 931 are mailed to the appropriate HRO, and a response must be returned within four workdays after receipt.

★ 1. The DCPS provides a biweekly interface extract to support the Injury Compensation-Unemployment Compensation (IC/UC) application developed by the DoD Civilian Personnel Management Service (CPMS). The HRO staff uses this data in completing the ES Form 931. When requested, the civilian payroll office will provide additional information to the HROs for employees recently transferred to the DCPS. If pay information cannot be provided within the time limits, the civilian payroll office must notify the HRO immediately and the procedures in 20 C.F.R. 609.21(b) (reference (x)) must be followed.

★ 2. The central point of contact for all UCFE matters is the HRO. The civilian payroll office shall refer all state queries, telephone calls, and UCFE documentation to the HRO. For example, if a state wants clarification of wage data, the query must go to the HRO for control purposes. The HRO then shall contact the civilian payroll office for any additional information.

060103. Base-Period Wages and Annual Leave Information

★ A. Base-Period Wages. State agencies determine the amount and duration of unemployment compensation entitlement from the amount of federal employment performed and gross federal wages paid (or earned) in a 52-week base-period (1-year period specified by the state law) which precedes the date of claim. States require 6 or 8 quarters of information to be reported.

1. Federal wages are defined as allowances and pay in any medium (5 U.S.C. 8501) (reference (b)). This includes all payments for leave. Do not report lump-sum payments for annual leave and severance payments as base-period wages. These items are reported separately.

2. The amounts to be reported as base-period wages are gross wages before deductions for Social Security/Medicare, CSRS or FERS, TSP, and federal, state, and local taxes. Gross wages include allowances and pay in any medium. Do not include expenses for official business, such as taxi fares, other cost, per diem, or mileage. Also, do not include payments for uniform allowances. The following shall be included in gross wages:

a. Foreign and nonforeign differentials and allowances. Exemption from federal income tax does not exclude any such item from gross wages for the purposes of unemployment compensation.

b. Back Pay. This includes wages paid during the base-period, even though earned prior to that period.

★ c. Salaries paid by the Department to reemployed annuitants. This is the amount equal to the difference between the salary of the position and the annuity received. The annuity paid by the OPM is not “federal wages” for UCFE purposes.

d. Increases in rates of compensation authorized by acts of the Congress. Such increases shall be reported as wages for the pay period in which paid. This is required even if the first payment covers a retroactive period. If the base period begins or ends during the pay period in which this payment was made, the entire payment should be allocated to the second week of the pay period.

3. Report wages the same way the records are kept. Do not attempt to add or subtract wages earned by the employee for any days before the beginning of the quarter or the remaining days between the last payroll cutoff date and the end of the quarter. For example, if the pay period ends March 28, do not add March 29 through 31 to the wages reported for the January 1-March 31 quarter. Do not report wages for periods other than, or in addition to, those periods requested. If the claimant had no base-period wages, so indicate.

B. Lump-Sum Annual Leave and Severance Pay. Report these items separately from gross wages (base-period wages).

1. If the employee received a lump-sum payment for annual leave after the beginning date of the base period, furnish the following:

a. Amount of payment; date(s) of payment; amount of annual leave (days and hours); and period of annual leave (for example, from 0700, July 8, 1999, to 1400, July 23, 1999).

★ 2. If the employee receives or is entitled to receive severance pay, report the information to the HRO via the interface supporting IC-UC. States whose laws require an offset of severance pay against unemployment benefits must be advised whether the former employee is receiving or will receive severance pay. The state agency obtains severance pay details from the employee's copy of the SF 50 and/or the ES Form 931, if appropriate.

3. If annual leave is payable, but has not been paid, report "annual leave payment due, but not paid," and provide details (period covered, amount of payment, when it will be paid) if known.

★ 060104. Employees on LWOP. Upon the HRO's receipt of an ES Form 931, the nonpay status of an employee must be reported to the state agency. The HRO shall report the employee on LWOP from the starting date, through the ending date, and any other pertinent data. If the employee is in a nonpay status for more than 30 days, the SF 50 provides the LWOP information. For LWOP of 30 days or less, the biweekly interface extract provides this information to the HRO.

A. The HRO shall indicate whether employees on LWOP are awaiting OWCP for an on-the-job injury or disability retirement.

B. If an employee is awaiting an OWCP determination, the state agency is responsible for contacting the OWCP for any necessary data it needs.

060105. Back Pay Notification

A. If an employee is entitled to back pay, the HRO shall determine if the employee applied for UCFE within the last 52 weeks. If the employee applied for or received UCFE, the HRO shall promptly notify the state agency of the date of back pay payment, amount, and period covered. The state agency may be required to redetermine benefits. The HRO shall suspense its notification for state reply. If a reply is not received in 60 days, the HRO shall send a follow up. If no answer to the follow up is received from the state in 30 days, request assistance for resolution.

B. The Department will not deduct from the back pay the amount of UCFE paid during the period covered by the back pay. UCFE must be deducted from back pay awards however, when state law requires the employer, rather than the employee, to reimburse the state for overpayments and when appropriate, the state agency has determined that an overpayment has occurred and has notified the employing agency (65 Comp. Gen. 865 (1986)) (reference (p)).

060106. Obtaining Data from the National Personnel Records Center (NPRC)

A. How Obtained. If records necessary to furnish wage data to the HRO have been sent to the NPRC, they should be obtained via the telephone or facsimile. Since this information is subject to the Privacy Act of 1974 (reference (e)), it must be handled in accordance with the provisions of that Act. The NPRC gives priority to such requests. The request must:

1. Be addressed to the NPRC, Civilian Personnel Records, 111 Winnebago Street, St. Louis, Missouri 63118-4199.

2. Clearly identify the office sending the request.

★ 3. Read "Unemployment insurance request for wages for 4 calendar quarters, enter period as shown on the ES Form 931, and statement of reasons for separation for (last name, first name, and middle initial), (name under which employed, if different), (date of birth), and SSN."

B. Prohibited Actions. The HRO or civilian payroll office shall not send the ES Form 931 to the NPRC for completion. The state agency should not be asked to obtain data from the NPRC. State agencies shall be advised when the information is being requested.

C. Record Center Reply. A written reply will be received from the NPRC. The NPRC will mail a photocopy of the individual pay record to the civilian payroll office. The civilian payroll office shall furnish wage data to the HRO on the basis of data furnished in the NPRC reply. Upon receipt of the pay record, wage data furnished the HRO shall be compared with the pay record. If an error is discovered, the HRO shall be notified and it shall in turn notify the state agency.

0602 UNEMPLOYMENT INSURANCE FOR CANADIAN EMPLOYEES060201. The Canadian Unemployment Insurance Program

A. The U.S. Government takes part in the Canadian Unemployment Insurance Program for Canadians employed in Canada by the Department.

B. U.S. participation in this program began at the start of the first pay period after June 30, 1956.

C. The civilian payroll office shall follow the procedures in this section for unemployment insurance withholdings and contributions for covered employees.

D. Installations that employ or might employ personnel in Canada shall request the following publications from the nearest Unemployment Insurance Commission (UIC) Office:

1. 443C (Information Regarding the Bulk Payment Method of Making Contributions).

2. 651A (Workers Handbook on Unemployment Insurance).

3. 651B (Employer's Handbook on Unemployment Insurance).

If these publications are not available locally, copies may be requested from the Unemployment Insurance Commission Office, Vancouver, British Columbia, Canada.

060202. Policies Governing DoD Participation

A. Modifications. The civilian payroll office shall follow procedures in UIC 443C; however, the following requirements do not apply to the Department:

1. Standing deposit of one month's combined contribution;

2. Application to operate on a calendar year basis. DoD installations will operate on the basis of a payroll year which, for this purpose, will be a calendar year; and

3. Remittance of contributions and withholding by certified check.

B. Coverage

1. The civilian payroll office shall use UIC 651B to determine insurable employment and earnings for withholding. Exceptions are in item 2, below.

2. Contributions shall not be withheld for Canadian employees who are spouses of U.S. citizens employed by DoD Components and for U.S. civilians paid from appropriated and nonappropriated funds.

a. The Canadian employee must notify the civilian payroll office, through the HRO, of any change in marital status that affects insurability.

b. Deductions for Canadian Unemployment Insurance will stop at the end of the pay period in which notice of marriage is received.

c. Deductions shall start at the beginning of the next pay period after notice of divorce is received.

C. Refund of Deductions. If refund of deductions is required, DoD installations will refund only amounts totaling \$1 or more.

D. Retroactive Payments. The Department shall not make retroactive payments of deductions to the Canadian Unemployment Insurance Commission if the employee concerned

has not given true information to the employing installation. This includes cases that have been adjudicated.

E. Audit by the Canadian Unemployment Insurance Commission. DoD records of deductions, contributions, and remittances are subject to audit. The audit requirements can be met by sending copies of records of covered personnel and insurance remittance documents to the proper District Audit Office. The civilian payroll office shall send copies of records required by Canadian authorities on request.

060203. Amount of Contributions

A. Employee's Share. Funds shall be withheld from the pay of all insurable employees at rates set in UIC 651B.

B. Employer's Share. The employer's share shall equal the amount withheld from the employees' pay on each payroll voucher. The contribution shall be charged to the fund from which the employees' salaries are paid.

060204. Disposition of Contributions

A. Payroll Collection. The employee and employer contributions shall be made as a voucher deduction on the payroll voucher. For example, the accounting classification for the DoD civilian payroll offices will be deposit fund account 97X6875, "Suspense, Department of Defense."

B. Remittance to Canadian Unemployment Insurance Commission. The civilian payroll office shall request a bulk payment permit and information on deviation from remittance procedures from the Chief Coverage Officer, Unemployment Insurance Commission, Ottawa 1, Ontario, Canada. An SF 1049 (Public Voucher for Refunds) shall be used to make the biweekly remittance to the Commission from the deposit fund account --X6875.

0603 MASS TRANSFER OF PAY ACCOUNTS

060301. A mass transfer is the movement of a number of employee accounts from one civilian payroll office to another, and the losing civilian payroll office remains operational. Refer to section 0105 for procedures concerning DoD civilian payroll operations that are being disestablished in accordance with consolidation initiatives.

★ 060302. Requests for mass transfer or transfer of payroll function must be sent, with justification, to the Director, DFAS, via the major command or claimant. The Director, or designated official, must approve all such requests in writing. These actions may also be initiated by the Director to improve efficiency and economy of the payroll operation.

060303. Losing Civilian Payroll Office Responsibilities

★ A. The losing civilian payroll office affected by the mass transfer must notify all the affected parties receiving support (refer to the following list). It is recommended that these parties be notified at least 90 days in advance of the proposed transfer but not less than 30 days prior to the date of the actual transfer. Below is a list of affected parties:

★ 1. The HROs that provide support to the employees being transferred. The HROs are responsible for notifying labor organizations and professional associations.

2. Each IRS District to which payments for tax levies are remitted for employees affected by a mass transfer.

★ 3. The DFAS-Cleveland Center for employees with court-ordered garnishments. The DFAS-CL/L will notify each court to which alimony, child support, and bankruptcy payments are remitted for employees affected by the mass transfer.

★ 4. Other federal agencies (e.g., Department of Veterans Affairs or Department of Education) and DoD functional areas (e.g., travel, hospitals, etc.) for whom debts are being collected.

5. The Defense Manpower Data Center (DMDC).

6. State and local taxing authorities if the transfer closes out the account.

★ 7. The TSP recordkeeper at NFC by the TSP-19 (Transfer of Thrift Savings Plan Information between Agencies).

8. FEHB insurance carriers.

★ 9. CSRs.

★ 10. Disbursing office for SF 1195 data.

★ 11. The Department of Labor for ongoing OWCP cases.

★ 12. The employing activity that is responsible for notifying the employees, source data automation systems, and accounting activities of the transfer.

★ 13. Employees with debts being collected and employees with outstanding debt collection letters. Employees will be notified that debts are being transferred to new civilian payroll offices and be provided with a point of contact at the gaining civilian payroll office.

★ B. The losing civilian payroll office shall prepare employee substantiating document files as stated in subparagraphs 010504.B.1. through 4. Every effort shall be made to transfer data electronically through automated processes. Hard-copy documents, original or copy as

appropriate, shall be forwarded to the gaining civilian payroll office for the following even if the data has been transferred electronically:

- ★ 1. Indebtedness to the U.S. Government. Copies of all documentation to support current collections including all on going DoD and non-DoD debts with the unpaid balance of the debt on the transfer date and the remittance address.
- 2. Form 668-W. Forward the original IRS tax levy showing the unpaid balance on the transfer date.
- ★ 3. Court-Ordered Bankruptcy. Forward the original court order and addendum with balance due on the current order on the transfer date. Also, furnish a copy to DFAS-CL/L if there is a pending commercial garnishment.
- ★ 4. SF 1190. Advances of pay received by DoD civilian employees proceeding to or arriving at a post of assignment in a foreign area are authorized an advance of up to 3 months of gross pay. Provide a copy of the SF 1190 and the unpaid balance and biweekly deduction.
- 5. NAF 401k Authorizations. Forward a copy of the authorization that supports employee contributions to an NAF 401k plan allowable by the Portability of Benefits for NAF Employees Act (reference (e)).
- 6. Form TSP-1-NAF (TSP Election Form for Retroactive Contributions - NAF Employees). Forward a copy of the TSP-1-NAF for any employee who is currently making retroactive TSP contributions allowable by the Portability of Benefits for NAF Employees Act (reference (e)).
- ★ 7. SF 2806. Forward all hard-copy retirement records on file.
- 8. Form TSP-22. Forward a copy of all Forms TSP-22 that support TSP loan information.
- 9. SF 1150 and SF 1150A. Prepare an SF 1150 in accordance with “The Guide to Processing Personnel Actions,” subchapter 21 (reference (r)) to reflect all leave balances as of the end of the last pay period paid by the losing civilian payroll office. Prepare an SF 1150A for the transfer of donated leave. Forward the original of the SF 1150/1150A to the losing HRO to be included in the OPF and forwarded to the gaining HRO. After receipt in the gaining HRO, the SF 1150/1150A will be forwarded to the gaining civilian payroll office. File a copy in the employee's substantiating document file.
- ★ 10. Buy Back of Leave. Forward copies of documentation to support the buy back of leave.

11. OPM Form 1514. Forward all OPM Form 1514 information, including unpaid balance and biweekly deduction, to reestablish any unpaid balance on the day prior to transfer.

C. Complete Final Pay Period Processing. The losing civilian payroll office must complete processing for the last pay period for which it has responsibility for the employees affected by the mass transfer. Completion of these actions will allow the employee's records to contain the most current information.

1. Compute and process final salary and other payments. Prior to processing the final pay period, ensure that all time and attendance reports and all documentation from HROs have been processed.

2. Reconcile and clear/remit any deposit fund accounts for the employees affected by the mass transfer.

3. Produce SFs 2806/3100.

a. SFs 2806/3100 shall be forwarded to the OPM when the transfer is from one Component's to another Component's civilian payroll office, or from a Component's civilian payroll office to a DoD (code 97) civilian payroll office.

b. SFs 2806 shall be forwarded to the gaining civilian payroll office when the transfer is from a losing civilian payroll office within the same Component or between DoD (code 97) civilian payroll offices. SFs 3100 shall be forwarded to OPM.

★ 4. Bond balances shall be transferred and not refunded to the employees upon a transfer from one DoD civilian payroll office to another DoD civilian payroll office. Bond balances shall be refunded and not transferred when the transfer is outside the Department.

★ 5. Compensatory hours and religious compensatory hours shall be paid for all transfers from one DoD Component to another DoD Component. Credit hour balances shall be paid for all transfers from one employing activity to another employing activity.

★ 6. The losing civilian payroll office shall make any retroactive adjustments necessary for an employee previously paid by their office and send to the gaining civilian payroll office for payment/collection.

060304. Gaining Civilian Payroll Office Responsibilities. The gaining civilian payroll office shall establish employee substantiating document files with the employee's SSN and name.

★0604 DOUBTFUL OR QUESTIONABLE CLAIMS

★ 060401. General. The General Accounting Office Act of 1996, P.L. No. 104-316 (reference (e)) transferred the claims settlement functions previously performed by GAO to certain executive branch agencies. As specified in Volume 5 of this Regulation, claims are received on a continuing basis from present or former civilian employees for additional compensation for various reasons. All such claims must receive individual processing to determine administratively whether or not the employee is entitled to the amount claimed. If the claim relates to the determination of an entitlement or similar matter, which is the responsibility of the HRO, it should be negotiated and documented through the employing activity's personnel channels. If the matter remains unsettled and the employee wishes an OPM review, the civilian payroll office shall fully document the case, including the review processes, and forward the file to the DFAS-CO Directorate of Debt and Claims Management Office, Denver, Colorado.

060402. Procedures

A. Filing a Claim. Claims should be filed with the activity at which the individual was/is employed during the period for which additional compensation is claimed. The claim shall be fully documented and sent to the address identified in paragraph 060401 for all claims related to civilian pay matters which cannot be resolved at the base or major command/claimant level.

B. Processing Claims

★ 1. Approved Claims. Claims received by the civilian payroll office from the claimant may be approved and paid when there is no question of law or fact. Claims for pay under Title 5, U.S.C. (reference (b)) must be filed within 6 years of the date the right to payment accrued. Claims for overtime pay under the FLSA (reference (n)) filed on or before June 30, 1994, are also subject to the 6 year statute of limitations; those filed after that date are subject to a 2-year statute. See Comp. Gen. B-250051 and B-256938.2 (reference (p)) for additional information. Any claim received from the OPM, including those originally received by the offices identified in paragraph 060401 but forwarded to the OPM for approval, shall be acted upon in accordance with instructions in the letter transmitting the claim to the civilian payroll office. These claims shall be paid only at the direction of the OPM or the appropriate office identified in paragraph 060401. When payment is to be made by the civilian payroll office, the claim shall be paid as part of the regular payroll.

★ 2. Disapproved Claims. Claims not received through the OPM that are disapproved administratively by the civilian payroll office shall be returned to the claimant with a letter containing the basis for the disapproval. The claim shall be forwarded to OPM via the appropriate office identified in paragraph 060401 if the disapproval is appealed by the employee,

C. Documents. Generally, documents required to support a claim are:

1. A letter of transmittal prepared by the civilian payroll office, addressed to the appropriate office identified in paragraph 060401. The following shall be included:

- a. The claimant's name, SSN, address and agency;
 - b. A statement of the pertinent facts out of which the claim arose;
 - c. A statement of the doubt or other reason for forwarding the claim;
 - d. A recommendation for the proper disposition of the claim;
 - e. A citation to pertinent supporting documents;
 - ★ f. A statement that the claim has not been and will not be paid until certified in the name of the OPM;
 - g. A complete symbol citation to the applicable appropriation or fund.
2. A claim letter submitted by the claimant, legal representative, or other lawful claimant. The letter includes name, SSN, and address of the claimant.
3. The original and one copy of any supporting document. These documents include the following depending on the type of claim involved:
- a. Any pertinent vouchers;
 - b. Any pertinent time and attendance reports;
 - c. Individual pay record;
 - d. Certified copy of the SF 1150;
 - e. Certified copies of the SF 50;
 - f. Transcript of service history;
 - g. Overtime authorizations;
 - h. Leave applications, doctor's statement, etc.;
 - i. Other required documents.
4. An unpaid voucher from the civilian payroll office, in original and the appropriate number of copies, for all cases when the amount may be due, including doubtful cases. One copy is kept on file. The appropriate federal, state, and local tax withholdings, life insurance, retirement, or Social Security and/or Medicare deductions are to be indicated in the appropriate places on the voucher. The employer's contributions to retirement, life insurance, and Social

Security and/or Medicare, etc. are also to be indicated. The complete accounting classification is to be included, whether the recommendation is for or against the claim.

5. If an attorney presents a claim for an employee, verification that he or she has authority to act for the employee, e.g., a copy of a signed fee agreement, a letter from the employee or a duly executed power of attorney.

★ 060403. Payment. Claims that have administratively been determined correct by the OPM are settled and paid by the civilian payroll office.

★ 060404. Claims Required To Be Submitted To OPM. The following classes of claims may not be paid or administratively denied, but must be forwarded to the OPM, Claims Adjudication Unit, Office of General Counsel, 1900 E Street NW, Washington, DC 20415. These claims are forwarded to OPM via the offices identified in paragraph 060401 for adjudication unless otherwise specifically provided by law.

★ A. Claims that involve doubtful questions of law or fact, except those under \$25, and claims that have been the subject of an advance decision by applicable authority, in which case, a reference to the decision must appear on the voucher supporting the payment. When a claim contains items that involve doubt, and items, which the DFAS Centers can settle administratively, only the doubtful portions over \$25 should be referred to OPM through DFAS-HQ for settlement.

★ B. Claims, regardless of doubt, which are required by statute, or by decision of applicable authority, to be settled by the OPM before payment is made or denied.

C. Reclaims of items previously denied in an administrative review by the DFAS Centers, unless it is determined administratively that the action taken was clearly in error and properly can be corrected by the DFAS Centers.

★ D. Claims that appear to be barred by the applicable statute of limitation at the time of receipt for administrative review by the DFAS Centers. If the statutory period of limitations will soon expire, claimants shall submit their claims directly to the Claims Division of OPM. In order to protect the interests of claimants, claims received as to which the right of payment accrued 4 years or more before the date of receipt and which cannot promptly be approved and paid in the full amount claimed shall immediately be referred to the Claims Division of the OPM. These claims shall be recorded in OPM, after which they shall be returned for payment, denial, or referral back to OPM for adjudication.

★ 060405. Advance Decisions. Requests for an advance decision from the Defense Office of Hearings and Appeals (DOHA) shall be processed as prescribed in Volume 5 of this Regulation. In addition to normal submission channels prescribed in Volume 5 of this Regulation, requests to the DOHA involving the determination of an entitlement or similar matter which is the responsibility of the HRO shall be negotiated and documented through the appropriate human resources channel.

CHAPTER 7

SPECIAL CATEGORY EMPLOYEES0701 OVERSEAS EMPLOYEES

★ 070101. The general pay provisions for GS employees stateside also apply to GS employees overseas. The DoD 1400.25-M, subchapter 1250, "Overseas Allowances and Differentials" (reference (u)) authorizes and governs the payment of allowances and differentials to DoD civilian employees who are citizens of the United States and who are located in foreign areas. The DSSR (reference (t)) prescribes the eligibility requirements to be met by employees, the applicable rates to be paid, and the provisions to be observed in paying overseas foreign area allowances and differentials.

070102. Foreign Nationals

★ A. Authority. The legal basis for setting pay for foreign national employees is section 408 of the "Foreign Service Act of 1980" (P.L. 96-465) (reference (e)) (22 U.S.C. 3968) (reference (at)). The DoD 1400.25-M, subchapter 1231 (reference (u)), Employment of Foreign Nationals, delegates the authority to each Military Department for redelegation to Service Component Commanders to establish salaries, wages, fringe benefits, related compensation items, and other terms of employment for foreign national employees. The DoD Manual for Foreign National Compensation (DoD 1416.8-M) (reference (av)) prescribes the procedures and instructions for the development of compensation programs for foreign nationals employed by the U.S. Forces in foreign areas.

★ B. Entitlements. The CPMS Wage and Salary Division establishes wage schedules for foreign national employees based on locality wage surveys or other available data as provided by the activity labor agreement between the U.S. Government and the government of the foreign country. The basis for salary determination and deductions are contained in the employing activity's applicable inter-country agreements and personnel regulations.

070103. Panama Employees

A. General. The wages for the Panama Canal Employment System are approved by the Panama Area Personnel Board under 35 C.F.R. 251 (reference (v)).

1. Transfer of Function Pre-Treaty Employees. These are employees that transferred from the former Canal Zone Government to DoD activities in the Republic of Panama. Their leave entitlements differ from the other types of employees.

a. These employees accrue leave at the rate of 11 hours a pay period for 25 pay periods and 9 hours for the 26th pay period. If there are 27 leave periods in the leave year, no leave is accrued for the 27th pay period. Leave accrued by Panama employees is used for

all purposes. The maximum accrual for the leave year is 284 hours. The maximum annual leave ceiling (carryover) is 760 hours. When these employees voluntarily are reassigned to a DoD non-transfer of function office, they revert to the regular federal employees leave system.

b. Leave Balance upon Movement of Transfer of Function Pre-Treaty Employees. When an employee described in subparagraph 070103.A.1.a. departs for an assignment outside the Republic of Panama, that employee is entitled to carry forward the balance of leave credited at the end of the pay period including the date the employee departs for such assignment. The annual leave carry forward balance may not exceed a maximum of 760 hours unless the employee has been authorized a greater balance. See 5 C.F.R. 630.302 (reference (l)) and 5 U.S.C. 6304(c) (reference (b)). If any such balance is in excess of 240 hours and is reduced as of the end of the leave year, the reduced amount becomes the new carry forward balance.

2. Pre-Treaty Employees. These are employees hired before the Treaty of October 1, 1979.

a. Pre-Treaty non-U.S. citizens are subject to CSRS (no Medicare), FEHB and FEGLI. The FEHB plan is under the Panama Canal Area Benefits plan as officially listed by the OPM (see paragraph 040808). Not all of these employees, however, are under the FEHB. In 1982, these employees were allowed to choose to receive their health benefits from the Panama Social Security System or the FEHB.

b. When a Pre-Treaty non-U.S. citizen retires or separates, his or her retirement record is transferred to the OPM. No identifying number is shown on the SF 2806; however, it is annotated with the statement "This is a non-U.S. citizen."

3. Post-Treaty Employees. These employees, hired on or after October 1, 1979, are not covered by the Department of Labor Workers Compensation Act. They are covered by Panama Social Security for on-the-job injury.

a. Post-Treaty Panamanians are subject to Panama Social Security tax that includes their health benefit coverage. They also have Panamanian life insurance.

b. Post-Treaty third country employees are covered under the Panama Social Security System.

4. Non-U.S. Citizen DoDDS Teachers. These employees are included in section 0702.

★ B. Identification Numbers. The Panamanian Government assigns a Cedula number to each non-U.S. official resident of Panama. The Panamanian Government uses this number for similar purposes as the United States uses the SSN. The Cedula number is assigned at birth or when a foreigner becomes an official resident of Panama.

★ 1. The Cedula number consists of alphanumeric characters in several configurations. The number is used to report Panamanian income tax.

2. Each Panamanian is assigned two other numbers, i.e., the Seguro, (or Panamanian social security) and individual personal number (which is used for various reporting purposes).

a. The Seguro is currently a 7-digit number assigned by the Panama Social Security Hospital System. It is assigned to all local Panamanian and third country persons. It is used only for hospital, health care and retirement.

b. The individual personal number is a 5-or 6-digit number used by employers to pay into an employee's retirement account and health care within the Panamanian Social Security System. This number is used in place of the SSN to identify Panamanian foreign nationals in the civilian payroll systems.

C. Deductions. Panamanians are authorized to contribute to the CFC, have union dues deductions, and participate in the TSP. All Panamanians are subject to the Panama income tax and educational taxes.

D. Dual Appointments. Dual appointments for Panama are governed by the same rules as other federal employees, with the exception of the pseudo SSN. For Panamanians, a pseudo individual personal number is used in place of the pseudo SSN.

E. FLSA. The FLSA does not apply to civilian employees working in Panama regardless of citizenship.

070104. Canadian Employees

A. General. Canadian national direct-hire employees receive compensation comparable to that paid to Canadian Government employees in the same locality and performing essentially the same work with relatively the same degree of responsibility.

★ B. Authority. DoD Directive 1400.6, DoD Civilian Employees in Overseas Areas (reference (aw)), and DoD 1400.25-M, subchapter 1231, Employment of Foreign Nationals (reference (u)), contain the authority for the administration of foreign nationals, including Canadians.

C. Entitlements

1. Hours of Duty. The workday is 7 ½ hours and the workweek is 37 ½ hours.

2. Holidays. Canadian legal holidays are observed with no charge to leave. If an emergency requires work on a Canadian holiday, an additional day's pay is provided or the employee is given compensatory time off. The following are the legal Canadian holidays:

- a. New Year's Day (Jan 1)
- b. Good Friday (Mar-Apr)
- c. Easter Monday (Mar-Apr)
- d. Victoria Day (May 24)
- e. Canada Day (July 1)
- f. Civic Holiday (1st Mon. in Aug)
- g. Labor Day (1st Mon. in Sep)
- h. Thanksgiving Day (Oct-Nov)
- i. Remembrance Day (Nov 11)
- j. Christmas Day (Dec 25)
- k. Boxing Day (Dec 26).

3. Absence and Leave. Sick leave is accrued at the rate of 4 ¼ hours each pay period except for the last pay period of the leave year. During the last pay period, 6 ¼ hours accrue. The total annual accumulation is 112 ½ hours or 15 days of sick leave.

4. Work-Related Injury or Illness. Compensation for work-related injuries or illness is covered by the FECA (reference (e)).

D. Pay. Salaries are based on rates in approved agreements between the Treasury Board of Canada and the Public Service Alliance of Canada for Canadian Civil Service Employees. The effective dates are the same as in the basic Canadian agreements. Pay is in Canadian dollars on a biweekly basis.

E. Step Increases. Step increases are made annually, until the top step is reached, upon written certification by the supervisor that an employee has demonstrated an acceptable level of competence during the waiting period. Certification is completed and forwarded to the human resources organization (HRO) for processing prior to the effective date of the step increase. Step increases are effective at the beginning of the first pay period following the effective date of the anniversary.

F. Retroactive Pay. Retroactive pay adjustments are made on the basis of agreements covering Canadian Civil Service employees. These adjustments are payable to employees separated during the retroactive period.

G. Leave Without Pay (LWOP). Aggregate periods of LWOP of more than 80 hours during the waiting period for a step increase delays the increase. Extended periods of LWOP also affect leave accruals.

H. Canada Pension Plan. Employees' contributions to the Canada Pension Plan are deducted from their salaries. The U. S. Government pays the employer's contribution.

I. Registered/Retirement Pension Plan. The U.S. Government pays an amount equivalent to the employees' contributions up to a legal maximum of annual salaries.

J. Severance Pay. Employees are paid a lump-sum amount according to the following:

1. Lay-Off. Two weeks of pay for the first complete year of continuous employment and one week of pay for each additional complete year of continuous employment with a maximum benefit of 28 weeks of pay.

2. Resignation. On resignation with 10 or more years of continuous employment, one-half week of pay for each complete year of continuous employment up to a maximum of 26 years with a maximum benefit of 13 weeks of pay.

3. Retirement. On retirement, when an employee would be entitled to an immediate annuity or to an immediate annual allowance had the employee been under the Canadian Government Public Service Superannuation Act (reference (ax)), one week of pay is paid for each complete year of continuous employment with a maximum benefit of 28 weeks of pay.

4. Death. If an employee dies, one week of pay is paid to the employee's estate for each complete year of continuous employment with a maximum benefit of 28 weeks of pay, regardless of any other benefits payable.

K. Ontario Health Insurance Plan. Employees enrolled in the Ontario health insurance plan are reimbursed an amount equivalent to the Canadian Government contributions under the plan. Claims for reimbursement, supported by receipts, are submitted annually by the end of the calendar year.

L. Unemployment Insurance. The U.S. Government contributes the amount equal to that, which would be paid by a Canadian Government employer to the Canadian fund. Employee contributions are deducted from their salary. More information on unemployment insurance for Canadian employees is in section 0602.

M. Canadian Income Tax. Employees' contributions are deducted from their salaries.

N. Occidental Life Insurance. Contributions are deducted from the salary at the employee's request.

O. Awards. Canadian National employees are eligible for all awards generally, except quality increases.

0702 DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DODEA) EMPLOYEES

070201. Teaching Position (TP) Pay Plan - Educators

A. General. Title 20, United States Code sections 901-907 (reference (ay)), as implemented by DoD Directive 1400.13 (reference (az)), governs the salaries and personnel practices applicable to educators employed by DoD Dependents Schools (DoDDS) on a school-year basis overseas. The pay and personnel practices are implemented by policies and regulations issued by the Office of Dependents Education and the DoDEA. These policies and regulations differ considerably from those applicable to other federal civilian employees paid under Title 5 United States Code or other statutes. The DoDDS educator salaries are authorized under the TP pay plan and are earned during a school-year (seasonal) work schedule and are paid on a school-year or calendar-year basis, depending upon the work schedule (i.e., 190- or 222-duty days). A TP educator does not earn annual, sick, or home leave under Title 5 United States Code. Normally, a TP educator is not scheduled to work on recess days (including holidays) during the school year, nor does a TP educator earn pay for recess days. Biweekly pay is computed differently for a TP educator. A TP educator employed by DoDDS to instruct in the Junior Reserve Officer Training Corps (JROTC) program is compensated under the provisions of 10 U.S.C. 2031(d) (reference (ar)). Pay practices and procedures unique to the TP employment system and how it affects computation are discussed in the following paragraphs.

B. School Year Calendars

1. The "school-year" for most TP educators consists of 190 scheduled working (duty) days, including normally 183 days during which classroom instruction occurs. Included in the 190 duty days is the time required before and after the dates school is in session when the services of all or a majority of the educators are required to prepare for the opening and closing of school. As long as 190 duty days are required and not less than 175 days of work occur on classroom instructional days, the work schedule may be adjusted after the school year begins with no resultant change in school-year salary. Additional compensation is not authorized for make-up days required to meet the 175 classroom instructional day minimum. Should work beyond the 190 duty days during a given school year (August 1 through July 31) be required, an educator shall be compensated at the appropriate daily rate as of the 191st working day. Should an emergency preclude completion of a full school year at one or more schools, an educator must be furloughed, separated, or the salary continued until the full school-year salary has been paid.

2. The "school year" for a school principal and assistant principal consists of 222 working (duty) days, including any time when the services of a majority of educators at the school are required. As long as the 222 duty days are required and not less than 175 days of work occur on classroom instruction days, the work schedule of the principal and assistant principal may be adjusted with no resultant loss of school year salary. Additional compensation is not authorized for make-up days required to meet the 175 classroom instructional day minimum. Should work be required beyond 222 duty days during a given school year (August 1 through July 31), the principal or assistant principal shall be paid the appropriate daily rate as of the 223rd working day. Should an emergency preclude completion of the full school year, the principal or assistant principal must be furloughed, separated, or salary continued until the full school-year salary has been paid.

3. Each year before the school year begins, each overseas DoDDS regional headquarters prepares a school-year calendar for the schools within the region. The calendars may vary among and within the regions due to local customs and holidays. The calendars identify the first and last duty days of the school year (i.e., duty days for educators and instructional days for students) and the recess days for educators and students. Recess days are days that educators are in a nonduty and nonpay status. Recess days include federal holidays and other nonduty days occurring during the school year such as Thanksgiving Day and the following Friday when educators are not required to work and are not charged leave. Each overseas DoDDS regional headquarters shall submit a copy of all applicable school calendars to the servicing DoD civilian payroll office not later than 4 weeks prior to the first duty day of the new school year. Any changes to the calendars shall be submitted as soon as possible.

C. Work Schedules. All TP pay plan educators are scheduled to work and take leave in full or half-day increments. This includes school-level administrators as well as substitute teachers. Substitutes performing certain itinerant services, however, such as extra-duty type work and tutoring in the home of sick students, may accumulate time in half-day increments and be paid accordingly.

★ D. Salary Schedules. The CPMS Wage and Salary Division issues TP pay schedules following completion of the annual survey. Such schedules are typically issued in April or May of the current school year. The TP schedules are retroactive to August 1 of the current school year (i.e., the prior calendar year). Until the salary schedules for the current school year are issued, TP educator salaries are based upon the prior school-year salary schedules. Separate salary schedules are prepared for educator, management, specialist, and administrator positions assigned to overseas school-level positions with school-year (seasonal) work schedules. Salary schedules are further differentiated by academic salary lane (i.e., Bachelor's, Bachelor's plus 15, Bachelor's plus 30, Master's, Master's plus 15, Master's plus 30, and Doctorate's degree), and step. Most TP salary schedules also contain 14 annual steps and 4 longevity steps. The following TP salary schedules exist:

★	<u>ScheduleCategory</u>	<u>Duty Days</u>
A	Substitutes	190
B	Junior Reserve Officers' Training Corps Instructors	190
C	Comprehensive Schedule for Educators and Specialists	190
D	Schedule for Social Workers	190
E	Schedule for Guidance Counselor	190
F	Schedule for School Psychologists	190
M	Schedule for Management and Education Specialist Positions	190
N	Schedule for Management and Education Specialist Positions	190
K	School Principals	222
L	Assistant Principals	222

Additional TP salary schedules are published for other categories of educators assigned to schools in Panama. The gross amount of the retroactive adjustment computed due to the new salary schedules is subject to applicable withholdings (e.g., retirement (CSRS & FERS); federal income tax; Social Security/Medicare; and state income tax). Biweekly deduction amounts for basic and additional optional FEGLI shall increase in many cases for TP educators who have elected those benefits. TSP contributions shall also be adjusted for participating educators who have elected to have a percentage deducted from their pay. For FERS educators who are eligible, the TSP basic one percent and matching employer contribution also must be adjusted. When applicable, foreign post allowance also may be adjusted. The HRO shall send the SF 1190 data to the civilian payroll office for each affected educator when allowance amounts change as a result of new TP salary schedules. When applicable, foreign post differential shall be adjusted because it is computed as a percentage of base pay.

E. Daily/Biweekly Pay. See paragraph 070203 regarding compensation for TP educators, principals and assistant principals.

F. Step Increases

1. Eligibility

a. Each full-time TP educator assigned to a 190-day school-year work schedule may receive a regular (annual) step increase (steps 1 through 14) provided he or she has been in a pay status at least 150 working days during his or her last previous school year as a TP educator. Substitutes are not eligible for step increases.

b. Each full-time TP educator assigned to a 190-day school-year work schedule may receive a longevity step increase (steps 15 through 18) provided he or she has been in pay status at least 150 working days during each of the previous four school years as a TP educator.

c. Each half-time TP educator assigned to a 190-day school-year work schedule may receive a regular (annual) step increase provided he or she has been in a pay status at least one-half of 150 working days during each of the previous 2 school years. A half-time

TP educator may receive a longevity step increase (steps 15 through 18) after he or she has been in a pay status at least one-half of the 150 working day minimum during each of the previous 8 school years.

d. Each full-time TP educator assigned to a 222-day school-year work schedule may receive an annual step increase (steps 1 through 10) provided he or she has been in a pay status at least 175 working days during his or her last previous school year as a TP principal or assistant principal.

★ e. Each full-time TP educator assigned to a 190-day school-year work schedule may be entitled to receive an annual step increase (or service credit towards a longevity step) for the last satisfactory year of service, plus an additional annual step (or service credit) for the first year of absence only, upon return to duty after successfully completing a program of study or employment of 1 or more years under the Administrative Reemployment Rights program.

2. Effective Date. Step increases are effective as of August 1 of each school year. A promotion or demotion does not change the effective date of a step increase. Step increases shall be effective prior to when a promotion, demotion, or other movement becomes effective.

G. Late Arrival at Post

1. A TP educator newly recruited from the CONUS is appointed with the understanding that the educator shall serve for an entire school year (i.e., the 190 or 222 duty-day school-year work schedule) or a specified part thereof. A TP educator who, through no personal fault, and as a result of transportation or processing delays after selection for appointment, arrives late at the post of assignment shall be administratively excused. This educator shall be paid as if the educator had arrived on time and actually served during the lost time.

2. A TP educator, other than as described in subparagraph 070201.G.1., who arrives late at the post of assignment after the start of the school year, shall not be paid for the working days occurring prior to the day of arrival at the assigned post unless granted paid leave by the supervisor.

H. Early Arrival at Post

1. A TP educator who arrives at the post of assignment prior to the start of the school year is not compensated for nonduty days prior to the start of the school year.

2. A TP educator who is appointed to a temporary TP educator position to perform work prior to the start of the school year shall be compensated at the educator's daily salary rate for the prior school year (this salary is not subject to retroactive adjustment) for each day of such work performed. In such an instance, the SF 50 data from the HRO notifies the civilian payroll office.

I. Late Departure from Post

1. A TP educator who is unable to depart promptly after the end of the school year for personal reasons or because of circumstances beyond his or her control, (e.g., lack of available transportation) is not entitled to basic compensation for the period between the end of the school year and the date of departure.

2. A TP educator who is appointed to a temporary TP educator position to perform work after the end of the school year shall be compensated at the educator's daily salary rate for the prior school year (this salary is not subject to retroactive adjustment) for each day of such work performed. In such an instance, the SF 50 data from the HRO notifies the civilian payroll office.

J. During Travel. While enroute during a PCS between school years, a TP educator is in a nonpay status; therefore, basic compensation is not received.

K. Work at More than One Post of Assignment. When a PCS is effected during a school year, action shall be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the TP educator will have received the full school year salary to which entitled. If the total of days actually worked during the school year (to include paid leave) at both posts of assignment exceeds 190, the TP educator shall be paid at the daily rate for any days worked in excess of 190 days.

L. Substitutes. A substitute teacher shall receive the flat daily rate prescribed in the TP Salary Schedule A. The minimum increment earned and paid for substitute work is one-half day. The daily rate for a summer school substitute teacher is provided in the TP Salary Schedule for "Other Compensation," and is two-thirds of the regular substitute teacher rate established for the prior school year (this salary is not subject to retroactive adjustment). For example, the prior school-year rate for a 1993 summer school substitute teacher is published in the 1992-93 salary schedules. The minimum increment earned and paid is one-half day (one-third of the regular substitute teacher rate).

M. Leave

1. Accrual. Under 20 U.S.C. 904 (reference (ay)), a TP educator (other than an individual employed as a substitute) is entitled to cumulative leave with pay. This leave is identified as educator leave. When the educator's school year includes more than 8 months of work, the educator shall be entitled to earn 10 days of cumulative educator's leave with pay. For 8 months or less during the school year, educator's leave accrues at the rate of 1 day for each calendar month worked or part thereof. The full school year accumulation of educator's leave is credited to the educator's leave record when the school year begins (normally in August) or whenever the educator enters on duty (e.g., after the start of the school year). Should an educator be separated for any reason before the school year ends, any leave credited but not earned by the educator must be subtracted from the individual's leave balance or if already used, a debt must be established and appropriate collection action taken.

a. Part-Time Educators. A TP educator who is regularly employed on a part-time basis earns leave in an amount proportionate to the amount of time the part-time educator is regularly employed compared to full-time employment.

Example 1: A part-time TP educator was appointed to a part-time position for the full school year. The educator is scheduled to work one-half day on each duty day during the regular school year. The educator is entitled to accrue 10 half days (5 full days) of educator's leave.

Example 2: A part-time TP educator was appointed to a part-time position for the full school year. The educator is scheduled to work each Tuesday and Thursday during the regular school year. The educator is entitled to accrue two-fifths (4 days) of the 10 days of educator's leave that would be earned during full-time employment.

Example 3: A part-time TP educator was appointed to a part-time position for the last semester (one-half) of the school year. The educator is scheduled to work one-half day on each scheduled duty day during the semester. The educator is entitled to accrue one-fourth (2.5 days) of educator's leave.

b. Substitutes. Substitutes are employed in TP positions only on a temporary intermittent basis and are not entitled to earn leave.

c. Summer Recess Appointments. Leave is not earned during summer recess period appointments to TP positions, to include summer school educator positions and other temporary appointments.

2. Use

a. Minimum Charge. The minimum charge for educator's leave is one-half day, and additional charges are in multiples thereof. An occasional absence from duty of less than one-half day may be excused for adequate reasons without charge to educator's leave, at the discretion of administrative authority. Leave charges are reported to the civilian payroll office on the educator's time and attendance report.

b. Authorized Absences. A TP educator may use accrued educator's leave during the school year for:

- (1) Maternity purposes;
- (2) Illness of the educator;
- (3) Illness, contagious disease, or death in the immediate family of the educator that requires his or her absence;
- (4) Any personal emergency; and

(5) Any purpose. With the appropriate advance notice and prior approval of the supervisor, not to exceed 3 days of educator's leave, in a given school year, leave may be used for any purpose. Educator's leave used for any purpose may not normally be used during orientation week or the first or last week of the school year. An exception may be made when an educator has been accepted for an educational program and must report prior to the end of the school year.

c. Summer Recess. Accrued educator's leave may not be used during any summer recess educator appointment. An absence during a summer recess appointment is without pay.

d. Nonwork Days. Saturdays, Sundays, regularly scheduled holidays (including U.S. holidays and host-nation holidays) and other administratively authorized nonwork days are not days of leave. See 20 U.S.C. 904(b) (reference (ay)). Therefore, a TP educator who is in a nonpay status immediately preceding and following a scheduled holiday is not charged LWOP for the scheduled holiday.

3. Advance. Under unusual circumstances, 30 days of educator's leave (above the amount already credited for the current school year) may be advanced to an educator for use on any scheduled duty day within the school year. Such advance is subject to subsequent earning of educator leave, or repayment upon separation for leave advanced but not earned. The immediate supervisor may approve requests for up to 10 days of advance educator leave. Requests in excess of 10 days of advance educator leave must be submitted to the district superintendent or regional director, as appropriate. Approved requests are then submitted to the civilian payroll office by the approval official.

4. Leave Without Pay (LWOP). Up to 3 days of LWOP may be requested by a TP educator and approved by the immediate supervisor. The district superintendent or director may approve LWOP requests for TP educators in excess of 3 days but less than 30 days. The regional director may approve LWOP requests of 30 days or more.

5. Conversion

a. A TP educator is credited with sick leave to his or her credit immediately prior to the effective date of his or her conversion, transfer, promotion, or reappointment to a TP educator position. He or she must be an employee of the federal government or the District of Columbia, however, and be transferred without a break in service, from a position under a different leave system to a TP educator position. Sick leave so credited is included in the educator's balance of educator's leave.

b. Annual leave is not credited, except for educators who were initially converted from GS/GM positions to TP salary schedule K and L educator positions on October 11, 1987.

6. Transfer and Recredit

a. When a TP educator is separated from a DoDDS TP educator position and is reappointed in another DoDDS position with a break in service of no more than 3 school years, his or her educator's leave account is certified to the employing agency for credit as sick leave on the SF 1150.

b. When a TP educator is separated from an educator position and is reappointed to a position subject to another leave act without a break in service, his or her leave account is certified to the employing agency for credit in accordance with 5 C.F.R. 630.501 (reference (l)).

c. If a TP educator accepts temporary employment with the federal government in a non-TP educator position during a summer recess, the TP educator's leave account shall not be transferred to the leave account of the summer position. Any sick leave earned during the temporary summer employment shall be credited and any unused sick leave balance shall be transferred to the educator's leave account when the educator returns to duty in his or her regular TP educator position.

7. Liquidation Upon Separation

a. Any annual leave earned under a different leave system and remaining to the credit of a TP educator upon separation shall be liquidated by a lump-sum payment in accordance with 5 U.S.C. 5551 (reference (b)) and 20 U.S.C. 904(f) (reference (ay)).

b. Educator's leave earned by a TP educator or included in the educator's leave balance per subparagraph 070201.M.5.a., may not be liquidated upon separation through lump-sum payment.

8. Sabbatical Leave. Year-long education leave at half pay (sabbatical leave) may be authorized for a DoDDS educator appointed to a TP position for educational purposes, when the course of study is determined to be appropriate by the regional director. An SF 50 is not required. The approved request for training, however, should reflect that the educator will be in an LWOP status one-half of each day during the year-long period.

a. Benefits and Entitlements. Educators granted sabbatical leave at half pay shall continue to receive life insurance and health benefits coverage in the same manner as if they were in full pay status. Retirement contributions shall be deducted for only one-half year; however, the educator is entitled to a full year's credit for retirement. Educator leave is not earned, nor should it be deducted (i.e. used) from the educator's leave account during the training period. Any pay step increase that would have been authorized should be granted as if the educator had worked a full school year.

b. Pay-status Reporting. The educator's work schedule should not change. Therefore, the time and attendance report for each pay period should reflect that the educator is in a LWOP status one-half of each day.

N. Allowances and Differentials. Entitlement of a TP educator to government quarters, cost-of-living allowance, and post differential is determined in accordance with the DSSR (reference (t)), and DoD 1400.25-M, subchapter 1250 (reference (u)). A TP educator employed as a substitute is not entitled to government quarters, quarters allowance, cost-of-living allowance, post differential, or storage of household goods.

070202. Pay Status During School Year and Summer Recess

A. School Year. A TP educator's school year consists of 190 duty days. In most overseas locations, these duty days fall on days during the normal workweek (i.e., Monday through Friday). However, a TP educator does not work every Monday through Friday during the school year because of nonduty days during recess periods (i.e., Thanksgiving, winter and spring recess; federal holidays; and certain host-nation holidays). As a result, the school year (i.e., from the educator's first through last duty day) may span to 22 pay periods, with approximately 213 days, Monday through Friday, between the educator's first and last duty day of the school year. Thus, there are typically 21 full pay periods, plus 3 additional days in the 22nd pay period in a given school year.

B. Summer Recess. During the summer recess period, while school is not in session, nonadministrative TP educators ordinarily are in a nonpay status. No SF 50 is required to place educators in a nonpay status or to return them to duty status at the beginning of the following school year. Educators who are returning to duty for the following full school year are entitled to have living quarters allowance payments continued during the summer recess period, in accordance with the DSSR, chapter 100 (reference (t)), although in a nonpay status. Civilian payroll offices, however, retain such educators in a pay status during the summer recess solely to facilitate payment of living quarters allowance. The DoDDS Personnel Center will notify the servicing civilian payroll office of any change (e.g., transfer, resignation, retirement, etc.) in the status of DoDDS educators.

070203. Compensation

A. The 190-Day School Year Educators

1. Daily/Biweekly Rate. A payment method that provides for a uniform biweekly payment during the school year has been adopted for TP educators assigned to a 190-duty day schedule. This method provides for consistent biweekly pay amounts throughout the year. Otherwise, the seasonal work schedule of a TP educator, in conjunction with the recess periods, would cause varying amounts of pay to be received during each pay period of the school year. It must be recognized that a TP educator earns pay at a rate that differs from the rate used to pay out the salary. The following must be understood to compute a TP educator's pay:

a. Duty Days = 190. This is the actual number of duty days and is the standard divisor used to determine a TP educator's daily salary rate, or "190-Rate."

b. School-Year Days = Duty Days plus Monday through Friday recess days. This is the total number of days (Monday through Friday) falling within an educator's first to last duty day during the regular school year. Thus, in addition to the 190 actual duty days, the school-year days also include all nonwork recess days (Monday through Friday) during the regular school year. Recess days are those days such as federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when educators are not scheduled to work. For most school years, the school-year days will equal 213. The school-year days is used to determine an educator's school-year rate, or "213-Rate." The school-year rate is obtained simply by dividing the school-year salary by the number of school-year days published on the regional school-year calendar for the school to which the educator is assigned. The school-year rate is the daily rate used to provide a uniform payment for each biweekly pay period. This rate is multiplied by 10 days to arrive at an educator's biweekly base pay amount.

c. Foreign Post Allowance/COLA Days = School-Year Days plus weekend days. This is the total number of calendar days elapsed during the school-year calendar period. The number of foreign post allowance/COLA days is used to determine the "COLA daily rate" used to compute the biweekly amount paid for COLA in those areas where applicable.

2. Reducing Pay for Absences Without Pay. Computing a TP educator's pay using the school-year rate (see subparagraph 070203.A.1.) provides for uniform pay amounts each pay period but is not truly accurate when periods of non-paid absence are involved. For periods of non-paid absence such as LWOP or AWOL, an educator's biweekly pay must be reduced by 1/190th of the annual salary for each scheduled duty day that the educator is in a nonduty/nonpay status (i.e., for each scheduled duty day not worked and not in a paid leave status). Because an educator typically does not work on federal holidays or recess periods (e.g., spring break), the educator's pay is not reduced when he or she is in a nonpay status before or after a federal holiday or recess day.

3. TP Educators Beginning Work After Start of School Year. When a TP educator is appointed after the school year has begun, the educator's school year salary must be adjusted based upon the number of actual duty days remaining in the school year that the educator is scheduled to work. This means that the number of remaining actual duty days must be counted. The educator's daily salary rate (190-Rate) then is multiplied by the number of scheduled duty days remaining in the school year to obtain the educator's adjusted school-year salary entitlement. To determine how the adjusted school-year salary shall be paid out in uniform installments during the remaining pay periods, the adjusted school-year salary is then divided by the number of school-year days remaining in the school year to arrive at the adjusted daily school-year rate. Use the following formula:

a. $190\text{-Rate} \times \text{duty days} = \text{adjusted school-year salary}$

b. Adjusted school-year salary / school-year days equals adjusted school-year rate

c. Biweekly base pay equals adjusted school-year rate x 10 days

Example of an educator who reports for work after the beginning of the school year: An educator would receive a salary of \$38,000 for working a full school year (i.e., 190 duty days). The educator would have a 190-Rate (daily salary rate) of \$200.00 (\$38,000/190). This salary normally would be paid out over 213 school-year days. The educator in this example begins work on October 1. Because of the educator's late start, 23 actual duty days (August through September) will not be worked. The school-year calendar indicates that 167 actual duty days remain to be worked during the school year. Thus, the adjusted salary entitlement would be \$33,400 (\$200.00 x 167). To determine how the adjusted \$33,400 school-year salary will be paid out, the remaining school year is identified. In this example, 188 school-year days remain. The adjusted school-year salary / school-year days provide: \$33,400 / 188 equals \$177.66. The biweekly base pay equals the adjusted school year rate multiplied by 10: \$177.66 x 10 equals \$1,776.60.

4. TP Educators Separating Before the End of the School Year. When a TP educator separates (i.e., resigns, retires, or dies) before the school year ends, the educator's school year salary must be adjusted based upon the number of actual duty days that the educator worked. This means that the number of actual duty days worked must be counted. The daily salary rate (190-Rate) is then multiplied by the number of actual duty days (including any days in a paid leave status) to obtain the educator's adjusted salary entitlement. Use the following formula:

$$190\text{-Rate} \times \text{duty days} = \text{adjusted school-year salary}$$

Example of an educator who separates before the end of the school year: An educator receiving a school-year salary of \$38,000 would have a 190-Rate (daily salary rate) of \$200.00 (\$38,000/190). This salary normally would be paid out over 21 full and 1 partial pay periods. Should the educator resign after working only 120 of the scheduled 190 duty days in the school year, the adjusted salary entitlement would be \$24,000 (\$200.00 x 120). Any difference between the adjusted salary entitlement and the salary actually received to date must be reconciled.

B. 222-Day School Year Administrators

1. Daily/Biweekly Rate. Because of the longer 222 duty-day work year for TP educators in principal and assistant principal positions, the method used for payment is different from that used for other TP educators. Simply stated, the school-year salary is paid over 26 pay periods. This, in turn, provides for uniform biweekly payments throughout the year. Otherwise, the seasonal work schedule of a principal and assistant principal, in conjunction with the recess periods, would cause varying amounts of pay to be received during each pay period over the 222 duty day period. As TP educators, principals and assistant principals earn pay at a rate that differs from the rate used to pay out the salary. The following must be understood to compute a principal's and assistant principal's pay:

a. Duty Days equal 222. This is the actual number of duty days and is the standard divisor used to determine a TP educator's daily salary rate, or "222-Rate."

b. School-Year Days. This is 260 days per year and is the total number of days (Monday through Friday) in a calendar year, inclusive of the 222-duty days. Thus, the school-year day's figure includes days that fall within, as well as outside of the school year. The school-year days also includes all nonwork recess days (Monday through Friday) during the regular school year. Recess days are those days such as federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when principals and assistant principals are not normally scheduled to work. The school-year days are used to determine a principal's and assistant principal's school-year rate. The school-year rate is obtained simply by dividing the school-year salary by 260. The school-year rate is the daily rate used to provide a uniform payment for each biweekly pay period. This rate is multiplied by 10 days to arrive at a principal's or assistant principal's biweekly base pay amount.

c. Foreign Post Allowance/COLA Days = 365 (366 during leap year).

2. Reducing Pay for Absences Without Pay. Computing pay for a principal or assistant principal using the school-year rate provides for uniform pay amounts each pay period but is not truly accurate when periods of nonpaid absence are involved. For periods of nonpaid absence such as LWOP or AWOL, a principal's or assistant principal's biweekly pay must be reduced by 1/222nd of the annual salary for each scheduled duty day that the principal or assistant principal is in a nonduty/nonpay status (i.e., for each scheduled duty day not worked and not in a paid leave status). It must be noted, however, that as long as 222 full duty days are worked (to include days in a paid leave status) during the August 1 through July 31 period, including not less than 175 days during which classroom instruction is in session, a principal's and assistant principal's work schedule may be adjusted after the school year begins with no resultant change in salary. Because a principal or assistant principal typically does not work on federal holidays or recess periods (e.g., spring break), the pay of a principal and assistant principal is not reduced when he or she is in a nonpay status before or after a federal holiday or recess day.

3. School Principals or Assistant Principals Beginning Work After Start of the School Year. When a principal or assistant principal is appointed after the work year has commenced, and the principal or assistant principal will not work 222 full duty days before July 31, the principal's or assistant principal's salary must be adjusted based upon the number of actual duty days scheduled for the year ending on July 31. This means that the number of remaining actual duty days must be counted. The daily salary rate for a principal or assistant principal (222-Rate) is multiplied by the number of actual duty days remaining in the year ending July 31 to obtain the adjusted school-year salary entitlement. To determine how the adjusted school-year salary shall be paid out in uniform installments, the adjusted school-year salary is then divided by the number of calendar year days, Monday through Friday, remaining in the year ending July 31 to arrive at the adjusted daily calendar-year salary rate. Use the following formula:

a. $222\text{-Rate} \times \text{duty days} = \text{adjusted school-year salary}$

b. Adjusted school-year salary / school-year days = adjusted school-year rate

c. Biweekly base pay = adjusted school-year rate x 10

Example for a school principal who reports for work after the beginning of the school year: A principal would receive a salary of \$55,500 for working a full school year (i.e., 222 duty days). The principal has a 222-Rate (daily salary rate) of \$250.00 (\$55,500/222). This salary normally would be paid out in even payments over 26 pay periods. The principal in this example begins work on September 15. Because of the principal's late start, it will be possible to work only 189 actual duty days by July 31. Thus, the adjusted salary entitlement would be \$47,250 (\$250.00 x 189). To determine how the adjusted \$47,250 school-year salary shall be paid out, the remaining calendar year days, Monday through Friday, are identified. In this example, 228 school-year days remain. The adjustment is: $\$47,250 / 228 = \207.24 . The biweekly base pay equals the adjusted school-year rate multiplied by 10 ($\$207.24 \times 10 = \$2,072.40$).

4. School Principals or Assistant Principals Separating Before End of School Year. When a principal or assistant principal separates (i.e., resigns, retires, or dies) before the year ends, the school-year salary must be adjusted based upon the number of actual duty days that the principal or assistant principal worked. This means that the number of actual duty days worked must be counted. The daily salary rate (222-Rate) is then multiplied by the number of actual duty days (including any days in a paid leave status) to obtain the principal's or assistant principal's adjusted salary entitlement. Use the following formula:

$$222\text{-Rate} \times \text{duty days} = \text{adjusted school-year salary}$$

Example of a principal or assistant principal who separates before the end of the school year: A principal receiving a school-year salary of \$55,500 has a 222-Rate (daily salary rate) of \$250.00 (\$55,500 / 222). This salary normally would be paid out over 26 pay periods. Should the educator resign after working only 120 of the scheduled 222 duty days in the school year, the adjusted salary entitlement would be \$30,000 (\$250.00 x 120). Any difference between the adjusted salary entitlement and the salary actually received to date must be reconciled.

C. Premium Pay, Sunday Work and Holiday Work

1. A TP educator is ineligible for overtime pay or compensatory time off.
2. A TP educator appointed to a 190-day school-year position whose regular work schedule requires work on a Sunday is entitled to basic pay, plus a premium of 25 percent of the 190-Rate (daily rate). Premium pay is not authorized for TP educators appointed to principal and assistant principal positions.
3. A TP educator whose regular work schedule requires work on any of the following holidays is entitled to basic pay, plus premium pay at a rate equal to the 190-Rate (daily rate):

- a. New Year' Day, January 1 or observed day
- b. Dr. Martin Luther King's Day, third Monday in January
- c. Washington's Birthday, third Monday in February
- d. Memorial Day, last Monday in May
- e. Independence Day, July 4 or observed day
- f. Labor Day, first Monday in September
- g. Columbus Day, second Monday in October
- h. Veteran's Day, November 11, or observed day
- i. Thanksgiving Day, fourth Thursday in November
- j. Christmas Day, December 25, or observed day.

D. Appointments Between School Years. A TP educator employed between school years shall be given a temporary limited appointment for the period of actual need, not to exceed the beginning of the school year. A TP educator given a temporary limited appointment is compensated at a daily rate of 1/190th (or, if a school principal or assistant principal, at 1/222nd) of the school-year salary. When an educator has served on a nontemporary appointment during the preceding school year and is expected to continue during the following school year, a temporary appointment between the 2 school years is similar to a return to duty and the appointment is exempt from the dual pay provisions of 5 U.S.C. 5533(d)(7)(b) (reference (b)). The appointment is not subject to CSRS, FERS, or FEGLI.

E. Foreign Post Allowance

1. Daily Rate. The amount of the foreign post allowance due an eligible TP educator is based upon his or her school-year salary. The full annual amount is payable over the period of the school year. The TP educator employed on a 222-duty day work schedule (i.e., school principals and assistant principals) receives a foreign post allowance on the same basis as GS employees (i.e., on a calendar-year basis). To pay foreign post allowance to a TP educator on a 190-day work schedule, however, a different daily rate is used because of the shorter school year. To determine the foreign post allowance daily rate for TP educators assigned to 190-duty day work schedule, divide the annual foreign post allowance amount shown on the SF 1190 by the total number of foreign post allowance days occurring between the educator's first and last duty day during the school year. The foreign post allowance daily rate is multiplied by 14 to compute the biweekly amount paid each full pay period of the school year.

2. Adjustment of a Foreign Post Allowance. Any adjustment in an educator's annual salary shall cause the authorized foreign post allowance to be adjusted correspondingly. For example, the current post differential authorized an educator in Okinawa is 10 percent of the educator's basic compensation. If the educator's basic compensation during the current school year is \$45,000, but for reason is adjusted downward to \$37,000, the adjusted post differential amount authorized for payment to the educator would be \$3,700. The authorized foreign post allowance percentage would not change. It would remain consistent with the dollar amount paid the educator during that school year.

F. Extra-Duty Program. This program applies to certain personnel employed by DoDDS who are assigned extra-duty assignments. Extra-duty compensation is provided when particular extra-duty assignments are completed that are in addition to regular school duties. Such extra-duty assignments as coaching and activity sponsorship, as well as dormitory work, are included in this program.

1. Compensation for Extra-Duty Assignments

★ a. When a TP educator is selected to perform an extra-duty assignment, the he or she and the school principal sign a memorandum of understanding. The memorandum indicates the activity to be performed, the estimated number of hours to complete the activity, the hourly range the duty is to be performed within, and the amount of compensation established for that range, according to the "Other Compensation" salary schedule rates established annually by the CPMS Wage and Salary Division. The authorized hourly ranges for extra-duty activities are:

- (1) 1 - 19 Hours
- (2) 20 - 39 Hours
- (3) 40 - 79 Hours
- (4) 80 - 119 Hours
- (5) 120 - 159 Hours
- (6) 160 - 199 Hours
- (7) 200 Hours and Over

b. When an extra-duty assignment is completed satisfactorily in fewer hours than the hourly range established, the compensation must be reduced. If the school principal determines the extra-duty assignment has been completed satisfactorily in less time than identified in the approved memorandum of understanding, the educator shall be compensated at the rate established for the appropriate lower hourly range. Should the hours worked fall short of the original range, or an educator is unable to complete the extra-duty assignment for a reason

acceptable to management, a lesser payment than the amount indicated in the approved memorandum of understanding may be paid on a pro rata basis. The formula for computing a lesser payment is the mid-point hour of the appropriate hourly range divided into the hours actually worked. The resulting quotient is then multiplied by the dollar value assigned to the regular hourly category. For the 200 and over range, the mid-point = 220.

c. Upon completion of the extra-duty assignment, the school principal shall certify that the assignment has been completed satisfactorily and that compensation is authorized. This certification must be submitted to the civilian payroll office as soon as possible, but not later than May 31, to facilitate payment by the end of the school year.

★ d. Substitute teachers who substitute as dormitory counselors shall be compensated in accordance with Schedule A rates published by the CPMS Wage and Salary Division.

e. School principals and assistant principals are eligible to receive extra-duty compensation only for additional work performed while on temporary assignment (detail) as a staff development specialist.

2. Additional Compensation for Dormitory Counselors. A TP educator assigned to a dormitory counselor or supervisory dormitory counselor position and who is assigned an irregular tour of duty (which includes work on all nights, Sundays, and holidays, as well as sleep-in time), may receive additional compensation identified as "Condition of Employment Compensation." Such an educator also may be eligible to receive "Additional Hours Compensation," for hours worked beyond the scheduled hours of work. A dormitory counselor and a supervisory dormitory counselor is scheduled to work 80 hours per pay period during the school year and is additionally required to sleep-in according to an established work schedule.

a. The Remarks section of the counselor's SF 50 shall indicate any eligibility to receive condition of employment compensation. Eligibility for condition of employment compensation also established eligibility to receive additional hours compensation.

★ b. Condition of employment compensation is established as an annual rate by the CPMS Wage and Salary Division. The rate to be used depends upon the type of work schedule established for dormitory operations and whether the individual dormitory counselor or supervisory dormitory counselor is required to work on a 5-day dormitory operations schedule or a 7-day schedule. The CPMS Wage Setting Division establishes the annual compensation payable in the "Other Compensation" salary schedule. The payable rate of additional compensation per school year is identified as either the 5-day, 40-hour rate or the 7-day 40-hour rate.

c. Additional hours compensation is paid on an "as worked" basis and is for work performed by a dormitory counselor or a supervisory dormitory counselor who is required to work in excess of 80 hours per pay period. Additional hours compensation may be paid for each full hour worked (scheduled or unscheduled) in the performance of his or her professional duties, not to exceed the annual maximum value established for a particular school year.

Additional hours compensation is paid biweekly upon completion and certification of any full hours worked. The hourly rate is computed by dividing the annual maximum amount of additional hours compensation by 190. The annual maximum amount in a 5-day dormitory schedule is determined by subtracting the 5-day, 40-hour amount of additional compensation per school year, from the 5-day, 45-hour amount of additional compensation per school year, as identified on the "Other Compensation" salary schedule. The annual maximum amount payable in a 7-day dormitory schedule is determined by subtracting the 7-day, 40-hour amount of additional compensation per school year, from the 7-day, 45-hour amount of additional compensation per school year, as identified on the "Other Compensation" salary schedule. Regardless of the number of hours required to be worked, the maximum amount of additional hours compensation paid during a given school year may not exceed the annual rate established for additional hours compensation.

G. Acceleration of FEGLI and FEHB Deductions for an Educator Assigned to a 190-Day Position. A TP educator assigned to a position with a 190-duty day work schedule, who has elected coverage under FEGLI and/or FEHB, must pay the total annual premium amount that is applicable to the school year salary that he or she is eligible to receive. This is to provide coverage during the summer recess, during which time a 190-day educator neither earns nor receives pay. The normal period of extended coverage is from the first duty day of a school year until the day prior to the first duty day of the next school year. Therefore, deductions must be accelerated to withhold more than the normal biweekly amounts paid by other federal employees. Accelerated deductions are not required for an educator assigned to a 222-duty day work schedule.

1. Calculation of Accelerated Deductions. To determine the biweekly amount to be deducted from a 190-day educator's pay for FEGLI, first find the normal (i.e., 26 pay period) biweekly amount deducted for other federal employees in the same salary bracket. For FEHB, find the biweekly withholding amount for the plan in which the employee is enrolled. After finding the normal biweekly withholding amount, multiply by 26 (to arrive at the amount to be paid for an entire calendar year) then divide by 22 (the number of full pay periods over which 190-day educators normally are paid their school year salary) to determine the amount to be deducted each pay period for an educator.

2. Coverage Upon Separation or Movement. For a 190-day educator who resigns at the close of the school year and who has elected coverage under FEGLI and/or FEHB, the actual date of separation shall be delayed sufficiently to ensure extended coverage for the period of time for which the educator has paid through the accelerated withholdings. The period of extended coverage for an educator employed for a full school year shall be through the day prior to the first scheduled duty day of the following school year. When an educator desires earlier separation, the educator's resignation must specify the earlier date for termination of coverage and acknowledge that health benefits and life insurance coverage shall continue only 31 days after the date of separation. When an educator assigned to a position with a 190-duty day work schedule is converted or appointed to a 222 or calendar year work schedule, all or an appropriate portion of any accelerated payments must be refunded should the effective date of such conversion or appointment occur during the prepayment period and withholdings relative to the new position begin. When an educator is separated before the end of the school year, the educator will be reimbursed

proportionately if the separation date is earlier than the end of the extended period of prepaid FEHB coverage.

3. Calculation of Coverage After the Beginning of the School Year.

Should a 190-day educator begin work after the first scheduled duty day of the school year, reduce the total annual premium amount for FEGLI and FEHB by the proportionate amount for the coverage period remaining through the day prior to the first scheduled duty day of the next school year. Then proceed to calculate the biweekly amount using an appropriate reduction in the number of pay periods remaining.

H. Other Deductions

1. Allotments

a. Organization Dues

(1) Allotments for employee organization dues shall be effective on the second pay period in October of each school year for a 190-day TP educator. The amount of these allotments shall be the designated dues identified on each SF 1187 initiated by a unit employee or on a list provided by each local or regional unit divided by 12 full pay periods unless mutually agreed otherwise between the parties.

(2) Unit members who enter the dues-withholding agreement at a time when less than 12 full pay periods remain in the school year shall have their dues prorated over the remaining full pay periods within the dues-withholding period.

(3) Authorization using an SF 1187 for dues withholding shall continue in full force and effect if a "not-to-exceed" employee is given another excepted appointment in the bargaining unit prior to the expiration of the not-to-exceed appointment.

(4) The civilian payroll office shall prepare the remittance at the close of each pay period for which deductions are made. Remittances shall be prepared and forwarded on the same pay schedule as for unit employees after the close of each pay period. Remittance shall be sent to the appropriate address in each region. Each remittance shall be accompanied by a listing of names and amounts withheld. See subparagraph 090203.H. for guidance on preparing this report.

(5) Dues withholding authority is carried forward automatically to the next school year unless notification to stop the deduction is requested. Educators can request that deductions for organization dues be stopped only once a year either on September 1 or the anniversary date on which the employee initially authorized dues withholding, whichever is later. A revocation must be received in the civilian payroll office prior to the appropriate date as indicated above.

(6) Local or regional units must provide a list of employees who are to have dues withheld no later than 2 weeks prior to the beginning date of the pay period in which withholding is to begin for that unit. The listing must identify the bargaining unit name or number, location, address, point(s) of contact and phone number(s). Employee information required includes employee name, SSN, location assigned and amount of dues to be withheld for that school year.

b. Savings Allotments and Allotment Allowed for 190-Day TP Educators Assigned in Overseas Areas. Savings and other allotments, as authorized in chapter 4, may be deducted over the number of full pay periods in the school year.

c. Savings Bonds. Savings bonds are authorized separately without regard to the number of savings allotments. Savings bonds are continued automatically into the next school year unless canceled by the employee.

2. TSP. A TP educator may elect to have either a percentage or dollar deduction for TSP in accordance with guidelines set forth in section 0415. TSP deductions shall be taken from the annual retroactive salary adjustment given to educators each year only if the educator has specified that a percentage be withheld.

I. Compensation of TP Educators Appointed as Junior Reserve Officer Training Corps (JROTC) Instructors

1. The DoDDS employs retired military officers and non-commissioned officers as TP educators in its JROTC overseas program. The school-year salary of JROTC instructors is an amount equivalent to the active duty pay and allowances that the instructor would receive if ordered to active duty at the location of the DoDDS school to which assigned. This salary is reduced by the amount received as retired pay.

★ 2. The CPMS Wage Setting Division establishes an additional annual amount of supplemental pay. The supplemental amount is not part of a JROTC instructor's basic compensation.

3. A JROTC instructor's salary is paid on the same basis as other 190-day TP educator's pay during the school year. The additional annual amount of supplemental pay authorized is prorated over the normal 22 pay periods.

4. Because the base salary of a JROTC instructor employed by DoDDS includes an amount equivalent to basic allowance for housing for his or her military grade (including a variable housing allowance), an instructor's pay must be reduced in an equivalent amount should the instructor reside in rent-free government quarters.

J. Waiver of Erroneous Payments of Pay and Allowances. The procedures outlined in paragraph 080306 generally will be followed when processing applications for waiver of erroneous payments of pay and allowances submitted by DoDDS employees. Applications of

DoDDS employees received by the civilian payroll office shall be forwarded to the DoDEA Personnel Center for adjudication rather than the Defense Debt and Claims Management Office of the appropriate DFAS Center.

★ 070204. DoD Domestic Dependent Elementary and Secondary Schools (DDESS). Title 10 United States Code, section 2164 (reference (ar)) authorizes the Secretary of Defense to provide for the elementary or secondary education of the dependents of members of the Armed Forces and, under certain conditions, for dependents of civilian employees residing on a military installation in the United States, if a determination is made that appropriate educational programs are not available.

0703 OTHER THAN FULL-TIME CAREER EMPLOYEES

070301. Part-Time Employment. Part-time employment generally is no less than 16 and no more than 32 hours a week under a schedule consisting of an equal or varied numbers of hours per day. Employment may be between 32 and 64 hours in a biweekly pay period in the case of a flexible or compressed work schedule (5 U.S.C. 3401 (2)) (reference (b)). It does not include employment on a temporary or intermittent basis. To be considered part-time, an employee must have a regular schedule, set in advance, of at least one hour in each administrative workweek in each biweekly pay period. See P.L. 95-437 (reference (e)), 5 U.S.C. 3401-3408 (reference (b)), and 5 C.F.R. Part 340 (reference (l)).

A. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

1. Overtime Pay. Under 5 U.S.C. 5542 (reference (b)), overtime pay for eligible part-time employees is provided only for work over 8 hours a day or 40 hours in a week.

2. Compensatory Time Off. Under 5 U.S.C. 5542 (reference (b)), part-time employees may elect to take compensatory time off in lieu of overtime pay to which entitled. Part-time employees may elect to perform compensatory overtime work to replace time taken off for religious observances.

3. Sunday Pay. Part-time employees are not entitled to Sunday premium pay for working on Sundays.

4. Night Differential Pay. Part-time employees are entitled to night pay for work performed between 6:00 p.m. and 6:00 a.m. as part of their regularly scheduled administrative workweek.

5. Shift Differential Pay. Federal Wage System part-time employees who work a regular scheduled shift of 8 hours or less are entitled to night shift differential. However, more than half of the hours they work must be on the second or third shift. The hours for the second and third shifts are outlined in subparagraph 030303.B.

B. Leave

1. Annual Leave. To earn annual leave, part-time employees must have a regularly assigned tour of duty on at least one day of each week in the biweekly pay period. Maximum carryover at the end of the leave year is the same as for a full-time employee. Hours in a pay status include straight time and overtime hours up to a total of the basic working hours in a pay period (normally 80 hours). Leave is charged for absence during the hours the employees are scheduled to work.

a. Part-time employees with less than 3 years of service earn 1 hour of annual leave for each 20 hours in a pay status.

b. Part-time employees with at least 3 years but less than 15 years of service earn 1 hour of annual leave for each 13 hours in a pay status.

c. Part-time employees with 15 or more years of service earn 1 hour of annual leave for each 10 hours in a pay status.

2. Sick Leave. Part-time employees, for whom a regularly scheduled tour of duty has been established, earn and shall be credited with 1 hour for each 20 hours in a pay status.

3. Other Leave. Part-time employees are eligible for other leave categories, e.g., AWOL, LWOP, court leave, funeral leave, or excused absences on the same basis as full-time employees.

4. Military Leave. Each Member of a Reserve Component who is an officer or employee of the United States, (i.e., permanent, temporary indefinite, or part-time), is entitled to leave of absence from his or her duties without loss of pay, time, or efficiency rating for each day, but no more than 15 days in any fiscal year in which he or she is on active duty or training. Eligible part-time employees accrue military leave prorated on the basis of the tour of duty (5 U.S.C. 6323(a)(2)) (reference (b)). See section 0514 for guidance on recording and charging military leave.

5. Holidays. Part-time employees are not entitled to a holiday that falls outside the tour of duty. If a holiday falls on a day that a part-time employee is scheduled to work and the employee does not work, he or she is paid for the number of hours scheduled for that day. If a part-time employee works during his or her scheduled hours on a holiday, the employee is entitled to holiday premium pay only for those hours scheduled. When an installation is closed for an “in lieu of” holiday that falls on a regularly scheduled workday and the employees are prevented from working on that day, the installation may excuse part-time employees from duty by administrative order or grant annual leave or LWOP for the hours scheduled to be worked on that day. An in-lieu-of holiday is granted to replace the day designated as a holiday by federal statute or executive order when the holiday falls on a full-time employee’s nonworkday. A part-time employee who

works on an “in lieu of” holiday shall be paid straight time for hours worked. A part-time employee is not otherwise entitled to an “in lieu of” holiday.

C. Deductions

1. Retirement. Part-time employees are subject to deductions on the same basis as full-time employees.

2. Health Insurance. Part-time employees are eligible to participate in the FEHB program. The cost to the employee is the total cost of health benefits (both the employee's and the employer's share) less the government's prorated share. See subparagraph 040802.D. for more information on FEHB for part-time employees.

a. Payroll deductions and employer's contributions shall be based on the particular plan for which employees enroll and the employee's established pay periods. A career part-time employee who pays a prorated government's share of health benefits is responsible for payment of premiums for periods of nonpay status at the same rate that would be withheld if he or she was in a pay status. Enrollment may continue during nonpay status for up to 365 days.

b. When a part-time employee becomes a full-time employee in the middle of a pay period, the amount to be withheld is prorated based on part-time rules.

3. Life Insurance

a. Part-time Eligibility. A part-time employee is eligible for the FEGLI program. The actual amount of insurance (which cannot be less than \$10,000) for which the employee is eligible is based on the annual salary derived from his or her scheduled hours. If the employee is in a nonpay status for an entire pay period, no withholding to cover that pay period shall be made from future pay nor shall the employees deposit the amount which would have been withheld if he or she had been in a pay status during that period. There is no government contribution for that pay period. When a part-time employee becomes a full-time employee in the middle of a pay period, the Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices (reference (z)) requires the amount to be withheld for basic life insurance to be based on the amount of insurance last in force for the employee during the pay period (that is, the full-time rate).

b. Part-time Rates. For life insurance purposes, the annual pay for a part-time employee is the basic pay applicable to his or her tour of duty in a 52-week work year. For example, an employee whose pay is \$22,692 per annum, but is employed half-time, would have an annual pay for insurance purposes of \$11,346. If an individual is employed on a part-time basis in more than one federal agency and is eligible for FEGLI coverage in one of the positions under the Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices, subchapter S3 (reference (z)), the agency that pays the higher of the salaries must contact the other employing office, confirm the salaries paid, and assume responsibility for withholding all of the required premiums from the salary which it pays. The agency that pays the higher salary to the

individual also must provide the government contribution for basic insurance based on the aggregate amount of basic coverage the employee has from all covered positions. This will eliminate the need for the other employing office to make partial withholdings and government contributions.

★ 070302. Intermittent Employment. This is nonfull-time employment in which employees serve under an excepted or competitive service appointment without a regularly scheduled tour of duty (See 5 C.F.R. Part 340 (reference (I))). An intermittent work schedule is appropriate for a position in which the nature of work is sporadic and unpredictable so that a tour of duty cannot be regularly scheduled in advance. Intermittent employees are paid only for hours worked. Intermittent employees are entitled to overtime.

A. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked during the pay period. Intermittent employees are not eligible for holiday pay. Wage board intermittent employees are eligible for night shift differential; however, General Schedule intermittent employees are not eligible for night differential unless temporarily assigned to a regular tour of duty with night work.

B. Leave. Intermittent employees do not accrue annual or sick leave. When part-time or full-time employees are changed to intermittent, unused sick leave is held in abeyance until employees return to a scheduled tour or separate and forfeit the leave after a 3-year break in service. Any unused annual leave is paid as a lump sum, except in a situation involving a continuing program under which employees are required to return to full-time or part-time employment after a period of intermittent employment (e.g., student trainee).

C. Deductions

1. Retirement. Intermittent employees are not eligible for retirement coverage except when the intermittent employment follows employment in a covered position and there has not been a break in service of more than 3 days. Intermittent employees are subject to Social Security and Medicare deductions.

2. Health Insurance. Intermittent employees are not eligible for health insurance coverage except when the intermittent employment follows employment in a covered position and there has not been a break in service of more than 3 days.

3. Life Insurance. Intermittent employees are not eligible for life insurance coverage except when the intermittent employment follows employment in a covered position and there has not been a break in service of more than 3 days and the employee is expected to return to a covered position. The annual pay for intermittent employees is the annual rate that they were receiving at the end of the pay period or in the event of death or dismemberment, the annual rate they were receiving at the time of death or accident. For example, if an intermittent employee is paid \$7.65 per hour, the employee's annual rate of pay fixed by law is \$15,966 ($7.65 \times 2,087 = \$15,966$). If such an employee works only 2 days or 16 hours during a particular pay period, the annual rate of pay for insurance purposes is based on actual time worked during that pay

period. In this example, \$3,193 is the annual rate of pay for insurance purposes (.20 x \$15,966 = \$3,193/yr). However, insured employees whose annual pay is \$8,000 or less are covered for the minimum \$10,000 of basic insurance.

★ 070303. Seasonal Employment. Seasonal employment is defined as recurring periods of work lasting less than 12 months each year (see 5 C.F.R. Part 340 (reference (l))). Seasonal employees are placed in nonduty/nonpay status and recalled to duty in accordance with preestablished conditions of employment.

A. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

B. Leave. Seasonal employees earn leave during the time in pay status and during the first 80 hours in nonpay status each year.

C. Deductions. Regularly scheduled seasonal employees under career or career-conditional appointments, who are expected to work at least 6 months per year, are subject while in a pay status to deductions (e.g., retirement, health insurance and life insurance) on the same basis as full-time employees.

★ 070304. On-Call Employment. On-call employment is work on an as-needed basis during periods of heavy workload, with an expected cumulative service period of at least 6 months in pay status each year. See 5 C.F.R., part 340 (reference (l))). On-call employees work on regularly scheduled tours of duty while in a pay status, and subject to workload, are placed in a nonpay status, and are recalled to duty in accordance with preestablished conditions of employment.

A. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

B. Leave. On-call employees earn leave during the time in a pay status and during the first 80 hours in nonpay status each year.

C. Deductions. On-call employees under career or career-conditional appointments are subject to deductions (such as retirement, health insurance, and life insurance) on the same basis as full-time employees.

★ 070305. Piecework Employees. General authority for scheduling work and excusing absences of piecework employees is granted under 56 Comp. Gen. 393 (1977) (reference (p)) and 5 U.S.C. 6101 and 6104 (reference (b))). Piecework employees excluded from health insurance coverage are employees paid on a piecework basis except those whose work schedule provides for regular or full-time service or for part-time service with a regular tour of duty. Refer to the OPM Operating Manual, Federal Wage System (reference (q)) for information on piece rate schedules. For life insurance purposes, the annual pay for a pieceworker is the total basic earnings exclusive of premium earnings for overtime or holidays, for the previous calendar (52-week) year. Whenever the piecework rate changes, annual pay is adjusted by applying the percentage increase or decrease

in rate. If the pieceworkers had LWOP during the year, the year's earnings or adjusted earnings are divided by the number of days for which they were paid (work and leave with pay) and the average daily rate so obtained multiplied by 260 to determine annual pay. For new employees, use the first year's annual pay during the previous calendar year for pieceworkers doing similar work in their group, subject to any further adjustment of the average during the first year. Unless covered by an exception, employees paid on a piecework basis, except those whose work schedule provides for regular or full-time service, are excluded from retirement coverage by the OPM regulation. See the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)) and 5 C.F.R. 831.201(a) (reference (l)).

0704 REEMPLOYED ANNUITANTS

070401. General

A. Employees Retired from Competitive Service

1. Regulations Governing Reemployment. Instructions governing the reemployment of employees retired from the regular competitive service under CSRS and FERS are contained in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)). At the time of appointment, an SF 2806/3100 is prepared for each new employee subject to the CSRS or FERS, except for a reemployed annuitant who may qualify for a supplemental annuity as defined in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)), when chapters 100-102 are published. In that case the SF 2806/3100, showing service history only, is prepared at the time of separation.

2. Disabled Annuitants Who Recover Before Reaching Age 60. Annuity payments shall be discontinued during their reemployment and retirement deductions shall be taken from their salary.

3. Annuitants Involuntarily Separated (for Reasons Other than Age). When an annuitant's reemployment is subject to a retirement system, the annuity payments shall be discontinued and deductions shall be taken from his or her salary. When their reemployment is not subject to the retirement system, annuity payments shall be continued, and the agency shall reduce the employee's pay by the amount of the annuity, and no retirement deductions shall be taken. See the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

4. All Other Reemployed Annuitants. Annuity payments shall be continued during an annuitant's reemployment. The agency shall reduce the employee's pay by the amount of the annuity, and no retirement deductions shall be taken from his or her salary. See the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

B. Former Members of Congress

1. Continued Annuity. Under P.L. 86-604 (reference (e)), the retirement annuity of former members of the Congress shall continue with no resulting increase, when

reemployed by a federal agency subsequent to December 31, 1958. Such reemployment shall be in an appointive position on an intermittent service basis with compensation, or on a full-time or substantially full-time basis without compensation (5 U.S.C. 8344(d)) (reference (b)).

2. Notice to OPM. The OPM Retirement and Insurance Programs, Annuitant Services Division, Washington, DC 20415, shall be notified immediately of the name of any former member of the Congress when employed in an appointive position on an intermittent service basis with compensation or on a full-time or substantially full-time basis without compensation.

070402. Reimbursement to the Office of Personnel Management For Annuity Paid to Retired Civil Service Employees While Reemployed

A. General. Activities employing retired Civil Service employees, whose annuities continue during reemployment, are required to reimburse the Civil Service Retirement and Disability Fund for the gross amount of the annuity paid by the OPM allocable to the period of actual employment. The payment to the OPM is shown on DD Form 592 as "Annuitants Cost to OPM."

B. Reimbursement. The gross amount of an annuity paid by the OPM to a reemployed annuitant, applicable to each pay period, shall be entered on the SF 2812. This will serve as a schedule of voucher deductions. The completed SF 2812 is forwarded to the OPM. In addition to other items, this form must show the agency's 8-digit payroll office number, the pay period from and to dates and the amount being remitted.

C. Separation of Reemployed Annuitant. Upon separation of a reemployed annuitant, the OPM shall be notified. Each notice shall contain the annuitant's name, date of birth, SSN, retirement claim number (if available), and date of separation. In the event an annuitant is eligible for a supplemental annuity, the civilian payroll office shall prepare an SF 2806/3100, listing all service subsequent to retirement. The SF 2806/3100 should be forwarded to the OPM as provided in the CSRS and FERS Handbook for Personnel and Payroll Offices, chapter 41 (reference (i)), together with the annuitant's new SF 2801 (Application for Immediate Retirement-CSRS) or SF 3107 (Application for Immediate Retirement-FERS).

070403. Prorating Annuities for Appropriate Reductions of Wage and General Schedule Salaries

A. General. Upon reemployment, the HRO provides the SF 50 data to the civilian payroll office as to the amount of annuity being received by a reemployed annuitant.

B. Employees Retired from the Competitive Service. A reemployed annuitants who retain his or her annuity shall have his or her salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The appropriate reduction and adjusted salary shall be determined as follows:

1. An annuitant reemployed on an annual pay basis shall have his or her per annum salary reduced by the amount of the annual annuity. The remainder of the salary is computed in amounts payable on a biweekly pay period basis. Payment for overtime worked is based on an annuitant's full rate of basic pay before any reduction by the amount of their annuity.

2. An annuitant reemployed on an hourly pay basis shall have his or her daily or hourly rate of pay converted to the per annum equivalent. The per annum rate reduced by the total amount of the annuity being received by the employee. The remainder shall be reconverted to a per diem or per hour rate, as appropriate.

3. The civilian payroll office adjusts the reimbursement to the OPM following increases in an annuity as provided in the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)), and the OPM instructions issued with periodic cost-of-living adjustments.

C. Former Members of Congress. Former members of the Congress who are employed in an appointive position on an intermittent service basis and who retain their annuities shall have their salaries reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The amount of annuity allocable to each pay period shall be processed as a payroll deduction rather than as a reduction in pay period earnings as is the case with reemployed competitive service annuitants. Therefore, annuities withheld shall not reduce earnings for tax and other purposes. Annuities withheld in the case of former members of the Congress shall be remitted to the OPM as prescribed in paragraph 070402.

070404. Processing. Retirement deductions are optional for CSRS reemployed annuitants, and there is no requirement for a matching government contribution. Retirement deductions are required for FERS reemployed annuitants however, and government contributions are also required. These deductions are computed on the reemployed annuitant's basic pay before any offset due to receipt of an annuity. Deductions for Medicare (CSRS employees) or Social Security/Medicare (FERS employees) are computed on the amount remaining after subtraction of the annuity offset, in accordance with SSA guidance. Federal, state, and local taxes are computed on the amount remaining after subtraction of the annuity offset. TSP contributions are computed for a reemployed annuitant using the base salary prior to the salary offset for the annuity (TSP Bulletin 97-12) (reference (an)). Sick leave reported to the OPM cannot be reccredited upon reemployment (5 C.F.R. 630.407) (reference (l)).

070405. Computation of Lump-Sum Leave Pay. Under the provisions of 5 U.S.C. 8344 (reference (b)), the lump-sum payment for unused annual leave due a reemployed annuitant upon separation, including those retired from the competitive service and former members of Congress, shall be computed on the basis of the employee's wage or salary rate fixed for his or her position or occupation without reduction for the amount of annuity received by the employee.

0705 DECEASED EMPLOYEES

★ 070501. General. See 5 U.S.C. 5581-5583 (reference (b)). An SF 1152 (Designation of Beneficiary Unpaid Compensation of Deceased Civilian Employee) and an SF 1153 (Claim for Unpaid Compensation of Deceased Civilian Employee) are forwarded by the HRO to the civilian payroll office. Deceased civilian employees include former employees who die after separation from the employing installation and before receipt of final pay and allowances. Refer to paragraph 070508. for information on the death gratuity payment authorized under P.L. 104-208 (reference (e)). Unpaid compensation includes all pay, allowances, or other amounts due at the time of death, such as:

- A. Current salary (including any retroactive salary)
- B. Savings bonds (if no co-owner or beneficiary was designated) and savings bond balance
- C. Unclaimed or non-negotiated checks. A collection voucher is required to be prepared for non-negotiated returned checks
- D. Cash awards
- E. Foreign and nonforeign area differentials and allowances
- F. Lump-sum annual leave payment
- G. Travel reimbursement
- H. Severance pay.

★ 070502. Payment. Upon notice of the death of a civilian employee, the civilian payroll office takes action to prepare an SF 1154 (Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee) to permit prompt payment of the amounts due. In accordance with the OPM regulations issued pursuant to 5 U.S.C. 5581-5583 (reference (b)), in certain instances the amounts due may be paid directly as indicated on the SF 1153 from the HRO. In certain other instances outlined in subparagraph 070502.B, however, the amounts due may be made only after being authorized by the OPM on the basis of claims forwarded to the OPM.

A. Direct Payment. Direct payment is permitted to claimants legally entitled to such payments. When paying more than one beneficiary, the civilian payroll office shall apply percentages due each beneficiary as specified by the deceased. If the deceased did not specify any percentages, the civilian payroll office shall divide the total amount equally among the eligible claimants. The legal claimants are determined based on the following order of precedence:

1. The beneficiary or beneficiaries designated by the employee in writing to receive such compensation. The designation must have been filed with the employee's employing activity prior to the employee's death;

2. The widow or widower of the employee;

3. The child or children of the employee, and descendants of deceased children by representation;

4. The parents or surviving parent of the employee;

5. The duly appointed legal representative of the estate of the employee, or if none, the person or persons entitled under the laws of the domicile of the employee.

★ B. Payment After OPM Certification. Certain claims are sent to the Claims Division of the OPM for certification before payment is made. After the OPM certifies the SF 1154, it is returned to the civilian payroll office for payment. These include claims when doubt exists either as to the amount or validity of the claim or as to the person or persons properly entitled to payment.

★ C. Submission for OPM Certification. For those claims required to be settled by the OPM before payment, the civilian payroll office shall perform the following actions.

1. Write a letter of transmittal to the office identified in paragraph 060401. The following shall be included:

a. Statement regarding designation of beneficiary.

★ b. Reason why referral to the OPM is recommended. As appropriate, cite unusual circumstances surrounding the death of the employee, or eligibility of the claimant(s) to receive the unpaid compensation.

c. Amount and nature of indebtedness, if any.

d. Statement that the claim has not been and will not be paid until certified in the name of the Comptroller General.

2. Attach the following to the letter of transmittal:

★ a. Original, with the required number of copies, of the SF 1154 and subvouchers. On the SF 1154 in the block for the name of the payee, place the phrase "Payment After OPM Certification."

b. Certified copy of the leave record.

c. Copy of time and attendance report for the period covered by the voucher.

070503. Computation of Amount Due. Pay earned through the date of death and lump-sum payment for unused annual leave shall be computed and shown on a regular biweekly payroll disbursement voucher or a special payroll voucher with a charge to the applicable appropriation and other applicable accounting information. The following instructions govern deductions from unpaid salary:

A. Retirement. If the employee was covered by a retirement system, deduct the retirement contribution from unpaid salary earned through the date of death.

B. Social Security and Medicare Portions of the FICA Tax. If the employee was subject to Social Security/Medicare, deduct for Social Security/Medicare tax from unpaid salary earned before the date of death and from lump-sum payment for unused annual leave earned after December 31, 1950 (IRS Circular E) (reference (h)). Gross wages earned in the calendar year through the date of death, subject to the statutory limitation, are subject to Social Security/Medicare. Social Security/Medicare taxes will be withheld on wages paid to a beneficiary or to the estate of the deceased employee in the calendar year of death. If payment is made after the calendar year of death, such wages are exempt from Social Security/Medicare taxes.

C. Federal Income Tax. Do not deduct FITW from unpaid salary earned by an employee through the date of death (IRS Circular E) (reference (h)).

D. State Tax. Do not deduct withholding for state or (territory or District of Columbia) income tax from the unpaid salary and lump-sum leave earned by an employee through the date of death.

E. Local Tax. Do not deduct withholding for local taxes from the unpaid salary and lump-sum leave earned by an employee through the date of death.

F. FEHB. If the employee had premium withholdings for FEHB, and there is a survivor eligible to continue the enrollment, make withholdings and contributions for the periods for which pay is due. This includes the pay period during which death occurred, subject to the applicable 4-day rule provisions in subparagraphs 040802.B.8. and 040802.B.10.

G. FEGLI. If the employee was subject to FEGLI, deduct for premiums for the periods for which pay is due, including the pay period during which death occurred.

H. Savings Bonds. Do not deduct for savings bonds from unpaid wages nor issue bonds after date of death.

I. TSP. Deductions for TSP and for any TSP loans outstanding will be made.

J. Allotments. Make no deduction for the pay period in which death occurred.

K. Other Deductions. Make any additional deductions required under specific cases, such as indebtedness.

070504. Lump-Sum Payment for Accrued Leave. Do not deduct retirement, federal, state, or local income tax, health benefits, life insurance, or savings bonds from lump-sum payment.

070505. Preparation of the Withholding Tax Statement

A. Decedent Form W-2. Include gross amounts for final pay for the pay period of death and lump-sum annual leave payments as "Social Security Wages" or "Medicare Wages and Tips" only if these amounts are paid to the estate or beneficiary in the same year as the death of the employee occurs. Do not include gross amounts for final pay for the pay period of death or lump-sum annual leave payments as "Wages, Tips, Other Compensation" on the decedent's Form W-2.

B. Form 1099-MISC. Prepare an Form 1099-MISC for amounts payable to the decedent's estate or beneficiary(s). Include in "Prizes, Awards, Etc." the gross amounts for final pay for the pay period of death, lump-sum annual leave, and other moneys such as travel reimbursements received.

C. Federal Income Tax. Deceased employee's unpaid wages are not subject to federal income tax withholding in either the calendar year in which the employee died or afterwards.

070506. Transfer of Funds. The unpaid compensation is placed in deposit fund account --X6875 (Suspense) pending receipt of a claim for the compensation. If a claim has not been received within 1 year from the date the amount was placed in the deposit fund account, transfer the funds as follows:

A. Transfer to deposit fund account 20X6133 (Payment of Unclaimed Moneys) unpaid compensation that meets the following criteria: amount is \$25 or more; a refund, upon claim, would be absolutely justified; there is no doubt as to legal ownership of the funds; and a named individual can be identified with the item. Subsequent payment of claims from this account shall be made by preparing an SF 1154 citing account 20X6133 and the account of the disbursing officer that supports the consolidated civilian payroll office.

B. Transfer to miscellaneous receipt account --1060 (Forfeitures of Unclaimed Money and Property) if the claim for unpaid compensation is less than \$25 or amounts greater than \$25 that do not meet all the provisions for account 20X6133. Subsequent payment of claims from this account shall be made by preparing an SF 1154 citing account 20X1807 (Refund of Money Erroneously Received and Recovered) and the account of the disbursing officer that supports the consolidated civilian payroll office.

070507. Processing of Agency Certification of Life Insurance Status for Employee Death Cases Within DoD. When an employee dies, the SF 2821 (Agency Certification of Insurance Status) is processed under the guidance in the Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices (reference (z)). The same official cannot make the two certifications of personnel and payroll record data on the SF 2821. To help reduce the time survivors or beneficiaries must wait on insurance benefits from the Office of Federal Employees' Group Life Insurance, the following expedited processing of SF 2821 shall be accomplished within DoD.

A. For collocated HROs and civilian payroll offices. The HRO completes and forwards the SF 2821 upon notification of death of the employee, to the servicing civilian payroll office for certification. The civilian payroll office certification shall be completed and all copies of the SF 2821 returned to the HRO within 24 hours after receipt by the civilian payroll office.

B. For HROs geographically separated from civilian payroll offices. The HRO completes and mails the SF 2821, upon notification of death of the employee, to the civilian payroll office for certification. The civilian payroll office's certification shall be completed within 24 hours after receipt by the civilian payroll office. The civilian payroll office shall express-mail all copies of the SF 2821 back to the HRO.

★ 070508. Death Gratuity Payment. P.L. 104-208 (reference (e)) authorizes payment of a death gratuity to the personal representative of an employee who dies from an injury sustained in the line of duty on or after August 2, 1990.

★ A. Documentation. The civilian payroll office must receive a letter of authorization from the HRO before payment is issued. The letter must contain the following:

1. Deceased employee name
2. Employee SSN
3. Amount of gratuity to be paid
4. Name and address of the personal representative to receive the payment
5. Name and telephone number of the responsible individual to be contacted for the appropriate fund cite to be charged for payment.

★ B. Payment. An SF 1049 shall be prepared in the amount indicated and made payable to the personal representative. Payment shall be made by the close of business the following work day after receipt of the fund cite. The death gratuity payment is not considered wages for the purpose of Social Security, Medicare, or federal, state or local tax withholding.

★ C. Reporting. Form 1099-R (Statement for Recipients of Total Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, etc.) shall be prepared by the civilian payroll office and forwarded to the personal representative with a copy of the SF 1049 and the

authorization letter from the HRO. The civilian payroll office shall retain a copy of the completed SF 1049, Form 1099-R, and the authorization letter received from the HRO.

0706 EXPERTS AND CONSULTANTS

★ 070601. General. Title 5, United States Code, Chapter 31 (reference (b)) prescribes the conditions governing employment of experts and consultants. The civilian payroll office pays experts and consultants based on the SF 50 data received from the HRO.

070602. Compensation to be Paid. Determination of the specific rate to be paid experts and consultants, including the decision to pay no compensation, is made on an individual case basis. The rate for experts and consultants is not to exceed the amount authorized by the statute under which the individual's services are obtained. Normally compensation is equivalent to salaries in the GS-13 through GS-15 range. These grades are excluded from entitlement to interim geographic adjustment and locality pay.

070603. Overtime and Limitation on Pay. Because experts and consultants generally are paid on a daily rate basis, they are not entitled to more than the daily rate prescribed in the appointment documents for each day of service regardless of the number of hours worked. The designation of a regular tour of duty in the appointment documents does not necessarily preclude receipt of compensation at the agreed daily rate for work performed outside of that tour of duty-- for example, if such an employee works 6 days a week, the 6th day is paid at the straight time rate rather than the overtime rate. Experts and consultants employed on a daily basis may be paid the rate of basic compensation for work on days outside the prescribed tour of duty, provided the compensation within any biweekly pay period does not exceed the rate of basic pay for Level V of the Executive Schedule (58 Comp. Gen. 90 (1978)) (reference (p)).

070604. Salary Increases. Unless the appointment documents prescribe that General Schedule increases under 5 U.S.C. 5305 (reference (b)) automatically apply to these individuals, and without administrative action authorizing a consequent increase under 5 U.S.C. 5307 (reference (b)), an expert or consultant is not entitled to a pay increase on the basis of an increase in the General Schedule. The SF 50 data from the HRO notifies the civilian payroll office of the proper salary increase.

070605. Holiday Pay. Unless the appointment documents expressly provide for holiday pay, an expert or consultant employed on a daily basis is not entitled to compensation for holidays on which no work was performed (Comp. Gen. Decision B-131259, January 23, 1976) (reference (p)). The SF 50 data from the HRO notifies the civilian payroll office of the proper holiday pay, by an express statement that the employee is entitled to holiday pay.

★ 070606. Offset of Uniformed Services Retired Pay. As required by 5 U.S.C. 5532 (reference (b)), certain former members of the uniformed services are subject to reduction in retired pay if employed in the federal service (including experts and consultants). The employing activity is responsible for notifying the supporting DFAS Center which determines the amount of retired pay, if any, to be withheld (5 C.F.R. 550.601-603) (reference (l)).

070607. Exception from Dual Pay Restriction. Generally, an individual is prohibited by statute from receipt of basic pay from more than one position for more than an aggregate of 40 hours of work in one calendar week. Under one exception to this restriction, an individual is entitled to pay for service on an intermittent basis from more than one consultant or expert position, provided the pay is not received for the same hours of the same day per 5 U.S.C. 5533(d)(1) (reference (b)).

070608. Annual and Sick Leave

A. An expert, consultant, or other employee who serves on an intermittent or other basis without a prearranged regular tour of duty does not earn annual and sick leave (5 U.S.C. 6301(2)(ii)) (reference (b)).

B. An expert, consultant, or other employee who serves on a regularly prescribed tour of duty, full-time or part-time, does earn annual and sick leave. The HRO should determine the regular tour of duty in advance and should annotate the appointment document specifically to show whether the employee earns leave (58 Comp. Gen. 167 (1978)) (reference (p)) and (5 C.F.R. 630) (reference (l)). The accrual rate is the same as for other full-time and part-time federal employees as discussed in 5 C.F.R. 630 (reference (l)).

070609. Retirement, Life Insurance, and Health Benefits. An expert, consultant, or other employee whose service is intermittent or temporary for 1 year or less is not covered under the retirement systems and is ineligible for life insurance and health benefits. Coverage is continued, however, if an employee currently covered by retirement, life insurance, or health benefits is appointed as an intermittent or temporary (full-time or part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less. To continue life insurance coverage for an intermittent employee, there must be an expectation that the employee will return to the previous position on a full-time basis.

0707 LEGALLY INCOMPETENT EMPLOYEES

070701. General. The HRO notifies the civilian payroll office in writing when an employee is found to be legally incompetent. The HRO sends the civilian payroll office the SF 50 data that shows the employee's separation because of mental incompetence. The employee also may be on an extended leave of absence, and the HRO shall so inform the civilian payroll office. The civilian payroll office makes no payments to the employee once it has been informed that the employee is declared legally incompetent. A claim must be filed on the employee's behalf before the pay account can be settled. No specific form is required to file a claim for amounts due mentally incompetent employees or former employees. The claim must be filed in writing over the signature of the person claiming on behalf of the incompetent. If the claim is from other than a guardian or committee, the Office of General Counsel that supports the servicing payroll office should be consulted prior to making payment.

A. Guardian or Committee. The initial claim filed by the guardian or committee of the estate of a legally incompetent employee must be accompanied by a certificate of the court showing the appointment and qualification of the claimant as guardian or committee. After the first payment has been made, subsequent recurring payments may be made to the same payee without further claim as long as the appointment as guardian or committee remains in effect and the matter is otherwise free from doubt. Subsequent payment vouchers will include a citation to the voucher upon which the initial claim was paid.

B. Other than Guardian or Committee. If a guardian or committee has not been or will not be appointed, the initial claim must be supported by a sworn statement that identifies:

1. The claimant's relationship to the legally incompetent employee, if any;
2. The name and address of the person having care and custody of the legally incompetent employee;
3. A remark that any amount paid to the claimant shall be applied only to the use and benefit of the legally incompetent employee;
4. A remark that no appointment of a guardian or committee is contemplated.

070702. Claim Action. Upon receipt of a claim, consider the proposed date of separation to determine whether compensation is due currently or a payroll voucher for final settlement should be processed. To avoid invalid payments when the employee is carried on extended paid leave, the HRO will monitor the case for any changes in the employees condition, and advises the civilian payroll office immediately. File the claim in the employee's file of documents.

070703. Processing Claims. The civilian payroll office may pay claims for unpaid amounts due to legally incompetent employees unless it doubts the amount or validity of the claim or it doubts the claimant's proper entitlement to the payment.

A. Any unclaimed, undelivered, or uncashed salary checks drawn in favor of the employee are to be returned to the disbursing officer for cancellation and credit to the appropriation or fund originally charged.

B. The net amount of any returned check is to be posted to the pay record. Adjustment of the items originally deducted from the gross pay is not required if the proceeds of the check are due the employee. If the proceeds of the check are not due, prepare an SF 1098 (Schedule of Canceled or Undelivered Checks) to cancel the check and make proper adjusting entries for the deductions from gross pay.

C. Compute the amount to be paid to the claimant. Process any further payments due to the employee each pay period in the regular payroll cycle; for example, payments due when the employee is carried on sick leave.

1. Prepare a statement for all arrears of pay due. Include the net amount of any uncashed checks if the proceeds are due.

2. Enter the following on the payroll voucher (such as on a DD Form 592 under "OTHER"):

a. "Mentally Incompetent Employee." In addition, enter the name of the proper claimant and capacity in which serving, followed by the name and SSN of the mentally incompetent employee.

b. Citation of the designated deposit fund account.

c. Amount due the claimant.

3. On receipt of a properly executed claim and/or court certificate, prepare an SF 1049 to effect the disbursement of the funds from the deposit fund account designated on the payroll voucher to the claimant. The claimant's name and address appear on the voucher along with the employee's name and SSN, and the pay period. The voucher is forwarded to the disbursing officer for payment.

4. Forward a copy of the processed voucher to the claimant. A copy should also be filed in the employee's file.

5. Include in the final payment any lump-sum payment for annual leave, refund of bond balances, and any other salary amount to which the employee is entitled.

6. Record in the payroll records the official date that the employee is declared legally incompetent. Also, the name and address of the claimant shall be recorded in the payroll records.

★ 070704. Processing Doubtful Claims for OPM Certification. Doubtful claims shall be submitted to the OPM following the procedures outlined in section 0604.

★ A. Prepare the voucher for the net amount due a mentally incompetent employee per paragraph 070703. This voucher (along with the required number of copies) is sent to the OPM. After the OPM certifies the voucher, it will be returned to the submitting office for payment.

★ B. Enter "Local Payment After OPM Certification" on the face of the voucher. The OPM adds the name and legal capacity of the claimant on the voucher.

C. Certify the voucher and attach the following:

1. Claimant's legal authorization, including any certificate of the court showing appointment and qualifications of the claimant.

2. Claim from the claimant (such as letter from the guardian, administrator, etc.)

★ 3. Statement of the doubtful aspects and the reason the civilian payroll office recommends referral of the claim to the OPM.

★ 4. Certificate stating that the claim has not been and will not be paid until certified.

D. Retain a copy of the voucher and supporting documents in the employee's file.

0708 MISSING PERSONS, CAPTURED OR INTERNED

070801. General. Civilian personnel who are determined officially to be missing are entitled to continued pay and allotments from their pay under the Missing Persons Act (5 U.S.C. 5561-5568) (reference (b)) and the Terrorism Compensation Act (5 U.S.C. 5569) (reference (b)). Missing status includes persons:

A. Missing

B. Missing-in-action

C. Interned in a foreign country

D. Captured, beleaguered, or besieged by a hostile force

E. Detained in a foreign country against the employee's will.

070802. Actions by the Civilian Payroll Office

A. Upon receipt of an official determination that a civilian employee is in a missing status, return any unclaimed or uncashed checks to the disbursing area.

B. The civilian payroll office retains responsibility for the employee's pay, leave and retirement records.

C. The initiation, continuance, discontinuance, increase, decrease, suspension, or resumption of an allotment from the pay and allowances of an employee in a missing status, is

authorized when that action is in the interests of the employee, the dependents, or the United States (5 U.S.C. 5563) (reference (b)). These allotments shall comply with section 0414.

1. Allotments authorized by an employee before the missing status began normally are continued for the period of absence.

2. The missing employee's dependents may receive an allotment of the employee's pay. Dependent payments cannot exceed the employee's net pay. The needs of the dependents, the number of dependents and their relationship to the employee, however, should be considered when determining the payment amount. If possible, reserve a reasonable amount each pay period to ensure that the employee will have funds available upon return.

D. The pay and allowances of a missing employee in a captive status may be allotted to an interest bearing savings fund established by the Secretary of the Treasury (5 U.S.C. 5569) (reference (b)). Captive status means a missing status which, as determined by the President, arises because of a hostile action and is a result of the individual's relationship with the government. All or any portion of the employee's pay and allowances may be allotted to the extent that such pay and allowances are not subject to an allotment under 5 U.S.C. 5563 (reference (b)) as outlined in subparagraph 070802.C.

E. Maintain the pay account on a pay-period basis. Include normal deductions for retirement, FICA, federal and state income tax withholding, FEHB, FEGLI, and savings bond deductions in the totals for the regular payroll voucher. Schedule savings bonds for issuance when the full purchase price has been deducted on the individual pay record. Savings bonds are mailed to the person(s) in whose name(s) the bonds are registered. If not mailable, savings bonds are kept in safekeeping at the supporting DFAS Center.

F. Establish a special leave account to restore any annual leave forfeited by an employee while in a missing status after January 1, 1965.

070803. Termination of Absence. Do not separate employees while they are entitled to pay and allowances under the Missing Persons Act (5 U.S.C. 5561-5568) (reference (b)).

A. When an employee returns from a missing status, the civilian payroll office promptly vouchers the balance withheld from the employee and furnishes a resume of allotments started and paid in the employee's absence. Charge the accounting classification that was current when the pay accrued. The employee initiates any allotment discontinuances or change documents for any allotments that may have been started or changed during the absence. The civilian payroll office pays future salaries using normal payroll procedures.

B. When the employee returns from missing status, furnish a statement of the special leave account balance to the employee's HRO. The employee elects, in writing, whether payment or credit for the leave is desired. If payment is requested, make the payment at the employee's rate of pay in effect when the leave was forfeited.

C. Upon receipt of official notice of the employee's death or presumed death, take actions outlined in section 0705.

D. Charge the pay adjustment or final settlement, including local allotment payments to dependents, to the appropriated fund account that bore the employee's salary.

0709 EMPLOYEES TRANSFERRED TO INTERNATIONAL ORGANIZATIONS

070901. General. Under 5 C.F.R. 352.301-352.314 (reference (l)), an employee who transfers to an international organization (IO) may elect to keep coverage for CSRS, FEGLI, and FEHB. Refer to subparagraphs 070901.A. and 070901.B. for TSP contributions. The employee is required to deposit the amount of the employee payments for these programs with the civilian payroll office. The employee's employing activity pays employer contributions for retirement, insurance, and health benefits coverage. The HRO notifies the civilian payroll office in writing when a transferred employee wishes to keep any one or all of these benefits.

A. A CSRS and CSRS-Offset employee who transfers to an IO can continue his or her CSRS retirement coverage. (Note: the CSRS-Offset employee reverts to full CSRS coverage during the transfer to the IO.) If an employee transferred prior to October 1, 1988, he or she can contribute to the TSP. If an employee transferred on or after October 1, 1988, he or she cannot contribute to the TSP (5 U.S.C. 8347(o)) (reference (b)).

B. A FERS employee who transfers to an IO is eligible to continue his or her retirement coverage under special procedures if he or she continues Social Security coverage (the CSRS and FERS Handbook for Personnel and Payroll Offices, chapter 12) (reference (i)). Since the employee is covered by FERS, he or she can contribute to the TSP.

070902. Computation of Payments

A. Compute amounts for retirement and FEGLI on the rate of basic compensation the employee was receiving at the time of transfer. If these amounts are changed by law or regulations while an employee is serving with an IO, recompute the amounts based on notification from the HRO and notify the employee and the IO (if applicable) of the effective date and new amount.

B. Compute FEHB on the cost of the plan of the employee's choice. If the enrollment cost changes while the employee is serving with an IO, recompute the amount based on notification from the HRO and notify the employee and the IO (if applicable) of the effective date and new amount.

C. When the SF 50 data is received showing a step increase, or general pay increase, recompute the amounts due under subparagraph 070902.A.

070903. Time of Payments. The HRO advises transferred employees to make payments promptly for each pay period. Payments are considered current, however, if received within 3 months after the end of the pay period covered by the payment (5 C.F.R. 352.309(c)) (reference (1)). The civilian payroll office advises the HRO (and carrier for FEHB) of any delayed payments. Failure to deposit payments on time ends the employee's coverage.

070904. Accounting for Payments. A DD Form 1131 (Cash Collection Voucher) is used to deposit, into a deposit fund established for such purposes, amounts received either from the individual or the employing organization. An SF 1081 (Voucher and Schedule of Withdrawals and Credits) is used to transfer the employer's contribution, if required, from the appropriation which would have been charged for the employee's pay to the proper deposit fund account. Total amounts (employee payments and contributions) are included on the current SF 2812, or prepare a supplemental, to make the total payment to the OPM. The employee's SF 2806/3100 is posted with the total annual retirement costs paid by the employee. The employee's status is shown in the Remarks section. The IO keeps an SF 2806/3100 for the entire term of employment, unless the OPM asks for it.

★ 070905. Leave Account. Employees who are transferred to an IO may elect to receive payment for accumulated annual leave or have it remain to their credit until they return to federal employment. Employees may also request payment at any time before reemployment. The HRO sets the date of separation to allow employees to use all accumulated annual leave that might otherwise be forfeited. The civilian payroll office prepares and delivers an extra copy of the SF 1150 to the employee. Upon reemployment, the civilian payroll office uses a copy of the SF 1150 to recredit sick leave and annual leave, if applicable. If the employee accepts a lump-sum payment and is reemployed within 6 months after transfer to the IO, the employee must refund the amount of the lump sum (5 U.S.C. 3582, reference).

070906. Equalization Allowances. Title 5, United States Code, section 3582(b) (reference (b)) authorizes those employees transferred to an IO, upon reemployment, to be paid an equalization allowance if the IO pay and other monetary allowances are less than the employees would have received had they been detailed from their federal jobs (5 U.S.C. 3343) (reference (b)). For conditions of entitlement, see 5 C.F.R. 352.310 (reference (1)).

A. The equalization allowance applies to employment with an IO that occurs after December 29, 1969.

B. Employees transferred to an IO are entitled to be paid an amount equal to the difference between the pay, allowances, post differential, and other monetary benefits paid by the IO and the pay, allowances, post differential, and other monetary benefits that would have been paid by the federal employer had the employees been detailed to the IO under 5 U.S.C. 3343 (reference (b)). This applies to employees (1) on reemployment, or (2) on death, if it occurs while transferred to, or during the period after separation from, an IO when the employees are exercising, or could exercise, their reemployment rights, or (3) if the employees cannot exercise their reemployment rights because of a disability incurred while transferred to an IO

C. To determine the difference, the Secretary of State defines pay for the federal government as the amount paid an employee after deductions of federal, state, and local taxes (5 C.F.R. 352.310(a)(1)) (reference (l)). Pay for IOs following the Common System of Salaries and Allowances of the United Nations and Specialized Agencies is the amount paid an employee after deduction of the staff assessment. Pay for other IOs is the tax-free pay plus a pro rata amount equal to the corresponding United Nations staff assessment. In cases when pay is subject to federal, state, and local taxes, this is the pay before deduction of the taxes.

D. Allowances, post differential, and other monetary benefits are defined by the Secretary of State as follows:

1. Federal Government. The amount that would have been paid under 5 U.S.C. 5921-5925 (reference (b)), applicable provisions of chapters 100, 200, and 500 of the DSSR (reference (t)) , and implementing agency regulations had the employees been detailed to an IO under 5 U.S.C. 3343 (reference (b)).

2. IOs Following the Common System of Salaries and Allowances of the United Nations and Specialized Agencies. The amount paid under pertinent provisions of the Staff Regulations and Rules of the United Nations and Specialized Agencies.

3. Other IOs Not Under the Common System of Salaries and Allowances of the United Nations and Specialized Agencies. The amount paid under pertinent conditions of service applied by the organizations as determined to be appropriate by the releasing agency with the concurrence of the Secretary of State.

E. Travel and subsistence expenses, transportation of effects, and leave are not considered monetary benefits for equalization allowance.

F. In exceptional circumstances when a hardship or an inequity would otherwise occur, the Secretary of State, on the recommendation of the head of the agency, may specify allowances or other monetary benefits instead of, or in addition to, those specified above.

G. The payment of equalization allowance is chargeable to the appropriation current at the time of disbursement and is subject to federal and state income tax deductions.

0710 EMPLOYEES TRANSFERRED TO STATE, LOCAL, OR INDIAN TRIBAL GOVERNMENTS OR TO INSTITUTIONS OF HIGHER EDUCATION AND OTHER ELIGIBLE ORGANIZATIONS

★ 071001. General. Title 5, Code of Federal Regulations, part 334, (reference (l)) contains information regarding temporary assignment of employees between executive agencies and states, local governments, Indian Tribal Governments, institutions of higher education, and

other eligible organizations. An employee's pay and leave provisions are in the employee's assignment agreements. If procedural problems arise in complying with the assignment agreements, contact the HRO.

0711 EMPLOYEES WHOSE WHEREABOUTS ARE UNKNOWN

071101. General. In the event an employee's whereabouts is unknown and payment cannot be made to the employee, the amount should be transferred to a suspense account. If the money is still unclaimed after 1 year, transfer the amount to the deposit fund account 20X6133 (Payment of Unclaimed Moneys).

0712 AIR TRAFFIC CONTROLLERS

071201. Retirement. Air traffic controllers have a unique retirement deduction percentage for CSRS and FERS employees. These rates are published by the OPM in the CSRS and FERS Handbook for Personnel and Payroll Offices, chapters 30 and 46 (reference (i)).

071202. Leave. Leave accruals are based on guidelines published in 5 C.F.R. part 630 (reference (l)).

071203. Overtime Computation. For an employee who occupies a non-managerial position, the overtime rate of pay is an amount equal to one and one-half times the hourly rate of basic pay of the employee. The entire amount is considered premium pay. To be eligible for such pay, the duties of a non-manager's position must be critical to the immediate daily operation of the air traffic control system, directly affect aviation safety, and involve physical or mental strain or hardship.

0713 PERSONNEL ON LONG TERM FULL-TIME TRAINING

071301. General. Long term full-time training is defined as a training period of 120 consecutive workdays or more (5 U.S.C. Chapter 41) (reference (b)) (5 C.F.R. Part 410) (reference (l)). Employees on long term full-time training are authorized payment of salary.

071302. Leave. Leave is reported via the time and attendance reporting mechanism and is administered as specified for the following leave types:

A. Annual Leave. Personnel on long term full-time training shall continue to accrue annual leave. Ordinarily, an employee will be charged with annual leave during school vacation periods which fall on government workdays, unless he or she returns to the work site or has made documented arrangements with his or her DoD point of contact to be actively involved in academic work. These documented arrangements should be accomplished well in advance of the vacation periods. Annual leave charges are reported to the civilian payroll office on the employee's time and attendance report.

B. Sick Leave. Personnel on long term full-time training shall continue to accrue sick leave. Sick leave should be charged when the person is unable to attend classes due to illness. Such sick leave charges are reported to the civilian payroll office on the employee's time and attendance report.

0714 EMERGENCY MEDICAL TECHNICIAN (EMT)

071401. Tour of Duty. The EMT works a special tour of duty of 24 hours on and 48 hours off. Schedules and changes to tours of duty for an EMT working irregular tours must be on file in the employing activity/timekeeper site. Eating and sleeping time also must be documented. The hourly rate is multiplied by 40 hours, and the base pay and premium pay is based on this weekly rate regardless of the hours in the scheduled tour of duty for that week.

071402. Eating and Sleeping. Adequate sleeping facilities must be provided for employees in order to exclude sleep time in calculating pay entitlements. If an employee cannot get an aggregate of 5 hours of sleep because of employing activity-initiated interruption, the entire sleep period is considered actual work time. For all 24-hour shifts, the two-thirds rule shall apply. This means that unless actual eating and sleeping time of less than 8 hours is documented on the employee's time and attendance report, 8 hours shall be deducted from scheduled hours to determine actual hours worked. When an employee takes 24 hours of leave, 8 hours of eating and sleeping time for that employee are deducted from actual hours of work under FLSA. Eating and sleeping time for days of partial leave must be documented on the time and attendance report so that actual hours of work are shown. Eating and sleeping time scheduled during leave periods shall be added to total eating and sleeping time so that total hours of actual work and total hours of eating and sleeping time will be shown. If an employee works an additional 24-hour overtime shift, 8 hours of eating and sleeping time are deducted unless otherwise documented as worked. If the overtime shift is less than 24 hours, no eating and sleeping time is deducted.

★ 071403. Overtime Computation. If leave is taken during a workweek, leave hours are included as actual hours worked under FLSA. Actual hours, however, shall not include scheduled eating and sleeping time for a 24-hour shift or documented eating and sleeping time for partial days of leave. Overtime computations are based on 40 hours per week instead of 80 hours per biweekly pay period.

★ 071404. Leave Accrual. Employees on uncommon tours of duty who repeating on a cycle of more than one biweekly pay period (e.g., a three biweekly pay period cycle) accrue leave based on the average hours in the biweekly tour. An EMT on a tour of duty of 96 hours for one biweekly pay period, and 120 hours for each of the following two biweekly pay periods, works an average tour of 112 hours per pay period, accrues leave based on a 112-hour tour of duty. See DoD 1400.25-M, subchapter 630 (reference (u)).

071405. Premium Pay. The amount of the premium pay for the irregular tour of duty shall be determined by the HRO and reported on the SF 50. An EMT employed as intermittent is not entitled to premium pay on an annual basis, nor is he or she entitled to paid leave. An EMT is paid under regular overtime rules.

★ 071406. Refer to 5 C.F.R. Part 551 (reference (l)) for additional guidance on pay administration for EMTs under the FSLA (reference (n)).

0715 JUDGES

071501. Administrative Law Judges

A. Authority. Under 5 U.S.C. 3105 (reference (b)), the Department appoints administrative law judges as necessary for proceedings required to be conducted in accordance with 5 U.S.C. 556 and 557 (reference (b)). Administrative law judges are assigned to cases in rotation so far as practicable. These employees may not perform duties inconsistent with their duties and responsibilities as administrative law judges.

B. Pay for Administrative Law Judges. Title 5, United States Code, section 5372 (reference (b)) established the administrative law judge pay system. The minimum rate for administrative law judge positions is set at 65 percent of Level IV of the Executive Schedule and the maximum rate is set at 100 percent of Level IV of the Executive Schedule. The administrative law judge positions are (lowest to highest) AL-3, Rate A; AL-3, Rate B; AL-3, Rate C; AL-3, Rate D; AL-3, Rate E; AL-3, Rate F; AL-2; and AL-1.

★ 071502. U.S. Court of Military Appeals Judges. The U.S. Court of Military Appeals is established under Article I of the United States Constitution, and 10 U.S.C. 941 through 946 (reference (ar)). The President of the United States, with the advice and consent of the United States Senate, appoints the judges of the court for a term of 15 years. The court consists of five judges. The court is located within the Department of Defense for administrative purposes. The judges are employees as defined under 5 C.F.R. Part 213 (reference (l)). They are not considered administrative law judges. The salaries of the judges are equal to that of the judges of the United States Courts of Appeals (that is, General Schedule Salary Table, Schedule 7, Judicial Salaries). The maximum annual salary is that of Level I of the Executive Schedule.

A. Entitlements. The judges are entitled to regular base pay only. They are excluded from the leave provisions of 5 U.S.C. 6301(2) (reference (b)). As federal judges under 5 U.S.C. 5541(2)(i) (reference (b)), they also are excluded from the provisions of premium pay under 5 U.S.C. Chapter 55, Subchapter V (reference (b)).

B. Deductions

1. Judges under CSRS are required to contribute 8 percent for retirement. Judges under FERS have the same deduction rate as other FERS employees. See the CSRS and FERS Handbook for Personnel and Payroll Offices, chapter 30 (reference (i)).

2. The FEGLI for the judges is based on Level II of the Executive Schedule.

3. The judges are subject to the Social Security/Medicare maximum salary limitations.

4. Judges, upon becoming eligible for retirement, may, under the provisions of 10 U.S.C. 945(i) (reference (ar)), elect to retire either under CSRS or FERS (if they otherwise meet the conditions of those systems) or to receive a retirement annuity under 10 U.S.C. Article 145 (reference (ar)).

★ C. Special Retirement and Survivor Benefits for Judges of the United States Court of Military Appeals. Under Article 145, 10 U.S.C. 941 through 946 (reference (ar)), judges upon becoming eligible may elect to receive a retirement annuity from the Defense Military Retirement Fund. The DFAS-Denver Center serves as the "payroll office" for employees receiving these benefits. It carries out activities such as:

★ 1. Maintain individual retirement records of individuals who elect annuity benefits under 10 U.S.C. 945 (reference (ar)).

★ 2. Issue annuity payments from moneys in the Defense Military Retirement Fund, including the collection of applicable federal and state income taxes, and collections of debts owed the U.S. Government.

★ 3. Arrange with the OPM for transfer of moneys, including interest payments authorized under 10 U.S.C. 945(a))3)(C) (reference (ar)), from the Civil Service Retirement Fund to the Defense Military Retirement Fund.

★ 4. Withhold, as appropriate, contributions from annuity for payment of federal health and life insurance premiums, make correct agency contributions, and transmit these moneys to the Civil Service Retirement Fund.

★ 5. Readjust annuity payment when events change retiree or survivor entitlements.

★ 6. Account for retirement moneys received from the OPM and disbursed to benefit recipients, insurance carriers, and federal and state tax entities.

★ 7. Cease annuity payment if employee receiving annuity elects judiciary retirement benefits under 10 U.S.C. 945(g) (reference (ar)).

★ D. Judges of the United States Court of Appeals for the Armed Forces. Judges in receipt of annuity under 10 U.S.C. 945 (reference (ar)) are responsible for advising Washington Headquarters Service (WHS) of dual compensation circumstances under 10 U.S.C. 945(f) (reference (ar)) and elections of judicial retirement benefits under 10 U.S.C. 945(g) (reference (ar)).

0716 AUXILIARY CHAPLAINS

071601. General. Civilian clergy may be assigned to perform essential religious services of the chapel program that are beyond the staffing capabilities of the Armed Forces chaplains. These auxiliary chaplains normally perform their services on military installations, except for emergency ministrations. To serve as auxiliary chaplains, civilian clergy must be ordained or accredited by a faith group recognized by the Armed Forces Chaplain Board. They must meet those additional qualifications required by the Armed Forces.

071602. Appointing and Paying Auxiliary Chaplains

A. Auxiliary chaplains may be appointed by the HRO on a "when actually employed" basis. They are paid on a fee basis from the employing activity's appropriated funds for civilian personnel (such as Operation and Maintenance funds). The HRO may appoint these chaplains under the authority of 5 C.F.R. Part 213 (reference (I)).

B. Additionally, the installation contracting office may obtain auxiliary chaplain services under non-personal services contracts. Auxiliary chaplains placed on a non-personal services contract are not paid through the civilian payroll system. They are paid through the commercial vendor process.

C. Work Schedules. Auxiliary chaplains employed on a "when actually employed" basis have no work schedule. They are paid for religious services performed.

D. Absence and Leave. There is no entitlement for leave.

★ E. Entitlements. The pay scale for auxiliary chaplains is determined by the employing activity's HRO. Because chaplains are excluded from the definition of a GS employee in 5 U.S.C. 5102 (reference (b)), they are also excluded from the entitlement to interim geographic adjustments. Social Security, Medicare, federal and state income tax withholdings are made in accordance with the tax documents filed by the chaplain. Social Security, Medicare, federal and state income tax withholdings do not apply to chaplains under non-personal service contracts.

★0717 SERVICE SECRETARIES

★ 071701. Secretaries of the Military Departments (Army, Navy, and Air Force) are paid 24 pay periods a year on a semi-monthly basis on the 1st and the 15th of the month.

★ 071702. Time and attendance is not reported. Accrual and usage of annual and sick leave is not authorized. Service Secretaries are not eligible for premium pay.

★ 071703. Deductions for FEHB and FEGLI must be calculated on a semi-monthly basis. Federal, state and local taxes are calculated on a semi-monthly basis. Deductions are made for Social Security, Medicare, retirement, and TSP.

CHAPTER 8**UNDERPAYMENTS AND INDEBTEDNESS****0801 UNDERPAYMENTS**

080101. Salary underpayments to civilian employees or former employees resulting from errors (such as in computing the federal withholding tax, retirement deductions, Social Security/Medicare tax, rate of pay, or in reporting time and attendance) may be corrected by increasing or decreasing the pay factors affected on the first payroll prepared after the error is discovered. Salary payments to civilian employees shall be made in accordance with the time and attendance reported and certified by the employee's supervisor. Time and attendance reported which is less than an employee's normal work schedule shall be presumed to reflect accurately the hours of work and nonwork. Employees or former employees who believe they have not been credited with pay due them may follow the claims procedures prescribed in section 0604.

080102. Special Payments. Salary underpayments to civilian employees may be corrected by making special payments to employees, that is, payments to employees other than through normal payroll processing.

A. The primary guideline for making a special payment (for an underpayment) is that the employee must have received less than 90 percent of his or her regular biweekly pay and allowances. Special payments shall be made for the following reasons:

1. Beneficiary payments, upon request.
2. Employees who erroneously are omitted from the payroll.

★ 3. Employees who are paid for less than 90 percent of their regular biweekly pay and allowances, when a special payment is requested by the commanding officer/director of the employing activity or his or her designee.

4. Employees who are placed in an LWOP status for payroll processing, and subsequently substitute advanced leave, annual or sick, and/or donated leave upon certification. The commanding officer/director, after reviewing each case for hardship, may request a special payment for employees provided the 90 percent guideline has been met.

B. Requests for partial payment of salary before the regular payday shall not be honored.

C. Special payments for overtime worked but not reported and, therefore, not paid in the corresponding pay period shall not be allowed.

D. Employees shall receive payment depending upon the normal distribution of their net pay. An EFT submission shall be sent to the employee's financial institution or a Treasury check shall be express mailed to the employee at his or her address of record. Payment shall be released by the close of business on the workday following receipt, by the civilian payroll office, of documentation required to substantiate payment. Payments to beneficiaries shall be made via Treasury check and mailed to the address of record. The following documentation is required to substantiate payment:

1. Beneficiaries may request a special payment by sending a letter, to the civilian payroll office, stating that payment is needed to defray expenses. The special payment shall be issued providing the civilian payroll office has received all the documentation to support the claim from the human resources organization (HRO). The civilian payroll office forwards a payment voucher and beneficiary's request to the disbursing office for payment.

2. For an individual erroneously omitted from the payroll, an SF 50 verifies the individual's employment and the supervisor's request, and certifies number of hours the employee worked together with source documents to support deductions, is needed to support payment.

3. For an employee paid for less than 90 percent of his or her regular biweekly pay and allowances, a copy of the time and attendance report or corrected time and attendance report and a request by the commanding officer/director are required to support payments.

4. For an employee placed in a LWOP status, who meet the primary 90 percent guideline, time and attendance certifier will provide corrected time and attendance reports and the commanding officer's request to the civilian payroll office to support the payment request.

E. The DoD civilian payroll offices shall use DD Form 592 as the voucher for requesting special payments.

★ F. Computation of Special Payments. Special payments shall be computed using the "gross-to-net" method. Gross-to-net payments represent the regular biweekly pay and allowances normally due the employee less any required deductions and withholdings. Deductions and withholdings may be for retirement (CSRS and FERS), Social Security and Medicare, federal tax, health benefits premiums, group life insurance premiums (basic and optional), state tax, city or local tax, TSP, or TSP loan repayment, indebtedness, military service credit deposits, and garnishments. Deductions and withholding amounts and the applicable appropriations shall be annotated on the payment voucher for direct disbursement. The following procedures are applicable for gross-to-net special payment processing:

1. No pay received. The employee shall be paid gross entitlements less applicable deductions and withholdings listed in subparagraph 080102.F. Exclude deductions for voluntary allotments and savings bonds. The employee is responsible for any existing voluntary

allotments. All deductions and withholdings shall resume the following pay cycle, including voluntary allotments and savings bonds.

2. Less than 90 percent of regular biweekly pay and allowances received.

The employee is entitled to the difference between what was paid and what should have been paid. The civilian payroll office shall deduct additional amounts for applicable items listed in subparagraph 080102.F., unless previous payroll processing has satisfied the deductions. The employee shall be responsible for any existing voluntary allotments that were not deducted during previous processing. All deductions and withholdings shall resume the following pay cycle.

3. Final special payment. An employees who received his or her final pay as a special payment should be paid gross entitlements less all required deductions and withholdings of items listed in subparagraph 080102.F. Additionally, the employee may receive a payment for accrued savings bond balances for which bonds have not been issued. The employee is responsible for voluntary allotments. The employee's final pay is subject to withholdings to liquidate any unsatisfied government indebtedness.

G. Processing of special payments made after the last regular pay period of the pay year, but before the end of the calendar year.

★ 1. Federal, state, and local taxes, Social Security and/or Medicare withheld from special payments made after the last regular pay date, but before the end of the calendar year, shall be forwarded to the applicable offices as soon as possible after the end of the year. (Note: When computing or making deductions for Social Security, the civilian payroll office shall ensure the employee has not reached maximum withholdings for the year.) In completing the supplemental DD Form 592 for any canceled checks or special payments, the civilian payroll office shall include all deductions and contributions for Social Security and/or Medicare, federal, state, and local taxes. If the Forms W-2 (Wage and Tax Statement) have not been printed, the civilian payroll office shall process updates to ensure special payments or canceled checks are included in the history totals for subsequent Form W-2 printing. If Forms W-2 have been printed, the civilian payroll office shall issue Forms W-2c (Corrected Wage and Tax Statement) in accordance with IRS Circular E (reference (h)) and Form 941c.

2. Process an SF 1081 (Voucher and Schedule of Withdrawals and Credits) to correct an employee's CSRS or FERS retirement deductions withheld from a special payment. Input the SF 1081 during the next pay cycle to correct both the prior year-to-date and cumulative retirement deductions and the current year opening balance.

3. Special payments for TSP participants are subject to TSP deductions provided the employee has not reached the maximum deduction or contribution level established by law. TSP deductions withheld from special payments after the last regular pay date in the pay year, but before the end of the calendar year, shall be combined with the next pay cycle for reporting and submission to the NFC.

H. Since a special payment is an off-line process and employees do not receive a regular LES, the civilian payroll office shall provide information to the employee of the effects of the special payment.

I. Taxation of Retroactive Payments

1. Time and Attendance. All time and attendance retroactive transactions shall be taxed using the rate associated with the current Form W-4. Combine the retroactive wages with the wages from the last pay period prior to the current to determine the basis to recompute tax withholdings. Recompute the taxes and determine the retroactive tax withholdings by subtracting the taxes withheld during the last pay period from the recomputed taxes.

2. Retroactive Wage Increases. Retroactive wage increases shall be considered as supplemental wages and taxed at the flat 28 percent rate if taxes were withheld from regular wages during the last preceding payroll period in which wages were paid within the same calendar year. If taxes were not withheld from those regular wages, the rate associated with the current Form W-4 should be used.

3. Supplemental Payments (Awards, Lump-Sum Leave, Separation Pay Incentives). Supplemental payments shall be taxed at the flat withholding rate of 28 percent if taxes were withheld from regular wages during the last preceding payroll period in which wages were paid within the same calendar year. If taxes were not withheld from wages, the rate associated with the current Form W-4 rate should be used.

0802 INDEBTEDNESS

080201. General

★ A. The Department shall collect indebtedness due the United States promptly in accordance with the Debt Collection Improvement Act of 1996, section 31001 of P.L. 104-134 (reference (e)), the Debt Collection Act of 1982, P.L. 97-365, as amended (reference (e)), the Federal Claims Collection Standards, 4 C.F.R. Parts 101-105 (reference (ba)), 5 C.F.R. Parts 179 and 550 (Subpart K) (reference (l)), and DFAS Regulation Number 005 (reference (w)). Volume 5 of this Regulation also should be consulted regarding indebtedness and debt collection. There are four ways to collect debts owed to the United States by civilian employees:

1. The employee consents to pay or permits withholding from pay;
2. The government collects involuntarily from the employee's current salary or pay where authorized by statute;
3. The government collects involuntarily by offset from any other amounts payable to the employee by the government when authorized by statute; or
4. The government files suit in court against the employee and prevails.

B. When specific statutory authority exists for the collection of a particular debt, the provisions of that statute and its implementing regulations must be used in determining the applicable collection procedures (64 Comp. Gen. 142 (1984)) (reference (p)). When a more specific statute that authorizes collection in a particular case does not exist, use the collection authority (either 5 U.S.C. 5514 (reference (b)) for offset from current pay or 31 U.S.C. 3716 (reference (d)) for offset from other amounts due, as appropriate) to collect debts to the United States.

1. Title 5, United States Code, section 5514 (reference (b)) authorizes collection from those civilian employees who are indebted to the United States. Generally, the amount deducted may not exceed 15 percent of disposable pay (as defined in subparagraph 080307.B.2.) unless the employee gives written consent that a greater percentage may be deducted. The employee must be given an opportunity for a hearing, in addition to other due process requirements, before offset is initiated. See section 0803 for processing collections under this statute.

2. Title 31, United States code, section 3716 (reference (d)) authorizes collection of debts from final pay and lump sum leave payments of civilian employees. This statute is, in effect, a catchall provision that applies only when there is no other offset statute available. There is no limit on the maximum rate of collection under this statute, and all money payable to a person by the government is subject to offset. See paragraph 080309 for procedures used in processing collections under this statute.

C. Under 4 C.F.R. 102.3(b)(5) (reference (ba)), salary or administrative amounts payable to employees shall be offset involuntarily before initiation of, or at any time during, due process procedures if failure to take the offset would substantially prejudice the civilian payroll office's ability to collect the debt; time before payment must be made does not reasonably permit completion of the procedures; and such prior offset is promptly followed by due process procedures.

D. When an employee owes more than one debt to the United States, deductions currently being made normally shall continue until the debt is paid. However, the civilian payroll office shall change the priority of the deductions when necessary to ensure maximum amounts are collected before any statute of limitations expires. Debts owed by employees to more than one DoD Component or another federal agency shall be collected in the following priority sequence:

1. Debt to the employee's employing agency or department.
2. Debt to other DoD Components
3. Debt to other federal agencies

080202. Overpayments of Pay and Allowances

★ A. Overpayments to employees result from such causes as errors in computing federal withholding tax, CSRS or FERS deductions, or Social Security and/or Medicare deductions, improper rates of pay, errors in reporting time worked, and erroneously accrued annual leave. These may be discovered both inside and outside the civilian payroll office. The head of each DoD civilian payroll activity has the overall responsibility for ensuring that all overpayments are recovered expeditiously from the recipients or that other appropriate disposition, such as waiver of the indebtedness, is accomplished. He or she also is shall ensure that employees are afforded all legal rights relative to the indebtedness arising from overpayments. These responsibilities may be delegated to another appropriate official within the financial community.

B. The following debts are not authorized as payroll deductions:

1. Collection of debts to private creditors, except as authorized by P.L. 103-94, "Hatch Act Reform Amendments of 1993" (reference (e)).

2. Contributions to charities, except as authorized in subparagraph 041402.J.

3. Payment of insurance premiums, except as authorized in subparagraphs 041402.C. and D., international agreements, or arrangements with foreign governments.

4. Payment of dues to civic, fraternal, or other organizations, except as authorized in subparagraph 041402.I.

5. Collection of state and local/city tax indebtedness.

6. Collection of debts owed to NAF instrumentalities.

0803 RECOVERY OF OVERPAYMENTS OF PAY AND ALLOWANCES FROM CURRENT DOD EMPLOYEES

080301. General. The authority to collect overpayments of pay and allowances resulting from civilian payroll operations by salary offset is 5 U.S.C. 5514 (reference (b)). The civilian payroll office:

A. Computes the amount of the overpayment

B. Notifies the HRO immediately if corrective personnel action is required.
Continued payments of erroneous pay and allowances shall not be authorized

C. Provides the employee due process before collecting an overpayment of pay and allowances paid by the civilian payroll office

- D. Corrects the employee's records when appropriate.

080302. Debts for Health Benefits or Life Insurance Coverage

A. If an employee elects coverage or changes coverage in a federal benefits program (e.g., the FEHB or FEGLI program), and the amount to be collected accumulated over four pay periods or less, under 5 C.F.R. 550.1104(c) (reference (l)) all deductions pertaining to the period of coverage may be made without the necessity of affording the employee full due process (written notification, opportunity for a hearing, etc.) under 5 U.S.C. 5514 (reference (b)). In such cases, the civilian payroll office notifies the employee either in advance or concurrent with the actual collection that, (1) because of the employee's election, future salary shall be reduced to cover the period between the effective date of the election and the first regular withholding, and (2) the employee may dispute the amount of the retroactive collection by notifying the civilian payroll office for resolution of the dispute. An appropriate notice on the LES may meet the requirement for notification.

B. The Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) states that a reasonable installment rate to liquidate the debt should not be set above 25 percent of the employee's net pay unless the employee requests a higher rate, or the expected period of continued employment is such that a higher rate is needed to complete recovery in the time available. If processing delays exceed four pay periods, full due process procedures prescribed under 5 U.S.C. 5514 (reference (b)) shall be extended to the employee as outlined in section 0803. The Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (y)) contains the procedures pertaining to debts arising from the payment of health benefit premiums for periods of nonpay status or when salary is insufficient to cover the required premiums.

080303. Notification

A. Under the provisions of 5 C.F.R. 550.1104 (reference (l)), the civilian payroll office, or another official responsible for collection of the debt, shall issue an appropriate written demand for voluntary lump-sum payment. The demand letter shall be issued as soon as possible following the discovery of the overpayment, and shall request that the payment be made within 30 days from the date of the letter. Debts not paid by the date specified in the demand letter are delinquent unless other satisfactory payment arrangements have been made by that date, or if at any time later, the employee fails to satisfy obligations under a repayment agreement. Only one written demand is required. The civilian payroll office or the official responsible for collection of the debt must be able to demonstrate that the employee has received the demand letter. Therefore, if hand delivery and execution of a receipt is not practical, a certified or registered notice with return receipt requested should be used. Care must be exercised to ensure that the letter either is mailed or hand delivered on the same day it is dated. When employees are given time limits to reply to civilian payroll office correspondence, 15 additional days will be allowed if the correspondence must go through non-U.S. mail systems. See Figure 8-1 for a copy of the demand letter and Figure 8-2 for a sample voluntary repayment agreement. The letter must contain the following information

1. A complete statement of facts showing the origin and amount of the debt and the basis on which the determination of indebtedness was made:
2. A request that the debt be repaid by check or money order within 30 days of notification.
3. The intention to collect the debt by means of payroll deductions if payment is not received within 30 days.
4. The amount, frequency, proposed beginning date, and duration of the deductions.
5. An explanation of policy concerning interest, penalties, and administrative costs, including a statement that such assessments must be made unless excused per the Federal Claims Collection Standards.
6. The right of the employee and his or her representative to inspect and copy government records relating to the debt or to request a copy of such records within 10 days from receipt of this letter.
7. The opportunity for the employee to establish a schedule for the voluntary repayment of the debt or to enter into a written agreement to establish a schedule for repayment of the debt in lieu of offset.
8. A statement that, if the employee has any question regarding the indebtedness, he or she may ask for and receive an explanation from the civilian payroll office. Also, a statement advising that, if the employee wishes to contest the indebtedness (request a reconsideration), he or she may do so by submitting a written statement to that effect within 15 calendar days of the date of the notification. This right of reconsideration is separate from, and may be used in addition to, the right to request a hearing discussed in paragraph 080305.
9. A statement identifying the employee's opportunity for a hearing on the determination concerning the existence, or the amount, of the debt; or when a repayment schedule is established other than by written agreement, a hearing concerning the terms of the repayment schedule. The statement also shall advise that a request for a hearing on either the existence of the debt, the amount of the debt, or the repayment schedule must be made in writing within 30 days of the receipt of the notice of indebtedness or within 45 days after the receipt of the records relating to the debt, if such records are requested by the employee.
10. Notice, if a hearing is given, of the employee's right to receive a written decision from the official holding the hearing within 60 days after the filing of the petition unless the employee requests, and the hearing official grants, a delay in the proceedings.

11. A statement that the timely filing of a petition for a hearing shall stay the beginning of collection proceedings, and that interest and penalty charges shall not accrue during the period from the timely filing of a petition for a hearing until issuance of the hearing official's decision.

12. A statement that any knowingly false or frivolous statements, representations, or evidence may subject the employee to:

a. Disciplinary procedures appropriate under 5 U.S.C. chapter 75 (reference (b)); 5 C.F.R. 752 (reference (l)), or any other applicable statutes or regulations;

b. Penalties under the False Claims Act, 31 U.S.C. 3729-3733 (reference (d)), or any other applicable statutory authority; or

c. Criminal penalties under 18 U.S.C. 286, 287, 1001, and 1002 (reference (bb)) or any other applicable statutory authority.

13. A statement that the employee may request a waiver of the overpayment of pay in accordance with 5 U.S.C. 5584 (reference (b)) (see paragraph 080306.).

14. A statement that amounts paid or deducted for the debt, which are later waived or found not to be owed to the U.S. Government, shall be refunded promptly to the employee upon his or her request.

15. The specific address to which all correspondence shall be directed regarding the debt.

B. The civilian payroll office is encouraged to notify an employee informally by telephone of an overpayment of \$100 or less. If an employee agrees with repayment of the overpayment, the civilian payroll office forwards a voluntary repayment agreement (see Figure 8-2) for the employee to complete and return. After receiving the signed voluntary repayment agreement, the civilian payroll office shall begin collecting the indebtedness as indicated on the agreement. If requested by the employee, and agreed to by the civilian payroll office, the remittance can be deferred for up to two pay periods with the agreement adjusted to reflect that deferral. If, for any reason, the civilian payroll office does not receive payment or a signed voluntary repayment agreement, the civilian payroll office prepares the formal written notification prescribed by subparagraph 080303.A.

080304. Inquiries and Reconsiderations

A. The civilian payroll office must respond courteously and factually to any questions raised by the employee as a result of his or her receipt of the demand letter. Copies of relevant documents requested by the employee must be furnished. The civilian payroll office must be prepared to respond not only to inquiries regarding pay and leave entitlements, but also to inquiries regarding the nature of the employee's rights and how to exercise these rights. Although

the submission by the employee of a written statement contesting the debt does not abrogate the employee's right to a hearing, all reasonable efforts shall be made to satisfy an employee's doubts regarding the amount or validity of the debt within the civilian payroll office's own resources, thus precluding the need for a hearing in most instances. If the employee requests reconsideration of the debt, the request shall be made within 15 days of receipt of the demand letter.

B. If the employee does submit a written statement contesting the debt, the civilian payroll office shall respond, in writing, stating its conclusion in a clear manner. Such determinations are to be delivered to the employee within 15 days of receipt of the employee's letter. If additional time is needed to investigate the issue, the employee shall be advised of the delay in an interim response. This response shall also provide an estimate of when a final determination can be expected. If the civilian payroll office concurs with the employee's position, the letter shall so inform the employee.

C. If the civilian payroll office's determination reaffirms the employee's indebtedness, then the written response again shall advise his or her of the employee's right either to petition for a hearing or to request a waiver. The time period for requesting a hearing (normally 30 days from notification) shall be extended by the time elapsed between the employee's written request for reconsideration and the civilian payroll office's response. For example, if the employee seeks reconsideration of the debt on the 12th day following receipt of the notification and the civilian payroll office reaffirmed the indebtedness 8 days later, the letter reaffirming the debt shall advise that a hearing request must be received within 18 days following the reaffirmation.

080305. Hearings. Hearings are a due process requirement of 5 U.S.C. 5514 (reference (b)) which must be afforded employees before their current salary can be involuntarily offset to collect an indebtedness to the U.S. Government. One exception relates to collections for debts for health benefits or life insurance coverage as discussed in paragraph 080302. Employees may petition for a hearing to contest the following items: (1) the existence of the debt; (2) the debt amount; and (3) the amount of an involuntary offset schedule. If an employee wants a hearing concerning the existence or amount of the debt or the proposed offset schedule, he or she must file a petition with the civilian payroll office not later than 30 days from the date that he or she received the notification of the intent to collect by salary offset or within 45 days after receipt of records, if such records were requested by the employee. The employee's petition or statement shall identify and explain with reasonable specificity and brevity the facts and evidence that he or she believes support his or her position.

A. General

★ 1. All hearings are arranged and conducted in accordance with 4 C.F.R. 102.3(c) (reference (ba)) and Volume 5 of this Regulation. Hearings for debts owed to any DoD Component by a DoD employees should be held by eligible DoD Components according to Volume 5, Table 30-1 of this Regulation. The Defense Debt and Claims Management Office of the DFAS-Denver Center shall process all requests for hearings. There are two basic types of hearings--oral hearings and administrative hearings (written submissions). If an employee petitions for a hearing after the receipt of a demand letter, the civilian payroll office must determine whether the

employee is entitled to an oral hearing or an administrative hearing (comprised of written submissions). Unless specifically waived by the employee, an oral hearing must be provided when:

- a. An applicable statute authorizes or requires the agency to consider waiver of the indebtedness involved, the employee requests waiver of the indebtedness and the waiver determination is based on an issue of credibility or veracity; or
- b. The employee requests reconsideration of the debt and the civilian payroll office decides that the question of the indebtedness cannot be resolved solely on review of the documentary evidence.

2. An oral hearing is not required if the particular indebtedness is of the type that rarely involves issues of credibility or veracity, and the civilian payroll office, with the concurrence of the DFAS Office of General Counsel, has determined that a review of the written record is generally adequate in such cases. An employee who has petitioned for a hearing, but under the above criteria is not entitled to an oral hearing, shall be provided an administrative hearing. The determinations of the hearing regarding the existence or amount of the debt or the terms of the offset schedule shall be made based on written submissions by the employee and the civilian payroll office. The timely filing of a petition for a hearing will stay the beginning of collection procedures until after the results of the hearing have been rendered except as identified in subparagraph 080201.C.

B. Oral Hearings

1. Since civilian payroll overpayments seldom present issues of credibility or veracity, the need for oral hearings under the guidelines contained in subparagraph 080305.A.1. will be extremely rare. When a civilian payroll office has received a petition for an oral hearing and it is of the opinion, with the concurrence of the DFAS Office of General Counsel, that an oral hearing is required under the criteria specified in subparagraph 080305.A.1, an official hearing should be arranged in accordance with the guidance outlined in Volume 5, Chapter 30 of this Regulation. Once the identity of the hearing official is determined, the civilian payroll office shall be instructed to make specific arrangements with that official, to include the identification of a fund cite for travel expenses if necessary.

2. In the case of oral hearings, the civilian payroll office is responsible for informing the employee that, in addition to the requirements contained in subparagraph 080305.C. for administrative hearings, the employee also must state in the petition the identity of the witnesses that will be called to testify on the employee's behalf and their anticipated testimony. The civilian payroll office advises the employee also to provide a copy of the records the employee intends to introduce at the hearing if they differ from the ones provided by the civilian payroll office. The civilian payroll office also advises the employee of the requirement for naming any person that he or she wishes to be represented by at the hearing.

3. The civilian payroll office is responsible for notifying the employee of the time, date, and location of the hearing. To the extent feasible, a location convenient for the

employee shall be selected. The employee will be responsible for paying his or her own travel expenses. Civilian payroll office personnel will represent the government at the oral hearing, and will maintain a summary record of the hearing. In addition, the civilian payroll office must advise both the hearing official and the employee of any witnesses it plans to call and a summary of its anticipated testimony. No later than 15 days prior to the hearing, the civilian payroll office also will provide the employee and the hearing officer a copy of the records in the agency's possession relating to the debt, .

4. If an employee has been granted an oral hearing, he or she may waive that right in favor of a written submission. Such an election must be made in writing and must be received by the civilian payroll office at least 3 working days before the original hearing date. If the employee fails to file a petition for a hearing before the deadline date, fails to file the required submissions, or fails to appear at a scheduled hearing, the right to a hearing is forfeited. The employee may petition the hearing official for a determination that the employee had good cause for the failure to comply with the established deadline date. If the employee fails to appear at the hearing, then he or she may petition the hearing official for a determination that the employee had good cause for failure to appear at the hearing. In either instance, the hearing official may then find that the employee has not waived the right, and may direct that a hearing be scheduled or rescheduled.

C. Administrative Hearings. An employee shall be advised to send his or her petition for a hearing directly to the civilian payroll office. A single document shall serve both as the petition for a hearing and the employee's complete, documented position as to why the he or she disagrees with the civilian payroll office regarding the existence of the debt or the amount of the debt. The precise contents of the petition are described in Figure 8-1 of attachment 1. There is no standardized format for these petitions. The civilian payroll office shall review all petitions. Petitions regarding erroneous overpayment shall include the information (in detail) as described by the checklist in Figure 8-3. If the civilian payroll office concurs with the employee's position, it will notify the employee in writing of its concurrence. If, after considering the statement and supporting documentation, the civilian payroll office reaffirms its previously stated position, it will prepare a letter indicating the reasons for its position. The letter, which will include the employee's petition as an enclosure, shall be submitted to the location identified in Volume 5, Table 30-1 of this Regulation. A copy of the submission shall be sent to the employee.

D. Determination

1. Within 60 days after the filing of the petition, the hearing official shall render a written decision on the merits of the hearing that discusses the basic facts offered and the hearing official's findings and conclusions. Both the civilian payroll office and the employee shall receive a copy of the determination. If the determination upholds the position of the civilian payroll office, that office shall recommence collection action after sending the employee a letter which states the following (see Figure 8-4 for a sample of the required letter):

- a. A brief statement of the hearing official's decision:

b. A request that the employee repay the debt in full within 15 calendar days following the date of the letter, authorize a voluntary one-time offset to repay the debt, or arrange an installment liquidation schedule with the civilian payroll office.

c. A statement that, unless the employee informs the civilian payroll office of his or her decision regarding the above options by the deadline indicated, a salary offset shall begin with the pay period in which the deadline expires. The letter shall be specific as to the payday on which the offset shall occur.

d. The amount of the offset and its estimated duration. This shall be equal to the amount of the debt, or 15 percent of the employee's disposable pay, whichever is less.

e. A statement regarding the assessment of interest, administrative expenses, and penalties.

f. A reminder of the employee's right to request waiver of the overpayment.

2. If the hearing official's determination upholds the employee's position as to the existence of the debt, the civilian payroll office shall inform the employee that the debt no longer is considered valid under 5 U.S.C. 5514 (reference (b)). The hearing official's decision is final as to the issue of involuntary offset, but not final as to the issue of whether the debt is owed. If the hearing official reduces the amount of the debt, the civilian payroll office shall issue a letter to inform the employee, and begin collection action for the new amount.

E. Hearings versus Reconsiderations. An employee who disputes the existence or amount of a debt has a right to request reconsideration and/or a hearing. Since hearings are a more formal and costly means of resolving these disputes, every effort shall be made to use the reconsideration right as an alternative to a hearing. The employee, however, has a statutory right to a hearing and must be granted this right whether or not the employee has attempted and failed to seek reconsideration of the debt. See paragraph 080304 for a discussion on reconsiderations.

080306. Waivers of Erroneous Payments of Pay and Allowances

★ A. General. Authority is provided by 5 U.S.C. 5584 (reference (b)) and 4 C.F.R. Parts 91 and 92 (reference (ba)) for the waiver of claims of the United States against a civilian employee arising out of an erroneous payment of pay or allowances made after June 30, 1960. The Comptroller General of the United States issued implementing standards authorizing the head of an executive agency to waive such claims in an amount aggregating not more than \$1500. The Under Secretary of Defense (Comptroller) has delegated this waiver authority to the Director, DFAS by memorandum dated January 29, 1992 (reference (k)). The DFAS Director redelegated this authority to the Director of the DFAS-Denver Center. The exercise of this authority shall be coordinated with the affected DoD Component, where appropriate. See DFAS Regulation Number 005 (reference (w)). The Defense Debt and Claims Management Office at the DFAS-Denver Center is exercising waiver authority within the Department except for the waiver authority that has

been delegated to the Director of DoDEA for DoDEA employees by DoD Directive 1342.20 (reference (bc)).

1. Under 4 C.F.R. 91.5 (reference (ba)), a waiver may be granted only when the collection would be against equity and good conscience and not in the best interests of the United States. Generally, these criteria will be met by a finding that the erroneous payment occurred through administrative error and there is no indication of fraud, misrepresentation, fault, or lack of good faith by the employee or any other person having an interest in obtaining a waiver of the claim.

2. Generally, a waiver is precluded when an employee or other person who has an interest in obtaining a waiver receives a significant unexplained increase in pay or allowances, or otherwise knows, or reasonably should know, that an erroneous payment has occurred, and fails to make inquiries or bring the matter to the attention of appropriate officials. A waiver under this standard depends upon the facts existing in each particular case. The Comptroller General, however, has long held that a waiver shall not be granted if it appears the employee had records (such as LESSs) which, if reviewed, would have indicated an overpayment, and the employee failed to review such documents for accuracy or otherwise failed to take corrective action. Such failure on the part of the employee renders the employee partially at fault. See Comp. Gen. B-253969, November 1, 1993 (reference (p)) and Comp. Gen. B-226465, March 23, 1988, (reference (p)).

3. Economic or financial considerations play no role in the determination of a waiver request.

★ 4. The Defense Office of Hearings and Appeals (DOHA) or the DFAS-Denver Center must receive application for waiver within 3 years from the date the erroneous payment was discovered. Date of discovery, for the purposes of starting the 3-year period, is the date that an appropriate official first determines that an erroneous payment has been made.

★ 5. The application for waiver shall be considered as the application for refund, and (if the claim is subsequently waived), the agency shall refund the amount collected to the employee. However, no refund shall be paid where the employee cannot reasonably be located within 2 years after the effective date of the waiver. See 4 C.F.R. 92.6 (reference (ba)).

★ B. Manner of Submission. Indebted employees shall be notified of overpayments of pay and allowances by the civilian payroll office. A copy of the waiver request instructions shall be included in the debt notification letter the civilian payroll office sends to the employee. The submission of waiver requests must be limited to cases in which all doubt regarding the validity or amount of a debt has been resolved. If an employee decides to apply for a waiver, he or she shall prepare an application for waiver of erroneous payments and send it to the civilian payroll office. The civilian payroll office shall provide additional information in the form of a written report containing a chronological summary of the facts and circumstances (4 C.F.R. 92.3) (reference (ba)), attach copies of pertinent records, and forward the complete package to the

Defense Debt and Claims Management Office of the DFAS-Denver Center, Attn: DFAS-DE/FYCT, 6760 East Irvington Place, Denver, CO 80279-7300.

C. Suspension of Collection. Collection of a debt should not routinely be suspended pending waiver determination per 4 C.F.R. 104.2(c)(2) (reference (ba)). The civilian payroll office shall determine in each case (per Comp. Gen. Decision B-185466, August 19, 1976) (reference (p)) whether suspension of collection would be appropriate based on the following criteria:

1. Waiver will probably be granted
2. Erroneous payment can be recovered if waiver is not granted
3. Collection of the debt would cause undue hardship.

D. Final Action

★ 1. After the waiver approval authority adjudicates the waiver, he or she will notify the civilian payroll office that submitted the waiver package. This notification authorizes refund of any amount collected and subsequently waived. The civilian payroll office is responsible for processing refunds. The application for waiver shall be construed as an application for a refund. The civilian payroll office must immediately refund any amount collected to the employee.

2. The civilian payroll office immediately shall initiate further collection action when informed of a waiver denial and collection action has been suspended.

★ 3. When waiver is denied, the notification of that decision to the claimant shall state the basis for that decision and that, upon request, the agency or department will forward an appeal to DOHA pursuant to 4 C.F.R. 92.2 (reference (ba)).

E. Action by the Designated Waiver Authority

1. General. The designated waiver authorities will:
 - a. Receive and review each request for waiver or application for refund and the associated reports for claims;
 - b. Make a determination as to whether claims aggregating not more than \$1500 will be waived or whether a claim in any amount will be denied; and
 - c. Notify the involved civilian payroll office of the determination.

★The DFAS-DE/FYCT also will notify the claimant of the determination.

★ 2. Referral Of Claims. The designated waiver authorities shall refer the following types of claims to the DOHA for decision:

 a. Requests for waiver and requests for waiver and refund that indicate favorable consideration, together with an appropriate reports of circumstances, if the claims of the United States is in an amount aggregating more than \$1500;

 b. All doubtful cases;

★ c. Claims, together with the reports of circumstances and recommendations, from civilian payroll offices for referral to the DOHA for litigation;

★ d. Appeals to waiver denials.

★ 080307. Collections Under 5 U.S.C. 5514. The Debt Collection Improvement Act of 1996 (P.L. 104-134 section 31001 (reference (e))), amended 5 U.S.C. 5514 (reference (b))). The procedures in this paragraph can apply at any stage of the debt collection process. The employee may elect to repay the debt after receiving the initial demand letter, after receiving a further explanation of the debt from the civilian payroll office, after a determination by a hearing official, or after a decision on a request for waiver of the overpayment. Repayment of the debt, subject to refund, can also be accomplished while any of the above actions are pending.

★ A. Collecting Overpayments Through Routine Pay Adjustments

★ 1. As of April 26, 1996, of the Debt Collection Improvement Act of 1996, section 31001 (reference (e)), amended 5 U.S.C. 5514 (reference (b))), relieving payroll offices from the requirement to give the full panoply of due process for the overpayment of pay and allowances due to routine intra-agency pay adjustments that have occurred within the four pay periods preceding the adjustment for any adjustments that amounts to \$50 or less or that are attributable to:

★ a. Clerical errors

★ b. Administrative errors

★ c. Delays in processing pay documents.

★ 2. The actual overpayment must have occurred after April 26, 1996, and the following streamlined due process procedures shall be implemented upon receipt retroactive to that date, if full due process had not already been extended to the employee.

★ 3. The provisions of 5 U.S.C. 5514(a)(1) (reference (b)) concerning the limitation of the amount that may be collected are still applicable to those adjustments no longer requiring full due process. Specifically, the amount deducted may not exceed 15 percent of disposable pay, unless you have the written consent of the individual. If the adjustment exceeds

15 percent of disposable pay, the initial adjustment may be for the full 15 percent and the remaining adjustment may be made during the next pay period(s).

★ 4. Intra-agency adjustments are defined as collection actions taken that result from overpayments caused by the DoD Components that are attributable to clerical or administrative errors or delays in processing pay documents that have occurred within the four pay periods preceding the adjustment. If a DoD employee's account is moved from one payroll office to another payroll office within the Department, the employee's new payroll office has authority to collect an overpayment made by the former payroll office using these procedures.

★ 5. Routine adjustments include but are not limited to overpayments due to corrected or late time and attendance data, SFs 50, and SFs 1190. Adjustments for health benefits and life insurance premiums made within four pay periods are already covered by 5 C.F.R. 550.1104(C) (reference (1)).

★ 6. Any adjustment of \$50 or less can be made under streamlined due process procedures. This pertains to any type of adjustment regardless of when the overpayment occurred. This includes adjustments of health benefits and life insurance premiums.

★ 7. The individual must be provided written notification by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical.

B. Voluntary Repayment

1. Cash Repayment. The term "cash repayment" encompasses payments by personal check, money order, or other negotiable instrument. The collection will be recorded on a DD Form 1131. The accounting data shall include the appropriation or fund that funded the overpayment.

2. Payroll Deductions

a. One-Time Deduction. If an employee voluntarily wants to have the indebtedness repaid, the civilian payroll office shall arrange for he or she to sign a completed agreement as shown in Figure 8-2. The civilian payroll office shall retain the original signed agreement. If requested by the employee, and agreed to by the civilian payroll office, the remittance can be deferred for up to two pay periods and the agreement changed to reflect that adjustment. Also, a one-time deduction can be combined with a cash payment as a means of liquidating an indebtedness. For example, a cash payment of \$200 and a one-time deduction of \$300 can liquidate a \$500 indebtedness. If the one-time deduction does not fully liquidate the deficit, the agreement accordingly should be adjusted.

b. Installment Deductions

(1) Employees may spread their repayments over more than 1 pay period for other than minor indebtedness amounts. Although employees are permitted to make a

series of cash payments at regularly established intervals; the preferred method of liquidation is by deductions each payday in the same amount until the indebtedness is liquidated. Any amount remaining unpaid at the time of separation or retirement will be collected from final payments of any nature, such as final salary payments, lump-sum leave, and bonuses. The employee consents to installment liquidation by signing an agreement such as illustrated in Figure 8-4. The civilian payroll office shall retain the original signed agreement.

(2) In determining a suitable repayment schedule, the civilian payroll office is permitted a certain degree of discretion. While the primary concern of the civilian payroll office always must be to ensure that the U.S. Government recovers the debt within the shortest practical period of time, this consideration must be influenced to some degree by the financial impact on the employee. The employee should not be required to suffer undue deprivation by having to repay the debt. On the other hand, some degree of sacrifice should be expected, and the employee's obligation to repay the debt should be given equal status to other financial obligations that the employee may have incurred. Generally, the debt should be at least 5 percent of the employee's disposable pay (defined in subparagraph 080307.B.2.) in order to qualify for installment liquidation. Installment payments will be at least \$25 per pay period and will be sufficient to liquidate the debt within 3 years.

C. Involuntary Repayment

1. General. Recovery of an indebtedness by involuntary salary offset is reserved for those instances in which the employee has failed either to make a cash remittance, authorize a voluntary one-time payroll deduction, or enter into an agreement with the civilian payroll office for installment deductions. Before executing an involuntary repayment, the civilian payroll office must ensure that the employee has been given a written statement required by paragraph 080303; and that the employee either failed to exercise the rights enumerated in the written statement or, having exercised one or more of those rights, was still determined to be indebted, and neither made a cash remittance nor authorized voluntary withholdings from his or her pay. The civilian payroll office shall ensure that such involuntary offsets, when warranted by the above circumstances, are initiated in time to be reflected in the pay for the pay period designated in the demand letter. When practical, the employee shall be notified on the LES that the offset action has been taken.

2. Disposable Pay. All involuntary offsets under 5 C.F.R. 550.1103 (reference (1)) and 5 U.S.C. 5514 (reference (b)) are limited to a maximum of 15 percent of the employee's disposable pay. Involuntary offsets shall normally be established at this maximum rate. Disposable pay is defined as that part of current pay remaining after the deduction from earnings of any amount required by law to be withheld. See 5 C.F.R. 581.105 (reference (1)). Disposable pay is computed by making the following deductions:

a. Amounts withheld for federal, state, or local income tax purposes, if the withholding of the amounts is authorized or required by law and if the amounts withheld are not greater than would be the case if the individual claimed all dependents as defined in the federal, state, and local tax codes, to which entitled. For computing disposable pay, no additional federal

tax amounts shall be deducted unless the employee presents evidence of a tax obligation supporting the additional deduction;

- b. Amounts withheld for Social Security and Medicare taxes;
- c. Amounts deducted as health insurance premiums;
- d. Amounts deducted as normal retirement contributions (CSRS, FERS, and NAF retirement) including TSP contributions. Amounts voluntarily contributed toward additional civil service annuity benefits are not included as normal retirement contributions; and
- e. Amounts deducted as health insurance and normal life insurance premiums from salary. This includes amounts deducted for basic FEGLI; however, all optional FEGLI premiums are not considered normal life insurance premiums.

3. Amounts Not Deductible When Determining Disposable Pay. The following amounts are not deductible when determining disposable pay:

- a. Existing debts being collected for a DoD Component or other federal agency including late payment charges.
- b. Court-ordered garnishments.
- c. Court judgments.
- d. Bankruptcy payments that are court-ordered under chapter 13 of the Revised Bankruptcy Act (reference (e)).
- e. Voluntary allotments for child support.
- f. Union dues deductions.
- g. Charity deductions.
- h. Savings bonds deductions.
- i. IRS federal tax levies.
- j. Savings allotments.
- k. TSP loans.
- l. Military Service Deposits.

4. Extreme Financial Hardship. An employee who does not contest the existence or amount of the debt may assert that the maximum allowable rate of involuntary offset (15 percent of disposable pay) imposes extreme financial hardship. Such an assertion can also be raised when the employee has petitioned for a hearing under the provisions of paragraph 080305, and the hearing official has affirmed the existence or amount of the debt. In either case, the civilian payroll office shall attempt to establish a satisfactory voluntary repayment schedule in accordance with subparagraph 080307.A.2.b.(2). Alternatively, although the employee may decline to sign a voluntary consent to offset, the two parties may agree to a reasonable rate of involuntary offset that is less than the maximum rate specified by this subparagraph. Occasionally, the employee and the civilian payroll office may be unable to agree on whether an involuntary offset produces extreme personal hardship. In making such a determination, the civilian payroll office shall use the following standards.

a. An offset produces an extreme financial hardship for an employee if the offset prevents the employee from meeting the costs necessarily incurred for essential subsistence expenses of the employee and the employee's spouse and dependents. These essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation, and medical care.

b. In determining whether the offset would prevent the employee from meeting the essential subsistence expenses described above, the civilian payroll office shall consider the following:

(1) The income from all sources of the employee, the employee's spouse, and dependents;

(2) The extent to which the assets of the employee and the employee's spouse and dependents are available to meet the offset and the essential subsistence expenses;

(3) Whether these essential subsistence expenses have been minimized to the greatest extent possible;

(4) The extent to which the employee or the employee's spouse can borrow money to meet the offset and other essential expenses; and

(5) The extent to which the employee and the employee's spouse and dependents have other exceptional expenses that should be taken into account and whether these expenses have been minimized.

5. Employee Documentation. After applying the above set of criteria, the civilian payroll office shall explain the rationale for its decision to the employee. If the employee still contends that the rate of offset advocated by the civilian payroll office would produce an extreme financial hardship, the employee shall be instructed to provide the following items:

a. A petition for a hearing (see paragraph 080305). The employee must file the petition no later than 30 days from the date the demand letter is received that contains the intent to collect by salary offset. If the employee requests copies of the records relating to the debt, then the employee has within 45 days after receipt of such records to file the petition for a hearing;

b. A proposed alternative offset schedule with supporting documents showing why the civilian payroll office's schedule would produce an extreme financial hardship for the employee. The supporting documents shall include specific details concerning income and expenses of the employee, the employee's spouse, and dependents for 1 year preceding the initial demand letter; and projected income and expenses during the repayment period proposed by the civilian payroll office;

c. A copy of the records the employee intends to introduce at a hearing; and

d. In the case of oral hearings, a list of witnesses the employee intends to call and a summary of their anticipated testimony.

6. Civilian Payroll Office Response to Documentation. Upon receipt of the documentation in subparagraphs 080307.B.4. or 080307.B.5, the civilian payroll office may elect to accept the alternative amount proposed by the employee. If so, it shall inform the employee of that acceptance within 15 days from the date of receipt, and shall begin offset at the new reduced rate immediately. Otherwise, the civilian payroll office shall follow the provisions of paragraph 080305 whether to determining the type of hearing to be conducted and the submission of the required material. This submission must be accomplished no later than 15 days following receipt of the employee's petition and must contain the following information in addition to the materials submitted by the employee:

a. A statement setting forth the reasons why the civilian payroll office's proposed offset schedule does not produce an extreme financial hardship; and

b. In the case of oral hearings, a list of witnesses that the civilian payroll office intends to call at the hearing, and a summary of their anticipated testimony. The employee must also be furnished a copy of the above information. Pending the results of the hearing, the civilian payroll office shall begin offset at the rate stated in the employee's petition. The determination by the hearing official should be self-explanatory. If the employee's proposed rate is accepted, then the offset already in place shall be reduced.

080308. Interest, Penalties, and Administrative Costs

A. General. The preferred method of liquidating debts owed by employees or former employees is by cash remittance for the full amount of the debt prior to the due date expressed in the demand letter. Any debt or portion of a debt that remains unpaid by that date is subject to the assessment of interest and administrative expenses under 31 U.S.C. 3717 (reference

(d)), 4 C.F.R. 102.13 (reference (ba)), and 5 C.F.R. 550.1104(n) (reference (l)). Debts or the portion of debts that remain outstanding for more than 90 days following the due date are subject to penalties. The following subparagraphs discuss the computation of interest, penalties, and administrative costs, as well as circumstances under which such costs can be or should be waived. All collections for late payment charges (i.e., interest, penalties, and administrative costs) are deposited to the appropriate miscellaneous receipt account as follows:

1. Interest--3210 (General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified)
2. Penalties--1099 (Fines, Penalties, and Forfeitures Not Otherwise Classified)
3. Administrative Costs--1099 (Fines, Penalties, and Forfeitures Not Otherwise Classified)

B. Interest. Under 31 U.S.C. 3717 (reference (d)), interest is accrued or assessed. The intent of interest is to stimulate prompt payment of debts and to recover the cost of the U.S. Treasury borrowing necessitated by unpaid debts. Any debt or portion of a debt that remains unpaid by the due date specified in the demand letter is subject to interest charges. Interest accrues from the date of the mailing or hand delivery of the demand letter that must contain a specific notice of the requirements concerning interest, penalties, and administrative costs, but automatically will be waived if paid within 30 days from the date of the letter. It is not necessary, therefore, to compute interest of less than 30 days. The rate of interest assessed will be the rate of the current value of funds to the U.S. Treasury. This rate is known as the "Treasury Tax and Loan Rate," and is prescribed and published by the Secretary of the Treasury annually or quarterly per 31 U.S.C. 3717 (reference (d)). This rate will be announced by the DFAS to all civilian payroll offices each time that the rate changes. Changes in the rate have no effect on those debts that began accruing interest under a previously existing rate. The rate of interest, as initially assessed, shall remain fixed for the duration of the indebtedness unless the repayment agreement is modified or nullified, in which case the rate in effect at the time of a new agreement will govern the remaining lifetime of the debt. For example, an initial demand letter issued in the month of September will state the interest rate in effect at that time, despite the knowledge that a new rate may be in effect when the debt becomes delinquent in October. The rate in effect in September shall then continue to be used for the lifetime of the debt. The amount of interest will be calculated by using the formula $I = DNF$. The I represents the amount of interest; D represents the principal amount of the debt; N represents the number of days in the computation period; and F represents the interest rate per day (365- or 366-day year). Interest should not be charged on interest, penalties, or administrative costs (4 C.F.R. 102.13(c)) (reference (ba)).

C. Administrative Costs. These costs relate only to delinquent debts as defined in 4 C.F.R. 101.2(b) (reference (ba)). They are assessed in order to cover expenses incurred in the recovery of these delinquent debts. A debt is delinquent if it has not been paid by the due date specified in the demand letter unless other satisfactory payment arrangements have been made by that date. A debt is delinquent any time thereafter an employee fails to satisfy obligations under a

payment agreement. The civilian payroll office, as the activity responsible for the collection of debts, either shall accumulate actual costs or conduct cost analyses that establish an average of additional costs incurred against delinquent debts. Such analyses shall be based on an aggregate of other DoD civilian payroll offices. Expenses shall be limited to personnel costs and specifically identifiable overhead items. The crucial factor is that the civilian payroll office must be able to justify its figures based on costs associated only with delinquent debts and apportioned over the number of delinquent debts. The recoupment of administrative expenses takes precedence over the collection of interest.

D. Penalties. A penalty of 6 percent a year shall be assessed on any debt or portion of a debt that is delinquent for more than 90 days under 31 U.S.C. 3717(c)(2) (reference (d)) and 4 C.F.R. 102.13(e) (reference (ba)). The charge need not be calculated until the 91st day of delinquency, but shall accrue from the date of delinquency. Thus, the initial penalty shall be for a 3-month period from the due date until 3 months after the due date. A debt is delinquent and subject to penalties if it has not been paid by the due date specified in the demand letter unless other satisfactory payment arrangements have been made by that date. A debt is delinquent any time thereafter an employee fails to satisfy obligations under a payment agreement.

E. Responsibility for Calculation. In the case of overpayments of pay, the civilian payroll office shall have the responsibility for computing interest, penalties, and administrative costs. The civilian payroll office always shall calculate administrative costs that arise from its own operation. The primary responsibility in connection with other forms of indebtedness rests with the activity or organization that has initial responsibility for the recovery of the debt. When transferring a debt to the civilian payroll office for salary offset purposes, that activity or organization shall inform the civilian payroll office of the following:

1. The principal amount of the debt
2. The interest accrued as of the date of referral
3. The administrative costs incurred as of the date of referral
4. The penalty assessed as of the date of referral
5. The interest rate applicable to the debt
6. The date of delinquency.

The transferring activity or organization also shall state its opinion as to whether further interest, penalties, and administrative costs should be waived.

F. Decisions Not to Accrue or Assess Interest, Penalties, and Administrative Costs

1. The official who has initial responsibility for the collection of a debt also has the responsibility for determining whether interest, penalties, and administrative costs are to be accrued or assessed. The debt collection official must use personal judgment in advancing the interests of the government, while giving proper consideration to the financial interests of the employee. Decisions not to accrue or assess late payment charges (i.e., interest, penalties, and/or administrative costs) are made on a case-by-case basis according to the following criteria:

a. When a debt is subject to waiver statutes and collection action is suspended pending outcome of the waiver, these charges shall not accrue or be assessed while the waiver request is being considered and finalized.

(1) Charges accrued before receipt of a waiver request shall not be assessed if the civilian payroll office receives the request within 30 days of mailing of the debt notice to the employee. The 30-day period is extended to 45 days if the debt notice goes through non-U.S. mail systems or is sent to an APO/FPO address.

(2) These charges shall not accrue or be assessed on any part of a debt principal balance that is waived.

(3) Charges shall again begin to accrue on any portion of the debt principal not waived from the date the employee is formally notified of the final waiver determination.

b. When an employee entitled to a hearing, petitions for a hearing, these charges shall not accrue from the date the petition is received until the employee formally is notified of the hearing decision. Charges that accrued before the petition for a hearing is received shall be assessed on that portion of the debt principal upheld by the decision of the hearing official.

c. When an employee is entitled to--and has petitioned for--a hearing, these charges shall not accrue or be assessed while a debt is being reconsidered.

d. When the debt of the employee arose under the tariff laws of the United States, the Social Security Act, or the Internal Revenue Code of 1954, these charges shall not accrue or be assessed.

e. When the civilian payroll office is requested to collect a debt for another DoD creditor organization or federal agency, these charges shall not accrue or be assessed by the civilian payroll office that accomplishes the collection for the other creditor organization or agency. Note that the creditor organization or agency requesting collection assistance has authority to accrue and assess applicable late payment charges and these charges should be included in the total amount identified for collection.

f. When an applicable statute or regulation prohibits application of these charges to the debt involved, no such charges shall not accrue or be assessed.

g. When these charges would not be in the best interest of the government, would cause extreme hardship, or if facts and circumstances indicate that charges accrued would not be collected per subparagraph 080308.G., no charges shall be assessed.

2. Blanket decisions not to accrue or assess late payment charges are not authorized. Documentation shall support every decision not to accrue or assess these charges. If there is documentation in the employee's debt file or associated with the debt transaction that clearly supports and explains the reason(s) for the decision not to accrue or assess these charges, no further documentation is required. An exception is the requirement in subparagraph 080308.F.1.g., above.

G. Decisions Not to Collect Interest, Penalty, and Administrative Costs. Once accrued and assessed, these charges normally shall be collected. A decision not to collect these charges, however, can be made on a case-by-case basis by the official who has the initial responsibility for the collection of the debt. The decision not to collect shall be documented and retained in the official debt file. Blanket decisions not to collect interest, penalty, or administrative charges are not authorized. The following are examples of when the civilian payroll office normally would decide not to collect these charges:

1. The amount of the debt principal is below the dollar limit imposed by regulation for write off.

2. The debt is paid within 30 days of notification. Interest shall not be collected on a debt or on any part of a debt paid within 30 days after the date interest began to accrue. The 30-day period can be extended for an additional 30 days on a case-by-case basis.

3. Collection of these charges would be against equity and good conscience or not in the best interest of the government; and

a. These charges accrued and were assessed on a debt principal balance that was incurred through no fault or lack of good faith on the part of the employee; or

b. Financial inability of the employee to pay the accrued and assessed charges within a reasonable period of time; or

c. The underlying debt principal balance has been waived by the appropriate authority or other administrative review process such as hearing or reconsideration has determined that it is not valid; or

d. Reasonable doubt exists concerning the government's ability to prove that charges are owed because of the issues involved or a bona fide dispute as to facts; or

e. The amount of charges that could be collected is less than the cost of collection; or

f. Reasonable efforts to locate the employee have been unsuccessful.

★ 080309. Collections From Final Salary and Lump-Sum Payments Under 31 U.S.C. 3716 (reference (d)), when an employee separates by resignation, retirement, death, or termination of appointment, final pay, including lump-sum leave, shall be applied in full or in part to the extent necessary to recover an indebtedness. Unpaid compensation due to deceased employees also shall be applied to the liquidation of any indebtedness. If a debt balance for a deceased employee remains after offsetting final pay, do not pursue collection from the employee's beneficiary. Forward the debt case to the Defense Debt and Claims Management Office of the DFAS-Denver Center. Other payments due from any source, such as amounts claimed for travel and transportation can also be applied. See 5 U.S.C. 5514(a)(1) (reference (b)), 4 C.F.R. 102.4 (reference (ba)), and 5 U.S.C. 5705 (reference (b)).

A. When an employee separates by resignation, retirement, death, or termination of appointment before collection of a debt is completed and collections against current salary are being made, either voluntarily or involuntarily under 5 U.S.C. 5514 (reference (b)), the 15 percent limitation on disposable pay does not apply (64 Comp. Gen. 907 (1985)) (reference (p)). Instead, apply final salary, including the amount payable for lump-sum leave, to the extent necessary to liquidate the debt.

B. When an employee separates by resignation, retirement, death, or termination of appointment, and there are no preceding collections being made from current salary under the authority of 5 U.S.C. 5514 (reference (b)), collection of the debt is treated as an administrative offset under 31 U.S.C. 3716 (reference (d)). All money payable to the employee may be applied to collect the debt. In these cases, employees must be provided written notification advising them of the following:

1. The fact that all final pay shall be applied to the unliquidated debt balance.
2. The reason for the debt and the debt amount.
3. An opportunity to inspect and copy the agency's records relating to the debt.
4. The rights available to the employee, such as reconsideration or waiver, and the time period (usually 30 calendar days) and the method for requesting these actions. The civilian payroll office is not required to provide the employee an opportunity for a hearing or administrative review as explained in paragraph 080305.
5. An opportunity to repay the full amount of the debt or enter into a written repayment agreement in lieu of offset from final pay.

C. Collection of an indebtedness from an employee's severance pay is permissible under 31 U.S.C. 3716 (reference (d)). Since this statute has no limit on the maximum rate of collection, all money due and payable to the employee by the government is subject to offset.

Since severance pay represents wages credited to the employee's account even if offset under 31 U.S.C. 3716 (reference (d)), compute the deductions to be taken from severance pay before offset. Tax statements should be prepared in accordance with the rules set out in Revenue Ruling 79-311, 1979-2 Cumulative Bulletin 25 (reference (d)). It is the net amount that is available for administrative offset under 31 U.S.C. 3716 (reference (d)). In addition, under 5 C.F.R. 581.103 (reference (l)), severance pay is subject to court-ordered garnishments (for alimony, child support, and commercial debts).

D. Offset under 31 U.S.C. 3716 (reference (d)) may not be used to collect debts for state and local governments or debts arising from payments made under the Social Security Act (reference (ad)), the Internal Revenue Code (reference (ad)), or the tariff laws of the United States. See 31 U.S.C. 3716(c)(2) (reference (d)).

080310. Refunds. When, at any point in the debt collection process, the debt is waived or successfully reconsidered or otherwise found not to be due the United States (unless expressly prohibited by statute or regulation), a prompt refund shall be made of all amounts collected prior to that determination. A refund shall also be made if directed by an administrative or judicial order. Amounts of valid debts collected improperly shall be refunded if requested by the employee. For example, if collections exceeding 15 percent of disposable pay were made due to an error in the computation of disposable pay, the employee may request and receive a refund of the difference between the amounts collected and the amounts that were properly withheld. Refunds shall not be made under any other circumstances. Refunds shall not bear interest, but interest already collected may be refunded along with the principal amount.

0804 RECOVERY OF OVERPAYMENTS OF PAY AND ALLOWANCES FROM TRANSFERRED OR FORMER DOD EMPLOYEES

080401. General. The instructions contained in this paragraph apply regardless of the point in the debt collection cycle when separation occurs. For example, the employee may separate while installment liquidations are taking place, while a waiver request is being considered, while a petition for a hearing is pending, or while the written demand letter is being prepared. If, due to subsequent events, the indebtedness is nullified, a refund shall be made for amounts withheld from both current and final pay. These refunds shall be made without requiring a claim from the former employee. Unfinished actions shall be terminated in the case of hearings regarding the amounts of involuntary offsets. All other actions shall continue.

080402. Transfer Within the Department that Results in a Change of Civilian Payroll Office

A. In accordance with 5 C.F.R. 550.1108 (reference (l)), the losing civilian payroll office shall advise the gaining civilian payroll office by letter of the following information:

1. The identity of the indebted employee,

2. The amount of the debt, including assessments of interest, penalties, and administrative expenses, when appropriate,
3. The accounting classification for credit,
4. The nature of the debt, and the original due date (generally 30 days from the initial demand letter),
5. Copies of all correspondence sent to, or received from, the employee, including waiver requests, hearing petitions, decisions on waiver requests, and determinations of hearing officials,
6. The original of any voluntary pay offset authorizations. If none exists, a statement of the biweekly percentage of involuntary offsets must be included,
7. The date the right to collect the debt first occurred. Generally this is the date the overpayment occurred. However, if offset has already begun, the date of the last offset shall be given;
8. A statement regarding the status of any unfinished actions which may be pending. When such action is completed, the gaining civilian payroll office will be advised immediately,
9. A request that the offset be accomplished or continued.
10. A copy of DD Form 2481 (Request for Recovery of Debt Due the United States by Salary Offset) properly completed and certified.

B. Upon receipt of the above information, the gaining civilian payroll office shall assume full responsibility for collection of the debt pending receipt of previously unfinished actions as indicated in subparagraph 080402.A.8. Any agreements reached regarding periodic installment repayments or the decision not to accrue or assess interest, penalties, and administrative expenses (see paragraph 080308) shall be binding on the gaining civilian payroll office. If the debt is subject to interest, the gaining civilian payroll office shall make the necessary computations. Installment deductions already begun shall continue uninterrupted.

★ 080403. Transfer to Another Government Agency. When an employee transfers to another federal agency outside the Department, forward the debt case to the Defense Debt and Claims Management Office, DFAS-Denver Center, for collection.

080404. Recovery from Retirement Funds

A. Action by the Civilian Payroll Office

1. General. If the amounts withheld from the sources described in

paragraph 080309. still are inadequate to satisfy the indebtedness, the civilian payroll office shall apply to the OPM for moneys that are due and payable to the separated employee from the Civil Service Retirement and Disability Fund or FERS basic benefits. The procedures in this subparagraph apply only when the former employee has been provided the due process rights enumerated in section 0803. See 5 C.F.R. 831.1801-831.1808 (reference (1)) and 5 C.F.R. 845.401-845.408 (reference (1)).

2. Scope. The procedures contained in this subparagraph apply to all debts that the civilian payroll office was collecting on behalf of the Department with the exception of debts resulting from an individual's failure to pay health benefit premiums while he or she was in a nonpay status or while his or her salary was not sufficient to cover the cost of premiums. These procedures are covered in 5 C.F.R. 845.405(b)(4)(i) (reference (1)).

3. Notice to the Employee. Immediately prior to sending a debt claim to the OPM, the civilian payroll office shall notify the employee in writing that the claim is being sent for offset against the Civil Service Retirement and Disability Fund or FERS basic benefits. The letter shall state the amount of the debt at separation, the amount recouped from final pay and other sources, and the balance due. The letter also shall inform the employee that if he or she makes full payment of the unrecouped portion, the claim shall be dropped. Subparagraph 080307.A.2.b. contains general guidance regarding the acceptability of repayment offers. Only in the rarest of cases should the installment period exceed 3 years. It is preferable, but not essential, that an agreement be reached prior to submission of the claim. In the absence of an agreement, a decision shall be made based on the facts available, and the decision communicated on the claim. See 5 C.F.R. 845.401-845.408 (reference (1)).

4. Submission of Claims to the OPM. Claims shall be submitted to the OPM in accordance with 5 C.F.R. 845.405(b)(5) (reference (1)).

a. Complete Claims. Claims shall be made on an SF 2805 (Request for Recovery of Debt Due the United States) which will be prepared in duplicate. Submission will be made to the Office of Personnel Management, Retirement and Insurance Group, Employee Service and Records Center, Boyers, PA 16017. Attach a copy of the employee notification (prepared in accordance with subparagraph 080404.A.3.) and two copies of the following signed certification to the SF 2805:

(1) A statement that the debt is owed to the United States;

(2) The amount and reason for the debt and whether additional interest accrues. Refer to paragraph 080308. Note that for those debts that are subject to interest beyond that already calculated, the civilian payroll office must advise the OPM of the dollar value of the additional accrual;

(3) The date the government's right to collect the debt first accrued;

(4) A statement that the civilian payroll office has complied with the applicable statutes, regulations, and the OPM procedures;

(5) A promise that if a competent administrative or judicial authority issues an order directing the OPM to pay the employee an amount previously paid to the Department (regardless of the reasons behind the order), the Department shall reimburse the OPM or pay the employee directly within 15 days of the date of the order;

(6) A listing by date of actions taken pursuant to section 0803. Copies of the correspondence are not required.

The OPM is aware that civilian payroll offices will not be able to obtain the employee's consent to the collection in every case; therefore, such claims from civilian payroll offices shall be honored upon receipt of the civilian payroll office's certification. Every attempt to obtain the employee's consent should be made, however, when the process has resulted in a compromised amount (an amount less than the total debt) or, in the case of an annuitant, a specific monthly installment is agreed upon.

b. Incomplete Claims. Occasionally, a separation may occur before due process procedures or the actions in paragraph 080309 have been completed. In other instances, the civilian payroll office may be required to submit the indebted employee's SF 2806/3100 before the proper amount of offset from the employee's monthly annuity has been determined. In such cases, it must notify the OPM in order to prevent payment to the employee. This is particularly important when the employee is entitled to a refund of his or her contributions. Notification shall be effected by a remark in Column 8 of the SF 2806/3100. The SF 2806/3100 shall be accompanied by a statement that the debt is owed to the United States, the date the debt first occurred, and the basis for and amount of the debt.

★ 5. Transfer of Debt Case. Once the SF 2805 has been sent to the OPM, the debt shall be transferred to the Defense Debt and Claims Management Office, DFAS-Denver Center, in accordance with paragraph 080405.

B. Action by the OPM

1. Refunds

a. Complete Claims. If a refund already has been paid, the civilian payroll office submitting the SF 2805 shall be advised that no moneys are available for application against the indebtedness. If the employee's application has been received, but not yet processed at the time a complete claim is received, the OPM shall honor the claim and make remittance to the civilian payroll office. If the employee has not applied for a refund, the civilian payroll office shall be advised that its claim will be retained pending a future application. If the application is received more than 1 year following the date of the SF 2805, the civilian payroll office shall be contacted to verify that the debt is still current. If the debt has been transferred per paragraph 080405, the civilian payroll office shall refer such inquiries to the gaining office. If the civilian payroll office

has not yet transferred the debt, but has still not made full collection, it must contact the employee to provide him or her the opportunity to establish whether his or her changed financial circumstances would make the offset unjust. A decision whether to pursue the offset or to attempt collection by other means shall be made based on the employee's response. As a general rule, the offset shall be pursued unless the success of alternative collection action is relatively certain.

b. Incomplete Claims. If the employee has filed an application for a refund, the civilian payroll office shall be notified. It will be given 120 days from the date of notification to furnish a complete claim. This deadline may be extended by an additional 60 days if the civilian payroll office so requests. Failure to meet the deadline or extended deadline, if applicable, shall result in payment to the employee from the employee's retirement funds.

2. Annuities

a. Complete Claims. When possible, the OPM will make a one-time offset against the retiree's annuity payment in accordance with 5 C.F.R. 845.407 (reference (I)). Installment deductions are required, however, if liquidation of the debt would require offset of more than 50 percent of the retiree's net monthly annuity. All installment deductions should ensure liquidation within 3 years. For debts that are subject to continuing interest payments (see paragraph 080308), the OPM must be advised of the new amount of the debt at least 90 days prior to the final payment. Whether the debt is repaid by one-time offset or by installment deductions, the OPM will begin the process for the next available annuity payment following its receipt of the completed claim. If the monthly annuity payment has not yet been established, offset will begin with the first regular annuity payment. Offsets shall not be made against advance annuity payments. As in the case of refunds, offsets are dependent on the receipt by the OPM of an application by the retiree. SFs 2805 received in advance of applications shall be retained pending receipt of the applications. If any application is received more than 1 year following receipt of the SF 2805, the OPM will contact the civilian payroll office in order to determine the current status of the debt. If the civilian payroll office has transferred the debt in accordance with paragraph 080405, the inquiry will be referred to the gaining office for response. If the debt has not been transferred, see subparagraph 080404.B.1.a. for the requirement to determine whether the retiree's changed financial conditions would make the offset unjust.

b. Incomplete Claims. Unlike the situation that prevails in the case of refunds, the OPM processing of annuity applications shall not be affected by receipt of an incomplete claim from the civilian payroll office. When such a claim is received, the civilian payroll office will be advised to complete the procedures necessary to file a completed claim.

080405. Post Separation Recovery Actions

★ A. Debts of personnel who are not current DoD employees shall be transferred to the Defense Debt and Claims Management Office, DFAS-Denver Center, in accordance with established procedures. All transfers shall include the following:

1. The employee's full name and SSN

2. The employee's last known mailing address
3. The date of the employee's separation/retirement
4. The amount of the debt including principal, interest, penalties, and administrative costs
5. Copies of all correspondence related to the case
6. The accounting classification for credit, including amounts for interest, penalties, and administrative expenses when applicable
7. The date the debt was originally due, as stated in the demand letter.

★ B. For out-of-service debts collected by the Defense Debt and Claims Management Office, DFAS-Denver Center, pertinent data shall be provided to the civilian payroll office to affect the necessary changes (i.e., SF 2812, SF 2806/3100, Form W-2, Form 941, etc.).

0805 RECOVERY OF OTHER DOD DEBTS

080501. General. The civilian payroll office is responsible for providing the required debt notification to the employee before collecting an overpayment of pay and allowances paid by the civilian payroll office under 5 C.F.R. 550.1108 (reference (l)). Other creditor organizations (such as employing agencies) and functional areas outside civilian pay also must certify completion of due process requirements to the civilian payroll office when requesting involuntary salary offset to collect a debt that originated outside the civilian payroll office. In general, the civilian payroll office shall not question the merits of debts originating outside the payroll office.

080502. Collections of Unearned Advance Per Diem and Mileage Allowance and Unearned Temporary Quarters Subsistence Expense

A. Under 5 U.S.C. 5705 (reference (b)), a federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amounts of the travel advance that are not used for allowable expenses are required to be collected. The travel functional area gives the employee an immediate opportunity to pay the amount due. If immediate payment is not made, offset may be made against all accrued pay, retirement credit, or any other amounts due the employee, without limitation, as long as the offset does not cause extreme financial hardship. For purposes of this paragraph, the guidance on extreme financial hardship, as discussed in Volume 5, paragraph 300208 of this Regulation, generally applies. The civilian payroll office is notified in writing of these debts. A copy of the employee's signed repayment agreement is sent to the civilian payroll office, when applicable.

B. The debt shall be collected in one lump-sum or in installments in accordance with the employee's signed voluntary repayment agreement or written instructions provided by the travel functional area or the employing activity.

080503. Overpayment of Travel Allowances. Salary offset is authorized subject to the limitations of up to 15 percent of disposable pay (see subparagraph 080307.B.2.) for debts owed for an overpayment of travel allowances. An official must certify to the civilian payroll office on DD Form 2481 that due process has been performed under 5 U.S.C. 5514 (reference (b)) or other applicable regulation.

★ 080504. Excess Costs Due to Shipment of Personal Property. A debt for excess cost is created when an employee's shipment of personal property exceeds the authorized weight allowance. If an employee has excess cost, a DD Form 2481 is received by the employee's civilian payroll office to make collection under 5 U.S.C. 5724(a)(2) (reference (b)). The collection of such excess costs from an employee's pay record is considered a voluntary offset, since the employee signs DD Form 1299 (Application for Shipment and/or Storage of Personal Property) before the actual shipment of the property, agreeing to repay excess costs caused by the personal property shipment.

A. Upon receipt of the DD Form 2481, the civilian payroll office notifies the employee of the indebtedness. The employee has 30 days to submit a reconsideration letter, make a cash payment, or make arrangements for a voluntary repayment plan through payroll deduction.

B. An employee may submit a reconsideration letter when he or she believes the excess cost charges are incorrect. The employee forwards such letter to his or her employing activity's transportation management representative.

C. After the adjudication of the reconsideration letter, the civilian payroll office is notified to begin collection of any balance due. While there is no limitation on the amount that can be withheld under such a voluntary offset, the civilian payroll office shall determine a repayment schedule that protects both the government's and the employee's financial interests.

080505. Collection of Employee Training Expenses. When an employee fails to fulfill a training agreement and he or she voluntarily does not repay the employing activity, collection of training expenses from the employee's pay account is authorized under 5 U.S.C. 4108 (reference (b)). In accordance with 5 C.F.R. 410.509 (reference (l)), the employing activity must give the employee the opportunity to request a reconsideration of the amount to be recovered or to appeal for a waiver of the activity's right to recover.

A. Documents required to support this type of collection are:

1. A copy of DD Form 1556 (Request, Authorization, Agreement, Certification of Training and Reimbursement) showing the employee's signed consent to the terms of the training agreement.

2. A copy of at least one demand letter to the employee by the training office that pursued voluntary repayment of the training costs.

B. The civilian payroll office forwards a copy of the document identified in subparagraph 080505.A. to the employee with written notification advising the employee of the payroll deduction amount and the pay period deduction will start.

★ 080506. Collection For Reports of Survey (also known as Government Property Lost or Damaged) Debts. Report of survey channels, as prescribed in the cognizant DoD Component regulations, must be exhausted before involuntary salary offset under 5 U.S.C. 5514 (reference (b)) is invoked. Collection by the payroll office will be initiated upon receipt of the DD Form 2481. Collections received from employees are credited to the receipt account established for recoveries of government property lost or damaged. If the property is either stock or industrial funds, however, the collections are credited to that appropriate fund.

080507. Unofficial Telephone Use. When directed by the telephone officer and subject to the telephone officer's certification on DD Form 2481 that due process has been performed under 5 U.S.C. 5514 (reference (b)) or other applicable regulation, the civilian payroll office will effect salary offset from employees who have incurred liability for unofficial use of government telephones. Offsets are subject to the limitations of up to 15 percent of disposable pay (see subparagraph 080307.B.2.).

080508. Hospital Bills. Salary offset is authorized subject to the limitations of up to 15 percent of disposable pay (see subparagraph 080307.B.2.) for debts owed to DoD Component hospitals. An official designated by the hospital must certify to the civilian payroll office on a DD Form 2481 that due process has been performed under 5 U.S.C. 5514 (reference (b)) or other applicable regulation.

080509. Commissary Stores. Subject to the limitations of up to 15 percent of disposable pay (see subparagraph 080307.B.2.) and under a certification of due process on a DD Form 2481 by an appropriate official of the commissary store, salary offset will be initiated in the case of employees who are indebted to the Defense Commissary Agency for reasons such as having issued dishonored personal checks.

080510. Court Fees. Under certain circumstances, employees refund fees received from a court for service as a juror or a witness (see section 0513). Table 5-4 provides guidance on absences of employees and retention of fees in connection with court leave. Fees can be collected by cash refund or by payroll deduction. See Comp. Gen. B-179161, August 29, 1973 (reference (p)) and Comp. Gen. B-219496, January 22, 1986 (reference (p)). Under 5 U.S.C. 5515 (reference (b)), collected fees are to be refunded to the appropriation or fund from which the employee is paid.

080511. Double Negotiation of U.S. Treasury Checks. The negotiation of an original check that has been replaced by a recertified check is considered to be an illegal, incorrect, or improper payment for purposes of pecuniary liability. The disbursing officer that issues the duplicate payment is responsible for collection of such payments from a payee. The disbursing

officer shall give the payee an opportunity to dispute whether the payee actually endorsed both instruments and that the payee consents to a full one-time salary offset. Upon receiving the signed statement from the disbursing officer, together with evidence that negotiation of both instruments has occurred, the civilian payroll office will inform the employee that the amount of the indebtedness will be deducted in full from the next salary payment. The disbursing officer shall provide direction as to how the proceeds are to be applied. If, for any reason, the disbursing officer cannot produce a written consent from the employee, the civilian payroll office must treat the case as an overpayment, and initiate the written demand letter required by paragraph 080303. If the employee does not authorize voluntary deductions, involuntary deductions will be made under 5 U.S.C. 5514 (reference (b)) provisions at the maximum rate of 15 percent of disposable pay after the required due process procedures have been fulfilled. Interest shall be assessed per paragraph 080308.

080512. Military Pay of Reserve or National Guard Members For Duty To Aid Law Enforcement

A. Under the provisions of 5 U.S.C. 5519 and 6323(b) and (c) (reference (b)), an employee's civilian pay is reduced by the gross military pay and allowances (other than travel, transportation, or per diem allowance) received by the employee for military service as a member of the Reserve or National Guard for which the employee is entitled to leave under 5 U.S.C. 6323(c) (reference (b)) for duty to provide military aid to enforce the law for the purpose of providing assistance to civil authorities in the protection of life or property or the prevention of injury, and for parades or encampments under Title 39, District of Columbia Code (reference (aq)). This applies whether payment for military service was paid from federal or state funds. Deduct for income tax withholding, Social Security and/or Medicare, or retirement based on the resulting balance. Do not reduce the civilian pay by the military pay received for service on nonworkdays.

B. The civilian payroll office shall accomplish the reduction of an employee's civilian pay as described in subparagraph 080512.A., above, by cash collection or by payroll deduction. The civilian payroll office is encouraged to notify the employee informally by telephone of the requirement of 5 U.S.C. 5519 (reference (b)).

C. Credit the collection to the appropriation from which the employee's civilian pay was paid.

D. Specific information as to the military pay entitlement of the employee should be obtained from the military organization concerned if the employee is unable to produce specific and documented information from which the civilian pay reduction may be determined.

★ 080513. Collection of Dishonored Personal Checks. Collection of dishonored personal checks shall be made in accordance with Chapter 4 of Volume 5 of this Regulation.

0806 SALARY OFFSET REQUESTS FROM NON-DOD FEDERAL AGENCIES

080601. General

★ A. When non-DoD federal agencies (except IRS and U.S. Courts (see sections 0417 and 0807)) identify DoD employees as having outstanding debts, those agencies shall address their salary offset requests to the Secretary of Defense designee, i.e., the DFAS-Cleveland Center, 1240 East 9th Street, Cleveland, OH 44199. These requests shall certify that due process rights have been afforded to the indebted employees by the non-DoD federal creditor agency. After these requests for salary offset are approved by the DFAS-Cleveland Center and the payroll office of the employee is located, the DFAS-Cleveland Center shall forward the approved request to the civilian payroll office that maintains the employee's pay account.

B. Some creditor agencies may elect to inform the employee of the anticipated amount of the offset prior to certification of due process. Civilian payroll offices shall cooperate with creditor agencies that inquire as to the amount of an employee's disposable pay.

C. Although most debts collected through this program have incurred interest, administrative expenses, or penalties, calculations of the debt amount shall be performed only by the creditor agencies. Therefore, the creditor agency may adjust the originally certified debt amount to include interest that has accrued since the initial certification. In this event, the creditor agency shall recertify the debt amount using the same procedure as the original debt certification.

★ D. The Department may not honor a request to collect a debt by salary offset that first accrued more than 10 years prior to the request, except as set forth in the Federal Claims Collection Standards, 4 C.F.R. Parts 101-105 (reference (ba)).

★ E. Requests from non-DoD federal creditor agencies that are sent to the civilian payroll office directly, i.e., without going through DFAS-CL and DMDC, shall be returned without action. The civilian payroll office shall inform the non-DoD federal agency of the correct procedures as outlined in this section.

★ F. The debt collections will begin the next officially established pay period.

G. The National Security Agency (NSA) shall work with the DMDC to accomplish matches for NSA, Defense Intelligence Agency, and Central Imagery Office personnel. These matches shall be conducted at the NSA Headquarters.

★ 080602. Processing Actions. Upon receipt of the salary offset request from the DFAS-CL, the civilian payroll office:

A. Computes 15 percent of the employee's disposable pay or a lesser percentage dictated by the creditor agency. See subparagraph 080307.B.2.

★ B. Notifies the employee in writing of the amount of the salary offset and the pay period when salary offset will start.

C. Processes the payroll deduction in accordance with payroll system user instructions.

D. Receives from the employee and forwards to the creditor agency proof that the debt is paid in full, discharged under bankruptcy, or voluntary payments are current under a negotiated repayment schedule. The civilian payroll office also advises the employee to resolve the debt issue directly with the creditor agency so that DFAS-CL is officially notified that the debt has been canceled. If the employee produces compelling documents (e.g., canceled checks, receipts, or letters from the creditor agency) which indicate the debt is no longer valid, offset should be suspended pending reverification or official termination by the creditor agency.

E. Forwards payment each pay period to the creditor agency along with a report of each collection made. See subparagraph 090203.G.1. for guidance on preparing this report.

★ F. Sends a biweekly report of collections on delinquent debts for non-DoD federal agencies to the DFAS-CL. See subparagraph 090203.G.2. for guidance on preparing this report.

G. Ensures that the total amount collected is reflected on the civilian payroll voucher as salary offsets for the creditor agency.

080603. Transferred Employees

A. When an employee transfers to another DoD payroll office before collection of the debt is completed, the losing civilian payroll office:

1. Forwards a copy of the original debt notification document to the gaining civilian payroll office;

2. Certifies the amount collected prior to the employee's transfer on the original debt notification document and the remaining unliquidated amount of the debt. One copy of the certification letter must be furnished to the employee, another to the creditor agency; and

★ 3. Notifies the DFAS-CL of the date the employee transferred, the amount collected prior to the transfer, and the new payroll office name (if known).

B. The gaining DoD civilian payroll office continues salary offset upon receipt of the documentation forwarded by the losing DoD civilian payroll office. The amount of the salary offset should be recomputed in accordance with subparagraph 080601.C.

C. When an employee transfers to a non-DoD agency before collection of the debt is completed, the losing civilian payroll office shall follow the guidance in paragraph 080604.

★ 080604. Separated Employees. When an employee separates before collection of the debt is completed, final pay, including lump-sum leave and awards shall be applied in full or in part

to the extent necessary to recover the debt. The losing civilian payroll office shall notify the creditor agency and DFAS-CL of the date the employee separated, the amount collected prior to the separation date, and the new employing agency (if known).

0807 RECOVERY OF COURT-ORDERED INDEBTEDNESS

080701. Judgment Offsets. When a court of the United States, in an action or suit brought against a federal employee by the United States, determines that the employee is indebted to the United States and enters a judgment against the employee, section 124 of P.L. 97-276 (reference (e)) published as a note to 5 U.S.C. 5514 (reference (b)), allows collection of the debt by deduction from the employee's current pay account. The employee's consent is not required. Any federal agency requesting salary offset under Section 124 of P.L. 97-276 (reference (e)) shall send a letter requisitioning offset to the civilian payroll office with an attested copy attached of the judgment entered against the employee. If there is concern as to the validity or interpretation of the judgment, the DFAS General Counsel shall review the judgment. After the validity or interpretation of the judgment is confirmed, the civilian payroll office:

A. Computes the amount collected each pay period using the percentage specified in the offset request. The maximum amount deducted for a pay period may not exceed 25 percent of the employee's disposable pay unless a greater percentage is necessary to recover the amount owed within the time of the anticipated employment. See subparagraph 080307.B.2. for computing disposable pay. Deductions may be made from basic pay, or in the case of an individual not entitled to basic pay, other authorized pay.

B. Collects the total unpaid balance as specified in the offset request. This amount may include accumulated interest and administrative charges. The agency requesting offset should notify the civilian payroll office approximately 90 days before completion of the judgment offset with the final judgment amount which include the balance of accrued interest charges.

C. Forwards a copy of the offset request to the employee with written notification advising the employee of the deduction amount and pay period the deduction will start.

D. Applies final pay (salary and lump sum leave) to any unliquidated debt balance as provided by 31 U.S.C. 3716 (reference (d)) if the employee retires, resigns, dies, or if employment otherwise ends.

E. Forwards payment each pay period to the agency requesting salary offset.

080702. Garnishments

A. Authority. Title 42, United States Code, section 659 (reference (ae)) provides consent by the United States to garnishment and similar proceedings for enforcement of child support and alimony obligations against civilian employees. P.L. 103-94 (reference (e)) authorizes the garnishment of civilian employees' pay for commercial debts.

B. Procedures

1. For garnishments for child support and alimony, the commanding officer or his or her designated representative shall notify the employee of the garnishment or attachment order and its effect on his or her pay and shall forward the court order to the civilian payroll office after the order is determined to be valid by qualified legal counsel. If the activity is served with more than one garnishment order with respect to the same pay due or payable to any employee, then such pay shall be available to satisfy the court order on a first-come, first-served basis. See section 0412 for processing garnishment collections.

2. All federal employees with an outstanding debt are subject to garnishment for commercial debts. A court order from a state court is required prior to the garnishment becoming effective. See section 0412 for procedures for processing garnishment collections.

080703. Debtors Involved In Bankruptcy Proceedings

A. Wage Earner's Plan Cases. Except in cases of court-ordered child support and/or alimony as provided by 42 U.S.C. 659 (reference (ae)), civilian employees (wage earners) cannot be deprived of their pay by any civil process of attachment or levy. Federal employees may, however, file for bankruptcy under the provisions of 11 U.S.C., Chapter 13 (reference (af)) (the so-called "wage earner's plan").

1. Under Chapter 13, an employee must submit a plan to the bankruptcy court that provides, among other things, that all or such portion of future income as is necessary to pay priority claims under the plan, must be submitted to the control of the bankruptcy trustee. Once the bankruptcy court confirms a plan, it may order any employer to pay all or part of an employee's future income to the trustee named in the order. A separate check is authorized to meet the terms of the order. Sometimes, the wage earner's name appears as payee on the check with the address of the trustee (11 U.S.C. 1322 and 1325) (reference (af)). Normally, however, the check is made payable to the trustee.

2. In cases when doubt exists as to the validity or the interpretation (including the determination of amounts to be paid to a trustee) of the court order, the DFAS Deputy General Counsel reviews the wage earner's plan court order before processing.

3. Process the collection in accordance with the instructions in the court order.

B. Bankruptcy Proceedings. The civilian payroll office notifies the Office of the DFAS General Counsel immediately upon becoming aware that a civilian employee owing money to a DoD Component, is initiating bankruptcy proceedings. The notification must be prompt to ensure that a claim is filed within statutory time limitations.

0808 CORRECTIONS

080801. Corrections due to errors and cancellation of paychecks are outlined in Table 8-1.

080802. Corrections for Underpayment of Earnings. For active or separated employees, there is no distinction between payment for a current or prior calendar year. The adjusting payment is reported as wages at the time it is made. No correction on Form 941 is required. Form W-2 for the current year shall show corrections for underpayments as outlined in Table 8-1.

A. For active employees, the civilian payroll office shall:

1. Process the payment in the next regular biweekly pay cycle
2. Report the gross wages subject to Social Security/Medicare taxes withheld as current quarterly earnings on Form 941
3. Include the earnings and Social Security/Medicare taxes withheld on the Form W-2 for the current year.

B. For separated employees, the civilian payroll office shall:

1. Reestablish the employee on the payroll and process the payment in the current biweekly pay cycle
2. Follow the procedures in subparagraph 080802.A
3. Prepare Form W-2c if a Form W-2 was issued.

080803. Corrections for Overpayment of Earnings in the Current Year

A. For active employees, the civilian payroll office shall:

1. Instruct the employee to refund the overpayment in accordance with due process procedures.
2. Record the amount as a reversal in the base pay, gross pay, net pay or other pay as applicable, after receipt of the refund or returned check from the employee, the civilian payroll office.

B. For separated employees, the civilian payroll office shall follow debt collection procedures as outlined in Volume 5 of this Regulation.

1. Reestablish the employee on the payroll and process the reversals in the current biweekly pay cycle.

2. Prepare a Form W-2c if a Form W-2 was issued.

080804. Corrections for Overpayment of Earnings for a Prior Year. If the overpayment occurred in a previous calendar year, no correction of earnings for federal, state, or local withholding taxes shall be made for the current calendar year.

A. For active employees, the civilian payroll office shall:

1. Request a written statement from the employee that a claim for tax refund or credit has not been made for the amount of the overdeduction.

2. If the year of repayment is still within the 3-year statute of limitations for Social Security and/or Medicare tax refunds, prepare a Form W-2c in accordance with IRS Circular E (reference (h)) for the prior year to reduce the gross wages subject to Social Security/Medicare and Social Security and/or Medicare taxes withheld. Send copies to the employee and copy A to the SSA. A separate Form W-3 (Transmittal of Wage and Tax Statements) must be sent with the corrected Form W-2 to the SSA, upon completion of the correction procedures. If the repayment is beyond the 3-year statute of limitations, no corrections will be made to prior year Forms W-2 and Forms 941.

3. Attach the employer's copy of the Form W-2c to the retained Form W-2 previously issued for the prior year.

4. Prepare a Form 941c (Statement to Correct Information Previously Reported on the Employer's Federal Tax Return) to adjust the gross wages subject to Social Security/Medicare and the Social Security/Medicare taxes.

5. Attach the Form 941c to the current quarterly Form 941 and enter the amount of the adjustment on line 9 of Form 941. Retain copies of the two forms in the civilian payroll office.

6. Prepare a statement for the employee after collection of the amount due from the employee (see Figure 8-5 for a sample format). The amount entered on the statement shall be the total of the reverse deductions plus the amount the employee repaid. The employee shall receive any federal, state, city, and local income tax adjustment when he or she files a tax return.

B. For separated employees, the civilian payroll office shall:

1. Follow procedures outlined in subparagraphs 080804.A.1. through 6.

2. Keep a copy of the Form W-2c and Form 941c in the current year quarterly tax folder. (This is used to balance the annual federal tax deposits.)

C. The civilian payroll office manually shall note the amount of the correction and the date of the collection on the employee's prior year individual pay record.

D. If an employee was overpaid in previous calendar years, collections against the overpayment may cover more than two calendar years. The civilian payroll office shall give the employee a statement that contains the following:

1. A description of the circumstances
2. The amount of the overpayment
3. The amount collected during the year
4. The year or years to which the payment was applied.

Sample Demand Letter

FROM: (1)

TO: (2)

SUBJECT: Overpayment of Pay and/or Allowances

This is to inform you that you have been overpaid as the result of ____ (3) _____. Unfortunately, this overpayment causes you to be indebted to the United States in the gross amount of \$ ____ (4) ____, and as a result, we are required by law and regulations to initiate collection action.

Please send a personal check or money order payable to ____ (5) ____ in the amount of \$ ____ (6) ____ along with a copy of this letter to ____ (7) ____ within 30 days. If you are financially unable to pay the full amount, you and the civilian payroll office may establish a written agreement for repayment of the debt by installment deductions from your pay. Please advise the civilian payroll office within 30 days if you wish to request this method of repayment.

If you do not repay the debt in full or establish a repayment schedule within 30 days, we are required to collect the debt involuntarily from your pay, beginning on ____ (8) _____. The maximum amount deductible under these circumstances is 15 percent of your disposable pay each pay period until the debt is repaid in full. Our estimates of your disposable pay, based on current payroll information, is \$ ____ (9) _____. Therefore, the maximum deductions would be \$ ____ (10) _____ and repayment of the principal amount of the debt would take approximately ____ (11) _____ pay periods.

If you repay this debt in the same year that the overpayment occurred, you may repay the debt in the net amount, and we accordingly will adjust your taxable wages and taxes withheld. If you do not repay your debt in full in the same year as the overpayment occurred, you are also will be required to pay all income taxes applicable to the unpaid debt balance. You will receive a statement that you may file with your tax return indicating you repaid an overpayment that occurred in a prior tax year.

We encourage that you promptly pay this debt since interest, computed at the Treasury tax and loan rate, will be assessed from the date of this letter on any part of the debt not paid within 30 days of the date of this letter. Also, an administrative charge to cover the cost of processing a delinquent debt will be assessed on any part of the debt not paid within 30 days. In addition, a penalty charge of 6 percent per annum will be assessed on any portion of the debt that is delinquent for more than 90 days.

★Figure 8-1 (Demand Letter for Overpayment of Pay and/or Allowances)

You have the right to inspect and copy all records relating to this debt within 10 days from receipt of this letter. If you personally cannot do so, you may request that the civilian payroll office provide you a copy of any of these records. This request must also be made within 10 days from receipt of this letter.

If you have any questions about the nature of the debt, please contact the civilian payroll office for an explanation. If, after hearing the civilian payroll office's explanation, you still believe that you do not owe the debt or that you owe an amount other than what is shown above, you may submit a written statement of your position to the civilian payroll office. This right has no relationship to your ability or willingness to repay the debt, but only to determining whether the debt is a valid one. If you elect to exercise this right, you must do so within 15 calendar days from the date of this letter.

You also have a right to a hearing as to the amount or the validity of the debt, or if the involuntary deductions discussed above would cause an extreme hardship. Hearings are conducted by an official, designated by the Defense Finance and Accounting Service, who is not under the control of the creditor agency. If you wish to request a hearing, you must do so within 30 days from the receipt of this letter. Attachment 1 contains guidance regarding requests for hearings.

If you acknowledge the validity of the debt, but believe that you should not be required to repay this debt, you may submit a written request for waiver of the indebtedness. Attachment 2 contains guidance regarding waiver requests. Requesting a waiver is not normally an alternative to making arrangements to repay the debt (plus any accrued interest, administrative costs, and penalties). Therefore, even if you elect to submit a waiver request, you still should either repay the debt or arrange with the civilian payroll office for installment payments. Any decision to suspend collection action during the period of consideration of the waiver is made on a case-by-case basis.

If we can be of further assistance, please contact _____ (12).

Sincerely,

(Signature Element)

Attachments:

As stated

Figure 8-1 (Demand Letter for Overpayment of Pay and/or Allowances (continued))

Explanation of Blank Spaces on Sample Demand Letter

- (1) The title or office symbol/code of the civilian payroll office.
- (2) The full name of the employee.
- (3) A brief but comprehensive explanation of how the overpayment occurred (e.g., overaccrued annual leave, premature step increase, or overtime paid but not worked). Always include the pay periods for which the overpayments occurred and the dollar amount for each pay period. If the computation is complex, it may be included as an attachment to the letter. In some cases, a three-column table may be helpful. The three columns reflect amount entitled, amount paid, and the differences (the amount of the indebtedness).
- (4) The gross dollar amount of the debt.
- (5) The office to which the check or money order is to be made payable.
- (6) The net dollar amount of the debt.
- (7) The mailing address of the disbursing office.
- (8) The date the involuntary deduction from pay begins.
- (9) The estimated amount of disposable pay.
- (10) Fifteen percent of (9).
- (11) Divide (4) by the amount determined in (10) and round to the next highest number.

Note: For debts in which (10) is greater than (4), this entire sentence and the one preceding it can be deleted from the letter.

- (12) Identify the name, phone number and office symbol/code of the point-of-contact in the civilian payroll office who can answer questions regarding this debt.

Figure 8-1 (Demand Letter for Overpayment of Pay and/or Allowances (continued))

Guidance Pertaining to Hearings

An employee is entitled to an opportunity for a hearing on the determination of the civilian payroll office concerning the existence or amount of the debt, or the terms of the repayment schedule if it is established other than by written agreement. The employee must make any such challenge within 30 days of the receipt of the notice of indebtedness or within 45 days after receipt of the records relating to the debt, if the employee requests such records. If a hearing is given, the employee also must be given the opportunity to receive a written decision from the official holding the hearing at the earliest practical date, but not later than 60 days after the filing of a petition. Normally, a hearing will consist of written submissions by both the employee and the civilian payroll office. Therefore, an employee who wishes a hearing shall make his or her wishes known by filing a petition with the same official who issued the written demand for payment. The petition shall state that the employee is seeking a hearing under the provisions of 5 U.S.C. 5514 and, if the employee is contesting the determination of the debt or its amount, the petition will contain the following items:

1. The reason the employee believes that the civilian payroll office's determination of the debt is erroneous. The statement shall include all facts on which the employee bases his/her belief and any arguments supporting the belief.
2. Written submission from any persons that can substantiate the employee's contentions.
3. A copy of any records the employee believes can substantiate his/her contentions.

If the employee is contesting the offset schedule, the petition shall contain the following items:

1. A proposed alternative offset schedule with supporting documents showing why the civilian payroll office's schedule would produce an extreme financial hardship for the employee. The supporting documents should include specific details concerning income and expenses of the employee, his/her spouse, and dependents for 1 year preceding the demand letter, and projected income and expenses during the repayment period proposed by the civilian payroll office.
2. Written submissions from any persons that can substantiate the employee's contentions.
3. A copy of any records the employee believes can substantiate his/her contentions.

★Figure 8-1 (Attachment 1 of the Demand Letter for Overpayment of Pay)

The timely filing of a petition for hearing shall stay the beginning of collection proceedings until the results of the hearing have been rendered.

Employees are advised that any knowingly false or frivolous statements, representations or evidence may subject the employee to:

1. Disciplinary procedures appropriate under 5 U.S.C. Chapter 75; 5 C.F.R. 752, or any other applicable statutes or regulations;
2. Penalties under the False Claims Act, 31 U.S.C. 3729-3731, or any other applicable statutory authority; or
3. Criminal penalties under 18 U.S.C. 286, 287, 1001, and 1002, or any other applicable statutory authority.

The timely filing of a request for a hearing will stay the beginning of collection proceedings. Interest and penalty fees shall not accrue during the period from the filing of a petition for hearing until the date of a hearing official's determinations.

Figure 8-1 (Attachment 1 of the Demand Letter for Overpayment of Pay (continued))

Guidance Pertaining to Waivers

In order to receive favorable waiver consideration, the determination must be made that collection action would be against equity and good conscience and not in the best interests of the United States. Generally, these criteria will be met by finding that the erroneous payment occurred through administrative error and that there is no indication of fraud, misrepresentation, fault or lack of good faith on the part of the employee. Any significant unexplained increase in an employee's pay and/or allowances, which would require a reasonable person to make inquiry concerning the correctness of his or her pay, ordinarily would preclude a waiver, whether or not the employee fails to bring the matter to the attention of appropriate officials. Waiver of overpayments under this standard depends on the facts existing in each particular case. However, the Comptroller General of the United States has held that a waiver will not be granted if it appears the employee had records (such as Leave and Earnings Statements) which, if reviewed, would have indicated an overpayment, and the employee failed to review such documents for accuracy or otherwise failed to take corrective action. Economic or financial considerations play no role in the determination of a waiver request.

An employee who wishes to request a waiver must submit an application for waiver of erroneous payment to the civilian payroll office that made the erroneous payment. If the civilian payroll office has been disestablished, the application is to be sent to the successor civilian payroll office. The application must contain or cover the following information or points:

1. The employee's name and address,
2. The reason for requesting the waiver,
3. A clear, concise, certified statement that the employee was or was not aware of being erroneously paid,
4. A statement detailing the employee's efforts to question the correctness of the payment,
5. The date and manner in which the employee became aware of the overpayment(s),
6. A statement relative to the availability of wage/salary tables or schedules, if applicable and
7. The employee's request for refund of any collection of the debt.

★Figure 8-1 (Attachment 2 of the Demand Letter for Overpayment of Pay (continued))

Sample Voluntary Repayment Agreement

To Whom It May Concern:

I _____, SSN _____ agree to repay my indebtedness of \$_____ by the following method(s).

\$_____ One-time payroll deduction in the pay period ending _____.

\$_____ Payroll deduction in the amount of \$ _____per pay period beginning with the pay period ending _____ until the debt principal and interest at the current Treasury rate is paid in full.

\$_____ Cash payment by personal check (must be received within 5 workdays).

\$_____ Net amount due (current calendar year).

In the event that should I retire or resign before collection of the debt is completed, all final pay (salary, lump-sum payments, and awards) shall be applied to the unliquidated debt balance without additional notification.

Signature

Date

Daytime Phone Number

★Figure 8-2 (Sample Voluntary Repayment Agreement)

I. Items Required From the Employee

A. The petition for the hearing:

1. Name
2. SSN
3. Date
4. Reason(s) for requesting the hearing, e.g.,
 - a. Contesting the validity of the debt
 - b. Contesting the amount of the debt
 - c. Contesting the terms of the offset
5. Reason(s) for contesting the debt
 - a. When contesting validity and/or amount of the debt, the employee shall

(1) Provide a statement why he or she believes the civilian payroll office's determination of the validity and/or the amount of the debt is erroneous. Also provide a complete description of the facts, evidence, and a summary of testimony of any witnesses which support the employee's belief.

(2) Copies of any pertinent records that the employee wishes to have considered at the hearing if they differ from those records previously provided by the civilian payroll office.

b. When contesting the terms of the offset schedule proposed by the civilian payroll office, the employee shall

(1) Propose an alternate schedule, i.e., how much can be repaid each pay period.

(2) Enclose an affidavit of financial status.

(3) Provide copies of any records he/she wishes to be considered at the hearing if they differ from the records previously provided by the civilian payroll office.

6. Employee's signature

Figure 8-3 (Checklist for a Hearing on Overpayment of Civilian Pay and/or Allowances)

II. Items Required From the Civilian Payroll Office:

- A. Full name and SSN of the employee.
- B. Exact date the error was discovered.
- C. Exact date and manner (due process notification) in which the employee was advised of the debt.
- D. Aggregate (total) amount of the debt.
- E. Computation of the amount of the debt including/excluding interest-to-date, and administrative fees, if applicable.
- F. Detailed circumstances that led up to, and under which, the erroneous payment(s) was made.
- G. Statement(s) corroborating and/or refuting the statement(s) made by the employee.
- H. Copies of Leave and Earnings Statements for 3 pay periods prior to the error and the first 3 pay periods beginning with the first overpayment.
- I. Copies of all other documents pertaining to the case.
- J. Annual leave cases require special documentation. They should include the following documents:
 - 1. Copy of the erroneous SF 50 data.
 - 2. Copy of the corrected SF 50 data.
 - 3. The balance brought forward (and the date) from the last year in which the correct leave accrual was used.
 - 4. Employee's leave record.
 - 5. The hourly rate of pay and changes.
 - 6. A copy of the SF 2806/3100.

Figure 8-3 (Checklist for Hearing on Overpayment of Civilian Pay and/or Allowances (continued))

Sample Post-Hearing Demand Letter

FROM: (1)

TO: (2)

SUBJECT: Indebtedness to the United States as a Result of an Overpayment of Pay and/or Allowances

Reference: (a) (3)
(b) (4)
(c) (5)

Reference (a) advised of your indebtedness to the United States in the amount of \$ (6) as a result of an overpayment of pay and/or allowances. By reference (b), you submitted a petition for a hearing based on the (7) of the debt. Reference (c) is the hearing official's determination of your indebtedness in the amount of \$ (8).

In order to liquidate the debt in full, you are requested to prepare a personal check or money order payable to (9), and send this instrument to the civilian payroll office at (10) no later than 15 days from the date of this letter. Regulations also permit the indebtedness to be liquidated by deductions from your current pay. If you prefer this method of repayment, please inform the civilian payroll office of your preference and it will arrange for a one-time voluntary payroll deduction. Depending on the amount of the debt in relation to your pay and your other expenses, it may be possible for you and the civilian payroll office to establish a written agreement for repayment of the debt by periodic installment deductions from your pay.

Reference (a) explained that delinquent debts were subject to the assessment of interest, penalties, and administrative expenses, and stated the policy relative to the excusal of these assessments. Under this policy, these assessments have not yet been made. They may continue to be excused if you now repay the debt in full or are able to reach an agreement with the civilian payroll office regarding installment liquidation of the debt.

If you do not repay the debt, consent to a one-time payroll deduction, or establish a repayment schedule, this office intends to collect the debt involuntarily from your pay beginning on (11). You must contact the civilian payroll office by that date in order to avoid this offset. This deduction would begin with the payday on (12). Reference (a) advised as to the estimated amount and duration of the payroll deduction. If this deduction from your pay would, in your opinion, cause you to experience extreme financial hardship, then you are urged to contact the civilian payroll office to arrange a more lenient schedule.

Figure 8-4 (Sample Post-Hearing Demand Letter for Overpayment of Pay and/or Allowances)

Reference (a) also explained your right to a waiver of the overpayment. You may still exercise that right. In view of the time that has already elapsed, however, you either must repay the debt or make arrangements for payroll deductions concurrent with the submission and processing of your waiver request. In the event that your request is granted, all amounts deducted shall be refunded.

Our point-of-contact in this matter is (13) .

(Signature Element)

EXPLANATION OF BLANK SPACES ON SAMPLE POST-HEARING DEMAND LETTER

- (1) The title or office symbol/code of the civilian payroll office.
- (2) The full name of the employee.
- (3) The initial demand letter.
- (4) The employee's petition for a hearing.
- (5) The hearing official's determination.
- (6) The amount of the debt in the initial demand letter.
- (7) Either "existence", "amount" or "the terms of the proposed offset schedule", as appropriate.
- (8) The amount of the debt as determined by the hearing official. If the hearing official affirmed the civilian payroll office's contention, the amount will be the same as blank (6).
- (9) The office to which the check or money order is to be made payable.
- (10) Identify the mailing address of the civilian payroll office.
- (11) The date the involuntary deduction from pay begins.
- (12) The payday for the pay period indicated in blank (11).
- (13) Include the name, phone number and office symbol/code of the point-of-contact in the civilian payroll office who can answer questions regarding this debt.

Figure 8-4 (Sample Post-Hearing Demand Letter for Overpayment of Pay and Allowances (continued))

Sample Prior Year Salary Overpayment

REFUND OF PRIOR YEAR SALARY OVERPAYMENT		Date
To:	From:	
<p>_____</p> <p>Name and Social Security Number of Employee</p> <p>refunded during the calendar year _____ the sum of \$_____, representing salary overpayment from taxable year _____. The Form W-2 (Wage and Tax Statement) for calendar year _____ has not been decreased by this amount.</p>		
Duty Station	Federal Employer's Identification Number	
	State Identification Number	
Typed Name, Title and Telephone	Signature	
<p>Copy Forwarded To:</p> <p>Internal Revenue Service</p> <p>State of _____</p> <p>City or County of _____</p>		

Figure 8-5 (Prior Year Salary Overpayment Sample Format)

Current and Prior Year Pay Correction Table

Corrections Required If Applicable	Current Year				Prior Year			
	Underpay		Overpay		Underpay		Overpay**	
	A	I	A	I	A	I	A	I
Gross	No	No	Yes	Yes	No	No	Yes	Yes
Base	No	No	Yes	Yes	No	No	Yes	Yes
Other Pay	No	No	Yes	Yes	No	No	Yes	Yes
Retirement	No	No	Yes	Yes	No	No	Yes	Yes
★TSP	No	No	Yes	Yes	No	No	Yes	Yes
Social Security/ Medicare	No	No	Yes	Yes	No	No	Yes	Yes
Federal Tax	No	No	Yes	Yes	No	No	No	No
FEHB	No	No	Yes	Yes	No	No	Yes	Yes
FEGLI	No	No	Yes	Yes	No	No	Yes	Yes
State Tax	No	No	Yes	Yes	No	No	No	No
City/Local Tax	No	No	Yes	Yes	No	No	No	No
Union	No	No	Yes	Yes	No	No	No	No
Charity	No	No	Yes	Yes	No	No	No	No
Other Deductions	No	No	Yes	Yes	No	No	Yes	Yes
Form W-2	No	Yes*	No	Yes*	No	Yes*	Yes*	Yes*
Form 941	No	No	Yes	Yes	No	No	Yes	Yes
Corrections Processed on Next Biweekly Pay Cycle	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

A - Active Employee; I - Inactive Employee

Yes - Requires a correction

* Prepare a corrected Form W-2 only if a Form W-2 was issued.

** For a prior year overpayment, the employee must repay the net amount plus deductions for federal, state, city or local tax, union, charity, allotments, bonds, indebtedness owed the United States and any other deductions for which the employee received value but which cannot be collected.

Table 8-1 (Current and Prior Year Pay Correction Table)

CHAPTER 9**RECORDS, FILES AND REPORTS****0901 RECORDS AND FILES****090101. Payroll Documentation**

A. A voucher shall be prepared for each disbursement or group of disbursements. A duly authorized certifying officer shall certify each voucher before payment. No employee shall certify his or her own disbursements.

★ 1. Deductions for CSRS and FERS, life insurance, and health benefit programs with employer contributions are routinely paid to the OPM each pay period. The SF 2812 shall be used to report these deductions. A consolidated SF 2812 shall be submitted biweekly to the OPM by RITS.

2. Federal income, Social Security, and Medicare taxes withheld shall be paid to the IRS as provided by the TFM (reference (ai)) and Circular E (reference (h)). State or city/local income taxes withheld shall be paid to the appropriate taxing authority in accordance with the TFM (reference (ai)).

3. Deductions and employer contributions for the TSP and TSP loan repayments shall be paid to the Department of Agriculture NFC.

4. Other amounts withheld shall be paid in accordance with regulations or instructions furnished by the employee.

B. Payments to those for whom deductions are authorized to be paid shall be reconciled on a cyclical basis, at least annually, with the amounts withheld plus the related employer contributions, if any, as shown by the pay or other records. This procedure is necessary to determine whether the correct amounts are being reported to those authorized to receive deductions and contributions that are deducted from the employee's pay.

1. The amounts reported on the annual Form W-2 furnished each individual shall agree with the total amounts withheld during the year as shown by the civilian payroll office records.

2. As an integral part of the DoD financial accounting systems, a related control account and an SF 2806/3100 for each civilian employee for whom retirement deductions are made shall be kept in accordance with the OPM requirements.

3. A master employee record shall be kept for each employee for whom savings bond deductions are made, showing the deductions, purchases or refunds, and unapplied balances.

4. Each DoD civilian payroll office shall keep, for each calendar year, a record of the total amounts withheld from employees' salaries and the total amount of the employer's contributions for group life insurance. These records shall be kept in a ledger or other appropriate form or shall be represented by file copies of vouchers from which such information has been reported to the OPM.

★ 5. A record of the employee deductions and the employer's contributions for health benefits shall be kept by each enrollment code number. The enrollees included in this record shall be reconciled within the payroll office, quarterly or more often if necessary, with the enrollees reported to each carrier. The civilian payroll office shall reconcile the employees enrolled, by code, to the carriers' records based on the SFs 2809 and SFs 2810 sent in support of the SFs 2811. This joint reconciliation between the civilian payroll office and the carriers shall be accomplished quarterly or, if necessary, more often.

6. The payroll records shall provide a clear audit trail from the gross pay calculation to the net pay received by the employee by pay period and by year-to-date totals.

7. A record shall be kept for each employee for whom TSP deductions and agency contributions to TSP are made.

★ 090102. Payroll Records Required for Retroactive Computations Involving Former Civilian Payroll Offices

★ A. When retroactive payroll computations are required that involves one or more former civilian payroll offices, the consolidated civilian payroll office has overall responsibility for the adjustment process. If it is determined that a former payroll office is involved, the consolidated civilian payroll office shall be responsible for contacting each former payroll office to obtain the necessary information.

★ B. Provided below are procedures to be followed if the consolidated civilian payroll office is unable to obtain documentation necessary to perform the retroactive calculation.

★ 1. Request documents from the National Personnel Records Center (NPRC) for records that should have been archived. When copies of the SF 135 are unavailable at either the former or consolidated offices, the consolidated civilian payroll office shall complete a NARA Optional Form 11 (Reference Request - Federal Records Centers) with all available information. Include in the description and remarks section, the employee's name, SSN, known places of employment, names and payroll office numbers of applicable civilian payroll offices, and year(s) for which the records are requested. Forward the form to NPRC, Civilian Personnel Records, 111 Winnebago Street, St. Louis, Missouri 63118-4199.

★ 2. Contact the Appropriate Human Resources Organization. If the NPRC cannot locate the records, the civilian payroll office shall prepare a memorandum to the appropriate HRO requesting copies of the SFs 50 or other related pay and/or leave information. Since there may have been consolidations of both civilian payroll and the appropriate HRO prior to the DCPS consolidations, it is imperative that both offices work together to obtain information that will assist in the determination of pay and leave adjustments for the employee.

★ 3. Contact the Employee. If the civilian payroll office is unable to locate documentation from the NPRC or the appropriate HRO, the employee may be contacted for documentation. If the employee has copies of the SFs 50 and/or the LESs, the civilian payroll office can accept this information for use in the reconstruction of the pay and/or leave records.

★ 4. Contact OPM. If the transmittal letters to the OPM and/or copies of the retirement records cannot be located, the civilian payroll office shall submit a written request to the OPM to obtain copies of these records. The information on the retirement records can also be used for reconstruction of pay information for adjustments.

0902 REPORTS

090201. General. DoD civilian payroll systems must support the various legal and regulatory requirements by generating reports at regular intervals, on an as-needed basis or by producing reports to meet special requirements. They also shall support management by generating reports that provide the necessary information to ensure the system's integrity. Under the provisions of Title 6 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies (reference (bd)), reports shall be:

A. Prepared accurately and promptly and distributed to the appropriate recipients to ensure receipt when the information will be of maximum benefit.

B. Based on, supported by, and periodically validated against appropriate detailed information in the payroll system.

C. Sent in a timely manner to officials who authorized, or were responsible for, processed payroll transactions and shall be reviewed by those officials for completeness and accuracy. However, producers of these reports shall be responsible for correcting errors due to inaccurate reading or entering of data. Discrepancies in reporting, transmitting, or depositing funds shall be resolved promptly.

D. Discussed periodically with users and modified or eliminated as appropriate to meet user needs.

E. Retained and disposed of in accordance with the General Records Schedule 2, (reference (g)), with sensitive data as defined by 5 U.S.C. 552a (reference (b)) handled in accordance with the provisions of the Privacy Act (reference (e)).

090202. As-Required Reports

A. City/Local Income and Employment Tax Reports. These reports shall be submitted to cities/localities that have reached an agreement with the Secretary of the Treasury and to cities/localities where voluntary deductions have been made from employees. The reports are sent to the city/local taxing authorities based on the frequency prescribed by each municipality.

B. State Income Tax Reports. These reports are required by states that have reached an agreement with the Secretary of the Treasury. The reports are sent to the state taxing authorities based on the frequency prescribed by each state.

C. Report on Transfer of Employee

★ 1. When an employee transfers within the Department to another civilian payroll office or to another federal agency, the losing civilian payroll office prepares an SF 1150 at the time of separation. All blocks on the SF 1150 pertinent to the employee must be completed accurately (see Table 9-1). This form shall be used to report transferred leave balances and other pertinent information for the employee. This information is included under the Remarks section of the form. This includes, but is not limited to, information on the employee's year-to-date wages for Social Security and/or Medicare tax purposes, year-to-date TSP deductions, last deduction for FEHB and FEGLI, date through which the insurance deductions were made, and overseas or territorial differential data. Mechanized SFs 1150 shall include the information contained in the printed standard form.

★ a. After the losing civilian payroll office completes the SF 1150, shall be is forwarded to the losing HRO. The losing HRO includes it in the employee's Official Personnel Folder (OPF) and forwards to the gaining HRO. After the SF 1150 is received by the gaining HRO, it is forwarded to the gaining civilian payroll office.

★ b. To expedite the forwarding of the SF 1150 within the Department, the losing civilian payroll office shall forward a copy to the gaining civilian payroll office, if known, at the time the original SF 1150 is forwarded to the losing HRO. Upon receipt of the original SF 1150, the gaining civilian payroll office must verify that the SF 1150 data has not previously been recorded in the payroll system. The losing civilian payroll office retains a duplicate copy of the SF 1150 for audit purposes.

c. For leave adjustments over 3 years old, the current civilian payroll office is responsible instead of the losing civilian payroll office.

2. Delayed Receipt of SF 1150. If the OPF containing the SF 1150 is delayed in reaching the appropriate gaining HRO, and the employee is taking leave, the gaining civilian payroll office is responsible for determining the employee's leave balance. If necessary, the leave balance shall be requested by message or facsimile. This information is subject to the Privacy Act (reference (e)) and must be handled in accordance with the provisions of that Act. Also, the

gaining civilian payroll office is authorized to use the leave balance shown on the employee's last LES, subject to verification upon receipt of the SF 1150.

3. SF 1150A (addendum to SF 1150). This form records the transfer of leave for leave recipients covered by the voluntary leave transfer program. It shall be used when a current leave recipient transfers to another civilian payroll office or federal agency without a break in service. It will be attached to the SF 1150.

D. Request for Wage and Separation Information. The civilian payroll office shall report wage data to the appropriate HRO in accordance with section 0601. A file copy of all data furnished to the appropriate HRO is maintained for 2 years in accordance with the General Records Schedule 2 (reference (g)) and then destroyed.

E. SF 2806/3100. In accordance with section 0403, the civilian payroll office will prepare and maintain the SF 2806/3100.

★ F. Form W-2c and Form W-3.

1. Prepare a Form W-2c (Corrected Wage and Tax Statement) in accordance with IRS Circular E (reference (h)) to correct prior year wages and tax withholdings as applicable. Send copies to the employee and copy A to the SSA. A separate Form W-3 (Transmittal of Wage and Tax Statements) must be sent with the corrected Form W-2c to the SSA, upon completion of the correction procedures.

2. Retain the employer's copy of the Form W-2c in the payroll office.

3. Prepare a Form 941c (Statement to Correct Information Previously Reported on the Employer's Federal Tax Return) to adjust the gross wages subject to Social Security and/or Medicare and the Social Security and/or Medicare taxes.

4. Attach the Form 941c to the current quarterly Form 941 and enter the amount of the adjustment on the Form 941. Retain copies of the two forms in the civilian payroll office.

5. Keep a copy of the Form W-2c and Form 941c in the current year quarterly tax folder. (This is used to balance the annual federal tax deposits.)

090203. Biweekly reports

A. LES. An LES showing gross pay, deductions, and net pay for the current pay period and cumulative totals for the current year, along with leave balances at the end of the pay period and year-to-date, should be mailed to the employee's nonwork address every pay period.

B. SF 2812 and SF 2812A. The amount collected for employee retirement (CSRS and FERS), FEHB, and FEGLI deductions, military service deposits, reemployment offset,

and the agency's contributions for retirement (CSRS and FERS), FEHB, and FEGLI are transferred to the OPM. Under procedures prescribed by the OPM, the civilian payroll office uses a no-check-issue procedure as the means of payment to the OPM. Funds are transferred to the OPM using the SF 2812. The SF 2812A reports the total employee deductions and agency contributions for health benefits by health benefits plan enrollment code for the pay period.

C. Retirement Insurance Transfer System (RITS)

1. RITS is a subsystem for the On-Line Payment and Collection (OPAC) System developed by the OPM and the Department of the Treasury to report civilian retirement and insurance contributions. The automated RITS interface with the payroll system replaces the manual submission to the OPM of the SF 2812/2812A.

2. To process the RITS transactions, the civilian payroll office shall provide the disbursing office with the payroll system generated hard copy of the DD Form 592 (Payroll for Personal Services - Certification and Summary), the SF 2812/2812A and, if applicable, any disbursement vouchers for cash payments.

a. Cash payments received from employees for military deposits, health benefits payments, etc. are considered current transactions. The funds are collected and disbursed from the deposit fund account 97X6875 (Suspense). The total of the DD Form 592 and cash disbursement voucher should equal the total of the SF 2812. Cash collections for health benefit indebtedness received from pay accounts not carried forward from former payroll offices must be reported to the OPM separately on a supplemental SF 2812 using the Off-Line Bulk Data Transfer RITS software.

b. The disbursing office shall ensure the voucher amounts agree and the vouchers contain proper certifying signatures before authorizing the transmission of the file to the OPM. The delay between the payroll system file creation and transmission is a necessary step in the process to establish adequate internal controls for the disbursement of government funds. If the file is transmitted before the payment date, the OPM shall warehouse the data until the settlement date.

c. The OPAC transaction is a direct payment to the OPM. Report the transaction on the SF 1219 (Statement of Accountability) by increasing line 2.8 and line 4.1. The civilian payroll office no longer charges account 24X8135 to offset the SF 2812 payment.

d. The disbursing office generally can confirm the transactions on 1 to 2 workdays following the OPAC payment date by accessing the OPAC system and selecting number 6 - Print Bills charged to the payroll office Agency Locator Code. The system provides prompts to enter data that identifies the report to print. Cite the confirmed OPAC document reference number on the original vouchers to show payment via OPAC.

3. RITS provides the capability to report on a regular biweekly basis, as well as to report adjustments in a supplemental off cycle mode. Reporting during the regular

biweekly cycle is the preferred method and automated capabilities of the payroll system must be fully utilized in order to do so. Use of a supplemental reporting cycle should be limited to the greatest extent possible.

4. Consolidated civilian payroll offices using RITS may have the occasion to report adjustments applicable to former payroll offices as well as adjustments applicable to the consolidated office. The following procedures for these situations have been developed:

a. Adjustments for accounts that have not been transferred to the consolidated civilian payroll office. These accounts were inactive on former payroll office records and did not convert to the consolidated office. Responsibility for these adjustments has been affixed with the consolidated payroll operation as a part of the DFAS civilian payroll concept of operations. These adjustments could involve correction of a retirement plan or cash collection for military deposits or health benefit indebtedness.

(1) Retirement Plan Correction. These adjustments shall be reported to the OPM via a hard copy SF 2812 citing the Payroll Office Number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former payroll office also shall be prepared and forwarded to the OPM. Copies of the SF 2812, registers, and records shall be forwarded to the departmental reporter for the former payroll office so that cumulative balances may be adjusted.

(2) Cash Collections for Military Deposits. Cash collections for military deposits must be reported via a hard copy SF 2812 citing the Payroll Office Number that originally reported the deductions. Corrected retirement records and registers citing the former payroll office must be prepared and forwarded to the OPM. Copies of the SF 2812, registers, and records must also be forwarded to the departmental reporter for the former payroll office so that cumulative balances may be adjusted.

(3) Cash Collections for Health Benefit Indebtedness. Cash collections for health benefit indebtedness should be reported via the RITS as a supplemental SF 2812/2812A from the consolidated payroll office using the consolidated Payroll Office Number.

b. Adjustments for accounts which have been transferred to the consolidated civilian payroll office. These accounts were active on former civilian payroll office records and converted to the consolidated office. Adjustments may be for accounts that have become inactive since consolidation or for those still in an active status. Responsibility for these adjustments has been affixed with the consolidated payroll operation as a part of the DFAS payroll concept of operations. Records for both the former and consolidated payroll offices may have to be corrected, depending on the effective date of the correction involved.

(1) Retirement Plan Correction. The adjustment may involve both hard copy reporting via the SF 2812 and reporting via RITS. Adjustments that are effective prior to the transfer to the consolidated office shall be reported to the OPM via the SF 2812 citing the former civilian Payroll Office Number. Corrected retirement records and registers for that portion

applicable to the former payroll office must be prepared and forwarded to the OPM. A copy of the SF 2812, registers, and records also shall be forwarded to the departmental reporter for the former civilian payroll office so that cumulative balances may be adjusted. That portion of the adjustment applicable to the consolidated payroll office shall be corrected through the payroll system and reported via the RITS regular biweekly cycle. Adjustments for accounts that have become inactive since consolidation shall be corrected through the payroll system by reactivating the account.

(2) Cash Collections for Military Deposits. Cash collections for military deposits shall be reported via RITS during the regular reporting cycle. Collections for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account. Correction through the payroll system is necessary in order to maintain the proper sequencing of system assigned register numbers.

(3) Cash Collections for Health Benefit Indebtedness. Cash collections for health benefit indebtedness shall be reported via RITS during the regular biweekly reporting cycle.

D. Form TSP-2 (Certification of Transfer of Funds and Journal Voucher). A no-check-issue procedure is used to transfer the amount collected for employee's TSP deductions as well as the agency contributions to the NFC. Funds are transferred to NFC using the Form TSP-2.

E. DD Form 592. This is a payroll voucher used for certification of the accuracy of the payment. It also provides accounting data in connection with civilian payroll. Clear text appropriation data is in Part II of the DD Form 592 to permit departmental reporting to the Components. This data is in addition to the unique job order data.

F. Civilian Employment Expense Reports. In support of DoD Instruction 7720.22 (reference (be)), the civilian payroll office shall gather information on the costs of civilian employment. This financial and statistical information serves as the basis for budget and apportionment estimates and is used for reporting such estimates to the OMB and the Office of the Secretary of Defense. This information also is used for monitoring budget activities at departmental levels. The civilian payroll office either provides this cost information biweekly as feeder data (if a consolidated civilian payroll office) or prepares an expense report on the costs of civilian employment to the Components monthly (if a non-consolidated civilian payroll office).

G. Reports of Salary Offsets for Non-DoD Federal Agencies

1. Report of Collections. The civilian payroll office shall forward a biweekly report to each creditor agency of the collections made for the pay period. This report shall include, at a minimum, the non-DoD agency to which the collections apply, the civilian payroll office name and address, the employee's name, the amount collected for each employee, the time frame for which the collection applies, and the total amount of collections remitted to the non-DoD agency.

2. Report of Employees with Salary Offset. The civilian payroll office forwards a biweekly report of employees with salary offsets for non-DoD federal agencies to the DFAS Center that originally forwarded the salary offset request to the civilian payroll office. This report shall include, at a minimum, the employee's name, SSN, creditor agency, amount of the last biweekly collection amount, pay date of the last collection, and the debt balance amount. In the case of employees with more than one debt to a non-DoD federal agency, the above information shall be provided for each debt.

★ H. Reporting Union Dues to Labor Organizations or Associations of Management Officials or Supervisors. For each pay period, the civilian payroll office shall prepare a listing for each recipient of withheld dues. At a minimum, the listing shall include the name and address of the civilian payroll office, the labor organization or association for which the listing pertains, employees' names and amount of dues deducted for each, total amount collected, and system generated remarks that explain the lack of deductions.

★ I. Combined Federal Campaign Report. The payroll office shall provide a remittance report to each CFC organization to include:

1. The employing agency, e.g., Army, Navy, Air Force,
2. The number of employees with a deduction by employing agency,
3. The total pay period amount deducted, and
4. The pay period date of the CFC data.

A summary report by CFC organization indicating the total number of employees with deductions, the amount deducted for all employing agencies, and the payroll office will retain the pay period date. See 5 C.F.R. 950.901 (reference (I)).

★ J. Voluntary Separation Incentive (VSI) Agency Contributions Report

1. Section 1106 of the National Defense Authorization Act for Fiscal Year 1998, P.L. 105-85 (reference (e)), mandates that agencies make certain contributions to the Civil Service Retirement and Disability Fund (CSRDF) due to VSI payments. The Department is required to remit to the OPM for deposit into the CSRDF an amount equal to 15 percent of the final basic pay for all employee who separate on or after October 1, 1997, and receive a VSI payment authorized by 5 U.S.C. 5597 (reference (b)).

2. The reports for the accounting activities and departmental reporters provide information to record obligations and make payment to the OPM.

090204. Monthly Reports

A. Monthly Report of Federal Civilian Employment, Interagency Report Control Number (IRCEN) 1032-OPM-MO. This report is required by the OPM and shall be prepared by each office maintaining operating budget/allotment ledgers. It reports obligations for wages and salaries earned by, and lump-sum leave payments made to, civilian employees and wages and salaries of foreign national, direct-hire personnel. This report has been cleared in accordance with the Federal Information Resources Management Regulation (FIRMR) 201-9.202-2 (reference (bf)), and assigned IRCEN 1032-OPM-MO.

B. Manpower and Funding Report. See subparagraph 090203.F.

★ C. Full-Time Equivalent or Work Year Reporting. The civilian payroll office shall provide feeder data to DMDC for reporting to the OMB.

090205. Quarterly Reports

A. Continuation of Pay for Disabling, Job Related Traumatic Injuries Sustained by Federal Employees, IRCEN 0063 DOL-QU. The Department of Labor requires a quarterly report on COP. The requirement was established by 20 C.F.R. 10.206 (reference (x)) and applies to all civilian payroll offices including National Guard units. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)), and assigned IRCEN 0063 DOL-QU.

B. Employment Statistics Program, IRCEN 0184 DOL-XX. Upon request, the civilian payroll office furnishes feeder data to the appropriate HRO on total wages paid to civilian employees for specific calendar quarters. The appropriate HRO shall prepare and submit the final report. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)), and assigned IRCEN 0184 DOL-XX.

C. Employer's Quarterly Federal Tax Return, Form 941. Each civilian payroll office shall report tax payment information to the IRS on Form 941. The report shall be completed and filed by the due date established by the IRS. This is normally the end of the month following the close of the quarter. If all the taxes for the quarter are deposited when due, file the Form 941 by the 10th day of the second month following the close of the quarter. The tax payment information required under Schedule B (Record of Federal Tax Deposits) shall come from the payment records. The total amount of tax payments during a quarter shall agree with the total taxes due, with no further payment required to be made with the Form 941. The Form 941 can be obtained from the nearest IRS office.

1. Civilian payroll offices with the capability shall utilize FEDTAX to report Form 941 data to the IRS. FEDTAX is a Department of the Treasury-developed software application that utilizes the Government On-Line Accounting Link System to eliminate hard copy reporting of Form 941 quarterly and issuing U.S. Treasury checks to the IRS.

2. The civilian payroll office forwards the IRS disbursement vouchers (i.e., the SF 1049) to the disbursing office at an agreed- upon time preceding the payment date for transmitting the voucher data through FEDTAX to the IRS.

3. The disbursing office returns the Form 941 printout to the civilian payroll office the day following each IRS disbursement. This printout reflects the cumulative totals for the quarter.

4. The civilian payroll office corrects any discrepancies as needed.

★ D. Health Benefits Reconciliation Report. Each payroll office shall send the quarterly report of enrollees to all health plans, listing enrollees' names and total amount (withholdings and contributions). The quarterly report shall include enrollment data for all health plans for the payroll paid during the 1st through the 15th of March, June, September and December. If there are two payrolls paid during that period, the civilian payroll office shall report only enrollment data for the last payroll paid. The data in this report first shall be sorted by FEHB enrollment code and then SSN. The report shall provide a subtotal for each enrollment code and a grand total for each plan.

★ E. Transportation Fringe Benefits. Public Law 102-486 (reference (e)) requires employers to report the value of fringe benefits as taxable income for amounts that exceed the established IRS threshold. See paragraph 031502. for additional information. The parking fringe benefit valuation shall be reported by the employing activity directly to the servicing civilian payroll office on a quarterly basis to ensure proper reporting on the Form W-2 of income and collection of taxable wages. The monthly value of the fringe benefit and the reportable taxable benefit shall be included in the report.

★ F. Civilian Direct Deposit Participation Report. When directed, the civilian payroll office shall furnish data to the appropriate functional organization on civilian employees participating in DD/EFT. This feeder-type information is used by DoD managers to report to the Department of the Treasury Financial Management Service payment volumes and the percentage of payments made by EFT. The DoD report is due to the Department of the Treasury within 25 days following the end of each quarter.

090206. Semiannual Reports

A. U.S. Savings Bonds Payroll Savings Report, IRCN 0215-TD-SA-T

1. In accordance with Volume 5 of this Regulation, the consolidated civilian payroll offices shall provide feeder-type data on bond participation statistics to the recipients in subparagraph 090206.A.2. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)), and assigned IRCN 0215-TD-SA-T. This data shall be submitted twice yearly on or before the 25th day following the end of each semiannual calendar period (March 31 or September 30). The report shall include the following:

- a. Pay period ending date;
- b. The reporting payroll office;
- c. Summarized data by Component by Geographic Location Code;
- d. A column with the total number of employees;
- e. A column with the number of employees enrolled in the payroll savings plan;
- f. A column with the percentage participation; and
- g. A column with the total dollar amount withheld from employees for the pay period.

2. The civilian payroll offices shall submit the report to the following:

★

- a. For Department of Army activities:

U.S. Army Finance Command
Attn: SFFM-FC-OD
8899 East 56th Street
Indianapolis, IN 46249-3060

★

- b. For Department of Navy activities:

Administrator
Navy Savings Bond Program
Bureau of Naval Personnel
(PERS 662J)
2 Navy Annex
Washington, DC 20370-6620

★

- c. For Department of Air Force activities:

HQ AFPC/DPSTS5
550 C Street West, Suite 35
Randolph AFB, TX 78150-4737

★ B. Report of Withholdings and Contributions for Retirement, Group Life Insurance, and Employees Health Benefits, IRCN 1064 OPM-AN. The OPM has requirements for a semiannual head count required for the last pay period paid during the 1st through the 15th of March and September, in conjunction with the quarterly reporting of enrollment in all health benefits plans (see 090205.D.). The OPM Payroll Office Letter contains line-by-line instructions for completing the head count together with illustrative examples of data the OPM requires. The OPM Form 1523 must be attached to and submitted with the SF 2812 and SF 2812A covering the same period. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)) and assigned IRCN 1064 OPM-AN.

090207. Annual Reports

A. Report of Work-Years and Personnel Cost, IRCN 0197-OPM-AN. This report provides information required by the OMB requires to estimate the cost of proposed federal pay increases, evaluate the financial effects of proposed legislation on civilian personnel compensation and benefits, and prepare analysis of pay and personnel benefits of federal employees. The consolidated civilian payroll office provides feeder-type data on the leave data for part C of this report. This report has been cleared in accordance with FIRMR 201-9.202-2 (reference (bf)), and assigned IRCN 1097 OPM-AN.

B. Report of Personnel and Payroll Outlays by Operating Locations, Report Control Symbol (RCS): DD-DA&M(A) 1600. The civilian payroll office provides system-generated, feeder-type information in accordance with DoD Instruction 7710.3 (reference (bg)). This report contains statistical information on civilian employment and DoD payroll outlays by location.

C. Wage and Tax Statements

1. Wage and Tax Statements to SSA. Form W-2 is used to report taxable income to the SSA and the IRS. The civilian payroll office shall issue a Form W-2 to employees no later than January 31 of the year following the applicable tax (calendar) year. This also applies to employees who died or separated during the year. Individuals may request the form at an earlier date by making their request in writing to the civilian payroll office. In such instances, the form is to be issued within 30 calendar days of receipt of the request or of the final payment, whichever is later. The DoD civilian payroll offices are required to use the DFAS approved standardized Form W-2 each year.

2. Wage and Tax Statements to States

a. The civilian payroll office provides this information to states that have Treasury-state withholding agreements.

b. The civilian payroll office provides annual information returns on Form W-2. (Other forms prescribed by states shall not be used).

c. Reports to states for wages earned and taxes withheld shall be submitted as required by the reporting requirements for each state. Reports shall include:

(1) Employees employed in the state and subject to tax (whether or not tax is withheld); and

(2) Employees who have established voluntary allotments for that state's income tax.

d. The civilian payroll office includes in the returns only the information on Forms W-2 employee's name, address, SSN, wages and taxes withheld, if any.

e. The civilian payroll office shall submit Forms W-2 or magnetic tape to report to states. If the state taxing authorities have agreed to accept magnetic tape, the civilian payroll office shall submit the information on a separate tape file. The civilian payroll office shall file all returns in accordance with instructions issued by the state taxing authorities. The civilian payroll office must request approval from state agencies before reporting by magnetic tape. Civilian payroll offices can get a list of state agency contacts from the regional SSA office or from SSA, P.O. Box 2137, Baltimore, Maryland 21203.

f. The civilian payroll office may have to report information to more than one taxing authority for the same employee. If so, it shall supply a copy of Form W-2 to the proper taxing authorities on request. Those authorities will decide if the employee is liable for any tax.

g. A state requirement to file information returns monthly does not affect existing arrangements to submit Forms W-2 only once a year.

3. Wage and Tax Statements to Cities or Other Localities

a. The civilian payroll office provides this information to cities/localities that have Treasury-city/locality withholding agreements and to cities/localities where voluntary deductions have been made.

b. The civilian payroll office provides annual returns on Form W-2. (Other forms prescribed by cities/localities shall not be used). Reports shall include:

(1) Employees employed in the city/locality and subject to tax (whether or not tax is withheld); and

(2) Employees who have established voluntary allotments for that city/locality's income tax.

c. The civilian payroll office includes in the returns only the information on Forms W-2: employee name, address, SSN, wages and taxes withheld, if any.

d. The civilian payroll office shall submit Forms W-2 or magnetic tape to report to cities/localities. If the city or locality taxing authorities have agreed to accept magnetic tape, the civilian payroll office shall submit the information on a separate tape file. The civilian payroll office shall file all returns in accordance with instructions issued by the city and locality taxing authorities. The civilian payroll office must request approval from city or local agencies before reporting by magnetic tape.

e. A city or locality requirement to file information returns monthly does not affect existing arrangements to submit Forms W-2 only once a year.

4. Wage and Tax Statements to Employees

a. The civilian payroll office must give annual Forms W-2 to:

(1) Employees subject to mandatory withholding;

(2) Employees subject to the tax, but not the withholding, because they do not reside in the state in which the city or locality is located--this includes those who did not elect voluntary withholding--and

(3) Employees subject to the tax, but not the withholding, because their regular place of duty is outside the city or locality, if they have elected voluntary withholding.

b. The civilian payroll office shall mail annual wage and tax information returns to each employee's nonwork address by January 31 of the next year. The Form W-2 shall include:

(1) Employee's name, SSN, and address.

(2) Wages subject to Social Security/Medicare, federal, state, city or local withholding.

(3) Social Security and/or Medicare, federal, state, or local tax withheld, if any.

(4) Name of state, city or county.

(5) City or county assigned EIN.

★ c. The civilian payroll office shall mail corrections to the annual wage and tax information returns to an employee's nonwork address as soon as an error is discovered. Refer to subparagraph 090202.F. for information on the Form W-2c and Form W-3.

D. SF 2811 (Transmittal and Summary Report to Carrier - Federal Employees Health Benefits Program)

★ 1. The SF 2811 transmits SFs 2809/2810 to the FEHB carriers. In cases where the appropriate HRO forwards the FEHB enrollment changes directly to the carriers, the SF 2811 is not required. Instead, the OPM has approved the use of a special transmittal sheet that provides the following data elements: the employing agency name and address; the number of SFs 2809/2810 transmitted; and a contact person and telephone number for questions concerning the transmittal.

2. The civilian payroll office prepares an original and two copies of the SF 2811 to cover the transmittal of SFs 2809/2810 that are accumulated for no more than 1 week. Transmittal of these forms should not be delayed to coincide with applicable payroll deductions. The SF 2811 is prepared as follows:

a. Carrier's Name, Address, and Code. Indicate the carrier's name, address and code from the OPM Payroll Office Letters issued annually that transmit FEHB information. The carrier code is the first two digits of the enrollment code.

b. Payroll Office Number.

c. Report Number. The SF 2811 "report number" begins with a two-digit number designating the calendar year and runs in numerical sequence starting with number 1. Thus, 98-1 would be the number of the first SF 2811 sent on or after January 1, 1998. The second SF 2811 in that year would be 98-2. Begin a new series of numbered transmittals starting with the number 1 with the first transmittal in the calendar year. Use a separate numbering series for each carrier.

d. Date of Report. Indicate the transmission date of the SF 2811.

e. Part A, Transmittal. Record in the spaces provided the number of SFs 2809/2810 being transmitted.

★ f. Part B, Summary Report of Number of Enrollees:

(1) Sorting. To facilitate preparation of the report and assist the carrier, sort SFs 2809/2810 and attach to the SF 2811 in the order in which the count is recorded. For example, for new enrollees, sort the SFs 2809 according to the last digit of the enrollment code number. These SFs 2809 would be the first group of attachments. For changes of enrollment code, sort SFs 2809 the same way and make these the second group of attachments. SFs 2810, showing a change in the name of the enrollee (part F) only, are the last attachment, and are not included in the count under "add" or "deduct" entries explained below.

(2) Add:

(a) New Enrollees (SF 2809). Include employees enrolling for the first time and employees changing from one carrier's plan to another.

(b) Changes in Code (SF 2809). Include employees changing enrollment code number within the same plan (when parts B and C of the SF 2809 show the same carrier). The entry on this line should correspond with the code number in part B of the SF 2809.

(c) Transfers in (SF 2810). Include transfers into the payroll office from other payroll offices (part D of the SF 2810).

(d) Other (See Remarks). Report other additions to enrollments not shown on the preceding lines. Examples: reinstatements (part G of the SF 2810); void actions; and corrections in count requested by carrier. Support line entries with a brief explanation under Remarks.

(3) Deduct:

(a) Cancellations (SF 2809). Include voluntary cancellations only (part D, item 2 of the SF 2809).

(b) Changes in Code (SF 2809). Include employees changing enrollment code number with the same plan (when parts B and C of the SF 2809 show the same carrier). The entry on this line should correspond with the code number in part C of the SF 2809. NOTE: The adds and deducts for changes in code must agree in the total column.

(c) Changes in Plan (SF 2809). Include when parts B and C of the SF 2809 are completed to change enrollment from one plan to another.

(d) Terminations (SF 2810). Include when part B of the SF 2810 is completed.

(e) Transfers Out (SF 2810). Used for transfers to another civilian payroll office (part C of the SF 2810).

(f) Other (See Remarks). Report other deductions in enrollments not shown on the five preceding lines. Example: Suspensions (part F of the SF 2810); void actions; and deduct corrections in count requested by carriers. Support line entries with brief explanation under Remarks.

g. Part C, Certification. Show the civilian payroll office name and address as registered with the OPM. The civilian payroll office supervisor, or other designated individual, signs the form in the appropriate space.

3. Before sending the SF 2811, the civilian payroll office places the report number in the lower right-hand corner of the carrier's and civilian payroll office's copies of each attached SF 2809/2810.

4. The SF 2811 is distributed as follows:

a. The original and first copies are sent by first class mail to the carrier, supported by the carrier's copies of the SFs 2809/2810.

b. The second copy, supported by the civilian payroll office copy of the SF 2809/2810, is kept in the civilian payroll office files pending the return of the first copy by the carrier.

RECORD OF LEAVE DATA

1. Name (Last, First, Middle)				2. Social Security Number				3. (For agency use)					
4. Date and Nature of Separation				5. A. Subject to 5 U.S.C. 6304 (B) (45 day leave ceiling)				Yes <input type="checkbox"/> No <input type="checkbox"/>					
				B. Last Date Subject to 5 U.S.C. 6304 (B)				C. Annual Leave Balance as of That Date (Hours)					
6. Total Service for Leave (as of Date of Separation)		More than 15 Years											
		Less Than 15 Years (show)		Years				Months Days					
SUMMARY OF ANNUAL AND SICK LEAVE													
7. Carryover Balance From Prior Leave Year Ending		MO.	DAY	YEAR	HOURS			18. Basic Service Period of Months of Continuous Service Abroad: Date Started Date Completed					
					Annual	Sick	Restored						
8. Current Leave Year Accrual Through Pay Period Ending (if 90 day restriction applicable, explain in remarks)								19. Current 12 Months Accrual Period Began on					
								MO. DAY YEAR					
9. Total								Hours Absent Without Pay Since That Date					
10. Reduction in Credits, If Any (current year)													
11. Total Leave Taken, Current Year Through Date of Separation								20. Current Balance (or accrual) as of					
								MO. DAY YEAR					
12. Balance													
13. Total Hours Paid in Lump Sum (includes hours for holidays)								Number of Days					
14. Salary Rate(s) Per Hour:								21. Twelve Months Accrual Date as of Date of Separation					
								Number of Days					
15. Lump Sum Leave Dates (if part-time tour, explain in Remarks)		MO.	DAY	YEAR	HOURS			22. Dates Leave Used Prior 24 Months					
a. Restored		From						FROM		TO			
		Thru						MO.	DAY	YEAR	MO.	DAY	YEAR
b. Annual Leave Above Ceiling		From											
		Thru											
c. Annual Leave Within Ceiling		From											
		Thru											
ABSENCE WITHOUT PAY													
16. During Leave Year in Which Separated				Hours				MILITARY LEAVE					
								23. During Current Calendar Year					
17. A. Date of Last Equivalent Increase				MO.	DAY	YEAR		FROM		TO			
								MO.	DAY	YEAR	MO.	DAY	YEAR
B. Total AWOP Hours Since Last Equivalent Increase (except during military service and while in receipt of OWCP payments)				Hours				A. Regular-Active Duty of Training		B. Special-Civil Disturbance			
24. Remarks (include shore leave information, if applicable);													
<div style="display: flex; justify-content: space-between;"> <div> Last deduction for: FEHB _____ Amt Code _____ Standard FEGLI _____ Amt Option A FEGLI _____ Amt Option B FEGLI _____ Amt Option C FEGLI _____ Amt Deducted Through _____ </div> <div> FICA WGS YTD: FICA TX YTD: BASE PAY YTD: </div> </div>													
25. Certified Correct By: (Signature)				26. Title, Agency, Address, Telephone Number				27. Date					

1150-113

STANDARD FORM 1150 (REV. 12-77)
Civil Service Commission

Table 9-1 (Instructions for Completing the SF 1150)

ITEM ENTRY

- 1 Enter name and middle initial of the employee exactly as used on the pay records.
- 2 Enter employee's SSN.
- 3 Either leave this blank or enter the data required by the respective payroll system being used, such as the payroll control number.
- 4 Enter date and nature of separation as shown on the SF 50 effecting separation or transfer.
- 5 Enter employee's status for leave purposes. Show in the proper block whether the employee is subject to overseas maximum annual leave accumulation. Show ending date of pay period when this stopped, and annual leave balance.
- 6 Check the appropriate block to show employee's total creditable service for leave purposes as of the date of separation or transfer. Show years, months, and days, if less than 15 years.
- 7 Enter ending date of prior leave year and balances of annual, sick and restored leave brought forward to current leave year.
- 8 Enter date through which leave was credited and amount of annual and sick leave earned and credited since the beginning of the current year.
- 9 Enter sum of the prior balances and current accruals.
- 10 Enter reduction in annual and sick leave credits caused by absences in a nonpay status. If none, enter "0".
- 11 Enter number of hours of annual and sick leave taken during the current year through date of separation or transfer as shown in item 4.
- 12 Enter figures derived by subtracting the total reduction in credits and leave taken from the total figures in item 9. Add "*" in sick leave balance column and explain in item 24 when sick leave balance is reported to the OPM on SF 2806 for use as a credit in computing annuity.
- 13 Enter total hours representing lump-sum payment. This includes annual leave, excess annual leave (any amount over employee's ceiling--normally 240 hours), and restored annual leave.

Table 9-1 (Instructions for Completing the SF 1150)

- 14 Enter salary rate at which lump sum payment was computed. If more than one salary rate was involved, state the number of hours computed at each rate. Also see item 13.
- 15 Enter inclusive dates and the number of hours included in the lump-sum annual leave period.
- 16 Enter number of hours of absence in a nonpay status during the leave year in which separated.
- 17 Enter beginning date of waiting period for next step increase, and total number of hours of LWOP, furlough, suspension, and AWOL since the waiting period began.
- 18 Enter date of arrival abroad for home leave purposes and date of completion of basic service period.
- 19 Enter date the current 12-month home leave accrual period began and number of hours in a nonpay status during the current period.
- 20 Enter date through which home leave was credited and current balance of days of leave earned.
- 21 Enter rate of accrual for each 12 months of service abroad.
- 22 Enter dates on which home leave was used during prior 24 months.
- 23 Enter inclusive dates of regular or special military leave taken during the current calendar year.
- 24 Enter amount of employee deductions for FEHB and FEGLI. Show date through which last deduction was made. Include FEHB carrier code and enter last day in a pay status.
Miscellaneous data:
 - a. If nonforeign differential, nonforeign allowance, or foreign differential were paid as a part of the lump-sum payment for leave, identify the rate(s) and kind of payment by number of hours and calendar dates.
 - b. Show total number of days worked by an intermittent employee as of date of separation.
 - c. For 700-hour employee, enter "700-Hour Employee," hours worked, and separation date.

Table 9-1 (Instructions for Completing the SF 1150 (continued))

- d. If employee retired and sick leave was reported to the OPM for use as a credit in computing annuity, enter "Sick leave used in computation of annuity and is not available for recredit."
- e. Enter unused military leave.
- ★ f. Enter the beginning and ending dates of an employee's 12-month period under FML. Also, enter the total number of hours of LWOP and paid time off under FML for the 12-month period.
- g. If an employee transfers restored annual leave, indicate the balance of restored leave and the year it will be forfeited. For example:

Restored leave Forfeit at end of leave year

24 1998
16 1999

- h. If an employee receives a lump sum payment that includes restored leave, project the lump-sum leave period in the following sequence: (1) Restored annual leave projected to expire at the end of the current leave year; (2) Excess annual leave; (3) Restored annual leave projected to expire in other than the current leave year; (4) Regular annual leave. Example: Employee separates May 16, 1992, with an annual (regular) leave balance of 368 hours, has a ceiling of 304 hours, and has a restored annual leave balance of 40 hours; 24 hours must be used by January 10, 1991, and 16 hours by January 9, 1992. The information is recorded in block 24 as follows:

LUMP-SUM LEAVE DATA

TYPE OF ANNUAL LEAVE	TOTAL HOURS PAID	FROM YR MO DA	TO YR MO DA	FORFEIT AT END OF LEAVE YEAR
Restored	24	91 05 18	91 05 20	1991
Excess	64	91 05 21	91 06 01	1991
Restored	16	91 06 02	91 06 03	1992
Regular	304	91 06 04	91 07 27	

Table 9-1 (Instructions for Completing the SF 1150 (Continued))

- i. Show the amount of the employee's year-to-date wages for Social Security and/or Medicare tax and the as-of date.
 - j. Show the amount of the employee's year-to-date TSP deductions and the as of date.
 - k. Show any other pertinent information on the employee (see subparagraph 090202.C.1.).
- 25 Enter the signature of the certifying official.
- 26 Enter the title of the certifying official, address and telephone number to which inquiries regarding the form should be directed.
- 27 Enter the date the SF 1150 was prepared.

Table 9-1 (Instructions for Completing the SF 1150 (Continued))

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 9

TRAVEL POLICY AND PROCEDURES

DECEMBER 1996

★ WITH EDITORIAL CHANGES THROUGH JULY 1998 ★

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

DEC 31 1996



FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Volume 9 of the "DoD Financial Management Regulation" establishes "Travel Policy and Procedures."

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Unified Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

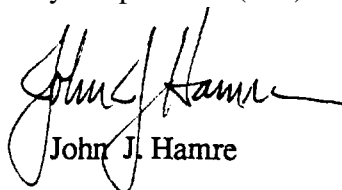
This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f., of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through the channels stated in paragraph 0105 of Chapter 1, to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

The Defense Finance and Accounting Service will provide copies of this Volume, and other previously unpublished volumes, of this Regulation through its normal publication channels. Early in 1997, all 15 volumes of the Financial Management Regulation will be available on the Internet at <http://www.dtic.mil/comptroller>. Printed or CD-Rom copies of the Regulation may be ordered through the Internet Homepage or directly from the Defense Automated Printing Service, at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.


John J. Hamre

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INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD Components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller) (USD(C)). The Regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation and Presentation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations, Policy and Procedures
12. Special Accounts, Funds and Programs, Policy and Procedures
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Appropriations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A.1.a.(1)(a)
SUBPARAGRAPHS

FORMS INDEX

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DD 2278	Application for Do-It-Yourself Move and Counseling Checklist * ...	Chapter 6
DD 2461	Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees *	Chapter 7
DD 2762	Direct Deposit Sign Up Form.....	Chapter 8
SF 1164	Claim for Reimbursement for Expenditures of Official Business.....	Chapter 8
TD W-2	Wage and Tax Statement.....	Chapter 6

* Approved for electronic form (EF)

REFERENCES

- (a) DoD Instruction 7000.14, “DoD Financial Management Policy and Procedures,” November 15, 1992
- (b) Joint Federal Travel Regulations (JFTR), Volume 1
- (c) Joint Travel Regulations (JTR), Volume 2
- (d) Federal Travel Regulation (FTR)
- (e) DFAS-KC 7220.31-R, “Marine Corps Total Force Automated Pay Systems Manual”
- (f) Department of Defense Financial Management Regulation, Volume 5, Disbursing Policy and Procedures
- (g) Title 5, United States Code, section 5520, Withholding Pay
- (h) Title 5, United States Code, sections 5521 - 5527, Advancements, Allotments, Pay
- (i) Federal Personnel Management Supplement 990-2, chapter 550-A-1, appendix A, February 27, 1969

DEFINITIONS

1. Actual Expense Allowance (AEA). An amount for actual and necessary expenses when the per diem allowance for a particular area is inadequate.
2. Actual Travel Time. Travel time from physical departure to arrival.
3. Agency Program Coordinator (APC). The agency person who acts as the liaison between the travel card contractor and agency cardholders. APCs are responsible to the respective DoD Component Program Manager (CPM) for program execution and management at hierarchy levels determined by the DoD CPM.
4. Allowable Travel Time. The number of days allowed for official travel.
5. Approved. This term is defined in the JFTR, appendix A. Its use, with respect to official travel, applies equally to military and civilian personnel.
6. Authorized. This term is defined in the JFTR, appendix A. Its use, with respect to official travel, applies equally to military and civilian personnel.
7. Authorized Travel Time. The maximum allowable travel time determined before travel begins and based on the mode of travel authorized in the orders.
8. Authorizing Official (AO). An official, or the designated representative to whom final authority to issue travel orders is delegated in writing by a DoD Component, by organizational title, and/or name. This is the same as Orders Authorizing Official.
9. Cardholder. Personnel designated to use the government travel card in their performance of official travel.
10. Centrally Billed Accounts (CBA). Travel card account numbers issued to an agency for which the government guarantees payment.
11. Commercial Travel Office (CTO). An office owned, staffed, and operated by a private contractor. It may be located on or off a government installation.
12. Component Program Managers (CPM). The designated headquarters program manager for each agency using the GSA Travel and Transportation Management Contract. CPMs are responsible for establishing the hierarchies for their agency and distributing program management information from the Defense Finance and Accounting Service.
13. Dependent. This term is defined in the JFTR/JTR, appendix A.
14. Directed. An order to do something a specific way.

15. Disbursing Office. An activity, or that organizational unit of an activity, whose principal function consists of the disbursement and collection of official funds for the government.
16. Government Bill of Lading (GBL). A government document used to procure freight and cargo transportation and related services of commercial carriers for the movement of material at government expense.
17. Government Dining Facility. A government owned facility with the primary mission of providing meals to military enlisted members. The JTR refers to this as a “government mess.”
18. Government Travel Card. A plastic card issued to personnel under the guidelines of the government travel card program.
19. Hierarchy. Individual travel card accounts linked to the organization responsible for issuing the card by billing cycle and DoD Component management information.
20. Individual Mobilization Augmentee (IMA). A category of Reserve Component Selected Reserve membership. While on active duty in a TDY status, travel and per diem are paid to such personnel in accordance with the JFTR, chapter 7.
21. U.S. Installation. This term is defined in the JFTR, appendix A, and applies equally to the travel of military and civilian personnel.
22. Invitational Travel Order (ITO). Authorization for travel of a person, not a government employee, in connection with certain assignments directly related to activities and in the interest of the Department. The JTR, chapter 6 and the JFTR, chapter 7, part T apply.
23. Meals & Incidental Expenses (M&IE). The M&IE rate is a fixed allowance, by locality, for the meals and incidental portion of the per diem rate.
24. Military Traffic Management Command (MTMC) Negotiated Agreements. A negotiated agreement between the Military Traffic Management Command and rental car companies.
25. Object Classification:
 - A. Air Force: Element of Expense/Investment Code. A five-digit right justified, alpha-numeric code consisting of two parts, a three-digit account code followed by a two-digit code to provide a further breakdown.
 - B. Army: A four-digit code that identifies the type of resource being employed or consumed.

C. Navy and all Other Components: Object class is defined as a four position code that classifies transactions according to the nature of the goods procured or services performed rather than their purpose.

NOTE: This information comes from the DoD DFAS Accounting Classification Data Element Crosswalk and Definitions.

26. Open Travel Authorization. A written document issued or approved by an AO for the purpose of performing official government travel for a continuous period of time. Also commonly known as “blanket” or “repeated” travel authorizations.

27. Permanent Change of Station (PCS). Permanent movement of a military member or civilian employee from one duty station to another within or outside the continental United States.

28. Permissive/Administrative Travel Time. An authorized administrative absence not chargeable to leave and for which per diem and transportation allowances are not payable.

29. Premium Class. Any class of transportation service above coach, such as business or first class.

30. Temporary Duty (TDY). For the purposes of this Volume, TDY includes temporary additional duty (TAD) for those DoD Components that use TAD.

31. Transportation Officer (TO). A person appointed or designated by the commander of a military activity to perform traffic management functions. This person may be designated as “installation transportation officer,” “traffic manager,” “traffic management officer,” or “passenger transportation officer.”

32. Travel Status. Individual travel performed away from a permanent duty station on official business under competent travel orders. Delays for the purpose of qualifying for reduced travel fares, and other necessary delays en route incident to the mode of travel and periods of necessary TDY are included.

33. Traveler. Refers to military members, DoD employees, and invitational travelers, who travel in an official capacity.

34. Unit Cards. Centrally billed accounts (CBAs) for which the government guarantees payment. CBAs may be issued in one of two ways; either by account number or in the form of a plastic card.

ABBREVIATIONS AND ACRONYMS

AEA	Actual Expense Allowance
AO	Authorizing Official
APC	Agency Program Coordinator
ATM	Automated Teller Machine (for use with government travel card)
CBA	Centrally Billed Accounts
Comp Gen	Comptroller General of the United States
CONUS	Continental/Contiguous United States (the 48 states plus the District of Columbia)
CPM	Component Program Manager
CTD	Civilian Travel Determination
CTO	Commercial Travel Office
DFAS	Defense Finance and Accounting Service
DFAS-HQ/F	Director for Finance, Defense Finance and Accounting Service - Headquarters
DITY	Do-It-Yourself Move (Household Goods)
DLA	Dislocation Allowance
DoD	Department of Defense
DoDFMR	Department of Defense Financial Management Regulation
DOHA	Defense Office of Hearings and Appeals
EFT	Electronic Funds Transfer
FICA	Federal Insurance Contribution Act
FITW	Federal Income Tax Withholding
FTR	Federal Travel Regulation
GBL	Government Bill of Lading
GSA	General Services Administration
HHG	Household Goods
IAW	In Accordance With
IATS	Integrated Automated Travel System
ID	Identification
IMA	Individual Mobilization Augmentee
ITO	Invitational Travel Orders
JAG	Judge Advocate General
JD	Joint Determination
JFTR	Joint Federal Travel Regulations
JTR	Joint Travel Regulations
LES	Leave and Earnings Statement
M&IE	Meals and Incidental Expense
MCO	Marine Corps Order
MTMC	Military Traffic Management Command
OPM	Office of Personnel Management
OUSDC	Office of the Under Secretary of Defense (Comptroller)
OUSDC(P&R)	Office of the Under Secretary of Defense (Personnel and Readiness)
PCS	Permanent Change of Station

PD	Per Diem Determination
PDS	Permanent Duty Station
PDTATAC	Per Diem, Travel and Transportation Allowance Committee
PIN	Personal Identification Number
POC	Privately Owned Conveyance
POD	Port of Debarkation
POE	Port of Embarkation
RITA	Relocation Income Tax Allowance
SSN	Social Security Number
TAD	Temporary Additional Duty
TDY	Temporary Duty
TO	Transportation Office(r)
TQSE	Temporary Quarters Subsistence Expense
TR	Transportation Request
USAF	United States Air Force
U.S.C.	United States Code
USN	United States Navy
WTA	Withholding Tax Allowance

CHAPTER 1**GENERAL INFORMATION****0101 AUTHORITY**

This Volume of the “Department of Defense Financial Management Regulation” (DoDFMR) is issued under the authority of Department of Defense (DoD) Instruction 7000.14, “DoD Financial Management Policy and Procedures,” November 15, 1992, (reference (a)); Joint Federal Travel Regulations (JFTR), paragraph U1010, (reference (b)); and Joint Travel Regulations (JTR), Volume 2, paragraph C1002, reference (c)). This Volume provides supplemental instructions on the payment of allowances authorized by the JFTR/JTR. Both the JFTR and JTR are published by the DoD chartered Per Diem, Travel and Transportation Allowance Committee (PDTATAC). The JFTR directly implements the travel and transportation entitlements authorized by law for members of the Uniformed Services and, thus, has the force and effect of law; therefore, it cannot be waived. The JTR prescribes travel and transportation allowances authorized for DoD civilian employees. The JTR is the Department’s implementing guidance for the Federal Travel Regulation (FTR), (reference (d)), issued by the General Services Administration (GSA).

0102 APPLICATION

The policies and procedures addressed in this Volume apply to all DoD personnel. This includes military members, DoD civilian employees, members of the Reserve Components, dependents on official orders, and travelers on DoD Invitational Travel Orders (ITOs). Information in DoD Component travel regulations that directly impact on amounts paid for DoD travel hereby are rescinded. However, individual DoD Component travel regulations remain in use for orders preparation, office administration, and accounting until a standard travel pay system is implemented at the specific installation. At that time, required information from existing travel manuals will be incorporated either in this Volume, other volumes of the DoDFMR, or systems manuals. Exception to the policies/procedures in this Volume must be authorized by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). Requests for exceptions should be sent through the appropriate Defense Finance and Accounting Service (DFAS) Center and through the Director for Finance, Defense Finance and Accounting Service - Headquarters (DFAS-HQ/F) to the OUSD(C).

0103 EFFECTIVE DATE OF CHANGES

Changes to the entitlements in the JFTR/JTR are initiated by the PDTATAC through the issuance of Joint Determinations (JDs), Civilian Travel Determinations (CTDs), and Per Diem Determinations (PDs). These changes are effective on the date included in the determination or the union negotiated date, as applicable, and must be implemented accordingly. For military members, the JFTR, paragraph U1020 applies. For civilian employees, the JTR, paragraph C1002 applies. DFAS-HQ/F releases travel advisories to implement these determinations, if necessary,

as well as other procedural and policy changes. These advisories remain in effect until the information is published in a change to this Volume.

0104 REFERENCES

Within this Volume, paragraph references prefixed with the letter U refer to the JFTR for military personnel and those prefixed with the letter C refer to the JTR for DoD civilian employees (references (b) and (c)).

0105 ROUTING AND FORMAT FOR RECOMMENDING CHANGES

Recommendations for changes to this Volume will include sufficient explanation as to the need and rationale for the proposed change. When the proposal is the result of an actual situation, the details surrounding the situation will be provided. The request for changes will be submitted through the appropriate DFAS Center for the DoD Component being served. Addresses are provided below:

Army: DFAS-IN-AQA
 8899 E. 56th Street
 Indianapolis, IN 46249-2130

Navy: DFAS-CO/LT
 P.O. Box 369015
 Columbus, OH 43236-9015

Air Force: DFAS-DE/CAC
 6760 E. Irvington Place
 Denver, CO 80279-8000

Marine Corps: DFAS-KC/FSP
 1500 E. Bannister
 Kansas City, MO 64197-0001

Also forward a copy to: DFAS-CL/FO
 1240 E. 9th St.
 Cleveland, OH 44199

Defense Agencies: Office of the Secretary of Defense
 Travel Division
 Washington Headquarters Services
 1155 Defense Pentagon
 Washington, DC 20301-1155

DFAS Centers will review and submit their recommended changes/waivers to DFAS-HQ/F, 1931 Jefferson Davis Highway, Room 501, Arlington, VA 22240-5241. Recommendations sent directly to DFAS-HQ/F without passing through these channels will be returned, without action, to sender.

CHAPTER 2

TRAVEL AUTHORIZATION PROCEDURES0201 TRAVEL POLICY

020101. General. This chapter identifies the DoD financial management policies and procedures that implement the provisions in the JFTR/JTR for travelers performing official government business. This guidance and the JFTR, Chapter 2, Part A, explains the policy involving payment of travel and transportation allowances. It does not include every condition in which travel and transportation allowances are authorized or limited by the JFTR/JTR. Information contained in this Volume does not modify the JFTR/JTR.

020102. Funding of Travel Orders. All orders, wherever possible, shall be funded by the organizational level of the traveler. If funding is provided by another office, your organization should obtain a fund cite from the third party to pay for the travel prior to issuing travel orders.

020103. Object Classification

A. Travel Order. It is the general policy of the Department of Defense that accounting for TDY travel shall be accomplished through the use of a single object classification code. All temporary duty orders shall be issued using the single object classification code of 21, Travel and Transportation of Persons.

B. Registration Fees. All registration fees incurred while travelers are on TDY travel shall be charged to object classification code 21, Travel and Transportation of Persons.

0202 TRAVEL ORDERS/AUTHORIZATION

020201. General. Travel orders are prepared in accordance with individual DoD Component travel regulations or management guidance and administrative instructions. TDY orders are valid, without amendments, if the traveler departs 7 days before or after the specified date of departure. Travel orders are valid, without amendments, if the period of TDY is extended for not more than 100 percent of the original time or 7 days, whichever is less. For example, if a TDY period of 5 days is authorized, and the traveler remains on TDY for 10 days, no amendment is necessary. But, if the traveler remains on TDY for 11 days, an amendment extending TDY and confirming the verbal authorization is required.

020202. Travel Order

A. General. A travel order is a written or electronic document issued or approved by the Heads of DoD Components or their designated representatives. The travel order establishes, in writing, the conditions for official travel and transportation at government expense.

Travel orders must identify the traveler as a government travel cardholder or non-cardholder. TDY travel orders must include the travel computation unit (location/address) to which travel vouchers must be forwarded (telefaxed/mailed). This statement will authorize alternative payment methods (e.g., transportation tickets being charged to a centrally billed account). The JFTR, paragraph U2100 refers. (NOTE: TDY orders are required to have an object class code of 21.)

B. Issued in Advance. A travel order is issued before the travel is performed, unless an urgent or unusual situation prevents prior issuance. Travel orders may not be revised or modified retroactively after the effective date, so as to increase or decrease the rights and benefits which have been fixed under the applicable statutes or regulations. (NOTE: This does not prohibit confirmation of verbal orders (paragraph 020203.B)).

C. Basis for Reimbursement. The travel order is the basis for the traveler's reimbursement. Reimbursement for travel is not authorized when the travel is performed in anticipation of verbal orders. The legal right to allowances is established when travel expenses are incurred under orders. Travelers are entitled to travel and transportation allowances only while in a travel status.

020203. Variations in Itinerary

A. Variations Authorized. This authorization permits omission of travel to a place (or places) stated in a travel order; changes in order of travel to places shown; and travel to places not shown. It is not used in place of adequate advance planning nor is it interpreted as granting an open travel authorization. Variations must be authorized in the order and are permitted only when considered mission essential (JFTR, paragraph U2135). This authorization does not preclude the requirement for an amendment if the total period of the TDY exceeds the time limitations in paragraph 020201.

B. Verbal Variations. When the authorizing official (AO) gives the traveler a verbal order to change the order of places to be visited, the time at each location, or adds or omits locations, a confirmation of the verbal order is required. The verbal authorization does not preclude the requirement for an amendment if the total period of the TDY exceeds the time limitations in paragraph 020201. This approval authority may not be delegated.

020204. Retroactive Amendments to Orders

A. Amendment Required. Travel orders may not be amended to increase or decrease entitlement to travel allowances after travel is performed. However, the original order may be amended after travel is performed when an error is obvious or travel requirements change en route. A written amendment confirming a verbal order is not included in this category, provided the verbal order was issued on or before the effective date of the directed change.

B. Amendment Not Required. Some provisions of the JFTR/JTR provide for after the fact approval (e.g., rental cars and communications expenses). In this case, the approval

is not a retroactive amendment. Such expenses are claimed on the voucher and approved by the AO. An AO signature on a DD form 1351-2 constitutes approval of the claim.

020205. Errors on Travel Orders

A. Personal Data. When travel orders contain erroneous data (e.g., misspelled names, incorrect social security numbers (SSN), or incorrect grades), claims may be paid without an amendment to the orders. The traveler can make and initial any necessary changes.

B. Appropriation Data. When the travel is funded by an accountable station that also is making disbursement to the traveler (i.e., disbursing station), the incorrect accounting classification data can be corrected without an amendment. If another accountable station is funding the travel, changes to the incorrect accounting classification data must be supported by one of the following:

1. Separate funding documents;
2. A letter from the accountable disbursing officer/comptroller; or
3. A documented telephone call to the accountable disbursing officer/comptroller.

0203 TRAVEL ADVANCES

020301. Policy. It is departmental policy that travel advances are not authorized unless an exception is granted to the standard practice of the traveler using his or her individual government travel charge card at automated teller machines (ATMs), or receiving an advance via an electronic fund transfer (EFT). Individuals who have a government travel card shall obtain their cash needs via the travel card ATM. Personnel who do not have the government travel card shall obtain cash advances through EFT. Supervisors may authorize emergency cash advances in limited situations where no other process is available to accomplish the mission.

020302. Issuing Advances

A. Government Travel Cardholder. Travel orders must identify whether the traveler is a government travel cardholder or non-cardholder. Cardholder status determines whether a traveler may receive an advance. Individuals authorized as cardholders shall obtain cash only through ATMs. Supervisors may authorize emergency cash advances, typically through EFT, in limited situations where no ATMs or other process is available to accomplish the mission.

B. Non-cardholder. Personnel denied individual cards, or whose individual cards have been canceled because of financial irresponsibility or other specific reasons shall obtain cash advances only through EFT when authorized by the supervisor. Supervisors may authorize emergency cash advances in limited situations where no other process is available to accomplish the mission.

C. Travel of Cadets/Midshipmen. Cadets/midshipmen travel in accordance with the policies of the respective Service Academy. If a cadet/midshipman wants a travel advance or settlement at a disbursing office, the respective Academy must be contacted for authorization.

U.S. Air Force Academy:

DAO/DE AF Academy/FMFPT
2304 Cadet Drive Suite 221
USAFA
Colorado Springs, CO 80840-5040
Commercial Phone: (719) 472-4554/4555
DSN: 333-4554/4555

U.S. Naval Academy:

Midshipman Disbursing Office
100 Cooper Road USNA-Bancroft Hall
Annapolis, MD 21402-5024
Commercial Phone: (410) 267-3297
DSN: 281-3297/3298

U. S. Military Academy:

DFAS Operating Location
ATTN: DFAS-RO-FPT
124 Chappie James Boulevard
Rome, NY 13441-4511
1-800-447-1150

020303. Monitoring Advances

A. General. When travel advances are authorized for TDY or permanent change of station (PCS) travel, they must be monitored to ensure a corresponding travel claim is filed within 10 days of the traveler's return to or arrival at the permanent duty station (PDS), or immediately when the orders are canceled. Travelers whose TDY extends beyond 30 days must file travel claims 5 days after the end of every 30-day period.

B. Failure To Submit Travel Claim. If a traveler has not submitted a claim within 15 days after the estimated date of return/arrival (provisions for separatees/retirees are in section 0204, below), the following action will be taken:

1. Marine Corps Members. Fifteen days after the member's estimated date of arrival/return, recoup the total amount of the advance through pay account checkage (see DFAS-KC 7220.31-R (reference e)). System acceptance of this transaction activates the delayed checkage program. The member is notified of the impending checkage on the next leave and

earnings statement (LES). The amount is then deducted from the member's pay the following month.

2. Other Travelers. Each DoD Component is responsible for ensuring that it has a process for monitoring travelers' advances. Prepare a letter advising the travelers of their responsibility to submit travel claims and/or repay their advances. If, on the 46th day after the traveler's estimated date of return/arrival, no response to the letter has been received, collect from the traveler's pay account. See DoDFMR, Volume 5, paragraph 300103, reference (f), regarding administrative offset procedures.

0204. ADVANCES FOR SEPARATEES OR RETIREES

020401. General. A member who is separating or retiring can be paid an advance incidental to separation/retirement no more than 10 days prior to the member and/or dependent(s) actual travel dates. Upon completion of the travel, a member who has received an advance must submit the travel claim to the appropriate disbursing office.

020402. Late Travel Claim. If the claim is not received within the required time frame, the disbursing officer responsible for settling the advance will:

A. Prepare a letter to the traveler advising: (a) of his or her responsibility to submit the travel claim to the appropriate disbursing office (b) that a response is required within 30 days, and (c) that, if the travel claim is not received within the required time, the total amount of the advance will become a debt. For a retiree, the debt will be referred for offset against his or her retired pay account. For a separated member, the debt will be referred for debt collection action to include possible offset against future Federal income tax returns.

B. If no response is received within the 30 day time frame, the responsible disbursing office holding the debt will forward the debt and necessary documentation to:

DFAS-DE/FYDE
6760 E. Irvington Place
Denver, CO 80279-8000

CHAPTER 3**DEPARTMENT OF DEFENSE GOVERNMENT TRAVEL CARD****0301 POLICY AND PURPOSE**

030101. General. It is departmental policy that the government-sponsored, contractor-issued travel card, hereafter referred to as the “travel card,” shall be used by DoD personnel to pay for all costs incident to official business travel, including lodging, transportation, rental cars, meals, and other allowable reimbursable expenses. The purpose of the travel card program is to provide for and standardize the use by DoD travelers of a safe, effective, commercially available method for paying expenses incident to official travel—including cash requirements. The travel card is used in order to improve DoD cash management, reduce DoD and traveler administrative burdens, and provide better service to DoD travelers. Unauthorized use may result in disciplinary or adverse personnel action. Commercial travel offices (CTOs) will accept the travel card for the purchase of transportation for official travel. In addition to individual travel cards, there are related travel card products consisting of travelers checks, unit travel cards and centrally billed accounts (CBA). These alternative applications will be the exception and shall be tailored to serve specific DoD Component needs.

030102. Program Oversight and Review. The OUSD(C)/Deputy Chief Financial Officer is responsible for DoD policy and program oversight over the travel card program. The Director, DFAS, is responsible for the operational control of the program.

0302 PROGRAM STRUCTURE AND RESPONSIBILITIES

030201. General Services Administration. The GSA awards and administers the master contract to provide travel cards for official travel. The contract’s current official name is “GSA Smart Pay Program.” A GSA contract administrator is vested with all responsibility for soliciting, modifying, and/or negotiating any part of the contract for its users.

030202. Office of the Under Secretary of Defense (Comptroller). The OUSD(C) is responsible for policy guidance covering the DoD travel card program.

030203. Director, Defense Finance and Accounting Service. The DFAS has established the DoD Travel Card Program Management Office (TCPMO). It works closely with OUSD(C), the GSA, the DoD Components, and the contractor to initiate program implementations, improvements, or exceptions.

030204. Assistant Secretaries for Financial Management and Comptroller and Agency Comptrollers. The Military Department Assistant Secretaries for Financial Management and Comptroller and Defense Agency Comptrollers, or equivalents, each are responsible for designating a Component Program Manager (CPM) for that DoD Component and notifying DFAS of the selection. Additionally, they shall ensure program management responsibilities are accomplished within their Component.

030205. Component Program Manager (CPM). CPMs are responsible for establishing and maintaining a government travel card program in compliance with this regulation. Each CPM also is responsible for establishing a travel cardholder hierarchy for his or her Component.

030206. Agency Program Coordinator (APC). APCs are responsible to their respective CPM for program execution and management at hierarchy levels determined by the CPM.

030207. Travel Cardholders. Travel cardholders are personnel to whom the DoD travel card has been issued for use in performing official travel. They will adhere to the procedures set forth in this Regulation.

030208. Unit Travel Cardholders. Unit travel cardholders are personnel designated as the responsible person for an account that can contain multiple supplemental accounts and provide the privileges, using a travel card, to groups or to individuals who do not have individual cards. (See sub-paragraph 030306.B)

0303 GOVERNMENT TRAVEL CARD INFORMATION

030301. General Information. The GSA contracts to make available government sponsored, individual travel cards. The master contract also permits travelers to use these travel cards to receive cash for payment of out-of pocket travel related expenses from a network of ATMs through use of a personal identification number (PIN) assigned at card issuance. The master contract provides for “on-line” access, a “dial-up” computer capability to display account and transaction data. DoD Components are required to inform the contractor in writing of the level (e.g., Service Headquarters, major command headquarters, and wing/base level) at which on-line access will be used within their organization. Currently, the contract provides a refund (rebate) on charge volume. Transaction fees for use of a cash advance at the ATM, and for the use of standard travelers checks are charged back to the travel card by the contractor. The travel card normally is imprinted with “US Government, For Official Travel Use Only” and, at Component request, may contain the Component name. A “generic travel card” may be issued upon written request by the APC to the contractor when security is an issue. The contractor provides program management reports to management levels determined by the TCPMO and the CPMs.

030302. The Program. The government travel card program consists of three parts: the traditional individually-billed charge card (which includes ATM access), centrally billed accounts (unit and organization cards), and travelers checks (issued by the traditional “purchase” method). The TCPMO will incorporate value-added optional features in the future. A PIN is assigned with each travel card to enable ATM cash withdrawals. Transaction fees are charged for both ATM cash withdrawals and travelers checks. These fees are reimbursable expenses provided the traveler requests reimbursement on the travel voucher (JFTR, paragraph U4521).

030303. Travel Orders. All travel orders must identify whether the traveler is a government travel cardholder. This statement will authorize alternative payment methods (e.g., transportation tickets being charged to a centrally billed account). It also will identify that government travel cardholders shall receive needed cash through ATMs. (See paragraph 020302 on Advances.)

030304. Eligibility

A. Permanently Assigned Personnel. DoD Components shall offer the travel card to all permanently assigned military and civilian personnel who are likely to travel. Commanders/supervisors may refuse to issue traditional, individually billed travel cards to personnel who have a history of financial irresponsibility. Travel card denials must be reviewed annually by the authorizing official. Optional charge card technologies, such as the flexible activation and stored value cards, are available and should be used to the extent possible when the traditional, individually billed travel card is judged to be inappropriate for use.

B. Recruiting Personnel. Service personnel assigned to recruiting positions are authorized use of the travel card for official reimbursable expenses in their local area.

C. Cadets/Midshipmen of Service Academies. Cadets/midshipmen travel in accordance with the policies of their respective Service Academies. When a cadet/midshipman is required to travel, the respective Academy must authorize travel card issuance and its use in lieu of cash advances in accordance with this Regulation. (See sub-paragraph 020302.C for Academy addresses.)

D. Reserve, Guard and Part-Time Civilian Employees. All Reserve Component personnel (to include Individual Mobilization Augmentees (IMAs)), and seasonal or part-time civilian employees are authorized to use the travel card for official travel. The optional charge card technologies, such as those described in paragraph A., above, should be used to the extent possible when the traditional, individually billed travel card is judged to be inappropriate for use.

030305. Individually Billed Accounts. The travel cardholder is responsible for payment in full immediately upon receipt of the monthly billing statement. The contractor may suspend travel cardholder charge privileges if payment is delinquent over 60 days, and may cancel the travel card when payment is delinquent over 120 days. The contractor may initiate garnishment proceedings through the judicial system against a travel cardholder's salary for accounts over 120 days delinquent, and also may notify credit bureaus of the delinquency. Canceled travel cards may be reissued by the contractor on a case-by-case basis when requested in writing by Component Heads or activity commanders through their designated APCs.

030306. Centrally Billed Accounts (CBAs)

A. General. CBAs can be established using either "cardless" account numbers or plastic cards. A CBA is issued to a DoD activity and charges are billed to that activity for

payment using official funds. All CBAs contain a unique government prefix that identifies the account as a centrally billed account for official federal government travel. The government prefix helps the designated CTO identify the account as eligible for government travel rates. CBAs currently can support up to 99 supplemental accounts that can be aligned to organizational structures. For example, supplemental accounts can designate specific divisions, departments, cost centers, or CTOs.

B. Unit Travel Cards. The use of this travel card program feature enables commanders/supervisors to provide transportation, lodging and meals for groups, teams, and travelers who do not have individual travel cards or who have been denied individual travel cards due to financial irresponsibility and when no other process is available to accomplish the mission. The unit travel card may include ATM and/or travelers check options. The CPM will designate the level at which unit travel cards may be issued and notify the card contractor of that designation in writing. Components are requested to restrict the issuance of unit travel cards wherever possible and maximize the use of the individual travel card. Reconciliation of the unit travel card billing statement is the responsibility of the person in whose name the account is issued.

030307. Reports. The card contractor will provide monthly summary reports.

A. For each CPM:

1. Industry Spending Summary - Agency Report, and
2. Agency Overall Program Report.

B. For Each APC:

1. Cardholder Account Listing, KG 2005. This report shows names, addresses, and telephone numbers of cardholders assigned to the APC basic account number. The APC is required to review and forward any corrections to the card contractor on a monthly basis.

2. Cardholder Activity Report, KG 2000. This report can be requested any time, but is provided monthly by the card contractor. The report identifies travel cardholder activity and ATM usage during the recent billing cycle. It should be reconciled with the travel order log monthly to determine possible misuse of the travel card.

3. Delinquency Performance Report, KG 3005. This report indicates the 60, 90, and/or 120-day delinquent travel cardholders. The report will be reconciled as outlined in paragraph 030407. Due to the sensitive nature of the report, it should be stored in a locked filing area.

4. Suspended Account Report, KG 3005.

5. Pending Cancellation Report, KG 3006.

6. Renewal Report, KG 3007.

030308. Misuse. APCs will review travel card usage reports and reconcile them with the official travel orders/travel log published for the corresponding month. The APC will notify the travel cardholder's supervisor if it appears that a travel cardholder has misused the travel card. The supervisor will take disciplinary action, as appropriate. A copy of the APC's notification, the contractor usage report reflecting misuse, and any applicable correspondence or notes will be maintained locally for future reference.

030309. Training. The TCPMO and the other DoD Components will ensure travel card program training materials are provided throughout the Department. Training materials will include specific manuals, videos obtained through the GSA contract, and available instructions for requesting contractor products tailored for unique Component requirements. DoD Components are responsible for ensuring the travel card training packages for APCs and travel cardholders are provided annually.

0304 MANAGEMENT CONTROLS

030401. General. This section identifies the standard travel card program management controls that are in place. DoD Components may request more restrictive program management controls for their organizations.

030402. Travel Card Applications. Applications will contain the following: a supervisor signature authorizing the travel card, a signed DoD statement of travel cardholder understanding, SSN, current address, and work/home phone numbers. The card contractor will issue travel cards only when the application is properly completed, has a basic control account number, and is signed by a recognized APC.

030403. ATM Cash Withdrawals

A. Limits. ATM limits are published through the TCPMO to each CPM. ATM cash withdrawals currently are limited to \$600 per month, provided the travel cardholder's account is current. This limit may be raised to \$1,000 per week/\$4,000 per month by the traveler with a telephone call to the travel card company using the toll-free number provided to all travel cardholders. Organizations with unusual travel requirements may work through their APC and the TCPMO to tailor higher limits to meet the traveler's special needs. In order to minimize costs associated with ATM cash withdrawals and maximize the benefits associated with charging travel expenses, ATM usage should be limited by travelers to cover only those travel expenses for which charging is not possible. Travelers should charge to the travel card as many of the expenses associated with official travel as possible.

B. Cash Advances. Cash advances, when approved, will be obtained no earlier than five working days before the scheduled departure date and not later than the completion of travel.

030404. Transaction Fees. Transaction fees that are charged for authorized ATM cash withdrawals and travelers checks are reimbursable expenses provided the traveler requests reimbursement on the travel voucher (JFTR, paragraph U4521).

030405. Travelers Check Program. This program is designed for frequent and long-term travelers, when the travel charge card is not appropriate for use. Travelers checks, authorized by the immediate supervisor and monitored through the APC, are issued to the individual traveler in pre-determined amounts on a continuing basis. The use of this portion of the travel card contract does not preclude the use of the ATM privilege.

030406. Travel Card Retail Purchases. There may be extenuating circumstances of official travel in which the use of the travel card is appropriately used for retail purchases. Each time a traveler uses the government travel card at a retail outlet, the merchant must “swipe” the travel card for approval of the sale. Retail purchases (i.e., those purchases other than airfares, lodging, meals and car rentals) generally are limited to \$500 per month.

030407. Delinquencies. The Departmental of Defense does not tolerate delinquency. Reports reflecting 60, 90, and 120-day delinquent travel cardholders will be reviewed by the APC within five working days of receipt. The APC will notify the immediate supervisors of 60-day delinquent travel cardholders, the division chiefs/commanders of 90-day delinquent cardholders, and the Component Head, activity commander, or designee, of 120-day delinquent travel cardholders. They will be notified in writing within five working days of delinquent report receipt. APC delinquent notifications will request that action be taken within five working days of notifications. APCs shall assist the card company by notifying them of all suspension/cancellation actions and by providing office address and telephone changes in a timely manner.

030408. Account Suspension/Cancellation. Individual travel card accounts are payable upon receipt of the contractor billing statement. Accounts are considered delinquent when the contractor has not received the payment in full before another bill is issued. Individuals who are delinquent for the full payment of the account will be added to the delinquent report provided on a monthly basis to the APC. Delinquent reports are provided in 60, 90, and 120 day increments. Individual travel cardholders who are delinquent for 60 days are suspended from ATM use. The APC and immediate supervisors are notified, and the travel cardholder is requested to make payment. A 90-day delinquency results in suspension of travel card and ATM privileges, APC notification, and supervisory-level notification. One hundred and twenty day delinquency results in a canceled account. Contractor actions that may result include: notifying credit bureaus of the debt, initiating garnishment proceedings, and possibly transferring a delinquent account to a collection agency.

0305 APC REQUIREMENTS

030501. APC Program Management Information

A. General. Complete and accurate files are critical to the success of the travel card program. The travel card correspondence files consist of background information, card contractor management information reports, memoranda, Component headquarters requirements, or other information received from the card contractor. Correspondence files will be maintained for 12 consecutive months after initial receipt and then destroyed. A copy of the travel card contractor's application package, any other correspondence relating to the package, and any correspondence relating to the individual travel cardholder shall be maintained by the APC. Due to the sensitivity of the data contained in these files, such data shall be maintained in a secure area.

B. Program Hierarchy. The hierarchy is the linkage of individual travel card accounts to the organization responsible for issuing the travel card by billing cycle and DoD Component management information. The APC is responsible for tracking incoming/outgoing travel cardholders to ensure validity of the agency hierarchy.

030502. Processing Applications

A. APCs will make application packages available to prospective travel cardholders. At a minimum, the travel card application package should contain the contractor provided Government Travel Card Application, the Government Travel Card General Information and the DoD Statement of Understanding for Cardholders (see appendix A). Applicants will complete the application, obtain supervisory approval, and submit these documents to the APC. The APC reviews the documents, signs the application and forwards it to the travel card company within two working days of receipt. The travel card contractor generally will mail the travel card to the traveler's address provided on the application.

B. Emergency applications are defined as applications for employees authorized to have a travel card and who are scheduled to travel within five working days. Emergency applications will be telefaxed immediately to the travel card contractor by the APC. APCs will verify that the travel card contractor received the emergency application. Emergency applications will be processed by the travel card contractor and travel cards delivered to the APC, or the individual as determined by the APC, within two days of travel card company receipt.

030503. Account Transfers - Within and Outside of the Organization. In order to maintain an accurate travel card hierarchy, it is essential that the assignments of DoD personnel are regularly revalidated. APCs are responsible for monitoring their employee/enrollee listings as part of their program management. APCs will use the following information to manage the movement of travel cardholders within the Department.

A. Transfers Within the Same Component. Inprocessing data sheets used throughout the Department must include the APCs name and location. Travel cardholders are responsible for ensuring that the losing and gaining APC and the travel card contractor are notified of impending transfers or PCS moves. Travel cardholder accounts will be suspended automatically 61 days after the travel cardholder leaves the current work site and will be canceled 91 days after leaving the original work site unless the travel cardholder reports his or her arrival to

the gaining APC. The gaining APC will notify the travel card contractor that the travel cardholder has reported, ensure that a new application is processed, and transfer the travel cardholder to their basic account number, or cancel the travel card, as appropriate.

1. The losing APC will:

a. Keep the travel cardholder account on his or her basic control account for 90 days.

b. Review proper use of the travel card with the travel cardholder, inform the travel cardholder of his or her responsibility to notify the gaining APC within 60 days of arrival at the new duty location, and remind the travel cardholder that the travel card will be suspended on the 61st day without gaining APC notification and canceled on the 91st day without gaining APC notification.

c. Obtain the reporting date, new assignment address, and the new mailing address from the travel cardholder.

d. Contact the travel card contractor to identify the travel cardholder's impending move, the new information as stated above, and the travel cardholder's account suspension date not to exceed two consecutive months (61 billing days) from the date of departure. Also identify the travel card cancellation date if transfer is not accomplished by the gaining APC. Confirm the initial telephone transaction with the travel card contractor's hierarchy maintenance form.

2. The travel card contractor will:

a. Update the travel cardholder listing for the losing APC.

b. If possible, contact the new APC and provide suspension and cancellation dates.

c. Suspend travel cardholder accounts if the gaining APC has not requested transfer of the travel cardholder account by the 61st day and/or, cancel the accounts if transfer is not completed by the 91st day.

B. Transfers Outside of Component. The travel card contractor cannot transfer travel card accounts outside of respective DoD Components due to differing billing cycles. If the travel cardholder travels in the performance of his or her new duties, another travel card will be issued. Travel cardholders are responsible for ensuring the losing and gaining APC and the travel card contractor are notified of impending PCS moves. Travel cardholder accounts will be suspended automatically 61 days after leaving the current work site and canceled 91 days after leaving the original work site, unless the travel cardholder reports to the gaining APC. The gaining APC will notify the travel card contractor that the travel cardholder has reported, ensure a

new application is processed, cancel the prior travel cardholder account and order a new travel card if appropriate.

1. The losing APC will:
 - a. Keep the travel cardholder account on his or her basic control account for 90 days.
 - b. Review proper use of the travel card with the travel cardholder, inform the travel cardholder of his or her responsibility to notify the gaining APC within 60 days of arrival at the new duty location, remind travel cardholder that the travel card will be suspended on the 61st day without gaining APC notification, and canceled on the 91st day without gaining APC notification.
 - c. Obtain the reporting date, new assignment address, and the new mailing address from the travel cardholder.
 - d. Contact the travel card contractor to identify the travel cardholder's impending move, the new information as stated above, and the travel cardholder's account suspension date not to exceed two consecutive months (61 billing days) from date of departure. Also identify the travel card cancellation date. Confirm the initial telephone transaction with the travel card contractor's hierarchy maintenance form.
2. The travel card company will:
 - a. Update the travel cardholder listing for the losing APC.
 - b. If possible, contact the new APC and provide the suspension and cancellation dates.
 - c. Suspend travel cardholder accounts if the gaining APC has not requested transfer of the travel cardholder account by the 61st day and, or, cancel the accounts if transfer is not completed by the 91st day.

030504. Termination. Travel cardholder accounts are terminated upon dismissal, retirement, or separation from federal service or upon personal request. Those travel cardholders who are entitled to a government paid move when terminating their accounts will be given a cash advance through EFT. The APC immediately must give the travel card contractor the new billing information (in the event the travel cardholder's account was active in the previous month before termination) and close and cancel the travel cardholder's account on a specific date.

030505. Delinquencies. Delinquency reflects adversely on the entire travel card program and will be addressed immediately by cognizant APCs through the travel cardholder's supervisory chain.

A. Monitoring Delinquencies. When a travel cardholder becomes delinquent, the APC will prepare a memorandum for delivery to the appropriate management level within five days of receipt of the delinquency report from the travel card contractor. Supervisors are required to present the delinquent memorandum to the travel cardholder within five working days of receipt. APCs may contact the travel card contractor to verify payment problems. Suspension or cancellation can be initiated by the APC, office director, activity commander or immediate supervisor after any delinquent period. The travel card contractor reserves the right to cancel the travel card when the delinquency reaches 120-days.

B. Processing Delinquencies. Upon receipt of the monthly delinquency report the APC will do the following:

1. Sixty Day Delinquency. At a minimum, ATM access is denied automatically by the travel card contractor. The APC will verify that the travel cardholder was on official travel and the voucher has been filed. The APC will notify the travel card contractor of any legitimate travel cardholder delinquency. This is done in writing within five work days of receipt of the delinquency report. APCs also may verify delinquencies by calling the travel card contractor representative and noting the date of the last payment, if applicable. When the delinquency has been verified as unresolved, the APC will prepare the 60-day delinquent memorandum (appendix A) and forward it to the immediate supervisor. The incidence of two delinquencies is justification for the APC to cancel the travel card.

2. Ninety Days Delinquency. The APC will reconcile the 90-day delinquent report with the 60-day report. Using the verification procedures outlined above, the APC will prepare the 90-day delinquent memorandum (appendix A) and forward it to the appropriate management level. One 90-day delinquency is adequate reason for cancellation unless the APC or appropriate supervisor justifies, in writing, why the travel cardholder's privileges should not be terminated.

3. One-Hundred Twenty Days Delinquency. Travel cardholders delinquent at the 120-day period will be canceled by the travel card contractor. The APC will prepare the 120-day delinquent memorandum (appendix A) for the appropriate activity commander, office director or equivalent. Travel cardholders canceled by the travel card contractor at the 120-day activity window require commander/director authorization and signature for reinstatement. The contractor reserves the right to deny reinstatement.

4. Travel Card Cancellation and Reinstatement Procedures. Reinstatement is at the discretion of the activity commander/director, or designated representative, and with the concurrence of the travel card contractor, once cancellation has occurred. Under no circumstance will the travel card contractor reinstate travel card privileges without the knowledge of the APC. Travel cards may be reinstated when the:

- a. Account is paid in full,
- b. Commander/director has approved the reinstatement, and

c. Travel card contractor concurs.

C. Notification Process. Upon notification that a travel cardholder is delinquent or abusing the travel card, the supervisor will present the appropriate memorandum to the travel cardholder within five working days. This will be followed by a memorandum to the APC that indicates the supervisory action taken. The supervisor must follow-up with the travel cardholder and the APC to ensure the delinquency is resolved. Delinquencies are considered resolved by:

1. Payment in full;
2. A reasonable explanation documented by the travel cardholder and submitted to the travel card contractor and the APC; and/or
3. An agreed upon repayment plan scheduled with the travel card contractor. (NOTE: The current travel card contractor is under no contractual obligation to agree to a repayment schedule.)

Appendix A identifies the Government Travel Card Billing Milestones with a description of each event.

D. Garnishment Procedures. Title 5, United States Code, section 5520a (reference (g)), allows for collection of just debts through the judicial system. When the contractor is awarded settlement, the claim is forwarded to the DFAS-Cleveland Center to process a collection from the individual travel cardholder's pay account.

030506. Unit Travel Accounts. When authorized, the APC will notify the travel card contractor in writing and request a unit travel account. The request must contain the name of the individual who will be responsible for the account and specify whether the account will be plastic or "cardless." The APC is responsible for reconciling the monthly billing statement and transmitting the certified invoice for payment. Unit travel accounts that are delinquent 60 days or more will be suspended by the travel card contractor unless the bill is properly disputed. Unit travel account undisputed bills that go delinquent for 60 days twice in a twelve month period, will result in account cancellation by the travel card contractor. The CPM will be so notified and no other unit travel account will be authorized for that activity.

030507. APC Management of All Reserve Components and Part-Time Civilian Employees.

A. Commanders/supervisors will authorize travel cards for Reserve Component personnel and part-time civilian employees. Travel cards may be maintained by the APC or the individual. When travel cards are in the individual's keeping, the APC will authorize travel card usage by calling the travel card contractor to request that the account be activated and stating the amount to be allowed in charges/cash and the expected dates of travel.

B. DoD employees who also are active Reserve or Guard members are required by law to provide their full-time federal employer with a copy of their order to perform military duty. Therefore, where applicable, the employee will be issued only one travel card. That card will be issued by the full-time employing agency, and also may be used for Reserve Component duty travel. Duplicate individual travel cards are not authorized within the Department.

CHAPTER 4

TRANSPORTATION ALLOWANCES0401 GENERAL

The transportation office(r) (TO) is responsible for issuing guidance on the use and procurement of transportation. Contact the TO for information regarding available transportation services and costs.

0402 MODE OF TRANSPORTATION

The AO directs or authorizes the mode of transportation for official travel and can direct the use of the TO. If the orders do not direct a specific mode of transportation or the use of the TO, the traveler may select the mode to use (exception noted in section 0403). In these instances, the travel order must include the transportation request (TR) cost by leg of travel.

0403 TRANSOCEANIC TRAVEL

Government-arranged transportation is directed for transoceanic travel. However, when personally procured transoceanic transportation specifically is authorized in the orders, the claim will be paid accordingly. The JFTR, paragraph U3115-C refers.

0404 TRAVEL BY PRIVATELY OWNED CONVEYANCE (POC)

040401. Use of POC. AOs cannot direct, as distinguished from authorize, the use of POCs in connection with official government business. See the JFTR, paragraph U3300. (NOTE: This includes travel as a passenger in a POC.)

040402. POC More Advantageous to the Government. A traveler authorized to use his or her POC as more advantageous (JFTR, paragraph U3305) is paid per diem for actual travel time not to exceed the allowable travel time. When actual travel time exceeds allowable, the higher lodging costs are used first.

040403. POC Not More Advantageous to the Government. When a traveler is authorized to use his or her POC as not more advantageous (JFTR, paragraph U3310), computation for actual travel time is limited to the allowable time in the JFTR, paragraph U5160 and JTR, paragraph C4300. The per diem is computed as indicated in the JFTR, paragraph U3310, and JTR, paragraph C4300.

040404. Allowable Travel Time Policy. The standard DoD procedures for administering travel time for all DoD travelers is based on the traveler's required period of duty at the TDY point. For periods in excess of the allowed travel time, the approving official determines if leave should be charged in accordance with DoD Component leave procedures.

A. Day of Arrival at the TDY Point. When the traveler is required to perform duty at the TDY point for at least half of the duty day on the day of arrival, that day is considered to be a day of duty. Travel time is granted prior to that first duty day. When the traveler performs duty at the TDY point for periods of less than half of the duty day on the day of arrival, that day is considered to be a travel day.

EXAMPLE: The traveler is authorized to drive by POC as more advantageous to the government. Two days of travel are authorized. The traveler performs duty for more than half a day upon arrival at the TDY point.

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	PA	
Arr	3 Oct	TDY point A		TD
Dep	8 Oct	TDY point A	PA	
Arr	10 Oct	PDS		MC

October 3 is considered a day of duty, October 1 and 2 would be travel days. Using the same example, if the traveler performed duty for less than half a day on October 3 at the TDY point, then October 2 and 3 would be the travel days. The AO must determine if October 1 should be charged as leave in accordance with Service procedures.

B. Day of Departure from the TDY Point. When a traveler is required to perform duty for at least half of the duty day at the TDY point on the day of departure, that day is considered to be a day of duty. Travel time is granted after that last day. When a traveler performs duty for periods of less than half of the duty day at the TDY point on the day of departure from the TDY point, that day is considered to be a travel day.

EXAMPLE: The traveler is authorized to drive by POC as more advantageous to the government. Two days of travel are authorized. The traveler performs duty for more than half a day upon departure from the TDY point.

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	PA	
Arr	3 Oct	TDY point A		TD
Dep	8 Oct	TDY point A	PA	
Arr	10 Oct	PDS		MC

October 8 is considered to be a day of duty; October 9 and 10 would be travel days. Using the same example, if a traveler performed duty for less than half a day on October 8 at the TDY point, then October 8 and 9 would be travel days. The AO must determine if October 10 should be charged as leave in accordance with DoD Component procedures.

C. Continuous Periods of TDY. When a traveler performs two or more consecutive periods of TDY (without returning to the PDS), and there is a delay between the

finish of one TDY and the start of the next TDY, per diem is payable for the period the traveler remains at one of the TDY locations. If the traveler does not remain at a TDY point, no per diem is payable, and the AO may charge the traveler leave based on Component procedures.

EXAMPLE: The traveler completes the first TDY on October 5, the next TDY starts October 8. The traveler is paid per diem during the delay at the first TDY point.

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	PA	
Arr	1 Oct	TDY point A		TD
Dep	8 Oct	TDY point A	PA	
Arr	8 Oct	TDY point B		TD
Dep	12 Oct	TDY point B	PA	
Arr	12 Oct	PDS		MC

0405 BUSINESS/FIRST CLASS (PREMIUM) ACCOMMODATIONS

Travelers will not be reimbursed for premium accommodations, unless properly authorized in the orders (JFTR, paragraph U3125). It is departmental policy that travelers using commercial air carriers inside or outside CONUS for official travel use less-than-premium accommodations. Any questions should be referred to the TO.

0406 UNUSED/LOST TRANSPORTATION REQUESTS OR TICKETS

If a traveler does not use the TR/ticket issued by the government, he or she must return it to the TO. In exchange, the TO will give the traveler an original and one copy of a DD Form 730 (Receipt for Unused Transportation Requests and/or Tickets Including Unused Meal Tickets) or other receipt in accordance with DoD Component regulations and will provide a copy to the disbursing officer. The traveler must attach a copy of the DD Form 730 (or other receipt) with disposition instruction to the travel claim. If a claim is received with the unused tickets, return immediately to the traveler. If a traveler loses a TR or ticket, he or she should be referred to the TO for assistance. If the travel orders direct use of a TR, do not reimburse the traveler for personally procured transportation unless the AO issues a statement to allow reimbursement. The JFTR, paragraph U3140 refers.

0407 SPECIAL CONVEYANCES

When the traveler is authorized and uses a commercial rental vehicle (JFTR, paragraph U3415), a receipt from the rental agency that itemizes all charges must be attached to the claim for costs of \$75.00 or more. Also, when a mileage charge is included, a statement showing the official distance driven will be attached to the claim. A traveler who is on official travel for 4 days, but uses the rental vehicle for 7 days (3 days personal use), may be reimbursed for the cost of the rental vehicle, not to exceed the amount it would cost to rent the vehicle on a daily basis for the number of days of official travel.

0408 REIMBURSEMENT FOR THE COST OF DAMAGES TO COMMERCIAL RENTAL VEHICLES

040801. Cost of Damage to Rental Vehicle. When extra collision insurance is not purchased or included in the basic rental contract (e.g., MTMC negotiated agreements), the traveler may be reimbursed for personal funds paid to the rental agency for the full amount of damage sustained, or the deductible amount (as contained in the rental agreement), to a vehicle properly rented and damaged in the performance of official business. The JFTR, paragraph U3415-G, and JTR paragraph C2102-F, define official purposes. The traveler will submit a claim for reimbursement, through the AO, to the Claims Office of the supporting staff Judge Advocate General (JAG) for adjudication. Supporting documentation will include, but is not limited to: police accident report(s), police traffic citations, statements from witnesses, statement and itemized bills from the traveler and rental agency to ensure that the claim is valid, not yet settled, and in an amount compensable to the actual damage. Inclusion of an accident report will assist legal authorities in establishing fault on the part of the party not employed by the government, which may enable the government to recoup its loss when the negligence of that party can be established without costly investigation. Reimbursement is prohibited for damage sustained to a rental vehicle while being used on other than official business or by willful and wanton negligence on the part of the traveler.

040802. Claims Received From Rental Agencies. Rental agencies may submit a damage claim directly to the government. To be considered, these claims must be supported by appropriate documentation. Claims for reimbursement or payments made directly to the rental agency may be made in the full amount of damage sustained or the deductible amount (as contained in the rental agreement). Documentation will include, as a minimum, statements and itemized bills from the traveler and rental agency to ensure the claim is valid and in an amount commensurate with the actual damages. In addition, it should include an accident report to establish fault on the part of the party not employed by the government, which may enable the government to recoup its loss when the negligence of that party can be established without costly investigation (47 Comp. Gen. 145 (1967)). Reimbursement or payment to the rental agency is prohibited if the rental vehicle was being used on other than official business or by willful and wanton negligence on the part of the traveler.

0409 LOCAL TRAVEL IN AND AROUND PERMANENT OR TEMPORARY DUTY STATIONS

040901. General. The disbursing officer should make sure local directives clearly define the local area in which transportation expenses may be authorized or approved for conducting official business (JFTR paragraph U3500 and JTR, paragraph C2400). When two or more installations are in close proximity, the local area should be determined by the senior commander or senior service commander. When travelers perform TDY in the local area and require lodging, travel orders are necessary to support the claim.

040902. Permanent Duty Station. Travelers must provide a trip-by-trip accounting of all travel performed on official business. When like trips between the same points are made on

a repeated basis, one entry on the claim will suffice, provided that it reflects the distance or costs between these points and the dates on which the trips occurred.

040903. Temporary Duty Station. Travelers performing local travel in a POC at the TDY site must provide a trip-by-trip accounting of all travel performed. When like trips between the same points are made on a repeated basis, one entry on the claim will suffice, provided that it reflects the distance or cost between these points and the dates on which the trips occurred. This travel should be included on the claim or as an attachment thereto.

NOTE: Designated approving officials may not approve their own vouchers for payment of local travel.

CHAPTER 5**TEMPORARY DUTY TRAVEL****0501 AUTHORIZING OFFICIAL (AO)**

The AO is the authorizing official for all travel entitlements except when a higher authority is required, such as for authorizing first class travel. The AO signature constitutes valid, after-the-fact approval of allowable reimbursable expenses and itinerary or status changes.

DoD Components that require AO signatures will ensure that AOs are held responsible for validating all travel claim vouchers, approving or disapproving vouchers as necessary, and forwarding approved vouchers to the responsible travel computation unit.

0502 BEGINNING AND ENDING OF TRAVEL STATUS

Travel status begins when travelers depart their homes/offices and ends when travelers return to their homes/offices. The only exception is for aircrew members who travel as a crew. In that case, the travel status begins with take-off from the PDS and ends with landing at the PDS. The JFTR, paragraph U2200 applies.

0503 FURNISHED MEALS

050301. Complimentary Meals Furnished by a Hotel. When a traveler is furnished a complimentary meal by a commercial lodging establishment, that meal is not considered a deductible meal. There is no deduction from the M&IE rate regardless of whether the meal was consumed by the traveler. For rules concerning lodgings and meals furnished by government contract, see the JFTR, paragraph U4125-A2 and JTR, paragraph C4552-J.

050302. Meals Furnished at Conferences. When some but not all meals are included in conference fees, the traveler is entitled to proportional per diem on non-travel days.

0504 GOVERNMENT QUARTERS AND DINING FACILITY AVAILABILITY

050401. Non-availability Statements. Travelers are not required to obtain written non-availability statements before reimbursement of commercial lodging costs and the locality M&IE can be made. The availability of government quarters, contract quarters and dining facilities must be confirmed when a reservation request is made. The Commercial Travel Office (CTO) or traveler will obtain the confirmation by using the following procedures:

A. The CTO or traveler will contact the destination billeting office/Army Central Reservation Center for quarters availability. If quarters are not available, the billeting office/Army Central Reservation Center is required to give the CTO or traveler a confirmation/non-availability number or the name and phone number of the person contacted. When government or contract quarters are not confirmed as available, they will be considered not

available and a confirmation/non-availability number will be issued. The CTO or traveler will enter the confirmation/non-availability number on the trip record/voucher. If the CTO or traveler is not able to obtain a confirmation/non-availability number from the billeting office/Army Central Reservation Center, the traveler will note on the trip record/voucher the date/time the attempt was made. The AO then will approve the commercial lodging and per diem rates.

B.. The traveler will obtain information on the availability of government dining facilities through the CTO or the destination billeting office/Army Central Reservation Center. If not available, the M&IE rate for commercial meals is authorized. If the CTO or traveler is not able to obtain information on messing availability through the CTO arrangements process or directly from the destination billeting office/Army Central Reservation Center, then the per diem of commercial meals is authorized and the CTO/traveler will note on the trip record or voucher the date/time an attempt was made.

050402. Government Dining Facility

A. Government Dining Use Required. When use of a government dining facility is directed, but during the trip no such facility is available, the member may be reimbursed the full M&IE rate if all three meals are not available or the proportional rate if one or two meals are not available (provided the AO accepts the member's certification of non-availability). The government mess rate is paid for civilian travelers who consume all three meals in a government mess or the proportional rate on any day one but not all three meals are consumed in a government mess.

B. Government Dining Use Impractical. The use of a government dining facility is considered impractical on any day in which the member actually is traveling between or among locations (JFTR, paragraph U4400-B), except for meals incident to special status as outlined in section 0505.

050403. TDY Not At An Installation. When the TDY location is not at an installation, the traveler is not required to use nearby government facilities. However, if the traveler chooses to use government quarters at a nearby installation, a government dining facility is not considered available. The JFTR, paragraph U4400-B refers.

050404. TDY At An Installation. Travelers are not required to use available government quarters and dining facilities. However, when adequate government quarters are not used and the traveler procures commercial lodgings, reimbursement is limited to the cost of the available government quarters, except when the AO approves reimbursement for the cost of the commercial quarters. When the TDY is for training, the AO is the authority on whether the traveler should have used government quarters.

0505 SPECIAL STATUS AND PER DIEM RATES

Reduced/zero per diem rates for a special status, such as field duty, sea duty, hospitalization, rehabilitation, and essential unit dining take effect at 0001 the day after the traveler enters

the status and ends at 2400 hours the day preceding the day the traveler leaves that status. (See the JFTR, paragraph U4105.) Seventy-five percent (75%) of the appropriate M&IE rate is paid to travelers on the day of departure from and return to the PDS when entering or exiting a special status providing all meals. For all other days of travel when the traveler enters or exits a special status providing all meals, those meals provided after entering and before exiting the status are considered available and the proportional meal rate applies on those days. If no travel is involved and the traveler goes from one zero per diem status directly into another zero per diem status, no per diem is paid for that day. Otherwise, normal per diem computations, at the special status rates, apply on that day. If a traveler is required to procure a meal or quarters other than at the special status rates, reimbursement of the cost may be made not to exceed the per diem allowance for the meal or lodging allowance. This does not include payment of the basic food cost for officers or employees in field duty, sea duty, or under essential unit messing. Travel orders should identify the reduced per diem rates, availability or non-availability of government quarters, authorization for proportional per diem as applicable, identification of special status and reference to the letter/message in which they were established. If this information is not included in the travel order, the AO must include it on or with the voucher when approving the voucher.

0506 CONSECUTIVE TDY

Per diem is payable for the interval between two periods of TDY if the interval exists through no fault of the traveler and the traveler either remains at the first location or travels to the next TDY location within the allowable travel time.

0507 LEAVE, PERMISSIVE TDY, OR ADMINISTRATIVE ABSENCE IN CONJUNCTION WITH FUNDED TDY

050701. Permissive/Administrative Travel Time. A traveler who takes leave, permissive TDY, or an administrative absence before or after a funded TDY, is entitled to travel allowances from the PDS to the funded TDY location and return to PDS. If the traveler takes leave, permissive TDY, or an administrative absence between two TDY locations, the traveler is entitled to allowances for direct travel between the two locations.

050702. Travel Time When Using Privately Owned Conveyance. Permissive or administrative travel time is authorized when a traveler is authorized to travel by POC for personal convenience to a funded TDY of 16 days or more and reimbursement is based on a constructive schedule. The allowable travel time is computed based on the provisions of paragraph U5160, JFTR for military personnel and paragraph C4300, JFTR for civilian employees. Permissive or administrative travel time is not authorized when the orders direct a mode of transportation and that mode is available but not used. Per diem is not authorized for the additional period.

050703. Leave and Overtime in Conjunction with Official Travel. The unit commander (or designated representative) or employee's supervisor is the authority for making and documenting determinations regarding leave and duty status, to include overtime. The granting,

accounting for, and associated reporting procedures are organizational responsibilities made in accordance with DoD Component instructions.

0508 RETURN TO THE PERMANENT DUTY STATION DURING TDY

050801. Authorized Return. When a travel order authorizes return to the PDS, the traveler is authorized travel, transportation allowances, and per diem for travel from the TDY site to the PDS and return to the TDY site. When the AO has authorized or approved the lodging costs maintained at the TDY site as mission essential, the incurred expenses are paid as a reimbursable expense. In making the decision to authorize/approve, the AO must determine that the reasons for retaining the lodging were reasonable and necessary and not strictly for the convenience of the traveler. This determination should be made after considering the traveler's efforts to obtain lodging on a weekly or monthly basis or other long-term rental agreement. When the lodging retained is charged on a daily basis, the AO should consider such factors as the length of the TDY, the amount of personal belongings, the capability of the establishment to store those belongings, and the ability of the traveler to secure a room upon return. The AO will state the reason for authorizing or approving reimbursement of the retained lodging. For this entitlement, the permanent quarters from which the traveler normally commutes to the PDS are considered the same as the PDS. If the traveler goes to another location, no allowances are authorized for the travel. Per diem is computed as if the traveler remained at the TDY location.

050802. Voluntary Return. When a traveler voluntarily returns to the PDS during a TDY period, the traveler's entitlement is limited to the lesser of the actual travel cost for returning to the PDS and what it would have cost had they remained at the TDY site. The factors included in determining actual travel costs are: per diem for the travel days (see paragraph 050801 for determination of when per diem begins and ends); round trip transportation for the mode used; and cost for quarters retained at the TDY site. The JFTR, paragraph U4130 refers.

CHAPTER 6

PERMANENT DUTY TRAVEL0601 TRANSPORTATION AND STORAGE OF HOUSEHOLD GOODS (HHG)

Normally, the government will arrange for the shipment of HHG by government bill of lading (GBL), authorize an employee to use the commuted rate, or allow the member a Do-It-Yourself (DITY) move. When DoD personnel arrange for the shipment and GBL is the authorized method, the TO provides information concerning the traveler's allowable expenditures and computes the amount the shipment would have cost the government. When the commuted rate is the authorized method of shipment, payment is based upon the amount computed from the GSA rate schedule. If the TO instructs the traveler to make his or her own arrangements, or if a TO is not available, payment is made for actual costs incurred to procure authorized services. In all other instances, payment is limited to the actual cost incurred, not to exceed the amount it would have cost the government.

060101. Commuted Rate Method. When a DoD employee is authorized to ship HHG at the commuted rate, the payment is computed using the GSA rate schedule in effect on the date the carrier picked up the HHG, or the date that the employee actually moved the HHG without regard to government cost. The claim is supported by certified weight tickets or a constructive weight determination made and approved in accordance with paragraph C8000, JTR.

060102. DITY Moves. The DITY program is a voluntary program that enables Service members, or a deceased member's next of kin, to move their HHG personally and be paid an amount equal to 80 percent of what it would have cost the government. The TO must authorize or approve a DITY move. In addition, the member must have orders authorizing PCS, TDY (with HHG entitlement), or assignment to or from government quarters. The TO gives the member a DD Form 2278 (Application for Do-It-Yourself Move and Counseling Checklist). This form shows the constructive GBL or contract cost for moving the HHG.

A. Impact On Other PCS Entitlements. Service members and/or dependents traveling to the destination in the rental vehicle or POC used for a DITY move are authorized both DITY and PCS allowances. PCS entitlements are not part of the DITY program and are separately processed.

B. Claims. Claims for DITY moves must be supported by the Service member's statement of expenses actually incurred. In addition, the claim must include either a copy of certified weight tickets (gross and empty) or approved constructive weight by the TO.

(NOTE: No incentive can be computed without valid weight tickets or approved constructive weight by the TO.)

C. Payment Procedures. DITY claims are paid in accordance with each Service's procedures. Service addresses for DITY claims are found in subparagraph 060102.D, below. Compute the DITY claim as follows:

1. Obtain the GBL cost or local contract cost as provided by the TO.
2. Multiply this cost by 80 percent to obtain the maximum DITY entitlement.
3. Deduct the expenses actually incurred by the Service member from the maximum DITY entitlement. The result is the member's incentive payment.

NOTE: If the actual expenses are more than 90 percent of the maximum gross DITY entitlement, it may be advantageous for the Service member to be reimbursed under the actual expense method. The member would be reimbursed up to 100 percent of what it would have cost the government to move the HHG. In that instance, no income taxes are withheld from the payment, since the member does not receive an incentive payment.

4. Multiply the incentive payment by the applicable tax withholding percent. This amount is withheld for Federal Income Tax (FITW).
5. Deduct the FITW amount from the incentive amount to determine the amount payable to the member.
6. Deduct any advance operating allowance paid to the member.
7. Prepare TD Form W-2 (Wage and Tax Statement). Insert the incentive portion of the DITY move payment in the earned income block and insert the FITW withheld in the Federal Income Tax Withheld block.

D. Service Addresses for DITY Payments

1. Army. Forward a copy of the claim to DFAS-Indianapolis Center, ATTN: DFAS-IN-FTFA, Column 241M, 8899 E. 56th Street, Indianapolis, IN 46249-0651. Indicate the weight shipped with any other record of shipment or storage under the same travel orders. Indicate whether any excess charges are to be collected from the member.
2. Navy. Forward a copy of the claim to the Commanding Officer, Navy Material Transportation Office, 1837 Morris Street, Suite 600, Code 023, Norfolk, VA 23511-3492.
3. Air Force. Forward claims to the Air Force Excess Cost Adjudication Function (ECAAF), Joint Personal Property Shipping Office, San Antonio, TX 78286.

4. Marine Corps. Forward claims to the Commanding General, 470 Marine Corps Logistics Base, Albany, GA 31704-5000.

060103. Reimbursement for Personally Procured Shipment or Storage of HHG

A. Claims. Claims are authorized for personally procured shipment or storage of HHG and baggage. The claims must include the traveler's certification, as follows: "I certify that this shipment (including drayage, storage, packing, and crating) consisted of household goods and personal effects. These items belonged to me and were used by me (or my dependents) before the effective date of my orders. They were not intended directly or indirectly for any other person or persons or for sale. The following shipments were previously made at government expense under the same travel orders that support this claim. (If no previous shipments, show "NONE".) I certify that I did not request shipment under the DITY or any other program. I further certify that the declared professional books, paper, and equipment belong to me and are necessary in the performance of my official duties."

B. Supporting Documents

1. Statement from the TO on the constructive cost of shipment by GBL, accessorial services, or storage that the charges claimed are reasonable and that the member was instructed to personally arrange the shipment (if applicable).

2. Three copies of all applicable orders.

3. Receipted bills signed by an authorized agent of the company.

4. Copy of time extension certificate, power of attorney, or written authorization.

5. The claimant's statement showing the necessity for any storage over 90 days. (Non-availability of government storage is not acceptable.)

6. On shipments by van carriers, a certified weight ticket must be furnished. Instead of a weight ticket, where charges are based on cubic measure, the owner may obtain a certificate from the carrier stating: "No scale within 10 miles. Shipment used _____ cubic feet of properly loaded van."

7. Packing charges must be itemized to show size, type, and number of containers used with charge for each.

8. Receipts for packing, crating, drayage, unpacking, and uncrating must be itemized and supported with a statement by the TO for the area on availability of government facilities.

9. Costs if TO had performed or procured the services must be shown. (This is not required for accessorial services itemized on a GBL for line-haul van shipment.)

C. Claim Submission. The claim is submitted for payment in accordance with each Service's/agency's procedures.

D. Payment. If the claim is proper and is supported by the appropriate documentation, the disbursing office pays the claim.

0602 TRANSPORTATION OF PRIVATELY OWNED VEHICLES

If overseas travel with a POV was concurrent, a traveler must include travel to the vehicle port of embarkation and the vehicle port of debarkation with the PCS travel claim. If not concurrent, a separate claim must be submitted. A TDY order is not required when a separate trip is performed to pick up or deliver the vehicle (the PCS orders provide entitlement). Normally, a DD Form 788 (Private Vehicle Shipping Document for Automobile) will support the claim. However, when a traveler performs PCS travel and has a commercial shipping firm process the vehicle for shipment at government expense, the DD Form 788 usually is not in the traveler's possession at the time that the claim is processed. In those instances, a statement from the traveler, accompanied by a copy of the billing from the commercial firm, is acceptable.

0603 TRANSPORTATION OF MOBILE HOMES

060301. Employee Allowances

A. General. A DoD employee who ships a TDY weight allowance to a TDY location en route does not lose the right to elect mobile home allowances. The TO determines the authorized and unauthorized costs incident to a mobile home shipment.

B. Claims. The JTR, chapter 10 specifies the forms to be used in paying claims. Additionally, when movement of a mobile home is made by personally procured commercial transportation, a statement of authorization is issued by the TO. An original or legible copy of the paid or unpaid bill from the commercial transporter is required and the bill must be completely itemized to preclude any payment of unauthorized costs.

060302. Member Allowances

A. General. A Service member directed to perform a PCS is entitled to transportation and mobile home allowances. A member also can be entitled to movement of a mobile home under unusual or emergency circumstances, even though not related to PCS allowances. When a member is directed to perform TDY en route, the authorized shipment of a TDY weight allowance does not preclude the entitlement to transportation of a mobile home. The transportation entitlements, as well as the conditions of eligibility, are contained in the JFTR, chapter 5.

B. Claims. The preparation of claims and submission of supporting documentation is as required by Service procedures.

0604 DISLOCATION ALLOWANCE (DLA)

DLA is paid based on (a) the Service member's grade and dependency status on the effective date of orders, and (b) whether the dependents relocate incident to the PCS. If a change of grade occurs between the date orders are issued and the effective date of orders, a copy of the promotion/demotion orders may be submitted with the claim versus an amended order. Do not advance or pay DLA to members without dependents in pay grades E-6 (E-5 for USAF/USN) and below without a statement from the gaining organization that the member is not required to use government quarters. Members without dependents in the pay grade of E-7 (E-6 for USAF/USN) and above can be advanced or paid DLA based on their statement that government quarters will not be/are not assigned. The movement of a mobile home does not preclude the payment of a DLA.

0605 CIVILIAN MISCELLANEOUS EXPENSE ALLOWANCE

The payment of the flat miscellaneous expense allowance does not require receipts or itemized statements. However, when a DoD civilian employee claims actual expenses, the civilian personnel office assists in the determination of the allowable expenses. The statement found in the JTR, paragraph C9005, is required either on or accompanying the voucher.

0606 CIVILIAN TEMPORARY QUARTERS SUBSISTENCE EXPENSE (TQSE)

The travel orders must authorize the initial TQSE period. Additional periods of TQSE require amended orders. The disbursing office does not determine the number of TQSE days authorized. Expenses must be itemized on a per meal and per item basis. Receipts are required for all expenses as specified in the JTR. Additionally, the DoD employee can claim grocery costs for at-home meals when in a TQSE status. The total cost of consumable groceries will be divided by the number of at-home meals consumed. The proration of groceries is authorized as long as the cost of the groceries consumed is reasonable. The approving official makes the final determination on any question(s) concerning reasonableness of expenses during a TQSE period. Advances and payments for TQSE are based on the provisions of the JTR, chapter 13.

0607 CIVILIAN HOUSE HUNTING TRIPS

If authorized in their travel orders, DoD employees may make house hunting trips, not to exceed 10 consecutive days. The employee and spouse can travel together or separately; however, the cost cannot exceed one round trip for travel together. The number of days house hunting that the employee uses does not limit the number of days for the spouse, (e.g., the employee can take 4 consecutive days and the spouse could still use up to a total of 10 days). Advances and payment for house hunting trips are based on the prescribed per diem rate.

0608 CIVILIAN REAL ESTATE TRANSACTIONS

DoD employees can be reimbursed for expenses required for the sale and purchase of a residence or with the settlement of an unexpired lease in connection with a PCS. The employee must file a DD Form 1705 (Application for Reimbursement of Expenses Incurred by DoD Civilian Employees Upon Sale or Purchase (or Both) of Residence Upon Change of Duty Station). Separate DD Forms 1705 are required for expenses at the old duty station and at the new duty station. Copies of the supporting documentation showing costs incurred must be attached. The approval authority must approve the appropriate DD Form 1705 in accordance with Component regulations for real estate transactions at the old and new station. The claim will be submitted according to the JTR, chapter 14.

0609 RELOCATION INCOME TAX ALLOWANCE (RITA)

060901. Entitlement. The RITA entitlement is a two-year, two-process calculation.

A. Year One Withholding Tax Allowance (WTA). The WTA is an estimated partial payment of the final RITA payment designed to cover FITW from the PCS moving expense reimbursement. It is intended to provide an immediate offset to the tax withheld on the payment and also is subject to withholding. As a result, payment of the WTA allows the employee to receive the same reimbursement had the withholding not been required. Federal Insurance Contribution Act (FICA) deductions may not be reimbursed to the employee. To receive the WTA, an employee must agree in writing to repay any excess WTA amount paid in year one. The agreement as specified in C16007-5, JTR may be written on the settlement voucher or may be a separate statement. The statement should read similar to the following: "I agree to repay any excess amount of WTA paid to me in one year and submit the required certified tax information and claim for my RITA within 120 days, unless an extension is granted, after the close of year one. I understand failure to comply with this requirement will preclude payment of the WTA. I also understand that the entire WTA will be considered an excess payment if the RITA claim is not submitted in a timely manner to settle the RITA." Compute the WTA as follows:

1. Determine amount of covered reimbursable expense.
2. Multiply step 1 by .3889 to arrive at the WTA amount.
3. Add the step 2 amount to step 1 to determine the total income subject to tax.
4. Multiply step 3 amount by .28 to determine FITW amount and multiply step 3 amount by the applicable FICA amount.
5. Subtract step 4 amounts from step 3 amount. This is the net payment or net income to the employee.

NOTE: Enter the step 3 and step 4 amounts (FITW and FICA) in appropriate blocks on TD Form W-2.

B. Year Two RITA. The RITA payment is made in the calendar year following the calendar year in which the WTA is paid. RITA is based on employee's gross compensation, tax filing status, and marginal tax rates. It reconciles the WTA payments with the employee's personal tax liability. The employee must file a claim for RITA; it is not automatic. If an employee does not file for the RITA in year two, the employee is liable for the additional federal income tax incurred as a result of the additional income. The RITA does not cover any moving expense for which the IRS allows a deduction. In some instances, when an employee files the final RITA claim in the second year, he or she will be in a lesser tax bracket because of lower earned income. If the calculation of the RITA results in a negative amount, do not adjust prior year or current year income. The employee is obligated to repay this amount as a debt due the government. A negative W-2 is not issued.

NOTE: Year two is the calendar year in which the RITA payment is made. The dollar value of the payment will appear on the employee's W-2 as additional income.

060902. Tax Withholding. Both the WTA and RITA are subject to FITW and FICA. State and local (if applicable) tax withholding rates also must be considered in the RITA computation but are not to be withheld from the payment to the employee.

060903. Funding. RITA is a PCS travel settlement adjustment; therefore, normal prior year funding procedures apply. That is, the reimbursable expenses of an employee transferred in the interest of the government must be charged against the appropriation current when valid travel orders are issued. The organization responsible for the original funding of the move has the responsibility to secure adequate funds for the adjustment vouchers.

CHAPTER 7**EVACUATION ALLOWANCES****0701 GENERAL**

Personnel evacuations require special handling by disbursing office personnel at the evacuation point, safehaven, and designated places. The processing of evacuees requires patience, tact and expeditious service.

0702 MEMBERS' DEPENDENTS

070201. Overseas. Information on evacuations from overseas areas for a Service member's dependents is released by message from the Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD(P&R)) or other responsible official designated by paragraph U6003-A, JFTR. The message announcing the evacuation outlines the safehaven locations. The JFTR evacuation applies both to command and noncommand-sponsored dependents of members stationed overseas. It further applies to command sponsored dependents who are en route to establish a residence with the member and to student dependents who are authorized to travel to the member's PDS. (NOTE: Entitlement to evacuation allowances is based on command sponsorship of the dependents. Command sponsorship is a personnel decision and should be reflected in the evacuation order.) The JFTR, chapter 6, part A, details all travel and transportation allowances for overseas evacuations.

070202. CONUS. Information for evacuations within CONUS is released by the OUSD(P&R) or other responsible official designated by paragraph U6051-A, JFTR. The message announcing the evacuation will designate the safehaven location. The evacuation applies to dependents residing in the vicinity of the member's PDS or at an authorized designated location. It also applies to dependents en route to establish a residence with the member, and to dependents residing in the vicinity of the member's old or new PDS. The JFTR, chapter 6, part B, details all travel and transportation allowances for CONUS evacuations.

0703 EMPLOYEES AND THEIR DEPENDENTS

The Office of Personnel Management (OPM), in conjunction with the OUSD(P&R), issues policy for DoD civilian employees. The JTR, chapter 12 and appendix J, governs evacuation in foreign countries. Title 5, United States Code, and the Federal Personnel Management Supplement (references (h) and (i)) govern evacuation from all other locations. These directives set forth the authority and procedures for paying employees and their dependents who are evacuated.

0704 EVACUATION ADVANCES AND PAYMENTS

070401. Orders. Evacuation advances and payments must be supported by copies of the departure orders. If such orders are not available, refer evacuees to the local personnel organization. Evacuees requiring advances should use the available ATM or EFT once they have

departure orders. If no ATM is available or EFT cannot be used, an alternative payment method may be used by the disbursing office.

070402. Evacuated From Foreign Locations. Dependents of Service members should present a DD Form 1337 (Authorization/Designation for Emergency Pay and Allowances) in order to receive such allowances. Payments to dependents of DoD employees should be made only upon presentation of a DD Form 2461 (Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees).

070403. Disbursing Officer Guidance. The disbursing officer supporting the evacuation point or safehaven area should assist any evacuated traveler with all financial matters. The assistance provided can include the following:

- A. A briefing sheet that includes the disbursing office's phone number(s), mailing address, and hours of operation;
- B. A description of evacuation entitlements;
- C. A listing of documentation required for advances and payments. Advise the dependents to submit a photocopy of the front and back of the identification (ID) card with each claim submission; and
- D. When, where and how to submit their claims for advances and payments. Advise evacuees that all claims after the initial one will be handled through the mail.

NOTE: If problems are encountered, the disbursing officer should contact his or her respective DoD Component.)

070404. Claims. The disbursing officer should assist evacuees with claim preparation. Each evacuee must be asked about advances or previous payments. (NOTE: Initial evacuation advance payments are usually mass evacuation payments. Disbursing office personnel are encouraged to use "multiple travel payment list" vouchers to expedite payments. This alternative payment method does not lessen the need for proper documentation.)

0705 IDENTIFICATION OF EVACUEES

070501. Identification Available. United States Uniformed Services ID and Privilege Cards (DD Form 1173), passports, or other forms of picture ID are sufficient identification to pay evacuees.

070502. Identification Not Available. If the evacuee has no picture ID whatsoever, two witnesses may vouch for the evacuee. Each witness will sign a statement as to the identification of the evacuee. The witnesses will provide ID indicated in paragraph 070501, above, as well as their permanent address. The lack of adequate identification will delay service to any evacuee; however, every effort will be made to accommodate the evacuee.

CHAPTER 8

PROCESSING TRAVEL CLAIMS0801 GENERAL

This chapter provides general guidance for the preparation, submission and processing of travel claims, and the forms used for travel.

080101. Disbursing Officer Responsibilities

A. Travel Payments. The disbursing officer is responsible for all travel payment operations and is accountable for disbursing money for travel payments as provided in Volume 5, Chapter 10 of this Regulation.

B. Accuracy and Propriety of Payments. The disbursing officer is not responsible for the preparation of a traveler's voucher. If requested, however, disbursing office personnel may provide assistance and guidance. The disbursing officer or, if designated, the Certifying Officer, is responsible for the accuracy and propriety of payments, ensuring the travel statements and vouchers are accurate and properly supported. The disbursing officer has direct control over the data review and document comparison before and after payment on submitted vouchers. The disbursing officer is not required to pay incomplete, improperly prepared, or doubtful claims.

C. Random Audits. The disbursing office will use random audits using statistical sampling techniques in accordance with the Under Secretary of Defense (Comptroller) Random Audit Policy of October 31, 1996, for prepayment examination of travel vouchers to support certification and payment. Random sample quality assurance reviews will be conducted at disbursing offices to provide assurance that travel vouchers are accurate and properly supported. Performance measures and procedures to track the progress of disbursing offices will be used to track the random audit process.

080102. Payment Method. EFT is the means by which a travel claim is settled within the Department. Until the waiver authority expires, January 1, 1999, checks may be used to make a travel payment as an exception when the traveler has written certification on file that he she does not have an account with a financial institution or authorized payment agent. Supervisors may authorize check payment in limited situations where the traveler does not have access to an account at a financial institution that can receive EFT transmissions. Split-disbursement, which permits direct payment to the travel card contractor for charges incurred on the travel card and to the cardholder for any residual amount, shall be offered (see paragraph 080305 of this volume).

080103. Adjustments of \$10 or Less. The traveler shall be paid all amounts due on the original settlement voucher. However, the disbursing officer is not required to make collections of \$10 or less on a final settlement or on an overpayment that is subsequently detected.

Conversely, supplemental payments for \$10 or less shall be processed only when specifically requested by the traveler.

080104. Over Advances. When the disbursing officer determines, upon settlement of the claim, that a traveler has received an excessive travel advance, the traveler is sent a letter of indebtedness and given the opportunity to immediately repay the excess advance. If the traveler does not repay the advance within the specified period, collection action shall be initiated as required by section 0203 of this volume.

080105. Overpayments. When the disbursing officer detects an overpayment in excess of \$10, a letter of indebtedness shall be forwarded to the traveler requesting remittance. The traveler is required to pay the indebtedness within 30 days after the date of notification. If payment is not received within the 30 days, collection action shall be initiated as outlined in Volume 5 of this Regulation.

080106. Customer Service Information. The disbursing officer should offer courteous customer service to all travelers and develop procedures to aid that effort. Final travel vouchers or the Advice of Payment must include a point of contact and telephone number at the travel computation unit for the traveler to contact with questions/concerns. Recommend the following be considered:

- A. Locally devised pamphlets;
- B. Information sheets providing travel tips;
- C. Travel information articles in installation or unit newspapers;
- D. Articles in daily or weekly bulletins or notices;
- E. Briefings at commander's calls, organizational meetings, or similar functions.
- F. DoD Component internet addresses with financial customer service links.

080107. Income Taxation of Reimbursable TDY Allowances. The definition of TDY payments liable for taxation is found in the IRS Code, as referenced in JTR, Chapter 4, Part J. When, during the period contemplated by the orders at one location, the orders are extended to a period exceeding a year, the period subject to taxation will be measured from the date of the order directing the additional or extended duty. Additionally, the taxation is based on the intent of the original orders. If the original orders are for a period of a year or longer and the actual assignment is completed in less than a year, the entire period is subject to taxation. Form W-2 is issued for all entitlements received when TDY assignments are taxable.

0802 FORMS

The following forms may be used by travelers to claim travel and transportation allowances:

- DD Form 1610 (Request and Authorization for TDY Travel of DoD Personnel), used by DoD TDY travelers to support travel claim payments;
- DD Form 1614 (Request and Authorization for DoD Civilian Permanent Duty Travel), used by DoD travelers to support PCS travel payments;
- DD Form 1351 (Travel Voucher), a multiple use form;
- DD Form 1351-2 (Travel Voucher or Subvoucher), used by travelers to claim travel allowances for official travel performed and is for dependents' travel and other PCS allowances;
- DD Form 1351-2c (Travel Voucher or Subvoucher Continuation Sheet), used by the traveler when the DD Form 1351-2 does not provide sufficient space;
- DD Form 1351-3 (Statement of Actual Expenses), used by the traveler to claim actual subsistence expenses when the TDY is performed on an actual expense basis;
- DD Form 1351-6 (Multiple Travel Payment List), used by the disbursing office to make multiple payments for travel and TDY performed under like conditions and circumstances; and
- SF 1164 (Claim for Reimbursement for Expenditures on Official Business), used by the traveler to claim reimbursement for expenses incurred for recruiting duty and within and around a PDS or TDY station.

0803 VOUCHER PREPARATION

080301. Completion. The traveler is responsible for the preparation of the travel voucher. Even when someone else prepares the voucher, the traveler is responsible for the truth and accuracy of the information. When he or she signs the form, the traveler attests that the statements are true and complete and is aware of the liability for filing a false claim. All claims and attached statements must be completed using ink, typewriter, or computer-generated forms.

080302. Itinerary. Claims must contain a complete itinerary for the entire period of travel. This includes return to the PDS during temporary duty and periods of leave used. On claims for TDY travel, the first entry should always be the traveler's residence or office, as applicable, except for aircrews (JFTR, Table U2C-1) or extended TDY (TDY in excess of 30 days). The first entry on PCS travel claims should be the last PDS. Travel from the residence or

office to a carrier terminal does not need to be listed in the itinerary; the mileage or taxi is claimed as a reimbursable expense. This also applies to travel from a carrier terminal to the place of lodging or TDY site. Departure from and arrival at a POE/POD must be listed.

080303. Reimbursable Expenses. The traveler will enter all allowable reimbursable expenses.

080304. Recruiting Expenses. Recruiters will claim reimbursement using the SF 1164 (Claim for Reimbursement for Expenditures on Official Business).

080305. Split Disbursement. A payment option available to travelers paid through travel offices which use the Integrated Automated Travel System (IATS) Version 5.0. This payment option allows DoD travelers to elect a split-disbursement, i.e., have authorized expenses charged to individual travel cards paid to the card contractor via EFT at voucher settlement. Travelers must state on the voucher in block 1 (voucher date) the amount of money to be forwarded to the card contractor. This payment option is only available to travelers with EFT.

080306. Other Instructions

A. Attach all lodging receipts and any other receipt of \$75.00 or more to the voucher.

B. Travelers are no longer required to provide departure and arrival times on vouchers. The duration of TDY travel will be recorded in block 17 of the revised DD Form 1351-2. Travelers will receive 75 per cent of the per diem rate on the first and on the last day of travel.

0804 SUBMISSION OF TRAVEL CLAIMS

080401. General. All claims must be submitted within five days of return to or arrival at the PDS. In the case of extended TDY, the traveler must submit a claim for each 30 day period. That claim must be submitted within 5 days after each 30-day period.

080402. TDY Claims. TDY travelers must complete and submit a travel voucher with travel orders, lodging receipts, and any other supporting documents. The following subparagraphs identify the steps required by the travelers, AO, and the travel computation units, in order to process a TDY claim.

A. The traveler will:

1. Prepare the travel claim voucher identifying the duration of TDY travel in block 17. Attach all supporting documentation to include the original or legible copies of the travel order and receipts.

2. Attach to the voucher:

- a. All lodging receipts,
- b. Any receipt of \$75.00 or more, and
- c. A DD Form 2762 (October 97) (Direct Deposit Sign Up Form), to correct/change a bank account number; plus, for those using EFT transactions, indicate the dollar amount to go to the travel card account and to the individual bank account. NOTE: Travelers must provide their financial institution routing transit number (RTN), account number, and account type (C for checking; S for savings) in the accounting block of the DD Form 1351-2 when their EFT information is not on file with the travel computation office settling the travel claim.

3. Sign, date and include home or unit address on the travel claim voucher. NOTE: Ensure that the signature and all information is legible.

4. Forward the original or telefax the travel claim voucher, appropriate receipts, and supporting documents to the AO or, when authorized by the AO, directly to the travel computation unit identified on the travel order.

B. The AO must sign the travel voucher when the entitlement or the itinerary has changed. By signing the travel claim in block 22a or block 27, the AO approves the claim thereby negating the need for any amendments to the travel orders. All travel vouchers must be signed by the AO when required by the agency.

C. The office responsible for computing the travel claims will:

1. Establish adequate internal controls to process travel claims.
2. Notify the traveler if a travel claim voucher is received that is incorrectly prepared or missing documentation and request a corrected travel claim as soon as possible.
3. Notify the submitting office or person if travel claims are received at the wrong office for computation.
4. Compute and determine the travel entitlement and forward the computed travel claim voucher and supporting documents to the disbursing office for payment or interface with the disbursing system for payment.

080403. PCS Claims. PCS claims are submitted directly to the disbursing or liaison office.

080404. Separatees or Retirees

A. A separated or retired member, who has not received an advance, must forward his or her claim to the disbursing office responsible for his or her pay accounts prior to separation or retirement. The disbursing office will pay all claims submitted with a 1 year period of separation or retirement. The disbursing office servicing Marine Corps separatees or retirees will pay all claims submitted within a 60 day period of the month of separation or retirement. Claims received after the above-stated time periods for filing will be forwarded to the following designated Service address:

Army:	DFAS-IN ATTN: Director, Network Operations, Dept 3700 8899 E. 56th Street Indianapolis, IN 46249-3700
Navy:	DFAS-CO/LP Travel Policy P.O. Box 369015 Columbus, OH 43236-9015
Air Force:	DFAS-DE/CAC 6760 E. Irvington Place Denver, CO 80279-8000
Marine Corps:	DFAS-KC/FCSA 1500 E. Bannister Kansas City, MO 64197-0001

(NOTE: If the separation point has been disestablished, discontinued, or its travel function reassigned, the claim should be sent for payment to the DFAS Center that supports the Service member's Component.)

B. Travel allowances payable to a separating or retiring officer are used to offset indebtedness to the government when paid as an advance or settlement. Travel allowances payable in advance to separating or retiring enlisted members for personal travel home may not be used to offset any debts to the government. Travel allowances payable to enlisted members after they have returned home may be withheld and applied against their debts. Also, advances and settlements of dependent travel allowances and household goods can be applied to indebtedness to the government.

080405. Deceased and Next of Kin

A. Unsettled Claims for Deceased Travelers. The individual designated by the Service to settle a deceased member's affairs is responsible for the preparation of travel claims for the travel of deceased members. The disbursing officer will compute and forward all claims to the servicing DFAS Center (section 0105) for payment or collection. For deceased employees, any outstanding travel claims may be signed by the surviving spouse or legal representative, the

executor, or administrator. These claims are computed locally and forwarded to civilian payroll office for inclusion in the death claim payment.

B. Claims for Dependents of Deceased Members. Travel performed under the provisions of JFTR paragraph U5241, must be supported by two copies of DD Form 1300 (Department of Defense Report of Casualty).

1. If the claim is for travel to a member's home of record, as shown on DD Form 1300, no further documentation is required.

2. If the claim is for travel to the official residence of a relative, a statement must be furnished to that effect showing the name and relationship of the person to whose residence travel was performed.

Forward these claims to the following applicable address:

Army: DFAS-IN
Director, Military Pay
ATTN: DFAS-IN/FJECB
8899 E. 56th Street
Indianapolis, IN 46249-0885

Navy: DFAS-CL/FMC
Federal Office Bldg.
1240 E. 9th Street
Cleveland, OH 44199

Air Force: DFAS-DE/FYC
6760 E. Irvington Place
Denver, CO 80279-8000

Marine Corps: DFAS-KC/FCSA
1500 E. Bannister Rd.
Kansas City, MO 64197-0001

080406. Travel Under Classified Orders. If classification of a TDY order is necessary, the special order must be classified, marked, and handled according to the applicable DoD Component security regulation. These classified orders should be distributed only to persons who have the proper clearance and who require a copy of the order. If an unclassified extract from a classified order furnishes enough information, it may be used to support the payment voucher. This will permit filing an unclassified travel voucher. For classified locations, the traveler must indicate in the itinerary of the travel claim the location by showing site 1, site 2, and so forth. If the disbursing officer can apply the per diem rate, the claim should be paid. However, if the disbursing officer does not have knowledge of the location or the traveler insists on showing the location, process the travel claim and documentation per Component instructions.

0805 QUESTIONABLE CLAIMS

080501. Request for Advance Decision. A DoD disbursing officer or certifying officer may request an advance decision on any questionable voucher presented for payment. The request is prepared and submitted as required in Volume 5, Chapter 25 of this Regulation. Submit the original and two copies to DFAS-HQ/FMM, 1931 Jefferson Davis Highway, Arlington, VA 22240-5291, through the DFAS Center that supports the DoD Component that funds the travel order. Appropriate DFAS Centers are listed in section 0105 of this volume.

A. Amounts More Than \$100. The supporting DFAS Center reviews each request and contacts the disbursing officer to resolve any questions. Questionable claims for amounts for more than \$100, which require advance decisions by the OSD Office of the General Counsel, are referred to the appropriate DFAS Center, through DFAS-HQ/F, for submission to the PDTATAC.

B. Amounts Less Than \$100. The supporting DFAS Center reviews the case and prepares a decision package for approval or disapproval of the claim by the Center director. If a decision is rendered that the payment is proper, the original voucher is returned to the disbursing officer for payment. The supporting DFAS Center will include a statement in the transmittal letter to the effect that, should the disbursing officer disagree, the file may be returned for further adjudication.

080502. Doubtful Travel Claims. If a traveler does not accept the decision of the disbursing officer concerning an entitlement determination, the disbursing officer must explain in writing his or her decision and advise the traveler of his or her right to have a claim reconsidered. If the traveler does not accept the explanation of the disbursing officer, the disbursing officer will assist with the resubmission of the claim. To have a claim reconsidered, send a copy of the claim, a letter of explanation from the traveler, an endorsement from the approving official, and a letter of position from the disbursing officer through the major command, to the appropriate DFAS Center (section 0105). The DFAS Center will respond to the disbursing officer or traveler. If the traveler does not accept the decision, the claim may be forwarded through the appropriate DFAS Center (listed in section 0105) to DFAS-HQ/FMM, 1931 Jefferson Davis Highway, Arlington, VA 22240-5291.

080503. Waivers. Travelers and/or Components will submit waiver requests resulting from erroneous payments of travel and transportation allowances to DFAS-DE/FYC.

080504. Unions and Third Party Review. When the claimant is covered by a collective bargaining agreement, neither the Department, OPM, GSA, nor DOHA have jurisdiction over the claim unless the matter of that claim is explicitly excluded from grievance under the agreement procedure.

0806 AO RESPONSIBILITY

080601. Determination of Travel. The AO is responsible for determining that travel was performed as authorized.

080602. AO Signature. The AO is responsible for signing DD Forms 1351 or 1351-2 when there is a change from the written travel order to the entitlements, itinerary, or reimbursable expenses (e.g., rental car). By signing the travel claim in block 22a or block 27, the AO approves the claim to include after the fact approval of allowable reimbursable expenses and itinerary changes, thereby negating the need for any amendments to the travel orders. AOs must sign all travel claims when required by the agency.

080603. Time Frame. The AO must ensure that the claim is forwarded to the appropriate liaison office or travel computation office within two working days following the traveler's submission of the claim to the AO.

CHAPTER 9**PROCEDURES FOR COAST GUARD MEMBERS****0901 COAST GUARD MEMBERS TRAVELING USING DOD APPROPRIATIONS**

Coast Guard members who travel on orders citing DoD appropriations will file travel claims the same as active duty DoD members using the instructions for the disbursing office of the unit whose funds are involved. Disbursing offices will settle these vouchers like those of any other member. If any excess travel time is involved, forward a copy of the settlement voucher to Commanding Officer, Coast Guard Human Resources Service & Information Center, 444 SE Quincy St., Topeka, KS 66683-3591.

0902 COAST GUARD MEMBERS TRAVELING ON NON-DOD APPROPRIATION

When a Coast Guard member requests a travel advance or settlement payment on orders citing other than a DoD appropriation, the disbursing officer will not provide any payment without receiving authorization from the Commanding Officer (OGRR), Coast Guard Finance Center, in Chesapeake, VA 23326. Contact may be made by calling 757-523-6837.

CHAPTER 10**DEPARTMENT OF DEFENSE TRAVEL REENGINEERING PILOTS****1001 GENERAL**

The Department has designated specific DoD Component organizations to operate under special authority as travel reengineering pilot test sites. Approved test sites have written designations from the OUSD(C). Special entitlement rules have been issued by the PDTATAC for the pilot sites. The JFTR, appendix O, identifies the travel entitlements for military service members supported by a designated pilot site. The JTR, Volume 2, appendix O, provides the travel entitlements for civilian personnel supported by a designated pilot site.

1002 POLICY

Questions of a policy nature regarding travel reengineering pilot test sites should be directed to the OUSD(C), Directorate for Financial Commerce, Crystal Square #4, Suite 201, 1745 Jefferson Davis Highway, Arlington, VA 22202-3402. Additional information can be obtained by telephone at 703-602-0300.

1003 IMPLEMENTATION

Questions concerning acquisition and implementation of the reengineered travel process to be exported to organizations not identified as pilot sites should be addressed to the Project Management Office---Defense Travel System, Crystal Square 4, Suite 100, 1745 Jefferson Davis Highway, Arlington, VA 22202-3402. Additional information can be obtained by telephone at 703-607-1498/2618 or from the Program Manager Home Page: <http://www.dtic.mil/travelink/> or Military Traffic Management Command Home Page: <http://mtmc.army.mil/>.

APPENDIX A**GOVERNMENT TRAVEL CARD PROGRAM HANDOUT**

A. To assist DoD travelers, an official government travel card, with ATM privileges, is available for personnel traveling on official government business. The government travel card eliminates or reduces the number of travel advances paid by disbursing offices without imposing a financial burden on DoD travelers. This policy applies to all official government travel or PCS moves performed by any DoD personnel.

B. Cardholder Rules

1. Each cardholder must sign the DoD Government Travel Card Program Statement of Understanding before issuance of the card. The agreement states (in part) that the government travel card can be used solely for official travel and that the traveler agrees to submit timely travel claims so that reimbursement is made in time to pay the monthly billing statement. That payment is due upon receipt of the card bill. If the cardholder has not received payment due to process delays by the disbursing office, he or she should immediately contact the APC to advise that individual of the delay in receipt of the travel settlement.

2. Cash withdrawals are limited to the amount of cash needed to cover incidental and miscellaneous expenses that cannot be charged to the card, and as authorized by official travel orders. ATM cash withdrawals may not exceed \$600.00 in a billing cycle. Individual card holders may request, through a 1-800 number provided by the card contractor, an increase in the cash withdrawal limit up to \$1,000. The card contractor will honor the cardholder's telephone call provided the account is not delinquent. The service charge for withdrawing from ATMs is reimbursable through the travel claim process so as long as the cardholder claims the fee on the voucher and the cash is not withdrawn more than 5 days prior to the start of travel or after the last day of travel. Receipts for these withdrawals are not required when filing the claim.

3. In the event that a cardholder loses, forgets, or misplaces his or her assigned PIN, the cardholder must call the travel card contractor to report that loss and receive a new number.

4. Should a card be lost or stolen, the cardholder must call the card contractor immediately. The APC also must be notified of the missing card as soon as possible.

5. All travel-related expenses (e.g., hotels, meals, transportation, and car rental fuel) should be charged to the card. The miscellaneous official travel expenses for which the ATM program is designed are for parking fees or tolls, or public transportation and emergency incidentals.

6. To obtain ATM locations within the CONUS and OCONUS, the cardholder may call the "1-800" telephone number provided by the travel card contractor.

7. Personnel serving on long-term TDY must file a supplemental voucher every 30 days. Travel reimbursement delays should be reported immediately to the APC.

8. Any cardholder who repeatedly is delinquent through nonpayment of a legitimate bill from the card contractor will be canceled from the Card Program and issued a memorandum affirming the cancellation and denial of the card and ATM privileges. Misuse of the card also may be grounds for disciplinary action.

9. A cardholder, at his or her own discretion, may request the APC to suspend card privileges during periods of non-travel. Reinstatement may be effected when travel is required.

10. Each activity has a Travel Card APC assigned to answer questions or provide explanations as required.

Note: Each DoD Component shall complete the above rules and see that a copy is provided to all holders of government travel cards.

Department of Defense - (Component)

STATEMENT OF UNDERSTANDING
GOVERNMENT TRAVEL CARD PROGRAM

I certify that I have read the attached Department of Defense (DoD) government travel card policy and procedures. I understand that the Government Travel Card Program is designed to improve the management and control of government travel and thereby promote the efficiency of the federal service. I also understand that I am authorized to use the card only for those necessary and reasonable expenses incurred by me for official travel as authorized and validated by travel orders. I will abide by these and other instructions issued by the Department and my DoD Component's Agency Program Coordinator (APC) for use of the government travel card issued to me for the explicit purpose of conducting official government travel.

The above limitation on card usage also applies to automated teller machine (ATM) withdrawals. The amount of cash withdrawals may not exceed the amount stated on the travel orders and may not exceed \$600.00 per billing cycle. If my account is not delinquent and my travel orders authorize a larger advance, I can request an increase in the cash withdrawal limit up to \$1,000 by calling the 1-800 telephone number provided by the card contractor. However, I will endeavor to charge expenses to the account wherever feasible, versus cash withdrawals.

I understand that the issuance of this card to me is an extension of the employer-employee relationship and that I am being directed specifically to:

- Abide by all rules and regulations with respect to the card. _____
 - Use the card only for official travel validated by travel orders. _____
 - Pay all my charges upon receipt of the monthly Travel Card billing _____
 - Contact the APC immediately if due to disbursing office process delays _____
if I have not received payment by the time the Contractor bill is due.
 - Notify the APC of any problems with respect to my usage of the card. _____
 - Notify the card contractor and the APC if my card is lost or stolen _____
- (Cardholders applicants must initial all the above provisions.)

I also understand that failure on my part to abide by these rules or otherwise misuse the card may result in disciplinary action being taken against me, in accordance with the Multi-Unit Master Agreement for bargaining unit employees. I also acknowledge the right of the card contractor and/or APC to revoke or suspend my card privileges if I fail to abide by the terms of this agreement or the agreement I have signed with the travel card contractor.

(Applicant's Signature)

(Applicant's Printed Name)

Series/Grade/Title

Supervisory Authorization

NOTE: The government travel card application cannot be processed without this completed form on file.

GSA CONTRACTOR
TRAVEL CARD BILLING MILESTONES

MILESTONE**ACTION**

DAY 0 Original billing sent to cardholder/Billing Date.

DAY 30 Second billing advises cardholder of delinquency*

DAY 60 Third billing reminds cardholder of delinquency.

A name listing (60 day report) of delinquent cardholders is sent to program coordinators to determine whether there is sufficient justification for the account to remain active for an additional 30 days. The APC sends the 60-day delinquent notice to the supervisors notifying them of the seriousness of the account and the results of non-payment. All ATM withdrawals are suspended.

DAY 65 If no action is taken, the account will be suspended**

DAY 90 Government travel card is suspended. Another by name listing (90 day plus report) of delinquent cardholders is sent to APC to determine if sufficient justification exists to allow the account to remain active for an additional 30 days. The APC sends the 90-day delinquent notice to the supervisors through the department director, for appropriate action.

DAY 120 Contractor cancels account***

After review by the APC, names are forwarded to the supervisors through the commander or director to advise them of action taken.

* Delinquency is based on the billing date, not the date the actual charge or ATM withdrawal was made.

** Accounts that are suspended cannot be used to charge expenses or to obtain an ATM cash advance. Card can be reinstated when account is paid in full.

*** Canceled accounts cannot be reinstated without a formal request from the cardholder's Commander/Director and may or may not be approved by the contractor.

SAMPLE 60-DAY DELINQUENCY MEMORANDUM

MEMORANDUM FOR (NAME OF IMMEDIATE SUPERVISOR)

SUBJECT: Delinquent Government Travel Card Payment Notification - 60 Days

I have been informed by the GSA government travel card contractor that (cardholder's name) is over 60 days delinquent in payment of his/her account. The total amount due is \$_____.

(Provide the specific information regarding the delinquent charges.)

The government travel card contract requires that all outstanding charges be paid upon receipt of the monthly billing statement. Travel card privileges for this cardholder will be suspended per our contractual agreement as of (date), unless immediate action is taken to resolve this debt. The cardholder should be notified of this action and counseled concerning the use of the government travel card. Cardholders on long term temporary duty are subject to the same policy and are required to submit partial vouchers for payment every 30 days and maintain their travel card account.

Noncompliance, or failure to adhere to the guidelines for the government travel card, can result in disciplinary action in accordance with applicable statutory and regulatory provisions and with the Multi-Unit Master Agreement for bargaining unit employees.

The delinquent balance may be resolved by one of the following actions: (1) payment in full, (2) a reasonable explanation documented and submitted to the undersigned and the contractor, or (3) an agreed upon repayment schedule with the card contractor. Billing questions may be directed to the card contractor on 1-800-492-4922. Program management questions may be directed to the undersigned on extension _____.

Please have the cardholder sign to acknowledge receipt of this delinquent notification and return it to me with your written response outlining the actions taken within _____ days.

(Signature)
Agency Program Coordinator

SAMPLE 90-DAY DELINQUENCY MEMORANDUM

MEMORANDUM FOR IMMEDIATE SUPERVISOR _____
THROUGH: DEPUTATE/DIRECTORATE DIRECTOR _____

SUBJECT: Delinquent Government Travel Card Payment Notification - 90 Days

The 90-day delinquent notification list from the government travel card contractor has been received and (cardholder's name) is now 90 days delinquent in the payment of his or her account. Total amount due is \$_____. The attached 60 day notification memorandum informed you that payment on the cardholder's government travel card account was delinquent.

(Provide specific information regarding the delinquent charges.)

The government travel card contract requires all outstanding charges be paid upon receipt of the monthly billing statement. If no action is taken toward this debt, the undersigned or the card contractor can cancel the account. Meanwhile charge card privileges have been suspended as of (date). These privileges may be restored upon complete liquidation of the debt. The cardholder must be notified and counseled. Cardholders on long-term travel are also subject to the same policy and are required to submit partial vouchers for payment every 30 days and maintain their charge card account.

Noncompliance, or failure to adhere to the guidelines for the government travel card, can result in disciplinary action in accordance with applicable statutory and regulatory provisions and with the Multi-Unit Master Agreement for bargaining unit employees.

The delinquent balance may be resolved by: (1) payment in full, (2) a reasonable explanation documented and submitted to the undersigned and the card contractor, or (3) an agreed upon repayment schedule with the card contractor. Billing questions may be directed to the card contractor on 1-800-492-4922. Program management questions may be directed to the undersigned on extension _____.

Please have the cardholder sign to acknowledge receipt of this delinquent notification and return it with your written response outlining the actions taken within _____ days.

(Signature)
Agency Program Coordinator

SAMPLE 120-DAY DELINQUENCY MEMORANDUM

MEMORANDUM FOR DIRECTOR, DEPUTY/DIRECTORATE LEVEL
THROUGH: COMMANDER/DIRECTOR

SUBJECT: Cancellation of Government Travel Card - 120 Days Delinquent Payment
Notification

The 60 and 90 day delinquent notification memoranda, dated _____ and _____ respectively, notified the immediate supervisor and the installation commander/director (or equivalent manager) of the past due account for cardholder (name). It has now been brought to my attention that this cardholder has a delinquent government travel card balance of \$_____ which is over 120 days past due. He or she has made no payment toward this debt. Therefore, the account is being canceled immediately and collection action taken by the card contractor.

(Provide specific information regarding the delinquent account and any other information known about the individual's response to the previous notices of delinquency.)

Reinstatement of the cardholder's account will only be authorized with Commander/Director approval after the entire debt is paid. The card contractor reserves the right to deny reinstatement. Cardholders who do not properly liquidate their government travel card debts or use the card for personal purposes may also be subject to disciplinary action in accordance with applicable statutory and regulatory provisions and the Multi-Unit Master Agreement for bargaining unit employees.

Please contact the undersigned on extension _____ should further questions arise. Please have the cardholder sign to acknowledge receipt of this notification and return it with your written response outlining the actions taken within _____ days.

(Signature)
Agency Program Coordinator

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 10

CONTRACT PAYMENT POLICY AND PROCEDURES

★ JUNE 1997 ★

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON DC 20301-1100

FEB -8 1996



FOREWORD

This Volume of the Department of Defense Financial Management Regulation (DoDFMR) is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures." It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume of the Regulation contains provisions covering financial authorizations for contract Payments and collections. This Volume incorporated some of the payment policy and procedures from the Defense Logistics Agency Manual, 7000.1, Accounting and Finance Manual; Army Regulation 37-1; Air Force Regulation 177-102; Navy Comptroller Manual NAVSO P-1000, Volume 4; Marine Corps 4200.15F, Marine Corps Purchasing Procedures Manual, and Marine Corps Orders 7000.16, 7000.17, and 7000.18; and DoD Accounting Manual 7220.9-M.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman, Joint Chiefs of Staff and Joint Staff; the Unified Combatant Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

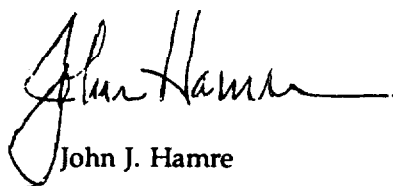
This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements contained in this regulation are exempt from licensing in accordance with the DoD 8910.1-M, "Procedures for Management of Information Requirements," paragraph E.4.f., November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification to:

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

The Defense Finance and Accounting Service will provide copies of this Volume of the Regulation through its normal publications channels. Other Federal Agencies and the public may obtain copies of this Volume from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161, telephone (703) 487-4650.


John J. Hamre



INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller) (USD(C)). The Regulation consists of the following 15 volumes:

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. General Financial Management Information, Systems, and Codes 2. Budget Formulation and Presentation 3. Budget Execution - Availability and use of Budgetary Resources 4. Accounting Policy and Procedures 5. Disbursing Policy and Procedures 6. Reporting Policy and Procedures | <ol style="list-style-type: none"> 7. Military Pay Policy and Procedures 8. Civilian Pay Policy and Procedures 9. Travel Policy and Procedures 10. Contract Payment Policy and Procedures 11. Reimbursable Operations, Policy and Procedures 12. Special Accounts, Funds and Programs 13. Nonappropriated Funds Policy and Procedures 14. Administrative Control of Funds and Antideficiency Act Violations 15. Security Assistance Policy and Procedures |
|--|--|

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense

Instruction 7000.14 "DoD Financial Management Policy and Procedures."

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The 6 digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A. 1. a. (1) (a)
SUBPARAGRAPHS

PUBLICATIONS SUPERSEDED

This volume incorporates some of the payment policy and procedures from the following:

Defense Logistics Agency Manual 7000.1, Accounting and Finance Manual.

DoD 7220.9-M, DoD Accounting Manual.

Army Regulation 37-1, Army Accounting and Fund Control.

Air Force Regulation 177-102, Accounting and Finance.

Navy Comptroller Manual, Disbursing, NAVSO P-1000, Volume 4.

Marine Corps 4200.15F, Marine Corps Purchasing Procedures Manual.

Marine Corps Order 7000.16, Processing Vendor Invoices and Bills for Payment.

Marine Corps Order 7000.17, Preparation of Invoices and Other Selected Documents for Payment by the Marine Corps Finance Center.

Marine Corps Order 7000.18, Requirements for Issuance of Internal Revenue Service (IRS) Information Returns (IRS Form 1099-MISC).

However, the aforementioned manuals and regulations have not been superseded, as only selected parts of the manuals and regulations were incorporated into this volume. The long-range goal is to incorporate all DoD Components payment regulations and manuals into the "DoD Financial Management Regulation." Until the transition is complete, the applicable DoD Components' regulations and manuals will continue to be used in conjunction with this Regulation. In case of conflict between this Regulation and the DoD Components' regulation and manuals, this Regulation will

prevail.

This volume does not provide desk procedures for any contractor payment system at any of the disbursing offices. Desk procedures will be developed by each DFAS Center which will enable them to support their current payment system(s) until such time that all DoD disbursing offices are operating under the same payment system.

REFERENCES

All references used in this Volume are specifically cited in the text. The following listing is a summary of those references.

1. Federal Acquisition Regulation
2. DoD Federal Acquisition Regulation Supplement
3. Prompt Payment Act, Public Law 97-177, Prompt Payment Act Amendments, Public Law 100-496
4. Contract Disputes Act of 1978
5. Debt Collection Act of 1982
6. Equal Access to Justice Act, 5 U.S.C. 504 and 28 U.S.C. 2412
7. Tax Reform Act of 1986
8. Office of Management and Budget Circular A-125
9. Federal Personnel Manual
10. Civilian Personnel Instructions
11. United States Code, sections as follows:

5	504	Cost and Fees of Parties
5	4109	Expenses of Training
5	5946	Membership Fees
10	2307	Advance Payments - Armed Forces
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CHAPTER 1
GENERAL PROVISIONS COVERING FINANCIAL AUTHORIZATIONS FOR
CONTRACT PAYMENTS AND COLLECTIONS

0101 INTRODUCTION

010101. Department of Defense Financial Management Regulation

A. This is Volume 10, Contract Payment Policy and Procedures, of the Department of Defense (DoD) Financial Management Regulation (DoD 7000.14-R). This volume provides contractor and vendor payment policy and procedures for DoD disbursing offices.

B. This volume incorporates some of the payment policy and procedures from the Defense Logistics Agency Manual 7000.1; Army Regulation 37-1; Air Force Regulation 177-102; Navy Comptroller Manual NAVSO P-1000, Volume 4; Marine Corps 4200.15F, Marine Corps Purchasing Procedures Manual; and DoD Accounting Manual 7220.9-M. There are different payment systems in use at each of the five Defense Finance and Accounting Service (DFAS) Centers. Each DFAS Center will continue to publish detail guidance, in line with the particularities of their payment system(s), to implement the policy and procedures contained in this volume and required by law. This may include some of the other policies and procedures from manuals and regulations cited in the first sentence of this paragraph. The long-range goal is to incorporate all of the DoD Components and DoD contractor payment manuals and regulations into this Regulation (DoD 7000.14-R). Until the transition is complete, the applicable DoD Components' manual and regulations may be used to supplement this Regulation. In case of conflict between those applicable regulations and manuals, this Regulation will prevail.

C. This volume does not provide desk procedures for any contractor payment system at any of the disbursing offices. Desk procedures will be developed by each DFAS Center which will enable each of them to support their current payment system(s) until such time as all DoD disbursing offices are operating under the same payment system.

010102. General

A. This volume governs the determination of the propriety for expenditure of funds for materials and services, as well as information for contractor debt collection. Each contracting document should designate the disbursing office which will make the payment on the contract. Unless otherwise stated in writing, only the disbursing office designated by the contracting document may make payment. This volume provides the necessary guidance to the disbursing office to ensure that payments are made properly.

B. See Volume 1 for a list of the definitions used in this Regulation.

★ 010103. Matching of Request for Payments to Obligations and Liabilities Before Disbursement

★ A. Obligations are established as prescribed in Volume 3, Chapter 8 of this Regulation. Liabilities, including accounts payable, are established as prescribed in Volume 4, Chapters 8 and 9 of this Regulation. The specific obligations directly related to each payment request must be identified before the requested payment is made. Also, the undisbursed balance of each applicable obligation must be sufficient to cover that obligation's share of the requested payment before the payment is made. In addition, the undisbursed balance shall be sufficient to also cover all entitlements for payments that have been previously scheduled against the obligation. In the case of open contracts funded by canceled appropriations, memorandum obligation records will be maintained and used in the same manner as for non-canceled appropriations

★ B. General Payment Distribution Requirements

★ 1. To enable the paying office to match payments to the applicable obligations, requests for payment must identify amounts by contract line items (CLINs) or subline items (SLINs), as specified in subparagraphs 010103 C., D., and E. below. For delivery payments, distributions of the requested amount to CLINs or SLINs should be based on actual deliveries or performance. For financing payments, the distribution to CLINs or SLINs can be made on best estimates based on available information.

★ 2. If at any time the Administrative Contracting Officer becomes aware of information that indicates a distribution of financing payments is in error, the paying office shall be immediately advised of the necessary change in distribution. If prior payments are involved, the matching of such payments to obligations shall be adjusted and the payments correctly applied. However, such adjustments to the payment records should not impact actual payments to the contractor.

★ 3. No CLIN or SLIN shall be funded by both R&D and non-R&D obligations.

★ 4. Upon completion of a delivery payment, the applicable amounts of financing payments previously identified with each obligation shall be adjusted to reflect the matching delivery payment.

★ C. Research and Development (R&D) Contracts

★ 1. For purposes of this subparagraph, an R&D contract is defined as one that is:

- ★ a. A contract for R&D purposes as defined in DFARS 235.001, and
- ★ b. Funded with R&D appropriations.
- ★ 2. Separate CLINs or SLINs within a non-R&D contract that meet the above definition of an R&D contract will be considered R&D (rather than non-R&D) contract line items and the policies in this section apply to such line items.
- ★ 3. R&D contracts, R&D CLINs, or R&D SLINs may have multiple R&D fund citations.
- ★ 4. If provided, distribution of payments to contract lines and related obligations shall be in accordance with Administrative Contracting Officer direction. In the case of delivery payments, the contractor should provide an identification of the specific CLINs and/or SLINs on the invoice.
- ★ 5. For delivery payments, the payment shall be applied solely to the obligations identified with the specific CLINs and/or SLINs for which delivery has occurred. Entitlement to the payment will be verified by matching the contractor's invoice for specific CLINs/SLINs with a record of the delivery and/or acceptance. Before the requested payment is made, the balance of undisbursed amounts (unliquidated obligations), must be sufficient to cover this requested payment as well as all previously scheduled entitlements. Payments will be made in a manner consistent with the provisions of the Prompt Payment Act.
- ★ 6. For financing payments, in the absence of Administrative Contracting Officer direction, R&D contractor work shall be assumed to be performed for the benefit of the oldest undisbursed (unliquidated) obligations. Therefore, in the absence of direction identifying the distribution of payments to specific CLINs and/or SLINs, a financing payment request for an R&D contract, or R&D CLINs and/or SLINs within a non-R&D contract, shall be distributed by the paying office to the oldest undisbursed obligations available.
 - ★ a. To distribute the payment to the oldest undisbursed obligations on contracts funded by more than one obligation, such obligations shall be grouped by the fiscal year (FY) of the financing appropriation(s).
 - ★ b. If, when an R&D payment is distributed to a specific FY, undisbursed balances are available on any obligation for that FY, the payment amount applicable to that FY shall be distributed on an equal percentage basis to all the unpaid obligations for that FY. For example, if the available undisbursed balances for all the obligations within a FY total \$1,000 and the financing payment totals \$200, the payment shall be distributed to 20 per cent of each of the unliquidated obligations.

★ D. Non-R&D Contracts

★ 1. Contracting officers will structure all non-R&D contracts and modifications to non-R&D contracts to ensure that a separate CLIN or SLIN is established for each unique obligation. In no instance shall a SLIN be funded by more than one obligation nor shall a CLIN, that does not have supporting SLIN(s), be funded by more than one obligation.

★ 2. For each payment request under a non-R&D contract, the Administrative Contracting Officer or, in the case of delivery payments, the contractor shall provide the paying office with an identification of the payment by SLIN or CLIN (when a CLIN does not have supporting SLINs). The identification will be based on actual performance for all delivery payments. This identification shall be provided either with each request for payment, except in the case of contract financing payments. Contract financing payment requests may be provided as an extended schedule for application to multiple requests on one contract. The distribution of contract financing payments may be based upon:

★ a. The contract delivery schedule;

★ b. A profile of anticipated contractor expenditures developed by the program or item manager, or developed within the contract administration office, based on historical spending patterns, or other knowledge of contractor performance of similar efforts;

★ c. Contract Funds Status Reports provided under a contract requirement for contractor cost reporting, if available;

★ d. Other specific information that is pertinent to developing a reasonable forecast of the contractor's work progress;

★ c. A best estimate of the contractor's anticipated work progress based upon a general knowledge of the contractor or industry practices.

★ 3. Based upon the distribution by CLIN or SLIN, a request for financing payment shall be matched and posted to the applicable obligation records. For example, if the payment amount is distributed 30 percent to one CLIN; 20 percent to a second CLIN; and 50 percent to a third CLIN, then, 30 percent of the payment should be charged to the obligation funding the first CLIN, 20 percent of the payment should be charged to the obligation funding the second CLIN, and 50 percent of the payment should be charged to the obligation funding the third CLIN.

★ 4. For delivery payments, the payment shall be applied solely to the obligations identified with the specific CLINs and/or SLINs for which delivery has occurred. Entitlement to the payment will be verified by matching the contractor's invoice for specific CLINs/SLINs with a record of the delivery and/or acceptance. Before the requested payment is

made, the balance of undisbursed amounts (unliquidated obligations), must be sufficient to cover this requested payment as well as all previously scheduled entitlements. Payments will be made in a manner consistent with the provisions of the Prompt Payment Act.

★ 5. If an obligation does not have a sufficient undisbursed balance to cover the withhold amount plus the identified amount of a payment request and the amounts of entitlements previously scheduled against the obligation, the Administrative Contracting Officer and the source finance and accounting office shall be contacted to assist in resolving the imbalance before the payment is made.

★ E. Mixed Contracts

★ 1. For contracts that include both R&D and non-R&D lines, the Administrative Contracting Officer shall provide the paying office with identification of the R&D and non-R&D CLINs or SLINs.

★ 2. The R&D CLINs or SLINs on such contracts shall be treated under subparagraph 010103 C. above, and the non-R&D CLINs or SLINs shall be treated under subparagraph 010103 D. above.

★ 3. On payment requests for mixed contracts, the Administrative Contracting Officer shall identify the amount distributed to each non-R&D CLIN or SLIN and the total amount distributed to all R&D CLINs and SLINs.

0102 CONTRACTS

010201. General

A. The contracting office that executes a contract or modifies it distributes the copies in accordance with the Federal Acquisition Regulation (FAR) 4.2 and the DoD Federal Acquisition Regulation Supplement (DFARS) 204.202. Except for contracts specified in paragraph 010201-B and 010201-C, a signed copy is sent to the disbursing office. A signed copy is a complete and accurate copy of the obligating document and includes the date of execution and names and titles of those who sign them. The disbursing office's copy supports the payment and is attached to the retained copy of the payment document. For electronic transmission of information, see Chapter 17 of this volume.

B. For small purchases, as defined in FAR 13.000, the original copy of the purchase order (DD Form 1155, Order for Supplies or Services), will be signed by the contracting officer, and will be sent to the disbursing office. Upon receipt of the material or services, the receiving office forwards one copy of the order to the disbursing office as proof of receipt. After processing as a proof of receipt, disbursing office personnel will attach this copy to the retained copy of the payment document.

C. Authenticated or signed copies of Buy U.S. Here (BUSH) contracts are not required to be sent to the disbursing office. The overseas base contracting officers provide their local disbursing offices with a copy of the BUSH authorized price lists.

010202. Contracting Relationship

Close working relations between the disbursing office and contracting personnel (Procurement Contracting Officer (PCO), Administrative Contracting Officer (ACO), or Termination Contracting Officer (TCO)), are necessary for the timely and accurate handling of financial transactions in contracting and paying for material and services. Functions are so interrelated that disbursing office personnel must be familiar with contracting regulations. These include, but are not limited to the FAR, DFARS, and the Prompt Payment Act (PPA) of 1982, Public Law 97-177, and the PPA Amendments of 1988, Public Law 100-496. The references to contracting policies in this manual are only for guidance to disbursing offices. The contracting manual governs contracting actions.

010203. Number of Payments

A contract or purchase order may be paid on one voucher if all materials or services are received. There is no limit to the number of partial payments that may be made unless the contractual document states otherwise. Except for final payment, partial payments will only be made if payment amount is \$10 or more.

010204. Contractor Invoices

A contractor's invoice represents a bill or written request for payment. To be considered proper, an invoice must contain specified information. Paragraph 070201 lists the criteria for a proper invoice.

010205. Classified Contracts

When a basic contract is classified with a very restrictive and limited need to know, the disbursing office may receive a copy containing the minimum data required for payment. These contracts are sufficient support on which to base payments. Disbursing offices must ensure that classified information is appropriately safeguarded. Payment documents must be processed as if it were a "normal" payment, and before a payment is made, all prescribed documentation necessary for payment must be in the disbursing office.

0103 QUALITY AND INTERNAL CONTROL

010301. Quality Control

The disbursing office will establish a Quality Control function to review their payment process to help ensure that payments are made correctly and in a timely manner. There

are numerous quality control issues that will be included in the area of responsibility. As a minimum, the following tasks will be performed:

- A. Determine compliance with prescribing regulations and directives.
- B. Determine timeliness of responses to internal and external requests.
- C. Suggest changes to operating procedures, within regulations and directives, to increase the efficiency of the office.
- D. Determine that operating procedures contain ample internal controls and that they are applied in actual operations.
- E. Assist in conducting training sessions.
- F. Determine the need to follow-up on external audit and internal review reports.

010302. Internal Control

The disbursing office must ensure that written internal controls are in place to preclude improper preparation, certification, and payment of monies, as well as the proper handling of debt collection from contractors or other business entities. Internal control standards are issued by the Comptroller General for use in establishing and maintaining systems of internal control. Those standards are applicable to all operations and administrative functions. However, they are not intended to limit or interfere with duly granted authority for the development of legislation, rulemaking, or other discretionary policy making.

010303. Contract Reconciliation

Upon request, the disbursing office will work with the PCO, ACO, TCO, or the funding station to provide information on dormant contracts. In many of these situations, the actions being requested require the contract administrator to become involved and provide the information rather than the disbursing office.

010304. Electronic Signature

A. Electronic signature is the recommended method of approving vouchers processed through an automated system. If final certification of vouchers is accomplished electronically, the electronic signal or symbol adopted as the certifying officer's electronic signature must be:

1. Unique to the certifying officer.
2. Capable of verification.
3. Under the sole control of the certifying officer.

B. Electronic certification of the final voucher also requires that control procedures be in place to ensure the authenticity of transmitted data, including the electronic signature. Such controls must provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected.

CHAPTER 2

DISCOUNT OFFERS AND CALCULATIONS0201 DISCOUNT OFFERS AND CALCULATIONS020101 Offer of Discount

Contractors offer discounts to obtain payment of amounts due under a contract for property or services in exchange for payment within a specified time. Take the discount, if cost-effective (to determine, see paragraph 020103-F), when the contractor offers it or when one of the following situations exists:

A. The contractual document contains discount terms whether the invoice offers discount terms or not.

B. The bid, contract, or other agreement is silent on the discount, but the invoice contains discount terms (typed, written, rubber stamped, or printed).

C. If discount terms on an invoice differ from those in the contracting document, use those that are most cost-effective for the government, except for progress payments liquidations as noted in paragraph 020105-B.

D. The contractor provides written advice to extend the discount period or increase the discount percentage beyond that offered previously.

E. The contractor orally offers a discount on a specific invoice or invoices. In these cases a conversation record stating the name and position of the person offering the discount, the discount terms and the date of the offer should be attached to the invoice. The disbursing office may, at local option, require written confirmation of the verbal offer from the contractor.

020102 Computation of Discount Period

A. General Rule. On contracts execut-

ed or options exercised on or after April 1, 1989, the discount time starts from date of the invoice. If no date has been placed on the invoice by the contractor, the discount period will begin on the date a proper invoice is actually received by the designated billing office if the agency annotates the invoice with date of receipt at the time of receipt. On contracts executed on or before March 31, 1989, the discount time period starts from the later of the two following dates, unless the contract states otherwise:

1. Date of completion of performance of services or delivery of supplies to the carrier if acceptance is at point of origin, or date of delivery at destination or port of embarkation if delivery and acceptance are at either of these points.

2. Date proper invoice is received in the disbursing office designated by the contractual document. See paragraph 070201 for the criteria of a proper invoice.

B. Some contractors offer a discount if the invoice is paid by date followed "proximo" (in the next month). If a discount is offered for payment by "tenth proximo", the discount is earned if payment is made by the 10th of the month following the month that the material was delivered, or the month that the dealer's bill was received, whichever occurs later. Thus, if both material and dealer's bill are received in August, the discount is earned if payment is made by September 10. However, if a dealer's bill is received in August and the material is received in September, the discount is earned if payment is made by October 10.

C. Contract or Purchase Order Modifications. When modifications to contracts or purchase orders retroactively change or add discount terms or increase dollar amounts of line items which have been previously paid, do the following:

1. When new or revised discount terms apply, take the discount on any subsequent payment provided the payment was made within the new or revised discount period.

2. When retroactive price increases apply, take the discount on the supplemental billing if paid during the discount period.

D. Selection of Best Discount Terms. When multiple prompt payment discount rates are offered, take the most economical discount offered by the contractor. The most economical discount is the discount term which provides the highest annual effective interest rate. When reporting lost discounts on the Prompt Payment Act (PPA) Report as required in paragraph 070601, report the discount lost that would have been the most economical to the government.

020103 Payment Within the Discount Period

A. Invoices offering cost-effective discount terms or invoices offering net terms when the contractual document contains cost-effective discount terms should be paid within the discount period. Cost-effective discount terms are defined as those yielding an effective annual interest rate equal to or greater than the current value of funds rate established by the Department of the Treasury. Discounts that do not meet the cost-effective criterion should be refused and be scheduled for net payment.

B. The rate established by the Treasury Department for the current value of funds will be provided to the individual disbursing offices by their servicing DFAS Center. New rates apply to all invoices received after the effective date of interest rate change. (See Figure 2-1, at the end of Chapter 2, for prior years cost-effective discount rate.)

C. To determine cost-effective discounts, the computation should be based on the number of days in advance of the actual invoice due date that the payment needs to be made to take advantage of the discount. The effective annual percentage rate should be computed on the length of acceleration of the payment and compared to the current value of funds. For example, an invoice dated March 1 by the con-

tractor and received on March 4, with a 10-day discount term, has 7 days left in the discount period. Counting of the 10 days starts March 2 and ends March 11. The 7 days (March 5 to March 11, inclusive) from day after receipt of invoice until discount due date will be used as the discount period for computation to see if the discount is cost-effective.

D. Manually processed vouchers offering discounts of less than \$25 will not be considered to be cost-effective, but will be reported as offered on the PPA report.

E. When a discount is offered by a contractor from an amount due under a contract for goods or services in exchange for payment within a specified time, the disbursing office may pay the discounted amount only if payment is made within the specified time. Discounts will be taken whenever economically justified, but only after acceptance has occurred. Agency payment systems will incorporate procedures that take advantage of cash discounts as a matter of routine and eliminate any need for special handling.

F. Trade discounts will be taken when the discount terms applied in the conversion formula result in an effective annual interest rate equal to or greater than the Current Value of Funds Rate. Discount terms (percentages) are converted to an effective annual interest rate as follows:

$$\frac{\text{Discount \%}}{100 - \text{Discount \%}} \times \frac{360}{\text{Number of Days in the Payment Period} - (\text{MINUS}) \text{Number of Days Left in Discount Period}} = \text{Effective Annual Interest Rate}$$

1. As an example, consider discount terms of 1 percent (.01) in 10 days, net 30 days, and the invoice was received on the fourth day. There are seven days remaining in the discount period. Application of the above formula to this discount offer would have an effective annual interest rate of 15.8 percent:

$$\frac{.01}{1.00-.01} \times \frac{360}{30-7} = 15.8\%$$

If the Treasury Department percentage rate is greater than 15.8 percent, the discount is not cost-effective and should be refused. Payment should be scheduled based on the net-pay due date. When payment is made during the "net" period allowed, pay the gross amount. However, if for other reasons, payment will be made within the discount period, take the discount.

2. To avoid detailed computation, use the following values of 1 percent in x number of days, net 30 days:

<u>Days Remaining in Offered Discount Period</u>	<u>Effective Annual Interest Value of 1 Percent</u>
1	12.5
2	13.0
3	13.5
4	14.0
5	14.5
6	15.2
7	15.8
8	16.5
9	17.3
10	18.2
11	19.1
12	20.2
13	21.4
14	22.7
15	24.2
16	26.0
17	28.0
18	30.3
19	33.1
20	36.4

a. If the offered discount rate is other than 1 percent, first obtain the value at 1 percent, then multiply or divide to determine the value of the offered discount. For example, 1/2 percent in 5 days, net 30 days: The value of 1 percent in 5 days is 14.5 percent then divided by 2 = 7.25 percent. The discount should not be taken assuming the current Treasury Department rate is greater than 7.25 percent. The discount should be classified not cost-effective/refused and payment should be scheduled during the

"Net" period allowed.

b. If the period for net payment is other than net 30 days, compute the discount as shown in paragraph 020103-F(1).

G. Generally, contracts provide that the date of payment for discount purposes is the date the check is mailed. Mail the check on the same day it is dated and keep a record of the mailing date. For electronic payments, the date of payment for discount purposes is the date that the government has placed in the electronic funds transfer payment transaction instruction given to the transfer network. This is the date on which the funds are to be transferred to the contractor's financial institution.

H. If the discount time ends on Saturday, Sunday, or a legal holiday, the next business day is considered within the discount period.

I. Contracts or invoices offering discounts on specific items, and not the total invoice or contract, should be split in order to establish the payment timeframes. The invoice should be split so as to earn cost-effective discounts on the items subject to the discount offer and to make net payment of items which are not subject to discount. When automated payment systems cannot accommodate the splitting of an invoice or contract, discounts will be determined to be cost-effective per the following method. Compute the dollar value of the discount to be earned; compare this dollar value to the total amount of the invoice; convert this comparison to a percentage; determine if the percentage is cost-effective per the calculation and information provided in paragraph 020103(F). If the percentage is cost-effective, take the discount and pay the entire invoice within the discount terms. If the percentage is not cost-effective, schedule the invoice for net payment.

020104 Computation of Discount

A. Unless otherwise declared in the contracting document or covered below, compute discounts on the approved gross amount of the invoice:

1. When taxes or freight charges are listed separately.

2. After deduction of taxes which are not a proper charge under international or status of forces agreement.

3. When withholding of funds is made mandatory under the contracting document, the government is entitled to any discount on the amount withheld when these amounts are released for payment if previous payments were paid within the discount terms of the contracting document or as later modified. The discount period starts when notification of release is received in the disbursing office.

4. Where trade-ins are involved, compute the discount on the actual cash balance due (60 Comp Gen 255 (1981)).

020105 Discounts on Progress Payments

A. Progress Payments Recoupments. When a discount is offered, determine if the discount terms in the contract have been met. If the terms have been met, take the discount against the amount of the gross invoice. If the terms have not been met, take the discount against the amount of the recoupment. [Comptroller General Decision B159741 (Nov 22, 1966); Jay Dee Militarywear, Inc., 94-2 BCA 26,829 (1994). The Comptroller General and the Armed Services Board of Contract Appeals both confirm the propriety of deducting a discount on payment of a partial delivery on which recovery of a progress payment as completed but on which payment was too late for discount on the balance due on the partial delivery. Where a payment has already been made (as in the case of progress payments), the government is entitled to a discount on any part of delivery payments applied in liquidation of progress payments if there were a discount clause in the contract. It is the balance due on which the time, as provided in the discount clause, is running.

B. Progress Payments Liquidations. If a contractor does not have a discount clause in the contract, no discount should be taken on the progress payment liquidation portion of the invoice when the discount is offered for the first

time on the invoice.

020106 Discounts on Invoices Involving Liquidated Damages

A. Where a contract contains a liquidated damages clause based on price and also contains an offer of discount for prompt payment, the liquidated damages should be deducted without regard to the discount. Compute the discount on the gross contract price without regard to the amount of liquidated damages (18 Comp Gen 784 (1939)).

B. Where a contract contains a liquidated damages clause based on a price that is modified and also contains an offer of discount for prompt payment, compute both the liquidated damages and the discount based upon the modified price (18 Comp Gen 784 (1939)).

0202 DISCOUNT REPORTING

020201 Responsibility for Discount Not Taken

A. Disbursing offices will maintain management information on discounts not taken. As a minimum, the information includes the number and dollar value of discounts offered, cost-effective discounts lost, cost-effective discounts unavailable (because the invoice was not received in time to take the discount). Each discount not taken should be coded with the appropriate reason for not taking the discount. This information should be maintained for at least the previous 12-month period.

B. The reason codes for discounts not taken are:

- P - Disbursing office error
- R - Late receipt of receiving report or notice of acceptance
- I - Late receipt of invoice
- N - Not cost-effective/refused
- O - Other

Further explanation should be available for those discounts coded "Other."

020202 Erroneously Taken Discount

When a discount is taken in error, or is taken after expiration of the discount period and is not repaid before the payment due date (as defined by paragraph 070205-B), pay the contractor when the error is discovered plus accrued interest (if \$1 or more) on any amount remaining unpaid. The interest payment is calculated on the amount of the discount taken and not repaid by the payment due date for the period beginning the day after the discount due date through the payment date. The payment will be supported by either the contractor's claim or the administrative certificate or both on the voucher.

020203 Miscellaneous Earnings and Discounts

In rare instances, a voluntary discount may be offered by a contractor after a contract is completed (including final payment). These discounts are distinguished from prompt payment and volume discounts in that voluntary discounts are discretionary with the contractor and do not reduce the amount obligated against the paying appropriation. Do not treat discounts received after payment as refunds. Such Discounts should be deposited in the Miscellaneous Receipts Account.

Current Value of Funds Rate

<u>Year</u>	<u>Current Value of Funds Rate</u>
1984	9%
1985	9%
1986	8%
1987	7%
1988	6%
1989	7%
1990	9%
1991	8%
1992	6%
1993	4%
1994	3%
1995	5%

Figure 2-1

CHAPTER 3

CLAIMS0301 ASSIGNMENT OF CLAIMS030101 Authority for Assignments

The authorities contained in 41 U.S.C. 15 and 31 U.S.C. 3727 authorize assignments to banks, trust companies, or any financing institution (including federal lending agencies) of monies due, or to become due, under government contracts totaling \$1,000 or more.

030102 Federal Acquisition Regulation (FAR) Requirements

FAR, Part 42, prescribes policies and procedures for:

A. Recognition of a change in a contractor's name as prescribed in FAR 42.1205.

B. Recognition of a successor in interest to government contracts when contractor assets are transferred as prescribed in FAR 42.1204.

030102 Change of Name Agreement

A. A change of name agreement means a legal instrument executed by the contractor and the government that recognizes the legal change of name of the contractor without disturbing the original contractual rights and obligations of the parties. If only a change of the contractor's name is involved and the government's and contractor's rights and obligations remain unaffected, the parties shall execute an agreement to reflect the name change. The contractor shall forward to the responsible contracting officer three signed copies of the Change of Name Agreement, and one copy each of the following:

1. The document effecting the name change, authenticated by a proper official of the state having jurisdiction.

2. The opinion of the contractor's legal counsel stating that the change of name was properly effected under applicable law and showing the effective date.

3. A list of all affected contracts and purchase orders remaining unsettled between the contractor and the government, showing for each the:

- a. Contract number and type.
- b. Name and address of the contracting office.
- c. Total dollar value as amended.
- d. Remaining unpaid balance.

B. When a contractor has provided the requirements in FAR 42.1205 to the Administrative Contracting Officer (ACO) and it has been reviewed by the ACO's legal office for sufficiency, the ACO will issue a modification to the contract which changes the name of the contractor.

C. Any questions regarding the change of name agreement should be referred to the ACO.

030103 Successor in Interest to Government Contract Agreement

It is the responsibility of the contracting officers to accomplish and resolve the actions contained in paragraph 030103. This paragraph was included as general guidance for personnel in the disbursing offices.

A. This agreement must consist of a legal instrument executed by the contractor (transferor), the successor in interest (transferee),

and the government by which, among other things, the transferor guarantees performance of the contract, the transferee assumes all obligations under the contract, and the government recognizes the transfer of the contract and related assets.

B. Title 41, U.S.C. section 15 prohibits transfer of government contracts. However, the government may, in its interest, recognize a third party as the successor in interest to a government contract when the third party's interest in the contract arises out of the transfer of all the contractor's assets or the entire portion of the assets involved in performing the contract. Examples include, but are not limited to:

1. Sale of these assets with a provision for assuming liabilities.
2. Transfer of these assets incident to a merger or corporate consolidation.
3. Incorporation of a proprietorship or partnership, or formation of a partnership.

C. When a contractor asks the government to recognize a successor in interest, the responsible contracting officer shall obtain from the contractor three signed copies of the proposed novation agreement and one copy each, as applicable, of the following:

1. An authenticated copy of the instrument effecting the transfer of assets; e.g., bill of sale, certificate of merger, contract, deed, agreement, or court decree.
2. A list of all affected contracts and purchase orders remaining unsettled between the transferor and the government, showing for each the:
 - a. Contract number and type.
 - b. Name and address of the contracting office.
 - c. Total dollar value as amended.

d. Remaining unpaid balance.

3. A certified copy of each resolution of the corporate parties' boards of directors authorizing the transfer of assets.

4. A certified copy of the minutes of each corporate party's stockholders meeting necessary to approve the transfer of assets.

5. An authenticated copy of the transferee's certificate and articles of incorporation, if a corporation were formed for the purpose of receiving the assets involved in performing the government contract.

6. The opinion of legal counsel for the transferor and transferee stating that the transfer was properly effected under applicable law and the effective date of transfer.

7. Evidence of the transferee's capability to perform the contracts.

8. Balance sheets of the transferor and transferee as of the dates immediately before and after the transfer of assets, certified for accuracy by independent accountants.

9. Evidence that any security clearance requirements have been met.

10. The consent of sureties on all contracts listed under paragraph 030105-C(2).

D. When recognizing a successor in interest to a government contract is consistent with the government's interest, the responsible contracting officer shall execute a novation agreement with the transferor and the transferee. It shall ordinarily provide in part that:

1. The transferee assumes all the transferor's obligations under the contract.
2. The transferor waives all rights under the contract against the government.
3. The transferor guarantees performance of the contract by the transferee (a satisfactory performance bond may be accepted

instead of the guarantee).

4. Nothing in the agreement shall relieve the transferor or transferee from compliance with any Federal law.

E. When recognizing a successor in interest to a government contract, the responsible contracting officer shall follow the prescribed format as stated in FAR 42.1204.

030104 Government's Nonconcurrence in Transfer of Contract

When it is in the government's interest not to concur in the transfer of a contract from one company to another company, the original contractor remains under contractual obligation to the government. The contract may be terminated for reasons of default, if the original contractor does not perform. For additional guidance, see FAR 42.1204(b).

030105 Transfers not Considered Assignments

A. Rental payments to lessor's agents. Rental payments may be made to the agent of a lessor, if supported by evidence the agent is acting for the lessor. The rent also may be assigned even though the title to the property is not transferred (11 Comp Gen 278 (1932)) and 5 Comp Gen 749 (1926)).

B. Bankruptcy or receiverships by operation of law. Payment properly due may be made to the receiver (3 Comp Gen 623 (1924)) or trustee if approved by general counsel.

C. Assumption of contract surety.

1. When the contractor defaults and the surety assumes the contract, certain payments may be made to the surety (15 Comp Gen 409 (1935) and 12 Comp Gen 507 (1933)). If there are any aspects regarding conflicting claims, tax indebtedness, etc., the matter is handled as a claim to the General Accounting Office.

2. Settle with the contractor and surety as:

a. A surety, which completes work under a contract on which they have assumed, is subrogated to the rights of the contractor against the government for the unpaid balance due from the United States on that contract. It is also subrogated to the rights of the government against the contractor for the excess cost of completing the work of furnishing the materials and supplies. Therefore, the surety is entitled to be paid by the government the cost of completing the work, but no profit.

b. The contractor is entitled to be paid for work they performed if any funds are available on the contract for such payment after reimbursing the surety.

c. The total payments by the government must not exceed the contract price (3 Comp Gen 995 (1926), 8 Comp Gen 36 (1928), 8 Comp Gen 58 (1928), 8 Comp Gen 266 (1928), 8 Comp Gen 318 (1929), and 8 Comp Gen 435 (1929)). It is common practice to require releases from the contractor and the surety (3 Comp Gen 995 (1926) and 8 Comp Gen 266 (1928)).

d. Payment into court of the balance should not be made (14 Comp Gen (1935)). The amount remaining is paid to the assignee of a receiver where the court orders the receiver to accept the assignee's offer to complete the work in consideration of receiving all the payment and retaining percentages due (3 Comp Gen 623 (1924)).

030106 Documents Required To Be Filed in Connection With Assignments

A. The disbursing office designated in the contract shall pay assignees only after receipt of these assignment documents:

1. Three copies of the notice of assignment acknowledged by the contracting officer.

2. Original and one copy of the signed notice and a true copy of the instrument of assignment from the assignee.

3. Two copies of the notice acknowledged from the surety or sureties, if any.

These copies are received from the surety or sureties via the assignee.

B. The disbursing office:

1. Signs and returns a copy of the notice to the assignee.

2. Files the true copy of the instrument of assignment, the original notice, and a copy of the notice acknowledged by the contracting officer, with the disbursing office copy of the contract. Files a copy of the notice acknowledged by the surety or sureties, if any.

3. Signs, dates and returns the receipt, if applicable, to the assignee.

030107 Documents Required To Be Filed If Assignment is Cancelled

A. If the assignee releases the contractor from the assignment of claims under the existing contract, the disbursing office makes remaining payments to the contractor only after receipt of these release documents:

1. A true copy of the instrument of release of assignment; and

2. The original and two copies of the release notice.

B. The disbursing office:

1. Signs and returns a copy of the release notice to the contractor.

2. Files the true copy of the instrument of release of assignment and the original release notice with the disbursing office copy of the contract. Acknowledgment by the contracting officer and surety is not required. For additional guidance see FAR 32.805(e).

3. Signs, dates, and returns the receipt, if applicable, to the assignee.

030108 Letter Contract Assignments

When assignments of claims under letter contracts are made, notices (with copies of

assignments) are given to contracting officers and disbursing offices. If a letter contract is assigned, that assignment is not voided by a subsequent definitization of the contract. Contracting officers and disbursing offices accept, receipt for, and honor the second assignment of the proceeds of a definitive contract superseding a letter contract. The two instruments of assignments are thereafter treated as if they were only one instrument, and payments continue to the assignee.

030109 Open-End, Call-Type, or Indefinite Delivery-Type Contracts

A. Assignment of claims under open-end or call-type contracts or indefinite delivery type contracts are authorized provided orders placed prior to assignment obligate the government to pay \$1,000 or more or provided the basic contract imposes a minimum obligation of \$1,000 or more.

B. When the disbursing office questions whether an assignment of claims applies to an individual call or order under indefinite, delivery-type contracts, payments under the call or order are withheld pending determination of the status and validity of the assignment by the contracting officer.

030110 Unilateral Purchase Orders

A. A notice of assignment on a purchase order of \$1,000 or more will not be acknowledged unless it has been established that such order is a legally binding contract.

B. Payment of the purchase order is withheld pending determination of the status of the assignment by the contracting officer.

C. If the contracting officer rejects the assignment, the disbursing office returns the acknowledged notice and copy of the assignment to the assignee and advises that the assignment cannot be recognized for the reasons stated by the contracting officer.

D. If the contracting officer has determined that the assignment is valid, the disbursing office acknowledges the notice of assignment

and takes the required action as detailed in paragraph 030106-B.

030111 Basic Ordering Agreements

A notice of assignment will not be acknowledged on a basic ordering agreement. The paying office returns the notice and copy of the assignment to the assignee and advises that assignments may be acknowledged on individual orders in excess of \$1,000. It should be noted that the Basic Ordering Agreement "G" contracts require a notice of assignment for each delivery order/supplemental procurement identification number. If there is any doubt on any of these type of contracts, they should be referred to your legal office for determination.

030112 Financing Companies

A business concern which, incidental to its principal business of acting as selling agent, advances money to pay for raw materials, labor, etc., is not a "Financing Institution" to which money due, or to become due, under a government contract may be assigned (54 Comp Gen 80 (1984)). A company regularly engaged in the financing business is not disqualified from accepting assignments as a "financing institution" solely because it consists of an individual or partnership (20 Comp Gen 415 (1941) as distinguished by 54 Comp Gen 80 (1984)). When a contractor factors or sells an accounts receivable at a discount, they are non-allowable assignments. In such cases and others of similar nature, legal counsel should be consulted in order to protect the government's interest.

030113 Special Considerations

A. Two assignments of the same contract may not exist since the second assignment without release from the first assignment would be null and void. After the first assignment is released and the original parties are notified, a second assignment may be made (22 Comp Gen 520 (1942)).

B. The performance of work under the contract may not be assigned (41 U.S.C. 15).

C. If the dollar amount of the contract

is increased, it is not necessary to execute an additional assignment (23 Comp Gen 943 (1944)).

D. Date of assignment shall not be before date of contract.

0302 DOUBTFUL CLAIMS

030201 General Information

A. The disbursing office settles commercial accounts for which they have payment responsibilities. The local office of counsel or staff judge advocate furnishes legal guidance on claims involving questions of law. Local counsel should coordinate their efforts with DFAS Headquarters General Counsel.

B. Claims by the government may not be compromised by an agent of the government except as authorized by law. Demand for the full amount is required. The action for indebted contractors in Chapter 18 of this volume is required if payment in full is not received on time.

C. Doubtful claims exclude claims applicable to the PPA. The Comptroller General has held that PPA interest must be paid from the funds available for the administration of the program for which interest was incurred.

030202 Responsibility of Contracting Officer, Disbursing Office, and DFAS Columbus

A. The Contract Disputes Act of 1978 provides a fair, balanced, and comprehensive statutory system of legal and administrative remedies in resolving government contract claims. The Act's provisions help to induce resolution of more contract disputes by negotiation prior to litigation; to equalize the bargaining power of the parties when a dispute exists; to provide alternate forums suitable to handle the different types of disputes; and to ensure fair and equitable treatment to contractors and Federal agencies.

B. A doubtful claim exists when the disbursing office is unable to decide positively that the claim is or is not payable. The disbursing office refers such claims to the contracting officer with an explanation of the doubtful

aspects. The contracting officer may be the PCO, ACO, or TCO depending on the nature of the claim. Primary responsibility may shift between one or more types of contracting officers during the process of developing a claim. With assistance from the disbursing office, the contracting officer establishes additional facts and develops the claim to its final stage, including recommendations.

1. All claims by the government against a contractor relating to a contract shall be the subject of a decision by the contracting officer. The contracting officer shall issue the decision in writing and shall mail or otherwise furnish a copy of the decision to the contractor. The decision shall state the reasons for the decision reached and shall inform the contractor of the right to appeal. The contracting officer's decision on the claim is final and conclusive unless an appeal or suit is instituted by the contractor.

2. All related paperwork of the claim then is sent to the legal office for the cognizant disbursing office. If the disbursing office is at a DFAS Center, it will be processed there. If the disbursing office is an Operating Location (OPLOC), the OPLOC will forward it to their colocated disbursing office. If the OPLOC does not have a colocated legal office, it will forward it to their servicing DFAS Center. For all other disbursing offices that do not have a colocated legal office, they also will forward the claim to the servicing DFAS Center. Claims that are filed directly with the General Accounting Office (GAO) by contractors are returned to one of the DFAS Centers for development and recommendation. The receiving DFAS Center will send a copy of the GAO decision to the cognizant disbursing office.

NOTE: Every claim against the United States that is forwarded to the Claims Division, GAO, as well as all correspondence relating to the claim, must contain the employer's identification number.

C. Decisions of the Armed Services Board of Contract Appeals (ASBCA). The disbursing office makes the vast majority of payments directed by decisions of the ASBCA.

Occasionally, there may be a reason(s) to doubt the decision of the ASBCA because it may appear to be fraudulent, capricious, arbitrary, so grossly erroneous as necessary to imply bad faith, not supported by substantial evidence, or in error on a question of law. In any such case, the disbursing office refers the matter, along with a statement of the grounds for such referral, and supporting documents to the contracting officer who in turn refers it to the servicing office of counsel or staff judge advocate. If the office of counsel or staff judge advocate believes that the ASBCA committed a reversible error in the decision and that the best interests of the government warrant further review, the Agency Trial Attorney or General Counsel and the Office of the Secretary of Defense General Counsel determines if the matter should be referred to the Department of Justice (DoJ) for the initiation of judicial proceedings. If the DoJ agrees with the decision of the ASBCA, payment will be made.

030203 Claims Requirements

The disbursing office prepares the administrative report and attaches the claim before routing it through the channels described in paragraph 030202-B. Open the report with the statement, "This is a report of a doubtful claim." The second and succeeding paragraphs should contain complete statements of the facts and the doubtful questions involved. The disbursing office reviews the claim file to ensure it is complete before forwarding it for review and evaluation.

030204 Documents Required

Information in this paragraph is furnished for guidance and is not mandatory. The documents and information listed should contain sufficient facts so that the GAO will not return the claim for more documents. Claims for amounts due deceased or mentally incompetent contractors include the applicable documents listed and processed under paragraph 030205. Claims not specifically covered are developed and supported as circumstances require.

A. General. The following data are common to all claims. Additional documents are

furnished in specific cases as indicated:

1. Original signed claim.
2. Copy of contract, purchase order, (or both if applicable), lease, or other contracting document.
3. Copies of all related correspondence between the claimant and the DFAS.
4. A signed statement by the disbursing office that:
 - a. Payment has not been made and will not be made except by certification in the name of the Comptroller General, or
 - b. Partial settlement in amount has been made and no further payment will be made except by certification in the name of the Comptroller General, or
 - c. Funds have been reserved (citing the appropriation from which the payment will be made, if approved by GAO) or that funds have not been reserved, as applicable.
5. Cite all vouchers covering payments or collections, as applicable, made under the contracting document.
6. A signed report by the contracting officer as to what the records of that office show concerning the claim and the administrative recommendation. The report should include the intent of the contracting document.
7. Certified true copies or photostat copies of the invoices or other billing documents.
8. Copies of the receiving reports, other receiving documents, or if not available, a signed statement that the supplies and services were received.
9. SF 1034, Public Voucher for Purchases and Services Other Than Personal, (or other applicable voucher), in an original and six copies. The original is certified.

10. Copy of claimant's bid, if applicable.

11. Any other data considered appropriate.

B. Mistake in Bid. With a copy of the claimant's bid, include an abstract of all other bids.

C. Discount. Include the document containing the claimant's discount offer. If claimant contends that discount was taken after discount period, include a certified true copy or photostat copy of the invoice. The invoice should show the date received in the office designated by the contracting document.

D. Payments Under Leases. If the lease agreement is the responsibility of the U.S. Army Corps of Engineers, a report and recommendation are obtained from that activity.

E. Landing and Parking Fees and Other Accessorial Charges:

1. A signed report from the responsible officer of the major command having jurisdiction over the aircraft.

2. A signed statement containing the number and flight of the aircraft, and confirmation that the flight was authorized.

F. Coal Contracts:

1. Copy of coal analysis, where applicable.

2. Copy of weight certificate or other proof of weight.

3. An administrative recommendation from Director, DFAS, Columbus Center, if considered appropriate.

030205 Amounts Due Deceased or Mentally Incompetent Creditors

A. Deceased Public Creditors. Claims for amounts alleged to be due the estates of deceased individual public creditors that cannot be

settled locally, by reason of doubt, are submitted to the GAO for settlement. An element of doubt exists when there is a question as to the amount and the validity of the claim or a question as to whom payment may be made under the laws of the domicile of the decedent.

1. The claimant presents the claim against the United States for amounts due in the case of a deceased creditor. The claim is supported by the applicable documents listed in paragraph 030204. The contracting officer's statement will show there is (or there is not) an outstanding debt to the government. Obtain a statement of legal review and recommendation from the local office of counsel or staff judge advocate.

2. Claims involving current unnegotiated U. S. Government checks in the possession of the claimant which are drawn to the order of a deceased public creditor should be returned to the disbursing office which issued the checks. Checks that are undeliverable because of the death of the creditor will be stamped "Not Negotiable" on the face of the check. Attach a copy of SF 1098, Schedule of Cancelled or Undelivered Checks, to the claim.

B. Incompetent Public Creditors:

1. GAO Action. Claims for amounts due incompetent public creditors of the United States are submitted to the GAO for settlement. No form is prescribed for this class of claim; however, such claim must be in writing over the signature and address of the guardian, committee, or other person claiming on behalf of the incompetent and must set forth the connection of the incompetent with the Department of Defense. Those authorized to claim for an incompetent are:

a. Guardian or committee of the estate of an incompetent. A short certificate of the court showing the appointment and qualification of the claimant as guardian or committee is attached to the claim.

b. Persons other than a guardian or committee who supports the claim with a statement to show:

(1) That no guardian or committee has been or will be appointed;

(2) The claimant's relationship to the incompetent, if any;

(3) The name and address of the person having care and custody of the incompetent; and

(4) That any amount paid to the claimant will be applied to the use and benefit of the incompetent.

2. Administrative Action. After the first payment has been certified by the GAO to a guardian or committee, recurring payments may be made in the same form and capacity by the disbursing office as long as the appointment as guardian or committee remains in effect and the matter is otherwise free from doubt. Later claims for recurring payments need not be accompanied by a court certificate; however, they must be supported by a statement that the appointment is still in full force and effect.

CHAPTER 4

MISCELLANEOUS ADVANCE PAYMENTS0401 ADVANCE PAYMENTS040101 General

A. Prohibition Against Advances. Title 31, U.S.C., section 3324 prohibits payments in advance for delivery of supplies or rendering of services with certain exceptions. Money cannot be advanced unless authorized specifically by an appropriation act or specific statutory authority.

B. Authority for Advances.

1. Under 10 U.S.C. 2307, advance payments may be made to small business concerns which meet the requirements of law and receive the proper authorizations.

2. Advance payments on formally advertised contracts are made under the authority of 50 U.S.C. 1431 and Executive Order 10789.

040102 Advance Payment Policy

For instructions applicable to advance payment policy and requirements refer to FAR 32.4 and DFARS 232.4. For grants refer to the Office of Management and Budget (OMB) Circulars A-102 and A-110 and Chapter 19 of this volume.

040103 Interagency (Interdepartmental) Supplies and Services

A. General Policy. As authorized by Title 31 U.S.C. 1535 and 1536, various Federal agencies may enter into transactions with each other when it is found to be in the best interest of the government. This applies when one agency is better equipped to acquire or furnish goods or services than another and the items involved cannot be furnished as conveniently or more economically by private enterprise.

1. Orders placed under this section are obligated upon acceptance in writing by the performing agency provided acceptance occurs while the funds are available for obligation.

2. Each activity making an advance under this section accomplishes and monitors all aspects of the advance.

B. Leased Office Space. One agency may furnish another agency a portion of its leased office space and payment may be made in advance, or on any other basis agreed upon, for the proportionate cost of the space, utilities, and services furnished.

040104 Subscriptions to Periodicals

Subscriptions or other charges for newspapers, magazines, periodicals, microfilm libraries, official cable television service, and other publications for official use may be paid in advance when advantageous for economy or otherwise (57 Comp Gen 583 (1978) and 35 Comp Gen 404 (1956)). The total cost of the subscription is a valid charge to the appropriation for the fiscal year (FY) current at the time the subscription is ordered. Subscriptions may extend beyond current FY, begin in a subsequent FY or extend for more than one FY (23 Comp Gen 326 (1943) and 24 Comp Gen 163 (1944)).

040105 Rental of Post Office Boxes and Purchase of Foreign Postage

A. Advance payment of post office box rental is authorized on an annual basis (25 Comp Gen 834 (1946)). A box rented before the beginning of the fiscal quarter must be rented for no less than a full quarter. The United States Postal Service will not refund a portion of the rental if the box is surrendered before the end of the rental period. This policy applies to advance payments of box rent made on a quarterly or an-

nual basis (34 Comp Gen 191 (1954)). The United States Postal Service bills on its Notice No. 32. Upon receipt of this notice, line through the space provided for the Postmaster's signature and attach it to SF 1034, Public Voucher for Purchases and Services Other than Personal, or SF 1080, Voucher for Transfer Between Appropriations or Funds, used for payment. Make the check payable to "Postmaster."

B. Foreign postage stamps may be purchased from imprest funds or by SF 1034. When an SF 1034 is used, the originating office prepares and certifies the voucher and forwards it to the disbursing office. The disbursing office prepares a check and sends it to the originating office. The originating office purchases the stamps and provides the disbursing office with a receiving report. No receipt is necessary as the check endorsement acknowledges payment. When the SF 1034 is used, the prepayment is approved as an exception to normal accounting requirements.

040106 Payments to State and Local Governments

Advance payments may generally be made to state or local governments per 39 Comp Gen 285 (1959), 25 Comp Gen 834 (1946), 58 Comp Gen 29 (1978), and 57 Comp Gen 39 (1978)).

040107 Tuition

For instructions on payment procedures and policies, refer to paragraph 120212.

040108 Foreign Country Requirements

A. Statutory Authority. Title 10, U.S.C., section 2396 authorizes advances of public monies as:

1. Per the laws of foreign countries or their ministerial regulations.

2. For rent in foreign countries for such periods as local custom dictates.

B. Motor Vehicle Operator Permit Fees Overseas. Some foreign countries require per-

sonnel to obtain motor vehicle driver permits to perform their official duties. The fees for the permits may be paid in advance. The tour of duty in the foreign country should justify the expenditure (Comp Gen B-115463, Sep 18, 1953).

C. Counsel Fees and Other Expenses in Foreign Courts:

1. Payment of counsel fees and other expenses in foreign courts may be paid before the service is performed.

2. Requests for payment of counsel, bail, or other expenses ordinarily will be made by the defendant, or accused, to the officer (or designee) exercising general court martial jurisdiction. The officer (or designee) determines if the request meets the proper criteria and takes final approval or disapproval action.

3. When appropriate, contracts or letters of commission and understanding will be used to obligate the government for payment of counsel fees, court costs, bail, charges for obtaining copies of records, printing and filing fees, interpreter fees, witness fees, and other necessary and reasonable expenses. The payment of fines or civil damages is not authorized. Payments of bail may be made when authorized in a letter or message by the responsible officer and citing 10 U.S.C. 1037 as the authority. For payments of bail, establish a refund receivable pending return of the bail payment. Clear the refund receivable upon collection, or appropriate evidence that the bail payment will not be refunded. Before posting of bail, members must sign an agreement to refund to the government the amount of the bail, either in cash or payroll deduction, if they willfully cause forfeiture of the bail.

4. The responsible officer certifies the acceptance of the services acquired. Prepare an SF 1034 for payment of authorized charges. Payment will be made in local currency.

040109 Cash on Delivery (COD) Charges

When COD charges are paid from the imprest fund, payment is authorized before contents are examined.

040110 Purchase of Copyrights or License to Use Patent for Its Life

An advance payment may be made for a license to use a patent or for the purchase of copyright. The subject matter of the purchase must be within the authorization of the current FY appropriation (22 Comp Gen 904 (1943)). In addition, see paragraph 120208.

040111 Utility Connection Charges

Payment of a public utility connection or reconnection charge is not an advance payment. The government receives full consideration upon payment for making available services not otherwise available. Connection or reconnection charges are later reimbursable by a specified monthly refund on the invoice for utility services.

040112 Petition Fees

When a petition is made for immigrant status for a person whose services are required, the fee must accompany the petition. In this case the fee is payable in advance.

040113 Professional Societies

Memberships in professional societies or associations acquired in the name of the DoD Component may be paid in advance. The purpose of the membership must be to acquire services required for that component, not an individual. The head of the Component or designee makes the determination. The use of appropriated funds is prohibited for the individual benefit of any officer or employee of DoD (see 5 U.S.C. 5946; 31 Comp Gen 398 (1952); 32 Comp Gen 15 (1952); 24 Comp Gen 814 (1945); and 33 Comp Gen 126 (1953)).

040114 Attendance at Meetings

A. Payment of registration fees prior to attendance at meetings of technical, scientific, professional, or similar organizations may be made. See paragraph 110104 for personal reimbursements.

B. If the payment is nonrefundable

and the individual fails to attend for reasons beyond the individual's control, do not collect from the individual. However, collect if failure to attend is caused by an action not excused by the individual's supervisor.

040115 Quarterly Advances to General Services Administration (GSA) for Special Purpose Leased Space

The GSA bills for building rent in advance each quarter using GSA Form 789, Statement, Voucher, and Schedule of Withdrawals and Credits, or other similar billing form. The charge is at a fixed rate per square foot of space assigned based on costs of building operation and maintenance. Separate cost factors for utilities, rent, elevator service, etc., need not be itemized on the bill.

0402 LIBRARY DEPOSIT ACCOUNTING**040201 Library Deposit Accounting With Other Government Agencies**

Libraries that obtain government publications and subscriptions from other Federal agencies (e.g., National Technical Information Service, United States Government Printing Office, or Library of Congress) may establish deposit accounts with these agencies. Use the following procedures to establish a deposit account:

A. The librarian forwards a properly prepared SF 1034 through the budget office for review. The SF 1034 should state "for deposits only to new deposit account" or "to replenish previously established deposit account" and show the account number.

B. The disbursing office forwards a copy of the SF 1034 with the check to the named Federal agency (payee). The agency will credit payment to the deposit account.

CHAPTER 5

PAYMENTS UNDER REAL PROPERTY LEASES0501 LEASES050101 General

A. Applicability. Leases are subject to the statutory and regulatory provisions applicable to government contracts, as well as the specific statutory provisions pertinent to leases.

B. Coverage. A lease is a contract by which the use of land or buildings is conveyed for a specified time at a specified rate of compensation. Leases describe the premises, the specific period involved, purpose for which used, the amount of rent, method of payment, special services included (such as heat, light, water, and janitorial services) and any restoration provisions. If the lessor fails to provide the services in this case called for in the lease, the lessee (the government in this case) may pay the cost and deduct the amount from the lease rental payments.

1. Capital Lease. A lease that is essentially equivalent to an installment purchase of property is a capital lease. This type of lease transfers substantially all the benefits and risks of ownership from the lessor to the lessee.

2. Operational Lease. Leases that do not meet the criteria for a capital lease are considered to be operational leases.

050102 Rent

A. Fractional Parts of a Month. Payment for part of a month for leased premises is made on the actual number of days involved. In computing the time between two dates, the general rule is to exclude the first and include the last date, except when the lease is for a specified term and begins on the date of occupancy (10 Comp Gen 540 (1931)).

B. Monthly Installment Payments of

Annual Rent. A lease generally begins on the first of a month. For leases that begin on a date other than the first, the monthly rent installments become due and payable on the date of each month numerically corresponding to the date the term began, less one day. The amount of each installment should be one-twelfth of the annual rate, regardless of the number of days in any calendar month (24 Comp Gen 838 (1945)).

C. Recurring Rental Charges. Payment for these charges shall be made without requiring individual invoices from the vendor. At the end of each rental period, the using activity will confirm the use or availability of the property during the rental period. Identify lease and period covered on the payment voucher and process per provisions of the lease.

D. Reporting Rental Payments Made to Civilian Landlords. At the end of each calendar year, report yearly rental payments of \$600 or more to the Internal Revenue Service (see paragraphs 060505 and 060601). Report total payment on TD Form 1099-MISC, Statement for Recipients of Miscellaneous Income. Do not report payments to real estate agents.

050103 Party Entitled to Rental Payment

A. When a Federal Agency occupies land under a lease, the rental payment cannot be avoided because of any defect in the title of the lessor at the time the lease was made (9 Comp Gen 593 (1921)).

B. When a Federal Agency occupies land owned by several tenants in common under an agreement with one of them and without objection by the others, such tenant in common is entitled to receive the rent (9 Comp Gen 593 (1921)).

C. When property leased to the United States is sold on one day and the deed of con-

veyance is executed on another day, the grantee is entitled to receive the rental from the property only from and after the date of execution of the deed (15 Comp Gen 195 (1935)).

payment for the day after the notice of termination is mailed plus 29 days more. Leases with other termination provisions must be analyzed on an individual basis.

D. Liability for rent due does not become payable day-by-day. It becomes due in total on the dates set forth in the lease. The payment may not be currently prorated for several owners who may have owned the premises for a portion of the rental period. When leased property is sold, a copy of the deed of sale should be furnished for association with the lease contract (4 Comp Gen 193 (1924)). If proper notification is provided to the lessee, payment is made to the titleholder on the day payment is due.

050104 Payment for Leased Land

Payment for leased land may not be made in advance (23 Comp Gen 653 (1944) and 25 Comp Gen 834 (1946)). Leases in foreign countries are paid as local customs dictate.

0502 LEASES: TAXES AND IMPROVEMENTS

050201 Payment for Cost of Improvement of Rented Premises

The laying of conduits and wires in leased premises occupied by Federal Agencies is an improvement of the premises. Unless the lease provides for the making of such improvements by the United States, payment of the cost is not authorized (6 Comp Gen 943 (1923)).

050202 Payment of Taxes on Property

Although taxes are not payable by the Federal Government as the owner of real property, such taxes are properly payable as part of the rent when specifically included in the terms of the lease (24 Comp Gen 705 (1945)).

050203 Payment of Rent in Connection with Termination of Lease

Payment is based on the terms of the lease. Leases containing standard U.S. Army Corps of Engineers termination clause require

CHAPTER 6

FEDERAL, STATE, LOCAL, AND FOREIGN TAXES0601 TAXES060101 General

A. Tax Information Sources. The Federal Government's right to tax exemptions depends on the applicability of federal, state, and local tax laws; tax agreements with foreign countries; items being acquired; the nature of the tax; and the type of transaction. See Federal Acquisition Regulation (FAR) part 29, for general tax applications on United States purchases, right to exemptions, and the methods of claiming exemptions. Specific information not obtainable locally may be obtained from taxing authorities or through the cognizant DFAS Center.

B. Exemptions From Certain Federal Taxes.

1. Pursuant to 26 U.S.C. 4293, the Federal Government is exempt from federal taxes on communications services and facilities furnished to and paid for by the government. This does not include facilities furnished to a government contractor. Exemption can be made with or without the use of an exemption certificate. The installation contracting office is responsible for preparing tax exemption certificates.

2. Pursuant to 26 U.S.C. 4483(b), the Federal Government is exempt from the federal highway vehicle users tax imposed in 26 U.S.C. 4481. The exemption applies whether the vehicle is owned or leased by the Federal Government.

C. Sales of Commodities or Facilities. Tax collections are required on commodities or facilities sold that are not for the exclusive use of the United States. When tax free items or services purchased by the United States are sold to others, collect costs plus required taxes. The selling activity identifies customers and items or services subject to tax and includes any applic-

able taxes in billing documentation or statements. Taxes remitted are sent to the taxing authority.

0602 FEDERAL060201 Federal Excise Tax (FET)

A. Except for exemptions provided by the Internal Revenue Code shown in FAR, part 29, the government must pay taxes on fuel purchases. If a contract does not specify that the contract price excludes FET, assume the contract price includes the tax and pay only the contract price (14 Comp Gen 44 (1934) and 17 Comp Gen 1039 (1938)). If the contract specifically excludes the tax, FET should be added to the contract price by the contractor and billed on the invoice as a separately identified item.

B. Either tax exemptions or tax refunds are available for DoD purchases of jet fuel, aviation gasoline, marine diesel fuel, and off-highway use of gasoline and road diesel fuels. Whether an exemption is available or a refund application is required depends on where in the distribution chain the purchase was made and the IRS status of the seller of the fuel.

C. The Defense Fuel Supply Center, 8725 John J. Kingman Road, Fort Belvoir, VA 22060-6221, is responsible for any needed application for tax refunds in its bulk fuels or into-plane programs. The Military Services or activities are responsible for any needed application for tax refunds for any other fuel purchases. File for refunds on Department of Treasury (TD) Form 843, Claim for Refund and Request for Abatement.

D. Federal Excise Tax on Motor Gasoline. The Tax Reform Act of 1986 eliminated tax free sales to exempt entities and organizations. The tax exempt entities are defined as state (including National Guard) and local govern-

ments, the American Red Cross, and nonprofit educational organizations. Tax exempt entities must pay the tax and file for a refund. DoD entities are not tax exempt. Disbursing offices must pay the FET on gasoline fuel, but cannot file for a refund.

E. Quarterly Federal Excise Tax Return.

1. Reports are prepared and submitted quarterly unless notified differently by the District Director, Internal Revenue Service. A return is made on TD Form 720, Quarterly Federal Excise Tax Return, for the first calendar quarter when a tax liability is incurred and each later calendar quarter until a final return is filed. Final returns are filed when the requirement ceases and are marked "FINAL."

2. TD Form 720 contains a list of the commodities and services subject to the tax and the tax rate. This form also serves as the return for all excise taxes for which quarterly reporting is required.

3. Credit collections for FET are made to applicable deposit fund accounts. Deposit excise taxes collected per the most current instructions received from the Internal Revenue Service (IRS). These instructions require deposit of taxes semimonthly. Make such deposits, when required, with a commercial bank authorized to receive Federal tax deposits or with the servicing Federal Reserve Bank or Branch. To make a deposit, prepare SF 1049, Public Voucher for Refund and TD Form 8109, Federal Tax Deposit, received from the IRS. Report taxes deposited quarterly on TD Form 720. Contact your local District Director of Internal Revenue for deposit and tax forms.

4. Show the schedule of collection numbers, dates, and amounts for the collections made on the SF 1049.

5. Report the amounts of FET collected and deposited for the sale of commodities or services other than for the exclusive use of the U. S. Government.

6. Preparation of TD 720.

a. The disbursing office prepares TD Form 720. Instructions for preparing this form are in a separate pamphlet, Instructions for TD Form 720. Obtain forms and pamphlets from your local IRS office.

b. The TD Form 720 is due on or before April 30, July 31, October 31, and January 31. Penalties and interest may be assessed for failure to deposit excise taxes per IRS instructions (26 CFR 49.6302(C)-1). Such penalties may be waived by the IRS if the activity can establish reasonable cause for failure to comply.

c. Submit the original TD Form 720 and a copy of the related SF 1049 covering the amount of taxes collected to the appropriate IRS Center.

d. Attach copies of SF 1049 prepared when semimonthly deposits were submitted per paragraph 060201-E3.

0603 STATE AND LOCAL TAXES

060301 State and Local Taxes

A. When the tax is levied on the seller, the Federal Government must pay the tax as part of the purchase price, unless the taxing authority provides otherwise (37 Comp Gen 772 (1959); 32 Comp Gen 423 (1953); and 24 Comp Gen 150 (1945)). Where the government has, by contract, agreed to reimburse the contractor for taxes paid to a state or municipality, such payments are proper (Comp Gen B-134654, Feb 11, 1958 and FAR part 31). Where there is a valid and binding contract covering the furnishing of supplies or services at fixed unit prices, and the contract contains no provision for the adjustment of such prices in the event of the imposition on the contractor of state taxes applicable thereto, there is no authority for the payment of any taxes over and above the unit price stipulated in the contract (Comp Gen B-128346, Aug 8, 1956). Unless specifically stated otherwise in the contract, it is presumed that state and local taxes are included in the contract price (21 Comp Gen 719 (1942)). State statutes indicate whether the tax is levied on the seller or the purchaser. Some states accept SF 1094, U.S. Tax Exemption Certificate; others require payment of the tax at time of

purchase and provide a means for seeking refunds of the tax. The contracting officer will contact the local state taxing authority to verify if they accept tax exemption certificates. A blanket-type tax exemption certificate may be used to obtain the U.S. Government's exemption from state or local taxes in the case of continuing or numerous purchases from contractors. Generally, DoD Components shall assert the government's immunity or exemption from taxes whenever it is available.

B. Credit Cards for Service Station Purchases. If a service station will not accept the government's tax exemption at time of purchase, the tax will appear on the invoice. The disbursing office may pay the state or the local tax due on a credit card invoice when the state or local tax is a small amount of \$10 or less if it is more cost-effective than preparing a tax exemption certificate. (See GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Appendix 4, Section E (1990)). When a tax exceeds \$10 for either a state or local taxing authority, the office issuing the credit cards must prepare a tax exemption certificate, SF 1094 - Exemption Certificate.

C. Bulk Purchases of Fuel. The rules for credit card purchases also apply for state and local taxes on bulk purchases of diesel fuels and gasoline (See paragraph 060301-B).

D. Disposition of State or Local Taxes. Deposit the amounts collected on individual sales during a month to the applicable suspense account. Make payments to the state or political subdivision the same as federal taxes, using SF 1049. Remit on or before the fifteenth day after the month collection was made. When the remittance represents taxes on sale of gasoline or other motor fuels, transmit per example:

Department of the Air Force
Headquarters 999 Bomb Wing
Boon AFB SC 12345-0001

SUBJECT: Motor Vehicle Fuel Tax

TO: South Carolina State Tax Commission,
Capitol Building
Charleston, SC 12346-0001

This remittance of \$150 provides for taxes levied by the State of South Carolina under authority of 4 U.S.C. 104, collected upon sales of gasoline and other motor vehicle fuels made by or through the (exchange-commissary), located on Boon Air Force Base, not sold for the exclusive use of the United States during the preceding month, ending at midnight, March 31, 1990, the amount of which is 500 gallons.

JAMES OVERSTAKE, Colonel, USAF
Commander

0604 CUSTOMS

060401 United States Customs Duties on Foreign Purchases

A. Duty Free Purchases. Emergency purchases of war materials abroad can be made by the Military Services (19 U. S. C. 1202, Schedule 8, Part 3). This material will be admitted free of duty. Supplies (as opposed to equipment) for government-operated vessels or aircraft may be withdrawn from any customs-bonded warehouse, from continuous customs custody elsewhere than in a bonded warehouse, or from a foreign-trade zone free of duty and internal revenue tax as provided in 19 U.S.C. 1309(a). See DFARS 225.604.

B. Payment of Custom Duties. On importations that are not duty free, charge the customs duties to the same appropriation as the purchase. This will be done even though the importation and the purchase may be in different fiscal years (26 Comp Gen 610 (1947)). Prepare vouchers to show the check will be paid to and addressed to the Collector or Deputy Collector at the port of entry.

060402 Customs Exemptions for American Imports and Purchases in Canada for Joint Defense Program

A. General. U. S. Government imports and purchases from other countries are exempt from Canadian import duties and taxes when used for Joint Defense projects in Canada.

B. Refund or Remission of Taxes. Goods purchased in Canada by or for the U. S.

by the Canadian Commercial Corporation are governed by concessions when U. S. funds expended are intended for joint Canadian-United States projects in Canada or when the goods will become and remain U. S. property. The concessions permit refund or remission of:

1. Sales tax paid on goods other than those for resale to members of the United States Armed Forces or civilian personnel for private use.

2. Excise taxes, including the stamp tax on checks. Items for resale to members of the United States Armed Forces or civilian personnel for private use are not exempt from stamp taxes or purchase taxes.

3. Excise taxes paid or ordinarily payable on:

- a. Cable, telegraph, and long distance telephone messages when charges are not made to individuals but are made direct to the U.S. Government.

- b. Transportation requests, warrants or tickets, and seats, berths, or other sleeping accommodations when charges are not made to individuals but are made direct to the U.S. Government.

4. Customs duty paid on import goods when used, directly consumed, processed, or attached to items or goods manufactured in Canada and sold to the U. S. Government for use with joint Canadian-United States projects.

C. Notation on Payment Vouchers. Vouchers for Canadian purchases or services will show: "United States Government Funds-exempt from Canadian excise tax, refer to Order-in-Council PC 3108." Paying and Collecting will type the notation on checks. This statement will assist the Canadian Department of National Revenue in giving the exemption.

0605 MISCELLANEOUS

060501 Payments in Lieu of Taxes

A. Charges by state or local govern-

ments for services levied on Federal Government entities or their contractors, which are not imposed on residents or non-federal, tax-exempt entities, where the cost of the service is borne by the general tax revenues, are in the nature of a tax to which the United States is immune. The placement of the Federal Government in a separate category from other tax-exempt entities for imposing a charge for services is unreasonable and discriminatory classification on the part of a state or local government and the payment of the charge is unauthorized (50 Comp Gen 343 (1970)).

B. A reasonable charge by a political subdivision based on the "quantum" of direct service furnished, and which is applied equally to all property tax-exempt entities, need not be considered a tax against the United States, even though the services are furnished to the tax payers without a direct charge, provided the political subdivision is not required by law to furnish the service involved without a direct charge to all located within its boundaries (50 Comp Gen 343 (1970)).

C. Payments are permitted in lieu of taxes to municipalities that have lost tax revenue by transfer of plants to governmental agencies, only when authorized by the Congress. Payments in lieu of taxes are not authorized if the property transferred was never on municipality tax rolls and municipal services had never been furnished (36 Comp Gen 592 (1957)).

060502 Foreign Taxes

U. S. Government purchases in a foreign country generally are not exempt from taxes and custom duties when imposed by the foreign country. The Status of Forces or government tax agreements may provide exceptions. See the FAR, part 29.402.

060503 Taxes on Arms and Ammunition

Appropriated funds will not be used for tax payments on the sale or transfer of firearms, pistols, revolvers, shells, or cartridges. For additional information of these taxes see 10 U.S.C. 2385 and the FAR, part 29.2.

060504 Environmental Assessments

If an environmental assessment is levied by a local government and it represents a fee, payment is authorized. If, however, the assessment appears to be a tax and its legality is questionable (31 U.S.C. 3529), payment is not authorized. Payment under protest should not be made. Legal advice should be obtained from your office of counsel regarding payment of assessments by state and local governments.

060505 TD Form 1099-MISC, Statement for Recipients of Miscellaneous Income

A. General. At the end of each calendar year, disbursing offices are required to report to the IRS certain payments. These are payments made to noncorporate contractors for services and to corporations providing medical and health care services, totalling \$600 or more per contractor or royalties of \$10 or more in any calendar year (26 U.S.C. 6041 and FAR 52.204.3). Disbursing offices must provide these recipients with a TD Form 1099-MISC. This form must be provided to payees by January 31 following the year of payment.

B. Payments Subject to Information Reporting:

1. Payments to noncorporate contractors for salaries, wages, commissions, fees, rent (unless paid to a real estate agent), royalties, awards, prizes, interest penalties and additional interest penalties under the Prompt Payment Act, and other forms of compensation.

2. Payments to a corporation engaged in providing medical or health care services unless the payment is made to a hospital or extended care facility that is exempt from taxation under 26 U.S.C. 501(a).

C. Payments Not Subject to Information Return Reporting:

1. Payments of bills for merchandise.

2. Payments subject to TD W-2, Wage and Tax Statement withholding proce-

dures.

3. Payments of rent made to a real estate agent.

4. Payments to persons in the military or civil services of the United States as an allowance or reimbursement for traveling or associated expenses.

5. Payments made to employees for service performed in Puerto Rico.

6. Payments made as an award to an informer or similar payments.

7. Payments made to a nonmedical or nonhealth care corporation when "INC." or "Incorporated" is an obvious part of the business title (26 CFR, section 1.6041-3(c)).

8. Payments made to a government agency, political subdivision, or instrumentality thereof.

D. Backup Withholding.

1. Requirements for Taxpayer Identification Number (TIN). The IRS requires (26 U.S.C. Section 6109 and IRS notice 398) a recipient of income to give the payer of that income the TIN for use in filing information returns. The TIN is the individual's social security number or employer identification number. A Privacy Act statement must be provided to an individual when requesting the reporting of a Social Security number. If the TIN is not readily available from contractual or other documents, the contracting officer will contact the payee to obtain the TIN (FAR 4.203). Individuals or entities that refuse to provide a TIN should be advised of the requirement for backup withholding at a 31 percent rate and potential fine of \$50 for failure to furnish the TIN (see instructions for TD Form 1096, Annual Summary and Transmittal of U.S. Information Returns, and IRS Notice 398).

2. DoD activities must perform backup withholding when one condition from each paragraph 060505-D.2.a and b is present.

a. Taxpayer Identification Number.

(1) The payee fails to provide a TIN to the DoD activity. The TIN may be a social security number or an employer identification number.

(2) The IRS informs the disbursing office that the payee provided an incorrect TIN.

(3) The payee provides a TIN consisting of other than nine numerals.

b. Other:

(1) Reportable payments to the payee total \$600 or more during the calendar year.

(2) An information return was required concerning the payee for the preceding calendar year.

(3) Backup withholding was required from the payee for the preceding year.

3. Assessment of Tax. After reasonable efforts to obtain the TIN have been unsuccessful, withholding of Federal Income Tax at the rate of 31 percent should be accomplished and the balance of the payment forwarded to the payee. Tax should be assessed on the entire payment that causes the \$600 limit to be exceeded and any subsequent payments to that person or corporation until a TIN is provided.

4. The tax withheld should be deposited to the appropriate deposit account. Recording of backup withholding should be accomplished on schedule A (TD Form 941, Employer's Quarterly Federal Tax Return) and reported on TD Form 941.

0606 REPORTING

060601 TD Form 1096, Annual Summary and Transmittal of United States Information Returns

A. Payment of \$600 or more to any

individual or to any medical or health care corporation or royalties of \$10 or more in any calendar year must be reported to the IRS. Reporting of the payment or royalty is required in order to provide the IRS with a cross-reference data base of recipients' miscellaneous income.

B. Forms Required:

1. A TD Form 1096 must be used to transmit and summarize payment information. It serves as a cover sheet for one or more individual reports. See IRS publication instructions for TD Form 1096 for detailed guidance. TD Forms 1096 may be obtained through your local publication distribution office.

2. A separate TD Form 1099-MISC must be completed for each individual or corporation concerned. TD Forms 1099-MISC with a TIN must be bundled separately from TD Forms 1099-MISC without a TIN. Both bundles may be covered by one TD Form 1096 with the number of forms without a TIN shown in the "without taxpayer identification number" box. TD Forms 1099-MISC may be obtained through your local publication distribution office.

C. Distribution of Report. TD Forms 1096 and 1099-MISC should be filed by February 28 following the year of payment with the appropriate IRS center listed in the instructions for TD Form 1096.

CHAPTER 7

PROMPT PAYMENT ACT0701 GENERAL070101 Introduction

A. The Prompt Payment Act (PPA) of May 21, 1982 (Public Law 97-177), amended on October 17, 1988 (Public Law 100-496), 31 U.S.C 3900, requires Federal agencies to make payments in a timely manner. If a payment to a contractor is late, an interest payment also is due to the contractor and should be made without a contractor having to request the interest payment. The PPA applies to the acquisition of property or services, including contracts for the rental of real or personal property, from a business concern. A business concern means any person or organization engaged in a profession, trade, or business, and nonprofit entities (including state and local governments but excluding Federal entities) operating as contractors. Payment terms should be specified in the contractual document. Disbursing offices should disburse funds in accordance with the payment terms in the contract. However, if the payment terms contained in the contract conflict with the corresponding payment provisions of the PPA, request a clarification from the responsible contracting officer. If no payment terms exist within the contract, make payment in accordance with the relative payment terms prescribed in this Regulation. All DFAS disbursing offices shall make payments covering contracts and purchase orders entered into by contracting officers under regulations governing the functions of purchasing and contracting officers as published in the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS). Prior to disbursing funds on a contract, the disbursing office must be furnished with supporting documents, or in some instances, vouchers supported by such documents, which serve as evidence that a legal disbursement of public funds may be made. These supporting documents ordinarily consist of:

1. Contracts or purchase orders.

2. Invoices from contractors.

3. Receiving reports accomplished and furnished by offices receiving the property or services.

B. The PPA requires that payments be made in a timely manner - not early, not late, and requires the cash management of invoices. Payments should be scheduled as close as possible to, but not later than, the discount or payment due date. The PPA also applies to foreign contractors and OCONUS contracts, regardless of location where contracts were awarded or where delivery takes place.

1. Contracts issued on or before March 31, 1989. If the contract terms require payments to be made in 30 days, a payment may be made on the 28th, 29th, or 30th day and meet the requirement and intent of the PPA. In compliance with the PPA Amendments of 1988 and sound cash management, contracts issued on or after April 1, 1989, may be paid no earlier than the 23rd day without being an early payment and no later than the 30th day without being a late payment on which interest should be paid.

C. Waiver of Cash Management. In certain situations it may be necessary to make a payment(s) earlier than the due date. Early payments should be the exception rather than the norm. Only a DFAS Center Director or head of a disbursing office or either one's designee has the authority to waive the cash management of invoices. If a waiver is approved, the early payment(s) has to be reported on the quarterly PPA Report, ACCT RPT (Q) 1619 (see paragraph 070601).

070102 Exceptions

A. The PPA does not apply to con-

tracts with foreign governments (bilateral agreements and memoranda of understanding).

B. The PPA does not apply to contracts executed prior to October 1, 1982 (unless modified or renewed after that effective date).

C. Any interest which may be payable under claims settled under the Contract Disputes Act (CDA) of 1978, except claims related to the PPA, will be awarded and paid under this CDA. Any interest found due under a claim related to the PPA will be paid under the PPA.

D. Contracts based on foreign laws or customs issued under Status of Forces Agreements (10 U.S.C. 2396) will normally be exempt from the provisions of the PPA.

E. Contracts where payment terms and late payment penalties have been established by other governmental authority (e.g., tariffs) are not applicable to the PPA requirements.

F. Contract financing payments, other than the final payment, are not subject to the payment provisions of the PPA as noted in paragraph 070205-B.10.

G. U.S. Property and Fiscal Offices (USPFOs) in each state share costs with their state on building or maintaining property. If the state contracting officer, acting in his or her capacity as a state employee, issues contracts for this work using the state fund cites, payments the USPFO makes to the state or to the contractor are exempt from the PPA. However, if the USPFO contracting officer, acting in his or her capacity as a Federal employee, issues the contracts using Federal funds cites, either to the state or to a private business concern, the payments are subject to the PPA.

H. Advance payments are not subject to the PPA. For more detail, see Chapter 4 of this volume.

I. When the payment due date falls after the appropriation cancellation date, payments are exempt from early payment rules and may be paid prior to the cancellation of the appropriation.

070103 Date Stamping Documents

All offices identified to receive supporting documents will date stamp such documents on the actual day of receipt. The office which first receives the document should ensure that all designated offices comply with this requirement. If an invoice is not date stamped upon receipt in the proper billing office, the invoice date becomes the date used to determine the due date, rather than the date received. Problems in this area must be brought to the attention of the responsible official for resolution.

0702 INVOICES

070201 Proper Invoice, FAR 52.232-25(a)(4) and DFARS 252.211

To be considered a proper invoice, FAR 52 and DFARS 252 mandate that it must contain specific information. If there is a discrepancy between the FAR (FAR and DFARS) and this Regulation, the FAR takes precedence. A proper invoice must contain the following:

A. Name and address of the contractor.

B. Invoice date.

C. Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number).

D. Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.

E. Shipping and payment terms, (e.g., shipment number and date of shipment, prompt payment discount terms). Bill of lading number and weight of shipment will be shown for shipments on government bills of lading.

F. Name and address of contractor official to whom payment is to be sent (must be the same as that in the contract or on a proper notice of assignment).

G. Name (where practicable), title,

phone number, and mailing address of person to be notified in event of a defective invoice.

H. Any other information or documentation required by the contract, such as evidence of shipment.

I. It is not necessary for an invoice to be totally free of defects in order to be proper and to create a valid demand upon the government. Although individual circumstances vary, in general, the activity approving or making the payment must be able to determine that:

1. The goods or services being billed were in fact properly ordered under a specific contractual document, and received from the business concern designated in the order.

2. Payment is being requested by the same business concern.

J. Errors in contractual documents must be corrected by a formal modification. In the past, there have been problems between the disbursing offices and contracting offices concerning the timely issuance and receipt of corrective administrative modifications when payment had been made. Disbursing office personnel will notify the contracting office personnel of items in the contract that need to be corrected. Contracting personnel will make the changes through a formal modification. Disbursing office personnel will not make any changes to contracts. If there is doubt as to whether payment to the invoicing business concern would be proper, the invoice should be considered materially defective and must be returned to the contractor within 7 calendar days (3 calendar days for suppliers of meat and meat food products and fish and frozen fish and 5 calendar days for suppliers of perishable agricultural commodities, dairy products, edible fats or oils) after the date of receipt of the defective invoice. The notice to the contractor must be in writing and is considered effective as of the date mailed. Maintain a record of the mailing date since timely notification prevents the payment clock from starting. If the notification is not made within the number of days stated in this paragraph, the payment clock will continue to run until the contractor is formally notified. In these instances, the pay-

ment due date will be reduced by the number of days between the return of the defective invoice and the expiration of the applicable time period. In cases where the returned invoice offers a cost effective discount, request the contractor change the date on the existing corrected invoice, if resubmitted, or issue a new corrected invoice with the current date on it.

070202 Acceptance

A. Actual Acceptance. Actual acceptance is defined as a formal certification that the goods or services have been received and that they conform to the terms of the contract. This function occurs after the completion of any necessary testing and inspection allowed by the contract. This date generally conforms to the date shown in Block 21 of DD Form 250, Material Inspection and Receiving Report, the date shown in Block 26 of DD Form 1155, Order for Supplies or Services, or the date stamped on the invoice by the receiving activity.

B. Constructive Acceptance. Unless otherwise specified in the contract, constructive acceptance is considered to take place not later than 7 calendar days after delivery of goods or performance of services, unless there is a disagreement over quantity, quality, or contractor compliance with a contract requirement. A longer acceptance period must be specified in the solicitation and included in the contract to afford the activity more than 7 calendar days to inspect, test, and accept the property or evaluate the services. In the event that actual acceptance occurs within the constructive acceptance period, the determination of a due date shall be based on the actual date of acceptance.

070203 Follow-up for Required Documents

If payments cannot be made due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the disbursing office will follow-up with the contracting or receiving office to ensure that these documents are forwarded in a timely manner. These follow-up requests should be made in time to prevent the possible loss of cost-effective discounts (if possible) and to avoid the unnecessary payment of late payment inter-

est penalties.

070204 Action on Late Documents

If requested supporting documents are not received within a reasonable time, or if follow-up action is habitually required to receive such documentation, report the matter in writing through channels to the commander of the activity responsible for the delays. Include a brief statement of the facts, a list of the missing documents, the amount of cash discounts involved, if any, or possible interest penalties for late payment and the actions previously taken to obtain the supporting documents in a timely manner.

070205 Computation of Payment Due Date

A. General. Payment of a properly approved invoice will be made as close as possible to, but not later than, the due date specified in the contract. In general, contracts with no specific payment due dates will be paid as close as possible to, but not later than, 30 calendar days following the later of the following three events:

1. Execution of a valid, signed, contractual document.

2. Receipt of the invoice by the activity designated in the contract or order as the activity to which the invoice is to be sent. (If no invoice is required, e.g., certain periodic lease agreements, payment should be made in accordance with the specific terms of the contract.) If the receipt date of the invoice is not annotated on the document, the date of the contractor's invoice will be used.

3. Acceptance of goods or services by the activity designated to perform this function. For bill paying purposes, this date will be the earlier of actual acceptance or constructive acceptance (see paragraph 070202).

B. Specific Due Dates.

1. Cost-Effective Discounts. Pay within the discount period if cost-effective discounts are offered in the contract or on the contractor's invoice. If the discount terms of the

contract are not in agreement with the discount terms offered on the invoice, the discount most advantageous to the government will be taken (See paragraph 020102-D.) Make payment as close as possible to the discount due date. Do not take the discount unless the invoice is paid within the discount period. An interest penalty will be assessed if a discount is taken erroneously and the deducted amount is not returned to the contractor within the original payment terms of the contract.

2. Fast Payment. When orders are issued under Fast Payment procedures (see paragraph 100301), payment is made based on the contractor's submission of an invoice which constitutes a representation that delivery has been made and that there has been compliance with all provisions of the orders. Payment will be made no later than 15 days after receipt of a proper fast pay invoice at the office designated in the contract to receive such invoice. Interest penalties will accrue if payment is not made within the 15-day time frame.

3. Contracts with Suppliers of Meat, Meat Food Products, Fresh and Frozen Fish Products, Poultry, and Egg Products. Payment will be made as close as possible to, but not later than, 7 calendar days from the date of delivery of the product. The basic definition of meat and meat food products is contained in the Packers and Stockyards Act of 1921 (7 U.S.C. 181). It includes any perishable edible product (fresh, chilled, or frozen) derived from the slaughter of cattle, sheep, swine, horses, mules, and goats. It encompasses processed refrigerated meats such as luncheon slices, frankfurters, bacon and ham. It excludes nonperishable meats, all perishable or nonperishable mixed products (meat and other food ingredients combined), seafood, game, and dairy products other than eggs. The basic definition of "Fish" was established by the Fish and Seafood Promotion Act of 1986. "Fish" means finfish, mollusks, crustaceans, and all other forms of aquatic animal life used for human consumption. "Fish" does not include marine mammals and seabirds. The definition of "poultry meat" and "poultry meat food products" includes perishable edible (fresh, chilled, or frozen) poultry meat including processed poultry such as poultry luncheon

slices and frankfurters. It excludes nonperishable poultry, all perishable or nonperishable mixed products (poultry and other food ingredients combined), seafood, and game. In regard to eggs and egg products, the following definition should be used: "Eggs" means the fresh whole shell eggs of the domesticated chicken, turkey, duck, goose or guinea. "Egg products" means only frozen whole eggs, egg whites, and/or egg yolks.

4. **Contracts with Suppliers of Perishable Agricultural Commodities.** Payment will be made as close as possible to, but not later than, 10 calendar days from the date of delivery of the product. The basic definition of perishable agricultural commodities is contained in the Perishable Agricultural Commodities Act of 1930 (7 U.S.C. 499a(4)). It includes all fresh fruits and fresh vegetables of every kind and character, whether or not frozen or packed in ice. It excludes all fruits and vegetables which have been manufactured into articles of food of a different kind or character.

5. **Contracts with Suppliers of Dairy Products.** Payment will be made as close as possible to, but not later than, 10 calendar days from the date on which a proper invoice has been received at the activity designated in the contract. Dairy products (refrigerated or non-refrigerated) as defined in the Dairy Production Stabilization Act of 1983 (7 U.S.C. 4502(e)), include, at a minimum, liquid milk, cheese, certain processed cheese products, butter, yogurt, sour cream, ice cream, edible fats or oils, and food products prepared from edible fats or oils (including, at a minimum, mayonnaise, salad dressings, and other similar products). Items such as peanut butter where oil is a by-product of the process, and dry salad dressing mixes are excluded.

6. **Mixed Invoices.** The disbursing office may split the payment of a mixed invoice (subject to differing payment time frames) and make payment by the due date applicable to each category. This policy also would apply to the assessment of the late payment interest penalty, when applicable.

7. **Contracts for Utilities.** Utility

(gas, water, electricity, telephone, etc.) contracts that include provisions for due dates and late payment charges established by tariff or state regulatory commissions will be paid according to those terms. When there is no formal contract or the contract is silent about payment terms, the applicable tariff prevails. The above contracts are not subject to the provisions of the PPA. All other contracted utility services are subject to the PPA.

8. **Civilian Medical Services.** Claims for medical and dental care will be paid promptly within 30 days from the receipt of a properly adjudicated claim.

9. **Contracts with Nonappropriated Fund Instrumentalities (NAFIs).** Payments made to NAFIs should be treated the same as payments to other Federal Agencies (see paragraph 100101) and are not subject to PPA interest penalties.

10. **Contract Financing.** Contract financing payments are authorized to be made prior to acceptance of supplies or services. Contract financing payments include advance payments, progress payments based on cost, progress payments (other than under construction contracts or architect-engineer contracts) based on a percentage or stage of completion, and interim payments on cost-type contracts. Contract financing payments should be made per the specific payment terms in the contract. Departmental policy is to make contract financing payments as expeditiously as possible. The standard due date is 7 days for progress payments and 14 days for interim payments on cost-type contracts. Where justified, the contracting officer may specify a due date greater than, but not less than, the standard. No interest penalty will be paid to a contractor as a result of a delayed contract financing payment. Final invoices on cost-type contracts are subject to the interest penalty provisions of the PPA. As stated in the FAR, subpart 32.905(a)(1)(i), final invoices, where the payment amount is subject to contract settlement actions, shall be deemed accepted on the effective date of the contract settlement.

NOTE: Contract financing payments do not include invoice payments or payments for partial

deliveries.

a. Construction Contracts.

Payments on construction type contracts are due 14 days after the receipt of a proper payment request at the office designated in the contract to receive such request. In certain cases where this time frame does not afford the government a reasonable time to adequately inspect and accept the work or services performed, the contracting officer may specify a longer payment period in the contract. Late payments on construction type progress payments are subject to late payment interest penalties.

b. Architecture and Engineering Contracts.

Progress payments under these types of contracts should be made 30 days after the receipt of a proper request at the office designated in the contract to receive such request. Late payments on architecture and engineering type progress payments are subject to late payment interest penalties.

070206 Effect of Contract Modification on Payment Due Date

When a contract modification requires or authorizes a payment to be made, the modification must be issued by an authorized contracting officer. Modifications to contracts can be divided into two types. Those that affect contractor performance (scope of the contract) and those that are administrative in nature (e.g., a change in the disbursing office or the appropriation data). On a contract that requires a modification affecting the contract scope, the payment clock will start with the effective date of the modification. On a contract requiring an administrative change, the payment clock will not start on the effective date of the modification, but rather on the date established by the criteria contained in paragraph 070205-A.

070207 Date of Payment

Payment is considered to be made on the date printed on the check itself, or on the Electronic Fund Transfer settlement date. Checks will be mailed or transmitted on the same day for which the check is dated. Payments due (including discount periods) on

Saturday or Sunday may be paid on Monday or the next working day without interest. Payments due on legal holidays may be paid on the next working day without interest.

0703 INTEREST

070301 Interest Penalty Requirements

Whenever an interest penalty is due, the disbursing office will pay the interest due automatically without requiring that the business concern request such interest. The amount of interest paid and the calculation of that amount will be furnished to the business concern along with the respective payment. Interest payments of less than \$1.00 should not be made. The disbursing office should decline any requests for such payments, whether or not the total interest applicable to multiple bills exceeds \$1.00. For contracts issued on or before March 31, 1989, the rate of interest will be the rate at the time of payment. For contracts issued on April 1, 1989, or later, the rate of interest will be the rate in effect on the day after the due date (not necessarily the payment date). The specific interest rate will be applied to the total penalty period (maximum 1 year interest) regardless of whether the interest period carries over into different interest rate periods.

070302 Additional Interest Penalty

As authorized by the Office of Management and Budget (OMB) Circular A-125, revised on December 12, 1989, contractors are entitled to an additional interest penalty payment if all of the following conditions are met:

A. The contractor is owed an interest payment.

B. The interest was not paid with the invoice payment to the contractor on the date on which the interest became due.

C. The contractor was not paid the interest within 10 days after the date on which the invoice was paid.

D. The contractor makes a written request, not later than 40 days after the date on

which the payment was made, for the additional penalty.

E. The contractor must specifically assert that late payment interest is due under a specific invoice and request payment of any overdue late payment interest penalty and such additional penalty as may be required. To be valid, the contractor's request must be post-marked by the 40th day after payment was made. If there is no postmark, the request will be valid if it is received and annotated with the date of receipt by the 40th day. (If not properly annotated, the date of the contractor's request letter will be used as the date of receipt). If the contractor does not meet the 40 day requirement, the disbursing office must inform the contractor that the requirements for the additional payment were not met and therefore, the request for the additional payment is denied. The contractor may, however, still be entitled to the original interest penalty. The additional interest penalty will be computed at the same rate as that in effect on the original interest payment due date, but the penalty is not subject to the 1-year time restriction and will continue to accrue until the date the interest penalty payment is made. The additional interest penalty shall be equal to one hundred percent (100%) of the original late payment interest penalty. However, the additional penalty will be no less than \$25 and no more than \$5,000.

070303 Waiver of Interest Penalty

Interest may be waived by a contractor (62 Comp Gen 673 (1983)), by returning the amount of interest paid by separate check or by returning the government check and requesting payment only in the amount invoiced. A contractor may not waive the right to interest in advance of earning the interest (that is, a blanket authority letter stating that any interest penalty payment is not wanted is unacceptable). Interest retained or waived is collected as a refund to the appropriation originally cited for the payment of interest.

070304 Disputes and Questionable Payments

Interest penalties are not required when payment is delayed because of a dis-

agreement between an activity and a business concern over the amount of the payment or other issues concerning compliance with a contract. Interest also will not be paid when the disbursing office determines that the nature of the payment is of such doubtful validity that an advance decision from the Comptroller General or advice from higher authority is required. In all such instances, the official questioning the payment must advise the business concern, in writing, of the reason for the delay. In the event that payment is determined to be proper, all time elapsed between the starting time identified in paragraph 070201-J and the written notification will be applicable in determining whether interest is due. PPA interest is not paid on contracts that fall under the Contract Disputes Act.

070305 Partial Payments

All provisions of the PPA apply to the partial delivery of supplies or partial performance of services, unless partial deliveries are specifically prohibited by the contract. A late payment interest penalty will occur if payment is not made within the above terms. Interest payments are not applicable under cost reimbursement contracts unless the payment is for delivered property or performance of services.

070306 Interest Rate

The rate of interest will be established by the Secretary of the Treasury under Section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611). This rate is published semiannually in the Federal Register and will be provided to individual disbursing offices by their servicing DFAS Center. It is effective with each 6-month period beginning January 1 and July 1 of each year.

070307 Computation and Accrual of Interest Penalties

A. Interest penalties remaining unpaid for a 30-day period must be added to the principal amount owed to the business concern, and additional interest penalties will be computed on the total debt including accrued interest. The disbursing office will continue to accrue and add interest to the principal amount each 30-day period until the debt and interest are paid, until

the contractor files a claim under the Contract Disputes Act, or until 1 year has elapsed.

B. For interest penalties unpaid for a 30-day period added to the principal amount owed to a business concern (see paragraph 070307-A), the disbursing office shall apply the rate in effect on the first day interest began to accrue. If an invoice payment due on January 30, 1990, is not made by that date, the interest rate to be applied for the entire period of interest accrual is the rate in effect on January 31, 1990.

C. Interest will be computed from the day following the payment due date through the date of payment. No further interest shall accrue after 1 year beyond the original due date. Interest calculations are to be based on a 360-day year. To calculate the interest penalty utilizing the daily rate of interest, the disbursing office shall multiply the daily rate of interest times the principal (P) amount payable times the number of days paid late to the contractor prior to adding on interest.

Example:

Principal (P)	\$500.00
Interest Rate	8.50
Days paid late	46
Daily rate of interest (dri)	.0002361

Formula for first 30-day period:

$$P \times \# \text{ days paid late} \times \text{dri} = \text{interest payable} \\ \$500.00 \times 30 \times .0002361 = \$3.54$$

Formula for the next 16-day period:

$$\$500.00 + \$3.54 = \$503.54 \\ \$503.54 \times 16 \times .0002361 = \$1.90$$

The total interest penalty for 46 days is \$5.44 (\$3.54 + \$1.90 = \$5.44). The calculation should continue for the number of days that the payment is made past its due date but not to exceed 360 days. The interest for each 30-day period should be added back to the principal until 360 days of interest has been calculated. Interest will be charged to the year in which it accrued. For example, if interest began to accrue on September 13, 1994, and the interest penalty was not

paid until October 12, 1994, 18 days of interest would be charged to FY 94 funds and 12 days of interest would be charged to FY 95 funds. The first 18 days would be paid from FY 94 funds, while interest on the remaining 12 days would be paid from FY 95 funds.

070308 Grace Period Payments

The original PPA established 3, 5, and 15 day grace periods (depending on the type of product, i.e., meat product, perishable agriculture commodities, and the other items) after the due date during which invoices could be paid without interest. The Prompt Payment Act Amendments (PPAA) (P.L. 100-496) eliminated this grace period for contracts executed, awarded, renewed, or modified or upon which contract options have been exercised, on or after April 1, 1989. The PPAA also applies to all Blanket Purchase Agreements against which calls have been made since April 1, 1989. The grace period will remain in effect for contracts executed between October 1, 1982 and March 31, 1989.

0704 INTEREST PAYMENTS FUNDING

070401 General

The Comptroller General has opined that PPA interest must be paid from the funds available for the administration of the program for which interest was incurred. All interest payments will be charged to the fiscal year(s) in which they accrue. In all cases, the disbursing office will identify and assign the reason for the late payment as provided in paragraph 070501. Interest payments pertaining to procurements financed by Foreign Military Sales also will be charged but will be reimbursed from the Foreign Military Sales contract administration services account unless the administration services surcharge has been waived by international agreement. When surcharges are waived on Foreign Military Sales cases, interest payments will be charged to the funds available for the administration of the Military Service or the DoD Component which manages the case. For additional information, see Volume 15, paragraph 0704011, of this Regulation. Disbursing offices are required to maintain detailed records in support of their determinations, and are to make

these records available upon request of any activity determined to have caused a late payment. All refunds from contractors will be credited to the same line of accounting classification (including fiscal year) that was charged at the time interest was paid. If the appropriation is cancelled or closed, refunds will be applied to Miscellaneous Receipts of the Treasury.

0705 REASONS FOR INTEREST PAYMENTS

070501 Reporting Reasons for Payments

In compliance with the Office of Management and Budget Circular A-125 (Revised) on December 12, 1989, reasons for late payments shall be identified and corrective action taken so that the DoD goal of zero interest penalties may be achieved. The six reasons are:

A. Delay in the disbursing office's receipt of:

1. Receiving report.
2. Proper invoice.
3. Purchase order or contract.

B. Delay or error by the disbursing office in:

1. Taking discount.
2. Notifying contractor of defective invoice.
3. Computer or other system processing.

As specified in the PPAA, all interest payments must be reported in one of these six categories. Paragraph 070601 addresses reporting requirements of interest payments.

0706 PROMPT PAYMENT REPORTING

070601 Reports

A. The Office of Management and Budget requires that the Department submit an annual PPA Accounting Report (A) 1607 that

includes the number, dollar value, frequency, and cause of all late payments, and other data pertaining to its contractor payments. The Department, however, requires this same information from its reporting Components on a quarterly basis. This information will be reported in a prescribed format (PPA Report, ACCT RPT (Q) 1619). Appendix B of this volume provides an illustration of this report. The DoD Component submitting the quarterly report may, at its discretion, require a monthly submission from its bill paying activities. This monthly report will be prepared and submitted in the format also found in Appendix B. As some of these data may already be provided through a centralized automated reporting system, not all PPA information requested on this monthly report may be necessary.

B. Annual Prompt Pay Act Report 1607. All DoD Components shall submit their annual report directly to DFAS-HQ/FCC to arrive by November 15 of each year.

C. Quarterly Prompt Payment Act Report 1619. All DoD Components shall submit each quarterly report directly to DFAS-HQ/FCC to arrive by the end of the month following the close of each fiscal quarter.

070602 Quality Control Program

Each disbursing office shall establish a quality control (QC) program to assess performance of payment, reporting and relevant management information systems and provide a reliable way to estimate payment performance. The QC program is separate from internal control. Agency QC programs must fulfill the following requirements:

A. Quality Control must be a systematic performance measurement system in place throughout the agency which provides managers information about problems and assists in targeting corrective action. QC data must be accurate to within established tolerances and should be used to fulfill the annual reporting requirements in paragraph 070601, Accounting Report (A) 1607. In the annual reporting of (A) 1607, Section X, Updated Description of Agency Quality Control Systems, requires each

major reporting entity to describe its QC efforts, particularly information gathering methods and frequency, and how this information supports Prompt Payment improvements.

B. Data should be gathered as frequently as needed by managers to identify and correct errors. Rapidly changing situations may require frequent data collection.

C. Data must be collected through a process at least as thorough as the original payment decision (entitlement) process. QC reviewers must use original documents and repeat the original calculations.

D. Because the number of payment actions is too numerous to permit a total review, data should be gathered on the basis of a statistically valid sample sufficient to assure the reliability of QC reviews conducted without unduly burdening agency resources. If needed, an initial sampling will be conducted to establish a valid cross section of payments subject to the PPA and to represent different products and services with unique due dates. Sampling must reflect due dates that are established by different payment methods, i.e., by check or by electronic funds transfer. Other analytical tools, such as frequency distribution, will be used to support the QC program.

E. Data must be collected by individuals who are independent from the original payment decision. Thus, supervisory reviews, while an excellent way to improve processing, are not QC reviews.

F. Analysis of QC data will result in reports to management and remedial action(s) targeted to correct objectively determined error causes.

0707 DELIVERY TICKET AS AN INVOICE

070701 Policy and Guidance for Using Delivery Documents as Invoices

A. There are circumstances when a delivery ticket or other receiving document and the contract taken together contain sufficient information to determine a contractor's entitle-

ment to payment, without the contractor having to submit a separate invoice, either electronically or by hard copy.

B. Elimination of separate invoices will not be a universal practice within the Department. Activities must formally request the use of this payment procedure from DFAS-HQ/FCC. While this payment option is available to contractors, its use is not mandatory for doing business with the Department.

C. Some contracts do not require the submission of an invoice. For example, periodic lease payments which are specifically referenced in FAR 32.905, Invoice Payments, do not require an invoice. Before a DoD Component can issue contracts eliminating the contractor's requirement to submit a separate invoice, that Component must formally request and receive approval from the DFAS Headquarters of that activity's accounting system, related processes, and internal controls.

D. Invoice elimination is for fixed price contracts issued by an approved activity where the contractor has consented that delivery documentation or equivalent meets the requirements of a proper invoice, paragraph 070201. Failure by the supplier to comply with those requirements will result in rejection of the supplier's invoice and may delay payment.

E. Invoices are required for contracts using Fast Pay provisions and second destination deliveries.

F. For the purpose of computing interest, the invoice shall be deemed to be received at the same time as the goods.

070702 Criteria for Approval of Using Delivery Documents as Invoices

A. Activities that desire the option of not submitting a separate invoice must follow specific criteria. This practice is suitable for depots and other DoD Components with the following characteristics:

1. Receiving merchandise is a primary function of the activity and all receipts

are controlled at a central point.

2. Activities that have strong manual procedures or automated capture of receipt data, such as the use of bar coding.

3. Activities that have electronic connectivity to servicing DFAS activities.

4. Direct delivery to the ordering DoD activity.

B. Activities and transactions types that are not suited to the elimination of separate invoices follow:

1. Activities that manually transmit receipt data to their servicing DFAS activity.

2. Activities where receiving goods is not a primary function or occurs on a sporadic basis.

3. Activities primarily receiving services, including training.

4. Activities that use cost reimbursable contracts, progress payments, advance payments or Government Owned Contractor Operated facilities.

5. Construction and architect or engineering services.

6. Second destination delivery.

7. Fast Pay contracts.

8. Activities where delivery is not ordinarily accompanied by appropriate documentation.

C. The elimination of separate invoicing will be approved on a selective basis for each activity proposing to institute this business practice. Each activity desiring to have this option must formally request approval from the DFAS Headquarters. The DFAS Headquarters will review the following for an activity before granting approval:

1. Internal control over receipt of

goods, starting with the receiving point.

2. Documentation of data flow.

3. Evaluation of the requesting activity's ability to capture sufficient data to establish a valid entitlement to payment. If systems modifications are needed, those requirements and implementation time must be approved before DFAS approval is granted.

4. Communication links between the receiving activity and the servicing DFAS activity.

5. Records retention procedures for receipt documents.

6. Personnel training with emphasis on timely transactions processing.

CHAPTER 8

PREPARATION AND DISTRIBUTION OF PAYMENT VOUCHERS0801 GENERAL080101 DD Form 1155, SF 1034 and 1035, SF 44, and DD Form 250

A. Forms often used are DD Form 1155, Order for Supplies or Services; SF 1034, Public Voucher for Purchases and Services Other Than Personal and SF 1035, Continuation Sheet; SF 44, Purchase Order-Invoice-Voucher; DD Form 250, Material Inspection and Receiving Report; and Commercial Invoices.

B. The DD Form 1155 is a combined purchase order, receiving report, and payment voucher. Instructions for the preparation of the DD Form 1155 as a payment voucher are in paragraphs 080103, 080104, and 080105. Original signature of the contracting officer is not required on copies of DD Forms 1155 used as a payment voucher for Blanket Delivery Order (BDO) and Blanket Purchase Agreement (BPA) payments. All copies of a payment voucher must contain the same information as the original voucher. This information includes the certifying officer's name (signature is required on the original only), grade (if military), date of certification, preparer's name (signature is required on the original only) for manual payments or system for mechanized vouchers, any monetary changes, and all other such information. When partial payments are made using DD Forms 1155, sufficient copies will be reproduced before making the first payment. This will ensure copies are available for the next partial payment. The original DD Form 1155 will be sent with the first partial payment. Reference the previous partial payment on each partial payment made thereafter.

C. SF 1034 and SF 1035 may be used as an invoice for payment purposes. The SF 1034 normally is used for Cost Reimbursement contracts. See paragraph 080106 for instructions on the preparation of SF 1034 and SF 1035 when

used as a payment document.

D. The SF 44 should not be used as a payment document when a mechanized payment system processes the payment, but rather as an attachment to SF 1034. Refer to FAR 13.505-3 for restrictions on the use of the SF 44 as a purchase order.

E. When the DD Form 250 is use as an invoice, four copies must be forwarded to the disbursing office. The first copy must be marked "Original Invoice" in letters approximately one inch high, and the other three copies must be marked "Invoice Copy". To be considered a proper invoice, FAR 52 and DFARS 252 mandate that it must contain specific information. See paragraph 070201 of this volume for the specified criteria of a proper invoice.

F. Commercial Invoice. There is no specified format for a commercial invoice. However, a commercial invoice shall meet the criteria of a proper invoice as detailed by FAR 52 and DFARS 252. For an invoice to be considered proper, see paragraph 070201 of this volume.

080102 Responsibility for Preparation

Contracts and purchase orders specify where the contractor is to send invoices and the disbursing office designated to make payment. Normally, the disbursing office prepares and certifies the voucher for payment based on supporting documents. The person preparing the payment voucher will not certify the voucher as being correct and proper for payment. Vouchers are not certified for payment before receipt of all supporting documents. Vouchers for supplies, nonpersonal services, or claims against the United States may be prepared outside the disbursing office. These certified vouchers are sent to the disbursing office. The supporting documents need not be sent to the disbursing office but may be retained by the

certifying official. The disbursing office should review the supporting documents on a periodic basis by doing a random sampling to ensure that documents are available. The disbursing office reviews and processes the voucher for payment based on supporting documents, if otherwise proper. These vouchers may be used for, but are not limited to, the following purchases and services:

- A. Telephone and telegraph services.
- B. Purchases under cost reimbursement or time and materials contract.
- C. Construction contracts (including those with progress or partial payment permitted by the contract terms).
- D. Credit card purchases under Federal Supply Schedule contracts.
- E. Contracts under which invoices are essential to contract administration, including contracts for:
 - 1. Instruction of military personnel.
 - 2. Laundry and dry cleaning.
 - 3. Packing and crating.
 - 4. Architectural engineering services.
 - 5. Airlift maintenance and services.
 - 6. Base engineer maintenance.
 - 7. Classified research and development.
- F. Payment of claims as authorized by legal counsel.
- G. Payment of claims of Civil Air Patrol members and wings. The Air Force-Civil Air Patrol Liaison Officer will sign the SF 1034. The disbursing office, or designated agent, will sign the document if a liaison officer is not

available.

H. Civilian medical care services to supplement military medical services.

I. Emergency civilian medical services for military members.

J. Apprehension rewards or reimbursements.

K. Cash awards to military members.

L. Tuition refunds.

M. Mortuary Affairs Officer's approved voucher.

N. Reserve Officers Training Corps.

080103 DD Form 1155

Copies of DD Forms 1155 may be used as payment vouchers when there is enough blank space to include the entries required in paragraph 080104-B.1.d. If there is not enough blank space to make the entries in Item 17, the entries may be made in any available space in Items 17 through 23 on the DD Form 1155.

080104 Preparation of DD Form 1155-Blanket Delivery Orders (BDO) and Blanket Purchase Agreements (BPA)

The following procedures are to be used when DD Forms 1155 are employed as payment vouchers for calls against BDOs and BPAs:

A. Prepare enough copies of the first page only of the BDO or BPA contract (DD Form 1155, page 1) to meet the distribution requirements in paragraphs 080601 through 080604. In most situations, only two copies are required. One copy is forwarded with the original invoice to the disbursing office. The second copy is filed with the receiving report and a copy of the invoice in the disbursing office files.

B. Complete the form and make a duplicate copy using the following entries.

1. In Item 17, enter:
 - a. Exchange rate if payment is in a foreign currency. If the payment is to be processed by another paying station, SF 1034 must be used. See paragraph 080106-B.8.b.
 - b. The amount paid follows the accounting classification data, if more than one accounting classification is cited on the voucher.
 - c. Call numbers being paid (may show series of call numbers included, for example, G147-189).
 - d. The statement: "Per attached invoice(s)."
 - e. Reference to previous partial payment if required. Show voucher number and date paid.
 - f. Other entries, when required.
2. In Item 25, enter the total amount of the order or receipt being paid. If different than currently entered, line through and enter immediately above Item 25.
3. If Block 26 has been completed by the receiving activity, use that date as date of receipt. If Block 26 has not been completed by the receiving activity, add 7 days to the delivery date and this becomes the constructive date of receipt. For example, if a receiving report were signed on April 30, 1989, but the delivery ticket was signed on April 15, 1989, add 7 days to the delivery date and use that as constructive date of receipt for net payment computation purposes. See paragraph 070202-B concerning 7-day constructive acceptance.
4. For payments involving multiple receipt dates, enter the latest receipt date in block 26 of the consolidated payment voucher, DD Form 1155.
5. In Item 28, enter the disbursing office voucher number.
6. In Item 29, enter on one line, the amount of discount taken and annotate "Disc" to the right of the line. On the other line, enter the net of any other differences (that is, Federal Supply Schedule (FSS), Voluntary Price Reduction (VPR), Freight, etc.) between the amount in Item 25 and the amount paid, and annotate "ADJ" (adjustment) to the right of the line. As an optional procedure, the four lines available may be used to individually reflect differences (DISC), freight (FRT), voluntary price reduction (VPR), etc. All copies of the invoice should be annotated with an explanation of differences between the amount of the invoice and the net amount paid unless readily apparent. Invoices do not need to be annotated if documentation explaining the differences is attached to all copies of the invoice.
7. In Item 30, for manual payments enter the signature of the person who prepared the voucher.
8. The entries for Item 31 are determined by the payment status for each call being paid. Normally, only the complete block is used. However, the other blocks and any combination of the three blocks may be used when appropriate. Enter "X" in the complete block if making a complete payment for all calls. Enter "X" in the partial block and enter the number of the partial payment to the right of the block if making a partial payment for a call. Make both entries if the payment is complete for some calls and partial for others, and indicate in Block 17, the call numbers which are being partially paid. Enter "X" in the final block if making a payment for a call for which a partial payment was previously made, and indicate in Block 17, the call number being paid in final.
9. In Item 32, enter the completed brief block stamp, including the date paid.
10. In Item 33, enter the net amount to be paid. (The amount in Item 33 must equal the amount in Item 25, plus or minus the amount(s) in Item 29.)
11. In Item 34, enter either the check number or cash payment as applicable.

12. In Item 36, enter the date and signature of the authorized certifying officer over his or her typed or stamped name and grade (if military). The certifying officer's title may be entered but is not required. The signature is required on the original only.

13. The disbursing and collecting office will require the payee to receipt for the payment by signing in Block 38 and entering the date of payment in Block 39 if making a cash payment.

080105 Preparation of DD Form 1155-Other

When using DD Form 1155 as a payment voucher for purchases other than calls against BDOs and BPAs, prepare the DD Form 1155 as indicated in paragraph 080104-B, except:

A. Include the DD Form 1155 continuation pages if they describe services or material being paid for as part of the voucher. If the DD Form 1155 describes the payment, it is not necessary to include the "Per Attached Invoice" statement in Block 17.

B. Entry in Block 17, referring to items or services being paid, is not required if identified in the content of the DD Form 1155. If not identified, include a brief description such as "Services for the period 1-31 Jan 1989."

C. If payment is for services, the date of receipt entered in Block 26, is determined by using the same criteria as used for determining date of receipt for discount purposes regardless of whether or not a discount is actually involved, see paragraph 020102. If a receiving report was signed April 10, 1989, for services during the period 1-31 March 1989, then March 31, 1989, would be entered in Block 26.

D. Use the original copy of the DD Form 1155 signed by the contracting officer as the original voucher copy for a complete or first partial payment.

080106 Preparation of SF 1034

A. Complete appropriate blocks as follows:

1. Applicable Department and place prepared.

2. Date prepared. (no entry is required in this block).

3. Voucher numbering. Vouchers are numbered in accordance with procedures established by each disbursing office.

4. On payments for supplies or non-personal services, show the number and date of the contract, requisition, or purchase order.

5. Payee's name and address (include SSN for United States military members and civilian employees if payment affects the pay account or is a taxable payment). Enter the name and address of contractor who supplies the services or articles; also if payment is a reimbursement for civilian uniforms or replacement allowance, include the name of the person and the position held. Under various conditions, the payee (contractor) cited in this section of the voucher is not to be paid any of the amount due. This happens in:

a. Assignment of Claims (see paragraphs 030101 and 030109).

b. Contractors Indebted to the United States, Hold-Up List (see paragraph 180407).

c. Tax Levies of the Internal Revenue Service (see paragraphs 060101, 060201, and 060301).

d. Other comparable situations. When this occurs, do the following:

(1) Following the payee's (contractor) name and address in the Payee block, add in bold letters "Attached List of Check Payments." This same notation should be made in the check number space of the Paid By block.

(2) Prepare list of check payments in same number of copies as the voucher and attach a copy to each voucher form. The list of check payments will include the

following:

(a) Voucher number and Accounting Disbursing Station Number (ADSN) or Disbursing Station Symbol Number (DSSN) of the disbursing office.

(b) The name and address of each payee to whom a check is payable (the payee information will be stated in the precise manner in which the check is to be drawn).

(c) Opposite the payee, show the amount of the check and leave space for the check number (to be entered by the disbursing office). If the check is drawn on other than U.S. Treasury, list bank on which drawn.

(d) Show total dollar amount for checks drawn. This will permit comparison with amount due on face of voucher.

6. Date the invoice was received and discount terms (if no discount, enter "NET"); and payee's account number, if available.

B. Body:

1. First Column. Number of purchase order or delivery order and date prepared, if different from the data required by paragraph 080106-A.

2. Second Column. Date(s) supplies delivered or services performed.

3. Third Column. Description of supplies or services unless the attached invoice gives the description; if so, enter the following statement: "Per attached invoice." Special notations will also be made in this column. Reference any previous partial payments in this column. Reference the voucher number and date paid.

4. Fourth, Fifth, and Sixth Columns. Do not use if the invoice is attached as in paragraph 080106-B(3). If the invoice is not attached, complete as follows:

a. Column four, show the quantity of each item.

b. Column five, show the unit price of each item.

c. Column six, show the unit of measurement for each item.

5. Seventh Column. Show extended value of each item. If the amount is stated in foreign currency, insert name of currency. When attached invoices are referred to, show the extended total for each individual invoice. When the SF 1035 is used, show the extended total for each sheet in this column. Use the Differences block for cash discounts identified as "Disc" and the net of any other adjustments to the amount in the total block identified as "ADJ" (adjustment). For vouchers involving multiple invoices, the disbursing office may attach a list of invoice discrepancies to the original and retained copies instead of recording each discrepancy on the face of the SF 1034. "Amount verified correct for" will be the adjusted total. The signature shows who computed and verified the payment.

6. Accounting Classification Block: Show each accounting classification and amounts charged to it. Use a separate line for each accounting classification charged. If only one accounting classification is cited on the voucher and foreign currency or voucher deductions are not involved, it is not necessary to show the amount following the accounting classification.

7. Station Number of the disbursing office. Enter the ADSN or DSSN of the disbursing office on all copies of a disbursement voucher.

8. Expression of Money Amounts:

a. Dollars and Cents. Except as prescribed in paragraph 080106-B(8)(b), Foreign Currency, show money amounts as dollars and cents. If less than one-half cent occurs in the footing of a voucher, disregard it. If the fraction is one-half cent or more, count it as one cent.

b. Foreign Currency. Enter the amount of foreign currency, dollar equivalent, and exchange rate in the blocks marked "Approved For" and "Exchange Rate" on SF 1034. Show the amount in U. S. dollars in the Accounting Classification block. The amount of the check may be shown in the foreign currency if a limited depositary is maintained for that currency.

9. Payment Notations. Check blocks under Payment as follows:

a. Provisional (When paying a voucher requiring review by Defense Contract Audit Agency and possible adjustment. See paragraphs 090301 and 090302).

b. Complete (When paying the entire amount of the contract or purchase order).

c. Partial (When paying for a partial delivery, the number of the partial payment must be shown, so it can be determined whether it was the 1st, 2nd, etc., and also if the partial payment number were correct).

d. Final (When making the final payment of two or more partial payments).

e. Progress (When making progress payments under terms of the contract).

f. Advance. (When making an advance payment to a contractor, vouchers covering additional advances must refer in the Articles or Services block to vouchers covering prior advances under the same contract. References must show voucher number, name and symbol of the disbursing officer, and date paid. Advance payments are referred to as "first advance," "second advance," etc.)

g. Supplemental. (When supplemental payments are made, use the block for final payments and cross out the word "Final" and replace it with "Supplemental." Reference the original voucher on the supplemental voucher in the articles or services block. Reference must show voucher number and date paid.)

0802 COPIES PREPARED

080201 Preparation of DD Form 1155

The DD Form 1155 may be used as a payment voucher when prepared in accordance with paragraphs 080101, 080103, 080104, and 080105.

080202 Preparation of SF 1034

Prepare the SF 1034, as detailed in paragraph 080106, and provide sufficient copies to meet the distribution requirements of paragraphs 080601, 080602, and 080603.

080203 Preparation of SF 1035

Prepare the SF 1035, Public Voucher for Purchases and Services Other Than Personal (Continuation Sheet), as needed along with the SF 1034, to meet the distribution requirements in paragraphs 080601, 080602, and 080603.

0803 PAYEE'S CERTIFICATE

080301 Mental Disability

If claimants have a mental disability that disqualifies their signature, the law requires appointment of a committee or guardian.

080302 Guardianship

File certified copies of court papers appointing a guardian with the first voucher. Refer to the first voucher number on each following voucher. If the payee is in an institution, the certificate by the official in charge, stating that the payee was alive at the time payment was due, must be filed with each voucher. Guardians must sign the payee's name, then their own name as guardian. Later recurring payments must be supported by a statement by the guardian that the appointment is still in full force and effect. Additional court certificates are not required for these payments.

080303 Facsimile Signatures

A facsimile signature is an impression of a signature by a rubber stamp, metal plate, or

other mechanical device, and may be used for facsimile transmissions. In compliance with FAR, part 2.101, facsimile means electronic equipment that communicates and reproduces both printed and handwritten material.

080304 Lead Pencil Signatures

Lead pencil signatures are not authorized, except in rare cases where it is impossible to obtain them in pen and ink (19 Comp Gen 422 (1939)).

0804 ADMINISTRATIVE CERTIFICATE

080401 Administrative Certificate

This certificate means that legal requirements for payment have been met.

NOTE: A certification is not required on billings for material delivered under constructive delivery or for communication service authorizations except for toll calls and personally acquired travel related expenses such as accessorial service.

080402 Signature Requirements

Administrative certificates are signed by certifying officer over his or her typed or stamped name and grade (if military). Vouchers certified by authorized certifying officers from outside the disbursing office, such as medical and education services vouchers, are not required to be recertified in the disbursing office. The disbursing office and designated representatives qualify as certifying officers and may certify vouchers for payment based on supporting documents.

080403 Evidence of Receipt

Signature in the "Approved for" block of the SF 1034 normally does not constitute evidence of receipt and the statement in paragraph 090605 must be provided. However, a separate receiving document is not required when the payment voucher (SF 1034) is prepared outside the disbursing office and is signed in the "Approved for" block by an individual who has full knowledge of the receipt or acceptance of

the authorized goods or services. Signing the "Approved for" block attests that the voucher is properly documented, including the completed blocks showing date of delivery, quantity, and description of articles or services.

0805 PAYMENT INFORMATION

080501 Payee Name and Address

The name and address of the contractor official to whom payment is to be sent must be the same as that in the contract or in a proper notice of assignment. See FAR, subparts 32.905 and 52.232-25. Changes in the name of the contractor should not be honored without modification of the contracting documents except for assignments as detailed in Chapter 3 of this volume.

080502 Distribution of Payment Vouchers

Distribute payment vouchers (for example, SF 1034 and DD Form 1155) and supporting documents as shown in paragraphs 080601 through 080604. Send one copy of payment voucher for medical services to the hospital resource management office (two copies may be provided if available).

080503 Forms Used in Automated Operations

The forms prescribed for automated processing of commercial account payments must be approved by the DFAS Headquarters.

080504 Facsimile Transmissions of Payment Vouchers

The SF 1443, Contractor's Request for Progress Payment, and the SF 1034 generally may be transmitted by facsimile to support payments instead of the original when the conditions listed in paragraphs 080505-B through 080505-D are met.

080505 Conditions

A. The certifying official's signature, as it appears on the original copy, is clear and legible on the transmitted copy of the form used to support the payment.

B. The disbursing officer has knowledge of the authenticity and authority of the certifying officer's signature.

C. The original document is properly annotated to show that payment has been made in order to prevent duplicate payments.

D. The disbursing office will annotate the transmitted copy to show that payment has been made. This will support the disbursing officer's transactions and the location of the original form and supporting documentation for payment requests instead of original copies.

080506 Filing of Documents

Officials authorizing transmission of documents file the original SF 1443 and SF 1034 and make sure that contractors do not have access to the vouchers.

080507 Legibility

The transmitted copy must retain its likeness for the same period of time as required for the original document. Copies created by thermal methods are not acceptable but the transmitted copy may be photocopied for retention purposes.

080508 Safeguarding Precertified Vouchers

If payment vouchers are certified ahead of their scheduled due dates in order to increase the efficiency of operation, these precertified vouchers must be safeguarded. At a minimum, a locked file cabinet will be used, and the keys or combination will be controlled.

0806 DISTRIBUTION OF PAYMENT DOCUMENTATION

080601 Voucher

A. The original voucher is for the disbursing office.

B. A copy of the voucher is sent to the accounting office.

NOTE: The contractor is not required to receive

a copy of the voucher. However, the contractor is to be informed of what a payment represents. This can be accomplished by an advice of payment listing the invoices(s) paid, identification of deductions, refunds, discounts taken, and so forth or by a copy of the voucher produced by an automated system that lists the same information.

080602 Invoice

A. The original invoice is for the disbursing office and they should attach it to their voucher.

B. A copy of the invoice is sent to the accounting office.

NOTE: If invoices are received electronically, the data must be retained for audit purposes. This retention can be either by hard copy or automated means. For those accounting offices not capable of receiving automated files for transactions for others, the data must be converted to hard copy.

080603 Receiving Report

A. The original receiving report is for the disbursing office.

B. A copy of the receiving report is retained by the receiving activity.

C. A copy of the receiving report is sent to the accounting office.

Note: If an original receiving report is received, it will be retained by the cognizant DFAS Center and copies also will be retained by the disbursing office and copies sent to the accounting office. If automated acceptances are used (for example, MILSCAP), the acceptance data are required to be given to the disbursing office and the accounting office in the form of a printed document (separate document or as part of the printed voucher).

080604 Certificates

The original certificate is for the disbursing office.

NOTE: The certificate or other supporting documentation may be executed on the invoice or voucher. In addition, some supporting documentation may not be an original, such as copies of bill of lading.

CHAPTER 9

SUPPORTING DOCUMENTS TO PAYMENT VOUCHERS0901 CONTRACTS AND PURCHASE ORDERS090101 Contracts and Purchase Orders as Supporting Documents

A. Purchase transactions by a contracting officer are shown by a written contractual document.

B. The disbursing office is to receive one copy of the contract in accordance with FAR 4.201. This copy should be retained in the disbursing office files to support payments.

0902 CONTRACT MODIFICATIONS090201 Correction of Administrative Errors

Errors in contractual documents must be corrected by a formal modification. In the past, there have been problems between disbursing offices and contracting offices concerning the timely issuance and receipt of corrective administrative modifications when payment already has been made. Disbursing office personnel will notify the contracting office personnel of items in the contract that need to be corrected. Contracting personnel will make the changes through a formal modification. Disbursing office personnel will not make any changes to contracts.

090202 Changes to Contracts

A. See FAR Sup 13.503, 43.301, and the DFARS for forms used to modify contracts.

B. The disbursing office is to receive one copy of each modification to the contract in accordance with FAR 4.201.

090203 Shipment Shortages/Overages

A. If the disbursing office also is the

accountable station for the funds cited on the contract and the procurement office is colocated, formal changes to contracts are not required where shipments are short of the ordered quantity and the contract does not contain a quantity variation clause. When a shipment is short of the quantity ordered, the disbursing office shall pay, in compliance with the Prompt Payment Act, the amount of the invoice that supports quantity received.

B. If the receiving report or the invoice indicates that the shipment is final, but there are undelivered items remaining, the disbursing office shall contact the contracting officer and advise of the final shipment and request disposition of the remaining items. The contract should be left open until there is a reconciliation of contract price and items delivered or advised by the contracting officer to close the contract.

C. If the receiving report indicates that shipment has been made of quantities in excess of the contractual amounts, determine if the contract contains FAR clause 52.212-10. If so, process as follows:

1. Excess quantities up to \$250 may be accepted and retained by the government without payment to the contractor.

2. Quantities in excess of \$250 will, at the option of the government, either be returned at the contractor's expense or retained and paid for at the contract unit price. The contracting officer should be contacted and a modification must be issued to reflect the adjusted quantity when excess quantities are retained.

090204 Price Escalation Clause

Purchases are sometimes made under contracts with price-escalation clauses. The contracting officer will issue modifications establishing the new prices. If the disbursing

office receives invoices reflecting revised prices but a copy of the modification has not been received, the disbursing office shall contact the contracting officer for a copy.

090205 Delivery Orders

A. Delivery orders normally are used to request delivery of supplies under indefinite delivery-type contracts and basic ordering agreements.

B. Some contracts provide for the furnishing of services as required from time to time. These services are confirmed by means of a delivery order or other document which shows the services involved.

090206 Changes to Delivery Orders

A. Forms. See FAR, subparts 13.503 and 43.301, and the DFARS for forms used to modify delivery orders when the changes are outside the scope of paragraph 090201.

B. Copies. The delivery order and related modifications (or reproduced copies) are retained in the contract files.

0903 CONTRACTOR INVOICES

090301 Contractor's Invoice as Supporting Documentation

A. General. A contractor's invoice represents a bill or written request for payment. There is no prescribed format for the invoice but the invoice must contain certain information as required by FAR 52.232-25(a)(4) and stated in paragraph 070201. The forms used in commercial transactions are acceptable. An original contractor invoice specifically is required as a condition of the contract. If an invoice is lost and the contractor submits another one for payment, the second invoice should be marked in **bold** letters that this is a **DUPLICATE INVOICE**. This bold marking should help ensure that a payment will not be made twice on the same invoice. The DD Form 250, Material Inspection and Receiving Report, and invoices prepared by automatic (computer, etc.) methods also are acceptable. The contractor must furnish

the appropriate number of invoice copies required by the contract (normally four). The invoice copies must be legible and remain legible under normal use until the scheduled time for destruction. When agreements provide for payment of fixed amounts at regular intervals, payment may be made without a contractor's invoice. When these payments are made, the disbursing office shall annotate the contract or agreement number on the payment voucher. Establish controls to prevent duplicate payments and payments being made on expired contracts or agreements.

B. Invoices Requiring Administrative Contracting Officer (ACO) approval. The Defense Contract Audit Agency normally is the authorized representative of the ACO for approving all but the final voucher. The following invoices and vouchers require ACO approval before payment.

1. Completion vouchers under cost-plus fixed-fee or other cost-reimbursement contracts.

2. Vouchers and invoices for termination costs under supplemental agreements unless the termination modification specifies the costs to be paid.

3. Vouchers and invoices under time and material contracts.

4. Invoices for progress payments under fixed-price type contracts.

5. Vouchers and invoices for which the contract requires approval by the ACO before payment.

6. Invoices for the release of "withhold" amounts previously instituted by the ACO.

7. Any amount requested in which a disbursing officer requires an ACO signature.

C. Lost or Destroyed Invoices. When the original invoice is lost or destroyed, payment may be made on an unsigned memorandum copy if the contracting document shows which

disbursing office is to make payment. Attach a full explanation of the loss or damage to the memorandum copy. Also, attach this statement: "Precautions have been taken to prevent duplicate payment should the original invoice be found."

D. Release from Contract Obligation

In consideration of the fact that the company records of _____ show no balance due for items furnished the United States Government, in the amount of \$_____ under contract number _____ dated _____ I hereby relieve and forever discharge all responsibility of the United States Government to pay for said supplies or service. I further acknowledge and affirm that _____ has received adequate information from the United States Government relative to shipment of material or receipt of services in question to enable submission of proper documentation.

In witness whereof I have hereunto set my hand and seal in behalf of said company this ____ day of _____ 19 ____.

BY

TITLE

E. Nonreceipt of Invoices

1. General. The disbursing office should request invoices and supporting documents from contractors where there is no question of the government's liability and there is no dispute of facts. This is not held as inviting a claim as it is in the interest of prompt payment of an open account (30 Comp Gen 266 (1951)).

2. Procedures

a. Payables of \$.99 or less. If the invoice is not received within 90 days after receipt of goods or services, deobligate funds and write-off payable (58 Comp Gen 372 (1979)).

b. Payables of \$1 through \$99.99.

(1) If an invoice is not received within 30 days after date of receiving report, request invoice from the contractor. This is the only followup required and should be accomplished at any time between 30 and 60-day marks, depending on local circumstances. For meat, fish, fresh fruits and vegetables, and dairy products and edible fats or oils, unless other arrangements have been made for weekly, biweekly, or monthly invoicing, follow up in accordance with paragraph 070203.

(2) Include with the request for invoice a Release from Contract Obligation (see paragraph 090301-D). Request that the contractor return either an invoice or the completed and signed Release of Contract Obligation. If automated contractor followup is available, it may be used instead of manual followup procedures. Automated payables systems will maintain the evidence of followup in the system eliminating the requirement for it to be physically located in the contract file.

(3) If an invoice meets the requirements contained in paragraph 070201, pay it. If the contractor signs and returns the form, immediately deobligate the payable and retain the contract and the case file in a closed file until the statute of limitations expires. Place cancelled contracts in the cancelled file. If the invoice is not received after 180 days from the date of receipt of the goods or services and at least 90 days have elapsed since the date of the initial follow-up, deobligate the funds and write-off the account payable. The account payable also must be retained in the closed file until the expiration of the statute of limitations (6 years).

(4) Although a contractor is not required to sign a Release from Contract Obligation, the decision to do so creates legal rights on behalf of the government, and the signed form should be viewed as a legal release from the contract. In the event that both the government and the contractor agree that the form was in error, this agreement would set aside the release. The form should be signed by an authorized representative of the company (not by a clerical employee). If no evidence to the contrary is available, assume that the signee was

so authorized.

c. Payables of \$100 or more.

(1) Follow procedures in paragraphs 090301-E.2.b, except subparagraph 090301-E.2.b.3. Do not deobligate funds of \$100 or more. While a second demand letter is not sent for \$100, the government must maintain a record of the obligation. Do not write it off.

(2) If the contractor signs and returns the form, deobligate the payable immediately. If the form or invoice is not returned within 180 days from receipt of goods or services, transfer the payable to the inactive suspense file. Maintain the obligation until expiration of the statute of limitations which restricts time for filing claims against the United States to 6 years from date the right to payment accrued (date that goods or services were received). The funds should be deobligated upon expiration of the statute of limitations or cancelled when the appropriation funding is cancelled. Memorandum records of obligations cancelled, but remaining within the statute of limitations, must be maintained.

F. Facsimile Submitted Invoices. Faxed invoices are received at the discretion of the disbursing office. Invoices sent to the office designated in the contract by teletype, TWX, EDI, or FAX are acceptable provided they meet the copy and content of this section and the legibility requirements of paragraph 080507 and FAR Part 32. Do not accept transmission if invoices must contain a certificate and original signature of the payee or must be supported by original documentation such as claims for pre-paid freight charges.

090302 Processing Invoices

A. Certificates. Some invoices must contain a certificate signed by the payee. Certificates are:

1. Completed when a certificate is required on invoices for transportation and accessorial services acquired by Government bill of lading (GBL) or commercial bill of lading for conversion to GBL (see paragraph 130103-A).

2. Completed when required by contract terms, invoices for gasoline and fuel oil state: "I certify that tank wagon (or garage, service station, etc.) price at the date and point of delivery is as stated herein."

3. Completed when a foreign contractor refuses to sign the above certificates. The disbursing office or agent signs one of these statements to support the voucher: "I certify that the contractor's certificate could not be placed on the invoice; contractor refused to place this certificate on the invoice; signature of contractor could not be obtained except as shown on this voucher or attached; or payment to the contractor named on this voucher was made on the date shown in the space for contractor's receipt."

4. Not completed on invoices for other types of services and material. (This does not apply to specific certifications of facts required by certain contracts.)

B. Invoice Discrepancies

1. Adjustment of Computation or Extension Errors. Increase the payment for computation or extension errors totaling ten percent or \$100, whichever is less, per invoice without contacting the contractor. If the error exceeds this amount, obtain a corrected invoice before certifying the voucher for payment. Corrections involving decreases of overclaims are made in any amount (57 Comp Gen 298 (1978)).

2. Lower Unit Prices. If invoices are submitted for less than the contract unit price, pay without further action. The contractor must furnish another invoice for any additional amount due.

3. Underbilling on Quantity. When a contractor bills for less than the quantity received, pay without further action. The contractor must furnish another invoice for any additional amount due. If partial payments are not authorized, notify the contractor of an improper invoice by returning the partial invoice and request a complete billing.

4. Other Discrepancies. When a contractor bills for items not received, items

rejected, or other unauthorized charges:

a. Make the necessary adjustment in any amount on the face of the invoice, voucher or advice of payment.

(1) Pay the reduced amount.

(2) Provide the contractor an explanation of the adjustment. Automated payables systems should produce this statement.

b. If the contractor insists that items were delivered, but the receiving report is missing, return the invoice and ask for proof of delivery so that the receiving activity can process a receipt.

5. Corrected Invoices. Payment may be made on corrected invoices issued to correct erroneous ones. Mark the erroneous invoice "Void" and attach it to the new invoice. Mark the new invoice "Corrected" to avoid a duplicate payment. The receipt of the corrected invoice is used to determine the payment due date.

C. Consolidation of Invoices

1. Consolidate invoices from the same contractor, as possible under requirements to pay by, but not sooner than, the due date.

2. Identify each invoice and contracting instrument on each single voucher payment. Enter the amount of each in the amount column. State "Per detailed invoices attached" or similar words to describe the attachments.

3. Do not consolidate invoices pertaining to contracts with those for open market purchases.

D. Cash Discounts and Discount Periods Allocable to Invoices. See paragraph 020103.

090303 Disposition of Invoices

A. Original. Attach to the original voucher.

B. Duplicate. Attach to the duplicate voucher in disbursing office's retained file.

C. Triplicate. Send with the check to the contractor or contractor's authorized representative. This need not be done if the invoice numbers are cited on the check, the copy of the voucher or the advice of payment returned to the contractor.

0904 FOREIGN LANGUAGE DOCUMENTS

090401 Documents Prepared in a Foreign Language

A. Invoices and supporting documents prepared in a foreign language must be translated before payment to make sure their contents satisfy requirements of the contracting document.

B. The documents should be translated in enough detail (item identification, units, prices, extensions, etc.) to enable someone unfamiliar with the language to determine that receipts (material or services) satisfy the contract terms.

1. Documents containing technical terms that cannot be translated by disbursing office personnel should be forwarded to the using or ordering activity for translation.

2. If terms are so technical that a translation cannot be made, a descriptive translation is adequate provided the using or requiring activity certifies that the items received are what was ordered.

090402 Multiple Invoices

If several invoices contain basically the same format and wording, a single translation is adequate provided like invoices support the same payment voucher and:

A. The required certification shows that all data not translated on other identified

documents are the same as that translated.

B. All noncommon data on all invoices are identified and translated in enough detail to allow an audit by persons not familiar with the language.

C. A separate translation is attached for each group of different invoices.

090403 Translation Certificate

The translation can be entered over or under the corresponding foreign wording or in its entirety on any available space on the document. If space is not available, the English translation may be copied on a separate sheet. The translator completes and signs the following certificate on each translated document found satisfactory for payment: "I certify that I am familiar with the ____ language, and that I have made a true and correct translation of the ____." (Signature and Date). Certification may be inscribed on a separate sheet and attached if space is not available on the foreign language document. Certifying officers must ensure payment requirements are satisfied based upon the translation.

0905 PAYMENTS

090501 Payments to Assignee

Direct payment to the assignee of a contract under the Assignment of Claims Act of 1940, as amended (41 U.S.C. 15), is authorized. However, such payments are not made before the disbursing office receives the notices of assignment (duly acknowledged by the ACO and surety or sureties, if any) and a true copy of the instrument of assignment. See paragraphs 030101 through 030113 and FAR 32.802.

090502 Recurring Payments

Payment for continuing services such as rents, janitorial services, or utilities, which are performed under agency-contractor agreements providing payments at fixed periodic intervals may be made without an invoice being submitted from the contractor. The amount paid normally will be at the base amount specified in

the contractual document. A receiving report or certification that the services were performed for the time period in question is required to support payment (see paragraph 070202-A). The basic voucher prepared to support payments of this nature must show as a minimum, contract number, period covered by the payment, name of the contractor, amount of payment, and account to be charged. The basic voucher must be certified for payment the same as vouchers for all other payments. Annotate payment voucher with enough detail so it can be identified and reconciled with the basic payment voucher. Administrative controls must be established to ensure that recurrent payments are on unexpired contracts or agreements, for correct amounts, for services actually performed, and are not duplications.

090503 Retention Amounts on Construction Contracts

Payment clauses in construction contracts provide for retention of a percentage of the amount due the contractor for completed work until the contract is complete or the contracting officer views the retained amounts to be more than adequate to cover any potential contractor liability for unsatisfactory performance. The contracting officer identifies the retained amount on the certificate of amounts due the contractor, which is forwarded to the disbursing office with the contractor's invoice. The contracting officer may request payment to the contractor for amounts previously retained on the certificate or on a separate document. Payment to the contractor will be made on SF 1034, Public Voucher for Purchases and Services Other Than Personal, with the certificate or separate document used as support of the payment. The SF 1034 should be annotated in the articles or services block to show:

Previous Contractor Invoice totals	\$XXXX.XX
Less: Previous Partial Payment(s)	\$XXXX.XX
Amount retained	\$ XXX.XX

0906 REPORTS

090601 Receiving Reports

A. Generally, receiving reports docu-

ment the receipt, inspection, and acceptance of materials and services by authorized personnel. As used in this regulation, the terms, "Delivery, Acceptance or Delivery/Acceptance," are dependent upon the terms of the contract.

B. Constructive acceptance period. See paragraph 070202-B and FAR 32.905(c)(42). Constructive acceptance should be used in determining when to start the Prompt Payment Act clock for payment computations. Payment cannot be made until the acceptance documentation is received.

090602 Recurring Service/Maintenance Type Contracts

Receiving reports on recurring service/maintenance type contracts do not have to be received physically in the disbursing office provided that satisfactory controls are established to ensure that:

A. The receiving report is prepared and retained for the required statutory period, either in the disbursing office or the receiving activity's files.

B. Duplicate payments are prevented.

C. Payments are made only for satisfactory services actually received and accepted.

D. Functional managers and their successors are aware of their responsibilities under the above procedures. This waiver of the requirement for receiving reports applies only to those service/maintenance contracts which require payment of a flat fee for a specified period of time (e.g., \$1,200 per month for twelve months).

090603 Certificate of Performance

There may be occasions where a certificate of performance is used instead of a receiving report. In these instances, the responsible official signs the statement: "I certify that the services have been received and were accepted on (month, day, year)." This statement may be on an invoice, delivery ticket, voucher or a separate paper. A certificate of performance in

support of board and room for dependent children in a private home overseas should read as follows: "I certify that the dependent (name) has received the board and room accommodations for the year-quarter ending." If the certification date is not the same for delivery and acceptance, two dates and signatures are required.

090604 Documentation

A. The original receiving report must be signed by the government representative who inspects and accepts the material or services.

B. Signature cards or lists of authorized government representatives are not required to be maintained by disbursing offices but the delivery receipt must contain a signature of the authorized government representative. The receiving activity is responsible for maintaining a list of personnel authorized to sign receiving reports.

C. Facsimile signatures on receiving reports can be accepted where the master is signed and the reproduced copy is designated as the original. Also, when appropriate, facsimile signatures using rubber stamps or other mechanical devices may be accepted. The authorized signer retains full responsibility for transactions when facsimile signature is used; therefore, inspectors should strictly control the device. Disbursing offices must take care to avoid duplicate payments where facsimile signatures are used.

D. Certificate of conformance (COC) procedures (FAR 52.246-15 and 46.504) are used only as a substitute for source inspection. Do not use COCs as a substitute for acceptance or as a payment supporting document. Payment can only be made after a properly executed receipt or acceptance document, such as DD Form 250, is provided.

E. Receiving reports are not required before payment for purchases under the fast payment procedure specified by FAR 52.213.1. Payments on contracts with fast pay clauses executed, modified, renewed, or contracts on which options have been exercised on or after April 1, 1989, must be made within 15 days after receipt

of invoice (see FAR 52.232-25(c) and paragraphs 070205-B.2 and 100301 of this volume. Contracts that include fast pay should be properly marked as "FAST PAY". Invoice requirements are as follows:

1. Invoice must be prominently marked "FAST PAY".

2. If the contract requires a shipper delivery order, the contractor has the option either of preparing such a report or including the following information on the invoice:

a. A statement in prominent letters "NO RECEIVING REPORT PREPARED".

b. Shipment number.

c. Mode of shipment.

d. At line item level:

(1) national stock number and/or manufacturer's part number,

(2) Unit of measure,

(3) Ship-to point,

(4) Mark-for point if in contract, and

(5) FEDSTRIP/MIL-STRIP document number if in contract.

F. When the government accepts title at origin (FAR 47.302) and the contract does not require source acceptance, the contractor may be paid before obtaining a receiving report, provided the invoice is supported either by a copy of a signed commercial bill of lading or other document containing the carrier's signature indicating the goods were received by the carrier. If the contractor fails to provide this documentation, return the invoice to the contractor as improper. See paragraph 070201 of this volume.

G. If delivery terms are other than F.O.B. origin or F.O.B. destination, acceptance is by the government at the actual F.O.B. point specified in the contract.

1. DD Form 1155, Order for Supplies or Services, Block 8, distinguishes only between "destination" and "other" for F.O.B. delivery terms. If the "other" block is marked, the contract should be examined to determine if the shipment is, in fact, F.O.B. origin. If the contract is F.O.B. origin, acceptance by the government is at the contractor's plant.

2. If the contract specified F.O.B. at a third point which is neither origin or destination, then payment to the contractor is made when the contractor provides evidence of delivery at that actual F.O.B. point. If the contractor fails to provide this documentation, return the invoice to the contractor as improper. See paragraph 070201 of this volume.

H. Unverified Invoices for Non-Tactical Radio Charges. Forward unverified invoices for non-tactical radio charges to the communications officer. After verification, the communications officer returns the invoices to the disbursing office for payment.

I. Public Utility Invoices. Rate schedules are not required when the invoice includes or is supplemented with the:

1. Total quantity of service furnished.

2. Rate charged per unit of service.

3. Total amount of the charges.

Invoices normally are submitted to a responsible officer who certifies and forwards them to the disbursing office. If applicable, the specified monthly refund of connection charges is deducted from service billings.

J. Certificate for Contract Printing. In addition to the data specified on the standard voucher, the following supplemental certificate will be typed or printed on, or will accompany, all vouchers involving payments for contract field printing. See 2035.40 of the Treasury "Financial Manual."

"I hereby certify as responsible officer that

the contract field printing covered by this voucher was procured according to the applicable Government Printing Regulations of the Joint Committee on Printing."

090605 Disbursing Office Copy

A. The disbursing office receives the original copy of the receiving report or a true, properly certified copy of the original. A true copy exists if original signatures of the person who inspects and accepts the material or services are on the copy designated as the receiving report. See paragraph 090601-A. Documents using a supply inspector's stamp as a facsimile signature are also acceptable. If the stamp is not used, then the inspector's original signature is required.

B. CONUS locations should request receiving reports or other supporting documents not received within 10 days from receipt of related invoices, or sooner, based on local experience. The estimated delivery date is computed by adding to the date of shipment the normal delivery time to the destination by the designated mode of transportation. The second and succeeding followup should be made weekly or at other locally established intervals based on local experience. Followup can be delayed if the invoice indicates delivery will be made at a later date. Followup immediately upon receipt of an invoice for meat, fish, and fresh fruits and vegetables. Automated payables systems should maintain the evidence of followup in the system eliminating the requirement for it to be physically located in the contract file.

C. Overseas locations should:

1. For material or service orders placed with local vendors, followup with the receiving activity 10 days after receipt of invoice.

2. For material orders placed with nonlocal vendors and being shipped by other than ocean freight, followup 30 days after receipt of invoice.

3. For material orders placed with nonlocal vendors and being shipped by ocean freight, followup 60 days after receipt of invoice.

4. In cases where anticipated shipment time is less than indicated above, follow up earlier as appropriate to comply with prompt payment requirement. See paragraphs 070202-A and B of this volume.

090606 Elimination of Hardcopy Receiving Reports

A. Receiving reports are not required by the disbursing office when automated systems provide automated notification of receipt and acceptance. The activity preparing the receiving report retains the source document in accordance with DoD 4000.25-5-M, Military Standard Contract Administration Procedures. The disbursing office may request copies of receiving reports if contractor disputes arise. For information on electronic signature, see paragraph 010304.

B. If a contractor claims an erroneous discount was taken or claims interest under the PPA, the original receiving report will be used to support payment or denial of the claims.

0907 VOUCHERS AND SUPPORTING PAPERS

090701 Contracting by Agent Officers for Organizations Away From Home Station

A. Vouchers and Supporting Papers normally include the following:

1. SF 44, Purchase Order-Invoice Voucher. This form is authorized subject to the limitations in FAR 13.505-3. The SF 44 is a pocket-size purchase order form designed primarily for on-the-spot, over-the-counter purchases of supplies and nonpersonal services, while away from the purchasing office or at isolated activities. It is a multipurpose form that can be used as a purchase order, receiving report, invoice, and public voucher. General procedural instructions governing the use of SF 44 are printed on the form. See paragraph 080101 of this volume for additional information.

2. DD Form 1155, Order for Supplies or Services. See paragraph 080101 of this volume. This form should be used to pay small purchases instead of SF 1034. DD Forms

1155 and 1155C-1, Order for Supplies or Services (Commissary Continuation Sheet), are used as purchase order, delivery order, blanket purchase agreement, imprest fund receipt, receiving and inspection report, and voucher. See FAR 13.5.

3. SF 1034, Public Voucher for Purchases and Services Other Than Personal. If forms cited in paragraphs 090701-A.1 and 2 of this volume are not available or appropriate, use SF 1034. Prepare the SF 1034 as detailed in paragraph 080106 and distribute in compliance with paragraphs 080601, 080602, and 080603.

4. Invoices of Bills Required. The purchasing officer furnishes the agent necessary invoices. If cash payment was not made at time of purchase, invoices are furnished in triplicate. Attach the original and duplicate of the invoice to the original and retained copy of the voucher, respectively. The triplicate copy is sent to the accountable office.

5. Certificates Required. See paragraphs 080301, 080302, 080303, and 090603.

B. Payments:

1. Make payment based on the contractor's original invoice or other form used as an invoice.

2. When payment is made by an agent, enter the following certificate on the original and retained copy of the invoice, or other forms used: "I certify that payment for the supplies and/or services listed here has been made by me as agent in cash this __ day of __ 19__ from funds entrusted to me by____, disbursing office at ____." (Signature, Name, Grade, and Title (note)) NOTE: The title will be "Agent" regardless of any other position the officer may hold.

3. When the contractor has signed for cash payment, the above certificate may be abbreviated as follows: "Paid by ____ as paying agent for, ____disbursing office."

4. When payment is not made by an agent, forward the contractor's invoice (or other form used instead) to the disbursing office

at the home base for payment.

5. The above provisions do not apply to payments made from imprest funds.

CHAPTER 10
PAYMENT VOUCHERS - SPECIAL APPLICATIONS

1001 INTRAGOVERNMENTAL PAYMENTS

100101. Rules for Completion of Reimbursement and Transfer Vouchers

A. General. Request for payment for items supplied to DoD is initiated by the supplying agency.

1. If the funds to be charged and credited are accounted for and reported on by the same disbursing office, then the “billing” and “billed” offices are the same. In such cases, if the transfer is within the same appropriation, use a journal voucher; if different appropriations are involved, use a SF 1080, Voucher for Transfers Between Appropriations and/or Funds.

2. GSA Form 789, Statement, Voucher, and Schedule of Withdrawals and Credits, is an authorized payment voucher for purchases from General Services Administration (GSA).

B. Authorized Vouchers for Transfers Between Appropriations and Funds. Use SF 1080 and SF 1081, Voucher and Schedule of Withdrawals and Credits, under the following general rules:

1. Surplus articles for which payment is to be made is listed on the voucher or supporting documents at their appraised values.

2. Work and shop orders indicate the unit prices of articles or services furnished, or the actual value of personal services, materials, and other direct charges, and overhead. When vouchers cover expenses incident to the use of equipment, the following certificate is placed upon the statement of account: “I hereby certify that the amount billed herein represents cost as determined under 31 U.S.C. 1535 and 1536.” In cases where the account is billed based on unit costs per hour, day, mile, etc., rather than by itemization of supplies and services, such unit costs will include all expenses of operation and maintenance except depreciation.

3. Reimbursement for personal services performed by an employee of another Federal agency may be made provided that an agreement for reimbursement was made before the rendering of such services. Copies of such agreements are attached to the transfer voucher in support of the payment.

4. Articles issued from stock on hand or due in is listed on the vouchers or supporting documents. The unit prices of such items should be at standard, average cost, or computed on such basis as to ensure proper reimbursement to the agency.

C. Audit of Billing. The disbursing office examines the transfer voucher to verify the amounts, sees that required information is shown, and validates that required certificates are signed. Audit includes verification of accessorial charges rates when levied by non-DoD government activities for issues, sales, and transfers of material, supplies, and equipment. There also will be included verification that charges do not include recurring reimbursement issues (sales) and nonreimbursable transfers of material to another DoD Component, except for sales and transfers pursuant to the military assistance grant-aid program and foreign military sales (FMS) programs. After audit and verification for propriety, the disbursing office cites the major accounting classification and certifies the voucher for payment.

D. SF 1080 Series. Use SF 1080 original and two copies for payment. The disbursing office completes the certification of Office Billed block of the form. Receipt and acceptance of material or services is evidenced by a statement signed by the receiver in the Articles or Services block of the form or by two copies of receiving reports, receipted invoices, or shipping documents if property is involved. Keep a copy of SF 1080 as the retained voucher. Return a copy of SF 1080 to the billing office as advice of payment and collection. Be sure to include the disbursing and collection voucher numbers. Complete and send one copy of the receiving report to the base accountable for the property. File the other copy of the receiving report with the retained copy of SF 1080.

E. SF 1081 is used as a billing voucher by some Federal agencies. Process them the same as SF 1080.

F. Payment. Issue a check for SF 1080 payments except for the following which are on a “no-check” basis:

1. When both collection and payment show the same symbol number.
2. The SF 1080 was annotated “No-Check Issue.”

(NOTE: No-check issue vouchers are assigned a disbursement voucher and collection voucher number.)

G. Entries on Posting Media. Certify the SF 1080 after review and verification.

100102. Payment Based on Constructive Delivery, Actual Delivery, or Dropped From Inventory.

A. General. As provided by 31 U.S.C. 1535, payment shall be made promptly by check on the written request of the agency or unit filling the order. Payment may be made in advance or on providing the goods or services ordered. The payment shall be for any part of the estimated or actual cost as determined by the agency or unit filling the order. A bill submitted, or a request for payment, is not subject to audit or certification in advance of payment. Proper adjustments of amounts paid in advance shall be made as agreed to by the heads of the agencies or units on the basis of the actual cost of goods or services provided. Constructive delivery is the delivery of material to a commercial carrier, freight forwarder, United States or international post office, or customer at point of production, storage, or test (DoD 4000.25-7M, Military Standard Billing System (MILSBILLS)). Delivery is shown by completed hardcopy shipping documents, MILSTRIP material shipping documents, or list of deliveries in post offices. Reimbursable issues of material to DoD and other Federal agencies are billed based on constructive delivery or drop from inventory. Under constructive delivery, bills are issued when the carrier accepts the goods for transport. However, payment under constructive delivery differs from the actual delivery or drop from inventory concept. Constructive delivery bills are accepted and paid without waiting for delivery of the goods.

B. Noninterfund Billings From Agencies Within DoD.

1. General. Reimbursable sales of material are billed at the time the items are dropped from inventory following requisition edit by a supply activity, except that billings for sales of bulk petroleum, oil, lubricants, perishable subsistence, FMS, and military assistance grant-aid shipments are based on constructive delivery. Constructive delivery also includes billings for goods accepted by an authorized inspector of another military agency at a contractor's plant with direct shipment to the consignee. Such billings must be supported with DD Form 250, Material Inspection and Receiving Report, or other authorized document received from the inspector showing shipment.

2. Processing. SF 1080 is used as the billing document for noninterfund bills. The SF 1080 must be prepared promptly by the selling activity upon drop from inventory or constructive delivery. Billings must be supported by proper documentation. Screen all billings to determine whether constructive delivery principles apply to all amounts. Send the bills to the receiving office or to the requisitioning office, when specified in the requisition.

3. Payment Procedures. Payment for reimbursable sales is on a check issue basis. Upon receipt of the SF 1080 or other approved form, if proper for payment, the office billed prepares a check and forwards it to the billing office with a copy of the SF 1080. The original SF 1080 is used to support the statement of accountability of the disbursing office. Complete the certificate of office billed before paying the bill only if:

a. For constructive delivery:

(1) Comparison with the requisition shows the items billed were ordered at prices billed

(2) The billing is supported by a summary listing or copies of priced shipping documents which show delivery to a carrier. If the billing is supported by a summary listing of documents, the listing must show:

- (a) Consignor (shipping office).
- (b) Consignee (receiving office).
- (c) Ordering agency, complete requisition number, and Military Interdepartmental Purchase Request or Cross Service Order number.
- (d) Consignor's shipping document number.
- (e) Date of shipment.
- (f) Total dollar value of each shipping document (indicate P for partial, or C for completed shipment).
- (g) Code for military or commercial carrier.

(3) The billing or the supporting summary listing contains the following statement which need not be signed: "Material billed herein was released to a carrier as indicated on shipping document/summary listings for delivery to the ordering agency's consignee."

b. For dropped from inventory:

(1) Comparison with the requisition shows the items billed were ordered at prices billed.

(2) The billing is supported by a summary listing or copies of priced shipping documents.

4. Responsibility of Supplying Activity. The supplying activity notifies the requisitioning activity of item substitutions and price or quantity changes as follows:

a. Forward a copy of the requisition (annotated to show changes) or other authorized supply action immediately after edit for availability.

b. Send a priced "advance copy" of the invoice as soon as possible.

c. Mail one priced “action copy” of the invoice and send one copy with the shipment at the time it is released to the carrier.

5. Responsibility of Requisitioning Activity. The requisitioning activity administratively controls funds for commitments and obligations incurred.

a. Based on information received from the supplying activity regarding changes or substitutions, the requisitioning activity informs the supplying office of any ordered items to be canceled or adjusted in the quickest and cheapest way available. It may reject items if word is not received from the supplying office soon enough to cancel or adjust the order and the supplies received are unacceptable for any reason. Normally, variations in shipment should be accepted; however, when price or quantity changes would cause an overobligation of funds, such variations should be rejected.

b. The receiving activity records only the amounts and quantities of those items approved for payment. When making reimbursement, annotate each document supporting the billing to delete unacceptable items or reduce quantities or items rejected by the supplying activity. Adjust the billing and make reimbursement in the changed amount. Subsequent disposition of the rejected items is through mutual agreement between the requisitioning and supplying activities.

6. Billing Adjustments for Short, Damaged, or Defective Shipments Within DoD. The billed activity initiates action to obtain billing adjustments. Do not request billing adjustment for these causes within DoD when the loss or damage is less than \$250 per line item. Such losses are absorbed by the ordering activity. However, when the DoD shipper is responsible for the discrepancy, SF 364, Report of Discrepancy (ROD), is prepared by the receiving activity and processed. The transportation management office (TMO) or transportation office (TO), as applicable, initiates the SF 361, Transportation Discrepancy Report (TDR), when the shortage or damage is attributed to the commercial carriers. Adjustments for shipment losses of \$100 or less may be automatically granted to a foreign country if shipments involve foreign military sales.

7. Other Billing Adjustments or Allowances. The ordering activity initiates requests to the billing activity to grant adjustments or allowances not arising from shortages, damages, or defects in shipments; for example, overages, unacceptable substitutes, or erroneous material received. Approved requests are applied as an adjustment or allowance to the customer’s account included in the billing document. Do not request billing adjustments when the amount involved is \$250 or less per line item.

8. Billing and Credit for Material Diversions Under MILSTRIP/MILSTAMP. Activities canceling requisitions for which a Material Diversion Confirmation is issued are credited the amount billed, including accessorial charges. The alternate consignee for material diverted is billed for the standard price and accessorial charges. Activities canceling requisitions for material that the Defense Logistic Agency (DLA) placed an order for

direct shipment of nonstocked items are billed by SF 1080 for contract termination costs arising from cancellation of the requisition. The DLA promptly will notify the “bill to” activity cited in the canceled requisition of impending termination costs.

9. Missile Propellants. Use an SF 1080 when billing for missile propellants on a drop-from-inventory basis. Pay these bills upon receipt using the same SF 1080 to ensure the bill number cited remains the same.

★ 100103. Payments to Defense Working Capital Funds.

★ Payment for services rendered by Defense Working Capital Fund activities is based on the prescribed rates, tariffs, and billing procedures designated. As provided by 31 U.S.C. 1535, payment shall be made promptly by check on the written request of the agency or unit filling the order. Payment may be made in advance or on providing the goods or services ordered. The payment shall be for any part of the estimated or actual cost as determined by the agency or unit filling the order. A bill submitted, or a request for payment is not subject to audit or certification in advance of payment. Proper adjustments of amounts paid in advance shall be made as agreed to by the heads of the agencies or units on the basis of the actual cost of goods or services provided.

100104. Material and Services from General Services Administration (GSA)

A. Requisitions. The supply officer prepares MILSTRIP requisitions for sales from stock or automated direct delivery sales.

1. The ordering activity records the obligation for the material and monitors supply support services. Support the recording of the obligation with a copy of the price extended requisition or listing of items ordered.

2. The GSA advises the ordering activity of changes in prices, quantities, or substitutions immediately after requisition edit by sending advice of changes to the requisitioner. Based on this advice, the ordering activity informs the GSA of any changes desired.

3. GSA stores forward priced copies of DD Form 1348-1, DoD Single Line Item Release/Receipt Document, for stocked items with the shipment to the consignee. For stocked items ordered to be shipped directly from the supplier, the GSA forwards a copy of the supplier's order form. For nonstores items, the GSA forwards a copy of the purchase order or a contractor's packing ticket, as appropriate. These documents show the number of packages, types of package, description of contents, package number, the gross weight, and cube. Copies of the documents are sent to the disbursing office, the consignee office, and the ordering office.

4. The ordering activity is responsible for administrative control of funds. Based on changes in prices, quantities, or substitutions of items the ordering activity:

a. Adjusts the previously recorded obligation; or, if funds of the ordering activity will be overobligated, advises the GSA depot by the most expeditious and economical means available of requisitioned items to be canceled or adjusted.

b. Normally accepts substituted items and changes in prices and quantities as detailed in paragraph 100104-A(2). This does not apply when material that was not ordered or accepted would cause overobligation of funds. Disposition of material not accepted is arranged by mutual agreement between the ordering activity and the GSA depot. Billing adjustments are made as stated in paragraph 100104-C.

B. Noninterfund Billings (GSA).

1. The GSA provides selected supplies, equipment, services, space, communications, motor vehicle rental, and other miscellaneous items on a reimbursable basis. These supplies and services are financed from revolving, management, or working capital funds. Reimbursement from the components are obtained through periodic billings and collections which permits the GSA to operate these programs with a minimum amount of appropriated capital.

2. Bills are received from the GSA biweekly, monthly, or quarterly after the fact, or in advance on their billing forms. GSA Form 789, Statement, Voucher, and Schedule of Withdrawals and Credits, is used for billing. Certification of such bills by the GSA is not required. Except for those bills which are rendered in advance (such as rental payments), bills are sent to the components only after there is evidence of actual delivery of material or services or after receipt of evidence of shipment (constructive delivery). Documents or billing cards generally are furnished by the GSA, and they contain necessary data to permit identifying the requisition, purchase order, travel order, or other obligating documents. The GSA may, at its discretion, process requisitions of \$1 or less without billing. If such items are not billed 60 days after receipt of the material, the obligation should be canceled.

C. Adjustments. The GSA adjusts billings when appropriate for transportation-type discrepancies attributable to the common carrier, and when the discrepancy in shipment is either caused by the shipper (GSA), or results from a lost or damaged parcel post shipment. The GSA adjusts billings that are erroneous, if the error is over the amount specified per line item in DoD 4000.25-7-M, Chapter 4, paragraph A.2.

1. For lost, damaged, or defective shipments, when the discrepancy is apparently attributable to the common carrier, the receiving activity prepares an SF 361. The GSA processes these claims within CONUS, since they are designated on the government bill of lading (GBL) to make payment of transportation charges to the common carrier.

2. When the discrepancy in shipment is either caused by the shipper (GSA) or results from a lost or damaged parcel post shipment, the receiving activity prepares an SF 364. The receiving activity sends the SF 364 to the GSA Discrepancy Reports Center.

3. Errors in GSA noninterfund billings over the amount per line item specified in DoD 4000.25-7-M, Chapter 4, other than the discrepancies in paragraphs 100104-C(1) and (2), are corrected by the GSA based on a letter from the billed office. For these errors, the billed office sends a letter to the GSA Discrepancy Reports Center, includes a full explanation of the error, and attaches a copy of the billing document which includes the error. The billed office will process interfund billing (MILSBILLS) errors.

4. Some discrepancies and billing errors are too small to process. The gain or loss from errors and discrepancies too small to process, per paragraphs 100104-A(1),(2), and (3), are absorbed by the ordering activity.

5. The GSA processes the SF 364 (ROD) and SF 361 (TDR), replies to the receiving activity, and, when applicable, sends an adjusted bill to the billed office. They also process letters advising them of erroneous billing over the amount specified per line item in DoD 4000.257-M, Chapter 4, reply to the billed office, and, when applicable, send an adjusted bill to the billed office.

a. The receiving activity is responsible to follow-up with the GSA Discrepancy Reports Center when the GSA fails to reply to a TDR or ROD. When the reply to a TDR or ROD indicates a billing adjustment will not be made, the receiving activity absorbs the resulting gain or loss. When the reply indicates a billing adjustment will be made, the receiving activity provides a copy of the reply to the billed office.

b. If the billing adjustment is not received within 60 days of the date of the reply to the TDR or ROD, the billed office follows up with the GSA Discrepancy Reports Center, for non-interfund bills, by letter, with a copy of the reply to the TDR or ROD attached. If no reply is received to the follow-up letter within 60 additional days, a second follow-up letter is sent from the billed office to the GSA Discrepancy Reports Center.

c. The billed office sends follow-up letters to the GSA Discrepancy Reports Center, about billing errors over the amount specified per line item in DoD 4000.25-7-M, Chapter 4, each 60 days until the billing adjustment is received or until advised that a billing adjustment will not be made.

D. Transportation. The GSA pays transportation costs on stock items to all CONUS activities and to United States ports of embarkation for overseas shipments. These costs are included in the GSA standard stock item prices. Transportation charges for non-stock items are paid by the consignee or, if paid by the GSA, they are billed to the consignee.

E. Payment (Noninterfund).

1. Make payment for material by check within 15 days after receipt of the GSA invoice. GSA Form 789 is the payment voucher authorized for purchases from the

GSA. Pay the bills as rendered without preaudit or receipt verification, subject only to availability of funds and adjustments for obvious significant errors in dollar amount. If items are deleted from the billing, fully explain on the GSA billing forms. Establish a follow-up system to make sure that material paid for is received.

2. GSA billings for material shipped overseas contain a special surcharge for packing, packaging, and preservation of material. These costs are not included in the standard unit prices of the items but are billed separately. GSA billings for these charges cite the appropriation fund code shown in the MILSTRIP requisition. Send a copy of the GSA billing form with a check to the GSA Regional Director of Financial Management.

3. Surcharge rates are computed by applying an authorized percentage of the value of the material ordered and delivered, with both Level A and Level B pack, through the GSA regions to DoD customers overseas. These rates are subject to change each fiscal year based on annual review of actual costs by the GSA.

4. Accounting Services is responsible for GSA Motor Pool transactions incurred by the local TO. Travel section processes payments to the GSA or contractors for vehicle rentals authorized by travel orders. Use the data on the billing documented detail billing cards to identify the requisition, purchase order, travel order, or other obligating document. Compare the billing information to the obligation document, if an error is found, follow instructions in paragraph 100104-C. Make payment by check within 30 days of the billing date. The GSA forwards detail billing cards in support of the summary billing document and a GSA Form 789. The GSA supports each transaction listed with detail billing cards for use with either mechanized systems or for manual processing.

5. The GSA bills for Federal Telecommunication Services (FTS), as authorized by 31 U.S.C. 1535 and Title 41, Federal Property Management Regulation (FPMR), Chapter 101. These bills are submitted quarterly and paid in advance, without preaudit or receipt verification, subject only to the availability of funds. Pay these bills within 15 days after receipt of the GSA invoice.

F. Billing and Credit for Material Diversions Under MILSTRIP/MILSTAMP. Credit activities canceling requisitions for which a material diversion confirmation is issued with the amount billed, including accessorial charges. The alternate consignee for material diverted is billed for the standard price and accessorial charges. Activities canceling requisitions for material for which the GSA placed an order for direct shipment of nonstocked items are billed by SF 1080 for contract termination costs arising from cancellation of the requisition. The GSA will promptly provide the bill to the activity cited in the canceled requisition of impending termination costs.

100105. Payment Procedures for Transactions with the Government Printing Office (GPO), Library of Congress, and Government Corporations.

A. General. When services or supplies are furnished, an invoice may be submitted to the requisitioning component. In such cases, the SF 1080 is prepared and processed for payment by the office billed. Attach the invoice to the SF 1080. Instead of transcribing the details of the transactions, list each invoice under the caption “per attached invoice” according to date, number, and other identifying data as appropriate. Extend the net amount of each invoice in the amount column. In the case of miscellaneous publications, subscriptions, films, etc., acquired from the GPO or the Library of Congress, an invoice may be accepted by the disbursing office to support payment instead of receiving report certification, subject to later adjustment if required. As a result of a Deputy Secretary of Defense decision to consolidate printing and duplicating services in the Department, the Defense Printing Service is the single DoD focal point for GPO ordering and payment. If the bill is submitted on SF 1034, Public Voucher for Purchases and Services Other Than Personal, certify and process it for payment the same as for payment of a commercial account.

B. Payments to GPO. The GPO reimburses the contractor for commercial printing services acquired through that agency. This eliminates the requirement for the disbursing office to have a receiving report or other evidence of receipt, conformance, or performance before payment of the GPO billing.

1. The GPO sends two invoice copies to the ordering activity for certification and the remaining three to the servicing component. The ordering activity keeps one copy for their files and sends one to the disbursing office. Send the original with the payment voucher, one copy to the GPO with payment, and keep one copy in the component payment files.

2. Upon receipt of a certified invoice from the ordering activity, match it to the one in finance and accounting and make payment within 15 days. This certified invoice serves as a receiving report. Do not suspense payments to the GPO because they are not subject to the Prompt Payment Act.

3. If the certified invoice is not received within 10 days, follow up with the ordering activity listed on the invoice. If the ordering activity states that order is received and delay is in line-item price certification, make payment as soon as possible based on the invoice received in the disbursing office. Keep one copy for payment files and return one copy with the check to the GPO to ensure proper credit. Later, when the certified invoice is received from the ordering activity, attach it to the copy in the payment files as supporting documentation.

4. After payment is made, a copy of the SF 1034 or 1080 with the invoice attached may be sent to the ordering activity on a case-by-case basis.

5. In the case of discrepancies, the GPO furnishes both the disbursing office and the ordering activity with a credit invoice to be used as an offset against the next

invoice received for that ordering activity. Attach a copy of the credit invoice to the payment voucher where the offset occurs and include in the payment files.

100106. Use of Imprest Fund.

A. Reimbursement of Imprest Fund Optional Form (OF) 1129, Reimbursement Voucher, and OF 1129A (Memo).

1. See FAR 13.4 for guidance and DoD FMR Volume 5, Chapter 2.

2. Payment of Fees for Cashing Treasury Checks. Imprest fund cashiers may pay fees to cash Treasury checks at locations where Government depositories or United States disbursing offices are not available. Monthly, or for each transaction, the agent:

a. Prepares and certifies a DD Form 1155, Order for Supplies or Services, or SF 1165, Receipt for Cash, showing the amount of fees paid.

b. Has the form signed by a cashier of the bank or other institution which charged the fee.

c. Submits the form as a supporting document to OF 1129, Reimbursement Voucher.

B. Audit and Completion of OF 1129.

1. The disbursing office or agent reviews the OF 1129 and supporting cashier's subvouchers for compliance:

a. The name of the individual designated as an imprest fund cashier or agent is correct.

b. No transaction is in excess of \$500, except during periods of specified contingency operations when the limitations on imprest fund transactions may be increased to \$2,500. Repetitive purchases for the same items or splitting purchases among contractors to avoid this dollar ceiling is prohibited.

c. The supplies or services acquired are authorized for purchase within the limitations of the imprest fund:

(1) The supplies or services are available for cash payment to be made upon pickup or delivery.

(2) No detailed specifications or technical inspections are required. Subvouchers include contractors' paid invoices; sales slips; cash register tickets; DD

Form 1155; SF 1165, DD Form 1351, or DD Form 1348-1. The imprest fund cashier attaches the subvouchers to the OF 1129 for submission to the disbursing office. The disbursing office retains original subvouchers with memo copy of OF 1129.

(3) If any part of the subvoucher is questionable, the disbursing office or agent returns the contractor's sales document to the imprest fund cashier. Appropriate action is taken on the unredeemed sales document.

2. Reimbursement should be made as frequently as necessary, but no less often than monthly. At the close of the FY, a reimbursement voucher covering all remaining subvouchers through September 30 shall be submitted before the closing of the allotment accounts for the month. The accountable agent or disbursing agent reimburses the imprest fund cashier no later than the business day after receipt of the OF 1129, 1129A, and the contractor's sales documents.

3. Amount of Reimbursement. Imprest fund cashiers should request replenishment checks in such denominations that will enable them to keep the balance of cash on hand at a minimum. However, requests for multiple checks under \$25 will not be honored.

100107. Transfers and Payments from Budget Clearing Accounts.

A. Use SF 1081, Voucher and Schedule of Withdrawals and Credits, to transfer funds from budget clearing accounts.

B. Use SF 1049, Public Voucher for Refunds, as refund vouchers for processing refunds due remitters.

C. Excise taxes represent an example of a special deposit fund account with local accountability. Place documents supporting collection of excise taxes in suspense when the collection is made. Remove these documents from the suspense file when the disbursement is made.

1002 PARTIAL PAYMENTS AND COST REIMBURSEMENT CONTRACTS

100201. General

Unless prohibited by the contract, payment shall be made on partial deliveries accepted by the government, unless the payment amount is less than \$10.

A. Maintain a partial payment record when more than one payment is required to liquidate the obligation. When the previous partial payment voucher numbers are shown on the partial payment record, it is not necessary to keep a copy of the vouchers in the obligation file. Maintain a separate partial payment record for each purchase order, contract, or other obligation document requiring partial payments.

B. When partial payments are made on DD Form 1155 containing discount provisions, take the discount, if proper, based upon the items accepted shown on the receiving report. See paragraph 020101 for discount provisions.

C. When partial payments are made on purchase orders or delivery orders, process the original signed DD Form 1155. Additional copies must be made at this time for succeeding payments. Do not make partial payments if the DD Form 1155 prohibits them.

D. Payments covering blanket purchase agreements, call-type contracts, and blanket delivery orders are not considered partial payments, except when more than one payment is required on an individual call.

100202. Cost-Reimbursement Type Contracts.

A. The Defense Contract Audit Agency (DCAA) normally reviews and approves partial payment vouchers under cost-reimbursement type contracts. Documentation is not required for payment processing; however, the payment voucher should be annotated so that it can be properly identified as a provisional payment. Checking the provisional payment block on the SF 1034 is sufficient. The administrative contracting officer approves and certifies final voucher before payment.

B. The functions performed by DCAA personnel include:

1. Verification that amounts claimed for reimbursement of overhead are computed per the provisional, billing, predetermined, or final overhead rates currently in effect.

2. Verification that interim fees claimed are computed per the formula or terms in the contract.

3. Determination that the voucher has been properly prepared and that payment for the items listed on the voucher agrees with the terms of the contract.

C. The disbursing office will ensure that invoices requiring approval are properly approved. If only one copy of the invoice/voucher is signed, then a reproduced copy is to be filed in the payment folder or the retained copy can be annotated "original" and signed and dated.

D. Before payment:

1. Verify that sufficient funds have been obligated and are available to cover the amount of the voucher.

2. Determine that the cumulative costs claimed do not exceed the estimated total cost set forth in the basic contract and modifications.

3. Verify that funds have been or are being withheld in amounts sufficient to cover the reserves for drawings, patents, etc., specified in the contract.

4. Compare the cumulative fee claimed with the contractual limitations on interim fee payments.

5. Verify extensions and footings.

E. Special payment techniques may be required when the contract includes requirements under the FMS program for more than one country or for one or more countries and the United States. FMS expenditure authority is required for payments or adjustments in the FMS program.

100203. Progress and Advance Payments.

Progress and advance payments relieve the contractor from responsibility for the total financing of contracts which extend over a long period of time or are for large amounts of money.

A. Progress payments shall be made to the contractor when requested as work progresses, but not more frequently than monthly in amounts approved by the contracting officer (FAR 52.232-16). Progress payments made under fixed price construction contracts shall be made monthly as work proceeds, or at more frequent intervals as determined by the contracting officer, on estimates of work accomplished which meets the standards of quality established under the contract, as approved by the contracting officer (FAR 52.232-5). Progress payments, when authorized, may be paid against estimated amounts recorded, based on contract change notification, provisioning order obligation document, or other similar contractual documents. The contractor is required by FAR 32.0 to prepare and submit a separate SF 1443, Contractor's Request for Progress Payment. An example of different payment rates would be when the payment involves United States rates versus foreign military sales (FMS). In this example, the liquidation rate may be 80 percent for the United States rates versus 90 percent for FMS, and two SF 1443s would have to be prepared. In addition, if more than one FMS country involved, the contractor is required to attach a supporting schedule for the SF 1443 identifying the countries and apportionment of payment. Unless directed otherwise in the contract or by the contracting officer, the contractor must provide SF 1443, with supporting information, to the disbursing office designated in the contract instead of an invoice when requesting a progress payment.

B. Advances are payments made to contractors in anticipation of performance on the contract. This often occurs earlier than the associated costs have been accumulated and summarized in the contractor's accounting system. A clause providing for these payments must

be included in contracts before payment can be made. For more details, see FAR 32.4 and DFARS 232.4.

C. Progress payments do not include amounts paid contractors for:

1. Partial delivery of items.
2. Partial payments on terminations.
3. Cost-reimbursable type contracts.

4. Construction contracts containing the payment clauses in FAR 52.2. Account for these disbursements as partial payments per paragraph 100201.

★ 100204. Progress Payment Procedures.

★ A. When allocating progress payments across ACRNs, follow the procedures in paragraph 010103 of this Volume.

★ 1. In addition to the requirements of paragraph 010103, if the progress payment is for FMS requirements, the portion of the amount approved for payment should be charged to each customer country. For the FMS customer to receive a correct billing statement, the long line fund citation must include the country code, implementing agency, country code designator, and the case line number. If each country code contains only one ACRN, payment will be made to the ACRN reporting the country code, implementing agency, and case line item.

★ 2. If there is more than one ACRN for each country code, the amount to be charged to each country code will be prorated to the ACRNs identified to that country code. Proration will be based on the ratio of the ACRN obligation to the total obligation for a particular country code.

B. Care must be taken to ensure that the individual ACRNs are not over paid. The outstanding work in progress (WIP) balance for each ACRN cannot exceed the ULO for that ACRN multiplied by the liquidation rate.

C. There may be occasions when work is shifted from one contract to another for the same contractor. However, the shifting of work between contracts should be in compliance with the DoD progress payment policy of taking offsets whenever possible. If shifts occur, it should be noted that a disbursement adjustment between contracts is a bookkeeping entry and not a payment transactions. Accordingly, when work is shifted between contracts of the same contractor, a progress payment should be the net amount of the transactions involved on the contracts. Any transfers of work from one contract to another contract will be ordered by a modification to each affected contract.

100205. Progress Payment Recoupments.

A. The recouped amount is determined by multiplying the gross amount of the invoice by the liquidation rate. If this amount is greater than the outstanding WIP balance, the outstanding WIP balance becomes the amount to be recouped.

B. The recoupment should be computed by applying the recoupment first against the outstanding WIP balance of the ACRN to which the delivery is applicable. If sufficient schedule information is available, any remaining recoupment will be against the outstanding WIP balance of the ACRN representing the delivery furthest into the future within the same service as the deliverable ACRN. If sufficient liquidation is not available within the deliverable service ACRN, then liquidation from the ACRNs of other Services should occur against the delivery furthest into the future. If sufficient schedule information is not available, the remaining liquidation will be prorated against those ACRNs with an outstanding WIP balance within the Service of the deliverable first, then off other Service ACRNs if necessary. The basis for the proration will be individual WIP balance to the total contract WIP balance.

C. Recoupments will not be accomplished involving both US and FMS funds unless both are involved with the payment of the deliverable item. If there is a deliverable against an US ACRN, progress payments will be recouped as detailed in paragraph 100205-B. If there is an FMS deliverable, progress payments will be recouped against only that country involved with the FMS deliverable as detailed in paragraph 100205-B.

D. For invoices which offer discounts on contracts with unrecouped progress payment balances, see paragraph 020105 for details.

100206. Advance Payment Procedures.

A. A subsidiary record should be maintained for each contract on which an advanced payment has been made.

B. Advance Payment Pool Agreements. Advance payments are sometimes used for financing the performance of more than one contract. This is accomplished under a single advance-payment agreement called an advance-payment pool agreement. Advance-payment pool agreements are often used for the financing of cost-type contracts with nonprofit educational or research institutions for experimental, or research and developmental work, when several contracts or a series of contracts require financing by advance payments. More than one agency or department may have their funds cited on contracts which are part of the pool agreement. When more than one contract is involved in the pool agreement, one or more of the contracts is designated as the contract for which the advance payments are applied. This is normally a large dollar-value contract. The following guidance must be used for an advance-payment pool agreement:

1. Prepare a separate form for each contract in the pool agreement. Post payments, repayments, etc., applicable to each contract.

2. Prepare one form as the control record for each pool agreement. In the heading, enter the total amount authorized to be paid under the agreement. At the end of each month, summarize the posting of a separate form and post to the control record. Make sure advance payments do not exceed the amount authorized. Cross-reference the control and individual contract forms to avoid duplication when recording to the general ledger.

3. When the advance payment is recouped or repaid, charge the appropriate contracts in the pool agreement and reduce the amount recorded against the designated contract as advance payments.

4. When a contract is terminated, the disbursing office will collect any balances due for advance payments and accrued interest.

C. New Advance Payment Pool Agreements. The following procedures must be used for DoD Components operating under newly negotiated advance payment pool agreements. Those DoD Components operating under current agreements will follow the procedures in paragraphs 100206-A and B. The DoD components will be notified when a new agreement has been negotiated and the following new procedures apply:

1. The contractor request for an advance payment is approved for payment by the designated DoD Component. The approved request is forwarded to the disbursing office.

2. The contractor forwards reimbursement vouchers to the office specified in the contract responsible for reviewing and certifying cost reimbursement payments.

a. Upon receipt of a properly certified reimbursement voucher in the disbursing office, it is reviewed for accuracy. If proper, payment is made.

b. The payment must be made citing the appropriations identified on the contracts listed on the reimbursement voucher.

c. Maintain a partial payment record of all contracts.

d. Make sure that payments do not exceed the total amount authorized on the contract.

e. Payments should be made within 5 to 10 workdays after receipt of a properly approved reimbursement voucher but not earlier than the date specified in the pool agreement. These payments are considered a form of contract financing.

3. A ledger must be maintained to make sure that payments plus the amount advanced do not exceed the unliquidated obligations of all contracts awarded under the pool agreement. This condition may result from:

- a. Failure to receive obligating documents.
- b. Nearing completion of the pool contracts.

4. Do not make the payment if it will cause the unliquidated obligations to fall below the advanced amount. If the above condition occurs, notify the designated DoD Component, and request further instructions. The Component will advise whether obligating documents are in transit or the payment must be processed to liquidate the amount advanced. Take the following actions based on this guidance:

a. If advised that obligating documents are in transit, hold the payment voucher pending receipt of the obligating documents. After receipt of the obligating documents, make the payment to the contractor.

b. If advised that obligating documents are not in transit, process the payment to liquidate the amount advanced.

(1) Process the voucher as a dual payee amount (that is, payable to the contractor or the disbursing office).

(2) Do not mail the check to the contractor.

(3) The disbursing office deposits the check and reduces the amount recorded.

(4) Notify the contractor of the reduction.

(5) In the event of contractor default or loss of funds, immediately notify designated component to obtain processing instructions.

100207. Recoupment Vouchers for Progress and Advance Payments.

A. Progress and advance payments are recouped either by voucher deductions (from amounts otherwise due the contractor) or by cash refunds. Recoupments should be accomplished so they will match the payment requirements delineated in paragraphs 100203, 100204, 100205, 100206, and 100207.

B. Deduction From Voucher. Prepare the disbursement voucher (SF 1034) for completed work for the gross amount due, as though no deduction was involved, charging the applicable account. Then deduct from the gross amount the funds being recouped, citing the

progress or advance payment account number. Immediately record the recoupment on SF 1096. Take care to indicate the contract number on both the SF 1034 and the SF 1096.

C. Cash Repayment. Cash repayments may be required by the provisions of the contract. The contracting officer or other authorized representative:

1. Prepares a DD Form 1131, Cash Collection Voucher, that identifies the repayment, accounting classification, contract number, CLIN or SLIN.

2. Forwards it to the disbursing office. If a CLIN or SLIN is not applicable, such as a lump sum deduction, the voucher should so reflect the fact and cite the applicable modification number.

1003 FAST PAYMENT

100301. General Instructions

When a purchase is made under Fast Payment procedures (FAR 13.3), payment is made based on the supplier's submission of an invoice which constitutes a representation that delivery has been made and the provision of the orders have been complied with. Payment will be made no later than 15 days after receipt of a proper fast pay invoice. Interest penalties will accrue if payment is not made within the 15-day time frame. Disbursing offices are cautioned that all invoices must be prominently marked "FAST PAY." The government will not pay the cost of parcel post insurance. Minimum standards for bill paying under Fast Pay follow:

A. A closed loop process that matches payments to material receipts and resolves nonreceipt or other discrepancies.

B. An information flow that links consignee receipt and discrepancy information to both the purchasing and bill disbursing offices to document contractor performance and provides timely feedback to contracting/bill disbursing offices.

C. A management control/audit program for post-payment examination of payments made under fast pay (statistical sampling is recommended).

D. A process that matches expenditures and obligations for Fast Pay transactions. The matching process should occur as the bill is processed for payment and be under general ledger control.

1004 ROYALTY AND COOPERATIVE RESEARCH DEVELOPMENT AGREEMENT (CRDA) INCOME

100401. Royalty and CRDA Income.

As authorized by 15 U.S.C. 3710, agencies may receive, retain, and use income from licensing patents and CRDAs. Section 3714 provides spending authority for Section 3710 without requiring that an amount be provided in Appropriation Acts. However, because these are appropriated funds, normal appropriated fund regulations, limitations, and requirements apply. The funds can be use or obligated during the FY in which they are received or the succeeding FY.

Any funds that have not been used or obligated by the end of the succeeding FY must be deposited into the Treasury Miscellaneous Receipt Account.

CHAPTER 11

PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES1101 PERSONAL EXPENSES110101 General

A. Military and civilian personnel should avoid using their own funds to pay for the government's obligations. However, they can be reimbursed if the underlying expense was authorized, if the transaction would have met the criteria for ratification or quantum meruit had the contractor not been paid, and if failure to act would have resulted in disruption of the program or activity involved. This procedure must not be used simply to avoid normal practices or circumvent laws or regulations.

B. Military or civilian personnel who claim reimbursement for expenditure of personal funds must show there was an urgent and unforeseen public necessity. The claimant prepares an SF 1144, Claim for Reimbursement for Expenditure on Official Business, and puts the following statement on the voucher "I certify this claim is true and correct. There was an unforeseen and urgent reason to spend my funds, and I have not received credit or payments." The claimant signs and dates the certificate. The claim must be approved by proper authority. Documents supporting the certified vouchers must show goods or services were received and essential (33 Comp Gen 20 (1953)). Items allowable in travel status are in Joint Federal Travel Regulation (JFTR) Volume 1 for military personnel and in the Joint Travel Regulation (JTR) Volume 2 for civilian personnel.

C. Military personnel who barter away personal valuables during escape and evasion also may be reimbursed. The voucher must be approved by proper authority. The value of each article bartered must be listed and must show its age and condition at time of barter. Attach this list to the certified voucher presented for payment.

110102 Civil Air Patrol Expenses

Reimbursements are authorized to members of the Civil Air Patrol for fuel and lubricants (aviation and automotive) and necessary communications bills used in DoD authorized missions.

110103 Passports and Visas

Reimbursement is authorized for DoD employees and their dependents when they are officially required to obtain passports or visas. See JFTR, Volume 1, and JTR, Volume 2.

110104 Fees or Dues for Attendance at Meetings of Technical, Scientific, Professional, or Similar Organizations

Only those expenses necessary to accomplish the purpose of the attendance may be authorized or approved for reimbursement. See JFTR, Volumes 1, and JTR, Volume 2.

110105 Reimbursement for Local Movement of Household Goods

When local moves of household goods of military personnel authorized in accordance with the JFTR are made at personal expense, claims for reimbursement will be submitted to the disbursing office on a Standard Form 1164, Claim for Reimbursement for Expenditures on Official Business. A copy of the order directing the move and a copy of the authorization by the transportation or shipping officer to move household goods at personal expense will be furnished with the claim and attached to the retained copy of the paid voucher. Receipts for expenses claimed will be as prescribed in the JFTR.

110106 Mortuary Expense for Deceased Personnel

A. General. Specific service regula-

tions authorize and prescribe the services and expenses for the care and disposition of deceased personnel. Payment for services, supplies, and transportation, or for expenses incurred by the next of kin, is authorized.

B. Primary Expenses. Primary expenses for active duty military can be provided under contract with a local mortuary. These contracts are normally covered by the Prompt Payment Act and paid as such.

C. Secondary expenses. Payments for secondary expenses may be assigned to a mortuary or made, as reimbursements of expenses incurred, directly to the individual. These payments, whether assigned or not, should be expedited and not delayed. Payment of secondary expenses should be treated as payment of a claim.

110107 Reimbursement for Civilian Medical and Dental Treatment Paid from Personal Funds

A. Members. The cost of authorized civilian medical and dental treatment ordinarily is paid directly to doctors and hospitals by each Military Service. However, claims for reimbursement from individuals who have defrayed the expense of authorized care will be paid on an SF 1144. The SF 1164 will bear the claimant's signature on the face of the form as well as the certification of the approving authority and will be supported by paid itemized invoices.

B. Dependents of Members. Instructions concerning the administration of civilian non-Federal medical and dental care for dependents and retired personnel are published in the current series of DoD 6010.8-R. The Office of Civilian Health and Medical Program of the Uniformed Services has the responsibility for contracting and paying for medically necessary care from the civilian sources that is received by eligible dependents and retired personnel. When Medical Treatment Facilities (MTF) are managing the care of dependents and retired personnel, and must refer such personnel to civilian facilities for care that is beyond that MTF's capability, payment for that supplemental care is authorized.

C. Civilian Personnel. Physical examinations to determine an employee's fitness-for-duty, when directed by the commanding officer or supervisor in accordance with 5 CFR 339, may be procured through the imprest fund or other appropriated purchase method. Payment for the examination will be processed in the same manner as other contractor invoices. If this procedure is not utilized and the employee makes his or her own arrangements including direct payment for the physical examination, he or she may submit a claim for reimbursement. The claim will be paid on an SF 1164 supported by the paid statement from the physician or other evidence of payment. The claim will be submitted to the appropriate official for approval, insertion of the chargeable accounting data, and execution of the certificate approving the amount payable. The appropriation chargeable will be the operating funds of the DoD activity requiring the physical examination.

110108 Reimbursement for Notary Public Expenditures

An employee who is required to serve as a notary public in connection with the performance of official duties is entitled to repayment of the expenses incurred in obtaining a notarial commission as authorized by 5 U.S.C. 5945. The expenses that may be reimbursed are the cost of seals, embossing devices, recording and filing fees, and surety bonds required for notaries by state laws. Reimbursement may not be made for professional association dues and other expenses not essential to performance of notarial services. The SF 1164 will bear a statement that the notary commission is required in the performance of official duties. There is no statutory authority for payment of these expenses to enlisted members of the Armed Forces (Comp Gen B-196533 of Apr 22, 1980).

110109 Reimbursement Expenses Under Government Employees Training Act (5 U.S.C. 4109)

Authorized necessary expenses such as tuition and matriculation fees, library and laboratory services, and other service or facilities directly related to training are reimbursable (39 Comp Gen 119 (1959)). The claim should include:

A. Receipts for each payment above \$25.

B. SF 1164, including details of the transaction such as services rendered, dates, etc.

C. Certification of the claimant and the approving official on the SF 1164.

110110 Payment for Medical Personnel Participating in Professional Specialty Board Examinations

A. Personnel of the medical, dental, nurse, biomedical science, and medical service corps are authorized reimbursement for fees for application, examination, certification, and other related expenses.

B. Contractual Payment. Payment of fees for examinations may be arranged by the contracting officer when this method is acceptable to the agency administering the examination. Payment should be made upon completion of the examination. If the individual fails to take the examination as scheduled, and has not been officially excused, then recoupment from the individual may be required.

C. See the JFTR and the JTR for individuals who travel under funded orders and pay these fees.

1102 EXPENDITURES OTHER THAN PERSONAL

110201 Official Recruiting Duty

A member of either of the Military Services assigned to perform recruiting as a primary duty is entitled to reimbursement for actual and necessary expenses paid from personal funds in the performance of recruiting duties. See JFTR for reimbursable items, limitations, and payment procedures.

110202 Reimbursement for Use of Special Conveyances

See the JFTR and the JTR.

110203 Reimbursement of Miscellaneous Expenses to Defense Investigative Services (DIS)

Reimburse DIS agents for investigative costs, such as parking fees, police and court record checks, transcripts, photographs, or miscellaneous investigative fees. DIS district commanders and field office commanders are appointed as imprest fund cashiers by the commander of the base to which attached or assigned. The DIS Headquarters provides the servicing disbursing office with authority to cite its accounting classification on imprest fund reimbursements with no dollar limitation. Such authority is attached to each appointment order.

110204 Board and Room for Dependent Children

Sponsors of dependent children who require board and room away from their domicile in a private home overseas (not within commuting distance) to provide the children an adequate education are authorized reimbursement for the costs incurred. See DoD Directive 1342.13. Use an SF 1034 to reimburse the sponsor for the cost of board and room. The SF 1034 is supported by a certificate of performance, which is a receipt covering the actual payment of board and room. A signed statement is required from the school superintendent or principal that the board and room charge was reasonable for the area and there was no less expensive alternative means of providing adequate education at a school within the same comparable distance.

110205 Continuing Medical Education Program

Individuals enrolled in approved correspondence courses may be reimbursed for course costs prior to course completion. Ensure that satisfactory proof of expenses is presented by the claimant before making payment.

110206 Claim for Reimbursement for Expenditures on Official Business

A. Military Personnel and Civilian Employees. A claim for Reimbursement for Expenditures on Official Business (SF 1164) may be used as a claim/ public voucher for reimburse-

ment.

B. Non-Government Personnel. Claims will be made on an SF 1164 signed by the claimant and approved by an authorized certifying officer. The claim will be supported by a certified copy of the document requesting the person to perform the duty.

C. Invitation to Travel. Persons invited to perform travel in accordance with JFTR, Volume 1, and JTR, Volume 2, are authorized transportation, allowances, and other proper expense reimbursement when performing travel in connection with official activities of the Department as contained in 5 U.S.C. 5703. Reimbursement will be made on an SF 1164 unless there is an entitlement to per diem allowances, in which case, a travel voucher or subvoucher will be used.

110207 Official Entertainment

As noted in 43 Comp Gen 305 (1963), it is a general rule of longstanding that funds appropriated for government departments or agencies may not be used for entertainment, except when specifically authorized by statute.

110208 Transportation of Household Goods or Government Property

Reimbursement may be made for official packing, crating, hauling and transportation of household goods or government property between two points abroad.

110209 Household Goods Services

A. Claims of Military Personnel

1. Navy Personnel. The deputy disbursing officer of the Naval Supply Center, Norfolk, located at the Navy Material Transportation Office, Building Z-133, Naval Station, Norfolk, VA 23511, is designated to pay all claims of Navy personnel for reimbursement of costs of shipment of household goods under permanent change-of-station orders or shipment authorized under temporary additional duty orders.

2. Marine Corps Personnel. Claims of Marine Corps personnel for reimbursement of costs of shipment of household goods will be forwarded for payment to the Commanding General, Marine Corps Logistic Base (470), Albany, GA 31704.

3. Air Force and Army Personnel. Claims for reimbursement by Air Force or Army personnel will be paid by their servicing disbursing office.

B. Claims of Civilian Personnel. Claims for reimbursement for expenses incident to the movement and storage of household goods including trailer allowances and transportation of mobile homes, will be prepared in accordance with the JTR. Claims will be paid by the disbursing office that pays civilian travel claims for the activity to which the civilian is transferred. Claims of Navy civilian personnel involving circumstances that create reasonable doubt as to entitlement will be forwarded to the Navy Material Transportation Office (Code 024), Naval Station, Building Z-135-5, Norfolk, VA 23511. Reimbursement claims of employees and new appointees transferred to, from, and between points outside continental U.S. will be paid by the deputy disbursing officer of the Navy Supply Center, Norfolk, located at the Navy Material Transportation Office, Building Z-133, Naval Station, Norfolk, VA 23511; or by disbursing officer attached to the Commanding General, Marine Corps Logistic Base (470), Albany, GA. 31704, as appropriate. Claims for civilian personnel of other DoD Components will be paid by their servicing disbursing office.

110210 Awards Ceremony Fees

Fees paid by award nominees and award recipients and their supervisors and managers for attendance at ceremonies that fall within the scope of the incentives awards act may be reimbursed (for civilian personnel see (Comp Gen B-236040 Oct 9, 1990, and for military personnel see 10 U.S.C. 1124). The fees may cover items such as a meal or refreshments, plaques, and awards. Advance payments are not authorized. Reimbursements may be requested on travel vouchers, if applicable, or on an SF 1164.

110211 Defense Attache' Payments

These authorizations permit military attache' officers to be reimbursed up to the amounts authorized for expenses of maintaining a suitable official residence and of cultivating close contacts with local foreign personnel. Payments are made on DD Form 281, Voucher for Emergency or Extraordinary Expense Expenditures, subject to approval by the Head of the cognizant DoD Component. (See Defense Intelligence Agency Manual 100-I, Volume II, Defense Attache' Manual for Administration.)

110212 Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

For personnel traveling on official orders in connection with FMS, payment for the use of contract quarters will be on a reimbursable basis. (See appropriate DoD Component regulation.)

CHAPTER 12

MISCELLANEOUS PAYMENTS1201 FEES AND AWARDS120101 Attorney Fees Awarded by Court

The Department of Justice (DOJ), in most cases, is the Federal agency designated to represent DoD in litigation. Additionally, the DOJ is funded to make payments of properly awarded attorney fees. (Fees awarded in discrimination cases are exceptions. See paragraph 120228 for more detail.) Attorney fees must be awarded by a court of competent authority and normally are paid by DOJ from its permanent appropriation. If such fees are not payable from this appropriation, the DOJ will provide guidance on a case-by-case basis.

120102 Awards Made to Bid Protesters Under the Competition Act of 1984 (31 U.S.C. 3551-3556)

If the Comptroller General determines that a solicitation for a contract or a proposed award or the award of a contract does not comply with a statute or regulation, the Comptroller General may decide that the protesting party is entitled to the following:

A. The payment of costs associated with the filing and pursuing the protest, including reasonable attorney fees.

B. The payment of costs of bid and proposal preparation amounts must be made from the funds of the activity funding the contract within 30 days after receipt by the contracting office. A copy of the Comptroller General decision, along with a statement of costs incurred and approved by the contracting officer, will be used to support the payment.

C. A successful bid protester must certify, to the best of one's knowledge and belief, that the statement of costs submitted or payment:

1. Contains only costs that are legitimately payable pursuant to the guidance set forth by the General Accounting Office in connection with payments of attorney fees and bid preparation costs.

2. Are complete and accurate.

120103 Attorney Fees Awarded Under the Equal Access to Justice Act (5 U.S.C. 504 and 28 U.S.C. 2412)

A. The Equal Access to Justice Act (EAJA) authorizes payment of attorney fees and other expenses incurred by the prevailing party (other than the U.S.) in civil actions and in administrative proceedings. The party prevailing against the Department in an adversary adjudication or in a court action may obtain an award of attorney fees and other expenses incurred in connection with the proceeding.

1. In adversary adjudications, application for the amount sought must be submitted to the DoD activity involved within 30 days of final disposition in the adversary adjudication (5 U.S.C. 504).

2. In court actions, the application for an award of attorney fees and other expenses must be submitted to the court within 30 days of final judgement in the action (28 U.S.C. 2412).

3. In both cases, the application must be supported by an itemized statement from the attorney, agent, or expert witness stating the actual time spent and the rate at which fees and other expenses were computed.

B. Attorney fees and other expenses awarded claimants under EAJA are paid from funds available to the DoD activity at the time that the award is made. Attorney fees payable under EAJA are limited to \$75 per hour unless the adjudicating officer (deciding official) or the

court in civil actions determines that a higher rate may be allowed under the law. Other expenses include those for expert witnesses and for any study, analysis, engineering report, test or project necessary for the preparation of the party's case. Make payment in the amount approved by the adjudicating officer, or by the court in civil actions, based on documentation from the adjudicating officer or the court.

C. Attorney fees payable in connection with an action filed by a contractor under the Contract Disputes Act of 1978 will not be included in any payment made by the Department of the Treasury to the contractor. Attorney fees awarded in these cases will be paid out of funds current at the time the award is made and available to the activity accountable for the contract obligation.

120104 Claims Under the Federal Tort Claims Act and Other Noncontractual Claims

A. Persons who have been designated to approve or disapprove claims cognizable under these statutes and the regulations governing preparation, submission, adjudication, and payment of the claims can be obtained from local office of counsel or judge advocate office. Send claims approved by the Secretary of a Military Department, or by designated approving authorities in the office of counsel or judge advocate general, to the appropriate DFAS Center or local disbursing office for preparation and payment of the public voucher. Claims approved by other designees are forwarded to the local disbursing office that serves the approving authority for preparation and payment of the public voucher.

B. The Secretary of Defense or designee is authorized to pay claims against the United States for money damages of:

1. \$2,500 or less under the Federal Tort Claims Act as amended by 28 U.S.C. 2671-2680.

2. \$100,000 or less under property loss; personal injury or death; incident to non-combat activities of Department of Army, Navy, or Air Force. (See 10 U.S.C. 2733.)

3. \$1,000 or less under property loss; personal injury or death; incident to use of property of the United States and not cognizable under other law. (See 10 U.S.C. 2737.)

120105 Claims Under The Foreign Claims Act, U.S.C. 2734

The Foreign Claims Act authorizes the Secretaries of the Military Departments, or their designee, to appoint claims commissions to approve or disapprove claims cognizable under the Act. Similar commissions also may approve or disapprove claims cognizable under the North Atlantic Treaty Organization status of forces and similar agreements and 10 U.S.C. 2733 and 2734. Contact the local office of counsel or judge advocate office for the regulations governing preparation, submission, adjudication, and payment of these claims. Claims approved will be forwarded to the nearest DFAS disbursing office serving the country concerned.

120106 Payment to Contractor When Contracting Officer Approves Claim Under the Contract Disputes Act of 1978 (41 U.S.C. 601-613 and FAR 33.0 and 52.233-1)

A. If funds are not available, the contracting officer may refer the claim to the Armed Services Board of Contract Appeals (ASBCA) and request that the ASBCA approve settlement of the claim from the judgment fund. Reimbursement to the judgment fund is made upon receipt of a bill from the Treasury Department from current and available funds or by obtaining additional funds as stated in paragraph 120108. The procedures for payment of amounts under the Contract Disputes Act by the ASBCA or the Court of Federal Claims are in paragraph 120107. Claims in paragraph 120107 exclude claims applicable to the Prompt Payment Act (PPA). The Comptroller General has held that PPA interest must be paid from the funds available for the administration of the program for which interest was incurred. (See paragraph 070401.)

B. If funds are available and the contractor does not appeal, settlement is made by the contract disbursing office from funds cited on the contract. Interest on the amounts found to be due the contractor is payable from

these same funds from the date the contracting officer receives the claim until payment is made.

1. After final agreement with the contractor, the contracting officer should initiate an SF 30, Amendment of Solicitation/Modification of Contract, to obligate the funds.

2. Upon receipt of the contractor's invoice and the SF 30, payment can be made including interest from the date the claim was received by the contracting officer to the date of payment.

120107 Payment to Contractors Based on Decisions of Board of Contract Appeals or Court of Federal Claims

A. Court action may follow contract termination by the United States. When it does, payment may be due the contractor if final judgment is against the United States. Should this happen, send a transcript of the court judgment direct to the General Accounting Office (GAO), Washington, DC 20548 (except for claims settled under the Contract Disputes Act of 1978 as noted in paragraph 120107-B.) GAO settlement is required by 28 U.S.C. 2414 on final judgment by the United States District Courts and by 28 U.S.C. 2517 on final judgments by the Court of Federal Claims. The GAO pays from the Treasury Department general funds. Do not use Operations and Maintenance or other appropriated funds for this purpose.

B. Payment of claims under the Contract Disputes Act of 1978 (41 U.S.C. 601-613 and FAR 33.2 and 52.233-1) is covered by 41 U.S.C. 612. Judgments against the United States by the Court of Federal Claims and monetary awards to a contractor by the ASBCA are authorized to be paid and charged to the permanent judgment fund established by 31 U.S.C. 1304. Amounts paid may include interest from the date the claim was received by the contracting officer to the date of payment. Attorney fees claimed by the contractor may not be included in amounts paid from the judgment fund in these cases. Attorney fees are processed under the Equal Access to Justice Act as noted in paragraph 120103. The Contract Disputes Act requires that the activity whose funds were used for the

contract must then reimburse the judgment fund out of available funds or by obtaining an additional appropriation.

120108 Payments to Reimburse Treasury for Payments in Settlement of Contractor Claims

Upon certification by the GAO, the amounts of contractor claims settled pursuant to the Contract Disputes Act of 1978 may be paid to the contractor by the Treasury Department from the permanent judgment fund. Amounts paid to contractors are reimbursable to the U.S. Treasury from the appropriation available for the purpose of the contract or by obtaining additional funds for such purpose. The Treasury Department will bill the contract disbursing office. If funds are not available in the proper account to cover invoices received from the Treasury Department, request additional funds through appropriate channels. Amounts reimbursed to the Treasury Department must be charged to current funds. Expired or M account funds cannot be used. See 63 Comp Gen 308 1984.

120109 Interest Awarded Contractor by the Armed Services Board of Contract Appeals (ASBCA)

A. Applicable interest rates are established by the Secretary of the Treasury under Public Law 92-41 in January and July of each year. Rates are announced in the Federal Register.

B. Interest is computed from the date that the contracting officer received the claim or the date that payment is due, if that date is later, until the date of payment. See FAR 33.208.

C. Contract claims and interest payments are chargeable to appropriations current at the time the basic contract was executed if they are based on "antecedent liability". A contract claim is based on antecedent liability if the modification or adjustment is within the general scope of the original contract and is made pursuant to a provision, such as a "changes" clause, in the original contract. Contract claims not based on antecedent liability are chargeable to appropriations current when the claim is allowed.

120110 Return of Absentees

Under 10 U.S.C. 956, certain rewards are authorized and paid as follows:

A. Reimbursement for Actual Expenses. When a reward has not been offered or when conditions for payment of a reward otherwise cannot be met, reimbursement, not to exceed \$75, may be made to any person or agency for actual expenses incurred in the apprehension, detention, or delivery to military control of an absentee or deserter. If two or more persons or agencies join in performing these services, payment may be made jointly or separately, but the total payment or payments may not exceed \$75. Reimbursement may not be made for the same apprehension and detention or delivery for which a reward has been paid. Actual expenses for which reimbursement may be made will include:

1. Taxicab, bus fare, or mileage at the per mile rate established by the Joint Travel Regulation for a privately-owned conveyance when travel is performed either by a citizen or officer and prisoner, or a round trip from either place of apprehension or civil police headquarters to place of return to military control.

2. Meals furnished the member for which the cost was assumed by the apprehending person or agency representative.

3. Telephone or telegraph communication costs.

4. Damage to property of the apprehending person or agency if caused directly by the member during his or her apprehension, detention, or delivery.

5. Such other reasonable and necessary expenses incurred in actual apprehension, detention, or delivery as may be considered justifiable and reimbursable by the commanding officer.

B. Reimbursement for Subsistence Furnished. Civil authorities may be reimbursed for the cost of subsistence furnished to military personnel placed in their custody for safe-

keeping at the request of military authorities. Such reimbursement will be in addition to rewards and reimbursement for actual expenses. Payment of subsistence will be made in accordance with the procedures for payment of other actual expenses except that an itemized statement of charges approved by the officer who directed the confinement is required.

C. Condition for Payment. Before a reward is payable, there must be a notification issued for the return to military control of the absentee, deserter, or escaped military prisoner. Receipt of DD Form 553, Deserter/Absentee Wanted by the Armed Forces, oral or written communication from military or federal law enforcement officials, or entering individual's name in the National Crime Information Center, constitutes notification.

D. Amounts Payable

1. A reward of \$50 is paid for the apprehension and detention until military authorities assume physical control of the member.

2. A reward of \$75 is paid for the apprehension and delivery of the member to military control.

E. Voucher Preparation. An SF 1034 is prepared and certified by the personnel officer or other certifying officer designated by the commanding officer of the activity to which the apprehended member was released. The following data must be shown on the voucher:

1. The member's name, Social Security Number, organization from which the member is absent, and the date and place military authorities resumed control.

2. A statement that the payee apprehended and detained, or apprehended and delivered the member.

F. Voucher Support. For payment of reward, attach a copy of a DD Form 553 or a certificate from the organization of absentee or written notification from military or federal law enforcement officials stating that the absentee's return to military control was desired. For

reimbursement of actual expenses, attach an itemized statement of allowable expenses.

G. Payment. Upon receipt of the SF 1034 claiming payment, the disbursing office reviews the voucher for propriety and, if proper, pays the person or agency concerned. On the SF 1034, cite the military appropriation of the parent military service of the person apprehended. Use the appropriation table that follows:

SERVICE	APPROPRIATION
Army	21(*)2010 01-174 P1510 99999
Navy	17(*)1453.2260 60600 71165
Air Force	57(*)3500 32(*)P591.02 503725
Marines	17(*)1105.2702 12690 71165

(*) Insert the digit which identifies the fiscal year.

H. Reimbursement will not be made for:

1. Lodging at nonmilitary confinement facilities.

2. Transportation performed by the use of official Federal, state, county, or municipal vehicles.

3. Personal services of the apprehending, detaining, or delivering person or agency.

Payment of actual expenses will be made in accordance with the payment procedures in this paragraph except when an itemized statement of costs approved by the commanding officer is required and notice of DD Form 553 or other form is not required.

1202 PURCHASES OF SPECIAL ITEMS

120201 Expense of Border Clearance Inspectors

If border clearance inspectors are required to work overtime or on Sundays and holidays at a DoD installation, the DoD installa-

tion pays the overtime expenses incurred, including travel and subsistence when appropriate. Travel and subsistence are not paid for border clearance officials regularly assigned to DoD installations. When additional inspectors are required to supplement the regularly assigned inspection staff, the DoD installation pays for their overtime, travel, and subsistence. If a DoD aircraft lands at a site other than a DoD installation, the home station of the aircraft shall pay the charges. When a DoD aircraft lands at a DoD installation, the installation providing the clearance service bears the expense of the border clearance inspection. These charges should receive financial approval and reservation of funds as soon as possible after the expenses are incurred. The DoD official designated to make the necessary arrangements shall maintain appropriate records, submit requests for overtime, and certify billing documents for payment. Billing forms of the Federal agency providing the service are acceptable. Make payment on the basis of a certificate that services were received and accepted. Invoices from one agency may be consolidated and paid by a single check. Send one copy of the payment voucher to the agency with the check.

120202 Blood Purchases

Blood supplies may be purchased with appropriated funds for persons entitled to medical treatment at government expense (24 U.S.C. 30).

120203 Special Drinking Water

Special drinking water may be purchased with appropriated funds only when it is necessary from the government's standpoint, such as when:

A. The public water is unsafe for human consumption.

B. There is an emergency failure of the water source on the installation.

C. There is a temporary facility with no drinking water available within a reasonable distance.

D. There is no water fit for drinking purposes available without cost or at a lower cost to the government (3 Comp Gen 828 (1924); 5 Comp Gen 90 (1925); 17 Comp Gen 698 (1938); 18 Comp Gen 238 (1938); 24 Comp Gen 56 (1944); and 25 Comp Gen 920 (1946)).

120204 Automobiles

The use of appropriated funds to purchase or hire passenger motor vehicles must be specifically authorized by appropriation act or other law (31 U.S.C. 1343, 1344, and 1349). Tire chains, fire extinguishers, safety flares, removable seat covers, transportation of the vehicle, and taxes are not included in the purchase cost limitation (19 Comp Gen 988 (1940); 28 Comp Gen 721 (1949); and 36 Comp Gen 725 (1957)). Rental cost of automobiles may not exceed statutory purchase limitations (13 Comp Gen 458 (1934)).

120205 Telephone Service

A. Statutory Provisions

1. Appropriated funds normally should not be used to pay for telephone service to private residences or apartments. Exceptions must specifically be provided by law. Long distance calls from private residences on official business may be paid from appropriated funds if supported by properly certified vouchers (31 U.S.C. 1348 and 68 Comp Gen 307 (1989)).

2. Official telephone bills for a period beginning in one fiscal year and ending in another are paid from the appropriation current at the end of the period (31 U.S.C. 1308). This rule also applies to leased wire and teletypewriter services (34 Comp Gen 414 (1955)).

3. Funds collected from sale of telephone services are credited as an appropriation reimbursement to the appropriation that bore the cost of such services (10 U.S.C. 2481).

4. Service clubs, motion picture service, base exchange activities, and officers' and non-commissioned officers' messes within the U.S. are subject to federal communications taxes (26 U.S.C. 4251). Federal credit unions and

the American Red Cross are exempt from the tax (26 U.S.C. 4253). The federal excise tax rate effective on bills received after January 1, 1990 is zero percent. The rate effective January 1, 1983 through December 31, 1989 is 3 percent. The rate in effect for calendar year 1982 is 1 percent and for calendar year 1981 is 2 percent. (Public Law 97-248 and IRS Code 4251, as amended).

B. Increased Rates. A contract may provide for payment of telephone charges at legally established rates. Under such contracts, rate increases approved by rate-setting authorities may be paid. Increased rates subject to approval of rate-setting authorities may be paid subject to adjustment if the increase is not approved (15 Comp Gen 896 (1936); 27 Comp Gen 580 (1948); 29 Comp Gen 71 (1949); and 30 Comp Gen 435 (1951)).

C. Payment Procedures. The office designated to receive the telephone bills, from the telephone company, prepares and certifies the SF 1034 for payment by signing as the "Authorized Certifying Officer" in the space provided. The SF 1034 then is forwarded together with the telephone company bill. Detailed listings, schedules, etc., supporting the telephone company's bill are retained by the responsible office and are not attached to the payment voucher.

D. Long Distance Calls. A certificate is required on each telephone bill or on the supporting statements of toll service with respect to the official long distance calls billed thereon as follows: "Pursuant to Section 4 of the Act of May 10, 1939 (53 Stat. 738; 31 U.S.C. 1348), I certify that the use of the telephone for official long distance calls listed herein was necessary in the interest of the government." The certificate is not required for charges covering telephone calls within a metropolitan exchange or which are billed as message units, nor for intragovernment reimbursement for telephone calls over government-owned or government-leased facilities. The certificate will be signed by proper authority and the capacity in which the person signs will be indicated clearly, such as "John Brown, Communication Officer."

E. Teletypewriter Service. Teletype-

writer service is provided by telephone companies. The charges, based on time used, are billed in the same manner as long distance calls.

F. Unofficial Telephone Calls and Service.

1. The officer responsible for telephone service to each activity is responsible for billing and collecting for unofficial service.

2. An administrative fee may be charged to the individual placing an unauthorized and unofficial call. See the Federal Information Resources Management Regulation for more details.

G. Charges for Unofficial Telephone Service. The purchaser shall pay all charges for unofficial use of telephone service provided from a DoD switchboard. Charges for extensions, special or miscellaneous equipment and installation costs thereof, and toll call and telephone charges when incurred shall be added to the basic monthly rate. Taxes shall be assessed as applicable. However, purchasers may not be assessed an additional charge for unlisted telephone number service. Listing of telephone numbers in the DoD installation directory is considered a locator service rather than a telephone service. Personnel have the option of having their personal phone numbers listed or unlisted in the directory and may not be charged an additional fee in either case. Installers shall bill purchasers all flat-rate charges on the first regular monthly bill following incurrence of the service. When a purchaser has received service for only a fraction of the billing period, the monthly charge shall be prorated. Tables of fractional charges and credits may be used to determine the amount of the prorated charge.

H. Collections. Collections for unofficial telephone service, including flat rate monthly service charges, toll charges, private telegrams made by telephone, applicable taxes, and charges for extensions, installations, special or miscellaneous equipment, and for occasional unofficial use of official telephones will be deposited with the disbursing office of the activity at which it was collected. Collections received shall be credited to appropriations and allotments avail-

able for supplying such service. Reimbursement for DoD provided unofficial telephone services in the U.S. shall be credited to the concurrently available appropriations in proportion to the annual amount of operating expenses incurred and charged to appropriations that financed the services. At overseas locations, except for industrial fund activities, collections shall be distributed proportionately, based on the overseas flat rate cost elements, to appropriations and miscellaneous receipts in the following ratio:

70 percent to operations and maintenance,
25 percent to military personnel, and
5 percent to miscellaneous receipts.

Defense Business Operations Fund activities in overseas locations that provide unofficial telephone service shall retain reimbursements to the extent that expenses were incurred to provide those services. Any excess of reimbursements over associated expenses shall be credited to miscellaneous receipts of the Department of the Treasury. When credit is to an appropriation or fund other than the Defense Business Operations Fund, the disbursing office will forward a copy of the collection voucher to the fiscal officer of the appropriate activity. When security deposits to guarantee payment of obligations, as distinguished from advance payment for services, are made in accordance with local orders, such deposits will be taken up for credit to Security Deposits, Suspense.

I. Federal Taxes. Federal taxes applicable to the unofficial telephone service will be paid by the applicable disbursing office using a DD Form 1131, Cash Collection Voucher. The form will show a charge to the same accounting data as indicated for the telephone bill and will bear a full explanation for the expenditure, including identification of the activity where the taxes were collected. All public vouchers for the month will be paid with one check. Monthly payment and quarterly returns will be made in accordance with instructions furnished by the District Director of Internal Revenue for the district in which the disbursing office is located. A copy of the public voucher will not be furnished to the payee.

J. Refunds. Refunds of amounts

deposited with a disbursing office for unofficial telephone service will be on a DD Form 1131 chargeable to the appropriation originally credited.

K. Satellite Communications (Radio-telephone Service). As required by Commercial Traffic Regulations (DNC 26), the costs of ship to shore communication service will be collected from personnel using the service by the communication officer of the ship. The communications officer will immediately turn over the amounts collected to the disbursing office who will take up the collection as a credit to Suspense. When the telephone company bills the ship for the service, payment will be made to the telephone company by the disbursing office using an SF 1034 to substantiate the payment.

L. Reimbursement for Telephone Wiring Maintenance. Charges for telephone wiring maintenance necessary in base housing, paid by the tenant, may be reimbursed under 31 U.S.C. 1348. Charges for internal wiring repair in family housing will be reimbursed from maintenance funds and charges for unaccompanied personnel housing from current base funds.

M. Telephone and Cable Television Reconnection Charges.

1. 56 Comp Gen 767 (1977) authorizes expenditure of appropriated funds for reconnection expenses where a move is the result of government action over which the member has no control and the move is directed at government expense. Exclude expenses incurred during permanent change of station.

a. Expenditure is authorized for the following as directed by the base commander:

(1) Mandatory assignment to government-owned housing facilities.

(2) Involuntary relocation (Comp Gen B-227727 Mar 7, 1989) to government or non-government facilities because of base renovation or condemnation proceedings.

(3) The termination of

assigned quarters because of death of qualifying dependents.

b. The reimbursement is not authorized for moves involving:

(1) Voluntary termination of assigned quarters.

(2) The termination of assigned quarters due to demotion to ineligible grade or adverse conduct by member.

(3) The termination of assigned quarters due to family separation (no hardship involved).

(4) Member's voluntary movement from off-base to on-base quarters.

2. Accomplish the expenditure of appropriated funds by either the member's claim for reimbursement or a direct payment to the contractor.

a. Reimbursement to Member. A Service member may pay for reconnection charges when billed and file a claim for reimbursement. The member submits the invoice, letter, or special order directing the move, and a letter request to the billeting officer for bachelor quarters or to the base civil engineer for military family housing for approval and certification.

b. Direct Payment Method. A Service member may submit the same documentation through the billeting officer or base civil engineer to the disbursing office for a direct payment to the contractor. These payments are not subject to the Prompt Payment Act. The payment voucher should contain the statement, "payment is being made for the following individual(s) for reconnection services on the following dates."

(1) Support the reimbursement or direct payment to the contractor with:

(a) Special order or letter directing move.

(b) The letter from the member requesting reimbursement for reconnection charges already paid or direct payment to the contractor for charges not yet paid. Member must certify that amount invoiced includes only those charges incurred in restoring telephone or cable services previously provided at old location and does not include charges for any new services or equipment.

(c) Copy of telephone or cable company invoice certified by the chief of services or base civil engineer showing only applicable reconnection charges. All other charges should be lined off and paid separately by the member.

120206 Emergency Notification Service (9-1-1)

A. Emergency notification is a service allowing a telephone subscriber to dial one number (usually 9-1-1) for any emergency. A central control desk takes the call and notifies the appropriate local government agencies. This service often is provided by a state or local government and usually is funded by charges collected from telephone subscribers. In many cases, this charge actually is a tax levied by the providing agency, and the telephone company merely acts as the billing and collection agent.

B. The Comptroller General has determined that, if the charge is imposed by a telephone company for its own service and duly permitted by the tariff to which all utility customers are subject, the charge is proper and payable by the government. If, however, a state or local government actually is imposing the charge and merely using the telephone company as its agent, the charge amounts to a tax from which the Department is exempt (64 Comp Gen 655 (1985)).

C. Federal agencies do not have the authority to waive immunity from such taxes. If a base paid the 9-1-1 charge in situations where the charge is considered a tax, payment would be improper. Notify the telephone company that the Department cannot pay the fee.

D. If it is unclear whether such charges are taxes or service charges, the responsible

official should contact the base communications officer or higher authority.

E. Telephone service to on-base residents is a matter of private contract between the resident and the local telephone company. If residents are charged for 9-1-1 service, they may not claim exemption on the basis of immunity. If a resident of base housing lives in an area where all fire, police, and other emergency services are provided by the base, the charge may be for services the resident does not receive, and a challenge on that basis may be possible. Regardless of the basis a resident of base housing uses to challenge a 9-1-1 charge, it remains a private matter between the subscriber and the telephone company.

120207 Medical Services Provided by Civilian Non-Federal Sources

A. Members. The military medical treatment facility (MTF) can refer members to civilian health care providers for diagnostic services and/or treatment. Claims from civilian non-Federal sources for such care will be paid on an SF 1034. The form will be prepared and certified for payment within 30 days from the later of receipt of an invoice in the specified office or the date of acceptance of the care provided by the approving authority and supported by itemized invoices. The same standards apply to approved claims for services rendered in connection with care of the dead.

B. Dependents and Retired Personnel. Dependents and retired personnel are authorized certain medical care and diagnostic services as established by statutory authority (10 U.S.C. 1071-1085). When an MTF is managing the care of dependent and retired personnel and must refer those personnel to civilian facilities for care that is beyond the MTF's capability, payment for that supplemental care is authorized. Payment will be made on an SF 1034. The funds charged will be the operating funds of the MTF that made the referral.

120208 Patents, Copyrights, Designs, Etc.

Appropriated funds available for acquiring material may be used to acquire the

following if it benefits the Department.

A. Copyrights, patents, and applications for patents.

B. Licenses under copyrights, patents, and applications for patents.

C. Design, processes, and manufacturing data.

D. Releases, before suit is brought, for past infringement of patents (10 U.S.C. 2386 and FAR 28.105.2).

120209 Copies of Official Records or Documents

Fees required by local laws may be paid to proper officials for certified or photostatic copies of public records or documents required by a court, board, etc. Current funds available may be used to purchase death certificates for deceased retired personnel only if there are no beneficiaries or none can be located (19 Comp Gen 93 (1939)).

120210 Payments to General Services Administration Where DoD Liability Exists for Damages to GSA Motor Pool Vehicles

A. Except for normal wear and tear, the Department is pecuniarily liable for loss of or damages to GSA motor pool vehicles caused by negligence, misconduct, abuse, or inattention of military or DoD civilian personnel.

B. This liability is not confined only to cases of negligence or willful misconduct assessed against individuals. Use an SF 1080, Voucher for Transfers Between Appropriations and/or Funds, for payment to GSA. Funds currently available should be cited on the voucher. The damaged vehicle involved must be fully identified on the SF 1080, which also must include the vehicle registry number, date of damage, and register number of report of survey when applicable.

NOTE: Do not delay payment to the GSA pending report of survey action.

C. Send one copy of the voucher, without supporting papers, with the check to the GSA. Support the original voucher and other copies of vouchers (if applicable) with a certified true copy of the Report of Survey, for DoD property where applicable, and a cost-of-repairs statement prepared by the GSA.

120211 Rewards for Recovery of Lost DoD Property

Under 10 U.S.C. 2252 certain rewards are authorized and paid as follows:

A. Payment of rewards may be made to persons or organizations for the return of lost property or information leading to its recovery.

B. Commanders may offer rewards for recovery of lost property.

C. Conditions for Payment of Reward

1. The persons or organizations must know that a reward is being offered or that it is general practice to offer rewards for the return of particular DoD property or information leading to its recovery.

2. The claimant is not a member of the U.S. Armed Forces or an officer, employee, or agency of the U.S. Government.

3. Payment is not inconsistent with local laws, prevailing customs or practices, treaties, or international agreements.

D. Rewards should be paid from the current funds available of the activity concerned. Support the voucher with a copy of the offer of reward, a statement by the commanding officer or designated representative that the conditions for payment of reward have been met, and a release from further claim signed by the claimant.

120212 Tuition

A. Military Personnel. Tuition aid for military personnel will be paid in accordance with the approved contract.

B. Civilian Employee Training. The DD Form 1556, Request, Authorization, Agreement, Certification of Training and Reimbursement is the authorized form to request, authorize, fund, certify, reimburse, and evaluate DoD civilian training. The training may be provided either from government or non-government sources. It must be a regularly scheduled, off-the-shelf course, training conference, or instructional service that is available to the general public and priced the same for everyone in the same category, i.e., price per student, course, program, service, or training space.

1. The total price of training authorized by the use of single DD Form 1556 may not exceed \$25,000.

2. The training officer (or the employee development officer) may authorize the actions summarized in this paragraph. These actions do not involve the contracting functions (see Civilian Personnel Instructions (CPI) 410, Appendix H, for further uses/use limitations on the form).

3. Prohibitions against the payment of tuition or other expenses for training are outlined in Federal Personnel Manual (FPM) 410.4, 410.5, 410.6, 410.7 and 410.8 and CPI 410.4, 5, 6, 7, 8, and 10.

4. Requirements on support of travel and transportation requirements involving attendance at training are contained in the JTR, Volume 2.

5. Educational service agreements may be entered into with established colleges, universities, or other educational institutions. Agreements may include all normal tuition and fees in established schedules applicable to all students attending the institution (excluding off-duty educational programs for individual employees). Each request requires a contract that should be initiated via use of the DD Form 1556.

6. Employees nominated to attend training in a government or non-government facility will be issued on a DD Form 1556 that is signed by an official with approving authority.

7. When the training has been procured by means of contract or educational services agreement, payment will be made in accordance with the provisions therein. If there is no contract or agreement, payment will be made based on billings (invoices) received and approved by the sponsoring activity supported by copy 6 or 7 Agency (Finance/Disbursing, Tuition) or Agency (Finance/Disbursing, Books, etc.) of the DD Form 1556, as appropriate.

C. Advance Payment. Advance payment of tuition and other expenses is authorized either when the training facility renders or refuses to render a billing, or advance payment is indicated in Section G on the DD Form 1556. The public voucher will identify the training facility by name and address and indicate the amount and serial number of the check drawn to the facility for the advance of tuition, as well as the amount and serial number of the check drawn to the trainee for purchase of books, library, and laboratory services. The original and 2 reproduced copies (front and back) of the Agency Finance/Disbursing copy of the DD Form 1556, copy 6 or 7, must be submitted to the disbursing office to support payment of the advance. The original Agency Finance/Disbursing copy of the DD Form 1556, copy 6 or 7, will be endorsed by the disbursing officer to reflect the advance payment and will be transmitted with the check to the trainee.

D. Liquidation of Advance. Within 5 workdays after completion of the training, the trainee will prepare an SF 1164 itemizing the training expenses, attaching receipts when obtainable, and submit the original agency finance copy of DD Form 1556 which was endorsed with the advance payment information. The disbursing office will liquidate the advance payment in the same manner as prescribed for travel advances.

120213 Support of Armed Forces Personnel in Confinement

Purchase of health and comfort items for personnel confined on base is authorized not to exceed \$40 monthly per prisoner. Corrections officers should purchase these items for issue through the use of an SF 1034. Do not make

cash payment to individual prisoners. Purchases of necessary uniform clothing items are authorized and processed in accordance with the regulation of the service of the prisoner, whether one is in a pay or non-pay status. Administrative costs for the prisoner's deposit fund, such as the purchase of checks and bank service charges, will be paid in accordance with the regulation of the Military Service of the prisoner.

120214 Confinement of Female Prisoners in Civil Detention

When DoD confinement facilities are not available, or do not provide for the separation of male and female prisoners, regulations provide procedures for transferring female prisoners to civil detention facilities. The Security Office transfers female prisoners and provides the disbursing office with supporting documents for payment of the confinement expenses. The disbursing office submits payment to the civil confinement facility and coordinates on all matters of pay and allowances due the prisoner while in confinement. The funds to be charged for the confinement are determined by the expenses itemized on the invoice.

120215 Pollution Control Permits or Fees

In the absence of express Presidential exemption, DoD facilities must abide by state or local laws for abatement and control of pollution. This includes obtaining permits and paying the associated fees. Use an SF 1034 to pay claims based on the certification or approval of the base civil engineer.

120216 Municipal Services

Under 10 U.S.C. 2465, absent specific legislative authorization, DoD disbursing offices may not make payments for any service required to be provided by the local government if such service is financed from revenues raised by state or local taxation from which the Federal Government is exempt. Common examples are police and fire protection. The Department may pay on the same basis as private users for services based on the quantity of direct services received, i.e., water and sewage. The general rule is that the Department will not pay for municipal services

unless private citizens and businesses also pay a charge for the same services. While payments made under contracts prior to the enactment of Public Law 101-510, November 5, 1990, are held to be valid, there is no legislation holding payments made after that date to be valid.

120217 Arbitrator Fees

The use of arbitrator services under negotiated grievance procedures of management and labor union agreements is authorized. These services normally are acquired by issuance of a DD Form 1155 which specifies payment terms and conditions. The civilian personnel office submits approved documents to the responsible activity for funds certification and reservation of funds before obtaining contract action. Upon completion of services, the civilian personnel office certifies that services have been received. This certificate serves as documentation representing the receiving report required for payment. Pay the arbitrator on the date specified in the contract. If the contract does not contain a due date, pay as close as possible to (but no earlier than 7 days before) 30 days after the later of receipt of invoice or acceptance of service.

120218 Payment for Advertising

A. General. In accordance with 44 U.S.C. 3702, prior to advertising in newspapers, trade journals, and similar publications, written authority to advertise must be received from the cognizant DoD Component Head or from a person who has received written delegation of authority from the Head of a DoD Component. Such delegation of authority cannot be redelegated.

B. Payment

1. Providing Substantiating Documentation. Procurement documents for official advertising will provide that each invoice accompanied by an affidavit of publication or a copy of the publication or advertisement (known as a "tear sheet") will be submitted to the purchasing office. The officer placing the advertisement will attach to the invoice a copy of the procurement document and evidence of authority to advertise and forward the invoice to the disbursing office.

Except in cases of blanket authority to advertise, the public voucher for advertising will be accompanied with a copy of the original authority to advertise signed by the Head of the DoD Component or an officer delegated to authorize advertising. If advertising was authorized by a delegated officer, a copy of the delegation will be attached to the first public voucher paid under such delegation and will be referenced on subsequent vouchers. When the authority to advertise is given to several activities in the form of a notice or instruction issued by the Head of a DoD Component on that official's delegated authority, a reference to the authorizing notice or instruction on the advertisement order is acceptable in lieu of a copy of the authority.

2. Retainment of Supporting Documents. Every account for official advertising rendered will be accompanied by a tear sheet in which the advertisement appeared as a proof of publication. However, if tear sheets are not available, an affidavit or publication may be furnished in lieu thereof. The affidavit will be signed by an official of the publishing firm or advertising agency with which the order was placed and, in the case of advertising in newspapers or periodicals, will identify the issues in which the advertisement appears. Tear sheets or affidavits submitted as proof of publications will not be forwarded to the GAO as part of the disbursing office's account but will be attached to the memorandum public voucher and retained.

3. Radio Advertising. The Comptroller General has determined that the requirement of written authority for advertising from the Head of a DoD Component or from a person who has received written delegation of authority does not apply to radio advertising. The other restrictive provisions relating to advertising in 44 U.S.C. 3702 are confined also to advertising in newspapers. There are no general restrictions upon the use of appropriated funds for radio advertising if in promotion of objectives for which appropriated. The prescribed forms and substantiating documents set for advertising in newspapers do not apply to radio advertising. An SF 1034 will be used in making payment for radio advertising.

120219 Demurrage on Cylinders

Vouchers covering demurrage charges on gas cylinders or drums retained beyond the contract free period may be prepared on a quantity basis. This means based on a number of cylinders, without regard to any particular cylinder, where contracts so provide. In such cases, explain the method of calculating demurrage, cite the voucher covering the preceding demurrage payment and other identifying data such as the cylinder number, date cylinder was delivered, date rental starts, date cylinder was returned, and the actual number of days and rate per day on which the charges were computed. Charge the funds of the activity which caused the delay. Identify also the voucher upon which payment was made for the filled containers (19 Comp Gen 53 (1939)).

120220 Civilian Uniform Allowances

Payment of civilian employee uniform allowances will be made in cash or by check on public vouchers prepared and certified by proper authority. Payment will be made by the disbursing office serving the activity for the payment of civilian payrolls. When more than one employee is paid in cash on the same voucher, the signature of each payee acknowledging payment will be obtained on the original voucher. The payment will be charged to the same appropriation and subsidiary accounting data normally charged for the salary of the personnel concerned.

120221 Payment to Military Personnel for Lost or Damaged Clothing

Military personnel entitled to reimbursement for lost or damaged clothing submit an original and two copies of approved form Personal Clothing Claim. The disbursing office will prepare an SF 1034 for payment to the member.

120222 Payment for Representation and Contingencies Fund Use

A. General. The instructions in this paragraph apply to disbursements made against funds separately appropriated in the contingen-

cies program. These include representation, special expenses, and contingencies. For each fiscal year, the Congress appropriates funds in the contingencies program under the statutory authority in 10 U.S.C. 140 for use by the Head of each DoD Component. Funding documents provide authority to obligate and expend contingency funds as approved or as adjusted later during the fiscal year.

B. Representation Funds. Unless otherwise specifically authorized by the cognizant Head of a DoD Component, representation funds are expended by commanders only for official entertainment or other official purposes authorized. All expenditures of contingency funds for official representation specifically must be approved before the event by the applicable commander or designee. Such approvals must be of formal record and, at a minimum, indicate the purpose, number of guests, and estimated cost. Payments are made on an SF 1034 and certified or approved by the commander or designee. As an alternative, the commander or designee may submit a properly certified statement with supporting documentation to the disbursing office for preparation and certification of the payment voucher.

C. Emergency and Extraordinary Expenses. The language in the Appropriation Act for contingencies usually reads: "For emergencies and extraordinary expenses, to be expended on the approval of the Secretary of the cognizant Military Service, and payments may be made on their certificate of necessity for confidential military purposes." Use the following procedures for the type of payment indicated:

1. Miscellaneous Current Expense. Payments against miscellaneous current expense funds generally are made on an SF 1034.

2. Intelligence Contingency Funds (ICF). Payments generally are for confidential military purposes and normally are made on a DD Form 281, Voucher for Emergency or Extraordinary Expense Expenditures. Exceptions are processed on other appropriate voucher forms. The original of all vouchers such as DD Form 281, SF 1034, and SF 1080, except for collection and correction vouchers, are returned

to the originator. The original voucher and supporting documents are retained by designated ICF managers.

3. Investigation Expenses. Classified investigation expenses for confidential military purposes are vouchered on a DD Form 281. Expenses for other than confidential military purposes are vouchered on an SF 1034. The vouchers are prepared in original and four copies using the applicable form. All other supporting documents are retained by the originating office.

120223 Cash Awards to Military Members

A. Military personnel may receive cash awards for suggestions, inventions, and scientific achievements as authorized by Military Service regulations.

B. Upon approval of an award, the Executive Secretary of the Suggestion Awards Committee prepares, certifies, and submits an SF 1034 (plus a copy of the Suggestion Award Certificate) to the disbursing office.

C. Upon receipt of the certified SF 1034:

1. The voucher is reviewed for propriety.

2. The payment is made against current funds available from the activity to which the member was assigned at the time the suggestion, invention, or achievement was submitted.

3. Federal income tax withholding is required on all cash awards. The only exception to the requirement for withholding Federal income tax on cash awards is when payment is made to an enlisted member serving in a combat zone.

120224 Payment of Tuition Refunds

A. Sponsors of tuition-paying students attending DoD-operated schools overseas may receive a prorated refund of tuition if they terminate enrollment before the last 20 academic

days of the semester (see DoD Directive 1342.13).

B. The school administrator prepares, certifies, and submits an SF 1034 to the disbursing office for payment. The SF 1034 must include the name of the student, date enrollment was terminated, and the amount authorized for refund.

C. Pay the voucher after reviewing it for propriety and ensuring that related funds are available in deposit fund accounts.

120225 Hospital Accreditation

If required, payment for any part or all of the initial or reaccreditation surveys may be made in advance.

120226 Handling Charges

Contractors may include a handling charge, service charge, or minimum billing charge on orders below a certain value. If these charges are included in the contract, they may be paid (48 Comp Gen 168 (1968)).

120227 Reciprocal Mutual Aid Agreements for Fire Protection

A. Claims for reciprocal mutual aid agreements for fire protection are required by 44 Code of Federal Regulations (CFR) 151 to be submitted to the Administrator, U.S. Fire Administration, Federal Emergency Management Agency (FEMA), Washington DC 20472, by non-DoD fire-fighting organizations. If approved, such claims are paid by the Department of the Treasury, subject to reimbursement by the DoD installation under whose jurisdiction the fire occurred.

B. If the claims affect current funding for fire protection, the FEMA will contact the installation as a part of its claim processing and adjudication procedures. Provide information requested, in coordination with the civil engineer, fire protection unit, and staff judge advocate. Provide complete name and address of the disbursing office, including the Accounting Station Disbursement Number, and an appropriation fund cite for fire protection funding so that

the Treasury Department can bill for reimbursement for approved claims paid.

C. Commit available fire protection funds for the estimated amount of claims, either when notified or when contacted by the FEMA under its claim processing procedures. When the Treasury Department pays such claims on behalf of DoD activities, record an obligation and accrued expenditure for the amount reimbursed to the Treasury Department.

120228 Discrimination Complaints

A. General. Costs incurred in processing discrimination complaints may include travel expenses, attorney fees, investigation expenses, costs of Administrative Judges, and court reporters. Reference, Discrimination Complaints and 5 CFR 1201.37, for administrative and procedural guidance. There is a potential expense of up to \$300,000 compensatory damages liability for claims of intentional discrimination under the Civil Rights Act of 1991.

B. Attorney Fees. In cases involving complaints of discrimination, attorney fees may be awarded pursuant to either a no-fault settlement agreement, an informal adjustment, a decision of the service director of Equal Employment Office (EEO), the Equal Employment Opportunity Commission (EEOC), the Merit Systems Protection Board, an arbitrator, a Federal court, or other appropriate authority. After review and approval of the award letter by the legal counsel, prepare an SF 1034, supported by the award letter and approval, made jointly payable to the complainant and complainant's representative. Requests to make actual payments are initiated by the EEO manager of the legal office. Cite local operating funds current when the employee or employee's representative is notified of the amount payable on the claim for attorney fees and cost. In addition, new rules under 29 CFR 1614 for reinvestigations that became effective on October 1, 1992, may apply.

C. Investigation Expenses. Most complaints are investigated by an investigator assigned to the appellate review agency. The EEO manager arranges for the investigator's visit and submits a claim citing operating funds current at

the time services are requested. If local funds are used for miscellaneous purchases, the chief EEO counselor will initiate a purchase request using current operating funds. An SF 1034 or a DD 1155, approved by the chief EEO manager, will be used to make payment.

D. EEO Administrative Law Judge. An EEO Administrative Law Judge is an official assigned by the EEOC to hold hearings on formal complaints of discrimination and otherwise process individual and class complaints for the EEOC. Expenses associated with these complaints are funded by the activity where the alleged discrimination took place using operating funds current at the time the services are requested. The EEOC will bill this activity for any authorized and required expenses. The chief EEO manager reviews and approves the EEOC billing before payment by the disbursing office.

E. Court Reporter. The chief office of counsel arranges for the services of a court reporter by submitting a request to the DoD Component contracting office. Costs for court reporter services are funded by the activity where the alleged discrimination took place using funds current at the time services are requested. The chief EEO manager reviews and approves the SF 1034 or DD 1155 for payment.

F. Interest payments (when permitted by statute) are to be charged to funds current when the award is made. The rate used is established by the Internal Revenue Service (IRS).

NOTE: This IRS rate is not the same as that used for interest under the Prompt Payment Act.

1203 CREDIT CARDS

120301 Applicability

This section prescribes required financial policy and procedures to process government credit card payments. Government credit cards are issued under a General Services Administration (GSA) firm fixed price requirement contract. The government credit card is officially named the International Merchant Purchase Authorization Card (I.M.P.A.C.).

120302 Policy

A. Documentation. Appropriate documentation will be maintained at all levels to support the integrity of the credit card program and facilitate the reconciliation and payment of credit card transactions. Cardholders will establish clear audit trails for credit card transactions by maintaining documentation to support each purchase (e.g., requisitions, including cross references to any related Blanket Purchase Agreements, telephone and mail order logs, receipt records, charge tickets, and credit slips). The cardholder's monthly Statement of Account (SOA) itemizes each transaction posted against the account through the end of the billing cycle. Each Cardholder shall reconcile and annotate each SOA, as prescribed by local procedures, against supporting documentation. Next, the Cardholder shall sign the SOA and forward it to the Approving Official. The cardholder's annotated and signed SOA constitutes receipt and acceptance of the goods or services for which the account was charged. The Approving Official reviews the itemized charges for each of his or her cardholders and signs each SOA which certifies that purchases were for official requirements. The Approving Official's Business Account Summary (Report R090) summarizes the billing cycle activity for each of their cardholders. The Approving Official reconciles the cardholders' SOAs to the Business Account Summary and makes appropriate annotations and signs the Summary. The annotated and signed Approving Official's Business Account Summary constitutes proof of receipt and legitimacy of goods and services. This Summary serves as a receiving report to support payments.

B. Disputed Credit Card Transactions. If a questionable transaction (e.g., erroneous charge, duplicate transaction, etc.) appears on a cardholder's SOA, the cardholder completes and processes a Cardholder Statement of Questioned Item (CSQI) form according to local procedures. The CSQI form is attached to a copy of the SOA and forwarded to the Approving Official. The Approving Official verifies that the cardholder's disputes are valid and prepares a Notice of Invoice Adjustment (NIA) form which lists each CSQI transaction for which payment should be withheld. The Approving Official attaches the

NIA to the Business Account Summary and forwards it to the disbursing office.

120303 Payment

The I.M.P.A.C. Financial Summary (Report R063) is the official invoice for credit card purchases. For purposes of determining the payment due date and date on which interest will begin to accrue, the invoice shall be paid in compliance with the guidance contained in paragraphs 070201, 070301, 070302, and 070307. Payment is due 30 days after receipt of the invoice in the designated billing office.

120304 Responsibilities of the Disbursing office

A. The disbursing office will receive an annotated and signed copy of each Approving Official's Business Account Summary. The summarized charges are included on the official invoice along with the applicable NIAs. Cardholders' SOAs, signed by both the cardholder and the Approving Official and supporting documentation, will be maintained by the cardholders or by their Approving Officials. If annotations on the cardholder's SOAs are required to process the I.M.P.A.C. invoice, local procedures may require a photocopy of the cardholder's SOAs to be attached to the Approving Official's Business Account Summary and forwarded to the disbursing office.

B. The disbursing office will ensure that only transactions which have been certified for payments by the Approving Officials are processed for payment. Valid disputed transactions, for which NIA forms have been received, will be deducted from the official invoice. The NIA form must accompany payment to the credit card contractor in order that the total official invoice amount is accounted for. In mathematical terms, the payment amount is the net of the current charges minus any current credits and disputed items plus any prior disputed items approved for payment.

CHAPTER 13

TRANSPORTATION PAYMENTS FOR FREIGHT AND PERSONAL PROPERTY1301 RESPONSIBILITIES130101 Title 41, Code of Federal Regulations, Public Contracts and Property Management

A. This chapter outlines the responsibilities, entitlements, and special procedures for payment of transportation documents, including government bills of lading (GBL), transportation requests (TR), and transportation warrants. General policies for the use of military-owned transportation facilities and the acquisition of transportation services from commercial companies for movement of freight, personal property, and passengers are in the Title 41, Code of Federal Regulations (CFR), DoD 4500.34-R, Personal Property Traffic Management Regulation, and DoD 4515.13-R, DoD Air Transportation Eligibility Regulation. In paragraphs 130101-B, C, and D, three managers are cited for transportation. This is one for each of the Military Departments. However, the major transportation functions of all three Departments are under the umbrella of the United States Transportation Command.

B. The Secretary of Defense has designated the Secretary of the Army as the Single Manager Operating Agency for military traffic, land transportation, and common-user ocean terminals. The Secretary of the Army has established the Military Traffic Management Command (MTMC) as the Executive Director of the Single Manager Operating Agency for all transportation for DoD Components, except ocean and airlift services. The Air Mobility Command shall monitor and manage the procurement by charter or short term contract (90 days or less) of airlift services within the Continental United States (CONUS), and MTMC shall maintain data concerning the use of such service.

C. The Secretary of the Air Force is designated as the Single Manager Operating

Agency for Airlift Service. The Air Mobility Command (AMC) is designated as the Executive Director of the Single Manager Operating Agency for Airlift Service. The AMC must procure all long-term (in excess of 90 days) contract airlift service within CONUS and shall procure by contract or otherwise, all commercial contract airlift service between CONUS and overseas areas, within and between overseas areas, and shall maintain data concerning such service.

D. The Secretary of the Navy is designated as the Single Manager Operating Agency for Sealift service. The Military Sealift Command (MSC) is designated as the Executive Director of the Single Manager Operating Agency for Sealift Service. The MSC shall monitor and manage all sealift service and shall maintain data concerning such service.

E. Installation Transportation Officers procure transportation and related accessorial or special services. They are appointed and act in accordance with DoD 4500.34-R. They arrange to transport or store military goods, privately owned household goods, baggage, mobile homes, and other items entitled to be transported or stored at government expense. They also arrange to move military and civilian personnel under orders authorizing transportation at government expense.

130102 Rates Governing Transportation

Pay the full applicable commercial rates, fares, or charges for transportation by any common carrier of any persons or property for the United States, or in its behalf. However, pay a lesser rate if permitted under the contract or agreement between the government and the carriers, or unilateral offers from carriers.

130103 Transportation Payments

A. Pay proper bills or claims from carriers and forwarders within 30 days after they reach the designated billing office (CFR 101-41.401.e), as the prompt payment interest clock starts when the bill reaches the billing office. These payments are under the Prompt Payment Act (PPA) and interest is due if they are late. Transportation bills must be certified by the carrier that the shipment has been delivered in good order and condition. See Chapter 7 of this volume for PPA information.

B. The following carrier bills should not be paid in advance of completion of such services (CFR 101-41.402-1).

1. An assignee bank or financial institution under the authority of 41 U.S.C. 15.

2. Payees who are in bankruptcy proceedings or are subject to the control of a receiver, trustee, or other similar representative.

3. Payees who consistently fail to refund overcharges without valid reasons when notified by the GSA or any other Federal agency.

4. Payees who, without good cause, are slow to settle loss or damage or other claims.

5. Payees who owe substantial sums of money to the U.S. Government for which no adequate settlement arrangements have been made.

6. Payees in such bad financial condition that the government's best interests require special payment rules for their accounts.

7. Payees who do business with the U.S. Government infrequently and who have not previously been administratively approved for payment.

8. Any other person or business organization administratively determined ineligible for valid reasons.

9. If the General Services

Administration (GSA) does not object and the facts show that the U.S. Government's best interests are not jeopardized, make payments 30 days after the transportation officer receives the bill. The transportation officer must evaluate and approve each carrier or forwarder's performance to make this decision.

130104 Correct Rates and Overpayment

A. Statutory Provisions. No finance or certifying officer will be held liable for over payments made for transportation furnished on GBLs or TRs when the overpayment results from improper transportation rates, classifications, or from failure to deduct the proper amount (31 U.S.C. 3322 and 31 U.S.C. 3528).

B. Prepayment Audit. Public Law 99-627 dated November 7, 1986, amended 31 U.S.C. 3726 to permit prepayment audit of selected centrally paid transportation bills. The GSA was delegated the authority to perform these audits and further delegate that authority to other Federal Agencies, if the Administrator of the GSA determines that such a delegation would be cost-effective or otherwise in the best interest of the public.

1. The GSA has delegated that authority to the following DoD activities:

a. Defense Finance and Accounting Service-Indianapolis Center.

b. Navy Material Transportation Office, Norfolk, Virginia.

c. Transportation Voucher Certification Branch; Marine Corps Logistics Base; Albany, Georgia.

d. Headquarters, Military Traffic Management Command at Falls Church, Virginia and its Area Commands at Bayonne, New Jersey and Oakland, California.

2. Authority delegated in accordance with 41 CFR 101-41.103 is subject to complete oversight by the GSA. This oversight and test of accuracy will be made through the post-payment audit process and through on-site

inspections. In order to assist in this process, prepayment audit activities or contractors are required to stamp each bill so audited with a certification substantially as follows:

"I certify that this bill was audited and certified for payment in the amount of \$_____."

3. The stamp will indicate both the name of the audit activity and the name of the contractor involved, if contracted, and initialed and dated by the auditor. Paid bills that were subject to prepayment audit must be forwarded under separate cover to the GSA, ATTN: FWA (Code PA), Washington, DC 20405.

4. Carrier claims disputing the prepayment audit will be adjudicated by the auditing activity or contractor within 30 days of receipt of the claim. If all or a portion of a claim is not approved, the activity shall issue a written final decision setting forth its position and the rationale therefore. Carriers who are dissatisfied with the activity's or contractor's final decision may appeal the decision to the GSA.

C. Post-Payment Audit. Carrier's (GBL) bill and supporting documents that represent payments made by agency disbursing officers for freight and passenger transportation services shall be forwarded to the GSA, ATTN: BWAA-C, Washington, DC 20405, for audit (CFR 101-41.502.a). The GSA checks the carrier's rates for correctness during this audit and takes appropriate action if improper rates were used.

D. Collection of Overpayment. When instructed to do so by the GSA, the disbursing office will deduct the amount due the United States from an unpaid carrier's bill. Inform the GSA if you do not have, and are not likely to have, a subsequent voucher to collect an overpayment. The GSA then handles it as a U.S. claim against the payee.

E. Payments Subject to Review. Pay carriers their invoiced amount for personal property transportation on GBLs, including contract services for local drayage, storage, packing, etc. This includes the excess of the authorized weight allowance, whether any reimbursement has been

or is to be collected for the excess. However, the authority to pay carriers their billed amount does not keep the GSA from deciding that the finance or certifying officer is pecuniarily responsible for failing to collect the overpayment.

F. Certification and Excess Cost. When a service member ships personal property on a GBL as part of a permanent change of station (PCS), the carrier is entitled to payment prior to GSA audit or settlement. The certifying officer will not be held financially liable for these payments, even though the service member is liable for a portion due to excess weight.

G. Overpayment Resulting from Contractor Overcharges. Should an overpayment be made to a transportation company as the result of overcharges they made to a cost-plus-fixed-fee contractor who, in turn, has been reimbursed by the government, the GSA will send notices of such overpayment to the Director, Defense Finance and Accounting Service-Indianapolis Center (DFAS-IN), ATTN: DFAS-IN-TGB, Indianapolis, IN 46249-0621. The DFAS-IN makes deductions from subsequent carrier bills and informs both the GSA and the carrier. The correctness of the original deductions is then settled between the carrier and the GSA. Refer all questions from carriers concerning the correctness of the original deductions to the GSA, ATTN: BWAA/C, 18th and F Streets, NW, Washington, DC 20405.

130105 Payments Made by DFAS-IN Directorate for Transportation Payments

For transportation payments involving ocean movement, see paragraph 130110 of this volume. The DFAS-IN makes payments on transportation, not involving ocean movement, as follows.

A. GBLs and TRs. Except as provided in paragraphs 130105 through 130108, the DFAS-IN Directorate for Transportation Payments pays all transportation accounts for Departments of the Army, Air Force, Navy, Marine Corps, Defense Logistics Agency (DLA), and the Office of the Secretary of Defense for service within CONUS. This includes combination land and water movements using through

rates and through GBLs via coastal and intercoastal routes. The term "GBLs," as used here, means SF 1103, U.S. Government Transit Bill of Lading, original, unless otherwise specified, and DD 1131, Cash Collection Voucher. GBLs must be sent to the Director, DFAS-IN, ATTN: DFAS-IN-TGB, Indianapolis, IN 46249-0611, for payment. See paragraph 130108 concerning payments made by designated disbursing offices outside CONUS.

B. Transportation to or from the United States and Within Designated Overseas Areas. The DFAS-IN Directorate for Transportation Payments pays the following transportation services.

1. From, to, and within Alaska and Canada.

2. From and to Mexico border points by surface transportation.

3. From and to points in Mexico by air, including combination land and ocean movements under through rates and through GBLs.

4. Air transportation service from or to a foreign country, when billed in U.S. currency and procured with the documents indicated here.

5. Transportation services within or between foreign countries when the services are procured on an SF 1169, U.S. Government Transportation Request, or a GBL from a U.S. flag carrier and charges are payable in U.S. currency. See paragraph 130108 concerning payments to be made by designated disbursing offices outside CONUS.

6. Miscellaneous charges such as demurrage, storing, icing, salting, re-weighing, switching, drayage, hauling, and so forth, in shipments under GBLs issued in paragraph 130105-A. These bills cover services incident to the line-haul carrier station-to-station movement. They include necessary service to make delivery at consignee's place of business that, if performed by the line-haul carrier at consignee's request, results in an additional charge directly

related to the bill of lading charge.

C. Household Goods (HHG) Shipments. Basic rules for determining military and civilian personnel entitlement to move personal property (household goods and unaccompanied baggage) at U.S. Government expense, including privately owned vehicles and mobile homes are in the JTR and the JFTR. When personal property is shipped by commercial carrier, use GBLs, where acceptable, to buy the required services. When civilian employees are being reimbursed for shipments using the commuted rate method, do not use a GBL.

D. Invoices Stated in Canadian Dollars. CONUS finance offices that receive transportation invoices stated in Canadian dollars and payable from appropriated funds must send them with related contracts to the Director, DFAS-IN, Dept 3400, 8899 East 56th Street, Indianapolis, IN 46249-3400, for payment.

E. Government Travel System bills for the Military Entrance Processing Command.

130106 Local Payments

A. Miscellaneous charges on shipments on commercial bills of lading. The local disbursing office pays, without purchase order, bills for miscellaneous charges (such as storage, reweighing, local drayage, hauling, etc.) on:

1. Shipments under prepaid commercial bills of lading.

2. Shipments when no line-haul GBL is involved.

3. Delivery charges when services are performed by other than the GBL line-haul carrier or carrier's agent. See paragraphs 130107 and 130108.

B. U.S. Army, Europe (USAREUR) payments. In USAREUR, the 266th Finance Command (FC) is designated as the local Commercial Accounts Payable office to pay this type service. The 266th FC collects all excess weight charges to move HHG in the USAREUR area of responsibility. This includes all HHG

movements from, to, and within the USAREUR area via transportation services procured with approved commercial line-haul rate and service tenders and local drayage service contracts. The 266th FC payments will not include any portion of services rendered through GBL carrier movements between CONUS and foreign countries.

C. Local expenses incident to travel. The disbursing office, at or near the headquarters of the transportation officer in whose area the travel originated, will make payments for toll bridge, ferry, or highway charges.

D. Local Payment of Airlines or Government Travel System. The disbursing office at the installation on which the travel agency that handled the transaction is located, or the accounts payable office at the installation which uses teleticketing equipment to get airline passenger tickets, will make local payments for airline, rail, and bus passenger service.

130107 Payments by Designated Disbursing offices Outside CONUS

The designated disbursing office in the country where the movement originates will pay Departments of the Army, Navy and Air Force, DLA, and Office of the Secretary of Defense local bills of lading and TRs for services within or between countries outside the United States (including Hawaii). For instructions regarding payments to be made in foreign currencies, see paragraph 130109. See paragraphs 130110 and 130111 respectively for instructions about payments by the Military Sealift Command and civil function disbursing offices of the U.S. Army Corps of Engineers.

130108 Offices Designated to Make Payments

The offices designated for making overseas payments for non-ocean cargo movement are:

A. Europe. The disbursing office designated in the local bills of lading or TRs pays for all transportation services for their parent command except the following:

1. The 26 AFS/RAFFP, Unit 1017,

Box 585, APO AE 09094-5585, pays all bills for internal commercial transportation services furnished in Spain.

2. The 26 AFS/RAFFP, Unit 1017, Box 585, APO AE 09094-5585, pays all bills for internal commercial transportation services furnished in the United Kingdom and Norway.

3. The Defense Accounting Office (DAO), Incirlik AB, Building 480, Unit 7055, Box 155, APO 09824-5260, pays all bills for internal commercial transportation services furnished in Turkey.

4. The DAO, 7206 ABG/FMF, APO New York AE 09840, pays all billings for internal commercial transportation services furnished in Greece and Crete.

5. The DAO, Mid East/Africa Project Office, U.S. Army Corps of Engineers, P.O. Box 2250, Winchester, VA 22601-1450, pays all transportation accounts for Saudi Arabia, Egypt, Jordan, Oman, and Kuwait.

B. Hawaii. The DAO designated by the DoD Component to serve the local area pays transportation accounts for Hawaii.

C. The 175th Finance Command, ATTN: Commercial Accounts Branch, APO San Francisco AP 96205, pays all billings for internal commercial transportation services furnished within the Republic of Korea.

D. Japan:

1. The 69th Finance Battalion, Headquarters, U.S. Army, Japan, APO San Francisco 96343, pays all billings for commercial transportation services, other than local bills of lading, for mainland Japan and Okinawa. Specific services are HHG transportation charges, container rental costs, and bus service performed in Japan and paid in Japan to Japanese contractors.

2. The DAO, 475th ABW, ADSN 668800, APO San Francisco 96328, pays all billings for local bills of lading for foreign-to-foreign travel or shipments in Japan. Specific services

are for rail express shipments, line-haul local bills of lading, packing and crating charges, Japanese National Railway meal tickets, commercial taxi charges, and accessorial service charges.

130109 Foreign Currency Payments

If foreign currency is specified, the commander of the area where the currency is indigenous designates the disbursing office to make settlement. When the travel or transportation movement covered by a local bill of lading or TR originates, terminates, or transits countries in which U.S.-owned foreign currencies are excess or near excess to the foreseeable U.S. Government needs, the excess foreign currency is used as much as possible for payments. In the absence of a DoD disbursing office, payments in foreign currencies are made by routing the billing documents to the appropriate U.S. embassy. If payment is specified in Canadian dollars, the DFAS-Indianapolis Center will settle the account. (See paragraph 130105-D.)

130110 Military Sealift Command (MSC) Payments

A. The MSC disbursing officer serving the area in which the shipment originates pays GBLs, shipping agreements, and contracts for all DoD-sponsored ocean cargo movements, regardless of the DoD Component, except for Army and Air Force Exchange Service cargo.

B. The payment of canal tolls by the disbursing officer of an individual ship is authorized. In most instances, local area commander's instructions or fleet directives, as in the case of the Suez Canal, take precedence and preclude the disbursing officer from making such payments. When a ship is required to make payment, it will be made immediately upon leaving the canal or as soon afterward as the responsible canal commission presents its bills for payment. No payment will be made by the disbursing officer of a ship for passage through the Panama Canal.

130111 U.S. Army Corps of Engineers (USACE) Payments

The USACE finance officer, specially designated by FSN to settle the accounts of the specific project, pays transportation accounts payable from U.S. civil funds (Departmental Code 96).

1302 GOVERNMENT BILLS OF LADING, TRANSPORTATION REQUESTS AND TRANSPORTATION WARRANTS

130201 Government Bills of Lading Payments

A. Original Document. Pay transportation charges 30 days after the original completed GBL reaches the designated billing office. A carrier certification at the bottom of the document must be completed. Do not make payments on other copies except as provided in paragraph 130201-B.

B. Loss of Original Document. When the original GBL has been lost, make payment on the original SF 1105, U.S. Government Freight Waybill, certified on the reverse by the issuing transportation officer. The reverse must have a properly executed delivery certificate identical to that on the face of the original bill of lading. If the original freight waybill also is lost, make payment on a certified true copy of the issuing office's memorandum copy of the SF 1103. The form must be properly certified on the reverse by both the shipper and the carrier.

130202 Notations Required on Government Bills of Lading

A. General. Pay GBLs only when they have prescribed notations and supporting papers.

B. Notification of Improper Preparation. If GBLs do not have the prescribed notation, have incomplete or incorrect notations, or do not have the correct supporting papers, notify the appropriate transportation officer. If no response is received from the transportation officer, inform one of the MTMC regional offices: MTMC Eastern Area, ATTN: MTEOP, Military Ocean Terminal, Bayonne, NJ 07002-5302 or MTMC Western Area, ATTN: MTWOP, Oakland Army Base, Oakland, CA 94626-5000.

130203 Government Bill of Lading Carrier Billing

Carriers must use an original SF 1113, Public Voucher for Transportation Charges, to bill for transportation charges furnished in response to an SF 1103 or SF 1169. The Department of the Army does not stock the SF 1113. Carriers must buy the form from the GSA Regional Center located in their geographical area. Computer generated forms are acceptable, if they have been approved by the GSA.

130204 Appropriations or Funds Chargeable to Transportation Supplies

A. When title to property has passed to the U.S. Government, transportation charges for material shipped from one U.S. Government installation to another are not considered part of the contract expense in buying the material. These charges, known as Second Destination Transportation charges, are an independent obligation arising under the transportation service contract. These expenses are charged to the appropriation current at the time the transportation was performed. If supplies are damaged in shipment, the installation which shipped the merchandise pays for the repairs.

B. Base Exchange Supplies. Charge payments for transporting supplies for Army and Air Force Exchange Service exchanges to the U.S. Army and U.S. Air Force Exchange Fund.

C. Procurement and delivery in different fiscal years. When supplies are bought for use at a distant station but are to be delivered to the U.S. Government free-on-board (FOB) at the place of manufacture, and their transportation is not ordered nor accomplished until the next fiscal year, the transportation contract is separate from the purchase contract. Accordingly, charge the transportation cost to the funds that are current when the service is performed.

130205 Savings in Government Bill of Lading Freight Charges

Shipment to the designated destination from a point nearer than the FOB point does not entitle the contractor to the savings in freight

charges over what the U.S. Government would have paid if shipment had been from the FOB point. This is true even though the supplies cost the contractor more at the shipping point than they would have cost at the FOB point.

130206 Premium Government Bills of Lading Transportation

When the contractor requests premium transportation at a greater cost than the lowest available to the U.S. Government, and the contractor has agreed in writing to reimburse the U.S. Government for the excess costs, the origin transportation officer will inform the disbursing office by letter. The letter must cite, in addition to the cause for the excess costs, the number of GBLs involved and the name and address of the contractor requesting the premium transportation. The original request from the contractor for premium transportation must be attached to the letter. The office that pays the carrier for the transportation charges computes the excess cost and takes collection action.

130207 General Services Administration (GSA) Claims

When a contract requires the contractor to deliver at an FOB point and allows the U.S. Government to direct delivery to other points, with an increase or decrease in the amount and cost of the freight, do not make the adjustment if the contractor refuses to accept payment on the usual basis. If the contractor contends that transportation expenses have been paid, which the U.S. Government was obligated to pay, or that the deduction made from freight paid by the U.S. Government is excessive, send the case to the GSA, ATTN: BWAA-C, Washington, DC 20405, for direct settlement as a claim.

130208 Payment Procedures for Government Transportation Requests

A. Notations required on transportation requests (TRs)

1. Make payment only when the TR has the proper notations and the correct supporting papers are attached.

2. When TRs do not have the prescribed notations, have incomplete or incorrect notations, or lack the required documents, notify the MTMC, ATTN: OP-Q, Washington, DC 20315.

B. Improperly Furnished Transportation. If it appears that the issuing officer improperly furnished transportation, the disbursing office pays the carrier or contractor for the service actually rendered. After payment, the disbursing office personnel will ask the issuing officer for the authority upon which such transportation were furnished.

C. Personal Documents Lost or Destroyed. If passengers lose or destroy their SF 1169, they should buy necessary transportation with personal funds or be issued a cost-charge SF 1169 in order to complete the mission. Passengers may then file a claim for reimbursement.

D. Requests to MTMC. Installation disbursing offices send all requests about passenger rate quotations to the MTMC, ATTN: MTOP-TMP, Falls Church, VA 22041-5050. Forward all requests for claims information to the MTMC, ATTN: MTOP-Q, Falls Church, VA 22041-5050.

130209 Refunds on Overpayment of Transportation Costs

A. Checks received for refunds on tickets acquired under a TR issued to a Commercial Travel Office or other authorized travel agents are processed locally as a collection.

B. Checks received as refunds on other TRs or GBLs are coordinated with the travel office and forwarded by cover letter without deposit action by the disbursing office with all the pertinent information or documents to the DFAS-IN Directorate for Transportation Payments. If the payee of the check is the local transportation management office or the local disbursing office, the designated office must deposit the check. A cross disbursement would be processed to pass the credit to the DFAS-IN. In addition, if the transportation cost were purchased under the Government Transportation System, the refund must be sent to the credit

card contractor.

130210 Transportation Warrants

A. The Department has authorized the issuance of Military Emergency Travel Warrant (METW) during any mobilization of the Individual Ready Reserve, certain retired military members, standby reserve and, when practicable, Individual Mobilization Augmentees for active duty in the Armed Forces under Title 10, United States Code. The METW may be issued in automated form as part of a mobilization order processed by a public communications carrier or as a pre-printed form DD Form 2399 through direct mail with an accompanying order from the respective Military Service. The carrier will be instructed to forward its billings and a copy of the warrant, signed by the traveler, to the DFAS-IN Directorate for Transportation Payments.

B. The GSA has authorized overseas activities to use transportation warrants within their host country. The forms for these warrants are developed by the overseas activity and payments are made by their designated disbursing office.

CHAPTER 14

TRANSPORTATION PAYMENTS OTHER THAN FREIGHT AND PERSONAL PROPERTY1401 GENERAL TRANSPORTATION PROCEDURES AND PAYMENTS140101 General

This chapter outlines payment procedures for transportation services which do not involve freight carriers.

140102 Postal Charges

A. If a contractor is directed by a contracting officer to ship free on board (FOB) origin via parcel post, postal charges are reimbursable. The contractor should list this expense as a separate item on the invoice. Charges are included in accounting records as a part of the cost of material. See paragraph 140104 for reimbursement of postal costs prepaid by the contractor.

B. When postal insurance is paid in good faith, reimbursement is authorized by 17 Comp Gen 325 (1937). This applies only to articles purchased FOB from the contractor's shipping point when such contractor has not been advised that package should not be insured.

140103 En Route Expenses (Drive-Away Carrier)

DoD vehicles may be moved by drive-away carrier service. Authorized en route expenses may be incurred for which the carrier is not liable. Shipping transportation officers (TO) have the authority to certify the expenditure of funds up to but not to exceed \$150. Carriers are authorized to incur necessary en route repairs not to exceed \$50, when specified on bill of lading. When estimated repair costs exceed \$50, carrier obtains instructions from the issuing TO. The carrier invoices these costs to the TO at the intended destination. The invoice must include complete reference to the bill of lading, the carrier bill number under which the

vehicles were moved, and the authorization to repair. Receipted repair bills and a letter explaining the reason for vehicle repair are required to support payment of the invoice.

140104 Allowable Prepaid Transportation

A. Contractor prepaid transportation is any type of transportation amount authorized in the contract by the contracting officer which is to be prepaid at free on board (FOB) origin by the contractor for reimbursement on the contractor's invoice. Included are the contractor's prepayment of commercial bills of lading, postal, shipments, and shipments by small package or other carriers.

1. Contracting officers rely on the traffic management officer for transportation management assistance and advice. Contracting officers should be aware of all contract costs affecting a contract or order. These include costs that will be charged under a contract for contractor prepaid transportation. Authorization of prepaid freight by the contracting officer presumes a known or estimated cost, a known or estimated cost savings, or a known advantage of using contractor prepaid transportation in place of a GBL or FOB destination shipping.

2. Reimbursement to a contractor for prepaid freight covers the cost of transporting the material being shipped from the designated FOB origin point to the designated destination(s). The contractor is authorized by the contracting officer to pay transportation on behalf of the government. The contractor pays for shipping on a commercial bill of lading, other commercial form, or through the postal system. The contractor bills the DoD Component for the cost of the transportation. This billing is shown as a line item on the contractor's invoice and is supported by a receipt as specified in paragraph 140105.

3. Contractor prepaid transportation is not authorized within overseas areas. A contractor, however, may be reimbursed for prepaid transportation within the U.S. to a stateside port of embarkation for further shipping by government means to the overseas area.

4. GSA audits cost-reimbursement contractor prepaid freight charges. Title 41, Code of Federal Regulations (CFR), 101-41.807-4, requests Federal agencies to require contractor to send copies of cost-reimbursement contract paid freight bills to the GSA for audit. Contracting officers require contractors to submit copies of paid freight bills to the GSA as required by the Defense Federal Acquisition Regulation Supplement. The GSA collects excess freight costs from the carrier after audit.

5. GSA does not audit fixed-priced contractor prepaid freight charges. There is no GSA requirement for Federal agencies to require contractors to send copies of fixed-priced prepaid freight bills to the GSA for audit.

6. Contractor prepaid freight costs are obligated as a cost of the contract.

7. Contractor prepaid transportation cannot exceed 150 pounds of weight by commercial air or 1,000 pounds by other commercial carriers. (See FAR 42.1403-2(a)). If these weights are exceeded, the contract must contain language which will allow reimbursement to the contractor.

8. Premium contractor prepaid transportation must be authorized by the contracting officer.

B. Reimbursement policy for cost-reimbursement contracts. Reimburse the cost presented in accordance with the terms of the contract provided the receipt requirements of paragraph 140105 are met.

C. Reimbursement policy for fixed-priced contracts. Reimburse the cost presented in accordance with the following:

1. A prepaid transportation cost, regardless of the amount, that covers the amount

presented for reimbursement must be stated in the contract.

2. Receipt requirements of paragraph 140105 have been met.

140105 Receipt Requirements

A. Reimbursement to contractors for freight charges of \$25 or less may be made without a receipt.

B. A contracts clause should be included requiring a freight receipt when freight charges are over \$25. This requirement is applicable regardless of the mode of transportation used. However, if the contract language disagrees with the \$25 figure, pay in accordance with the receipt requirements stated in the contract. If the contract does not require a receipt and the transportation charges is greater than \$25, any charge over \$25 requires a receipt from the contractor before reimbursement is made.

1. Receipts are required to substantiate a contractor's claim for reimbursement.

2. Contractors should support prepaid transportation charges with evidence of payment to the carrier. Evidence of payment is a receipted freight bill or commercial bill of lading (CBL) stamped or marked "To Be Prepaid" showing the charges receipted for by the carrier. If this is not present, the CBL must bear a notation of the contractor's check number and the date paid.

C. Contractors directed to prepay freight may maintain charge accounts with companies specializing in delivery of small parcels. These companies usually offer daily pickup service and limit the size of parcels accepted. They base charges on weight and zone-rate charges published by the carrier.

1. If a receipted freight bill is not available, the contractor can provide other support for the claim for reimbursement of freight charges. The contractor should furnish a copy of the transportation company's pickup record or a copy of the contractor's internal business docu-

ment showing the contractor turned over the material to a particular shipper.

2. The contractor then must support either of these documents with a copy of the transportation company's invoice. Additionally, the contractor must provide a statement that the charges have been paid.

D. Claims for Other Than Actual Prepaid Transportation Cost. This covers prepaid transportation cost (constructive transportation cost) which is not the actual amount expended by the contractor but represents a constructive cost not more than the cost that would have been incurred under contract shipping instructions. In these instances, invoices must be supported as follows.

1. Example A. More units than a DoD activity ordered are shipped by the contractor under one CBL to a central point for contractor distribution to the DoD activity and other consignees. Support this with a photostatic or comparable copy of the freight bill covering the entire shipment. This supports the prorata portion of the total charges prepaid on any single unit shipped.

2. Example B. Premium transportation is used for contractor convenience and reimbursement claim is limited to the crated rate for regular surface transportation. The contractor must:

a. Support this with a photostatic or comparable copy of the paid freight bill by the method actually used for shipment.

b. Provide a full explanation as to how the charges to the Department were computed, including the name of the carrier that would have been used had the shipment moved by regular surface transportation, the crating weight of the shipment and the rate per 100 pounds (or other comparable unit of measurement) in a way that permits computation of the charges that would have been incurred had the shipment moved by regular surface transportation.

3. Contractors Using Their Own

Transportation Equipment. If a contractor makes delivery of shipment using transportation equipment wholly owned and operated by the contractor, a receipted paid freight bill is not required provided the charges:

a. Are based on prevailing commercial freight rates and do not exceed the costs of comparable GBL or CBL shipments as determined by paragraph 140104.

b. Are separately identified on the contractor's invoice.

140106 Freight Charges Liability

A. Maximum government liability for freight charges under a material contract is fixed by the FOB point. Liability cannot be greater than cost actually incurred. Transportation costs are included in contracts for material delivered FOB destination and should not be paid.

B. Excessive Freight Charges. Freight costs incurred by a contractor that exceed costs from the FOB point specified in the contract are not reimbursable (3 Comp Gen 56 (1923) and 18 Comp Gen 953 (1939)).

C. Increased Freight Charge Liability

1. Change of shipping point for convenience of the contractor from the FOB point named on the contract does not increase the government liability for freight costs. The government is not obligated for increased freight costs even though the destination point was undetermined at the time of issuance of the change order (28 Comp Gen 653 (1949)).

2. Where the original contract was FOB origin, and the TO changes the destination point, the government is held liable for all excess freight cost.

3. If the contractor changes the shipping point, thereby increasing the freight costs, the contractor is liable for these increased freight costs (9 Comp Gen 368 (1930)).

4. Excess freight charges are determined by the contracting officer or the local

TO and any prescribed adjustments are made by the disbursing office making contract payments.

5. Excess transportation charges are to be paid by the contractor.

6. The GSA, in its applicable commercial account, acts to reclaim excess transportation costs from contractors.

7. When a contractor prepays a shipment in error, payment of shipment charges may be made to the contractor after receipt of contract modification. The payment may not exceed the cost which would have been incurred by the government. Normally, the prepaid freight receipt is attached to the voucher. See paragraph 140105 for exceptions.

8. Any premium transportation (overnight delivery, first class mail, air freight, etc.) to be paid by the government must be authorized by the contracting officer.

9. Premium transportation for the medical fund authorized on Defense Personnel Support Center decentralized blanket purchase agreements is paid from operating funds. Authorized contractor prepaid premium transportation is reimbursed on FOB origin contracts (FAR 47.304-1g (4)) under the procedures in paragraph 140104.

140107 Payment Procedures for DD Form 652 (Meal Ticket)

A. Paying DD Forms 652. The contractor submits the original meal ticket(s), DD Form 652, attached to an invoice. Payment will be made using an SF 1034. Payment cannot exceed the number of meals nor the price set forth on each meal ticket. Each meal ticket is shown on the SF 1034. Before payment, check the meal ticket for a properly completed contractor's certification and ensure that it agrees with the certification made by the Service member who received the meal or the Service member in charge of the party. Anyone who alters a meal ticket after it has been issued must initial and date the alteration. Charge the appropriation and allotment cited on the meal ticket with the payment amount. Do not require copies of

travel orders. If more than one meal ticket is billed, it is not necessary for the contractor to complete the certificate on each meal ticket if the numbers of all the DD Forms 652 are listed. In such cases, the contractor should type and sign a certification statement and attach it to the invoice. These payments are due 30 days after they reach the disbursing office. Interest is due on late payments. Report these transactions on the PPA report as subject to PPA.

B. Lost or Destroyed DD Forms 652. When a contractor loses or inadvertently destroys a meal ticket and the facts establishing that the service was furnished are clear, the issuing officer prepares and issues a certified true copy of the original from the retained duplicate copy. The contractor uses this certified true copy to bill the DFAS-IN Directorate of Transportation Payments.

1402 GENERAL ACCOUNTING OFFICE

140201 Adjustments by the General Accounting Office (GAO)

A contract may specify that the contractor will deliver at a designated FOB point, but with a provision that the government may direct delivery to be made at other points. When deliveries are made at points other than the designated FOB point, an adjustment in the contract price will be made that corresponds to the resulting increase or decrease in the amount of freight charges. However, the disbursing office should not make an adjustment on the amount of the freight charges if deliveries are made to places other than the FOB point. The disbursing office should not make an adjustment to freight charges when a contractor contends that it paid transportation expenses which the government was obligated to pay. The disbursing office cannot deduct for potential excessive freight charges paid by the government. Such adjustments must be submitted to the respective DFAS Center legal counsel for referral to the GAO for direct settlement as claims (8 Comp Gen 500 (1929) as distinguished by Comp Gen Decision B-17178, June 9, 1941).

CHAPTER 15

NONTEMPORARY STORAGE AND LOCAL DRAYAGE OF HOUSEHOLD GOODS1501 NONTEMPORARY STORAGE OF HOUSEHOLD GOODS150101 General

Nontemporary storage (NOTEMPS) of household goods at Government expense is authorized by the JFTR, Volume 1, paragraph U5380, and the JTR, Volume 2, paragraph C8001.

150102 Traffic Management Officer (TMO) Responsibility

Under the NOTEMPS of household goods system, the TMO will:

- A. Document services performed.
- B. Determine entitlement pertaining to beginning and ending periods of storage and excess weights.
- C. Certify that services have been performed.
- D. Verify with the chief, family housing management office or billeting office, regarding storage of household goods incident to assignment of government quarters and provides the disbursing office with special orders, invoices, etc., to support these entitlements for payment.

150103 Voucher Preparation

After receiving the verified and certified invoices with supporting documents from the ordering officer, the disbursing office prepares, approves, and certifies the SF 1034 for payment.

150104 Payments

- A. Invoices for Basic Agreement Services for Handling Cost for Storage of House-

hold Goods (HHGs).

- 1. The following documents are received from the TMO to support payment.

- a. Original and two copies of the invoice containing a certificate of performance signed by both the contractor and ordering officer.

- b. Original and one copy of a DD Form 1164, Service Order for Personal Property.

- c. Original and one copy of a DD Form 1299, Application for Shipment and/or Storage of Personal Property.

- d. Two copies of any special orders or other authority.

- 2. The DD Forms 1164 and 1299 and a copy of the orders generally are attached to the original voucher and another complete set of these three items are attached to the retained voucher. The Transportation Office keeps copies of these forms that support further quarterly billings and support handling cost for removal of HHGs from storage.

B. Quarterly Storage Invoices

- 1. The TMO provides the original plus two copies of the certified consolidated invoice to support the payment voucher.

- 2. Attach the original invoice to the original voucher. Attach a copy of the invoice to the retained voucher copy.

- 3. Spot check selected groups of individual charges on the invoice back to the storage of HHGs documentation to make sure the charges are valid.

C. Invoices for Basic Agreement Services for Handling Cost for Removal of HHGs from Storage

1. The following documents are received from the TMO:

a. Original and two copies of the invoice.

b. Original and one copy of the DD Form 1164.

c. Two copies of any special orders or other authority.

2. Original Voucher. Attach the original of the invoice, original of the DD Form 1164 in retained file, original of the DD Form 1164 received with storage of HHGs, original of the DD Form 1299 in retained file, copy of special orders in retained file, and copy of special orders received with removal from storage of HHGs invoice.

3. Retained Voucher. Attach a copy of the invoice for removal from storage of HHGs, a copy of the DD Form 1164 in the retained file, a copy of the DD Form 1164 retained with removal from storage of HHGs invoice, a copy of the DD Form 1299 in the retained file, a copy of orders in the retained file and a copy of orders received with removal from storage invoice.

4. Paid Voucher. Send a copy of the paid removal from storage voucher to the ordering officer.

1502 NONTEMPORARY STORAGE

150201 Nontemporary Storage with Occupancy of Government or Government Controlled Quarters

A. Orders for NOTEMPS of Personal Property. The housing office issues assignment and reassignment orders for movement of member's personal property placed in nontemporary storage incident to an assignment to or between government or government-controlled quarters. The housing office issues a Drayage/Storage

Authorization-Government Quarters form with the orders. See paragraph 150501 for local drayage connected to these types of moves.

B. NOTEMPS Invoices. Invoices for NOTEMPS storage are provided by the TMO and signed by the contractor and the TMO. The TMO also furnishes an accounting classification summary list with the invoices. This list provides accounting classification and amount data. It is to be used as an SF 1035, Public Voucher for Purchases and Services Other Than Personal (Continuation Sheet), backup to the SF 1034 payment voucher when paying storage contractors.

C. Excess Cost. When personal property in excess of the members or employees weight allowance is placed in a commercial nontemporary storage facility, the entire storage lot charge will be paid by the government if requested by the member or employee. When this excess-cost condition exists, action to recover the extra cost to the government will be initiated by the office designated to recover such costs from the member or employee.

1503 LOCAL DRAYAGE

150301 Local Drayage

A. TMOs obtain these transportation services to meet operational needs. Housing managers authorize local drayage and storage of household goods.

B. The disbursing office must certify fund availability on the basis of a purchase order request and record obligations based on receipt of a DD Form 1155, Order for Supplies or Services. Before paying the contractor's invoices, the disbursing office must obtain evidence of receipt of services. This may be accomplished by a TMO statement on the invoice that the services ordered were received.

C. Support the original payment voucher with a copy of the obligating document and the contractor's invoice. The memo copy of the payment voucher retained by the disbursing office is supported with a copy of those documents as well as the receiving report, if not

furnished on the contractor's invoice.

CHAPTER 16**PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS****1601 PAYMENTS****160101 Installation Mail Managers**

Each installation has an official mail manager who is responsible for planning and coordinating outgoing postal and delivery purchases. The mail manager or an alternate is responsible for:

A. Preparing an SF 1034 for all postal costs.

B. Supporting the SF 1034 with the proper documentation for issuance of a U.S. Treasury check, i.e., a completed postal order form or other written information in letter form or on the SF 1034 to substantiate the purchase.

C. Obtaining certification of the SF 1034 from the mail manager's certifying officer.

D. Serving as a paying agent to receive U.S. Treasury checks for delivery to the Postmaster and making small cash payments as a paying agent, when determined necessary.

E. Providing the disbursing office with postal receipts and certifying receipt of proper services.

F. Managing Advance Deposit Trust Account (ADTA) balances to charge postal services if these accounts are considered necessary.

160102 Methods of Payment

A. There are four methods the mail manager may use to purchase postal services. Any of these four methods are at the option of the mail manager as locally determined necessary; however, the disbursing office and the mail manager must agree on which method or methods to use.

B. Method 1--Payment for each postal transaction with a U.S. Treasury check. The disbursing office makes the check payable to the United States Postal Service (USPS) and mails it to the proper USPS office. The mail manager coordinates with the USPS to hold the check until pickup of the postal service desired.

C. Method 2--Payment with a U.S. Treasury check for each postal transaction. The disbursing office provides the mail manager (properly appointed as a paying agent) a U.S. Treasury check payable to the USPS. The mail manager delivers the check to the USPS to receive the postal service desired. The mail manager normally picks up the check; however, there may be occasions when it is beneficial to mail the check to paying agents at off-site locations, such as for Reserve Officer Training Units.

D. Method 3--Payment in cash by an imprest fund cashier. This method is for payment of address correction costs or business reply mail where there is no account set up for that purpose. The imprest fund cashier submits Optional form (OF) 1129, Reimbursement Voucher, with receipts to the disbursing office for reimbursement.

1. Instead of an imprest fund, the mail manager, if appointed a paying agent, may have a small amount of cash on hand to pay for postal or shipping service requiring the use of cash.

2. Cash payments by paying agents require the submission of a certified SF 1034 to the disbursing office with all receipts for reimbursement of funds.

E. Method 4--Establishment by the mail manager of one or more ADTAs to charge postal services. This method results in advance payments to one or more postal accounts with

the USPS. The disbursing office gives the mail manager (properly appointed as a paying agent), or mails to the USPS, a U. S. Treasury check payable to the USPS to establish or replenish an ADTA, as necessary. This method also requires the mail manager to reconcile the ADTA with the USPS on a monthly basis. The disbursing office also checks the balance in the accounting records with the mail manager's balance on a monthly basis.

1602 PAYMENT PROCEDURES

160102 General Payment Procedures

A. The mail manager or alternate prepares an SF 1034 to request a U.S. Treasury check to purchase postal services. The appointed certifying officer certifies the SF 1034 for payment. The disbursing office verifies the availability of funds. For payments other than for an ADTA, the SF 1034 with supporting documents serves to obligate and disburse funds simultaneously.

B. The mail manager should support each request for a U.S. Treasury check with a completed copy of a postal order form. The form must state the specific service being requested and the exact cost. The completed postal order form or a signed letter supports the SF 1034 for issuance of the U.S. Treasury check until a copy of the receiving report is available. If a postal order form is unavailable, the mail manager may support the request for a U.S. Treasury check with a signed letter specifying the required service being requested and the exact cost. The required service and the exact cost must be included on the SF 1034.

C. The U.S. Treasury check is made payable to the Postmaster, USPS. Release of U.S. Treasury checks, made payable to the USPS, to the mail manager or alternate requires their appointment as paying agents.

D. The mail manager must bring a receipt signed by a postal representative back to the disbursing office by the end of the next business day or by the end of the next business day after receipt if the receipt results from a mail order. The mail manager certifies on the postal

receipt, and it serves as a receiving report. Attach the receipt as supporting documentation to the disbursing office copy of the SF 1034.

E. The mail manager presents a properly supported and certified SF 1034 to set up or replenish each ADTA.

1603 CONUS ADVANCE DEPOSIT TRUST

160301 USPS Advance Deposit Trust

A. ADTA accounts can be established with the USPS so that the mail manager may charge postal services. Use of these accounts is a local decision. There are different types of ADTAs, depending on the type of postal service being purchased; however, ADTAs are not available at overseas military post offices. The mail manager is responsible for each ADTA account balance.

B. A payment into an ADTA is an advance payment to the post office. The mail manager must monitor and reconcile each ADTA established in order to ensure receipt of the services paid in advance.

C. Types of ADTAs available to the mail manager are:

1. Customer meter advance deposit;
2. Business reply mail advance deposit; or
3. Permit imprint advance deposit.

D. If the mail manager establishes one or more ADTAs, a record of all transactions in each account must be maintained.

E. The mail manager prepares an SF 1034 to set up or replenish each ADTA. The mail manager presents a properly certified SF 1034 to the disbursing office. The payment to the postal service to establish or replenish the ADTA is an advance to the post office. The mail manager must return PS Form 3544, Post Office Receipt for Money, to the disbursing office no

later than the end of the next business day. In the absence of an PS Form 3544, a receipt signed and dated by a representative of the USPS may be used. The mail manager certifies on the postal receipt that services were received and the postal receipt serves as the receiving report. Attach the postal receipt to the disbursing office copy of the SF 1034.

F. The mail manager will charge postal services against an ADTA as required. Each time there is a charge to an ADTA, the USPS will issue a PS Form 3544, or other postal form as applicable, signed by a postal representative. The mail manager certifies services received on the postal receipt. The mail manager takes ADTA receipts for actual postal services to the disbursing office at least monthly. The disbursing office reduces the advance based on the amount shown on the receipts. Receipts must be identified to each ADTA.

G. More than one ADTA may be established or replenished on the same SF 1034. However, the SF 1034 shall identify the amount being deposited into each particular ADTA. Once the mail manager makes deposits into an account, the mail manager has limited authority from USPS to transfer funds between ADTAs. This should occur only on an exception basis and with the coordination of the disbursing office. Optional Form 1017F, Journal Voucher, or equivalent, should be used for transfers between ADTAs.

H. The mail manager reconciles the account monthly with the USPS. The disbursing office also should confirm the balance in each ADTA monthly with the mail manager. The mail manager must support any unexplained difference. Any unresolved discrepancy should be brought to the attention of the disbursing office and the installation administration office for investigation.

I. Limit advance payments for any ADTA account to requirements of the current quarter. The disbursing office and the mail manager should review balances versus requirements on a monthly basis. Where required, the mail manager should adjust the balances, as necessary, by allowing the account

to decrease with subsequent use or by the mail manager depositing more funds.

J. There may be cases where the USPS will refund cash for unused services in an ADTA. The mail manager will request the USPS to send a check or money order to the disbursing office. If it is not possible for the USPS to send a check or money order, the mail manager must take the cash and DD Form 1131, Cash Collection Voucher, to the disbursing office immediately after receipt for deposit as a cash collection.

K. Monthly use of Optional Form 1017G, Journal Voucher, or equivalent form supported with certified receipts, will be used to transfer amounts from the advance to an expense. At year end, move advances in ADTAs to the new fiscal year by using an SF 1081.

1604 SMALL PACKAGE DELIVERY FIRMS

160401 Use of Commercial Forms and Procedures for Small Domestic Freight Shipments from Installations

A. The authority for shipping government cargo using commercial forms and procedures, instead of government bills of lading (GBLs), is in Title 41, Code of Federal Regulations, Section 101-41.304-2. The monetary limits of the cost of such shipments is \$100 per shipment. This limit may only be exceeded on an occasional basis by an insignificant amount for the following types of shipments.

1. Single parcel shipments via express, courier, small package, or similar carriers, without regard to shipping cost, if the parcel weighs 70 pounds or less and 108 inches in length and girth combined.

2. Multi-parcel shipments via express, courier, small package, or similar carriers for which the transportation charges do not exceed \$250 per shipment.

B. These shipments are under the terms and conditions set forth in the standard use of GBLs. Freight loss and damage claims against commercial carriers using these

procedures are processed according to each DoD Component's transportation regulation.

C. Use of carriers participating in agreements to use commercial forms and procedures for these small shipments are covered in joint service regulations: Army Regulation 55-355; Navy Supply Instruction 4600.70; Air Force Regulation 75-2, Volume 1; Marine Corps Order P4600.14-B; and the Defense Logistics Agency Regulation 4500.3.

D. The Traffic Management Officer (TMO) normally submits these charges to the disbursing office on an SF 1034. If the installation administration office should handle small package outgoing deliveries in addition to or instead of the TMO, the base administration office submits a certified SF 1034 to the disbursing office for these shipments.

E. When using commercial forms and procedures, the actual transportation charges will be paid to the carrier upon presentation of the bill.

1605 POSTAL METERS

160501 Overseas Commercial Meter Settings

When a meter needs resetting, the mail manager will request a U.S. Treasury check by submitting an SF 1034 supported by appropriate documentation. The disbursing office will make the U.S. Treasury check payable to the postmaster at the licensing Armed Forces post office (i.e., New York, San Francisco, etc.). The disbursing office releases the check to the mail manager, appointed as a paying agent, who takes the check to the custodian of postal effects (COPE) at the Armed Forces post office. The COPE is a representative of the APO postmaster and also sets the meter and mails the U.S. Treasury check to the postmaster.

160502 CONUS Commercial Meter Settings

Appropriate documentation will be attached to support the SF 1034 in order to issue a U.S. Treasury check. The postal receipt certified by the mail manager should be attached to the SF 1034.

160503 Refunds for Spoiled Meter Tapes

The mail manager may receive refunds from the USPS for spoiled meter tapes or other types of unused services previously paid. Follow the procedures in paragraph 160301-J to make the necessary cash collection.

160504 Remote Meters

The Department does not replenish postage meters by a remote method. There is no legal authority for the U.S. Government to advance funds to a private contractor to replenish postage meters.

1606 MISCELLANEOUS PAYMENTS

160101 Purchase of Envelopes

A. Stamped Envelopes. The mail manager orders these envelopes using PS Form 3203, Printed Stamped Envelopes Order. The mail manager attaches a copy of the completed PS Form 3203 to the SF 1034 as a basis to issue a U.S. Treasury check. A postal receipt certified by the mail manager also will be attached to the SF 1034.

B. DoD Official Business Envelopes. The mail manager orders these envelopes using PS Form 3203. The mail manager attaches a copy of the completed PS Form 3203 to the SF 1034 for appropriate documentation support. A postal receipt certified by the mail manager also will be attached to the SF 1034.

160602 Postage Stamps

Appropriate documentation for the purchase of postage stamps will be attached to the SF 1034 for issuance of a U.S. Treasury check. A postal receipt certified by the mail manager also will be attached to the SF 1034.

160603 Business Reply Mail (BRM)

A. The mail managers obtains a new commercial BRM permit by submitting PS Form 3614, BRM Application and Annual Renewal Notice, to the local post office. Use a copy of the completed PS Form 3614 to support the SF 1034.

A postal receipt certified by the mail manager also will be attached to the SF 1034.

B. Check Payments. Use a properly supported SF 1034 to support issuance of a U.S. Treasury check.

160604 Postage Due Costs

A. Under normal circumstance, postage due mail is not accepted by DoD mail rooms. Postage due mail is returned to the sender at the sender's expense.

B. An exceptional circumstance is postage due penalty mail originating in a hostile environment. Postage due penalty mail used by military units engaged in hostile operations will not be refused by the addressee.

160605 Address Correction Costs

The mail manager may request an imprest fund in accordance with FAR 13.4. This imprest fund is for address correction costs and business reply mail. Postage due costs may not be paid by the mail manager. The mail manager will establish and maintain balances that are commensurate with use. The imprest fund cashier must submit receipts showing the postal costs to support of the OF 1129 in order to receive reimbursement.

160606 Express Mail

Payment for express mail is made with stamps, metered postage, or through an express mail corporate account. This account is similar to an ADTA. Payments into an express mail account are advances to the USPS. Control deposits into this account as is done for an ADTA advance payment. (See paragraph 160301-B). The mail manager submits PS Form 5639, Express Mail Corporate Account Application, to establish the account. Use a copy of this form to support the SF 1034. A postal receipt certified by the mail manager also will be attached to the SF 1034. The USPS provides a statement each month to the mail manager. The mail manager reconciles this account at least monthly with the USPS. The disbursing office confirms the balance in the account with the mail

manager monthly.

160607 United States Postal Service

A U.S. Treasury check may be issued to the USPS. The mail manager uses appropriate documentation to support the SF 1034 in requesting issuance of a U.S. Treasury check when there is no postal order form available.

CHAPTER 17

ELECTRONIC DATA INTERCHANGE

1701 INTRODUCTION

170101 General

The increased computerization in our society is triggering major changes in the organization of work. Paper-driven processes are being reengineered to capture the benefits of doing business electronically. Businesses are implementing electronic commerce to meet the needs of an increasingly competitive world. These trends in the economy are being mirrored in the Federal Government by many individual agency action as well as the cross-cutting National Performance Review.

A. Electronic Commerce (EC). Through EC the exchange of acquisition information between the private sector and the Federal Government should increase competition between the contractors doing business with the Federal Government. It is expected that competition will increase due to the improved access to Federal contracting opportunities for the more than 350,000 contractors doing business with the Federal Government. EC should help particularly the small businesses and other contractors who find access to bidding opportunities difficult under the current system. Using EC to reform the acquisition process has benefits for both the government and contractors. Some of the benefits to the government follow:

1. Lower prices.
2. Increased buyer productivity.
3. Reduced acquisition time and costs.
4. Better inventory control.
5. More timely and accurate payments to contractors in the government's \$200 billion annual payments.

B. Electronic Data Interchange (EDI). This is the computer to computer exchange of business information in a standard format between one or more parties (e.g., contractor, receiving activity, disbursing office). The standard format used must be agreed to by the parties exchanging information and is normally in agreement with the guidelines of the American National Standards Institute (ANSI), Accredited Standards Committee (ASC) X12 standards for EDI. Effective commerce between the government and contractors must be completed accurately and reliably, using accepted standard business transactions. In the government procurement and financial arenas, there are many opportunities for improvement in the flow of information between these two functions. Because EC will permit the buyer to solicit, receive, and analyze quotations, issue orders and notices of award, and distribute the orders without creating a document on paper, the procurement process will be faster, more efficient, and more responsive. Electronic transmission of information will virtually eliminate the problem of lost transactions and will help reduce the time needed to move a transaction through the system. EC also will provide a constant electronic flow of information from the buying office through the disbursing office's final payment. In addition, EC will help provide more timely and accurate payments through the expanded use of Electronic Funds Transfer.

C. Electronic Funds Transfer (EFT). It is DoD policy to encourage the use of EFT in the payment function.

1. When EDI is used in conjunction with EFT, the overall process may be expedited significantly. EDI eliminates invoice mail time, reduces payment advice notification time, and EFT expeditiously deposits funds due to each contractor's bank account. Currently, the U.S. Treasury and the Department of Defense

disburse approximately 40 million payments annually to contractors by checks and EFT transactions. Electronic commerce provides the government an opportunity for unlimited growth in the EFT world. All parties interested in participating in the EFT program must coordinate with and receive approval from the appropriate DFAS Center. All agreements should be in writing when information is to be exchanged electronically.

2. Payments made by EFT must conform to the requirements of the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement and applicable Treasury Department guidance.

a. EFT utilizes a Federal Reserve Bank (FRB) and its computer network to deposit funds into the checking or savings account of a person or a company. The FRB processes all EFT actions through the Automated Clearing House (ACH) network. The FRB also processes all ancillary transactions related to the original EFT transaction through the ACH network. All disbursing offices making payments to contractor invoices are eligible to participate in EFT operations. All participating disbursing offices shall execute a Memorandum of Understanding (MOU) with the FRB to detail the operating parameters and procedures for the conduct of contractor express operations. Payments may be transmitted to the FRB either by a magnetic tape or electronic file transmission. The actual method will be spelled out in the MOU.

b. For contractors paid by EFT, the payment date is the date of an EFT payment (settlement date). Payments made by the EFT mechanism shall be made so as to be received by the contractor's financial institution by the established payment due date. The processing time required to have an EFT transaction reach a financial institution should be part of the MOU with the FRB. On Saturdays, Sundays, and legal holidays, government offices are closed and business is not expected to be conducted. Thus, payments falling due on a Saturday, Sunday, or legal holiday may be made on the following business day without incurring a late payment interest penalty.

D. For additional information on Electronic Commerce, see Volume 5, Chapter 24, of this Regulation.

170102 System Controls

Prior to EDI implementation, disbursing offices will ensure that system controls are documented, tested, and certified. They also will provide reasonable assurance that the transmitted information is authorized, complete, correct, and secure. The disbursing office periodically will test the system for compliance with the original design documentation and any other later changes. Tests should confirm key processing procedures and controls are working and reliable. In the event that the internal controls related to the obligation, receipt of materials or services, and processing of invoices are inadequate or are not operating as intended, the disbursing office may require the source documents to support payment.

170103 Applicability

A. When an approved EDI system is implemented, the disbursing office is authorized to make use of the following electronically transmitted data when processing contractor payments.

1. Electronic Invoice. The electronically transmitted invoice will be treated the same as a hard copy invoice and must contain the same data elements as specified for a proper, hard copy invoice, see paragraph 070201. For audit purposes, the disbursing office will ensure that a copy of the electronically transmitted invoice is retained. Electronically transmitted invoices that need to be returned to the contractor may also be returned electronically. The transmitted invoice must be accompanied by an electronic message reporting the reason for return.

2. Electronic Signature. This is a means within an Automated Information System whereby a unique code is affixed to a document or file which allows only the activity's designated authority to certify a transmission and be authenticated by only the responsible person on the receiving end. The electronic

signature must include the certifying official's approval or disapproval, name, and title. It may be used in instances where an authorized signature must be present on a hardcopy document. For additional information, see paragraph 010304.

3. Electronic Receipt and Acceptance Certification. The electronic receipt and acceptance certification of the materials or services will be accomplished through the use of an electronic signature, paragraph 170103-(2).

4. Electronic Payment Certification. The certifying officer will verify the validity of expected payments to the disbursing office through the use of an electronic signature. Documentation required to support payments will be based on evidence of a valid contract, obligation document, receipt and acceptance, and invoice, whether issued by electronic certification techniques or hard copy. When EDI techniques are used, it generally is not necessary to physically transfer the hard copy documentation to the disbursing office for examination. However, in certain situations, the contractor may be asked to provide hard copy documentation.

B. Disbursing offices must further ensure that the transmitted data contains the necessary Prompt Payment Act information (e.g., invoice receipt date, material receipt and acceptance dates) required in the computation of the payment due date.

CHAPTER 18

CONTRACTOR DEBT COLLECTION1801 DEBTS180101 Disbursing Officer Debts

It is essential that the amount of indebtedness owed by contractors and other business entities to the Department be ascertained promptly and collection accomplished expeditiously. This part applies to those debts for which the disbursing officer has primary responsibility for collection pursuant to the Department of Defense Federal Acquisition Regulation Supplement (DFARS) 232.605(b). If a disbursing officer makes a determination that more funds have been disbursed than specified in the contract, an erroneous payment has been made, and it is the disbursing officer's responsibility to collect the extra payment. Erroneous payments include duplicate payments and dual negotiations of the original and recertified U.S. Treasury checks. However, if a contract modification (downward adjustment) is issued after the date of the disbursement and causes the contract to be in an overpayment status, this is not an erroneous payment. If a disbursing officer determines that a contract is in an overpayment status, that official should contact the Procuring Contracting Officer or the Administrative Contracting Officer, depending on whom issued the modification causing the overpayment to ensure that a demand for payment will be sent to the contractor. Precise details for the Initial Demand Letter and the Second Demand Letter are provided in paragraphs 180202 and 180203, respectively.

180102 Contracting Officer Debts

A. Examples of business entity debts that are beyond the scope of this chapter and their corresponding governing regulations are those debts defined by the Federal Acquisition Regulation (FAR) 32.6, as supplemented by DFARS 232.6. Examples of contracting officer debts are as follows:

1. Damages or excess costs related to defaults in performance.

2. Breach of contract obligations concerning progress payments, advance payments, or Government-furnished property or material.

3. Government expense of correcting defects.

4. Overpayments related to errors in quantity or billing or deficiencies in quality.

5. Retroactive price reductions resulting from contract terms for price redetermination or for determination of prices under incentive type contracts.

6. Overpayments disclosed by quarterly statements required under price redetermination or incentive contracts.

7. Defective Pricing.

8. Unliquidated Progress Payments.

B. DFARS 232.6 prescribes procedures relative to those debts for which the contracting officer has the primary responsibility for effecting collection action. These debts include liquidated damages and excess costs related to contractual defaults and government expense of correcting product defects. However, there may be times when a contracting officer issues an initial demand letter to a contractor for any amount of money outstanding on the contract. At this time the contractor is to return any money that the government has paid for which the contractor has not delivered material or provided services, or a modification for consideration was paid for which the contractor was not entitled. When a contracting officer makes such a determination and sends a demand letter to a

contractor, a copy also must be sent to the disbursing office and a copy to the funding and accounting station. When the accounting station receives a copy of the contracting officer's demand letter, the accounting station must establish the official accounts receivable in their accounting records. The disbursing office sets up a memorandum accounts receivable for the debt and pursues collection on it as would be done for any other contractor debt. When the disbursing office receives the debt for further action, this office will send out demand letters as necessary to pursue collection of the debt.

1802 DEMAND FOR PAYMENT

180201 General

A. Upon determination by the disbursing officer that a debt exists from a contractor or other business entity as described in paragraph 180101, the disbursing officer shall make an immediate written demand for payment provided that the amount of the debt is \$50 or greater. As noted in paragraph 180102, a contracting officer may issue a demand letter to a contractor. Collection on any debt that is less than \$50 will not be pursued by the disbursing office; however, the disbursing office can collect the debt through an offset. One demand letter will be sent if the amount is \$50 or greater but less than \$200. Two demand letters will be sent if the amount is \$200 or greater. After two demand letters have been sent and the debt is not resolved, the disbursing office will not pursue further collection action (other than an offset) if the debt is less than \$600. If any debt of \$600 or greater has not been resolved after two demand letters have been sent to the contractor, it must be transferred by the disbursing office to the DFAS-Columbus Center, ATTN: DFAS-CO-FD, Debt Management Office, for further action.

B. Debts less than \$100,000. When the DFAS-CO has exhausted all means to collect a debt of \$100,000 or less and the debt is determined to be uncollectible, the DFAS-CO will notify the Financial Management (FM) representative of the cognizant DoD Component by memorandum that the debt should be written off. In turn, the FM representative will notify the appropriate accounting station that the debt

must be written off of the official accounts receivable records. This will allow the accounting station to write-off the debt as they maintain the official accounting records. For guidance concerning write-offs, see Volume 5 of this Regulation.

C. Debts of \$100,000 or greater. When a debt(s) of \$100,000 or greater is sent to the DFAS-CO, and it has been determined to be uncollectible, the DFAS-CO must forward the debt to the Department of Justice (DOJ) for further action. If the DOJ determines that the debt is uncollectible, the DOJ must notify the DFAS-CO that the debt should be written off. The DFAS-CO then will notify the cognizant FM representative that appropriate write-off action should be initiated. Remaining procedures, as detailed in the last two sentences of paragraph 180201-B, should be followed.

D. If a contracting officer makes the initial determination that a debt exists, a copy of the second demand letter sent to the contractor from the disbursing office also will be forwarded to the contracting officer.

E. Title 28, U.S.C., section 2415, Time for Commencing Action, and 31 U.S.C. 3716, Administrative Offset, advise that because of the statute of limitations agencies are barred from pursuing collection actions after six years other than administrative offset. An offset can be made up to ten years. Accordingly, the collection of contractor debts should be pursued in accordance with the time limitations specified in 28 U.S.C. 2415 and 31 U.S.C. 3716.

180202 Initial Demand Letter

A. The decision of the Court of Appeals for the Federal Circuit in Cecile Industries, Inc. v. Cheney, 995 F.2d 1052 (Fed.Cir. 1993) held that the Debt Collection Act of 1982 does not govern the government's common law right to offset contract debts. With respect to the Cecile decision, a demand letter for payment of contract debts should not make reference to 31 U.S.C. 3176. The Initial Demand Letter to contractors indebted to the government will include the following:

1. A description of the debt including its amount.

2. A statement that payment should be made in full within thirty days from the date of the demand letter.

3. The address to which payment should be sent, and the check or wire transfer, when applicable, should be made payable to the U.S. Treasury.

4. Notification that any amounts not paid within thirty days will bear interest from the date of the demand letter, or from any earlier date provided in the contract, if applicable and the rate that will be used.

5. Notification that the principal and interest will be subject to collection by offset, if not paid within 30 days.

B. Any available documentation which substantiates the indebtedness should be included with the demand letter. If it is anticipated that the debtor may wish to view a cancelled check, a request for photocopies should be submitted concurrent with the issuance of the first demand letter. In the case of double negotiation of both original and successor checks, both copies must be available prior to issuance of the demand letter.

180203 Second Demand Letter

A. When the due date specified in the first demand letter passes without receipt of payment and the amount of the debt is \$200 or greater and the debt cannot be satisfied by offset, the disbursing office will send a second demand letter. This letter will make reference to the first demand letter and state that payment has not been received. This letter also will advise that the dollar amount of the interest and administrative costs that have been assessed and the total amount of the indebtedness.

B. Where the amount of the debt is \$600 or more, the second demand letter shall include a statement that the indebtedness will be forwarded to the DFAS-CO-FD for further collection action.

180204 Disputes

A. The disbursing officer will give full and impartial consideration to any arguments presented by the alleged debtor relating to the validity of the debt or its amount. The disbursing officer is free to seek assistance from technical experts or from legal counsel in order to render an equitable decision. If the disbursing officer is unable to render a conclusive determination regarding the amount or validity of the debt, the matter may be referred to the DOJ as a debt claim. Interest continues to accrue from the date of the first demand while the debt is in dispute.

B. A contracting officer may issue a demand for reimbursement from a contractor for overpayment on progress payments. A contracting officer also may issue a demand for payment relating to a Termination for Default on a contract for non-performance by a contractor because the contractor did not meet the specifications in the contract. In either situation, or similar situations, a final decision must be issued by the contracting officer before an appeal can be taken to the Armed Services Board of Contract Appeals or the Federal Claims Court by the contractor.

1803 INTEREST

180301 Interest Rate

In most cases, the rate of interest assessed shall be the Prompt Payment Act (PPA) interest rate. The PPA interest rate will be provided to individual disbursing offices by their servicing DFAS Center. The PPA interest rate shall not apply to debts where an applicable statute, regulation required by statute, loan agreement, or contract either prohibits such charges or explicitly fixes the charges that apply to debts involved.

180302 Calculating Simple Interest

Although interest is not assessed until the due date has passed, it is calculated from the date of the first demand letter to the date the debt is paid in full. Therefore, the minimum interest charge is for a 30-day period. When the

due date passes without payment, the interest is computed by multiplying the original debt by the applicable interest rate for each six-month period divided by the number of days in the year times the number of days in the interest period. Interest is calculated base on a 360 year. An example follows:

Interest Period	Dec 15, 1993--Dec 31, 1993
Principal	\$15,000
Annual Rate	0.05625
Daily Rate	0.0001541
Days	17
Amount	\$39.30

Interest Period	Jan 1, 1994--Jun 30, 1994
Principal	\$15,000
Annual Rate	0.05500
Daily Rate	0.0001507
Days	181
Amount	\$409.15

Interest Period	Jul 1, 1994--Oct 31, 1994
Principal	\$15,000
Annual Rate	0.07000
Daily Rate	0.0001918
Days	123
Amount	\$353.87

Total Interest	\$802.32
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If there is an offset, or if the principal decreases for any other reason, the daily amount of interest needs to be recalculated, effective with the date of the change. Interest collected is deposited to the Interest Account, 97R3210.0013.

1804 MISCELLANEOUS SUBJECTS

180401 Administrative Costs

Administrative costs relate only to delinquent debts. They are assessed in order to cover expenses incurred in the recovery of the delinquent debts. For example, the cost of sending an initial demand letter would not be used in calculating an administrative cost because that expense would be incurred whether or not the debt becomes delinquent. In contrast, the cost associated with the preparation of the second demand letter, the calculation of interest, and forwarding to the DFAS-CO are necessitated

only because the debt was not paid when due and subsequently becomes delinquent. Therefore, these actions are included in the calculation of administrative cost. The cost must be based on the actual cost or on an average based on actual cost. The cost may not be established arbitrarily. Additional administrative charges will be assessed if necessary to collect the debt as an offset or when transferring the indebtedness to the DFAS-CO. When a contractor or other business entity pays the government administrative costs, the costs are to be deposited in the Treasury Miscellaneous Receipt Account.

180402 Minor Amounts

A. Frequently, a debtor will make remittance of the principal amount a few days past the established due date. Another common practice is to pay the last amount billed, but fail to make allowance for the additional interest that accrues between the billing date and the remittance date. In such cases, disbursing offices will determine if additional billing is warranted. As stated in 4 CFR 102.13(g), an agency can waive interest under several circumstances including if the agency determines that collection of these charges would be against equity and good conscience or not in the best interest of the United States.

B. Minor amounts of less than \$50 will not be billed. For example, a contractor owed \$1,330 (of which \$1,080 was principal and \$250 was interest) when the demand letter was sent out. Subsequently, the contractor submitted a payment for \$1330, but payment was not received until after the due date. Interest of \$25 more had accrued by the time payment was received. The disbursing office would waive the additional \$25 interest without pursuing further collection action on it, credit \$250 to interest, and credit \$1,080 to principal. Cases of \$50 or more for additional interest will be reviewed on an individual basis. If the contractor has made a good faith effort to make full payment and collection of additional charges would be against equity and good conscience, the additional interest may be waived.

180403 Offsets

A. If, after 30 days from the date of initial demand, it becomes necessary for an indebtedness to be offset against other monies that are owed to a contractor, the transaction will be handled as a deduction on a public voucher. FAR 32.611 allows for an offset of contractor debts as long as an explanation is provided to the contractor. Offsets will be made against the same contract that gave rise to the debt provided that payments under that contract are scheduled. Offsets against amounts due under other contracts will be accomplished only when offsets against the same contract cannot be accomplished. The public voucher will be approved and the accounting classification will be charged for the total amount being settled with no regard for the deduction being applied. The face of the voucher should be prominently marked with the amount withheld and the accounting classification credited to ensure that only the adjusted net amount is paid. A notation with the appropriate information also will be made that adequately informs the payee of the reason for the deduction. The disbursing office must use considerable discretion in determining when an offset is appropriate. Some businesses prefer that their debts be liquidated in such a manner. If a contractor indicates its approval of the process, the disbursing office may effect an offset prior to the expiration of the due date in the demand letter. Other contractors may make a remittance by check shortly after the due date or shortly after receipt of the second demand letter. In either of these instances, an offset may result in collecting the debt twice and having to refund one of the collections. Another problem may arise when a remittance has not been forthcoming, but the disbursing office is unaware of whether the contractor will be submitting any invoices in the near future. Because an offset inherently is a more complex process than remittance processing, the disbursing office should encourage contractors to submit their payments by check or wire transfer. Interest charges will be computed through the date of an offset, and the expenses of effecting an offset will be included as an administrative cost as aforementioned in paragraph 180401. Offsets will not be made prior to the payment due date, unless the contractor has provided the disbursing office written

permission. Offsets normally will not be accomplished when there is an assignment of claims. Disbursing office personnel should seek guidance from its legal staff in determining whether an offset may be taken when there is an assignment of claims.

B. As authorized by 31 U.S.C. 3720A, the Internal Revenue Service (IRS) may collect certain past due and legally enforceable debts by offset against tax refunds. Referring activities will comply with the IRS-DoD agreement for implementing and administering tax refund offsets. The single DoD manager and contact point for the program is the DFAS-Denver Center (DFAS-DE). Any DoD activity that seeks to have a debt offset through the IRS tax refund program should obtain assistance from its local legal office before contacting the DFAS-DE on this matter.

180404 Credit Memorandum

A. The disbursing officer's written demand letter must indicate that a credit memorandum is not an acceptable means of liquidating indebtedness. Nevertheless, a credit memorandum can be received under the following circumstances:

1. The contractor or other business entity is the original discoverer of the error that led to the indebtedness, and they voluntarily submit a credit memorandum to the disbursing office without having received a demand letter.

2. The contractor or other business entity disregards the disbursing office's admonition against sending a credit memorandum.

3. A credit memorandum submitted to the disbursing office under these circumstances may be applied only if there is a payable invoice in-house to which it can be applied. The contractor should furnish the disbursing office, upon request, with an invoice number, date, and amount the credit memorandum is to be applied against.

B. At times a contractor may indicate

on an invoice or progress payment request that the amount of the credit memorandum is being deducted from the amount due from the government. In all other instances, the disbursing office must make a determination as to whether the debt can be recovered in a more efficient manner by corresponding with the debtor or by effecting an offset. In making such a determination, the disbursing office considers not only the relative costs incurred under each option, but also the method that is expected to result in liquidation at the earlier date. This second factor is dependent upon the expected volume and frequency of incoming invoices which are susceptible to offset. Regardless of the method selected, the disbursing office must acknowledge receipt of the credit memorandum and inform the business of its disposition. If direct remittance is required, the acknowledgement should contain a statement, such as: "This is to acknowledge receipt of your credit memorandum 14245, dated December 14. We cannot accept this document as liquidation of your indebtedness, and must ask that you remit a check to the following address." If an offset is accomplished, the disbursing office's letter should contain a statement such as: "This is to acknowledge receipt of your credit memorandum 67890, dated June 12. We have offset the amount of your debt against your invoice A654Z, dated June 5." Receipt of a credit memorandum by the due date stated in a demand letter does not preclude the charging of interest and administrative costs.

180405 Payment Schedules

A. When possible, the payment of debts, whether it is an installment or deferment repayment by contractors and other business entities, should be repaid in one sum.

B. When the debtor can establish sufficient justification, a series of installment payments may be approved which will ensure liquidation within a reasonable time frame. In compliance with 4 CFR 102.11, the installment payments, if possible, should be sufficient in size and frequency to liquidate the government's claim in not more than three years. Interest and administrative charges will be computed and assessed on each payment for the amount outstanding. If the contractor contends that a

repayment period greater than three years is needed, each request will be handled by the DFAS-CO-FD on a case-by-case basis. The DFAS-CO-FD can approve a contractor's request for an installment agreement; however, the DFAS-CO-FD cannot unilaterally deny a contractor's request for an installment agreement without the consent of the Office of the senior financial manager (FM) of the cognizant DoD Component. A copy of all installments entered into by the DFAS-CO-FD will be provided to the accounting station which submitted the debt to the DFAS-CO-FD for further action and to the Office of the senior financial manager of the cognizant DoD Component.

C. When the DFAS-CO-FD receives a deferment request for debt resolution, they will send the deferment request within three work days by certified mail to the senior FM of the cognizant DoD Component. Only that official can approve or deny a deferment request.

D. All remittances received, whether in lump-sum or installments, will be collected and deposited upon receipt. The accounting station must be informed of all collections as they maintain the official accounts receivable records. If the amount received is not adequate to liquidate the entire indebtedness, the payment will be applied first to administrative costs, second to interest, and third to the principal amount of the debt. The principal amount will be deposited to the accounting classification/appropriation from which the funds were disbursed. If the appropriation of the principal amount has been cancelled or closed, this amount will be deposited into the Collection of Receivables from Cancelled Accounts of the Treasury, 97R3200.0001.

180406 Transfer of Debts owed by Contractors

A. Any debt of a contractor or other business entity that remains unpaid 30 days after the initial demand for payment is considered delinquent. In order to allow for collection through subsequent efforts, including offset, and to permit the accumulation of adequate supporting data, the disbursing office may retain the debt up to a maximum of 90 days following the date of the initial demand letter. However, transfer should be accomplished prior to 90 days

provided the disbursing office has gathered the supporting data and is of the opinion that liquidation through either remittance or offset is unlikely to occur. Transfer will be made to the DFAS-CO-FD by certified mail for further action. The office responsible for maintaining the official accounting records should be notified so the loop may be closed because in many situations the disbursing office does not maintain the official accounts receivable records. The accounting station may maintain these records, so they would have to be notified. In compliance with paragraph 180401, an administrative cost may be assessed for the expenses of making the transfer. Debts less than \$600 will be terminated locally. See Volume 5, paragraph 310301, of this Regulation for guidance concerning write-offs. As stated in paragraph 180201, the minimum value of any case referred to the DFAS-CO-FD will be \$600. The minimum value may be comprised of several debts on various contracts for the same contractor. When a debt is transferred to the DFAS-CO, it shall include supporting documentation and must be legible and tabbed as follows:

1. Copies of vouchers paid under the contract which relate to the specific debt. For example, claims resulting from erroneous overpayments need to be supported only by those paid vouchers which will assist in fully understanding the case. The submission of all paid vouchers under the contract is encouraged, when such documentation is necessary for a full understanding of the claim. All paid vouchers submitted in support of claims transferred will clearly indicate the date the disbursement was made.

2. Amounts and dates of collections received.

3. For duplicate payments and dual negotiated successor checks, copies of the negotiated checks as obtained from the Department of the Treasury should be included.

4. All demand letters, all other correspondence, and memoranda of telephone or personal contact with the debtor and others which are pertinent to the debt should be included.

5. Any other documents necessary to support a recommendation for compromise, discontinuance, or termination should be included.

6. Taxpayer Identification Number (TIN).

7. The telephone number, address, and (if available) the name of a knowledgeable point of contact for the following:

- a. Debtor
- b. Disbursing office making the submission, and
- c. Accounting activity or funding station.

8. In the case of debts determined as the result of an audit or contract reconciliation, a copy of the audit or reconciliation report with sufficient supporting documentation to explain the conclusions.

9. The accounting classification/appropriation to which the principal portion of the debtor's payments should be deposited.

B. After the transfer, the DFAS-CO-FD will have full responsibility for collection action on the delinquent debt. Funds accountability, however, does not transfer to the DFAS-CO-FD. If a subsequent payment is received by an office other than the DFAS-CO-FD, the office receiving the payment will notify the DFAS-CO-FD by certified mail within three workdays of the receipt of payment and its disposition. When there are overcharges to appropriations or funds, the activity responsible for maintaining the official accounting records will continue to maintain control over the accounts receivable as the DFAS-CO-FD only maintains a memorandum accounts receivable record. The DFAS-CO-FD shall notify the FM representative of the cognizant DoD Component that the debt should be written off. In turn, that official will notify the appropriate accounting station which maintains the official accounts receivable records so that action may be taken by the accounting station to

write-off the corresponding accounts receivable. In the case of dual negotiated successor checks, the DFAS-CO-FD also will notify the accountable disbursing officer or settlement officer who previously had continued to reflect the deficit in one's accountability. The DFAS-CO-FD notification will provide authority for the accountable disbursing officer or the settlement officer to remove the deficit from his or her records.

180407 List of Contractor Indebted to the United States

With the exception of debts managed by the DFAS-IN Directorate for Transportation Payments, the DFAS-CO-FD is the only DFAS office authorized to submit debtors to DFAS-IN for placement on the List of Contractors Indebted to the United States for offsetting any money due from a contractor to the government. The List, normally referred to as the Hold-up List, is the only publication of this type available to all government agencies. The List is published at least quarterly by may be published every other month.

1805 DEFERMENTS

180501 Deferments

A contractor may appeal a debt to the Armed Services Board of Contract Appeals (ASBCA) or through the United States court system. The contractor may request a deferment until the appeal is decided. Although a contractor may use the term "deferment" when requesting postponement of payment (see paragraph 180405), paragraph 180501 applies only to those deferment requests associated with an appeal. A contractor's requests for a deferment of collection on a contract should be sent to the Contract Financing Office of the cognizant DoD Component (see FAR 32.613 and DFARS 232.108). The DFAS-CO-FD cannot approve or deny a request for a deferment. When a disbursing office or the DFAS-CO-FD receives a request for deferment of a debt from a contractor, the office receiving the request will send the request by certified mail within three workdays to the appropriate DoD Component's contract financing office.

1806 BANKRUPTCY

180601 General

A. Within the Department the contractor bankruptcy proof of claim filing functions have been consolidated at the DFAS-CO-DG. This consolidation does not include the assumption of the litigation function nor the inclusion of individual bankruptcy cases. The litigation function will remain with the cognizant DoD Component. Bankruptcy litigation is accomplished by the DOJ through the U.S. Attorney offices. Prescribed actions, as detailed in paragraphs 180601-B through 180601-I, must be taken when the procurement contracting office or contract administrative office receives notice of bankruptcy from the contractor or from another source.

B. Bankruptcy cases generally are time sensitive. When a notice of bankruptcy is received, immediate action is required. Government monetary claims and other rights may be adversely and irrevocably affected if not timely asserted.

C. When either the procurement contracting office or the contract administrative office receives information that bankruptcy proceedings have been initiated, it will immediately notify the Office of General Counsel, DFAS-CO-DG, Defense Finance and Accounting Service, Box 182317, Columbus, OH 43218-2317.

D. This notification will occur regardless of whether any contracts have been fully performed, closed, or terminated. At the same time, the DoD Components will notify any office designated within the cognizant Department or Agency to receive this information. Following are the cognizant offices and their addresses where bankruptcy notices should be sent.

1. Bankruptcy notices for the Defense Logistics Agency immediately will be sent to the Defense Logistics Agency, General Counsel's Office, ATTN: GC, 8725 John J. Kingman Road, Suite 2533, Fort Belvoir, VA 22060-6221.

2. Navy activities immediately

will notify the Office of Counsel, ASN (FM&C), Room 4C719, The Pentagon, Washington, DC 20350-1100.

3. Air Force activities immediately will notify AFLSA/JACN, 1501 Wilson Boulevard, Room 606, Arlington, VA 22209-2403.

4. Army activities immediately will notify the U.S. Army Litigation Center, 901 North Stuart Street, Suite 400, Arlington, VA 22203-1837.

E. At a minimum, the notification must include:

1. The name of the contractor.
2. The Court in which the bankruptcy petition has been filed.
3. The date of the filing of the bankruptcy petition, and
4. If known, the bankruptcy court docket number.

This notification must be made regardless of whether it appears that the notice has been received late. The notification must be made within three work days of the receipt of the notice of bankruptcy. Notification by telefax is encouraged.

F. Fifteen Day Report. The contracting office may receive a notice of bankruptcy from the debtor or the DFAS-CO-DG. When the contracting office receives notification of a bankruptcy, that office will prepare and send a message to the DFAS-CO-DG, the component's legal office noted in paragraph 180601-D, and any other office designated within the Department or Agency to receive the report. The report will be sent no later than 15 days after receipt of the notice of bankruptcy. If some of this information is not available, the report should be sent reflecting all available information. To the extent possible, the report will include the following.

1. The name of the contractor.

2. A list of the contracts involved.

3. The amount of any potential claim against the contractor. Often, this amount will be an estimate. The contracting officer will attempt to accurately calculate the amount of the debt with the understanding that the filing of the proof of claim is time sensitive. A short explanation of how the debt arose will be attached. To the extent possible, documentation reflecting the existence of the debt should be attached.

4. Any property and its location in the possession of the contractor in which DoD claims an interest. This includes property of the government made available to the contractor, such as government furnished equipment or government furnished property. A very common type of property in which the government claims an interest is the work-in-process that is associated with progress payments.

5. Any claims the debtor may have asserted or presented to the Department.

6. The bankruptcy court docket number of the proceeding, and the court in which the bankruptcy is pending.

7. Available information concerning a proof of claim bar date.

G. Upon receipt of a notice from a contracting officer, the DFAS-CO-DG will prepare a consolidated proof of claim on behalf of the Department. The proof of claim will be forwarded to the appropriate U.S. Attorney for filing. A copy will be sent to the Department of Justice's Central Intake Facility and to each DoD Component that has provided information for the consolidated proof of claim. Department or Agency copies will be sent to the cognizant offices designated in paragraph 180601-D. The proof of claim will identify the DFAS-CO-DG as the office designated to receive further notices and any funds received pursuant to the proceedings.

H. The filing of a bankruptcy petition has a major impact on business relationships with the contractor which has filed for bankruptcy protection. Many otherwise appropriate

actions cannot be taken against a bankrupt contractor, and actions which may be legally taken against a contractor may have adverse consequences for the Department. The activity's legal office should be informed before any action is taken with regard to a contractor who has filed for bankruptcy.

I. FAR 52.242-13, Bankruptcy. In the event the contractor enters into proceeding relating to bankruptcy, whether voluntary or involuntary, the contractor agrees to furnish by certified mail written notification of the bankruptcy to the contracting officer responsible for administering the contract. This notification shall be furnished within five days of the initiation of the proceedings relating to bankruptcy filing. This notification shall include the following:

1. The date on which the bankruptcy petition was filed.

2. The identity of the court in which the bankruptcy petition was filed.

3. A listing of government contract numbers for this contractor and contracting offices for all government contracts with this contractor against which final payment has not been made.

4. FAR 52.242-13 states that this obligation remains in effect until final payment under this contract(s) is made. In addition, when FAR 52.242-13 is used, a copy of the notification provided to the contracting officer will, at the same time and in the same manner, be mailed to the Defense Finance and Accounting Service, ATTN: DFAS-CO-DG, 4280 East Fifth Street, Columbus, OH 43219-1879.

CHAPTER 19

PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE1901 PAYMENTS190101 General

A. This chapter provides the necessary guidance to disbursing offices to ensure that payments are made properly for expenditures of funds under DoD grants, cooperative agreements, and other instruments of assistance not covered in Chapters 1 through 18 of this volume. Guidance also is included for cash management and debt collections associated with grants and other instruments of assistance. The awards for grants and other instruments are issued in accordance with DoD Grant and Agreement Regulation (DoD 3210.6-R.)

B. The office that issues the grant or other type of instrument of assistance distributes a copy of the award to the disbursing office and the administering office if administration is delegated. Modifications made by the awarding or administering office also will be promptly distributed to the disbursing office and other impacted offices. The award designates the specific disbursing office which will make payment. The disbursing office's copy supports the payment and is attached to the retained copy in the payment file or document.

C. Close working relations between the disbursing office personnel, awarding office personnel, granting officer, and the administrative officer are necessary for timely and accurate handling of financial transactions in issuing and paying the assistance instruments. When making a payment, disbursing office personnel should refer to the payment provision of DoD 3210.6-R.

D. Electronic data interchange (EDI) and electronic funds transfer (EFT) are the preferred methods to process payment requests and related actions. The EDI guidance contained

in Chapter 17 of this volume also is applicable to payment actions in this chapter.

E. Disbursing office personnel should give careful attention to payments made for programs covered by the Cash Management Improvement Act (CMIA). The CMIA sets rules, including interest liabilities, and procedures for the transfer of funds between Federal agencies and the states for financing Federal Assistance Programs. The CMIA is implemented by 31 CFR 205.

190102 Quality and Internal Control

The guidance and requirements concerning quality and internal controls provided in paragraphs 010103, 010301, and 010302 of this volume are applicable to payment actions in this chapter.

190103 Methods of Payment

Several methods of payment are authorized for grants, cooperative agreements, and other assistance transactions. The method to be used is prescribed in the award documents. A short description of several methods of payments follows.

A. An advance payment means a payment made to a recipient upon their request either before outlays are made by the recipient or through the use of predetermined payment schedules.

B. A reimbursement means that a payment is made to the recipient upon its request after cash outlays are made by the recipient.

C. A working capital advance means advancing cash to a recipient to cover estimated disbursement needs for an initial period gener-

ally geared to the awardee's disbursing cycle. Thereafter, the recipient is reimbursed for actual cash outlays.

D. A payable milestones payment means a payment made to a recipient according to a schedule of predetermined measures of technical progress.

190104 Payment Request

A. For non-construction programs agreements with states, local governments, universities, and other non-profits, DoD 3210.6-R requires requests for advance payments or reimbursements to be made on SF 270, Request for Advance or Reimbursements. For construction programs, SF 271, Outlay Report and Request for Reimbursement, may be used. Other forms may be authorized if exceptions are approved in advance by the awarding agency.

B. For payments to commercial recipients, DoD Components may authorize recipients to use SF 270, SF 271, or prescribe other forms as necessary.

190105 Administrative Office Review of Payment Request

A. The administering office is responsible for reviewing each payment request to ensure that:

1. The request complies with the award.

2. Funds are available to pay the award.

B. The administering office also will certify that the request for payment is proper and forward a copy to the disbursing office.

190106 Paying the Request

The disbursing office will:

A. Match the payment request to the obligating document and ensure that the unliquidated balance on the award is sufficient to make the payment.

B. Make payment as soon as practicable in accordance with the following guidelines:

1. No more than 7 days after receipt of the recipient's request at the administering office whenever electronic commerce is used, i.e., EDI to request the payment and EFT to make the payment.

2. No more than 30 days after receipt of the recipient's request at the administering office when it is not possible to use electronic commerce.

3. No more than 7 days after each date specified, when payments are authorized in advance based on a predetermined payment schedule provided that the payment schedule was received in the disbursing office at least 30 days in advance.

190201 Responsibility for Collection of Debts for Grants and Other Assistance Instruments

Any funds paid to a recipient in excess of the amount to which the recipient is entitled constitutes a debt to the Federal Government. Primary responsibility for collecting the debt may rest with the disbursing office or the grants office.

A. Paragraph 180101 applies to contractor debts which the disbursing office has primary responsibility for collecting. The disbursing office is responsible for the determining the amount and collecting debts owed by contractors. This section extends those responsibilities to Federal assistance awards whenever overpayments or erroneous payments are made. Disbursing offices will follow the guidance contained in Chapter 18 of this volume for collecting debts arising from Federal assistance agreements.

B. Grant officers have the initial responsibility for collecting all other debts arising from assistance agreements, except those described in paragraph 190201-A. After a recipient has exhausted all appeals and the debt has not been resolved, the grants officer will prepare and send a demand letter to the recipient and to the Debt Management Division, DFAS-CO-FD. When a debt is transferred to the DFAS-CO-FD for

further action, supporting documentation must be provided as prescribed in paragraph 180406 of this volume.

C. Upon receipt of the demand letter and supporting documentation of the debt from the grants officer, the DFAS-CO-FD shall set up a memorandum accounts receivable for the debt and pursue collection of it.

D. In accordance with the provisions of OMB Circular A-129, the disbursing office may use an administrative offset to collect delinquent debts owed by a recipient. If an administrative offset is taken, the disbursing office shall follow the due process as provided in 31 U.S.C. 3716 and also 4 CFR 102.2 and 102.3, where the statute and regulations are applicable. Use of an administrative offset is not required in every instance in which there is an available source of funds. The disbursing office shall make the determination on a case-by-case basis in conjunction with the grants officer responsible for the award against which the offset will be applied. Following are examples when an offset shall not be taken.

1. Recovery of debt by an administrative offset shall not be taken when the grants officer determines that the offset will substantially interfere with or defeat the purpose of the program for which the offset is contemplated.

2. Grants and cooperative agreements that are paid in advance generally are not subject to offset. The disbursing office may request the grants officer to convert the method of payment to a reimbursement basis to enable use of an administrative offset, if that is deemed to be in the best interest of the government.

E. The disbursing office also may recover delinquent debts using other means that are available pursuant to OMB Circular A-129 as implemented in Volume 5, Chapters 29, 31, and 32 of this Regulation.

F. Disbursing offices shall apply interest and administrative costs to delinquent debts which is consistent with the OMB Circular A-129 and Volume 5, Chapters 29, 31, and 32 of this Regulation. These costs also will be applied

in conjunction with 4 CFR 102.13, except where applicable statutes or regulations prohibit or explicitly set such charges or where 4 CFR 102 provides other exemptions.

G. Any debt that is determined to be uncollectible shall be written off in accordance with the OMB Circular A-129 and applicable provisions of Volume 5, Chapters 29, 31, and 32, of this Regulation.

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PROMPT PAYMENT ACT (PPA) REPORT (Q) 1619For Quarter Ending _____, 199Component: _____
Project Officer _____Date: _____
Telephone Number _____

		<u>Current Quarter</u>	<u>Year-to- Date</u>
A.	<u>Total Invoices Paid:</u>		
1.	Subject to the PPA		
a.	Dollar Amount	\$ _____	\$ _____
b.	Number	_____	_____
2.	Not Subject to the PPA		
a.	Dollar Amount	\$ _____	\$ _____
b.	Number	_____	_____
B.	<u>Invoices Paid Late:</u> (See Note 1)		
1.	Dollar Amount	\$ _____	\$ _____
2.	Number (Sum of B.3.b and B.6.a.(2))	_____	_____
3.	Interest Penalties Paid		
a.	Dollar Amount	\$ _____	\$ _____
b.	Number	_____	_____
c.	Relative Frequency (B.3.b - A.1.b.)	_____ %	_____ %

NOTE 1: For contracts issued before April 1, 1989, include payments made after the grace period. For contracts issued on or after April 1, 1989, include all payments made after the due date.

4. Additional Penalties Paid
- | | | | |
|----|--|---------|---------|
| a. | Dollar Amount | \$_____ | \$_____ |
| b. | Number | _____ | _____ |
| c. | Relative Frequency
(B.4.b - A.1.b.) | _____% | _____% |
5. Reasons why interest or other late payment penalties were incurred. (See Note 2)
- | | | | |
|-----|--|-----|-----|
| a. | Delay in paying office's receipt of: | | |
| (1) | Receiving Report | () | () |
| (2) | Proper Invoice | () | () |
| (3) | Contract/Purchase Order | () | () |
| b. | Delay or error by paying office in: | | |
| (1) | Taking Discount | () | () |
| (2) | Notifying Contractor
of Defective Invoice | () | () |
| (3) | Computer or other
System Processing | () | () |

NOTE 2: Rank from highest to lowest, according to frequency or occurrence (supported by number of invoices).

6. Interest and other late Payment Penalties that were due but not paid
- | | | | |
|-----|---|---------|---------|
| a. | Total | | |
| (1) | Interest Dollars
(Sum of B.6.b.(1)
and B.6.c.(1)) | \$_____ | \$_____ |
| (2) | Number (Sum of
B.6.b.(2) and B.6.c.(2)) | _____ | _____ |
| b. | Because Payment Less Than \$1.00 | | |
| (1) | Interest Dollars | \$_____ | \$_____ |
| (2) | Number | _____ | _____ |

c. For Other Reasons

- (1) Interest Dollars \$_____ \$_____
- (2) Number _____
- (3) Specify Reason(s): _____

Current
QuarterYear-to-
DateC. Payments Made 1 to 15 Days After Due Date: (See Note 3)

1. Dollar Amount \$_____ \$_____
2. Number _____
3. Relative Frequency (C.2. - A.1.b.) _____% _____%

NOTE 3: Applies only to contracts issued before April 1, 1989.D. Invoices Paid 8 Days or More Before Due Date, Except When Cash Discount Taken

Subject to a Determination Under Subsection 4.l of OMB Circular A-125:

1. Dollar Amount \$_____ \$_____
2. Number _____
3. Relative Frequency (D.2.b - A.1.b.) _____% _____%

E. Discounts

1. Number Available _____
2. Number Taken _____
3. Number Not Taken Because Not Economically Justified _____

4. Reasons for Failing to Take Economically Justified Discounts, in Declining Order of Importance:

- a.
- b.
- c.
- d.
- e.

F. On a Separate Sheet, Please Provide for Each Payment Center

- 1. Number of Invoices Paid Subject to the Prompt Payment Act and Circular A-125. (Should equal A.1.b.)
- 2. Dollar Amount and Number of Interest Penalties Paid. (Should equal B.3.a. and B.3.b. plus B.4.a. and B.4.b.)

G. Frequency Distribution of Late Payment Interest Penalties

For the Current Year provide the following data:

Interest Penalties Paid
As Reported in B.3.a. and B.3.b.

<u>AMOUNT OF PENALTY</u>		<u>DOLLARS PAID</u>	<u>NUMBER OF PAYMENTS</u>
\$	1.00 25.00	_____	_____
	25.01 500.00	_____	_____
	500.01 1,000.00	_____	_____
	1,000.01 2,500.00	_____	_____
	2,500.01 5,000.00	_____	_____
	5,000.01 and Greater	_____	_____

H. Progress Made

On a separate sheet describe specific achievements and problems during the FY in implementing the Prompt Payment Act and OMB Circular A-125. Include a description of any agency experience in determining the most appropriate timing for release of payment authorization so that invoices are paid as close as possible to the due date without exceeding it.

I. Description of Agency Payment Practices

On a separate sheet describe the extent to which Agency payment practices satisfy the requirements of the Prompt Payment Act and OMB Circular A-125. Applies only to 4th quarter submission of the ACCT RPT (Q) 1619, as this will contain cumulative data for the entire fiscal year, and the narrative must be provided at this time.

J. Updated Description of Agency Quality Control System

Describe the extent to which the Agency quality control system conforms to the requirements of subsection 3.e. of Circular A-125. Where appropriate, describe Agency plans to implement or upgrade a quality control system.

VOLUME 10

CONTRACT PAYMENT POLICY AND PROCEDURES

FEBRUARY 1996

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 11A

**REIMBURSABLE OPERATIONS
POLICY AND PROCEDURES**

SEPTEMBER 1997

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



MAR 11 1997

FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Volume 11A of the "DoD Financial Management Regulation" establishes policy and procedures for Department of Defense Reimbursable Operations.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Unified combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Under Secretary of Defense. (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Recommended changes to and requests for deviations from or exceptions to the provisions of this Volume of the Regulation should be forwarded through appropriate chain of command channels along with specific justification, to

Office of the Under Secretary of Defense (Comptroller)
Director for Accounting Policy
1100 Defense Pentagon
Washington, DC 20301-1100

The Defense Finance and Accounting Service will provide copies of this Volume, and other previously unpublished volumes, of this Regulation through its normal publication channels. Early in 1997, all 15 volumes of the Financial Management Regulation will be available on the Internet at: <http://www.dtic.mil/comptroller/fmr>. Printed or CD-Rom copies of the Regulation may be ordered through the Internet Homepage or directly from the Defense Automated Printing Service, at 1401 S. Fern Street, Arlington, VA 22202, or by telephone at (703) 607-5212.


John J. Hamre

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INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD Components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller) (USD(C)). The Regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation and Presentation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations, Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Appropriations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A.1.a.(1)(a)
SUBPARAGRAPHS

PUBLICATIONS INCORPORATED

This Volume of the “DoD Financial Management Regulation” incorporates the policy and procedures contained in the following publications:

- DoD 7220.9-M “DoD Finance and Accounting Manual” (Chapters 26 and 29).
- DoDI 7220.1 “Regulations Governing the Use of Project Orders,” May 4, 1971.
- DoDI 7230.7 “User Charges,” January 29, 1985.
- DoDI 2010.1 “Support of International Military Activities,” September 2, 1981.
- DoDI 2010.11 “Unit Exchange of Training and Related Support Between the United States and Foreign Countries,” March 28, 1988.
- DoDD 3200.11 “Major Range and Test Facility Base,” September 29, 1980.
- DoDI 7310.5 “Accounting for Production and Sale of Forest Products,” January 25, 1988.

CHAPTER 1**GENERAL REIMBURSEMENT PROCEDURES
AND SUPPORTING DOCUMENTATION****0101 OVERVIEW**

010101. **Purpose.** This chapter supplements the standards for financial accounting for receivables (Chapter 3, Volume 4, “Accounting Policy and Procedures,” of this Regulation) and for budgetary accounting for reimbursements (Chapter 15, Volume 3 “Budget Execution - Availability and Use of Budgetary Resources” of this Regulation). It provides guidance on the amounts that shall be recouped when DoD Components perform work or sell property within the Department of Defense, to other U.S. Government agencies and to private parties. This chapter does not provide authority to sell to private parties. Specific legal authority must be identified to make such sales.

010102. General

A. The “Project Order Law” (Title 41, United States Code, section 23) and the “Economy Act” (Title 31, United States Code, section 1535) contain legal authority and requirements for one U.S. Government entity to perform work for another. Chapter 2, “Project Orders” and Chapter 3, “Economy Act Orders” of this Volume provides policy on the use of these orders within the Department. DoD working capital funds are established by Title 10, United States Code, section 2208 as one means of encouraging one DoD activity to perform work, render services, or provide supplies for another, based on the “Project Order Law” or on the “Economy Act.”

B. The price to be charged for goods and services furnished by the Department depends on whether that good or service is provided to, or for the benefit of, a DoD Component, a non-DoD Federal agency, a private party, or a foreign military sales customer. Therefore, the ordering DoD Component activity that requisitions or orders a good or service shall inform the performing DoD entity if the requisitioned goods or services are for the subsequent sale to, or benefit of, a customer outside of the Department.

C. This chapter provides guidance on the costing of reimbursements that should be obtained as a result of providing authorized services or materiel. It is applicable unless a specific DoD issuance authorizes alternative reimbursement policies. The most significant of these alternative reimbursement policies are as follows:

1. Volume 11B of this Regulation establishes the DoD policy for the recovery of cost for products and services provided by a DoD Working Capital Fund activity.

2. Volume 13 of this Regulation establishes the DoD accounting policy for Nonappropriated Fund instrumentalities.

3. Volume 15 of this Regulation establishes the DoD policy for the Foreign Military Sales of defense articles and defense services to friendly foreign governments and international organizations.

4. DoD Directive 1015.6, "Funding of Morale, Welfare, and Recreation Programs," establishes funding policy for morale, welfare, and recreation programs.

5. DoD Directive 3025.12, "Military Assistance for Civil Disturbances," provides the DoD policy for employment of military resources in the event of civil disturbances.

6. DoD Directive 3025.13, "Employment of Department of Defense Resources in Support of the United States Secret Service," provides the DoD policy for the use of DoD resources in support of the United States Secret Service.

7. DoD Instruction 4000.19, "Interservice and Intragovernmental Support," provides the DoD policy for interservice and intragovernmental support agreements.

8. DoD Directive 5525.5, "DoD Cooperation with Civilian Law Enforcement Officials," provides the DoD policy for reimbursable support provided to civilian law enforcement officials.

0102 POLICY AND PROCEDURES

010201. Disposition of Collections

A. Only when specifically authorized by law may collections be returned to the appropriation that procured the services or materiel being sold.

B. Collections for unfunded depreciation, unfunded civilian retirement, and interest shall be deposited into the General Fund of the U.S. Treasury as miscellaneous receipts unless otherwise provided for by this chapter or other DoD issuances. Disposition of collections for Foreign Military Sales shall be in accordance with Volume 15 of this Regulation.

010202. Billing Standard. DoD Components performing work or services on a customer order shall bill the requesting DoD Component, other federal agency, or the public for earned reimbursements (performance of work or services, payments to contractors, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date shall not be more than 30 calendar days from the date of the invoice. Bills rendered shall not be subject to audit by the customer prior to payment.

010203. General Rules for Determining Amounts to be Reimbursed. The following rules shall be followed by DoD Components when determining amounts to be collected as reimbursements unless other specific reimbursable rules have been established in this volume or by

alternative reimbursement policies (see paragraph 010102.C., above). An order placed or agreement made under the Economy Act obligates an appropriation of the ordering entity. The amount obligated is deobligated to the extent that the entity filling the order has not incurred obligations, before the end of the period of availability of the appropriation (Title 31, United States Code, section 1535). The tables provided in addendum 1 and addendum 2 to this chapter provide a summarization of the rules for determining the amounts to be collected by appropriated fund and DoD Working Capital Fund activities.

A. Direct Civilian Labor

1. The cost of direct civilian labor incurred in the performance of a service for, or the furnishing of materials to, another entity shall be reimbursed unless the performing entity has been provided appropriated funds directly to it for that purpose. Otherwise, the performing entity would be penalized to the extent that its funds are used to finance the cost of performing another entity's work, while the ordering entity's appropriations are augmented to the extent that they now may be used for some other purpose.

2. Civilian labor performed for the benefit of other DoD Components, other Federal agencies, and the public shall be charged at actual hourly pay rates multiplied by the number of actual hours worked or assigned (detailed). Full-time assignments (details) shall be charged using annual rates. Otherwise, an hourly rate of 1/2087, as applicable, of the annual rate shall be used and a leave and holiday factor of 18 percent of pay cost added.

3. Direct civilian labor includes consultants and direct hire foreign nationals employed by DoD activities.

4. Civilian personnel fringe benefit rates will be determined in accordance with Chapter 6, Appendix C, "Civilian Personnel Fringe Benefit" of this volume.

5. Foreign national reimbursement rates are determined based on local pay agreements. Periodic reviews must be made to determine if the U.S. Government must make a contribution for severance pay or retirement pay.

B. Direct Military Labor

1. As a rule, the applicable military personnel appropriations shall fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD entity. Therefore, since a direct appropriation is provided for that purpose, the cost of military labor shall not be charged to another DoD entity except for the cost of military personnel assigned to DoD Working Capital Fund activities. DoD Working Capital Fund activities shall be reimbursed by their customers for the cost of military labor as prescribed in Volume 11B of this Regulation.

2. Military labor shall be charged to non-DoD organizations on the basis of the actual hours worked or assigned (detailed). Assignments (details) shall be charged

using the annual military composite standard pay rates determined by the Military Departments. The military composite standard pay rates will be computed in accordance with Chapter 6, Appendix I, “Military Composite Standard Pay” of this volume.

3. Military fringe benefits (that is, other personnel support cost) shall be charged to non-DoD organizations on the basis of a percentage of military pay costs and billed as part of direct costs. The applicable percentage will be in accordance with Chapter 6, Appendix I, “Military Composite Standard Pay” of this volume.

C. Temporary Duty Costs (TDY). Travel costs of DoD civilian employees and military personnel incurred in performance of a reimbursable work order shall be charged as a direct cost when such travel can be identified specifically to the order. Costs of supplies and other directly relatable expenses also are chargeable.

D. DoD Personal Property and Inventory

1. DoD Working Capital Fund Materiel. Inventory issues and operating materials and supplies consumed from DoD Working Capital Fund stocks are reimbursable unless specific legal authority precludes reimbursement. Transfers to DoD Components, other Federal agencies, private parties and contractors performing work for a DoD Component or other Federal agency, shall be priced at standard prices (see Volume 11B of this Regulation).

2. Reutilization and Marketing Materiel (Surplus)

a. The disposition of materiel by a Defense Reutilization and Marketing Office shall be in accordance with DoD 4160.21-M, “Defense Reutilization and Marketing Manual.” The accounting treatment is set forth in Volume 11B and Chapter 7, “Other Assets” in Volume 4, “Accounting Policy and Procedures,” of this Regulation.

b. The general rules for the disposition of proceeds from the sale of scrap or excess personal property shall be in accordance with Chapter 5, “Disposition of Proceeds from Sales of DoD Excess and Surplus Personal Property” of this volume.

3. Non-DoD Working Capital Fund Materiel. The pricing of personal property for non-DoD Working Capital Fund materiel is dependent upon whether the item(s) being transferred or sold (a) will be transferred to another DoD Component and (b) would normally be replaced. This decision shall be based on a review of the approved acquisition objective. If the sale will reduce assets required to meet the approved acquisition objective, then replacement is required.

a. Issues Within or to Another DoD Component. Issues within or to another DoD Component shall be on a nonreimbursable basis, but will require an accounting entry to reflect the transfer from the losing to the gaining activity. The accounting entry shall reflect original acquisition cost and any accumulated depreciation.

b. Issues to Another Federal Agency or Private Parties. Issues to other federal agencies or private parties shall be as follows:

(1) Materiel to be Replaced.

(a) Materiel, including equipment, for which replacement (i.e., similar, but not exact) or replacement in kind (i.e., exact) is required, shall be transferred or sold at the estimated replacement cost, including the contract or production costs of the article less an adjustment for age and condition of the item being sold. This price is determined as follows:

1 Determine the normal useful peacetime life of the item or equipment to be sold.

2 Determine the percentage of useful life remaining on the item.

3 Apply the percentage developed in paragraph D.3.(1)(a)(2), above, to the estimated (or actual) cost of the replacement item. The resultant amount is the base cost to be used in the sale price calculation. Under no condition shall the sale price be lower than the scrap value plus the cost of the last major overhaul or outfitting accomplished within 24 months before the sale.

(b) If it is imperative that the item be replaced through accelerated procurements and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies shall be requested from the Under Secretary of Defense (Comptroller), Office of the Deputy Comptroller (Program/Budget). Normally, the exception would be to either add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

(2) Materiel Not to be Replaced. Material, including equipment, shall be transferred or sold to other federal agencies and private parties at their original acquisition cost minus an adjustment for age and condition of the item being sold. Reimbursements from Foreign Military Sales transactions from the sale of assets will be in accordance with Chapter 7, Volume 15 of this Regulation.

E. Contracts

1. Contract costs incurred for contracts awarded as part of a reimbursable agreement shall be billed to the benefiting organization.

2. Government-furnished materiel shall be billed in addition to contract costs in accordance with paragraph 010203.D., above.

3. If the contract is provided to meet the requirements of a non-Federal Government organization, the contractor shall be required to pay rent (at fair market value) to the Department for the use of plant or production equipment utilized in manufacturing the item being sold.

4. The collection of interest on a late payment is applicable to a contract to a non-Federal government organization that is required to pay a recoupment charge in accordance with Volume 15 of this Regulation. The contract recoupment clause 252.270-7000, required by Defense Federal Acquisition Regulation Supplement, provides for the established charge to be paid to the appropriate DoD focal point within 30 days following delivery to, or acceptance of the item by, a purchaser, whichever comes first. This is the due date. The contract interest clause 52.232-17, mandated by the "Federal Acquisition Regulation," provides that all amounts that become payable under the contract shall bear simple interest from the due date until paid, unless paid within 30 days of becoming due.

5. Contract administration charges shall be charged to other federal agencies and private parties, in accordance with statutory or policy requirements. Contract administration costs are not to be charged within a DoD Component or to another DoD Component when funding for such costs are included in the mission funding of the performing DoD entity.

6. DoD personnel services in support of contracts shall be costed in accordance with paragraphs 010203.A. and 010203.B., above.

F. Accessorial Expenses

1. Accessorial costs represent certain expenses incident to issues, sales, and transfers of materiel. Accessorial costs include costs incurred for packing, crating, and handling (PCH); transportation; and port loading and unloading. PCH expenses are costs incurred for sales or shipments of property. Accessorial expenses may be incurred by the DoD for direct delivery of items from contractor facilities or by DoD Components for items furnished from DoD stocks. Accessorial expenses incurred by contractors for direct delivery items are normally included in the contract price of the property. If accessorial costs of direct delivery items are billed separately by the contractor, they shall be reimbursed in accordance with this section. Accessorial expenses incurred by one DoD Component are not reimbursable from another DoD Component when funding for such costs are included in the mission funding of the performing DoD entity.

2. Unless otherwise provided by law or regulation, accessorial expenses shall be billed to the following:

a. Non-DoD Federal departments, agencies, or instrumentalities.

b. Non-Federal entities, including DoD contractors.

c. Nonappropriated funds when property is transported for DoD morale, welfare, and recreation activities unless reimbursement has been waived by DoD Directive 1015.6, "Funding of Morale, Welfare, and Recreation Programs."

3. Accessorial charges shall be reimbursed by non-DoD activities at the actual cost incurred. Accessorial charges for Foreign Military Sales are prescribed in Chapter 7, Volume 15 of this Regulation.

G. Asset Use Charge. A charge for the use of DoD assets (facilities and equipment, or both) is required to recoup depreciation and interest on investment. Amounts collected shall be returned to the U.S. Treasury as miscellaneous receipts, unless otherwise provided for by statute or other DoD guidance. (Asset use charges are not assessed for Foreign Military Sales, see Volume 15 of this Regulation). A four percent charge, developed by the Office of the Secretary of Defense through cost-finding techniques, may be used or the following calculations shall be performed:

1. Depreciation. Depreciation expense represents the amortization of the cost of depreciable property, plants, and equipment as an operating expense over the period in which assets are expected to provide benefits. Depreciation shall be charged using the straight-line method of depreciation. The calculation of depreciation is illustrated in Table 1-1, below.

2. Interest on Investment in Assets. Both DoD Working Capital Fund and non-DoD Working Capital Fund activities shall include in reimbursement billings to private parties an amount to recognize the interest on investment in fixed assets when such assets are acquired or manufactured for the purpose of, or prepared for use in, providing materiel to private parties. The calculation of interest on investment is illustrated in Table 1-2, below.

H. Repair and Maintenance. When repair and/or maintenance of items occurs, costs from a cost accounting system or, in its absence, equivalent costs developed through cost-finding techniques shall be billed.

1. Labor Cost. The cost shall be computed in accordance with paragraphs 010203.A. and 010203.B., above.

2. Materiel and Supplies. The cost shall be computed in accordance with paragraph 010203.D., above.

3. Transportation and Related Costs. The cost shall be computed in accordance with paragraph 010203.F., above.

EXAMPLE OF STRAIGHT-LINE METHOD OF DEPRECIATION

Acquisition cost of the asset	\$1,000,000
Less: Residual value (scrap)	<u>\$ 100,000</u>
Depreciable basis	<u>\$ 900,000</u>

Estimated useful life in years 20

The annual depreciation expense of \$45,000 is computed by dividing the \$900,000 depreciable basis by the 20-year useful life.

Hourly charge is computed by dividing the annual depreciation expense of \$45,000 by 2,080 (standard yearly hours) to arrive at \$21.63 per hour.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x \$21.63 = \$10,815 depreciation expense to be charged.

Table 1-1**EXAMPLE OF INTEREST ON INVESTMENT CALCULATION**

Acquisition cost of the asset	\$1,000,000
Less: Accumulated depreciation (5 years at \$45,000 per year)	<u>\$ 225,000</u>
Net Book Value	<u>\$ 775,000</u>

Annual interest (10 percent per annum) \$ 77,500

Hourly charge is computed by dividing the annual interest of \$77,500 by 2,080 (standard yearly hours) to arrive at \$37.26 per hour.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x \$37.26 = \$18,630 interest on investment to be charged.

Table 1-2

4. Overhead Costs. These costs shall be computed in accordance with paragraph 010203.J., below.

I. Leased or Loaned DoD Equipment. When determining the charge for leased or loaned equipment, the following elements shall be billed:

1. Depreciation is not applicable to federal agencies unless the billing activity is a working capital fund. Depreciation shall be based on cost-finding techniques for sales to private parties unless actual rates are known. Calculations shall be in accordance with subparagraph 010203.G.1., above.

2. Interest on investment in assets shall be computed in accordance with subparagraph 010203.G.2., above.

3. Value of equipment not returned to the owning DoD Component shall be a sale to the borrowing organization. This sale shall be priced in accordance with paragraph 010203.D., above.

4. Accessorial expenses shall be recognized in accordance with paragraph 010203.F., above.

5. Repair costs to restore equipment or property to its condition at the time leased or loaned shall be collected from the using organization. The amounts may be based on either actual job order cost accumulations or estimates of the cost to be incurred based upon past repair and maintenance experience for similar equipment. The amounts collected shall be returned to the appropriation that financed the repair and maintenance. Direct labor costs shall be computed in accordance with paragraphs 010203.A. and 010203.B., above. Materiel and supply costs shall be computed in accordance with paragraph 010203.D., above. Overhead shall be computed in accordance with paragraph 010203.J., below.

J. Overhead

1. Overhead is sometimes referred to as indirect or general and administrative costs, which consist of costs that cannot readily, or directly, be identified in the performance of a customer order. Examples of such costs are supervision, office supplies, utility costs, etc. If an organization has a significant amount of reimbursable effort, such costs are accumulated in a cost pool and allocated to customers. In the absence of a cost accounting system, applicable costs may be estimated.

2. Overhead charges normally are not applied to reimbursable customer orders received from appropriated fund activities within the Department. However, appropriated fund activities are to charge for overhead when sales are consummated with other federal agencies and private parties. DoD working capital fund activities shall be reimbursed by their customers for overhead charges as prescribed in Volume 11B of this Regulation.

010204. DOCUMENTATION STANDARDS

A. General. Orders must be supported by documented evidence of a formal offer and acceptance between the grantor and grantee of the order. (See DoDI 4000.19, “Interservice and Intragovernmental Support” for additional guidance.) In the absence of such documentation, there can be no assurance that there is a meeting of the minds on the material or services to be provided nor that payment is required. The principal documents used by the Department are:

1. The memorandum of understanding (MOU).
2. The memorandum of agreement (MOA).
3. The universal order format.

B. Preparation Standards. The following standards apply to the preparation of these documents:

1. MOU or MOA. These documents normally are used when a certain unquantifiable type of support is required over a period of time, usually a 1-year duration. The MOU or MOA establishes the estimated total yearly requirement. Calls then are placed against the MOU or MOA as required support is quantified.

a. The minimum essential information that shall be included in an MOU or MOA is listed below. A model of an MOA is illustrated as addendum 3 to this chapter.

(1) The authority for entering into the MOU or MOA, such as the “Economy Act” (31 U.S.C. 1535) or the “Project Order Law” (41 U.S.C. 23). See Chapter 8, “Standards for Recording Commitments and Obligations,” in Volume 3 of this Regulation.

(2) A description of the material or services required.

(3) The established dollar limits and any authority to exceed applicable limits without specific approval from the ordering activity.

(4) The financing source or fund citation.

(5) The delivery requirements.

(6) The payment provisions.

(7) The duration of the agreement.

(8) The form in which specific orders against the MOU or MOA will be placed, for example, telephone calls, memoranda, or supplementary formal orders.

b. The MOU or MOA should be coordinated with appropriate program, comptroller, and legal offices. This is a fundamental control technique to demonstrate and document the legality and propriety of the arrangement.

c. When a DoD activity is the ordering organization, any MOU or MOA shall contain language that clearly sets forth the fact that the document is subject to the availability of funds unless the agreement itself is to be an obligating document. If the agreement is to be an obligating document, there must be a certification of fund availability and the obligation must be recorded promptly.

2. Universal Order Format. The universal order format is a way to document the financial terms of the offer and acceptance when specific services or quantities are known. Similar formats or computer-produced equivalents that contain all of the required information may also be used. This is an all-purpose format that may be issued on a reimbursable or direct citation basis, or both. It is a specific and definite request for material, supplies, equipment, or services. This format does not replace DD Form 1144, "Support Agreement" or DD Form 448, "Military Interdepartmental Purchase Request." The universal order format may serve as an "Economy Act Order," a "Project Order," or an order based upon other statutory authority. Performance of the work and/or services requested must be accomplished in accordance with the statutes and regulations governing the type of order. A sample of the universal order format and instructions for preparation are illustrated in addendum 4 to this chapter.

a. The universal format contains essential data such as the following:

(1) The funds citation using the current applicable accounting classification.

(2) A document number, assigned by the requesting activity, that uniquely identifies the document and provides an audit trail between the order, posting to the accounting system and posting to other automated information systems.

(3) The dollar value of the order and any flexibility allowed in executing the order.

(4) Detailed description of work or services to be performed or items to be delivered.

(5) The expected completion date for the order or request.

(6) Documentation of the names of the officials responsible for both the offer and acceptance to meet the requirements established for the administrative control of appropriations.

(7) Funds expiration date that indicates when the funds must be obligated by the performing activity. Funds not actually obligated by the expiration date shall be returned to the requesting activity. An amendment shall be prepared by the performing activity to return excess funds.

b. Any restrictive statements relating to the reimbursable or direct citation portion shall be included when deemed appropriate.

c. Amendments to the order may be prepared if funds are not sufficient to let a contract or perform the requested services. Amendments can only be accepted by the requesting activity.

d. The requesting activity shall record the total value of the order as a commitment in its financial records. If the order is accepted on a reimbursable basis, obligations shall be recorded upon receipt of written acceptance from the performing activity. If the order is on a direct fund citation basis, obligations shall be recorded upon receipt of the contract and attachments from the contracting activity. (Additional guidance can be found in Volume 3, Chapter 8, “Standards for Recording Commitments and Obligations” of this Regulation.)

ADDENDUM 1 APPROPRIATED FUNDS CROSS REFERENCE OF PRICING ELEMENTS BY TYPES OF SALES					
	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
1. <u>Sale of Services</u>					
a. Direct Civilian Labor					
(1) Payroll Costs	010203.A.1.-2.	N/A	Actual	Actual	Actual
(2) Leave and Holiday Costs	010203.A.2.	N/A	DoD Factor	DoD Factor	DoD Factor
(3) Funded Fringe Benefit Cost	010203.A.4.	N/A	DoD Factor	DoD Factor	DoD Factor
(4) Unfunded Fringe Benefit Cost	010203.A.4.	N/A	N/A	N/A	OPM Rate
b. Indirect Civilian Labor	<u>NOTE:</u> Indirect Civilian Labor is included in overhead rate.				
(1) Payroll Costs	010203.J.	N/A	Actual	Actual	Actual
(2) Leave and Holiday Costs	010203.J.	N/A	DoD Factor	DoD Factor	DoD Factor
(3) Funded Fringe Benefit Cost	010203.J.	N/A	DoD Factor	DoD Factor	DoD Factor
(4) Unfunded Fringe Benefit Cost	010203.J.	N/A	N/A	N/A	OPM Rate
c. Direct Military Labor					
(1) Payroll Cost	010203.B.1.-2.	N/A	N/A	Composite Rate	Composite Rate
(2) Leave and Holiday Costs	010203.B.2.	N/A	N/A	DoD Factor	DoD Factor
(3) Other Personnel Support Cost Factors	010203.B.3.	N/A	N/A	DoD Factor	DoD Factor
d. Indirect Military Labor	<u>NOTE:</u> Indirect Military Labor is included in overhead rate.				
(1) Payroll Cost	010203.J.	N/A	N/A	Composite Rate	Composite Rate
(2) Leave and Holiday Costs	010203.J.	N/A	N/A	DoD Factor	DoD Factor
(3) Funded Fringe Benefit Cost	010203.J.	N/A	N/A	DoD Factor	DoD Factor
e. Temporary Duty Costs for Direct Labor	010203.C.	Actual	Actual	Actual	Actual

ADDENDUM 1 APPROPRIATED FUNDS CROSS REFERENCE OF PRICING ELEMENTS BY TYPES OF SALES					
	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
f. Use of DoD Assets in Computing the Performance of Services					
(1) Asset Use Charge	010203.G.	N/A	N/A	N/A	DoD Factor
(2) Depreciation	010203.G.1.	N/A	N/A	N/A	DoD Factor
(3) Interest on Investment in Assets	010203.G.2.	N/A	N/A	N/A	DoD Factor
2. <u>Sale of DoD Personal Property</u>					
a. Replacement Required	010203.D.3.b.(1)	TRANSFER ACCOUNTING ENTRY REQUIRED		Replacement Cost	Replacement Cost
b. Replacement Not Required	010203.D.3.b.(2).			Acquisition Cost	Acquisition Cost
c. Indirect Supplies	010203.J.	Overhead Rate	Overhead Rate	Overhead Rate	Overhead Rate
d. PCH	010203.F.	N/A	N/A	Actual	Actual
e. Transportation	010203.F.	N/A	N/A	Actual	Actual
f. Nonrecurring Cost Recoupment Charge	Volume 15/ DoDD 2140.2	N/A	N/A	N/A	DoD Charge
3. <u>Sales of Material and Services Procured for Customers</u>					
a. Contract Cost	010203.E.	Actual	Actual	Actual	Actual
b. Contract Administration Expense	010203.E.5.	N/A	N/A	Actual	Actual
c. PCH	010203.F.	Actual	Actual	Actual	Actual
d. Transportation	010203.F.	Actual	Actual	Actual	Actual
e. Nonrecurring Cost Recoupment Charge	Volume 15 DoDD 2140.2	N/A	N/A	N/A	DoD Charge

ADDENDUM 1 APPROPRIATED FUNDS CROSS REFERENCE OF PRICING ELEMENTS BY TYPES OF SALES					
	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
4. <u>Miscellaneous Sales</u>					
a. Lease and/or Loan Equipment					
(1) Depreciation	010203.I.1.	N/A	N/A	N/A	DoD Factor
(2) Interest on Investment in Assets	010203.I.2.	N/A	N/A	N/A	DoD Factor
(3) Value of Equipment not Returned	010203.I.3.	N/A	N/A	Replacement Factor	Replacement Factor
(4) PCH	010203.I.4.	N/A	N/A	Actual	Actual
(5) Transportation	010203.I.4.	N/A	N/A	Actual	Actual
b. Repairs to Restore Equipment and/or Property to Original Condition	010203.I.5				
(1) Direct Labor	010203.A 010203.B	See Sale of Services	See Sale of Services	See Sale of Services	See Sale of Services
(2) Material and/or Supplies	010203.D	See Sale of DoD Personal Property	See Sale of DoD Personal Property	See Sale of DoD Personal Property	See Sale of DoD Personal Property
(3) Overhead	010203.J.	N/A	N/A	Overhead Rate	Overhead Rate

ADDENDUM 2 DoD WORKING CAPITAL FUNDS AND OTHER REVOLVING FUNDS CROSS REFERENCE OF PRICING ELEMENTS BY TYPES OF SALES					
	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
1. <u>Sale of Services</u>					
a. Direct Civilian Labor					
(1) Payroll Costs	010203.A.1.-2.	Actual	Actual	Actual	Actual
(2) Leave and Holiday Costs	010203.A.2.	Actual	Actual	Actual	Actual
(3) Funded Fringe Benefit Cost	010203.A.4.	Actual	Actual	Actual	Actual
(4) Unfunded Fringe Benefit Cost	010203.A.4.	N/A	N/A	N/A	OPM Rate
b. Indirect Civilian Labor	<u>NOTE:</u> Indirect Civilian Labor is included in overhead rate.				
(1) Payroll Costs	010203.J.	Actual	Actual	Actual	Actual
(2) Leave and Holiday Costs	010203.J.	Actual	Actual	Actual	Actual
(3) Funded Fringe Benefit Cost	010203.J.	Actual	Actual	Actual	Actual
(4) Unfunded Fringe Benefit Cost	010203.J.	N/A	N/A	N/A	OPM Rate
c. Direct Military Labor					
(1) Payroll Cost	010203.B.1.-2.	Civilian Equiv for DoD Working Capital Funds; N/A for Others	Civilian Equiv for DoD Working Capital Funds; N/A for Others	Composite Rate	Composite Rate
(2) Leave and Holiday Costs	010203.B.2.	N/A	N/A	DoD Factor	DoD Factor
(3) Other Personnel Support Cost Factors	010203.B.3.	N/A	N/A	DoD Factor	DoD Factor
d. Indirect Military Labor	<u>NOTE:</u> Indirect Military Labor is included in overhead rate.				
(1) Payroll Cost	010203.J.	Civilian Equiv for DoD Working Capital Funds; N/A for Others	Civilian Equiv for DoD Working Capital Funds; N/A for Others	Composite Rate	Composite Rate

ADDENDUM 2 DoD WORKING CAPITAL FUNDS AND OTHER REVOLVING FUNDS CROSS REFERENCE OF PRICING ELEMENTS BY TYPES OF SALES					
	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
(2) Leave and Holiday Costs	010203.J.	N/A	N/A	DoD Factor	DoD Factor
(3) Other Personnel Support Cost Factors	010203.J.	N/A	N/A	DoD Factor	DoD Factor
e. Temporary Duty Costs for Direct Labor	010203.C.	Actual	Actual	Actual	Actual
f. Use of DoD Assets					
(1) Asset Use Charge	010203.G.	N/A	N/A	N/A	DoD Factor
(2) Depreciation	010203.G.1.	Actual	Actual	Actual	Actual
(3) Interest on Investment in Assets	010203.G.2.	N/A	N/A	N/A	DoD Factor
<u>2. Sale of DoD Personal Property</u>					
a. Inventory Items	010203.D.1.	Standard Price	Standard Price	Standard Price	Standard Price
b. Non-Inventory Items	010203.D.1.	Standard Price	Standard Price	Standard Price	Standard Price
c. Reutilization and Market Items (surplus)	010203.D.2.	<u>TRANSFER ACCOUNTING ENTRY REQUIRED.</u>			High Bid
d. Associated Costs					
(1) PCH	010203.F.	Actual	Actual	Actual	Actual
(2) Transportation	010203.F.	Actual	Actual	Actual	Actual
(3) Nonrecurring Cost Recoupment Charge	Volume 15 DoDD 2140.2	N/A	N/A	N/A	DoD Charge
<u>3. Sales of Material and Services Procured for Customers</u>					
a. Contract Cost	010203.E.	Actual	Actual	Actual	Actual
b. Contract Administration Expense	010203.E.5.	Actual	Actual	Actual	Actual
c. PCH	010203.F.	Actual	Actual	Actual	Actual
d. Transportation	010203.F.	Actual	Actual	Actual	Actual

ADDENDUM 2 DoD WORKING CAPITAL FUNDS AND OTHER REVOLVING FUNDS CROSS REFERENCE OF PRICING ELEMENTS BY TYPES OF SALES					
	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
e. Nonrecurring Cost Recoupment Charge	Volume 15 DoDD 2140.2	N/A	N/A	N/A	DoD Charge
4. <u>Miscellaneous Sales</u>					
a. Lease and/or Loan Equipment					
(1) Depreciation	010203.I.1.	Actual	Actual	Actual	Actual
(2) Interest on Investment in Assets	010203.I.2.	N/A	N/A	N/A	DoD Factor
(3) Value of Equipment not Returned	010203.I.3.	Acquisition Cost	Acquisition Cost	Replacement Cost	Replacement Cost
(4) PCH	010203.I.4.	Actual	Actual	Actual	Actual
(5) Transportation	010203.I.4.	Actual	Actual	Actual	Actual
b. Repairs to Restore Equipment and/or Property to Original Condition	010203.I.5				
(1) Direct Labor	010203.A 010203.B	See Sale of Services	See Sale of Services	See Sale of Services	See Sale of Services
(2) Material and/or Supplies	010203.D	See Sale of DoD Personal Property	See Sale of DoD Personal Property	See Sale of DoD Personal Property	See Sale of DoD Personal Property
(3) Overhead	010203.J.	Overhead Rate	Overhead Rate	Overhead Rate	Overhead Rate

ADDENDUM 3
MEMORANDUM OF AGREEMENT (MOA)
BETWEEN THE
U.S. (INSERT AGENCY NAME) AND THE U.S. DEPARTMENT OF DEFENSE
TO REIMBURSE THE DEPARTMENT OF DEFENSE
FOR _____

I. Purpose. This agreement establishes the financial arrangements between the (identify the other Federal agency) and the Department of Defense to reimburse the Department of Defense for the (identify the program).

II. Description of Services to be Provided. The Department of Defense is to maintain the capability to respond on an as required basis to the (identify the other Federal Agency) requirements for (describe the required support) and to meet the needs of the (identify the Federal Agency activity being supported) that has limited (identify the support) capabilities.

III. Basis for Reimbursement

A. This agreement is entered into under the provisions of (identify the authority, such as the "Economy Act") and provides for reimbursable orders of approximately \$_____. This MOA is subject to annual modification as necessary, to provide for reimbursement of costs as described below in providing the requested support. The amounts in respective reimbursable orders may not be exceeded by more than (display the ceiling by either a percentage or dollar value) without written approval by the (other Federal Agency).

B. Support furnished under the terms of this agreement shall be for the costs incurred by the Department of Defense in providing the services.

IV. Procedural Arrangements

A. Estimating. The Department of Defense continuously will review its actual costs incurred in providing the requested support to ascertain if they are in line with the annual cost estimates. The Department of Defense will promptly advise the (other Federal agency) of any required revisions to the value of this agreement.

B. Ordering. The (other Federal agency) will provide a completed order for specific material or services to the Department of Defense for acceptance and the identification of the (other Federal agency) accounting data for resulting billings (unless a check is provided in advance). The delivery requirements of the (other Federal agency) will be stated in the order.

ADDENDUM 3

C. Billing. The DoD Component will bill the (other federal agency) on a monthly basis by submitting Standard Form (SF) 1080 (Voucher for Transfers Between Appropriations) and including a breakdown of actual cost elements being reimbursed. The voucher shall be sent or delivered to the (other Federal agency billing address) within 30 days after the month in which the transaction occurred.

D. Payment of Bills. The (other Federal agency) paying office will forward check payment(s), along with a copy of billed invoice(s) to appropriate addressees listed on billing invoices within 30 days of the date of invoice, unless the SF 1080 is identified as no check required. Bills rendered shall not be subject to audit in advance of payment.

V. Effective Date. This agreement is effective _____ and will terminate on _____.

(Other Federal Agency)

(DoD Component)

ADDENDUM 4 UNIVERSAL ORDER FORMAT

UNIVERSAL ORDER FORMAT		2. DOCUMENT NUMBER:		3. DATE PREPARED:	
1. THE ORDER IS ISSUED AS A (CHECK APPLICABLE BOX(ES)) <input type="checkbox"/> ECONOMY ACT ORDER (31 U.S.C. 1535) <input type="checkbox"/> PROJECT ORDER (41 U.S.C. 23) <input type="checkbox"/> OTHER REIMB ORDER (CITE STATUTE) _____ <input type="checkbox"/> DIRECT CITATION				4. ORDER COMPLETION DATE:	
				5. AMENDMENT NUMBER:	
6. FROM: REQUESTING ACTIVITY (AGENCY, ADDRESS)			7. POINT OF CONTACT: (NAME, OFFICE SYMBOL, PHONE)		
8. TO: PERFORMING ACTIVITY (AGENCY, ADDRESS)			9. MAIL BILLINGS TO:		
10. FUNDS FOR THIS ORDER ARE PROPERLY CHARGEABLE TO THE FOLLOWING ACCOUNTING DATA. AVAILABLE FUNDS ARE SUFFICIENT TO COVER THE ESTIMATED TOTAL COST OF THIS ORDER. FUNDS EXPIRE ON _____					
a APPROPRIATION	b LIMIT/ SUBHEAD	c SUPPLEMENTAL ACCOUNTING CLASSIFICATION	d ACCTG STATION	e AMOUNT	
f. TOTAL THIS DOCUMENT:					
g. CUMULATIVE TOTAL:					
11. THE ITEMS REQUESTED <input type="checkbox"/> ARE <input type="checkbox"/> ARE NOT INCLUDED IN THE INTERSERVICE SUPPORT PROGRAM AND REQUIRED INTERSERVICE SCREENING <input type="checkbox"/> HAS <input type="checkbox"/> HAS NOT BEEN ACCOMPLISHED.					
11a. REMARKS: (ATTACH CONTINUATION SHEET IF MORE SPACE IS REQUIRED)					
12. DESCRIPTION OF ORDER AND OTHER INSTRUCTIONS: (ATTACH CONTINUATION SHEET IF MORE SPACE IS REQUIRED)					
a REF NO	b ITEM NO	c SCHEDULE OF SUPPLIES/SERVICES	d QUANTITY ORDERED/ ACCEPTED	e UNIT	f UNIT PRICE
h. TOTAL ESTIMATED AMOUNT: (Total Block 12 g.)					
13. PROVIDED THROUGH REIMBURSEMENT			14. PROCURED BY DIRECT CITATION		
a REF NO.	b ITEM NO.	c ESTIMATED AMOUNT	a REF NO.	b ITEM NO.	c ESTIMATED AMOUNT
15. FUNDS PROVIDED THROUGH REIMBURSEMENT: (Total Block 13c)					
16. PROCURED BY DIRECT CITATION: (Total Block 14c)					
17. I CERTIFY THAT THE FUNDS CITED ARE PROPERLY CHARGEABLE FOR THE ITEMS REQUESTED.					
_____ AUTHORIZING OFFICIAL (NAME, TITLE AND SIGNATURE)				_____ (DATE)	
18. THIS REQUEST AND/OR ORDER IS ACCEPTED ON A <input type="checkbox"/> REIMBURSABLE <input type="checkbox"/> DIRECT CITE BASIS AND THE ITEMS WILL BE PROVIDED IN ACCORDANCE HEREWITH. THIS REQUEST AND/OR ORDER IS NOT ACCEPTED <input type="checkbox"/> (SEE REMARKS).					
_____ ACCEPTING OFFICIAL (NAME, TITLE AND SIGNATURE)				_____ (DATE)	
19. POINT OF CONTACT: (NAME, OFFICE SYMBOL, PHONE NO.)					

ADDENDUM 4**PREPARATION INSTRUCTIONS FOR THE UNIVERSAL ORDER FORMAT**

Instructions for the preparation of the “universal order format” are as follows: The requesting activity shall complete blocks 1. through 12. and 17. The performing activity shall complete blocks 13. through 16., 18 and 19.

<u>Block No.</u>	<u>Title and/or Description</u>
1	<u>Type of Order</u> - Indicate the type of order being processed. The order may be on a reimbursable or direct fund cite basis, or both. The order may serve as an “Economy Act Order” (31 U.S.C. 1535), a “Project Order” (41 U.S.C 23), or an order based upon other statutory authority. Performance of the work or services, or both, must be accomplished in accordance with the applicable statutes.
2	<u>Document Number</u> - Document numbers are generally assigned by the requesting activity. These numbers are for accountability and control purposes. It uniquely identifies the document and is the number under which the funds cited in blocks 10, 15, and 16, are to be recorded (that is, committed, obligated, expended, etc.).
3	<u>Date Prepared</u> - The date on which the form was prepared by the originator.
4	<u>Order Completion Date</u> - The date by which the work or services being requested must be completed by the performing activity, or physical delivery of material. An extension or change of the completion date, if required, shall be requested in writing and is subject to the approval of the requesting activity cited in block 6. An amendment to the original order shall be prepared by the requesting activity if extension or change is approved.
5	<u>Amendment Number</u> - The number assigned by the originating activity to uniquely identify each amendment to the original (basic) document.
6	<u>From</u> - The name and address of the activity requesting the work or services.
7	<u>Point-of-Contact</u> - The name of an individual at the requesting activity who can be contacted if any questions should arise regarding the order. A telephone number and office symbol also should be identified. This individual generally is not the same as the authorizing official in block 17.

- 8 To - The name and address of the activity being requested to perform the work or services.
- 9 Mail Billings To - The name and address of the organization or activity to whom the billings are to be mailed when the universal order format is issued external to DoD Components. Billings normally shall be submitted by the performing activity on a monthly basis unless specifically stated in block 12.
- 10 Accounting Data
- a. Enter the funds expiration date. This date indicates when the funds must be obligated by the performing activity. Funds not actually obligated by the expiration date shall be returned to the requesting activity.
- b. The accounting classification data code structure shall be the one currently in effect. (If the accounting classification code structure is other than DoD, such as that of a civil agency, this block may be altered to accommodate the required form.)
- c. The fund balances should be sufficient to cover the total estimated amount for the subject order. Block 10.f. represents the total amount of funds authorized for the particular document or amendment. Block 10.g. represents the cumulative total amount of funds authorized, including previous amendments, as of the date of that particular document and/or amendment. In the case of a “basic” document, the amounts appearing in blocks 10.f. and 10.g. will be identical.
- 11 Interservice Support Program - Indicate the applicable box pertaining to items requested.
- 11a Remarks - Use for additional information as required.
- 12 Description of Work to be Performed and Other Instructions - Enter a specific, definite and complete description of work encompassed by the order, each item of supplies, material, equipment, or services required. If additional space is required, a continuation sheet may be used. Add the estimated amounts in block 12.g. and enter the amount in block 12.h. The amount in block 12.h. should be the same as blocks 10.f. and/or 10.g.
- 13 Provided through Reimbursement: (Estimated Amount) - Indicate the items and corresponding amounts shown in block 12., which will be completed through reimbursement. This block should be completed by the performing activity.

- 14 Procured by Direct Citation: (Estimated Amount) - Indicate the items and corresponding amounts shown in block 12, which will be completed through direct citation. This block should be completed by the performing activity.
- 15 Funds Provided through Reimbursement - Add the amounts in block 13.c. and enter in this block. The sum of blocks 15 and 16 shall equal the amount shown in block 12.h. Block 12.h. shall equal block 10.f. Amounts authorized in this block are not subject to the Antideficiency Act (Title 31, United States Code, section 1517) unless specifically indicated on the face of the document.
- 16 Procured by Direct Citation - Add the amounts in block 14.c. and enter in this block. The sum of blocks 15 and 16 shall equal the amount shown in block 12.h. Block 12.h. shall equal to block 10.f. The amount in this block constitutes a limitation under Title 31, United States Code, section 1517 when the purchasing office or contracting activity is a separate entity from the requesting activity.
- 17 Authorizing Official - Enter the name, title, and signature of the individual in the requesting activity authorized to issue the document. The date the authorizing official actually signed the document also must be included. This date is the basis for determining the accounting month under which the commitment or consignment is to be recorded.
- 18 Accepting Official - Written acceptance of this order is required and is accomplished by completing this block. Enter the name, title, and signature of the individual in the performing activity authorized to accept the document.
- 19 Point-of-Contact - The name of an individual at the performing activity who can be contacted if any questions should arise regarding the order. A telephone number and office symbol should also be provided. This individual generally is not the same as the accepting official in block 18.

CHAPTER 2**PROJECT ORDERS****0201 INTRODUCTION**

020101. This chapter reissues guidance formerly contained in DoD Instruction 7220.1, “Regulations Governing the Use of Project Orders.” This chapter prescribes regulations governing the use of project orders in the Department of Defense pursuant to authority contained in Title 41, United States Code, section 23.

020102. The referenced authority provides that:

“All orders or contracts for work or material or for the manufacture of material pertaining to approved projects heretofore or hereafter placed with Government-owned establishments shall be considered as obligations in the same manner as provided for similar orders or contracts placed with commercial manufacturers or private contractors, and the appropriations shall remain available for the payment of the obligations so created as in the case of contracts or orders with commercial manufacturers or private contractors.”

020103. The term “approved projects,” as used in the referenced authority, has no special meaning. It refers simply to projects that have been approved by officials having legal authority to do so.

0202 APPLICABILITY AND SCOPE. The provisions of this chapter apply to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as “DoD Components”).

0203 DEFINITIONS

020301. **Project Order.** A “project order” is a specific, definite and certain order issued under the authority contained in 41 U.S.C. 23 which, when placed with and accepted by a separately managed DoD establishment, serves to obligate appropriations in the same manner as orders or contracts placed with commercial enterprises. A project order is a valid and recordable obligation of the issuing entity when the order is issued and accepted, providing the obligation otherwise meets the criteria for recordation of an obligation contained in 31 U.S.C. 1501.

A project order which lacks, at the time of issuance or acceptance, a description of the product to be provided is not sufficient to create a recordable obligation. (However, often there may be repeat orders for which the performing installation will have detailed and definite specifications available. Thus, if the performing activity has on file those elements which make a project order specific, definite, and certain, and those elements are in sufficient detail to enable the performing installation to proceed in carrying out the work ordered, it is not necessary to also

include those elements within the project order itself. In such cases, reference may be made on the project order that specification documentation is retained on file by the performing activity.)

020302. Project Order Form. Although the use of a specific project order form is not prescribed, a form substantially in the format of that shown in addendum 4, “Universal Order Format,” to chapter 1, “General Reimbursement Procedures and Supporting documentation,” of this volume should be used whenever practicable. However, any form may be deemed to be a “project order” and shall be subject to the provisions of this chapter, regardless of the form in which it is issued when it is:

- A. Issued by, and accepted for performance in, a DoD-owned and operated establishment,
- B. The subject of any of the purposes set forth in paragraph 020504.B of this chapter, and
- C. Placed with a DoD-owned and operated establishment.

All forms that are to be treated as project orders clearly shall be identified as such by inclusion of a statement such as “This order is placed in accordance with the provisions of 41 U.S.C. 23, as implemented by Department of Defense regulation.”

020303. DoD Owned Establishment. A “DoD owned establishment” for the purpose of this chapter is any DoD owned and operated activity (i.e., not contractor owned or operated). Such activities include working capital fund activities; other revolving fund activities; and appropriated fund activities provided the appropriated funded activity engages in reimbursable operations that are not reasonably severable into fiscal year segments and those reimbursable operations can be forecasted with reasonable accuracy. Examples of such activities include equipment overhaul or maintenance shops, manufacturing or processing plants or shops, research-and-development laboratories, computer software design activities, testing facilities, and proving grounds owned and operated by the Department.

020304. Contractual Relationship, Commercial Contracts, Defaulting Contractors, and Commercial Contracting. Terms such as “contractual relationship,” “commercial contracts,” “defaulting contractors,” and “commercial contracting” are used to indicate the close relationship between project orders and commercial contracts in the particular circumstances involved. The use of these and similar terms should neither be construed as requiring project orders to be subject to the provisions of the “Federal Acquisition Regulations System,” nor as imposing upon the parties to a project order agreement, responsibilities (legal or otherwise) not provided for in this chapter.

020305. Allotment. The term “allotment” includes approved operating budgets for operation of the U.S. Armed Forces.

0204 ADVANCE PLANNING

020401. Ordering DoD Components shall give performing DoD Owned establishments advance planning data covering the work estimated to be placed with the performing DoD Owned establishment. This advance planning data shall be used by a performing DoD Owned establishment in the development of its operating budget. An operating budget is subject to revision as subsequent specific work requirements, including significant revisions thereof, are determined.

020402. At the appropriate time during project order negotiations, performing DoD Owned establishments shall give ordering DoD Components cost estimates for each item to be produced, or work to be performed, under the project order.

0205 CONDITIONS GOVERNING ISSUANCE AND ACCEPTANCE OF PROJECT ORDERS

020501. A contractual relationship must exist (be created by the project order) between the parties involved.

020502. Consistent with the concept that one entity cannot enter into a formal contract with itself, a project order shall not be used by one organizational unit to order work from another organizational unit under the same activity commander.

020503. Expiration dates of project orders may not extend beyond the point in time in which the ordering appropriation will be canceled (generally, five years after the appropriation expires for new obligation).

020504. Project orders may be issued only to DoD owned establishments (see subsection 020303) that have been given the authority to operate a reimbursable program in an amount equal to or exceeding the project order amount(s). Transactions between the Department and other government agencies are governed by the Economy Act (31 U.S.C. 1535).

To determine whether the project order statute, rather than the Economy Act, provides the statutory authority for an intra-DoD order, determine whether the order is being placed with a DoD owned establishment as that term is defined in paragraph 020303, whether the order is “entire” under paragraph 020509, or whether it satisfies the requirements of the Economy Act set forth in chapter 3 of this volume.

020505. All payments by an ordering DoD Component to a performing DoD owned establishment shall be based upon either an approved payment schedule in the order or upon billings from the performing DoD owned establishment to the ordering Component.

020506. Specific, Definite and Certain. Project orders are analogous to contracts placed with commercial concerns and, similar to such contracts, shall be specific, definite and certain both as to the work encompassed by the order and the terms of the order itself. A project

order must be accepted by the performing DoD Owned establishment as a basis of obligation by the issuer.

020507. Certification of Availability for Purpose. Project orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. However, the performing entity may not be aware of all such appropriation limitations. Therefore, an official of the issuing entity should provide a certification, on or attached to the project order, that the funds cited on the project order are properly chargeable for the purposes cited in the project order.

020508. Bona Fide Need. Project orders must serve a bona fide need, of the issuing activity, that exists in the fiscal year in which the project orders is issued; otherwise, a valid obligation is not accomplished. It is not intended that the rule of bona fide need of the fiscal year rule be construed to preclude procurement lead time. Thus, where materials, for example, cannot be obtained in the same fiscal year in which they are needed and contracted for, a provision for delivery in the subsequent fiscal year does not violate the bona fide need rule so long as the time intervening between contracting and delivery is not excessive and the procurement is not for standard commercial items readily available from other sources. Bona fide need generally is a determination of the requesting activity and not that of the performing activity. A performing activity should, however, refuse to accept a project order if it is obvious that the project order does not serve a need existing in the fiscal year in which issued.

020509. “Entire” versus “Severable.” To be eligible for project order financing, the need must be present in the fiscal year in which the project order is issued, require a series of actions over a period of time which may cross a fiscal year, and call for work or services that are not reasonably severable between fiscal years. For instance, an order for an “entire” end item or service would call for a single or unified outcome or product, and would be one in which few, if any, benefits would accrue if the work were terminated without completion at the end of the fiscal year in which it was placed. The distinction between “entire” and “severable” may not be evident readily and, therefore, requires some judgment. The objective desired by the requesting customer should be used in the determination. For example, if the customer provides an item (e.g., an aircraft) for overhaul or renovation and desires the entire item to be returned in a serviceable state, then a repair of a single component (e.g., avionics, landing gear, electronics) of the item when the item consists of many components needing repair, would not be a “severable” action. Conversely, if a customer desires an automated system that consists of multiple modules and some (or all) modules can be used independent of the entire system, then each module that can be used independent of the entire system is severable.

A. The following are examples that ordinarily are severable and therefore not eligible for project order financing.

- (1) Custodial or housekeeping services.
- (2) Security or fire protection services.

(3) Refuse collection.

(4) Routine maintenance in general, including grounds or surfaced area maintenance; heating and air conditioning systems operation and maintenance; and other real and personal property maintenance.

(5) Services such as education, training, subsistence, storage, printing, laundry, welfare, transportation (including port handling), travel, utilities or communications when any of these purposes is the primary purpose of the request.

(6) Efforts where the stated or primary purpose of the order is to acquire a level of effort (e.g., 100 hours, 20 weeks or one year) rather than a specific, definite, and certain end-product.

B. The following are examples in which an entire need generally exists and, therefore, are eligible for project order financing.

(1) Manufacture, production, or assembly of items including experimental prototypes or items manufactured and assembled for test. "Items" includes ships, aircraft, guided missiles, other weapons, vehicles of all kinds, ammunition, clothing, machinery and equipment for use in such operations, and other military and operating supplies and equipment (including components and spare parts).

(2) Renovation, rebuild, rehabilitation, reconditioning or overhaul of items, including such operations as are necessary to restore an item to a condition of serviceability equivalent to its original state.

(3) Alteration or modification in design or assembly of an item to meet revised specifications or to correct defects.

(4) Construction or conversion of items (including buildings and other structures), utility and communication systems and other public works.

(5) Development of software programs and automated systems when the purpose of the order is to acquire a specific, definite, and certain non-severable end-product that is reasonably achievable with the resources (financial, human, and plant) available to the provider rather than a level of effort over an extended period.

(6) Production of engineering and construction related products and services.

020510. Commencement of Work. The work to be performed under project orders shall be expected to begin within a reasonable time after its acceptance by the performing DoD owned establishment.

A. Although work on a project order is not required to commence in the year of project order acceptance, as a minimum requirement, evidence must exist at the time of project order acceptance showing the intention that work (or procurement if required prior to the beginning of work) will begin without delay (usually within 90 days) and will be completed within the normal production period for the specific work ordered.

B. If work (or procurement if required prior to the beginning of work) financed from an appropriation that expired for obligation on September 30 on a project order does not begin, or is not expected to begin, before January 1 of the following calendar year, the project order shall be returned by the performing activity for cancellation unless it is documented that the delay is unavoidable and could not have been foreseen at the time of project order acceptance and that documentation is retained for audit review.

020511. Contingent Event Prohibition. Project orders shall not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the ordering DoD Component.

020512. Lawful Purpose. Project orders shall not be used to contravene provisions of the law or to accomplish, by means of this device, what regulations do not permit under commercial contracts.

020513. Authorized Purpose. Project orders shall not be issued for the primary (or secondary) purpose of continuing the availability of appropriations.

020514. Project Order Modification and Amendment. Project orders, similar to commercial contracts, may contain special provisions and may subsequently be modified or amended. Unlike procurement contracts with commercial concerns, where competition requirements limit contract modifications, project orders may be changed or increased as long as proper funding is available, and the new work otherwise meets the general conditions governing issuance and acceptance of project orders identified above. If the appropriation used to fund the initial order remains available for new obligation, use it to fund modifications and amendments that are a bona fide need of that appropriation, even if the modification changes the scope of the order. If the appropriation used to fund the initial order has expired, use it to fund only those amendments and modifications that are within the general scope of the initial project order. In cases where the original appropriation has expired and no longer is available for new obligations, and the modification or amendment changes the general scope of the original order, the amendment or modification should be funded from the current appropriation. However, the appropriation cited on the project order will remain available for price increases and changes that are within the scope of the original project order. Subject to the provisions of subsection 020708, amendments to project orders, which have the effect of partial or complete termination of such orders, shall provide for the inclusion of the costs of termination.

020515. Ability to Perform. Project orders shall be issued only to those DoD owned establishments that are capable of substantially performing the work ordered. “Substantially,” as used in this paragraph, means that the project order recipient should incur

costs of not less than 51 percent of the total costs attributable to rendering the work or services ordered. Total costs to render the work or services ordered include the costs of goods or services obtained from/provided by contractors.

020516. Subsidiary Ordering. The provisions of this chapter are not intended in any way to authorize one DoD owned establishment to act as a general contracting or purchasing agent for another entity.

A. Subsidiary ordering (within the government) and contracting (with commercial firms) pursuant to a project order is authorized, provided such subsidiary ordering and contracting is incident to, and is for use in, carrying out the purpose of the project order.

B. Project orders must contemplate the use of personnel and facilities (but may include use of other resources) on the part of the project order recipient, beyond those incident to contract procurement. In this connection, it is not improper for a project order recipient to subcontract for component parts when such parts will be assembled later by the recipient into the end product ordered. However, the assembly operation must require the use of personnel whose technical skills are essential to completion of the job. In addition, the work expended in the assembly operation should be of such an extent that it avoids a perception of the project order being used for contract procurement.

C. If a project order cannot be placed with another DoD owned establishment because that establishment would fill the order by contracting with a commercial concern for performance of substantially the entire order, it is possible that the order could be placed pursuant to the Economy Act [31 U.S.C. 1525(a)(3)], which permits the agency or agency unit filling the order to provide or procure by contract the goods and services necessary to perform the order.

020517. Project Order Default. Where recipients of project orders default or fail to perform work or services specified in the orders, and replacement contractors are required as the result of such default;

A. Defaulted work or services may be procured from another source to the extent of any unobligated balance in the appropriation thus obligated. Similarly, a project order also may be issued to a DoD establishment under an appropriation obligated by contracts with outside contractors when such contract is terminated for default or failure on part of the contractor to perform work or services specified in the contract. All such replacement project orders resulting from defaults may be issued and obligated subsequent to the period of availability of the appropriations for obligation if the replacement project order is made without undue delay after the termination of the original contract or project order.

B. Replacement project orders fulfill bona fide needs of the appropriation that had funded the contract or project order that was terminated for default. The replacement project order shall be awarded on the same basis and be similar substantially to the original project order in its scope and size. The replacement project order must not extend beyond the point in time in

which the ordering appropriation will be canceled (generally, five years after the appropriation expires for new obligation).

020518. Project Order Financing. Project orders shall be fully financed by the ordering DoD Component from obligational authority current at the time the project order is issued and accepted. However, project orders issued for projects or programs financed by a research, development, test and evaluation appropriation may be prepared on an incrementally programmed basis. Research, development, test and evaluation appropriation projects or programs financed on an incrementally programmed basis are ones that are funded for the remainder of the funding appropriation's period of current availability or the current fiscal year vice a fully funded to completion basis.

020519. Direct-Cite Prohibition. Project orders shall be issued to a DoD-owned establishment for performance only on a reimbursable basis. They may not be made a subdivision of funds, similar to an allotment; nor may appropriations of the ordering DoD Component be cited by the performing DoD owned establishment when incurring and recording obligations incurred in performance of the order.

020520. Reimbursement of Costs Incurred in Performance of a Project Order. Reimbursement of costs incurred by a performing activity in fulfillment of a project order may be accomplished in the manner ordinarily used by that performing activity. The usual and accepted manner of accomplishing reimbursement is by citing the funds of the requesting activity as the funds charged on the SF 1081, "Voucher and Schedule of Withdrawals and Credits."

0206 CONDITIONS GOVERNING PERFORMANCE OF PROJECT ORDERS

020601. After acceptance, project orders shall be performed as expeditiously as possible according to the terms as accepted. (See subsection 020510 for additional information.)

020602. Performing DoD owned establishments shall be responsible for promptly advising ordering DoD Components concerning changes in delivery schedules.

020603. In the case of cost-reimbursement project orders, performing DoD Owned establishments shall give ordering DoD Components a summary of costs incurred to date and estimates of costs to complete the order only when specifically requested by the ordering DoD Component. The ordering DoD Component shall not request the submission of this cost information any more frequently than monthly. No special report forms are authorized for this purpose.

020604. Expiration dates of project orders may be extended with the approval of the ordering DoD Component. Expiration dates of project orders may not extend beyond the point in time in which the ordering appropriation will be canceled (generally, five years after the appropriation expires for new obligation).

0207 REIMBURSEMENTS TO PERFORMING DOD OWNED ESTABLISHMENTS

020701. Performing DoD Owned establishments shall be reimbursed for work covered by project orders upon the basis of costs incurred or on the basis of fixed prices.

020702. Fixed Price Project Orders. A fixed-price project order shall establish a firm price for purposes of reimbursement for the work or services ordered. This shall not preclude amendments to cover changes in scope of any item in the order. A fixed-price basis maybe used if all of the following conditions are present:

A. Work specifications are stable, specific and definite, and they are made part of the order (or incorporated by reference) for each item at the time the project order is accepted for performance on a fixed-price basis or amended for any changes in the scope of the work. This requirement is especially critical for project order accepting activities that are financed by a direct appropriation. An activity financed by a direct appropriation should not accept a fixed-price project order unless it can predict with a high degree of certainty the actual cost to complete the project order. Otherwise, the prohibition against inappropriately augmenting an appropriation and/or using an appropriation for a purpose not authorized could be violated.

B. When there is more than one item of work or service in a project order, including amendments for changes in scope, each item is made the subject of a separate price as shown by the order or in a list incorporated therein by reference. When the work to be performed is the subject of a work list (e.g., equipment overhaul), each entry on the work list shall be considered to be an item.

C. No substantial contingencies are included in the price, nor considered to be involved in performance, so that cost variations in performance can reasonably be expected to be minor.

D. There is a satisfactory system of cost estimating used as a basis for establishing fixed prices. When cost standards are used in cost estimating for the purpose of pricing, they shall be adjusted for this purpose to include expected cost variances.

E. The same elements of cost are used in cost estimating and establishing fixed prices as would be required for use if reimbursements were based upon actual cost incurrence.

020703. Cost-Reimbursement Project Orders. The amount stated in a cost-reimbursement project order shall be a sound estimate of the costs to be incurred in performance of the work or services ordered. Such estimates shall be determined upon the basis of the specific work to be performed. The estimate of costs shall be the ceiling amount for purposes of reimbursement for the work or services ordered.

A. The performing DoD Owned establishment and the ordering DoD Component shall effect timely renegotiations for revisions of the ceiling amount of cost-

reimbursement project orders. Such renegotiations should take place whenever cost performance indicates the need for adjustment of the ceiling amount upward or downward, but before cost of performance has exceeded 75 percent, when compared with the current ceiling amount. However, renegotiations need not be conducted when the probable cost of renegotiation is greater than the adjustment amount. In such cases the difference, upward or downward, should be absorbed by the performing establishment.

B. Cost-reimbursement project orders may be converted to a fixed-price basis, provided all of the conditions governing the use of fixed-price project orders are present (see subsection 020702). In addition, the conversion must be effected prior to incurring either 50 percent of the total cost of the work, or 50 percent of the period of performance, whichever comes first.

020704. Unfunded Costs. For purposes of this subsection, unfunded costs are costs that are not funded in the account or appropriation funding the performing activity. (Examples of unfunded costs are not universal. Some performing revolving fund accounts [primarily the working capital fund accounts] may fund costs that are unfunded by appropriated funds. Unfunded costs of an appropriated funded performing activity normally include labor of military personnel and depreciation of capital assets.) When an ordering DoD Component places an order on behalf of persons or agencies outside the U.S. Government (including reimbursable transactions pursuant to the Foreign Military Sales Act), the ordering DoD Component shall indicate this fact on the project order. In those instances, the amount of unfunded costs shall be included and identified in the items listed below.

- A. Project orders issued to performing activities;
- B. Billings made by the performing activity to the ordering activity;
- C. Reimbursements by the ordering activity to the performing activity; and
- D. Reimbursements obtained by the ordering activity from the non-federal customer.

020705. Reimbursable costs, in the case of performing DoD owned establishments operating under a working capital fund, shall be determined in accordance with Volume 11B of this Regulation.

020706. When the performing DoD owned establishment is not operating under a working capital fund, reimbursable agreements negotiated prior to placement of project orders costs shall be determined in accordance with policy established in chapter 1, "General Reimbursement Procedures And Supporting Documentation," of this volume.

020707. Reimbursable costs include the cost of machinery or equipment acquired specifically for the performance of a single project order, provided (a) such costs specifically are approved in advance by the ordering DoD Component, (b) the machinery or equipment could

legally be acquired directly by the ordering fund or appropriation, and (c) the approval is incorporated into the term of the project order agreement or amendments thereto. When this is the case, the approved costs shall be segregated from other costs and shown as a separate item in the reimbursable billing. Such machinery and equipment are the property of the ordering DoD Component and shall be disposed of in accordance with instructions from the ordering DoD Component.

020708. Costs incurred in the termination of project orders shall be reimbursable to the performing DoD Owned establishment when those orders are terminated by the ordering DoD Component, to the extent that such costs do not exceed the amount of the fixed price, or the current ceiling amount in the case of cost-reimbursement project orders. When ordering DoD Components and performing DoD Owned establishments cannot agree on the costs of termination, the case will be referred for settlement to the Under Secretary of Defense (Comptroller).

020709. To the extent feasible, performing DoD owned establishments shall bill ordering DoD Components for work performed upon the basis of jobs completed or services rendered in accordance with the terms of the project order. However, whenever a long period of time is required in the performance of a project order, periodic progress payments approximating costs incurred may be provided for in the order. Progress payments may be made to the performing DoD Owned establishment to cover the accrued cost (and other direct obligations incurred) of performance to the end of the fiscal year under an uncompleted project order. Reimbursement to a working capital fund activity for work performed prior to completion of the project order shall normally be accomplished on either a progress payment or a percentage-of-completion basis.

0208 ACCOUNTING FOR COST OF PERFORMANCE

020801. Project orders are reimbursable orders and shall be administered and accounted for as such. Project orders, therefore, shall neither be administered nor accounted for by performing DoD owned establishments as separate subdivisions of appropriations or funds similar to an allotment. The appropriation-type accounting for project orders shall be performed by the ordering DoD Component in a manner similar to that performed for contracts.

020802. The operations of performing DoD owned establishments financed under a working capital fund shall be accounted for in accordance with Volume 11B of this Regulation.

020803. Project orders received and accepted are the source of obligational authority, in the amount of the project order, for the performance of the work requested.

020804. A cost account or other device shall be used to accumulate the costs of performance for all project orders. Those cost accounts shall serve as a basis for determining the amount reimbursable for cost-reimbursement project orders and as a basis of determining a fixed price for similar future fixed-price project orders.

020805. Billings covering reimbursements shall identify costs by each item listed in the project order.

0209 EXEMPTIONS

Requests for exemptions, along with appropriate justification, shall be submitted to the Director for Accounting Policy, Office of the Deputy Chief Financial Officer, Under Secretary of Defense (Comptroller).

CHAPTER 3

ECONOMY ACT ORDERS

(TO BE PUBLISHED LATER)

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CHAPTER 4

USER CHARGES

0401 OVERVIEW

040101. Purpose. This chapter implements the DoD program under Title 31, United States Code, section 9701 and Office of Management and Budget (OMB) Circular No. A-25, "User Charges," to establish appropriate charges for authorized services provided by DoD organizations.

040102. Applicability. None of the provisions in this chapter should be construed as providing authority for the sale or lease of property, or the rendering of special services. Actions to convey such special benefits must be authorized by separate authority. This user charge policy is applicable except when other statutes or directives specifically direct other practices or procedures.

0402 POLICY AND PROCEDURES

040201. General. It is DoD policy not to compete with available commercial facilities (see DoD Directive 4100.33, "Commercial Activities Program Procedure") in providing special services or in the sale or lease of property to private parties and agencies outside the Federal Government. However, when a service or sale is made that conveys special benefits to recipients, above and beyond those accruing to the public at large, a reasonable charge shall be made to each identifiable recipient, except as otherwise authorized by the Secretary of Defense. A special benefit will be considered to accrue, and a charge shall be imposed, when the service rendered:

A. Enables the recipient to obtain more immediate or substantial gain or values (which may or may not be measurable in monetary terms) than those which accrue to the general public; or

B. Is performed at the request of the recipient and is above and beyond the services regularly received by, or available without charge to, the general public.

040202. Costing

A. A charge shall be imposed to recover the full cost to the Federal Government of rendering a service or the fair market value of such service, whichever is higher. Fair market value shall be determined in accordance with commercial rates in the local geographical area. In the absence of a known market value, charges shall be made based on recovery of full costs to the Federal Government.

B. When federally owned resources or property are leased or sold, a fair market value shall be obtained. Fair market value shall be determined by the application of sound business management principles and, so far as practicable and feasible, in accordance with comparable commercial practices. Charges based on fair market value need not be limited to the recovery of costs; they may produce net revenues to the government.

040203. Exclusions and Exceptions

A. The provisions of this chapter do not apply when other statutes or directives require different practices or procedures, such as for:

1. Morale, welfare, and recreation services to military personnel and civilian employees of the Department of Defense and other services provided in accordance with enclosure 1.

2. Sale or disposal of surplus property under approved programs (see Chapter 5 of this volume).

3. Services furnished the general public relating to, or in furtherance of, the U.S. Armed Forces recruiting program.

4. Services furnished to representatives of the public information media in the interest of public understanding of the U.S. Armed Forces.

5. U.S. Armed Forces participation in public events. Charges for such participation are governed by the provisions of DoD Instruction 5410.19, "Armed Forces Community Relations."

6. Records made available to the public, under the Freedom of Information Act, pursuant to DoD Directive 5400.7, "DoD Freedom of Information Act Program." Charges for such record searches and copies of records are governed by Chapter VI of DoD Directive 5400.7. However, documents copied for the public not subject to DoD Directive 5400.7 (even though documents are copied in a FOIA reading room) or subparagraph B.3. are governed by this chapter.

7. Services furnished to non-Federal audio-visual media. Charges for such services are governed by the provisions of DoD Instruction 5410.15, "DoD Public Affairs Assistance to Non-Government, Non-Entertainment-Oriented Print and Electronic Media."

8. Government-developed computer programs released to non-Federal customers. Charges for software packages are governed by DoD Instruction 7930.2, "ADP Software Exchange and Release."

9. Pricing of performance by Department of Defense Working Capital Fund activities which shall be in accordance with Volume 11B of this Regulation.

10. Foreign Military Sales of defense articles and services which shall be in accordance with Volume 15 of this Regulation.

B. Charges may be waived or reduced when:

1. The recipient of the benefits is engaged in nonprofit activity designed for the public safety, health, or welfare.

2. Payment of the full fee by a state, local government, or nonprofit group would not be in the interest of the program.

3. Furnishing of the service without charge is an appropriate courtesy to a foreign country or international organization, or comparable fees are set on a reciprocal basis with a foreign country.

4. The incremental cost of collecting the fees would be an unduly large part of the receipts from the activity.

0403 RESPONSIBILITIES

040301. Under Secretary of Defense (Comptroller) shall consider and make necessary additions or revisions to these provisions.

040302. Heads of DoD Components, or designees, shall:

A. Identify each service or activity covered by this chapter.

B. Determine the extent of the special benefit provided.

C. Determine applicable cost and fair market value.

D. Establish appropriate charges and collect from recipients of special services.

E. Grant cost waivers or reductions consistent with guidance in this chapter.

F. Recommend to the USD (Comptroller) necessary additions and revisions to this chapter.

0404 CHARGES AND FEES

040401. General

A. All charges and fees shall be based on total cost to the U.S. Government or fair market value, whichever is higher. Total cost shall be based on actual cost or replacement cost (when property is to be replaced) and accumulated expense data. Estimates from the best available records may be used if actual cost or expense data is not available.

B. Cost accounting systems shall not be established solely for the purpose of determining charges, but the results of existing cost accounting systems shall be used. Total cost shall include all direct and indirect costs in accordance with Volume 11B of this regulation.

C. Charges and fees established in advance of performance shall be based on the estimated cost of performance (including applicable depreciation), prorated over the period of performance. Projected amounts shall be reviewed annually or whenever significant changes in cost or value occur.

D. Management controls (see DoD Directive 5010.38, “Management Control (MC) Program”) must be established to ensure that charges and fees are developed and adjusted, using current, accurate, and complete data, to provide reimbursement conforming to statutory requirements. These controls also must ensure compliance with cash management and debt collection policies in accordance with Volume 5 of this Regulation.

040402. Services

A. Basic Requirements. The maximum charge for a special service shall be governed by its total cost or fair market value, whichever is higher, and not by the value of the service to the recipient. The cost computation shall include the direct and indirect costs to the government of carrying out the activity. Typically, costs for service may include:

1. Civilian salaries or wages, including the full cost of benefits, such as leave, retirement, and medical and life insurance.

2. Military personnel services, including retirement, other personnel support, leave, and permanent change of station factors.

3. Materials, supplies, travel expenses, communications, utilities, equipment and property rental, and maintenance of property and equipment.

4. Depreciation expense and interest on investment (currently at a 10 percent annual rate) (see OMB Circular A-94, “Discount Rates to be Used in Evaluating Time-Distributed Costs and Benefits”) for DoD-owned fixed assets.

5. Other operational, administrative, and accessorial costs incurred by the activity while establishing standards and regulations and research in support of the service performed.

B. Fees and Rates. Fees and rates shall be based on actual costs. The charges for services provided by data processing activities shall be determined by using the costs accumulated pursuant to requirements in OMB Circular A-121, “Cost Accounting, Cost Recovery and Interagency Sharing of Data Processing Facilities,” and Federal Government

Accounting Pamphlet No. 4, “Guidelines for Accounting for Automatic Data Processing Costs.” Fees and rates for recurring services shall be established in advance, when feasible. Recurring services include, but are not limited to, copying, certifying, and researching records, except when those services are excluded or exempted from charges under subparagraph 040203.B.3., above, or in accordance with “Benefits for Which No Charge Shall be Made” included as Appendix 1 to this chapter.

C. DoD-wide Fees and Rates. The “Schedule of Fees and Rates for Copying, Certifying, and Searching Records Rendered to the Public” included as Appendix 2 to this chapter mandates fees and rates for certain services for use throughout the Department of Defense. Recommendations for additions and revisions to the schedule will be made to the USD (Comptroller).

040403. Lease or Sale of Property. Charges for lease or sale of property shall be based on the following:

A. Leases of Military Equipment or Real Estate

1. In cases involving the lease or rental of military equipment, when there is no commercial counterpart, fair market value will be based on the computation of an annual rent which will be the sum of the annual depreciation plus interest on investment. The amount of interest on investment is determined by applying the interest rate to the net book value; that is, acquisition cost plus additions less depreciation. The current interest rate in OMB Circular A-94 shall be used. Support, if furnished, and applicable general administration expenses will be added to the reimbursable cost. In determining the value, consideration may be given to the responsibility of the lessee to assume the risk of loss or damage to the property and to hold the government harmless against claims or liabilities by the lessee or third parties.

2. In those cases involving real estate outgrants, the leasing activity shall recover the higher of the fair market value of the asset being leased or the administrative costs of issuing and processing an outgrant.

B. Sale of Property. When there is legal authority to sell property to the public, the selling price of the property and related accessorial and administrative costs shall be computed in accordance with chapter 1 of this volume.

0405 COLLECTIONS

040501. For Federal customers, collections of charges and fees shall be made in advance of rendering the service, except when preservation of life or property is involved, performance is authorized by law without advance payment, or advance payment is impractical because multiple requests for services are received on a continuing basis from a reliable requester (i.e., one who consistently pays promptly for services received). When an advance collection exception is approved, an accounts receivable will be established to control collections. For non-

Federal customers, collections of charges and fees will be made in advance in all cases. The policies in this volume, Volume 5 of this Regulation, and DoD Directive 5010.38 shall be used in accounting, controlling, and managing cash and debt collections.

A. Collections of fees and charges normally will be deposited to “Miscellaneous Receipts of the Treasury” unless otherwise authorized by law or regulation.

B. Collections for utilities and services in connection with the lease of property shall be deposited to the appropriation or fund responsible for financing the operations of the equipment or facility.

0406 LEGISLATIVE PROPOSALS

In cases where collections of fees and charges for services or property are limited or restricted by provisions of existing law, the DoD Component(s) concerned may submit appropriate remedial legislative proposals under applicable legislative procedures. Procedures may be obtained from the Legislative Reference Directorate, Office of the General Counsel, Room 3D282, The Pentagon, Washington, DC 20301-9600.

APPENDIX 1
BENEFITS FOR WHICH NO CHARGE SHALL BE MADE¹

1. Services² requested by members of the U.S. Armed Forces in their capacity as Service members.
2. Services requested by members of the U.S. Armed Forces who are in a casualty status, or requested by their next of kin or legal representative, or requested by any source, when it relates to a casualty.
3. The address of record of a member or former member of the U.S. Armed Forces when the address is readily available through a directory (locator) service, and when the address is requested by a member of the U.S. Armed Forces or by a relative or a legal representative of a member of the U.S. Armed Forces or when the address of record is requested by any source for the purpose of paying monies or forwarding property to a member or former member of the U.S. Armed Forces.
4. Services requested by or on behalf of a member or former member of the U.S. Armed Forces or, if deceased, his or her next of kin or legal representative that pertain to the following:
 - a. Information required to obtain financial benefits regardless of the terms of separation from the Service.
 - b. Document showing membership and military record in the U.S. Armed Forces if discharge or release was under honorable conditions, except as provided in subparagraphs 4.a. and 4.d.
 - c. Information relating to a decoration or award or required for memorialization purposes.
 - d. Review or change in type of discharge or correction of records.
 - e. Personal documents, such as birth certificates, when such documents are required to be furnished by the member.
5. Services that are furnished free in accordance with statutes or executive orders.
6. Information from or copies of medical and dental records or x-ray films of patients or former patients of military medical or dental facilities, when such information is required and requests for such data are (a) submitted by an accredited medical facility, physician, or dentist; or (b) requested by the patient, his or her next of kin, or legal representative.

7. Services involving confirmation of employment, disciplinary or other records, and salaries of active or separated civilian or military personnel, when requested by prospective employers or recognized sources of inquiry for credit or financial purposes.
8. Services requested by and furnished to a Member of Congress for official use.
9. Services requested by state, territorial, county, or municipal government, or an agency thereof, that is performing a function related to or furthering a DoD objective.
10. Services requested by a court, when such services will serve as a substitute for personal court appearance of a military or civilian employee of the Department of Defense.
11. Services requested by a nonprofit organization that is performing a function related to furthering an objective of the Federal Government or that is in the interest of public health and welfare, including education.
12. Services requested by an individual or corporation that is performing a function related to or furthering an objective of the Federal Government, when the cost of such services would be chargeable to a Federal Government contract or grant held by the individual or corporation.
13. Services requested by donors with respect to their gifts.
14. Requests for occasional and incidental services (including requests from residents of foreign countries), that are not requested often, when it is determined administratively that a fee would be inappropriate for the occasional and incidental services rendered.
15. Requests from Federal employees for the completion of claims for reimbursement under Public Law 86-382, Federal Employees Health Benefit Act of 1959.
16. Administrative services provided by reference or reading rooms to inspect public records, excluding copies of records or documents furnished.
17. Requests for military locator service by financial institutions that are located on DoD installations.
18. Requests for military locator service by financial institutions that are engaged in the direct deposit program and that are not located on DoD installations. Requests for an address of record shall include the following:
 - a. A statement that the financial institution is listed as a direct deposit recipient in the current Treasury Department "Financial Organizations Directory."
 - b. A statement that the individual, whose address is being requested, has his or her pay forwarded as a direct deposit by a DoD disbursing officer.

c . The individual's account number at the financial institution.

19. Services rendered in response to requests for classification review of DoD classified records, submitted under Executive Order 12065, "National Security Information," and implemented by DoD 5200.1-R, "Information Security Program Regulation." Such services consist of the work performed in conducting the classification review or in granting and completing an appeal from a denial of declassification following such review.

20. Services of a humanitarian nature performed in such emergency situations as life-saving transportation for non-U.S. Armed Forces patients, search and rescue operations, and airlift of personnel and supplies to a disaster site. This does not mean that inter-and intra-governmental agreements to recover all or part of costs should not be negotiated. Rather, it means the recipient or beneficiary will not be assessed a "user charge."

¹Unless otherwise prohibited by law or other DoD issuance.

²Services may include requests involving property or other resources of Department of Defense.

APPENDIX 2
SCHEDULE OF FEES AND RATES FOR COPYING, CERTIFYING AND SEARCHING
RECORDS RENDERED TO THE PUBLIC

This schedule applies to authorized services related to copying, certifying, and searching records rendered to the public by DoD Components, except when those services are excluded or excepted from charges under subparagraph 040203, or the “Benefits for Which No Charge Shall be Made” included as Appendix 1 to this chapter. Except as provided in special cases prescribed below, a minimum fee of \$3.50 will be levied for processing any chargeable case. Normally only one copy of any record or document will be provided.

Requests involving Fee

1. Training and Education (copies of documents required for other than official Purposes)

- | | | |
|----|----------------------|--------|
| a. | Transcripts | |
| | First copy | \$3.50 |
| | Each additional copy | .45 |

(includes requests for transcripts of graduation from military academies and schools)

- | | | |
|----|----------------------|--------|
| b. | Certificates | |
| | First copy | \$3.50 |
| | Each additional copy | .45 |

(includes all requests for certificates, verification of attendance, and course completion from service schools and other facilities.)

2. Medical and Dental Records of Patients and Former Patients (when requested for purposes other than further medical treatment. Covers request for information from or copies of medical records, including clinical records (inpatient records of military and non-military patients), health records (military out-patient records), outpatient records (non-military outpatient records), dental records, and loan of x-rays.

- | | | |
|----|---------------------------------------|---------|
| a. | Searching and processing (per hour) | \$13.25 |
| | Minimum charge | 8.30 |
| b. | Each typewritten page | 3.50 |
| c. | Office copy reproductions (per image) | .10 |
| d. | Copy or loan of each x-ray | 8.50 |

3. Military Membership and Record (Excluding Medical and Dental Records)

a.	Address of record, each	\$3.50
b.	Copies of releasable military personnel records (e.g., effectiveness reports for officers and enlisted personnel) reproduced for the personal use of active, retired, and former members, next of kin of missing-in-action or deceased members of the Armed Forces.	
	Minimum charge (up to six reproduced images)	\$3.50
	Each additional image	\$.10
	Statement of verification of service or report of report of separation for individuals with other than honorable discharges	5.20

4. Photography

a. Still pictorial or documentary photographic prints. Unlisted standard sizes of prints may be furnished, if available, at prevailing contractor activity rates.

Price Per Print:

Quantity	<u>1-9</u>	<u>10-20</u>	<u>21-50</u>	<u>50+</u>
8" x 10" single weight (RC type) paper	\$4.50	\$3.25	\$2.50	\$1.75
11" x 14" single weight (RC type) paper	9.00	7.00	5.00	4.00
16" x 20" " " " "	19.00	15.00	12.00	9.50
20"x24" " " " "	30.00	25.00	20.00	15.00
8" x 10" " " " color "	11.00	7.50	3.50	3.00
11" x 14" " " " "	17.00	9.00	6.50	5.50
16" x 20" " " " "	35.00	25.00	14.00	11.50
35~ color transparency slide made from color negative	5.00	3.50	3.00	3.00
35mm duplicate from 35~ slide	1.00	.60	.50	.45
Print mounted on 16" x 20" cardboard	8.00	+ unit price of print		
Print mounted on 20" x 24" cardboard	12.00	+ unit price of print		
8" x 10" color transparencies	20.00	(first); 16.00 each add'l		
4" x 5" " "	4.50			
4" x 5" B&W negative	2.00			
70mm color negative	7.50			

NOTE: Prices may vary by 20% of these average charges based on local in-house labor, equipment, and supply (raw stock) costs.

b. Motion Picture

<u>Color</u>	<u>Price Per Foot</u>
<u>Contact</u>	
16mm work print (positive work print from an original negative)	\$.20
16mm reversal work print	.20
16mm color master ("A" roll)	.60
16mm duplicate negative (from master positive)	.60
16mm reversal duplicate negative	.85
16mm internegative(from reversal original)	.70
16mm short rolls (under 100 ft)	.10 + basic price
16mm tab-to-tab printing	.20 + basic price

Black and White

16mm work print (negative/positive)	\$.10
16mm master positive (fine grain)	.25
16mm duplicate negative	.25
16mm short rolls (under 200 ft)	.10 + basic price
16mm tab-to-tab printing	.10 + basic price

c. Miscellaneous

Magnetic tape - dub from 16mm film	\$ 65.00+ raw stock
Searching (per hour or fraction thereof)	18.00
Minimum charge per film order (including search)	35.00
16mm film to videotape (broadcast quality tape format per hour)	275.00 + raw stock
Minimum charge for film to videotape transfer	140.00 + raw stock

Aerial photographic print processing prices will be determined by the local DoD-operated lab due to limited availability.

35mm film processing for motion pictures is not done in-house by the DoD. Charges for this type of processing will be at prevailing contract rates on a case-by-case basis.

5. Construction and Engineering Information. Copies of aerial photograph maps, specifications, permits, charts, blueprints, and other technical engineering documents.

a. Searching, per hour or fraction thereof (including overhead costs)	\$13.25
---	---------

- | | | |
|----|--|------|
| b. | First print | 2.50 |
| c. | Each additional print of same document | .85 |
6. Copies of Medical Articles and Illustrations. Standards contained in this chapter will be utilized in computing costs.
7. Claims, Litigation. Copies of documents required for other than official purposes. (Includes court-martial records furnishing information from Report of Claims Investigations; e.g., automobile collision investigations and safety reports.) Requests pertaining to private litigation and to cases in which the United States is a party and where court rules provide for reproduction of records without cost to the government (if not covered in 2. or 3., above).
- | | | |
|----|--|---------|
| a. | Searching and processing (per hour) | \$13.25 |
| | Minimum charge | 8.30 |
| | Note: Charges for professional search or research will be made in accordance with 10. b., below. | |
| b. | Office copy reproduction (minimum for six pages or less) | 3.50 |
| c. | Each additional image | .10 |
| d. | Certification and validation with seal, each | 5.20 |
8. Publications and Forms. A search and/or processing fee, as described in 10.a., below, will be made for requests requiring extensive time (one hour or more).
- | | | |
|----|---|--------|
| a. | Shelf Stock. (Requesters may be furnished more than one copy of publication or form if it does not deplete stock levels below projected planned usage.) | |
| | (1) Minimum fee per request (six pages or less) plus: | \$3.50 |
| | (a) Form, per copy | .10 |
| | (b) Publications, per printed page | .02 |
| | (c) Microfiche, per fiche | .10 |
| | (2) (Examples: Cost of 20 forms, 5.50; cost | |

of a publication with 100 pages, 5.50;
cost of microfiche publication consisting
of 10 fiches, 4.50)

- b. Office Copy Reproduction (when shelf stock is not available)
 - (1) Minimum fee per request (six pages or less) \$3.50
 - (2) Each additional page .10
 - (3) Minimum charge first fiche 8.70
 - (4) Each additional fiche .20

9. Engineering Data (Microfilm)

- a. Aperture Cards
 - (1) Silver duplicate negative, per card .75
When keypunched and verified,
per card .85
 - (2) Diazo duplicate negative, per card .65
When keypunched and verified,
per card .75
- b. 35mm roll film, per frame .50
- c. 16mm roll film, per frame .45
- d. Paper prints (engineering drawings), each 1.50
- e. Paper reprints of microfilm indices, each .10

10. General. Charges for any additional services not specifically provided above, consistent with the provisions of this chapter, will be made by the respective DoD Components at the following rates:

- a. Clerical search and processing, per hour \$13.25
Minimum charge 8.30
- b. Professional search or researching (To be
established at actual hourly rate prior
to search. A minimum charge will be

established at an hourly rates.)

c.	Minimum charge for office copy reproduction (up to six images)	3.50
d.	Each additional image	.10
e.	Each typewritten page	3.50
f.	Certification and validation with seal, each	5.20
g.	Hand-drawn plots and sketches, each hour or fraction thereof	12.00

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CHAPTER 5

**DISPOSITION OF PROCEEDS FROM
DOD SALES OF SURPLUS PERSONAL PROPERTY**

(TO BE PUBLISHED LATER)

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CHAPTER 6**CHIEF FINANCIAL OFFICER'S ANNUAL REIMBURSABLE RATES****0601 GENERAL**

The Department of Defense provides goods and services to meet military mission requirements. The Economy Act allows the Department to provide certain goods not only to DoD Components, but also to other government agencies and the private sector, under specified conditions. Reimbursable rates, published by the Under Secretary of Defense (Comptroller), DoD Chief Financial Officer, provide a basis for the Department and its Components to be reimbursed for such goods and services provided.

0602 PURPOSE

The purpose of this chapter is to provide guidance relative to the preparation of specific exhibits, and due dates for the submission of such exhibits, used to develop and support those reimbursable rates published by the DoD Chief Financial Officer.

0603 APPLICABILITY

This guidance applies to all DoD Components and goods or services encompassed by or subject to reimbursable rates approved by the DoD Chief Financial Officer.

0604 RESPONSIBILITY

060401. Chief Financial Officer. The Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer is responsible for reviewing, coordinating, and publishing reimbursable rates for the Department. Where feasible, applicable reimbursable rates will be published prior to the beginning of each new fiscal year, allowing sufficient lead time for the distribution of rates and the updating of billing systems.

060402. DoD Components. DoD Components are required to:

A. Maintain systems that use generally accepted cost accounting procedures to formulate proposed rates. Each such DoD Component is responsible for maintaining, in conjunction with the Defense Finance and Accounting Service, an appropriate cost accounting system enabling the accumulation of data needed to formulate reimbursable rates to be charged to consumers of such goods or services. Generally accepted cost accounting procedures will be the basis for such proposed rates.

B. Submit to the DoD Chief Financial Officer, reimbursable rate exhibits that propose reimbursable rates for the upcoming fiscal year. Such exhibits shall be prepared and submitted in accordance with the time frames specified in section 0605 and use the formats specified in the appendices to this chapter.

C. Bill using rates approved by the DoD Chief Financial Officer. Goods or services provided in an academic year or a fiscal year, as applicable, will be billed at the approved academic or fiscal year rate, respectively, effective with the beginning of the academic year, or October 1 of the fiscal year, as appropriate, irrespective of whether the rates have been established in the billing system.

D. Ensure that rates different from those approved by the DoD Chief Financial Officer are not issued or changed without the prior written approval of that official or the Deputy Chief Financial Officer.

0605 EXHIBITS

060501. The following reimbursable rate exhibits are to be submitted in support of the President's Budget submission each year. Detailed instructions are included with each exhibit and specific due dates are identified below:

<u>TYPE OF REIMBURSABLE RATE</u>	<u>APPENDIX</u>	<u>DUE DATE</u>	<u>SUBMITTING COMPONENT</u>
Academy Foreign Cadet	A	March 1	All Military Depts and OASD (Health Affairs)
Civilian/Military Equivalency, DoD Working Capital Funds	B	March 1	OUSD(C)
Civilian Personnel Fringe Benefit	C	March 1	OUSD(C)
Contract Administration Services	D	March 1	DLA, DCAA, All Military Depts
Fixed Wing Aircraft	E	March 1	All Military Depts
Food Service (Inc. Cadet Ration)	F	March 1	All Military Depts
Helicopter	G	March 1	All Military Depts
Medical and Dental Services	H	March 1	OASD(Health Affairs)
Military Composite Pay	I	March 1	All Military Depts
NASA	J	March 1	DLA, DCAA, All Military Depts
Telephone Class B Service	K	March 1	DISA

★ 060502. Exhibits should be submitted in both electronic format and hard copy to the DoD Deputy Chief Financial Officer, Attention: Director for Financial Commerce, Room 3E831, The Pentagon, Washington, DC 20301-1100. Spreadsheet and text files provided in electronic format should be compatible with Microsoft Excel 4.0 or better and Microsoft Word 1.x or later, respectively.

APPENDIX A
SERVICE ACADEMIES FOREIGN CADET REIMBURSABLE RATE

Military Department _____

Fiscal Year _____

GENERAL INFORMATION

★ The information and process shown below will be used to determine the academic year reimbursable rate for foreign cadets/midshipmen attending the Service Academies. The DoD-wide rate will be computed by the Financial Commerce Directorate, OUSD(C), ODCFO, and published prior to the commencement of the academies' academic year.

RATE CALCULATION:

Future Year Defense Program

FY 19CY (1) FY 19BY (1)

Program Elements (2):

0804721	Service Academies	\$ _____	\$ _____
0805853	Environmental Conservation	\$ _____	\$ _____
0805854	Pollution Prevention	\$ _____	\$ _____
0805856	Environmental Compliance	\$ _____	\$ _____
0805876	Minor Construction	\$ _____	\$ _____
0805878	Maintenance & Repair	\$ _____	\$ _____
0805879	Real Property Services	\$ _____	\$ _____
0805890	Visual Information Activities	\$ _____	\$ _____
0805895	Base Communications	\$ _____	\$ _____
0805896	Base Operations	\$ _____	\$ _____
Medical Support Costs (3)		\$ _____	\$ _____
Total Costs (4)		\$ _____	\$ _____
Cadet/Midshipmen Workyears (5)		_____	_____
Cost per Cadet/Midshipmen (6)		\$ _____	\$ _____
Academic Year Reimbursable Rate (7)		\$ _____	

INSTRUCTIONS:

- (1) Insert the applicable current year (CY) and budget year (BY) for the fiscal year being calculated. For example, when computing the FY 1995 Budget Year rate, the current year would be FY 1994 and the budget year would be FY 1995.

- (2) Include only Military Personnel and Operations and Maintenance Appropriation costs for the applicable Service Academy's Program Elements from the President's Budget Future Years Defense Program. Also provide a summary of the workyears for the officer and enlisted personnel associated with each Program Element.
- ★(3) Medical support costs are representative of Academy clinic/hospital costs attributable to the medical support provided to the Academies' military faculty, military staff and cadets/midshipmen. The Office of the Assistant Secretary of Defense (Health Affairs) shall provide a cost per capita for the CY and BY, by Academy to the Director for Financial Commerce, OUSD(C), ODCFO, Room 3E831, The Pentagon, 30 days after the submission of the President's Budget to the Congress. The costs shall include O&M and MILPERS Appropriation costs and be based on the President's Budget. The Medical Support Costs may be calculated by the DoD Component or left to be calculated by the Accounting Policy Directorate, OUSD(C). This amount will be calculated by multiplying the per capita cost provided by the OASD(HA) by the sum of (a) the cadet/midshipman workyears and (b) the workyears for officer and enlisted military from each of the Program Elements above.
- (4) This is the sum of Program Element costs and medical support costs.
- (5) Insert the Cadet/Midshipman workyears shown in the Military Personnel justification books submitted to the Congress in support of the President's Budget.
- (6) Divide the Total Costs (4) by Cadet/Midshipman Workyears (5).
- (7) This is the sum of 1/3 of the cost per cadet/midshipman for the CY and 2/3 of the cost per cadet/midshipman for the BY.

APPENDIX B
DEPARTMENT OF DEFENSE WORKING CAPITAL FUNDS
CIVILIAN/MILITARY EQUIVALENCY RATE

Fiscal Year _____

The cost of military personnel assigned to activities financed by Department of Defense Working Capital Funds is included in the total cost of operations of the Working Capital Fund activities at civilian equivalent rates. Military personnel assigned to the Department of Defense Working Capital Funds activities are to be costed at civilian equivalent rates using the rates in the table below, applied to the actual number and grade of military personnel assigned.

MILITARY GRADE	CIVILIAN GRADE EQUIVALENT	CIVILIAN EQUIVALENT RATE BY(s) 19____
0-9	ES-05/06	
0-8	ES-03/04	
0-7	ES-01/02	
0-6	GS-15	
0-5	GS-14	
0-4	GS-13	
0-3	GS-12	
0-2	GS-11	
0-1	GS-9	
WO-5	GS-12	
WO-4	GS-12	
WO-3	GS-11	
WO-2	GS-9	
WO-1	GS-9	
E-9	GS-8	
E-8	GS-7	
E-7	GS-6	
E-6	GS-5	
E-5	GS-5	
E-4	GS-4	
E-3	GS-3	
E-2	GS-2	
E-1	GS-1	

Stabilized customer rates and reimbursement to the Military Personnel accounts are not based on the above rates. Rather, such amounts are based on the absolute total dollar amount specified in the President's budget (rather than based on the number, or military composite rate, of individuals actually assigned). Guidance on paying (reimbursing), recording and reporting Working Capital Fund military personnel costs is contained in Chapter 62, Section B of Volume 11B, "Reimbursable Operations, Policy and Procedures--Defense Business Operations Fund," of this Regulation.

INSTRUCTIONS

The Department of Defense Working Capital Funds civilian/military equivalency rate will be calculated as follows:

1. Use the pay amount for Step 5 of each appropriate General Schedule (GS) civilian grade, or the applicable Senior Executive Service (SES) pay level, as applicable, from the current civilian pay schedules. (For the SES civilian grade equivalents, determine the average rate using the midpoint of the range of the two SES grades),

2. Add as required, the applicable portion (pro-rata) of the proposed pay raise, if any, for civilians (GS/SES) that was effective for the budget fiscal year, and

★ 3. Add the estimated civilian personnel fringe benefits rate for the GS and SES amounts. (The civilian personnel fringe benefit rate will be obtained from the Directorate for Financial Commerce, OUSD(C), ODCFO, Room 3E831, 1100 The Pentagon, Washington, DC 20301-1100.)

APPENDIX C

CIVILIAN FRINGE BENEFIT RATE COMPUTATIONDOD COMPONENT (1)

	<u>Prior</u> <u>Year (2,3)</u>	<u>Current</u> <u>Year (2,3)</u>	<u>Budget</u> <u>Year (2,3)</u>
A.	<u>Object Class 12.1 Civilian</u> <u>Personnel Benefits (4)</u>		
B.	<u>Object Class 11 Civilian</u> <u>Personnel Compensation (5)</u> 11.1 Full-time Permanent 11.3 Other Than Full-Time Permanent 11.5 Other Personnel Compensation 11.8 Special Personal Services Payments		
C.	Total Personnel Compensation (Total of 11.1, 11.3, 11.5, 11.8) (6)		
D.	Civilian Fringe Benefit (Interagency) Rate (7)		
E.	Office of Personnel Management (OPM) Unfunded Retirement Factor (8)		
F.	Public, and Private Activities (9)		

(See footnoted instructions on following page)

APPENDIX C**INSTRUCTIONS**

- (1) Insert the name of the applicable DoD Component submitting the exhibit. A separate exhibit is required from each Military Service (including the U.S. Marine Corps) and from all Defense Agencies.
- (2) Insert the applicable fiscal year.
- (3) Insert the applicable amounts for each fiscal year. A brief description should be provided to explain changes of 10 percent or more between (a) previously budgeted and actual amounts for the prior fiscal year, (b) previously budgeted and currently budgeted amounts for the current year, and (c) the currently budgeted amounts for the budget year.
- (4) Insert the applicable amounts shown in the current President's Budget for Object Class 12.1, Civilian Personnel Benefits.
- (5) Insert on the applicable lines, the applicable amounts shown in the current President's Budget for Object Class 11.1, 11.3, 11.5 and 11.8.
- (6) Enter the total of personnel compensation from Object Class 11.1, 11.3, 11.5 and 11.8, shown above.
- (7) Divide the amount reported in line A. by the amount reported in line C. The resultant percentage is the percentage rate to be applied to civilian labor costs for billings to other Federal Agencies. This is DoD's funded rate.
- (8) The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the Directorate for Financial Commerce, OUSD(C), ODCFO, Room 3E831, the Pentagon, Washington, DC 20301-1100.
- (9) Add lines D. and lines E. to determine the percentage to be applied on billings to the public and private activities.

APPENDIX D
CONTRACT ADMINISTRATION SERVICES

Contract administration services (CAS) hourly reimbursable billing rates should be applied to direct labor hours incurred in support of CAS efforts. These CAS rates are to be used in billing other Federal Agencies, the public, and Foreign Military Sales (FMS) customers. FMS customers are to be billed in accordance with subsections 070406 and 080601 of Volume 15, “Security Assistance Policy and Procedures,” of this Regulation. Waivers and exclusions are to be granted in accordance with subsection 070104 of Volume 15.

<u>Performing DoD Component</u>	<u>Other Federal Agencies Rate</u> (1)	<u>FMS Rate</u> (2)	<u>Public Rate</u> (3)
Army			
Navy			
Air Force			
Defense Logistics Agency			
Defense Contract Audit Agency			

Notes:

- (1) Use the Budget Year “Gross Cost Per Direct Hour” amount from page 2.
- (2) Sum Budget Year lines C, E, and G from page 2 and multiply the resultant amount by .167 (obtained from OMB Circular No. A-76 Revised Supplemental Handbook, “Performance of Commercial Activities”). That product then is divided by the applicable total direct work-hours (line V from page 2) to derive an hourly unfunded civilian retirement cost. The resultant hourly unfunded civilian retirement cost is added to the “Other Federal Agencies Rate” (column 1) to yield the FMS rate.
- (3) Use the FMS Rate plus 4% for asset use charge. This is achieved by multiplying the FMS rate by 1.04.

APPENDIX D

REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

DoD COMPONENT _____

Gross Work-Year Cost

	Prior Year ⁽⁴⁾ (PY)	Current Year (CY)	Budget Year (BY)
A. Total Salaries of Direct Labor Personnel ⁽⁵⁾	\$ _____	\$ _____	\$ _____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs) ⁽⁵⁾	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A)÷(B)]	\$ _____	\$ _____	\$ _____
D. Total Salaries of Indirect Supervision & Administrative Personnel ⁽⁵⁾	\$ _____	\$ _____	\$ _____
E. Indirect Supervision & Administrative Salaries per FTE [(D)÷(B)]	\$ _____	\$ _____	\$ _____
F. Total Salaries of Regional, District and Headquarters Personnel ⁽⁵⁾⁽⁶⁾	\$ _____	\$ _____	\$ _____
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]	\$ _____	\$ _____	\$ _____
H. Personnel Benefits ⁽⁵⁾	\$ _____	\$ _____	\$ _____
I. Average Personnel Benefits Costs per FTE [(H)÷(B)]	\$ _____	\$ _____	\$ _____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	\$ _____	\$ _____	\$ _____
K. Total Travel Costs ⁽⁶⁾⁽⁷⁾	\$ _____	\$ _____	\$ _____
L. Average Travel Costs per FTE [(K)÷(B)]	\$ _____	\$ _____	\$ _____
M. Other Support Costs ⁽⁶⁾⁽⁸⁾	\$ _____	\$ _____	\$ _____
N. Average Support Costs per FTE [(M)÷(B)]	\$ _____	\$ _____	\$ _____
O. Total Gross Work-Year Cost [(J) + (L) + (N)]	\$ _____	\$ _____	\$ _____

Direct Work-Hours

P. Work-Hours Available	2087	2087	2087
Q. Less Holidays	80	80	80
R. Less Annual Leave ⁽⁶⁾	_____	_____	_____
S. Less Sick Leave ⁽⁶⁾	_____	_____	_____
T. Less Other Leave (e.g., Military, Jury and Administrative) ⁽⁶⁾	_____	_____	_____
U. Less Training Time ⁽⁶⁾	_____	_____	_____
V. Total Direct Work-Hours [(P) - (Q) - (R) - (S) - (T) - (U)]	_____	_____	_____
Gross Cost Per Direct Hour [(O)÷(V)]	\$ _____	\$ _____	\$ _____

**APPENDIX D
REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES**

Notes:

- (4) The amounts reflected should be the “actual” cost and work-hour data for the most recently completed Fiscal Year. This should be the FY 19PY of the President’s Budget.
- (5) The amounts reflected should be that shown in the “Total” column of the attached schedule, “Personnel Cost For Contract Administration Services” (page 4) for the applicable year, i.e., PY, CY, BY.
- (6) Separately, show basis of computation.
- (7) Includes all travel costs, i.e., local, temporary additional duty, and permanent change of station, of the civilian and military personnel included under items (A), (D) and (F).
- (8) Includes other expenses such as supplies, equipment, training and communications.

APPENDIX D

PERSONNEL COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES

DoD COMPONENT _____

<u>Gross Work-Year Cost For Prior Year (Actual)</u>	Civilian (a)	Military (b)	Total (a) + (b)
A. Total salaries of Direct Labor Personnel ⁽⁹⁾	\$ _____	\$ _____	\$ _____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor personnel [(A)÷(B)]			\$ _____
D. Total Salaries of Indirect Supervision and Administrative Personnel ⁽¹⁰⁾	\$ _____	\$ _____	\$ _____
E. Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			\$ _____
F. Total Salaries of Regional, District and Headquarters Personnel ⁽¹¹⁾	\$ _____	\$ _____	\$ _____
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			\$ _____
H. Personnel Benefits ⁽¹²⁾	\$ _____	\$ _____	\$ _____
I. Personnel Benefits Costs per FTE [(H)÷(B)]			\$ _____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (H)]	\$ _____	\$ _____	\$ _____

 <u>Gross Work-Year Cost For Current Year</u>			
A. Total salaries of Direct Labor Personnel ⁽⁹⁾	\$ _____	\$ _____	\$ _____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor personnel [(A)÷(B)]			\$ _____
D. Total Salaries of Indirect Supervision and Administrative Personnel ⁽¹⁰⁾	\$ _____	\$ _____	\$ _____
E. Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			\$ _____
F. Total Salaries of Regional, District and Headquarters Personnel ⁽¹¹⁾	\$ _____	\$ _____	\$ _____
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			\$ _____
H. Personnel Benefits ⁽¹²⁾	\$ _____	\$ _____	\$ _____
I. Personnel Benefits Costs per FTE [(H)÷(B)]			\$ _____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	\$ _____	\$ _____	\$ _____

APPENDIX D
PERSONNEL COST FOR CONTRACT ADMINISTRATION SERVICES

DoD COMPONENT _____

	Civilian (a)	Military (b)	Total (a) + (b)
<u>Gross Work-Year Cost For Budget Year</u>			
A. Total salaries of Direct Labor Personnel ⁽⁹⁾	\$ _____	\$ _____	\$ _____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor personnel [(A)÷(B)]			\$ _____
D. Total Salaries of Indirect Supervision and Administrative Personnel ⁽¹⁰⁾	\$ _____	\$ _____	\$ _____
E. Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			\$ _____
F. Total Salaries of Regional, District and Headquarters Personnel ⁽¹¹⁾	\$ _____	\$ _____	\$ _____
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			\$ _____
H. Personnel Benefits ⁽¹²⁾	\$ _____	\$ _____	\$ _____
I. Personnel Benefits Costs per FTE [(H)÷(B)]			\$ _____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	\$ _____	\$ _____	\$ _____

Notes:

(9) Include the salary expenses of direct civilian and military personnel, e.g., contract administrators.

a. Civilian. The cost of civilian personnel assigned full time to contract administration requirements should reflect the annual salary for the applicable pay grades. Otherwise, an hourly rate of 1/2087 of the annual rate shall be used and a leave and holiday factor of 18 percent of pay cost added.

APPENDIX D
PERSONNEL COST FOR CONTRACT ADMINISTRATION SERVICES

b. Military. The cost of military personnel assigned full time to contract Administration requirements should be based on the annual Military Composite Pay rates. Otherwise, an hourly rate of 1/2080 of the annual Military Composite Pay rate shall be used and a leave and holiday factor of 14 percent of pay cost added.

- (10) Include the indirect salary expenses for civilian and military personnel that perform supervisory and administrative (clerical) functions. Such costs are computed as indicated in (9)a. and (9)b. above.
- (11) Include the salary expenses for civilian and military personnel at the district, regional and headquarters level. Such costs are computed as indicated in (9)a. and (9)b. above.
- (12) Include the fringe benefit expenses for all civilian and military personnel included in items (A), (D) and (F).
 - a. Civilian. Fringe benefits are computed by multiplying civilian personnel costs by the civilian fringe benefit rate. The fringe benefit rate must be that reported for the applicable fiscal year on the OP-8 exhibit, "Civilian Personnel Costs."
 - b. Military. Fringe benefits are computed by multiplying separately the officer and enlisted salaries by 6 percent for officers and 18 percent for enlisted personnel.

APPENDIX D
VARIANCES IN THE REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

DoD COMPONENT _____

<u>Gross Work-Year Cost</u>	Ratio of PY to CY ⁽¹³⁾	Ratio of CY to BY ⁽¹⁴⁾
Average Salary of Direct Labor Personnel	_____ %	_____ %
Indirect Supervision & Administrative Salaries Per FTE	_____ %	_____ %
Regional, District and Headquarters Salaries Per FTE	_____ %	_____ %
Average Personnel Benefits Costs Per FTE	_____ %	_____ %
Total Cost of Personnel Services	_____ %	_____ %
Total Travel Costs	_____ %	_____ %
Other Support Costs	_____ %	_____ %
Total Gross Work-Year Cost	_____ %	_____ %
<u>Direct Work-Hours</u>		
Annual Leave	_____ %	_____ %
Sick Leave	_____ %	_____ %
Other Leave (e.g., Military, Jury, Administrative)	_____ %	_____ %
Training Time	_____ %	_____ %
Total Direct Work-Hours	_____ %	_____ %
Gross Cost Per Direct Labor Hour	_____ %	_____ %

Provide narrative explaining variance in any element greater than three percent:

APPENDIX D
VARIANCES IN THE REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

Notes:

- (13) Computed using the cost and hour data from page 2. Divide the current year amount for each element by the prior year amount, subtract 1 and multiply by 100.
- (14) Computed using the cost and hour data from page 2. Divide the budget year amount for each element by the current year amount, subtract 1 and multiply by 100.

APPENDIX E

DEPARTMENT OF _____(1)
ACTUAL/PROPOSED HOURLY REIMBURSEMENT RATES FOR DOD-OWNED
AIRCRAFT (FIXED WING)

Type of Aircraft (2) _____

	<u>FY 19PY</u> (3)	<u>FY 19CY</u> (3)	<u>FY 19BY</u> (3)
<u>Hourly Costs</u>			
Fuel (4)	_____	_____	_____
DLR (5)	_____	_____	_____
Depot Maintenance (6)	_____	_____	_____
Other (7)	_____	_____	_____
Crew Salary (8)	_____	_____	_____
Asset Utilization (9)	_____	_____	_____
<u>Reimbursable Rates</u>			
DoD Rate (10)	_____	_____	_____
Other Federal Agency Rate (11)	_____	_____	_____
FMS Rate (12)	_____	_____	_____
Public Rate (13)	_____	_____	_____

NARRATIVE JUSTIFICATION (14)

APPENDIX E
INSTRUCTIONS

- (1) Insert Army, Navy or Air Force, as applicable.
- (2) Separately list and provide data for each type/model/series of aircraft (fixed wing) in the DoD Component's inventory which is subject to reimbursement.
- (3) Insert the applicable fiscal (budget) year.
- (4) Fuel costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, fuel costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total cost of fuel for the fiscal year for each type of aircraft by the total number of flying hours for that same aircraft.)
- (5) Depot-level reparable (DLR) costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, DLR costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total DLR costs for the applicable fiscal year by the total number of flying hours for that same aircraft.)
- (6) Include an hourly rate for depot maintenance cost for airframes, engines, and components for the applicable type/model/series. This cost will be an average cost for that type/model/series, and be computed by dividing the total amount of depot maintenance budgeted for the applicable type/model/series by the number of flying hours budgeted for that type/model/series.
- (7) Other costs will equal corresponding "other" amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force--for Air Force, this is equal to the General Support/Systems Support [GS+SS] column in Exhibit OP-20E). (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, other costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by adding all operating costs ((other than those costs included in columns 4 - 6 and 8 - 9)) and dividing the total of such other costs for the applicable fiscal year by the total number of flying hours.)
- (8) Crew salary amounts will be computed based on the number and grade of military personnel operating the aircraft. Crew salary costs will be computed by:

- (a) Multiplying the standard number of crew members in each applicable military grade times the annual Military Standard Composite Rate for that grade (see Appendix 6-I of this chapter).
- (b) Dividing the result of (a) by 2080 (hours) to convert the annual rate to an hourly rate, by grade.
- (c) Multiplying the results of (b) by a factor of 120 percent for officers and 132 percent for enlisted personnel. (This calculation increases the hourly rate for fringe benefits for officers and enlisted personnel, respectively. These factors are composed of 14 percent for leave and holiday for both officers and enlisted, plus 6 percent for officers, and 18 percent for enlisted personnel, for other fringe benefits.)
- (d) Adding the amounts arrived at in (c) for each grade, to arrive at a total hourly rate for the entire crew.

Note: The computation of crew salary amounts should be supported by a separate table attached to this exhibit.

- (9) The asset utilization amount will be computed by applying an asset utilization factor of 4 percent times the sum of columns (4)--Fuel, (5)--DLRs, (6)--Depot Maintenance, (7)--Other and (8)--Crew Salary for each specific aircraft.
- (10) The DoD rate will be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6)--Depot Maintenance, and (7)--Other. This rate is to be used for interdepartmental (e.g., Navy to Air Force, etc.) billing purposes.
- (11) The Other Federal Agency Rate will be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6) Depot Maintenance, (7)--Other, and (8)--Crew Salary.
- ★(12) The FMS rate will be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6) Depot Maintenance, (7)--Other, (8)--Crew Salary, and an unfunded civilian retirement cost (The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the Directorate for Financial Commerce, OUSD(C), ODCFO, 3E831, the Pentagon, Washington, DC 20301-1100) for any civilian personnel costs included in (4), (5), (6), (7) or (8).
- ★(13) The Public Rate will be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6) Depot Maintenance, (7)--Other, (8)--Crew Salary, (9)--Asset Utilization and an unfunded civilian retirement cost (The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the Directorate for Financial Commerce, OUSD(C), ODCFO, 3E831, the Pentagon, Washington, DC 20301-1100) for any civilian personnel costs included in (4), (5), (6), (7) or (8).

- (14) A brief narrative will be provided to explain significant changes between fiscal years.

APPENDIX F

FOOD SERVICE

MILITARY SERVICE: (1) AREA: (2)

FY 19PY	FY 19CY	FY 19BY
(3)	(3)	(3)

Part 1: Food Service Operating Expense

A. Military Personnel and Related Compensation: (4)

1. End Strength	_____	_____	_____
2. Work Years	_____	_____	_____
3. Costs	_____	_____	_____

B. DoD Civilian Personnel Compensation: (5)

1. End Strength	_____	_____	_____
2. Work Years	_____	_____	_____
3. Costs	_____	_____	_____

C. Total DoD Personnel Compensation
(A.4.+B.4.) (6)

_____	_____	_____
-------	-------	-------

D. Food Service Attendant Contracts (7)

_____	_____
-------	-------

E. Supplies and Materials (8)

_____	_____	_____
-------	-------	-------

F. Full Food Service Contract Expenses: (9)

_____	_____	_____
-------	-------	-------

1. Personnel Compensation	_____	_____	_____
2. All Other Costs	_____	_____	_____

G. Total Food Service Costs(C.+D.+E.+F.)(10)

_____	_____	_____
-------	-------	-------

APPENDIX F

FOOD SERVICE (CONTINUED)

	FY <u>19PY</u> (3)	FY <u>19CY</u> (3)	FY <u>19BY</u> (3)
<u>Part 2: Other Data</u>			
A. Total Number of Food Service Facilities (11)	_____	_____	_____
B. Number of Meal-Days Fed (12)	_____	_____	_____
(Number of Meals Fed, by Type)			
Breakfast	_____	_____	_____
Brunch	_____	_____	_____
Lunch	_____	_____	_____
Dinner	_____	_____	_____
Supper	_____	_____	_____
Night Meal	_____	_____	_____
Holiday	_____	_____	_____
Snack	_____	_____	_____
C. Amount of Meal Collections: (13)	_____	_____	_____
1. Food Costs	_____	_____	_____
2. Operating Expenses	_____	_____	_____
D. Explanation of Changes Between Fiscal Years (14)			

Point-of-Contact: _____Organization: _____Telephone: _____

APPENDIX F**INSTRUCTIONS**

General. The four Military Services each are required to prepare and submit two copies of this budget exhibit annually. The submission, containing previous fiscal year actual data, must be received no later than March 1 of each year.

★One copy should be forwarded to the Directorate for Financial Commerce, OUSD(C), ODCFO, Room 3E831, 1100 The Pentagon, Washington, DC 20301-1100. A second copy should be forwarded to the Directorate for Operations and Personnel, Office of the Under Secretary of Defense (Comptroller), Room 3D868, 1100 The Pentagon, Washington, DC 20301-1100.

Please include a point-of-contact, with organization and telephone number with each submission.

Notes:

- (1) Insert applicable Military Service--Army, Navy, Marine Corps or Air Force.
- (2) Identify applicable Area -- Separate reports must be submitted by each Military Service, and for each Military Academy. Reports for the Military Services should include amounts for medical facilities, and exclude amounts reported separately for the Military Academies. Additionally, the Department of the Navy shall submit separate exhibits for ashore, afloat, and a combined total of the ashore and afloat exhibits.
- (3) Indicate the applicable fiscal years, and include applicable amounts for each fiscal year. For example, for the March 1998 submission, the FY 19PY will be FY 1997; the FY 19CY will be FY 1998; and the FY 19BY will be FY 1999. The FY 19CY column calculations should be computed using 1st quarter actual data and estimates for the remainder of the fiscal year.

Part 1: Food Service Operating Expense

- (4) Show military personnel end strength (A.1.), work years (A.2.), and related personnel costs (A.3.). Military personnel costs should be determined by applying the Military Composite Pay Rate (see Chapter 6, Appendix I, of this Volume) to the work years shown for military personnel performing food service and related administrative services for appropriated fund dining facilities.
- (5) Show civilian personnel end strength (B.1.), work years (B.2.), and related personnel costs (B.3.). Civilian personnel costs should be determined by applying the direct civilian labor rate (calculated in accordance with Chapter 1 of this Volume), multiplied by the Civilian Benefit Fringe Benefit Rate (see Chapter 6, Appendix C, of this Volume), to the work years shown for civilian personnel performing food service and related administrative services for appropriated fund dining facilities.
- (6) Include total DoD personnel compensation costs -- this is the sum of lines A.3. and B.3.
- (7) Include the total cost of all food service attendant contracts.

APPENDIX F

- (8) Include the cost of all supplies and materials (excluding food items) and equipment expenses (equipment with a value of less than the expense/investment funding threshold used to determine if items are funded from operating expense (Operations and Maintenance), or investment expense (procurement) appropriations).
- (9) Include total expenses incurred for full food service contracts. If available, identify personnel compensation amounts separately from all other costs.
- (10) Include total food service costs -- this is the sum of C., D., E., and F.

Part 2: Other Data

- (11) Include the total number of food service facilities operated by the Service.
- (12) Meals served (counted) will be converted to an equivalent meal-days fed by multiplying the meals served by prescribed percentages in Chapter 19, Volume 12, of this Regulation. These meal conversion factors represent the estimated portion of the BDFA for each service member for each type of meal. Source data for meals served is also required.
- (13) Show the actual/estimated total amount of food service charges collected for meals served. Food costs and operating expense collections should be identified separately.
- (14) A brief description should be provided to explain significant changes between fiscal year amounts.

APPENDIX G

DEPARTMENT OF _____(1)
ACTUAL/PROPOSED HOURLY REIMBURSEMENT RATES FOR
DOD-OWNED HELICOPTERS

Type of Aircraft (2) _____

	<u>FY 19PY</u> (3)	<u>FY 19CY</u> (3)	<u>FY 19BY</u> (3)
<u>Hourly Costs</u>			
Fuel (4)	_____	_____	_____
DLR (5)	_____	_____	_____
Depot Maintenance (6)	_____	_____	_____
Other (7)	_____	_____	_____
Crew Salary (8)	_____	_____	_____
Asset Utilization (9)	_____	_____	_____
<u>Reimbursable Rates</u>			
DoD Rate (10)	_____	_____	_____
Other Federal Agency Rate (11)	_____	_____	_____
FMS Rate (12)	_____	_____	_____
Public Rate (13)	_____	_____	_____

NARRATIVE JUSTIFICATION (14)

APPENDIX G
INSTRUCTIONS

- (1) Insert Army, Navy or Air Force, as applicable.
- (2) Separately list and provide data for each type/model/series of helicopter in the Component's inventory which is subject to reimbursement.
- (3) Insert the applicable fiscal (budget) year.
- (4) Fuel costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of helicopter, fuel costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total cost of fuel for the fiscal year for each type of aircraft by the total number of flying hours for that same aircraft.)
- (5) Depot-level reparable (DLR) costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of helicopter, DLR costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total DLR costs for the applicable fiscal year by the total number of flying hours.)
- (6) Include an hourly rate for depot maintenance cost for airframes, engines, and components for the applicable type/model/series. This cost will be an average cost for that type/model/series, and be computed by dividing the total amount of depot maintenance budgeted for the applicable type/model/series by the number of flying hours budgeted for that type/model/series.
- (7) Other costs will equal corresponding "other" amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force--for Air Force, this is equal to the General Support/Systems Support [GS+SS] column in Exhibit OP-20E). (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of helicopter, other costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by adding all operating costs ((other than those costs included in columns 4 - 6 and 8 - 9)) and dividing the total of such other costs for the applicable fiscal year by the total number of flying hours.)
- (8) Crew salary amounts will be computed based on the number and grade of military personnel operating the helicopter. Crew salary costs will be computed by:

- (a) Multiplying the standard number of crew members in each applicable military grade times the annual Military Standard Composite Rate for that grade (see exhibit 14I).
- (b) Dividing the result of (a) by 2080 (hours) to convert the annual rate to an hourly rate, by grade.
- (c) Multiplying the results of (b) by a factor of 120 percent for officers and 132 percent for enlisted personnel. (This calculation increases the hourly rate for fringe benefits for officers and enlisted personnel, respectively. These factors are composed of 14 percent for leave and holiday for both officers and enlisted, plus 6 percent for officers, and 18 percent for enlisted personnel, for other fringe benefits.)
- (d) Adding the amounts arrived at in (c) for each grade, to arrive at a total hourly rate for the entire crew.

Note: The computation of crew salary amounts will be supported by a separate table attached to this exhibit.

- (9) The asset utilization amount will be computed by applying an asset utilization factor of 4 percent times the sum of columns (4)--Fuel, (5)--DLRs, (6)--Depot Maintenance, (7)--Other and (8)--Crew Salary for each specific helicopter.
- (10) The DoD rate will be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6)--Depot Maintenance, and (7)--Other. This rate is to be used for interdepartmental (e.g., Navy to Air Force, etc.) billing purposes.
- (11) The Other Federal Agency Rate will be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6) Depot Maintenance, (7)--Other, and (8)--Crew Salary.
- ★(12) The FMS rate will be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6) Depot Maintenance, (7)--Other, (8)--Crew Salary, and an unfunded civilian retirement cost (The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the Directorate for Financial Commerce, OUSD(C), ODCFO, Room 3E831, the Pentagon, Washington, DC 20301-1100) for any civilian personnel costs included in (4), (5), (6), (7) or (8).
- ★(13) The Public Rate will be calculated by adding the sum of columns (4)--Fuel, (5)--DLRs, (6) Depot Maintenance, (7)--Other, (8)--Crew Salary, (9)--Asset Utilization and an unfunded civilian retirement cost (The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the Directorate for Financial Commerce, OUSD(C), ODCFO, Room 3E831, the Pentagon, Washington, DC 20301-1100) for any civilian personnel costs included in (4), (5), (6), (7) or (8).

- (14) A brief narrative will be provided to explain significant changes between fiscal years.

APPENDIX HMEDICAL AND DENTAL SERVICES RATE COMPUTATIONSUBMITTED BY THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
(HEALTH AFFAIRS)

Note: Budget exhibit includes Sections I, II, and III for IMET, Interagency and Other. This exhibit is to be included only in the President's budget. The format of the budget exhibit for medical and dental rates may vary slightly from year to year due to the addition/deletion of rates, changes in nomenclature, updated notes and other unforeseen reasons.

INPATIENT, OUTPATIENT AND OTHER RATES AND CHARGESA. INPATIENT RATES 1/ 2/

<u>Per Inpatient Day</u>	<u>Prior FY</u>	<u>Current FY</u>	<u>Budget FY</u>
1. <u>Burn Center</u>	\$_____	\$_____	\$_____
2. <u>Surgical Care Services</u> (Cosmetic Surgery)	\$_____	\$_____	\$_____
3. <u>All Other Inpatient Services</u> (Based on Diagnosis Related Groups (DRG) Charges <u>3/</u>)			

FY 1996 DIRECT CARE INPATIENT REIMBURSEMENT RATES

ADJUSTED
STANDARD
AMOUNT

	<u>Prior FY</u>	<u>Current FY</u>	<u>Budget FY</u>
Large Urban	\$_____	\$_____	\$_____
Other Urban/ Rural	\$_____	\$_____	\$_____
Overseas	\$_____	\$_____	\$_____

B. OUTPATIENT RATES 1/ 2/

<u>Meprs Code 4/</u>	<u>Per Visit Clinical Services</u>	<u>Prior FY</u>	<u>Current FY</u>	<u>Budget FY</u>
	1. <u>Medical Care</u>			
BAA	Internal Medicine			
BAB	Allergy			
BAC	Cardiology			
BAE	Diabetes			
BAF	Endocrinology			
BAG	Gastroenterology			
BAH	Hematology			
BAI	Hypertension			
BAJ	Nephrology			
BAK	Neurology			
BAL	Nutrition			
BAM	Oncology			
BAN	Pulmonary Disease			
BAO	Rheumatology			
BAP	Dermatology			
BAQ	Infectious Disease			
BAR	Physical Medicine			
	2. <u>Surgical Care</u>			
BBA	General Surgery			
BBB	Cardiovascular/Thoracic Surgery			
BBC	Neurosurgery			
BBD	Ophthalmology			
BBE	Organ Transplant			
BBF	Otolaryngology			
BBG	Plastic Surgery			
BBH	Proctology			
BBI	Urology			
BBJ	Pediatric Surgery			
	3. <u>Obstetrical and Gynecological (OB-GYN)</u>			
BCA	Family Planning			
BCB	Gynecology			
BCC	Obstetrics			

<u>Meprs Code 4/</u>	<u>Per Visit Clinical Services</u>	<u>Prior FY</u>	<u>Current FY</u>	<u>Budget FY</u>
	4. <u>Pediatric Care</u>			
BDA	Pediatric			
BDB	Adolescent			
BDC	Well Baby			
	5. <u>Orthopedic Care</u>			
BEA	Orthopedic			
BEB	Cast Clinic			
BEC	Hand Surgery			
BEE	Orthopedic Appliance			
BEF	Podiatry			
BEZ	Chiropractic Clinic			
	6. <u>Psychiatric and/or Mental Health Care</u>			
BFA	Psychiatry			
BFB	Psychology			
BFC	Child Guidance			
BFD	Mental Health			
BFE	Social Work			
BFF	Substance Abuse Rehabilitation			
	7. <u>Primary Medical Care</u>			
BGA	Family Practice			
BHA	Primary Care			
BHB	Medical Examination			
BHC	Optometry			
BHD	Audiology Clinic			
BHE	Speech Pathology			
BHF	Community Health			
BHG	Occupational Health			
BHI	Immediate Care Clinic			
	8. <u>Emergency Medical Care</u>			
BIA	Emergency Care Clinic			

<u>Meprs Code 4/</u>	<u>Per Visit Clinical Services</u>	<u>Prior FY</u>	<u>Current FY</u>	<u>Budget FY</u>
	9. <u>Flight Medicine Clinic</u>			
BJA	Flight Medicine			
	10. <u>Underseas Medicine Care</u>			
BKA	Underseas Medicine Clinic			
	11. <u>Rehabilitative Services</u>			
BLA	Physical Therapy			
BLB	Occupational Therapy			
BLC	Neuromuscularskeletal screening			
	12. <u>Same Day Surgery</u>			

C. OTHER RATES AND CHARGES

MEPRS Code 4/	PER VISIT Clinical Service	Prior FY	Current FY	Budget FY
	1. <u>Immunizations</u>	\$_____	\$_____	\$_____
	2. <u>Hyperbaric Services</u>			
	1-60 minutes	\$_____	\$_____	\$_____
	61-120 minutes	\$_____	\$_____	\$_____
	121-180 minutes	\$_____	\$_____	\$_____
	181-240 minutes	\$_____	\$_____	\$_____
	Each Additional Hour	\$_____	\$_____	\$_____

(Note: Charges may be prorated based on usage)

3. Family Member Rate \$_____

(formerly Military Dependents Rate)

4. Third Party Drug Reimbursement Rates 5/

Include the third party drug reimbursement rates for prescriptions requested by external providers and obtained at the Military Treatment Facility as an attachment to the exhibit. Attachment should be entitled “Third Party Drug Reimbursement Rates.”

5. High Cost Services Requested By External Providers 6/

Include the high cost services requested by external providers as an attachment to the exhibit. Attachment should be entitled “High Cost Services Requested By External Providers.”

6. Elective Cosmetic Surgery Procedures and Rates Identify the charge (i.e., Surgical Care Services rate, Same Day Surgery rate, etc.) for the Cosmetic Surgery Procedures outlined below.

<u>COSMETIC SURGERY PROCEDURE</u>	<u>INTERNATIONAL CLASSIFICATION DISEASES (ICD-9)</u>	<u>CURRENT PROCEDURAL TERMINOLOGY (CPT) 7/</u>	<u>CHARGE 8/</u>
Mammaplasty	85.50	19325	_____
	85.32	19324	_____
	85.31	19318	_____
Mastopexy	85.60	19316	_____
Facial	86.82	15824	_____
Rhytidectomy	86.22		_____
Blepharoplasty	08.70	15820	_____
	08.44	15821	_____
		15822	_____
		15823	_____
Mentoplasty	76.68	21208	_____
(Augmentation Reduction)	76.67	21209	_____
Abdominoplasty	86.83	15831	_____
Lipectomy, suction per region 9/	86.83	15876	_____
		15877	_____
		15878	_____
		15879	_____
Rhinoplasty	21.87	30400	_____
	21.86	30410	_____
Scar revisions beyond CHAMPUS	86.84	1578_	_____

Mandibular or Maxillary Repositioning	76.41	21194	_____

<u>COSMETIC SURGERY PROCEDURE</u>	<u>INTERNATIONAL CLASSIFICATION DISEASES (ICD-9)</u>	<u>CURRENT PROCEDURAL TERMINOLOGY (CPT) 7/</u>	<u>CHARGE 8/</u>
Minor Skin Lesions <u>10/</u>	86.30	1578_	_____
Dermabrasion	86.25	15780	_____
Hair Restoration	86.64	15775	_____
Removing Tattoos	86.25	15780	_____
Chemical Peel	86.24	15790	_____
Arm/Thigh Dermolipectomy	86.83	1583_	_____
Brow Lift	86.3	15839	_____

G. Dental Rate

<u>MEPRS Code 4/</u>	<u>PER VISIT Clinical Service</u>	<u>Prior FY</u>	<u>Current FY</u>	<u>Budget FY</u>
N/A	Dental Services	\$_____	\$_____	\$_____

Dental service charges are based on a Composite Time Value. Provider should calculate the charges based on the time value of the procedure times the CTV rate.

H. Ambulance Rate

<u>MEPRS Code 4/</u>	<u>PER VISIT Clinical Service</u>	<u>Prior FY</u>	<u>Current FY</u>	<u>Budget FY</u>
N/A	Ambulance Service	\$_____	\$_____	\$_____

Ambulance charges are based on hours of service. Provider should calculate the charges based on the number of hours (or fraction thereof) that the ambulance is logged out on a patient run.

NOTES ON REIMBURSABLE RATES:

1/ Percentages are applied to both inpatient and outpatient services provided when billing third party payers (e.g., insurance companies). Pursuant to the provisions of 10 U.S.C. 1095, the inpatient Diagnosis Related Groups are __ percent hospital and __ percent professional fee. The outpatient per visit percentages are __ percent hospital, __ percent ancillary and __ percent professional.

2/ DoD civilian employees located in overseas areas shall be rendered a bill when services are performed. Payment is due 60 days from the date of the bill.

3/ The cost of DRG (Diagnosis Related Groups) is based on the inpatient full reimbursement rate per hospital discharge, weighted to reflect the intensity of the principal diagnosis involved. The adjusted standardized amounts (ASA) per Relative Weighted Product (RWP) for use in the Direct Care System is comparable to procedures utilized by Health Care Financing Administration (HFCA) and the Civilian Health and Medical Program for the Uniformed Services (CHAMPUS). These expenses include all direct care expenses associated with direct patient care. The average cost per relative weight product for large urban, other urban/rural, and overseas are published as an inpatient standardized amount and include the cost of inpatient professional services. The DRG rates apply to reimbursement from all sources (including third party payers).

4/ The Medical Expense and Performance Reporting System (MEPRS) code is a three digit code which defines the summary account and the subaccount within a functional category in the DoD medical system. An example of this hierarchical arrangement is as follows:

Outpatient Care (Functional Category)	<u>MEPRS CODE</u>
Medical Care (Summary Account)	BA
Internal Medicine (Subaccount)	BAA

MEPRS codes are used to ensure that consistent expense and operating performance data is reported in the DoD military medical system.

5/ High cost prescription services requested by external providers (Physicians, Dentists, etc.) are only relevant to the Third Party Collection Program. Third party payers (such as insurance companies) are billed for high cost prescriptions in those instances in which dependents who have medical insurance, seen by providers external to a Military Medical Treatment Facility (MTF), obtain the prescribed medication from an MTF. Eligible beneficiaries (family members or retirees with medical insurance) are not personally liable for this cost and, subsequently, are not billed by the MTF. A third party payer may be billed if the total prescription costs in a day exceed \$____ when bundled together. The standard cost of high cost medications includes the cost of the drugs plus a dispensing fee, per prescription. The prescription cost is calculated by multiplying the number of units (tablets, capsules, etc.) times the unit cost and adding a \$____ dispensing fee per prescription.

6/ Charges for high cost services requested by external providers (physicians, dentists, etc.) are only relevant to the Third Party Collection Program. Third party payers (such as insurance companies) shall be billed for high cost services in those instances in which dependents who have medical insurance, seen by providers external to a Military Medical Treatment Facility (MTF), obtain the prescribed service from an MTF. Eligible beneficiaries (family members or retirees with medical insurance) are not personally liable for this cost and shall not be billed by the MTF. A third party payer may be billed if the total ancillary services costs in a day exceed \$____ when bundled together.

7/ The attending physician is to complete the Physicians' Current Procedural Terminology code to indicate the appropriate procedure followed during cosmetic surgery. The appropriate rate is applied depending on the admission type of the patient, e.g., outpatient surgical, same day/ ambulatory surgery, or surgical care services.

8/ Family members of active duty personnel, retirees and their family members, and survivors are charged cosmetic surgery rates. The patient is charged the rate as specified in the reimbursable rates for an episode of care. The patient is responsible for both the cost of the implant(s) in addition to the prescribed cosmetic surgery rates.

NOTE: The implants and procedures used for the augmentation mammaplasty are in compliance with Federal Drug Administration guidelines.

9/ Each regional lipectomy will carry a separate charge. Regions include head and neck, abdomen, flanks, and hips.

10/ These procedures are inclusive in the minor skin lesions. However, CHAMPUS separates them as noted here. All charges are for the entire treatment regardless of the number of visits required.

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APPENDIX I

**MILITARY COMPOSITE STANDARD PAY AND REIMBURSEMENT RATES
DEPARTMENT OF THE _____ FOR FISCAL YEAR _____**

<u>GRADE</u>	<u>BASIC PAY</u> (1)	<u>RETIRED PAY ACCRUAL</u> (2)	<u>BASIC ALLOWANCE FOR QUARTERS/ VHA</u> (3)	<u>BASIC ALLOWANCE FOR SUBSISTENCE/SIK</u> (4)	<u>INCENTIVE AND SPECIAL PAYS</u> (5)	<u>PERMANENT CHANGE OF STATION</u> (6)	<u>MISCEL- LANEOUS EXPENSE</u> (7)	<u>ANNUAL DOD COMPOSITE RATE</u> (8)	<u>ACCELERATION FACTOR</u> (9)	<u>AMOUNT BILLABLE TO NON-DOD ENTITIES</u> (10)
O-10										
O-9										
O-8										
O-7										
O-6										
O-5										
O-4										
O-3										
O-2										
O-1										
WO-5										
WO-4										
WO-3										
WO-2										
WO-1										
CADETS										
E-9										
E-8										
E-7										
E-6										
E-5										
E-4										
E-3										
E-2										
E-1										

APPENDIX I**MILITARY COMPOSITE STANDARD PAY AND REIMBURSEMENT RATES****INSTRUCTIONS**

Each Military Service must complete an Appendix I using the attached standard format. The heading to each appendix I consists of three lines. The first line identifies the appendix by number, the second line states “MILITARY COMPOSITE STANDARD PAY AND REIMBURSABLE RATES,” and the third line identifies the Military Service that has developed the rates and the fiscal year that the rates will be used.

The Military Composite Standard Pay and Reimbursement Rates exhibit for the Budget Year should include the following cost elements that are listed for each column of the report. Amounts listed shall be equal to corresponding amounts contained in the applicable Military Service’s justification book in support of their military personnel appropriation budget request included in the latest President’s budget:

(Column 1) Basic Pay. Include the average basic pay amounts, by pay grade, as provided in the President's budget justification, Budget Subactivity (BSA) 1-A, Pay and Allowance of Officers, BSA 2-A, Pay and Allowances of Enlisted Personnel, and BSA 3-A, Pay and Allowances of Cadets and Midshipmen. The cadet and midshipmen rate is computed as a single rate for all cadets/midshipmen.

(Column 2) Retired Pay Accrual. Include average retired pay accrual amounts, by pay grade, as provided in the President's budget justification, BSA 1-B, Retired Pay Accrual for Officers and BSA 2-B, Retired Pay Accrual of Enlisted. The applicable retired pay accrual percentage is statutory and published annually.

(Column 3) Basic Allowance for Subsistence. Compute the basic allowance for subsistence rate separately, for officers and enlisted personnel, by pay grade, and for cadets and midshipmen, using amounts from the President's budget justification books. The officer rate is computed by dividing BSA 1-G, Basic Allowance for Subsistence for officers, by the officer average strength, by grade. The enlisted rate is computed by adding BSA 4-A, Basic Allowance for Subsistence for enlisted and BSA 4-B, Subsistence-in-Kind (SIK) for enlisted, and then dividing the total by the enlisted average strength, by grade. Compute a single rate for cadets and midshipmen.

(Column 4) Basic Allowance for Quarters (BAQ) and Variable Housing Allowance (VHA). Compute the BAQ/VHA rate separately, for officers and enlisted personnel, by pay grade, using amounts from the President's budget justification books. The officer rate is computed by adding amounts for BSA 1-E, BAQ for officers and BSA 1-F, VHA for officers, then dividing the sum by the average strength for officer personnel. The enlisted rate is computed by adding amounts in BSA 2-H, BAQ for enlisted and BSA 2-I, VHA for enlisted, then dividing the sum by the average strength for enlisted personnel.

(Column 5) Incentive and Special Pays. Compute the Incentive and Special Pay rate separately for officers and enlisted personnel, by pay grade, using amounts from the President's budget justification books. For each pay grade, add the incentive and special pay amounts and then divide the sum by the average end strength, separately for officers and enlisted personnel. The officer rate is computed by adding the amounts for BSA 1-C, Incentive Pay for Hazardous Duty for officers and BSA 1-D, Special Pay for officers, then dividing the sum by the average strength for officer personnel. The enlisted rate is computed by adding the amounts for BSA 2-C, Incentive Pay for Hazardous Duty for enlisted, BSA 2-D, Special Pay for enlisted, BSA 2-E, Special Duty Assignment Pay for enlisted, BSA 2-F, Reenlistment Bonus, and BSA 2-G, Enlistment Bonus, then dividing the sum by the average strength for enlisted personnel.

(Column 6) Permanent Change of Station (PCS) Expense. This element represents the average cost of amounts provided in the President's budget justification books for PCS travel, Budget Activity 5. Compute the average PCS by adding the following types of travel each for officers, enlisted personnel, and cadets, from the BSAs contained in the justification books: accession travel (BSA 5-A); training travel (BSA 5-B); operational travel between duty stations (within Conus and within overseas) (BSA5-C); rotational travel to and from overseas (BSA 5-D); separation travel (BSA 5-E); and travel of organized units (BSA 5-F). The sum of BA-5 is divided by the average strength separately, for officer and enlisted personnel. Compute a single rate for cadets and midshipmen.

(Column 7) Miscellaneous Expense. This rate is the average computed separately, for officers and enlisted personnel, by pay grade, and for cadets and midshipmen, of amounts provided in the President's budget justification books for Budget Activity 6, Other Military Personnel Costs, and other amounts for miscellaneous allowances and payments for officers, enlisted, and cadets/midshipmen as contained in BSAs listed in the following matrix:

<u>Miscellaneous Expense</u>	<u>Officer</u>	<u>Enlisted</u>
Uniform Allowances	BSA 1-I	
Clothing Allowances		BSA 2-K
Station Allowances, Overseas	BSA 1-H	BSA 2-J
Family Separation Allowances	BSA 1-J	BSA 2-L
Separation Payments	BSA 1-K	BSA 2-M
Social Security Tax-Employer Contribution	BSA 1-L	BSA 2-N
Other Military Personnel Costs	BA 6	BA 6

The amounts in each of the above categories shall be divided by the number of personnel eligible or entitled to the allowance or entitlement. The result for all subcategories are then added to obtain the average miscellaneous expense rate by grade, separately for officer and enlisted personnel. The result then is divided by the overall average strength by officer and enlisted as shown in the budget justification materials. A single rate shall be used for cadets and midshipmen.

(Column 8) Annual DoD Composite Standard Rate. Enter the sum of columns (1) through (6).

(Column 9) Acceleration Factor. Equals Column 7 multiplied by an Other Personnel Support Costs factor of 6 percent for Officers and 18 percent for Enlisted Personnel.

(Column 10) Amount Billable to Non-DoD Entities. Add columns 7 and 8. Note: To compute a daily rate, multiply column 9 by a factor of .00439 (1.14/260). For an hourly rate, multiply column 9 by a factor of .00055 (1.14/2080).

APPENDIX J
REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES
FURNISHED TO THE NASA

DOD COMPONENT _____

	Prior Year ⁽¹⁾ (PY)	Current Year (CY)	Budget Year (BY)
<u>Gross Work-Year Cost</u>			
A. Total Salaries of Direct Labor Personnel ⁽²⁾	\$ _____	\$ _____	\$ _____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs) ⁽²⁾	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A)÷(B)]	\$ _____	\$ _____	\$ _____
D. Total Salaries of Indirect Supervision & Administrative Personnel ⁽²⁾	\$ _____	\$ _____	\$ _____
E. Indirect Supervision & Administrative Salaries per FTE [(D)÷(B)]	\$ _____	\$ _____	\$ _____
F. Total Salaries of Regional, District and Headquarters Personnel ^{(2) (3)}	\$ _____	\$ _____	\$ _____
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]	\$ _____	\$ _____	\$ _____
H. Personnel Benefits ⁽²⁾	\$ _____	\$ _____	\$ _____
I. Average Personnel Benefits Costs per FTE [(H)÷(B)]	\$ _____	\$ _____	\$ _____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	\$ _____	\$ _____	\$ _____
K. Total Travel Costs ^{(3) (4)}	\$ _____	\$ _____	\$ _____
L. Average Travel Costs per FTE [(K)÷(B)]	\$ _____	\$ _____	\$ _____
M. Other Support Costs ^{(3) (5)}	\$ _____	\$ _____	\$ _____
N. Average Support Costs per FTE [(M)÷(B)]	\$ _____	\$ _____	\$ _____
O. Total Gross Work-Year Cost [(J) + (L) + (N)]	\$ _____	\$ _____	\$ _____
<u>Direct Work-Hours</u>			
P. Work-Hours Available	2087	2087	2087
Q. Less Holidays	80	80	80
R. Less Annual Leave ⁽³⁾	_____	_____	_____
S. Less Sick Leave ⁽³⁾	_____	_____	_____
T. Less Other Leave (e.g., Military, Jury and Administrative) ⁽³⁾	_____	_____	_____
U. Less Training Time ⁽³⁾	_____	_____	_____
V. Total Direct Work-Hours [(P) - (Q) - (R) - (S) - (T) - (U)]	_____	_____	_____
Gross Cost Per Direct Hour [(O)÷(V)]	\$ _____	\$ _____	\$ _____

APPENDIX J
REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES
FURNISHED TO THE NASA

Notes:

- (1) The amounts reflected should be the “actual” cost and work-hour data for the most recently completed fiscal year. This should be the FY 19PY of the President’s budget.
- (2) The amounts reflected should be that shown in the “Total” column of the attached schedule, “Personnel Cost For Contract Administration and Related Support Services Furnished to the NASA” (pages 3 and 4) for the applicable year, i.e., PY, CY, BY.
- (3) Separately, show basis of computation.
- (4) Includes all travel costs, i.e., local, temporary additional duty, and permanent change of station, of the civilian and military personnel included under items (A), (D) and (F).
- (5) Includes other expenses such as supplies, equipment, training and communications.

APPENDIX J
PERSONNEL COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES
FURNISHED TO THE NASA

DOD COMPONENT _____

	Civilian (a)	Military (b)	Total (a) + (b)
<u>Gross Work-Year Cost For Prior Year (Actual)</u>			
A. Total Salaries of Direct Labor Personnel ⁽⁶⁾	\$ _____	\$ _____	\$ _____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A)÷(B)]			\$ _____
D. Total Salaries of Indirect Supervision and Administrative Personnel ⁽⁷⁾	\$ _____	\$ _____	\$ _____
E. Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			\$ _____
F. Total Salaries of Regional, District and Headquarters Personnel ⁽⁸⁾	\$ _____	\$ _____	\$ _____
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			\$ _____
H. Personnel Benefits ⁽⁹⁾	\$ _____	\$ _____	\$ _____
I. Personnel Benefits Costs per FTE [(H)÷(B)]			\$ _____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (H)]	\$ _____	\$ _____	\$ _____
<u>Gross Work-Year Cost For Current Year</u>			
A. Total Salaries of Direct Labor Personnel ⁽⁶⁾	\$ _____	\$ _____	\$ _____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A)÷(B)]			\$ _____
D. Total Salaries of Indirect Supervision and Administrative Personnel ⁽⁷⁾	\$ _____	\$ _____	\$ _____
E. Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			\$ _____
F. Total Salaries of Regional, District and Headquarters Personnel ⁽⁸⁾	\$ _____	\$ _____	\$ _____
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			\$ _____
H. Personnel Benefits ⁽⁹⁾	\$ _____	\$ _____	\$ _____
I. Personnel Benefits Costs per FTE [(H)÷(B)]			\$ _____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	\$ _____	\$ _____	\$ _____

APPENDIX J
PERSONNEL COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES
FURNISHED TO THE NASA

DOD COMPONENT _____

	Civilian (a)	Military (b)	Total (a) + (b)
<u>Gross Work-Year Cost For Budget Year</u>			
A. Total Salaries of Direct Labor Personnel ⁽⁶⁾	\$ _____	\$ _____	\$ _____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor Personnel [(A)÷(B)]			\$ _____
D. Total Salaries of Indirect Supervision and Administrative Personnel ⁽⁷⁾	\$ _____	\$ _____	\$ _____
E. Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			\$ _____
F. Total Salaries of Regional, District and Headquarters Personnel ⁽⁸⁾	\$ _____	\$ _____	\$ _____
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			\$ _____
H. Personnel Benefits ⁽⁹⁾	\$ _____	\$ _____	\$ _____
I. Personnel Benefits Costs per FTE [(H)÷(B)]			\$ _____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	\$ _____	\$ _____	\$ _____

Notes:

- (6) Include the salary expenses of direct civilian and military personnel, e.g., contract administrators, and auditors.
- a. Civilian. The cost of civilian personnel assigned full time to NASA requirements should reflect the annual salary for the applicable pay grades. Otherwise, an hourly rate of 1/2087 of the annual rate shall be used and a leave and holiday factor of 18 percent of pay cost added.
 - b. Military. The cost of military personnel assigned full time to NASA requirements should be based on the annual Military Composite Pay rates. Otherwise, an hourly rate of 1/2080 of the annual Military Composite Pay rate shall be used and a leave and holiday factor of 14 percent of pay cost added.

APPENDIX J
PERSONNEL COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES
FURNISHED TO THE NASA

Notes cont'd:

- (7) Include the indirect salary expenses for civilian and military personnel that perform supervisory and administrative (clerical) functions. Such costs are computed as indicated in (6)a. and (6)b. above.
- (8) Include the salary expenses for civilian and military personnel at the district, regional and headquarters level. Such costs are computed as indicated in (6)a. and (6)b. above.
- (9) Include the fringe benefit expenses for all civilian and military personnel included in items (A), (D) and (F).
 - a. Civilian. Fringe benefits are computed by multiplying civilian personnel costs by the civilian fringe benefit rate. The fringe benefit rate must be that reported for the applicable fiscal year on the OP-8 exhibit, "Civilian Personnel Costs."
 - b. Military. Fringe benefits are computed by multiplying separately the officer and enlisted salaries by 6 percent for officers and 18 percent for enlisted personnel.

APPENDIX J
VARIANCES IN THE REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION
AND RELATED SUPPORT SERVICES FURNISHED TO THE NASA

DOD COMPONENT _____

<u>Gross Work-Year Cost</u>	Ratio of PY to CY ⁽¹⁰⁾	Ratio of CY to BY ⁽¹¹⁾
Average Salary of Direct Labor Personnel	_____ %	_____ %
Indirect Supervision & Administrative Salaries Per FTE	_____ %	_____ %
Regional, District and Headquarters Salaries Per FTE	_____ %	_____ %
Average Personnel Benefits Costs Per FTE	_____ %	_____ %
Total Cost of Personnel Services	_____ %	_____ %
Total Travel Costs	_____ %	_____ %
Other Support Costs	_____ %	_____ %
Total Gross Work-Year Cost	_____ %	_____ %
<u>Direct Work-Hours</u>		
Annual Leave	_____ %	_____ %
Sick Leave	_____ %	_____ %
Other Leave (e.g., Military, Jury, Administrative)	_____ %	_____ %
Training Time	_____ %	_____ %
Total Direct Work-Hours	_____ %	_____ %
Gross Cost Per Direct Labor Hour	_____ %	_____ %

Provide narrative explaining variance in any element greater than three percent:

APPENDIX J
VARIANCES IN THE REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION
AND RELATED SUPPORT SERVICES FURNISHED TO THE NASA

Notes:

- (10) Computed using the cost and hour data from page 2. Divide the current year amount for each element by the prior year amount, subtract 1 and multiply by 100.
- (11) Computed using the cost and hour data from page 2. Divide the budget year amount for each element by the current year amount, subtract 1 and multiply by 100.

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APPENDIX K
TELEPHONE (CLASS B UNOFFICIAL SERVICE)

GENERAL INFORMATION:

The telephone service provided by a DoD Component, when used for personal or unofficial purposes, is known as Class B telephone service. This includes telephone services provided by government-owned or government-leased facilities, or procured under contract, or implied agreement, with a commercial communications company.

The use of Class B telephone service is required to be charged to the user. Class B telephone rates are subdivided and identified as Class B-1 and Class B-2. The classes are defined below.

Class B-1: Installed in government-owned or government-leased quarters assigned or used for family or personal use in private or rental housing occupied by DoD personnel.

Class B-2: Installed at a military location for the use of activities such as public schools; Boy Scouts; Girl Scouts; American Red Cross; Nonappropriated Fund instrumentalities such as noncommissioned officers' and officers' messes; nurseries; thrift shops; exchange services; credit unions; commercial contractors; concessionaires; and other profit or non-profit organizations operating on behalf of the Department of Defense whether within, or in the immediate vicinity of, a DoD installation.

RATE EXHIBIT FORMAT

TELEPHONE (CLASS B UNOFFICIAL SERVICE)

SUBMITTED BY THE DEFENSE INFORMATION SYSTEMS AGENCY

Fiscal Year _____

Class B-1 Rate \$ _____

Class B-2 Rate \$ _____

DISA Point of Contact: _____

Point of Contact Telephone Number: _____

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CHAPTER 7**INTERNATIONAL NARCOTICS CONTROL PROGRAM****0701 OVERVIEW**

070101. Purpose. This chapter provides pricing guidance for International Narcotics Control Program (INCP) transactions and identifies procedures for disposition of proceeds from such transactions.

0702 SUPPORT OF THE INTERNATIONAL NARCOTICS CONTROL PROGRAM

070201. General. Section 632(c) of the “Foreign Assistance Act” (FAA) provides for special pricing requirements when services, including training, are provided by the Department of Defense to the Department of State in support of the INCP. Billing shall be within 30 calendar days after the month in which performance occurred. The payment due date shall not be more than 30 calendar days from the date of the invoice. Bills rendered shall not be subject to audit by the customer.

070202. Pricing. The following rules shall be followed by DoD Components when determining amounts to be collected as reimbursements for orders from the Department of State that cite INCP financing.

A. INCP Training. The tuition rate for DoD training provided to support INCP shall include the following cost elements:

1. Civilian Instructors and School Support Staff. It is anticipated that the additional cost charged to the INCP for civilian instructors shall be minimal for courses or groupings of courses when either the ratios of students to instructors or U.S. students to INCP students is high. Courses shall be reviewed to determine the additional cost incurred as a result of attendance by INCP students. Classroom or technical courses that are similar, or that utilize instructors who teach more than one course, may be grouped for computation purposes.

a. For groups of courses, an estimate shall be made of the number of U.S. students in each course and the number of civilian instructors and civilian staff required. A second projection shall be made of the total number of students to be enrolled in applicable courses, both U.S. and foreign, and the number of civilian instructors and civilian staff required. Both projections shall be based on the maximum number of students who can be taught by civilian instructors or civilian staff rather than on optimum class size. The difference in the number of civilian instructors and civilian staff between the two projections represents the additional civilian instructors and/or civilian staff required. Applicable additional civilian instructors and civilian staff then shall be priced in accordance with Chapter 1 of this volume. This value, divided by the total number of INCP students, represents the additional cost per INCP student for the course (or courses).

b. When there is a one-for-one or one-for-two relationship of civilian instructors to students, the instructor in all cases shall be considered additional. If the entire class is composed of INCP students, the instructor and staff always shall be considered additional.

2. Military Instructors and Military School Support Staff. There shall be no charges to the INCP program for military personnel conducting training courses.

3. Equipment Overhaul and Maintenance. The overhaul and maintenance of major items of equipment, when computed on an hourly use basis, shall be additional to a course based on estimated utilization hours.

4. Simulators. Simulator hours shall be charged as an additional cost. Simulator costs shall include pay of the operators, supplies and equipment maintenance. Simulator costs shall be allocated to the course in the same ratio as hours used bear to the total hours available.

5. Supplies, Materiel, Training Aids, Ammunition. Also, charge as additional cost the replacement cost of items that are not returned or reusable (including petroleum, oil and lubricants (POL)) expended in the conduct of training.

6. Lost or Damaged Equipment. If equipment was lost or damaged during training and it was found to be the result of a foreign student's negligence, the additional cost to be charged shall be the actual costs of the repairs or replacement cost of the equipment.

7. Base Support (That Is, Indirect Student Costs). A standard weekly rate shall be charged for INCP training conducted on DoD installations. The fixed weekly amount shall be the same as used for billing DoD appropriations that finance the International Military Education and Training (IMET) program. See paragraph 071206, Volume 15, of this Regulation for additional details.

8. Food Preparation. Meal operating/food preparation costs are additive to other food costs. The weekly meal operating and food preparation costs for INCP students shall be the same as that used in billing DoD appropriations that finance IMET training when courses are conducted on DoD installations and students use DoD appropriated dining facilities.

9. Instructor Training. The training of U.S. instructors or other personnel for special courses normally not conducted for U.S. personnel shall be considered additional costs. When the required training is conducted at a U.S. training facility, the INCP program (i.e., the Department of State) shall be charged the normal course cost. When the special course is conducted by a Management Service Team (MST) away from the normal training institution, the services of the MST will be treated as a dedicated service and full cost billed to the INCP program.

10. Facilities and Equipment. The costs of any facilities or equipment acquired primarily for the support of foreign students enrolled in the INCP program shall be considered additional costs.

11. Information Program. The full cost of the information program to the U.S. Government is an additional cost.

12. Shipment of Instructional Materials

a. The shipment of instructional materials to students shall be included in the INCP tuition rate. The shipping charge shall be the same as that used in billing DoD appropriations that finance IMET training. See paragraph 071105, Volume 15, of this Regulation for additional details.

b. Instructional material is to be packed and labeled at the training installation and shipped via the most expeditious means to the Security Assistance Organization (SAO) of the respective country for delivery to the trainee. A copy of the student's invitational travel order shall be placed inside the package.

c. The training installation shall ensure that no personal baggage or other unauthorized matter is shipped with instructional material.

13. Travel and Per Diem. Instructor and student travel and per diem associated with the provision of training shall be considered additional costs, to include transportation, living allowances, and medical expenses.

B. Other DoD Services

1. DoD Services Provided Incident to Normal Mission Accomplishment. When support of the INCP is accomplished incidental to performance of a DoD mission requirement, there are no additional costs incurred. However, if a mission was extended or the cost was otherwise increased, the cost over and above the scheduled mission cost shall be reimbursed.

2. Scheduled DoD Transportation. Air and ocean transportation services performed by the U.S. Transportation Command on scheduled movements shall be priced, where applicable, at current tariff rates for DoD Components.

3. Detailed Personnel. All costs incurred in connection with the detail of DoD personnel to the Department of State to support the INCP--both civilian and military--are considered additional expenses and, as such, shall be priced at the normal rate charged to other Federal agencies.

C. Supplies and Equipment. Section 482 of the FAA prohibits the procurement of weapons or ammunition from funds authorized for this program. Thus, any specific order for a weapon or ammunition that cites the appropriations provided to finance INCP either must be rejected or returned for a new fund citation. Supplies and equipment that can be provided shall be priced in accordance with Chapter 1 of this volume. Pricing policy for excess and non-excess material also is set forth in Chapter 1 of this volume.

070203. Disposition of Proceeds. Section 632(c) of the FAA provides that applicable collections from the Department of State shall be returned to the financing DoD appropriation account.

CHAPTER 8**MUTUAL LOGISTICS SUPPORT BETWEEN THE UNITED STATES AND
GOVERNMENTS OF ELIGIBLE COUNTRIES AND
NATO SUBSIDIARY BODIES****0801 OVERVIEW**

080101. Purpose. This chapter provides procedures for transacting reimbursable procedures under the authority of Title 10, United States Code, Chapter 138 provides pricing guidance for those transactions, and provides instructions for disposition of proceeds for such reimbursable transactions.

080102. Overview. Title 10, United States Code, Chapter 138 authorizes the use of support agreements for certain mutual logistics support among the United States and governments of other North Atlantic Treaty Organization (NATO) countries, NATO subsidiary bodies, other eligible foreign countries, the United Nations Organization, and any regional international organization of which the United States is a member. Section 2341 authorizes the procurement of logistics support, supplies, and services from a foreign country. Section 2342 authorizes the sale to or exchange of logistics support, supplies, and services with a foreign country or international organization. Section 2344, as amended by the National Defense Authorization Act for fiscal years 1990 and 1991, authorizes logistics exchanges to be of equal value. Before that amendment, section 2344 required exchanges to be of an identical or substantially identical nature. The specific guidance on the use of these authorities is contained in DoD Directive 2010.9, "Mutual Logistics Support Between the United States and Governments of Eligible Countries and NATO Subsidiary Bodies."

0802 POLICY AND PROCEDURES

080201. Liquidation of Credits and Liabilities. Compensation for the acquisition or transfer of supplies (materiel) and services shall be obtained through either of the following methods:

A. Reimbursement. Payment for supplies (materiel) and services in the currency of the supplying nation.

B. Exchange. Replacement of supplies (materiel) or services with supplies or services of equal value. Equal value is the actual or estimated price at the time of transaction approval. Equal value transactions shall be certified by the officials delegated such authority by the Secretaries of the Military Departments.

080202. Methods of Liquidation of Accrued Credits and Liabilities

A. Reimbursable Transactions. Agreements entered into by the U.S. Forces shall stipulate the liquidation of outstanding accounts receivable or accounts payable on a monthly basis. Bills shall be accompanied by necessary supporting documentation and paid 30 days from the date prepared.

B. Exchange Transactions. Exchange transactions shall be settled through the issue or receipt, as applicable, of replacement supplies or services within 12 months of the original transaction. If not settled within this period, the exchange transaction shall be converted to a reimbursable transaction, and the resulting accounts receivable or accounts payable shall be liquidated in accordance with paragraph 080202.A., above.

080203. Inventories of Supplies. Inventories of supplies for elements of the U.S. Forces may not be increased for the purpose of transferring supplies under the authority of Title 10, United States Code, Chapter 138 and DoD Directive 2010.9.

080204. Obligation and Earned Reimbursement Limitations. The obligations and earned reimbursement limitation set forth below shall be followed during normal peacetime periods. These ceilings do not apply during periods of active hostilities involving the U.S. Forces. These limitations likewise do not apply to exchange transactions unless converted into a reimbursable transaction due to nonreplacement.

A. Obligation Limitations

1. For NATO countries, NATO subsidiary bodies, or from the United Nations Organization or any regional international organization of which the United States is a member, during any fiscal year, the amount to be obligated by the Department of Defense for reimbursable transactions (purchases) may not exceed \$200 million. Of the \$200 million limitation, no more than \$50 million in obligations shall be incurred for the acquisition of supplies (materiel) other than petroleum, oil, and lubricants (POL).

2. For participating non-NATO countries, the total amount of reimbursable liabilities (purchases) that the United States may accrue (before computing offsetting balances) with each country may not exceed \$60 million in any fiscal year. No more than \$20 million in liabilities shall be accrued in any fiscal year for supplies (materiel) other than POL.

B. Earned Reimbursement Limitation

1. For NATO countries, NATO subsidiary bodies, or from the United Nations Organization or any regional international organization of which the United States is a member, earned reimbursement (sales) accruals from all reimbursable transactions may not exceed \$150 million during any fiscal year.

2. For participating non-NATO countries, the total reimbursable credits (sales) that the United States may accrue, under the authority of Title 10, United States

Code, Chapter 138, from each country (before computing offsetting balances) may not exceed \$75 million in any fiscal year.

080205. Requests for Authorization to Use Limitations. Each organization that intends to enter into reimbursable purchases or sales under the authority of Title 10, United States Code, Chapter 138 shall request authorization. Requests shall be accompanied by justification, including a prioritization of requirements. The requests shall be submitted to the cognizant Unified Combatant Command through the requesting organization's appropriate Component command. The authorizations do not increase the amount of obligational or apportioned anticipated reimbursable authority, but rather allow use of existing budget authority to enter into purchases or sales under the authority of Title 10, United States Code, Chapter 138. Requests shall identify the categories of support as identified in Table 21-1.

CATEGORIES OF SUPPORT		
<u>Category of Support</u>	<u>Requested Authorization</u>	
	<u>Obligations</u> <u>(Purchases)</u>	<u>Earned</u> <u>Reimbursements</u> <u>(Sales)</u>
POL	\$_____	\$_____
Other Materiel	_____	_____
Maintenance	_____	_____
Services	_____	_____
TOTAL	\$_____	\$_____

Table 8-1

080206. Waiver During Contingency or Non-Combat Operations. When the U.S. Forces are involved in a contingency operation or non-combat operation (including an operation in support of the provisions of humanitarian or foreign disaster assistance or in support of peacekeeping operations under Chapters VI or VII of the Charter of the United Nations), the restrictions in subsections 080204 and 080205 are waived for purposes and duration of that operation.

080207. Issuance of the Authorization. The cognizant Unified Combatant Command shall review and approve requests for authorization. If the total amount requested by all Component commands exceeds established limitations, the cognizant Unified Combatant Command shall review the justifications and make appropriate reductions to requested amounts as needed. Each cognizant Unified Combatant Command shall advise the Military Departments of authorizations distributed.

080208. Distribution of Authorization Received. Upon receipt of an authorization from a Unified Combatant Command, Component commands shall authorize their activities to enter into reimbursable transactions under Title 10, United States Code, Chapter 138. No activity or unit shall enter into such transactions unless they have been provided an authorization. Recipients of an authorization shall establish procedures to ensure that authorized dollar amounts are not exceeded.

080209. Other Requirements

A. Detailed reports are required for transactions conducted under Title 10, United States Code, Chapter 138. The information requirements are found in Chapter 8, “Special Reports,” Volume 6, of this Regulation.

B. Forms used to document the issue or receipt of supplies and services under authority of Title 10, United States Code, Chapter 138, are subject to a bilateral or multinational agreement. However, these forms must meet the minimum information requirements set forth in chapter 8, “Special Reports,” Volume 6, of this Regulation.

C. Any accounting station receiving an authorization to incur obligations pursuant to the authority of Title 10, United States Code, Chapter 138, shall establish a subsystem to the normal appropriation or fund accounting system to capture data on the use of this authority. Similarly, receipt of the earned reimbursement authority requires the establishment of a customer order subsystem to capture data on the use of such authority. Source documents pertaining to the authorized dollar amount and its use, such as obligations (DoD undelivered orders for materiel or services and accrued expenditures based on receipt of the materiel or services ordered), disbursements (liquidation of unpaid accrued expenditures), accounts payable (the unpaid portion of accrued expenditures), accounts receivable (earned reimbursements), and collections (receipt of payment to liquidate accounts receivable) shall be recorded promptly in the subsystem records.

D. Control over exchange transactions shall be established and maintained through use of an exchange transaction history file. Input to the history file shall be made by submission of each individual transaction form which includes the minimum information required by chapter 8, “Special Reports,” Volume 6, of this Regulation.

080210. Pricing Reimbursable Transactions. Title 10, United States Code, Chapter 138, authorizes two methods for pricing reimbursable transactions. The method to be used depends on whether a reciprocal pricing agreement exists. Pricing procedures under each of the alternatives are set forth below.

A. Reciprocal Pricing Principles. When a reciprocal pricing agreement has been signed by the United States and another participating country, pricing by the supplying country shall be in accordance with the following:

1. For new procurements, the price charged to a recipient country by the supplying country should be no less favorable than that charged the armed forces of the supplying country by its contractors. The price charged shall allow for differentials due to delivery schedules, points of delivery, and other similar considerations.

2. For supplies from inventories of the supplying country, or for logistics support and government services, the same prices shall be charged by the supplying government as it charges its own armed forces for identical supplies or services. When the Department of Defense is the supplier, the price charged shall be identical to rates charged by the DoD Components for cross-Service logistics support or services.

B. Nonreciprocal Pricing Principles. To the extent that a DoD Component cannot achieve mutual acceptance by another country of reciprocal pricing principles, or in the case of a NATO subsidiary body, the following procedures shall apply:

1. U.S. commanders delegated authority to negotiate agreements pursuant to section F, DoD Directive 2010.9, shall determine that the price for acquiring supplies or services is fair and reasonable. This determination shall be supported by a price analysis based on prior experience and supporting data and consider all applicable circumstances. If this determination cannot be made, no acquisitions shall take place.

2. Any transfer of supplies or services by U.S. Forces shall be subject to the pricing provisions of Volume 15 of this Regulation.

C. NATO Subsidiary Bodies. The pricing principles set forth in paragraph 080209.B., above, also shall apply to agreements with NATO subsidiary bodies for the purchase or sale of supplies and services.

080211. Disposition of Proceeds. Any payment for materiel or services provided by U.S. Forces and initially recorded as a sale transaction, shall be credited to the appropriation or fund currently available for the same purposes for which the expenditures were made, regardless of whether the payment is received in the fiscal year of sale or subsequent fiscal year. Payment for a transaction initially recorded as an exchange of materiel or services, but converted into a sale transaction due to nonreceipt of replacement material or services, shall be credited to the appropriation or fund currently available for the same purposes for which the expenditures were made, regardless of whether the payment is received in the fiscal year of sale or subsequent fiscal year.

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CHAPTER 9**SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES****0901 OVERVIEW**

090101. Purpose. This chapter:

A. Reissues guidance formerly contained in DoD Instruction 2010.1, “Support of International Military Activities.” It establishes administrative arrangements, reimbursement and billing procedures, and identifies a method to compute the dollar value of credits due the United States for the support of international military activities.

B. Assigns responsibilities for the support of international organizations, and identifies reimbursable and nonreimbursable support.

C. Identifies the support that DoD Components can expect to receive from international military organizations and whether such support is on a reimbursable or nonreimbursable basis.

D. Establishes policies for financing the U.S. contributions to and the receipt of credits from the international military organizations in which the U.S. participates.

E. Establishes policies for paying U.S. personnel employed by international military organizations, and for verifying the credits received from the organizations for such personnel.

F. Does not apply to the provision of intelligence or cryptologic support provided under authorities other than those cited herein.

090102. Terms. The term, “Military Service,” as used herein, refers to the Army, Navy, Air Force, and Marine Corps.

0902 GENERAL

090201. The Department of Defense provides nonreimbursable support to international military organizations in two forms: (a) through a financial contribution to the budget of the international organization, or (b) by assignment of U.S. military elements to the international organization under the terms of international treaties or agreements (see DoD Directive 5530.3, “International Agreements”). U.S. military elements may be assigned either on a long-or short-term basis.

A. Typically, short-term assignments would be for the purpose of participating in a joint exercise or maneuvers conducted under the auspices of the international organization.

B. Long-term assignments typically involve filling an existing billet on the staff of an international organization.

C. Support under paragraphs 090201.A. and B., above, are not reimbursable to the Department of Defense. As an exception to this policy, support by members of a U.S. military element who provide services that were included in the budget of the international organization (e.g., a U.S. military member who occupies an international civilian billet) shall be reimbursable (see section 0904, below).

090202. All other support provided to the international military organization and to military elements of participating foreign countries is reimbursable to the performing DoD Component, and must be provided under one of the authorities described in subsections 090402, 090403, or 090404 of this chapter.

090203. The U.S. military element of an international military organization shall be supported by the international organization and the administrative agent on a nonreimbursable basis. The administrative agent must ensure support provided to the U.S. military elements of an international organization is equal in scope and quality to all organizations which it supports at a comparable location. Other military units in the area, including units of the administrative agent, also may receive support from the international organization, but on a reimbursable basis. When those military units receive support, a support agreement shall be drawn up between the Military Department concerned and the international organization.

0903 RESPONSIBILITIES

090301. Under Secretary of Defense (Comptroller) USD(C). The USD(C) shall designate the administrative agent responsible for arranging support to U.S. military elements at an international military organization. Geographic proximity to existing support infrastructure and mission compatibility are the primary criteria used to assign administrative agent duties. Current designations are provided in enclosure 1 of this chapter. The Military Services shall request updates to this enclosure as needed to reflect changes in available support infrastructure within a geographic area.

090302. Secretaries of the Army and the Air Force

A. The Secretary of the Army shall program and budget the annual U.S. contributions to the various North Atlantic Treaty Organization (NATO) bodies in the Army Operations and Maintenance (O&M) appropriation, with one exception, as identified in paragraph 090302.B, below.

B. The Secretary of the Army also shall program and budget for the annual U.S. contributions to other recognized multinational headquarters, such as the Reaction Forces and the NATO sub-Principal Subordinate Commands (PSC) in which the United States participates.

C. The Secretary of the Air Force shall budget for the NATO Airborne Early Warning Program Management Agency (NAPMA).

090303. Administrative Agent. The administrative agent shall:

A. Budget for the U.S. contributions to designated non-NATO international military organizations. When the Army is not the administrative agent for a NATO body, or other multinational headquarters, the designated agent shall provide the Army with program and budget information on the annual contribution for inclusion in the Army's O&M appropriation. Budgeting for the NAPMA constitutes an exception to this policy.

B. Coordinate with appropriate U.S. representatives at the international military organizations to ensure that effective procedures and controls are prescribed for budgeting, obligating, disbursing, and receiving credits incident to administering the U.S. contributions.

C. Program and allocate resources in a manner that will provide the international organization with the highest possible level of support under section 0902. and subsections 090402, 090403, or 090404 of this chapter consistent with financial constraints that may be imposed through the normal program and budget process.

D. Support U.S. military elements attached to the designated international military organization on a nonreimbursable basis, unless the support is an international budget cost or is a budget responsibility of another Military Department (see subsection 090304). The standards and directives of the administrative agent shall govern the level and type of support furnished. The level and type of support will be consistent with the highest possible level of support allowable under this chapter while not violating those same governing standards and directives. Support requirements based upon input provided by the U.S. military element shall be included in the administrative agent's annual budget. In carrying out this support responsibility, the administrative agent shall obtain support from the most efficient and economical source while ensuring that no parallel support facility is established when the support may be performed economically by local sources (see DoD Directive 4000.19, "Interservice, Interdepartmental, and Interagency Support").

E. Provide U.S. military elements, which are Table of Organization and Equipment (TO&E) or equivalent units, with replacement issues of consumable and nonconsumable material, obtaining peculiar items when necessary from supply systems of the parent Military Service on a reimbursable basis.

F. Provide U.S. military elements, which are Table of Distribution (TD) or equivalent units, both with initial and replacement issues of consumable and nonconsumable material.

G. Establish table of allowances, unit allowance lists, base allowance lists, and other authorization documents for U.S. military elements attached to the international military organization.

H. Budget for the cost of civilian employees of the U.S. Government assigned to positions in international military organizations. These employees shall retain their status as U.S. employees and be paid from U.S. funds at the appropriate U.S. scale of pay and allowances, subject to subparagraph 090303.I, below. However, since such employees are filling international positions, their pay and allowances at the appropriate international pay scale shall be budgeted by the international military organization to which they are assigned. A sum equal to the amount of such pay and allowances at the international scale shall be collected from the international organization and reflected in the reimbursable portion of the DoD budget. The DoD direct budget shall absorb any differences.

I. U.S. civilians who occupy positions in international military organizations on a direct hire basis (not as U.S. Government employees), as provided for by Executive Order 11633, "Security Clearance Program for U.S. Citizens Employed Directly by NATO, the SEATO, and the CENTO," will be governed by the provisions of that order and other applicable U.S. Government regulations that deal with such employment. They shall be remunerated by the international military organization concerned at the applicable international pay scale and shall have no entitlement to pay and allowances or benefits of U.S. Government employees.

090304. Secretary of a Military Department. The Secretary of a Military Department with military personnel assigned to a U.S. military element shall:

A. Budget and fund for personnel costs of military personnel of that Component included in the U.S. military element.

B. Budget and fund for personally assigned equipment provided to military personnel of that Component included in the U.S. military element.

C. Make initial issuance to TO&E or equivalent units of that Component assigned or attached to U.S. Military elements.

D. Budget and fund component-peculiar requirements, such as flying qualifications, medical examinations, personnel training and development, and social actions, for military personnel of that Component.

E. Support other requirements. Costs shall be chargeable to the administrative agent on an interservice (reimbursable) basis.

F. Provide appropriate support to foreign military elements or to international military organizations in accordance with subsections 090402, 090403 or 090404, herein, unless identified in this chapter as items of nonreimbursable support.

090305. Head of a U.S. Military Element. The Head of a U.S. Military Element shall support the international military organization on a nonreimbursable basis, except for the costs of a military member who is assigned to an international civilian position, or when such support requires augmentation of the Element's normal manpower, equipment, or other resources from other U.S. sources.

090306. Head of a DoD Component. The Head of a DoD Component shall support the international military organization and participating foreign countries on a reimbursable basis, in accordance with the Arms Export Control Act or NATO Mutual Support Act, unless otherwise specified in this chapter.

090307. Commander of a Unified Combatant Command. The Commander of a Unified Combatant Command shall coordinate the activities of the administrative agents concerned in implementing this chapter within the Command theater of operations.

090308. Head of an International Military Organization. The Head of an International Military Organization shall support U.S. Military Elements on a nonreimbursable basis for those support areas set forth in the scope of the budget for international military headquarters and agencies (enclosure 1).

0904 POLICY AND PROCEDURES

090401. Reimbursements Due the United States from International Military Organizations for U.S. Personnel (Military or Civilian) Occupying International Civilian Positions.

A. A sum equal to the pay and allowances established for the occupied positions at the international scale shall be credited to the United States as an offset to the U.S. contribution to the international organization.

1. The administrative agent shall determine the amount of credit due and initiate a quarterly SF 1080, "Voucher for Transfer Between Appropriations and/or Funds," to transfer funds from the U.S. contribution to the international budget to the applicable financing DoD appropriation.

2. As an exception to this offset credit procedure, international military organizations located in the continental United States (CONUS), to which contributions are made in U.S. dollars, shall make direct reimbursement of the international pay and allowance equivalent to the administrative agent for any U.S. personnel assigned to international civilian positions.

B. The administrative agent shall screen the personnel administration and payroll computations for U.S. employees, as performed by the international organization, to ensure the accuracy and sufficiency of data and credits granted.

090402. Reimbursements Due the United States from International Military Organizations for Reimbursable Support Provided Pursuant to the Arms Export Control Act (AECA). When DoD services are performed, articles delivered from inventory or new procurement initiated under the authority of Public Law 90-629, “Arms Export Control Act,” as amended (Title 22, United States Code, section 2751), the pricing and billing shall be in accordance with Volume 15 of this Regulation.

090403. Reimbursements Due the United States from International Military Organizations for Reimbursable Support Provided Pursuant to the NATO Mutual Support Act. When DoD services are performed or articles delivered from inventory under the authority of the NATO Mutual Support Act, pricing shall be in accordance with Chapter 8 of this volume and billing shall be in accordance with the international agreement negotiated in accordance with DoD Directive 2010.9, “Mutual Logistic Support Between the United States and Other NATO Forces.”

090404. Reimbursements Due the United States from International Military Organizations for Reimbursable Support Provided Under Authorities Other than the Arms Export Control Act or the NATO Mutual Support Act of 1979

A. Leases of real and personal property are authorized by Title 10, United States Code, section 2667 and shall be priced in accordance with Volume 2 of this Regulation. Property with a life expectancy of less than 3 years or a value of less than \$1,000 will not be leased, but must be provided on a sales basis under subsections 090402 or 090403, above. In the event that DoD services or materiel are provided under authorities other than Public Law 90-629 (AECA), Public Law 96-323 (ACSA), or this Regulation, the DoD Component providing that support shall obtain a legal opinion supporting the use of such other legal authority before providing the service or materiel. The legal opinion shall be retained for audit verification.

B. The designated official of the DoD Component furnishing the support shall:

1. Originate promptly and in detail an SF 1080 to bill the administrative agent or the designated coordinating agent.
2. Prepare the invoice for reimbursable support on the basis of constructive delivery.
3. Distribute the SF 1080s as follows:
 - a. Submit two copies of the SF 1080a, with supporting detail, to the international military organization receiving the services or materiel for verification of the charge.
 - b. Forward the original (disbursement SF 1080s) and the collection copy (SF 1080b), without supporting detail, to the administrative agent or the designated coordinating agent.

c. Retain the additional copies, with supporting detail as may be required by the billing office, pending receipt of executed vouchers.

C. The administrative agent or the designated coordinating agent shall (1) request the comptroller of the NATO command or the appropriate international organization concerned to provide a monthly listing of charges that have been accepted and (2) ensure that such charges are reflected as offset credits to the United States in the callup of contributions to the international budgets.

D. The coordinating agent shall match the monthly listing of accepted charges with outstanding SF 1080s, and process the SF 1080s for accepted charges as payments to the billing office. Upon receipt of the validated SF 1080s, the billing office shall process the collection.

E. The designated coordinating agent shall verify that the offset credits are applied to the U.S. contributions to the international organization through a reconciliation of individual SF 1080 billings to the monthly list of accepted charges.

F. When materiel or services are furnished to international military organizations that are located within the CONUS and to which contributions are made in U.S. dollars, the U.S. military activity providing the support shall be responsible for billing the international military organization directly, and obtaining reimbursement in U.S. dollars.

0905 SCOPE OF BUDGET FOR INTERNATIONAL MILITARY HEADQUARTERS AND AGENCIES

The international budget shall include the types of costs, except as limited by exclusions in the following paragraphs, in such order and form as may be determined by the appropriate financial reviewing authorities. The following subparagraphs are illustrative of the types of costs accepted by the NATO Military Budget Committee as an international charge. The comptroller of the international military organization concerned and the U.S. representative shall be consulted if there is doubt whether the cost of any article or service is properly an international charge.

090501. Civilian Personnel, Administrative Staff. Pay and authorized allowances of personnel employed by an international headquarters for the performance of international functions, including secretarial, clerical, or technical assistance. For U.S. military and civilian personnel, see paragraph 090401 of this chapter.

090502. Civilian Personnel, Operational Staff. Pay and authorized allowance of personnel locally hired for custodial, industrial, or operational purposes, including upkeep of the premises and fixed or movable equipment used by the headquarters or its support units or fixed installations, supervision or operation of headquarters' fixed and movable equipment other than office equipment, and operation of headquarters enlisted mess facilities.

090503. Rents and Maintenance. Rental of office space, barracks, warehouses, and other commercial-type buildings, including taxes; cost of utilities, liquid and solid fuels, sewage and garbage disposal service; supplies and material for janitorial and hygienic services (national support unit barracks excluded); and supplies, material, and contractual expenses for maintenance, repair, and minor alterations to buildings and facilities, including replacement of minor installations and fixed equipment when damaged or worn beyond repair.

090504. Operation of General Services. Stationary and general office supplies for the headquarters and all units assigned in direct support; rental of office equipment required to supplement available equipment in accordance with internationally approved standards; printing, binding, and reproduction; purchase of maps, charts, and terrain models for peace time use; newspapers, periodicals, and library supplies; photo supplies and photographic processing; and drugs and other expendable medical supplies for first aid stations.

090505. Communications. Procurement and installation of switchboards, radio transmitters and receivers, telephone exchanges, and mobile communications equipment including related signal vehicles; rental of commercial-type equipment for additional requirements; repair and maintenance of communications equipment, including supplies and spare parts; cost of commercial communications, including installation and reinstallation charges for leased or other use of local, national, and international telephone, telegraph, and teletype circuits; and postage and postal fees.

090506. Transportation. Rental or purchase of passenger and cargo vehicles; petroleum, oil, and lubricant products for such vehicles and other equipment used in direct support of international headquarters; supplies and spares required for organizational maintenance of vehicles and related equipment; commercial freight, local hauling, and express charges for internationally procured supply and equipment items, including shipping charges for contribution-in-kind from member nations to place of receipt.

090507. Travel of International Staff

A. Civilian Personnel. Transportation and per diem costs of temporary duty travel on official business.

B. U.S. Military Personnel. When traveling on official business under travel orders issued by an authorized international headquarters that directs payment to be charged to international funds, the costs of such travel are payable as follows:

1. From international funds. Cost of transportation furnished by Military Airlift Command and/or a common carrier, to include taxi fares and privately owned conveyances under previously approved conditions.

2. From U.S. appropriated funds. Per diem and other expenses authorized by U.S. travel regulations.

090508. Exercises and Maneuvers. When directly related to an allied command training exercise, the cost of commercial communication services and facilities provided solely to fill a requirement of the exercise on behalf of the participating nations; civilian labor hired in connection with the exercise by the interallied headquarters and not specifically for any one nation; temporary installations for interallied field headquarters not available from organic equipment of participating troops or the headquarters and not properly chargeable to the host nation; rental of additional commercial transportation required at interallied headquarters for the exercise; utilities costs for interallied headquarters if at a place other than an existing military post; and reproduction of photographs and film strips, required by the directing staff for subsequent international training or critique purposes, when source of production is other than a military unit.

090509. Representational and Hospitality Expenses of the Supreme Commanders for international purposes.

090510. Contingencies. Claims for losses by fire, theft, and other damages; and costs to employ legal representation in civil court actions.

090511. Construction. Design and new construction of buildings and facilities, including housing, structures, utilities, modification, and alteration of existing buildings and facilities, including fixed equipment, sewage, gas, water, and electrical supply systems, roads, and approaches.

090512. Furniture and Equipment. Office furniture and equipment procured within internationally approved standards for the direct support of international headquarters and agency activities; equipment for maintenance of kitchens, shops, heating electrical plants; and furniture used in barracks, messes, recreation rooms, and dining rooms and clubs.

ENCLOSURE 1
INTERNATIONAL MILITARY HEADQUARTERS AND
RELATED AGENCIES AND ADMINISTRATIVE
AGENTS RESPONSIBLE FOR THEIR
SUPPORT AND FOR SUPPORT TO U.S. ELEMENTS

	<u>Headquarters or Agency</u>	<u>Administrative Agent</u>
A.	NATO	
1.	NATO Military Committee Agencies	
a.	International Military Staff (IMS)	Army
b.	Allied Long Lines Agency (ALLA)	Army
c.	Allied Communications and Computer Security Agency (ACCSA)	Army
d.	Allied Radio Frequency Agency (ARFA)	Army
e.	Allied Naval Communications Agency (ANCA)	Navy
f.	Allied Tactical Communications Agency (ATCA)	Army
g.	European Distribution Accounting Agency (EDAA)	Navy
h.	NATO Defense College	Navy
i.	Advisory Group for Aerospace Research and Development (AGARD)	Air Force
j.	Military Agency for Standardization	Army
k.	Canada - U.S. Regional Planning Group	Army
l.	Permanent Military Representatives to NATO	Army
m.	NATO Communications and Information System Agency (NACISA)	Army

ENCLOSURE 1 (CONT)

	<u>Headquarters or Agency</u>	<u>Administrative Agent</u>
2.	NATO Production/Logistics Agencies and Committees	
a.	Central European Operating Agency (CEOA)	Army
b.	NATO Maintenance and Supply Agency (NAMSA)	Army
c.	NATO Air Defense Ground Environment Management Office (NADGE)	Army
d.	NATO Integrated Communications System Management Agency	Army
e.	NATO Supply Center (NSC)	Army
f.	NATO Hawk Production and Logistics Organization	Army
g.	NATO F-16 Aircraft Production Consortium	Air Force
h.	NATO Maritime Patrol Aircraft Steering Committee	Army
i.	NATO Jaguar Steering Committee	Army
j.	Sea Sparrow Point Defense Missile System Steering Committee	Army
k.	Azores Fixed Acoustic Range Steering Committee	Army
l.	FH-70 155MM Towed Howitzer Steering Committee	Army
m.	SP-70 Self-Propelled Howitzer Steering Committee	Army

ENCLOSURE 1 (CONT)

	<u>Headquarters or Agency</u>	<u>Administrative Agent</u>
n.	Acoustic Communication with Submarines Committee	Army
o.	NATO Puma, Gazelle and Lynx Helicopters Committee	Army
p.	Combat Vehicle Reconnaissance (Tracked) Committee	Army
q.	Nike RN 202 Gun and Armament Committee	Army
r.	NATO Milan Anti-Armor System Committee	Army
s.	NATO Patrol Boat Hydrofoil Committee	Army
t.	NAEW Force Command	Army
u.	EURO-NATO-NIKE Training Center (ENTC)	Army
v.	NATO Airborne Early Warning Program Management Agency (NAPMA)	Air Force
w.	NATO ACCS Management Agency (NACMA)	Army
x.	AFCENT Multi-National Coordination Center (MNCC)	Army
3.	Allied Command Europe	
a.	Supreme Headquarters Allied Powers Europe (SHAPE)	Army
b.	SHAPE Technical Center	Air Force
c.	HQ Allied Forces Northwest Europe	Air Force
(1)	HQ Allied Air Forces Northwest Europe	Air Force

ENCLOSURE 1 (CONT)

	<u>Headquarters or Agency</u>	<u>Administrative Agent</u>
	(2) HQ Allied Naval Forces Northwest Europe	Air Force
	(3) HQ Allied Forces North	Air Force
d.	HQ Allied Forces Central Europe	Army
	(1) HQ Allied Land Forces Central Europe	Army
	(2) HQ Allied Air Forces Central Europe	Army
	(3) HQ Allied Forces Baltic Approaches	Air Force
e.	HQ Allied Forces Southern Europe	Navy
	(1) HQ Allied Land Forces Southern Europe	Army
	(2) HQ Allied Land Forces Southeastern Europe	Air Force
	(3) HQ Allied Land Forces South Central Europe	TBD
	(4) HQ Allied Air Forces Southern Europe	Navy
	(5) HQ Allied Naval Forces Southern Europe	Navy
	(6) HQ Naval Striking and Support Forces Southern Europe	Navy
f.	Allied Mobile Forces - Land	Army
g.	Multinational HQ/NATO Sub-PSC HQ	
	(1) Combined Air Operations Center #1 (Kalkar, Germany)	Air Force

ENCLOSURE 1 (CONT)

	<u>Headquarters or Agency</u>	<u>Administrative Agent</u>
(2)	Combined Air Operations Center #2 (Sembach, Germany)	Air Force
(3)	Combined Air Operations Center #3 (Messstetten, Germany)	Air Force
(4)	Combined Air Operations Center #4 (Finderup, Denmark)	Air Force
(5)	5th Allied Tactical Air Force	Air Force
(6)	6th Allied Tactical Air Force	Air Force
(7)	7th Allied Tactical Air Force	TBD
(8)	HQ Submarines Mediterranean	Navy
(9)	HQ Maritime Air Forces Mediterranean	Navy
(10)	HQ Gibraltar Mediterranean Command	Navy
(11)	HQ Central Mediterranean Area	Navy
(12)	HQ Eastern Mediterranean Area	Navy
(13)	HQ Northeastern Mediterranean Area	Navy
(14)	HQ ACE Rapid Reaction Corps (ARRC)	Army
(15)	HQ Reaction Forces Air Staff	Air Force
(16)	HQ II German Corps	Army
(17)	HQ Island Commander, Faroes	Navy
(18)	HQ Island Commander, Bermuda	Navy

ENCLOSURE 1 (CONT)

	<u>Headquarters or Agency</u>	<u>Administrative Agent</u>
	(19) HQ Island Commander, Greenland	Navy
	(20) HQ Island Commander, Azores	Navy
	(21) HQ Island Commander, Madeira	Navy
	(22) HQ Maritime Air Northwest	Navy
	(23) HQ Marine Strike Forces	Navy
	(24) HQ Submarines Northwest	Navy
	(25) HQ North Northwest	Navy
	(26) HQ West Northwest	Navy
	(27) HQ Benelux Northwest	Navy
	(28) HQ Commander, Portugese Air	Navy
	(29) HQ UKNLAF	Navy
	(30) HQ UKNLLF	Navy
4.	Supreme Allied Commander, Atlantic (SACLANT)	Navy
a.	HQ, WESTLANT	Navy
	(1) HQ, OCEANLANT	Navy
	(2) HQ, CANLANT	Navy
	(3) HQ, SUBWESTLANT	Navy
b.	HQ, EASTLANT	Navy
	(1) HQ, NORLANT	Navy

ENCLOSURE 1 (CONT)

	<u>Headquarters or Agency</u>	<u>Administrative Agent</u>
	(2) HQ, CENTLANT	Navy
	(3) HQ, MARAIREASTLANT	Navy
	(4) HQ, SUBEASTLANT	Navy
	(5) HQ, ISCOMICELAND	Navy
c.	HQ, IBERLANT	Navy
d.	HQ, SUBACLANT	Navy
e.	HQ, STRIKFLTANT	Navy
	(1) HQ, CARSTRIKFOR	Navy
	(2) HQ, ASWSTRIKFOR	Navy
	(3) HQ, PHIBSTRIKFOR	Navy
f.	Antisubmarine Warfare Research Center	Navy
5.	Allied Command Channel (ACCHAN)	Navy
a.	Benelux Subarea	Navy
b.	Maritime Air - Nore Subarea	Navy
c.	Allied Maritime Air Force Channel	Navy
d.	Maritime Air-Plymouth Subarea	Navy
e.	Standing Naval Force - Channel	Navy
B.	Inter-American Defense Board (IADB)	Army

ENCLOSURE 1 (CONT)

	<u>Headquarters or Agency</u>	<u>Administrative Agent</u>
C.	Joint Mexican-United States Defense Commission (JMUSDC)	Army
D.	Permanent Joint Board on Defense, Canada-United States (PJBD)	Air Force
E.	U.S.-Spanish Combined Military Coordination and Planning Staff (CMCPS)	Air Force
F.	Republic of Korea/United States Combined Forces Command (ROK/US)	Army

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CHAPTER 10**UNIT EXCHANGE OF TRAINING AND RELATED SUPPORT BETWEEN
THE UNITED STATES AND FOREIGN COUNTRIES****1001 OVERVIEW**

100101. **Purpose.** This chapter provides the financial policy that implements Title 22, United States Code, section 2770a, which authorizes the reciprocal unit exchange of training and related support between the United States and friendly foreign countries or international organizations.

100102. **General**

A. Title 22, United States Code, section 2770a authorizes the President to enter into agreements for reciprocal unit exchange of training and related support between the United States and friendly foreign countries or international organizations. Chapter 10, paragraph 100308, of DoD 5105.38-M, "Security Assistance Management Manual," provides general implementing program guidance for the conduct of exchanges. Unit exchanges shall be arranged only as part of an international agreement, as defined in DoD Directive 5530.3, "International Agreements." Before entering into negotiations for an international agreement or conducting a specific exchange thereunder, the initiating authority shall seek the approval of the cognizant Unified Commander in whose area of responsibility the foreign nation or international organization is located or in which the training is to be conducted. Generally, the Secretary of a Military Department, or designee, is the approving authority for implementing arrangements, entered into under authority of the agreement, which provide for the exchange of specific units. However, implementing arrangements of significant political-military importance or operationally sensitive exchanges require approval by the Under Secretary of Defense (Policy) (USD(P)).

B. The provisions of Title 22, United States Code, section 2770a apply only to established military units, not to ad hoc units or individual members of units. Therefore, to qualify as a unit exchange, the organization receiving the training must include substantially all individuals assigned to an established unit. A unit exchange of training and related support may include transportation, food services, health services, logistics, and the use of facilities and equipment provided to military and civilian defense personnel. Training performed pursuant to unit exchange agreements shall be on an exchange basis. If an exchange of training does not commence within 12 months, the training shall be converted to a reimbursable transaction.

1002 POLICY AND PROCEDURES

100201. **Pricing Reciprocal Exchanges or Related Support.** A DoD Component participating in a reciprocal unit exchange or related support arrangement shall use the following pricing guidelines:

A. U.S. officials delegated authority under DoD Directive 5530.3 to negotiate agreements under Title 22, United States Code, section 2770a shall perform a price analysis based on prior experience and/or current supporting data. The price determined for the unit exchange of training or related support shall be fair and reasonable, taking into consideration all applicable circumstances. If the determination under paragraph 100202.A, below, cannot be made, the training may not be performed and the related support may not be exchanged.

B. Reciprocal unit exchanges of any training or related support by the United States shall be subject to the pricing provisions of chapter 7, Volume 15, of this Regulation. The estimated actual cost of each reciprocal unit exchange shall be computed and recorded by the Military Department designated resource management function. The estimated actual cost recorded shall be used as the basis for reporting costs incurred and for reimbursement purposes in the event exchanges are not reciprocated. An obligation shall be established when a determination is made that the exchange will not take place or within 12 months from the date the training began, whichever occurs first.

100202. Liquidation of Credits and Liabilities. Compensation for the acquisition or transfer of a unit exchange of training and related support under the authority of this chapter shall be accomplished through either of the following methods:

A. Reciprocal Exchange. Training or related support that is to be exchanged requires a written determination by the approving U.S. organization that the reciprocal unit exchange of training or related support has a substantially comparable value. Comparable value received is the sum of those monetary (i.e., estimated actual cost that the U.S. would have had to pay for training received) and nonmonetary (i.e., benefits or cost avoidance) values that comprise the total exchange value. Methodologies depicting comparable value, both monetary and nonmonetary, shall be retained and available for audit.

B. Reimbursable. Payments for training and related support are to be in the currency of the supplying nation and shall be provided in the event reciprocity is not achieved within 12 months from the date the training began.

100203. Conversion to Reimbursable Training. The servicing accounting and finance office shall take the following actions when reciprocal training or related support is not provided or not received:

A. Actions to be Taken When the United States Does Not Provide Reciprocal Training or Related Support. When the United States does not provide reciprocal training and related support within 12 months after such training or support begins, the exchange transaction shall be converted to a reimbursable transaction and an obligation recorded. The obligation shall be recorded against the appropriation current at the time the determination is made that reciprocal training will not be provided. The resulting accounts payable is to be paid 30 days from the date established. The accompanying documentation shall fully explain the reasons for not providing reciprocal training or related support during the preceding 12 months.

B. Actions to be Taken When the United States Does Not Receive Reciprocal Training or Related Support. When the United States does not receive reciprocal training or related support within 12 months after such training or support begins for a foreign country, the exchange transaction shall be converted to an accounts receivable. The accounts receivable shall be established against miscellaneous receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." Billings shall be made by the DoD Component through the consulate and/or embassy of the foreign country or as otherwise provided for in the agreement. Payment will normally be required within 30 days of the invoice date.

1003 REPORTING RESPONSIBILITIES

100301. Secretaries of the Military Departments. The Secretaries of the Military Departments, or designees, shall submit to the Director, Defense Finance and Accounting Service, not later than December 1 of each year, a report for each reciprocal exchange or reimbursement (Figures 10-1 and 10-2) that was in effect during the prior fiscal year.

100302. Director, Defense Finance and Accounting Service. The Director, Defense Finance and Accounting Service shall:

- A. Consolidate the input from the Military Departments.
- B. Prepare an annual report for signature by the Under Secretary of Defense (Comptroller).
- C. Coordinate this report with the Office of the Under Secretary of Defense (Comptroller), Office of the Under Secretary of Defense (Personnel and Readiness), Office of the Deputy Under Secretary of Defense (Logistics), and Office of the Assistant to the Secretary of Defense (Legislative Affairs).
- D. Transmit the report for receipt by the Congress not later than February 1 of each year.

EXCHANGE OF TRAINING AND RELATED SUPPORT RECIPROCAL EXCHANGES

DoD Component: _____
FY _____

(In Thousands)

Agreement and/or Subagreement Number: Notes 1,2

Date Training Provided	Date Reciprocal Training Provided	Estimated Cost Provided (Note 3)	Estimated Value Received (Note 4)
_____	_____	_____	_____

NOTES:

1. Describe briefly the essential elements for each agreement. Annually submit this data in summary form to the Director, Defense Finance and Accounting Service, as prescribed in section 1003 of this chapter.
2. Each Military Department shall retain a complete file for audit purposes of each agreement entered into that results in an obligation being recorded or a reimbursable order being established.
3. Estimated cost of training and support provided by the United States.
4. Estimated value of training and support provided to the United States.

Figure 10-1

**EXCHANGE OF TRAINING AND RELATED SUPPORT
TRAINING CONVERTED TO REIMBURSABLE TRANSACTIONS**

DoD Component: _____
FY _____

(In Thousands)

Agreement and/or Subagreement Number: Notes 1,2

Date Training Provided	Date Converted to a Reimbursable Transaction	Obligation Recorded as a Result of Not Providing Reciprocal Training	Accounts Receivable Established as a Result of Not Receiving Reciprocal Training
_____	_____	_____	_____

NOTES:

1. Describe briefly the essential elements and reasons for not providing the reciprocal training for each agreement. Annually submit this data in summary form to the Director, Defense Finance and Accounting Service, as prescribed in section 1003 of this chapter.
2. Each Military Department shall retain a complete file for audit purposes of each agreement entered into that results in an obligation being recorded or a reimbursable order being established.

Figure 10-2

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CHAPTER 11**SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS****1101 OVERVIEW**

110101. Purpose. This chapter supplements the standards for financial accounting for receivables (Chapter 3, Volume 4, “Accounting Policy and Procedures,” of this Regulation) and for budgetary accounting for reimbursements (Chapter 15, Volume 3 “Budget Execution - Availability and Use of Budgetary Resources” of this Regulation). It provides guidance on the amounts that shall be recouped when the DoD Components perform special or technical services for state or local governments. This chapter does not provide legal authority to sell to state or local governments. Specific legal authority must be identified to make such sales.

110102. General. It is the policy of the Department to cooperate to the maximum extent possible with state and local governments to provide specialized or technical services. Such services generally shall supplement and not supplant any services provided under other authority.

A. Pricing. Specialized or technical services to state and local governments provided under authority of Title III of the Intergovernmental Cooperation Act of 1968 shall be priced as a sale to private parties at the full costs to the Department.

B. Disposition of Proceeds. Payments received by DoD Components for the costs of such service shall be deposited to the credit of the appropriation or account from which the costs of providing the services have been paid or are to be charged. Unfunded portions of the costs of such services shall be deposited to the U.S. Treasury as miscellaneous receipts.

1102 POLICY AND PROCEDURES**110201. Types of Services**

A. The following specialized or technical services and related facilities that may be provided under Title 31, United States Code, Chapter 65, “Intergovernmental Cooperation.”

1. Any existing statistical or other studies and compilations, results of technical tests and evaluations, technical information, surveys, reports, documents, and any such materials which may be developed or prepared in the future to meet the needs of the federal government or to carry out a DoD Component’s normal responsibilities.

2. Preparation of statistical or other studies and compilations, technical tests and evaluations, technical information, surveys, reports, documents, and assistance

in the conduct of such activities, and in the preparation of such materials, provided they are similar to those that the DoD Component is authorized by law to conduct or prepare.

3. Training of the type that the DoD Components are authorized by law to conduct for DoD personnel.

4. Technical aid in the preparation of proposals for developmental and other projects for which the DoD Components provide grants-in-aid or other assistance, provided such aid primarily develops recipients' capability to prepare their own proposals.

5. Technical information, data processing, communications and personnel management systems services, and technical advice on improving logistical and management services that the DoD Components normally provide the DoD for themselves or others under existing authorities.

B. Any of the above listed specialized or technical services provided by a DoD Component to states and their political subdivisions under other authorities also may be provided under the authority of OMB Circular A-97, "Rules and Regulations Permitting Federal Agencies to Provide Specialized or Technical Services under Title III of the Intergovernmental Cooperation Act of 1968."

C. If a DoD Component receives a request for specialized or technical services that is not covered above, but that is consistent with OMB Circular A-97 and which the Component has a special competence to provide, the Component shall forward the request to the Deputy Under Secretary of Defense (Logistics) (DUSD(L)) for submission to the OMB for review. If there is doubt whether the service requested is covered, the Component should forward the request to the DUSD(L) for review.

110202. Conditions Under Which Services May Be Provided. Specialized or technical services covered under OMB Circular A-97 may be provided at the discretion of the DoD Component head only under the following conditions:

A. Such services shall be provided only to states, their political subdivisions, and combinations or associations of such governments, their agencies, and instrumentalities.

B. Such services shall be provided only upon the written request of a state or its political subdivision. Requests normally shall be made by the chief executive of such entities and shall be addressed to the head of the DoD Component involved.

C. Such services may not be provided unless the servicing DoD Component maintains similar services for its own use under the policies and procedures set forth in OMB Circular A-76, "Performance of Commercial Activities," and subsequent changes thereto. In addition, in accordance with the policies set forth in OMB Circular A-97, the requesting entity shall certify that such services cannot be procured reasonably and quickly through ordinary business channels.

D. Such services may not be offered if they require any staff additions or involve expenditures for additional equipment or other facilities solely for the purpose of providing such services, except when the costs of such services are charged to the user.

E. Such services shall be provided only upon payment or arrangement for reimbursement to the DoD Component involved by the unit of government making the request. This includes salaries and all other identifiable direct and indirect costs of performing such services.

F. Technical information provided in accordance with this chapter may not be disseminated further to third party governmental entities or associations, unless expressly authorized by the originating DoD Component.

G. If a request for a service is denied, the DoD Component shall furnish a statement to the entity making the request indicating the reasons for the denial.

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CHAPTER 12**MAJOR RANGE AND TEST FACILITIES****1201 OVERVIEW**

120101. Purpose. This chapter provides reimbursable policy for specific Department of Defense test and evaluation (T&E) activities (Figure 12-1), hereafter referred to as a Major Range and Test Facility Base (MRTFB). (This chapter does not apply to the commercial space launch activities of the 30th and 45th Space Wings; reimbursable policy for these activities is contained in Chapter 13 of this volume. Nor does this chapter apply to the sale of samples, drawings, information, equipment, and certain services as authorized by 10 U.S.C. 2539b (see Chapter 14 of this volume).

120102. General. The MRTFB is a national asset which is sized, operated, and maintained primarily for DoD test and evaluation support missions, but also is available to non-DoD users having a valid requirement for its capabilities.

1202 POLICY AND PROCEDURES

120201. Funding. Funding of the MRTFB is designed to: (a) assure the most cost effective development and testing of materiel; and (b) provide for interservice compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing. The MRTFB activities, as listed in DoD Directive 3200.11 (examples of these activities are listed in Figure 12-1), shall be funded in a uniform manner. The categories of goods and services charged to the MRTFB customers consistently shall be applied among all the MRTFBs. All costs incurred by MRTFB activities shall be billed to either one of the following sources: (1) MRTFB customers (users) or (2) direct appropriations of the managing activity. All costs not funded by customers on a reimbursable basis shall be funded as part of the direct appropriations of the Component responsible for the MRTFB. Direct appropriations sometimes are referred to as institutional funds.

120202. Accounting. The job order cost accounting system described in Chapter 20, "Job Order Costing," volume 4, of this Regulation is a minimum requirement to support financial management and funding policies at MRTFBs. The cost accounting system shall be used to determine charges under agreements entered into pursuant to DoD Directive 4000.19, "Inter-service, Interdepartmental, and Inter-agency Support." Reimbursement for the use of an MRTFB consistently will be determined within the Department of Defense.

120203. Reimbursements for Range Use

A. Working Capital Fund Activities

Working Capital Fund activities shall charge customers at standard rates, in accordance with established pricing policies contained in Volume 11B of this Regulation.

B. Non-Working Capital Fund Activities

1. DoD Component Users

a. DoD Component users shall reimburse MRTFB activities for direct costs readily identifiable with a particular customer order. The reimbursement charge shall include a proportional share (through appropriate rates) of equipment maintenance costs related to the use, and any other costs that are a direct result of T&E activities. Chargeable direct costs include labor, material, facilities, minor construction, utilities, equipment, supplies, items damaged or consumed during testing, and any resource or item maintained for a particular user. Direct costs billed shall be in accordance with Chapter 1, "General Reimbursement Procedures and Supporting Documentation," of this volume, and shall be identified to a job or function served in support of a customer order. Indirect costs shall be paid by the activity's direct appropriations.

b. Chargeable costs incurred by activities not funded by DoD Working Capital Funds for other DoD Components do not include military personnel costs.

2. Non DoD Component Users. This includes Federal, State or Local Government agencies, allied foreign governments, defense contractors, and when authorized, private organizations and U.S. commercial enterprise customers.

a. MRTFB commanders shall charge all direct costs associated with a customer order.

(1) Chargeable direct costs include labor, material, facilities, minor construction specifically performed for the customer, utilities, equipment, supplies, and other resources damaged or consumed during testing or maintained for a particular user.

(2) Chargeable direct costs incurred by non-Working Capital Fund activities for other than DoD Components shall include all military personnel costs associated with a customer order. (Military personnel costs shall be priced at the composite standard military pay rate--see Chapter 14 of this volume.)

b. MRTFB commanders shall charge an appropriate amount of indirect costs. Any indirect costs incurred, but not billed to a customer, shall be billed to the activity's institutional funds. Institutional funding levels, however, shall not be increased to finance any additional indirect cost incurred due to sales to non-DoD activities.

★ 3. Limitation. Consistent with the authority provided in 10 U.S.C. 2681, the policies in subparagraph 120203.B.2., above, are effective through September 30, 2002, unless 10 U.S.C. 2681 subsequently is amended to extend the authority. In the absence of such an extension, customers covered by subparagraph 120203.B.2. shall be charged in accordance with Chapter 1, "General Reimbursement Procedures and Supporting Documentation," of this volume.

4. Foreign Military Sales. Foreign Military Sales customers shall reimburse MRTFB activities in accordance with chapter 7, "Security Assistance Policy and Procedures," Volume 15, of this Regulation. This chapter does not, and shall not, be construed to permit foreign customer countries or foreign commercial entities to purchase services from MRTFB activities through other than Foreign Military Sales procedures authorized under the Arms Export Control Act.

5. Government-Furnished Services. When the use of an MRTFB activity has been included in a contractual agreement as government-furnished services, the user shall be charged based on the category of the contracting government agency (see subparagraph 120203.B.1. or 120203.B.2.).

C. Aborts and Cancellations. Users shall be billed for all costs associated with abortions and cancellations in accordance with the pricing policy contained in subparagraphs 120203.A. and 120203.B.

MAJOR RANGE AND TEST FACILITY BASEArmy Activities

White Sands Missile Range (WSMR) including Electronic
Proving Ground (EPG) at Ft. Huachuca, AZ
High Energy Laser Systems Test Facility (HELSTF)
U.S. Army Kwajalein Atoll (USAKA)
Yuma Proving Ground (YPG)
Dugway Proving Ground (DPG)
Aberdeen Test Center (ATC)

Navy Activities

Naval Air Warfare Center - Weapons Division, Point Mugu
Naval Air Warfare Center - Weapons Division, China Lake
Naval Air Warfare Center - Aircraft Division, Patuxent River
Naval Air Warfare Center - Aircraft Division, Trenton, NJ
(Scheduled for closure)
Atlantic Undersea Test and Evaluation Center (AUTEC)
Atlantic Fleet Weapons Training Facility (AFWTF)

Air Force Activities

45th Space Wing
30th Space Wing
Arnold Engineering Development Center (AEDC)
Air Force Air Warfare Center
Air Force Flight Test Center (AFFTC)
(Includes Utah Test and Training Range)
Air Force Development Test Center (AFDTC), including the
46th Test Group at Holloman AFB, NM

Defense-Wide Activities

DISA Joint Interoperability Test Command (JITC)

Figure 12-1

CHAPTER 13**DOD SUPPORT TO UNITED STATES COMMERCIAL SPACE ACTIVITIES**

1301 **PURPOSE.** This chapter provides reimbursable policy and procedures for the sale of DoD support to U.S. commercial space activities.

1302 **BACKGROUND.** Title 49, United States Code, sections 70101-70119, “Commercial Space Launch Activities;” Title 15, United States Code, section 5807, “Use of Government Facilities;” and DoD Directive 3230.3, “DoD Support for Commercial Space Launch Activities,” encourage cooperation with the U.S. private sector in the development of commercial space launch operations and other related commercial space activities.

1303 **APPLICABILITY.** This chapter applies to DoD organizations that provide support to U.S. commercial space activities, including support provided by Major Range and Test Facility Base (MRTFB) activities.

1304 **PRICING**

130401. **General Pricing.** Title 15 of the United States Code, section 5807, authorizes DoD to allow commercial activities to use its space related facilities provided that DoD is reimbursed for its direct costs accrued in supporting the commercial space activities. The term commercial means having private capital at risk, and primary financial management responsibility for the activity residing with the private sector. Direct costs, for the purposes of this chapter, is defined as the actual costs that are associated with a commercial launch effort or other commercial space activity that would not be borne by the DoD in the absence of the commercial launch effort or other commercial activity. Such costs may include labor, material, utilities, equipment, supplies, transportation, mission-specific construction, and any other resources required, consumed, or damaged in providing government support or services.

130402. **Pricing of Space Launch Property and Services to U.S. Private Sector Launch Vehicle Operators and Other Commercial Space Activities**

A. **Space Launch Property** Space launch property consists of item built for, or used in, the launch preparation or launch of a launch vehicle.

1. **By Sale.** Space launch property that is excess or otherwise not needed for public use, may be sold or transferred by other transaction instead of sale to U.S. private sector launch vehicle operators and other commercial space activities (e.g., payload retrieval services, payload processing services). The transaction shall be valued at the fair market value as defined in Chapter 3 of this volume.

2. **By Lease/License.** Space launch property that is excess or otherwise not needed for public use may be leased/licensed to U.S. private sector launch vehicle

operators and other commercial space activities. The transaction shall be priced to recover direct costs, as defined in paragraph 130401. In addition to the costs identified in paragraph 130401, direct costs include specific wear and tear and property damage incurred by the Department as related to the launch property acquisition. Property damage costs represent the costs necessary to replace or restore the property, or site, to its condition before the lease/license.

B. Space Launch Services. Space launch services are those activities involved in the preparation of a launch vehicle and its payload for launch and the conduct of a launch. For space launch services, including utilities, otherwise not needed for public use, the acquisition price represents an amount equal to the direct costs, including the basic pay of Government civilian and contractor personnel incurred as a result of the acquisition.

130403. Articles and Services Provided from the Department of Defense Working Capital Funds. Standard prices/stabilized rates shall be charged for articles and services provided by activities and businesses operated with DoD Working Capital Funds.

130404. Upgrades or Modifications to DoD Owned Property. Upgrades or modifications to DoD owned property, facilities or equipment for commercial space activities shall be reimbursed in accordance with the provisions contained in Chapter 1 of this volume. Such upgrades or modifications must have documented approval from the parent DoD organization in accordance with DoD Directive 3230.3, "DoD Support for Commercial Space Launch Activities."

130405. Government-owned Production Facilities. Government-owned production facilities or related equipment used to support the production of a private sector commercial launch vehicle or a commercial launch process shall be provided on a direct cost basis, with terms and conditions established by a standard contract for DoD support to United States commercial space activities.

130406. Test and Evaluation. Commercial operators performing test and evaluation activities related to commercial space launch efforts using DoD facilities shall be charged on a direct cost basis.

130407. Fixed Price Estimates. Commercial space launch contractors may be offered fixed price quotes for the sale of launch services based on reasonable estimates of direct costs only when there is (a) a well defined contractor requirement and (b) a reliable cost history of similar previous sales.

1305 BILLING

130501. Invoices for support provided shall be completed and transmitted to the commercial space activity within 30 days after the rendering of such support.

130502. The payment due date shall be no more than 30 calendar days from the date of the invoice.

1306 DISPOSITION OF COLLECTIONS

130601. Proceeds from the sale of articles and services from activities operated with DoD Working Capital Funds shall be deposited to the Department of Defense Working Capital Funds.

130602. Proceeds from the sale of launch property by other than a DoD Working Capital Funds activity shall be:

A. Deposited to the Miscellaneous Receipts Account of the U.S. Treasury when the launch property is not to be replaced.

B. Deposited to the DoD appropriation account or fund, currently available for the procurement of the launch property, if the launch property is to be replaced.

130603. Proceeds from the license of launch property shall be deposited to the DoD appropriation account or fund currently available for financing the direct costs incurred. Proceeds from leases shall be deposited to the Miscellaneous Receipts Account of the U.S. Treasury.

130604. Proceeds from the sale of launch services shall be deposited to the DoD appropriation account or fund that financed the provisioning of those launch services. These proceeds must be credited to the fiscal year in which the DoD Component provided the services.

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★CHAPTER 14★

**SALE OF SAMPLES, DRAWINGS, INFORMATION, EQUIPMENT,
AND CERTAIN SERVICES BY A GOVERNMENT LABORATORY,
CENTER, RANGE, OR TESTING FACILITY**

1401 OVERVIEW140101. Purpose.

This chapter provides the reimbursable policy for sales of samples, drawings, information, equipment, and certain services to non-DoD persons or entities, as authorized by 10 U.S.C. 2539b. This chapter does not apply to facilities and ranges of the Major Range and Test Facility Base (MRTFB). Guidance pertaining to the use of the MRTFB is contained in chapter 12 of this Volume. This chapter also does not apply to any DoD Working Capital Fund activities. Guidance pertaining to DoD Working Capital Fund activities is contained in Volume 11B of this Regulation.

140102. General.

It is the policy of the Department of Defense to promote research and development within the commercial sector of the U.S. economy, and the transfer of technology from the military to the commercial sector. These policies strengthen national security by promoting the development of a national industrial and technological base from which to sustain military technological superiority, while enhancing production capabilities for the nation overall. Furthermore, these policies provide the guidance for the commercial use of defense laboratories and test facilities, equipment, materials, drawings, and manufacturing or other information.

1402 POLICY AND PROCEDURES140201. General.

A. Under section 2539b of Title 10, United States Code, the Secretary of Defense, the Secretaries of the Military Departments, Directors of Defense Agencies, or their designees, when determined by appropriate authority to be in the interest of national defense, are authorized to:

1. Sell, rent, lend, or give samples, drawings, and manufacturing or other information (subject to rights of third parties) to any person or entity;

2. Sell, rent or lend government equipment or material to any person or entity for use in independent research and development programs, subject to the condition that such equipment or material be used exclusively for such research and development, or for use in demonstrations to a friendly foreign government; and

3. Make available to any person or entity, at a prescribed fee, the services of any Department laboratory, center or other testing facility for the testing of materials, equipment, models, computer software, and other items.

B. Classified information shall not be sold, loaned or given pursuant to this authority unless such a release of information is in accordance with DoD 5200.1-R. Unclassified, but Sensitive, material shall be handled in accordance with DoD Directive 5230.25.

140202. Government Equipment or Materials.

A. In determining whether to sell, rent or loan government equipment or materials, consideration shall include, but not be limited to:

1. The current or probable future need of the government item;
2. The residual value of the item;
3. Expense incident to handling and storage of the item;
4. The probable cost of reproduction of the item in the event of future procurement; and
5. Whether the sale, rent or loan furthers the transfer of technology to the commercial sector.

140203. Government Facility Resources.

A. Ordinarily, the testing of materiel and other items not owned by the government shall not cause government personnel or other government resources to be diverted from scheduled tests of government materiel or otherwise interfere with government mission requirements.

B. The laboratory director or activity commander with immediate authority over the government testing facility shall determine the priority of use of such facility for testing of materiel and other items not owned by the government. In so determining, the director or commander shall consider the degree to which the proposed test furthers the policies set forth in subparagraph 140201.A., above. The director or commander may revise established test

schedules in order to accommodate tests of materiel and other items not owned by the government.

C. The results of tests performed in government test facilities under subparagraph 140201.A.3. may contain proprietary or other confidential information that may be exempt from mandatory disclosure under the Freedom of Information Act. In such cases, the government may not otherwise disclose such information without the consent of the persons for whom the tests are performed.

1403 FEES AND CHARGES

140301. General.

A. Fees and charges for sales, rents or loans authorized by subparagraphs 140201.A.1. and A.2. shall include all direct and indirect costs to recover the total cost to the government.

B. Internal management controls (see DoD Directive 5010.38) must be established to ensure that charges and fees are developed and adjusted, using current, accurate, and complete data, to provide reimbursement conforming to these requirements. Such controls also must ensure compliance with cash management and debt collection policies (see DoD Directive 7045.13).

C. Payment for items and fees incident to a sale, rent or loan under subparagraphs 140201.A.1. and A.2. or for a service provided under 140201.A.3. shall be made only by cashier's check, certified check, bank money order, or postal money order payable to the U.S. Treasury.

140302. Services of Government Facilities.

A. When government services are made available under subparagraph 140201.A.3., a fee or charge generally shall be imposed to recoup the total cost incurred by the government in providing the service. When approved by the laboratory/facility director/commander, prior to providing the service, all or a portion of the indirect costs may be eliminated from the fees or charges. Direct costs, at a minimum, must be charged. Sales of services at less than the total cost are permitted only when:

1. There is a compelling reason to provide the service at less than the total cost;
2. The service is in the interest of the national defense;

3. There will be no competition with the private sector; and

4. The service does not involve expansion of the capabilities and capacities of the laboratory/facility providing the service, even if the customer agrees to finance the expansion.

B. Special consideration as to recovery of less than full cost may be given when:

1. The recipient of the benefit is engaged in a nonprofit activity designed for public safety, health or welfare;

2. Payment of the full fee or charge by a state, local government or nonprofit activity would not be in the government's best interest; or

3. Laboratory/facility directors/commanders have determined that the incremental cost of collecting the fees would be an unduly large part of the receipts from the activity.

C. When less than full cost is charged, laboratory/facility directors/commanders shall maintain adequate documentation that justifies and supports each decision. Such documentation should address the above criteria and be available for review by higher authorities or any audits or inspections.

D. Under no circumstances may fees exceed the amount necessary to recoup the total costs incurred.

E. Specific guidance pertaining to the calculation of charges and fees is provided in Chapter 4 of this volume, "User Charges."

140303. Collection of Fees or Charges.

A. All fees or charges from private parties or agencies outside the U.S. Government must be collected in advance of the service being provided.

B. Specific guidance pertaining to the collection of fees is provided in Chapter 4 of this volume, "User Charges."

140304. Disposition of Fees or Charges Received.

A. Fees or charges received from sales or loans under subparagraph 140201.A.1. and A.2. shall be deposited into the miscellaneous receipts account of the U.S. Treasury.

B. Fees or charges received for services performed under subparagraph 140201.A.3. shall be credited to the appropriation, fund or account that finances the activity making such services available.

140305. Warranties and Liability.

All transfers of goods or services of whatever nature made pursuant to this Regulation shall be without any express or implied warranty. The government shall accept no liability for any damages whether direct or consequential. Furthermore, the recipient of the goods or services shall agree to indemnify and hold harmless the U.S. Government for any loss, claim, damage, or liability of any kind arising out of or in connection with goods or services so provided.

140306. Liability for Loss and Damage of U.S. Government Property on Loan to a Private Party.

The agreement with the individual, company, corporation, organization, etc., shall include a clause stating that the U.S. Government will be reimbursed for any losses or damages arising out of or in conjunction with the use of government property.

1404 DEFINITIONS

1. Drawing. A diagram, plan or list that shows in detail the fabrication or assembly of structural elements, or the installation of materials and equipment. A drawing details the characteristics, or outlines the parts or operation of a product or item.

2. Equipment or Materials. Property, including machinery, devices, apparatus, and components of such items.

3. Friendly Foreign Government. Those countries for which a Presidential Determination has been provided under Section 3(a)(1) of the Arms Export Control Act, and to which transfer has not been prohibited by the Department of State under the International Traffic in Arms Regulations (22 CFR 120).

4. Independent Research and Development (IR&D) Programs. A research and development effort that is not sponsored by, or required in performance of a government contract, or grant for: (1) basic research, (2) applied research, (3) development, and (4) systems and other concept formulation studies. IR&D programs do not include technical efforts expended in developing and preparing technical data specifically to support submitting a bid or proposal.

5. Manufacturing or Other Information. Any blueprints, drawings, plans, instructions, documentation, or other technical information that can be used or adopted for use to design, engineer, produce, manufacture, operate, repair, overhaul, or reproduce any equipment or material.

6. Person or Entity. An individual or firm, labor organization, partnership, association, corporation, a university or not-for-profit center, or a governmental unit of the United States or its territories.

7. Sample. A unit or units of a product drawn from a lot or batch that is representative of the product and is constructed in conformance with the requirements and complies with specifications of the product.

8. Laboratory. A facility or group of facilities owned, leased or otherwise used by a Federal Agency, a substantial purpose of which is the performance of research, development, engineering, test, and evaluation, or otherwise developing or maintaining technology.

CHAPTER 15

**TRAINING OF SPECIAL OPERATIONS FORCES
WITH FRIENDLY FOREIGN FORCES**1501 OVERVIEW

150101. **Purpose.** This chapter provides accounting and reporting procedures to implement provisions of Title 10, United States Code, section 2011 that are related to training of special operations forces with friendly foreign forces.

150102. **Authority for Payment of Training Expenses.** Title 10, United States Code, section 2011, enacted on December 5, 1991, by section 1052 of P.L. 102-190 (the National Defense Authorization Act for Fiscal Years 1992 and 1993) authorized the Commander, Special Operations Command and the commander of any other unified or specified combatant command to pay, or authorize payment for, any of the following expenses:

A. Expenses of overseas training of U.S. special operations forces, to include civil affairs forces and psychological operations forces, assigned to the combatant commander in conjunction with training, and training with, armed forces and other security forces of a friendly foreign country.

B. Expenses of deploying such special operations forces, to include civil affairs forces and psychological operations forces, for that training.

C. Incremental expenses incurred, in the case of training in conjunction with a friendly developing country, by that country as the direct result of such training. The term, "incremental expenses," with respect to a developing country, means the reasonable and proper costs of rations, fuel, training ordnance, transportation (except to and from the continental United States), and other goods and services consumed by such country, except that the term does not include pay, allowances, and other normal costs of such country's personnel.

150103. **Purpose of Training.** For the authority cited in subsection 150102 to apply, the primary purpose of the overseas training activities must be the training of special operations forces of the combatant commands. Training of foreign forces may not be the primary purpose.

1502 POLICY AND PROCEDURES

150201. **Accounting Procedures.** Departmental funds expended to facilitate the participation of friendly foreign forces training with U.S. special operations forces shall be incurred and reported under the following guidelines.

A. Funding for training of U.S. personnel may include amounts for training expenses authorized in Title 10, United States Code, section 2011. The funding source for these

proposed payments shall be funds made available to the applicable DoD Component for these purposes.

B. Prior to commencement of the training, agreement on implementing arrangements should be reached in terms of the types and scope of non-financial support and financial contributions to be provided by the United States to a foreign country and/or by a foreign country to the United States. In order to protect the interests of the United States, the essential terms of the arrangement normally shall be documented in writing and a copy of the document provided to the foreign country. In addition, the arrangement should request that each participating country identify both physical and financial contributions to the training effort and the amount of expenses paid related thereto. Formal international agreements, under the provisions of DoD Directive 5530.3, are not required with respect to these implementing arrangements.

C. In the event that the participating country is unable to identify its expenses in time to meet reporting requirements prescribed below, knowledgeable U.S. personnel will estimate that participant's contributions, and the value of expenses paid in U.S. dollar equivalents at the exchange rate in effect at the time of the training. Estimates of a participating country's contributions may be calculated using relative factors of comparable costs for similar U.S. training activities.

D. Arrangements with a friendly developing country may provide for financial or in-kind payment to the developing country by the United States for incremental expenses incurred by that country as a direct result of such training. "Incremental expenses" are defined in paragraph 150102.C above.

E. Arrangements with a friendly country also may provide for payment to that country by the United States for the costs of support provided to U.S. personnel by the host country. Expenses that may be paid under the terms of an arrangement with a friendly country for support provided to U.S. personnel by that country are limited to those types of expenses included in the definition of incremental expenses described in paragraph 150102.C, above.

F. For expenses that are to be paid to a friendly country, either incremental costs incurred by a developing country or support provided by a host country to U.S. personnel, the arrangement shall stipulate that the host country provides, in advance of payment, appropriate documentation to support the payment. This documentation shall include dates, quantities, units and costs so that the senior U.S. official can determine the reasonableness and propriety of such costs, in U.S. dollar equivalents at current exchange rates, for the various types of authorized expenses incurred.

G. The following procedures shall be followed to substantiate payments for reasonable incremental expenses incurred by a developing country.

1. The senior foreign official participating in the training shall certify that the documentation provided to support the claim for payment reflects reasonable and proper expenses incurred during the training.

2. The senior U.S. official participating in the training shall include a statement that, in his or her judgment, the documentation reflects reasonable and proper expenses.

3. If the senior U.S. official participating in the training questions the propriety or reasonableness of any expense claimed by the foreign country, resolution of those questions shall occur before the payment is made.

H. The following procedures shall be followed to substantiate payments for reasonable expenses to support U.S. personnel.

1. The U.S. official accepting the goods and/or services on behalf of the U.S. Government shall certify receipt and acceptance for the U.S. Government. The acceptance shall include documentation of the dates, quantities, units, and costs of the various types of support received.

2. The host country shall submit a claim for payment that includes documentation of the dates, quantities, units, and costs, in U.S. dollar equivalents at current exchange rates, of the various types of support provided.

I. The annual report (described in subsection 150202, below) requires a determination of both financial and non-financial contributions to the training effort and the amount of related expenses paid by the participants in such training. Financial and non-financial contributions include all costs that are incurred because of the training. The accounting records from which the contributions are reported shall include the separate identification of all the costs incurred, such as:

1. Rations, fuel, and training ordnance.
2. Personnel (including lodging, and/or per diem costs) for other than normal pay and allowances.
3. Costs associated with training areas, firing ranges, storage sites, and other similar items and facilities used during the training. These costs must be attributable directly to such training.
4. All transportation of personnel, equipment and supplies to and from the training area.

J. The operations and maintenance funds expensed under Title 10, United States Code, section 2011, are not to be used to supplement other accounts, to circumvent budget

ceilings established for other accounts, or to assume the mission of programs funded from other accounts.

K. Title 10, United States Code, section 2011, authorizes the Department to program and expend operation and maintenance funds to train U.S. special operations forces, to include civil affairs forces and psychological operations forces, with friendly foreign nations. It does not provide authority to conduct any type of training activity that the Department otherwise cannot legally conduct. Any training activity funded under this statutory authority must be conducted in accordance with DoD directives, regulations and instructions, and all other applicable interagency procedures.

150202. Annual Report by U.S. Unified Combatant Commands. Funds expended under the authority of Title 10, United States Code, section 2011, shall be reported by the appropriate combatant commands on a fiscal year basis to the Assistant Secretary of Defense (Special Operations/Low Intensity Conflict) to arrive not later than January 1 of each year. Each fiscal year report submitted by the combatant commands shall be organized by theater and presented for each country in alphabetical order with each deployment for training (DFT) listed in chronological order. The reporting of classified training activities, if any, shall be properly classified and the classification prominently identified. Each report shall specify the following:

A. All countries in which training was conducted.

B. The type of training conducted in each country for each DFT, including whether such training was related to counter-narcotics or counter-terrorism activities; the date and duration of that training; the number of U.S. military personnel involved; and the total expenses paid by the United States. Total expenses paid by the United States shall be the total of (1) amounts paid for deploying and training U.S. special operations forces, including the costs listed in paragraph 150201.I., above; (2) amounts paid to a foreign country for support provided to U.S. personnel, as described in paragraph 0150201.H, above; and (3) financial payments to a developing foreign country for incremental expenses, as described in paragraph 150201.G., above.

C. The extent of participation by foreign military forces, including the number and service affiliation of foreign military personnel involved and the physical and financial contribution of each host nation to the training effort.

D. The relationship of that training to other overseas training programs conducted by U.S. Armed Forces, such as military exercise programs sponsored by the Joint Chiefs of Staff, military exercise programs sponsored by a U.S. unified combatant command, and military training activities sponsored by a Military Department (including deployments for training, short duration exercises and other similar unit training events).

150203. Annual Report by the Secretary of Defense

A. The Assistant Secretary of Defense (Special Operations/Low Intensity Conflict) shall receive reports from the combatant command, as described above, and compile those reports into a single document.

B. The Assistant Secretary of Defense (Special Operations/Low Intensity Conflict) shall, not later than April 1 of each year, submit on behalf of the Secretary of Defense the required annual report to the Armed Services and Foreign Relations Committees of the Senate and the National Security and Foreign Affairs Committees of the House of Representatives.

C. The annual report shall cover training during the preceding fiscal year for which expenses were paid under Title 10, United States Code, section 2011, chapter 101, "Special Operations Forces: Training with Friendly Foreign Forces."

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CHAPTER 16**ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS****1601 OVERVIEW**

160101. Purpose. The purpose of this chapter is to establish the policy and procedures for accounting for the production and sale of forest products. It also assigns responsibility for DoD reimbursement and for the entitlement of a state to a share in the net proceeds derived from forest products sold from military installations or facilities.

160102. Applicability and Scope. The policies and procedures established by this chapter:

A. Apply to the Office of the Secretary of Defense (OSD) and to the Military Departments (including their National Guard and Reserve components). The term “Military Services,” as used herein, refers to the Army, Navy, Air Force, and Marine Corps.

B. Cover forest products production and sales programs on military installations or facilities in the United States.

C. Do not apply to forestry activities within the civil programs of the U.S. Army Corps of Engineers or to the state-owned National Guard installations.

1602 POLICY AND PROCEDURES

160201. DoD appropriations incurring obligations for the production and sale of forest products shall be reimbursed from collections made as a result of the sale of such products. Remaining collections shall be disposed of as follows:

A. Forty percent of installation net proceeds shall be distributed to the state that includes the military installation or facility from which forest products were sold during a fiscal year. If the installation or facility is located in more than one state, each state shall share proportionally in the net proceeds (see subsection 160208, below). Entitlement to the states applies to forest products sold after September 30, 1984.

B. Once the disbursement to each state has been made, any remaining amount shall be transferred to the reserve account (see subsection 160203, below). To the extent that collections from the sale of forest products are inadequate, obligations for the production and sale of such products may be financed either from the appropriation accounts or transfers from the reserve account.

160202. The Treasury General Fund Receipt Clearing Accounts (F3875) shall receive all sales proceeds. Transfers of these proceeds shall be made, in accordance with the

approved budgets, to the applicable Operations and Maintenance (O&M) and Other Procurement appropriations that incur obligations, which are reimbursable, for the production and sale of forest products.

160203. A DoD reserve account shall be established.

A. Balances in the account may be used for the following:

1. Improvements of forest lands.
2. Unanticipated contingencies in the administration of forest lands and the production of forest products for which other sources of funds are not available in a timely manner.
3. Natural resource management that implements approved plans and agreements.

B. The balance in the reserve account shall not exceed \$4 million on December 31 of any calendar year. Unobligated balances exceeding \$4 million on that date shall be deposited in the U.S. Treasury General Fund Miscellaneous Receipts Account (see subsection 160207, below).

160204. The operating procedures to be followed for program obligations is as follows:

A. Program obligations shall be related directly to the economic production and sale of forest products in the following functions:

1. Forest Improvement. Obligations incurred for improving an existing timber stand or forest, whether it is planted, seeded, or natural, and including thinning, pruning and controlling undesirable vegetative growth.
2. Reforestation. Obligations incurred for natural or artificial regeneration including planting; purchasing of seeds or seedlings; preparing sites; and controlling insects, diseases, vegetation, and animals.
3. Forest Protection. Obligations incurred for the protection of a forest capable of economic production of forest products including damage by fire, insects, diseases, animals, floods, and erosion.
4. Forest Access Roads. Obligations incurred for construction, reconstruction, repair, and maintenance of forest access roads and trails and for repair of other roads as a result of forest production and harvest operations.

5. Sales. Obligations incurred for sales and preparation for sales of forest products including appraising, cruising, marking, scaling, advertising, escorting prospective bidders, as well as preparing, administering, and enforcing compliance with sales contracts.

6. Management. Obligations incurred for the management of the functions listed in subparagraphs 160204.A.1 through 160204.A.5, above, including supervising, planning, programming, conducting field surveys and inventories, training, and attending professional meetings.

7. Forestry Equipment. Obligations incurred in the purchase of vehicles, minor equipment, and heavy equipment used exclusively in forest management (purchased by O&M or procurement appropriations under reimbursable program authority).

B. To the extent that an installation receives applicable program support from a function or activity above the installation level, costs shall be prorated on the basis of level of effort among all applicable military installations or facilities involved in the program.

C. Program obligations do not include amounts incurred for operations that, while related to the land and forest, are for other purposes such as the military mission, recreation, general area improvement, wildlife management, and beautification. They do not include amounts for the protection of forests that are incapable of economic production of timber products. Program obligations at all organizational levels shall be categorized according to the functions listed in subparagraphs 160204.A.1 through 160204.A.7, above.

D. Reimbursable program obligations under Title 10, United States Code, section 2665(d) include all program costs except those in paragraph 160204.C, above. Acquisition of equipment shall be justified on an economic basis. When general equipment is used in forestry program operations, obligations incurred by DoD appropriations for such use shall be included as program costs.

160205. Accounting and Reimbursements

A. Proceeds collected from forestry sales shall be turned over to the servicing DoD disbursing officer. These proceeds shall be deposited without delay to the Treasury General Fund Receipt Clearing Account **F3875, "Budget Clearing Account (Suspense)." (The applicable agency code shall be shown instead of asterisks.) That portion of the proceeds which is to be used to finance reimbursable expenses shall be transferred to O&M or procurement appropriations in accordance with the annual budget. Table 16-1 illustrates the applicable Treasury account symbols.

TREASURY ACCOUNT SYMBOLSO&MProcurement

(1) Army - 21(FY)2020	21(FY)2035
(2) Navy - 17(FY)1804	17(FY)1810
(3) Air Force - 57(FY)3400	57(FY)3080
(4) Marine Corps - 17(FY)1106	17(FY)1109

Table 16-1

160206. At the end of the fiscal year, an estimate shall be made of the amount of each state's entitlement and transferred from **F3875 to deposit account **X6875, "Suspense." After the states' entitlements are computed (see subsections 160201.A and 160208), the estimate shall be adjusted with applicable refunds to **F3875 or additional transfers to **X6875. Payments to the states shall be made from **X6875. After the states have been paid and appropriation accounts reimbursed, any remaining balance in **F3875 shall be transferred to 21*5285, "Department of Defense, Forest Products Program, Army."

160207. On December 31 of each year, the Deputy Under Secretary of Defense (Environmental Security) (DUSD(ES)) shall review the balance in 21X5285 and direct the transfer of any amount in excess of \$4 million to Treasury account **3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

160208. Entitlements to each state shall be computed in accordance with Title 10, United States Code, section 2665(e). These entitlements shall be determined on the basis of a separate calculation for each military installation or facility from which forest products were sold in that fiscal year.

A. Records shall be maintained for each military installation or facility concerned to show sales proceeds and reimbursable program obligations by fiscal year. If a military installation or facility is located in more than one state, payments shall be made to each state involved in a manner proportional to the area of the installation or facility situated in each state. If an installation or facility is located in more than one county within a state, a description of the areas (acres) of the installation or facility situated in each county may accompany that state's entitlement.

B. States' entitlements shall be disbursed within 90 days after the end of the fiscal year. Payments to the states shall be made by electronic funds transfer.

160209. As directed by the DUSD(ES), in coordination with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), net proceeds may be distributed among

the Military Services to ensure the overall funding requirements of the DoD forestry program are met.

160210. The recording of sales revenue, program obligations, entitlement payments to states, and all other accounting for this program shall be in accordance with the requirements of this chapter.

160211. Appendix 2 contains DUSD(ES) coordinating and reporting requirements. The Forest Products Sales Program report has been assigned Report Control Symbol DD-A&T (Q&A)1649; see paragraph 160302.A, below, and Appendix 2.

1603 RESPONSIBILITIES

160301. The Deputy Under Secretary of Defense (Environmental Security) shall:

A. Issue and monitor policy on forest management of DoD lands in accordance with DoD Directive 4700.4, “Natural Resources Management Program.”

B. Advise the Military Services of potential downward adjustments to funding for the program during the year if timely receipt of anticipated proceeds becomes doubtful.

160302. The Secretaries of the Military Departments shall:

A. Prepare annual forestry program budgets for the coming fiscal year that include anticipated sales revenue, program obligations, States’ entitlements, unfinanced requirements, and transfers. See Appendix 2 for due date and other reporting information.

B. Ensure that all proposed obligations are related directly to the economical production and sale of forest products, consistent with DoD Directive 4700.4, “Natural Resources Management Program.”

C. Ensure that no unplanned program obligations are incurred simply to “use up” proceeds.

D. Adjust the program downward during the year by reducing planned obligations if actual proceeds do not materialize at anticipated levels and sufficient funding cannot be obtained from the reserve account.

E. Ensure that all program obligations are accumulated in DoD appropriation accounts and that reimbursements and distributions to States and the use of funds from the DoD Reserve Account conform with subsection 160203, above.

F. Follow the procedures in subsection 160205, above.

G. Coordinate approved budgets with the DUSD(ES) to assist in planning and trade-off analysis and to ensure effective and efficient functioning of the overall DoD program.

H. Review the cumulative total obligations incurred, estimated program obligations, cumulative revenue, and realistic estimates of future revenue to determine whether DoD forests remain capable of economic production.

I. Identify to the DoD Executive Agent (see paragraph 160303.A, below) the official who is authorized to transfer surplus funds and accept reserve funds.

160303. The Secretary of the Army shall:

A. Act as DoD Executive Agent to monitor and coordinate financial management of the DoD forest products program.

B. Coordinate the transfers of surplus and reserve funds.

C. Maintain the DoD Reserve Account (21*5285) and make transfers in accordance with the instructions from the DUSD(ES). (Replace asterisk with fiscal year designator.)

APPENDIX 1

DEFINITIONS

1. Forest Products. Those items produced from a forest such as sawtimber, veneer logs, poles, piles, posts, pulpwood, pine straw, stumpwood, bark, and other mulch, cones, seeds, mistletoe, firewood, and wood chips.
2. Net Proceeds. The amount received by the United States during a fiscal year (FY) as proceeds from the sale of forest products produced on a military installation or facility, minus the amount reimbursed to the Department of Defense, under 10 U.S.C. 2665, for program costs incurred by that installation or facility. Program costs shall include obligations for current operating expenses and for the purchase of capital equipment required to operate the program.
3. Reserve Funds. A reserve account authorized under 10 U.S.C. 2665 and administered by the Department of Defense. The amount is held in the U.S. Treasury Special Fund Account 21*5285, Department of Defense, Forest Products Program, Army.
4. Surplus Funds. The amount expected to be available during the year within the Department of Defense after providing for the reimbursements under this Instruction. These funds represent the amounts to be transferred to the DoD Reserve Funds Account.

APPENDIX 2 COORDINATION AND REPORTING REQUIREMENTS

Annual Coordination of DoD Forest Products Program

1. Purpose. To coordinate forestry obligations and revenues of the Military Services to ensure that overall DoD revenue is sufficient to reimburse all authorized obligations for the production and sale of forest products.

2. Authority. Title 10, United States Code, section 2665

3. Schedule

a. December 15. Each Military Service disburses funds to the various states. The disbursement must be accompanied by identification of the generating installation(s) and amount generated by each installation.

b. December 30. Each Military Service deposits funds from the F3875 clearing account to the DoD Reserve Account (21*5285).

c. January 2. Each Military Service transmits the “Actual Revenue and Obligations Report” to the Executive Agent (EA) and the Office of the Deputy Under Secretary of Defense (Environmental Security) (DUSD(ES)).

d. February 15. Each Military Service transmits to the EA and the DUSD(ES), a report of cumulative program revenue and obligations through December 31 of the current fiscal year and any planned changes (see format below).

e. May 15. Each Military Service transmits to the EA and the DUSD(ES), a report of cumulative program revenue and obligations through March 31 of the current fiscal year and any planned changes.

f. August 15. Each Military Service transmits to the EA and the DUSD(ES), a report of cumulative revenue and obligations through June 30 of the current fiscal year and any planned changes.

g. September 1. Each Military Service transmits to the EA and the DUSD(ES), its planned forest products revenue and expenses, by appropriation, for the coming fiscal year (see format below). This plan must reflect no deficit in the program; however, description of unfinanced needs may accompany the plan.

APPENDIX 2 (Cont'd)

ACTUAL REVENUE AND OBLIGATIONS

RCS: DD-A&T(Q&A)1649

(Due January 2)

For FY _____

Military Service _____

	(Other) <u>Procurement</u>	<u>O&M</u>	<u>Total</u>
I. <u>PROGRAM RESERVE AND OBLIGATIONS</u>			
A. Revenue (actual deposits to F3875 account)			\$_____
B. Distributions (from F3875 account)	\$_____	\$_____	(____)
C. Reimbursable Obligations	(\$____)	(\$____)	
D. Unobligated Balance Remaining and Returned to F3875	\$_____	\$_____	\$_____
E. Subtotal			\$_____
F. States' Entitlements ^{1/}			(____)
G. Transfer to Reserve Account			(____)
H. Total			\$ -0-

II. UTILIZATION OF RESERVE FUND

A. Transfers In	\$_____	\$_____	
B. Obligations ^{2/}	\$_____	\$_____	
C. Unobligated Balances Returned to Reserve Fund	\$_____	\$_____	\$_____

^{1/} Provide by installation, state, and amount.^{2/} Provide a brief description of forestry projects and/or activities funded from reserve finds.

APPENDIX 2 (Cont'd)

ANNUAL FOREST PRODUCTS PROGRAM BUDGET

RCS: DD-A&T(Q&A)1649

(Due September 1)

For FY _____

Military Service _____

	(Other) <u>Procurement</u>	<u>O&M</u>	<u>Total</u>
A. Planned FY Revenue		\$_____	
B. Planned FY Distribution	\$_____	\$_____	\$_____
C. Planned FY Obligations	\$_____	\$_____	\$_____
D. Planned Net ^{1/}			\$_____
E. Planned Payments to States		\$_____	
F. Unfinanced Needs (describe below)	\$_____	\$_____	\$_____

^{1/} Total of item A. minus total of item C.

APPENDIX 2 (Cont'd)**QUARTERLY FOREST PRODUCTS PROGRAM****RCS: DD-A&T(Q&A)**

(Due February 15, May 15, August 15)

Military Service _____

Date _____

FY _____

- | | |
|---|----------|
| A. Planned Revenue this Fiscal Year (FY) | \$ _____ |
| B. Planned Obligations this FY | \$ _____ |
| C. Cumulative Actual Revenue this FY | \$ _____ |
| D. Cumulative Actual Obligations this FY | \$ _____ |
| E. Net Proceeds this FY (Item C minus Item D) | \$ _____ |
| F. Current Estimate of States Entitlements this FY | \$ _____ |
| G. Current Unfinanced Needs for this FY
(describe below) | \$ _____ |

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CHAPTER 17**OFFSETTING RECEIPTS****1701 OVERVIEW**

170101. Purpose. The purpose of this chapter is to prescribe standard procedures for accounting and reporting offsetting receipts throughout the Department of Defense.

170102. General

A. Offsetting receipts are collections within the Department of Defense that result from proprietary or business like transactions (such as rents, sales of services and products, patent fees, sale of property, etc.) and from intragovernmental transactions (such as deposits between Federal and trust funds or payments within the same fund group). These collections are credited to general fund, special fund, or trust fund receipt accounts. Standard receipt accounts are prescribed by the Department of the Treasury in its Federal Account Symbols and Titles (FAST) book. Offsetting receipts are deposited with the Department of the Treasury using receipt accounts symbols and reported on the monthly Statement of Transactions (DD Form 1329).

B. Offsetting receipts are deducted from budget authority and outlays at agency (Component) levels. Actual offsetting receipts are reported on the monthly Report on Budget Execution (SF 133) and reported in budget submissions by DoD Components.

C. Receipts collected by DoD Components shall be classified according to (1) the source of the receipt, (2) the authority for the collection and the nature of the transaction, and (3) whether the receipt offsets agency (Component) or government-wide totals. Receipts also are classified into fund groups in accordance with the Treasury FAST book (i.e., general funds (0000-3799); clearing accounts (3800-3899); special funds (5000-5999); and trust funds (8000-8999)).

D. Most offsetting receipts are offset (deducted) against the function that contains the outlays which give rise to the receipts, i.e., the function of the account collecting the money. In such cases, these offsetting receipts are deducted before reaching functional budget authority or outlay totals and are referred to as “distributed” to the functions. However, there are several categories of offsetting receipts that cannot be offset properly against any specific function. These collections are deducted prior to calculating government-wide totals and are referred to as “undistributed offsetting receipts.” The three categories of offsetting receipts that are undistributed by function are:

1. The collection of amounts paid by federal agencies to federal employee retirement funds and Medicare.

2. Collections from the public of rents and royalties on the Outer Continental Shelf.

3. Collections from the public arising from the sale of major federal assets.

1702 GENERAL STANDARDS

170201. Contents of this chapter shall be used in addition to the accounting principles, standards, and procedures established in chapters 2, 16, and 19 of Volume 4, "Accounting Policy and Procedures;" chapter 4 of Volume 6, "Reporting Policy and Procedures;" and chapter 1 of Volume 12, "Special Accounts Policy and Procedures," of this Regulation.

170202. Budgeting standards for offsetting receipts are prescribed by the Office of Management and Budget (OMB) Circular No. A-11. Preparation of budget justification requirements are also prescribed in Chapter 11 of Volume 2, "Budget Formulation and Presentation," of this Regulation.

1703 ACCOUNTING AND REPORTING STANDARDS FOR OFFSETTING RECEIPTS

170301. Offsetting Receipts. Offsetting receipts within the Department are collections from the public that result from business-like transactions such as sales of property, rental fees or sales of services. These miscellaneous proprietary receipts are recorded using receipt account symbols prescribed by the Treasury FAST book. Offsetting receipt account symbols normally used within the Department are:

A. Account 1435. General fund proprietary interest, not otherwise classified. This account shall be used only for Defense civil functions. Account 1435 shall not be used for Defense military functions. Deposits of interest on loans, investments, and other equities shall be deposited in account 3210 to ensure that the Department receives credit for the offsetting receipt.

B. Account 1840. Proprietary receipts for rent of equipment and other personal property. This account shall be used exclusively by the Military Departments. Defense Agencies shall deposit rent receipts into Account 3210.

C. Account 2462. Proprietary receipts for survivor annuity benefits. This account shall be used exclusively by the Military Departments. Defense Agencies shall deposit receipts into Account 3210.

D. Account 2641. Proprietary receipts for the sale of ordinance material within the Department. All DoD Components may use this account.

E. Account 2651. Proprietary receipts for the sale of scrap and salvage materials within the Department. All DoD Components may use this account, but the Military Services must cite 972651.

F. Account 3019. Proprietary receipts for recoveries for government property lost or damaged, not otherwise classified. This account shall be used exclusively by the Military Departments. Defense Agencies shall deposit such recoveries into Account 3210.

G. Account 3041. Proprietary receipts for recoveries under the Foreign Military Sales Program. This account shall be used by all DoD Components. Receipts in this account shall be sub-categorized and reported to the OUSD(C) on the Report of Budget Execution (SF 133), in accordance with the guidance contained in chapter 4 of Volume 6, "Reporting Policy and Procedures," of this Regulation. The sub-categories are:

1. Nonrecurring Research, Development, Test and Evaluation (RDT&E) and production costs.
2. Sale of principal and/or major items from stock that do not require replacement.
3. Sale of excess stock fund and procurement of secondary items from stock.
4. Charges for unfunded civilian retirement costs.

H. Account 3210. General fund proprietary receipts, not otherwise classified. The Military Departments shall use this account for proprietary receipts not otherwise classified (as cited above). Defense Agencies shall use this account for proprietary receipts not allowed to be reported as indicated in the above accounts. Receipts in this account shall be maintained and reported for budget purposes in sub-categories as follows:

1. Freedom of Information Act charges.
2. Sales of surplus real property (excluding Account 2621).
3. Sales of materials, equipment, and other personal property (excluding Account 2641).
4. Interest on loans.
5. Repayment of loans.
6. Royalties on patents, trademarks, and copyrights.
7. Rent of real property.

8. Rent of equipment and other personal property (excluding Account 1840).

9. Sale of power and utilities.

10. For Defense Agencies:

a. Sale of publications and reproductions, not otherwise classified (similar to Account 2259).

b. Fees and other charges for communications and transportation services, not otherwise classified (similar to Account 2429).

c. Proceeds from sale of equipment and other personal property, not otherwise classified.

d. Recoveries for government property, lost or damaged, not otherwise classified (similar to Account 3019).

170302. Budget Clearing Account (Suspense). Offsetting receipts that are not readily classified into established categories shall be temporarily accounted for in Budget Clearing Account (suspense), F3875. All efforts shall be made to identify and record these receipts properly into the applicable categories listed above.

170303. Depositing Offsetting Receipts. All offsetting receipts shall be recorded immediately upon receipt and deposited with the Department of the Treasury as soon as practicable. Any delays in borrowing or deposit preclude use of the funds by the Treasury Department to benefit the U.S. Government through the avoidance of interest expense.

170304. Reporting Offsetting Receipts. Offsetting receipt amounts reported by DoD Components shall agree with the collections credited to receipt accounts maintained by the Department of the Treasury. Those DoD Components that prepare consolidated reports shall obtain the required information from applicable organizations and assure that the amounts reported are in agreement with balances reflected by the Department of the Treasury.

A. DD 1329 Report. Actual offsetting receipts shall be reported on a monthly basis using the DoD Statement of Transactions (DD Form 1329). The DD Form 1329 reports shall be submitted to the Director for Program and Financial Control, Office of the Deputy Comptroller (Program/Budget) (ODC(P/B), OUSD(C).

B. SF 133 Report. Procedures on monthly budget execution reporting are prescribed in chapter 4 of Volume 6, "Reporting Policy and Procedures," of this Regulation. These reports shall be submitted on a monthly basis to the Director for Program and Financial Control, ODC(P/B). Specific requirements are prescribed in chapter 4 of Volume 6 of this

Regulation. Offsetting receipt amounts reported on these reports shall equal the amounts reported on the monthly Statement of Transactions (DD Form 1329) and deposited with the U.S. Treasury.

1. A separate SF 133 report for each group of offsetting receipt accounts shall be submitted as part of the basic appropriation report. Separate SF 133 reports are required for Federal funds and trust funds under each of the functional groups: “Military Functions,” “Civil Functions” and “Military Assistance.”

2. Separate SF 133 reports are required within any of the foregoing groups in the event that the receipts consist of more than one of the following categories:

- a. Proprietary receipts from the public (P).
- b. Interfund receipts (ID).
- c. Federal intrafund receipts (IF) including those receipts in Budget Clearing Account (suspense), **F3885.

170305. Proprietary and Budgetary General Ledgers. Offsetting receipts shall be recorded in the proprietary and budgetary general ledgers.

A. Chapter 9 of Volume 3, “Budget Execution,” and chapters 2, 16, and 19 of Volume 4, “Accounting Policy and Procedures,” of this Regulation prescribe the general ledger accounts to be used in recording offsetting receipts. Table 17-1, below, illustrates the entries used when recording offsetting receipts.

ACCOUNTING ENTRIES FOR RECORDING OFFSETTING RECEIPTS

1. Dr 1011 Funds Collected
 Cr 5910 Miscellaneous Reimbursements

 To record reimbursements collected as revenue.
2. Dr 5990 Contra Revenue-Collected for Others
 Cr 2411 Deposit Fund Liabilities

 To recognize the liability to miscellaneous receipts for reimbursements collected.
3. Dr 2411 Deposit Fund Liabilities
 Cr 1011 Funds Collected

 To record transfer of reimbursed amounts to miscellaneous receipts or other receipt accounts.

Table 17-1

B. Source documents for the general ledger entries include cash collection vouchers, sales slip, rental receipts, and journal vouchers.

1704 USE OF ACCOUNTING DATA FOR BUDGET SUBMISSIONS

170401. Budgeting requirements are established by OMB Circular No. A-11 and Volume 2, "Budget Formulation," of this Regulation.

170402. Offsetting receipts deposited in receipt accounts are deducted as offsets to outlays and against budget authority at subfunction and agency levels. For instance, subfunction 051, "Department of Defense, Military," is the level at which proprietary receipts from the public are deducted from the Department's budget authority and outlays in arriving at total DoD Federal Funds in the budget.

170403. The accuracy and timeliness of recording and reporting offsetting receipts are critical in the budget preparation process. Actual receipts for the prior year are reported in the budget submissions and are used as the basis for projecting estimates for the budget outyears.

VOLUME 11A

REIMBURSABLE OPERATIONS, POLICY AND PROCEDURES

September 1997

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DOD 7000.14-R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME IIB

REIMBURSABLE OPERATIONS, POLICY AND PROCEDURES-- DEFENSE BUSINESS OPERATIONS FUND

DECEMBER 1994

UNDER SECRETARY OF DEFENSE
(COMPTROLLER)



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON DC 20301-1100



DEC 21 1994

FOREWORD

This Volume of the DoD Financial Management Regulation is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures." The DoD Financial Management Regulation governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. In addition, it directs statutory and regulatory financial reporting requirements;

Volume 11, "Reimbursable Operations, Policy and Procedures," of the Regulation is divided into two parts: Part A, "General Reimbursable Policy and Procedures," and Part B, "Defense Business Operations Fund." Part A provides general reimbursable policies and procedures applicable to all appropriations and funds. Part B provides financial management requirements, systems, and functions for all Defense Business Operations Fund activities.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Unified Combatant Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

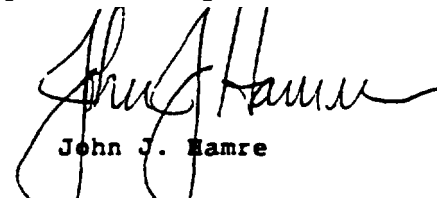

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements contained in this regulation are exempt from licensing in accordance with paragraph E.4.f., of DoD 7750.5-M, "Procedures for Management of Information Requirements."

Forward recommended changes to Volume 11B through channels to the address below. Submit requests for deviations from or exceptions to specific standards with justification, to:

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

The Defense Finance and Accounting Service will provide copies of this Volume through its publications channels. Other Federal Agencies and the public may obtain copies of this Volume from the National Technical Information Service, 5285 Port Royal Road, Springfield, Virginia 22161; telephone (703) 487-4650.


John J. Hamre


PUBLICATIONS INCORPORATED

Volume 11B of the Regulation incorporates the following:

DoD Directive 7410.4, Industrial Fund Policy

DoD 7220.9-M, DoD Accounting Manual

Chapter 82, "Industrial Funds"

Chapter 95, "Industrial Fund Management Reports"

DoD Directive 7420.13, "Stock Fund Operations"

DoD 7420.13-R, DoD Stock Fund Operations

DoD Instruction 7420.12, Billing, Collection and Accounting for Sales of Materiel from Supply System Stock

CHAPTER 50

DEFENSE BUSINESS OPERATIONS FUND GENERAL POLICIES AND REQUIREMENTS

A. GENERAL

1. Overview

a. Treasury Fund Symbol. The Defense Business Operations Fund (DBOF) has been established under the authority of title 10, United States Code, Section 2208. The Treasury Account Symbol for the Defense Business Operations Fund is 97X4930.

b. General. The Defense Business Operations Fund consists of Business Areas that are managed by DoD Components for providing goods and services, on a reimbursable basis, to other activities within the Department of Defense and to non-DoD activities when authorized.

c. Charters. DoD Component business areas to be financed through the Defense Business Operations Fund shall be chartered under the DBOF to achieve the objectives contained in Addendum 1 to this chapter. A charter shall be prepared in accordance with chapter 51 of this Volume and submitted to the Under Secretary of Defense (Comptroller) for approval. Before charter preparation, DoD Components shall ensure that the proposed DBOF activity meets the criteria established for a Defense Business Operations Fund activity described in chapter 51, paragraph A of this Volume.

d. Funding. Business areas receive their initial working capital through an appropriation or a transfer of resources from existing appropriations of funds and use those capital resources to finance the initial cost of products or services. Financial resources to replenish the initial working capital and to permit continuing operations is generated by the acceptance of customer orders. The Supply Management business area and the Capital Investment Program receive contract authority. Contract authority permits obligations to be incurred in advance of appropriations or in anticipation of receipts from customers but in accordance with an apportionment, allotment, or other limiting authority. Other than the Supply Management business area and the Capital Investment Program, all other Defense Business Operations Fund obligations must be supported by budgetary resources that are immediately available for outlay even though the outlay may not occur until a future date.

e. Segregation of Budgetary Resources. Where an activity receives budgetary resources from more than one source (for example, reimbursable authority from customer orders accepted and direct authority from appropriations, or allocations of appropriations, received), the receiving activity must maintain records which will enable it to control and report separately the transactions relating to each type of source.

f. Annual Operating Budgets. Commencing with the establishment, in FY 1992, of the Defense Business Operations Fund, annual operating budgets that provide official management cost goals are issued to the Services and Agencies for each business area. The annual budget consists of two primary parts -- the operating budget and the capital budget. The operating budget represents the annual operating costs of an activity or Component, including depreciation and amortization expenses. The capital budget represents the amount of financial resources that are authorized for use in the acquisition of capital assets. Volume 2B, chapter 9, "Defense Business Operations Fund Business

Area Analysis,“ provides additional details of Annual Operating Budgets for the Defense Business Operations Fund.

g. Customer Orders. Customer orders (funded requests for goods or services) provide the budgetary resources necessary to finance operations. To be valid, customer orders must be obligations of a Federal Government activity and cash advances from non-Federal Government customers. Cash advances may also be requested from Federal Government activities when directed, or approved, by the Under Secretary of Defense (Comptroller). Customer orders create a quasi-contractual relationship between a Defense Business Operations Fund activity and its customer.

h. Stabilized Rates and Prices. Defense Business Operations Fund activities operate on a break-even basis over the long term. Customer rates shall be established on an end product basis whenever feasible. The term “end product“ means the item or service requested by the customer (output) rather than processes or other inputs in the achievement of the requested output (for example, the product requested rather than the direct labor hours expended in the achievement of that product). Rates are required to be established at levels estimated to recover the cost of products or services to be provided, as well as approved surcharges. The budget process is the mechanism used to ensure that adequate resources are budgeted in the customer’s appropriated fund accounts to pay the established rates. Once established, rates are stabilized (held constant) for the applicable fiscal year. This “stabilized rate“ policy serves to protect appropriated fund customers from unforeseen cost changes and thereby enables customers to more accurately plan and budget for DBOF support requirements. In turn, this policy also reduces disruptive fluctuations in planned DBOF work load levels and thereby permits more effective utilization of DBOF resources. Gains or losses in operations may occur as a result of variations in program execution. Realized gains and losses are generally reflected in offsetting adjustments to stabilized rates established in subsequent fiscal years. Occasionally however, realized losses may be funded by an appropriation, or by a transfer from available resources in another DoD account. The Defense Business Operations Fund includes a variety of business areas that are categorized into two groups for rate setting purposes.

(1) Supply Management Business Areas. The Supply Management business area uses commodity costs in conjunction with a cost recovery factor (previously termed “surcharge“) to establish customer rates.

(2) Non-Supply Management Business Areas. Non-Supply Management business areas use unit cost rates established based on identified output measures.

i. Restrictions on Use of Customer Appropriations. Statutory limitations and restrictions imposed on the appropriated funds of a Defense Business Operations Fund customer are not changed when the customer places an order with the Fund. A Defense Business Operations Fund customer cannot use its appropriated funds to do indirectly, i.e., through placement of an order with a Defense Business Operations Fund activity, what it is not permitted to do directly. Thus, the availability of an appropriation cannot be expanded or otherwise changed by transfer to the Defense Business Operations Fund. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity is primarily responsible for the determination of the applicability of the ordering appropriation. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the order should be returned with a request for an applicable appropriation cite.

2. Mobilization Capability. Each DBOF business area must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to satisfy mobilization conditions when required. The nature and extent of the costs to be paid by a separate appropriation rather than charged to other business customers through the rates shall be in accordance with policy and procedures contained in the following chapters.

3. Conformance with Policy Issuances. The management and operation of each DBOF Business Area shall comply with financial management guidance and policies issued by the Office of the Under Secretary of Defense (Comptroller) and with requirements and procedures issued by the Defense Finance and Accounting Service. The policies, procedures, and reporting requirements contained within this Volume (Volume 11B) apply to all DBOF business areas unless otherwise specified. Policies, procedures, and reporting requirements contained herein that are unique to individual business areas are identified as such.

B. DEFENSE BUSINESS OPERATIONS FUND CORPORATE BOARD

1. Mission. The mission of the Defense Business Operations Fund Corporate Board is to work collaboratively to develop, review, and recommend Defense Business Operations Fund policies and procedures. As examples, the Board may:

a. Review business areas for inclusion or exclusion in the Defense Business Operations Fund.

b. Evaluate performance of individual business activities or business areas and the impact of that performance on cash, and on operating and capital investment goals.

c. Review and recommend actions to support DBOF management information systems.

2. Composition. The DBOF Corporate Board shall be composed of senior financial and/or functional managers, or their designated representatives. The Chief Financial Officer of the Department of Defense will serve as Chair. The Board members shall consist of one representative or their designated alternate from the following organizations: Joint Chiefs of Staff, Under Secretary of Defense (Acquisition and Technology), Under Secretary of Defense (Personnel and Readiness), Assistant Secretary of Defense (Command, Control, Communications and Intelligence), and Assistant Secretaries for Financial Management of the Army, Navy and the Air Force. A representative of the Defense Finance and Accounting Service will serve as a special advisor to the Board on matters concerning accounting procedures and supporting financial systems. The Chair may elect to designate permanent observers to the Board from participating Components. Board members may recommend permanent observers for consideration by the Chair. Board members may also invite financial and functional managers, in limited numbers, to provide expertise in addressing specific agenda items. Representatives from other Defense Agencies and federal agencies may be invited to provide representatives to observe Board deliberations and to offer their views as they consider beneficial.

C. AUTHORIZED CUSTOMERS

Customers of a Defense Business Operations Fund activity may be:

1. Any DoD command, organization, office, or other element.

2. Non-DoD Federal Government Agencies.
3. Private parties and concerns when authorized by law including foreign governments, State and local governments, and others not officially representing the Federal Government.
4. Those U.S. manufacturers, assemblers, or developers authorized by Section 2208(h) of title 10, United States Code and in accordance with Section 4543 of title 10, United States Code and DoD Directive 4175.1, "Sale of Government-Furnished Equipment or Materiel and Services to U.S. Companies."

D. RESPONSIBILITIES

1. The Under Secretary of Defense (Comptroller) and Chief Financial Officer of the Department of Defense shall:

- a. Establish DoD policy on DBOF operations.
- b. Provide oversight on all financial management activities relative to the operations of the DBOF.
- c. Authorize or approve specific activities to be included in the DBOF and the terms under which such activities shall be operated.
- d. Rescind the authorization of specific DBOF activities deemed to no longer meet DBOF criteria or that may be operated more efficiently under other financing.
- e. Issue all necessary budget preparation, accounting, and reporting policies.
- f. Review and approve operating budgets, monitor execution of the budget and analyze the results thereof, and provide guidance to improve the efficiency of Defense Business Operations Fund operations.

2. The Director, Defense Finance and Accounting Service (Director, DFAS) shall:

- a. Establish requirements, systems, procedures, and practices to comply with statutory and regulatory requirements.
- b. Establish procedures ensuring that DBOF policies are implemented.
- c. Issue supplementary instructions to guidance contained within this Regulation when necessary to provide for unique requirements within the DoD Components and to provide detailed operating instructions.
- d. Monitor compliance with this guidance and other policy issuances through analysis of reports, visits to activities, and review of audits.
- e. Evaluate the operation of DBOF activities to determine compliance with established requirements.
- f. Evaluate Defense Business Operations Fund accounting systems for compliance with established requirements.
- g. Prepare consolidated accounting reports for the DBOF.

3. The Secretaries of the Military Departments and the Directors of Defense Agencies, or their designees, who have activities financed under the Defense Business Operations Fund shall:

- a. Manage DBOF activities within approved funding limitations.
- b. Designate a management agency or command to be responsible for effective management of each DBOF activity.
- c. Comply with, and recommend changes to, this and other governing regulations.
- d. Provide periodic financial and management information as required by the Under Secretary of Defense (Comptroller) and Chief Financial Officer.
- e. Submit applications to authorize new DBOF activities or to rescind the authorization of existing DBOF activities to the Under Secretary of Defense (Comptroller).

4. The Management Agency or Command assigned responsibility for Defense Business Operations Fund activities shall:

- a. Budget and provide appropriated funds for the costs of maintaining unutilized plant and facilities being held for mobilization purposes at DBOF activities. Retention of facilities in excess of those necessary for current or planned workload shall be in accordance with DoD Directive 4275.5, "Acquisition and Management of Industrial Resources." The acquisition, retention, or disposal of unutilized plants and facilities at transportation activities must be approved by the Deputy Under Secretary of Defense (Logistics) (DUSD(L)).
- b. Assign responsibility and authority to designated officials for management and operation of DBOF activities.

5. The Management of Each DBOF Activity shall:

- a. Incur obligations and costs as necessary and allowable to perform the activity mission.
- b. Control performance costs in line with the annual operating budget as approved by the Under Secretary of Defense (Comptroller).
- c. Identify to higher management any impediments to achievement of performance and cost goals.
- d. Identify and justify to higher management those investments which will produce future improvements in effectiveness and efficiency.

6. The Customers of each DBOF Activity shall be responsible for budgeting and budgetary control for the cost of end-products and services ordered from a DBOF activity. The appropriation, apportionment, and funding process provides higher-level control and visibility to the Congress of the cost of material, work, and services ordered by customers of DBOF activities.

E. ACCOUNTING STANDARDS

1. Federal Government Accounting Principles and Standards. The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States (“the Principals”) established the Federal Accounting Standards Advisory Board (FASAB) in October 1990 by a memorandum of understanding. The role of FASAB is to deliberate upon and make recommendations to the Principals on accounting principles and standards for the Federal Government and its Executive Branch agencies. The Director of OMB will review each statement of accounting principles, standards, or concepts recommended by the FASAB and decide upon the appropriateness of the statement and its desirability for the Federal Government. If a recommended statement of accounting principles or standards is agreed to by the Director of OMB, the Secretary of the Treasury, and the Comptroller General, the Director of OMB will issue a Statement of Federal Financial Accounting Standards (SFFAS). SFFASs shall be considered generally accepted accounting principles (GAAP) for Federal agencies. Agencies shall apply the SFFASs in preparing financial statements in accordance with the requirements of the Chief Financial Officers Act of 1990. Auditors shall consider SFFASs as authoritative references when auditing financial statements. The SFFASs shall have no effect on the manner in which Federal agencies budget for, monitor and control the expenditure of budgetary resources. Those requirements are defined in OMB Circulars A-11 and A-34 and other OMB documents.

2. Hierarchy of Accounting Standards. The Federal Accounting Standards Advisory Board, with approval of the General Accounting Office, Office of Management and Budget, and the Treasury, has approved the following hierarchy of accounting standards for use in preparing federal agency financial statements:

a. Individual standards agreed to and published by the Joint Financial Management Improvement Program (JFMIP) principals. (The JFMIP principals are the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States.)

b. Form and content requirements included in OMB Bulletin 93-02, dated October 22, 1992 and subsequent issuances.

c. Accounting standards contained in agency (i.e., DoD) accounting policy, procedures manuals, and/or related guidance as of March 29, 1991, so long as they are prevalent practices.

d. Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first three parts of this hierarchy, and (2) if the use of such accounting standards improves the meaningfulness of the financial statements.

3. Interpretation of Statements of Federal Financial Accounting Standards. DoD Components desiring an interpretation of a Federal Government GAAP shall request such interpretation from the Director for Accounting Policy, Office of the Under Secretary of Defense (Comptroller). The Director for Accounting Policy shall respond to that request or, if necessary, forward the interpretation request to the OMB Office of Federal Financial Management. In accordance with OMB Circular A-134, Financial Accounting Principles and Standards, “the OMB may respond to the request in one of two ways--by providing technical assistance or through issuance of an Interpretation of Federal Financial Accounting Standards. An “Interpretation of Federal Financial Accounting Standards“ is a document of narrow scope that provides clarifications of original meaning, additional definitions, or other guidance pertaining to an existing Statement of Federal Financial Accounting Standards (SFFAS). In the event OMB decides an Interpretation of Federal

Financial Accounting Standards is necessary, OMB Circular A-134 directs OMB to provide written copies of the request to the Comptroller General and the Secretary of the Treasury; examine, as appropriate, applicable literature and consult with knowledgeable persons; draft an Interpretation of Federal Financial Accounting Standards; obtain the consensus of Treasury and the General Accounting Office on the interpretation; and publish the Interpretation of Federal Financial Accounting Standards.

4. Defense Business Operations Fund Accounting System Requirements. The accounting system established for the Defense Business Operations Fund shall employ the accrual basis of accounting, be transaction-based, and use the double-entry method of accounting.

F. BUDGETARY CONTROL STANDARDS

1. Defense Business Operations Fund accounting systems shall have the capability to account for the status of budgetary resources on a continuous basis. Budgetary controls shall be designed to prevent incurring costs in excess of the amounts necessary to provide goods and services to ordering activities, the accumulation of excess inventories and operating materials and supplies, and the incurring of liabilities in excess of payment capability.

2. Budgetary resources are comprised of:

- a. appropriated or reappropriated amounts becoming available during the year,
- b. the net of any nonexpenditure transfers between Federal Government accounts,
- c. unfilled customer orders, and
- d. unobligated balances brought forward from the previous year.

Anticipated reimbursements and anticipated customers' orders are not considered a budgetary resource. Obligations incurred (undelivered orders and accrued expenditures-paid and unpaid) are claims against budgetary resources.

G. GENERAL LEDGER ACCOUNTS. The DoD Uniform Chart of Accounts are prescribed for use by DBOF activities to record budgetary and proprietary accounting transactions on a double-entry basis. Additional primary accounts may only be added with the written consent of the Office of the Under Secretary of Defense (Comptroller). Subaccounts to the prescribed primary general ledger accounts may be established by the Defense Finance and Accounting Service as needed to satisfy reporting and management information requirements. An illustration of the relationship of budgetary and proprietary transactions is at Addendum 2 to this chapter.

★H. AUDITING. Defense Business Operations Fund activities are subject to audit by the audit organizations of the Military Services, by the Inspector General, Department of Defense, and by the General Accounting Office. The frequency and performance of audit performed by DoD audit organizations shall be determined by the audit organization based on guidance set forth in chapter 5 of DoD 7600.7-M, "Internal Audit Manual." Copies of audit reports shall be submitted to the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller) and the Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller).

OBJECTIVES OF THE DEFENSE BUSINESS OPERATIONS FUND

A. The Defense Business Operations Fund is designed to:

1. Provide a more effective means for controlling the costs of goods and services required to be produced or furnished by Defense Business Operations Fund activities, and a more effective and flexible means for financing, budgeting, and accounting for the costs thereof.
2. Create and recognize contractual relationships between Defense Business Operations Fund activities and those activities that budget for and order the end-products or services.
3. Provide managers of Defense Business Operations Fund activities the financial authority and flexibility required to procure and use manpower, materials and other resources effectively.
4. Encourage more cross-servicing among the DoD Components and among their operating Agencies, with the aim of obtaining more economical use of facilities.
5. Facilitate budgeting for and reporting of the costs of end-products. This will underline the cost consequences of choosing between alternatives.

B. Specific objectives include the following:

1. Furnish managers of Defense Business Operations Fund activities with modern management tools comparable to those utilized by efficient private enterprises engaged in similar types of activities.
2. Improve cost estimating and cost control through comparison of estimates and actual costs.
3. Obtain alert, forward-looking financial planning at Defense Business Operations Fund activities by making them financially dependent on reimbursements received for goods and services furnished in fulfilling orders from customers.
4. Encourage producers of goods and services to coordinate labor forces and inventories with workload, budgeting, and cost control.
5. Instill in the officials of ordering Agencies a greater sense of responsibility and self-restraint in balancing the cost of specific goods and services to be ordered against the benefits and advantages of their procurement, especially in the light of alternative or competing demands.

OBJECTIVES OF THE DEFENSE BUSINESS OPERATIONS FUND, continued

6. Place ordering Agencies in the position of critically evaluating purchase prices (that is, costs of performing activities) as well as quality and delivery-speed of goods and services ordered.

7. Enable ordering Agencies to budget and account on an "end-product" basis (the same as when buying from commercial contractors), thereby simplifying budget presentations, budgetary control, and accounting procedures for both producers and ordering agencies.

8. Establish, whenever feasible, standard prices or stabilized rates and unit prices for goods and services furnished by Defense Business Operations Fund activities, thus enabling ordering Agencies to plan and budget more confidently.

9. Encourage ordering Agencies' management to improve program planning and scheduling in response to producers' efforts to plan and negotiate for orders as far in advance as feasible.

RELATIONSHIP OF BUDGETARY AND PROPRIETARY TRANSACTIONS

<u>Transaction</u>	<u>When order is placed</u>	<u>When materials are delivered</u>	<u>When materials are used</u>	<u>When bill is paid</u>
	(Obligation)	(Accrued expenditure)	(Cost or (expense)	(Outlay)
Order for materials is placed.	Obligation is recorded as an undelivered order and a decrease to the uncommitted/unobligated budgetary resources			
Materials are received or constructively received.		This is recorded in the proprietary accounts as an account payable, and as an increase in the asset accounts. It is recorded in the budgetary accounts as a decrease to undelivered orders and an increase to accrued expenditures unpaid.		

TRANSACTION STAGES (continued)

<u>Transaction</u>	<u>When order is placed</u>	<u>When materials are delivered</u>	<u>When materials are used</u>	<u>When bill is paid</u>
Materials are used or consumed.			Cost is recorded in the proprietary accounts as a decrease in assets and a charge to the applicable expense account or work in process account	
Payment is made for the materials.				Outlay is recorded in the proprietary accounts as a reduction of accounts payable and a reduction to cash. In the budgetary accounts it is recorded as a decrease to accrued expenditures unpaid and an increase to accrued expenditures paid.

CHAPTER 51

ESTABLISHMENT AND CLOSURE OF FUND ACTIVITIES AND TRANSFER OF FUND FUNCTIONS

A. ESTABLISHMENT

Prior to the financing of an activity under the Defense Business Operations Fund, a charter, prepared in accordance with Addendum 2, shall be signed by the Secretary (or Under Secretary) of the Military Department, the Director (or Deputy Director) of a Defense Agency, or the Commander-in-Chief of the United States Transportation Command, as applicable, and submitted to the Under Secretary of Defense (Comptroller) for approval. The Defense Business Operations Fund business areas, and, in some instances, as appropriate, individual activities may be chartered to operate as a Fund entity. Before charter preparation, DoD Components shall ensure that proposed Defense Business Operations Fund business areas (and installations within that business area) meet the following criteria:

1. Outputs (i.e., production of goods or provision of services that are common to requirements of more than one Military Department or Defense Agency or ordering activities within a Military Department or Defense Agency) can be identified.
2. An accounting system is available that is capable of collecting and identifying costs to outputs.
3. Activities that require and order products or services (i.e., customers) can be identified so that resources can be aligned in the account of the customer with the requirement.
4. Evaluation of buyer-seller advantages and disadvantages to include an assessment of the customer's ability to influence cost by changing demand.

B. DEFENSE BUSINESS OPERATIONS FUND CHARTER REQUIREMENTS

1. Charter Format. The Defense Business Operations Fund charter format is included in the Addendum to this chapter. The charter is composed of two parts --

a. An overall DBOF charter for signature by the Under Secretary of Defense (Comptroller) and the Deputy Secretary of Defense (Addendum 1); and

b. Supplemental provisions (Addendum 2) that are applicable to each DoD Component Business Area included within the DBOF. The supplemental provisions lay out the mission of that Component by Business Area and include exceptions, if any, from DBOF policy that are authorized for that business area. The supplemental provisions shall be signed by the Secretary (or Under Secretary) of a Military Department, the Director (or Deputy Director), of a Defense Agency or the Commander-in-Chief of the United States Transportation Command, as applicable, and submitted to the Under Secretary of Defense (Comptroller) for approval.

2. Charter Contents. Each supplemental provision (hereafter called "charter") shall include the following as a minimum:

a. Name and location of the activity or activities to be operated under the charter.

b. Brief description of the functions of the activity or activities and nature of its products or services.

c. Designation of the organization (Management Command) directly below the Departmental level that has authority over the management of DBOF businesses. Additionally, the supplemental provisions shall state whether the Management Command is funded from the Defense Business Operations Fund.

d. Statement of any specific exceptions to Fund policies.

e. The amount of working capital approved to establish each activity included within the charter including the amount, if any, of appropriated funds included within the approved working capital.

3. Charter Support. Documentation supporting the charter application of an activity requesting entry into the Defense Business Operations Fund shall include:

a. Complete explanation of how the proposed Fund activity meets the minimum criteria listed above and any additional requirements of the DoD,C for the specific activity or activities.

b. Complete justification of estimated working capital requirements including explanation of factors or basis upon which calculated.

c. Financial statements disclosing the projected financial activity for, at a minimum, the first fiscal year of operation as a Fund activity. The financial statements shall be prepared in the format prescribed for Fund financial statements and shall consist of the following:

(1) Statement of Financial Position, disclosing projected assets, liabilities, and net position at the end of the reporting period;

(2) Statement of Operations (and Changes in Net Position), disclosing the projected results of the activity's operations including the change in its net position during that period.

(3) Statement of cash Flows, disclosing estimated cash receipts and disbursements with an explanation of the expected changes in cash during the period. The Statement of Cash Flows shall contain information concerning the amount of working capital necessary for the activity or activities taking into consideration the following:

(a) The requirement for initial investment in operating materials and supplies.

(b) The initial liabilities assumed that require cash for their liquidation.

(c) The funding requirement needed to cover estimated costs to be incurred for operations or capital assets before the time that reimbursements may be obtained.

(4) Notes to financial statements, providing additional disclosures necessary to make the financial statements fully informative and not misleading.

d. Information concerning the expected volume of business, by type and character, and the source of reimbursements by customer agency and appropriation, or other source, during the current and ensuing fiscal years. This shall include:

(1) Designation of the agencies that are the customers for the various products and services of the activity, and the sources of reimbursement expected from them as well as the underutilized and unutilized capacity and other support costs.

(2) The effect on customer appropriation budgets in cases in which current-year, customer appropriation budgets or budget estimates provide for financing of some costs of the activity in a manner other than the Defense Business Operations Fund. A statement of the budgetary adjustments or interim funding procedures being proposed as a result of the charter application should also be provided.

e. Explanation of goods or services proposed to be furnished outside the Department of Defense.

f. Justification of any exception to the provisions of this Regulation.

4. Amendment or Cancellation of Charters. Existing charters shall be canceled or amended upon approval by the Under Secretary of Defense (Comptroller). Requests for cancellations or amendments must be supported by the following information:

a. Complete justification for the proposed action that may consist of copies of supporting evaluations or studies.

b. Information as to the disposition of assets and liquidation of liabilities.

5. Annual Charter Review. DoD Components shall review Fund operations each fiscal year to ensure that the supplemental provisions are current. Any needed changes shall be submitted to the Under Secretary of Defense (Comptroller).

C. COMMENCEMENT OF OPERATIONS

Upon charter approval and commencement of Fund operations, financial control over initial appropriations, assets, liabilities, and capital shall be established in accordance with the following guidance:

1. Initial Appropriation and/or Reappropriation. An appropriation is an authorization by an act of Congress that permits agencies to incur obligations and to make payments out of the U.S. Treasury for specified purposes. Appropriations made available to commence operation of a Defense Business Operations Fund entity remain available for obligation without fiscal year limitation for their specified purpose until expended or withdrawn. A reappropriation to a business operations fund account is statutory authority to restore the obligational availability of all or part of the unobligated balance of budget authority that has expired or would otherwise expire in an annual or multiple-year appropriation. Reappropriation transactions require nonexpenditure transfer of the funds involved from the expired or otherwise expiring account to the Defense Business Operations Fund account. Other appropriations may be made available to acquire war reserve assets, augment existing inventories, or other purposes. Appropriations received shall be recorded as invested capital in proprietary accounts and as direct program in budgetary accounts. The receipt of an appropriation or reappropriation is recorded at the Departmental level only. The allocation, if any, of the appropriation or reappropriation is recorded at the, intermediate and activity level as appropriate. Typical budgetary and proprietary accounting entries applicable to receipt and allocation of appropriations and reappropriations are illustrated in chapter 52 of this Volume.

2. Initial Assets and Liabilities

a. Working Capital. Working capital to commence operations may be provided by a nonexpenditure transfer of fund balances from another appropriation or fund account to the Defense Business Operations Fund account. Nonexpenditure transfers received to support ongoing operations shall be recorded as follows:

Dr 1013 Funds with Treasury
Cr 3211.4 Net Treasury Balance - DBOF

Dr 4170 Appropriation Transfers
Cr 4450 Authority Available for Apportionment

Documentation supporting this entry includes SF 1151,
"Nonexpenditure Transfer Authorization."

b. Personnel. Personnel assigned from an appropriated fund activity to a Defense Business Operations Fund activity generally are accompanied by a liability for the amount of accrued earnings and annual leave earned by those employees prior to their transfer. Ordinarily, payment in the form of cash or other agreed upon equivalent assets such as inventories or equipment should be made to the receiving Defense Business Operations Fund activity for the amount of the liabilities assumed. However, the entry to record initial liabilities, to the extent that payment in full is not received is:

Dr 1011.1 Funds Collected - Operating Program - DBOF
Cr 2211 Accrued Payroll - Civilian
Cr 2221 Accrued Annual Leave - Civilian

Entry to record liability associated with personnel transfers
when payment accompanies the liability transfer.

Dr 3211.3 Liabilities Assumed
Cr 2211 Accrued Payroll - Civilian
Cr 2221 Accrued Annual Leave - Civilian

Entry to record liability associated with personnel transfers
when payment does not accompany the liability transfer.

c. Transfers-In of Fixed Assets. Assets provided from other appropriations or funds to commence operations of a Fund activity shall be recorded as Assets Capitalized. The business operations fund shall record a liability for an item transferred from a non business operations fund account only when the item is undelivered at the time of the transfer and the obligation for the item on the books of the organization from which the item was transferred resulted from a reimbursable order from a customer. Otherwise, bills for assets on order at the time of the transfer to the business operations fund shall be paid by the appropriation or fund originally ordering the item. This is appropriate since the original appropriation or fund ordering the item was funded through the budget process to procure the item. Capitalized assets provided without reimbursement may constitute justification for a stock withdrawal authorization when approved by authorized officials. (See chapter 55, "Supply Management Operations," of this Volume regarding stock withdrawal credits.) The entry to record assets provided to commence Fund operations as well as those contributed during the life of the Fund are:

Dr 1510 Operating Materials and Supplies
Dr 1521 Inventory Held for-Sale
Dr 1522 Inventory Held in Reserve for Future Sale
Dr 1523 Inventory Held for Repair
Dr 1524 Inventory - Excess, Obsolete and Unserviceable
Dr 1580 Work in Process
Dr 1710 Land
Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Dr 1760 Equipment
Dr 1800 Other Fixed Assets
Cr 2130 Contract Holdbacks
Cr 3211.2 Assets Capitalized

Entry to record receipt of assets. Documentation supporting
this entry includes journal vouchers and receiving reports.

d. Initial Capital. The following capital accounts are subsidiary to the control account 3211, "Capital Investment - DBOF", and are applicable at the time of initial capitalization:

(1) Appropriations Available. At the time of initial capitalization, the subsidiary account 3211.1, "Appropriations Available",

shall equal the amount of the initial appropriation or reappropriation, if any, received from the Congress or transferred from other activities or the departmental reserve of the DoD Component industrial fund.

(2) Assets Capitalized. At the time of initial capitalization, the subsidiary account 3211.2, "Assets Capitalized," shall equal the value of all assets (excluding the initial appropriation) transferred to the activity without reimbursement or assumption of liability by the industrial fund.

(3) Liabilities Assumed. At the time of initial capitalization, the subsidiary account 3211.3, "Liabilities Assumed," shall equal the sum of the obligations transferred to the activity for which industrial fund resources are liable for future disbursement.

(4) Treasury Fund Balance. At the time of initial capitalization, the subsidiary account 3211.4, "Net Treasury Balance - DBOF," shall equal the sum of Treasury fund balances transferred from other appropriations or, funds.

D. BASE CLOSURE

1. General. The Defense Business Operations Fund does not have any funds available to it for payment of costs or absorption of losses that are not related to its output. Reimbursable rates developed for Defense Business Operations Fund activities generally recover only costs incurred in providing the requested good or service. Costs over and beyond those costs are generally not considered in reimbursement rate computations. As a result, the Defense Business Operations Fund (DBOF) does not have, through its normal operations, funds available for payment of costs resulting from closure actions that are directed by higher authority such as the Base Closure and Realignment Commission.

2. Base Closure Actions. Upon notification that a DBOF activity is to be closed, the following actions shall be taken by the closing activity:

a. Commitments. Review outstanding commitments and cancel those not absolutely necessary.

b. Contracts. Review all existing contracts and terminate those for which the contracted service or good is, or will be, no longer essential. It is especially important that contracts for capital assets be terminated when feasible. Termination costs which result from the cancellation shall be identified as base closure costs. If an outstanding contract is essential to the needs of another DoD activity, that need may be filled through a contract modification citing the appropriation or fund of the needing DoD activity.

c. Undelivered Orders/Outstanding Obligations. Review undelivered orders and other outstanding obligations for goods and services ordered. Cancel orders or contracts for goods or services that are no longer needed or that are not likely to be delivered, and deobligate the appropriate amounts.

d. Accounts Payable. Review accounts payable for goods received but not yet paid, return goods that are no longer needed, and recover the amounts payable.

e. Unfilled Customer Orders. Review unfilled customer orders to determine the orders for goods or services that can be completed. If customer orders for goods or services can be completed, the closing activity may continue work. If customer orders cannot be completed, the closing activity shall bill the customer for the work completed and return any remaining unobligated balances to the customer.

3. Financing BRAC Related Base Closure Costs. Costs may be financed by a BRAC account when those costs are as a direct result of a Base Closure and Realignment Commission determination that a base be closed. BRAC costs are those required to carry out actions that are in direct support of closing or realigning bases. BRAC costs must be in direct support of Base Closure and Realignment Commission determination. Prior year, current year, or budget year operating losses in the DBOF are not to be budgeted in the BRAC base closure accounts. Although overhead associated with the below listed costs shall be charged to the BRAC account, increases in overhead on existing and new customer work shall not be considered a direct result of a determination that a base be closed and, therefore, will not be charged to a BRAC account. Costs identifiable directly to base closure actions shall be accumulated separately for reimbursement from a BRAC account. Costs attributable to base closure actions include:

a. Environmental Restoration and Mitigation. This includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

b. Planning. Conduct of such advance planning and design as may be required to transfer functions from an activity being closed to another military installation.

c. Outplacement Assistance. Assistance in relocation, training, or other necessary assistance to civilian employees employed by the Department at installations being closed.

d. Community Programs. Community Programs include economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions will be transferred as a result of closure of a military installation.

4. Financing Non-BRAC Related Base Closure Costs. Paragraph D.3. above specifies costs to be financed from a BRAC account. Other costs at an activity undergoing closure, or to be closed, shall not be financed by a BRAC account even though the closure was directed as a result of a determination of a Base Closure and Realignment Commission. Those other costs shall be financed either by the DBOF or by an operations and maintenance (O&M) appropriation as follows:

a. DBOF Financed. The following shall be financed by the DBOF to the extent permitted by amounts available from existing and new customer orders:

(1) Current year costs in support of customer orders.

(2) Prior year, current year, or budget year operating losses.

(3) Increases in overhead even though those increases could be attributed to decisions to close bases.

b. Appropriation (O&M) Financed. The following shall be financed through a transfer from the operations and maintenance appropriation of the DoD Component responsible for the activity incurring the loss.

(1) All costs at a closing activity in the year of closure that are not associated with a valid work order or are as a result of other than a determination of a Base Closure and Realignment Commission that the activity be closed.

(2) Direct and indirect (including General and Administrative) operating costs for which there are not sufficient resources in existing customer orders or other resources of the closing activity.

(3) Prior year losses (to the extent not financed from existing and new customer orders as stated in paragraph D.4.a(2) above) shall be financed as a pass through from the operations and maintenance appropriation of the DoD Component responsible for the activity incurring the loss.

5. Procedures for Requesting DoD Base Closure Account Funds. To request an allocation of DoD base closure account funds, an activity that has been selected for closure by a DoD Base Closure and Realignment Commission determination shall submit a "DoD Base Closure Account Financial Plan," (Format 460-BC) [attached], through its Command hierarchy, to the Directorate for Military Construction, Office of the Deputy DoD Comptroller (Program/ Budget) for approval. A separate narrative explanation for planned expenditures will also be included in sufficient detail to support the DoD Component financial plan. If a DBOF activity is the host activity at the installation to be closed, it is responsible for coordination with all affected tenant activities, including Defense Agencies, Defense Medical Facilities Office, Reserve Components, and nonappropriated fund activities. If a DBOF activity is a tenant activity at an installation to be closed, it will identify specific base closure program requirements to its host DoD installation.

6. Allocation of DoD Base Closure Account Funds. The Directorate for Military Construction, Office of the Deputy DoD Comptroller (Program/Budget) shall, upon approval by the Office of Management and Budget of the Apportionment and Reapportionment Schedule (DD Form 1105) for the base closure account, provide a Fund Authorization Document to the Director for Budget and Finance, Washington Headquarters Services (WHS) to fund the Financial Plan as approved. The Director for Budget and Finance, WHS, shall, in accordance with direction received from the Directorate for Military Construction, allocate DoD base closure funds to the Military Departments or Defense Agencies. Upon receipt of the allocation from the WHS, the Military Departments or Defense Agencies shall distribute, in accordance with its normal fund distribution procedures, the base closure funds to the installations responsible for base closure actions. Upon receipt of the fund distribution, the installation shall record the allotment from the DoD base closure account. The installation-level entry to record that allotment is:

Dr 4580 Allotments Received
Cr 4611 Uncommitted/Unobligated Allotments -
Direct Program - Current Period

and

Dr 1013 Funds With Treasury
Cr 3100 Appropriated Capital

Entries to record receipt of a direct program allotment.

7. Use of DoD Base Closure Account Funds. An installation shall implement base closure and realignment actions and administer its allocation of base closure funds in accordance with the approved financial plan. If a project is to be executed that does not appear on the approved financial plan, the prior approval of the Directorate of Military Construction, Office of the Deputy DoD Comptroller (Program/Budget), is required. Expenses that result in a fund outlay and that are incurred against an allotment from a DoD base closure shall be accounted for as, follows:

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program
- Current Period
Cr 4931 Accrued Expenditures - Paid -Direct Program

and

Dr 3100 Appropriated Capital
Cr 5700 Appropriated Capital Used

Dr 6100 (Applicable Operating Expense Account)
Cr 1012 Funds Disbursed

Entries to record outlays of an allotment.

8. Base Closure Account Reporting Requirements. An installation receiving an allotment of DoD Base Closure account funds shall prepare a report on the status of its allotment. The status report shall be transmitted to the entity from which the allotment was received in accordance with the reporting due dates required by that entity.

9. Disposition of Real Property Assets

a. The loss (or gain) from the sale, lease, or other disposal of assets shall be recorded by the activity having financial custody of those assets. The sale, lease, or other disposal action will only be recorded in proprietary accounts of that installation. Any proceeds generated from the sale, lease, or other disposal of assets does not add to, or otherwise affect, the budgetary accounts of that activity. An illustrative accounting entry follows:

Dr 1011 Funds Collected (if any)
Dr 1739 Accumulated Depreciation on Buildings
Dr 1749 Accumulated Depreciation on Other Structures
and Facilities
Dr/Cr 7300 Extraordinary Items
(Debit for Loss/Credit for Gain)
Cr 1730 Buildings
Cr 1740 Other Structures and Facilities

To record extraordinary loss (or gain) resulting from the sale or other disposal of real property assets.

b. Proceeds resulting from the transfer or disposal of property or facilities (including buildings and structures) due to a base closure directed by a Base Closure and Realignment Commission shall be deposited as reimbursements into the DoD Base Closure Account, DoD Base Closure Account of 1990, DoD Overseas Military Facility Investment Account, or Reserve Account as appropriate. Proceeds resulting from transfer or disposal of property or facilities (including buildings and structures) due to a base closure directed by other than a Base Closure and Realignment Commission shall be deposited as reimbursements into the appropriate miscellaneous receipt Treasury account. Examples of transactions involving proceeds resulting from the transfer or disposal of property or facilities include funds derived from temporary leases of Government property and property upon which settlement has occurred and title has been passed to the new owners. "Good faith" deposits or earnest funds should be deposited to the Budget Clearing Account, (Suspense), F3875, until finalization of the sale (settlement) takes place. Upon finalization of the sale (settlement), deposits made to the Budget Clearing Account (Suspense) shall be transferred to the appropriate account as indicated above.

c. A copy of deposit documents, or other notification, shall be provided to the Defense Finance and Accounting Service for all deposits made to a base closure account. The deposit document or other notification shall identify the specific base closure account to which the deposit was made.

d. A Defense Business Operations Fund Activity shall not request reimbursement, nor recover through increases in customer rates, for losses resulting from the disposal or divestiture of capital asset items that have not been fully depreciated at the time they are taken out of service due to base closure action.

10. Withdrawal of Appropriations and Reappropriations

Dr 4611 Uncommitted/Unobligated Allotments
- Direct Program - Current Period
Cr 4580 Allotments Received

Dr 3211.1 Appropriations Available
Cr 1013 Funds With Treasury

Entry to record the withdrawal of appropriated and/or reappropriated capital from activity level.
(This is an activity level entry only.)

Dr 4571 Allotments Issued-Direct Program - Current Period
Cr 4550 Internal Fund Distributions Received

Entry to record the withdrawal of appropriated and/or
reappropriated capital from intermediate level.
(This is an intermediate level entry only.)

Dr 4541 Allocations Issued - Direct Program - Current Period
Cr 4119 Other Appropriations Realized
Cr 4150 Other New Budget Authority
(that is, reappropriation)

Entry to record the withdrawal of appropriated and/or
reappropriated capital from departmental level.
(This is a departmental level entry only.)

11. Accumulated Operating Results, Residual Assets and Liabilities

a. Accumulated Operating Results. A Defense Business Operations Fund activity that is undergoing closure should request reimbursement for its recoverable costs from, as specified in paragraph D.4.; (1) customer accounts for costs attributable to normal day-to-day operations, (2) the account financing the closure for costs attributable to closure activity, and (3) transfer from the operations and maintenance appropriation of the DoD Component responsible for the activity for costs in the year of closure, including prior year losses, that are not associated with a valid work order or are as a result of other than a determination of a Base Closure and Realignment Commission that the activity be closed. All costs (including extraordinary losses), and all reimbursements (including extraordinary gains), flow through Net Operating Results to Accumulated Operating Results. Upon completion of all operations and all closure activity, the Accumulated Operating Results of the closed activity will have either a positive or a negative balance. There are two Accumulated Operating Results accounts -- Account 3311.1, "Cumulative Results of Operations - DBOF," and Account 3311.2, "Cumulative Results of Operations - DBOF - Deferred." The positive or negative balance of Accumulated Operating Results shall be initially recorded to general ledger account 3311.1. If any portion of the balance in general ledger account 3311.1 is deferred for recovery from, or return to, customers in the subsequent fiscal year stabilized rate or standard price development, that deferred amount shall be transferred to general ledger account 3311.2. Entries to general ledger account 3311.2 shall NOT be made unless authorized by the next higher command. Entries to this account should ultimately be traceable to specific direction received from the Office of the Under Secretary of Defense (Comptroller) to defer recovery or return of accumulated operating results. The following illustrates common entries to general ledger account 3311.2:

Dr 3311.2 Cumulative Results of Operations - DBOF - Deferred
Cr 3311.1 Cumulative Results of Operations - DBOF

Entry to record a deferral of a negative accumulated operating results. (This entry must be supported by a specific authorization from the next higher command.)

Dr 3311.1 Cumulative Results of Operations - DBOF
Cr 3311.2 Cumulative Results of Operations - DBOF -
Deferred

Entry to record a deferral of a positive accumulated operating results. (This entry must be supported by a specific authorization from the next higher command.)

When an activity is closed, the positive (i.e., credit) or negative (i.e., debit) amounts in the Accumulated Operating Result Accounts (3311.1 and 3311.2) shall be distributed to either the DBOF business area level, or activity(ies) level as directed by the responsible DoD Component.

b. Residual Assets. Any financial assets (e.g., cash, receivables, and unobligated authority) that remain after the above actions shall remain in the Defense Business Operations Fund and are available to meet the overall requirements of the Fund or other obligational authority requirements as may be authorized.

c. Residual Liabilities. Any financial liabilities (e.g., payables and obligated authority) that remain after the above actions shall remain in the Defense Business Operations Fund.

E. ACTIONS AND RELATED ACCOUNTING PROCEDURES FOR TRANSFER OF FUNCTIONS. The following general actions and procedures shall be followed when transferring all or a portion of the functions from a DBOF activity to another DBOF activity, or to an appropriation funded activity. Specific actions and procedures will usually be necessary to accommodate unique circumstances of the transferring activities.

1. Identify Functions to be Transferred, and the Disposition of any not Transferred. In the case of a partial transfer of functions, specific negotiations should take place between the affected organizations to identify specific functions that are to be transferred and the disposition of functions not transferred. Follow-on negotiations should identify and remedy any initial oversight, and specific directions should be provided once these follow-on actions are complete. All actions taken shall be consistent with the negotiated agreements. Pending final negotiations, all excluded functions will remain with the current organization.

2. Identify and Validate Physical, Financial, and Personnel Resources to be Transferred by the Losing Activity and any Split in Funding Responsibilities Incident to the Transfer. The organizations involved shall identify resources to be transferred incident to the functional transfer. Follow-on actions will identify resources not recognized in the original negotiations, and specific directions shall be provided commensurate with finalized agreements. All actions taken will be consistent with negotiated agreements.

3. Identify Any Interim Funding Method and Intended Duration. If an interim funding method is to be used to fund the transfer, pending resolution of other issues, determine the method and intended duration of the interim funding (funding provided by a locally established order should not exceed 30 days).

4. Validate Outstanding Orders and Dispose of General Ledger Account Balances. Determine validity of outstanding undelivered orders and determine if commodities or services on order remain a valid requirement of either the losing activity or the gaining activity and take actions necessary to cancel unneeded orders. Action must be taken to ensure that valid requirements are funded by the activity having the requirement. The resolution of these questions will assist in the subsequent disposition of general ledger account balances at the losing activity related to the functional transfer.

a. Budgetary Accounts. There should not be an automatic transfer of budgetary account balances from the losing activity to the gaining activity. Where items included in an existing obligation or order are for continuing services or other requirements of the transferred entity, an agreement must be negotiated between the losing and gaining activities. This agreement must specify whether accountability will remain identified to the losing activity, or if documents will be modified to reflect the gaining fund cite and paying office. In instances where accountability remains identified to the losing activity, a reimbursable support agreement will be negotiated, and accounting support will continue to be provided by the losing activity and paid for by the gaining activity. The following actions are needed for the transfer of outstanding commitments, obligations, and unfilled customer orders.

(1) Outstanding Commitments. Outstanding commitments for functions to be transferred from the losing activity should be canceled, but only when managed in coordination with the gaining activity to ensure that the procurement cycle is not interrupted. Concurrent with cancellation at the losing activity, the new commitment shall be entered into the accounting system by the gaining activity, and purchases under the document will reflect the gaining activity as the accountable entity. In those cases where cancellations of an outstanding commitment would unduly interrupt the purchase cycle, a reimbursable order from the gaining activity, citing gaining activity funding, shall be provided to the losing activity.

(2) Undelivered Orders/Outstanding Obligations. Undelivered orders and other outstanding obligations account balances shall not be transferred from the losing activity to the gaining activity without validation. All undelivered orders and other outstanding obligations directly related to functions transferring from the losing activity shall be reviewed, and decisions made on the appropriate disposition for each transaction. Undelivered orders and other outstanding obligations for items or services no longer required shall be canceled, and any termination costs which result from the cancellation shall be the responsibility of the losing activity. If outstanding obligations support a continuing need, that need may be filled through either a modification to the undelivered order or continued funding by the original ordering activity with reimbursement from the new requiring activity.

(3) Unfilled Customer Orders. Unfilled customer order account balances shall not be transferred from the losing activity to the gaining activity without validation. Unfilled customer orders citing current funding which are directly related to functions transferring from the losing activity

shall be reviewed to determine what orders for goods or services remain outstanding, and the activity responsible for providing these goods or services to the customer. If goods or services are to be provided by the gaining activity, reimbursement to the gaining activity may be provided through either an amendment to the unfilled customer order or through funding provided by the losing activity. If an unfilled customer order is amended, the losing activity, along with the gaining activity, must ensure that the customer is advised of this decision. If goods or services are to be provided by the losing activity, the losing activity will continue to bill the customer, and return any remaining unobligated balances to the customer after the order is completed.

b. Proprietary Accounts

(1) Actions and Related Procedures Required For the Transfer of Property. The following actions are required incident to the transfer of property (capital assets) from one DoD entity to another:

(a) Losing and gaining activities shall reach a preliminary agreement as to the specific property to be transferred. Ownership of selected assets, such as equipment, hardware, software, furniture, etc, necessary to the performance of the functions being transferred shall transfer to the gaining activity. Assets required exclusively in support of the function being transferred also shall be transferred to the gaining activity. Ownership of shared assets shall be determined based upon the preponderance of use. Accounting entries to remove capital assets from the accountable records of the losing activity must agree with the transfer of physical assets and support physical and financial accountability for the property transferred to the gaining activity.

(b) Conduct a joint inventory between representatives of the losing and gaining activity and mutually verify the availability and accuracy of fixed assets and related information of property scheduled for transfer. Fixed assets not transferred because of condition or unavailability will be disposed of and removed from the accountable records of the losing activity prior to transfer. After validation of assets to be transferred, a final listing shall be compiled showing all pertinent information for the assets agreed upon for transfer. The following entry will be made on the records of the losing activity to recognize fixed asset losses:

Dr 7210 Losses on Disposition of Assets
Dr 1759 Accumulated Depreciation on Equipment
Cr 1750 Equipment

(c) Losing activities must provide copies of physical custody control records to gaining activities and prepare accountability transfer documents. The losing activity will provide the gaining activity copies of all Property Record Cards (or similar physical custody records) used to maintain physical control of each item included on the final listing of assets to be transferred. Transfer documents will be prepared concurrently to remove asset accountability from the records of the losing activity. A copy of each transfer document will be provided to the gaining activity to support the value of capital asset accountability to be established. The transfer document shall disclose, if known, the original acquisition cost and the accumulated

depreciation for items transferred. If those values are not known, the transfer value shall be, the fairmarket value amount mutually agreed to by the losing and gaining activities. However, if those values are not known, such a transaction shall not create a financial gain or loss for the gaining or losing activity. Each transfer document will identify the losing and gaining activity, by name and Department of Defense Activity Address Code (DODAAC). The following entry will be made on the records of the losing activity to transfer accountability to the gaining activity:

Dr 3231 Transfer-Out to Government Agencies Without
Reimbursement
Dr 1759 Accumulated Depreciation on Equipment
Cr 1750 Equipment

(d) Gaining activities must establish physical custody and control of assets transferred using copies of physical custody control records provided by the losing activities, and prepare accountability acceptance documents.

1. Establish Physical Custody/Accountability Records.

Each gaining activity will prepare new property records (DoD Property Record (DD Form 1342)) for each item of equipment. Computer generation of DoD Property Records is authorized if the data elements are included in the same order as on the printed DD Form 1342. Official property custody records will be maintained by the gaining activity.

2. Notification to Property Control Offices. Specific categories of equipment and plant property are monitored and controlled by offices, other than the installation having ownership and physical custody of the item. Notification will be made to the following control offices consistent with the property control and management requirements of each applicable item:

Notify Defense Industrial Plant Equipment Center (DIPEC), Memphis, TN, for DIPEC controlled equipment items.

Notify Naval Facilities Engineering Command and the Navy Facility Assets Data Base (NFADB) for Navy real property item accountability changes such as buildings, etc.

Notify Military Traffic Management Command for railroad equipment.

Notify Plant Property Accounting Office/Activity and Transportation Equipment Management Center (TEMC) for industrial plant equipment items.

3. Establish Financial Accountability Records. Each gaining activity will receive a copy of all transfer documents from the losing activity to support the value of all capital asset accountability to be established. Each transfer document will identify the losing and gaining activities, both by name and DODAAC. Adequate controls must be established to ensure that proper accountability is maintained for all capital assets transferred to gaining activities. Those controls should provide, at a minimum, assurance that assets transferred and their values are consistent with and/or reconcilable to the joint inventory conducted between representatives of

the losing and gaining activity, copies of transfer documents received from the losing activity, and DoD Property Records (DD Form 1342) prepared by the gaining activity. The following entry will be made on the records of the gaining activity to transfer accountability from the losing activity:

Dr 1750 Equipment
Cr 1759 Accumulated Depreciation on Equipment
Cr 3220 Transfer-In From Others Without
Reimbursement

Specific property items require custody accountability and control, but are not included in the financial records of the activity. Items in this category are those not meeting capitalization criteria, i.e., furniture, fixtures, and office equipment which cost more than \$300 but less than the capitalization threshold; all equipment that is "classified" or "sensitive" which does not meet the capitalization threshold; and all equipment or items that are pilferable in nature and cost over \$100 but less than the capitalization threshold.

(2) Actions and Related Procedures Required For the Transfer of Construction in Progress. Ownership of assets under development, e.g., physical assets, management initiatives or software under development, shall be transferred to the gaining activity where such efforts are directly related to the functions being transferred. The losing activity will credit the Construction In Progress account, and credit the equity account 3231, "Transfers-Out to Government Agencies Without Reimbursement," for the value of work completed to date. Concurrently, the gaining activity will record the same value as a debit to the Construction in Progress account and a credit to the equity account 3220, "Transfers-In from Others Without Reimbursement." Both of the transfer actions should occur in the same accounting period. The gaining activity will record the transaction based on notification by the losing activity or the designated liaison office. The capital budget authority of the gaining Defense Business Operations Fund activity will require appropriate adjustment for assets transferred during construction to ensure authority for the gaining activity to complete the asset.

(3) Actions and Related Procedures Required For the Transfer of Work in Process. Work in process for customers (unfilled customer orders) shall not be transferred from the losing activity to the gaining activity without validation. Unfilled customer orders citing current funding which are directly related to transferring functions shall be reviewed to determine what orders for goods or services remain outstanding, and the activity responsible for providing these goods or services to the customer. If the work in process is to be completed by the gaining activity, reimbursement to the gaining activity may be provided through either an amendment to the unfilled customer order or through funding provided by the losing activity. If an unfilled customer order is amended, the losing activity, along with the gaining activity, must ensure that the customer is advised of this decision. If the work in process is to be completed by the losing activity, the losing activity will continue to bill the customer, and return any remaining unobligated balances to the customer after the order is completed. Transactions outstanding prior to the transfer shall remain on the accounting records of the losing entity until completed, canceled, or reissued as a gaining activity responsibility.

(4) Actions and Related Procedures Required For the Transfer of Operating Materials and Supplies On Hand. The absolute value of operating materials and supplies for which accounting is to be transferred cannot reasonably be validated prior to transfer. Representatives from both the losing and gaining activity will jointly review the most current physical and financial reconciliation records available, and the schedule for future reconciliations. Concurrently, any apparent abnormal financial values, or financial transactions which appear abnormal, will be jointly reviewed and a consensus reached as to the reliability of records being transferred. Statistical sampling or other methods of verification should be used, as appropriate. It is imperative that records of accountability being transferred be as reasonably accurate as possible. Operating materials and supplies accounting transfers will be based upon the mutually validated on hand values of the accountable records of the losing activity. If accountability is to continue to be maintained using existing supply and financial records, the validation requirements detailed above remain the same. The losing activity will record the agreed upon inventory value as follows:

Dr 3231 Transfers Out to Government Agencies Without
Reimbursement
Dr 7300 Extraordinary Items (Loss)
Cr 1511 Operating Materials and Supplies Held for Use
Cr 1512 Operating Materials and Supplies Held in Reserve
for Future Use

The gaining activity will record the agreed upon inventory value as follows:

Dr 1511 Operating Materials and Supplies Held for Use
Dr 1512 Operating Materials and Supplies Held in Reserve
for Future Use
Cr 3220 Transfers In from Others Without
Reimbursement

(5) Actions and Related Procedures Required For the Transfer of Inventory In Transit. Inventory in transit is the value of items moving between a DoD supply activity and a contractor or other government supplier, or moving between storage locations within a DoD Component. Amounts posted to this account are based upon ownership acceptance, or payments made for materiel not yet physically received. Amounts recorded in this account are supported by individual documents evidencing the ownership acceptance or payment prior to receipt. As is the case with the inventory records, it is imperative that records supporting the transfer of accountability for inventory in transit be as accurate as possible. Where practical, each document should be reviewed for validity. Inventory in transit values transferred will be based upon the validated value of documents supporting inventory in transit values. In those instances where transactions are determined to be invalid, action should be initiated to adjust the accountable records of the losing activity. If accountability is to continue to be maintained using existing financial records, the validation requirements detailed above need not be performed. The losing activity will record the agreed upon inventory value as follows:

Dr 3231 Transfers Out to Government Agencies Without
Reimbursement
Dr 7300 Extraordinary Items (Loss)
Cr 1525.1 Inventory in Transit from Procurement

The gaining activity will record the agreed upon inventory value as follows:

Dr 1525.1 Inventory in Transit from Procurement
Cr 3220 Transfers In from Others Without
Reimbursement

(6) Actions and Related Procedures Required For the Transfer of Accounts Receivable. If accountability is to continue to be maintained by the gaining activity through use of existing financial records of the losing activity, the validation requirements detailed below need not be performed. However, if accounts receivable recorded in the records of the losing activity are to be jointly reviewed and validated by representatives of the losing and gaining activities, the accounts receivable values transferred will be based upon the mutually validated accounts receivable values. Action may be taken to terminate collection action and write off the debt when one or more of the following five criteria apply:

(a) The debt is without merit. In these cases, the debt was never owed in the first place and should not have been classified as a debt.

(b) The debt cannot be substantiated. In these cases, the activity does not have or cannot produce the evidence or witnesses necessary to validate a claim and has not been able to obtain the voluntary repayment of the debt.

(c) The costs of further collection action will probably exceed the amount which could be recovered.

(d) The activity is unable to locate the debtor and finds that either (a) there is no security to be liquidated to recover the amount owed, or (b) the statute of limitations has expired and the chances of recovering the debt do not justify retaining the debt as a receivable.

(e) The activity is unable to collect any substantial amount.

Further, debts due from the public that are \$100,000 or more must be referred to the Department of Justice for concurrence in terminating collection action. If the Department of Justice concurs with the decision to terminate collection action on those debts, the debt may be written off. Adjustment amounts will be included on the accountable records of the losing activity.

(7) Actions and Related Procedures Required For the Transfer of Liabilities

(a) Accounts Payable. If accountability is to continue to be maintained by the gaining activity through use of existing financial records of the losing activity, the validation requirements detailed below need not be performed. However, if accounts payable recorded in the records of the losing activity are to be jointly reviewed and validated by representatives of the

losing and gaining activities, the accounts payable values transferred will be based upon the mutually validated accounts payable values. Appropriate action will be taken to adjust all transactions recorded as accounts payable which are determined to be no longer valid. Any adjustment amounts will be included on the accountable records of the losing activity.

(b) Accrued Payroll and Annual Leave Liability. The liability for accrued payroll and annual leave for employees transferring from a revolving fund activity becomes a liability to the gaining activity as of the date of the transfer. This liability will be recorded on the respective records in the appropriate equity and liability accounts. The losing revolving fund activity will provide a listing to identify individuals transferring and confirm the value of the leave liability of those employees. Regardless of the causative event, a revolving fund activity, that loses employees through reorganization to an appropriation - financed activity shall transfer cash equal to the accrued payroll to the gaining appropriated fund activity and cash equal to the accrued annual leave value to the Treasury as miscellaneous receipts. A revolving fund activity that loses employees through reorganization to another revolving fund activity shall transfer cash equal to the accrued payroll and accrued annual leave value to that gaining revolving fund activity. If, however, cash or equivalent assets to finance accrued annual leave were not received by the losing revolving fund activity when employees previously were transferred in, the transfer of funds to miscellaneous receipts, or to the gaining Fund activity, shall be reduced by the amount of annual leave liability originally assumed by the Fund. (NOTE: The employees previously transferred in could have been transferred in years ago. The employees transferring out will likely be another group. It is not intended to match the specific employees, but only to avoid transferring funds for which previous payment had not been made.)

The losing revolving fund activity shall record the following:

Dr 2211 Accrued Payroll - Civilian
Dr 2215 Accrued Payroll - Funded Annual Leave - Civilian
Dr 2221 Accrued Annual Leave - Civilian - Unfunded
Cr 1012.1 Funds Disbursed - Operating - DBOF
Cr 3211.3 Liabilities Assumed (for annual leave)

Entry to transfer accrued payroll and annual leave of a Fund activity.

The gaining activity, to the extent that payment is not received, shall record the following:

Dr 3211.3 Liabilities Assumed
Cr 2211 Accrued Payroll - Civilian
Cr 2221 Accrued Annual Leave - Civilian - Unfunded

Entry to record liability associated with personnel transfers when payment does not accompany the liability transfer.

However, the gaining activity entry to record initial liabilities, to the extent that payment is received is:

Dr 1011.1 Funds Collected - Operating Program - DBOF
Cr 2211 Accrued Payroll - Civilian
Cr 2215 Accrued Payroll - Funded Annual Leave - Civilian

Entry to record liability associated with personnel transfers when payment accompanies the liability transfer.

(8) Actions and Related Procedures Required For the Transfer of Equity. An increase to equity is recognized when an activity operating within the Fund receives an asset which will not require the use of available resources to finance the item. Conversely, a decrease to equity is recognized each time an activity receives a liability (e.g., accounts payable and unfunded annual leave) from another activity for which payment in the form of cash or other assets is not provided. Entries vary depending on what is being transferred. Various situations have been covered in the preceding paragraphs detailing transactions that impact equity.

5. Determine New Fund Citation, and New or Revised Data Structure

a. New Fund Citations. A fund citation must be used on all accounting documents. To permit continued operation of transferred functions by the gaining activity, the gaining activity will ensure that the proper fund code is provided to those installations transferring to its command and that instructions for preparation of requisitions are provided sufficient to ensure billing to the proper accountable activity. The fund citations provided must include the applicable accounting classification code, and must also identify any applicable fund code(s), either system unique, or DoD wide, or both. All obligating documents such as contracts, small purchase actions, travel orders, training requests, and requisitions prepared for purchase of materiel from the military supply system or the General Services Administration shall cite the gaining activity accounting classification code.

b. Department of Defense Activity Address Codes (DODAACs) and/or Unit Identification Codes (UICs). A DODAAC is the DoD equivalent of a Social Security Number. A DODAAC is used to identify a DoD installation (or, in some instances, components thereof) for purposes of mail and communications, shipment of materiel, or billing for assets issued from the DoD military supply system. DODAAC assignments are controlled by each of the DoD Components; however, they are centrally maintained and distributed to the DoD Components by the Defense Automatic Addressing Systems Office to ensure total system visibility. The DODAAC (in Navy terms the Unit Identification Code [UIC]) is required on Military Standard System requisition documents to ensure compatibility with the logistics management systems. These requisition documents become obligating documents and are the basis for creation of other logistics and financial documents. The circumstance of each transfer action may require identification of the transferred or consolidated segment of the losing activity as a new entity. In such cases, new DODAACs will be established and distributed to applicable activity personnel to ensure the proper preparation and subsequent processing of transactions for accounting and reporting.

Concurrently, each transfer will be evaluated to ensure that all Service Code assignments, fund code assignments, routing identifier codes, and all other Military Standard supply and financial systems codings have been established consistent with the transfer status of the new entity.

6. Other Actions Required to Accomplish the Accounting Transfer

a. Validate Reimbursable Agreements and Ensure Funding by Applicable Requiring Entity. Reimbursable agreements may exist between the losing installation and other entities for the provision or receipt of services and other support. It is essential that such reimbursable agreements be identified and that the gaining activity and the providing or receiving entity negotiate Intra-Service Support Agreements (ISAs) or Service Support Agreements (SSAs) to define reimbursable services and support to be provided and received.

b. Payroll. The transfer of payroll processing will normally be accomplished either at the beginning of a pay period or at the beginning of a fiscal year. Whenever payroll transfers occur, an agreement will be negotiated between the activities as to the date to be used for transfer. The losing activity is responsible for the salary and benefits of all transferring employees through the agreed upon transfer date. The losing activity also will be responsible for payment in the form of cash or other assets for any unused compensatory time, and merit pay bonuses earned by transferring employees for the fiscal year.

c. Travel in Process. Travel advances and outstanding travel obligations for travel which has occurred, or is in process, shall remain with the losing activity pending settlement. Only travel for transferring activity personnel begun after the effective date of the transfer will be an obligation of the gaining activity. The losing and gaining activity shall jointly review outstanding travel documents and deobligate those no longer valid. Where temporary duty (TDY) begins before and ends after the effective transfer date, travel documents will contain fund citations (and appropriate estimates) to ensure payment of travel costs commensurate with the duty station of the individual during each of the travel periods. Separate travel documents for each period are recommended. Copies of all related travel documents will be provided to both the losing and gaining activities to ensure proper processing. The losing activity will prepare the travel order, and make appropriate disbursements. Amounts charged to the gaining activity will be processed as a Transaction for Others or other agreed-upon procedures by the losing activity. Losing activities will always obtain authority to cite gaining activity funding on travel orders.

d. Contractor Payments. A contract modification must be sent to contractors, under normal change procedures, for each contract for which the responsibility for contract payment is transferred. This is necessary to advise the contractor of a change in paying office.

e. Internal Control. The gaining activity will develop procedures to control and manage the required accounting and system changes. Account control totals and other internal control mechanisms shall be developed and used to insure that accounting integrity is maintained.

f. Reporting. The gaining activity will, in order to continue the reporting function in an efficient and effective manner, provide specific instructions to new organizational elements transferred to it including points of contact, office symbols and phone numbers.

DEPARTMENT OF DEFENSE
DEFENSE BUSINESS OPERATIONS FUND

CHARTER

1. AUTHORITY

The Defense Business Operations Fund (hereafter, "Fund"), a working capital fund, was established, effective October 1, 1991, under the authority of section 2208 of Title 10, United States Code. Operations of the Funds will be conducted in accordance with applicable Department of Defense policies and regulations. The Treasury Account Symbol authorized by the Department of the Treasury for use by the Fund is 97X4930.

2. BUSINESS OPERATION ACTIVITIES

Department of the Army, Department of the Navy, Department of the Air Force, and Defense Agency activities may be included within the Fund. Each Fund activity, or group of Fund activities, shall be under the management control of a designated agency. The Fund activities and the designated management control agencies are listed in supplemental provisions to this Charter.

3. MISSION

The Fund provides for improved financial management tools for the allocation of resources to support activities through an application of a businesslike buyer/seller approach using revolving fund principles. The Fund should encourage more efficient and effective delivery of support to the operational commander through economical buying and cost conscious decisions. This mission should be achieved through the DBOF Corporate Board process.

4. CUSTOMERS

The Fund provides to the customers authorized products, materials, and services to the Military Departments and the Defense Agencies on a reimbursable basis. The authorized products, materials, and services may be furnished to agencies of other government departments or instrumentalities and to authorized private concerns and other agencies as are authorized by law. The customer has the ability to influence the level, quality and delivery speed of the support required to ensure that the Department's readiness posture is maintained.

5. SUPPLEMENTAL PROVISIONS

Supplemental provisions, by business area, are part of this charter. Supplemental provisions may be added, removed, or revised following review by the Corporate Board. The supplemental provisions shall include, at a minimum, information relative to each business operations activity included within the Fund. The information may include a mission statement for the business operation area, identification of the business operation management command, listing of specific activities included within the business operation area, working capital provided to commence and continue operations under the Fund, and identification of any authorized exceptions to Defense policies and guidance.

6. WORKING CAPITAL

Working capital transferred to each business area on, or after, October 1, 1991, establishes the initial corpus of each business area. The amount of working capital transferred with each business operation area is included in the supplemental provisions to this Charter and permanently defines its initial working capital corpus.

Submitted by:

Under Secretary of Defense (Comptroller)

Approved:

Deputy Secretary of Defense

DEPARTMENT OF DEFENSE
DEFENSE BUSINESS OPERATIONS FUND
SUPPLEMENTAL PROVISIONS TO CHARTER
(TITLE OF BUSINESS AREA)

or

(NAME OF BUSINESS OPERATION ACTIVITY)

1. AUTHORITY

The (NAME OF BUSINESS OPERATIONS FUND BUSINESS AREA OR ACTIVITY), a working capital fund activity, is established, effective (DATE), under the authority of section 2208 of Title 10, United States Code. Operations of the activity will be conducted in accordance with applicable Department of Defense policies and regulations. The Treasury Account Symbol authorized by the Department of the Treasury for use by the (NAME OF FUND ACTIVITY) is 97X4930.xxxx.

2. MISSION

(Provide a brief statement of the mission of the activity.)

3. MANAGEMENT COMMAND

(Provide the name and location of the Management Command and a statement as to whether, and to what extent, the Management Command is funded by the Defense Business Operations Fund.)

4. (NAME OF BUSINESS AREA) ACTIVITY COMPOSITION

(This section applies when the supplemental provisions apply to a DoD Component Business Area consisting of multiple Fund activities. In those instances, provide a listing of each activity included within the DoD Component business area and each activity's location, as follows:)

Activity

Location

(Name of Activity)

(City and State)

5. AUTHORIZED EXCEPTIONS

(Specify any policy exceptions authorized for the business area or any activity included within the business area--if none, so state.)

6. WORKING CAPITAL AND EQUITY

Working capital and equity available to the (NAME OF BUSINESS AREA OR ACTIVITY) as of (DATE) is composed of the following elements:

Add:	Fund Balance With Treasury	\$xxxxxx
Add:	Accounts Receivable (net)	\$xxxxxx
Add:	Work in Process and Inventory for Sale	\$xxxxxx
Less:	Accounts Payable	\$xxxxxx
Equals:	Working Capital	\$xxxxxx
Add:	Fixed Assets	\$xxxxxx
Add:	Other Asets	\$xxxxxx
Add:	Operating Materials and Supplies	\$xxxxxx
Less:	Other Liabilities	\$xxxxxx
Equals:	Equity	\$xxxxxx

Submitted by:

(Title of Submitting Official)

Approved:

Under Secretary of Defense (Comptroller)

DOD BASE CLOSURE ACCOUNT FINANCIAL PLAN		SERVICE: FISCAL YEAR OF APPROPRIATION: (Dollars, in Thousands)		SUBMISSION NO. As of:		
INSTALLATIONS/PROJECT(S)	PROGRAM AMOUNT	CHANGE AMOUNT	PREVIOUSLY APPROVED	PROPOSED	QT	OSD APPROVED
(a)	(b)	(c)	(d)	(e)	(f)	(g)
A. <u>Military Construction</u> 1. Construction a. (Project) b. (Project) 2. Planning and Design						
B. <u>Family Housing</u> 1. Construction a. (Project) b. (Project) 2. Planning and Design 3. Operations						
C. <u>Operation and Maintenance (O&M)</u> 1. Civilian Severance Pay 2. Civilian PCS 3. Transportation of Things 4. Real Property Maintenance 5. Program Management						
D. <u>Environmental</u>						
E. <u>Community Programs</u> 1. Community Planning 2. Economic Assistance						
F. <u>Federal Agencies</u>						
G. <u>Military Personnel</u>						
H. <u>Procurement-type Items</u>						
I. <u>Other</u>						

CHAPTER 52

BUDGETARY RESOURCES

A. APPROPRIATIONS RECEIVED

1. Purposes of Appropriations. An appropriation is an authorization by an act of Congress that permits agencies to incur obligations and to make payments out of the U.S. Treasury for specified purposes. The Defense Business Operations Fund (DBOF) may receive appropriations for two general purposes--to provide working capital, and to provide financing for specific projects or tasks.

2. Receipt and Allocation of Appropriations. The receipt of an appropriation or reappropriation is recorded at the Departmental level only. The allocation, if any, of the appropriation or reappropriation is recorded at the intermediate and activity level as appropriate. While similarities in accounting for appropriations received for the two general purposes outlined above exist, differences must be accommodated. Basically, the receipt and allocation of appropriations are accounted for in the same way; however, accounting for the use of appropriations may differ.

a. Departmental Level Entries

Dr 4119 Other Appropriations Realized
Cr 4620 Other Funds Available for Commitment/Obligation 1/

Dr 1013 Funds With Treasury
Cr 3211.1 Appropriations Available

Entry to record receipt of an appropriation. The source document for the budgetary account posting is the OMB appropriation apportionment--DD Form 1105, "Apportionment and Reapportionment Schedule." The source document for the proprietary account posting is the Treasury Warrant--TFS Form 6200, "Department of the Treasury Appropriation Warrant." (This is a departmental level entry only.)

Dr 4620 Other Funds Available for Commitment/Obligation 1/
Cr 4541 Allocations Issued - Direct Program - Current
Period

Dr 3211.1 Appropriations Available
Cr 1013 Funds With Treasury

Entry to record obligational authority allocated to intermediate or activity level. (This is a departmental level entry only.)

1/ Apportioned business areas (for example, supply management) shall use GLA 4440, "Revolving Funds Available for Apportionment," rather than GLA 4620, "Other Funds Available for Commitment/Obligation."

b. Intermediate (Command) Level Entries

Dr 4550 Internal Fund Distributions Received
Cr 4561 Unallotted Allocations - Direct Program
- Current Period

Dr 1013 Funds With Treasury
Cr 3211.1 Appropriations Available

Entry to record receipt of obligational authority allocated from departmental level. (This is an intermediate level entry only, for example, the U.S. Transportation Command.)

Dr 4561 Unallotted Allocations - Direct Program
-Current Period
Cr 4571 Allotments Issued - Direct Program - Current Period

Dr 3211.1 Appropriations Available
Cr 1013 Funds With Treasury

Entry to record obligational authority allocated to activity level. (This is an intermediate level entry only.)

c. Installation (Performing) Level Entries

Dr 4580 Allotments Received
Cr 4611 Uncommitted/Unobligated Allotments
- Direct Program -Current Period

Dr 1013 Funds With Treasury
Cr. 3211.1 Appropriations Available

Entry to record receipt of obligational authority allotted from Departmental or intermediate level. (This is an activity level entry only.)

B. APPROPRIATIONS FOR TRANSPORTATION MOBILIZATION REQUIREMENTS

Because a capability must be maintained by the United States Transportation Command (USTRANSCOM) DBOF Transportation business area to expeditiously respond to requirements to transport personnel, material, or other elements required to satisfy a mobilization condition, direct appropriation funding may be provided to the Air Mobility Command (AMC) and to the Military Traffic Management Command (MTMC) as follows:

1. Air Mobility Command (AMC). Airlift flying hours and associated costs are based on the requirement to maintain the capability of the airlift system, including crew training (and concurrent mobilization) requirement. The airlift system training generated capacity is used by the Department of Defense to move air eligible cargo and passengers. In order to extend air eligibility and increase capacity utilization, rates are generally established to be competitive with commercial airlift carriers. However, due to the mobilization requirement,

the resulting revenue does not cover the full costs of airlift operations. This requirement will be recorded/budgeted as follows:

a. The costs for military personnel will be recorded (at the civilian equivalency rate) in accordance with the policy on Military Personnel Expense in Chapter 63, "Expenses," of this Volume. Military personnel within the Air Mobility Command will be direct funded by the Military Personnel appropriation. Although the cost shall be recorded as a DBOF cost, it shall be recorded so that it is not required to be recovered in customer rates. Accounting policy for military personnel expense is in Chapter 63, "Expenses," of this volume. Financial reporting of military personnel expense is reported on Part V, "Recoverable Operating Results," of the DBOF monthly (AR 1307) Statement of Operations as provided for in Chapter 70 of this volume.

b. The balance of the mobilization requirement costs will be funded through a direct appropriation to the Air Force and will be placed as an order with the DBOF. This will assure that revenue is reflected to offset the costs.

2. Military Traffic Management Command (MTMC). The MTMC shall plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material and other elements required to satisfy a mobilization requirement. The costs of RIC will be funded by the Army Operation and Maintenance appropriation. *

C. USE OF AN APPROPRIATION

1. For Working Capital. Appropriations may be provided for working capital purposes such as when the accumulated operating results and/or the cash position is either negative or approaching negative or for other purposes. In those instances, the cash outlays and obligations may have previously occurred and the appropriation may therefore provide financing after the fact. The receipt of the appropriation provides an immediate infusion of cash and is accounted for as illustrated above. However, the use of the appropriation must be accounted for and reflected on accounting records and financial reports. The accounting entries to accomplish those results are:

Dr 3211.1 Appropriations Available
Cr 5700 Appropriated Capital Used

NOTE: GLA 5700, "Appropriated Capital Used," is a revenue account and is closed to GLA 3321, "Net Results of Operations-DBOF."

and
Dr 4611 Uncommitted/Unobligated Allotments
- Direct Program - Current Period
Cr 4614 Uncommitted/Unobligated Allotments
- Reimbursable Program - Current Period

Entry to record, in proprietary accounts, the use of appropriated capital and, in budgetary accounts, the availability for reimbursable program obligations. As a rule, the total amount of the appropriation shall be recognized as used. However, if the amount of the appropriation is in

excess of negative net and accumulated operating results, the amount of the appropriation used shall only be the amount sufficient to bring the total of accumulated operating results and net operating results to a zero dollar (\$-0-) position. In that case, the remainder of the appropriation shall be used to offset subsequent year net operating losses to the extent they occur and the remaining amount of the appropriation is sufficient.

2. For Specific Projects/Tasks. An appropriation may be provided for specific projects or tasks. An example is an appropriation provided to finance costs of the U.S. Transportation Command for emergency or humanitarian transportation costs. Another example is an appropriation provided to finance Defense Commissary Agency operating costs. In these situations, the entity receiving the appropriation must act as BOTH the customer (financing) activity and the performing activity and record entries necessary to account for both. Entries are necessary to record (a) issuance of a reimbursable order from the financing account, (b) receipt of the order in the performing account, and (c) recognition of obligations and expenses in the performing account and, upon completion of the order, (d) recognition of reimbursements earned (revenue) in the performing account, and simultaneously with recognition of reimbursements earned, (e) expenditure of the financing account. The accounting entries to accomplish those results are:

a. Issuance of a Reimbursable Order from the Financing Account

Dr 4611 Uncommitted/Unobligated Allotments
 - Direct Program - Current Period
Cr 4810 Undelivered Orders-Direct Program

b. Receipt of the Order in the Performing Account

Dr 4581 Automatic Reimbursement Program
Dr 4231 Unfilled Customer Orders - Without Advance -
 Automatic Apportionment
Cr 4221 Customer Orders Accepted - Automatic Apportionment
Cr 4614 Uncommitted/Unobligated Allotments - Reimbursable
 Program - Current Period

c. Recognition of Obligations and Expenses in the Performing Account

Dr 4614 Uncommitted/Unobligated Allotments - Reimbursable
 Program - Current Period
Cr 4821 Undelivered Orders - Without Advance -
 Reimbursable Program
Cr 4920 Accrued Expenditures - Unpaid -
 Reimbursable Program
Cr 4941 Accrued Expenditures - Paid -
 Reimbursable Program

Dr 6111 Personnel Compensation-Civilian
Dr 6121 Supplies and Materials
Dr 6125 Depreciation of Equipment
Dr 61XX (Other Operating/Program Expenses)

Cr 2113 Accounts Payable-Public
Cr 1530 operating Materials and Supplies
Cr 1759 Accumulated Depreciation on Equipment
Cr 2110 Accounts Payable
Cr 1012 Funds Disbursed

d. Recognition of Reimbursement Earned (Revenue) in the Performing Account

Dr 4253 Reimbursements Earned - Collected - Automatic Apportionment
Cr 4231 Unfilled Customer Orders - Without Advance - Automatic Apportionment

Dr 3211.1 Appropriations Available
Cr 5700 Appropriated Capital Used

NOTE: GLA 5700, "Appropriated Capital Used," is a revenue account and is closed to GLA 3321, "Net Results of Operations-DBOF."

e. Recognition of Expenditure of the Financing Account

Dr 4811 Undelivered Orders - Without Advance - Direct Program
Cr 4931 Accrued Expenditures - Paid - Direct Program

3. Accounting Illustration. Addendum 1, "Accounting Illustration for Use of an Appropriation Received within the Defense Business Operations Fund," provides further guidance, through use of a simplified illustration, on the proprietary accounting entries applicable to the concepts in this section.

D. BUDGETARY RESOURCES

1. Apportionment of Authority. An apportionment is a distribution made by the Office of Management and Budget of amounts available for obligation in an appropriation or fund account. Apportionments generally divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. The apportionment process is intended to achieve the most effective and economical use of amounts made available for obligation and to prevent the obligation of amounts available within an appropriation or fund account in a manner that would require deficiency or supplemental appropriations. In this regard obligations may not be incurred in excess of the amount of budget authority apportioned. Obligations may be incurred only upon receipt of obligation authority. However, the apportionment process limits the amount of obligations that may be incurred even though obligation authority would otherwise be available. The reimbursable program of the Defense Business Operations Fund is apportioned. However, it may be apportioned in one of two ways. Those two ways are: (a) automatically apportioned meaning that the total amount of obligation authority available may be obligated upon its becoming available and (b) specifically apportioned meaning that the amount of obligations that may be

incurred is limited to the specified apportioned amount. The accounting entries for each apportionment method is shown below:

a. Automatically Apportioned Reimbursable Program

Dr 4212 Anticipated Reimbursements - Automatic Apportionment
Cr 4518 Unallocated Apportionment - Reserve for
Anticipated Resources - Automatically Apportioned

Entry to record amount of anticipated reimbursements expected to be earned by DBOF activities during the current fiscal year. (This is a departmental level entry only. The automatically apportioned reimbursable program requires no intermediate or activity level entries as the authority to incur obligations is automatic upon receipt of obligation authority.)

Dr 4518 Unallocated Apportionment - Reserve for
Anticipated Resources - Automatically Apportioned
Cr 4212 Anticipated Reimbursements - Automatic
Apportionment

Entry to record amount of anticipated reimbursements realized by DBOF activities during the current fiscal year. (This is a departmental level entry only.)

b. Specifically Apportioned Reimbursable Program

Dr 4211 Anticipated Reimbursements - Specific Apportionment
Cr 4440 Revolving Funds Available for Apportionment

Entry to record a request for apportionment of anticipated reimbursements forwarded to the OMB. The documentation supporting this entry is a DD 1105, "Apportionment and Reapportionment Schedule." (This is a departmental level entry only.)

Dr 4440 Revolving Funds Available for Apportionment
Cr 4514 Unallocated Apportionment - Reimbursable
Program - Current Period

Entry to record receipt of the approved apportionment request. The documentation supporting this entry is an approved DD 1105, "Apportionment and Reapportionment Schedule." (This is a departmental level entry only.)

Dr 4514 Unallocated Apportionment - Reimbursable
Program - Current Period
Cr 4543 Allocations Issued - Reimbursable Program -
Current Period

Entry to record allocations issued. The documentation supporting this entry is an approved allocation document. (This is a departmental level entry only.)

Dr 4550 Internal Fund Distributions Received
Cr 4563 Unallotted Allocations - Reimbursable
Program - Current Period

Entry to record allocations received. The documentation supporting this entry is an approved allocation document. (This is an intermediate level entry only.)

Dr 4563 Unallotted Allocations - Reimbursable Program -
Current Period
Cr 4573 Allotments Issued - Reimbursable Program -
Current Period

Entry to record allotments issued. The documentation supporting this entry is an approved allotment document. (This is an intermediate level entry only.)

Dr 4580 Allotments Received
Cr 4582 Allotted Reimbursable Program - Current Period

Entry to record allotments received. The documentation supporting this entry is an approved allotment document. (This is an activity level entry only.)

2. Customer Orders. Customer orders received are requisitions and other orders accepted for items to be furnished on a reimbursable basis. The amount of budgetary resources available for obligation from customer orders is the sum of:

(1) Orders received from federal government accounts that represent valid obligations of the ordering account, whether or not accompanied by an advance, plus

(2) Orders received from the public, including State and local governments, but only to the extent accompanied by an advance.

Throughout the year, unfilled customer order amounts should be adjusted to the extent that orders are filled, canceled, or new orders received. The accounting entries to record acceptance of customer orders are:

Dr 4581 Automatic Reimbursement Program
Dr 4231 Unfilled Customer Orders - Without Advance -
Automatic Apportionment
or
Dr 4233 Unfilled Customer Orders - With Advance -
Automatic Apportionment
Cr 4221 Customer Orders Accepted - Automatic Apportionment
Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period

Entry to record acceptance of a customer order when the reimbursable program is automatically apportioned.

Dr 4582 Allotted Reimbursable Program - Current Period
Dr 4232 Unfilled Customer Orders- Without Advance -
Specific Apportionment
or
Dr 4234 Unfilled Customer Orders - With Advance -
Specific Apportionment
Cr 4222 Customer Orders Accepted - Specific Apportionment
Cr 4614 Uncommitted/Unobligated Allotments - Reimbursable
Program - Current Period

Entry to record acceptance of a customer order when the reimbursable program is specifically apportioned.

3. Earned Reimbursements. Earned reimbursements are the amount of customer orders that have been filled, provided that in the case of orders from the public, including State and local governments, the amount is limited to the amount of the advance received. Earned reimbursements should not exceed the amount of individual customer orders. The amount of budgetary resources available for obligation from earned reimbursements can be calculated as the sum of:

a. Customer orders from federal government accounts that have been filled but not yet billed;

b. Accounts receivable representing federal government customer orders that have been filled but not collected.

c. Cash received as advances from the public for customer orders that have been filled; and

d. Cash received as reimbursement for federal government customer orders that have been filled.

4. Nonexpenditure Fund Transfers. Nonexpenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. Typical budgetary and proprietary accounting entries applicable to transfer of budgetary resources to and from other appropriations and funds are illustrated below.

Transfers Out of Budgetary Resources

Dr 4514 Unallocated Apportionment - Reimbursable Program
(or, if automatically apportioned)
Dr 4212 Anticipated Reimbursements - Automatic Apportionment
Cr 4160 Anticipated Transfers of Current
Fiscal Year Authority

Entry to record an anticipated transfer from a business operations fund to another appropriation or fund.
(This is a departmental level entry only.)

Dr 4160 Anticipated Transfers of Current
Fiscal Year Authority
Cr 4170 Appropriation Transfers

Entry to record an authorized transfer from a business operations fund to another appropriation or fund. Documentation supporting this entry includes SF 1151, "Nonexpenditure Transfer Authorization."
(This is a departmental level entry only.)

Dr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period
Cr 4581 Automatic Reimbursement Program

Dr 3211.4 Net Treasury Balance - DBOF
Cr 1013 Funds With Treasury

Entry to record a reduction of unobligated business operation fund resources due to an authorized transfer from a business operations fund to another appropriation or fund.
(This is an activity level entry only.)

Transfers In of Budgetary Resources

Dr 4160 Anticipated Transfers of Current
Fiscal Year Authority
Cr 4517 Unallocated Apportionment - Reserve for other
Anticipated Resources

Entry to record an anticipated transfer from another appropriation or fund to a business operations fund.
(This is a departmental level entry only.)

Dr 4170 Appropriation Transfers
Cr 4160 Anticipated Transfers of Current
Fiscal Year Authority

Dr 1013 Funds with Treasury
Cr 3211.4 Net Treasury Balance - DBOF

Entry to record an authorized transfer from another appropriation or fund to a business operations fund. Documentation supporting this entry includes SF 1151, "Nonexpenditure Transfer Authorization."
(This is a departmental level entry only.)

Dr 4517 Unallocated Apportionment - Reserve for Other
Anticipated Resources
Cr 4543 Allocations Issued - Reimbursable Program

Dr 3211.4 Net Treasury Balance - DBOF
Cr 1013 Funds with Treasury

Entry to record obligational authority allocated.
Documentation supporting this entry includes SF 1151,
"Nonexpenditure Transfer Authorization."
(This is a departmental level entry only.)

Dr 4581 Automatic Reimbursement Program
 Cr 4614 Uncommitted/Unobligated Allotments -
 Reimbursable Program - Current Period

Dr 1013 Funds With Treasury
 Cr 3211.4 Net Treasury Balance - DBOF

Entry to record receipt of obligational authority transfer to
the business operations fund from another appropriation or
fund. (This is an activity level entry only.)

E. WITHDRAWAL OF BUDGETARY RESOURCES

The following illustrate typical budgetary and proprietary accounting entries
applicable to the withdrawal of budgetary resources from the Defense Business
Operations Fund.

Dr 4611 Uncommitted/Unobligated Allotments
 - Direct Program - Current Period
 Cr 4580 Allotments Received

Dr 3211.1 Appropriations Available
 Cr 1013 Funds With Treasury

Entry to record the withdrawal of appropriated and/or
reappropriated Fund capital from activity level. (This is an
activity level entry only.)

Dr 4571 Allotments Issued - Direct Program - Current Period
 Cr 4550 Internal Fund Distributions Received

Entry to record the withdrawal of appropriated and/or
reappropriated Fund capital from intermediate level. (This is
an intermediate level entry only.)

Dr 4541 Allocations Issued - Direct Program - Current Period
 Cr 4119 Other Appropriations Realized

Entry to record the withdrawal of appropriated Fund capital
from departmental level. (This is a departmental level entry
only.)

F. ANTIDEFICIENCY ACT VIOLATIONS

1. Budgetary Resources. A distinction is made between those assets that
constitute a budgetary resource available for obligation and those that do not.
Paragraph C. of this chapter describes assets that are budgetary resources
available for obligation. Other assets, whether of a working capital nature
such as inventories of stock or of a fixed asset nature, are not considered a

budgetary resource. Anticipated reimbursements and anticipated customer orders for the remainder of the fiscal year are not considered a budgetary resource. Such non-budgetary assets, therefore, do not enter into the determination of unobligated balances. However, claims against budgetary resources, such as accounts payable and undelivered orders must enter into the determination of unobligated balances. Obligations for the procurement of inventories, as well as for the acquisition of other assets, must be included in the obligations reported.

2. Apportioned Budgetary Resources. Many of the business areas included within the Defense Business Operations Fund are not subject to apportionment. However, some business areas, such as the Supply Management business area and Defense Commissaries may receive an apportionment. The Supply Management business area may receive a DD Form 1105, "Apportionment and Reapportionment Schedule," for contract authority received for its general operations. Additionally, a DD Form 1105 apportionment may be received for direct appropriations received (for example, appropriations received to procure war reserve materials and operate Defense Commissaries). If an apportionment is received, obligations must be kept within the apportioned limits even though the amount apportioned may be less than the total budgetary resources that would otherwise be available. Failure to do so is a violation of the Antideficiency Act (31 U.S.C. 1517(a)).

3. Segregation of Budgetary Resources. Where an activity receives budgetary resources from more than one source (that is, reimbursable authority from customer orders accepted and direct authority from appropriations), the receiving activity must maintain records which will enable it to control and report separately the transactions relating to each source.

4. Meaning of Violations. The incurring of obligations in excess of available budgetary resources is a violation of the Antideficiency Act and is reportable as such whether or not, in the case of apportioned DBOF business areas, unapportioned budgetary resources or non-budgetary assets are greater than the amount of the deficiency. Additionally, for the Defense Business Operations Fund, disbursements (outlays) in excess of the fund balance (cash) available to the DoD Component's DBOF business area [see Chapter 54, paragraph B.5. of this Volume].

5. Responsibility for Violations. It is the responsibility of each DBOF activity to maintain obligations within the amount of budgetary resources available to that DBOF activity. In the event that available budgetary resources are not sufficient, the DBOF activity shall defer the incurring of obligations until budgetary resources are sufficient to fund them. As a rule, DBOF managers shall not assume that sufficient budgetary resources exist elsewhere within the DBOF to fund obligations rather, managers of a DBOF activity shall request authority to incur obligations from its management command or responsible DoD Component.

6. Types of Violations. Antideficiency Act violations are comprised of events of the following character:

a. Overobligation or overexpenditure of appropriation or fund balance. (Section 1341(a) of Title 31 of the U.S. Code)

b. Contract or obligation in advance of an appropriation. (Section 1341(a) of Title 31 of the U.S. Code)

c. Acceptance of voluntary services. (Section 1342 of Title 31 of the U.S. Code)

d. Overobligation or overexpenditure of an apportionment or reapportionment. (Section 1517(a) of Title 31 of the U.S. Code)

e. Overobligation or overexpenditure of an allotment or suballotment. (Section 1517(a) of Title 31 of the U.S. Code)

f. Overobligation or overexpenditure of a credit limitation. (Section 1517(a) of Title 31 of the U.S. Code)

g. Overobligation or overexpenditure of other administrative subdivisions of funds. (Section 1517(a) of Title 31 of the U.S. Code)

7. Reporting of Violations. Volume 14 of this Regulation specifies the procedures to be followed to report Antideficiency Act violations.

ACCOUNTING ILLUSTRATION
APPROPRIATED CAPITAL USED

A. GENERAL

1. The Defense Business Operations Fund is a revolving fund. As such, it primarily operates through obligational authority and funds provided by the receipt and completion of reimbursable orders. However, the Defense Business Operations Fund can, and does, receive direct appropriations.

2. Revenue and expenses associated with reimbursable orders must be matched and reported on the Statement of Operations (Income Statement). Likewise, an appropriation is a financing source against which expenses must be matched and reported on the Statement of Operations. To accomplish this requirement, general ledger account 5700 has been established. Account 5700, "Appropriated Capital Used," a credit balance account, is a financing source to be matched against current period expenses funded by appropriations. This account is used to record accrued expenses (versus outlays) of appropriated funds and is therefore equal to expenses funded by current and prior year appropriations such as depreciation of fixed assets and consumption of operating materials and supplies purchased in a prior year.

3. Budgetary accounting for appropriations is well-established. However, since proprietary accounting, using general ledger account 5700, is relatively new, the following simplified illustration provides an explanation, in accounting terms, of the accounting necessary to properly recognize revenue and associated costs applicable to an appropriation (vice customer reimbursements).

B. TREASURY APPROPRIATION WARRANT RECEIVED

Dr	1013 Funds with Treasury	\$100,000	
	Cr 3.211.1 Appropriations Available		\$100,000

To record appropriated funds availability upon receipt of TFS Form 6200, "Department of the Treasury Appropriation Warrant." (A warrant is an official document issued pursuant to law by the Secretary of the Treasury that establishes the amount of money authorized to be withdrawn from the central accounts maintained by the Treasury.)

C. APPROPRIATION OUTLAYS

Dr	1511 Operating Materials and Supplies	\$10,000	
	Cr 1012 Funds Disbursed		\$10,000

To record outlay of appropriated funds for supplies.

Dr	1750 Equipment	\$60,000	
	Cr 1012 Funds Disbursed		\$60,000

To record outlay of appropriated funds for an equipment item, (Assume item cost \$60,000 with a 5-year life. The monthly depreciation, assuming no residual value, would therefore be \$1,000.)

D. RECOGNITION OF ACCRUED EXPENSES

Dr 6111 Personnel Compensation - Civilian	\$5, 000	
Cr 2113 Accounts Payable - Public		\$5,000

To record accrued civilian salaries.

Dr 6121 Supplies and Materials	\$1,500	
Cr 1511 Operating Materials and Supplies		\$1,500

To record use of supplies

Dr 6125 Depreciation of Equipment	\$1,000	
Cr 1759 Accumulated Depreciation on Equipment		\$1,000

To record monthly equipment depreciation.

E. REDUCTION OF APPROPRIATED CAPITAL (ACCOUNT 3211.1). The amounts to be recorded in account 5700 shall be equal to the amount of operating and program expenses recorded in the 6100 series of accounts but shall not include any expenses applicable to other revenue accounts. In the above illustration, expenses recorded in the 6100 series of accounts total \$7,500.

The following entry illustrates the use of this account:

Dr 3211.1 Appropriations Available	\$7,500	
Cr 5700 Appropriated Capital Used		\$ 7 , 5 0 0

To record appropriated funds used to finance accrued expenses.
Note that the amount of expenses (\$7,500), not the outlays (\$70,000) are used to determine the amount to be recorded in account 3211.1 and account 5700.

F. CLOSING OF ACCOUNTS AT FISCAL YEAR END

Dr 3321 Net Results of Operations - DBOF	\$7,500	
Cr 6111 Personnel Compensation - Civilian		\$5,000
Cr 6121 Supplies and Materials		\$1,500
Cr 6125 Depreciation of Equipment		\$1,000

Dr 5700 Appropriated Capital Used	\$7,500	
Cr 3321 Net Results of Operations-DBOF		\$7,500

Dr 1012 Funds Disbursed	\$70,000	
Cr 1013 Funds with Treasury		\$70,000

NOTE: DBOF business areas using a job order cost accounting system will normally close its 6100 series of operating expense accounts into the applicable 1580 work in progress account. The work in process account is closed to account 6500, "Cost of Goods Sold," upon job completion. Account 6500 is, in turn, closed to account 3321, "Net Results of Operations DBOF."

G. TRIAL BALANCE

1013	Funds with Treasury	\$30,000	
1511	Operating Materials and Supplies	\$ 8,500	
1750	Equipment	\$60,000	
1759	Accumulated Depreciation on Equipment		\$ 1,000
2113	Accounts Payable - Public		\$ 5,000
3211.1	Appropriations Available		<u>\$92,500</u>
	TOTAL	<u>\$98,500</u>	<u>\$98,500</u>

H. NOTES:

1. Accounting for appropriated funds received must be kept separate from customer reimbursements received so that expenses recognized can be matched with the proper financing source on the Statement of Operations.
2. Within the appropriated fund accounting, the account 1013, "Funds With Treasury" less the amounts recorded in account 1012, "Funds Disbursed," should show the appropriated balance remaining available for outlay.
3. Account 5700, "Appropriated Capital Used," should equal the amount of expenses recorded for that appropriation in the 6100 series of accounts for program/operating expenses.
4. The balance in account 5700 should be reported on the Statement of Operations as a Financing Source on line 1, "Appropriated Capital Used."
5. The accrued expenses in the 6100 series of accounts would be reported on the Statement of Operations on the applicable Expenses line.
6. The total of expenses reported on the applicable Expenses lines of the Statement of Operations should equal exactly the Appropriated Capital Used reported on line 1 of the Statement of Operations.

CHAPTER 53

COST ACCOUNTING STANDARDS

A. REQUIREMENTS OF COST ACCOUNTING SYSTEMS

1. The Defense Business Operations Fund shall have a cost estimating and cost accounting system or, as needed, systems specifically designed for its operations. The cost accounting system may be a job-order cost system, a process cost system or a suitable combination. When warranted for management purposes, a cost accounting system may employ standard cost methods and may utilize engineered performance standards. The cost accounting system shall be integrated with the general accounting system and shall be consistent with the estimating system.

2. The cost accounting system shall be designed to meet the following objectives:

a. Provide measures of cost effectiveness within the activity. This may be accomplished by relating performance costs to standard costs or cost estimates by established cost centers and by end-product with development of appropriate analyses of cost variances.

b. Provide the basis for determination of cost of end-products or services by individual orders. The cost of all end-products and services shall include an equitable portion of all overhead, support, and administrative functions.

c. Provide cost data useful in cost estimating for purposes of establishing fixed prices or rate schedules or for establishing cost estimates for individual orders, and in budgeting and establishment of cost standards.

d. Provide a means of detecting losses in performance of customers' orders through timely identification of costs of performing specific orders or functions and through providing data that may serve as a basis for timely revisions, where applicable, of cost estimates and ceilings under such orders as are performed on a cost reimbursement basis.

e. Provide, to the extent not available elsewhere, performance related cost measurements as required by the DoD in its implementation of requirements resulting from the Government Performance and Reporting Act.

3. The cost estimating system shall provide the following:

a. Performance cost standards for cost control.

b. A sound foundation for establishing fixed prices or rates.

c. A reasonable basis for establishing cost estimates and ceilings for individual orders in light of the specific work order requirements.

4. Cost standards and estimates for performance of operations and functions shall be at a sufficiently conservative level to require significant efforts to meet them. The cost standards and estimates established to measure effectiveness of performance shall be regarded as targets that may be exceeded rather than "limitations" such as allotments under appropriated funds.

5. Cost estimates for end-products or services developed to establish fixed prices, rate schedules, and cost ceilings to the customer shall include allowances for cost variances and contingencies. While the use of allowances for expected cost variances and contingencies is appropriate in estimating costs of end-products and services for the purpose of pricing orders and central planning, they should not be included in standard costs to be used for performance cost control.

6. At any Fund activity in which a standard cost method is used, variances shall be analyzed by responsibility areas to provide indices of efficiency, and to assist management in improving cost control, operating efficiency, and cost estimating. Cost variances shall be separately identified for direct labor, direct material, and overhead. Predetermined cost variance limitations shall be established. Significant cost variances shall be applied to the work order. Minor variances shall be distributed to all other work.

7. Costs shall be recorded separately according to whether they were paid from the Defense Business Operations Fund or were paid by other appropriations or funds. The latter shall be recorded so that the approximate total cost of work or services performed may be determined.

B. COST ACCOUNTING STANDARDS

Public Law 100-679 (41 U.S.C. 422) requires certain contractors and subcontractors to comply with Cost Accounting Standards. Appendix B, "Cost Accounting Preambles and Regulations," to the Federal Acquisition Regulation contains a statement of the Cost Accounting Standards. Additionally, the Cost Accounting Standards are codified in 48 Code of Federal Regulation (CFR), Chapter 99. The Defense Business Operations Fund shall comply with the Cost Accounting Standards where not contradicted by other standards issued by the Under Secretary of Defense (Comptroller) or Statements of Federal Financial Accounting Standards issued by the Office of Management and Budget. Following is a brief explanation of the published Cost Accounting Standards and is not intended to be used as a reference source.

1. Cost Accounting Standard 401 -- Consistency in Estimating Accumulating and Reporting Costs

a. Practices used by a DoD Component activity in estimating costs for proposed reimbursable orders shall be consistent with cost accounting practices it uses in accumulating and reporting actual costs.

b. Conversely, practices used by a DoD Component activity in accumulating and reporting actual costs shall be consistent with practices it uses in estimating costs for proposed reimbursable orders.

c. The grouping of homogeneous costs and estimates prepared for proposed reimbursable order purposes shall not be deemed an inconsistent application of the standard when actual costs are accumulated and reported in greater detail on an actual cost basis during job performance.

2. Cost Accounting Standard 402 -- Consistency in Allocating costs Incurred for the Same Purpose. All costs incurred for the same purpose, in like circumstances, are either direct costs only, indirect costs only, or general and administrative (G&A) costs only with respect to final cost objectives. No final cost objective shall have allocated to it as an indirect or G&A cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included as a direct cost of that or any other final cost objective. Further, no final cost objective shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any indirect or G&A cost pool to be allocated to that or any other final cost objective.

3. Cost Accounting Standard 403 -- Allocation of Home Office (Headquarters) Expenses to Segments

a. Headquarters expenses shall be allocated on the basis of the beneficial or causal relationship between supporting and receiving activities. Such expenses, to the maximum extent possible, shall be allocated directly to segments (activities reporting directly to the headquarters office). Expenses not directly allocated, if significant in amount and in relation to total home office expenses, shall be grouped in logical and homogeneous expense pools and allocated as described in CAS 403.

b. Expense Pools. Examples of expense pools listed in CAS 403 include:

(1) Centralized Services. Centralized services consist of specific functions which, but for the existence of a home office, would be performed or acquired by some or all of the segments individually.

(2) Management of Specific Functions within Activities.

(3) Management of Certain Activities or Group of Activities.

c. Residual Expenses. All home office expenses which are not allocable directly or by an expense pool shall be deemed residual expenses. Residual expenses are expenses that are the result of managing the organization as a whole and are not identifiable with specific activities or segments. Residual expenses include functions such as exercising oversight, direction, and control of organizations through policy, program, resource, or Planning, Programming and Budgeting System guidance, or providing technical, administrative, or logistic support essential to an operation. Residual expenses shall be allocated to all segments by means of a base representative of the total activity of such segments. The allocation base should take into account one or both of the two broad areas of management concern, that is, the personnel of the organization and the capital invested in the organization. The residual expenses to be allocated to any segment may be

one of the following, or their arithmetical average, whichever, in absence of specific Under Secretary of Defense (Comptroller) guidance, best distributes residual expenses:

(1) The percentage of the segment's payroll dollars (Accounts 6111 and 6112) to the total payroll dollars of all segments.

(2) Direct labor dollars of the segment to the total direct labor dollars of all segments.

(3) Direct labor hours of the segment to the total direct labor hours of all segments.

(4) The percentage of the average net book value of the sum of the segment's tangible capital assets (1700 and 1800 account series) plus inventories (1500 account series) to the total average net book value of such assets of all segments.

4. Cost Accounting Standard 404 -- Capitalization of Tangible Assets

a. The acquisition cost of tangible capital assets shall be capitalized. Capitalization shall be based upon a written policy that is reasonable and consistently applied.

b. Costs incurred subsequent to the acquisition of a tangible capital asset which result in extending the life of that asset and which meet the criteria for capitalization shall be capitalized. However, costs incurred for repairs and maintenance to a tangible capital asset which either restore the asset to, or maintain it at, its normal or expected service life of production capacity shall be treated as costs of the current period.

5. Cost Accounting Standard 405 -- Accounting for Unallowable Costs.

An unallowable cost is any cost which, under the provisions of any pertinent law, regulation, or contract, cannot be included in prices, cost reimbursements, or settlements. These costs, even though not normally charged as a reimbursable expense, shall nevertheless, if material and when directed by the Under Secretary of Defense (Comptroller), be accounted for as a cost of operations.

6. Cost Accounting Standard 406 -- Cost Accounting Period.

DoD activities shall use the October 1 to September 30 fiscal year as the cost accounting period.

7. Cost Accounting Standard 407 -- Use of Standard Costs for Direct Material and Direct Labor

a. An organization operating a formal cost accounting system may use standard costs for estimating, accumulating, and reporting costs of direct material and direct labor only when all of the following criteria are met:

(1) Both standard and actual costs are entered into the books of account.

(2) Standard costs are Compared to actual costs at the end of each accounting period and a variance calculated.

(3) Standard costs and related variances are appropriately accounted for at the level of the production unit. (For the Department of Defense, the "production unit" is the job-order.)

(4) Practices with respect to the setting and revising of standards, use of standard costs, and disposition of variances are stated in writing and are consistently followed.

b. Disposition of variances shall be in accordance with one of the following subparagraphs:

(1) Variances are allocated to cost objectives (including ending in-process inventory) at least annually.

(2) Variances that are immaterial may be included in appropriate indirect cost pools for allocation to applicable cost objectives.

8. Cost Accounting Standard 408 -- Accounting for Costs of Compensated Personal Absence

a. The costs of compensated personal absence (illness, vacation, holidays, jury duty, military training or other absence for which compensation is paid directly to an employee) shall be assigned to the cost accounting period or periods in which the entitlement was earned.

b. The costs of compensated personal absence for an entire cost accounting period shall be allocated pro-rata on an annual basis among the final cost objectives of that period.

9. Cost Accounting Standard 409 -- Depreciation of Tangible Capital Assets

a. The depreciable cost of a tangible capital asset (or group of assets) shall be assigned to cost accounting periods in accordance with the following criteria:

(1) The depreciable cost of a tangible capital asset shall be its capitalized cost less its estimated residual value.

(2) The estimated service life of a tangible capital asset (or group of assets) shall be used to determine the cost accounting periods to which the depreciable cost will be assigned.

b. The annual depreciation cost of a tangible capital asset (or group of assets) shall be allocated to cost objectives for which it provides service in accordance with the following criteria:

(1) Depreciation costs may be charged as a direct cost only if depreciation costs of all like assets used for similar purposes are charged in the same manner.

(2) Depreciation costs charged to service or general and administration cost centers shall be included in the allocated costs of those centers.

(3) Depreciation costs of capital assets used within a production cost center but which are not charged directly to a cost objective shall be included as an indirect cost of that center.

10. Cost Accounting Standard 410 -- Allocation of Business Unit General and Administrative Expense to Final Cost Objectives. Organizational unit general and administrative (G&A) expenses shall be allocated to final cost objectives based on their beneficial or causal relationship to those objectives. If the organizational unit general and administrative (G&A) expenses benefit two or more segments of the activity, those G&A expenses shall be allocated to each of the segments using a common allocation base. The cost input base used to allocate the G&A expense pool may be (1) total cost input, (2) value-added cost input, or (3) a single-element cost input. The determination of which cost input base best represents the total activity of an activity must be judged on the basis of the circumstances of each activity. That determination shall be made by the comptroller of the activity or, in the case where a group of activities are similarly organized, may be made by the headquarters office of those particular activities.

11. Cost Accounting Standard 411 -- Accounting for Acquisition Cost of Material

a. The Statement of Federal Financial Accounting Standards (SFFAS) Number 3, "Accounting for Inventory and Related Property," is the standard for accounting for the value of operating materials and supplies.

b. The cost, when significant, of operating materials and supplies may be allocated directly to a cost objective to which they directly benefit.

c. The cost of operating materials and supplies which are used solely in performing indirect functions or which are not a significant element of direct production cost, may be allocated to an indirect cost pool.

12. Cost Accounting Standard 412 -- Composition and Measurement of Pension Cost. This standard does not apply to the Defense Business Operations Fund as it is not responsible for accounting for the pension cost of its employees.

13. Cost Accounting Standard 413 -- Adjustment and Allocation of Pension Cost. This standard does not apply to the Defense Business Operations Fund as it is not responsible for accounting for the pension cost of its employees.

14. Cost Accounting Standard 414 -- Cost of Money as an Element of the Cost of Facilities Capital. The cost of capital committed to facilities shall be charged by the Defense Business Operations Fund to non Federal Government customers when authorized by regulations pertaining to those sales. Chapter 26, "Reimbursements," of the DoD Accounting Manual

(DoD 7220.9-M) provides instructions on the computation and application of interest on investment in assets. (Chapter 26 of the DoD Accounting Manual will be incorporated into Part A, chapter 1, "Reimbursements," of this volume.)

15. Cost Accounting Standard 415 -- Accounting for the cost of Deferred Compensation

a. The obligation for the cost of deferred compensation is deemed to have occurred when all of the following conditions have been met.

(1) There is a requirement to make the future payments that cannot be unilaterally avoided.

(3) The amount of the future payment can be measured with reasonable accuracy.

b. If the cost of deferred compensation can be estimated with reasonable accuracy on a group basis, including consideration of probable forfeitures, such estimate may be used rather than separate-computations for each employee.

16. Cost Accounting Standard 416 -- Accounting for Insurance Costs. This standard does not apply to the Defense Business Operations Fund. The Federal Government is self-insured. Insurance type losses, when they occur, are not charged to customers of the Defense Business Operations Fund but are, instead, charged to appropriations made available for that purpose.

17. Cost Accounting Standard 417 -- Cost of Money as an Element of the Cost of Capital Assets Under Construction. The cost of money used to construct a capital asset shall not be capitalized as part of the cost of that asset unless loans were obtained by the Department of Defense specifically for the construction of those assets.

18. Cost Accounting Standard 418 -- Allocation of Direct and Indirect costs

a. An average cost or pre-established rate for labor may be used provided that:

(1) The functions performed are not materially disparate and employees involved are interchangeable with respect to the functions performed.

(2) The functions performed are materially disparate but the employees involved either all work in a single production unit yielding homogeneous outputs, or perform their respective functions as an integral team.

b. Use of pre-established rates for indirect costs.

(1) Pre-established rates, based on either forecasted actual or standard cost, may be used in allocating an indirect cost pool.

(2) Pre-established rates shall reflect the costs and activities anticipated for the cost accounting period. Such pre-established rate shall be reviewed at least annually, and revised as necessary to reflect the anticipated conditions.

19. Cost Accounting Standard 419. There is no cost accounting standard 419.

20. Cost Accounting Standard 420 -- Accounting for Independent Research and Development Costs and Bid and Proposal Costs.

a. Independent research and development costs incurred in a cost accounting period shall not be assigned to any other cost accounting period except as may be permitted pursuant to other provisions of existing laws, regulations and other controlling factors.

b. Bid and proposal costs incurred in a cost accounting period shall not be assigned to any other cost accounting period.

CHAPTER 54

CASE, RECEIVABLES, ADVANCES, AND CASE MANAGEMENT

A. GENERAL ASSET CATEGORIES

1. Entity Assets. Entity assets are those assets which the reporting entity has authority to use in its operations. The authority to use funds in an entity's operations means that entity management has the authority to decide how funds are used, or management is legally obligated to use funds to meet entity obligations.

a. Intragovernmental Entity Assets. Intragovernmental entity assets arise from transactions among federal entities and are claims of a federal entity against other federal entities which, when collected, can be used in the collecting entity's operations. Intragovernmental entity assets include an entity's fund balance with Treasury with which the entity is authorized to make expenditures and pay liabilities, accounts receivable from federal entities that an entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection, and advances and prepayments.

b. Governmental Entity Assets. Governmental entity assets are claims of the federal government or an entity (i.e., the Defense Business Operations Fund) of the federal government against nonfederal entities and which, upon collection, can be used in the collecting entity's operations. (The Term "nonfederal entities" encompasses domestic and foreign persons and organizations outside the U.S. Government.) Governmental assets include cash, accounts receivable from nonfederal entities, and advances and prepayments made to nonfederal entities.

2. Non-Entity Assets. Non-entity assets are those assets that are held by an entity but are not available to the entity.

a. Intragovernmental Non-Entity Assets. Intragovernmental non-entity assets are claims of a federal entity against other federal entities which, when collected, cannot be used by the collecting entity. Intragovernmental non-entity assets include an entity's fund balance with Treasury that is maintained in deposit, suspense, and clearing accounts and that are therefore not available to finance the entity's activities.

b. Governmental Non-Entity Assets. Governmental non-entity assets are claims of the federal government or an entity (i.e., the Defense Business Operations Fund) of the federal government against nonfederal entities that, upon collection cannot be used by the collecting entity.

B. FUND BALANCE WITH TREASURY AND CASH

1. GENERAL INFORMATION. Volume 4, "Accounting Policy and Procedures," chapter 2, "Cash," contains general information related to fund balance with treasury and cash.

2. Fund Balance With Treasury. A federal entity's fund balance with the Treasury is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Within the Department of Defense, the fund balance with Treasury is the net total of general ledger accounts 1011, "Funds Collected," 1012, "Funds Disbursed," 1013, "Funds With Treasury," 1014, "Undistributed Collections," and 1015, "Undistributed Disbursements."

a. Fund Balance Increases. The fund balance with Treasury of the Defense Business Operations Fund is primarily increased through the receipt of reimbursements from DoD and other entities. However, it is also increased through the receipt of appropriations, reappropriations, continuing resolutions, appropriation restorations and allocations, and non-expenditure transfer of funds from other entities. The fund balance does not include contract authority or unused authority to borrow. Contract authority merely permits a federal entity to incur certain obligations but does not, in itself, add funds to the agency's accounts with Treasury. (By definition, contract authority is unfunded and must subsequently be funded by an appropriation to liquidate obligations incurred under the contract authority, or by the collection and use of receipts.) Authority to borrow is a statutory authority that permits a federal agency to incur obligations and make payments for specific purposes out of borrowed funds. Authority to borrow adds funds to an agency's accounts with Treasury only after the agency actually uses the authority to borrow a specific amount of funds. Thus, authority to borrow is included in an entity's fund balance with Treasury only to the extent that funds are actually borrowed under the authority.

b. Financial Statement Footnote Requirements for Fund Balance With Treasury. Disclosure should be made to distinguish two categories of funds within the entity's fund balance with Treasury: (1) the obligated balance not yet disbursed and (2) the unobligated balance. The obligated balance not yet disbursed is the amount of funds against which budgetary obligations have been incurred, but disbursements have not been made. The unobligated balance is the amount of funds available to an entity against which no claims have been recorded. Unobligated balances are generally available for specific purposes stipulated by law. Unobligated balances also may include balances in expired accounts that are available only for approved adjustments to prior obligations. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclosure should be provided on such restrictions. The amount and cause of any discrepancy between the fund balance with Treasury in general ledger accounts and the fund balance in the Treasury accounts should be explained in footnotes to financial statements. Discrepancies may be due to time lag or due to error. Discrepancies due to error should be corrected when identified.

3. Account Symbol. A Treasury account symbol--97X4930--has been assigned to the Defense Business Operations Fund for the purpose of maintaining fund balances with the Department of the Treasury.

4. Recordation/Reconciliation of Cash Transactions. All cash transactions shall be recorded in the individual activity accounts and shall be reconciled to total monthly cash transactions reported by the departmental finance network.

5. Violations. The cash on hand at the U.S. Treasury account levels must always be sufficient to pay liabilities when due. The responsibility for DBOF cash management is prescribed in paragraph E. of this chapter. Each DoD Component activity group, and/or activity operating within the Defense Business Operations Fund must comply with the Under Secretary of Defense (Comptroller) cash management policy. A transaction that causes a negative balance in the funds with the Treasury account shall be investigated immediately and reported as an apparent violation of the Antideficiency Act as prescribed in DoD Directive 7200.1, "Administrative Control of Appropriations." In accordance with DoD Directive 7200.1, the report of apparent violation will continue to be updated to provide information on the progress of the investigation. Updating of an interim report of apparent violation shall be continued until the investigation discloses that a violation did not occur, or a final report of violation is submitted.

6. Outlays. Gross outlays should be equal to the cumulative amount of disbursements made for the fiscal year to date. Net outlays should be equal to gross outlays less the cumulative amount of collections received for the fiscal year to date.

7. Current Balance. The current balance of funds with Treasury is equal to the amount as of the beginning of the fiscal year plus the cumulative fiscal year to date amounts of collections, appropriations, and transfers in of fund balances with Treasury received minus the cumulative fiscal year to date amounts of withdrawals, transfers out, and disbursements.

8. Cash Accounts. Separate general ledger accounts have been established to account for cash collections and cash disbursements. A collection or disbursement shall be recorded only when documentary evidence supports an increase or decrease to the Treasury account.

a. Cash Collections

(1) Advances Received. A cash advance received shall be recorded as a collection and a liability (account series 2310, "Advances from Others"). The usual entry for the receipt of advances is as follows:

Dr 1011.1 Funds Collected - Operating Program
Cr 2310 Advances from Others

(2) Refunds. A refund received is a reduction of a previous disbursement and shall, therefore, be recorded as a decrease to disbursements (negative disbursement) with an offsetting credit to the appropriate previously recorded refunds receivable account (account 1315, "Refunds Receivable - Government, or account 1316, "Refunds Receivable - Public"). If a refund is received for which a refund receivable was not previously established the offsetting credit should be to the asset or expense account that was originally debited. The usual entry for the receipt of refunds is as follows:

Dr 1011.2 Funds Disbursed - Operating Program
Cr 1315 Refunds Receivable - Government
or, as applicable
Cr 1316 Refunds Receivable - Public

(3) Funds Collected - Operating Program. General ledger account 1011.1, "Funds Collected - Operating Program - DBOF," has been established to record funds collected that are applicable to the operating program. Collections may be due to advances from outside sources, performance of reimbursable work, collection of receivables, sale of assets, and other sources. All cash inflows shall be initially recorded to the general ledger account 1011.1. Periodically, but at least monthly prior to financial statement preparation, the amount applicable to the capital program [see subparagraph B.8.a.(4) that follows] shall be transferred from general ledger account 1011.1, "Funds Collected - Operating Program," to general ledger account 1011.2, "Funds Collected - Capital Program." The usual entry to record a cash collection is as follows:

Dr 1011.1 Funds Collected - Operating Program
Cr 1311 Accounts Receivable - Government - Current

(4) Funds Collected - Capital Program. General ledger account 1011.2, "Funds Collected - Capital Program - DBOF," has been established to record cash inflows applicable to the capital program. As stated in subparagraph B.8.a.(3) above, all cash inflows shall be initially recorded to account 1011.1, "Funds Collected - Operating Program." Periodically, but at least monthly prior to financial statement preparation, the applicable amount shall be transferred from general ledger account 1011.1, "Funds Collected - Operating Program," to general ledger account 1011.2, "Funds Collected - Capital Program." The preferred method to transfer collections to account 1011.2 is on a transaction basis. The transfer, however, may be made on a time basis (daily, weekly, etc.). The transfer must, however, be made at least monthly prior to financial statement preparation. The amount to be transferred to account 1011.2 shall be computed by first determining, at each DBOF activity, the percentage of the stabilized billing rate that is added to fund the capital asset program within that activity's business area. (Stabilized billing rates should, in addition to recovering operating costs, also include a factor to fund the capital asset program. That factor is composed of the expected depreciation expense and, if applicable, any additional capital surcharge. Since stabilized billing rates should not change during the fiscal year, the percentage allocation between the operating and capital program cash collection accounts should not change during the fiscal year.) The resulting ratio is then applied to the monthly change in funds collected at that activity. The percentage is applied to all collections received that fiscal year, even though, for some collections, the revenue was generated in the prior fiscal year. For example, assume that at Activity X the stabilized billing rate is \$100 of which \$5 is to fund the capital asset program. The resulting percentage is therefore 5 percent (\$5 divided by \$100 = 5%). Each dollar of collections results in a \$0.95 (95¢) increase to account 1011.1, "Funds Collected - Operating Program," and a \$0.05 (5¢) increase to account 1011.2, "Funds Collected - Capital Program."

At the illustrative Activity X, the cash collections for this month were \$3.5 million. The usual entry to record a cash collection is as follows:

Dr 1011.1 Funds Collected - Operating Program \$3,500,000
Cr 1311 Accounts Receivable - Government - Current \$3,500,000

Computation of 5 percent of the cash collections for the month yields \$175,000. The entry to transfer \$175,000 between the cash accounts is:

Dr 1011.2 Funds Collected - Capital Program	\$175,000	
Cr 1011.1 Funds Collected - Operating Program		\$175,000

b. Fund Balance Decreases. The fund balance with Treasury of the Defense Business operations Fund is primarily reduced by disbursements made to pay liabilities or to purchase assets, goods, and services and reimbursements to other entities or to the Treasury. It is also reduced by cancellation of expired appropriations, non-expenditure transfers, and sequestration or rescission of appropriations.

(1) Funds Disbursed - Operating Program. General ledger account 1012.1, "Funds Disbursed - Operating Program - DBOF," has been established to record cash outflows that occurred due to activity attributable to the operating program (vice capital program). The usual entry to record a cash disbursement applicable to the operating program is as follows:

Dr 2110 Accounts Payable	
Cr 1012.1 Funds Collected - Operating Program	

(2) Funds Disbursed - Capital Program. General ledger account 1012.2, "Funds Disbursed - Capital Program - DBOF," has been established to record cash outflows that occurred due to activity attributable to the DBOF capital program (vice operating program). The usual entry to record a cash disbursement applicable to the capital program is as follows:

Dr 2110 Accounts Payable	
Cr 1012.2 Funds Collected - Capital Program	

(3) Advances Paid. A cash advance made for an anticipated procurement shall be recorded as a cash disbursement and an asset (account series 1410, "Advances to Others"). The usual entry for the payment of advances is as follows:

Dr 1410 Advances to Others	
Cr 1012.2 Funds Disbursed - Capital Program	

c. Fund Transfers. Fund transfers, as may be directed by the Under Secretary of Defense. (Comptroller), may be made to or from the "Funds With Treasury" account and processed through the U.S. Treasury as an increase or decrease to the appropriate Treasury symbol. Authorized fund transfers among or between Treasury symbols (accounts) shall be accomplished through preparation of a Non-Expenditure Transfer Authorization (Standard Form 1151).

9. Undistributed Collections and Undistributed Disbursements

a. Subsidiary accounts to general ledger account 1014, "Undistributed Collections," and general ledger account 1015, "Undistributed Disbursements," shall be established to account for undistributed cash transactions at the lowest organizational level to which they can be identified. The subsidiary accounts are:

1014.1 Undistributed Collections - DBOF Component Level
 1014.2 Undistributed Collections - DBOF Business Area Level
 1014.3 Undistributed Collections - DBOF Installation Level
 1015.1 Undistributed Disbursements - DBOF Component Level
 1015.2 Undistributed Disbursements - DBOF Business Area Level
 1015.3 Undistributed Disbursements - DBOF Installation Level

b. These subsidiary accounts are used to record collections (1014) or disbursements (1015) which are identified to:

(1) A DoD Component, but not to a business area (GLA 1014.1 and GLA 1015.1),

(2) A business area, but not to an installation (GLA 1014.2 and GLA 1015.2), or

(3) An installation, but not to a specific transaction (GLA 1014.3 and GLA 1015.3).

c. Collections or disbursements should be identified by the finance network to the lowest level to which they can be distributed. That level shall record the undistributed collection or undistributed disbursement and provide any action necessary to research the account for proper disposition.

d. The "Undistributed Collections" account is used to record collections reported by the finance network which cannot be identified to a specific organizational level or transaction. Amounts recorded in this account shall be researched for proper disposition by the lowest organizational level to which they can be distributed or identified. Erroneous collections reported by the finance network shall be reversed. Prior to financial report preparation, the remaining value in this account shall be transferred to Account 1311, "Accounts Receivable - Government - Current or Account 1313, "Accounts Receivable - Public - Current," based upon the best information available as to the proper account. Immediately after financial report preparation, the value previously transferred shall be reversed and reestablished within this account for further research. These latter transactions are necessary to properly reflect the fund balance with the U.S. Treasury as contained in finance network reports. The following illustrate entries to this credit-balance account:

Dr 1011.3 Funds Collected - Undistributed - DBOF
 Cr 1014.# Undistributed Collections
 ("#" represents the specific Undistributed Collections subsidiary account.)

To record amounts shown as collected on finance network reports but not shown on the records of the accounting entity.

Dr 1014.# Undistributed Collections
 Cr 1011.3 Funds Collected - Undistributed - DBOF

To reverse undistributed collections when identified to the proper activity.

Dr 1014.# Undistributed Collections
Cr 1311 Accounts Receivable - Government - Current
Cr 1313 Accounts Receivable - Public - Current

To transfer undistributed collections reported by the finance network prior to financial report preparation.

Dr 1311 Accounts Receivable - Government - Current
Dr 1313 Accounts Receivable - Public - Current
Cr 1014.# Undistributed Collections

To reverse undistributed collections reported by the finance network following financial report preparation.

e. The "Undistributed Disbursements" account is used to record the disbursements reported by the finance network which cannot be identified to a specific organizational level or transaction. Amounts recorded in this account shall be researched for proper disposition by the lowest organizational level to which they can be distributed. Erroneous disbursements reported by the finance network shall be reversed. Prior to financial report preparation, the remaining value in this account shall be transferred to Account 2111, "Accounts Payable - Government - Current" or Account 2113, "Accounts Payable - Public - Current," based upon the best information available as to the proper account. Immediately after financial report preparation, the value previously transferred shall be reversed and reestablished within "Undistributed Disbursements" for further research. These latter transactions are necessary to properly reflect the fund balance with the U.S. Treasury as contained in finance network reports. The following illustrate entries to this debit-balance account:

Dr 1015.# Funds Disbursed - Undistributed - DBOF
Cr 1012.3 Funds Disbursed - Undistributed - DBOF
(" #" represents the specific Undistributed Disbursements subsidiary account.)

To record amounts reported as disbursed on finance network reports, but not shown on the records of the accounting entity.

Dr 1012.3 Funds Disbursed - Undistributed - DBOF
Cr 1015.# Undistributed Disbursements

To reverse undistributed disbursements when identified to the proper activity.

Dr 2111 Accounts Payable - Government - Current
Dr 2113 Accounts Payable - Public - Current
Cr 1015.# Undistributed Disbursements

To transfer undistributed disbursements reported by the finance network prior to financial report preparation.

Dr 1015.# Undistributed Disbursements
Cr 2111 Accounts Payable - Government - Current
Cr 2113 Accounts Payable - Public - Current

To reverse undistributed disbursements reported by the finance network following financial report preparation.

10. Nonexpenditure Fund Transfers To or From the Business Operations Fund. Nonexpenditure transfers of funds may be received from, or may be made to, another appropriation or fund only as supported by an approved SF 1151, "Nonexpenditure Transfer Authorization." Typical budgetary and proprietary accounting entries applicable to transfer of budgetary resources to and from other appropriations and funds are illustrated below.

a. Transfers Out of Budgetary Resources

Dr 4511 Unallocated Apportionment - Direct Program
(or, if automatically apportioned)
Dr 4518 Unallocated Apportionment - Reserve for Anticipated
Resources - Automatically Apportioned
Cr 4160 Anticipated Transfers of Current
Fiscal Year Authority

Entry to record an anticipated transfer from a business operations fund to another appropriation or fund.
(This is a departmental level entry only.)

Dr 4160 Anticipated Transfers of Current
Fiscal Year Authority
Cr 4170 Appropriation Transfers

Entry to record an authorized transfer from a business operations fund to another appropriation or fund.
Documentation supporting this entry includes SF 1151, Nonexpenditure Transfer Authorization."
(This is a departmental level entry only.)

Dr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period
Cr 4581 Automatic Reimbursement Program

Dr 3211.4 Net Treasury Balance - DBOF
Cr 1013 Funds With Treasury

Entry to record a reduction of unobligated business operation fund resources due to an authorized transfer from a business operations fund to another appropriation or fund.
(This is an activity level entry only.)

b. Transfers In of Budgetary Resources

Dr 4160 Anticipated Transfers of Current
Fiscal Year Authority

Cr 4517 Unallocated Apportionment - Reserve for Other
Anticipated Resources

Entry to record an anticipated transfer from another
appropriation or fund to a business operations fund.
(This is a departmental level entry only.)

Dr 4170 Appropriation Transfers
Cr 4160 Anticipated Transfers of Current
Fiscal Year Authority

Dr 1013 Funds with Treasury
Cr 3211.4 Net Treasury Balance - DBOF

Entry to record an authorized transfer from another
appropriation or fund to a business operations fund.
Documentation supporting this entry includes SF 1151,
"Nonexpenditure Transfer Authorization."
(This is a departmental level entry only.)

Dr 4517 Unallocated Apportionment - Reserve for Other
Anticipated Resources
Cr 4543 Allocations Issued - Reimbursable Program

Dr 3211.4 Net Treasury Balance - DBOF
Cr 1013 Funds with Treasury

Entry to record obligational authority allocated.
Documentation supporting this entry includes SF 1151,
"Nonexpenditure Transfer Authorization."
(This is a departmental level entry only.)

Dr 4581 Automatic Reimbursement Program
Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period

Dr 1013 Funds With Treasury
Cr 3211.4 Net Treasury Balance - DBOF

Entry to record a transfer to the business operations fund
from another appropriation or fund.
(This is an activity level entry only.)

C. RECEIVABLES

1. GENERAL INFORMATION. Volume 4, "Accounting Policy and Procedures," chapter 3, "Receivables," contains general information related to fund receivables.

2. General. Accounts receivable arise from claims to cash or other assets of other entities. Normally, there shall be no amounts in account 1311, "Accounts Receivable - Government - Current," and account 1313, "Accounts Receivable - Public - Current," at the end of a month due to uncollected

progress billings since collections for these billings shall be processed in the same month in which the billings are prepared.

3. Recognition of Receivables. A receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made.

4. Supporting Records. General ledger receivable balances shall be supported by detailed records of each amount receivable from each customer such as the date recorded, bill number, and date billed.

5. Reconciliations. At least quarterly, the subsidiary records shall be reconciled to the general ledger balances. Differences between subsidiary records and general ledger balances shall be investigated to determine the cause(s) of the difference. Errors found during the investigation shall be corrected.

6. Requirements for Separate Reporting of Receivables

a. Federal and Nonfederal Receivables. Receivables from federal entities are intragovernmental receivables, and should be reported separately from receivables from nonfederal entities. Intragovernmental receivables are claims of a federal entity against other federal entities.

b. Entity versus Non-Entity Receivables. Receivables should be distinguished between entity receivables and non-entity receivables as discussed below.

(1) Entity Receivables. Entity receivables are amounts that a federal entity claims for payment from other federal or nonfederal entities and that the federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collections. (An entity may have receivables that, once collected, can be used as offsets to the entity's budget authority and outlays only when authorized by Congress [offsetting collections]. Before receiving the authorization, however, those receivables are non-entity receivables.)

(2) Non-Entity Receivables. Non-entity receivables are amounts that the entity collects on behalf of the U.S. government or other entities, and the entity is not authorized to spend. Receivables not available to an entity are non-entity assets and should be reported separately from receivables available to the entity.

7. Recognition of Losses Due to Uncollectible Amounts. Losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected. The phrase "more likely than not" means more than a 50 percent chance of loss occurrence. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. The allowance for uncollectible amounts should be reestimated on each annual financial reporting date and when information indicates that the latest estimate is no longer correct. Losses due to uncollectible amounts should be measured through a systematic

methodology. The systematic methodology should be based on analysis of both individual accounts and a group of accounts as a whole.

a. Individual Account Analysis. Accounts that represent significant amounts should be individually analyzed to determine the loss allowance. Loss estimation for individual accounts should be based on (1) the debtor's ability to pay, (2) the debtor's payment record and willingness to pay, and (3) the probable recovery of amounts from secondary sources including liens, garnishments, cross collections and other applicable collection tools.

b. Group Analysis. To determine the loss allowance on a group basis, receivables should be separated into groups of homogeneous accounts with similar risk characteristics. The groups should reflect the operating environment. For example, accounts receivable can be grouped by (1) debtor category [business firms, state and local governments, and individuals], (2) reasons that gave rise to the receivables [erroneous payments or trade accounts based on goods and services sold], or (3) geographic regions [foreign countries and domestic regions]. Within a group, receivables can be further stratified by risk characteristics. Examples of risk factors are economic stability, payment history, alternative repayment sources, and aging of the receivables. Statistical estimation by modeling or sampling is one appropriate method for estimating losses on groups of receivables. Statistical estimation should take into consideration factors that are essential for estimating the level of losses, including historical loss experience, recent economic events, current and forecast economic conditions, and inherent risks.

c. Bad Debts. Provisions made for an allowance for loss on refunds, claims, and accounts receivable shall result in a corresponding increase to the GLA 6129, "Bad Debts," expense account. Interest, penalties, and administrative charges shall be assessed on delinquent receivables due from the public and aggressive action taken to collect receivables in accordance with DoD Directive 7045.13, "DoD Credit Management and Debt Collection Program."

d. Writeoff of Uncollectible Receivables. Collection actions for receivables due from the public should be initiated in accordance with the provisions of OMB Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables." Additionally, with regard to the write-off of amounts owed by the public, a supplement to the Treasury Financial Manual entitled, "Managing Government Credit," states that an agency will consider a debt uncollectible, terminate collection action, and write off the debt when one or more of the following five criteria apply:

(1) The debt is without merit. In these cases, the debt was never owed in the first place and should not have been classified as a debt.

(2) The debt cannot be substantiated. In these cases, the agency does not have or cannot produce the evidence or witnesses necessary to validate a claim and has not been able to obtain the voluntary repayment of the debt.

(3) The costs of further collection action will probably exceed the amount which could be recovered.

(4) The agency is unable to locate the debtor and finds that either (a) there is no security to be liquidated to recover the amount owed, or

(b) the statute of limitations has expired and the chances of recovering the debt do not justify retaining the debt as a receivable.

(5) The agency is unable to collect any substantial amount.

Further, debts due from the public that are \$100,000 or more must be referred to the Department of Justice for concurrence in terminating collection action. If the Department of Justice concurs with the decision to terminate collection action, the debt may be written off.

While the above criteria is specified by Treasury for writing-off receivables due from the public, similar criteria can be applied to receivables due from other Federal government entities.

8. Accounting Entries for Receivables. DoD receivables normally result from the performance of work authorized by the formal receipt and acceptance of customer reimbursable orders. Customer orders from the public, unless specifically authorized by law, require advance payment. However, receivables may also result from cash overpayments, erroneous payments, unliquidated advances or orders from other Government agencies and the public without payment in advance. When orders are received with advance payment, the performing activity is assured of reimbursement. However, when orders are received without advance payment, reimbursements may not always materialize. The following entries illustrate simplified transactions in the accounts where performance has been accomplished and revenue earned based on the acceptance of a reimbursable order without an advance. The ultimate purpose for this presentation is to demonstrate how both the proprietary and budgetary accounts are affected when uncollectible earned revenue (accounts receivable) must be written off.

- a. To record actual performance and recognition of revenue.

Dr 1310 Accounts Receivable
Cr 5200 Revenue From Services Provided

To establish the receivable and recognize earned revenue from performance. The sources of entry for the above entry are billing documents, interfund billings, job cost reports, receiving reports, payroll records, etc. (The above entry is accompanied by recognition of Reimbursements Earned - Unpaid in the budgetary accounts.)

- b. To record actual collection.

Dr 1011 Funds Collected
Cr 1310 Accounts Receivable

To record receipt of cash payment for reimbursable services. The source of entry for the above entry is cash collection vouchers. (The above entry is accompanied by recognition of Reimbursements Earned - Paid in the budgetary accounts.)

- c. To record allowance for uncollectible receivables.

Dr 6129 Bad Debts

Cr 1319 Allowance for Loss on Accounts Receivable

To record establishment of an allowance for uncollectible receivables. (There is no corresponding budgetary entry for this entry.)

- d. To record writeoff of uncollectible receivables.

Proprietary Account Entries

Dr 1319 Allowance for Loss on Accounts Receivable

Dr 6129 Bad Debts (If the allowance is not sufficient
OR if an allowance had not previously
been established)

Cr 1310 Accounts Receivable

To record actual write-off of bad debt.

Budgetary Account Entries. Whenever a receivable which was earned by performance on a reimbursable order is written off, appropriate entries in the budgetary accounts must be made to ensure that: (1) the uncollected reimbursement earned is liquidated by a charge to the direct program, and (2) the reimbursable program authority, established when the order was accepted, is removed as if it never existed. This requires the complete reversal of all transactions in the reimbursable program accounts relating to performance on the uncollected reimbursable order. The following transactions illustrate, in the budgetary accounts, the receipt of, and performance on, an accepted order without an advance and the subsequent entries required to liquidate the earned but uncollectible reimbursement. (The illustration uses accounts applicable under automatic apportionment of reimbursable authority. Identical entries, except using accounts applicable to a specifically apportioned reimbursable program, should be used when the reimbursable program is specifically apportioned.)

- (1) Customer order accepted without an advance.

Dr 4581 Automatic Reimbursement Program

Cr 4221 Customer Orders Accepted - Automatic
Apportionment

And

Dr 4231 Unfilled Customer Orders - Without Advance -
Automatic Apportionment

Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program

(2) To record commitment.

Dr 4614 Uncommitted/Unobligated Allotments - Reimbursable
Program
Cr 4720 Outstanding Commitments - Reimbursable Program

(3) To record obligation/undelivered order.

Dr 4720 Outstanding Commitments - Reimbursable Program
Cr 4821 Undelivered Order - Without Advance -
Reimbursable Program

(4) To record accrued expenditures - unpaid.

Dr 4821 Undelivered Order - Without Advance - Reimbursable
Program
Cr 4920 Accrued Expenditures - Unpaid - Reimbursable
Program

(5) To record accrued expenditures - paid.

Dr 4920 Accrued Expenditures - Unpaid - Reimbursable
Program
Cr 4941 Accrued Expenditures - Paid - Reimbursable Program

(6) To record earned reimbursement.

Dr 4251 Reimbursements Earned - Uncollected - Automatic
Apportionment
Cr 4231 Unfilled Customer Orders - Without Advance -
Automatic Apportionment

(7) The transactions below illustrate write off of the
uncollectible earned reimbursement:

(a) To transfer earned but uncollectible amount from the
reimbursable program to the direct program.

Dr 4941 Accrued Expenditures Paid - Reimbursable Program
Cr 4931 Accrued Expenditures Paid - Direct Program

(b) To remove the accepted order, which is uncollectible,
from the reimbursable program.

Dr 4221 Customer Orders Accepted - Automatic Apportionment
Cr 4581 Automatic Reimbursement Program

(c) To transfer the amount earned but uncollectible from the
reimbursable program to the direct program.

Dr 4611 Uncommitted/Unobligated Allotments - Direct
Program - Current Period
Cr 4251 Reimbursements Earned - Uncollected -
Automatic Apportionment

D. ADVANCES AND PREPAYMENTS

1. General Information. Volume 4, "Accounting Policy and Procedures," chapter 5, "Advances and Prepayments," contains general information related to advances and prepayments.

2. Advances. Advances are cash outlays made by a federal entity to its employees, contractors, other federal entities, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Subsidiary records of individual advances shall be maintained to support the amount recorded in the general ledger account. The subsidiary record shall include the amount advanced, the date advanced, the applicable contract number, and the disposition of the advance. At least quarterly, the subsidiary record shall be reconciled with the general ledger balance.

3. Prepayments. Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. (Progress payments, cost reimbursement payments, and payments for partial deliveries made to a contractor or other federal entity based on partial completion of a contract or work request are not advances or prepayments but rather are payments based upon performance.)

4. Advances and prepayments should be recorded as assets. Advances and prepayments are reduced when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire. A travel advance, for example, should be initially recorded as an asset and should be subsequently reduced when travel expenses are actually incurred. Amounts of advances and prepayments that are subject to refund (for example, a settled travel claim indicating the traveler owes part of the advance to the government) should be transferred to refunds receivable.

5. Advances and prepayments paid out by an entity are assets of the entity. On the other hand, advances and prepayments received by an entity are liabilities of the entity. In financial reports of an entity, advances and prepayments the entity paid out (assets) should not be netted against advances and prepayments that the entity received (liabilities).

6. Advances and prepayments made to federal entities are intragovernmental items and should be accounted for and reported separately from those made to nonfederal entities.

E. CASH MANAGEMENT

1. Definition. Cash management is defined as actions necessary to maintain appropriate levels of cash to meet operational and capital requirements.

2. Purpose. The purpose of the DBOF cash management policy is to maintain the minimum cash balance necessary to meet both operational requirements and to meet disbursement requirements in support of the capital program.

3. Discussion. Cash generated from operations is the primary means of maintaining adequate cash levels within the DBOF. The ability to generate cash is dependent on rates that recover full costs to include prior year losses; accurate work load projections; and meeting established operational goals. Cash shortage correction efforts, when required to meet cash requirements and prevent a violation of the Antideficiency Act, will initially focus on those business areas failing to meet operational plans and, therefore, contributing to cash shortages.

4. Cash Level Criteria. Effective cash management is directly dependent on the availability of accurate and timely data on cash levels and operational results. The present criteria are for cash levels to be maintained at 7 to 10 days of operational cost (\$1.5 to \$2.1 billion) and cash adequate to meet 4 to 6 months of capital disbursements (\$.5 to .9 billion). Improvements in management data as well as changes in operational needs and capital requirements may dictate subsequent changes in the established cash level criteria. The criteria will be reviewed at least annually by the Office of the DoD Deputy Comptroller (Program/Budget) as part of the budget review and documented in a Program Budget Decision.

5. Cash Management Plan. The Director for Revolving Funds, Office of the DoD Deputy Comptroller (Program/Budget), will develop a cash plan to facilitate the cash management process. The plan shall consider collections, disbursements, appropriations, and other cash transactions based on DoD Component estimates. This annual plan will be initially developed during the budget process and will be an integral part of the budget document. In addition, a monthly phasing of the cash plan is required to monitor execution. A monthly execution review should lead to increased management attention to reduce costs, emphasize timely billing and collection of revenue, and timely disbursements. Variances from collection and disbursement plans of \$50 million for each business area will be required to be resolved; and overall cash balances of less than \$1 billion will require immediate action to increase cash levels.

6. Cash Management Responsibilities. The division of responsibilities for cash management are as follows:

a. OFFICE OF THE DEPUTY COMPTROLLER FOR PROGRAM/BUDGET:

(1) Develop overall cash plans based on the impact of operations, appropriations, reprogramming, and other cash transactions.

(2) Monitor overall cash levels.

(3) Establish procedures to correct short-term cash shortages.

b. DEFENSE FINANCE AND ACCOUNTING SERVICE:

(1) Provide timely and accurate reporting of cash levels by Component and business area.

(2) Improve cash reporting with the goal of providing real time cash balances.

(3) work with DoD Components to correct finance and accounting problems and provide components details of DFAS changes to accounting reports.

(4) Insure collections/disbursements are consistent with policy.

(5) Take immediate corrective action to resolve cash shortages by implementing advance billing procedures when the overall cash level falls below \$1 billion and DFAS has determined that the cash shortage was not caused by an anomaly.

c. DOD COMPONENTS:

(1) Establish cash plans based on the approved budget.

(2) Monitor collections and disbursements to assess operational or financial problems.

(3) Take necessary action to correct operational problems contributing to deviations from cash plans.

(4) Ensure revenue recognition, progress billing, and collection policies are followed including the minimization of outstanding receivables.

(5) Work with DFAS to correct finance and accounting problems contributing to deviations from the cash plan.

CHAPTER 55

SUPPLY MANAGEMENT OPERATIONS

A. GENERAL. This chapter prescribes policy and unique accounting requirements applicable to the Supply Management business area.

B. AUTHORIZED CUSTOMERS. A Supply Management business area is authorized to sell items to:

1. A Federal Government-funded activity or an activity empowered to perform a Federal Government-legislated function.

2. A DoD-sponsored nonappropriated fund instrumentality.

3. A State Department-sponsored employee commissary located outside the United States.

4. A foreign government when an authorized contractual relationship has been established.

5. A Federal Government contractor, when the contract specifically provides for the purchase of items by the contractor from the Government.

6. Members of the Armed Forces and other individuals authorized by law when purchasing commissary and clothing items.

7. Other entities, when authorized by duly appointed officials.

C. FINANCING

1. Items for Sale. Resources of the Supply Management business area are available to finance the acquisition and repair of items to be sold to customers.

2. Commissary Support. The costs of providing and managing commissary items, including related operating costs incurred to support the mission of commissaries, shall be identified as commissary operating costs. These costs include, but are not limited to, costs incurred to support commissaries at a headquarters or regional level. Commissary operating costs shall be charged to, and reimbursed by, appropriations made available to the Defense Business Operations Fund for commissaries and the commissary trust revolving fund as prescribed in DoD 1330.17-R, "Armed Services Commissary Regulations."

D. ITEMS TO BE INCLUDED IN THE SUPPLY MANAGEMENT BUSINESS AREA

1. General. Generally, supplies held for the purpose of sale to other DoD Components or activities within a Component and, when authorized by legislation, items procured for sale to members of the Armed Forces and other individuals or organizations may be included in the Supply Management business area. The Under Secretary of Defense (Comptroller) and the Under Secretary of Defense (Acquisition and Technology) may designate an item to be procured by the Supply Management business area and may assign the management responsibility of any item to one DoD Component from another DoD Component.

DoD Components are encouraged to propose such assignments that would result in more efficient management of supplies.

2. Military Exchange Items. Items procured primarily for sale to members of the Armed Forces and other individuals or organizations authorized by legislation may be included in the Supply Management Business Area. These include clothing sold by a military clothing resale activity, and items sold in a ship's store.

3. Military Clothing Items. The Military Exchange systems are authorized to act as agents of the Supply Management Business Area for the purpose of selling military clothing items to members of the Armed Forces. Military clothing requirements in the Department of Defense shall be procured through the Supply Management Business Area and billed at standard prices.

a. The Military Services shall include the costs of new bag items in the military personnel appropriation budget request and new organizational items in the operation and maintenance appropriation budget request. A replacement item shall be deemed a new item for the purposes of this policy if the cost of a replacement item exceeds the cost of the prior item by more than 10 percent in constant dollars.

b. The military personnel appropriation budget and the operation and maintenance appropriation budget should be sufficient to fund the quantity of the initial buy of an item of clothing including the establishment of wholesale inventory levels. New clothing items required prior to receipt of appropriated funds shall be funded in these same accounts by reprogramming action.

c. New clothing items shall be phased in after the stocks of the item being replaced are attrited. The new item shall not be available for issue by the item manager until the stocks of the item being replaced are reduced to less than an amount mutually agreed upon between the item manager and the customer military personnel appropriation account manager. The item manager shall prepare a billing to the applicable military personnel appropriation account in an amount sufficient to cover the cost of the stocks of the item being replaced.

4. Fuel. Fuel requirements in the Department of Defense shall be procured through a Supply Management business area and billed at standard prices to DoD Funded customers. In isolated locations where the Defense Logistics Agency (DLA) has authorized local procurement but the Component Supply Management business area cannot directly procure the fuel, a DoD Supply Management business area shall process billings to the procuring account to stabilize the procurements at DoD standard prices.

5. Forgings and Castings. The availability of forgings, castings, and molds should assist in controlling the contract cost of future procurements of the same items. Therefore, the Supply Management business area may procure forgings and castings or production molds, when appropriate, for Supply Management business area items only after justification to and approval by the item manager. The justification for the procurement of forgings, castings, and molds should include an analysis of the stability of the design and the related technical requirements and anticipated savings from lower production costs on subsequent procurements because of the availability of Government provided

property, reduced leadtimes, and from increased competition. The acquisition cost of forgings, castings, and molds shall be determined for each item at the time of acquisition. Each forging, casting, and mold shall be assigned a stock number and recorded as an asset in an appropriate account. The cost of forgings, castings, and molds that are broken or lost shall be recorded as a current period operating expense. The item manager shall store, protect, and preserve forgings, castings, and molds for use as Government furnished material and Government furnished equipment on subsequent procurements.

6. Drawings and Technical Data. The Supply Management business area shall finance the procurement of drawings and technical data needed in support of design stable stocked items previously or currently procured by the Supply Management business area only after justification to and approval by the item manager. The justification for the procurement of drawings and technical data should include an analysis of the stability of the design and the related technical requirements for the item and anticipated savings from increased competition, improved quality standards, or increased capability to evaluate the usefulness of existing items in the supply system. The costs of the drawings and technical data for Supply Management business area items are normally included in the costs of operations (not materiel costs) for DoD Supply Management business areas and recovered in the standard price.

7. Spares. The Supply Management business areas will acquire initial and replenishment spares consistent with the materiel support date. Initial spares are spare and repair parts supporting newly fielded weapons systems during initial period of operation until the supply system can support the demand generated by the systems. Replenishment spares are those spare and repair parts required to resupply initial stockage.

a. Reparables. As defined in DoD 4140.1-R, "DoD Materiel Management Regulation," a reparable item is an item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level. Supply Management Business Areas are authorized to finance the transportation, acquisition, overhaul, progressive maintenance, renovation, rework, repair, manufacture, reclamation, alteration, and/or software support of reparable items.

E. INVENTORY GENERAL LEDGER ACCOUNTS

1. Authorized Inventory General Ledger Accounts. Inventory and related property accounts authorized for use at Defense Business Operations Fund activities are listed in chapter 7 of Volume 1, "General Financial Management Information, Systems, and Requirement," of this Regulation. Certain inventory accounts are authorized for use only in the Supply Management business area and Defense Commissary Agency. The inventory accounts authorized for use only in the Supply Management business area and Defense Commissary Agency are listed below. If one of the below listed accounts is not descriptive of a recurring and significant inventory event that affects the value of inventory at standard price, then an additional holding gain/loss subaccount(s) should be requested to be established for that purpose. Such requests should be forwarded to the Director for Accounting Policy, Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management).

- 1520 Inventory, Met
 - 1521 Inventory Held for Sale
 - 1521.1 Inventory in Transit from Procurement
 - 1521.2 Inventory in Transit from DoD Entities
 - 1522 Inventory Held for Future Sale
 - 1523 Inventory Held for Repair
 - 1523.1 Exchange (DLR) Inventory in Transit
 - 1524 Inventory - Excess, Obsolete, and Beyond Repair
 - 1529 Inventory - Allowance
 - 1529.1 Allowance for Holding Gain/Loss - Inventory Held for Sale
 - 1529.1A Realization of Holding Gains/Losses
 - 1529.1B Purchases at Standard Price
 - 1529.1C Purchases at Cost
 - 1529.1D Materiel Returns at Standard Price
 - 1529.1E Materiel Returns - Credit Given
 - 1529.1F Materiel Returns Without Credit Given
 - 1529.1G Standard Price Changes-Gain
 - 1529.1H Accounting Adjustments-Gain
 - 1529.1J Assembly/Disassembly-Gain
 - 1529.1K Physical Inventory Adjustments-Gain
 - 1529.1L Incoming Shipments-Gain
 - 1529.1M Completed Inventory Repairs
 - 1529.1N Receipts of Materiel Without Charge
 - 1529.1P Other-Gain
 - 1529.1Q Latest Acquisition Cost Adjustment
 - 1529.1R Standard Price Changes-Loss
 - 1529.1S Accounting Adjustments-Loss
 - 1529.1T Assembly/Disassembly-Loss
 - 1529.1U Physical Inventory Adjustments-Loss
 - 1529.1V Incoming Shipments-Loss
 - 1529.1W Shrinkage and Other Adjustments-Loss
 - 1529.1X Actual Repair Costs
 - 1529.1Y Issues Without Reimbursement
 - 1529.1Z Other-Loss
 - 1529.2 Allowance for Holding Gain/Loss - Inventory Held for Future Sale
 - 1529.3 Allowance for Repair Costs
 - 1529.3A Estimated Repair Costs
 - 1529.3B Estimated Exchange Costs
 - 1573 War Reserve/Mobilization Stock
 - 1579.2 Allowance for Holding Gain/Loss - War Reserve/Mobilization Stock

2. Reconciliations. At least quarterly, line item accountability records shall be reconciled to balances recorded in the general ledger inventory accounts. Differences between line item accountability records and general ledger balances shall be investigated to determine the cause(s) of the difference. Reconciliations may be required more frequently to identify the cause(s) of the difference(s). Errors found during the investigation shall be corrected. Addendum 1, "Assessment of Inventory Amounts," included with this chapter provides further reconciliation guidance.

3. Adjustments for Physical Counts. Physical counts of inventories shall be taken in accordance with the procedures prescribed in DoD 4140.1-R, "DoD Materiel Management Regulation." In accordance with the procedures outlined in DoD 4140.1-R, the general ledger shall be adjusted for differences between the general ledger balances and the physical count.

4. Inventory Gains, Losses and Adjustments. Separate accounts shall be maintained to identify transactions that result in inventory gains, losses and adjustments. The accounts to be used in the Supply Operations business area are listed below. The use of subsidiary accounts as needed is optional.

7191 Inventory Gains

7291 Inventory Losses or Adjustments

7291.1 Shrinkage Losses

7291.2 Excess/Obsolescence/Spoilage Loss

7291.3 Other Inventory Losses

F. CAPITALIZED INVENTORY

1. Transfers-In Without Reimbursement. On hand and on order inventories of supplies financed by other appropriations and funds shall be recorded as contributed capital as required by 10 U.S.C. 2208 when the Supply Management business area undertakes management responsibility for the items. Bills for inventories on order at the time of the transfer shall be paid by the appropriation or fund ordering the item. This is appropriate since the appropriation or fund ordering the item was funded through the budget process to procure the item. As provided in 10 U.S.C. 2208, credits may not be made by a Supply Management business area to an appropriation or fund for capitalized inventories. However, stock withdrawal authorizations may be approved as provided in paragraph G.3. below. Capitalized inventory items shall be recorded as follows:

Dr 1521 Inventory Held for Sale	\$10,000	
Cr 1529.1N Receipts of Materiel Without Charge		\$10,000

Entry to record receipt of inventory items totaling \$10,000 provided from another appropriation or fund without reimbursement to that appropriation or fund. Documentation supporting this entry includes journal vouchers and receiving reports.

2. Transfers of Reimbursable Procurements. The Supply Management business area may record a liability for an item transferred from a non-DBOF account only when the item is undelivered at the time of the transfer and the obligation for the item on the books of the organization from which the item was transferred resulted from a reimbursable order from a customer. The liability recorded in the supply management records shall be liquidated by a payment to the transferring appropriation or fund based upon a payment to the Supply Management business area by the customer. The Supply Management business area shall record a liability for inventories transferred as follows:

Dr 1521 Inventory Held for Sale	\$10,000
Cr 2111 Accounts Payable - Government - Current	\$8,000
Cr 1529.1N Receipts of Materiel Without charge	\$2,000

Entry to record receipt of inventory items totaling \$10,000 for which reimbursement of \$8,000 will be provided. The difference in amount between the reimbursement amount and the inventory value is recorded to account 1529.1L. Documentation supporting this entry includes a customer order or requisition.

3. Stock Withdrawal Authorizations. When items are transferred from an appropriated account to a DBOF Supply Management activity, circumstances may exist in which sufficient funds are not available for the donating activity to subsequently purchase those items from the DBOF activity when needed. In such situations, the Under Secretary of Defense (Comptroller) may be requested to approve an authorization for issues without reimbursement. The request for a stock withdrawal authorization shall identify the amount of items capitalized from the customer's appropriation or fund and the estimated amount of the transferred items required by the customer until funds can be provided through the budget process. An approved stock withdrawal authorization permits the DBOF activity to issue items to the specified customer without reimbursement up to the authorized limit for a fiscal year. Once the limit has been reached, or the fiscal year has passed, issues shall be on a reimbursable basis. Stock withdrawal authorizations may not be recorded as a liability. An issue under a stock withdrawal authorization shall be recorded as follows:

Dr 3231 Transfers-Out to Government Agencies Without Reimbursement
Dr 1529.1A Realization of Holding Gains/Losses
Cr 1521 Inventory Held for Sale

Documentation supporting this entry includes material release orders and shipping documents.

4. Logistical Management Transfers. Logistical management transfers result from changes in the funding appropriation for an item. If the Under Secretary of Defense (Comptroller) and the Under Secretary of Defense (Acquisition and Technology) designate a logistical management transfer of item(s) from the supply management business area to an appropriation (see paragraph E.) or from an appropriation to the supply management business area, an increase or a decrease to inventory for a nonreimbursable transfer shall be recorded at the value of the item being transferred. A transfer-in of an item, once operations have commenced, will be recorded as in a., below. Items transferred-out shall be recorded as in b., below.

- a. Entry to record a logistical management transfer in.
Documentation supporting this entry includes material receipts and catalog data.

Dr 1521 Inventory held for Sale
Cr 1529.1L Incoming Shipments-Gain

- b. Entry to record a logistical management transfer out. Documentation supporting this entry includes material release orders, shipping documents, and catalog data.

Dr 3231 Transfers-Out to Government Agencies Without Reimbursement

Dr 1529.1A Realization of Holding Gains/Losses

Cr 1521 Inventory Held for Sale

5. Accounting for Customer Returns. Customer returns may constitute a significant impact on current period revenue and inventory holding gains for the DoD Supply Management business area.

a. Returns Without Credit. The value of customer returns for which credit is not granted shall be recorded as an inventory gain rather than a transfer without reimbursement. For example, see below.

Dr 1521.2 Inventory in Transit from DoD Entities \$1,000

Cr 1529.1F Materiel Returns Without Credit Given \$1,000

Entry to record customer returns without credit prior to its receipt.

Dr 1521 Inventory Held for Sale \$1,000

Cr 1521.2 Inventory in Transit from DoD Entities \$1,000

Entry to record receipt of inventory in transit. The documentation supporting this entry includes receiving reports and evidence. of inspection of returned items.

b. Returns With Credit. The value of customer returns for which credit is granted shall be accounted for as a decrease to current period revenues. For example, see below.

Dr 1521.2 Inventory in Transit from DoD Entities \$1,000

Cr 1529.1D Materiel Returns at Standard Price \$200

Dr 1529.1E Materiel Returns - Credit Given \$ 800

Cr 1311 Accounts Receivable - Government - Current \$800

Entry to record customer returns with credit prior to its receipt. (The above illustration demonstrates the return of a \$1,000 inventory item for which \$800 credit is granted.)

Dr 1521 Inventory Held for Sale \$1,000

Cr 1521.2 Inventory in Transit from DoD Entities \$1,000

Entry to record receipt of inventory in transit. The documentation supporting this entry includes receiving reports and evidence of inspection of returned items.

6. Transfers to Reutilization and Marketing (R&M). The loss, if any, on items declared excess, obsolete, or beyond repair is taken by the stockage point holding that item when the determination is made. [NOTE: The words "beyond

repair," in the context of this general ledger account, means damaged inventory that is not economical to repair.] After recordation of the loss, transfers of excess, obsolete or beyond repair items to a Defense Reutilization and Marketing Office (DRMO) shall, be accounted for as follows:

- a. Dr 7291.2 Excess/Obsolescence/Spoilage Loss
Cr 1524 Inventory - Excess, Obsolete, and Beyond Repair

Stockage point entry to record transfers to a DRMO.
The documentation supporting this entry includes material release orders and shipping documents. The value recorded in account 1524 is the estimated net realizable value of the excess, obsolete, or beyond repair item and not its standard price or latest acquisition cost. (See Addendum 2, Paras B.9/C.3.)

- b. Dr 1765 Property Awaiting Disposal
Cr 7193 Other Miscellaneous Gains

DRMO Entry to record transfers from a stockage point. The documentation supporting this entry includes material release orders and shipping documents. The value recorded in account 1765 should be the net realizable value.

G. FINANCIAL STATEMENT INVENTORY CATEGORIES

1. General. Inventory is tangible personal property, titled to the government, that is on hand or intransit (e.g., accepted at origin from a vendor, or moving between DoD activities) and is held for sale, future sale, repair, or pending transfer to disposal. The Supply Management business area and Defense Commissary Agency are the only Defense Business Operations Fund business areas that should hold inventory. Except for excess, obsolete, and unserviceable inventory, inventory shall be valued using the latest acquisition cost method. The following are not inventory:

- a. Items purchased by depot maintenance activities to be consumed in the process of repair and by other activities to be consumed in the course of operations shall be recorded and reported as "Operating Materials and Supplies," (Account Series 1510) versus "Inventory," (Account Series 1520) "Operating Materials and Supplies" shall be valued and reported at historical cost.

- b. Inventory excludes some other assets held for sale, such as (1) stockpile materials (including war reserve materiel), (2) seized and forfeited property, (3) foreclosed property, and (4) goods held under price support and stabilization programs. These items may be sold; the purpose, however, of acquiring them is not to provide a product or a service for a fee.

2. Recognition. Inventory shall be recognized when title passes to the purchasing entity or when the goods are delivered to the acquiring entity, whichever occurs first. Inventory expense shall be recognized upon a sale and the value of those goods shall be removed from inventory. Delivery or constructive delivery shall be based on the terms of the contract or other agreement regarding shipping and/or delivery.

3. Inventory Classifications. There are five general classifications of inventory -- Inventory Held for Sale; Inventory Held for Future Sale; Excess, Obsolete, and Beyond Repair Inventory; Inventory Held for Repair; and Inventory in Transit. A description of those five categories follow:

a. Inventory Held for Sale. This category of inventory includes most supply system materiel in issuable condition.

b. Inventory Held for Future Sale. This category will be used to report the value of stocks not expected to be consumed until after the completion of the budget year. That is, economic retention stocks, contingency retention stocks and potential reutilization/disposal stocks. (War reserve materiel is reported as stockpile materials, not inventory.)

c. Excess, Obsolete, and Beyond Repair Inventory. This is a single category composed of three elements. However, it is not necessary or expected that a separate record be kept of each element. The elements of this inventory category are provided solely for information and not for subaccount purposes. The elements of this category are:

(1) Excess inventory consists of items that are determined to be beyond economic and contingency retention stock levels and, as a result, reported as potential reutilization/disposal materiel. Until such materiel is actually declared excess and dropped from inventory, it shall be reported as "Inventory - Excess, Obsolete, and Beyond Repair."

(2) Obsolete inventory is inventory that is no longer needed due to changes in technology, laws, customs, or operations.

(3) Beyond repair inventory excludes unserviceable items but, instead, consists of items that are not expected to survive repair after technical evaluation at a maintenance activity and damaged inventory that is not economical to repair.

d. Inventory Held for Repair. These are inventory items that are not in issuable condition (but not beyond economic repair) and are awaiting repair before they are eligible for sale. A reparable item is an item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level. A depot level reparable item is one that is designated for repair at the depot level or that is designated for repair below the depot level, but if repair cannot be accomplished at that level, will have its unserviceable carcass either forwarded to the depot for repair or condemnation, or reported to its inventory control point (ICP) for disposition. A field level reparable item is one that is normally repaired below the depot level of maintenance and for which condemnation authority can be exercised below the depot level of maintenance.

e. Inventory In Transit. These are inventory items in transit from commercial and government suppliers. Account 1521.1, "Inventory In Transit from Procurement," and account 1521.2, "Inventory in Transit from DoD Entities," are used to record from whom the inventory is in transit. These accounts shall be used to record the initial acceptance of inventory items when title has passed

but the items have not been received and accepted into inventory. The following illustrate the most common entries to this account:

Dr 1521.1 Inventory In Transit from Procurement	\$10,000	
Cr 1529.1C Purchases at Cost		\$2,000
Cr 2113 Accounts Payable - Public - Current		\$8,000

Entry to record the value of inventory in transit from procurement for which the standard price is \$10,000 and the invoice cost is \$8,000.

Dr 1521.2 Inventory In Transit from DoD Entities	\$10,000	
Cr 1529.1E Materiel Returns - Credit Given		\$2,000
Cr 1311 Accounts Receivable - Government - Current		\$8,000

Entry to record the value of inventory in transit that is being returned by customers for credit.

Dr 1523.1 Exchange (DLR) Inventory in Transit	\$ 5,000	
Dr 1311 Accounts Receivable-Government-Current	\$ 3,000	
Cr 5101 Revenue from Goods Sold - DBOF		\$5,000
Cr 1529.3 Allowance for Repair Costs		\$3,000

Entry to record sale of inventory and the associated cost of the goods sold when a reparable item is exchanged for a ready for issue inventory item.

Dr 1521 Inventory Held For Sale	\$20,000	
Cr 1521.1 Inventory-In Transit from Procurement		\$10,000
Cr 1521.2 Inventory-In Transit from DoD Entities		\$10,000
Dr 1523 Inventory Held for Repair	\$ 5,000	
Cr 1523.1 Exchange (DLR) Inventory in Transit		\$ 5,000

Entries to record receipt of inventory in transit.

4. Relationship of General Ledger Inventory Accounts to Logistic Stratification Level and Supply Condition Codes. Inventory recorded in financial records should be identifiable to inventory recorded in logistic records and vice versa. To provide for such identification, stratification levels and supply condition codes are identified in subparagraph G.4.c. below to the financial inventory classifications. While supply system inventory reports within the logistics area are sometimes prepared more often, they are currently required only semiannually. However, financial inventory is reported monthly. Therefore, in order to report the value of inventory monthly, percentages must be derived from the last available stratification and perpetuated on a monthly basis until a new stratification is received.

a. Stratification Levels. Stratification is the process of applying the quantity of an individual item against the requirements for the same item in a prescribed priority and time sequence. The stratification levels are defined in DoD 4140.1-R, "DoD Materiel Management Regulation." The stratification levels currently in use within the Department of Defense are

- (1) Approved Acquisition Objective,
- (2) Economic Retention Stock,
- (3) Contingency Retention Stock and
- (4) Potential Reutilization/Disposal Materiel.

b. Supply Condition Codes. Supply condition codes classify materiel in terms of readiness for issue and use or identify action underway to change the status of materiel. Supply condition codes currently in use within the Department of Defense are defined in DoD 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures." Those supply condition codes are:

- (1) Code A - Serviceable (Issuable Without Qualification).
- (2) Code B - Serviceable (Issuable With Qualification).
- (3) Code C - Serviceable (Priority Issue).
- (4) Code D - Serviceable (Test/Modification).
- (5) Code E - Unserviceable (Limited Restoration).
- (6) Code F - Unserviceable (Reparable).
- (7) Code G - Unserviceable (Incomplete).
- (8) Code H - Unserviceable (Condemned).
- (9) Code I - NOT ASSIGNED.
- (10) Code J - Suspended (In Stock).
- (11) Code K - Suspended (Returns).
- (12) Code L - Suspended (Litigation).
- (13) Code M - Suspended (In Work).
- (14) Code N - Suspended (Ammunition Suitable for Emergency Combat Use Only).
- (15) Code O - NOT ASSIGNED.
- (16) Code P - Unserviceable (Reclamation).
- (17) Code Q - Suspended (Quality Deficient Exhibit).
- (18) Code R - Suspended (Reclaimed Items, Awaiting Condition Determination).
- (19) Code S - Unserviceable (Scrap).
- (20) Codes T-Z - NOT ASSIGNED.

c. Relationship of Logistic Categories to Accounting Classifications for Inventory. The following table shows the relationship of logistic supply categories to general ledger inventory accounts.

H. FINANCIAL STATEMENT VALUATION OF INVENTORY ITEMS

1. General. Within the Department of, Defense, inventory is reported on financial statements at its latest acquisition cost. Additionally, an allowance amount for unrealized gains and losses is also reported so that the net of the inventory at its latest acquisition cost less the allowance amount for unrealized gains and losses will yield an approximation of historical (actual) cost.

2. Latest Acquisition Cost. DoD inventory is normally an asset of the Supply and Commissary resale systems only. Except for excess, obsolete, and beyond economical repair inventory, inventory shall be valued using the latest acquisition cost method. The latest acquisition cost method provides that the last representative invoice price (i.e., the specific item's cost used in setting the current year stabilized standard price) shall be applied to all like

General Ledger Account	Stratification Level	Supply Condition Codes	
1521 Inventory Held For Sale	(1) Approved Acquisition Objective (AAO)	A	Issuable Without Qualification
		B	Issuable With Qualification
		C	Priority Issue
		D	Test/Modification
1522 Inventory Held For Future Sale	(1) Economic Retention Stock (2) Contingency Retention Stock	A	Issuable Without Qualification
		B	Issuable With Qualification
		C	Priority Issue
		D	Test/Modification
		E	Limited Restoration
		J	Suspended (In Stock)
		K	Suspended (Returns)
		L	Suspended (Litigation)
1523 Inventory Held for Repair	(1) Approved Acquisition Objective (AAO) (2) Economic Retention Stock (3) Contingency Retention Stock	N	Suspended (Ammunition Suitable for Emergency Combat Work Only)
		F	Reparable
		G	Incomplete
		M	Suspended (In Work)
		Q	Suspended (Quality Deficient Exhibits)
		R	Suspended (Reclaimed Items, Awaiting Condition Determination)
1524 Inventory - Excess, Obsolete, or Beyond Repair	(1) Approved Acquisition Objective (AAO) (2) Economic Retention Stock (3) Contingency Retention Stock	H	Condemned
		P	Reclamation
		S	Scrap
		
	(4) Potential Reutilization Stock	Condition Codes A - S	
1573 War Reserve/Mobilization Stock	(1) Part of Approved Acquisition Objective (AAO)	(Condition Codes do not distinguish War Reserve/Mobilization items from inventory items.)	

units held including units acquired through donation, non monetary exchange, return from end use or reutilization. For Commissary resale items and all other

items, including those obtained through local purchase and items not held in revolving funds, price changes based on latest invoice shall be posted during the first posting cycle after receipt of invoice. For price-stabilized items in the supply system price changes based on latest invoice shall be posted annually, unless other posting cycle is approved by the Under Secretary of Defense (Comptroller).

3. Inventory Values for Financial Statement Presentation. Inventory is reported on DoD financial statements at its latest acquisition cost less the allowance for unrealized gains and losses so that the net of the inventory will yield an approximation of historical (actual) cost.

a. Inventory Held for Sale and Inventory Held for Future Sale. Within the Department of Defense, inventory held for sale and inventory held for future sale shall be valued at its latest acquisition cost. For financial statement presentation, DBOF supply management business areas maintaining inventory values at standard [selling] price must adjust the inventory values at standard [selling] price to latest acquisition cost by removing operating cost recovery amounts and, if applicable, the prior year inflation amount from both the inventory at standard price value and the allowance for holding gain and loss account. Addendum 2, paragraph B.10., of this chapter provides an example of the month end adjustment process.

b. Inventory Held for Repair. Inventory held for repair shall be reported on DoD inventory reports and financial statements as described above. General ledger account 1529.3A, "Estimated Repair Costs," has been established to record, on an aggregate basis, the average cost to repair items that require repair. General ledger account 1529.3B, "Estimated Exchange Costs," has been established to record an estimate of operating costs to accept and process exchange items and includes carcass attrition (washouts) and transportation costs. When repairs are completed, the actual cost of repairs shall be charged to general ledger account 1529.1X, "Actual Repair Costs." Paragraph N.4. of this chapter illustrates this accounting process.

c. Excess, Obsolete, and Beyond Repair Inventory. Excess, obsolete, and beyond repair inventory shall be valued at its expected net realizable value. "Net realizable value" is the current salvage rate, expressed as a percentage of latest acquisition cost, as that rate is reported by the Defense Reutilization and Marketing Service (DRMS). The difference between the value of the inventory before identification as excess, obsolete, and beyond repair and its expected net realizable value after such identification shall be recognized as a loss (or gain) in current period operations. Any subsequent adjustments to its net realizable value shall be also recognized as a loss (or gain) in the period in which such adjustment occurs. [NOTE: Materiel transferred to the DRMS, whether from the supply system, other DBOF, or non-DBOF activities, non appropriated fund operations, or other agencies of the federal government, will be reported by the DRMS, not as inventory, but as other personal property (general ledger account 1765, "Property Awaiting Disposal") and valued by the DRMS at the current salvage rate as specified in this paragraph.]

d. Inventory in Transit. Inventory in transit from commercial vendors, general ledger account 1521.1, "Inventory in Transit from Procurement," shall be recorded at the value of material in transit based upon amounts paid or to be paid. Inventory in transit from another DoD stockage point, general

ledger account 1521.2, "Inventory in Transit from DoD Entities," shall be recorded at latest acquisition cost {e.g., standard price). Depot level reparable (i.e., carcasses) provided in exchange for serviceable items shall be recorded in general ledger account 1523.1, "Exchange (DLR) Inventory in Transit," at the same value (i.e., standard price) of a serviceable item. However, an allowance for repairs contra-asset account shall also be established to record the estimated cost of the repair and the surcharge associated with the exchanged item. The net of the DLR in transit amount and its allowance account shall equal the value of the carcass (see paragraph N.4. for an illustration of this process).

e. Valuation Illustration. As noted above, for financial statement presentation, DBOF supply management business areas maintaining inventory values at standard [selling] price must adjust the inventory values at standard [selling] price to latest acquisition cost. Addendum 2, paragraph B.10., of this chapter provides an example of the month end adjustment process. Basically, the procedure to revalue inventory to its latest acquisition cost is to deduct the operating cost recovery amount and, if applicable, the prior year inflation amount from both the inventory at standard price value and the allowance for holding gain and loss account. This procedure should be applied only to the inventory financial classifications of "Inventory Held for Sale," "Inventory Held for Future Sale," and "Inventory Held for Repair." Inventory reported as "Inventory - Excess, Obsolete, and Beyond Repair," should be recorded at its net realizable value and therefore does not have an allowance account associated with it. As an illustration, assume that the operating cost recovery percentage for all financial inventory categories was equal to 15 percent of the standard price. In that case, the following would result (accounting entries are illustrated in Addendum 2, paragraph B.10.):

	Inventory at Standard <u>Price</u>		Less <u>Surcharge</u>		Inventory at Latest Acquisition <u>Cost</u>
Inventory Held for Sale	\$17,850	-	\$2,675	=	\$15,175
Less: Allowance	<u>\$ 4,177</u>	-	\$2,675	=	<u>\$ 1,502</u>
Equals: Actual Cost	\$13,673				\$13,673
Inventory Held for Future Sale	\$ -0-				
Less: Allowance	<u>\$ -0-</u>				
Equals: Actual Cost	\$ -0-				
Inventory Held for Repair	\$ 5,250	-	\$1,050	=	\$ 4,200
Less: Allowance	<u>\$ 2,700</u>	-	\$1,050	=	<u>\$ 1,650</u>
Equals: Actual Cost	\$ 2,550				\$ 2,550
Inventory-Excess, Obsolete, and Beyond Repair	\$ 70				\$ 70
Less: Allowance	<u>N/A</u>				<u>N/A</u>
Equals: Realizable Value	\$ 2,550				\$ 70
Total Inventory	\$23,170	-	\$3,725	=	\$19,445
Less: Total Allowance	<u>\$ 6,877</u>	-	\$3,725	=	<u>\$ 3,152</u>
Equals: Cost (Value)	\$16,293				\$16,293

4. Holding Gains and Losses. Holding gains and losses, as reported on financial statements, are the difference between the latest acquisition cost of inventory and the historical (actual) cost of that inventory. Holding gains and losses result, in part, from changes in the value of inventory due to increases or decreases in the latest acquisition cost between the beginning of a reporting period and the end of the reporting period. Holding gains and losses are reported without operating cost recovery factors that may be added to items in inventory to determine standard (sales) price.

a. Unrealized Holding Gains and Losses. "Unrealized" refers to any gain or loss associated with inventory still held by the entity. Unrealized holding gains and losses pertain to the holding gains and losses associated with the inventory on hand during the reporting period that has not been sold or otherwise left the stocking point. Unrealized gains and losses are recorded in an allowance for unrealized holding gains/losses account. That account is a contra-asset account and is reported on the Statement of Financial Condition as an offset to the reported inventory valued at latest acquisition cost. The ending balance of the allowance for unrealized holding gains/losses shall be the cumulative difference between the historical cost, based on estimated or actual valuation, and the latest acquisition cost of ending inventory. The net of inventory at its latest acquisition cost less the amount of unrealized holding gains or losses results in an approximation of historical cost.

b. Realized Holding Gains and Losses. Realized holding gains and losses pertain to the holding gains and losses associated with inventory that has been sold, recapitalized, or otherwise disposed of during the reporting period. When a sale or other inventory transaction occurs, the previously recorded gain (or loss) in the allowance for unrealized gain/loss account is reduced thereby becoming realized as part of the cost of goods sold on the Statement of Operations.

5. Illustrative Accounting Entries for Inventory Transactions. Currently, the Military Departments and the Defense Logistics Agency account for inventory in a method different from each other. Even though the method of accounting is different, each method should yield the same inventory values for reporting on the Statement of Financial Condition and the costs of goods sold reported on the Statement of Operations. Addendum 2, "Accounting for Inventories when Using Standard Price Practices," of this chapter provides an illustration of inventory accounting for use by the Military Departments. Addendum 3, "Accounting for Inventories when Using Latest Acquisition Cost Practices," of this chapter provides an illustration of inventory accounting for use by the Defense Logistics Agency.

6. Year-End Closing/Adjusting Entry For Allowance Account. Annually, accounts subsidiary to an allowance account shall be closed to the parent account. The following accounting entries are appropriate.

a. Allowance for Holding Gain/Loss - Inventory Held for Sale. At fiscal yearend, after preparation of financial statements, the following closing entry shall be made. The purpose of the closing entry is to accumulate the net of all holding gains and holding losses so that the subsidiary accounts may start the new fiscal year with a zero (\$-0-) balance.

Dr 1529.1B Purchases at Standard Price
 Dr 1529.1D Materiel Returns at Standard Price
 Dr 1529.1F Materiel Returns Without Credit Given
 Dr 1529.1G Standard Price Changes-Gain
 Dr 1529.1H Accounting Adjustments-Gain
 Dr 1529.1J Assembly/Disassembly-Gain
 Dr 1529.1K Physical Inventory Adjustments-Gain
 Dr 1529.1L Incoming Shipments-Gain
 Dr 1529.1M Completed Inventory Repairs
 Dr 1529.1N Receipts of Materiel Without Charge
 Dr 1529.1P Other-Gain
 Dr 1529.1Q Latest Acquisition Cost Adjustment
 Cr 1529.1 Allowance for Holding Gain/Loss - Inventory Held for Sale

Dr 1529.1 Allowance for Holding Gain/Loss - Inventory Held for Sale
 Cr 1529.1A Realization of Holding Gains/Losses
 Cr 1529.1E Materiel Returns - Credit Given
 Cr 1529.1C Purchases at Cost
 Cr 1529.1R Standard Price Changes-Loss
 Cr 1529.1S Accounting Adjustments-Loss
 Cr 1529.1T Assembly/Disassembly-Loss
 Cr 1529.1U Physical Inventory Adjustments-Loss
 Cr 1529.1V Incoming Shipments-Loss
 Cr 1529.1W Shrinkage and Other Adjustments-Loss
 Cr 1529.1X Actual Repair Costs
 Cr 1529.1Y Issues Without Reimbursement
 Cr 1529.1Z Other-Loss

b. Allowance for Holding Gain/Loss - Inventory Held for Future Sale.

General ledger account 1529.2, "Allowance for Holding Gain/Loss - Inventory Held for Future Sale," has no subsidiary accounts. Therefore, there are no fiscal yearend closing or adjusting entries necessary.

c. Allowance for Repairs. No fiscal yearend closing or adjusting entry is necessary as the general ledger subsidiary accounts. 1529.3A, "Estimated Repair Costs," and 1529.3A, "Estimated Exchange costs," are relieved (debited) upon completion of repairs as follows:

Dr 1529.3A Estimated Repair Cost
 Dr 1529.3B Estimated Exchange Cost
 Cr 1529.1M Completed Inventory Repairs

I. PRICING OF INVENTORY ITEMS

1. Introduction. Policies and procedures to be used in the development of prices for Supply Management Business Area items are contained in volume 2, "Budget Formulation and Execution," of the DoD Financial Management Regulation, DoD 7000.14-R.

2. Standard Price. As a general rule, each cataloged item with a national stock number assigned which is managed by a DoD Inventory Control Point shall have a standard price for sales to all authorized customers, except as may be authorized elsewhere in this chapter. Components shall establish product prices at the lowest practical item level in order to promote cost

visibility/management and to motivate cost effective customer/supplier behavior. At a minimum prices should be established by Federal Supply Class (FSC) or other comparable level at which specific cost allocations can be made. Product pricing levels above the FSC must be approved by the Office of the Under Secretary of Defense (Comptroller). The standard sales price of each item shall be determined in advance of the execution year to allow for publication before the price is effective. The standard sales price becomes effective for billing purposes on the first day of the fiscal year. A standard price will not be changed during the fiscal year without the prior approval of the Office of the Under Secretary of Defense (Comptroller) except as provided for in paragraph I.5. of this chapter. However, the dollar amount of unfilled customer orders accepted at the previous fiscal year's standard price shall be adjusted (upon notification to the customer) to reflect the latest standard price when notice of the price change is received. Normally all recurring local procurements shall be cataloged and assigned a local standard price including any retail level cost recovery element except when the volume of local procurements of an item does not justify the assignment of a local standard price. In those cases, a local purchase of such a nonstandard item shall be priced based upon procurement cost plus any retail level cost recovery element.

a. Acquisition Cost. The most current cost of a representative procurement is the basis for establishing a standard price for an item. Acquisition cost may be calculated by dividing the most current cost amounts by the sum of their quantities. For items without a procurement history, an acquisition cost may be estimated based upon current manufacturer's price listings or market price quotations. The acquisition cost of an item procured by means of a multiyear contract may include up front costs such as setup costs that will not be incurred in future years. In those situations, the setup cost should be prorated over the total planned volume of items to be purchased under the contract.

b. Cost Recovery Elements for Wholesale-Managed Items. A cost recovery element (previously, and inaccurately, termed "surcharge") shall be included in the standard sales price of an item including direct deliveries from contractors, commercial items, nonstandard items, manufacturer's part numbered items, and other items without a standard price. Cost recovery shall consist of elements for operating costs including prior year gains and losses, transportation, inventory expenses, inventory maintenance, price stabilization, repair costs including attrition, and local cost recovery elements. Individual item prices will be established by including the cost recovery elements, by percentage or fixed amount, with the acquisition cost of the item. A percentage allocation of cost recovery elements to individual items should be used for those items for which the cost recovery elements vary closely with the acquisition cost of the item. A fixed amount should be used for those items for which the cost recovery elements do not closely vary with the acquisition cost. Proposed cost recovery elements shall be developed by wholesale division, inventory control point, or major material category as appropriate and submitted to the Office of the Under Secretary of Defense (Comptroller) for approval. The purpose of the cost recovery elements are to balance total revenues with total net operating costs, plus or minus changes in levels of assets, such as inventory or cash. Total net operating costs shall not include requirements funded by appropriations, such as war reserve appropriated amounts. The cost recovery elements shall encompass:

(1) Supply Operations Support Costs. The costs of operating wholesale inventory control points and wholesale supply depots shall be financed by the Supply Management business area. Such costs include civilian labor and benefits, military labor, supplies, purchased services, and other costs exclusive of costs, such as transportation and inventory maintenance, that are recouped by other cost recovery elements. The costs of performing equivalent functions at the retail (installation/area supply support) level shall not be included in the surcharge assessed by the wholesale activities.

(2) Centralized Command and Service Costs. The costs incurred by separate activities and functions that exist primarily to benefit the mission of a wholesale inventory control point and/or a wholesale supply depot. Mission support cost pools shall be established that identify costs incurred by activities and functions that directly provide benefits to wholesale inventory control points, and wholesale supply depots. These cost pools will include all costs (civilian labor and benefits, supplies, purchased services, and other costs) incurred in functions such as line management (command and control), staff management (policy functions), centralized service functions (e.g., procurement, accounting, personnel, ADP, etc). The portion of such overhead cost pools that directly benefit the Supply Management business area mission shall be allocated to, and reimbursed by, the Supply Management business area. The allocation shall be based upon the relationship of the cost of the benefits provided to the Supply Management business area to the cost for all activities or functions.

(3) Depreciation. Cost of depreciation on capital equipment and other applicable assets.

(4) Capital Surcharge. An element added, when needed, to fund the increment, if any, in excess of depreciation expense recovery that is necessary to finance the approved capital investment program.

(5) Shipping and Transportation. The term "shipping and transportation" includes costs for packing, crating, handling, transportation, and, where appropriate, port loading, and unloading. Items may be shipped from a stocking point (issues) or to a stocking point (returns).

(a) Inventory Issues. Costs to be included are transportation costs for items issued by the Supply Management Business Area. To the extent that first destination transportation is not included in the acquisition cost, an estimate of the cost shall be included in this element. Second destination transportation costs should be based on the assumption of lowest cost, generally surface transportation, delivery as adjusted by projected changes in the budget year. Second destination transportation costs financed by a Supply Management Business Area generally include only transportation within the continental United States (CONUS) and between overseas locations. An additional transportation charge shall be assessed for expedited delivery and delivery outside CONUS based on destination, e.g., Europe, Far East, Near East. For commissary items, the cost of transportation of items shipped to commissaries in Alaska and Hawaii shall be included in the price charged to the commissary and recovered by a special transportation cost recovery element included in the price charged to Alaska and Hawaii commissary customers.

(b) Customer Returned Items With and Without Credit. Costs to be included are Shipping and transportation costs only for items approved by an item manager for return from DoD customers to the Supply Management business area. The Supply Management business area shall reimburse transportation and other shipping costs only for items approved by an item manager for return from customers. Shipping and transportation cost for items that have not been approved by an item manager for return from customers shall not be paid by the Supply Management business area.

(c) Depot Level Reparable Exchange Carcasses. Costs to be included are shipping and transportation costs for the return of reparable exchange carcasses from customers. As a result of including a cost recovery factor into finance shipping and transportation costs for returns of carcasses from customers, the customer will not be charged separately for carcass returns.

(d) Lateral Redistribution. Costs to be included are shipping and transportation costs for lateral distributions of stock when directed by an item manager. When a shipment is made at the direction of an Integrated Materiel Manager (IMM), the supplying (issuing) activity shall be reimbursed by the IMM for the costs of packing, crating, handling, and transportation to move that materiel.

(6) Inventory Expenses. Normal inventory expenses to be included in this cost recovery element are the net of losses and gains from incoming and outgoing shipments, physical inventory adjustments, inventory losses as a result of shrinkage, theft, deterioration, damage contamination, defective items if not reimbursed by supplier, obsolescence, and adjustments to reconcile internal records. Obsolescence consists of the current replacement cost of new or modified items required to replace items no longer needed due to changes in technology, laws, customs, or operations (for example, modification or replacement of a weapon system or commodity). Extraordinary losses such as those due to armed hostilities, riot, or significant damage due to fire, flood, earthquake, storms, or other abnormal events are not normal inventory losses and should not be included in the cost recovery element for inventory expenses. Appropriations should be sought from Congress to fund extraordinary losses.

(7) Inventory Maintenance. The inventory maintenance cost recovery element finances the acquisition of inventories which are required over and above demand replacement (excluding mobilization requirements which are financed by appropriations) to maintain the level of material support at the currently approved position. The cost recovery element for inventory maintenance should be the net impact (increases and decreases) of changes to inventory levels anticipated during the period. In a declining force structure environment, the need for an inventory maintenance cost recovery element is not anticipated.

(8) Economic Adjustments. The economic adjustment element is designed to compensate for inflation or deflation, that is expected to occur on procurements during the period of time that the prices are in effect; adjust for prior year gains or losses; maintain the approved level of Funds with Treasury; and provide consistency with the budget for DoD customers. The Under Secretary of Defense (Comptroller) issues annual inflation guidance based on

the Administration's economic assumptions. Adjustments to product prices contained in the annual budget submissions and supporting congressional justification materials shall be based on that inflation guidance.

(9) Carcass Attrition (Washouts and Losses). Activities that manage maintenance and repair missions on an exchange carcass basis incur replacement cost for carcass washouts and losses. Carcass washouts (sometimes termed "condemnations") are carcasses that, during the initial inspection, are determined to be repairable but during the repair process are determined to be unrepairable and are also determined to require replacement. If the carcass is determined to be unrepairable because of customer cannibalization or other malicious damage caused by the customer, the customer shall be charged the difference between the exchange price and the current standard price and this cost shall not be included in the surcharge element. The second unique repairable cost to be included in this special cost recovery element is the replacement cost for carcasses lost, for example, in transit to the customer or to the supply system. Lost carcasses shall be investigated and necessary internal controls strengthened as required by DoD 7200.10-M, "Department of Defense Accounting and Reporting for Government Property Lost, Damaged, or Destroyed."

(10) Retail Losses. A cost recovery element to compensate for losses experienced at the retail supply activity level shall be included as a credit (reduction) in standard prices charged to retail activities. However, prices charged to customers of retail activities and commissaries shall not reflect this discount.

c. Cost Recovery Elements for Retail-Managed Items. A cost recovery element used by a retail level supply activity;

(1) Will include inventory (material) expenses. Inventory expenses applicable to the retail-managed items are the net impact of gains and losses at the retail level, obsolescence, and shelf-life deterioration.

(2) May include a special local cost recovery element, when approved by the Office of the Under Secretary of Defense (Comptroller), added to the cost of locally purchased items.

3. Foreign Military and Private Party Sales. As prescribed in Volume 15, "Security Assistance Policy and Procedures, of this Regulation, the selling price of Defense Business Operations Fund items to Foreign Military Sales customers shall be the current Defense Business Operations Fund price for that item.

4. Lateral Redistribution of Stock. An item manager may direct a lower stockage level to issue stock when the total cost of such action is lower or when the item manager does not have stock available to meet a requisition's response time and the lower level does--such action is termed "lateral redistribution." As provided in DoD 4140.1-R, "DoD Materiel Management Regulation," billing procedures associated with lateral redistributions directed by an item manager will ensure an issuing activity is reimbursed for both the standard price of the material and the standard packing, crating, handling, and transportation costs associated with a redistribution. The item

manager will bill the requesting activity for the standard price of the material and reimburse the issuing activity for the standard price of the material and the standard packing, crating, handling, and transportation costs.

5. Authorized Reductions of Standard Prices. DoD Components shall set product prices on an annual basis. Those prices cannot be changed during a fiscal year without justification to, and prior written approval of, the Office of the Under Secretary of Defense (Comptroller). The only exceptions to the requirement for prior approval from the Office of the Under Secretary of Defense (Comptroller) are:

- a. subsistence items sold to a commissary may be changed on a procurement lot basis;
- b. subsistence items sold for troop issue purposes may be changed on a monthly basis;
- c. clothing items required for a mandatory clothing bag may be changed when a related change occurs in the clothing allowance for military personnel.
- d. unit of issue changes;
- e. first time buys;
- f. price challenges or breakouts;
- g. discounted product prices (see Paragraph I.6.);
- h. customer requested product changes: and
- i. seasonal price variations for materiel normally bought for direct vendor delivery.

6. Discount Pricing. As a general rule, all product prices must reflect the full cost of the product and the related management activity. However, discount pricing is permitted under the following conditions:

- a. Prior approval of the Director for Revolving Funds, Office of the Under Secretary of Defense (Comptroller) for an item for which a Component desires to charge the customer a discounted price. The request to discount an item price should be accompanied with an analysis of the cost (profit/loss) impact anticipated as a result of charging a lower price.
- b. Age, condition, or model: Reductions from standard prices may be made subsequent to approval by the Director for Revolving Funds, Office of the Under Secretary of Defense (Comptroller) upon determination that there is an actual difference in utility or desirability of an item because of age, condition, or model for items being phased out of the system, items no longer being procured, items with limited remaining shelf life, items in a less than "fully serviceable" condition, and items in long supply, i.e., assets stratified as "potential reutilization stock."

7. Pricing for Additional/Premium Service. Components may establish and offer variable levels of service related to a product, at variable prices, to allow customers the opportunity to economize according to their needs. Appropriate fees may be established annually and may vary according to the item/class of items. Refunds (credits) will be made available for those instances where a customer has paid for a level of service which was not provided. This permissible policy is not intended to authorize a reduced charge for some customers. It is intended to authorize an additional charge for customers who ask, and are willing to pay, for enhanced service. Individual orders may be assessed additional cost recovery rates based on the following elements:

- a. Expedited delivery.
- b. Delivery outside the continental United States based on destination, e.g., Europe, Far East, Near East.
- c. Depot handling fees related to order issues only. This fee(s) will include a minimum charge for low priced orders, a standard charge for bin item issues, a standard charge for normal bulk item issues, and special charges for unusual bulk item issues, e.g., special handling and extraordinary quantities.

J. ISSUES WITHOUT REIMBURSEMENT. A Supply Management business area item may not be issued or transferred without reimbursement except as specifically authorized below:

1. Domestic Civil Emergency. A Supply Management business area item may be issued without immediate reimbursement when action is being taken to provide civil emergency relief assistance in accordance with the policies and procedures provided in DoD Directive 3025.1, "Military Support to Civil Authorities." However, an accounts receivable shall be established for such amounts. Subsequently, funding should be made available to cover the costs of the relief effort, and the Supply Management business area shall be reimbursed for any outstanding accounts receivable.

2. Civil Disturbances. A Supply Management business area item may be issued without immediate reimbursement when action is being taken to control a civil disturbance in accordance with the policies and procedures provided in DoD Directive 3025.12, "Employment of Military Resources in the Event of Civil Disturbances." However, an accounts receivable shall be established for such amounts. Subsequently, the Supply Management Business Area should be reimbursed for any outstanding accounts receivable based upon the procedures provided in DoD Instruction 7200.9, "Financing and Reporting Costs of Military Resources Used in Civil Disturbances," and Volume 6, Chapter 11 of this Regulation.

3. Foreign Disaster. The State Department is responsible for initiating and financing foreign disaster relief efforts pursuant to the Foreign Assistance Act of 1961. Procedures for issues of Supply Management business area material to assist in the event of a foreign disaster and reimbursements shall be in accordance with DoD Directive 5100.46, "Foreign Disaster Relief."

4. NATO Country. A Supply Management business area item may be issued to a NATO country without reimbursement under a replacement-in-kind arrangement under DoD Instruction 2010.10 (reference (s)). Nonreimbursable issues under this authority shall be changed to a reimbursable issue within 12 months if not replaced by the NATO country.

5. Military Emergency. A Supply Management business area item may be issued without immediate reimbursement when a Federal official or military officer has certified that an emergency exists under Section 3732, Revised Statutes, as implemented by DoD Directive 7220.8, "Policies and Procedures Governing the Use of the Authority of Section 3732, Revised Statutes," or emergency provisions in the current DoD Appropriations Act. However, an accounts receivable shall be established for such amounts. When funding is made available to cover the costs of the emergency, the Supply Management business area shall be reimbursed for any outstanding accounts receivable.

6. Presidentially Directed Drawdowns. A Supply Management business area item may be issued to a foreign country without reimbursement when the President has directed a drawdown of defense articles from stocks under authority such as Sections 506 and 522, 22 U.S.C. 2318. The standard price of such issues shall be reported to the Director, Defense Security Assistance Agency for inclusion in subsequent foreign assistance budget requests and to the Office of the Under Secretary of Defense (Comptroller), Revolving Funds Directorate, in order to determine the cash impact of such issues. The cash impact shall be added to the economic adjustment cost recovery element.

7. War Reserve Assets. A Supply Management business area item may be issued without reimbursement when an item is designated as a war reserve asset and the issue has been approved to satisfy requirements of a mobilization of U.S. Armed Forces.

8. Deficiencies in War Reserve Requirements. A Supply Management business area item may be issued without reimbursement when an item is issued under the policies of DoD 4140.1-R, "DoD Materiel Management Regulation," to satisfy deficiencies in war reserve requirements or between activities within the Supply Management business area. Items issued at any level, wholesale or retail, to satisfy customer requisitions shall be reimbursable from war reserve reinvestment appropriations.

9. Disposal of Excess Items. After a request to, and receipt from, the item manager of a disposal release order, excess, obsolete, or unserviceable Supply Management business area items may be issued to a Defense Reutilization and Marketing Office (DRMO) without reimbursement from the DRMO.

10. Items Nearing Obsolescence. A Supply Management business area item may be issued without reimbursement when the item is not a war reserve asset, it has six months or less of remaining shelf-life and the item manager has granted approval for the item to be issued on a nonreimbursable basis.

11. Logistical Management Transfers. Logistical management transfers result from changes in the funding appropriation for an item. If the Under Secretary of Defense (Comptroller) and the Under Secretary of Defense (Acquisition and Technology) designate a logistical management transfer of item(s) from an appropriation to the supply management business area, an

increase to inventory for a nonreimbursable transfer shall be recorded at the value of the item being transferred. Normally, items transferred as a result of a logistical management transfer are transferred without reimbursement. However, under certain circumstances and with prior approval from the Office of the Under Secretary of Defense (Comptroller), transfers-in of inventory may be with reimbursement to the transferring account. Those conditions, all of which must be met, are:

a. The inventory was on order but undelivered to the transferring account at the time of the transfer.

b. The transferring account is not a business area within the Defense Business Operations Fund.

c. The inventory was ordered by the transferring account as a result of a reimbursable order from a customer of that account.

12. Other. When approval has been granted by the Secretary of Defense.

K. GOVERNMENT-FURNISHED MATERIAL (GFM). Consideration shall be given to the issuance of Supply Management Business Area items to a contractor in the development of contractual specifications. The use of GFM may limit the cost of an item, particularly for contractor overhead and profit, and may result in increased competition by encouraging more potential contractors to bid. Purposes for which GFM may be furnished include:

1. Fabrication. A Supply Management Business Area item issued by the direction of the item manager to a contractor for consumption in the fabrication, assembly, or disassembly of another Supply Management Business Area item for the benefit of the Supply Management business area shall be accounted for in account 1584, "Work in process - GFM." A Supply Management Business Area item issued by the direction of the item manager to a DoD activity for consumption in the fabrication, assembly, or disassembly of another item for the benefit of the Supply Management business area shall be accounted for in account 1583, "Work in process - Other Government Activities." The cost of the item consumed and other costs incurred in the fabrication, assembly, or disassembly of the new item shall be recorded as a portion of the procurement cost of the new item(s).

2. Repair Alteration, or Modification

a. Items Consumed in the Process of Repair of other Items. A supply Management business area item issued by the direction of the item manager to a contractor for consumption in the repair, alteration, or modification process shall be accounted for in account 1584, "Work in process - GFM." A Supply Management business area item issued by the direction of the item manager to a DoD activity for consumption in the repair, alteration, or modification process shall be accounted for in account 1583, "Work in Progress - Other Government Activities."

b. Items Issued for Repair. A reparable carcass or other item of inventory issued by the direction of the item manager to either a DoD activity or a contractor for repair, alteration, or modification shall be accounted for

in account 1523, "Inventory Held for Repair." Upon receipt of the repaired item, it shall be accounted for in account 1521, "Inventory Held for Sale."

3. Forgings and Castings. The cost of forgings and castings used as Government furnished material shall be included as a part of the acquisition cost of the item that includes the forging and casting in its production.

L. GOVERNMENT-FURNISHED EQUIPMENT (GFE). Machine tools, equipment, and test equipment used in the manufacture of Supply Management business area items may be purchased by the Government and provided as GFE under a contract when economically justifiable; for example, an economic buy, repair methodology, or life-of-type buy. Supply Management business areas may not be used to procure GFE for use in the manufacture of items funded with other appropriations or funds. The Supply Management business area shall finance the cost of the GFE by use of direct appropriations if the item being produced is for mobilization purposes. If the item is being produced, in significant quantities, for a combination of operating or mobilization purposes, the costs may be prorated according to the ratio of the needs for each purpose or assigned to the primary purpose. The Supply Management business area shall, maintain accountability for the GFE while in the hands of the contractor. Purposes for which GFE may be furnished include:

1. Testing. The costs of testing and inspection of a Supply Management business area item issued by direction of the item manager to a DoD or contractor facility for inspection or for testing purposes shall be charged to the Supply Management business area or appropriations available for those purposes. The costs of repairing an item damaged during testing or inspection or the standard price, if the item is destroyed beyond repair, shall be charged to the Supply Management business area or appropriations available for those purposes.

2. Forgings and Castings. The cost of molds provided to a contractor as Government furnished equipment for use in the manufacturing of a Supply Management business area item shall be accounted for as equipment in the hands of contractors in a subaccount to the appropriate inventory account. The contractor shall be held accountable for the return of the items in good condition upon completion of the contract.

M. LOANS AND LEASES

1. Authorized Recipients. Property items may only be loaned or leased to activities specified below for the stated purpose. The recipient shall be required to sign a receipt for the item. This receipt shall include a statement of the intended purpose of the loan or lease. Each loan or lease of an item shall be approved by the accountable office, the comptroller, or equivalent, of the activity responsible for accountability over the item. The approval shall include a description of the item including the price, condition, anticipated return date; and a certification that the loan or lease of the item will not jeopardize the capability to support national defense requirements. Property may be loaned to:

- a. DoD Funded Customers. Items may be loaned to a DoD funded customer for a maximum of 120 days to support an approved training exercise, a military emergency, or a natural disaster.
- b. U.S. Secret Service. An item may be loaned to the U.S. Secret service for a maximum of 120 days for purposes prescribed under the policies and procedures in DoD Directive 3025.13, "Employment of Department of Defense Resources in Support of the United States."
- c. Civilian Law Enforcement Officials. An item may be loaned to a civilian law enforcement activity for a maximum of 120 days for purposes prescribed under the policies and procedures in DoD Directive 5525.5, "DoD Cooperation with Civilian Law Enforcement Officials."
- d. State and Local Governments. An item may be loaned to a state or local government for a maximum of 120 days for a specific purpose, under the policies and procedures prescribed in DoD Directive 3025.1, "Military Support to Civil Authorities."
- e. National Veterans' Organizations. Under the authority of 10 U.S.C. 2541, an item (e.g., cots, blankets, pillows, mattresses, bed sacks, and other supplies) may be loaned to a recognized national veterans' organization for a maximum of 120 days to support a national or state convention or a regional youth athletic or recreational tournament sponsored by the veterans organization. A bond equal to the current standard price of the item shall be obtained before the item is loaned. The veteran's organization must pay for all expenses incurred in the delivery, return, rehabilitation, or replacement of the property.
- f. American National Red Cross. Under the authority of 10 U.S.C. 2542, an equipment item may be loaned to an organization formed by the American National Red Cross for a maximum of 120 days for the purpose of instruction and practice needed to aid the Army, Navy, or Air Force in time of war. 10 U.S.C. 2542 requires that a bond for the care and safekeeping of the loaned property equal to twice the value of the property shall be obtained before the item is loaned.
- g. Inaugural Committee. Under the authority of 10 U.S.C. 2543, items may be loaned to an Inaugural Committee established under 36 U.S.C. 721 to support an inauguration of the President of the United States for a period not to exceed 9 days beyond the inauguration ceremony. A bond equal to the current standard price of the item shall be obtained before the item is loaned. The Inaugural Committee shall pay for all expenses incurred for the delivery, return, rehabilitation, replacement, or operation of the property.
- h. Boy Scout Jamborees. Under the authority of 10 U.S.C. 2544, cots, blankets, commissary equipment, flags, refrigerators, and other equipment may be loaned to the Boy Scouts of America for the use of Scouts, Scouters, and officials who attend any national or world Boy Scout Jamboree. In addition, services and expendable medical supplies, as may be necessary or useful to the extent that items are in stock and items or services are available may be furnished without reimbursement. Items may be loaned for a maximum of 120 days. A bond equal to the value of the loaned items shall be obtained before

the items are loaned. No expense shall be incurred by the United States Government for the delivery, return, rehabilitation, or replacement of such equipment.

i. Humanitarian Relief. Under the authority of 10 U.S.C. 2544, nonlethal excess supplies may be made available for transfer to the Department of State for its distribution for humanitarian relief. The term "nonlethal excess supplies" means property, other than real property, of the Department of Defense that is excess property as defined in regulations of the Department of Defense; and that is not a weapon, ammunition, or other equipment or material that is designed to inflict serious bodily harm or death.

j. Foreign Countries or International Organizations. An item may be leased to an eligible foreign country or international organization under the authority of the Arms Export Control Act. Policy and procedures for the lease of material to foreign countries and international organizations is contained in Chapter 12 of DoD 5105.38-M, "Security Assistance Manual," and volume 15 of the DoD Financial Management Regulation, "Security Assistance Policy and Procedures," DOD 7000.14-R, Section 713. Refer to these references for approval channels and expense requirements in addition to paragraph 2 and 3 below.

k. Other Leases. Under the authority of 10 U.S.C. 2667, a non-excess Supply Management Business Area item may be leased to an organization when the Secretary of Defense or the Secretary of the Military Department has determined that the item is not needed for DoD use during the proposed lease period and the lease will promote the national defense or otherwise be in the public interest.

2. Approvals. Each loan or lease of an item shall be approved by the comptroller, or equivalent, of the activity responsible for accountability over the item. The approval shall include a description of the item including the price, condition, anticipated return date; and a certification that the loan of the item will not jeopardize the capability to support national defense requirements.

3. Expenses. The recipient shall pay for any transportation, packing, crating, and handling costs associated with the loan or lease of the item. At the time of return of the item, the recipient shall be required to pay any costs necessary to restore the item to its original condition or to pay for any item the recipient does not return within the approved period of the loan or lease.

N. REPARABLES

1. Standard Price. The standard price for reparable items, including the cost recovery elements, shall be developed consistent with the policies prescribed for other Supply Management Business Area items. Sales of reparable items made without a return shall be priced at the standard price. Exchange arrangements are not authorized for customers outside the Federal Government except for a Foreign Military Sales (FMS) customer investing in Cooperative Logistics Supply Support Arrangements (CLSSA). Sales to customers outside the Federal Government shall be priced in accordance with Volume 11A, Chapter 1, "General Reimbursement procedures and Supporting Documentation," [currently in

Chapter 26 of, DoD 7220.9-M, "DoD Accounting Manual,"] and Volume 15, "Security Assistance Policy and Procedures," of this Regulation.

2. Exchange Price. For the issue of a reparable item in which the requisitioner indicates a carcass will be returned, the customer will be charged the exchange price, i.e., the established repair cost plus the appropriate cost recovery elements. The exchange price for reparable items shall be determined by a homogeneous grouping such as National Stock Number (NSN), Federal Supply Classification (FSC), subclassification, repair category, or materiel category. The exchange price may consist of a percentage factor times the standard price. The exchange price shall be established before the beginning of each fiscal year for each homogeneous group and provided to customers and shall remain constant throughout the execution fiscal year.

3. Calculation of Exchange Price. The exchange price shall be calculated on the most representative unit repair cost of the item plus the appropriate cost recovery elements to recover the cost of managing the item. The same cost recovery elements used in the standard price calculation shall be used in the calculation of the exchange price plus cost recovery elements for carcass attrition (washout and loss) and shipping and transportation costs for returns of carcasses from customers. If the standard price is less than the exchange price, a review of the standard price and the exchange should be made to validate their accuracy. If the standard price is less than the exchange price because new items are not currently being acquired, the standard price shall be increased 20 percent over the exchange price to incentivize the customer to return the carcass to the wholesale system.

4. Illustration of Accounting for Inventory Held for Repair. Most items held for repair are obtained as the result of an exchange transaction. The process consists of the sale of a serviceable item in exchange for an item that needs repair plus a promise to pay (accounts receivable) or the actual payment (cash) for the difference in value between the two items. If the item needing repair has not been received at the time of exchange, an in-transit account shall be established to account for the due-in. Upon receipt of the item needing repair, it is sent to a repair facility. While at the repair facility, the item continues to be accounted for by the supply system as inventory held for repair and not as work in progress. Upon return of the repaired item, it becomes available for sale and is placed into the appropriate inventory for sale account. The accounting entries to accomplish this process are illustrated below.

(1) Exchange of Serviceable Item for Reparable Item. Inventory items requiring repair are generally obtained from customers as a partial exchange for a serviceable inventory item. The remaining exchange should be an account receivable equal to the selling price of the serviceable item less the estimated repair and exchange cost of the exchange item. The estimated repair and exchange costs shall be established on an aggregate basis, using an average cost to repair. Inventory held for repair shall be valued at the same value as a serviceable item. However, contra-asset accounts (i.e., account 1529.3A, "Estimated Repair Costs," and account 1529.3B, "Estimated Exchange Costs") shall be established for the estimated repair and exchange cost. An exchange of a serviceable item for reparable item is illustrated by the following accounting example:

Dr 1523.1 Exchange (DLR) Inventory in Transit	\$5,250	
Dr 1311 Accounts Receivable-Government-Current	\$2,700	
Cr 5101 Revenue from Goods Sold - DBOF		\$5,250
Cr 1529.3A Estimated Repair Costs		\$1,650
Cr 1529.3B Estimated Exchange Costs		\$1,050

Entry to record sale of inventory when a reparable item is to be exchanged for a ready for issue inventory item. In this case, the current standard price of the exchanged item is \$5,250 and the estimated repair cost for the item is \$1,650. (Note: The estimated repair cost need not be established for the particular item to be exchanged but, instead, may be an average cost to repair exchange items of the same type.)

(2) Receipt of Reparable Item.

Dr 1523 Inventory Held for Repair	\$5,250	
Cr 1523.1 Exchange (DLR) Inventory in Transit		\$5,250

Entry to record receipt of exchange (DLR) inventory. The exchange item is recorded at its standard price. (A standard allowance for repair was established at the time the exchange transaction occurred -- see above.)

(3) Reparable Items Sent to Repair Facility. Reparable items sent to a repair facility shall continue to be reported by the supply systems as "Inventory Held for Repair," and not as work in progress by the supply system while items are at a repair facility.

(4) Receipt of Repaired Item from Repair Facility. When the repair is actually made, the value of the repaired item included in Account 1523, "Inventory Held for Repair," shall be relieved from that account and reclassified to Account 1521, "Inventory Held for Sale." The amount payable to the repair facility for the repair is recorded in Account 1529.1X, "Actual Repair Cost," and as an Account Payable. Receipt of repaired items is illustrated by the following accounting example:

Dr 1521 Inventory Held for Sale	\$5,250	
Cr 1523 Inventory Held for Repair		\$5,250
Dr 1529.1X Actual Repair Costs	\$1,500	
Cr 2111 Accounts Payable-Government-Current		\$1,500
Dr 1529.3A Estimated Repair Cost	\$1,650	
Dr 1529.3B Estimated Exchange Cost	\$1,050	
Cr 1529.1M Completed Inventory Repairs		\$2,700

Entry to record receipt of repaired items from a repair facility. In this illustration, although the estimated repair cost was \$1,650, the repair facility charged only \$1,500 for the repair work.

[Note: In many instances, the amount charged by a DoD repair facility is equal to the estimated repair cost.]

0. WAR RESERVE MATERIALS

1. Definition. War reserve/mobilization item are those materials that, in addition to peacetime assets normally available on any given date, are necessary to equip and support the increase in military requirements forecasts contingent on an outbreak of war and sustain operations until resupply can be effected. War reserve materiel includes secondary items procured and/or stored in support of wartime scenarios established in Defense Planning Guidance or contingency operations identified in specific Operational Plans. Within the Defense Business Operations Fund, war reserve/ mobilization stock shall be classified as an element of stockpile materials. War reserve materials, are not held with the intent of selling in the ordinary course of business. Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. (National Defense Stockpile materials are accounted for within the National Defense Stockpile Transaction Fund, which is not part of the DBOF. Stockpile materials are discussed in Volume 4, Chapter 4, of this Regulation.)

2. Funding for War Reserve Materials. War reserve materiels shall be funded from appropriations made direct to the DBOF. Such appropriated amounts shall be reflected as a separate goal within the applicable Supply Management or Commissary Resale business area annual operating budget letter. Items such as ammunition and/or principal and major end items procured for war reserve shall not be DBOF-funded, but shall be funded through amounts available to Component/Defense Agency procurement appropriations.

3. Accounting for War Reserve Materials. Purchases of DBOF-funded war reserve items shall be accounted for at the same level of detail as items procured for peacetime requirements. The value of war reserve items shall be recorded in a separate general ledger accounts, or appropriate subaccounts, to retain separate visibility of such assets. The general ledger accounts established for those purposes are account 1573, "War Reserve/Mobilization Stock," and account 1579.2 "Allowance for Holding Gain/Loss - War Reserve/Mobilization Stock." War reserve items are not available for sale in the ordinary course of business; therefore, cost of war reserve items shall be separately maintained and reported from inventory costs to ensure that the unit cost targets for the Supply Management business are not affected.

4. Valuation of War Reserve Materials

a. Latest Acquisition Cost. War Reserve materials shall be valued on the basis of latest acquisition cost.

b. Allowance for Holding Gains and Losses. General ledger account 1579.2, "Allowance for Holding Gain/Loss - War Reserve/Mobilization Stock," shall be established to account for valuation changes.

c. Exception to Valuation of War Reserve Materials. The carrying amount of war reserve materials that have suffered (a) a permanent decline in value to an amount less than their cost or (b) damage or decay shall be reduced to the expected net realizable value of the materials. The decline in value shall be recognized as a loss in the period in which it occurs.

5. Disposition of War Reserve Materials. War Reserve materials are held in reserve to be available for transfer without reimbursement when the issue of a war reserve asset has been approved to satisfy requirements of a mobilization of U.S. Armed Forces. However, if authorized, war reserve and other stockpile materials may be sold. The accounting for each of those possibilities is as follows:

a. Transfer Without Reimbursement. An issue of war reserve without reimbursement shall be recorded as follows:

Dr 3231 Transfers-Out to Government Agencies Without
Reimbursement
Cr 1573 War Reserve/Mobilization Stock

Documentation supporting this entry includes material release orders and shipping documents.

b. War Reserve Materials Authorized For Sale. War reserve materials are not held with the intent of selling in the ordinary course of business. However, they may be sold when authorized. When war reserve materials are authorized to be sold, those materials shall be disclosed, as applicable, as inventory held for sale (Account 1521, "Inventory Held For Sale"). The materials authorized for sale shall be valued using the same basis as used for other same commodities normally held for sale. The accounting entry to reclassify war reserve material as inventory held for sale is:

Dr 1521 Inventory Held For Sale
Cr 1573 War Reserve/Mobilization Stock

5. Financial Statement Disclosure Requirements. Notes accompanying financial statements shall include:

- a. General composition of war reserve materials.
- b. Basis for valuing war reserve materials; including valuation method and any cost flow assumption.
- c. Changes from prior year accounting methods, if any.
- d. Restrictions on the use of war reserve materials.

P. RETURN OF ITEMS TO THE SUPPLY MANAGEMENT BUSINESS AREA

1. Customers Who May Return Items. A customer within the Federal Government may return an item to a Supply Management Business Area. Section 2208 of 10 U.S.C. states, "The appraised value of supplies returned to working capital funds by a department, activity, or agency may be charged to that fund. The proceeds thereof shall be credited to current applicable appropriations and are available for expenditure for the same purposes that those appropriations are so available. Credits may not be made to appropriations under this subsection as a result of capitalization of inventories . . ."

2. Customers Who May Not Return Items. A customer outside of the Federal Government may not return an item to a DoD Supply Management Business Area. If such a customer has an item to return, the DoD Supply Management Business Area

may buy the item back from the customer as described in Volume 15, "Security Assistance Policy and Procedures," of this Regulation.

3. Credit Options. Credits for returned items shall be granted by the item manager based upon receipt, inspection, and classification of the item.

a. Return of a Fully Serviceable Consumable or Repairable Item. When approved by the item manager, a credit shall be granted to a Federal Government customer in the amount of the current standard price less the current fiscal year's approved cost recovery elements for the return of a fully serviceable consumable or repairable item that is within the approved acquisition objective. Credit shall be granted by the item manager based upon receipt, inspection, and classification of the item. A return that stratifies to a war reserve requirement does not qualify for credit.

b. Return of Repairable Carcass When Part of an Exchange Transaction. When approved by the item manager, a credit shall be granted to (1) a Federal Government customer or (2) a Foreign Military Sales (FMS) customer investing in Cooperative Logistics Supply Support Arrangements (CLSSA) for the return of a less than fully serviceable, economically repairable item when the item is within the approved acquisition objective. Such credit shall be in the amount of the current standard price, less the exchange price. (The exchange price is the total of the established repair cost and the appropriate cost recovery elements.) A returned item that stratifies to a war reserve requirement does not qualify for credit.

c. Return of a Repairable Carcass When not Part of an Exchange Transaction. When approved by the item manager, a credit shall be granted for the return of a repairable carcass from a Federal Government funded customer without an exchange if the Supply Management Business Area forecasts a need for the carcass within the approved acquisition objective. The credit shall be in the amount of the value of the carcass to the Supply Management Business Area but not more than the current standard price, less the exchange price. (The exchange price is the total of the established repair cost and the appropriate cost recovery elements.)

d. Return of Defective Items. A credit shall be granted to a customer at standard price for defective items issued by a Supply Management Business Area, including specification defects, when a customer's quality deficiency report has been validated.

4. Credits Applied Toward Future Requirements. Credits granted may be applied against future customer demands in the current fiscal year for items or directly credited to the current year available funds of the customer.

5. Shipping Costs. Shipping costs include packing, crating, handling, transportation, port loading, and unloading. The Supply Management business area shall reimburse transportation and other shipping costs only for items approved by an item manager for return from customers. Shipping and transportation cost for items that have not been approved by an item manager for return from customers shall not be paid by the Supply Management business area.

Q. EXCESS ITEMS DISPOSITION

1. Items of Excess Items to Reutilization and Marketing. Excess, obsolete, or beyond repair Supply Management business area items may be transferred without reimbursement, when authorized by the responsible National Inventory Control Point Manager, to a Defense Reutilization and Marketing Office (DRMO). Any DoD-funded customer may obtain any item from a DRMO, without reimbursement to the supply Management business area even if the item was previously a Supply Management business area item. A DRMO shall issue an item without reimbursement to a Supply Management business area when the item is required to satisfy a Supply Management business area requirement.

2. Issues of Excess Items to Other DoD Activities. An issue of a Supply Management business area item excess to the needs of the National Inventory Control Point Manager may be made directly to a DoD-funded customer without reimbursement to satisfy deficiencies in mobilization reserve requirements. In accordance with paragraph I.4. of this chapter, a lateral redistribution of an item excess to the immediate needs of a retail activity from that activity, to another, when directed and controlled by a wholesale manager, shall be without reimbursement from the receiving activity. Rather, the wholesale manager shall bill the receiving activity for the standard price of the material and reimburse the issuing activity for the standard price of the material and its standard packing, crating, handling, and transportation costs.

R. CONTRACT AUTHORITY FOR SUPPLY MANAGEMENT OPERATIONS

1. General. Based upon the authority in 10 U.S.C. 2210, the OMB apportions anticipated contract authority at the beginning of a fiscal year for the amount of the approved Supply Management business area program. This anticipated contract authority becomes realized contract authority when obligations are incurred by the Supply Management business area. Unfunded contract authority is the amount that obligations incurred are in excess of customer orders accepted. Contract authority provided to Supply Management business area is subject to apportionment as required by the Antideficiency Act in accordance with the procedures prescribed in OMB Circular A-34, "Instructions on Budget Execution."

2. Budgetary Resources. Supply Management business area budgetary resources available for use during a fiscal year consist of any appropriated and reappropriated amounts made available; the net of any nonexpenditure transfers into and out of the Supply Management business area and other Federal Government accounts; balances made available from the previous fiscal year; and apportioned anticipated contract authority. Normally, obligation authority for Supply Management business area activities is derived from two primary sources. These sources are (a) contract authority and, (b) appropriated funds for war reserve/mobilization purposes. Supply Management, business area liabilities are payable from the fund balance with Treasury. The two primary sources for the fund balance with Treasury for DoD Supply Management business areas are (a) collections from customers and (b) appropriations.

a. Appropriated Balances Brought Forward. At the end of each fiscal year, unused balances of funds appropriated to the Supply Management business area shall be used to offset the need for anticipated contract authority. Such amounts are not available for use until they are reapportioned and

reflected on the supporting financing schedule as an increase to the limit imposed for obligation authority on an approved apportionment in the new fiscal year.

b. Anticipated Contract Authority. The OMB may approve and apportion anticipated contract authority in the amount of the approved Supply Management Business Area operating program.

(1) A request for apportionment of anticipated contract authority forwarded to the OMB shall be recorded as follows:

Dr 4211 Anticipated Reimbursements - Specific Apportionment
Cr 4440 Revolving Funds Available for Apportionment

Entry to record a request for apportionment of anticipated reimbursements forwarded to the OMB. The documentation supporting this entry is a DD 1105, "Apportionment and Reapportionment Schedule."

(2) The receipt of the approved apportionment request shall be recorded as follows:

Dr 4440 Revolving Funds Available for Apportionment
Cr 4514 Unallocated Apportionment - Reimbursable
Program - Current Period

Entry to record the receipt of the approved apportionment request. The documentation supporting this entry is an approved DD 1105, "Apportionment and Reapportionment Schedule."

(3) Allocations issued shall be recorded as follows:

Dr 4514 Unallocated Apportionment - Reimbursable
Program - Current Period
Cr 4543 Allocations Issued - Reimbursable Program -
Current Period

Entry to record allocations issued. The documentation supporting this entry is an approved allocation document.

(4) Allocations received shall be recorded as follows:

Dr 4550 Internal Fund Distributions Received
Cr 4563 Unallotted Allocations - Reimbursable
Program - Current Period

Entry to record allocations received. The documentation supporting this entry is an approved" allocation document.

(5) Allotments issued shall be recorded as follows:

Dr 4563 Unallotted Allocations - Reimbursable Program -
Current Period
Cr 4573 Allotments Issued - Reimbursable Program -
Current Period

Entry to record allotments issued. The documentation supporting this entry is an approved allotment document.

(6) Allotments received shall be recorded as follows:

Dr 4582 Allotted Reimbursable Program - Current Period
Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period

Entry to record allotments received. The documentation supporting this entry is an approved allotment document.

c. OMB Footnote. The OMB apportionment of anticipated reimbursements as anticipated contract authority currently includes a footnote, consistent with the following:

Pursuant to 10 U.S.C. 2210(b) obligations/commitments may be incurred in excess of the amount of the apportioned resources actually realized in the amount of contract authority approved, but not in excess of the total apportioned. The estimated unfunded balance of this contract authority pursuant to 10 U.S.C. 2210(b) of \$_____ on September 30, 19xx is increased by \$_____ provided that this amount is automatically reduced to the extent that orders are realized.

d. Realized Contract Authority. Anticipated contract authority becomes realized contract authority when obligations are incurred. Therefore:

(1) At the end of each month, the balance of apportioned, anticipated reimbursements recorded in account 4211, "Anticipated Reimbursements - Specific Apportionment" shall be adjusted by the net change in operating obligations incurred during the month as recorded in account 4820, "Undelivered Orders - Reimbursable Program," account 4920, "Accrued Expenditures - Unpaid - Reimbursable Program," and account 4940, "Accrued Expenditures - Paid - Reimbursable Program." For example:

Dr 4131 Contract Authority - Without Liquidating Appropriation
Cr 4211 Anticipated Reimbursements - Specific Apportionment

Entry to record realized contract authority. Documentation supporting this entry includes reports of obligations incurred.

(2) At the end of each fiscal year, the cumulative balance in account 4131, "Contract Authority - Without Liquidating Appropriation," shall be supported and adjusted as necessary to equal the results of the following Computation:

(a) Add the year-end balances in accounts 4800, "Undelivered Orders," 4910, "Accrued Expenditures - Unpaid - Direct Program," and 4920, "Accrued Expenditures - Unpaid - Reimbursable Program."

(b) From this sum subtract the sum of the year-end balances in accounts 4230, "Unfilled Customer Orders," 4251, "Reimbursements Earned-Uncollected-Automatic Apportionment," 4252, "Reimbursements Earned - Uncollected - Specific Apportionment," and 1010, "Fund Balance With Treasury."

(c) The cumulative from inception balance in account 4131, "Contract Authority - Without Liquidating Appropriation," should equal the results of this computation. If not equal, the 4131 account shall be adjusted to equal the result. For example, if the contract authority should be adjusted down as a result of this computation:

Dr 4211 Anticipated Reimbursements - Specific Apportionment
Cr 4131 Contract Authority - Without Liquidating
Appropriation

Documentation supporting this entry includes a journal voucher documenting the above required process.

e. Liquidation of Realized Contract Authority. The receipt of customer orders liquidate realized contract authority. Customer orders received are requisitions and other orders accepted for items to be furnished on a reimbursable basis. Budgetary resources provided from a customer order are available to fund obligations, provided that, in the case of orders from the public, an advance has been collected. Throughout the fiscal year, the cumulative amount of resources available from customer orders is adjusted to the extent that orders are canceled, or revised upward or downward because of standard price changes, quantity adjustments, etc. The amount of budgetary resources available for obligation from customer orders is the sum of orders received from Federal Government accounts that represent valid obligations of the ordering account, plus advances received on orders accepted from the public. Orders from the public include orders received from state and local governments. These budgetary resources shall replace the budgetary resources apportioned as anticipated reimbursements and should be accounted for at the departmental level based upon the net change in customer orders received during the month as recorded in account 4222, "Customer Orders Accepted - Specific Apportionment," as follows.

(1) Activity Level Processing. The receipt of a customer order at the activity level shall be recorded as an increase to customer orders accepted and an increase to unfilled customer orders. This is necessary because supply operation business areas receive obligation authority based upon anticipated reimbursements without regard to the timing of the receipt of the customer order. If the normal accounting for the receipt of a customer order

is used, duplicate obligation authority from the receipt of the order would occur at the allotment level. The required entries are:

Dr 4232 Unfilled Customer Orders - Specific Apportionment
Cr 4222 Customer Orders Accepted - Specific
Apportionment

Entry to record acceptance of a customer order at the activity level for supply operations business areas. The documentation supporting this entry includes customer requisitions and reimbursable orders accepted.

(2) Departmental Level Processing. For apportioned business areas, these budgetary resources shall replace the budgetary resources apportioned as anticipated reimbursements at the departmental level based upon the net change in customer orders received during the month as recorded in account 4222, "Customer Orders Accepted - Specific Apportionment," as follows.

Dr 4222 Customer Orders Accepted - Specific Apportionment
Cr 4131 Contract Authority - Without Liquidating
Appropriation

Entry to record replacement of obligational authority provided through contract authority with obligational authority provided through customer orders. Documentation supporting this entry includes reports of customer orders accepted.

f. Unobligated Budgetary Resources. At the end of each fiscal year, any unobligated balances of appropriated funds applicable to apportioned business operation fund business areas shall be used to offset the need for unfunded contract authority. Such funds are not available for use until they are reapportioned and reflected on the supporting financing schedule as an increase to the limit imposed for obligation authority on an approved apportionment in the new fiscal year. Any unobligated balance at the end of the fiscal year is adjusted to zero. For example:

Dr 4543 Allocations Issued - Reimbursable Program -
Current Period
Cr 4211 Anticipated Reimbursements - Specific Apportionment

Entry to eliminate anticipated contract authority at the Departmental level.

Dr 4614 Uncommitted/Unobligated Allotments - Reimbursable
Program - Current Period
Cr 4582 Allotted Reimbursable Program - Current Period

Entry to eliminate anticipated contract authority at the allotment level. Documentation supporting this entry includes a withdrawal of an allotment of funds.

S. MULTIPLE YEAR CONTRACTS

1. General. Multiyear contracts permit the purchase on one contract of more than one annual program increment of items in order to obtain a maximum economic advantage. For example, an economic order quantity in a multiyear contract may exceed a normal annual buy and yet be advantageous to the Government. Supply Management business areas are authorized to use multiple year contracts to procure items from a single contractor. Sole source items with a stable demand projection that are procured from a single contractor shall be evaluated to determine if the items should be acquired by means of a multiple year contract. As with multiyear contracts funded by procurement appropriations, the Supply Management Business Area may purchase items in an amount corresponding to the economic order quantities deemed appropriate for procurement in each year. Components, parts, and raw material for use in manufacture of items being acquired under a multiyear contract may be procured in quantities exceeding the current annual requirement when it is more economical and cost effective to do so. This is referred to as advance economic order quantity (EOQ) procurement. Advance EOQ procurements integral to multiyear contracts shall be funded in the most economical manner. They may be funded fully in single year increments on a termination liability basis, or included in a multiyear contract along with the nonrecurring contract costs. Under 10 U.S.C. 2306, the Department of Defense is authorized to enter into multiyear contracts containing cancellation clauses that may include both nonrecurring and recurring costs. This law specifies congressional reporting requirements based on cancellation ceilings. Further, annual DoD Appropriations Acts may contain specific language requiring limitations on the use of multiyear contracts. For example, total procurements under a single multiple year contract may not exceed \$500 million or a termination liability under a single contract may not exceed \$20 million without the approval of the Congress under the provisions of the current DoD Appropriations Act. In addition, a single proposed multiple year contract in excess of \$100 million or \$10 million in estimated termination liability shall be submitted to the Office of the Under Secretary of Defense (Comptroller) for approval prior to awarding the contract. Each separate option to extend a multiple year contract shall be considered as a single multiple year contract for the purposes of this approval requirement. The DoD Components shall refer to annual guidance contained in Under Secretary of Defense (Comptroller) Multiyear Procurement Appropriation Language Guidance Memoranda for specific requirements and restrictions imposed by the Congress.

2. Obligations. The Supply Management Business Area shall obligate the minimum amount required for the period of the contract.

a. If the contract provides for annual terms with options to extend the terms in subsequent years, the obligation shall be for the amount required to be procured by the Government in the first year. The obligation for each option year shall be recorded when the option is exercised.

b. If the contract provides for minimum quantities over a period of more than one year, the obligation shall be recorded for the sum of all of the minimum quantities times the agreed price. If the contract provides for minimum dollar amounts for a period of more than one year, the obligation shall be recorded for the sum of the minimum dollar amounts.

3. Cost of Items. The cost of items procured by multiple year contracts shall be the amount paid for each item. If termination costs are incurred or if minimum guaranteed amounts are not met for items procured, the additional costs paid under the terms of the contract shall be recorded as Supply Management Business Area materiel obligations.

T. BUDGETARY ACCOUNTS

1. General. Budgetary accounts are used to control and account for obligation authority received from appropriations and contract authority, both apportioned by OMB. Supply Management Business Areas are subject to apportionment as required by the Anti-Deficiency Act in accordance with the procedures prescribed in OMB Circular A-34, "Instructions on Budget Execution."

2. Allocations. The general provisions of the annual Appropriations Act provide that "Except in amounts equal to the amounts appropriated to working capital funds in this Act, no obligations may be made against a working capital fund to procure war reserve material inventory unless the Secretary of Defense has notified the Congress prior to any such obligation." Obligation authority for mobilization purposes shall be allocated and allotted separately as direct program. Obligations for mobilization purposes are defined in Volume 2, "Budget formulation and Execution," of this Regulation. Operating obligations consist of all obligations that do not meet the criteria defined for mobilization and shall be allocated and allotted separately as reimbursable program. Obligations shall be accounted for and reported separately as mobilization and operating. Subaccounts to the budgetary accounts prescribed by this Regulation shall be established by the Defense Finance and Accounting Service to satisfy these requirements.

ASSESSMENT OF INVENTORY AMOUNTS

Determinations as to the reasonableness of amounts shown in the general ledger accounts and reported in financial statements shall be based on a top-down approach. This approach is necessary because the size of DoD inventories normally precludes a 100 percent physical inventory.

a. As a first step, the balance in the inventory general ledger account shall be compared to logistic records. This comparison shall reconcile differences resulting from inventory receipts and issues that were not posted to the general ledger accounts but that were recorded in logistic records or vice versa. The purpose of this reconciliation is to support a management determination that the balances in the accounting system and the logistics system are in substantial agreement.

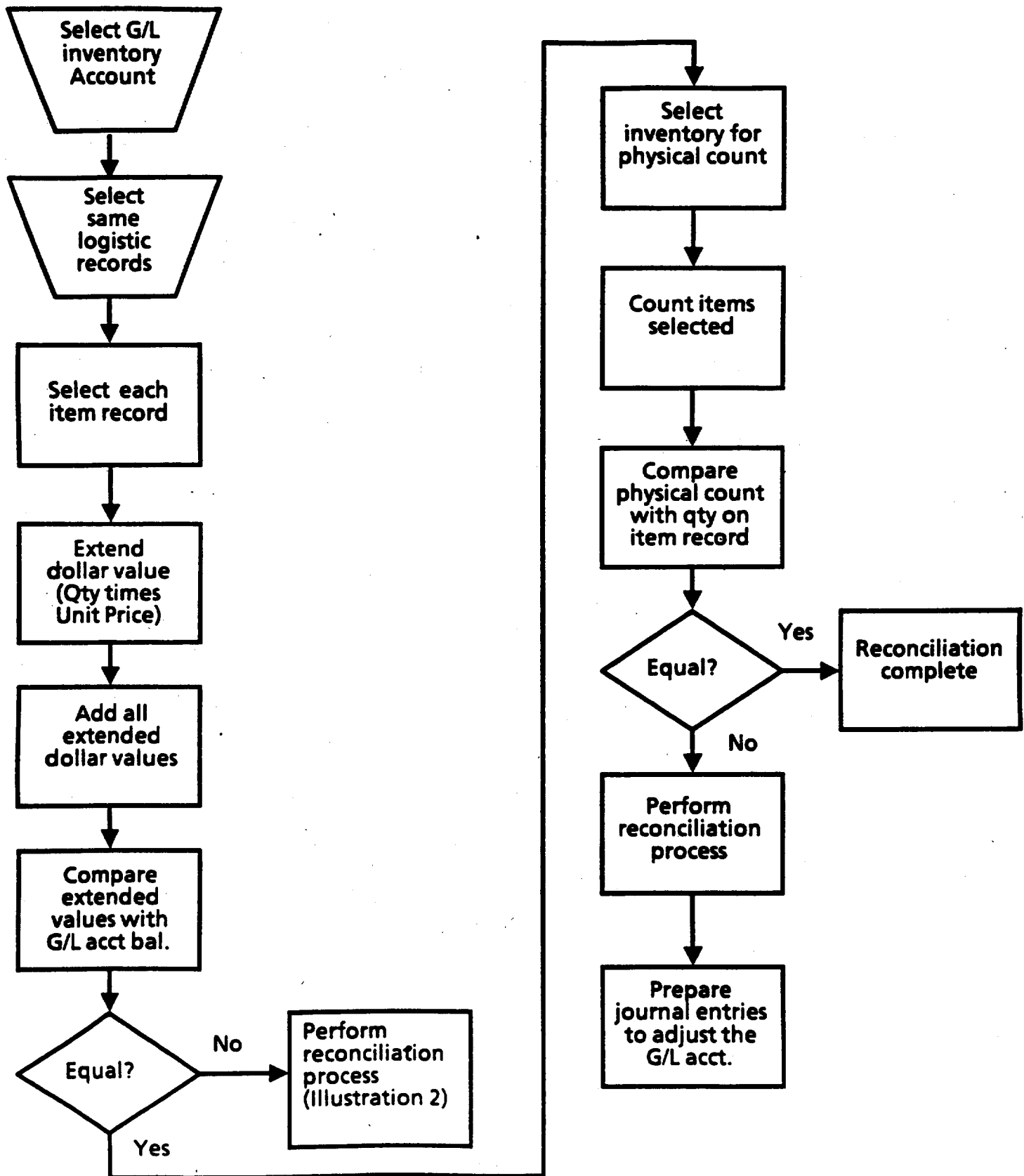
b. When the reconciliation of the logistic records to the general ledger account balances is completed, physical inventories shall be taken to ensure that the number of items reflected in logistic records are reasonably accurate. The reconciliation process is displayed in illustrations 1 through 4 of this addendum. Illustration 4 is a work sheet intended to demonstrate the overall reconciliation of the general ledger accounts with the logistic records. As such it is usable for both stages of the reconciliation process.

c. Physical counts of DoD inventories shall be taken periodically and must be designed to provide a reasonable assurance that logistic records accurately reflect on hand quantities. The sizes of these inventories preclude a 100 percent count except in unusual circumstances such as a major breakdown in internal controls. Therefore, it is frequently necessary to use statistical sampling techniques. Acceptable statistical sampling techniques are widely prescribed and any acceptable technique may be used so long as every item included in inventory has a probability of selection. When a DoD Component elects to use statistical sampling techniques the results must be such as to provide reasonable assurance that the general ledger accounts are accurate with a 90 percent level of confidence and a precision level of + or - 2.5 percent.

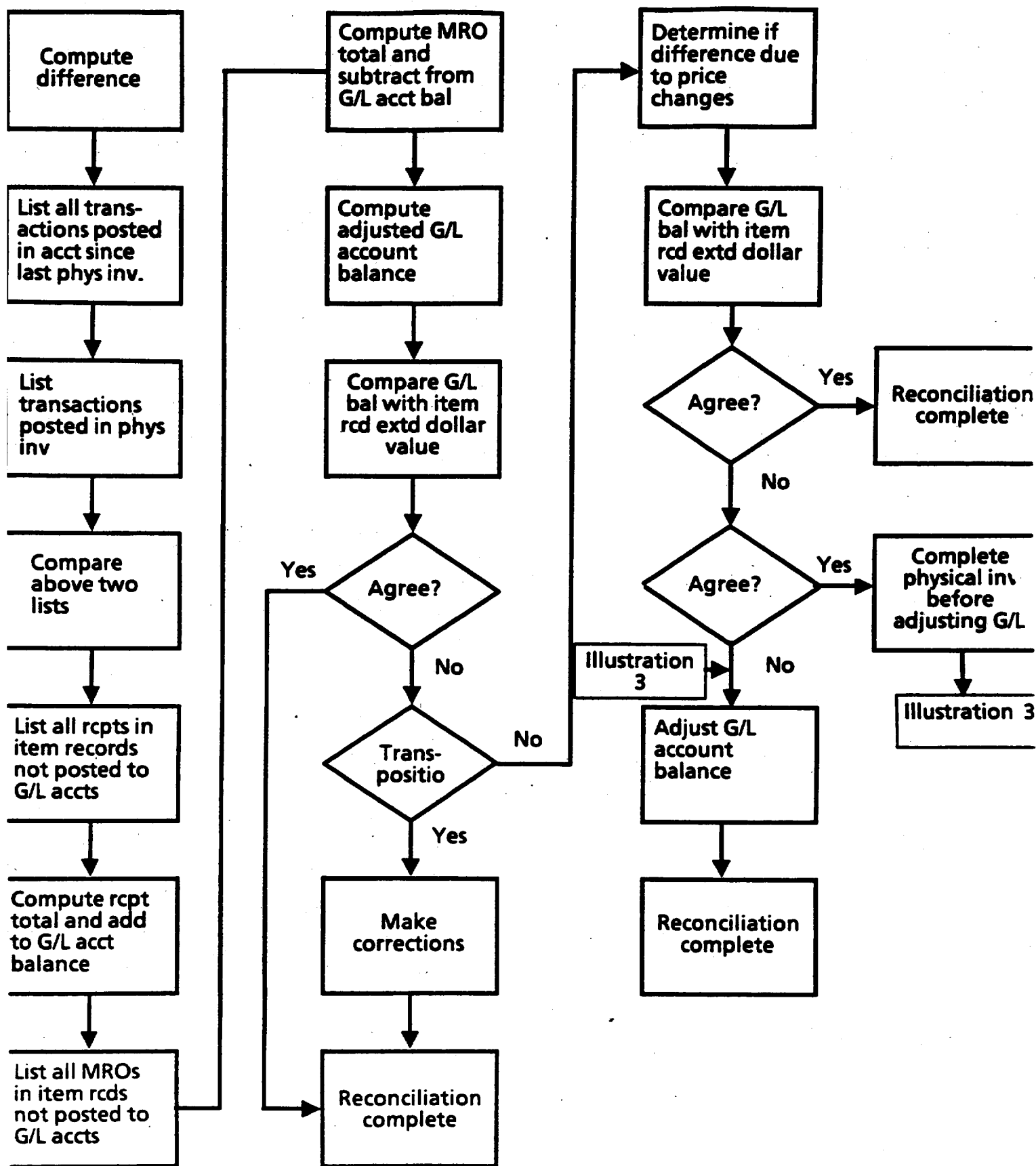
d. Care must be taken to consider infloat documentation, i.e., receipts and issues before reaching any conclusions that property records are not accurate.

e. Adjustments to logistic records and financial records shall be made only for those specific items where the physical counts or supporting documentation (e.g., receiving reports, inventory records, issue documents) disclose overages or underages. However, there should be a statistical projection of the dollar impact on the financial records. If the dollar value is material, the sample size should be increased and another estimate of the impact made. If this estimate also discloses a material impact then a complete inventory shall be taken or the financial statements qualified to disclose the fact that the reported inventory values are inaccurate. Failure to conduct required physical inventories shall be disclosed as a material weakness in Section 4 of the Federal Managers' Financial Integrity Act statement if the inventory dollar value is significant.

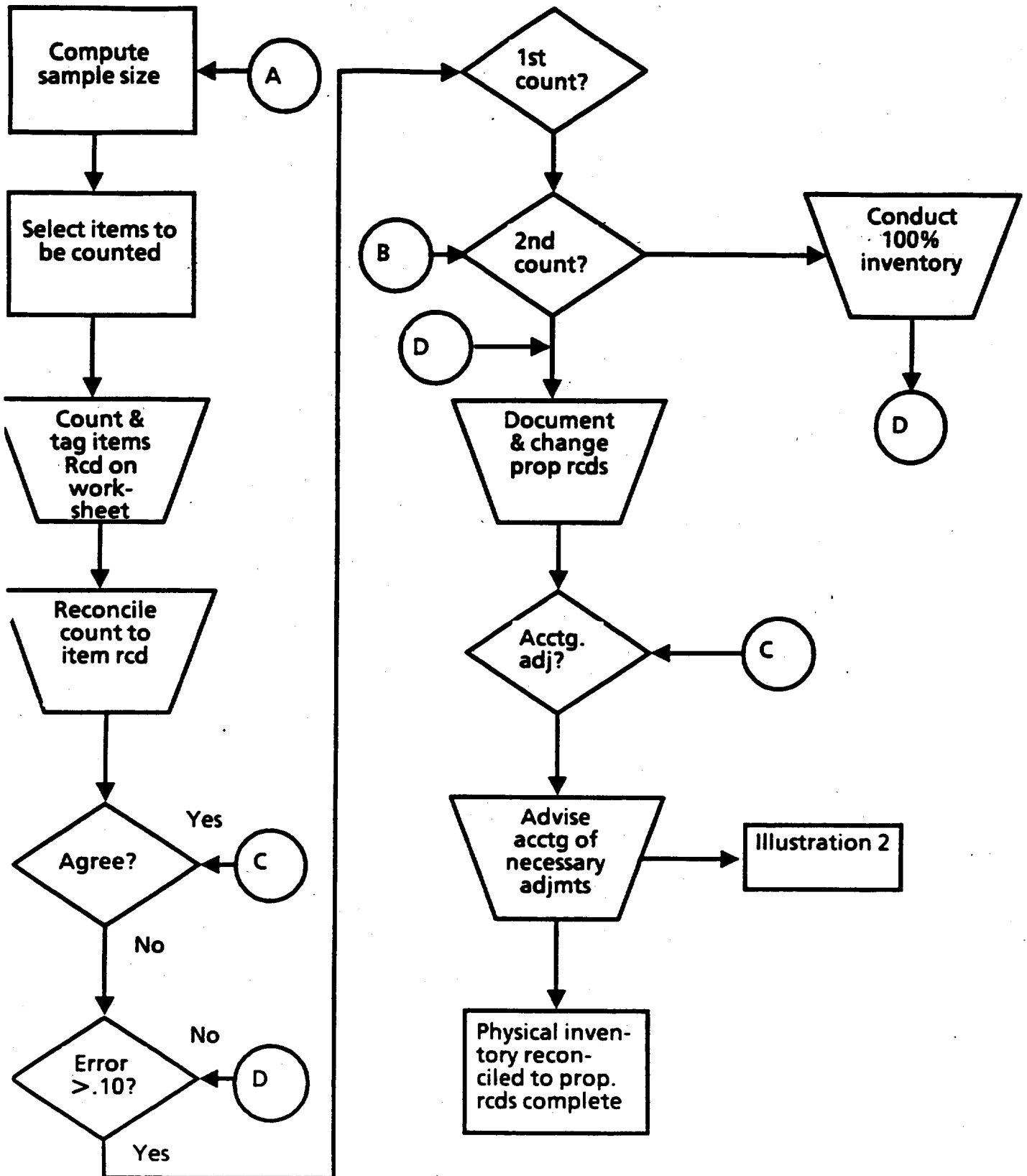
f. Adjustments to the general ledger accounts and the item logistic records shall be supported by a DD Form 200 "Report of Survey," prepared in accordance with DoD Manual 7200.10-M, "Department of Defense Accounting and Reporting for Government Property Lost, Damaged, or Destroyed." DD Form 200 is used for preparing the government property lost, gained, damaged or destroyed report on inventory.



INVENTORY RECONCILIATION PROCESS -
GENERAL LEDGER/ITEM PROPERTY ACCOUNTABILITY RECORDS



INVENTORY RECONCILIATION PROCESS -
PHYSICAL COUNT PROCEDURE



INVENTORY RECONCILIATION PROCESS -
GENERAL LEDGER/ITEM ACCOUNTABILITY RECORDS WORK SHEET

Balance in G/L acct	\$ _____	Total of item accountability records	\$ _____
ADD:		ADD:	
Inventory receipts not recorded in G/L acct	\$ _____	Increases to G/L acct not made to item accountability records (List on separate sheet)	\$ _____
Price increases not recorded in G/L acct	\$ _____		
Other increases to inventory not recorded in G/L acct (List on separate sheet)	\$ _____		
Total additions	\$ _____		
		SUBTRACT:	
SUBTRACT:		Decreases to G/L acct not made to item accountability records (list on separate sheet)	\$ _____
Inventory issues not recorded in G/L acct	\$ _____		
Price decreases not recorded in G/L acct	\$ _____		
Other decreases to inventory not recorded in G/L acct (List on separate sheet)	\$ _____		
Total subtractions	\$ _____	Adjusted item accountability records balance	\$ _____
Adjusted G/L acct balance	\$ _____		

ACCOUNTING ILLUSTRATION

ACCOUNTING FOR INVENTORIES WHEN USING STANDARD PRICE PRACTICES

A. GENERAL

1. The military departments record inventory at its standard [sales] price. As a rule, that value changes only once a year and is effective as of the first day of a fiscal year. The standard price includes cost recovery factors (commonly termed "surcharges") to recover operating costs and anticipate price inflation changes. The difference between the standard price of an inventory item and its acquisition cost is an unrealized gain which will not become realized until that item is classified as potential excess, sold or otherwise leaves the supply management stocking point. Holding gain and loss accounts have been established to accumulate the value of holding gains and losses during the fiscal year. When inventory is sold or otherwise disposed, the previously unrealized holding gain or loss is realized and recorded in account 1529.1A, "Realization of Holding Gains/Losses." The holding gain and loss accounts are:

- 1529.1A Realization of Holding Gains/Losses
- 1529.1B Purchases at Standard Price
- 1529.1C Purchases at Cost
- 1529.1D Materiel Returns at Standard Price
- 1529.1E Materiel Returns - Credit Given
- 1529.1F Materiel Returns Without Credit Given
- 1529.1G Standard Price Changes-Gain
- 1529.1H Accounting Adjustments-Gain
- 1529.1J Assembly/Disassembly-Gain
- 1529.1K Physical Inventory Adjustments-Gain
- 1529.1L Incoming Shipments-Gain
- 1529.1M Completed Inventory Repairs
- 1529.1N Receipts of Materiel Without Charge
- 1529.1P Other-Gain
- 1529.1Q Latest Acquisition Cost Adjustment
- 1529.1R Standard Price Changes-Loss
- 1529.1S Accounting Adjustments-Loss
- 1529.1T Assembly/Disassembly-Loss
- 1529.1U Physical Inventory Adjustments-Loss
- 1529.1V Incoming Shipments-Loss
- 1529.1W Shrinkage and Other Adjustments-Loss
- 1529.1X Actual Repair Costs
- 1529.1Y Issues Without Reimbursement
- 1529.1Z Other-Loss

NOTE: Every event that results in a change in the standard price value of existing inventory should be reflected in one of the holding gain or loss accounts specified above. If one of the above accounts is not descriptive of a recurring and significant inventory event that affects the value of inventory at standard price, then an additional holding gain/loss subaccount(s) should be requested to be established for that purpose. Such requests should be forwarded to the Director for Accounting Policy, Office of the Under Secretary of Defense (Comptroller/Financial Management).

2. Through use of the above allowance accounts, inventories should be reported on the Statement of Financial Condition and cost of Goods Sold at latest acquisition cost and operating results should not be adversely affected by unrealized gains and losses in inventory values and differences between monthly and annual reporting processes.

3. For financial statement presentation, inventory is shown at its latest acquisition cost. The cost of inventory items sold is shown, in accordance with Statement of Federal Financial Accounting Standards No. 3, "Accounting for Inventory and Related Property," at an approximation of its historical (actual) cost. The inventory accounts minus the unrealized gains or losses amount in the allowance account will approximate inventory at acquisition cost.

4. The following illustration provides an explanation of the accounting necessary to properly record the DBOF supply management inventory for those supply management business areas which maintain inventory values at standard (selling) price. The illustration demonstrates the affect on unrealized holding gains due to standard price adjustments, purchases, inventory returns, and other transactions. The illustration also demonstrates the computations necessary to properly adjust cost of goods sold to the actual cost of the items sold.

5. The accounting for, and reporting of, inventory requires the cooperation of, and information from, both the entity at which daily transactions occur and the entity that uses the transaction data. For reporting purposes, the transactions described herein may be recorded at the reporting level if the transaction level does not have the capability to do so at this time. As soon as systems permit, the transactions should all be recorded at the transaction level. Many, but not all, of the accounting entries contained within this addendum should be prepared at the transaction level. The transaction level should be able to recognize many of the holding gain and loss accounts as a reclassification of existing accounts. The significant difference is that those accounts are classified differently than they were previously. The reclassification was necessary so that the unrealized holding gain or loss would be recognized only when inventory is sold or otherwise leaves the supply management stocking point.

6. Roughly, the following steps shall be performed in accounting for, and reporting of, inventory at its latest acquisition cost. The following direction must be consistently followed. Any changes to the following steps should be proposed to the Director for Accounting Policy, Office of the Under Secretary of Defense (Comptroller/Financial Management). DoD Component system or other differences may require deviation from the following steps; however, prior to implementation, those deviations must be approved by the Director for Accounting Policy.

Step 1 Establish initial inventory allowance account to identify cost recovery factors, prior year inflation, repair costs, and write-down of potential excess at the amount of the last adjustment contained in the FY 1994 Chief Financial Officer Act financial report submission. (NOTE: This is a one-time step to initially establish the allowance account at the same value as reported on the prior year CFO submission. For following years, the

inventory allowance account will be continued at its then current amount.)

- Step 2 Monthly, Stratify on-hand inventory by authorized levels using most current stratification data available. (Currently, inventory stratification data is updated only quarterly. That data, when received, is the most current stratification data available and shall be used for 3 months until the next quarterly stratification report is available.) Stratification levels include:
- Approved acquisition level
 - Authorized retention
 - Potential excess
- Step 3 Stratify on-hand inventory by:
- Reparables
 - Non-Reparables (Consumables)
- Step 4 Stratify on-hand inventory by:
- Serviceable
 - Unserviceable
- Step 5 Remove cost recovery factors (i.e., surcharges) and, if applicable, prior year inflation factors from all on-hand inventories.
- Step 6 For unserviceable portion of on-hand reparable inventories, remove repair cost percentage.
- Step 7 For potential excess and unserviceable portion of non-reparable on-hand inventories, adjust to net realizable value. (Annually, the adjustment percentage changes. Currently, it is approximately 2 percent of sales price.)
- Step 8 For in-transit inventories, determine:
- Amount from contractors
 - Amount of reparable
 - Serviceable
 - Unserviceable
- Step 9 For in-transit inventories, determine if:
- Amount from contractors is at acquisition cost
 - Amount of reparable is at sales price less cost recovery and inflation factors and repair cost
- Step 10 For in-transit inventories, remove, cost recovery factor (i.e., surcharges) and prior year inflation factors
- Step 11 For unserviceable portion of in-transit reparable inventories, remove repair cost percentage if necessary
- Step 12 For non-reparable portion of in-transit unserviceable inventories, adjust to net realizable value

Step 13 prepare journal vouchers to record in the allowance account all gains and losses to inventory occurring during the month, e.g.

- Purchases at sales price and purchases at cost
- Customer returns without cost
- Sales price gains and losses
- Physical inventory and accounting gains and losses
- Incoming shipments gains and losses
- Shrinkage, damage, and other losses

Step 14 prepare journal vouchers to record decrease in allowance account based upon the percentage of allowance account to inventory times total sales for:

- Sales to customers
- Transfers to disposal

Step 15 Prepare journal vouchers at the end of the month to adjust on-hand and in-transit inventories as described above in order to establish inventory at latest acquisition cost.

B. MONTH ONE

1. ESTABLISH INITIAL INVENTORY ALLOWANCE AMOUNT. As of October 1, 1994, general ledger account 1529.1, "Allowance for Holding Gain/Loss - Inventory Held "for Sale," general ledger account 1529.2, "Allowance for Holding Gain/Loss - Inventory Held in Reserve for Future Sale," and general ledger account 1529.3, "Allowance for Repairs," should be established to identify cost recovery factors (i.e., surcharges), prior year inflation, repair costs, and write-down of potential excess at the same amount of the last adjustment contained in the FY 1994 Chief Financial Officer Act financial report submission. This is a one-time step to initially establish the allowance account at the same value as reported on the prior year CFO submission. For following years, the inventory allowance account will be continued at its then current amount. For illustration purposes, assume the initial allowance amount for "Inventory Held For Sale" is \$7,000. The following tables are included to assist in the understanding of the inventory accounting process. The entries may be made at the transaction level or summarized at the monthly reporting level but not at both levels. The table to illustrate the beginning inventory position for "Inventory Held for Sale," is:

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$34,500	\$7,000	\$27,500

2. ADJUSTMENT OF INVENTORY TO NEW STANDARD PRICE

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$34,500	\$7,000	\$27,500
B.2.	-0-	\$ 500	\$ 500	\$-0-
B.3.	10	\$ 3,500	\$ 500	\$ 3,000

4. CUSTOMER RETURNS OF MATERIAL WITHOUT CREDIT

Dr 1521 Inventory Held for Sale \$1,050
 Cr 1529.1F Materiel Returns Without Credit Given \$1,050

Entry to record a return of 3 inventory items from customers for which a credit is not granted. The Standard Price of each item is \$350 (3 x \$350 = \$1,050).

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (cost)
Beginning Inventory	100	\$34,500	\$7,000	\$27,500
B.2.	-0-	\$ 500	\$ 500	\$-0-
B.3.	10	\$ 3,500	\$ 500	\$ 3,000
B.4.	3	\$ 1,050	\$ 1,050	\$-0-

5. CUSTOMER RETURNS OF MATERIAL WITH CREDIT

Dr 1521 Inventory Held for Sale \$1,050. 1/
 Cr 1529.1D Materiel Returns at Standard \$1,050 1/

Dr 1529.1E Materiel Returns - Credit Given \$ 600 2/
 Cr 1311 Accounts Receivable-Government-Current \$ 600 2/

Entry to record a return of 3 inventory items from customers for which a credit of \$200 per item is granted.

1/ The Standard Price of each item is \$350 (3 x \$350 = \$1,050).

2/ \$200 credit per item x 3 items = \$600

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$34,500	\$7,000	\$27,500
B.2.	-0-	\$ 500	\$ 500	\$-0-
B.3.	10	\$ 3,500	\$ 500	\$ 3,000
B.4.	3	\$ 1,050	\$ 1,050	\$-0-
B.5.	3	\$ 1,050	\$ 450	\$ 600

6. SALE OF INVENTORY WITHOUT AN EXCHANGE

Dr 1311 Accounts Receivable-Government - Current \$14,000 1/
 Cr 5101 Revenue from Goods Sold - DBOF \$14,000 1/

Dr 6500 Cost of Goods Sold \$14,000 2/
 Cr 1521 Inventory Held for Sale \$14,000 2/

Entry to record sale of inventory and the associated cost of the goods sold. (Although the revenue and the cost of goods sold are, under the standard price method, initially recorded at the same value, a month-end adjusting entry adjusts the balance recorded as Cost of Goods Sold to the actual cost.)

1/ 40 items are sold for \$350 per item for a total of \$14,000.

2/ The standard price is \$350 per item for a total inventory reduction of \$14,000 (40 items x \$350 = \$14,000). [See month-end adjusting entry for adjustment of the "Cost of Goods Sold" account.]

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$34,500	\$7,000	\$27,500
B.2.	-0-	\$ 500	\$ 500	\$ -0-
B.3.	10	\$ 3,500	\$ 500	\$ 3,000
B.4.	3	\$ 1,050	\$ 1,050	\$ -0-
B.5.	3	\$ 1,050	\$ 450	\$ 600
B.6.	(40)	(\$14,000)		N\A

7. SALE OF INVENTORY WITH AN EXCHANGE

Dr 1523.1 Exchange (DLR) Inventory in Transit	\$5,250	<u>1/</u>
Dr 1311 Accounts Receivable-Government-Current	\$2,700	<u>2/</u>
Cr 5101 Revenue from Goods Sold - DBOF	\$5,250	<u>3/</u>
Cr 1529.3A Estimated Repair Costs	\$1,650	<u>4/</u>
Cr 1529.3B Allowance for Surcharge	\$1,050	<u>5/</u>
Dr 6500 Cost of Goods Sold	\$5,250	<u>6/</u>
Cr 1521 Inventory Held for Sale	\$5,250	<u>6/</u>

Entry to record sale of inventory and the associated cost of the goods sold when a reparable item is exchanged for a ready for issue item. Fifteen carcasses are exchanged for ready for issue items.

- 1/ 15 carcasses needing repair are to be sent, but have not yet been sent, in partial exchange for the items sold. The in-transit carcasses are recorded in Account 1523.1, "Exchange (DLR) Inventory in Transit," at their standard Price of \$5,250 [\$350 Standard Price x 15 carcasses = \$5,250. An estimated repair cost is established -- see note 4/ below.)
- 2/ The \$2,700 amount billed is the difference between the \$5,250 standard price of the items less the \$2550 value of the exchanged carcasses.
- 3/ 15 items sold for \$350 per item = \$5,250
- 4/ 15 carcasses x \$110 estimated cost to repair a carcass = \$1,650
- 5/ Approximate surcharge included in ready for issue inventory items. In this case, about 20%. [20% x \$5250 = \$1050]
- 6/ The standard price is \$350 per item for a Inventory Held for Sale reduction of \$5,250 (15 items x \$350 = \$5,250). [See month-end adjusting entry for adjustment of the "Cost of Goods Sold" account.]

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (cost)
Beginning Inventory	100	\$34,500	\$7,000	\$27,500
B.2.	-0-	\$ 500	\$ 500	\$ -0-
B.3.	10	\$ 3,500	\$ 500	\$ 3,000
B.4.	3	\$ 1,050	\$ 1,050	\$ -0-
B.5.	3	\$ 1,050	\$ 450	\$ 600
B.6.	(40)	(\$14,000)		N/A
B.7.	(15)	(\$ 5,250)		N/A

Exchange (DLR) Inventory in Transit				
Transaction	Quantity	Standard Price	Allowance for Repair	Amount Paid (Cost)
B.7.	15	\$ 5,250	\$ 2,700	\$ 2,550

8. RECEIPT OF EXCHANGE (DLR) INVENTORY

Dr 1523 Inventory Held for Repair \$5,250
 Cr 1523.1 Exchange (DLR) Inventory in Transit \$5,250

Entry to record receipt of exchange (DLR) inventory. The exchange item is recorded at its standard price. (A standard allowance for repair was established at the time the exchange transaction occurred -- see #7 above.)

Inventory Held for Repair				
Transaction	Quantity	Standard Price	Allowance for Repair	Amount Paid (Cost)
B.8.	15	\$ 5,250	\$ 2,700	\$ 2,550

Exchange (DLR) Inventory in Transit				
Transaction	Quantity	Standard Price	Allowance for Repair	Amount Paid (cost)
B.7.	15	\$ 5,250	\$ 2,700	\$ 2,550
B.8.	(15)	(\$ 5,250)	\$ 2,700	\$ 2,550
Total	-0-	-0-	-0-	-0-

9. REVALUATION OF EXCESS OR BEYOND REPAIR INVENTORY

Inventory is revalued to its net realizable value (approximately, 2 percent of standard price) when (1) it is stratified as potential reutilization/disposal [i.e., potential excess], (2) regardless of stratification level, carries a condition code of "H - Condemned," "P - Reclamation," or "S - Scrap," or (3) determined to be beyond repair [i.e., not able to be repaired]. The loss on revaluation writedown shall be recognized in the period in which the writedown occurs. The loss shall not include unrealized gains associated with

that inventory. The illustration below is to recognize the loss associated with items stratified as potential excess.

Dr 1524	Inventory - Excess, Obsolete, and Beyond Repair	\$ 70	<u>1/</u>
Dr 1529.1A	Realization of Holding Gains/Losses	\$ 819	<u>2/</u>
Dr 7291.2	Excess/Obsolescence/Spoilage Loss	\$2,611	<u>3/</u>
Cr 1521	Inventory Held for Sale	\$3,500	<u>1/</u>

Entry to reclassify inventory items when those items are stratified as potential excess. In this illustration, 10 items with a carrying value of \$350 per item = \$3,500 were declared potential excess. [NOTE: In this illustration, these potential excess items are to be subsequently transferred to reutilization. See "Month 2," transaction 3 on pages 85-86.]

- 1/ 10 items with a Standard Price of \$350 per item = \$3,500 were determined potentially excess. Items declared potentially excess should be valued at net realizable value (currently, approximately 2 percent of standard price).
- 2/ When items move between inventory categories, the allowance accounts in the respective inventory categories are decreased/increased respectively. In this case, items are moving from the "Inventory Held for Sale" category to the "Inventory - Excess, Obsolete, and Beyond Repair" category. The amount of the allowance is determined through use of the percentage amount determined in the month-end adjustment of cost of goods (see item 10 below). The percentage amount, in this illustration, is 76.60 percent. $76.60 \text{ percent} \times \$3,500 = \$2,681 - \$3,500 = \$819$.
- 3/ The \$3500 carrying value of the inventory less the \$70 salvage value and less the \$819 allowance equals the \$2,611 loss.

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (cost)
Beginning Inventory	100	\$34 ,500	\$7,000	\$27,500
B.2.	-0-	\$ 500	\$ 500	\$ -0-
B.3.	10	\$ 3,500	\$ 500	\$ 3,000
B.4.	3	\$ 1,050	\$ 1,050	\$ -0-
B.5.	3	\$ 1,050	\$ 450	\$ 600
B.6.	(40)	(\$14,000)		N/A
B.7.	(15)	(\$ 5,250)		N/A
B.9.	(10)	(\$ 3,500)	(\$ 819)	N/A

Inventory - Excess, Obsolete, and Beyond Repair				
Transaction	Quantity	2% of Standard Price	Allowance Amount	Amount Paid (Cost)
B.9.	10	\$ 70	N/A	N/A

10. MONTH END ADJUSTMENT OF INVENTORY VALUES TO LATEST ACQUISITION COST

a. The preceding processes are designed for those DBOF supply management business areas maintaining inventory values at standard [selling] price. For financial statement presentation, the inventory values at standard [selling] price must be adjusted to latest acquisition cost. DOD Components that value inventory at the standard (selling) price of that inventory shall revalue that inventory to its latest acquisition cost for financial reporting purposes.

b. The procedure to revalue inventory to its latest acquisition cost is to deduct the cost recovery (surcharge) amount and, if applicable, the prior year inflation amount from both the inventory at standard price value and the allowance for holding gain and loss account. For example, assume that the surcharge factor is 15 percent. Then, inventory at standard price would be reduced in valuation by 15 percent with an equal reduction (by dollar amount, not percentage amount) made to the allowance for holding gain loss account. If the potential excess and beyond repair (i.e., not repairable) inventory has been previously recorded in the financial inventory category, "Inventory - Excess, Obsolete, and Beyond Repair," should be recorded at its net realizable value and does not have an allowance account associated with it. If the entry to adjust the value of potential excess inventory has not been previously made, as indicated in transaction B.9. above, then the entry should be made at this time. The end-of-month entries to adjust inventory recorded at, standard [selling] price to its latest acquisition cost are:

INVENTORY HELD FOR SALE

The purpose of the following entry is to remove, for financial reporting purposes, surcharges [and, if applicable, prior year inflation] from both the inventory at its standard price and unrealized holding gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr 1529.1Q Latest Acquisition Cost Adjustment	\$2,675	
Cr 1521 Inventory Held for Sale		\$2,675

INVENTORY HELD FOR REPAIR

The purpose of the following entry is to remove, for financial reporting purposes, surcharges [and, if applicable, prior year inflation] from both the inventory at its standard price and unrealized holding gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr 1529.3B Estimated Exchange Costs	\$1,050	
Cr 1523 Inventory Held for Repair		\$1,050

NOTE: The following inventory accounts are not used in this illustration. However, the month-end adjusting entry for them, when they are applicable are as follows:

INVENTORY IN TRANSIT FROM PROCUREMENT

Generally, inventory in transit from commercial sources is at acquisition cost and no month-end adjustment is necessary. However, if inventory in transit from commercial sources is valued at standard price, then the following is necessary to remove, for financial reporting purposes, surcharges [and, if applicable, prior year inflation] from both the inventory at its standard price and unrealized holding gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr 1529.1Q Latest Acquisition Cost Adjustment	
Cr 1521.1 Inventory in Transit from Procurement	

INVENTORY IN TRANSIT FROM DoD ENTITIES

The purpose of the following entry is to remove, for financial reporting purposes, surcharges [and, if applicable, prior year inflation] from both the inventory at its standard price and unrealized holding gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr 1529.1Q Latest Acquisition Cost Adjustment	
Cr 1521.2 Inventory in Transit from DoD Entities	

INVENTORY HELD FOR FUTURE SALE

The purpose of the following entry is to remove, for financial reporting purposes, surcharges [and, if applicable, prior year inflation] from both the inventory at its standard price and unrealized holding gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr 1529.2 Allowance for Holding Gain/Loss -
 Inventory Held for Future Sale
 Cr 1522 Inventory Held for Future Sale

c. The result of applying the adjustment shall result in an equal, but opposite, adjustment for financial statement presentation purposes to the ending inventory value and that inventory's unrealized holding gain as shown below:

<u>Inventory Category</u>	<u>Standard Price</u>	<u>Adjustment Amount</u>	<u>Latest Acquisition Cost</u>
Inventory Held For Sale	\$17,850	\$2,675	\$15,175
Inventory Held for Repair	<u>\$ 5,250</u>	<u>\$1,050</u>	<u>\$ 4,200</u>
TOTAL	\$23,100	\$3,725	\$19,375

<u>Allowance Category</u>	<u>Pre-Adjustment Value</u>	<u>Adjustment Amount</u>	<u>Post-Adjustment Value</u>
Latest Acquisition Cost Adjustment	\$4,177	\$2,675	\$1,502
Allowance for Repair	<u>\$2,700</u>	<u>\$1,050</u>	<u>\$1,650</u>
TOTAL	\$6,877	\$3,725	\$3,152

d. The end of month adjustments shown above shall be reversed immediately after financial statement preparation. The reversing entries are:

INVENTORY HELD FOR SALE

Dr 1521 Inventory Held for Sale \$2,675
 Cr 1529.1Q Latest Acquisition Cost Adjustment \$2,675

INVENTORY HELD FOR REPAIR

Dr 1523 Inventory Held for Repair \$1,050
 Cr 1529.3B Estimated Exchange Costs \$1,050

NOTE: The following inventory accounts are not used in this illustration. However, the month-end adjusting entry for them, when they are applicable, are as follows:

INVENTORY IN TRANSIT FROM PROCUREMENT

Dr 1521.1 Inventory in Transit from Procurement
 Cr 1529.1Q Latest Acquisition Cost Adjustment

INVENTORY IN TRANSIT FROM DoD ENTITIES

Dr 1521.2 Inventory in Transit from DoD Entities
 Cr 1529.1Q Latest Acquisition Cost Adjustment

INVENTORY HELD FOR FUTURE SALE

Dr 1522 Inventory Held for Future Sale
 Cr 1529.2 Allowance for Holding Gain/Loss -
 Inventory Held for Future Sale

11. MONTH-END ADJUSTMENT OF COST OF GOODS SOLD

Dr 1529.1A Realization of Holding Gains/Losses \$4,504 1/
 Cr 6500 Cost of Goods Sold \$4,504 1/

In the preceding entries (transactions B.6. and B.7.), account 6500, "Cost of Goods Sold," was debited for the standard price of inventory sold. The purpose of this entry is to adjust account 6500 to the cost (vice standard price) of inventory sold. The standard price (i.e., sales price) will generally be more than the cost due to the inclusion of cost recovery elements in the selling price.

1/

INVENTORY HELD FOR SALE

	Cost	Unrealized <u>Gain</u>	Standard <u>Price</u>
Beginning Inventory	\$27,500	\$7,000	\$34,500
Price Change		\$ 500	\$ 500
Purchases	<u>\$ 3,600</u>	<u>\$2,000</u>	<u>\$ 5,600</u>
TOTAL	<u>\$31,100</u>	<u>\$9,500</u>	<u>\$40,600</u>
Excess Inventory	(\$ 2,681)	(\$ 819)*	(\$ 3,500)
Cost of Goods Sold	<u>(\$14,746)</u>	<u>(\$4,504)*</u>	<u>(\$19,250)</u>
Ending Inventory (at Standard)	\$13,673	\$4,177	\$17,850
LAC Adjustment (see B.10.)		<u>(\$2,675)</u>	<u>(\$ 2,675)</u>
Ending Inventory (at LAC)		<u>\$1,502</u>	<u>\$15,175</u>

* Cost of Goods Sold Computation

\$9,500 Unrealized Gain + \$40,600 Standard Price = .234
 .234 x \$3,500 Excess Inventory at Standard Price = \$819 gain reduction
 .234 x \$19,250 Goods Sold at Standard Price = \$4,504 realized gain
 \$19,250 Goods Sold at Standard Price - \$4,504 realized gain = \$14,746

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$34,500	\$7,000	\$27,500
B.2.	-0-	\$ 500	\$ 500	\$ -0-
B.3.	10	\$ 3,500	\$ 500	\$ 3,000
B.4.	3	\$ 1,050	\$1,050	\$ -0-
B.5.	3	\$ 1,050	\$ 450	\$ 600
B.6.	(40)	(\$14,000)		N/A
B.7.	(15)	(\$ 5,250)		N/A
B.9.	(10)	(\$ 3,500)	(\$ 819)	N/A
B.11.	-0-		(\$4,504)	(\$14,746)
Total	51	\$17,850	\$4,177	\$13,673

FINANCIAL STATEMENT PRESENTATION
(Prior to LAC Adjustment)
MONTH ONE

<u>Cost of Material Sold from Inventory</u>	<u>Inventory Held For Sale</u>	<u>Inventory Held For Future Sale</u>	<u>Excess Inventory</u>	<u>Inventory Held for Repair</u>	<u>Total</u>
(1) Beginning Inventory	\$34,500			\$ -0-	\$34,500
(a) Less: Beginning Allowance	\$ 7,000				\$ 7,000
(b) Plus: Purchases at Cost	\$ 3,000				\$ 3,000
(c) Plus: Customer Returns - Credit Given	\$ 600				\$ 600
(d) Plus: DLR Exchange Credits				\$2,550	\$ 2,550
(e) Less: Inventory Losses Realized	\$2,611				\$2,611
Internal Movements between Inventory Classifications	(\$ 70)		\$ 70		\$ -0-
(2) Less: Ending Inventory	\$17,850		\$ 70	\$5,250	\$23,170
(a) Plus: Ending Allowance	\$ 4,177			\$2,700	\$ 6,877
Cost of Goods Sold	\$14,746		\$ -0-	\$ -0-	\$14,746

FINANCIAL STATEMENT PRESENTATION
(After LAC Adjustment)
MONTH ONE

<u>Cost of Material Sold from Inventory</u>	<u>Inventory Held For Sale</u>	<u>Inventory Held For Future Sale</u>	<u>Excess Inventory</u>	<u>Inventory Held for Repair</u>	<u>Total</u>
(1) Beginning Inventory	\$29,500			\$ -0-	\$29,500
(a) Less: Beginning Allowance	\$ 2,000				\$ 2,000
(b) Plus: Purchases at Cost	\$ 3,000				\$ 3,000
(c) Plus: Customer Returns - Credit Given	\$ 600				\$ 600
(d) Plus: DLR Exchange Credits				\$2,550	\$ 2,550
(e) Less: Inventory Losses Realized	\$2,611				\$2,611
Internal Movements between Inventory Classifications	(\$ 70)		\$ 70		\$ -0-
(2) Less: Ending Inventory	\$15,175		\$ 70	\$4,200	\$19,445
(a) Plus: Ending Allowance	<u>\$ 1,502</u>			<u>\$1,650</u>	<u>\$ 3,152</u>
Cost of Goods Sold	\$14,746		\$ -0-	\$ -0-	\$14,746

C. MONTH TWO

1. PURCHASE OF INVENTORY ITEMS

Dr 1521 Inventory Held for Sale	\$8,750	<u>1/</u>
Cr 1529.10 Purchases at Standard Price	\$8,750	<u>1/</u>
Dr 1529.1C Purchases at Cost	\$7,750	<u>2/</u>
Cr 2110 Applicable Accounts Payable Series	\$7,750	<u>2/</u>

1/ The standard price of each item is \$350 (25x \$350 = \$8,750)

2/ The purchase cost of each item is \$310 (25x \$310 = \$7,750)

The unrealized gain per item is \$8,750 - \$7,750 = \$1,000

Entry to record \$310 per item purchase of 25 inventory items with a standard price of \$350 per item.

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	51	\$17,850	\$4,177	\$13,673
C.1.	25	\$ 8,750	\$1,000	\$ 7,750

2. REPAIR OF EXCHANGED INVENTORY

Dr 1521 Inventory Held for Sale	\$4,550	<u>1/</u>
Dr 1524 Inventory - Excess, Obsolete, and Beyond Repair	\$ 14	<u>2/</u>
Dr 7291.2 Excess/Obsolescence/Spoilage Loss	\$ 686	<u>3/</u>
Cr 1523 Inventory Held for Repair	\$5,250	<u>4/</u>
Dr 1529.1X Actual Repair Costs	\$1,500	<u>5/</u>
Cr 2111 Accounts Payable-Government-Current	\$1,500	<u>5/</u>
Dr 1529.3A Estimated Repair Costs	\$1,650	<u>6/</u>
Dr 1529.3B Estimated Exchange Costs	\$1,050	<u>6/</u>
Cr 1529.1M Completed Inventory Repairs	\$2,700	<u>6/</u>

1/ \$4,550 = the \$350 Standard Price x 13 repaired items. [Note that this amount does not equal the \$5,250 amount recorded in account 1523, "Inventory Held for Repair." In this illustration, the reason for this is because although 15 items were sent for repair, the repair facility determined that 2 of the 15 exchanged items could not be repaired. [\$350 Standard Price per item x 2 items = \$700. \$5,250 - \$700 = \$4,550].

2/ Two of the carcasses could not be repaired. The standard price of the items was \$350 x 2 items = \$700. The net realizable value is approximately 2 percent. \$700 x 2% = \$14.

- 3/ The loss is equal to the \$700 standard price of the two items less the \$14 net realizable value = \$686.
- 4/ Upon, receipt of repaired items, GLA 1523, "Inventory Held for Repair," is always reduced (credited) in the amount that was established for the repaired items.
- 5/ 13 of the exchanged carcasses could be repaired. \$1,500 was the amount charged by the repair facility for 13 repaired carcasses.
- 6/ Upon receipt of repaired items, GLA 1529.3A and GLA 1529.3B are always reduced (debited) in the amount that was established for the repaired items.

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	51	\$17,850	\$4,177	\$13,673
C.1.	25	\$ 8,750	\$1,000	\$ 7,750
C.2.	13	\$ 4,550	\$1,200	\$ 3,350

Inventory Held For Repair				
Transaction	Quantity	Standard Price	Allowance for Repair	Amount Paid (Cost)
B.8.	15	\$ 5,250	\$ 2,700	\$ 2,550
C.2.	(15)	(\$ 5,250)	(\$ 2,700)	(\$ 2,550)
Total	-0-	-0-	-0-	N/A

Inventory - Excess, Obsolete, and Beyond Repair				
Transaction	Quantity	2% of Standard Price	Allowance Amount	Amount Paid (Cost)
B.9.	10	\$ 70	N/A	N/A
C.2.	2	\$ 14	N/A	N/A

3. TRANSFER OR EXCESS, OBSOLETE, OR BEYOND REPAIR INVENTORY

a. Excess, Obsolete, and Beyond Repair Inventory Transferred by Stock Point to Defense Reutilization and Marketing Service (DRMS)

Dr 7291.2 Excess/Obsolescence/Spoilage Loss \$ 84
 Cr 1524 Inventory - Excess, Obsolete,
 and Beyond Repair \$ 84

Entry recorded by stock point to transfer excess, obsolete, or beyond repair items to the DRMS.

Inventory - Excess, Obsolete, and Beyond Repair				
Transaction	Quantity	Salvage Value	Allowance Amount	Amount Paid (Cost)
B.9.	10	\$ 70	N/A	N/A
C.2.	2	\$ 14	N/A	N/A
C.3.a.	(12)	(\$ 84)	N/A	N/A
Total	-0-	-0-	N/A	N/A

b. Excess, Obsolete, and Beyond Repair Inventory Received by Defense Reutilization and Marketing Service (DRMS)

Dr 1765 Property Awaiting Disposal \$ 84
 Cr 7193 Other Miscellaneous Gains \$ 84

Entry recorded by DRMS for the transferred value of items declared excess, obsolete, or beyond repair.

4. PHYSICAL INVENTORY ADJUSTMENTS

Dr 1521 Inventory Held for Sale \$2,100 1/
 Cr 1529.1K Physical, Inventory Adjustments-Gain \$2,100 1/

Differences between physical inventory counts and inventory records affect the balance of unrealized holding gains or losses. The adjustment to unrealized gains or losses shall be recorded at the current carrying value of the items (an increase to inventory for gains and a decrease to inventory for losses).

1/ Physical inventory shows that 6 more items exist than records show. (6 items x \$350 Standard Price = \$2,100 gain)

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	51	\$17,850	\$4,177	\$13,673
C.1.	25	\$ 8,750	\$1,000	\$ 7,750
C.2.	13	\$ 4,550	\$1,200	\$ 3,350
C.4.	6	\$ 2,100	\$ 2,100	N/A

5. SALE OF INVENTORY WITHOUT AN EXCHANGE

Dr 1311 Accounts Receivable-Government - Current \$22,750 1/
 Cr 5101 Revenue from Goods Sold - DBOF \$22,750 1/

Dr 6500 Cost of Goods Sold \$22,750 2/
 Cr 1521 Inventory Held for Sale \$22,750 2/

Entry to record sale of inventory and the associated cost of the goods sold. The sales price will generally be more than the latest acquisition cost due to the inclusion of cost recovery elements in the selling price.

1/ 65 items are sold for \$350 per item for a total of \$22,750.

2/ The standard price is \$350 per item for a total inventory reduction of \$22,750 (65 items x \$350 = \$22,750). [See month-end adjusting entry for adjustment of the "Cost of Goods Sold" account.]

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	51	\$17,850	\$4,177	\$13,673
C.1.	25	\$ 8,750	\$1,000	\$ 7,750
C.2.	13	\$4,550	\$1,200	\$ 3,350
C.4.	6	\$ 2,100	\$2,100	N/A
C.5.	(65)	(\$22,750)		

6. MONTH END ADJUSTMENT OF INVENTORY VALUES TO LATEST ACQUISITION COST

a. The procedure to revalue inventory to its latest acquisition cost is to deduct the cost recovery (surcharge) amount and, if applicable, the prior year inflation amount from both the inventory at standard price value and the allowance for holding gain and loss account. For example, assume that the surcharge factor is 15 percent. Then, inventory at standard price would be reduced in valuation by 15 percent with an equal reduction (by dollar amount, not percentage amount) made to the allowance for holding gain loss account. If the potential excess and beyond repair (i.e., not repairable) inventory has been previously recorded in the financial inventory category, "Inventory - Excess, Obsolete, and Beyond Repair," should be recorded at its net realizable value and does not have an allowance account associated with it. If an entry to adjust the value of potential excess inventory has not been previously made, then the entry should be made at this time. The end-of-month entries to adjust inventory recorded at standard [selling] price to its latest acquisition cost are:

INVENTORY HELD FOR SALE

The purpose of the following entry is to remove, for financial reporting purposes, surcharges [and, if applicable, prior year inflation] from both the inventory at its standard price and unrealized holding, gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr	1529.1Q Latest Acquisition Cost Adjustment	\$1,575	
	Cr 1521 Inventory Held for Sale		\$1,575

NOTE: The following inventory accounts are not used in this illustration. However, the month-end adjusting entry for them, when they are applicable, are as follows:

INVENTORY HELD FOR REPAIR

The purpose of the following entry is to remove, for financial reporting purposes, surcharges [and, if applicable, prior year inflation] from both the inventory at its standard price and unrealized holding gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr	1529.3B Estimated Exchange Costs	
	Cr 1523 Inventory Held for Repair	

INVENTORY IN TRANSIT FROM PROCUREMENT

Generally, inventory in transit from commercial sources is at acquisition cost and no month-end adjustment is necessary. However, if inventory in transit from commercial sources is valued at standard price, then the following is necessary to remove, for financial reporting purposes, surcharges [and, if applicable, prior

year inflation] from both the inventory at its standard price and unrealized holding gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr 1529.1Q Latest Acquisition Cost Adjustment
 Cr 1521.1 Inventory in Transit from Procurement

INVENTORY IN TRANSIT FROM DoD ENTITIES

The purpose of the following entry is to remove, for financial reporting purposes, surcharges [and, if applicable, prior year inflation] from both the inventory at its standard price and unrealized holding gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr 1529.1Q Latest Acquisition Cost Adjustment
 Cr 1521.2 Inventory in Transit from DoD Entities

INVENTORY HELD FOR FUTURE SALE

The purpose of the following entry is to remove, for financial reporting purposes, surcharges [and, if applicable, prior year inflation] from both the inventory at its standard price and unrealized holding gains. After this adjustment, the inventory will be at Latest Acquisition Cost. Immediately after financial report preparation, the entry shall be reversed.

Dr 1529.2 Allowance for Holding Gain/Loss -
 Inventory Held for Future Sale
 Cr 1522 Inventory Held for Future Sale

b. The result of applying the adjustment factor shall result in an equal, but opposite, adjustment for financial statement presentation purposes to the ending inventory value and that inventory's unrealized holding gain as shown below:

<u>Inventory Category</u>	<u>Standard Price</u>	<u>Adjustment Amount</u>	<u>Latest Acquisition Cost</u>
Inventory Held For Sale	\$10,500	\$1,575	\$8,925
<u>Allowance Category</u>	<u>Pre-Adjustment Value</u>	<u>Adjustment Amount</u>	<u>Post-Adjustment Value</u>
Latest Acquisition Cost Adjustment	\$2,677	\$1,575	\$1,102

c. The end of month adjustments shown above shall be reversed immediately after financial statement preparation. The reversing entries are:

INVENTORY HELD FOR SALE

Dr	1521 Inventory Held for Sale	\$1,575	
	Cr 1529.1Q Latest Acquisition Cost Adjustment		\$1,575

NOTE: The following inventory accounts are not used in this illustration. However, the month-end adjusting entry for them, when they are applicable, are as follows:

INVENTORY HELD FOR REPAIR

Dr	1523 Inventory Held for Repair	
	Cr 1529.3 Allowance for Repairs	

INVENTORY IN TRANSIT FROM PROCUREMENT

Dr	1521.1 Inventory in Transit from Procurement	
	Cr 1529.1Q Latest Acquisition Cost Adjustment	

INVENTORY IN TRANSIT FROM DoD ENTITIES

Dr	1521.2 Inventory in Transit from DoD Entities	
	Cr 1529.1Q Latest Acquisition Cost Adjustment	

INVENTORY HELD FOR FUTURE SALE

Dr	1522 Inventory Held for Future Sale	
	Cr 1529.2 Allowance for Holding Gain/Loss - Inventory Held for Future Sale	

7. MONTH-END ADJUSTMENT OF COST OF GOODS SOLD

Dr	1529.1A Realization of Holding Gains/Losses	\$5,800 <u>1/</u>	
	Cr 6500 Cost of Goods Sold		\$5,800 <u>1/</u>

In the preceding entry (transaction C.5.), account 6500, "Cost of Goods Sold," was debited for the standard price of inventory sold. The purpose of this entry is to adjust account 6500 to the cost (vice standard price) of inventory sold. The standard price (i.e., sales price) will generally be more than the cost due to the inclusion of cost recovery elements in the selling price.

1/ (See Following Page)

1/

INVENTORY HELD FOR SALE

	Cost	Unrealized Gain	Standard Price
Beginning Inventory	\$13,673	\$4,177	\$17,850
Repaired DLR Transfer	\$ 3,350	\$1,200	\$ 4,550
Gains on Inventory		\$2,100	\$ 2,100
Purchases	<u>\$ 7,750</u>	<u>\$1,000</u>	<u>\$8,750</u>
TOTAL	<u>\$24,773</u>	<u>\$8,477</u>	<u>\$33,250</u>

Cost of Goods Sold	<u>(\$16,950)*</u>	<u>(\$5,800)*</u>	<u>(22,750)</u>
Ending Inventory (at Standard)	\$ 7,823	\$2,677	\$10,500
LAC Adjustment (see C.6.)		<u>(\$1,575)</u>	<u>(\$ 1,575)</u>
Ending Inventory (at LAC)		<u>\$1,102</u>	<u>\$8,925</u>

* Cost of Goods Sold Commutation

\$8,477 Unrealized Gain + \$33,250 Standard Price = .2549
.2549 x \$22,750 Goods Sold at Standard Price = \$5,800 realized gain
\$22,750 Goods Sold at Standard Price - \$5,800 realized gain = \$16,950

Inventory Held For Sale				
Transaction	Quantity	Standard Price	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	51	\$17,850	\$4,177	\$13,673
C.1.	25	\$ 8,750	\$1,000	\$ 7,750
C.2.	13	\$ 4,550	\$1,200	\$ 3,350
C.4.	6	\$ 2,100	\$2,100	
C.5.	(65)	(\$22,750)		
C.7.		(\$22,750)	(\$5,800)	(\$16,950)
Total		\$10,500	\$2,677	\$7,823

FINANCIAL STATEMENT PRESENTATION
(Prior to LAC Adjustment)
MONTH TWO

<u>Cost of Material Sold from Inventory</u>	Inventory Held For Sale	Inventory Held For Future Sale	Excess Inventory	Inventory Held for Repair	Total
(1) Beginning Inventory	\$17,850		\$ 70	\$5,250	\$23,170
(a) Less: Beginning Allowance	\$ 4,177			\$2,700	\$ 6,877
(b) Plus: Purchases at Cost	\$ 7,750			\$1,500	\$ 9,250
(c) Plus: Customer Returns - Credit Given					
(d) Plus: DLR Exchange Credits					
(e) Less: Inventory Losses Realized			\$ 70	\$ 700	\$ 770
Internal Movements of Inventory	\$ 3,350			(\$3,350)	\$ -0-
(2) Less: Ending Inventory	\$10,500			\$ -0-	\$10,500
(a) Plus: Ending Allowance	\$ 2,677				\$ 2,677
Cost of Goods Sold	\$16,950		\$ -0-	\$ -0-	\$16,950

FINANCIAL STATEMENT PRESENTATION
(After LAC Adjustment)
MONTH TWO

<u>Cost of Material Sold from Inventory</u>	<u>Inventory Held For Sale</u>	<u>Inventory Held For Future Sale</u>	<u>Excess Inventory</u>	<u>Inventory Held for Repair</u>	<u>Total</u>
(1) Beginning Inventory	\$15,175		\$ 70	\$4,200	\$19,445
(a) Less: Beginning Allowance	\$ 1,502			\$1,650	\$ 3,152
(b) Plus: Purchases at Cost	\$ 7,750			\$1,500	\$ 9,250
(c) Plus: Customer Returns - Credit Given					
(d) Plus: DLR Exchange Credits					
(e) Less: Inventory Losses Realized			\$ 70	\$ 700	\$ 770
Internal Movements of Inventory	\$ 3,350			(\$3,350)	\$ -0-
(2) Less: Ending Inventory	\$ 8,925			\$ -0-	\$ 8,925
(a) Plus: Ending Allowance	\$ 1,102			\$ -0-	\$ 1,102
Cost of Goods Sold	\$16,950		\$-0-	\$ -0-	\$16,950

ACCOUNTING ILLUSTRATION

ACCOUNTING FOR INVENTORIES WHEN LATEST ACQUISITION COST PRACTICES

A. GENERAL

1. The Defense Logistics Agency records inventory at its latest acquisition cost. That value may change with each acquisition made during a fiscal year. The difference between the actual cost of items held in inventory and the value of those same items if they were acquired at the latest acquisition cost is an unrealized gain which will not become realized until that item is sold or otherwise leaves the supply management stocking point. Holding gain and loss accounts have been established to accumulate the value of holding gains and losses during the fiscal year. When inventory is classified as potential excess, sold or otherwise leaves the stocking point, the previously unrealized holding gain or loss is realized and recorded in account 1529.1A, "Realization of Holding Gains/Losses." The holding gains and accounts are:

1529.1A	Realization of Holding Gains/Losses
1529.1B	Purchases at Standard Price
1529.1C	Purchases at Cost
1529.1D	Materiel Returns at Standard Price
1529.1E	Materiel Returns - Credit Given
1529.1F	Materiel Returns Without Credit Given
1529.1G	Standard Price Changes-Gain
1529.1H	Accounting Adjustments-Gain
1529.1J	Assembly/Disassembly-Gain
1529.1K	Physical Inventory Adjustments-Gain
1529.1L	Incoming Shipments-Gain
1529.1M	Completed Inventory Repairs
1529.1N	Receipts of Materiel Without Charge
1529.1P	Other-Gain
1529.1Q	Latest Acquisition Cost Adjustment
1529.1R	Standard Price Changes-Loss
1529.1S	Accounting Adjustments-Loss
1529.1T	Assembly/Disassembly-Loss
1529.1U	Physical Inventory Adjustments-Loss
1529.1V	Incoming Shipments-Loss
1529.1W	Shrinkage and Other Adjustments-Loss
1529.1X	Actual Repair Costs
1529.1Y	Issues Without Reimbursement
1529.1Z	Other-Loss

NOTE: Every event that results in a change in the quantity of inventory, the value of existing inventory, or both should be reflected in one of the holding gain or loss accounts specified above. If one of the above accounts is not descriptive of a recurring and significant inventory event, then an additional holding gain/loss account(s) may be established for that purpose.

2. For financial statement presentation, inventory is shown at its latest acquisition cost. The cost of inventory items sold is shown, in accordance with Statement of Federal Financial Accounting Standards No. 3,

"Accounting for Inventory and Related Property," at an approximation of its historical (actual) cost.

3. The following simplified illustration provides an explanation, in accounting terms, of the accounting necessary to properly record the DBOF supply management inventory for those supply management business areas which maintain inventory values at the latest invoice price. The illustration demonstrates the affect on unrealized holding gains due to purchases, latest acquisition cost adjustments, inventory returns, and other transactions. The illustration also demonstrates computation necessary to properly adjust cost of goods sold to the actual cost of the items sold.

B. MONTH ONE

1. ESTABLISH INITIAL INVENTORY ALLOWANCE AMOUNT. As of October 1, 1994, general ledger account 1529.1, "Allowance for Holding Gain/Loss - Inventory Held for Sale," general ledger account 1529.2, "Allowance for Holding Gain/Loss - Inventory Held in Reserve for Future Sale," and general ledger account 1529.3, "Allowance for Repairs," should be established to identify cost recovery factors (i.e., surcharges), prior year inflation, repair costs, and write-down of potential excess at the same amount of the last adjustment contained in the FY 1994 Chief Financial Officer Act financial report submission. This is a one-time step to initially establish the allowance account at the same value as reported on the prior year CFO submission. For following years, the inventory allowance account will be continued at its then current amount. For illustration purposes, assume the initial allowance amount for "Inventory Held For Sale" is \$2,000. The following tables are included to assist in the understanding of the inventory accounting process. The table to illustrate the beginning inventory position for "Inventory Held for Sale," is:

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$29,500	\$2,000	\$27,500

2. PURCHASE OF INVENTORY ITEMS

Dr	1521 Inventory Held for Sale	\$3,000	
	Cr 2110 Applicable Accounts Payable Series		\$3,000

Entry to record purchase of 10 inventory items at \$300 per item.
(If the purchase quantity and price is a representative purchase,
then that price shall be the "Latest Acquisition Cost.")

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$29,500	\$2,000	\$27,500
B.2.	10	\$ 3,000	\$ -0-	\$ 3,000

3. ADJUSTMENT OF INVENTORY TO LATEST ACQUISITION COST.

Dr 1521 Inventory Held for Sale \$ 500
 Cr 1529.1Q Latest Acquisition Cost Adjustment \$ 500 1/

Entry to adjust value of other inventory items in stock to the latest acquisition cost when the recorded value of those items is LESS than the latest acquisition cost. [Assume that 100 items are in inventory and the previous latest acquisition cost was \$295 per item. Those items require revaluation to the current latest acquisition cost of \$300. The revaluation will then require recognition of a \$500 unrealized gain -- 100 items @ \$5 adjustment per item = \$500.]

1/ Gains or losses associated with the valuation of inventory, although recognized, are not realized. Realization of the gain or loss occurs only when an item of inventory is sold or otherwise disposed.

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$29,500	\$2,000	\$27,500
B.2.	10	\$ 3,000	\$ -0-	\$ 3,000
B.3.	N/A	\$ 500	\$ 500	N/A

4. CUSTOMER RETURNS OF MATERIAL WITHOUT CREDIT

Dr 1521 Inventory Held for Sale \$900
 Cr 1529.1F Materiel Returns Without Credit Given \$900

Entry to record a return of 3 inventory items from customers for which a credit is not granted. The Latest Acquisition Cost of each item is \$300 (3 x \$300 = \$900).

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$29,500	\$2,000,	\$27,500
B.2.	10	\$ 3,000	\$ -0-	\$ 3,000
B.3.	N/A	\$ 500	\$ 500	N/A
B.4.	3	\$ 900	\$ 900	\$-0-

5. CUSTOMER RETURNS OF MATERIAL WITH CREDIT

Dr 1521 Inventory Held for Sale \$900 1/
 Cr 1529.1D Materiel Returns at Standard \$900 1/

Dr 1529.1E Materiel Returns - Credit Given \$600 2/
 Cr 1311 Accounts Receivable-Government-Current \$600 2/

Entry to record a return of 3 inventory items from customers for which a credit of \$200 per item is granted.
1/ The LAC of each item is \$300 (3 x \$300 = \$900).
2/ \$200 credit per item x 3 items = \$600

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$29,500	\$2,000	\$27,500
B.2.	10	\$ 3,000	\$ -0-	\$ 3,000
B.3.	N/A	\$ 500	\$ 500	N/A
B.4.	3	\$ 900	\$ 900	\$-0-
B.5.	3	\$ 900	\$ 300	\$600

6. SALE OF INVENTORY

Dr 1311 Accounts Receivable-Government - Current \$19,250 1/
 Cr 5101 Revenue from Goods Sold - DBOF \$19,250 1/

Dr 6500 Cost of Goods Sold \$16,500 2/
 Cr 1521 Inventory Held for Sale \$16,500 2/

Entry to record sale of inventory and the associated cost of the goods sold.

1/ 55 items are sold for \$350 per item for a total of \$19,250.

2/ The latest acquisition cost is \$300 per item for a total inventory reduction of \$16,500 (55 items x \$300 = \$16,500).

[See month-end adjusting entry for adjustment of the "Cost of Goods Sold" account.]

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$29,500	\$2,000	\$27,500
B.2.	10	\$ 3,000	\$ -0-	\$ 3,000
B.3.	N/A	\$ 500	\$ 500	N/A
B.4.	3	\$ 900	\$ 900	\$-0-
B.5.	3	\$ 900	\$ 300	\$ 600
B.6.	(55)	(\$16,500)		

7. REVALUATION OF EXCESS INVENTORY

Dr 1524 Inventory - Excess, Obsolete,
 and Beyond Repair \$ 70 1/
 Dr 1529.1A Realization of Holding Gains/Losses \$ 319 2/
 Dr 7291.2 Excess/Obsolescence/Spoilage Loss \$2,611 3/
 Cr 1521 Inventory Held for Sale \$3,000 1/

Entry to reclassify inventory items when those items are stratified as potential excess. [NOTE: In this illustration, these potential excess items are transferred to reutilization and marketing in the following month. See "Month 2," transaction 3 on page 101.]

1/ 10 items with a carrying value of \$300 per item = \$3,000 were determined potentially excess. Items declared potentially excess should be valued at net realizable value (currently, approximately 2 percent of standard [sales] price -- in this

illustration, the sales price is \$350 per item x 10 items = \$3500 x 2 percent = \$70).

- 2/ When items move between inventory categories, the allowance account in the respective inventory categories are decreased/increased respectively. In this case items are moving from the "Inventory Held for Sale" category to the "Inventory Held for Future Sale" category. The amount of the allowance is determined by adding the net value of the allowance account from which the inventory is to be transferred and then dividing that net total by the number of items in inventory. In this case, the net total of the allowance account is \$3,700 [\$2,000 beginning balance + \$500 price change gain + \$1,200 gain on customer returns = \$3,700]. $\$3,700 \div 116 \text{ items} = \31.90 per item x 10 items = \$319. An alternative computation is to use the percentage amount determined in the month-end adjustment of cost of goods. That percentage amount, in this illustration is 89.37 percent. $89.37 \text{ percent} \times \$3,000 = \$2,681 - \$3,000 = \$319$.
- 3/ The \$3000 carrying value of the inventory less the \$70 salvage value and less the \$319 allowance equals the \$2,611 loss.

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$29,500	\$2,000	\$27,500
B.2.	10	\$ 3,000	\$ -0-	\$ 3,000
B.3.	N/A	\$ 500	\$ 500	N/A
B.4.	3	\$ 900	\$ 900	\$-0-
B.5.	3	\$ 900	\$ 300	\$600
B.6.	(55)	\$16,500)		
B.7.	(10)	(\$ 3,000)	(\$ 319)	N/A

Inventory - Excess, Obsolete, and Beyond Repair				
Transaction	Quantity	2% of Standard Price	Allowance Amount	Amount Paid (Cost)
B.7.	10	\$ 70	N/A	N/A

7. MONTH-END ADJUSTMENT OF COST OF GOODS SOLD

Dr 1529.1A	Realization of Holding Gains/Losses	\$1,754	<u>1/</u>
Cr 6500	Cost of Goods Sold		\$1,754 <u>1/</u>

Entry to record sale of inventory and the associated cost of the goods sold. The sales price will generally be more than the latest acquisition cost due to the inclusion of cost recovery elements in the selling price.

INVENTORY HELD FOR SALE

1/

	Cost	Unrealized Gain (Loss)	LAC
Beginning Inventory	\$27,500	\$2,000	\$29,500
Price Change		\$ 500	\$ 500
Purchases	<u>\$ 3,600</u>	<u>\$1,200</u>	<u>\$ 4,800</u>
TOTAL	<u>\$31,100</u>	<u>\$3,700</u>	<u>\$34,800</u>
Excess Inventory Transfer	(\$ 2,681)	(\$ 319) *	(\$ 3,000)
Cost of Goods Sold	<u>(\$14,746)</u>	<u>(\$ 1,754) *</u>	<u>(\$16,500)</u>
Ending Inventory	<u>\$13,673</u>	<u>\$ 1,627</u>	<u>\$15,300</u>

* Cost of Goods Sold Computation

\$3,700 Unrealized Gain + \$34,800 LAC = .1063
 .1063 x \$3,000 Excess Inventory at LAC = \$319 realized gain
 .1063 x \$16,500 Cost of Goods Sold at LAC = \$1,754 realized gain
 \$16,500 Cost of Goods Sold at LAC - \$1,754 realized gain = \$14,746

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	100	\$29,500	\$2,000	\$27,500
B.1.	10	\$ 3,000	\$ -0-	\$ 3,000
B.2.	N/A	\$ 500	\$ 500	N/A
B.3.	3	\$ 900	\$ 900	\$ -0-
B.4.	3	\$ 900	\$ 300	\$ 600
B.5.	(10)	(\$ 3,000)	(\$ 319)	N/A
B.6.	(55)	(\$16,500)		
B.7.	N/A		(\$1,754)	(\$17,427)
Total	51	\$15,300	\$1,627	\$13,673

FINANCIAL STATEMENT PRESENTATION
MONTH ONE

<u>Cost of Material Sold from Inventory</u>	<u>Inventory Held For Sale</u>	<u>Inventory Held For Future Sale</u>	<u>Excess Inventory</u>	<u>Total</u>
(1) Beginning Inventory	\$29,500			\$29,500
(a) Less: Beginning Allowance	\$ 2,000			\$ 2,000
(b) Plus: Purchases at Cost	\$ 3,000			\$ 3,000
(c) Plus: Customer Returns - Credit Given	\$ 600			\$ 600
(d) Plus: DLR Exchange Credits	N/A			
(e) Less: Inventory Losses Realized	\$2,611			\$2,611
Internal Movements between Inventory Classifications	(\$ 70)		\$ 70	\$ -0-
(2) Less: Ending Inventory	\$15,300		\$ 70	\$15,370
(a) Plus: Ending Allowance	\$ 1,627			\$ 1,627
Cost of Goods Sold	\$14,746			\$14,746

C. MONTH TWO

1. PURCHASE OF INVENTORY ITEMS

Dr 1521 Inventory Held for Sale \$7,750
 Cr 2110 Applicable Accounts Payable Series \$7,750

Entry to record purchase of 25 inventory items at \$310 per item.
 (If the purchase quantity and price is a representative purchase,
 then that price shall be the "Latest Acquisition Cost.")

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	51	\$15,300	\$1,627	\$13,673
C.1.	25	\$7,750	N/A	\$7,750

2. ADJUSTMENT OF INVENTORY TO LATEST ACQUISITION COST.

Dr 1521 Inventory Held for Sale \$ 510
 Cr 1529.1Q Latest Acquisition Cost Adjustment \$ 510 1/

Entry to adjust value of the 51 inventory items in stock to the latest acquisition cost. [The latest acquisition cost of the 51 items in stock was \$300 per item. Those items require revaluation to the current latest acquisition cost of \$310. The revaluation will then require recognition of a \$510 unrealized gain -- 51 items @ \$10 adjustment per item = \$510.]

1/ Note that under the latest acquisition cost method, gains or losses associated with the valuation of inventory, although recognized, are not realized. Realization of the holding gain or loss occurs only when an item of inventory is sold.

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount paid (Cost)
Beginning Inventory	51	\$15,300	\$1,627	\$13,673
C.1.	25	\$7,750	N/A	\$7,750
C.2.		\$ 510	\$ 510	N/A

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	51	\$15,300	\$1,627	\$13,673
C.1.	25	\$7,750	N/A	\$7,750
C.2.		\$ 510	\$ 510	N/A
C.4.	6	\$1,860	\$1,860	\$-0-

5. SALE OF INVENTORY

Dr 1311 Accounts Receivable-Government - Current \$22,750 1/
 Cr 5101 Revenue from Goods Sold - DBOF \$22,750 1/

Dr 6500 Cost of Goods Sold \$20,150 2/
 Cr 1521 Inventory Held for Sale \$20,150 2/

Entry to record sale of inventory and the associated cost of the goods sold. The sales price will generally be more than the latest acquisition cost due to the inclusion of cost recovery elements in the selling price.

1/ 65 items are sold for \$350 per item for a total of \$22,750.

2/ The latest acquisition cost is \$310 per item for a total inventory reduction of \$20,150 (65 items x \$310 = \$20,150).

[See month-end adjusting entry for adjustment of the "Cost of Goods Sold" account.]

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	51	\$15,300	\$1,627	\$13,673
C.1.	25	\$ 7 , 7 5 0	N/A	\$7,750
C.2.		\$ 510	\$ 510	N/A
C.4.	6	\$ 1,860	\$1,860	\$-0-
C.5.	(65)	(\$20,150)		

6. MONTH-END ADJUSTMENT OF COST OF GOODS SOLD

Dr 1529.1A Realization of Holding Gains/Losses \$ 2,721 1/
 Cr 6500 Cost of Goods Sold \$ 2,721 1/

In the preceding entry (transaction C.5.), account 6500, "Cost of Goods Sold," was debited for the latest acquisition cost of inventory sold. The purpose of this entry is to adjust account 6500 to the historical cost (vice latest acquisition cost) of inventory sold.

1/

INVENTORY HELD FOR SALE

	Cost	Unrealized Gain	LAC
Beginning Inventory	\$13,673	\$1,627	\$15,300
Purchases	\$ 7,750		\$ 7,750
Price Change		\$ 510	\$ 510
Physical Inventory Gain		<u>\$ 1,860</u>	<u>\$ 1,860</u>
TOTAL	<u>\$21,423</u>	<u>\$3,997</u>	<u>\$25,420</u>
Cost of Goods Sold	<u>(\$17,429)</u>	<u>(\$2,721)</u>	<u>(\$20,150)</u>
Ending Inventory	\$ 3,994	\$1,276	\$ 5,270

* Cost of Goods Sold Computation

\$3,977 Unrealized Gain + \$29,450 LAC = .1350
 .1350 x \$20,150 Goods Sold at LAC = \$2,721 realized gain
 \$20,150 Goods Sold at LAC - \$2,721 realized gain = \$17,429

Inventory Held For Sale				
Transaction	Quantity	Latest Acquisition Cost	Allowance Amount	Amount Paid (Cost)
Beginning Inventory	51	\$15,300	\$1,627	\$13,673
C.1.	25	\$ 7,750	N/A	\$ 7,750
C.2.		\$ 510	\$ 510	N/A
C.4.	6	\$ 1,860	\$1,860	\$ -0-
C.5.	(65)	(\$20,150)		
C.6.			(\$ 2,721)	(\$ 17,429)
Total	17	\$ 5,270	\$ 1,276	\$ 3,994

**FINANCIAL STATEMENT PRESENTATION
MONTH TWO**

<u>Cost of Material Sold from Inventory</u>	<u>Inventory Held For Sale</u>	<u>Inventory Held For Future Sale</u>	<u>Excess Inventory</u>	<u>Total</u>
(1) Beginning Inventory	\$15,300		\$ 70	\$15,370
(a) Less: Beginning Allowance	\$ 1,627			\$ 1,627
(b) Plus: Purchases at Cost	\$ 7,750			\$ 7,750
(c) Plus: Customer Returns - Credit Given				
(d) Plus: DLR Exchange Credits	N/A			
(e) Less: Inventory Losses Realized			\$ 70	\$ 70
Internal Movements of Inventory				
(2) Less: Ending Inventory	\$ 5,270			\$ 5,270
(a) Plus: Ending Allowance	\$ 1,276			\$ 1,276
Cost of Goods Sold	\$17,429		\$-0-	\$17,429

CHAPTER 56

OPERATING MATERIALS AND SUPPLIES

A. GENERAL

1. General Information. General information on materials and supplies may be found in Volume 4, Accounting Policy and Procedures," chapter 4, "Materials and Supplies," prescribes the accounting policy and related requirements necessary to establish financial control over DoD materials and supplies, including stockpile materials. This chapter includes information specific to the operation of the Defense Business Operation Fund and its activities.

2. Definition. Operating materials and supplies consist of tangible personal property to be consumed in normal operations. Excluded from "operating materials and supplies" are (a) goods that have been acquired for use in constructing real property, (b) stockpile materials, and (c) inventory. [See following distinction between operating materials and supplies and inventory.]

3. Distinction between Operating Materials and Supplies and Inventory. "Inventory" consists of items acquired for the specific purpose of sale to others. The Supply Management business area and Defense Commissary Agency are the only DBOF business areas that should hold inventory. All DBOF activities, including those within the Supply Management and Defense Commissary Agency business areas, generally hold operating materials and supplies for use in their normal day-to-day operations. As an example of the distinction, items when held by the Supply Management business area for sale are classified as "Inventory." Those same items, when sold to, for example, a Depot Maintenance activity for use in the process of repair or other operations of the activity are classified as "Operating Materials and Supplies." DBOF business area should report as operating materials and supplies items purchased both commercially and from the supply system including "office" supplies and other materials consumed in the performance of mission.

4. Acceptance and Utilization of Customer-Furnished Material. Customer-furnished material shall be accepted and utilized only in those instances in which it is the general policy of the customer to furnish the materials involved. Customer-furnished materials shall be accounted for and reported to customers separately and shall be related to specific end products in such a manner as may be required by those customers.

B. CATEGORIES OF OPERATING MATERIALS AND SUPPLIES

1. The categories of operating materials and supplies are discussed in Volume 4, Chapter 4, of this Regulation. A summarization of those categories are:

1. Account 1511 - Operating Materials and Supplies Held for Use. Materials and supplies that do not exceed the amount expected to be used within 30 days unless justifying documentation supporting a supply in excess of 30 days is developed and maintained for review. A typical accounting entry to record Operating Materials and Supplies Held for Use is:

Dr 1511 Operating Materials and Supplies Held for Use
Cr 2111 Accounts Payable-Government-Current

If the materials and supplies were originally recorded as "in transit," (see subparagraph d. below) the following entry is applicable:

Dr 1511 Operating Materials and Supplies Held for Use
Cr 1514 Operating Materials and Supplies in Transit

b. Account 1512 - Operating Materials and Supplies Held for Future Use. Materials and supplies maintained because they are not readily available in the market or because it is likely they will be needed subsequently. While it is possible that items may be procured for direct placement in this category, it is more likely that items will migrate from Operating Materials and Supplies Held for Use. A typical accounting entry to record Operating Materials and Supplies Held for Use is:

Dr 1512 Operating Materials and Supplies Held for Future Use
Cr 1511 Operating Materials and Supplies Held for Use

c. Account 1513 - Excess, Obsolete, and Unserviceable Operating Materials and Supplies. This consists of:

(1) Operating materials and supplies that exceed the amount on hand that can be used within one year.

(2) Operating materials and supplies that are no longer needed due to changes in technology, laws, customs, or operations.

(3) Operating materials and supplies that are physically damaged and cannot be consumed in operations.

A typical accounting entry to record Excess, Obsolete, and Unserviceable Operating Materials and Supplies is:

Dr 1513 Operating Materials and Supplies - Excess, Obsolete
and Unserviceable
Dr 7293 Other Miscellaneous Losses
Cr 1511 Operating Materials and Supplies Held for Use
Cr 1512 Operating Materials and Supplies Held for Future Use

d. Account 1514 - Operating Materials and Supplies in Transit. Materials and supplies for which an invoice has been received prior to physical receipt of the invoiced materials and supplies. A typical accounting entry to record Operating Materials in Transit is:

Dr 1514 operating Materials and Supplies in Transit
Cr 2111 Accounts Payable-Goverment-Current

When the materials and supplies are received, the following accounting entry should be recorded:

Dr 1511 Operating Materials and Supplies Held for Use
Cr 1514 Operating Materials and Supplies in Transit

e. Account 1515 - Operating Materials and Suppiles Under Development-DBOF. This account is used by the Defense Business Operations Fund to accumulate the cost of non-capital assets in the process of development or manufacture for use and retention by the performing activity. Upon completion of the asset, its value is transferred to account 1511. (Capital assets in the process of development or manufacture for use and retention by the performing business area activity are accounted for within account 1725.). A typical accounting entry to record Operating Materials Under Development is:

Dr 1515 Operating Materials and Supplies Under Development
Cr 6000 Series of Operating Program/Expenses

When the asset is completed, account 1515 shall be relieved through the following accounting entry:

Dr 1511 Operating Materials and Supplies Held for Use
Cr 1515 Operating Materials and Supplies Under Development

C. CONSUMPTION OF OPERATING MATERIALS AND SUPPLIES

1. Items to be Used or Consumed in Operations. Items purchased by DBOF activities to be consumed in the performance of their missions shall be recorded and reported as "Operating Materials and Supplies," (Account Series 1510) versus "Inventory," (Account Series 1520). "Operating Materials and Supplies" shall be valued and reported at historical cost.

2. Items Used or Consumed in Operations

a. Operating Expense. Operating materials and supplies consumed by DBOF activities in the performance of their missions shall be recorded and reported as an operating expense in the period they are issued for consumption (this is termed the "consumption method of accounting"). In certain cases, operating materials and supplies may be reported as an operating expense when purchased (this is termed the "purchase method of accounting"). The purchase method of accounting may be used within the Defense Business Operations Fund only for those operating materials and supplies that are not significant in dollar amount and are in the hands of the end user (e.g., performing cost center) for use in normal operations (as an example, pre-expended bin supplies). A typical accounting entry to record the consumption or issuance for consumption of operating materials and supplies is:

Dr 6121 Supplies and Materials

Cr 1511 Operating Materials and Supplies Held for Use

Entry to record consumption or issue for consumption of operating materials and supplies.

b. Work in Process. Some DBOF activities, primarily those involved in the provision of service-type operations, recognize operating materials and supplies as an expense of the period in which the materials and supplies are used or issued for use and, as a result, do not use a "work in process" general ledger account. Other DBOF activities, primarily those involved in depot maintenance or other industrial-type operations, who routinely perform tasks that take more than a month, transfer the expense to a work in process account so that costs may be matched to revenue upon completion of the task. Guidance relating to accounting for work in process is included within chapter 57 of this volume. Items to be used or consumed in the production of goods and services for sale shall not be recorded within a work in process account until such time as they are issued for use or consumption in response to a customer order. Prior to such release, those items shall be classified as "Operating Materials and Supplies." A typical accounting entry to record the assignment of operating materials and supplies cost to work in process is:

Dr 1581 Work in Process - In House

Cr 6121 Supplies and Materials

Entry to record assignment of supplies and materials cost to work in process.

3. Disposition of Completed Products. Completed products in response to a customer order may not be retained as assets (i.e., finished goods) of DBOF activities. Upon completion, goods and services resulting from customer orders shall be billed promptly to customers. Delay or deferment of billing pending customer acceptance of finished work is not authorized. Parts and supplies manufactured for internal DBOF use shall be transferred, upon completion, to the operating materials and supplies account." A typical accounting entry to record the completion of a task previously recorded in work in process is:

Dr 6500 Cost of Goods Sold

Cr 1581 Work in Process - In House

Entry to transfer of work in process to cost of goods sold upon completion of a task previously recorded in work in process.

D. DISPOSAL OF EXCESS MATERIALS

1. Policy. It is DBOF policy that each business area record all of its costs and develop billing rates to recover its costs. In certain circumstances, however, exceptions may be granted to the policy that all costs must be recovered through billing rates. Exceptions are granted in the following ways:

a. Annual budget guidance provided by the Under Secretary of Defense (Comptroller) for the formulation of budgets and rates will identify specific gains or losses, if any, that may not need to be returned or recouped in the DBOF rate structure for the applicable budget year.

b. Additional gains and losses, beyond those specified by the Under Secretary of Defense (Comptroller) in budget formulation guidance, also may be proposed as part of the Components annual budget submission. All such amounts must be approved by the Office of the Under Secretary of Defense (Comptroller) prior to being included in the Component's congressional/President's budget submission, and implemented.

c. Specific request that realized gains or losses be excepted from the requirement to be returned or recouped in DBOF rates should be submitted individually, on a case-by-case basis, and will be favorably considered only if the DoD Component can demonstrate that not recouping the loss through DBOF rates would be in the best interest of the Department of Defense and would not adversely effect the DBOF.

2. Application of Policy. DBOF activities shall, in all instances, account for the loss resulting from the disposal of excess materials. However, if approved by the Office of the Under Secretary of Defense (Comptroller), the loss resulting from that disposal need not be included in subsequent year stabilized billing rates. As stabilized billing rates are developed to result in an Accumulated Operating Result of \$-0-, the following entries shall be made:

Dr 1513 Operating Materials and Supplies - Excess, Obsolete
and Unserviceable
Dr 7293 Other Miscellaneous Losses
Cr 1511 Operating Materials and Supplies Held for Use
Cr 1512 Operating Materials and Supplies Held for Future Use

Entry to recognize loss resulting from disposal of excess, obsolete,
or unserviceable operating materials and supplies.

Dr 3321 Net Results of Operations - DBOF
Cr 7293 Other Miscellaneous Losses

Entry to close loss on excess operating supplies and materials
to Net Operating Results.

Dr 3311.2 Cumulative Results of Operations-DBOF-Deferred
Cr 3321 Net Results of Operations - DBOF

Entry to close Net Operating Results to Cumulative Results of
Operations (aka Accumulated Operating Results). Note that
general ledger account 3311, "Cumulative Results of Operations,"
is subdivided into two subsidiary accounts. Account 3311.1 is
the account on which stabilized rates are developed to result
in a \$-0- balance. Account 3311.2 is the account in which
losses and gains are recorded that are not, in the immediate
future, to be included in stabilized rate development.

E. VALUATION OF OPERATING MATERIALS AND SUPPLIES

Operating materials and supplies shall be valued on the basis of
historical (i.e., the amount paid for the materials and supplies by the
receiving activity) cost. Donated operating materials and supplies shall be

valued at their fair value at the time of donation. Excess, obsolete, or unserviceable operating materials and supplies shall be valued at their estimated net realizable value. The difference between the carrying amount of the operating materials and supplies before identification as excess, obsolete or unserviceable and their estimated net realizable value shall be recognized as a loss (or gain) in current period operations. Any subsequent adjustments to net realizable value shall also be recognized as a loss (or gain).

F. FINANCIAL STATEMENT DISCLOSURE REQUIREMENTS FOR OPERATING MATERIALS AND SUPPLIES. Notes accompanying financial statements shall include:

1. General composition of operating materials and supplies.
2. Basis for determining operating materials and supplies values; including valuation method and any cost flow assumption.
3. Changes from prior year accounting methods, if any.
4. Balances for each of the categories of operating materials and supplies described above.
5. Restrictions on the use of materials.
6. Decision criteria for identifying the category to which operating materials and supplies are assigned.
7. Changes in the criteria for identifying the category to which operating materials and supplies are assigned.

CHAPTER 57

WORK IN PROCESS AND CONSTRUCTION IN PROCESS

A. WORK IN PROCESS

1. Contents of Work In Process. BBOF activities, primarily those involved in depot maintenance or other industrial-type operations, who routinely perform tasks that take more than a month, record operating costs within a work in process account so that costs may be matched to revenue upon completion of the task. Work In Process consists of the costs of the direct materials, direct labor, direct purchased services, and indirect costs, including general and administrative costs, used in producing customized personal property whether fabricated by the DoD or by a non-DoD organization under contract. When the costs are incurred by a Defense Business Operations Fund activity, the related costs, regardless of the source of funding, shall be accumulated by job order. Work in process accounts bring the costs under financial control and segregates them from current accounting period expenses. Examples of work in process are:

a. Costs of additions, alterations, improvements, rehabilitations, and replacements of DoD fixed assets exclusive of construction in process.

b. Costs of maintaining and producing DoD equipment and inventory.

2. Types of Work In Process. Work In Process may consist of: Work In Process - In House; Work In Process - Contractor; Work In Process - Other Government Activities; and Work In Process Government Furnished Material (GFM).

3. Basis for Valuation of Work In Process. Work in Process - In-House shall be recorded at the actual cost of direct labor and direct materials used in completion of job order and, shall also include an allocation of indirect expenses and general and administrative (G&A) expenses. "Work In Process - Contractor" and "Work In Process - Other Government Plants" shall be valued at the amount paid or payable to those entities (based upon the unpaid amounts of requests for progress payments, cost reimbursements, and other invoices received). Work In Process - Government Furnished Material (GFM) shall be valued at the issued items' standard price and quantity. The GFM account shall be supported by records that identify quantities of items and dollar amounts by contract number.

4. Relief of Work In Process. The direct costs and allocated indirect costs and G&A expenses recorded in work in process accounts shall be transferred upon completion or termination of the job to cost of goods sold or, if the completed work is to be retained for use by the producing activity, to an applicable asset or, if it does not meet the DoD capitalization criteria, an expense account. ("Completion" includes that portion of work financially complete under the percentage of completion revenue recognition policy.) The amount relieved shall be the costs incurred that are associated with the revenue earned. The costs incurred ordinarily will not be equal to the revenue

earned. The costs incurred may be more than, or less than the revenue earned depending upon whether a loss or gain was taken on the work performed.

B. ACCOUNTING FOR OPERATIONS AND WORK IN PROCESS

1. Accounting for Operations. The following illustrate typical budgetary and proprietary accounting entries applicable to in-house work of customer orders. Operating expenses recorded in the 6000 series of the general ledger accounts should be designated as direct expense or indirect expense; for example, general ledger account 6111, "Personnel Compensation - Civilian," should be designated to separately record and accumulate direct civilian labor from indirect civilian labor. The following illustrative budgetary and proprietary accounting entries shall be recorded at the activity (performing) level only.

a. Payroll

Dr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period
Cr 4920 Accrued Expenditures - Unpaid -
Reimbursable Program

Dr 6111 Personnel Compensation - Civilian (Direct)
Dr 6111 Personnel Compensation - Civilian (Indirect)
Dr 6113 Personnel Benefits - Civilian (Direct)
Dr 6113 Personnel Benefits - Civilian (Indirect)
Cr 2211 Accrued Payroll - Civilian
Cr 2213 Accrued Payroll - Civilian - Employer Share of
Fringe Benefits

Budgetary and proprietary entries to record accrual of civilian employee compensation earned during the period.

b. Supplies and Materials

Dr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period
Cr 4920 Accrued Expenditures - Unpaid -
Reimbursable Program

Dr 1511 Operating Materials and Supplies Held for Use
Cr 2113 Accounts Payable - Public - Current

Budgetary and proprietary entries to record invoice for supplies and materials received.

Dr 6121 Supplies and Materials (Direct)
Dr 6121 Supplies and Materials (Indirect)
Cr 1511 Operating Materials and Supplies Held for Use

Proprietary entry to record issue of supplies and materials Parts and materials issued to a specific job shall be recorded as a direct cost. Parts and materials issued for the general use of a cost center (production indirect) or for general administration of

an activity (G&A) shall be recorded as an indirect costs (There is no budgetary entry for movement of amounts between proprietary accounts.

c. Assignment of Direct Costs

Dr 1581 Work In Process - In-House
Cr 6111 Personnel Compensation - Civilian (Direct)
Cr 6113 Personnel Benefits - Civilian (Direct)
Cr 6121 Supplies and Materials (Direct)

Periodic, but not less than monthly, entry to record assignment of direct costs to work in process.

d. Allocation of Indirect Costs

Dr 1581 Work In Process - In-House
Cr 6600 Applied Overhead

Periodic, but not less than monthly, entry to record allocation of indirect expenses to work in process.

e. Payment of expenses incurred

Dr 4920 Accrued Expenditures - Unpaid - Reimbursable Program
Cr 4940 Accrued Expenditures - Paid - Reimbursable Program

Dr 2211 Accrued Payroll - Civilian
Dr 2213 Accrued Payroll - Civilian - Employer Share of
Fringe Benefits
Dr 2113 Accounts Payable - Public - Current
Cr 1012.1 Funds Disbursed - Operating Program

Entry to record payment of civilian payroll and other expenses.

f. Adjustment of Over and Under Applied Overhead

Dr 6600 Applied Overhead
Dr 7293 Other Miscellaneous Losses
Cr 7193 Other Miscellaneous Gains
Cr 6111 Personnel Compensation - Civilian (Indirect)
Cr 6113 Personnel Benefits- Civilian (Indirect)
Cr 6121 Supplies and Materials (Indirect)
Cr 6125 Depreciation of Equipment

Periodic, but not less than annual, entry to record closure of indirect expenses to the applied overhead account. Variances between actual indirect expenses and applied indirect expenses are accounted for as a gain or loss as illustrated above.

2. Accounting for Work in Process. Four "Work in Process" subsidiary accounts control applicable work, payments, and property that receive special attention. "Work in Process-In-House," "Work in Process - Contractor," and "Work in Process - Other Government Activities," identify the performing

activity. "Work in Process - Government-Furnished Material," identifies that portion of Government property furnished to contractors and subcontractors for the performance of DoD contracts for other than real property.

a. Work in Process - In-House (Account 1581). "Work in Process - In-House" is used to record the cost of work in process performed by DoD personnel. A subsidiary account shall be maintained to accumulate the costs of each job order and facilitate the transfer of costs to the cost of goods sold account. Sources of entries to this account include billings under contracts for material, supplies, and equipment; documented assignments of costs accumulated in cost pools; issue and transfer documents; receiving and shipping reports; invoices; payment vouchers; payroll records; reports of completed work in process; and documented losses. The following illustrate the most common entries to this account:

- (1) Dr 1581 Work in Process In-House
Cr 6000 Expense Accounts series (Direct)

To record the assignment of costs incurred.

- (2) Dr 1581 Work in Process - In-House
Cr 6600 Applied Overhead

To record the allocation of applied indirect and other overhead costs to work in process.

- (3) Dr 1581 Work in Process - In-House
Cr 1766 Equipment Not in Use

To record the value of equipment incorporated into DoD in-house work in process.

- (4) Dr 1581 Work in Process - In-House
Cr 1582 Work in Process - Contractor
Cr 1583 Work in Process - Other Government Activities
Cr 1584 Work in Process - Government-Furnished Material

To record work performed by other entities (subcontractors) that is to be incorporated into work that will be completed in-house.

- (5) Dr 6500 Cost of Goods Sold
Cr 1581 Work in Process - In-House

To record the value of DoD in-house work in process that is completed in response to a customer order.

b. Work in Process - Contractor (Account 1582). "Work in Process - Contractor" is used to record the cost of work in process performed by DoD contractors. Subsidiary accounts shall be maintained for each contract to track the value of work performed as represented by progress payments. Sources for entries to this account include contractor requests for progress payments, invoices, payment vouchers, property acceptance documents, accounting records,

and documented losses. The following illustrate the most common entries to this account:

(1) Contract Work on Customer Orders

Dr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period
Cr 4820 Undelivered Orders - Reimbursable Program

Issuance of order to contractor to perform work.

(2) Progress Payment Made To Contractor

Dr 4820 Undelivered Orders Reimbursable Program
Cr 4920 Accrued Expenditures - Unpaid
Reimbursable Program

Dr 1582 Work In Process - Contractor
Cr 2113 Accounts Payable - Public - Current
Cr 2130 Contract Holdbacks

Progress billing received from contractor for partial completion of ordered work (A portion is withheld from payment pending successful completion of contract).

Dr 4920 Accrued Expenditures - Unpaid - Reimbursable Program
Cr 4940 Accrued Expenditures - Paid - Reimbursable Program

Dr 2113 Accounts Payable - Public - Current
Cr 1012.1 Funds Disbursed - Operating Program

Progress payment made to contractor for partial completion of ordered work.

(3) Contractor Delivery of Ordered Work

Dr 4820 Undelivered Orders - Reimbursable Program
Dr/Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period
(If the Accrued Expenditure - Unpaid differs
from the amount of the undelivered order.)
Cr 4920 Accrued Expenditures - Unpaid - Reimbursable
Program

Dr 1582 Work In Process - Contractor
Dr 2130 Contract Holdbacks
Cr 2113 Accounts Payable - Public - Current

Final billing received from contractor for delivery of ordered work.

(4) Release of Delivered Work to In-House Work

Dr 1581 Work in Process - In-House
Cr 1582 Work in Process - Contractor

To record the liquidation of "Work in Process - Contractor" when related work is to be incorporated into other work being performed in-house.

(5) Release of Delivered Work to Customer

Dr 6500 Cost of Goods Sold
Cr 1582 Work in Process - Contractor

To record the liquidation of "Work in Process Contractor" when related work is completed and accepted for delivery to a customer in response to its order.

c. Work in Process - Other Government Activities (Account 1583).

"Work in Process - Other Government Activities" is used to record the cost of work in process performed by other Federal Government Agencies. A subsidiary account shall be maintained for each contract to track the value of work performed as represented by progress payments. Sources for entries to this account include interagency agreements, invoices, payment vouchers, property acceptance documents, and documented losses. The following illustrate the most common entries to this account:

(1) Dr 1583 Work in Process - Other Government Activities
Cr 2111 Accounts Payable - Government - Current

To record value of work performed by another Government Agency as represented by requests for progress payments.

(2) Dr 1581 Work in Process - in-House
Cr 1583 Work in Process - Other Government Activities

To record the liquidation of "Work in Process - Other Government Activities" when related work is to be incorporated into other work being performed in-house.

(3) Dr 6500 Cost of Goods Sold
Cr 1583 Work in Process - Other Government Activities

To record the liquidation of "Work in Process - Other Government Activities" when related work is completed and accepted for delivery to a customer in response to its order.

d. Work in Process - Government-Furnished Material (Account 1584).

"Work in Process - Government-Furnished Material" is used to record the value of that portion of Government personal property furnished to contractors and subcontractors (including other Federal Agencies) for the performance of DoD contracts. Government property, in this case, includes all personal property acquired directly by the Department of Defense and made available for incorporation into personal property end products to be delivered under DoD

contracts or to be consumed or expended in the performance of those contracts. A subsidiary account shall be maintained for each contractor that is furnished Government property. The subsidiary accounts shall be subdivided by contract. Increases to this account shall be supported by documentation evidencing issues of Government material to contractors, whether from inventory or from another contractor in accordance with DoD instructions. Decreases to this account shall occur only when the end item is accepted by the Department of Defense and received into inventory or the material is returned to inventory or otherwise disposed of at DoD's direction. Periodically, but at least annually, this account shall be reconciled with the property accountability records maintained by the contractor. This reconciliation involves coordination with the assigned property administrator for the contract. Property administrators shall be provided financial data on the value of GFM for use in completing contract close out or termination. On contract completion or termination the account shall be adjusted to reflect the disposition of unused GFM provided to the contractor for use in meeting contractual requirements. Sources for entries to this account include-shipping and issue documents, property acceptance documents and property administrator reports, material-return documents, collection and deposit documents, settlement agreements and documented losses. The following illustrate the most common entries to this account:

- (1) Dr 1584 Work in Process - Government-Furnished Material
 Cr 1511 Operating Materials and Supplies Held for Use
 Cr 1766 equipment Not in Use

To record the value of Government property furnished to contractors for the performance of DoD contracts for other than real property.

- (2) Dr 1511 Operating Materials and Supplies Held for Use
 Dr 1766 Equipment Not in Use
 Dr 6120 Other Services
 Cr 2113 Accounts Payable - Public - Current
 Cr 1584 Work in Process-Government-Furnished Material

To record the value of Government property that is:

- (a) Incorporated into end products accepted by DoD for final payment.
- (b) Consumed or expended in the performance of DoD contracts.

- (3) Dr 1511 Operating Materials and Supplies Held for Use
 Dr 1766 Equipment Not in Use
 Cr 1584 Work in Process-Government-Furnished Material

To record the value of Government-provided property returned by the contractor.

- (4) Dr 1320 Claims Receivable-Public or Other Losses
 Cr 1584 Work in Process-Government-Furnished Material

To record claim for the loss, damage, or destruction of Government property furnished in connection with DoD contracts.

C. ACCOUNTING FOR CONSTRUCTION IN PROCESS

1. Purpose. The "Construction in Process" accounts are used to accumulate costs of DoD real property construction projects. Included in this category is equipment that is installed as an integral part of the real property and that normally cannot be removed without dismantling the property. Examples of such equipment include heating and air conditioning systems, overhead cranes, elevators, etc. These costs include direct labor, direct material, purchased services and overhead. All of these costs, including those financed as "minor construction," are recorded in "Construction in Process" accounts as long as the construction project is expected to meet the DoD capitalization criteria. The recording of costs in "Construction in Process" accounts brings the costs under financial control and segregates them from expenses.

2. Construction Overhead. Construction overhead includes any cost of construction in process that benefits more than a single construction project. Overhead may include costs for supervision and other indirect labor, supplies and materials, transportation, depreciation of other assets used in construction of the asset in process, etc. Construction overhead must be collected in cost pools and allocated to specific construction projects in proportion to the benefits received. Often, a common single element such as square feet, direct labor hours, direct labor dollars, etc. is used to allocate overhead costs. However, other methods, such as total cost, may also be used. The objective is to select an overhead allocation base that best represents the beneficial or causal relationship between the expenses incurred and all benefiting or causing segments.

3. Subsidiary Accounts. There are four "Construction in Process" subsidiary accounts to control applicable work and property that receive special attention. "Construction in Process - In-House," "Construction in Process - Contractor," and "Construction in Process - Other Government Agencies" identify who is performing the construction. "Construction in Process - Government-Furnished Material" identifies that portion of Government property furnished to contractors and subcontractors for the performance of DoD construction contracts.

4. Construction Funded by Other than the DBOF. Construction in process at a DBOF activity, but not funded by the DBOF activity, shall not be accounted for as construction in process by the DBOF activity although the asset, when completed, will be used in DBOF operations. Construction in process of this nature is, as a rule, financed by a Military Construction appropriation and is accounted for by the DoD construction agent (the Army Corps of Engineers or Naval Facilities Engineering Command). The DoD construction agent either performs or contracts for the actual work, as applicable, when it is responsible for the construction. The DoD accounting entity that is to receive the constructed property financed by other than DBOF funds does not account for the construction costs until it accepts accountability for the completed asset.

5. Termination of Projects. When construction projects are terminated before completion, the circumstances must be examined carefully to determine suitable write-offs and other applicable accounting adjustments.

6. Construction in Process (Account 1720)

a. "Construction in Process" is used to record the costs of direct labor, direct material, and overhead incurred in the construction of property and plant. On completion, these costs shall be transferred to the proper capital asset account as the acquisition cost of the item.

b. This account is a summary account used for financial control and reporting purposes. No entries are posted to this account.

7. Construction in Process - In-House (Account 1721)

a. "Construction in Process - In-House" is used to record the cost of construction performed by DoD personnel.

b. Subsidiary accounts shall be maintained for each construction project to facilitate the transfer of costs to the applicable real property account.

c. The following entries illustrate the most common use of this account:

(1) Dr 1721 Construction in Process - In-House
Cr 1511 Operating Materials and Supplies Held for Use
Cr 1750 Equipment
Cr 6000 Expense accounts series

To record the costs incurred by the Department of Defense for construction in process.

(2) Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1721 Construction in Process - In-House

To record the value of DoD in-house construction projects completed.

d. Sources of entries to this account include billings under contracts for materials, supplies, and equipment; documented assignments of costs accumulated in cost pools; issue and transfer documents; receiving and shipping reports; invoices; payment vouchers; payroll records; reports of completed construction projects; and documented losses.

8. Construction in Process - Contractor (Account 1722)

a. "Construction in Process - Contractor" is used to record the value of work performed by contractors other than other Government Agencies in accordance with the terms of the applicable construction contracts. Progress payments for such work are discussed in Subpart 32.5 of the Federal Acquisition Regulation. Other types of payments, such as cost reimbursements also are included in this account.

b. Subsidiary accounts shall be maintained for each construction project to facilitate the transfer of costs to the applicable real property account.

c. The following entries illustrate the most common use of this account:

- (1) Dr 1722 Construction in Process - Contractor
Cr 2113 Accounts Payable - Public - Current

To record the allowable costs of construction in process reported by contractors other than Federal Government Agencies.

- (2) Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1722 Construction in Process - Contractor

To transfer completed projects to the applicable real property accounts.

d. Sources of entries to this account include contracts, contractor requests for progress payments, invoices, payment vouchers, construction acceptance documents, accounting records, and reports of survey.

9. Construction in Process - Other Government Activities (Account 1723)

a. "Construction in Process - Other Government Activities" is used to record the value of work performed by other Federal Agencies for the construction of facilities, utilities, and ground improvements not yet accepted by the Department of Defense.

b. Subsidiary accounts shall be maintained for each construction project to facilitate the transfer of costs to the applicable real property account.

c. The following entries illustrate the most common use of this account:

- (1) Dr 1723 Construction in Process - Other Government
Activities
Cr 2111 Accounts Payable - Government - Current

To record the allowable costs paid for construction being performed by another Federal Agency.

- (2) Dr 1730 Buildings
Dr 1740 Other Structures and Facilities
Cr 1723 Construction in Process Other Government
Activities

To transfer completed projects to the applicable real property accounts.

d. Sources of entries to the "Construction in Process - Other Government Activities" account include invoices, payment vouchers, construction acceptance documents and reports of survey.

10. Construction in Process-Government-Furnished Material (Account 1724)

a. "Construction in Process - Government-Furnished Material" is the account for recording the value of that portion of Government property furnished to contractors and subcontractors (including other Federal Agencies) for the performance of DoD construction contracts. "Government property" in this case includes all personal property acquired directly by the Department of Defense and made available for incorporation into construction end products to be delivered under DoD construction contracts or to be consumed or expended in the performance of those construction contracts.

b. Subsidiary accounts shall be maintained for each contractor and contract that is furnished Government property.

c. The following entries illustrate the most common use of this account:

(1) Dr 1724 Construction in Process - Government-
Furnished Material
Cr 1511 Operating Materials and Supplies Held for Use
Cr 1750 Equipment

To record the value of Government property furnished to contractors for the performance of DoD construction contracts.

(2) Dr 1730 Buildings (a)
Dr 1740 Other Structures and Facilities (a)
Dr 6000 Expense Accounts series (b)
Cr 1724 Construction in Process -
Government-Furnished Material

To record the value of Government property that is as follows:

(a) Incorporated into or attached to a construction end product accepted by the Department of Defense.

(b) Consumed or expended in the performance of DoD construction contracts.

(3) Dr 1511 Operating Materials and Supplies Held for Use
Dr 1750 Equipment
Cr 1724 Construction in Process - Government-Furnished
Material

To record the value of Government property returned by contractors.

(4) Dr 1320 Accounts Receivable - Claims Receivable - Public
Cr 1724 Construction in Process - Government - Furnished
Material

To record a claim against a contractor for the value of the loss, damage, or destruction of Government property furnished in connection with DoD construction contracts.

- (5) Dr 7293 Other Miscellaneous Losses
Cr 1724 Construction in Process - Government-Furnished
Material

To record the nonrecoverable value of the loss, damage, or destruction of Government property furnished in connection with DoD construction contracts.

d. Sources of entries to this account include shipping and issue documents, construction acceptance documents and property administrator reports, material-return documents, collection and deposit documents, settlement agreements, and documented losses.

11. Capital Assets Under Development-DBOF (Account 1725)

a. "Capital Assets Under Development-DBOF" is the account used by the Defense Business Operations Fund to accumulate the cost of capital assets that is being manufactured, constructed, or otherwise developed for use and retention by the performing activity. (General ledger account 1515, "Operating Materials and Supplies Under Development," is the counterpart of this account used to accumulate the cost of non-capital assets -- See Chapter 56.) The total cost to develop or manufacture a capital asset consists of, but is not limited to; direct and indirect labor, directly related material, contractual and reimbursable support cost, applicable overhead, and allocated general and administrative costs incurred in the development or manufacture of a capital asset. Software development (programs, routines, and subroutines) cost shall also include the computer operating costs for testing, developing, and parallel processing. The total cost of developing or manufacturing assets for use by any segment of the business area, including installation and other costs necessary to place the asset in use, shall be accumulated in the construction-in-process general ledger account 1725, "Capital Assets Under Development-DBOF" Upon completion, delivery and installation of the developed or manufactured asset, the account shall be relieved and the amount in that account capitalized to the applicable asset account. The capital asset shall then be depreciated by the business area at which it is installed.

b. The following entries illustrate the most common use of this account:

- (1) Dr 1725 Capital Assets Under Development-DBOF
Cr 6000 Expense Accounts series (Direct)

To record the assignment of costs incurred.

- (2) Dr 1725 Capital Assets Under Development-DBOF
Cr 6600 Applied Overhead

To record the allocation of applied indirect and other overhead costs to assets under development.

- (3) Dr 1750 Equipment
Dr 1830 Automated Data Processing Software
Cr 1725 Capital Assets Under Development-DBOF

To record the value of completed assets to their applicable asset classification.

CHAPTER 58

CAPITAL ASSETS

A. CAPITAL INVESTMENT PROGRAM

1. General Information. General information on capital assets may be found in Chapter 6, "Fixed Assets," Volume 4 of this regulation.

2. Purpose. This chapter provides guidance on the Capital Investment Program for the Defense Business Operations Fund (DBOF) and prescribes the accounting principles and policy that shall be followed in accounting for the Capital Investment Program.

3. Overview

a. The primary goal of the Capital Investment Program within the DBOF is to establish a capability for reinvestment in the infrastructure of business areas in order to facilitate mid and long term cost reductions. The objective is to improve product and service quality and timeliness, reduce costs and foster comparable and competitive business operations. The Capital Investment Program provides the framework for planning, coordinating, and controlling DBOF resources and expenditures to obtain capital assets.

b. This policy applies to all activities, or groups of activities, within the Department of the Army, Department of the Navy, Department of the Air Force, or a Defense Agency chartered under the DBOF.

B. POLICY

1. Managers at DBOF activities shall identify, prioritize, justify, and budget for capital asset purchases.

2. The capital investment program shall be carried out within the guidelines established by public law, DoD policies, and other regulatory constraints.

3. Only those capital investment projects that have been included in a President's budget for the DoD Component may be financed through the Capital Investment Program except that under certain circumstances, as prescribed in paragraph C.5., during the year of execution, substitutions may be made for projects when operational necessity warrants.

4. The Capital Investment Program shall not be used to establish an in-house capability for operations that are more economically available through commercial contract except as permitted under OMB Circular A-76, "Performance of Commercial Activities."

5. All capital assets developed, manufactured or otherwise procured by a activity for use of that activity shall be funded through the DBOF capital budget, except those capital assets identified in paragraph D.5. below.

6. DBOF reimbursement rates shall include an amount estimated, considering the expected workload, to be sufficient to fund the approved Capital Investment Program.

7. Projects that meet the DoD investment capitalization threshold, both as to cost and useful life must be:

- a. capitalized and depreciated,
- b. funded as part of the capital budget, and
- c. accommodated within approved capital budget authority limits.

8. Projects that meet the DoD investment capitalization threshold also reduce the available capital budget authority.

9. Projects that fail to meet the DoD investment capitalization threshold shall be funded as an operating expense.

10. Each DoD Component will develop procedures to ensure that:

- a. Capital investment funds are used only for approved projects.
- b. Every attempt is made to effect timely installation and to realize productivity improvements estimated in budget submissions.

11. Management improvement initiatives shall be expensed as provided in Chapter 62, paragraph E.2. unless specifically directed otherwise by the Under Secretary of Defense (Comptroller).

C. CAPITAL INVESTMENT PROGRAM REQUIREMENTS

1. Each proposed acquisition of a capital investment shall be documented and reviewed to ensure that the asset satisfies all of the following criteria:

- a. Is more economically feasible to purchase than to lease.
- b. Meets the Department's long-range planning and programming objectives as identified in long range strategic plans.
- c. Results in satisfying a documented need that cannot be met as effectively and efficiently by existing equipment and facilities.
- d. Complies with DoD Directive 4275.5, "Acquisition and Management of Industrial Resources" and DoD Directive 4270.4, "Unspecified Minor Construction, Emergency Construction, and Restoration of Damaged or Destroyed Facilities," as well as, other applicable policies and regulations governing the lease and acquisition of equipment and facilities.
- e. Includes workload projections that take into account the results of interservice decisions, workload posture planning decisions, readily available commercial alternatives, and other reasonable options for accomplishing workload.

f. Accomplishes the objective for which the capital asset is justified. The criteria should include, but is not limited to: improved efficiency (savings) or effectiveness; required new capability and capacity that cannot be met with current equipment or facilities; replacement of unsafe, beyond economical repair, or inoperative and unusable capital assets; and mandated environmental, hazard waste reduction, or regulatory agency (state, local or Federal) requirements.

g. Meets or exceeds the DoD capitalization criteria.

h. Includes, as appropriate, a pre-investment cost or economic analysis that identifies the reasons and associated expected benefits of the purchase in accordance with the requirements at paragraph F. of this chapter for an analysis for DBOF capital investments. An economic analysis must be completed prior to requesting a capital asset be included (1) in the Office of the Secretary of Defense (OSD) budget submission (2) in the President's Budget submission, or (3) in any request for substitution or reprogramming involving a capital project.

2. A post-investment analysis, as required by paragraph F.10. of this chapter, will be prepared annually by each DoD Component in accordance with the requirements for an economic analysis for DBOF capital investments.

3. Documentation supporting capital investment projects requests shall be prepared in accordance with the requirements in paragraph F. of this chapter for an economic analysis for DBOF capital investments. The economic analysis and the post-investment analysis documentation will be retained and remain available for review, audit or evaluation for five years after the capital asset is placed in use.

4. Capital Investment Limitations

a. When a request for capital investment is granted, the capital budget section of the Annual Operating Budget (AOB) will designate the maximum amount of funds that may be committed and obligated for capital investments.

b. With the exception of those capital assets identified in paragraph D.5. below, capital investments will be limited to the capital budget amount approved in the AOB.

c. The AOB will list separately each capital project with costs that are estimated to be equal to, or greater than \$500,000. Projects estimated to cost less than \$500,000 will not be listed separately on the AOB, but the AOB will identify, by category--minor construction, equipment, automated data processing equipment (ADPE), and software, the total amount approved for all such projects. Approved funding limits for capital budget obligations will be provided as dollar value limitations within program year, and for all program years available for execution in the fiscal year that the AOB is issued. A DBOF activity may purchase, develop, manufacture, construct, or otherwise acquire approved capital assets only to the extent that amounts are authorized on an approved AOB. The DoD Components will list all approved capital projects in AOBs subsequently issued to subordinate commands and activities.

d. Section 342, "Capital Asset Subaccount," of the National Defense Authorization Act for Fiscal Year 1993 (Public Law 102-484) provides that "The Secretary of Defense may award contracts for capital assets of the DBOF in advance of the availability of funds in the subaccount, to the extent provided for in appropriations Acts." That legislative provision made contract authority available for the DBOF Capital Investment Program. Contract authority is statutory authority that permits obligations to be incurred in anticipation of receipts to be credited to the DBOF. By definition, contract authority is unfunded and must subsequently be funded through the collection of amounts for goods and services sold to customers before obligations incurred under the contract authority can be liquidated.

e. Dollar value limitations for capital budget obligations are provided on the approved ROB by program year. The AOB limitation by program year is subject to Title 31, United States Code, Section 1341, "Limitations on Expending and Obligor Amounts," and Section 1517? "Prohibited Obligations and Expenditures." Exceeding the limitation contained in the capital budget section of the AOB can result in an Antideficiency Act violation.

5. Reprogramming

a. Budget formulation and congressional reviews require a firm, annual program consisting of specific, justified projects to support the Capital Investment Program. Only those capital asset projects that have been approved by Office of the Under Secretary of Defense (Comptroller) (OUSDC)) will be included in the President's Budget. However, in the year of execution, actual investment requirements can change relative to previously approved projects and funding levels. Accordingly, appropriate reprioritizing and substitutions are permitted in accordance with provisions of this chapter.

b. Approved capital investment projects and associated dollar amounts will be reflected in the AOB by program year. Substitutions and additions of capital projects must comply with the requirements in paragraph C.1. All capital projects that are cancelled or postponed, as well as added projects, adjustments in estimates to approved projects, and projects selected as substitutions or replacements for cancelled or postponed projects must be identified in capital budget requests forwarded to the OUSDC).

c. An economic analysis must be completed for all additional, substitute or replacement projects before reprogramming approval is requested. The economic analysis should be prepared in accordance with the requirements in paragraph F. of this chapter for an economic analysis for DBOF capital investments.

d. No project should be continued solely because it was previously approved or because funds are available.

e. The following approval levels and dollar threshold apply changes to projects approved in the Capital Budget section of the AOB including reprogramming, substitutions, cancellations and additions:

(1) All adjustments or changes to capital projects that are equal to, or greater than \$500,000 shall be approved by the OUSD(C).

(2) All adjustments or changes between categories of capital projects (i.e. minor construction, equipment, ADPE, and software) or business areas that increase a category or a business area by a cumulative amount equal to, or greater than \$500,000 within a program year shall be approved by the OUSD(C).

(3) The DoD Components shall develop and issue internal written policies to establish approval levels and dollar thresholds for adjustments or changes to capital projects, or between categories of capital projects approved in the AOB including reprogramming, substitutions, cancellations and additions.

6. Financing

a. The Capital Investment Program is financed by resources of the DBOF. Funds for this purpose are accumulated in the corpus through the inclusion in customer rates of expected depreciation on purchased capital assets and, if applicable, any additional capital surcharge needed to meet the capital needs of the DBOF.

b. Section 342 of the National Defense Authorization Act For Fiscal Year 1993 requires DoD to establish a capital asset subaccount. Account 1011.1, "Funds Collected - Operating Program - DBOF," and account 1011.2, "Funds Collected - Capital Program - DBOF," are established to separately identify collections applicable to the operating program and capital program to comply with section 342. Additionally, account 1012.1, "Funds Disbursed - Operating Program - DBOF," and account 1012.2, "Funds Disbursed - Capital Program - DBOF," are established to separately identify disbursements applicable to the operating program and capital program.

c. To avoid an Antideficiency Act violation, cash disbursements should not be made in excess of the total cash available to a DBOF activity, business area, DoD Component, or the total cash available to the DBOF.

D. CAPITAL INVESTMENTS

1. Capital Equipment, other than Automated Data Processing Equipment (ADPE) and Telecommunications. The development, manufacture, transfer, and acquisition of all capital assets for the primary use or benefit of DBOF activities shall be classified as capital investments. A capital investment purchase may be established for any purpose approved by the OUSD(C).

2. ADPE and Telecommunications Equipment. AS defined in Office of Management and Budget (OMB) Circular A-11, "Preparation and Submission of Budget Estimates," ADPE and telecommunications equipment is equipment or an interconnected system or subsystem of equipment used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information.

3. Software. As defined in OMB Circular A-11, software includes system programs, application programs, commercial-off-the-shelf (COTS) software, independent subroutines, data bases, and software documentation. This category includes software development or acquisition for the general benefit of the DBOF activity but does not include software developed or acquired for a specific customer. Software developed or acquired for a specific customer should be charged to and reimbursed by the requesting customer.

4. Minor Construction. A minor construction project includes all work and costs necessary to construct or improve a complete and usable building, structure, or other real property. Minor construction projects which meet or exceed the DoD capitalization criteria but do not exceed the amount specified by 10 U.S.C. 2805 for funding such projects in the Military Construction appropriation shall be financed as a capital purchase.

5. Exclusions From the Capital Investment Program. The following are mandatory exclusions from the Capital Investment Program and must be financed directly from appropriated funds:

a. Major range and test facility items (equipment and minor construction) that meet the DoD investment capitalization criteria for use by Major Range and Test Facility Bases operating within the DBOF.

b. Military and tenant support functions.

c. Aircraft, ships, barges, and general-purpose passenger-type vehicles.

d. Equipment and minor construction projects purchased to meet mobilization requirements, but not used during peacetime operations.

e. Equipment initially procured and usually furnished as part of a weapon system and/or support system to include initial common support equipment for depot maintenance in support of new weapon systems.

f. Equipment normally funded by appropriated funds and provided to contractors as Government-furnished equipment to be incorporated into, used in conjunction with, or consumed in the production of, an end product. (Such equipment should be funded by appropriated funds and provided to the applicable DBOF activity at no cost to the DBOF activity.).

g. Minor construction projects-for a non-DBOF activity or a military support function.

h. Construction and facility investment projects that exceeds the amount specified by 10 U.S.C. 2805 for funding such projects in the Military Construction appropriation.

i. Environmental projects financed or submitted for funding by the Defense Environmental Restoration Account.

j. Capital investments for morale, welfare, and recreation.

k. Such other exclusions as may be approved by the OUSD(C).

6. Capitalization Criteria

a. DoD Components shall capitalize and report in financial records all assets developed, manufactured, transferred, or acquired by the DBOF including computer software purchased or developed, when the following criteria are met:

(1) Acquisition cost, book value, or, when applicable, the estimated fair market value equals, or exceeds, the expense/investment funding threshold used by the Congress for appropriating DoD operating (expense) and Procurement (investment) appropriations. Transfers of capital assets shall comply with paragraph E.5.c.; and

(2) Estimated benefit period or useful life to the Department of Defense of 2 years or more.

b. Acquisition cost is the original purchase or development cost including transportation, design, installation, and other related costs necessary to put the asset in the place and form in which it shall be used.

c. Software acquisition or development cost incurred by DBOF activities (or, in absence of known amounts, a reasonable estimate thereof) for projects ordered or requested in prior years and delivered, installed, and operational after October 1, 1991 shall be capitalized by the DBOF activity if they otherwise meet the requirements of paragraph D.6.a. above.

(1) The acquisition cost criteria, in the case of computer and other systems, is applied on the basis of the cost of a complete system rather than on a unit cost of individual items of equipment which, when aggregated, become a system. Incremental deliveries of these projects shall be capitalized if the aggregate cost meets the criteria above.

(2) Computer software that is integrated into hardware, and is necessary to operate the hardware rather than to perform an application, is capitalized as hardware.

d. When the expense/investment funding threshold changes, a capital asset capitalized within the DBOF at a previous threshold will continue to be capitalized and depreciated at the threshold at which it was originally capitalized.

7. Depreciation Criteria

a. Depreciation shall be calculated and accumulated using the straight-line method based on the capitalized amount less residual value when residual value is expected to be 10 percent or more of the acquisition cost. That is, the capitalized amount less estimated residual value shall be divided equally among accounting periods during the asset's useful life.

b. Depreciation shall commence in the month following (a) the date of receipt shown on the asset receiving document or (b) the date the asset is installed and ready for use (regardless of whether it is actually used). Depreciation shall be recorded in equal amounts each month thereafter until

the asset is fully depreciated, disposed of, or otherwise transferred. If an asset remains in use longer than its estimated useful life, it shall be retained on the accounting record, at its residual value (which can be \$-0-) until its final disposition.

c. Depreciation of equipment acquired with a procurement appropriation for a mobilization requirement and facilities acquired with a military construction appropriation will be reflected on the DBOF financial statements but will not be recovered in rates. Addendum 1 to this chapter illustrates the accounting for such assets. Chapter 70 contains the fund financial reporting formats and instructions.

d. Equipment and minor construction projects purchased primarily to meet mobilization requirements will not be depreciated.

e. Any other exclusion from funded depreciation requires prior approval by the OUSD(C).

f. The following depreciation schedule established for Defense Business Operation activities shall be used:

Facilities construction projects (including minor construction)	20 Years
Equipment, other than ADPE	10 Years
ADPE and Telecommunications Equipment	5 Years
Software	5 Years

g. Methodology and Alternative Depreciation Schedules

1. DBOF activities may request an alternative methodology for computing depreciation expenses, and/or an alternative estimate of useful life. Requests for an alternative methodology for computing depreciation expenses or depreciation schedules should be submitted for a determination of approval, through the appropriate DoD Component channels, to the OUSD(C), Directorate for Accounting Policy.

2. Requests for an alternative methodology for computing depreciation expenses or depreciation schedules should identify, but should not necessarily be limited to: (1) type and function, of the capital asset (2) alternative methodology for computing depreciation expenses or depreciation method proposed to be used; (3) commercial benchmark used to determine applicability or estimated useful life of the asset; and (4) rationale for the alternative. The OUSD(C), Directorate for Accounting Policy, will notify the DoD Component when a determination is made.

E. ACCOUNTING FOR CAPITAL ASSETS

1. Capital assets used by a DBOF activity in providing goods or services must be recognized in the property and financial records of that DBOF activity. Capital assets include, but are not limited to; physical plant and property, (including government owned facilities, property acquired under a capital lease, leasehold improvements to property acquired under a capital lease or an operating lease), equipment and software. Financial records for assets capitalized in a DBOF activity must:

- a. Be supported by formal depreciation schedules,
- b. Have all depreciation expenses recorded,
- c. Include depreciation expenses in rates charged, except for depreciation of facilities acquired through military construction appropriations or other exclusions approved in accordance with paragraph D.7.e. above.

2. The following three criteria must be met for an item to qualify as an asset and be reported as such in a DBOF entity's financial statements:

a. The asset must embody a probable future benefit that will contribute to the entity's operations. In applying this criteria, the concept of benefit has traditionally been referred to as "service capacity" which is the ability of an item to directly assist an entity in achieving its mission. Service capacity has value because it is consumable or exchangeable for other benefits. Real property assets (e.g., buildings) financed by a military construction appropriation provide a service capacity to the DBOF in that they house DBOF operations thus allowing the DBOF activity to achieve its mission. Also, DBOF is responsible for assuring that the maximum benefit is always available since it pays for utilities, maintenance, and upkeep. The exchangeability part of the benefit criteria (the ability to sell, trade, or donate property) need not be present for an item to qualify as an asset in the federal sector if consumption of the item provides benefit to the entity.

b. The entity that reports the asset must be able to obtain the benefit and control access to the benefit inherent in the asset. The second criteria of an asset, control over the benefit, refers to an entity's ability to direct who derives the benefit, the timing of when the benefit is derived, and under what conditions it is derived. Directing the use of the benefit has traditionally been based on (1) possession or (2) the ability to exert significant influence over the benefits; either of which is obtained through legal ownership or an agreement with the owner. In instances in which a DBOF activity maintains possession of property through agreements which provide for DBOF's possession for as long as needed, without a termination date and without reimbursement, such arrangements are generally considered as providing sufficient influence over the use of the property to satisfy the control criteria. Once termination occurs, however, as in the case of a base closing where DBOF conducts operations, control no longer exists; hence, the property will no longer meet the control criteria of an asset.

c. The transaction or event giving the entity a right to and control over the benefit must have already occurred. . The third criteria, is an agreement (express or implied) that allows DBOF to occupy and/or use property without reimbursement for as long as needed.

3. DBOF activities that meet the criteria in paragraph E.2. above shall record the capital asset in their property and financial records; record depreciation on the capital asset; and record improvements to the capital asset.

4. Facilities Used by DBOF Activities

a. DBOF activities that are sole occupants/tenants of a government owned facility or hold a capital lease (as opposed to an operating lease) on an entire building and sublet portions of that building and meet the criteria in paragraph E.2. above shall record the capital asset in their property and financial records.

b. DBOF activities which are joint occupants/tenants of a Government owned facility and meet the criteria in paragraph E.2. above shall determine which occupant/tenant will record the capital asset in their property and financial records by applying the following criteria in descending order of application:

(1) Occupant/tenant that can substantiate preponderant use (via direct labor hours, actual hours, population, square footage, metered output, etc.) of an asset in the production of goods or services for their customers.

(2) Occupant/tenant that have exclusive responsibility for the maintenance, repair, upkeep, and replacement (Military Construction) of the asset.

5. Assets Held by DBOF Activities for Mobilization Requirements. DBOF activities shall assume ownership of assets acquired through use of a procurement appropriation that are held to meet a mobilization surge capability.

6. Sources of Capital Assets. Subject to availability of sufficient resources and compliance with other DoD/Federal requirements, capital assets may be developed, manufactured, transferred, or otherwise procured for use by DBOF activities upon identification in, and approval of, the capital budget section of an activity's AOB. Regardless of the ultimate use of the asset, costs incurred in the development, manufacture, or acquisition of the asset must be identified, captured, and recorded as execution against a specific Capital Budget project.

a. Acquisition of Capital Assets for Business Area Use. The total cost incurred by a DBOF activity to develop, manufacture or acquire a capital asset consists of, but is not limited to; direct and indirect labor and non-labor, contractual cost net of authorized discounts paid; reimbursable support cost, applicable overhead, and general and administrative costs incurred when appropriate: plus any associated costs for transportation, installation, and other related costs necessary to put the asset in the place and in the form in which it shall be used. Software development (programs,

routines, and subroutines) cost also shall include the computer operating costs for testing, developing, and parallel processing.

b. Capital Assets Centrally Acquired

(1) Business areas, such as the Joint Logistics Systems Center, may from time to time be designated as a central agent to procure capital assets for customers within the DBOF. The procuring business area shall issue contracts to commercial sources or funded orders to other DBOF activities and DoD Components as necessary, to satisfy the requirement.

(2) Capital assets may be sold or transferred to customers of the central agent at negotiated "selling or transfer prices. Negotiated selling or transfer prices shall include the total cost of the capital asset which consists of contractual cost net of discounts taken, reimbursable support cost, applicable overhead, general and administrative costs incurred in the acquisition of the asset plus any approved surcharges.

(3) A capital asset acquired by a central agent and distributed and installed in one or more business areas shall be capitalized in the financial records of each business area and depreciated.

(4) When the share of the cost of a capital asset distributed and installed at a business area fails to meet the investment capitalization criteria, it nevertheless shall be capitalized and depreciated if the aggregate initial cost of the asset distributed to all business areas, satisfies the investment threshold.

(5) Capital assets acquired by a central agent may be delivered directly from a vendor/contractor to the receiving business area. Central agents shall record all deliveries and receipt of capital assets in their financial records until such time as an order is completed and sold or transferred to a customer. The ultimate cost of the completed asset shall include all incremental deliveries and all additional costs incurred by either, or both, the central agent and the receiving customer in the acquisition and installation of the asset.

c. Transfer of Capital Assets

(1) Capital assets that are transferred to a DBOF activity and have preexisting depreciation schedules and accumulated depreciation shall be capitalized to the fund at their book value plus any associated costs for transportation, installation, and other related costs necessary to put the asset in the place and in the form in which it shall be used.

(2) Capital assets that are transferred to a DBOF activity and have no preexisting depreciation schedules and accumulated depreciation shall be capitalized to the fund at their original acquisition cost, or reasonable estimate thereof when acquisition cost cannot be reasonably determined, plus any associated costs for transportation, installation, and other related costs necessary to put the asset in the place and in the form in which it shall be used. The DBOF activity shall then record accumulated depreciation in an amount equal to the amount that would have been recorded if the asset had been depreciated based on its (the DBOF activity's) normal depreciation

policy. The net value (original acquisition cost less accumulated depreciation) shall be recorded as an equity increase. For example, assume an asset that was originally acquired by the transferor three years past for \$50,000 is transferred to a DBOF activity. The asset is one that has a five year useful life. The following accounting entry should be made to record the asset on the records of a DBOF activity:

Dr	1750 Equipment	\$50,000	
	Cr 1759 Accumulated Depreciation		
	on Equipment		\$30,000
	Cr 3220 Transfers In from Others		
	Without Reimbursement		\$20,000

Entry to record transfer in of an asset without reimbursement from another DoD entity.

Depreciation after the transfer shall be calculated based on the net asset amount recorded. The DBOF will then begin recording depreciation expenses on these assets and reporting them in the financial records.

(3) Capital assets that (1) are donated to a DBOF activity by organizations outside the DoD and (2) meet the capitalization criteria shall be capitalized to the DBOF at estimated fair market value plus any associated costs for transportation, installation, and other related costs necessary to put the asset in the place and in the form in which it shall be used. Depreciation of the donated asset shall be calculated based on the asset amount recorded. The DBOF will then begin recording depreciation expenses on these assets and reporting them in the financial records.

(4) Capital assets that are transferred out of a DBOF activity to another DoD activity, Government Agency or others shall be transferred at the recorded acquisition cost less accumulated depreciation as of the date of transfer. The accounting entries for these transfers are prescribed in paragraph E.6.b. below. Disposal of a capital asset--whether at a gain or a loss--shall be in accordance with Chapter 62 of this Volume and Part of the DoD Financial Management Regulation.

d. Capital Assets Acquired for Customers

(1) Statutory limitations and restrictions imposed on appropriated or other funds of the DBOF's customer(s) are not changed by the placement of an order with the DBOF. A DBOF customer cannot use its appropriated funds to do indirectly i.e., through placement of an order with a DBOF activity, what it is not permitted to do directly. Thus, the availability of an appropriation cannot be expanded or otherwise changed by placing a customer order with, or otherwise transferring amounts to the DBOF. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity is primarily responsible for the determination of the applicability of the ordering appropriation. However, if instances arise where the ordering appropriation is not appropriate for the purpose provided, then the order should be returned with a request for an appropriate appropriation cite.

(2) Capital assets which are acquired specifically for a particular customer order and do not have a recurring use for other workload or customer orders shall be charged to the customer order, provided the appropriation or fund cited in the order is appropriate for that purpose. Such assets shall be the property of the customer and, as such, are not subject to depreciation expense recovery by a DBOF activity.

(3) The total cost incurred by a DBOF activity in developing, manufacturing or acquiring capital assets for a customer shall be accumulated in the work-in-process account. Customers shall be billed the negotiated sales price. The selling price shall include the total cost of the capital asset which consists of contractual cost net of authorized discounts taken, reimbursable support cost, applicable overhead, general and administrative costs when appropriate, any associated costs for installation, modification, testing, transportation, and other related costs in developing or acquiring the asset, plus any approved surcharges.

7. Improvements and Upgrades of Existing Capital Assets

a. Improvements and upgrades that increase the capacity or operating efficiency of an existing capital asset, and for which the cost is equal to or greater than the expense/investment funding threshold used by the Congress for appropriating DoD operating (expense) and Procurement (investment) appropriations, should be capitalized even though the improvement or upgrade may not extend the useful life of the asset. The depreciation schedule of existing capital assets shall be revised to include the acquisition cost of a capitalized improvement or upgrade. Below are criteria for use in determining whether the useful life of the original asset should be revised. In either situation, revision of depreciation expense and/or useful life is measured prospectively and accounted for in the current and future periods. No adjustment shall be made to prior depreciation.

(1) If the cost of the improvement or upgrade is greater than 50 percent of the net book value (original acquisition cost less accumulated depreciation) of the existing asset, then the improvement or upgrade is analogous to the purchase or manufacture of a new asset. Accordingly, investment amounts will be added to the current net book value of the existing asset and a new depreciation value computed which will depreciate the new value over the useful life of the asset determined from the month that the improvement or upgrade became operational.

(2) If the cost of the improvement or upgrade is less than 50 percent of the net book value (original acquisition cost less accumulated depreciation) of the existing asset, then the cost of the improvement or upgrade is depreciated over the remaining useful life of the existing asset.

b. Improvements and upgrades costing less than expense/investment funding threshold used by the Congress for appropriating DoD operating and Procurement appropriations are recorded as an expense even though the improvement or upgrade could extend the useful life of the asset.

8. Capital Asset Accounting Pro Forma Illustrations

a. An illustration of selected accounting entries to be recorded in a DBOF's financial records is as follows:

(1) Record Capital Budget at Component Level

Dr 4550 Internal Fund Distributions Received
Cr 4567 Unallotted Capital Authority-DBOF

Entry to record at the Component/Agency level the capital budget received from the DoD Level.

(2) Issue Capital Budget to Installation Level

Dr 4567 Unallotted Capital Authority-DBOF
Cr 4577 Capital Authority Issued-DBOF

Entry to record the capital budget issued to the installation level from the Component/Agency level.

(3) Record Capital Budget at Installation Level

Dr 4585 Capital Program-DBOF
Cr 4615 Capital Authority Available-DBOF

Entry to record the capital budget at the installation level received from the DoD Component.

(4) Order Placed for Capital Equipment

Dr 4615 Capital Authority Available-DBOF
Cr 4825 Undelivered Orders-Capital-DBOF

Entry to record an obligation for the purchase of capital equipment.

(5) Capital Asset Received

Dr 4825 Undelivered Orders-Capital-DBOF
Cr 4922 Accrued Expenditures-Unpaid-Capital-DBOF

Dr 1750 Equipment
Cr 2110 Accounts Payable

Entry to record the receipt and recognize the accounts payable for a capital asset.

(6) Payment for Capital Asset

Dr 4922 Accrued Expenditures-Unpaid-
Capital-DBOF
Cr 4944 Accrued Expenditures-Paid-
Capital-DBOF

Dr 2110 Accounts Payable
Cr 1012.2 Funds Disbursed-Capital
Program-DBOF

Entry to record the payment for the purchase of a capital asset.

b. A DBOF activity transfers out a capital asset to another Government Agency for which depreciation has previously been recorded.

(1) Transfer-Out of Capital Asset with Recorded Depreciation to another Government Agency

Dr 3231 Transfers-Out to Government Agencies
Without Reimbursement
Dr 1759 Accumulated Depreciation on Equipment
Cr 1750 Equipment

Entry to record the transfer-out of a capital asset to another Government Agency where depreciation has previously been recorded.

(2) Transfer-Out of Capital Asset with Recorded Depreciation to Others

Dr 3232 Transfers-Out to All Others
Without Reimbursement
Dr 1759 Accumulated Depreciation on Equipment
Cr 1750 Equipment

Entry to record the transfer-out of a capital asset to others where depreciation has previously been recorded.

c. A transfer-in to a DBOF activity of a capital asset for which depreciation has previously been recorded.

Receipt of Capital Asset Transferred-In with Recorded Depreciation

Dr 1750 Equipment
Cr 1759 Accumulated Depreciation on Equipment
Cr 3220 Transfers-In from Others Without
Reimbursement

Entry to record the transfer-in of a capital asset from another DoD activity where depreciation has previously been recorded.

8. General ledger account definitions are provided in Volume 1 of the "DoD Financial Management Regulation."

F. COST AND ECONOMIC ANALYSIS OF DBOF CAPITAL INVESTMENT PROGRAM PROJECTS

1. Purpose. The purpose of this policy is to:

a. Clarify techniques and procedures for analysis and documentation of capital projects with investment costs less than \$100,000 as well as those of \$100,000 or more. Capital projects are those that are expected to meet the capitalization criteria specified in paragraph D.6. of this chapter.

b. Outline the process for capital project economic analysis and cost comparison justifications in support of the Planning, Programming, Budgeting, and Execution System.

2. Related Materials

a. OMB Circular A-94, "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs," October 1992.

b. DoDI 7041.3, "Economic Analysis and Program Evaluation for Resource Management," October 1972.

c. DoD 7000.14-R, "Department of Defense Financial Management Regulation," Volume 2B, Chapter 9, May 1994.

d. OUSD(C) Inflation Indices issued annually to DoD Components for use in preparation of PPBES submissions and cost estimates.

3. Analytical Justification - General Policy

a. Capital Investment Program projects within the DBOF are essential in maintaining efficient and effective business operations. It is imperative that expenditure of funds for these projects be justified based on sound analytical evaluation to ensure competitive operations reflected in a structure supporting the lowest price to the customer.

b. Funding requests for projects in the four Capital Investment Program categories identified in paragraph D. of this chapter shall be justified and supported by a formal, pre-investment analysis. Either an economic analysis or cost comparison as discussed in this document is required to justify investment projects for Capital Budget "submissions, reprogramming requests, or substitution of projects. The scope of analysis shall be tailored depending on dollar value of the project as outlined in paragraphs F.5. and F.6. below. These analyses shall be maintained by the originating office of the DoD Component as project documentation support for the Capital Budget submission as well as program execution. The Capital Investment Program categories are:

(1) Capital Equipment (Other than ADPE & Telecommunications)

(2) ADPE and Telecommunications Equipment

(3) Software

(4) Minor Construction (less than \$300,000)

c. Capital Investment Program projects in the four investment categories above shall also be identified according to one of the following primary reasons for justifying the investment:

(1) Replacement. Unsafe, beyond economical repair, or inoperative/unusable assets.

(2) Productivity. Improved efficiency (savings) or effectiveness.

(3) New Mission. Required new capability or capacity that cannot be met with current equipment or facilities.

(4) Environmental. Investment for environmental or hazardous waste reduction including regulatory agency mandated requirements.

4. Analytical Justification - General Policy Exemptions. There are two instances for which an exemption applies to the requirement to perform a pre-investment analysis. In both instances, an exception justification statement shall be prepared documenting the requirement or authority for the exemption claimed. Exemption statements shall be validated as would a pre-investment analysis and approved through DoD Component review channels. The two instances are:

Environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal), mandated requirements; also includes directed action by higher DoD or Component authority which precludes choice among alternatives.

b. DoD instruction or directive waive the requirement (e.g., equipment age or condition replacement criteria).

5. Analytical Justification - Investment Projects under \$100,000

a. Investment projects estimated to cost under \$100,000 shall be justified using an abbreviated approach which compares the costs of feasible alternatives to the status quo. The cost comparison initially shall be prepared in constant base year dollars and shall present a differential cost display by year for up to a six year evaluation period beginning with the budget year for which investment funds are requested.

b. Documentation for a cost comparison shall describe the functional process performed; define the need/requirement/objective; identify workload projections; address feasible alternatives; present total costs attributed to each alternative and the differential costs/monetary benefits expected in constant and current dollars over the six year evaluation period; provide significant assumptions, constraints, estimating methods, rationale and data sources.

c. The following economic indicators (defined in paragraph F.7. below) shall be developed and summarized in the Cost Comparison: Payback and Benefit to Investment Ratio (BIR). These values shall be used in conjunction with the above documentation elements in determining the recommended project alternative when there is more than one under evaluation. Payback shall be the primary indicator from cost comparisons to rank order projects up to \$100,000 within the investment categories of each business area.

d. Addendum 2 presents a recommended outline and format for the cost comparison reflecting the above documentation elements. Complete documentation for a cost comparison may be 3-5 pages although this may vary depending on the number of alternatives considered and complexity of the project.

6. Analytical Justification - Investment Projects \$100,000 or More

a. Investment projects estimated to cost \$100,000 or more shall be justified using conventional, analytical techniques pertaining to economic analysis for evaluation of alternatives relative to the current situation or status quo. The economic analysis shall be prepared on a net present value (NPV) basis and shall comply with applicable DoD or Component guidance as well as functional program guidance. The economic analysis initially shall be prepared in constant base year dollars and shall present a differential cost display by year over the project's expected economic life beginning with the budget year for which investment funds are requested. The expected economic life used in estimating the costs and benefits of an alternative shown on the Economic Analysis Format shall be the same as the depreciation period for that asset as shown in paragraph D.7.f. above.

b. Documentation shall describe the functional process performed; define the need/requirement/objective; present and explain workload projections; identify feasible alternatives; present total costs and the differential costs/monetary benefits in constant, discounted, and current dollars over the expected economic life of the project; highlight NPV of the alternatives; present estimating methods/relationships, and data sources; identify significant constraints, assumptions and variables; treat sensitivity and uncertainty of key parameters; and address all other quantifiable benefits as well as any intangible benefits influencing the recommended course of action. Quantifiable benefits are all outputs/results achieved in return for investment dollars associated with an alternative. Numerical values such as dollars saved or physical/performance attributes are measures of quantifiable benefits. Intangible benefits are qualitative in nature such as improved morale or quality of life considerations.

c. The standard criterion used in evaluating investment alternatives based on economic principles is NPV which is the difference between the discounted present value of monetary benefits and the discounted present value of investment costs. In addition to NPV, economic indicators for "Payback" and "Benefit to Investment Ratio (BIR)," (defined in paragraph F.7. below) shall be developed and summarized in the economic analysis. These values shall be used in conjunction with the above documentation elements in determining the recommended project alternative when there is more than one under evaluation. NPV and BIR shall be the primary financial

measures from economic analyses used to rank order projects of \$100,000 or more within the investment categories of each business area.

d. Addendum 3 contains a recommended outline and format for the economic analysis reflecting the above documentation elements. Automated economic programs and reports may be used if the programs provide reports comparable to the requirements of Addendum 3.

e. With regard to automated information systems investments and functional program evaluations within the DoD, the pre-investment analysis process shall comply with the requirements identified below. Care shall be exercised in consideration of the type and program responsibility for the respective economic analyses to assure efficient preparation and submission to the appropriate business area and Capital Investment Program category.

(1) Major Automated Information System Review Council (MAISRC) Systems. MAISRC Systems shall comply with economic analysis preparation, display, milestone, and dollar threshold requirements for automated information systems governed by DoDD 8120.1, "Life-Cycle Management of Automated Information Systems," DoDI 8120.2, "Automated Information Systems Life-Cycle Management Process, Review, and Milestone Approval Procedures," DoDI 7920.4, "Baselining of Automated Information Systems," and DoD 7920.2-M, "Automated Information system Life-Cycle Management Manual."

(2) Functional Economic Analyses. Functional Economic Analyses (FEAs) shall comply with DoD economic analysis requirements in support of functional program business cases governed by DoD Series 8000 Instructions and authorities referenced in paragraph F.2. of this chapter.

f. All automated information systems investments shall be supported by an economic analysis for each phase of the acquisition review and approval process prescribed by DoD and Component regulatory authority.

7. Economic Indicators

a. The economic indicators as defined and discussed below shall be used in both cost comparisons and economic analyses for Capital Investment Program projects.

(1) Payback. Used to compare the period of time, in years, necessary for an alternative to repay its investment cost from monetary benefits expected; also used as a value to compare and rank order competing projects; computed using current dollars. Calculated and presented as whole and fractional part of a year (i.e., 2.73 years).

(2) Benefit to Investment Ratio (BIR). Used to compare project alternatives in terms of all expected monetary benefits inclusive of whole and partial manpower productivity savings resulting from increased efficiency and other cost avoidances achieved over the total project life under evaluation; also used as a value to compare other projects. Calculated, using discounted constant dollars, as an index value and rounded to the second decimal place (e.g., 3.74). The value must be greater than one to be cost beneficial; the larger the ratio the greater the advantage.

b. The computation of BIR shall be limited for Capital Investment Program projects to a six year evaluation period for cost comparisons and a project's expected economic life for economic analyses. If the expected economic life of a proposed capital asset/alternative is less than the six year period for a cost comparison, the evaluation period shall be shortened to match. Additionally, the cost comparison DIR shall be computed using constant dollars only since discounting does not apply to the cost comparison analysis.

c. Some projects may not generate sufficient expected monetary benefits to payback within the specified evaluation period for cost comparisons. In these instances, annual benefits shall be extrapolated beyond the evaluation period for purposes of determining the Payback.

d. Automated information systems economic analyses, in accordance with paragraph F.6.e. above, also include a "Savings to Investment Ratio (SIR)" economic indicator. Savings to Investment Ratio (SIR) is used to compare project alternatives in terms of hard savings expected (i.e., funds no longer required in the budget and program out years) relative to the investment cost of each alternative over the total project life under evaluation; also used as a value to compare other projects; computed using discounted constant dollars.

8. Operations Versus Investment Cost Elements for Analysis of DBOF, Capital Investment Program Projects. The following elements are illustrative of those considered in estimating the costs associated with a Capital Investment Program project for either a cost comparison or economic analysis. These cost elements may be augmented as needed. Operations cost elements apply to the status quo and all feasible alternatives while investment cost elements apply only to the alternatives. Operations costs should be estimated on a total cost basis including all direct and indirect labor, applicable overhead, and general and administrative costs. Operations costs may include non-recurring (one time) as well as recurring costs.

OPERATIONS COSTS

Labor

- Civilian Personnel
- Military Personnel

Material

Maintenance and Repair

Consumable Supplies

Lease/Rent

Utilities

Other

INVESTMENT COSTS

Acquisition

Transportation *

Installation *

Testing*

Training *

Other

* May be applicable if not included in acquisition cost.

9. Budget Formulation and Execution

a. Capital Investment Program project justifications shall be used in support of program planning as well the budget formulation process. Initial supporting, pre-investment analyses shall be completed approximately eighteen months prior to the year of execution and then reassessed approximately six months before year of execution. In addition to budget formulation, either an economic analysis or cost comparison shall be used to support a project substitution or to accomplish a reprogramming request.

b. DoD Component business areas are encouraged to rank order all projects within Capital Investment Program category (as shown in paragraph F.3.b. above) based on NPV and the economic indicators discussed above as well as other essential criteria (e.g., exemptions) deemed appropriate by Component activities. The prioritization process shall facilitate timely substitution of worthy projects for those no longer justified and subsequently drop out.' The priority sequencing process shall result in a listing that is periodically updated as Component or business area priorities change.

c. Capital Investment Program projects shall be submitted in accordance with Volume 2B, Chapter 9 of this Regulation.

(1) Investment projects of \$500,000 or more shall be supported by a summary of the results of the economic analysis including an explanatory narrative of the need/requirement, workload projections, feasible alternatives, significant assumptions, estimating methods, data sources, NPV, Payback, BIR, dollar benefits expected, and other support of the recommended project. An appropriate exemption justification statement shall be included as applicable in lieu of economic analysis summary results.

(2) Investment projects of \$1.0 million or more shall have a copy of their supporting economic analysis submitted to the DoD Component for review and retention.

10. Post-Investment Analyses. Annually, each activity within the DBOF shall prepare post-investment analyses for ten percent of the number of capital investment projects, but not less than five projects, that were completed during the previous fiscal year and had been justified wholly or partially on the basis of economic considerations (e.g., productivity improvements). The projects selected for post-investment analysis shall be a representative sample of the completed investment projects. The format and technique for each post-investment analysis shall be similar to the cost comparison or economic analysis used for the project justification. The post-investment analyses shall be retained for ready review for five years.

ACCOUNTING ILLUSTRATION

INVESTED CAPITAL USED

A. GENERAL

1. Revenue and expenses associated with reimbursable orders must be matched and reported on the Statement of Operations. Likewise, the use of assets, as measured by depreciation of those assets, which are not included in reimbursement rates is a financing source against which expenses Must be matched and reported on the Statement of Operations. To accomplish this requirement, general ledger account 5790 has been established.

2. Assets used by the Defense Business Operations Fund (DBOF) may be made available in one of two ways:

a. Assets may be purchased by use of DBOF (97X4930) resources. Assets purchased through use of DBOF resources are accounted for as an exchange of assets (DBOF cash for the acquired asset) as demonstrated by the following accounting entry:

Dr 1730 Buildings	\$ 60,000	
Dr 1740 Other Structures and Facilities	\$ 48,000	
Cr 1012.2 Funds Disbursed -		
Capital Program - DBOF		\$108,000

b. Assets may be acquired through resources other than those made available to the DBOF for its use. Assets of this type (generally buildings, structures, and facilities financed by a Military Construction appropriation and assets financed by a Procurement appropriation for mobilization requirements) are accounted for as an increase to the applicable asset account and a corresponding increase in equity as demonstrated by the following accounting entry (and more fully explained in this Addendum):

Dr 1730 Buildings	\$240,000	
Dr 1740 Other Structures and Facilities	\$120,000	
Cr 3211.2 Assets Capitalized		\$360,000

Account 5790, "Invested Capital Used," a credit balance account, is a general ledger account established to match, as a financing source, the current period depreciation of assets acquired through resources other than those made available to the DBOF (97X4930) for its use.

B. ILLUSTRATION. The following simplified illustration provides an explanation, in accounting terms, of the accounting necessary to properly recognize revenue and associated expense applicable to invested capital.

1. Identification of Expense to Financing Source. Assets used by the DBOF may be financed through use of DBOF resources (97x4930) or they may be financed by other sources and donated or otherwise made available to the DBOF for its use. The assets acquired must be identified to their original financing source so that the depreciation of those assets can be properly identified.

Financing Source	Account 1730 <u>Buildings</u>	Account 1739 Monthly <u>Depreciation</u>	Account 1740 Other Structures and Facilities	Account 1749 Monthly <u>Depreciation</u>
97X4930	\$60,000	\$ 250	\$48,000	\$ 200
Donation/Other	<u>\$240,000</u>	<u>\$1,000</u>	<u>\$120,000</u>	<u>\$ 500</u>
Total	\$300,000	\$1,250	\$168,000	\$ 700

2. Recognition of Accrued Expenses

Dr	6126 Depreciation of Real Property	\$1,500	
	Cr 1739 Accumulated Depreciation on Buildings		\$1,000
	Cr 1749 Accumulated Depreciation on Other Structures and Facilities		\$ 500

To record monthly real, property depreciation on donated/Military Construction financed assets. (As shown in preceding table, \$1,500 [\$1,000 + \$500] of the depreciation is applicable to assets used by the DBOF but financed by resources other than those available to the DBOF.)

Dr	6126 Depreciation of Real Property	\$ 450	
	Cr 1739 Accumulated Depreciation on Buildings		\$ 250
	Cr 1749 Accumulated Depreciation on Other Structures and Facilities		\$ 200

To record monthly real property depreciation on assets acquired with DBOF financial resources.

3. Reduction of Invested Capital (Account 3211.2). The amounts to be recorded in account 5790 shall be equal to the amount of depreciation/depletion/amortization expenses recorded in the 6100 series of accounts that are applicable to assets used by the DBOF but financed by resources other than those available to the DBOF. In this illustration, those expenses total \$1,500.

The following entry illustrates the use of this account:

Dr	3211.2 Assets Capitalized	\$1,500	
	Cr 5790 Invested Capital Used		\$1,500

To record, as a financing source, the monthly benefit received from the use of non-DBOF assets. The benefit received shall be equal to the depreciation-expense recorded for those assets during the same period.

4. CLOSING OF ACCOUNTS AT FISCAL YEAR END

Dr 3321 Net Results of Operations - DBOF	\$ 23,400	
Cr 6126 Depreciation of Real Property		\$ 23,400
Dr 5790 Invested Capital Used	\$ 18,000	
Cr 3321 Net Results of Operations-DBOF		\$ 18,000
Dr 1012.2 Funds Disbursed - Capital Program - DBOF	\$108,000	
Cr 3211.4 Net Treasury Balance-DBOF		\$108,000

5. NOTES:

a. Account 5790, "Invested Capital Used," should equal the amount of depreciation expenses recorded for assets used by the DBOF but financed by resources other than those available to the DBOF.

b. The balance in account 5790 should be reported within the "Revenues and Financing Sources" section of the Statement of Operations on the line for "Other Revenue and Financing Sources."

c. The accrued depreciation expense should be reported within the "Expenses" section of the Statement of Operations on the line for "Depreciation and Amortization."

d. The Journal Voucher used to generate the third entry in paragraph B.4. above to close general ledger account 1012.2, "Funds Disbursed - Capital Program - DBOF" to general ledger account 3211.4 shall be retained indefinitely. A copy of the Journal Voucher shall be forwarded to the Defense Finance and Accounting Service-Cleveland Center. Upon receipt of the Journal Voucher from a DBOF activity, the Defense Finance and Accounting Service-Cleveland Center shall make the following accounting entry:

Dr 3211.4 Net Treasury Balance-DBOF	\$108,000	
Cr 1013.2 Funds with Treasury - Capital Program - DBOP		\$108,000

DEFENSE BUSINESS OPERATIONS FUND

CAPITAL INVESTMENT PROGRAM

PROJECT JUSTIFICATION AND ANALYSIS
(For Capital Investment Projects less than \$100,000)

1. Project Title:
2. Functional Process/Project Description:
3. Need/Requirement/Objective Statement:
4. Workload Projections:
5. Alternative(s):
 - Status Quo
 - Feasible Alternatives
 - Alternative A
 - Alternative B (if applicable)
6. Cost and Benefits Display (see following page)
7. Summary Information for All Alternatives: (Numbers in parentheses are keyed to the Cost Comparison Format on the following page)

	Alt. A	Alt. B
Total Benefits (Current Dollars) (6)	_____	_____
Investment Cost (Current Dollars) (7)	_____	_____
Payback (Yrs))	_____	_____
BIR (8)/(9)	_____	_____
Productivity Benefits: (Workyears)	_____	_____

8. Source and Derivation of Costs: (Provide complete explanation, rationale, and backup to support the project and ensure validation.)
9. Assumptions and Constraints: (Identify significant assumptions and constraints.)
10. Conclusions and Recommendation:

COST COMPARISON FORMAT

Constant Dollars (Base Year FY96)				Current Dollars (Inflated)
Evaluation Period* (1)	Operations Costs		Benefits	Benefits
	Status Quo (2)	Alternative A (3)	(Differential Costs) (4) = (2) - (3)	(Differential Costs) (5) = (4) x Infl. Fac.
FY96				
FY97				
FY98				
FY99				
FY00				
FY01				
Residual Value				
Total	\$ XXX	\$ XXX	\$ XXX (8)	\$ XXX (6)
		<u>Investment Cost</u>		<u>Investment Cost</u>
		\$ XXX (9)		\$ XXX (7)
		<u>Project Total</u>		
		\$ XXX		

*Limited to 6 years

Repeat Cost Comparison Format for each alternative.

DEFENSE BUSINESS OPERATIONS FUND

CAPITAL INVESTMENT PROGRAM

PROJECT JUSTIFICATION AND ANALYSIS

(For Capital Investment Projects of \$100,000 or more)

1. Project Title:
2. Functional Process/Project Description:
3. Need/Requirement/Objective Statement:
4. Workload Projections:
5. Alternative(s):

- Status Quo
- Feasible Alternatives
 - Alternative A
 - Alternative B (if applicable)

6. Cost and Benefits Display (see following page)

Summary Information for All Alternatives: (Numbers in parentheses are keyed to the Cost Comparison Format on the following page)

	Alt. A	Alt. B
Total Benefits (Current Dollars) (7)	_____	_____
Investment Cost (Current Dollars) (8)	_____	_____
Payback (Yrs))	_____	_____
BIR (11)/(12)	_____	_____
Productivity Benefits: (Workyears)	_____	_____

8. Source and Derivation of Costs: (Provide complete explanation, rationale, and backup to support the project and ensure validation.)
9. Assumptions and Constraints: (Identify significant assumptions and constraints.)
10. Sensitivity/Uncertainty: (Analyze the implications of potential changes to key parameters on the costs and monetary benefits for each alternative.)
11. Other Quantifiable Benefits (non-monetary] and Intangible Benefits: (Identity and discuss other quantifiable and intangible benefits that may help to distinguish between alternatives with similar economic indicator values.)
12. Conclusions and Recommendation:

ECONOMIC ANALYSIS FORMAT

Constant Dollars (Base Year FY96)			Net Present Value (Discounted Dollars)	Constant Dollars (Inflated)
Evaluation Period* (1)	Operations Costs		Benefits	Benefits
	Status Quo	Alternative A	(Differential Costs)	(Differential Costs)
	(2)	(3)	(4) = (2) - (3)	(5) = (4) x Disc. Fac
FY96				
FY97				
FY98				
FY99				
FY00				
FY01				
FY02				
FY03				
FY04				
FY05				
Residual Value			\$ XXX	\$ XXX
TOTAL	\$ XXX	\$ XXX	\$ XXX (9)	\$ XXX (11)
		Investment Cost		Investment Cost
		\$ XXX (10)		\$ XXX (12)
		Project Total		\$ XXX (8)
		\$ XXX		

*Number of years based on projected economic life of the capital asset
(5 - 20 years depending upon the asset's depreciation period)

Repeat Economic Analysis Format for each alternative.

CHAPTER 59

LIABILITIES

A. GENERAL STANDARDS

1. General Information. General information relating to liabilities may be found in Chapter 8, "Liabilities" Chapter 9, "Accounts payable," Chapter 10, "Accrued Personnel Liabilities," and Chapter 13, "Other Liabilities," of Volume 4 of this regulation.

2. Definition of the Term "Liability". A liability is a probable and measurable future outflow of resources arising from past transactions or events.

3. Liabilities Covered by Budgetary Resources (Funded Liabilities). These are liabilities incurred which will be covered by available budgetary resources. Budgetary resources include: (a) new budget authority; (b) offsetting collections credited to an appropriation or fund account; (c) recoveries of unexpired budget authority through downward adjustments of prior year obligations; and (d) unobligated balances of such resources at the beginning of the year or transferred in during the year.

a. Intragovernmental Funded Liabilities. Intragovernmental liabilities, for the Defense Business Operations Fund, are claims against the DBOF by non-DBOF DoD and other federal entities. Intragovernmental liabilities include accounts payable to non-DBOF DoD and other federal entities and other current liabilities such as advances and Prepayments received from those entities.

b. Governmental Funded Liabilities. Governmental liabilities, for the Defense Business Operations Fund as well as for other DoD entities, are amounts that the federal government or an entity within the federal government owes to nonfederal entities. The term "nonfederal entities" encompasses domestic and foreign persons and organizations outside the U.S. Government. The term "public" is also used to represent nonfederal entities. Governmental liabilities include accounts and interest payable to nonfederal entities, other liabilities due to nonfederal entities, and advances and prepayments received from nonfederal entities.

4. Liabilities Not Covered by Budgetary Resources (Unfunded Liabilities). These are liabilities incurred which are not covered by available budgetary resources. These include liabilities resulting from the receipt of goods or services in the current or prior periods, or the occurrence of eligible events in the current or prior Periods, for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or earnings of the entity. Notwithstanding an expectation that the appropriations will be made, whether they in fact will be made is completely at the discretion of the Congress.

a. Intragovernmental Unfunded Liabilities. These are liabilities, not covered by available budgetary resources, that arise from transactions among federal entities.

b. Governmental Unfunded Liabilities. These are liabilities, not covered by available budgetary resources, that arise from transactions with nonfederal entities.

5. Recognition of Liabilities. A liability should be recognized when it is incurred, regardless of whether it is covered by available budgetary resources. Financial statement disclosure should be made for liabilities that are not covered by available budgetary resources.

B. SPECIFIC STANDARDS

1. Accounts Payable. Accounts payable are amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities. Accounts payable are not intended to include liabilities related to on-going continuous expenses such as employees' salary and benefits, which are covered by other current liabilities. Amounts owed for goods or services received from federal entities represent intragovernmental transactions and should be reported separately from amounts owed to the public.

2. Recognition of Accounts Payable. When an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of the goods. If invoices for those goods are not available when financial statements are prepared, the amounts owed should be estimated. When a contractor provides the government with goods that are also suitable for sale to others, the liability usually arises when the contractor physically delivers the goods and the government receives them and takes formal title. However, when a contractor builds or manufactures facilities or equipment to the government's specifications, formal acceptance of the products by the government is not the determining factor for accounting recognition. Constructive or de facto receipt for facilities or equipment constructed or manufactured according to agreements or contract specifications occurs in each accounting period based on an estimate of work completed under the contract or agreement. The estimate of such amounts should be based primarily on the federal entity's engineering and management evaluation of actual performance progress and incurred costs. As a rule, actual performance progress and incurred costs are evidenced by progress billings from the contractor and are verified by the contract administrator.

3. Interest Payable. Interest payable should be recorded for the amount of interest expense incurred and unpaid. Within the DoD, interest payable results primarily from late payment of bills by a DoD activity (see provisions in 31 U.S.C. 3901 through 3907, Prompt Payment) and on refunds (see provisions in 26 U.S.C. 6611). The provisions of the Prompt Payment Act require that interest penalties be paid from funds available to carry out the programs for which the penalty was incurred, that is, interest penalties under the Prompt Payment Act shall be charged directly to the account that funds the payment of the underlying liability.

4. Other Current Liabilities. The term "other current liabilities" is used to report current liabilities that are not recognized in specific categories such as accounts payable; interest payable; debt owed to the public, Treasury, or other entities; and liabilities for loan guarantee losses. Other current liabilities due to federal entities are intragovernmental liabilities that should be reported separately from those due to employees and the public. Other current liabilities include unpaid expenses that are accrued for the fiscal year for which the financial statements are prepared and are expected to be paid within the fiscal year following the reporting date. Examples of "other current liabilities" are:

a. Accrued employees wages, bonuses, and salaries for services rendered in the current fiscal year for which paychecks will be issued in the following year.

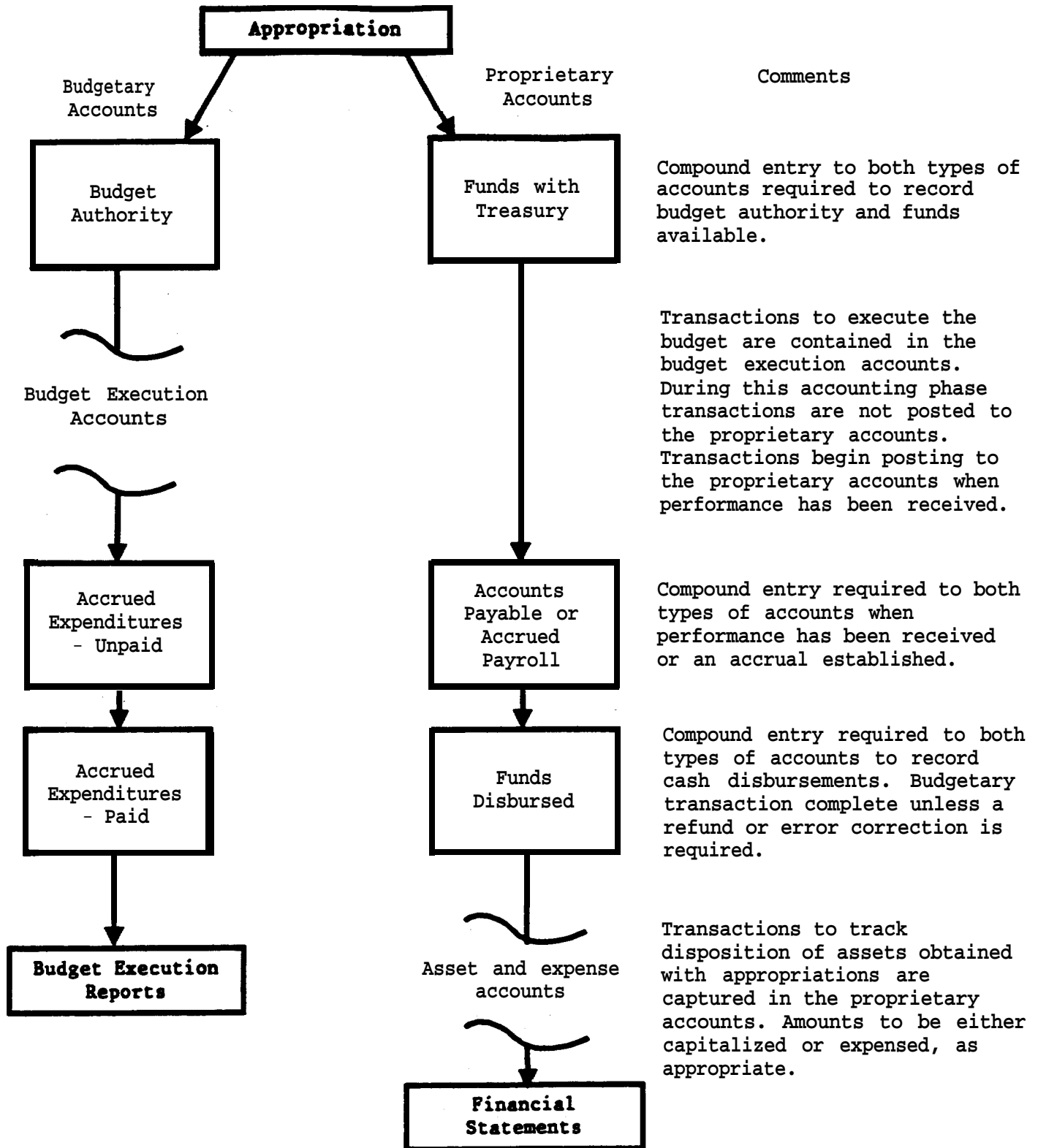
b. Advances and prepayments received for goods to be delivered or services to be performed. An advance equal to the price of an item shall be collected before delivery or shipment of an item to customer who is not chartered, sanctioned, authorized, or under contract to perform a function of the Federal Government. Federal Government nonappropriated fund instrumentalities are authorized to perform a morale, welfare, and recreation function for the Federal Government. Before revenues are earned, the current portion of the advances and prepayments should be recorded as other current liabilities. After the revenue is earned (goods or services are delivered, or performance progress is made according to engineering evaluations), the entity should record the appropriate amount as a revenue or financing source and should reduce the liability accordingly.

5. Relationship of liabilities to obligations. A federal entity, under budgetary accounting, records an obligation (i.e., an undelivered order) when the entity places a purchase order or signs a contract. An obligation, once incurred, reduces an entity's resources available for obligation. Budgetary accounting entries are required to record the amounts obligated and to reduce the available budget authority. For financial reporting purposes, liabilities are recognized when goods and services are received or are recognized based on an estimate of work completed under a contract or agreement. When liabilities are recognized, the undelivered order recorded in budgetary accounts is reduced and an accrued expenditure-unpaid is recorded. Addendum 1 illustrates this relationship.

6. Supporting Records. Supporting records shall be maintained for all liabilities. The supporting record shall identify the amount owed by individual transaction the date recorded, and the identity of the payee. At least quarterly, the supporting records shall be reconciled with the general ledger balance. All differences shall be investigated and all errors corrected.

7. More specific and detailed information on the accounting for liabilities are contained in Volume 4, "Accounting Policies and Procedures," of this Regulation.

BUDGETARY AND PROPRIETARY ACCOUNTING RELATIONSHIPS



Addendum 1

CHAPTER 60

EQUITY

A. EQUITY

General information relating to equity may be found in Chapter 16, "Equity," of Volume 4 of this regulation. The equity accounts authorized for use by the Defense Business operations Fund are listed below. A description of each account and illustrative accounting entries are contained in paragraph B. of this chapter. The Defense Business Operations Fund equity accounts are:

- 3211 Capital Investment - DBO
 - 3211.1 Appropriations Available
 - 3211.2 Assets Capitalized
 - 3211.3 Liabilities Assumed
- 3220 Transfers In from Others Without Reimbursement
- 3230 Transfers Out to Others Without Reimbursement
 - 3231 Transfers Out to Government Agencies Without Reimbursement
 - 3232 Transfers Out to All Others Without Reimbursement
- 3310 Cumulative Results of Operations
 - 3311.1 Cumulative Results of Operations - DBOF
 - 3311.2 Cumulative Results of Operations - DBOP- Deferred
- 3320 Net Results of Operations
 - 3321 Net Results of Operations - DBOF

B. EQUITY ACCOUNT DESCRIPTION AND ILLUSTRATION

1. Account 3211, Capital Investment - DBOF. Accounts subsidiary to the summary account 3211, "Capital Investment - DBOF," have been established to meet the financial reporting requirement of the Defense Business Operations Fund. The necessary subsidiary accounts are shown below:

a. Account 3211.1, Appropriations Available. Account 3211.1, "Appropriations Available," shall be used to record amounts appropriated or reappropriated to establish or increase the working capital of the Defense Business Operations Fund. Increases occur upon appropriation or reappropriation. Decreases occur primarily when the appropriation is used. Decreases also occur when previously appropriated and/or reappropriated amounts are returned to the U.S. Treasury or to another appropriation or fund. Chapter 52, "Budgetary Resources," of this Part contains additional information on the use of this account. Sources of entries to the "Appropriations Available" account include TFS Form 62,00, "Department of the Treasury Appropriation Warrant," and SF-1151, "Nonexpenditure Transfer Authorizations." The following illustrate the most common entries to this credit-balance account:

Dr 1013 Funds With Treasury
Cr 3211.1 Appropriations Available

To record the receipt of capital appropriated for the Defense Business Operations Fund.

Dr 3211.1 Appropriations Available
Cr 5700 Appropriated Capital Used

To record the use of an appropriation.

NOTE : Account 5700; "Appropriated Capital Used," is an account established to disclose an appropriated financing source. The above entry serves to reduce the appropriated balance. More information on account 5700 and associated expense entries is contained in Chapter 53 of this part. At fiscal year end, Account 5700 is closed to account 3321, "Net Results of Operations - DBOF."

Dr 3211.1 Appropriations Available
Cr 1013 Funds with Treasury

To record the return to Treasury of capital appropriated for the Defense Business Operations Fund.

b. Account 3211.2, Assets Capitalized. Account 3211.2, "Assets Capitalized," shall be used to (1) record, as an increase, the net book value of assets such as operating materials and supplies, work in process at contractor plants, work in process at other Government plants, and contributed assets that were initially recorded to account 3220, "Transfers-In From Others Without Reimbursement" and (2) record decreases due to the transfer out, donation, or other disposal of contributed capital assets that were initially recorded to account 3231, "Transfers-Out To Other Government Agencies Without Reimbursement," and 3232, "Transfers-Out To All Others Without Reimbursement." Transfers-in and transfers-out are initially recorded to, as applicable, to account 3220, "Transfers-In from Others Without Reimbursement," account 3231 "Transfers-Out to Government Agencies Without Reimbursement," and account 3232 "Transfers-Out to all Others Without Reimbursement." Additionally, account 3211.2 shall be reduced (debited) monthly, at a minimum, by the amount of depreciation expense recorded that month on donated and other assets financed by other than DSOF resources. The offsetting (credit) entry shall be to a financing source account 5790, Invested Capital Used,". Those accounts are closed, at the end of a fiscal year, to "Assets Capitalized." Sources of entries to the "Assets Capitalized" account are property records and journal vouchers. The following illustrate the most common entries to this credit-balance account:

Dr 3220 Transfers-In From Others Without Reimbursement
Cr 3211.2 Assets Capitalized

To close the value of assets transferred-in without reimbursement during the fiscal year.

Dr 3211.2 Assets Capitalized
Cr 3231 Transfers-Out To Other Government Agencies Without
Reimbursement
Cr 3232 Transfers-Out To All Others Without Reimbursement

To close the value of assets transferred out without
reimbursement during the fiscal year.

Dr 3211.2 Assets Capitalized
Cr 5790 Invested Capital Used

To record, as a financing source, the monthly benefit received
from the use of non-DBOF assets. The benefit received shall
be equal to the depreciation expense recorded for those assets
during the same period.

c. Account 3211.3, Liabilities Assumed. Account 3211.3, "Liabilities Assumed," shall be used to (1) record the sum of the amounts assumed without accompanying payment for accrued annual leave and other liabilities transferred-in, and (2) record holdbacks on progress billings from contractors at the time of initial capitalization (if payment in the form of cash or other assets was not received in sufficient amount to cover the liability). Sources of entries to the "Liabilities Assumed" account are journal vouchers. The following illustrates common entries to this debit-balance account:

Dr 3211.3 Liabilities Assumed
Cr 2130 Contract Holdbacks

To record the amount of holdbacks on progress billings from
contractors transferred in without accompanying payment upon
reorganization of an appropriated fund activity to a Defense
Business Operations Fund activity.

Dr 3211.3 Liabilities Assumed
Cr 2221 Accrued Annual Leave - Civilian (Unfunded)

To record the amount of unfunded annual leave transferred in
without accompanying payment upon reorganization of an
appropriated fund activity to a Defense Business Operations
Fund activity.

2. Account 3311.1, Cumulative Results of Operations - DBOF. Account 3311.1, "Cumulative Results of Operations - DBOF," is authorized for use by Defense Business Operations Fund activities. Account 3311.1, "Cumulative Results of Operations - DBOF," shall be used primarily to accumulate the net difference between expenses and financing sources since inception through the annual closing of the balance in account 3321, "Net Results of Operations - DBOF," and account 7400, "Prior Period Adjustments." The following illustrates common entries to this debit/credit-balance account:

Dr 3321 Net Results of Operations - DBOF
Cr 3311.1 Cumulative Results of Operations - DBOF

Entry to record, at fiscal year end, a net gain from operations.

Dr 3311.1 Cumulative Results of Operations - DBOF
Cr 3321 Net Results of Operations - DBOF

Entry to record, at fiscal year end, a net loss from operations.

Dr 7400 Prior Period Adjustments
Cr 3311.1 Cumulative Results of Operations - DBOF

Entry to record, at fiscal year end, prior period adjustments that result in a net increase to equity.

Dr 3311.1 Cumulative Results of Operations - DBOF
Cr 7400 Prior Period Adjustments

Entry to record, at fiscal year end, prior period adjustments that result in a net decrease to equity.

NOTE: Account 7400, "Prior Period Adjustments" is not closed to "Net Results of Operations." Rather, it is closed directly to account 3311, "Cumulative Results of Operations - DBOF," at the end of each fiscal year. Account 7400, "Prior Period Adjustments," is used ONLY to correct errors of entries that were made, or not made, in prior years to accounts, such as revenue, expense, gain, and loss accounts, that were closed to and thereby affected equity.

3. Account 3311.2. Cumulative Results of Operations - DBOF - Deferred.
Account 3311.2, "Cumulative Results of Operations - DBOF - Deferred," is authorized for use by Defense Business Operations Fund activities. Account 3311.2, "Cumulative Results of Operations - DBOF - Deferred," shall be used to disclose any portion of accumulated operating results that has been deferred for recovery from, or return to, customers in the subsequent fiscal year stabilized rate or standard price development. Entries to this account:

a. Shall not be made unless authorized by the next higher command. Documentation to demonstrate higher level authorization shall be retained for, and made available for audit.

b. Shall be traceable to specific direction received from the Office of the Under Secretary of Defense (Comptroller) to defer recovery or return of accumulated operating results.

c. Shall agree with amounts reported on Part V, "Recoverable Operating Results," of the DBOF Monthly AR 1307 Statement of Operations.

The following illustrates common entries to this debit/credit-balance account:

Dr 3311.2 Cumulative Results of Operations - DBOF - Deferred
Cr 3311.1 Cumulative Results of Operations - DBOF

Entry to record a deferral of a negative accumulated operating results. (This entry must be supported by a specific authorization from the next higher command.)

Dr 3311.1 Cumulative Results of Operations - DBOF
Cr 3311.2 Cumulative Results of operations - DBOF -
Deferred

Entry to record a deferral of a positive accumulated operating results. (This entry must be supported by a specific authorization from the next higher command.)

4. Account 3321, Net Results of Operations - DBOF. Account 3321, "Net Results of Operations - DBOF," is authorized for use by Defense Business Operations Fund activities. Account 3321, "Net Results of operations - DBOF," shall be used to accumulate the net difference between expenses and financing sources during a fiscal year. Account 3321 is closed to account 3311, "Cumulative Results of Operations - DBOF," at the end of each fiscal year. The following illustrates common entries to this debit/credit-balance account:

Dr 5101 Revenue From Goods Sold - DBOF
Dr 5201 Revenue From Services Provided - DBOF
Cr 3321 Net Results of Operations - DBOF

Entry to close the revenue accounts at the end of the fiscal year.

Dr 7110 Gains on Disposition of Assets
Dr 7190 (Series) Other Gains
Dr 7300 Extraordinary Items (Gains)
Cr 3321 Net Results of operations - DBOF

Entry to close the "gain" accounts (7100 series) at the end of the fiscal year.

Dr 3321 Net Results of Operations - DBOF
Cr 6500 Cost of Goods Sold

Entry to close the cost of sales account at the end of the fiscal year.

Dr 3321 Net Results of Operations - DBOF
Cr 7210 Losses on Disposition of Assets
Cr 7290 (Series) Other Losses
Cr 7300 Extraordinary Items (Losses)

Entry to close the "loss" accounts (7200 series) at the end of the fiscal year.

CHAPTER 61

PROGRESS BILLINGS, REIMBURSEMENTS, AND REVENUE RECOGNITION

A. REIMBURSEMENTS

1. General Information. General information relating to topics discussed in this chapter may be found in Chapter 17, Revenue, Expenses, Gains, and Losses," and Chapter 19. "Revenues," of Volume 4 of this regulation.

2. Reimbursement Principles. As a general principle, each activity operating under the Defense Business operations Fund shall be reimbursed for the costs of all goods and services ordered and produced as a result of those orders. Defense Business Operations Fund billings and reimbursements from ordering activities for services or goods provided shall be accomplished in the most efficient and expeditious manner available to reduce or eliminate the need for additional Defense Business Operations Fund working capital. The nature of the Defense Business Operations Fund requires ordering agencies to budget, control, and account for the cost of all goods and services ordered. As a result, a Defense Business Operations Fund activity:

a. Shall bill ordering activities for all costs incurred as a result of an accepted order.

b. Shall bill order cancellation or reduction costs. When a job order is canceled or reduced in scope after a DBOF activity has commenced work or incurred costs on the order, the costs incurred, plus the applied overhead (that is, indirect and other normally allocated overhead (G&A) costs) plus costs associated with the cancellation or reduction shall be charged to the customer. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, non creditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction; for example, salvaging of material. In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are, or could have been, separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with cancellation or reduction actions shall not be charged to the customer. Although normally allocated G&A costs shall be charged to cancelled or reduced customer orders, underapplied overhead costs that may result in the DBOF activity as a whole from a reduced workload base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DBOF activity.

c. Shall not enter into any arrangement to "offset" services received and services furnished.

3. Reimbursement for Contingency Operations and Humanitarian Efforts. All DBOF business areas, including transportation services provided by the United States Transportation Command (USTRANSCOM), operate on a reimbursement basis with users paying for goods and services provided. Payment for contin-

gency operations, including deployment or other emergency response for military or humanitarian assistance is no exception: The users ordering the DBOF service must pay the bill, and no orders are to be accepted without funding. The Military Department Headquarters is responsible for determining which level within the Military Department will pay (that is, the unit, major command, or Military Department level). This process also applies when a Unified Combatant Command tasks a Service-funded unit to perform a mission (such as transportation of military personnel or a quipment by the USTRANSCOM). The Military Department that controls the equipment or personnel is responsible for payment of costs incurred to accomplish the mission. The sole exception to this policy occurs when the USTRANSCOM receives an order from the Joint Chiefs of Staff requiring transportation of non U.S. owned equipment and/or non U.S. personnel such as unreimbursed efforts in support of the United Nations. In those instances, the Army will pay Military Traffic Management Command (MTMC) costs, the Navy will pay Military Sealift Command (MSC) costs, and the Air Force will pay Air Mobility Command (AMC) costs. Bills maybe centralized for more convenient processing if appropriate; however, billings shall be forwarded to the appropriate Military Department within 30 days from commencement of the contingency operation or humanitarian effort. Payment of these bills, including transportation bills, by the Military Departments must be made in a timely manner. This guidance does not address any contingency operations designated by the Secretary of Defense as a "National Contingency Operation" under the provision of United States Code title 10, Section 127. Special rules apply for such an operation and those rules should be promulgated separately in conjunction with any designation by the Secretary of Defense under the provisions of that section.

4. Reimbursement Bases. Billings to the Department of Defense and other Federal Government customers shall be developed on the basis of either stabilized unit prices (also termed standard prices), or stabilized rates. All other ordering activities; that is, private parties and concerns including those not officially representing the Federal Government; state and local governments; and foreign military sales shall reimburse the Defense Business Operations Fund activity for the full costs incurred by the Federal Government. Full costs are determined by application of the stabilized rates or unit prices as those stabilized rates and prices are set to achieve an accumulated operating result of \$-0- in the budget year. Defense Business Operations Fund rates and unit prices, once established in the budget process, shall be held stable for the applicable fiscal year, unless changes are specifically approved by the Under Secretary of Defense (Comptroller). Stabilized rates and unit prices shall be established to recover operating expenses estimated to be incurred for the applicable fiscal year and to provide sufficient working capital for the acquisition of fixed assets as approved by the Under Secretary of Defense (Comptroller). (That is, stabilized rates and unit prices shall be established at levels intended to provide for estimated revenues to equal estimated costs plus approved surcharges for the applicable fiscal year for which the rates and unit prices are established.) Stabilized rates and unit prices must be billed to the customer for the work performed. Gains or losses resulting from under or over applied stabilized rates and/or prices shall be carried forward for inclusion in subsequent year stabilized rates and/or prices.

5. Advance Payment Billings. Orders from the Public, including State and local governments, must be accompanied by an advance. In addition, on an exception basis, advances may be requested if directed by the Under Secretary of Defense (Comptroller) or other authorizing official, on orders from DoD and other Federal Government accounts. Revenue billings to customers shall reflect due credit for the advances received.

6. Progress Payment Billings. As a rule, reimbursement for the costs incurred in producing goods and services ordered by customers shall be made on a progress payment basis. Exceptions to the rule include orders that are expected to cost \$25,000 or less or are expected to be completed within 60 days of acceptance. It is important to note the differences among advance payment, progress payment, and revenue billings. Advance payment billings are those made prior to the start of work and incurrence of costs associated with the ordered good or service. Progress billings are those made prior to, or during the start of work but always after the incurrence of costs associated with the ordered good or service. Revenue billings are those made after the start of work but only to the extent that evidence establishes that revenue has been earned. In no case shall an advance payment, progress payment, or revenue billing be processed that would result in the total billed amount exceeding the amount of the order. Billings and collections for progress payments shall be accomplished at least monthly including applicable labor, material, overhead, and surcharges as well as the value of material in inventory that is identified and held in reserve for specific orders, and amounts of work in progress in contractors' plants and other Government plants that are identified to specific orders. The billings should be made as late as possible in the month so that they shall include the above items to the maximum extent possible and still permit the orderly processing of the collection in the same month. Every effort should be made to reduce the billing and collection lag so that a greater portion of the costs shall be recovered in the same month they are incurred.

7. Revenue Recognition Policy

a. General. Revenue and associated costs must be recognized in the same accounting period. Revenue must be recognized in the same manner (that is, a standard policy for recognizing and reporting revenue must apply) for all activities within a DBOF business area. The amount of revenue recognized cannot exceed the amount specified in the order.

b. Depot Maintenance Business Area Activities. Activities in the Depot Maintenance business areas (includes: Army Ordnance and Other Maintenance Facilities; Navy Shipyards, Aviation Depots, and Ordnance Facilities; Marine Corps Other Maintenance Facilities; and Air Force Aviation Depots) shall recognize revenue using the following policies:

(1) Completed Order Method. The completed order method shall be used for all orders that have an estimated value of less than \$1,000,000, or a planned production cycle of less than 12 months. Under this method, both the revenue earned and the associated costs incurred in completing an order will be recognized when the order is completed. A work-in-process account shall be used to capture and hold costs prior to their recognition as a cost of goods sold.

(2) Percentage of Completion Method. The percentage of completion method shall be used for all orders that have an estimated value of \$1,000,000 or more, and a planned production cycle of 12 months or more. Under this method, the revenue earned on an order will be recognized monthly based on the ratio that the costs incurred to date on that order bear to the total costs estimated to be incurred on the order when it is completed.

c. Transportation Business Area Activities. Activities in the Transportation business area shall recognize revenue based upon receipt of a cargo manifest or the commencement of travel.

d. Supply Management Business Area Activities. Activities in the Supply Management business area shall recognize revenue, and related costs, when an item is dropped from inventory for sale or other revenue generating disposition.

e. Commissary Resale Business Area Activities. Activities in the Commissary Resale business area shall recognize revenue, and related costs, at the point/time of sale, or when an item is otherwise disposed.

f. Distribution Depots Business Area Activities. Activities in the Distribution Depots business area shall recognize revenue, and related costs, based on one of the following events:

<u>Event</u>	<u>Revenue Recognized Upon</u>
Receipt of Items	Receipt of an Item
Issuance of Items	Issuance of an Item
Other Services	Rendering of Service

In the event that a service is rendered, revenue shall be considered earned, and recognized, and associated costs shall be reported, at the time that the service is rendered/performed, but not less frequently than monthly.

g. Navy Research and Development Business Area Activities. Activities in the Navy Research and Development business area shall use the following revenue recognition policy:

(1) For end-item production orders:

(a) Completed Order Method for all orders that have an estimated value of less than \$1,000,000, or a planned production cycle of less than 12 months. Under this method, both the revenue earned and the associated costs incurred in completing an order will be recognized when the order is completed. A work-in-process account shall be used to capture and hold such costs prior to their recognition as a cost of goods sold.

(b) Percentage of Completion Method for all orders that have an estimated value of \$1,000,000 or more, and a planned production cycle of 12 months or more. Under this method, the revenue earned on an order will be recognized monthly based on the ratio that the costs incurred to date on that order bear to the total costs estimated to be incurred on the order.

(2) For Service orders (all orders other than those for end-item production orders):

(a) Service-type revenue recognition method shall be used for all service orders (orders other than those involving the production of end-items). Under this method, revenue shall be considered earned, and recognized, and the associated costs reported, at the time that the service is rendered/performed, but no less frequently than monthly. Thus, service type orders shall be considered as rendered/completed, and revenue and costs recognized, at least monthly.

h. Other Business Area Activities. Activities in all other business areas (includes Financial Operations, Base Support, Information Services, Industrial Plant Equipment Reutilization & Marketing Technical Information, Logistics Support Activities and Printing & Publications) not discussed in paragraphs A.6.b. through A.6.g. above shall use the service-type revenue recognition policy. Under this method, revenue shall be considered earned, and recognized, and the associated costs reported, at the time that the service is rendered/performed, but not less frequently than monthly. Thus, service type orders shall be considered as rendered/completed, and revenue and costs recognized, at least monthly.

8. Revenue Billings. The customer funding an order shall be billed for the revenue recognized, or when advance payments or progress payments have been previously billed, those advance or progress payments shall be relieved to the appropriate revenue account. Revenue to be recognized under the percentage of completion method should not be measured by progress billings as progress billings are intended to reimburse costs incurred and, as such, are not intended to measure the order's percentage of completion. In no case shall the total amount of revenue recognized and billed exceed the amount of the order.

9. Types of Orders. There are two general classifications of orders -- Service type and End-Item type.

a. Service Type Orders. The following are description of applicable projects and work that should be classified as service type orders:

(1) Research and Development. Includes the conduct and support of research and development, including basic research, theoretical studies, scientific experiments, applied research, feasibility studies, systems engineering, design studies, weapon systems analysis and operations research, developmental engineering (including developmental engineering in connection with procurement, production and modification) and fabrication of experimental models and prototypes. Does not include production of items for service testing or engineer-user testing. These latter examples are end-product type orders.

(2) Transportation Services. Includes traffic management and transportation (air, land, and sea) services. Also include operation of ports, port facilities and related sub-installations, including holding and reconsignment points engaged in cargo and passenger transshipment activities. Also includes the operation of docks, piers, terminals or similar facilities, and wharfage, ferrying, lighterage and stevedoring.

(3) Communication and Information Services. Includes communication services and data processing services (other than financial services and technical information) rendered.

(4) Financial Operations. Includes provision of finance and accounting procedures, systems and operations by the Defense Finance and Accounting Service.

(5) Technical Information. Includes central collection and dissemination for DoD technology base information. Includes provision of access to, and transfer of, scientific and technical information. Also includes provision of computer, modeling, data services, and response to requests for solutions to technological problems of the Military Departments.

(6) Printing Services. Includes revenues of activities whose primary mission is printing and reproduction services as well as printing performed by other activities for tenants, satellites or other off-post activities.

(7) Distribution Depots. Includes management and procurement of designated national stock numbers for all DoD customers.

(8) Supply Operations. Includes receipt, reclamation, storage, and issue of consumables and reparable items.

(9) Contract Management. Includes expediting the products and services delivered by industry, assuring that the specifications of the contract are met and paying contractor invoices for these items. Also includes surveillance of contractor operations to assure compliance with contractual requirements and determining the effectiveness of contractor quality control systems and inspection procedures, and officially accepting materiel on behalf of the Government after certifying its conformance to contract provisions. Also includes provision of on-site assistance to program managers, such as representation and participation in meetings and informal Program/contract reviews.

(10) Base Support. Includes facilities maintenance, family housing services, other housekeeping services, and administrative functions, provided to tenants and others. Also includes provision of utility services (steam, electricity, water, sewage disposal, and gas).

(11) Engineering Services. Includes provision of technical and engineering assistance in matters relating to various weapon systems and industrial plant equipment and associate system when they do not relate to research and development projects. Also includes repair service and quality evaluation; that is, inspecting, calibrating, testing, evaluating, trimming and re-engineering of items.

(12) Support of Reserve (Under and Unutilized) Capacity. Includes maintenance of unutilized capacity and support of underutilized capacity.

(13) Commissary Services. Includes operation of Defense commissaries. Also includes provision of troop issue subsistence and programming of the replacement of War Reserve Material rotation rations.

(14) Reutilization and Marketing Service. Includes the reuse of excess and surplus property within the government and other authorized agencies, donation to local governments, and the sale of the remaining property to the public on a competitive basis.

(15) Other Services. Includes services not otherwise classified.

b. End-Product Type Orders. The following are description of applicable projects and work that should be classified as end-product type orders:

(1) Overhaul and Repair. Overhaul or a complete rebuilding of parts, assemblies, subassemblies, and end items.

(2) Manufacture and Assembly. Includes furnishing customers with new end-items and components, manufacture of prototypes or items furnished to the customer for test.

(3) Ordnance. Includes the receipt, segregation, DeMilitarization, storage, assembly/disassembly, test, maintenance, and issue or shipment of ammunition, ordnance, and weapons.

(4) Construction and Conversion. Includes construction and conversion of property and equipment.

(5) Alteration and Modification. Includes alteration and modification of property and equipment.

(6) Other Products. Includes products not otherwise classified such as the production of research and development items for service testing or engineer-user testing.

B. ACCOUNTING ENTRIES

1. General. Accounting entries which may help to illustrate and further explain the preceding concepts follow. The accounting entries illustrate the general entries required when the reimbursable program is automatically apportioned. Essentially the same entries are required when the reimbursable program is specifically apportioned., but using accounts designated for that purpose.

2. Acceptance of Customer Order

a. Without Advance Payment

Dr 4581 Automatic Reimbursement Program
Dr 4231 Unfilled Customer Orders - Without Advance -
Automatic Apportionment
Cr 4221 Customer Orders Accepted - Automatic Apportionment
Cr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period

Entry to record acceptance of a customer order not accompanied by an advance payment.

b. With Advance Payment

Dr 4581 Automatic Reimbursement Program
Dr 4233 Unfilled Customer Orders - With Advance -
Automatic Apportionment
Cr 4221 Customer Orders Accepted - Automatic Apportionment
Cr 4614 Uncommitted/Unobligated Allotments - Reimbursable
Program - Current Period

Dr 1011.1 Funds Collected - Operating - DBOF
Cr 2312 Unearned Revenue - Advances from the Public

Entry to record acceptance of a customer order accompanied by an advance payment.

3. Progress Billing to Customers

Dr 4251 Reimbursements Earned - Uncollected -
Automatic Apportionment
Cr 4231 Unfilled Customer Orders - Automatic Apportionment

Dr 1311 Accounts Receivable - Government - Current
Cr 2994 Progress Billings to Others

Progress billing to a customer prior to completion of the customer order.

Dr 4253 Reimbursements Earned - Collected - Automatic
Apportionment
Cr 4251 Reimbursements Earned - Uncollected -
Automatic Apportionment

Dr 1011 Funds Collected
Cr 1311 Accounts Receivable - Government - Current

Progress billing collected from a customer.

4. Revenue Recognition - Percentage of Completion

Dr 4251 Reimbursements Earned - Uncollected - Automatic
Apportionment
Cr 4231 Unfilled Customer Orders - Automatic Apportionment

Dr 6500 Cost of Goods Sold
Dr 1311 Accounts Receivable - Government - Current
Dr 2994 Progress Billings to Others (See NOTE 1//)
Dr 2312 Unearned Revenue - Advances from the Public
(See NOTE 2//)
Cr 1581 Work In Process - In-House
Cr 1582 Work in Process - Contractor
Cr 5100 and/or 5200 Revenue

Entry to recognize revenue prior to completion of work on customer order.

NOTE 1//: Revenue to be recognized under the percentage of completion method should not be measured by progress billings. However, the amount, if any, of previous progress billings shall be reduced by the amount of revenue recognized. There may be a balance remaining in account 2994, "Progress Billings to Others," as the progress billing may include all or a portion of items such as material and subcontract costs. The remaining amount, to the extent that it does not exceed the amount of the reimbursable order, shall be recognized as applicable in subsequent revenue billings.

NOTE 2//: Advances received from Federal Government customers prior to cost incurrence or work completion are recorded in account 2311, "Unearned Revenue - Advances from Government Agencies and Funds." Advances received from non Federal Government customers, including State and local governments, prior to cost incurrence or work completion are recorded in account 2312, "Unearned Revenue - Advances from the Public." As revenue is recognized, the applicable "Unearned Revenue" account is adjusted in a corresponding amount.

5. Reimbursement Received for Work on Customer Orders

Dr 4253 Reimbursements Earned - Collected - Automatic
Apportionment
Cr 4251 Reimbursements Earned - Uncollected -
Automatic Apportionment

Dr 1011 Funds Collected
Cr 1311 Accounts Receivable - Government - Current

Entry to record reimbursement for work on customer order.
This entry is appropriate for both periodic recognitions of revenue under the percentage of completion method and for completed work.

C. REQUIREMENTS OF ORDERS FOR WORK TO BE PERFORMED

1. DoD Components (or any activity thereof) ordering work or services from a Defense Business Operations Fund financed activity shall use a project

order whenever such an order may be issued under the requirements of DoD Instruction 7220.1, "Regulations Governing the Use of Project Orders." When orders for work or services cannot qualify as project orders, they may not be so designated. Examples of orders that do not qualify as project orders are printing requests, orders for transportation of personnel and material, utility services, and other service orders -- including orders covering the cost of maintaining unutilized and underutilized plant and equipment. An order, when accepted by the performing activity, shall be obligated by the issuer of that order at that time. Any order for recurring services or for any object that may not be obligated by the ordering agency beyond the end of the current fiscal year shall be limited to the cost of performance within that fiscal year.

2. Each project order or other, order accepted by a Defense Business Operations Fund activity shall state specifically the basis of reimbursement to the Defense Business Operations Fund for the cost of work or services ordered, as between fixed price or cost reimbursement. The terms and conditions for pricing orders set forth in DoD Instruction 7220.1 shall apply to all project orders accepted by a Defense Business Operations Fund activity. Policy applicable to reimbursements from other than Federal Government accounts is contained in Part A, chapter 21, "Reimbursements," of this volume. All orders accepted by a Defense Business Operations Fund activity shall be in writing; for a purpose authorized by law; executed before cancellation of the issuing appropriation; and must call for specific goods, real property, work, or services. Orders placed with a Defense Business Operations Fund activity shall not be subject to accounting and reporting requirements similar to those applicable to allotments.

3. As a general rule, no work or service should be performed by a Defense Business Operations Fund activity except on the basis of reimbursable orders received and accepted that constitute obligations of Federal Government ordering activities or advances from non Federal Government entities. Work for customers may begin in advance of receipt and acceptance of a formal order under two circumstances. They are as follows:

a. Letter of Intent Orders. When it is desirable, in the interest of economical operations, to incur limited costs in advance of the receipt of a regular order for an authorized program for which customer funds are available, such work or services may be undertaken on the basis of a letter of intent. This letter constitutes an obligation of the ordering activity in a stated amount sufficient to cover the advance costs that may be incurred.

b. Commanding Officer's Orders. When it is necessary to begin work of an emergency nature prior to the receipt of an order, a commanding officer's order or similar order may be issued by the commander of the Defense Business Operations Fund activity subject to the following conditions:

(1) The Defense Business Operations Fund-activity must have written assurance that an order shall be issued promptly or shall have equivalent documented communication. The use of such orders should be limited to situations in which there are bona fide emergencies arising from unforeseen

urgent requirements. A commanding officer's order must not be used as a normal procedure to circumvent administrative leadtimes that should be considered in advance planning.

(2) A commanding officer's order shall expire within 30 days from the date of issuance.

(3) A commanding officer's order shall be issued on a local form and shall be approved and signed by the commanding officer or an authorized representative.

4. Each Defense Business Operations Fund activity shall record promptly all orders accepted and shall account continuously for the status of all orders in terms of deliveries, billings, and unfilled balances, so as to provide a basis for scheduling production or operations, determining backlogs of work and the need for additional orders or reduced activity, preparing operating budgets and forecasts, and informing customers promptly concerning changes in delivery schedules.

D. PRICING FOR SOFTWARE SERVICES

1. General. Central design activities (CDAs) and their customers should, through negotiation, define specific near-term tasks, identify deliverables and fix the price for each negotiated task. Full requirements may not be known early in the system design and development phases. The nature of requirements refinement could discourage use of firm fixed price agreements for software development until detailed system design specifications are approved by the functional customer. To help balance financial risk between CDAs and their customers, a range of pricing strategies are available to provide CDAs and their customers the flexibility needed to deal with variations in project size and complexity.

2. Pricing Strategies. The following pricing strategies are available for use:

a. Time and Materials. These are support agreements based on fixed rates for fully loaded billable direct labor hours, and material at cost (supported by time and cost reporting project control and accounting systems). Under this approach, CDAs base their estimates on available data. Then, they track variations to the estimates and review them to track variations to the estimates and review them to determine causes. Analysis enables estimate revisions, risk assessments, and initiation of corrective action. This type of agreement is appropriate for a development service such as application prototyping, where accurate resource predictions are not possible. Once the CM understands the target environment and associated risk areas, the pricing strategy will be either Firm Fixed Price for Increments of a Development effort or Firm Fixed Price for a Single Increment.

b. Firm Fixed Price Level of Effort. These agreements obligate a CDA to devote a specified number of support hours (fully loaded billable direct labor hours) over a stated time period for a fixed dollar amount. This type of agreement is appropriate for software maintenance support during the operations and support phase of an automated information system's (AIS) life cycle, where affordability is a major concern. This pricing strategy should not be used

during the development or production and deployment phases of an AIS's life cycle. During these phases, the preferred pricing strategy is fixed price for increments of a development effort.

c. Firm Fixed Price for Increments of a Development Effort. With "incrementally-priced" development agreements, a CDA works with the customer to define specific near-term tasks, identify deliverables, and fix the price for each agreed upon task or increment. For example, a CDA could limit the fixed price proposal for a new project or major modification to perform systems studies and develop a statement of requirements. Once the project progresses beyond this stage, the CDA continues to limit proposals to near-term (e.g., 6-month period) project deliverables. Under this approach, a CDA provides customers with estimates of total project costs for budget purposes. Depending on the level of detail used to develop the estimate, the CDA distinguishes for the customer between rough order of magnitude estimates, estimates suitable for budgeting, and detailed estimates. A CDA has the latitude to renegotiate agreements if customer requirements change. To balance financial risk for development programs, a CDA should develop means to assist customers in managing to fixed prices on increments of a project, resisting the temptation to estimate a substantial portion of the production requirement before the start of, or very early in, full-scale development.

d. Firm Fixed Price for a Single Increment. These agreements provide the customer a firm fixed price for completion of a total project, as a single increment. This type of agreement is appropriate for projects where customer requirements are well understood, easily defined, supported by precedent, and the detailed design specifications are approved by the customer. In these instances, risk to the CDA is lowest, and the customer should be able to obtain a firm fixed price for completion of even large projects at the beginning of the development effort.

E. BILLING, COLLECTION AND ACCOUNTING FOR SALES OF MATERIAL FROM SUPPLY SYSTEM STOCK

1. Scope. The automated billing system described in this chapter (commonly referred to as the "Interfund Billing System," normally encompasses all supply system sales and purchases of materiel, including perishable subsistence, bulk petroleum, oil, lubricants and into-plane aviation fuels issues.

2. Exceptions

a. The Interfund Billing System is not mandatory for Military Assistance Grant Aid sales and where only limited materiel sales occur between DoD Activities. In these cases, it may be more expedient to process billings through use of Standard Form 1080, "Voucher for Transfer Between Appropriations and/or Funds," or other approved billing documents than to utilize the Interfund Billing System.

b. The Interfund Billing System does not apply to sales made to other Federal Government Agencies, State and local governments, nonappropriated fund activities, individuals and commercial firms. Such issues will be billed and collected by "check issue" procedures.

c. The provisions of this section do not cover sales of major end items such as complete aircraft, ships, tanks, space vehicles and missiles, certain General Services Administration (GSA) stock fund sales and orders handled by Military Interdepartmental Purchase Requests (MIPRs) except for certain MIPRs issued to GSA as outlined in paragraph D.14. below.

3. Policy. Operating procedures, including the standard mechanized instructions and formats, to bill, collect and account for sale of materiel from supply system stock are contained in DoD Manual 4000.25-7M, "Military Standard Billing System (MILSBILLS)."

4. Billing, Collection and Accounting Policies for DoD Sales

a. Reimbursable sales will be billed based upon the drop from inventory date pursuant to requisition edit (to determine supply availability) by a supply activity, except that billings for sales of:

(1) Perishable subsistence, foreign military sales, and Military Assistance Grant Aid shipments will be based on constructive delivery.

(2) Bulk petroleum, oil, and lubricants (POL) will be based on receipt documentation provided that the documentation is received by the billing office within 15 days of the date of delivery. Otherwise, billing will be based on the quantity discharged from tankers or the quantity issued from inventory for delivery by other modes of shipment.

b. The accounting and finance officer servicing the supplying activity will effect automatic collection for sales of Supply Management Business Area materiel, including loss allowances and returns, and appropriation financed materiel from funds of the ordering activity. In all instances, Supply Management Business Area sales shall be billed separately from sales of appropriation financed materiel.

5. Principles of the Interfund Billing System

a. The billing office will credit the appropriation or fund of the selling activity that owns the materiel and/or finances the accessorial charges and charge the appropriations/funds of the purchasing activity.

b. The billed offices will record the disbursements for charges billed in the month in which the bills are received. Billed offices must match line items billed to line items ordered by requisition number. When the charge is determined to be invalid by the billed office, it will be entered in a suspense account as stated in paragraph D.10. below. Billed offices will exert every effort to charge the correct account initially so that transactions entered in the suspense accounts will be held to a minimum.

c. Billing offices will report the amounts collected (credits) and amounts of charges made to the ordering activities' appropriations/funds as evidenced in the summary billing cards to their central accounts offices, as listed in Chapter 2 of DoD Manual 4000.25-7M, "Military Standard Billing System (MILSBILLS)." The central accounts offices serving the selling activities will report the charges by appropriation/fund to the central accounts offices serving the purchasing activities. The central accounts offices serving the

purchasing activities shall use those reports of charges by appropriations/funds to monitor field activities to ensure that all charges have been recorded as disbursements or otherwise properly accounted for.

d. Interfund Billing System transactions will be reported separately from the regular accounts of the accounting and finance offices (see paragraph D.12.b.).

6. Preparation of Bills. Bills will be prepared at least monthly and may be prepared more frequently when the amounts involved are significant or more frequent billing is necessary to maintain an adequate cash balance. The last monthly bill will be forwarded by the fifth workday of the following month. Collections for all interfund billings processed under these procedures will be credited to the accounts of the billing activity in the month the bills are prepared.

7. Cancellation of Confirmed Requisitions. In those instances that a customer orders a special program requirement item (items required to support special programs or projects of a non repetitive nature) and subsequently cancels the order, the customer shall be billed for, as applicable (If billing is not accomplished within 90 days after cancellation of the requisition, the customer will be advised of potential or estimated charges):

a. The ordered special program requirement, at inventory standard prices, when a procurement order was processed which will result in receipt of materiel "in-excess" of the authorized acquisition objective through the end of the budget year.

b. Contract termination costs when a procurement order was processed which can be economically cancelled.

8. Billing for Direct Deliveries of Materiel from Contractors in Lieu of Shipments from Stock. When an inventory manager is out of stock; does not carry an item; or otherwise requests direct delivery of materiel from a vendor; the sale will be recorded and billed based on (a) notification of receipt of materiel by the customer, (b) notification of shipment by the vendor, or (c) payment to the vendor, whichever occurs first. However, for bulk POL sales (b) and (c) will not apply if the notification of receipt of materiel by the customer is received by the billing office within 15 days of the date of delivery.

9. Billing Adjustments/Allowances

a. In the interest of economy, an ordering activity or consignee will only request the billing office to grant adjustments/allowances under the criteria described below. Losses or gains will be absorbed by the ordering activity:

(1) Between DoD Activities. When the value is less than \$100 per line item.

(2) Between DoD and Other Than DoD Activities. When the value is \$25 or less per line item.

b. In accordance with the above criteria, billing offices will determine whether the request should be granted or denied and advise the ordering activity (customer). Billing offices will reply to customer requests as promptly as possible, but not later than 60 days after receipt of the request for adjustment. This reply is advisory and will not be recorded in the accounting records of the billed office.

c. Customers may forward a followup request if a reply has not been received within 60 days after initial request for adjustment/allowance.

d. Billing offices will grant credit for each approved adjustment and include these in the next billing along with other charges and credits.

e. Instructions to process billing adjustment requests and responses are in Chapter 7 of DoD Manual 4000.25-7M, "Military Standard Billing System (MILSBILLS)."

10. Accounting and Reporting for Transactions in the Suspense Account F3885, "Undistributed Intragovernmental Payments"

a. Suspense account F3885 has been established by the Treasury Department to provide billed offices with an account symbol for recording charges subject to adjustment (other than shipping adjustments) or considered to be improper pending correct classification of the transaction. Amounts recorded in that account will be included in disbursements reported to the Treasury Department on "Statement of Interfund Transactions," DD Form 1400, or, in lieu thereof, on an approved automated listing.

b. Transactions which clear the suspense account by recording the charges to the correct appropriation or fund will be processed outside disbursing channels. These transactions will also be reported to the Treasury Department on "Statement of Interfund Transactions" (see paragraph D.12. below).

c. Each DoD Component will ensure that only transactions which cannot be charged against correct appropriations/funds or correctly classified are recorded in suspense account F3885 and only after unmatched transactions are reviewed and every effort is taken to properly reconcile the charge. When prices, items, or quantities billed are different from the prices, items, or quantities requisitioned, the billed office will check with the ordering activity or consignee to see if substitute items or quantities have been supplied. (The supplying activity is responsible for advising of item substitutions or changes. See paragraph D.13.c. below.)

d. Each DoD Component will establish procedures governing the submission of full and timely reports to their central accounts office of transactions entered in the suspense account. These procedures will provide for maintenance of appropriate summary controls over these transactions. Balances in these accounts will be cleared as of September 30, each year. The offsetting charges will be applied to the purchasing appropriations/funds on an estimated basis. This action will be treated as a fiscal year-end adjustment which will be reversed on October 1 of the subsequent fiscal year.

11. Maintenance of Billing Files. DoD Component billing offices will maintain history files for 3 years after the billing month for sales within the Department of Defense, General Services Administration, and to other Government Agencies, and for billings supporting Foreign Military Sales.

12. Treasury Reporting

a. The billed office will summarize the reimbursements and disbursements processed under the Interfund Billing System, including transactions processed through the suspense accounts, and furnish them to the office which prepares the Statements of Transactions and Accountability reports.

b. Central accounts offices will submit to the Office of Secretary of Defense and the Treasury Department a monthly DD Form 1400, "Statement of Interfund Transactions", or approved automated listing, for appropriation financed materiel and Supply Management Business Area materiel to reflect credits to the selling appropriation or fund and/or debits to the buying appropriation or fund.

13. Recording of Obligations by DoD Ordering Activities

a. The requisitioning activity will enter the fund code (see DoD Manual 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures (MILSTRIP)" to be charged on the requisition.

b. The supplying activities will advise of item substitutions or changes in prices and quantities immediately after the requisition edit to determine supply availability provided proper "M&S" codes are stated in the requisition (DoD Manual 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures (MILSTRIP)", and forward a priced copy of the shipping document with the shipment.

c. The requisitioning activity is responsible for administrative control of funds for obligations incurred. To preclude overobligation of funds, the ordering activity will review price and quantity changes and substitution notices received and notify its billing office. Where change of prices, quantities or substitutions would result in an apparent/potential overobligation status, the ordering activity should advise the supply activity billing office of requisitioned items to be canceled or adjusted to avoid an overobligation.

d. In cases where the ordering activity has not received quantity change or substitution notices insufficient time to cancel or adjust the quantity to be shipped, the ordering activity will record in its records those items or quantities for which funds are available. The balance will be recorded in the suspense account until resolved. Resolution may include disposition of materiel arranged by mutual agreement between the ordering activity and the supplying activity. Billing adjustments will be recorded as appropriate.

e. Errors in billings which result in incorrect charges to appropriations or funds causing apparent overobligations or over expenditures shall not be considered violations of the Anti-Deficiency Act. These errors will be corrected as soon as possible.

14. Billing, Collection and Accounting for GSA Sales Simplified Intra-Governmental Billings and Collection System (SIBAC)

a. Billing and collection for sales of General Services Administration (GSA) materiel from stock or direct delivery, including accessorial or administrative costs for overseas supply support to DoD Components will generally conform with policies contained in this section and supplemented by procedures in DoD Manual 4000.25-7-M, "Military Standard Billing System (MILSBILLS)." Procedures for preparation and distribution of the monthly Statement of Intra-Governmental Transaction by GSA are contained in Chapter 2; DoD Manual 4000.25-7-M. Sales of fuel (Washington, D.C. area), self-service stores, Federal specifications and consolidated purchases of automobiles refrigerators, etc., will be billed and paid in accordance with Chapter 3, DoD Manual 4000.25-7-M.

b. GSA billings are rendered only after there is evidence of actual delivery of materiel or receipt of evidence of shipment.

c. A DoD Component ordering materiel by a Military Interdepartmental Purchase Request (MIPR), may request direct citation of its funds on contracts awarded by GSA for direct delivery by the contractor. In this instance, the contractor will bill the ordering DoD activity directly. As an alternative, when the ordering activity uses MIPRs, it may establish a separate MILSTRIP billing address in accordance with DoD Manual 4000.25-1-M. If one of these alternatives is not used, MIPRs will be consolidated with interfund billings.

CHAPTER 62

EXPENSES

A. GENERAL

An expense is an outlay, or other using of an asset, or the incurring of a liability (or a combination) as a result of an entity's efforts to perform its mission. Expenses are an application of budgetary resources made available to DoD Components. Goods and services ordered and received are recorded in the budgetary accounts as accrued expenditures and in the proprietary accounts as an expense, a capital item, or an inventory item. The proprietary accounts maintain financial control over the resources provided to the Department of Defense and assure full accountability once the budget execution process has been completed. Full financial control over all material, labor, supplies, etc., is maintained until consumed (expensed), sold or transferred to another Federal Agency in accordance with statutory authority. The treatment of expense items by Defense Business Operations Fund entities is different from the treatment accorded to expenses related to appropriation funded activities. For Defense Business Operations Fund entities, all expenses, unless specifically exempted by higher management, are costs that shall be recovered through billings to customers. General information relating to expenses can be found in Chapter 18, "Expenses," of Volume 4 of this regulation.

B. MILITARY PERSONNEL EXPENSE

1. General. Prior to the establishment of the Defense Business Operations Fund, military personnel" were assigned to a DBOF activity as a "free" resource--that is, the cost of military personnel was not paid by the DBOF nor was that cost included in reimbursable billings of the activity to its customers. After establishment of the DBOF, that process was changed. Now, the cost of military personnel involves two separate processes. The first involves the payment to military personnel appropriations for the budgeted amount of military personnel for a business area--regardless of the actual number of military personnel assigned. The second involves the costing. of military personnel to jobs or cost centers for work performed at the business area activity. This does not result in duplicate transactions but does (1) ensure that military personnel appropriations are not underfunded due to variances between budget and actual numbers of military personnel assigned to DBOF activities, (2) ensure that customers are charged--through the rate structure--only for the number of military personnel budgeted to be at a DBOF activity, while (3) providing a tool to identify the actual cost of work performed. Under current policies, the cost of military personnel, at civilian equivalent rates, is:

a. Charged by the applicable military personnel appropriation to the DBOF in an amount equal to the dollar amount estimated at the time of budget formulation regardless of the number and grade of military personnel subsequently actually assigned to the DBOF activity.

b. Reimbursed to the applicable military personnel appropriation by the DBOF in an amount equal to the dollar amount estimated at the time of budget formulation regardless of the number and grade of military personnel subsequently actually assigned to the DBOF activity.

c. Included by the performing DBOF activity in its stabilized billing rates to DBOF customers. The stabilized billing rate shall be developed based on the military personnel dollar amount estimated at the time of budget formulation regardless of the number and grade of military personnel subsequently actually assigned to the DBOF activity.

d. Included by the performing DBOF activity in its operating costs. DBOF activities shall disclose, on the Statement of Operations, an adjustment to net operating results to result in a \$-0- variance between the amount paid to the applicable military personnel appropriation and the amount costed to customer orders. The adjustment makes readily visible the value of military personnel services received for which payment was not made or, conversely, the value of military personnel for which payment was made but services not received.

2. Civilian Equivalency Rate. The civilian equivalency rate of military personnel shall be included in the stabilized rate billed to all DBOF activity customers. Military personnel may be assigned to Fund activities for mobilization purposes, sea/shore rotation flexibility, or for career progression. In addition, military personnel are subject to duties and responsibilities as a result of their military position that do not apply to civilian employees and that may not be of direct benefit to the DBOF activity. These activities include short-term military training, guard duty, inspections, and other military related activities. To adjust for these differences, the military personnel appropriations are reimbursed at the civilian equivalency rate, and the balance of required funding is included as a direct appropriation to the affected Military Personnel appropriation. The civilian equivalency rate policy recognizes that if the military requirements did not exist, some positions now staffed by military personnel could be staffed with civilians at a lower cost to the business area.

3. Reimbursement to the Military Personnel Appropriations. DBOF activities shall, for payment of military personnel costs to military personnel appropriation accounts:

a. Provide Obligational Authority. Obligational authority shall be provided to the applicable military personnel appropriations equal to the total dollar amount for the number and grade of military personnel included in the approved budget of the DBOF activity. (As the budgeted amount is based on the civilian equivalency rate and the civilian equivalency rate for military personnel is less than the military composite pay rate, the military personnel appropriations is responsible for including any difference in its appropriation requests.) Obligational authority shall be provided to the applicable military personnel appropriation through issuance, by the DBOF, of a reimbursable order or other appropriate document as requested by the military personnel appropriation manager. The document providing the obligatory authority shall cite the applicable DBOF treasury account symbol (97X4930.xx). The provision of obligatory authority to the military personnel appropriation(s) shall result in the obligation of the applicable DBOF Treasury account in that same amount. The

obligational authority provided to the military personnel appropriations may, in accordance with an agreement between the military personnel appropriation manager and the DBOF activity manager, be provided either:

(1) At the beginning of each quarter of the execution fiscal year in an amount equal to one-fourth of the annual total budgeted dollar amount priced at civilian equivalent rates for the military workyears included in the approved budget of the DBOF activity, or

(2) At the beginning of the execution fiscal year in an amount equal to the full annual total budgeted dollar amount priced at civilian equivalent rates for the military workyears included in the approved budget of the DBOF activity.

b. Accounting entries for the recordation of the quarterly/annual obligation for military personnel are shown below.

Dr 4614 Uncommitted/Unobligated Allotments -
Reimbursable Program - Current Period
Cr 4821 Undelivered Orders - Without Advance
-Reimbursable Program

Entry to record obligation of the DBOF for the budgeted cost (at the civilian equivalency rate) for the budgeted dollar amount of military workyears. The obligation is to provide obligational authority to the applicable military personnel appropriation for subsequent payment of military personnel by the military personnel appropriations.

c. Payment to the military personnel appropriations for the budgeted cost of assigned military personnel. Payment shall be made by the DBOF to the applicable military personnel appropriation in the last month of each fiscal year quarter as reimbursement for military personnel. The quarterly payments shall equal, in total, the full amount of the obligational authority provided to the military personnel appropriations. The final quarterly deposit must be made on or before the last day (September 30) of the fiscal year. In the event of an unresolved dispute between the military personnel appropriation manager and a DBOF activity on the amount of the deposit, the additional amount requested by the military personnel appropriation manager shall be immediately provided. Upon resolution of the dispute, the DBOF activity shall be provided a refund, if any is due, of the applicable amount. Accounting entries for the recordation of the periodic deposit are shown below.

Dr 4821 Undelivered Orders - Without Advance
- Reimbursable Program
Cr 4940 Accrued Expenditures - Paid - Reimbursable Program

Dr 1452 Prepaid Expenses-Military Personnel-DBOF
Cr 1012.1 Funds Disbursed - Operating Program

Entry to record payment of military payroll expense.
(Payment shall be made to the applicable military personnel appropriation.)

4. Military Personnel Costing Process

a. Military Personnel Cost Classification. Military personnel may be classified as either direct, indirect, or general and administrative (G&A) depending upon the organizational placement of a military member within a function and the work performed by that member.

b. Inclusion of Military Personnel Costs in Stabilized Billings to DBOF customers. Stabilized rate billings shall, in addition to other operating and capital program factors, include a factor sufficient to reimburse the DBOF for military personnel costs at the budgeted civilian equivalency amount.

c. Inclusion of Military Personnel Costs in DBOF Costs of Operations. The cost, to the DBOF, of military personnel is the amount paid by the DBOF for the services of those personnel. The amount paid by the DBOF is fixed at the time of budget formulation. However, during budget execution the actual number, grade, or both of military personnel may differ from the estimated amount included within the budget. The actual amount of military personnel services, in terms of number and grade, shall be applied to work performed and, since it is based on actuals rather than estimates, is likely to result in a variance between the amount applied by the DBOF to customer work and the amount paid by it to military personnel appropriations. DBOF activities shall disclose, on the Statement of Operations, an adjustment to net operating results to result in a \$-0- variance between the amount applied to work performed and the amount paid to the applicable military personnel appropriation. The adjustment makes readily visible the value of military personnel services received for which payment was not made or, conversely, the value of military personnel for which payment was made but services not received.

(1) Recognizing Military Personnel as a Job Cost. DBOF activities shall account for the actual amount of military personnel costs at the civilian equivalency rate for the number and grade of military personnel assigned to the DBOF activity. DBOF activities shall accumulate and allocate to customer orders, through a labor distribution system, the actual military personnel costs at the civilian equivalency rate. There are 2080 total hours available during a fiscal year for military personnel. A portion of those 2080 hours generally are not available due to leave or other absences. A cost allocation system should provide for such contingencies. Accounting entries for the recordation of military personnel costs are shown below.

Dr 6131 Purchased Services-Military Personnel Costs
Cr 1452 Prepaid Expenses-Military Personnel-DBOF

Entry to record accrual of military employee cost incurred during the period.

(2) Adjustment of Military Personnel Cost. The applicable military personnel appropriations are paid an amount exactly equal to the total dollar amount for military personnel included in the approved budget of DBOF activities. The amount paid is recorded as an increase (debit) to account 1452, "Prepaid Expenses-Military Personnel-DBOF," and a decrease (credit) to "Funds Disbursed" (see paragraph 3.c. above). The actual amount of military personnel cost applied to work performed is recorded as an increase (debit) to account 6131, "Purchased Services - Military Personnel Costs," based on the

civilian equivalency rates for the actual number and grade of military personnel assigned and a decrease (credit) to account 1452. As a result, a variance may result between the amount paid to military personnel appropriations and the amount applied to work performed. That variance will result in a debit or credit amount in account 1452 at the end of the fiscal year. The variance in account 1452 could be the result of several factors, for example, differences in the numbers of actual versus budgeted military personnel; differences in the grade/rank of actual versus budgeted military personnel; or differences in the hours of actual versus budgeted workload. The dollar amount of variance between the amount paid to the military personnel appropriations and the amount recorded as a cost of DBOF operations is required to be shown as an adjustment to Net Operating Results on the DBOF Statement of Operations for rate development use. The amount of the adjustment is the amount necessary to result in a \$-0- balance in Account 1452 at the end of each fiscal year. The purpose of the adjustment is to assure that future stabilized rates do not include those variances. If, for example, the amount of military personnel costs applied to work performed exceed the amount paid to military personnel appropriations inclusion of that variance in stabilized rate development would unnecessarily increase DBOF customer rates. Therefore:

(a) If Military Personnel Costs Applied to Work Performed is Greater than the Amount Paid to Military Personnel Appropriations. Account 1452, "Prepaid Expenses - Military Personnel - DBOF," as it relates to military personnel payments, will contain a credit balance if the amount of military personnel costs applied to work performed is more than the amount paid or payable to military personnel appropriations. In those instances, the following adjusting accounting entry is required at fiscal year end only:

Dr 1452 Prepaid Expenses-Military Personnel - DBOF
Cr 3311.1 Cumulative Results of Operations - DBOF

Entry to transfer the variance amount between actual versus budgeted military personnel cost when the actual amount is greater than the budgeted amount.

(b) If Military Personnel Costs Applied to Work Performed is Less than the Amount Paid to Military Personnel Appropriations. Account 1452, "Prepaid Expenses - Military Personnel - DBOF," as it relates to military personnel payments, will contain a debit balance if the amount recorded as military personnel expense is less than the amount paid or payable to military personnel appropriations. In those instances, the following adjusting accounting entry is required at fiscal year end only:

Dr 3311.1 Cumulative Results of Operations - DBOF
Cr 1452 Prepaid Expenses-Military Personnel-DBOF

Entry to transfer the variance amount between actual versus budgeted military personnel cost when the actual amount is less than the budgeted amount.

(3) Reporting on Statement of Operations. The fiscal year end Statement of Operations as of September 30 shall show the Net Operating Results of the DBOF which includes all revenues, costs, gains, and losses. However, military personnel applied costs that vary from budgeted military personnel

costs are excluded from stabilized rate development. Therefore, the Statement of Operations shall show an adjustment of Net Operating Results to arrive at the amount that is to be used for stabilized rate development. The adjustment shall be equal to the adjustment amount recorded to Account 3311.1, "Cumulative Results of Operations-DSOP" [see subparagraphs 4.c.(2)(a) and (b) above]. When the military personnel expense is more than the amount paid to military personnel appropriations, the adjustment shall be shown as a positive amount. When the military personnel expense is less than the amount paid to military personnel appropriations, the adjustment shall be shown as a negative amount. The adjustment shall be shown on Part V of the DBOF Statement of Operations (AR 1307) as follows:

Net Operating Results
(+/-)Difference Military Personnel Reimbursement/Applied Costs
= Recoverable Operating Results

C. DEPRECIATION EXPENSE

1. Capitalization Criteria. The investment capitalization criteria for unit cost operations. shall be aligned with the expense/investment funding threshold (currently \$50,000) used by the Congress for appropriating DoD operating (expense) and Procurement (investment) appropriations. Activities shall allocate to work performed the depreciation expense of assets, including computer software, for those assets that have a purchase cost or, when applicable, an estimated fair market value equal to, or in excess of, the expense/investment funding threshold; and have an estimated useful life of 2 years or more.

2. Depreciation Expense versus Capital Surcharge. The purpose of asset depreciation is to record a decrease in value of property through wear, deterioration, or obsolescence. Depreciation is therefore the recognition of an expense in the current period for an outlay that occurred in a previous period. Thus, depreciation expense recovery (through inclusion in stabilized rates or prices) results in a cash accumulation that can be used to acquire assets to replace those that are wearing out. Recovery of depreciation expense is the primary financing source for the DBOF Capital Investment Program. However, it is possible that at times depreciation expense recovery may not, by itself, be sufficient to finance the desired Capital Investment Program. In those instances and if approved by the Office of the Under Secretary of Defense (Comptroller), an additional element may be added to the stabilized rates and prices to finance the incremental difference. That additional element, is termed a "Capital Surcharge." It is important to note that "Capital Surcharge" is not an expense and is not displayed as such on the Statement of Operations. A "Capital Surcharge" is one of many elements that may be used in computation of the stabilized billing rate or price. The stabilized billing rate or price, when billed, is recorded as revenue. Since there is no counteracting expense for a capital surcharge, it should result in a positive Net Operating Result. To avoid the return of the capital surcharge through lower future stabilized rates/prices, Part V of the DBOF Statement of Operations (AR 1307) has been designed to disclose capital surcharges to result in "Recoverable Operating Results." As a simplified illustration, assume that a stabilized rate consisted of only two elements -- (1) depreciation expense recovery of \$8 per hour and (2) capital surcharge of \$2 per hour. 1000 hours

were billed. Actual depreciation expense was \$8000. [Note: Actual depreciation expense will seldom, if ever, be exactly equal to depreciation expense recovery and its recovery is based on an estimate.] A simplified Statement of Operations would then show:

Revenue	\$10,000
Expenses	
Depreciation	<u>\$ 8,000</u>
Net Operating Results	\$ 2,000
(-) Capital Asset Surcharge	<u>\$ 2,000</u>
Recoverable Operating Results	<u>\$ -0-</u>

3. Residual Value of Depreciable Assets. Residual value is the estimated salvage value of an asset at the end of its useful life. A capital asset in use shall not be depreciated below this value. The residual value of DoD capital assets is deemed to be 10 percent of the initial capitalized amount of the fixed asset unless the entity controlling the asset can determine that a different (greater or less) residual value is more appropriate. The residual value, regardless of the amount, shall be used in the depreciation calculation. Once established, the estimated residual value should not increase over the life of the asset, even if the fair market value of the asset becomes greater than its original acquisition cost.

4. Calculation of Depreciation Expense

a. Depreciation shall be calculated and accumulated using the straight-line method based on the original acquisition cost or reasonable estimate thereof less residual value. That is, the capitalization amount less estimated residual value shall be divided equally among accounting periods during the useful life of an asset. As stated in Chapter 58, paragraph D.7.g., Fund activities may request an alternative methodology for computing depreciation expense. Requests for an alternative methodology for computing depreciation expenses should be submitted for a determination of approval, through the appropriate DoD Component channels, to the OUSD(C/FM), Directorate for Accounting Policy. Acquisition cost shall include the purchase price plus transportation, design, installation, and other costs necessary to put the asset in the place and in the form in which it will be used.

b. Depreciation shall commence in the month following (a) the date of receipt shown on the asset receiving document or (b) the date the asset is installed and ready for use (regardless of whether it is actually used). Depreciation shall be recorded in equal amounts each month thereafter until the asset is fully depreciated, disposed of, or otherwise transferred. If an asset remains in use longer than its estimated useful life, it shall be retained on the accounting record, at its residual value (which can be \$-0-) until its final disposition.

c. If multiple cost centers use the same computer system, building or equipment, the depreciation or amortization shall be prorated based upon levels of usage or benefit received for each cost center. If, under unusual conditions, a computer system, building, facility, or equipment does not have a use identifiable to a direct or indirect cost center, the depreciation cost shall be charged to a general and administrative (G&A) expense account.

d. Assets that have been removed from use, regardless of the period and for whatever reason, shall continue to be depreciated during that period.

e. Land is not subject to depreciation. However, when land and building(s) are purchased together, the depreciable base is total cost less the cost of the land and the residual value of the building(s).

5. Cost Classification. Depreciation expense is classified as either indirect or general and administrative (G&A) depending upon the organizational location of the asset and the use to which it is put. However, it may be charged as a direct expense only if depreciation costs of all like assets used for similar purposes are charged in the same manner.

6. Depreciable Assets and Useful Life. Depreciable assets shall be recorded in one of the following specified asset categories and shall be assigned a useful life not to exceed that specified below for the applicable category. As stated in Chapter 58, paragraph D.7.g., Fund activities may request an alternative estimate of useful life. Requests for an alternative depreciation schedule should be submitted for a determination of approval, through the appropriate DoD Component channels, to the OUSD(C/FM), Directorate for Accounting Policy. If an asset remains in use longer than its estimated useful life, it shall be retained on the accounting record, at its residual value until its final disposition.

Asset
Category

Useful Life

Buildings

20 Years

Includes structures to house or shelter facilities, equipment, or to provide working space for an installation's operations. The depreciation period shall not exceed the expected useful life of the asset. (Note: Historical buildings, statues, etc. are not depreciated.)

Structures and Facilities

20 Years

Includes special purpose assets such as automated warehouse retrieval systems, fixed cranes, etc. Structures and facilities may be housed in a building or may be independent. If housed in a building, they shall be accounted for separately from the building even though they may not be operated independently from the building. However, they may not be depreciated over a period exceeding the useful life of the building in which they are housed.

Leasehold Improvements

20 Years

Includes changes or modifications to a leased building, structure, or facility in a way that substantially extends its useful life, increases its potential rate of output, increases its operating efficiency, or decreases its operating cost. These factors are distinguished from repairs or maintenance, which tend to keep an asset in or near its original efficiency without materially adding to its life, productivity, or efficiency. The depreciation period shall not exceed the lesser of expected useful life of the asset or the lease period.

Assets Under Capital Lease

See Applicable
Asset
Category

A capital lease substantially transfers all the benefits and risks inherent in the ownership of property to the lessee, who accounts for the lease as an acquisition of an asset and the incurrence of a liability. Assets under a capital lease should be depreciated using the same guidelines applied to other capital investments.

Equipment (Non Combat)

Industrial Plant Equipment	10 Years
Office furnishings and Equipment	10 Years
ADP Hardware/Software	5 Years

The depreciation period of equipment shall not exceed the expected useful life of the asset.

D. DEPRECIATION EXPENSE OF DBOF ASSETS AND FACILITIES USED BY DBOF ACTIVITIES

1. DBOF Acquired Assets. DBOF assets are those assets acquired through expenditure of resources available to the DBOF or, if not so acquired, are the responsibility of the DBOF to replace or otherwise use funds generated through depreciation expense recovery in operations or acquisition of other capital assets. As a general rule, the DBOF is not authorized to acquire, through use of its resources, real property. The accounting entries to recognize depreciation expense of DBOF assets are:

```
Dr 6125 Depreciation of Equipment
    Cr 1759 Accumulated Depreciation on Equipment
    Cr 1769 Accumulated Depreciation on Military Equipment
    Cr 1819 Accumulated Depreciation on Assets Under
           Capital Lease
    Cr 1839 Accumulated Amortization on Automated
           Data Processing Software
```

2. Facilities Used By DBOF Activities. As a general rule, the DBOF is not authorized to acquire, through use of its resources, real property. These assets are not acquired through expenditure of resources available to the DBOF and are not the responsibility of the DBOF to replace or otherwise use funds generated through depreciation expense recovery in DBOF operations to acquire real property or other capital assets. Chapter 58, of this Volume provides guidance on accounting for real property assets by DBOF activities. The accounting entries to recognize depreciation expense of real property assets are:

```
Dr 6126 Depreciation of Real Property
    Cr 1739 Accumulated Depreciation on Buildings
    Cr 1749 Accumulated Depreciation on Other
           Structures and Facilities
```

Simultaneous with the above entry, an accounting entry shall be made to recognize the benefit received (equal to the depreciation expense recognized) from the use of real property assets. That accounting entry is:

Dr 3211.2 Assets Capitalized
Cr 5790 Invested Capital Used

The applicable depreciation expense account (e.g., Account 6126, "Depreciation of Real Property,") and Account 5790, "Invested Capital Used," shall both be closed to Account 3321, "Net Results of Operations - DBOF." Those amounts shall be equal, but opposite. The closing entries are:

Dr 3321 Net Results of Operations - DBOF
Cr 6126 Depreciation of Real Property

and

Dr 5700 Appropriated Capital Used
Cr 3321 Net Results of Operations - DBOF

The result of the above entries is to reduce the value of "Assets Capitalized," (Account 3211.2) by the amount of the depreciation expense recognized on real property assets that period. The net effect of the entries to "Net Results of Operations - DBOF," (Account 3321) is zero as the closing entries offset each other.

3. Addendum 1 to chapter 58, "Capital Assets," of this Volume provides an explanation of general ledger account 5790, "Invested Capital Used."

E. MANAGEMENT IMPROVEMENT INITIATIVES

1. Prior to Fiscal Year 1994, management improvement initiatives meeting specified criteria were capitalized and the capitalized amount was amortized over the benefiting periods. Management improvement initiatives were defined as those efforts that:

- a. Met the DoD capitalization criteria;
- b. Were expected to have a long-lived benefit to the management and/or administration of the activity but that had only incidental benefit to direct mission work performed by the activity;
- c. Were independently established and authorized by Defense Business Operations Fund management as an individual activity project or a joint project among multiple Defense Business Operations Fund activities; and
- d. Were necessary for reasonable operation and management of the Defense Business Operations Fund activity(ies). Requirements for preliminary planning, exploration, or research before final approval of a project shall be financed from Defense Business Operations Fund operating resources.

2. Commencing in Fiscal year 1994, in accordance with congressional guidance, management improvement initiatives shall be expensed unless specifically directed otherwise by the Under Secretary of Defense (Comptroller).

F. REAL PROPERTY MAINTENANCE AND REPAIR

1. Previous Policy. From the commencement of the Defense Business Operations Fund-in FY 1992, each Defense Business Operations activity included in its annual budget an amount sufficient to finance major real property maintenance and repair (MRPM&R) projects costing more than \$15,000. The policy permitted two possibilities--the amount budgeted could be used to (1) replace funds used for major maintenance and repair costs previously incurred or (2) finance major maintenance and repair costs that had not yet been incurred. To avoid significant fluctuations in recorded MRPM&R expenses and, as a result, fluctuations in annual budgets, the amount specified in the budget was allocated on a monthly basis over a 10-year period. The following subparagraphs to this paragraph explain the accounting that was necessary under the previous policy. The following subparagraphs are necessary to fully explain the conversion of the previous policy to the current policy to expense real property maintenance and repair.

a. Prepayment of Expenses. In those cases in which a MRPM&R project was completed in the current period and for which an accrual had not created a reserve, the amount of the outlay (disbursement) was recorded as a prepayment. The prepayment was recognized on a monthly basis over a 10-year period. The accounting entries were:

Dr 1450 Prepayments
Cr 1012 Funds Disbursed

Entry to record a current period disbursement for MRPM&R for which the expense was to be recognized in subsequent periods.

Dr 6120 Other Services
Cr 1450 Prepayments

Entry to recognize monthly current period expense of MRPM&R previously performed and paid.

b. Creation of Reserve Funding. In those cases in which a MRPM&R project was anticipated, a reserve to finance its costs was permitted to be created. The expense accruals created the funding reserve necessary to finance performance of major real property maintenance and repair. Payment for performance reduced the reserve. The accounting entries were:

Dr 6120 Other Services
Cr 3311.2 Reserve-Major Real Property Maintenance-DBOF

Monthly entry to accrue $1/120$ (10 years x 12 months = 120) of the expected expense for major real property maintenance and repair for which the actual outlay will be made in a future accounting period.

An outlay for the major real property maintenance and repair resulted in the following accounting entry:

Dr 3311.2 Reserve-Major Real Property Maintenance-DBOF,
Cr 1012 Funds Disbursed

Entry to record a current period disbursement for major real property maintenance and repair for which the expense has been previously accrued.

c. Deficiencies of Previous Policy. Although the policy was designed to provide a stable funding source for MRPM&R without creating wide fluctuations in annual budgets, some implementation and accounting problems were encountered. A primary problem was that the policy was not consistent with generally accepted accounting principles and. departed from other policies specifically designed to associate costs with the accounting period in which they were incurred.

2. Current Policy. Commencing in FY 1995, major real property maintenance and repair shall be expensed in the period in which the maintenance and repair occurs. Major real property maintenance and repair is defined as recurring maintenance costs and repair projects, real property renovation costs, planning and design costs associated with repair and renovation projects, for the maintenance and repair of buildings, structures, warehouses, and other real. Property owned or operated by DBOF business activities. Costs that will be expensed from operating budgets include real property maintenance, major maintenance and repair, and repair projects in any amount undertaken to preserve the physical structure or its support systems. Major real property maintenance and repair requirements are normally budgeted and executed as a level of effort necessary to support the maintenance and repair of business area real property.

3. Conversion of Previous Policy to Current Policy. The previous policy was not in accord with generally accepted accounting principle. A change from an accounting principle that is not generally accepted to one that is generally accepted is a correction of an error and is treated as a prior period adjustment. The following accounting entries eliminate the accounting affects of the previous MRPM&R policy:

a. Prepayment of Maintenance and Repair - Correction of Error

Dr 7400 Prior Period Adjustments
Cr 1450 Prepayments

Entry to correct, as a prior period adjustment, an error in an accounting practice and thereby eliminate the prepayment balance of previously paid amounts for major real property and maintenance that have not yet been expensed.

b. Reserve for Maintenance and Repair - Correction of Error

Dr 3311.2 Reserve-Major Real Property Maintenance-DBOF
Cr 7400 Prior Period Adjustments

Entry to correct, as a prior period adjustment, an error in an accounting practice and thereby eliminate the balance of previously accumulated capital reserves for major real property and maintenance.

c. Closing of Prior Period Adjustments Account

Dr 7400 Prior Period Adjustments
Cr 3311 Cumulative Results of Operations-DBOF

Entry to close, at fiscal year end, a credit balance in the prior period adjustment account to accumulated operating results.

Dr 3311 Cumulative Results of Operations-DBOF
Cr 7400 Prior Period Adjustments

Entry to close, at fiscal year end, a debit balance in the prior period adjustment account to accumulated operating results.

G. MANAGEMENT HEADQUARTERS COSTS

1. General. Each Defense Business Operations Fund activity, or group of activities is under the management control of a designated DoD Component. The DBOF headquarters management is related to specific DBOF activity operations, and is separate from the general policy direction for the Department or a DoD Component. Management headquarters to be funded from the DBOF must be identified in the supplemental provisions of the DBOF Charter (Management Command) for each applicable business area.

2. Identification and Payment for Headquarters Costs. Costs for discrete DBOF management headquarters organizations, and parts of organizations that perform DBOF management headquarters functions, should be directly funded by DBOF if feasible or, if not feasible, reimbursed by DBOF on a pro rata basis. Significant costs for common support (e.g., counsel and personnel) at organizations partially funded or reimbursed by DBOF (i.e., that have direct DBOF management responsibilities) also should be allocated, if feasible. Only significant costs should be reimbursed. Significant headquarters costs are costs that exceed 1 percent of the total business area costs, or \$1 million, whichever is greater.

H. OTHER EXPENSES

1. Centrally Controlled Assets. Defense Business Operations Fund activities that finance and centrally control a Defense Business Operations Fund management system for the benefit of other Defense Business Operations Fund users of that management system shall assign all allocable expenses to the benefiting users. The benefiting users shall reimburse the financing activity for their allocated share of expenses.

2. Unutilized and Underutilized Plant and Equipment. Costs of maintaining unutilized plant and equipment shall be determined and, when significant, shall be reimbursed by appropriated funds provided by the DoD Component having management responsibility for the DBOF activity. Costs applicable to unutilized plant and equipment such as depreciation, or maintenance shall not be charged to customers of the DBOF activity. However, costs applicable to underutilized plant and equipment shall be included in stabilized rates and charged to customers of the DBOF activity. Additional information is contained in section 0., chapter 63 of this volume.

3. Disposal/Demolition of Assets. The costs incurred in removing, packing, crating, handling, and shipping of fixed assets for disposal or demolition of buildings and structures shall be accumulated within a separate job order. The costs incurred shall be charged to the appropriate fixed asset account. At the time the asset is made available to the Defense Reutilization and Marketing Service for disposal, the accumulated depreciation shall be closed into the applicable fixed asset account balance. The resulting net balance in the fixed asset account shall be recorded in general ledger account 7210, "Losses on Disposition of Assets." Proceeds, if any, from the sale of the asset by the Reutilization and Marketing facility shall be recorded in general ledger account 7110, "Gains on Disposition of Assets."

CHAPTER 63

COST ACCOUNTING REQUIREMENTS FOR DEPOT MAINTENANCE

A. GENERAL

1. Purpose

a. The purpose of this chapter is to prescribe cost accounting requirements for DoD depot maintenance performed by Defense Business Operations Fund activities.

b. The objective of these depot maintenance cost accounting requirements is to uniformly record, accumulate, and report the cost-of performing depot maintenance functions.

c. Cost reporting requirements and procedures are contained in Chapter 14, "Depot Maintenance Reporting," of Volume 6, "Reporting policy and Procedures," of this Regulation.

2. Overview

a. The formal cost accounting requirements in this chapter are required for all Defense Business Operations Fund activities that perform depot maintenance work.

b. The requirements of this chapter apply to depot maintenance performed on all material, whether owned by the Department of Defense, other Federal agencies, State or local governments, foreign governments or private parties.

c. The uniform recordation, accumulation, and reporting of costs incurred in depot maintenance operations is required to assist management in the: measurement of productivity and efficiency; the development and use of performance measurement and cost standards; and highlight areas in need of increased management emphasis. Also, the data will assist in the identification of total maintenance capability, duplication of capacity, and areas of interservice support of maintenance workload.

d. Specifically, management should have depot maintenance information available from the cost accounting and reporting module to assist in the:

(1) Comparison of historical unit cost trends with replacement cost trends.

(2) Oversight in the utilization of depot maintenance resources.

(3) Evaluation of budgets for depot maintenance work programs.

(4) Comparison of cost trends among organic depots or between organic and contract sources.

(5) Managerial direction and guidance for depot maintenance programs.

(6) Evaluation of depot maintenance activities for efficient use of resources.

(7) Estimation of depot maintenance requirements.

(8) Monitoring of DoD Component compliance with various Congressionally mandated reporting requirements, including Contract/Organic shares.

(9) Examination of the behavior of cost drivers over time.

B. INTEGRATION WITHIN GENERAL ACCOUNTING SYSTEM

1. The depot maintenance cost accounting module should be subsidiary to, and integrated within, the general accounting system defined in the other chapters of this Regulation. That cost module should be integrated with the depot payroll, fund control, and operating materials and supplies modules.

2. The principal general ledger accounts for depot maintenance activities are Operating Materials and Supplies, Work In Process-In-House, and Cost of Goods Sold. Typical general ledger account entries are:

a. Dr	1581 Work In Process-In-House	\$ 5,000	
	Cr 2211 Accrued Payroll-Civilian (Direct)		\$ 5,000

To record direct labor cost incurred on job orders.

b. Dr	1581 Work In Process-In-House	\$10,000	
	Cr 1511 Operating Materials and Supplies Held for Use (Direct)		\$10,000

To record direct material and supplies on job orders.

c. Dr	1581 Work In Process-In-House	\$ 4,500	
	Cr 6600 Applied Overhead		\$ 4,500

To record overhead applied to job orders.

d. Dr	6600 Applied Overhead	\$ 4,000	
	Cr 1511 Operating Materials and Supplies Held for Use (Indirect)		\$ 1,000
	Cr 2211 Accrued Payroll-Civilian (Indirect)	\$ 3,000	

To record the cost of Labor and materials incurred in overhead applications where overhead is applied at predetermined rates. (Note that indirect costs are closed to account 6600 but that direct costs and account 6600 are closed directly to Work In Process.)

e. Dr	6500 Cost of Goods Sold	\$19,500	
	Cr. 1581 Work In Process-In-Hlouse		\$19,500

To record the relief of work in process and transfer of completed items to customers.

f. Dr	6600 Applied Overhead	\$ 500	
	Cr 6500 Cost of Goods Sold		\$ 500

To adjust overapplied overhead.

C. SCOPE OF DEPOT MAINTENANCE

Depot maintenance is material maintenance requiring major overhaul or a complete rebuilding of parts, assemblies, subassemblies, and end items, including the manufacture of parts, modifications, upgrades, testing and reclamation as required. Depot maintenance serves to support lower categories of maintenance by providing technical assistance and performing that maintenance beyond their responsibility. Depot maintenance provides stocks of serviceable equipment by using more extensive facilities for repair than are available in lower maintenance activities. Depot maintenance includes all aspects of software maintenance.

D. MODIFICATIONS AND UPGRADES

As defined in DoD Instruction 5000.2, "Defense Acquisition Management Policies and Procedures," a "modification" is a change to a system (whether for safety, to correct a deficiency, or to improve program performance) that is still being produced. An "upgrade" is a change to a system (whether for safety, to correct a deficiency, or to improve program performance) to a system that is out of production. A "major modification" to a program is defined as a modification that is and of itself meets the criteria of Acquisition Category I or II or is designated as such by the milestone decision authority. Major modifications require a Milestone IV-decision unless the decision to modify results from one of the alternatives considered as part of the Milestone I decision process. Upgrades are part of the milestone 0 decision process. DoD Instruction 5000.2 defines and explains the Acquisition Category Programs and the various acquisition milestones and phases.

E. FUNDING ENVIRONMENT

Depot maintenance may be performed in Government-Owned, Government-Operated (GOGO) activities, Government-Owned, Contractor-Operated (GOCO) activities, or contracted out. The primary funding source for depot maintenance operations is DoD operations and maintenance appropriations made available to customers of depot maintenance. Certain specific programs such as weapon system upgrades and similar modernization and/or modification programs may be funded with centrally managed procurement appropriations. An order for maintenance work may be placed with a depot maintenance activity by any appropriation or fund legally authorized to do so, as well as by customers outside of the Department of Defense such as the Coast Guard and Foreign Military Sales (FMS).

F. ESTABLISHING THE COST ACCOUNTING MODULE FOR DEPOT MAINTENANCE ACTIVITIES

1. The cost accounting module described in this chapter shall be established for all, but not limited to, Defense Business Operations Fund depot maintenance activities.

2. The following guidance further explains the use of the DoD general ledger chart of accounts by a depot maintenance activity:

a. Account 1510, "Operating Materials and Supplies," is the control account and shall be used to record all operating materials and supplies regardless of the method acquired; for example, acquisition, donation, or transfer without reimbursement. The account shall not be charged to the work in process (WIP) account until supplies are issued for use. Material issues shall then be charged to appropriate job orders or cost centers. Unneeded material shall be returned to the account when a determination is made that the material is available for other uses.

b. Operating materials and supplies shall be valued at acquisition cost .

c. Records of operating materials and supplies shall be verified by, and adjusted to, physical counts. Any adjustments needed to reconcile the physical count with the recorded (book) value of operating materials and supplies on hand shall be charged to the appropriate cost center or to a miscellaneous gain or loss account as described in subsection N.8, below.

d. Account 1581, "Work in Process - In House," is the control account for all unbilled job orders. The amount of work in process consists of all costs applied to unbilled job orders including direct labor, direct materials, and applied indirect overhead and general and administrative (G&A) expenses. The balance in this account shall be reconciled to the total charges on unbilled job orders as of the end of each quarter. In addition, the validity and reasonableness of the charges recorded on the unbilled job orders shall be verified on a random sample basis at least annually. This validation shall be performed by personnel not assigned to the accounting or maintenance function. For example, personnel from the DoD Component Audit Agency or a local internal review staff may be assigned to perform this function. Any adjustments required as a result of the verification shall be recorded as a gain or loss of the applicable cost center to, for gains, Account 7193, "Other Miscellaneous Gains," or, for losses, Account. 7293, "Other Miscellaneous Losses."

e. Account 1451, "Prepaid Expenses," shall be used to record the payment for expenses that properly apply to future accounting periods. This account shall not be used solely to level out significant expenses but must, in fact, represent an equitable distribution to the appropriate time period commensurate with the benefits that will accrue to that future period from the current payment.

f. Account 2994, "Progress Billings to Others," shall be used to record the liability resulting from progress payments billed to federal agencies for goods or services that have been ordered by those activities, but that have not yet been completed or delivered by the depot maintenance activity. Progress billings to non-federal agencies should not be necessary as

an advance is ordinarily required prior to start of work. The progress billing to federal agencies is recorded as a liability since it represents something-- goods and/or service -- that is owed to the entity that was billed. In no case shall a progress billing be processed that would result in the total progress payment against an order exceeding the amount of the order. A progress billing to others is recorded as follows:

Dr 1311 Accounts Receivable-Government-Current
Cr 2994 Progress Billings to Others

To record a progress billing to others for costs incurred by the performing activity on goods and/or services requested by the entity that is billed.

g. Accrued expenses that are significant (material) in relation to the recording of costs for the depot maintenance activity shall be recorded in the appropriate general ledger expense account, budgetary account (4900, "Expended Appropriations"), and the applicable liability account during the accounting period that the benefit was received rather than at the time of the payment for the expense. For example, accruals shall be recorded for accrued salaries, annual and sick leave, employee benefits, estimates for utilities, major real property maintenance and repair, and other significant services received and not yet paid.

h. Occasions may arise when, due to missing or erroneous data, costs incurred cannot be identified for charge to the appropriate job order. Such costs shall be temporarily recorded in the applicable expense account under suspense control until the correct data is available to make the proper distribution to the correct job order. Any unadjusted amount at the end of a fiscal year shall be charged to the applicable cost center to Account 7293, "Other Miscellaneous Losses."

G. ESTABLISHING JOB ORDERS

1. Job orders shall be established by the performing activity in accordance with the following criteria:

2. Units subject to "preshop analysis" or "examination and evaluation."

a. As a minimum, a job order is required for each unit when the estimated unit maintenance cost is in excess of \$150,000.

b. As a minimum, a job order is required for each month's induction of units having the same identification number (Type Model Series (TMS) or National Stock Number (NSN)) and the estimated unit maintenance cost is from \$25,000 to \$150,000 per unit.

c. As a minimum, a job order is required for each quarter's induction of units having the same identification number (Type Model Series (TMS) or National Stock Number (NSN)) and the estimated unit maintenance cost is less than \$25,000 per unit.

3. Units not subject to "preshop analysis" or "examination and evaluation."

a. As a minimum, a job order is required for each month's induction of units having the same identification number (Type Model Series (TMS) or National Stock Number (NSN)) and the estimated unit maintenance cost is \$25,000 or more.

b. As a minimum, a job order is required for each quarter's induction of units having the same identification number (Type Model Series (TMS) or National Stock Number (NSN)) and the estimated unit maintenance cost is less than \$25,000 and the planned work on all the items scheduled for induction during the quarter is \$500,000 or more,

c. As a minimum, a job order is required for each quarter's induction of homogeneous grouping of items by stock classification, subclassification, repair category, or other appropriate criteria and the estimated unit maintenance cost is less than \$25,000 and the planned work on any one identification number (Type Model Series (TMS) or National Stock Number (NSN)) is less than \$500,000. The dollar limit for the quarterly group job order is \$1,000,000.

H. JOB ORDER REQUIREMENTS

1. Under no circumstances shall direct material, labor, or other direct costs be charged to job orders based upon planned, programed, or reserved amounts. Costs may be charged to job orders based upon standard costs when those costs are properly adjusted for variances to arrive at actual cost. Costs, including standard costs, shall be recorded based upon accrual concepts. Costs shall be assigned to individual job orders at the time the job order receives a benefit from the incurrence of an expenditure. The benefit may occur at any time but usually occurs subsequent to the time the obligation is incurred and before the disbursement occurs.

2. Job order opening and closing requirements.

a. A job order shall be opened when a new job order is required under section G., above.

b. A job order shall be closed as soon as all direct, indirect, general and administrative costs are determined and assigned to the job order. Normally, all such costs should be determined and posted to the job order within 30 days of the completion of all direct labor chargeable to the job order. The job order shall be closed with the use of predetermined overhead rates, when authorized. Such overhead rates shall be consistently applied to all job orders. At the end of the fiscal year, any under and/or over absorbed overhead (variance) shall be closed to account 6500, "Cost of Goods Sold."

3. Costs associated with cancellation or reduction of partially completed maintenance work shall be identified and reported separately from the costs of normally completed work. Specific instructions to account for and report these costs are described in subsection 0.20., below, of this chapter.

4. Customer orders, either project orders or Economy Act orders, from the activity responsible for the financing appropriation, are required to support each job order. A customer order, however, may be issued to cover multiple job orders when agreed to in writing by the customer and the depot maintenance activity.

I. PROCESS COST CENTERS FOR PROCESSING ACTIVITIES

1. A depot maintenance activity may perform certain unique operations that lend themselves to process cost center procedures. For example, direct labor and material costs incurred in plating and painting operations may be more readily accumulated in a process cost pool and allocated on at least a monthly basis to the total number of units produced during the allocation period and the related costs assigned to each applicable job order.

2. The allocation shall be to the job orders for the units processed through the cost center during the allocation period. The basis for the allocation of costs by the process cost center to the job orders shall be the number of equivalent units processed on the job orders completed by the center during the allocation period plus the number of job orders in process at the end of the allocation period.

3. If such an approach is adopted, it should be done so deliberately after consideration of alternative methods. The method used to accumulate and allocate the costs for such operations should be consistently applied from accounting period to accounting period to ensure consistency in the assignment of costs.

J. USE OF WORK MEASUREMENT STANDARDS

1. Work measurement standards shall be established for labor, material, and indirect costs. Using these standards, cost estimates shall be developed for each job order. Incurred costs shall be compared against estimated costs to determine if corrective actions are required to control significant variances.

2. The work measurement standards shall be based on generally accepted industrial engineering techniques where high-value, high-volume work is involved. The work measurement standards may be established by in-house or other DoD personnel or they may be established by original equipment manufacturer's (OEM) specifications of maintenance tasks and frequencies (product reliability engineered standards). A work measurement standard, once established, should be continuously reviewed to verify the accuracy of the standard in light of advanced processing equipment, higher level of skills, etc. For low-value, low-volume work, the work measurement standards may involve less sophisticated engineering techniques but work measurement standards or estimated resources required shall be developed for all work accepted.

3. Work measurement standards shall be established and reevaluated to comply with the applicable Cost Accounting Standards Board (CASB) standards, and as required by DoD Instruction 5010.34, "Productivity Enhancement, Measurement, and Evaluation - Operating Guidelines and Reporting

Instructions." and DoD Instruction 5010.37, "Efficiency Review, Position Management, and Resources Requirements Determination."

K. LABOR COSTS

1. All civilian labor hours worked in a cost center shall be recorded on a job order as either a direct cost or as an indirect cost. Civilian labor hours shall be charged at the current payroll rate to include DoD paid personnel benefits.

2. Actual civilian payroll hourly rates shall be used as a basis to record labor costs. Average labor rates may only be used to record labor costs for cost centers when the range of actual hourly pay rates within that center is limited and significant distortions of recorded costs would not result from their use. Stabilized rates approved for billing purposes shall not be used as a basis to record labor or other costs incurred.

3. A labor distribution system shall be used to charge all direct labor hours and costs to applicable job orders. Differences between labor hours recorded for payroll purposes, payroll costs incurred and the labor hours and costs distributed to job orders and indirect cost centers through the labor distribution system shall be reconciled and corrected each pay period. For discrepancies that cannot be reconciled between job order records and payroll records without a major expenditure of resources, the job order records shall be corrected to equal the payroll records. Differences due to the use of average cost center labor rates shall be charged to general and administrative expenses.

4. All military hours worked shall be recorded as either a direct cost on a job order or as an indirect cost of a cost center. Military labor hours shall be charged to the job order at the current civilian equivalent rate applicable to the rank and military service of each military member.

5. All military labor performed by a "ship's force" (Navy crew members) loaned to and working under the supervision or direction of the depot maintenance activity when a ship is undergoing depot maintenance in a shipyard shall be considered an unfunded depot maintenance cost and shall not be billed to, or reimbursed by, the customer. When a ship's force is not working under the supervision or direction of the depot maintenance activity, any maintenance work it performs shall not be considered depot maintenance.

6. A time keeping system shall be maintained to provide data necessary to distribute both military and civilian labor to applicable job orders or cost centers. A timekeeping system should provide the following information:

a. Source of Hours Available:

- (1) Normal duty hours available by cost center.
- (2) Premium time, overtime, and holiday time by cost center.
- (3) Loaned labor hours by gaining and losing cost center.

b. Application of Hours Available:

- (1) Direct hours worked by cost center on each job order.
- (2) Indirect hours worked by cost center.
- (3) Nonproductive (annual, sick, etc.) hours by cost center.

7. The allocation of hours worked to benefiting job orders may be based on industrially engineered earned hour - actual hour efficiency of a cost center if the employees in the cost center are of a homogeneous type and the allocation of labor hours are properly adjusted for variances to arrive at actual hours worked. Such a method of allocation is not appropriate for a cost center with a diverse workforce or different types of workload.

8. Supervisors are responsible for the validity of timekeeping records. Employees are responsible for certifying that the time charged to job orders is correct. The source documents used to record the hours worked by each employee on each job order shall be reconciled to the total payroll hours.

9. Direct labor is work that can be identified, without undue cost or difficulty, to a single, specific job order. Direct labor generally includes the hands-on maintenance, repair, overhaul, test, and related direct production effort that follow the established sequence and content of work necessary to accomplish the billable job. Direct labor does not include the support work identified as either indirect or general and administrative in nature.

10. First line supervision is that level immediately over non-supervisory workers. First line supervisors and above are an official supervisory position and, when acting in a supervisory capacity, their labor costs shall always be charged as an indirect cost of the cost center supervised. "Crew chiefs," "snappers," "team leaders," and other subordinate job leaders are not first line supervisors. First line supervisors may be borrowed and used as direct labor. When this occurs, the time of the first line supervisor shall be classified as direct labor and charged as such to the applicable job order rather than as an indirect cost.

11. Special emphasis shall be placed on accurately recording the use of loaned labor. Loaned labor occurs when an employee is temporarily transferred (loaned) from one cost center to another within a depot maintenance activity. When an employee is loaned, the labor hours of the employee shall be recorded by the gaining cost center. Care must be exercised to assure that the costs of loaned employees are not charged by both, or by neither, the loaning and gaining cost centers. First line supervisors at both the loaning and gaining cost centers may be tasked to validate that such costs are accurately recorded.

12. If employees are temporarily assigned to a depot maintenance activity from an organizational entity other than the depot maintenance activity and the depot maintenance activity does not pay the individual directly nor make payment or reimbursement to the activity loaning the employee, the labor costs shall be recorded as unfunded labor.

13. The following requirements apply to accounting for civilian leave:

a. Account 2215, "Accrued Payroll - Funded Annual Leave - Civilian," shall be established to account for accrued annual leave of DBOF civilian employees. A factor for annual leave accrual should be included within the stabilized rate or price charged by a, DBOF activity. The stabilized rates or prices, therefore, provide funding for annual leave. The following accounting entry is appropriate for accrued funded annual leave.

Dr 6130 Annual Leave

Cr 2215 Accrued Payroll - Funded Annual Leave - Civilian

b. Subaccounts to account 2213, "Accrued Payroll - Civilian - Employer Share of Fringe Benefits," shall be established to account for accrued sick leave, accrued holiday, and other miscellaneous leave in addition to other employee fringe benefits such as life and health insurance, retirement contributions, etc. The following accounting entry is appropriate for accrued civilian fringe benefits.

Dr 6113 Personnel Benefits - Civilian

Cr 2213 Accrued Payroll - Civilian -

Employer Share of Fringe Benefits
(Subaccounts for sick leave, holiday leave,
health insurance, life insurance,
retirement contributions, etc.)

c. Leave shall be costed to job orders on the basis of an allocation factor for all time worked except when a holiday is involved. When an employee works on a holiday, the regular pay for the holiday shall be charged against the holiday leave accrual liability, the same as all employees who do not work on the holiday. Only the additional pay for working on the holiday along with the leave accrual at the prescribed allocation factor shall be costed to the job order as stated in subsection K.16., below.

d. Leave actually taken shall be relieved from the appropriate accrued leave account on the basis of payroll labor distributions and shall not be charged to current job orders. The following accounting entry is appropriate for leave actually taken.

Dr 2213 Accrued Payroll - Civilian -

Employer Share of Fringe Benefits
(Subaccounts for sick leave, holiday leave,
other leave except annual leave.)

Dr 2215 Accrued Payroll - Funded Annual Leave - Civilian

Cr 1012.1 Funds Disbursed - Operating Program - DBOF

e. Account 2215, "Accrued Payroll - Funded Annual Leave - Civilian," shall be reconciled at the end of the leave year with individual employee leave records. Adjustments to reconcile the balance in the account to the individual leave records shall be costed to account 6130, "Annual Leave," as a general and administrative (G&A) expense adjustment. After reconciliation, the balance of

the accrued annual leave account shall be carried forward into the following fiscal year. However, as stated in the following paragraph, accrued sick, holiday, and other leave balance not be carried forward into the following fiscal year.

f. Accruals for sick leave, holiday leave, and other leave accounts subsidiary to account 2213, "Accrued Payroll - Civilian - Employer Share of Fringe Benefits," are based on estimates of leave to be taken -- not the amount of leave earned. At fiscal year end, the estimates of leave to be taken will likely not-agree with the actual leave taken. Adjustments necessary to result in a \$-0- balance in the sick leave, holiday leave, and other leave subsidiary accounts shall be costed to account 6113, "Personnel Benefits - Civilian" as a general and administrative (G&A) expense adjustment.

14. The use of allocation factors for calculating leave accruals and applying them to the proper cost centers on labor cost distributions is normally the simplest, most economical, and most accurate method of accruing and costing leave. The allocation factors should be updated periodically to limit the adjustments to the accrued leave accounts at the end of the fiscal year to a minor amount.

a. Each depot maintenance activity may determine its own allocation leave accrual factors because of variances caused by average length of service, climate, turnover, and local leave usage experience.

b. When establishing the allocation factors, it is necessary to estimate the average annual work days for the activity to which the factor shall be applied. The following is an illustration:

c. Total days in year	365.0
Less time off	
Average annual leave taken	20.0
Average sick leave taken	9.0
Holidays and other events	11.0
Saturdays and Sundays	<u>104.0</u>
Normal time off	<u>144.0</u>
Normal work days	221.0
Estimated overtime work	3.5
Estimated holiday time work	.5
Average work days	225.0
d. The annual leave accrual factor may be calculated as follows:	
(1) Average days net accrual of annual leave	21
(2) Average work days (computed above)	÷ 225
(3) Preliminary accrual factor (excluding pay adjustments) [(1) ÷ (2)]	= .093

(4)	Estimated regular pay for regular time and overtime worked and premium pay for holiday time worked	x \$10,000,000
(5)	Total amount accrued for annual leave using preliminary factor	= \$ 930,000
(6)	Estimated increase in accrual of annual leave due to pay increase	÷ \$ 30,000
(7)	Total leave accrual requirements	= \$ 960,000
(8)	Amount to which leave accrual factor is to be applied (K.13.d., above)	÷ \$10,000,000
(9)	Annual leave accrual factor	= .096

e. The composite Leave accrual factor may be calculated as follows:

<u>Type of Leave</u>	<u>Average Days Annually</u>	<u>Average Work Days</u>	<u>Accrual Factor</u>
Annual	(see paragraph (K.14.d., above)	=	.096
Sick	8	÷ 225	= .036
Holiday and Other	11	÷ 225	= <u>.049</u>
Composite Accrual Factor			181

15. In addition to the factor to be added for leave, a factor shall be added to cover the employer's share of other employee fringe benefits such as retirement, life insurance, health, and other benefits. The factor to be applied may be developed by each activity. As an alternative, the factor developed annually by the Office of the Deputy Comptroller (Financial Systems) may be used. Standard accrual factors for leave, retirement, insurance, health, and other benefits shall be applied against all payroll costs.

16. The costs of overtime premium pay (that is, the amount paid for working overtime that is above the normal labor hour rate) shall not be charged directly to the applicable job order except when the overtime is clearly caused by the unique conditions of the job order. A clear relationship for the incurrence of overtime costs may be established when a depot maintenance activity agrees with a customer to meet an expedited completion date or to accept additional work within the same time frame on the same order. Otherwise, the overtime premium shall be recorded as an indirect cost.

17. Other premium pay includes those for extra shift, hazardous duty, and night duty. Consistent with the policy for overtime premium, other premium pay shall only be classified as a direct labor charge when the incurrence of the premium pay is clearly the result of unique conditions of the job order. Unless the peculiar conditions of the job order require the incurrence of the premium pay, premium pay shall be charged as indirect labor costs.

L. COSTING MATERIAL

1. All material and supplies received in a depot maintenance activity shall be accounted for in general ledger account 1511, "Operating Materials and Supplies Held for Use." This account shall be debited based upon receipt of material and supplies. The accounts for operating materials and supplies shall be credited with an offsetting debit (charge) to accounts 1581, "Work In Process - In-House," or 1582, "Work in Process - Contractor," upon issue of the material or supplies for use in the performance of depot maintenance work.

2. Direct material and supplies shall be charged directly to the applicable job order. Indirect material shall be charged to the using cost center upon issue.

3. Materials and supplies shall be valued at its acquisition cost.

4. Material furnished by a customer shall be used in the performance of depot maintenance work requested by the customer. Cost of the furnished material shall be recorded as an unfunded direct material cost in the amount determined by the customer. The depot maintenance activity shall use the same methods to maintain accountability over customer provided material as the depot maintenance activity uses for its own material.

5. Upon completion of a job order, any remaining customer furnished material shall be returned at the customer's request. Material abandoned by the customer shall be added to materials and supplies and credited to general ledger account 3220, "Transfers-In from Others Without Reimbursement."

6. Direct material is that material and supplies that can be identified, without undue cost or difficulty, in the performance of work specified by a work authorization document or job order. A small amount of material may be treated as indirect material even though the material is incorporated as a part of the final product, if this practice is consistently applied to all job order. Direct material may either be incorporated as a part of the final product or consumed in the maintenance process.

7. Indirect material is that material that cannot be identified, without undue cost or difficulty, in the performance of work as specified by a work authorization document or job order. The determination of what constitutes "without undue cost or difficulty," is, although not defined, subject to reasonable interpretation. If questioned, it is the responsibility of the DBOF activity to demonstrate that identification of material (or labor) as direct would be unduly costly or difficult in relation to the benefit received.

8. The material and supplies on hand in a cost center should be reviewed at least annually to determine if excesses exist. Those items that are excess and are not needed shall be returned to the materials and supply stock account. Unused material returned to the materials and supplies stock account shall be recorded as follows:

a. Credit shall be granted to the job order originally charged for unused direct material and that material shall be recorded as an increase to account 1511, "Operating Materials and Supplies Held for Use," unless there is no foreseen use for the material. If the job order to which the material was

originally charged has been closed, and a decision is made not to reopen the order to post the credit, the credit shall be applied to account 7193, "Other Miscellaneous Gains." If there is no foreseen use, the material shall be recorded as an increase to account 1513, "Operating Materials and Supplies - Excess, Obsolete, and Unserviceable." The loss, if any, shall be recorded to account 7293, "Other Miscellaneous Losses," and charged as an indirect cost to the returning cost center.

b. Credit shall be granted for the return of usable indirect material to the materials and supplies stock account. The credit shall be applied to the indirect material expense account of the applicable cost center.

c. Items excess to the needs of the depot maintenance activity shall be returned to the supply system. Items returned to the supply system for which credit is not granted, or credit in a lesser amount than the cost of the material returned, shall be recorded to account 7293, "Other Miscellaneous Losses." The value of the credits received for returns shall be recorded to account 7193, "Other Miscellaneous Gains."

9. When an item such as an assembly, subassembly, or an end item is designated as an "exchange" Item, the depot can issue a repaired item to the customer upon receipt of a repairable carcass from the customer. The customer shall be charged an average cost to repair the carcass. To facilitate this process, an average cost to repair shall be established for a fiscal year. The average cost to repair shall be determined by dividing historical cost to repair a type of carcass incurred each year by the number of units repaired and adjusting the result to the current year. The average cost to repair should be recomputed each fiscal year. For non-DoD carcasses including those owned by foreign governments refer to the requirements in Volume 15, "Security Assistance Policy and Procedures," of this Regulation.

10. If an exchange carcass is not repairable or an exchange item is missing and the depot maintenance activity is required to pay for a new item, the cost of the new item shall be charged to the job order as direct material cost.

M. OTHER DIRECT COSTS

1. Purchased services shall be charged as direct costs to the job order that benefits from the services. If only one job order benefits from a contract or purchase, the cost of the contract shall be charged to that job order. If more than one job order benefits from a contract, the costs of the contract shall be prorated to the benefiting job orders based upon estimates or calculations of the benefits received by each job order.

2. Purchased services that benefit indirect cost centers or the activity as a whole (general and administrative) shall be recorded as indirect costs.

3. The costs of contracts that supplement the maintenance capacity or capability of the depot shall be charged to the job orders that use the additional maintenance services.

4. The costs of material procured from contractors shall be recorded in the applicable operating materials and supplies account and charged to job orders under normal procedures. If, however, material is procured for a specific job order, the acquisition cost of the material shall be a direct charge to the applicable job order.

5. Travel and per diem expenses (including regular labor hours spent in travel) shall be charged as direct costs only if the labor hours worked while traveling are charged as direct labor. If more than a single job order is worked on, the travel and per diem expenses shall be prorated on the basis of the related direct labor. Otherwise, all travel and per diem expenses shall be charged as an indirect expense of the employees' cost center.

6. The costs of Permanent Change of Station (PCS) movements for transferred civilian employees that are the responsibility of the depot maintenance activity shall not be charged as a direct cost but as a G&A expense and recorded in accounts 6116, "Travel and Transportation of Persons," and 6117, "Transportation of Things."

N. INDIRECT COSTS

1. The overhead rates and standard costs discussed in this chapter should not be confused with stabilized billing rates. Stabilized billing rates or stabilized prices are used solely to price work to DoD-funded customers and may only be changed upon approval of the Office of the Comptroller of the Department of Defense.

2. All depot maintenance costs incurred that are not chargeable as direct costs, shall be recorded as indirect costs unless specifically designated otherwise in this Regulation. Indirect costs shall be recorded by object class as specified in OMB Circular A-n, and by general ledger account as specified in Volume 1, chapter 7 of this Regulation. Indirect costs shall be recorded by activity, department, cost center, or other organizational element responsible for incurring the cost. The number and type of indirect cost centers to be established is a function of the diversity of the indirect activities at the depot and the level of management information required. The minimum number of cost centers required to separately identify and record homogeneous groupings of cost is a function of the number of different types of facilities, equipment, and/or skills required in the indirect area. The number of additional cost centers is a management prerogative in terms of the number and type of cost centers needed to ensure efficient and effective operations.

3. Costs of departments, service, and processing centers that provide support directly to direct cost centers shall be classified as operating support indirect cost pools. The costs assigned to these cost pools shall be allocated in full to the benefiting direct cost centers (see subsection N.5., below) and not included in the G&A expense rate described in subsection N.6., below. Costs assigned to operating support indirect cost pools shall be allocated to the benefiting direct cost centers by the use of a base that results in the distribution of costs incurred in proportion to the benefits received.

4. Indirect costs shall be allocated to job orders by the use of an operations overhead rate and a G&A rate as described in subsections N.5. and N.6., respectively, below. Neither of these rates should be confused with the stabilized billing rates to be used to price billings to DoD customers.

5. An operations overhead rate shall be developed for each direct cost center in which direct labor is utilized in the performance of maintenance activities. The operations overhead cost pool shall consist of all indirect costs incurred by the cost center plus the allocated share of operating support costs of departments or service cost centers, if any (see subsection N.3. above). The base to be used to allocate the operations overhead cost pool to the direct cost centers is direct labor hours. Direct labor hours shall include both military and civilian direct labor. This base is appropriate because operations overhead in a maintenance activity is normally a function of direct labor hours. When the use of direct labor hours as an allocation base will not result in an equitable allocation of indirect costs (that is, charges are not commensurate with benefits received), a more appropriate allocation base may be selected providing:

a. An organizational authority, including the Office of the DoD Comptroller, that is above the level of the local performing depot maintenance activity has not directed that particular depot maintenance activity to use a specific allocation base.

b. The alternate allocation base preferred for use is approved by the comptroller of the local performing depot maintenance activity. (If a higher organizational authority has not previously directed a specific allocation base for use, then approval of the alternate preferred base need not be obtained by the local performing depot maintenance activity.)

c. Justification for the decision is documented and retained in the office of the local comptroller for review.

6. G&A expenses shall be allocated to job orders through the use of an overhead rate separate from the operations overhead rate. The G&A expense pool shall include all G&A expenses incurred by the maintenance activity. The base used to allocate G&A expenses to a job order is total incurred costs - both direct and indirect. When the use of total incurred costs as an allocation base will not result in an equitable allocation of G&A expenses (that is, charges are not commensurate with benefits received), a more appropriate allocation base may be selected providing:

a. An organizational authority, including the Office of the Under Secretary of Defense (Comptroller), that is above the level of the local performing depot maintenance activity has not directed that particular depot maintenance activity to use a specific allocation base.

b. The alternate allocation base preferred for use is approved by the comptroller of the local performing depot maintenance activity. (If a higher organizational authority has not previously directed a specific allocation base for use, then approval of the alternate preferred base need not be obtained by the local performing depot maintenance activity.)

c. Justification for the decision is documented and retained in the office of the local comptroller for review.

7. Overhead costs and G&A expenses shall be allocated to job orders through the use of, respectively, the operations overhead rate and G&A rates. These rates are not to be confused with the stabilized billing rates used to price the sale of services to DoD-funded customers. The rates shall be developed based upon estimated costs with an anticipated level of activity (base). The applied overhead account shall be used to record over and/or under absorbed overhead. This difference is a variance. A variance between actual overhead costs and applied overhead may require a change in the overhead rate. The development of a new overhead rate shall include plans to absorb the amount of the realized variance during the period of time the new overhead rate is in effect. A change in the overhead rate maybe approved by the performing depot maintenance comptroller when it is apparent that

a. The variance is not due to seasonal fluctuations such as summer vacations;

b. The variance will continue to exist at fiscal year end; and

c. The expected variance is significant. (The determination of what is "significant" shall be made by, or in consultation with, the local depot maintenance comptroller.)

8. When a job order is complete, it shall be closed (moved from work in process to account 6500, "Cost of Goods Sold") including overhead costs allocated. based upon overhead rates in effect during the life of the order. Adjustments in overhead rates made after a job order is closed shall not be posted to a completed job order unless the effect of the adjustment would have a significant impact on the total cost assigned to the job order. Adjustments applicable to the current fiscal year that are significant shall be posted to completed job orders and adjusted to account 6500, "Cost of Goods Sold." Other adjustments shall be recorded in a G&A account subsidiary to account 6900, "Other Expenses."

O. COSTS REQUIRING SPECIAL ATTENTION

1. Quality Assurance. The depot maintenance quality assurance function; that is, test design and analysis, performance of tests necessary to independently assure the quality of the work accomplished and related supervision and support, shall be charged as a direct cost to the applicable job order. Quality assurance costs that are not identifiable to specific job orders shall be charged to an operating support indirect cost center as described in subsection N.3., above, and allocated to the benefiting direct cost centers. Quality Assurance cost incurred in support of workload for other than depot maintenance or other activities shall, be directly charged to those activities.

2. Inspections and Tests. Inspections and tests made to determine work requirements; that is, preshop analysis, initial evaluation and inspection, and pre-inspection or shakedown inspection, shall be recorded as "direct labor" on the applicable job order. Also, final inspection and tests performed after the maintenance process is complete to assure operational or functional adequacy

are recorded as "direct labor - production. " Operational inspections and tests performed during the maintenance process to determine the condition of the item and make adjustments (calibrate) are inherent in the maintenance process and shall be recorded as "direct labor - production."

3. Reparables. Reclamation of unserviceable depot level reparable (DLRs) is performed at the direction of the National Inventory Control Point (NICP) item manager. Items produced as a byproduct of the reclamation process shall be returned to the DoD supply system. A separate job order shall be established for each reclamation project.

4. Borrowed Assemblies, Subassemblies, Components, or Parts.

a. "Backrobbing" (also called "robback") is defined as the taking of an assembly, subassembly, component, or part from an item that has been inducted for maintenance for use on another item inducted for maintenance with the intention of replacement at a latter time. It is the temporary borrowing of the required part. Generally, this practice is authorized only to prevent a work stoppage. The current acquisition cost of the assembly, subassembly, component, or part that was "borrowed" and the cost of installing the borrowed item shall be charged to the benefiting job order. All costs incurred in removing the "borrowed" item and reinstalling the replacement item shall be charged to the operations overhead of the cost center requiring the part. , These costs shall not be separately identified for reporting purposes.

b "Cannibalization" is defined as the taking of an assembly, subassembly, component, or part from an item (serviceable or unserviceable) that has not been inducted for maintenance (without regard to its location or ownership) by a maintenance activity for use on an item which has been inducted for maintenance. Generally, cannibalization is authorized only to prevent a work stoppage. The current acquisition cost of the assembly, subassembly, component, or part that was cannibalized and the cost of installing it shall be charged to the benefiting job order. All costs incurred in removing the cannibalized item and reinstalling the replacement item shall be charged to the operations overhead of the cost center requiring the part. These costs shall not be separately identified for reporting purposes.

5. Calibration. Calibration of an assembly, subassembly, component, part, or other equipment from an item that has been inducted for maintenance shall be charged to the benefiting job order. Calibration of equipment used by a depot maintenance cost center in the performance of its work shall be charged as an indirect expense of the cost center that uses the item being calibrated.

6. Modifications and Upgrades

a. Establishment of Job Orders. A separate job order shall be established for each modification or upgrade of a major end item such as an aircraft. Separate job orders shall only be established for other than major end item modifications or upgrades when the work is easily identifiable; such as when the modification or upgrade is the primary purpose of inducting the item. The cost of material used in the modification or upgrade process, such as a modification kit, and the cost of direct labor incurred to install the modification shall be charged to the modification job order.

b. Modification/Uprade vs Overhaul Costs. When a modification or upgrade is performed concurrently with depot maintenance work on the same major end item, direct modification or upgrade material (modification kits) used shall be charged to the modification or upgrade job order. However, direct labor shall be charged as modification or upgrade work only when it is peculiar to the modification or upgrade process. For example, when modification or upgrade is performed concurrently with overhaul, labor costs incurred in disassembly, test, inspection, repair, rebuild, replacement and servicing, etc., that are performed as a normal part of the overhaul shall be charged to depot maintenance overhaul and not prorated between overhaul and modification or upgrade. Labor costs incurred installing a modification or upgrade concurrently with depot maintenance overhaul work may be charged to the job order for the depot maintenance overhaul if the amount of the modification or upgrade labor is so small that no significant or material distortion in either the modification or upgrade or the depot maintenance cost shall occur." When this practice is followed, there shall be no adjustments to the depot maintenance overhaul job order on the basis of labor or material standards or other estimates of modification or upgrade labor in order to support reimbursement from fund citations for modification or upgrade work.

7. Automated Data Processing Costs

a. Software Development Costs. The costs of computer programing efforts for depot maintenance equipment (that is, the costs of software development efforts for use on depot maintenance activity assets) shall be capitalized when they meet the DoD capitalization criteria. Programing efforts that do not meet prescribed capitalization criteria shall be treated as operations overhead expense of the performing cost center. If the programming effort consumes significant amounts of resources, a separate indirect department or service center shall be established and the capitalized and other costs of the service center allocated to the benefiting direct cost centers on the basis of the program use. Costs of programing effort for non-depot maintenance functions or other activities shall be charged to those activities before the remaining costs are allocated to the benefiting direct cost centers. When the programming costs are not appropriately chargeable as an operations overhead cost, the costs shall be charged to a G&A expense account.

b. Software Support. Software support is performed by depot maintenance activities to ensure that fielded software systems continue to support original missions as updated by modification and improvement efforts. All depot maintenance costs for software support shall be charged to specific job orders established for this purpose. Costs charged to the orders shall include all applicable direct labor, direct material, all other direct costs, operations overhead and G&A costs.

8. Machine Set-Up Costs

a. The cost of programing effort for automatic test and numerically controlled machines shall be charged to the benefiting job order(s). However, if a significant effort is expended for programming that shall benefit more than one job order, then the programming cost should be allocated to all benefiting job orders. The nonproductive labor hours of employees waiting for programming to be completed is an indirect expense of the worker's cost center.

b. Machine tool set-up time shall be charged to the benefiting job order(s). Set-up time is normally recorded as direct labor on a job order and should not be separately recorded from the job order. However, if a significant effort is expended for a set-up that shall benefit more than one job order, then the set-up should be allocated to all benefiting job orders. The nonproductive labor hours of employees waiting for a set-up to be completed is an indirect expense of the worker's cost center.

9. Defective Work and Spoilage Costs

a. Charging as Direct Costs. Efforts undertaken to correct work defects and spoilage when quality control standards are not met shall be charged to the applicable job order. Examples of corrective work that should be directly charged to a job order include:

(1) Acceptable reject rates for castings, welds, and brazing.

(2) Minor realignment or refitting of units that are improperly finished or aligned.

(3) Resoldering of connections broken in transit.

b. Charging as Indirect Costs. When unusual defects or excessive spoilage occurs, the responsible cost center's indirect material and labor costs shall be charged with the costs of the corrective work. When the responsible cost center cannot be determined, the applicable material and labor cost shall be charged to an indirect expense account subsidiary to account 6900, "Other Expenses." Defective work and spoilage that is chargeable to indirect costs includes the following:

(1) Cost of additional material and labor necessary to remedy or rework end products when defects beyond acceptable levels are detected during the normal production and inspection processes. Such costs do not add value to the work performed but are necessary to bring the work up to stated specifications.

(2) Costs related to work on items with defects so severe that the item must be removed from the production process and sold as scrap or returned in part to operating materials and supplies. When this happens, the applicable job order should be relieved of the costs and the indirect costs of the responsible cost center charged. If a responsible cost center cannot be determined, a G&A account for "Defective Work and Spoilage," shall be charged for the costs of the rejected item.

10. Proceeds From Scrap Sales. Proceeds from sale of scrap generated by depot maintenance activities that are not Defense Business Operations Fund activities are credited to a miscellaneous receipts account with the Treasury and not credited to the account of the depot maintenance activity. However, net proceeds from the sale of scrap generated, collected, or otherwise obtained by Defense Business Operations Fund activities as a part of normal business operations shall be credited to the Defense Business Operations Fund and accounted for as follows:

a. Estimated net proceeds from the sale of material removed during work on vessels, aircraft, vehicles, and weapons that can be feasibly and economically related to a specific job order may be credited to that job order. When actual net proceeds are known, the job order amount shall be adjusted if the job order is still open. Otherwise, the net difference between the estimated amount and the actual amount of net proceeds shall be adjusted to account 7110, "Gains on Disposition of Assets."

b. Carcasses received from customers that are later condemned or deemed unserviceable are considered a normal part of Defense Business Operations Fund operations. Therefore, the proceeds from the sale of carcasses received from customers shall be credited to account 7110, "Gains on Disposition of Assets."

c. All other proceeds from the sale of Defense Business Operations Fund items shall be credited to account 7110, "Gains on Disposition of Assets."

11. Mobilization Capability Costs. Mobilization capability costs include the costs to maintain a surge capacity and/or maintain other assets, functions, or capabilities required to meet an operational contingency as documented in Defense Planning Guidance or operational plans. Surge capacity most often manifests itself in facilities and equipment that are unutilized or under utilized during normal peacetime operations.

a. Underutilized Capacity. Underutilized plant and equipment results when the volume of workload is less than full capacity of an operating facility. The cost of maintaining underutilized capacity (except for the DBOF Transportation Business Area) is not considered a mobilization requirement eligible for separate billing to, and reimbursement from the Operations and Maintenance (O&M) appropriation of the DoD Component having management responsibility for the activity at which the unutilized capacity resides appropriation' funding.

b. Unutilized Capacity Unutilized (reserve) plant and equipment capacity is that part of a DBOF activity's assets including plant and equipment that is held in a standby, idle, or lay-away status.

(1) Unutilized capacity associated with the ability to satisfy a projected surge capacity is considered a mobilization requirement eligible for separate appropriation funding when it is, or is expected to be, unutilized for six consecutive months or more. Such amounts shall not be funded in an appropriated or DBOF fund different from that in which funds for this purpose were budgeted unless approved by the Under Secretary of Defense (Comptroller).

(2) Unutilized capacity associated with the ability to provide capability in excess of any known or projected requirement is not a mobilization requirement.

c. Accounting for Unutilized and Underutilized Capacity. If feasible, a separate cost center shall be established to account for unutilized capacity costs applicable to the continuance of a mobilization requirement. Where necessary, such costs shall be identified to the function or task level to segregate costs between normal operating costs and mobilization costs.

d. Funding of Unutilized and Underutilized Capacity

(1) Unutilized Capacity. All elements of cost required to maintain unutilized plant and equipment capacity shall be DBOF funded costs. A separate job order shall be established to accumulate the direct, indirect, and GM costs supporting the maintenance of. unutilized plant and equipment capacity. Reimbursement from the operations and Maintenance (O&M) appropriation of the DoD Component having management responsibility for the activity at which the unutilized capacity resides shall be requested to pay for those costs except for depreciation of unutilized assets held to satisfy a mobilization requirement which shall be unfunded, The percentage of G&A costs allocated to the unutilized plant capacity job order. shall be the same as the percentage of G&A costs allocated to other activity job orders.

(2) Underutilized Capacity. The costs required to maintain underutilized plant and equipment shall be DBOF funded costs, and shall be a cost of the cost center in which the underutilized plant and equipment resides. The costs of underutilized plant, and equipment shall be included in the stabilized rates and prices charged to customers of a DBOF activity.

12. Job Order Cancellations or Reductions in Scope. When a job order is canceled or reduced in scope-after a DBOF activity has commenced work or incurred costs on the order, the costs incurred, plus the applied overhead (that is, indirect and other normally allocated overhead (G&A) costs) plus costs associated with the cancellation or reduction shall be charged to the customer. Examples of directly- associated .cancellation or reduction costs to be charged to customers are advance planning costs, noncreditable direct material,. special test equipment, necessary preservation and/or shipment effort, and any additional effort. necessitated by the cancellation and/or reduction; for example, salvaging of material. In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are, or could have been, separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with cancellation or reduction actions shall not be charged to the customer. Although normally allocated G&A costs shall be charged to cancelled or reduced customer orders, underapplied overhead costs that may result in the DBOF "activity as a whole from a reduced workload base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DBOF activity. The following accounting entry illustrates the recordation of underapplied overhead costs directly against net operating results:

Dr 3321 Net Results of Operations - DBOF
Cr 6600 Applied Overhead

To record underapplied cost of overhead directly to net operating results.

13. Employee Training Costs. The cost of training performed for the depot maintenance activity's benefit shall be recorded as an indirect expense of the employees' cost center.

a. Training costs shall include all applicable elements of cost; that is, labor hours of trainees, travel, transportation, per diem costs, labor hours of instructors, tuition, books, and materials. Training costs shall include the cost of planning the course of instructions conducting the course, and any related support effort.

b. The development and qualification of employees requested by activities outside of the performing maintenance activity shall be charged to a specific job order.

c. The hours of on-the-job training in the form of actual productive effort (as opposed to observation or other noncontributory effort) is chargeable as direct labor to the related job order. Noncontributory effort, including time spent observing others, should be charged to the indirect costs of the cost center of the employee.

14. Technical Assistance. Depot maintenance technical assistance is a specialized service provided by qualified depot maintenance technicians that is performed in many different ways depending upon the requirement. Technical assistance may include instruction on maintenance repair or support processes for military equipment, special programs for military reserve units, training foreign nationals using uniquely qualified personnel to provide technical assistance, performing specific work requiring special skills for operational activities, other maintenance organizations, or foreign governments. All depot maintenance activity costs for technical assistance shall be charged to specific job orders established for that purpose. The costs charged to these job orders shall include direct labor, direct material, all other direct costs, and operations overhead and G&A costs including variances for applied overhead.

15. Assets Manufactured by a Depot Maintenance Activity for Itself. Normally, the material requirements of a depot maintenance activity are met by the supply system or commercial procurement. However, in some cases, material requirements may be fulfilled by a manufacturing process at the depot maintenance activity. The manufacturing process includes several phases:

a. A work authorization document (in-house job order) to replace the normal funded customer order.

b. The costing of direct labor, material, and applied overhead to the manufacturing job order as work in process.

c. The posting of the completed job order to operating materials and supplies, an asset account, or, if the transaction is reimbursable, to cost of goods sold.

16. Special Non-Maintenance Functions. Occasionally, some uniquely qualified depot maintenance personnel are asked to perform various types of special functions that are not maintenance activities or functions. Such work is chargeable to other separately budgeted functions such as supply operations, property disposal, or family housing.

17. Concurrent Maintenance. Concurrent maintenance occurs when the component parts of an end-item are inducted into the maintenance process at the same time as the end-item is inducted for maintenance. This approach is used instead of an exchange. The approach selected is usually a function of the desired outcome and the availability of exchanges. Concurrent maintenance and exchange do not normally result in the same costs being incurred, and no attempts should be made to balance the costs incurred for work performed in the two separate modes. All concurrent maintenance costs shall be charged to the weapon system order and not allocated to component repair job orders.

18. Host/Tenant Support Services. Depot maintenance activities give and receive different types and levels of support services to and from the host installation depending upon location and mission assignments.

a. Uniform costing requires that support services that benefit the performance of the depot maintenance function be recognized as part of the indirect expenses of the benefiting cost center or the entire depot maintenance activity as appropriate regardless of the funding source for the support services.

b. Within the Defense Business Operations Fund, depot maintenance activities shall not provide or receive goods or services on a nonreimbursable basis. In addition, offset or barter arrangements shall not be made with other activities for goods or services. Special arrangements to avoid normal funding requirements may result in apparent violations of the Anti Deficiency Act.

19. Employee Bonuses and Awards. Employee monetary awards paid to employees for suggestions, and one time bonuses, such as special act awards performance bonuses, and productivity gain sharing program payouts, shall be charged to indirect operations overhead of the cost center of the employee receiving the award. Performance appraisals that result in annual pay increases such as sustained superior performance, outstanding, exceptional, and fully successful pay ratings are simply increases in base pay that affect regular payroll cost.

CHAPTER 64

ARMY INDUSTRIAL ACTIVITIES

SALE OF MANUFACTURED ARTICLES OR SERVICES

OUTSIDE OF THE DEPARTMENT OF DEFENSE

A. AUTHORIZATION. Section 158 of the Fiscal Year 1994 DoD Authorization Act amended Chapter 433 of title 10, United States Code to authorize particular sales of certain working-capital funded industrial activities of the Army. Its provisions allowed for:

1. Authority Sell Outside DoD. A working-capital funded Army industrial facility (including a Department of the Army arsenal) that manufactures large caliber cannons, gun mounts, recoil mechanisms, ammunition, munitions, or components thereof may sell manufactured nondefense-related commercial articles or services to a person outside the Department of Defense if --

(a) in the case of an article, the article is sold to a United States manufacturer, assembler, developer, or other concern --

(1) for use in developing new products;

(2) for incorporation into items to be sold to, or to be used in a contract with, an agency of the United States;

(3) for incorporation into items to be sold to, or to be used in a contract with, or to be used for purposes of soliciting a contract with, a friendly foreign government; or

(4) for use in commercial products;

(b) in the case of an article, the purchaser is determined by the Department of Defense to be qualified to carry out the proposed work involving the article to be purchased;

(c) the sale is to be made on a basis that does not interfere with performance of work by the facility for the Department of Defense or for a contractor of the Department of Defense; and

(d) in the case of services, the services are related to an article authorized to be sold under 10 USC 4543 and are to be performed in the United States for the purchaser.

B. ADDITIONAL REQUIREMENTS. The following additional requirements also apply to sales under 10 USC 4543.

1. The authority to sell articles or services shall be exercised at the level of the commander of the major subordinate command of the Army with responsibility over the facility concerned.

2. A purchaser of articles or services shall use advance incremental funding to pay for the articles and services.

3. In the case of a sale of commercial articles or commercial services in accordance with paragraph A. above, by a facility that manufactures large caliber cannons, gun mounts, or recoil mechanisms, or components thereof, that facility shall --

(a) Charge the buyer the fixed and variable costs (that is, the full cost that is charged to buyers within the DoD that are associated with the commercial articles or commercial services sold.

(b) Enter into

(1) a firm, fixed-price contract for which the firm, fixed-price is, in good faith, established to recover the full cost that would be charged to a buyer within the DoD, or

(2) a cost reimbursement contract for the sale.

C. DEFINITIONS. In this chapter, and as related to 10 USC 4543, the following definitions apply.

1. Commercial Article. An article that is usable for a nondefense purpose.

2. Commercial Service. A service that is usable for a nondefense purpose.

3. Advance Incremental Funding. With respect to a sale of articles or services, means a series of partial payments for the articles or services that includes:

(a) one or more partial payments before the commencement of work or the incurring of costs in connection with the production of the articles or the performance of the services, as the case may be, and:

(b) subsequent progress payments that result in full payment being completed as the required work is being completed.

4. Variable Costs. With respect to sales of articles or services under 10 USC 4543, means the costs that are expected to fluctuate directly with the volume of sales and --

(a) in the case of articles, the volume of production necessary to satisfy the sales orders; or

(b) in the case of services, the extent of the services sold.

D. RELATIONSHIP TO ARMS EXPORT CONTROL ACT. Nothing in 10 USC 4543 shall be construed to affect the application of the export controls provided in section 38 of the Arms Export Control Act (22 USC 2778) to items which incorporate or are produced through the use of an article sold under this section.

CHAPTER 65

MOBILIZATION COSTS

A. APPLICABILITY

The policy contained herein applies to all DBOF activity business areas and covers the requirement for a separate appropriation for peacetime costs to maintain a mobilization capability. This requirement shall hereafter be referred to as mobilization requirement.

B. SCOPE

Each DBOF business area must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to satisfy mobilization conditions when required. The nature and extent of the costs to be paid by a separate appropriation rather than charged to other business customers through the rates shall be in accordance with policy and procedures outlined below.

C. DEFINITIONS

Mobilization capability costs include the costs to maintain a surge capacity, to procure and maintain approved war reserve material levels, and/or to maintain other assets, functions, or capabilities required to meet an operational contingency as documented in Defense Planning Guidance or operational plans.

1. Surge Capacity

a. A business's total surge capacity most often manifests itself in facilities and equipment that are unutilized or underutilized during normal peacetime operations.

(1) Unutilized (Reserve) Plant and Equipment
Capacity is that part of a DBOF activity's assets including plant and, equipment that is held in a standby, idle, or lay-away status or for War Reserve Storage.

(2) Underutilized Plant and Equipment results when the volume of workload is less than full capacity of an operating facility. The cost of maintaining underutilized capacity, except as defined below for the Transportation Business Area, is not considered a mobilization requirement eligible for separate appropriation funding under this policy.

b. Unutilized capacity associated with the ability to satisfy a projected surge capability is considered a mobilization requirement eligible for separate appropriation funding when it is, or is expected to be, unutilized for six consecutive months or more. Such amounts shall not be funded in an appropriated or DBOF fund different from that in which funds for this purpose were budgeted unless approved by the Under Secretary of Defense (Comptroller).

c. Unutilized capacity associated with the ability to provide capability in excess of any known or projected requirement is not a mobilization requirement.

2. War Reserve Material. War reserve materiel includes secondary items procured and/or stored in support of wartime scenarios established in Defense Planning Guidance or contingency operations identified in specific Operational Plans.

D. FUNDING

1. Operations. All elements of cost required to maintain unutilized plant and equipment capacity shall be DBOF funded costs. The portions of direct, indirect, and G&A costs supporting the maintenance of this capacity shall be separately accumulated. When a portion of a DBOF activity's plant is purposely set aside as idle capacity, a direct appropriation to the Component O&M shall be requested to pay for the cost of essential operation and maintenance for that portion of the plant and idle equipment as well as an allocated portion of G&A costs. The percentage of G&A costs allocated to the cost center for the unutilized plant capacity shall be the same as the percentage of G&A costs allocated to other cost elements of the activity. Separate cost centers shall be maintained for all such costs.

2. War Reserve Material. The purchase of secondary items of supply as War Reserve Materiel shall be funded from a direct appropriation. Such appropriated amounts shall be reflected as a separate goal within the applicable Supply Management or Commissary Resale business area Annual operating Budget. Items such as ammunition and/or principal and major end items procured for war reserve shall not be DBOF-funded, but shall be funded through amounts available to Component/Defense Agency procurement appropriations.

3. Capital Investment. New capital asset investments at DBOF activities necessary to satisfy a mobilization requirement shall be funded from component procurement appropriations. DBOF activity business areas shall assume ownership of such assets. Depreciation expense for new capital assets to satisfy a mobilization requirement (as well as other, older capital assets laid away for use in mobilization) shall be recorded as unfunded depreciation.

4. United States Transportation Command (USTRANSCOM). Because a capability must be maintained by the USTRANSCOM DBOF Transportation business area to expeditiously respond to requirements to transport personnel, materials, or other elements required to satisfy a mobilization condition, direct appropriation funding will be provided for:

a. Air Mobility Command(AMC). Airlift flying hours and associated costs are based on the requirement to maintain the capability of the airlift system, including crew training (and concurrent mobilization) requirement. The airlift system training generated capacity is used by DoD to move air eligible cargo and passengers. In order to extend air eligibility and increase capacity utilization rates are generally established to be competitive with commercial carriers. However, resulting contributed revenue

does not cover the costs of operations due to the mobilization requirement. This requirement will be-recorded/budgeted as follows:

(1) The costs for military personnel will be recorded (at the civilian equivalency rate) in accordance with the policy on Military Personnel Expense in Chapter 63, "Expenses," of this Volume, Military personnel within the Air Mobility Command will be direct funded by a Military Personnel appropriation. Although the cost shall be recorded as a DBOF cost, it shall be recorded so that it is not required to be recovered in customer rates.

(2) The balance of the mobilization requirement costs will be funded through a direct appropriation to the Air Force and will be placed as an order with the DBOF. This will assure that revenue is reflected to offset the costs.

b. Military Traffic Management Command (MTMC). The MTMC shall plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material and other elements required to satisfy a mobilization requirement. The costs of RIC will be funded by Army Operation and Maintenance.

E. ACCOUNTING

A cost center capability shall be established to separately account for all costs applicable to the continuance of a mobilization requirement. Where necessary, such costs shall be maintained to the function or task level, as necessary to segregate costs between normal operating costs and mobilization costs.

Purchases of DBOF-funded War Reserve items shall be accounted for at the same level of detail as items procured for peacetime requirements. Amounts shall be recorded in separate general ledger accounts, or appropriate subaccounts, to retain separate visibility of such assets. Inventory levels funded by such amounts are not available for sale; therefore, cost shall be separately maintained and reported to ensure that the unit cost targets for the Supply Management business are not affected.

F. REPORTING

DBOF business area activities shall record and report financial information on the maintenance of a mobilization capability in accordance with the DoD accounting and reporting requirements specified for the DBOF. The Monthly Report of Operations (AR. 1307) shall be prepared to include a footnote which identifies the amount of the mobilization requirement costs which are funded through direct appropriations or reimbursable orders accepted specifically for mobilization requirements.

CHAPTER 66

ACCOUNTING FOR INTRAFUND TRANSACTIONS

(Guidance on accounting for intrafund transactions within the Defense Business Operations Fund will be provided at a later date.)

CHAPTER 67

UNIT COST GUIDANCE FOR THE DBOF

(Guidance on unit costing within the Defense Business Operations fund will be provided at a later date.)

CHAPTER 68

RESERVED FOR FUTURE USE

CHAPTER 69

RESERVED FOR FUTURE USE

CHAPTER 70

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT [ACCOUNTING REPORT (M) 1307]

SECTION I

GENERAL PREPARATION INSTRUCTIONS

A. GENERAL

1. The Defense Business Operations Fund Accounting Report consists of three principal statements:

a. Statement of Financial Position which discloses the reporting entity's assets, liabilities, and net position;

b. Statement of Cash Flows which discloses the reporting entity's gross cash receipts and disbursements with an explanation of the changes in cash for the reporting period;

c. Statement of Operations (and Changes in Net Position) which discloses the results of the reporting entity's operations for the reporting period, including the changes in the entity's net position from the end of the prior reporting period.

2. An identification of the hierarchy of accounting standards to be followed in preparing Fund financial statements is contained in Chapter 50, "Defense Business Operations Fund General Policies and Requirements," of this Regulation and is summarized below.

a. Individual standards agreed to and published by the Joint Financial Management Improvement Program (JFMIP) principals. (The JFMIP principals are the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States.)

b. Form and content requirements included in OMB Bulletin 93-02, dated October 22, 1992 and subsequent issuances.

c. Accounting standards contained in agency (i.e., DoD) accounting policy, procedures manuals, and/or related guidance as of March 29, 1991, so long as they are prevalent practices.

d. Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first three parts of this hierarchy, and (2) if the use of such accounting standards improves the meaningfulness of the financial statements.

3. Notes to the principal sections, which are an integral part of the principal statements, Shall provide additional disclosures necessary to make the principal statements fully informative and not misleading.

4. The Defense Business Operations Fund Accounting Report contained herein was designed based on Fiscal Year 1994 form and content reporting guidance. Annually the Office of the Under Secretary of Defense (Comptroller) publishes DoD guidance on the form and content of financial statements. Accordingly, the Defense Business Operations Fund Accounting Report may be revised to maintain comparability.

5. The Statement of Operations consists of six parts:

a. Part I identifies, in summary fashion, the cumulative year-to-date results of operations.

b. Part II identifies the net changes in equity.

c. Part III identifies the components of costs of goods sold.

d. Part IV identifies detail expense information.

e. Part V reconciles Net Operating Results to the operating results used for rate-setting purposes.

f. Part VI identifies the obligations and outlays for the capital investment program.

g. Part VII reports inventory management data for the Supply Management and Commissary Resale business areas.

B. REPORTING REQUIREMENT

1. Applicability. The provisions of this section apply to all DoD Components operating a Defense Business Operations Fund activity. A listing of DBOF financial reporting entities is attached to this section. Within the attached listing, the lowest level for which individual AR 1307 reports are required are indicated by an asterisk (*) symbol. The levels for which a consolidated AR 1307 report are required are indicated in the attached listing by a pound (#) symbol. Consolidated statements are required for each DoD Component business area.

2. Report Forms. The financial statement formats contained herein show the report formats that must be used. The reports shall be prepared or reproduced on letter size paper (8 1/2" x 11"). Reports produced by automatic data processing equipment may be substituted for the formats illustrated. The following are the reports to be submitted:

Statement of Financial Position

Statement of Cash Flows

Report on Operations

Part I - Statement of Operations

Part II - Changes in Net Position

Part III - Cost of Goods Sold and Services Provided

Part IV - Expenses

Part V - Recoverable Operating Results

Part VI - Capital Investment Program
Part VII - Inventory Management Report - Supply Management
Business Area

3. Reporting Responsibilities. DoD Components are responsible for the information included in the AR 1307 report and for arranging for the preparation and submission of the report.

4. Frequency of Reports. Unless otherwise specified by the DoD Comptroller, the AR 1307 reports shall be prepared and submitted monthly, no later than the 18th workday of the month immediately following the end of the reporting period.

5. Distribution

a. Consolidated DoD Component and Business Area Reports. A copy of consolidated DBOF business area reports shall be submitted to:

(1) Director for Revolving Funds, Office of the Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller), the Pentagon, Room 3B866.

(2) Director for Financial Review and Analysis, Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management), Office of the Under Secretary of Defense (Comptroller), the Pentagon, Room 1A658.

(3) Office of the Assistant Secretary of the Army (Financial Management), Office of the Assistant Secretary of the Navy (Financial Management and Comptroller), and Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller), and Comptrollers of the Defense Agencies for business areas for which they are responsible.

(4) Management Command responsible for the oversight of a business area, if requested by a DoD Component.

b. Activity Level Reports. A copy of DBOF activity level reports shall be submitted to:

(1) Office of the Assistant Secretary of the Army, Navy, and Air Force (Financial Management), and Comptrollers of the Defense Agencies, for activities for which they are responsible, if requested by that DoD Component.

(2) Management Command responsible for the oversight of a business area, if requested by a DoD Component.

(3) The DBOF activity, whose operations are being reported. The report provided to a DBOF activity shall disclose any adjustments made to the financial data submitted by that activity.

C. DETAIL INSTRUCTIONS

1. The control accounts specified in Addendum 1 to Chapter 7, Volume 1 of DoD 7000.14-R, DoD Financial Management Regulation, as well as accounts referred herein, are authorized for use by DBOF activities. These accounts are

supported by such subsidiary accounts as may be necessary, together with the accounting policy guidance contained in DoD 7000.14-R, shall be used to accumulate the financial information being reported.

2. The instructions to the AR 1307 identify the specific data, and appropriate source of that data, for amounts to be entered into each line of each report. Newly established DoD Uniform Chart of Accounts general ledger accounts are indicated by an asterisk.

3. If existing accounting systems do not utilize the DoD Uniform Chart of Accounts, the balance for accounts within those systems which correlate to the listed DoD Uniform Chart of Accounts will be used in accordance with crosswalks developed by the Defense Finance and Accounting Service.

4. Amounts will be reported in thousands of dollars (\$000) for all parts of the report (that is, \$1,000 = \$1; \$10,000 = \$10; \$100,000 = \$100; etc.).

5. Report lines that require the identification of the nature of specific amounts will be footnoted, and such footnotes will be provided with each report.

6. Adjustments for amounts otherwise accounted for or reported at the DoD Component level should be allocated or assigned to the applicable business areas. Similarly, adjustments for amounts otherwise submitted for or reported at the business area level should be allocated, or assigned to the applicable individual activities. Such allocations shall be made, by the DFAS, in accordance with direction received from the DoD Components. However, as a general rule and where reasonable, all such adjustments should be allocated to individual activities. Adjustments made at the business area level shall be shown separately as a business area adjustment. Adjustments allocated to the individual activity level shall be entered into the activities' installation level accounting records.

7. Policies that, if implemented retroactively, could have a significant adverse impact on the accuracy and integrity of financial reports will not be retroactively implemented without a clearly offsetting benefit or unless directed by an external authority such as Congress.

DEFENSE BUSINESS OPERATIONS FUND REPORTING ACTIVITY
Key to Symbols

= DBOF Consolidation Point

* = DBOF Financial Reporting (AR1307) Entity

ARMY

ARMY SUPPLY MANAGEMENT

Wholesale

- * Aviation and Troop Command (ATCOM)
- * Communications and Electronics Command (CECOM)
- * Missile Command (MICOM)
- * Tank and Automotive Command (TACOM)
- * Armament and Chemical Acquisition and Logistics Activity (ACALA)
- * Army Materiel Command Mobilization (MC-MOB)

Retail

- * Forces Command (FORSCOM)
- * Training and Doctrine Command (TRADOC)
- * Army Material Command, Installation Division (AMC-ID)
- * Defense Supply Service Washington (DSS-W)
- * U.S. Army Europe (USAREUR)
- * U.S. Army Pacific (USARPAC)
- * U.S. Army Southern Command (USARSO)
- * Eighth U.S. Army (USAEIGHT)

ARMY DEPOT MAINTENANCE

Depots

- * Tooele Army Depot, Tooele, UT
 - Satellites: Pueblo Depot Activity, Pueblo, CO
 - Umatilla Depot Activity, Hermiston, OR
- * Seneca Army Depot, Romulus, NY
- * Anniston Army Depot, Anniston, AL
- * Bluegrass Army Depot, Richmond, KY
- * Sierra Army Depot, Herlong, CA
- * Letterkenny Army Depot, Chambersburg, PA
 - Satellite: Savanna Army Depot Activity, Savanna, IL
- * Red River Army Depot, Texarkana, TX
- * Sacramento Army Depot, Sacramento, CA (Scheduled for Closing)
- * Tobyhanna Army Depot, Tobyhanna, PA
- * Corpus Christi Army Depot, Corpus Christi, TX

Ordnance

- * Pine Bluff Arsenal, Pine Bluff, AR
- * Rock Island Arsenal, Rock Island, IL
- * Watervliet Arsenal, Watervliet, NY
- * McAlester Army Ammunition Plant, McAlester, OK
- * Crane Army Ammunition Activity, Crane, IN

DEFENSE BUSINESS OPERATIONS FUND REPORTING ACTIVITIES
Key to Symbols

= DBOF Consolidation Point

* = DBOF Financial Reporting (AR1307) Entity

NAVY

NAVY SUPPLY MANAGEMENT

Wholesale

- . Navy Ships Parts Control Center, Mechanicsburg, PA
- * Shipboard Consumables
- * Shipboard Repairables
- Navy Aviation Supply Office, Philadelphia, PA
- * Aviation Consumables
- * Aviation Repairables
- * Marine Corps Logistics Base, Albany, GA
- * Amphibious Consumables
- * Amphibious Repairables

Retail

- * Publications and Forms
- * Ship Stores
- * Shipyard Long Lead Material
- * Non-Navy
- * Retail
- * Fuel

Distribution Depots

- * Fleet Industrial Supply Center, Pearl Harbor, HI
- * Fleet Industrial Supply Depot, Yokosuka, Japan
- * Fleet Industrial Supply Depot, Guam, M.I.

*NAVY LOGISTICS SUPPORT ACTIVITIES

NAVY DEPOT MAINTENANCE

Shipyards

- * Philadelphia Naval Shipyard, Philadelphia, PA (Closing Sept 1995)
- * Charleston Naval Shipyard, Charleston, SC (Closing August 1995)
- * Norfolk Naval Shipyard, Portsmouth, VA
- * Portsmouth Naval Shipyard, Kittery, ME
- * Puget Sound Naval Shipyard, Bremerton, WA
- * Long Beach Naval Shipyard, Long Beach, CA
- * Mare Island Naval Shipyard, Vallejo, CA (Closing by 1995)
- * Pearl Harbor Naval Shipyard, Pearl Harbor, HI

Aviation

- * Naval Aviation Depot, Alameda, CA (Closing September 1996)
- * Naval Aviation Depot, North Island, CA (Closing September 1995)
- * Naval Aviation Depot, Norfolk, VA (Closing September 1996)
- * Naval Aviation Depot, Cherry Point, NC
- * Naval Aviation Depot, Jacksonville, FL
- * Naval Aviation Depot, Pensacola, FL

Ordnance

- * Naval Warfare Assessment Division, Corona, CA
- * Inventory Management and Systems Division, Mechanicsburg, PA
- * Naval Ordnance Center, Indian Head, MD

DEFENSE BUSINESS OPERATIONS FUND REPORTING ACTIVITIES
Key to Symbols

= DBOF Consolidation Point

* = DBOF Financial Reporting (AR1307) Entity

NAVY DEPOT MAINTENANCE (Continued)

Atlantic Division

- * Naval Weapons Station, Yorktown, VA
- * Naval Weapons Station, Earle, Colts Neck, NJ
- * Naval Weapons Station, Charleston, SC

Pacific Division

- * Naval Weapons Station, Seal Beach, CA
- * Naval Weapons Station, Concord, CA

Marine Corps Bases

- * Marine Corps Logistics Base, Albany, GA,
- * Marine Corps Logistics Base, Barstow, CA

NAVY BASE SUPPORT

- * Public Works Center, Great Lakes, IL
- * Public Works Center, Agana, Guam, Marianas Islands
- * Public Works Center, Jacksonville, FL
- * Public Works Center, Norfolk, VA
- * Public Works Center, Pearl Harbor, HI
- * Public Works Center, Pensacola, FL
- * Public Works Center, San Diego, CA
- * Public Works Center, Oakland, CA
- * Public Works Center, Washington, DC
- * Public Works Center, Yokosuka, Japan

NAVY RESEARCH & DEVELOPMENT

Air Warfare Centers (NAWC)

- * NAWC, Aircraft Division, Lakehurst, NJ
- * NAWC, Aircraft Division, Indianapolis, IN
- * NAWC, Aircraft Division, Patuxent River, MD (MRTFB)
- * NAWC, Aircraft Division, Trenton, NJ (MRTFB)
- * NAWC, Aircraft Division, Warminster, PA
- * NAWC, Weapons Division, China Lake, CA (MRTFB)
- * Satellite: Naval Ordnance Test Center, White Sands, NM
- * NAWC, Weapons Division, Point Mugu, CA (MRTFB)

Surface Warfare Centers

- * Dahlgren Division
 - NSWC, Dahlgren, VA
 - NSWC Detachment, White Oak, MD
 - NSWC Detachment, Wallops Island, VA
 - NSWC Detachment, Fort Monroe, VA
 - NSWC Coastal Systems Division, Panama City, FL
 - Naval Mine Warfare Engineering Activity, Yorktown, VA
- * Carderock Division
 - Carderock, MD
 - Annapolis, MD
 - Philadelphia, PA

DEFENSE BUSINESS OPERATIONS FUND REPORTING ACTIVITIES

Key to Symbols

= DBOF Consolidation Point

* = DBOF Financial Reporting (AR1307) Entity

NAVY RESEARCH & DEVELOPMENT (Continued)

- * Indian Head Division, Indian Head, MD
 - NSWC, Indian Head Division, Indian Head, MD
 - NSWC Detachment, White Oak, MD
 - NSWC Detachment, Yorktown, VA
 - NSWC Detachment, McAlester, OK
- * Crane Division
 - NSWC, Crane, IN
 - NSWC Detachment, Louisville, KY
- * Port Hueneme Division
 - NSWC, Port Hueneme, CA
 - Fleet Combat Direction Systems Support Activity, Dam Neck, VA
 - Integrated Combat Systems Test Facility, San Diego, CA
- # Undersea Warfare Centers
- * Newport Division
 - NUWC Division, Newport, RI
 - NUWC Detachment, Norfolk, VA
 - NUWC Detachment, New London, CT
 - NUWC Detachment, Atlantic Undersea Test and Evaluation Center, Andros Island, Bahamas (MRTFB)
- * Keyport Division, Keyport, WA
 - NUWC Division, Keyport, WA
 - NUWC Detachment, Lualualei, HI
 - NUWC Detachment, San Diego, CA
 - NUWC Detachment, Hawthorne, NV
- # Naval Command, Control and Ocean Surveillance Systems Centers
- * NCCOSC, San Diego, CA
- * NCCOSC, St Inigoes, MD
- * NCCOSC, Charleston, SC
- * NCCOSC, Portsmouth, VA
- * NCCOSC, Washington, DC
- * Research Laboratory
 - Naval Research Laboratory, Washington, DC
 - NRL Chesapeake Bay Field Site, Chesapeake Bay, MD
 - NRL Flight Support Detachment, Lexington Park, MD
 - NRL Underwater Sound Reference Detachment, Orlando, FL
 - NRL Monterey Field Site, Monterey, CA
 - NRL Stennis Space Center Detachment, Bay St. Louis, MS
- * Naval Facilities Engineering Services Center
 - Naval Facilities Engineering Services Center, Port Hueneme, CA
- * DEFENSE PRINTING SERVICE
 - Defense Printing Service, Washington, DC
 - (Consists of 265 centers worldwide ranging from one person facilities to full service printing plants)

DEFENSE BUSINESS OPERATIONS FUND REPORTING ACTIVITIES

Key to Symbols

= DBOF Consolidation Point

* = DBOF Financial Reporting (AR1307) Entity

NAVY INFORMATION SERVICES

- * Navy Computer and Telecommunications Area Master Stations (NCTAMS)
NCTAMS, Norfolk, VA

NAVY INFORMATION SERVICES (Continued)

NCTAMS, Pearl Harbor, HI

- * Navy Computer and Telecommunications Stations (NAVCOMTELSTA)

NAVCOMTELSTA , Pensacola, FL

NAVCOMTELSTA , Jacksonville, FL

NAVCOMTELSTA , Washington, DC

NAVCOMTELSTA, Newport, RI

NAVCOMTELSTA , San Francisco, CA

NAVCOMTELSTA , San Diego, CA

NAVCOMTELSTA , New Orleans, LA

DEFENSE BUSINESS OPERATIONS FUND REPORTING ACTIVITIES
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AIR FORCE

AIR FORCE SUPPLY MANAGEMENT

- * Medical-Dental Division: Air Force Medical Materiel Field Office, Frederick, MD
- * Fuels Division: Air Force Logistics Center, San Antonio, TX
- * Academy Cadet Store: U.S. Air Force Academy, Colorado Springs, CO
- * General Support Division: HQ, Air Force Logistics Command, Wright-Patterson AFB, Dayton, OH
- * Systems Support Division: HQ, Air Force Logistics Command, Wright-Patterson APB, Dayton, OH
- * Reparables Support Division: HQ Air Force Logistics Command, Wright-Patterson APB, Dayton, OH
- * Cost of Operations Division: HQ, Air Force Logistics Command, Wright-Patterson APB, Dayton, OH

AIR FORCE DEPOT MAINTENANCE

- * Warner Robins Air Logistics Center, Robins Air Force Base, Warner Robins, GA
Satellite: Air Force Logistics Command Support Center Europe, Royal AF Kemble, UK
- * Ogden Air Logistics Center, Hill Air Force Base, Odgen, UT
Satellite: Air Force Logistics Command Support Center Pacific, Kadena AB, JA
- * Oklahoma City Air Logistics Center, Tinker Air Force Base, Oklahoma City, OK
- * Sacramento Air Logistics Center, McClellan Air Force Base, Sacramento, CA
- * San Antonio Air Logistics Center, Kelly Air Force Base, San Antonio, TX
- * Aerospace Guidance and Metrology Center, Newark Air Force Base, Newark, OH
(Scheduled for Closure in FY 1996)
- * Aerospace Maintenance & Regeneration Center, Davis-Monthan Air Force Base, Tucson, AZ

DEFENSE BUSINESS OPERATIONS FUND REPORTING ACTIVITIES

Key to Symbols

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DEFENSE LOGISTICS AGENCY

SUPPLY MANAGEMENT

- * Defense Personnel Support Center (DPSC), Philadelphia, PA
 - Clothing and Textiles Directorate
 - Medical Directorate
 - Subsistence Directorate
- * Defense General Supply Center (DGSC), Richmond, VA
- * Defense Industrial Supply Center (DISC), Philadelphia, PA
- * Defense Construction Supply Center (DCSC), Columbus, OH
- * Defense Electronics Supply Center (DESC), Dayton, OH
- * Defense Fuels Supply Center (DFSC), Alexandria, VA

DISTRIBUTION DEPOTS

- * Defense Distribution Region East, New Cumberland, PA
- * Defense Distribution Region West, Stockton, CA

REUTILIZATION AND MARKETING SERVICE

- * Defense Reutilization and Marketing Service, Battle Creek, MI
- * Defense Reutilization and Marketing Operations-East, Columbus, OH
- * Defense Reutilization and Marketing Operations-West, Ogden, UT

- * INDUSTRIAL PLANT EQUIPMENT CENTER
 - Mechanicsburg, PA

* JOINT LOGISTICS SYSTEMS CENTER

Joint Logistics Systems Center, Dayton, OH
Management Systems Support Office
Procurement Corporate Information Management

DEFENSE INFORMATION SERVICE AGENCY

- * Communications Information Services Activity (CISA)
- * Defense Information Service Organization (DISO)

* DEFENSE FINANCE AND ACCOUNTING SERVICE

DFAS-Headquarters, Arlington, VA
DFAS-Cleveland Regional Center, Cleveland, OH
DFAS-Columbus Regional Center, Columbus, OH
DFAS-Denver Regional Center, Denver, CO
DFAS-Indianapolis Regional Center, Indianapolis, IN
DFAS-Kansas City Regional Center, Kansas City, MO
DFAS-Financial Systems Offices

DEFENSE BUSINESS OPERATIONS FUND REPORTING ACTIVITIES
Key to Symbols

= DBOF Consolidation Point

* = DBOF Financial Reporting (AR1307) Entity

DEFENSE COMMISSARY AGENCY

- * Resale
- * Operations

UNITED STATES TRANSPORTATION COMMAND

* Army Transportation Activities

Military Traffic Management Command, Eastern Area
Military Ocean Terminal, Bayonne, NJ
Military Ocean Terminal, Sunny Point, NC
Military Traffic Management Command, Western Area
Military Ocean Terminal, Bay Area, Oakland, CA
Military Traffic Management Command, Transportation
Engineering Agency, Newport News, VA
Military Traffic Management Command, Transportation,
Terminal Command, Europe; Rotterdam, Netherlands

* Navy Transportation Activities

Military Sealift Command, Washington, DC
MSC Central Technical Activity, Washington, DC
MSC, Atlantic, Bayonne, NJ
MSC, Pacific, Oakland, CA
USC, Europe, London, UK
MSC, Yokohoma, Japan

* Air Force Transportation Activities

Air Mobility Command, Scott AFB, IL

- * Defense Courier Service, Ft Meade, MD

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION II

FORMAT OF THE STATEMENT OF FINANCIAL POSITION

DEFENSE BUSINESS OPERATIONS FUND
STATEMENT OF FINANCIAL POSITION
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____ 19__

	(\$000)	(\$000)
ASSETS		
1. Fund Balance with Treasury (Note 1)		<u>\$ xxx</u>
a. Funds Collected-Operating Program	\$ xxx	
b. Funds Collected-Capital Program	\$ xxx	
c. Funds Disbursed-Operating Program	(\$ xxx)	
d. Funds Disbursed-Capital Program	(\$ xxx)	
e. Funds With Treasury-Operating Program	\$ xxx	
f. Funds With Treasury-Capital Program	\$ xxx	
2. Cash on Hand and Other Monetary Assets	\$ xxx	
3. Accounts Receivable, Net		\$ xxx
4. Advances and Prepayments		\$ xxx
5. Inventory Held for Sale, Net		\$ xxx
a. Inventory Items	\$ xxx	
b. Allowance for (Gain) or Loss on Inventories	(\$ xxx)	
6. Work In Process	\$ xxx	
7. Operating Materials and Supplies, Net		\$ xxx
8. Stockpile Materials, Net		\$ xxx
9. Property and Equipment, Net		\$ xxx
a. Structures, Facilities & Leasehold Improvements, Net	\$ xxx	
b. Equipment, Net	\$ xxx	
c. ADP Software, Net	\$ xxx	
d. Assets Under Capital Lease, Net	\$ xxx	
e. Construction in Progress	\$ xxx	
f. Other Property	\$ xxx	
10. Other DBOF Assets		<u>\$ xxx</u>
11. Total DBOF Assets		<u>\$x,xxx</u>
LIABILITIES		
12. Liabilities Covered by Budgetary Resources:		
a. Accounts Payable		\$ xxx
b. Accrued Payroll and Benefits		\$ xxx
(1) Salaries and Wages	\$ xxx	
(2) Accrued Annual Leave	\$ xxx	
(3) Severance Pay and Separation Allowance	\$ xxx	
c. Progress Billings		\$ xxx
d. Debt		\$ xxx
e. Interest Payable		\$ xxx
f. Lease Liabilities		\$ xxx
g. Other Liabilities		\$ xxx
h. Total Liabilities Covered by Budgetary Resources		<u>\$x,xxx</u>

13. Liabilities Not Covered by Budgetary Resources	\$ <u>xxx</u>
14. Total Liabilities	<u>\$x,xxx</u>
NET POSITION	
15. Balances:	
a. Unexpended Appropriations	\$ xxx
b. Invested Capital	\$ xxx
(1) Assets Capitalized	\$ xxx
(2) Liabilities Assumed	\$ xxx
(3) Fund (Cash) Transfers	\$ xxx
(4) Transfers In of Property	\$ xxx
(5) Transfers Out of Property	(\$ xxx)
c. Cumulative Results of Operations	\$ xxx
d. Other	\$ xxx
e. Future Funding Requirements	(\$ xxx)
f. Total Net Position	\$ <u>xxx</u>
16. Total Liabilities and Net Position	<u>\$x,xxx</u>

The accompanying notes are an integral part of these statements.

NOTES

Note 1. Fund Balances With Treasury

	<u>Obligated</u>	<u>Unobligated</u>		<u>Total</u>
		<u>Available</u>	<u>Restricted</u>	
1. DBOF Account (97X4930)	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. Appropriated Funds	\$ xxx	\$ xxx	\$ xxx	\$ xxx
3. Other Funds (Specify)	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

Note 2. Preparer Information. Provide the following information:

Preparer's Name: Telephone No: (Commercial)
(Autovon)

Supervisor's Name: Telephone No: (Commercial)
(Autovon)

Address:

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION II

INSTRUCTIONS FOR THE PREPARATION OF THE
STATEMENT OF FINANCIAL POSITION

A. General. The Statement of Financial Position discloses the reporting entity's assets, liabilities, and net position.

B. Heading. Complete the heading on the form to indicate; (a) the reporting DoD Component, (b) the reporting DBOF business area or activity, (c) the reporting period (month), and (d) the calendar year.

C. Line Item Instructions. Instructions for the content of each line are:

1. Line 1 - Fund Balance with Treasury. This item represents the aggregate amount of the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. (This line should not include account balances, such as those in deposit, suspense, and clearing accounts, that are not available to finance the entity's activities.) Accounts have been established to separately identify collections applicable to the operating program and capital program to comply with section 342 of the National Defense Authorization Act For Fiscal Year 1993, which requires DoD to establish a capital asset subaccount. Disclosure should be made in note 1 to distinguish between (a) the obligated balance not yet disbursed, and (b) the unobligated balance. Report the balance by the specified applicable categories:

2. Line 1.a. - Funds Collected-Operating Program. Report the balance of the following account:

1011.1 Funds Collected - Operating Program - DBOF

NOTE: All cash inflows shall be initially recorded to the above account. Periodically, but at least monthly prior to financial statement preparation, the applicable amount (see below) shall be transferred from general ledger account 1011.1, "Funds Collected - Operating Program," to general ledger account 1011.2, "Funds Collected - Capital Program."

3. Line 1.b.-Funds Collected-Capital Program. Report the balance of the following accounts:

1011.2 Funds Collected - Capital Program - DBOF

NOTE: All cash inflows shall be initially recorded to account 1011.1, "Funds Collected - Operating Program." Periodically, but at least monthly prior to financial statement preparation, the applicable amount shall be transferred from general ledger

account 1011.1, "Funds Collected - Operating Program, " to general Ledger account 1011.2, "Funds Collected - Capital Program."

The preferred method to transfer collections to account 1011.2 is on a transaction basis. The transfer, however, may be made on a time basis (daily, weekly, etc.). The transfer must, however, be made at least monthly prior to financial statement preparation. The amount to be transferred to account 1011.2 shall be computed by first determining, at each DBOF activity, the percentage of the stabilized billing rate that is added to fund the Capital Investment Program within that activity's business area. (Stabilized billing rates should, in addition to recovering operating costs, also include a factor to fund the Capital Investment Program. That factor is composed of the expected depreciation expense and, if applicable, any additional capital surcharge. Since stabilized billing rates should not change during the fiscal year, the percentage allocation between the operating and capital program cash collection accounts should not change during the fiscal year.) The resulting ratio is then applied to the monthly change in funds collected at that activity. The percentage is applied to all collections received that fiscal year, even though, for some collections, the revenue was generated in the prior fiscal year. For example, assume that at Activity X the stabilized billing rate is \$100 of which \$5 is to fund the Capital Investment Program. The resulting percentage is therefore 5 percent (\$5 divided by \$100 = 5%). Each dollar of collections results in a \$0.95 (95¢) increase to account 1011.1, "Funds Collected - Operating Program," and a \$0.05 (5¢) increase to account 1011.2, "Funds Collected - Capital Program."

At our illustrative Activity X, the cash collections for this month were \$3.5 million. The usual entry to record a cash collection is as follows:

Dr	1011.1 Funds Collected -	
	Operating Program	\$3,500,000
Cr	1311 Accounts Receivable -	
	Government - Current	\$3,500,000

Computation of 5 percent of the cash collections for the month yields \$175,000. The entry to transfer \$175,000 between the cash accounts is:

Dr	1011.2 Funds Collected -	
	Capital Program	\$175,000
Cr	1011.1 Funds Collected -	
	Operating Program	\$175,000

4. Line 1.c. - Funds Disbursed-Operating Program. Report the balance of the following account:

1012.1 Funds Disbursed - Operating Program - DBOF

NOTE: Account 1012.1, "Funds Disbursed - Operating Program, DBOF," is used to record cash outflows that occurred due to activity attributable to the DBOF operating program (vice capital program).

5. Line 1.d. - Funds Disbursed-Capital Program. Report the balance of the following account:

1012.2 Funds Disbursed - Capital Program - DBOF

NOTE: Account 1012.2, "Funds Disbursed - Capital Program - DBOF," is used to record cash outflows that occurred due to activity attributable to the DBOF capital program (vice operating program).

The amount recorded to account 1011.2 shall be equal to capital program outlay amounts reported in Part VI, "Capital Investment Program," of the Statement of Operations.

6. Line 1.e. - Funds With Treasury-Operating Program. Report the balance of the following account:

1013.1 Funds With Treasury - Operating Program - DBOF

7. Line 1.f. - Funds With Treasury-Capital Program. Report the balance of the following account:

1013.2 Funds With Treasury - Capital Program - DBOF

Account series 1014, "Undistributed Collections," and Account series 1015, "Undistributed Disbursements," are not included in the above listing as these two accounts should have a \$0 balance for financial report preparation.

8. Line 2 - Cash on Hand and Other Monetary Assets. Consists of
(a) coins, paper currency and readily negotiable instruments such as money orders, checks and bank drafts on hand or in transit for deposit,
(b) amounts on demand deposit with banks or other financial institutions, and
(c) cash held in imprest funds. Report the balance of the following accounts:

1110 Undeposited Collections
1120 Imprest Funds
1191 Disbursing Officers' Cash
1195 Other Monetary Assets

9. Line 3. - Accounts Receivable, Net. Accounts receivable are amounts that a federal entity claims for payment from other entities. Report the balance of the following accounts:

- 1311 Accounts Receivable - Government - Current
- 1312 Accounts Receivable - Government - Noncurrent
- 1313 Accounts Receivable - Public - Current
- 1314 Accounts Receivable - Public - Noncurrent
- 1315 Refunds Receivable - Government
- 1316 Refunds Receivable - Public
- 1319.1 Allowance for Loss on Accounts Receivable - Government
- 1319.2 Allowance for Loss on Accounts Receivable - Public
- 1320 Claims Receivable - Public

10. Line 4. - Advance and Prepayments. Report the balance of the following accounts:

- 1411 Travel Advances
- 1412 Advances to Contractors and Suppliers
- 1414 Advances - All Others - Public
- 1415 Advances to Government Agencies and Funds
- 1451 Prepaid Expenses (Non-Federal)
- 1452 Progress payments Made to Others (Non-Federal)

11. Line 5. - Inventories Held for Sale, Net. Inventory is tangible personal property that is (i) held for sale, (ii) in the process of production for sale, or (iii) to be consumed in the production of goods for sale or in the provision of services for a fee. This line applies only to the Supply Management business area and the Defense Commissary Agency.

12. Line 5.a. - Inventory Items. Report the balance of the following accounts:

- 1521 Inventory Held for Sale
- 1521.1 Inventory in Transit from Procurement
- 1521.2 Inventory in Transit from DoD Activities
- 1522 Inventory Held in Reserve for Future Sale
- 1523 Inventory Held for Repair
- 1523.1 Exchange (DLR) Inventory in Transit
- 1524 Inventory - Excess, Obsolete, and Unserviceable

13. Line 5.b. - Allowance for Unrealized (Gain)/Loss on Inventories. Report the balance of the following accounts (a net credit balance will be reported as a negative [deduct] amount: a net debit balance will be reported as a positive [add] amount):

- 1529.1 Allowance for Unrealized Holding Gain/Loss -
Inventory Held for Sale (Including Subaccounts)
- 1529.2 Allowance for Unrealized Molding Gain/Loss -
Inventory Held in Reserve for Future Sale
- 1529.3 Allowance for Repairs

14. Line 6. - Work In Process. Work in process is, for the DBOF, the amount of direct, indirect, and general and administrative (G&A) costs assigned or otherwise properly allocated to a final cost objective (generally, a job order) prior to completion of that final cost objective in its entirety or in discrete elements. When revenue is recognized on a percent of completion basis, the work in process associated with the revenue recognized should be relieved

from work in process and recorded as cost of goods sold. This line applies only to DBOF activities, such as those within the Depot Maintenance business area, that accumulate costs to a final cost objective (generally, a job order). This line does not ordinarily apply to activities that do not accumulate costs to a final cost objective such as, for example, the Supply Management business area or the Defense Commissary Agency. The balances in the following accounts shall be reported:

- 1581 Work in Process - In House
- 1582 Work in Process - Contractor
- 1583 Work in Process - Other Government Activities
- 1584 Work in Process - Government-Furnished Material

15. Line 7. - Operating Materials and Supplies. Operating materials and supplies consist of tangible personal property to be consumed in normal operations. This line applies to all DBOF activities since all DBOF activities, including those in the Supply Management business area and the Defense Commissary Agency can have operating materials and supplies. Report the balance of the following accounts:

- 1511 Operating Materials and Supplies Held for Use
- 1512 Operating Materials and Supplies Held in Reserve for Future Use
- 1513 Operating Materials and Supplies - Excess, Obsolete,
and Unserviceable
- 1514 Operating Materials and Supplies in Transit

16. Line 8. - Stockpile Materials, Net. Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. They are not held with the intent of selling in the ordinary course of business. Report the balance in the following accounts:

- 1573 War Reserve/Mobilization Stock
- 1579.2 Allowance For Holding Gain/Loss - War Reserve/Mobilization
Stock

17. Line 9. - Property and Equipment. The amount of real and personal property, i.e., land, structures and facilities, construction in progress, purchased and self-developed software, equipment and related improvements that has been capitalized, net of accumulated depreciation, if any. Also includes assets acquired by capital leases and leasehold improvements; and property owned by the reporting entity in the hands of the reporting entity or contractors.

18. Line 9.a. - Structures, Facilities & Leasehold Improvements, Net. Report the balance of the following accounts:

- 1730 Buildings
- 1739 Accumulated Depreciation on Buildings
- 1740 Other Structures and Facilities
- 1749 Accumulated Depreciation on Other Structures and Facilities
- 1820 Leasehold Improvements
- 1829 Accumulated Amortization on Leasehold Improvements

19. Line 9.b. - Equipment, Net. Report the balance of the following accounts:

- 1750 Equipment
- 1759 Accumulated Depreciation on Equipment
- 1761 Industrial Property in Layaway
- 1762 Equipment in Use
- 1763 Equipment with Contractors, Testing Agencies,
Defense Industrial Facilities, and Others
- 1764 Equipment on Loan
- 1765 Property Awaiting Disposal
- 1769 Accumulated Depreciation on Military Equipment
- 1770 Equipment in Transit

20. Line 9.c. - ADP Software, Net. Report the balance of the following accounts:

- 1830 Automated Data Processing Software
- 1839 Accumulated Amortization on Automated Data Processing Software

21. Line 9.d. - Assets Under Capital Lease, Net. Report the balance of the following accounts:

- 1810 Assets Under Capital Lease
- 1819 Accumulated Depreciation on Assets under Capital Lease

22. Line 9.e. - Construction in Process. Report the balance of the following accounts:

- 1721 Construction in Progress - In-House
- 1722 Construction in Progress - Contractor
- 1723 Construction in Progress - Other Government Activities
- 1724 Construction in Progress - Government-Furnished Material

23. Line 9.f. - Other Property. Report the balance of the following accounts:

- 1840 Other Natural Resources
- 1849 Allowance for Depletion
- 1850 Property Held for Sale
- 1991 Intangible Assets
- 1992 Accumulated Amortization on Intangible Assets

24. Line 10. - Other DBOF Assets. Report the balance of the following account:

- 1766 Equipment Not in Use

25. Line 11. - Total DBOF Assets. Report the net total of line 1. through line 10.

26. Line 12 - Liabilities Covered by Budgetary Resources. Liabilities incurred which are covered by available budgetary resources. Available budgetary resources include (1) new budget authority, (2) reimbursements and

other income, (3) recoveries of unexpired budget authority, and (4) remaining unobligated balances of amounts available at the beginning of the year or transferred in during the year.

27. Line 12.a. - Accounts Payable. The amounts owed by a DBOF activity for goods and services received from, progress in contract performance made by, and rents due to DoD and other federal and non-federal entities. Report the balance of the following accounts:

- 2111 Accounts Payable - Government - Current
- 2112 Accounts Payable - Government - Noncurrent
- 2113 Accounts Payable - Public - Current
- 2114 Accounts Payable - Public - Noncurrent
- 2115 Claims Payable
- 2120 Disbursements in Transit
- 2190 Other Accrued Liabilities

28. Line 12.b. - Accrued Payroll and Benefits. Report the total balance by specified category of the following accounts:

(1) Salaries and Wages

- 2211 Accrued Payroll - Civilian
- 2213 Accrued Payroll - Civilian - Employer Share of Fringe Benefits

(2) Accrued Annual Leave

- 2215 Accrued Payroll - Funded Annual Leave - Civilian

(3) Severance Pay and Separation Allowance

- 2993 Accrued Civilian Severance Pay

29. Line 12.c. - Less: Progress Billings. Report the balance of the following account:

- 2994 Progress Billings to Others

30. Line 12.d. - Debt. This item represents the amount of borrowings from the Treasury, the Federal Financing Bank, or other federal agencies. [This line applies only to the Military Sealift Command.]

31. Line 12.e. - Interest Payable. This item represents the amount of interest expense incurred but unpaid on debt owed to nonfederal entities. Report the balance of the following account as it applies to amounts owed to nonfederal entities:

- 2140 Accrued Interest Payable

32. Line 12.f. - Lease Liabilities. This item represents the portion of the liability for capital leases which is covered by budgetary authority. (Capital leases and lease purchases entered into during FY 1992 and thereafter

must be fully funded in the first year of the lease, see Appendix B of OMB Circular A-11). Report the balance of the following account:

2940 Capital Lease Liability

33. Line 12.g. - Other Liabilities. This item represents other liabilities that are not recognized in specific categories. Include in this line the total amount due the federal entities for other liabilities covered by budgetary authority that are not included on other lines above. This includes advances and prepayments received from other federal entities for goods to be delivered or services to be performed. Report the balance of the following accounts as they apply to transactions with other federal and non-federal entities:

2130 Contract Holdbacks
2190 Other Accrued Liabilities
2311 Unearned Revenues - Advances from Government Agencies and Funds
2312 Unearned Revenue - Advances from the Public
2410 Treasury Cash Advances to Disbursing Officers
2411 Deposit Fund Liabilities
2920 Contingent Liabilities
2992 Liability for Property Furnished by Others

34. Line 12.h. - Total Liabilities Covered by Budgetary Resources. of lines 12.a. through 12.g.

35. Line 13. - Liabilities Not Covered by Budgetary Resources. Liabilities incurred which are not covered by available budgetary resources result from the receipt of goods or services or the occurrence of other eligible events for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity. Notwithstanding an expectation that the appropriations will be made, whether they in fact will be made is completely at the discretion of the Congress. This line should not ordinarily apply to the Defense Business Operations Fund. If, however, liabilities exist that are not covered by available budgetary resources, then report only the amount of the liability for which an available budgetary resource does not exist. If any such liabilities exist, report the amount and disclose its nature by footnote.

36. Line 14 - Total Liabilities. Report the total of lines 3.h. and 4.

37. Line 15 - Balances. The components of net position are classified as follows:

38. Line 15.a. - Unexpended Appropriations. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances. Report the balance of the following accounts:

3100 Appropriated Capital
3211.1 Appropriations Available

39. Line 15.b. - Invested Capital. Represents the net investment of the federal government in the reporting entity. Includes the acquisition cost of capitalized assets, additional investment in a revolving fund to commence

operations or begin a new activity; fund (cash) transfers to other DBOF entities; less the reduction in investment due to depreciation and amortization. Report the balance by the specified category of the following accounts:

(1) Assets Capitalized:

3211.2 Assets Capitalized

(2) Liabilities Assumed:

3211.3 Liabilities Assumed

(3) Fund (Cash) Transfers:

3211.4 Net Treasury Balance- DBOF

(4) Transfers In Of Property:

3220 Transfers In from Others Without Reimbursement

(5) Transfers Out Of Property:

3231 Transfers Out to Government Agencies Without Reimbursement

3232 Transfers Out to All Others Without Reimbursement

40. Line 15.c.- Cumulative Results of Operations. The net difference between (1) expenses and losses and (2) financing sources, including appropriated capital used, revenues, and gains, since the inception of the activity. Report the balance of the following account.

3311 Cumulative Results of Operations - DBOF

41. Line 15.d. - Other. Report the balance of any other equity account in use by the reporting entity.

42. Line 15.e. - Future Funding Requirements. The amount reported on this line should be equal to the amount of liabilities incurred which are not covered by available budgetary resources (line 3.c.). Liabilities not covered by budgetary resources result from the receipt of goods or services or the occurrence of other eligible events for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity. If an amount is reported, disclose its nature by footnote.

43. Line 15.f. - Total Net Position. Report the sum of line 15.a. through line 15.e.

44. Line 16. - Total Liabilities and Net Position. Report the sum of line 14 and line 15.f.

45. INSTRUCTIONS FOR PREPARATION OF REQUIRED NOTES. Instructions for required notes are presented below. Additional notes may be included as deemed beneficial by the reporting entity. In any instance where the instructions for

line items shown on the Statement of Financial Position would preclude significant financial data from being reported, include the amounts in the most closely related line item and disclose the information by a footnote. The following information must be disclosed:

Note 1 - Fund Balances With Treasury:

The sum of the balances should agree with the amount reported on line 1 of the Statement of Financial Position. For Defense Business Operations Fund activities, the amounts reported will reflect the net amount of (1) collections in excess of disbursements for the fiscal year or (2) disbursements in excess of collections for the fiscal year added to [if collections exceed disbursements] or subtracted from [if disbursements exceed collections] (3) Funds With Treasury carried over from the previous fiscal year. If the reporting entity does not maintain an account representing "Funds With Treasury," then "that entity need not report an amount for that line. The DBOF entity that does, however, maintain an account representing "Funds With Treasury," must report that balance. If one DBOF entity maintains the "Funds With Treasury" for two or more other DBOF activities, that balance may be distributed for reporting purposes to those individual DBOF activities.

The amount to be reported consists of all (1) obligated but not yet disbursed and (2) unobligated undisbursed account balances with the U.S. Treasury, as reflected in the entity's records and summarized by fund type. Unobligated amounts shall be further classified as amounts available and restricted. Restricted unobligated fund balances include appropriated fund amounts related to expired authority, and holdings which have not been transferred into the general fund as of the report date, which are not available for agency use. Line (3), Other Funds, should include trust funds and balances in deposit, suspense, clearing and related non-spending accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others.

Note 2. Preparer Information.

The preparer's and supervisor's name and business telephone numbers shall be provided along with the official mailing address of their location. The purpose of the requested information is to provide a point of contact in case of questions. If a point of contact other than the preparer, or preparer's supervisor, is desired, also include the name, title, business telephone, and (if different) the location of the desired point of contact.

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION III

FORMAT OF THE STATEMENT OF CASH FLOWS

DEFENSE BUSINESS OPERATIONS FUND
STATEMENT OF CASH FLOWS
(INDIRECT METHOD)
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 19 _

(\$000)

CASH FLOWS From OPERATIONS:

1. Excess (Shortage) of Revenues and Financing Sources Over Total Expenses \$ xxx

ADJUSTMENTS AFFECTING CASH FLOW:

2. Appropriated Capital Used \$ (xxx)

3. Decrease (Increase) in Accounts Receivable \$ xxx

4. Decrease (Increase) in Other Assets \$ xxx

5. Increase (Decrease) in Accounts Payable \$ xxx

6. Increase (Decrease) in Other Liabilities \$ xxx

7. Depreciation and Amortization \$ xxx

8. Other Unfunded Expenses \$ xxx

9. Other Adjustments \$ xxx

10. Total Adjustments \$ xxx

11. Net Cash Provided (Used) by Operations \$ xxx

CASH FLOWS FROM INVESTMENTS:

12. Sale of Property, Plant and Equipment \$ xxx

13. Purchase of Property, Plant and Equipment \$ (xxx)

14. Other Investment Cash Provided (Used) \$ xxx

15. Net Cash Provided (Used) by Investments \$ xxx

CASH FLOWS FROM APPROPRIATIONS:

16. Appropriations (Current Warrants) \$ xxx

17. Add:

a. Restorations \$ xxx

b. Transfers of Cash from Others \$ xxx

18. Deduct:

a. Withdrawals \$ (xxx)

b. Transfers of Cash to Others \$ (xxx)

19. Net Appropriations \$ xxx

20. Repayment on Loans from the Treasury and the Federal Financing Bank \$ xxx

21. Net Cash Provided (Used) by Appropriations \$ xxx

22.	Net Cash Provided (Used) by Operations, Investments and Appropriations	\$ xxx
23.	Fund Balance, Beginning	\$ <u>xxx</u>
24.	Fund Balance, Ending	\$ <u>xxx</u>

SUPPLEMENTAL DISCLOSERS OF CASH FLOW INFORMATION:

25.	Total Interest Paid	\$ xxx
-----	---------------------	--------

SUPPLEMENTAL SCHEDULE OF APPROPRIATION AND INVESTMENTS:

26.	Property And Equipment Acquired Under Capital Lease Obligations	\$ xxx
27.	Property Acquired Under Long-term Financing Arrangements	\$ xxx
28.	Other Exchanges of Noncash Assets or Liabilities	\$ xxx

SUPPLEMENTAL DISCLOSERS OF CASH INFORMATION:

29.	Funds Collected	
	a. Funds Collected - Operating Program - DBOF	\$ xxx
	b. Funds Collected - Capital Program - DBOF	\$ xxx
	c. Funds Collected - Undistributed - DBOF	\$ xxx
30.	Funds Disbursed	
	a. Funds Disbursed - Operating Program - DBOF	\$ xxx
	b. Funds Disbursed - Capital Program - DBOF	\$ xxx
	c. Funds Disbursed - Undistributed - DBOF	\$ xxx
31.	Cash on Hand and Other Monetary Assets	\$ xxx
32.	Funds with Treasury	
	a. Funds with Treasury - Operating Program - DBOF	\$ xxx
	b. Funds with Treasury - Capital Program - DBOF	\$ xxx
33.	Undistributed Collections (As appropriate)	
	a. Undistributed Collections - DBOF Component Level	\$ xxx
	b. Undistributed Collections - DBOF Business Area Level	\$ xxx
	c. Undistributed Collections - DBOF Installation Level	\$ xxx
34.	Undistributed Disbursements (As appropriate)	
	a. Undistributed Disbursements - DBOF Component Level	\$ xxx
	b. Undistributed Disbursements - DBOF Business Area Level	\$ xxx
	c. Undistributed Disbursements - DBOF Installation Level	\$ xxx

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION III

INSTRUCTIONS FOR THE PREPARATION OF THE
STATEMENT OF CASE FLOWS
(INDIRECT METHOD)

- A. General. The statement of cash flows discloses the DBOF cash receipts and disbursements with an explanation of the changes in cash or cash equivalents for the reporting period.
- B. Heading. Complete the heading of the form to show (a) the reporting DoD Component, (b) the reporting business area or activity, and (c) the reporting period (month and calendar year).
- C. Line Item Instructions. Instructions for the content of each line item are as follows:

CASH FLOWS FROM OPERATIONS:

1. Line 1 - Excess (Shortage) of Revenues and Financing Sources Over Total Expenses. The amount reported on line 13. of the monthly Statement of Operations (and changes in net position). As of September 30 each year, this line should agree with Line 1 on the annual Chief Financial Officers, Statement of Cash Flows (Indirect Method).

ADJUSTMENTS AFFECTING CASH FLOW:

2. Line 2 - Appropriated Capital Used. The amount reported on line 1 of the Statement of Operations (and changes in net position) should be reported as a negative adjustment to the net cash flow from operations.

5700 - Appropriated Capital Used

3. Line 3 - Decrease (Increase) in Accounts Receivable. A decrease in accounts receivable adds to, and an increase in accounts receivable reduces, the DBOF cash balance. (Do not include decreases due to bad debt writeoffs.)

1300 - Receivables, Net

4. Line 4 - Decrease (Increase) in Other Assets. The change in other assets categories which affect cash flow. A decrease adds to, and an increase reduces, the DBOF cash balance.

1410 - Advances to Others

1450 - Prepayments

1990 - Other Assets, as applicable.

5. Line 5 - Increase (Decrease) in Accounts Payable. An increase in accounts payable adds to, and a decrease in accounts payable reduces the DBOF cash balance.

2100 - Accrued Liabilities - Other

6. Line 6 - Increase (Decrease) in Other Liabilities. The change in other liabilities which effect cash flow. An increase adds to, and a decrease reduces the DBOF cash balance.

2200 - Accrued Liabilities - Payroll and Benefits

2300 - Unearned Revenue - Advances

2400 - Liabilities for Deposit Funds and Suspense Accounts

2900 - Other Liabilities

7. Line 7 - Depreciation and Amortization. The depreciation and amortization for the period which are not paid in cash, and therefore require a positive adjustment to the net cash flow from operations.

6125 - Depreciation of Equipment

6126 - Depreciation of Real Property

6128 - Amortization of Leasehold Improvements and Other
Tangible Assets

8. Line 8 - Other Unfunded Expenses. Other unfunded expenses which are not paid in cash and therefore require a positive adjustment to the net cash flow from operations. Identify the nature of each unfunded amount.

9. Line 9 - Other Adjustments. The net of the period's cash transfer transactions not shown on the Statement of Operation. These are Treasury Withdrawals, Transfers-In and Transfers-Out. This line should not include transfers in or out of non-cash assets such as property, operating supplies and Materials, or inventory. The DBOF cash balance is not affected by transfers in or transfers out of non-cash assets to other federal entities.

10. Line 10 - Total Adjustments. The sum of lines 2. through 9.

11. Line 11 - Net Cash Provided (Used) by Operations. The total of lines 1. and 10.

CASH FLOWS FROM INVESTMENTS: Acquiring and disposing of property, plant and equipment and other assets used in the production of goods and services. Most sales within the DBOF are recorded as revenue and thereby included in line 1 of this statement. However, if an incoming cash flow is not as a result of revenue, that cash flow should be identified within this section as either a result of a sale of property, plant and equipment or other cause.

12. Line 12 - Sale of Property, Plant and Equipment. The cash proceeds received from sales of surplus real and personal property (e.g., buildings, docks and piers, and equipment) adds to the DBOF cash balance.

13. Line 13 - Purchase of Property, Plant and Equipment. The amounts disbursed for acquisitions of plant, property, and equipment reduces the DBOF cash balance. Include amounts disbursed for minor construction projects.

1012.2 - Funds Disbursed - Capital Program - DBOF

14. Line 14 - Other Investment Cash Provided (Used). The net amounts of other collections or disbursements associated with the purchase and sale of other investments. Identify the nature of each investment purchased and sold. (Not Applicable to DBOF)

15. Line 15 - Net Cash Provided (Used) by Investments. The sum of lines 12. through 14.

CASH FLOWS FROM APPROPRIATIONS: Resources obtained in the form of appropriations from the Congress, or by transferring from or to other reporting entities. Appropriations may not, in all cases, be distributed to the individual Activity level. If appropriations are not distributed, then they may be reported by the DBOF level that is holding those balances or allocated by that DBOF level, for reporting purposes, to the appropriate activity(ies).

16. Line 16 - Appropriations (Current Warrants). The amount of appropriations received (consistent with above), net of rescissions.

17a. Line 17a - Restorations. DBOF cash balances withdrawn by the Treasury in prior years which were restored. As a rule, this does not apply to the DBOF.

17b. Line 17b - Transfers of Cash from Others. The amounts of cash transferred from all Federal sources, except the Treasury. Report cash transfers in from other DBOF activities as a plus. The amounts to be reported are those solely to transfer cash balances. A transfer of cash as a result of work performed (reimbursable sales) shall not be reported on this line. The following equity account shall be used:

3211.4 Net Treasury Balance-DBOF

18a. Line 18a - Withdrawals. The amounts of unobligated appropriations withdrawn by the Treasury. As a rule, this does not apply to the DBOF.

18b. Line 18b - Transfers of Cash to Others. The amounts of cash transferred to Federal agencies, except the Treasury. Report cash transfers out to other DBOF activities as a negative. The amounts to be reported are those solely to transfer cash balances. A transfer of cash as a result of work performed (reimbursable sales) shall not be reported on this line. The following equity account shall be used:

3211.4 Net Treasury Balance-DBOF

19. Line 19 - Net Appropriations. Net of lines 16, 17, and 18.

20. Line 20 - Repayments on Loans from the Treasury and the Federal Financing Bank. The amounts disbursed to liquidate loans obtained from the Treasury or Federal Financing Bank. (Applicable only to the Military Sealift Command.)

21. Line 21 - Net Cash Provided (Used) by Appropriations. Net of lines 16. through 20.

22. Line 22 - Net Cash Provided (Used) Operations, Investments, and Appropriations. The amounts reported on lines 11., 15. and 21.

23. Line 23 - Fund Balances, Beginning. The sum of account balances at the beginning of the fiscal year. Undistributed amounts will be reported at the lowest organizational level to which they can be identified.

24. Line 24 - Fund Balances, Ending. The net of lines 22. and 23. The amounts should agree with the amounts reported for line 1, "Fund Balance with Treasury," and line 2, "Cash on Hand and Other Monetary Assets," on the current month's DBOF statement of financial position.

SUPPLEMENTAL INFORMATION:

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: then the indirect method is used to prepare the cash flow statement, the amount of interest paid (net of amounts capitalized) during the period shall be provided in this section of the statement.

25. Line 25 - Total Interest Paid. The amount of interest paid during the period net of amounts capitalized.

SUPPLEMENTAL SCHEDULE OF APPROPRIATIONS AND INVESTMENTS: Information about all appropriations and investments of a reporting entity during a period that affect recognized liabilities but that do not result in cash receipts or payments in the period shall be reported in this section.

26. Line 26 - Property and Equipment Acquired under Capital Lease Obligations. Property and equipment acquired under such leases that did not result in cash payments.

27. Line 27 - Property Acquired Under Long-term Financing Arrangements. Property acquired under these arrangements that did not result in cash payments.

28. Line 28 - Other Exchanges of Noncash Assets or Liabilities. Any other exchange of noncash assets or liabilities not specifically identified above.

SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION: Report the preclosing balances in the following General Ledger Account Codes. Additionally, of the amounts reported as undistributed collections and undistributed disbursements, disclose the amount of each that was closed, for financial reporting purposes, to Accounts Receivable and Accounts Payable. Volume 1, Chapter 7, of this Regulation provides a definition of each account. The amounts should agree

with the total amount reported on Line 31. Undistributed amounts will be reported at the lowest organizational level to which they can be identified.

29. Line 29 - Funds Collected

- 29a. GLAC 1011.1 - Funds Collected - Operating Program - DBOF
- 29b. GLAC 1011.2 - Funds Collected - Capital Program - DBOF
- 29c. GLAC 1011.3 - Funds Collected - Undistributed - DBOF

30. Line 30 - Funds Disbursed

- 30a. GLAC 1012.1 - Funds Disbursed - Operating Program - DBOF
- 30b. GLAC 1012.2 - Funds Disbursed - Capital Program - DBOF
- 30c. GLAC 1012.3 - Funds Disbursed - Undistributed - DBOF

31. Line 31 - Cash on Hand and Other Monetary Assets

- 31.a GLAC 1110 - Undeposited Collections
- 31.b GLAC 1191 - Disbursing Officers' Cash
- 31c GLAC 1195 - Other Monetary Assets

32. Line 32 - Funds with Treasury

- 32a. GLAC 1013.1 - Funds with Treasury - Operating Program - DBOF
- 32b. GLAC 1013.2 - Funds with Treasury - Capital Program - DBOF

33. Line 33 - Undistributed Collections (As appropriate)

- 33a. GLAC 1014.1 - Undistributed Collections - DBOF Component Level
- 33b. GLAC 1014.2 - Undistributed Collections - DBOF Business Area Level
- 33c. GLAC 1014.3 - Undistributed Collections - DBOF Installation Level

34. Line 34 - Undistributed Disbursements (As appropriate)

- 34a. GLAC 1015.1 - Undistributed Disbursements - DBOF Component Level
- 34b. GLAC 1015.2 - Undistributed Disbursements - DBOF Business Area Level
- 34c. GLAC 1015.3 - Undistributed Disbursements - DBOF Installation Level

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION IV

FORMAT OF THE STATEMENT OF OPERATIONS

DEFENSE BUSINESS OPERATIONS FUND
STATEMENT OF OPERATIONS
AND
CHANGES IN NET POSITION
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 19__

PART I - STATEMENT OF OPERATIONS

	(\$000)	(\$000)
REVENUES AND FINANCING SOURCES		
1. Appropriated Capital Used		\$ _____
2. Revenues from Sales of Goods		\$ _____
a. Gross Revenue from Sales	\$ _____	
b. Less: Credits Allowed on Sales	(\$ _____)	
		\$ _____
		\$ _____
5. Program or Operating Expenses (Lines A - 6, Part IV)		
6. Cost of Goods Sold and Services Provided (From Part III)		\$ _____
7. Depreciation and Amortization (Line H, Part IV)		\$ _____
8. Bad Debts and Writeoffs (Line I, Part IV)		\$ _____
9. Other Expenses (Line J, Part IV)		\$ _____
10. Total Expenses (Lines 5 through 9)		\$ _____
11. Revenue Less Cost Incurred Before Extraordinary Items (Line 4 - Line (10))		\$ _____
12. Plus (Minus) Extraordinary Items		\$ _____
13. NET OPERATING RESULTS		\$ _____
14. Plus (Minus) Nonrecoverable Amounts (From Part V)		\$ _____
15. Recoverable Operating Results		\$ _____
 <u>Capital Investment Program</u>		
16. OBLIGATIONS FOR CAPITAL ASSETS (From Part VI)		\$ _____
17. OUTLAYS FOR CAPITAL ASSETS (From Part VI)		\$ _____

Footnote: Mobilization Requirement Cost \$ _____

DEFENSE BUSINESS OPERATIONS FUND
 STATEMENT OF OPERATIONS
 AND
 CHANGES IN NET POSITION
 (DoD COMPONENT /BUSINESS AREA/ACTIVITY)
 MONTH ENDING _____, 19__

PART II - CHANGES IN NET POSITION

	(\$000)	(\$000)
1. Changes in Equity		
A. Appropriations		
(1) Appropriations Available - Beginning of Year	\$ _____	
(2) Plus or Less: Changes in Appropriation Balance	\$ _____	
(3) Plus or Less: Cash Transfers	\$ _____	
(4) Equals: Appropriations Available - End of Period		\$ _____
B. Accumulated Operating Results (AOR)		
(1) AOR - Beginning of Year (Unadjusted)	\$ _____	
(2) Plus (Minus): Prior Period Adjustments To AOR	\$ _____	
(3) Equals: AOR - Beginning of Year (Adjusted)	\$ _____	
(4) Plus: Not Operating Results - End of Period	\$ _____	
(5) Equals: Operating Results - End of Period		\$ _____
c. Net Equity Position - End of Period		\$ _____
D. Capital Investments		
(1) Capital Investments - Beginning of Fiscal Year	\$ _____	
(2) Plus: Transfers-In of Property	\$ _____	
(3) Loss: Transfers-Out of Property	\$ _____	
(4) Less: Invested Capital Used	\$ _____	
(5) Plus (Less): Changes in Liabilities Assumed	\$ _____	
(6) Equals: Capital Investments - End of Period		\$ _____
2. Total Equity - End of Period		\$ _____

DEFENSE BUSINESS OPERATIONS FUND
STATEMENT OF OPERATIONS
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 19__

PART III - COST OF GOODS SOLD AND SERVICES PROVIDED

	(\$000)	(\$000)
1. Cost of Goods and Services Sold: <u>1/</u>		
a. Beginning Work-in-Process	\$ _____	
b. Plus: Operating Expenses (Lines A-G, Part IV)	\$ _____	
c. Minus: Ending Work-in-Process	\$ _____	
d. Minus: Work for Activity Retention	\$ _____	
e. Equals: Cost of Goods and Services Sold		\$ _____
2. Cost of Goods Sold from Inventory: <u>2/</u>		
a. Operating Expenses (Lines A-G, Part IV)		\$ _____
b. Beginning Inventory - L.A.C.	\$ _____	
c. Less: Beginning Allowance for Unrealized Holding Gains (Losses)	\$ _____	
d. Plus: Purchases at Cost	\$ _____	
e. Plus: Customer Returns - Credit Given	\$ _____	
f. Plus: DLR Exchange Credits	\$ _____	
g. Less: Inventory Losses Realized	\$ _____	
h. Less: Ending Inventory - L.A.C.	\$ _____	
i. Plus: Ending Allowance for Unrealized Holding Gains (Losses)	\$ _____	
j. Equals: Cost of Goods Sold from Inventory		\$ _____

1/ Section 1 (lines 1.a. through 1.e.) is to be completed by all DBOF business areas other than the Supply Management and Commissary Resale Business Areas.

2/ Section 2 (lines 2.a. through 2.j.) is to be Completed only by the Supply Management and Commissary Resale Business Areas.

**DEFENSE BUSINESS OPERATIONS FUND
STATEMENT OF OPERATIONS
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 19____**

PART IV - EXPENSES

	(\$000)	(\$000)
A. Personal Services and Benefits		\$ _____
6111 Personnell Compensation - Civilian	\$ _____	
6130 Annual Leave	\$ _____	
6115 Benefits for Former Personnel	\$ _____	
B. Travel and Transportation		\$ _____
6116 Travel and Transportation of Persons	\$ _____	
6117 Transportation of Things	\$ _____	
C. Rents, Communications & Utilities		\$ _____
6118 Rent, Communcation and Utilities	\$ _____	
6119 Printing and Reproduction	\$ _____	
D. Contractual Services and Supplies		\$ _____
6120.1 Military Personnel Services	\$ _____	
6120.2 Purchased Services-Other	\$ _____	
E. Supplies, Materials and Other Non-Capitalized Assets		\$ _____
6121 Supplies and Materials	\$ _____	
6122 Equipment (Not Capitalized)	\$ _____	
F. Grants and Fixed Charges		\$ _____
6123 Grants, Subsidies and Contributions	\$ _____	
6124 Insurance Claims and Indemnifications	\$ _____	
6330 Other Interest Expenses	\$ _____	
G. Other Expenses		
6900 Other Expanses		\$ _____
H. Depreciation-Total		\$ _____
6125 Depreciation of Equipment	\$ _____	
6126 Depreciation of Real Property	\$ _____	
6128 Amortization of Leasehold Improvements and Other Intangible Assets	\$ _____	
I. Bad Debts and Other Writeoffs		
6129 Bad Debts		\$ _____
J. Other Losss		\$ _____
7210 Losses on Disposition of Assets	\$ _____	
7291.1 Shrinkage/Deterioration Losses	\$ _____	
7291.2 Excess/Obsolescence/Spoilage Loss	\$ _____	
7291.3 Other Inventory Losses	\$ _____	
7293 Other Miscellaneous Losses	\$ _____	
K. Non-DBOF Financed (i.e., Unfunded) Expenses		\$ _____
5700 Appropriated Capital Used	\$ _____	
5790 Invested Capital Used	\$ _____	

DEFENSE BUSINESS OPERATIONS FUND
STATEMENT OF OPERATIONS
(DoD COMPONENT/BUSINESS AREA)
MONTH ENDING _____, 19__

PART V - RECOVERABLE OPERATING RESULTS

	(\$000)	(\$000)
1. NET OPERATING RESULTS:		\$ _____
2. NONRECOVERABLE/DEFERRED AMOUNTS		
a. Losses on Disposal of Excess Inventory (-)	\$ _____	
b. Disposal of Equipment/Capital Assets (-)	\$ _____	
c. Non-Reimbursable Base Closure (BRAC) Costs (-)	\$ _____	
d. Difference Military Personnel Reimbursement/Applied Costs (+/-)	\$ _____	
e. Capital Asset Surcharge (-)	\$ _____	
f. Other Applicable Gains and Losses (+/-)	\$ _____	
g. Total - Nonrecoverable/Deferred Costs		\$ _____
3. Net Operating Results that are Comparable to Budgeted Amounts		\$ _____
4. Amount Budgeted for the Return/Recovery of Prior Year(s) Gain/Loss		\$ _____
5. NET RECOVERABLE OPERATING RESULTS FROM CURRENT YEAR OPERATIONS		\$ _____

NOTE: As a matter of policy, any amounts that a DoD Component requests be excluded from its DBOF rates--whether identified in DoD Comptroller guidance as permissible, or requested by the DoD Component--must be adequately documented and quantified. Further, all such amounts must be approved by the Office of the DoD Comptroller (Program/Budget). Amounts not explicitly approved by the Office of the DoD Comptroller for exclusion from customer rates shall be excluded from this report.

Data for the completion of all "Nonrecoverable/Deferred Amounts" may not be available readily to a reporting entity from accounting records. Nevertheless, each amount reported shall be supported either by accounting or other adequate documentation provided by the activity, management command or departmental level command of the reporting entity. If applicable amounts are captured at the business area level, they shall be allocated or assigned to activities in accordance with guidance provided by the DoD Component. Care should be taken to ensure that amounts so allocated or assigned are equal to the total. As the amounts reported may be used in the development of subsequent year stabilized billing rates, it is important that the categories and amounts reported are consistent with guidance provided or approved by the Director for Revolving Funds, Office of the DoD Comptroller (Program/Budget).

DEFENSE BUSINESS OPERATIONS FUND
STATEMENT OF OPERATIONS
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 10____

PART VI - CAPITAL INVESTMENT PROGRAM

Program Year	Approved Program			Obligations			Outlays		
	Original Program	Program Adjustments	Current Program	This Fiscal Year	Prior Fiscal Year(s)	Total	This Fiscal Year	Prior Fiscal Year(s)	Total
FY 19PY-1	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
FY 19PY	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
FY 19CY	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

DEFENSE BUSINESS OPERATIONS FUND
STATEMENT OF OPERATIONS
(DoD COMPONENT/BUSINESS AREA/DIVISION)
FISCAL YEAR THROUGH
MONTH OF _____, 19__

PART VII - INVENTORY MANAGEMENT REPORT - SUPPLY MANAGEMENT BUSINESS AREA

	Current Year To Date (1)	Planned To Date (2)	Variance \$ % (3)
A. Customer Orders Accepted - Cumulative			
B. Gross Reimbursable Sales of Property - Cumulative			
C. Unfilled Customer Orders			
D. Customer Returns - Credits Granted - Cumulative			
E. Net Reimbursable Sales of Property - Cumulative			
F. Purchases at Cost - Cumulative			
E. Obligations - Cumulative			
H. Obligations Operating - Cumulative			
I. Obligations' Augmentation - Cumulative			
J. Obligations Mobilization - Cumulative			
K. Outstanding Commitments			
L. Inventories - Stock On hand			
M. Other Inventories			
N. Inventories in Transit			
P. Total Inventories			
Q. Customer Returns Without Credit - Cumulative			
R. Transfers to Reutilization and Marketing - Cumulative			
S. Material Returns to Suppliers - Cumulative			
T. Undelivered Orders			
u. Fund Balance with Treasury			
v. Funds Collected - Cumulative			
W. Funds Disbursed - Cumulative			
x. Receivables - Government			
Y. Receivables - Public			
z. Payables			

NOTE: The above line items are the same as those previously described in DoD 7420.13-R, "Stock Fund Operations," for the Accounting Report (AR) 1302. The AR 1302 as currently prepared shall continue to b. prepared until further notice.

DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING REPORT
[ACCOUNTING REPORT (M) 1307]

SECTION IV

INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF OPERATIONS

A. General. Part I provides data on current operating results by Defense Business Operations Fund business area.

B. Heading. Complete the heading of the form to show (a) the reporting DoD Component, (b) the reporting business area and (c) the reporting period (month and calendar year).

C. Line Item Instructions. Instructions for the content of each line item are as follows:

1. Line 1 - Appropriated Capital Used. Appropriations, primarily for War Reserve Material and Commissary Operations, may be provided directly to the DBOF. General ledger account (GLA) 5700, "Appropriated Capital Used," is used to record accrued expenses (versus outlays) of appropriated funds provided directly to the Fund. The purpose of the account is to match current period expenses against the use of appropriated funds used to finance those expenses. The amounts to be recorded in Account 5700 shall be equal to the amount of program expenses recorded in the 6100 series of accounts but shall not include any expenses applicable to revenue accounts other than GLA 5700--in other words, expenses incurred against an appropriation made directly available to the DBOF should be recorded separately from expenses incurred against ordinary DBOF reimbursable financing. Addendum 1 to Chapter 52 of this Regulation contains additional information on GLA 5700. Report the balance in the following account:

5700 Appropriated Capital Used

2. Line 2. - Revenues from Sale of Goods and Services. The amount reported shall ordinarily agree with the amount reported on line 3.A., "Reimbursements Earned," of the DD Form 1176, "Report on Budget Execution." If it does not agree with line 3.A. of the DD Form 1176, include a note explaining the difference (for example, line 3.A. of the DD Form 1176 may include some of the amounts reported in line 6 below.) Report the balance in the following accounts:

5100 Revenue from Goods Sold
5200 Revenue from Services Provided

NOTE: The Supply Management Business Area shall report revenue net of amounts allowed for returns of material for credit. The dollar amount of materiel returns with credit shall be reported on line 2.b.

3. Line 2.a. - Gross Revenue from Sales. This line applies to the Supply Management business area only. Reporting activities within the Supply Management business area shall report gross revenue on this line. Gross revenue is revenue before deduction of amounts allowed for returns of material for credit and credits allowed on Depot Level Repairable Exchanges (DLRs). The

dollar amount of materiel returns with credit shall be reported on line 2.b.(2). Report the following accounts on this line:

5100 Revenue from Goods Sold
5200 Revenue from Services Provided

4. Line 2.b. - Credits Allowed on Sales. This line applies to the Supply Management business area only. Reporting activities within the Supply Management business area shall report the dollar amount of credits allowed on amounts due it (accounts receivable) as a result of sales or DLR exchanges. Report the following accounts on this line:

1529.1E Materiel Returns - Credit Given
1529.3A Estimated Repair Costs
1529.3B Estimated Exchange Costs

5. Line 3 - Other Revenue & Financing Sources. Report revenues and financing sources not reported on lines 1 or 2. Include cash donations and an amount equal to any depreciation recorded against donated assets. Invested capital used is the depreciation expense of capital assets provided to Fund activities for its use but which were paid for by funds other than the Defense Business Operations Fund. Identify the nature of each miscellaneous gain. Report the total recorded in the following accounts:

5600 Donated Revenue
5790 Invested Capital Used
5910 Miscellaneous Reimbursements
7110 Gains on Disposition of Assets
7193 Other Miscellaneous Gains

(a) General ledger account (GLA) 5790, "Invested Capital Used," is used to record, as a financing source, the value of assets (ordinarily buildings and other assets financed by a Military Construction appropriation) used by, and in custody of, a DBOF activity but which were not acquired, nor will be replaced, through use of Defense Business Operations Fund resources.

(b) The amounts to be recorded in this account shall be equal to the amount of depreciation expense recorded in general ledger account 6125, "Depreciation of Equipment," general ledger account 6126 "Depreciation of Real Property," and general ledger account 6127, "Depletion of Natural Resources," but only if the depreciated asset(s) were not acquired nor will be replaced through use of Defense Business Operations Fund resources. No other amounts shall be recorded to general ledger account 5790.

(c) Addendum 1 to Chapter 58, "Capital Assets," of this Regulation contains additional information on GLA 5790.

6. Line 4 - Total Revenues and Financing Sources. Report the total of lines 1 through 3 above. Revenue should equal net sales plus any other reimbursable revenue and financing source.

7. Line 5 - Program or Operating Expenses. This line is a summary of appropriations expensed during the current period. Do not include (1) cost of goods sold [reported on line 6 below], (2) expenditures for assets that were

capitalized [those capital assets should be reported on the Statement of Financial Condition] or (3) any expense reported on other lines. Appropriations expensed to be reported are all direct appropriation expenses incurred by Fund activities which received a direct appropriation (for example, war reserve materials and commissaries) and should be equal to the "Appropriated Capital Used" reported on line 1. The total of the amount reported for this line should be equal to the balance in the following account:

5700 Appropriated Capital Used

8. Line 6 - Cost of Goods Sold and Services Provided. Report the total shown on Part III, Cost of Goods Sold and Services Provided. (Form and Content Guidance, published by the Office of Management and Budget, asks that this line be subdivided between (a) costs of goods sold to the public and (b) costs of goods sold to DoD and other Federal entities. That subdivision is not necessary for AR 1307 reporting. For the annual Chief Financial Officer's Act report, the subdivision could be reported in the same proportion as revenue is reported from the public and from DoD and other Federal entities.)

9. Line 7 - Depreciation and Amortization. This line is a summary of depreciation/depletion/amortization expense associated with capital assets used by the Defense Business Operations Fund. Report depreciation expense incurred during the reporting period which was posted to applicable accounts (or sub-accounts) in the 6000 Series (expense) accounts within the DoD Chart of Accounts. The total reported in line H of Part IV will be reflected on this line.

10. Line 8 - Bad Debts and Writeoffs. This line is a summary of bad debt and other writeoff expense incurred during the reporting period which was posted to applicable accounts (or sub-accounts) in the 6000 Series (expense) accounts within the DoD Chart of Accounts. The total reported in line I of Part IV will be reflected on this line.

11. Line 9 - Other Expenses. The total reported in line J of Part IV will be reflected on this line.

12. Line 10 - Total Expenses. Sum of lines 5 through 9.

13. Line 11 - Revenue Less Cost Incurred Before Extraordinary Items
Report the net amount of line 4 less line 10.

14. Line 12 - Plus (Minus) Extraordinary Items. Report the net balance in the following account. Extraordinary gains are unusual, unrelated to the activity's ordinary activities and occur infrequently. Identify, as a footnote, the nature of each extraordinary gain or loss. Report the balance in the following account:

7300 Extraordinary Items

15. Line 13 - Net Operating Results. Line 11 plus (or less) line 12.

16. Line 14 - Plus (Minus) Nonrecoverable Costs. Report the amount shown on line 3 of Part V, Recoverable Operating Results.

17. Line 15 - Recoverable Operating Results. Line 13 plus (or less)
line 14.

18. Line 16 - Obligations for Capital Assets. Report the amount of obligations shown on Part VI, Capital Investment Program.

19. Line 17 - Outlays for Capital Assets. Report the amount of outlays shown on Part VI, Capital Investment Program.

20. FOOTNOTE: DBOF business area activities shall record and report financial information on the maintenance of a mobilization capability in accordance with the DoD accounting and reporting requirements specified for the DBOF. The Monthly Report of Operations (AR 1307) shall be prepared to include a footnote which identifies the amount of the mobilization requirement costs which are funded through direct appropriations or reimbursable orders accepted specifically for mobilization requirements.

PART II - CHANGES IN NET POSITION

A. General. This part, Part II, provides data on the current equity position of the Defense Business Operations Fund.

B. Heading. Complete the heading of the form to show (a) the reporting DoD Component, (b) the reporting business area/activity, (c) the reporting period (month), and (d) the year.

C. Line Item Instructions. Instructions for the content of each line item are as follows:

1. Line 1.A.(1). - Appropriations Available - Beginning of Year. Report the balance of appropriations available at the end of the preceding fiscal year. This amount should be the same as reported on line 1.A.(4) on September 30 of the preceding fiscal year. The amount reported will not change during the fiscal year.

2. Line 1.A.(2) - Plus or Less: Changes in Appropriation Balance. This is equal to the difference between the beginning of the fiscal year balance and the balance as of the end of the reporting period. The amount should be equal to:

a. Increases to GLA 3211.1, "Appropriations Available," occurring as a result of direct appropriations made available by the Congress to the DBOF. For example, direct appropriations received for the acquisition of war reserve materials and direct appropriations made available to the Commissary business area and U.S. Transportation Command.

b. Increases to GLA 3211.1, "Appropriations Available," occurring as a result of nonexpenditure transfers from other current appropriations and funds.

c. Decreases as a result of the use of appropriations. These decreases should be equal to the amount reported on Part I, line 1, "Appropriated Capital Used. "

d. Decreases to GLA 3211.1, "Appropriations Available," occurring as a result of nonexpenditure transfers to other appropriations and funds.

3. Line 1.A. (3) - Plus or Less: Cash Transfers. Report cash transfers in from other DBOF activities as a plus and cash transfers out to other DBOF activities as a negative. The amounts to be reported are those solely to transfer cash balances. A transfer of cash as a result of work performed (reimbursable sale) shall not be reported on this line. The following equity account shall be used:

3211.4 Net Treasury Balance-DBOF

4. Line 1.A.(4) - Equals: Appropriations Available - End of Period. Report the net total of line 1.A.(1) through line 1.A.(3). The amount reported should agree with the amount reported on line 14.a. of the Statement of Financial Condition.

5. Line 1.B.(1) - Accumulated Operating Results - Beginning of Fiscal Year (Unadjusted). Report the balance of accumulated operating results available at the end of the preceding fiscal year. This amount should be the same as the amount reported on line 1.B.(5) on September 30 of the preceding fiscal year. This amount will not change during the fiscal year.

6. Line 1.B.(2) - Plus or (Minus): Prior Period Adjustments to Accumulated Operating Results. A credit balance is reported as a plus; a debit balance is reported as as negative. Report prior period adjustments recorded in the following account:

7400 Prior Period Adjustments

7. Line 1.B.(3) - Accumulated Operating Results - Beginning of Fiscal Year (Adjusted). Report the net total of line 1.B.(1) plus or minus, as applicable, line 1.B.(2).

8. Line 1.B.(4) - Plus: Net Operating Results - End of Period. Report the amount shown on line 13, Net Operating Results, of Part I, Statement of operations.

9. Line 1.B.(5) - Equals: Operating Results - End of Period. Report the net total of lines 1.B.(3) and (4). The amount reported should be equal to the amount reported on line 14.c. of the Statement of Financial Condition.

10. Line 1.C. - Net Equity Position - End of Period. Report the net total of line 1.A.(4) and line 1.B.(5).

11. Line 1.D.(1) - Capital Investments - Beginning of Fiscal Year. Report the balance of capital investments available at the end of the preceding fiscal year. The amount reported should be equal to the amount reported on line 14.b. of the Statement of Financial Condition at the end of the preceding fiscal year. This amount will not change during the fiscal year.

12. Line 1.D.(2) - Plus: Transfers-In of Property. Report the value of capital assets received without reimbursement. The amount reported should be equal to the amount reported on line 14.b.(4) of the Statement of Financial Condition. Report the amount in the following account:

3220 Transfers-In from Others Without Reimbursement

NOTE: GLA 3220 is closed to GLA 3211.2, "Assets Capitalized," at fiscal year end.

13. Line 1.D.(3) - Less: Transfers-Out of Property. Report the value of capital assets transferred out without reimbursement. The amount reported should be equal to the amount reported on line 14.b.(5) of the Statement of Financial Condition. Report the amount in the following accounts:

3231 Transfers Out to Government Agencies Without Reimbursement

3232 Transfers Out to All Others Without Reimbursement

NOTE: GLAs 3231 and 3232 are closed to GLA 3211.2, "Assets Capitalized," at fiscal year end.

14. Line 1.D.(4) - Less Invested Capital Used. Report the amount recorded in the following account:

5790 Invested Capital Used

15. Line 1.D.(5) - Plus (Less): Changes in Liabilities Assumed. Report net changes during the fiscal year to date in the following account:

3211.3 Liabilities Assumed

16. Line 1.D.(6) - Equals: Capital Investments - End of Period. Report the net total of lines 1.D.(1) through (5). The amount reported should be equal to the amount reported on line 14.b. of the Statement of Financial Condition.

17. Line 2 - Total Equity - End of Period. Report the total of the above lines. The amount reported should be equal, prior to year-end closing, to the balance in the following accounts:

3211 Capital Investment-DBOF
3220 Transfers In from Others Without Reimbursement
3230 Transfers Out to Others Without Reimbursement
3311.1 Cumulative Results of Operations-DBOF
3311.2 Cumulative Results of Operations-DBOF-Deferred
3321 Net Results of Operations-DBOF

PART III - COST OF GOODS SOLD AND SERVICES PROVIDED

A. General. All costs, including gains and losses, applicable to the product of goods and services sold to customers during the reporting period must be reflected on this part (Part III) of the report. The total included in line 3 of Part III of the Statement of Operations must agree with the amount shown on line 6, Part I of the Statement of Operations.

B. Heading. Complete the heading of the form to show (a) the reporting DoD Component, (b) the reporting business area and activity (c) the reporting period (month), and (d) the year.

C. Line Item Instructions. Instructions for the content of each line item are as follows.

1. Line 1 - Cost of Goods and Services Sold. This line is to be used by all business areas other than the Supply Management and Commissary Resale business areas -- the Supply Management and Commissary Resale business areas shall use line 2 of this part to compute its cost of goods sold. Fund business areas that do not use a job-order or process cost accounting system may not have data to complete all parts of line 1. In those cases, the expenses incurred, as reported on line 1.b., "Operating Expenses," of this part shall be the cost of goods and services sold for those business areas.

2. Line 1.a. - Beginning Work-in-Process. Enter the total of the balances in the following accounts as of the end of the preceding reporting period:

1581 Work in Process - In House
1582 Work in Process- Contractor
1583 Work in Process - Other Government Activities
1584 Work in Process - Government-Furnished Material

3. Line 1.b - Operating Expenses. Enter the total of the amounts reported on Part IV, "Expenses" on lines A through G.

4. Line 1.c. - Minus: Ending Work-in-Process. Enter the total of the balances in the following accounts as of the end of the current reporting period. The amount reported should agree with the amount reported on line 6 of the Statement of Financial Condition.

1581 Work in Process - In House
1582 Work in Process - Contractor
1583 Work in Process - Other Government Activities
1584 Work in Process - Government-Furnished Material

5. Line 1.d. - Minus: Work for Activity Retention. Report the value of assets developed or manufactured for use and retention by the performing business area activity. Enter the balance in the following accounts:

1720 Construction in Progress
1725 Assets Under Development - DBOF

6. Line 1.e. - Equals: Costs of Goods and Services Sold. Report the net total of lines 1a. through line 1.d.

7. Line 2 - Cost of Goods Sold from Inventory. This category of costs is reported only by the Supply Management and Commissary Resale Business Areas.

NOTE: The Statement of Federal Financial Accounting Standard Number 3, "Accounting for Inventory and Related Property," sets forth the accounting principles that shall be followed by federal government entities when accounting for and reporting inventory and related property. An illustration of the DoD implementation of those principles is contained in Addendum 2 to Chapter 55, "Supply Management Operations," (for DoD Components recording inventory at its standard [selling] price) and Addendum 3 to Chapter 55 (for DoD Components recording inventory at its latest invoice price). The referenced illustrations demonstrate the application of the accounts indicated below and must be read for a fuller understanding of the reporting requirements contained in section 2 of this Part III.

8. Line 2.a. - Operating Expenses. Enter the total of the amounts reported on Part IV, "Expenses," on lines A through G.

9. Line 2.b. - Beginning Inventory - L.A.C. Report the balance as shown on line 2.h. "Ending Inventory" as of the close of the prior reporting period. (L.A.C. is "Latest Acquisition Cost.")

10. Line 2.c. - Less: Beginning Allowance for Unrealized Holding Gains/Losses. Report the balance as shown on line 2.i. "Ending Allowance for Unrealized Holding Gains/Losses," as of the close of the prior reporting period. Holding gains (or losses) are recognized in the valuation of inventory. Holding gains or losses may be unrealized or realized. "Unrealized" refers to any gain or loss associated with inventory still held by the entity. "Realization" of the holding gain or loss occurs only when an item of inventory is sold or otherwise leaves the supply management stocking point.

11. Line 2.d. - Plus: Purchases At Cost. Report amounts paid or payable for all inventory purchases during the reporting period. Increases during the month in the following account shall be reported:

1529.10 Purchases at Cost

12. Line 2.e. - Plus: Customer Returns - Credit Given. Report amounts of credit given during the month on materiel returns. Increases during the month in the following account shall be reported:

1529.1E Materiel Returns - Credit Given

13. Line 2.f. - Plus: DLR Exchange Credits. Report amounts of credit given during the month on Depot Level Repairable (DLR) exchanges. Increases during the month in the following account shall be reported:

1529.3 Allowance for Repairs

14. Line 2.g. - Inventory Losses Realized. The realization of most inventory gains (and losses) are recognized through reduction of the unrealized holding gains/losses accounts as a result of sales; that is, those gains and losses are realized when inventory items are sold and are recognized in the cost of goods sold. However, decreases in inventory occurring as a result of disposal and other events other than sale also result in a reduction of the unrealized holding gains/losses accounts. As those inventory decreases are not the result of sales, they should not affect the cost of goods sold. Therefore, the value of those losses shall be removed from the cost of goods sold and reported on line J of Part IV, "Expenses," Statement of Operations. The following accounts are reported on this line:

- 7291.1 Excess/Obsolescence/Spoilage Loss
- 7291.2 Shrinkage/Deterioration Losses
- 7291.3 Other Inventory Losses

15. Line 2.h. - Ending Inventory - LAC. Report the end of the period inventory value of the following accounts. Ensure that amounts reported have been adjusted to Latest Acquisition Cost (LAC) in accordance with DoD directions (see Addendum 2 to Chapter 55, "Supply Management Operations."). The amount reported should be the same amount that is reported on line 5.a., "Inventory Items," on the Statement of Financial Condition.

- 1521 Inventory Held for Sale
- 1521.1 Inventory in Transit from Procurement
- 1521.2 Inventory in Transit from DoD Entities
- 1522 Inventory Held in Reserve for Future Sale
- 1523 Inventory Held for Repair
- 1523.1 Exchange (DLR) Inventory in Transit
- 1524 Inventory - Excess, Obsolete and Unserviceable

16. Line 2.i. - Plus: Ending Allowance for Holding Gains/Losses. Report the total of the balances in the following accounts. The amount reported should be the same amount that is reported on line 5.b., "Allowance for Unrealized Gain/Loss on Inventories," on the Statement of Financial Condition.

- 1529.1 Allowance for holding Gain/Loss - Inventory Held for Sale
- 1529.2 Allowance for Holding Gain/Loss - Inventory Held in Reserve for Future Sale
- 1529.3 Allowance for Repairs

17. Line 2.i. - Equals: Cost of Goods Sold from Inventory. Report the net total of lines 2.b. through line 2.i.

PART IV - EXPENSES

A. General. All expenses incurred during the reporting period must be reflected on this part of the report. The total of lines A - I, Part IV must agree with the amount shown on line 6, Part I.

B. Heading. Complete the heading of the form to show (a) the reporting DoD Component, (b) the reporting business area/activity (c) the reporting period (month), and (d) the year.

C. Line Item Instructions. Instructions for the content of each line item are as follows.

1. Line A - Personal Services and Benefits. Report the balance in following accounts.

- 6111 Personnel Compensation - Civilian
- 6130 Annual Leave
- 6113 Personnel Benefits - Civilian
- 6115 Benefits for Former Personnel

2. Line B - Travel and Transportation. Report the balance in the following accounts.

- 6116 Travel and Transportation of Persons
- 6117 Transportation of Things

3. Line C - Rents, Communications & Utilities. Report the balance in the following accounts.

- 6118 Rent, Communication and Utilities
- 6119 Printing and Reproduction

4. Line D - Contractual Services and Supplies. Report the balance in the following accounts.

- 6120.1 Military Personnel Services (Except for Air Mobility Command)
- 6120.2 Purchased Services-Other

5. Line E - Supplies, Materials and Other Non-Capitalized Assets. Report the balance in the following accounts.

- 6121 Supplies and Materials
- 6122 Equipment (Not Capitalized)

6. Line F - Grants and Fixed Charges. This line should not apply to activities of the Defense Business Operations Fund. The following accounts are applicable.

- 6123 Grants, Subsidies and Contributions
- 6124 Insurance Claims and Indemnifications
- 6310 Interest Expenses on Borrowing From Treasury
- 6320 Interest Expenses on Securities

6330 Other Interest Expenses

7. Line G - Other Expenses. Report amounts which do not coincide to the description of the other elements of expense and identify the type of expense reported in this-line. Report the balance in the following account:

6900 Other Expenses

8. Line E - Depreciation - Total. Report the balance in the following accounts.

6125 Depreciation of Equipment
6126 Depreciation of Real Property
6127 Depletion of Natural Resources
6128 Amortization of Leasehold Improvements and Other
Intangible Assets

9. Line I - Bad Debts and Other Writeoffs. Report the balance in the following account.

6129 Bad Debts

10. Line J - Other Losses. Report the balances in the following accounts.

7210 Losses on Disposition of Assets
7291.1 Shrinkage/Deterioration Losses
7291.2 Excess/Obsolescence/Spoilage Loss
7291.3 Other Inventory Losses
7293 Other Miscellaneous Losses

11. Line K - Non-DBOF Financed Expenses. Report unfunded costs financed by other appropriations and funds. Further information on the purpose and use of general ledger account 5700 is at the Addendum to Chapter 52, "Budgetary Resources." Further information on the purpose and use of general ledger account 5790 is at Addendum 1 to Chapter 58, "Capital Assets." Record the balances in the following accounts:

5700 Appropriated Capital Used
5790 Invested Capital Used
6120.1 Military Personnel Services (Air Mobility Command ONLY)

PART V - RECOVERABLE OPERATING RESULTS

A. General. This part is intended to disclose differences, if any, between net operating results reported on Part I, "Statement of Operations," and the operating results used in the budget formulation of stabilized billing rates. As a matter of policy, any amounts that a DoD Component requests be excluded from its DBOF rates--whether identified in Under Secretary of Defense (Comptroller) guidance as permissible or requested by the DoD Component--must be adequately documented and quantified. Further, all such amounts must be approved by the Office of the Under Secretary of Defense (Comptroller). Amounts not explicitly approved by the Office of the Under Secretary of Defense (Comptroller) for exclusion from customer rates shall be excluded from this report.

B. Heading. Complete the heading of the form to show (a) the reporting DoD Component, (b) the reporting business area (c) the reporting period (month), and (d) the year.

C. Line Item Instructions. Instructions for the content of each line item are as follows.

1. Line 1 - Net Operating Results. Enter the amount reported on Part I of the Statement of Operations line 13, "Net Operating Results."

2. Line 2 - Nonrecoverable/Deferred Amounts. Data reported on this line and its sublines, unless otherwise specified below, are restricted to specific exclusions approved by the Office of the Deputy Comptroller (Program/Budget). Amounts to be reported on monthly activity reports should be obtained from, or approved by, the activity, management command of the reporting business area or the DoD Component departmental level. This section is composed of the following lines.

3. Line 2.a. - Losses on Disposal of Excess Inventory. This line applies to the supply management business area only. Report those losses on potential excess/actual excess inventory for which an exclusion has been approved by the Office of the DoD Comptroller (Program/Budget).

4. Line 2.b. - Disposal of Equipment/Capital Assets. Report losses (or gains, if applicable) realized upon the disposal of excess equipment and other capital assets when the Office of the Deputy Comptroller (Program/Budget) has approved the exclusion. [Note: Losses on excess equipment and other capital assets disposed of as a result of base closure shall not be reported on this line but shall, instead, be reported on line 2.c.]

5. Line 2.c. - Non-Reimbursable Base Closure (BRAC) Costs. Report losses (or gains, if applicable) in excess of reimbursement directly resulting from a base closure when the Office of the Deputy Comptroller (Program/Budget) has approved the exclusion.

6. Line 2.d. - Military Personnel Cost Variance. The purpose of this lines is to eliminate any variance between the cost of applied military labor and the amount paid to a military personnel appropriation for that labor.

The cost of military labor applied to work performed at a DBOF activity and the amount paid by the DBOF to the military personnel appropriations are generally not equal. The reason they are not equal is that the amount paid to the military personnel appropriations is the amount estimated in the budget; however, the cost of military labor applied to work performed is a function of the actual number and grade of military personnel at an activity. The difference, gain or loss, between the amount paid and the cost applied to work is not recoverable in stabilized billing rates. Therefore, this line shall show an adjustment of Net Operating Results to arrive at the amount that is to be used for stabilized rate development. The adjustment shall be equal to the amount to the account 1451.1, "Prepaid Expenses - Military Personnel - DBOF," adjustment amount recorded to Account 3311.1, "Cumulative Results of Operations-DBOF." When the military personnel expense is more than the amount paid to military personnel appropriations, the adjustment shall be shown as a positive amount. When the military personnel expense is less than the amount paid to military personnel appropriations, the adjustment shall be shown as a negative amount.

7. Line 2.e - Capital Asset Surcharge. Capital surcharge amounts included in revenue should be deducted to avoid the return of an apparent gain in the development of the subsequent year rate structure. This line is left blank when there is no capital surcharge revenue. A capital surcharge shall be included in customer rates only if approved by the Office of the Deputy Comptroller (Program/Budget). A capital surcharge might be approved when the amount of depreciation expense of existing capital assets included in stabilized rates is less than the budgeted Capital Investment Program. As the capital surcharge does not have an offsetting expense, in isolation from other transactions, it would be anticipated to result in a gain to net operating results. That gain must be deducted from Net Operating Results to prevent its return to customers in subsequent years through stabilized rates that are lower than they would be otherwise.) Capital surcharge amounts may be reported without the prior approval of the Office of the Deputy Comptroller (Program/Budget).

8. Line 2.f. - Other Applicable Gains and Losses. Report any other nonrecoverable or deferred gains or losses not reportable on lines 2.a. through 2.e. above when approved by the Office of the Deputy Comptroller (Program/Budget).

9. Line 2.g. - Total - Nonrecoverable/Deferred Amounts. Report the total of lines 2.a. through 2.f.

10. Line 3. Net Operating Results that are Comparable to Budgeted Amounts. Report the net difference between line 1 less line 2.g. This amount should be comparable to the amount of Net Operating Results provided or otherwise approved by the Office of the Deputy Comptroller (Program/Budget) in the applicable DoD Component's current budget.

11. Line 4. Amount Budgeted for the Return/Recovery of Prior Year(s) Gain/Loss. This includes the gain or loss occurring in the reporting period that were deliberately included in stabilized rates for the current year to correct (offset) over- or underpricing in a prior fiscal year(s). (For example, if accumulated operating results were a loss for the prior fiscal year(s), the stabilized rate for the current year normally would recover, in

addition to current year operating costs, those losses realized in the prior fiscal year(s). The recovery of the prior year(s) loss does not have a current year expense to offset it; therefore, financial reports will indicate a gain. As this gain was planned to offset the prior loss(es), that gain should not be returned in subsequent year rates. To be reported, the applicable gain or loss must be approved by the Office of the Deputy Comptroller (Program/Budget) and should have been reflected in the applicable DoD Component's approved budget.

12. Line 50. Net Recoverable Operating Results From Current Year Operations. Report the net total between line 3 and line 4.

NOTE: At fiscal year end, the Net Operating Results is closed to Accumulated Operating Results. Since part of that amount is a nonrecoverable/deferred amount, that part should be separately identified in financial records. To provide a means to accomplish that objective, the account for Accumulated Operating Results has been subdivided into two subaccounts. They are:

3311.1 Cumulative Results of Operations-DBOF

3311.2 Cumulative Results of Operations-DBOF-Deferred

Therefore, annually, as part of the fiscal year closing process, the amount reposted on line 2.g., "Total - Nonrecoverable/Deferred Amounts," shall be recorded to GLA 3311.2; the amount reported on line 5, "Net Recoverable Operating Results From Current Year Operations," shall be recorded to GLA 3311.1. The total of the amounts recorded to those two accounts for a fiscal year shall equal the net operating results of that fiscal year.

PART VI - CAPITAL INVESTMENT PROGRAM

A. General

1. Both obligations and outlays for capital assets costing \$25,000 (\$15,000 in FY 1993) or more and have a useful life of 2 years or greater, must be accounted for, and reported according to the initial program year of authorization.

2. For reporting these amounts, the reporting period is defined as the year to date amounts, i.e., amounts reported since the end of the prior fiscal year to the end of the reporting month shown in the heading of Part V.

B. Heading. Complete the heading of the form to show (a) the reporting DoD Component, (b) the reporting business area/activity (c) the reporting period (month), and (d) the year.

C. Columnar Instructions. The contents of the columns should be as follows:

1. Program Year (Column 1). Separate fiscal year program identification is required. All prior fiscal years must be separately identified until all obligations and outlays for the approved program have been fully concluded. The fiscal year programs will be arranged in consecutive order, starting with the least current fiscal year program.

2. Original Program (Column 2). Amounts included in this column shall be the approved program amounts provided in the annual operating budgets of the initial program year. The amount reported should not change in subsequent years. Changes in the Capital Investment Program amounts are shown in column 3.

3. Program Adjustments (Column 3). Amounts included in this column shall be adjustments (generally, deductions) to the initial approved Capital Investment Program amounts. Adjustments to the initial approved program amounts are disclosed in the annual operating budgets for a subsequent program year. The amount reported in this column may change annually as of the beginning of a fiscal year but should not change during a fiscal year.

4. Current Program (Column 4). This is the sum of the original program (column 2) and program adjustments (column 3). These amounts will be subject to the provisions of 31 U.S.C., Section 1517(a).

5. Obligations - This Fiscal Year (Column 5). Amounts included in this column shall be the total amount of obligations incurred in the current fiscal year.

6. Obligations - Prior Fiscal Year(s) (Column 6). Amounts included in this column shall be the cumulative amount of obligations incurred in fiscal years prior to the current fiscal year. The amount reported should not change during the reporting fiscal year.

7. Obligations - Total (Column 7). This is the sum of current fiscal year obligations (column 5) and cumulative prior year obligations (column 6).

8. Outlays - This Fiscal Year (Column 8). Amounts included in this column shall be the total amount of outlays incurred in the current fiscal year.

9. Outlays - Prior Fiscal Years (Column 9). Amounts included in this column shall be the cumulative amount of outlays in fiscal years prior to the current fiscal year. The amount reported should not change during the reporting fiscal year.

10. Outlays - Total (Column 10). This is the sum of current fiscal year outlays (column 8) and cumulative prior year outlays (column 9).

PART VII - INVENTORY MANAGEMENT REPORT
SUPPLY MANAGEMENT BUSINESS AREA

NOTE: The following entry descriptions are intended to be consistent those previously described in DoD 7420.13-R, "Stock Fund Operations," for the Accounting Report (AR) 1302.

A. Purpose. The Inventory Management Report is prescribed to compare fiscal data from the supply management business area general ledger with the approved operating program for the purpose of monitoring the execution of the current year budget.

B. General Reporting Requirements

1. Frequency. The Inventory Management Report shall be prepared at the end of each month and submitted in triplicate to the Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller) by the end of the month after the report period.

2. Rounding. Amounts reported shall be rounded to the nearest thousand dollars.

3. Form. Each DoD Component shall submit a Inventory Management Report for each supply management business area division on forms consistent with the example provided. Division reports shall show entries only for column one.

C. Specific Reporting Requirements

1. Description of Line Entries. Specific descriptions of entries for each line on the Inventory Management Report are provided in paragraph E. below.

2. Planned to Date. Column 2, "Planned To Date," shall reflect the cumulative programmed amount, at the total DoD Component level, for the month being reported.

3. Variance. On only the total DoD Component supply management business area summarized report Column 3, "Variance," shall reflect the difference between column 1 and column 2 in terms of both the dollar amount and the percentage.

D. Relationship to Report on Budget Execution. The cumulative fiscal year to date amount in accounts 4252, "Reimbursements Earned-Uncollected-Specific Apportionment," and 4254, "Reimbursements Earned-Collected-Specific Apportionment" shall be reported on the DD Form 1176, "Report on Budget Execution," RCS DD-COMP(M)1125, line 3A, as "Earned" (reimbursements and other income). The cumulative fiscal year to date net change in account 4232, "Unfilled Customer Orders-Specific Apportionment," shall be reported on the DD Form 1176, line 3B, as "Change in Unfilled Customer Orders." The cumulative fiscal year to date amount in account 4131, "Contract Authority-Without Liquidating Appropriation," shall be reported on line 1B of the DD form 1176 as "Other New Authority Realized," except that a negative amount shall not be reported. At the end of the fiscal year the cumulative from

inception amount of account 4131 shall be adjusted and reported as required by paragraph Q.2.d.(2) of chapter 55, "Inventory and Supply Management Requirements," of this Regulation. That adjustment process is:

1. Add the year-end balances in accounts 4800, "Undelivered Orders," 4910, "Accrued Expenditures - Unpaid - Direct Program," and 4920, "Accrued Expenditures - Unpaid - Reimbursable Program."

2. From this sum subtract the sum of the year-end balances in accounts 4230, "Unfilled Customer Orders," 4251, "Reimbursements Earned-Uncollected-Automatic Apportionment," 4252, "Reimbursements Earned - Uncollected - Specific Apportionment," and 1010, "Fund Balance With Treasury."

3. The cumulative from inception balance in account 4131, "Contract Authority - Without Liquidating Appropriation," should equal the results of this computation. If not equal, the 4131 account shall be adjusted to equal the result.

The Amount in account 4211, "Anticipated Reimbursement-Specific Apportionment," after adjustment by the net change in operating obligations incurred during the month as recorded in account 4820, "Undelivered Orders - Reimbursable Program," account 4920, "Accrued Expenditures - Unpaid - Reimbursable Program," and account 4940, "Accrued Expenditures - Paid - Reimbursable Program," as indicated in paragraph Q.2.d.(2) of chapter 55, "Inventory and Supply Management Requirements," of this Regulation less the amounts reported on lines 3A and 3B of the DD Form 1176, shall be reported on line 3C as anticipated reimbursements.

E. Description of Entries

1. Line A - Customer Orders Accepted - Cumulative. Enter the total amount of customer orders received for the Fiscal Year to date. Report the balance of the following general ledger account:

4220 Reimbursable Orders Accepted

2. Line B- Gross Reimbursable Sales of Property - Cumulative. Enter the total sales for this Fiscal Year to date. The amount reported shall equal the amount reported on line 2.a. of Part I of the Statement of Operations. Report the balance of the following general ledger account:

5100 Revenue From Goods Sold

3. Line C - Unfilled Customer Orders. Enter the amount of requisitions or orders outstanding from customers. Report the balance of the following general ledger account:

4230 Unfilled Customer Orders - Unobligated

4. Line D - Customer Returns - Credits Granted - Cumulative. Enter the amount of credit granted to customers for material returns for the Fiscal Year to date. The amount reported shall equal the amount reported on line 2.b. of Part I of the Statement of Operations. Report the total amount of

credit granted to customers for material returns from the following general ledger account:

1529.1E Customer Returns - Credit Given

5. Line E - Net Reimbursable Sales of Property - Cumulative. Enter net sales for this Fiscal Year to date. The amount reported shall equal the amount reported on line 2. of Part I of the Statement of Operations. Report the result of line B. less line B. above.

6. Line F - Purchases at Cost - Cumulative. Enter the amount of purchases at cost for this Fiscal Year to date. The amount reported shall equal the amount reported on line 2.d. of Part III, "Cost of Goods Sold and Services Provided," of the Statement of Operations. Report the balance of the following general ledger account:

1529.1C Purchases at Cost

7. Line G - Obligations - Cumulative. Enter the total obligations incurred this Fiscal Year to date. (The sum of report lines H., I., and J., below.)

8. Line H - Obligations Operating - Cumulative. Enter the amount of operating obligations incurred this Fiscal Year to date. The amount reported should not include obligations reported on lines I. and J. Report balances from subsidiary accounts to the following general ledger accounts:

4800 Undelivered Orders
4900 Expended Appropriations

9. Line I - Obligations Augmentation - Cumulative. Enter the amount of obligations incurred this Fiscal Year to date for inventory augmentation, initial issue, etc. (Inventory augmentation purposes are defined in Volume 2, Chapter 9, of this Financial Management Regulation.) The amount reported should not include obligations reported on lines H. and J. Report balances of subsidiary accounts to the following general ledger accounts:

4800 Undelivered Orders
4900 Expended Appropriations

10. Line J - Obligations Mobilization - Cumulative. Enter the total amount of obligations for war reserve purposes. (War reserve purposes are defined in Volume 2, Chapter 9, of this Financial Management Regulation.) The amount reported should not include obligations reported on lines H. and I. Report balances of subsidiary accounts to the following general ledger accounts:

4800 Undelivered Orders
4900 Expended Appropriations

11. Line K - Outstanding Commitments. Enter the amount of commitments outstanding that has not resulted in obligations. Report the balance of the following general ledger account:

4700 Commitments Available for Obligation

12. Line L - Inventories - Stock On Hand. Enter the total amount of inventory on hand at the end of the report period after adjustment to latest acquisition cost. The amount reported shall equal the amount reported on Line 4. of the Statement of Financial Position less the amount reported on line N of this Inventory Management Report. Report the net total balance of the following general ledger accounts after adjustment to estimated cost:

- 1521 Inventory Held for Sale
- 1522 Inventory Held in Reserve for Future Sale
- 1523 Inventory Held for Repair
- 1524 Inventory - Excess, Obsolete, and Unserviceable
- 1529 Inventory - Allowance
- 1573 War Reserve/Mobilization Stock
- 1579.2 Allowance for Holding Gain/Loss - War Reserve/Mobilization

13. Line M - Other Inventories. Enter the total amount of other inventories (except inventories in transit reported on line N) consisting of Work in Progress, On Loan to Others for Use, and With Agents. Report the net total balance of the following general ledger accounts:

- 1581 Work in Process - In House
- 1582 Work in Process - Contractor
- 1583 Work in Process - Other Government Activities
- 1584 Work in Process - Government Furnished Material
- 1590 Other Related Property

14. Line N - Inventories in Transit. Enter the amount of material in transit. Report the balance of the following general ledger accounts:

- 1521.1 Inventory in Transit from Procurement
- 1521.2 Inventory in Transit from DoD Entities
- 1523.1 Exchange (DLR) Inventory in Transit

15. Line P - Total Inventories. Enter the sum of the amounts reported on lines L., M., and N., above.

16. Line Q - Customer Returns Without Credit - Cumulative. Enter the amount of returns from customers without credit. The amount reported should equal the net of the total amount of returns from customers less the amount reported on line D., above. Report the balance of the following general ledger account:

- 1529.1F Customer Returns Without Credit Given

17. Line R - Transfers to Reutilization and Marketing Offices - Cumulative. Enter the net amount transferred to DMROs for the Fiscal Year to date. Report the amount from the following general ledger account that applies to transfers to reutilization and marketing offices:

- 3231 Transfers Out to Government Agencies - Without Reimbursement

18. Line S - Material Returns to Suppliers - Cumulative. Enter the total amount of returns to public suppliers and contractors from a subsidiary account to the following general ledger account:

1316 Refunds Receivable - Public

and the total amount of returns to federal government suppliers from a subsidiary account to the following general ledger account:

7291 Inventory Losses or Adjustments

19. Line T - Undelivered Orders. Enter the total amount of undelivered orders outstanding. Report the balance of the following general ledger account:

4800 Undelivered Orders

20. Line U - Fund Balance With Treasury. Enter the total amount of funds with Treasury balance. The amount reported shall equal the amount reported on line 1.e. and 1.f. of the Statement of Financial Position. Report the balance of the following general ledger account:

1010 Fund Balance with Treasury

21. Line V - Funds Collected - Cumulative. Enter the amount of collections for the Fiscal Year to date. The amount reported shall equal the amount reported on line 1a. and 1b. of the Statement of Financial Position. Report the balance of the following general ledger account:

1011 Funds Collected

22. Line W - Funds Disbursed - Cumulative. Enter the amount of, disbursements for the Fiscal Year to date. The amount reported shall equal the amount reported on line 1.c. and 1.d. of the Statement of Financial Position. Report the balance of the following general ledger account:

1012 Funds Disbursed

23. Line X - Receivables Government. Enter the amount of receivables outstanding that are due from other federal government entities. Report the balance of the following general ledger accounts:

1311 Accounts Receivable - Government - Current

1312 Accounts Receivable - Government - Noncurrent

1315 Refunds Receivable - Government

24. Line Y - Receivables - Public. Enter the net amount of receivables outstanding that are due from non-federal government entities. Report the net balance of the following general ledger accounts:

1313 Accounts Receivable - Public - Current

1314 Accounts Receivable - Public - Noncurrent

1316 Refunds Receivable - Public

1319 Allowance for Loss on Accounts Receivable
1320 Claims Receivable - Public

25. Line Z - Payables. Enter the total amount of payables outstanding. Report the net total balance of the following Appendix B general ledger account:

2100 Accrued Liabilities - Other

26. Footnotes. Include in a footnote, the estimated balance of line U, above, that is the result of appropriations by type of appropriation, i.e., inventory augmentation or War Reserves and the estimated amount from operations. Include in a footnote, the amount of line L, above, at standard price.

DOD FINANCIAL MANAGEMENT REGULATION

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SPECIAL ACCOUNTS FUNDS AND PROGRAMS
OCTOBER 1999
UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 12

**SPECIAL ACCOUNTS
FUNDS AND PROGRAMS**

SEPTEMBER 1996
WITH CHANGES THROUGH OCTOBER 1999

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



SEP - 5 1996

FOREWORD

This Volume of the "Department of Defense Financial Management Regulation" is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," dated November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

Volume 12 of the "DoD Financial Management Regulation" establishes policies and procedures for "Special Accounts Funds and Programs."

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Unified Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

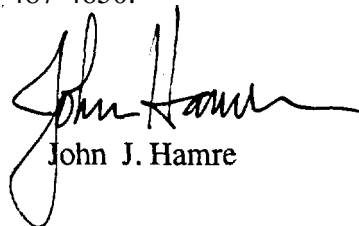
This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this Regulation are exempt from licensing in accordance with paragraph E.4.f., of DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

The Defense Finance and Accounting Service will provide copies of this Volume of the Regulation through its normal publication channels. Other Federal Agencies and the public may obtain copies of this Volume from the National Technical Information Service, 5285 Port Royal Road, Springfield VA 22161; telephone (703) 487-4650.


John J. Hamre

INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller)(USD(C)). The Regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Presentation and Formulation
3. Budget Execution - Availability and Use of Budgetary Resources
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursable Operations Policy and Procedures
12. Special Accounts, Funds and Programs
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Funds and Antideficiency Act Violations
15. Security Assistance Policy and Procedures

AUTHORIZATION

This Regulation is issued by the USD(C) under authority of Department of Defense Instruction 7000.14 “DoD Financial Management Policy and Procedures,” dated November 15, 1992.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The six digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A.1.a.(1)(a)
SUBPARAGRAPHS

PUBLICATIONS INCORPORATED

This Volume of the “DoD Financial Management Regulation” incorporates the policy and procedures contained in the following publications:

DoDI 1338.17 “Funding Military Academy Dining Hall Operations”

DoDI 7200.10 “Guidance for Accounting and Reporting of Government Property Lost, Damaged, or Destroyed”

DoD 7200.10-M “Department of Defense Accounting and Reporting for Government Property
Lost, Damaged, or Destroyed”

DoDD 7200.11 “Liability for Government Property Lost, Damaged, or Destroyed”

DoD 7220.9-M “DoD Finance and Accounting Manual” (Chapters: 28, 47, 65, and 81)

DoDI 7460.2 “Regulations Governing the Use of Management Funds”

CHAPTER 1**FUNDS****0101 OVERVIEW**

010101. Purpose. This Chapter establishes the accounting requirements for various DoD funds (as opposed to appropriations). Reporting requirements for funds are prescribed in Volume 6 of this Regulation.

010102. General. As described in Volume 3 of this Regulation, appropriations normally are made available to the Department of Defense as general fund expenditure accounts. This chapter includes a broad description of the remaining types of funds and their operation. The use of the term “accounts” in the context of this chapter should not be confused with “accounts” as in general ledger “accounts.” The “Treasury Financial Manual” describes the various categories of Federal Government funds that use the term “accounts.” These accounts have been assigned Treasury federal account symbols as described in this chapter.

010103. Fund Groups. All accounts are identified by fund group through assignment of numeric and/or alphanumeric account symbols. The symbol assigned to an account is determined after consideration of the governmental effect of the account and the source of the receipt, and the availability of the fund for expenditure. Some of these accounts have a significant impact on the operations of the Department of Defense. The Federal Account Symbols and Titles (FAST) book which is a supplement to the “Treasury Financial Manual” contains all of the fund groups, account symbols and titles assigned by the Department of the Treasury. Table 1-1 lists the fund groups and the federal account symbols assigned by the Department of the Treasury.

0102 ACCOUNTING STANDARDS

010201. General Standards. The accounting principles and standards prescribed in this Regulation apply to the budgetary and proprietary accounts, and to those reports required for the various fund types discussed in this part except when otherwise stated. Managers of funds that have budgetary resources available shall use the budgetary accounts and budget execution reports shall be submitted as prescribed in this Regulation.

010202. Special Standards. As applicable, special standards are identified in this chapter for certain funds discussed herein.

FUND GROUPS

General Funds	0000-3799
Clearing Accounts	3800-3899
Consolidated Working Funds	3900-3959
Management Funds	3960-3999
Revolving Funds:	
Public Enterprise	4000-4499
Intragovernmental	4500-4999
Special Funds	5000-5999
Deposit Funds	6000-6999
Trust Funds:	
Departments and Agencies	8000-8399 and 8500-8999
Trust Revolving Funds	8400-8499

Table 1-1**0103 ACCOUNTING FOR FUNDS**

010301. General Fund Receipt Accounts. General fund receipt accounts have been established to account for receipts of the Federal Government that have not been earmarked by law for a specific purpose. For internal control purposes, none of the receipts credited to these accounts are available for obligation and expenditure. Therefore, general fund receipt account collections do not affect budgetary resources. General fund receipt account collections do provide resources to the Congress to fund appropriations. However, a Congressional appropriation action requires a separate accounting process.

A. Unless there is specific statutory authority that authorizes a reimbursement to an appropriation account or fund (including special funds), all collections shall be credited to the appropriate general fund receipt account. However, obligations incurred that result in, or as a result of a general fund receipt account collection or receivable shall be recorded in the budgetary accounts of a direct appropriation or fund. Such obligations may be recorded as reimbursable obligations only when authorized to be reimbursed independent of the general fund receipt collection.

B. Accounts receivable for the general fund receipt accounts shall be recorded whenever an event results in the determination that money is owed to the U.S. Government. General fund receipt account receivables may be recorded at a summary level. Examples include:

1. A receivable shall be recorded for general fund receipt account 2651, "Sale of Scrap and Salvage Materials, Defense," based upon the recording of an issue or

the transfer of ownership of scrap or salvage material to a buyer. (Normally, however, a cash payment is required.)

2. A receivable shall be recorded for general fund receipt account 3019, "Recoveries for Government Property Lost or Damaged, not Otherwise Classified, Army, Navy, Air Force," based upon the receipt of an approved DD Form 200, "Report of Survey."

3. The accounting for receivables and collection of those receivables in general fund receipt accounts is described in Volume 4 of this Regulation.

010302. Clearing Accounts. These accounts are solely established for the temporary holding of general, special or trust collections, or unidentified disbursements pending clearance to the applicable receipt or expenditure account. These clearing accounts are to be used only when there is a reasonable basis or evidence that the collections or disbursements belong to the U.S. Government and therefore properly affect the budgetary resources of the DoD activity. Unidentified disbursements or collections not meeting this criteria shall be recorded in the deposit fund accounts discussed in paragraph 010307, below. None of the collections recorded in clearing accounts are available for obligation or expenditure while in a clearing account. If unidentified disbursements recorded in a clearing account exceed collections at the end of a fiscal year, the DoD Component shall establish an obligation in its major support appropriation account for the net difference. DoD activities shall, before the end of the fiscal year, obligate estimated amounts to preclude an Antideficiency Act Violation (see Volume 14 of this Regulation) as a result of this requirement. These entries shall be reversed at the beginning of the next fiscal year. Management action should be taken to minimize the balances in these accounts and the impact of these fiscal year end entries. Clearing accounts are identifiable by an "F" preceding the last four digits that classify an account by fund group.

A. The Budget Clearing Account (suspense), F3875, shall be used for unidentified remittances presumed to be applicable to budget accounts in general but required to be held in suspense because the specific account to be credited is not yet known. The use of this account gives immediate budget effect with respect to all items for which ultimate credit to a budget account is a reasonable presumption. However, DoD Components shall make every effort to maintain a minimum balance in this account by expeditiously transferring all monies initially classified in this account to the proper account. Clearing accounts are distinguished from deposit fund accounts in that deposit fund accounts do not affect the Component budgetary resources, whereas clearing accounts do affect the balance of Funds with Treasury and budgetary resources available as described in the introductory paragraph, above.

B. The "Deposits in Transit Differences (suspense)" clearing account, F3878, is used by the Department of the Treasury to adjust for discrepancies relating to deposit tickets and/or debit vouchers that have aged 6 months or more. DoD Components shall make every effort to clear balances in this account by expeditiously transferring all moneys out of this account to the proper account.

C. Table 1-2 illustrates the most common entries used for clearing accounts. The documentation supporting such entries includes cash collection vouchers and disbursement records.

ACCOUNTING ENTRIES USED FOR CLEARING ACCOUNT

a.	Dr	1011	Funds Collected
	Cr	1014	Undistributed Collections
b.	Dr	1015	Undistributed Disbursements
	Cr	1012	Funds Disbursed

Table 1-2

D. Any net balance of disbursements exceeding collections remaining in a clearing account at the end of a fiscal year shall be obligated. Table 1-3 illustrates this obligation. The documentation supporting such entries is a journal voucher prepared at the end of the fiscal year.

**ACCOUNT ENTRIES FOR CLEARING ACCOUNTS
WHEN NET BALANCES OF DISBURSEMENTS EXCEED COLLECTIONS**

Dr	4611	Uncommitted/Unobligated Allotments-Direct Program-Current Period
Cr	4930	Accrued Expenditures-Paid-Direct Program

Table 1-3

010303. Consolidated Working Fund Accounts. These are accounts established to hold funds transferred from other Federal Agencies or DoD activities pending transfer to an appropriate expenditure account as authorized by provisions of law. Consolidated working funds are credited with funds transferred from more than one appropriation or fund from within or outside the Department. Consolidated working funds are not available for obligation and expenditure. Their purpose is solely to hold the funds until transferred to an appropriation or fund account that will finance the work to be performed. Transfers into and out of the account are nonexpenditure transfers. Amounts in consolidated working fund accounts are available for transfer for the same periods as the accounts from which the funds were transferred.

A. Unless a specific provision of law provides otherwise, a consolidated working fund carries the fiscal characteristics and limitations of the appropriations or funds from which the transfer was made. Thus, funds transferred to a consolidated working fund must have similar purposes, fiscal characteristics, and limitations. For example, no-year, multiple-year, and single-year accounts shall not be commingled in the same consolidated working fund. Fund availability in a consolidated working fund expires when the accounts that advanced the funds expire. Likewise, appropriations designated by the Congress for dissimilar purposes, that is, operations and maintenance or procurement, shall not be commingled in the same consolidated working fund.

B. Consolidated working funds shall be accounted for by fiscal year on the same basis as the appropriations or funds that advanced funds to the working fund. Therefore, nonexpenditure transfers must be made to other appropriations or funds before the original funds expire for obligation purposes. In effect, the consolidated working fund is simply a holding account into which available funds are transferred. Then, based upon appropriate analysis and justification, funds are transferred to other accounts in amounts needed for execution purposes.

C. Since no execution or performance is permitted to occur in a consolidated working fund, accounting and reporting requirements are limited to the accounting and reporting of available budgetary resources, related equity, and funds with Treasury. Figure 1-1 shows an overview of the operation of a consolidated working fund.

D. Balances in consolidated working fund accounts shall be recorded as any other appropriated balance. Table 1-4 illustrates those entries.

E. The documentation supporting this entry includes approved SF 1151, “Nonexpenditure Transfers.”

010304. Management Fund Accounts. Currently management funds are not authorized for use within the DoD.

BALANCES IN CONSOLIDATED WORKING FUND ACCOUNTS ENTRIES

Dr	1013	Funds with Treasury
Dr	4170	Appropriation Transfers
	Cr	3100 Appropriated Capital
	Cr	4160 Anticipated Transfers of Current Fiscal Year Authority

Table 1-4

010305. Revolving Funds. Revolving funds are established to finance a continuing cycle of business-type operations. Revolving fund accounts are authorized to be credited with receipts, incur obligations, and make expenditures. Revolving fund collections are normally available for obligation and expenditure without further action by the Congress. However, DoD revolving funds (except for some business areas within the Defense Business Operations Fund) are subject to apportionment by the OMB. Apportionment by the OMB precludes obligation or expenditure of funds in excess of the apportioned balance during a fiscal period. Figure 1-2 is an overview of the operation of revolving funds. The following concepts normally apply to revolving funds:

A. There are two types of revolving funds. Public enterprise revolving funds are distinguished from intragovernmental revolving funds by the source of revenues. Public enterprise revolving fund revenues come primarily from outside the Federal Government. Intragovernmental revolving fund revenues come primarily from other federal appropriations or funds.

B. Appropriations and/or reappropriations are usually provided to start, increase the size, or replace significant losses of a revolving fund. Also, existing resources in other accounts may be transferred to a revolving fund as capitalized assets to serve the same purposes in lieu of an appropriation. The resources used to commence or increase the size of a revolving fund commonly are referred to as “the corpus of the revolving fund.” The corpus forms the nucleus of resources used to acquire the resources needed to perform the mission of the revolving fund.

C. Revenues are generated in DoD revolving funds from reimbursable actions on behalf of authorized beneficiaries. Those revenues result in collections of funds. The funds collected are used to pay for the acquisition of resources needed to operate the revolving fund. In revolving funds that are apportioned by the OMB, the use of the budgetary resources associated with those collections to incur obligations is limited to the amount of obligation authority available for the fiscal period.

D. Revolving funds subject to apportionment are apportioned on an obligation basis. An SF 132, “Apportionment and Reapportionment Schedule,” must be submitted to the OMB for approval of the amount of obligational authority needed for the operation of the revolving fund for a fiscal period. A fiscal period may be a quarter of a fiscal year or a full fiscal year.

E. Budgetary resources available for apportionment action include:

1. New budget authority (appropriations)
2. Available unobligated balances at the beginning of the fiscal period.

3. Reimbursements and other income (also known as offsetting collections credited to the appropriation or fund account).

4. Recoveries of prior year obligations.

5. Restorations.

6. Contract authority.

F. The apportionment of anticipated reimbursements as obligational authority in no way authorizes a revolving fund to obligate in excess of the contract authority, borrowing authority, or reimbursable orders received from within the Federal Government and advances received for orders outside the Federal Government. Orders from state, local, and foreign governments are considered to be orders from the public.

G. In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used. Loan repayments in the form of loans receivable and interest receivable are amounts due but not collected. These amounts are not available for obligation until collected.

H. Other assets, whether of a working capital nature such as inventories of stock or of a fixed asset nature, are not considered as a budgetary resource. Such assets, therefore, do not enter into the determination of unobligated balances. However, claims against budgetary resources, such as accounts payable and undelivered orders, are obligations of a revolving fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other revolving fund assets, must be recognized, recorded, and reported along with other obligations.

I. Some revolving funds, particularly public enterprise funds, have budget authority exclusively for the fund that is technically outside the fund as long as it remains “undrawn.” This concept may apply to the authority to borrow from the public, authority to borrow from the Department of the Treasury, and sometimes contract authority.

J. The amount of obligational authority apportioned or the available balance of obligational authority may be less than the total budgetary resources available in a revolving fund. The difference, which cannot be obligated unless it is apportioned, may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The concept of an unapportioned balance is one of preserving a portion of the fund’s capital so it may continue to revolve.

K. Incurring obligations or authorizing the incurrence of obligations in excess of apportioned budgetary resources shall be reported as an apparent violation of the administrative control of funds provisions contained in Volume 14 of this Regulation. This

reporting requirement applies whether or not a revolving fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

L. Each revolving fund is required to submit a separate set of reports to the Department of the Treasury as described in Volume 6 of this Regulation. Therefore, the data required for each revolving fund to prepare these reports shall be identified within the DoD Component's accounting system.

M. DoD public enterprise revolving funds include but are not limited to the Special Defense Acquisition Fund, Defense Production Guarantees Fund, and the Homeowners Assistance Fund. DoD intragovernmental revolving funds are the Defense Business Operations Fund, the Pentagon Reservation Maintenance Fund, Washington Headquarters Services Building Maintenance Fund, and the Army Conventional Ammunition Working Capital Fund.

1. The Special Defense Acquisition Fund is funded by the use of a limited amount of certain foreign military sales collections as authorized by Congress. The fund is used to acquire items needed in anticipation of sales to foreign governments. The proceeds from the sales of the fund are used to acquire items in anticipation of future sales. Budgetary resources provided from sales to customers are not available for use until collections have occurred and OMB has approved apportionment of funds by category of item. The apportionment of funds by the OMB provides control over the obligations for the acquisition of approved categories of items. The Special Defense Acquisition Fund has been assigned the symbol 11X4116 by the Department of the Treasury. Figure 1-3 is an overview of the operation of the Special Defense Acquisition Fund.

2. The Defense Production Guarantees Fund was funded by borrowing authority and interest collections. This fund is used to repay loans defaulted by defense contractors that have been guaranteed by the U.S. Government. Obligations and liabilities shall be recorded based upon documentary evidence that a qualifying loan has been defaulted and the DoD Component is required to repay the loan. An accounts receivable from the defense contractor shall be recorded in the amount of funds paid to satisfy the defaulted loan at the time of disbursement. Budgetary resources associated with collections from the defense contractor are not available until after the funds are collected and apportioned by the OMB. The Defense Production Guarantee Fund has been assigned the symbol X4080 by the Department of the Treasury. Figure 1-4 is an overview of the operation of the Defense Production Guarantee Fund.

3. The Homeowners Assistance Fund, Defense is funded by borrowing authority and appropriations. The fund is used to acquire homes under certain criteria when a DoD installation is closed. The fund acquires homes as assets and assumes the related liabilities. All properties acquired by the Homeowners Assistance Fund are managed and disposed of by the U.S. Army Corps of Engineers. At the time of sale of a property, revenues are recorded and gains and losses on the disposition of the asset are determined. Costs incurred related to a property

shall be capitalized as an increase in the amount of the asset whenever value is added to the property. Under certain conditions, losses incurred on private sales of qualified property may be reimbursed as operating expenses of the fund. Certain other operating expenses may be authorized. The budgetary resources provided from sales or lease of property are only available for obligation after collection and when apportioned by the OMB. The Homeowners Assistance Fund has been assigned the symbol X4090 by the Department of the Treasury. Figure 1-5 is an overview of the operation of the Homeowners Assistance Fund.

4. The Defense Business Operations Fund has been established to fund the operation of certain support functions within the Department of Defense. This Fund was formed from five previously existing industrial funds, four previously existing stock funds, and selected Defense Agency support functions that were previously funded through direct appropriations. The Defense Business Operations Fund provides support functions such as inventory, maintenance, communications, depot maintenance, shipyards, military airlift and sealift. Services are provided on a reimbursable basis to authorized customers. The accounting requirements for the Defense Business Operations Fund are contained in Volume 11B of this Regulation. Figure 1-6 is an overview of the operation of this Fund.

5. The Army Conventional Ammunition Working Capital Fund was chartered to finance the loading, assembly, and packing operations for the manufacturing of conventional ammunition for the Department of Defense. This revolving fund was not provided with a corpus but instead performs work with funds from advances received associated with customer orders for ammunition. Apportioned budgetary resources for the fund include reimbursements from customers, unobligated balances brought forward, and recoveries of prior year obligations. Budgetary resources associated with customer orders received are available for obligation within the apportioned amount during a fiscal period. The Army Conventional Ammunition Working Capital Fund has been assigned the symbol X4528 by the Department of the Treasury. Figure 1-7 is an overview of the operation of the Army Conventional Ammunition Working Capital Fund.

010306. Special Funds.

A. There are two types of special fund accounts.

1. Receipt Accounts. Special fund receipt accounts are credited with receipts from specific sources that are earmarked by law for a specific purpose, but which are not generated from a continuing cycle of operations. At the point of collection, these receipts are either available for transfer to a special fund expenditure account or are not available for transfer depending upon statutory authority. Obligations and expenditures shall not be recorded in a special fund receipt account.

2. Expenditure Accounts. Special fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfers from a

special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law.

B. Special fund receipts shall be accounted for in the special fund receipt account until made available for obligation and expenditure in a special fund expenditure account. Special fund receipts fall into two categories:

1. Receipts that are not available for use in a special fund expenditure account. Some special fund receipts are not available until appropriated to an expenditure account by the Congress. Receipts credited to some other special fund receipt accounts are required by the authorizing legislation to be transferred in whole or in part to other accounts before an appropriation warrant can be issued by the Department of the Treasury. Still other special fund receipts may not be available for use because a congressional limitation has been established on the amount that would normally be otherwise available for obligation and expenditure.

2. Receipts that are authorized by legislation to be immediately available for transfer to an expenditure account. These receipts are immediately available in their entirety to a single agency for transfer to a special fund expenditure account for obligation and expenditure without further action by the Congress. An available receipt account carries the same symbolization as its corresponding expenditure account in that an alphanumeric character (usually an "X") is inserted to indicate the period of availability of the funds for obligation.

C. Table 1-5 illustrates the accounting entries for special fund receipts that are not available for use. The documentation supporting this entry is a cash collection voucher.

D. The accounting for special fund expenditure accounts shall be in accordance with the provisions of this Regulation. However, each special fund must be viewed as a unique fund in light of any special provisions in the enabling legislation. An example of a Department of Defense special fund account is the Wildlife Conservation account.

**ACCOUNTING ENTRIES FOR SPECIAL FUND RECEIPTS
NOT AVAILABLE FOR USE**

Dr	1011	Funds Collected
	Cr	5000 Revenue

Table 1-5

010307. Deposit Fund Accounts. These are accounts established to account for collections that are either held temporarily and later refunded or paid upon administrative or legal determination as to the proper disposition thereof, or held by the Government as banker or agent for others and paid out at the direction of the depositor. Deposit funds are liabilities of the Federal Government. The accounts are not included in the budget totals because the amounts are not available for government purposes. Deposit funds are not available for the incurrence of any Federal Government obligations or payment of any Federal Government obligations. Various types of deposit funds include:

A. Moneys withheld by the Government from payments for goods and services received. This type of transaction may be treated as a deposit fund liability only when a budgetary account has been charged and the funds are being held by the Government pending payment; for example, payroll deductions for savings bonds or State and local income taxes.

B. Deposits received from outside sources for which the U.S. Government is acting solely as a banker, fiscal agent, or custodian.

C. Moneys held by the U.S. Government awaiting distribution on the basis of a legal determination or investigation. This category includes moneys in dispute (between the Government and outside parties) when ownership is in doubt and there is no present basis for estimating ultimate distribution.

D. Unidentified remittances shall be credited as suspense items outside the budget (deposit fund suspense account X6875) unless there is a reasonable presumption that they will be credited ultimately to a receipt, appropriation (expenditure), or fund account within the budget, in which case amounts shall be credited to the receipt clearing accounts.

E. Table 1-6 illustrates the most common entries used for recording deposit fund receipts. The documentation supporting this entry includes cash collection vouchers, and journal vouchers.

ACCOUNTING ENTRIES FOR RECORDING DEPOSIT FUND RECEIPTS							
<table><tr><td>Dr</td><td>1011</td><td>Funds Collected</td></tr><tr><td></td><td>Cr</td><td>2411</td><td>Deposit Fund Liabilities</td></tr></table>	Dr	1011	Funds Collected		Cr	2411	Deposit Fund Liabilities
Dr	1011	Funds Collected					
	Cr	2411	Deposit Fund Liabilities				
Table 1-6							

010308. Trust Funds.

A. There are three types of trust fund accounts.

1. Trust fund receipt account. Trust fund receipt accounts are credited with receipts generated by the terms of a trust agreement or statute. At the point of collection, these receipts are available for transfer to a trust fund expenditure account or are not available for transfer depending upon the terms of the trust agreement or statutory authority.

2. Trust fund expenditure account. Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

3. Trust revolving fund. A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by the Congress. Figure 1-8 provides an overview of the operation of a trust revolving fund.

B. In general, DoD trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by the OMB. However, the Defense Commissary Agency Surcharge Collections, Sales of Commissary Stores trust revolving fund is subject to apportionment by the OMB. Accounting for trust fund expenditure accounts and trust revolving funds shall be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation. Because of the unique nature and the magnitude of impact of the Deposits, Advances, Foreign Military Sales, Executive trust fund, special accounting requirements have been established in Volume 15 of this Regulation.

OVERVIEW - BASIC CONCEPT OF CONSOLIDATED WORKING CAPITAL

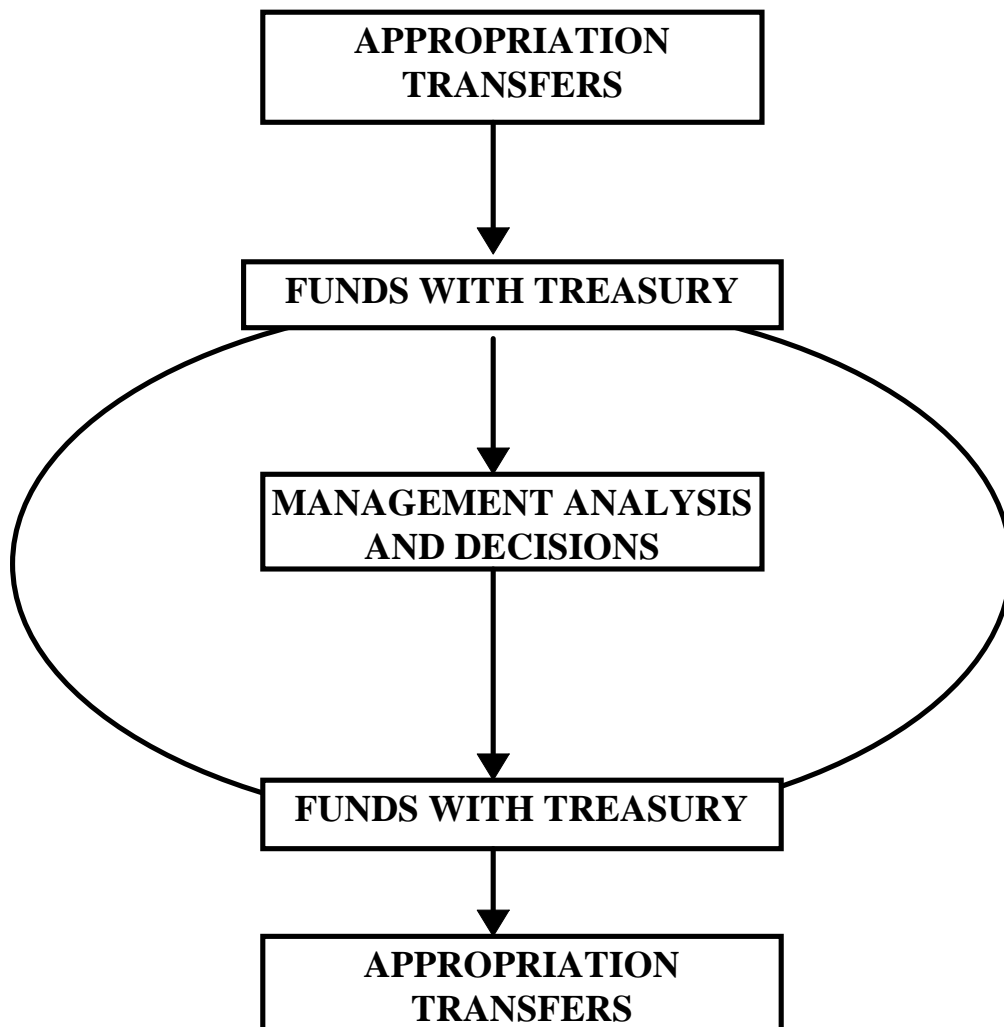


Figure 1-1

OVERVIEW - BASIC CONCEPT OF REVOLVING FUNDS

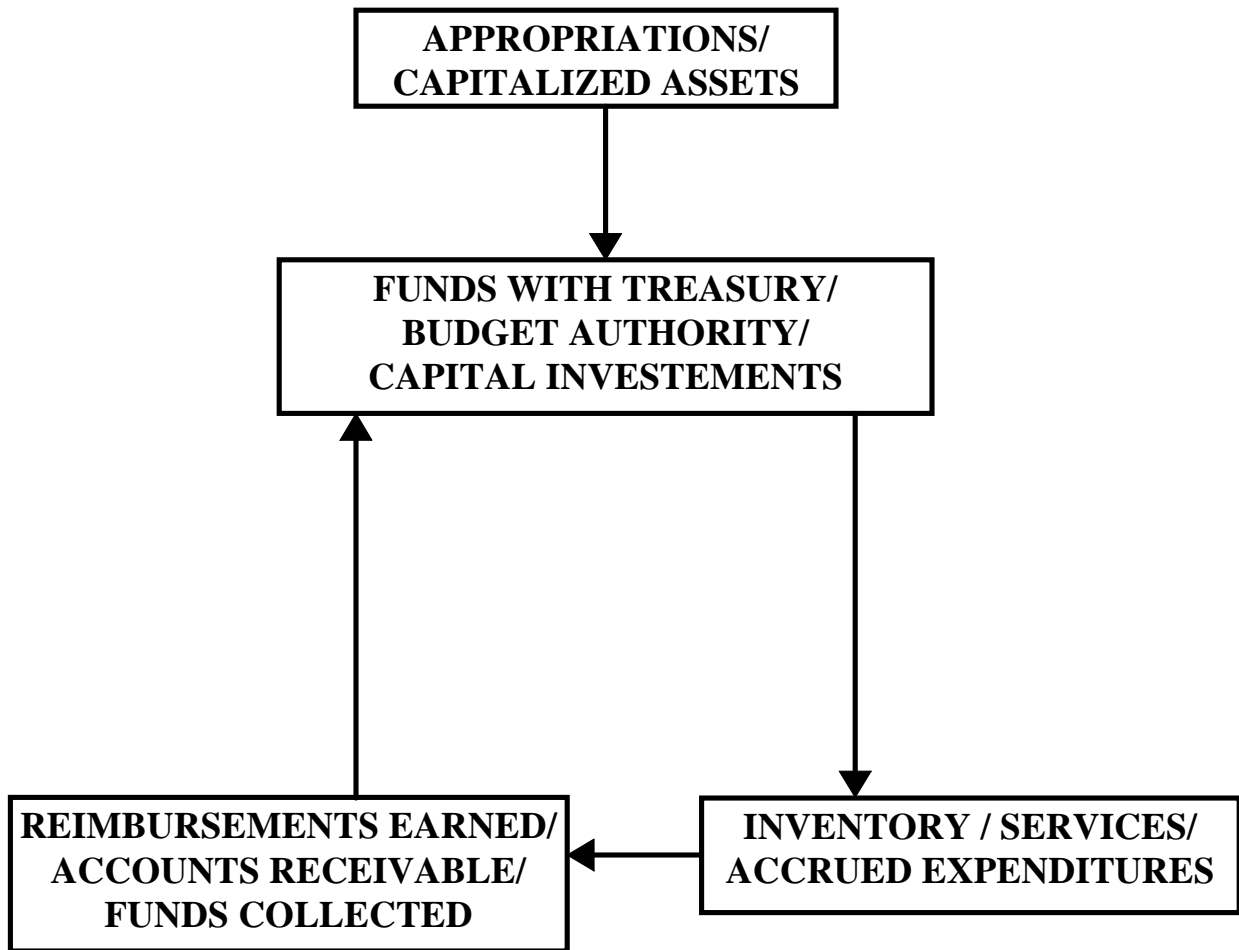


Figure 1-2

OVERVIEW - BASIC CONCEPT OF SPECIAL DEFENSE ACQUISITION FUND

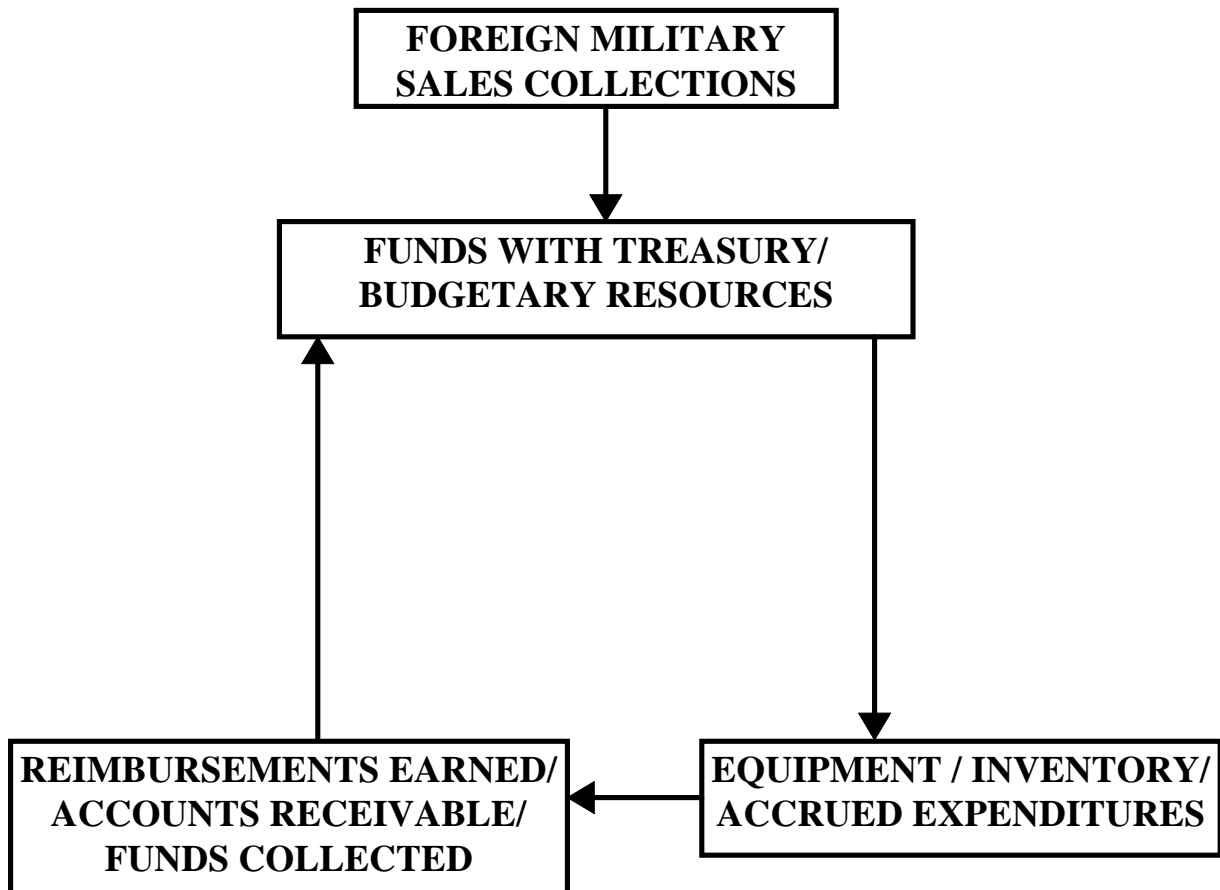


Figure 1-3

OVERVIEW - BASIC CONCEPT OF DEFENSE PRODUCTION GUARANTEE FUND

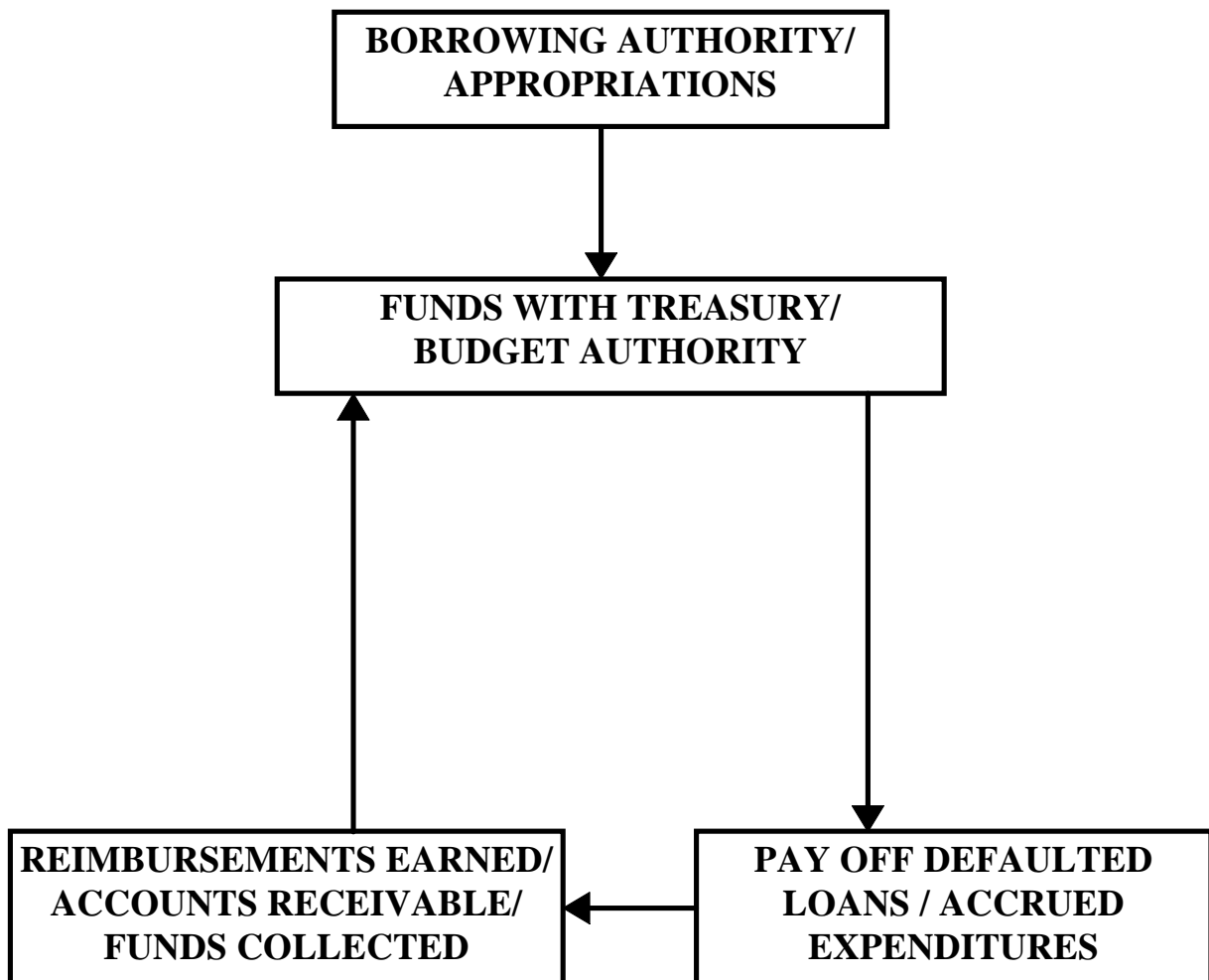


Figure 1-4

OVERVIEW - BASIC CONCEPT OF HOMEOWNERS ASSISTANCE FUND

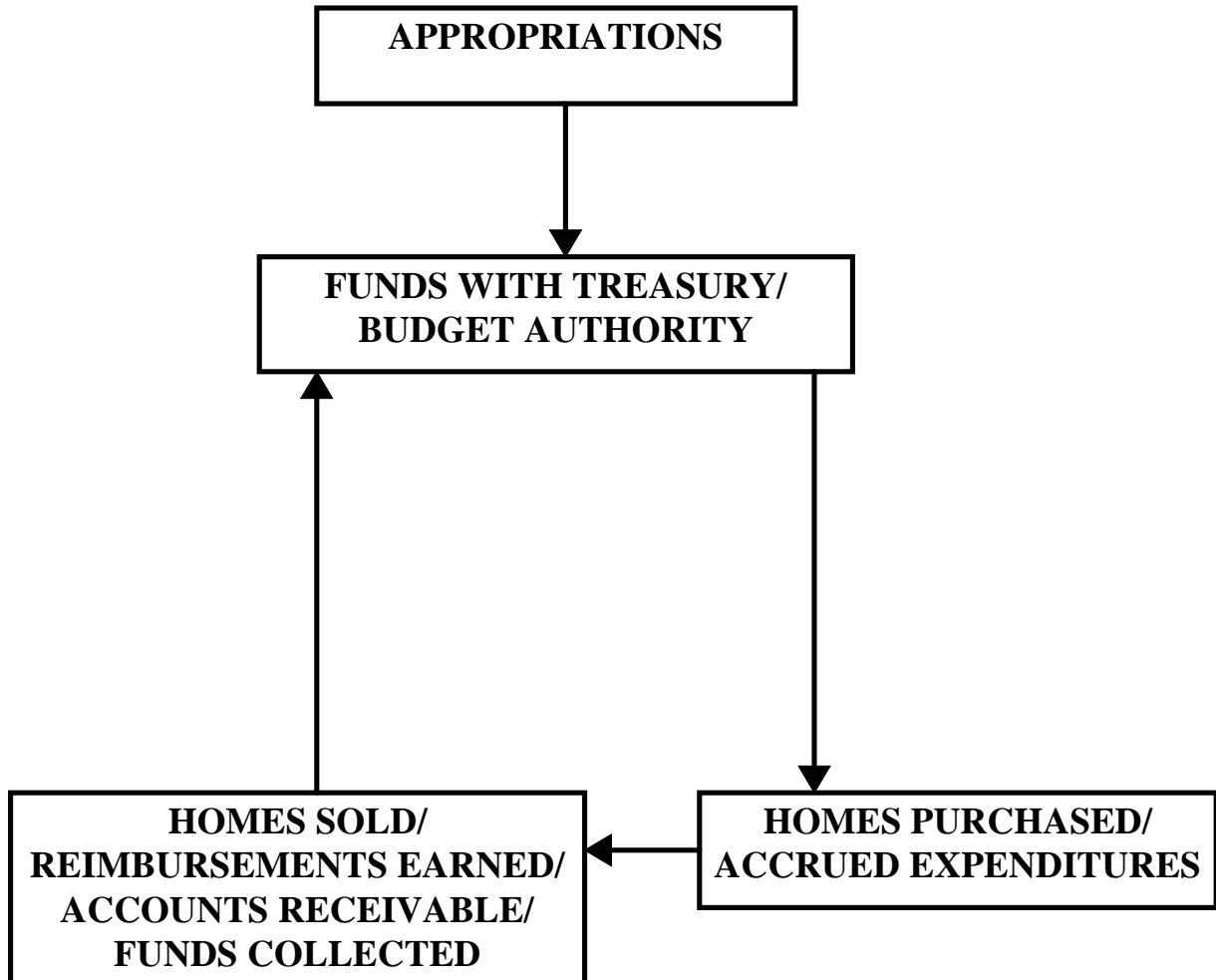


Figure 1-5

OVERVIEW - BASIC CONCEPT OF THE DEFENSE BUSINESS OPERATIONS FUND

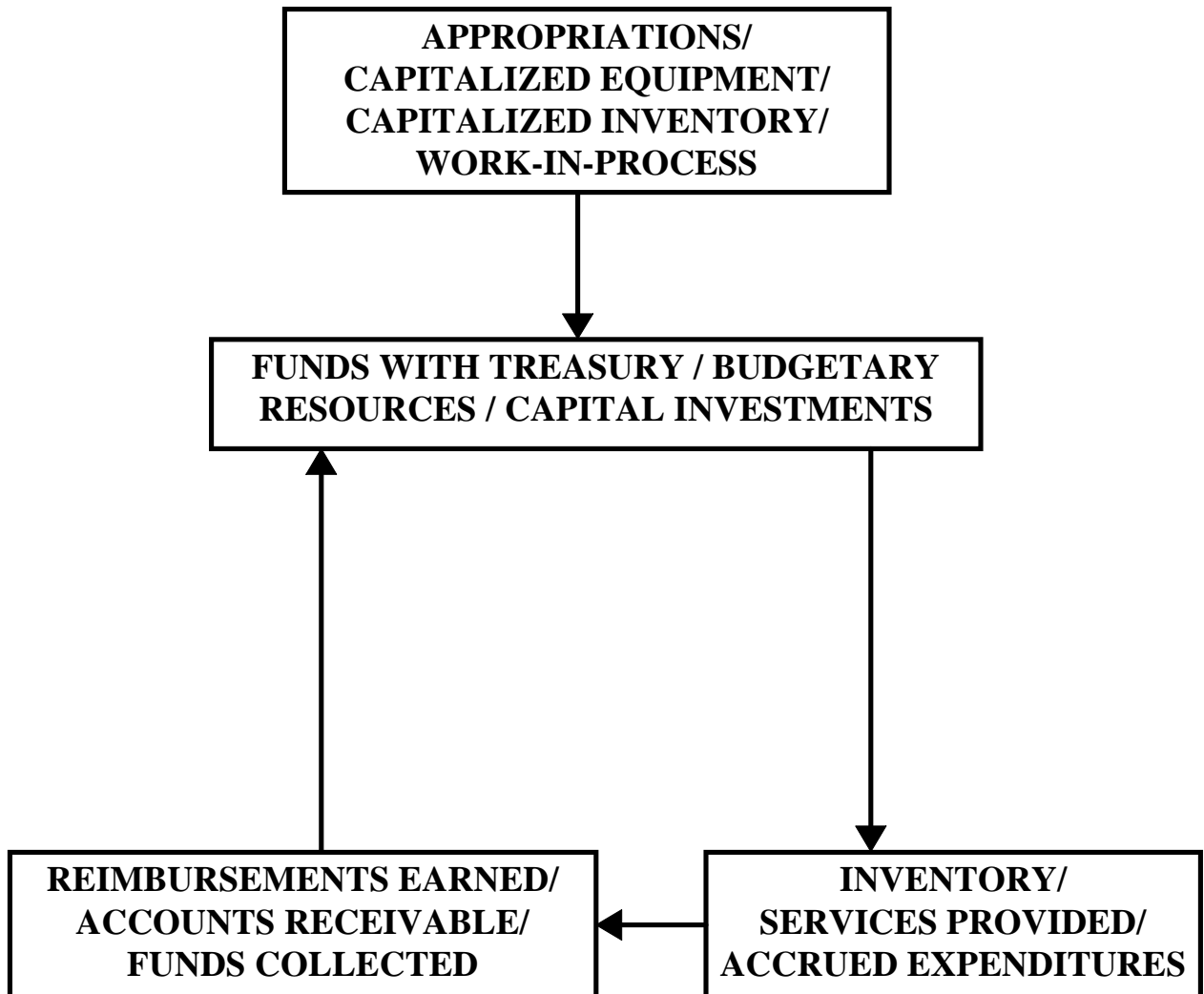


Figure 1-6

**OVERVIEW - BASIC CONCEPT OF ARMY CONVENTIONAL
AMMUNITION WORKING CAPITAL FUND**

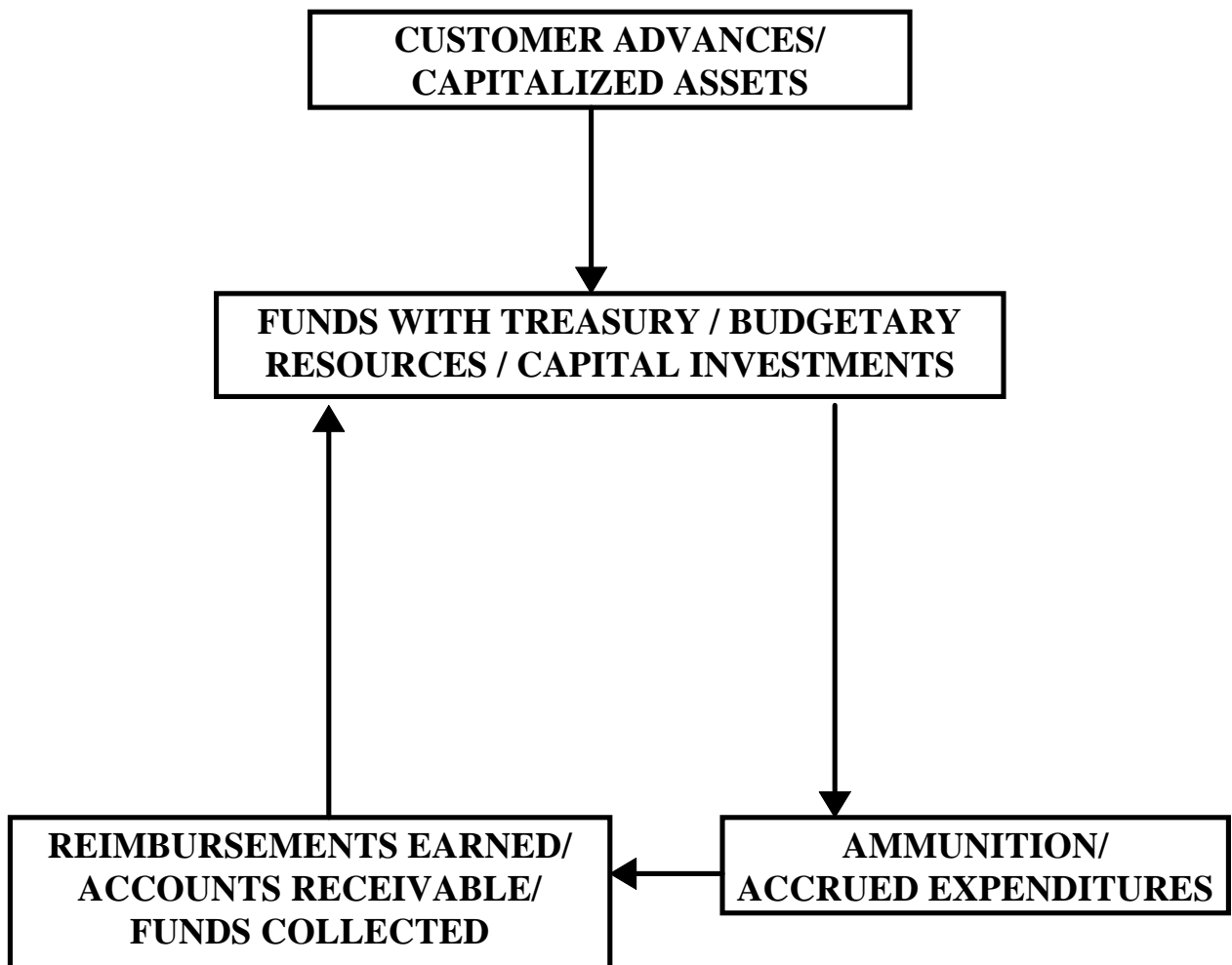


Figure 1-7

OVERVIEW - BASIC CONCEPT OF TRUST REVOLVING FUNDS

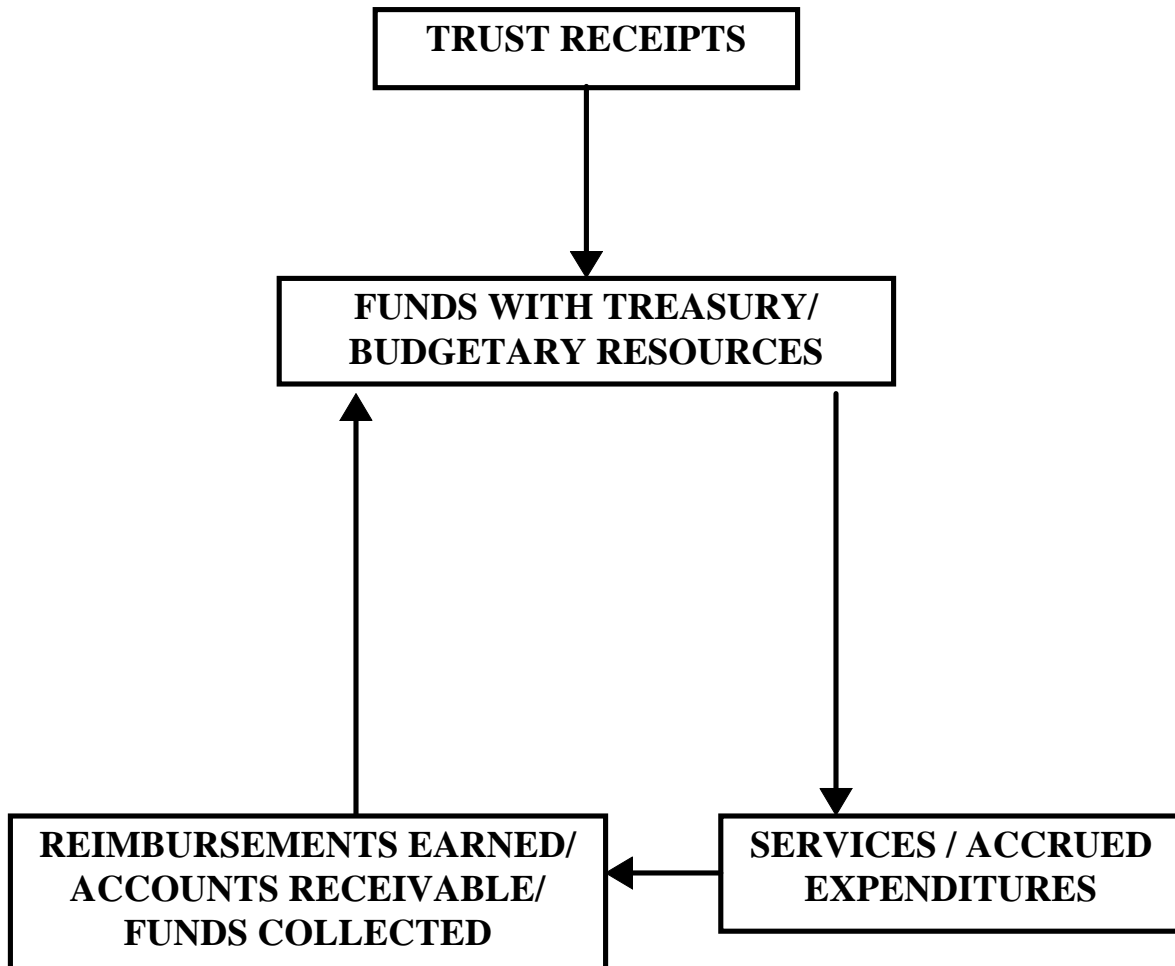


Figure 1-8

CHAPTER 2**PRODUCTIVITY GAIN SHARING****0201 OVERVIEW**

020101. Purpose. This Chapter establishes the financial procedures to manage productivity gain sharing (PGS). This policy applies to organization-wide gain sharing applications in Defense Business Operations Fund and unit cost activities.

020102. General. Defense Business Operations Fund activities, and those activities operating under unit cost resourcing, are encouraged to implement organization-wide PGS plans, in accordance with DoD Instruction 5010.34, "Productivity Enhancement, Measurement and Evaluation - Operating Guidelines and Reporting Instructions." An "organization-wide PGS plan" refers to a single plan in which (a) the focus is the overall productivity of the entire activity and (b) all employees of the activity participate. (An example of an "activity" is a Naval aviation depot; "organization-wide" means all directorates and offices of the depot.)

0202 POLICY AND PROCEDURES

Productivity gain sharing will be based on activity achievement of reduced total cost per output for products or services over the current fiscal year while, at the same time, reaching specified levels of output quality, timeliness, quantity, and customer satisfaction. Stated another way, savings from PGS will be shared with eligible civilian employees when an activity achieves increased efficiency while maintaining or improving effectiveness. Increased efficiency, for PGS purposes, results when the actual unit cost is less than the budgeted unit cost for that activity. Increased efficiency at the expense of decreased effectiveness, however, will not be rewarded. Therefore, predetermined effectiveness measures (such as output quality, timeliness, quantity, and customer satisfaction) must be maintained. While it often is beneficial to determine the cause(s) for productivity increases, employees will share those gains regardless of whether the gain could be attributed to a cause other than directly to employees. The concept is that employee participation is essential to realize productivity gains from new processes and equipment.

0203 PLANS

Activities will develop individual organization-wide PGS plans based on their mission functions. When applicable, the development of PGS plans shall include representation by employees' union(s). The PGS plan will be approved by the activity's higher headquarters (i.e., major command level), and encompass, but not be limited to, the following criteria:

020301. Measurement. Organization-wide gain sharing designs must include predetermined and measurable efficiency and effectiveness measures consistent with Defense Business Operations Fund and unit cost policies. The primary consideration in gain sharing measurement is the occurrence of increased efficiency without decreased effectiveness. Net operating results will not be used to measure productivity gains since annual operating cost budgets may forecast activities to incur an annual net operating loss.

A. Efficiency Measures. Efficiency measures will be in terms of total cost per output goals consistent with annual operating budgets. Costs paid directly from appropriated funds, such as mobilization and base closure costs, are not included in unit cost goals and, therefore, will not be included in total cost per unit of output calculations.

B. Effectiveness Measures

1. Effectiveness measures will reflect attributes of the final product or service produced by the activity and received by the customer. (Effectiveness measures should be consistent with, but not necessarily identical to, activity measures developed for DoD performance budgeting.) These include:

- Quality
- Timeliness
- Quantity
- Customer Satisfaction

2. In some cases, measures of a subprocess effectiveness will be included when these indicators have a predictable major impact on a final product or service. For example, inventory accuracy in distribution depots is a measure of a subprocess that has an impact on the output (lines received/issued).

C. Costs. All costs included in the unit cost goals also will be included in PGS determinations. These costs include:

- Direct/Indirect Labor
- Military Personnel
- Direct/Indirect Material
- Capital Depreciation
- General and Administrative (Overhead)

D. Performance Leveling Factor. Performance evaluation indicators will be used to ensure that quality is not sacrificed for increased production. Performance goals and the performance leveling factor will be stated in PGS plans. Performance above the established goals will increase the award while performance below those goals will decrease the award.

020302. Payout

A. The PGS payout will be based on the extent to which savings exceed the budgeted unit cost goals for the current fiscal year while maintaining predetermined performance effectiveness. Unit cost goals are issued by the USD(C) to DoD Components, which are responsible for reallocating unit cost goals to subordinate activities.

B. Under unit cost, budgets authorize activities to incur costs to produce an output. Budgets are subject to continuing adjustment as changes affecting cost occur. However, in PGS plans, a budget and unit cost goals must be firmly established and agreed upon by the activity and its headquarters prior to the execution fiscal year. An activity that implements PGS may negotiate with its headquarters fixed annual unit cost goals for a period up to 3 years. The agreed upon budget and unit cost goals will be the basis upon which productivity gains are measured during the execution fiscal year and payouts calculated. The DoD Component still will be required to meet the overall unit cost goals established by the USD(C).

C. Activities may share up to a maximum of 50 percent of achieved savings with their eligible employees. To ensure that performance goals are achieved, the employees' share may be adjusted by the performance leveling factor(s) stated in the PGS plan. The remaining percent of the activity's savings will remain in the Fund or operating budget and will be reflected in unit cost goals and price reductions to the customers in the next fiscal year.

1. Although not mandatory, it is recommended that shares be of equal payment for all eligible employees regardless of an individual's pay grade, position within the activity, or hourly wage.

2. Plans will include a specified period of time that an employee must contribute to the work effort (or be assigned at the activity) for eligibility to receive a share of the payout. Plans also will specify as to whether the employee is eligible or forfeits his/her share if the employee leaves the organization prior to the payout.

3. Contribution to the work effort shall be defined as hours worked. Individual activity plans may address the issue of including or excluding overtime hours. Absences (annual, sick, traumatic, administrative leave, or other work absences) will not be included.

4. Employees may elect to receive a time off award in lieu of cash payment, or a combination of a time off award and pay. The time off award option will be granted at the discretion of the activity commander based upon workload requirements at the time. The amount of time off granted will be derived by dividing the value of the employee's gain share award by his/her hourly rate plus an average factor for benefits.

D. Payout must be made on an annual basis. Net operating results, positive or negative, will not be a basis or limitation on gain share payouts.

E. It is possible for an activity to earn a gain share payout and not have the funds to pay the gain share at the local level. If that occurs, the activity will obtain approval and funds for the payout from its higher headquarters.

0204 ACCOUNTING

020401. All costs associated with gain sharing programs (e.g., cash payouts, time off awards and related administrative costs) will be recorded as an operating expense in the year the expense for the payout is incurred and included in the total cost per output computation for that fiscal year.

020402. Payouts to employees, whether in the form of cash or time off awards, shall be classified as a personnel compensation expense in accordance with Volume 4 of this Regulation. A liability shall be recorded for that portion of a payout which is due, but not yet paid, in accordance with Volume 4 of this Regulation.

0205 AUDIT

Activity PGS plans and payouts will be subject to audit in accordance with prescribed audit policies.

CHAPTER 3**CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES****0301 INTRODUCTION**

030101. Purpose. This Chapter prescribes the overall policy and assigns responsibilities for the acceptance, receipt, use, and reporting of monetary and non-monetary contributions (real and personal property and services) to the Department of Defense (DoD) under Title 10, United States Code, section 2608. Authorities to accept contributions under Title 10, United States Code, section 2350j and Public Law 103-335, section 8053, are not included in this chapter.

030102. Defense Cooperation Account. A special account is established in the Treasury of the United States for receipt of monetary contributions and proceeds from the sale of real or personal property contributions accepted by the Secretary of Defense, or designee under Title 10, United States Code, section 2608.

0302 AUTHORITY

030201. Secretary of Defense. Title 10, United States Code, section 2608 provides authority for the Secretary of Defense (SECDEF) to accept from any person, business, foreign government, or international organization, any contribution of money or real or personal property made by such person, business, foreign government, or international organization for use by the Department.

030202. Under Secretary of Defense (Comptroller) (USD(C)). Authority to accept such contributions has been delegated to the USD(C), who also serves as the single point of contact in the Department for the Departments of State and the Treasury with respect to all matters involving the receipt, administration and distribution of contributions of funds from foreign countries for defense programs.

030203. DoD Components. The DoD Components, have authority to accept non-monetary contributions from friendly persons, businesses or international organizations.

0303 CONTRIBUTIONS**030301. Non-Monetary Contributions**

A. Offers of non-monetary contributions from friendly persons, business, foreign governments or international organizations may be accepted by the DoD Component.

Prior to acceptance of non-monetary contributions the accepting DoD Component shall document the following details and maintain such documents for reporting identified in this chapter.

1. A description of the contribution.
2. Estimated value of the contribution.
3. The name of the organization, individual or business contributing the item.
4. The operational requirement for the contribution, if any requirement exists.
5. Justification that acceptance of the contribution is preferable to obtaining the item through existing DoD supply channels, if a like requirement of the Department exists.

B. Valuation methods that generally should be used to determine the value of non-monetary contributions are as follows:

1. The value of the contributed item as reported by the contributor.
2. The recent DoD acquisition price for a similar item, if normally acquired by the Department.
3. The current DoD standard price for a similar item, if normally acquired by the Department.

C. If requested, the DFAS Deputy Director for Accounting (DFAS-HQ/A) will assist the accepting DoD Component in establishing the value of non-monetary items accepted.

030302. Monetary Contributions. The DoD Components shall notify the USD(C) or designee of all monetary contributions prior to acceptance of such contributions. As a rule, monetary contributions should be accepted without restrictions, i.e., without designations for specific programs or purposes. Offers of monetary contributions with restrictions require written approval from the USD(C) prior to acceptance. Copies of all notifications shall be sent to the DFAS (Attention: DFAS-HQ/AE).

A. Contributions in Cash

1. The DoD Component shall deposit all cash contributions, including proceeds from the sale of any contributed property, to the Defense Cooperation Account as soon as practical.

2. Consistent with sound cash management practices, any cash received by the DoD Components shall be either converted into a check and forwarded to the DFAS using overnight delivery service, or deposited into a Treasury General Account with funds transferred to the Defense Cooperation Account via electronic funds transfer--whichever process results in the earliest deposit of funds into the Defense Cooperation Account.

3. The DoD Component shall ensure that any funds forwarded by electronic funds transfer are deposited within 24 hours into the Defense Cooperation Account under ALC 9720010 and Account Number 97X5187.1. Additionally, the DoD Component shall notify the DFAS (DFAS-HQ/AE) prior to forwarding any funds electronically.

4. Documentation associated with cash contributions, including copies of deposit tickets, and the original of correspondence from contributors shall be forwarded by the DoD Component within 24 hours of the deposit using overnight delivery service, to the DFAS, ATTN: DFAS-HQ/AE.

B. Contributions by Check

1. Checks received by DoD officials shall be made payable to the "United States Treasury." The reference line on the check should indicate the "Defense Cooperation Account."

2. Checks received by DoD officials shall be forwarded to the DFAS ATTN: DFAS-HQ/AE, Investment Trust Directorate, Room 200, 1931 Jefferson-Davis Hwy, Arlington, VA 22240-5291, or electronically transferred to the Defense Cooperation Account in accordance with paragraph 100302A4 above as applicable. The DFAS shall deposit such funds within 24 hours of receipt into the Defense Cooperation Account under ALC 9720010 and Account Number 97X5187.1.

3. Documentation associated with check contributions, including copies of checks, deposit tickets, and the original of any correspondence from contributors shall be forwarded by the DoD Component within 24 hours of the deposit using overnight delivery service, to the DFAS, ATTN: DFAS-HQ/AE.

C. Contributions by Wire Transfer

1. Contributions by wire transfer eliminates delays in receiving deposits and provide the most efficient preliminary accounting information for investment purposes.

2. Donors may make contributions to the Defense Cooperation Account via electronic funds transfer from commercial banks to “Account Number 1” in the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York shall credit the Department accordingly, using the format in Figure 3-1.

3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors shall be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS ATTN: DFAS-HQ/AE.

D. Contributions in Foreign Currencies (Cash or Check). When a DoD Component becomes aware of a planned, large contribution (\$1 million or more) to be made in foreign currency, the DoD Component shall:

1. Request the donor to provide as much lead time as possible regarding the amount of the contribution and the estimated date the contribution will be made.

2. Advise the DFAS ATTN: DFAS-HQ/AE of any planned contributions and continue to keep that office advised of the status until the currency transfer is made by the donor.

3. Request the donor to credit the foreign currency contribution to the Federal Reserve Bank of New York “Account Number 1” via the donor’s central bank. If the Federal Reserve Bank does not maintain an account with a particular donor, the DoD Component should seek guidance from the DFAS-HQ-A, for appropriate alternative arrangements.

4. Foreign checks received by DoD officials shall be converted to a check denominated in U.S. dollars prior to being forwarded to the DFAS or transferred electronically into the Defense Cooperation Account.

5. Cash and checks received by DoD officials in countries not served by a DoD disbursing officer shall be delivered to the nearest U.S. Embassy within 24 hours of receipt for deposit in the Defense Cooperation Account, under ALC 97200010 and Account Number 97X5187.1.

0304 REPORTING REQUIREMENTS

030401. Not later than 10 days after the end of each quarter, each DoD Component shall submit a report, including negative reports, to the DFAS ATTN: DFAS-HQ/AE, Room 200, 1931 Jefferson- Davis Hwy, Arlington, VA 22240-5291, that identifies the following:

A. Non-Monetary Contributions Received

1. A description of each item received.
2. The value of each item received, including the valuation method used.
3. The name of the contributor for each item received.
4. The date each item was received.
5. Details of any restrictions, conditions or other relevant information regarding each contribution.
6. If two more like items are received from different sources the items are to be accounted for separately to permit identification of items received.

B. Non-monetary Contributions Sold

1. A description of each item sold.
2. The proceeds of each item sold.
3. The name of the contributor for each item sold.
4. The date each item was sold.
5. The name of the purchaser for each item sold.
6. If two or more like items are received from different sources the items are to be accounted for separately to permit identification of items when sold.
7. Details of any other relevant information regarding each item sold.

C. Monetary Contributions Received

1. The dollar amount of each contribution.
2. Name of the donor for each contribution received.
3. The date each item was received.

4. Details of any restrictions or conditions or other relevant information regarding each contribution.

030402. Not later than 15 days after the end of each quarter, the DFAS shall prepare and forward to the USD(C) a report to be submitted to the Congress that provides the following information.

A. Summary values of monetary and non-monetary contributions accepted during the month.

B. A description of all property valued at more than \$1 million. In determining whether the \$1 million threshold has been met, the following procedures shall be used:

1. The value of similar items accepted during the quarter shall be added together.

2. The value of components which, if assembled, would comprise all or a substantial portion of an item or facility shall be added together.

0305 INVESTMENT PROCEDURES

030501. General. Consistent with good cash management practices, funds in the Defense Cooperation Account shall be invested in Government securities until distribution is authorized. Generally, investments are limited to U.S. Treasury bills maturing in 90 days or less.

030502. Purchasing Government Securities. The DFAS ATTN: DFAS-HQ/AE shall follow the procedures below for purchasing Government securities.

A. Daily, after all contributions and other transactions have been entered into the Defense Cooperation Account, generate a Preclosing Trial Balance.

1. Verify the amount in account 1010, Fund Balance with Treasury, with the amount entered in the Cash Book for the same day.

2. Research and correct any differences between account 1010 and the Cash Book immediately.

B. A security investment can be purchased if account 1010 has a balance sufficient to purchase a \$10,000 Treasury bill or a \$1,000 U.S. Treasury note or bond. Information on prices, maturities, and yields of U.S. Treasury securities generally can be found in the financial section of major newspapers.

- C. Select a U.S. Treasury security from those available.
- D. Complete the applicable sections in the Memorandum for Purchase or Sale of Investments.
- E. Telephone the Finance Management Branch, Financial Management Service (FMS), U.S. Department of the Treasury before 11:00 a.m. on the day of the investment at (202) 208-1450.
 - 1. The following information shall be provided to the Treasury representative.
 - a. Account: Defense Cooperation Account
 - b. Transaction Type: Purchase
 - c. Transaction Date: (Date the security will be purchased)
 - d. Type of Security: (Specify)
 - e. Date of maturity: (Specify)
 - f. Amount: (Amount available in account 1010, Fund Balance with Treasury)
 - 2. Complete the coordination section of the Memorandum for Purchase or Sale of Investments.
 - 3. Prepare a confirmation memorandum supporting the telephone call and fax a copy of the memorandum to the FMS Finance Management Branch normally on the same day as the transaction (Fax Number (202) 377-9597).
 - 4. The day after the transaction, call the Finance Management Branch to obtain the face amount, discount or premium, interest purchase (if any), and the price of the security purchased. Record this information on the Memorandum for Purchase or Sale of Investments. The Finance Management Branch should provide written confirmation of the information received by phone.
 - 5. Complete the Purchases Input Worksheet and update the Defense Cooperation Account system. Once this has been accomplished, a person other than the one

making input must sign the Purchase Input Worksheet confirming that the Defense Cooperation Account was updated for the Purchase.

030503. Selling Securities. The DFAS ATTN: DFAS-HQ/AE shall follow the procedures below to sell Government securities.

A. The Office of the Deputy Comptroller (Program/Budget) will determine the amount needed for payment or transfer. The Fund Manager, DFAS ATTN: DFAS-HQ/AE, normally shall sell securities to cover the amount needed if no securities mature on that day or contributions are not received. The decision as to which securities will be sold will depend on current economic conditions.

B. Select a security or securities for sale.

C. Complete the appropriate data elements on the Memorandum for Purchase or Sale of Investments.

D. Telephone the Finance Management Branch, Financial Management Service, U.S. Department of the Treasury before 11:00 a.m. on the day of the sale.

1. Provide the Treasury representative the following information:

- a. Account: Defense Cooperation Account
- b. Transaction Type: Sale
- c. Transaction Date: (Date security will be sold)
- d. Type of security: (Specify)
- e. Interest Rate: (Enter applicable rate only if Notes or Bonds are sold)
- f. Date of maturity: (Specify)
- g. Amount: (Minimum amount of proceeds from the sale required to cover any projected negative amount in account 1010)

2. Complete the coordination section of the Memorandum for Purchase or Sale of Investments.

3. Send a confirmation letter to the FMS Finance Management Branch via fax, normally on the same day as the transaction.

4. The day after the transaction date, call the FMS Finance Management Branch to obtain the principal amount and the interest earned. Record this information on the Memorandum for Purchase or Sale of Investments. The Finance Management Branch should provide written confirmation of the information received by phone.

5. Prepare Sale Input Worksheet and update the Defense Cooperation Account system. Once this has been accomplished, a person other than the one making the input must verify the input as soon as possible to ensure that the system has the correct data.

030504. Maturing Securities. The DFAS shall maintain a tracking system that identifies impending maturities and collections of securities for the Defense Cooperation Account and ensure appropriate reinvestment action is taken upon maturity of a security.

030505. Payments or Transfers. Payments or transfers from the Defense Cooperation Account must be authorized by the Congress. The USD(C) will provide withdrawal notification to the DFAS which shall ensure appropriate action is taken.

030506. Annual Reviews. The DFAS-HQ will conduct an annual review of the Defense Cooperation Account operations and transactions, including the purchase and sale of investments. The objective of the review will include compliance with the DoD and the Treasury policies and procedures, and adequacy of internal controls.

SAMPLE FORMAT
WIRE TRANSFERS TO THE U.S. TREASURY

The sample format for wire transfers for credit to U.S. Treasury Defense Cooperation Account (remaining blocks to be filled by the sender or the sending bank, in accordance with the attached wire transfer instructions) is as follows:

```

I _____ I
  (1)      (2)
I 021030004 I _____ I
  (3)      (4)      (5)
I _____ I _____ I _____ I
                      (6)
I _____ / _____ I
  (7)      (8)
I TREAS NYC I CTR I _____
  (9)              (10)
IBNF=/AC-97200010 I OBI=to the Defense Cooperation Account I
                      (10)
I(Acct. No. 97X5187.1) for Programs, Projects, and I
                      (10)
I Activities from (name of donor) _____ I

```

FIGURE 3-1

**MONETARY CONTRIBUTIONS BY WIRE TRANSFER
INSTRUCTIONS**

The following is a guide for filling out the funds transfer form (Figure 3-1) which should be available at the sending financial institution.

1. RECEIVER DEPOSITARY FINANCIAL INSTITUTION (DFI) No. The Treasury Department's American Bankers Association (ABA) number for deposit messages is 021030004. This number shall be entered by the sending bank for all deposit messages sent to Treasury for credit to the Defense Cooperation Account.
2. TYPE-SUBTYPE CODE. The type and subtype code is provided by the sending bank.
3. SENDER DFI NO. This number is provided by the sending bank.

4. SENDER REFERENCE No. The sixteen (16) character reference number is inserted by the sending bank at its option.
5. AMOUNT. The transfer amount shall be in U.S. dollars and must be punctuated with commas and a decimal point; use of the dollar sign is optional.
6. SENDER DFI NAME. This information is automatically inserted by the Federal Reserve Bank.
7. RECEIVER DFI NAME. The Treasury Department's name for deposit messages is "TREAS NYC." The name should be entered by the sending bank.
8. PRODUCT CODE. A product code of "CTR" for customer transfer should be the first data in the RECEIVER - TEXT field. Other values may be entered, if appropriate, using the ABA's options. A slash must be entered after the product code.
9. AGENCY LOCATION CODE (ALC). The agency location code is of critical importance and must appear in the precise manner stated to allow for automated processing and classification to the ALC of the Department of Defense. The sequence includes the beneficiary code tag (BNF) and indicator code (/AC) followed by the Defense Department's eight (8) digit ALC (97200010) for this account. The ALC identification sequence can, if necessary, begin on one line and end on the next line. However, the field beneficiary code tag (BNF) must be one line and cannot contain any spaces.
10. THIRD PARTY INFORMATION. The reason for the funds transfer should appear in this field. The originator-to-beneficiary information field tag (OBI=) is used to signify the beginning of free-form text. An example follows: BNF=/AC-97200010 OBI=to the Defense Cooperation Account(97X5187) for defense programs, projects, and activities from (Name of Donor).

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CHAPTER 4**CREDIT MANAGEMENT****0401 OVERVIEW**

040101. Purpose. This chapter establishes the policy and procedures for credit management within the Department of Defense. The policies and procedures for credit programs reflect the requirements of the Federal Credit Reform Act of 1990. The Federal Credit Reform Act of 1990 is found at Title V of the Congressional Budget Act of 1974, as amended by section 13201 of the Omnibus Budget Reconciliation Act of 1990. The major purposes of the Act are to:

- measure more accurately the costs of credit programs;
- place the cost of credit programs on a budgetary basis equivalent to other Federal spending;
- encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and
- improve the allocation of resources among credit programs and between credit and other spending programs.

040102. General. The policies set forth in this chapter apply to direct loan obligations and loan guarantee programs. The chapter provides implementing guidance for “Credit Apportionment and Budget Execution,” found within the Office of Management and Budget (OMB) Circular No. A-34. It also implements “Accounting for Direct Loans and Loan Guarantees,” Statement of Federal Financial Accounting Standards Number 2.

0402 STANDARDS

040201. Explanation. The specific accounting standards for each category type of loans, are discussed in the subsequent sections of this Volume. These standards concern the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees. (Figure 4-1 and 4-2 provides examples the credit reform cash flows for direct and guaranteed loans) The standards apply to direct loans and loan guarantees on a group basis, such as a cohort or a risk category, Section 0410 Credit Reform Accounts and Definitions, provides definitions for these categories. Present value accounting does not apply to direct loans or loan guarantees on an individual basis, except for a direct loan or loan guarantee that constitutes a cohort or a risk category.

040202. Accounting Standards

A. Post-1991 Direct Loans. Refers to direct loan obligations or made after the beginning of the fiscal year 1992, i.e., after October 1, 1991, and the resulting direct loans. Direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance.

B. Post-1991 Guarantees. Refers to loan guarantee commitments made after the beginning of the fiscal year 1992, i.e., after October 1, 1991, and the resulting loan guarantees. For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

C. Subsidy Costs of Post-1991 Direct Loans and Loan Guarantees. For direct or guaranteed loans disbursed during a fiscal year, a subsidy expense is recognized. The amount of the subsidy expense equals the present value of estimated cash outflows over the life of the loans minus the present value of estimated cash inflows, discounted at the interest rate of marketable Treasury securities with a similar maturity term, applicable to the period during which the loans are disbursed (hereinafter referred to as the applicable Treasury interest rate).

1. For the fiscal year during which new direct or guaranteed loans are disbursed, the components of the subsidy expense of those new direct loans and loan guarantees are recognized separately among interest subsidy costs, default costs, fees and other collections, and other subsidy costs.

2. The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by the loan contracts discounted at the applicable Treasury rate. The interest subsidy cost of loan guarantees is the present value of estimated interest supplement payments.

3. The default cost of direct loans or loan guarantees results from any anticipated deviation, other than prepayments by the borrowers, from the payments schedule in the loan contracts. The deviations include delinquencies and omissions in interest and principal payments. The default cost is measured at the present value of the projected payment delinquencies and omissions minus net recoveries. Projected net recoveries include the amounts that would be collected from the borrowers at a later date, or the proceeds from the sale of acquired assets, minus the costs of foreclosing, managing, and selling those assets.

4. The present value of fees and other collections is recognized as a deduction from subsidy costs.

5. Other subsidy costs consist of cash flows that are not included in calculating the interest or default subsidy costs, or in fees and other collections. They include the effect of prepayments within contract terms.

D. Subsidy Amortization and Reestimation. The subsidy cost allowance for direct loans is amortized by the interest method using the interest rate that was originally used to calculate the present value of the direct loans when the direct loans were disbursed. The amortized amount is recognized as an increase (effective interest exceeds nominal interest) or decrease (nominal interest exceeds effective interest) in interest income. Nominal interest equals the nominal (face amount) of the loan times the stated interest rate. Effective interest equals the book value of the loan times the applicable Treasury interest rate.

1. Interest is accrued and compounded on the liability of loan guarantees at the interest rate that was originally used to calculate the present value of the loan guarantee liabilities when the guaranteed loans were disbursed. The accrued interest is recognized as interest expense.

2. The subsidy cost allowance for direct loans and the liability for loan guarantees are reestimated at the beginning of the fiscal year after the year of disbursements. Since the allowance or the liability represents the present value of the net cash outflows of the underlying direct loans or loan guarantees, the reestimation takes into account all factors that may have affected the estimate of each component of the cash flows, including prepayments, defaults, delinquencies, and recoveries. Any increase or decrease in the subsidy cost allowance or the loan guarantee liability resulting from the reestimates is recognized as a subsidy expense (or a reduction in subsidy expense). Reporting the subsidy cost allowance of direct loans (or the liability of loan guarantees) and reestimates by component is not required.

E. Criteria for Default Cost Estimates. The criteria for default cost estimates provided in this and the following paragraphs apply to both initial estimates and subsequent reestimates. Default costs are estimated and reestimated for each program on the basis of separate cohorts and risk categories. The reestimates take into account the differences in past cash flows between the projected and realized amounts and changes in other factors that can be used to predict the future cash flows of each risk category.

1. In estimating default costs, the following risk factors are considered: (1) loan performance experience; (2) current and forecasted international, national, or regional economic conditions that may affect the performance of the loans; (3) financial and other relevant characteristics of borrowers; (4) the value of collateral to loan balance; (5) changes in recoverable value of collateral; and (6) newly developed events that would affect the loan's performance. Improvements in methods to reestimate defaults are also considered.

2. Each credit program should use a systematic methodology, such as an econometric model, to project default costs of each risk category. If individual accounts with

significant amounts carry a high weight in risk exposure, an analysis of the individual accounts is warranted in making the default cost estimate for that category.

3. Actual historical experience of the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document actual experience, a data base should be maintained to provide historical information on actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

F. Revenues and Expenses. Interest accrued on direct loans, including amortized interest, is recognized as interest income. Interest accrued on the liability of loan guarantees is recognized as interest expense. Interest due from the Treasury Department on uninvested funds is recognized as interest income. Interest accrued on debt to the Treasury Department is recognized as interest expense.

1. Costs for administering credit activities, such as salaries, legal fees, and office costs, that are incurred for credit policy evaluation, loan and loan guarantee origination, closing, servicing, monitoring, maintaining accounting and computer systems, and other credit administrative purposes, are recognized as administrative expense. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees.

G. Pre-1992 Direct Loans and Loan Guarantees. The losses and liabilities of direct loans obligated and loan guarantees committed before October 1, 1991, are recognized when it is more likely than not that the direct loans will not be collected totally or that the loan guarantees will require a future cash outflow to pay default claims.

1. The allowance of the uncollectible amounts and the liability of loan guarantees should be reestimated each year as of the date of the financial statements. In estimating losses and liabilities, the risk factors discussed in the previous section should be considered. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

2. Restatement of pre-1992 direct loans and loan guarantees on a present value basis is permitted but not required.

H. Modification of Direct Loans and Loan Guarantees. The term modification means a Federal Government action, including new legislation or administrative action, that directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans, or the liability of loan guarantees.

1. Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Existing contracts may be altered through such means as forbearance, forgiveness, reductions in interest rates, extensions of maturity, and prepayments without penalty. Such actions are modifications unless they are

considered reestimates, or workouts as defined below, or are permitted under the terms of existing contracts.

2. Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered. Examples include a new method of debt collection prescribed by law or a statutory restriction on debt collection.

3. The term modification does not include subsidy cost reestimates, the routine administrative workouts of troubled loans, and actions that are permitted within the existing contract terms. Workouts are actions taken to maximize repayments of existing direct loans or minimize claims under existing loan guarantees. The expected effects of work-outs on cash flows are included in the original estimate of subsidy costs and subsequent reestimates.

I. Modification of Direct Loans. With respect to a direct or indirect modification of pre-1992 or post-1991 direct loans, the cost of modification is the excess of the pre-modification value of the loans over their post modification value. The amount of the modification cost is recognized as a modification expense when the loans are modified.

1. When a post-1991 direct loan is modified, its existing book value is changed to an amount equal to the present value of the loan's net cash inflows projected under the modified terms from the time of modification to the loan's maturity. It is discounted at the original discount rate (the rate that is originally used to calculate the present value of the direct loans, when the direct loans were disbursed).

2. When a pre-1992 direct loan is directly modified, it is transferred to a financing account and its book value is changed to an amount equal to its post-modification value. Any subsequent modification is treated as a modification of post-1991 loans. When a pre-1992 direct loan is indirectly modified, it is kept in a liquidating account. Its bad debt allowance is reassessed and adjusted to reflect amounts that would not be collected due to the modification.

3. The changes in the book value of both pre-1992 and post-1991 direct loans, resulting from a direct or indirect modifications, normally have cost differences attributable to the use of different discount rates or different measurement methods. Reference Office of Management and Budget Circular A-34 dated December, 1995. Any difference between the change in book value and the cost of modification is recognized as a gain or loss. For post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

J. Modification of Loan Guarantees. With respect to a direct or indirect modification of pre-1992 or post-1991 loan guarantees, the cost of modification is the excess of the post-modification liability of the loan guarantees over their pre-modification liability. The modification cost is recognized as modification expense when the loan guarantees are modified.

1. The existing book value of the liability of modified post-1991 loan guarantees is changed to an amount equal to the present value of net cash outflows projected under the modified terms from the time of modification to the loans' maturity. It is discounted at the original discount rate (the rate that is originally used to calculate the present value of the liability when the guaranteed loans were disbursed).

2. When a pre-1992 loan guarantee is directly modified, it is transferred to a financing account and the existing book value of the liability of the modified loan guarantees is changed to an amount equal to its post-modification liability. Any subsequent modification is treated as a modification of post-1991 loan guarantees. When a pre-1992 loan guarantee is indirectly modified, it is kept in a liquidating account. The liability of such loan guarantees is reassessed and adjusted to reflect any change in the liability resulting from the modification.

3. The change in the amount of liability of both pre-1992 and post-1991 loan guarantees resulting from a direct or indirect modification and the cost of modification will normally differ, due to the use of different discount rates or the use of different measurement methods. Any difference between the change in liability and the cost of modification is recognized as a gain or loss. For post-1991 loan guarantees, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

K. Disclosure. Disclosure is made in notes to financial statements to explain the nature of the modification of direct loans or loan guarantees, the discount rate used in calculating the modification expense, and the basis for recognizing a gain or loss related to the modification.

L. Foreclosure of Post-1991 Direct Loans and Guaranteed Loans. When property is transferred from borrowers to a federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans or as a compensation for losses that the government sustained under post-1991 loan guarantees, the foreclosed property is recognized as an asset. The asset is recorded at the present value of its estimated future net cash inflows discounted at the original discount rate.

1. If a legitimate claim exists by a third party or by the borrower to a part of the recognized value of the foreclosed assets, the present value of the estimated claim is recognized as a special contra valuation allowance.

2. Upon the foreclosure of a guaranteed loan, a federal guarantor may acquire the loan involved. The acquired loan is recognized at the present value of its estimated net cash inflows from selling the loan or from collecting payments from the borrower, discounted at the original discount rate.

3. When assets are acquired in full or partial settlement of post-1991 direct loans or guaranteed loans, the present value of the government's claim against the borrowers is reduced by the amount settled as a result of the foreclosure.

M. Write-off of Direct Loans. When post-1991 direct loans are Written off, the unpaid principal of the loans is removed from the gross amount of loans receivable. Concurrently, the same amount is charged to the allowance for subsidy costs. Prior to the write-off, the uncollectible amounts should have been fully provided for in the subsidy cost allowance through the subsidy cost estimate or reestimates. Therefore, the write-off would have no effect on expenses.

0403 CREDIT REFORM FUND CONTROLS

040301. Fund Control. For credit programs, systems for administrative control of funds are required to:

A. Restrict both obligations and expenditures from each program account, financing account, and liquidating account to the lesser of:

1. The amounts available for administrative expenses, direct loan subsidies, direct loan levels, guaranteed loan levels, and any limitations specified in law; or

2. The amounts apportioned for the amounts specified above.

B. Enable the fixing of responsibility for an obligation or expenditure exceeding the categories specified above.

C. Simultaneously determine, at the obligation stage for direct loans and at the commitment stage for guaranteed loans, whether sufficient budget authority for the subsidy exists in the program account and whether a sufficient unused loan level limit exists in the financing account. The system for calculating obligations also must be capable of changing the subsidy calculation when the Treasury interest rate changes. (Rate changes do not affect obligated but undisbursed loans in the case of direct loans and committed but undisbursed loans in the case of guaranteed loans.)

040302. Antideficiency Act Violations. For direct loan, guaranteed loan, and financing accounts, Antideficiency Act violations, reportable to the President, through the Director of OMB, and to the Congress, include the following:

A. Overobligation or Overexpenditure of the Subsidy. This is any case where an officer or employee of the United States makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of (1) the direct loan subsidy or (2) the guaranteed loan subsidy.

Violations include modifications of direct loans or loan guarantees, such as forgiveness, forbearance, reductions in interest rate, prepayments without penalty, and extensions of maturity, that result in obligations in excess of apportioned unobligated balances or subsidy amounts.

B. Overobligation or Overexpenditure of the Credit Level Supportable by the Enacted Subsidy. This is any case where an officer or employee of the United States makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of the credit program level supportable by the enacted subsidy, regardless of whether the subsidy is positive or negative. This includes obligations or expenditures that are in excess of (1) the direct loan level, (2) the guaranteed loan level or (3) any limitations on the loan level or the Federal share of guaranteed loan levels.

C. Overobligation or Overexpenditure of the Amount Appropriated for Administrative Expenses. This is any case where an officer or employee of the United States makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of the amount appropriated for administrative expenses.

D. Obligation or Expenditure of the Lapsed Unobligated Balance of the Subsidy, Except to Correct Mathematical or Data Input Errors in Calculating Subsidy Amounts. This is any case where an officer or employee of the United States makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, against unobligated subsidy balances after the period of obligational authority has expired. Correction of mathematical or data input errors up to the amount of the lapsed unobligated balance of the subsidy are specifically exempted. Corrections of these errors in excess of the amount of the lapsed unobligated balance of the subsidy are violations.

0404 CREDIT APPORTIONMENT AND REAPPORTIONMENT

040401. Basis for Apportionment. Unless specifically exempted by the OMB, all program, financing, and liquidating accounts will be apportioned. The apportionment document signed by the responsible OMB officials and all attachments transmitted to the agency are a part of the apportionment, unless otherwise specified on the apportionment document.

040402. Timing of Requests. Initial apportionment requests for direct loans and guaranteed loans will be submitted to the OMB within 10 calendar days after the enactment of the appropriations act.

A. Requests for reapportionment will be submitted to the OMB as soon as a change in the previous apportionment becomes necessary due to changes in amounts provide current data on each available, program requirements, or other factors.

B. Reapportionment requests made specifically for reestimates due to a change in the Treasury rate (yield) between the time of obligation and the time of disbursement will be submitted to the OMB in the year following disbursement.

C. Reapportionment requests will be required for subsidy reestimates and modifications.

040403. Types of Apportionment. Credit accounts will be apportioned in the same manner as non-credit accounts. This means that the credit accounts may be apportioned by time periods or by categories, or by a combination of time periods and categories, as determined by the OMB.

040404. Reporting Format and Procedures. Unless otherwise specified by the OMB, an original and one copy of an apportionment form will be submitted to the OMB. The original will be signed by an officer duly authorized by the head of the agency.

A. Figure 4-3 provides an illustration of Standard Form 132. This form will be used for program accounts that contain credit administrative expenses for both direct loans and guaranteed loans:

0405 REPORTS ON BUDGET EXECUTION (SF133)

040501. Coverage. Unless otherwise specified by the OMB, reports on budget execution will be prepared by all agencies to provide current data on each credit account, whether or not apportioned. Expired accounts will be included on the same form as the unexpired account (or accounts) of the same title.

040502. Timing of Reports. Reports on credit execution will be submitted electronically through the Department of Treasury GOALS system, each quarter beginning with the second quarter of FY 1994, or such other time period specified by the OMB.

040503. Supporting Data. The execution reports will be accompanied by data supporting the various lines, including data on risk categories or financing tranches, whenever such data are required by OMB.

040504. Reporting Format and Procedures. For all liquidating accounts, continue to use Standard Form 133 (Figure 4-4).

040505. Number of Copies and Signature. An original and one copy of the appropriate version of the SF 133 or an approved substitute will be submitted directly to the OMB program division that has primary responsibility for reviewing the agency's budget. The original will be signed by an officer duly authorized by the head of the agency. Responsible agencies will also submit a copy of the reports to addresses that receive the Report on Budget Execution (Acct Rpt (M) 1176).

040506. Refunds. Refunds of obligations that were incurred erroneously in the current fiscal year will be netted against line 8, Obligations Incurred. Refunds of obligations incurred in prior fiscal years will be placed on line 4, Recoveries of Prior Year Obligations. These must be reapportioned before they can be used.

0406 DIRECT LOANS

040601. Direct Loan Apportionment and Reapportionment Schedule (SF132). This schedule (Figure 4-3) simultaneously apportions the direct loan program account and financing account.

040602. Recording Obligations, Disbursing Loans, and Reestimating Subsidies. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, a reapportionment request is needed to fund the increase. The permanent indefinite appropriation will be used to fund the increase. If the subsidy amount decreases, a payment will be made to a special fund receipt account.

040603. Reports on Execution--Direct Loans. Reports on Execution for direct loans will be reported on the SF133.

0407 GUARANTEED LOANS

040701. Guaranteed Loan Apportionment and Reapportionment Schedule (SF 133). This schedule (Figure 4-4) simultaneously apportions the guaranteed loan program account and financing account.

040702. Reports on Budget Execution--Guaranteed Loans. For the program account and for the financing account the Credit Execution reporting for guaranteed loans will be reported on the SF 133.

0408 COMPUTATION OF INTEREST EXPENSE AND INTEREST INCOME

040801. Procedures for Computing Interest Expense and Interest Income for Credit Financing Accounts. A simplified set of procedures has been developed to compute interest for direct loan and guaranteed loan financing accounts under credit reform. The procedures describe computations for: (1) interest expenses on borrowing from Treasury by financing accounts and (2) interest income on uninvested funds in financing accounts. The detailed computational processes have been divided into one set of modules for direct loans and a separate set of modules for guaranteed loans.

A. These computations may be used in lieu of the tranche accounting requirements prescribed by the OMB. If these procedures are used, the credit data base need only provide subdivisions for cohort and risk category. The modules have been designed to simplify these computations and enhance user understanding of the objectives of each major computation. These modules may be physically designed in any suitable configuration, as long as the principles which underlie the interest computations are not compromised.

B. In many instances, categories of disbursements and collections shown as line items in the modules are not critical to the computations as separate items or may not be applicable to all programs. Separate categories have been included to clarify the content of a collections or disbursements total. Consequently, the modules may be redesigned to summarize these categories, if the summary does not compromise the principles which underlie the computational requirements.

C. As a minimum, these new procedures must be applied to fiscal year 1994 transactions and year end balances for all credit reform cohorts. DoD Components may request Treasury Department approval to retroactively adjust FY 1992 and 1993 interest expense and income using these procedures.

D. The frequency of interest computations has been changed to require only annual computations of interest expense and income related to Treasury Department transactions.

040802. Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs.

A. Background. Interest expense in a direct loan program results from borrowing from the Treasury Department. As each loan is disbursed by the financing account to the individual borrower, subsidy funds are transferred from the program account to the financing account. Consequently, each loan disbursement is financed by two sources--subsidy transfer and borrowing from the Treasury Department.

B. A single borrowing from the Treasury Department is made at the beginning of each fiscal year, separately for each cohort on the basis of the estimated net loan disbursements for the cohort. Interest expense accrues on the borrowing, and interest income accrues on the undisbursed balance of the Treasury Department borrowing. (The undisbursed balance of Treasury Department borrowing is held as uninvested funds and earns interest.) The interest rate earned on the uninvested funds equals the interest rate paid on borrowing from the Treasury Department.

040803. Frequency of Interest Computations. The OMB has determined that most credit programs do not have a seasonal bias in their loan disbursement patterns. Consequently, interest expense and income calculations for cohorts which are currently disbursing will be based on an assumption that the actual loan amounts disbursed during the year were disbursed equally throughout the four quarters. The assumption allows agencies to compute interest expenses and

interest income annually, at the end of each fiscal year, using the average annual interest rate provided by the OMB and the Treasury Department. Quarterly or monthly computations are no longer required. In those few programs that have a strong seasonal pattern, the OMB will calculate special weighted average interest rates appropriate to these patterns and will provide them to the agencies.

040804. Weighted Average Interest Rate. The Credit Reform Act provides that the interest rate for borrowing will be assigned on the basis of the Treasury rate in effect during the period of loan disbursement. Many individual loans are disbursed in segments over several quarters or even years. Consequently, several interest rates can be applicable to an individual loan. To simplify the recordkeeping, a single weighted average interest rate is maintained for each cohort and is adjusted each year, until all the disbursements from the cohort have been made. Each year the current year average annual interest rate is weighted by current year disbursements and merged with the prior year's weighted average to calculate a new weighted average. Details of these computations are provided in the examples following.

040805. Procedure for Computing Interest Expenses and Income Related to Borrowing for Direct Loan Programs. The interest income and expenses for a direct loan financing account are computed in a series of modules. The modules which follow have been logically divided to compute interest income and expense for identical bases, such as undisbursed borrowing. Disbursement or non-disbursement of amounts borrowed does not affect interest expense since all borrowing is dated October 1. However, disbursement status does affect the amount of borrowed cash retained in the financing account and consequently the computation of interest income. Components of interest income and expense are calculated separately in each module and then added in module 6. The modules are subdivided on the basis of the following characteristics:

- A. Interest expense for borrowing disbursed throughout the current year is partially offset by interest income on the delayed disbursement of cash borrowed (module 1).
- B. Interest expense for undisbursed borrowing is wholly offset by interest income on the undisbursed cash borrowed (module 2).
- C. Interest expense for borrowing disbursed in prior years is not offset by any interest income (module 3).
- D. Collections during the year accrue interest income as they are deposited into the financing account (module 5).

040806. Procedures for Guaranteed Loans. The basic purpose of a financing account for guaranteed loans is to accumulate funds to finance future defaults. Consequently, the

modules for guaranteed loans emphasize cash collections (mostly subsidy and fees) and the related interest Income on accumulated balances. Unlike the direct loan programs, subsidy transfers for guarantees are retained in the financing account for lengthy periods and earn interest income.

A. The methods of calculating the weighted average interest rate and interest income are not as exact as the methods for direct loans. The interest rate for cash accumulations related to each loan guarantee is determined by the date that the commercial lender (not the Federal agency) disburses the loan being guaranteed. Since this process can cause a variety of interest rates in each cohort, averages are used similar to direct loans.

B. Program agencies must rely on lender reporting for this information. Consequently, the interest income settlements with the Treasury Department, at the end of the fiscal year, will include an estimate of fourth quarter lender disbursements and collections because of delayed reporting. The estimate will be adjusted as actual lender data is accumulated.

C. While guaranteed loan financing cohorts are oriented toward cash accumulation, it is possible (although rare) for temporary net borrowing from the Treasury Department to become necessary. Under these circumstances, the guaranteed loan modules still should be used, but negative signs in modules 3 and 4 would indicate borrowing in lieu of cash balance and interest expense in lieu of interest income.

**DIRECT LOAN PROGRAM INTEREST COMPUTATION
MODULE 1**

Determine interest expense on disbursed borrowing for the current year and interest income earned, on the amount borrowed, prior to disbursement of the borrowing.

EXAMPLE

1. Total loans disbursed in current year	1,050,000
2. Subsidy payments received during current year for new direct loan disbursements	50,000
3. Net loan disbursements for current year	1,000,000
4. Working capital disbursements for current year	10,000
5. Borrowing from Treasury related to reestimates and modifications - current year	-0-
6. Total borrowing from Treasury for disbursements made during current year	1,010,000
7. Average annual interest rate, current year	.0700
8. Time factor for income	.5
9. Interest income - current year uninvested funds	35,350
10. Interest expense - current year disbursed borrowing	70,700

INSTRUCTIONS

ITEM 1: Total loans disbursed during current fiscal year from the cohort.

ITEM 2: Enter the total subsidy payments for new direct loan disbursements that were or should have been paid by the program account to the financing account for the cohort during the current fiscal year. (Payments related to reestimates and modifications are recorded in item 5.)

ITEM 3: Net loan disbursements, difference between item 1 and item 2.

ITEM 4: Any disbursements from the cohort during the current fiscal year for working capital disbursements.

ITEM 5: Enter the sum of gross payments made by the financing account during the current fiscal year, to: (1) the special fund receipt account, (2) the liquidating account, or (3) the general fund. These payments are related to downward subsidy cost reestimates or to modifications. (Note that gross collections are recorded in module 5.) This sum includes negative subsidy cost payments, modification adjustment transfers, and payments to acquire loans from the liquidating account or to compensate the liquidating account for losses.

ITEM 6: The sum of item 3 plus item 4 plus item 5.

ITEM 7: Average annual rate, current year.

ITEM 8: Time factor. Use .5 as a constant. This factor assumes that disbursements were made in an equal amount throughout the year.

ITEM 9: Interest income. (Item 6 x item 7 x item 8.)

ITEM 10: Interest expense for disbursed funds. Item 6 times item 7. Since funds were borrowed on October 1, the assumed time period is one year.

**DIRECT LOAN PROGRAM INTEREST COMPUTATIONS
MODULE 2**

Determine interest income and interest expense on unused borrowing.

EXAMPLE

1. Undisbursed borrowing balance, end of prior year	90,000
2. Borrowing during current year (retroactive to Oct. 1)	1,120,000
3. Total adjusted gross borrowing balance, current year	1,210,000
4. Net loan disbursements, current year (module 1)	1,000,000
5. Non-loan disbursements, current year (module 1)	10,000
6. Preliminary undisbursed borrowing balances, end of year	200,000
7. Average annual interest rate, current year	.0700
8. Interest income-unused borrowing balance	14,000
9. Interest expense-unused borrowing balance	14,000

INSTRUCTIONS

ITEM 1: Final undisbursed borrowing balance from Treasury, at end of prior fiscal year for the cohort. See module 7, item 9 from prior year.

ITEM 2: New borrowing during current fiscal year for the cohort. All borrowing during the year is dated retroactively to October 1.

ITEM 3: Sum of items 1 plus 2.

ITEM 4: Net loan disbursements, current year from module 1, item 3.

ITEM 5: Non-loan disbursements, current year (item 4 plus item 5 from module 1).

ITEM 6: Item 3 less item 4 less item 5. This balance is preliminary, as explained in module 7.

ITEM 7: Average annual interest rate, current year.

ITEM 8: Interest income from unused borrowing. Item 6 x item 7 (x 1 year).

ITEM 9: Interest expense from unused borrowing. Item 6 x item 7 (x 1 year).

**DIRECT LOAN PROGRAM INTEREST COMPUTATIONS
MODULE 3**

Determine interest expense on prior year borrowing that was disbursed in prior years.

EXAMPLE

1. Debt with Treasury, end of prior year	990,000
2. Undisbursed debt, end of prior year (module 2)	90,000
3. Adjusted debt, prior year disbursements	900,000
4. Weighted average interest rate, end of prior year (module 4)	.0500
5. Annual interest expense, prior year debt	45,000

INSTRUCTIONS

ITEM 1: Debt with Treasury at the end of the prior fiscal year (see module 8).

ITEM 2: Portion of debt at the end of the prior year that did not finance disbursements, nor was repaid to Treasury.

ITEM 3: Item 1 minus item 2.

ITEM 4: Weighted average interest rate as of the end of the prior year as computed in prior year's module 4.

ITEM 5: Annual interest expense for prior year borrowing, item 3 x item 4 (x 1 year).

**DIRECT LOAN PROGRAM
MODULE 4**

Compute new weighted average interest rate as of the end of the current year.

EXAMPLE

	Cumulative to End of Prior Year	Current Year	Total
1. Net loan disbursements	11,000,000	1,000,000	12,000,000
2. Interest rate	.0500	.0700	N/A
3. Annual Interest amount	550,000	70,000	620,000
4. Revised weighted average interest rate, end of current year			.0517

INSTRUCTIONS

ITEM 1: Enter in column 1 the cumulative net loan disbursements from the inception of the cohort to the end of the prior fiscal year. Enter net loan disbursements for the current fiscal year per module 1 in column 2, and the total in column 3.

ITEM 2: Enter in column 1 the weighted average interest rate from module 4 of prior year. Enter In column 2 the average annual Interest rate for the current year.

ITEM 3: Product of item 1 x item 2 to obtain a nominal annual interest. Add products in first two columns and post result to third column (total).

ITEM 4: New weighted average rate. In total column, item 3 divided by item 1, computed to four decimal places.

DIRECT LOAN PROGRAM MODULE 5

Determine current year collections (unrelated to new borrowing) and compute the related interest income.

EXAMPLE

1. Collections of loan principal--current year	100,000
2. Collections of interest from borrowers--current year	187,500
3. Collections of fees--current year	10,000
4. Other collections from the public--current year	2,500
5. Collections from budgetary accounts for reestimates and modifications--current year	-0-
6. Total collections--current year	300,000
7. Weighted average interest rate, end of current year	.0517
8. Time factor	05
9. Interest Income--current year collections	7,755

INSTRUCTIONS

ITEM 1: Collections of loan principal--current year. Summary of collections deposited during the year which derive from principal repayments by borrowers.

ITEM 2: Collections of Interest from borrowers--current year. Summary of collections deposited during the year which derive from Interest payments by borrowers.

ITEM 3: Collection of fees--current year. Summary of collections deposited during the year which derive from fees paid by the borrower at any time during the loan process.

ITEM 4: Other collections from public--current year. Summary of collections deposited during the year from the public other than items 1 through 3. Do not include subsidies in these collections.

ITEM 5: Enter the sum of gross collections received by the financing account, during the current fiscal year (unrelated to new borrowing), from: (1) the program account, (2) the liquidating account or (3) the general fund. These collections are related to upward subsidy cost reestimates or modifications. They include subsidy cost, modification adjustment transfers, and collections from the liquidating account to offset cost savings. (Gross payments are recorded in Module 1).

ITEM 6: Total collections. Sum of items 1 through 5.

ITEM 7: Revised weighted average interest rate--end of current year (see module 4).

ITEM 8: Use .5, which assumes equal collection throughout the year.

ITEM 9: Interest Income--current year collections. Product of Item 6 x item 7 x item 8.

**DIRECT LOAN PROGRAM INTEREST COMPUTATIONS
MODULE 6**

Determine total interest Income due from Treasury and Interest expenses payable to Treasury.

EXAMPLE**Interest Income Summary**

1. Interest income module 1	35,350
2. Interest income module 2	14,000
3. Interest income module 5	<u>7,755</u>
Total interest income from Treasury	57,105

Interest Expense Summary

1. Interest expense module 1	70,700
2. Interest expense module 2	14,000
3. Interest expense module 3	<u>45,000</u>
Total interest expense to Treasury	129,700

INSTRUCTIONS

Obtain income and expense items from each module and sum the results.

**DIRECT LOAN PROGRAM INTEREST COMPUTATION
MODULE 7**

Determine amount of annual principal repayment to Treasury.

EXAMPLE

1. Total collections current year (module 5)	300,000
2. Interest income from Treasury (module 6)	57,105
3. Total collections available for transfer	357,105
4. Transfers to working capital funds, current year	10,000
5. Interest expense to Treasury (module 6)	9,700
6. New borrowing for Interest shortfall	-0-
7. Net funds available for principal repayment	217,405
8. Preliminary undisbursed borrowing balance at end of current year	200,000
9. Final undisbursed borrowing balance (amounts to be carried forward for future year disbursements)	100,000
10. Annual principal repayment to Treasury	317,405

INSTRUCTIONS

ITEMS 1, 2, AND 5: Obtain amounts from other modules as indicated.

ITEM 3: Sum of items 1 and 2.

ITEM 4: Total transfers to working capital funds during current year.

ITEM 6: If items 4 plus 5 are less in absolute value than item 3, enter a zero. If items 4 plus 5 are greater in absolute value than item 3, enter the exact amount of the difference as a positive number. Scheduled interest must be paid to the Treasury Department even if from new borrowing.

ITEM 7: Item 3 plus item 6 minus items 4 and 5.

ITEM 8: Enter any borrowing which remains undisbursed as of the end of the current year (from module 2).

ITEM 9: Enter any amounts which agency decides should be carried forward to the next fiscal year for future loan disbursements. This amount will be used in the next year's module 2, item 1. In the example, the agency decided to retain half of the preliminary balance.

ITEM 10: Item 7 plus item 8 minus item 9. This amount will be transferred on an SF-1151.

**DIRECT LOAN PROGRAM INTEREST COMPUTATIONS
MODULE 8**

Determine debt to Treasury at end of current fiscal year.

EXAMPLE

1. Debt to Treasury, end of prior year (module 8--prior year)	990,000
2. New borrowing for interest shortfall (module 7)	-0-
3. Borrowing during current year (module 2)	1,120,000
4. Annual principal repayment to Treasury (module 7)	317,405
5. Debt to Treasury end of year	1,792,595

INSTRUCTIONS

ITEMS 1-4: Enter amounts from other modules as indicated.

ITEM 5: Sum of Items 1+2+3 minus item 4.

**GUARANTEED LOAN PROGRAM INTEREST INCOME AND EXPENSE
COMPUTATIONS
MODULE 1**

Compute revised weighted average interest rate as of end of current year.

EXAMPLE

	Cumulative to End of Prior Year	Current Year	Total
1. Lender disbursements	900,000	100,000	1,000,000
2. Interest rate	.06	.07	--
3. Annual Interest amount	54,000	7,000	61,000
4. Revised weighted average interest rate		.0610	

INSTRUCTIONS

ITEM 1: Enter cumulative lender disbursements from the inception of the cohort to the end of the current year in column 1; lender disbursements during the current year in column 2; and their total in column 3.

ITEM 2: Enter the weighted average Interest rate as of the end of the previous year In column 1 (from module 1 of previous year) and enter the current year average annual interest rate in column 2.

ITEM 3: Multiply items 1 x 2 in the first two columns to compute nominal annual Interest. Add these amounts and post results to column 3.

ITEM 4: Divide item 3 (total column) by item 1 (total column) to compute revised weighted average interest rate. Show to four decimal places.

**GUARANTEED LOAN PROGRAM INTEREST INCOME AND EXPENSE
COMPUTATIONS
MODULE 2**

Compute Interest Income on current year transactions.

EXAMPLE

1. Net transfers from budgetary accounts to financing account during current year	4,000
2. Other deposits to financing account during current year	1,000
3. Total deposits during current year	5,000
4. Disbursements from financing account to the public during current year	2,000
5. Working capital disbursements during current year	0
6. Net collections during current year, or	3,000
7. Net disbursements during current year	0
8. Current year average Interest rate	.07
9. Time factor	.5
10. Interest income for current year transactions, or	105
11. Reduction in interest income for current year transactions	0

INSTRUCTIONS

ITEM 1: Enter the total net amount that was or should have been paid by budgetary accounts to the financing account for the cohort during the current fiscal year (except interest and debt transactions). This should include initial subsidy payments, reestimates, modifications, modification adjustment transfers and transactions with the liquidating account to acquire loan guarantees or to offset losses or savings. The total is the amount collected, net of payments by the financing account to budgetary accounts. It should include transactions with the program account, the special fund receipt account, the liquidating account and the general fund.

ITEM 2: Enter other deposits to the financing account during the current year from fees, etc., but exclusive of interest income earned on uninvested funds.

ITEM 3: Sum of items 1 and 2.

ITEM 4: Enter total disbursements from the financing account during the current year, to the public for default payments, interest supplements, etc.

ITEM 5: Enter any disbursements from the cohort during the fiscal year for working capital purposes.

ITEM 6: Enter net of item 3 minus sum of Items 4 and 5 (if Item 3 Is greater than items 4 and 5), otherwise enter 0.

ITEM 7: Enter net of Items 4 plus 5 minus Item 3 (if items 4 plus 5 Is greater than item 3), otherwise enter 0.

ITEM 8: Enter current year average annual interest rate.

ITEM 9: Enter time factor of .5.

ITEM 10: Enter product of items 6 x 8 x 9.

ITEM 11: Enter product of Items 7 x 8 x 9.

**GUARANTEED LOAN PROGRAM INTEREST INCOME AND EXPENSE
COMPUTATIONS
MODULE 3**

Compute Interest income on prior year balances.

EXAMPLE

1. Adjusted cash balance in financing account, beginning of current year	100,000
2. Weighted average interest rate, beginning of current year	.0600
3. Time factor	1.0
4. Interest income on prior year balance	6,000

INSTRUCTIONS

ITEM 1: Enter adjusted cash balance in financing account as of the beginning of the current year (see module 4 of previous year for original computation).

ITEM 2: Enter weighted average Interest rate as of the beginning of current year.

ITEM 3: Item factor of 1.0 years.

ITEM 4: Product of Item 1 x 2 x 3.

**GUARANTEED LOAN PROGRAM INTEREST INCOME AND EXPENSE
COMPUTATIONS
MODULE 4**

Compute year end cash balance.

EXAMPLE

1. Adjusted cash balance In financing account, beginning of year	100,000
2. Interest Income on prior year balance (module 3)	6,000
3. Interest Income (+) or reduction in interest income (-) for current year transactions (module 2)	105
4. Total Interest Income	6,105
5. Net collections (+) or disbursements (-) for current year (module 2)	3,000
6. Adjusted cash balance in financing account end of year	109,105

INSTRUCTIONS

ITEM 1: Enter adjusted cash balance in financing account at beginning of current year (item 6 of previous year).

ITEM 2: Enter interest income on prior year balance from module 3.

ITEM 3: Enter interest income on current year transactions as a positive value or reduction In interest Income as a negative value (module 2).

ITEM 4: Enter the sum of item 2 and the plus or minus value in item 3.

ITEM 5: Enter net collections or disbursements for current year from module 2.

ITEM 6: Enter sum of items 1, 4 and 5.

0409 STANDARD GENERAL LEDGER (SGL) ACCOUNTS**040901. Credit Reform Accounts and Definitions.**

The following accounts were established by the Treasury Department to implement requirements of the Federal Credit Reform Act of 1990 and are intended to account for direct and guaranteed loans. These accounts will be included with those general ledger accounts currently in Volume 1, “General Financial Management Information, Systems, and Requirements,” Chapter 7, “Department of Defense Standard General Ledger,” Addendum 2, “Department of Defense Accounting/Sub-Account Descriptions.”

1399 Allowance for Subsidy. Credit Balance. This amount reflects the unamortized credit reform subsidy for direct loans and for defaulted guaranteed loans assumed for collection by the government. It appears in the financing fund of the direct loan, or loan guarantee, program involved and is subtracted from loans receivable (account 1350) on the statement of financial position. All transactions that affect the subsidy will be recorded in this account.

1921 Receivable from Appropriations. Debit Balance. The amount to be received from appropriations to fund current or future expenses for which the appropriations are already authorized by law.

1922 Borrowings Receivable from Treasury. Debit Balance. The amount of cash to be received for loan programs through borrowing from the Treasury.

2180 Loan Guarantee Liability. Credit Balance. This account is in the financing fund for loan guarantee programs. All transactions that affect the subsidy for loan guarantees will be recorded in this account. It represents the expected present value of cash flows to, and from, the government from loan guarantees.

2930 Liability for Borrowings to be Received. Credit Balance. The estimated amount of funds that an agency can borrow from Treasury to cover the cost of loans to be disbursed.

2950 Liability for Subsidy Related to Undisbursed Loans. Credit Balance. The amount of subsidy owed by the financing fund for direct and guaranteed loans which have not been disbursed. This liability will be liquidated when the loan is disbursed. If the loan is not disbursed, the accrued subsidy must be removed from the financing fund.

2970 Resources Payable to Treasury. Credit Balance. Liquidating Fund assets in excess of liabilities that are being held as working capital. After liquidating all liabilities, these funds will be returned to Treasury.

4001 Anticipated Total Resources. Debit Balance. The account used (for year-end closing) to consolidate the total amount of resources expected to be received by the financing fund from all

sources (program fund receipts, borrowing from Treasury, collections of principal, and collections of loan interest).

4042 Anticipated Borrowing Authority. Debit Balance. The anticipated authority that permits a federal agency to incur obligations, and make payments, for specific purposes out of monies borrowed from Treasury.

4044 Anticipated Reductions to Borrowing Authority. The estimated amounts of reductions during the fiscal year to borrowing authority.

4047 Anticipated Payments to Treasury. Credit Balance. The anticipated amounts to be paid to Treasury to transfer pre-1992 resources or to repay borrowing under credit reform.

4060 Anticipated Collections from Non-Federal Sources. Debit Balance. The amount anticipated to be collected from non-Federal sources in the current fiscal year for loan programs (fees, loan principal, loan interest, rent, and proceeds from the sale of collateral).

4070 Anticipated Collections from Federal Sources. Debit Balance. The amount anticipated to be collected from Federal sources in the current fiscal year for loan programs (actual program fund subsidy-current, actual program fund subsidy - permanent, and interest from Treasury).

4115 Loan Subsidy Appropriation-Definite-Current. Debit Balance. The amount of definite current budget authority appropriated by law for loan subsidies in direct loan and loan guarantee programs.

4116 Entitlement Loan Subsidies Appropriation-Indefinite. Debit Balance. The amount of indefinite budget authority appropriated for subsidies in loan entitlement programs.

4117 Loan Administrative Expense Appropriation-Definite- Current. Debit Balance. The amount of definite current budget authority appropriated by law for administrative expenses in direct loan and loan guarantee programs.

4118 Re-estimated Discretionary Loan Subsidy Appropriation- Indefinite - Permanent. Debit Balance. The amount of indefinite permanent budget authority appropriated for direct loan and loan guarantee subsidies based upon reestimates.

4121 Loan Subsidy Appropriation-Indefinite-Current. Debit Balance. The amount of current indefinite budget authority appropriated to the program fund for loan subsidies in direct loan and loan guarantee programs.

4147 Actual Payments to Treasury. Credit Balance. The amounts paid to the Treasury Department to transfer pre-1992 resources, or to repay borrowings, under credit reform.

4201 Total Actual Resources. Debit Balance. The account is used to consolidate the total amount of actual resources received from all sources.

4261 Actual Collection of Fees. Debit Balance. The total amount of fees received from non-Federal sources during the year for loan programs.

4262 Actual Collection of Loan Principal. Debit Balance. The total amount of loan principal received from non-Federal sources during the year for loan programs.

4263 Actual Collection of Loan Interest. Debit Balance. The total amount of loan interest received from non-Federal sources during the year for loan programs.

4264 Actual Collection of Rent. Debit Balance. The total amount of rent received from non-Federal sources during the year for loan programs.

4265 Proceeds from Collateral. Debit Balance. The amount received from the sale of collateral.

4266 Other Actual Collections. Debit Balance. The total amount of collections from non-Federal sources received during the year by direct loan programs for which a specific SGL account is not otherwise required.

4271 Actual Program Fund Subsidy-Definite-Current. Debit Balance. The amount of current definite subsidy received during the year by the financing fund from the program fund for loan programs.

4272 Actual Program Fund Subsidy-Indefinite-Permanent. Debit Balance. The amount of permanent indefinite subsidy received during the year by the financing fund from the program fund for the loan program.

4273 Interest from Treasury. Debit Balance. The amount of interest received during the year by the financing fund from Treasury for loan programs.

4274 Actual Program Fund Subsidy-Indefinite-Current. Debit Balance. The amount of current indefinite subsidy received during the year by the financing fund from the program fund for direct loan and loan guarantee programs.

4275 Actual Receipts from Liquidating Accounting. Debit Balance. The amount the financing fund receives during the year from the liquidating account for assuming pre-credit reform loan guarantees for which the terms have been modified.

4276 Actual Collections from Financing Fund. Debit Balance. The amount the liquidating fund receives from the financing fund during the year for transfers of modified direct loans to the financing fund.

5799 Adjustment of Appropriated Capital Used. Debit Balance. The amount of adjustment to financing sources in the program fund to reflect the amount of excess subsidy funds returned to Treasury by the financing fund.

6199 Excess Subsidy Returned. Credit Balance. The amount of adjustment to subsidy expense in the program fund to reflect the amount of excess subsidy funds returned to Treasury by the financing fund as a result of a reestimate.

8010 Guaranteed Loan Level. Debit Balance. The amount of guaranteed loan commitments; supportable by the subsidy budget authority of new commitments, or in the case of negative subsidies, the amount authorized by appropriation acts.

8015 Guaranteed Loan Level-Unapportioned. Credit Balance. The amount of guaranteed loan level not yet apportioned by OMB.

8020 Guaranteed Loan Level-Appportioned. Credit Balance. The amount of category A and B guaranteed loan level that is available for allotment.

8025 Guaranteed Loan Level-Allotted and Available to Lenders. Credit Balance. The amount of category A and B guaranteed loan level allotted to program managers for which commitments may be made this period to lenders.

8030 Guaranteed Loan Level-Administrative Commitments Prior to Signing Contracts. Credit Balance. The amount of category A and B guaranteed loan level committed in anticipation of signing a contract.

8035 Guaranteed Loan Level-Contract Signed-Undisbursed by Lenders. Credit Balance. The amount of category A and B contracts for guaranteed loans that will be disbursed by a lender.

8040 Guaranteed Loan Level-Disbursed by Lenders. Credit Balance. The amount of category A and B guaranteed loan principal disbursed by the lender.

8045 Guaranteed Loan Level-Unused Authority. Credit Balance. The amount of category A and B guaranteed loan level for which contracts have not been signed.

8050 Guaranteed Loan Principal Outstanding. Credit Balance. The amount of guaranteed loan principal outstanding with the lender. At the end of the year accounts 8053 through 8068 are closed to this account.

8053 Guaranteed Loan New Disbursements by Lender. Credit Balance. The amount of guaranteed loan principal disbursed during the current year by lenders.

8056 Guaranteed Loan Repayments and Prepayments. Debit Balance. The amount paid during the current year by the borrower to the lender as principal repayment and prepayment of guaranteed loans.

8059 Guaranteed Loan Default-Loan Acquired. Debit Balance. The amount of guaranteed loan principal reduced by termination for default this current year that leads to the acquisition of a loan receivable by the agency.

8062 Guaranteed Loan Default-Property Acquired. Debit Balance. The amount of guaranteed loan principal reduced by terminations for default this current year that leads to the acquisition of property by the Agency.

8065 Guaranteed Loan Default-Claim Payment Only. Debit Balance. The amount of guaranteed loan principal reduced by termination for default this current year that leads to claim payments by the agency that does not result in the acquisition of a loan receivable or property.

8068 Guaranteed Loan Adjustments. Debit or Credit Balance. The amount of guaranteed loan principal reduced, or increased, this current year by reasons other than repayment or default, i.e., outstanding principal balances of guaranteed loans transferred to or received from other accounts.

8070 Guaranteed Loan Principal to be Collected. Debit Balance. The amount of guaranteed loan principal outstanding with the lender.

0410 Credit Reform Definitions04101. Credit Reform Accounts and Definitions.

Cohort. Direct loans obligated or loan guarantees committed by a program in the same year, even if disbursements occur in subsequent years or the loans are modified. Modified pre-1992 direct loans will constitute a single cohort; modified pre-1992 loan guarantees will constitute a single cohort. For loans subsidized by no-year or mullet-year appropriations, the cohort may be defined by the year of obligation.

Direct Loan. A disbursement of funds by the Government to a non-Federal borrower under a contract requiring repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by a non-Federal lender. It also includes the sale of a Government asset on credit terms of more than 90 days duration.

Financing Account. The non budget account or accounts associated with each credit program account for post-1991 direct loans or loan guarantees. It holds balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and from the Government. All credit programs require financing accounts. Separate financing accounts are required for direct loans and loan guarantees even if the subsidy costs for both are provided in the same appropriation. For new credit programs, a written request must be sent to the Department of the Treasury Financial Management Service before account symbols are established for the loan financing accounts. Financing accounts are usually established as revolving funds in the public enterprise fund group series 4000-4499. As part of the loan guarantee contract, a agency may be required to provide an interest differential to the non-Federal lender. These interest supplement payments are recorded in the financing account and disbursed to non-Federal lenders.

Financing Tranche. All direct or guaranteed loans with a cohort, separately identified by risk category, that are disbursed in the same quarter and have the same maturity interval. All borrowing from Treasury and all interest earned on uninvested funds from Treasury for a given financing tranche will be at the same interest rate (yield). The use of financing tranches is optional.

Liquidating Account. The budget account that includes all cash flows to and from the Government resulting from pre-1992 direct loans or loan guarantees. Cash flows associated with modified direct loans and loan guarantees are treated as exceptions. The liquidating accounts are the “old” credit accounts, whose transactions are counted on a cash basis in calculating budget outlays and the deficit. Liquidating accounts are not subject to credit reform accounting except for the effect of modifications. If the liquidating account receives collections in excess of the account liability, the collections are returned to Treasury via an SF 1151: Non-Expenditure Transfer Authorization as a capital transfer. The excess collections are returned to the miscellaneous receipt account “2814” preceded by the agency’s two-digit department code.

Loan Guarantee. Any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. It does not, however, include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. When a pre-1992 loan guarantee is modified it becomes subject to credit reform accounting. The guarantee liability is transferred from the liquidating account to the financing account. A one-time adjusting payment is made from the liquidating account to the financing account. Subsequent cash flows will be recorded directly to the financing account. When a loan guarantee is in default, the defaulted loan claim of the non-Federal lender is paid from the financing account.

Modifications. Any Government action that alters the estimated subsidy cost, compared to the estimate contained in the most recent budget submitted to Congress, of an outstanding direct loan (or direct loan obligation) or an outstanding loan guarantee (or loan guarantee commitment). Action permitted within the terms of an existing contract are the only exception. Modifications to pre-1992 direct loans and loan guarantees are included in this definition, as well as modifications to post-1991 direct loans and loan guarantees. For pre-1992 direct loans and loan guarantees, the loan asset or guarantee liability will be transferred from the liquidating account the appropriate financing account. A one-time adjusting payment will be made between the liquidating and financing accounts. The subsequent cash flows will be recorded in the financing account.

Post-1991. Direct loan obligations or loan guarantee commitments made on or after October 1, 1991, and the resulting direct loans or loan guarantees.

Pre-1992. Direct loan obligations or loan guarantee commitments made prior to October 1, 1991, and the resulting direct loans or loan guarantees.

Program Account. The budget account into which an appropriation to cover the subsidy cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account. Usually, a separate amount for administrative expenses is also appropriated to the program account. Each program account is associated with one or two financing accounts, depending on whether the program account makes both direct loans and loan guarantees. The program account pays subsidies to the financing account for post-1991 direct loans and loans guarantees, for modifications, and for reestimates. These subsidy payments are counted in calculating budget outlays and the deficit

Reestimates. The recalculation of the subsidy cost of each risk category within a cohort of direct loans or guaranteed loans. Reestimates must be made at the beginning of each fiscal year following the year in which the initial disbursement was made and as long as the loans are outstanding, unless a different plan is approved by OMB.

Subsidy. The estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs. In net present value terms it is the portion of the direct loan disbursement that the Government does not expect to recover, or the portion of expected payments for loan guarantees that will not be offset by collections. The subsidy may be for post-1991 direct loan obligations or loan guarantee commitments, for reestimates of post-1991 loans or guarantees or for modifications of any direct loan or loan guarantees. When the estimated subsidy is negative, an amount equal to the negative subsidy will be paid from the financing account to a special fund receipt account for that program when the loan guarantee is disbursed. If a subsidy reestimate for a cohort is negative, the amount of that reestimate is recorded in the same way.

Uninvested balance. The fund balance with Treasury that is held by the financing account, including undisbursed borrowings and offsetting collections. This balance earns interest from Treasury as determined by the weighted-average interest rate for each specific maturity range within the financing account.

Special Fund Receipt Accounts. Treasury requires written request prior to establishing account symbols for special fund receipt accounts, which will collect negative subsidies and downward reestimates. These unavailable receipt symbols are classified in special fund receipt series.

Miscellaneous Receipts Accounts. This account is automatically established by Treasury for interest payments. Detailed reporting instruction applicable to this account can be found in the “Treasury Reporting Instructions for Credit Reform Legislation, paragraph 4620.40 preceded by the agency 2-digit department code.

Subclassed Accounts. Subclassed Accounts are existing fund symbols preceded by a 2-digit prefix, used to distinguish certain transactions (for instance, [95]99X4200, [85]99X4200, and [65]99X4200). Subclassed are used when repaying or borrowing funds to/from the Treasury on an SF 1151: Nonexpenditure Transfer Authorization. Subclassed accounts are also used to record payment of subsidy appropriations from the program account to the financing account on an SF 224: Statement of Transactions. The subclasses are:

1. Principal Borrowing - 95
2. Principal Repayment - 85
3. Subsidy Payment - 65

Interest Rates. Interest rates for Credit Reform subsidy calculations, budget execution, borrowing, uninvested funds and working capital balances can be obtained from the Department of Commerce Economic Bulletin Board (EEB). New interest rates are posted to the EEB each quarter by Treasury and are used for agency computations during the quarter. These rates remain fixed for one quarter and are categorized with the following maturity intervals:

1. 0 years, up to and including 1 year.
2. Over 1 year, up to but not including 5 years.
3. 10 years, up to but, not including 20 years
4. 20 years and longer.

The rate used for subsidy calculations, borrowing and interest on uninvested funds must be for a maturity comparable to the maturity of the direct or guaranteed loan being made. However, working capital balances will earn interest on the rate specified for “0 years, up to and including 1 year”.

Borrowings and Repayments from Treasury. The Credit Reform Act of 1990 provides financing accounts with indefinite authority to borrow from Treasury. To streamline agency activity, agencies will borrow from Treasury, once a year, an amount that reflect estimated yearly requirements (based on figures used to calculate the subsidy appropriation, unless better estimates are available). The borrowing will be dated the first day of the fiscal year, October 1. If necessary, agencies may initiate another borrowing (during the fiscal year) for an additional amount, which will also be dated October 1.

If an agency has insufficient funds to make an annual interest payment to Treasury at year end, an additional borrowing should be initiated. This borrowing will be dated September 30 and will carry the same maturity date as the original borrowing. Using the September 30 date will alleviate the recalculation of the interest payment due to the Treasury and the amount of interest to be paid on uninvested funds.

Certification. When requesting a borrowing, each SF 1151 must contain an agency certification stating that the borrowing is necessary to meet the estimated annual cash requirements and is based upon the most reliable data available. This statement must be included within the body of the SF 151 document.

Authority. In this block, the legislative authorization for the borrowing transaction should be cited. For borrowings subject to Part 2, Chapter 4600, of the Treasury Reporting Instruction for Credit Reform Legislation, reference Public Law 101-508, 104 Stat. 1388-613.

Signature. Borrowing transaction will be approved and signed by the Financial Management Branch. Repayments will be approved and signed by the authorized agency representative.

Pre-Modification Value. is the present value of the net cash inflows of direct loans. It is estimated at the time of modification under pre-modification terms. It is discounted at the interest rate applicable to the time when the modification occurs on marketable Treasury securities that have a comparable maturity to the remaining maturity of the direct loans under pre-modification terms (simply stated, the pre-modification terms at the current rate).

Post-Modification Value. is the present value of the net cash inflows of direct loans. It is estimated at the time of modification under post-modification terms. It is discounted at the interest rate applicable to the time when the modification occurs on marketable Treasury securities that have a comparable maturity to the remaining maturity of the direct loans under post-modification terms (simply stated, the post-modification terms at the current rate).

OMB instructions provide that if the decrease in book value exceeds the cost of modification, the reporting entity will receive from the Treasury Department an amount of “modification adjustment transfer” equal to the excess. Conversely, if the cost of modification exceeds the decrease in book value, the reporting entity will pay to the Treasury Department an amount of “modification adjustment transfer” to offset the excess.

Post-Modification Liability. is the present value of the net cash outflows of the loan guarantees. It is estimated at the time of modification under the post-modification terms. It is discounted at the interest rate applicable to the time when the modification occurs on marketable Treasury securities that have a comparable maturity to the remaining maturity of the guaranteed loans under post-modification terms (simply stated, the post-modification terms at the current rate).

Pre-Modification Liability. is the present value of the net cash outflows of loan guarantees. It is estimated at the time of modification under the pre-modification terms. It is discounted at the interest rate applicable to the time when the modification occurs on marketable Treasury Securities that have a comparable maturity to the remaining maturity of the guaranteed loans under pre-modification terms (simply stated, the pre-modification terms at the current rate).

OMB instructions provide that if the increase in liability exceeds the cost of modification, the reporting entity receives from the Treasury Department an amount of “modification adjustment transfer” equal to the excess. If the cost of modification exceeds the increase in liability, the reporting entity pays to the Treasury Department an amount of “modification adjustment transfer” to offset the excess.

Credit Reform: Cash Flows for Direct Loans

EXAMPLE: \$100 loan, 20%
subsidy, disbursed in one year.

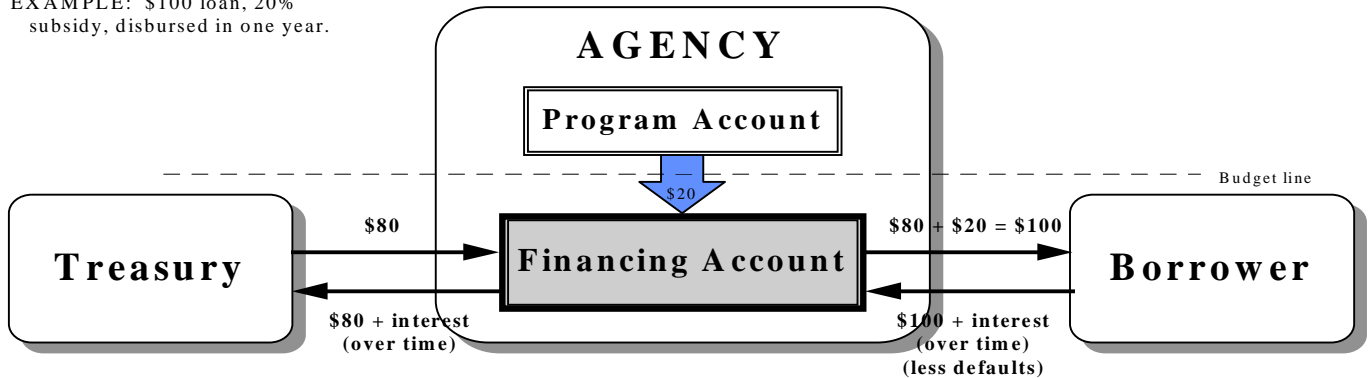


Figure 4-1.

1. Congress appropriates \$20 in subsidy budget authority (BA) to the **program account**.
2. The \$20 subsidy is obligated when the \$100 loan is obligated.
3. The \$20 subsidy is outlayed to the **financing account** at the time the \$100 loan is disbursed to borrower. Simultaneously, the **financing account** borrows the additional \$80 from **Treasury** need to make the \$100 loan.
4. The **borrower** pays fees, interest, and principal to the **financing account** under the terms of the contract.
5. The **financing account** makes payments to **Treasury** over time on the \$80 of borrowing. If the subsidy rate is accurate, the loan repayments (and other payments) to the **financing account** will be exactly the amount necessary to repay the original **Treasury** borrowing (\$80) plus interest.
6. If the subsidy is not accurate, a reestimate will be made and, as necessary, either (1) an additional subsidy will be disbursed from the **program account** to the **financing account** to cover the amount of the reestimate or (2) excess funds will be moved from the **financing account** to a **negative receipt account**, where these funds are unavailable until appropriated.

Credit Reform: Cash Flows for Loan Guarantees

EXAMPLE: \$100 loan with 75% Federal guarantee, 20% subsidy rate, disbursed in one year, upfront fee of 2%, and 40% default rate, no recoveries.

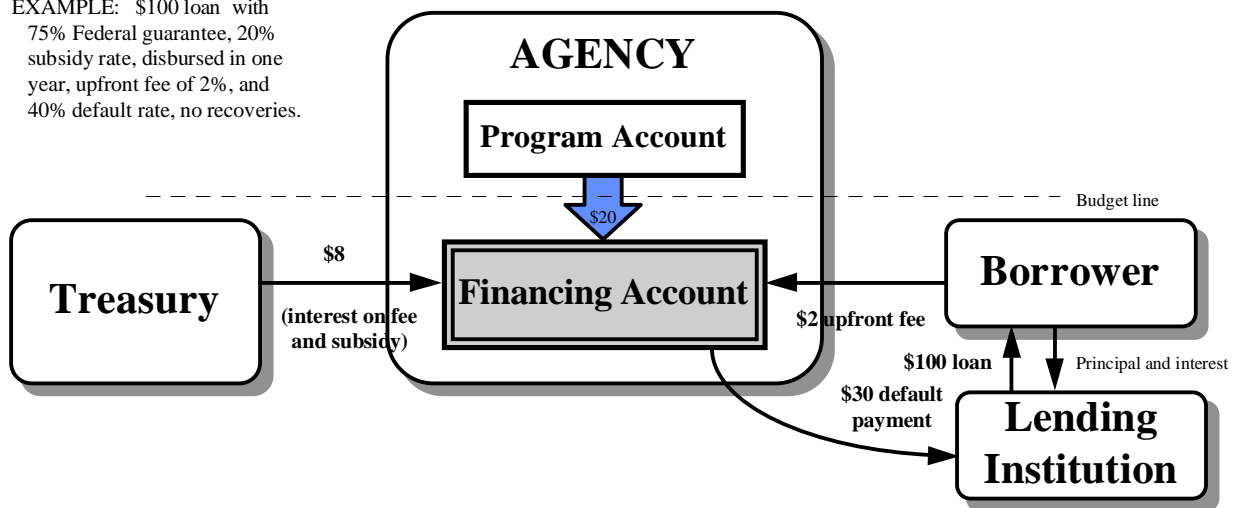


Figure 4-2.

1. Congress appropriates \$20 in subsidy budget authority (BA) to the **program account**.
2. The \$20 subsidy is obligated when the \$100 loan is obligated.
3. The **lending institution** lends a 75% Government guaranteed \$100 loan to the **borrower**. When the loan is disbursed, \$20 in subsidy BA is outlayed to the **financing account**. The **borrower** pays a 2% upfront fee to the **agency**, which is deposited into the **financing account**.
4. Reserves (uninvested funds) are held in the **financing account** and earn interest.
5. The **borrower** pays principal and interest to the **lending institution**.
6. If the **borrower** defaults, the reserves held in the **financing account** are used to make claim payments to the **lending institution**. If the subsidy rate is accurate, the **financing account** will have exactly the reserves needed to cover all defaults and other subsidies for that cohort of loans.
7. If the subsidy is not accurate, a reestimate will be made and, as necessary, either (1) additional subsidy will be disbursed from the **program account** to the **financing account** to cover the amount of the reestimate or (2) excess funds will be moved from the **financing account** to a **negative receipt account**, where these funds are unavailable until appropriated.

Standard Form 132

Office of Management and Budget

Circular No. A-34

Sheet 1 of 2

Fiscal year 19CY

APPORTIONMENT AND REAPPORTIONMENT SCHEDULE

Agency	Department of Government	Appropriation or Fund Title and Symbol		
Bureau	Office of the Secretary			
	<u>Description</u>	<u>Amount on Latest S.F. 132</u>	<u>Agency Request</u>	<u>Action by OMB</u>
<u>BUDGETARY RESOURCES</u>				
1. Budget authority:				
	A. Appropriations P.L. 104-xxx	_____	_____	_____
	B. Borrowing authority	_____	_____	_____
	C. Contract authority	_____	_____	_____
	D. Net transfers, current year authority (+ or -)	_____	_____	_____
	E. Other	_____	_____	_____
2. Unobligated balance:				
	A. Brought forward October 1	_____	_____	_____
	B. Net transfers prior year balance, actual (+ or -)	_____	_____	_____
	C. Anticipated transfers prior year balance (+ or -)	_____	_____	_____
3. Spending authority from offsetting collections (Gross):				
	A. Earned:			
	1. Collected	_____	_____	_____
	2. Receivable from Federal sources	_____	_____	_____
	B. Change in unfilled customers' orders (+ or -):			
	1. Advance received	_____	_____	_____
	2. Without advance from Federal sources	_____	_____	_____
	C. Anticipated for rest of year:			
	1. Advance for anticipated orders	_____	_____	_____
	2. Without advance	_____	_____	_____
	D. Transfers from trust funds:			
	1. Collected	_____	_____	_____
	2. Anticipated	_____	_____	_____
4. Recoveries of prior year obligations:				
	A. Actual	_____	_____	_____
	B. Anticipated	_____	_____	_____
5. Temporarily not available pursuant to P.L. ____(-)				
		_____	_____	_____
6. Permanently not available:				
	A. Cancellations of expired and no-year accounts (-)	_____	_____	_____
	B. Enacted rescission of prior year balances (-)	_____	_____	_____
	C. Capital transfers and redemption of debt (-)	_____	_____	_____
	D. Other authority withdrawn (-)	_____	_____	_____
	E. Pursuant to P.L. _____(-)	_____	_____	_____
	F. Anticipated for rest of year (+ or-)	_____	_____	_____
7. Total Budgetary Resources				
		_____	_____	_____

Figure 4-3.

<u>APPLICATION OF BUDGETARY RESOURCES</u>		Sheet 2 of 2 Fiscal year 19CY	
Memorandum: Obligations incurred			
<u>Description</u>	<u>Amount on Latest S.F. 132</u>	<u>Agency Request</u>	<u>Action by OMB</u>
8. Apportioned:			
Category A:			
(1) First quarter	_____	_____	_____
(2) Second quarter	_____	_____	_____
(3) Third quarter	_____	_____	_____
(4) Fourth quarter	_____	_____	_____
Category B:			
(1)	_____	_____	_____
(2)	_____	_____	_____
(3)	_____	_____	_____
(4)	_____	_____	_____
9. Withheld pending rescission	_____	_____	_____
10. Deferred	_____	_____	_____
11. Unapportioned balance of revolving fund	_____	_____	_____
12. Total Budgetary Resources	_____	_____	_____
Submitted _____ Apportioned _____			
(Authorized officer)		(Date)	

Figure 4-3. (Cont).

Standard Form 132

Office of Management and Budget

Circular No. A-34

Sheet 1 of 2
Fiscal year 19CY**SF 133 REPORT ON BUDGET EXECUTION**

Agency Bureau	Department of Government Office of the Secretary	Appropriation or Fund Title and Symbol						
Description	FY1996 Unexpired Account	FY1995 Expired Account	FY1994 Expired Account	FY1993 Expired Account	FY1992 Expired Account	FY1991 Expired Account	TOTAL	
BUDGETARY RESOURCES								
1. Budget authority:								
A. Appropriations	_____	_____	_____	_____	_____	_____	_____	
B. Borrowing Authority	_____	_____	_____	_____	_____	_____	_____	
C. Contract authority	_____	_____	_____	_____	_____	_____	_____	
D. Net transfers, current year authority (+or-)	_____	_____	_____	_____	_____	_____	_____	
E. Other	_____	_____	_____	_____	_____	_____	_____	
2. Unobligated balance:								
A. Brought forward October 1	_____	_____	_____	_____	_____	_____	_____	
B. Net transfers prior year balance, actual (+or-)	_____	_____	_____	_____	_____	_____	_____	
C. Anticipated transfers prior year balance (+or-)	_____	_____	_____	_____	_____	_____	_____	
3. Spending authority from offsetting collections (Gross)								
A. Earned:								
1. Collected	_____	_____	_____	_____	_____	_____	_____	
2. Receivable from Federal sources	_____	_____	_____	_____	_____	_____	_____	
B. Change in unfilled customers' orders (+or-)								
1. Advance received	_____	_____	_____	_____	_____	_____	_____	
2. Without advance from Federal sources	_____	_____	_____	_____	_____	_____	_____	
C. Anticipated for rest of year:								
1. Advance for anticipated orders	_____	_____	_____	_____	_____	_____	_____	
2. Without advance	_____	_____	_____	_____	_____	_____	_____	
D. Transfers from trust funds:								
1. Collected	_____	_____	_____	_____	_____	_____	_____	
2. Anticipated	_____	_____	_____	_____	_____	_____	_____	
4. Recoveries of prior year obligations:								
A. Actual	_____	_____	_____	_____	_____	_____	_____	
B. Anticipated	_____	_____	_____	_____	_____	_____	_____	
5. Temporarily not available pursuant to P.L. _____(-)	_____	_____	_____	_____	_____	_____	_____	
6. Permanently not available:								
A. Cancellations of expired and no-year accounts (-)	_____	_____	_____	_____	_____	_____	_____	
B. Enacted rescission of prior year balances (-)	_____	_____	_____	_____	_____	_____	_____	
C. Capital transfers and redemption of debt (-)	_____	_____	_____	_____	_____	_____	_____	
D. Other authority withdrawn (-)	_____	_____	_____	_____	_____	_____	_____	
E. Pursuant to P.L. _____(-)	_____	_____	_____	_____	_____	_____	_____	
F. Anticipated for rest of year (+or-)	_____	_____	_____	_____	_____	_____	_____	
7. Total Budgetary Resources	_____	_____	_____	_____	_____	_____	_____	

Figure 4-4.

STATUS OF BUDGETARY RESOURCES							Sheet 2 of 2 Fiscal year 19CY
Description	FY1996 Unexpired Account	FY1995 Expired Account	FY1994 Expired Account	FY1993 Expired Account	FY1992 Expired Account	FY1991 Expired Account	TOTAL
8. Obligations incurred:							
A: Category A, direct obligations	_____	_____	_____	_____	_____	_____	_____
B. Category B, direct obligations	_____	_____	_____	_____	_____	_____	_____
1. Subcategory 1	_____	_____	_____	_____	_____	_____	_____
2. Subcategory 2	_____	_____	_____	_____	_____	_____	_____
3. Subcategory 3	_____	_____	_____	_____	_____	_____	_____
C. Not subject to apportionment	_____	_____	_____	_____	_____	_____	_____
D. Reimbursable obligations	_____	_____	_____	_____	_____	_____	_____
9. Unobligated balance:							
A. Apportioned:							
1. Balance currently available	_____	_____	_____	_____	_____	_____	_____
2. Anticipated	_____	_____	_____	_____	_____	_____	_____
B. Exempt from apportionment	_____	_____	_____	_____	_____	_____	_____
C. Other available	_____	_____	_____	_____	_____	_____	_____
10. Unobligated balance not available							
A. Apportioned for subsequent periods	_____	_____	_____	_____	_____	_____	_____
B. Deferred	_____	_____	_____	_____	_____	_____	_____
C. Withheld pending rescission	_____	_____	_____	_____	_____	_____	_____
D. Other	_____	_____	_____	_____	_____	_____	_____
11. Total Budgetary Resources							
RELATION OF OBLIGATIONS TO OUTLAYS							
12. Obligated balance, net as of October 1	_____	_____	_____	_____	_____	_____	_____
13. Obligated balance transferred, net (+or-)	_____	_____	_____	_____	_____	_____	_____
14. Obligated balance, net, end of period:							
A. Accounts receivable	_____	_____	_____	_____	_____	_____	_____
B. Unfilled customer orders (-)	_____	_____	_____	_____	_____	_____	_____
1. Federal sources without advance	_____	_____	_____	_____	_____	_____	_____
2. Federal sources with advance	_____	_____	_____	_____	_____	_____	_____
3. Non-Federal sources with advance	_____	_____	_____	_____	_____	_____	_____
C. Undelivered orders (+)	_____	_____	_____	_____	_____	_____	_____
D. Accounts payable (+)	_____	_____	_____	_____	_____	_____	_____
15. Outlays:							
A. Disbursements (+)	_____	_____	_____	_____	_____	_____	_____
B. Collections (-)	_____	_____	_____	_____	_____	_____	_____
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="width: 40%;"> _____ (Authorized Officer) </div> <div style="width: 20%;"> _____ (Date) </div> <div style="width: 30%; text-align: right;"> (Preparer Name) (Address) (Phone number) </div> </div>							

Figure 4-4. (Cont).

Calendar of Credit Reform Program Activities
Figure 4-5

<u>Approximate Time</u>	<u>Agency/Budget & Execution</u>	<u>Agency/Accounting</u>
ONGOING (throughout the year)	Update historical databases used for estimating credit subsidies. Update cashflow models to reflect program changes and historical loan performance. Continue to improve cashflow modeling and project systems and capability for credit in spring and summer, but should be conducted on a ongoing basis.)	Maintain accounting systems and control.
tion capabilities. (Mainly	Develop and tracking of performance measures. Work with OMB on subsidy estimate review.	Ongoing improvements for information management.
	Allotment, obligation of funds for loan obligation and guarantee commitments.	Provide historical data and financing account cohort data to budget office for subsidy estimates and reestimates.
		Provide OMB with ongoing reports on status of credit reform cohorts.
February	Budget transmittal to Congress.	Prior year actuals presented in the President's Budget.
March		
April	Provide information to auditors on subsidy estimates used for budget execution.	Audit continues.
	CONGRESSIONAL BUDGET HEARING/LEGISLATION: Congressional testimony on budget including justification of assumptions underlying subsidy estimates and re-estimates.	March 1 (goal): Issue audited Financial Statements for prior year.
May		
June	Prepare internal subsidy estimate for upcoming budget cycle for Departmental submission and decision.	Provide financial data to budget office to support internal subsidy estimates for upcoming budget cycle.
July		
August	Provide midseason estimates. (Note: Some agencies perform annual subsidy reestimates at this time.)	Begin preparing for year-end close and audit. Develop footnote template for financial statements.
September	BUDGET SUBMISSION: Submit budget requests based on midseason economic assumptions to be updated at time of issuance of final economic assumptions. Initial submissions should include: proposed program changes (new fees, etc.), projected loan levels, estimated subsidies with notation that discount rates will change. Reestimates and performance	Assist budget office in collecting data for budget submission, including updated actuals, data necessary for reestimates, and financial statement information.

Calendar of Credit Reform Program Activities
Figure 4-5

<u>Approximate Time</u>	<u>Agency/Budget & Execution</u>	<u>Agency/Accounting</u>
October	<p>APPORTIONMENT: Use first quarter interest rates to calculate subsidy rate for budget execution. Prepare apportionment forms. Subsidy rates for apportionment should be updated for new "explicit technical assumptions" but should retain same forecast technical assumption as President's Budget.</p> <p>Initial allotment, obligation of funds for loan obligations and guarantee commitments.</p> <p>REESTIMATES: Calculate final reestimates for all loans disbursed in prior years, using actual annual interest rate, actual loan or guarantee cashflow and updated assumptions about expected performance of each cohort.</p>	<p>Prepare final receipts, outlays. FMS form 2108 due.</p> <p>Track apportionments and balances in budgetary and financial accounts, to ensure reconciliation with budget transactions.</p> <p>CALCULATE INTEREST ON FINANCING ACCOUNTS: Use actual annual interest rates for calculation of interest to and from financing accounts.</p> <p>Complete and reconcile transactions relating to elimination entries.</p> <p>Prepare report on guaranteed loans (SF 220-8) and report on receivables due from the public (formerly SF 220-9).</p>
November December	<p>Work with accounting staff to reconcile end-of year balance sheet estimates to budget formulation estimates to be entered into the MAX database.</p>	<p>Prepare final reports on Budget Execution (SF-133) through GOALS between November 17-27.</p> <p>Prepare final reports on obligations (SF 225).</p> <p>December 1 - Adjusted trial balance.</p>
January	<p>Prepare final subsidy estimate, loan level requests, and estimated interest on financing accounts for President's Budget based on passback and using final economic assumptions. These estimates will be for both Presidential Policy and Baseline.</p> <p>MAX data entry based on OMB approved subsidy model output. Budget galley preparation and review.</p> <p>Preparation of forms for Federal Credit Supplement to the Budget.</p> <p>Document assumptions underlying subsidy estimates for Congressional review.</p>	<p>Provides unaudited data to OIG. Audit adjustments to auditor.</p> <p>Update of agency statements. Electronic transmissions, audit of adjustments.</p> <p>Transmit footnotes.</p>

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CHAPTER 5**GRANTS AND COOPERATIVE AGREEMENTS****0501 OVERVIEW**

050101. Purpose. This chapter prescribes the guidance to be followed by DoD Components to account for and control grants and cooperative agreements. Other guidance on grants and cooperative agreements is contained in DoD 3210.6-R, “DoD Grant and Agreement Regulations.”

050102. General

A. DoD grants and cooperative agreements are federal assistance agreements under which payments in cash and/or in kind are made for specified purposes. The major difference between grants and cooperative agreements is that grants are assistance awards for which no substantial involvement is anticipated between the Department of Defense and the recipient during performance of the contemplated activity, whereas cooperative agreements may require substantial involvement. However, the accounting treatment for the two types of agreements is similar. Recipients of DoD grants and cooperative agreements include individuals, nonprofit organizations, local and state governments, U.S. territories, and federally recognized tribal governments.

B. DoD grants and cooperative agreements include formula grants to states and project grants for (1) construction of armories and other major projects, (2) military base reuse studies and community planning, (3) impact assistance for areas affected by the East Coast Trident Program, and (4) cooperative agreements placed under the DoD Procurement Technical Assistance Program. Grants and cooperative agreements do not include (1) technical assistance programs that provide services instead of money; (2) contracts that are entered into and administered under procurement laws and regulations; and (3) agreements under which only direct cash assistance to individuals, a subsidy, a loan, a loan guarantee, or insurance is provided. Under the Foreign Military Financing program the DoD accounts for grants made to foreign nations allied to the United States. These grants provide the financing to U.S. allies for acquisition of U.S. military articles, services and training. Financial policies for these grants are described in Volume 15 of this regulation.

C. The acceptance of an assistance award from the Department of Defense creates a legal duty on the part of the recipient to use the available funds or property in accordance with the terms and conditions of the assistance agreement. Payments may be made in advance or as reimbursement for either work performed or costs incurred by awardees. This Chapter provides guidance for issuing advances to grantees. Recipients are required to return to the Department of Defense (1) the unused balances of advance payment awards (plus earned interest, unless recovery is prohibited by statute), (2) any funds improperly applied, and (3)

property or facilities purchased or otherwise made available under the conditions of the awards, unless legal title thereto is vested unconditionally in the recipient by the terms of the award.

D. Authoritative requirements for the uniform administration of grants and cooperative agreements are contained in DoD 3210.6-R, “DoD Grant and Agreement Regulation,” the Office of Management and Budget (OMB) Circular No. A-102, “Uniform Administrative Requirements for Grants-in-aid to State and Local Governments” and OMB Circular No. A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations.” The “Catalog of Federal Domestic Assistance,” updated annually by the OMB and the U.S. General Services Administration, is the basic reference source for DoD assistance programs.

0502 ACCOUNTING STANDARDS FOR GRANTS AND COOPERATIVE AGREEMENTS

050201. Accounting for a DoD grant or cooperative award begins with the execution of an agreement or the approval of an application or similar document which sets out the amount and purpose of the award, the performance period, the obligations of the parties to the award, and other terms. A legal obligation to disburse the assistance funds, in accordance with the terms of the agreement, occurs upon execution of an agreement or an approval of an application or similar document.

050202. Advance payments to award recipients shall be accounted for as advances by the DoD Component until the recipient has performed under the award or contract.

050203. When the recipient has performed under the grant or cooperative agreement, the DoD Component shall record an expense in an amount equal to the cost of the services performed or cost incurred and reduce the advance account by a like amount.

050204. Payments to award recipients as reimbursement for work performed or costs incurred shall be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were recorded previously.

050205. When title to assets acquired by award recipients vests with the U.S. Government, the DoD Component shall establish appropriate general ledger accounting control and property records, and include the assets in its financial statements. The assets shall be recorded at acquisition cost to the award recipient and depreciated in accordance with the guidance stated in chapters 1 and 6 of Volume 4.

050206. A refund receivable shall be established by the DoD Component to recover all expenses upon a determination that a recipient has failed to meet the requirements of the grant.

050207. At the termination of a grant or cooperative agreement, funds unused or improperly applied by the recipient shall be established as an account receivable by the DoD Component.

050208. Guidance to record the related obligations, advances to grantees, and expensing of grants is provided in Chapter 16 of Volume 3, and Chapters 5 and 7 of Volume 4 of this Regulation.

0503 ACCOUNTING FOR GRANTS

050301. Table 5-1 illustrates the most common entries associated with grants awarded by DoD Components.

0504 FINANCIAL MANAGEMENT FOR GRANTS AND COOPERATIVE AGREEMENTS

050401. The Defense Finance and Accounting Service shall ensure the availability of a financial management information system capable of recording and monitoring grant and cooperative agreement transactions and providing, by transaction, a delineation of federal and awardee shares of program costs. The system shall enable the DoD Component to identify quickly the basic categories of funds involved, along with the related obligation and expenditure rates, and provide for ensuring fund availability prior to awarding financial assistance and obligating funds.

050402. Projected cash requirements shall be obtained from major awardees no later than the receipt of the initial request for funds. The projections shall identify the times, amounts, and purposes for which cash is needed; be reviewed and approved by program officials; and be recorded in the financial management information system.

050403. Requests for cash advances shall be compared to the projected cash requirements before disbursements are made. Reasons for significant variations between requests for advances and projected cash requirements shall be determined and, if necessary, adjustments made. Advances may be made covering many awards to facilitate cash management and to simplify accounting for both the recipient and the Federal Government. The advances shall be liquidated based upon reports of expenditures and the return of funds

050404. Expenditure reports, by award, shall be prepared as a means for comparing planned with actual expenditures. DoD Component program and financial management staffs shall determine the causes of any significant variances and adjust planned and actual expenditures as needed. The reports shall be reviewed for evidence of performance and reconciled with requests for advance payment and reimbursement. Awardees shall be notified of potential overdrafts and, unless additional funds are made available, the approximate date on which federal funds will expire.

ACCOUNTING ENTRIES FOR GRANTS

1. Dr 1413 Advances to Grantees
Cr 1012 Funds Disbursed
To record authorized advance payments to award recipients.

2. Dr 6123 Grants, Subsidies, and Contributions
Cr 1413 Advances to Grantees
To record recipient's performance under the grant or cooperative agreement.

3. Dr 6123 Grants, Subsidies, and Contributions
Cr 1012 Funds Disbursed
Cr 1413 Advances to Grantees
To record payments to award recipients as reimbursement for work performed or costs incurred.

4. Dr 1710 Land
1730 Buildings
1740 Other Structures and Facilities
Cr 1012 Funds Disbursed
Cr 1413 Advances to Grantees
To record the vesting of title in the government of fixed assets acquired by award recipients.

5. Dr 1316 Refunds Receivable-Public
Cr 6123 Grants, Subsidies, and Contributions
To record a receivable to recover all expenses upon a determination that a recipient has failed to meet the requirements of a grant.

6. Dr 1316 Refunds Receivable-Public
Cr 1413 Advances to Grantees
Cr 1710 Land
Cr 1730 Buildings
Cr 1740 Other Structures and Facilities
Cr 6123 Grants, Subsidies, or Contributions
To record at the termination of a grant or cooperative agreement unused funds or funds that were improperly applied by the recipient.

TABLE 5-1

050405. Disbursements, whether by check or electronic funds transfer, shall be timed to minimize Treasury's financing costs and the time elapsing between the transfer of funds from the U.S. Treasury and subsequent disbursement by the recipient for program purposes. DoD Component systems shall ensure that disbursements are controlled in accordance with guidance contained in chapter 2 of Volume 4.

050406. DoD Components are responsible for ensuring that cash is not disbursed to and/or maintained by awardees in excess of their immediate disbursement needs. DoD Components shall take remedial steps such as switching to the reimbursement method of financing, reducing the size of payments, or denying payment requests until recipients exhaust excess funds if a lack of performance dictates, if the recipient persistently maintains excessive balances of Federal cash, or if the recipient does not establish adequate cash control procedures. Systems, procedures, and reports shall be designed to ensure that excess balances are readily identified and promptly turned over to the Department of the Treasury. Interest charges on excess balances shall be levied and collected as authorized by law.

050407. When the reimbursement method of financing is used, payment to the recipient should be made within 30 days after receipt of the billing.

050408. DoD Components shall maintain appropriate records of property acquired by recipients for which title rests or may rest with the U.S. Government.

050409. Financial and compliance audits of recipients of assistance awards shall be conducted in accordance with OMB guidance. Appropriate actions, such as withholding new awards and/or delaying payments, shall be considered when awardees fail to comply with applicable requirements.

050410. Amounts due as a result of a sustained audit finding shall be recorded promptly upon entitlement as an account receivable. The transaction occurs, for example, when an audit report is issued for matters for which the auditor is authorized to make the final determination. The receivable shall be recorded even though the decision to collect is subject to administrative appeal or litigation by persons outside the agency. Interest, at the rate prescribed in the "Treasury Financial Manual," shall begin to accrue no later than 30 days after the date the auditee was notified of the debt and continue to accrue while an appeal is underway.

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CHAPTER 6**DEFENSE EMERGENCY RESPONSE FUND****0601 OVERVIEW**

060101. Purpose. The purpose of this Chapter is to establish the policy and procedures governing the Defense Emergency Response Fund.

060102. General. The Defense Emergency Response Fund was established to provide obligational authority to appropriations of the DoD Components:

- Upon a determination by the Secretary of Defense that immediate action is necessary in response to natural or manmade disasters; and
- In anticipation of reimbursable orders from other Federal Departments and agencies and from state and local governments.

A. The Treasury index symbol of the Emergency Response Fund is 97X4965. The purpose of this Fund is to prevent an adverse impact on DoD mission accomplishment that otherwise could result from the use of mission funds to finance disaster relief efforts. The Fund initially was capitalized at \$100 million. Reimbursements received for the cost of DoD support provided shall be deposited to the Emergency Response Fund. Assistance provided for disasters or emergencies shall be as prescribed in DoD Directive 3025.1, "Military Support to Civil Authorities."

B. The Secretary of Defense; or his designated representative, the Secretary of the Army; may direct utilization of DoD resources in response to a major disaster or emergency. The DoD resources may be committed within the United States, its territories, possessions, and administrative and commonwealth areas.

C. Requests for assistance from the governor of a state, or an acting governor in the absence of a governor, should be submitted to the Associate Director of the Federal Emergency Management Agency (FEMA) through the appropriate FEMA regional director. Upon receipt of the request, the FEMA regional director shall gather adequate information to support a recommendation and forward it to the Associate FEMA Director. If the Associate FEMA Director determines that such work is essential to save lives and protect property, he/she will issue a mission statement to the Department of Defense authorizing federal assistance to the extent deemed appropriate.

D. The Department shall ensure that support is provided in accordance with the approved scope of work, costs, and time limitations in the mission assignment. The

Department also shall keep the FEMA regional director and officials of the affected state advised of work progress and other project developments. It is DoD's responsibility to ensure compliance with applicable federal, state and local legal requirements. A final report will be submitted to the FEMA regional director upon termination of all direct federal assistance work. Final reports shall be signed by representatives of the Department and the state. Once the final eligible cost is determined, DoD will request reimbursement from the FEMA.

E. The DoD Executive Agent may direct DoD Components to respond to any emergency, based on authority provided by DoD Directive 3025.1 or obtained from the Secretary or Deputy Secretary of Defense. If an emergency of any kind or size requires a response on behalf of the Department but, where there has not been any declaration of a major disaster or emergency by the President, or if reimbursement of funds to the Department of Defense is uncertain, the DoD Executive Agent will determine the authority prior to any commitment of DoD resources:

1. Authorizations by the DoD Executive Agent under the provisions of DoD Directive 3025.1, subsection D.7., shall include (but are not limited to) commitment of funds from the Defense Emergency Response Fund in anticipation of reimbursement to that Fund.

2. Authorizations shall be obtained from the Secretary or Deputy Secretary of Defense, through their Special Assistant, if DoD response is not clearly required by federal law, by this Regulation or under departmental plans approved by the DoD Executive Agent.

0602 POLICY AND PROCEDURES

060201. Appropriation Receipt and Apportionment. The Defense Finance and Accounting Service (DFAS) shall be responsible for recording the appropriation warrant (TFS Form 6200), when received, on applicable accountable records. The Office of the Deputy Comptroller (Program/Budget) is responsible for preparation of the Apportionment/Reapportionment Schedule (SF 132) and the issuance of funding authorizations.

060202. The Secretary of Defense shall, in response to an undeclared civil emergency and/or formal or informal request by the FEMA, or other appropriate party, and in anticipation of reimbursable orders, direct the DoD Executive Agent to authorize necessary action in response to a natural or manmade disaster occurring within a state, territory, possession, administrative, or commonwealth area of the United States.

060203. Initiation of DoD Response

A. The absence of a formal reimbursement agreement need not delay a DoD response; however, every effort should be made to insure that the agreement is executed as soon

as possible after the inception of DoD support. The agreement shall specify that reimbursement shall be in accordance with the provisions of paragraph B.4.

B. As the designated DoD Executive Agent, the Secretary of the Army shall fulfill those responsibilities specified in DoD Directive 3025.1. The Executive Agent, through his/her designee, the Director of Military Support, shall estimate the amount of funds required for each DoD response to an emergency condition, and request an allotment of program authority from the Deputy Comptroller (Program/Budget).

C. The Office of the Deputy Comptroller (Program/Budget) shall issue a fund authorization release letter to the Executive Agent in the lesser of (a) the amount requested, or (b) the unallocated funds within the Defense Emergency Response Fund. Amounts appropriated to the Fund are direct program authority. Amounts reimbursed to the Fund are reimbursable program authority. Allotments of the fund authorization shall be provided from reimbursable program amounts, to the extent that such amounts are available, prior to utilization of direct program authority.

D. The DFAS shall record fund availability and provide accounting support to the Executive Agent. Reimbursable task orders, issued by the Executive Agent or his/her authorized representatives, to the DoD Components requested to provide assistance (performing activities) shall be obligated against the authorized fund allotment for that emergency. The DFAS shall record the issuance of the reimbursable orders to the performing activities.

E. The performing activity shall record receipt of the reimbursable order and provide assistance in accordance with the direction received from the Executive Agent.

F. After the DoD begins its initial response operations, it is necessary to estimate the total funding needs for the duration of that emergency. Within about ten days after the disaster, estimates of total costs to date and resources required to finish the job should be developed by major object class (as described in OMB Circular A11) and furnished to the on-site Federal Coordinating Officer (FCO) and the DFAS.

060204. Reimbursable Costs. Generally, only incremental costs in providing assistance are reimbursable. Specifically, the following costs are eligible for reimbursement:

A. Overtime, travel, and per diem of permanent DoD civilian personnel.

B. Wages, travel, and per diem of temporary DoD civilian personnel assigned solely to performance of services directed by the Executive Agent.

C. Travel and per diem of active duty military personnel, and costs of reserve component personnel called to active duty by a federal official who are assigned solely to the performance of services directed by the Executive Agent.

D. Cost of work, services, and material procured under contract for the purposes of providing assistance directed by the Executive Agent.

E. Cost of materials, equipment and supplies (including transportation, repair and maintenance) from regular stocks used in providing directed assistance.

F. All costs incurred which are paid from trust, revolving, or other funds, and whose reimbursement is required by law.

G. Other costs submitted with written justification or otherwise agreed to in writing by the Executive Agent.

060205 Requests for Reimbursement

A. Performing DoD Activities. Reimbursement may be requested through use of the SF 1080, "Voucher for Transfers Between Appropriations/Or Funds," for reimbursement by Treasury check or by SF 1081, "Voucher and Schedule of Withdrawals and Credits." Requests for reimbursement shall be documented with specific details on personnel services, travel, costs of contracts for services, materials, supplies, and miscellaneous expenses and all other expenses by object class as specified in OMB Circular A-11 and by any subobject class used in the performing activity's accounting system. The Fund shall reimburse performing activities for the duration of relief operations or to the extent that reimbursement to the Fund for that effort by others is known or reasonably probable. DoD activities requesting reimbursement from the Fund shall maintain all financial records, supporting documents, statistical records and other records pertinent to the provision of services or use of resources by those activities. These materials must be accessible to duly authorized officials for the purpose of making audits, excerpts, and transcripts, for a period of 6 years 3 months from the date of submission of the final billing.

B. DFAS and FEMA. The DFAS shall receive and consolidate requests for FEMA reimbursement of Fund expenditures. Requests for reimbursement to FEMA may be submitted at any time; however, a final billing should be submitted within 90 days after completion or termination of the mission. Requests for reimbursement for FEMA directed domestic emergencies shall be submitted via an SF 1080 or SF 1081 to the applicable FEMA Regional Director, FEMA Region #, Attention: Program Support Officer. The SF 1080 or 1081 prepared for FEMA reimbursement should include, in addition to normally provided information, an identifier as to why reimbursement is requested. The identifier should read "Federal Response Plan" and be followed by the FEMA assigned disaster number and state (each state is assigned a specific disaster number). Work performed based on a mission assignment letter from the FEMA shall cite the specific mission assignment under which the work was performed as well as the disaster number. Requests for reimbursement for foreign disasters shall be submitted as directed in the authorizing reimbursable agreement. The SF 1080 or SF 1081 should be accompanied by an attachment which explains the following:

1. Amount previously billed;
2. Current billing amount;
3. Cumulative amount billed to date; and
4. An explanation of charges broken down by:
 - a. Personal services including regular time and overtime with the number of hours and total cost.
 - b. Travel and transportation separating per diem and other travel expenses.
 - c. Materials, supplies, and miscellaneous expenses including separate identification of any single item costing \$1,000 or more. Items of expendable property or supplies costing less than \$1,000 need not be identified. Costs for rental space should be listed separately.
 - d. Costs of contracts for services listed by title and costs.
 - e. Other eligible costs.

060206. Reimbursement of Identified Costs

A. The DFAS shall, in providing accounting support to the Executive Agent, reimburse from the funds allotted for that emergency, performing activities for costs incurred, as specified in paragraph B.4., by those activities and billed to the Defense Emergency Response Fund (97X4965).

B. Collections of funded costs recovered for disaster assistance provided shall be deposited to the credit of the Defense Emergency Response Fund (97X4965) through use of DD Form 1131, "Cash Collection Voucher" or equivalent document. The DFAS, acting as the representative of the Executive Agent, will be responsible for follow up of uncollected reimbursement requests made to the FEMA as prescribed in paragraph 060205, above.

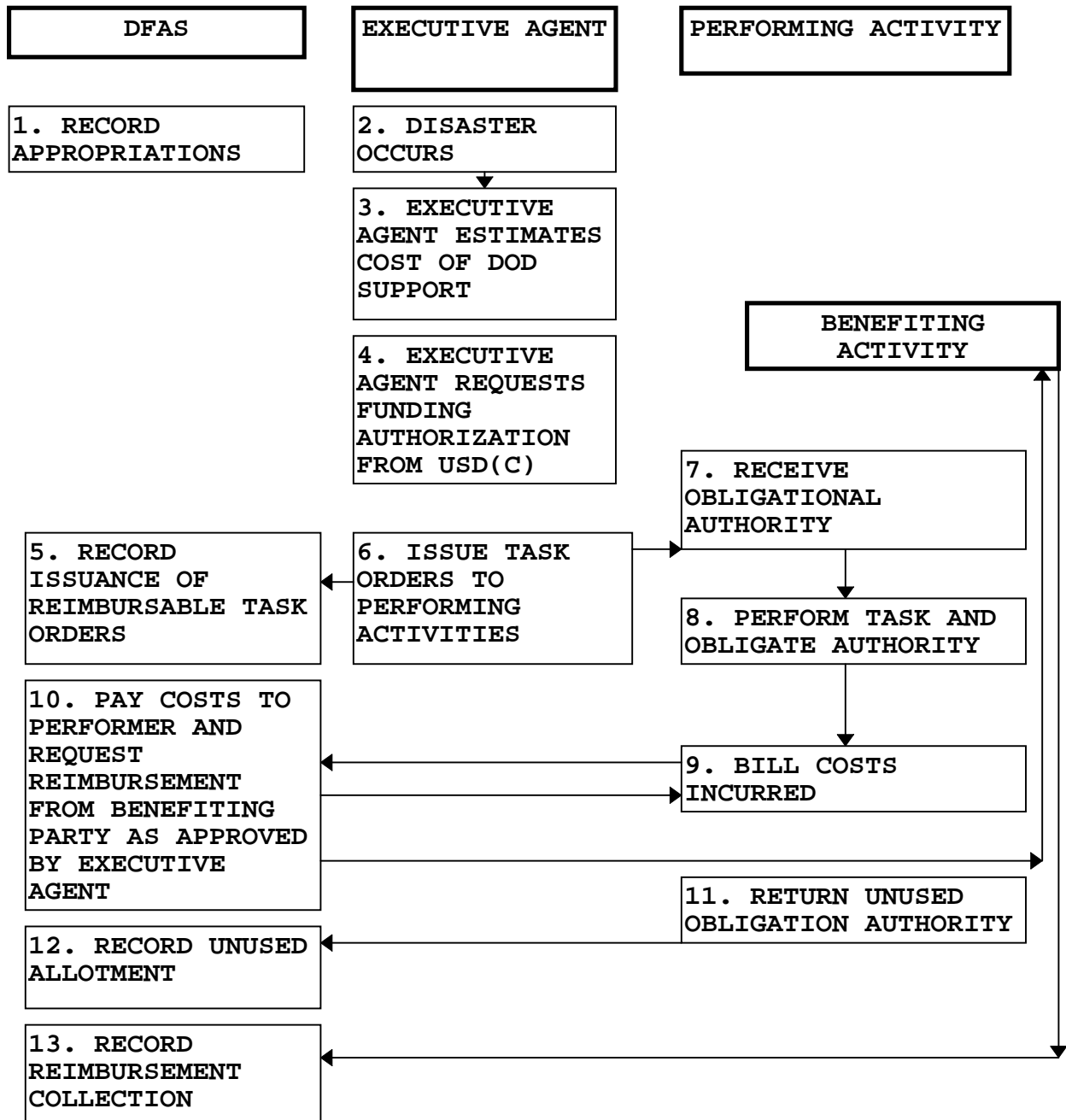
0603 RESPONSIBILITIES

060301. Financial Reporting. The DFAS shall prepare the appropriation and fund status reports for the Defense Emergency Response Fund required by Volume 6 of this Regulation. The reports required for the Defense Emergency Response Fund are:

- A. Year-End Closing Statement, TFS 2108
- B. Report on Budget Execution, SF 133
- C. Flash Report on Obligation Status, Acct Rpt(M)1445
- D. Report on Obligations, SF-225, IRCN 1183-TD-QU
- E. Report on Reimbursements, Acct Rpt(M)725
- F. Financial Statements prescribed by the DoD as required by the Chief Financial Officers Act of 1990.

060302. The Executive Agent/Director of Military Support (DOMS) shall inform the Office of the Deputy Comptroller (Program/Budget) of the need for an additional appropriation, if necessary, to maintain the Defense Emergency Response Fund at its authorized level.

OVERVIEW - DEFENSE EMERGENCY RESPONSE FUND



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CHAPTER 7

**FINANCIAL LIABILITY FOR
GOVERNMENT PROPERTY LOST, DAMAGED OR DESTROYED**0701 OVERVIEW

★ 070101. Purpose. This Chapter provides for the implementation of policies and responsibilities relating to the Financial liability for government property lost, damaged, or destroyed. This Chapter prescribes how to:

A. Account for loss, damage, or destruction of Government property, determine the amount of financial liability of those found to be responsible for such financial losses, provide relief from accountability, and establish debts resulting from the assessment of financial liability.

B. Inquire, research, and investigate the causes of the loss, damage, or destruction of Government property.

C. Assess financial liability with respect to lost, damaged, and destroyed Government property.

D. Initiate DD Form 200, "Financial Liability Investigation of Property Loss."

070102. Responsibilities

A. Under Secretary of Defense (Comptroller). The Under Secretary of Defense (Comptroller) is responsible for financial policies regarding financial liability for government property lost, damaged or destroyed.

B. DoD Components. The DoD Components shall ensure that the policies and procedures of this Chapter are implemented and are responsible for the following:

1. Determining and assessing the amount of financial liability of those responsible for such losses;

2. Mitigation or reduction of, or relief from, financial liability in appropriate cases;

3. Establishing debts resulting from the assessment of financial liability and refer them for appropriate collection action.

0702 GENERAL REQUIREMENTS

070201. Purpose. This section prescribes general requirements regarding accounting for lost, damaged, or destroyed Government property.

★ 070202. Minimum Requirements. The following minimum requirements must be addressed:

A. Investigation. Investigate to ascertain the cause of the loss, damage, or destruction.

B. Proximate Cause. Determination of whether the loss, damage, or destruction was proximately caused by an individual's negligence or abuse.

C. Adjustment. Adjustment of accountable records.

D. Administration. Administration of a system to determine whether a responsible party should be held financially liable for a loss.

070203. INITIATION OF INQUIRIES

A. General. An inquiry shall be initiated immediately after discovery of the loss, damage, or destruction. This inquiry shall be an informal proceeding designed to determine the facts and circumstances leading to the loss, damage, or destruction. The approving authority is responsible for establishing procedures and designating a person to initiate and conduct the inquiry. The person conducting the inquiry shall be responsible for completing blocks 1. through 11. of the DD Form 200, as described in section 0706. At a minimum, this inquiry should identify:

1. What happened.
2. How it happened.
3. Where it happened.
4. Who was involved.
5. When it happened.

6. Any evidence of negligence, willful misconduct, or deliberate unauthorized use or disposition of the property.

B. Evidence of Negligence

1. When inquiring into the loss, damage, or destruction of government property, the first consideration is whether there is evidence of negligence. Some questions to be asked are: “Would a reasonably prudent individual have acted in this manner?” “Were there procedures governing the use of the property, and were they followed?” “What were the circumstances that existed when the loss actually occurred?” “Was the individual on the job?” For example, if a dump truck is parked on an incline, a reasonable person would be expected to set the hand brake and leave the vehicle in park. Using blocks under the wheels might or might not be required. If the individual failed to set the brake and/or use blocks under the wheels and the truck rolled down the incline and was damaged, this could be considered evidence of negligence. A reasonably prudent person would be expected to take precautions.

2. With respect to loss, damage, or destruction of government quarters by military personnel, a distinction between simple and gross negligence is needed. Evidence of simple or gross negligence depends on the conduct of the individual. If the individual failed to exercise precautions or good judgment, then simple negligence applies. If the individual’s conduct was characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences, then gross negligence applies. Evidence of whether simple or gross negligence was the proximate cause of the loss or damage is based on the facts and circumstances and shall be documented during the inquiry process.

C. Unrecorded Property. The requirements of this chapter apply whether or not the Government property is recorded on an accountable record.

D. Losses Involving a Shortage of Public Funds. Proceeds of sales of property or services not yet deposited with a DoD disbursing officer are considered accountable property and are subject to the policies and procedures in this chapter.

E. Exceptions

1. Motor vehicle accident investigation reports may be used to document an inquiry. However, when the documentation clearly indicates that negligence or abuse is involved, or if a claim against the Government is possible, a DD Form 200 shall be prepared.

2. Item discrepancies attributed to shippers and transportation discrepancies attributed to carriers are processed and reported according to “Reporting of Item and Packaging Discrepancies,” (Non-FMS) and “Processing Discrepancy Reports Against Foreign Military Sales Shipments” (FMS), and “Reporting of Transportation Discrepancies in Shipments.” However, item discrepancy reports should be reviewed and evaluated to determine if the circumstances of the loss or damage appear to have been caused by negligence or abuse by DoD personnel. If so, a DD Form 200 shall be prepared.

F. DD Form 200. A DD Form 200 is used to document the facts and circumstances of the loss. (A DD Form 200 is not required when an individual voluntarily makes restitution to the government for the full amount of the loss and a controlled item is not involved.)

070204. Voluntary Payments. Individuals may voluntarily choose to pay the government for lost, damaged, or destroyed government property any time prior to involuntary collection from their pay. Individuals offering the payment do so on their own volition. The government does not seek any advantage or forego any right by accepting a voluntary payment. An individual cannot be coerced or threatened with adverse action if payment is not voluntarily made. Individuals must be made aware of the effect of making a voluntary payment. That is, it may not be later withdrawn, avenues for relief will no longer be available, and voluntary payment does not preclude other administrative or disciplinary action contemplated by an individual's commander. Individuals offering to pay in excess of basic pay for one month by military members or one twelfth of annual pay by civilian employees must be made aware that their liability may be a lesser assessment as a result of an investigation. Voluntary payments may be made in cash or by payroll deduction.

070205. Review. After accountable and/or responsible officers have completed their inquiry, the DD Form 200 shall be sent to the appointing authority for review. The appointing authority shall determine if a financial liability officer or financial liability board is needed to conduct an investigation. The general criteria for appointing a financial liability officer is in paragraph 070402.A. The criteria for appointing a financial liability officer for inventory losses is in paragraph 070807. Legal officials and the member's commander must be consulted before statements are taken from anyone if there is a suspected violation of the Uniform Code of Military Justice (10 U.S.C. Chapter 47).

070206. Financial Liability Officer Investigations. The appointing authority may appoint a financial liability officer to determine whether the facts and circumstances support the findings and recommendations of the individual completing blocks 9. and 10. on the DD Form 200. Qualifications, duties, and responsibilities of financial liability officers are discussed in section 0704.

070207. Financial Liability Board. The appointing authority may appoint a financial liability board in lieu of an officer. The reasons for appointment of a board include the complexity, size, or unique type of loss due to negligence or abuse. The composition, objectives, and functions of the board are discussed in section 0705.

070208. Determination of Financial Loss

A. Computation of Financial Loss. A documented computation of the financial loss to the government shall be made when there is evidence to indicate that the loss was proximately caused by negligence or abuse.

1. When damaged property or items can be repaired economically or restored in condition to that immediately prior to the loss, the loss to the government shall be based on the cost of repair or restoration. If the cost to repair or restore the property exceeds the cost to replace the property, the loss to the government shall be as determined in paragraph, 070208.A.2, below.

2. When property is lost, damaged, or destroyed beyond economical repair, and the property is not replaceable, the amount of the loss shall be the fair market value of the property immediately before the loss. When a fair market value cannot readily be determined, the amount shall be the acquisition cost or standard price, adjusted for depreciation based on the specified depreciation period for such item or if such a period has not been specified, based on its estimated useful life. Depreciation shall be computed using the straight line method of depreciation. In no case should property be depreciated below its scrap value. For property that is damaged beyond economical repair, the scrap or salvage value of the property shall be used to reduce the loss to the government.

★ B. Liability. Financial liability of individuals is based on the actual loss to the government, as computed in paragraph 070208.A, above. When liability is limited by the individual's rate of pay, the amount of the actual loss to the government still is computed. However, in such cases, the financial liability of the individual either is the actual amount of the loss or the limitation based upon the rate of pay, whichever is less.

★ C. Collective Liability. If more than one individual is found liable financially for the loss, damage, or destruction of government property, the individuals shall be collectively liable for the loss to the government. Because the government cannot collect more than the total amount of assessed liability, the approving authority who assessed financial liability will decide how much to collect from each individual. Among the factors to be considered in taking collection action from each liable individual are the degree of each individual's responsibility for the loss, damage, or destruction and the ability to collect for the loss from the responsible individual.

070209. Notification and Examination. When financial liability is recommended, the individual shall be notified and given the opportunity to examine the findings and recommendations, obtain representation, make a rebuttal statement, and present any mitigating factors that may have contributed to the negligence or abuse. If damage to government housing is involved, an individual also shall be given the opportunity to request a waiver of the financial liability, as stated in DoD 4165.63-M, "DoD Housing Management."

0703 APPROVING AND APPOINTING AUTHORITY

070301. Duties and Responsibilities

A. Approving Authority. DoD Component regulations shall designate who may be an approving authority. The approving authority's responsibilities may be delegated; however, the delegations must be in writing. The approving authority also may act as the appointing authority or designate an appointing authority in writing. The approving authority shall:

1. Designate an appointing authority, when needed.

2. Disqualify himself or herself when a conflict of interest is possible because the loss relates to property for which he or she is responsible and/or accountable.

3. Establish procedures and designate a person to initiate and conduct an inquiry immediately after the loss, damage, or destruction is discovered (see paragraph 070203.A).

4. Ensure that all DD Forms 200 received are accurate and complete. Evaluate each DD Form 200 and either approve recommendations to assess financial liability or relieve those involved from liability, responsibility or accountability. The approving authority approves or disapproves all DD Forms 200, regardless of dollar value, unless otherwise delegated in writing.

5. Ensure that all gains and losses which require a formal investigation are promptly and thoroughly investigated. The system used to process DD Forms 200 must be frequently reviewed to evaluate the accuracy and timeliness of the investigations.

6. Ensure that DD Forms 200 are initiated, processed and adjudicated within the time limits that may be established by the DoD Components.

7. Require, if delays occur in the initiating or processing of a DD Form 200, a written explanation of the reason for the delay and take appropriate corrective actions.

8. Ensure that persons held financially liable are so notified, informed of their rights (including waiver rights if Government housing is involved), and given the opportunity to inspect and copy the DD Form 200.

9. Personally evaluate each DD Form 200 when there is evidence of negligence or abuse.

10. Determine whether to delegate to the appointing authority the authority to approve or disapprove a DD Form 200 when there is no evidence of negligence or abuse.

11. Ensure, when financial liability is recommended, or when recommendations appear to be inconsistent with findings, that a judge advocate or civilian attorney has reviewed the findings and provided an opinion on the adequacy of evidence and its relationship to the findings and recommendations. This legal review shall be included as part of the record with the DD Form 200 and completed before final action is taken by the approving authority.

12. Ensure that corrections of any attested entries are properly initialed and documented.

13. Overrule, when appropriate, the recommendations of the appointing authority and the financial liability officer. When this action results in the assessment of financial liability, the individuals not previously recommended for liability shall be advised of their rights and afforded an opportunity to exercise their rights.

14. Formally notify individuals against whom he or she has approved financial liability.

B. Appointing Authority. The appointing authority is designated in writing by the approving authority. The approving authority also may act as appointing authority. The appointing authority is responsible for the following tasks:

1. Appoint a financial liability officer, if needed.
2. Appoint a board in lieu of a financial liability officer to conduct the investigation, if warranted. Reasons for considering appointment of a board include complexity, size, or unique type of loss due to negligence or abuse. (See section 0705.)
3. Provide administrative guidance to the financial liability officer or the board.
4. Review DD Forms 200 for accuracy and compliance with this Regulation.
5. Approve or disapprove the recommendations of the financial liability officer or the board, and forward personal recommendations to the approving authority.
6. Approve or disapprove DD Forms 200 when there is no evidence of negligence or abuse and authorization has been delegated in writing by the approving authority.
7. Approve or disapprove DD Forms 200 when the gain or loss of inventory items is less than \$100,000 and authorization has been delegated in writing by the approving authority.

070302. Summary. The appointing and approving authorities must act on the DD Form 200 once an individual has been properly notified and given the opportunity to respond to the findings. Failure of involved individuals to respond to recommendations of financial liability is not a sufficient reason to delay the approval process if the individuals were given a reasonable opportunity to reply, as discussed in paragraph 070404.B.10.

0704 FINANCIAL LIABILITY OFFICER QUALIFICATION AND RESPONSIBILITIES

070401. Purpose. This section contains policies regarding the qualifications, duties, and responsibilities of individuals appointed to conduct an investigation and determine responsibility for lost, damaged or destroyed property listed on DD Forms 200. This section is

concerned with criteria to determine whether a financial liability officer is required to be appointed, who may be appointed as a financial liability officer, and the duties and responsibilities of that individual. A financial liability officer's findings and recommendations are administrative, not judicial; therefore, the reports are purely advisory; the opinions do not constitute final determinations or legal judgments; and the recommendations are not binding upon appointing and approving authorities.

070402. Criteria

A. Appointment of Financial Liability Officer. The appointing authority should appoint a financial liability officer to conduct a formal investigation when:

1. Recommended by an accountable officer.
2. Directed by higher authority.
3. Deemed appropriate by the appointing authority (e.g., repetitive losses, evidence of negligence or abuse or large dollar losses).

B. Financial Liability Officer Duty. Unless operational requirements clearly dictate otherwise, a financial liability officer shall perform this function as a primary duty until the investigation has been completed.

070403. Financial Liability Officer Qualifications

A. Selection Criteria. A financial liability officer is selected based on training, experience, competence, and ability to conduct independent and objective investigations.

B. Persons Eligible. The financial liability officer shall be a commissioned officer; warrant officer; enlisted member in the grade of E-7, E-8, or E-9; or a civilian employee GS-07, or above. The financial liability officer shall normally be senior to the individuals directly involved in the discrepancy.

C. Use of Reserve Component Personnel. Reserve Component commissioned officers, warrant officers, and noncommissioned officers in grades E-7, E-8, or E-9 not on active duty may serve as financial liability officers during Reserve training sessions.

D. Relationship to Property. Any person who is accountable or responsible for, or in any way directly interested in, the property being investigated shall not be appointed as a financial liability officer.

070404. FINANCIAL LIABILITY OFFICER RESPONSIBILITIES AND DUTIES

A. General

1. The primary purpose of the DD Form 200 is to determine responsibility for lost, damaged or destroyed property. To determine such responsibility, the facts contributing to the loss, damage or destruction must be developed by investigation.

a. The investigation may establish the fact that some other individual is at fault. The financial liability officer shall not limit the investigation to verifying statements of interested parties. Rather, the financial liability officer shall perform an investigation as thoroughly as is needed, in his or her opinion, to ensure that all facts are fully developed, the interests of the government are fully served, and the rights of the involved individuals are fully protected.

b. An investigation is required to determine where responsibility and/or liability belongs without regard to the relationship of the responsible individual to the property. As an example, actions by the accountable officer, responsible officer, or property receipt holder should be investigated as well as actions of the users of the property.

2. The investigation conducted by the financial liability officer is the critical phase of the process. The financial liability officer should determine the actual facts, not as alleged but as they actually occurred. The financial liability officer's recommendations shall be evaluated in succeeding reviews; therefore, the recommendations must be supported by the findings and conclusions.

3. The financial liability officer should be able to make a determination from the findings and conclusions as to how the loss or damage occurred and whether negligence or abuse was involved.

4. After recording the findings and conclusions, the financial liability officer should make recommendations based on policies set forth in this Regulation. The financial liability officer shall recommend whether to assess financial liability.

5. A function of the financial liability officer is to afford to any person whose conduct or performance of duty may be subject to inquiry or who has a direct interest in the inquiry an opportunity to have their position considered, as described in paragraph 070404.B.10, below.

B. Conducting an Investigation. Financial liability officers shall conduct investigations promptly. They shall inform the appointing authority immediately of all delays experienced. In conducting the investigation, the financial liability officer shall personally:

1. Scrutinize all available evidence.
2. Interview witnesses and secure statements from individuals concerning:

- a. The cause of the loss or damage.
 - b. The responsibility for the loss or damage.
3. Compile evidence substantiating or refuting any statement in block 9. of the DD Form 200.
4. Physically examine the damaged property, when available, and then release it for repair or disposal. This should be done on the first day of his or her appointment.
5. Consult the appointing authority for guidance, when needed.
6. Determine the amount of damage as described in paragraph 070208.A., if the property has been damaged. This value may be the cost of repairs or an estimate of the repairs obtained from technical manuals or other reliable sources. Determine the value of the property immediately before its damage if the property is not economically repairable. The accountable officer may be asked to assist if he or she has not been directly involved.
7. Ensure that action is taken to exercise control over the property if the property is recovered during the investigation.
8. Ensure that the total loss to the Government is computed correctly.
9. Coordinate actions with the claims investigating officer when the investigation may cover loss, damage or destruction of government property that is being, has been, or shall be investigated because of attendant events by a claims investigating officer. This includes cases where military personnel or civilian employees, while driving a private vehicle, damage government property and have insurance to pay for part of the loss.
10. Adhere to the following requirements:
 - a. Give any individual against whom the financial liability officer makes a finding of financial liability a chance to examine the report of investigation after the findings and recommendations have been recorded.
 - b. Give the individual being recommended for financial liability the opportunity to make a statement.
 - c. Inform the individual that his or her statement may be used against him or her with regard to financial liability and other administrative and disciplinary actions.
 - d. Fully consider and attach as an exhibit to the DD Form 200 any statement made by the individual(s).

e. Ensure that the individual being recommended for possible financial liability is aware of his or her rights under chapter 30, “Debt Collection by Involuntary Salary and Administrative Offset,” of Volume 5 of this Regulation.

f. Request the individual to acknowledge his or her understanding of these rights by completing block 16. of the DD Form 200.

g. If appropriate, prepare a statement that the individual recommended for liability refused to sign block 17. of the DD Form 200 after being given the opportunity.

h. Mail a copy of the findings, recommendations, and evidence to the person against whom financial liability is recommended by certified mail with a return receipt requested when the person is not readily available. For example, the person may have been transferred or separated from one of the Military Services.

(1) A full explanation of the person’s rights shall be included and a reply shall be requested.

(2) If the reply is not received within 30 days after the date of mailing, the financial liability officer shall record this fact and take action to complete the DD Form 200. The record shall be included in, or appended to, the DD Form 200.

(3) Any reply received subsequent to the expiration of 30 days shall be forwarded through the same channels as the DD Form 200 for attachment to the original DD Form 200.

i. Consider any new evidence received after a recommendation has been made. If the financial recommendations remain unchanged, the financial liability officer shall note that the added evidence was considered and shall provide a rationale for not changing the decision (e.g., no new evidence or the matters do not overcome the evidence supporting the original recommendations. The notation shall be on all copies of the report immediately following the original recommendation. If the financial liability officer makes a change in the original recommendations because of the new evidence, the officer shall record such change as “Amended Recommendations.” These recommendations should be recorded immediately after the original recommendations.

0705 PURPOSE, APPOINTMENT, COMPOSITION, AND FUNCTIONS OF A FINANCIAL LIABILITY BOARD

070501. Purpose. A financial liability board may be appointed by the appointing authority for the specific purpose of conducting the investigation. The primary purpose of a financial liability board is to provide the appointing and approving authorities with adequate information upon which to assess liability or relieve the involved individual from liability for the loss, damage or destruction of government property. A board provides more resources that an

officer to investigate losses that are large, complex, or unique. Financial liability boards are administrative, not judicial. Therefore, their reports are purely advisory, their opinions do not constitute final determinations or legal judgments, and their recommendations are not binding upon appointing and approving authorities. The board members will establish appropriate board procedures, such as voting, work priorities, and etc.

070502. Appointment and Composition

A. Selection. The members of a financial liability board are selected based on training, experience, competence, and ability to conduct independent and objective investigations. The senior member normally shall be designated as the Chair. The appointing authority shall not appoint an individual who was or is accountable or responsible, or has direct interest in the property, including a financial liability officer who may have previously investigated the loss of the property.

B. Composition. The financial liability board members shall be commissioned officers; warrant officers; enlisted members in grades E-7, E-8, or E-9; or civilian employees GS-07, or above. The board Chair and a majority of the board shall normally be senior in rank to the persons directly involved.

C. Use of Reserve Component Personnel. A source of financial liability board members is Reserve Component commissioned officers; warrant officers; and enlisted members in grades E-7, E-8, or E-9 during their Reserve training sessions.

070503. Functions. The following are specific functions of a financial liability board:

A. Primary Function. The primary function of a financial liability board is to research, develop, assemble, record and analyze all available information relative to the loss. The board is required to formulate and clearly express consistent findings of facts, conclusions, and recommendations.

B. Collateral Function. A collateral function of the financial liability board, especially when requested by the appointing authority, is to afford a hearing to any person whose conduct or performance of duty may be subject to inquiry or who has direct interest in the inquiry.

070504. Final Action by the Financial Liability Board. The board Chair completes his or her action on the DD Form 200 as the financial liability officer and recommends relief from, responsibility, or assessment of financial liability.

0706 PREPARATION OF DD FORM 200

070601. Purpose. The purpose of this section is to provide instructions for the preparation of the DD Form 200 "Financial Liability Investigation of Property Loss." Table 7-1 provides an example of a completed DD Form 200. The DD Form 200 is used to document the

financial liability process for lost, damaged or destroyed Government property. When completed, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of property records, supply system stock and financial records.

070602. Instructions for Preparation

- A. Date Initiated. Self-explanatory.
- B. Inquiry and/or Investigation Number. Number assigned to the inquiry and/or investigation in accordance with DoD Component instructions.
- C. Date Loss Discovered. Self-explanatory.
- D. National Stock Number (NSN). Enter the NSN(s), manufacturer's part number, or other identification number(s), in numerical sequence. If not applicable, enter the word "none."
- E. Item Description. Enter the nomenclature of the item(s) including any serial number(s), model number(s), controlled inventory item, etc. If the item is nonstandard, give a brief description sufficient for identification. If only a portion of an end item is damaged, describe the end item, fully, then describe the damaged parts. If additional space is needed, a continuation sheet may be used.
- F. Quantity. Enter the number of units and unit of issue (e.g., 1 each, 2 dozen, 5 pair, etc.).
- G. Unit Cost. Enter the cost per unit shown in official catalogs, supply bulletins, or item records. The specific reference should be indicated for audit trail purposes.
- H. Total Cost. Enter the total cost of all units of each article listed (block 6. x block 7.).
- I. Circumstances Under Which Property Was Lost, Damaged, or Destroyed. Enter a complete statement of the facts, including the date and place of the incident. Include the name, grade, and social security number (SSN) of all persons directly involved. The statement must answer five basic questions of who, what, when, where and how. Identify any appropriate contract number(s), transaction number(s), control number(s), etc. Add as exhibits and identify alphabetically within the block, as needed.
- J. Actions Taken to Correct Circumstances Reported in Block 9. and Prevent Future Occurrences. Include recommended actions by the accountable and/or responsible officer, and if appropriate by the financial liability officer, to the appointing and approving authorities.
- K. Individual Completing Blocks 1. Through 10. Person conducting the inquiry.

L. Responsible Officer and/or Reviewing Authority. See definitions for “Responsible Officer” and “Reviewing Authority.”

M. Appointing Authority. See section 0703 and definition for “Appointing Authority.”

N. Approving Authority. See section 0703 and definition for “Approving Authority.”

O. Findings and Recommendations of the Financial Liability Officer. Enter findings of the financial liability officer along with a recommendation regarding liability of the involved parties.

1. An indication that negligence on the part of the individual has not been determined.

2. A recommendation that the investigation be continued at some future time because of extenuating circumstances.

3. Recommendation for corrective actions.

4. Recommendation that the individuals involved in the loss, damage, or destruction be relieved of responsibility for the property when negligence cannot be established. State the facts on which the recommendations are based. Proper conclusions shall be drawn from available facts, not opinions or suspicions. The financial liability officer must sustain or refute the statements made in block 9. of the DD Form 200 and any other statements that are part of the inquiry and/or investigation. Do not use stereotyped phrases such as “loss or damaged in manner stated.” The financial liability officer shall state in his or her own words how the loss or damage occurred based on the evidence obtained by the investigation.

5. Include a computation of charges, as prescribed paragraph 070208.A. when recommending financial liability. The computation should show how depreciation was calculated and other factors used in determining the loss, or reference should be made to the exhibit on which the computation is recorded. The results of the computation shall be entered in block 15.b.

6. Describe the disposition of the property. Items that have been classified as “uneconomically repairable” shall be turned in to the designated person (e.g.; property custodian, accountable officer, or Defense Reutilization and Marketing Service) when released by the financial liability officer or the appointing authority when a financial liability officer is not appointed.

7. Recommendations shall be entered immediately after the findings. The recommendation shall include:

a. Financial liability to be assessed or relief from responsibility and accountability. Also, enter this information in block 15.d. For a military member enter monthly basic pay and for a civilian enter one-twelfth of the yearly salary.

b. Disposition instructions for any unserviceable property not previously sent to the Defense Reutilization and Marketing Service.

c. State clearly the full name, grade, SSN, and the amount of the charge, when recommending financial liability.

d. State if the DD Form 200 may cover the loss, damage, or destruction of property for which a claim is also being processed.

8. The recommendations must represent a logical and equitable decision developed from the facts cited in the evidence and findings.

9. Sign the DD Form 200 in block 15.j., at the end of the recommendations. (See sections 0704 and 0705, and definition for “Financial Liability Officer.”)

P. Individual Charged. See paragraph 070404.B.10. Enter in block 16.d., the individual’s name and rank or grade when financial liability is assessed. Enter in block 16.e., that individual’s SSN. Initiate collection action by forwarding a copy of the approved DD Form 200 by transmittal document to the servicing disbursing officer. All continuation sheets are to be included and the attachments and exhibits excluded. The approved DD Form 200 is sufficient to hold a person financially liable and establish a debt.

Q. Accountable Officer. See definition. Record document numbers used to adjust property and financial records. All other blocks are self-explanatory.

0707 GOVERNMENT HOUSING LIABILITY

070701. Purpose. This section describes the liability of military personnel for the loss, damage, or destruction of government housing (family housing or unaccompanied personnel housing). It describes minimum requirements for assessing financial liability when government housing, including equipment or furnishings therein, is lost, damaged or destroyed. Government housing within the scope of this Chapter includes both permanent and temporary quarters either owned by, or controlled by, the U.S. Government.

070702. Policy

A. Determination of Proximate Cause. A member of a Military Service shall be held liable to the United States for the loss, damage or destruction of family housing or an unaccompanied personnel housing unit assigned to such member, including equipment and furnishings therein, when a determination is made that the loss, damage or destruction was

proximately caused by the abuse or negligence of the member, a dependent of the member, or a guest either of the member or the member's dependent.

B. Financial Liability of Military Members. Financial liability against military personnel for loss, damage or destruction of Government housing, including equipment and furnishings therein, is assessed for the full amount of the loss if the loss, damage or destruction was proximately caused by gross negligence or abuse. Liability of military members for damage to government housing and related equipment and furnishings is prescribed in 10 U.S.C. 2775 and DoD 4165.63-M, "DoD Housing Management."

C. Notification and Examination. Occupants who are assessed financial liability for loss of, or damage to, assigned government housing shall be notified in accordance with paragraph 070209. A member's failure to respond shall not preclude the government from completing a DD Form 200.

D. Determination of Negligence. Determinations must be made on whether the loss or damage to Government housing was proximately caused by simple or gross negligence or abuse of the member, the member's dependents, or guests of either. Such a determination leads to the following considerations:

1. When the proximate cause of the loss or damage is determined to be gross negligence or abuse, the financial liability of the member is the total amount of the loss to the government. Where a member's dependent or guest causes a loss or damage through gross negligence or abuse, the member is fully liable for the loss or damage if the member was "on notice" of the particular risk involved and failed to exercise reasonable, available opportunities to prevent or limit the loss or damage. In the absence of evidence to the contrary, the member is presumed to have been "on notice" of any risks attending the activities of family members and guests on the premises.

2. Where simple negligence is determined to be the proximate cause of the loss or damage, the financial liability of the member is limited to an amount equal to basic pay for one month at the rate in effect at the time of the loss, or the amount of the loss, whichever is less.

0708 SUPPLY SYSTEM MATERIEL

070801. Purpose. This section applies to personal property defined as "supply system materiel" and contains procedures to be followed when inventory losses are discovered. The provisions of this chapter are applicable to all activities accountable for supply system materiel including stock fund and other inventories (e.g., appropriated fund, industrial fund, etc.).

★ 070802. Inventory. Physical inventories shall be taken in accordance with the provisions contained in this Regulation and DoD Instruction 4140.1, "Materiel Management Policy."

A. Discrepancies. Despite the safeguards established by DoD Components in the care and maintenance of supply system stocks, discrepancies may occur between stock record balances and materiel in storage. These discrepancies are subject to postcount validation, preadjustment research, and causative research, as prescribed in chapter 7 of DoD 4000.25-2-M “Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP).”

B. Adjustments. An adjustment shall be made to the inventory and financial records to bring those records into balance after appropriate research. Care should be taken to process the transactions correctly (e.g., an issue posted twice should be corrected by a reversal (credit transaction), not as a loss of inventory). These types of corrected discrepancies are referred to as resolved discrepancies. For unresolved inventory losses, an inventory adjustment document or a DD Form 200 shall be used to substantiate adjusting the inventory and accounting records to the stock on hand and to provide relief from property accountability or responsibility.

C. Causative Research

1. Causative research shall be conducted for all inventory discrepancies that meet any of the criteria specified in DoD 4000.25-2-M, “Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP).” For inventory discrepancies which do not meet the criteria for performing causative research, a justification for adjusting the inventory and accounting records and relief from property accountability shall be provided by means of an inventory adjustment document in accordance with section D., below.

2. One of the purposes of this research is to either establish liability or provide relief from accountability for the accountable and/or responsible officer(s) for the loss, damage or destruction of supply system materiel.

3. Another purpose of the research is to determine if the loss to the government was proximately caused by the negligence or abuse of individuals. If an individual accepts responsibility for the loss, damage or destruction of supply system materiel and voluntarily reimburses the government, a DD Form 200 is not required. The collection voucher may be used to adjust the financial and property records.

D. DD Form 200 Used in Substantiating Inventory Loss Adjustments. When authorized, the reviewing authority may approve physical inventory adjustments equal to or less than \$50,000, when negligence or abuse is not evident or suspected. When negligence or abuse is evident or suspected, the reviewing authority initiates and forwards the DD Form 200 to the appointing authority for action. The financial liability investigation shall be used to substantiate adjusting the stock record, and providing relief from property accountability.

070803. Resolved Inventory Losses

A. Accountability. The data developed by postcount validation, preadjustment research, and causative research shall be utilized to prepare correcting

documentation so that the inventory accounting systems may be updated. These adjustments shall be processed in accordance with this Regulation and DoD 4000.25-2-M.

B. Statistics. This type of data shall be classified in accordance with Chapter 7 of DoD 4000.25-2-M and the data accumulated to identify trends and problem areas.

070804. Unresolved Inventory Losses that Do Not Meet the Criteria for an Investigation

A. Accountability. Relief from property accountability and justification for the adjustment of the inventory and accounting records to the inventory on hand shall be provided by means of an inventory adjustment document. The detail data requirements and procedures for preparing and processing the inventory adjustment document shall be as prescribed in appropriate DoD Component implementing documents.

B. Authority for Adjustment. If the cause or probable cause of the discrepancy has not been determined, and the discrepancy does not qualify for causative research, this paragraph shall be cited as authority for relieving the accountable officer of accountability.

C. Statistics. See paragraph 070803.B., above.

070805. Unresolved Inventory Losses - Causative Research Indicates No Personal Responsibility

A. Accountability. See paragraph 070804.A., above.

B. Statistics. The type of inventory losses shall be categorized and accumulated by category to identify trends and/or problem areas in accounting or supply system procedures in accordance with Chapter 7 of DoD 4000.25-2-M.

070806. Unresolved Inventory Losses - Causative Research Indicates Evidence of Personal Responsibility

A. Method of Adjustment. A financial liability investigation shall be used to support adjustment of the inventory and accounting records to the actual inventory on hand and to relieve the accountable officer of accountability.

B. Statistics. See paragraph 070805.B., above.

070807. Criteria for an Investigation. A financial liability investigation shall be initiated on all unresolved inventory discrepancies for each stock number that meets any of the following criteria:

A. Gains and losses of sensitive items (e.g., drugs designated as controlled substances and assigned to one of five schedules by the Drug Enforcement Agency, Department

of Justice, under the Comprehensive Drug Abuse, Prevention, and Control Act of 1970 and any other drugs designated for local control by the Medical Treatment Facility Commander, precious metals, hazardous materiel, small arms, ammunition, explosives) regardless of dollar value.

B. Gains and losses of classified items, regardless of dollar value.

C. Gains and losses of pilferable items when the unit price times the quantity is equal to or greater than \$2,500.00 for each stock number.

D. Any inventory loss when there is an indication or suspicion of fraud, theft or negligence.

E. Repetitive losses when the cumulative dollar value of the inventory losses equals or exceeds the projected cost of the financial liability investigation.

F. Bulk petroleum when the loss exceeds the stated allowance.

070808. Procedures for an Investigation

A. Accountability and Responsibility. For unresolved inventory losses which meet the criteria set forth in paragraphs 070806 and 070807, above, a DD Form 200 is required to relieve accountable or responsible officers from responsibility, to substantiate adjustment of the inventory and accounting records to the inventory on hand, and to identify problem areas or trends for corrective actions. A financial liability investigation should be conducted by a person who is not directly supervised by the accountable or responsible officer. It shall include, as a minimum, the following actions:

1. Review and evaluate existing procedures for their adequacy in protecting property.

2. Determine compliance with prescribed regulations and procedures.

3. Determine who is involved and what responsibilities they have been assigned.

4. Determine whether simple or gross negligence or abuse is evident.

5. Review of causative research conducted.

6. Determine the cause or the probable cause of the inventory loss.

7. Recommend actions to minimize recurrence of the inventory loss.

B. Review the Adequacy of Procedures in Protecting Property

1. Physical Security Review. Determine if storage facilities are adequate to ensure proper safeguarding of all items, especially those items that are sensitive, classified, or subject to pilferage. The review should include an evaluation of compliance with regulatory requirements, procedures to determine degree of susceptibility of items to theft or pilferage, and lessons to be learned from losses that have been experienced.

2. Receipt, Storage, and Shipment Procedures Review. Determine if adequate procedures exist to prevent loss from theft or pilferage during receipt, storage, or shipment. The degree of protection should be commensurate with statutory and regulatory requirements, the degree of susceptibility to theft or pilferage, and experienced losses.

C. Determine Procedural Compliance. Determine if the responsible persons have complied with existing procedures to protect Government property. If they have not complied with the procedures, determine if they failed to comply or were instructed not to comply.

0709 PETROLEUM PRODUCT/LOSSES

070901. Loss Expectancy. Some losses are unavoidable in the handling and storage of volatile products. These losses can be controlled by management actions to limit the rates of loss for such products so that standards are not exceeded. For this reason, Volume II, chapter 9, of DoD 4140.25-M, "Management of Bulk Petroleum Products, Storage and Distribution Facilities." provides authorized loss allowances to accommodate product losses normally expected. Losses are categorized as in-transit, operating, and determinable. These categories are defined in Volume II, chapter 9, of DoD 4140.25-M. However, any trends, such as a pattern of losses within the allowable percentage, shall require further research and investigation.

070902. In-Transit Losses. Losses of product received at DoD activities are allowable only when the actual loss is within the authorized allowance. When a loss exceeds the allowance, a portion of the loss is not allowable, and the entire loss will be reported as prescribed in Volume II, chapter 9, of DoD 4140.25-M. Causative research, as described in paragraph 070803.C, shall be performed if there is any suspicion of negligence or abuse on the part of U.S. Government personnel who contributed to the loss.

070903. Operating Losses. Terminal operating loss allowances for various types of petroleum products are prescribed in Volume II, chapter 9, of DoD 4140.25-M. When the loss exceeds the stated allowance, a portion of the loss is not allowable; and the entire loss must be researched and reported in accordance with the provisions in section 0708.

070904. Determinable Losses. Losses which occur from determinable causes (such as tank overflows, spills, pipeline breaks, fire or unrecoverable tank bottom) can normally be precluded or greatly minimized by effective management. These losses shall be researched and reported in accordance with section 0708 of this volume.

FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS

FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS										
PRIVACY ACT STATEMENT										
AUTHORITY: 10 USC 136; 10 USC 2775; DoD Instruction 7200.10; EO					ROUTINE USES: None.					
PRINCIPAL PURPOSE: To officially report the facts and circumstances supporting the assessment of financial charges for the loss, damage, or destruction of DoD-controlled property. The purpose of soliciting the SSN is for positive identification.					DISCLOSURE: Voluntary; however, refusal to explain the circumstances under which the property was lost, damaged, or destroyed may be considered with other factors in determining if an individual will be held financially liable.					
1. DATE INITIATED (YYMMDD) 910102			2. INQUIRY/INVESTIGATION NUMBER 91020001			3. DATE LOSS DISCOVERED (YYMMDD) 910101				
4. NATIONAL STOCK NO. None		5. ITEM DESCRIPTION 1988 Ford Taurus			6. QUANTITY 1		7. UNIT COST \$4,000.00		8. TOTAL COST \$4,000.00	
9. CIRCUMSTANCES UNDER WHICH PROPERTY WAS (X one) (Attach additional pages as necessary) <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <input type="checkbox"/> LOST <input type="checkbox"/> DAMAGED <input checked="" type="checkbox"/> DESTROYED </div> <p>Government vehicle was left unattended in a test firing range on December 31, 1990. See attached details.</p>										
10. ACTIONS TAKEN TO CORRECT CIRCUMSTANCES REPORTED IN BLOCK 9 AND PREVENT FUTURE OCCURRENCES (Attach Additional pages as necessary) Assessment of liability in the amount of the fair market value of the vehicle.										
11. INDIVIDUAL COMPLETING BLOCKS 1 THROUGH 10										
a. ORGANIZATIONAL ADDRESS (Unit Designation Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-0112 Washington D.C.20360				b. TYPED NAME (Last, First, Middle Initial) Smith, John L.			c. DSN NUMBER 999-9999			
				d. SIGNATURE			e. DATE SIGNED 910103			
12. (X one) <input checked="" type="checkbox"/> RESPONSIBLE OFFICER (PROPERTY RECORD ITEMS) <input type="checkbox"/> REVIEWING AUTHORITY (SUPPLY SYSTEM STOCKS)										
a. NEGLIGENCE OR ABUSE EVIDENT/SUSPECTED (X one) <input checked="" type="checkbox"/> (1) Yes <input type="checkbox"/> (2) No			b. COMMENTS/RECOMMENDATIONS							
c. ORGANIZATIONAL ADDRESS (Unit Designation Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-0112 Washington D.C.20360				d. TYPED NAME (Last, First, Middle Initial) Doe, John L.			e. DSN NUMBER 999-9999			
				f. SIGNATURE			g. DATE SIGNED 910104			
13. APPOINTING AUTHORITY										
a. RECOMMENDATION (X one) <input checked="" type="checkbox"/> (1) Approve <input type="checkbox"/> (2) Disapprove			b. COMMENTS/RATIONALE				c. FINANCIAL LIABILITY OFFICER APPOINTED (X one) <input checked="" type="checkbox"/> (1) Yes <input type="checkbox"/> (2) No			
d. ORGANIZATIONAL ADDRESS (Unit Designation Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-0112 Washington D.C.20360				e. TYPED NAME (Last, First, Middle Initial) Smith, Jane R.			f. DSN NUMBER 999-9999			
				g. SIGNATURE			h. DATE SIGNED 910113			
14. APPROVING AUTHORITY										
a. RECOMMENDATION (X one) <input checked="" type="checkbox"/> (1) Approve <input type="checkbox"/> (2) Disapprove			b. COMMENTS/RATIONALE				c. LEGAL REVIEW COMPLETED IF REQUIRED (X one) <input type="checkbox"/> (1) Yes <input checked="" type="checkbox"/> (2) No			
d. ORGANIZATIONAL ADDRESS (Unit Designation Office Symbol, Base, State/Country, Zip Code) Bureau of Naval Weapons WEPS-0112 Washington D.C.20360				e. TYPED NAME (Last, First, Middle Initial) Doe, Jane R.			f. DSN NUMBER 999-9999			
				g. SIGNATURE			h. DATE SIGNED 910114			

DD FORM 200, FEB 91 (EG)

PREVIOUS EDITIONS ARE OBSOLETE.

Designed using Perform Pro, WHS/DIOR, Jun 94

Table 7-1

FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS (CONT)

15. FINANCIAL LIABILITY OFFICER			
a. FINDINGS AND RECOMMENDATIONS <i>(Attach additional pages as necessary)</i> Gross negligence was found. Recommend financial liability assessment equal to the fair market value of the vehicle. See Attachments.			
b. DOLLAR AMOUNT OF LOSS \$4000.00		c. MONTHLY BASIC PAY \$3000.00	d. RECOMMENDED FINANCIAL LIABILITY \$3000.00
e. ORGANIZATIONAL ADDRESS <i>(Unit Designation, Office Symbol, Base, State/County, Zip Code)</i> Bureau of Naval Weapons WEPS-0112 Washington D.C. 20360		f. TYPED NAME <i>(Last, First, Middle Initial)</i> Smith, Elliot R.	g. DSN NUMBER 999-9999
		h. DATE REPORT SUBMITTED TO APPOINTING AUTHORITY <i>(YYMMDD)</i> 910111	i. DATE APPOINTED <i>(YYMMDD)</i> 910105
		j. SIGNATURE	k. DATE SIGNED 910111
16. INDIVIDUAL CHARGED			
a. I HAVE EXAMINED THE FINDINGS AND RECOMMENDATIONS OF THE FINANCIAL LIABILITY OFFICER AND <i>(X one)</i>			
<input type="checkbox"/> (1) Submit the attached statement of objection.	<input checked="" type="checkbox"/> (2) Do not intend to make such a statement.		
b. I HAVE BEEN INFORMED OF MY RIGHT TO LEGAL ADVICE. MY SIGNATURE IS NOT AN ADMISSION OF LIABILITY.			
c. ORGANIZATIONAL ADDRESS <i>(Unit Designation, Office Symbol, Base, State/County, Zip Code)</i> Bureau of Naval Weapons WEPS-0112 Washington D.C. 20360		d. TYPED NAME <i>(Last, First, Middle Initial)</i> Smith, William A.	e. SOCIAL SECURITY NUMBER 111-11-1111
		g. SIGNATURE	h. DATE SIGNED 910112
f. DSN NUMBER 999-9999			
17. ACCOUNTABLE OFFICER			
a. DOCUMENT NUMBER(S) USED TO ADJUST PROPERTY RECORD N0001991PR000001			
b. ORGANIZATIONAL ADDRESS <i>(Unit Designation, Office Symbol, Base, State/County, Zip Code)</i> Bureau of Naval Weapons WEPS-0112 Washington D.C. 20360		c. TYPED NAME <i>(Last, First, Middle Initial)</i> Smith, Roger T.	d. DSN NUMBER 999-9999
		e. SIGNATURE	f. DATE SIGNED 910201

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Table 7-1 (CONT)

DEFINITIONS

1. Abuse. Willful misconduct or deliberate unauthorized use.
2. Accountability. The obligation imposed by law, lawful order, or regulation on an officer or other person for keeping an accurate record of property documents, or funds. The person having this obligation may or may not have actual possession of the property, documents, or funds.
3. Accountable Officer. An individual appointed by proper authority who maintains item and/or financial records in connection with Government property, irrespective of whether the property is in his or her possession for use or storage, or is in the possession of others to whom it has been officially entrusted for use or for care and safekeeping.
4. Acquisition Cost. Consists of the amount paid for the property, less both trade and cash discounts, plus the transportation costs.
5. Appointing Authority. An individual designated in writing by the approving authority. The approving authority may act as the appointing authority. The appointing authority appoints financial liability officers, if required; approves or disapproves the recommendations of the responsible officer, reviewing authority, or financial liability officer; and recommends actions to the approving authority. The appointing authority is normally senior to the responsible officer, reviewing authority, accountable officer, and financial liability officer.
6. Approving Authority. The approving authority makes determinations to either relieve involved individuals from responsibility and/or accountability or approve assessment of financial liability. The approving authority may act as the appointing authority or designate an appointing authority in writing. DoD Component regulations shall designate who may serve as the appointing authority. The approving authority is normally senior to the appointing authority.
7. Collective Liability. Where more than one individual may be liable for a debt, both collectively or individually.
8. Commander. An individual vested with command authority in a DoD Component.
9. Controlled Inventors Items. Those items designated as having characteristics which require that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Controlled inventory items in descending order of the degree of control normally exercised are:
 - a. Classified Items. Material which requires protection in the interest of national security.
 - b. Sensitive Items. Material which requires a high degree of protection and control due to statutory requirement or regulations, such as narcotics and drug abuse items; precious metals;

items which are of a high value, highly technical, or a hazardous nature; and small arms, ammunition, explosives, and demolition material.

c. Pilferable Items. Materials having a ready resale value or application to personal possession and which is, therefore, especially subject to theft.

10. Culpability. Determination of fault.

11. Deliberate Unauthorized Use. Willful or intentional use without right, permit, or authority.

12. Discrepancies. The loss, gain, damage, or destruction of Government property.

13. Financial Liability. The statutory obligation of an individual to reimburse the Government for lost, damaged, or destroyed Government property as a result of negligence or abuse.

14. Financial Liability Officer. An individual who is appointed in writing by the appointing authority to conduct an investigation to determine responsibility for loss, damage, or destruction of Government property. Individuals so appointed shall not be the accountable or responsible officer or have any direct interest in the property being investigated. The individual shall be a commissioned officer; warrant officer; enlisted member in grades E-7, E-8, or E-9; or a civilian employee GS-07, or above. However, the financial liability officer is normally senior to the person(s) directly involved with the discrepancy. The appointing authority may act as the financial liability officer.

15. Government Property. See “property” (definition 25).

16. Gross Negligence. An extreme departure from the course of action to be expected of a reasonably prudent person, all circumstances being considered. The act is characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences.

17. Industrial Property. As distinguished from military property, means any contractor-acquired or Government property, including materials, special tooling, and industrial facilities, furnished or acquired in the performance of a contract or subcontract.

18. Investigation. Means of determining the facts related to loss, damage, or destruction of Government property; determining the present condition of such property; receiving recommendations as to disposition, retention, and further accountability for such property; or determining the responsibility for loss, gain, damage, or destruction of Government property.

19. Item. A generic term meaning any article of material which is produced, stocked, stored, issued, or used.

20. Liability. The state of being responsible or answerable for the loss, gain, damage, or destruction of Government property.

21. Negligence. The failure to act as a reasonable prudent person would have acted under similar circumstances. An act or omission that a reasonably prudent person would not have committed or omitted under similar circumstances and which is the proximate cause of the loss of, damage to, or destruction of Government property. Failure to comply with existing laws, regulations, or procedures may be considered as evidence of negligence.
22. Personal Arms or Equipment. Equipment or clothing issued to individuals for their sole use and care, such as weapons, personal retention items mobility kit bags, flight jackets, parkas, and similar items. In defining personal arms or equipment, determine how the property is used by the member, and whether it is turned in at the end of the work shift. This is especially true when dealing with portable radios and hand tools. A portable radio, for example, is personal equipment when an individual uses it constantly, carries it wherever he or she goes, and has it for an indefinite period of time. However, it is not personal equipment when the individual has it for a specified time while on duty, and turns it in to be used by others at the end of a shift.
23. Personal Property. Property of any kind or any interest therein, except real property, records of the Federal Government, and Naval vessels of the following categories: aircraft carriers, battleships, cruisers, destroyers, and submarines.
24. Probable Cause. Reasonable grounds for belief.
25. Property. Anything that may be owned. As used in the military establishment, this term is usually confined to “tangible property,” including real estate and material. For special purposes and as used in certain statutes, this term may exclude such items as the public domain, certain lands, certain categories of naval vessels and records of the Federal Government.
26. Property Record. General term referring to any record of property. It is inclusive not only of stock record accounts, but also of organization and installation property books, clothing and equipment records, hand receipt records, or any system of files for property records. Also called, “property account.”
27. Proximate Cause. The cause which, in a natural and continuous sequence of events unbroken by a new cause, produced the loss or damage. Without this cause the loss, gain, or damage would not have occurred. It is further defined as the primary moving cause, or the predominate cause, from which the loss, gain, or damage followed as a natural, direct, and immediate consequence.
28. Record. All forms of information (e.g., narrative, graphic data, and computer memory) registered in either temporary or permanent form so that it can be retrieved, reproduced, or preserved.
29. Research. An investigation of potential or actual discrepancies between physical count and recorded balances. The purpose of the research is to determine the correct balance and determine the cause of discrepancies. There are three types of research.

a. Postcount Validation. A comparison of physical count with potential recorded balances or another count, with consideration of transactions that have occurred recently. The purpose of postcount validation is to determine the validity of the count. Postcount validation research ends when the accuracy of the count has been verified or when any necessary recounts have been taken.

b. Preadjustment Research. A review of potential discrepancies, which involves the consideration of recent transactions and verification of catalog data. The purpose of preadjustment research is to determine the correct balance. Preadjustment research ends when the balance has been verified or the adjustment quantity determined.

c. Causative Research. An investigation of discrepancies (i.e., gains and losses) consisting of (as a minimum) a complete review of all transactions to include supporting documentation: catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory; the last location reconciliation which included quantity; or back one year whichever is sooner. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible.

30. Responsibility. An obligation for the proper custody, care, and safekeeping of property or funds entrusted to the possession or supervision of an individual.

31. Responsible Officer. An individual appointed by proper authority to exercise custody, care, and safekeeping over property entrusted to his or her possession or under his or her supervision.

32. Responsible Person. An individual issued Government property on the basis of a property receipt.

33. Reviewing Authority. An individual designated in writing by the approving authority to review and analyze the results of supply system stock research.

34. Simple Negligence. see “negligence” (definition 21).

35. Standard Price. The unit price of an item, as it is recorded in the Standard Catalog for use in financial and accountable records of the holding Service of Agency. (An item not included in the appropriate Service or agency pricing catalog shall be priced at original cost, if available, or if not known, at fair market value, as stated in paragraph 070208.A.2, of this chapter.)

36. Stock Record. A perpetual inventory form of record which shows by nomenclature, the quantities received, issued, and the balance on hand. The stock record shall show by item the receipt, issue, and transfer of accountability of property; the balances on hand; and such other identifying or stock control data as required.

37. Supply System Material. Supply system material refers to those inventories, wholesale and below wholesale, where a stock record account is required to be maintained.

38. Willful Misconduct. Intentional damage, destruction, misappropriation, or loss of Government property.

CHAPTER 8**FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE****0801 OVERVIEW**

080101. Purpose. This chapter provides policy and procedures applicable to the Foreign National Employees Separation Pay Account, Defense.

080102. Background

A. The National Defense Authorization Act for Fiscal Years 1992 and 1993 authorized a trust fund account to accumulate obligations for separation payments to foreign national employees of the Department of Defense. Title 10, U.S.C., section 1581 provides for establishment and operation of the account.

B. Except as provided herein, all separation payments for DoD foreign national employees shall be made from this account. All amounts that were obligated for such separation payments, but not expended before enactment, shall be transferred to this account. Similar amounts obligated after enactment shall also be transferred into this account on a quarterly basis. Amounts in the account shall remain available until expended.

C. This guidance applies to all Department of Defense appropriations. This guidance does not apply to activities under the Defense Business Operations Fund. Business Operations Fund activities shall continue to make necessary foreign national employee severance payments under established Business Operations Fund procedures. This guidance also does not apply to the Foreign Military Sales Trust Fund. FMS Trust Fund activities will continue to accrue and disburse separation pay to their foreign national employees from the FMS Trust Fund.

0802 POLICY AND PROCEDURES

080201. Amounts to be obligated for foreign national employees separation pay shall be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts shall be obligated in the full amount of the liability that accrues during the fiscal year, without regard to whether the amount currently is payable. Disbursement of these amounts shall be made from the Foreign National Employees Separation Pay Account, Defense.

080202. Foreign national employee separation pay accruals (obligations) shall be transferred quarterly to the Foreign National Employees Separation Pay Account, Defense. Such amounts are to be transferred via an SF 1081, "Voucher and Schedule of Withdrawals and Credits."

080203. The Director, Defense Finance and Accounting Service, shall administer the Account as well as perform related accounting functions.

080204. Administrative subdivisions shall be established within the Account for each DoD Component that budgets for foreign national employee separation pay. Deposits into and payments from the Account shall be recorded in the applicable DoD Component's subdivision.

080205. Except for those organizations operating within the Defense Business Operations Fund, all separation payments for foreign national employees from DoD appropriations shall be disbursed from the Foreign National Employees Separation Pay Account. Requests for authorization to disburse from this Account shall be forwarded to the servicing DFAS Center.

080206. The appropriation symbol for the Foreign National Employees Separation Pay Account, Defense is 97X8165. The applicable receipt account is 97X8165.1.

080207. Transfers. Transfers into the Account shall be made as follows:

A. All amounts accrued (obligated) for foreign national employee separation pay liability during each fiscal year by any DoD Component shall be transferred into the Account on a quarterly basis. The SF 1081 will be used to effect such transfers.

B. When required payments from a DoD Component's subdivision of the Account exceed the balance in that Component's subdivision, additional amounts must be obligated, from funds otherwise available to a DoD Component, and subsequently transferred into the Account under authority provided in the National Defense Authorization Act for Fiscal Years 1992 and 1993. Such transfers shall equal the amount of the payment in excess of the balance of the Component's subdivision of the account, plus any amounts that are accrued but not currently payable.

C. Each DoD Component, in conjunction with the Director, Defense Finance and Accounting Service, shall perform at least an annual review of the amounts in its respective Account subdivision and compare such amounts to its foreign national separation pay liabilities. The purpose of this review is to ensure that sufficient funds have been obligated for future payments. If required, additional amounts must be obligated, from funds otherwise available to a DoD Component, and subsequently transferred into the Account under authority provided in the National Defense Authorization Act for Fiscal Years 1992 and 1993. Both parties shall certify to the accuracy of the information. This annual review shall occur each April. The DFAS and the DoD Components also shall maintain an audit trail of accountable records and assure the establishment of an effective internal control system for the entire account.

080208. Deobligations. Each DoD Component shall notify its servicing DFAS Center of all deobligation transactions, adjustments and corrections, in a timely and accurate manner. The respective Center will record adjustments and corrections in the accounting records.

080209. Availability of Deobligated Amounts. Amounts deobligated by the DoD Components shall remain in the Account for a period of two years from the date of deobligation. During that time, the deobligated amounts are to be available for recording, adjusting, and liquidating amounts properly chargeable to the liability of the respective DoD Component. Any such deobligated amount remaining in the Account after the two year period shall be canceled.

0803 SUBSEQUENT DISBURSEMENTS

080301. Validation of Funds Availability. When approved by the Defense Finance and Accounting Service, disbursements for foreign national employee separation payments may continue to be made by local disbursing offices, including the Department of State, using DoD cross-disbursement procedures as applicable. Each DoD Component and non-DoD office, e.g., State Department, must coordinate its disbursement/cross-disbursement actions with the servicing DFAS Center to validate the availability of funds prior to disbursement. A positive balance in the Account is necessary prior to payment; therefore, both DoD and non-DoD activities will verify from the servicing DFAS Center that sufficient funds are available prior to submitting vouchers to servicing disbursing offices for employee payments.

080302. Cross-Disbursements. When cross-disbursement procedures are used, the Defense Finance and Accounting Service shall be advised prior to each actual disbursement.

0804 RESPONSIBILITIES

080401. DFAS-Indianapolis Center. The DFAS Indianapolis Center:

A. Oversees the recording and reporting of all required accounting information. Performs the consolidation of the feeder reports for submission to the DFAS ATTN: DFAS-HQ/G. Performs the required Treasury cash reporting and reconciliation.

B. Maintains a general ledger account structure with necessary subsidiary ledgers to support the various accounts. The detail subsidiary ledgers may remain at the DFAS Center or DoD Component field level activities. However, subsidiary ledgers and an audit trail must be accurately maintained.

C. Processes all accounting transactions through the accounting network in a timely and accurate manner.

D. Provides accurate and timely accounting service to customers, e.g., DoD Components, upon request. Coordinates the accounting process with other DFAS Centers.

E. Based on available information, performs a positive funds control function and alerts the DoD Component when necessary to assure a timely transfer.

F. Provides a point of contact with telephone/fax numbers to the DoD Components.

080402. DoD Components. The DoD Components:

A. Determine the obligation amount and notify the servicing DFAS Center in a timely manner to accomplish the quarterly transfer. This information will be the basis for future SF 1081 processing and for updating the accounting records.

B. Process the SF 1081 and return a copy to the servicing DFAS Center in a timely manner.

C. Manage all pertinent agreements regarding foreign national employees. A copy of all agreements and/or arrangements, including changes and amendments shall be forwarded to the servicing DFAS Center.

D. Notify the servicing DFAS Center of all changes, adjustments, or cancellations of previously reported information at least monthly.

E. Provide the servicing DFAS Center with a Point of Contact, with telephone/fax numbers, and the current mailing address.

CHAPTER 9**INTERNATIONAL AGREEMENTS****0901 OVERVIEW**

090101. **Purpose.** This chapter establishes the financial procedures that shall be followed when DoD Components initiate, develop, and request formal review of international agreements and any annexes, appendices, amendments, or modifications thereto.

0902 GENERAL

090201. DoD Directive 5530.3, “International Agreements,” provides the DoD policies for the approval of international agreements and establishes various categories of international agreements. The term “international agreement” includes any agreement with one or more foreign governments (including their agencies, instrumentalities, or political subdivisions) or with an international organization. It includes any document identified as an international agreement, memorandum of understanding, memorandum of agreement (MOA), memorandum of arrangements, exchange of notes, exchange of letters, technical arrangement, etc. It does not include Foreign Military Sales (FMS) transactions and contracts entered into under the provisions of the Federal Acquisition Regulation or agreements financed with security assistance funds. The latter agreements are implemented under provisions identified in Volume 15 of this Regulation.

090202. Pending a revision to DoD Directive 5503.3, the DEPSECDEF signed a memorandum, on September 14, 1994, implementing streamlined procedures for the development of International Cooperative Research and Development Agreements. In that memorandum, the DEPSECDEF designated the Principal Deputy Assistant Secretary of Defense for Dual Use Technology Policy and International Programs (PDASD(DUTP&IP)) as the DoD manager for the development of International Research and Development Agreements. Accordingly, the PDASD(DUTP&IP) issued procedures for streamlining the development and coordination of international agreements. Those procedures include instructions for the preparation of a Summary Statement of Intent (SSOI). The SSOI provides to international agreement reviewers basic information pertaining to proposed agreements. Instructions for the preparation of a SSOI are contained in Appendix A at the end of this chapter.

090203. There are various types of international agreements with different financial implications. Regardless, such international agreements must be consistent with established DoD issuances, unless approval to deviate from such guidance is obtained from the proponent of that applicable guidance.

090204. Each international agreement package submitted for coordination must contain information including legal authority, fiscal information, and either an overview of the

proposed agreement, a Summary Statement of Intent (SSOI), or the proposed agreement. The fiscal information should identify all financial implications of the agreement and provide all information required for a complete understanding and analysis of those implications. The legal information should identify the statutory authority for any obligation or expenditure of U.S. appropriated or nonappropriated funds involved in the agreement, as well as the legal basis for any use of U.S. Government property by or on behalf of a foreign government or international organization contemplated by the agreement.

090205. DoD Directive 5530.3 stipulates that no international agreement shall be negotiated or entered into without the concurrence of the Office of the Under Secretary of Defense (Comptroller). In the case of a proposed international agreement within the approval authority of a DoD Component outside the Office of the Secretary of Defense, concurrence shall be obtained from the DoD Component senior financial manager. A checklist has been developed and shall be used to ensure that all financial and pricing requirements have been taken into consideration. The checklist is illustrated at the end of this chapter in Appendix B.

0903 LEGAL CONSIDERATIONS

090301. General. Legal authority information is critical to the preparation of an agreement and is the basis for determining the legal authority for entering into the agreement and subsequent financial requirements. The legal information is used by financial management officials to review applicable international agreements and determine the existence of any special pricing or funding requirements. The legal information normally provides the following information:

A. Special Legal Pricing Requirements. The legislative authority to enter into an agreement also may mandate special pricing requirements on the United States. Thus, the legal authority information should identify any peculiar pricing that must be reflected in the agreement. In the absence of specific legal authority to price on other than a full cost basis, DoD services and materials shall be priced on a full cost basis.

B. Legal Requirement for the Disposition of Monies Collected by the Department of Defense. This is especially important because amounts collected as reimbursements for DoD material or services or new procurements must be deposited into the miscellaneous receipts of the U.S. Treasury, unless there is specific legal authority to credit collections to a DoD appropriation or fund. The legal citation for the disposition of monies clearly should be stated. Special care must be taken with respect to the cooperative development or production agreements described in paragraphs 090510.B. and 090510.C. Options available for deposit of collections include deposit to an appropriation account, a commercial bank account approved by the Treasury Department, or a U.S. Treasury deposit account.

C. Legal Requirement for Recognition of Obligational Authority in DoD Appropriations. Obligational authority can be created only to the extent that cash is collected and

deposited into the U.S. Treasury, unless there is legal authority to create obligational authority on a dependable undertaking (contract authority) basis.

D. Special Prohibitions or Requirements on the Use of Appropriated Funds.

The legal information section should identify any special prohibitions or requirements on the use of appropriated funds in support of the agreement. These special prohibitions are in addition to the standing prohibitions discussed in paragraph. An example of a special requirement is when FMS credit funds are to be used to finance co-production or licensed production in a foreign country. The approval of such use requires the Secretary of State first to advise the Congress. (See Section 42(b) of the Arms Export Control Act (AECA).)

0904 FISCAL CONSIDERATIONS

The fiscal information section documents the various financial considerations involved in implementing an international agreement. Specific considerations to be included in the fiscal information section are as follows:

090401. Financing Sources for U.S. Costs

A. The fiscal information section shall include a schedule of proposed financing sources to be used by the sponsoring DoD Component to implement the agreement. Financing sources may be current appropriations or funds, provision for inclusion in the Future Years Defense Program (FYDP), or a statement of an intent to include in future program and/or budget requests or FYDPs. This information may be either in narrative or schedule form. A schedule form is preferred and is illustrated in Table 9-1. When current appropriations or funds are to be used as a financing source, the fiscal information section should identify the specific appropriation(s) or fund(s), the FYDP Program Element, the amount(s) available therein, and the respective amounts to be used. If the source of financing in current appropriations is in two accounts, the applicable sources of financing should be supported by details showing the specific financing appropriation account symbols.

B. If the proposed international agreement is, in fact, a firm order for goods or services, a formal certification of fund availability shall be included. Applicable funds shall be committed in accordance with Volume 3 of this Regulation.

TABLE 9-1 EXAMPLE INTERNATIONAL AGREEMENT FINANCING SCHEDULE
(\$ in Millions)

Financing Sources	FY 1996	FY 1997	FY 1998	Totals
U.S./PE 0603456	1.5	1.0	0.0	2.5
U.S./PE 0603567	0.0	0.5	1.0	1.5
France	1.5	1.5	1.0	4.0
Germany	1.5	1.5	1.0	4.0
Totals	4.5	4.5	3.0	12.0

090402. Provisions for the Disposition of Funds Collected. The fiscal information section should describe the planned disposition of any funds collected from the foreign country or international organization. The four possible alternatives for disposition of amounts collected are as follows:

A. Reimbursement to Financing DoD Appropriations or Funds. If reimbursements are to be returned to the financing DoD appropriation accounts, the fiscal memorandum or SSOI should identify the accounts to be reimbursed. This identification need not specify the fiscal year of the appropriations. Normal reimbursable accounting procedures shall apply.

B. Deposit in the U.S. Treasury as Miscellaneous Receipts. Without statutory authority to reimburse DoD appropriations or funds or to make other disposition, collections shall be deposited into the U.S. Treasury as miscellaneous receipts. The miscellaneous receipt account to be credited with such collections shall be specified by the depositor. DoD accounting systems should accumulate costs incurred on behalf of the other participant(s), establish an accounts receivable identified to the applicable miscellaneous receipts account and bill such amounts.

C. Deposit in a U.S. Treasury Deposit Account. If a Treasury deposit account has been established for the agreement, the fiscal memorandum shall identify the appropriate U.S. Treasury account symbol.

D. Deposit in a Commercial Bank Account.

1. If execution of a proposed agreement contemplates use of a commercial bank account for a foreign country's funds, such a provision shall be included in the fiscal memorandum or SSOI with a description of intended bank account operation. Preference shall be given to commercial banks which are designated depositories of the U.S. Treasury Department. When approved, such accounts may be used for the deposit of monies from participating nations or international organizations and for payments made in accordance with direction from an authorized official. To determine whether a proposed institution is a Treasury

designated depository, contact the International Funds Branch, Department of Treasury, 3700 East West Highway, Room 6005, Hyattsville, Maryland 20782. The telephone number is (202) 874-8915.

2. For contracts administered by the Department of Defense, two funding accounts must be cited: the DoD appropriation account for the U.S. share and the commercial bank account for the share of the other participant(s). The fund citation on the contract shall indicate the commercial bank account rather than the normal accounting classification code. In this case, only the Department can draw down on the commercial bank account.

090403. Use of Amounts Credited. Foreign contributions collected by a DoD Component under terms of a cooperative project on a cost sharing basis from a foreign country or North Atlantic Treaty Organization (NATO) may be credited to a financing DoD appropriation or fund. Such contributions, however, are available only for the payment of the share of project expenses allocated to the foreign country or NATO making the contribution. The fiscal memorandum or SSOI should certify that such collections are to be used for purposes as prescribed herein. Payments for which such amounts are available include the following:

A. Payments to contractors and other suppliers (including the Department of Defense) and other participants acting as suppliers) for necessary articles and services.

B. Payments for any damages and costs resulting from the performance or cancellation of any contract or other obligation.

C. Payments or reimbursements of other program expenses, including program office overhead and administrative costs.

D. Refunds to other participants.

090404. Availability of Financing Sources. There are two general prohibitions on the use of appropriated funds for international agreements. In addition, the legal section may identify other prohibitions. It is implicit in the identification of the financing sources set forth in paragraph 090401, that funds are available. It is desirable, however, to include in the fiscal information section a certification that all legal and policy prohibitions on the use of funds have been complied with. The general prohibitions are as follows:

A. No funds designated by the Congress for NATO or major non-NATO cooperative research and development under 10 U.S.C. 2350a may be used to procure equipment or services from any foreign government, foreign research organization, or other foreign entity (including NATO participants) to the agreement.

B. U.S. Government military assistance funds (i.e. Military Assistance Program (MAP), FMS loans, or FMS credits) are not available to finance a foreign participant's share of the cost of a cooperative project authorized by section 27 of the Arms Export Control Act or a cooperative development project with a major non-NATO ally under 10 U.S.C. 2350a.

090405. Foreign Currency, Services, and Materials Provided. A contribution to an international agreement may be in the form of currency, material, or services. In the event that a foreign country or international organization is to provide services or material as part of its equitable share, a price analysis must be made to ensure the valuation assigned to such services and materials is fair and reasonable. The fiscal information section shall summarize the results of such an analysis. The price analysis shall be based on prior cost experience for the item or service to be provided, a comparison with DoD cost for the item or services for similar services; and shall consider all applicable circumstances in the price analysis. When a foreign contribution is in the form of foreign currency or the awarding of a contract in a foreign country, the foreign currency contribution generally shall be valued at the exchange rate current at the time that the agreement is prepared. There shall be no subsequent modification of the valuation because of changes in the currency exchange rate. Exceptions to this general rule require advance consultation with the Treasury Department working through the OUSD(C). The fiscal memorandum or SSOI shall display the value of the currency in terms of U.S. dollars. Also, the use of foreign currency requires approval by the Department of the Treasury. Such approval should be documented in the fiscal information section. Chapter 12, Volume 5, of this Regulation, provides guidance for the use of foreign currency.

090406. Valuation of DoD Services and Material. The value of all non-financial (articles, materiel, background data/information, software, or services) contributions to an agreement by the Department of Defense is to be determined and considered for the evaluation of equitableness of the proposed project. The fiscal memorandum or financial section of the SSOI shall describe the non-financial contributions, indicate their value, and state the method used in determining the valuation. The alternatives for determining the value of non-financial contributions are as follows:

A. Full Costs. It is important not to confuse the act of accumulating full costs with the necessity to bill cost. Chapter 1 of Volume 11A of this Regulation provides guidance on the specific cost elements and identification methods for pricing sales to private parties. These same methods shall be followed in valuing non-financial contributions to an international agreement.

B. Other Than Full Costs. An agreement that requires the identification or use of less than full cost is normally authorized only when a reciprocal pricing agreement has been entered into by the Department and the other party (parties) to the agreement. The agreement should demonstrate that costs to be excluded mutually have not been considered by the other party in a determination of equitableness.

C. Cost Recoupment Waivers. In the event that less than full cost is being identified on the basis of a cost waiver, the date of the waiver and its approving authority must be provided in the SSOI. Copies of such waivers shall be made available on request.

090407. Reasonable and Necessary Expense. Any obligation of DoD appropriations under an international agreement must be supported by a showing that it is a reasonable and necessary expense required for the accomplishment of DoD missions, unless the use of DoD funds for other than a DoD mission specifically is authorized by statute.

0905 PROPOSED AGREEMENT

090501. An agreement must contain language that implements the requirements established by U.S. law or regulation. This section discusses the financial policies that must be followed and provides appropriate cross references to other parts of this Regulation that provide more specific guidance.

090502. Fund Availability Qualification

A. As a general rule, there is no intent to create a DoD financial obligation upon signature of an agreement. The major exception to this rule occurs when an agreement is entered into in lieu of a contract awarded under the provisions of the Federal Acquisition Regulation. However, if the agreement does not contain an appropriate qualification statement, it may be deemed an “obligating document.” In this event, the dollar value of the DoD contribution shall be recorded immediately as an obligation of currently available appropriation or fund accounts. If the recording of such an obligation results in exceeding the fund availability in an appropriation or fund account or in an administrative subdivision thereof, an apparent violation of the Antideficiency Act (31 U.S.C. 1341 or 1517(a)) shall have occurred. Guidance on the investigation and reporting of such violations is contained in Volume 14 of this Regulation. Normally, the signatory of a contract or agreement is named as the individual responsible for such a violation. The major exception would be when finance and accounting officials improperly have certified the availability of funds.

B. Examples of typical fund availability qualification clauses inserted in an international agreement follow:

1. “All undertakings of the U.S. Government under this MOA and any annexes, appendices, amendments, or modifications thereto, are expressly subject to the availability of U.S. funds for such purpose.”

2. “The obligations of each participant under this MOA are subject to the availability of funds for those purposes.”

090503. Reconciliation of Agreement Dollar Value to Financing Sources. An international agreement must set forth the dollar value of the agreement and portions of the dollar value that must be borne by each participant. This cost sharing may be in the form of monies, services, or material. A preliminary requirement is to ensure that any obligations that the Department may be required to incur in implementation of the agreement have been identified in the fiscal information section.

090504. Adherence to Prescribed Pricing Rules.

A. In the event that an international agreement provides for DoD services or material to be rendered, there must be assurance that proper pricing procedures have been followed. Paragraphs 090405 and 090406 discuss special requirements that may be applicable to certain agreements. The text of an agreement must be reviewed carefully to ensure compliance with these paragraphs. An area of special pricing attention is charges for existing DoD technical data and computer software, or such data developed outside the agreement.

B. When the Department provides pre-existing technical data and computer software or such data developed outside the scope of an agreement, it normally is referred to as background data. Generally, when Department developed background data is a non-financial contribution, its value for determining equitability is its full (total) cost of development, adjusted for any special modifications, shipping, installation, etc.

C. Background data may be provided for use in furtherance of the purpose of an international agreement as long as it is used solely in connection with the purpose of the agreement. However, an agreement must specify that if the background information is used for any other purpose, approval of the originating participant must be obtained. The following specifics apply:

1. If the data are to be used for cooperative production purposes, the Department must receive appropriate financial credit as part of the DoD share of project cost, unless a cost recoupment waiver has been approved. Any provision for waiver should be identified in the fiscal information section.

2. If the data is to be used for development and production purposes, a technology transfer fee may be applicable for the development phase. This fee may be offset by a nonrecurring cost recoupment charge when production occurs.

3. All background information exchanged shall be used only for the purposes of the agreement, and is not to be transferred to any third party without the approval of the originating participant.

090505. Determination of Program Equitableness.

A. DoD policy requires all international agreements to be equitable to the United States. The Summary Statement of Intent (SSOI) or accompanying documentation to a proposed international agreement must clearly explain why the agreement is considered equitable to the United States. Prior to approval of all proposed international agreements, a determination of agreement equitability must be made by the approving DoD officials. It is critical that sufficient detail and information be provided to clearly demonstrate to those DoD officials that the proposed international agreement is equitable to the United States.

B. Every proposed international agreement that requires the United States to provide more than an equal share of the resources, or results in the United States receiving less than an equal share of the benefits, must be explicitly explained and justified in the SSOI or supporting documentation accompanying the proposed agreement. For these purposes, an equal share means a contribution or benefit of exactly the same value as the shares of all other participating nations. Equal share of the resource requirements contributed to an international agreement includes nonfinancial contributions (i.e., background information, manpower, facilities, equipment, hardware, software, etc.), as well as funds. Nonfinancial contributions shall be valued at the DoD's full cost. Section 090406 provides information on the valuation of DoD services and material.

C. Calculation of Expected U.S. Funding Share. In support of an equitability determination by DoD approving officials, the expected U.S. funding share should be calculated and presented in the SSOI or supporting documentation using one of the methods below:

1. Number of Participants Method. This is the preferred method of calculating the expected U.S. funding share for cooperative feasibility studies, research and development (R&D) efforts, and test and evaluation (T&E) programs and for agreements that establish management or oversight program offices. It is the method that should be employed when estimated unit production quantities are not known. Under the number of participants method, the expected U.S. funding share is determined by dividing the agreement costs by the number of participating nations. A favorable U.S. funding share is where all participating nations equally share the total cost and the benefits. Equal funding of an international agreement by all participating nations, when the benefits are shared equally, does not require an equitability justification. An example of this method is provided in Table 9-2.

2. Estimated Unit Production Method. This is the preferred method of calculating the U.S. funding share for an agreement that cooperatively establishes a program for the production of defense articles or weapon systems. It is used when specific unit production quantities are known or can be estimated. Under the unit production method, the U.S. funding share is considered to be equitable when the DoD funding is proportionately equal to the share of the program production to be received by the United States. An example of this method is provided in Table 9-3. An equitability statement is required in the SSOI or accompanying documentation, and it must clearly present the calculation showing production estimates in relation to the total cost of the international agreement or production program.

3. Other Methods of Calculation. There may be situations when neither of the above two methods apply, and another calculation is possible. For example, an agreement under the auspices of NATO, between the United States and other NATO nations, may require the United States to contribute an amount equal to the usual percentage of U.S. contributions to NATO. An equitability statement is required in the SSOI or accompanying documentation. The calculation and justification for use of that calculation must be clearly presented.

D. U.S. Funding Share Determined by Negotiation. Occasionally, contributions to an agreement, by participating nations, may be determined by negotiation and are not based on one of the above methods. For example, an agreement may call for participating nations to unequally share the benefits or rights to the benefits, and share the cost of the agreement in the same proportions as they share the benefits, or an agreement may require equal sharing of the benefits, but require the United States to contribute more than other participating nations. In such agreements, an equitability statement is required in the SSOI or accompanying documentation and must provide a compelling explanation that justifies the proposed sharing of costs and benefits. Detail and very explicit information must be provided. Without a compelling justification, the agreement will not be approved. Negotiation that results in the United States paying more than an equal share for serving as the contracting nation, serving as the program manager, using a U.S. prime contractor, or receiving other similar privileges do not make an agreement equitable and, generally, will not be approved.

**CALCULATION OF EXPECTED U.S. FUNDING SHARE USING THE
NUMBER OF PARTICIPANTS METHOD
(Dollars in Millions)**

Step 1: Determine the total program cost to the U.S. and other participants.

U.S. Share	\$150
Other Participants	200
Total Cost	\$350

Step 2: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	\$150 = 43% share
Total Cost	350

Step 3: Determine the total number of participants and calculate the U.S. share on a percentage basis.

Total Participants	3
U.S.	1 = 33 1/3% U.S. as a percentage of Participants

Step 4: Compare the results of step two to step three. If the result of step two is equal to or less than the result of step three, the U.S. appears to be paying a favorable expected funding share.

Step 5: If the result of step two is greater than the result of step three, the U.S. appears to be paying more than its mathematically expected funding share. This situation should be specifically explained and justified in the SSOI or other accompanying justification.

TABLE 9-2

**CALCULATION OF EXPECTED U.S. FUNDING SHARE USING THE
ESTIMATED UNIT PRODUCTION METHOD
(Dollars in Millions)**

Step 1: Determine the total program cost to the U.S. and other participants.

U.S. Share	\$150
Other Participants	<u>200</u>
Total Cost	\$350

Step 2: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	\$150
Total Cost	350 = 43% share

Step 3: Determine the total number of production units to be produced under the agreement.

U.S. Units	20,000
Other Participants	<u>40,000</u>
Total Production	60,000

Step 4: Determine the percentage of the U.S. share of the total number of units to be produced under the agreement.

U.S. Units	20,000
Total Units	60,000 = 33% share

Step 5: Compare the results of step two to step four. If the result of step two is equal to or less than that of step four, the U.S. appears to be paying a favorable funding share.

Step 6: If the result of step two is greater than the result of step four, the U.S. appears to be paying more than its mathematically expected funding share. This situation should be specifically explained in the narrative determination of program equitableness.

TABLE 9-3

090506. Sales and Transfers of Technical Data Developed Under an Agreement. An agreement should provide that, in the event technical data developed under the agreement is sold or transferred to third parties, a charge may be made to recoup a pro-rata share of each participant's investment. The agreement also must provide that background information and data developed outside the program not be retransferred without the prior approval of the owner of the information or data, and contain provisions for any applicable charges. For third party sales and transfers, or the addition of new participants, any recoupment charge for the information or data developed under the program must be shared on the basis of the participants' financial contribution to the development of the item or technology. The amount of the charge and the procedures for assessing and distributing it shall be determined mutually by the participants prior to the approval of any such third party sale consistent with the policies and laws of each participant. The agreement also should provide that any participant may reduce or waive the assessment of its share of the levy in accordance with its laws and policies. Furthermore, the agreement should provide for rights of use of information developed under the agreement for defense purposes of a participant without payment to the other participant(s).

090507. Taxes, Duties, and Similar Charges. Agreements may provide that, insofar as existing laws and regulations permit, the participants shall use their best efforts to ensure that readily identifiable taxes, customs duties, and similar charges on the program components and services shall not be levied in connection with the project. If an agreement obligates the U.S. Government to bear the cost of any U.S. taxes, duties, or similar charges levied in connection with the program, the legal memorandum or SSOI must identify the legal authority for such U.S. obligation.

090508. Advance of DoD Funds

A. An advance constitutes a disbursement of DoD funds before an authorized DoD official has certified that materials have been delivered or ordered services performed. An agreement shall not provide for DoD advance payments, unless the conditions for such advances, as set forth in Chapter 5, Volume 4, of this Regulation are met. Basically, advances to foreign countries are authorized when required for compliance with the laws and ministerial regulations of the foreign country and is further required by the agreement.

B. When possible, advances shall be made for no more than the amount necessary to fulfill the DoD share of project expenses for one month. Advances and prepayments shall not exceed the amount necessary to fulfill the DoD share of project expenses for a current fiscal quarter. If monies are paid in advance and deposited into commercial banks, provision must be made to ensure that the agreement requires:

1. payment of interest at competitive rates,
2. timely identification of interest earned by each party, and

3. interest disposition in accordance with the participants' instructions.

C. The DoD share of funding required to support an international project shall be obtained in full by appropriation, and no part of such funding shall be derived from interest earnings on U.S. contributions. In view of this policy, the U.S. Government share of interest earned on U.S. advance payments must be returned to the U.S. Treasury Miscellaneous Receipts Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." The interest shall not be used to reduce a future call for funds, nor used for any project cost that would result in funding derived outside the appropriation process.

D. Advances of DoD funds in excess of 90 days or \$5 million require consultation with the Department of the Treasury. Contact with the Department of the Treasury shall be through the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

090509. Billing Requirements. When payments are to be made, the agreement or subsequent financial arrangements must include the following information:

A. Billing Cycle. Bills for incurred costs are to be rendered on a 30-day cycle. This is a U.S. Treasury requirement and must be adhered to by the Department of Defense. However, in the negotiation process and at the initiation of other participants, agreement may be reached on up to a 90-day billing cycle.

B. Collecting Office. The agreement or subsequent financial arrangements shall provide the name and address of the organization to which payments shall be made. It also is desirable to set forth a position title and a telephone number to which questions may be addressed.

C. Paying Office or Offices. The agreement or subsequent financial arrangements shall provide the name and address of the organization that is responsible for making payments under the agreement. It also is desirable to set forth a telephone number and a position title to which questions may be addressed.

D. Payment Terms. The payment due date shall not be more than 30 days from the date of the invoice, unless otherwise specified in the agreement.

E. Documentation in Support of Billings. The agreement or subsequent financial arrangements must identify the form of the bill and the specific supporting details.

F. Currency of Payment. Normally, payment shall be in the currency of the supplying nation or the lead country if joint financing is provided for in the agreement. The invoice shall identify the amount paid in foreign currency at the current exchange rate and the equivalent conversion rate in U.S. dollars.

090510. Special Types of Agreements

A. Agreements for Reciprocal Exchange of Materials or Services. These agreements must set forth the time period allowed for exchange of materials and services. They also must set forth financial settlements that must be made if the exchange does not take place. DoD services or materials provided are priced in accordance with chapter 1 of Volume 11A of this Regulation,

B. Cooperative Research, Development, Test and Evaluation, Technical Data Exchange, Co-production, Licensed Production, and Related Standardization Agreements That Are Not Implemented through the Security Assistance Program. Full costs must be identified and shared equitably. Cost sharing may be accomplished through the following:

1. Pooling of monies and designation of a lead country to manage the program, collect cash, and award contracts. Specific shares of program cost are set forth in the agreement.

2. No pooling of monies or designation of a lead country. Specific efforts to be accomplished by each participating country and estimated costs of such efforts are set forth in the agreement.

APPENDIX A
GUIDELINES FOR THE PREPARATION OF
SUMMARY STATEMENT OF INTENT (SSOI)

Header Information:

- Short Title of Proposed Project
- DoD Proponent
- Country/ies Involved

1. Overview of International Agreement

- Briefly describe the project. Be specific as to what the project will deliver. Is this a new or existing U.S. project? Is there currently a Memorandum of Understanding or other international agreement in effect that is applicable to this effort?
- Is this proposed for Nunn funding? If so, what technological development is to be pursued which is necessary to develop new defense equipment or munitions, or what existing military equipment would be modified to meet U.S. requirements?

2. Operational Requirement

- What U.S. operational requirement would this project satisfy and/or what critical deficiency or shortfall would this project address? If known, cite applicable documents.
- Briefly describe the project's objectives.
- Provide an estimated schedule for the project, and Initial Operational Capability (IOC), if applicable.

3. Partner Nation(s)

- Which nations are proposed partners? Which nations have agreed to be partners? What is the assessment (and your basis for it) of foreign interest/commitment?
- Briefly describe the proposed negotiation strategy and negotiation schedule.

- Describe any planned variations from the policy guidance contained in the latest approved version of the International Agreements Generator (“IA Generator”), and any resulting variations to the required International Agreement text that are known.
4. Legal Authority
 - State the statutory legal authority for the proposed agreement. If section 27 of the AECA is not being used, explain why not.
 5. Project Management
 - Briefly describe how the project will be structured and managed.
 6. Benefits/Risks to the United States
 - List the advantages and disadvantages of this cooperative project. Address project timing, developmental and life cycle costs, technology to be shared and obtained, impact on U.S. and foreign military capability, and rationalization, standardization and interoperability (RSI) considerations. Indicate whether there are any risks associated with conducting this project as an international cooperative program, and briefly describe how these risks are to be managed. Is a similar project currently in development or production in the U.S. or an allied nation? If so, could that project satisfy or be modified in scope to satisfy the U.S. requirement?
 7. Potential Industrial Base Impact
 - Briefly describe the potential industrial base impact. Do you anticipate workshare arrangements, requests for offsets, or offshore production of items restricted to procurement in the United States? Are you aware of any key parts or components with single source of production? What U.S. Government facilities and/or contractors would be likely to participate in this cooperative effort? Will there be any significant effects (pro or con) on any U.S. companies or U.S. industrial sector(s)?
 8. Funding Availability and Requirements
 - List the total estimated cost (in U.S. dollars) of the International Agreement. The total cost should include all U.S. and foreign government financial and non-financial costs.
 - List the cost shares (in U.S. dollars) of each participant. Also list any non-financial contributions, their value (in U.S. dollars), and describe how the value was determined.

- If not equitable financially, justify on a program basis (show the relative benefit to the DoD). An equitable agreement is defined as one which a participant's share is commensurate with that participant's share of the anticipated benefits from the agreement.
- List the Department's estimated costs (in U.S. dollars) by fiscal year, appropriation, and program element. Indicate if the funds required to pay these costs have been, or will be, approved in the budget and are available for use.
- List other participant's estimated costs (in U.S. dollars) by fiscal year. If applicable, outline the likelihood of follow-on research or acquisition and the proponent's commitment to fund such follow-on action.

9. Procurement

- Will the Department of Defense participation in the project involve contracting? If so, what agency will perform the contracting, and for what part of the project work?
- Will a participant other than DoD perform contracting? If so, which participants and for what part of the work?
- Will contracting be done on a competitive basis? If not, what justification will be used?

10. Information Security and Technology Transfer Issues

- Briefly identify the products and/or technologies involved in the program and their NDPC category and classification. The Militarily Critical Technologies List (MCTL) may be used as a guide.
- Is an exception required to the National Disclosure Policy? If so, provide date of approval or date that a request will be submitted to the National Disclosure Policy Committee (NDPC).
- If known, describe the foreign availability of comparable systems and technologies and whether the U.S. technology has been shared through other programs, e.g., FMS, DEA, etc.
- Briefly describe the risk of compromise of classified and export controlled technology and/or products and the technology advantages in the event of such compromise (e.g., negating primary U.S. technological advantage(s), revealing U.S. system weaknesses, development of countermeasures, susceptibility to reverse engineering).

- Identify any measures proposed to minimize the potential risks and/or minimize any damage that might occur due to loss, diversions, or compromise of sensitive classified or unclassified controlled data or hardware. Specify NDPC categories involved, where applicable. Include any phased release of information designed to ensure that information is disseminated only when and to the extent required to conduct the program; restrictions on release of specific information (including classification, description, and disclosure methods); release of components, software or information in modified form (e.g., export versions, exclusion of design rationale and deletion of data on weapons not sold to the participant); and special security procedures (both government and industrial) to control access to restricted material and information.

11. Proponent's Points of Contact

- Include organization, name, telephone, fax, and Internet address. Assure that this POC or an alternate is available to answer any questions from reviewing offices during the RAD review period.

APPENDIX B
CHECKLIST FOR INTERNATIONAL AGREEMENTS

1. OSD/JCS Sponsor: _____
2. Implementing DoD Component: _____
3. Subject: _____

A. LEGAL AUTHORITY:

<u>Requirement</u>	<u>Remarks</u>
4. Legal Basis for Agreement:	
5. Special Pricing Requirements:	
6. Instructions for Disposition of Monies Collected by DoD:	
7. Special Instructions for Recognition of Budget Authority in DoD Appropriations or Funds:	
8. Special Prohibitions on the Use of Appropriated Funds:	

B. FISCAL INFORMATION:

<u>Requirement</u>	<u>Acceptable</u>
	No Yes
9. Financing Sources Identified for DoD Share:	
10. Proper Disposition of Funds Collected:	
11. Certification that Restrictions on the Use of Appropriated Funds Have Been Adhered to:	

12. Proper Valuation of Foreign Services and Material:
13. Proper Valuation of DoD Services and Material:
14. If commercial bank is used, it is a Treasury-designated depository:

Requirement

Acceptable
Yes No

C. PROPOSED AGREEMENT:

15. Agreement Provision on Fund Availability:
16. Total Dollar Value of Agreement Identified:
17. DoD share of Agreement Reconciled to Financing Sources:
18. Agreement Reflects Prescribed Pricing Rules:
 - (a) For DoD Provided Services or Material:
 - (b) For DoD Developed Technical Data:
19. Agreement Reflects Equitableness:
20. Agreement Provision for Third Party Sales:
21. Taxes, Duties and Similar Charges Excluded:
22. Agreement Provisions for Advance of DoD Funds:
23. (a) Agreement Provisions for Disposition of Interest Earned:
23. (b) Advance exceeds paragraph 090508.C. thresholds:
24. Billing Instructions in Agreement:

APPENDIX B
INSTRUCTIONS FOR COMPLETION OF CHECKLIST FOR INTERNATIONAL
AGREEMENTS

<u>Item Number</u>	<u>Description of Effort Performed</u>
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GENERAL INFORMATION

1. Identify OSD/JCS sponsor.
2. Identify the DoD Component that is responsible for implementing the international agreement if signed, e.g., Department of the Navy.
3. Set forth full subject of agreement.

LEGAL AUTHORITY

4. Determine if the legal basis for entering into the agreement is clearly set forth in the legal authority section.
5. Identify if the legal authority section sets forth any special pricing requirements. Summarize any special pricing requirements in the “remarks” section.
6. Identify if the legal authority section sets forth any special instructions for the disposition of amounts collected by the Department of Defense. Summarize requirements in the “remarks” section.
7. Identify if the legal authority section sets forth special rules for recognition of budget authority. Summarize any special rules in the “remarks” section.
8. Identify if the legal authority section identifies any prohibitions on the use of appropriated funds. Summarize requirements in the “remarks” section.

FISCAL INFORMATION

9. Identify paragraph OR SCHEDULE that identifies financing sources to be used to implement the international agreement. Check acceptable if financial sources have been identified.
10. Identify paragraph that provides instructions for disposition of any funds collected.

11. If the legal authority cites restrictions on the use of appropriated funds, identify paragraph that certifies that these restrictions are adhered to, otherwise annotate with “N/A.”
12. To validate equitable financing when the foreign contribution is in other than currency, identify paragraph that summarizes the results of a price analysis of the foreign contribution, otherwise annotate with “N/A.”
13. To validate equitable financing, identify paragraph that describes the valuation method for DoD provided services and material, otherwise annotate with “N/A.” If full costing is used, check “yes” in the acceptable column if all chapter 1 of Volume 11A of this Regulation pricing elements were considered. If other than full cost pricing is used, cite the legal authority.
14. If a commercial bank is used, the bank should be a U.S. Treasury-designated depository. Identify if there is a description of how the bank account is to operate.

PROPOSED AGREEMENT

15. Identify the paragraph of the proposed agreement that contains the fund availability qualification clause.
16. Identify the paragraph of the proposed agreement that sets forth the total dollar value of the agreement. Check acceptable if this amount reconciles to the value identified in the fiscal information section.
17. Identify the paragraph of the proposed agreement that sets forth the dollar value of the DoD share of the agreement. Check acceptable if this amount reconciles to the financing sources identified in the fiscal information section.
- 18.a. Identify the paragraph that provides for the provision of services, materials, or financial contribution.
- 18.b. Identify the paragraph that provides for the provision of DoD technical data developed prior to implementation of the agreement. Check acceptable if priced in accordance with this chapter.
- 19.a. If the agreement is equitable basis from a financial viewpoint, identify the agreement paragraph and attach the worksheet prepared in accordance with this chapter. Indicate in the acceptable column if the worksheet reflects equitability.
- 19.b. If the agreement is not financially equitable and is justified on a program basis, attach a copy of the program or equitability justification.

20. Identify the paragraph that sets forth procedures for third party sales and transfers of technical data developed under the agreement. Check acceptable if there is compliance with this chapter.
21. If applicable, identify the paragraph that excludes taxes, duties, and similar charges. Check acceptable if there is compliance with this chapter.
22. If applicable, identify agreement paragraph that provides for advance of DoD funds. Assure that advances meet requirements of this chapter.
- 23.a. If advances are made, ensure the agreement contains necessary provisions on the disposition of interest earned.
- 23.b. If advance exceeds thresholds, Department of the Treasury concurrence must be obtained. Check acceptable if the Directorate for Accounting Policy, Office of the Under Secretary of Defense (Comptroller) has obtained coordination.
24. If billing is applicable, identify agreement provisions for billing. Check acceptable if there is compliance with this chapter.

CHAPTER 10**FUNDING CIVILIAN SEPARATION INCENTIVES
AND CIVILIAN PERSONNEL TRANSITION INITIATIVES****1001 Definitions**

For the purpose of this guidance, the term “civilian separation incentives” means resignation and retirement incentives authorized by Title 5, United States Code, section 5597, and outplacement subsidies authorized under Chapter 16 of the “DoD Civilian Personnel Manual” that are offered to an employee, in order to induce the voluntary separation of that employee and/or create a vacancy for an employee of the same or another DoD Component.

1002 General Funding Policy

100201. DoD activities may pay up to \$25,000 for separation incentives or up to \$20,000 for outplacement subsidies from appropriations, funds, or accounts available for such purposes to an employee and/or to create a vacancy for another employee.

100202. Funding by a DoD central account is not provided.

1003 Procedures. Funds for separation incentives and outplacement subsidies shall be obligated when an employee accepts the offer of an incentive payment. The obligations shall be recorded in general ledger account 6113, “Personnel Benefits-Civilian,” and reported as object class 13.0, “Civilian Personnel Benefits.” The following guidance applies to the Separation Incentives Program:

100301. Appropriated Fund Employees. A DoD Component that offers civilian separation incentives to an employee, in order to induce the voluntary separation of that employee and/or to create a vacancy for another employee of the same DoD Component, shall fund the resulting separation payments from the applicable appropriation, fund or account that otherwise is available to pay for salaries and expenses of that DoD Component.

100302. Business Operations Fund Employees. Beginning in FY 1995 the Defense Business Operations Fund is authorized to pay for separation incentives.

100303. Base Realignment and Closure (BRAC) Act. Beginning in FY 1995, the Defense Base Closure Account is available for payment of separation incentives. The departmental policy contained in this regulation, Volume 2B, section 070201.B.5 provides the general criterion to apply costs to the DoD Base Realignment and Closure Account.

100304. Employees Paid from or Reimbursed by Foreign Military Sales Trust Fund. For employees paid from, or whose salaries are fully reimbursed by, the Foreign Military Sales (FMS) Trust Fund, an offer of separation incentives or civilian personnel transition initiatives

(either to an FMS Fund civilian employee or a non-FMS Fund civilian employee to benefit an FMS Fund civilian employee) shall be funded as follows:

A. Separation incentives offered to an FMS civilian employee, in order to induce a voluntary separation of the FMS civilian employee, with the elimination of that FMS civilian employee position, shall be paid by the FMS Fund.

B. Separation incentives offered to an FMS civilian employee, in order to create a vacancy within the same DoD Component for another FMS civilian employee who otherwise would be separated, shall be paid by the FMS Fund.

C. Separation incentives offered to a non-FMS civilian employee, in order to create a vacancy for an FMS civilian employee who otherwise would have been separated, where the FMS civilian employee continues fully to support the FMS program, shall be paid by the FMS Fund.

D. Any costs of outplacement subsidy described in subsection 260305., below, for a FMS civilian employee shall be funded by the FMS Fund.

E. No other separation payments are chargeable to the FMS Fund.

100305. Placements Outside the Department. DoD activities may pay up to \$20,000 in Permanent Change of Station (PCS) costs associated with placement of a surplus DoD employee with another Federal Agency. When a DoD Component-offered outplacement subsidy is accepted, the DoD activity shall notify the gaining Federal Agency regarding outplacement services. The notification shall state that DoD funds may be billed up to \$20,000 per employee or for the actual PCS costs, whichever is less. The notification shall include the DoD fund citation to be billed and the address of the fiscal station paying the subsidy. Payment shall be made by the applicable DoD activity based upon documentation of the amounts paid or to be paid to the employee by the gaining Federal Agency.

100306. Controls over Available Funds. Controls shall be established to ensure that sufficient funds are available to cover projected requirements for employee acceptance of incentive offers and outplacement subsidies each quarter. Normal Antideficiency Act provisions apply to the DoD Component appropriations, funds and accounts. Therefore, if available funds are projected to be inadequate to cover anticipated incentive program acceptances and outplacement subsidies, appropriate action shall be taken. In this regard, the DoD Components either shall cancel or withdraw incentive offers prior to employee acceptance, or obtain additional funds.

1004 Reporting

100401. Each DoD Component shall maintain records of all offers made, acceptances, and payments. Records also shall be maintained of all orders for outplacement

subsidies issued and disbursed by a DoD Component. In addition to the information requested in Chapter 16 of the “Civilian Personnel Manual” on Civilian Separation Pay Implementing Instructions, the following information shall be submitted by each DoD Component.

100402. On a monthly basis, both the Civilian Personnel Management Service and the Director for Operations and Personnel, Office of the Under Secretary of Defense (Comptroller), shall be advised of the cumulative fiscal year to date amounts of:

A. Total number and amount of orders for outplacement subsidies issued by the DoD Component.

B. Total amount and quantity of civilian personnel transition incentives paid to employees to create vacancies for the benefit of employees of other DoD Components.

C. Total amount and quantity of civilian personnel transition incentives paid to employees from DoD Component funds.

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CHAPTER 11

RESERVED FOR FUTURE USE

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CHAPTER 12

**IDENTIFICATION, RETENTION, AND USE OF
ENERGY AND WATER CONSERVATION SAVINGS**1201 OVERVIEW

120101. Purpose. This chapter prescribes financial management policy and procedures for the identification, retention, and use of energy cost savings as specified in Title 10, United States Code (U.S.C.), sections 2865, 2866 and 2867, and Section 736 of the National Defense Authorization Act for Fiscal Year 1989, as amended (42 U.S.C. 8287 note).

★120102. General. The Congress has enacted several measures to encourage efficient energy production and energy conservation. 10 U.S.C. 2865 and 2866 concern energy savings and water conservation, respectively, at military installations. 10 U.S.C. 2867 concerns electricity sales to a public or private company and authorizes revenues from certain sales of electricity to be used for purposes specified in that section. Section 736 of the National Defense Authorization Act for Fiscal Year 1989, as amended, (42 U.S.C. 8287 note) provides incentives with respect to Energy Savings Performance Contracts (ESPC) entered into under the provisions of 42 U.S.C. 8287. Each of the foregoing statutes provides for the utilization of part or all of the amounts realized as the result of covered activities. In addition, 10 U.S.C. 2865 and 10 U.S.C. 2866 authorize the acceptance and use of incentive payments from utility companies.

★120103. Following are summaries of the statutory provisions relating to funding.

★A. 10 U.S.C. 2865 provides that two thirds of the appropriated funds that remain available at the end of a fiscal year as a result of energy cost savings remain available for obligation through the end of the fiscal year following the fiscal year for which the funds were appropriated. In accordance with the restriction contained in the annual appropriations acts for the Department of Defense (DoD) that no part of any appropriation provided by those acts may remain available for obligation beyond a current fiscal year unless expressly so provided in those acts, an annual recurring provision in the DoD appropriations acts provides that appropriations that remain available at the end of a current fiscal year as the result of such energy cost savings realized by the Department are available for obligation for the next fiscal year to the extent, and for the purposes, provided in 10 U.S.C. 2865. Under 10 U.S.C. 2865, such funds may be used as follows:

★1. Under regulations to be prescribed by the Secretary of Defense, one third may be used for additional energy conservation measures and for water conservation activities at such buildings, facilities, or installations of the DoD as designated by the head of the department, agency or instrumentality that realized such savings.

★2. One third of such savings shall be used at the installation where the savings were realized, as determined by the commanding officer of such installation, for (i) improvements to existing family housing units; (ii) any unspecified minor construction project

that will enhance the quality of life of personnel; or (iii) any morale, welfare, or recreation facility or service.

★B. Title 10 U.S.C. 2866 provides that funds attributable to water cost savings realized under the provisions of that section shall be used as prescribed in paragraph 120103. A. 1 and 2, above. Neither 10 U.S.C. 2866 nor any provisions in the Department's appropriations acts, however, provide for the extended availability of such funds. Accordingly, such funds are available only for the time period for which they were originally appropriated.

★C. Both 10 U.S.C. 2865 and 10 U.S.C. 2866 authorize the acceptance of financial incentives from utilities related to energy and water conservation measures as specified by 10 U.S.C. 2865 (d)(2) or 10 U.S.C. 2866 (a)(2). Such incentives are to be credited to appropriations designated for such purposes and are to be merged with, and be available for, the same purposes and time period as the appropriation to which they are credited. Detailed procedures are in Section 1203 of this chapter.

★D. Title 10 U.S.C. 2867 provides that proceeds from sales of electricity, generated by alternate energy or cogeneration type production facilities, to a public or private utility company shall be credited to the appropriation account currently available to the Military Department concerned for the supply of electrical energy. Such proceeds may be used to fund military construction projects under energy performance plans developed pursuant to the provisions of 10 U.S.C. 2865(a), including minor construction projects authorized under 10 U.S.C. 2805 that are designed to increase energy conservation. Detailed procedures are in Section 1204 of this chapter.

★E. Section 736 of the National Defense Authorization Act for Fiscal Year 1989, as amended, (42 U.S.C. 8287 note), provides that energy cost savings realized by the Military Departments during each of the first 5 years of an ESPC shall remain available until expended. Unlike the case with respect to savings covered by 10 U.S.C. 2865, however, no provision of an appropriations act provides for such an extended period of availability. Accordingly, such funds are available only for the time period for which they were originally appropriated. They may be used as follows:

★1. One-half of the amount of such energy cost savings may be used for the acquisition of any appropriate energy conserving measure for military installations. Such measures may be in addition to energy conserving measures acquired under ESPCs.

★2. One-half of the amount of such energy cost savings may be used for any morale, welfare, or recreation facility or service that normally is provided with appropriated funds, or for any minor military construction project (as defined in 10 U.S.C. 2805(a)) that will enhance the quality of life of members of the Armed Forces at the military installation at which the energy cost savings were realized. Detailed procedures are in Section 1205 of this chapter.

1202 DEFINITIONS

The following definitions apply with respect to the identification, retention, and use of energy conservation cost savings:

★120201. Energy Cost Savings. There are two definitions of energy cost savings:

★A. Energy or water cost savings for the purposes of 10 U.S.C. 2865 and 2866, are those savings realized as the result of a reduction in the cost of energy or water from a baseline cost, determined by metering, if available, or by professionally acceptable engineering models and estimates.

★B. Energy cost savings for the purposes of Section 736 of the National Defense Authorization Act for Fiscal Year 1989, as amended, (42 U.S.C. 8287 note), are those savings realized as the result of a reduction in the cost of energy from a base cost established through a methodology set forth in an ESPC, utilized in an existing DoD-owned building or facility as a result of (1) the lease or purchase of operating equipment, improvements, altered operation and maintenance, or technical services; or (2) the increased efficient use of existing energy sources by cogeneration or heat recovery.

★120202. Energy Savings Performance Contract. An ESPC is a contract entered into under the provisions of 42 U.S.C. 8287. It is a contracting procedure under which a private contractor evaluates, designs, finances, acquires, installs and maintains energy saving equipment for a DoD Component, and receives as partial compensation a share of any energy savings resulting from implementation during the term of the contract (not to exceed 25 years, including options). The contract terms shall establish a guaranteed savings amount and determine the level of compensation to be paid the contractor, with the remainder of the savings retained by the DoD.

★120203. Guaranteed Savings. The minimum energy savings amount, established by the terms of an ESPC, realized by the performance of contractor-installed, energy saving equipment over an extended period of time. Guaranteed savings are divided between an amount to be paid the contractor, and an amount to be retained by the government, in accordance with the contract terms.

★120204. Extended Availability. The additional period of availability for obligation, through the end of the fiscal year following the fiscal year for which the funds were appropriated, of unobligated balances at the end of a fiscal year for funds realized as a result of energy cost savings as provided for by 10 U.S.C. 2865 and an annual recurring provision in the DoD appropriations acts.

★120205. Extended Availability Account. An account established at the installation level for each appropriation for which energy cost savings have been identified, and to which unobligated balances resulting from such energy cost savings or a portion thereof, are transferred.

★120206. Component Head or designee. The Secretary of a military department or the Director of a Defense Agency or an individual designated to act for the Secretary of a military department or the Director of a Defense Agency for the purposes of executing the duties, functions, and responsibilities set forth in this chapter. When a provision is applicable only to the military departments, reference is made to the Secretary concerned, or designee.

★1203 PROCEDURES CONCERNING ENERGY OR WATER COST-SAVINGS AMOUNTS AND INCENTIVES RECEIVED FROM UTILITIES UNDER 10 U.S.C. 2865 AND 2866

★120301. Energy savings amounts having an extended availability shall be transferred to extended availability accounts for execution.

★A. An extended availability account shall be established for each appropriation for which energy cost savings have been identified and for which a period of extended availability is to be established.

★B. Transfers to the extended availability accounts shall be made by a SF 1151. Reprogramming actions will not be required in the case of such transfers.

★C. Accounting, appropriate controls, and oversight for amounts in extended availability accounts shall be established at the level of the facilities that use the accounts. Normally this will be at the installation level.

★120302. The cognizant Component Head or designee shall determine the appropriation which shall be credited with any financial incentives received from utilities under 10 U.S.C. 2865 (d)(2) or 10 U.S.C. 2866 (a)(2). The amounts so credited shall be merged with, and be available for, the same purposes and time period as the appropriation to which they are credited.

★120303. One-third of the amount of energy or water cost savings resulting from conservation measures (i.e., one-half of the two-thirds amount available to the Department) under 10 U.S.C. 2865 and 2866 will be used only to implement additional energy conservation measures and water conservation activities at DoD buildings, facilities, or installations. Such energy conservation measures will be determined by the appropriate Component Head or designee in accordance with conservation project suitability guidance issued by the Office of the Deputy Under Secretary of Defense (Industrial Affairs and Installations).

★120304. As determined by the commanders of military installations, at which energy or water cost savings were realized, the remaining one-third of the amount of energy or water cost savings resulting from conservation measures shall be used only for the purposes specified in paragraph 120103. A. 2 of this chapter.

★1204 PROCEDURES CONCERNING REVENUES FROM THE SALE OF ELECTRICITY UNDER 10 U.S.C. 2867

★120401. Proceeds from the sale of electricity under 10 U.S.C. 2867 shall be credited to the appropriation account currently available to the military department concerned for the supply of electrical energy. The Secretary concerned or designee shall determine the accounts to which such proceeds shall be credited.

★120402. Amounts so credited may be used for:

★A. Military construction projects under energy performance plans developed pursuant to the provisions of 10 U.S.C. 2865(a); and

B. Minor military construction projects authorized under 10 U.S.C. 2805 that are designed to increase energy conservation.

★120403. Before utilization of the amounts credited under paragraph 120401 for projects specified in paragraph 120402, not later than 21 days before such projects are to be carried out, the Secretary concerned or designee shall notify the Congress in writing of the project along with:

★A. The justification for the project; and

★B. The estimated cost of the project.

★1205 PROCEDURES CONCERNING ENERGY COST SAVINGS UNDER SECTION 736 OF THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1989, AS AMENDED (42 U.S.C. 8287 note)

★120501. The portion of the guaranteed savings due to the contractor for payment under ESPCs shall be included in each military department's utility requirements submitted as part of budget requests for the length of the ESPCs entered into by that military department. The entire amount of guaranteed savings provided for in ESPCs (including amounts for contract payments and amounts to be retained by installations) shall be included in total utility requirements submitted as part of budget requests for the first 5 years of ESPCs. Under no circumstances shall the total of the amounts requested exceed those that would have been requested in the absence of ESPCs. The Secretary concerned, or designee, shall specify the procedures for identification of such amounts by installations, facilities, or operating locations at which ESPCs for that military department are in existence.

★120502. Not more than 90 days after the end of each of the first 5 years during which energy savings measures have been in operation under an ESPCs, the Secretary concerned, or designee, shall determine the amount of energy cost savings attributed to, and realized under, energy savings measures acquired and installed under ESPCs at installations under the

Secretary's jurisdiction. These savings shall be reported in accordance with guidance issued by the Office of the Deputy Under Secretary of Defense (Industrial Affairs and Installations).

★120503. Energy cost savings realized under ESPCs and identified as indicated in the preceding paragraph may be utilized as described in paragraph 120103. E of this chapter.

★1206 CARRYOVER OF UNOBLIGATED BALANCES UNDER 10 U.S.C. 2865 RESULTING FROM ENERGY CONSERVATION MEASURES

★120601. Installation Commanders. Installation commanders or their designees shall ensure that energy cost savings amounts that are carried over to the year following the fiscal year for which they were originally appropriated are authorized to be used only for funding energy conservation initiatives approved by the Component Head or designee or for the purposes specified in paragraph 120304, above. Installation commanders also shall:

★A. Ensure that unobligated fund balances available at the end of the normal period of appropriation availability that are the direct result of energy conservation measures are identified. Such funds to be carried forward to the following fiscal year shall be based on the most current available consumption data and represent actual unobligated funds and not based on estimates.

★B. Ensure that the unobligated energy cost savings balances at year-end are carried forward into the following fiscal year, and designate the original appropriation as an extended availability account.

★C. Submit to the Component Head or designee proposed energy savings projects for a given fiscal year that are projected to cost more than the amount of funds available to the Commander for that purpose.

★D. Implement additional energy conservation initiatives approved by the Component Head, or designee and other projects as specified in paragraph 120304, above.

★120602. Component Head or Designee. The Component Head or designee shall receive and evaluate savings measures submitted by installation commanders, and authorize funding for those other energy savings measures as the Component Head or designee deems appropriate. The Component Head or designee shall also ensure that procedures are established to provide sufficient time to compute the energy cost savings, and identify the unobligated amounts to carry over to the following fiscal year.

1207 ACCOUNTING FOR ENERGY COST SAVINGS

★120701. Energy cost savings amounts. The energy cost savings amounts realized in accordance with 10 U.S.C. 2865 shall be either the lesser of (1) two-thirds of identified energy cost savings, or (2) the unobligated balances of such cost savings remaining available for obligation at the end of a fiscal year.

★120702. Extended availability accounts. Amounts covered by the preceding paragraph shall be identified in, and transferred to, extended availability accounts. Transfers shall be made on an SF 1151, and properly labeled (e.g., FY 1998/1999 for a FY 1998 account). The authority to be cited for the transfer is 10 U.S.C. 2865. No further adjustments shall be made to the amounts carried forward once the balance is established in the extended availability account.

★120703. Refunds or Rebates. Refunds or rebates paid by a utility company as a result of completion of a utility-approved conservation action (typically a facility project) shall be credited to the same account from which the conservation action originally was funded. Such amounts may be extended for obligation, in accordance with the procedures specified in the preceding paragraph.

★120704. Cancellation of Appropriation.

★A. Amounts contained in extended availability accounts established in accordance with paragraph 120702 above, shall remain available for expenditure (i.e., liquidation of obligations) for 5 years following the year in which the funds expired for obligation at the end of the year of extended availability.

★B. Under no circumstances shall funds, extended under 10 U.S.C. 2865 remain available for expenditure beyond the end of the sixth year following the year in which the funds would have expired, had the period of availability not been extended. (For example, if an O&M appropriation normally would expire at the end of FY 1998, the extended availability account would expire at the end of FY 1999. The extended availability account would be available for expenditures until the end of FY 2004, at which time any remaining obligated and unobligated balances would be canceled.)

1208 REPORTING REQUIREMENTS

The following reporting requirements shall be used to report the status of extended availability accounts:

120801. Acct Rpt (M) 1002. Special procedures have been established for reporting extended availability obligated and unobligated balances on the Acct Rpt (M) 1002 (Appropriation Status by Fiscal Year Program and Subaccounts).

These procedures are as follows:

A. Normal Availability Obligated and Unobligated Balances. Identify and report as normal.

B. Extended Availability Unobligated Balance. Identify, in column i. (Total Unobligated Balance), unobligated extended availability amounts resulting from energy cost

savings at the end of the normal availability period (e.g., FY 199X/199X+1 or FY 199X/199X+2, +3, and so on) available unobligated amounts (that is, FY 1996/1997, FY 1996/1998, etc., for the FY 1996 account). The stub entry shall identify the unobligated extended availability amount as “Extended Availability - Energy Cost Savings.” The amount reported shall agree with the amount reported on line 9.A.1. of the SF 133 (formerly DD Form 1176), “Report on Budget Execution” (see subsection 120702, below).

★C. Extended Availability Obligated Balance. Identify, in column e, obligations incurred against the extended availability account. The stub entry shall identify those obligations as to the purpose for which the obligations were incurred. Those purposes are “Energy Conservation Measures” (covered by paragraph 120303 of this Chapter) and “Other Purposes” (covered by paragraph 120304 of this Chapter). The reporting categories for the extended availability accounts are to be continued for all applicable fiscal years.

120802. SF 133 (Report on Budget Execution). At the end of the first fiscal year, use line 9.A.1, “Balance Currently Available” on the SF 133, to identify the amount of available unobligated funds that are available for energy savings investments (or other authorized purposes) in the following fiscal year(s)

120803. Acct Rpt (TFM) 2108. Transactions reported on the Acct Rpt (TFM) 2108 (Year-End Closing Statement) will be treated in the same manner as a multi-year appropriation.

CHAPTER 13

FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT

1301. OVERVIEW

130101. Purpose. This Chapter provides the financial policy and procedures for base closure and realignment.

130102. General

A. Since 1988, the Congress has enacted legislation that created four separate accounts on the books of the Treasury to finance base closure and military installation realignment.

1. Section 207 of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law (P.L.) 100-526), October 24, 1988, established the “DoD Base Closure Account.”

2. Section 2906 of the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510), November 5, 1990, created the “DoD Base Closure Account 1990.”

3. Section 2921 of the 1990 Act established the “DoD Overseas Military Facility Investment Recovery Account.”

4. Section 344 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (P.L. 102-190), established the “Reserve Account.”

B. This guidance supersedes and rescinds the financial management policy and procedures for the “DoD Base Closure Account” previously issued as follows:

1. Principal Deputy Comptroller memorandum, dated January 3, 1990, subject: DoD Base Closure Account, and subsequently modified by a Deputy Comptroller (Management Systems) memorandum, dated January 24, 1990, same subject.

2. Deputy Comptroller (Management Systems) memorandum, dated May 4, 1991, subject: Disposition of Proceeds from the Sale of Assets Resulting from DoD Base Closures.

C. Additionally, this guidance supersedes and rescinds the Office of the Deputy Comptroller (Management System) memorandum of June 17, 1991, subject: Guidance

for DoD Overseas Military Facility Investment Recovery Account, that previously established financial management guidance for the subject Account.

D. Also, this guidance establishes funds distribution, accounting and reporting policy and procedures for the “DoD Base Closure Account 1990” and the “Reserve Account.”

1302. POLICY AND PROCEDURES

130201. General

A. DoD Components are responsible for implementing all base closure and realignment actions, and administering allocations of base closure funds.

B. Care should be exercised to ensure that proceeds are deposited in the appropriate account authorized by law. Funds erroneously deposited into an account, or deposited to a suspense account or other interim accounts, shall be transferred to the appropriate account. An SF 1080, “Voucher for Transfers Between Appropriations and/or Funds” may be used to transfer funds to the proper account.

130202. DoD Base Closure Account

A. The Treasury symbol for this Account is 97_0103. This Account is identified as the “Base Realignment and Closure Account, Part I, Defense” in the Treasury’s Federal Account Symbols and Titles (FAST) publication.

B. Except as provided for in paragraph 130202.D., below, funds deposited into this Account shall be:

1. Funds authorized for, and appropriated to, the Account with respect to Fiscal Year (FY) 1990 and fiscal years beginning thereafter.

2. Proceeds from any Military Department or other instrumentality (including a nonappropriated fund instrumentality) within the Department that agrees to pay fair market value for the property or facility, or portion thereof. Fair market value shall be determined on the basis of the use of the property or facility on December 31, 1988.

3. Proceeds from the transfer or disposal of any other property or facility made as a result of a closure or realignment under the provisions of P.L. 100-526.

C. Proceeds resulting from the sale or disposal of property or facilities (including buildings and structures) due to the base closure process shall be deposited as reimbursements into the DoD Base Closure Account. These reimbursements shall be treated as a collection and an earned reimbursement, and credited to the appropriation as a budget source.

D. A portion of the proceeds resulting from the transfer or disposal of any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds shall be deposited in the “Reserve Account.” The amount so deposited shall be equal to the depreciated value of the investment made with such funds in the acquisition, construction, or improvement of that particular real property or facility. The depreciated value of the investment shall be computed in accordance with Chapter 6 of Volume 4 of this Regulation. The “Reserve Account” is discussed in paragraph 130205, below.

E. Subject to availability, funds in the Account may be used to:

1. Carry out actions as may be necessary to close or realign any military installation. Such actions include acquisition of such land, construction of such replacement facilities, performance of such activities, and conduct of such advance planning and design as may be required to transfer functions from an installation being closed or realigned to another military installation.

2. Provide economic adjustment assistance to any community located near an installation being closed or realigned.

3. Provide community planning assistance to any community located near an installation to which functions will be transferred as a result of such closure or realignment.

4. Carry out activities for the purposes of environmental restoration at an installation being closed or realigned. This includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

130203. DoD Base Closure Account 1990

A. The Treasury symbol for this Account is 97X0510. This account is identified as the “Base Realignment and Closure Account, Part II, Defense,” in the Treasury’s Federal Account Symbols and Titles (FAST) publication.

B. Except as provided for in paragraph 130203.D., below, funds deposited into this Account shall be:

1. Funds authorized for, and appropriated to, the Account.

2. Proceeds received from the sale or disposal of any property at an installation closed or realigned under the provisions of P.L. 101-510.

C. Proceeds resulting from the sale or disposal of property or facilities (including buildings and structures) due to the base closure process shall be deposited as reimbursements into the DoD Base Closure Account 1990. These reimbursements shall be treated as a collection and an earned reimbursement, and credited to the appropriation as a budget source.

D. Proceeds received after September 30, 1995, from the transfer or disposal of any property at a military installation closed or realigned under title II of the Defense Authorization Amendments and Base Closure and Realignment Act (PL 100-526; 10 USC 2687) shall be deposited as reimbursements into the DoD Base Closure Account 1990.

E. A portion of the proceeds resulting from the transfer or disposal of any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds shall be deposited in the "Reserve Account." The amount so deposited shall be equal to the depreciated value of the investment made with such funds in the acquisition, construction, or improvement of that particular real property or facility. The depreciated value of the investment shall be computed in accordance with Chapter 6, Volume 4, of this Regulation. The "Reserve Account" is discussed in paragraph 130205, below.

F. Subject to their availability, funds in the Account may be used to:

1. Carry out actions as may be necessary to close or realign any military installation. Such actions include acquisition of such land, construction of such replacement facilities, performance of such activities, and conduct of such advance planning and design as may be required to transfer functions from an installation being closed or realigned to another military installation.

2. Provide economic adjustment assistance to any community located near an installation being closed or realigned. Additionally, provide community planning assistance to any community located near a military installation to which functions will be transferred as a result of such closure or realignment.

3. Carry out activities for the purposes of environmental restoration and mitigation at an installation being closed or realigned. This includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

4. Provide outplacement assistance to civilian employees employed by the Department at installations being closed or realigned.

5. Reimburse other Federal agencies for actions performed at the request of the Secretary with respect to any such closure or realignment.

130204. DoD Overseas Military Facility Investment Recovery Account

A. The Treasury symbol for the receipt account (funds deposited in the DoD Overseas Military Facility Investment Recovery Account Deposits, DoD) are 97x5193.017, .057, .021, and .097, as applicable. The Treasury symbol for the special fund account (expenditure of funds from the Account) is 97X5193.

B. Except as provided for in paragraph 130204.C., below, funds deposited into this Account shall be amounts paid to the United States, pursuant to any treaty, status of forces agreement, or other international agreement to which the United States is a party, for the residual value of real property or improvements to real property used by civilian or military personnel of the Department.

1. Steps must be taken to ensure that the United States receives, through direct payment or otherwise, consideration equal to the fair market value of the improvements made by the United States at facilities that will be released to host countries. Determination of the fair market value of such improvements should be conducted on a facility-by-facility basis.

2. The term “fair market value of the improvements” means the value of improvements on the basis of their highest use.

3. The term “improvements” includes new construction of facilities and all additions, improvements, modifications, or renovations made to existing facilities or to real property, without regard to whether they were carried out with appropriated or nonappropriated funds.

C. In the case of a payment for the residual value of real property or improvements at an overseas military facility, the portion of the payment that is equal to the depreciated value of the investment made with nonappropriated funds shall be deposited in the “Reserve Account”--not in the “DoD Overseas Military Facility Investment Recovery Account.”

D. Subject to availability, funds in the Account may be used by the Department for payment, as provided for in appropriations acts, of costs incurred by the Department in connection with (1) facility maintenance and repair and environmental restoration at military installations in the United States, and (2) facility maintenance and repair and compliance with environmental laws at military installations outside the United States that the Secretary anticipates will be occupied by the U.S. Forces for an extended period of time.

130205. Reserve Account

A. The Treasury symbol for the receipt account (funds deposited into the Reserve Account) is 97X5195.1. The Treasury symbol for the special account (expenditure of

funds from the Reserve Account) is 97X5195. This account is identified as “Use of Proceeds from the Transfer or Disposition of Commissary Facilities.”

B. The transfer or disposal of a commissary or nonappropriated fund (NAF) facility must be connected with the closure or realignment of a military installation. A portion of the proceeds equal to the depreciated value of the investment made in any real property or facility acquired, constructed or improved (in whole or in part) with commissary store funds or nonappropriated funds shall be deposited into this Account.

C. If the proceeds from the transfer or disposal of any real property or facility acquired, constructed or improved (in whole or in part) with commissary store funds or nonappropriated funds are greater than the depreciated value, then the excess amount shall be deposited into the appropriate base closure account, not the Reserve Account.

1. The term “commissary store funds” means funds received from the adjustment of, or surcharge on, selling prices at commissary stores fixed under 10 U.S.C. 2685.

2. The term “nonappropriated funds” means funds received from a NAF instrumentality. (See the “Definitions” section of Volume 13, “Nonappropriated Funds Policy and Procedures,” of this Regulation.)

3. The term “nonappropriated fund instrumentality” means an instrumentality of the United States under the jurisdiction of the Armed Forces (including the Military Exchange Services) which is conducted for comfort, pleasure, contentment, or physical or mental improvement of members of the Armed Forces. (See the “Definitions” section of Volume 13 of this Regulation.)

4. The depreciated value of the investment made by nonappropriated funds shall be computed in accordance with Chapter 3, Volume 13 of this Regulation.

C. Subject to availability, funds in the Account may be used, if appropriated in advance by the Congress, for the purpose of acquiring, constructing, or improving commissary stores, and real property and facilities for NAF instrumentalities.

D. DoD Components are responsible for ensuring that budgeting and accounting procedures can separately identify the (1) commissary, (2) exchange system, and (3) all other nonappropriated fund instrumentalities balances in the Reserve Account.

1303 BUDGET AND ACCOUNTING RESPONSIBILITIES

130301. Requests for Funds

A. DoD Components. The Military Departments and Defense Agencies, in cooperation with and at the direction of the Under Secretary of Defense (Acquisition and Technology) or designee, the Director for Base Closure and Utilization, shall:

1. Submit a financial plan to the Directorate for Military Construction, ODC(P/B), OUSD(C), supported by a “DoD Base Closure Account Financial Plan,” (Format 460-BC) (Attachment 1), to request allocations of base closure funds. For planned military construction and family housing construction requirements, each project to be executed using requested base closure funds will be individually listed on the financial plan. Also, a separate narrative explanation for other planned expenditures will also be submitted to the Directorate for Military Construction, ODC(P/B), in sufficient detail on the Format 460-BC to support the DoD Component financial plan. Host DoD Components are responsible for coordination with all affected tenant activities, including Defense Agencies, Defense Medical Facilities Office, Reserve Components, and nonappropriated fund activities. Tenant activities will identify specific base closure program requirements to their host DoD Component.

2. Notify the Office of the Under Secretary of Defense (Acquisition and Technology) and the Directorate for Military Construction, ODC(P/B), of any deviations of 5 percent per quarter from, or rephasing of, the OUSD(C)-approved planned execution of allocated base closure funds. When a military construction or family housing project is to be executed, but does not appear on the approved financial plan of a DoD Component, the prior approval of the Directorate of Military Construction, ODC(P/B), is required.

B. Directorate for Military Construction, ODC(P/B). This office shall initiate the Apportionment and Reapportionment Schedule (DD Form 1105) for the appropriate base closure account for submission to the Office of Management and Budget (OMB) for its approval.

130302. Funds Distribution

A. Directorate for Military Construction, ODC(P/B). This office shall, upon approval by the OMB of the Apportionment and Reapportionment Schedule (DD Form 1105) for the base closure account, provide a Fund Authorization Document to the Director for Budget and Finance, Washington Headquarters Services (WHS), for recording in the agency level accounting records.

B. Director, Defense Finance and Accounting Service. The Director, Defense Finance and Accounting Service shall obtain and record, in the departmental-level accounting records, an appropriation warrant (TFS Form 6200) for the base closure accounts. Table 13-1 illustrates the most common entries used for this account.

C. Director for Budget and Finance, WHS. The Director for Budget and Finance, WHS shall:

1. Record, in the agency-level accounting records, the Fund Authorization for the base closure accounts received from the Directorate for Construction, ODC(P/B). Table 13-2 illustrates the most common entries used to accomplish this action.

ACCOUNTING ENTRIES FOR RECORDING WARRANTS

Dr 4119 Other Appropriations Realized
Cr 4450 Authority Available for Apportionment

Dr 1013 Funds with Treasury
Cr 3100 Appropriated Capital

To record the appropriation warrant (TFS Form 6200).

Table 13-1**ACCOUNTING ENTRIES FOR FUND AUTHORIZATION**

Dr 4450 Authority Available for Apportionment
Cr 4511 Unallocated Apportionment Direct Program - Current
Period

To record the Fund Authorization received from ODC(P/B).

Table 13-2

2. Suballocate, in response to a request from the Directorate for Military Construction, ODC(P/B), a suballocation of base closure funds to the Military Departments and the Defense Agencies on Fund Authorization (attachment 2). Table 13-3 illustrates the most common entries used to accomplish this action.

D. DoD Components. The Military Departments and Defense Agencies shall:

1. Receive and record the suballocations of base closure funds received from the WHS and allot that suballocation to respective installations. The DoD Components shall subdivide their allocations of the base closure accounts by subaccount, and distribute the base closure funds to the installations responsible for base closure actions. Each DoD Component shall distribute the base closure funds to its installations in accordance with its normal fund distribution procedures. This distribution process shall include allotment, or suballotment, as appropriate, of the suballocation from the WHS. The applicable subaccounts are as follows:

Military Construction

Construction

a. (Project)

b. (Project)

Planning and Design

NOTE: The military construction subaccount should be reserved for projects listed individually on the Format 460 accompanying the fund allocation document.

**ACCOUNTING ENTRIES FOR RECORDING THE ALLOCATION OF
OBLIGATIONAL AUTHORITY**

Dr 4511 Unallocated Apportionment - Direct Program - Current Period

Cr 4541 Allocations Issued - Direct Program - Current Period

To record the allocation of obligational authority.

Table 13-3

Family Housing:

Construction

a. (Project)

b. (Project)

Planning and Design

Operations

Operation and Maintenance (O&M):

- Civilian Severance Pay
- Civilian Permanent Change of Station (PCS)
- Transportation of Things
- Real Property Maintenance
- Program Management (civilian workyears, travel, and related support dedicated to implementation efforts)

Environmental:

Includes environmental restoration, including reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris; Memoranda of Agreements between Defense and States (DSMOA), and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR); and mitigation efforts associated with a military installation closure or realignment. Mitigation efforts do not apply to the DoD Base Closure Account.

Community Programs:

Community Planning Assistance: For communities located near a military installation to which functions will be transferred as a result of a closure or realignment of a military installation.

Economic Adjustment Assistance: For communities located near a military installation being closed or realigned.

Federal Agencies Reimbursement:

Includes reimbursements to other Federal agencies for actions, other than for environmental activity discussed above, performed with respect to any closure or realignment.

Military Personnel:

Limited to PCS and TDY expenses dedicated to implementation efforts.

Procurement-type Items:

The procurement account should be limited to investment items in accordance with the expense/investment criteria.

Other Costs:

Expenses, other than those above, associated with base closure and realignment efforts.

2. Account for the receipt and allotment of the allocations using the entries in Table 13-4.

130303. Plan Execution

A. The DoD Components shall:

1. Record the allotment of base closure funds provided to installations. Table 13-5 illustrates the entries to record the allotment.

2. Implement base closure and realignment actions and administer their allocation of base closure funds in accordance with their approved financial plan.

a. Table 13-6 illustrates the entries for recording expenses that result in a fund outlay and that are incurred as a result of a DoD base closure.

b. Losses that do not result in a fund outlay and that are incurred as a result of a DoD base closure shall be accounted for as an extraordinary loss. Table 13-7 illustrates these entries.

3. Submit a Format 460-BC and supporting documentation to the Director for Base Closure and Utilization and the Directorate for Military Construction, ODC(P/B), on a quarterly basis to reflect the status of the approved official financial plan being executed.

4. Rephase planned execution of the financial plan as the situation dictates, and with the prior approval of the Under Secretary of Defense (Acquisition and Technology) or designee, the Director for Base Closure and Utilization, and in coordination with the Directorate for Construction, ODC(P/B). A revised Format 460-BC and supporting documentation shall be prepared that reflects the changes in the financial plan.

ACCOUNTING ENTRIES FOR RECORDING ALLOCATIONS

Dr 4550 Internal Fund Distributions Received
Cr 4561 Unallotted Allocations - Direct Program - Current Period

Dr 1013 Funds with Treasury
Cr 3100 Appropriated Capital

To record receipt of an allocation of direct program obligational authority.

Dr 4561 Unallotted Allocations - Direct Program - Current Period
Cr 4571 Allotments Issued - Direct Program - Current Period

Cr 3100 Appropriated Capital
Dr 1013 Funds with Treasury

To record the allotment of direct program obligational authority to a subordinate activity.

Table 13-4**ACCOUNTING ENTRIES FOR RECORDING ALLOTMENTS
FOR BASE CLOSURE ACCOUNTS**

Dr 4580 Allotments Received
Cr 4611 Uncommitted/Unobligated Allotments -
Direct Program - Current Period

Dr 1013 Funds with Treasury
Cr 3100 Appropriated Capital

To record receipt of an allotment.

Table 13-5

**ACCOUNTING ENTRIES FOR RECORDING EXPENSES/EXPENDITURES
FOR BASE CLOSURE ACCOUNTS**

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program -
Current Period
Dr 4810 Undelivered Orders - Direct Program
Cr 4931 Accrued Expenditures - Paid - Direct Program
and
Dr 6100 (Applicable Operating Expense Account)
Cr 1012 Funds Disbursed

To record expenditure of an allotment.

Table 13-6

**ACCOUNTING ENTRIES FOR RECORDING AN EXTRAORDINARY LOSS (OR
GAIN) THAT DOES NOT RESULT IN FUND OUTLAY**

Dr 1739 Accumulated Depreciation on Buildings
Dr 1749 Accumulated Depreciation on Other Structures and Facilities
Dr/Cr 7300 Extraordinary Items (Debit for Loss or Credit for Gain)
Cr 1710 Land
Cr 1730 Buildings
Cr 1740 Other Structures and Facilities

To record extraordinary loss (or gain) that do not result in a fund outlay from
base closures.

Table 13-7

1304 REPORTING RESPONSIBILITIES

130401. Military Departments. The Military Departments shall prepare and submit reports to the Defense Finance and Accounting Service (DFAS) Centers on the status of its allotments. At a minimum, these reports will provide detail for each subaccount specified in a Fund Authorization document provided by the WHS (see paragraph 130302.C., above). These reports will be submitted in accordance with a schedule of due dates to be provided by the DFAS.

130402. Defense Agencies and the DFAS Centers. The Defense Agencies and the DFAS Centers shall submit feeder reports to the WHS on the status of its suballocations. At a minimum, these reports will provide detail for each subaccount specified in a Fund Authorization

document provided by the WHS (see paragraph 130302.C., above). These reports will be submitted in accordance with a schedule of due dates to be provided by the WHS.

130403. WHS. The WHS shall:

A. Provide a schedule of due dates, in correlation with DFAS due dates, to accounting support organizations, e.g., the Defense Agencies, DFAS Centers to submit feeder reports.

B. Perform agency-level accounting for the base closure accounts suballocated to the Defense Agencies and Military Services in accordance with this Regulation.

C. Prepare agency-level appropriation and fund status reports at the allocation level (for those reports referenced in paragraph 130404.E., for the base closure accounts allocated to the Defense Agencies and Military Services as required by Chapter 4, Volume 6, of this Regulation.

D. Review and validate Report on Appropriation Status by Fiscal Year Program and Subaccounts (Acct Rpt(M)1002) and submit data to the Office of the Under Secretary of Defense (Acquisition and Technology).

E. Provide the DFAS with copies of appropriate financial reports submitted by DoD Components, to be included with other Treasury Index 97 financial reports.

130404. DFAS. The DFAS shall:

A. Establish base closure accounts with the Treasury.

B. Post Nonexpenditure Transfer Authorizations (SF 1151) transactions, as necessary, for the base closure accounts.

C. Provide a schedule of due dates to the WHS to submit feeder reports.

D. Perform departmental-level appropriation accounting for the base closure accounts allocated to the WHS in accordance with this Regulation.

E. Prepare departmental-level appropriation and fund status reports as required by Chapter 4, Volume 6 of this Regulation for the base closure accounts administered by the Military Departments and Defense Agencies. These reports include:

1. Year-end Closing Statement (FMS Form 2108).

2. Statement of Transactions (SOT).

3. Statement of Differences (TFS Form 6652). (DFAS will download this report from Treasury.)
4. Undisbursed Appropriation Account Ledger (TFS Form 6653). (DFAS will download this report from Treasury.)
5. Undisbursed Appropriation Accounts - Trial Balance (TFS Form 6654). (DFAS will download this report from Treasury.)
6. Receipt Account Trial Balance (TFS Form 6655). (DFAS will download this report from Treasury.)
7. Report on Budget Execution (Acct Rpt(M)1176).
8. Flash Report on Obligation Status (Acct Rpt(M)1445).
9. Report on Obligation Status (SF 225).
10. Report on Reimbursements (Acct Rpt(M)725).
11. Report on Appropriation Status by Fiscal Year Program and Subaccounts (Acct Rpt(M)1002). A separate report will be prepared for each base closure account. Each report will indicate, by Military Department, the subaccounts identified in paragraph 130302.C., above, or as prescribed by the Office of the Deputy Comptroller (Program/Budget). For example, for Treasury symbol 97X0510, "DoD Base Closure Account 1990," the WHS will prepare a Report on Appropriation Status by Fiscal Year Program and Subaccounts that may include the following subaccounts for each Military Department (a) military construction, (b) family housing, (c) environmental, (d) operations and maintenance, (e) military personnel-PCS, and (f) other.
12. Prepare Chief Financial Officer reports for all base closure accounts.
13. Provide consolidation of appropriate financial reports to produce Treasury Index 97 financial reports on a pass-through basis.
14. Subject to the approval of the Office of the USD (Comptroller), supplement this guidance with additional procedures, as may be required.

1305 ADMINISTRATION OF BASE CLOSURE FUNDS

130501. Appropriated and Non-appropriated Fund Activities. Expenses, losses, or other events occurring at an appropriated activity as a direct result of a DoD base closure action and that result in a cash outlay are eligible for reimbursement from the applicable DoD Base Closure Account. Expenses, losses, or other events not resulting in a cash outlay by an appropriated activity are not eligible for reimbursement. Expenses, losses, or other events that result in a cash outlay vice expenses, losses, or other events that do not result in a cash outlay are largely dependent upon the unique circumstances in existence at a particular activity subject to closure. However, general guidance on those two categories of expenses and losses are:

A. Expenses that Ordinarily Result in a Cash Outlay

1. Military Construction projects, including planning and design efforts, for which base closure funds are requested.
2. Family Housing projects, including construction, planning and design, and operations for which base closure funds are requested.
3. Operations and Maintenance-type efforts including civilian severance pay, civilian permanent change of station (PCS), outplacement assistance transportation of things, real property maintenance, and program management (civilian workyears, travel, and related support dedicated to implementation efforts).
4. Environmental projects including environmental restoration (reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris), Memoranda of Agreements between DoD and States, and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR).
5. Community Programs including economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions will be transferred as a result of a closure or realignment of a military installation.
6. Federal Agencies including reimbursements to other Federal agencies for actions, other than for environmental activity discussed in subparagraph (d) above, performed with respect to any closure or realignment.
7. Military Personnel, limited to PCS and TDY expenses dedicated to implementation efforts.
8. Procurement-type Items for those items normally purchased with procurement appropriations.

9. Other expenses associated with base closure and realignment efforts.

B. Losses that Do Not Ordinarily Result in a Cash Outlay. Losses on real property or facilities sold, leased, transferred, or disposed of in connection with the closure or realignment of a military installation.

130502. Disposition of DoD Base Closure Assets. The loss (or gain) from the sale, lease, or other disposal of assets shall be recorded by the activity having financial custody of those assets. The sale, lease, or other disposal action will only be recorded in proprietary accounts of that installation. Any proceed generated from the sale, lease, or other disposal action of assets does not add to, or otherwise affect, the budgetary accounts of that activity. Table 13-8 illustrates these entries.

**ACCOUNTING ENTRIES FOR EXTRAORDINARY LOSS (OR GAIN)
RESULTING FROM THE SALE OR OTHER DISPOSAL OF BASE CLOSURE
ASSETS**

Dr 1011 Funds Collected (if any)
Dr 1739 Accumulated Depreciation on Buildings
Dr 1749 Accumulated Depreciation on Other Structures and Facilities
Dr/Cr 7300 Extraordinary Items (Debit for Loss or Credit for Gain)
 Cr 1710 Land
 Cr 1730 Buildings
 Cr 1740 Other Structures and Facilities

To record extraordinary loss (or gain) resulting from the sale or other disposal of base closure assets.

Table 13-8

ATTACHMENT 1
DoD BASE CLOSURE ACCOUNT FINANCIAL PLAN

DOD BASE CLOSURE ACCOUNT FINANCIAL PLAN	SERVICE FISCAL YEAR OF APPROPRIATION (Dollars, in Thousands)				SUBMISSION NO. As of:	
	INSTALLATIONS/PROJECT(S)	PROGRAM AMOUNT	CHANGE AMOUNT	PREVIOUSLY APPROVED	PROPOSED	QT
	(a)	(b)	(c)	(d)	(e)	(f)
A <u>Military Construction</u> 1. Construction a. (Project) b. (Project) 2. Planning and Design B <u>Family Housing</u> 1. Construction a. (Project) b. (Project) 2. Planning and Design 3. Operations C <u>Operation and Maintenance (O&M)</u> 1. Civilian Serenence Pay 2. Civilian PCS 3. Transportation of Things 4. Real property Maintenance 5. Program Management D. <u>Environmental</u> E <u>Community Programs</u> 1. Community Planning 2. Economic Assistance F. <u>Federal Agencies</u> G. <u>Military Personnel</u> H. <u>Procurement-type Items</u>						
						(g)

ATTACHMENT 2 FUND AUTHORIZATION

FUND AUTHORIZATION				
1. TYPE OF ACTION <i>(X applicable box)</i>			2. DOD COMPTROLLER REFERENCE <i>(Number/Date)</i>	
<input type="checkbox"/> ALLOCATION	<input type="checkbox"/> ALLOTMENT			
<input type="checkbox"/> SUBALLOCATION	<input type="checkbox"/> SUBALLOTMENT			
3. ISSUED TO:		4. ISSUED BY:		
5. APPROPRIATION/ACCOUNT SYMBOL	6. SERIAL NUMBER	7. FISCAL ACCOUNTING STATION NUMBER		
8. DIRECT OBLIGATION AUTHORITY <i>(\$000)</i>				
a. INITIAL OR PRIOR	b. INCREASE OR <i>(DECREASE)</i>	c. TOTAL		
9. REIMBURSABLE OBLIGATION AUTHORITY <i>(\$000)</i>				
a. INITIAL OR PRIOR	b. INCREASE OR <i>(DECREASE)</i>	c. TOTAL		
10. TOTAL OBLIGATION AUTHORITY <i>(\$000)</i>				
a. INITIAL OR PRIOR	b. INCREASE OR <i>(DECREASE)</i>	c. TOTAL		
11. CUMULATIVE QUARTERLY LIMITATIONS <i>(\$000)</i>				
	a. 1ST QUARTER	b. 2ND QUARTER	c. 3RD QUARTER	d. 4TH QUARTER
(1) Direct				
(2) Reimbursable				
12. REMARKS				
13. APPROVING OFFICIAL				
a. TYPED NAME/TITLE		b. SIGNATURE		c. DATE SIGNED

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CHAPTER 14

**★TRANSFERRING, DISPOSING, AND LEASING OF
REAL PROPERTY AND PERSONAL PROPERTY**1401 OVERVIEW

★ 140101. Purpose. This chapter provides financial procedures for the disposal, transfer or leasing out of real and personal property. The disposition of proceeds from the sale of surplus personal property is covered by Chapter 5 of Volume 11A.

★ 140102. General. Section 485 of Title 40, United States Code, and sections 2667 and 2667a of Title 10, United States Code, each require that a special fund be established for the deposit of proceeds received from the transfer or lease of real and personal property under the control of a Military Department (other than property at a military installation designated for closure or realignment) and from the lease of personal property under the control of a Defense Agency.

1402 POLICY AND PROCEDURES140201. General.

★ A. Real property, and improvements thereon, under the control of a Military Department (other than property at a military installation designated for closure or realignment) that are determined by the Secretary concerned to be excess to the needs of that Military Department shall be made available for transfer without reimbursement to other Military Departments. If the property is not so transferred, the Secretary of Defense (SECDEF) shall request the Administrator of the General Services Administration (GSA) to transfer or dispose of such property in accordance with applicable laws. Any proceeds generated from such transfer or disposal shall be deposited into a special fund Treasury receipt account. Funds deposited into the special fund Treasury receipt account will be distributed to the Military Department by the Under Secretary of Defense (Comptroller) (USD(C)) consistent with applicable appropriations acts.

★ B. Section 2667 of Title 10, United States Code, allows the Secretary of a Military Department to lease nonexcess real and personal property under its control that is not needed for a public use for the time that it is leased. All fees received from such leases (other than from leases of property at a military installation designated for closure or realignment) shall be deposited into a special fund Treasury receipt account. Funds deposited into the special fund Treasury receipt account will be distributed to the Military Department by the USD(C) consistent with applicable appropriations acts.

★ C. Section 2667a of Title 10, United States Code, allows the SECDEF to lease nonexcess personal property under the control of a Defense Agency that is not needed for a public use for the time that it is leased. All fees received from such leases shall be deposited into

a special fund Treasury receipt account. Funds deposited into the special fund Treasury receipt account will be distributed to the Defense Agency by the USD(C) consistent with applicable appropriations acts.

★ 140202. Special Fund Requirements. The special fund is to be established and operated under the provisions of Chapter 1 of this Volume. The special funds designated by the Treasury for use in connection with section 485 of Title 40, United States Code, and sections 2667 and 2667a of Title 10, United States Code, are account 5188, “Disposal of DoD Real Property,” and account 5189, “Lease of DoD Real Property” have been established as no year accounts.

140203. Special Fund Purposes.

★ A. Section 485 of Title 40, United States Code. Any net proceeds (gross proceeds less expenses of transferring or disposing of the property) received from the transfer or disposal of real property under section 485 of Title 40, United States Code, shall be deposited into special fund Treasury receipt account 5188 (.017, .021 or .057 for Navy, Army and Air Force, respectively) “Disposal of DoD Real Property.” See paragraph 140205, below, for the appropriate accounting treatment.

★ B. Section 2667 of Title 10, United States Code. Funds received from leases entered into pursuant to section 2667 of Title 10, United States Code, shall be deposited into the special fund Treasury receipt account 5189 (.017, .021 or .057 for Navy, Army and Air Force, respectively) “Lease of DoD Real Property.” See paragraph 140206.A for the appropriate accounting treatment.

★ C. Section 2667a of Title 10. Funds received from leases of personal property pursuant to section 2667a of Title 10, United States Code, shall be deposited into the special fund Treasury receipt account 5189 (subaccount .097), “Lease of DoD Real Property.” See paragraph 140206.B for the appropriate accounting treatment.

★ D. Funds deposited in account 5188 and 5189 shall be available to the Military Department concerned for expenditures, to the extent provided for in appropriation acts, as follows:

1. Fifty percent of the funds deposited shall be available for facility maintenance and repair or environmental restoration at the military installation where the property is located, and

2. Fifty percent of the funds deposited shall be available for facility maintenance and repair and environmental restoration by the Military Department concerned.

★ E. Funds deposited in account 5189.097, “Lease of DoD Real Property,” for the lease of Defense Agency personal property, shall be available to the Defense Agency concerned, to the extent provided in appropriations acts, for the maintenance, repair, restoration, or replacement of the leased property.

140204. Reporting Requirements.

★ A. Section 485 of Title 40, United States Code. As part of the annual request for authorization of appropriations by the Armed Services Committee of the Senate and National Security Committee of the House of Representatives, the Department shall include an accounting of each transfer and disposal of real property made during the fiscal year preceding the fiscal year in which the request is made. This summary shall include a detailed explanation of such disposal and the use of the proceeds received.

★ B. Section 2667 of Title 10, United States Code. As part of the request for authorization of appropriations for fiscal years after 1992, the lessor shall provide the following reports:

1. An accounting of all funds received and the use of all money rentals that were deposited and expended during the fiscal year preceding the fiscal year in which the request is made, and

2. A detailed explanation of each lease entered into, and each amendment made to existing leases during the preceding year.

★ C. Section 2667a of Title 10, United States Code. No later than 45 days prior to entering into a lease of personal property for a term that exceeds 1 year and the fair market value of which exceeds \$100,000, the Department shall submit to Congress a written notice describing the terms of the proposed lease and the competitive procedures used to select the lessee.

★ D. The Secretaries of the Military Departments shall submit the data required by subparagraphs A., B.1 and B.2 above, as part of their annual requests for appropriations.

140205. Accounting Procedures.A. Transfers of Department of Defense (DoD) Real Property.

★ 1. If a Military Department determines that real property and improvements thereon, under its control (other than property at a military installation designated for closure or realignment), are excess to its needs and are available for transfer to another Military Department, such transfers will be on a nonreimbursable basis.

★ 2. Real property under the control of a Military Department that is transferred to another Military Department requires accounting entries at the losing activity and corresponding entries at the gaining activity. The accounting entries shall include the acquisition cost of the real property, the cost of any improvements and accumulated depreciation. If the acquisition cost of the property is not known or cannot be determined, the fair market value at the time of the transfer may be used. Detailed explanations for property and fiscal accountability are required as supporting footnotes to the accounting entries.

★ 3. Accounting Entries. Table 14-1 shows the most common entries used for transferring assets. For illustrative purposes, it is assumed that the Army transfers an asset to the Navy.

B. Disposal of Real Property.

★ 1. If real property is not transferred to another Military Department, the SECDEF shall request that the GSA Administrator dispose of such real property in accordance with the provisions of applicable laws. Table 14-2 illustrates the most common accounting entries used to record the removal of real property and improvements from the accounting records when the real property and improvements are to be transferred to the GSA.

2. Any consideration (money), when received, shall be deposited directly into the special fund Treasury receipt account. The explanation for this transaction is as follows:

★ To record the disposition of real property located at (Full Description). Monies received were deposited into the special fund account 5188.xxx "Disposal of DoD Real Property" under cash voucher #_____ in accordance with section 485 of Title 40, United States Code.

3. Funds generated prior to the issuance of this chapter, should have been deposited into "F3875 Budget Clearing Account (Suspense)." Such funds shall be transferred to the applicable special fund Treasury receipt account prior to the end of fiscal year 2000. A no-check SF 1080 may be used to transfer money from F3875 to the special fund receipt account.

ACCOUNTING ENTRIES FOR TRANSFERRING ASSETS**1. Army Entry (Transfer Out)**

Dr 1739 - Accumulated Depreciation on Buildings

Dr 1749 - Accumulated Depreciation on Other Structures
and Facilities

Dr 1829 - Accumulated Amortization on Leasehold
Improvements

Dr 5730 - Transfers-Out to Government Agencies Without
Reimbursement

Cr 1711 - Land

Cr 1730 - Buildings

Cr 1740 - Other Structures and Facilities

Cr 1820 - Leasehold Improvements

To record the transfer of an asset from the Army to the
Navy.

2. Navy Entry (Transfer In)

Dr 1711 - Land

Dr 1730 - Buildings

Dr 1740 - Other Structures and Facilities

Dr 1820 - Leasehold Improvements

Cr 1739 - Accumulated Depreciation on Buildings

Cr 1749 - Accumulated Depreciation on Other Structures
And Facilities

Cr 1829 - Accumulated amortization on leasehold
Improvements

Cr 5720 - Transfers-In from Others Without
Reimbursement

To record the receipt of an asset from the Army on a nonreimbursable
basis.

Table 14-1

140206. Leasing Out DoD Assets.

★ A. Funds received from the lease of real and personal property under section 2667 of Title 10, United States Code, (other than from leases of property at a military installation designated for closure or realignment) shall be deposited into the special fund Treasury receipt account, except for amounts paid for utilities and services furnished lessees. Payments for utilities and services furnished lessees pursuant to leases shall be treated as a normal reimbursable transaction with funds credited to the appropriation account from which the cost of furnishing the utilities and services was paid. Funds deposited shall be available to the Military Department concerned for expenditures, to the extent provided for in appropriation acts, as follows:

1. Fifty percent of the funds deposited shall be available for facility maintenance and repair or environmental restoration at the military installation where the property is located, and

2. Fifty percent of such amount shall be available for facility maintenance and repair and for environmental restoration by the Military Department concerned.

★ B. Funds received from the lease of personal property under the control of a Defense Agency, pursuant to section 2667a of Title 10, United States Code, shall be deposited into the special fund Treasury receipt account. Funds deposited shall be available to the Defense Agency concerned, to the extent provided in appropriation acts, for the maintenance, repair, restoration, or replacement of the leased property.

★ 140207. Acceptance of Funds to Cover Administrative Expenses.

★ A. In connection with a real property transaction with a nonfederal person or entity, Section 2695 of Title 10, United States Code, states: "...the Secretary of a Military Department may accept amounts provided by the person or entity to cover administrative expenses incurred by the Secretary in entering into the transaction." Acceptance of funds applies to the following transactions:

★ 1. The exchange of real property;

★ 2. The grant of an easement over, in or upon real property of the United States; or

★ 3. The lease or license of real property of the United States.

★ B. Amounts collected under Section 2695 of Title 10, United States Code, for administrative expenses shall be credited to the appropriation, fund or account from which the expenses were paid. Amounts so credited shall be merged with funds of an identical appropriation, fund or account and shall be available for the same purposes and subject to the same limitations as the funds in the afore-mentioned identical account.

ACCOUNTING ENTRIES FOR REMOVING ASSETS FROM ACCOUNTING RECORDS

Dr 1739 - Accumulated Depreciation on Buildings

Dr 1749 - Accumulated Depreciation on Other Structures
and Facilities

Dr 1829 - Accumulated amortization on leasehold
Improvements

Dr 5730 - Transfers-Out to Government Agencies Without
Reimbursement

Cr 1711 - Land

Cr 1730 - Buildings

Cr 1740 - Other Structures and Facilities

Cr 1820 - Leasehold Improvements

To record the disposal of assets.

Table 14-2

CHAPTER 15

EDUCATIONAL ASSISTANCE PROGRAMS1501 OVERVIEW

150101. Purpose. This chapter provides guidance relative to recording transactions for the Educational Assistance Programs and establishes the accounting principles and standards relative to those requirements.

150102. General.

A. Entitlements under the Educational Assistance Programs are established by law and are available to any person meeting eligibility requirements. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds; thus, the subsequent enactment of appropriations may be necessary.

B. Entitlements for veteran educational assistance shall be established in accordance with DoD Directive 1322.16, “Montgomery GI Bill (MGIB) Program” and DoD Instruction 1322.17, “Montgomery GI Bill for the Selected Reserve.”

1502 EDUCATIONAL ASSISTANCE PROGRAMS

150201. Background. The Veteran’s Educational Assistance Act of 1984 (P.L. 98-525) referred to as the Montgomery GI Bill (MGIB), provides for an educational assistance program to aid in the recruitment and retention of members of the Armed Forces and the readjustment of members to civilian life after their separation from military service. The Act also provides a program of educational assistance to the Selected Reserve.

150202. Accounting Treatment. The accounting treatment to be followed for entitlement programs depends on the program and the nature and other circumstances surrounding the requirements to pay benefits. Generally, the unexpended appropriation shall be reduced by the amount of the liability and recorded as a financing source when the liability and expense are recognized.

150203. Eligibility Requirements

A. Active Duty (Chapter 30, Title 38 USC). Eligibility is obtained when an individual:

1. Becomes a member of the Armed Forces.

2. First enters on active duty.
3. Does not opt out of the basic program.
4. Meets the initial Service-defined criteria for additional or supplemental benefits of any type.

★ B. Selected Reserve (Chapter 1606, Title 10, USC). Members of the Selected Reserve who meet all of the following criteria are entitled to educational assistance:

1. On or after July 1, 1985, enlisted, reenlisted or extended an enlistment in a Reserve component for service in the Selected Reserve for a period of not less than 6 years or, in the case of officers, agree to serve in the Selected Reserve for 6 years beyond any existing Selected Reserve obligation.
2. Completed the requirements for award of a high school diploma or equivalency certificate before completing initial active duty training (IADT) or, in the case of an individual reenlisting or extending an enlistment, completed this educational requirement before such reenlistment or extension.
3. Entitlement may not be provided to a member until the member has completed the initial period of active duty for training required of the member.
4. Each person who becomes entitled to educational assistance shall be given a written Notice of Basic Eligibility (DD Form 2384-1) summarizing the provisions of Chapter 1606, Title 10, USC. This notice provides a date of basic eligibility contingent on meeting initial eligibility criteria established in 150203.B.1, 2, and 3 above.

1503 TYPES OF PROGRAMS

150301. Education benefits are comprised of two major categories--contributory programs and noncontributory programs.

150302 . Contributory Programs. Enrollees in these programs, Sec. 3011 and Sec. 3012, Chapter 30, Title 38 USC, have \$100 deducted from their pay each month for the first 12 months of active duty. All participating service members are required to have completed the requirements for a high school diploma or an equivalency certificate, or have successfully completed the equivalent of 12 semester hours in a program of education leading to a standard college degree before completion of their initial active tour of duty. Some exceptions exist for early discharge for service connected disability.

A. Educational Assistance Program for Service on Active Duty. Participation in this program is limited to persons who:

1. After June 30, 1985, first becomes a member of the Armed Forces or first enters on active duty as a member of the Armed Forces.

2. Serves at least three years of continuous active duty in the Armed Forces.

3. Serves at least two years of continuous active duty in the case of an individual whose initial period of active duty is less than three years, (see further stipulations in paragraph 150302.B below).

4. After completion of the service described above:

a. Continues on active duty;

b. Is discharged from active duty with an honorable discharge;

c. Is placed on the retired list or temporary disability retired list, or is transferred to the Fleet Reserve or Fleet Marine Corps Reserve;

d. Is released from the Armed Services under honorable conditions by the Secretary of Defense for further service in a reserve component of the Armed Forces.

B. Educational Assistance Program for Less than Three Years Service on Active Duty. Participation in this program is limited to persons who:

1. After June 30, 1985, first becomes a member of the Armed Forces or first enters on active duty as a member of the Armed Forces.

2. Serves at least two years of continuous active duty.

3. Beginning within one year after completion of the service on active duty, serves at least four years of continuous duty in the Selected Reserve during which the individual participates satisfactorily in the training as required by the Reserve Unit or the Department of Defense.

150303. Noncontributory Programs

A. Educational Assistance Program for Service in the Selected Reserve. Enrollees in this program, Chapter 1606, Title 10 USC, are required to have completed the requirements for a high school diploma or an equivalency certificate before completion of their initial active duty for training. In the case where an individual reenlists or extends an enlistment in the Selected Reserve for a period of not less than six years, is required to have completed the requirements for a high school diploma or an equivalency certificate before such reenlistment or

extension. Individuals may not receive credit for service in both this program and the programs under paragraph 150302. Participation in this program is limited to persons who:

1. After June 30, 1985, enlist, reenlists, or extends an enlistment as a Reserve for service in the Selected Reserve for a period of not less than six years.

2. Are appointed as, or are serving as, a Reserve Officer and agrees to serve in the Selected Reserve for a period of not less than six years in addition to any other period of obligated service.

3. After completion of the requirements above:

- a. Has completed the initial period of active duty training required of the member by the Reserve Unit.

- b. Has been given a statement in writing summarizing the provisions of Sec. 16134 and 16135, Chapter 1606, Title 10 USC, which prohibits educational assistance under this program to members receiving financial assistance as a member of the Senior Reserve Officers' Training Corps Program, or to a member who fails to participate satisfactorily in the required training as a member of the Selected Reserve.

B. Vietnam Era GI Bill Service. This program required service during the period February 1, 1955, through December 31, 1976.

C. Inservice Enrollment in a Program of Education. Participation in this program is limited to individuals who are a member of the Armed Forces who did not elect to participate in the contributory programs in 150302 above, and:

1. After June 30, 1985, has completed at least two years of service on active duty.

2. Continues on active duty or in the Selected Reserve without a break in service. Some exceptions apply for not being able to find a vacancy in, or locate a unit of the Selected Reserve within stipulated timeframes.

D. Supplemental Educational Assistance for Additional Service. Benefits payable under this program are prescribed by the Secretary of Defense, and may provide for the payment of supplemental educational assistance to individuals eligible for educational assistance under paragraph 150302 above. Eligible persons for this program:

1. Must have served five or more consecutive years of active duty in the Armed Forces beyond the years of active duty counted under paragraph 150302 without a break in service.

2. Must have been discharged from service with an honorable discharge, or is placed on the retired list, or is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or is placed on the temporary disability retire list without a break in service after completion of five or more consecutive years of active duty beyond the years of active duty as specified in the above.

3. Must have completed two or more consecutive years of active duty in the Armed Forces beyond the years of active duty counted under paragraph 150302 without a break in service, and four or more consecutive years of duty in the Selected Reserve.

E. Educational Program for Tutorial Assistance. Benefits for participation in this program is in addition to other educational benefits received, but is limited in benefit amount and number of months.

F. Additional Educational Assistance for Qualified Individuals with Critical Skills or Specialties. The Secretary of Defense, without regard to application, may authorize educational assistance to individuals in specialized categories such as physicians and registered nurses in critical specialties, students in the nursing program, and other health professions.

1504 BENEFITS UNDER CONTRIBUTORY PROGRAMS

150401. Veterans entitled to basic educational assistance with regard to paragraph 150302.A who are pursuing an approved program of education are entitled to receive benefits at the monthly rate of \$350, beginning October 1, 1991, for an approved program of education pursued on a full-time basis. Veterans will received an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis.

150402. With regard to paragraph 150302.B, veterans entitled to basic educational assistance who are pursuing an approved program of education are entitled to receive benefits at the monthly rate of \$250 beginning October 1, 1993, for an approved program of education pursued on a full-time basis. Veterans in this category also will received an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis.

150403. With respect to the fiscal year beginning on October 1, 1993, and each fiscal year thereafter, the monthly rates for each previous fiscal year may provide for a percentage increase in such rates equal to the percentage by which the Consumer Price Index for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made.

150404. In the case of an individual who has a skill or specialty designated by the Secretary of Defense as a skill or specialty in which there is a critical shortage of personnel or for which it is difficult to recruit, individuals who first became a member of the Armed Forces before

November 29, 1989 are entitled to receive a basic monthly rate of up to \$400 in excess of the prescribed monthly rate; and individuals who first became a member of the Armed Forces after this date, are entitled to received a basic monthly rate of up to \$700 in excess of the prescribed monthly rate.

1505 BENEFITS FOR THE NONCONTRIBUTORY PROGRAMS IN THE SELECTED RESERVE

150501. Veterans entitled to basic educational assistance with regard to paragraph 150303.A who are pursuing an approved program of education are entitled to receive benefits, beginning April 1, 1993, at the monthly rate of \$190 for a full-time pursuit of a program of education; \$143 per month for three-quarter-time; and \$95 per month for half-time. Individuals will received an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis if tuition assistance is not available to the person from the respective military department.

150502. With respect to the fiscal year beginning on October 1, 1994, and each fiscal year thereafter, the monthly rates for each previous fiscal year may provide for a percentage increase in such rates equal to the percentage by which the Consumer Price Index for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made.

150503. Educational assistance is available for veterans pursuing a program of education consisting of a program of apprenticeship, other on-the-job training, a cooperative program, a correspondence program of education, flight training program, or a program of approved individualized tutorial assistance. The amount of monthly educational assistance allowance for each program varies and is a predetermined percentage of the monthly allowance otherwise payable to a veteran entitled to receipt of assistance, or a percentage of the cost of the program. With regard to an approved program of individualized tutorial assistance, individuals may receive an amount of up to \$100 per month in addition to the amount of educational assistance allowance otherwise payable to an individual. However, after \$600 is paid, an individual's period of entitlement is reduced at the rate of one month for each dollar amount paid that is equal to the amount of the monthly educational allowance a person is eligible to receive.

1506 FUNDING FOR EDUCATIONAL ASSISTANCE PROGRAMS.

150601. The Veteran's Educational Assistance Act of 1984 established a trust fund to finance DoD education liabilities on an actuarially sound basis. The DoD Education Benefits Fund is a trust fund used to accumulate funds for transfer to the Department of Veterans Affairs (DVA) to cover the DoD share of benefits. The Fund, 97X8098 - Department of Defense Education Benefits Fund (Education Fund), contains the following assets:

A. Amounts paid into the Education Fund from the active duty and reserve personnel appropriations.

B. Any amount that may be appropriated by the Congress to the Education Fund.

C. Interest earned as a result of the investment of available Education Fund cash balance in U.S. Government securities. This method of funding the educational assistance program became effective July 1, 1985.

150602. Amounts payable to the Education Fund shall be based on determinations by a board of actuaries as to the amounts necessary to finance DoD educational liabilities on an actuarially sound basis. The accounting principles contained in Chapter 16 of this Volume also apply to the education benefits programs.

150603. Amounts to be transferred to the Education Fund shall be obligated by Components at the same time military pay is obligated as required in Volume 3, Chapter 8, of this Regulation and further explained in Chapter 16 of this Volume.

150604. The Act provides for withholding a total of \$1,200 (in 12 equal monthly installments) from the basic pay of active duty military members who elect to participate in the new educational program. The Military Departments shall deposit the withheld funds to the general fund of the Treasury as miscellaneous receipts. The miscellaneous receipts subaccounts are identified in paragraph 150606.B, below.

150605. The DVA pays all claims for benefits under the educational program. The DVA also funds the basic educational benefits for active duty military members from a general fund appropriation. An additional basic benefit may be paid at the discretion of the Secretary of Defense. However, this is funded in the military personnel appropriations by the Department of Defense as are all supplemental benefits. These funds shall be paid into the Education Fund for subsequent transfer to the DVA.

150606. The Education Fund is used to accumulate funds for transfer to the DVA to cover the DoD share of benefits. The Director, DFAS, shall account and report for the DoD Education Benefits Fund since it is an Office of the Secretary of Defense account. In addition, the Director, DFAS, shall invest the cash balances of the Education Fund not actually needed to cover transfers to the DVA for payment of benefits.

A. For amounts withheld from active duty members, a general fund proprietary receipt account has been established to which collections of military personnel contributions are deposited. However, the funds collected are treated as proprietary receipts of the DVA, rather than of the Department of Defense, with the appropriate offset against budget subfunction 702 (Veterans' Education, Training, and Rehabilitation).

B. Even though the Department of Defense does not receive credit for the offsetting receipts, it is responsible for collecting the contributions from individuals participating in the program. To ensure proper crediting of the collected funds, all contributions shall be deposited monthly to miscellaneous receipt account 362473 - Contributions from Military

Personnel, Veteran's Educational Assistance Act of 1984. At the DVA's request, actual deposits shall be made to the following subaccounts:

- 362473.1 - Army
- 362473.2 - Air Force
- 362473.3 - Navy
- 362473.4 - Marine Corps

It is essential that the funds be deposited to Treasury index number "36" (DVA) rather than the index numbers for each Military Department.

150607. Each Military Department shall provide the DVA a monthly letter report of funds deposited to Miscellaneous Receipt account 362473. The report shall show only the net amount deposited with no detail.

A. Submit the report in time to reach the DVA no later than the close of business on the seventh workday after the close of the reported month. The following address shall be used for sending the reports:

Department of Veterans Affairs (047H1)
810 Vermont Avenue, NW
Washington, DC 20420
ATTN: C.O. Finance (047H1)

B. If the report cannot be submitted in time to reach the DVA by the seventh workday after the reported month, the Military Department shall report by facsimile (FAX) machine the amount deposited. The report should be "faxed" to the Department of Veterans Affairs Central Office, Field Finance Division.

1507 FUND TRANSFERS OF MILITARY PERSONNEL APPROPRIATIONS

Transfers from the military personnel appropriations to the DoD Education Benefits Fund shall be processed as indicated below. (The determination of the amounts to be transferred and the accounting for these amounts shall follow the accounting requirements contained in Chapter 14, Volume 4, of this Regulation.)

150701. Receipt and Expenditure Accounts. The DoD Education Benefits Fund is classified as a trust fund and uses both receipt and expenditure accounts since it is not designated a trust revolving fund. Receipts are available immediately for expenditure; therefore, the Treasury Department requires deposits to be made using "X" symbolization for the receipt account. Deposits are made to the following trust fund receipt accounts as applicable.

A. 97X8098.1 - Employing Agency Contribution, Department of Defense, Education Benefits Fund. Payments from DoD military personnel appropriations.

B. 97X8098.2 - Earnings on Investments, Department of Defense, Education Benefits Fund. Payments of interest by Treasury on Education Fund investments in U.S. securities.

C. (62) 97X8098 - Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement and Education Benefits Funds. Purchase of premium, interest, and discount.

D. (72) 97X8098 - Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement and Education Benefits Fund. Write-off and amortization of premium and discount and collection of interest purchased.

E. 20X6825.01 - Unamortized Discount, Department of Defense Military Retirement and Education Benefits Funds. Purchase of discount, write-off, and amortization of discount.

F. 20X6825.02 - Unamortized Premium, Department of Defense Military Retirement and Education Benefits Funds. Purchase of premium, write-off, and amortization of premium.

G. 20X6825.03 - Accrued Interest Purchased, Department of Defense Military Retirement and Education Benefits Funds. Purchase of interest and collection of interest purchased.

150702. Calculation of Transfers. Transfers to the Education Fund from the active duty and reserve component personnel appropriations shall be accomplished monthly. The amounts to be transferred shall be calculated using the formulas provided in paragraphs 150702.A and 150702.B, below, which are based on existing legislation and, therefore, subject to change upon any enacted amendments. The per capita normal costs to be used in the calculations shall be determined by the DoD Education Benefits Board of Actuaries. This information shall be provided to the Military Departments when it becomes available.

A. Active Duty Appropriations. The per capita normal cost multiplied by the number of new entrants who become eligible during the month. Eligibility is defined in paragraph 150203.A, above.

B. Reserve and National Guard Appropriations. The per capita normal cost multiplied by the number of Reserve Component members who become eligible during the month. Eligibility is defined in paragraph 150203.B, above. A contribution is made for an eligible member only one time. Eligibility date is established in the Notice of Basic Eligibility also described in paragraph 150203.B. This eligibility date never changes.

150703. Timing. Transfers of funds for a given month shall be accomplished on or before the last day of that month. If the transfers are accomplished on an estimated basis, they shall be adjusted in the subsequent month when actual figures become available.

150704. Method for Transfer of Funds.

A. Transfers are made on an expenditure basis. Funds shall be disbursed from the military personnel appropriations and collected into the Education Fund. The disbursement and collection transactions are accomplished using the Online Payment and Collection System (OPEC). However, the disbursement and collection transactions also can be made on an SF 1081, "Voucher and Schedule of Withdrawals and Credits." The disbursing officer making the payment shall forward a copy of the completed SF 1081 to the DFAS, and also report both the disbursement and collection transactions on the monthly DD 1329, Statement of Transactions. Completed forms shall be forwarded to the following address:

Director
Defense Finance and Accounting Service
Trust Fund Investment Office
ATTN: DFAS-HQ/GC
1931 Jefferson Davis Highway
Arlington, VA 22240-5291

B. The total amount transferred from the military personnel appropriation to the Education Fund shall be detailed by the Military Service obligation program and reported on the face of the SF 1081 or on a separate attachment.

1508 FUND TRANSFERS TO DVA

Transfers from the DoD Education Benefits Fund to the DVA shall be processed as follows:

150801. The DFAS shall transfer funds to the DVA on an expenditure basis. This is required because VA pays the benefits from general fund appropriation account 36X0137 - Readjustment Benefits, Veterans Administration.

150802. The actual transaction is accomplished by using OPEC which is preferred; however, it also can be accomplished using an SF 1081. The DFAS shall report the payment from the Education Fund account 97X8089 and the collection to general fund appropriation account 36X0137 on its DD 1329. A copy of any completed SF 1081s shall be forwarded to the DVA immediately at the following address:

VADPC (201/35)
Lock Box 66303
AMF O'Hare, Illinois 60666

1509 PAYROLL DEDUCTIONS

150901. Deductions from pay for the education benefits program are governed by the order of precedence for deductions from gross pay established by the Treasury Department in TFM 3-7040. The order of precedence shall be used when the gross entitlement payment is not sufficient to permit all deductions to be made. The order of precedence is in Volume 7 of this Regulation.

150902. When an individual enters on active duty as a member of the Armed Forces, participation in the education benefits program is automatic, unless the service member makes an election not to enroll for education benefits using DD Form 2366. Once enrolled in the program, a deduction from the service member's pay becomes mandatory. The deduction is considered an "Indebtedness Due the United States" and, therefore, ranks ahead of state income taxes and all other deductions of lower precedence. Within the "Indebtedness" category, it takes precedence below any debts due to the Department of Defense since the deduction is deposited to a civil agency account.

1510 REFUNDS OR ERRONEOUS DEDUCTIONS

Refunds or erroneous deductions from active duty members shall be processed as follows:

151001. Current Year Deductions. If the refund takes place within the same fiscal year as the erroneous deduction was made, the payment to an active duty member shall be charged to miscellaneous receipt account 362473. Such transactions will reduce the monthly deduction deposited to miscellaneous receipt account 362473 and reported to the DVA.

151002. Prior Year Deductions. If the refund takes place after the close of the fiscal year in which the erroneous deduction was made, the payment to an active duty member shall be made from Treasury appropriation 20X1807 - Refund of Monies Erroneously Received and Covered. Such payments shall be reported routinely on the Military Department's monthly Statement of Transactions. The Treasury Department shall be contacted by telephone if payments from 20X1807 in excess of \$100,000 are to be made in a given month. The report shall be provided to the Credit and Debt Management Branch, Financial Management Service.

1511 COLLECTION OF EDUCATIONAL DEBTS OWED TO THE GOVERNMENT

Collection of educational debts owed to the government by members of the Selected Reserve shall be processed as follows.

★ 151101. Members of the Selected Reserve receiving educational assistance benefits under Title 10, United States Code, Chapter 1606, and who fail to participate satisfactorily in required reserve training, may be required to refund an amount to the United States. This amount is calculated in accordance with the formula established in Title 10, United States Code, Section 16135(b)(1).

151102. The refund shall equal the product of the following:

A. The number of months of obligated service remaining under the agreement entered into by the reservist divided by the original number of months of the original obligation.

B. The total amount of educational assistance provided to the reservist increased by interest equal to the highest rate being paid by the Treasury on securities having maturity of 90 days or less on the day on which the refund is determined to be due. The interest shall accrue from the day on which the reservist first is notified of the amount due to the U.S. Government as a refund.

151103. Each Military Department shall maintain data on Selected Reserve members who are:

A. Eligible for educational assistance.

★ B. Fail to participate satisfactorily.

C. Not excused from the responsibility to refund overpayments received under the Selected Reserve educational assistance program.

151104 . Responsibility for administering the collection of debts owed to the program has not been established. This matter will be addressed in the memorandum of understanding with the DVA covering financial matters. The Military Departments shall be advised of the determination when the memorandum of understanding is ratified.

151105. The reporting requirements and related standards contained in chapter 14, Volume 4, of this regulation, also apply to the education benefits programs.

CHAPTER 16**MILITARY PERSONNEL ENTITLEMENT PROGRAMS****1601 GENERAL**

160101. Purpose. This chapter prescribes the accounting principles, policy and related requirements to record transactions for entitlement programs established for DoD military personnel.

160102. Overview. Entitlements are legally established benefits available to any person or unit of government meeting eligibility requirements established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds, and thus the subsequent enactment of appropriations may be necessary.

1602 GENERAL ACCOUNTING POLICY FOR ENTITLEMENT PROGRAMS

160201. Categories. Entitlement programs are divided into three categories according to the events that give rise to benefit payments. The accounting for these categories, identified as payments based on individual eligibility, payments required by law, and reimbursable events, are discussed in subparagraphs 160201.A through 160201.C, below.

A. When the program is administered by a Federal agency, entitlement benefits based on individuals meeting eligibility requirements of a program shall be recorded as a liability and as an expense when the eligibility requirements are met (as determined by program officials). The liability and expense shall cover all payments expected to be made during the current period of eligibility. Payments made to recipients shall reduce the recorded liability.

B. When payments are authorized (through appropriation and allotment of funds) for disbursement pursuant to legal requirements with no specific action required of the recipients, a liability and expense shall be recorded when the funds are appropriated and allotted to the applicable program managed. The liability and expense shall cover the amount to be disbursed. As payments are made, the liability shall be reduced.

C. When payments are based on the occurrence of a specific event for which costs are reimbursable under an entitlement program, a liability shall be recorded when the event occurs. If the reimbursement is based on end-of-period reports from program administrators, an estimated amount shall be accrued at the end of a reporting period.

160202. When the expense for payments made under an entitlement program exceeds the appropriation (which is permissible for certain programs under special statutory authority), the source of the related funds shall be clearly identified. If the funds were borrowed, the appropriate liability account shall be established.

160203. When there exists substantiated doubt on the continued entitlement of a military retiree or annuitant to benefit payments, and payments on an account are suspended, the Defense Finance and Accounting Service (DFAS) shall cease obligating on the subject account for retired pay, retainer pay, or annuitant benefits. Previously obligated amounts shall be deobligated to the extent of recoveries on previous payments or amounts held in a suspense account. Although this procedure is directed primarily at suspected death status accounts, it applies equally to other situations that may terminate entitlement. Examples of other situations include (but are not limited to) employment by a foreign government, renounced U.S. citizenship, remarriage of a surviving spouse, and certain student annuitants who drop out of school.

1603 ACCOUNTING POLICY FOR THE ACCRUAL AND INVESTMENT OF RETIRED MILITARY PAY

160301. Retired military pay is a pension program established for the payment of annuities or pensions to retired military personnel. As such, it fits under the broad category of entitlement programs as defined by the General Accounting Office (GAO).

160302. The FY 1984 Defense Authorization Act, Public Law 98-94, changed the method of financing military retired pay effective October 1, 1984. Under the former method, the Department estimated retired pay requirements for the forthcoming fiscal year, obtained an appropriation from the Congress, and made periodic payments of retired pay, retainer pay, and survivor benefits. Under Public Law 98-94, such payments are made to the DoD Military Retirement Fund (Retirement Fund), which contains the following assets:

A. Amounts paid into the Retirement Fund from the Military Personnel, Reserve Personnel and National Guard Personnel appropriations representing future retirement and survivor benefits being accrued by members performing current service.

B. Amounts paid into the Retirement Fund from a permanent, indefinite general fund appropriation representing a portion of retirement and survivor benefits already accrued by members due to past service.

C. Interest earned as a result of the investment of available Retirement Fund cash balances in U.S. securities.

160303. Determinations of the current portion of retired military benefits and amounts required to liquidate the unfunded portion of the Retirement Fund are discussed in the remainder of this section.

A. Amounts payable to the Retirement Fund shall be based on determinations by the board of actuaries as to the amounts necessary to fund present and future benefits payable to military retirees and their survivors. DoD Components shall include in their Military Personnel Appropriation budgets the funds to be transferred to the Retirement Fund to meet the amounts determined necessary by the DoD Board of Actuaries.

1. Accumulated benefits for a given program shall be comprised of benefits expected to be paid to the following:

a. Persons who have met the conditions of the program and will receive benefits in the future.

b. Persons who have met enough of the conditions of the program to be considered probable recipients of future benefits.

c. The survivors of both groups, as applicable.

2. Accumulated benefits shall be based on participants' history of earnings, work or service, and other appropriate factors as of the benefit information date. The benefit information date is the date when benefit information is presented. Projected years of work or service shall be a factor only in determining a person's expected eligibility for particular program benefits.

3. Automatic benefit increases, specified by the provisions of the program that are expected to occur after the benefit information date, shall be recognized when computing program benefits. The long-term inflation rate assumed shall be the future average long-term inflation rate determined by the Office of Management and Budget (OMB) to be most appropriate for Federal pension plans that report under 31 U.S.C. 9503. Other economic actuarial assumptions regarding future rates of interest and salaries shall be consistent with the assumed inflation rate.

B. Calculation of the annual amount required to liquidate the unfunded liability of the Retirement Fund shall be performed by the DoD Board of Actuaries.

C. Amounts to be transferred to the Retirement Fund for retired pay accrual shall be obligated by the DoD Components at the same time military pay is obligated as required in Volume 3 of this Regulation and further explained in paragraphs 160307 and 160308, below, of this chapter.

D. Entitlements for military retired pay and surviving annuities are described in Volume 7B, of this Regulation. Payments of authorized and accrued benefits shall be made from the Retirement Fund, a trust fund established under Public Law 98-94.

E. Calculations of the amount of the current portion of retired military benefits shall be performed centrally by the Military Departments for active, Reserve, and National Guard military personnel. The calculations shall employ a retired military pay accrual percentage published annually by the Office of the Secretary of Defense and shall be applied to the total base pay amount calculated. The term "base pay" means outlays for basic pay. The Military Departments also shall obligate and disburse amounts calculated for the retired pay accrual in the applicable military pay active duty, reserve, and national guard accounts and deposit the funds to the Retirement Fund receipt account 97X8097.1 - Employing Agency Contribution, DoD Military Retirement Fund.

160304. The Director of Investment Office, DFAS-HQ, shall be responsible for investing cash balances of the Retirement Fund not actually needed to cover payment of current retirement payments. Investments are limited to U.S. Government securities issued by the Department of the Treasury.

160305. Retired pay benefits shall be calculated and paid by the Defense Finance and Accounting Service.

160306. All reimbursements made to DoD Components in accordance with the guidance contained in Volume 11A of this Regulation for retired military pay shall be credited to the applicable military personnel appropriation account.

160307. Accounting for military pay active duty accounts shall be as follows:

A. Amounts equating to an actuarially determined percentage of basic pay shall be obligated each month for subsequent payment to the Retirement Fund.

B. Accounting for the direct program shall be at the budget subactivity level presently prescribed in Volume 2, Chapter 2, of this Regulation. Accounting for the reimbursable program may use a simplified structure to include basic pay, retired pay accrual, and other.

C. The amount accrued for retired pay shall be obligated each month. At the end of the month, amounts obligated for retired pay accrual shall be disbursed. If information on the total entitlement and total expenditures is not available at the end of the month, estimates (see subparagraph 160307.E, below) may be used and appropriate adjustments made when the actual amounts become known.

D. Release of funds shall be consistent with budgetary authority. An undelivered order entry shall be made at the beginning of each month in the amount of the estimated obligation accrual to the member for the Retirement Fund. Before the end of each month, the actual obligations shall be recorded and an accrued expenditure (paid or unpaid, as

applicable) established. The corresponding disbursement of funds shall agree with the reported outlay and amount obligated.

E. All military pay accounting systems shall provide for the recording of obligations for basic pay separate from other kinds of pay and allowances. However, the liquidation of obligations for pay and allowances may be on a gross basis. If the actual amount of basic pay paid is not known at the end of the month, the following formula, or an equivalent, can be used to calculate the amount of the retired pay obligation to be liquidated and disbursed to the Retirement Fund:

$$A * \text{x Retired Pay Accrual} = \text{Payment}$$

* “A” is a percentage determined by dividing the total reported expenditures for pay and allowances (other than retired pay accrual) by the total entitlement (other than retired pay accrual).

F. Disbursements for retired pay benefits shall be deposited at the end of each month to trust fund receipt account 97X8097.1 - Employing Agency Contribution, Department of Defense Military Retirement Fund. Disbursement and collection transactions shall be accomplished by use of an SF 1081, “Voucher and Schedule of Withdrawals and Credits.” The disbursing officer making the payment also shall process the collection, forward a copy of the completed SF 1081 to DFAS, and report both the disbursement and collection transactions on the monthly Statement of Transactions. The DFAS copy of the SF 1081 shall be transmitted by electronic means immediately upon completion of the transactions so that the deposit may be recorded in the Retirement Fund as soon as possible and the funds invested.

160308. Accounting for Reserve and National Guard personnel accounts shall be as follows:

A. Amounts equating to an actuarially determined percentage of basic pay shall be obligated each month for subsequent payment to the Retirement Fund.

B. Accounting for the direct program shall be at the budget sub-activity level prescribed in section Volume 2, Chapter 2, of this Regulation. A simplified structure which includes basic pay, retired pay accrual, and other may be used in accounting for the reimbursable program.

C. The amount accrued for retired pay shall be obligated monthly. At the end of the month, amounts obligated for retired pay accrual shall be disbursed. If information on the total entitlement and total expenditures is not available at the end of the month, estimates (see subparagraph 160307.E, above) may be used and appropriate adjustments made when the actual amounts become known.

D. Disbursements for retired pay benefits shall be deposited at the end of each month to trust fund receipt account 97X8097.1 - Employing Agency Contribution, Department of Defense Military Retirement Fund. Disbursement and collection transactions shall be accomplished by use of an SF 1081, "Voucher and Schedule of Withdrawals and Credits." The disbursing officer making the payment also shall process the collection, forward a copy of the accomplished SF 1081 to the DFAS, and report both the disbursement and collection transactions on the monthly Statement of Transactions. The DFAS copy of the SF 1081 shall be transmitted by electronic means immediately upon accomplishment of the transactions so that the deposit may be recorded in the Retirement Fund as soon as possible and the funds invested.

160309. Accounting for the permanent indefinite appropriation, 97_0040, "Payments to Military Retirement Fund, Defense" shall be as follows:

A. At least 1 week before the end of the fiscal year, the Director of Investment Office, DFAS-HQ, shall provide the Secretary of the Treasury with a certification of the amount that should be appropriated to this account for the ensuing fiscal year. The certification shall include the amount needed to fund the amortization of the original unfunded liability for military retirement and any other unfunded liability resulting from benefit structure changes and actuarial gains or losses. A copy of the certification shall be sent directly to:

Department of the Treasury
Funds Management Division
Finance Management Branch
3700 East-West Highway
Room 6F06-PGCII
Hyattsville, MD 20782

B. Upon receipt of the certification, the Treasury Department will issue a TFS Form 6200, "Appropriation Warrant," for the amount certified and forward it to the DFAS. The TFS Form 6200 shall be dated October 1 and shall be provided to the Department of Defense on or before that date so that the funds are available for investment as soon as the new fiscal year begins.

C. On October 1, the DFAS shall record the TFS Form 6200, disburse the entire amount from 97_0040, and deposit it to trust fund receipt account 97X8097.3 - Federal Contribution, DoD Military Retirement Fund.

D. The DoD Military Retirement Fund is classified as a trust fund and makes use of both receipt and expenditure accounts since it is not designated as a trust revolving fund.

1. Deposits are made to the following trust fund receipt accounts as applicable:

a. 97X8097.1 - Employing Agency Contribution, Department of Defense Military Retirement Fund. Payments from DoD Military Departments for accrual of future retired pay benefits and transfers of deposits made by Judges of the U.S. Court of Military Appeals, including interest, from the Civil Service Retirement and Disability Fund (24X8135).

b. 97X8097.2 - Earnings on Investments, Department of Defense Military Retirement Fund. Payment of interest by Treasury on Fund investments in U.S. securities.

c. 97X8097.3 - Federal Contribution, Department of Defense Military Retirement Fund. Payments from the permanent indefinite appropriation for the unfunded liability - 97_0040.

d. (62) 97X8097 - Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Purchase of premium, interest, and discount.

e. (72) 97X8097 - Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Write-off and amortization of premium and discount and collection of interest purchased.

f. 20X6825.01 - Unamortized Discount, Department of Defense Military Retirement and Education Benefits Funds. Purchase of discount, write-off, and amortization of discount.

g. 20X6825.02 - Unamortized Premium, Department of Defense Military Retirement and Education Benefits Funds. Purchase of premium, write-off, and amortization of premium.

h. 20X6825.03 - Accrued Interest Purchased, Department of Defense Military Retirement and Education Benefits Funds. Purchase of interest and collection of interest purchased.

2. The symbol for the trust fund expenditure account is 97X8097. Amounts deposited to the above receipt accounts are available immediately to the trust fund expenditure account for investment or payment of retired pay benefits.

a. Account 97X8097 shall incorporate the same budget activity structure as the account "Retired Pay, Defense." Accounting shall be at least at the budget activity level. Lower level accounts shall be established as necessary to meet reporting requirements.

b. Since 97X8097 is an Office of the Secretary of Defense account, the DFAS shall be responsible for its overall accounting and reporting.

c. The DFAS, acting for the Secretary of Defense, shall allocate a portion of 97X8097 to each Military Department in order to fund payments of retirement benefits.

d. Annuity payments to retired Judges of the U.S. Court of Military Appeals shall be charged to 97X8097.

160310. Reporting requirements for the Retirement Fund and payments to the Fund are as follows:

A. DoD Components shall report in their Statement of Operations the amount of Federal contributions (including accrued amounts), if any, made to the pension plans(s) on behalf of their employees. The agency contribution shall not include amounts withheld from employee's compensation for submission to the plan(s).

B. DoD Components which administer programs that provide annuity benefits to eligible participants shall recognize, for reporting purposes, a liability for the actuarial present value of accumulated benefits. These are benefits earned or accrued as of the benefit information date (see subparagraph 160303.A.2., above), but will not be paid until a later date.

1. The actuarial present value of accumulated benefits is that amount, as of the benefit information date, that results from applying actuarial assumptions to the benefit amounts determined pursuant to subparagraphs 160303.A. of this chapter. The actuarial assumptions are used to adjust the amounts to reflect the time value of money (through discounts for interest) and the probability of retirement between the benefit information date and the date of retirement.

2. The significant assumptions used in determining actuarial present values shall, in the aggregate, be reasonable and reflect the best estimate of each program's anticipated experience.

3. The benefit information date shall be the end of the fiscal year being reported on. Changes in benefit rules during a year shall be reflected in that year's computation of accumulated benefits.

4. For the year in which the liability for the present value of accumulated benefits is first recorded, the initial amount of the liability shall be reported as an accounting change, i.e., a charge to equity and an accrued liability. Thereafter, changes in the liability each year shall be charged or credited to expense.

5. Footnotes to the financial statements shall disclose the nature and amount of required agency contributions, if any. The footnotes also shall disclose the agency responsible for the pension plan and, thus, responsible for reporting the unfunded liability.

6. Components that administer pension plans shall comply with requirements established by 31 U.S.C. 9501, and the accounting guidance issued pursuant to that law. Financial information for pension plans shall be reported in the annual financial statements of administering agencies.

7. The notes to the financial statements shall include a description of the methods and significant assumptions used in computing the actuarial present value of future program benefits. Additionally, if the actuarial liability computed in accordance with these standards is different from the actuarial liability computed for funding purposes, the liability used for funding purposes shall be disclosed in the footnotes along with an adequate explanation of any significant differences between the two liabilities.

C. Permanent Indefinite Appropriation 97 0040 - Payments to the Department of Defense Military Retirement Fund. The DFAS is responsible for the preparation of the reports for this account in accordance with Volume 6 of this Regulation.

D. Department of Defense Military Retirement Fund

1. Report on Budget Execution, DD Form 1176. The DFAS shall submit a DD Form 1176 for all of the Retirement Fund receipt and expenditure accounts. The report on the Retirement Fund receipt account shall be footnoted to indicate the source of deposits to account 97X8097.1 - Employing Agency Contribution, Department of Defense Military Retirement Fund.

2. Appropriation Status by Fiscal Year Program and Subaccounts, RCS DD-Comp(M)1002. The DFAS shall submit this report for the Retirement Fund expenditure account prepared in accordance with Volume 6 of this Regulation.

3. Other Reports. The DFAS shall follow the instruction in Volume 6 of this Regulation, as applicable. In addition, the Military Departments shall comply with the monthly reporting requirements contained in Volume 6 of this Regulation.

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CHAPTER 18**MILITARY TEMPORARY EARLY RETIREMENT AUTHORITY PROGRAM****1801 OVERVIEW**

180101. **Purpose.** This chapter provides procedures for funding, accounting for, disbursing, and reporting retirement payments for those members chosen for early retirement under the provisions of section 4403, Public Law 102-484, National Defense Authorization Act for FY 1993.

180102. **General.** Public Law 102-484, National Defense Authorization Act for FY 1993, provided the Secretary of Defense a temporary additional force management tool with which to effect the drawdown of military forces. Subsection 4403(f) of the Act directs the use of a subaccount within the budget activities in the Active, Reserve and Guard Military Personnel Appropriations for retirement payments to members participating in the Temporary Early Retirement Authority (TERA) Program. The use of the TERA Program was extended through the end of FY 1999 by the National Defense Authorization Act for 1994, Public Law 103-160.

1802 POLICY AND PROCEDURES

180201. Subject to the availability of appropriations for purposes set forth in section 4403, the Secretary of each Military Department shall provide for the payment of retired pay amounts, beginning in FY 1993, to active service military members who retire up to 5 years before the completion of a 20-year period of service.

180202. When a military member retires early under authority of section 4403, an amount that is sufficient to cover the retired pay (with appropriate reductions if the Survivor Benefit Plan is elected) and cost of living adjustments (COLAs) until the member would have reached 20 years of service shall be obligated in the subaccount established in the applicable Active, Reserve or National Guard Military Personnel Appropriation. After that time, the member's retirement pay shall be funded from the Department of Defense Military Retirement Fund (97X8097). The funds included in the subaccount shall be provided in the fiscal year in which the applicable member retires. For example, assume that a TERA retiree's monthly gross retirement pay is \$1000 with an Survivor Benefit Plan (SBP) amount of \$100. Based on the computation referenced above, the amount to be obligated would be \$900 for each month plus cost of living adjustments (COLA) until the member would reach 20 years.

180203. Deductions from retired pay of TERA retirees who elect SBP are treated no differently than similar deductions in the case of retirees who retire after 20 years or more of service. There is no provision in the law for transferring amounts into the DoD Military Retirement Trust Fund equaling such reductions.

180204. There is no provision in the law that would require contributions to the Department of Defense Military Retirement Trust fund to be calculated any differently as a result of TERA. If the Board of Actuaries determines that an unfunded liability exists as a result of a change in member benefits, it would establish a proper amortization schedule pursuant to 10 U.S.C. Section 1465(c)(2), and payments into the fund would be adjusted accordingly (10 U.S.C. Section 1466 (b)(2)(B)).

180205. The required subaccounts, within the Active, Reserve and National Guard Military Personnel Appropriations, will be established for each Military Department, for each fiscal year. Amounts included in this subaccount shall be for those members that were chosen for early retirement under the provisions of section 4403. Such amounts shall be sufficient, and made available, to pay the retired members for their entire “initial period” of entitlement up to the time that responsibility for their retired pay payments is funded by the Department of Defense Military Retirement Fund (97X8097). The “initial period” is the number of years (and any fraction of a year) equal to the difference between 20 years and the number of years of service for retirement eligibility completed by the member at the time the member retired under the authority of section 4403.

180206. The Secretary of each Military Department shall provide funding for a member’s initial period from amounts included in the subaccounts. The amounts included in the subaccounts shall remain available for payment in accordance with section 4403(f) of Public Law 102-484 and Title 31, United States Code, section 1553(a).

1803 RESPONSIBILITIES

180301. Secretary of each Military Department. The Secretary of each Military Department, or designee, shall:

A. In conjunction with the Office of the Deputy Comptroller (Program/Budget) (ODC(P/B)), OUSD(C), establish a subaccount entitled “Temporary Early Retirement Pay” within (1) the Pay and Allowances of Officers or Pay and Allowances of Enlisted budget activity, as applicable, for the Active Personnel Appropriations, and (2) Other Training and Support budget activities for the Reserve and National Guard Personnel Appropriations.

B. In conjunction with the ODC(P/B), establish separate subaccounts in the Active, Reserve and National Guard Personnel Appropriations for FY 1993, FY 1994, FY 1995, and October 1, 1995 (one day of FY 1996).

C. Provide for funding in the Active, Reserve and National Guard Personnel Appropriations to pay members who were approved for “early retirement” under the provisions of section 4403, Public Law 102-484.

D. As appropriate, identify to the ODC(P/B), the number of military personnel entitled under the TERA Program.

E. Identify, in budget submissions to the ODC(P/B), the number of military personnel and the appropriate funding source to pay retired personnel selected for early retirement.

F. In conjunction with the ODC(P/B), prepare appropriate funding guidance, as needed, to operate the TERA Program.

180302. Under Secretary of Defense (Personnel and Readiness) (USD(P&R)). The Under Secretary of Defense (Personnel and Readiness) shall provide, as a minimum, annual reports to ODC(P/B) Operations Directorate identifying the number of military members scheduled to retire in the forthcoming fiscal year under provisions of the TERA Program. The first report shall be provided in sufficient time to ensure that funding is available to establish the subaccount during the last quarter of FY 1993.

180303. Office of the Deputy Comptroller (Program/Budget). The ODC (P/B) shall:

A. Review the Military Departments' budget submissions for reasonableness and accuracy.

B. Ensure that the various budget submissions include the appropriate numbers/costs for the TERA Program.

180304. Defense Finance and Accounting Service. The Defense Finance and Accounting Service (DFAS) shall:

A. In conjunction with the Military Departments, ensure that obligations are established in the accounting systems when funds for the "early retirees" are transferred to the appropriate subaccounts.

B. Establish appropriate controls within the accounting systems to perform normal accounting and reporting functions for the TERA Program.

C. Ensure that the subaccount(s) and the appropriate line(s) of accounting for each Military Department are provided to the appropriate DFAS Center.

D. Ensure that fiduciary, fund status and financial management reports are prepared to coincide with reporting for the Active, Reserve and National Guard Personnel Appropriations.

E. Modify military pay systems to compute pay, benefits and withholdings for the TERA Program participants.

F. Establish methods to distinguish personnel participating in the TERA Program from regular active military members. Such action is necessary so that the monthly pay entitlements for the TERA Program participants are transferred from the appropriate Active, Reserve or National Personnel Appropriation to the Department of Defense Military Retirement Fund (97X8097) at the appropriate time.

G. Establish procedures to assist early retirees with actions affecting their pay accounts.

CHAPTER 19**FOOD SERVICE PROGRAM**

(This Chapter is effective on October 1, 1996.)

1901 OVERVIEW

190101. Purpose. This chapter prescribes financial management policy and procedures formerly contained in Chapter 6, “Financial Management” of the DoD 1338.10-M, Manual for the Department of Defense Food Service Program.

190102. General

A. Title 37, United States Code, section 1011, generally requires the Department to collect the full cost of meals eaten in an appropriated fund dining facility. The provisions of this chapter shall be used to determine specific meal charges for all classes of diners, to include individuals, groups and units.

B. This chapter also prescribes that the Under Secretary of Defense (Comptroller) (USD(C)) annually shall establish rates for the meals to be consumed at appropriated fund dining facilities.

C. The format and reporting requirements for the DD-COMP(A)1736, “DoD Food Service Operating Expense Report” now are contained in Volume 11A, “Reimbursable Operations, Policy and Procedures,” Chapter 6, “Chief Financial Officer’s Annual Reimbursable Rates,” Appendix F, of this Regulation.

190103. Applicability. This chapter is applicable to all DoD activities and shall be used on a DoD-wide basis. The Office of the USD(C) is responsible for the financial management policies herein. The Defense Finance and Accounting Service is responsible for applicable procedures necessary to assist the DoD Components in implementing these policies. The financial management policies and procedures herein shall not be supplemented by DoD Component issuances without the prior written approval of the USD(C).

1902 REIMBURSABLE MEAL AND MEAL SERVICE (OPERATING) CHARGES

190201. Meal Rates. The provisions of this chapter shall be used to determine use of the DoD discount meal rate (the cost of the food only) or the DoD standard meal rate (the cost of both the food and the non-training/readiness food service operating expenses).

190202. Meal Services Available. There are two types of meal service available to personnel authorized to use an appropriated fund dining facility on a reimbursable basis--traditional and a la carte.

A. Traditional Meal Service. Under the traditional meal service system, diners shall pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by paragraph 1903), without regard to the menu items taken.

B. A la carte Meal Service. Under the a la carte meal service system, diners shall pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by paragraph 1903), for the food items selected.

1. The Military Departments shall ensure that a consistent and fair a la carte pricing policy is applied uniformly and consistent with guidance provided by the USD(C).

2. Generally, each food item shall be priced at actual cost (or rounded to the nearest five cents). However, price averaging of certain salads, vegetables, and other food categories is authorized (e.g., a salad bar with different types of salads or vegetables).

3. When the cost of food changes, the a la carte items shall be repriced accordingly.

190203. Rates prescribed herein are applicable to meals furnished by a Military Department to military active duty personnel, personnel of the Reserve Components who are paid from Reserve or National Guard appropriations, federal civilian employees, military retirees, dependents of military personnel, and any other authorized diners.

190204. Title 37, United States Code, section 1011, generally requires the Department to charge the standard meal rate for meals eaten in an appropriated fund dining facility. There are some exceptions, however, as indicated in paragraph 1903 of this chapter.

1903 MEAL CHARGES

Reimbursement charges for persons authorized to eat in an appropriated fund dining facility vary depending on the status of each person. The five major categories of personnel are officers, enlisted personnel, military dependents, Federal civilian employees and others.

190301. Officers

A. Charge Required. DoD military officers are not authorized to eat in appropriated fund dining facilities without charge.

B. Discount Meal Rate. Officers, when not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. Performing duty on a U.S. Government vessel,
2. On field duty,

3. In a group travel status,
 4. Included in essential unit messing (EUM) as defined in the JFTR, Volume 1,
 5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or
 6. On Joint Task Force (JTF) operations other than training at temporary U.S. installations, or using temporary dining facilities.
- C. Standard Meal Rate. Officers shall be charged the standard meal rate when in any status other than that set forth in paragraph 190301.B., above.

190302. Enlisted Personnel

A. Conditions for Charge. Enlisted personnel may eat in an appropriated fund dining facility without charge when not receiving either an allowance for subsistence or the meal portion of per diem. Enlisted personnel entitled to meals at government expense shall be furnished such meals on a nonreimbursable basis without regard to unit or DoD Component affiliation. Reimbursement between the Military Departments for such meals is not authorized for active duty personnel and members of the Reserve Components.

B. Discount Meal Rate. Enlisted personnel when not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or
2. On Joint Task Force (JTF) operations other than training at temporary U.S. installations, or using temporary dining facilities.

Note: Enlisted members are not entitled to the meal portion of per diem, nor a monetary allowance for subsistence, when on field duty, sea duty, group travel, or essential unit messing. Therefore, meals should be furnished at no cost to those enlisted members and, as a result, there is no reimbursable rate for enlisted members when on field duty, sea duty, group travel, or essential unit messing. (Title 37, U.S.C., sections 402 and 404, and E.O. 11157)

C. Standard Meal Rate. Enlisted personnel shall be charged the standard meal rate when they are receiving the meal portion of per diem or when they are receiving an allowance for subsistence. Enlisted personnel on recruiting duty, who receive an allowance for subsistence based on the nonavailability of subsistence-in-kind (i.e., rations not available), as authorized in Volume 7A of this Regulation, shall be authorized to receive, and to pay the standard meal rate for, a meal furnished by an appropriated fund dining facility.

190303. Military Dependents

A. Charge Required. Military dependents are not authorized to eat in appropriated fund dining facilities without charge.

B. Discount Meal Rate. Military dependents shall be charged the discount meal rate when they are dependents of enlisted members in pay grades E-1 through E-4.

C. Standard Meal Rate. All military dependents, other than military dependents of enlisted members in pay grades E-1 through E-4, shall be charged the standard meal rate.

190304. Federal Civilian Employees

A. Charge Required. Federal civilian employees are not authorized to eat in appropriated fund dining facilities without charge.

B. Discount Meal Rate. Federal civilian employees, not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. Performing duty on a U.S. Government vessel,
2. On field duty,
3. In a group travel status,
4. Included in essential unit messing (EUM) as defined in the JFTR,
Volume 1,
5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or
6. On Joint Task Force (JTF) operations other than training at temporary U.S. installations, or using temporary dining facilities.

C. Standard Meal Rate. Federal civilian employees shall be charged the standard meal rate when in any status other than those set forth in subparagraph 190304.B., above.

190305. Members of Youth Groups. This category consists of members of organized nonprofit youth groups sponsored at the national or local level and ad hoc groups of youths. The distinction between the two groups is that an organized youth group has continuity over time, and a structure (such as officers, advisors, organization rules), and an ad hoc group does not. For example: A local high school Key Club, which may be sponsored by the Kiwanis

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Club, would qualify as an organized nonprofit youth group. On the other hand, if the children of a local Kiwanis Club's members visited an installation, they would be considered to be an ad hoc group because they are not a formally organized and structured youth group.

A. Charge Required. These individuals are not authorized to eat in appropriated fund dining facilities without charge.

B. Discount Meal Rate. Members of an organized nonprofit youth group sponsored at either the national or local level shall be charged the discount meal rate, when extended the privilege of visiting a military installation, or when residing at a military installation pursuant to an agreement in effect on June 30, 1986, and permitted to eat in the general mess by the commanding officer of the installation (37, USC 1011(b)).

C. Standard Meal Rate. All other youth group individuals (members of ad hoc youth groups) shall be charged the standard meal rate.

190306. Others. This category includes military retirees and their dependents and all other individuals not included in paragraphs 190301, 190302, 190303, 190304, or 190305, above.

A. Charge Required. These individuals are not authorized to eat in appropriated fund dining facilities without charge.

B. Standard Meal Rate. These (all other) individuals shall be charged the standard meal rate.

1904 GENERAL PROVISIONS

190401. Personnel, other than enlisted personnel, may receive a meal from an appropriated fund dining facility, provided no increase in direct resources results from feeding such personnel and appropriate meal charges are collected consistent with paragraph 190305., above.

190402. The commanding officer of the DoD installation, at which an appropriated fund dining facility is located, is responsible for assuring that meals are provided only to authorized personnel within the capabilities and availability of existing appropriated fund dining facilities.

190403. Temporary duty orders shall indicate the food allowance/per diem status of travelers to assist in determining the appropriate meal charge to be assessed.

190404. Service Academies (i.e., Army, Navy, and Air Force) are to use the food service operating expenses published annually by the USD(C). See Chapter 20 of this Volume.

190405. Civilian and military personnel of a foreign government shall be furnished meals in accordance with specific arrangements made between the U.S. Government and the foreign government. Charges for food costs and related food service operating expenses shall be made on the same basis as they would be for U.S. Government personnel of equal rank.

1905 DISPOSITION OF FUNDS

190501. Each Military Service shall budget and account for all meals furnished by its appropriated fund activities.

190502. Program obligations and expenditures, as well as revenues and food service operating expenses, shall be recorded, accumulated, and controlled in accordance with Chapter 1, “General Reimbursement Procedures and Supporting Documentation,” of Volume 11A of this Regulation.

190503. Collections

A. Except when deductions from pay are authorized and have been provided for, or prior arrangements for payment have been established with an official of an authorized group, diners shall pay for a meal in cash prior to the meal being served. In any event, all meal charges must be determined and posted not later than the last day of the month incurred with payment being made not later than the 15th of the following month.

B. Any losses that might be incurred from uncollectible accounts must be absorbed by the subsistence account funding the facility.

190504. Collections shall be distributed as follows:

A. Discount Meal Rate. Collections received from patrons paying the discount meal rate (food costs only) shall be credited to the applicable financing subsistence account of the Military Service.

★ B. Standard Meal Rate. Collections received from patrons paying the standard meal rate shall be credited to the financing appropriation(s). The food cost portion shall be credited to the subsistence account and the operating expense portion (difference between discount and standard meal rates) to the operations and maintenance or other financing account(s).

1906 ACCOUNTING FOR FOOD ALLOWANCES

190601. Information Requirements

A. Information requirements have been established to ensure that data are maintained and that information is reported for use in determining and administering food

allowances. These requirements prescribe procedures for counting meals furnished to personnel in appropriated fund dining facilities under the daily food allowance and authorized reimbursable programs. They are designed to assist in monitoring food costs and allowances and making the accumulation of data more consistent throughout the Department under the programs established by DoD Directive 1338.10, “DoD Food Service Program.”

B. The requirements in subparagraph 190601.A., above, do not cover food service operating expenses incurred in preparing and serving food in an appropriated fund dining facility (see Volume 11A, Chapter 6, Appendix F, of this Regulation), or the recording and reporting of obligations/expenditures against the daily food allowance portion of the operations and maintenance appropriations as set forth in Volume 2, “Budget Formulation,” and Volume 3, “Budget Execution,” of this Regulation.

C. Data elements and codes shall be established consistent with DoD Instruction 5000.12, “Data Elements and Data Codes Standardization Procedures.”

D. The data reported must support budget requests based on furnishing meals to entitled enlisted personnel by each Military Service, after consideration of the absentee rate, without regard to the member’s parent Military Service.

190602. Counting the Number of Persons Furnished Meals

A. Except for mass feeding situations as set forth in subparagraphs B.1. and 2., below, all personnel authorized to eat in appropriated fund dining facilities shall identify themselves with a meal card, United States Uniformed Services identification card, or travel orders issued by a DoD Component before receiving a meal from a dining facility. Enlisted personnel on BAS or receiving the meal portion of per diem, as well as all officers, civilian employees, official visitors, dependents, and guests authorized to eat on a reimbursable basis, shall be required to identify themselves as to the category of entitlement (authorized to eat on a reimbursable basis) and status (per diem or non-per diem) and reimburse DoD at the appropriate meal rate before receiving a meal from an appropriated fund dining facility.

B. The following procedures shall be used to account for meals served to authorized subsistence-in-kind entitled or cross Service reimbursable personnel.

1. Each dining facility shall maintain a log in which each diner’s unit of assignment and identification, travel order number, or other authorizing document are recorded. The applicable identification number may include, for example, the diner’s meal card or social security number. When reimbursement is required, the rate category shall be recorded in the log. A person independent of the dining facility operation shall complete the log. When mass feeding within a specified time period is required, such as at recruit (basic) training centers and special schools, a single person responsible for the group may certify the entitlement classification and/or the reimbursement rate for all diners in the group.

a. The daily log shall be used by the dining facility in preparing necessary reports.

b. The meal card control officer or the personnel manager of the installation shall use the logs to conduct local management reviews and perform periodic tests of meal card usage, entitlement and reimbursement rates. The responsible official shall retain all records and test results in accordance with approved disposition schedules.

2. As an alternative to the procedures in subparagraphs 190602.A. and B., above, each diner shall sign an appropriate signature record, including authorization category, for each meal received. These records shall be reviewed at the local command level and retained until verified independently against the reports submitted for the dining facility.

3. Installation commanders are authorized to impose more stringent requirements at their discretion.

4. Multi-Technology Automated Reader Card (MARC), other SMART card technology, or other headcount procedures approved by the Secretary of a Military Department may be utilized for diner identification/authorization, as long as the integrity of the count is maintained.

C. The total count of each meal shall be classified and recorded by the diner's category of entitlement and by type of food allowance, i.e., basic daily food allowance (BDFA), special food allowance, and supplemental food allowance.

D. During combat or other operational conditions (e.g., mass troop movements, maneuvers or field exercises when actually subsisted under field conditions, forces afloat, and emergency conditions resulting from catastrophes or civil disorders), when maintenance of a meal log or signature record is not practicable, an internal control system shall be established to maintain the integrity of the headcount.

E. Each appropriated fund dining facility shall number, serially, the daily log forms and signature records, which shall include the following minimum requirements:

1. Identification of the dining facility and date.

2. Identification of the number of meals.

3. Signatures of the person maintaining the log, and of the officer in charge.

4. Diner's unit of assignment, identification number, or travel order number or other authorizing document identification, and category of entitlement which authorizes the diner to eat on a reimbursable basis.

5. Diner's signature and rank or grade.

190603. Meal Conversion Meals served (counted) shall be converted to an equivalent meal-days fed for the Chief Financial Officer's Annual Reimbursable Rate, "Food Service" report, in Volume 11A, Chapter 6, Appendix F, of this Regulation, by multiplying the meals served by the following factors:

<u>Meal</u>	<u>Factor</u>	
Breakfast	.20	
Brunch	.45	
Lunch	.40	
Dinner	.40	
Supper	.55	
Night Meal	.20 or .40	(depending on whether a breakfast or dinner menu is served)
Holiday	.65	(.40 lunch plus .25 percent of BDFA)
Snack	.25	

NOTE: These factors represent the estimated portion of the BDFA for each service member for each type of meal. The factors are used to allocate the estimated total food costs to the types of meals served.

1907 FOOD SERVICE OPERATING EXPENSE REPORTING REQUIREMENTS

The USD(C) establishes meal rates annually for personnel authorized meals on a reimbursable basis. To meet this requirement, an annual report of food service operating expenses was initiated in April 1986. This annual report is entitled the "DoD Food Service Operating Expense Report" (DD-COMP(A)1736). The format and guidance for this report are contained in Volume 11A, "Reimbursable Operations, Policy and Procedures," Chapter 6, "Chief Financial Officer's Annual Reimbursable Rates," Appendix F, of this Regulation.

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CHAPTER 20

MILITARY ACADEMY DINING HALL OPERATIONS

2001 OVERVIEW

200101. Purpose. This Chapter establishes the policy for funding the operation of cadet and midshipmen dining halls at the Military Academies and prescribes associated reporting requirements.

200102. Authority. Cadets and midshipmen are authorized an allowance in lieu of subsistence furnished in kind by Title 37, United States Code, Section 422, as interpreted by the Comptroller General Decision B-151360.

2002 POLICY AND PROCEDURES

200201. General

A. Each Military Department operates an Academy dining hall to provide complete food service support to the cadets or midshipmen as an integral part of the activities of its Academy.

B. The amount of the subsistence allowance for cadets and midshipmen is prescribed by the Secretary of Defense. The amount so prescribed will be allocated by the Military Departments from the current Military Personnel Appropriation to a nonappropriated fund at each Academy based on the number of cadets and midshipmen present. Each such nonappropriated fund will be used to procure the food and food products necessary to provide subsistence for the cadets and midshipmen. The nonappropriated fund shall not be used for any purpose other than subsistence procurement; all other charges associated with dining service shall be charged against appropriated funds.

C. The Superintendent of each Academy is authorized to determine who may be authorized to eat in the Academy dining hall and the regulations incident thereto within guidelines issued by the Secretary of the cognizant Military Department. Charges for meals furnished to other than cadets and midshipmen will be established in accordance with guidance contained in Chapter 19 of this Volume, and the Chief Financial Officer's Reimbursable Rate for "Food Service" issued annually. All collections for food costs shall be deposited into the nonappropriated fund. The charge for operating expenses will be collected and deposited under the same rules that are applicable to appropriated fund food service activities as prescribed by Chapter 19 of this volume.

D. The subsistence allowance that is not earned for any cadet or midshipman on leave or otherwise away from the Academy, and not subsisted at Government expense, will be credited to his or her pay account.

E. The subsistence allowance that is not earned for any cadet or midshipman on temporary duty, and subsistence-in-kind that is furnished at the temporary duty location, will not be collected by the nonappropriated fund.

2003 RESPONSIBILITIES

200301. Internal Control and Procurement. Under overall policy supervision by the Secretary of the cognizant Military Department, the Superintendent of each Academy shall be responsible for:

A. Assuring the efficient and effective management of the Academy dining hall and its nonappropriated fund for the purchase of subsistence items. In connection with this responsibility the Superintendent shall install an accrual accounting system that permits an objective, constructive evaluation of the dining hall operation.

B. Assuring that the procurement procedures maintain the same degree of integrity as those procurement actions taken in accordance with the Federal Acquisition Regulation (FAR). In the event any question arises in regard to the proper procurement procedure, the FAR will be used as a guide.

200302. Reporting Requirements. An annual report on meal operating expenses in the Military Academy Dining Halls should be submitted in accordance with the guidance contained in Volume 11A, "Reimbursable Operations, Policy and Procedures," Chapter 6, "Chief Financial Officer's Annual Reimbursable Rates," Appendix F, of this Regulation.

CHAPTER 21

ACCOUNTING FOR DEFENSE MILITARY HEALTH PROGRAM RESOURCES

2101 OVERVIEW

210101 Purpose. This chapter establishes the policies and procedures necessary to execute the Defense Health Program (DHP).

2102 POLICY AND PROCEDURES

The following policies are to be used for the Defense Health Program:

210201. For FY 1992. Obligations and expenditures incurred at the DoD Component installation level, for execution of the Defense Health Program, shall be recorded within the applicable O&M appropriation at least monthly.

A. These obligations and expenditures shall be consolidated and transmitted to the DFAS where they will be recorded in the Defense O&M appropriation (9720100) by the DFAS. While DoD Component procedures are to be followed, the performing activity need not modify detailed level installation accounting records and roll-ups to reflect the 9720100 appropriation account as long as reporting requirements are met.

B. Detailed accounting records and data integrity, including the capability to provide data to the standard DoD Medical Expense and Performance Reporting System (MEPRS), shall continue to be maintained by the performing installations.

210202. For FY 1993 and Subsequent Years.

A. A new DHP appropriation, 97X0130, was enacted by the Congress for use in FY 1993 and beyond to fund all elements of the DHP. However, because a separate DHP agency was not established, the DHP will be executed by each of the applicable DoD Components.

B. Execution of the DHP will be executed by a direct allotment to each performing installation for all DHP costs except for medical personnel costs. Applicable military personnel costs will continue to be paid centrally from the applicable Military Personnel appropriation.

C. Civilian medical personnel end strengths shall be retained by the applicable DoD Components. To ensure proper accountability for civilian end strength utilization, it is necessary for each DoD installation to pay medical civilian personnel using its own operating

appropriation and receive reimbursement from the DHP operating appropriation. To this end, each medical facility employing civilian personnel shall issue applicable reimbursable orders. Such reimbursable orders may be issued on a pay period basis, monthly basis, or on a quarterly basis. However, such reimbursable orders may not be issued more than 100 days prior to the applicable pay period.

2103 RESPONSIBILITIES

An allocation of the DHP appropriation shall be provided to the performing DoD Components for execution as follows.

210301. The OASD (Health Affairs) Program Manager shall authorize the Washington Headquarters Services (WHS) to allocate total obligational authority to the headquarters level of each of the performing DoD Components to fund the DHP at respective installations. Effective October 1, 1993, (FY 1994) the following activities shall be funded on a direct basis from the Operations and maintenance portion of the Defense Health Program:

- A. Office of Civilian Health and Medical Programs of the Uniformed Services.
- B. Uniformed Services University of the Health Sciences.
- C. Defense Medical Program Activity.

210302. The Director of Budget and Finance, WHS, shall issue total obligational authority to the headquarters level of each performing DoD Component to fund the DHP at respective installations.

210303. The Head of each performing DoD Component, or designee shall:

- A. Provide DHP allotments to performing installations within that Component.
- B. Receive installation level monthly execution reports and summarize those reports for submission to the WHS.
- C. Provide a summarized monthly execution report to the WHS. Monthly DHP civilian end strength utilization data shall be transmitted with the monthly execution reports.
- D. Take appropriate actions to ensure the adequate availability of apportioned reimbursement authority where automatic (i.e., non-apportioned) reimbursement authority does not exist to cover the civilian payroll costs of the DHP and issue such reimbursement authority to the performing installation to enable payment of DHP civilian payroll costs.

E. Maintain full responsibility for the operation and execution of appropriate Centrally Managed Allotments (CMA) or open allotments to provide for emergency care of active duty military personnel and shall fund the CMAs from the DHP authority made available to them.

210304. The performing installation shall:

A. Cite the DHP allotment received from its Component Headquarters to fund all transactions in support of the DHP except civilian medical labor costs directly in support of the DHP.

B. Pay medical civilian personnel costs on a reimbursable basis. Reimbursement for these costs shall be provided from the allotment of the DHP at the installation level. The DHP at installation level shall issue a reimbursable order to the applicable installation operating appropriation (i.e., O&M or RDT&E) for payment of medical civilian labor costs. Such reimbursable orders may be issued on a pay period basis, monthly basis, or on a quarterly basis. However, such reimbursable orders may not be issued more than 100 days prior to the applicable pay period.

C. Continue to provide personnel and other support for civilian personnel supporting the DHP.

D. Maintain monthly and year-to-date DHP civilian end strength utilization data and transmit such data, by memorandum, to the Component headquarters and DFAS as appropriate, in conjunction with monthly execution reports.

E. Report monthly execution data as prescribed in Chapter 4, Volume 6 of this Regulation.

F. Maintain detailed accounting records and data integrity, including the capability to provide data to the standard DoD MEPRS.

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CHAPTER 22

NATIONAL DEFENSE STOCKPILE TRANSACTION FUND2201 GENERAL

220101. Purpose. To prescribe the policies and procedures, certain special accounting requirements, and those unique subsidiary accounts to the DoD standard general ledger accounts, to be used in accounting and reporting for the National Defense Stockpile Transaction Fund.

220102. Scope. The accounting requirements, policies and procedures detailed in applicable volumes and chapters of this regulation, and in following sections and paragraphs are mandatory in accounting for, and accomplishing the information and reporting requirements applicable to the National Defense Stockpile Transaction Fund. Only accounting requirements and procedures for transactions particular to this fund are included in this chapter.

220103. Description. The National Defense Stockpile Transaction Fund is a continuing fund dedicated to financing the National Defense Stockpile operations. While it has some aspects of a revolving fund, it is not strictly such a fund as resources are received from diverse sources including direct appropriations, transfers from other appropriations, transfers of physical assets, and disposal proceeds. However, disposal proceeds are not dedicated to or specifically intended to provide for acquisition of additional stockpile material. Criteria and directions are in the National Defense Stockpile Act, Executive Orders, and various legislative enactments through amendments of the Stockpile Act or Appropriation Acts. The fund has been assigned Treasury account symbol, 97X4555.

2202 ACCOUNTING POLICY

220201. Basic Policies and Concepts. Accounting for the National Defense Stockpile Transaction Fund will be in accordance with accounting standards for Federal Government accounting as published by the General Accounting Office (GAO), special requirements of this chapter, the DoD standard general, and any other provisions applicable to accounting, paying, disbursing, and financial reporting as provided elsewhere in the DoD Financial Management Regulation.

220202. Responsibilities. Headquarters Defense Finance and Accounting Service (DFAS-HQ) will establish accounting requirements and procedures for the National Defense Stockpile Transaction Fund. All transactions obligating funds of the National Defense Stockpile Transaction Fund will be initiated by the Defense National Stockpile Center (DNSC). Inventory accounting for the National Defense Stockpile Transaction Fund is performed by the DNSC. Financial and general ledger accounting for the National Defense Stockpile Transaction Fund will

be performed by the designated DFAS Center, Operating Location, or Accounting and Finance Office (currently DFAS-CO/S). External accounting reports of the National Defense Stockpile Transaction Fund are prepared by the DFAS - Indianapolis Center, Departmental Accounting (DFAS-IN/AAR). Accounting reports and additional supporting supplemental financial information is provided by DFAS to the DNSC for preparation of the Department of Defense, "Strategic and Critical Materials Report to the President and Congress."

2203 ACCOUNTING REQUIREMENTS AND PROCEDURES

220301. General. Accounting systems and records for the National Defense Stockpile Transaction Fund will be based on the DoD standard general ledger chart of accounts.

220302. General Ledger Accounts. Because of some unique transactions used in National Defense Stockpile material acquisitions and sales, some special accounts subsidiary to several standard general ledger primary accounts are used. When information is required because of necessity for separate identification and inclusion in financial statements, it is needed for combining with other account in the several financial statements, or visibility is necessary for preparation of notes to the financial statements, subsidiary accounts having two positions beyond the four position primary account number will be used. Two position subsidiary accounts are included in the DoD Standard General Ledger chart of accounts, and are included in trial balances submitted for report preparation. The special subsidiary general ledger accounts prescribed for certain unique accounting requirements, or the unique use of a general ledger account for transactions of the National Defense Stockpile Transaction Fund are included in the discussion of each particular accounting area. Descriptions of accounts and transactions are generally only presented at the primary account level.

220303. Inventory Accounting. The financial inventory balance of the National Defense Stockpile is maintained on a laid-in cost basis, and shown in general ledger account 1570, Stockpile Materials, and as classified in several subsidiaries to that account, and which transaction entries are made. Subsidiary accounts used for the National Defense Stockpile inventory are:

1571.01	Stockpile Materials Held in Reserve-National Defense Stockpile-Strategic and Critical Materials
1571.02	Stockpile Materials Held in Reserve-National Defense Stockpile-Custodial Transfer or Pending Survey
1571.03	Stockpile Materials Held in Reserve-National Defense Stockpile-In Process Government Facility
1571.04	Stockpile Materials Held in Reserve-National Defense Stockpile-In Process Contractor Facility

1572.01 Stockpile Materials Held for Sale-National Defense Stockpile-Strategic and Critical Materials

The Master Inventory Record maintained by the DNSC supports the value of inventory as shown in these accounts. The DNSC and DFAS are jointly responsible for reconciling the inventory records.

220304. Material Acquisition. All intended acquisitions of material for the National Defense Stockpile are proposed in the Annual Materials Plan that is subject to approval by Congress and the subsequent authorization of funding. Funding authorization may be in the form of new appropriations, an authorization to spend from the available balance of the Transaction Fund, or from sales proceeds from authorized disposals. Material purchase contracts are recorded as obligations against the current year acquisition program on the date of the contract. When material is received it is recorded in the Master Inventory Record and the general ledger inventory account, accounts payable and a decrease in undelivered orders. Any other costs, such as initial testing, increases the cost of the material for inventory valuation. Each month the Master Inventory Record must be reconciled to the general ledger inventory account.

220305. Material Upgrade. Also included in the Annual Material Plan is the program for upgrading existing material of the National Defense Stockpile. This work is accomplished by contracts for the value of the upgrading services. These amounts are obligated against the current year program. When material is delivered to the contractor for upgrading it is transferred on the records from the stockpile inventory to material in the hands of a contractor, account 1571.04. When upgraded material is returned, a new unit cost is determined by adding the upgrading costs to the original inventory value. The amount of the upgrading cost and original cost of the material are transferred to the on hand stockpile inventory account from the material in the hands of a contractor account.

220306. Material Disposals. Various materials in the National Defense Stockpile may become obsolete or excess to current stockpiling needs. The National Defense Stockpile Act authorizes the disposal of such material. These materials can be disposed of when included in the Annual Material Plan and authorized in the budget program for the Transaction Fund. Material disposals are accounted for as sales and the original cost value of the material removed from inventory and recorded as cost of sales.

220307. Exchange Transactions. Materials can also be disposed of by offering like material as payment in kind or other material in exchange as settlement of amounts due for material upgraded or acquired. These are accounted for as exchange disposals and the original cost of the material is removed from inventory and recorded as cost of exchange disposals. Exchange settlements liquidate an obligation for material upgrade and acquisition as would payment in cash, and is accounted for through the budgetary accounts to effect the liquidation of the original contractual obligation in the accounting records.

220308. High Value Material. Disposal sales of high value and marketable commodities are offered on a bid auction or negotiated basis. Bid deposits received are held as advances until returned or recorded to sales proceeds upon delivery of material to successful buyers. Bid deposits are held and applied to the final release of material.

220309. Billing and Collection. All sales and disposals are billed shortly after the sales agreement is made or as of the scheduled time for delivery or pickup of the material. The purchaser of the material is allowed a specified number of days in which the material is to be picked up after which time storage charges are assessed. Any such storage charges are additional billings to the purchaser. When material is disposed of by exchange settlements, credits earned for material received and accepted by DNSC are used as payment for material shipped. Additional billings for delayed pickup of material are also applicable to the exchange settlement disposals. Disposal sale collections are received by the DNSC, and deposited to a local banking facility and the SF 1131, Collection Voucher, and confirmed deposit, is sent to the DFAS Accounting and Finance Office (currently DFAS-CO/S) for recording in the accounting records and financial reporting.

220310. Inventory Adjustments. Inventory adjustments are made whenever there is evidence that an adjustment is required. Such instances include periodic count or measurement of countable or measurable material, movement of material, and complete disposal of material from a storage location. All adjustments are documented and approved before recording in the master inventory record and general ledger inventory account. Depending on the nature and size of the adjustment, approval is granted by the head of the DNSC, delegated inventory officials, or board of survey.

220311. U.S. Treasury Silver Program. In previous years the U.S. Treasury provided \$180 million of silver for the stockpile. At that time the silver had a cost basis of \$1.29+ per oz. The purchase cost to the stockpile for the silver was recorded as a customer advance against an unfilled customer order. Some of this silver is being resold to the U.S. Treasury for minting in commemorative coin programs. The sales price is the world market price at the time the coins are sold by the U.S. Treasury. Deducted from these sales proceeds is the original cost basis of the silver. At the time silver is allocated to the coinage program, the silver is removed from the stockpile inventory at its original cost basis and recorded as consigned to the Treasury. General ledger account 1415, Advances to Government Agencies and Funds, is used for this consignment advance. When the report of coinage consumption is received from the Treasury with payment at the market price, the consignment amount is charged to cost of disposal sales. Total proceeds of the sale are recorded as disposal sales, and the amount of the cost basis of the silver is charged against the U.S. Treasury advance and customer order amount.

2204 RESEARCH GRANTS

220401. General. Appropriations made into the National Defense Stockpile Transaction Fund are for the award of grants to universities, colleges, and research institutions.

Included in the appropriation act is the designated recipient of the grant. The Administrator, DNSC, is the grant administering official.

220402. Grant Accounting. Grant funds appropriated to the Transaction Fund are apportioned to DoD/DLA and allotted by DLA-FO to the DNSC. Grant awards are processed by DNSC and funds are obligated by the Notice of Financial Assistance Award and SF 424, Application for Federal Assistance. Grant funds periodically disbursed are based on requests by the grant recipient and approval by the grant administrator. Disbursed funds are recorded in the accounting records as accrued expenditures, and obligation liquidations, in the budgetary accounts, and as costs and expenditures against the grant appropriated funds in the proprietary accounts.

ACCOUNT NO. 1570	
STOCKPILE MATERIALS	
DESCRIPTION: Summary account. Represents the sum of all subsidiary accounts in the 1570 series.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 22-1	

ACCOUNT NO. 1571	
STOCKPILE MATERIALS HELD IN RESERVE	
DESCRIPTION: The value of strategic and critical materials held due to statutory requirements or for use in national defense, conservation or national emergencies.	
DEBIT	CREDIT
1. Value of material received and accepted from contractors. Contra: 2113. 2. Value of upgraded material received and accepted from contractors Contra: 2113 3. Amount additional costs associated with acquiring or upgrading material, such as transportation in and testing. Contra: 2113 4. Material received by transfer from other Federal Agencies. Contra: 3220 5. Upward adjustment of inventory for physical count increases. Contra: 7191	1. Inventory value of material disposed of through sales to the public. Contra: 6500 2. Inventory value of material disposed of through sales to other agencies or units of government. Contra: 6500 3. Inventory value of material designated for future sale. Contra: 1572 4. Inventory value of material transferred for use of other agencies or units of government without reimbursement. Contra: 6500 5. Downward adjustment of inventory for physical loss or shrinkage. Contra: 7291
NORMAL BALANCE: DEBIT	
FIGURE 22-2	

ACCOUNT NO. 1572	
STOCKPILE MATERIALS HELD FOR SALE	
DESCRIPTION: The value of strategic and critical materials held due to statutory requirements or for use in national defense, conservation, or national emergencies that are authorized to be sold.	
DEBIT	CREDIT
1. Inventory value of material designated for future sale. Contra: 1571	1. Inventory value of material disposed of through sale. Contra: 6500 2. Inventory value of material returned to the stockpile reserve inventory. Contra: 1571
NORMAL BALANCE: DEBIT	
FIGURE 22-3	

ACCOUNT NO. 1415	
ADVANCES TO GOVERNMENT AGENCIES AND FUNDS - CONSIGNED SILVER	
DESCRIPTION: Inventory value of silver consigned to the Treasury for use in coinage.	
DEBIT	CREDIT
1. Inventory value of silver allocated to the Treasury for a designated coinage program. Contra: 1571	1. Inventory value of silver reported as consumed by the Treasury for coinage. Contra: 6500
NORMAL BALANCE: DEBIT	
FIGURE 22-4	

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CHAPTER 23

CONTINGENCY OPERATIONS

TO BE ISSUED SEPARATELY

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★ CHAPTER 24 ★

★ BURDENSARING AND OVERSEAS RELOCATION ★

TO BE ISSUED SEPARATELY

★ CHAPTER 26 ★
DEFENSE MODERNIZATION ACCOUNT

2601 GENERAL260101. Purpose

This chapter implements section 2216 of Title 10, United States Code, which establishes the Defense Modernization Account.

260102. Overview

A. The Defense Modernization Account is a transfer account which provides the Military Departments and Defense Agencies (hereafter referred to as the DoD Components), flexibility in addressing acquisition funding issues.

B. The Defense Modernization Account is a transfer account against which no obligations may be incurred.

C. The Defense Modernization Account allows savings, earned through the efficient management of production and procurement programs, to be applied against programs and projects funded with appropriated funds.

D. Funds transferred into, and from, the Defense Modernization Account shall retain their fiscal year identity for expenditure purposes, and the period they are available for expenditure shall not be extended as a result of transfer into, or from, the Defense Modernization Account. Accordingly, funds transferred into the Defense Modernization Account shall not be available for expenditure beyond the end of the 5th fiscal year following the date that the appropriation, from which they were transferred, expires for new obligation.

E. Funds transferred into (credited to) the Defense Modernization Account only remain available for transfer until the end of the third fiscal year that follows the fiscal year in which the amounts are credited to the Defense Modernization Account.

2602 RESPONSIBILITIES

260201. The Secretary of Defense (SECDEF) has overall responsibility for the management of the Account. In this role, the SECDEF may transfer funds into or out of the Account upon notification of the Congressional Defense Committees.

260202. Secretaries of the Military Departments and Directors of Defense Agencies shall:

A. Determine the availability of funds for transfer to the Account.

- B. Propose the transfer of funds into the Account.
- C. Propose the transfer of funds from the Account.
- D. Prepare and submit required congressional notifications.

*Note: Congressional notifications must be approved by USD(C) prior to submission to the Congressional Defense Committees.

260203. The Under Secretary of Defense (Comptroller) (USD(C)) shall:

- A. Exercise a fiduciary responsibility for the Account, as delegated by the Secretary of Defense.
- B. In consultation with the General Counsel and the Inspector General of the Department of Defense, implement regulations, policies, and procedures for the administrative control of funds transferred into, and out of, the Account.

260204. The Director, Defense Finance and Accounting Service shall:

- A. Ensure the preparation of such reports, on the status of the Account, specified in Section 2608 of this chapter, and such other reports as may be requested by the Under Secretary of Defense (Comptroller).
- B. Aggregate amounts in the Account in such a manner that they maintain the identity of the DoD Component that transferred the funds into, or out of, the Account.
- C. Provide for the applicable Defense Finance and Accounting Service (DFAS) activities to be designated as being responsible for accounting for, reporting on and promoting such other financial services as may be required to support the Account.
- D. Ensure that funds transferred into the Account, as well as amounts transferred from the Account, retain the identity of both the appropriation from which the funds were transferred, as well as the cancellation date of the original appropriation (in accordance with sections 1551 and 1552 of Title 31).

2603 DEFINITIONS The following definitions apply with respect to the Defense Modernization Account:

260301. The term “unexpired funds” means funds appropriated for a definite period that remains available for new obligation.

260302. The term “Congressional Defense Committees” means the Senate Committee on Armed Services, the Senate Committee on Appropriations, the House of

Representatives Committee on National Security, and the House of Representatives Committee on Appropriations, and their successor committees, if any.

260303. The term “modernization” means:

A. Improving operational capability or technical performance or procuring an upgrade of an existing system for either procurement or research, development, test, or evaluation purposes;

B. Reducing life-cycle costs of new or existing systems; or

C. Achieving a more efficient production or delivery rate, by increasing quantities through a procurement action.

260304. The term “savings” means funds that are excess to program requirements in a particular fiscal year.

260305. The term “Secretary concerned” means the Secretary of Defense, with respect to defense-wide appropriations, and the Secretary of a Military Department; “Director” means the head of a Defense agency.

260306. The term “Account” means the Defense Modernization Account.

2604 TRANSFERS INTO THE DEFENSE MODERNIZATION ACCOUNT

260401. General: Unexpired funds which, as a result of economies, efficiencies or other savings, are excess to the requirements for which initially appropriated, and which otherwise meet the criteria for transfer to the Account, may be transferred to the Account from:

A. Appropriations available for Procurement, to the extent that the amounts are excess to applicable procurement requirements; and

B. Appropriations available for the support of installations and facilities when, during the final 30 days of a fiscal year, such funds are excess to the requirements for the support of such installations and facilities.

260402. Restrictions

A. Transfers into the Account may be made only from appropriations provided by the Congress after fiscal year 1995.

B. Transfers into the Account may not be made after September 30, 2003. (The authority to transfer funds into the Account expires on September 30, 2003.)

C. Funds may not be transferred to the Account if:

1. The funds have expired for purposes of incurring new obligations.
2. The funds are necessary for programs, projects, or activities that, as determined by the Secretary or Director concerned, or the Secretary of Defense, have a higher priority than the purposes for which the funds would be used if transferred to the Account.
3. The funds, once transferred, would result in a balance in the Account that would be in excess of \$1,000,000,000. (The Defense Finance and Accounting Service will notify the Secretaries and Directors concerned if the balance is approaching the funding ceiling. Additionally, the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will make a determination as to the appropriateness of subsequent transfers to the account, until such time as the balance of funds within the Account no longer represent a risk with respect to balance limitations.)
4. For expenditure purposes, funds transferred into the Account shall retain the fiscal year identity of the original appropriation from which they are being transferred, and the period that they are available for expenditure shall not be extended as a result of transfer into the Account. Accordingly, funds transferred into the Account shall not be available for expenditure beyond the end of the 5th fiscal year following the date that the original appropriation from which they were transferred expires for new obligation.

2605 PROCEDURES CONCERNING TRANSFERS INTO THE DEFENSE MODERNIZATION ACCOUNT

260501. Notification Actions

A. Upon a determination, by the Secretary or Director concerned, that funds are available, and meet the criteria, for transfer to the Account, the Secretary or Director concerned shall prepare a written notification, for submission to the Congressional Defense Committees, of the proposed transfer.

B. Proposed notification letters to the Congressional Defense Committees must be coordinated with, and approved by, the OUSD(C) prior to being submitted to the Congressional Defense Committees. Such notification letters must identify both the amount and the source of the proposed transfer.

260502. Actions to Effect Transfers

A. Funds transferred into the Account may be transferred only after the Secretary or Director concerned has received prior approval from the USD(C) and has notified the Congressional Defense Committees in writing as to the amount and source of funds being transferred into the Account.

B. Upon receiving notification from the Secretary that the Congressional Defense Committees have been notified in writing of the amount and source, followed by a 30-day waiting period, the OUSD(C) shall prepare appropriate documentation necessary to accomplish a transfer of funds to the Account and provide documentation, of such transfers, to the DoD Component concerned.

260503. Retention of Source Fund Identity Following Transfers

A. Funds transferred into the Account retain the identity of the DoD Component that transferred the funds into the Account.

B. Funds transferred into the Account also must retain the identity of both the appropriation from which the funds were transferred, as well as the cancellation date of that appropriation (in accordance with sections 1551 and 1552 of title 31).

2606 TRANSFERS FROM THE DEFENSE MODERNIZATION ACCOUNT AND USE OF AMOUNTS TRANSFERRED

260601. Funds Available for Transfer from the Account. Except as provided for elsewhere in this chapter, amounts transferred into the Account shall remain available for transfer from the Account until the end of the third fiscal year following the fiscal year in which the amounts are transferred into the Account.

260602. Purposes for Which Transfers May be Used. Funds may be transferred from the Account for:

A. The purpose of increasing the quantity of items and services in order to achieve a more efficient production or delivery rate for a program funded in a DoD procurement program.

B. Research, development, test, evaluation or procurement efforts necessary for the modernization (as defined in paragraph 260303) of an existing system, or a system being procured under an ongoing program funded from a DoD procurement program.

260603. Restrictions

A. Funds may not be transferred from the Account for:

1. A purpose or program for which the Congress has not authorized appropriations; or

2. The purpose of making an expenditure for which there is no corresponding obligation; or

3. The purpose of making an expenditure which would result in an obligation adjustment, in excess of statutory limitations or an unliquidated or unrecorded obligation arising in a prior fiscal year.

B. In the case of funds transferred for the purpose of increasing the quantity of items or services for a program funded in a DoD procurement appropriation, funds may not be transferred if the transfer would result either in:

1. An obligation or expenditure of funds in excess of a specific limitation provided by law on the amount that may be obligated or expended, respectively, for the applicable procurement program; or

2. The procurement of a total quantity of items or services in excess of:

a. A specific limitation provided by law on the quantity of items or services that may be procured; or

b. The requirement for the items or services as approved by the Joint Requirements Oversight Council and reported to the Congress by the Secretary of Defense.

C. Funds may not be transferred to a DoD Component different from that which originally transferred such funds into the Account.

D. Funds may not be transferred to a DoD Component in an amount in excess of amounts originally transferred into the Account by the DoD Component, less such amounts previously transferred out of the Account to that same DoD Component.

E. Except as provided for below, funds retained in the Account, as well as those transferred from the Account, retain their original statutory limitations with respect to the life of the original appropriation for purposes of making expenditures.

1. Funds may be transferred from the Account, and obligated in the appropriation to which the funds are transferred, even though the period of availability for new obligations has expired for the original appropriation from which the funds were transferred.

2. Funds transferred from the Account may neither be obligated nor expended (disbursed) after the period of availability, as specified in sections 1551 and 1552 of Title 31, U.S.C., has elapsed for making expenditures from the original appropriation from which the funds were transferred into the Account.

F. The total amount of funds transferred from the Account during any fiscal year may not exceed \$500,000,000.

2607 PROCEDURES CONCERNING TRANSFERS FROM THE DEFENSE MODERNIZATION ACCOUNT260701. Notification Actions

A. Upon a determination, by the Secretary or Director concerned, that funds are available, and meet the criteria, for transfer from the Account; the Secretary or Director concerned shall prepare a written notification, for submission to the Congressional Defense Committees, of the proposed transfer.

B. Notification letters to the Congressional Defense Committees must be coordinated with, and approved by, the OUSD(C) prior to being submitted to the Congressional Defense Committees. Notification letters must identify the amount of the proposed transfer, the appropriation to which the amount is proposed to be transferred, the purpose for which the funds will be used, and the total costs of the effort/program to which the amounts are proposed to be transferred.

260702. Actions to Effect Transfers

A. Funds may not be transferred from the Account until 30 days has elapsed following the date on which the Secretary concerned notifies the Congressional Defense Committees, in writing, of the proposed transfer.

B. Following the expiration of the 30 day period addressed in paragraph 260702 A., above, and absence a specific objection from the Congress, the OUSD(C) shall prepare appropriate documentation necessary to accomplish the proposed transfer of funds from the Account.

2608 REPORTING REQUIREMENTS

A. Requirement to Report to Congressional Committees. Not later than 15 days after the end of each calendar quarter, the USD(C) shall submit a report on the status of the Account to the Congressional Defense Committees, as well as to the Committee on Governmental Affairs of the Senate and the Committee on Government Reform and Oversight of the House of Representatives, or successor committees.

B. Contents of Reports to Congressional Committees. Each quarterly report to the congressional Committees shall include:

1. The balance of funds in the Account at the beginning of the quarter;
2. The amount and source of each transfer into the Account during the quarter;

3. The amount and purpose of each transfer from the Account during the quarter; and

4. The balance in the Account at the end of the quarter.

C. Amounts reported in response to paragraph B. above shall be shown by DoD Component, and in total for the Account.

2609 CLOSING OF THE DEFENSE MODERNIZATION ACCOUNT

A. The Account shall be closed on September 30, 2006.

B. Any balance in the account on the date that the Account is closed shall be canceled; and the funds shall not be available for any purpose after that date.

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DOD 7000.14-R

DEPARTMENT OF DEFENSE

***FINANCIAL MANAGEMENT
REGULATION***

VOLUME 13

**NONAPPROPRIATED FUNDS
POLICY AND PROCEDURES**

AUGUST 1994

**COMPTROLLER
DEPARTMENT OF DEFENSE**



COMPTROLLER OF THE DEPARTMENT OF DEFENSE
WASHINGTON, DC 20301-1100

AUG 22 1994

FOREWORD

This Volume of the DoD Financial Management Regulation is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. This volume directs financial management requirements, systems, and functions for all nonappropriated fund (NAF) activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume prescribes standard accounting principles and practices for all DoD nonappropriated fund instrumentalities (NAFIs) except the Military Exchanges. NAF accounting principles and practices are similar to generally accepted accounting principles used in the private sector. Standard principles and practices will ensure that financial statements and reports are complete and accurate, and that the results of operations can be analyzed. This Volume has four parts-a core section consisting of 10 chapters and 3 appendices. The core contains general accounting principles and procedures applicable to all NAFIs. The appendices contain specific policies and procedures applicable to the particular Military Service. In the future, through implementation of standard systems, the appendices will be eliminated.

This Volume of the Regulation applies to the Office of the Secretary of Defense; the Military Departments; the Defense Finance and Accounting Service; the Chairman of the Joint Chiefs of Staff; the Unified Commands; the Inspector General of the Department of Defense; the Defense Agencies; and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

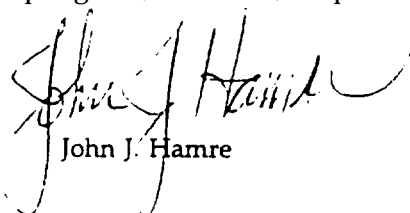
This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Comptroller of the Department of Defense.

The internal reporting requirements in this regulation are exempt from licensing in accordance with paragraph E.4.f of DoD 7750.5-M, "DoD Procedures for Management of Information Requirements," November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Comptroller of the Department of Defense
1100 Defense Pentagon
Washington, DC 20301-1100

DoD Components may obtain copies of this Volume of the Regulation through their own publication channels. Approved for public release; distribution unlimited. Authorized registered users may obtain copies of this publication from the Defense Technical Information Center, Cameron Station, Alexandria, VA 22304-6145. Other Federal agencies and the public may obtain copies from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; telephone (703) 487-4650.


John J. Hamre

INTRODUCTION TO THE DoD FINANCIAL MANAGEMENT REGULATION

GENERAL

The DoD Financial Management Regulation provides all DoD components with the policy, regulation, and procedures within the area of responsibility of the Comptroller, Department of Defense. The Regulation consists of the following 15 volumes:

- | | |
|--|---|
| <p>1. General Financial Management Information, Systems, and Requirements</p> <p>2. Budget Formulation and Presentation</p> <p>3. Budget Execution - Availability and use of Budgetary Resources</p> <p>4. Accounting Policy and Procedures</p> <p>5. Disbursing Policy and Procedures</p> <p>6. Reporting Policy and Procedures</p> | <p>7. Military Pay Policy and Procedures</p> <p>8. Civilian Pay Policy and Procedures</p> <p>9. Travel Policy and Procedures</p> <p>10. Contract Payment Policy and Procedures</p> <p>11. Reimbursable Operations, Policy and Procedures</p> <p>12. Special Accounts, Funds and Programs</p> <p>13. Nonappropriated Funds Policy and Procedures</p> <p>14. Financial Management Education and Training</p> <p>15. Security Assistance Policy and Procedures</p> |
|--|---|

AUTHORIZATION

This Regulation is issued by the Comptroller, Department of Defense under authority of Department of Defense Instruction

7000.14 "DoD Financial Management Policy and Procedures."

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of this Regulation is consistent for all 15 Volumes. The 6 digit paragraph number and its subparagraph designators are formulated as follows:

01
CHAPTER 1

01
SECTION 1

01
PARAGRAPH 1

A. 1. a. (1) (a)
SUBPARAGRAPHS

PUBLICATIONS INCORPORATED

This Volume of the Regulation incorporates the accounting policies and procedures contained in the following publications:

DoD Instruction 7000.12 "Financial Management Of Morale, Welfare, and Recreational Activities"

Air Force Regulation 176-10 "Financial Operations and Accounting Procedures"

This Volume of the Regulation replaces and supersedes the following publications:

Army Regulation 215-5 "Non-Appropriated Fund Accounting Policy and Reporting Procedures"

Navy Comptroller Manual, NAVSO P-3520
"Financial Management Policies and Procedures for Morale, Welfare, and Recreation Programs"

Air Force Regulation 176-24 "Accounting Policy for Non-Appropriated Funds"

REFERENCES

All references used in this Volume are specifically cited in the text. The following listing is a summary of those references.

- a. Title 31, United States Code, sections as follows:
 - 3511 Prescribing accounting requirements and developing accounting systems
 - 3512 Executive agency accounting systems
 - 3901-06 Prompt Payment
- b. Title 7, United States Code, sections as follows:
 - Chapter 9
 - 499a-499s Perishable Agriculture Commodities Act of 1930
- c. U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies
 - Title 2, Accounting
 - Title 4, Claims
 - Title 6, Pay, Leave, and Allowances
- d. Internal Revenue Code
 - 26 USC 3121(d)(2)
 - 26 USC 3401(c)
 - Section 6041
- e. Internal Revenue Service Publications 15, Employer's Tax Guide (Circular E) 534
- f. Revenue Ruling 87-41, 1987-1, C.B. 296.
- g. Portability of Benefits for Non-Appropriated Fund Employees Act of 1990 (P.L. 101-508)
- h. Contract Disputes Act of 1978 (41 USC 611)
- i. Consumer Credit Protection Act (15 USC 1601 et. seq.)
- j. Office of Personnel Management, Federal Personnel Manual (FPM)
 - Chapter 831
 - Chapter 832
 - Supplement 831-1
- k. American Institute of Certified Public Accountants (AICPA)
 - Accounting Principles Board (APB) Opinions
 - Accounting Research Bulletins
 - AICPA accounting interpretations and implementation guides ("Qs and As")
 - AICPA Issues Papers
 - AICPA Accounting Standards Executive Committee (AcSEC)
 - AICPA Statements of Position.
 - AICPA Technical Practice Aids
 - Industry Audit and Accounting Guides

- l. Financial Accounting Standards Board (FASB)
 - Technical Bulletins
 - Statements of Financial Accounting Standards and Interpretations
 - Concepts Statements
- m. Government Accounting Standards Board (GASB)
 - Statements
 - Interpretations
 - Technical Bulletins
- n. DoD Directives
 - 1015.1, Establishment, Management, and Control of Nonappropriated Fund Instrumentalities
 - 1015.6, Funding Morale, Welfare, and Recreation Programs
 - 5118.3, Comptroller of the Department of Defense
 - 5500.7, Standards of Conduct
 - 5500.7-R, Joint Ethics Regulation
 - 7000.12, Financial Management of Morale, Welfare, and Recreational Activities
 - 7060.1, International Balance of Payments Transactions
- o. DoD Instructions
 - 1015.4, Assignment of Appropriated-Funded Personnel to Morale, Welfare and Recreation Activities
 - 7060.2, International Balance of Payments Accounting?
 - 7600.6, Audits of Nonappropriated Funds and Related Activities
- p. DoD 1401.1-M, Personnel Policy Manual for Nonappropriated Fund Instrumentalities
- q. DFAS 5010.38-R, DFAS Internal Management Control Program
- r. Army Regulations
 - 37-1, Army Accounting and Fund Control
 - 215-1, Administration of MWR Activities and NAFIs
 - 215-2, The Management and Operation of Army MWR Programs and NAFIs
 - 215-3, NAF and Related Activities Personnel Policies and Procedures
 - 215-4, Nonappropriated Fund Contracting
 - 215-7, Civilian NAF and MWR Activities
- s. Navy Regulations
 - Secretary of the Navy Instructions (SECNAVINST) 7000.23A
 - Navy Comptroller (NAVCOMPT) Manual Volumes 3 and 7
 - JAGINST 5890.1, Administrative Processing and Consideration of Claims on Behalf of and Against the United States
- t. Air Force Regulations
 - 176-1
 - 176-2
 - 176-10
 - 177-15
 - 700-20
- u. Federal Accounting Standards Advisory Board (FASAB) Standards

CHAPTER 1

NONAPPROPRIATED FUND ACCOUNTING0101 FUNDS010101 Nonappropriated Funds.

Nonappropriated funds (NAF) are monies which are not appropriated by the Congress of the United States. NAF come primarily from the sale of goods and services to Department of Defense (DoD) military and civilian personnel and their family members, and are used to support Morale, Welfare, and Recreation (MWR), and billeting, certain religious and educational programs. NAFs are government funds; they are used for the collective benefit of military personnel, their family members, and authorized civilians. These funds are separate and apart from funds that are recorded in the books of the US Treasury.

010102 Appropriated Funds. Appropriated funds (APF) are monies made available to DoD by Congress. Appropriations are generally of two types: annual and multi-year. The appropriation acts approved by Congress specify the purpose for which the APFs can be used. Accounting for APFs is significantly different than accounting for NAFs. Specific accounting policies and procedures for APFs are described in other volumes of the DoD Financial Management Regulation.

0102 ACCOUNTING

010201 Definition. Accounting is the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial nature, and interpreting the results thereof. The primary use of accounting information is to aid decision-makers.

A. Recording. Recording of business transactions in an accurate and prompt manner is an essential requirement of both manual and automated accounting systems.

B. Classifying. Classifying relates to the process of sorting or grouping like things together rather than merely keeping a simple, diary-like narrative record of numerous and varied transactions and events. Ledgers are used to classify the journal entries according to like events.

1. General Ledger. The general ledger is the core of the NAF accounting system and provides a list of all accounting entries for the current period. A separate general ledger is established for each NAFI. All NAF accounting systems will use the chart of accounts in the appropriate Service supplement. At the end of each month, prepare a trial balance listing the balances in the general ledger accounts. Annually close the income and expense accounts to Fund Equity.

2. Subsidiary Records. NAF accounting systems have subsidiary records. If the number of transactions for a particular general ledger account is small or if balances are reversed at the beginning of each month or if the required data is maintained on a computer, a formal subsidiary ledger is not required. In some cases, a simple file system or the equivalent will be adequate provided it substantiates the general ledger account balance. Some typical subsidiary ledgers are:

a. Accounts Payable. Under a voucher system, a tickler or suspense file of unpaid vouchers can serve as the accounts payable subsidiary file. At the end of each month reconcile the total of all unpaid vouchers in this file to the general ledger control account.

b. Prepaid Accounts. Maintain a subsidiary record to aid proration of expenses for prepaid supplies, maintenance, insurance, etc. Reconcile any unexpired or unused amounts to the applicable general ledger control account.

c. Accounts Receivable.

Subsidiary records for receivables are of vital importance in the accounting system. Maintain detailed records so that it is possible to accurately identify the debtor and the amount of the debt. For example, the same subsidiary record may be used to maintain accounts receivable for a member and unamortized advance dues.

C. Summarizing. Summarizing is the process of bringing together financial information to develop financial statements or reports. The balance sheet, income statement and statement of cash flows are the most commonly used financial statements. The balance sheet provides information about the financial condition of a business at a certain point in time. The income statement provides information about the results of operation (i.e., profit or loss) for the accounting period. The statement of cash flows reflects the amount of net cash provided or used by a business during the period from (a) operating activities, (b) investing activities, and (c) financing activities.

D. Interpreting. Interpreting refers to the steps taken to direct attention to the significance of various matters and relationships. Percentage analyses and ratios are often used to help explain the meaning of related information.

010202 Accounting Information. Accounting information is useful when it is timely, relevant, reliable, cost beneficial, material, comparable, and consistent. These qualities are described as follows:

A. Timeliness. Timeliness refers to the prompt reporting of financial information to its users when it will be of maximum benefit. Financial data should be recorded as soon as practical after the occurrence of a transaction.

B. Relevance. Relevance is the capacity of information to make a difference in a decision by helping users to form predictions about the outcome of past, present, and future events or to confirm or correct prior expectations.

C. Reliability. Reliability is the quality of information that assures that is reasonably free from error and bias and faithfully represents what it purports to represent.

D. Cost Beneficial. Cost beneficial refers to measuring the expense of obtaining certain information against the benefits of having the information. Information should not be provided if the cost exceeds the benefits derived, unless it is required to meet legal or other specific purposes.

E. Materiality. Materiality refers to whether the information is significant enough to make a difference to a reasonable person relying on the information. A decision not to disclose information in the financial statements may be made because the amounts involved are too small to make a difference or to affect the reliability of the information. In addition to magnitude, the nature of the item must be considered when making a materiality judgement. Any information which is material will be reported in financial statements.

F. Comparable. Comparability relates to the similarity and consistency of information produced by an entity from period to period and by others operating in similar circumstances. The value and usefulness of information depends greatly on the degree to which it is comparable to information from prior periods and to similar information reported by others.

G. Consistent. Consistency pertains primarily to information produced by one accounting entity using essentially the same methods over a period of time.

010203 Generally Accepted Accounting Principles. The phrase "generally accepted accounting principles" (GAAP) is a technical accounting term which encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices and procedures. Those

conventions, rules, and procedures provide a standard by which to measure financial presentations.

A. Judgement. Although there are numerous sources of GAAP, some judgement may be necessary to determine whether:

1. The accounting principles selected and applied have general acceptance.

2. The accounting principles are appropriate in the circumstances.

3. The financial statements, including the related notes, are informative of matters that may affect their use, understanding and interpretation.

4. The information presented in the financial statements is classified and summarized in a reasonable manner, that is, it is neither too detailed nor too condensed.

5. The financial statements reflect the underlying transactions and events in a manner that presents the financial position, results of operations, and cash flows stated within a range of acceptable limits, that is, limits that are reasonable and practicable to attain in financial statements.

B. GAAP Hierarchy. A GAAP hierarchy has been established which identifies five categories or sources of GAAP (in descending order of importance):

1. Officially established accounting principles which consist of Financial Accounting Standards Board (FASB) Statements of Financial Accounting Standards and Interpretations, Accounting Principles Board (APB) Opinions, and American Institute of Certified Public Accountants (AICPA) Accounting Research Bulletins.

2. FASB Technical Bulletins and, if cleared by the FASB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.

3. AICPA Accounting Standards Executive Committee (AcSEC) that have been cleared by the FASB and consensus positions of the FASB Emerging Issues Task Force.

4. AICPA accounting interpretations and implementation guides ("Qs and As") published by the FASB staff, and practices that are widely recognized and prevalent either generally or in the industry.

5. Other accounting literature, including FASB Concepts Statements; AICPA Issues Papers; International Accounting Standards Committee Statements; Government Accounting Standards Board (GASB) Statements, Interpretations, and Technical Bulletins; pronouncements of other professional associations or regulatory agencies; AICPA Technical Practice Aids; and accounting textbooks, handbooks, and articles.

C. Other Considerations. An important aspect of GAAP as applied to Government entities is the recognition of the variety of legal and contractual considerations typical of the Government environment. These considerations underlie and are reflected in the fund structure, bases of accounting, and other principles, and are a major factor distinguishing governmental accounting from commercial accounting. The following are some of the types of laws and regulations that may have a direct and material effect on the determination of amounts in a NAF activity's financial statements:

1. Requirements for reporting to DoD, Congress, and others.

2. Restrictions on use of appropriated funds.

3. Restrictions on expenditures, including expenditures for construction.

4. Restrictions on investments.

5. Laws and regulations for

NAF, Civil Service, and military personnel.

0103 ACCOUNTING METHODS.

010301 Accrual Basis. Most NAF organizations will use the double-entry accrual basis of accounting. This system is widely used in the commercial or private sector. The general theory of the double entry accounting system is that whenever any financial transaction or value change takes place, there are two accounting actions involved. These two actions are expressed as debits and credits. In accordance with established principles of double entry accounting, equilibrium must be maintained. Every recording of an entry must consist of a debit and an offsetting credit and the total dollar amount of debits must always equal the total dollar amount of credits. Under accrual accounting, transactions and other economic events are recorded when they occur. Revenues are recognized and reported when they are earned. Expenses are recognized and reported when they occur and are deducted from revenue to determine income. Accrual accounting emphasizes matching revenues and expenses associated with each other in the period in which they occur. Generally, accrual accounting contributes to effective financial control over resources, cost of operations and is essential in developing adequate revenue and cost information.

010302 Cash Basis of Accounting. Under the cash basis, revenue is recognized when cash is received from the customer or client, and expenses are recognized when cash is actually paid for the item or service received. Chapter 10 contains the specific policies and procedures for small NAF organizations authorized by their DoD Component to use the cash basis of accounting.

0104 ACCOUNTING PERIOD. The accounting period for DoD NAF organizations (except the Exchange Services) as set by DoD instruction 7000.12 begins October 1 of each year and ends September 30 of the next year. Exceptions must be approved in writing by the DoD Comptroller.

0105 THE ACCOUNTING CYCLE. The interim accounting period will be monthly.

0106 ACCOUNTING OFFICE (AO). The NAF AO provides centralized professional accounting services to NAF organizations. All DAOs will follow certain basic standards:

A. Maintain all books of original entry, the general ledger, and related subsidiary ledgers.

B. Maintain fixed asset records.

C. Prepare all disbursement vouchers and checks after assuring availability of funds and pays liabilities of all serviced NAF organizations.

D. Maintain payroll records when needed.

E. Prepare required periodic financial reports. The AO provides the NAF manager ratios and percentages as requested. The AO also provides variances in relation to established standards or approved budget goals upon request.

F. Prepare other information when requested by NAF management or higher authority. For example, the AO may provide technical advice on preparation of NAF budgets.

G. Prepare and distribute financial reports to all serviced NAF organizations.

H. Prepare an annual operating budget for the AO. If more than one NAF organization is serviced by the AO, then a schedule will be prepared that shows the estimated amounts to be assessed each serviced NAF organization.

I. Where applicable reconcile the bank accounts of serviced NAF organizations. Review daily account balances shown on monthly bank statements to ensure that insurance and collateral are sufficient. Notify NAF managers of missing or delayed deposit or check documentation.

J. Compute and bill the cost of operating the AO for each NAF organization serviced.

K. Review documentation for completeness and accuracy.

L. As required, provide documentation to independent auditors.

0107 ACCOUNTING OFFICE FUNDING. The AO will charge a service fee to all NAF organizations serviced to recover its operating costs.

0108 EXTERNAL ORGANIZATIONAL RELATIONSHIPS. AO personnel should be alert for changes in NAF organization cost centers and other changes so that proper accountability can be maintained.

0109 MORALE, WELFARE, AND RECREATION (MWR) CATEGORIES. In accordance with DoD Instruction 1015.1, MWR programs within the DoD have been classified into three basic categories for funding, financial reporting and program management. Each category has specific restrictions and requirements concerning funding. APF and NAF resources may be used only where permitted by DoD Directives 1015.4 and 1015.6.

0110 ACCOUNTING CHANGES. The term "accounting change" means a change in an accounting principle or a change in an accounting estimate. The correction of an error in previously issued financial statements is not an accounting change.

011001 Change in Accounting Principle. A change in accounting principle results from adoption of a generally accepted accounting principle different from the one used previously for reporting purposes. The term accounting principle includes not only accounting principles and practices but also the methods for applying them. A characteristic of a change in accounting principle is that it concerns a choice from among two or more generally accepted accounting principles. They include, for example, a change in the method of inventory pricing and a change in the depreciation method for previously

recorded assets. In the preparation of financial statements, there is a presumption that an accounting principle once adopted should not be changed in accounting for events and transactions of a similar type. Consistent use of accounting principles from one accounting period to another enhances the utility of financial statements to users by facilitating analysis and understanding of comparative accounting data.

011002 Change in Accounting Estimate. Changes in estimates used in accounting are necessary consequences of periodic presentations of financial statements. Preparing financial statements requires estimating the effects of future events. Examples of items for which estimates are necessary are uncollectible receivables, inventory obsolescence, and service lives and salvage values of fixed assets. Future events and their effects cannot be predicted with certainty; estimating, therefore, requires the exercise of judgement. Thus, accounting estimates change as new events occur, as more experience is acquired, or as additional information is obtained.

0111 ACCOUNTING ERRORS. Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. In contrast, a change in accounting estimate results from new information or subsequent developments and accordingly from better insight or improved judgement. A change from an accounting principle that is not generally accepted to one that is generally accepted is a correction of an error.

0112 FUND EQUITY. Fund Equity consists of capital invested in the NAFI plus the profit or minus the loss resulting from operations since its inception. Transactions into and out of equity are limited to net income, net losses, and entries associated with the establishment, disestablishment, certain accounting principle changes, approved prior year error adjustments and distribution of capital. Fund equity adjustments should be very infrequent. When an item has been thoroughly

reviewed and it is determined the only appropriate treatment is to be recorded as an Equity Fund adjustment, a letter requesting approval to make a fund equity adjustment with all the facts surrounding the circumstances will be forwarded to DFAS via the appropriate program manager. Any request for Equity Fund Adjustment will be carefully reviewed by the program manager and DFAS prior to approval.

A. When a new NAF organization, with pre-existing capital, is authorized, that capital is recorded as equity, e.g., a private association that becomes a membership association. Equity is disestablished when a NAF organization is dissolved.

B. Equity may be distributed by declaring dividends to other NAF organizations. An example is dividends paid by base restaurants. Special grants for new construction and facility improvements are another method of distributing equity. Equity may be transferred in the form of cash or other assets.

0113 EXTRAORDINARY ITEMS. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Both of the following criteria must be met to classify an event or transaction as an extraordinary item.

011301 Unusual Nature. The underlying event or transaction possesses a high degree of abnormality and is of a type clearly unrelated to, or only incidentally related to, the ordinary and typical operations of the NAFI, taking into account the environment in which the NAFI operates.

011302 Infrequency of Occurrence. The underlying event or transaction is of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the activity operates.

011303 Disclosure. Show extraordinary items separately as an item affecting net income after operating income.

0114 ETHICS To ensure that every

citizen can have complete confidence in the integrity of the Federal Government, each Federal employee (appropriated fund and nonappropriated fund) shall respect and adhere to the fundamental principles of ethical service. The provisions of DoD Directive 5500.7 and DoD Regulation 5500.7-R apply.

A. Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws, and ethical principles above private gain.

B. Employees shall not hold financial interests that conflict with the conscientious performance of duty.

C. Employees shall not engage in financial transactions using nonpublic Government information or allow the improper use of such information to further any private interest.

D. An employee shall not, except pursuant to such reasonable exceptions as provided by regulation, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.

E. Employees shall put forth honest effort in the performance of their duties.

F. Employees shall make no unauthorized commitments or promises of any kind purporting to bind the Government.

G. Employees shall not use public office for private gain.

H. Employees shall act impartially and not give preferential treatment to any private organization or individual.

I. Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.

J. Employees shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Government duties and responsibilities.

K. Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.

L. Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those--such as Federal, State or local taxes--that are imposed by law.

M. Employees shall adhere to all laws and regulations that provide equal opportunity for all Americans regardless of race, color, religion, sex, national origin, age, or handicap.

N. Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or these ethical standards.

CHAPTER 2**GENERAL LEDGER AND CODING STRUCTURE**

0201 NONAPPROPRIATED FUND
ACCOUNTING CLASSIFICATION CODES. The Defense Finance and Accounting Service is developing a uniform system for coding transactions to insure consistency in financial management procedures as well as flexibility in application to either manual or mechanized accounting records in the NAF area. When the standard general ledger account code structure is completed and approved it will be incorporated in this chapter. In the meantime, accounting offices will continue to use their current account code structure until further notice.

CHAPTER 3

ASSETS

0301 GENERAL. Assets are economic resources obtained or controlled by NAF Instrumentalities (NAFI) as a result of past transactions or events. They are classified on financial statements as either current or non-current.

0302 CURRENT ASSETS. Current assets are those items of cash and other assets or resources that can be reasonably expected to be converted to cash or consumed during the normal operating cycle (12 months). These include cash and cash equivalents, short-term investments, accounts receivable, inventories, and prepaid expenses.

030201 Cash. Almost all accounting transactions affect the cash account at one time or another and these transactions occur most frequently. Cash includes coin and paper currency of all kinds including amounts on deposit in a banking institution.

A. Reconciliation of Bank Accounts. All bank statements or reports will be reconciled at a minimum monthly. Any discrepancies found shall be reported immediately to NAFI management.

B. Cash in Imprest Funds.

1. Change funds use these funds to make change and cash checks. Cash received from operations may be used to replenish the fund at the end of the day as long as daily receipts are deposited in total and all checks cashed from these funds are deposited daily. In no case will the custodian exchange dollars for foreign currency, except as provided in paragraph 3 below.

2. Petty Cash Funds. These funds are established by the NAFI to handle minor disbursements. The AO advances to an individual from the NAFI or activity that is

designated as petty cash custodian a fixed amount of funds. Disbursements are made by the appointed individual and a petty cash voucher is completed to support each transaction. When needed, requests to reimburse the petty cash fund are sent to the AO from the NAFI with petty cash vouchers and cash register receipts (or equivalent) attached. At the minimum, a request to reimburse petty cash is sent to the AO by the NAFI as of the last day of the month. The AO issues a check payable to the petty cash fund custodian by name to reimburse the petty cash fund and the vouchers are charged to the appropriate expense accounts.

a. Each manager within a NAFI appoints individuals to act as petty cash custodians in writing.

b. The amount of a petty cash fund will not exceed one month's requirements.

c. Any one transaction will not exceed \$500 or a lower amount if prescribed by the Military Services. Transactions will not be fragmented to circumvent this limitation.

d. If cash is given as bingo prizes, use a separate petty cash fund.

e. In foreign locations, an NAFI may have one petty cash fund in the local foreign currency as well as one in dollars. If an NAFI gives cash bingo prizes both in dollars and foreign currency, two bingo petty cash funds should be established.

f. NAFIs will not use petty cash funds for cashing checks or paying salaries and wages.

3. Foreign Currency Cash Funds. These funds are used to buy and sell foreign currency as a service to members and

customers.

4. Other Imprest Funds. The NAFI requests establishment of an imprest fund for designated purposes. The NAFI custodian forwards an approved request to establish an imprest fund, the dollar amount authorized, and the purpose of the fund to the AO. The AO retains all documents authorizing the fund. The AO establishes the imprest fund by issuing a check. When needed the NAFI requests reimbursement of the change fund and forwards supporting documentation pertaining to the disbursements to the AO. These funds are reimbursed as of the last day of each month.

5. Accounting for Imprest Funds. Upon initial issuance of the change fund, the NAFI's cash account is reduced and the appropriate asset account (change funds issued) is increased. Disbursements to the petty cash fund are recorded to the applicable expense accounts in the month petty cash was disbursed by the petty cash custodian. Increases to these funds should be requested from the NAFI custodian in writing. The AO issues a check for the approved amount and increases the asset account accordingly.

C. Blank Check Stock

1. The AO may designate someone to perform the duties of keeping the records and controlling the blank check stock, but it cannot be one of the check writers.

2. Checks will be sequentially prenumbered and stored in a locked container.

D. Check Signing Equipment. There are three components to check-signing equipment: a signature plate, a key to the machine, and the machine itself. The signatory maintains the signature plate and a person other than the signatory maintains the key to the machine. Maintain a log to record machine usage. Whenever the machine is operated, the authorized operator enters the beginning and ending readings, date, and initials the log.

E. Change of Signatory. When a

change of signatory occurs destroy the signature plates. A certificate of destruction is prepared and signed by the two witnesses and the successor signatory.

030202 Investments. Investment policy is found in DoD Instruction 7000.12.

030203 Accounts Receivable. Detailed records will be maintained so that it is possible to accurately identify the debtor and the amount of the debt. Accounts receivable subsidiary records will be, on a monthly basis, reconciled to the general ledger control accounts.

A. Customer Accounts Receivable. Amounts recorded in accounts receivable that result from in house credit (charge) sales of merchandise and services, and dues are considered customer type accounts receivable. For this type receivable, the following applies:

1. A subsidiary ledger is maintained for each individual account.

2. Charge monthly dues as applicable. In many operations it is possible to pay dues and fees in advance. If advance dues or fees are received, record the amounts received as unearned income. When the amount is earned, record an entry that debits unearned income and credits the applicable revenue account.

3. Monthly statements are sent to members or participants of the NAFIs that permit charge sales, charge dues, or deferred payments.

4. An aged accounts receivable report will be prepared for all NAFIs with internal credit systems. Account balances are normally due and payable on the first day after the statement date of the month in which credit was extended. Current month dues will be treated the same as current month charge sales and normally become payable the first day after the statement date. The aging of accounts receivable shall be accomplished immediately following a successful billing statement generation. The aging report, at a minimum, will

be broken down as follows:

a. Over 30 days delinquent on the current statement is the second billing the patron has received.

b. Over 60 days delinquent on the current statement is the third billing the patron has received.

c. Over 90 days delinquent on the current statement is the fourth billing the patron has received.

5. If delinquent fees are authorized by the DoD Component, they are charged to the delinquent account each month. Establish that amount as a customer receivable.

B. Returned Checks. A subsidiary is maintained, by individual, for returned checks receivable. The NAFI is responsible for collection actions and maintains records for returned checks received from the bank and deposits made for returned checks.

C. Other Accounts Receivable. Items in this category include amounts due from other NAFIs, amounts due from higher headquarters for grants and other payments, and amounts due from outsiders.

D. Allowance for Bad Debts. If using the allowance method for bad debts, at the end of each reporting period determine and records the amount of accounts receivable estimated to be uncollectible. The amount to be recorded as estimated is based on a review of the average writeoffs of accounts receivable based on historical data. Adjust the allowance for bad debts to cover those accounts expected to become uncollectible during the next reporting period.

030204 Inventory.

A. Resale. Goods held for sale in the normal course of a business are designated as resale inventory items. A value is assigned to these goods which represents the cost of acquisition. When the goods are sold, the value

assigned is used to determine profit for the accounting period as shown on the income statement, and to properly report assets on the balance sheet at the end of the accounting period.

B. Inventory Subsidiary. All items are recorded at cost. Cost is the purchase price less trade and cash discounts. If cash discounts are not material to warrant changing individual prices, the amount of the discount is credited to the purchases account and not to individual items. Discounts lost and excise taxes paid will not be included in the cost of merchandise but will be recorded in the applicable operating expense account. Include freight, insurance, and handling charges in the cost of merchandise if they can be identified to specific items. If they cannot be identified to specific items, record directly against the appropriate expense account.

C. Stock Record. The stock record is used to record resale merchandise and supplies in a warehouse or storeroom. It requires a complete description of the merchandise and all pertinent information regarding receipt and issue.

D. Spoilage, Breakage, Obsolete Material, Customer Complaint or Reject Items. Immaterial losses of inventory resulting from spoilage, breakage, becoming obsolete, rejected, or a constant customer complaint item are absorbed in cost of goods. Material losses are recorded in a Spoilage and Breakage expense account to the applicable operation.

E. Consigned Merchandise and Tickets. Merchandise held on consignment is maintained and accounted for by consignor. Inventory of consigned merchandise is for accountability purposes only. These items are physically inventoried monthly, or at the end of an event for tickets (or whichever comes first). The inventory is not recorded in the general ledger.

F. Inventory in Transit. Inventory in transit consists of inventory where title has passed to the NAFI, but the inventory has not been received at a NAFI warehouse. Appropriate

entries should be made to account for these items at the balance sheet date.

F. Physical Counts of Inventory.

Inventories are required to be physically counted. Following are the policies and procedures related to physical inventories of merchandise.

1. The inventory lists should be printed in the same sequence in which the merchandise is stored or arranged for display, or in stock record number sequence.

2. A cutoff date is to be established for sales, issues, returns, adjustments, and transfers so inventory quantities and related accounting entries can be recorded.

3. Merchandise received during the inventory will not be counted unless the payable or payment will be recorded in the general ledger as of the inventory cutoff date.

4. Merchandise sold during the inventory will be included in the inventory count, unless the related sale and receivable or cash received will be recorded in the general ledger as of the inventory cutoff date.

5. Physical inventories will be conducted separately for each department.

6. Inventories of merchandise held on consignment and returnable containers, will be separate from NAFI-owned merchandise. Inventory lists will be prepared for each owner of the goods.

7. At the conclusion of the inventory, any discrepancies are provided to the NAFI custodian for resolution. The general ledger is adjusted to match the physical count that was observed by the observation team.

G. Physical Inventory Observation.

At least annually, the physical inventories will be observed by at least one person who is clearly independent of the activity conducting the inventory. The objective is to observe the inventory to determine the accuracy of the

accounting records. Since it is frequently impractical to observe all physical inventories at one time, the observations may be staggered throughout the year.

030205 Prepaid Expenses. Payments made for expenses that apply to a specific period of time are amortized over that period. Any unexpired portion is shown as a prepaid asset. Many NAFI supply-type expenses are paid before the items purchased are actually used. Examples of supply-type items include tableware, kitchenware, glassware, linens, uniforms and prepaid bingo prizes. Advance payments for maintenance, rent, insurance are examples of expenses that span numerous months. The accounting principle of materiality should be considered before employing the prepaid concept. An advance or prepayment is never amortized for more than its expected usage. Monthly expenses will be computed and prorated over each month of the period covered by the advance payment. Supplies will be expensed based on expected usage provided by the NAFI custodian. The unexpired prepaid expense subsidiary will be reconciled to the related control account.

0303 NON-CURRENT ASSETS. Long-term, tangible assets that will not be converted to cash or consumed during the next 12 months are classified as non-current. These assets are expected to benefit the NAFI for more than one accounting period. Non-current assets include fixed assets, land, leases, long-term investments, long-term loans, long-term receivables, and long-term prepaid expenses.

030301 Fixed Assets. Fixed assets are also commonly referred to as property, plant and equipment. It includes capital assets such as buildings, equipment, furniture, fixtures, tools, machinery and livestock. Intangibles are excluded from this category. Fixed assets are defined as property, plant and equipment purchased, donated, or transferred to a NAFI that have an expected life of two or more years and a cost of \$1000 or more.

A. Acquisition Cost. Unless otherwise stated below, fixed assets are recorded

at cost plus any expenditures necessary to place those assets into use as intended, e.g., installation, freight, testing, legal fees to establish title, and any other costs of putting the asset in the condition and location for use. Purchase discounts should be applied to reduce the costs, however, interest charges should not be capitalized.

1. Assets Purchased in Quantity. Like items purchased in a quantity in excess of one are capitalized in accordance with the appropriate Service appendix even if the per unit cost is not at the level required for capitalization. All other criteria for fixed assets must be met.

2. Self-Constructed Assets. If fixed assets are built or manufactured by the NAFI, all costs incurred, materials, permits, taxes, insurance and overhead costs should be capitalized in accordance with the appropriate appendice.

3. Assets Traded-In. When an asset is traded-in at time of purchase, the new asset will be recorded at the amount of the monetary consideration paid plus the trade-in allowance for the old asset. The acquisition cost and accumulated depreciation of the traded-in asset are removed from the accounting records. If the trade-in allowance is less than the book value of the old asset, then a loss will result. These losses should be recorded as "other expenses" in the records of the NAFI. If the trade-in allowance is more than the book value of the old asset, the difference is subtracted from the acquisition cost of the new asset. No gain is recognized.

4. Construction in Progress. Construction in progress includes all cost attributable to a construction project (i.e., building and improvement). This includes, but is not limited to, costs of new buildings, renovation of existing buildings, and fixed assets which are purchased as part of the project. Record amounts based on documentation supporting the contract completion. When progress payments to contractors are based on a percentage completion clause, record amount of

payments due or paid. In addition to costs related to a construction project, fixed assets received but not billed may be recorded. Transfer the cost of construction in progress to the appropriate fixed asset account and commence depreciation when the project begins producing revenue or project is utilized or the final payment is disbursed. NAFI management establishes the facility depreciation periods according to depreciation tables in the appropriate Service appendix.

5. Donated or Transferred Assets. Assets donated or transferred without the expenditure of funds should be recorded at the fair market value on the date the asset is donated or transferred. If the fair market value cannot be determined, the amount recorded should be the book value of the donated asset in the donor's accounting records.

6. Non-Monetary Exchanges. When assets are exchanged between NAFIs without monetary consideration, it is called a non-monetary exchange. The assets received in such exchanges should be recorded on the books of the gaining NAFI at the net book value on the books of the losing NAFI. The offsetting entry is to Equity on both the gaining and the losing NAFI.

7. Appropriated Fund (APF) Property Obtained for Free. These assets should be recorded separately from other fixed assets because title and control of these assets remains with APFs. For APF fixed assets expected to benefit more than one accounting period, any acquisition costs such as repairs, transportation, and installation (and any subsequent outlays that extend the useful life of the asset) should be recorded and depreciated over the useful life of the asset. For APF fixed assets held one year or less, all costs are an expense for the period the asset is held.

8. Leases. Leases may be used for equipment or for real property and are categorized as either a capital lease or an operating lease.

a. Capital Leases. A

capital lease is based on the concept that a lease transfers substantially all of the benefits and risk as to the ownership of equipment to the lessee. The lease is recorded as an asset by the lessee and is amortized in a manner similar to depreciating assets if one of the following conditions are met:

(1) The lease transfers ownership of the asset to the lessee at the end of the lease term.

(2) The lease contains a purchase option.

(3) The lease term is equal to 75% or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including profit thereon, equals or exceeds 90% of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by the lessor.

b. Operating Leases. If none of the above conditions is met, the lease is an operating lease. Payments on an operating lease shall be charged to expense over the lease term as it becomes payable. If payments are not made on a straight-line basis, the expense nevertheless shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which benefits are derived from the leased property, in which case that basis shall be used.

c. Disclosures. If either capital or operating leases are material, then information concerning the leases should be

disclosed in the NAFI financial statements or the footnotes.

B. Subsequent Expenditures.

1. Subsequent expenditures for fixed assets fall into three categories: maintenance and repair; improvements; and additions.

a. Maintenance and Repair. Expenditures in this category are designed to prevent an asset from deteriorating (e.g., painting the interior of the enlisted club) or to return the asset to its original level of performance (e.g., a tune-up on a motor vehicle). These expenditures do not improve the performance of the asset or extend the life of the asset. Maintenance and repair expenditures are expensed in the period incurred.

b. Improvements. Improvements are expenditures which extend the useful life of an asset (e.g., an engine overhaul on a motor vehicle) or improve original asset performance. Improvements should be capitalized and depreciated.

c. Additions. Expenditures which increase the size of an asset (e.g., adding a new section to the club) are called additions. Additions should be capitalized and depreciated.

2. The objective is to match the expenditures with the period benefited. Thus, expenditures which benefit only the current period should be expensed and expenditures which benefit future periods should be capitalized. As a rule, any expenditure of \$1000 or less should be expensed.

C. Government Title Fixed Assets. An aspect of NAF accounting is that some assets, particularly buildings, are purchased using NAF and the NAFI has exclusive use, but title rests with the government. NAF procured property or facilities may be transferred to APF for maintenance when allowed by the Service regulations. Upon receipt of approved documentation from NAFI management, record

these items in the NAF property records and general ledger as Fixed Assets-APF titled (signifies government title) and commence depreciation.

D. Fixed Assets in Transit. On occasion, title to fixed assets may pass to the NAFI and payment may be made before the NAFI has physical possession of the property. Typically, this happens when property destined for a NAFI overseas is delivered to a state-side port for over water transportation by government means. Payment is made based on the receipt at the port and is recorded to the appropriate Fixed Asset account. Depreciation begins when the asset is placed in service.

E. Disposition of Property. Disposal means that the NAFI activity manager has physical control of the item and disposes of it. Documents are prepared and approved by the appropriate official for the disposition of fixed assets. When property is transferred to APFs, it will be evidenced on the form required by APFs.

F. Physical Inventories. A physical inventory of all fixed assets will be conducted at least annually. Since it is frequently impractical to perform a physical inventory of all of the fixed assets of a NAFI at one time, physical inventories may be scheduled and conducted by area.

G. Property Subsidiary. Property subsidiaries serve as property control records. As a minimum the property subsidiary should list each piece of property, acquisition date, acquisition value, useful life, depreciation to date, and current book value. This subsidiary can be either mechanized or manual. If mechanized is available, it should be used. Documentation is prepared by the NAFI whenever any data on the subsidiary records is changed even though no general ledger entries are required, e.g., fixed assets are transferred from one location to another.

H. Claims. When an insured asset is destroyed or damaged, and the claim is settled, the affected accounts are adjusted. Usually claim settlements do not exceed the

acquisition value less accumulated depreciation of the property destroyed (book value).

I. Depreciation. Depreciation accounting distributes the cost or other basic value of tangible capital assets over the estimated useful life of such assets in a systematic and rational manner. Accounting for depreciation as an expense is an integral part of the accrual basis of accounting. Accordingly, all NAF activities will recognize depreciation of their fixed assets. For NAF capital assets whose title is transferred to APFs, but is still used by the NAFI, continue to depreciate these fixed assets on the NAFI's book until the items are fully depreciated.

1. Several steps are involved in computing depreciation:

a. Calculate Asset Cost or Value.

b. Estimate the Useful Life of the Asset. A reliable source for determining the useful life of the asset is the experience with similar assets.

c. Estimate the Salvage Value for the Asset. The value, if any, remaining at the end of an asset's useful life may, if allowed by the appropriate appendice, be subtracted from the acquisition cost of the asset before computing depreciation.

d. Divide the Net Cost or Value of the Asset Over the Useful Life. The straight line method of depreciation is used for determining the monthly depreciation expense.

2. Once a method of depreciation has been selected for a particular asset, it should generally never change.

030302 Land. The value of any land is always recorded separately from buildings or other structures built on the land. The primary reason is that land, unlike other fixed assets, has an indefinite life span and therefore is never depreciated. As a general rule, NAFIs are located on Government-owned land and do not record the value of land.

CHAPTER 4

LIABILITIES0401 GENERAL.

040101 Definition. Liabilities represent obligations resulting from past transactions to pay sums of money, convey other assets, or perform certain services. Liabilities must be fully recognized and properly measured on the balance sheet to accurately portray amounts owed. Liabilities may be current or long-term. Current liabilities are obligations whose liquidation is reasonably expected to require use of existing resources properly classified as current assets or the creation of other current liabilities. Long-term liabilities represent probable future sacrifices of economic benefits arising from present obligations that are not due or payable within the next 12 months.

040102 Accountability for NAF Resources. Accountability for NAF resources rests with the NAFI manager. Therefore, disbursement of NAF resources can only take place with the specific approval of the Program Manager, NAFI Manager or as authorized in this regulation.

040103 Documentation Required for Payment.

A. The following documents, properly prepared and authenticated, is authority for payment.

1. A procurement instrument such as a purchase order, a contract, a blanket purchase agreement, or other similar documents.

2. A receiving report or other signed documentary evidence that the goods or services have been received by the NAFI.

3. An invoice or claim from the vendor requesting payment. This may be an invoice issued for a specific delivery or a statement showing deliveries over a month, week, or other period.

B. Overseas Shipments. Vendor invoice and proof of shipment must be received before payment can be made on overseas shipments prior to receipt of goods.

C. Partial Shipments. Partial shipments are paid for using a DD Form 250, Material Inspection and Receiving Report, or locally devised form as a receiving report. Ensure "Partial Shipment" is written on the top of the form. Establish as an accounts payable open item. On receipt of an invoice, process for payment. Annotate the check as partial shipment received.

040104 Purchases From Other NAFIs. Purchase of goods or services from other NAFI will be supported by a request for the goods or services and a signed document showing receipt. DD Form 1149 or similar form will suffice.

040105 Purchases From the Government. Purchase of goods or services from the Government (e.g., bills from appropriated funds) will not normally be supported by a procurement instrument, however, a receiving report or other signed evidence of receipt must be present to support the payment.

0402 PURCHASE ORDERS AND VENDOR INVOICES.

040201 Purchase Orders. A purchase order is a document forwarded to a supplier by an activity specifying unit size and price, as well as delivery terms for desired products to be delivered at a specified time and place. The supplier can then accept and act on the offer or refuse it. A purchase order log is maintained in numerical sequence and all purchase order numbers must be accounted for.

040202 Vendor Invoices. A vendor invoice represents a claim against NAF. All invoices should be date stamped at time of receipt.

0403 RECEIVING REPORTS. Receiving reports must be prepared for all merchandise received or services performed.

0404 DISCOUNTS. Accounts payable will be recorded net of discounts. Discounts are to be taken on the gross amount of the invoice if goods are supplied FOB destination. If the goods are supplied FOB other and a separate freight charge is shown, the discount will be taken on the cost of goods only. The FOB delivery terms are shown on the purchase order. Discounts lost will be recorded in the appropriate general ledger account.

0405 PROMPT PAYMENT ACT. The Prompt Payment Act (PPA) of May 21, 1982 (Public Law 97-177), amended on October 17, 1988 (Public Law 100-496), requires Federal agencies (including NAF activities) to make payments in a timely manner. If a payment to a contractor is late, an interest payment also is due to the contractor and should be made without a contractor having to request the interest payment. Specific policy and procedures, record keeping, computation of interest payments and reporting requirements are contained in Volume 10 of the DoD Financial Management Regulation, DoD 7000.14-R.

0406 CONTINGENT LIABILITIES. Contingencies are existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Accrue loss contingencies where the outcome is probable and the amount is reasonably estimable, however, do not record gain contingencies. When a contingency is identified, attach a footnote to the year end service level consolidated financial statements explaining the contingency and the potential for gain or loss.

CHAPTER 5**REVENUE**

0501 **GENERAL.** Revenue consists of cash or credit sales of goods and services as a result of operations by the NAFI. Under the accrual method of accounting, revenue is recorded on a consistent basis in the appropriate cost center in the accounting period in which the revenue is earned. Revenue will be recorded in accordance with the appropriate Service appendix.

050101 Revenue shall be recognized when it becomes realizable with reasonable practical certainty; that is, when the receiving accounting entity acknowledges a claim against its resources or the performing accounting entity has an enforceable claim.

050102 Revenue shall be recorded in the financial records, collected promptly, and deposited in the appropriate bank account. Amounts received in advance of performance, however, shall be accounted for as unearned revenues until performance is accomplished.

CHAPTER 6**EXPENSES**

0601 **GENERAL** Expenses consist of the costs related to the sales of goods and services as a result of the operation of the NAFI. Under the accrual method of accounting, expenses are recorded on a consistent basis in the appropriate cost center in the accounting period in which the expense is incurred. Until further notice, expenses will be recorded in accordance with the appropriate Service appendix.

CHAPTER 7

FINANCIAL REPORTING

0701 GENERAL Financial statements are a key feature in financial reporting. They are a principal means of communicating accounting information to those outside an activity. Although financial statements may also contain information from sources other than accounting records, accounting systems are generally organized on the basis of the elements of financial statements (assets, liabilities, revenues, expenses, etc.) and provide the bulk of the information for financial statements. Financial reporting is not an end in itself but is intended to provide information that is useful in making business and economic decisions--for making reasoned choices among alternative uses of scarce resources in the conduct of business and economic activities.

070101 Objectives. Financial reporting should provide information about:

A. The activity's economic resources, obligations, and owner's equity;

B. The activity's financial performance during a period;

C. How the activity obtains and spends cash;

D. How the activity discharged its stewardship responsibility.

070102 Other Requirements. In addition to providing explanations and interpretations to assist users of financial reports, financial reports contain program and personnel information required by DoD, Congress, and other users.

070103 Financial Statements. The principal financial statements used to convey information to users are the statement of financial position or balance sheet, statement of operations or income and expense statement, and the statement of cash flows. These reports provide information on the

financial performance and condition of the NAFI as follows:

1. The statement of financial position (or balance sheet) provides information about an activity's economic resources, obligations, and equity. That information helps users identify the activity's financial strengths and weaknesses and assess its liquidity and solvency.

2. The statement of financial position (or income and expense statement) provides information about the activity's financial performance during a specified period of time.

3. The statement of cash flows details the amount of cash received and cash dispersed for the accounting period. The beginning balance is the beginning of the period cash and the ending balance is the end of period cash.

070104 Responsibilities.

A. DoD Components. The DoD Components are responsible for the fair presentation in the financial statements of financial position, results of operation, and the program and personnel information included. In addition, the DoD Components are responsible for compliance with NAF program laws and regulations.

B. DFAS. DFAS is responsible for compiling all the necessary information from the nonappropriated and appropriated fund accounting and payroll systems, and preparation of financial statements and reports. The integrity of those systems and the accuracy of the data produced are also DFAS responsibilities. When requested, DFAS will provide other management information as needed to satisfy management or

regulatory requirements.

070105 Cash Basis of Accounting. Financial statements, reports, and other information from activities authorized to use the cash basis of accounting shall be prepared in accordance with generally accepted accounting principles. The statements differ from those described above.

070106 Footnotes to financial statements. Footnotes are an integral part of the financial statements and should be used when more information is needed. Footnotes normally are not required other than on the year-end service-level consolidated statements. Accountants are required to disclose in the financial statements all relevant economic information pertaining to the business entity. When the actual dollar amounts on the financial statements do not provide sufficient information for decision makers, accountants supplement the financial statements with more detailed data in the form of footnotes. An example of a footnote is a special event that dramatically effects the financial statements. The footnote will help managers compare the operating results of the current business period with the operating results of previous periods. Fund equity adjustments and significant business closures are other prime examples of occurrences which require footnotes.

0702 REPORTING TO THE IRS.

070201 General. All records relating to payments to individuals and firms must be retained for at least four years and be available for IRS review if required. CONUS offices should consult their local IRS office when forms, publications, or assistance are needed. Overseas offices should contact the Internal Revenue Service, Assistant Commissioner (International), 950 L'Enfant Plaza South S.W., Washington, DC 20024, to get the address and telephone number of the nearest IRS representative. IRS representatives, in CONUS and overseas, are available to provide instructions concerning IRS procedures for return preparation and filing, and depositing employment tax payments. Overseas offices should use the following to request forms and publications: Forms

Distribution Center, PO Box 25866, Richmond, VA 23289, or Forms Distribution Center, Rancho Corboda, CA 95743-0001.

070202 Contract Payments. Cumulative payments made under service contracts of \$600 or more to anyone other than a corporation during a calendar year will be reported. The items to be reported are the total amount paid and the name, address, and social security number of the individual. For businesses, report the amount paid, the business name, business address, and business tax identification number. NAFI contracts with entertainers are considered service contracts. If a single payment to an individual is less than \$600 but total payments made during the calendar year to the same individual reach \$600, the report must be filed. The report (the return) will be provided to the individual or firm and to the IRS on IRS Form 1099 MISC. The individual or firm should receive a copy of the Form 1099 MISC by January 31 of the year following the calendar year of payment. This requirement also applies to individuals who, in addition to being NAFI employees, have contracts with the NAFI for non-personal services. A separate Form 1099 MISC will be prepared for each individual or firm to whom total payments of \$600 or more are made. An IRS Form 1096 is used to transmit the IRS copy of the Form 1099s to the IRS. These forms must be forwarded to the IRS by February 28 each year. Refer to IRS publications for preparation instructions and filing requirements.

070203 Gambling/Bingo Winnings. IRS reporting requirements for gambling and bingo winnings are tied to individual games. Winnings are not accumulated from game to game as contract payments are. Each game stands alone for IRS reporting requirements. Whenever cash, merchandise, or a combination thereof with a total value of \$1200 or more is awarded to a person for winning a single bingo game or other gambling activity, an IRS Form W-2G (Statement for Certain Gambling Winnings) is prepared. Individuals should receive their copies of the W-2G either at the time payment is made or not later than January 31 of the following year. An IRS Form 1096 is used to transmit the IRS copy of the W-2Gs to the IRS. These forms must be

forwarded to the IRS by February 28 of the following year. Refer to IRS publications for preparation instructions and filing requirements.

0703 RATIOS. If requested, DFAS can provide as an example the following ratios.

070301 Working Capital Ratios. The ratio analysis or working capital can be used by management as a means of checking upon the efficiency with which working capital is being applied. Important ratios for working capital management analysis are the working capital and inventory turnover ratios and the turnover or average collection period for accounts receivable. The behavior of ratios, over a series of accounting periods, is indicative of trends which may signal the need for adjustments in the future. Some of the working capital ratios which may be computed are described below.

070302 Current Ratio. The relationship between current assets and current liabilities is called the current ratio. This ratio measures the ability to pay short term debts and is computed by dividing the total of current assets by the total of current liabilities. Marketable securities, receivables, and inventories may decline in value and there is no certainty as to when they will be converted into cash. On the other hand, current liabilities must be paid at their face value and at specific dates. It is desirable, therefore, that current assets always be materially in excess of current liabilities. The excess of current assets over current liabilities is also frequently used as an index of current financial condition. It is referred to as working capital or net current assets. There is general rule that a current ratio of 1.5:1 is satisfactory. Like most generalities this one is subject to modification in certain specific cases. A ratio that is smaller would indicate that debts may be too high. On the other hand, if the current ratio is too large this means more current assets should be converted to other useful purposes.

070303 Acid-Test Ratio. This ratio is the sum of cash, receivables, and marketable securities (called quick assets) divided by current liabilities. The acid-test ratio is a supplemental measure of liquidity. A ratio of 1:1 indicates that

for every dollar of current debt there is available one dollar of quick assets to meet current liabilities. As a general rule, the acid-test ratio should be no less than 1:1. While it is generally desirable that the acid-test be high and improving, it is possible for it to be too high for the good of the business. Cash and most receivables are not earning interest and the return on most temporary investments is not large. Neither too little nor too much working capital is desirable. One of the arts of business management is the ability to determine and maintain the optimum amount of each type of asset.

070304 Ratio of Net Sales to Assets. The ratio of net sales to assets is a measure of the effectiveness of the utilization of assets. Assume that two similar activities have equal amounts of assets but that the sales of one are double the amount of the sales of the other. Obviously, the former is making better use of its assets. In computing the ratio, any long-term investments should be excluded from total assets as they make no contribution to sales. The units of product sold may also be used in place of the dollar amount of sales, if sales can be stated in a common unit. Assets used in determining the ratio may be the total at the end of the year, the average at the beginning and end of the year, or the average of monthly totals.

070305 Accounts Receivable Turnover. The relationship between credit charge sales and accounts receivable is stated as the accounts receivable turnover. It is calculated by dividing net charge sales by the average accounts receivable. The average of the monthly balances of accounts receivable should be used in the computation, as it gives recognition to seasonal fluctuations. When such data are not available it is necessary to use the average of the balances at the beginning and end of the year. Accounts receivable yield no revenue hence it is desirable to keep the amount invested in them at a minimum and the number of turnovers as high as possible. Prompt collection reduces the amount of loss from bad debts. The composition of accounts receivable changes continually during the business cycle. Accounts receivable are increased when charge sales are made and

decreased when collections are received. Increases or decreases in the volume of sales will also affect the amount of outstanding accounts. Another method of expressing the result is to divide 365 (days) by the receivable turnover figure to get the average number of days that the receivables were on the books.

070306 Merchandise Inventory Turnover. Most of the observations about receivables discussed in the preceding subsection are also applicable to merchandise inventory. Inventory in excess of the needs of the business ties up funds that could be used in other ways to better advantage and may increase the amount of insurance, storage, and other related expenses. There is also added risk of loss through price declines and deterioration or obsolescence of the merchandise. The merchandise inventory turnover rate is computed by dividing the cost of goods sold by the average cost price value of the inventory. If monthly data are not available, it is necessary to use the average of the inventories at the beginning and end of the year. This measures the efficiency of inventory control. A ratio of 1 to 1 is generally acceptable for food and bar operations. For all other sales operations, however NAFI management may establish other goals.

070307 Turnover of Working Capital. A close relationship exists between sales and working capital. As sales volume increases, the investment in inventories and receivables increases and therefore, a larger amount of working capital is necessary. The turnover of working capital reflects the extent to which the business is operating on a small or large amount of working capital in relation to sales. This turnover or ratio is composite of number of relationships (inventories, receivables, current liabilities, etc.). These various component elements should be analyzed individually to account for changes from period to period. The turnover of working capital is computed by dividing the net sales for the year by the average working capital.

070308 Net Income Ratio. This measures the rate of return on revenue. A percentage of 5-10 percent is generally acceptable.

070309 Return on Assets Ratio. This measures the NAFI's ability to generate revenue with its existing assets. The ratio is computed by dividing net income by the average total assets. Average total assets are beginning total assets plus ending total assets divided by 2.

070310 Return on Fund Equity. This measures the NAFI's ability to use leverage by earning a higher rate of return than is paid for the funds used to operate. The ratio is computed by dividing net income by the average fund equity.

070311 Other Ratios.

- A. Fixed Asset Turnover.
- B. Accounts Receivable Aging.
- C. Working Capital to Total Assets.
- D. Return on Tangible Assets.

0704 COMPARATIVE ANALYSIS OF FINANCIAL STATEMENTS.

070401 General. Comparative analysis consists of a study of relationships and trends to determine whether or not the financial position and results of operations and the financial progress of the business are satisfactory or unsatisfactory. The objective of any analytical method used to analyze a financial statement is to simplify or reduce the data under review to more understandable terms. The analyst first computes and organizes data and then analyzes and interprets them. Analytical data are not ends in themselves, they must be assimilated intelligently to aid in decision making by management. The frequency with which analytical data are furnished is of the utmost importance. It is not enough for management to know at the end of a year, or even a quarter, that costs are increasing more rapidly than revenues. The accountant must often use interim cost standards, ratios, or other devices, in presenting income statement data. Moreover, they must devise adequate methods of accruing items which may not be finally determined until

the end of the fiscal year or later, but which are of vital importance in their effect on income.

070402 Analytical Methods and Techniques. Analytical methods and techniques used in analyzing financial statements include the following:

A. Comparative balance sheets, income statements, and statements of retained earnings or net worth showing:

1. Absolute data (dollar amounts).

2. Increases and decreases in absolute data in terms of dollar amounts.

3. Increases and decreases in absolute data in terms of percentages.

4. Comparisons expressed in ratios.

5. Percentages of total.

B. Statement of sources and uses of working capital.

C. Trend ratios of selected and/or related financial and operating data. A trend analysis should be made for each NAFT's financial statement. The analysis of the balance sheet should compare actual to actual and the percentage of increase or decrease be shown. The analysis of the income statement for each activity should compare actual to actual and actual to the budgeted amounts. As with the balance sheet analysis, differences will be shown as a percentage. The analysis should be made by each activity for items such as; sales, cost of goods sold, labor expenses, net income, and all other revenue and expense items with a material financial effect on the activity.

D. Common-size percentages - balance sheets, income statements and individual sections of these statements.

E. Ratios expressing the relationships of items selected from the balance sheet, the income statement or both statements.

F. Statement of variation in net income or gross margin.

070403 Comparative Statements

A. General. Any fact, by itself has limited significance. There must be other related facts to give the first one increased meaning. The validity of this observation is easily demonstrated in the case of information about a business. For example, learning that last year's net income of a certain activity was \$68,514 is to learn very little. Does that amount of net income indicate a successful year or a poor one? Does the amount present an improvement over or a decline from the year before? Is the amount large or small in relation to sales? - to assets? - to equity? How does it compare with similar activities? Other facts must be known if the information about last year's income is to have any real meaning. The same can be said of any other single bit of information about a business.

B. Types of Comparison. The financial statements can be much more informative and meaningful if they are analyzed on a comparative basis. Four types of comparison may be possible:

1. Comparison of the latest financial statements and relationships between various elements with the statements and relationships of one or more previous periods.

2. Comparison of the statements and financial relationships of the fund with data for other similar activities.

3. Comparison of statements and financial relationships of two or more divisions or branches of the same activity.

4. Comparison of information in the statements with pre-set plans or goals (normally in the form of budgets).

C. Horizontal Analysis. A comparison of the amounts for the same item in the financial statements of two or more periods is called horizontal analysis. The term is applied because the analysis, which suggests

probabilities, weaknesses, or strengths, includes data from year to year rather than as of one date or period of time as a whole. The comparison is facilitated if the amount of any change and its relative size are shown. In computing the percent of change, the amount for the earlier year serves as the base. In general, the percentage of change is of greater interest than the actual amounts.

D. Vertical Analysis. The amount of each item in a statement can be expressed as a percentage of the total. This is termed vertical analysis. A maximum of information is provided if statements relating to two or more periods are vertically analyzed and the results compared or contrasted.

CHAPTER 8

PAYROLL

0801 GENERAL The Defense Finance and Accounting Service (DFAS) is responsible for developing a standard nonappropriated fund (NAF) payroll system which will provide NAF customers with quality service at low cost. On March 16, 1992, the Department of Defense (DoD) approved the selection of the Nonappropriated Fund Central Payroll System (NAFCPS) as the standard DoD payroll system for all NAF employees. Until NAFCPS is implemented, all NAF payroll offices should follow the procedures in the appropriate Service appendix. For policies and procedures not covered in this chapter, the basic policies in the DoD personnel rules and regulations should be followed.

080101 Standards. Comptroller General standards developed under the authority of 31 U.S.C. 3511 require that all Government organizations establish, evaluate, and maintain adequate systems of accounting and internal control. This requirement includes the responsibility to ensure that contractor (Government or private) operating a payroll system on behalf of an agency maintains adequate systems of accounting and internal controls.

080102 Payroll Objectives. In carrying out the responsibilities set forth in 080101, organizations must minimize the number of payroll systems in use, automate and standardize them to the extent feasible, and ensure that they meet the following objectives to facilitate adequate control over all phases of pay, leave, and allowances.

A. Prompt payment in the proper amount to all persons entitled to be paid, in compliance with applicable laws, regulations, and legal decisions.

B. Prompt accounting for and disposition of all authorized deductions from

gross pay.

C. Adequate control over retention and disposition of all payroll-related documents.

D. Prompt preparation of adequate

and reliable payroll records. Individual pay records for all civilian and military personnel must be maintained to show gross compensation (including allowances) by type and amount, deductions (including allotments), by type and amount, and net pay for each pay period. As a part of the overall financial management system, these records must be maintained by calendar year, leave year, or fiscal year, as appropriate, to support:

1. Management purposes.

2. Planning, preparation, execution, and review of the budget.

3. Internal and external reporting requirements.

E. Effective communication between organizations and organization personnel on payroll matters.

F. Adequate control over all phases of pay, leave, and allowances.

G. Effective interaction of the payroll function with the general ledger, personnel, and cost accounting functions, with provision for reconciling common data elements among separate systems.

080103 Internal Control Standards. A key to effective payroll operations is the maintenance of internal controls over those operations. Internal control standards to be followed are in Chapter 9 of this volume. All DoD NAF organizations must ensure that these standards

are followed through the plan of organization relating to payroll operations as well as through the methods and procedures adopted for processing and auditing their payrolls.

0802 EMPLOYMENT CLASSIFICATION OF PERSONS PROVIDING SERVICES.

Although workers may be called contractors for personal services, for tax purposes they are employees and should have Federal income tax and Social Security taxes withheld from their wages. Even though an individual or position may not be classified as an employee under other DoD regulations, the position incumbent is still an employee for whom the NAFI has a responsibility to withhold Federal income tax and FICA taxes.

080201 Personal Services Contracts. After giving full consideration to the common law factors and when it is determined that the contemplated service contract establishes an employer-employee relationship with the worker, then a personal services contract (PSC) could be used; and, it should include the following or similar statement:

"As an employee for purposes of the Internal Revenue Code [26 USC 3121(d)(2) and 26 USC 3401(c)], the Contractor is subject to withholding for both FICA and Federal income tax."

080202 Each NAFI or MWR activity should be directed to administer, pay, and report for payroll purposes all amounts paid consistent with the provisions of the PSC agreement or arrangement.

080203 Definitions.

A. Employee. The term "employee" means any individual who, under the usual common law rules or factors applicable in determining the employer/employee relationship has the status of employee. A worker is an employee under the usual common law rules if the relationship between him and the person for whom he performs services is the legal relationship exists when the person for whom services are performed has the right to

direct and control the person who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which the result is accomplished. That is, an employee is subject to the will and control of the employer not only as to what shall be done but how it shall be done. In this connection, it is not necessary that the employer actually direct or control the manner in which the services are performed; it is sufficient if he has the right to do so. The right to discharge is also an important factor indicating that the person possessing that right is an employer.

B. Employment. IRC Section 3121(b) defines "employment" as any service, of whatever nature, performed by an employee for the person employing him, irrespective of the citizenship or residence of either. In addition to service within the United States, this definition also applies to service outside the United States by a citizen or resident of the United States as an employee of an American employer. An American employer as defined in IRC Section 3121(h) and includes, among others, the United States or any instrumentality thereof.

1. Prior to January 1, 1984, service performed in the employment of the United States that was covered by a retirement system established by a law of the United States was excepted from the definition of employment and therefore was not subject to the tax under the Federal Old Age, Survivors and Disability Insurance System. Section 101.(a)(1) of the Social Security Amendments of 1983 amended IRC Section 3121(b) to remove this exception. Therefore, service performed in the employ of the United States by individuals hired after December 31, 1983, is not exempt from the Federal Old Age, Survivors Disability Insurance System. The exemption was not removed for employees engaged in employment before that date and for employees who had left such employment and after being separated therefrom, regardless of whether the period of separation began before, on, or after December 31, 1983, if the period of such separation does not exceed 365 consecutive days. Those employees are subject only to the hospital insurance portion of FICA taxes [See IRC Section

3121(u)].

2. Subsection (6) of Section 3306(c) excepts from the definition of employment, service performed in the employ of the United States Government or of an instrumentality of the United States which is wholly or partially owned by the United States. This exception was not affected by the Social Security Amendments of 1983. Therefore, wages of employees of the United States Government or instrumentalities of the United States are not subject to the FUTA tax.

C. Wages. According to Treasury Regulations, the name by which the remuneration is designated is immaterial. Thus, salaries, fees, bonuses, and commissions on sales or on insurance premiums, are wages paid as compensation for employment. The basis upon which the remuneration is paid is also immaterial in determining whether the remuneration constitutes wages. Thus, wages may be paid on the basis of piecework, or a percentage of profit and may be paid hourly, daily, weekly, bi-weekly, monthly, or annually. Wages, under IRC Section 3401(A) relating to withholding of income tax at the source of payment, means all remuneration for services performed by an employee for his employer, including the cash value of all remuneration paid in any other than cash form.

1. There are no provisions in the Collection of Income Tax at Source on Wages that are analogous to Section 3122 of the FICA. Therefore, a determination under Section 3122 of the FICA does not have any effect with respect to the application of the income tax withholding provisions.

2. Renumeration of a civilian employee in the employ of the United States or an instrumentality of the United States is wages subject to the Collection of Income Tax at Source on Wages.

080204 Other Factors. Other factors characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work, to the

individual who performs the services. In general, if an individual is subject to the control or direction of another merely as the result to be accomplished by the work and not as to the means and methods for accomplishing the result, he is an independent contractor. An individual performing services as an independent contractor is not, as to such services, an employee under the usual common law rules. Whether the relationship of employer and employee exists under the usual common law rules will, in doubtful cases, be determined upon an examination of the particular facts of each case.

080205 The employment tax regulations provide, "If the relationship of employer and employee exists, the designation or description of the relationship by the parties as anything other than that of employer and employee is immaterial. Thus, if such relationship exists, it is of no consequence that the employee is designated as a partner, agent, independent contractor or the like." In summary, when determining the existence of a common law employer/employee relationship, the crucial test lies in the right of control, or lack of it, which the employer may exercise respecting the manner in which the service is to be performed and the means to be employed in its accomplishment, as well as the result to be obtained.

0803 IRS REQUIREMENTS. Accounting technicians, contracting officials, and responsible activity operating managers should be aware of the requirements under IRC Section 6041 and the importance of preparing and issuing the Forms 1096 and 1099-MISC correctly and filing them timely. [Note: The Form 1096 is required to transmit the Forms 1099 which must be issued to individuals who received payments of \$600 or more.]

080301 Form W-4. Periodic instruction should be given by DoD components to paying offices about the requirements for Forms W-4. NAF instrumentalities should be instructed as to the provisions for employment tax reporting. Treasury Publication 15, the Employer's Tax Guide, is a reliable source of information about this and other requirements for reporting to the

IRS.

080302 Overseas Requirements. Overseas activities should consider requesting an IRS Revenue Service Representative (see appendix for the nearest, applicable office) to conduct workshops for operating personnel.

080303 Desk Procedures. The use of desk procedures and checklists may be helpful to new employees--especially to the payroll clerks. High turnover rate experienced in many job categories (especially the clerical positions) contributes to poor or irregular compliance with the myriad of compliance rules and procedures.

080304 Form W-2G. NAF accounting personnel should be aware of IRS regulations and proper reporting procedures for reporting winnings from gambling activities on Form W-2G.

080305 Form 1099-MISC. Each DoD accounting office will adopt and use a consistent, standardized accounting method for tabulating, recording, and reporting of bingo and slot machine winnings at military units or on military posts/bases. Each accounting office will develop and promulgate a usable accounting sub-system for its activities for the collection and recording of payments to contractors and the preparation of Form 1099-MISC.

080306 IRS Resource. Accounting offices, in particular, and any other activity should be aware of the assistance available and offered by Revenue Service Representative; and, accounting offices are encouraged to use this IRS resource.

080307 Retaining and Storing Records. Accounting and payroll offices will retain records for a period of 4 years so as to be consistent with section 31.6001-19d (2) of the Treasury Regulations; and each accounting office should to adhere to a systematic storage method to facilitate retrieval of tax-related documents. After 4 years, individual payroll records are to be transferred to the National Personnel Records Center, St. Louis, MO for retention for an additional 56 years.

080308 Employee Status. Although NAF

employees are not employees of the Federal Government for some purposes, they are employees of a federal instrumentality and therefore are considered employees of the federal government for tax purposes.

080309 Depositing Payroll Taxes. Irrespective of the current IRS policy regarding the assertion of penalties, U.S. Government agencies are not exempt from the requirements for making Federal tax deposits. All DoD NAF payroll activities must adhere to the IRS employment tax deposit and reporting requirements. These procedures should then be emphasized to each financial officer to inform and provide specific, applicable instructions (especially in overseas areas) for withholding the tax and making the deposits. IRS Publication 15, Employer's Tax Guide (Circular E) is also recommended for review by financial officers annually. DFAS will periodically review payroll office operations to determine if Federal Tax deposits are timely and in accordance with IRS procedures and guidelines.

080310 Employer Identification Numbers. Each DoD NAF payroll activity will use only one Employer Identification Number (EIN).

0804 COMMON LAW FACTORS. Listed below are the twenty common law factors that have been developed for use by DoD NAF payroll offices (and other organizations that pay contractor wages) in the determination of the employer/employee relationship as required by IRC Section 3121(d)(2), and identified in 0803 and 0804. All factors are not always present in every case, and the degree of importance of each factor may vary depending on the occupation and the reason for its existence. These factors were published by the IRS in Revenue Ruling 87-41, 1987-1, C.B. 296.

080401 Instructions. A worker who is required to comply with other persons' instructions about when, where, and how he/she is to work is ordinarily an employee. This control factor is present if the person or persons for whom the services are performed have the right to require compliance with instructions.

080402 Training. Training the worker by requiring an experienced employee to work with the worker, by corresponding with the worker, by requiring the worker to attend meetings, or by using other methods, indicates that the person or persons for whom the services are performed want the services performed in a particular method or manner.

080403 Integration. Integration of the worker's services into the overall business operations generally shows that the worker is subject to direction and control. When the success or continuation of a business depends to an appreciable degree upon the performance of certain services, the workers who perform those services must necessarily be subject to a certain amount of control by the owner of the business.

080404 Services Rendered Personally. If the services must be rendered personally, presumably the person or persons for whom the services are performed are interested in the methods used to accomplish the work, as well as in the results, and the control factor is satisfied.

080405 Continuing Relationship. A continuing and regular relationship between the worker and the person or persons for whom the services are performed indicates that an employer-employee relationship exists. A continuing and regular basis may exist where work is performed at frequently recurring although irregular intervals.

080406 Set Hours of Work. The establishment of set hours of work by the person or persons for whom the services are performed is a factor indicating and showing necessary control.

080407 Doing Work on Employer's Premises. If the work is performed on the premises of the person or persons for whom the services are being performed, that factor suggests control over the worker, especially if the work could be done elsewhere. Work done off the premises of the person or persons receiving the services, such as at the office of the worker, indicates some freedom from control. However, this fact by itself does not mean that the worker

is not an employee. The importance of this factor depends on the nature of the service involved and the extent to which an employer generally would require that employees perform such services on the employer's premises. Control over the place of work is indicated when the person or persons for whom the services are performed have the right to compel the worker to travel a designated route, to canvass a territory within a certain time, or to work at specific places as required.

080408 Order or Sequence Set. If a worker must perform services in the order or sequence set by the person or persons for whom the services are performed, that factor shows that the worker is not free to follow the worker's own pattern of work but must follow the established routines and schedules of the person or persons for whom the services are performed. Often, because of the nature of the occupation, the person or persons for whom the services are performed do not set the order of the services or set the order infrequently. It is sufficient to show control, however, if such person or persons retain the right to do so.

080409 Oral or Written Reports. A requirement that the worker submit regular or written reports to the person or persons for whom the services are performed indicates a degree of control appropriate for an employee.

080410 Payment of Business and/or Traveling Expenses. If the person or persons for whom the services are performed ordinarily pay the worker's business and/or traveling expenses, the worker is ordinarily an employee. An employer, to be able to control expense, generally retains the right to regulate and direct the worker's business activities.

080411 Furnishing of Tools and Materials. The fact that the person or persons for whom the services are performed furnish significant tools, materials, and other equipment tends to show the existence of an employer/employee relationship.

080412 Right to Discharge. The right to discharge a worker is a factor indicating that the

worker is an employee and the person possessing the right is an employer. An employer exercises control through the threat of dismissal, which causes the worker to obey the employer's instructions. An independent contractor, on the other hand, cannot be fired so long as the independent contractor produces a result that meets the contract specifications.

080413 Right to Terminate. If the worker has the right to end his or her relationship with the person for whom the services are performed at any time he or she wishes, without incurring liability, that factor indicates an employer/employee relationship.

080414 Significant Investment. If the worker invests in facilities that are used by the worker in performing services and are not typically maintained by employees (such as the maintenance of an office rented at fair value from an unrelated party), that factor tends to indicate that the worker is an independent contractor. On the other hand, lack of investment in facilities indicates dependence on the person or persons for whom the services are performed for such facilities and accordingly, the existence of an employer/employee relationship. Special scrutiny is required with respect to certain types of facilities such as home offices.

080415 Realization of Profit or Loss. A worker who can realize a profit or suffer a loss as a result of the worker's services (in addition to the profit or loss ordinarily realized by employees) is generally an independent contractor, but the worker who cannot is an employee. For example, if the worker is subject to a real risk of economic loss due to significant investments or a bona fide liability for expenses, such as salary payments to unrelated employees, that factor indicates that the worker is an independent contractor. The risk that the worker will not receive payment for his or her services, however, is common to both independent contractors and employees and thus does not constitute a sufficient economic risk to support treatment as an independent contractor.

080416 Working for More Than One Firm at a Time. If a worker performs more than de

minimis services for a multiple of unrelated persons or firms at the same time, that factor generally indicates that the worker is an independent contractor. However, a worker who performs services for more than one person may be an employee of each of the persons, especially where such persons are part of the same service arrangement.

080417 Making Services Available to General Public. The fact that a worker makes his or her services available to general public on a regular and consistent basis indicates an independent contractor relationship.

080418 Hiring, Supervising, and Paying Assistants. If the person or persons for whom the services are performed hire, supervise, and pay assistants, that factor generally shows control over the workers on the job. However, if one worker hires, supervises, and pays the other assistants pursuant to a contract under which the worker agrees to provide materials and labor and under which the worker is responsible only for the attainment of a result, this factor indicates an independent contractor status.

080419 Full Time Required. If the worker must devote substantially full time to the business of the person or persons for whom the services are performed, such person or persons have control over the amount of the time the worker spends working and thereby restricts the worker from doing other gainful work. An independent contractor, on the other hand, is free to work when and for whom he or she chooses.

080420 Payment by Hour, Week, Month. Payment by the hour, week, or month generally points to an employer-employee relationship, provided that this method or payment is not just a convenient way of paying a lump sum agreed upon as the cost of a job. Payment made by the job or on a straight commission generally indicates that the worker is an independent contractor.

0805 DoD EMPLOYEE BENEFIT PORTABILITY

080501 Purpose. This section prescribes retirement accounting procedures for all nonappropriated fund (NAF) payroll offices having responsibility for employees who, under the Portability of Benefits for Nonappropriated Fund Employees Act of 1990, P.L. 101-508, have elected to retain their Civil Service Retirement coverage. Election to retain Civil Service Retirement coverage may be made only if the employee is vested in the plan of the losing employment system, i.e., five years of creditable service for the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The Federal Personnel Manual (FPM), chapters 831 and 832 contain policies and instructions for administering the retirement system. FPM Supplement 831-1 contains the basic instructions for maintenance and disposition of retirement records.

080502 Employee Retirement System. The Nonappropriated Fund Notification of Personnel Action Form will reflect the appropriate retirement system to which the employee is subject.

080503 Responsibilities. Nonappropriated fund payroll offices must fulfill the following general responsibilities relating to the Civil Service retirement systems.

A. Prepare and maintain an SF 2806/SF 3100, Individual Retirement Record, for each employee subject to either CSRS or FERS.

B. Maintain adequate control over retirement records and associated monetary balances.

C. Requisition and maintain stocks of all retirement forms.

D. Promptly send claims and records to OPM. OPM requires all Federal agencies to get at least 80 percent of all claims for benefits to OPM within 30 days of the retirement or separation date.

E. Withhold retirement deductions from employees' salaries, make agency contributions, and send these to OPM for deposit. Deductions begin on the day employee

acquires coverage under the retirement system and must be prorated for partial pay periods.

080504 Routing Records of Separated Employees. Forward records of separated employees directly to the Employees Service and Records Center, Boyers, PA, as follows:

A. CSRS Retirement Records

OPM/CSRS
P.O. Box 45
Boyers, PA 16020

B. FERS Retirement Records

OPM/FERS
P.O. Box 200
Boyers, PA 16020

080505 Preparation and Maintenance of Individual Retirement Records.

A. Forms. An SF 2806/3100 is maintained for each employee subject to CSRS/FERS. These forms are used by OPM to adjudicate the retirement rights of a separated employee or survivors. It is important each SF 2806/3100 be correct, complete, clear in every detail, and properly certified. Timely and accurate maintenance of SF 2806/3100 expedites close-out procedures when an employee is separated or transferred to the paying jurisdiction of another agency.

B. Preparation of Form. The NAF payroll office will prepare an SF 2806/SF 3100 for each employee subject to CSRS/FERS.

C. Method of Posting.

1. The SF 2806/3100 may be posted by automated data processing system, typewriter, or by handwriting in ink. All entries must remain within the ruled lines. If necessary, use a second line to complete an entry, but do not post in the margin.

2. Corrections to manually maintained SF 2806/3100 will be made by lining through the incorrect item, entering the correct

data, and initialing the correction.

3. If the Service History or Fiscal Record becomes filled on one side of the record for a manually maintained record, continue posting on the reverse side by bringing the cumulative salary deductions forward with the annotation "Balance Forward".

D. Payroll Office Number (PON).
Each nonappropriated fund payroll office has been assigned a payroll office number which has been forwarded to OPM. This number is used by OPM to control records and identify the payroll office making and remitting deductions and contributions. This number must be reflected on each retirement record.

E. Maintenance of Service History.

1. Post service history entries as they occur. Obtain the data from the nonappropriated fund notification of personnel action. FPM Supplement 292-1 contains the standard abbreviations which shall be used.

2. Include additional pay to which an employee is regularly entitled and that is a part of basic salary for CSRS/FERS deductions. Omit postings for additional pay which is received on an irregular or unscheduled basis. Also omit additional pay not subject to CSRS/FERS deductions.

F. Fiscal Record Posting.

1. Post the total of retirement deductions withheld during the year in column 6 of the SF 2806/3100 at the end of the calendar year. If no deductions were made because of a non-pay status, enter a zero in column 6. If an employee had more than one retirement deduction rate during the year, enter separate yearly totals for each retirement deduction rate and note the deduction percentage rate, for each entry in column 8.

2. Include repayments in the current year of prior year deductions allowed under the retroactive provisions of the Portability of Benefits for Non-Appropriated

Fund Employees Act of 1990 in column 6. Column 8 shall carry the annotation "Includes repayment of \$xx.xx in prior year deductions per P.L. 101-508.

3. If calendar year deductions entered in column 6 include deductions from additional pay not included in the base pay posted in the Service History, place an asterisk after the amount in column 6. Place an asterisk and foot-note additional pay status "APS" in the lower left corner of the form. If calendar year deductions are annotated APS, show in column 8 the number of hours Leave Without Pay (LWOP) for each hourly rate during the year. If none, show "No LWOP". All LWOP must be shown.

G. Entries in Remarks Columns.
In addition to the service history and fiscal data, record the following information on the SF 2806/3100 under Remarks, column 4 and 8, as appropriate:

1. Enter periods of LWOP of more than 6 months in a calendar year.

2. Enter the number of days in a pay status during each calendar year or, if paid at an hourly rate and the number of days on which work was performed cannot be determined, enter the number of hours in a pay status during each calendar year for employees serving on an intermittent basis without a regular tour of duty,

3. Enter the tour of duty (4 hours a day, 5 days a week, etc.) for employees serving on a part-time basis with a regular tour of duty administratively determined in advance,

4. Enter the last date on which the employee was in a pay status, unused sick leave, and the Service Computation Date annotated as "SCD (month, day, year)." when an employee retires.

H. Health Benefits Data.
Nonappropriated fund employees electing to retain civil service retirement coverage are ineligible for federal employee health benefit

enrollment. These employees, however, may elect to participate in the respective NAF health insurance program. Nonetheless the individual retirement record must be annotated concerning status of health benefits enrollment. Individual retirement records forwarded to OPM for regular retirement, disability retirement, or deceased employees must be annotated "Employee Ineligible for Enrollment - P.L. 101-508" in column 4 of the record.

I. Sick Leave. If an employee dies or separates and appears eligible for an immediate annuity, enter the amount of unused sick leave in column 4 of the individual retirement record as follows:

1. If there is a minus or zero sick leave balance, enter "No unused sick leave balance."

2. If the employee has unused sick leave at the time of separation, enter the number of hours and cite "P.L. 101-508."

3. For employees with uncommon tours of duty, enter the number of hours of unused sick leave, with notation showing there was an uncommon tour of duty, and the date the sick leave, if used, would have expired. Cite "P.L. 101-508."

4. If the individual retirement record is for an application of disability retirement, post "Will use (or has used) all sick leave." When the application for disability retirement has been approved, post "No unused sick leave balance" on the final individual retirement record to be forwarded to OPM.

J. Federal Employees Group Life Insurance. Nonappropriated fund employees electing to retain civil service retirement coverage are ineligible for federal employees group life insurance. These employees, however, may elect to participate in the respective NAF life insurance program. Nonetheless the individual retirement record must be annotated concerning status of life insurance enrollment. Individual retirement records forwarded to OPM for regular retirement, disability retirement, or

deceased employees must be annotated "Employee Ineligible for Enrollment - P.L. 101-508" in column 4 of the record.

K. Disposition of the Individual Retirement Record.

1. Transfers between payroll offices in the same Military Service or Defense Agency, e.g., from one Air Force payroll office to another Air Force payroll office:

a. If the employee is covered by CSRS complete the SF 2806 and transmit it to the new servicing payroll office via the SF 2807 (Register of Separations and Transfers-Civil Service Retirement System). This type of transfer is commonly referred to as an "Interagency Transfer."

b. If the employee is covered by FERS complete the SF 3100 record and transmit it to OPM at the address in paragraph 080504 via the SF 3103 (FERS Register of Separations and Transfers).

2. Transfers between payroll offices not in the same Military Service or Defense Agency, e.g., from an Air Force payroll office to a Navy payroll office:

a. If the employee is covered by CSRS complete the SF 2806 and transmit it to OPM at the address in paragraph 080504 via the SF 2807 (Register of Separations and Transfers-Civil Service Retirement System).

b. If the employee is covered by FERS complete the SF 3100 record and transmit it to OPM at the address in paragraph 080504 via the SF 3103 (FERS Register of Separations and Transfers).

3. Employee Death. Send the SF 2806/3100 via the SF 2807/3103 to OPM within 5 days of the date of the computation of final pay. Enter in column 4 of the SF 2806/3100 the service computation date: "SCD (month, day, year)" and unused sick leave data.

4. Application for Refund of Retirement.

a. Upon leaving federal employment, an employee may request refund of retirement deductions by submitting SF 2802, Application for Refund of Retirement Deductions.

b. If the request for refund is received at the same time as the notification of the separation, attach the SF 2802 to the SF 2806/3100 and submit to OPM within 10 calendar days after the ending date of the pay period in which the employee was separated from the service. Refer to the SF 2802 in column 4 of the SF 2807/3103.

c. If the employee completes the SF 2802 within 30 days after the separation date, and the SF 2802 is received in the payroll office after the SF 2806/3100 is transmitted to OPM, send the SF 2802 to OPM. Annotate the SF 2807/3203 showing the date and number of the SF 2807/3103 on which the SF 2806/3100 was transmitted.

d. If the employee has been separated more than 30 days, he or she should file the SF 2802 directly with OPM.

5. Disability Retirement Separations. Advance close-out of the SF 2806/3100 is required when an application for disability retirement is received from a current employee.

a. Annotate the SF 2806/3100 as follows:

(1) Add the words "Preliminary-Disability Retirement" in the top margin of the SF 2806/3100.

(2) Post retirement deduction to the close of the previous calendar year.

(3) Enter the date application for disability retirement was made in the service history.

(4) Show the pay status of the employee, as applicable: "Employee

in duty status", "Leave with pay will end (date)", or "Pay stopped (date)." Also, enter in column 4 of the SF 2806/3100 the service computation date as follows: "SCD" (month, day, year).

(5) On each preliminary SF 2806/3100 submitted with an application for disability retirement, enter in column 4 "Employee Ineligible for Enrollment in Health Benefits or Federal Employees Government Life Insurance."

(6) Show the unused sick leave data in column 4 of the SF 2806/3100 and enter "Will use all sick leave" or "No unused sick leave". In addition enter projected date pay will terminate, i.e. when sick leave terminates.

(7) Prepare a new SF 2806/3100 to record retirement deductions withheld after sending the preliminary SF 2806/3100. Add the words "Final-Disability Retirement" above the date of birth. Enter "APP FOR DIS RET EXEC" and annotate the date application for Disability Retirement (SF 2801) was executed on the Service History of the SF 2806/3100. Post all actions that occur after submission of the application for preliminary disability retirement to this record.

(8) Prepare the SF 2807/3103 and send the preliminary SF 2806/3100 with the application for disability retirement as follows: for CSRS employees, OPM/CSRS, P.O. Box 45, Boyers, PA 16020; for FERS employees, OPM/FERS P.O. Box 200, Boyers, PA 16020, within 5 calendar days after receipt of the application. Annotate column 4 of the SF 2807/3103 with "Preliminary Disability" and the date established by the civilian personnel office.

(9) On approval of the application, complete the final SF 2806/3100. Post retirement deductions withheld after the preliminary SF 2806/3100 was sent. Show the effective date of disability retirement and the date that pay ceased on SF 2806/3100. Send the final SF 2806/3100 to OPM within 5 calendar days after the date of the employee's final pay check.

(10) If the employee's application is denied, continue using the final SF 2806/3100. OPM will not return the preliminary SF 2806/3100.

6. Non-Disability Retirement Separations. Send the SF 2806/3100 with the SF 2801, Application for Immediate Retirement, with attached CSC Form 1084, Information in Support of Civil Service Retirement Application, as follows: CSRS employees, OPM/CSRS, P.O. Box 45, Boyers, PA 16020; for FERS employees, OPM/FERS, P.O. Box 200, Boyers, PA 16020 within 10 calendar days after the ending date of the pay period in which the employee retired.

a. Use OPM developed checklists to ensure complete and accurate processing. Submit completed and signed checklist to OPM with the retirement package.

b. Post retirement deductions through the date of retirement on the Fiscal Record of the SF 2806/3100.

c. Enter the type of non-disability retirement in the service history, e.g. optional, mandatory, or discontinued service.

d. Enter the date pay stopped in column 4 of the SF 2806/3100. This will normally be the date of retirement; however, if pay status ends before the retirement date, enter the earlier date. Enter the service computation date "SCD (month, day, year)."

7. Service Credit Deposits for Post-1956 Military Service. Any individual employed in a position subject to the CSRS on or after October 1, 1982, will receive credit for Post-1956 military service only if he or she deposits a sum equal to seven percent of the military basic pay received for such post-1956 military service. Individuals who were first employed under CSRS before October 1, 1982, will have the option of making deposits for post-1956 military service and avoid a possible annuity reduction. These same provisions apply to FERS employees, except that the amount to be deposited will be equal to three percent of the military basic pay

received for post-1956 military service.

a. Payment of service credit deposits may be made either by cash payment or biweekly payroll deductions. Installment payments must be in whole dollar amounts not less than \$25 per pay period, except for the last payment which may be in any amount to complete repayment. Unpaid balances are subject to interest calculations, and OPM will issue annual guidance concerning the rate of interest to be used.

b. Record payments on the OPM Form 1514, Military Deposit Worksheet. In addition, a separate SF 2806/3100 will also be maintained for Post-1956 military deposits. The SF 2806/3100 Service History should carry the annotation "Military Service History and Deposit Record."

c. Close out the SF 2806 when military service credit deposits are complete and annotate in the Remarks column "Deposit paid in full." Submit the 2806 along with the OPM Form 1514 and the SF 2803 to OPM via a regular SF 2807/3103.

d. Close out and submit the SF 2806/3100 to OPM via a regular SF 2807/3103 in the event an employee resigns, retires, or dies prior to completing military service deposits. Annotate the SF 2806/3100 in the Remarks column with either "Paid in full" or "Partially paid", depending upon action taken by the employee or survivor. Notify the employee or survivor of the intended close out and provide the opportunity to complete payment prior to submitting to OPM. Advise the employee or survivor that refunds of military service deposits may be made only by OPM.

e. Close out and send the SF 2806 for military deposits to the new payroll office when an employee transfers to another payroll office within the same Military Service or Defense Agency. When the transfer is to another payroll office not in the same Military Service or Defense Agency, close out the SF 2806 and submit to OPM. A FERS Post-1956 retirement record is sent to OPM together with

the regular retirement record for all transfers to another payroll office including transfers within the same military service.

080506 Safeguarding Individual Retirement Records. Individual retirement records not maintained in a mechanized manner must be stored in secured fireproof containers. It is recommended that manually maintained individual retirement records be microfilmed/microfiched after the annual posting, and that these be stored separately from the record itself.

080507 Registers of Separations and Transfers.

A. The SF 2807 (Register of Separation and Transfers) is used to control and transmit SFs 2806 to other payroll offices and OPM. The SF 3103 (Register of Separation and Transfers) is used to control and transmit SFs 3100 to OPM.

B. Series Designations. Maintain two separate series of SFs 2807 transmittal numbers depending on whether the SF 2807 is transmitted to another payroll office or to OPM. Each series is consecutively numbered throughout the calendar year, and the first SF 2807 prepared in a new calendar year will begin with the number 1. SFs 2807 transmitted to another payroll office will be designated "IA" (Intra-Agency). Those transmitted to OPM will be designated "OPM." For example, the first SF 2807 transmitted to OPM for calendar year 1992 will be designated "OPM-92-1", while the first SF 2807 submitted to another payroll office will be designated "IA-92-1."

C. As all SFs 3100 are transmitted to OPM, it is necessary to maintain only one series of transmittal numbers for SFs 3103. These must also be consecutively numbered throughout the calendar year, and the first SF 3103 transmitted to OPM in a calendar year will begin with the number 1. All SFs 3103 will be designated "FERS." For example the first SF 3103 submitted to OPM for calendar year 1992 will be designated "FERS-92-1."

D. More than one SF 2806/3100 may be submitted with each SF 2807/3103. However, do not delay sending completed retirement records while other records are being prepared for submission.

E. Copies required.

1. OPM series. Prepare and submit the original to OPM. Retain one copy in payroll office files. An additional copy may be required according to your DFAS Center departmental instructions.

2. IA series. Prepare and submit the original and one copy to the gaining payroll office. Retain one copy in payroll office files. An additional copy may be required according to your Center departmental instructions.

3. FERS series. Prepare and submit the original to OPM. Retain one copy in payroll office files. An additional copy may be required according to your DFAS Center departmental instructions.

F. Filing the SF 2807/3103. File SFs 2807 received from other payroll offices in a separate file in order of receipt by calendar year. Maintain a separate file for each "IA" series of SFs 2807 received. These files will be in numerical order for each calendar year. Maintain a separate file for SFs 3103 in numerical order for each calendar year.

080508 Adjustments.

A. Current Employees

1. Erroneous Deductions. If an erroneous amount was deducted for retirement from the pay of a current employee, make an adjustment on the next payroll. Increase or decrease current retirement deductions from the employee's current pay period earnings, and make a corresponding adjustment in the employer's contributions. Include the adjustment in the SF 2812L prepared for the current pay period.

2. Deductions Not Withheld When Required. If deductions were not made for a period when the employee should have been covered by the CSRS/FERS retirement acts, compute the correct amount and make the withholding the next pay period. If deductions were made for a NAF retirement plan when deductions were required for CSRS/FERS, adjust the NAF retirement deductions and contributions, and FICA contributions and deductions, in the next pay period submission to these retirement plans. These amounts should then be offset against the amounts that should have been submitted for CSRS/FERS to determine the net amount that must be withheld from the employee's current period pay.

B. Separated Employees.

1. Overdeductions:

a. When an excess amount has been deducted from a former employee's pay, and the SF 2806/3100 has not yet been forwarded to OPM, the amount is included in the current calendar year and total accumulative deduction postings in columns 6 and 7 respectively on the SF 2806/2807. In addition, the amount of excess deductions is shown in column 8, Remarks.

b. If the overdeduction is found after the SF 2806/3100 was sent to OPM, an SF 2806-1, Notice of Correction of Individual Retirement Record for CSRS employees, or an SF 3101, Notice of Correction of Individual Retirement Record (FERS), must be prepared and submitted to OPM.

c. When an overdeduction from a former employee's pay results in excess employer contributions, the amount of the excess should be deducted from the next pay period's SF 2812L.

2. Underdeductions

a. When an insufficient amount has been deducted from a former employee's pay, and the SF 2806/3100 has not yet been submitted to OPM, note the amount of

the deficiency in column 8 of the SF 2806/3100. If the SF 2806/3100 has been submitted, another SF 2806/3100 must be prepared and annotated "Supplemental" in the upper left margin.

b. When an underdeduction from a former employee's pay results in insufficient employer contributions, the amount of the shortfall should be included in the next pay period's SF 2812L.

3. Other Corrections. Corrections to the Service History or Name History portions of the SF 2806/3100 should be made on the retirement record if the error is detected before the record is submitted to OPM. If the error is detected after the record is submitted to OPM, prepare an SF 2806-1 or SF 3101.

C. Transferred Employees

1. Overdeductions

a. When an excess amount has been deducted from a transferred employee's pay, and the SF 2806 has not yet been forwarded to another payroll office within the same Military Service, the amount is included in the current calendar year and total accumulative deduction postings in columns 6 and 7 respectively on the SF 2806/2807. In addition, the amount of excess deductions is shown in column 8, Remarks.

b. Prepare and submit an SF 2806-1, Notice of Correction of Individual Retirement Record for CSRS employees, or an SF 3101, Notice of Correction of Individual Retirement Record, to the new payroll office if the overdeduction is found after the SF 2806/3100 was forwarded to another payroll office within the same Military Service.

c. Deduct the amount of excess employer contributions from the next pay period's SF 2812L when an overdeduction from a transferred employee's pay results in excess employer contributions.

2. Underdeductions. Note

the amount of underdeductions in column 8 of the SF 2806 when an insufficient amount has been deducted from a former employee's pay, and the SF 2806 has not yet been forwarded to another payroll office within the same Military Service. Prepare and forward an SF 2806-1 to the new payroll office if the SF 2806 has been submitted.

3. Other Corrections. Correct the Service History or Name portion of the SF 2806 on the retirement record if the error is detected before the record is submitted to another payroll office within the same Military Service. Prepare and submit an SF 2806-1 to the new payroll office if the error is detected after the record is submitted.

4. Retroactive Payments

a. Report CSRS/FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100, and forwarding it to OPM by SF 2807/3103.

b. Include CSRS/FERS deductions withheld from a retroactive salary payment for a current employee in the current year salary deduction on the SF 2806/3100 being maintained for the employee.

c. Report CSRS/FERS deductions withheld from a retroactive salary payment for an employee transferred to another payroll office within the same Military Service by preparing a supplemental SF 2806/3100, and forwarding it to the new payroll office by SF 2807/3103.

080509 Availability of Retirement Funds for Loan and Setoffs.

A. Loans and Private Debt.

1. An employee may not borrow from the Civil Service retirement funds or assign money credited to his or her account as security for a loan for any other purpose. Generally, lump-sum credit or annuity is not subject to execution, levy, attachment,

garnishment, or other legal process.

2. However, OPM will comply with a garnishment or attachment order issued to enforce a child support or alimony obligation. In addition OPM will comply with the assignment of retirement benefits in a State court order, decree, or community property settlement agreement in connection with the divorce, annulment of marriage, or legal separation of a Federal employee or retiree.

B. Setoff.

1. Conditions governing collection by setoff.

a. An employee's contributions to the Civil Service retirement fund may be setoff to recover any valid debt to the United States if all of the conditions below are met.

(1) The employee has been separated.

(2) The payroll office has exhausted all other means of recovery.

(3) The employee has filed an application for refund or for a monthly civil service annuity benefit.

(4) The creditor agency has given the employee an opportunity to request reconsideration of the collection including an oral hearing, waiver, or compromise.

b. An employee's contributions to the Thrift Savings Plan may not be setoff to recover any valid debt to the United States.

2. Setoff Procedure

a. Before a payroll office can ask OPM to recover a debt of a former employee from the retirement fund, the employee must be notified in writing of the following:

(1) The reason for the debt.

(2) The date repayment must be made (normally not more than 30 days after date of the notice).

(3) The intention to collect the debt by setoff from the retirement fund.

(4) The opportunity to request reconsideration of the decision to collect the indebtedness, including waiver or compromise.

(5) An explanation of the right to an oral hearing.

b. Only one written demand containing the above notice is required to be sent to the employee. If there is no reason to believe that the employee has not received the demand notice, the payroll office has the right to judge the claim based on evidence in its possession.

c. An SF 2805, Request for Recovery of Debt Due the United States, will be prepared, and the payroll office will send Parts 1, 2, and 4 of the SF 2805 to OPM. Part 3 will be retained in the payroll office.

d. If a debt has been pursued to judgement, written demand need not be made. A copy of the court order must be attached to SF 2805.

e. Do not retain the SF 2806/3100 pending completion of action necessary to prepare and submit an SF 2805. If an SF 2805 will be submitted at a later date, the SF 2806 should be annotated in column 8, Remarks, with the existence of the debt, the amount (if known), and the reason for the debt. If the exact amount of the debt is unknown, note in the SF 2806, column 8, that the employee is indebted in an unknown amount.

080510 Annual Summary of Retirement Fund Transactions. OPM requires an annual

summary and reconciliation of amounts reported throughout the calendar year for CSRS and FERS. These summaries and reconciliations are performed at the departmental level at each DFAS Center. Each Center has different procedures concerning how this annual summary and reconciliation is performed; therefore you should contact the Center which has responsibility for your payroll office to obtain their instructions.

080511 Thrift Savings Plan Retroactive Contributions.

A. The Federal Retirement Thrift Investment Board has developed a form to be used in capturing information concerning retroactive contributions for employees who have transferred from a civil service position to a NAF position, and who are eligible to make retroactive contributions in accordance with the Portability of Benefits for Nonappropriated Fund Employees Act of 1990. The form to be used is the TSP-1-NAF, Election Form for Retroactive Contributions - NAF Employees. This form will not be contained in any Thrift Savings Plan (TSP) Bulletin.

B. It is recommended that you only use this form to capture elections concerning retroactive contributions allowable by the Portability of Benefits for Nonappropriated Fund Employees Act of 1990. The TSP-1, TSP Election Form, should be used to document information concerning current contributions to TSP.

080512 Retroactive Adjustments Allowed by P.L. 101-508. OPM has issued guidance concerning adjustments required when an employee elects to be retroactively covered by his or her former retirement plan. The guidance differs depending on whether the employee was previously covered by the Civil Service Retirement System or the Federal Employees Retirement System. This guidance is outlined below.

A. Employees Electing to Retain Full CSRS Coverage

1. Employee Deductions.

CSRS employees have certain options concerning the payment of employee deductions when deductions have not been taken from basic pay to cover the required deduction. The employee should have these options explained, and a written election should be obtained which includes a statement concerning the option elected and whether the employee has received a direct refund from the nonappropriated fund (NAF) retirement plan for previously withheld deductions. The options are as follows:

a. Agency Correction of

Records. Election of this option by the employee requests the employing agency to collect the employee deduction, if necessary, and make the required adjustments to the Individual Retirement Record. If the employee selects this option, he or she will not have to go through normal OPM service credit procedures, and interest will not be charged.

(1) If the employee is retroactively placed in CSRS, both the agency and the employee have overpaid FICA taxes and Nonappropriated Fund retirement (unless the employee received a direct refund for his NAF retirement deductions). Instructions for making the proper adjustments in this situation are contained in Comptroller General Decision B-202201.

(2) After the adjustments required by Comptroller General Decision B-202201 have been completed, the employees' salary may not have been reduced by an amount equal to that necessary for the full CSRS employee deduction. If this is the case, the employee has received a salary overpayment that may be considered for waiver. If the request for waiver is denied, the employee must repay the amount. Repayment may be made in either in a single lump-sum amount or in installments. If the request for waiver is approved, the NAF instrumentality must pay the employee's share from its funds and report the payment via the SF 2812L no later than the second pay period after the decision. In either case, such repayments must be included as calendar year salary deductions on the employee's SF 2806.

b. Payment of Deposit to

OPM. If the employee elects not to have his or her records corrected, there will still be an option to file Standard Form 2803, Application for Deposit or Redeposit, with OPM and make payments directly to OPM through normal service credit channels. This deposit must be completed before the annuity is finally adjudicated at the time of the employee's retirement. In this case, the employee's SF 2806 must be documented to reflect the period for which deductions were not withheld, the amount of deductions that should have been taken, and that the employee did not elect correction. If the employee chooses this option, interest on the deposit will be charged as required by law.

c. Nondeduction service.

If the employee elects this option, the retroactive period will be considered as nondeduction service. Service performed after October 1, 1982, will not be used in the computation of the annuity, if the deposit is not made. In this case, the employee's SF 2806 must be documented to reflect the period for which deductions were not withheld, the amount of deductions that should have been taken, and that the employee elected nondeduction service.

2. Agency Contributions.

Regardless of the option selected by the employee, the NAF instrumentality must send OPM its share of CSRS retirement contributions for each employee. The NAF instrumentality should compute and send to OPM, in accordance with their instructions for adjusting retirement, an amount equal to that which would have been contributed had the employee been covered by CSRS rather than NAF during the period in question. This payment must include an amount retroactive to the effective date of the CSRS coverage. These contributions should be submitted to OPM no later than the second pay period after the amount of the agency contribution is established for each employee.

B. Employees Electing to Retain FERS Coverage

1. Unlike employees who elect to retain CSRS coverage, those employees

who elect to retain FERS coverage do not have an option concerning whether to repay for periods of retroactive deductions. All periods subject to retroactive deductions must be repaid. The NAF instrumentality is responsible for repaying the full normal cost, which includes the employee and employer share. The amount that should have been deducted from the employee's basic pay to cover FERS retirement deduction constitutes an overpayment of pay to the employee. Any overpayment of pay is subject to collection unless it is waived.

2. If the employee is retroactively placed in FERS, both the agency and the employee have overpaid Nonappropriated Fund retirement (unless the employee received a direct refund for his NAF retirement deductions). Action should be taken to recover both employee deductions and employer contributions for periods of retroactive FERS coverage. Prior to requesting a refund from the NAF retirement plan, a written statement should be obtained from the employee concerning whether he or she has received a direct refund from the Nonappropriated Fund (NAF) retirement plan for previously withheld deductions. This statement then will become the basis to apply for a refund of previously withheld NAF retirement employee deductions. Refunds of employee deductions received from NAF retirement plans should be offset against the amount owed to OPM for FERS employee deductions to determine the net amount of the overpayment of pay.

3. **Agency Contributions.** The NAF instrumentality must send OPM its share of FERS retirement contributions for each employee. The NAF instrumentality should compute and send to OPM, in accordance with their instructions for adjusting retirement, an amount equal to that which would have been contributed had the employee been covered by FERS rather than NAF during the period in question. This payment must include an amount retroactive to the effective date of the FERS coverage. These contributions should be submitted to OPM no later than the second pay period after the amount of the agency contribution is established for each employee.

080513 Annual Leave Lump Sum Repayment. Employees who are covered under the provisions of the Portability of Benefits for Nonappropriated Fund Employees Act of 1990 who were paid lump sum leave payments between January 1, 1987 and April 15, 1991, as a result of a transfer between appropriated and nonappropriated fund positions, may repay those lump sum payments and receive recredit of the leave. Employees who separated from Federal service between January 1, 1987 and April 15, 1991, and who were subsequently rehired may also have the opportunity to repay the lump sum leave and receive recredit in accordance with Section 1077 of Public Law 102-484 (the DoD Authorization Act for Fiscal Year 1993).

0806 DUAL COMPENSATION

080601. General The Dual Compensation Act of 1964, as amended (codified at 5 U.S.C. 5531-33, provides that a retired member of the armed forces who later is employed in a Federal civilian position (including a NAF position) may receive the full salary of that position, but their retired or retainer pay may be reduced. For details, refer to Volume 7, Part B of the DoD financial Management Regulation 7000.14-R.

CHAPTER 9

INTERNAL CONTROLS

0901 PURPOSE. This chapter prescribes the internal control techniques that are to be designed and implemented into all DoD NAF accounting systems.

0902 REQUIREMENTS

090201 Legal. 31 USC 3512 requires the head of each executive agency to establish and maintain systems of accounting and internal control that conform to the requirements prescribed by the Comptroller General of the United States. The head of each executive agency is required to report annually on whether the agency's accounting systems conform to the accounting principles, standards, and related requirements prescribed by the Comptroller General. The accounting requirements of the Comptroller General prescribed under section 3511 are set forth in the General Accounting Office Policy and Procedures Manual for Guidance of General Agencies and implemented in this regulation.

090202 Internal Controls - The plan of organization and all of the coordinate methods and measures adopted within a business entity or activity to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. Accounting controls for safeguarding assets and ensuring the reliability of records include systems of authorization and approval, separation of duties, physical controls over assets, and internal auditing. Administrative controls concerning operational efficiency and compliance with policies and procedures include statistical analyses, training programs, and quality controls.

090203 Systems. Subsection (a) of section 3512 requires the head of each executive agency (including the DoD Components) to have systems of accounting and internal control which

provide:

A. Complete disclosure of the financial results of agency activities;

B. Adequate financial information needed for agency management purposes;

C. Effective control over, and accountability for, assets for which the agency is responsible;

D. Reliable accounting results and reports that will be the basis for preparing and supporting agency budget requests, controlling budget execution, and providing financial information the President requires, and;

E. Suitable integration of agency accounting with Treasury's central accounting and reporting responsibilities.

0903 INTERNAL CONTROL STANDARDS. The standards contained in this chapter apply to all manual and/or automated systems of accounting and related internal controls under development, under major revision, or currently operating in all DoD Components. These standards, along with other applicable requirements, shall be considered when Component heads report annually in compliance with management control standards prescribed by GAO and guidelines issued by OMB as they relate to their accounting systems as required by the Federal Manager's Financial Integrity Act, P.L. 97-255. The internal management control (IMC) program is implemented by DFAS 5010.38-R.

090301 Structure of the Accounting System

A. The accounting system shall be structured to produce and report financial information to satisfy the internal needs of the DoD Component and the external reporting

needs of the executive branch, the Congress, and the public as applicable.

B. The system shall be structured in such a way that it ensures the proper gathering, recording, storing, processing, communication, and consistent reporting of the information.

C. Information shall be organized by project or program, responsibility centers, activities, object class of expenditure, organization units, appropriation, etc.

D. The system shall be flexible so it can adapt to changing user and external requirements during the system's life cycle.

E. The system shall be flexible enough to handle additions or deletions, including changes to accounts or account codes, classifications, organizations, and dollar thresholds, without extensive program or system changes.

F. Data shall be captured at the lowest level of detail to facilitate adapting to new and expanded report requirements.

G. The accounting structure shall provide for general ledger and subsidiary accounts, incorporating the double-entry concept.

H. The account structure within the general ledger shall be driven by the type of funds involved and the nature of the Component's operations.

I. The general ledger account structure shall support required internal and external reporting and shall conform with the general ledger as prescribed in the appropriate appendix contained in this regulation.

J. The accounting system shall provide a means of capturing and reporting transactions by organizational segments, appropriations and funds, budget activities, programs, projects, geographic locations, obligations, disbursements, objects of

expenditures, etc. as necessary to meet user needs and outside reporting requirements and inquiries.

K. The classification coding scheme shall be coded in such a way that lower levels of data roll up into higher levels. For example, projects normally roll up into programs, which roll up into budget activities, which roll up into appropriations, which roll up into Component-level information, which roll up into consolidated department wide information.

L. Programming, budgeting, accounting, and reporting classifications shall be consistent with each other and synchronized with the organizational structure so that actual activity can be compared with enacted budgets and support future budget formulation for each management function. To achieve this consistency and synchronization, the account structure and transaction coding and data classification scheme shall be uniform or translatable among all accounting, budgeting, and reporting systems and subsystems, within the Component.

090302 Accounting Processes and Procedures

A. Support for Transactions

1. The financial transactions for which the accounting system must account shall be adequately supported with pertinent documents and source records.

2. These transactions, and any subsequent adjustments, shall be authorized and executed in accordance with management criteria by personnel acting within the scope of their authority.

3. Transactions shall be properly accumulated and correctly classified, coded, and recorded in all affected accounts.

4. Transactions shall be recorded in the accounts promptly and accurately, in the proper amount, to permit preparation of financial reports in accordance with internal needs and external requirements

and prompt analysis of the information by management.

5. Information shall be captured in the accounting records simultaneously with or immediately following the economic event that gave rise to the transaction.

6. All transactions, including those which are computer-generated and computer-processed, shall be uniquely referenced to individual source records.

7. Referencing shall be done in a manner that enables tracing or replicating a transaction from its source to the resulting record or report, and from the resulting record or report to the source, or by tracing indirectly to source records through summaries and calculations contained in general and specific journals.

8. Individual source records fall into the following three categories:

a. Documents (either traditional source documents or paper documents or forms created when data are entered at a terminal),

b. Source listings of transaction data entered at a terminal (these listings include the same data elements as the traditional source document without generating the individual documents), and

c. Source records stored on magnetic media such as disk or tape.

9. Items in source records necessary for audit trail purposes shall include transaction type, record or account involved, amount, processing references, and identification of the preparer and approver of the transaction.

10. To facilitate tracing to source documents, the ledger account shall include transaction references, that is, a record of all postings to the account.

11. In the case of computer generated transactions, verification shall be accomplished through reviews of systems documentation such as edit routines, decision criteria in program listings, master files or data base records, detailed listings of computer media work files, or input transactions which trigger other computer generated transactions.

12. Electronic certification procedures shall include software lockouts to prevent unauthorized individuals from modifying or accessing any information not within the scope of their authority.

B. Reconciliation

1. General ledger balances shall be reconciled with subsidiary accounts and records, either manually or by the computer, in a timely manner.

2. Regularly scheduled reconciliation of control and subsidiary accounts and records for such things as cash receipts, accounts receivable, inventories, and accounts payable shall be performed to substantiate and maintain the accuracy of account postings and balances by checking the agreement between the sum of the detail in subsidiary accounts with the general ledger control balances.

3. General ledger property control accounts shall be periodically reconciled to detailed property records.

4. Accounting records shall be adjusted to be in agreement with the results of physical inventories when they are taken.

5. The results of periodic physical counts of cash and cash items shall be reconciled to recorded amounts and any discrepancies adjusted.

6. Financial data produced by program offices or other financial systems shall be reconcilable with the comparable data in the accounting system.

7. The system, whether

automated or manual, shall have the capability of readily reconciling expenditure data with obligations and outlay data.

8. The system shall include appropriate procedures for closing the accounts at the end of one accounting period and reopening accounts at the beginning of the next period.

C. Transaction Processing/ Production Control

1. The accounting system shall contain internal controls which operate to prevent, detect, and correct errors and irregularities which may occur anywhere in the chain of events from transaction authorization to issuance of reports.

2. The controls shall cover the functions of transaction authorization and approval, data preparation and validation, input, communications, processing, storage, and output, as well as error resolution and reentry and file or data base quality maintenance.

3. The internal controls shall provide reasonable assurance that the recording, processing, and reporting of financial data are promptly performed and that the completeness and accuracy of authorized transactions and data are ensured during automated (or manual) processing of the accounting.

4. Input controls shall exist to detect incomplete, duplicate, or otherwise erroneous transactions and ensure they are controlled until corrected.

5. Processing controls shall exist to provide reasonable assurance that all transactions have been processed and that the application processing was correct, using correct file data, operator procedures, and processing logic.

6. Output controls shall provide reasonable assurance that the output is complete, correct, and distributed only to authorized users.

7. Data communication controls shall exist to ensure that the integrity and confidentiality of messages (data) transmitted by communication lines from the originating point to the reception point are maintained.

8. Data storage and retrieval controls shall exist to ensure that the files and data are protected from loss, destruction, and unauthorized changes, and that only the correct and latest version of data and program files are used during processing.

9. While the particular procedures and records used to effect these controls are left to each Component, the accounting system shall include controls, where appropriate, that prevent or detect the following kinds of situations:

- a. Failure to record a transaction,
- b. I n c o r r e c t o r incomplete recording of a transaction,
- c. Duplicate recording of a transaction,
- d. Loss of a transaction document in handling,
- e. Incorrect entry of data at a terminal,
- f. P r o c e s s i n g o f unauthorized or incorrect data,
- g. Directly changing account/master file/data base records without an authorized transaction,
- h. Use of a superseded or test version of a program rather than the current production version,
- i. Use of a wrong file or record in processing,
- j. Unauthorized file

maintenance transaction (which have a financial impact),

k. Use of an incorrect value in internal tables,

l. Incorrect default value,

m. Input of incorrect program parameters,

n. Unauthorized use of programs which bypass normal program controls and edits,

o. Incorrect or incomplete processing logic,

p. Abnormal interruption of the application processing run,

q. Destruction of part or all of a file during processing,

r. Data base errors,

s. Inappropriate use of operating program testing aids to circumvent normal processing control procedures,

t. Out-of-balance conditions, and

u. Data errors caused during data transfer between interfacing systems.

10. The accounting system shall provide a reference and control list of transactions processed during a processing cycle or a given period of time.

D. Error Handling

1. The accounting system shall provide procedures for control over errors to ensure that once errors are detected:

a. Corrections are made in a timely manner and reentered into the appropriate processing cycle,

b. Corrections are made only once, and

c. The correction itself is validated.

2. Data items that contain errors shall be carefully controlled to ensure they are resubmitted (i.e., the transaction is not lost).

3. For data input errors, error lists or reports indicating why each item was rejected shall be prepared and open items shall be tracked and aged until all errors are corrected.

4. The system shall provide management with reports that list errors, reasons for errors, and corrective action taken.

5. Supervisor personnel shall review error listings and corrections.

6. Procedures shall be established for periodically analyzing reasons for errors and rejected transactions by type and source so that appropriate actions may be taken to obtain improvements.

7. When transaction are input through a terminal, either on-line or for later update to the system, the transaction and its data elements shall be edited as keyed, errors found by the edits are resolved and re-input by the person keying the transaction, or the transaction is held in some fashion until all the data are validated.

8. When error resolution cannot be done at the terminal, the document or source record shall be controlled to ensure errors are researched, corrected, documented, and resubmitted for input into the system in the appropriate processing cycle.

9. Additional editing by the application software shall occur once the transaction is in the system.

E. Control Over Output

1. Output distribution shall be controlled to ensure that only properly authorized personnel receive reports or other output.

2. Prior to distribution, outputs shall be checked for such things as completeness, agreement of control totals, and appropriateness of the number of copies.

3. If feasible, a cross-check with output from related programs shall be done.

4. The user group or area responsible for the function related to the output shall perform simple error detection and control procedures (e.g. visual scans, tests against independently maintained control totals, comparison with approximations or physical counts) before relying on the output.

F. Verifying File Data

1. Since data quality can deteriorate over time the accounting system shall provide maintenance procedures to ensure the continuing quality of files.

2. Depending on what the application and record type are, file reviews shall be performed by the users or other personnel who would be most effective in detecting discrepancies.

3. The need for periodic special reviews to verify file data shall be reduced where input controls are effective and when the examination of reports routinely produced by the system can be relied upon to serve this purpose.

4. Component management shall determine the frequency and extent of file quality reviews with due regard to the risks and costs involved. Similar review procedures shall be considered for satellite files (stored tables) used by application programs.

G. Reviews and Evaluations of the System in Operation

1. Periodic reviews and tests of the accounting system shall be performed to ensure that the system and its controls and security features continue to meet user needs, perform as intended, and conform with applicable accounting standards.

2. In certifying compliance with prescribed accounting principles, standards and related requirements as required by the Federal Managers' Financial Integrity Act, transaction testing of the system in operation shall be performed.

3. Transaction testing shall be done on the critical aspects of the system and results are documented.

4. Tests shall be designed to disclose whether valid transaction are processed properly and whether the system rejects invalid transactions.

5. The tests shall cover the entire flow of transactions from initial authorization through processing, posting to the accounts, and reporting.

6. In developing test plans, consideration shall be given to the results of any prior system testing.

7. When the system involves manual operations, interview and observation techniques shall be performed because of the higher risk that prescribed accounting procedures or control techniques are not consistently followed or that the results of processing test transactions are not representative.

8. System evaluation policies shall provide for more comprehensive evaluation on a cyclical basis. For example, independent and fairly detailed reviews of the entire system or of a major portion of the system might be made every third year, with personnel who operate the system performing less comprehensive reviews in the interim.

9. More than one of the

following testing techniques shall be used to test all key aspects of an accounting system:

- a. Interviewing persons who operate the system.
- b. Observing operating procedures.
- c. Examining system documentation.
- d. Independently verifying data integrity by use of generalized audit software.
- e. Verifying that the computer-based system correctly processes (or rejects) both valid and invalid transactions by using actual or simulated transactions.
- f. Reviewing process and error reports and evaluating error follow-up procedures.
- g. Comparing data from related reports and records.

10. Accounting System managers shall:

- a. Promptly evaluate findings and recommendations made by auditors and others reviewing accounting systems.
- b. Determine proper actions in response to findings and recommendations.
- c. Complete, within established time frames, all actions to correct or resolve findings and recommendations.

H. Financial Reporting

1. Financial reports shall provide information users need, be easy to understand, be accurately and promptly prepared on a consistent and comparable basis, fairly present information and relevant disclosure data, and include the effect of all and

only transactions of the period being reported upon.

2. Financial reports shall comply with restrictions on information classified for security purposes.

3. Internal and external reports shall be prepared from the same source data (the underlying accounting records or data base) and shall be in agreement.

4. Reporting periods may vary between systems; therefore, reconciliation is required between systems.

5. Except when estimates are clearly appropriate, information included in external reports required by the Treasury and OMB shall be from the general ledger or accounts under general ledger control.

6. Interagency, intra-agency, and interfund transactions shall be separately identified in records and statements so they can be properly treated in preparing consolidated reports.

7. Financial statements shall be prepared based on the entity's systematic accounting process covering the total operations of the reporting entity.

I. Accuracy

1. All financial data presented in reports shall be accurate.

2. Reasonable estimates shall be clearly identified in reports and statements when precise measurements are impractical, uneconomical, unnecessary or would cause delay in report issuance.

3. If financial data or reports are based on sources other than the official accounting system, their basis shall be clearly explained.

4. The component's financial reports shall include full and adequate disclosure

of financial and accounting information, including:

a. Disclosure of related party transactions.

b. Liability for employer benefit plan.

c. Department of the Treasury specific reporting requirements.

5. Automated and manual controls built into the system shall ensure the accuracy of financial data collected, processed, and reported. In addition, when reports are manually prepared, they shall result directly from financial data coming from the system and shall be prepared by designated individuals knowledgeable of the reporting requirements, and reviewed and approved by supervisory personnel.

J. Usefulness

1. Internal reports, including reports presented on terminal screen displays, shall be designed and produced to meet users' needs.

2. Recurring internal financial reports shall be based on explicit statements of financial information requirements for each user organizational unit.

3. Information needed by users shall be identified when designing the system.

4. Reports and user satisfaction with the level of detail, frequency, and report distribution shall be verified periodically.

5. Written policies and procedures shall be developed for initiating and approving requests for financial information and for changes to report formats.

6. The accounting system ad hoc reporting or query capabilities, as well as

agency procedures for using these capabilities, shall be readily available to system users.

7. All internal reporting policies and practices shall be reviewed periodically to determine their continued usefulness and whether they represent organizational and program changes.

8. The responsibility for keeping current on changing requirements of external reports shall be assigned to a particular individual or group.

9. Reports shall be designed to highlight major problems, exceptions, or trends and to facilitate the monitoring and evaluation of operations.

10. Reports produced by the accounting system shall compare current and prior-period performance, and planned performance with actual performance in a variety of ways, including on a cash, accrual, or obligation-basis.

11. Reports shall be designed so they can:

a. Signal when controls over funds or other resources have broken down.

b. Alert managers when operations are deviating from financial plans.

c. Provide the financial data needed to analyze and predict the financial consequences of alternative course of action.

12. Accounting system reports, combined with other management information, shall provide managers with a wide range of useful reports that contrast anticipated work units and their anticipated costs with actual work units and actual incurred costs.

13. Data shall be saved as appropriate for historical as well as for reconstruction of data files.

K. Timeliness

1. Reports shall be promptly produced to be of maximum use to management and to meet external requirements.

2. When timeliness is particularly critical, reporting needs shall be met by providing the capability to query the system's data base or by ad hoc report generation capabilities.

3. Systems shall have back-up and recovery provisions to help ensure timely report generation in cases of processing interruption or emergency situations.

4. The Component shall develop and maintain reporting schedules and due dates.

5. Responsibility for report distribution shall be assigned to one individual or group.

6. A control list of reports produced, their due dates, and authorized recipients shall be maintained and checked off as reports are issued.

7. Approved cut off dates shall be established for data input for produced reports and this shall be communicated throughout the Component.

8. Financial reports shall be issued periodically according to the accounting period and as needed.

L. Consistency

1. Financial management data shall be recorded and reported in the same manner throughout the Component using standard accounting and budget definitions and classifications.

2. Financial data reported shall be derived from general ledger accounts that are maintained on a consistent basis from period to period.

3. Any material changes in

accounting policies or methods and their effects shall be clearly explained in the reports.

M. Operation, Maintenance, and Evaluation

1. Management shall monitor an operating accounting system's life cycle to ensure that the system's stability is maintained because of changes in hardware and software.

2. Successful application of management policies and procedures for controlling changes in system software and hardware and improved compilers, and the proper training of new employees shall operate to protect against communication problems, data entry failures, and user negligence.

3. Well-defined organizational responsibilities and strict adherence to procedures and controls governing the processing of changes to the system, such as system maintenance, shall operate to ensure stability of the system in operation.

4. All system changes shall be properly authorized in writing and such authorizations shall be maintained with the system documentation.

5. The separation of duties required for control purposes shall include to the extent practical the following:

a. Computer operations group: Has responsibility to deliver to users products generated by the application systems, to assess problems, and to act as a liaison between users and the maintenance support group in resolving problems.

b. Maintenance support group: Has responsibility to accomplish and document changes or enhancements to meet user needs or to correct program errors detected within the group.

(1) Care shall be used, through use of formally approved and documented system change control procedures,

to protect against fraudulent or otherwise unauthorized changes to previously tested and accepted application systems and data bases.

(2) C o n t r o l procedures shall require proper analysis of requested changes.

(3) After the analysis is completed and documented, user and/or ADP management shall approve the changes before modifications are made.

(4) Within the maintenance support group, not all programmers shall have access to all application software.

(5) After any changes are made, the maintenance support group shall conduct appropriate tests and reruns of the application software to ensure that procedures and controls are working as intended.

c. User groups: Are responsible for ensuring, to the extent practicable, the integrity of data input, processing, and output. This responsibility includes making sure that internal controls and operating procedures are properly implemented, training and operating manuals are provided to appropriate personnel, operations are continually evaluated against the design requirements, problems are promptly communicated, and errors are promptly resolved. In addition, key duties in authorizing, processing, recording, and reviewing transactions shall be separated among individuals.

N. System Documentation

1. The system documentation shall be complete, current, and maintainable.

2. The documentation shall be of sufficient scope and depth to provide management, users, auditors, and system operation, maintenance, and modification personnel with an understanding of the design and operation of each component in the system and its integration with and relation to all other

components.

3. Documentation of the operating system shall be appropriately safeguarded and periodically updated so that it always shows actual operations.

4. System documentation shall include the requirements specified in chapter 2 of Volume 1 of this regulation.

5. Internal control objectives and techniques, pertinent aspects of transactions, and other significant events shall be documented.

a. Internal control objectives shall be logical, applicable, and complete.

b. Internal control techniques shall be effective and efficient in accomplishing the applicable objectives.

6. System documentation shall be available and easily accessible for examination.

O. Personnel

1. Accounting operations shall receive high priority by ensuring that each AO is supervised by a qualified, professional accountant.

2. Accountants shall be aware of, and adhere to, all prescribed accounting principles, standards, and related requirements.

3. All personnel in the operating AO shall receive adequate training to efficiently and economically accomplish their assigned responsibilities.

CHAPTER 10

MISCELLANEOUS

1001 INTERNATIONAL BALANCE OF PAYMENTS (IBOP) PROGRAM. All nonappropriated fund instrumentalities (NAFIs) are subject to the International Balance of Payments (IBOP) requirements in DoD Directive 7060.1 and DoD Instruction 7060.2. Those requirements will be eventually incorporated into Volume 3 of this regulation. Until then, NAF accounting offices should follow the requirements in the appropriate appendix.

1002 AUDITS

100201 Policy. It is DoD policy to provide adequate audit coverage of NAFIs. The primary objectives of such audits shall be to determine whether internal control systems are adequate, resources are safeguarded and managed economically and efficiently, and desired program results are achieved. Particular attention should be placed on identifying potential fraud, waste, or abuse in operations. To the extent possible, audits should be conducted on a system or functional basis, rather than on an activity basis, and the reliability and accuracy of ADP systems should be verified. The results of such system or functional audits should be made available to the NAFI community in the form of reports and/or internal control checklists. Department of Defense personnel, rather than certified public accounting firms, should be used for audits involving potential fraud or other serious improprieties.

100202 Scheduled Audits. Activities will normally be audited annually or as directed by the DoD Component heads. Audits may also be scheduled whenever circumstances warrant or directives require them. Policies regarding the audit of nonappropriated funds and related activities are prescribed in DoD Instruction 7600.6.

1003 C A S H M E T H O D O F ACCOUNTING

100301 General. This section prescribes a uniform cash method of accounting and reporting system applicable to small NAFIs. These procedures represent a single entry cash basis system of accounting and prescribe statements which will reflect the financial condition of the various activities on a standardized basis.

100302 Scope. NAFIs are required to use the accrual method of accounting unless specifically authorized by the DoD Components to use the cash method of accounting.

100303 Definitions. For the purpose of this section, the following definitions apply.

A. Income - All cash receipts.

B. Expenditures - Cash spent for authorized transactions.

C. Net Worth - The total of the fund at a given date, i.e., cash in bank, cash on hand, petty cash, and other authorized investments.

D. Non-expendable Property - Property which ordinarily retains its original identity during use, has a unit acquisition value of \$1,000 or more; and a life expectancy of two years or more. (Examples: furniture, pool table, television.)

E. Expendable Property - Property which has a unit value of less than \$1,000 and/or supplies and materials which are immediately consumed in use or become incorporated in other property, thus losing their separate identities. (Examples: Radio and TV tubes, baseballs, food and equipment valued below \$1,000.)

F. Cash Basis of Accounting - That system where only those transactions involving cash are recorded in the books of account.

100307 Petty Cash. A petty cash fund may be established when authorized by the installation commander. See paragraph 030201.

100308 Property and Equipment. Any property or equipment that is purchased with non-appropriated funds will be expensed at the time of purchase. Two types of property/equipment can be purchased, nonexpendable and expendable. However, for control purposes, only nonexpendable items need be accounted for on a property equipment inventory record unless otherwise directed.

100309 Non-Expendable Property Inventory. An annual physical inventory will be required of all non-expendable property owned. Quantities counted must be reconciled with quantities which appear on the stock records and the dollar value listed on the property/equipment inventory records. Discrepancies between the physical inventory and the property records will be investigated and reported to NAFI management on a timely manner. Adjustments will not be made until approved by the installation commander or a designated individual.

100310 Reporting Requirements. Activities will be advised of the applicable reports and reporting requirements by their program manager.

APPENDIX A**ACCOUNTING PROCEDURES FOR ARMY NONAPPROPRIATED FUND INSTRUMENTALITIES**

This appendix of the DoD Financial Management Regulation is for use by all nonappropriated fund accounting offices which use systems developed by the Department of Army. The appendix contains policies and procedures specific to those systems. The accounting policies and procedures contained in this appendix were formerly published in AR 215-5, that document is now obsolete. General or non-system specific policies and procedures are included in the core regulation and have been excluded from this appendix. For example, the requirement that nonappropriated fund instrumentalities (NAFIs) conform to generally accepted accounting principles is not system specific and applies to all DoD NAFIs. Therefore, it is included in the core regulation and excluded from this appendix.

This appendix supersedes all previously published policies and procedures. Therefore, in the event of conflicting instructions, the policies and procedures in the regulation itself should be followed.

CHAPTER 1

GENERAL INFORMATION

A0101 PURPOSE. This appendix prescribes a uniform system of accounting for Army NAFIs that is like a commercial system. It has standard financial statement formats to allow the operating results of NAFIs to be compared with each other and can be adapted to all NAFIs authorized by AR 215-1. This appendix applies to both manual and automated NAF accounting systems. The Nonappropriated Fund Information Standard System (NAFISS) is the only automated system authorized for Army NAF accounting outside USAREUR. NAFISS consists of seven subsystems: Mutual Data (MD), General Ledger (GL), Accounts Payable (AP), Accounts Receivable (AR), Inventory/ Stock Record (SR), Fixed Assets (FA), and Budget (BG). The MD, GL, AP, FA, and BG subsystems are mandatory for using NAFISS. The AR and SR subsystems are optional. MicroCADs is the standard NAF accounting system for USAREUR and consist of the following subsystems: General Ledger, Accounts Receivable, Accounts Payable, Fixed Assets, and Budget. All subsystems in MicroCADs are mandatory.

A0102 REFERENCES. Required and related publications and prescribed and referenced forms are listed in Attachment 1.

A0103 RESPONSIBILITIES.

A010301 Installation Commanders. Installation commanders will:

A. Fulfill the responsibilities required in A0201.

B. Make sure that adequate internal controls are set up to preserve the integrity of each fund.

C. Determine disposition of assets of dissolved CAOs (per A0207).

D. Appoint an official as point of contact between fund managers and the

servicing CAO when there is no local finance and accounting officer.

A010302 Defense Accounting Office. The Defense Accounting Office (DAO) will be responsible for control of the CAO except the consolidated CAO at Red River Army Depot.

A010303 Central Accounting Office. The central accounting office will do the accounting and supply those services needed to support its serviced NAFIs (see A0204).

A010304 As the representative of both the command and the DAO, the central accounting officer will perform those functions listed in A020201

A010305 Fund Managers. Fund managers of serviced NAFIs will:

A. Administer their own funds, except for formal accounting and reporting functions. They may consult with the CAO in interpreting their financial statements; however, fund managers will be solely responsible for actions taken based on interpretation of financial data supplied by the CAO.

B. Provide the CAO with the value of each month's ending inventory and conduct physical inventories as required.

C. Requisition purchases of merchandise and supplies.

D. Approve the establishment of change funds and petty cash funds. (See A040109 and A040111.)

CHAPTER 2

THE CENTRAL ACCOUNTING OFFICEA0201 ESTABLISHMENT OF A CENTRAL ACCOUNTING OFFICE.

A020101 Central Accounting Office. Each installation, community, or region will have a central accounting office (CAO) to do the accounting for all of its NAFIs. The CAO will give timely, standard accounting and reporting services. The CAO will service each NAFI unless an exception to policy is granted.

A020102 Organization and Funding. The CAO will be set up as a division of the DAO and funded and accounted for as part of the DAO except the consolidated CAO at Red River Army Depot. This CAO is a division of the NAF Directorate, DFAS-IN.

A020103 Services Provided. The CAO provides services that are normally provided by a commercial accounting office.

A020104 DAO. The DAO or designee will appoint a central accounting officer to account for the funds of the serviced activities and for funds entrusted to the CAO. The central accounting officer may be-

A. A GS-510 accountant paid from appropriated funds (APF).

B. A commissioned or warrant officer.

C. A NAF-510 NAF accountant.

A020105 Appropriated Fund Support.

A. Authorized APF Support. Appropriated fund support in addition to the salary of the central accounting officer is authorized under AR 215-1. The support can only be provided in the form of appropriated fund employees, appropriated funded supplies and materials, or through a contract issued by the appropriated fund procurement office. Allowable appropriated fund support is

calculated as follows: Total NAF CAO costs (excluding the central accounting officer position and NAF data automation costs), APF support-40%, NAF support-60%. If the CAO has GS employees other than the central accounting officer, 60% of the value of these GS salaries must be subtracted from the total allowable support. The 60% will be prorated among all NAFIs based on how total CAO costs are prorated, if they are prorated. APF support may be given to the extent funds and appropriated-fund civilian or military positions are available for positions specifically authorized.

B. ADP Cost. The CAO is authorized appropriated fund support for 65 percent of the CAO Automated Data Processing (ADP) cost. Refer to AR 215-1, app C, for details.

A020106 Additional 510-Series Accountants. If the total staff of the CAO is five or more, additional 510-series accountants will be needed to assist the central accounting officer. If the CAO services up to 149 departments, at least one more accountant is needed. At least one more 510-series accountant is needed when 150 to 224 departments are serviced. For each added increment of 75 departments (or fraction thereof), at least one more 510-series accountant is needed. A "department" in this formula is defined as the lowest level of accountability within a NAFI for which a separate income statement is produced. (This does not include unit funds.) The complexity of the serviced NAFI operations should be considered when applying this formula. APF positions for additional accountants will be established when the duties and responsibilities are authorized APF support by AR 215-1. Otherwise the positions will be staffed with NAF personnel. The extra accountants should occupy the following positions in the CAO:

A. First accountant-Assistant Central Accounting Officer.

B. Second accountant-Chief, Accounting and Control Branch.

C. Other accountants-Accounting and Control Branch Accountants or Chief, Pay and Examination Branch or Disbursing Branch.

A020107 Emergency Checking Account. When the installation is served by the consolidated CAO, an emergency checking account may be set up for an installation by the CAO. The disbursing agent should be the DAO. If there is no DAO, the installation commander may appoint a disbursing agent. The emergency checking account (GLAC 113) will be set up with a CAO check. (See A040108 for account restrictions.)

A0202 C A O A N D N A F I ADMINISTRATION In the general administration of CAOs and NAFIs, responsibilities involve specific tasks. Later chapters further detail such procedures for various types of funds. The basic administrative tasks are outlined below-

A020201 Central Accounting Officer Duties. The central accounting officer will:

A. Sign checks in payment of valid obligations of serviced funds after verifying bank account balances are sufficient for payment. The CAO can delegate check signing authority to an alternate.

B. On request from the NAFI and/or program manager, perform budget variance analysis and provide results to fund managers.

C. Prepare reports related to or included with the financial statements, coordinating data with fund and/or program managers.

D. Develop a fair method for prorating the CAO operating cost to serviced NAFIs.

E. Submit all requests for fund equity adjustments through command channels

to DFAS-HQ-A for approval. Also insure financial statements are footnoted to show any approved adjustments.

F. Ensure all routine interfund transfers and authorized debts between funds are liquidated within 30 days of the transactions unless interfund transfers including loans of more than 30 days are authorized by AR 215-1.

G. Evaluate change fund and petty cash fund balances not less than once a year to determine if amounts appear to be either excessive or inadequate and advise fund managers to authorize increases or decreases in balances as appropriate.

H. Meet with NAFI management at least monthly to discuss the financial reports and/or to give technical advice when the CAO is located on the installation served.

I. Prepare the CAO annual budget to include providing accounting and other costs data for inclusion in the appropriated fund budgets.

J. Direct day-to-day operations of the CAO. This is usually carried out through subordinate accountants, accounting technicians, and clerical personnel.

K. Advise subordinates on classification of transactions.

L. Plan and schedule accounting operations and computer processing.

M. Prepare requests to higher headquarters to change accounting policy or systems.

N. Advise the NAFI fund and/or program managers on the financial aspects of operations on their request.

O. Perform the following personnel management functions as a supervisor:

1. Schedule and approve leave.

2. Establish performance standards and appraise actual performance.

3. Counsel subordinates.

4. Initiate proposals for disciplinary action, as required.

5. Maintain production records.

6. Review position descriptions of subordinates for currency and accuracy.

7. Initiate or participate in the review and improvement of work methods and internal organization structure to achieve optimum results.

P. Ensure the CAO and serviced NAFIs comply with DFAS accounting policies and procedures and apply generally accepted accounting principles on a consistent basis.

Q. Perform a financial analysis of each activity's financial statement using tools and techniques discussed in chapter 11. The results of the financial analysis should be incorporated into a written narrative analysis and included with the financial statements once each quarter. However, management analysis is the responsibility of the NAFI manager. (See AR 215-1).

R. Ensure accounting functions are performed efficiently and at the lowest cost to serviced NAFIs.

S. Make disbursements only as permitted in chapter 5.

T. When notified of a change of NAFI managers, request that-

1. Reconciliations of all assets, inventories, and liabilities are prepared, reviewed by both the outgoing and incoming NAFI managers. Both NAFI managers will verify the validity of the reconciliations and the financial statements. (See Figure 2-1)

2. Notification of the transfer be sent to all banks, security dealers and/or investment companies, insurance companies, and payroll offices as deemed appropriate.

3. Incoming and outgoing NAFI managers each receive a copy of the certification of fund transfer, the related financial statements, and all recommendations and command responses.

4. Transfer of accountability is performed at end of month if possible. If performed during the month, prior month financial statements will be used for the transfer.

A020202 Duties of CAO Personnel.
Central accounting office personnel will:

A. Maintain all books of original entry (journals and registers), the general ledger, and related subsidiary ledgers.

B. Maintain fixed asset records.

C. Prepare all disbursement vouchers and checks after assuring availability of funds. (This includes payrolls and paychecks, if the CAO is not serviced by the Central NAF Payroll Office (CNPO).)

D. If not serviced by the CNPO, maintain individual earnings records and issue IRS Forms W-2 for employees of the CAO and serviced NAFIs; combine payroll data received from funds with CAO employee data; and prepare, summarize, and post to proper records the payroll for all employees. (Only one Federal employer's ID number will be used for all personnel paid by the CAO.) If serviced by the CNPO, the CAO serves as the point of contact between the NAFIs and the CNPO. (Installations without a CAO will designate, in writing, to all NAFI managers and the CNPO, the point of contact for the installation.) The CAO posts payroll costs to CAO and NAFI records, whether serviced by the CNPO or not.

E. Prepare required periodic financial reports (The CAO gives the fund

manager ratios and percentages and narrative analysis thereof. The CAO also gives variances in relation to established standards or approved budget goals upon request).

F. Prepare other information when required by management or higher authority. The CAO may provide technical advice, but will not prepare other NAFI budgets.

G. Prepare financial reports for all serviced funds and send them to NAFI managers for review. The deadline for completion of these statements is 6 workdays after the CAO receives the months' final documents from NAFI management. For the consolidated CAO at Red River Army Depot, the deadline is 8 workdays after receipt of the final documents. A major departure in NAFI performance from the previous periods should be discussed with the NAFI managers prior to report distribution.

H. Prepare an annual operating budget for the CAO and a schedule that shows the estimated amounts to be assessed each serviced NAFI. The CAO also prepares comparative financial statements of the CAO operations. The CAO analyzes costs in relation to prior year costs and projected (budgetary) costs.

I. Reconcile the bank accounts of serviced NAFIs monthly. Review daily account balances shown on monthly bank statements to ensure that insurance and collateral are sufficient.

J. Compute the cost of operating the CAO for each NAFI and collect monies due.

K. Maintain DA Forms 1991 (Stock Record Cards), when NAFI management determines it is feasible and cost effective.

L. Arrange for an independent inventory observer to observe the required fixed and resalable merchandise inventories. The consolidated CAO at Red River will request that the installation NAFI management arrange the inventory for those NAFIs it serves.

M. Perform monthly reconciliation of unpaid Government liabilities with corresponding records of receivables from installation NAFIs on the books of the DAO Accounting Division.

N. Review transmittal letters and attached documents for completeness and accuracy. Review daily activity reports to ensure accuracy and receipt of proper supporting documentation.

O. Obtain daily cash deposit data from the local depository bank and makes fund transfers to the central bank. CAOs may use alternative methods to determine deposit data and account balances available for transfer to the central bank. When the accounting is not performed on the installation, the CAO may delegate the function, in writing, to NAFI personnel on site.

P. Notify NAFI managers of missing or delayed fund deposit documentation.

Q. Review and analyze banking charges annually to determine if services are needed and charges are reasonable. Request the assistance of the NAFI Financial Management Division and provide review results to the NAFI manager for appropriate action.

R. Prepare reports concerning local bank deposits per AR 215-1.

A020203 NAFI Manager Tasks. NAFI managers-

A. Make bank transfers of funds when authorized in writing by the CAO to do so. NAFI managers do not sign checks.

B. Collect monies and make bank deposits, and furnish the CAO with all required documentation of cash receipts and deposits. (See chap 4 for requirements.)

C. Take month-end physical resale merchandise inventories and send documents to the CAO within 2 working days, to arrive by the third work day of the following month.

D. Take action to collect dishonored checks and delinquent accounts receivable.

E. Maintain change funds and ensure that checks are cashed only for members or other authorized persons.

F. Ensure invoices mailed by vendors are sent directly to the CAO, except invoices for NAF insurance programs described in AR 215-1.

G. Furnish the CAO with minutes of council meetings, where a council exists. They furnish approved budget and other information to the CAO, as required, for accounting and reporting purposes.

H. Maintain petty cash funds and ensure vouchers are prepared to support all disbursements from such funds. Petty cash must be replenished at the end of each month. Negative submissions are required.

I. Submit a formal written request for any cash advance, including for travel and tour events, to the CAO. (This request will show the amount of the advance. It will include an agreed-upon time period (e.g., 24, 72 hrs) for submission of proper receipts and documents.)

J. Send daily activity reports, purchase orders, receiving reports, delivery tickets, and other required supporting documents to the CAO. Sequentially numbered daily transmittal letters will be used. All documents will be sent within 2 working days of receipt or issue. The CAO must receive the documents by the third work day after receipt or issue. The consolidated CAO at Red River Army Depot will receive these documents by the fifth work day after receipt or issue.

A0203 DOCUMENT CONTROL.

A020301 Source Documents. NAFIs will send all source documents to the CAO within two working days after receipt or issue but the CAOs must receive them by the third work day after receipt or issue. The consolidated CAO at Red River Army Depot must receive

documents by the fifth work day after receipt or issue. CAOs will date-stamp all documents to track those that were received late.

A020302 Electronic Media. If electronic media is used to transmit DARs to the CAO, original documents do not have to be sent to the CAO unless the CAO ask for the documents. However, the original documents must be kept on file for three years after close of the fiscal year.

A0204 ACCOUNTING POLICY FOR A CAO. Total CAO operating costs will be prorated to serviced funds based on percentage of workload for each fund. The expense and liability will be recorded on the serviced funds' books at the end of each month and receivables and income will be recorded on the CAO's books. The CAO will not charge itself for maintaining accounting records. The portion to be charged to each serviced fund will be based on the number of documents processed for that fund, relative time spent on that fund, or by another equitable proration method. Volume of sales and number of personnel employed by a fund are not considered workload factors for this purpose. Costs that can be directly traced to a particular fund will be charged to that fund.

A0205 FINANCIAL STATEMENTS AND SCHEDULES OF OPERATING EXPENSES. CAOs will prepare an income statement each month. The statement will--

A020501 Summarize the results of financial operations and financial condition of the CAO, to aid CAO management in the control and planning functions.

A020502 Provide each serviced NAFI with a detailed statement of the total operating expenses allocated to the NAFIs.

A020503 Serve as a document to support the reimbursement to the CAO from serviced NAFIs.

A0206 CAO COST PERCENTAGE. The CAO cost percentage measures NAF CAO expenses as a percentage of the total revenue of

serviced NAFIs. The CAO cost percentage is heavily influenced by the work environment. Some of the factors affecting it are labor costs, changes in NAFI revenue, and the complexity of the serviced NAFIs. The CAO cost percentage is an important indicator, but it doesn't measure quality of CAO services. The DFAS-established CAO gross cost goal is not to exceed 2.0% of total NAFI revenue. Gross CAO costs include all NAF expenses including the salary and benefits of Central Accounting Officers paid from NAF.

A0207 DISSOLVING A CAO. A CAO will be dissolved when the installation is inactivated or abandoned or the NAF entities can be more effectively serviced by a CAO at another installation. Approval to dissolve a CAO must be requested from DFAS-IN-AN. When a CAO is dissolved, all NAF purchased assets will be transferred to the Consolidated DFAS NAF CAO at net book value. APF purchased assets will be transferred to the local DAO.

CHAPTER 3

THE NAF ACCOUNTING CLASSIFICATION CODE SYSTEMA0301 SCOPE OF THE SYSTEM

A030101 Uniform System. A uniform system for coding transactions has been developed to insure consistency in financial management procedures as well as flexibility in application to either manual or mechanized accounting records in the NAF area.

A030102 Accounting Classification Code. The NAF accounting classification code is a 12-position code. This code shows the major command, the installation, the NAFI, the program code, the location, the department, and the general ledger account related to the transaction. It is made up of six parts, in the following order:

- A. A two-position Command and Installation code.
- B. A one-position NAFI code.
- C. A two-position program code.
- D. A two-position location code.
- E. A two-position department code.
- F. A three-digit general ledger account code (GLAC).

A030103 Master Chart of Accounts. This chapter has the master chart of accounts to be used by commands having the following types of NAFIs: resale and revenue-producing; military general welfare and recreation; supplemental mission services; and civilian employees general welfare and recreation. Each NAFI should select those accounts applicable to its operations. Requests for additions to the chart of accounts should be submitted through command channels to DFAS-HQ-A.

A0302 MAJOR COMMAND AND INSTALLATION CODE. This two-position

alphabetic code shows the command and installation, military community, or other area within the command. AR 215-1 lists the standard codes.

A0303 NAFI CODE. This one-position code shows the NAFI. AR 215-1 lists the NAFI codes.

A0304 PROGRAM CODES. The program code is a two-position code that immediately follows the NAFI code. (For NAFISS input, use ""00" instead of the program code. See the NAFISS user's manuals for the detailed instructions). Program codes show the various business activities within a NAFI. AR 215-1 lists Standard program codes.

A0305 LOCATION CODES. The location code is a two-position code that immediately follows the program code. Facilities/annexes within a program code will be named by a unique location code. The location codes are assigned locally.

A0306 DEPARTMENT CODES. The department code is a two-position code that immediately follows the location code. This code shows the activities of a NAFI for which income and expenses are recorded and reported on the NAFI Income Statement and links the income or expense transactions to the proper department. Department codes are restricted for use. Requests for additional department codes will be sent to the proponent for AR 215-1 for approval. An information copy of the request will be sent to DFAS-IN. AR 215-1 lists standard department codes.

A0307 GLACs. The GLAC is a three digit numeric code that immediately follows the department code. The GLAC shows the general ledger account. The GLACs are listed below in numerical sequence. For their descriptions, see Attachment 2 in this appendix.

Current Assets**Cash**

101-US Cash.
102-Foreign Currency Cash.
103-US Payroll Cash.
104-Foreign Currency Payroll Cash.
105-Cash Change Fund.
106-Foreign Currency Conversion Fund.
107-US Petty Cash.
108-Foreign Currency Petty Cash.
109-Bingo Petty Cash.
110-Commercial Credit Card Compensating Balance.
111-Local Bank Compensating Balance.
112-Foreign Currency Change Fund.
113-Emergency Local Checking.

Investments

115-NAF Centralized Investment Program.
116-Savings Account.
117-Marketable Securities.

Receivables

119-Advance Receivable.
120-ARM Income Receivable.
121-Member Receivables.
123-Concessionaire Receivables.
124-Returned Checks Receivable.
125-AAFES Receivable.
126-Loans Receivable.
127-Claims Receivable.
128-Deposits Receivable.
129-Guest Ledger Receivables.
130-Accrued Interest Receivable.
131-Grants Receivable.
132-Dividends Receivable.
133-Reserve Component Dividends Receivable.
134-Allowance for Doubtful Accounts.
135-Inter NAFI Receivables-Inside MACOM.
136-Inter NAFI Receivables-Outside MACOM.
138-Layaway Receivables.
139-Commercial Credit Card Receivable.
140-Miscellaneous Other Receivables.

Inventories

141-Warehouse/Storeroom Inventory.
142-Sales Outlet Merchandise Inventory.
143-Inventory In Transit.
144-Work in Progress Inventory.

Prepaid Expenses

151-Prepaid Supplies and Equipment.
152-Prepaid Taxes and Licenses.
153-Prepaid Insurance.
154-Prepaid Maintenance and Repair.
155-Prepaid Tableware, Kitchenware, Linens, and Uniforms.
156-Prepaid Bingo Prizes.
157-Prepaid Rent.
159-Prepaid Items In Transit.
160-Miscellaneous Other Prepaid Expenses.

Fixed Assets

161-Buildings.
162-Accumulated Depreciation-Buildings.
163-Furniture, Fixtures, and Equipment.
164-Accumulated Depreciation-Furniture, Fixtures, and Equipment.
165-Vehicles, Aircraft, and Boats.
166-Accumulated Depreciation-Vehicles, Aircraft, and Boats.
167-Breeding Livestock.
168-Accumulated Depreciation-Breeding Livestock.
169-Building Improvements.
170-Accumulated Depreciation-Building Improvements.
171-Land Improvements.
172-Accumulated Depreciation-Land Improvements.
175-Government Titled Buildings and Improvements.
176-Accumulated Depr-Government Titled Buildings and Improvements.
177-Other Government Titled Fixed Assets.
178-Accumulated Depreciation-Other Government Titled Fixed Assets.
179-Building and Improvement Construction Costs.
180-Fixed Assets In Transit.

Other Assets

185-Long-term Loans Receivable.
186-Artifacts.
187-Fixed Assets Sinking Fund.
188-Employee Separation Allowance Sinking Fund.
189-ARM Trust Allocation.
190-Transient Lodging Sinking Fund.
193-Central Accounting Office Loan Receivable.
195-Payroll Deposit Receivable.
196-Construction Advances.

199-Miscellaneous Other Assets.

Current Liabilities**Payables**

201-Accounts Payable.
202-Deposits Payable.
203-Loans Payable.
204-Installment Contracts Payable.
205-Grants Payable.
206-Dividends Payable.
207-Reserve Component Dividends Payable.
208-Vending Machine Revenue Sharing Payable.
209-Unclaimed Wages Payable.
210-Federal Withholding Taxes Payable.
211-State Withholding Taxes Payable.
212-Local Withholding Taxes Payable.
213-FICA Taxes Payable.
214-Employee Group Health and Life Insurance Premiums Payable.
215-Employee Group Retirement Insurance Premiums Payable.
216-Employee Supplemental Insurance Premiums Payable.
217-Employee Delinquent Tax Levy Withholdings Payable.
218-Employee Savings Bond Deductions Payable.
219-Employee Charitable Deductions Payable.
220-Employee Savings Allotment Deductions Payable.
221-Employee Union Dues Deductions Payable.
222-Employee Meals Deductions Payable.
224-Foreign Withholding Taxes Payable.
225-Foreign Unemployment Insurance Taxes Payable.
226-Foreign Medical Insurance Taxes Payable.
227-Foreign Welfare and Pension Taxes Payable.
228-Manual Pay Reimbursements Payable.
229-401k Deductions Payable.
230-Tips Payable.
231-Inter NAFI Payables-Within MACOM.
232-Inter NAFI Payables-Outside MACOM.
233-US Unemployment Insurance Payable.
234-ARM Distribution Payable.
235-Demand Deposits Payable.
236-Claims Payable.
237-Construction Contracts Payable.
238-Billeting Fund Surcharge Payable.
239-Thrift Savings Plan Deductions Payable.

240-Miscellaneous Other Payables.

Accruals

241-Interest Payable.
242-Salaries and Wages Payable.
243-Annual Leave Payable.
244-Payroll Taxes Payable.
245-Employee Bonuses Payable.
246-Other Employee Benefits Payable.
247-US Employee Compensatory Time Payable.
248-Foreign National Employee Compensatory Time Payable.
250-Bingo Cash Jackpot Payable.
251-Bingo Merchandise Jackpot Payable.
256-Audit Expense Payable.
257-Maintenance Expense Payable.
260-Miscellaneous Other Accruals.

Unearned income

261-Special Event Advance Ticket Sales.
262-Dues and Assessments Advance Payments.
263-Advance Payments on Account.
267-Miscellaneous Other Unearned Income.

Long-term Liabilities

268-Long-term Loans Payable.
270-US Employee Allowances Payable.
271-Foreign National Employee Allowances Payable.
272-Reserve For Claims.
275-Miscellaneous Other Long-term Liabilities.
289-Location Clearing Account.

Equity

291-Contributed Capital.
292-Retained Earnings.

Sales

301-Cash Sales.
302-Credit Sales.
303-Layaway Sales.
304-Sales Returns and Allowances.
305-Customer Discounts.
306-Employee Discounts.

Cost of Goods Sold

401-Purchases.
402-Warehouse/Storeroom Requisitions.
403-Transfers from Other Funds.
404-Transfers from Other Locations

Departments.

- 411-Purchase Returns and Allowances.
- 412-Warehouse/Storeroom Issues.
- 413-Transfers To Other Funds.
- 414-Transfers to Other Locations/Departments.
- 416-Other Inventory Reductions.
- 432-Cost of Goods Sold, Inventory Overages.
- 452-Cost of Goods Sold, Promotions Expense.
- 453-Cost of Goods Sold, Customer Rejected Goods.
- 454-Cost of Goods Sold, Resale Merchandise SBO.
- 455-Cost of Goods Sold, Warehouse/Storeroom SBO.
- 456-Cost of Goods Sold, Inventory Shortage.

Other Operating Income

- 501-Service/Recreation Activity Income.
- 502-Concessionaire Commission Income.
- 503-Special Events Income.
- 504-Rental and Usage Fees Income.
- 505-TV and Radio Rights Income.
- 506-Program and Brochure Income.
- 507-Guaranteed Participation Income.
- 509-Dues and Assessment Income.
- 511-Cash Overage Income.
- 512-Inventory Overage Income.
- 515-Vendor Reimbursement Income.
- 516-Forfeited Layaway Sales Income.
- 517-Late Charge Assessment Income.
- 518-POV Registration Fee Income.
- 519-Operator License Fee Income.
- 520-Reregistration Fee Income.
- 521-Nonoperational Vehicle Fee Income.
- 522-Weapons Registration Fee Income.
- 523-Returned Check Service Charge Income.
- 524-ARM Profit Distribution.
- 525-ARM Expense Reimbursement.
- 527-Service Charge Income.
- 528-Warehouse Price Variance Income.
- 529-Fishing Income.
- 530-Hunting Income.
- 531-Greens Fee Income.
- 532-Driving Range Income.
- 533-Golf Cart Income.
- 534-Instruction Fee Income.
- 535-Lane Fees Income.
- 536-Shoe Rental Income.
- 537-Local Telephone Income.
- 538-Recyclable Material Income.
- 539-Amusement Machine Income (Non-

Concessionaire).

- 541-Commercial Travel Office Commission Income.
- 542-APF Contract Income.
- 543-USDA Income.
- 545-AAFES Dividend Income.
- 546-Insurance Premium Income.
- 547-Income From Allocation of Expenses.
- 548-Coupon and Special Offer Discounts.
- 549-AAFES Other Income.
- 550-Consignment Income.
- 551-Communications Services Income.
- 553-Commercial Sponsorship Income.
- 554-Food Purchase Rebate.
- 555-Garnishment Processing Revenue.
- 599-Miscellaneous Other Operating Income.

Labor

- 601-Salaries and Wages-US Employees.
- 602-Salaries and Wages-Foreign National Employees.
- 603-Annual Leave-US Employees.
- 604-Annual Leave-Foreign National Employees.
- 605-Sick Leave-US Employees.
- 606-Sick Leave-Foreign National Employees.
- 607-Workers' Compensation Insurance-US Employees.
- 608-Workers' Compensation Insurance-Foreign National Employees.
- 609-Retroactive Wage Increases-US Employees.
- 610-Retroactive Wage Increases-Foreign National Employees.
- 611-Employer's Share of FICA.
- 612-Employer's Share of Employee Group Health and Life Ins Plans.
- 613-Employer's Share of Employee Retirement Plans.
- 614-Foreign Unemployment Insurance Taxes.
- 615-Foreign Medical Insurance Taxes.
- 616-Foreign Welfare and Pension Taxes.
- 617-US Employee Bonuses.
- 618-Foreign National Employee Bonuses.
- 619-Foreign National Employee Separation Pay.
- 620-US Unemployment Insurance Expense.
- 621-US Employee Compensatory Time Expense.
- 622-Foreign National Employee Compensatory Time Expense.
- 623-Home Leave Expense.
- 624-Other Benefits-US Employees.
- 625-Other Benefits-Foreign National

Employees.
626-Employer Share of 401k Expense.
627-Employer Share of TSP Expense.

Other Operating Expenses

651-Manager's Expense.
652-Promotions Expense.
653-Customer Rejected Goods Expense.
654-Resale Merchandise Spoilage, Breakage,
and Obsolescence Expense.
655-Warehouse/Storeroom Spoilage, Breakage,
and Obsolescence Expense.
656-Inventory Shortage Expense.
657-Facilities Maintenance and Repair Expense.
658-Equipment Maintenance and Repair
Expense.
659-Vehicle Maintenance and Repair Expense.
660-Training Expense.
661-Bad Debt Expense.
662-Discount Lost Expense.
663-Bank Service Charge Expense.
664-Vehicle Operating Expense.
665-Printing Expense.
666-Vehicle License Plate Expense.
667-Vehicle Decal Expense.
669-Door Prize and Promotion Expense.
670-Sports Activities Expense.
671-Awards and Trophies Expense.
672-Sports Officials Expense.
673-Recruiting Expense.
674-Scouting Expense.
675-Training Table Expense.
676-Visiting Team Billeting and Meals Expense.
677-Program and Brochure Expense.
678-Volunteer Service Expense.
679-Condolences/Memorials
680-Warehouse Price Variance Expense.
681-Commissions Paid Expense.
682-Civilian Personnel Services Expense.
683-Administrative Support Branch Expense.
684-Central Procurement Office Expense.
685-Central Accounting Office Expense.
686-Contractual Services Expense.
688-Common Service Fund Expense.
689-Payroll Service Expense.
690-Data Processing Expense.
691-CDS/YA Meals and Snack Expense.
692-Training Travel Expense.
693-Claims Expense.
694-Studies and Analysis Expense.
695-Annuity Expense.

696-Grant Expense.
697-Dividend Expense.
698-Vending Machine Income Sharing Expense.
699-Major Construction Expense.
726-Supplies Expense.
727-Laundry and Dry Cleaning Expense.
728-Ice Expense.
729-Utilities Expense.
730-Communications Expense.
731-Freight Expense.
732-Travel Expense.
733-Insurance Premiums Expense.
734-Building and Contents Insurance Expense.
735-Advertising Expense.
736-Taxes and Licenses Expense.
737-Tort Claims Expense.
738-Audit Expense.
739-Cash Shortage Expense.
740-Late Payment Interest Expense.
741-Deposits Lost Expense.
742-Furniture and Equipment Expense.
743-Commercial Credit Card Expense.
744-General Entertainment Expense.
745-Special Events Entertainment Expense.
746-Rental Expense.
747-Flowers and Decorations Expense.
748-Official Hosting and Representation
Expense.
749-Tableware, Kitchenware, Linen, and
Uniforms Expense.
750-Bingo Prizes Expense.
751-Collection Agency Expense.
752-Investment Expense.
753-ARM Distribution Expense.
754-PCS Expense.
755-Interest Expense.
756-Consignment Ticket Expense.
757-Commercial Communication Expense.
758-Army Billeting Fund Surcharge Expense.
759-Cable/Pay TV Expense.
799-Miscellaneous Operating Expense.

Other Income

801-Interest Income.
803-Gain on Disposal of Other Fund-Owned
Property.
806-Nonoperating Sources of Revenue.
807-Contributions From Charitable Sources.
808-NAF to APF Conversion Income.
825-Miscellaneous Other Income.

Other Expenses

826-Interest Expense.
827-Loss or Gain on Disposal of Fixed Assets.
828-Loss or Gain on Foreign Currency Transactions.
830-Isolated Unit Dividend Expense.
831-Reserve Component Dividend Expense.
832-Loss on Close of Business Locations.
833-APF to NAF Conversion Expense.
850-Miscellaneous Other Expenses.

Depreciation Expenses

851-Buildings Depreciation Expense.
852-Building Improvements Depreciation Expense.
853-Furniture, Fixtures, and Equipment Depreciation Expense.
854-Vehicles, Aircraft, and Boats Depreciation Expense.
855-Land Improvements Depreciation Expense.
856-Breeding Livestock Depreciation Expense.
857-Other Government Titled Fixed Assets Depreciation Expense.
858-Government Titled Buildings and Improvements Depreciation Expense.

Extraordinary Items

891-Extraordinary Expense.
892-Extraordinary Income.

Income and Expense Summary

900-Income and Expense Summary.

Asset, liability, and equity accounts (GLACs 101-292) normally have a department code of "00". In NAFISS GLACs 151, 155, 156, and 900 will always have a department code of G1. GLAC 141 will always have a department code of W1. GLACs 142, 143, and 144 will have the applicable department code assigned.

CHAPTER 4

ASSETSA0401 CASH AND INVESTMENTSA040101 Cash Receipts.

A. Safeguarding and Depositing. Cash receipts will be safeguarded and deposited by the NAFI in accordance with AR 215-1. The bank deposit slip, properly identified with the NAFI and activity, will be prepared in triplicate. A copy will be kept by the activity preparing it; the bank will keep a copy; and a bank-receipted copy will be sent to the CAO. The copy sent to the CAO will normally be attached to the daily activity report (DAR), but local conditions or procedures may make it necessary for the deposit slip to be separated and sent to the CAO ahead of the DAR. CAO will send deposits from the local bank to the Central Bank through Electronic Funds Transfer (EFT) on a regular basis except when delegated to on-site NAFI personnel as outlined in A020202. O.

B. Receipt Voucher. DA Form 1992 (Nonappropriated Fund Receipt Voucher) or other sequentially numbered receipt document will be used to receipt for cash when the transaction is not recorded in cash registers or on sales slips. A record will be made of the person and section to whom all books of DA Forms 1992 are issued. The original of completed forms will be given to the person from whom the collection was made; the duplicate attached to the DAR and sent to the CAO; and the triplicate will remain in the book in numerical sequence. The person making the collection will sign the receipt; the signature must appear on all copies. If a receipt is spoiled, mark "VOID" across the face of all copies. Attach the original and duplicate to the DAR. The CAO will maintain records to ensure that all receipts are received and accounted for.

C. Incoming Mail. Someone in the control section will open all incoming mail in the CAO. When checks are received, DA Forms 1992 will be prepared. The checks will be stamped

"FOR DEPOSIT ONLY" on the back, immediately. The duplicate DA Form 1992 should go to the person remitting the check, however, unless requested by the remitter, it will not be mailed to him or her. It will remain in the book with the triplicate. The original will be attached to the DAR. A deposit will be made as soon as possible. Normally the CAO will not receive cash, but if it happens, a deposit should be made as soon as possible. Where large volumes of checks are received daily at the CAO, instruments other than the DA 1992 may be used as long as strong internal controls are in place and there is a record of all checks received.

D. Daily Cashier's Record. DA Forms 4082 (Daily Cashier's Record) will be prepared by all departments of the fund. Register readings and change fund controls will be in accordance with 215-1. Cash register tapes and copies of all receipt vouchers, sales slips, guest checks, cash collection sheets, and other documents will be attached to the DA Form 4082 as supporting documentation. Sales slips should be segregated for posting of charges to members' accounts.

E. Vending or Amusement Machine Collections. DA Form 4083-R (Vending or Amusement Machine Collections) will be prepared in duplicate each time cash is removed from fund-controlled vending or amusement machines. It will be signed by the person representing the command plus the fund or vendor representative. The original DA Form 4083-R will be turned in with the cash and eventually attached to the daily activity report going to the CAO. The duplicate of the form will be sent directly to the CAO by the fund manager or the person designated by the fund manager. The CAO will check it against the original coming with the DAR. The CAO will maintain a control log to assure receipt of all DA Forms 4083-R. A blank copy of DA Form 4083-R is located at the back of this publication for reproduction.

A040102 Consolidated Daily Activity Report.

A. Daily Activity Report. The consolidated daily activity report is a summary of all the cashiers' and other operating reports of each department by location, DA Form 4082 and bank deposit slips prepared in each activity for the day will be sent to the CAO with the consolidated daily activity report. Discrepancies between the consolidated daily activity report and the supporting documentation will be resolved before submission to the CAO. All NAFIs, locations or departments will prepare a consolidated daily activity report for each day of operation. However, if the weekly volume of business is \$500 or less, activity reports may be prepared weekly rather than daily. Even if activity reports are sent weekly, a report is required on the last business day of each month. If no business has occurred since the last report, a negative report will be submitted. All deposits made during the week will be consolidated on the weekly activity report.

B. Content of Report. There is no DA prescribed format for the daily activity report. However, it must contain at least the following information: date of report, day(s) covered by the report, location code, program code, all revenue received in the period covered, cash overages and shortages, name and signature of person preparing form, and name and signature of person verifying the data.

A040103 Foreign Currency Transactions. Transactions in foreign currency will be recorded at the equivalent dollar rate. The rate of exchange to the US Dollar will be shown on the document evidencing the transaction. A subsidiary ledger will be kept in the foreign currency so that there is a running balance of the amount of foreign currency on hand. This is usually done in the disbursing section. Local procedures for a theater of operations, including rates of exchange, are established by the theater command. The procedures prescribed are generally applicable to NAF and must be followed. Gain or loss on use of foreign currency will be determined and recorded at the end of each month. Amounts such as the changes in the

dollar value of foreign currency will be determined and recorded at the end of each month. Amounts such as the changes in the dollar value of foreign currency petty cash funds need be changed only at the end of the fiscal year unless significant. Foreign currency petty cash and change funds should be authorized and accountable as an amount of the foreign currency, e.g., the foreign currency petty cash fund should be stated as 100,000 units of foreign currency; not \$100 worth of foreign currency. The CAO can then adjust the dollar value when necessary on journal voucher.

A040104 Checking accounts.

A. Separate Checking Account. Each NAFI must have a separate checking account. Under no circumstances will cash of one NAFI be used to pay obligations of another. The CAO will not sign a check in excess of the checking account balance.

B. Monthly Bank Statements. The bank will be requested to mail or deliver monthly bank statements directly to the CAO. The CAO will reconcile each bank statement to the accounting records monthly. Use of DA Form 5353-R (Bank Reconciliation Worksheet) is optional. The CAO will also check the bank statement for any electronic transfers of funds they weren't aware of. Unreconciled discrepancies of \$1 or less may be adjusted without further research.

C. Checks Outstanding. When checks are outstanding for 4 months after the issue date, a follow-up will be required. A stop payment order will be issued for all checks outstanding over 6 months unless the bank has a stale date policy, the check has a stale date printed on it, or the service charge for a stop payment order is more than the check amount.

D. Bank Account Signatory. The person appointed as a bank account signatory will sign the forms prescribed by the bank and send them to the bank.

E. Cash In Bank-Payroll.

1. Unclaimed Checks.

Payroll checks that have been unclaimed for one month past issue date will be canceled. If the check was by the CNPO, it will be sent to that office for proper cancellation. A liability (GLAC 209) will be established for a period of 5 months. The contra debit will be to GLAC 101 or 102. At the end of the 6-month period, the amount will be transferred from GLAC 209 to GLAC 825.

2. Outstanding

Checks. When checks are outstanding for 6 months after the issue date, a stop payment order will be issued. The offsetting increase in payroll cash will be credited to GLAC 825. The stop payment order need not be made if either-

a. The servicing bank has a stale date policy; or

b. The service charge is greater than the check amount. In the case of the CNPO check, the amount will be reimbursed to the participating NAFL.

F. Signing Checks. The only people authorized to sign checks or withdraw funds from the IMWRF bank account are authorized personnel within the CAO and personnel outside the CAO who are authorized in writing by the CAO to do so. Dual signatures are required when separation of duties is not possible and when the amount of the check exceeds the signer's fidelity bond limit.

A040105 Blank Check Stock.

A. Prenumbered and Storage. Checks will be sequentially prenumbered by the printer and imprinted with the words "an instrumentality of the United States". Blank check stock will be inventoried upon receipt, stored in a locked, fire-resistant safe with a combination three-tumbler lock, and issued for each day's business using a signed register. The safe must not be easily movable or accessible to check writing personnel.

B. Stock Pile. Blank check stock on hand should never fall below a 90-day supply. A separate record is required for each bank

account. The CAO may designate someone to perform the duties of keeping the records and controlling the blank check stock, but it cannot be one of the check writers or signers.

1. The CAO or designee will sign on receipt of new stock from the bank or printer; the check writer will sign for blank stock issued; and the CAO or designee will sign for any blank stock returned by the check writer. The form must be completed and signed at the time the checks are received, issued, or returned.

2. The following is an alternate method which is useful when a CAO has several bank accounts:

a. A form similar to a stock record will be maintained for each bank account.

b. Another form is prepared listing all checks issued at the beginning of the day. The person receiving the blank checks will sign the form acknowledging receipt.

c. At the end of the day, the unused checks will be noted on another issue form and the person designated by the CAO will sign the form acknowledging receipt. The checks will be returned to stock. The number of checks used will be posted to the stock record at least weekly and at the end of the month.

A040106 Check Signing Equipment. There are three components to check-signing equipment: a signature plate, a key to the machine, and the machine itself.

A. The signature plate must be in the custody of the signatory. When not in use, the plates will be stored in a container with a lock.

B. The key to the machine must be in the possession of the signatory. A designated representative will be authorized to sign checks during the signatory's absence. When the signatory is to be absent, the designee is given

the lock and machine keys and signature plate for which he signs a receipt.

C. A duplicate machine key and the key or combination to the container holding the plates will be placed in a sealed envelope and stored in a safe that does not contain the plates.

D. A log will be maintained to record machine usage. Whenever the machine is operated, the signatory or authorized operator will enter the beginning and ending readings, date, and their initials on the log.

E. When a change of signatory occurs, destroy the signature plates with the destruction witnessed by two other persons. A certificate of destruction will be prepared and signed by the two witnesses and the successor signatory.

A040107 Disbursements.

A. Each of the following steps in the disbursement procedure will be done by a different person:

1. Authorization of payments.
2. Preparation of checks.
3. Signing of checks.
4. Reconciliation of bank accounts.
5. Blank check storage and reconciliation.

B. Spoiled checks will be made non-negotiable by cutting off the signature block and writing "VOID" across the face of the check. Voided checks will be filed in the canceled check file.

C. Checks will be signed by authorized signatories. Blank checks will not be signed before preparation.

D. Alternate signatories should be appointed so that checks can be signed on a timely basis.

E. The normal method of delivery of checks is by mail, however, they are frequently picked up in person. The person delivering checks must ensure that the person picking up a check is the payee or has been designated to pick up the check.

A040108 Emergency Checking Account. This type of checking account may be set up by installations served by the consolidated CAO, according to A020107. These accounts will be set up at the Central Bank, separate from the main checking account. The account will be recorded under GLAC 113-Emergency Checking Account. Any such accounts will be subject to the following restrictions:

A. The disbursing officer will maintain adequate internal control procedures for cash. (See AR 215-1, chap 11.)

B. The account will be limited to emergency use only. (Examples are last minute changes of entertainment groups that require one check be voided and a replacement issued, club cash door prize drawings, and unforeseen petty cash replenishment requirements.) Discrepancies and evidence of misuse of a special account should be reported to the installation commander at once.

C. The account balance will not exceed \$5,000 per NAFI. The amount of the cash advances to the NAFI will be reviewed quarterly by the CAO to ensure cash is not in excess of emergency needs. Additional cash requirements should be submitted through command channels to DFAS for approval.

D. The local installation DAO disbursing agent will maintain control and signature authority over the account.

E. The fund manager will supply the DAO disbursing agent the proper supporting documents. Within 48 hours of the transaction,

the disbursing agent will transmit the supporting documents to the CAO.

F. The account will be replenished by mail deposit or wire transfer, as required. Suspenses and cash replenishment requirements will be accomplished by the CAO and the serviced installation by the end of each month. Funds will be transferred from the main checking account to replenish the emergency account.

G. Bank statements will be mailed directly from the bank to the servicing CAO for reconciliation.

A040109 Change Funds. These funds will be used to make change and cash checks. Cash received from operation may be used to replenish the fund at the end of the day as long as daily income is deposited in total and all checks cashed from these funds are deposited daily. In no case will the custodian exchange dollars for foreign currency.

A040110 Foreign Currency Conversion Funds. These funds will be used to convert dollars to foreign currency as a service to members and customers. The fund will not be used to convert foreign currency to dollars. The dollars collected will be deposited daily or when the fund is replenished and a check issued by the CAO to purchase or obtain foreign currency. The deposit slips should be kept and presented to the CAO when the fund is replenished. Conversion fund rates will be based on the monthly conversion rate established by the theater commander. As a minimum, reimbursement should be requested on the last business day of the month.

A040111 Petty Cash Funds. Petty cash is used for handling minor disbursements including commissary purchases and voluntary child care expenses. A fixed amount, designated as petty cash, is advanced to an appointed individual. Payments are made by the appointed individual and a petty cash voucher is completed to support each transaction. Periodically, a summary is prepared and sent to the CAO. The petty cash fund must be cleared out at the end

of each accounting month. The CAO issues a check payable to the petty cash fund custodian to reimburse the petty cash fund and the vouchers are charged to the appropriate expense accounts. The following policies and procedures apply to petty cash:

A. The NAFI fund manager will appoint individuals to act as petty cash agents. Authorization document will specify by name who is the petty cash fund custodian. Each appointment will be covered by position bond.

B. The amount of a petty cash fund will not exceed one month's requirements.

C. Any one transaction will not exceed \$500. Transactions will not be fragmented to circumvent this limitation. Violations will require commanders approval prior to replenishment of the petty cash fund by the CAO.

D. If cash is given as bingo prizes, a separate petty cash fund will be used for bingo.

E. In foreign locations, an activity may have one petty cash fund in the local foreign currency as well as one in dollars. If an activity gives cash bingo prizes both in dollars and foreign currency, two bingo petty cash funds should be established.

F. There is no limit on the number of petty cash funds a NAFI or Location Code may be authorized, but any one petty cash agent will have as a maximum one non-bingo fund in dollars, one non-bingo fund in foreign currency, one bingo fund in dollars, and one bingo fund in foreign currency.

G. Petty cash funds will not be used for cashing checks, paying salaries and wages, travel payments, or travel advances. Occasional reimbursement for local mileage expense or purchases of gasoline for use in NAFI or privately owned vehicles while on NAFI business is authorized. Local travel payments must be supported by a local travel voucher, DD 1164.

H. Each petty cash fund will be reimbursed at least monthly at the end of the month.

I. The CAO will expedite replenishment of petty cash funds.

J. DA Form 1994 (Petty Cash Voucher) will be used to evidence each petty cash transaction. They will be numbered sequentially and controlled by maintaining a record showing to whom they were issued. Original DA Forms 1994, including those voided, will be accounted for by the person responsible and sent to the CAO when seeking reimbursement. The IMWRF manager or designated representative will sign the approval block of DA Form 1993 prior to forwarding to the CAO for replenishment. When the disbursement is made from the petty cash fund, all receipts and other supporting papers will be stamped "PAID" by the petty cash fund agent. DA Form 1993 (Petty Cash Summary Voucher) will be used to summarize the DA Forms 1994 and serve as a cover voucher when seeking reimbursement from the CAO. The DA Form 1993 is an envelope form and the applicable DA Forms 1994 and supporting documents will be enclosed in the DA Form 1993.

K. Normally, NAFIs are not charged sales taxes, however, in some cases it is more expedient to pay the tax than apply for exemption. Sales taxes up to \$10 on a transaction may be paid from petty cash provided the petty cash agent includes a statement that attempts were made to gain exemption.

L. Use of petty cash for making purchases through money orders or COD is prohibited since this is a circumvention of normal procurement procedures. Petty cash funds are to be used for payment of incidental expenses for which payment by check is not feasible.

A040112 Customer Refunds. NAFI activities may issue cash refunds directly from the cash drawer. Refunds of more than \$50 will normally be made by check, but the local command may decide the maximum amount the

various NAFI activities can refund to customers. Refunds for charge sales will be made as a credit to the charge account. Refunds for credit card sales will be made by credit memo. Cash and check sales may be refunded without a holding period. Proof of original sale/purchase must accompany any request for refund.

A040113 Securities and Investments.

A. ADA Form 4084-R (Investment Register) will be maintained as a subsidiary record to GLACs 115, 116, 117, and 187. This record will be reconciled to the control account each month. DA Form 4084-R is located at the back of this volume and will be reproduced locally on 8½ by 11-inch paper.

B. Adjustments are required to show gain or loss to the value of securities at time of sale. This is done by a debit or credit to the control account for the change in value; an offsetting credit or debit is made to miscellaneous income or expense account. If required, a statement may be prepared at year end, comparing current market value with cost.

A0402 RECEIVABLES.

A040201 Subsidiary Records. The CAO will keep subsidiary records for each member, customer, concessionaire, or other person or activity that owes the NAFI. Aging of accounts receivable will be done and given to the NAFI fund manager.

A040202 Billeting. The CAO will not keep detailed accounts receivable subsidiary records for billeting operations if-

A. Billeting gives a copy of all daily check-in and check-out folios to the CAO including voided folios.

B. The folios are prenumbered.

C. At month end, Billeting gives the CAO a list by folio number of all guests still in the facility and the amount due from each guest.

D. The CAO will post the total of daily room charges and cash collections from the daily activity reports. All unpaid guest charges will be recorded in GLAC 129, Guest Ledger Receivables. Do not transfer the amount of unpaid charges after the customer checks out of the billeting facility to GLAC 121, Member Receivables.

E. At month end the CAO will account for all folio numbers and reconcile the general ledger account balance with the Billeting list of accounts receivable.

F. This paragraph applies to Billeting Operations using the Housing Operations Management System (HOMES). If Billeting uses HOMES, the CAO will not keep the detailed accounts receivable subsidiary or receive copies of daily check-in and check-out folios. The CAO will receive the HOMES reports identified below to substantiate Billeting transactions recorded on the DAR.

1. The CAO will record room charge income on a daily basis. The CAO will receive the following HOMES reports on a daily basis from Billeting to support the room charge income recorded on the DAR: Night Audit Room Postings, Room Postings, Telephone Postings, and Miscellaneous Postings. The total by department from the Night Audit Room Postings and Room Postings reports will be recorded in GLAC 501. The total telephone charges for each department from the Telephone Postings report will be recorded in GLAC 504 or 537. Billeting must identify the GLAC for the items listed on the Miscellaneous Postings report if the total for each department.

2. The CAO will record customer credit card payments as a debit to GLAC 139 and a credit to GLAC 129, if the credit slips are redeemed by the credit card company. These payments are shown on the HOMES Invoice Maintenance Report. The CAO will receive a copy of this report on a daily basis to support the amount recorded in GLAC 139 on the DAR. Billeting must identify the credit card payments on this report. This report also shows adjustments to amounts due from guests who

have checked out with an unpaid balance. Billeting must also identify these adjustments and the GLACs they are to be recorded in.

3. The HOMES Pay Postings report lists all cash received from in-house guests. The CAO will receive a copy of this report on a daily basis to support the amount recorded in GLAC 101 on the DAR. The total amount of payments on this report will be credited to GLAC 129. The HOMES Accounts Receivable Payments report lists the amounts received from guests who checked out with an unpaid balance. This report also includes the payments received from credit card companies. Billeting must identify which payments apply to GLACs 129 and 139, respectively.

4. The HOMES Refund Postings report lists all cash refunds. The CAO will receive a copy of this report on a daily basis to support the DAR.

5. The HOMES Guest Ledger Report is the detailed subsidiary ledger for in-house guests. This report is produced on a daily basis and shows the charges, payments, and outstanding balance for each guest. Separate totals are shown at the end of the report for guests with debit and credit balances. The CAO will receive the report produced for the last day of the month to substantiate the balance in GLAC 129. The total of the credit balances on this report will be recorded as unearned income, debit GLAC 129 and credit GLAC 263. This entry will be reversed at the beginning of the next month.

6. The HOMES Accounts Receivable Balances report is produced on request and shows the amounts due from customers who checked out with an unpaid balance. This report includes the amounts due from credit card companies. The CAO will receive a copy of this report for the last day of the month to substantiate the balance in GLACs 129 and 139.

7. The HOMES Aged Trial Balance Report is produced on request and is the aging schedule for amounts due from customers

who checked out with an unpaid balance. This report also ages the amounts due from credit card companies. The CAO will receive this report for the last day of the month and use it to complete Financial Statement Supporting Schedule.

A040203 Uncollectible Accounts. A receivable (GLACs 121-140) may be considered uncollectible when there is little chance of collecting it. Accounts for which no collection has been made in the past year will be considered uncollectible. If a receivable is deemed to be collectable, but collection will be delayed, the CAO should document the collection process and justification for not writing off a valid receivable. Receivables from other federal government entities will not be written off unless there is no chance of collecting the balance. The fact that an account is considered uncollectible does not prevent continued collection efforts by the fund manager. The CAO will write off monthly all accounts on which no collection has been made in the past year and let the NAFI fund manager and installation commander know of them. This action does not prevent Financial Management Division (FMD) from continuing efforts to collect delinquent accounts. A fund manager may choose the direct write-off method or the allowance method of accounting for uncollectible accounts. If the method is changed, the approval of the installation commander or equivalent is required.

A. Under the direct write-off method, accounts receivable considered uncollectible will be written off by debiting GLAC 661 and crediting the applicable receivable account.

B. Under the allowance method, an estimated bad debt amount is recorded as a debit to GLAC 661 and a credit to GLAC 134 each month. When a specific account is written off, debit GLAC 134 and credit the applicable receivable account. The following procedures will be used to establish and continue allowances for doubtful accounts:

1. To establish an allowance, find the average of the actual bad debt expenses each year for the past three years. Divide this by twelve to arrive at a monthly figure. Record this amount each month during the fiscal year as a debit to GLAC 661 and a credit to GLAC 134.

2. After the initial year, use prior year records (at least three years) to arrive at an estimated amount that should be recorded for the year. Divide this by twelve to arrive at the amount to record in the allowance account at the end of month (debit GLAC 661 and credit GLAC 134).

3. Alternate methods may be used to arrive at the allowance entry, however, it must be able to stand up to scrutiny. Most intermediate accounting text books and accounting handbooks give various methods of computation.

C. IMWRFs may take part in the Air Force's commercial debt collection contract. FMD will provide the necessary information for accounting entries on a DAR to the CAO. No accounting entries are required when the receivables are transferred to the contractor. The contractor will keep a 25% commission and forward the remainder to the installation. The following entry will be used when FMD receives the monthly check from the contractor, which includes interest income and unidentified payments and specifies the amount the contractor kept for his commission.

DR 101-US Cash

DR 751-Collection Agent Expense

CR 12X-Various Receivables

CR 801-Interest Income

CR 825-Miscellaneous Other Income

To record monthly check received from contractor. Contractor's register of collection and deposit ticket serve as supporting documentation.

D. The above instructions do not preclude the CAO from writing off receivables which are over 1 year old. If the contractor makes collection on accounts previously written

off, the CAO will reverse the entry used to write off the receivable.

E. For billeting funds using the HOMES system, the general ledger write-off entry cannot be recorded by the CAO until the accounts are deleted from the HOMES system by the billeting fund personnel. The billeting fund should report account deletions through the HOMES system on a daily activity report and attach a copy of the CAO write-off letter verifying which accounts were written off so that the CAO can record the write-off entry in the same accounting month the accounts are deleted from the HOMES system.

A040204 IRS Tax Refund Offset Program.
Army NAFIs may participate in the U.S. Treasury Department's income tax refund offset program. AMWRF/CFSC will purchase the receivables from NAFIs at a discounted rate and try to collect from the IRS. The following are accounting entries to record the purchase of uncollectible accounts receivable by AMWRF/CFSC. When a letter of acceptance is received by IMWRF, FMD will notify the CAO. The supporting document for the accounting entries is the letter of acceptance from CFSC.

A. Accounting entries for IMWRF.

DR 661-Bad Debt Expense or
DR 134-Allowance for Doubtful Accounts
DR 136-Inter NAFI Receivable
CR 12X-(Various Receivables)
To establish receivable for sale of uncollectible accounts receivables to AMWRF/CFSC and expense bad debts.

1. When CAO is notified that cash was transferred to the IMWRF's account, record the following entry. Letter of acceptance will specify date of cash transfer.

DR 101-US Cash
CR 136-Inter NAFI Receivables
To record receipt of cash from sale of uncollectible receivables.

2. In cases where the receivables were previously written off, record the following entry.

DR 136-Inter NAFI Receivables
CR 661-Bad Debt Expense
To establish receivable for sale of uncollectible receivables to AMWRF/CFSC. Accounts were previously written off.

B. Accounting entries for AMWRF.

DR 799-Miscellaneous Operating Expenses
CR 232-Inter NAFI Payables
To record purchase of receivable (at cost) and establish liability to IMWRF.

DR 232-Inter NAFI Payables
CR 101-Cash
To record payment to IMWRF for receivable.

1. When the debtor responds to notification of pending action by submitting a partial payment.

DR 101-Cash
CR 599-Miscellaneous Operating Income
To record receipt of partial payment on uncollectible receivable purchased from IMWRF.

2. When IRS collected offset against refund.

DR 101-Cash
CR 599-Miscellaneous Operating Income
To record receipt of IRS offset.

3. When IRS subsequently approves spousal claim.

DR 599 - Miscellaneous Income
CR 101 - US Cash
To reduce income previously reported as a result of IRS offset and establish liability to DFAS for amount IRS withheld for injured spousal claim.

DR 201 - Accounts Payable
CR 101 - US Cash

To record payment to DFAS for amount IRS withheld for spousal claim.

A040205 Dishonored (Returned) Checks.
 Arrangements will be made with the bank to have dishonored checks returned directly to the CAO. Upon receipt of returned checks, they will be photocopied (front and back), suspenses will be established, the original checks will be forwarded to the fund manager by transmittal, journal entries will be made, and subsidiary ledgers will be posted. The fund manager or his designee(s) will take collection action. The subsidiary ledger for dishonored checks will be reconciled each month with GLAC 124. The policy and procedures about uncollectible accounts apply to dishonored checks. When served by the consolidated CAO at Red River, checks may be returned by the bank directly to the fund manager with a debit memorandum furnished the CAO. This could expediate recovery from the drawer of the dishonored check. CAO will maintain a subsidiary by name, amount, and date of bank debit.

A040206 Claims Receivable.

A. Destruction or loss of capitalized assets due to fire, theft, or other causes for which an insurance claim is submitted will be recorded by removing the asset and its accumulated depreciation, from accounting records and recording its book value as claims receivable (GLAC 127). When the insurance claim is settled, the receivable will be removed and the difference, if any, will be recorded as an insurance claim gain or loss.

B. Loss of cash for which an insurance claim is submitted will be recorded by a debit to GLAC 127, and a credit to GLAC 101 for the amount of the loss. If a deductible is involved, the amount will be charged to insurance losses and the debit to GLAC 127 reduced. When the insurance claim is settled, the receivable will be removed and the difference, if any, recorded as an insurance claim loss.

C. Loss of merchandise for which an insurance claim is submitted will be recorded as a debit to GLAC 127 and a credit to purchases. This will remove the inventory from the cost of goods sold section. If a deductible is involved, the amount will be charged to

insurance losses and the debit to GLAC 127 reduced. When the insurance claim is settled, the receivable will be removed and the difference, if any, recorded as an insurance claim loss or gain.

D. Normally, insurance claims for expensed items, e.g., supplies, will not be recorded as receivables. If significant, the expense will be reversed and debited to GLAC 127. If a deductible is involved, the amount will be charged to insurance losses and the debit to GLAC 127 reduced. When the insurance claim is settled, the receivable will be removed and the difference, if any, recorded as an insurance claim loss or gain.

A040207 Accounting For Credit Card Transactions. The CAO is responsible for verifying credit card sales drafts and summary tickets with the DAR, computing the discount rate, keeping a detailed subsidiary for each credit card company, reconciling the payment check with the DAR and a suspended copy of the summary ticket, and recording credit card transactions.

A. CAOs will make the following entries if commercial credit card expense is recorded at the end of the month:

1. After verifying the sales drafts and summary tickets with the DAR, the CAO will make the following entry:

DR 139 - Commercial Credit Card Receivable
 CR 302 - Credit sales or applicable 500 series

2. For credit issued for return of merchandise, the CAO will make the following entry:

DR 304-Sales Returns and Allowances or
 applicable 500 series GLAC
 CR 139-Commercial Credit Card Receivable

3. After receiving the reimbursement check from the credit card company or deposit slip from the NAFI, the CAO will make the following entry:

DR 101-US Cash

DR 743-Commercial Credit Card Expense
CR 139-Commercial Credit Card Receivables

4. After receiving sales drafts rejected by the credit card company, the CAO will make the following entry:

DR 122-Customer Receivables
CR 139-Commercial Credit Card Receivables

5. If the NAFI resubmits sales drafts and the credit card company accepts them, the CAO will make the following entry:

DR 139-Commercial Credit Card Receivables
CR 122-Customer Receivables

6. If the NAFI can not collect from the customer after credit card company rejects credit, the CAO will make the following entry:

DR 661 - Bad Debt Expense
CR 122 - Customer Receivables

7. After receiving a copy of the monthly report of the telephone calls made to the credit card company for credit approvals, the CAO will calculate the amount of reimbursement due from the credit card company and make the following entry:

DR 140 - Miscellaneous Other Receivables
CR 730 - Communications Expense

8. To record the reimbursement, the CAO will make the following entry:

DR 101 - US Cash
CR 140 - Miscellaneous Other Receivables

9. CAOs will record credit card expense for the balance in GLAC 139 at the end of the month as follows:

DR 743 - Commercial Credit Card Expense
CR 139 - Commercial Credit Card Receivables

This entry will be reversed the following month.

B. CAOs will make the following entries for credit card receivables if commercial credit card expense is recorded at the time of charge sale:

1. At time of sale:

DR 139-Commercial Credit Card Receivables
DR 743-Commercial Credit Card Expense
CR 302-Credit Sales or applicable 500 series GLAC

2. After receiving the reimbursement check from the credit card company or deposit slip from the NAFI, the CAO will make the following entry:

DR 101-US Cash Account
CR 139-Commercial Credit Card Receivables

3. To record credit issued for return of merchandise-

DR 304-Sales Return and Allowances or applicable 500 series GLAC
CR 139-Commercial Credit Card Receivables
CR. 743-Commercial Credit Card Expense

4. When credit card company rejects a charge sale:

DR. 122-Customer Receivables
CR. 139-Commercial Credit Card Receivables
CR. 743-Commercial Credit Card ense

5. If the NAFI resubmits sales drafts and the credit card company accepts, the CAO will make the following entry:

DR 139 - Commercial Credit Card Receivables
DR 743 - Commercial Credit Card Expense
CR 122 - Customer Receivables

6. If the NAFI can not collect from the customer after credit card company rejects credit, the CAO will make the following entry:

DR 661 - Bad Debt Expense
CR 122 - Customer Receivables

7. After receiving a copy of the monthly report of the telephone calls made to the credit card company for credit approvals, the CAO will calculate the amount of reimbursement due from the credit card company and make the following entry:

DR 140 - Miscellaneous Other Receivables
CR 730 - Communications Expense

To record the reimbursement, the CAO will make the following entry:

DR 101 - US Cash
CR 140 - Miscellaneous Other Receivables

A040208 Delinquent Accounts Receivable. Accounts receivable become delinquent 30 days after billing. NAFIs should take action to collect accounts receivable within the 30 day time frame or shortly after. Delinquent fees may be assessed on the 31st day (the first day the accounts receivable is delinquent). Refer to AR 215-1 for guidance on delinquent fees. Delinquent fees should be recorded as NAFI administration income under GLAC 517-Late Charge Assessment Income.

A0403 MERCHANDISE INVENTORY AND PREPAID ITEMS

A040301 General. In this section, the word storeroom is not used; merchandise is either in a warehouse or in a sales department. Generally, merchandise is controlled in one of two ways:

A. Perpetual Records. By maintaining a perpetual record of each item (stock records). Periodically a physical inventory is taken and the stock records are adjusted to agree with the physical inventory. This method is used for warehouses with limited access to the stock and in certain retail outlets, e.g., golf pro shops. One person is responsible for the merchandise even though other persons (his or her subordinates) may have access to the merchandise. In this chapter, the term warehouse implies that stock records are maintained. If stock records are maintained, the procedures for

warehouses will apply even if a retail sales department.

B. Sales Accountability. By control of the items based on sales accountability. The sales accountability method works on the principal that periodic physical inventories make it possible to anticipate the dollar amount of sales that should be recorded and make it possible to fix accountability for differences between anticipated and actual sales as to department, period of time, and personnel.

A040302 Policy.

A. Inventory Stock Records. DA Form 1991 or an approved mechanized system will be used to maintain warehouse perpetual inventory stock records.

B. Maintenance of Stock Records. Stock Records will be kept by NAFI administrative personnel or by the CAO, whichever is found to be the most cost effective by the NAFI fund manager. Warehouse personnel will not keep stock records, but this does not prevent them from keeping bin cards. If NAFI administrative personnel keep the stock records, they will enter the end-of-month inventory (quantities on hand) from stock records or a physical inventory on a listing from an approved automated system. The completed inventory count is sent to the CAO. If the CAO maintains the stock records, CAO personnel will use the listing produced by an authorized mechanized system. A copy of the listing will be sent to the NAFI fund manager for approval. The CAO will not prepare financial statements until automated listings are approved and provided by the NAFI fund manager.

C. Physical Inventories. Physical inventories are required as of the last business day of each month for merchandise in sales outlets under sales accountability, i.e., when stock records are not kept. Normally, shortages and overages cannot be ascertained since perpetual inventory records are not kept.

D. Required Semi-annually. Physical resale inventories are required semi-annually as

of the last business day of March and September for merchandise on which stock records are maintained. Shortages and overages will be recorded in accounting records separately, i.e., a net amount will not be recorded. The overages and shortages must also be posted to the stock records. If the net difference is 5 percent of the total stock record merchandise value or exceeds \$2,500, physical inventories of the merchandise being maintained on stock records must be taken as of the last business day of each month until the difference is within the prescribed parameters. (See AR 215-1 concerning investigation requirements for losses of \$500 or more.)

E. NAFISS. For those installations using NAFISS, the inventory stock record subsystems will provide mechanized forms for inventory control. Installations using a manual inventory control system will use DA Form 1759 to record the physical inventories required by this regulation.

F. Forms for Issuance. DD Form 1149 (Requisition, Invoice, and Shipping Document), DA Form 3161 (Request for Issue or Turn-in), DA Form 4080 (Transfer Between Activities), or a similar form which includes basically the same information as these forms will be used to issue inventory from the warehouse.

G. Procurement From Government. When requisitions are submitted to appropriated fund activities and other NAFIs, the form prescribed by the issuing organization will be used as a procurement instrument unless otherwise prescribed in AR 215-4.

H. Receiving Report. A legible copy of the procurement instrument (if form design includes receiving functions) or DD Form 250 will normally be used as a receiving report. For items that are delivered several times a month under blanket purchase agreements, e.g., bread, milk, eggs, and fresh vegetables, a copy of the vendor's delivery ticket may be used as a receiving report, however, copies of invoices will not be used as receiving reports. All receiving

reports must be signed by an authorized person whose specimen signature is on file in the CAO.

I. Transfers. DA Form 4080 will be used to record transfers between departments. When blank DA Forms 4080 are received by a NAFI, the NAFI should number them sequentially. A record will be made of the person and section to whom all blank DA Forms 4080 are issued. Only an original will be prepared. Photocopies will be made if additional copies are required. The original should be sent to the CAO. The CAO will keep a control log or a suitable alternative method to determine if all DA Forms 4080 are received. Common uses for the DA Forms 4080 are:

1. Merchandise purchased for resale is used in a department for samples or display and cannot be sold afterwards.

2. Items issued to one department are used by another, e.g., lemons issued to the dining room are used in the bar.

3. Items for resale in one location code are needed by another location code as supplies, e.g., tools on sale in the Arts and Crafts Resale Store are purchased by the officers club swimming pool.

4. Items are returned to the warehouse.

5. Supplies are purchased by the post restaurant NAFI from the NCO club at cost.

6. Transfer of labor costs.

J. Record At Cost. Merchandise will be recorded in accounting records at cost. Cost is the purchase price less trade and cash discounts. Discounts lost and excise taxes paid will not be included in the cost of merchandise. They will be recorded in GLACs 662 and 736, respectively. Freight, drayage, insurance, and handling charges will be included in the cost of merchandise if they can be identified to specific items. If they cannot be identified to specific items they will be recorded in GLAC 731.

K. Method. Use the moving average method or the first-in, first-out method to arrive at unit prices.

L. Use Of Fair Market Value. When the fair market value of merchandise, as determined by an independent appraisal, is materially less than its cost, the merchandise may be devalued upon the approval of the installation commander. All devaluations will be expenses of the current period; they will not be treated as fund equity adjustments. The loss will be charged to GLAC 654 or 655.

M. Reconciliation. The CAO must ensure that the balance in GLACs 141, 142, 143, and 144 on the balance sheet equal the ending inventories on the income statements.

A040303 Physical Inventories.

A. NAFI personnel will conduct required physical inventories of merchandise per table 4-2. See A040303E for information concerning using the Gross Profit method as an alternative to monthly inventory. A person or persons selected by the CAO will observe the physical inventory at least annually. Special physical inventories of the warehouse are exempted from this requirement. One of the semi-annual physical inventories will be observed. Since it is frequently impractical to perform physical inventories of all of the departments of a NAFI and the warehouse at one time, physical inventories may be scheduled and conducted by location code. Physical inventories of location codes with similar missions should be conducted at the same time, e.g., all club activities at one time. The observer(s) will come from the duty roster maintained by the installation adjutant when possible.

B. In coordination with the NAFI manager, the installation CAO schedules the annual physical inventories and briefs the independent observers. (See fig 4-1.) The activity maintaining the stock records reconciles the physical inventory to the stock records and makes necessary adjustments to the stock records. If the stock records are kept by NAFI

personnel, differences will be reported to the CAO. The CAO will adjust the accounting records.

C. Approximately 60 days before a physical inventory must be observed, the CAO will arrange for the observers. If a request for observers goes to the installation adjutant, the desired ranks of the observers should be specified.

D. Following are the policies and procedures about physical inventories of merchandise. Briefings for observers will include these policies and procedures.

1. The organization keeping the stock records will prepare the inventory lists. These lists will be given to the inventory team who will conduct the physical count.

2. Inventory lists will be prepared in the same sequence in which the merchandise is stored or arranged for display, or in stock record number sequence.

3. Cutoff dates for sales, issues, returns, adjustments, and transfers between departments must be established so that inventory lists will accurately reflect items of inventory.

a. Merchandise delivered during the inventory will not be counted unless the purchase and payable or payment have been or will be recorded in the general ledger as of the inventory cutoff date.

b. Merchandise sold during the inventory will be included in the inventory count, unless the related sale and receivable or cash received have been or will be recorded in the general ledger as of the inventory cutoff date.

c. Inventories will be conducted separately for each department.

d. Inven-tories of merchandise held on consignment and returnable containers will be prepared and

conducted separately from department owned merchandise. Inventory lists will be prepared for each owner of the goods.

4. Team members will work in pairs. One person will inspect and count the items; the other will enter the count on the list.

5. Team members should make identification by stock number, if possible.

6. The inventory team will verify that the merchandise is usable/salable.

7. When the physical count of the warehouse is completed, it will be reconciled with the stock records. Differences between the physical count and the stock records will be brought to the attention of the inventory team and the warehouse supervisor. Attempts will be made to locate the missing merchandise.

8. Necessary adjustments will be made to the stock records and the accounting records.

9. All observers must sign the briefing statement and furnish a report to the CAO concerning how the inventory was performed. (See fig. 4-2.)

10. The observers will not be released until the inventory is satisfactorily completed.

11. An accurate physical inventory is extremely important. It is imperative that all concerned be aware of this importance.

E. NAFIs may use the gross profit method of inventory valuation instead of monthly inventories at some sales outlets.

1. To use the gross profit method, the sales outlet must be able to demonstrate a consistent gross profit percentage over the previous 12 months. If the sales outlet resales like items on a continuous basis, the location can take a wall-to-wall physical inventory at the end of each quarter and estimate the ending inventory for the other two months in

the quarter. The estimate is based on the dollar value of merchandise receipts, sales and the gross profit percentage. The NAFI can continue to use this method in the following quarter as long as the actual inventory valuation at the end of the quarter does not deviate more than three percent from the estimate using the gross profit method.

2. To use the gross profit method of inventory valuation, you must first determine the cost of goods percentage of sales. To do this, subtract the gross profit percentage from one (that is, 1.00 less .42 gross profit = .58 or 58% cost of goods sold). Once you determine the cost of goods percentage, multiply the sales figure by the cost of goods percentage to determine the estimated cost of the goods which were sold during the period (that is, sales of \$517 x 58% = \$300 cost of goods sold). To arrive at an estimated ending inventory, subtract the estimated cost of goods sold (\$300) from the cost of goods available for sale (beginning inventory plus purchases, plus/minus adjustments).

A040304 Prepaid Expenses.

A. Prepaid Supplies. When Prepaid Supplies and Equipment, Prepaid Tableware, Kitchenware, Linens, and Uniforms, and Prepaid Bingo Prizes are kept, they will be accounted for on stock records in the same manner as merchandise. In the normal course of operations, payments are made in advance for a number of expenses which are to be used in later months. The prepayment of rent, insurance premiums, and interest are such expenses. These items will be expensed in the month actually used or consumed. The accounting principle of materiality should be considered before employing the prepaid concept. Supplies and equipment which do not fit the criteria for fixed asset depreciation may be expensed over the time period they provide benefit to the NAFI. However, the expensing may not exceed 12 months.

B. Prepaid Expense and Amortization Record. This subsidiary record will be maintained to aid proration of expenses for supplies, maintenance, insurance (RIMP),

licenses, taxes, or other expenses requiring advance payments. Charges will be computed and prorated over each month of the period covered by the advance payment. Supplies will be expensed based on usage and reported by the fund manager. The unexpired portion will be reconciled to the correct G/L control account. The amortization amounts each month will be the basis for adjustments made on the worksheet.

A0404 FIXED ASSETS

A040401 General. Fixed asset accounting records substantiate the fixed assets and accumulated depreciation accounts on the balance sheet, serve as accountability records, and are utilized in computing depreciation. As there are no tax considerations, the purpose of depreciation of NAFI-owned property is to charge operations with the cost of a fixed asset over its estimated useful life. AR 215-1 contains policy on NAFI property and fixed assets.

A040402 Policies and Definitions.

A. Fixed Assets. Nonappropriated fund fixed assets are defined as tangible properties purchased by or donated to a NAFI that have an expected life of two or more years and cost \$1000 or more. Examples are land improvements, buildings, building alterations, renovations, and improvements; furniture, fixtures, and equipment; vehicles, aircraft, and boats; and breeding livestock. Unless otherwise stated below, fixed assets are recorded at cost plus any expenditures necessary to place those assets into readiness for use, i.e., installation, freight, testing, legal fees to establish title, and any other costs of putting the asset in the condition and location for use. Purchase discounts should be applied to reduce the costs, however, interest charges should not be capitalized.

B. Quantity Purchases. Like items purchased in a quantity in excess of one at a total cost of \$1000 or more, regardless of unit cost but meeting other criteria for fixed assets, may be treated as fixed assets at the discretion of the fund manager. This decision is made at the

time the capital purchase and minor construction (CPMC) budget is prepared or revised; not at the time of purchase.

C. Repairs and Maintenance. Expenditures for repairs and maintenance which do not prolong the useful life of property beyond that anticipated when it was purchased or constructed should be charged as expenses at the time they take place. Expenditures of \$2,500 or more which prolong the useful life of property two years or more beyond that anticipated when it was purchased or constructed should be capitalized. Attachments or alterations which increase the usefulness of a building or change it in some way, even though not increasing its life, should be capitalized and depreciated over the estimated remaining useful life of the building. The decision of whether to capitalize is made at the time the capital budget is prepared or revised; not at the time of purchase.

D. Self-Construction. If fixed assets are built or manufactured by the NAFI, all costs incurred, including labor, should be capitalized. Since this situation occurs infrequently, CAOs who need help in this area should contact the proponent of this regulation, in writing, through command channels.

E. Trade-In. When property is traded-in at time of purchase, the new asset will be recorded at the amount of the monetary consideration paid plus the book value of the old asset. Set up a liability for the amount to be paid to the vendor. The acquisition cost and accumulated depreciation of the asset relinquished will be removed from the record.

F. Basket Purchases. If assets are purchased in groups (frequently called a basket purchase) without costs of individual assets being known, the total purchase cost must be allocated among the individual assets on the basis of their respective fair values.

G. Donated Fixed Assets. Fixed assets acquired by donation, i.e., at no cost to the NAFI, will be recorded in the appropriate fixed asset account with a contra credit to GLAC 291-

Contributed Capital, at current estimated value. Costs incurred in the acceptance of the asset, e.g., installation costs, transportation expenses, legal fees, should be capitalized but should not be recorded in GLAC 291. It is the responsibility of the fund manager to furnish the current estimated value. The fixed assets will be depreciated over the expected useful life per table 4-1.

H. Property Control Records. Use of DA Form 4078 (Property Control and Depreciation Record) and DA Form 4079 (Depreciation Expense Control (Furniture, Fixtures, and Equipment)) are mandatory unless the Fixed Asset subsystem of NAFISS or other approved mechanized system is in use. If an approved mechanized system is in use, the mechanized system will be the property control records. Each fixed asset must be recorded on a property control record, manual or mechanized. Fixed assets will remain on property control records, whether fully depreciated or not, until disposition is made by the fund manager. Special property records may also be maintained, if desired by the fund manager, for items considered sensitive by the fund manager that would not otherwise be recorded on property control records. Unless the fund manager has notified the CAO in writing of any general policies in this area, items will be added or deleted only at the specific request of the fund manager or his designee. At least monthly, the CAO will furnish the fund manager a list of the recorded items described above so that he or she is aware of items that are being carried on property control records not recorded in an asset account. The fund manager can add to or delete from this list as he or she desires. These items are not subject to the physical inventories described in this chapter. These items are recorded in NAFISS as subledger code "E".

I. Depreciation. Use of the straight-line method of depreciation is mandatory except for aircraft. Salvage value will not be considered, i.e., the total cost of the asset will be depreciated. Depreciation of fixed assets will begin the month after receipt and continue through the month of 100 percent depreciation. When a fixed asset that is not fully depreciated

is removed from property control records, a full month's depreciation will be recorded. Depreciation expense should be recorded in the using department code.

J. Government-Titled Fixed Assets. An unusual aspect of NAF accounting is that some assets, particularly buildings, are purchased using NAF and the NAFI has exclusive use, but title rests with the government. Special asset accounts (GLACs 175 and 177) and special Accumulated Depreciation accounts (GLACs 176 and 178) have been prescribed for recording these assets.

K. Fixed Assets In Transit. On occasion, title to fixed assets may pass to the NAFI and payment made before the NAFI has physical possession of the property. Typically, this happens when property destined for a NAFI overseas is delivered to an Army port for over water transportation by government means. The CAO makes payment based on the receipt at the port and records it in the Fixed Assets in Transit account. When the NAFI actually receives the property, the cost will be removed from the Fixed Assets in Transit account and placed in the appropriate fixed assets account.

L. Building and Improvement Construction Costs. Most construction contracts allow for progress payments during the construction period. As payments are made they will be recorded in the Building and Improvement Construction Costs account (GLAC 179). When the construction project is completed and ready for occupancy or accepted and occupied by the NAFI, the amount previously recorded will be reversed from the Building and Improvement Construction Costs account and recorded in the appropriate fixed asset account. Depreciation will begin the following month. There are no specific procedures nor forms prescribed for evidencing that the NAFI has occupied a new building or facility therefore the CAO must coordinate closely with the fund manager any time that progress payments are being made. Final payment cannot be used as criteria as payment is sometimes held back.

M. Appropriated Fund Property. The CAO is not responsible for property records for property purchased using appropriated funds.

N. Major Construction. The Army Morale, Welfare, and Recreation Fund (AMWRF) will pay for all major construction, projects costing over \$500,000, less any amounts funded locally. AR 215-1 describes the funding programs for NAF construction. The AMWRF will pay the district engineer or civilian contractor directly as invoices are received and as authorized by the contracting officer. The IMWRF will be notified of the project cost upon project completion.

1. When the AMWRF withdraws funds from the IMWRF for major construction projects, the AMWRF will send a message specifying the amount of the withdrawal. The entry necessary at the time the cash is withdrawn from the IMWRF is a DR to GLAC 196-Construction Advances for the amount the IMWRF pledged to the project, and CR to GLAC 187-Fixed Asset Sinking Fund.

2. When construction is completed, the AMWRF will notify the IMWRF of the amount paid for the project. The CAO will debit the proper fixed asset GLAC for the amount of the project. The credit will be to GLAC 196 for the amount previously debited to this account for the project and GLAC 291 for the remainder. Depreciation will begin the month after the contracting officers representative or the engineers determine that the facility is ready for "beneficial occupancy" or the month after the facility is put in to use, whichever occurs first. If the final cost of the project is not known at this time, base the monthly depreciation on the best estimate of cost and adjust later if necessary.

O. Fixed Assets At Closing Installations.

1. Fixed assets which were not transferred to another installation will be expensed to remove the remaining book value from the books. If the assets were in usable condition and in use at the time of closure, the

assets will be removed from the books and the net book value will be debited to GLAC 832-Loss on Close of a Business Location. If the assets were not in use, record the loss to GLAC 827-Loss on Disposal of Fixed Assets because the loss is not attributable to the closure.

2. When assets with a net book value are transferred:

a. Remove the asset account and corresponding depreciation account from the books. Record the net book value as a debit to GLAC 291-Contributed Capital. The losing CAO will provide the gaining CAO with the net book value of the transferred fixed assets.

b. The gaining installation will debit the applicable fixed asset account with the net book value and credit GLAC 291. The gaining Fund CAO will load the fixed assets on the books at the net book value and continue depreciation over the estimated remaining useful life.

A040403 Transactions. The various fixed asset accounting transactions can be grouped into acquisition, administration, disposition, and depreciation. Physical inventories take a significant amount of the CAO's time and may produce many accounting transactions.

A. Acquisition. Receiving reports are prepared by NAFI personnel evidencing acquisition of fixed assets. If all data required for maintenance of property control records is not included with the receiving report, the CAO will request it from the NAFI manager.

B. Administration. Documentation must be prepared by the fund manager whenever any data on the subsidiary records is changed even though no general ledger entries are required, e.g., fixed assets are transferred from one location to another. Transfers between NAFIs should be handled as donations by the receiving fund and as dispositions by the donating fund.

C. Disposition. Documents are prepared by the fund manager upon disposition of fixed assets. Disposal means that the fund

manager has physical control of the item and disposes of it in accordance with AR 215-1. A "write-off" of a fixed asset means that the NAFI manager does not have physical control of the item, i.e., a shortage. Entries for dispositions will be made on journal vouchers. The only documentation needed by the CAO to "write-off" an asset is evidence that the property is missing.

1. Transfer to Defense Reutilization and Marketing Office (DRMO). When property is transferred to the DRMO, it will be evidenced on the form required by the DRMO (usually DD Form 1348 (DOD Single Line Requisition System Document)). The NAFI manager will furnish the CAO a copy of the document which will be used to support the entry. Any remaining book value will be charged to GLAC 827-Loss or Gain on Disposal of Fixed Assets. Any cash proceeds from disposal received at a later date will be recorded in GLAC 827 if the fixed asset can be identified; if not, the proceeds will be recorded in GLAC 825-Miscellaneous Other Income.

2. Write-off. The fund manager should report shortages of fixed assets to the CAO, in writing, upon discovery. Properly completed physical inventory documentation is considered notification in writing. As soon as notified, the CAO will remove shortages from the property control records, however, this does not constitute relief from property accountability. Relief can only be granted as specified in AR 215-1, therefore the CAO will report the shortages to the NAFI Manager's commander by letter. The letter should be hand-carried where possible and acknowledgement of receipt should be obtained. The letter to the Commander will also have the accounting entries made to remove ("write-off") the shortages from the property control records. A copy of the letter will be sent to the NAFI manager. If the property is found later, the item will be put back on property control records, the accounting entries previously made will be reversed, and an adjusting entry will be made to bring depreciation up to date.

3. Sale. When property is sold by the NAFI, cash or accounts receivable will be debited; the appropriate accumulated

depreciation debited; the appropriate fixed asset account credited; and gain or loss on disposal of fixed asset debited or credited, as applicable. The NAFI manager must give the CAO the documents. If NAFI-purchased or owned property is transferred to the Government and later sold, proceeds from the sale go to the Government; not the NAFI. See AR 215-1.

4. Trade-in. When old property is traded-in at time of purchase, the fund custodian will send documentary evidence. The old asset will be removed from property control records and the new asset recorded as described above.

Table 4-1, Depreciation Periods

Description	Life Expectancy
Buildings	15-40 years
Building Improvements	10-30 years
Furniture, Fixtures, and Equipment	2-10 years
Vehicles, Aircraft, and Boats	2-7 years
Land Improvements	15-25 years

D. Depreciation. Depreciation is a systematic method of charging operations with the cost of a fixed asset over its estimated useful life. Estimates of the useful life of assets are seldom accurate since obsolescence or other factors may abbreviate or elongate its usefulness. Because of the uncertainty, the guideline lives in Table 4-1 will be used. Since salvage values are almost impossible to predict and restrictions are placed on disposal of military property, salvage values will be ignored in depreciation computations for NAFI-owned fixed assets. Although there are several depreciation methods in general use, Army NAFIs will use only the straight-line method except that aircraft may be depreciated based on hours flown (see below). Under the straight-line method, the cost of the fixed asset is spread in equal periodic portions over its estimated useful life. Monthly depreciation is calculated simply by dividing the total depreciable value of the fixed asset by the estimated months of life. An asset will not be depreciated in the month in which it is placed in use nor will a partial month's depreciation be recorded when disposition is made. If the fund manager desires, aircraft may be depreciated based on hours flown. The estimated flying-hours the aircraft is expected to last are divided into the cost to arrive at a depreciation per hour. Each month the fund manager must report to the CAO the number of hours flown so that depreciation may be calculated and recorded. This must be done manually. NAFISS supports only straight-line depreciation.

E. Adjustments. Generally accepted accounting principles dictate that once an accounting principle is adopted it should not be changed in accounting for events and transactions of a similar type. Further, consistency facilitates analysis and understanding of comparative accounting data. If it is determined that a change in the estimated life of an asset is proper, the necessary adjustment to depreciation must be posted to the expense account; not Retained Earnings. By the same token, a large loss on the disposal or write-off of a fixed asset will be posted to the Loss on Disposal of Fixed Assets account; not Retained Earnings.

F. Fully Depreciated Fixed Assets. Fully depreciated fixed assets purchased prior to FY 89 which had an acquisition cost of less than \$1,000 may be removed from the accounting records.

Table 4-2, Types and Frequencies of Physical Inventories

Type	Description	Frequency	Comments
Saleable merchandise, in any warehouse or storeroom.	This is a single account for saleable merchandise held in a warehouse or storeroom.	Monthly by fund employees or NAFI employees. Annually, observed by independent observation team.	Variances between inventory and stock records will be researched, costed, and documented by the inventory team.
Resale merchandise in sales outlets.	These accounts are for resale merchandise in sales outlets. Separate accounts are maintained by activity codes. Sales outlets include bars, snack bars, package stores, and restaurants.	Monthly in sales outlets. Inventories will be conducted by NAFI employees under the direct supervision of the fund custodian or a designated representative. Annually, observed by an independent observation team.	Same as above.
Supplies	Supplies purchased in large quantities are maintained in a warehouse or storeroom until issued to using activities. This includes consumable supplies used in operations that are not normally for resale (china, glassware, silverware, linen, utensils).	Monthly by NAFI employees. Annually, observed by an independent inventory team.	Supplies issued but not consumed will be controlled by management review even though they were expensed at time of issue. Variances will be documented as above and reconciled by the inventory team.
Fixed assets	Includes furniture, fixtures, and equipment; vehicles and flying club aircraft	Annually. The inventory must be taken at the location level. The initial inventory will be taken by an inventory team appointed by the NAFI managers. The next year it will be taken by an inventory team appointed by the NAFI managers under the observation of independent observation team(s). Independent observation team members will observe the inventory every other year thereafter.	A memorandum will be prepared to support any difference between the physical inventory and the property control record. Shortages will be investigated per AR 215-1.
Expensed equipment (hand receipt/annex number).	All expensed equipment issued by DA Form 2062.	Annually, by DA Form 2062 holders. Also, upon change of DA Form 2062 holders.	A joint inventory is required when there is a change of DA Form 2062 holders.
Sensitive items (Note 3).	All items classified as sensitive.	Annually, by NAFI personnel.	A joint inventory is required when there is a transfer of responsibility.
Transfer of accountability.	All categories described above.	On each change of NAFI manager. Can be done by an independent inventory team.	Variances will be documented as described above. Certificate of transfer will be executed between relieving and successor fund managers. (See AR 215-1)

Notes:

1. Those NAF entities that have had only small dollar value of inventory adjustments over a representative period may request an exception to the monthly inventory requirement. Send request through command channels to the Defense Finance and Accounting Service-Indianapolis Center, ATTN: DFAS-IN-AN, 8899 East 56th Street, Indianapolis, IN 46249-1056. The request must be supported by a schedule showing percentages of adjustments, overages, and shortages relating to the value of the inventory. Before approving any request, DFAS will coordinate with the U.S. Army Community and Family Support Center or the Army and Air Force Civilian Welfare Fund, as appropriate.

2. If inventory stock records are kept, the monthly physical inventory requirement is changed to semi-annually, however, if there is a variance between the semi-annual physical inventory and the stock records in excess of 5 percent or \$2,500 of the inventory value, the requirement for a physical inventory will revert to monthly until the cause is determined and corrective action taken.

3. Does not apply to bar and food sensitive items.

A040404 Physical Inventories.

A. Annual Physical Inventory. A physical inventory of all NAFI-owned fixed assets will be conducted at least annually, per table 4-2. Since it is frequently impractical to perform a physical inventory of all of the fixed assets of a NAFI at one time, physical inventories may be scheduled and conducted by Location Code. Recommend that inventories of location codes with similar missions be conducted at the same time, e.g., all club activities at one time; all bowling activities at one time. A person or persons selected by the CAO will observe the inventory per table 4-2. The observer(s) will come from one or more of the following sources:

1. The CAO, including employees maintaining fixed asset records, if on site.

2. The duty roster maintained by the installation adjutant.

B. Scheduling of Annual Inventories. When the CAO is on site, he/she schedules the annual inventories, briefs the persons performing the inventory, briefs the independent observers, and furnishes a listing of the assets (without quantities) to the persons performing the inventory. If the installation is served by the consolidated CAO, the local installation will schedule the inventory and conduct the briefing. When the inventory is completed, the CAO reconciles the inventory to the property control records, and makes necessary adjustments to the property control records and other accounting records. The NAFI manager, the persons conducting the inventory, and the observer(s) sign a statement that the inventory has been properly conducted and that it is correct (see fig 4-3). The CAO will inform the commander, by letter of the results of the inventory (shortages, overages, accounting entries made, or that there were no discrepancies). The letter will be hand delivered, when practical, and an acknowledgement of receipt obtained. The commander will determine any actions to be taken regarding possible investigations.

C. Coordination With NAFI Manager. Approximately 60 days prior to a scheduled fixed asset inventory, the CAO will coordinate with the NAFI manager for appointment of the inventory team. The appointment should be in writing and signed by the NAFI manager and the Central Accounting Officer. The CAO will also arrange for the observer(s). If a request for observer(s) goes to the installation adjutant, the desired rank(s) of the observer(s) should be specified. The use of CAO employees as observers must be carefully considered. While the person who maintains the fixed asset records may be well qualified to act as an observer, the CAO must ensure that he or she can perform the observation objectively. If there is any objection from the NAFI manager, CAO personnel should not be used.

D. Policies and Procedures. The following are policies and procedures for physical inventories of fixed assets. These items will be included in briefings for the inventory team and the observers.

1. Work in pairs. One person will inspect and count the items; the other will enter the count on the list.

2. Make identification by asset number and/or serial number, if possible.

3. Any borrowed, loaned, rented, disposed of, or otherwise missing items will be recorded as shortages unless proper documentation is present.

4. The inventory team will verify that each item is permanently numbered and the number is not disfigured. Also they must verify that the item is well maintained. The listing should be annotated to indicate any items not in use, i.e., in store room or warehouse.

5. When the physical count is completed, the CAO will reconcile it with the property control records. Differences will be brought to the attention of the inventory team and the NAFI manager and reasonable attempts will be made to locate the missing property.

6. Necessary adjustments will be made to the property control records by the CAO as soon as the reconciliation is finished and the NAFI manager and inventory team have had a chance to check for shortages, unless written authority is received from the commander not to do so.

7. All members of the team must sign the briefing statement and the inventory statement.

8. The inventory team will not be released until the inventory is satisfactorily completed.

E. The following will also be included in the briefing:

1. The importance of an accurate physical inventory will be stressed during the briefing.

2. The use of the listing, their arrangement, and the use of location and department codes.

3. The physical presence of some items may be difficult to confirm or ascertain, e.g., building improvements and land improvements.

A040405 Fixed Asset Sinking Fund. NAFIs may use a Fixed Asset Sinking Fund to set aside funds for purchase/replacement of fixed assets in accordance with guidance by MACOMs and/or CFSC. Amounts may be debited to GLAC 187 monthly.

A040406 Disposal of Fixed Assets.

A. Items that have been fully depreciated will remain in the accounts until disposed of. On disposal, the asset account will be credited for the full amount of the asset's capitalized value. Debit the allowance for depreciation account for the depreciated amount of the asset. Items disposed of (through sale, donation, or retirement) that are not fully depreciated will be written off as follows:

1. Sale.

DR Cash or Receivables (amount received).
DR Allowance for Depreciation (amount depreciated).

CR Applicable Asset Account (original amount capitalized).

and

DR or CR Loss or Gain on Disposal of Fixed Assets (difference).

2. Donation, Retirement, or Destruction.

DR Allowance for Depreciation (amount depreciated).

DR Loss on Disposal of Fixed Assets (difference).

CR applicable Fixed Asset Account (original amount capitalized).

B. CAOs will record losses or gains that result from disposal of fixed assets in department code G1 of the location using the asset.

A040407 Lost Assets. After an inventory is validated, fixed asset records will be adjusted to delete lost assets. The loss is reported to the NAFI council and commander. Write-off will not be delayed pending council and commander review. A write-off of a fixed asset does not constitute a relief from property accountability under AR 215-1. The following accounting entries should apply:

A. When insurance recovery or pecuniary liability is expected-

DR GLAC 127-Claims Receivable

DR Allowance for Depreciation

CR Applicable Fixed Asset Account

To record a claim for the net book value of the asset and write-off the acquisition cost of the asset and accumulated depreciation.

B. When insurance settlement or other restitution is made-

DR GLAC 101-US Cash Account

CR GLAC 127-Claims Receivable

and

DR or CR GLAC 827-Loss or Gain on Disposal of
Fixed Asset

C. When loss is not expected to be
recovered-

DR GLAC 827-Loss or Gain on Disposal of Fixed
Asset

DR Allowance for Depreciation

CR Applicable Fixed Asset Account

To write-off lost fixed asset and record a loss
equal to the net book value.

A040431 Closing a Business Location. All costs associated with closing a segment of the NAFI's business, or the entire NAFI, will be recorded in GLAC 832, Loss on Close of Business Location, to include losses on disposal of buildings, improvements, and furniture, fixtures, and equipment. GLAC 832 should be recorded in the administrative department code (G1) of the location that applies to the facility being closed. To record it in IMWRF administration would not show the cost in the proper program code. The notes to the financial statements for the period encompassing the closure should identify the operation that has been discontinued.

CHAPTER 5

LIABILITIES AND FUND EQUITYA0501 LIABILITY FOR NAF
RESOURCES

A050101 Fund Manager Responsibility.
The sole responsibility for managing the resources of a NAFI including cash, rests with the fund manager, or the governing council, as applicable. Therefore, the CAO will disburse or use a NAFI's resources only with the approval of the fund manager or as authorized in this regulation.

A050102 Authority For Payment. Receipt of all the following documents, properly prepared and authenticated, is authority for payment.

A. Procurement Instrument. This may be a purchase order, a contract, a blanket purchase agreement, or other contractual document issued in accordance with AR 215-4.

B. Receiving Report. A receiving report or other signed documentary evidence that the goods or services have been received by the NAFI.

C. Vendor Invoice. An invoice or claim from the vendor requesting payment. This may be an invoice issued for a specific delivery or a statement showing deliveries over a month, week, or other period.

A050103 Absence of a Purchase Order. In the absence of a purchase order, the CAO will forward all documents received to the fund manager for proper disposition. AR 215-4 contains procedures for ratification of unauthorized commitments. Payment will not be made until the commitment has been ratified by issuance of a purchase order or contract. If the goods or services have already been received and cannot be returned (contract is not voidable), the contracting officer will recommend to the installation commander ratification or nonratification of the unauthorized commitment. In that case, the fund manager must obtain

approval from the installation commander and certify in writing that the goods or services represented by the invoice were actually received and that payment is approved.

A050104 Purchases From Another NAFI.
Purchase of goods or services from another NAFI will be supported by a request for the goods or services and a signed document showing receipt. DD Form 1149 or similar form will suffice.

A050105 Purchases from Government.
Purchase of goods or services from the Government (bills from appropriated funds) will not normally be supported by a procurement instrument, however, a receiving report or other signed evidence of receipt must be present to support the payment.

A050106 Payments to NAF Personnel.
NAF personnel will be paid only when the proper personnel documents are received. A TA report authenticated by the NAFI manager or his or her appointed representative must be given to the CAO or servicing payroll office.

A050107 Payee. Checks will not be made payable to "cash" or "bearer". Checks for operating cash such as check cashing, petty cash, foreign currency exchange, and change funds will be made payable to the name of the person appointed by the fund manager followed by the purpose, e.g., "John Doe (Annex 1 Petty Cash)".

A050108 Payee Bankrupt or Insolvent.
When bankruptcy/insolvency of a payee is involved, payment will not be made from NAF without coordination with DFAS. Further, all potential bankruptcy claims will be submitted to DFAS. Bankruptcy procedures in AR 37-103 apply to all NAFIs covered by this regulation.

A0502 PURCHASE ORDERS AND
VENDOR INVOICES

A050201 Acquisition Procedures. AR 215-4 contains acquisition procedures for Army NAFIs.

A050202 Log Maintenance. The CAO will maintain a log by NAFI and purchase order number. All purchase order numbers must be accounted for at month end.

A050203 Daily Receipts. Purchase orders for daily deliveries may be made on a monthly or annual basis. A copy of all blanket purchase agreements (BPA) will be sent to the CAO to document purchases. The CAO will keep a log, indexed by fund, to control the numerical sequence. The call record along with the matching delivery tickets and vendor's invoice are required documentation to support payment. However, payment will not be delayed pending receipt of the call record. Delivery orders issued on DA Form 4067-R (Army NAF Purchase Request) against GSA or DA contracts or agreements will also be controlled each month by fund and recorded in a control log.

A050204 Stock Record Cards. If NAFIs are maintaining manual DA Form 1991 (Stock Record Card), the CAO will send a copy of the invoice on a transmittal letter to the NAFI immediately upon receipt. The invoices will be used to update the NAFI's DA Forms 1991. If the NAFI requires copies of invoices for pricing stock or other purposes, the CAO will furnish a copy immediately upon receipt.

A050205 Copies of Facsimiles. Sequentially numbered electronic telephone message facsimile hard copy (i.e., TELEX) may be used in lieu of a purchase order when the electronic telephone message facsimile is the customary method of procurement. It is common to use this method when obtaining confirmed hotel or transportation reservations. A copy of the sequentially prenumbered receipt voucher will serve as the receiving report when the customer has paid for the reservation confirmation. The copy of the receipt voucher will be forwarded to the CAO and will reference the TELEX or electronic sequentially numbered message.

A0503 RECEIVING REPORTS

A050301 Preparation. A receiving report will be prepared in accordance with AR 215-4 for receipt of merchandise purchased or services performed. Enough information will be shown on the receiving report to verify vendors' invoices for payment. The receiving report will be sent to the CAO.

A050302 Payment Without the Original. CAOs may use electronically sent copies of receiving reports or notice of receipt as supporting documents for payments, original signatures are not required. CAOs must have receiving reports for the first and last payments when the same amount is paid to one vendor at fixed intervals for continuing services such as rent, equipment maintenance, or janitorial services. Payments for the intervening periods may be made without a receiving report. CAOs may require receiving reports for the intervening periods if they question the contract or have reason to believe the services are not being supplied. If CAOs choose to use this procedure, they must impress on the receiving activity to immediately inform them of any changes in the contract.

A050303 Net of Discounts. CAOs will record accounts payable net of discounts. Discounts are to be taken on the gross amount of the invoice if goods are supplied FOB destination. If the goods are supplied FOB other and a separate freight charge is shown, the CAO will take the discount on the cost of goods only. The FOB delivery terms are shown on the purchase order. CAOs will record discounts lost in GLAC 662.

A0504 SERVICE CONTRACT PAYMENTS (See A100702.)

A0505 DA FORM 5313-R (NONAPPROPRIATED FUND PAYABLE/DISBURSEMENT VOUCHER). DA Form 5313-R or a locally developed form which includes the information on DA Form 5313-R will be used to support the establishment of all accounts payable and DA Form 5313-1-R will be used to support disbursements made for other

than petty cash. DA Forms 5313-R and 5313-1-R will be sequentially numbered by IMWRF management upon issue. DA Forms 5313-R and 5313-1-R will be locally reproduced on 8½ x 11 inch paper. Petty cash vouchers may be recorded on these forms, if desired. Vouchers will not be marked "paid" until a check is issued. Purchase orders with original signatures, invoices, and receiving reports will be attached to the voucher. All purchase orders and supporting documents will be stamped "paid" when the check is issued. DA Form 5313-1-R and payment checks are usually made out to the official name of the vendor. Some vendors may ask that the checks be made out and mailed to an office that does not have the same name. This is allowed as long as the payment voucher and invoice clearly show the contract number.

A0506 ELECTRONIC FUNDS TRANSFER (EFT). The servicing payroll office automatically moves funds to its local depository from each serviced NAFI's account at the Central Bank for the NAFI's payroll. RIMP and unemployment compensation premiums are also automatically transferred from the NAFI's account at the Central Bank to the Army Central Insurance Fund.

A0507 PAYING DEBTS OWED THE US GOVERNMENT. The CAO will give priority to payment of NAF liabilities to the US Government. The CAO will coordinate with the Accounting Division of the DAO at least monthly to ensure settlement of all liabilities with the US Government as soon as possible. All personnel working in the CAO should be periodically reminded of this policy. All debts owed to appropriated fund activities are considered debts owed to the US Government. Debts to the Government are normally created from commissary and self-service supply center purchases, billings for utilities, and assorted services provided to the NAFI on a reimbursable basis. Debts owed to the Government will be paid immediately upon receipt of all documentation. The practice of paying debts owed to the Government as much as 30 days after receipt of the required documentation is prohibited.

A0508 FUND EQUITY. Fund equity (net worth) is the excess of total assets over liabilities. The retained earnings section of the Balance Sheet reports the beginning balance (prior month ending balance), plus current month income (loss) activity, and plus/minus adjustments.

A050801 General Ledger Accounts.

A. Contributed Capital. GLAC 291-Contributed Capital, reflects the amount of capital from sources outside the NAFI.

B. Retained Earnings. GLAC 292-Retained Earnings, reflects the amount of retained earnings. Retained earnings includes the beginning balance (prior month ending balance), plus current month income (loss) activity, and plus/minus adjustments.

A050802 Retained Earnings Adjustments. Retained earnings adjustments are extremely rare and require explanation in footnotes to the financial statements. Adjustments to the retained earnings account require DFAS approval.

CHAPTER 6

INCOME

A0601 GENERAL. Income is any inflow or receipt of resources earned by the NAFI. NAFIs usually receive income from the sale of goods or supplying a service. This chapter also has accounting policy for two other sources of income; concessionaire operations and Slot Machine Profits.

A0602 CONCESSIONAIRE INCOME. Certain activities may be operated under contract with a civilian concessionaire. The limits on sales and services by the funds apply fully to concessionaire operations. NAFIs will follow AR 215-1 and AR 215-4 when activities are operated under contract with a civilian concessionaire. AR 215-7 covers Army post restaurant activities operated under contract with a concessionaire. Concessionaire income will be recorded under the NAFI administrative department unless there is a clear relationship between the revenue and a specific location within the NAFI. When a particular location had a part in generating the revenue, the revenue will be recorded under that location.

A0603 CONCESSION ACCOUNTING. When a department of a NAFI operates (either wholly or in part) on a concession basis, the fees received from the concessionaire will be included in the applicable department codes under GLAC 502 - Concessionaire Commission Income. That portion from direct operations (other than concessionaire) will be recorded in other applicable GLACs (i.e., Service/ Recreation Activities income, etc.) and department codes. If the commission fee from the concessionaire is not received by the end of the month to which it pertains, an Accounts Receivable-Concessionaires should be established for the estimated amount receivable.

A0604 ARMY RECREATION MACHINE (ARM) PROFITS. Accountants will make the following accounting entries to record income to the NAFI from the program. Debit 101-US Cash Account and Credit 525-ARM

Expense Reimbursement to record the cash provided to the NAFI to reimburse expenses for supporting slot machines. Record in the location housing the slot machines, using department code G1. Debit 189-ARM Allocations and Credit 524-ARM Income to accrue the NAFIs share of the program income, based on the budget projections given to the NAFI by USACFSC. Record in the NAFI administrative location, using department code G1. After receiving notice from USACFSC of actual income earned, make an entry to adjust GLACs 189 and 524 to the amount of the actual income. Debit 187-Fixed Asset Sinking Fund and Credit 189-ARM Allocations to record the receipt of cash, check, or notice of bank transfer for approved capital expenditure projects. Transfer amounts to GLAC 101 at the time of payment for purchase of fixed assets.

A0605 TICKET SALES. Record the entire proceeds from ticket sales as income and record the cost of the ticket as an expense. The difference between the proceeds and the cost of the ticket is the profit, or mark up, on the sale. When a customer makes a partial payment, record the payment in GLAC 202-Deposits Payable. Clear GLAC 202 when full payment is received.

A0606 INCOME FROM RECYCLING MATERIALS. When the recycling program is run by the installation engineer, the NAFI may receive some revenue from the program. Record the income received under program code RP in GLAC 538-Recyclable Material Income. If the NAFI operates the recycling program for the installation, record the income and expenses of the program in program code TT-Recycling. Record the income in GLAC 501-Service/Recreation Income.

A0607 CONTRIBUTIONS FROM CHARITABLE SOURCES. When NAFIs receive cash contributions from the Combined Federal Campaign (CFC) or other charitable

organizations, record the contributions as a credit to GLAC 807-Contributions From Charitable Sources and a debit to Cash. For non-cash items that meet the criteria for fixed assets, see A040402G, for accounting procedures. For items that do not meet the criteria for fixed assets, record to the appropriate asset or expense account with an offsetting entry to GLAC 807.

A0608 NON-OPERATING SOURCES OF REVENUE. Non-operating Sources of Revenue are established to record the receipt of non-operating revenue by the NAFI (e.g., cash distributions, allocations, and dividends). The revenue will be recorded under the NAFI administration cost center, unless specifically designated for a particular department.

A0609 COUPONS. To assess the impact coupons have on operating activity programs, record the face value of coupons as sales or fees and charges, as appropriate. Cashiers will record the total value of the sale including coupons received. Record the total amount of redeemed coupons on the daily cashiers report.

A0610 TOKEN ACCOUNTABILITY. Tokens are counted, reported, and controlled the same as cash when used by a NAFI. When tokens are sold, record the sale as unearned revenue. When tokens are redeemed, record an entry to reverse the entry which was made when they were sold. When a series of tokens is changed, move the amount of unredeemed tokens to miscellaneous income, under the administration cost center. If a shortage occurs, record the amount as a charge to miscellaneous expense.

A0611 INTEREST INCOME. When interest is earned, record it at the NAFI administration cost center.

A0612 OPERATING SUBSIDIES. When subsidies are received from foreign governments, record all applicable expenses in full to the applicable cost center and record the subsidy as nonoperating income in the same cost center.

A0613 LAYAWAY SALES. When merchandise is sold on layaway, the sale will be

recorded at that time. The merchandise will be segregated from other resale merchandise and should be considered sold. Therefore, the cost of goods sold entry should occur at the same time the sale is recorded. The following entry will be recorded at the time of the sale:

DR GLAC 101 - US Cash	\$ 10
DR GLAC 138 - Layaway Receivables	\$490
CR GLAC 303 - Layaway Sales	\$500

To record the sale of merchandise on layaway.

If the layaway sale is later canceled, the merchandise should be returned to inventory and the previous entry reversed.

CHAPTER 7

EXPENSES

A0701 GENERAL. Expenses are the cost of goods, services, and facilities used in the production of revenue. Expenses are deducted from revenue in determining net income.

A0702 T R A V E L A N D TRANSPORTATION. NAF personnel traveling under official orders citing appropriated funds will be processed by the servicing DAO. NAF personnel traveling under official orders citing NAF will be processed by the CAO as follows:

A070201 Advances. Advances will be requested using DD Form 1351 (Travel Voucher). The NAFI authorizing the travel will prepare DD Form 1351 and submit it to the CAO, with a request for check issuance at least 5 working days before the scheduled date of departure. Two copies of the document authorizing the travel (travel order) will accompany the DD Form 1351. The CAO will review the traveler's DD Form 1588 (Record of Travel Payments) to ensure that the traveler has not previously received an advance for the travel. The NAF CAO may compute the travel advance, or delegate this responsibility to the DAO. If the CAO delegates the advance computation, the CAO will then send the DD Form 1351 to the travel section of the servicing DAO via transmittal letter. The DAO will compute the amount to be advanced and return the DD Form 1351 to the CAO for payment. Advances should not be paid prior to 5 calendar days before the scheduled departure date.

A070202 Travel Settlement Vouchers. When travel is complete, DD Form 1351-2 (Travel Voucher or Subvoucher) must be submitted to the CAO, even if no advance was made. Travel vouchers involving an advance must be submitted for settlement within 15 days after the travel is completed. All other travel vouchers must be submitted for settlement within 30 days after the travel is completed. The CAO will send the DD Form 1351-2 to the travel section of the servicing DAO via transmittal letter; the DAO will compute the settlement,

complete DD Form 1351-2, and return it to the CAO. If the settlement amount is more than the advance, the CAO will make payment to the traveler. If the advance was more than the settlement amount, the CAO will notify the NAFI that authorized the travel to collect the excess advance from the traveler. If the advance is not collected from the traveler after notification, it may be collected from the traveler's pay. (See AR 215-3)

A070203 Record of Travel Payments. All temporary duty travel and permanent change of station travel and transportation costs is recorded on DD Form 1588. The CAO serving the traveler will maintain the DD Form 1588 in alphabetical order. When a travel advance is paid, the CAO will annotate the traveler's DD Form 1588 for the payment. The accounting copy of the travel voucher will be annotated with a suspense date of 15 days after the scheduled return date. The advance suspense file will be reviewed daily to insure that all advances are settled.

A070204 Accounting Entries.

A. When an advance is paid:
DB GLAC 119 - Advances Receivable
CR GLAC 101 - US Cash.

B. In the month the travel occurs, debit the estimated cost of the travel to the expense account and credit the Miscellaneous accrual account.

C. When the travel is settled:

1. Reverse prior entry to expense and accrual.
2. If advance was not previously paid, debit the appropriate expense account for the total cost of the travel and credit Accounts Payable. Process check payment to traveler.

3. If advance was previously paid, debit the appropriate expense account for the total cost of the travel and credit Advance Receivable for an amount not to exceed the traveler's entitlement. If the advance was less than entitlement, credit Accounts Payable for the difference. If advance was greater than entitlement, the uncleared advance amount remains in Advances Receivable until cleared through receipt of cash from the traveler or by payroll deduction as applicable.

A0703 ACCOUNTING FOR VOLUNTEER CHILD CARE EXPENSES.

Volunteer expenses for child care may be reimbursed by the using activity (see AR 215-1). Three methods of payment are possible, depending on the activity and volunteer preferences; petty cash disbursement, inter-department expense transfer (NAFI departments) and prepayment deposit (non-NAFI activities). Accounting entries are as follows:

A070301 Petty Cash Vouchers. Upon settlement of petty cash vouchers (when volunteers are directly reimbursed for private child care costs). DR 678-Volunteer Service and CR 101-Cash.

A070302 Cost Transfer. Upon receipt of Child Development Center (CDC) sign-in sheet for NAFI departments, enter a cost transfer. Any disagreements between the CDC and NAFI department concerning the amount of the cost transfer will be resolved by the CDC and/or Financial Management Division. DR 678 (for the using department) and CR 678 (for the CDC).

A070303 Receipt Of Cash. When cash is received from non-NAFI activities for prepayment of CDC charges (The CAO must keep a subsidiary ledger to account for the prepayment). DR 101-Cash and CR 202-Deposits Payable.

A070304 Income. Upon receipt of sign-in sheets from CDC for non-NAFI activities showing that the services were provided. DR 202-Deposits Payable and CR 501-Service/Recreation Activity Income.

A0704 INSURANCE PREMIUMS FOR FAMILY CHILD CARE PROVIDERS. The Army Risk Management Insurance Program (RIMP) extends insurance coverage at a nominal fee for home providers of child care. The premiums collected for this coverage are forwarded to CFSC. The NAFI does not record the amount collected from the home providers as income and the amount paid to CFSC is not recorded as an expense. The collections and payments are recorded as payables without impacting the income statement. Accounting entries are as follows:

A070401 Premiums. When the NAFI collects the premiums from the child care providers.

DR 101 - US Cash
CR 202 - Deposits Payable

A070402 Recording. When the RIMP bill including NAFI insurance premiums, as well as child care providers insurance premiums, is received.

DR 733 - Insurance Premiums Expense
CR 201 - Accounts Payable
DR 202 - Deposits Payable
CR 201 - Accounts Payable

A070403 Payment. When the RIMP bill is paid,

DR 201 - Accounts Payable
CR 101 - US Cash.

A0705 BILLETING FUND SURCHARGE.

A070501 Collection Of Surcharge. The Department of the Army Billeting Fund (ABF) will collect a 5 percent surcharge on installation Billeting 501-Service/Recreation Activity Income. The CAO must calculate and record the 5 percent surcharge amount in GLAC 758-Army Billeting Fund Surcharge Expense. The entry in GLAC 758 will be made prior to the monthly closing of the accounting books. The CAO will also record the 5 percent as a liability in GLAC 238-Army Billeting Fund Surcharge Payable.

A070502 Transfer of Funds. The U.S. A (CFSC) account equal to the balance in GLAC 238 and transfer the funds to the ABFs' account. This transfer will occur quarterly on the last business day of the second month after the end of the quarter. CAOs should record the cash transfer on that date.

A0706 ENTERTAINMENT AND PROMOTION EXPENSE. Record the cost of entertainment or promotion in the cost center receiving the benefit.

CHAPTER 8

NONAPPROPRIATED FUNDS CENTRAL PAYROLL SYSTEMA0801 GENERAL

A080101 Pay and Leave Policy. The basic policies in AR 215-3 governing the pay and leave accounting for NAF employees will be followed.

A080102 Scope. This chapter concerns all CAOs that have transferred pay and leave services for NAF employees to the Nonappropriated Funds Central Payroll System (NAFCPS); Human Resources Offices (HRO) providing personnel services to CAOs and NAFIs; and NAFI managers and supervisors who are involved in the pay and leave input or output of the NAFCPS. All Army NAFIs within CONUS, Alaska, Hawaii, Japan, Korea, Panama, Puerto Rico and Europe will be serviced by the NAFCPS.

A0802 PAYROLL RESPONSIBILITIES

A080201 Servicing Payroll Offices. There are two servicing payroll offices. The CONUS Central NAF Payroll Office (CNPO) operates under the functional control of Defense Finance and Accounting Service-Indianapolis Center. The USAREUR Nonappropriated Funds Central Payroll Division (NAFCPD) operates under the functional control of NAF Finance and Accounting Operations, 266th Theater Finance Command.

A080202 Duties of Servicing Payroll Office. The servicing payroll office processes payrolls. It will:

A. Make timely payment to all employees assigned to it for pay and leave accounting.

B. Issue employee earnings and leave statements. DA Form 5352 (Nonappropriated Funds Earnings and Leave Statement) (from CNPO) and DA Form 5352-1 (Nonappropriated Funds Earnings and Leave Statement) (from NAFCPD). DA Forms 5352 and

DA Forms 5352-1 can be obtained from the US Army Publications Distribution Center.

C. Provide various disbursement services such as mailing of paychecks, savings bonds, and savings allotment checks based on the instruction of employees, HROs, and NAFI managers.

D. Prepare and maintain all pay and leave records and reports.

E. Report errors detected in personnel or payroll action documents, DA Form 4850 (Nonappropriated Funds Time and Attendance Report) or DA Form 4850-1-R (Nonappropriated Funds Time and Attendance Supplement Report) to the proper office.

F. Ensure that documents needed to make payment to employees have been received before payment is made.

G. Cooperate fully with all serviced offices in the primary mission of pay and leave accounting.

H. Answer all inquiries from serviced offices regarding pay and leave when information is not included in data normally provided by the servicing payroll office.

I. Process tax levies or court orders against wages earned.

J. Withhold Federal, State, and local taxes and remit them to the proper government agencies.

K. Withhold employee deductions for NAF employee benefit programs and remit them, along with employer's contribution, to HQDA in accordance with AR 215-3.

L. Record amounts of unclaimed payroll checks returned from CAOs in accordance with A0806.

A080203 CAO Duties. The servicing CAO will:

A. Receive DA Forms 4850 and 4850-1-R from the NAFIs. Once all forms for the installation are collected, they will be mailed to the servicing payroll office. Installations outside of CONUS, except Hawaii, may transmit their records by AUTODIN, after verification with original payroll data, then mail the original DA Forms 4850 and 4850-1-R immediately after AUTODIN transmission. This function will be handled by the NAFI fund managers at installations serviced by a regional CAO.

B. Receive payroll checks (USAREUR excluded), payroll listings, and preprinted DA Forms 4850 from the servicing payroll office for distribution to the NAFI managers or, CAO employees, and other NAF employees at the installation. For Korea, the CNPO computes the pay and transmits net pay issue records via AUTODIN to the CAO for local check preparation.

C. Make proper G/L accounting entries upon receipt of payroll listings and checks from servicing payroll office.

D. Return unclaimed/undeliverable payroll checks to servicing payroll office in accordance with A0806.

A080204 HRO Duties. The servicing HRO will:

A. Prepare all personnel or payroll action documents and submit them to the servicing payroll office.

B. Submit all changes to the employee's Master Employee Record. Examples are a change of address, a new IRS Form W-4, a new allotment or a change to an existing allotment, and other acceptable forms (A080403).

C. Review payroll reports returned from the CAO per A080702.

D. Comply with AR 215-3, other regulations, personnel and pay manuals, and

directives from HQDA on pay, leave, and personnel of NAFIs.

A080205 NAFI Duties. The serviced NAFIs will:

A. Provide the CAO with correct documents, as required, to support payment and leave accounting for employees.

B. Insure that prescribed procedures for DA Forms 4850 and 4850-1-R preparation and reporting are followed.

C. Collect and deposit overpayments not recoverable from payroll deduction, as requested by the servicing payroll office, and advise the CAO when collection has been made.

D. Collect and deposit fees paid to employees on jury duty.

E. Make required corrections related to pay and leave, in coordination with the servicing payroll office.

F. Interpret and administer regulations on entitlement to pay and leave.

G. Return undeliverable payroll checks to CAO or servicing payroll office for disposition.

A0803 ESTABLISHMENT OF PAY PERIOD. Pay periods are established on a biweekly basis and end on every other Wednesday.

A0804 PERSONNEL OR PAYROLL ACTION DOCUMENTS.

A080401 Maintenance of Payroll Files. The payroll copy of all personnel or payroll action documents will be maintained by the servicing payroll office.

A080402 Document Transmittal.

A. The HRO of the serviced installation will promptly transmit to the

servicing payroll office all personnel or payroll action documents required to maintain individual pay and leave records. The transmittal memorandum/form will be prepared in triplicate. The original and one copy will be sent to the servicing payroll office. One copy will be kept at the servicing HRO.

1. Payroll copies of personnel or payroll action documents to be processed by CNPO must be mailed with a transmittal memorandum, Subject: Personnel/ Payroll Actions Transmittal Number ____ within 1 workday of the day they are authenticated. For installations serviced by CNPO transmittal memorandum and payroll documents will be sent to the Central NAF Payroll Office, PO Box 75, Texarkana, TX 75504-0075.

2. Payroll copies of personnel or payroll action documents to be processed by NAFCPD must be mailed with USAREUR Form AE 1097-R. For installations serviced by NAFCPD transmittal form and payroll documents will be sent to the APO mailing address, CDR, 266th TFC, NAF Payroll Division, Unit #29001-07, APO AE 09007-0137 or the German mailing address, NAF FIN & ACCTG OPNS, 266th TFC, ATTN: NAF Payroll Division, POSTFACH 10-5704, 6900 Heidelberg, Germany.

B. Pay actions will not be processed during the current pay period for employees whose personnel or payroll action documents are not received at the CNPO by noon on Wednesday the last day of the pay period. In USAREUR, pay actions will not be processed during the current pay period for employees whose personnel or payroll action documents are not received in the servicing payroll office by noon on Thursday following the end of the pay period. Their pay or adjustment to pay will be deferred and included in the check for the first full pay period after receipt of the documents.

C. Sample transmittal memorandum is shown in Figure 8-1.

D. Transmittal memorandums will be sequentially numbered, preceded by the

two-letter installation code and followed by the two-digit calendar year (Examples: RR-1-93, RR-2-93, RR-3-93). The transmittal will be date-stamped on receipt at the servicing payroll office. When received, documents will be compared with the list on the transmittal memorandum and reviewed for completeness. Receipt will be acknowledged by signing and returning the duplicate copy. Documents that do not comply with AR 215-3 and other instructions will be returned to the serviced installation for proper completion.

A080403 Documents Submitted to the Servicing Payroll Office. The following is a list of forms that will be accepted by the servicing payroll office to establish, change, or terminate an employee's records.

A. DA Form 3434, Notification of Personnel Action

B. DA Form 3473, Application for USANAF Plan and/or Group Insurance Plans

C. EBB Form 401(k), US Army NAF Employee 401(k) Savings Plan Investment and Disposition Authorization

D. IRS Form W-4, Employee's Withholding Allowance Certificate (Individual State, county, city, or local withholding forms may be accepted.)

E. IRS Form W-5, Earned Income Credit Advance Payment Certificate

F. SBD 1192, Authorization for Purchase and Request for Change-US Series EE Savings Bonds

G. SF 1187, Request for Payroll Deductions for Labor Organization Dues

H. SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues

I. SF 1190, Foreign Allowance Application, Grant, and Report

J. SF 1199A, Direct Deposit Sign-up Form

K. TSP-1, Thrift Savings Plan Election Form

L. Memorandum for:, To be used by the employee to send the HRO information not provided on other acceptable forms. Example: Change of address for an employee not participating in the US Army NAF Employee Benefits System.

A080404 Document Omission. The HRO is responsible for ensuring all personnel or payroll action documents are properly documented and submitted to the servicing payroll office in a timely manner. If an action is not included in the pay cycle, the NAFI manager or HRO will determine the reasons for the omission and take necessary corrective action to include it in the next pay cycle.

A0805 PROCEDURES FOR SUBMISSION OF TIME AND ATTENDANCE FORMS

A080501 Time and Attendance Forms. The time, attendance, and leave of each NAF employee is maintained on DA Form 4850 and DA Form 4850-1-R.

A080502 Maintenance of DA Forms 4850 and 4850-1-R.

A. Each NAFI manager will obtain blank DA Forms 4850 through the post publications office. In USAREUR, the blank DA Forms 4850 will be obtained from the local CAO. Each NAFI manager will keep enough DA Forms 4850 on hand for at least one full pay period. Preprinted DA Forms 4850 will be produced each pay period by the servicing payroll office for employees in a pay status. These will be sent to the CAO for distribution to the NAFIs for future use. DA Forms 4850 for the first three pay periods (two pay periods in USAREUR) of employment must be prepared by hand. For new-hires, the HRO will complete the bottom line of the DA Forms 4850 for the three pay periods (two pay periods in USAREUR) and

attach the forms to copy 6 of the DA Form 3434 (Notification of Personnel Action- NAF Employee), to be sent to the NAFI manager.

B. Each NAFI manager, supervisor, or appointed timekeeper will maintain the DA Forms 4850. The original copy will be forwarded to CAO. Copy two will be held for adjustments or lost forms. Copy three will be retained for a file copy.

C. DA Form 4850-1-R will be locally reproduced on 8-1/2 by 11-inch paper. A copy for local reproduction purposes is located at the back of this volume. Each NAFI manager, supervisor, or appointed timekeeper will maintain the DA Forms 4850-1-R. Each DA Form 4850-1-R will be attached to the corresponding DA Form 4850 for submission to servicing payroll office.

D. DA Forms 4850 and 4850-1-R will be grouped at NAFI level, a 1-digit number, or at NAFI-location level, a 3-digit number.

E. The NAFI manager, supervisor, or designee is responsible for the authentication of DA Forms 4850 and 4850-1-R. No employee or supervisor may sign his or her own DA Forms 4850 and 4850-1-R. No employee may sign his or her own supervisor's DA Form 4850 or 4850-1-R. Corresponding DA Forms 4850 and 4850-1-R will be signed by the same person.

F. The timekeepers will:

1. Prepare DA Form 4853-R (NAF Time and Attendance Transmittal Form) when submitting any documents to servicing payroll office.

2. At the end of each pay period, arrange DA Form 4850 and 4850-1-R in work center sequence and within each work center in social security number sequence.

3. Record the total number of DA Forms 4850 and 4850-1-R in the space provided on DA Form 4853-R (NAF Time and Attendance Transmittal Form). DA Form 4853-R will be locally reproduced on 8-1/2 by 11-inch

paper. A copy for local reproduction purposes is located at the back of this volume.

4. List individually all other documents submitted after the pay period ending date.

A080503 Submission of DA Forms 4850 and 4850-1-R.

A. Each NAFI manager, custodian, or supervisor will review the DA Forms 4850 and 4850-1-R for accuracy, completeness, correction of errors, proper initials on all corrections and proper signature, and submit them to the CAO. The CAO will mail the forms on Thursday following the end of the pay period on Wednesday. The forms will be packaged so that they will not be damaged or lost in transit. If the forms package weighs 11 ounces or less, mark it FIRST CLASS. If it weighs over 11 ounces, mark it PRIORITY. The word FIRST CLASS or PRIORITY should be large enough so that they can easily be read by postal employees. FIRST CLASS and PRIORITY applies to all domestic mail, including APO mail. USAREUR Mailing Instructions: The forms can be mailed via APO or German Bundespost. If Bundespost is used, mail forms either regular or express to the German address. Do not use registered mail and do not use government franked envelopes as this delays receipt. Forms mailed via APO must be addressed to the APO address. Time and attendance forms received by mail after 1500 hours on the Tuesday following the pay period ending on Wednesday will be checked for the postmark date. If the postmark date is later than Thursday after the pay period ending on Wednesday, a service fee will be charged for each DA Form 4850. The mailing addresses for the payroll offices are in A080402A.

B. The CAO has both the fiduciary responsibility for collection and mailing of the DA Forms 4850 and 4850-1-R and the authority to delegate these responsibilities to another central designee if the delegation will not impede the delivery of reports to the servicing payroll office. The keyword is CENTRAL, as the efficient processing of payroll at the servicing payroll offices is dependent upon having a

central point of contact at each installation or community.

C. Each NAFI manager or supervisor will insure that a proper DA Form 4850 or 4850-1-R is submitted for each employee with hours to be reported. The servicing payroll office will process pay or leave for an employee only when an authenticated form is received containing hours worked or leave taken.

A080504 Adjustments to DA Form 4850 and DA Form 4850-1-R. Each NAFI manager or custodian will notify the servicing CAO of any adjustments required as soon as possible after the end of a pay period. Changes will be made on copies number two and three of DA Form 4850. Copy two of the DA Form 4850 will be signed by any person who has a proper DD Form 577 (Signature Card) on file at the servicing payroll office for that NAFI. Adjustments to DA Form 4850-1-R will be made on a new DA Form 4850-1-R. This form will be signed by any person who has a proper DD Form 577 on file for that NAFI in the servicing payroll office. If adjustment is only needed on DA Form 4850-1-R, the corresponding DA Form 4850 is not required to be sent to the payroll office. The servicing CAO will be responsible for sending adjustments to the payroll office. If the adjustments are not received by the payroll office in time to be incorporated into the current pay period, adjustments will be made in the next pay period. When the following errors are found on DA Form 4850 and DA Form 4850-1-R, the payroll clerk will process the time and attendance report and then request correction by the sender:

A. Questionable pay entitlement: Tour of duty does not agree with hours reported, tour of duty uncertain, or holiday worked or taken uncertain.

B. Corrections made on DA Form 4850 and DA Form 4850-1-R not initialed.

C. Scheduled hours as reflected on DA Form 3434 (Notification of Personnel Action) not accounted for on DA Form 4850 and DA Form 4850-1-R.

D. DA Form 4850 and DA Form 4850-1-R sent without signature.

E. Unauthorized signature on DA Form 4850 or DA Form 4850-1-R.

F. NAFI code reported on DA Form 4850 or DA Form 4850-1-R does not agree with DA Form 3434.

NOTE: The work center code in DA Form 4850 and DA Form 4850-1-R will be shown in the following sequence: NAFI code (Position 1), location code (Position 2-3), department code (Position 4-5), and constant "00" (Position 6-7). The standard NAFI number (SNN) in DA Form 3434 will be shown in the following sequence: Installation code (Position 1-2), NAFI code (Position 3), program code (Position 4- 5), location code (Position 6-7), and department code (Position 8-9).

A080505 DA Forms 4850 and 4850-1-R Correction Suspenses. For DA Forms 4850 and 4850-1-R returned for correction, there is a 21 day from date of return suspense for a first request. If corrections are not received, a second request will be forwarded to the CAO (or fund manager in the case of remote CAO) with a suspense date of 15 days from the date requested. Third requests are forwarded to the installation Defense Accounting Office.

A080506 Submission and Use of DA Form 577. Each person authorized to authenticate personnel/payroll action documents, time and attendance reporting documents (DA Forms 4850 and 4850-1-R) and/or Tips, Service Charges, and Meal Reporting documents (DA Form 5163-R) must complete a DD Form 577 (Signature Card) and send it to their servicing payroll office. A copy will be furnished to the servicing CAO. In addition to the name, grade, date, and signature the form must also have the installation name, fund and location codes and the individual's initials. (NOTE: The local commander may require department code also) DD Form 577 will be updated and sent when there are supervisory changes or changes of existing fund, location, or department (if required locally) codes. Payment will not be made on DA Form

4850, DA Form 4850-1-R, and DA Form 5163-R unless a DD Form 577 containing the authenticating official's signature is on file in the servicing payroll office.

A080507 Tips and Service Charges.

A. The Internal Revenue Service requires that employees report tip income on IRS Form 4070 (Employee's Report of Tips to Employer). A similar form can be used if it shows the employee name, social security number, employee address, employer name and address, date submitted to the employer, total tip income received, and the employee's signature.

1. A tip is a voluntary payment by a customer to an employee for services performed.

2. A tip is not subject to negotiation nor dictated by management policy.

3. The customer has a right to precisely determine the amount and recipient of the tip.

4. A tip may be either cash or charge.

B. Cash tips are cash that the employee receives directly from the customer. These tips must be reported to the NAFI manager on IRS Form 4070. The fund manager will complete DA Form 5163-R (Nonappropriated Funds Central Payroll System Tips, Service Charges and Meals Report). Cash tips will be reported under the heading "Reported Tips".

C. Charge tips are the amount the customer adds to a charge ticket to be paid to the employee as a tip. The liability for the tip payable will be established in GLAC 230. The tip will be billed to either the customer or credit card company depending on the type of accounts receivable system being used. There are two ways charge tips may be paid to an employee.

1. The employee may request payment directly. If payment is

requested, the fund manager will submit a request for payment to the CAO. The CAO may issue a local check for the amount of tips reported on the DAR for that employee. The accounting entry will be Debit GLAC 230 and Credit GLAC 101, US Cash Account. The tip payment is then a cash tip to the employee and procedures in (2) above apply.

2. The employee may request that charge tips be paid through the payroll office to be included with their regular payroll check. If this occurs the NAFI manager will provide the employee with a detailed list of tips charged. The employee will complete IRS Form 4070, or similar form and return the completed form to the NAFI manager for submission to CAO with DA Form 5163-R. Report these tips under the heading "Charge Tips".

D. The NAFI manager will complete DA Form 5163-R for each NAFI. They will submit the form to the CAO with other payroll documents the same pay period tips or service charges are earned. DA Form 5163-R will be reproduced locally on 8-1/2 by 11-inch paper. The tips must be reported under the proper heading: "Reported Tips" or "Charge Tips".

E. A service charge is a mandatory charge added to the customer's bill. The NAFI will record the amount in GLAC 527, Service Charge Income. The service charge may be distributed to the employee at the NAFI manager's discretion. If distributed, the service charge will be treated as additional wages and will be included in GLAC 601, Salaries and Wages. Service charges will be reported on DA Form 5163-R under the heading: "Service Charge."

F. Installations are authorized the option to participate in the tip offset system except those in the States of Alaska, California, Nevada, New Mexico and Washington. Under the tip offset system, a part of the employee's hourly wage is composed of tips. Installations will determine the tip offset rate in accordance with AR 215-3, chapter 3. The HRO will furnish the tip offset rate on DA Form 3434, Notification

of Personnel Action, after the tip offset rate is provided by the NAFI. NAFICPS will compute tip offset based on DA Form 5163-R submitted by the installations. The service charge described in A080507E above will not be used in the tip offset calculation.

G. It is the responsibility of the NAFI to compute a tip allocation for those employees whose reported tips are less than 8 percent of applicable gross sales. Tip allocation amounts will be used for informational purposes only. Allocated tips are not subject to either FICA (OASDI and Medicare) or Federal withholding taxes. No G/L entries are required. The tip allocation will be reported on DA Form 5163-R in the "Tip Allocation" column.

A080508 Meals. Meals provided to employees that are to be deducted from pay will be reported on DA Form 5163-R.

A080509 Worker's Compensation. This compensation is provided for employees injured on the job. AR 215-1, chapter 13 prescribes the basic policies and procedures for Worker's Compensation.

A0806 CHECK AND BOND MAILING

A080601 Check Mailing.

A. A maximum of 3 workdays will be allowed for the processing and preparation of payrolls in the servicing payroll office.

B. The time between the end of the pay period and the distribution of checks by the servicing payroll office will be no more than 8 calendar days. The payday for NAF employees serviced by CNPO will be the second Wednesday following the end of the pay period. The payday for NAF employees serviced by NAFICPD will be the second Monday following the end of the pay period.

C. Individual employee payroll checks and Earnings and Leave Statements (ELS) will be mailed to the CAO for delivery on the second Wednesday following the close of each pay period. In USAREUR, payroll checks and

ELS will be mailed to any address the employee designates. Composite checks will be mailed directly to the designated financial organization. The ELS will be mailed to the CAO or designated contact point. Bulk delivery of checks drawn on payrolls to individual payees may be made to third parties for distribution to payees.

D. The NAFI managers will designate in writing the person to receive checks for distribution; that person will receipt for all checks received from the CAO or the servicing payroll office. It is the responsibility of the NAFI manager to establish procedures covering distribution of the checks after they are received from the CAO or the servicing payroll office. Proper internal controls will be provided by the NAFI manager to insure that the handling and distribution of the paychecks is separated from the authorizing and recording of the payments. Undeliverable checks will be returned to the CAO or the servicing payroll office with the reason for nondelivery in accordance with paragraph A040104.

E. The servicing CAO, point of contact, or NAFI managers will notify the servicing payroll office immediately when errors or omissions are found on the payroll checks, reports, preprinted DA Forms 4850, or ELS.

A080602 Savings Bond Mailing.

A. All Series EE US Savings Bonds will be mailed directly to employees, using the address shown on SBD 1192. The bonds will be mailed by the servicing Federal Reserve Bank. To change the bond mailing address, a new SBD 1192 must be submitted to the servicing payroll office.

B. After the Federal Reserve Bank mails bonds, they forward bond registration information to the payroll office. This product provides bond issuance information.

A080603 Nonreceipt or Loss of Bonds. If a bond is not received within a reasonable time, the employee should notify the servicing CAO, in writing. The CAO will then contact the

servicing payroll office to begin the research process with the servicing Federal Reserve Bank.

A0807 OUTPUT REPORTS

A080701 Payroll Reports.

A. Reports are provided to the serviced installations to help the CAO, HRO, and NAFI or program managers manage their personnel and NAFI accounting.

B. Reports are produced and provided to the servicing payroll office to insure that the payroll is processed accurately.

C. Local managers are required to verify that persons paid and charged to their accounts are officially employed. This is done by using the payroll listings below. The servicing payroll office will provide the servicing CAO, HRO, and NAFI or program manager with copies of the following reports produced during pay cycles:

1. Personal Services Report, Biweekly (Figure 8-2)

2. Individual Leave Register, Biweekly (Figure 8-3)

3. Active Employee Address Listing, Upon Request (Figure 8-4)

4. Payroll Change Listing, Biweekly (Figure 8-5)

5. Notice of UA Employee Within-grade Increase Due, Biweekly (Figure 8-6)

6. NAF Centralized Payroll Data Report, Biweekly (Figure 8-7)

7. Transfer of Annual Leave Liability, Biweekly (Figure 8-8)

8. Compute Research Listing, Biweekly (Figure 8-9)

9. Panama Withholding and Educational Taxes, Biweekly (Panama Distribution Only) (Figure 8-10)

10. Caja de Seguro Social de Panama Feeder Report, Monthly (Panama Distribution Only) (Figure 8-11)

11. Quarterly Review of Hours Worked, Quarterly (Figure 8-12)

12. MWR Personnel Strength Report, Quarterly (Figure 8-13)

13. Annual Leave Forfeit Report, Annually (Figure 8-14)

14. NAFI Employees' Compensation and Benefits Program Report, at Fiscal Year End (Figure 8-15)

15. Employee Cross Reference Roster, Upon Request (Figure 8-16)

16. Tip Offset/Service Charge Report, Biweekly (Figure 8-17)

17. Quarterly Inactive Employee Report, Quarterly (Figure 8-18)

18. Compensatory Aging Schedule, Biweekly (Figure 8-20)

19. Annual Leave / Compensatory Time Adjustment Report, Biweekly (Figure 8-21)

20. Compensatory Time Subsidiary Report, Biweekly (Figure 8-22)

21. Home Leave Report, Biweekly (Figure 8-23)

A080702 Brief Description of Reports.

A. Personal Services Report. This report is produced each pay period and shows the current pay for each employee. It is prepared on DA Form 5314, Personal Services (Comprehensive) Nonappropriated Fund Employees. DA Form 5314 is stocked at Red

River Army Depot for use by CNPO and at Rodelheim, Germany for use by NAFICPD. Base pay, gross pay, and net pay are shown with the check number for each employee paid. If the net pay for a person is part of a composite check, the check number is replaced with "ORGN" and the financial organization code. Cash awards are posted separately, below the current pay line entry. The cash award check number is included. The current totals for each work center are shown after the last listed employee of each work center. The amount of each check must be compared to the amounts on this report by the NAFI manager or his representative.

B. Individual Leave Register. This report shows annual, sick, and military leave, and leave or absences without pay for each employee. It includes the department total in each leave category. This report will be used by the servicing HRO to adjust an employee's official service computation date when applicable. It also provides the authority, based upon each person's leave balance, for approving leave. Leave is shown in hours and dollars for the pay period. The current total is shown only in hours.

C. Active Employee Address Listing. This listing gives all address and mailing instructions on the employee's Master Employee Record (MER).

D. Payroll Change Listing. This is a listing of all changes made to employees' MERs during the pay period. It will be used primarily by the servicing HRO to verify that the changes made match documentation submitted by the HRO.

E. Notice of UA Employee Within-grade Increase Due. This report shows UA employees who are within 120 days or 16 weeks of being eligible for a within-grade increase. An employee will remain on this report until his within-grade increase is effective. The servicing HRO will prepare DA Form 4017 (Request for Personnel Action-Nonappropriated Fund Instrumentality) and send it to the employee's supervisor for approval. For the UA employee's within-grade increase to be granted,

item 34 on DA Form 4017 must contain a statement that "work is of an acceptable level of competence" and the form must be signed and dated by the supervisor. Upon receipt of the signed DA Form 4017, HRO will prepare a DA Form 3434 (Notification of Personnel Action). Approved DA Forms 3434 are forwarded by HRO to servicing payroll office for input by payroll clerk. The servicing HRO will insure that all regulatory requirements have been met before authorizing the within-grade increase. (See AR 215-3.)

F. NAF Centralized Payroll Data Report. This report shows the amount of pay and leave expenses that are incurred. It gives all the G/L entries that are required to update the accounting system, record payroll expenses, adjust the accrued annual leave liability, adjust payroll advance accounts, and establish service charge liability. The G/L entries are given at the proper level (department, location, or NAFI) for entry into the accounting system. G/L entries will be provided for installations using NAFISS or MICROCADS. The CAO should insure that the Personal Services Report agrees with this report.

G. Transfer of Annual Leave Liability. This report provides the annual leave liability when an employee's leave balance is transferred from one work center to another. It gives the following data: Social security number, employee's name, annual leave balance in hours, losing and gaining installation code, work center, hourly rate, and the dollar value of annual leave. The CAO and affected NAFI managers will use this report as a basis for transferring monies from the old work center to the new work center. The transfer of monies must be performed in the accounting period for which the name appears on this report. The accounting entries are as follows:

1. When the employee's name is on the report, the gaining NAFI will establish a receivable:

DR 140 - Miscellaneous Other Receivables
CR 243 - Annual Leave Payable

2. The losing NAFI establishes the liability as follows:

a. Transfer without a change in grade:

DR 243 - Annual Leave Payable
CR 240 - Miscellaneous Other Payables

b. Transfer with a downgrade:

DR 243 - Annual Leave Payable
CR 240 - Miscellaneous Other Payables
CR 825 - Miscellaneous Other Nonoperating Income

3. When the money is transferred, the gaining NAFI will make the following entry:

DR 101 - US Cash
CR 140 - Miscellaneous Other Receivables

4. The losing NAFI will make the following entry:

DR 240 - Miscellaneous Other Payables
CR 101 - US Cash

H. Compute Research Listing. This listing is produced when pay is computed and gives informational type messages to identify when internal, automatic action was taken by the computer. An "I" indicates an informational message.

I. Panama Withholding and Education Taxes. This report is used only by Panama. It shows the NAFI name, employee's name, cedula number (7- to 9-digit identification number given to each Panamanian citizen at birth), gross pay, withholding tax, regular pay, and education tax for Panamanian employees. There is a separate line for NAFI totals and a separate page for overall totals. This biweekly report is sent to the CAO in Defense Complex Panama.

J. Caja de Seguro Social de Panama Feeder Report. This report is used only by

Panama. It shows the NAFI name, work center, cedula number, social seguro number (7-digit identification number unique to each Panamanian citizen in the Caja de Seguro Social de Panama System), employee name, gross pay, and the employer contributions and employee deductions to the Panamanian government. This monthly report is sent to the CAO in Defense Complex Panama.

K. Quarterly Review of Hours Worked. This report shows biweekly base hours assigned, regular hours worked, overtime hours worked, and total hours worked for all NAF employees. This report will be used by HROs to review hours worked versus base hours assigned, per AR 215-3.

L. MWR Personnel Strength Report. The installation level of the MWR Personnel Strength Report is sent to the CAO quarterly. The MACOM level is sent to the MACOMs the first and third quarters of the FY for information purposes. The second and fourth quarters the servicing payroll offices send the MACOM and DA levels of the report to CFSC and AAFCWF (See Volume 13, Chapter 7).

M. Annual Leave Forfeit Report. This report is produced only after the close of the leave year. It shows all forfeited leave, by individual, for that year.

N. NAFI Employees Compensation and Benefits Program Report. This report shows the NAFI employee costs (payroll and benefits for US employees, employees overseas, and foreign nationals) and NAF benefit programs (retirement, medical and life insurance) for each MWR program group. An additional page is produced which summarizes each program group. This report is produced at the end of the fiscal year and is sent directly from the servicing payroll offices to CFSC and AAFCWF in accordance with DoD reporting requirements (See Volume 13, Chapter 7).

O. Employee Cross-Reference Roster. This listing is used as a cross-reference of employee information. It will show each employee's social security number, name, work

center, type position code, grade and step, wage area code, first shift hourly rate, annual salary, type employment code, MWR category, installation code, intermittent days or weeks worked, base hours, retirement code, and life insurance and health benefits codes.

P. Tip Offset/Service Charge Report. This report will provide the work center code, employee social security number, employee name, tip offset rate, total tips, and service charges paid to the employee. Also total offset, which is derived by using the total hours in a tipped status times the tip offset rate.

Q. Quarterly Inactive Employee Report. This report will include the employee name, SSN, type of employment, and the date of the last pay period the employee worked for all inactive employees who did not work during that quarter. The purpose of this report is to inform the central accounting officer, NAFI managers, and civilian personnel officers (HRO), of inactive employees on the NAFPCPS master file. The report will be reviewed and verified by the HRO in conjunction with the NAFI or program managers to determine the proper status of employees who have not worked for at least three months.

R. Compensatory Aging Schedule. This report includes the employee name, SSN, pay period number, compensatory hours, and the overtime rate, at which compensatory hours were worked for the 13 pay periods that compensatory balances are carried. The purpose of this report is to inform the CAO and NAFI manager of the compensatory time balance for each employee and the aging of that balance.

S. Annual Leave/Compensatory Time Adjustment Report. This report will include the employee name, SSN, annual leave adjustment, compensatory time adjustment, and compensatory time converted to overtime adjustment. It shows adjustments made to GLAC 243 (Annual Leave Payable), GLAC 247 (US Employee Compensatory Time Payable), and GLAC 248 (Foreign National Employee Compensatory Time Payable for Panamanian Foreign Nationals).

T. Compensatory Time Subsidiary Report. This report will be used by the CAO as a subsidiary record for GLAC 247 and GLAC 248. It includes each employee's current compensatory time balance. In addition, it informs managers two pay periods in advance of employees who have compensatory time balances that are close to conversion to overtime.

U. Home Leave Report. This report is a management information tool. It contains the employee's name, social security number, home leave overseas entrance on duty date, home leave accrual date, home leave eligibility date, accrual rate, beginning of leave year home leave balance, accrued and taken year to date, accrued and taken current pay period, dollar value of home leave taken current pay period, current balance of home leave, current pay period leave without pay, and service year leave without pay.

A0808 TRANSFERRING PAYROLL CASH. One week following the end of each pay period the individual NAFIs must have cash in their bank checking account equal to the gross pay and the employer's share of fringe benefits based on the previous pay period. For CBP participants payroll cash will be transferred by electronic fund transfer (EFT). Installations having NAFIs that are not CBP participants will wire transfer the amount of the consolidated payroll cash for all NAFIs they service. Communities serviced by NAFCPD must have a bank account with the military banking facility.

A080801 EFT. CNPO pulls payroll costs directly from NAFI checking accounts at the central bank. The EFT will occur concurrently with the distribution of the paychecks from CNPO, normally on Wednesday preceding payday. NAFCPD automatically transfers payroll costs from NAFI checking accounts by the second Friday after the pay period ending on Wednesday.

A080802 Wire Transfer. Installations must instruct their servicing bank to wire transfer the payroll cash in time for it to reach the central bank during banking hours on the Wednesday prior to payday (Thursday if Wednesday is a bank holiday). The name of the central bank

and the CNPO account number to be used will be published separately since they are subject to change.

A0809 PAYMENTS The servicing payroll office will send payroll checks to the CAO that services each installation. If an installation does not have a CAO or is serviced by a regional CAO, checks will be sent directly to the NAFIs. The NAFCPD will mail all individual payroll checks directly to the employee's designated address. The NAF Centralized Payroll Data Report will be sent to the servicing CAO.

A080901 The Servicing CAO Will (For Each NAFI):

DR 601 - US Salaries and Wages
DR 6XX - Various Payroll Expense Accounts
CR 101 - US Cash

A080902 Data for Entries. Data for the entries (payments) in A080901 above will be provided each pay period to the CAO. Those installations or NAFIs using NAFISS (MICROCADS in USAREUR) will receive punched cards or magnetic tape and a hard copy NAF Centralized Payroll Data Report.

A0810 SERVICE CHARGES. A service charge will be assessed in each pay period. These charges will be based on a predetermined rate multiplied by the number of employee records on the payroll master file (The rate will be published separately and changed as required). Payment of service charge will be combined with the transfer of payroll cash as described in A0808. Accounting entries will be:

DR 689 - Payroll Service Expense
CR 101 - US Cash

A0811 ANNUAL LEAVE

A081101 Liability. Annual leave liability will be maintained in the general ledgers of the individual NAFIs. The Individual Leave Register will be used as the subsidiary to GLAC 243 (Annual Leave Payable). GLAC 243 balance on the Individual Leave Register can be located on

the Fund Total page. Adjustments to GLAC 243 will be processed by the servicing payroll office. The Centralized Payroll Data Report will show the dollar amount of adjustment and NAFPCS will produce the punched card or magnetic tape record necessary to update the general ledger.

A081102 Advance Leave. When an employee has been granted advance annual leave and continues in a leave accruing status, the amount of leave accrued each pay period will reduce the amount of the advance leave balance.

A081103 Transfer to Ineligible Status. When an employee is transferred from an eligible leave status to an ineligible leave status, the policy is as follows:

A. At the time the employee is transferred, the payroll clerk servicing that installation will review the NAF Individual Leave Register to insure the employee does not have a negative annual leave balance.

B. If the employee has a negative annual leave balance, the payroll clerk will inform the employee's NAFI manager through the servicing HRO. The NAFI manager will make proper arrangements with the employee for a set amount to be deducted from the employee's biweekly pay until the negative balance is liquidated. The NAFI manager will advise the servicing payroll office, through the HRO, of collection arrangements. The servicing payroll office will then take required actions to collect the monies owed for the leave debt.

C. When an employee terminates employment with a negative annual leave balance, the annual leave debt will be deducted from the employee's base wages. If the wages are less than the debt, the servicing payroll office will advise the NAFI manager through the servicing HRO of the balance owed. The employee's NAFI manager must then collect the debt.

A0812 **SICK LEAVE**

A081201 The servicing CAO will enter the dollar value of sick leave taken (by department

or location within each NAFI) by a debit to GLAC 605 and a credit to GLAC 601.

A081202 When an employee is transferred from a leave accruing status to a non-leave accruing status, the policy is as follows:

A. The payroll clerk will review the NAF Individual Leave Register to ensure the employee does not have a negative sick leave balance.

B. If the employee has a negative leave balance, the sick leave debt will be collected by offsetting the lump sum payment for annual leave due him. If the annual leave payment is less than the debt, the servicing payroll office will proceed as for annual leave in A081103B.

A081203 Termination with Negative Sick Leave Balance. When an employee has been granted advance sick leave and terminates employment with a negative sick leave balance, the leave debt will be collected by offsetting the lump sum payment for annual leave due him. If the annual leave payment is less than the debt, the remaining debt will be deducted from the employee's base wages. If wages are less than the debt, the servicing payroll office will advise the NAFI manager through the servicing HRO of the remaining balance owed. The employee's NAFI manager must then collect the debt.

A081204 Recording Advanced Sick Leave. Entries required to effect the proper G/L transactions for an authorized advance sick leave balance are as follows:

A. No entry is required while the employee is in a sick leave accruing status.

B. When the employee changes to a non-leave accruing status or terminates employment:

DR 140 - Miscellaneous Other Receivables
CR 605 - Sick Leave

C. To liquidate the receivable established in A081204B above:

DR 101 - US Cash

CR 140 - Miscellaneous Other Receivables

A0813 HOME LEAVE Home leave is automatically accrued and recorded to eligible employee records via NAFCPS in accordance with AR 215-3.

A081301 Accrual. Home leave may be accrued at the rate of 5, 10, or 15 days for 12 months service depending upon employee's eligibility and Home Leave Accrual Date. Unless adjusted by excess leave without pay, the Home Leave Accrual Date will be the same as the Overseas Entrance-on-duty Date. The balance of home leave carries over every year. There is no maximum accumulation.

A081302 Employee Terminates with Balance. If an employee terminates, the home leave balance is maintained in his terminated record, and if he/she returns to work with less than a 90-day break in service, the balance of home leave is restored for use. If employee transfers from overseas to the States and transfers back overseas AT ANY LATER DATE without more than a 90-day break in service, he/she will have the balance of home leave restored for use.

A081303. AWOP. For periods of absence without pay (AWOP) in excess of two workweeks within each 12 months of service abroad the system will automatically lengthen, at the rate of a day for a day, the period of time on which the individual will accrue home leave.

A081304 Reported in Whole Days. Home leave days taken will be reported on DA Form 4850-1-R in whole days only. Days of home leave taken in excess of days earned will automatically be cutback to annual leave by the NAFCPS. If the individual does not have annual leave sufficient to cover the excess home leave, the balance not covered will be cutback to leave without pay (LWOP).

A081305 GLAC Entries. For installations which have eligible individuals who have taken home leave during the current pay period the GLAC entries are:

DR 623 - Home Leave Expense

CR 601 - US Salaries and Wages

A0814 ACCRUALS

A081401 Payroll Expense. At the end of the month, the servicing CAO will accrue the payroll expense for the estimated gross amount of the unpaid payroll. Employer's share of benefits will be accrued individually. The estimate should be based on the previous pay period. Accounting entries are as follows:

DR 601 - US Salaries and Wages

DR 603 - US Annual Leave

DR 611 - Employers Share of FICA

DR 612 - Employers Share of Group Health and Life Insurance Plans

DR 613 - Employers Share of Retirement Plan

CR 214 - Life Insurance Premiums Payable

CR 215 - Retirement Payable

CR 242 - Salaries and Wages Payable

CR 243 - Annual Leave Payable

CR 244 - Payroll Taxes Payable

A081402 Reversal of Accrual. At the beginning of the next month, these entries will be reversed.

A0815 EMERGENCY PAYMENT PROCEDURES

A081501 Procedures. Cash payment procedures.

A. Determination of cash payment. Local payment to the employee may be made if his or her DA Form 4850 or 4850-1-R is missing, or hours were materially understated on DA Form 4850 or 4850-1-R.

B. Processing cash payment.

1. The CAO must call the servicing payroll office and state why the local payment is required. The nature and rarity of such emergencies require the approval of Chief, CNPO/NAFCPD, or his or her designee.

2. The Chief of the servicing payroll office will instruct the Inquiries

and Control Section to issue the CAO a control number for the approved local payment. The CAO will give the servicing payroll office the name of the installation, work center, the employee's name, his or her social security number, and hours worked. The CAO must provide the servicing payroll office with a DA Form 3434 and a properly authenticated time card before the pay can be computed. The payroll clerk will compute the amount to be paid based on actual hours worked. For new employees, the payroll clerk will base the computation on pay band, hourly rate and hours worked or grade, step, pay scale, and hours worked, as applicable. The CAO or NAFI manager will immediately send a letter to the servicing payroll office providing the information pertaining to the local payment (i.e., control number, pay period ending date, employee name, SSN and amount). The installation will be billed the service charge for the local payments. A CAO or NAFI manager will not disburse NAF funds for employee service without approval from the servicing payroll office. When a CAO or NAFI manager disburses NAF funds without proper approval, he or she is responsible for collection of those funds from the employee.

3. If an adjusted or missing DA Form 4850 or 4850-1-R is resubmitted after the employee has received a cash payment, the time on the second form is computed and added to the current pay. The previous cash payment is then deducted from the net pay.

4. If an employee was erroneously omitted from the current payroll, the servicing CAO, NAFI manager will determine why. The servicing CAO, NAFI manager will ensure that the next pay cycle includes the omitted pay data.

A081502 Payroll Contingency Procedures for Installations Serviced by the CNPO. If unforeseen circumstances prevent receipt of payroll checks at the local installations, the following contingency procedures will be used.

A. If checks are not received by 1400 hours on the second Tuesday following the

end of the pay period, the installation CAO or point of contact will inform the CNPO. (DSN 829-3135 or commercial (903) 792-6484. CNPO will re-issue the payroll checks and earnings and leave statements (ELS). These will be mailed via an overnight delivery service to arrive at the installation on the following Wednesday. (Persons participating in the composite check program will not be included). If the original payroll checks and ELS are received, the CAO or point of contact will return them to CNPO.

B. The CNPO will supply a payroll listing by either AUTODIN or facsimile machine transmission, as preferred by the local installation. If AUTODIN is used, the installation must provide AUTODIN routing information.

C. If the payroll checks have not been received by 1200 hours on Wednesday, the CAO may prepare and issue the local NAF payroll checks. No service fee will be charged to installations when payroll checks are not received by the time local checks are prepared.

D. The CNPO will wire transfer the money to cover the locally produced checks. It will void the checks printed at the CNPO. All efforts should be made to prevent distribution of checks received from the CNPO, if they arrive.

A081503 Payroll Contingency Procedures for Individuals Serviced by NAFCPD. In USAREUR individual payroll checks are mailed directly to each employee's designated address. If an employee does not receive his/her payroll check within three days from the date of the NAF payday he/she may request payment by the servicing CAO. The following contingency procedures will be used.

A. CAOs are authorized to make local payroll payment if an employee does not receive a payroll check within three days of the NAF payday. The CAO will require the employee to sign AEUCF Form 316 certifying that if original check is subsequently received, the employee will return it, uncashed, to the CAO for forwarding to the NAFCPD.

B. Before making the local payment, the CAO must call NAFCPD for approval, explain circumstances and confirm that required AEUCF Form 316 has been signed by the employee requesting the local payment. CAOs are not authorized to make disbursement without NAFCPD approval. If the community CAO issues a replacement check and the original check is cashed, then the funds payroll account will be credited by the NAFCPD. The community CAO is then responsible for collection of those funds from the employee.

C. When requesting disbursement approval from NAFCPD, the CAO will provide the employee name, check number and amount of the missing check from the Payroll for Personnel Services Report. NAFCPD will verify this information and ensure the check has not been cashed. After verification, NAFCPD will issue the CAO a control number for the approved local payment.

D. Once the local payment is made, the CAD will immediately send a completed AEUCF Form 62 transmittal to NAFCPD with a copy of the signed AEUCF Form 316 attached.

E. NAFCPD will include the amount of the local payment in the monthly payroll reconciliation. If this reconciliation results in an amount due to the community, NAFCPD will forward a check to the community financial management division following the next monthly payroll reconciliation.

A0816 CONTINUANCE OF US ARMY NAF EMPLOYEE BENEFIT SYSTEM (EBS) DEDUCTIONS DURING LEAVE-WITHOUT-PAY (LWOP) STATUS Handle NAF EBS deductions for employees who choose to continue life insurance or health benefits coverage while in LWOP status as follows:

A081601 Employee Premium. The employee will remit premium to the servicing CAO on a monthly basis.

A081602 Employer Premium. The servicing CAO will collect the employer's share of these premiums from the employing NAFI.

A081603 Premium Remittance. The servicing CAO will prepare one check, combining the employee and employer portions of the premium. The check will be made payable to the servicing payroll office. The employee's name, work center, period of coverage, and complete coverage information (amount of life or health) should be clearly shown and attached to the check before it is sent to the servicing payroll office.

A0817 PAYMENTS TO EMPLOYEES.

A081701 Payments by CNPO. The CNPO is authorized two methods of payment to NAF employees. One method is for an employee to receive payment through deposit to a financial organization. The second method is for the check to be mailed to the CAO (or to the NAFI if there is no CAO) and hand delivered to the employee. There may be a combination of the two. When the second method is used, the same person that signed the time and attendance report will not distribute the check. The duties of making actual payment and accounting for time and attendance must be separated (see AR 37-103, paragraph 4-9.)

A081702 Payments by NAFCPD. The NAFCPD is authorized two methods of payment to NAF employees. One method is for the employee to receive payment through deposit to a financial organization. The second method is for the check to be mailed directly to the employee. These methods may be combined.

A0818 SECURITY

A081801 Maintenance of Reports. Reports must be protected and maintained under the provisions of the Privacy Act.

A081802 Retention and Destruction of Reports. Installation CAOs, HROs, and NAFI managers will see that AR 25-400-2 is followed in the handling of the payroll reports.

A081803 Checks. Checks remaining in an office overnight must be locked in a safe or vault.

**A0819 R E C O U P M E N T O F
OBLIGATIONS TO A NAFI**

A081901 Employee Obligations to a NAFI.
Certain obligations that an employee owes to a NAFI may be recouped by means of a biweekly payroll deduction.

**A081902 Obligations That Are Not Due to
Overpayments.**

A. If the employee acknowledges the validity and amount of indebtedness and desires to repay by means of a payroll deduction, the NAFI manager will have the employee sign an authorization for payroll deduction. A memorandum may be used for this purpose. Total indebtedness should be paid within 26 pay periods. Basic statement should read:

"I authorize \$ (total dollar amount of indebtedness) be deducted from my paycheck as payment of my obligation to (name of NAFI). Please make biweekly deductions of \$ (amount of biweekly payment) beginning with the first pay period following receipt of this statement."

B. Signed statement will be forwarded to the CAO so that accounts receivable can be established. Entry on the books of the NAFI will be a debit to GLAC 140 and a credit to the appropriate account pertaining to the type of indebtedness incurred. A copy of the statement should be retained for support of the accounts receivable entry. CAO then submits the original statement by transmittal letter to the servicing payroll office.

C. For each pay period that collections are made, the servicing payroll office will send a check to the NAFI for the amount of the biweekly collections with a listing of employee names and individual amounts. Upon receipt of check, GLAC 140 will be credited to reduce the accounts receivable. Documentation

will be retained for support of subsidiary records.

A081903 Erroneous Overpayments. In overpayments resulting from payroll processing and administrative errors, servicing payroll office will notify the employee in writing of such overpayment. Notification will provide total amount of indebtedness, amount of biweekly repayment deductions, and dates of deductions. Deductions will not exceed 15 percent of net pay. Copies of notification will be furnished to CAO. In the event these overpayments are subsequently waived by the installation commander, the employing NAFI is liable for employee's indebtedness to third parties, and not servicing payroll office. Likewise, if an employee terminates prior to liquidation of a debt or obligation being repaid, the employing NAFI is liable for the unpaid amount.

A081904 General Disputes and Waivers. If an employee disputes a debt or obligation, or requests waiver of repayment, the installation commander will make the final decision based upon information made available by both the NAFI and the employee. The employee will be notified in writing of the determination and a copy of the notification will be forwarded to servicing payroll office for collection in accordance with procedures stated above. These involuntary deductions will not exceed 15 percent of net pay. (See AR 215-1 and AR 215-3, paragraph 3-2h.)

A081905 Retirement or Insurance Disputes and Waivers. If the overpayments or disputes discussed in A081903 or A081904 above involve retirement, or health or life insurance the Chief, Employee Benefits Branch, P.O. Box 107, Arlington, VA 22210-0107, not the installation commander, will make determinations regarding waivers.

A0820 ON-THE-SPOT AWARDS All locally paid awards must be reported to the servicing payroll office not later than the pay period following the period in which paid. Payments made in December are especially critical. Awards paid in December should be made prior to the last pay period of the calendar

year. To ensure the calculation of wages and taxes is included on the employee's Form W-2 for the proper tax year, any payment made after the last pay period of the calendar year should be scheduled with the servicing payroll office and reported on a priority basis. Upon receipt of DA Form 5167-R (Incentive Awards Nomination and Approval-Nonappropriated Funds) the CAO will:

A082001 Award Maximums. Ensure the gross amount (amount before retirement contribution, OASDI and Medicare, federal, state and local income tax deductions) does not exceed the \$250 maximum per award. (See AR 215-3, paragraph 9-9 b.)

A. Cash Award. For a cash award, the gross amount is the amount of the award.

B. Savings Bond Award. For a savings bond award, the gross amount is the purchase price of the bond plus the applicable deductions. For employees who do not participate in the NAF Employee 401(k) Savings Plan or the Thrift Savings Plan (for employees covered by portability), the gross amount is determined by use of this formula:

$$\text{Gross Amount} = \frac{\text{Bond Purchase Price}}{(100\% \text{ minus the sum total \% of deductions})}$$

1. Example 1: Bond purchase price for a \$200.00 bond is \$100.00. The sum total of retirement contribution (2%), OASDI (6.2%), Medicare (1.45%), Federal tax (28%), State tax (0%), and local tax (0%) is (37.65%).

$$\begin{aligned} \text{Gross Amount} &= \frac{\$100.00}{(100\% \text{ minus } 37.65\%)} \\ &= \frac{\$100.00}{62.35\%} \\ &= \$160.38 \end{aligned}$$

As the gross amount of the bond award is less than \$250, the award may be given.

2. Using the gross amount of the bond award, \$160.38, the applicable deductions can now be calculated:

Retirement	\$160.38 times 2.00% = \$ 3.20
OASDI	\$160.38 times 6.20% = \$ 9.94
Medicare	\$160.38 times 1.45% = \$ 2.33
Federal tax	\$160.38 times 28.00% = <u>\$44.91</u>
	\$60.38

3. Example 2: Bond purchase price for a \$500.00 bond is \$250.00. The sum total of retirement contribution (2%), OASDI (6.2%), Medicare (1.45%), Federal tax (28%), State tax (0%), and local tax (0%) is (37.65%).

$$\begin{aligned} \text{Gross Amount} &= \frac{\$250.00}{(100\% \text{ minus } 37.65\%)} \\ &= \frac{\$250.00}{62.35\%} \\ &= \$400.96 \end{aligned}$$

As the gross amount of this award exceeds the \$250 maximum, the \$500 bond award cannot be given.

C. Savings Bond Award for 401k/TSP Participants. For employees who do participate in the NAF Employee 401(k) Savings Plan or the Thrift Savings Plan, the calculation differs because the federal government does not tax these deductions. For these employees, the gross amount of a savings bond award is the purchase price of the bond plus the applicable deductions with the federal tax amount reduced for the 401(k) deduction. The gross amount is determined by use of this formula:

$$\text{Gross Amount} = \frac{\text{Bond Purchase Price}}{(100\% \text{ minus the sum total \% of deductions})}$$

1. Example 1: Bond purchase price for a \$200.00 bond is \$100.00. The sum total of 401(k) contribution percentage (3%), retirement contribution (2%), OASDI (6.2%), Medicare (1.45%), Federal tax (% must be

calculated as shown below), State tax (0%), and local tax (0%) is (xx.xx%).

Federal Tax % = [X minus XY] times 28%

X = Gross Amount
Y = Employee's 401(k) Percentage

= [X minus X (3%)] times 28%
= (.28X minus .0084X)
= (.28 minus .0084)X
= .2716X
= 27.16%

In this example the Federal Tax % calculated is 27.16%. As before, you now sum the percentage deductions: 3% + 2% + 6.2% + 1.45% + 27.16% = 39.81%

Gross Amount = $\frac{\$100.00}{(100\% \text{ minus } 39.81\%)}$

= $\frac{\$100.00}{60.19\%}$

= \$166.14

As the gross amount of the bond award is less than \$250, the award may be given.

2. Using the gross amount of the bond award, \$166.14, the applicable deductions can now be calculated:

401(k)	\$166.14 times 3.00% = \$ 4.99
Retirement	\$166.14 times 2.00% = \$ 3.32
OASDI	\$166.14 times 6.20% = \$10.30
Medicare	\$166.14 times 1.45% = \$ 2.41
Federal tax	\$166.14 times 27.16% = <u>\$45.12</u>
	\$66.14

3. Example 2: Bond purchase price for a \$500.00 bond is \$250.00. The sum total of 401(k) contribution percentage (4%), retirement contribution (2%), OASDI (6.2), Medicare (1.45%), Federal tax % must be calculated as shown below), State tax (0%), and local tax (0%) is (xx.xx%).

Federal Tax % = [X minus XY] times 28%

X = Gross Amount
Y = Employee's 401(k) Percentage

= [X minus X (4%)] times 28%
= (.28X minus .0112X)
= (.28 minus .0112)X
= .2688X
= 26.88%

In this example the Federal Tax % calculated is 26.88%. As before, you now sum the percentage deductions: 4% + 2% + 6.2% + 1.45% + 26.88% = 40.53%

Gross Amount = $\frac{\$250.00}{(100\% \text{ minus } 40.53\%)}$

= $\frac{\$250.00}{59.47\%}$

= \$420.38

As the gross amount of this award exceeds the \$250 maximum, the \$500 bond award cannot be given.

(NOTE: The OASDI and Medicare rates used in the examples above are those which were effective for 1994.)

A082002. Award Limits. Ensure that the employee will not have received awards in excess of \$1000 in the inclusive prior 12-month period.

A082003 Type of Award. Determine if the award is for cash or a savings bond.

A. If the award is for cash, the CAO will:

1. Compute the applicable 401(k) contribution, retirement contribution, OASDI, Medicare, federal, state, and local tax deductions.

2. Issue a check locally for the net amount.

3. Prepare a memorandum showing the gross amount, 401(k) contribution,

retirement contribution, OASDI, Medicare, federal, state and local tax deduction amounts and the net amount of the award issued. Attach the DA Form 5167-R to the memorandum and mail to the servicing payroll office requesting the payroll records be adjusted to include the cash award.

B. If the award is for a savings bond, the CAO will:

1. Issue a check locally for the purchase price of the bond (net amount).

2. Prepare a memorandum showing the bond amount, the gross amount (purchase price plus applicable deductions), 401(k) contribution, retirement contributions, OASDI, Medicare, federal, state and local tax deduction amounts and the net amount of the bond. Attach the DA Form 5167-R to the memorandum and mail to the servicing payroll office requesting the payroll records be adjusted to include the bond award.

A082004 Use of Retirement Contributions in Award Calculations. Retirement should only be calculated when employee is participating in the retirement program. To determine if a retirement contribution should be calculated, the CAO should refer to his most recent Employee Cross-Reference Roster. If the employee has an 'R' recorded under the 'RET CDE' column, use the retirement % in the award calculation. For 401(k) or Thrift Savings Plan deductions refer to the employee's Personnel Folder.

A0821 AUTOMATIC WITHIN-GRADE INCREASES FOR PREVAILING RATE EMPLOYEES. Automatic within-grade increases for prevailing rate employees will be produced systemically in accordance with AR 215-3.

A0822 NOTICE OF UA EMPLOYEE WITHIN-GRADE INCREASE DUE. A Notice of UA Employee Within-grade Increase Due report will be produced biweekly. A regular scheduled employee's name will appear on the report beginning the first pay period he/she is within 120 days or 16 weeks of being eligible to receive a within-grade increase. The employee's name

will continue to appear on the report until the within-grade increase is effective. It remains the responsibility of the UA employee's servicing HRO to initiate within-grade increases (See A080702E).

A0823 AUTOMATIC LEAVE CATEGORY CHANGES DA Form 3434's will automatically be produced for NF, UA and PR employees in regular full-time and regular part-time positions in accordance with accrual of annual leave restrictions cited in AR 215-3.

A0824 PORTABILITY OF ANNUAL LEAVE BENEFITS

A082401 Transfer of Leave Balances. Leave balances will be transferred when employees convert from NAF to Appropriated Fund (APF) or from APF to NAF status. However, there will be no transfer of funds. Therefore, the servicing CAO will make entries on the NAF accounting records to adjust the NAF liability for annual leave. NOTE: No adjustments are required for sick leave or home leave.

A082402 NAF to APF Conversion. When a former NAF employee converts to APF status, the servicing payroll office will send the servicing CAO a Record of Leave Data for the individual. The record will give the dollar value of annual leave to be removed from the annual leave liability account. The entry to record income recognized when the annual leave liability is dropped is shown below:

DR 243 - Annual Leave Payable
CR 808 - NAF to APF Conversion Income

A082403 APF to NAF Conversion. When a former APF employee converts to NAF status, the servicing CAO must depend on the local HRO or fund manager to inform them of the transfer. The servicing payroll office will establish the transferred employee's leave balance based on documents received from the local HRO. The servicing payroll office will generate an entry to debit GLAC 603 (Annual Leave Expense) and credit GLAC 243 (Annual Leave Payable) in the amount of the fund's

liability for the individual's leave balance. The servicing CAO will use the Individual Leave Register to identify the dollar amount of this entry. The entry to move the expense of establishing the employee's leave balance from an operating expense account to a non-operating expense account is shown below:

DR 833 - APF to NAF Conversion Expense
CR 603 - US Annual Leave

A0825 NAF 401(K) SAVINGS PLAN AND APF THRIFT SAVINGS PLAN

A082501 NAF 401(k) Savings Plan. The NAF 401(k) Savings Plan allows regular full-time and regular part-time employees to contribute a percentage (1 to 15%) of their gross wages to a tax deferred pension plan. The NAFI will match up to 3% of the employee's gross wages. The employer matching contribution will be recorded in GLAC 626 (Employer Share of 401(k) Expense). The expense will be calculated by the NAFICPS and electronically deducted from the central bank account along with other payroll expenses.

A082502 Thrift Savings Plan. For employees who transferred from APF to NAF status and continued participation in the Thrift Savings Plan (TSP), the matching employer contribution will be recorded in GLAC 627 (Employer Share of TSP Expense.)

A0826 NON-CASH AWARDS

A082601 Report to Servicing Payroll Office. When a NAFI provides a non-cash performance award to an employee, the CAO will report the award to the servicing payroll office so the dollar value of the award can be included on the employee's W-2 as taxable income.

A082602 Reporting and Accounting Procedures. Reporting and accounting procedures found in A0820 apply to non-cash awards. When non-cash awards are made, the NAFI incurs the cost of the item awarded plus the employee's share of payroll taxes related to the award. Refer to the savings bond examples

in A082001B and C for details on calculating the cost of the award.

A. When a NAFI purchases merchandise, trips, or other items of value to be provided as performance awards at a later date, the accounting treatment should be as follows:

DR 160 - Miscellaneous Other Prepaid Expenses
CR 101 - US Cash

B. When the award is provided to the employee, the CAO will establish a receivable from the servicing payroll office as follows:

DR 140 - Miscellaneous Other Receivables
CR 160 - Miscellaneous Other Prepaid Expenses

C. If the non-cash award is purchased at the time it is presented, the entry is as follows:

DR 140 - Miscellaneous Other Receivables
CR 101 - US Cash

A082603 Calculation and Notification. The CAO must calculate the cost of the award and send the servicing payroll office a copy of the DA Form 5167-R (Incentive Awards Nomination and Approval-Nonappropriated Funds) along with a memorandum which includes the information specified by A082003.

A082604 Servicing Payroll Office Procedures. The servicing payroll office will:

A. Add the gross amount of the award to the employee's earnings and leave statement and withdraw this amount from the NAFI's bank account.

B. Issue a check to reimburse the NAFI for the purchase price of the non-cash item awarded.

A082605 Receipt of Reimbursement. Upon receipt of the check from the servicing payroll office, the CAO will clear out the debit balance in GLAC 140 as follows:

DR 101 - US Cash

CR 140 - Miscellaneous Other Receivables

A082606 Tokens of Appreciation. These procedures do not apply to low dollar value "tokens of appreciation". Low dollar items will not be reported to the servicing payroll office, nor are they taxable to the employee.

CHAPTER 9

UNIT FUNDSA0901 GENERAL

A090101 Accounting and Reporting Procedures. This chapter has accounting and reporting procedures for unit funds and unit activities established and administered by installation commanders in accordance with AR 215-1. Installation commander includes, as applicable, the State Adjutant General (AG) for the Army National Guard, the Major, U.S. Army Reserve Command (MUSARC), or reserve component (division, troop command, or brigade) delegated as a major command by the State AG or MUSARC. Included are those funds integrated into the IMWRF, and those maintaining their own accounting records. Funds keeping their own records are:

- A. Inmate morale support funds.
- B. Stockade morale support funds.
- C. Hospital prisoner morale funds.
- D. Non-troop program Reserve units.
- E. Reserve Component units.
- F. Units designated as isolated units.

A090102 Reserve Components and Isolated Unit Funds. Procedures in AR 215-1 are not changed by provisions of this publication.

A090103 Installation Unit Activities. Separate unit funds are not authorized for installation/ base units; however, at MACOM direction, those units may receive monetary NAF support through IMWRF. Installation units receiving NAF support are referred to as "unit activities" and are accounted for within the IMWRF.

A0902 CONSOLIDATED UNIT FUND ACCOUNTING. Under AR 215-1, unit funds of two or more units of company, battery, battalion, brigade, or higher size, may be combined into one consolidated unit fund account. Accounting and reporting is required to be integrated with the functions of the IMWRF.

A0903 SOURCE OF FUNDS. Unit activities receive NAF support from the host IMWRF. NAF support to isolated and reserve component units is provided by the coordinating installation (usually the one nearest the unit). The coordinating installation will request reimbursement from FORSCOM for all CONUS reserve component units and isolated units, or USAPAC for units based in Puerto Rico and the Pacific.

A0904 UNIT MWR FUNDS. The accounting and reporting functions of installation unit activities will be integrated with the IMWRF functions. Isolated and reserve component unit funds will account for their funds in accordance with paragraph A0906.

A0905 ACCOUNTING FOR IMWRF UNIT ACTIVITIES. All installation unit activities will be accounted for using a locally assigned location code and the standard department code 5J under program code HD. Individual unit activity statements will be prepared by the IMWRF management, not the CAO.

A090501 Debit GLAC 6XX and Credit GLAC 201 is an example of entry to record the expense incurred by the IMWRF unit activity.

A090502 Debit GLAC 101 and Credit GLAC 5XX is an example of an entry to record the revenue received by the IMWRF for the unit activity.

A0906 ACCOUNTING FOR ISOLATED UNIT ACTIVITIES. Reserve or isolated units

authorized to keep their own accounting records will use the following:

A090601 The frame work of accounting records in this section is the single-entry or cash basis system. Single-entry bookkeeping is simple and economical. It should, under certain conditions, provide enough data to prepare financial statements. The cash basis of accounting records revenue and expenses when actually received and paid, without regard to the period to which they apply.

A090602 No other classification of accounting transaction is maintained except for property purchased with unit funds or property acquired by gift, transfer, or donation. These acquisitions require subsidiary records for control purposes.

A090603 The isolated unit fund dividend distribution from the DA MWRF will be paid through Forces Comand and be paid by a coordinating installation. The coordinating installation will pay the dividend directly to an approved isolated unit fund and be reimbursed by Forces Command. The entry to record the payment by the coordinating installation is DR GLAC 140 - Miscellaneous Other Receivables and CR GLAC 101 - US Cash. When the corrdinating installation receives reimbursement, the entry is DR GLAC 101 and CR GLAC 140.

A090604 When the isolated unit activity is funded as part of an IMWRF, the procedures in A0905 apply.

A0907 RECORDS AND FORMS. Basic records and forms will be established and maintained as prescribed in this section. Records of a unit fund will be kept to the minimum required to support the funds transactions.

A090701 D A F o r m s 2 1 0 7 (Nonappropriated Fund Receipt and Disbursement Voucher) will be used to support all receipts and disbursements by unit funds. This general purpose voucher is prescribed to support all transactions except those processed through the petty cash fund. Refer to chapter 4 for procedures on petty cash expenditure.

A090702 DA Form 2107 will be numbered sequentially by calendar or fiscal year, i.e., 94-1, 94-2, etc. A single series of numbered vouchers will be used for all transactions within the calendar or fiscal year, whether the action is a receipt or a disbursement. For example, if the last voucher issued was No. 94-10 for an expenditure, and the next transaction to be recorded is a receipt of cash, the collection voucher will be numbered "94-11". Each DA Form 2107 prepared will be dated, numbered, and contain all data required to fully identify the transaction. The voucher will be signed by the fund manager. It will be supported by attached documents required to validate the transaction, such as vendor invoices, statements, bills, receipts, receiving reports, and other related documents.

A090703 Purchases made through petty cash disbursements will be processed according to procedures in chapter 4. A DA Form 2107 will be prepared when the petty cash fund is replenished.

A090704 When possible, all goods and services will be paid for at the time of purchase. Memorandum records will be maintained to insure that outstanding orders are properly suspended. These memorandum files will prevent placing of orders in excess of the unit fund's available cash balances.

A090705 Other records will include a check book, bank deposit slips, bank statements, bank account reconciliations, statements of operation and fund equity, copies of audit reports, property receipts, and miscellaneous correspondence relating to unit fund administration.

A0908 CASH, PROPERTY, AND RECONCILIATION RECORD (CPRR). This DA Form 5627-R (Cash, Property and Reconciliation Record) is the primary official record of unit fund management and administration. DA Form 5627-R will be locally reproduced on 8 1/2 by 11 inch paper. All entries must be supported by an approved DA Form 2107.

A090801 Cash Receipts. Unit fund managers will be responsible for safeguarding cash receipts by promptly depositing them. Dividends received through the IMWRF and cash from sales of fund-owned property will be fully identified so that proper disposition may be made.

A090802 Cash Disbursements. All cash disbursements, except petty cash transactions, will be documented on a DA Form 2107. If a petty cash fund is established, the total authorized amount of the petty cash fund will be entered in the expenditure column of the DA Form 5627-R with a memo entry. Thereafter, only the amount of a fund replenishment to the original authorization will be recorded. When the petty cash fund is discontinued, the amount expended will be entered in the expenditure column, the balance will be deposited in the bank. The later will be shown as a memo entry in the receipts column of the DA Form 5627-R. Transactions affecting cash and property will be entered in both cash and property columns of the DA Form 5627-R.

A090803 Property Transactions. The following transactions will be entered in the DA Form 5627-R to maintain property control: (1) Cash purchases of property; (2) Cash sales of excess or worn out property; (3) Transfers and gifts from other units or other sources; and (4) Disposals to the property salvage officer. Property will be recorded on DA Form 4078. When cash is involved in the property transaction, entries will be made in both the cash column and the property column.

A090804 Reconciliations.

A. Reconcile the property records maintained on DA Forms 4078 with the balance shown in the property column of the DA Form 5627-R each quarter. The cost of all property items purchased with unit funds or otherwise acquired by the unit (excluding Government property) will be summarized from the DA Forms 4078. The amount will be balanced to the amount shown on the fund record.

B. Reconcile the bank statement to the fund cash account each month. This account is also maintained on the DA Form 5627-R. The bank statement balance, minus outstanding checks, plus deposits made after the bank statement cutoff, should always equal the balance column on the DA Form 5627-R.

A0909 PETTY CASH SYSTEM.

A090901 Petty cash procedures will be governed by chapter 4.

A090902 Prepare DA Form 2107 to support the issuance of a check to restore the petty cash fund to its original amount. Attach all supporting documents to the DA Form 2107. Enter the total of all subvouchers on the DA Form 2107. Post the same amount in the expenditures column of the DA Form 5627-R.

A090903 Reserve component units are not required to use petty cash procedures if they:

A. Receive income only from dividends; and

B. Spend those dividends during annual training. Attach all sales slips, receipts, and supporting documents to the DA Form 5627-R. These documents will be accepted as evidence of purchase.

A0910 REPORTING. Unit fund managers will keep a DA Form 5627-R. Record receipts and expenditures on a daily basis, as they occur. At the end of each month, total all columns and send an information copy to the servicing IMWRF. Reserve Component units do not need to send an information copy of the DA Form 5627-R to the servicing IMWRF. RC unit fund managers will send a copy of the DA Form 5627-R to the next major command headquarters each quarter. After review, it will be returned to the RC fund manager to be included in the unit's files.

A091001 Certificate of Transfer. Fund managers will prepare a certificate of transfer as shown in figure 2-1. Both the current manager

and the successor will sign the certificate. It will be filed with the current financial statement.

A091002 The outgoing fund manager will also notify the servicing bank of the change of fund managers. A letter resembling the following will be sent to the bank: "I have this date transferred the unit fund of Company A, 4th Infantry, to John Doe, 1st Lieutenant, Infantry, who will, until replaced, have authority to draw on the fund deposited in your bank. His signature appears below." The letter will be signed by the current fund manager and his or her successor.

CHAPTER 10

FINANCIAL REPORTING REQUIREMENTSA1001 GENERAL

A100101 Information Requirements. Only one information requirement bearing a reports control symbol is prescribed in this chapter; the Nonappropriated Fund Financial Reporting (RCS CSCOA-24).

A100102 Reporting and Submission. Reporting frequency and submission address are prescribed in table 10-1. Additional information is contained in AR 215-1.

A100103 CAO Signature. The CAO will sign all financial statements required in table 10-1. Signatory authority will not be delegated.

A100104 Must Report. Since these are financial reports, there can be no negative reports.

A100105 Reporting Schedules. All financial statements must be submitted per table 10-1.

A. NAFI management should receive the final monthly financial statements as follows:

1. Installation CAOs must provide the final monthly financial statements to NAFI management by the 6th workday after receipt of all documents from the NAFI.

2. The consolidated CAO at Red River Army Depot must provide the final monthly financial statements to NAFI management by the 8th workday after receipt of all documents.

B. Local management may request other supporting schedules and management information or more frequent statements; however, managers should assess the need for such data in relation to the cost.

A100106 Official Cutoff Date. The official cutoff date for the monthly accounting cycle is the last calendar day of the month. However, DFAS may select a date from December 26 through December 31 for cutting off December NAFI financial statements. Transactions subsequent to the cutoff date must be included in the January NAFI financial statements.

A1002 NONAPPROPRIATED FUND FINANCIAL REPORTING (RCS CSCOA-24). This requirement is for an income statement and balance sheet.

A1003 NAFI BANK BALANCES

A100301 Reporting Uninsured Balances. Agencies designated in b below will prepare DA Form 3830-R (NAFI Bank Balances) twice a year showing the total balance in NAF accounts in each bank used by fund managers under their jurisdiction (exempt report, AR 335-15). DA Form 3830-R will be prepared as of March 31 and September 30 and sent to the Commander, U.S. Army Community and Family Support Center, ATTN: CFSC-RM-B, Alexandria, VA 22331-0508, not later than April 15 and October 15. CFSC will review the reports, make necessary adjustments in collateral allocations, and advise installation commanders and other agencies of the adjustments by completing column g of the report.

Table 10-1, Disposition of Reports

Situation	Due Date	Disposition
Funds supported by NAFISS and MICROCADS (except Post Restaurants and CWF)	Monthly. 30 days following the end of the month reported.	Send CFSC interface tape produced by job AVFR77/AVFJRM direct to CFSC, Attn: CFSC-RM, Alexandria, VA 22331-0508. MICROCADS sites will also submit interface tape direct to CFSC.
Post Restaurants and CWF. Balance sheet and income statement.	Monthly. 30 days following the end of the month reported.	Mail direct to CWF Board of Directors, AAFCWF, Box 46579, Washington, DC 20050-6579.
Funds not covered above. Balance sheet and income statements consolidated by NAFI, consolidated program code by department and consolidated location by department.	Monthly. 30 days following the end of the month reported.	Send monthly balance sheets and income statements direct to CFSC at the address above.
NAFI Employees Compensation and Benefit Program. This report is prepared by the NAF payroll offices. NAFIs not supported by one of the payroll offices must prepare the report to cover their NAF employees.	Annually. October 30	Forward to CFSC at the address above. Post Restaurant and CWF reports will be forwarded to the Board of Directors, AAFCWF, Box 46579, Washington, DC 20050-6579

A100302 Preparing agencies.

A. CAOs will report for all NAF deposits maintained by installation NAFIs in local depositories. Reports for balances maintained by the Army Banking and Investment Fund at the contractor bank will be prepared by HQDA (CFSC-RM). Deposits maintained by overseas NAFIs in U.S. military banking facilities are exempt from the record keeping and reporting requirements specified above.

B. NAFI managers will report for all other NAFIs established at major command and HQDA levels.

A100303 Interim reports. Interim reports will be submitted on DA Form 3830-R when:

A. Collateral requirements exceed the current allocations,

B. All NAF accounts maintained within the bank have been closed, or

C. An account is opened with a new financial institution.

A100304 Service Charges. Local banks are compensated for their services on the basis of either compensating balances or flat fee service charges, as agreed to by the local bank and the serviced NAFL. Service charges are supported by monthly bank account and activity analyses (BA&A) sent by the local banks to CAO/NAFL managers. CAOs must send a copy of the March and September BA&As for each local deposit to the following address: Commander, U.S. Army Community and Family Support Center, ATTN: CFSC-RM-B, Alexandria, VA 22331-0508. The March and September BA&As are due at the above address by the 15th of May and November respectively.

A1004 FINANCIAL STATEMENT ERRORS. The method of correction of errors depends on when the error occurred, when it was discovered, and how the error affected the financial records of the NAFL.

A100401 Current FY. If the error occurred in the current FY, adjust all account balances by journal voucher transaction. All transactions must go through the current monthly financial statements. No adjustments are authorized to G/L account totals. CAOs should not make pen and ink changes to account balances if the error is found after statements are final. Instead show the changes in the footnotes to the financial statements. Make the corrections the next month by journal voucher.

A100402 Prior FY. If the error occurred in a prior FY, the corrective action will be recorded in the current fiscal period in almost all cases.

A100403 Material. If the effect of the error is material, submit a request for retained earnings adjustment to DFAS for approval. Include full justification for the adjustment (See A100405 for more information on approvals). A material error which necessitates a prior period adjustment results from:

A. Substantial mathematical mistakes.

B. Substantial mistakes in the application of accounting principles.

C. Substantial oversight or misuse of facts existing at the time the financial statements were prepared.

A100404 Error Versus Change In Accounting. An error is contrasted with a change in an accounting estimate such as the useful life of an asset or bad debt expense under the allowance method. An accounting estimate is changed when new information or subsequent developments provide better insight or improved judgment. However, a change from an accounting principle which is not generally accepted to one that is generally accepted is to be considered a correction of an error. Also, a prior period adjustment is not allowed when late documentation causes prior year expenses to be understated. If documentation was not submitted to the CAO before the prior year statements were prepared, the expenses must be recorded in the current period. The understatement of prior year expense is not defined as an error, since there was no oversight or misuse of facts by the CAO.

A100405 Where To Record. As evidenced by the criteria for a retained earnings adjustment, most transactions will be recorded as income or expense amounts of the current period. When requests for retained earnings adjustments are received by DFAS, they will be evaluated concerning whether the adjustments requested meet the criteria for a retained earnings adjustment. If the item does not constitute a proper retained earnings adjustment, it will be returned to the installation with instructions to include in the current year income statement. If DFAS approves retained earnings treatment, the request will be returned to the installation with instructions for the CAO to footnote the financial statements with an explanation of the adjustment.

A1005 FOOTNOTES TO FINANCIAL STATEMENTS

A100501 Integral Part Of Financial Statements. Footnotes are an integral part of the

financial statements and should be used when more information is needed. The Generally Accepted Accounting Principal of disclosure requires that accountants "disclose" in the financial statements all relevant economic information pertaining to the business entity. When the actual dollar amounts on the financial statements do not provide sufficient information for decision makers, accountants must supplement the financial statements with more detailed data in the form of footnotes. Footnotes are required to provide an explanation of special events on the income statement to help managers compare the operating results of the current business period with the operating results of previous periods. Fund equity adjustments and significant business closures are prime examples of occurrences which require footnotes.

A100502 Post Restaurant Funds and CWF.
For Post Restaurant funds and CWF, financial statements will be footnoted to reflect FY cumulative gross sales by a concessionaire to either of the civilian employee NAFIs which were used to generate the concessionaire income for the reporting period.

A1006 BINGO ACTIVITY SHEET.
Prepare a numbered bingo activity sheet for each bingo event sponsored by the NAFL. Reconcile cash collected for bingo cards sold with bingo cards issued. Enter prizes awarded for games and require the winners to acknowledge receipt and furnish their social security numbers.

A1007 REPORTING TO THE IRS

A100701 General. All records relating to payments to individuals and firms must be retained for at least four years and be available for IRS review if required. CONUS offices should consult their local IRS office when forms, publications, or assistance are needed. Overseas offices should contact their local Legal Assistance office to get the address and telephone number of the nearest IRS representative. IRS representatives, in CONUS and overseas, are available to provide on-site instructions concerning IRS procedures for return preparation and filing, and depositing employment tax payments. Overseas offices should use the

following address to request forms and publications: Forms Distribution Center, PO Box 25866, Richmond, VA 23289, or Forms Distribution Center, Rancho Corboda, CA 95743-0001.

A100702 Contract payments. Cumulative payments made under service contracts of \$600 or more to anyone other than a corporation during a calendar year will be reported by the CAO. Provide all information required on IRS Form 1099 MISC. NAFL contracts with entertainers are considered service contracts. If a single payment to an individual is less than \$600 but total payments made by the CAO during the calendar year to the same individual reach \$600, IRS Form 1099 MISC must be filed. Therefore, the CAO must maintain a list or some method to determine if an individual reaches the \$600 threshold, requiring a report to the IRS of the payments. The IRS Form 1099 MISC will be provided to the individual or firm and to the IRS. The individual or firm should receive a copy of the Form 1099 MISC by January 31 of the year following the calendar year of payment. This requirement also applies to individuals who, in addition to being NAFL employees, have contracts with the NAFL for non-personal services. A separate Form 1099 MISC will be prepared for each individual or firm to whom total payments of \$600 or more are made. An IRS Form 1096 is used to transmit the IRS copy of the Form 1099s to the IRS. These forms must be forwarded to the IRS by February 28 each year. Refer to IRS publications for preparation instructions and filing requirements.

A100703 Gambling/Bingo Winnings. IRS reporting requirements for gambling and bingo winnings are tied to individual games. Winnings are not accumulated from game to game as contract payments are. Each game stands alone for IRS reporting requirements. Whenever cash, merchandise, or a combination thereof with a total value of \$1,200 or more is awarded to a person for winning a single bingo game or other gambling activity, the CAO must prepare IRS Form W-2G (Statement for Certain Gambling Winnings). Individuals should receive their copies of the W-2G either at the time payment is made or not later than January 31 of the

following year. An IRS Form 1096 is used to transmit the IRS copy of the W-2Gs to the IRS. These forms must be forwarded to the IRS by February 28 of the following year. Refer to IRS publications for preparation instructions and filing requirements.

A100704 Records Retention. NAFIs must retain all records pertaining to federal income and employment taxes as required by federal law for at least four years (See AR 25-400, app B, category 27-101-1f, and category 37-105a).

A1008 CONTRACTORS DETERMINED TO BE EMPLOYEES FOR IRS PURPOSES. Some contract payments made to individuals may be considered by the IRS as payments to employees. The specific circumstances which classify individuals as employees are covered in Chapter 8 paragraph 0802 of Volume 13.

A100801 Procedures After Determination. When individuals are determined to be employees in the eyes of the IRS, the NAFI is required to withhold social security tax, medicare tax, and federal income tax from the individuals' earnings. These taxes must be reported to the IRS each quarter using IRS Form 941, Employer's Quarterly Federal Tax Return. The calculation of tax due on IRS Form 941 also requires the employer to match the social security and medicare tax withheld from the employee's pay. A check for the total tax due must accompany the IRS Form 941.

A100802 Forms And Instructions. IRS forms and instructions needed by the CAO include, but are not limited to, Publication 15, Form 941 and instructions, Form W-2 and instructions. If the CAO does not have a Federal Employer Identification Number, they must request one from the IRS. Individuals who are determined to be employees for IRS purposes must receive an IRS Form W-2 instead of an IRS Form 1099 for their earnings.

A100803 Withholding. The applicable tax amounts to be withheld currently are as follows:

Social Security Tax	= 6.2% of earnings
Medicare Tax	= 1.45% of earnings

Federal Income Tax = 28% of earnings unless individual specifies another amount (ie, 10%, \$10, \$0, etc.).

The NAFI must also match the social security and medicare tax amounts. CAOs are not required to withhold state and local taxes, however, withholding of these taxes is not prohibited.

A100804 Proper Classification of Employees. NAFI management and the Department of the Army are responsible for determining if an individual is a contractor or an employee for IRS purposes as specified in AR 215-1. The CAO should be alert for situations where an employee or contractor has been improperly classified, and assist NAFI management, when requested, in making these determinations. It is DFAS policy to cooperate fully with the IRS and ensure that NAF activities comply with the tax laws of the United States. The CNPO will not knowingly make payments to any misclassified person and is required to notify the CAO and DFAS-Indianapolis Center when a misclassified person has been identified.

CHAPTER 11

FINANCIAL ANALYSIS

A1101 GENERAL The objective of financial analysis is the extraction of the data from the financial statement and other sources so that the decision makers have valid data upon which to plan their operations. It is important to know that the balance sheet is a statement of the NAFIs financial position as of a specific point in time. Whereas, the income statement shows the results of operations over a period of time. Management must be able to effectively analyze the data and react in a positive manner.

A1102 STANDARDS The financial analysis provides ratios, trends, and other specific details of the business operations of the NAFIs. However, this accumulation of financial data only indicates the NAFIs financial position. To be useful as a management tool, the data must be compared with the NAFIs goals and established standards. For some NAFIs, standards are established by DA or MACOM agencies. Five of the most significant standards are presented here.

A110201 Current Ratio This measures the NAFIs ability to meet its current obligations. The NAFIs financial position may not be sound unless the fund has more current assets than current liabilities. A ratio of 1.5 to 1 is generally acceptable.

A110202 Acid Test Ratio This measures the extent to which specific current assets can be converted to cash to meet current obligations. A ratio of 1 to 1 is generally acceptable.

A110203 Average Collection Period This measures the average length of time accounts receivable are outstanding. A ratio of 1.3 to 1 is generally acceptable.

A110204 Inventory Turnover This measures the efficiency of inventory control. A ratio of 1 to 1 is generally acceptable for food and bar operations. For all other sales operations, the goal should be 1 to 3.

A110205 Net Income Ratio This measures the rate of return on revenue. A percentage of 5-10 percent is generally acceptable.

A1103 LIMITATIONS Although ratios are useful management tools, they do have some limitations and must be used with caution. Ratios are constructed from accounting data, and accounting data are subject to different interpretations and manipulation.

A110301 Historical Cost The use of historical cost is an excellent means for comparing costs of the NAFI and revenues generated by the activities. However, in periods of rapid inflation, the historical cost of an asset or expense may not provide a good basis to determine current values.

A110302 Estimating Uncertainty in estimating future income statement items is a major limitation. A NAFI manager may predict higher revenues and lower expenses than actually occurs. Based on incorrect estimating of future revenues, assets may be purchased which when depreciated create a net loss.

A110303 Comparability Achieving comparability between NAFIs located at different communities and even in different countries is very difficult. A community that has very little competition from the private sector should have an advantage over a community that must compete with a large number of civilian activities.

A1104 BALANCE SHEET RATIOS

A110401 Current Ratio This ratio is the primary test of the solvency of the NAFI. The ratio is computed by dividing the current assets by the current liabilities. A ratio of 1.5:1 means that the value of the current assets is 150 percent of the value of the current liabilities.

Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\$150,000}{\$100,000} = 1.5:1$

A ratio of less than 1.5:1 means that cash flow problems may exist.

A110402 Acid Test Ratio. This is a better test of immediate solvency than the current ratio. The acid test ratio, or quick ratio, shows the amount of current assets that can rapidly be converted to cash to meet current debts. The ratio is computed by dividing the quick assets by the current liabilities. A ratio of 1:1 shows that the activity could pay all current bills within 30 days.

$$\begin{array}{lcl} \text{Acid} & = & \frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{\$100,000}{\$100,000} = 1:1 \\ \text{Test} & & \\ \text{Ratio} & & \end{array}$$

If the ratio is less than 1:1, the NAFI may not be able to pay its debts and would appear to be insolvent.

A1105 INCOME STATEMENT RATIOS

A110501 Net Income Ratio. This measures the rate of return on revenue. The ratio may be based on total revenue or only on sales revenue. The ratio for total revenue is computed by dividing net income by total revenue. The ratio for sales revenue is computed by dividing net income by revenue from sales of goods. Total Revenue = Account 301 through 303 less 304 through 306 plus 501 through 599, 801 through 825, and 892. Sales Revenue = Account 301 through 303 less 304 through 306.

A110502 Gross Margin Ratio. This measures the rate of markup on the sale of goods. The ratio is computed by dividing sales revenue less cost of goods sold, by total sales. COST OF GOODS SOLD = Accounts 401 through 456.

A1106 COMBINED RATIOS

A110601 Average Collection Period. This ratio is used to evaluate the effectiveness of the NAFIs collection procedures. The average collection period gives the number of days it takes the NAFIs to receive payment for credit sales. The ratio is computed by dividing the average accounts receivable for a given period

by the average daily sales. A ratio of 1.3:1 indicates that if the terms of payment are net thirty days, payment should be received NLT 40 days after the date of sale.

$$\begin{array}{lcl} \text{Average} & & \text{Average} \\ \text{Collection} & & \text{accounts} \\ \text{Period} & = & \frac{\text{receivable}}{\text{Average daily credit sales}} = \frac{\$1,300}{\$1,000} = .3:1 \end{array}$$

A110602 Inventory Turnover Ratio. This measures the velocity with which the resale merchandise moves through the NAFI. The ratio is computed by dividing the cost of goods sold by the average merchandise inventory. A ratio of 1:1 for food and bar sales and 1:3 for all other sales indicates the NAFI is maintaining optimum inventory levels.

$$\text{Inventory Turnover} = \frac{\text{Cost of goods sold}}{\text{Average inventory}} = \frac{\$100,000}{\$100,000} = 1:1$$

$$\text{Average Inventory} = \frac{\text{Beginning inventory} + \text{Ending inventory}}{2}$$

A slow turnover may indicate the NAFI has over-invested in merchandise or has some obsolete merchandise.

A110603 Return On Assets Ratio. This measures the NAFIs ability to generate revenue with its existing assets. The ratio is computed by dividing net income by the average total assets.

$$\text{Return on Assets} = \frac{\text{Income}}{\text{Average total assets}}$$

$$\text{Average Total Assets} = \frac{\text{Beginning total assets} + \text{ending total assets}}{2}$$

A110604 Return On Fund Equity. This measures the NAFI's ability to use leverage by earning a higher rate of return than is paid for the funds used to operate. The ratio is computed by dividing net income by the average fund equity.

$$\text{Return on Fund Equity} = \frac{\text{Income}}{\text{Average fund equity}}$$

$$\text{Average Fund Equity} = \frac{\text{Beginning fund equity} + \text{Ending fund equity}}{2}$$

A1107 OTHER RATIOS. The preceding ratios, while considered the most important, are by no means the only ones that may be computed. Others that can be reviewed are-

- A. Fixed asset turnover.
- B. Accounts receivable aging.
- C. Working capital to total assets.
- D. Return on tangible assets.
- E. Cash to debt ratio.
- F. Total labor to total revenue ratio.

A1108 COMPARATIVE ANALYSIS

A110801 Balance Sheets And Income Statements. Analysis of the balance sheet and income statement should include a comparative analysis by G/L accounts or groups of G/L accounts. The analysis of the balance sheet and income statement should be done at NAFI level and the activity level, respectively. The account items should be compared for: current and prior month, current and prior quarter, and current and prior year-to-date. The narrative should explain all significant variances and unusual account balances, i.e., credit balance in expense account, debit balance in liability account, or cost of goods exceeding 100 percent and negative cost of goods sold.

CHAPTER 12

MISCELLANEOUSA1201 POST RESTAURANTS

A120101 General. AR 215-7 governs civilian employee NAFIs identified as post restaurant funds and CWF. Post restaurant funds operate restaurants, cafeterias, snack vending machines, and other authorized sale locations. These resale operations generate income to support approved recreation and welfare activities for civilian employees and other authorized patrons. Post restaurant funds are separate NAFIs and are not part of the installation IMWRF. If they are directly operated with NAF employees, partly concessionaire operated, or solely concessionaire operated, but own fixed assets, they will be accounted for in the same manner as other NAFIs.

A120102 Post Restaurant Fund Dividend Accounting. When the post restaurant fund declares a dividend to the CWF, the post restaurant fund will debit GLAC 292 and credit GLAC 206. When the post restaurant fund pays the dividend, the post restaurant will debit GLAC 206 and credit GLAC 101.

A120103 Solely Concessionaire-Operated Post Restaurants.

A. Operated Solely By Concessionaire. If a post restaurant is operated solely by a concessionaire and the NAFI owns no fixed assets, has no other source of income or expense, and does not maintain a bank account, the concessionaire will be instructed to issue one check at the end of each month for commission fees due. It will be made payable to the post restaurant officer (name of installation) and processed in accordance with AR 215-7, para 4-14 and 5-9. The post restaurant officer will also send a copy of the concessionaire's monthly financial statement to the AAFCWF. The statement will show the basis for the computation of the commission fee due and will be signed by the concessionaire of the commission fee due and will be signed by the concessionaire or representative. The statement

will take the place of the regular monthly post restaurant financial reports required by Chapter 10. The post restaurant officer will keep a record of all checks received and forwarded to the post CWF or CAO.

B. Additional Information. Included with each financial report sent to the AAFCWF will be a statement that:

1. Commission fees paid by the concessionaire are the only receipts of the post restaurant;

2. The post restaurant has no expenses and is not required to establish a bank account; and,

3. Any amounts due the AAFCWF will be sent by the post CWF by check drawn on its own bank account.

C. Remittance. The portion due the AAFCWF will be remitted immediately if it is \$10 or more. When the amount due the AAFCWF at the end of the month is less than \$10, the CAO will set aside that amount as an account payable due the AAFCWF. When the account payable reaches \$10, payment will be made to the AAFCWF. These cumulative amounts will not be withheld longer than six months.

A120104 Vending Machines. Revenue from vending machines selling goods owned by the post restaurant fund will be accounted for as sales and recorded in GLAC 301. Revenue from vending machines selling goods owned by a concessionaire will be accounted for as operating revenue and recorded in GLAC 502.

A120105 Reports. The reports prescribed in chapter 10 are applicable to post restaurant NAFIs. The concessionaire's gross sales amount against which the commission income was earned will be footnoted on the applicable income statement. In addition, a statement

showing the computation of dividends available for distribution will be submitted as part of the monthly financial statement. The format is shown in Figure 12-1.

A1202 CIVILIAN WELFARE FUNDS

A120201 General. Civilian Welfare Funds (CWFs) are NAFIs established by installation commanders under AR 215-7. They are NAFIs as defined in AR 215-1. Their primary source of revenue is dividends from profits of post restaurants. On occasion, grants or dividends from the AAFCWF are available.

A120202 CWF Dividend Accounting. Dividends from post restaurants will be credited to GLAC 806. If the dividend is a check from a concessionaire payable to and endorsed by the post restaurant officer, 5 percent of it belongs to the AAFCWF and should be credited to GLAC 201. A check will be issued payable to the AAFCWF and mailed to P.O. Box 46579, WASH, DC 20050-6579.

A120203 Accounting for Loans. When construction or improvements are authorized by the AAFCWF, the following accounting procedures will be used:

A. Certified Invoices. When the certified invoices are submitted to the post CWF, the fund manager will furnish copies to the CAO who will debit GLAC 179 and credit GLAC 268.

B. Completion of Construction. When construction is completed, debit the appropriate fixed asset account and credit GLAC 179.

C. Beginning Loan Payments. When it is determined that loan repayments will start, transfer the amount due in the next 12 months to GLAC 203. Each month when payment is made, debit GLAC 268 until zero (12 months before final payment) then debit 203 until zero (last 12 months).

A120204 Reporting. The reports prescribed in chapter 10 are applicable to Civilian Welfare Fund NAFIs. At the end of each

fiscal year, the CAO will also attach a schedule (on a separate sheet of paper) showing the following civilian strength data as of the end of the fiscal year. It will contain the consolidated strength for all activities located at the installation.

A. Number paid by appropriated funds.

B. Number paid by nonappropriated funds.

C. Total civilian strength for the post.

A120205 DA Form 4138-R (Monthly Authorization Control Record).

A. Controlling Expenditures. The record will be maintained to control expenditures made under the monthly authorization granted each activity by the fund council. DA Form 4138-R will be reproduced locally on 8 1/2 by 11 inch paper.

B. Maintenance Of Records. Authorized expenditures, by activity, will be recorded as approved by the fund council. Purchase orders will be recorded when approved by the civilian NAFI custodian. Receiving reports (indicating the receipt of items purchased) will be entered in the column provided opposite the correct purchase order entry. At the end of the month, each purchase order entry for which no receiving report has been entered, or any differences, will be extended to the column provided for undelivered purchases.

A1203 VETERINARY SERVICES

A120301 Surcharges Collected By The Veterinary. The veterinary will collect prescribed surcharges from paying customers as required by law and deposit them with the day's business. They will be shown as a separate line on the daily activity report. The CAO will record the surcharges as a debit to cash and a credit to GLAC 240, Miscellaneous Other Payables.

A120302 Depositing The Surcharge To The U.S. Treasury. By the 15th of the month, the CAO will issue a check payable to the DAO in the amount of the surcharge collected during the previous month. The CAO will also prepare a DD Form 1131 (Cash Collection Voucher) citing Treasury Miscellaneous Receipt Account 21R3210.0001 and forward the check and voucher to the DAO. Make an entry to debit GLAC 240 and credit GLAC 101.

ATTACHMENT 1

REFERENCES, FORMS, AND FIGURES

Section I

Required Publications

AR 37-1 Army Accounting and Fund Control.

AR 37-101 Organization and Functions of Finance and Accounting Offices.

AR 37-103 Finance and Accounting for Installations Disbursing Operations.

AR 215-1 Administration of Army Morale, Welfare, and Recreation Activities and Nonappropriated Fund Instrumentalities.

AR 215-3 Personnel Policies and Procedures.

AR 215-4 NAF Small Purchases Manual.

AR 215-7 Civilian Welfare Funds and Post Restaurant Funds.

AR 340-18 The Army Functional Files System.

Section II

Related Publications. A related publication is merely a source of additional information.

AR 210-25 Vending Facility Program for the Blind on Federal Property

AR 230-36 Nonappropriated Chaplains' Fund

DA Pam 230-5-2 Food Management

Section III

Prescribed Forms

DA Form 1759 Property/Merchandise Inventory.

DA Form 1991 Stock Record Card.

DA Form 1992 Nonappropriated Fund Receipt Voucher.

DA Form 1993 Nonappropriated Fund Petty Cash Summary Voucher.

DA Form 1994 Petty Cash Voucher.

DA Form 2107 NAF Receipt and Disbursement Voucher.

DA Form 2736-R International Balance Of Payments Transactions- Nonappropriated Fund Transactions.

DA Form 3161

DA Form 4078 Property Control and Depreciation Record.

DA Form 4079 Depreciation Expense Control (Furniture, Fixtures, and Equipment).

DA Form 4080 Transfers Between Activities.

DA Form 4082 Daily Cashier's Record.

DA Form 4083 Vending or Amusement Machine Collections.

DA Form 4084-R Investment Register.

DA Form 4850 Nonappropriated Funds Time and Attendance Report.

DA Form 4850-1-R NAF Time and Attendance Supplement Report

DA Form 4853-R NAF Time and Attendance Transmittal.

DA Form 5163-R Central NAF Payroll System-Tips, Service Charges and Meals Report.

DA Form 5313-R Nonappropriated Fund Payable/Disbursement Voucher.

DA Form 5313-1-R NAF Payable/Disbursement Voucher-Continuation Sheet.

DA Form 5314 Personal Services (Comprehensive) NAF Employees.

DA Form 5352 NAF Earnings and Leave Statement (Texas).

DA Form 5352-1 NAF Earnings and Leave Statement (Europe).

DD Form 250 Material Inspection and Receiving Report.

DD Form 1131 Cash Collection Voucher

DD Form 1149 Requisition and Invoice/Shipping Document.

DD Form 1164 Service Order for Personal Property

DD Form 1348 DoD Single Line Item Requisition System Document (Manual)

Section IV

Referenced Forms

IRS Form W-2 Wage and Tax Statement

IRS Form W-4 Employee's Withholding Allowance Certificate

IRS Form W-5 Earned Income Credit Advance Payment Certificate

IRS Form 4070 Employee's Report of Tips to Employer

DA Form 2062 Hand Receipt

DA Form 3434 Notification of Personnel Action-Nonappropriated Fund Employee

DA Form 3473 Application for NAF Retirement Plan and/or Group Insurance Plans

DA Form 3884 Payroll Change Slip NAF Employee

DD Form 577 Signature Card

DD Form 1084 Bond Issuance Schedule

DD Form 1351 Travel Voucher

DD Form 1351-2 Travel Voucher or Subvoucher

DD Form 1588 Record of Travel Payments

DG 1199A Direct Deposit Sign-up Form

EBB Form 401(k) US Army NAF Employee 401(k) Savings Plan Investment and Disposition Authorization

SF 1187 Request for Payroll Deductions for Labor Organization Dues

SF 1188 Cancellation of Payroll Deductions for Labor Organization Dues

SF 1198 Request by Employee for Allotment of Pay for Credit to Savings Account with a Financial Organization

TSP 1 Thrift Savings Plan Election Form

Figure 2-1, Sample Certificate of Fund Transfer

Certificate of Fund Transfer

I, (name of outgoing fund manager), certify that to the best of my knowledge and belief, the balances reflected on the financial statements and schedule of operating expenses for the period ending (date) are true and correct.

(signature of outgoing fund manager)
(date)

I, (name of incoming fund manager), accept responsibility based on the fund and property balances as indicated on the financial statements referred to above, beginning on (date).

(signature of incoming fund manager)
(date)

Note: In the event the incoming fund manager is not satisfied that the fund and property balances are accurate, the acceptance may be conditioned upon audit verification.

Figure 4-1, Sample Briefing StatementNAF Inventory Observation Team Briefing
(NAFI, Location & Department)

We, the undersigned, certify that the inventory teams were briefed on their responsibilities and procedures for conducting an independent inventory as required by DFAS and Army regulations.

Briefing Officer	<u>(signature)</u>	<u>(date)</u>
Team Leader	<u>(signature)</u>	<u>(date)</u>
Team Member(s)	<u>(signature)</u>	<u>(date)</u>

Figure 4-2, Sample Merchandise and Supplies Inventory Statement

NAF Merchandise and Supplies Inventory Statement
(NAFI, Location & Department)

We, the undersigned, certify that, to the best of our knowledge, a complete and accurate end-of-the-month independent physical inventory was taken.

All known discrepancies between actual inventory counts and dollar values and the accounting records have been reconciled and corrections made where necessary.

The attached inventory list accurately shows the value of the fund's (or activity's) inventory as of (date) .

The following adjustments were required:

Physical Inventory Quantity	<u> </u>	Value	\$ <u> </u>
Accounting Records Quantity	<u> </u>	Value	\$ <u> </u>
Variance Over (Short) Quantity	<u> </u>	Value	\$ <u> </u>

Summary of individual adjustments.

Quantity:

Value:

(List any adjustments to the accounting records inventory value.)

Central Accounting Officer	<u>(signature)</u>	<u>(date)</u>
Fund Custodian	<u>(signature)</u>	<u>(date)</u>
Team Leader	<u>(signature)</u>	<u>(date)</u>
Team Member(s)	<u>(signature)</u>	<u>(date)</u>
Inventory Observer(s)	<u>(signature)</u>	<u>(date)</u>

Figure 4-3, Fixed Asset Inventory Statement

Fixed Asset Inventory Statement
(NAFI, Location & Department)

We, the undersigned, certify that, to the best of our knowledge, a complete and accurate physical inventory was taken of the fund's (or activity's) fixed assets. The inventory was reconciled to the asset records and overages/shortages have been reconciled. All known discrepancies between actual inventory counts and dollar values and the accounting records have been reconciled and corrections made where necessary. The attached inventory list accurately shows the value of the fund's (or activity's) fixed assets as of (date) .

The following adjustments were required:

Physical Inventory	Quantity <u> </u>	Value \$ <u> </u>
Accounting Records	Quantity <u> </u>	Value \$ <u> </u>
Variance Over (Short)	Quantity <u> </u>	Value \$ <u> </u>

Summary of individual adjustments:

<u>Item</u> <u>Description</u>	<u>Unit</u> <u>Cost</u>	<u>Property</u> <u>Control</u> <u>Record</u>	<u>Physical</u> <u>Count</u>	<u>Variance</u> <u>Over/Short</u>
---	---	---	---	---
---	---	---	---	---
---	---	---	---	---
			Net Variance	---

Team Leader	(<u>signature</u>)	(<u>date</u>)
Team Member(s)	(<u>signature</u>)	(<u>date</u>)

Fund Custodian: I agree with the inventory results and the summary of individual adjustments noted above.

(signature) (date)

Independent Observer: I observed the inventory and certify that the inventory was taken appropriately.

(signature) (date)

Central Accounting Officer: I agree with the summary of individual adjustments noted above.

(signature) (date)

Date adjustments made to the fixed asset subsidiary and control accounts:

Fixed asset subsidiary records: (date)

General ledger control records: (date)

Date inventory approved by Command: (date)

Figure 8-1, Sample CNPO Transmittal Memorandum

(YOUR CPO OFFICE SYMBOL)

MEMORANDUM FOR CHIEF, /CENTRAL NAF PAYROLL OFFICE
P.O. BOX 75, TEXARKANA, TX 75504-0075

Subject: Personnel/Payroll Actions Transmittal Number _____

1. The enclosed documents are forwarded for appropriate action.

<u>CONTROL NR.</u>	<u>TYPE OF DOCUMENT</u>	<u>REMARKS/IDENTIFICATION</u>
1	IRS W-4	123-44-3333 Jane Smith
1	SF 1199A	222-33-5555 Nancy Roe
3	DA Form 3434	111-55-7777 James O'Connor
		555-66-9999 Sally Terry
		444-22-7777 Mary Jones
1	DA Form 3473	111-88-4444 Floyd Perrine

2. Request acknowledgment of documents listed above within 5 workdays from the date of receipt by signing and returning the enclosed duplicate copy.

3. Point of contact for this transmittal is _____, Personnel Specialist,
AUTOVON XXX-XXXX or Commercial (XXX) XXX-XXXX.

FOR (XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX):

6 Encls

NAME
Title
Office

1. ____ I have received the documents listed above and verified that documents stated were enclosed and complete.

2. ____ I have received the documents listed above. The following documents are returned for correction.

3. ____ These documents were/were not listed above and were/were not received.

<u>CONTROL NR.</u>	<u>TYPE OF DOCUMENT</u>	<u>REMARKS/IDENTIFICATION</u>
--------------------	-------------------------	-------------------------------

FOR CHIEF CENTRAL NAF PAYROLL OFFICE:

____ Encls

Payroll Control Clerk

AV _____ Com'l () _____

[illegible]

[illegible]

Figure 8-2, Personal Services Report (continued)

[illegible]

Figure 8-3, Individual Leave Register

BOLX 871GHV CYCLE P NAV CENTRAL PAYROLL OFFICE				FOR OFFICIAL USE ONLY - PRIVACY ACT DATA				INDIVIDUAL LEAVE REGISTER				PAY PERIOD ENDING DATE 08/12/14				871R03740 PAGE 106			
EUMO NAFTAD				WORK CENTER 101GAD0															
NAME AND SSN	TYPE	EMPL		A N N U A L L E A V E				S I C K L E A V E				LEAVE WITHOUT PAY				SINCE LAST MNL INCREASE			
				EARNED	TAKEN	CUM BAL	USE/LOSE	EARNED	TAKEN	CUM BAL	TAKEN	CD	INCREASE	LV					
BENNY L ROBBMS 222-18-0094-0	REG FT		P/P HNS P/P 6 AMT VTD HNS	4.26 37.23 10.26		218.00 1818.44		3.00 7.00		242.76	24.00	1	24.00						
MELVIN W ROLLMS 222-18-0071-0	REG FT		P/P HNS P/P 6 AMT VTD HNS	8.00 108.24 18.00		378.00 8788.00	37.00	4.00 12.00		42.90									
EDWIN K ROMACK 222-18-0072-0	REG FT		P/P HNS P/P 6 AMT VTD HNS	8.00 119.04 12.00		372.00 7380.48	24.00	4.00 8.00		837.26									
MAJALE ROE 222-18-0079-0	REG FT		P/P HNS P/P 6 AMT VTD HNS			30.00 247.20				28.00									
RICK A RUFEL 222-18-0080-0	REG FT		P/P HNS P/P 6 AMT VTD HNS			11.26 80.08		4.00		8.26									
RUFUS M SADLER 222-18-0081-0	REG FT		P/P HNS P/P 6 AMT VTD HNS	18.00		308.00 1689.70		8.00		1830.00									
WORK CENTER TOTALS			P/P HNS P/P 6 AMT	18.26 264.51 00		1312.28 18050.88 00		11.00		2389.76	24.00								
LESS 90 DAY PROBATIONARY																			
GLAC 243 BALANCE				264.51		18050.88													

* INCLUDES LUMP SUM LEAVE PAID
** 90 DAY PROBATIONARY

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-4. Active Employee Address Listing

DOWN 871GLV CYCLE P NAV CENTRAL PAYROLL OFFICE	ACTIVE EMPLOYEE ADDRESS LISTING	PAY PERIOD ENDING DATE 08/12/14	871MS64040 PAGE 9
06 100100 RECORD ADDRESS BOND ADDRESS BOND ADDRESS	CLAUDIA J CANDRELLA 408 SAN JUAN DRIVE	PR 00045 1 1 MOS ORANGE 1 DIAZ GOMEZ FRIOS 1 SANCHEZ RIVERA	209450439 201507140 020700014
06 100100 RECORD ADDRESS	JUAN E AMACOMAS 4728 GONZALES BLVD	PR 00045	
06 100100 RECORD ADDRESS	WILBERTO F GOMEZ 2041 RIVERA RD 8020 MCALDO AVENUE 2016 COLUMBO STREET 20 SANCHEZ	PR 04020 PR 04020 PR 04020 PR 04020 PR 04020	230403047 410202742
06 100100 RECORD ADDRESS	GRACE GOEDINGER 20001 PANCHO STREET	PR 70045	
06 100100 RECORD ADDRESS	CONA J SAMMONS BULWING 114	PR 00010	
06 100100 RECORD ADDRESS	BETTY S TAYLOR BULWING 115	PR 00010	
06 100100 RECORD ADDRESS	JUDSON F TEAGUE BULWING 116	PR 00010	
06 100100 RECORD ADDRESS	TROY K TEMAY BULWING 117	PR 00010	

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-5, Payroll Change Listing

80JN 87101V		FOR OFFICIAL USE ONLY - PRIVACY ACT DATA		8710082340
CYCLE PMAF CENTRAL PAYROLL OFFICE		PAYROLL CHANGE LISTING		PAGE 8
2211 172 MW DIV CPO, FT ALASKA, AK				
MAF	SSAN	ITEM CHANGED	DATA ENTERED	
GE	222 18 0112 0	SERVICE COMPUTATION DATE	880331	
GE	222 18 0113 0	SERVICE COMPUTATION DATE	880331	
GE	222 18 0118 0	STEP	02	
GE	222 18 0118 0	STEP	03	
FOR OFFICIAL USE ONLY - PRIVACY ACT DATA				

Figure 8-6, Notice of UA Employee Within-Grade Increase Due

BQPR 871GIV									
CYCLE P NAF CENTRAL PAYROLL OFFICE									
CPO SON 2312 CIVILIAN PERSONNEL OFFICE FT ARMY VA									
FOR OFFICIAL USE ONLY - PRIVACY ACT DATA									
NONAPPROPRIATED FUNDS CENTRAL PAYROLL SYSTEM									
NOTICE OF UA EMPLOYEE WITHIN GRADE INCREASE DUE									
PAY PERIOD ENDING 08/12/16									
PAGE 8									
871N0014G									
FOLLOWING UA EMPLOYEES WILL BE ELIGIBLE FOR WITHIN GRADE INCREASE WITHIN 90 DAYS FOR EMPLOYEES TO RECEIVE THEIR INCREASE ON SCHEDULE DA FORM 3424. NOTICE OF PERSONNEL ACTION MUST BE INITIATED BY THE CIVILIAN PERSONNEL OFFICE. AUTHENTICATED BY THE SUPERVISOR AND RETURNED TO THE CPO FOR TRANSMISSION AND RECEIPT IN THE SERVING PAYROLL OFFICE PRIOR TO THE EFFECTIVE DATE OF THE INCREASE									
MSIL CODE	WORKCENTER	SSN	NAME	CURRENT GRADE/STEP	DATE LAST GR/STP CHANGE	WEEKS WORKED	WOP SINCE LAST CHANGE		
AA	10101	555 35 0004 0	GARDEN B HOUSE	LM-08/01	08-04-12		00		
BA	10282	555 35 0001 0	ROBIN N SANDERS	UA-08/01	08-04-12		00		
BA	10101	555 35 0002 0	JULIA M GARNER	UA-08/01	08-04-14		00 25		
BA	11102	555 35 0013 0	RICH O RODEWAY	UA-07/01	07-12-17		00		
TO	10301	123 37 2701 0	LONDA J ANDERSON	UA-08/01	07-12-17		00		
TO	10301	123 37 2702 0	BLONDI S ALEXANDER	UA-07-01	07-12-17		00		
FOR OFFICIAL USE ONLY - PRIVACY ACT DATA									

Figure 8-7, NAF Centralized Payroll Data Report

B71G82 TASK BGLV				NAF CENTRALIZED PAYROLL DATA REPORT				PAGE 0009				PCN 8718880890			
SERVICING C4D INSTALLATION CG FT ALASKA, AK				CYCLE P NAF CENTRAL PAYROLL OFFICE				14 DEC 88				INSTALLATION CG FT ALASKA, AK			
FUND 1	LOC	11 DEPT	G2	DEBIT	CREDIT	AMOUNT		DEBIT	CREDIT	AMOUNT					
ANNUAL LEAVE EARNED				803 G2	243 00	0207 88									
ANNUAL LEAVE ADJ				803 G2	243 00	0116 18									
ANNUAL LEAVE TAKEN				243 00	801 G2	0 00									
ANNUAL LEAVE TAKEN ADJ				243 00	801 G2	0 00									
SICK LEAVE TAKEN				806 G2	801 G2	0 00									
COMP TIME WORKED				821 G2	247 00	0 00									
COMP TIME ADJ				821 G2	247 00	0 00									
COMP TIME TAKEN				247 00	801 G2	0 00									
COMP TO OVERTIME				247 00	801 G2	0 00									
HOME LEAVE TAKEN				821 G2	801 G2	0 00									
TOTAL EMPLOYER SHARE				823 G2	801 G2	0 00									
A EMPLOYERS SHARE OF															
1 FICA				811 G2	242 00	0182 81									
2 ERS INSURANCE				812 G2	242 00	04 10									
3 ERS RETIREMENT				813 G2	242 00	082 46									
TOTAL EMPLOYER SHARE						0219 07									
B GROSS PAY, U.S. PERSONNEL															
1 WAGES AND SALARIES				801 G2	242 00	01748 84									
2 TIPS						0 00									
3 BONUS AND AWARDS				817 G2	242 00	0 00									
4 OTHER EMPLOYEE BENEFITS				824 G2	242 00	0418 20									
TOTAL						02183 84									
C EARNED INCOME CREDIT						0 00									
D ADVANCED WAGES						0 00									
PAYROLL EXPENSES THIS PP (A+B-D)						02382 91									
(EXCLUDES CASH TIPS)															
SERVICE CHARGES FOR THIS PP				888 G2	242 00	02 40									
TOTAL FOR THIS PP						02385 31									
F NET PAY, U.S. PERSONNEL															
TOTAL EMPLOYEE DEDUCTIONS						0588 88									
E EMPLOYEE DEDUCTIONS															
1 FEDERAL TAX						0288 77									
2 STATE TAX						042 86									
3 FICA						0182 81									
4 ERS INSURANCE						04 10									
5 ERS RETIREMENT						082 46									
6 BONDS						018 25									
7 CHARITY						01 00									
8 SAVINGS ALLOTMENTS						080 00									
9 EMPLOYEE UNION DUES						01 00									
10 MEALS						0 00									
11 REPORTED TIPS						0 00									
12 LOCAL TAX						0 00									
13 SUPPLEMENTAL INSURANCE						0 00									
14 DELINQUENT TAX LEVY						0 00									
15 ADVANCED PAY REIMBURSEMENT						0 00									
16 ADVANCED WAGES INCLUDED						0 00									
17 OTHER						0 00									
TOTAL EMPLOYEE DEDUCTIONS						01564 86									

Figure 8-7, NAF Centralized Payroll Data Report (continued)

871002 TASK BGLV			NAF CENTRALIZED PAYROLL DATA REPORT CYCLE P NAF CENTRAL PAYROLL OFFICE 14 DEC 88			PAGE 0016 PCN 8710180080					
SERVICING CAD INSTALLATION GC FT ALASKA AK						INSTALLATION GC FT ALASKA AK					
INSTALLATION TOTALS						DEBIT CREDIT AMOUNT					
ANNUAL LEAVE EARNED						0460 70					
ANNUAL LEAVE ADJ						0118 16					
ANNUAL LEAVE TAKEN						0 00					
ANNUAL LEAVE TAKEN ADJ						0 00					
SICK LEAVE TAKEN						0 00					
COMP TIME WORKED						0 00					
COMP TIME ADJ						0 00					
COMP TIME TAKEN						0 00					
COMP TO OVERTIME						0 00					
HOME LEAVE TAKEN						0 00					
A EMPLOYERS SHARE UP						E EMPLOYEE DEDUCTIONS					
1 FICA						1 FEDERAL TAX					
2 ERS INSURANCE						2 STATE TAX					
3 ERS RETIREMENT						3 FICA					
TOTAL EMPLOYER SHARE						4 ERS INSURANCE					
B GROSS PAY, U.S. PERSONNEL						5 ERS RETIREMENT					
1 WAGES AND SALARIES						6 BONDS					
2 TIPS						7 CHARITY					
3 BONUS AND AWARDS						8 SAVINGS ALLOTMENTS					
4 OTHER EMPLOYEE BENEFITS						9 EMPLOYEE ORGN DUES					
TOTAL						10 MEALS					
C EARNED INCOME CREDIT						11 REPORTED TIPS					
D ADVANCED WAGES						12 LOCAL TAX					
F NET PAY, U.S. PERSONNEL						13 SUPPLEMENTAL INSURANCE					
PAYROLL EXPENSES THIS PP (A-B-D)						14 DELINQUENT TAX LEVY					
(EXCLUDES CASH TIPS)						15 MANUAL PAY REBURSEMENT					
SERVICE CHARGES FOR THIS PP						16 ADVANCED WAGES INCLUDED					
TOTAL FOR THIS PP						17 OTHER					
						18 ADVANCE BL AL					
						19 ALMONT/CHILD SUPPORT INCLUDED					
						TOTAL EMPLOYEE DEDUCTIONS					
						01407 85					
						04692 15					

Figure 8-7, NAF Centralized Payroll Data Report (continued)

[illegible]

Figure 8-8, Transfer of Annual Leave Liability

BOPX 871GEEZ		FOR OFFICIAL USE ONLY - PRIVACY ACT DATA		0718185064D	
CYCLE P NAF CENTRAL PAYROLL OFFICE		BA TRANSFER OF ANNUAL LEAVE LIABILITY		PAY PERIOD ENDING 08/12/14	
		LOSING INSTALLATION SEQUENCE		PAGE 1	
<p>FOLLOWING EMPLOYEES HAVE BEEN TRANSFERRED FROM YOUR ORGANIZATION. TRANSFER OF FUNDS TO COVER THE ANNUAL LEAVE LIABILITY SHOULD BE MADE TO THE GAMING ORGANIZATION LAW AN 218 B, CH 8 7 DURING THIS ACCOUNTING PERIOD</p>					
SSN	NAME	ANNUAL LEAVE BALANCE	MST	LOSING MST/W/C W/C HOLY RATE	VAL A/L
489 28 8687 0	ROBIN MATHEWS	3 00	BA	17102 10 98	32 94
		FOR OFFICIAL USE ONLY - PRIVACY ACT DATA			
				GAMING MST/W/C W/C HOLY RATE	VAL A/L
				17102 10 98	32 94

Figure 8-8, Transfer of Annual Leave Liability (continued)

BGPX 871GEE		FOR OFFICIAL USE ONLY - PRIVACY ACT DATA		871R195040	
CYCLE P NAT CENTRAL PAYROLL OFFICE		BA TRANSFER OF ANNUAL LEAVE LIABILITY		PAY PERIOD ENDING 08/12/14	
		GAINING INSTALLATION SEQUENCE		PAGE 1	
<p>FOLLOWING EMPLOYEES HAVE BEEN TRANSFERRED TO YOUR ORGANIZATION. TRANSFER OF FUNDS TO COVER THE ANNUAL LEAVE LIABILITY SHOULD BE RECEIVED FROM LOSING ORGANIZATION IAW AR 215 9, CH 8.7 DURING THIS ACCOUNTING PERIOD</p>					
SSN	NAME	ANNUAL LEAVE BALANCE	LOST W/C	VAL A/L	VAL A/L
489 28 9987 0	ROSEN MATTHEW	3 00	BA 171G2 10 98	32 94	32 94
<p>FROM OFFICIAL USE ONLY - PRIVACY ACT DATA</p>					

Figure 8-9, Compute Research Listing

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA				8710065740	
86FX 871006				PAGE 7	
CYCLE P	CENTRAL NAF	PAYROLL OFFICE	NAF AA	COMPUTE RESEARCH LISTING	PAY PERIOD ENDING DATE 09/03/08
1 001 42 5043 0	SARA K GUZZARO	TOTAL TIPS ENTERED ON 230	18 50		
1 001 42 5043 0	SARA K GUZZARO	TOTAL HRS WKD	39 00		
1 001 42 5043 0	SARA K GUZZARO	REPORTED TIPS OFFSET	33 16		
1 001 42 5043 0	SARA K GUZZARO	TOT WDEBT OF OTH DEB 1 ZERO			
1 143 10 9999 0	CAROLYN A PRICE	REG HRS LESS THAN BASE HRS			
1 148 38 7042 0	ELSE J COCHMAN	TOTAL TIPS ENTERED ON 230	29 49		
1 148 38 7042 0	ELSE J COCHMAN	TOTAL HRS WKD	40 00		
1 148 38 7042 0	ELSE J COCHMAN	REPORTED TIPS OFFSET	34 00		
1 148 38 7042 0	ELSE J COCHMAN	TOT WDEBT OF OTH DEB 1 ZERO			
1 148 38 7042 0	ELSE J COCHMAN	TOT WDEBT OF OTH DEB 1 ZERO			
1 148 38 7042 0	ELSE J COCHMAN	REG HRS GREATER THAN BASE HRS			
1 148 38 7042 0	ELSE J COCHMAN	REG HRS LESS THAN BASE HRS			
1 181 49 8430 0	JOHN Q CREMONA				

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-10, Panama Withholding and Educational Taxes (Panama Distribution Only)

BGUX-B71GVX
 CYCLE X, CENTRAL MAP PAYROLL OFFICE
 MINISTERIO DE HACIENDA Y TESORO
 ATTN: DIRECTOR DEL IMPUESTO SOBRE LA RENTA PARA DOD (MAP)
 PANAMA 9A, REPUBLICA DE PANAMA
 TRANSMITTED HEREWITH IS CHECK NUMBER _____ IN THE AMOUNT OF \$ _____ COVERING WITHHOLDING AND EDUCATIONAL TAXES
 FOR THE FOLLOWING EMPLOYEES OF THE CENTRAL ACCOUNTING SUNDAY FUND FOR PAY PERIOD ENDING 28 MAY 82

PANAMA WITHHOLDING AND EDUCATIONAL TAXES
 PAY PERIOD ENDING 02/05/28
 193D INFANTRY BRIGADE (PANAMA)
 CENTRAL ACCOUNTING OFFICE
 SUNDAY FUND

071R101034G

FUND NAME	NAME OF EMPLOYEE	CEDULA	GROSS PAY	WITHHOLDING TAX	REGULAR PAY	EDUCATIONAL TAX
FT PANAMA POST RESTAURANT	NOEL BERRY	0001233334	140.00	3.77	120.00	.96
	ROSALIE B CHERRY	000444444	361.03	23.89	290.95	2.18
	LELA SCHMERRY	123334440	45.00	.00	.00	.00
FUNDS TOTALS			547.63	27.66	410.95	3.14

Figure 8-11, Caja de Seguro Social de Panama Feeder Report (Panama Distribution Only)

8002 871M82		CAJA DE SEGURO SOCIAL DE PANAMA FEEDER REPORT		871M81034M		
CYCLE P. CENTRAL MAF PAYROLL OFFICE		PANAMA CENTRAL ACCOUNTING OFFICE - MAY 87				
FUND NAME	CEDULA	SOCIAL SEGURO NR	EMPLOYEE NAME	EMPLOYER CONTRIBUTION	EMPLOYEE DEDUCTION	GROSS PAY
FI PANAMA POST RESTAURANT	000123334	0123333	NOEL BEARY	26 24	17 26	266 00
FI PANAMA POST RESTAURANT	000444444	0222222	ROSALIE B CHERRY	26 17	22 01	218 76
FI PANAMA POST RESTAURANT	010087658	0333333	JOSE DENNE	26 07	26 07	371 40
FI PANAMA POST RESTAURANT	12333444G	1444444	LEILA SCHMERNY	4 61	3 04	46 00
TOTAL FUND				163 09	107 40	1691 16

Figure 8-12, Quarterly Review of Hours Worked

BQFY 87102				FOR OFFICIAL USE ONLY - PRIVACY ACT DATA				B71R1803240			
CYCLE P NAS CENTRAL PAYROLL OFFICE				QUARTERLY REVIEW OF HOURS WORKED				PAGE 18			
2683 WEDELBERG COMMUNITY CPO, EUMO NAS/AD, GE				MSTL 20							
WORKCENTER	SSN	NAME	PAY PERIOD ENDING DATE	TYPE EMPL	BASE HRS ASSIGNED	REGULAR HRS WORKED	OVERTIME HRS WORKED	TOTAL HRS WORKED			
10101	123 12 1282 0	GREG H GOLF	88 12 14	REG PT	040	82 00	00	82 00			
10101	344 33 4440 0	GEN NUS	88 12 14	REG FT	080	80 00	00	80 00			
10211	008 28 1003 0	MARTHA WASHINGTON	88 12 14	REG FT	080	80 00	8 25	88 25			
10301	123 12 1286 0	MARY L MORNS	88 12 14	REG FT	080	80 00	00	80 00			
10301	123 12 1241 0	NORMAN H HOWARD	88 12 14	REG FT	080	80 00	00	80 00			
11201	123 12 1287 0	BRENDA C BOODS	88 12 14	REG FT	080	88 75	00	88 75			
81724	123 12 1287 0	NICHOLAS M OSCAR	88 12 14	REG FT	080	80 00	00	80 00			
70601	123 12 1284 0	ALBERT V YORE	88 12 14	REG FT	040	40 00	00	40 00			
70601	123 26 0002 0	OLGA SWANSON	88 12 14	REG FT	080	80 00	00	80 00			
70601	123 26 0006 0	ROSA O SCHMITT	88 12 14	REG FT	080	80 00	00	80 00			
70601	123 26 0006 0	PETRA EBERT	88 12 14	REG FT	080	80 00	00	80 00			

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-13, MWR Personnel Strength Report

MWR PERSONNEL STRENGTH REPORT - QTR 4 1998									
CATEGORIES OF MWR ACTIVITIES									
MACOM K. INSTALATION FT KOMEA KO									
CYCLE P MAF CENTRAL PAYROLL OFFICE									
PROGRAM GROUP									
U.S. CITIZENS/NATIONALS									
REGULAR	HA	HB	HC	HD	HE	HF	HG	HH	TOTAL
FT DEPENDENT	0	0	1	0	0	0	0	0	1
PT OTHER	0	0	0	0	0	0	0	0	0
PT MILITARY	0	0	0	0	0	0	0	0	0
PT DEPENDENT	0	0	0	0	0	0	0	0	0
PT OTHER	0	0	1	0	0	0	0	0	1
TEMPORARY									
FT DEPENDENT	0	0	0	0	0	0	0	0	0
PT OTHER	0	0	0	0	0	0	0	0	0
PT MILITARY	0	0	0	0	0	0	0	0	0
PT DEPENDENT	0	0	0	0	0	0	0	0	0
PT OTHER	0	0	0	0	0	0	0	0	0
INTERMITTENT									
MILITARY	0	0	1	0	0	0	0	0	1
DEPENDENT	0	0	0	0	0	0	0	0	0
OTHER	0	0	0	0	0	0	0	0	0
FOREIGN NATIONALS									
FULL TIME	0	0	0	0	0	0	0	0	0
PART TIME	0	0	0	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0	0	0	0
INTERMITTENT	0	0	0	0	0	0	0	0	0
TOTAL PERS	0	0	3	0	0	0	0	0	3

Figure 8-13, MWR Personnel Strength Report (continued)

BGRV 87102Z											MWR PERSONNEL STRENGTH REPORT - QTR 4 1988											PAGE
CYCLE P NAF CENTRAL PAYROLL OFFICE											CATEGORIES OF MWR ACTIVITIES											
MACOM K. INSTALLATION FT KOREA KO																						
CATEGORY OF PERSONNEL											PROGRAM GROUP TOTALS OF MWR PERSONNEL											
PROGRAM GROUP											H	J	K	L	M	P	R	S	T	U	TOTAL	
U S CITIZENS/NATIONALS																						
REGULAR																						
FT DEPENDENT											1	0	0	0	0	1	0	0	2	0	4	
FT OTHER											0	0	5	0	0	0	0	1	3	0	8	
PT MILITARY											0	0	2	0	0	0	0	0	0	0	2	
PT DEPENDENT											0	0	0	0	0	0	0	1	0	0	1	
PT OTHER											1	0	0	0	0	0	0	0	2	0	4	
TEMPORARY																						
FT DEPENDENT											0	0	1	0	0	0	0	0	0	0	1	
FT OTHER											0	0	1	0	0	0	0	0	0	0	1	
PT MILITARY											0	0	2	0	0	0	0	0	0	0	2	
PT DEPENDENT											0	1	2	0	0	0	0	0	0	0	3	
PT OTHER											0	0	0	0	0	0	0	0	0	0	0	
INTERMITTENT																						
MILITARY											1	0	0	0	0	0	0	0	0	0	1	
DEPENDENT											0	0	0	0	0	0	0	1	2	0	5	
OTHER											2	0	0	0	0	0	0	0	0	0	2	
FOREIGN NATIONALS																						
FULL TIME											0	0	0	0	0	0	0	0	0	0	0	
PART TIME											0	0	0	0	0	0	0	0	0	0	0	
TEMPORARY											0	0	0	0	0	0	0	0	0	0	0	
INTERMITTENT											0	0	0	0	0	0	0	0	0	0	0	
TOTAL PERS											5	1	11	0	0	1	0	2	9	0	30	

071R180240

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Figure 8-14, Annual Leave Forfeit Report

806V 871AD2		FOR OFFICIAL USE ONLY - PRIVACY ACT DATA		871R18044A	
CYCLE P	NAF	CENTRAL PAYROLL OFFICE	ANNUAL LEAVE FORFEIT REPORT	PAY PERIOD ENDING DATE	PAGE 2
		SOCIAL SECURITY	EMPLOYEE	88/12/14	
		ACCOUNT NUMBER	NAME	ANNUAL LEAVE	
		001 88 1723 0	MARY E JONES	FORFEITED	
		008 01 2561 0	ROSALINDA M ONTEGA	8 00	
		2		8 00	
				14 00	
FOR OFFICIAL USE ONLY - PRIVACY ACT DATA					

Figure 8-15, NAFI Employees' Compensation and Benefits Program Report

BGMV 871AGZ									
NAF CENTRAL PAYROLL OFFICE									
MACOM A. INSTALLATION FT PANAMA, PN									
NAFI EMPLOYEES COMPENSATION AND BENEFITS PROGRAM REPORT - FY ENDING SEP 88									
DOD CATEGORIES, PROGRAM GROUPS OF MWM ACTIVITIES									
PROGRAM GROUP K									
PAGE 3									
871R18084A									
NCS DD M/A 1884									
PROGRAM GROUP									
A. NO PROGS									
B. NAFI EMPLOYEE COSTS									
1. EMPLOYEES W/US									
A. PAYROLL									
B. BENEFITS									
1. FICA									
2. RET									
3. OTHER									
4. TOTAL									
2. EMPLOYEES OVERSEAS									
A. US CITIZENS									
1. PAY									
2. BENEFITS									
A. FICA									
B. RET									
C. OTH									
D. TOT									
B. FOREIGN NATIONAL									
1. PAY									
2. BEN									
TOTAL PAY									
TOTAL BEN									
C. NAFI BENEFIT PROGRAMS									
1. RETIREMENT									
FT ELIG									
FT PART									
PT ELIG									
PT PART									
2. MEDICAL INSURANCE									
FT ELIG									
FT PART									
PT ELIG									
PT PART									
3. LIFE INSURANCE									
FT ELIG									
FT PART									
PT ELIG									
PT PART									
NUMBER OF PERSONNEL BY PROGRAM GROUP									
KA									
KB									
KC									
KD									
KE									
KF									
KG									
KH									
TOTAL									

Figure 8-15, NAFI Employees' Compensation and Benefits Program Report (continued)

NAFI EMPLOYEES COMPENSATION AND BENEFITS PROGRAM REPORT - FY ENDING SEP 98												
PROGRAM GROUP TOTALS OF MWM ACTIVITIES												
PROGRAM GROUP	A NO PRGS	B MAFI EMPLOYEE COST	C PAYROLL	D BENEFITS	E FICA	F RET	G OTHER	H TOTAL	I US CITIZENS	J PAY	K BENEFITS	L TOTAL
1 EMPLOYEES IN US	0	0	0	0	0	0	0	0	0	0	0	0
2 EMPLOYEES OVERSEAS	0	0	0	0	0	0	0	0	0	0	0	0
3 EMPLOYEES OVERSEAS	0	0	0	0	0	0	0	0	0	0	0	0
4 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
5 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
6 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
7 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
8 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
9 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
10 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
11 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
12 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
13 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
14 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
15 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
16 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
17 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
18 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
19 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
20 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
21 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
22 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
23 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
24 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
25 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
26 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
27 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
28 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
29 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
30 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
31 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
32 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
33 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
34 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
35 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
36 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
37 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
38 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
39 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
40 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
41 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
42 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
43 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
44 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
45 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
46 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
47 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
48 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
49 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
50 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
51 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
52 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
53 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
54 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
55 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
56 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
57 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
58 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
59 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
60 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
61 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
62 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
63 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
64 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
65 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
66 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
67 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
68 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
69 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
70 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
71 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
72 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
73 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
74 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
75 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
76 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
77 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
78 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
79 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
80 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
81 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
82 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
83 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
84 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
85 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
86 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
87 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
88 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
89 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
90 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
91 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
92 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
93 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
94 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
95 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
96 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
97 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
98 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
99 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0
100 TOTAL	0	0	0	0	0	0	0	0	0	0	0	0

Figure 8-16. Employee Cross Reference Roster

8GGV 871NDZ		FOR OFFICIAL USE ONLY - PRIVACY ACT DATA		871R100134N	
CYCLE P NAV CENTRAL PAYROLL OFFICE		EMPLOYEE CROSS REFERENCE ROSTER		PAGE 6	
SSN		NAME		PAY PERIOD ENDING DATE 08/12/14	
SSN		NAME		PAGE 6	
SSN		NAME		PAGE 6	
SSN		NAME		PAGE 6	
SSN		NAME		PAGE 6	
SSN		NAME		PAGE 6	
SSN		NAME		PAGE 6	
SSN		NAME		PAGE 6	
SSN		NAME		PAGE 6	
SSN		NAME		PAGE 6	
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FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure A8-17, Tip Offset/Service Charge Report

BGMN - 871GDX CYCLE P CENTRAL NAT PAYROLL OFFICE				FOR OFFICIAL USE ONLY - PRIVACY ACT DATA		871820440 PAGE 1	
EUNO MAFRAD				TIP OFFSET - SERVICE CHARGE REPORT		PPED 870228	
FUND 101							
WORK CENTER	SSN	NAME	TIP OFFSET RATE	TOTAL TIPS	SERVICE CHARGE	TOTAL OFFSET	
1010100	222 38 4900 0	JANE SMITH	1 34	20 82	00	20 48	
1010100	333 44 5555 0	SALLY JONES	80	208 70	00	28 80	
1010100	444 33 8888 1	SAM APPLE	1 34	00	38 48	14 74	
1010100	555 77 9999 0	PEGGY SMITH	00	48 80	00	00	
1010100	666 22 4545 1	DEBBY JOHNSON	1 34	27 80	72 80	48 80	
FUND TOTALS				306 22	109 08	119 82	
INSTALLATION TOTALS				306 22	109 08	119 82	
FOR OFFICIAL USE ONLY - PRIVACY ACT DATA							

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-18. Quarterly Inactive Employee Report, Cover Letter

		MON		OPR	UNDS	PAYROLL SYSTEM
FROM CYCLE P NAF CENTRAL PAYROLL OFFICE						
TO SERVICING CIVILIAN PERSONNEL OFFICE AA						
2148 193RD NW BRIGADE CPO, FT PANAMA PN						
SUBJECT VERIFICATION LETTER QUARTERLY INACTIVE EMPLOYEE REPORT, QUARTER ENDING 001214						

YOUR OFFICE IS REQUESTED TO ASSIST IN THE VERIFICATION OF INACTIVE EMPLOYEES IN THE NAF CENTRAL PAYROLL SYSTEM. STATISTICAL DATA INDICATES THAT A LARGE VOLUME OF INACTIVE ACCOUNTS ARE MAINTAINED IN THE MASTER FILES. IT IS REQUESTED THAT A COMPARISON BE MADE BETWEEN PERSONNEL RECORDS AND INFORMATION ON THE QUARTERLY INACTIVE EMPLOYEE REPORT. REQUEST ANY DIFFERENCES SUCH AS RESIGNATIONS, TERMINATIONS, DEATHS, OR OTHER REASONS BE NOTED IN THE SPACE PROVIDED BELOW. PLEASE ATTACH APPROPRIATE PERSONNEL ACTIONS AS SUPPORTING DOCUMENTATION. AFTER REVIEW IS COMPLETED, THE VERIFICATION LETTER SHOULD BE SIGNED BY THE CIVILIAN PERSONNEL OFFICER OR RESPONSIBLE AUTHORITY DATED AND RETURNED TO THE NAF CENTRAL PAYROLL OFFICE FOR APPROPRIATE ACTION. THIS REQUEST HAS BEEN COORDINATED WITH DIA AND DCSPT. RESPONSE REQUESTED NO LATER THAN 45 DAYS FROM ABOVE QUARTERLY ENDING DATE.

RESPONSE SHOULD BE MAILED TO CYCLE P NAF CENTRAL PAYROLL OFFICE, 900 STATE LINE ROAD, TERARKANA, TX 75604-0075.

NOTE: COPY OF COMPLETED LETTER SHOULD BE PROVIDED TO SERVICED NAFI FOR NECESSARY ACTION ON DA FORM 4017, IF REQUIRED.

1 THE FOLLOWING DISCREPANCIES WERE REVEALED WHEN SUBJECT REPORT WAS COMPARED TO PERSONNEL RECORDS		NAME		REMARKS	
SOCIAL SECURITY NUMBER					

2 ALL OTHER EMPLOYEES LISTED ON THE SUBJECT REPORT ARE STILL EMPLOYED EXCEPT AS NOTED OVE

CIVILIAN PERSONNEL OFFICER FOR RESPONSIBLE AUTHORITY	DATE
---	------

Figure 8-19, Quarterly Inactive Employee Report

BGLR 8710CZ				FOR OFFICIAL USE ONLY - PRIVACY ACT DATA		871R020540	
CYCLE P NAF CENTRAL PAYROLL OFFICE				QUARTERLY INACTIVE EMPLOYEE		QUARTER 4 1998	
FT PANAMA PN				AA		PAGE 7	
WORK CENTER	SSN	NAME	FUND 1	TYPE EMPL	LAST P/P WORKED		
10481	284 32 1855 0	KAREN P JONES		MIT AS	880815		
10571	317 85 8588 0	MARSHA A RICHARDSON		TEMP FT	880815		
10801	322 18 0119 0	CRISTAL CASIDY		MIT OC	880815		
10702	408 28 7898 0	FRANCES WOMAN		TEMP PT	880815		
				FOR OFFICIAL USE ONLY - PRIVACY ACT DATA			

Figure 8-20. Compensatory Aging Schedule.

[illegible]

Figure 8-21. Annual Leave/Compensatory Time Adjustment Report

BOLY, B71GNR		FOR OFFICIAL USE ONLY - PRIVACY ACT DATA		87181840340	
CYCLE P NAF CENTRAL PAYROLL OFFICE		ANNUAL LEAVE/COMPENSATORY TIME ADJUSTMENT REPORT		PAGE 18	
HAMMERQ, GE		PAY PERIOD ENDING 08/13/16			
		WORK CENTER 10101			
SSN	NAME	ANNUAL LEAVE ADJUSTMENTS EARNED	TAKEN	COMP TIME ADJUSTMENTS	COMP TO OVERTIME ADJ ON 347" ON 10N 931"
344 33 4440	SEN RUSSE			1178 92	
123 26 0004	GRETCHEN MUELLEN	2 00			
WORK CENTER TOTALS		2 00		1178 92	
FUND TOTALS		2 00		1178 92	
INSTALLATION TOTALS		2 00		1178 92	
FOR OFFICIAL USE ONLY - PRIVACY ACT DATA					
FOR PANAMANIAN FOREIGN NATIONALS ... DM 348 & DMICN 932					

Figure 8-22. Compensator Time Subsidiary Report

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA									
BGTN B71GLX									
CYCLE P. CENTRAL NAT PAYROLL OFFICE									
COMPENSATORY TIME SUBSIDIARY REPORT									
PAY PERIOD ENDING 87 01 09									
PAGE 1111									
OR BL	WORK	DO	COMP	OR	OR	OR	OR	OR	OR
	COMP	COMP	CONV	EARNED	TAKEN	GLAC 247			
	FLD 2	FLD 1	TO 01			CUM BAL			
	HOURS	HOURS							
123 45 6789	JOHN J SMITH	P P HRS							
	P P AMT	1 00				10 00			
478 85 2345	ELIZABETH SCHMIDT	P P HRS	2 80	8 00	2 00	43 25			
	P P AMT	24 96	53 28	13 32					
456 33 3451	JANET SUE DOU	P P HRS	18 50	18 00		122 00			
	P P AMT	146 03	108 56						
WONCENETER TOTALS		P P HRS	18 00	24 00	2 00	176 25			
	P P AMT	171 01	158 84	13 32					
FUND TOTALS		P P HRS	18 00	24 00	2 00	176 25			
	P P AMT	171 01	158 84	13 32					
INSTALLATION TOTALS		P P HRS	18 00	24 00	2 00	176 25			
	P P AMT	171 01	158 84	13 32					

COMP TIME WILL BE PAID AS OVERTIME UNLESS USED WITHIN TWO PAY PERIODS
 ONP HRS WK AND AS OVE IN UNK W/ HIN ON PERIOD

FOR OFFICIAL USE ONLY - PRIVACY ACT DATA

Figure 8-23, Home Leave Report

8032 871GMV		FOR OFFICIAL USE ONLY - PRIVACY ACT DATA													87181871040			
CYCLE P NAF CENTRAL PAYROLL OFFICE		NONAPPROPRIATED FUNDS CENTRAL PAYROLL SYSTEM																
EURO MAFRAD		HOME LEAVE REPORT													PAY PERIOD ENDING 08/12/14		PAGE 21	
		WORKCENTER 1010A																
NAME and SSN	HL	HL	DATE ELIG	ACCR.	REQ	ACCRD	TRM	ACCR	TRM	PP	AMT	CUM	LWOP	LWOP				
	OS EOD	DATE	TO USE HL	RATE	BAL	YTD	YTD	PP	PP	TAKEN	BAL	THRS PP	SVC YR					
BENNY L ROBBINS	80 11 02	82 01 01	82 11 02	06	36	1	0	0	0	0.00	36	24.00	80.00					
222 18 0084																		
MELVIN W ROLLINS	84 11 20	84 11 20	86 11 20	06	27	0	0	0	0	0.00	27	0.00	0.00					
222 18 0071																		
EDWIN K ROMACK	74 06 23	74 06 23	76 06 23	10	133	0	0	0	0	0.00	133	0.00	0.00					
222 18 0072																		
JIM S RYAN	86 03 14	86 03 14	88 03 14	06	7	0	0	0	0	0.00	8	0.00	0.00					
222 18 0078																		
MURUS M SADLER	80 09 10	80 09 10	82 09 10	10	36	3	0	0	0	0.00	41	0.00	0.00					
222 18 0081																		
WORKCENTER TOTALS					240	6	0	1	0	0.00	246	24.00	80.00					
FOR OFFICIAL USE ONLY - PRIVACY ACT DATA																		

Figure 12-1, Computation of CWF Dividends Available

Computation of CWF Dividends Available

(1)	Excess liquid assets:	
	Cash on hand and in bank	\$ _____
	Accounts Receivable	_____
	Investments	_____
	Total liquid assets	_____
	Less: Current liabilities	_____
	Excess liquid assets	\$ _____
(2)	Net Profit (from income statement)	\$ _____
(3)	Summary:	
	Excess liquid assets (1) above	\$ _____
	Net profit (2) above	_____
(4)	Amount available for distribution (lesser of (1) and (2))	\$ _____
	Amount to be distributed to post CWF	
	* percent of (4)	\$ _____
	Amount to be distributed to AAFCWF	
	5 percent of (4)	\$ _____
	Total amount to be distributed	\$ _____

* Determined per AR 215-7

ATTACHMENT 2

DESCRIPTION OF GENERAL LEDGER ACCOUNTS

This attachment gives a description for each general ledger account and the typical transactions for each account. It does not include all the possible transactions that may be needed.

Current Assets

Cash

101-US Cash Account

Used for: ALL NAFIs.

Normal balance: Debit

Purpose: Record all US cash receipts and check disbursements.

Typical transactions:

- (1) Debit with all collections of US cash.
- (2) Credit with all US check disbursements and related adjustments.

Normal contra GLACs: many

102-Foreign Currency Cash Account

Used for: NAFIs outside CONUS

Normal balance: Debit

Purpose: Record all foreign currency receipts and disbursements.

Typical transactions:

- (1) Debit with all foreign currency receipts and related adjustments.
- (2) Debit with the increase in value at the equivalent US dollar. Contra to GLAC 943.
- (3) Credit with all foreign currency disbursements and related adjustments.
- (4) Credit with the decrease in value at the equivalent US dollars. Contra to GLAC 943.

Normal contra GLACs: many

103-US Payroll Cash Account

Used for: Does not apply to NAFIs serviced by the CNPO at Texarkana, TX.

Normal balance: Debit

Purpose: Separate checking account for payroll.

Typical transactions:

- (1) Debit with deposits in the net amount of US salaries and wages to be paid each pay period.
- (2) Credit with the disbursement of the net amount of salaries and wages.

Normal contra GLACs: 101.

104-Foreign Currency Payroll Cash Account

Used for: NAFIs outside of CONUS. Does not apply to NAFIs serviced by the CNPO.

Normal balance: Debit

Purpose: Separate checking account for payrolls in foreign currency.

Typical transactions:

- (1) Debit with deposits in the net amount of salaries and wages to be paid foreign employees each pay period.
- (2) Credit with the net amount of salaries and wages disbursed.

Normal contra GLACs: 102.

105-Change Fund

Used for: ALL NAFIs.

Normal balance: Debit

Purpose: Record the amount of impress change fund cash kept on hand for use in daily operations.

Typical transactions:

- (1) Debit with the amount of all established change funds and approved increases.
- (2) Credit with the amount prescribed by the NAFI manager to reduce the cash on hand.

Normal contra GLACs: 101.

106-Foreign Currency Conversion Fund

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the amount of cash to be used for acquiring foreign currency.

Typical transactions:

- (1) Debit with the US dollar equivalent of foreign currency acquired.
- (2) Debit with the increase in value at the equivalent US dollar value.
- (3) Credit with US dollar equivalent of disbursement or transfer of foreign currency units. Use the rate of exchange at which the currency is shown in this account.
- (4) Credit with the decrease in value at the equivalent US dollar value.

Normal contra GLACs: 101.

107-US Petty Cash

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of impress petty cash kept on hand. Typical transactions:

- (1) Debit with the amount of all authorized petty cash funds and increases thereto.
- (2) Credit with the amount approved by the NAFI manager to reduce the impress fund balance.

Normal contra GLACs: 101.

108-Foreign Currency Petty Cash

Used for: NAFIs outside of CONUS.

Normal balance: Debit.

Purpose: Record the amount of impress foreign currency petty cash kept on hand.

Typical transactions:

- (1) Debit with the amount of authorized petty cash funds and increases thereto.

(2) Debit with the increase in value at the equivalent US dollar amount.
 (3) Credit with the amount approved by the NAFI manager to reduce the impress balance.
 (4) Credit with the decrease in value at the equivalent US dollar amount.
 Normal contra GLACs: 102 and 828.

109-Bingo Petty Cash

Used for: ALL NAFIs.

Normal balance: Debit

Purpose: Record the amount of impress petty cash kept on hand to pay for small cash bingo prizes.

Typical transactions:

(1) Debit with the amount of authorized bingo petty cash funds and increases thereto.

(2) Credit with the amount approved by the NAFI manager to reduce the balance.

Normal contra GLACs: 101 and 102.

110-Commercial Credit Card Compensation Balance

Used for: All NAFIs

Normal balance: Debit

Purpose: Record compensating balances with commercial credit card clearing activities when required. NAFISS users will not receive a total for GLAC 110 on the cash receipts journal.

Typical transactions:

(1) Debit for amounts to increase the compensating balance.

(2) Credit for adjustments to the compensating balance.

Normal contra GLACs: 101 and 102.

111-Local Bank Compensating Balance

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record compensating balances with local banks for Central Banking Program (CBP) participants. NAFISS users will not receive a total for GLAC 111 on the cash receipts journal.

Typical transactions:

(1) Debit with amounts to increase the compensating balance.

(2) Credit for returned checks and other adjustments to the local bank account.

(3) Credit with amount transferred to the central bank.

Normal contra GLACs: 101 and 102.

112-Foreign Currency Change Fund

Used for: ALL OCONUS NAFIs.

Normal balance: Debit

Purpose: Record the amount of foreign impress change fund cash kept on hand for use in daily operations.

Typical transactions:

(1) Debit with the US dollar equivalent amount when change funds are established or increases are approved.

(2) Credit with the amount prescribed by the NAFI manager to reduce the foreign currency cash on hand.

Normal contra GLACs: 102.

113-Emergency Local Checking Account

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of authorized emergency checking account balance when approved by the NAF accounting office. The account will be maintained in the Central Bank.

Typical transactions:

(1) Debit with initial amount authorized to establish the account, and any authorized increases in the balance.

(2) Credit with downward adjustments to the authorized balance.

Normal contra GLACs: 101.

Investments

115-NAF Centralized Investment Program

Used for: NAFIs not included in the Centralized Banking and Investment Program.

Normal balance: Debit

Purpose: Record only the current unencumbered portion of the Centralized Investment Program.

Typical transactions:

(1) Debit to increase the balance in the master cash central account.

(2) Credit for amounts set aside in sinking funds (GLACs 187 and 188).

Normal contra GLACs: 101, 102, 187, and 188.

116-Savings Account

Used for: NAFIs not included in the Centralized Banking and Investment Program.

Normal balance: Debit.

Purpose: Record cash deposited in approved banking or savings institutions to earn interest.

Typical transactions:

(1) Debit with deposits of cash.

(2) Credit with withdrawals of principal or interest.

(3) Debit with interest earned. Contra credit to GLAC 901.

Normal contra GLACs: 101, 102, and 801.

117-Marketable Securities

Used for: NAFIs not included in the Centralized Banking and Investment Program.

Normal balance: Debit

Purpose: Record the amount of securities purchased for investment.

Typical transactions:

(1) Debit with the acquisition cost of investments at the time of purchases.

(2) Credit with the acquisition cost of investments at the time of sale or conversion.

Normal contra GLACs: 101 and 102.

Accounts Receivable

119-Advances Receivables

Used for: All NAFIs

Normal balance: Debit

Purpose: Record the amount of travel advances given to travelers on TDY orders and PCS orders.

Typical transactions:

(1) Debit with the amount of advances provided to travelers.
(2) Credit with the amount of the advance when it is refunded or earned by the traveler and recorded as a travel expense.
Normal contra GLAC: 101, 102, 692, 732, and 754.

120-ARM Income Receivables

Used for: All NAFIs participating in the ARM program.
Normal balance: Debit
Purpose: Record the amount or slot machine income the NAFI expects to receive.
Typical transactions:
(1) Debit with the amount of income expected, based on documentation received or based on projected income.
(2) Credit with the original estimate when the actual income is received.
Normal contra GLACs: 101 and 524.

121-Members Receivables

Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amounts owed by members and customers.
Typical transactions:
(1) Debit with the amount of member charge sales, dues, credit transactions, and for receivables collected after their write-off.
(2) Credit with the amount of payments received from members and customers.
Normal contra GLACs: 101, 102, 302, 501, and 509.

123-Concessionaire Receivables

Used for: ALL NAFIs.
Normal balance: Debit
Purpose: Record the computed amount of concessionaire and other commission fees due.
Typical transactions:
(1) Debit with the amount of concessionaire and other commission fees due the fund.
(2) Credit with same amount debited when payment is received.
Normal contra GLACs: 101, 102, and 502.

124-Returned Checks Receivable

Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount of checks dishonored by banks and penalty fees charged by the bank.
Typical transactions:
(1) Debit with the amount of checks returned and any service fees charged.
(2) Credit with the amounts received from the makers of dishonored checks, and with the amount of checks determined to be uncollectible.
Normal contra GLACs: 101, 102, and 661.

125-AAFES Receivable

Used for: All NAFIs
Normal balance: Debit

Purpose: Record the amount of the distribution the NAFI expects to receive from the AAFES.

Typical transactions:

(1) Debit with the amount expected from AAFES.
(2) Credit with the amount originally debited when the check is received.
Normal contra GLACs: 101 and 549.

126-Loans Receivable

Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of loans to other NAFIs.
Typical transactions:
(1) Debit with the amount of loans made to other NAFIs.
(2) Credit with the amount of payments received from debtors.
Normal contra GLACs: 101, 102, and 801.

127-Claims Receivable

Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount of claims against third parties covering the destruction or loss of assets due to fire, theft, or other causes.
Typical transactions:
(1) Debit with the net book value of assets lost, stolen, damaged, or destroyed.
(2) Credit with the amounts received as insurance settlements.
Normal contra GLACs: 101, 102, 827, and fixed asset and inventory GLACs.

128-Deposits Receivable

Used for: All NAFIs
Normal balance: Debit
Purpose: Record the amount on deposit with vendors in connection with the purchase of bottled, cased, or barreled merchandise. Adjust the balance to the dollar value of the physical inventory at the end of the accounting period.
Typical transactions:
(1) Debit with the amount of the deposit required by vendors.
(2) Debit with the amount of the deposit given to customers when bottled or cased goods are returned by customers.
(3) Credit when bottled or cased goods are sold to customers or returned to vendors.
Normal contra GLACs: 101, 102, and 741.

129-Guest Ledger Receivables

Used for: Hotel and Billeting NAFIs.
Normal balance: Debit
Purpose: To record the unpaid charges made by hotel and billeting customers.
Typical transactions:
(1) Debit with the amount of unpaid customer charges made before checkout.
(2) Credit with the amount of payments received from customers.
Normal contra GLACs: 101, 102, 123, and 501.

130-Accrued Interest Receivable

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of interest income earned but not yet received.

Typical transactions:

(1) Debit with the amount of accrued interest at the end of the accounting period.

(2) Credit with the accrual amount when interest is received.

Normal contra GLACs: 101, 102, 115, 116, 117, and 801.

131-Grants Receivable

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of a grant due NAFIs for an approved project. Reconcile monthly with GLAC 205 of the next higher echelon which will provide the grant.

Typical transactions:

(1) Debit at Major Command for the amount of the approved funding for the FY.

(2) Debit at installation for the amount of an approved grant due.

(3) Credit at Major Command for the amount of cash transferred, including amount transferred directly to the installation by higher HQ. Contra to GLAC 205 for the amount transferred directly to the installation, and GLAC 101 for the amount retained by the Major Command.

(4) Credit at installation with the amount of cash received.

(5) Credit at Major Command with the amount of any unused grant returned after completion of the project for which the grant was approved.

Normal contra GLACs: 101, 205, 291.

132-Dividends Receivable

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of dividend allocations due. Reconcile monthly with GLAC 206 of the next higher echelon providing the dividend.

Typical transactions:

(1) Debit at Major Command with the amount of the dividend allocation given by higher HQ.

(2) Debit at installations with the amount of the allocation received from the Major Command.

(3) Credit at Major Command with the amount of cash transferred, including the amount transferred directly to installations, by higher HQ.

(4) Credit at installations with the actual amount of cash received.

Normal contra GLACs: 101, 206, and 806.

133-Reserve Component Dividends Receivable

Used for: Major Command MSFs only.

Normal balance: Debit

Purpose: Record an advance dividend credit allocation issued to an installation MSF for reserved component units.

Typical transactions:

(1) Debit with the amount of the advance dividend credit allocation.

(2) Credit with the advance amount when the quarterly dividend is received.

Normal contra GLACs: 206.

134-Allowance for Doubtful Accounts

Used for: All NAFIs. (Use this account only when the NAFI expects uncollectible accounts to total \$300 or more during the fiscal year.)

Normal balance: Credit

Purpose: Record the calculated amount set up to allow for uncollected accounts.

Typical transactions:

(1) Debit with the amounts written-off as they are determined to be worthless.

(2) Credit with the monthly estimate set up for uncollectible charges.

Normal contra GLACs: 121 and 661.

135-Inter NAFI Receivables-Within MACOM

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record amount due from other NAFIs within the MACOM.

Typical transactions:

(1) Debit with the amount due.

(2) Credit with the amount received.

Normal contra GLACs: 101 and 102.

136-Inter NAFI Receivables-Outside MACOM

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record amount due from other NAFIs outside the MACOM.

Typical transactions:

(1) Debit with the amount due.

(2) Credit with the amount received.

Normal contra GLACs: 101 and 102.

138-Layaway Receivables

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record amount due on layaway sales.

Typical transactions:

(1) Debit with the amount due on layaway sales.

(2) Credit with the amount received or the balance due at the time a layaway is cancelled or expires.

Normal contra GLACs: 101, 303, and 516.

139-Commercial Credit Card Receivable

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record credit card charge sales made by customers to a credit card company such as Visa or Master Card. Do not use this account for internal charge sales where payment will not be made to a credit card company.

Typical transactions:

(1) Debit with the amount due from credit card charge sales.

(2) Credit with the amount of payment when received.

Normal contra GLACs: 101.

140-Miscellaneous Other Receivables

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount due the NAFI that can not properly be recorded in another receivable GLAC.

Typical transactions:

(1) Debit with the amounts due the NAFI.

(2) Credit with the payments received or adjustments.

Normal contra GLACs: 101, 599, and 825.

Inventories**141-Warehouse/Storeroom Inventory**

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of inventory held in the central warehouse for resale at the end of the statement period. The entry will be reversed at the beginning of the following accounting period.

Typical transactions:

(1) Debit with the cost of inventory held in the warehouse for resale at the end of the accounting period.

(2) Credit with the cost of inventory held in the warehouse for resale at the beginning of the accounting period.

Normal contra GLACs: 900. Do not use other GLACs.

142-Sales Outlet Merchandise Inventory

Used for: All NAFIs

Normal balance: Debit

Purpose: Record the value of inventory at the end of an accounting period for the sales outlets. The entry will be reversed at the beginning of the following accounting period.

Typical transactions:

(1) Debit with the cost of merchandise on hand at the end of the accounting period.

(2) Credit with the cost of merchandise on hand at the beginning of the accounting period.

Normal contra GLACs: 900. Do not use other GLACs.

143-Inventory In Transit

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of merchandise that has been shipped free on board and held by a common carrier on the last day of the accounting period. (The CAO should have a document from the vendor to support this transaction.) The entry will be reversed at the beginning of the following accounting period.

Typical transactions:

(1) Debit with the cost of merchandise in transit at the end of the accounting period.

(2) Credit with the cost of merchandise in transit at the beginning of the accounting period.

Normal contra GLACs: 900. Do not use other GLACs.

144-Work-in Progress Inventory

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of partially manufactured goods in inventory at the end of the accounting period.

Typical transactions:

(1) Debit with the cost of partially manufactured goods on hand at the end of the accounting period.

(2) Credit with the cost of partially manufactured goods on hand at the beginning of the accounting period.

Normal contra GLACs: 900. Do not use other GLACs.

Prepaid Expenses**151-Prepaid Supplies and Equipment**

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of prepaid supplies and equipment held by the NAFI and/or stored in a central warehouse. These supplies and equipment will be expensed at a later date or issued from a central warehouse.

Typical transactions:

(1) Debit with the cost of items received.

(2) Credit with the cost of supplies and equipment when they are expensed or transferred.

Normal contra GLACs: 201, 726, and 742.

152-Prepaid Taxes and Licenses

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of prepaid taxes and licenses.

Typical transactions:

(1) Debit with the amount of taxes and licenses paid in advance.

(2) Credit with the amount expensed during the period, using the straight-line method.

Normal contra GLACs: 201 and 736.

153-Prepaid Insurance

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of prepaid insurance premiums paid.

Typical transactions:

(1) Debit with the amount of insurance premiums paid in advance.

(2) Credit with the amount expensed for the period, using the straight-line method.

(3) Credit with the amount refunded when insurance is cancelled.

Normal contra GLACs: 201, 607,733, and 734.

154-Prepaid Maintenance and Repair

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record advance payments of \$240 or more on maintenance or repair contracts that will span later months and will result in a monthly expense of \$20 or more.

Amortization is not mandatory, larger amounts may be expensed immediately if it does not materially distort net income for the reporting period.

Typical transactions:

(1) Debit with the amount paid in advance.

(2) Credit with the amount expensed for the accounting period.

Normal contra GLACs: 201 and 658.

155-Prepaid Tableware, Kitchenware, Linens, and Uniforms
Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of prepaid china, glassware, flatware, linens, utensils, and uniforms on hand in the fund. This account also applies to items stored in a central warehouse.

Typical transactions:

- (1) Debit with the cost of the prepaid items.
- (2) Credit with the cost of these items when put into use.

Normal contra GLACs: 201 and 749.

156-Prepaid Bingo Prizes

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of prepaid merchandise on hand for use as bingo prizes.

Typical transactions:

- (1) Debit with the cost of the prepaid items.
- (2) Credit with the cost of these items when put into use.

Normal contra GLACs: 201 and 750.

157-Prepaid Rent

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of prepaid rent.

Typical transactions:

- (1) Debit with the cost of the prepaid rent.
- (2) Credit with the cost of rent as it is used.

Normal contra GLACs: 201 and 746.

159-Prepaid Items In Transit

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of prepaid items in transit when title passes to the NAFI before receiving the assets.

Typical transactions:

- (1) Debit with the cost of the prepaid items in transit at the end of the accounting period.
- (2) Credit with the cost of these items when received.

Normal contra GLACs: 201, 151-157, and 160.

160-Miscellaneous Other Prepaid Expenses

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record all prepaid expenses that can not be properly recorded in another prepaid expense GLAC.

Typical transactions:

- (1) Debit with the amount of expenses paid in advance.
- (2) Credit with the amount expensed for the accounting period.

Normal contra GLACs: 201, 799, and 850.

Fixed Assets and Accumulated Depreciation

161-Buildings

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the costs of buildings moved from GLAC 179. (The transfer will be made when a building or building addition is completed, occupied, or when the IMWRF is notified the building is ready for beneficial occupancy, whichever occurs first.)

Typical transactions:

- (1) Debit with the amount of construction costs transferred.
- (2) Credit with the cost when a building is disposed of.

Normal contra GLACs: 179.

162-Accumulated Depreciation-Buildings

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of depreciation to date for assets in GLAC 161.

Typical transactions:

- (1) Debit with the accumulated depreciation on a building when disposed of.
- (2) Credit with the amount of depreciation expense for each accounting period.

Normal contra GLACs: 851.

163-Furniture, Fixtures, and Equipment

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of nonexpendable furniture, fixtures, and equipment.

Typical transactions:

- (1) Debit with the purchase cost of nonexpendable items.
- (2) Credit with the cost when an item is disposed of.

Normal contra GLACs: 201

164-Accumulated Depreciation-Furniture, Fixture, and Equipment

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of depreciation for GLAC 163.

Typical transactions:

- (1) Debit with the amount of accumulated depreciation when assets are disposed of.
- (2) Credit with the depreciation expense for each accounting period.

Normal contra GLACs: 853.

165-Vehicles, Aircraft, and Boats

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of vehicles, aircraft, and boats (transportation equipment).

Typical transactions:

- (1) Debit with the purchase cost of transportation equipment.
- (2) Credit with the cost of transportation equipment when disposed of.

Normal contra GLACs: 201.

166-Accumulated Depreciation-Vehicles, Aircraft, and Boats

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of depreciation for GLAC 165.

Typical transactions:

(1) Debit with the amount of accumulated depreciation when transportation equipment is disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 854.

167-Breeding Livestock

Used for: All NAFIs.
Normal balance: Debit.
Purpose: Record the cost of breeding livestock.
Typical transactions:
(1) Debit with the cost of the asset.
(2) Credit with the cost when the asset is disposed of.
Normal contra GLACs: 201.

168-Accumulated Depreciation-Breeding Livestock

Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 167.
Typical transactions:
(1) Debit with the amount of accumulated depreciation on individual fixed assets when disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 856.

169-Building Improvements

Used for: All NAFIs
Normal balance: Debit
Purpose: Record the cost of improvements transferred from GLAC 179.
Typical transactions:
(1) Debit with the cost of improvements transferred from GLAC 179.
(2) Credit with the cost of improvements when the building is disposed of.
Normal contra GLACs: 179.

170-Accumulated Depreciation-Building Improvements

Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 169.
Typical transactions:
(1) Debit with the amount of accumulated depreciation when disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 852.

171-Land Improvements

Used for: All NAFIs
Normal balance: Debit
Purpose: Record the cost of improvements transferred from GLAC 179.
Typical transactions:
(1) Debit with the cost of improvements transferred from GLAC 179.
(2) Credit with the cost of improvements when the land is disposed of.
Normal contra GLACs: 179.

172-Accumulated Depreciation-Land Improvements

Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 171
Typical transactions:
(1) Debit with the amount of accumulated depreciation when disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 855.

175-Government Titled Buildings and Improvements

Used for: All NAFIs.
Normal balance: Debit.
Purpose: Record purchases of real property facilities and improvements procured with NAF dollars and retained by the NAFI, title to which is transferred to the Government.
Typical transactions:
(1) Debit with the cost of property facilities and improvements.
(2) Credit with the cost when the property is disposed of.
Normal contra GLACs: 161 and 179.

176-Accumulated Depreciation-Government Titled Buildings and Improvements

Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 175.
Typical transactions:
(1) Debit with the amount of accumulated depreciation on individual fixed assets when disposed of.
(2) Credit with the amount of depreciation expense for the accounting period.
Normal contra GLACs: 858.

177-Other Government Titled Fixed Assets

Used for: All NAFIs.
Normal balance: Debit.
Purpose: Record purchases of equipment procured with NAF dollars and retained by the NAFI, title to which is transferred to the Government.
Typical transactions:
(1) Debit with the cost of the equipment.
(2) Credit with the cost when the property is disposed of.
Normal contra GLACs: 201.

178-Accumulated Depreciation-Other Government Titled Fixed Assets

Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of depreciation for GLAC 177.
Typical transactions:
(1) Debit with the amount of accumulated depreciation on individual fixed assets when disposed of.

(2) Credit with the amount of depreciation expense for the accounting period.

Normal contra GLACs: 857.

179-Construction in Progress

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record progress expenditures for a new building, building addition, or building and land improvements.

This includes construction cost architectural fees, surveys, commissions, legal fees, insurance, and alterations on the uncompleted project.

Typical transactions:

(1) Debit with progress payments on projects.

(2) Credit with the total cost of the project when completed or ready for occupancy. This transfers the asset to the proper fixed asset account.

Normal contra GLACs: 101, 161, 165, 171, 175, 177, 196, and 2XX.

180-Fixed Assets in Transit

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of fixed assets in transit when title passes to the NAFI before receiving the asset.

Typical transactions:

(1) Debit with the cost of the asset in transit.

(2) Credit with the cost of the fixed asset when received by the NAFI.

Normal contra GLACs: 101, 165, 177, 196, and 2XX.

Other Assets

185-Long-term Loans Receivable

Used for: All NAFIs

Normal balance: Debit

Purpose: Record the amount of loans which are due beyond the next 12 months.

Typical transactions:

(1) Debit with the original amount of loans.

(2) Credit with the amount transferred to GLAC 126.

Normal contra GLACs: 126.

186-Artifacts

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of art or other items of historic or intrinsic value at cost if purchased or appraised value if donated. Items will not be appreciated or devaluated. The account balance will remain unchanged unless an official appraisal has taken place. In such case, increases or decreases will be made by a fund equity adjustment approved by DFAS. A detailed subsidiary record will be maintained for this GLAC.

Typical transactions:

(1) Debit with the purchase price.

(2) Debit with the appraised value of donated items.

(3) Credit with the recorded value when items are disposed of.

Normal contra GLACs: 201 and 291.

187-Fixed Asset Sinking Fund

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record those funds earmarked for the purchase of fixed assets.

Typical transactions:

(1) Debit monthly with an amount at least equal to the amount shown on the Minimum Fixed Asset Transfer Worksheet.

(2) Debit with the amount of funds received from outside sources. (Contra to GLAC 291.)

(3) Credit with the amount of the payment for the purchase of fixed assets. (Transfer to GLAC 101.)

(4) Credit with the amount of withdrawals for other purposes approved by higher HQ.

Normal contra GLACs: 101, 115, 196, and 291.

188-Employee Separation Allowance Sinking Fund

Used for: NAFIs outside of CONUS.

Normal balance: Debit

Purpose: Record the funds set aside for employee separation allowances. Normally, cash for payment of separation pay will be invested in the central banking fund, however, deposits may be made in local currency accounts. A review of the related accounts will be made at least at the end of each fiscal year. The balance in these accounts will be adjusted to show the correct liability and sinking fund reserve.

Typical transactions:

(1) Debit with the amount of funds set aside for separation allowances.

(2) Credit with the amount paid to separating employees.

Normal contra GLACs: 101, 102, and 619.

189-ARM Trust Allocations

Used for: MACOM NAFIs only.

Normal balance: Debit

Purpose: Record the amount of ARM profit distribution advice received from CFSC. This account will be used to accumulate the distribution until the applicable expenses are incurred and funds are received from CFSC.

Typical transactions:

(1) Debit with the amount of the ARM profit distribution advice received.

(2) Credit with the amount of the ARM profit received.

Normal contra GLACs: 101, and 524.

190-Transient Lodging Sinking Fund

Used for: Transient Lodging NAFIs only.

Normal balance: Debit

Purpose: Record those funds earmarked for transient lodging improvements.

Typical transactions:

(1) Debit with the amount of transient lodging profit each month.

(2) Credit with the amount of the payment for the purchase of fixed assets or other authorized expenditures. (Transfer to GLAC 101.)

Normal contra GLACs: 101.

193-Central Accounting Office Loan Receivable

Used for: ALL NAFIs.

Normal balance: Debit

Purpose: Record the amount of funds advanced to the CAO to support its accounting services.

Typical transactions:

(1) Debit with the amount of the initial advance and any increases.

(2) Credit with the amount of the refund of the advance by the CAO and any decreases.

Normal contra GLACs: 101.

195-Payroll Deposits Receivable

Used for: ALL NAFIs.

Normal balance: Debit

Purpose: Record the amount either sent to the CNPO or electronically transferred by CNPO from NAFI bank account at the central bank for payroll expenses.

Typical transactions:

(1) Debit with the gross amounts of payroll expenses.

(2) Credit with the gross amounts of payroll expenses.

Normal contra GLACs: 101 and 601-625.

196-Construction Advances

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount provided to higher HQ or other commands for construction of fixed assets for the NAFI.

Typical transactions:

(1) Debit with the amount advanced.

(2) Credit when the asset is transferred to another fixed asset GLAC.

Normal contra GLACs: 101, 179, and 292.

199-Miscellaneous Other Assets

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of assets that can not properly be recorded in other asset accounts. Subsidiary records will be maintained and reconciled to this account monthly.

Typical transactions:

(1) Debit with the cost of the asset.

(2) Credit when the asset is disposed of or moved to another account.

Normal contra GLACs: 201.

Current Liabilities

Payables

201-Accounts Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount due creditors. A schedule of accounts payable will be prepared at the end of each month and reconciled with the control account. The schedule will age the payables into the following categories: 0-30, 31-60, 61-90, and over 90 days.

Typical transactions:

(1) Credit with the amount of the liability on receipt of the goods or services.

(2) Debit with the amount of the cash payment, allowance, credit documents from creditors, or any other event that reduces the debt.

Normal contra GLACs: 101, 102, and many others.

202-Deposits Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amounts received from customers or other NAFIs that will be refunded or transferred to the proper account within the next 12 months (i.e., deposits collected for special orders and party arrangements). CNPO will use this account to record the amounts sent by the serviced funds for later payrolls. This account will be used by local CAO to record the amounts collected from the serviced funds and not yet sent to the CNPO.

Typical transactions:

(1) Credit with the amount of the deposits received.

(2) Debit with the amount of the deposit refunded or transferred to the proper account.

Normal contra GLACs: 101, 102, and many others.

203-Short Term Loans Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of loans payable that are due within the next 12 months.

Typical transactions:

(1) Credit with the amount of loan principal payable in the next 12 months.

(2) Debit with the amount paid on the loan.

Normal contra GLACs: 101, 102, and 268.

204-Installment Contracts Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of installment contracts due in the next 12 months.

Typical transactions:

(1) Credit with the amount of installment contracts payable in the next 12 months.

(2) Debit with the amounts paid on installment contracts.

Normal contra GLACs: 101, 102, and 268.

205-Grants Payable

Used for: Major Command level NAFIs.

Normal balance: Credit

Purpose: Record the amount of grants owed to subordinate NAFIs.

Typical transactions:

(1) Credit with the amount of grants approved for installations.

(2) Debit with the amount of cash transferred to installations.

(3) Debit with the amount cancelled or withdrawn from an installation. This entry applies when withdrawal is made before the receipt of cash. Major Commands will not record an entry when withdrawal is made after receipt of cash by the installations. Then, the cash and allocation would be returned to the original organization which provided the funds.

Normal contra GLACs: 101, 102, 131, and 291.

206-Dividends/Interest Payable

Used for: Major Command and installation MSFs, and post restaurants.

Normal balance: Credit

Purpose: Record the amount of dividends owed to subordinate funds and the amount of dividend declared, but not yet paid, at the end of the statement period by post restaurants to their CWFs, and to the AAFCWF.

Typical transactions:

- (1) Credit at Major Command with the amount of dividends allocated to installations.
- (2) Credit at installation with the amount of dividends allocated to isolated or reserve units.
- (3) Debit at Major Command with the amount of cash transferred to installations.
- (4) Debit at Major Command with the amounts cancelled or withdrawn from the installations. This entry applies when withdrawal is made before the receipt of cash. Major Commands will not record an entry when withdrawal is made after the receipt of cash by an installation. Then, the cash and allocation would be returned to the original organization which provided the funds.
- (5) Debit at installation with the amount of cash transferred to isolated units.
- (6) Debit with the amount of dividends paid.

Normal contra GLACs: 101, 102, 132, and 292.

207-Reserve Components Dividends Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of advance dividend credit allocations for reserve component units (See AR 215-1).

Typical transactions:

- (1) Credit with the amount of advance dividend credit allocation.
 - (2) Debit when the dividend credit allocation is distributed.
- Normal contra GLACs: 101, 102, 133, and 831.

208-Vending Machine Revenue Sharing Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of vending machine profits owed to state licensing agencies or other third parties.

Typical transactions:

- (1) Credit with the amount of vending machine profits owed to state licensing agencies or others.
- (2) Debit with the amounts paid to state licensing agencies and with special dividends to the AAFCWF and installation CWF.

Normal contra GLACs: 101, 102, and 698.

209-Unclaimed Wages Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of checks for wages that were not claimed. The entry will remain in this account for no more than one month after issue.

Typical transactions:

- (1) Credit with the amount of unclaimed wages.

(2) Debit with the amount of wages claimed.

(3) Debit with the amount of checks for wages that remain unclaimed after one month.

Normal contra GLACs: 101, 102, and 825.

210-Federal Withholding Taxes Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of Federal income tax withheld from employee pay, including tips and service charges.

Typical transactions:

- (1) Credit with the amount of taxes withheld.
- (2) Debit with the amounts paid to the IRS.

Normal contra GLACs: 101.

211-State Withholding Taxes Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of state tax withheld from employee pay.

Typical transactions:

- (1) Credit with the amount of state taxes withheld.
- (2) Debit with the amount paid to the state involved.

Normal contra GLACs: 101.

212-Local Withholding Taxes Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of city, county, and area taxes withheld from employee pay.

Typical transactions:

- (1) Debit with the amount withheld from employee pay.
- (2) Credit with the amount paid to the local governing unit.

Normal contra GLACs: 101.

213-FICA Taxes Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of FICA taxes due. FICA taxes will also be withheld from the part time pay or extra duty pay paid to military personnel.

Typical transactions:

- (1) Credit with the amount of FICA taxes withheld from employee pay, including tips, plus the employers contribution.
- (2) Debit with the amount paid to the IRS.

Normal contra GLACs: 101 and 611.

214-Life Insurance Premiums Payable

Used for: ALL NAFIs.

Normal balance: Credit

Purpose: Record the amount of insurance premiums withheld from employee pay plus the amounts contributed by the NAFI.

Typical transactions:

- (1) Credit with the amount of insurance premiums withheld from employee pay plus the amount contributed by the NAFI.
- (2) Debit with the amount paid to the insurer.

Normal contra GLACs: 101, 102, and 612.

215-Retirement Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of retirement premiums withheld from employee pay and the amount contributed by the NAFI.

Typical transactions:

(1) Credit with the amount withheld from employee pay plus the amount contributed by the NAFI.

(2) Debit with the amount paid to the retirement plan.

Normal contra GLACs: 101, 102, and 613.

216-Employee Supplemental Insurance Premiums Payable
Used for: CNPO only for deductions made for employees of the Defense Logistics Agency.

Normal balance: Credit

Purpose: Record the amount of supplemental insurance premiums withheld from employee pay.

Typical transactions:

(1) Credit with the amount of insurance premiums withheld.

(2) Debit with the amount paid to the insurer.

Normal contra GLACs: 101 and 102.

217-Employee Delinquent Tax Levy Withholdings Payable
Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount deducted from employee pay for delinquent taxes.

Typical transactions:

(1) Credit with the amount withheld from employee pay.

(2) Debit with the amounts paid to the taxing authority.

Normal contra GLACs: 101 and 102.

218-Savings Bonds Deductions Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amounts withheld from employee pay for the purchase of savings bonds.

Typical transactions:

(1) Credit with the amount deducted from employee pay.

(2) Debit with the amount paid to the bond issuer.

Normal contra GLACs: 101 and 102.

219-Charitable Deductions Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount employees volunteered to be deducted from their pay for the Combined Federal Campaign.

Typical transactions:

(1) Credit with the amount deducted from employee pay.

(2) Debit with the amount paid to the agency and the amount kept by the NAFI as a service fee.

Normal contra GLACs: 101, 102, and 825.

220-Employee Savings Allotment Deductions Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of allotments employees authorize to be deducted from their pay and paid to the savings institution.

Typical transactions:

(1) Credit with the amount of allotments deducted from employee pay.

(2) Debit with the amount paid to the savings institution.

Normal contra GLACs: 101 and 102.

221-Employee Union Dues Deductions Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount deducted from employee pay for union dues.

Typical transactions:

(1) Credit with the amount deducted for union dues.

(2) Debit with the amount paid to the union.

Normal contra GLACs: 101 and 102.

222-Employee Meal Deductions Payable

Used for: Used by CNPO only.

Normal balance: Credit

Purpose: Record the amount withheld from employee pay for meals charged.

Typical transactions:

(1) Credit with the amount withheld from employee pay.

(2) Debit with the amount paid to the NAFI.

Normal contra GLACs: 101 and 102.

224-Foreign Withholding Taxes Payable

Used for: NAFIs outside CONUS.

Normal balance: Credit

Purpose: Record the amount of tax withheld from local foreign national pay.

Typical transactions:

(1) Credit with the amount of taxes withheld.

(2) Credit with the amount of increases due to changes in the foreign exchange rate at year end.

(3) Debit with the amount paid to the foreign government.

(4) Debit with the amount of decreases due to changes in the foreign exchange rate at year end.

Normal contra GLACs: 102 and 828.

225-Foreign Unemployment Insurance Taxes Payable

Used for: NAFIs outside CONUS.

Normal balance: Credit

Purpose: Record the amount withheld from foreign national employee pay for the tax plus the amount contributed by the employer.

Typical transactions:

(1) Credit with the amount of tax withheld from foreign national employee pay plus the amount contributed by the employer.

(2) Debit with the amount paid to the foreign government or authorized agent.

Normal contra GLACs: 102 and 614.

226-Foreign Medical Insurance Taxes Payable

Used for: NAFIs outside CONUS.

Normal balance: Credit

Purpose: Record the amount withheld from foreign national employee pay and bonuses for the tax plus the amount contributed by the employer.

Typical transactions:

(1) Credit with the amount withheld from foreign national employee pay plus the amount contributed by the employer.

(2) Debit with the amount paid to the foreign government or authorized agent.

Normal contra GLACs: 102 and 615.

227-Foreign Welfare and Pension Taxes Payable

Used for: NAFIs outside CONUS.

Normal balance: Credit

Purpose: Record the amount withheld from local foreign national pay and bonuses for each tax and the amount contributed by the employer.

Typical transactions:

(1) Credit with the amount withheld from local foreign national pay plus the amount contributed by the employer.

(2) Debit with the amount paid to the foreign government or authorized agent.

Normal contra GLACs: 102 and 616.

228-Manual Pay Reimbursements Payable

Used for: Used only by the CNPO.

Normal balance: Credit

Purpose: Record the amount paid employees independent of the payroll system that must be repaid to the NAFI.

Typical transactions:

(1) Credit with the amount of the manual payment to the employees.

(2) Debit with the amount withheld from the employee and paid back to the NAFI.

Normal contra GLACs: 102 and 102.

229-401k Deduction Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of 401k deductions which were deducted from employees pay and have not yet been forwarded.

Typical transactions:

(1) Credit with the amount of the deduction.

(2) Debit with the amount paid to the 401k account.

Normal contra GLACs: 101 and 626.

230-Tips and Service Charge Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of tips and service charges earned by employees that are collected by the fund.

Typical transactions:

(1) Credit with the amounts that appear on customer charge slips and cash tips turned over to the NAFI.

(2) Debit with the amount paid to the employees.

Normal contra GLACs: 102 and 102.

231-Inter NAFI Payables - Within MACOM

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount owed to other NAFIs.

Subsidiary records will be maintained and reconciled with the control account monthly.

Typical transactions:

(1) Credit with the amount owed to other NAFIs.

(2) Debit with the amount paid to the other NAFI.

Normal contra GLACs: 102 and 102.

232-Inter NAFI Payables - Outside MACOM

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount owed to other NAFIs.

Subsidiary records will be maintained and reconciled with the control account monthly.

Typical transactions:

(1) Credit with the amount owed to other NAFIs.

(2) Debit with the amount paid to the other NAFI.

Normal contra GLACs: 102 and 102.

233-U.S. Unemployment Insurance Payable

Used for: CFSC only.

Normal balance: Credit

Purpose: Record the total amount owed to the Department of Labor for unemployment compensation.

Typical transactions:

(1) Credit with the amount of unemployment compensation collected from NAFIs.

(2) Debit with the amount paid to the Department of Labor.

Normal contra GLACs: 101 and 102

234-ARM Distribution Payable

Used for: CFSC only.

Normal balance: Credit

Purpose: Record the amount of slot machine profits to be distributed to Major Commands and installations.

Typical transactions:

(1) Credit with the amount of the payable.

(2) Debit with the amount paid.

Normal Contra GLACs: 101 and 753.

235-Demand Deposits Payable

Used for: CFSC only.

Normal balance: Credit

Purpose: Record the amount of funds NAFIs have on deposit in the central banking program.

Typical transactions:

(1) Credit with the amount of increases in the funds NAFIs have on deposit.

(2) Debit with the amount of decreases in the funds NAFIs have on deposit.

Normal Contra GLACs: 101.

236-Claims Payable

Used for: CFSC only.

Normal balance: Credit

Purpose: Record the amount of claims payable to individuals or businesses.

Typical transactions:

(1) Credit when the claim is established.

(2) Debit when the claim is paid.

Normal Contra GLACs: 101 and 693.

237-Construction Contracts Payable

Used for: CFSC only.

Normal balance: Credit

Purpose: Record the amount of construction contracts outstanding for major construction funded partially or fully by the military department level NAFL.

Typical transactions:

- (1) Credit with the amount of major construction contracts awarded.
- (2) Debit with the amount paid for major construction.

Normal Contra GLACs: 101 and 699.

238-Army Billeting Fund Surcharge Payable

Used for: Billeting Fund NAFIs Only.

Normal balance: Credit

Purpose: Record the amount of surcharge payable to the HQ Army billeting fund.

Typical transactions:

- (1) Credit with the amount of surcharge payable.
- (2) Debit with the surcharge amount paid.

Normal Contra GLACs: 101 and 758.

239-Thrift Savings Plan Payable

Used for: Used by CNPO Only.

Normal balance: Credit

Purpose: Record the amount of thrift savings deducted from employees pay and the employers matching amount payable to the Federal government.

Typical transactions:

- (1) Credit with the amount deducted and the NAFIs matching contribution.
- (2) Debit with the amount paid to the Federal government.

Normal Contra GLACs: 101 and 627.

240-Miscellaneous Other Payables

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of current liabilities that can not properly be recorded in other current liability accounts.

Typical transactions:

- (1) Credit with the amount of miscellaneous payables.
- (2) Debit with the amount paid.

Normal contra GLACs: Use as applicable.

Accruals

241-Interest Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of interest due on all outstanding interest bearing obligations.

Typical transactions:

- (1) Credit with the amount of interest accrued as of the end of the accounting period.
- (2) Debit with the amount of interest paid.

Normal contra GLACs: 102, 102, and 826.

242-Salaries and Wages Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of salaries and wages earned but not paid at the end of each accounting period.

Typical transactions:

- (1) Credit with the amount of salaries and wages earned but not paid.
- (2) Debit at the beginning of the next accounting period with the amount of the credit balance in this GLAC.

Normal contra GLACs: 101, 102, 601, and 602.

243-Annual Leave Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of leave accrued but not yet taken for all full time and part time employees.

Adjustments necessary to bring the accrued annual leave account into balance with the aggregate individual leave records will be made monthly for those CAOs using NAFISS. The adjustment will be made at the end of each accounting year for those not using NAFISS.

Typical transactions:

- (1) Credit with the amount of leave accrued during the accounting period.
- (2) Debit with the amount of leave taken or paid during the accounting period.

Normal contra GLACs: 103 and 603.

244-Payroll Taxes Payable

Used for: All NAFIs

Normal balance: Credit

Purpose: Record the accrued payroll taxes on the unpaid salaries and wages recorded in GLAC 242 at the end of the accounting period.

Typical transactions:

- (1) Credit with the amount of the employer's share of the tax liability.
- (2) Debit at the beginning of the next accounting period with the amount of the balance shown in this GLAC.

Normal contra GLACs: 103 and 104.

245-Employee Bonuses Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the estimated amount of bonuses accrued, but not yet paid, to employees. Maintain subsidiary records for each type bonus and reconcile to the control account monthly.

Typical transactions:

- (1) Credit with the amount of bonus earned by employees, but not yet paid.
- (2) Credit with the amount of the employer's share of payroll taxes incurred against bonuses.
- (3) Credit with the amount of the increase in the payable due to changes in the foreign exchange rate at year end.
- (4) Debit with the excess amount of the accrual over the amount paid.
- (5) Debit with the amount of bonuses paid to employees.
- (6) Debit with the amount of the decrease in the payable due to changes in the foreign exchange rate at year end.

Normal contra GLACs: 103, 104, 617, 618, and 828.

246-Other Employee Benefits Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the estimated amount of other employee benefits that can not properly be recorded in other GLACs.

Typical transactions:

- (1) Credit with the amount of benefits earned.
- (2) Credit with the amount of employer's share of payroll taxes incurred against the benefits.
- (3) Credit with the amount of increase in the payable due to changes in the foreign exchange rate at year end.
- (4) Debit with the amount paid to employees.
- (5) Debit with the excess amount of the accrual over the amount paid.
- (6) Debit with the amount of decrease in the payable due to changes in the foreign exchange rate at year end.

Normal contra GLACs: 103, 104, 624, 625, and 828.

247-US Employee Compensatory Time Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of compensatory time earned, but not yet paid to employees.

Typical transactions:

- (1) Credit with the amount of compensatory time earned, but not yet paid.
- (2) Debit with the amount of compensatory time paid or used.

Normal contra GLACs: 103 and 621.

248-Foreign National Employee Compensatory Time Payable

Used for: NAFIs outside CONUS.

Normal balance: Credit

Purpose: Record the amount of compensatory time earned but not yet paid to foreign employees.

Typical transactions:

- (1) Credit with the amount of compensatory time earned but not paid.
- (2) Debit with the amount of compensatory time paid or used.

Normal contra GLACs: 104 and 622.

250-Bingo Cash Jackpot Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of unawarded cash bingo prizes.

Typical transactions:

- (1) Credit with the amount not yet paid.
- (2) Debit with the amount accrued when prizes are awarded.

Normal contra GLACs: 101 and 750.

251-Bingo Merchandise Jackpot Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of the NAFIs cost of unawarded merchandise bingo prizes.

Typical transactions:

- (1) Credit with the amount not yet paid.

- (2) Debit with the amount accrued when prizes are awarded.

Normal contra GLACs: 101 and 750.

256-Audit Expense Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the estimated cost of commercial audits.

Typical transactions:

- (1) Credit with the estimated cost each month until the audit is performed.
- (2) Debit with the amount of the accrual when the audit fee is paid.

Normal contra GLACs: 101, 102, and 738.

257-Accrued Maintenance Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of anticipated maintenance costs for major items that occur infrequently but are properly expensed over the accounting year.

Typical transactions:

- (1) Credit with the amount of estimated maintenance expense accrued.
- (2) Debit with the amount accrued when the maintenance is paid for.

Normal contra GLACs: 101, 102, 657, 658, and 659.

260-Miscellaneous Other Accruals

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of accruals that can not properly be recorded in other accounts.

Typical transactions:

- (1) Credit with the amount of the accrual.
- (2) Debit with the amount when the item is paid for.

Normal contra GLACs: 101 and 102.

Unearned Income**261-Special Event Advance Ticket Sales**

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of the liability for tickets sold in advance of an event.

Typical transactions:

- (1) Credit with the amount of tickets sold.
- (2) Debit when the event is held.

Normal contra GLACs: 101, 102, and 503.

262-Dues and Assessments Advance Payments

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of dues and fees received in advance.

Typical transactions:

- (1) Credit with the amount received in advance.
- (2) Debit with the amount earned.

Normal contra GLACs: 101, 102, and 509.

263-Advance Payments on Accounts

Used for: All NAFIs

Normal balance: Credit

Purpose: Record the amount of fees paid in advance that can not properly be recorded in GLAC 282. For example, fees for billeting or mess.

Typical transactions:

(1) Credit with the amount received in advance.

(2) Debit with the amount earned.

Normal contra GLACs: 101 and 5XX.

267-Miscellaneous Other Unearned Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of the liability for deferred income that can not properly be recorded in other GLACs.

Typical transactions:

(1) Credit with the amount of deferred income.

(2) Debit with the amount earned or moved to another GLAC.

(3) Debit to transfer the months amortized portion of the discount/interest from major construction projects to GLAC 801.

Normal contra GLACs: 101, 102, 196, and 801.

Long Term Liabilities

268-Long Term Loans Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of loans due beyond the next 12 months.

Typical transactions:

(1) Credit with the original amount of the loan.

(2) Debit with the amount moved to GLAC 203.

Normal contra GLACs: 203.

270-US Employee Allowances Payable

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount accrued for various types of allowances to pay each group of US employees upon transfer or separation, such as transportation or severance allowances and separation pay.

Typical transactions:

(1) Credit each month with the amount accrued for allowances.

(2) Debit with the amount paid.

Normal contra GLACs: 101 and 601.

271-Foreign National Employee Allowances Payable

Used for: NAFIs outside CONUS.

Normal balance: Credit

Purpose: Record the amount accrued for various types of allowances to pay each group of employee upon separation, under local foreign government statutes.

Typical transactions:

(1) Credit with the amount accrued for allowances.

(2) Debit with the amount paid.

Normal contra GLACs: 102, 614, 615, 616, and 619.

272-Reserve for Claims

Used for: CFSC only.

Normal balance: Credit

Purpose: Record the amount of claims to be paid in the future based on actuarial evaluations or other estimating methods.

Typical transactions:

(1) Credit with the estimated amount of outstanding claims.

(2) Debit with the amount paid.

Normal Contra GLACs: 101 and 693.

275-Miscellaneous Other Long Term Liabilities

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of other long term liabilities of the NAFI that can not properly be recorded in another GLAC.

Typical transactions:

(1) Credit with the amount accrued.

(2) Debit with the amount paid.

Normal contra GLACs: Use as applicable.

289-Location Clearing Account

Used for: All NAFIs.

Normal balance: NONE

Purpose: Record the amounts transferred between locations in the same fund. The amounts will be recorded in this account and backed out within the same accounting period.

Typical transactions:

(1) Credit with the amount transferred out of one location.

(2) Debit with the same amount transferred into the other location.

Normal contra GLACs: Use as applicable.

Equity

291-Contributed Capital

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of capital from sources outside the NAFI. For example, the amount of approved grants.

Typical transactions:

(1) Credit with the amount received from higher HQ and other NAFIs.

(2) Credit with the amount of dividends found by AOB to be CPMC equity share.

(3) Credit to record funds provided from outside sources to make payments and CPMC purchases.

(4) Debit at Major Command with cash grants transferred to installations.

Normal contra GLACs: 101, 102, and 196.

292-Retained Earnings

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of retained earnings.

Transactions affecting retained earnings not requiring DFAS approval are limited to the following: net income; net loss; entries associated with dissolution of a NAFI; the

declaration of retained earnings distributions by resale and revenue-sharing funds; approved inter-NAFI transfers; and transfers from GLAC 990 at the end of each fiscal year. Retained earnings adjustments will be explained in a footnote to the Balance Sheet.

Typical transactions:

- (1) Credit with the amount of net income for the accounting period.
 - (2) Credit with the amount of DFAS approved adjustments.
 - (3) Debit with the amount of net loss for the accounting period.
 - (4) Debit with the amount of DFAS approved adjustments.
- Normal contra GLACs: 206 and 900.

Sales

301-Cash sales

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of cash sales of goods. Some examples are sales made by dining rooms, bars, snack bars, and book departments. This account may be used for hotel telephone operations that are accounted for as an annex or activity of the hotel.

Typical transactions:

Credit with the amount of cash sales.

Normal contra GLACs: 101.

302-Credit Sales

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of charge sales.

Typical transactions:

Credit with the amount of charge sales.

Normal contra GLACs: 121 and 139.

303-Layaway Sales

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of sales of items on layaway.

Typical transactions:

Credit with the amount of layaway sales.

Normal contra GLACs: 138.

304-Sales Returns and Allowances

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of returns of, or allowances on, goods previously sold and later returned. See GLAC 653 for customer rejected meals and beverages which were rejected before the customer paid for them.

Typical transactions:

Debit with the amount of sales returns.

Normal contra GLACs: 101, 121, and 139.

305-Sales discounts

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of sales discounts given on the sale of items.

Typical transactions:

Debit with the amount of discounts given on the sale of items.

Normal contra GLACs: 301 and 302.

306-Employee discounts

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of sales discounts given to NAFI employees.

Typical transactions:

Debit with the amount of employee sales discounts.

Normal contra GLACs: 301 and 302.

Cost of goods sold

401-Purchases

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of merchandise purchased for resale including shipping and handling. This account may also be used to record local and long distance telephone service charges when charged as part of a hotel or separate operation. Purchase transactions for warehouse storage and later issue will be identified by use of the fund code of the entity operating the warehouse. Purchase transactions for immediate use by a facility will be identified by use of the assigned facility code with the fund code.

Typical transactions:

(1) Debit with the cost (net of discount) of all merchandise purchased for resale from all sources.

(2) Credit with the balance at the end of the accounting period.

(3) Credit with the discounts received after the purchase cost is recorded.

Normal contra GLACs: 201 and 204.

402-Warehouse/Storeroom Requisitions

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of merchandise moved from the warehouse to various locations within the same NAFI.

Typical transactions:

(1) Debit with the amount of merchandise moved from the warehouse.

(2) Credit with the balance at the end of the accounting period.

Normal contra GLACs: 412 ONLY.

403-Transfers From Other Funds

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of resale merchandise received from another NAFI.

Typical transactions:

(1) Debit with the cost of resale merchandise received from another NAFI.

(2) Credit with the balance at the end of the accounting period.

Normal contra GLACs: 101, 231, and 232.

404-Transfers From Other Locations/Departments

Used for: All NAFIs

Normal balance: Debit

Purpose: Record the amount of resale merchandise received from another location or department in the same NAFI.

Typical transactions:

- (1) Debit with the cost of resale merchandise received.
- (2) Credit with the balance at the end of the accounting period.

Normal contra GLACs: 414 ONLY.

411-Purchase Returns and Allowances

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of merchandise returned or allowances taken.

Typical transactions:

- (1) Credit with the amount of merchandise returned or allowances taken.
- (2) Debit with the balance at the end of the accounting period.

Normal contra GLACs: 201.

412-Warehouse/Storeroom Issues

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the cost of merchandise moved from the warehouse or storeroom to departments or locations in the same NAFI.

Typical transactions:

- (1) Credit with the cost of merchandise moved.
- (2) Debit with the balance at the end of the accounting period.

Normal contra GLACs: 402 ONLY.

413-Transfers to other Funds

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the cost of resale merchandise issued to another NAFI.

Typical transactions:

- (1) Credit with the cost of resale merchandise issued.
- (2) Debit with the balance at the end of the accounting period.

Normal contra GLACs: 135 and 136.

414-Transfers to Other Locations/Departments

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the cost of resale merchandise transferred to another department or location in the same NAFI.

Typical transactions:

- (1) Credit with the cost of resale merchandise transferred.
- (2) Debit with the balance at the end of the accounting period.

Normal contra GLACs: 404 ONLY.

416-Other Inventory Reductions

Used for: All NAFIs.

Normal balance: Credit.

Purpose: Deduct the cost of unusual reductions in inventory from cost of goods sold, such as losses that result from insurance claims. Also used when transferring amounts to an operating expense GLAC or to net to zero in the cost of goods sold section for a non-resale NAFI other than a warehouse. Also includes the cost of meals provided to employees free of charge.

Typical transactions:

Credit with the amount of the loss or transfer.

Normal contra GLACs: 131, 6XX, 730, and 7XX.

432-Cost of Goods Sold, Inventory Overage

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the value of inventory overages resulting from the physical inventory count of resale merchandise.

Typical transactions:

Debit with the amount of inventory overages.

Normal contra GLAC: 512 ONLY.

452-Cost of Goods Sold, Promotions

Used for: All NAFIs.

Normal balance: Credit.

Purpose: Deduct the cost of merchandise consumed during promotions within the NAFI from cost of goods sold.

Typical transactions:

Credit with the cost of the merchandise given away.

Normal contra GLAC: 652 ONLY.

453-Cost of Goods Sold, Customer Rejected Goods

Used for: All NAFIs.

Normal balance: Credit

Purpose: Deduct the cost of meals and beverages rejected by customers before sales are consummated from cost of goods sold.

Typical transactions:

Credit with the cost of rejected meals and beverages.

Normal contra GLAC: 653 ONLY.

454-Cost of Goods Sold, Resale Merchandise, Spoilage, Breakage, and Obsolescence

Used for: All NAFIs.

Normal balance: Credit

Purpose: Deduct the cost of food and bar items or other resale merchandise broken or spoiled from cost of goods sold.

Typical transactions:

Credit with the cost of merchandise losses.

Normal contra GLAC: 654 ONLY.

455-Cost of Goods Sold, Warehouse/Storeroom Spoilage, Breakage, and Obsolescence

Used for: All NAFIs.

Normal balance: Credit

Purpose: Deduct the cost of broken or spoiled warehouse inventory items from cost of goods sold. This includes inventory obsolescence losses reported to the installation commander.

Typical transactions:

Credit with the cost of merchandise losses.

Normal contra GLAC: 655 ONLY.

456-Cost of Goods Sold, Inventory Shortage

Used for: All NAFIs.

Normal balance: Credit

Purpose: Deduct the cost of inventory shortage discovered in the physical inventory count from cost of goods sold.

Typical transactions:

Credit with the cost of inventory shortages.

Normal contra GLAC: 656 ONLY.

Other Operating Income**501-Service/Recreation Activity Income**

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of income from recreation fees and services, or income from the NAFIs recycling supplemental mission sale of recyclable material to a commercial dealer.

Typical transactions:

Credit with the amount of income received.

Normal contra GLACs: 101, 121, and 139.

502-Concession Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of fees received or due from vending machines, restaurants, snack bars, and such, operated under a concessionaire contract. Also record the amount received from hotels, tour operators, etc. for referrals and bookings.

Typical transactions:

Credit with the amount received or due.

Normal contra GLACs: 101 and 123.

503-Special Events Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of income received from special events sponsored by a NAF activity that can not be properly recorded in GLAC 501.

Typical transactions:

Credit with the amount of income received.

Normal contra GLACs: 101 and 139.

504-Rental and Usage Fee Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of fees received from or billed to customers and others for the use of facilities, equipment, utilities, delivery services, and other charges.

Typical transactions:

Credit with the amount of fees received or billed.

Normal contra GLACs: 101 and 121.

505-TV and Radio Rights Income

Used for: ALL NAFIs.

Normal balance: Credit

Purpose: Record the amount of income received or billed from TV and radio coverage of athletic and special events. Also includes amounts received from cable franchise fees.

Typical transactions:

Credit with the amount of income received or billed.

Normal contra GLACs: 101.

506-Program and Brochure Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of income received from the sale of programs and brochures at athletic and special events.

Typical transactions:

Credit with the amount of income received.

Normal contra GLACs: 101.

507-Guaranteed Participation Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of income received for taking part in athletic and special events where the host guarantees income.

Typical transactions:

Credit with the amount of income received.

Normal contra GLACs: 101.

509-Dues Income

Used for: NAFIs which charge dues.

Normal balance: Credit

Purpose: Record the amount of dues billed, collected, or moved from GLAC 282.

Typical transactions:

Credit with the amount of dues billed, collected, or moved from GLAC 282.

Normal contra GLACs: 101 and 262.

511-Cash Overage Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of the overages of cashiers.

Typical transactions:

Credit with the amount of the overages.

Normal contra GLACs: 101.

512-Inventory Overage Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of inventory overages identified in the physical inventory count.

Typical transactions:

Credit with the amount of inventory overages.

Normal contra GLACs: 432 ONLY.

515-Vendor Reimbursement Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of vendor reimbursement received for services or supplies provided to the concessionaire by the NAFI.

Typical transactions:

Credit with the amount charged.

Normal contra GLACs: 101.

516-Forfeited Layaway Sales Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of revenue received when a layaway order is cancelled or expires.

Typical transactions:

Credit with the amount or revenue received.

Normal contra GLACs: 101.

517-Late Charge Assessment Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount charged for late payment.

Typical transactions:

Credit with the amount charged.

Normal contra GLACs: 101.

518-POV Registration Fee Income

Used for: USAREUR Vehicle Registration Fund.

Normal balance: Credit

Purpose: Record the amount of revenue received from the registration of privately owned vehicles involving issuing license plates.

Typical transactions:

Credit with the amount received from the sale of license plates.

Normal contra GLACs: 101.

519-Operator License Fee Income

Used for: USAREUR Vehicle Registration Fund.

Normal balance: Credit

Purpose: Record the amount of revenue received from the issue of operator licenses.

Typical transactions:

Credit with the amount received from the sale of license plates.

Normal contra GLACs: 101.

520-Reregistration Fee Income

Used for: USAREUR Vehicle Registration Fund.

Normal balance: Credit

Purpose: Record the amount of revenue received from the issue of registration decals.

Typical transactions:

Credit with the amount received for reregistration decals.

Normal contra GLACs: 101.

521-Nonoperational Vehicle Fee Income

Used for: USAREUR Vehicle Registration Fund.

Normal balance: Credit

Purpose: Record the amount of revenue received from the issue of documents which let an owner keep a vehicle but don't allow it to be driven.

Typical transactions:

Credit with the amount or nonoperational fees received.

Normal contra GLACs: 101.

522-Weapons Registration Fee Income

Used for: USAREUR Vehicle Registration Fund.

Normal balance: Credit

Purpose: Record the amount of revenue received from the registration of privately owned weapons.

Typical transactions:

Credit with the amount or registration fees received.

Normal contra GLACs: 101.

523-Returned Check Service Charge Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of revenue received from locally assessed service charge for collecting returned checks.

Typical transactions:

Credit with the amount of service charge assessed or collected.

Normal contra GLACs: 101, 121, and 140.

524-ARM Profit Distribution Income

Used for: NAFIs outside CONUS.

Normal balance: Credit

Purpose: Record the amount of revenue received from the ARM program at the time the money is removed from the machines and/or when the ARM profit distribution advice is received from CFSC.

Typical transactions:

Credit with the amount of the revenue or profit distribution advice received.

Normal contra GLACs: 101, 120, and 189.

525-ARM Expense Reimbursement Income

Used for: NAFIs outside CONUS.

Normal balance: Credit

Purpose: Record the amount of income received from CFSC as reimbursement for the cost of providing a facility for and operating the slot machines.

Typical transactions:

Credit with the amount of reimbursement received or expected.

Normal contra GLACs: 101, and 120.

527-Service Charge Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of revenue earned as service charges, other than from returned checks.

Typical transactions:

Credit with the amount of service charges added to customer bills.

Normal contra GLACs: 101 and various receivables.

528-Warehouse Price Variance Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the price adjustments when the amount to be paid for inventory purchases is less than the amount recorded as the original purchase. Use only for warehouse inventories under stock record control. Do not use for retail inventories.

Typical transactions:

Credit with the amount of service charges added to customer bills.

Normal contra GLACs: 101 and 201.

529-Fishing Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the fees earned from fishing activities.

Typical transactions:

Credit with the amount of revenue.

Normal contra GLACs: 101 and 121.

530-Hunting Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the fees earned from hunting activities.

Typical transactions:

Credit with the amount of revenue.

Normal contra GLACs: 101 and 121.

531-Green Fees Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the revenue earned as green fees.

Typical transactions:

Credit with the amount of revenue earned.

Normal contra GLACs: 101 and 121.

532-Driving Range Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the revenue earned from driving ranges.

Typical transactions: Credit with the amount of revenue earned.

Normal contra GLACs: 101 and 121.

533-Golf Cart Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the revenue earned from renting golf carts.

Typical transactions:

Credit with the amount revenue earned.

Normal contra GLACs: 101 and 121.

534-Instructional Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the revenue earned as instruction fees.

Typical transactions:

Credit with the amount of revenue earned.

Normal contra GLACs: 101 and 121.

535-Lane Fees Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the revenue earned as bowling lane fees.

Typical transactions:

Credit with the amount of revenue earned.

Normal contra GLACs: 101 and 121.

536-Shoe Rental Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the revenue earned from shoe rentals.

Typical transactions:

Credit with the amount of revenue.

Normal contra GLACs: 101 and 121.

537-Local Telephone Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the revenue earned from customer use of telephones.

Typical transactions:

Credit with the amount of revenue.

Normal contra GLACs: 101.

538-Recyclable Material Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the payment received from non-NAFI recycling programs. This account will not be used for the revenue earned by the NAFI from selling recyclable materials when the NAFI runs the recycling program.

Typical transactions:

Credit with the amount of the payment.

Normal contra GLACs: 101.

539-Amusement Machine Income (Non-Concessionaire)

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the revenue earned from NAFI controlled amusement machines.

Typical transactions:

Credit with the amount of revenue.

Normal contra GLACs: 101.

541-Commercial Travel Office Commission Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the income the installation receives.

Typical transactions:

Credit with the amount of income.

Normal contra GLACs: 101.

542-APF Contract Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the income received from APF contracts where the NAFI performs a service or provides materials to the U.S. Government.

Typical transactions:

Credit with the amount of income.

Normal contra GLACs: 101 and 140.

543-USDA Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the income received from the U.S. Department of Agriculture for meals provided to children.

Typical transactions:

Credit with the amount of income.

Normal contra GLACs: 101 and 140.

545-AAFES Dividend Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the Army Simplified Dividend (ASD) received from the military exchange service.

Typical transactions:

Credit with the amount of income.

Normal contra GLACs: 101 and 125.

546-Insurance Premiums Income

Used for: CFSC and SAI Fund only.

Normal balance: Credit

Purpose: Record the amount of insurance premiums received from installations and Major Commands.

Typical transactions:

Credit with the amount of insurance premiums received or billed.

Normal contra GLACs: 101 and 140.

547-Income From Allocation of Expenses

Used for: CFSC only.

Normal balance: Credit

Purpose: Record the amount of income from other funds when costs are distributed between various funds.

Typical transactions:

Credit with the amount of cost allocated to other funds.

Normal contra GLACs: 101 and 119.

548-Coupon and Special Offer Discounts

Used for: All NAFIs.

Normal balance: Debit (Contra income account)

Purpose: Record the amount of coupon and special offer discount granted to customers.

Typical transactions:

Debit with the amount of discounts granted.

Normal contra GLACs: 101 and 5XX.

549-AAFES Other Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the other income received from the military exchange service that is not ASD.

Typical transactions:

Credit with the amount of income.

Normal contra GLACs: 101 and 125.

550-Consignment Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the full amount of cash received from consignment sales. Includes tickets sold via automated ticketing machines.

Typical transactions:

Credit with the amount of consignment tickets sold.

Normal contra GLACs: 101, 121, and 140.

551-Communications Services Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the revenue earned from customer use of communications equipment including electronic mail, faxes, etc..

Typical transactions:

Credit with the amount of revenue.

Normal contra GLACs: 101, 121, and 140.

553-Commercial Sponsorship Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the cash or checks received from commercial sponsors or MWR events, functions, or promotions.

Typical transactions:

Credit with the amount of cash or checks received.

Normal contra GLACs: 101.

554-Food Purchase Rebate

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the rebates received from food vendors involved in the food purchase rebate program.

Typical transactions:

Credit with the amount of rebate received.

Normal contra GLACs: 101.

555-Garnishment Processing Revenue

Used for: Central NAF Payroll Office only.

Normal balance: Credit

Purpose: Record the amount of garnishment processing revenue received from individuals whose wages are garnished.

Typical transactions:

Credit with the amount or revenue collected.

Normal contra GLACs: 101.

599-Miscellaneous Other Operating Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of income received that can not properly be recorded in any other operating income GLAC.

Typical transactions:

Credit with the amount of income received.

Normal contra GLACs: 101 and 140.

Operating Expenses

Labor Expenses

601-US Salaries and Wages

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of gross salaries and wages paid to U.S. employees.

Typical transactions:

(1) Debit with the gross amount of salaries and wages paid, including overtime.

(2) Debit with the gross amount of salaries and wages earned but not paid, at the end of the accounting period. This entry will be reversed at the beginning of the new accounting period.

(3) Credit with the amount of annual and sick leave paid.

Normal contra GLACs: 242, 243, 603, 605, and 623.

602-Foreign National Salaries and Wages.

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the amount of salaries and wages paid to foreign national employees.

Typical transactions:

(1) Debit with the gross amount of salaries and wages paid.

(2) Debit with the gross amount of salaries and wages earned, but not paid, at the end of the accounting period. This entry will be reversed at the beginning of the new accounting period.

(3) Credit with the amount of annual and sick leave paid.

Normal contra GLACs: 242, 243, 604, and 606.

603-US Annual leave

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of annual leave earned each payroll period.

Typical transactions:

Debit with the amount of annual leave earned at the end of each payroll period.

Normal contra GLACs: 243.

604-Foreign National Annual Leave

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the amount of annual leave earned by foreign national employees at the end of each payroll period.

Typical transactions:

Debit with the amount of annual leave earned at the end of each payroll period.

Normal contra GLACs: 243.

605-US Sick Leave

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of sick leave paid to U.S. employees during the accounting period.

Typical transactions:

Debit with the amount of sick leave paid during the accounting period.

Normal contra GLACs: 101, 103, and 601.

606-Foreign National Sick Leave

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the amount of sick leave paid to foreign national employees during the accounting period.

Typical transactions:

Debit with the amount of sick leave paid at the end of each payroll period.

Normal contra GLACs: 102, 104, and 602.

607-US Worker's Compensation Insurance

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of the NAFI's cost for Worker's Compensation Insurance for US employees.

Typical transactions:

Debit with the cost of Worker's Compensation Insurance.

Normal contra GLACs: 101 and 201.

608-Foreign National Worker's Compensation Insurance

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the amount of the NAFI's cost for Worker's Compensation Insurance for foreign national employees.

Typical transactions:

Debit with the cost of Worker's Compensation insurance.

Normal contra GLACs: 102 and 201.

609-US Retroactive Wage Increases

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of wage increases granted retroactively to U.S. employees. When such an increase is anticipated, the amount may be estimated and apportioned monthly over the period covered.

Typical transactions:

Debit with the estimated or actual amount of the wage increase for the accounting period.

Normal contra GLACs: 246.

610-Foreign National Retroactive Wage Increases

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the amount of wage increases granted retroactively to foreign national employees. When such an increase is anticipated, the amount may be estimated and apportioned monthly over the period covered.

Typical transactions:

Debit with the estimated or actual amount of the wage increase for the accounting period.

Normal contra GLACs: 246.

611-Employer's Share of FICA

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of the NAFI's share of FICA taxes, which matches the amount deducted from the employee's wages.

Typical transactions:

Debit with the amount of the NAFI's share of FICA taxes.

Normal contra GLACs: 213.

612-Employer's Share of Employee Group Health and Life Insurance Plans

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of the NAFI's share of group health and life insurance premiums.

Typical transactions:

Debit with the amount of the NAFI's share of group health and life insurance premiums.

Normal contra GLACs: 214.

613-Employer's Share of NAF Employee Retirement Plans

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of the NAFI's share of NAF group annuity retirement plan.

Typical transactions:

Debit with the amount of the NAFI's share of NAF group annuity retirement plans.

Normal contra GLACs: 215.

614-Foreign National Unemployment Insurance Taxes

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the amount of the NAFI's share of foreign national unemployment insurance taxes.

Typical transactions:

Debit with the amount of the NAFI's share of foreign national unemployment insurance taxes.

Normal contra GLACs: 225.

615-Foreign National Medical Insurance Taxes

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the amount of the NAFI's share of foreign national medical insurance taxes.

Typical transactions:

Debit with the amount of the NAFI's share of foreign medical insurance taxes.

Normal contra GLACs: 226.

616-Foreign National Welfare and Pension Taxes

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the amount of the NAFI's share of foreign national welfare and pension taxes.

Typical transactions:

Debit with the amount of the NAFI's share of foreign national welfare and pension taxes.

Normal contra GLACs: 227.

617-US Employee Bonuses and Awards

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of U.S. employee bonuses, to include the amount of cash and non-cash awards.

Typical transactions:

Debit with the amount of employee bonuses and awards.

Normal contra GLACs: 245.

618-Foreign National Employee Bonuses and Awards

Used for: NAFIs outside of CONUS.

Normal balance: Debit

Purpose: Record the amount of estimated accruals for bonuses to be paid to foreign national employees, to include cash and non-cash awards.

Typical transactions:

Debit with the estimated amount of the bonuses or awards accrued for the accounting period.

Normal contra GLACs: 245.

619-Foreign National Employee Separation Pay

Used for: NAFIs outside CONUS.

Normal balance: Debit

Purpose: Record the estimated accruals for separation pay to be paid to foreign national employees.

Typical transactions:

Debit with the amount accrued each month for separation pay.

Normal contra GLACs: 271.

620-US Unemployment Insurance Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of NAFI unemployment compensation costs.

Typical transactions:

Debit with the amount of unemployment compensation insurance expense for the period.

Normal contra GLACs: 101 and 153.

621-US Compensatory Time Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of compensatory time earned by US employees.

Typical transactions:

Debit with the amount of earned compensatory time.

Normal contra GLACs: 247.

622-Foreign National Compensatory Time Expense

Used for: NAFIs outside of CONUS.

Normal balance: Debit

Purpose: Record the amount of compensatory time earned by foreign national employees.

Typical transactions:

Debit with the amount of foreign national employee earned compensatory time earned.

Normal contra GLACs: 248.

623-Home leave Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the expense when home leave is taken. Do not accrue home leave.

Typical transactions:

Debit with the amount of home leave expense.

Normal contra GLACs: 601

624-Other US Benefits

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of employee related expenses that can not properly be recorded in another GLAC. For example, quarters allowances and tuition fees for dependents.

Typical transactions:

Debit with the amount of expense for the accounting period.

Normal contra GLACs: 246.

625-Other Foreign National Benefits

Used for: NAFIs outside of CONUS.

Normal balance: Debit

Purpose: Record the amount of employee related expenses that can not properly be recorded in another GLAC. For example, expense for foreign national employee's recreation and welfare required by the foreign government.
Typical transactions:
Debit with the amount of expense for the accounting period.
Normal contra GLACs: 246.

626-Employer Share of 401K Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the employer share of 401K contributions on behalf of employees.
Typical transactions:
Debit with the amount of expense for the accounting period.
Normal contra GLACs: 101.

627-Employer Share of Thrift Savings Plan Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the employer share of thrift savings plan contributions on behalf of employees.
Typical transactions:
Debit with the amount of expense for the accounting period.
Normal contra GLACs: 101.

Other Operating Expenses

651-Manager's Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of reimbursable expenses incurred by the NAFI manager in the administration of the NAFI. This includes customer relation items and the cost of comparative shopping.
Typical transactions:
Debit with the amount of the expense.
Normal contra GLACs: 101 and 201.

652-Promotion Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of nonreimbursable incurred by the manager in the administration of the NAFI. This includes the cost of free food and beverages to members and the cost of sampling meals for the purpose of testing the quality of the food and service.
Typical transactions:
Debit with the cost of the promotion item.
Normal contra GLACs: 452 only.

653-Customer Rejected Goods Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of meals and beverages rejected by customers before sales are consumated.
Typical transactions:
Debit with the cost of rejected meals and beverages.

Normal contra GLACs: 453 only.

654-Resale Merchandise, Spoilage, Breakage, and Obsolescence Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of food and bar items or other resale merchandise broken or spoiled. This includes inventory obsolescence losses reported to the installation commander.
Typical transactions:
Debit with the amount of losses.
Normal contra GLACs: 454 only.

655-Warehouse/Storeroom Spoilage, Breakage, and Obsolescence Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of broken or spoiled warehouse inventory items recorded in GLACs 141, 151, 155, and 156. This includes inventory obsolescence losses reported to the installation commander.
Typical transactions:
Debit with the cost of the losses.
Normal contra GLACs: 455 only.

656-Inventory Shortage Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the cost of inventory shortages identified in physical inventories. Individual DA Forms 1991 should show all adjustments.
Typical transactions:
Debit with the amount of losses.
Normal contra GLACs: 456 only.

657-Facility Maintenance and Repair Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of repairs and maintenance of facilities. This includes NAFI-owned and non-NAFI-owned facilities. Generally, amounts over \$2,500 will be capitalized.
Typical transactions:
Debit with the cost of repairs and maintenance.
Normal contra GLACs: 201.

658-Equipment Maintenance and Repair Expense
Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of repairs and maintenance of equipment. This includes NAFI-owned and non-NAFI-owned equipment. Generally, amounts over \$2,500 will be capitalized.
Typical transactions:
Debit with the cost of repairs and maintenance.
Normal contra GLACs: 201.

659-Vehicle Maintenance and Repair Expense
Used for: All NAFIs.
Normal balance: Debit

Purpose: Record the cost of maintaining and repairing vehicles owned by the NAFI.

Typical transactions:

Debit with the amount of the expense.

Normal contra GLACs: 201.

660-Training Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of training employees.

Typical transactions:

Debit with the cost of the training.

Normal contra GLACs: 201.

661-Bad Debt Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of returned checks and other receivables that can not be collected.

Typical transactions:

Debit with the uncollectible amounts.

Normal contra GLACs: 12X and 134.

662-Discount Loss Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of discounts lost because the payment was not made within the time shown on the vendor invoices.

Typical transactions:

Debit with the amount of discounts lost.

Normal contra GLACs: 201.

663-Bank Service Charge Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of keeping a bank account.

Typical transactions:

Debit with the amount of the expense.

Normal contra GLACs: 101.

664-Vehicle Operating Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of normal operating costs of vehicles such as gas.

Typical transactions:

Debit with the amount of vehicle operating expenses.

Normal contra GLACs: 101 and 201.

665-Printing Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of printing and reproduction costs.

Typical transactions:

Debit with the amount of the expense.

Normal contra GLACs: 101 and 201.

666-Vehicle License Plate Expense

Used for: USAREUR Vehicle Registration Fund only.

Normal balance: Debit

Purpose: Record the NAFI's cost of license plates bought for the vehicle registration program.

Typical transactions:

Debit with the cost of license plates bought for the vehicle registration program.

Normal contra GLACs: 101 and 201.

667-Vehicle Decal Expense

Used for: USAREUR Vehicle Registration Fund only.

Normal balance: Debit

Purpose: Record the NAFI's cost of decals bought for the vehicle registration program.

Typical transactions:

Debit with the cost of decals bought for the vehicle registration program.

Normal contra GLACs: 101 and 201.

669-Door Prize and Promotion Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of merchandise or other prizes given away, including bingo, which are not normally found in the NAFIs inventory.

Typical transactions:

Debit with the cost of door prize or promotion merchandise.

Normal contra GLACs: 101 and 201.

670-Sports Activities Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost incurred for running sports programs, such as travel and entry fees.

Typical transactions:

Debit with the cost incurred.

Normal contra GLACs: 101 and 201.

671-Awards and Trophies Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of cash awards and the cost of trophies and other non-cash awards. This does not apply to employee awards. See GLACs 617 and 618 for employee awards.

Typical transactions:

Debit with the amount of awards and trophies, both cash and non-cash.

Normal contra GLACs: 101 and 201.

672-Sports Officials Expense

Used for: All authorized NAFIs.

Normal balance: Debit

Purpose: Record the amount of officiating expenses incurred by the NAFI to include MSF activities and Army Athletic Association events.

Typical transactions:

Debit with the amount of officiating expenses.

Normal contra GLACs: 101 and 201.

673-Sports Recruiting Expense

Used for: All authorized NAFIs.

Normal balance: Debit

Purpose: Record the cost incurred in recruiting potential scholar-athletes.

Typical transactions:

Debit with the cost incurred.

Normal contra GLACs: 101 and 201.

674-Sports Scouting Expense

Used for: All authorized NAFIs.

Normal balance: Debit

Purpose: Record the costs incurred in the scouting of opponents sporting events.

Typical transactions:

Debit with the cost incurred.

Normal contra GLACs: 101 and 201.

675-Sports Training Table Expense

Used for: All authorized NAFIs.

Normal balance: Debit

Purpose: Record the cost incurred in feeding scholar-athletes.

Typical transactions:

Debit with the cost incurred.

Normal contra GLACs: 101 and 201.

676-Sports Visiting Team Billeting and Meals Expense

Used for: All authorized NAFIs.

Normal balance: Debit

Purpose: Record the cost incurred in feeding and housing visiting teams.

Typical transactions:

Debit with the cost incurred.

Normal contra GLACs: 101 and 201.

677-Program and Brochure Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the costs in buying and selling programs and brochures.

Typical transactions:

Debit with cost incurred.

Normal contra GLACs: 101 and 201.

678-Volunteer Service Expense

Used for: All NAFIs.

Normal balance: Debit (Credit for the child care center).

Purpose: Record the NAFI cost to care for the children of authorized volunteers who give their services to command approved MWR programs. The activity or fund receiving the benefit of the volunteers services is charged with compensating the child care program for costs incurred. Credit this account at the child care center. The resulting credit balance in an expense account will not require an explanatory footnote to the financial statements. Crediting the expense rather than an income account prevents overstatement of income and expense.

Typical transactions:

(1) Debit with the amount charged to the NAFI or activity for compensating the child care program.

(2) Credit for the Child Care program with the amount of revenue received.

Normal contra GLACs: 135, 136, 231, and 232.

679-Condolences/Memorials Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the costs for condolences and memorials.

Typical transactions:

Debit with the cost incurred.

Normal contra GLACs: 101 and 201.

680-Warehouse Price Variance Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the price adjustments when the amount to be paid to the warehouse for inventory purchases is more than the amount recorded as purchases. Use only for warehouse inventories under stock record control. Not to be used for retail inventories.

Typical transactions:

Debit with the cost incurred.

Normal contra GLACs: 101 and 201.

681-Commissions Paid Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the costs incurred by NAFIs under agreement with travel agencies, businesses, or individuals that provide business referrals.

Typical transactions:

Debit with the costs incurred.

Normal contra GLACs: 101 and 201.

682-Civilian Personnel Services Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the NAFI's share of the cost of civilian personnel services.

Typical transactions:

Debit with the NAFI's share of the cost of civilian personnel services.

Normal contra GLACs: 201.

683-Administrative Support Branch Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the NAFI's share of the cost of Administrative Support Branch Services.

Typical transactions:

Debit with the NAFI's share of the cost.

Normal contra GLACs: 231 and 232.

684-Central Procurement Office Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the NAFI's share of central procurement office services.

Typical transactions:

Debit with the NAFI's share of the cost.

Normal contra GLACs: 231 and 232.

685-Central Accounting Office Expense

Used for: All NAFIs that use an off site accounting office.

Normal balance: Debit

Purpose: Record the NAFI's share of the accounting office expenses.

Typical transactions:

Debit with the NAFI's share of the cost.

Normal contra GLACs: 231 and 232.

686-Contract Services Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost for all services performed for the NAFI on contract or agreement.

Typical transactions:

Debit with the cost of all services performed for the NAFI on contract or agreement.

Normal contra GLACs: 201.

688-Common Service Fund Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the NAFI's share of common service expenses.

Typical transactions:

Debit with the NAFI's share of expense.

Normal contra GLACs: 231 and 232.

689-Payroll Service Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the NAFI's share of the payroll service expense. Record at the department code level.

Typical transactions:

Debit with the NAFI's share of expense.

Normal contra GLACs: 231 and 232.

690-Data Processing Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the NAFI's share of ADP expenses.

Typical transactions:

Debit with the NAFI's share of the expense.

Normal contra GLACs: 201.

691-CDS/YA Meals and Snack Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of meals and snacks served by CDS when the cost is a part of the child development program. Do not use to record sales.

Typical transactions:

Debit with the amount of the expense.

Normal contra GLACs: 101 and 201.

692-Training Travel Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of travel by NAF civilian employees to attend training.

Typical transactions:

Debit with the amount of travel expense for training.

Normal contra GLACs: 101 and 119.

693-Claims Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of claims paid by the NAFI.

Typical transactions:

Debit with the amount of claims paid by the NAFI.

Normal contra GLACs: 101, 236, and 272.

694-Studies and Analysis Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of contract studies and analysis.

Typical transactions:

Debit with the amount of contract studies and analysis paid by the NAFI.

Normal contra GLACs: 101 and 201.

695-Annuity Expense

Used for: CFSC Only.

Normal balance: Debit

Purpose: Record the amount of annuities paid during the accounting period.

Typical transactions:

Debit with the amount of annuities paid.

Normal contra GLACs: 101 and 201.

696-Grants Expense

Used for: CFSC Only.

Normal balance: Debit

Purpose: Record the amount of grants provided to other NAFIs.

Typical transactions:

Debit with the amount of grants provided.

Normal contra GLACs: 101 and 201.

697-Dividend Expense

Used for: CFSC only.

Normal balance: Debit

Purpose: Record the amount of dividends provided to other NAFIs.

Typical transactions:

Debit with the amount of dividends provided.

Normal contra GLACs: 101 and 206.

698-Vending Machine Income Sharing Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of the NAFI's vending machine profits subject to profit sharing or other sharing requirements.

Typical transactions:

Debit with the amount of vending machine profits payable to state licensing agencies or other outside operations.

Normal contra GLACs: 208.

699-Major Construction Expense

Used for: CFSC Only.

Normal balance: Debit

Purpose: Record the cost of major construction projects.

Typical transactions:

Debit with the cost of major construction projects.

Normal contra GLACs: 201 and 237.

726-Supply Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of supplies bought for immediate use or issued from the warehouse for use.

Typical transactions:

(1) Debit with the amount of supplies bought for immediate use.

(2) Debit with the amount of supplies received from the warehouse.

Normal contra GLACs: 151 and 201.

727-Laundry and Dry Cleaning Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost for the cleaning linens, uniforms, and such.

Typical transactions:

Debit with the amount of expense for laundry and dry cleaning.

Normal contra GLACs: 101 and 201.

728-Ice Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of ice for operations.

Typical transactions:

Debit with the amount of expense for ice.

Normal contra GLACs: 101 and 201.

729-Utilities Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of electricity, gas, water, and other utilities billed to, or paid by the NAFI.

Typical transactions:

Debit with the amount billed to or paid by the NAFI for utilities.

Normal contra GLACs: 101 and 201.

730-Communications Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost for telephone service, tolls, telegraph service, and postage charges including cost of providing toll-free service to in-calling customers.

Typical transactions:

Debit with the cost incurred.

Normal contra GLACs: 101 and 201.

731-Freight Expense

Used for: ALL NAFIs.

Normal balance: Debit

Purpose: Record the cost of moving operating supplies and equipment by commercial carriers. Freight expense that can be identified to a specific fixed asset should be included in the cost of the asset and depreciated.

Typical transactions:

Debit with the amount of the expense.

Normal contra GLACs: 101 and 201.

732-Operational Travel Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of travel by NAF civilian employees as authorized by AR 215-1.

Typical transactions:

Debit with the amount of travel expense.

Normal contra GLACs: 101 and 119.

733-Insurance Premiums Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of premiums paid for vehicles, aircraft, watercraft, fidelity bonds, and money and security insurance coverage.

Typical transactions:

Debit with the amount of premiums paid.

Normal contra GLACs: 101 and 153.

734-Building and Contents Insurance Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of premiums paid for buildings and contents insurance coverage.

Typical transactions:

Debit with the amount of premiums paid.

Normal contra GLACs: 101 and 153.

735-Advertising Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of monthly calendars and flyers, general advertising, and advertising for special events and sales.

Typical transactions:

Debit with the cost of advertising.

Normal contra GLACs: 101 and 201.

736-Taxes and Licenses Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of taxes on alcoholic beverages and any other tax or licenses required by Federal and State governments.

Typical transactions:

Debit with the amount of taxes paid or billed to the NAFI.

Normal contra GLACs: 101 and 201.

737-Tort Claims Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of tort claims paid by the NAFI per Chapter 12, AR 27-20 and AR 215-1.

Typical transactions:

Debit with the amount of claims paid by the NAFI.

Normal contra GLACs: 101, 236, and 272.

738-Audit Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of audits performed by commercial firms if the NAFI is required to pay.

Typical transactions:

Debit with the cost of commercial audits.

Normal contra GLACs: 256.

739-Cash Shortage And Overage Expense

Used for: All NAFIs.

Normal balance: Debit if shortage, Credit if overage.

Purpose: Record the amount of shortages or overages of cashiers.

Typical transactions:

(1) Debit with the amount of cash shortages.

(2) Credit with the amount of cash overages.

Normal contra GLACs: 101 and 102.

740-Interest Expense-Prompt Payment Act

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of interest penalties paid for late payments.

Typical transactions:

Debit with the amount of the penalty paid.

Normal contra GLACs: 101.

741-Deposits Lost Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of deposits lost on containers due to breakage or loss.

Typical transactions:

Debit with the amount of the penalty paid.

Normal contra GLACs: 101 and 128.

742-Furniture and Equipment Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of furniture, fixtures, and equipment identified as expense items rather than depreciable fixed assets.

Typical transactions:

Debit with the amount of expense items.

Normal contra GLACs: 201.

743-Commercial Credit Card Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount charged by commercial credit card companies for handling member credit card charge sales.

Typical transactions:

Debit with the fees charged by commercial credit card companies.

Normal contra GLACs: 101 and 201.

744-General Entertainment Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of general entertainment activities.

Typical transactions:

Debit with the amount of general entertainment expense.

Normal contra GLACs: 101 and 201.

745-Special Events Entertainment Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of entertainment for special events for which an admission fee may be charged.

Typical transactions:

Debit with the expense of entertaining for special events.

Normal contra GLACs: 101 and 201.

746-Rental Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of renting equipment, buildings, vehicles, and other items.

Typical transactions:

Debit with the amount paid by or billed to the NAFI.

Normal contra GLACs: 101 and 201.

747-Flowers and Decorations Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of flowers, plants, floral arrangements, and other decorations.

Typical transactions:

Debit with the amount paid or billed to the NAFI.

Normal contra GLACs: 101 and 201.

748-Hosting and Memberships Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of official hosting and representation activities, dues in authorized organizations, and the cost of complimentary tickets.

Typical transactions:

Debit with the amount paid or billed to the NAFI.

Normal contra GLACs: 101 and 201.

749-Tableware, Kitchenware, Linen, and Uniforms Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of china, glassware, silverware, utensils linens, and uniforms bought for immediate use, issued from the warehouse, or transferred from the prepaid GLAC. This GLAC includes the cost of renting.

Typical transactions:

Debit with the amount of the expense.

Normal contra GLACs: 101, 155, and 201.

750-Bingo Prize Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of bingo prizes awarded.

Typical transactions:

Debit with the amount of the expense.

Normal contra GLACs: 101, 156, and 201.

751-Collection Agency Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of collection agency charges.

Typical transactions:

Debit with the fees charged by collection agencies.

Normal contra GLACs: 101 and 201.

752-Investment Expense

Used for: CFSC Only.

Normal balance: Debit

Purpose: Record the amount of expenses incurred in investing cash by the central investment funds.

Typical transactions:

Debit with the amount of expenses incurred.

Normal contra GLACs: 101, 117, and 201.

753-ARM Distribution Expense

Used for: CFSC only.

Normal balance: Debit

Purpose: Record the amount of slot machine revenues distributed to other NAFIs.

Typical transactions:

Debit with the amount of slot machine revenue distributed to other NAFIs.

Normal contra GLACs: 101 and 234.

754-PCS Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost related to PCS of NAF employees including travel, per diem, movement and storage of household goods, and any other related expenses.

Typical transactions:

Debit with the cost of the PCS expense.

Normal contra GLACs: 101, 119, and 201.

755-Interest Expense

Used for: CFSC only.

Normal balance: Debit

Purpose: Record the amount of interest paid by the fund to scintillations and to vendors.

Typical transactions:

Debit with the amount of interest paid.

Normal contra GLACs: 101 and 201.

756-Consignment Ticket Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of tickets which the NAFI sells on consignment.

Typical transactions:

Debit with cost incurred.

Normal contra GLACs: 101 and 201.

757-Commercial Communications Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost for commercial communication services incurred for customer paid services provided.

Includes electronic mail, fax, etc.

Typical transactions:

Debit with the cost incurred.

Normal contra GLACs: 101 and 201.

758-Billeting Fund Surcharge Expense

Used for: Billeting NAFIs only.

Normal balance: Debit

Purpose: Record the amount of surcharge which is payable to the HQ Army billeting fund NAFI.

Typical transactions:

Debit with cost incurred.

Normal contra GLACs: 238.

759-Cable/Pay TV Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of cable and pay TV services purchased.

Typical transactions:

Debit with cost incurred.

Normal contra CLACs: 201

799-Miscellaneous Operating Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of operating expenses that can not properly be recorded in other operating expense accounts.

Typical transactions:

Debit with the amount of the expense.

Normal contra GLACs: 240 and 260.

Nonoperating Income

801-Interest Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of interest income earned on bank deposits and securities. Only record at fund administration level. Appreciation in the value of bonds not providing for periodic payments of interest will also be credited to this account.

Typical transactions:

(1) Credit with the amount of interest income accrued during the accounting period.

(2) Credit with the amount of interest income received in addition to the amount accrued.

(3) Credit with the amount of appreciation to the value of bonds not providing for periodic payments of interest.

Normal contra GLACs: 101 and 267.

803-Gain On Disposal Of Other Fund-Owned Property

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount received from the sale of NAFI-owned property that was expensed when bought. Record at the location where the property was located. This account is not to be used to record gains from the sale or other disposal of fixed assets.
Typical transactions:
Credit with the amount received from the sale of property.
Normal contra GLACs: 101.

806-Nonoperating Sources of Revenue

Used for: All NAFIs
Normal balance: Credit
Purpose: Record the amount of nonoperating revenue received by the NAFI. The revenue will be recorded under the fund administration location unless the funds are specified for a particular NAFI program. If the funds are designated, the revenue will be recorded in the administration department of the recipient location. An example is a cash distribution from a higher HQ to an installation NAFI.
Typical transactions:
Credit with the amount of the nonoperating revenue.
Normal contra GLACs: 101.

807-Contributions and Donations From Charitable Sources

Used for: All NAFIs
Normal balance: Credit
Purpose: Record the contributions received from the Combined Federal Campaign or other charitable organizations. Record the contribution in the administrative department of the recipient location.
Typical transactions: Credit with the amount of the contribution.
Normal contra GLACs: 101.

808-NAF To APF Conversion Income

Used for: All NAFIs
Normal balance: Credit
Purpose: Record the amount of accrued leave removed from the NAFI books when a NAF employee moves to the APF payroll and the NAFI is not required to transfer funds to the APF books for the accrued leave.
Typical transactions:
Credit with the amount of the accrued leave.
Normal contra GLACs: 243.

825-Miscellaneous Other Nonoperating Income

Used for: All NAFIs.
Normal balance: Credit
Purpose: Record the amount of income that can not properly be recorded in another income GLAC. Only record at fund administration. Some examples are unclaimed wages held for 6 months, and amounts of checks that have not cleared the bank within 6 months after issue, or on which stop payment orders have been made.
Typical transactions:
Credit with the amount of the income.
Normal contra GLACs: 101.

Nonoperating Expenses**826-Interest Expense**

Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of interest expense incurred. Only record at fund administration level.
Typical transactions:
(1) Debit with the interest expense accrued for the accounting period.
(2) Debit with the amount of interest paid in addition to the amount accrued.
Normal contra GLACs: 101 and 241.

827-Loss or Gain on Disposal of Fixed Assets

Used for: All NAFIs.
Normal balance: Debit if loss, Credit if gain.
Purpose: Record the amount of loss or gain on the sale or other disposal of fixed assets. Record in location where asset was used.
Typical transactions:
(1) Debit with the amount of the asset's current book value in excess of the amount received.
(2) Credit with the amount of cash received in excess of the assets current book value.
Normal contra GLACs: Fixed Asset GLACs.

828-Loss or Gain on Foreign Currency Transactions

Used for: All NAFIs.
Normal balance: Debit if loss, Credit if gain.
Purpose: Record the amount of losses or gains resulting from differences between foreign currency units and the equivalent US dollar. Only record at fund administration level.
Typical transactions:
(1) Debit with the amount of the loss.
(2) Credit with the amount of the gain.
Normal contra GLACs: 102.

830-Isolated Unit Dividend Expense

Used for: CFSC only.
Normal balance: Debit
Purpose: Record the amount of dividends paid to isolated units that keep their own accounting records.
Typical transactions:
Debit with the amount of cash paid to the unit.
Normal contra GLACs: 101.

831-Reserve Component Dividend Expense

Used for: All NAFIs.
Normal balance: Debit
Purpose: Record the amount of dividends reserved for or paid to reserve components.
Typical transactions:
(1) Debit for Major Commands with the amount of reserve component dividends reported by each NAFI.
(2) Debit for Major Commands with the amount of dividends paid directly to reserve component units.
(3) Debit for NAFIs with the amount of dividends paid to reserve component units.
(4) Debit for NAFIs with the amount of dividends due to non-troop program reserve component units.
(5) Credit with the amount of adjustments as applicable.

Normal contra GLACs: 101 and 206.

832-Loss on Close of Business Locations

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record all costs associated with closing down a business, such as losses on disposal of buildings, improvements, and furniture, fixtures, and equipment. Record at the location that applies to the facility or business activity being closed. Also applies to base closure. Typical transactions:

Debit with the amount of book value of assets written off as a result of closing down a segment of the NAFI's business.

Normal contra GLACs: Fixed assets and various other asset GLACs.

833-APF to NAF Conversion Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the cost of the accrued leave which must be established on the NAFIs books when an employee transfers from APF to NAF and the NAFI must fund the employees transferred accrued leave.

Typical transactions:

Debit with the amount established as accrued leave for the employee.

Normal contra GLACs: 243.

850-Miscellaneous Other Nonoperating Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of nonoperating expense that can not properly be recorded in other expense GLACs. Record at fund administration level.

Typical transactions:

Debit with the amount of expense.

Normal contra GLACs: 201 and 260.

Depreciation and Amortization

851-Building Depreciation Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of depreciation expense for buildings financed by the NAFI.

Typical transactions:

Debit with the amount of depreciation expense for the accounting period.

Normal contra GLACs: 162.

852-Building Improvements Depreciation Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of depreciation expenses for building improvements that have been capitalized.

Typical transactions:

Debit with the amount of depreciation expense for the accounting period.

Normal contra GLACs: 170.

853-Furniture, Fixtures, and Equipment Depreciation Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of depreciation expense for furniture, fixtures, and equipment capitalized by the fund.

Typical transactions:

Debit with the amount of depreciation expense for the accounting period.

Normal contra GLACs: 164.

854-Vehicles, Aircraft, and Boats Depreciation Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of depreciation expense on vehicles, aircraft, and boats capitalized by the NAFI.

Typical transactions:

Debit with the amount of depreciation expense for the accounting period.

Normal contra GLACs: 176.

855-Land Improvements Depreciation Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of depreciation expenses for land improvements that have been capitalized.

Typical transactions:

Debit with the amount of depreciation expense for the accounting period.

Normal contra GLACs: 172.

856-Breeding Livestock Depreciation Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of depreciation expense on breeding livestock.

Typical transactions:

Debit with the amount of depreciation expense for the accounting period.

Normal contra GLACs: 168.

857-Other Government Titled Fixed Assets Depreciation Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of depreciation expense on fixed assets bought by the NAFI and then moved to the Government.

Typical transactions:

Debit with the amount of depreciation expense for the accounting period.

Normal contra GLACs: 178.

858-Government Titled Buildings and Improvements Depreciation Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: Record the amount of depreciation expense on buildings and improvements paid for by the NAFI and then turned over to the Government.

Typical transactions:

Debit with the amount of depreciation expense for the accounting period.

Normal contra GLACs: 176.

Extraordinary Items

891-Extraordinary Expense

Used for: All NAFIs.

Normal balance: Debit

Purpose: THIS ACCOUNT IS USED VERY SELDOM.

Record the amount of the expense incurred for unusual and infrequent items. Losses must meet the following criteria to be considered extraordinary: material in nature, of a character significantly different from typical NAFI activities, and NOT EXPECTED TO EVER OCCUR AGAIN.

Typical transactions:

Debit with the amount of the expense.

Normal contra GLACs: Use as applicable.

892-Extraordinary Income

Used for: All NAFIs.

Normal balance: Credit

Purpose: THIS ACCOUNT IS USED VERY SELDOM.

Record the amount of income received from unusual and infrequent items. Gains must meet the following criteria to be considered extraordinary: material in nature, of a character significantly different from typical NAFI activities, and NOT EXPECTED TO EVER OCCUR AGAIN.

Typical transactions:

Credit with the amount of income.

Normal contra GLACs: Use as applicable.

Income and Expense Summary

900-Income and Expense Summary

Used for: All NAFIs.

Normal balance: Credit

Purpose: Record the amount of expenses and income in order to compute the amount of net income or net loss for the accounting period. Amounts recorded in several accounts will be recorded as contra entries to this account. At the end of each period, this account is closed into fund equity.

Typical transactions:

(1) Debit with the amount of expenses at the end of each accounting period.

(2) Credit with the amount of income at the end of each accounting period.

(3) Credit with the amounts recorded in inventory GLACs.

Normal contra GLACs: Various and 292.

APPENDIX B**ACCOUNTING PROCEDURES FOR AIR FORCE NONAPPROPRIATED FUNDS**

This appendix of the DoD Financial Management Regulation is for use by all nonappropriated fund accounting offices which use systems developed by the Department of the Air Force. The appendix contains policies and procedures specific to those systems. General or non-system-specific policies and procedures are included in the core regulation and have been excluded from this appendix. For example, the requirement that nonappropriated fund instrumentalities (NAFIs) conform to generally accepted accounting principles is not system-specific and applies to all DoD NAFIs. Therefore, it is included in the core regulation and excluded from this appendix.

This appendix supersedes all previously published policies and procedures, in the event of conflicting instructions, the policies and procedures in the regulation itself should be followed.

CHAPTER 1

PRINCIPLES, STANDARDS, AND REQUIREMENTS

B0101 Accounting Entity. The NAF Accounting Office (NAF AO) summarizes financial accounting results in terms of the entities that conduct the operation.

A. NAFI. Consider each NAFI (established according to AFI 34-201, Use of Funds) a separate entity for accounting purposes. Maintain asset, liability, and equity accounts at the NAFI-level. Use subsidiary records to reflect the location within the NAFI where the assets are used.

B. NAFI Subdivisions. NAFIs consist of one or more subdivisions called cost centers. Do not confuse the accounting term "cost center" with the operational term "activity." Group financial transactions relating to one operational activity (e.g., an NCO club) into one or more cost centers (e.g., bar, restaurant, snack bar, etc.). See AFMAN 34-214 for standard cost center codes and descriptions. These codes are used for accounting purposes only. They do not imply any organizational or operational relationship. Changes or additions to these codes must be approved by AFSVA/SVF. Use an optional third digit to provide further subdivisions (if needed).

B0102 Document Flow and Control. The activity manager sends all accounting documents to the NAF AO the next workday after the transaction date. Off-base sites submit accounting documents to the servicing NAF AO using a prearranged schedule.

B0103 General Ledger. The NAF AO maintains a separate general ledger for each NAFI. Air Force NAFs use a uniform general ledger chart of accounts to summarize NAFI business transactions.

A. General Ledger Account Codes (GLAC). AFSVA/SVF develops and assigns standard three-digit GLACs to identify general ledger and balance sheet accounts.

Changes or additions to these codes must be approved by AFSVA/SVF. The NAF AO uses an optional fourth digit to provide increased detail data within the guidelines of each GLAC description. See AFMAN 34-214 for GLACs and descriptions.

B. Authorized Changes. Changes to requests to combine history balances of individual accounts must be approved by AFSVA/SVF.

C. General Ledger Maintenance. The NAF AO maintains the general ledgers and prepares the financial statements. They post transactions to the general ledger each workday. Before publishing financial statements, the NAF AO:

1. Includes information from other systems, such as Point of Sales (POS) systems, into the NAF accounting system.
2. Prepares adjusting and closing entries.
3. Updates financial records.
4. Reconciles subsidiary records to general ledger control accounts.

D. Final Processing. The RMFC designates a central control point to compile all data for final processing. Before publishing the financial statements, the RMFC ensures that the NAF AO accomplishes the items listed in paragraph B0103.C.

E. Subsidiary Records. The NAF AO keeps subsidiary records on balance sheet accounts. Reconcile the balances in these subsidiaries to the general ledger control accounts before preparing the financial statement. Automate the subsidiary records where possible. If the subsidiary records are not in balance to the general ledger control accounts,

the RMFC annotates the financial statement before releasing to external users.

B0104 Nonappropriated Fund Standard Accounting Management System (NAFSAMS). AFSVA maintains the standard Air Force accounting system. They provide centralized software development, maintenance, and support. AFSVA releases software updates and is the single organization authorized to change Air Force standard software.

B0105 Interim Financial Statements. The NAF AO prepares reports monthly and provides the information to SV management. SV management uses the interim financial statement to assess each operation's current performance. SV management uses the interim financial statements to plan for the future.

A. Adjusting Entries. The NAF AO posts required adjusting entries before completing interim reports. Refer to AFMAN 34-214. Establish and use a checklist for all required adjusting entries and automated processing. Document and explain adjustments to the general ledger on AF Form 2541, NAF Journal Voucher. Number and control journal vouchers (JV) by NAFI. Enter the JV number on the transaction to provide an adequate audit trail. The RMFC or designee (e.g., office manager) approves AF Forms 2541. Before approving, ensure that the NAF AO correctly prepared the entries and that explanations or backup documents have sufficient detail.

B. Finalizing the Financial Statement. After the NAF AO posts all transactions to the G/L for the current accounting period, the NAF AO:

1. Prepares a preliminary trial balance.
2. Reconciles all subsidiary records.
3. Makes any necessary adjustments.
4. Prepares the final interim trial balance before the final closeout.

5. Maintains the original trial balance.

6. Provides each manager and the Nonappropriated Fund Financial Analyst (NAFFA) with a copy (or a copy of the interim financial statement).

C. Financial Statements. The NAF AO prepares a final financial statement for each NAFI at the end of each accounting period after they have produced and reconciled the trial balance.

B0106 Fund Equity. The RMFC limits transactions into and out of equity to:

- A. Net income.
- B. Net losses.
- C. Approved prior year adjustments.
- D. Entries associated with the establishment, disestablishment, distribution, or redistribution of capital (see AFMAN 34-214).

B0107 Fund Equity Adjustments. DFAS approves request to make adjustments to fund equity. The RMFC submits requests for prior year fund equity adjustments through the MAJCOM, AFSVA/SVF, and AF/SVF to DFAS. The NAF AO records the transaction only after DFAS grants approval. Footnote the financial statement with the adjustment. Refer to AFMAN 34-214 for additional details.

B0108 Reserving Fund Equity. The NAF AO establishes the following Reserved Equity accounts for each NAFI:

A. Reserved Equity-Current Purchases. At the end of each accounting period, adjust this account to reflect the total value of all outstanding orders which have not yet been received. Include outstanding orders from all obligation documents, such as outstanding purchase orders, blanket purchase agreement (BPA) orders, and purchase requests for goods and services, including fixed assets on order.

B. Reserved Equity-Capital Requirements. During the month of September for each fiscal year, close the current dollar amount in the reserved equity to Fund Equity-Prior Year and set up the dollar amount for the next fiscal year. As of 30 September this account should reflect one fiscal year of proposed capital requirements (for example 30 September 1993 would reflect a balance for FY 94). At any other time during the year, the balance reflects the amounts approved but not yet obligated for the current FY. The NAF AO posts a change to this account when:

1. The NRB changes (part I that deals with capital assets).

2. An activity orders a capital item.

3. The fiscal year closes.

a. At the close of the fiscal year, the NAF AO reduces the current balance to zero and establishes the amount for the next fiscal year based on Part I of the NRB.

(1) Base- level NAFIs record only that portion of their NRB that the base will fund.

(2) MAJCOMs record the dollar value of approved grants for NRB items which have not yet been paid. The MAJCOMs adjust these amounts as they transfer portions of these grants to base level.

C. Reserved Equity-Quantity (Bulk) Expendable Equipment. During the month of September for each fiscal year (FY), close the current dollar amount in this reserve equity account to Fund Equity - Prior Year and set up the dollar amount for the next fiscal year. As of 30 September, this account should reflect one year of proposed quantity purchases of expendable items (part II of the NRB) (for example 30 September 93 would reflect a balance for FY 94). At any other time during the year, the balance reflects the amounts approved but not yet obligated for the current FY. The NAF AO posts a change to this account when:

1. The NRB changes (part II that deals with bulk purchases).

2. An activity orders a capital item.

3. The fiscal year closes. Follow the guidance in paragraph B0108.B.

B0109 Income. Record income when earned. Record to the benefitting cost center, if practical and identifiable. Income collected before the accounting period in which it is earned is recorded as a liability. Transfer the liability to income in the period in which it is earned.

B0110 Expenses. Record expenses when incurred. Record expenses to the cost center incurring the expense, if practical and identifiable.

A. Certain expenses, such as general advertising, depreciation on equipment for general purpose use, and accounting support service charge, are "overhead" expenses. The NAF AO posts these expenses to fund administration as defined in the cost center codes for A1-A9. Do not prorate those overhead expenses to other activities (except CCC A9 and certain marketing expenses as defined in CCC A5). Do not record identifiable activity operating expenses into the NAFI's fund administration cost center.

B. Transfer merchandise, supplies, or services between activities at cost.

B0111 Grants. The NAF AO posts grants according to AFMAN 34-214.

B0112 Extraordinary Items. DFAS must give advance approval to record any transaction as an extraordinary gain or loss. The RMFC submits requests through the MAJCOM, AFSVA/SVF, and AF/SVF. The NAF AO does not post the transaction until DFAS gives written approval. Attach a footnote to the financial statements to explain the cause of the transaction and the effect it has on current operations.

B0113 Contingencies. Contingencies are

existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss. The NAFI ultimately resolves contingencies when one or more future events occur or fail to occur. The RMFC works with SV management to determine the amount of the loss contingency. The NAF AO post accruals for loss contingencies where the outcome is probable and the amount is reasonably estimable. Do not record gain contingencies. When SV management identifies a contingency, the NAF AO footnotes the financial statements explaining the contingency and the potential for gain or loss.

B0114 Assessments. The NAF AO posts Air Force assessments to the activity being assessed.

B0115 Command Lodging Fund (CLF) Procedures. The NAF AO posts transfers of cash from the CLFs to base lodging funds and vice versa as transferred equity.

B0116 Morale, Welfare, and Recreation Fund Transfers. The NAF AO posts base or MAJCOM available cash transfers as transferred equity. When Air Force returns cash to the base or MAJCOM, each level records it as transferred equity.

B0117 Accounting in Small NAFIs. The NAF AO maintains NAF accounting records on the accrual basis of accounting, except as shown below.

A. The IUF maintains accounting records on a cash basis if total revenue is less than \$36,500 per year, and authorization is received from MAJCOMs.

B. Small NAFIs that lack local accounting support, or those with limited programs such as MAJCOM or remote site NAFIs, may not need all of the detailed accounting records and procedures required by larger NAFIs.

C. Small NAFIs may use the cash receipts journal, check register, and adjusting, closing, and reversing journals, and other general purpose journals as required to support their financial statements.

B0118 Major Command (MAJCOM) Supplements.

A. MAJCOMs may supplement this instruction. AFSVA/SVF through DFAS approves drafts of command supplements to this instruction before publication. The MAJCOMs furnish a copy of the final publication to HQ AFSVA/SVF.

B. BRFs or CWFs. Coordinate command supplements involving BRFs or CWFs with the BOD AAFCWF before submitting to AFSVA/SVF. Send one copy of each approved command supplement involving BRF or CWF to the BOD AAFCWF.

B0119 Requests for Technical Assistance or Waiver. Submit requests for clarification or interpretation of this instruction through the MAJCOM/SVF or field operating agency (FOA), HQ AFSVA/SVF to DFAS. Submit each request for waiver, except those waivers authorized and granted locally according to AFI 34-201, through the MAJCOM/SVF or FOA to HQ AFSVA/SVF. Waivers granted according to AFI 34-201 must be approved by the installation commander through the custodian, SV commander or director, as applicable. MAJCOMs submit their requests for waiver concerning BRFs and CWFs to HQ AFSVA/SVF through the BOD AAFCWF, 21 Army Pentagon, Washington DC 20310-0021. In the request for waiver, outline the problem, identify the specific requirement to be waived, recommend an alternative, and furnish complete justification. Waivers to this AFI have no effect without a control number assigned by the approving authority.

A. Review waivers, at least annually or when conditions and circumstances change.

B. Waivers are valid for a period not to exceed 3 years. At the end of the 3-year period, reevaluate waivers through the custodian, SV commander or director, MAJCOM, FOA, or HQ AFSVA/SVF, as appropriate.

C. All waivers in effect before the date of this AFI are void and must be reaccomplished.

B0120. Forms. AFSVA/SVF approves request for changes to Air Force forms. SV may automate the AF and NAF forms if form content and requirement do not change.

CHAPTER 2

EXEMPT NAFIS

B0201 USAF Academy (USAF) Athletic Association (USAFAAA). The USAFA Director of Services (HQ USAFA/SV) establishes and maintains the standard NAF accounting system according to Air Force directives. The USAFAA follows standard Air Force NAF accounting instructions to ensure consistency with generally accepted accounting principles and standards.

A. Fiscal Year (FY). The USAFAAA's FY is from 1 July through 30 June.

B. Reporting Requirements. The USAFAAA is exempt from reporting requirements specified in chapter 10 of this regulation.

C. Annual SVF Financial Report. The USAFAAA provides financial data to AFSVA/SVQ. AFSVA/SVQ includes the information in the annual MWR Financial Report, RCS: DD-M(A)1344.

B0202 USAFA Cadet Dining Hall NAFI.

A. Authority. This NAFI is established under the authority of DOD Instruction (DODI) 1338.17.

B. The NAF AO uses AFI 34-209, AFMAN 34-214, and AFMAN 34-215 to account for the cadet dining halls. When these directives conflict with DODI 1338.17, the requirements in DODI 1338.17 take precedence.

C. The fund is exempt from reporting requirements specified in chapter 10 of this appendix.

D. Reporting requirements.

1. The NAF AO uses report formats and preparation instructions found in DODI 1338.17 attachments. Prepare the report in three parts.

2. Reporting requirements

are assigned RCS: DD-COMP(A)1291.

E. The commandant of cadets, or designee, coordinates this report with the USAFA Director of Financial Management and Comptroller and the USAFA Director of Services. The commandant of cadets sends the coordinated report to the Assistant Secretary of Defense (Comptroller), ATTN: Directorate of Military Personnel. Send this report not later than 90 days after the end of the FY.

CHAPTER 3

PROPERTY

B0301 Property. The NAF AO maintains accounting records and updates the subsidiary account for NAF property transactions. This includes:

- (1) Maintaining property records on all fixed assets;
- (2) Process payments to vendors; (3) Preparing asset lists for inventory purposes.

A. Non-reimbursable, Inter and Intra NAFI Transfers. Any activity that transfers property completes AF Form 2534, NAF Property Disposal/ Transfer Receipt. Authorized approval required by AFI 34-201 is adequate supporting documentation. The NAF AO receives the AF Form 2534 and posts the transaction according to AFMAN 34-214.

B0302 Defense Reutilization and Marketing Office (DRMO) Property. The NAF AO capitalizes acquisition costs of \$1,000 or more for DRMO property. The property must have a useful life of two or more years. See AFMAN 34-214 for detailed procedures.

B0303 Leases. The NAF AO posts leases as either capital leases or operating leases. Use the criteria in AFMAN 34-214 to decide if leases are capital or operating. Amortize capital leases over the life of the assets. Post other leases as operating leases. Post rental expense when payment is made. See AFMAN 34-214 for detailed procedures.

B0304 Repair of Fixed Assets. The NAF AO capitalizes repair of a fixed asset when the repair costs \$1,000 or more. The repair must extend the useful life of the asset 2 years or more. If the repair does not qualify, post the cost as an expense. See AFMAN 34-214.

A. Equipment. Use the same property number with an alpha code A, B, C, etc., for the number of repairs. When the activity disposes of the property, the NAF AO

writes off the related repairs.

B. Renovations. The NAF AO writes off the undepreciated value of previous renovations when new renovations completely change the previous one. Write off related renovations when an activity disposes of a facility.

B0305 Depreciation. The activity manager assigns the projected life for a fixed asset based on the depreciation tables in AFMAN 34-214. The RMFC helps the activity manager to determine the projected life. The RMFC and the civil engineers establish facility depreciation periods according to the depreciation table in AFMAN 34-214.

A. See AFMAN 34-214 for procedures on computing depreciation. The NAF AO posts depreciation expense to the cost center where the property is actually used. Do not charge depreciation expense to an administrative cost center code except when either situation applies:

1. The operation's business office physically uses the property.
2. More than one cost center uses the property. An example is a general purpose vehicle used by several cost centers in a club.

B. The applicable activity manager determines whether or not fixed assets have a salvage value. The RMFC, DRMO, and the SCO help to determine the salvage value. The NAF AO uses these values to determine the depreciable value.

C. The NAF AO continues to post depreciation expense for NAF capital assets transferred to APF records until the items are fully depreciated. Post the depreciation expense in the transferring activity's cost center.

B0306 Master Property Record Changes. The activity manager prepares an AF Form 2534 to physically move property items between cost centers or to dispose of property by any method. Forward the completed form to the NAF AO. The NAF AO processes the transfer in the accounting records.

B0307 Trade-In of Assets. The NAF AO posts the disposition of the old asset using the normal process. Post the newly-acquired asset at its full cost (before trade-in). When the trade-in value does not equal book value for the disposed asset, post the gain or loss in the disposed asset account.

B0308 Disposition of Assets. The NAF AO posts disposals of assets in the accounting system. Post any gain or loss resulting from the disposal on the financial statement. Use this procedure for all assets including those acquired by transfer or donation. See AFMAN 34-214 for detailed procedures.

B0309 Acquisition of Expendable Items. Expendable items do not meet fixed asset requirements. See AFMAN 34-214 for detailed procedures on acquisition of expendable items.

B0310 Government Surplus Aircraft. The NAF AO capitalizes initial repair costs to make government surplus aircraft air worthy. The repair must cost \$1000 or more. It must have a useful life of two years or more. If it does not meet this criteria, post the repair cost as an expense.

B0311 Government Surplus Aircraft Engines. The NAF AO depreciates an aircraft engine only when the old unit is removed from the aircraft and replaced by a rebuilt or new engine. Depreciate the replacement engine only until the first overhaul is due or for a maximum useful life of three years.

B0312 Claims. AFSVA settles claims for insured assets that are destroyed or damaged. Once AFSVA settles the claim, the NAF AO adjusts the affected accounts. Usually claim settlements do not exceed the acquisition value less accumulated depreciation of the property destroyed (book value).

B0313 BRF/CWF. For acquisitions or disposal of assets belonging to a Base Restaurant Fund or Base Civilian Welfare Fund, see AFJI 34-122.

CHAPTER 4

REVENUE TRANSACTIONS

B0401 Revenue Processing. Activities use AF Form 1875, NAF Individual Cashier's Report (ICR), to provide accountability for individual cashiers. Activities use AF Form 1876, NAF Consolidated Cost Center Report (CCCR), or the daily cash reconciliation report (for lodging operations) to report deposits and consolidated income to the NAF AO. Activity managers control ICRs and CCCRs according to AFI 34-202, Protection of Assets. The NAF AO subsequently uses the AF Form 1876 to enter information into the financial records. AFMAN 34-214 contains detailed accounting procedures.

B0402 Service Charge Procedures for Lodging Funds. When TLFs charge several different rates, the NAF AO uses fourth-digit shredouts of the appropriate revenue GLAC to account for each rate within the TLF cost center.

B0403 Monte Carlo Night. The NAF AO accounts for Monte Carlo as a resale operation.

B0404 Quality Recycling Program (QRP). The NAF AO posts income and expenses to the QRP cost center. AFMAN 34-214 contains detailed accounting procedures.

B0405 Interest. AFSVA/SVF determines the interest rate paid on all cash within the CMIP and the amount of any end-of-year dividend. The NAF AO posts interest income in the applicable NAFI's administrative cost center code.

B0406 AAFES Simplified Dividend. The NAF AO does not accrue for distributions as they are made on a current basis. AFMAN 34-214 contains detailed accounting procedures.

B0407 Operating Subsidies. The NAF AO posts subsidies from foreign governments as nonoperating income in the applicable cost center. Post the associated expense to the applicable cost center.

B0408 Foreign Currency. NAF activities involved in accommodation exchange services buy foreign currency for resale at the wholesale rate established by the contracted military banking facilities (MBF) overseas. AFMAN 34-214 explains the computation.

B0409 Commercial Sponsorship Program. The NAF AO posts the sponsorship in the activity identified by the vendor. Use the administrative CCC of that activity if appropriate. If the vendor does not specify an activity, record the sponsorship in the NAFI's administrative CCC.

B0410 Randolph Sheppard Act-Vending Facility Program for the Blind. The NAF AO posts the NAFI's proceeds from vending machines as revenue in the applicable cost center. Show the payment to agencies for the blind as expenses in those cost centers. Use applicable GLACs to record these expenses.

B0411 Slot Machine. The NAF AO posts slot machine income and expenses in the activity having the slot machines. Use cost center codes A9, G5, W5, X5, Y5 and Z5 to record transactions involving slot machine revenue and expenses. See the guidelines in AFMAN 34-214.

CHAPTER 5

ACCOUNTS RECEIVABLE

B0501 Internal Accounts Receivable (A/R) Processing. The NAF AO maintains A/R subsidiaries except for lodging funds. The NCR 9300 User's Manual contains instructions for processing A/R. AFMAN 34-214 contains other A/R procedures. If problems arise in balancing the general ledger control accounts to subsidiary records, the RMFC or designee assists in reconciliation. If the NAF AO identifies variances but cannot correct them prior to publishing financial statements, the NAF AO footnotes the financial statements.

B0502 A/R Function Located Outside the NAF AO. AFSVA/SVF approves requests to locate the A/R function outside the NAF AO. The RMFC prepares an A/R operating instruction (OI) for each approved operation. Include instructions to ensure:

A. The operating location reconciles the subsidiary record to the control account, as a minimum, before preparing the financial statement.

B. The operating location prepares a proper aging of accounts receivable.

B0503 A/R Operating Instruction. The RMFC develops an OI to provide guidance on monitoring A/R. Include guidance on:

A. Follow-up actions.

B. Account write-offs.

C. Procedures to prevent fraud by collusion (more than one person working together to cause the fraud).

B0504 Billing Cutoff Date. Activity managers and the RMFC attempt to establish a billing cutoff date other than the end of the month. Do not make the cutoff date earlier than

the 16th of the month. Ensure this date coincides for all clubs serviced by the NAF AO. The NAF AO posts dues for the current month, regardless of cutoff date, as of the 15th of the month (after posting all daily business for the 15th). Customers may pay dues and fees in advance. See AFMAN 34-214 for details.

B0505 Minimum or Maximum Purchase Requirement for Extension of Internal Credit. The SV commander or director approves minimum or maximum amounts that a customer may charge on internal credit.

B0506 Scope of Credit. Members of clubs may use their membership cards in any MWR fund activity. See AFMAN 34-214 for detailed A/R procedures.

B0507 Organizational Credit. The SV commander or director may authorize official organizations to purchase through an open charge account from NAFIs. The NAF AO keeps written authorization (includes project officer's name and number) on file.

B0508 Late Payment Charge. The MAJCOM/SV may authorize a late payment charge on member accounts. Do not authorize more than \$20 for any one delinquent cycle (60 and 90 days). The NAF AO posts late payment charges as non-operating revenue to the NAF AO cost center to offset costs of collecting delinquent accounts. Do not charge more than \$40 for the entire delinquency period. See AFMAN 34-214.

B0509 Reversal of Dues Incorrectly Charged. The NAF AO prepares the list with back-up documentation to request dues adjustments. If the NAF AO does not maintain the A/R subsidiary records, the activity manager of the operating location submits the list and back-up documentation to the RMFC. The RMFC approves any dues adjustments. Once approved,

the NAF AO processes the adjustment. See paragraph B0511 for procedures to write-off valid uncollectible accounts.

B0510 Collection Actions. The NAF AO performs collection actions except where waived. This does not prevent activity managers from helping the NAF AO collect delinquent A/R.

A. The NAF AO:

1. Processes collection actions according to AFI 34-202.

2. Maintains, controls and reports delinquent accounts and returned checks on AF Form 1708, NAF Dishonored Check Control Log.

3. Documents follow-up actions.

B. The NAF AO does not delay the minimum followup actions required in AFMAN 34-214. The installation commander approves requests to shorten the time-frame in AFMAN 34-214.

B0511 Bad Debt Write Off Procedures. If the followup procedures prescribed in paragraph B0510 and AFMAN 34-214 are not successful, the RMFC begins write-off procedures as stated in AFI 34-202. The NAF AO posts the bad debt write-off to the applicable activity's administrative cost center.

B0512 Commercial Debt Collection Contracts. RMFCs use the Air Force Nonappropriated Fund Purchasing Office (AFNAFPO) procured commercial debt collection contract to collect past due accounts, returned checks, and other debts owed to Air Force NAFIs. Use the contract for individuals where payment cannot be recover through DD Forms 139, Military Pay Order, or APF/NAF payroll systems. See AFI 34-202. When an account is sent to the collection agency, the NAF AO writes it off the financial statements. Use the applicable cost center to record the bad debt write off.

B0513 Reinstatement of Membership

Privileges. The SV commander or director approves requests for reinstatement of membership privileges (see AFMAN 34-214).

B0514 A/R Aging and Reporting. The NAF AO prepares and reports aged A/R for all NAFIs and activities authorized internal credit systems. When a location outside the NAF AO maintains the A/R subsidiary records, the activity manager furnishes an aged A/R report to the NAF AO.

B0515 Dues Cutoff for Delinquent Accounts. The NAF AO does not post membership dues to a member's account after 3 months dues have been posted and remain unpaid. The NAF AO can only charge up to three months' unpaid dues in the following instances:

A. A member has an MPO pending.

B. A member turns in his or her club card.

C. A member leaves the base without clearing the club.

B0516 Allowance for Uncollectible A/R. The NAF AO posts bad debt expense at the end of each accounting period. Post the estimated value of uncollectible A/R. Use the applicable activity's administrative cost center. Record this same amount in an allowance for uncollectible A/R account. Base the estimate on the average write-offs of A/R using historical data.

A. Do not establish an allowance for uncollectibles that exceeds 1 percent of the A/R for the current period. If the estimate of average write-offs is greater than 1 percent, review collection procedures to ensure they are sufficient and timely.

B. The NAF AO reduces the allowance for uncollectibles account when an actual account is written-off. If the write-off reduces the allowance for A/R account to zero, expense any remaining amount in the current accounting period.

B0517 Allowance for Uncollectible Returned Checks. If the amount of write-offs is not significant, the NAF AO may post the expense at the time of write-off. If history indicates significant amounts written-off, establish an accrual according to paragraph 7.18.

B0518 Accounts with Credit Balances. The NAF AO reviews accounts with credit balances at the end of each accounting period. If the credit balances exceed five percent of total A/R due, the NAF AO posts this amount in an unearned income liability account. Reverse the entry the following month. If the credit balances are less than five percent of the receivables, net them in the A/R asset account.

B0519 Lodging A/R.

A. Lodging personnel send statements to TDY personnel on the last day of the month for:

1. Visiting officers' quarters (VOQ).

2. Visiting airmen quarters (VAQ).

3. Temporary lodging facilities (TLF).

B. Send statements only if patrons used the quarters for 15 days or more and the anticipated stay during the succeeding month exceeds 15 days (see AFMAN 34-214).

C. Collection actions required in AFI 34-202 remain the RMFC's responsibility. Use the time-frame in AFMAN 34-214 to complete follow-up actions. The Innkeeper processes collection actions on accounts that are 30 and 60 days delinquent. The RMFC ensures that the Innkeeper is performing collection actions in a timely manner. Once accounts become 90 days delinquent, the RMFC assumes responsibility for additional collection actions.

B0520 Returned Checks. For policy, follow-up, and collection procedures on returned checks, see AFI 34-202.

CHAPTER 6

PURCHASE AND CONTROL OF MERCHANDISE

B0601 Partial Shipments. The activity documents receipt of partial shipments on a DD Form 250, Material Inspection and Receiving Report. The activity completes the form and writes "Partial Shipment" across the top of the form. Annotate the form with the original purchase order (PO) number. Complete the partial receiving report with the item number, quantity received, and description of items received. Annotate the original PO to show items received in a partial shipment, the date received, and the date the partial receiving report was forwarded to the NAF AO.

B0602 Value Added Tax (VAT). Under United States and Federal Republic of Germany (FRG) agreement, authorized personnel may obtain exclusion from the German VAT if they make their purchases through an official US government contracting activity at USAF Europe (USAFE) installations. VAT offices are part of the MWR Fund. For currency conversion on VAT transactions, the NAF AO reimburses the Military Banking Facility (MBF) the difference between the bulk rate and the wholesale rate for its monthly VAT Deutsche Mark (DM) transactions. For procedures governing operation of VAT offices see USAFE AFR 176-1.

B0603 Stock Records. The NAF AO uses the NAFSAMS inventory system to maintain automated stock records to track inventory or highly sensitive items. Activities may use other automated systems to track in-house inventories.

A. The applicable activity manager maintains stock record cards on all transactions involving firearms. Report any discrepancies immediately to the RMFC.

B. When using stock record cards, limit access to the cards. Secure records during nonduty hours.

B0604 Stock Levels and Reorder Points. The activity manager and RMFC establish stock levels and reorder points. The NAF AO may include reorder points in the inventory subsidiary.

B0605 Stock Numbers and Standard Units of Measure. The NAF AO, with the assistance of the activity manager, assigns stock numbers and standard units of measure to control inventories on all resale, storeroom merchandise and supply items. Use consistent numbers throughout all NAFIs. The activity annotates the stock numbers on AF Form 2533, NAF Transfer Between Cost Centers, or uses order entry forms when transferring merchandise for resale or promotion. See the NCR 9300 User's Guide for the list of standard units of measure and their abbreviations used when processing inventory. Refer to AFMAN 34-214 for additional details.

B0606 AF Form 2533, NAF Transfer Between Cost Centers (TBCC). The activity manager or designee uses AF Form 2533 or an order entry form to transfer goods or stock between cost centers. The activity manager or designee may consolidate work orders to one TBCC (See AFMAN 34-214).

B0607 AF Form 1735, NAF Interfund Purchase Order (IPO). The activity manager or designee uses an AF Form 1735 or order entry form to order services or merchandise from other NAFIs. The ordering activity manager processes and numbers IPOs or order entry registers. The RMFC signs the IPO unless purchase authority was delegated to the ordering activity manager. The NAF AO processes the payment between the applicable NAFIs, using AF Form 1804, NAF Interfund Dollar Transfer. Process the payment not later than the following month (See AFMAN 34-214).

B0608 Spoilage, Breakage, and Out-Dated Material. The activity manager determines the amount of spoilage or breakage by incident, not by individual line item. The NAF AO posts reported losses in the month of occurrence. AFMAN 34-214 contains accounting procedures.

B0609 Commodities. The activity manager controls commodities received through the United States Department of Agriculture (USDA) Food Program. The requirements for ordering, receiving, and controlling inventory and payment vary from state to state. The activity manager, appropriate flight chief, and the RMFC, decide the method of inventory accountability (See AFMAN 34-214).

CHAPTER 7

ACCOUNTS PAYABLE PROCESSING

B0701 Establishment of Accounts Payable. The NAF AO posts accounts payable transactions when an activity has received goods or services on credit. The NAF AO makes payment to the vendor to clear the accounts payable.

B0702 Documents and Entries. The NAF AO does not record an obligation unless orders or agreements are in writing and supported by a receiving report (RR) or proof of shipment. Any activity using a POS system to maintain perpetual inventory enters receiving documents into the POS system before forwarding to the NAF AO. Activities using POS systems forward documents to the NAF AO no more than two workdays after the receiving date.

B0703 Payable Suspense File. The NAF AO establishes a suspense file for all payables. The NAF AO sets the file up to ensure they pay invoices timely and to help reconcile the subsidiary. The documents in this file make up the subsidiary record of the general ledger control account. The total should balance to the automated accounts payable subsidiary and the general ledger control account. After processing RRs through the payable system, file them in the suspense file for matching with invoices and making payment.

B0704 Proof of Shipment. The NAF AO may need to pay vendors on shipment, rather than on receipt of goods. Review the contract terms to determine if the vendor requires payment on shipment. See AFMAN 34-214 for guidance.

B0705 Vendor Invoices. The vendor mails invoices directly to the NAF AO. When the NAF AO receives the invoice, the RMFC may provide a copy of it to the activity manager. See AF Form 2210, General Provisions, for required information for a vendor to include on invoices. The NAF AO uses the invoice as part of the

documentation required for payment. Include vendor invoice numbers with the check to the vendor. See AFMAN 34-214 for overpayments and minor errors on invoices.

B0706 Discounts. The NAF AO posts discounts by reducing the cost of the item purchased. Take all discounts to which you are entitled. The discount period begins with the date of the contractor's invoice. For the purpose of earning a discount, the day that the NAF AO issues the check is considered the payment date. To comply with the Prompt Payment Act, mail checks to vendors on the same day they are issued.

B0707 Delivery Costs. The NAF AO posts freight costs to purchase expendable equipment, supplies, or resalable merchandise as supplies expense or cost of goods as appropriate. Include freight, postage, etc., as part of the purchase price. Include freight cost associated with capitalized items (fixed assets) as part of the acquisition cost of the asset.

B0708 Preparing Accounts Payable for Payment. The NAF AO matches vendor invoices with the receiving reports. The activity manager or designee certifies AF Forms 1735 used to transfer merchandise between NAFIs. No invoice is required for AF Forms 1735. Pay AF Forms 1735 using interfund dollar transfers.

B0709 Documentation Required for Payment. The NAF AO usually requires three documents to substantiate payment to a vendor. They are: a contract, a receiving report, and a vendor invoice. The following qualify as a contract: (1) Purchase order; (2) Blanket purchase agreement (BPA), or a call or delivery order written against an NPA, etc.; (3) A single document that constitutes a contract.

A. When an Air Force agency or

a utility provides goods or services, the NAF AO does not receive a formal contract (for example, commercial telephone service or purchases from the commissary). The NAF AO uses the documents in this paragraph to support payment.

1. The NAF AO substantiates payments to government sources by their invoices and extended commissary subsistence requests (AF Form 287, Subsistence Request).

2. The activity manager or designee certifies the government invoices and commissary subsistence requests.

3. The designer certifies invoices for interior design contracts.

4. The lodging fund may request customer refunds using SIMS check requests.

B. Use of AF Form 2539, NAF Disbursement Request. Use AF Form 2539 instead of a purchase order, for items such as:

1. Loan payments.
2. Registration or entry fees.
3. NAF official travel.
4. Tax payments and Internal Revenue Service payments.
5. Workers' compensation claims.
6. Payments to other government instrumentalities.
7. Payments against special contracts, interior design, commercial telephone, utilities, etc. See AFMAN 34-214 for entertainers and NAF official travel.

C. Blanket Purchase Agreements (BPA). The NAF AO should pay amounts due

vendors for calls placed against BPAs or interfund purchases monthly. This does not apply to meat or meat food products. Pay for meat or meat food products according to the Prompt Payment Act. See AFMAN 34-214 for other requirements related to paying vendors on BPA.

D. Signature Authorization. The RMFC or designee approves documents authorizing payments made from NAFs. The RMFC designates signature authority in writing. File the authorization in the LOF.

E. Filing Paid Documents. The NAF AO marks all backup documentation by stamping them paid after making disbursements. File one copy of the check, with all backup documentation, in the accounts payable disbursements file. File these chronologically by vendor.

F. Centralized Payment of Consolidated Purchases. AFSVA/SVFF pays vendors for AFNAFPO central buys and subsequently withdraws the amount paid from each base's CMIP account. See AFMAN 34-214 for details.

CHAPTER 8

INVENTORY

B0801 Inventory Maintenance. Activity managers control inventories at all times to prevent loss due to spoilage, obsolescence, or theft. The NAF AO maintains inventory records by updating the system with information from accounts payable, AF Forms 2533, or NCR order entry forms. To ensure the general ledger and the actual inventory contain the same data, the RMFC may establish a cutoff date for inventory related documents (see AFMAN 34-214). The types of inventories are:

A. Central storeroom. The NAF AO accounts for inventory maintained in a central storeroom as an asset until the storeroom issues the inventory. Once the storeroom issues the inventory, the NAF AO posts the expense in the applicable GLAC using the applicable CCC.

B. In-Use. Activities establish inventories for merchandise held for resale or consumption in sales outlets.

C. Decentralized Storeroom. Activities establish decentralized storeroom inventories as

1. Backup stock for in-use inventories.

2. High value or sensitive (such as POL and spare parts for aero club and slot machine operations) merchandise identified by management for additional control.

D. Consigned Merchandise. The consignor establishes consigned merchandise inventory to control items received on consignment. When consigned goods are received, the NAF AO does not post the receipt of, or any obligation for, the consigned items in the financial records. AFMAN 34-214 contains additional procedures.

E. Fixed Assets. The NAF AO

includes furniture, equipment, and facilities. Show this inventory as the appropriate accounting type, APF or NAF. AFMAN 34-214 contains additional procedures.

F. Inventory-In-Transit. The NAF AO records items purchased but received by an agent outside the NAFI proper. When the NAFI receives the items, record in the correct accounts.

B0802 Establishing Inventory Dollar Levels. The SV commander or director approves maximum inventory levels for each cost center (See AFMAN 34-214).

B0803 Review of Storeroom and In Use Inventories. Activity managers review all inventories and stock records to identify slow moving items and dead stock at least semi-annually. The SV commander or director may authorize below cost sales (not promotional) for slow moving or dead stock inventory items.

B0804 Inventory Schedule and Frequency. Activity managers submit completed inventory count sheets to the NAF AO for extension. The NAF AO processes inventories promptly to obtain a dollar valuation of the physical inventory for inclusion in the financial reports. The RMFC uses the physical inventory to determine if variances exist and if analysis or investigation is required according to AFI 34-202.

A. Activities inventory all food or beverage activities, pro shops, audio/photo and tickets monthly.

B. Activities inventory other resale merchandise including centralized and decentralized storerooms and merchandise on consignment, as a minimum, at the end of each quarter.

C. Activities inventory

merchandise held for special events by type of event. Items include donations received from commercial sponsored occasions (see AFI 34-202).

D. Activities with firearms inventories them monthly. The activity manager accounts for firearms daily.

E. The SV commander or director may allow any activity having a point-of-sale (POS) system that maintains perpetual inventory to take only an annual physical inventory. As a minimum, an independent observation team must observe the taking of the physical inventory:

1. At the end of the FY.
2. On change of activity manager (unless waived).
3. When spot checks by the NAFFA indicate an inventory problem.
4. When required by an Air Force Audit.

B0805 Change of Activity Managers.

A. The NAF AO furnishes fixed asset property listings to the activity managers when management changes. Incoming activity managers must satisfy themselves as to the correctness of the property records. To verify the property records, the activity usually physically inventories the property. The incoming activity manager may waive this requirement. The NAF AO attaches the waiver to the change of custodian certificate (see AFMAN 34-214 for details).

B. The incoming activity manager also checks correctness of decentralized storeroom or in-use inventories. (See AFMAN 34-214 for details).

B0806 Change of Custodian (RMFC).
Change of custodian does not require a physical inventory except for NAF AO assets. Transfer inventories by exchanging receipts between the

outgoing and incoming RMFCs.

B0807 Decentralized Storeroom (Aero Club and Slots Operation). See AFMAN 34-214 for decentralized inventories for Aero clubs and slot machines.

B0808 Free Items or Donations. When vendors provide free items as bonuses or a purchase discount, the receiver notes the free items on the receiving report. The NAF AO records free items on the inventory. If an activity receives donations for special occasions and gives them away, the activity manager accounts for these items without having the NAF AO process them through the inventory and cost of goods sold. The RMFC or designee examines all transactions involving donations to ensure that the activity manager accounts for the items received.

CHAPTER 9

CHILD CARE

B0901 Reimbursement for Child Care Food Programs (CCFP). The NAF AO posts income, accounts receivable and subsequent reimbursement for child development program participation in the USDA CCFP. The USDA administers the program in all states and territories through the state or regional office. Follow regional USDA policies for completion and reporting purposes.

A. Reimbursement Requests for Continental United States (CONUS) Bases. At CONUS bases, the child development center director or designee completes the required forms requesting reimbursements (using state provided forms). Send the requests to the NAF AO. The NAF AO reconciles the forms to the subsidiary record and forwards them to the state's office for the USDA CCFP.

B. CCFP Sponsorship Family Day Care Providers. Air Force Child Development Centers (CDC) act as sponsors for family day care home providers participating in the USDA CCFP.

C. USDA, through the sponsoring CCFP, reimburses family day care providers for part of the costs of providing nutritional meals and snacks to the children. The NAF AO does not issue IRS Form 1099 for CCFP disbursements to family day care providers for USDA reimbursements.

D. The CDC receives compensation from the USDA to administer the program. The CDC can use the funds received from USDA to hire staff to administer the program.

B0902 Accounting for Child Care Service to Volunteers. The CDC or authorized family day care providers may provide child care services for volunteers when the volunteers serve the Air Force community.

A. When the CDC provides child care services to volunteers, refer to AFMAN 34-214 for accounting procedures.

B. The installation commander may approve, in writing, a specific number of family day care providers to care for children of volunteers when no space is available in the CDC. The NAF AO prepares a nonpersonal service contract, in advance, with the provider to specify the rate charged and other charges (for example, food, diapers). The NAF AO provides the day care provider an IRS Form 1099 at year-end according to IRS requirements. The NAF AO includes on the IRS Form 1099 the amount paid to day care providers for volunteer care. Do not include amounts paid relating to USDA food reimbursements.

CHAPTER 10

REPORTS**B1001** Temporary Lodging Facility (TLF) Assessment.

A. AFSVA/SVF advises the NAF AO of new or changed rates for assessment collection and reporting purposes.

B. The NAF AO computes the TLF assessment. Do not count or include visiting officers' quarters (VOQ) and visiting airmen's quarters (VAQ) used for permanent change of station (PCS) families unless AFSVA/SVP officially redesignates them as TLFs. Post all income from such units in the VOQ or VAQ cost centers of the lodging fund. See AFMAN 34-214 for computation and reporting. The NAF AO reports assessment data to AFSVA/SVFF before the 15th work day of the following month.

B1002 Employee Census Data (Quarterly). The NAF AO reports employee totals as of the last pay period of the quarter. Include foreign national information that is not included in the US employees' payroll system. See AFM 176-378 for format.

B1003 APF Support to Morale, Welfare, and Recreation (MWR) Activities, RCS: HAF-MWR(Q)7503. Financial Services Office (FSO) personnel prepare and submit this report according to AFR 177-101. The RMFC reviews the data for accuracy and validates the report. Include a footnote showing the amount of APF expenditures to cost centers supported by the NAFI in the quarterly financial statements.

B1004 Special Morale and Welfare Expenditure Report. The NAF AO prepares the SM&W Expenditure Report for each quarter according to AFI 34-201. The NAF AO reconciles the SM&W report to cost center "Q" on the MWRF financial statement.

B1005 Nonappropriated Fund Cash

Management and Investment Program (CMIP) Report, RCS: HAF-DPM(D)7505. For reporting CMIP transactions, follow guidance in AFMAN 34-215.

B1006 Nonappropriated Fund Financial Statement, RCS: HAF-DPM(Q)7407. See AFMAN 34-214 for the format of the financial statement for all NAFIs.

A. The financial statement consists of four basic elements:

B. Balance Sheet. The NAF AO prepares a report of assets, liabilities, and fund equity (see AFMAN 34-214).

C. Income and Expense (I&E) Statement. The NAF AO prepares a consolidated statement of income and expenses for each NAFI and supports the consolidated statement with individual cost center reports. Use the same format for the consolidated statement and the individual cost center reports (see AFMAN 34-214). Report the amount of appropriated fund support provided for each NAFI on the quarterly consolidated statement.

D. Statement of Cash Flows (SCF). The RMFC or designee prepares this statement on a quarterly and annual basis. Prepare it either manually or by using an automated program.

E. Supporting Schedules. AFSVA/SVF, MAJCOM, and local management may require supporting schedules to the financial statements. As a minimum, the NAF AO prepares the following to support financial statements:

1. Schedule of aged accounts receivable.

2. A copy of AF Form 1736,

NAF Cash Management and Investment Program Account Verification, to support the quarterly financial statement.

F. Special Instructions, Frequency, and Distribution. See AFMAN 34-214 for special reporting instructions for unit funds, subordinate commands, MAJCOMs, BRFs, and CWFs.

G. NAF AOs transmit reports to MAJCOMs to arrive by the 15th calendar day after the quarter being reported. Each MAJCOM accumulates the data and submits reports to AFSVA/SVF to arrive NLT the 20th of the month after the end of each fiscal quarter. (See AFMAN 34-214 for format for submission, MAJCOM submission and method of submission).

B1007 Quarterly Prompt Payment Report, RCS:DD-COMP(Q)1619. NAF AO's prepare quarterly Prompt Payment Reports (see AFMAN 34-214 for format). Submit the report to AFSVA/SVF by the 10th calendar day following the end of each quarter. Round all amounts to the nearest dollar. AFSVA/SVF prepares and submits the quarterly report to SAF/FMPB.

B1008 Annual Prompt Payment Report, RCS: DD-COMP(A)1607. AFSVA/SVF prepares and submits the annual prompt payment report to SAF/FMPB.

B1009 International Balance of Payments Transactions, RCS: DD-COMP(Q)743 (AF). This report applies to all Air Force NAF supported activities having transactions entering the international balance of payments (IBP) (whether abroad or in the US, its possessions, Puerto Rico, and Panama Canal Zone) except unit funds and those NAFLs whose quarterly purchases do not exceed \$50,000. AFSVA/SVF prepares and submits the quarterly report for applicable bases. Follow guidance in AFMAN 34-214.

B1010 Tax Reports. See AFMAN 34-214 for reporting quarterly payroll tax returns. Use IRS Form 1096, Annual Summary and Transmittal of US Information Return, IRS Form 1099-MISC, Statement for Recipients of

Miscellaneous Income (entertainers and personnel service contracts), and TD Form W-2G, Statement for Certain Gambling Winnings (bingo). See AFLs 34-201 and 34-202, AFM 176-378 (for reporting tips) and NCR 9300 Users' Guide for procedures in assembling and reporting information.

B1011 Certification of Financial Statements. Quarterly, the custodian certifies the financial statements for all NAFLs by signing the following certification, "I certify that the information used for preparation of and the balances in this statement are true and correct to the best of my knowledge." This certification includes all elements of the financial statement as defined in AFMAN 34-214. Forward the certification to AFSVA/SVF, through your MAJCOM, to arrive not later than 45 days following the end of the quarter.

B1012 Certification of Cash Management and Investment Program (CMIP) Accounts. Quarterly, the custodian certifies the accuracy of the CMIP account verification on AF Form 1736, CMIP Account Verification, and forwards it to AFSVA/SVF through MAJCOM/SVF to arrive NLT 45 days after the end of the quarter. Submit a certification statement on AF Form 1736. Use the statement described in paragraph 12.11. Include a separate AF Form 1736 for each account and NAFL, i.e., cash, severance, and cash in bank savings.

CHAPTER 11

DEPOSITS, CHECK WRITING AND CONTROL OF CHECK STOCK

B1101 Deposit Slips. The NAF AO receives the numbered deposit slips (validated and unvalidated) for CMIP processing. If the NAF AO receives an unvalidated deposit slip, suspense it until the bank sends a validated copy. The NAF AO should receive the validated deposit slip within 3 days after the day of business. Immediately notify the office manager of any variances between the suspended deposit slip and the validated deposit slip when received. If the NAF AO finds a difference in the amount actually deposited, process a deposit adjustment to the general ledger and CMIP.

B1102 Bank Fees and Charges. The NAF AO posts bank fees and charges to the NAFI's administrative cost center. Include those items that are not identified to a patron. This includes fees for deposit bags, keys or deposit slips and re-presented check fees absorbed by the NAFI (does not include return check service charge). It also includes the fee paid for armored car service.

B1103 Check Writing Function.

A. Check Number Control Log. The NAF AO maintains a log (either manual or automated) of all checks (written and voided) and related information for general, payroll, limited payee checks.

B. Check Writing. The NAF AO reports checks written to AFSVA/SVFB through CMIP transmission. Under CMIP, the NAF AO prepares all checks except payroll from a single general check stock. The individual responsible for check writing (check writer):

1. Uses checks in numerical sequence.

2. Writes checks for individual NAFIs and identifies the NAFI on each check. Include the NAF ID on each check

stub (except payroll).

3. Spells out the dollar amount for checks typed manually or processes them through a check protector. They should not contain typing errors or strikeouts.

C. General Checks. The NAF AO normally writes checks on a weekly or bi-weekly basis to ensure compliance with the Prompt Payment Act requirements. The NCR 9300 automatic check generation program normally generates these checks. However, the NAF AO may prepare handwritten checks for out-of-cycle payments.

D. Foreign Currency Checks. Overseas locations use foreign currency and limited payee checks. The NAF AO uses a foreign currency checking account, established in a military banking facility in the overseas area, to satisfy local requirements for foreign currency and to make disbursements that require this medium of exchange. Use limited payee checks (LP) for change funds and accommodation sales (see AFI 34-202).

E. Distribution of Checks and Paid Documents. The check writer returns the signed checks with supporting documents to the accounts payable technician for distribution. AFMAN 34-214 contains mail, retention, and distribution instructions.

B1104 Control of Blank Check Stock. The NAF AO stores blank checks in a locked container or safe. Use AF Form 1249, Check/Bond Control Record, to record receipt, issue, return, balance on hand, and spoiled or voided checks. Maintain a separate check control record for each type of check. NAFIs not under CMIP obtain check stock from normal commercial sources.

B1105 Destruction of Blank Check Stocks.

When a blank stock of checks needs to be destroyed, two individuals independent of the check writing function witness the destruction (see AFMAN 34-214). The NAF AO notifies AFSVA/SVFB of the destruction according to AFMAN 34-214.

CHAPTER 12

MISCELLANEOUS TRANSACTIONS

B1201 Aero Club Liability Insurance Expense. The NAF AO computes liability insurance premiums for Aero Club aircraft based on the number of flying hours per aircraft. Compute the monthly expense by using the total flying hours reported on the status of Aero Club Aircraft and Operations Report, RCS: HAF-DPM(Q)7211. See AFMAN 34-214.

B1202 Aero Club Hull Insurance. The NAF AO computes hull insurance based on the declared value of each aircraft as reported on the quarterly RCS: HAF-DPM(Q)7211 report. See AFMAN 34-214.

B1203 Workers' Compensation (WC). The Payroll Retrieval Interface to General Ledger (PRIGL) program computes the accrued WC expense and produces the journal entries used to update the financial records. The PRIGL computes premiums based on US civilian gross payroll. The NAF AO posts the premium expense by the end of each accounting period to each applicable cost center. See AFMAN 34-214.

B1204 Unemployment Compensation (UC). The PRIGL computes the accrued UC expense and produces the journal entries used to update the financial records. The PRIGL program computes premiums base on US civilian payroll. The NAF AO posts the premium expense by pay period to each applicable cost center where personnel are assigned. See AFMAN 34-214.

B1205 Asset and Liability Insurance. The NAF AO records premiums at the end of each accounting period based on balances from the quarterly 7407 report. Use the fund administration cost center for each NAFL.

A. Asset Computation. The NAF AO computes asset premium payments based on the book value of assessable assets.

B. Liability Computation. The NAF AO computes liability premium payments based on the total gross income for each applicable NAFL.

B1206 Group Life Accidental Death and Dismemberment and Comprehensive Medical Expense Insurance Program. The PRIGL computes the employer's share of the Insurance Program. The NAF AO posts this expense each pay period to the respective cost center where personnel are assigned. Transfer the total employee and employer share of group insurance to the MWR fund. The NAF AO makes payment from the MWR fund to the Air Force Insurance Fund (AFIF) through CMIP.

B1207 Retirement Program. The PRIGL computes the employee's contribution of retirement and transfers it to the MWR fund. The NAF AO makes payment from the MWR fund to the Air Force Retirement Fund (AFRF) through CMIP.

B1208 Reimbursements from MAJCOMs. When MAJCOMs authorize reimbursements, the NAF AO does not net the reimbursement into the expense account. Record the expense in full on the NAFLs books. The MAJCOM does not reimburse for more than 100 percent of the actual cost.

B1209 Procedures for Aero Club Accruals. The NAF AO accrues the anticipated engine overhaul or replacement cost monthly. NAF AOs should also establish accruals in Aero Clubs for any other planned major maintenance such as repainting aircraft. To account for accrued maintenance, the NAF AO keeps two separate subsidiary ledgers, one for engine overhaul and one for other planned maintenance. See AFMAN 34-214.

B1210 Promotions. An activity uses the entertainment and promotional expense GLACs

to separate the expense of such programs. Use these accounts for programs or events held to further the growth or development of that activity. The NAF AO posts expenses for goods and or supplies only when an activity specifically advertises the items in connection with a promotion, or the item is used during a free program. Transfer labor expenses only if an activity specifically schedules labor that is used in conjunction with the promotion or giveaway. Post the cost of the entertainment or promotion to the activity receiving the benefit. See AFMAN 34-214 for additional details.

B1211 Severance Pay. The NAF AO accrues obligations for severance pay due employees according to AFMAN 34-214. Accrue severance for NAF foreign national employees during the period in which the entitlement is earned, whether or not the amount is currently payable. For other NAF employees, severance accrual begins when the NAFI knows it will incur such a liability in the future (for example, when announced for closure or major realignment). Set aside funds in the severance benefits investment program to pay for future liabilities. Contact HQ AFSVA/SVF to establish a severance benefits investment account.

ATTACHMENT B.1

ABBREVIATIONS GLOSSARY

AAFCWF	Army and Air Force Civilian Welfare Fund
AAFES	Army and Air Force Exchange Service
AFAA	Air Force Audit Agency
AFB	Air Force Base
AFFMF	Air Force Financial Management Fund
AFI	Air Force Instruction
AFIF	Air Force Insurance Fund
AFM	Air Force Manual
AFMWRAB	Air Force Morale, Welfare, and Recreation Advisory Board
AFNAFPO	Air Force Nonappropriated Fund Purchasing Office
AFPD	Air Force Policy Directive
AFROTC	Air Force Reserve Officer Training Corps
AFSVA	Air Force Services Agency
ANG	Air National Guard
APF	Appropriated Funds
ASD	Office of the Assistant Secretary of Defense
A/R	accounts receivable
BOD	Board of Directors
BPA	blanket purchase agreement
BRF	base restaurant funds
CBPO	Consolidated Base Personnel Office
CC	cost center (accounting term)
CCC	cost center code
CCCR	consolidated cost center report
CCFP	child care food program
CLF	command lodging fund
CMIP	cash management and investment program
CONUS	Continental US
CT	cash transfer
CWF	civilian welfare fund
DOB	date-of-business
DOD	department of defense
DODI	DOD instruction
DRMO	defense reutilization and marketing office
EDC	electronic data capture
EOM	end-of-month
FC	foreign currency
FM	financial manager
FMFIA	Federal Managers' Financial Integrity Act
FM&P	Force Management and Personnel
FOA	field operating agency
FY	fiscal year
GAAP	generally accepted accounting principles
GAO	general accounting office
GLAC	general ledger account code
GSA	general services administration

IAW	in accordance with
IBP	international balance of payments
ICR	internal control review
ICR	individual cashier's report
I&E	income and expense
IG	inspector general
IPO	interfund purchase order
IUF	isolated unit funds
JER	Joint Ethics Regulation
JV	journal voucher
LOF	life-of-the-fund
MAJCOM	major command
MBF	military banking facility
MPO	military pay order
MWR	morale, welfare, and recreation
MWRF	MWR fund
NAF	nonappropriated fund
NAFFA	nonappropriated fund financial analyst
NAFI	nonappropriated fund instrumentality
NAFSAMS	nonappropriated fund standard accounting management system
NAF AO	NAF accounting office
NLT	not later than
NRB	NAF requirements budget
NTE	not to exceed
OI	operating instruction
OPM	Office of Personnel Management
PCS	permanent change of station
PDO	Publications Distribution Office
PL	Public Law
PO	purchase order
POC	point of contact
POS	point of sale
PRIGL	payroll interface to the general ledger
RCS	report control symbol
RMF	resource management flight
RMFC	resource management flight chief
RRRP	resource recovery and recycling program
SAV	savings account
SCO	servicing contracting office
SEV	severance account
SM&W	special morale and welfare
SV	Services
SVF	Directorate of Financial Management and Comptroller
TBCC	transfer between cost centers
TDY	temporary duty
TLF	temporary lodging facility
TR	dollar transfer
UC	unemployment compensation
US	United States
USAF	United States Air Force

USAFA	USAF Academy
USAFAAA	United States Air Force Academy Athletic Association
USAFE	USAF Europe
USDA	United States Department of Agriculture
VAQ	visiting airmen's quarters
VAT	value added tax
VOQ	visiting officers quarters
WC	workers' compensation

ATTACHMENT B.2

TERMS EXPLAINED

B2.1. Accounting Period. An accounting period is from the first day of a given month through the last day of the same month.

B2.2. Accounting System. The NAF accounting system is based on commercial accounting practices modified to meet the needs of the Air Force. The principles underlying this system are based on experience, the needs within the Air Force NAFI environment, and generally accepted accounting principles (GAAP).

B2.3. Accounting Year. The accounting year is from 1 October of a given year through 30 Sep of the following year.

B2.4. Activity. This term describes operational organizations within the SV structure, such as bowling center, officers' club. It is also used when referring to specific functions within each operational organization such as, lanes operation, snack bar, bar, dining room, slot machines, ticket operations, etc. Do not confuse the operational functions of the "activity" with the accounting term "cost center."

B2.5. Assets. Assets are economic resources obtained or controlled by NAFIs as a result of past transaction or events. They are classified as either current or noncurrent items.

B2.6. Balance sheet. The balance sheet shows the financial position of a NAFI at a point in time. It lists the assets and claims against the NAFI. The balance sheet lists separate columns for current period (FY) and prior period data. This report also includes current and acid test ratios.

B2.7. Budget Working Committee. Individuals selected by the Services Commander or Director to review and prioritize items on NAF Requirements budgets.

B2.8. Cash Flow Budget. A formal financial

plan which shows the beginning cash balance, the cash inflows and outflows, and the ending cash balance expected for a period of time. The purpose of the cash flow budget is to anticipate changes in the level of cash. The ANF AO prepares a cash flow budget for each NAFI.

B2.9. Cost Center. Term used to identify the accounting subdivision of a NAFI. This term is used for accounting purposes and should not be confused with the operational term "activity." A standard 2-digit identity code is assigned by Air Force for each cost center.

B2.10. Current Assets. Cash and other assets that can be reasonably expected to be converted to cash or consumed (accounts receivables and inventory) during the next 12 months.

B2.11. Current Liabilities. Debts that should be paid within the next 12 months; includes accounts payable, accrued payroll, taxes, and current portion of loans payable.

B2.12. Custodian. The Resource Management Flight Chief (RMFC) is the primary custodian for all NAFIs supporting a base with the exception of the base restaurant and civilian welfare funds, exchanges, and in some instances NAFIs at remote or isolated units.

B2.13. Depreciation. The method used to expense the acquisition cost of a fixed asset over the life expectancy of that asset.

B2.14. Financial Analysis. Analysis is a continuing process throughout the normal course of operations, with the manager as the focal point. The objective is to spot potential problems, identify root causes, and obtain solutions.

B2.15. Fixed Assets. Tangible items with an individual cost of \$1,000 or more, and with a life span of 2 years or more, which do not lose their

identity through use. Includes items such as, furniture, equipment, tools, machinery, facilities, major repairs and improvements, etc.

B2.16. Fund Equity. Fund equity (net worth) is the excess of total assets over total liabilities.

B2.17. General Ledger. The general ledger is the core of the NAF accounting system and provides a detail of all accounting transactions for the current period. The system consists of control accounts for assets, liabilities, equity, income, and expenses.

B2.18. Host MWRF. Provides financial management and accounting services required by NAFIs at other locations. The host MWRF custodian is responsible for financial management assistance and accounting support, and serves as the focal point for fiduciary accountability.

B2.19. Income and Expense (Operating) Budget. A formal financial plan which reflects monthly and quarterly projected income and expenses for a fiscal year. It reflects the expected outcome of management's plans and decisions in financial terms. It shows the revenue and associated expenses an activity expects to generate over a given period. This budget gives the activity manager an estimate of the profit to be realized from the operation. (For this reason, the I&E budget is sometimes referred to as the "operating" budget.)

B2.20. Liabilities. Liabilities are obligations to transfer assets, provide services, or otherwise expense assets to satisfy responsibilities resulting from past or current transactions. They are classified on the financial statements as either current or noncurrent liabilities.

B2.21. Minimum Cash Balance. The minimum amount of cash that should be kept in cash-in-bank for efficient operations and sound cash management.

B2.22. NAF Requirements Budget. A formal 5 year financial plan which shows the estimated cost and time for buying new equipment, furnishing, renovating facilities, replacing and

repairing fixed assets, buying bulk purchases of expendable equipment and buying bulk purchases of high cost supply items.

B2.23. Small Operations. Those with limited programs and gross revenues of less than \$36,500 per year. Small operations may not require all of the detailed accounting records and procedures outlined for NAFIs at bases or stations.

B2.24. Statement of Cash Flows. The Statement of Cash Flows is a formal statement of cash received and cash paid out for the period being reported. It shows the uses and sources of cash. It is prepared by NAFI.

B2.25. Unprogrammed NAF Expenditures. Expenditures for costly capital assets (equipment and facilities) which are not included in the NRB of the NAFI (called "unprogrammed"). These can cause serious cash flow problems.

B2.26. In Use Inventory. In use inventory consists of merchandise maintained by operating activities for resale or consumption in sales outlets such as bars, pro shops, restaurants, and snack bars.

ATTACHMENT B.3**PRESCRIBED FORMS**

AF Form 1708	NAF Dishonored Check Control Log
AF Form 1735	NAF Interfund Purchase Order
AF Form 1736	NAF Cash Management and Investment Program Account Verification
AF Form 1804	NAF Interfund Dollar Transfer
AF Form 1875	NAF Individual Cashier's Report
AF Form 1876	NAF Consolidated Cost Center Report
AF Form 2533	NAF Transfer Between Cost Centers
AF Form 2534	NAF Property Disposal Transfer Receipt
AF Form 2539	NAF Disbursement Request
AF Form 2541	NAF Journal Voucher

APPENDIX C**ACCOUNTING PROCEDURES FOR NAVY NONAPPROPRIATED FUND**

This appendix of the DoD Financial Management Regulation is for use by all non-appropriated fund accounting offices which use systems developed by the Department of Navy. The appendix contains policies and procedures specific to those systems. General or non-system specific policies and procedures are included in the core regulation and have been excluded from this appendix. For example, the requirement that nonappropriated fund instrumentalities (NAFIs) conform to generally accepted accounting principles is not system-specific and applies to all DoD NAFIs. Therefore, it is included in the core regulation and excluded from this appendix.

This appendix supersedes all previously published policies and procedures. Therefore, in the event of conflicting instructions, the policies and procedures in the regulation itself should be followed.

CHAPTER 1

GENERAL INFORMATIONC0101 GENERAL

C010101 Purpose. This appendix prescribes financial management policies and a uniform accounting system for all nonappropriated funds within the Department of the Navy. These provisions are intended to increase efficiency and effectiveness, permit greater control by management, facilitate the conducting of audits by proper authority, and provide guidance to all participants in the system.

C0102 SCOPEC010201 Policies.

A. Scope. The policies set forth herein are applicable on a worldwide basis to all nonappropriated fund instrumentalities (NAFIs) within the Department of the Navy, including the Navy and Marine Corps Morale, Welfare, and Recreation Support Activity and are to be followed unless specific request for deviation is submitted through and approved by the appropriate chain of command and the Defence Finance and Accounting Service (DFAS). The Navy Exchange and the Marine Corps Morale, Welfare, and Recreation Support Activity Manuals contain accounting procedures for their respective systems and are subject to DFAS review and approval. The Bureau Of Naval Personnel Recreation and Mess Central Accounting System (RAMCAS) Users Handbook contains detailed accounting procedures for NAFIs participating in the RAMCAS and is subject to DFAS review and approval. Recommendations for improvements, modifications and/or additions to this appendix are encouraged and should be submitted to the DFAS.

B. Private Organizations. Private organizations and funds thereof, established and operated by individuals acting

outside the scope of any official capacity as officers, employees, or agents of the Government, and which are established to provide desirable morale enhancing facilities and services, are subject to DOD guidelines. The financial management policies and procedures set forth in this appendix are not applicable to private organizations, however, they maybe used as guidelines.

C. This appendix is not intended to approve the establishment or operation of any of the activities referred to herein. Military and civilian NAFIs are established and operated in accordance with instructions issued by the applicable program manager.

C010202 Basic Policies.

A. Establishment and Operation. The Department of the Navy advocates the establishment and operation of well-rounded morale, welfare, and recreational programs to insure the mental and physical well-being of its personnel. Adequate programs and facilities to carry out this policy should be provided, operated, and maintained through financial support tendered by the Department of the Navy. Appropriated and Nonappropriated funds will be used as appropriate to fund the cost of these programs and facilities. Provisions will be made to account for appropriated expenses by categories and activity types.

B. Immunities and Privileges. The programs and facilities provided through morale, welfare, and recreation functions are deemed by the Department of the Navy to be essential to the performance of its functions. As such, they are necessary adjuncts of the department. Morale, welfare, and recreation activities operated as Nonappropriated Fund Instrumentalities (NAFIs) are entities of the Government and as such are entitled to all the

immunities and privileges which are available to the departments and agencies of the Federal Government under the Constitution and statutes.

C. Civilian Employees. Morale, welfare, and recreation programs established primarily for civilian employees of the Navy are intended to provide food and other services where required, and to offer certain recreational activities as inducement to recruitment and retention of the civilian work force.

D. Administration of Programs. Morale, welfare, and recreation programs will be administered in compliance with applicable Federal laws and operate in concert with certain state and municipal laws. Questions involving jurisdiction and compliance which cannot be resolved locally, should be submitted to the appropriate authority for resolution.

E. Nondiscrimination. The facilities and/or services of morale, welfare and recreation programs will not be made available to any group which practices discrimination on the basis of gender, race, creed, color, age, physically/mentally handicap, or national origin. This will not prohibit the establishment of cultural or ethnic private organizations, providing membership is not restricted or discriminatory. Private organizations whose memberships are restricted on the basis of religion may be authorized to operate on DOD installations provided authorization is also approved for requests by similar organizations without preference.

F. Nonappropriated Funds are Government Funds. All nonappropriated funds are government funds dedicated exclusively to the collective welfare and recreation of military and civilian personnel and their dependents. These funds will not be donated to any individual, firm, group, or organization, charitable or otherwise, to the detriment of the joint welfare and recreation of all personnel and their dependents.

G. Cross-Service Borrowing. To the extent funds are not available from within the Department of the Navy, cross-service borrowing of nonappropriated funds is encouraged. Commercial borrowing will be obtained only as a last resort. Approval of either cross-service or commercial borrowing must be obtained in advance from the applicable program manager.

C0103 SYSTEMS APPROVAL. DFAS-HQ has the responsibility for final review and approval of financial management processing systems prior to implementation.

CHAPTER 2

FINANCIAL MANAGEMENTC0201 GENERALC020101 Basic Functions of Management.

The basic functions of management include planning, coordinating and controlling. Planning is directed toward the establishment of desirable future objectives and the formation of an organizational structure to be followed in their achievement. Coordination consists of integrating individual and group effort with the over-all objectives. Controlling results from the evaluation of individual and group effort in terms of the predetermined goals.

C020102 Discharge of Management Functions.

The effective discharge of these functions is essential to sound business management and successful operations. In small activities the manager may personally supervise every phase of operations and the basic functions of management may be performed with little recourse to accounting data. In larger entities, direct personal supervision by one individual is seldom possible and it is necessary to establish a chain of command from top management to departmental supervisors. Under such circumstances, accounting becomes an indispensable tool of management. Accounting not only provides each level of management with relevant financial data, but it also furnishes basic facts required in planning, coordinating, and controlling.

C0202 BUDGETING AND MANAGEMENT

C020201 Nature of Budgeting. Budgeting consists of establishing specific future goals and periodically measuring actual results against the planned objectives. A budget is a formal written statement of management's plans for the future, expressed in financial terms. A budget charts the course of future action. Thus, it serves management in the same manner that the architect's blueprints assist the builder and the navigator's flight plan aids the pilot. A budget,

like a blue-print and a flight plan, should contain sound, attainable objectives based on a realistic plan of operations rather than mere wishful thinking.

A. Accounting and Management. Probably no other instrument contributes more directly to management than a budget. A budget embraces both accounting and management functions. It is a management function because it is an expression of management's plans and an accounting function because plans are translated into financial terms for subsequent comparison with actual performance. Each of management's primary functions is directly served by budgeting. Planning is encouraged because careful study, investigations, and research must be given to expected future operations if the budget is to contain sound, attainable goals. Advanced planning, in turn, increases the reliance of management on fact finding in making decisions and lessens the role of hunches and intuition in managing a business enterprise.

B. Preparation. Coordination is facilitated as each level of management participates in the preparation of the budget. In addition, a budget enables top management to explain its objectives to each stratum of management. For example, planned merchandise purchases are developed in accordance with anticipated sales. Manpower requirements and salary costs can be correlated with anticipated income from services to be rendered.

C. Control. While managerial planning and coordination are important, they must be accompanied by control. Budgeting contributes to effective management control through the preparation of frequent budget reports in which actual performance and budget of objectives are compared and variations are revealed. The disclosure of variations enables management to focus attention on the

areas which require immediate corrective action. Budget objectives act as a deterrent against waste and serve to encourage efficiency and cost savings.

D. Budget Revisions. For the budget to remain an effective management tool, revised budgets incorporating significant program changes for the balance of an accounting period should be prepared. Revisions should not be made solely to eliminate variations from planned performance.

C0203 BUDGETING PROCEDURES.

C020301 Responsibility for Preparation.

A. Budget Officer. The responsibility for actual preparation of the budget is assigned to the local budget officer and the MWR Director. Budgets are prepared for both appropriated and nonappropriated funds requirements in accordance with guidance established by the program manager.

B. Budget Input. Requests for budget estimates should be extended to the lowest level in the chain of command to enlist the participation and cooperation of all strata of management. After the estimates have been received, they are reviewed and incorporated into a master plan. This process usually necessitates a revision of some of the estimates, and each supervisor is given an opportunity to defend his estimates and requests. The various budgets are then agreed upon and approved by the commanding officer. Finally, the budgets are distributed and explained to each responsible supervisor as the operating plan against which their performance will be compared.

C. Sources of Information. Budgets are dependent upon the preparation of timely, clear, and accurate financial statements reporting operational results and financial condition of the business entity. The financial condition of an activity is presented in its balance sheet, while its earnings are reported in the income statement. The items appearing in these statements are major considerations in planning.

D. Elements of Financial Planning.

1. Management of Working Capital. The efficient administration and control of capital used in an activity.

2. Financial Plan. Determining the sources and required amount of initial or additional capital. This is an estimate based on past experience.

3. Operating Budget. The projection of income and expense for a future period. Permits comparison and analysis of projected data with actual data. This is an estimated view of future income and expense based on past experience. The estimate will be influenced by management policies such as a reduction of personnel costs which could increase the net profit. It could also be influenced by an anticipated reduction in patronage through military transfers which could result in a decrease in level of operations and net profit.

4. Cash Budget. A projection of cash receipts and disbursements for a specified future period. It is necessary to know how much cash will be necessary to operate during the coming months and at what times and in what amounts cash will be available to meet payment needs. Cash budget shall be derived from and reconciled with the operating and capital budgets.

5. Capital Budget. The projection of expenditures for acquisition, construction, renovation, and expansion of capitalized fixed assets such as furniture, fixtures, equipment, and building improvements. The source of funding and estimated completion date shall be indicated.

6. Annual Appropriated Fund Budget. An itemized listing of required appropriated fund support.

7. Balance Sheet Projection. The projection of assets, liabilities,

and net worth at a future date based on planned operational results.

C0204

OPERATING BUDGET

A. General. In its simplest, the operating budget is expected receipts less desired profits. Planning is designed to increase receipts or reduce allowable costs and expenses, or both, to achieve the desired profit objective. For instance, once the desired profit is determined, there must be planning to obtain this profit. It may be reached by increasing receipts through more aggressive promotion, additional facilities, or a rise in prices. The profit objective, through more effective management, may also be approached by cutting costs (allowable costs) through a reduction in personnel, tighter control on costs, or reduction of administrative expenses.

B. Profit Objective. The profit objective should be consistent with the need for maintaining the lowest possible price to customers, expansion requirements, and other management needs. An activity which has acquired elaborate, or even adequate facilities, may be in a position to budget profits at or near the break-even point, and pass along the usual operating gains to customers through reduced prices, dues, or other service charges. The purpose of the budget under such circumstances is to limit administrative expenses so as to increase the direct benefit accruing to customers through lower charges.

C. Forecasting Receipts. Forecasting future receipts is the most important element in the operating budget since all other elements are dependent upon this figure and must vary accordingly.

1. B a s i c Management Unit. A basic unit of measurement must be determined to forecast future receipts. This unit of measurement is obtained from data collected from past operations. The measurement unit may be selected from such data as the number of customers, meals, and guests applicable to each major activity (bar, dining room, golf course, barber shop, or any

other department). Dollar amounts may be applied to measurement units upon determination of pricing and rate standard.

2. Forecasting Procedure. Future receipts from the sale of goods should be computed separately from income from other activities such as room service, greens fees, and membership dues, etc.

3. Other forecasts. Income from similar activities may forecast in a like manner. Income from nonresale activities may be forecast directly in terms of measured units and by the application of rates as determined by the board or council, or as prescribed in the by-laws in the case of membership dues and assessments. Consideration should be given to such factors as number of dependents, training schedules, seasonal variations, and holidays.

D. Limiting Expenses. When the total gross income from sales and other activity sources has been forecast, the dollar amount of net profit needed to support future requirements may be determined. The difference between these two figures (gross income and net profit) represents the maximum amount which may be used to defray all expenses during the budget period. Major costs such as cost of goods sold, wages and salaries, personnel benefits, utilities, and depreciation should be forecast separately for each month of the budget period. General and administrative expenses representing smaller amounts may be consolidated. The distribution of expense by activity should be accomplished when practicable. Prior experience should be the basis for apportioning expense allowances to the various activity accounts. Past expenses, however, should be examined closely as to propriety and necessity. Savings accomplished and reflected in greater profits may be converted to lower prices in subsequent periods. This factor actually may induce greater dollar volume gross income through increased patronage. Conversely, it may be found that the budgeted gross income is so low as to result in the forced reduction of essential expenses, adversely

affecting sales volume and patronage. These matters cannot be resolved by a predetermined formula but must be resolved by good management.

E. Presentation of Operating Budget. The final form of the operating budget is the same as the income statement, except that provision is made for monthly comparisons. All items should be expressed in terms of percentages of total sales for analysis and comparative purposes.

C0205 CASH BUDGET

C020501 General. A cash budget is an effective tool in planning cash requirements and resources of a business. It is important to note that the excess or deficit of cash receipts over disbursements for a given accounting period may not equal the amount of net profit or loss as reported in the income statement for the same period. Sales on credit, purchases on credit, and other accruals reflected in the income statements prevent a direct comparison.

C020502 Purpose. The primary purpose of the cash budget is to identify existing and anticipated cash resources to finance operations, pay debts as they mature, pay for desired expansion, and maintain the business in a satisfactory or liquid position. Sales volume, inventory levels, pricing, credit policies, and plans for replacement and expansion of fixed assets, should be critically reexamined in the light of the cash budget, and modified as necessary. When the cash budget indicates a deficit during all or part of the budget period, the entire plan of operations may be too ambitious for the resources available. Certain budgeted activities may have to be curtailed or deferred until additional capital can be accrued from future earnings.

C020503 Preparation. In estimating cash receipts and disbursements, other budgets must be carefully studied. Appropriate consideration should be given to future plans of management which will affect cash. After cash receipts and disbursements have been estimated, a minimum cash balance is established that will be adequate

to meet cash requirements. The cash budget should be prepared progressively by monthly revision to provide a perpetual forecast. The period of time covered by a cash budget varies with the type of business and the activity's cash position. When the supply of cash is short, a weekly or even a daily cash budget may be necessary. Ordinarily, however, twelve separate monthly budgets are prepared for the year. Cash budgets are usually accompanied by detailed schedules of the major items summarized in the budget. Forecasts of total income as reflected in the operating budget must be adjusted for cash transactions. Cash receipts arising from credit sales and other charges will necessitate preparation of accounts receivable aging schedules, actual and projected. Monthly comparison should be made with actual cash receipts and disbursements for the purpose of planning future operations.

C0206 CAPITAL BUDGET

A. General. The capital budget is a summary of proposed expenditures of cash for depreciable assets for the following purposes:

1. Additions and extensions to property and equipment.
2. New property and equipment.
3. Replacement of property and equipment unit.
4. Furniture, fixtures, and office equipment.

B. Purpose. The objective of the capital budget is to increase or at least maintain future profits without jeopardizing the financial stability of the activity. Expansion or replacement proposals that do not further sales volume are not in themselves a sufficient basis for expanding capital investment, unless it is to be supported by a continuing high volume.

C. Long Range Planning.

1. Planning for capital expenditure must be considered from a long-range viewpoint to include the following considerations:

a. Long-term estimate of revenue, cost of operations, and profits.

b. Possibly serve an increased patronage without expansion of fixed assets.

c. Determine expansion of property and equipment required to serve increased patronage in terms of physical units.

d. Ability to obtain the required amount of capital when needed.

2. The capital budget may be forecast by calendar quarters for 1 year in advance, and for each year thereafter up to 5 years.

D. Sources of Capital. Failure to carefully budget capital expenditures is likely to result in the diversion of cash required for working capital to the acquisition of fixed assets, thereby impairing the ability of the fund to meet its current financial obligations. If cash required for operations is used for this purpose, it results in a diversion of working capital into fixed capital. The maximum funds available for capital expenditures, without impairment of working capital, are measured by:

1. Reinvested (Retained) earnings for a given period.

2. Annual allowances for depreciation (accumulated depreciation accrued through monthly charges).

3. Proceeds from loans (ultimately to be repaid from future earnings).

E. Financing Replacements and Expansion. Capital expenditures for replacement of fixed assets as a general rule should be limited to the accumulated allowances for depreciation, while expansion of amounts required as additions to working capital.

F. Preparation. The capital budget should be prepared in two forms.

1. A listing of individual projects or fixed asset items to be acquired during a future period stating the estimated cost of each, the date and amount of actual expenditures, and the unexpended balance of budgeted expenditure.

2. Summarized by Period. Capital budget summarized by period. The budgeted project may be summarized for each budget period and computation made of the total funds estimated to become available for capital expenditures.

C0207 BALANCE SHEET PROJECTION

A. General. The balance sheet projection is a preview of the financial condition on a specified future date, based on the plan of operations adopted. The balance sheet projection may be prepared as a culmination of other forecasts and budgets specified in other sections of this Chapter.

B. Purpose. The balance sheet projection may be used to:

1. Note the flow of reinvested profits into current and fixed assets.

2. Check on the accuracy of the operating budgets.

3. Aid in planning capital expansion.

4. Forecast cash balances and requirements.

5. Aid profit planning designed to secure an adequate return on the total investment.

6. Maintain the ratio of current assets to current liabilities and other financial ratios at a desirable level.

C. Preparation. The balance sheet projection should be maintained for periods coinciding with those of the operating budget. It should be prepared in substantially the same form as the balance sheet except that it may be condensed to show only the more significant items. If other budgets discussed in this chapter are regularly prepared, very little additional effort will be required for preparation of the balance sheet projection since most of the projected items have already been ascertained. Only a few additional items such as prepaid expense must be projected. Accounts receivable are estimated by adding to the opening balance the amount of estimated sales on account, less estimated collections during the period. Similarly, other balance sheet items are projected based on data contained in the operating, cash, and capital expenditure budgets.

D. Use of Financial Ratios. Financial ratios referred to in the following paragraph should be used in the analysis of the balance sheet projection. Comparisons of desired financial ratios with projected ratios may result in modification of operational plans and budget elements.

C0208 MANAGEMENT OF WORKING CAPITAL

A. General. Working capital management includes the following terms:

1. Current Assets. Cash and other assets that may reasonably be expected to be realized in cash, sold or consumed, within 1 year through the normal operations of the business. In addition to cash, the assets usually found in this group are accounts receivable, loans receivable, merchandise inventory, short-term investments, and prepaid expenses. They are customarily

listed in order of liquidity, which is the order of their expected conversion to cash.

2. Current Liabilities. Debts that in the ordinary course of business will be liquidated within a year such as accounts payable, loans payable, salaries and wages payable, and collections received in advance for which goods or services will be given within a year.

3. Working Capital. The excess of current assets over current liabilities.

4. Fixed Capital. That portion of total capital (additional to working capital) consisting of relatively permanent assets acquired for use in the conduct of the business. Such capital is not intended for disposal in the ordinary course of events, and includes items such as furniture, fixtures, equipment, and building improvements.

B. Flow of Working Capital. Upon establishing a business, cash may comprise the total capital. A part of cash is invested in fixed assets such as equipment, furnishings, building improvements, etc. The remainder is retained in part as cash to meet operating expenses, and in part to purchase goods as the stock in trade. These goods are sold and converted into cash or accounts receivable, which are ultimately collected in cash, to complete the working capital cycle. Each time the cycle is made, from cash to goods to cash, it should yield a return. A constant and rapid circulation (cycling) of working capital is desirable to compound the yield and increase the return, in relation to the amount of working capital required.

C. Administration of Current Assets.

1. Cash. A cash balance on hand and in banks should be maintained at the minimum amounts required for change funds, petty cash and payables due in the next succeeding month. Additional amounts not used in current operations should be

invested in securities redeemable when cash is desired, and yielding maximum interest.

2. Receivables. The volume of receivables is determined by sales and credit policies and by the effectiveness of collection of outstanding accounts. The efficient collection of receivables is a vital part of working capital management. Laxity in this regard may tie up an undue amount of cash otherwise needed as working capital as well as increase losses from bad debts. It may be necessary to impose customer credit limits on accounts that are in excess of a reasonable period or amount.

3. Inventories. Inventory management involves regulation of the size of the investment in goods on hand, the types of goods carried in stock, and turnover rates. The investment in inventory should be kept at a minimum consistent with maintenance of adequate stocks of proper quality to meet sales demand. Increases or decreases in the inventory investment must be tested against the effect on profits and working capital. Standard levels of inventory should be established as adequate for a given volume of business, and stock control procedures applied so as to limit purchase as required. Such controls should not preclude volume purchase of nonperishable items when price advantages may be obtained under unusual circumstances. The rate of inventory turnover is a valuable test of merchandising efficiency and should be computed monthly.

D. Required Working Capital.

1. The following factors generally affect the amount of working capital required:

- a. Turn-over rate of inventories.
- b. Turn-over rates of accounts receivable.
- c. Terms of purchase.

d. Terms of credit sales.

e. Overall expansion.

f. Seasonal variations.

g. Changes in customer strength.

2. The approximate amount of working capital required to operate at a given date, and the amount of working capital excess or deficit, may be calculated as follows:

Current Assets
Less: Current Liabilities
Equals: Working Capital
Less: One Inventory Turnover
Less: Net of 1 Month's Expenses and Revenues from other than Sales Activities
Equals: Working Capital Excess or Deficit

E. Working Capital Ratios. The ratio analysis or working capital can be used by management as a means of checking upon the efficiency with which working capital is being applied. Important ratios for working capital management analysis are the working capital and inventory turnover ratios and the turnover or average collection period for accounts receivable. The behavior of ratios, over a series of accounting periods, is indicative of trends which may signal the need for adjustments in the future. Some of the working capital ratios which may be computed are described below.

1. Capital Ratio. The relationship between current assets and current liabilities is called the current ratio. This ratio measures the ability to pay short term debts and is computed by dividing the total of current assets by the total of current liabilities. Marketable securities, receivables, and inventories may decline in value and there is no certainty as to when they will be converted into cash. On the other hand, current liabilities must

be paid at their face value and at specific dates. It is desirable, therefore, that current assets always be materially in excess of current liabilities. The excess of current assets over current liabilities is also frequently used as an index of current financial condition. It is referred to as working capital or net current assets. There is general rule that a current ratio less than a 2:1 is unsatisfactory. Like most generalities this one is subject to modification in certain specific cases. A ratio that is smaller would indicate that debts may be too high. On the other hand, if the current ratio is too large this means more current assets should be converted to other useful purposes.

2. Acid-Test Ratio.

This ratio is the sum of cash, receivables, and marketable securities (called quick assets) divided by current liabilities. The acid-test ratio is a supplemental measure of liquidity. A ratio of 1:1 indicates that for every dollar of current debt there is available one dollar of quick assets to meet current liabilities. As a general rule, the acid-test ratio should be no less than 1:1. While it is generally desirable that the acid-test be high and improving, it is possible for it to be too high for the good of the business. Cash and most receivables are not earning interest and the return on most temporary investments is not large. Neither too little nor too much working capital is desirable. One of the arts of business management is the ability to determine and maintain the optimum amount of each type of asset.

3. Ratio of Net

Sales to Assets. The ratio of net sales to assets is a measure of the effectiveness of the utilization of assets. Assume that two similar activities have equal amounts of assets but that the sales of one are double the amount of the sales of the other. Obviously, the former is making better use of its assets. In computing the ratio, any long-term investments should be excluded from total assets as they make no contribution to sales. The units of product sold may also be used in place of the dollar amount of sales, if sales can be stated in a common unit. Assets used in determining the ratio may be the total at the end

of the year, the average at the beginning and end of the year, or the average of monthly totals.

4. A c c o u n t s

Receivable Turnover. The relationship between sales volume and accounts receivable is stated as the accounts receivable turnover. It is calculated by dividing net sales on account by the average accounts receivable. The average of the monthly balances of accounts receivable should be used in the computation, as it gives recognition to seasonal fluctuations. When such data are not available it is necessary to use the average of the balances at the beginning and end of the year. Accounts receivable yield no revenue hence it is desirable to keep the amount invested in them at a minimum and the number of turnovers as high as possible. Prompt collection reduces the amount of loss from bad debts. The composition of accounts receivable changes continually during the business cycle. Accounts receivable are increased when charge sales are made and decreased when collections are received. Increases or decreases in the volume of sales will also affect the amount of outstanding accounts. Another method of expressing the result is to divide 365 (days) by the receivable turnover figure to get the average number of days that the receivables were on the books.

5. Merchandise

Inventory Turnover. Most of the observations about receivables discussed in the preceding subsection (d. above) are also applicable to merchandise inventory. Inventory in excess of the needs of the business ties up funds that could be used in other ways to better advantage and may increase the amount of insurance, storage, and other related expenses. There is also added risk of loss through price declines and deterioration or obsolescence of the merchandise. The merchandise inventory turnover rate is computed by dividing the cost of goods sold by the average cost price value of the inventory. If monthly data are not available, it is necessary to use the average of the inventories at the beginning and end of the year.

F. Turnover of Working

Capital. A close relationship exists between sales and working capital. As sales volume increases,

the investment in inventories and receivables increases and therefore, a larger amount of working capital is necessary. The turnover of working capital reflects the extent to which the business is operating on a small or large amount of working capital in relation to sales. This turnover or ratio is composite of number of relationships (inventories, receivables, current liabilities, etc.). These various component elements should be analyzed individually to account for changes from period to period. The turnover of working capital is computed by dividing the net sales for the year by the average working capital.

CHAPTER 3

OPERATIONAL STANDARDSC0301 GENERALC030101 Responsibility.

A. Assistant Secretary of the Navy (Manpower and Reserve Affairs). As the overall policy director for NAFIs, authorizes the establishment of new type activities and assigns their program classification.

B. Program Manager. The program manager, as the administrative manager for morale, welfare, and recreation functions under his command, is responsible for the technical and administrative directives which will:

1. Set forth requirements for establishment of the programs and activities.

2. Insure implementation of budgeting, accounting analysis and evaluation, and auditing.

3. Implement report requirements and time frames.

4. Aid in the preparation of budgets for both appropriated and nonappropriated funds.

5. Specify management policies.

6. Specify formats and provisions of contracts.

7. Implement policies for the disposition of surplus property.

8. Establish policies for purchasing, contracting, investing, administering and protecting assets in accordance with this handbook.

9. Set forth liquidation and closing procedures for disestablishment activities consistent with this handbook.

10. Establish and maintain adequate systems of internal control that provide reasonable assurance that the objectives of internal control are met and reviewed periodically (for all functions; not solely financial management).

11. Establish audit programs and management review cycles for NAFIs under his command.

C. Commanding Officer. Fund administration and supervision are command functions. Consequently, commanding officers have the same responsibility for the proper administration of nonappropriated funds as for any other functional element of their command. Under the technical supervision of the appropriate program manager, and in accordance with applicable directives, the commanding officer has jurisdiction over, and is responsible for, the establishment, administration, operation, and financial condition (including solvency, stability, and dissolution) of NAFIs and will:

1. Direct the activity operation in accordance with policies and procedures set forth by the program manager and as delineated herein.

2. Review and evaluate financial statements and where applicable forward as directed to higher authority.

3. Appoint qualified managers and insure that an advisory group is designated for each morale, welfare, and recreation program to act in an advisory capacity to the commanding officer by observing the

overall operation of the activity and making recommendations to the commander for its improvement. Individuals responsible for either the receipt or disbursement of appropriated funds will not be appointed as a manager or custodian of nonappropriated funds. The custodian/treasurer or Other Membership Associations, such as, flying clubs, rod and gun clubs, etc., should be elected or appointed from the memberships of such activities, subject to the approval of the commanding officer.

4. Budget for appropriated funds which are authorized to support morale, welfare, and recreational activities.

5. Insure that technical advice and assistance in the supervision of activity functions is obtained from other staff members on matters in which they have functional responsibility.

6. Effect corrective action on recommendations made by audit, program managers, and/or advisory personnel.

7. Disapprove any recommendation of the manager/custodian or advisory group which is deemed not to be in the best interest of the Department of the Navy.

8. Ascertain that each activity is being properly administered and its monies and property safeguarded, that all income has been received in full, and insure that all disbursements are made only for authorized purposes.

9. Direct that inventories are taken as required by governing directives.

10. Designate a successor manager:

a. When the manager is absent by order, leave of absence, or any other cause for more than 30 days (and there is no designated assistant), the commander will designate a successor manager and require a

physical inventory to be made in support of a statement of assets. Such inventory will be certified by the manager as correct to the best of his knowledge, and signed as a receipt by his successor subject to such exceptions, if any, as may be noted therein. The signed statement will be retained as a part of the activity's records. In the case of Navy Exchanges, successor managers (Navy Exchange Officers) are appointed by the Commander, Naval Supply Systems Command and relieving procedures are provided by the Navy Exchange Manual.

b. A n inventory of the complete system is not necessary when the manager of a morale, welfare, and recreation activity (consisting of branches which have assigned managers with specific duties and responsibilities set forth in writing by the commander) is relieved at a time other than the normal termination of an accounting period. All cash on hand, however, to include receipts for petty cash and change funds rendered by branch managers, the bank accounts and any property with the central office, will be verified by both parties and invoice and receipt accomplished.

c. Unless there is an assistant manager, an acting manager will be appointed by the commanding officer when a manager is to be absent from duty for a limited period of 5 to 30 days. The acting manager becomes responsible by signed receipt for all assets as shown in the records as of the transfer date, subject to confirmation within 30 days thereafter. In the case of Navy Exchanges, an acting Navy Exchange Officer is designated by the commander as provided by the Navy Exchange Manual.

D. Manager. The manager as a direct representative of the commanding officer exercises executive control over the morale, welfare, and recreation function and is charged with the following responsibilities and specific duties and will:

1. Receive, and safeguard monies and other assets in accordance

with this handbook and other applicable regulations, directives and/or manuals.

2. Cause to be put into effect all management policies as directed by the program manager, the commanding officer, and other competent authorities.

3. Employ, train, supervise, and discharge personnel, and establish rates of pay and working hours, subject to the approval of the commanding officer, minimum wage legislation, and DOD wage surveys,

4. Establish a continuous training program for all personnel.

5. Develop, implement, and maintain an internal control system in accordance with this handbook.

6. Be financially liable for losses of monies and property when his dishonesty, fraud, or culpable negligence is established.

7. Insure the adequate protection of cash (including bank deposits) and proper investment of monies is in conformity with this handbook and applicable directives issued by the program manager. (see Appendix B).

8. Prepare necessary budgets in accordance with this handbook and as prescribed by the program manager.

9. Insure that inventories are taken as required by governing directives.

10. Be responsible for all purchasing and contracting and insure compliance with SECNAVINST 7043.5(series) and other pertinent directives.

11. Be responsible for all financial operations of the activity to include all income-producing or service functions.

12. Insure that each fund maintained in support of a retirement program is regularly reviewed by one or more qualified actuaries.

C0302 APPROPRIATED AND NONAPPROPRIATED FUNDS

C030201 Guidance. Guidance for the use of appropriated and nonappropriated funds support to military morale, welfare, and recreation (MWR) programs and activities is contained in NAVCOMPT Man. Vol 7. Base Comptrollers will prepare budgets for annual appropriated and nonappropriated fund support for morale, welfare and recreation programs in accordance with major claimant guidance consistent with the fund use rules prescribed and annual budget guidance provided in NAVCOMPT Notice 7111.

C030202 Use of APF. As prescribed on NAVCOMPT Man. Vol.7, appropriated funds may be used to provide support to morale, Welfare and Recreation Programs. The following outlines procedures used in accounting for appropriated fund support to morale, welfare and recreation activities.

A. Comptrollers will issue quarterly/yearly operating targets (OPTAR) to each Morale, Welfare and Recreation program manager permitting obligation of appropriated funds within the specified monetary limits.

B. The morale, welfare and recreation manager will initiate typical obligating documents (such as travel orders, DD Form 1348's, purchase orders, labor cards for Appropriated fund paid morale, welfare and recreation employees, etc.) when intending to directly cite OPTARED appropriated funds.

C. Order for Work and Services (NAVCOMPT Form 2275) may be issued against unobligated OPTAR balances to morale, welfare and recreation activities to cover anticipated reimbursements of nonappropriated fund costs by appropriated funds for authorized support. The NAVCOMPT Form 2275 should be issued in an amount based on estimated

reimbursement needs and carry an expiration date consistent with the OPTAR. The issuing activity must assign a Navy Standard Document Number to the NAVCOMPT Form 2275 and upon its acceptance, have it recorded as an obligation in the appropriated accounting records. The total OPTAR availability includes both the direct cite obligations and the anticipated reimbursements obligated under the NAVCOMPT Form 2275 (See Appendix C-2).

D. An APF entity may contract with the NAFI for services, functions, or goods that the NAFI is in the unique position to provide. Work and services must be processed by contract, activities will no longer be able to use reimbursable orders to pay for goods or services provided by NAFI.

E. At year-end, base comptrollers prepare reports of appropriated fund support to morale, welfare and recreation activities in accordance with this appendix.

F. When morale, welfare and recreation activities request supplies and services as authorized by NAVCOMPT Manual, Volume 7, they may use NAVCOMPT Form 2275 Order For Work and Services. The requesting MWR activity must completely fill the applicable blocks on NC Form 2275 except that block 12 will be annotated to indicate that the order is to be paid by nonappropriated funds. When an MWR activity requests work and services using Operating Target (OPTAR) appropriated funds, block 12 of NC Form 2275 will be annotated with applicable appropriated accounting data. In both cases, billings will be sent to the activity indicated in block 11.

C0303 FRAUD OR OTHER DISHONEST ACTS. Any employee or person connected with a morale, welfare, and recreation activity will report to the proper authority any suspected misappropriation, embezzlement, larceny or robbery of property or funds, or other improper matter for action in accordance with Article 1139, U.S. Navy Regulations, 1973 and applicable instructions.

C0304 INSURANCE

C030401 Self Insurance. The Comptroller General has consistently held that unless otherwise provided by law, appropriated funds are not available for insurance of government property as the government is a self insurer. This prohibition does not extend to nonappropriated funds used to insure nonappropriated fund purchased property. One of the most effective means of protecting assets is through insurance. Certain insurance coverage is mandatory while other types of protection are at the option of the fund or as specified by the program manager.

C030402 Morale, Welfare, and Recreation Activity Insurance Requirements. Activities will normally carry as a minimum the following insurance:

A. Worker's Compensation as required by state and territorial laws, and in the employment of foreign nationals as required by local laws. Where no provisions for worker's compensation are applicable, employer's liability insurance shall be provided.

B. Group life and comprehensive medical/health insurance.

C. Property insurance, including fire and extended coverage, sprinkler leakage, robbery, theft, and securities coverage. When the insurable value exceeds \$10,000 it will be provided by commercial insurance or on a self-insurance basis. Insurance may be provided on an optional basis for insurable values of less than \$10,000.

D. Bodily injury and property damage liability insurance (general and automobile) will be provided by commercial insurance or on a self-insurance basis.

E. The methods by which assets are protected will encompass sound risk management principles that will satisfy all applicable insurance laws (both domestic and foreign) while providing the broadest most cost-effective protection available.

F. Amounts of coverage and the techniques of handling risk of loss should be based on risks involved in transactions not protected by internal control procedures and as may be determined by the program manager and/or commanding officer.

G. A plan to provide funding for retirement payments. Program Managers will ensure that retirement plans are funded in accordance with sound actuarial principles. Independent external actuarial review is required every two years. Also required is an examination by a certified public accounting firm during scheduled audits every two years.

C030403 Concessionaire Insurance Requirements

A. Adequate Insurance Coverage. Morale, welfare, and recreation activities which carry on business through concessionaires within the United States will provide in their contracts that adequate worker's compensation, employers' liability, bodily injury and property liability insurance will be carried to protect the interest of the concessionaire, the activity, and the Federal Government. In overseas areas concessionaire contracts will provide that the concessionaire will comply with the local laws or customs of the country or political subdivision in which the concession is located.

B. Named As Additional Insured. With respect to bodily injury and property damage liability insurance, the concessionaires contract must contain a clause which provides that the activity concerned and the United States of America are named as additionally insured parties, in addition to the concessionaires. The activity will obtain from the concessionaire, a certificate of compliance, signed by the insurer, which clearly indicates that the type and amount of insurance stipulated in the agreement, has been issued to the concessionaire.

C030404 Performance Bond. Contractors or vendors under contract for construction or for

the furnishing of supplies or services may be required to post a collateral or performance bond in order to protect the activity from loss by insuring the fulfillment of such contract.

C030405 Insurance and Federal Tort Claims. Procedures for processing insurance and tort claims will be in accordance with JAG Manual, Chapters XX and XXIII.

C0305 CONCESSION OPERATIONS AND CONTRACTS

C030501 Direct Operation. So far as practicable, all facilities, services, and functions should be a direct operation. Where circumstances would preclude realizing comparable service and a reasonable financial return, contractual agreements may be entered into between individuals or commercial organizations and activities with the consent of the commanding officer and/or program manager.

C030502 Utilities. A concessionaire is responsible for payment of the cost of all utilities in connection with his operations. Where utilities are furnished by the Government on a reimbursable basis, charges will be made in accordance with NAVCOMPT Manual, Vol. 3, Chapter 7, Part D or Navy Industrial Fund Procedures, as applicable and NAVCOMPT Manual, Vol. 7 paragraphs 075260 and 075261.

C030503 Policies. Policies regarding the control of concessionaire operations are prescribed in SECNAVINST. 7043.5A(series).

C030504 Commissions. Commissions from concessionaires to the nonappropriated funds will be based on a percentage of sales.

C0306 AUDIT AND INSPECTION

C030601 All Levels. Activities at all levels of command are subject to audit and/or inspection. Activity managers will cooperate with auditing and inspecting personnel. Mishandling of nonappropriated funds and property, and violations of standards of conduct in connection therewith, will be referred to the

commanding officer, and when deemed appropriate, to the Naval Investigative Service. Irregularities of a potentially serious nature will be reported through command channels to the Assistant Secretary of the Navy (Financial Management).

C030602 Audited Annually. Activities will normally be audited annually or as directed by the program manager whenever circumstances warrant and directives require such action in discharge of his responsibility.

C030603 Policies Regarding Audit. Policies regarding the audit of nonappropriated funds and related activities are prescribed in SECNAVINST 7510.7C(series).

C0307 RECORDS MANAGEMENT

C030701 Records Maintenance And Disposition. All records pertaining to the administration of nonappropriated funds will be maintained and disposed of in accordance with SECNAVINST 5212.5C(series).

C030702 Audit Trails. Computerized records are authorized so long as the required data are maintained and necessary audit trails are established.

C0308 LIQUIDATION AND CLOSING

C030801 Liquidation. Upon receipt of notification that an installation and/or activity is to be inactivated or placed in a standby status, the program manager, major claimant and the commanding officer will take such action as is deemed necessary to preclude careless or extravagant expenditure of assets prior to the dissolution of the fund. During the period between proposed inactivation and actual closing, disbursements will be limited to normal essential expenses, future commitments canceled, and the contractual agreements canceled or renegotiated when necessary. These responsibilities and procedures will apply also in the event a fund is dissolved for reasons other than inactivation of an accomplished: Applicable detailed liquidation procedures for exchanges are contained in the Navy and Marine Corps

Exchange Manuals. Applicable detailed liquidation procedures for morale, welfare and recreation funds are provided by the program manager.

A. Question all creditors, past and present, to determine whether any liabilities exist and accordingly liquidate any outstanding payables.

B. Collect all accounts receivable, or charge off to operating expenses those found to be uncollectible.

C. Obtain settlement of all transportation and insurance claims owed to the activity.

D. Remit final withholding tax and social security payments and furnish employees with statements of earnings and deductions.

E. Convert all Government securities into cash. (Note: Some Government securities require time notices before redemption.)

F. Advise the depository to forward final bank statement to the applicable program manager, cognizant auditor, or other designated authority, as appropriate.

G. Perform a terminal audit of the activity.

C030802 Time Period. Within 60 days subsequent to receipt of notification to which reference is made in C030801 above, all outstanding payables will be liquidated and monies remaining forwarded as directed by the program manager.

C030803 Disposition of Property and Records. Upon the disestablishment of an activity the property and records thereof will be disposed of in the following manner unless otherwise prescribed by the program manager:

A. Merchandise may be sold to other activities or returned to vendors for credit, if possible.

B. Transfer merchandise and property to other activities as prescribed by the program manager. Receiving activities will be responsible for payment of all expenses incident to packing, crating, and movements of merchandise of property.

C. All records and related correspondence remaining after the terminal audit will be forwarded to the major claimant for subsequent forwarding to the nearest Federal Records Center.

C030804 Final Disposition of Residual Assets. Upon final dissolution, all residual assets which remain after the transfer of monies cited above, including proceeds from sale of property and merchandise, will be forwarded promptly by check as directed by the applicable program manager. Residual assets will be accompanied by a certified copy of the terminal audit of funds and, if appropriate, by notation of corrective actions taken hereon. Fixed asset disposal entries are normally based on the book values existing at the close of the last month of business operations for the dissolving NAFI and not the last month of the NAFI's existence as a fiscal entity, ie., a fixed asset is not depreciated over the final accounting periods required for liquidation and closing if normal business operations have ceased and the fixed asset is no longer being used or providing service.

CHAPTER 4

UNIFORM CHART OF ACCOUNTSC0401 GENERALC040101 Uniform Chart of Accounts.

A. This Chapter establishes a uniform chart of accounts for recording transactions of all nonappropriated funds within the Department of the Navy with exception of those accounted for by the Navy and Marine Corps Exchange Systems. All NAFIs participating in the (RAMCAS) shall use the chart of accounts listed in the RAMCAS Users Handbook. All classes of transactions are normally first entered in books of original entry and subsequently posted to the ledger accounts.

B. Each type of account coding is listed, described, and categorized in paragraphs 401 and 402. Subclassifications may be established where needed provided all such subclassifications are standardized at the program manager level.

C040102 Schedule of Accounts.

A. To classify the accounts in an orderly manner in accordance with a definite plan for control of operations and facilitate analysis of operating results, a series of three digit account numbers has been assigned to the following major classifications appearing in the general ledger.

Account Categories

<u>Series</u>	<u>Category</u>
100	Assets
200	Liabilities and Net Worth
300	Sales Income
400	Cost of Sales
500	Activity Income
600-700	Operating Expenses
800	Other Income
900	Other Expense

C0402 UNIFORM CHART OF ACCOUNTS.

General ledger accounts will be numbered and titled to conform to the below Uniform Chart of Accounts. These accounts are numbered in such a manner as to provide for the uniform addition of subaccounts by program managers. For example, account 100 Cash can be expanded with 101 Concentration Bank Account; 108 Imprest Bank Account-Payroll; 114 Petty Cash; etc. Program managers will also assign two-digit individual Activity/Department Codes to asterisked accounts so that they are uniform for each morale, welfare, and recreation program category. Some activities will need only a minimum number of accounts to maintain their records in an adequate manner, whereas, large funds may necessarily need to augment the number of accounts listed. Program managers may assign additional detail accounts not otherwise prescribed by this handbook that are consistent with its accounting policies. Requests for approval of any deviations will be submitted to the DFAS-HQ via the appropriate program manager.

ASSETSCURRENT:

100	Cash
120	Investments
130	Inventories
*150	Receivables
160	Prepayments

NON-CURRENT:

170	Fixed Assets
171	Vehicles/Aircraft
173	Furniture, Fixtures, and Equipment
175	Buildings and Facilities
177	Building and Facilities Improvements

178	Construction in Progress
180	Accumulated Depreciation
181	Vehicles/Aircraft Depreciation
183	Furniture, Fixtures and Equipment Depreciation
185	Buildings and Facilities Depreciation
187	Building and Facility Improvements Depreciation
190	Other Non-Current Assets

LIABILITIES AND NET WORTHCURRENT:

200	Accounts Payable
210	Salaries and Wages, Personnel Benefits and Taxes Payable
230	Allocations
240	Loans Payable
250	Unearned Income
260	Other Current Liabilities

LONG-TERM:

270	Loans Payable (Long Term)
280	Other Long-Term Liabilities
290	Net Worth
291	Net Worth Beginning of Fiscal Year
293	Net Income (Loss)
295	Transfers In
297	Transfers Out
299	Distributions

INCOME AND EXPENSESSALES INCOME:

*300	Sales Revenue
*310	Sales Returns and Allowances

COST OF SALES:

*400	Cost of Sales
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ACTIVITY INCOME:

*500	Participation Fees and Charges Revenue
530	Dues and Assessment Revenue
550	Mission Support Revenue
560	Distribution Revenue
590	Concessionaire Revenue

OPERATING EXPENSES:

*600	Salaries and Wages
*620	Personnel Benefits
*640	Utilities and Rents
*660	Communications
*680	Maintenance and Repair (incl. Minor Construction)
*700	Supplies and Equipment (Expense Type)
*720	Transportation of Persons
*730	Transportation of Things
*740	Common Services
*760	Depreciation
*780	Other Operating Expenses

OTHER INCOME:

800	Interest Income
810	Miscellaneous Income
890	Extraordinary Income

OTHER EXPENSES:

900	Interest Expense
910	Miscellaneous Expense
950	Late Payment Penalty Expense
990	Extraordinary Expense

CLEARING ACCOUNT:

999	Profit or Loss Clearing Account
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*Requires 2-digit individual
Activity/Dept. Codes
Use Code 99 for G&A Indirect Expenses.

C0403 DESCRIPTION OF GENERAL
LEDGER ACCOUNTS

A. This paragraph describes the accounts within the General Ledger structure and explains the purpose for which each type account is normally used. Accounts herein are

described only to a three-digit level. Program managers may assign and describe additional specific detail accounts not otherwise prescribed by this appendix.

100 CASH. This series of debit balance asset accounts is used to record cash balances, such as checking accounts; savings accounts; petty cash; change funds; etc. Accounts maintained in foreign currencies must be converted to equivalent U.S. dollars for financial statement reporting purposes.

120 INVESTMENTS. This series of debit balance asset accounts is used to show the value of temporary interest bearing investments, such as certificates of deposit; federal securities; etc.; that will be converted back into cash within one year. Supporting securities registers will be maintained to record details as to cost, purchase date, yield, maturity date, and other pertinent information.

130 RECEIVABLES. This series of debit balance asset accounts is used to record amounts which are owed to an activity and are expected to be collected within one year, such as accounts receivable-customers; accounts receivable-dues; accounts receivable-returned checks; commuted rations; etc. Subsidiary accounts identifying amounts owed by individual debtors are maintained in support of these control-type accounts. When receivables are subsequently paid, this series of accounts is credited and cash recorded in the appropriate 100 series of accounts.

150 INVENTORIES. This series of debit balance asset accounts represents the monetary value of various types of merchandise on hand. The balance of warehouse/central storeroom control accounts must be in agreement with detail stock record cards. Differences between control totals in these central accounts and official physical inventories are adjusted to inventory shortages/overages accounts as General & Administrative expenses (Activity/Dept Code 99). Retail inventory accounts will be identified with program manager assigned 2-digit Activity/Dept codes uniform within the MWR category. Departmental

inventory account overages/shortages are adjustment to cost of sales accounts.

160 PREPAYMENTS. This group of debit balance asset accounts is used to record the unused or unexpired portion of items other than fixed assets whose benefit extends beyond the current accounting period such as prepaid supplies; prepaid insurance; advances; etc.

179 FIXED ASSETS. This series of debit balance asset control accounts is used to record the cost value of fixed assets of durable or costly nature that have been purchased with nonappropriated funds. Detail property record cards will be maintained for each asset item in support of the value of these accounts. (Excepting Acct. 178). Designated accounts (171-177) group assets into depreciable life span groupings (See para. 572). Account 178 is used to accumulate the capitalized value of construction in progress until an item is financially complete. The value is transferred to account 175 or 177 as appropriate.

180 ACCUMULATED DEPRECIATION. This series of credit balance control asset accounts is used to record the total accumulated depreciation on the assets recorded in the 170 series of accounts to show their diminished value due to usage, obsolescence, or passage of time. These accounts are credited with the amount of depreciation charged to operations during an accounting period.

190 OTHER NON-CURRENT ASSETS. This series of debit balance asset control accounts includes interest bearing investments that will be converted back into cash for more than a year and other receivables owed to an activity but not due or collectible within one year. This series of accounts also includes investments established to fund reserves for acquisitions to be made more than a year in the future. Subsidiary accounts or registers will be maintained in support of these control accounts.

200 ACCOUNTS PAYABLE. This series of credit balance liability control accounts is used to record amounts owed trade creditors or organizations for goods or services received

which will be paid within a year in the normal course of business. Also included are accounts for customer security deposits; payables due employees; collections due U.S. Treasury; assessments payable (e.g., on slot machines); etc. At the end of each accounting period supporting schedules and subsidiary ledger accounts will be reconciled to these accounts.

210 SALARIES AND WAGES, PERSONNEL BENEFITS, AND TAXES PAYABLE. This series of credit balance liability accounts is used to record the amounts for salaries, wage, and annual leave earnings of employees that have been accrued but not paid at the end of an accounting period. Accrued payroll and leave schedules will be prepared to support entries to these control accounts. Also included are accounts used to record accrued payroll related expenses such as taxes withheld or other amounts deducted from employees wages to pay for a variety of benefits. Employer contributions owed for any of these taxes or programs are included in the appropriate account with the employee portion.

230 ALLOCATIONS. This series of credit balance liability accounts is used to record the amount of monies held but available to be drawn upon by another activity such as for the use of units which are not authorized to maintain separate recreation funds. The value of funds allowed to activities is credited to these accounts with a debit to prepaid expenses and individual account amounts are supported by subsidiary records. As expenditures are made, by/or in behalf of the units, cash is credited and these accounts and the supporting subsidiary balances are decreased. An equal portion of the deferred (prepaid) expense is credited and an applicable program expense account is charged.

240 LOANS PAYABLE. This series of credit balance liability accounts shows the amounts owed on loans and notes which will be paid in full within one year. For payables with terms of more than a year, only the portion to be paid in the current year will be recorded in these accounts and the remainder of the liability will be recorded as a long-term payable in the 270 account series.

250 UNEARNED INCOME. This series of credit balance liability accounts is used to record amounts of dues, deposits, or other collections accepted in advance but not yet earned. As amounts are earned, they are transferred to an income account. Subsidiary records are maintained to determine the source of prepayments and when amounts will become earned.

260 OTHER CURRENT LIABILITIES. These accounts are used to classify and record amounts of other current short-term payables not categorized or described by any of the above specified liability accounts (e.g., bonuses).

270 LOANS PAYABLE (LONG TERM). This series of credit balance liability accounts represents the amount owed on loans and notes which are not due to be paid within one year. The portion of any of these payables that is to be paid within one year will normally be recorded as a current liability in an account in the 240 series.

280 OTHER LONG-TERM LIABILITIES. These accounts are used to classify and record amounts of long-term payables other than loans, such as retirement and severance allowances; unearned income/dues; advance collections; etc.

290 NET WORTH. This account series is limited to the recording of retained equity; net income (loss); entries associated with establishments, disestablishments, or consolidations of funds; and the distribution of capital (dividends/distributions) by Category C-Business Activities. The periodic closing of the nominal accounts (300 through 900 series of accounts) is made to account 293.

300 SALES INCOME. This series of credit balance income accounts is used to record revenues earned from the sale of merchandise. Two-digit individual Activity/Department codes are maintained for each retail activity/function (such as dining, hobby shop, bar, wine sales, etc.) with related cost of sales accounts in the 400 series, related inventory accounts in the 150 series, and related direct expense accounts in the 600-700 series; suffix codes 00 through 98. Sales

returns are recorded separately in the 310 account and not netted against the 300 sales revenue account for fuller disclosure of gross and adjusted sales revenue.

400 COST OF SALES. This debit balance account is used to record the cost of resale merchandise sold. Separate two-digit Activity/Department codes are maintained relating to each resale income account in the 300 series. The cost of free meals furnished to employees will not be charged to cost of goods sold but charged as either a direct or G & A expense in the 620 account series.

500 PARTICIPATION FEES AND CHARGES REVENUE. This series of credit balance income accounts is used to record use, rental, participation fee, or admissions revenue for various sports, recreation or other program services. Separate suffix accounts are assigned with related direct expense accounts in the 600-700 series.

530 DUES AND ASSESSMENT REVENUE. This series of credit balance income accounts is used to record revenues derived from membership dues and interfund assessments levied on particular activities (such as a percentage of slot machine or mess sales/profits, consolidated accounting offices revenue earned through the performance of services, etc.)

550 MISSION SUPPORT REVENUE. This series of credit balance income accounts is used to record revenues earned from the performance of appropriated funded mission responsibilities (janitorial services for common areas, etc. which are other than reportable morale, welfare, and recreation support costs by appropriated funds).

560 DISTRIBUTION REVENUE. This series of credit balance income accounts is used to record regular recurring revenue derived by a distribution or transfer from other units (such as exchange profit distributions, cafeteria allocations, package store profits) and/or central fund transfers or grants to field activities. It is deemed to be income to the recipient as distinct from amounts (such as initial establishment

capitalizations) creditable as direct increases to net worth in the 290 series of accounts.

590 CONCESSIONAIRE REVENUE. This series of credit balance income accounts is used to record revenues earned from concessionaire agreements of sales functions contracted out vice performed in-house, such as tour desk, ticket services, cafeteria concessions, etc.

600-799 OPERATING EXPENSE. These debit balance expense accounts are used to record by type the direct and/or indirect nonappropriated fund costs of operations (based upon the nature of the services, articles, or other items involved). They parallel appropriated fund classifications and definitions described in DODI 7000.12(series), Financial Management of Morale, Welfare, and Recreational Activities and are structured to meet its reporting requirements. These accounts require the use of two-digit suffix codes 00 through 98 for identifying them as direct activity/department operating expenses. Suffix code 99 is assigned to identify indirect (G&A) operating expenses within these series classifications. Where expenses can be identified to a particular activity/department, they must be recorded as a direct expense.

600 SALARIES AND WAGES. This series includes the NAF cost of personnel compensation such as regular salaries and wages, overtime pay, severance pay, differentials for service abroad, and contract labor. (Excludes costs that are reported under another expense caption e.g., maintenance and repair labor).

620 PERSONNEL BENEFITS. This series includes payroll related costs of benefits and employer contributions for payroll taxes life insurance/health insurance/retirement contribution costs, awards, employee meals, cost of living allowances, relocation expenses of employees, etc.

640 UTILITIES AND RENTS. This series includes the cost of heat, light, power water, gas, electricity, steam and other utility services exclusive of transportation and communications services. Includes rental of equipment (except transportation equipment) and rental of real

property and charges under Purchases Rental Agreements for equipment prior to the time that the title to the equipment is acquired.

660 COMMUNICATIONS. This series includes charges for the transmission of messages, postal charges, (other than parcel post), messenger service, teletype service and telephone service including installation charges and use of telephone instruments and switchboards.

680 MAINTENANCE AND REPAIR (INCL. MINOR CONSTRUCTION). This series includes expenses for the maintenance and repair of equipment, facilities, and real property purchased through commercial contracts or base civil engineers. Maintenance and repair performed in-house will include direct labor and materials. Overhead allocation for G&A expense (supplies, miscellaneous materials, equipment usage) will only be allocated where such is necessary to prevent a gross underestimation of maintenance and repair costs. Minor maintenance and repair not separately identified as a maintenance and repair expense need not be allocated to this expense element series as long as such costs are included under other expense series of accounts (such as salaries, supplies, etc.). Minor construction costs are expensed in these accounts only if less than amounts to be capitalized and reported in the Fixed Assets series of accounts.

700 SUPPLIES AND EQUIPMENT (EXPENSE TYPE). This series includes costs (other than significant maintenance and repair supplies) of operating supplies (e.g., china, glassware, silver, linens, uniforms, and kitchen utensils), equipment, printing and duplicating, and materials ordinarily consumed in use, such as sports gear, office supplies, fuels, punched cards and checks, subscriptions, hand tools, etc. Includes expensed materials used to form a minor part of equipment or fixed property (such as repair parts).

720 TRANSPORTATION OF PERSONS. This series includes charges (such as commercial transportation fares, rental cars fees, per diem allowances, mileage allowances, tolls, charges for

use of passenger carrying vehicles, etc.) for temporary duty (TDY) and permanent change of station (PCS) travel and subsistence for travelers conducting MWR program functions.

730 TRANSPORTATION OF THINGS. This series includes charges (such as those common carriers, parcel post, drayage, cartage, transportation of PCS household goods, rentals of truck and transportation equipment, etc.) for the transportation of things and for the care of such things while in the process of being transported for MWR programs (Where feasible such freight-in costs should be included in Resale Inventory or Fixed Assets accounts).

740 COMMON SERVICES. This series of expenses includes charges received from MWR Support Service Offices by any other benefiting category MWR for such services as accounting, procurement, personnel support, etc.

760 DEPRECIATION. This series includes the annually expiring cost value of fixed assets capitalized in the 170 account series. Expenses charged to these accounts are aligned to the various 180 series of accounts - Accumulated Depreciation.

780 OTHER OPERATING EXPENSES. This series includes all other charges for direct or indirect operating expenses not classifiable in any of the above 600-779 series of accounts (e.g., inventory shortage/overages, spoilage, uncollectible accounts, advertising, insurance premiums, etc.).

800-890 OTHER INCOME. These credit balance accounts are used to record sundry and extraordinary income gained from exceptional nonrecurring nonstandard business operations and not recordable as operating income (e.g., interest income, insurance proceeds, cash overage, bonus merchandise, gains on disposition of fixed assets, income from installation sale of recyclable materials, etc.).

900-998 OTHER EXPENSES. These debit balance accounts are used to record sundry and extraordinary expenses not recordable as direct or indirect operating costs (e.g., lawsuit losses,

fines, cash shortages, losses on disposition of fixed assets, etc.).

999 PROFIT OR LOSS CLEARING ACCOUNT. This account is used to accumulate all revenues and expenses for the purpose of determining the net profit/net loss for an accounting period. After all revenue and expense accounts (nominal accounts) have been closed to this account the final balance is transferred to account 293. A credit balance represents a net profit for the period and a debit balance represents a net loss for the period.

CHAPTER 5

PROCEDURESC0501 TAXES

C050101 General. Taxable wages generally consist of all earnings (regular, overtime, service charges, and reported tips) by an employee for services performed for his employer. Managers should obtain each year a copy of "Employer's Tax Guide, Circular E", and comply with applicable provisions thereof. Other helpful information may be found in the publications "Your Federal Income Tax" and "Tax Guide for Small Business." These publications can be obtained from the Internal Revenue Service. Copies of circular covering state income taxes should also be obtained from appropriate state authorities.

C0502 FEDERAL TAXES

C050201 Reporting And Remittance. Reporting and remittance of Federal taxes will be as prescribed by the Director of Internal Revenue.

A. Federal Income Taxes - Withholding. Withholding taxes are based on the rate established by the Internal Revenue Service and are published in the "Employers Tax Guide, Circular E." Federal income tax will be withheld from nonappropriated funded compensation of civilian and off-duty military personnel employees in conformance with the Internal Revenue Code.

B. Social Security Tax. The Federal Insurance Contributions Act (FICA) tax on wages, imposed by section 3101 of the Internal Revenue Code, will be deducted from the wages of civilian and off-duty military employees; and the excise tax imposed by

section 3111 on employers will be paid on such wages as follows:

1. Within CONUS, Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands - on wages of all civilian employees irrespective of their citizenship.

2. Within other areas - on wages of civilian employees who are citizens of the United States.

3. Deduction will be made from the wages of military personnel employed during off-duty hours.

4. Sickness or injury payments made under worker's compensation law or contract insurance or certain employer plan are exempt from Social Security tax. In the absence of an employer's sick pay plan, payments will not be exempt from Social Security tax until the lapse of six calendar months subsequent to the last calendar month the employee worked for the employer. Applicable rates and computation tables are published in NAVCOMPT Manual, Volume 3 Chapter 3, and "Employers Tax Guide, Circular E." Provisions must be made to discontinue deductions when the maximum annual deduction amount has been reached.

5. Social Security taxes should be withheld from the pay of Nonappropriated Fund Instrumentality employees for periods during which they are on sick leave.

C. Federal Unemployment Tax Act - FUTA. It has been determined that employees of Navy paid with nonappropriated funds are considered employees of the Navy for unemployment compensation and are covered by Title XV of the Social Security Act as amended 1 September 1954 (42 U.S.C. 1361 et seq.). Accordingly, filing unemployment tax returns and the payment of unemployment taxes are unnecessary. (See Appendix B concerning the Federal Unemployment Compensation Program for nonappropriated fund paid employees.)

D. Meals, Lodging and Other Facilities. The fair cost of furnishing employees with meals, lodging, or other such facilities, for the convenience of the employees will be considered paid to the employees for purposes of Federal income, FICA, and FUTA taxes. Conversely, the fair cost of furnishing employees such facilities for the convenience of the employer will not be considered wages paid if:

1. In the case of meals, they are furnished on the business premises of the employing NAFL, and

2. In the case of lodging, it is furnished on the business premises of the employing NAFL and acceptance of the lodging provided is a condition of employment.

E. Federal Occupational Taxes. Morale, welfare, and recreation entities located in the continental United States, Alaska, and Hawaii are subject to the following occupational taxes imposed by the Internal Revenue Code. (For the purpose of these type taxes, each category of MWR activity on an installation is subject to the following occupational taxes irrespective of the number of operational locations on the installation.)

1. The tax on a wholesale dealer in beer, imposed by section 5111(b).

2. The tax on a wholesale dealer in liquor, imposed by section 5123.

3. The tax on a retail dealer in beer, imposed by section 5121(a).

4. The tax on a retail dealer in liquor, imposed by section 5121(a).

5. The tax on fuel, imposed by section 4041

6. The tax on heavy trucks, imposed by section 4051

7. All other excise taxes that may be imposed as a result of changes to applicable tax laws.

C0503 STATE, TERRITORIAL, AND LOCAL TAXES

C050301 Immunity. Morale, welfare, and recreation activities of the Navy Department are entitled to immunity from the taxes of states, the District of Columbia, territories and possessions of the United States, the Commonwealth of Puerto Rico, and political subdivisions thereof.

C050302 Income Taxes Withheld From Civilian Employees. Income taxes of states and territories will be withheld from the compensation of all civilian employees whose regular place of employment is within the state or territory, when an agreement exists between the Secretary of the Treasury and the state or territory made pursuant to the Act of 17 July 1952 (66 Stat. 765, 5 U.S.C. 84b, 1952 (17 Fed. Reg. 10131). Upon the request by, and authorization of, a civilian employee not otherwise subject to withholding of pay under these agreements, voluntary withholding of income tax may be made in favor of the state of residence if that state has entered into such a withholding agreement.

C050303 Income Taxes Withheld From Off-Duty Military. State income tax must be withheld from off-duty military employees for the state in which the MWR activity is located. State and local income tax withholding for active military duty will be in accordance with the DoD Pay Manual.

C050304 State W-2. Copy of the W-2 will be filed with the state indicating taxable wages paid.

C050305 Requests for Rulings. Requests submitted to federal, state, territorial, or local authorities, such as pertaining to requests for rulings, interpretations of tax law, and advice as to procedures in tax matters, shall be cleared via official channels with the applicable program manager. Routine inquiries, for tax forms, filing dates, and such general information that do not

affect determination as to particular applicability or construction of tax laws in conjunction with Navy activities may be made directly to the local Internal Revenue Office and need not be cleared via the program manager unless so directed. In states where applicable, personal income taxes will be withheld and submitted as required by that state's law except as noted above.

C050306 Provisions of 4 U.S.C. 5104. Taxes of a state, the District of Columbia, or a territory of the United States upon, or measured by sales, purchases, storage, or use of gasoline or other motor fuels will be collected and paid according to the provisions of 4 U.S.C. 5104.

C050307 Enforcement. Commanding officers will prescribe and enforce necessary controls, including reasonable quantity limitations where appropriate, to insure that restrictions and limitations governing the sale and disposition of state tax-free items are strictly observed. Commanders will cooperate with state tax officials; will investigate all complaints; and will take prompt and appropriate corrective and disciplinary action with respect to any violation or abuse of the tax exemption privilege.

C050308 Report To State or Local Government. State tax office copies of the Internal Revenue Service Form W-2 will be sorted into groups as determined by the residence address of the employee and forwarded with a letter of transmittal to the appropriate address furnished in NAVCOMPT Manual, Volume III, paragraph 033010. In addition to the taxing authorities listed, naval activities are authorized to furnish withholding statements to any other city or taxing jurisdiction which requests such information provided such city or taxing jurisdiction is actually levying a tax on income and provided that the city or taxing jurisdiction will furnish a copy of its ordinance to the activity so it can be determined whether or not any employees are liable for taxes. When an employee is a resident of a state in which compensation for personal services is subject to income tax and is also subject to a tax levied by a city, county, or other taxing unit, extra copies of the Internal Revenue Service Form W-2 should be prepared for the use of the

taxing units. These instructions are not to be construed as constituting a legal interpretation by the Navy Department of an employee's residence for purpose of taxation. The State Tax Office Copy of the W-2 form covering employees residing in a state, city, or any other taxing jurisdiction not listed nor otherwise requesting such information will be destroyed.

C0504 FOREIGN TAXES Activities located in foreign countries, including occupied areas and the Trust Territory of the Pacific Islands, will not pay to, nor collect for, any foreign country or political subdivision any tax unless the United States has consented to such levy collection by treaty, convention, or executive agreement.

C050401 Federal Income Taxes Relating To Guam Or The Northern Mariana Islands (NMI).

A. General.

1. Guam: 48 U.S.C. 1421h provides that Federal income taxes withheld from the compensation of employees of the U.S. Government employed in Guam shall be paid to the government of Guam.

2. Northern Mariana Islands (NMI): 48 U.S.C. 1681 note (P.L. 94-241, Section 703(b)) contains provisions applicable to NMI which are similar to those for Guam.

B. Defining Income Taxes Derived from Guam or NMI. The term "Federal income taxes" is interpreted to include the Federal income taxes imposed upon the compensation of civilian and military personnel of the U.S. Government for services performed in Guam, or NMI. This include the Federal income taxes imposed upon the compensation of those who are employed on a part-time basis.

C. Certifying of Federal Income Taxes Creditable to Guam. All departments and agencies of the Federal Government and service and social organizations associated with a military or civilian morale,

welfare, and recreation entity, having Federal civilian or military employees stationed in Guam or NMI, must certify each calendar quarter the total amount of Federal income taxes withheld from salaries or such employees, to the Commissioner of Internal Revenue, Attn: TX:R:R, Washington, D.C. 20224. Separate certifications will be required for taxes creditable to Guam and those creditable to NMI. The certification(s) may be in the form of a letter, citing as authority for the certification(s) Section 3-4085 of the TFRM (I TFRM 3-4000) and identifying the certifying entity, the employer identification number, the calendar quarter covered by the certification(s), and the dollar amount withheld. The certification(s) should be submitted as soon as possible after the close of the calendar quarter but not later than the end of the month after the close of the calendar quarter covered by the certification(s). The amount shown in the certification(s) must agree with the amount of income tax withheld included in the quarterly Federal tax return of the employer (Form 941).

C0505 T A X R E P O R T I N G PROCEDURES

C050501 Negotiations With Taxing Authorities. Except as consistent with the above paragraphs, all matters involving the attempt to impose taxes upon, or require collection from morale, welfare, and recreation activities by the Federal Government, a state, the District of Columbia, a territory or possession of the United States, the Commonwealth of Puerto Rico, a foreign nation, or any political subdivision thereof, will be reported through appropriate channels in detail prior to payment or collection to either The Judge Advocate General or The Office of the General Counsel as appropriate. Negotiations with taxing authorities will not be conducted by any Department of the Navy Personnel without the express authorization of the Judge Advocate General or The Office of the General Counsel as appropriate.

C050502 1099 Requirement. Activities making payments under personal services contracts aggregating \$600 or more to anyone other than a corporation during a calendar year

will report the aggregate amount paid, the name, address, and the social security account number of the recipient of such payments on IRS Form 1099. Contracts with entertainers are within the definition of a personal services contract. If an employee, to whom wages or salaries are paid and reported on IRS W-2, also engages in a personal services contract with his employing activity and receives compensation under such contract, it is the responsibility of the activity to report on IRS Form 1099 the total of such contractual payment (even though less than \$600) if the combined total of the wages and the contract compensation was \$600 or more in the calendar year.

C050503 Prizes and/or Awards. Individual prizes and/or awards which total \$600 or more will be reported on IRS Form 1099. One-game winnings of \$1200 or more from a bingo game or slot machine will be reported on IRS FORM W-2G.

C050504 IRS Forms 1096, W-2G, and 1099. Returns made on IRS Forms 1096, W-2G, and 1099 for a calendar year will be filled on or before 28 February of the following year with the appropriate Internal Revenue Center. In addition, a copy of IRS Form 1099 and W-2G will be sent no later than 31 January of the year following payment by the activity to the individual who rendered services or received awards or winnings.

C050505 Collection, Reporting and Payment. Managers must collect, report, and promptly pay all taxes required by law when due.

C0506 CASH

C050601 General. Cash includes: petty cash funds, change funds, bank accounts, and cash receipts. Purpose, policy, and procedure for use of cash are set forth in this part. Cash receipts are covered in paragraph C050702 of this chapter.

C050602 Petty Cash Fund.

A. Imprest Fund. Where a volume of small cash purchases is necessary, a petty cash fund operated under the imprest method may be established to be used for small payments, not to exceed \$150 for any one transaction (\$300 for emergency conditions). Petty cash funds shall not be used for payment of employee's or entertainer's wages. All other purchases shall be processed using purchase orders or contracts. Splitting of purchases to circumvent the limitation is prohibited. The commanding officer will authorize in writing the establishment of this fund, if needed, and specify the amount authorized. The manager will determine the Individual responsible for the petty cash fund.

B. Reimbursement. The amount of cash on hand plus the total of authorized paid petty cash vouchers must always equal the amount shown in the petty cash fund account. For example, the petty cash fund has been established in the amount of \$200.00. The fund is inspected at month end and \$151.25 in cash and vouchers totaling \$48.75 are found. To reimburse the petty cash fund a check for \$48.75 would be written. Thus, at all times cash or cash plus vouchers will equal \$200.00. Before reimbursement is made, the vouchers are examined and it is determined which expense accounts are to be debited. If expenditures were made for minor repairs \$20.75, supplies \$8.00, and miscellaneous expense \$20.00, the following entry would be required:

680-XX	Maintenance and Repair	\$20.75
700-XX	Supplies	8.00
780-XX	Other Operating Exp	20.00
100	Cash	\$48.75

NOTE: The credit goes to cash, not to petty cash.

C. Establishment. Establishment of this fund and replenishment thereof will be made by checks drawn on the regular checking account. The individual responsible for the petty cash fund will obtain signed receipts for all funds advanced. No disbursement will be made from the petty cash fund without a

supporting voucher approved by a responsible official and signed by the person receiving the cash. To prevent alteration, these vouchers should be typewritten, or made out in permanent ink, dated, and the amount written out in full in words, i.e., ten dollars, not \$10.00. Each petty cash voucher will indicate the nature of the expense and be supported by vendor's receipts or invoices where appropriate.

D. Vouchers. Petty cash vouchers will be prenumbered in sequence. This fund will be reimbursed as of the last business day of each accounting period and at any other time when necessary. At the time of reimbursement, the petty cash vouchers shall be examined for possible evidence of fraud and canceled by perforation, date stamp, or some other satisfactory manner so as to prevent their possible reuse.

E. Commingling. Cash receipts shall never be commingled with the petty cash fund.

C050603 Change Fund.

A. Authorizations. The commanding officer will authorize in writing the establishment of each fund, if needed, specifying the amount authorized. The individual responsible for each fund will be determined by the manager and designated in writing, specifying the amount each individual is responsible for. The establishment of the change fund will be by check. This fund is established primarily for the purpose of making change. With proper documentation, it may be used to issue refunds. Other expenditures from change funds are prohibited. Should the commanding officer authorize cashing of checks from the change fund, the following information will be placed on the checks: name, rank, current address, social security number, organization, and telephone number. In the case of membership activities, (and for members only not guests) the above information is not required on each check if already on file within the activity. If the person cashing the check is a dependent, the information should be given on the sponsor. As required by the Privacy Act, of 1974, any request

made to an individual for disclosure of a social security number or other personal information must be accompanied by a privacy act statement at all check cashing locations consistent with the following:

"Note to check cashiers: disclosure of social security number and other personal information is mandatory if you wish to cash a check. All information furnished will be used to identify, to this activity, writers whose checks have been returned unpaid. Request for this information is made pursuant to the authority of Title 5, U.S.C., Section 301 and Title 10, U.S.C., Section 5031."

B. Establishment, Operation, Disestablishment. The manager provides each activity cashier with a separate fixed amount change fund and obtains a signed receipt in duplicate from the custodial cashier. When the activity cashier is reassigned or relieved, the custodian returns the change fund and obtains the original of his receipt. To preclude daily turn-in of change funds, a locked box in which to store change until the next duty day may be provided. When this procedure is used, the locked boxes containing cash should be stored in the activity's safe.

C. Employee Checks. Employee checks, including payroll checks, will not be cashed by the issuing activity except when the employee is utilizing the activity as an authorized patron.

D. Change Fund Balance. In keeping with the principle that the place for excess cash is in the bank, the change fund should be in the absolute minimum amount sufficient for normal operations.

E. Audit. The entire change fund must be available for audit and/or verification at all times.

C050604 Cash Counts.

A. Daily Verification. All funds and cash receipts must be verified daily. Surprise counts of all cash receipts and funds in custody of cashiers will be made on a periodic

and at least quarterly basis (the designee must be independent of the cash function). This includes petty cash, change funds, and all cash receipts for deposit on hand. This count will be accomplished during duty hours while the fund is in operation and the cash counted reconciled to the applicable general ledger accounts and the daily activity records. Any checks included in such surprise counts shall be deposited by the counter or under his supervision. The bank should be requested to notify the counter directly if any such checks are returned for insufficient funds.

B. Surprise Counts. This requirement does not preclude additional surprise cash counts by disinterested personnel as may be prescribed by the program manager or the commanding officer.

C. Certification. A dated and signed certification of each cash count will be kept on file for at least one year to attest the fact that this requirement was accomplished.

C050605 Bank/Credit Union Accounts.

A. Purpose. Accounts with a local bank or credit union are primarily established for depositing daily receipts, making disbursements by check and obtaining change.

B. Policy. Local accounts will be established where necessary for each activity in accordance with policies and standards prescribed by the program manager and in accordance with this handbook. These accounts will be carried in the name of the activity. Activities are permitted to open checking accounts with financial institutions that do not return canceled checks.

C. Deposits. All cash receipts will be deposited daily in the bank. Where authorized, refunds and cash prizes may be made from change funds or cash receipts if proper safeguards are instituted with proper documentation. Weekend and holiday receipts will be deposited daily when there is access to a night depository, or if no night depository on the next first business day. Daily activity records

will be prepared daily to substantiate any deposit. When the amount to be deposited is less than \$100 or exception is authorized by the program manager, an activity is permitted to defer the deposit of such small amounts until the amount to be deposited reaches \$100. However, all undeposited receipts will be recorded at month end and be deposited on the last business day of the accounting period. In these cases, only one deposit slip is necessary. The regular deposit slips furnished by banks will be prepared for all deposits made. The activity identification will be indicated on each deposit slip. The original of the deposit slip will be retained by the bank. The duplicate, properly validated by the bank teller, will be returned and attached to the daily activity records.

1. Remote Locations. In instances where the location of the depository precludes daily deposits, a government check will be obtained from the local disbursing officer or arrangements made to purchase money orders from the nearest U.S. Post Office in exchange for cash. The cost of such money orders will be paid from petty cash; not subtracted from the daily deposit amount.

2. Authenticated Receipt. An authenticated receipt shall be obtained from the bank for each deposit and shall be retained on file as part of the official records. Normally, this will be a receipted copy of the bank deposit slip, but it may also be a printed receipt if a machine record system is used by the bank. The receipted copy of the deposit slip shall be signed by the person making the deposit and retained by the activity until the deposit slip/receipt, authenticated by the bank, has been returned and found correct. Cash, or deposits containing cash, shall not be entrusted to anyone for transmittal to banks unless a fidelity insurance bond covers such risks.

3. Receiving Checks. Each activity receiving checks shall insure that the following information is placed on personal checks by the person presenting the check prior to receiving cash or merchandise: name, rank, social security number, organization,

and phone number. In the case of membership activities (and for members only - not guests) the above information is not required on each check if already on file within the activity. If the person cashing the check is a dependent, the information should be given on the sponsor. Immediately upon receipt, checks will be endorsed "For Deposit Only to Account of (Title of Activity)", thereby limiting the negotiability of the instruments.

4. Securing Cash. Cash on hand will be kept in locked receptacles and cash receipts must be physically segregated from petty cash and change funds. Classified material or personal property will not be kept in safes with cash.

5. Signed Receipts. Persons entrusted with cash will obtain signed receipts for funds turned over to other persons. Custodians of cash will be furnished with locked receptacles for the safekeeping of the funds and will be the only persons to have access to such funds.

D. Deposits By Mail. Since cash is not to be deposited by mail, an "Exchange for Cash" check from the local disbursing officer or money order from the local post office will be obtained. This check and personal checks included in the deposit will be listed individually, as required by the deposit slip. Only checks that are payable in U.S. dollars and drawn on banks of the United States will be included in the deposit.

E. Bank Service Charges. In the event a bank levies a service charge, the charge will be debited to a miscellaneous general and administrative expense account.

F. Returned Checks. When the local bank returns a check, the activity will prepare an entry to show the decrease (credit) in the bank account and an increase (debit) to the returned checks account (accounts receivable). The bank should be instructed to mail returned checks directly to the activity manager or his designee, who is independent of the cashier and bookkeeping functions. Returned checks that

remain uncollectible for a 6-month period will be written off (after the manager is satisfied that all efforts to collect the amounts have been made and the commanding officer has approved such write-offs in advance). The general journal entry will be a debit to a bad debt expense account and a credit to the returned checks accounts (accounts receivable).

G. Replaced Or Redeposited Returned Checks. When the returned check is redeposited or replaced by cash or a new check, it will be included in the applicable daily deposit and reported on the daily activity record as a debit to cash and a credit to the returned checks account (accounts receivable).

H. Check Cashing. The program manager will be responsible for prescribing policy for the cashing of checks. Where practicable, arrangements should be made with banking facilities for automatic redeposit of checks returned for insufficient funds the first time. Checks returned as nonnegotiable will be charged to an accounts receivable-returned checks account until subsequent collection or approved for write-off by the commanding officer and/or program manager.

I. Collection For Dishonored Checks. All debts arising as a result of dishonored checks issued to activities or instrumentalities shall be vigorously pursued by the activities or instrumentalities which have been issued the dishonored checks. This vigorous pursuit of the debt must be evidenced by issuing a written demand for payment; by affording the indebted member the due process rights prescribed by Title 37 USC 1007(c); and by assessing of interest, penalties, and administrative costs when permitted by law.

1. Debt Collections. In the case of debts owed by active duty and reserve personnel, notification of the member's commanding officer is also required in most instances. The offset of a member's pay may be undertaken only when all other reasonable collection action has failed. In those instances, the activity or instrumentality which holds the dishonored check will be responsible for

preparing the forms necessary to effect the withholding from their pay and for certifying to the member's disbursing officer that the provisions of the Title 37 USC 1007(c) as applicable, have been fulfilled.

2. Debt Collection From Retirees. In the case of retired and reserve members, this certification should be made to the Navy or Marine Corps Finance Center, as applicable. The disbursing officer or finance center shall be responsible for executing the withholding and for informing the member of the reason for the withholding. Application of the proceeds of the charge will be by either credit to an appropriation or fund or by remittance of a U.S. Treasury check, depending upon instructions furnished to the disbursing officer by the activity or instrumentality.

3. Policies regarding Collection of Dishonored Checks Accepted by Commissaries, Ships' Stores, and Nonappropriated Fund Instrumentalities are prescribed in SECNAVINST 7200.18(series).

C050606 Reconciliation Of Bank/Credit Union Balances.

A. Monthly Reconciliation. A monthly reconciliation will be made between the checkbook, bank statement, and the general ledger cash account. The reconciliation should be performed by a person who is not a check signer and who is independent of the cashier and cash recording functions. This person should receive directly from the bank or credit union a statement and the canceled bank checks or equivalent listings. The standard procedure for reconciling a bank account is as follows:

1. Arrange checks in numerical sequence;

2. Compare checks or listings with list of checks outstanding at close of previous month as shown on the reconciliation statement and with checks issued during the month as shown in the cash disbursement journal, noting all checks outstanding or issued which are not reported or

returned. This comparison should include check number, name of payee, and amount;

3. List by date, number, payee, and amount, all checks which have not been paid by the bank. Stop payment orders should be filed with the bank, or, other appropriate action taken on checks outstanding for more than six months;

4. Determine that any amounts appearing in the previous month's reconciliation as deposits not credited by the bank are shown by the bank as credits on the current month's bank statement. Such credits should be dated within one or two days of the date deposited as shown by the books. Intervals longer than 2 days should be investigated by the reconciler and satisfactorily resolved;

5. Ascertain that all reconciling items other than checks outstanding and deposits not credited by the bank shown in the previous month's reconciliation are accounted for either as corrections by the bank during the current month or by appropriate entry to the general ledger cash account;

6. Compare amounts listed in the cash receipts journal with deposit amounts shown by the bank statements and list any amounts which have not been credited by the bank;

7. Determine what charges and credits, if any, have been made by the bank during the month which have not been entered in the accounting records;

8. If necessary, compare paid checks returned by bank with debits shown on the bank statement; and

9. Summarize the above information on the statement, or a separate sheet attached to the statement.

10. The person who makes the reconciliation will sign it and show the date the reconciliation was completed.

11. Reconciliations should be reviewed, approved, and dated by an official whose duties do not normally include the handling of cash. After such review and approval, appropriate entries in the accounts should be prepared for all reconciling items other than deposits not credited and checks outstanding, unless such items represent errors by the bank. Any such disclosed errors should be reported to the bank immediately for correction.

12. Savings account passbook balances shall be reconciled with the general ledger balance and the bank records each month for the purpose of timely recording of interest earned.

13. Bank statements, the bank reconciliation, canceled checks and credit union listings shall be filed in chronological and/or numerical order as part of the permanent records of the activity.

C050607 Foreign Currency.

A. Prohibited From Speculating. Morale, welfare, and recreation activities are prohibited from speculating in foreign currencies. They may however, acquire local foreign currency in accordance with the NAVCOMPT Manual, paragraph 042552, provided:

1. Currency held in support of construction and severance/retirement liabilities, as approved by program managers, is for the purpose of avoiding or minimizing losses due to currency fluctuations or revaluations;

2. Currency to pay payrolls and related costs is obtained as needed;

3. Currency holdings to pay the cost of supplies and inventories is held to an absolute minimum and does not exceed that amount required for expenditures occurring in a 30-day period. (Program managers may approve the holding of

a 45-day foreign currency requirement under exceptional conditions);

4. Activities shall not have direct access to the disbursing officer's accounts as means of converting any foreign currency into dollars; and

5. Foreign currencies on deposits are in accounts meeting the requirements set forth in this appendix.

B. Investing of Funds in Foreign Areas. If military banking facilities offer substantially less interest, other U.S. banks in the same foreign area may be utilized for the purpose of holding foreign currencies, when authorized under host country law. Factors to consider in making decisions regarding foreign currency include probability of fluctuations, revaluations, and the comparative rate of return on foreign currency holdings as opposed to dollar instruments. U.S. Military banking facilities or other financial institutions designated by the Treasury Department are to be used to hold currencies when authorized under host country law. In the absence of such institutions, funds shall be held in Foreign banks, as designated by the Treasury Department.

C050608 Borrowing Policies. The NAFI program managers will base all borrowing decisions on sound economic and financial management factors for the best possible cost/benefit relationship for both borrower and lender. To the extent funds are not available from within the Navy, interservice borrowing at DOD component level will be considered as an alternative to commercial borrowing. Applicable program managers will establish procedures to consummate interservice borrowing transactions when the services concerned determine that such loans are mutually advantageous.

C0507 INCOME

C050701 General.

A. Income Defined. Income is money or money equivalents (checks, money orders, bank credit cards, e.g., BankAmericard)

earned or accrued during an accounting period. Receipts can take various forms: sales in the various departments, collections for surcharges, collections of accounts receivable, repayment of returned checks, loans received by the activity, etc. In most cases, income will be received by persons designated as cashiers.

C050702 Cash Receipts.

A. Control. Cash receipts require the fullest possible measure of control. Cash receipts of an entity relate to the receipt of currency, coins, checks, bank drafts, and money orders.

B. Records. It is vital that accurate and timely records be kept of cash receipts. Cash receipts accountability applies to money and charge documents. In order to segregate the functions of handling money and cash items and keeping the records, someone other than the bookkeeper prepares a list of departmental receipts. Cash registers will be used if available and feasible and each sale rung up in view of the customer. Employees receiving cash shall not be permitted to work out of an open register drawer. The drawer must be closed after every deposit of cash to insure proper ring-up and prevent pilferage. Where cash registers are not available, sales must be recorded on prenumbered sales tickets. The original copy of the sales tickets will be attached to the daily activity record as support.

C050703 Cash Registers.

A. Purpose. The cash register is used to safeguard activity funds in the custody of the individual cashiers during hours of operation and to furnish a record of each individual sale.

B. Policy. Each transaction will be recorded on the register at the time of the sale in conformance the internal controls cited in the Volume 13, Chapter 9.

C050704 Cashiers.

A. Individual Cashiers.

Each individual cashier will be provided with a change fund. Sales will be recorded on the register and the cash deposited in the cash drawer and the drawer closed after each sale. Daily, upon completion of the cashier's scheduled working period, the cashier will count the receipts, prepare applicable parts of a daily activity record, and either turn in receipts and the daily activity record to a person designated by the manager, or deposit them in a night depository-type safe as directed. In those instances where daily receipts cannot be turned in at the close of business, each day the daily activity record and the receipts will be delivered the following workday prior to the opening of the day's business. The manager will designate a safe place where those receipts may be kept overnight.

B. Central Cashier.

The central cashier will either receive the receipts and the daily activity record from the individual cashier or will obtain them from the night depository safe. The receipts will be verified and appropriate certification will be recorded on the daily activity record. This form will be forwarded to the person designated to read the register.

C. Person Designated To

Read Register. The person designated by the manager (generally an assistant manager and never the individual cashier) will read the register upon completion of the cashier's scheduled working period but in all cases prior to another cashier's utilizing the register. The tape should be removed from the register and attached to the daily activity record. The register readings and appropriate certifications should be entered on the daily activity record. Cashiers shall not be permitted, at any time, to see cash register readings. The central cashier should never be designated to read the register.

D. Cash Boxes.

When the use of cash registers is not practicable, the cashier will be furnished a cash drawer or metal box. When in use, the cash drawer or box will be in custody of the cashier at all times. In those instances when the cash drawer or box is also

used to turn in the daily receipts, the cash drawer or box will be placed in a safe or other secure place until the cashier is able to present the receipts for verification and removal by the manager or his designated representative.

C050705 Credit Card Sales.

A. Purpose.

Credit card sales reduce the amount of cash handling at activities and afford patrons the privilege of paying for their purchases on a delayed basis.

B. Policy.

Appropriate regulations authorize certain activities and individuals to have credit card sales. The total of credit card sales will be recorded on a credit draft or invoice (furnished by the credit agency). The patron's credit card (furnished by the credit agency) will be used to imprint the necessary identification and the patron will sign the draft or invoice. The cashier will verify the signature with that on the credit card. The cashier will verify, reconcile, and ensure that the individual credit card sales total, agrees the register tape card sales. These drafts or invoices will be forwarded as directed by the credit card agency and will be recorded as charges on the Daily Activity Record.

C050706 Cash Receipt Vouchers.

A. Prenumbered cash

receipt vouchers will be used for receipts of cash not recorded in cash registers or on sales slips. The receipt voucher will be prepared in triplicate for each cash collection. The receipt voucher will be distributed as follows:

Original--to the patron or the individual making the payment

First Copy--attached as support to the Daily Activity Record (used to post Cash Receipt Journal)

Second Copy--retained in numerical sequence

C050707 Cash Received In Mail.
Provision must be made to record all cash

(checks, money orders, etc.) received through the mail by a person other than the cashier. As frequently as such cash is received a listing will be prepared in sufficient copies as deemed necessary to provide the required internal control. The person preparing the listing and the person receiving the cash receipts must both sign the form in acknowledgement of accountability.

C050708 Coin Operated Machines.

A. Vending and Amusement Machines. The keys to vending and amusement machines operated by the activity will be held in the custody of the manager or his designated representative. Machines should be emptied by the manager or his designated representative with another person as witness. Cash taken from vending machines will be reconciled with stock needed for refilling such machines. The manager or his designated representative and the witness will sign the daily activity records. Amusement machines will be controlled by nonresettable coin counters and the cash receipts reconciled with the meters each time the machines are serviced.

B. Slot Machines. Due to the sensitive nature of slot machines, close control and supervision over all aspects of operations must be exercised at all times. Slot machines must be owned by the activity in which located or another activity of the same installation and recorded on the appropriate property records in detail to include such items as make, model, serial number(s), and token or coin denomination. Commanding officers and managers must take all measures to insure that:

1. Slot machines are procured in accordance with the procedures prescribed by the program manager.

2. All keys to cash boxes, meter boxes, coin receivers, or internal mechanisms of slot machines are entrusted to carefully selected personnel. At no time shall any one person have available for his use or in his possession sufficient keys which will permit him to have access to either internal or external cash boxes.

a. The casement, meter boxes, and coin receiver keys to all slot machines and one key to one of the locks on the slot machine cash box (for those machines equipped with double locks on the cash box) will be entrusted to the custody of an officer designated by the command such as a command duty officer or other designated officer from a list that provides a frequent, preferably daily change. The designated officer will record each opening of a slot machine and must verify the cash count. One key to the other lock on the cash box shall be retained by the activity manager;

b. For those machines with only one lock to the cash box and access is through the casement, the key to the cash box shall be retained by the activity manager;

c. As indicated above, all keys except the one cash box key in custody of the activity manager shall be retained in the custody of the officer designated by the command such as a command duty officer or other designated officer. However, for those commands maintaining a separate officer list for the purpose of observing cash collections, keys will be transferred directly to and from the place of safekeeping. Control over keys will be established by maintaining a record of the name, social security account number (SSAN), and organization of the persons to whom issued. The record will also state the specific purpose for the issue;

3. Disinterested persons are appointed to collect cash, witness repair work, or free jams. This duty should be rotated to prevent collusion or compromise.

4. All funds collected from slot machines are property safeguarded and accounted for in accordance with provisions of this handbook.

5. The verification of cash removed from slot machines is made by two members of management and the officer designated above.

6. All slot machines are emptied as often as required, but not less than once weekly. Cash must always be collected on the last day of each month in order that income can be credited in the appropriate accounting period.

C050709 Bingo.

A. Bingo Receipts. Receipts will be controlled through the use of a cash register and/or the use of prenumbered coupons or tickets. The tickets will be issued by serial numbers to bingo cashiers, who will be responsible for missing numbers when turning in receipts. When cards are sold at a reduced price, management must take a reading of the ticket numbers or use tickets of a different color or series before the reduced price sale begins. A special Event Report will be prepared for each bingo event as required by this handbook.

B. Bingo Cards. Bingo cards should be marked or date stamped to indicate payment has been received for a card. Before a prize is presented to a bingo winner, the card will be checked to insure that payment has been received.

C. Bingo Awards. Every award shall be properly signed for by the recipient. For additional verification, include the recipient's name, rank (if applicable), social security number, organization, and telephone number. Cash prizes will be paid by check or from an imprest fund established for that purpose. For this purpose the fund limitation is waived.

D. Bingo Merchandise Prize Controls.

1. Procurement. Bingo prizes may be procured on a consignment basis when authorized by the program manager. The consignment basis is similar to a memorandum receipt where the activity has responsibility for the items not present at periodic inventories. The purchase agreement for bingo prizes should permit the return of unaccepted prizes to the vendor for full credit.

2. Inventory. A perpetual inventory of merchandise prizes shall be kept current at all times, and a proper identification number shall be affixed to each merchandise prize. Prizes should not be in a storeroom where employees have easy access. They must be kept under lock and key. Small expensive prizes require additional safeguards. When the display table is set up for the game, the manager or a designated responsible person should personally check the prizes out of the storage area, using the inventory records as a checklist.

3. Sale. The retail sale of bingo prizes is prohibited. Surplus or slow-moving bingo prizes should be returned to vendors for credit or disposed of as a special or consolation prize.

C0508 PURCHASING

C050801 General.

A. Prenumbering. Prenumbered purchase orders or consecutively numbered contracts will be issued for all purchases (including entertainment) made from commercial sources except for purchases paid from the petty cash fund. In certain instances where orders are placed with the vendor by telephone, a confirmation purchase order will be processed and forwarded to the vendor with the notation, "Confirming - Do not duplicate this purchase." Purchase orders will be used to document performance during a merchandise contract relationship. Purchase orders will not be used when purchasing merchandise from Naval Supply Systems sources or when requisitioning documents are prescribed by local supply activities. Sufficient copies will be prepared to enable the activity to process the requisition document in the same manner as prescribed for purchase orders.

1. Purchasing With NAF. To purchase merchandise with nonappropriated funds from the General Services Administration, either one of the following forms must be used: Single line Item Requisition System Document (DD Form 1348),

or Multiuse Standard Requisition/Issue System Document (Standard Form 344). A local fund code established by the Supply Department will be cited on each document to distinguish the transaction from a similar transaction utilizing appropriated funds.

2. Scope. All segments of the Department of the Navy procuring with non-appropriated funds will comply with SECNAVINST 7043.5A.

B. Authorization. The manager or other person specifically authorized in writing to be the purchasing/contracting officer will be responsible for all purchasing for the activity. The manager must approve the purchase of equipment and furnishings and/or services which will be recorded as fixed assets. The person designated should not be authorized to receive such merchandise, operating supplies, equipment, or furnishings. The commanding officer will establish a monetary limit the purchasing/contracting officer can expend at one time for a specific purpose without his prior and specific written approval. Activities shall not make purchases on the installment plan. Lease/purchase agreements, conditional sales contracts, and time contracts are not permitted unless authorized by the program manager.

1. Forms Control. All purchase orders will be numbered consecutively and strictly controlled and accounted for. They will be completed in their entirety before signature and will not be signed in blank.

C050802 Blanket Purchase Orders.

A. Tangible Goods. A purchase order may be issued as a blanket order for tangible goods. It may be used in the following instances where the purchase price remains the same:

1. No competition (one source of supply, e.g., Coca Cola) and frequent deliveries are required.

2. Source of supply is accepted on basis of bids and frequent deliveries are required.

3. When such a purchase order is used, all of the descriptive and unit price information except quantity and total cost should be included. In addition, the following type statement should appear on the purchase order: "You are hereby authorized to deliver the following products in the unit size specified and for the unit price indicated, during the period _____ to _____". Increments of delivery will be determined on a need basis by the purchasing/contracting officer or by the manager. Purchase action of a continuing nature must be documented by a contract.

C050803 Blanket Purchase Agreement.

A. Open Ended Charge Account. A blanket purchase agreement is essentially an open ended charge account kept with a supplier for goods which are usually price volatile in nature, and which necessitate frequent deliveries. Among the advantages of this type agreement are the invoicing terms (one billing a month vice frequent billings and payments) and the ability to "call-in" orders on a frequent basis. The use of blanket purchase agreements is to be limited to tangible goods meeting the criteria stated above (e.g., produce) where a fixed unit price order is not possible (i.e., the use of a blanket purchase is not feasible).

B. Calls. Calls against blanket purchase agreements generally will be made orally. Written calls may be executed on informal correspondence. Documentation of individual numbered calls (such as recording the calls in a log) is required but shall be limited to essential information. Memorandum type forms may be developed locally for this purpose.

C050804 Contracts, Agreements, Leases, Licenses, and Permits.

A. Contracts and Agreements. All contracts for construction

projects will be negotiated by the Public Works Department and will cite a single source of funds either appropriated or nonappropriated funds. Contracts for other than construction projects, negotiated on behalf of the activity, will be charged directly to the respective activity's nonappropriated funds and state that no appropriated fund of the United States will be charged or held liable thereunder. Each contract or agreement, other than construction contracts, will be signed by the manager or his designated representative, and the representative of the person or firm furnishing such work or services.

B. Examination of Contractor's Records. A standard "Examination of Records Clause" will be incorporated in all nonappropriated fund contracts except those with foreign contractors where precluded by the laws of the country involved or where the Secretary of the Navy determines that the inclusion of the clause would not be in the public interest. The wording of the clause will be in accordance with SECNAVINST. 7043.5A(series).

C. Leases, Licenses, and Permits. Instruction concerning the issuance of leases, licenses, and permits for use of government property or facilities, including property and facilities under the control of morale, welfare, and recreation activities, is given in Real Estate Administration, NAVDOCKS P-73.

C050805 Purchase Discounts. In determining the cost of purchased property, discount shall be deducted from the price billed. Such discounts are reductions of costs that represent savings achieved through payments of bills within vendor's stipulated time limits. They are not income and shall not be accounted for as such, since they do not produce an increase in assets based on the sale of goods or services. In determining the cost of purchased property, the amount to be recorded shall be net of discounts. The value of discounts not taken shall be charged to operations as "discounts lost". This instruction applies to inventory accounting systems maintained at cost value.

C0509 RECEIVING

C050901 Policy. Persons other than the purchasing agent or bookkeeper will be designated in writing to be responsible for receiving.

C050902 Procedures For Receiving.

A. Delivery. When delivery is made, the receiving clerk will:

1. Withdraw both filed copies of the purchase order from the "open order" file.

2. Inspect the merchandise to assure it is of the quantity and quality ordered.

3. Record on both copies of the purchase order the quantity received.

4. Record on both copies of the purchase order the serial numbers of all equipment received.

5. If satisfactory, certify both copies of the purchase order in the spaces provided on the bottom and mark on the vendor's delivery slip the purchase order number.

6. If any variance exists between quantity and/or quality of the merchandise ordered and that delivered, bring it to the attention of the purchasing agent prior to accepting delivery of the merchandise.

7. Record on both copies of the purchase order the storeroom or department where the merchandise is placed so the bookkeeper can record the correct account.

8. Obtain countersignature of departmental personnel to whom merchandise is turned over on delivery on both copies of the purchase order and the vendor's delivery slip.

9. Forward a copy of the annotated purchase order and vendor's delivery slip to the bookkeeper as evidence of receipt to support the bill-paying process.

10. Retain a copy of the purchase order at the receiving activity for future reference.

B. Receiving Procedures.

Receiving procedures for partial or incomplete shipments are the same as those prescribed for blanket purchase orders.

C050903 Special Procedures. When a blanket purchase order or agreement is used, or as partial shipments occur, vendors delivery slips and the receiving copies of the purchase order will be certified and processed as outlined above. In addition, the receiving activity must indicate that the receiving documents are for a partial shipment, delivery increments (of a blanket purchase order or agreement), or the final increment of a partial shipment before forwarding the documents to the bookkeeper. A copy of the receiving documents will be retained at the receiving activity for ready reference concerning merchandise received. When a final shipment is received or when it is determined that no further shipment can be expected, the receiving activity will indicate final shipment or cancellation information on both copies of the purchase order and send a copy to the bookkeeper.

C050904 Procedures For Bookkeeper.

A. Receiving Documents.

Upon receipt of receiving documents the bookkeeper will:

1. Partial or Incomplete Shipments. In the case of a partial shipment or uncompleted blanket purchases, delivery slips or invoices will be filed in the open order file pending shipment completion. Invoices will be inspected to insure merchandise received complies with the terms of purchase. When the receiving documents for the final shipment are received, all invoices or delivery

slips will be compared with the final receiving copy of the purchase order.

2. Completed Shipments. In the case of a completed shipment, withdraw the open order file copy of the purchase order and compare it with the final receiving copy of the purchase order and attached invoices or delivery slips.

3. Receiving Documents. Compare the receiving documents with the open order file of the purchase order and the dealer's invoice. If the documents agree, an annotation of accuracy will be made on the documents, a check prepared and all documents submitted to the person designated to sign checks. If a discrepancy appears, it should be brought to the attention of the purchasing agent for resolution. After resolution the check will be prepared and documentation forwarded as noted above. When several purchases are made from a vendor and separate payments are not required, payments may be made by the issuance of one check.

C050905 Storing, Recording and Issuing.

A. Policy. Each storage facility will be kept locked under the custodian of one person designated by the activity manager. Access to the storage area will be governed so as to prevent unauthorized withdrawals. Stock records will be maintained to show perpetual inventory of each type item held in a warehouse or storeroom. Receipts and issues will be posted daily. Custodians and managers will be held responsible for the receiving and issuing of all merchandise. Receiving Reports will be executed promptly and forwarded to the accounting department to take advantage of any discounts. Damaged and short shipments will be investigated promptly to effect adjustments or replacements.

B. Procedure. Merchandise and operating supplies, when received, will be handled in one of two ways:

1. Future Use. Stored in a storeroom when purchased for future

use. The initial positioning of such material will be indicated by the receiving clerk on the receiving/bookkeeper copy of the purchase order and the bookkeeper will debit an applicable storeroom inventory account. When resale items (food, beverages, etc.) are subsequently issued to a department for sale, entries on a requisition will show a debit to the applicable departmental cost of sales account and a credit to the applicable storeroom inventory account. When operating supplies or replacements are issued to a department, entries on a requisition will show a debit to the applicable departmental expense account and a credit to the applicable storeroom inventory account.

2. Delivered to Department. Delivered directly to an operating department (for example, gymnasium, stables, etc.) for immediate use. The initial positioning of such material will be indicated by the receiving clerk on the receiving/bookkeeper copy of the purchase order and the bookkeeper will debit an applicable departmental cost of sales or departmental expense account, as appropriate. If items are subsequently transferred from one department to another, entries on a requisition will show a debit to the appropriate cost of sales or departmental expense account of the department gaining the items and a credit to the appropriate account of the department transferring the items.

C0510 DISBURSING

C051001 Cash Disbursements.

A. Prenumbered Checks. Disbursements will be made by printed prenumbered checks that are maintained under maximum security and issued in strict numerical sequence, however, minor miscellaneous expenditures may be made from a petty cash fund. Also, refunds and cash prizes may be made from change funds or cash receipts if proper safeguards are instituted with proper documentation. All checks will bear the name of the activity and be secured in a locked receptacle. All checks issued should be written in permanent ink preferably by a computer, check-

writing machine, or typewriter. If an error is made in writing a check, the check shall be voided and another issued. Under no circumstances should checks be signed in advance or made payable to cash or bearer. Advance payments are authorized only when specifically approved by the program manager or designated representative. The routing and processing of check payments is vital and should include the following independent and documented steps:

1. Authorization of payment,
2. Preparation of checks,
3. Signing of checks,
4. Mailing or delivering of checks, and
5. Reconciliation of checking account.

B. Validity Check. Prior to the signing of any check, the person designated to sign will determine the validity of the voucher intended for payment. Validity shall be determined by comparing the amount of the voucher to the supporting documents (purchase order, receiving report and the vendor's invoice). All supporting documents will then be stamped with a "Paid/Date" stamp and the voucher annotated with the check number. After signature, the check will be mailed or delivered to the payee. It should not be returned to the bookkeeper or person who prepared it. Spoiled checks will not be destroyed but will be retained, marked "void", and rendered nonnegotiable by at least mutilating the signature area. Voided checks will be held until the account statement is received and then filed therewith. The general ledger cash balance will be reconciled monthly with the balance in the account statement.

C. Designation of signatory. Individuals authorized to sign checks will be

designated in writing by the commanding officer or his designated representative. A dated signature card will be filled with the financial institution for each person authorized to sign checks. Controls may be reinforced by requiring countersignatures. Rubber stamp signatures are not authorized.

C051002 Processing of Bills or Invoices.

A. Bookkeeping Procedures.

Upon receipt of a bill, the bookkeeper will place it in the file with a copy of the purchase order, pending receipt of the material or services. The bill will be verified with the quantity ordered and received, unit price, extension, and terms of payment. Any transportation charges on the invoice are to be checked with the terms on the purchase order. Priority in processing payments will be given to all bills offering cash discount terms. After the bill has been matched to the order, the bookkeeper will indicate in writing on the bill that it is correct, initial the bill, prepare a check and submit the check with the order and all documents attached, to the person designated to sign checks. Any differences will be called to the attention of the person designated to sign checks. No bill will be paid unless covered by an order on which appears a certification of receipt and acceptance signed by the designated representative of the receiving activity concerned. Only invoices fulfilling the following requirements are acceptable for payment:

1. Original,
2. Formal invoice format,
3. Unaltered,
4. Addressed to the activity,
5. If covering multiple deliveries supported by delivery slips,
6. Dated and stating terms,

7. Quantity or quantities,

8. Description of merchandise or services,

9. Unit price or prices,

10. Extension of quantities and unit cost price,

11. Total amount of invoice.

B. Subsidiary Accounts. A separate account of each creditor will be maintained in a subsidiary ledger supporting the general ledger accounts payable controlling account. An appropriate ledger sheet (procured locally) will be maintained for each creditor in alphabetical order. Each month these subsidiary ledger sheets shall be totaled and reconciled to the general ledger control account. In a small activity where the number of creditors is minimal, the maintenance of a subsidiary ledger may be waived by the commanding officer.

C0511 PAYROLL

C051101 Control of Payroll.

A. Payments of Salaries and Wages. All salaries and wages will be paid by check except in those foreign countries where a formal working agreement indicates that subject employees must be paid in cash. In the case of a requirement to pay cash, one check will be drawn for the net payroll amount and employees will sign for the amount of cash received.

B. Notification Schedules. Written notification schedules must be made of the exact hours each employee is expected to be on the job each day.

C. Authorizations. The manager or designated representative must authorize, in writing, all employment, separation actions, changes in the approved work schedule,

or other changes that affect the pay of employees.

D. Reporting Hours Worked. A system will be devised locally whereby hours worked by each employee can be reported to the payroll clerk. Such a system might be as follows: Employees hours of attendance for work are punched on a time clock (smaller activities may use time sheets or a similar type log). Departmental supervisors certify in writing on the time card, time sheet, or time log, the number of hours worked during the period. These time records are then submitted to the payroll clerk, who computes the employees' wages and keeps their individual earnings records.

E. Pay and Earnings Statement. A check will be prepared for each employee, and when feasible, an individual earnings statement (format developed locally) itemizing information contained on the individual earnings record for each employee. Each check will be signed by the manager or other authorized person.

F. Accuracy Checking. The manager will appoint someone other than the payroll clerk to check the accuracy of the payroll. The manager or his designee will then approve the payroll and sign and distribute the pay checks and the individual earnings statements.

G. Payroll Checking Account. Whenever the size of the payroll warrants, a separate checking account should be established for payroll disbursements.

H. Items Not To Be Used For Payroll Payments. Current cash receipts, petty cash funds, or change funds shall never be used for payroll purposes.

I. Unclaimed Payroll Checks. After an appropriate interval (usually 2 weeks) all unclaimed payroll checks should be voided and recredited to the bank account. Checks issued but not presented for payment within one year will be canceled and upon proper notification to the bank recredited to the

bank account. It is highly important that unclaimed pay be investigated to disclose any irregularities that may exist as the result of "payroll padding" and pocketing of unclaimed wages. Payroll checks should be marked "Not negotiable after 60 days from date of issue."

J. Abnormalities. The manager shall continually examine any abnormal increases in the number of employees, rates, and labor costs.

K. Signing of Blank Checks Not Authorized. Managers will not sign payroll checks in blank for emergency use during their absence.

L. Controls on Time Cards. Payroll time cards/sheets will be canceled or dated in order to prevent their possible reuse.

M. Verification. From time to time, the payroll should be checked to make sure that the number of names corresponds to the number of employees, that W-4's are on file for each employee and that gross pay and deductions are consistent with applicable laws and the employee's desired deductions from gross pay. At least once a year a person not normally associated with the payroll function will distribute the pay, requiring identification of each employee before distributing the check, and document the results.

C051102 Service Charge, Gratuities, and Cash Tips.

A. Service Charges. A service charge is an amount of money automatically added to a patron's bill by the activity. If the service charge is to be retained by the activity, it should be credited to the appropriate revenue account. If the service charge is to be paid to an employee, credit a Salaries & Wages, Personnel Benefits and Taxes Payable Account. The employee shall be paid the service charge on his regular payroll check. Service charges are subject to both the employee's and employer's share of FICA tax.

B. Gratuities. Gratuities are considered to be any charge tip voluntarily added by the patron to his bill. Gratuities shall be credited to a Salaries & Wages, Personnel Benefits and Taxes Payable Account. This type of income is not subject to the employer's share of FICA tax.

C. Cash Tips. Cash tips refer to tips given directly by the patron to the employee.

D. Reporting Gratuities and Cash Tips. Gratuities and cash tips are required by law to be reported by the employee to the employer on or before the tenth of the month following the month the tips were received by the employee if \$20.00 or more for the month. These "Reported Tips" are posted and accumulated for purposes of determining income and FICA tax withholdings. Services charges are not to be included in this reporting as they are included as regular wages. Managers should obtain copies of "Reporting Your Tips For Federal Tax Purposes" (Publication 51) from the District Director of Internal Revenue for distribution to affected employees.

E. Reporting by Certain Large Food or Beverage Establishments with Respect to Tips. To promote full reporting of employee tip income, food and beverage establishments must estimate expected tips in relation to levels of gross receipts from food or beverage cash sales, charge receipts, and the retail value of complimentary food or beverages served to customers. Such establishments (as determined by program managers) are required, under Section 6053(c) of the Internal Revenue Code of 1954, to file an annual tip information return on or before the last day of February of the year following the calendar year for which it was made to the District Internal Revenue Service Center on Form 8027 with Transmittal Form 8027T. Required attachments to the return include photocopies of each employees' W-2 for whom an allocation is made and a copy of any written employer/tipped employees' good faith agreement applicable for the reporting year. Reporting establishments shall assign a unique 15-digit activity reporting number on each Form

8027 report. Additionally, employers shall furnish to each employee to whom a tip amount is allocated a written statement on the employees' Form W-2 showing the aggregate amount allocated to the employee for the calendar year.

C0512 PROPERTY ACCOUNTABILITY AND CONTROL

C051201 General.

A. Recording. Fixed Assets (nonexpendable property) procured with nonappropriated funds will be recorded at original acquisition cost less cash discount plus freight-in and installation cost plus the cost of additions, modifications, or enhancements thereto. If the original cost is not known, an estimated value will be assigned. In determining the estimated value, reference should be made, where possible, to manufacturers; price lists, cost of similar items, and such other sources of information as may be available. When the source of funds for the original procurement of property cannot be determined, it will be considered to have been purchased with appropriated funds. Property on loan will be controlled through use of appropriate issue and signed receipt documents. A Certificate of Disposition must be approved by the commanding officer or his designated representative before a fixed asset may be dropped from a Property and Depreciation Record (NAVCOMPT Form 742). Some fixed asset types:

1. Fixed Assets (Title Remains With Morale, Welfare, and Recreation Activity). To reflect acquisition cost (or estimated value if acquired by other than purchase), allowance for depreciation, and net book value.

2. Other Fixed Assets (Government real property facilities, improvements, and equipment procured with nonappropriated funds, title to which is transferred to the government). To reflect nonappropriated funded acquisition cost, allowance for depreciation, and net book value.

An explanatory footnote will be included in the balance sheet as follows: "The title of real property financed with nonappropriated funds and reported hereon is vested with the U.S. Government."

3. Fixed Assets
(Purchased with Nonappropriated Funds to be reimbursed with appropriated funds). As of 1 October 1990 appropriated funds may not be used to reimburse a NAFI. In those instances when property is purchased with nonappropriated funds to be subsequently reimbursed with appropriated funds, such property will not be recorded on the books of the nonappropriated fund instrumentality (NAFI). To record a transaction of this nature, the NAFI will debit accounts receivable and credit cash or accounts payable.

B. Diversion of Assets. A building or structure constructed or purchased using nonappropriated funds will not be diverted to a use other than in direct support of the MWR purpose for which it was acquired without the prior concurrence of the program manager.

C. Proceeds From Sale. In accordance with U.S.C. 485(C) the net proceeds from the sale of a building or structure, acquired or constructed using nonappropriated funds and subsequently sold upon disposition of Government property, will be credited to the applicable fund as determined by the program manager. When it is uneconomical or impractical to ascertain the amount of net proceeds, the proceeds will be credited to Miscellaneous Receipts of the U.S. Treasury.

C051202 Classes of Property.

A. Nonexpendable Property. Nonexpendable property (minor fixed tangible assets) is that which ordinarily retains its original identity during its period of use, is not fully consumed in normal use, has a unit acquisition value of \$1,000 or more and has a life expectancy of more than two years. Examples include furniture, fixtures and office equipment. When purchases are made in bulk for like items

(example, a set of chairs) and the total cost is \$1,000 or more, regardless of the unit cost, the items may be capitalized and depreciated. Nonexpendable property will be recorded in the general ledger as fixed assets and capitalized. Property and depreciation records will be maintained as subsidiary records to the general ledger controlling account. Only one item or group of like items will be recorded on each property and depreciation recorded. At least annually, the total value recorded on the subsidiary records will be reconciled to the corresponding general ledger account balance. Each nonexpendable item will be given a unique identification number which shall be permanently affixed with a tag or by some other method, to identify activity property. Assets in this group will be considered fixed assets for depreciation purposes.

B. Expendable Property. Expendable property consists of any property with a life expectancy of less than 2 years acquired by purchase, gift, or transfer that has a unit acquisition value of less than \$1,000 such as:

1. Supplies and materials which after issue are immediately consumed in use or become incorporated in other property, thus losing their separate identities (examples: paints, glue, fuel, preserving materials, radio and TV tubes, etc.); or

2. Articles which, when issued for immediate installation, are used to repair or complete other articles and thereby lose their identity (examples: spare and repair parts and components).

a. Property obtained for immediate use will be charged directly to operating expense. However, if expendable supplies are purchased by a department to be consumed in future periods, such items must be recorded as prepaid supplies.

b. Those expendable property items in use having a unit value of \$300 or more will be recorded on a consolidated property record with each item

supported by a separate property and depreciation or stock record. Each item in this group shall be permanently affixed with a number tag or identified by some other method. These items will not be recorded in the general ledger as assets but expensed upon receipt.

c. All other expendable property purchased and stored in the warehouse or storeroom will be recorded on stock records. Issues from the storage area will be based on numbered and controlled requisitions and expensed from prepaid supplies.

C. Appropriated Funded Property. Appropriated funded property purchased for or assigned to morale, welfare, and recreation activities will be accounted for and controlled in accordance with NAVCOMPT Manual, Volume 3, Chapter 6. The fund manager will provide guidance to insure that this property is safeguarded from theft, abuse, waste, and unauthorized use.

D. Resale Merchandise. Merchandise purchased and placed in storage for the purpose of resale is considered an asset of the activity and will be recorded by debiting the applicable general ledger inventory account. When merchandise is delivered to a resale department, the cost of goods sold will be charged to the appropriate account series. Stock records (NAVCOMPT Form 742-1) will be maintained for all merchandise carried in warehouses or central storerooms. Issues from the storage area will be based on numbered and controlled requisitions. Frequent reviews should be made to determine if stock is being purchased in economically sufficient but not excess quantities. Stock record cards will be reconciled with the general ledger inventory account at least monthly.

E. Surplus Property. Surplus/excess items are deemed to be those items which have been screened in accordance with current disposal regulations. Items acquired through surplus/excess programs remain appropriated funded property and will be accounted for and controlled as such in

accordance with current regulations and as directed by the program manager. When no longer needed, these items will be turned in to the nearest Defense Reutilization Marketing Office (DRMO) with a statement that they were previously obtained from appropriated funded surplus/excess sources and that no part of any proceeds from sale or other disposition are due the returning activity. Likewise, when the Defense Property Disposal Office sells nonappropriated funded property the proceeds are returned to the activity disposing of the property.

F. Loss or Damage of Property. In instances involving loss or damage to insurable interests of nonappropriated funded property, insurance procedures, as prescribed by the program manager, will be adhered to. In those situations where the recovery involves both insured nonappropriated funded property, and other insured Government property, the recovery of nonappropriated funded property remains with the morale, welfare, and recreation activity. Recovery for appropriated damaged property should be deposited to the Navy General Fund Receipt Accounts as indicated in 2416A of the JAG Manual. Appropriate documentation should be included in every claims file.

G. Donated Property. Includes those assets that are given to an MWR activity at no cost by another MWR activity or a private donor (in accordance with SECNAVINST 4001.2F(series)). Excludes property obtained from appropriated funds surplus sources as described above.

1. Donating MWR Activity Accounts to be Recorded

a. When initially purchased:

Debit: Fixed Assets
Credit: Cash

b. When donated to another activity:

Debit: Miscellaneous Expense
 Debit: Accumulated Depreciation (where appropriate)
 Credit: Fixed Assets

2. Receiving Activity. The receiving activity will record the receipt of donated property as follows:

a. When received from another activity:

Debit: Fixed Assets
 Credit: Miscellaneous Income
 Credit: Accumulated Depreciation (where appropriate)

b. When received from a private donation:

Debit: Fixed Assets
 Credit: Miscellaneous Income

C051203 Depreciation.

A. General. Depreciation is the allocation of asset acquisition value or cost to present and future operations on the basis of some equitable and rational mathematical system. Although the purchase or acquisition of an asset occurs at one time, the benefits derived from an asset's use are received in future periods. Therefore, an asset's value or cost must be allocated to the periods that receive beneficial use. The income would be distorted if the total cost were charged to expense in any one accounting period.

To show these assets in the financial statements at their adjusted real value, (book value, or asset acquisition cost less accumulated depreciation) the amount of such depreciation is recorded in an accumulated depreciation account and is offset from the fixed asset account on the balance sheet.

B. Policy. The following accounting policy is applicable with respect to depreciation.

1. Fixed Assets. Fixed assets will be depreciated in accordance with the following schedule, until the accumulated depreciation account shows 100% of the cost of such assets. Local commanders or appointed designee will determine the estimated useful life of each fixed asset within the guidelines set forth in the following schedule.

Fixed Assets Value	Useful Life Span (years)	Assets	Depreciation
\$1,000 or more	2-10	Furniture, Fixtures, Equipment & Livestock	Straight Line, No Salvage Value
\$1,000 or more	2-10	Vehicles & Aircraft	Straight Line, No Salvage Value
\$1,000 or more	20-40	Buildings & Facilities	Straight Line, No Salvage Value
\$1,000 or more	5-20	Buildings & Facility Improvements	Straight Line, No Salvage Value

2. Depreciable Assets. Assets with remaining depreciable lives expensed in previous years will be capitalized in the general ledger by debiting the fixed assets account for the acquisition cost, crediting the accumulated depreciation account for the total accumulated depreciation since acquisition and crediting prior period income adjustment for the difference between the acquisition cost and the amount posted to accumulated depreciation. These assets will be depreciated during the remaining life of the assets by debiting depreciation expense and crediting accumulated depreciation.

3. Contributed or Donated Assets. Assets acquired from outside sources by contribution or donation will be recorded in general ledger fixed assets account for their fair market value and credited to Miscellaneous Income.

4. Used Assets. Used assets acquired including donated property will be initially recorded in the financial records and depreciated over their estimated remaining useful lives.

5. Computing Depreciation. Assets maintained on computer file are depreciated beginning in the month following acquisition. Assets on non-computer file are depreciated beginning in the first month

of the fiscal year following the fiscal year of acquisition.

C. Method of Computing Depreciation. Within the Department of the Navy, all fixed assets will be depreciated by the straight-line method. Under this method, an equal portion of the cost of the asset is allocated to each accounting period of use; consequently, this is most appropriate when usage of an asset is fairly uniform from year to year. The possibility of a salvage value is ignored and the annual depreciation charge is computed merely by dividing the total cost of the assets by the number of years of estimated useful life.

D. Recording of Depreciation. At the end of each accounting period the following entries will be required to record depreciation:

Debit - Depreciation Expense
Credit - Accumulated Depreciation

Depreciation is not recorded as a decrease to the fixed asset account but as an increase to a contra-asset account, accumulated depreciation. The fixed asset account will always show the acquisition cost of the fixed assets. The accumulated depreciation account will show the estimated decrease in value of the fixed assets. The difference between the two accounts is book value. Accumulated depreciation is shown on

the asset side of the balance sheet as a reverse of norm amount.

1. Cash Sale of a Fixed Asset. Cash sales of fixed assets are not combined with the operating income from the sales of inventory or services because the activity is not in business to sell fixed assets. When a fixed asset is sold, everything relating to that specific asset must be eliminated from the books. The fixed asset and accumulated depreciation accounts will always be involved. If the market value (amount received) of the asset differs from the book value, a profit or a loss occurs.

2. Trade-ins. When one asset is traded in for another, the acquisition cost of the new asset is the cash value of the consideration parted with; that is, the cash paid and the amount that could be obtained by a sale of the old asset. Unless known, market value for assets traded in will be net book value. If the cash purchase price of the new asset and the market value of the asset to be traded are unknown, the book value of the asset traded will be considered as its market value.

C051204 Disposition of Unserviceable or Excess Property.

A. Navy Plant Property Procured With Appropriated Funds. Property recorded on the Navy Plant Property Records, including nonappropriated procured buildings and improvements, which have become unserviceable or excess to the needs of the activity will be returned to the appropriate accountable officer for disposition in accordance with existing regulations.

B. Other Property Procured With Nonappropriated Funds. Other property procured with nonappropriated funds which has become unserviceable or excess to the needs of the activity will be disposed of as follows:

1. Used as a trade-in on a similar item.

2. Sold to or transferred to another MWR activity.

3. If not desired by another MWR activity within reasonable shipping distance or if it is deemed unfit for redistribution by the Program Manager, it will be disposed of in accordance with current Navy and base disposal regulations. To avoid collusion or chance for private gain at government expense, items for disposal must be advertised or announced using the current estimated price as a basis for the selling price.

C. Recyclable Material. Morale, Welfare and Recreation (MWR) activities are authorized to use the installation MWR contracting service to sell nonappropriated recyclable scrap such as aluminum cans, bottles and newspapers directly to local recycling firms or continue to use the Defense Reutilization Marketing Office (DRMO). However, prior to selling locally, get assurance from the servicing DRMO that no long term collection or surplus sales contracts are in effect for the installation for the specific types of recyclables. If a DRMO contract exists for this type of property, the contract takes precedence until expiration unless exception is granted by the servicing DRMO. All appropriated recyclable materials shall continue to be processed through the DRMO.

C051205 Inventories.

A. Inventory Systems. There are two systems of determining quantities of goods in the inventory, periodic and perpetual. The periodic system relies upon an actual inventory taken at the end of an accounting period to determine the cost of items sold during the period. The revenue from goods sold during the period is recorded in the sales account, but no concurrent entries are made to record the decrease in the inventory. It is therefore only by a count at the end of the period that the inventory can be determined. The perpetual inventory system uses accounting records that continuously disclose the amount of the inventory. Increases in inventory items are recorded as debits to the appropriate accounts

and decreases are recorded as credits. The balance is the book inventory of items on hand.

B. Valuation of Inventories.

All inventories are valued at cost which is defined as invoice price plus freight charges less discounts. Inventory items received at no cost are recorded as a debit to the inventory account and a credit to Bonus Merchandise. End-of-period physical inventories are valued or priced on the weighted average or first-in first-out (FIFO) basis. In FIFO, requisitions are priced at the earliest invoice cost at which the items were placed in stock. Quantities on hand at the inventory date are considered to be those items most recently purchased. Under the weighted average method of inventory valuation, goods are valued at an average cost. Cost of goods on hand at the end of a period is assumed to be the weighted average of the inventory cost of goods on hand at the beginning of the period and all goods purchased during the period. Physical inventories of fixed assets are valued or priced at original acquisition unit costs including freight-in and related installation charges.

C. Inventory Frequency.

Inventory frequency will be prescribed by appropriate program managers. However, as a minimum requirement, all merchandise, consumable supplies, fixed assets, and property on loan require an annual physical inventory; and, cash and resale merchandise will require an inventory at the close of each accounting period. The results of the inventory will be reconciled with property records and the general ledger controlling accounts. Upon the relief of the responsible person, as determined by the program manager, inventories as set forth above will be accomplished.

D. Types of Inventories.

1. Warehouse or central storeroom resale merchandise.

2. Departmental resale Merchandise.

3. Prepaid Supplies such as china, silver, glassware, and maintenance supplies.

4. Fixed Assets, capitalized nonexpendable property (includes such items as furniture, fixtures, and equipment).

5. Expendable property items which are recorded on property records although expensed at time of receipt.

6. Cash, which includes all cash at an activity (such as petty cash funds, change funds, and undeposited receipts).

E. Procedures For Taking A Physical Inventory.

1. General. A physical inventory, when possible, will be taken either before or after regular operating hours. If this is impractical, it will be taken at a time that will be least inconvenient to patrons. Sales will be made during inventory count only in the case of an emergency. Such sales will be included in the count and treated as sales of the subsequent accounting period.

2. Pre-inventory Procedures. Specific inventory instructions will be issued to employees at least ten days prior to the physical inventory. These instructions will describe:

a. Counting and listing procedures that will be utilized;

b. Inventory count forms

c. Pricing of inventory; and

d. Transaction cutoffs.

A pre-inventory meeting will be held with all employees who are to participate in the counting of the inventory. Inventory instructions and

procedures, personnel assignments, and working hours will be reviewed and discussed during this meeting.

3. Personnel. The manager will designate experienced personnel as inventory supervisors who will be responsible for a complete and accurate inventory. In fulfilling these responsibilities, supervisors will select and train the counters and verifiers and make certain that all preliminary preparations are made prior to counting the stock.

4. Layout Sketch. To assure accurate and expeditious inventory taking in the store, warehouse, stockroom, etc., layout sketches should be prepared in which each fixture (i.e., shelves, gondolas, bins, tables, etc.) is illustrated and identified by a number. Large areas will be prepared by inventory supervisors well in advance of the inventory date. A number, identical to the one entered on the layout sketch will be affixed to each fixture.

5. Cut-off Time.

a. A cut-off date for sale and receipt of merchandise will be established by the accounting office. The cut-off date for the receipt of retail merchandise may be set two or three days earlier than the close of the accounting period to permit arrangement and counting of stock prior to the inventory date. All merchandise received prior to the receiving cut-off will be included in inventory. Merchandise received after the cut-off date will be excluded. Vendors and transportation companies may be requested to delay deliveries until after completion of the physical inventory. If merchandise is delivered during the inventory, do not include or record its receipt. If any sale is permitted, the item must be entered on the inventory sheet.

b. A proper cut-off time (date and hour) will be established for each activity by the accounting branch for the return of merchandise to vendors and the transfer of merchandise from the warehouse or storerooms. All branch and activity locations will be notified by the warehouse at cut-off time of

the number of the last requisition against which merchandise was transferred prior to inventory count. This will enable the activities to ascertain whether all the merchandise charged to them has been received.

6. Stock.

a. General. All merchandise on the selling floor and warehouse will be arranged, sorted, and consolidated by identical merchandise and price line to facilitate counting and listing. Merchandise sold but being held for pick-up will be segregated from regular stock and will not be included in the inventory.

b. Retail merchandise will be properly marked with the retail selling price. All other merchandise will be properly marked with the cost price.

c. All merchandise returned by patrons and for which credit has been given will be properly remarked and included in the appropriate departmental inventory.

d. All merchandise in the receiving room that has been received prior to the inventory cut-off date will be marked and sent to the warehouse, or selling floor, as appropriate, for consolidation with identical merchandise.

e. With the exception of cartons retained for packaging of merchandise on display, all empty cartons will be removed from the selling floor and warehouse, and collapsed so that they will not be included in the inventory count.

f. All slow moving, damaged, and obsolete stock will be properly marked down to the retail price at which it is expected to be sold and the changes will be effected prior to the inventory cut-off date.

G. Inventory Sheets. The manager will cause type written inventory sheets

to be prepared by department for all items. To the maximum extent possible inventory sheets will list the items according to the manner in which they are physically arranged at the inventory site. Nomenclature shall identify the items to be inventoried. Inventory numbers, manufacturer's serial numbers, and component parts of sets shall be shown on the inventory sheet. All sheets will be dated, pre-numbered, and accounted for. Only one department's merchandise or property will be listed on any one inventory sheet. Inventory sheets shall be distributed to the individuals assigned to conduct the inventory. Upon completion of the physical inventory, all sheets will be signed by each person participating in the inventory process.

F. Inventory Taking Procedures.

1. Counting the Merchandise.

a. General. Merchandise will be counted only after completion of all pre-inventory preparations. When possible, individuals familiar with departmental stock will be assigned to taking inventory. Counter will be indoctrinated thoroughly not only in the method of counting but also in the system of recording the count, for example, the count proceeds from left to right, top to bottom, in book-reading fashion. Normally, the work is done by a team of two people. One should call and inspect the inventory while the other enters (in ink) the quantities on the sheets. Each department will be inventoried separately. During the course of the inventory, independent test checks will be conducted to insure the maximum of accuracy. Items found to be on hand, which were omitted from the inventory sheet, will be recorded by the inventory team, provided such items can be positively identified as activity-owned property.

b. Unit Prices. Unit prices for retail department merchandise will be taken from price tickets at the time of count. All merchandise will be listed and counted in the same unit category as priced

for sale; for example, if cakes of soap sell for 3 for 25 cents, the multiple retail sales prices will be used and recorded "25 cents for 3," (not "3/25"). Only the unit cost price will be shown for service department items. This will be taken from the unit cost price shown on the outside of the case or container or from the last invoice. The same person inserting the unit price amount also records the unit "type" such as dz., ea., gr.

c. Inventory Count. All counts, identification, and pricing of inventories are to be adequately rechecked by a disinterested party other than the one who recorded the original data. All inventory counts are to be supervised and audited by the accounting personnel.

d. Extension of Inventory Sheets. Inventory count sheets will be extended by personnel in the accounting office. All inventory sheets will be extended and footed.

e. Departmental Inventory Worksheets. After the inventory work sheets have been extended and footed, inventory sheets will be summarized in value by department. These values will then be compared against the book inventory. Retail variances will be converted to cost by multiplying retail variances by departmental cost ratios.

2. Items Excluded.

a. Merchandise on Order. Merchandise ordered but not received will not be included in the inventory even if the invoice is received prior to the inventory date.

b. Merchandise Sold--Held for Pickup. Merchandise being held for pick-up which has been sold prior to inventory time, including all lay-aways, will be removed from the regular stock so that it will not be included in the inventory count.

c. Items Charged to Expense Accounts. Items charged to

expense accounts, when received, will not be included in the physical inventories. Merchandise on hand that is to be returned to vendors will not be counted unless it has been charged to an inventory account.

3. Items Included.

a. All materials and parts used for rendering a service, all ingredients used for preparing a finished product, and all unsold resale merchandise in stock will be included in the physical inventory of the various departments.

b. The value of containers, empty or full, for which deposits have been placed with vendors will be included in the inventory of the applicable department. Containers which are so damaged that they cannot be returned to the vendor will be inventoried and a notation will be made of their condition so they may be disposed of. Items out on loan for which activity holds custody receipts will be counted as items on hand, after a reasonable sample of custody receipts are verified. Discrepancies will be investigated as required by the inventory team.

4. Cash Counts. A member of the inventory team shall verify by actual count the petty cash fund, the change fund, and undeposited receipts. The total amounts of each fund will be accounted for. All noncash items should be documented on a locally devised form and retained. I.O.U.'s and post dated checks will not be regarded as cash. The manager or designee will be continuously present during the count, and will affirm the return of the cash funds to his possession. Trace amounts of the petty cash and change funds to the general ledger balance. The amount of undeposited receipts should equal the amounts reported on the daily activity sheet since the last deposit plus current sales. Management and Command Evaluation Staffs/Audit Boards should make surprise counts as appropriate.

5. Inventory Discrepancies. All inventory variances will be investigated to the satisfaction of the

commanding officer. The investigation will include, but not be limited to:

a. Review of inventory counts for proper quantity, measure, identification, and price;

b. Inventory extensions;

c. Footing and recapitulation of inventory sheets;

d. Physical inspection of facilities for inventory not counted or double counted;

e. Review of sales cut-off;

f. Review of purchase cut-off;

g. Review of price changes;

h. Review of departmental transfers; and verification of Inventory Summary worksheets and variance computation, Physical inventory variances will be charged or credited to the inventory shortages/overages account and the inventory account charged or credited to reflect the physical inventory value. The adjustment will be made based upon the physical inventory extended value after investigation of discrepancies has been completed.

C0513 ADJUSTING AND CLOSING ENTRIES

C051301 General.

A. End Of Accounting Period. At the end of an accounting period, before the financial position of an activity can be determined, it is necessary to make various accruals, adjustments, and closings to certain accounts to effect corrections, and to record transactions not previously made.

B. Accrual Method. Under the accrual method of accounting various income and expense items that have accrued (accumulated) from day to day must be recorded at the end of a period. It is not practical or convenient to record this information daily, but the complete information is needed at the end of a period. These end of period entries are called "adjusting entries". Adjusting entries are needed to record:

1. Prepaid items used and/or consumed during the period.

2. Salaries and wages earned but not paid.

3. Income earned but not received.

4. Decrease in the value of equipment, buildings, and vehicles.

5. Transactions not previously made.

C051302 Adjusting Entries.

A. Prepaid expense accounts will be adjusted by entries debiting the expense accounts for the amount that has been consumed during the accounting period and crediting the applicable asset account. When an activity buys and stores an asset which will be consumed or used in the future, the value of the item will be maintained in an asset account until it is used. When it is consumed or used, the asset account will be decreased (credited) and an expense account will be increased (debit).

B. Many activities will pay their employees in one month for hours worked in a prior month. This situation occurs when employees are paid every two weeks, regardless of calendar date. Using the accrual method of accounting, an expense must be recorded in the month it occurs.

C. The accrual of interest income is accounted for by an entry debiting receivables and crediting interest income.

Investments earn interest on a periodic basis although the cash may not be received.

D. Whenever the activity receives an asset that it has not earned, the individual or business that gave the asset has a legal claim to either services or assets. Therefore, a liability exists, not income. When the activity has performed the service or given the assets to this individual or business, thus earning legal title to the original asset received, an entry will be made transferring the respective ownership from a liability account to an income account. All accrued liability accounts will be adjusted with entries to the appropriate income and expense accounts.

E. It may be necessary to adjust the General Ledger balances of the departmental resale inventories because of physical inventory valuations. These accounts, when approved by the commanding officer, will be adjusted to show only the annual closing inventory. When the closing inventory is greater than the opening inventory, it is apparent that more merchandise was received than was sold. The applicable cost of goods sold account will be decreased, and the inventory account increased by the amount that the closing inventory exceeds the opening inventory. An entry will be made debiting the inventory and crediting cost of goods sold. As a result the inventory accounts will be adjusted to the value of inventory actually on hand and the cost of goods sold account will show the cost of merchandise sold. The above entries will be reversed when the closing inventory is less than the opening inventory.

F. Issues and direct deliveries to a department will be charged to its cost of goods sold, not to an inventory account. At the end of the period, an adjusting entry will be required if the department has used more or less inventory than has been issued during the period.

G. If an activity's inventory increases, the value of all of the goods received has not been used; if it decreases, the value of all of the goods received and part of the beginning

inventory have been used. This procedure is summarized in the cost of goods sold section of the profit and lost statement.

H. Warehouse or storeroom perpetual inventory records normally should agree with the value of the merchandise on hand in storage. However, if the value of the physical inventories is greater than the value of the perpetual inventory, an entry will be made debiting warehouse inventory and crediting an inventory overage account for the difference. If the value of the perpetual inventory is greater than the value of the physical inventory, an entry will be made debiting an inventory shortage expense account and crediting warehouse inventory for the difference. All adjustments will be investigated to the satisfaction of the Commanding Officer. Appropriate documentation for the adjusting entries will be retained for subsequent utilization during investigations or disciplinary actions.

C051303 Closing The Books.

A. Income and expense accounts (nominal accounts) are used to accumulate information concerning current period changes to net worth. At the end of the period, the net worth account does not reflect the true balance. It is necessary to transfer the amount in the income and expense accounts to the net worth account. This process is called "closing the books," and accomplishes two objectives.

1. Clears income and expense accounts of transactions of the past period.

2. Shows the proper balance in the net worth account.

B. To close the books, the following entries are required:

1. Decrease each income account by the full amount with a debit and a credit to Account 999 Profit or Loss Clearing Account.

2. Decrease each expense account by the full amount with a credit and a debit to Account 999.

3. Credit net worth by debiting Account 999 with the difference between income and expense (net profit). If expenses exceed income, the amount of the loss would be a debit to net worth and a credit to Account 999.

C. Notice the accounts closed are the income and expense accounts. Closing the books eliminates the balances in all accounts on the profit and loss statement - the income and expense accounts are thus summarized to arrive at a net profit or loss figure. The profit or loss is transferred to the net worth section of the balance sheet. Formal closing is not required at the end of each month. However, all income and expense accounts must be closed at least annually.

C051304 Post-Closing Trial Balance. After the closing entries have been posted to the accounts, another trial balance is prepared to prove debits equal credits. This is necessary to insure the ledger is in balance before posting the next month's transactions.

C0514 SPECIAL PROCEDURES

C051401 General. The procedures contained in this Section are applicable to the groups or types of activities indicated. They are supplemental to procedures contained elsewhere in this appendix.

C051402 Bachelor Officers Quarters/Billeting Fund.

A. Room Registration. A registration record (NAVCOMPT Form 2104) will be used to register each guest of the activity. As accountable documents, forms will be prenumbered to control occupancy and revenue.

B. Room Rental Charges. Certain individuals (as designated by BUPERS) authorized to utilize housing are required to pay a user fee while occupying quarters. These rents

are collected and accounted for and deposited in a billeting fund. These collections will be used to partially defray operational and facility costs normally paid from appropriated funds.

C. Housekeeping Services.

Housekeeping services, including maid and janitorial services or common use areas, will be provided initially through the use of a nonappropriated funded cleaning service. Nonappropriated funded costs for the common use areas will be reimbursed by station operations and maintenance funds to the Billeting Fund. The costs of services for individual room cleaning will be supported with nonappropriated funds derived from charges upon the residents of the activity.

D. Linen Charges.

The laundering or dry cleaning of government-owned room linens and equipment will be at the expense of appropriated funds. Certain individuals (as designated by BUPERS) are required to reimburse the activity for these expenses. These costs shall be included in service charges levied upon the individuals as mentioned above and will be retained in the billeting funds.

C051403 Military Student Subsistence and Commuted Rations.

A. NROTC Midshipmen, Contract Students, and Third Class USNA Midshipmen. NROTC midshipmen, contract students, and Third Class USNA midshipmen while on training under orders away from their unit are entitled to rations in kind only. Accordingly, when they are ordered to subsist in a nonappropriated funded mess, the mess will be reimbursed for their subsistence by the host activity submitting a bill to the local disbursing officer for the cost of meals consumed in accordance with the procedures outlined in NAVCOMPT Manual, par. 046397.2.

B. First and Second Class USNA Midshipmen and Aviation Cadets. First and Second Class USNA midshipmen and all Naval Aviation Cadets will either join the mess or pay cash for meals consumed.

C. Army and Air Force

Cadets. Payment for subsisting Army or Air Force cadets will be accomplished by submitting a bill to the appropriated military academy for meals consumed following the general guidance contained in NAVCOMPT Manual, par 046397.2 for Naval midshipmen.

D. Commuted Rations.

Commuted rations for assigned enlisted personnel detailed to work at the activity will be paid in the manner prescribed in NAVCOMPT Manual, par. 046397.1.

C051404 Guest Houses, Hostess Houses, and Navy Lodges.

A. Room Registration.

A registration record will be used to register all guests of Marine Corps temporary lodging facilities and Navy lodges.

B. Room Charges.

Each guest will be given a receipt for funds collected for room charges. Receipts will be procured locally, prenumbered, and used in numerical sequence with each number accounted for.

C051405 T r a n s i e n t F a m i l y Accommodations.

A. Occupancy Procedures.

1. General.

A registration record will be prepared for an signed by each tenant and filed by tenant's name, for ready reference, until the unit is vacated. A visible index file is preferred. When the unit is vacated the registration record will be removed, completed, and filed by month of vacancy for audit purposes. Each tenant will be furnished an inventory of the contents of the unit occupied, and the condition thereof, and will acknowledge receipt in writing.

2. O c c u p a n c y

Record. The accommodations officer or designated representative will maintain an occupancy record of each unit. The record will indicate the move-in date and the intended date of vacancy. The intended date of vacancy will

be changed to the actual date of vacancy when the tenant actually vacates. The accommodations officer, or designated representative, will verify that the unit is vacated on the date specified and inspect the unit and its contents for loss or damage before the tenant receives a refund or leaves the premises.

B. Charges.

1. General. Each tenant is required to pay rent for the premises occupied which will include furniture, fixtures, and utilities. In addition, each tenant is required to pay for the loss of or damage to the premises occupied, including contents when such loss or damage is caused by deliberate or negligent acts of the tenant, members of his household, or his guests. The tenant will sign an agreement that he accepts financial responsibility.

2. Unit Rental Rate.
A daily fixed unit rental rate for each type of unit will be established by the accommodations officer and approved by the commanding officer. The rate will include the following items:

- a. Estimated cost to maintain each unit,
- b. Estimated depreciation cost of the contents of the unit,
- c. A one-time cleaning and linen charge,
- d. Estimated cost of common services,
- e. Estimated cost of utilities furnished, and
- f. Amount to cover the cost of overhead expenses.

3. Direct Charges.
The tenant will be required to pay directly for services furnished from sources other than those furnished by the transient family accommodations officer.

4. Advance Payments and Security Deposits. The tenant will be required to pay, in advance, for the estimated number of days he intends to occupy the premises. The establishment of a security deposit to forestall delinquencies, or to cover loss or damage of government property, will be optional and within the discretion of the commanding officer, and, if required, will be in addition to the advance rental payment. The amount of the security deposit, when required, will be established by the accommodations officer and approved by the commanding officer.

5. Refunds. The tenant will be refunded the difference between the advance payment made and the actual rental charge, and the amount of the security deposit or the difference between the amount of the security deposit and any charges assessed for loss or damage to government property. Such refunds will be made in cash from the departure fund, cash receipts, or a change fund when accompanied by proper documentation. In those instances where the charges for loss or damage to government property exceed the amount of the security deposit, the additional funds will be collected from the tenant before he leaves the premises.

C051406 Host Nation Support-Master Labor Contract (MLC) Cost Sharing. In those cases where a foreign country is committed to fund part of the personnel allowances for its nationals, then the NAFI shall be obligated only for the NAFI portion of the cost.

CHAPTER 6

RECORDING FINANCIAL TRANSACTIONSC0601 GENERALC060101 Journals, Ledgers and Forms.

This chapter describes basic journals, ledgers, and forms which will be maintained locally for the purpose of recording and accumulating financial data and preparing related statements and reports. MWR activities participating in centralized accounting systems under the control of the Bureau of Naval Personnel will use program manager prescribed forms and procedures.

C060102 Illustrative Examples. The various records described, and in some instances shown herein, are presented as illustrative examples and, as such, may be modified to fit the type of accounting equipment utilized, the type and volume of transactions processed, and the requirements of program managers. The diversity of operations makes it impractical to prescribe internal records to meet the operational requirements of all morale, welfare, and recreational activities. Commercial type journals, ledgers, and forms may be procured or devised locally.

C060103 Journalizing Rules. The fundamental rules for journalizing are listed below:

record: A. Debit entries are to

assets; 1. Increases in

liabilities; 2. Decreases in

losses; 3. Expenses or

worth. 4. Decreases in net

B. Credit entries are to record:

1. Decreases in assets;

2. Increases in liabilities;

3. Income or gains;

4. Increases to net worth.

C0602 JOURNALS.

A. General Journal. The general journal is the form for recording all financial occurrences and value changes not within the scope of the other books of original entry. Activities in a centralized accounting system submit a general journal voucher to an accounting unit rather than post to this journal. Most financial transactions will be recorded in one of the special journals, limiting the use of the general journal to the recording of unusual transactions. Unlike the special journals, postings from the general journal to the general ledger may be made as they occur and not at the end of an accounting period. NAVCOMPT Form 730 may be used for this purpose.

B. Cash Receipts Journal. The cash receipts journal is the daily record for recording all cash receipts and bank deposits for activities not participating in a centralized banking system. The journal will contain columnar headings to show the date, description, total amount received, amount deposited, and separate columns to provide credits to the most commonly used accounts. All cash received regardless of source will be recorded in this journal. The journal will also include a general ledger credit column for receipts that are not provided for under the separate columnar

headings. At the end of the accounting period, all columns will be totaled and balanced. Each column total is then posted to the general ledger, except the general ledger credit column for which individual entries are posted by account classification. NAVCOMPT Form 732 may be used for this purpose.

C. Cash Disbursements Journal. The cash disbursements journal is used by activities not utilizing a central banking system to record all disbursements. Columnar headings will be provided for the date, description, check number, voucher number, the amount of the check, discounts earned, and separate columns to provide for debits to the most commonly used accounts. This journal will also include a general ledger debit column to record disbursements other than those provided for in the separate columns. At the end of the accounting period, all columns will be totaled, balanced, and posted to the general ledger except the general ledger debit column for which individual entries are posted by account classification.

D. Purchase Journal. The purchase journal is used to record the liability (accounts payable) and make distribution of charges at the time goods or services are received. Columnar headings will be provided for the date, the name of the vendor, invoice number, purchase order or voucher number, accounts payable credits, and separate columns to provide for distribution to the most commonly used accounts. A general ledger debit column will be included for distribution to accounts not provided for under the separate columnar headings. At the end of the accounting period, each column will be totaled and posted to the general ledger except the general ledger debit column for which individual entries are posted by account classification. Activities in a centralized system post all unpaid bills to an accrual journal voucher at the end of an accounting month.

E. Purchase Journal - Check Register. The purchase journal check register may be used in lieu of the purchase and cash disbursement journals. The NAVCOMPT Form

734 serves to combine the functions of these two journals. A section is provided to record the liability for purchases and make distribution of charges at the time goods or services are received. The disbursement section is used to document the payment of funds. Columnar headings are provided for dates, description, name of vendor, invoice, voucher and check number, and separate columns are provided for the most commonly used accounts.

F. Payroll Journal. A payroll journal is used to record all the information necessary for the preparation of an activity's payroll. The use of a payroll journal is not mandatory but is prescribed as an optional procedure where the number of employees is sufficient to justify its maintenance as a desirable practice. Activities employing a small number of employees may record the payment of salaries directly in the cash disbursements journal. The data concerning each employee contained in the payroll journal or the cash disbursements journal are posted to individual earnings records, which must be maintained for each employee. Summary totals from this form are posted directly to applicable accounts in the general ledger or onto a payroll summary form used by a mechanized system. When the use of a payroll journal is deemed appropriate it must contain as a minimum the information recorded when a NAVCOMPT Form 2210 is used.

1. When utilized, this form is prepared for each payroll period. This form consists of two parts; Part A (which is used to record employee work and leave information and gross earnings (including free meals received and tips reported by employees)) and Part B (which is used to record deduction information, net wages, check number and expense distribution). To complete the form, if an employee works more than one shift or more than one job in a single pay period, the information should be recorded for each job or shift on separate lines of the form. An additional line should then be used as a total line for columns (15-29). Part B will then be filled out for this total line only. Though it takes up additional space, this procedure eliminates the most common payroll errors made by payroll

clerks. For example, if an employee works two separate jobs, two individual lines and a total line would be used. Similarly if an employee works two different shift differentials a total of three lines would be used. If an employee works only one job or one shift and works overtime, only one line is used.

2. Note that annual leave expense is the dollar amount for the number of hours of annual leave earned during the pay period (column 6 x column 14) while sick leave expense is the amount of sick leave paid during the pay period (column 21). In general an employee's wages are charged to the department in which he works. If the employee performs an administrative function, record that employee's wages under Salaries and Wages Administrative.

G. Combination Journal - Ledger. This is an alternative record used as a book of original entry. Activities that have a limited number of transactions may utilize the combination journal-ledger. All receipts and disbursements are recorded daily. All entries must be supported by valid receipt and disbursement vouchers. Columnar headings are provided to show the date, explanation, check and voucher numbers. Debit and credit columns are incorporated to meet the operational needs of the activity. As a minimum, the format contains the following three sections: cash in bank, general ledger and net worth. The total of all debit columns must always equal the total of the credit columns. A separate general ledger is not required. Prepare the trial balance and financial statements directly from the information contained in the combination journal-ledger. Subsidiary ledgers for accounts receivable and accounts payable must be maintained.

C0603 LEDGERS.

A. General Ledger. The general ledger is the record in which all accounting entries are ultimately summarized. The accuracy of the information recorded must be absolute in all details. The data contained in this record is used as the basis from which the financial statements are constructed. A separate

ledger sheet will be maintained for each account used. NAVCOMPT Form 733 may be used as the general ledger. At the end of the accounting period, a trial balance will be prepared and each control account reconciled with its related subsidiary ledger.

B. Subsidiary Ledger. A subsidiary ledger is used to support a general ledger account balance. It is mandatory that subsidiary ledgers be maintained for accounts receivable and accounts payable and any other account which management deems necessary for control purposes. The NAVCOMPT Form 733 may also be used as a subsidiary ledger form.

C0604 FORMS.

A. Expenditure Voucher (NAVCOMPT Form 740). This form will be used for recording all purchases and other expenses when a voucher system is desirable. When invoices are payable separately under discount, a voucher will be prepared for each. One voucher is prepared for each vendor when all invoices for that vendor are paid by one check.

B. Property and Depreciation Record (NAVCOMPT Form 742). The property and depreciation record is used to record nonexpendable property (property valued at \$1000 or more per item or set of items) and related depreciation, and may be used to record expendable property and special property items when deemed necessary for control purposes. As a minimum, this record must show a complete description of the asset. Only one item or number of like items will be recorded on each form. Property and depreciation records supporting the fixed assets general ledger accounts must be maintained separately from stock record cards for merchandise inventory.

C. Stock Record (NAVCOMPT Form 742-1). The stock record (NAVCOMPT Form 742-1) is used to record resale merchandise and supplies in a warehouse for storeroom. It may be used to record expendable property. The form is designed to accommodate recording of like items of merchandise and supplies. The stock record

must show a complete description of the merchandise and all pertinent information regarding receipt and issues.

D. Petty Cash Voucher (NAVCOMPT Form 743). This form is used to support all disbursements made from the petty cash fund. Vouchers are prenumbered sequentially and controlled. When the payment is to be charged to more than one control account, the amount applicable to each account is shown on a separate line. These separate lines must total to the amount paid. Persons requesting reimbursement from the petty cash fund must complete a petty cash voucher signing the "Received By" block and attach a valid receipt.

E. Individual Earnings Record (NAVCOMPT Form 2209). This form is used to accumulate payroll information for each employee on a quarterly and annual basis and facilitates the preparation of social security and W-2 earnings statements, which must be furnished as required by federal law. A signed statement of working conditions or a contract of the terms of employment should be obtained from each employee.

F. Daily Activity Record (NAVCOMPT Form 2211). The daily activity record is used to record all activity income, and when properly used creates a built-in internal control system which protects the cash assets. All individual cashiers responsible for receiving cash and charge sales record the required information on a daily activity records upon completion of their assigned work schedule and turn the cash and the NAVCOMPT Form 2211 in to the designated person. The person designated to receive the cash verifies the cash and charge sales and records the required additional information on the NAVCOMPT Form 2211. The person designated reads the register, records the readings on NAVCOMPT Form 2211, and computes cash overage or shortage. All entries on the daily activity record must be made in ink. No corrections may be made to lines 1 through 6. If errors are made on these lines, the cashier must either destroy the form (or if locally required void and surrender the erroneous form)

and prepare a new one. Authorized corrections on other lines of the form are made by drawing a single line through the error and writing the correct amount immediately above. Corrections may be made only by the person making the original and must be initialed and dated.

G. Certificate of Disposition (NAVCOMPT Form 2212). Nonappropriated fund procured property that is controlled by use of a property and depreciation or stock record which has become unserviceable or missing may not be dropped from an activity's records until a certificate of disposition is prepared by the activity and approved by the commanding officer or his designated representative. Annotations are made on the form to indicate the cause of the condition and substantiating documents including custody receipts are attached. In the cases where individual culpability is known or suspected, an investigation concerning the property should be conducted. The safeguards of the Uniform Code of Military Justice (UCMJ) Article 31 must be followed if the individual is a member of the Armed Forces and is suspected of any offense.

H. Purchase Order (NAVCOMPT Form 2213). A purchase order must be used for all purchases of supplies, services, materials and equipment from commercial sources except for purchases made by contract or from the petty cash fund. When requisitioning merchandise from the Naval Supply System, forms are prescribed by the local supply activity. The activity's designated purchasing agent completes NAVCOMPT Form 2213 to initiate the purchasing process. After completion, the original is sent to the vendor. The duplicate is forwarded to the bookkeeper for inclusion in the numerical "open order" file maintained in that department. The triplicate and quadruplicate copies are forwarded to the area where the merchandise will be received, where an "open order" file will be maintained by vendors' name until delivery. The last copy is retained by the purchasing agent for reference purposes. After receipt of goods, the purchase order copies are circulated as described in Chapter V. Activities participating in a centralized system use 2147 in lieu of

NAVCOMPT Form 2213. NAVCOMPT Form 739 may be used by all other activities until present stocks are exhausted.

I. Requisition (NAVCOMPT Form 2214). A requisition must be used to document the transfer of all merchandise or operating supplies from one department of an activity to another department (warehouse to resale location or resale location to resale location). It may also be used to document transfers from one activity to another. Requisitions are prepared by the department or activity requesting the items in a sufficient number of copies to provide copies for the issuing activity, the requesting activity, the accounting department of each of these activities, and an additional copy for a stock control point if different from the issuing or requesting activity. In most instances, requisitions between departments of a single activity are prepared using the three copies of the form. For requisitions between activities, an extra copy must be prepared so that both bookkeeping departments have documentation to support the accounting records. The forms are sequentially prenumbered by stamping, overprinting, or typing and are issued in blocks to the individual departments. Continuation sheets, where necessary, are prepared by the use of a locally developed form that utilizes the same format as the requisition, or by voiding the next successively numbered requisition and annotating it with the requisition number of the original, the words "continuation page" and indicating the number of each page. For example, if three sheets are used in a requisition, the tops of all copies of the first sheet are marked "1 of 3", the second "2 of 3", and third "3 of 3". DD Form 1149 may also be utilized for this purpose.

J. Inventory Record (NAVCOMPT Form 2215). An inventory record is used to list the value and quantity of an activity's inventory as shown by stock records or a physical sighting and count of the resale items, operating supplies, and replacements. This listing is then reconciled with the valuation for these accounts shown in the general ledger. Valuation is made on a first in, first out basis for

both cost and retail values. Last invoice price may be used to price merchandise located in sales outlets. Discrepancies between the valuations shown on the inventory record and the general ledger and/or stock records must be investigated and proper adjustments to the accounting records made. This investigation should ascertain the cause of the discrepancy and the corrective action necessary to prevent it. Investigation results must be documented and made a part of the official records of the activity. Locally developed or procured forms may be substituted as an inventory sheet, provided the information shown is equivalent to the information requirements of the NAVCOMPT Form 2215.

K. Property Receipts. To facilitate control and to insure maximum use of property, the commanding officer or his designated representative will specify time limits for the use of items of property in great demand.

1. Temporary Periods. A signed custody receipt (NAVCOMPT Form 744) will be obtained from each individual borrowing property without charge. This receipt will be returned to the individual when the property is returned. Prenumbered sales vouchers for rentals (such as boats, trailers, golf clubs, etc.) should be used. Returns should be annotated on customer's voucher.

2. Issues for an Indefinite Period. The custodian will maintain a file of signed custody records (NAVCOMPT Form 745) obtained from individuals charged with the accountability of property issued for an indefinite period.

L. Consolidated Property Record. This memorandum record will be maintained to show a complete listing of each expendable item purchased by the activity and stored in the warehouse or storeroom, and special items as defined in Chapter V. Property and depreciation records (NAVCOMPT Form 742) or stock records (NAVCOMPT Form 742-1) will be maintained as subsidiary records to the memorandum consolidated property record.

M. Receipt Voucher. A receipt voucher (procured locally) will be used for receipts of cash not recorded in cash registers or on sales slips. These forms will be prepared in triplicate for each cash collection. The original receipt voucher will be given to the individual making payment. The second copy will be used to post the cash receipts journal. The third copy will be retained for numerical accountability. As a minimum, the form will contain the date of receipt, number of receipt, amount received, received from, received by and received for.

N. Special Event Reports. A special event report (procured locally) will be prepared in ink for each special event and will show the date of the event, collections made, tickets sold, list of prize winners, prizes won, dollar value, signature of persons winning prizes, and any other pertinent data deemed necessary by management. The report will be signed by the individual in charge of the event and one other person who will verify sales and cash collected. If the special event is of a recurring nature, i.e. weekly bingo, then the report is unnecessary provided equivalent data is maintained through Daily Activity Records, Receipt Vouchers, etc. to enable construction of the report if need be.

O. Registration Record (NAVCOMPT Form 2104). The registration record must be prepared for and signed by the tenant of BOQ'S transient accommodations, guest houses, etc.

C0605 REPORTS. In order to provide management with current information pertaining to the financial condition of the activity, the submission of financial statements periodically is of utmost importance. Financial statements are prepared at the end of each accounting period; monthly, quarterly, or as prescribed by the program manager. The accounts prescribed in this handbook have been designed to facilitate the preparation of such statements. All financial statements are prepared from the official accounting records. Financial statements must be submitted by each activity in accordance with instructions issued by the applicable program manager. A sample balance sheet and income

statement are shown in chapter VII, for illustrative purposes only. Reporting requirements and formats for MWR program managers are specified by the Secretary of the Navy and the Comptroller of the Navy, respectively. SECNAVINST 7000.22(series) and Appendix H provide guidance for reporting requirement and formats.

C0606 PROCUREMENT OF FORMS.

A. NAVCOMPT Forms. NAVCOMPT forms prescribed or mentioned in this handbook may be obtained by submitting a DOD Single Line Item Requisition (DD Form 1348), citing the ordering number of the form desired to:

Commanding Officer
Naval Publications and Forms Center
5801 Tabor Avenue
Philadelphia, Pennsylvania 19120

The names, form numbers, and ordering numbers of NAVCOMPT Forms commonly used in morale, welfare and recreation programs are listed on the following page.

B. Other Forms. All other forms deemed necessary at morale, welfare and recreation activities must be procured and/or developed locally, except as prescribed or made available by applicable program managers.

Form Name	NAVCOMPT Form Number	Ordering Number
General Journal	730	0104-701-1900
Cash Receipts Journal	732	0104-701-2100
General Ledger	733	0104-701-2200
Purchase Journal-Check Register	734	0104-701-2302
Budget Record	735	0104-701-2400
Expenditure Voucher	740	0104-701-3000
Property and Depreciation Record	742	0104-701-3200
Stock Record	742-1	0104-701-3250
Petty Cash Voucher	743	0104-701-3300
Custody Receipt	744	0104-701-3400
Custody Record	745	0104-701-3500
Status of Nonappropriated Fund Balances	2062	0104-702-3601
Registration Records	2104	0104-703-8300
Retail Price Change	2145	0104-704-2500
Purchase Order	2147	0104-704-2700
Individual Earnings Record	2209	0104-706-5100
Payroll Journal	2210	0104-706-5150
Daily Activity Record	2211	0104-706-5200
Certificate of Disposition	2212	0104-706-5250
Purchase Order	2213	0104-706-5300
Computer Purchase Order	2213	0104-706-5330
Mess Requisition	2214	0104-706-5350
Inventory Record	2215	0104-706-5400
Order for Work and Services	2275	0104-702-2751
Voucher for Disbursement and/or Collection	2277	0104-702-2770

CHAPTER 7

INVESTMENTSC0701 GENERAL

C070101 Policies. This chapter establishes NAF investment policies as prescribed by DoD program policies and assigns the program managers' responsibilities for financial management of their NAF investment programs. DFAS-HQ/A will annually review and monitor selected investment information provided by program manager.

C070102 Applicability. The policies set forth herein apply to exchanges and all military and civilian Morale, Welfare, and Recreational (MWR) investments within the Department of the Navy, except retirement funds. Policies pertaining to the management, investment and administration of retirement plans are contained in SECNAVINST 5300.22A(series), Navy and Marine Corps Personnel Policy Manual for Nonappropriated Fund Instrumentalities (NAFIs).

C070103 Limitations. Nonappropriated funds may be invested, only as provided for in DoD program policy. The size of the investment program must not exceed the projected need to fund otherwise unfunded MWR requirements. Funds will not be accumulated solely for investment income. However, cash assets in excess of immediate operational needs will be invested as soon as possible after receipt. Program Manager will ensure that adequate investments are established to fund replacement of tangible fixed assets, employee severance pay, pension plans, constructing and alteration of facilities, mobilization contingencies, and new operational programs that may be introduced.

C0702 RESPONSIBILITIES.

C070201 Program managers. Program managers (Commandant of the Marine Corps, Commander, Naval Supply Systems Command, Commander, Naval Military Personnel

Command; and Commander, Military Sealift Command) will:

A. Establish and maintain adequate systems of internal control that provide reasonable assurance that the policies set forth herein are complied with.

B. Establish an investment steering committee and appoint competent membership.

C. Appoint investment officers who are financial management specialists with training in investment banking.

D. Review and approve, at least annually, an investment plan (strategy) prior to authorizing funds to be invested. The plan should also identify the projected requirements for which the funds are being invested. Such annual plan will be modified by the Program Manager as internal and/or market conditions require.

E. Establish a system to review, evaluate and track the investment portfolio performance.

F. Ensure that the procurement and/or sale of investment instruments is conducted on a competitive basis. This process, at a minimum, requires obtaining multiple telephonic quotes and rotation among qualified bidders to assure:

1. Maximum yields subject to risk evaluations and forecasted cash positions;

2. E q u i t a b l e treatment of bidders. All bids and consummated transactions will be documented.

G. Require an annual review and/or inspection of investment funds to include the evaluation of internal controls and follow-up on corrective action taken on recommendations in Naval Audit Service (NAVAUDSVC) and private sector audits and any other inspection recommendations.

C0703 REPORTING REQUIREMENTS

C070301 Annual Report. Annually, program managers will be requested to submit a summary of NAF investments to DFAS-HQ/A for review.

A. The annual report will be as of 30 November.

B. The report will be submitted for each year in time to reach DFAS by the 5th workday in January.

C. The report will include identification of:

1. Investments placed with financial institutions and a certification that they are properly insured and collateralized as required by DoD program policy.

2. Investments made with foreign financial institutions; and

3. Investments made by field activities.

C070302 Format. In addition to the reports, addressees will provide a copy of all audits performed, by internal as well as external auditors.

ATTACHMENT C.1

RULES RELATIVE TO THE PROTECTION OF BANK DEPOSITS
(CHECKING ACCOUNT)

1. Responsibility. The manager as a direct representative of the commanding officer is responsible for the protection of all nonappropriated funds including deposits with financial institutions and the associated collateral requirements.

2. Deposits with Insured Institutions in the United States. Only banks insured by the Federal Deposit Insurance Corporation, savings and loan associations insured by the Federal Savings and Loan Insurance Corporation, or credit unions insured by the National Credit Union Administration, shall be selected as depositories for nonappropriated funds. Deposits up to \$100,000 may be deposited in such insured institutions for each time account (savings and certificate of deposits), and deposits up to \$100,000 may be made for each demand account (checking).

a. Banks. A deposit in excess of \$100,000 is required to be collateralized, prior to the depositing of the funds, by the institution pledging acceptable collateral with the district Federal Reserve Bank or a third party custodian approved by a Federal Reserve Bank. (Refer to paragraph 5 and 6 of this Attachment).

(1) Insurance coverage for any interest or dividends received during the life of the certificate will not be required until the certificate expires. If the dividends are paid quarterly, then time certificates should only be executed for a one year period.

(2) Provision is made under Section 10 of the Act of June 11, 1974, 56 Stat. 356 amended, (12 U.S.C. of 265) whereby banks insured by the Federal Deposit Insurance Corporation which have been designated depositories by the Secretary of the Treasury may deposit securities in the form of United States Treasury bonds or, otherwise, any other

Federal funds. The deposit is subject to the control or regulation of the United States or any of its officers, agents, or employees. Under regulations of the Treasury Department, such bonds or securities must be deposited with a Federal Reserve Bank of the United States Treasury Department or a designated third party custodian.

b. Credit Unions and Savings and Loan Associations. Although insured credit unions and savings and loan associations are eligible to receive deposits of nonappropriated funds, such deposits are limited to the maximum amount covered by insurance namely, \$100,000. Deposits in excess of insured amounts must be collateralized in accordance with paragraph 5 of this Attachment.

3. Deposits with Overseas Branches. Deposits in overseas branches of United States banks are not insured when deposits are only payable in a foreign country or at an office of the bank located in areas outside the United States, District of Columbia, Puerto Rico, and the Virgin Islands. Therefore, collateral in the full amount will be required to cover such uninsured deposits. Deposits in the currency indigenous to the country may be made in branches of United States banks or in foreign depository banks without collateral but are limited to the amounts required for current operating expenses and construction and severance/retirement liabilities, as collateral cannot normally be obtained from foreign banks.

4. Insured Deposits. The term "insured deposit" contained in the Federal Deposit Insurance Act means the net amount due to any depositor for deposits in an insured bank, after deducting offsets, less any part thereof which is in excess of the maximum coverage. The net amount shall be determined according to such regulations as the Board of Directors of the

Federal Deposit Insurance Corporation may prescribe. The above method also applies to funds deposited in insured credit unions and savings and loan associations.

In determining the amount due any depositor, there shall be added together all deposits in the insured institution maintained in the same capacity and in the same right for his/her benefit either in his/her now name or in the name of others. Deposit maintained in the same insured institution in different rights or capacities are not so added together for insurance computation. When a custodian has custody of several funds/accounts and each fund/account is maintained in a different right or capacity, each fund/account is entitled to the maximum insurance coverage. The foregoing provides that one or more funds/accounts can be administered by a single custodian without impairing the insurance protection.

Under Section 10 of the Act of June 11, 1942, and subsection 2(m) of the Federal Insurance Act, each officer, employee, or agent of the United States having official custody of public funds and lawfully depositing these funds in a bank insured by Federal Deposit Insurance Corporation is, for the purpose of determining the amount of the insured deposit, considered a depositor in such custodian capacity separate and distinct from any other official custody of public funds, and lawfully depositing these funds in the same insured bank in custodial capacity. Since nonappropriated funds under military control have been held to be public funds within the meaning of this Act of June 11, 1942, as amended, each person acting as official custodian of such nonappropriated funds and lawfully depositing then in any insured institution will be insured up to the maximum limit on such deposits maintained in each different right or capacity provided that separate records are maintained for each nonappropriated fund account.

5. Pledge of Collateral. For deposits of Navy or Marine Corps organizational funds in excess of insured amounts, depositors shall request the bank, savings and loan association, or credit union to immediately pledge the

necessary collateral with a designated third party custodian and require that the depositor be notified by message within two (2) days after deposit. If necessary collateral is not pledged as requested, the funds should be removed and no funds in excess of \$100,000 should be deposited in the financial institution.

6. Third Party Custodians. The third party custodian relationship is between the Federal Reserve Bank and the financial institution and is supported by a standard third party agreement. Prior to using a third party custodian you should obtain a copy of the Agreement and advise the Federal Reserve of your intention to use the custodian. You should also have an agreement whereby the custodian will provide you monthly statements which show the type and amount of collateral pledged by each institution for your account.

7. Utilization of Banking Facilities. The services of banking institutions operating on military installations will be utilized to the extent there is a need for such services and the services and the on-base banking institution can provide the types of service needed at a competitive price. The on-base banking facility was established and justified, in part, as a means of providing convenient banking services to custodians of nonappropriated funds. The use of other banks would tend to defeat the purpose for which the facility was established by denying it the support that comes from the maintenance of deposit accounts. This practice is necessary in fairness to the banking facility and to avoid possible subsidy by the Treasury Department and the Department of the Navy relating to such accounts. If an activity has approval to automate its payroll system with a commercial bank or service center and such services are not available at the installation banking facility, such limited service may be contracted for elsewhere.

8. The Investment of Funds. The investment of funds in excess of current operating requirements in insured accounts or in the U.S. Government securities is authorized, subject to the conditions described in paragraph 2 above. See Chapter 8 for investments.

9. Savings and Loan Associations. Savings and Loan Associations which are insured by the Federal Savings and Loan Insurance Corporation are eligible to receive deposits of nonappropriated funds up to a maximum of \$100,000. Because there is no way to obtain collateral from savings and loan associations, deposits are limited to the amount covered by insurance - namely, \$100,000.

ATTACHMENT C.2

FEDERAL UNEMPLOYMENT COMPENSATION PROGRAM FOR
NONAPPROPRIATED FUND PAID EMPLOYEES1. GENERAL

a. Authority. 5 U.S.C. 8501 to 8508 amended the Social Security Act by adding an unemployment insurance program for Federal civilian employees. The Secretary of Labor administers the program through agreements with state employment security agencies. Under terms of each agreement, the state agency, as an agent of the United States, takes claims and pays benefits to eligible Federal service employees under the same terms and conditions of its state unemployment compensation law which apply to industry employees who are covered by and file claims under the state law. In those instances where the Secretary of Labor does not have an agreement with an individual state, the Secretary, under regulations prescribed by him, shall pay a claim in the same amount, on the same terms, and subject to the same conditions as would be paid under the unemployment compensation law of the State if an agreement did exist.

b. Eligibility. Nonappropriated fund paid civilian employees and military personnel employed voluntarily during off-duty hours are considered as having rendered "Federal Service" thereby entitling them to unemployment benefits. To be eligible for unemployment benefits under any state law, a claimant must be ready, willing and able to work, in addition to meeting other conditions prescribed under the state law.

c. Base Period. The amount of unemployment benefits to be paid and the number of weeks for which benefits will be paid is based on the amount of "Federal Service" (and state covered) wages earned in a 52 week period (base Period) preceding the claim. "Base period" is a 52 week period defined in each state law, is variable among the state, and in most states is the first four of the last five completed calendar quarters preceding the claim.

2. COVERAGE. All employees paid nonappropriated funds within the United States, Puerto Rico, Virgin Island, and all United States citizen employees wherever located perform "Federal Service" for unemployment compensation purposes. The program requires no contributions from MWR employers or employees and provides unemployment benefits similar to those provided to workers in private industry. The Department of the Navy pays the cost of any benefits paid to its employees.

3. NOTIFICATION TO EMPLOYEES. Standard Form 8, Notice to Federal Employees about Unemployment Compensation will be issued on or before the last day of active duty to employees whose services terminate for any reason, who transfer to an activity served by a different payroll office, or who are placed in a non-pay status for seven or more days. Additionally, a personnel separation statement will be issued showing the employee's name and social security number, salary rate, date of separation and specific reason(s) for separation or placement in a non-pay status. (The employing unit should maintain a copy of this locally produced personnel action document for reference purposes.) Activities will ensure that the payroll unit designation and address and Navy MWR identification code 426 are inserted in the space provided on SF-8 is current and complete. On presentation of the SF-8 when claim is filed, the state agency addresses its request for wage and separation information (Form ES-931) to the payroll unit address shown on the SF-8.

4. REQUEST FOR WAGE AND
SEPARATION INFORMATION

a. Responsibility. Pursuant to 5 U.S.C. 8501-8508 requirements, Navy activities will furnish information requested by state employment security agencies concerning civilian

employees wages and employment to determine claimant's entitlement to unemployment compensation benefits.

b. Submission of Request. The state agency will send Form ES-931, Request for Wage and Separation Information, to the payroll office address shown on SF-8 when a claim is filed by a former employee. The activity will complete all Form ES-931 items on the basis of its payroll records and personnel action documents. Navy Identification Code 426 will be entered in Section II, Item 4, on all Forms-931. One complete form will be retained in a separate alphabetical file by name and the remaining Form ES-931 copies returned to the state employment security agency address shown on the form. The file copy of the Form ES-931 copies and related unemployment compensation forms will be retained for a period of at least two years.

c. Control of Form ES-931. A control (register or card file) will be established to ensure that the completed Form ES-931 and related forms (Form ES-934), Request for Information or Reconsideration of Federal Findings (Form ES-936), and Request for Verification are returned to the state agency within four working days of receipt of the form. If the Form ES-931 cannot be completed and returned within four working days of receipt, the activity will immediately inform the state agency that completion and return will be delayed and will include an estimate as to when the completed form will be returned. If another activity has the wage employment records required for completion of Form ES-931, the form should be sent to that activity for completion and the state agency should be advised of the transfer. If there is no record of employment, all forms should be returned promptly to the state agency with the notation "No record of employment."

5. SOURCE OF INFORMATION TO COMPLETE FORM ES-931. Information for completion of Form ES-931 will be obtained from the individual pay record. The pay record should be retained for 30 days in the event that the state agency may request information in addition to that reported on Form ES-931. If a

Request for Additional Information, Form ES-934 is pending, the pay record should be retained until such request has been processed.

6. COMPLETION OF FORM ES-931

a. Information furnished by state agency. The state agency will have completed the parts of the form which identify the claimant for whom wage and separation information is being requested and which specify the base period for which wage data are needed.

b. Completion of entries by activity payroll office

(1) Item 1a, Federal Service. Check "yes" or "no" as applicable. If no employment was performed during base period specified, briefly explain, complete item 3, sign the form and return to state agency. Any question concerning whether or not a specific type of service is "Federal service" will be referred to the office of Civilian Manpower Management for determination.

(2) Item 1b, Location of last employment. Enter the state or foreign country in which "duty station" was located as described on Form ES-931.

(3) Item 2a, Base Period - Wage Information. Enter gross wage information before reductions for the base period indicated. Complete the item in the manner and only to the extent specified. Include in "base Period wages" all remuneration including cost of living allowances, post differentials, back-pay awards, payments for sick leave, allowances in kind, and retroactive pay increases (allocated to the period in which paid). Report lump-sum terminal leave payments exclusively in item 3a, Form ES-931.

(4) Item 3, Terminal Leave and Separation Information

(a) Item 3a, enter information as to whether or not lump-sum terminal leave payment was made. If "yes", enter dates or period covered by terminal leave

and enter the dollar amount of the lump-sum payment for terminal leave and the date of payment. If "no", so indicate. Also enter the hourly rate of pay and the claimant's hours of regular duty per workday and basic work week hours.

(b) Item 3b, enter the date on which the employee was separated.

(c) Item 3c, enter the date of the employee's last day of active pay status, if earlier than date of separation or if employee has not been separated.

(d) Item 3d, enter reason for separation or non-pay status. If past experience with Forms ES-934 in similar cases shows the information in "Remarks" is inadequate for state agency adjudication purposes (such as "Suspended", "Retired", "Personal Reasons"), enter, in addition, clarifying findings obtained from the personnel office.

7. BACK PAY AWARDS. Back pay awards may require a redetermination of a claimant's benefit rights, or the recovery of benefits already paid. Therefore, the state agency to which a Form ES-931 has been sent for such employee should be informed by letter of the date, amount, and period covered by the back pay award. Upon receipt of this information, the state agency will determine whether such back pay wages are in the claimant's base period. If the back pay wages are in the claimant's base period, the state agency will request a corrected assignment of wages by Form ES-931 to include the amount of back pay wages determined to be in the claimant's base period along with other wages for the period. The activity will not attempt to deduct unemployment compensation benefit payments from back pay awards (35 Comp. Gen 241). Recoveries will be made exclusively by state agencies.

8. REQUEST FOR INFORMATION OR RECONSIDERATION OF FEDERAL FINDINGS, FORM ES-934. It is essential that the state agency have adequate information on which to base its determination of entitlement. If for any reason the information supplied on Form ES-931 is not

adequate, the state agency or state administrative appeal authority will request additional information. Provision is made also for a claimant, within the time limits specified in the state law, to request a Federal agency to supply additional information or to reconsider its findings. The claimant's request will usually be made through the state agency with which his claim was originally filed. These requests may be made by Form ES-934, Request for Information or Reconsideration of Federal Findings, by letter, or by other state forms. To expedite processing, all requests should be subject to the same control as Form ES-931. If an answer cannot be made in 4 days, the state agency should be notified when an answer can be expected. The Federal agency shall furnish any relevant information requested which it is not otherwise prohibited by law from releasing. If the request is for reconsideration of findings, the Federal agency should consider any information supplied by the claimant, the state agency, or the state administrative appeal authority, and should review its findings. It should promptly correct any errors or omissions and should reverse, modify, or affirm its findings, and should advise the state agency of its action and the basis thereof. The Forms ES-934 pertaining exclusively to separation information should be referred to the personnel office for its action. The personnel office should return the completed Form ES-934 should be retained and the remaining completed forms returned to the state agency.

9. VERIFICATION OF WAGE AND SEPARATION REPORTS. Each state agency will request verification of a sampling of Forms ES-931. These requests will be made on Verification Letter Form ES-936. This form should receive the same prompt attention as Form ES-931. In order to provide a proper check, it is desirable that Form ES-936 be completed by an employee other than the person who prepared the original Form ES-931. The state agency will send a representative to visit any activity if a reply to Form ES-936 indicates that there has been a lack of understanding of the program, that errors have been made, or that the activity desires to discuss reporting problems.

10. NOTICE TO STATE AGENCY OF REFUSAL OF WORK OFFER. When an offer of reemployment is refused by a former employee who worked for the activity in the area covered by the personnel and payroll offices where the offer is made, the personnel office should promptly notify the payroll office of the refusal. On receipt of such notice, the payroll office will review its alphabetical file of completed Forms ES-931 to determine whether the file contains a form pertaining to the person who refused reemployment. A copy of a completed Forms ES-931 should be maintained in this file for every former employee in the area covered by the payroll office who filed a claim for unemployment compensation benefits. If the file reveals that the former employee filed claim for unemployment compensation benefits and if the "Date of Request" in the upper right-hand corner of the Form ES-931 is within 12 months of the date on which reemployment was offered, a notice should be sent to the state agency which initiated the Form ES-931, giving the following information: The employee's name and social security number, the date of the job offer, the nature, location and salary of the job offered, and the reasons for the refusal, if known.

11. OTHER STATE FORMS. In addition to receiving Forms ES-931, 934, and 936, payroll units will receive several types of state agency forms furnishing information or requesting information. Two of these forms may be as follows:

a. Notice to Claim Determination. Most state laws require mailing of this form to former employers notifying them about a state decision on a claim filed by a former employee. If it appears from the notice that the state agency may pay benefits where, in the opinion of the payroll or personnel officer, the facts concerning separation should prevent such payment, the activity should file an appeal from such determination as instructed on the form.

b. Request for Wage Information for a Specific Week. When a claimant reports earnings from part time work, state agencies will request employer verification of the amount of such earnings. Request are also made when the

state believes that the claimant had earned wages but failed to report such earnings.

12. DISTRIBUTION OF UNEMPLOYMENT COMPENSATION COSTS TO FORMER EMPLOYING NAFIS. The Department of Labor assigned Federal Agency Codes (FAC) to identify "Bill to Navy Activities". Each "Bill to Activity" must identify each claimants former employing activity and work related information, i.e., wages earned, social security number, period worked, job title, reason for dismissal, etc. The following FAC(s) are assigned to the Navy and should appear on all documents used to process claims.

Federal Agency Code	Bill To Activity	Includes NAFIs Under the Command of
807	Navy Exchange Service	The Navy Exchange System and Military Sealift Command
808	Navy Rec. & Club System	Bureau of Naval Personnel Command and Chief of Naval Operations
809	Marine Corps MWR Support Activity	The Marine Corps Exchange System

FAC 426 should not be used after 30 September 1985.

13. BILLING PERIOD. Billing by the Department of Labor is accomplished on a quarterly basis and started on February 1986. The program manager has the discretion to reimburse the Department of Labor from either the central activity or individual NAFI.

14. REPORTING REQUIREMENTS. The Bureau of Labor Statistics requires an initial identification of all NAFI,s by name and address that fall under each FAC. Subsequent reporting is limited to additions or deletions of NAFIs. These reports should be forwarded to DFAS-HQ-A.

15. REMITTANCE ADDRESS. Remittance checks are payable to the U.S. Department of Treasury and submitted along with the Department of Labor request for reimbursement vouchers to the following address:

U.S. Department of Treasury
Trust Fund Branch
Pennsylvania Avenue and Madison Place NW
Treasury Annex No. 1, Room 326
Washington, D. C. 20226

ATTACHMENT C.3

NONAPPROPRIATED FUND INTERNATIONAL BALANCE OF
PAYMENTS-TRANSACTION REPORTING

1. PURPOSE. These instructions prescribe IBOP reporting requirements for all Navy nonappropriated fund activities located overseas. However, these instructions may be amplified to specific additional requirements promulgated by the Navy Civilian Personnel Instruction Par. 280.12 for civilian morale, welfare, and recreation activities, and the Naval Military Personnel Command instructions issued in the 7010.7(series) for military morale, welfare, and recreation activities.

2. SUBMISSION OF REPORTS

a. General. A Department of the Navy International Balance of Payments Transactions Report for Nonappropriated Fund transactions will be prepared in triplicate by each overseas Naval morale, welfare, and recreation activity (both civilian and military). The original of each report will be submitted to the appropriate office in accordance with the NAVCOMPT Instruction 7020.10 series in time to be received by the date specified in par. 2b. A copy of the report will be furnished the responsible commander and the second copy will be retained for reference.

b. Frequency of Reporting. Reports will be prepared quarterly governing nonappropriated fund transactions during the quarter ending March, June, September, and December. The reports will be submitted no later than twenty (20) calendar days following the close of the quarter. Except as modified in accordance with additional requirements specified by responsible offices the reports will be prepared in accordance with pars. 3 and 4.

3. REPORTING INSTRUCTIONS

a. General. This report will include only payments and receipts affecting nonappropriated funds in accordance with definitions and criteria delineated in the current

NAVCOMPT Instruction 7020.10(series). Payments and receipts affecting appropriated funds used in the operation of morale, welfare, and recreation activities will be excluded from this report. Morale, welfare, and recreation activities aboard ship will include only transactions aboard which are with activities ashore and enter the international balance of payments. All data reported will be stated in dollars or dollar equivalents for payments made in foreign currencies. The amounts reported will cover the reported quarter only and will be noncumulative.

4. PREPARATION. Each activity report will be properly identified by the title of the report, name and location of the reporting morale, welfare, and recreation activity and the quarter which the report covers. Entries will be made in the specified columns opposite the appropriate country as follows:

a. Column 1. Country. List each country, international organization, and applicable country code as provided in par. 027002-3 of the NAVCOMPT Manual.

b. Column 3. Sales. Enter here receipts from the sales of merchandise and services, including commissions from concessionaires. Excluded are concessionaire sales and receipts from any U.S. Government agency or activity.

c. Column 3. Other Revenue. Enter here receipts for membership dues, chaplains funds, net receipts from bingo, slot machines, and similar transactions.

d. Column 4. Total Receipts. Enter the sum of the receipts shown in columns 2 and 3.

e. Column 5. Net Pay, U.S. Personnel. Enter the net pay of U.S. civilian

personnel (part time or full time), and U.S. military personnel employed while off duty.

f. Column 6. Gross Pay, Foreign Nationals. Enter the gross pay of all direct or indirect hire, foreign nationals. Include all payments to or on behalf of the foreign nationals.

g. Column 7 Foreign Payments for Procurement of Merchandise for Resale. Enter here foreign payments for merchandise purchases for resale but exclude payments for purchases from any U.S. Government agency or activity.

ATTACHMENT C.4

FINANCIAL MANAGEMENT, OVERSIGHT AND AUDIT OF THE
NONAPPROPRIATED FUND (NAF) INVESTMENT PROGRAM

1. GENERAL. This Chapter amplifies and implements the NAF investment policies and assigns Department-wide responsibilities for financial management, oversight and audit of the NAF investment program.

2. APPLICABILITY. The policy set forth herein applies to all military and civilian Morale, Welfare, and Recreational (MWR) investments within the Department of the Navy, except retirement funds. Policies pertaining to the management, investment and administration of retirement plans are contained in SECNAVINST 5300.22 (series), Navy and Marine Corps Personnel Policy Manual for Nonappropriated Fund Instrumentalities (NAFIs).

3. POLICY

a. General. Nonappropriated funds may be invested only as provided for in paragraph 5. The size of the investment program must not exceed the projected need to fund otherwise unfunded MWR requirements. Funds will not be accumulated solely for investment income. However, cash assets in excess of immediate operational needs will be invested as soon as possible after receipt.

b. Risk. Each MWR activity will exercise caution to ensure the protection of funds invested. The most important factor to consider in evaluating any investment is risk. Holding an investment exposes you to some degree of risk. Higher yields often mean more risk and less liquidity. It is important to be informed about the different options available so that the return is maximized without accepting unnecessary risk or loss of liquidity. Investments authorized by paragraph 5 generally carry low levels of risk.

c. Liquidity. An asset is said to be liquid if it can be converted into cash easily and

rapidly without substantial loss in value. Liquidity is not an absolute property; it varies from asset to asset. MWR activities must have access to their funds when needed to meet operational or planned program requirements; therefore, investments must be readily convertible to cash. The maturity on investments will be limited generally to 36 months. However, investments up to 63 months are authorized provided that they are in support of a capital improvement program. Documentation must be on file to substantiate the existence of the capital improvement program.

d. Yield. In an effort to maximize the expected return on funds within the constraints of ensuring security and providing necessary liquidity, prudent action must be exercised to pursue yields of at least equivalent rates of return on portfolios of similar low risk cash management funds. This objective is secondary to the risk and liquidity objectives.

e. Investment Planning. Investment program plan (strategy) will be formulated and approved by the investment steering committee prior to investing funds. Emphasis must be placed on fund allocation when constructing the investment portfolio. Fund allocation is the process of distributing monies among the various types of investments: treasury bills; certificates of deposit; bonds; repurchase agreements; etc. This process requires a realistic assessment of the degree of risk that the MWR entity is willing to accept commensurate with the rate of return they wish to earn. In order to minimize interest rate fluctuations, activities should generally employ a hold-to-maturity strategy. The maturity of instruments should be matched with planned capital improvements and other funding requirements to the maximum extent possible. The investment plan should also incorporate the subjective aspects of risk/return management that dominate rational planning

without losing sight of the fact that (1) increases in expected return are accompanied by increases in risk and (2) investors should diversify to reduce risk. Characteristics of investment instruments are illustrated on page I-9 and are provided as guidance in investment selection. It is also a requirement that, at the annual DOD NAF review of Investment Management, an annual update be provided outlining current investment policies, procedures, and audit compliance with Service and DOD IG findings. This information will also be due to ASD(FM&P) not later than the first day of the third month following the end of the organization's fiscal year.

f. Collateralization. Funds shall not be maintained in a bank, savings association, or credit union unless they are insured by the applicable Federal insurer, or notice is received that the financial institution has pledged the necessary collateral with the appropriate Federal Reserve Bank or its designee:

(1) Collateral for checking and savings accounts deposits should cover 100 percent of the last quarter's highest daily balance in excess of the \$100,000 insured limitation. Collateral for time deposits should cover 100 percent in excess of the \$100,000 insured limitation.

(2) Insured Limitation. Investments in fund accounts for several MWR activities are limited to \$100,000 unless records are maintained by both the bank and the investor to show the balance for each activity. If multiple coverage is desired, records must reflect daily changes in amounts for each MWR activity having an interest in the account; and in all cases, the records must be available within three working days. The Federal Deposit Insurance Corporation (FDIC) Regulation, Section 330.1 specifies the record keeping requirements for multiple coverage.

(3) Program managers and/or their designees will coordinate directly with financial institutions and the servicing Federal Reserve Bank or authorized third-party custodians to obtain collateral. Procedures for

securing and pledging of collateral are contained in Treasury Financial Manual 6-9000 and are to be followed without exception.

4. RESPONSIBILITIES

a. The Assistant Secretary of the Navy (ASN) Manpower and Reserve Affairs (M&RA), is responsible for establishing MWR policy and procedures and for the overall management and oversight of matters relating to MWR programs and activities.

b. The ASN Financial Management (FM), is responsible for all policy matters relating to financial management of the MWR investment program. In fulfilling this responsibility, the ASN FM will:

(1) Issue specific guidance for the development and approval of financial management systems and provide procedures for budgeting, financial analyses, internal review, and reporting of financial information.

(2) Oversee execution of policies contained in this handbook. As a minimum, this function will require an annual review of selected investment information and monitoring collateralization requirements. The specific requirements for oversight and review will be the responsibility of the Office of the Comptroller of the Navy.

(3) Participate in the Department of Defense (DOD) investment fund review.

c. Program managers (Commandant of the Marine Corps, Commander, Naval Supply Systems Command, Commander, Naval Military Personnel Command; and Commander, Military Sealift Command) will:

(1) Establish and maintain adequate systems of internal control that provide reasonable assurance that the policies set forth herein are complied with.

(2) Establish an investment steering committee and appoint competent membership.

(3) Appoint investment officers who are financial management specialists with training in investment banking.

(4) Review and approve, at least annually, an investment plan (strategy) prior to authorizing funds to be invested. The plan shall also identify the projected requirements for which the funds are being invested. Such annual plan will be modified by the Program Manager as internal and/or market conditions require.

(5) Establish a system to review, evaluate and track the investment portfolio performance.

(6) Ensure that the procurement and/or sale of investment instruments is conducted on a competitive basis. This process, at a minimum, requires obtaining multiple telephonic quotes and rotation among qualified bidders to assure:

(a) Maximum yields subject to risk evaluations and forecasted cash position.

(b) Equitable treatment of bidders. All bids and consummated transactions will be documented.

(7) Require an annual review and/or inspection of investment funds to include the evaluation of internal controls and follow-up on corrective action taken on recommendations in Naval Audit Service (NAVAUDSVC) and private sector audits and any other inspection recommendations.

d. The Auditor General of the Navy (AUDGENAV), is responsible for the internal auditing function within the Department of the Navy (DON). He/she oversees the conduct of internal audits, including those performed by internal review and nonappropriated fund organizations and audit services provided by

private sector auditors under DON contracts. No contract for audit services may be entered into or a final payment made under an existing contract for such services without the approval of the AUDGENAV.

5. AUTHORIZED INVESTMENTS AND RESTRICTIONS. Investments of nonappropriated funds are limited to the following:

a. Banks. Interest bearing checking accounts, savings accounts, and certificates of deposit to the amount insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC) or pledge of collateral with the appropriate Federal Reserve bank or its designee.

b. Savings Associations. Interest bearing checking accounts, share accounts, and certificates of deposit to the amount they are insured by FDIC or FSLIC or pledge of collateral with the appropriate Federal Reserve bank or its designee.

c. Credit Unions. Funds shall only be invested in credit unions to the amount insured by the National Credit Union Share Insurance Fund (NCUSIF) unless excess amounts are covered by pledge of collateral with the appropriate Federal Reserve bank or its designee. Credit unions serving Department of Defense installations may be covered by any state-sponsored or private share insurance plan that is at least equal to the NCUSIF coverage required for Federal credit unions.

d. U.S. Government Securities. Obligations of the Federal Government, guaranteed as to principal and interest by the U.S. Government or obligations issued by U.S. Government-sponsored enterprises. Certain securities are guaranteed by the "full faith and credit" of the U.S. Government (principal and interest) while other securities are issued by "U.S. Government-sponsored enterprises." The "U.S. Government-sponsored enterprises" were established and chartered by the Federal Government, and are sponsored by a government agency although they are privately

owned and generally privately financed. Examples of securities that are "full faith and credit" and those that are "Government-sponsored enterprises" are listed below (not all-inclusive):

Full Faith & Credit

1. All U.S. Treasury Securities (Bills, Notes, & Bonds)
2. Department of Housing & Urban Development Community Development Block Grant
3. Farmers Home Administration Certificates of Beneficial Ownership
4. Government National Mortgage Association (GNMA)
5. Overseas Private Investment Corporation (OPIC)
6. Small Business Administration, Small Business Investment Companies, State/Local Development Companies
7. U. S. Maritime Administration Title XI Ship Mortgage Bonds

Government-Sponsored Enterprises

1. Farm Credit System:
 - a. Banks for Cooperatives
 - b. Federal Intermediate Bank Debentures
 - c. Federal Land Bank
2. Federal Home Loan Bank (FHLB)
3. Federal Home Loan Mortgage Corporation (FHLMC, "Freddie MAC")
4. Federal National Mortgage Association (FNMA, "Fannie Mae")
5. Student Loan Marketing Association (SLMA, "Sallie Mae")

e. Repurchases and Reverse Repurchases of Book Entry and Certificate Securities. Repurchase and Reverse Repurchase Agreements shall be limited to U.S. Government Securities and shall be made only with primary government securities dealers designated by the Federal Reserve Bank of New York, or with banks that meet high capital adequacy standards established by the program manager. Primary government securities dealers must meet and certify to the nonappropriated fund entity their compliance with the "Capital Adequacy Guidelines for U.S. Government Securities Dealers" as published by the Federal Reserve Bank of New York. The bank must meet capital adequacy standards established by the program manager and confirmed by an independent bank rating service external to the program manager's rating procedures. Collateral must be in the amount of 100% of market value of the purchased security, plus interest. Collateral for repurchase agreements is restricted to U.S. Government Full Faith and Credit Securities. To preclude frequent calls to mark-to-the-market, collateral in the amount of 102% of market value plus interest is desirable for U.S. Treasury Securities (Bills, Notes and Bonds). Collateral in the amount of 104% of market value plus interest is desirable for all other U.S. Government Full Faith and Credit Securities.

(1) Safekeeping of Repurchase Instruments. Book entries must be wired to a third-party bank selected by the NAFI. Alternatively, securities must be delivered to a bank designated by the NAFI. In either case, the instruments cannot be commingled with the assets of the bank, and the NAFI must receive a safekeeping receipt for the securities. Third party banks must meet the same rating standards as investment banks. The seller's letter with attachment as shown on Page I-11 contains the necessary language to provide the NAFI with a Power of Attorney to negotiate the securities, if necessary.

(2) Selling Treasury Paper. For temporary use of funds, use the purchaser's letter with attachment as shown in Page I-15 and handle the transaction in the same manner as the repurchase agreement.

(3) Availability of Funds. In both cases (a. and b. above), the funds should be available to the NAFI or the financial institution on the day the transaction is made. Interest begins on date of sale or purchase and ends on the day before the transaction is completed.

f. Eurodollar. If the Eurodollar market offers significantly higher yields, funds can be deposited with a U.S. bank dealing in this market. Funds invested in Eurodollars will not exceed the dollar amount insured by FDIC unless collateralized as required by Treasury Financial Manual 6-9000.

g. Restrictions

(1) Foreign Depositories. Investments are not authorized to be made in foreign financial institutions. Chartered affiliates of American banking institutions operating overseas are not considered foreign depositories for the purpose of this handbook.

(2) Maturity Limitation. The maturity on investments will generally be limited to 36 months. However, investments up to 63 months are authorized provided that they are in support of a documented capital improvement program.

Table C-1, Matrix of Investment Characteristics

Type of Security	Maturity	Marketability	Liquidity	Default Risk	Market Risk	Yield
Overnight Repurchase Agreements	1-3 days	Not Marketable	1	1	1	7
Treasury Bills	3-6 months	Broad Market	2	0	1	8
Federal Agency Discount Notes	60-90 days	Broad Market	3	1	2	6
Treasury Notes	2-5 years	Broad Market	4	0	4	4
Federal Agency Debenture-Not Fully Insured	2-5 years	Thin Market	6	1	5	2
Federal Agency Debenture-Fully Insured	2-5 years	Thin to Good Market	7	0	5	3
Insured CDs	1 year	Not Marketable	8	1	3	1
Collateralized CDs	60-90 days	Not Marketable	5	1	2	5

NOTES:

1. LIQUIDITY refers to the ability to readily convert the security to cash with little or no capital loss. Liquidity is related to average length of maturity and to the degree of marketability. The most liquid assets have the lowest score (1) while the least liquid asset is assigned the highest score (8).

2. DEFAULT RISK is the risk that the principal will not be repaid in full on a timely basis. The default risk for all approved investments is minimal. A score of "0" means that the security is backed full faith and credit by the U.S. Government and has virtually no default risk. A score of "1" means that the security is not fully guaranteed by the U.S. Government, and thus has slight default risk.

3. MARKET RISK is the degree to which the value of the investment will fluctuate with changing market conditions, and is primarily related to length of maturity. Investments are ranked from lowest ("1") to highest ("5") market risk. YIELD refers to the percentage interest income derived from the investment. Instruments are ranked from the highest yield ("1") to the lowest yield ("8").

4. YIELD refers to the percentage interest income derived from the investment. Instruments are ranked from the highest yield ("1") to the lowest yield ("8").

Figure C-1, Sample Repurchase Agreement, Seller's Letter

Dear Sirs:

From time to time, you may enter into repurchase transactions with us, evidenced by confirmation from us to you, pursuant to which we purchase from you specific securities and you agree to repurchase the same securities at a specified later date. Attachment 1 to this letter states the general terms and condition that shall apply to each such repurchase transaction. The confirmation of each such repurchase transaction, as supplemented by the attachment, shall constitute a binding agreement between us.

Please acknowledge your acceptance of the foregoing by signing and returning the enclosed copy of this letter.

Sincerely,

Agreed and accepted this

day of 19()

Attachment

Figure C-2 Seller's Agreement, General Terms and Conditions of Repurchase Agreements

1. Definitions. (a) (Name of NAFL); (b) "Buyer"; the person purchasing securities from ____ (c) "Specific Repurchase Agreement," the confirmation setting forth the specific terms for an individual repurchase transaction in which ____ sells securities to Buyer and agrees to repurchase them; (d) "Purchased Securities," the securities sold by ____ to Buyer; (e) "Purchase Price," the price at which Purchased Securities are sold by ____ to Buyer; (f) "Purchase Date," the date on which Purchased Securities are sold by ____ to Buyer; (g) "Repurchase Date," the date provided in a Specific Repurchase Agreement on which ____ is to repurchase the Purchased Securities from Buyer; (h) "Repurchase Price," the price at which Purchased Securities are to be repurchased on the Repurchase Date (which is equal to the Purchase Price plus Interest); (i) "Interest," the interest component of the Repurchase Price; (j) "Interest Rate," the rate at which interest is calculated; (k) "Long-Term Specific Repurchase Agreement," a Specific Repurchase Agreement under which the Repurchase Date is more than 21 days after the Purchase Date; (l) "Pledged Securities," securities, other than Purchased Securities, pledged to Buyer by ____ to secure its obligations hereunder; (m) "Cash Collateral," cash pledged to Buyer ____ to secure its obligations hereunder; (n) "Collateral," Pledged Securities and/or Cash Collateral; (o) "Margin," the excess of (i) the market value of the Purchased Securities under a Specific Repurchase Agreement plus Attributable Collateral over (ii) the Repurchase Price thereunder; (p) "Original Margin," the excess on the Purchase Date of (i) the market value of the Purchased Securities under a Specific Repurchase Agreement over (ii) the Repurchase Price thereunder; (q) "Attributable Collateral," for purposes of determining the amount of Margin, Collateral attributed to individual Specific Repurchase Agreements on the basis that Collateral is first attributed to restore the Margin under each Specific Repurchase Agreement to the Original Margin and thereafter attributed pro rata on the basis of the Repurchase Prices; and (r) "Act of Insolvency," with respect to any person, the filing by such person of a petition in bankruptcy, adjudication of such person as insolvent or bankrupt, petition or application by such person for any receiver or trustee for itself or any substantial part of its property, commencement by such person of any proceeding relating to it under any reorganization, arrangement, dissolution or liquidation law, or the initiation of any such proceeding against such person if such person indicates by any act its consent thereto or if such proceeding is not dismissed within 30 days.

2. Security Interest and Possession. The Buyer is hereby granted a security interest in and lien upon all Purchased Securities, Pledged Securities and Cash Collateral. Upon Buyer's request, ____ shall deliver Purchased Securities and Pledged Securities to Buyer; provided, that ____ shall, without such request, deliver to Buyer Purchased Securities purchased by Buyer under Long-Term Specific Repurchase Agreements, unless Buyer authorizes ____ to retain such securities. All Cash Collateral shall be delivered by ____ to Buyer, but shall be segregated from other funds of Buyer and identified as Cash Collateral. On the Repurchase Date specified in a Specific Repurchase Agreement, Buyer's security interest in the Purchased Securities subject thereto shall be deemed released upon the tendering of payment therefor by ____ and Buyer shall thereupon deliver to ____ any such Purchased Securities previously delivered by ____ to Buyer.

3. Margin Maintenance---Obligation. If at any time the Margin under a Specific Repurchase Agreement is not equal to at least 100% of the Original Margin, Buyer may from time to time require ____ to provide Collateral so that the Original Margin is restored. At the option of ____, the Collateral shall consist of Pledged U.S. Treasury Securities acceptable to buyer and/or Cash Collateral.

4. Margin Maintenance Buyer's Obligation. If at any time the Margin under a Specific Repurchase Agreement exceeds 120% of the Original Margin (a "Margin Excess"), ____ may require Buyer to elect either (a) to deliver cash to ____ or (b) to release from its security interest and lien such Collateral (whether or

not Attributable Collateral) and/or Purchased Securities thereunder as ___ selects, or to elect some combination of (a) and (b), so that a Margin Excess no longer exists; provided, however, that ___ shall select Purchased Securities in the case of an election under clause (b) only if there is then no Collateral. Upon the release of any Collateral or Purchased Securities that were previously delivered by ___ to Buyer, Buyer shall return such Collateral or Purchased Securities to ___.

5. Principal Payments, Interest and Dividends. Except as provided in Paragraph 12 below, all principal payments in respect of, and all interest and dividends paid or payable on, the Purchased Securities and Pledged Securities ("Income") shall be the property of and owned by ___. Buyer shall deliver Income to ___ on the date on which it is payable.

6. Substitution. ___ shall be entitled at any time to substitute U.S. Treasury Pledged Securities and/or Cash Collateral (the "Substituted Assets") for Purchased Securities, Pledged Securities or Cash Collateral ("Replaced Assets"), provided that the Substituted Assets are reasonably acceptable to Buyer and have a market value equal to at least the market value of the Replaced Assets.

7. Buyer Representations. The Buyer represents and warrants that it is duly authorized to enter into this Agreement and the transactions contemplated in it and that the person signing this Agreement on behalf of Buyer is duly authorized to act on its behalf.

8. Representations. ___ represents and warrants that it is duly authorized to enter into this Agreement and the transactions contemplated in it and that the person signing this Agreement on behalf of ___ is duly authorized to act on its behalf.

9. Payment and Delivery. Unless otherwise mutually agreed, all payments hereunder and under each Specific Repurchase Agreement shall be in immediately available funds. All deliveries of securities by one party to the other party shall be in suitable form for delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request. The buyer shall not, however, cause any such transfer of securities to be registered, except as provided in Paragraph 12 below. All deliveries shall be affected within the delivery time scheduled from time to time by the New York Clearing House Association.

10. Market Value Determination. The market value of all Purchased Securities and Pledged Securities shall be determined daily at the close of business by using the "bid" price for the securities in question as it appears in the most current issue of the Wall Street Journal or such other source as is mutually acceptable to Buyer and ___.

11. Segregation of Securities. All Purchased Securities and Pledged Securities, held by Buyer or his or her designated bank; shall be segregated from other securities in the possession of the holder and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder.

12. Default. In the event that (i) ___ fails to repurchase any Purchased Securities upon the Repurchase Date relating thereto; (ii) ___ fails, after one business day's notice, to comply with Paragraph 3 above or (iii) an Act of Insolvency occurs with respect to ___ (each a "___ Default"):

(A) At the option of Buyer, exercised by written notice to ___ obligations under each Specific Repurchase Agreement to repurchase Purchased Securities shall thereupon become immediately due and payable. In such event, the Repurchase Price under each Specific Repurchase Agreement shall be adjusted to equal the sum of (i) the Purchase Price plus (ii) interest thereon, at the Interest Rate, from the Purchase Date until payment thereof plus (iii) to the extent permitted by applicable law, interest on the Interest

component of such adjusted Repurchase Price, at the Interest Rate, from the date on which the ___ Default occurs until the day of payment of such Interest component. Such adjusted Repurchase Price is hereafter referred to as the "___ Liability."

(B) If Buyer exercises the option referred to in subparagraph (A) of this Paragraph 12, all income payable thereafter shall be applied by Buyer to the Seller's Liability.

(C) The Buyer may, after giving one business day's notice to ___ (but no such notice shall be required in the event of an Act of Insolvency); (i) sell any or all Purchased Securities and/or any or all Pledged Securities and apply the proceeds thereof to the ___ Liability and/or (ii) apply Cash Collateral to the ___ Liability. All sales shall be in a recognized market at such price or prices as Buyer may reasonably deem satisfactory.

(D) The Buyer may register the transfer of any securities delivered to it by whether such delivery occurred subsequent or prior to the ___ Default.

13. Buyer Default. In the event that (i) Buyer fails to deliver any Purchased Securities to ___ upon the relevant Repurchase Date against payment therefor, (ii) Buyer fails to comply with Paragraph 4, above, or (iii) an Act of Insolvency occurs with respect to Buyer (each a "Buyer Default").

Figure C-3, Sample Repurchase Agreement Purchaser's Letter

Dear Sirs:

From time to time, you may enter into repurchase transactions with us, evidenced by confirmations from us to you, pursuant to which you purchase from us specific securities and we agree to repurchase the same securities at a specific later date. Attachment to this letter states the general terms and conditions that shall apply to each such repurchase transactions. The confirmation of each such repurchase transactions, as supplemented by the attachment, shall constitute a binding agreement between us.

Please acknowledge your acceptance of the foregoing by signing and returning the enclosed copy of this letter.

Very truly yours,

Agreed and Accepted this

day of 19()

Attachment

Figure C-4, Purchaser's Agreement, General Terms and Conditions of Repurchase Agreements

1. Definitions. (a) (Name of NAFI); (b) "Seller," the person selling securities to ____; (c) "Specific Repurchase Agreement," the confirmation outlining the specific terms for an individual repurchase transaction in which Seller sells securities to and agrees to repurchase them; (d) "Purchased Securities," the securities sold to ____ by Seller; (e) "Purchase Price," the price at which Purchased Securities are sold to ____ by Seller; (f) "Purchase Date," the date on which Purchased Securities are sold to ____ by Seller; (g) "Repurchase Date," the date provided in a Specific Repurchase Agreement on which Seller is to repurchase the Purchased Securities from ____; (h) Repurchase Price," the price at which Purchased Securities are to be repurchased on the Repurchase Date (which is equal to the Purchase Price plus Interest); (i) "Interest," the interest component of the Repurchase Price; (j) "Interest Rate," the rate at which Interest is calculated; (k) "Long-Term Specific Repurchase Agreement," a Specific Repurchase Agreement under which the Repurchase Date is more than 21 days after the Purchase Date; (l) "Pledged Securities," securities, other than Purchased Securities, pledged to ____ by Seller to secure its obligations hereunder; (m) "Cash Collateral," cash pledged to ____ by Seller to secure its obligations hereunder; (n) "Collateral," Pledged Securities and/or Cash Collateral; (o) "Margin," the excess of (i) the market value of the Purchased Securities under a Specific Repurchase Agreement plus Attributable Collateral over (ii) the Repurchase Price thereunder; (p) "Original Margin," the excess on the Purchase Date of (i) the market value of the Purchased Securities under a Specific Repurchase Agreement over (ii) the Repurchased Price thereunder; (q) Attributable Collateral," for purpose of determining the amount of Margin, Collateral attributed to individual Specific Repurchase Agreements on the basis that Collateral is first attributed to restore the Margin under each Specific Repurchase Agreement to the Original Margin and thereafter attributed pro rata on the basis of the Repurchase Prices; and (r) "Act of Insolvency," with respect to any person, the filing by such person of a petition in bankruptcy, adjudication of such person as insolvent or bankrupt, petition or application by such person for any receiver or trustee for itself or any substantial part of its property, commencement by such person or any proceeding relating to it under any reorganization, arrangement, dissolution or liquidation law, or the initiation of any such proceeding against such person if such person indicates by any act its consent thereto or if such proceeding is not dismissed within 30 days.

2. Security Interest and Possession. ____ is hereby granted a security interest in and lien upon all purchased Securities, Pledged Securities and Cash Collateral. Upon ____ request, Seller shall deliver Purchased Securities and Pledged Securities to ____; provided, that Seller shall, without such request, deliver to Purchased Securities purchased by ____ under Long-Term Specific Repurchase Agreements, unless ____ authorizes Seller to retain such securities. All Cash Collateral shall be delivered by Seller to ____ but shall be segregated from other funds of ____ and identified as Cash Collateral. On the Repurchase Date specified in a Specific Repurchase Agreement, ____ security interest in the Purchased Securities subject thereto shall be deemed released upon the tendering of payment therefor by Seller, and ____ shall thereupon deliver to Seller any such Purchased Securities previously delivered by Seller to ____.

3. Margin Maintenance Seller's Obligation. If at any time the Margin under a Specific Repurchase Agreement is not equal to at least 100% of the Original Margin, ____ may from time to time require Seller to provide Collateral so that the original Margin is restored. At the option of Seller, the Collateral shall consist of Pledged Securities reasonably acceptable to ____ and/or Cash Collateral.

4. Margin Maintenance Obligation. If at any time the Margin under a Specific Repurchase Agreement exceeds 120% of the Original Margin (a "Margin Excess"), Seller may require ____ to elect either (a) to deliver cash to Seller or (b) to release from its security interest and lien such Collateral (whether or not Attributable Collateral) and/or Purchased Securities thereunder as Seller selects, or to elect some

combination of (a) and (b), so that a Margin Excess no longer exists; provided, however, that Seller shall select Purchase Securities in the case of an election under clause (b) only if there is then no Collateral. Upon the release of any Collateral or Purchased Securities which were previously delivered by Seller to ___, ___ shall return such Collateral or Purchased Securities to Seller.

5. Principal Payments, Interest and Dividends. Except as provided in Paragraph 11, above, all principal payments in respect of, and all interest and dividends paid or payable on, the Purchased Securities and Pledged Securities ("Income") shall be the property of and owned by Seller. ___ shall deliver Income to Seller on the date on which it is payable.

6. Seller Representation. Seller represents and warrants that it is duly authorized to enter into this Agreement and the transactions contemplated hereunder and that the person signing this Agreement on behalf of Seller is duly authorized to act on its behalf.

7. Representations. ___ represents and warrants that it is duly authorized to enter into this Agreement and the transactions contemplated hereunder and that the person signing this Agreement on behalf of ___ is duly authorized to act on its behalf.

8. Payment and Delivery. Unless otherwise mutually agreed, all payments hereunder and under each Specific Repurchase Agreement shall be in immediately available funds. All deliveries of securities by one party thereto to the other party shall be in suitable form for delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request. ___ shall not, however, cause any such transfer of securities to be registered, except as provided in Paragraph 11 below. All deliveries shall be effected within the delivery time scheduled from time to time by bank wire.

9. Market Value Determination. The market value of all Purchased Securities and Pledged Securities shall be determined daily at the close of business, by using the "bid" price for the securities in question as it appears in the most current issue of the Wall Street Journal or such other source as is mutually acceptable to Seller and ___.

10. Segregation of Securities. All Purchase Securities and Pledged Securities, whether held by ___ or Seller shall be segregated from other securities in the possession of the holder and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder.

11. Seller Default. In the event that (i) Seller fails to repurchase any Purchased Securities upon the Repurchase Date relating thereto, (ii) Seller fails, after one business day's notice, to comply with Paragraph 3 above or (iii) an Act of Insolvency occurs with respect to Seller (each a "Seller Default"):

(A) At the option of ___, exercised by written notice to Seller, Seller's obligation under each Specific Repurchase Agreement to repurchase Purchased Securities shall thereupon become immediately due and payable. In such event, the Repurchase Price under each Specific Repurchase Agreement shall be adjusted to equal the sum of (i) the Purchase Price plus (ii) interest thereon, at the Interest Rate, from the Purchase Date until payment thereof plus (iii) to the extent permitted by applicable law, interest on the interest component of such adjusted Repurchase Price, at the Interest Rate, from the date on which the Seller Default occurs until the date of payment of such Interest component. Such adjusted Repurchase Price is hereafter referred to as the "Seller Liability."

(B) If ___ exercises the option referred to in subparagraph (A) of Paragraph 11, all Income payable thereafter shall be applied by buying to the Seller Liability.

(C) __ may, after giving one business day's notice to Seller (but no such notice shall be required in the event of an act of insolvency, (i) sell any or all Purchased Securities and/or any or all Pledged Securities and apply the proceeds thereof to the Seller Liability and/or (ii) apply Cash Collateral to the Seller Liability. All sales shall be in a recognized market at such price or prices as __ may reasonable deem satisfactory.

(D) Seller shall immediately deliver to __ any Purchased Securities and Pledged Securities then in Seller's possession.

(E) __ may register the transfer of any securities delivered to it by Seller, whether such delivery occurred subsequent or prior to the Seller Default.

12. Default. In the event that (i) __ fails to deliver any Purchased Securities to Seller upon the relevant Repurchase Date against payment therefor; (ii) __ fails to comply with Paragraph 4 above of (iii) an Act of Insolvency occurs with respect to __ (each a "Default"):

(A) At the option of Seller and upon tendering of payment of the aggregate Repurchase prices (reduced as provided in the next sentence), all Specific Repurchase Agreements shall mature. Thereupon, (i) interest in Purchased Securities, Pledged Securities and Cash Collateral shall be deemed released, and __ shall deliver all such securities and cash to Seller and (ii) interest shall cease to accrue, and each Repurchase Price shall be reduced to reflect such cessation.

(B) Seller may purchase securities ("Replacement Securities") of the same class and amount as, any Purchased Securities or Pledged Securities that are not delivered by __ to Seller as required hereunder. Such purchase may be made in any recognized market at such prices as Seller may reasonably deem satisfactory. __ shall be liable to Seller (the "__ Liability") (i), with respect to Purchased Securities, for any excess of the price paid by Seller for the Replacement Securities over the Repurchase Price (reduced as provided above) and (ii) with respect to Pledged Securities, for the price paid by the Seller for the Replacement Securities. In Addition, __ shall be liable to Seller for interest on the __ Liability with respect to each such purchase of Replacement Securities from the date thereof until paid in full by __. Such interest shall be at a rate equal to the prime rate for short-term bank commercial loans, as published in The Wall Street Journal, changing as such published rate changes. In the event of __ Default under clause (i) or (ii) of this Paragraph, subparagraphs (A) and (B) hereof shall be effective only upon one business day's notice to Seller.

13. The transactions subject to these terms and conditions shall be governed by the laws of the State of __.

VOLUME 13

NONAPPROPRIATED FUNDS POLICY AND PROCEDURES

AUGUST 1994

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 14

ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS

March 1998

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DEPARTMENT OF DEFENSE

**FINANCIAL MANAGEMENT
REGULATION**

VOLUME 14

**ADMINISTRATIVE CONTROL OF FUNDS
AND
ANTIDEFICIENCY ACT VIOLATIONS**

AUGUST 1995

★ WITH CHANGES THROUGH MARCH 1998 ★

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER

UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1100



AUG - 1 1995

FOREWORD

This Volume of the Department of Defense Financial Management Regulation is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992. It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedure, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume establishes procedures for DoD Components to use in identifying, investigating, reporting, and processing violations of the Antideficiency Act. These procedures are consistent with the policies established in DoD Directive 7200.1, "Administrative Control of Appropriations," May 7, 1984.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Unified Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

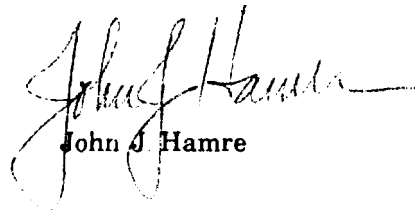
This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that the provisions of this Volume are adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives and/or regulations without the prior written approval of the Office of the Under Secretary of Defense (Comptroller).

The reporting requirements in this regulation are exempt from licensing in accordance with paragraph E.4.f. of DoD 8910. 1-M. "DoD Procedures for Management of Information Requirements." November 1986.

Forward recommended changes to this Volume of the Regulation through channels to the address below. Submit requests for deviations from or exceptions to specific standards, with justification, to:

Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100

The Defense Finance and Accounting Service will provide copies of this Volume of the Regulation through its normal publication channels. Other Federal Agencies and the public may obtain copies of this volume from the National Technical Information Service, 5285 Port Royal Road, Springfield, Virginia 22161; telephone (703) 487-4650.


John J. Hamre

**INTRODUCTION
TO THE
DOD FINANCIAL MANAGEMENT REGULATION**

GENERAL

The DoD Financial Management regulation provides all DoD Components with the policy, regulation, and procedures within the area of responsibility of the Under Secretary of Defense (Comptroller). The regulation consists of the following 15 volumes:

1. General Financial Management Information, Systems, and Requirements
2. Budget Formulation
3. Budget Execution
4. Accounting Policy and Procedures
5. Disbursing Policy and Procedures
6. Reporting Policy and Procedures
7. Military Pay Policy and Procedures
8. Civilian Pay Policy and Procedures
9. Travel Policy and Procedures
10. Contract Payment Policy and Procedures
11. Reimbursables Policy and Procedures
12. Special Accounts Policy and Procedures
13. Nonappropriated Funds Policy and Procedures
14. Administrative Control of Funds and Antideficiency Act Violations
15. Security Assistance Policy and Procedures

Authorization

This Regulation is issued by the Under Secretary of Defense (Comptroller) under authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures, November 15, 1992.

PUBLICATIONS AND MEMORANDA INCORPORATED

Volume 14 of the Regulation has incorporated the following:

Enclosures 1, 2, 5, 6, and 7 of DoD Directive 7200.1, "Administrative Control of Appropriations," May 7, 1984.

Under Secretary of Defense (Comptroller) memorandum of December 19, 1994, subject: Reporting Antideficiency Act Violations.

Under Secretary of Defense (Comptroller) memorandum of December 19, 1994, subject: Violations of the Antideficiency Act.

CHAPTER 1

ADMINISTRATIVE CONTROL OF APPROPRIATIONS

A. PURPOSE

1. This chapter establishes policy and procedures for the administrative control of funds. Procedures and details for controlling available funds are contained in Appendix A. The DoD Components are required to establish and maintain effective controls over appropriations and other funds in accordance with this Chapter and Appendix A.

2. Definitions of terms used in this Volume are contained in Volume 1 of this Regulation.

3. The provisions of this Volume take precedence over any conflicting guidance in other volumes of this regulation, other DoD regulations, manuals, or directives, with the exception of DoD Directive 7200.1, “Administrative Control of Appropriations.”

B. POLICY

1. Defense-wide Appropriations. Unless otherwise specified, for purposes of this Volume, the Office of the Deputy Comptroller (Program/Budget) shall be considered a “DoD Component” for matters involving Defense-wide (Treasury Symbol “97”) appropriations.

2. Administrative Control Systems. DoD Components shall:

a. Design systems for the administrative control of funds so that administrative subdivisions of funds are placed at the highest practical organizational level consistent with effective and efficient management.

b. Restrict the use of limitations on available funds to those necessary to comply with statutory provisions, such as those imposed by the appropriate DoD Authorization or DoD Appropriations Act, or to address specific management requirements.

3. Reporting Requirements for Administrative Control Systems. DoD Components shall establish a reporting system for the administrative control of funds process to provide data for reviewing the efficiency (e.g., obligation rate) with which funds are used. Reporting requirements shall be established separately from an administrative subdivision of funds limitation when a need exists for accumulating data below the allotment level.

4. Delegations of Authority. All delegations or redelegations of authority or functions under this Chapter shall be made in writing. Appendix A provides additional information on this subject.

5. Statutory Limitations and Duties of DoD Officials. No DoD official shall authorize or create any obligation or make any expenditure beyond the amount permitted under any statutory

limitation that modifies or restricts the availability of funds. Special or recurring statutory limitations on DoD funds are frequently imposed by the DoD Authorization or Appropriations Acts, or may be imposed by other legislation. Specifically, DoD officials, including commanders and supervisors to whom funds are entrusted or apportionments or administrative subdivisions of funds are issued, shall:

a. Limit any further subdivision of funds to the amount provided and currently available.

b. Limit the obligation and expenditure of funds provided to the amount currently available at the time of the obligation or expenditure, enforce those limitations, and ensure that all personnel involved in administrative control and use of available funds are knowledgeable of such limitations.

c. Limit the obligation and expenditure of funds provided to the purposes authorized by type of fund or account.

d. Ensure that the obligation and expenditure of funds provide for a bona fide need of the period of availability of the fund or account.

e. Preclude acceptance and use of voluntary services, gifts and donations except in accordance with specified provisions of law.

f. Ensure that all personnel, including the actual fund users, contracting personnel, and other personnel involved in administrative control and use of available funds, are fully aware of, and comply with, the requirements of the Antideficiency Act as described in this Volume and other applicable guidance.

g. Ensure that decisions on the obligation of funds are in compliance with the provisions of the Antideficiency Act by careful review and examination of the facts involved in advance of the decision.

h. Rigorously enforce compliance with all the provisions of the Antideficiency Act and other specific laws that limit the obligation and expenditure of funds.

i. Maintain internal control systems to ensure that:

(1) All available funds are identified, controlled, and recorded in the official accounting records from the time received until subdivided to others or obligated and expended.

(2) All available funds are identified with authorized purposes by account and period of availability for new obligations and for the period of availability for expenditure.

(3) All special and recurring provisions and limitations on the obligation and expenditure of funds are identified and documented for all available funds and accounts.

(4) All proposed obligations of funds are reviewed to ensure that sufficient funds are available to cover the obligation, that the purpose of the obligation is consistent with the authorized purposes of the fund or account, and that the obligation does not violate any special or recurring provisions and limitations on the incurrence of obligations.

j. Issue and maintain appropriate delegations of authority.

k. Ensure that amounts reported to the U.S. Treasury are accurate, that is, recorded accurately and posted to the correct appropriation account.

l. Ensure that general and specific internal controls are in place and operating as required by DoD Directive 5010.38, "Internal Management Control Program."

m. Ensure that appropriate training programs are in place to provide personnel with the knowledge, skills, and abilities to perform the duties specified above.

6. Apportionments, Allocations, Allotments, and Reimbursable Orders. The administrative control of appropriations process includes apportionments, allocations, allotments, and reimbursable orders. Information about those types of fund control mechanisms is contained in Appendix A to this Volume and Volume 2 of this Regulation.

7. Obligations and Expenditures. Available funds are used by the incurrence of obligations and expenditures. An amount shall be recorded as an obligation or expenditure when incurred as supported by documentary evidence of the occurrence of the event. An oral order or agreement shall be formalized in writing or conform to prescribed electronic standards in order to provide proper support and an audit trail for an obligation. Oral orders executed in this manner without a formal commitment of funds run a strong risk of violating the Antideficiency Act and should be avoided if at all possible.

a. Once incurred, all obligations and expenditures shall be recorded, accurately and promptly, as of the date incurred even if recordation results in a negative amount in the accounting records for an appropriation or fund, or an administrative subdivision of an appropriation. (For this purpose, negative amount means that obligations or disbursements exceed the amount of funds that are appropriated or otherwise available.) A violation resulting from a negative amount is caused by the actions of the individual(s) who caused or created the obligation. The recording of the obligation in the accounting system merely records an obligation that already exists.

b. Adjustments in obligations may consist of recording changes to obligation amounts that existed in a prior period that may or may not have been identified and recorded during that period. If an adjustment causes total obligations for a prior period, after consideration of all known valid obligations and deobligations, to exceed the amount that was available for obligation for that prior period, a potential violation of subsections 1341(a) or 1517(a), or both, of Title 31, United States Code, may have occurred.

c. A within-scope contract adjustment is properly chargeable to the funds that funded the original contract. Such adjustment must be charged to those funds even if sufficient funds are not available. If sufficient funds are not available, a potential violation may have occurred.

d. An increase-in-scope adjustment to a contract is properly chargeable to funds currently available at the time the change was made.

e. Additional guidance for both types of contract adjustments is available in chapter 25 of the DoD Accounting Manual, DoD 7200.9-M, or, when published, Volume 3 of this Regulation.

8. Administrative Control of Revolving Funds

a. General. Obligations and expenditures of a revolving fund, whether subject to, or exempt from, apportionment, shall be controlled under applicable provisions of this Chapter and Appendix A.

b. Cash Balances. The disbursement of amounts in excess of the Treasury [cash] balance of a revolving fund is a potential violation of the Antideficiency Act. Additionally, the disbursement of amounts in excess of the balance of sub-numbered cash accounts or other subdivisions of cash within a revolving fund, when such sub-numbered accounts or subdivisions have been specifically designated as being subject to the provisions of the Antideficiency Act, is a potential violation of the Antideficiency Act.

c. Apportionment. A revolving fund may be subject to apportionment or it may be exempt from apportionment, depending upon the type of fund.

(1) Revolving Funds Subject to Apportionment. An apportionment limits the obligations that may be incurred to the apportioned amount. The incurring of obligations in excess of apportioned budgetary resources is a potential violation of the Antideficiency Act without regard to whether a revolving fund has additional unapportioned budgetary resources or other assets equal to or greater than the amount of the deficiency.

(2) Revolving Funds Exempt from Apportionment. A revolving fund that is exempt from apportionment may not incur obligations in excess of available budgetary resources. The incurring of obligations in excess of available budgetary resources is a potential violation of the Antideficiency Act.

d. Budgetary Resources. The incurring of obligations in excess of budgetary resources is a potential violation of the Antideficiency Act. The concept of “budgetary resources” is defined and explained in OMB Circular A-34, “Instructions on Budget Execution.” Budgetary resources available to revolving funds are composed of the same elements as budgetary resources available to appropriated funds. Further, while budgetary resources available for obligation for reimbursable work differ depending upon whether a reimbursable order is accepted from a Federal

Government account or from the public, such budgetary resources are determined in the same manner for a revolving fund as they are for an appropriated fund.

(1) Orders from other Federal Government Accounts. Funded orders from other Federal Government accounts, that represent valid obligations of the ordering account, provide a budgetary resource without regard to whether they are accompanied by an advance payment.

(2) Orders from the Public. Orders from the public, including local and State governments and international organizations (e.g., United Nations), provide a budgetary resource only to the extent accompanied by an advance payment of cash which is received and credited to the account.

e. Organizational Level for Revolving Fund Potential Violations. Systems for the administrative control of revolving funds should be placed at each organizational level at which budgetary resources may be received, held, transferred, obligated, or expended. The lowest organizational level for administrative control purposes generally should be the level, frequently a single site, at which an obligation may be occurred or an expenditure approved. In the case of a revolving fund account that encompasses operations at multiple sites, responsibility for potential Antideficiency Act violations generally should not be assigned to an organizational level lower than the level at which the administrative control system is adequate to prevent, and detect, a potential violation of the Antideficiency Act.

9. Records

a. The Defense Finance and Accounting Service (DFAS), working with other DoD Components, shall ensure that accounting records are maintained that provide full disclosure of the financial operations and resource utilization applicable at each successive organizational level. The accounting records shall show the amounts of funds received at each organizational level, funds issued to others, current available balances, and funds committed, obligated, and expended.

b. These fund control records shall constitute an integral part of the official accounting records maintained for each successive organization level for the DoD Component. Financial reports reflecting funds received, issued, available and utilized shall be prepared from the official accounting records.

c. DoD Components shall maintain key records and documents on appropriations, allocations, and budgetary data for the funds for which they are responsible.

d. DoD Components shall retain, for 6 years, 3 months, workpapers and documentary evidence developed and/or obtained during an investigation of an actual or potential violation of the Antideficiency Act.

10. Annual Report of Evaluation. Each DoD Component shall annually conduct an evaluation of its overall administrative funds control processes as well as the processing of violations of the Antideficiency Act.

a. The evaluation shall address actions taken in the following areas:

(1) To improve compliance with the Antideficiency Act.

(2) To improve the timeliness of processing violations, including time spent on legal reviews.

(3) To ensure the quality and independence of the investigators of potential violations.

(4) To impose appropriate disciplinary action for all individuals determined to be responsible for a violation.

(5) To improve the effectiveness of and compliance with internal controls over appropriations and funds in the Component.

(6) To identify lessons learned from the investigation of violations of the Antideficiency Act, publicize the lessons learned and implement appropriate corrective actions to preclude the reoccurrence of violations of the Antideficiency Act.

b. The evaluation shall (1) address actions taken, for each of the six areas discussed above, in the prior fiscal year and (2) be completed by December 31 of each calendar year. The first evaluation shall be performed for fiscal year 1995. A copy of the results of the evaluation shall be provided to the Office of the Under Secretary of Defense (Comptroller) by January 31, 1996, and each January 31 thereafter.

c. The Office of the Under Secretary of Defense (Comptroller) shall review the evaluation reports and may request briefings or other actions as appropriate. In addition, DoD Components may be requested to evaluate areas of special interest.

CHAPTER 2

VIOLATIONS OF THE ANTIDEFICIENCY ACT

A. HOW VIOLATIONS OCCUR. Generally, violations of the Antideficiency Act may occur when:

1. Funding authority is issued in excess of the amount available and the excess amount is obligated or expended.

a. The issuance of funds by means of a formal subdivision of funds (allocation, allotment, suballotment or other formal designation of a limitation) in an amount that exceeds the amount currently available would result in a violation of the Antideficiency Act if those excess funds distributed are actually obligated or expended. The individual authorizing the release of those funds would be responsible for the violation.

b. The issuance of a funded order in excess of available funds may also result in a violation of the Antideficiency Act.

2. Obligations or expenditures are authorized or incurred in excess of the amount of funds available at the formal subdivision of funds level. Incurring an obligation or disbursement in excess of a target (vice a formal subdivision of funds) does not in itself create a violation of the Antideficiency Act. However, if exceeding a target causes the governing formal fund subdivision or limitation to be breached, a potential violation of the Antideficiency Act would be incurred.

3. Special and recurring statutory limitations or restrictions on the amounts for which an appropriation or fund may be used are violated.

4. Regulatory limitation on the amounts for which an appropriation or fund may be used are violated, when specifically carrying an antideficiency limitation.

5. Statutory limitations on the purposes for which an appropriation or fund may be used are violated.

6. Regulatory limitation on the purposes for which an appropriation or fund may be used are violated, when specifically carrying an antideficiency limitation and corrective funding is not available.

7. Obligations are authorized or incurred in advance of funds being available.

8. Obligations or expenditures of funds do not provide for a bona fide need of the period of availability of the fund or account and corrective funding is not available.

9. Voluntary services are accepted, or personal services are employed, in excess of that authorized by law.

B. SIGNIFICANT PROVISIONS OF PUBLIC LAW 101-510 AND PUBLIC LAW 102-484

1. General. A DoD employee is at risk of violating the Antideficiency Act under certain provisions of Public Law 101-510 or Public Law 102-484. Public Law 101-510 provides for the cancellation of appropriations after specified periods, extension of the expired status for appropriations from 2 years to 5 years, and elimination of the merged accounts. Section 1004 of Public Law 102-484 allows a currently available appropriation to be charged for obligation adjustments when certain expired appropriations have insufficient obligational authority.

a. A potential violation may occur if the following limitation is exceeded when a currently available appropriation is being charged: the unexpended balance of the canceled appropriation. Paragraph 2, below, provides additional guidance.

b. A potential violation may occur if an obligation is incurred in an expired account for a contract change that exceeds \$4 million in a fiscal year without prior written approval of the Office of the Under Secretary of Defense (Comptroller). In addition, a potential violation may occur if a DoD Component incurs an obligation in an expired account for a contract change that exceeds \$25 million in a fiscal year without requesting approval from the Congress 30 days before the obligation is incurred. Paragraphs 3 and 4, below, provide additional guidance.

c. A potential violation may occur if an obligation is created or authorized against, or an expenditure is made or authorized from, an account that was canceled pursuant to Public Law 101-510.

d. Under section 1004 of Public Law 102-484, DoD Components are required to submit a report of violation to the Congress if currently available appropriations are used for obligations properly chargeable to expired accounts whose availability for new obligations expired during the period FY 1986 through FY 1991 (but have not yet been canceled). A violation also may occur if charges to a currently available appropriation exceed (1) 1 percent of the appropriation of the expired account that has insufficient availability, or (2) 1 percent of the currently available appropriation being charged. Paragraph 5, below, provides additional guidance.

2. Public Law 101-510. Under certain circumstances, a payment that otherwise would be chargeable to a canceled account--both as to purpose and amount--except that the account has been canceled, can be paid from, and charged to, an appropriation that, at the time of the payment, is available for incurring new obligations for the same purpose as the canceled account. However, the total of all such payments charged to a currently available appropriation may not exceed the lesser of:

a. One percent of the total amount originally appropriated to the current appropriation being charged.

- b. The unobligated balance of the currently available appropriation.
- c. The unobligated balance of the canceled appropriation.

3. Contract Changes Exceeding \$4 Million. Under certain circumstances, obligations for contract changes in expired accounts that exceed \$4 million in a fiscal year within a program, project, or activity of an appropriation must be approved by the Office of the Under Secretary of Defense (Comptroller) before being incurred.

4. Contract Changes Exceeding \$25 Million. Under certain circumstances, obligations for contract changes in expired accounts that exceed \$25 million in a fiscal year within a program, project or activity of an appropriation must be submitted to the Congress for at least 30 days prior to being incurred.

5. Section 1004, Public Law 102-484. Section 1004 of Public Law 102-484 permits, in certain circumstances, currently available appropriations to be charged when sufficient obligational authority does not exist in certain expired accounts.

- a. The amount charged to a currently available appropriation may not exceed 1 percent of the appropriation for the currently available account being charged, or 1 percent of the appropriation of the expired account, whichever is less.

- b. A potential violation must be reported and investigated when charges to a currently available appropriation would have resulted in a violation of the Antideficiency Act had they been charged to the applicable expired account.

6. Additional Guidance. Specific guidance on accounting for, and paying amounts otherwise chargeable to, canceled accounts or expired accounts, is available in (a) a Principal Deputy Comptroller memorandum, dated June 13, 1991, subject: “Revised DoD Guidance on Accounting for Expired Accounts, Including ‘M’ and Merged Surplus Accounts”; as modified by (b) a Principal Deputy Comptroller memorandum, dated April 20, 1992, subject: “DoD Accounting Guidance for Contract Changes”; and further modified by (c) an Acting Comptroller memorandum, dated December 4, 1992, subject: “Additional Requirements Associated with Merged, Expired, and Canceled Accounts”; and (d) Volume 3 of this Regulation, upon publication.

C. **CODIFICATION OF THE ANTIDEFICIENCY ACT**. When the “Antideficiency Act” was codified into Title 31 of the United States Code, its provisions were incorporated into a number of sections of that Title. The sections that are most frequently cited are sections 1341, 1342, and 1517. Paragraphs 1 through 3, below, summarize the highlights, and Appendix B contains the full wording, of those three sections of Title 31. Chapter 10 of this volume and Enclosure 2-1 provide examples of the most common types of violations of the Antideficiency Act. Enclosure 2-2 provides examples of actual violations that have occurred.

1. Title 31, United States Code, Section 1341, Limitation on Expending and Obligating Amounts. Section 1341 forbids any officer or employee of the United States from:

a. Obligating, expending, or authorizing the use of funds exceeding the amount available in an appropriation or fund.

b. Involving the Federal Government in any contract or obligation for the payment of money before an appropriation is made available.

c. Obligating, expending, or authorizing of funds required to be sequestered.

d. Involving the Federal Government in any contract or obligation for the payment of money required to be sequestered.

2. Title 31, United States Code, Section 1342, Limitation of Voluntary Services. Section 1342 forbids the acceptance of voluntary services on behalf of the Federal Government, or employment of personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property.

3. Title 31, United States Code, Section 1517, Obligation and Expenditure Limits. Section 1517 forbids the overobligation and overexpenditure of an apportionment or an amount permitted by a regulation prescribed for the administrative control of appropriations.

4. Violations Caused by Exceeding Limitations Imposed by Law. Violating a limitation imposed by law (the Congress) may be a violation of the Antideficiency Act under Title 31, United States Code, subsection 1341(a)(1).

5. Violations Caused by Exceeding Limitations Imposed by the Office of Management and Budget, Department of Defense, and DoD Components/Agencies

a. Exceeding a limitation of funds administratively imposed by the Office of Management and Budget, Department of Defense, or a DoD Component, on obligations or expenditures may be a violation of the Antideficiency Act under subsection 1517(a).

b. If an administrative subdivision of funds is exceeded, a potential violation shall be reported. The receipt of additional funds before the end of a reporting period does not mitigate a violation of a limitation or eliminate the reporting requirement for a potential violation. Also, a failure to record a valid obligation or expenditure as of the date incurred does not avoid the incurrance of, and the requirement to report, a potential violation of the Antideficiency Act if, upon recordation, available funds in the account or other limitations are exceeded.

EXAMPLES OF POSSIBLE VIOLATIONS OF THE ANTIDEFICIENCY ACT

A. GENERAL. Most of the examples described below are taken from actual violations that have occurred within the Department. However, these violations are fact-specific and, in other circumstances, a potential violation may or may not be incurred. These examples are provided for information only and are not intended to imply that, in all similar, but not identical, circumstances, a violation would have been incurred.

B. TITLE 31, UNITED STATES CODE, SECTION 1341

1. Title 31, United States Code, section 1341(a)(1)(A)

a. An overobligation by a DoD activity exceeded a target distributed to that activity and caused the total appropriation to be exceeded. For example, a target of \$1 million of an operation and maintenance appropriation was exceeded by \$250,000, but the responsibility for violations was not passed to the organization that was provided the target. When the total obligations were summarized at the appropriation level, the total appropriation was exceeded because of this specific overobligation. There is no violation at the organization that was provided the target, but a potential violation has occurred at the appropriation level.

b. An overobligation by a DoD activity exceeded an allotment distributed to that activity--and the responsibility for violations was established at the allotment level--and caused the total appropriation to be exceeded. For example, an allotment of \$1 million of an operation and maintenance appropriation was exceeded by \$250,000, and the responsibility for violations was established at the allotment level. When the total obligations were summarized at the appropriation level, the total appropriation also was exceeded because of this specific overobligation. There is one potential violation at two different funding levels--the allotment level and the appropriation level.

c. A DoD activity exceeded the limitation specified in Title 10, United States Code, section 2805(c), by using operation and maintenance funds in excess of the minor construction limitation to construct improvements to a hazardous waste storage facility.

2. TITLE 31, UNITED STATES CODE, SECTION 1341(a)(1)(B)

A DoD activity arranged for a lease to obligate and pay for a subsequent fiscal year's 12-month lease of a building with current fiscal year operation and maintenance funds. Specifically, fiscal year 19XX funds of \$180,000 were used to contract, obligate and pay for a FY 19XX+1 building lease. This action violated the Antideficiency Act because it obligated the Federal Government to a contract for the payment of money before the appropriation to be charged was available.

C. TITLE 31, UNITED STATES CODE, SECTION 1342

Apparently at the urging of the Chairman, a member of a Federal Commission agreed to waive his statutory entitlement to \$100 per day while involved in Commission business. The year after the Commission was disbanded, the former member changed his mind and filed a claim for a portion of the compensation he would have received had it not been for the waiver. Since the \$100 per day was a statutory entitlement, the purported waiver was invalid and the former commissioner was entitled to be paid. By accepting the waiver and allowing the commissioner to conduct Commission business without pay, the provision against acceptance of voluntary services was violated and a violation of the Antideficiency Act occurred.

D. TITLE 31, UNITED STATES CODE, SECTION 1517

1. A DoD activity improperly obligated \$225,000 of other procurement funds instead of required operation and maintenance (O&M) funds to document, not acquire, a specialized communications equipment program. When the error was discovered, the DoD activity had no O&M funds available to replace the other procurement funds obligated improperly. Therefore, the O&M appropriation apportionment was exceeded, and a violation of Title 31, United States Code, section 1517, occurred. To fund the violation, \$225,000 of O&M funds were requested from the Headquarters of the DoD activity. While this action corrected the funding of the obligation, a violation of the Antideficiency Act occurred because the fund holder did not have sufficient funds available to replace the other procurement funds improperly obligated.

2. A DoD activity used operation and maintenance funds, rather than other procurement funds to purchase a data processing local area network (LAN). Even though the hardware components and LAN operating system software were purchased separately, the components and the software together constituted a system with an aggregate cost in excess of the expense/investment threshold specified by the Congress for the required use of procurement appropriation funds. A violation of Title 31, United States Code, section 1517, occurred because the DoD activity did not have the required amount of other procurement funds at the time of the purchases.

3. A DoD activity used family housing operation and maintenance funds in excess of the statutory limit for the maintenance and repair of a family housing unit without prior congressional approval. The statutory limit was exceeded when additional costs were approved by the contracting officer. Therefore, a violation of the Antideficiency Act occurred because a statutory limit was exceeded.

4. Two different activities holding targets within an O&M appropriation at a DoD installation exceeded the targets established for their activities by the holder of the allotment. Even though both activities contributed to a violation of an allotment--an administrative subdivision of funds--the allotment holder is responsible for the resulting violation of the Antideficiency Act. The activities that exceeded their targets did not violate the Antideficiency Act because the holder of the allotment did not assign responsibility for violations of the Antideficiency Act to the two activities.

5. A funds holder erroneously distributed more funds than he/she had available. The activities receiving the funds incurred obligations and expenditures in excess of amounts available to the fund holder, but below the amount distributed to them. The funds holder incurred a violation of the Antideficiency Act because he/she was responsible for exceeding the total fund availability.

CHAPTER 3

PRELIMINARY REVIEWS OF POTENTIAL VIOLATIONS

A. PRELIMINARY REVIEWS

1. The purpose of a preliminary review is to gather basic facts and determine whether a violation has apparently occurred. When a DoD Component has some evidence that a violation may have occurred, preliminary checks of the applicable business transaction and accounting records shall be made to determine whether a potential violation exists. These actions include checking for duplications or other errors in recording, checking commitments and obligations to ensure they are valid and properly chargeable against the funds involved, and checking actual fund status in the account affected at the time the questionable transaction occurred. A preliminary review shall focus on the potential violation and not the corrective actions. If a potential violation occurs at an appropriation level, the preliminary review shall be completed by an individual meeting the criteria in Section D of Chapter 4 in this Volume.

2. The existence of a violation may depend upon an interpretation of statutory or regulatory constraints imposed on the use of a particular appropriation or account, the proper fiscal year to be charged, or similar issues. In all cases, the advice of legal counsel shall be requested to address legal issues raised during a preliminary review.

3. The results of the preliminary review shall be documented in a report of preliminary review and provided to an Assistant Secretary of a Military Department for Financial Management; or the Comptroller or Senior Financial Manager of the Joint Staff; Unified Combatant Commands; Inspector General, DoD; Defense Agency; DoD Field Activity; or the Uniformed Services of the University of Health Sciences (hereafter referred to collectively as “DoD Components”) for approval. The preliminary review report shall be coordinated with the applicable DoD Component office of legal counsel.

4. If the DoD Component involved determines that there is a potential violation, a formal investigation shall be initiated within 15 business days of the approval of the report of preliminary review. The provisions in Chapters 4 and 5 shall be followed for conducting a formal investigation. Procedures for reporting progress and the status of investigations are contained in chapter 6. Reporting procedures for violations are discussed in chapter 7.

5. If the DoD Component involved determines that there is no violation, the preliminary review report completes the actions regarding the potential violation. No further action is required after the report is approved.

B. PRELIMINARY REVIEWS INITIATED BY THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)

1. When the Office of the Under Secretary of Defense (Comptroller) is apprised of a potential violation by an audit report or otherwise learns of a potential violation, the applicable DoD Component may be requested, by memorandum, to perform a preliminary review of the circumstances surrounding the potential violation in a timely manner, usually within 90 days.

2. Once the preliminary review report has been completed and the findings indicate a potential violation, a formal investigation shall be initiated by the applicable DoD Component within 15 business days of the approval of the report. An investigating officer shall be assigned in accordance with the provisions of Chapter 4 of this Volume and the Under Secretary of Defense (Comptroller) shall be advised of the results of the review report.

3. If the results of the preliminary review indicate that “no violation” occurred, the preliminary review report completes the actions regarding the potential violation and no further action is required after the report is approved. However, the results of the review shall be coordinated with the Office of the Under Secretary of Defense (Comptroller).

C. PRELIMINARY REVIEWS INITIATED AS A RESULT OF EXTERNAL REPORTS

1. In some cases, the General Accounting Office; Inspector General (IG), DoD; a Military Department Audit Agency; or other organizations external to a DoD Component may advise in a report that a potential violation may have occurred. Generally, in the case of audit reports, a recommendation to investigate the potential violation is included in the report.

2. Within 10 business days of receipt of a draft report that alleges a potential violation, the Office of the Under Secretary of Defense (Comptroller), the Assistant Secretary for Financial Management of a Military Department or the Comptroller of a Defense Agency or DoD Field Activity, as applicable, shall request that a preliminary review of the potential violation be initiated within the next 30 days.

3. In responding to the findings and recommendations in the reports, the DoD Component shall provide the status of the preliminary review or formal investigation as requested by the applicable organization.

4. Otherwise, the policies and procedures prescribed in section A., above, for the preliminary review shall apply.

D. ROLE OF THE INSPECTOR GENERAL, DOD

1. The Inspector General Act of 1978 provides the Inspector General, DoD, with the authority to conduct investigations of violations of the Antideficiency Act.
2. The IG, DoD, reserves the right to initiate investigations of potential violations of the Antideficiency Act, depending upon the type, amount, or significance of the violation.
3. The IG, DoD, may elect to conduct investigations not requested by the Under Secretary of Defense (Comptroller) or other DoD official.
4. When the IG, DoD, conducts such investigations, the resultant report shall constitute the official DoD report on the matter; no other DoD Component shall conduct parallel or supplemental investigations unless directed to do so by the Secretary of Defense, Deputy Secretary of Defense, or Under Secretary of Defense (Comptroller).

CHAPTER 4

BEGINNING AN INVESTIGATION

A. **PURPOSE OF A FORMAL INVESTIGATION.** A formal investigation is required under the provisions of this Volume whenever a preliminary review determines that a potential violation has occurred. Generally, the existence of a potential violation shall be established during the preliminary review and before a formal investigation begins. The purpose of the formal investigation is to determine the relevant facts and circumstances concerning the potential violation--if a violation has occurred, what caused it, what are appropriate corrective actions and lessons learned, and who was responsible for the violation.

B. **APPOINTMENT OF AN INVESTIGATING OFFICER.** A formal investigation shall be performed by an appointed investigating officer. The investigating officer shall be advised of his or her appointment by a formal memorandum. Included in that memorandum will be the case number and specific time frames to be met during the investigation. The case number shall be used on all applicable correspondence and reports related to the formal investigation.

C. **WHEN MORE THAN ONE DOD COMPONENT IS INVOLVED.** In some cases, a DoD Component whose funds are involved, rather than the DoD Component where the potential violation occurred, may request a formal investigation by the DoD Component where the potential violation occurred. A case number shall be assigned by the DoD Component whose funds are involved and the required information regarding the investigation shall be included in the next monthly activity report (Enclosure 6-1) of that DoD Component. If the DoD Component whose funds are involved is not successful in obtaining cooperation from other DoD Components implicated, the matter shall be referred to the Office of the Under Secretary of Defense (Comptroller) for resolution.

D. **PROCEDURES FOR SELECTING AN INVESTIGATING OFFICER.** Investigations of violations shall be conducted by individuals with no vested interest in the outcome, and who are capable of conducting a complete, impartial, unbiased investigation. A commander of a major command, a superior to a commander of a major command who is in the chain-of-command, or equivalent in an organization other than a Military Department, shall appoint an adequately trained and qualified individual to serve as an investigating officer. To help assure independence and impartiality during an investigation, an investigating officer shall be selected from an organization external to an installation-level organization being investigated.

1. When the Office of the Under Secretary of Defense (Comptroller) requires that a formal investigation be conducted, the applicable major command, or higher command, shall assign an investigating officer within 15 business days of the receipt of the request.

2. If the Under Secretary of Defense (Comptroller) notifies the Inspector General, DoD, (IG, DoD) (or other audit organization) that a potential violation requiring IG, DoD, investigation has been reported, the IG, DoD, shall assign an investigating officer and advise the Office of the

Under Secretary of Defense (Comptroller) of the date the investigation began in the next monthly activity report. A case number shall be assigned by the organization being investigated.

3. Except as provided for in paragraphs D.4. and D.5., below, an investigating officer shall meet all of the following qualifications:

a. Be chosen from a roster of qualified personnel as required by DoD Directive 7200.1, "Administrative Control of Appropriations."

b. Be adequately trained to conduct an investigation of this type, including having successfully completed a training course after May 1, 1995, as specified in Section B. or C. of Chapter 8 of this Volume.

c. Have adequate experience in the functional area that is involved in the apparent violation.

d. Have knowledge of financial management policies and procedures and the Antideficiency Act.

e. Have skill in investigating potential violations.

f. Otherwise be fully qualified to serve as an investigating officer.

4. An auditor from the IG, DoD; Army Audit Agency; Naval Audit Service; or Air Force Audit Agency can be considered to be fully qualified to serve as an investigating officer if he or she has an appropriate background in fiscal matters. Likewise, an investigator from the IG, DoD, or from the Inspector General organizations of the Military Departments (The Inspector General of the Army, The Naval Inspector General, and The Inspector General of the Air Force) can be considered fully qualified to serve as an investigating officer, if he or she has an appropriate background in fiscal matters.

5. Individuals not meeting the requirements of paragraphs D.3. and D.4., above, maybe considered to be "trained" investigation officers, and be eligible for selection to conduct investigations, provided that all of the following conditions are met:

a. They have successfully conducted and completed a previous investigation of an actual violation of the Antideficiency Act.

b. The prior investigation began after January 1, 1991, but before October 1, 1995.

c. Their name is included on the roster of approved qualified personnel as discussed in Chapter 8 of this Volume.

d. The current investigation begins before September 30, 1996.

6. After September 30, 1996, investigating officers must meet the requirements of either paragraph D.3. or D.4., above.

7. An investigating officer(s) need not be senior-in-grade to the person(s) being investigated.

8. If an individual involved in the investigation or in the process of selecting and appointing the investigating officer has a conflict of interest or any personal stake in the outcome of the investigation, that individual shall remove himself or herself from the process. Those matters that may not lend themselves to impartial investigation--because the investigator is assigned to the level where the violation occurred--shall be referred to the next higher level, through command channels, for the appointment of an investigator.

E. APPOINTMENT OF AN INVESTIGATING OFFICER BY THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) OR OTHERS. An appointment of an investigating officer may be made or reviewed by the Under Secretary of Defense (Comptroller), an Assistant Secretary of a Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components, whenever a potential violation (a) is of special interest to that official, (b) demands specific attention, or (c) may involve a high-level official. Such a review or appointment also may be made whenever other circumstances warrant such involvement.

F. LEGAL ISSUES. An investigating officer may face a number of legal issues during the course of an investigation and may be expected to take statements. An investigating officer should consult with appropriate legal counsel on any legal issues associated with the investigation

G. USING AN INVESTIGATING TEAM. If a potential violation appears to involve a complex situation or a multitude of functional areas, a team approach may be necessary. The appointing official shall ensure that the investigating officer receives adequate support, including access to additional personnel with the requisite knowledge in all of the functional areas involved. The appointment of a legal advisor for the investigating team also should be considered.

CHAPTER 5

CONDUCTING INVESTIGATIONS

A. **PURPOSE OF AN INVESTIGATION.** The purpose of an investigation of a potential violation of the Antideficiency Act is to determine what happened, what were the causes, who was responsible, what actions should be taken to correct the current situation, and what actions should be taken to ensure that a similar violation does not occur in the future. Once an investigating officer is appointed, a formal investigation should begin.

B. **CHECKLISTS.** A checklist at Enclosure 5-1 shall be used during an investigation to document the results. The checklist at Enclosure 5-2 shall be used by the appointing officer in the review of the investigating officer's report of violation. The checklist at Enclosure 7-1 also should be used during the investigation and preparation of the final summary report of violation.

C. **RESEARCH EFFORT.** During the investigation, an investigating officer may be required to perform extensive research. The research effort may include accounting directives and regulations, directives and regulations related to the functional area involved (such as civil engineering or contracting), legal directives, public law, and legal opinions. An investigation officer shall normally review all specific documentation in the functional area involved related to the violation such as purchase requests, contracts, work orders, vouchers, and supporting materials, etc.

D. **TIMEFRAME FOR INVESTIGATION.** Investigations of potential violations of the Antideficiency Act, including the submission of the final summary reports to the Office of the Under Secretary of Defense (Comptroller), shall be completed within 9 months. (See reporting requirements in Chapter 6.) All appointing officials shall stipulate in the appointing letter a due date for the investigative report. Such due date shall conform with the 9-month timeframe regardless of the scope of the event or amount of the potential violation. The date established by the appointing official also shall consider the requirement for the Assistant Secretary of a Military Department for Financial Management, or equivalent, to submit a final summary report to the Office of the Under Secretary of Defense (Comptroller). The total process for investigating and reporting potential violations of the Antideficiency Act shall not take more than 1 year from date of discovery through the preparation of transmittal letters to the President, the Director of the Office of Management and Budget, and the leaders of both Houses of the Congress.

E. **APPROVING EXCEPTIONS TO TIMEFRAMES.** The Heads of the DoD Components may approve an exception to the above timeframe, on a case-by-case basis. This responsibility may be delegated to the Assistant Secretary of the Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components. This

responsibility shall not be redelegate. The Office of the Under Secretary of Defense (Comptroller) shall be notified of any extension that is approved and provided a justification for that extension. However, any extension granted shall not allow the time for completing the entire investigation (see Section B., above) to exceed 1 year from the day the investigation began.

F. SPECIAL INTEREST INVESTIGATIONS. Investigations of special interest may deviate from the 9-month timeframe, when necessary. However, the Under Secretary of Defense (Comptroller) shall be notified by the applicable appointing officer or investigating officer when such deviations are necessary. If the Under Secretary of Defense (Comptroller) agrees, the timeframe may be extended. Special interest investigations include potential violations that may have been the subject of a news release; requested by the Secretary, Deputy Secretary, or the Under Secretary of Defense (Comptroller); or involve a high-level DoD official.

G. INVOLVEMENT OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER). The Under Secretary of Defense (Comptroller) may supervise the progress of an investigation when the nature of the violation or the implication of individuals in the violation warrants such involvement. Such supervision may include requirements for oral and written progress reports and may require a team of investigating officers and compressed timeframes.

H. DEVELOPING CONCLUSIONS. During the investigative process, the investigating officer shall use extreme care in obtaining and documenting all the relevant specific facts of the case. The conclusions in the Investigating Officer's Report, including the identification of the person(s) as responsible for the violation, must be supported by the facts presented in the report.

I. IDENTIFYING CIRCUMSTANCES AND FIXING RESPONSIBILITY. The investigating officer shall consider carefully the facts and circumstances of the situation before fixing responsibility for a violation. Commanding officers, budget officers, or fiscal officers may be named because of their overall responsibility or position, or the fact that they are designated as the holder of a subdivision of funds, if they failed to properly exercise their responsibilities. However, the investigation shall attempt to discover the specific act--or the failure to take an action--that caused the violation and who was responsible for that act or the failure to take an action. A report of violation is considered incomplete until an individual(s) has been named as responsible for a violation. A conclusion that no one could be determined to be responsible for a violation is not acceptable.

1. A report of violation shall include assignment of responsibility to one or more individuals for a violation so that appropriate administrative or disciplinary action, if any, may be imposed as required by Title 31, United States Code, sections 1349, 1350, 1518, and 1519.

2. All relevant aspects of the case, including all persons and records connected with the event, shall be investigated fully. The key personnel involved in a violation shall be interviewed.

If an employee to be interviewed is a member of a bargaining unit, the investigating officer shall comply with appropriate statutory and collective bargaining agreement protections for such employee. Key facts associated with the events leading to the potential violation shall be examined and documented in the report and any conflicts should be addressed immediately by the investigation officer. If a series of events at several levels led to the violation, the report should clearly identify what happened at each level and how the events contributed to the violation.

3. The investigating officer must logically support from the documented facts a determination that one or more of the individuals involved are responsible for causing the violation.

4. The investigating officer shall show clearly what each person involved did, or failed to do, that caused the violation. The following questions should be considered:

- a. Did the violation occur because an individual carelessly disregarded instructions?
- b. Did the violation occur because an individual was inadequately trained or lacked knowledge to perform their job properly? If so, was the individual or a supervisor at fault?
- c. Did the violation occur because of an error or mistake in judgment by an individual or a supervisor?
- d. Did the violation occur because of lack of adequate procedures and controls? If so who was at fault?
- e. Did the violation occur because of other reasons? If so, who was at fault?

5. If, at any time during an investigation, the investigating officer believes there may be a criminal issue(s) involved, the investigation shall be stopped immediately. The investigating officer should consult with legal counsel to determine if the issue should be referred to appropriate criminal investigators for resolution.

J. **DEVELOPING CORRECTIVE ACTIONS.** Once the causes and the individual(s) responsible for the violation have been determined, officials of the DoD Component under investigation, working with the investigating officer, shall determine the corrective actions that are necessary to ensure that a violation of a similar nature will not recur. Those actions shall be included in both the report of violation and the final summary report. In addition, officials of the DoD Component under investigation, working with the investigating officer, shall develop a summary of lessons learned from the specific circumstances of the case that can be applied to the installation involved, the major command, the DoD Component, or all DoD Components. Section D of Chapter 10 in this Volume contains further guidance on corrective actions.

K. **RECOMMENDING DISCIPLINARY ACTION.** At the conclusion of an investigation, appropriate disciplinary action (to include no disciplinary action) shall be determined for the individual(s) named as responsible for the violation. That determination shall be based on consultations involving the individual's commander, the investigating officer, the staff judge advocate, and others with appropriate authority but on the ultimate responsibility of the appropriate commander or other official. The recommended disciplinary action, if any, shall be based on the severity of the violation, the degree of responsibility of the named individual and any mitigating circumstances. If responsibility for the violation is that of an individual(s) from an organization outside the organization under investigation, follow the procedures in paragraph B.7., Chapter 7 in this Volume. The type of disciplinary action taken shall be included in the report of violation and the final summary report of violation (see Chapter 7). Chapter 9 of this Volume contains additional guidance regarding recommended disciplinary actions.

L. **ACCUMULATING COSTS.** When conducting an investigation outside the major command to which the investigating officer is assigned, incidental costs (TDY, local travel, etc.) incurred shall be identified and accumulated. Reimbursement shall be requested, in accordance with Volume 11 of this Regulation from the command that was under investigation.

CHECKLIST FOR INVESTIGATING OFFICERS

The investigating officer shall ensure that the following items have been considered during the course of an investigation and the preparation of the investigating officer's report of violation:

1. Review the Preliminary Review Report and develop questions, as needed, to:
 - a. Ensure a full understanding of the facts and circumstances of the potential violation.
 - b. Validate the existence of the potential violation.
2. Examine the physical evidence associated with the potential violation and document each piece of evidence.
 - a. Make copies of the transaction(s) that caused the potential violation. The transactions may consist of working group documents, planning documents, commitment documents, obligating documents, payment documents, or others. Copies of the transactions related to the violation may be located in the functional area originating the obligation, the contracting office, engineering office, or Defense Accounting Office.
 - b. Trace and document who authorized or approved the transaction(s).
 - c. Trace and document all of the relevant decisions that led up to and the contributing circumstances that set the stage for the transaction(s) that caused the potential violation. These decisions might be traced to minutes of installation financial board meetings, installation financial working group meetings, or any other installation group meeting in which decisions concerning an installation's financial decisions are conducted.
 - d. If a regulation, funding document, or other administrative document was violated, review the pertinent document. Determine specifically what administrative limitation was exceeded. Review the sections of Title 31 of the United States Code related to administrative violations: Sections 1511 through 1519. See Appendix B of this Volume. Determine specifically which section of Title 31 was violated.
 - e. If a statutory limitation was exceeded, review the pertinent statute. Title 31, United States Code, sections 1341 through 1348 contain general government-wide provisions dealing with statutory limitations. Voluntary services are covered by section 1342. See Appendix B of this Volume. Other statutory limitations in Title 10, United States Code, or DoD Appropriations or Authorization Acts may be involved. Determine specifically which statute was violated.
3. Interview the key players and document the results of the interviews. (When interviewing DoD civilian employees who also are bargaining unit members, ensure that the relevant questions of the United States Code and the collective bargaining agreement are adhered to.)

- a. Question each key person to determine the role each played in the violation.
 - b. Question facts and circumstances that do not appear logical or supportable.
 - c. For those that are viewed as potentially responsible in any way, question why they did what they did and when they did it.
 - d. If they indicate that their supervisor instructed them to perform certain acts that contributed to the potential violation, interview their supervisors.
 - e. Reinterview to address conflicts in documented evidence.
4. Examine relevant circumstantial evidence associated with the potential violation and describe how each piece of circumstantial evidence relates to the case. Label all circumstantial evidence as such in the report. Inclusion of photographs, drawings, etc., particularly of construction projects, is not mandatory, but could be helpful in explaining the violation.
5. Assemble and analyze the documented evidence.
 - a. Develop and document a list of findings based upon the evidence. Identify the evidence that supports each finding.
 - b. Develop and document a list of conclusions, including which specific act, or failure to act, caused the potential violation. Identify the evidence and findings that supports each conclusion.
 - c. Determine if a violation of the Antideficiency Act has, in fact, occurred and if so, which provision of the Act was violated. Include in the documentation the rationale and evidence that support this conclusion and state the type of violation and the section of the Antideficiency Act that was violated.
 - d. Identify the amount and date of the potential violation.
6. Determine if the acts that caused the violation were in compliance with established internal controls or local operating procedures.
 - a. If the acts were in compliance with either the controls or procedures, determine what improvements are required to the controls and procedures to prevent future violations of this type.
 - b. If the controls or procedures were deficient or in need of improvement, interview the supervisors of the operating personnel to determine why the controls and procedures were deficient.

c. In consultation with the installation commander, operating personnel, and supervisor(s), recommend or review revised controls and procedures to prevent future violations of the same type. Include in the report any recommended improvements in procedures or controls and the actions taken on those recommendations by the local command. Describe actions in detail so they may be evaluated for application at other locations.

d. Obtain from management officials of the DoD Component involved any lessons learned from this event for use by others in addressing similar circumstances. Include any recommended lessons learned in the report.

7. Determine to what degree each key player was responsible for the violation.

a. If operating personnel failed to follow established procedures or controls, assign that person(s) as bearing a significant responsibility for the violation.

b. If a supervisor requested an employee(s) to disregard established procedures or controls, assign the supervisor in lieu of the employee, as bearing a significant responsibility for the violation.

c. If the standard operating procedures or internal controls are deficient and the deficiencies were a major contributing cause of the violation, assign the supervisor responsible for the procedures or controls as bearing a significant responsibility for the violation.

d. In most cases the individual(s) that is determined to be significantly responsible for the violation should be named as the responsible individual in the report of investigation.

e. If the violation involves a centrally managed allotment, the head of the operating agency at the time the violation was incurred shall be named responsible for the violation. However, other individuals also may be named responsible for the violation.

f. Identify in the report the individual(s) named responsible by name, rank/grade, position title, job series, and organization.

g. Include in the report a brief, clear description of the causes and circumstances surrounding the violation.

(1) The description must clearly state what the officer(s) or employee(s) responsible for the violation did, or failed to do, that caused the violation.

(2) State whether the violation was due to careless disregard of instructions; an error; a lack of adequate training, procedures, or controls; or due to other reasons.

(3) The report should not be so brief that it does not clearly convey the essential facts and circumstances of what happened. Clearly state in sufficient detail what happened.

(4) Identify the name and position of the holder of the funds subdivision (for example, installation commander) and an evaluation of the performance of his or her fund control responsibilities. The level of command immediately above the holder normally will furnish this evaluation. This evaluation may be omitted if the holder of funds is named the responsible individual for the violation.

8. The individual(s) named responsible shall be:

a. Advised that he/she may consult with legal counsel or, when applicable, union representative.

b. Advised that a violation has been determined to have occurred and that he or she is named a responsible individual for the violation and he or she will be allowed to review the report and examine evidence on which the determination was based.

c. Allowed to submit a sworn or unsworn statement regarding the alleged violation after reviewing the report and evidence. If the individual declines to make a statement, the report will so indicate.

d. Allowed to designate witnesses to testify in their behalf.

9. Designated witnesses shall be interviewed for the record.

a. Any new facts presented in the statement(s) will be addressed by the investigator in the report.

b. If a designed witness declines to make a statement, the report will so indicate.

10. The investigator shall assess whether the individual(s) named responsible committed the violation knowingly and willfully.

11. The commander, in consultation with the investigating officer and legal officials, shall determine appropriate disciplinary action against the individual(s) named responsible.

a. The recommended disciplinary action, if any, should be commensurate with the severity of the violation and the degree of responsibility of the individual.

b. Include in the report the recommended disciplinary actions and a statement by the local commander describing any administrative discipline imposed and any further action taken with respect to the officer(s) or employee(s) named responsible for the violation. The individual responsible for determining disciplinary action should attach a written statement to the report acknowledging that:

(1) A violation is a serious matter.

(2) Disciplinary action taken should be appropriate to the causes and circumstances determined during the investigation.

(3) The Department must report the violation to the Congress and the President.

(4) The disciplinary action that was taken is commensurate with the severity of the violation, with full justification of extenuating circumstances. (Chapter 9 contains further guidance on these statements.) If no disciplinary action is deemed appropriate, a full justification is required.

12. The investigator shall review the report before transmittal to the appointing official to determine that:

a. The report includes copies of the designation of the investigator by the appointing authority and the preliminary report.

b. The case control number, title of the appropriation/ fund involved, Treasury symbol, amount, date of occurrence, date discovered, and a description of how the potential violation was identified are included in the report. Also, the name and title of the investigator, the dates, place and scope of the investigation shall be included in the report.

c. There are no obvious questions or issues that have not been addressed.

d. The documented evidence supports the findings, conclusions and recommendations in the report.

e. All key players and designated witnesses have been interviewed.

f. All relevant evidence has been included in the report.

g. All circumstantial evidence has been properly labeled to distinguish it from the evidence in item 12.f., above.

h. The documentation indicates that all witnesses and individuals that were suspected of committing a criminal offense and provided testimony were properly informed of their rights; for example, with respect to military personnel, under Article 31, UCMJ.

i. An individual(s) has been named responsible, disciplinary action has been recommended, and the required statement by the commander on the appropriateness of the disciplinary action, whether imposed or not, is included in the report. The individuals are identified by name, rank/grade, position title, job series, and organization.

j. The investigator has indicated that the individual(s) named responsible did not commit the violation willfully and knowingly. If there were indications that an individual(s) may have

willfully and knowingly committed a violation, the case should have been referred to criminal investigators--see paragraph I.5. in Chapter 5.

k. Corrective actions have been taken or recommended and any lessons learned are identified in the report.

l. Any findings, conclusions, and recommendations that are based upon testimony are cross-referenced to the record of the testimony.

m. The documentation includes records of applicable legal advice when required.

n. The name and position of the fund holder and an evaluation of his/her performance are included in the report.

o. The report has been signed by the investigator.

CHECKLIST FOR APPOINTING OFFICERS

The appointing officer shall ensure that the following items are addressed in the investigating officer's report of violation:

1. Is a copy of the appointing officer's memorandum and the Preliminary Review Report included in the report?
2. Does the report include the case control number, title of the appropriation/fund involved, Treasury symbol, amount, date of occurrence, date discovered, and a description of how the potential violation was identified, the name and title of the investigating officer, the dates, place and scope of the investigation?
3. Is the evidence clearly documented in the report and is the evidence relevant to the case?
4. Does the evidence appear to be complete or are significant factors missing that should be considered? Do there appear to be relevant unanswered questions?
5. Are the findings clearly stated, logical, supported by the evidence and relevant to the case?
6. Is each finding that is based upon testimony properly cross-referenced to the testimony?
7. Are the findings and conclusions fully substantiated by the evidence and testimony?
8. Were all conflicts in testimony addressed in the report?
9. Is there an explicit statement that a violation, in fact, occurred or that no violation occurred? If a violation has occurred, does the report include a citation of the section of the Antideficiency Act that was violated?
10. Does the report name at least one individual as being responsible for the violation? Does the evidence support the determination of responsibility made by the investigating officer? Is the individual(s) named responsible identified by name, rank/grade, position title, job series, and organization? Does the report identify the date of the potential violation and the amount?
11. Does the report include a clear description of the causes and circumstances surrounding the violation?
 - a. The description must clearly state what the officer(s) or employee(s) responsible for the violation did, or failed to do, that caused the violation.
 - b. State whether the violation was due to careless disregard of instructions; an error; a lack of adequate training, procedures, or controls; or due to other reasons.

c. The report should not be so brief that it does not clearly convey the essential facts and circumstances of what happened. Clearly state in sufficient detail what happened.

d. Identify the name and position of the holder of the funds subdivision (for example, installation commander) and an evaluation of the performance of his or her fund control responsibilities. The level of command immediately above the holder normally will furnish this evaluation. This evaluation may be omitted if the holder of funds is named the responsible individual for the violation.

12. Does the report indicate that each individual named responsible was:

a. Advised that he or she may consult with legal counsel?

b. Advised that a violation has been determined to have occurred, that he or she is named a responsible individual for the violation, and he or she will be allowed to review the report and examine evidence on which the determination was based?

c. Allowed to submit a sworn or unsworn statement regarding the alleged violation after reviewing the report and evidence? If the individual declines to make a statement, the report should so indicate.

d. Allowed to designate witnesses to testify in his or her behalf?

13. Were the rights of the individual(s) named responsible protected? Are there indications in the report that suggest that their rights were not fully protected? If so, the case may have to be reinvestigated.

14. Were all witnesses--designated by the individual(s) named responsible--interviewed or does the report include valid reasons why they were not interviewed?

15. Was there any relevant new information provided by the oral or written statements by the individual(s) named responsible, or their designated witnesses? If so, does the report address this new evidence and its bearing on the responsibility of the named individual(s)?

16. Does the report explicitly state whether the violation was willfully and knowingly committed? If there are indications that the violation was willfully and knowingly committed, the investigation should have been referred to criminal investigators--see paragraph I.5. in Chapter 5.

17. Has the investigating officer included a discussion of the following items in the report and have appropriate actions been taken by the local command to:

a. Discipline the named individual(s), if appropriate, and provide a statement by the local commander justifying the action taken.

b. Identify and install corrective actions to prevent similar violations in the future.

- c. Improve procedures and controls, if appropriate.
 - d. Identify lessons learned from this case.
18. Has the report been signed by the investigator?

CHAPTER 6

STATUS REPORTS ON INVESTIGATIONS

- A. **OVERVIEW.** During the course of an investigation, reports of progress are required to provide status to the DoD Component concerned and to the Office of the Under Secretary of Defense (Comptroller). In addition, status of investigations that are overdue to the Office of the Under Secretary of Defense (Comptroller) is required.
- B. **MONTHLY ACTIVITY INFORMATION.** Information as indicated on Enclosure 6-1 is required on a monthly basis to report progress on overdue investigations and status on all other on-going investigations.
- C. **INFORMATION REQUIREMENTS.** The Assistant Secretary of the Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components, shall report the required information on a monthly basis to the Office of the Under Secretary of Defense (Comptroller) by the fifth business day of the month following the reporting month.
1. When a formal investigation is initiated, the applicable Office of the Assistant Secretary of the Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components, shall assign a case number and ensure that the appointing official establishes a completion date for the investigation. That completion date shall allow sufficient time for the DoD Component to submit the final report of violation to the Under Secretary of Defense (Comptroller) within 9 months after the formal investigation began.
 2. If the 9-month completion date for final reports of violation is not met, a monthly report providing status of those overdue investigations is required. In addition, the status of on-going investigations must be reported each month.
 - a. The information required by Enclosure 6-1 includes a list of the overdue reports of violation, the date each report is due to the Under Secretary of Defense (Comptroller), and the current status.
 - b. The information required by Enclosure 6-1 also includes any information not reported previously, including changes or new information for on-going investigations.
 - c. If necessary, all information on all on-going investigations may be reported each month, but the new or revised information should be highlighted in bold or underlined. Annotating the reporting of changes and new information will facilitate the analysis of the current status of the investigations.

3. Status on cases shall continue to be reported on a monthly basis from the beginning of the formal investigation through the date a final violation report or a “No Violation” Report is provided to the Office of the Under Secretary of Defense (Comptroller). Procedures for reporting a violation to the Office of the Under Secretary of Defense (Comptroller) are contained in Chapter 7. If a case is returned to a DoD Component by the Office of the Under Secretary of Defense (Comptroller), monthly status reporting shall be resumed by the DoD Component until that case is again provided to the Office of the Under Secretary of Defense (Comptroller). When the case is returned, a suspense date for returning the case shall be assigned to the DoD Component commensurate with the time required to (a) provide the additional information, (b) correct the report, or (c) complete other actions requested.

(INSERT COMPONENT)

SUMMARY STATUS OF ANTIDEFICIENCY ACT INVESTIGATIONS

AS OF (Insert Last Day of Month)

PART I

OVERDUE CASES

CASE #	DATE DUE TO USD(C)	CURRENT STATUS

NOTE: Include the case number for all cases that are overdue, the initial date due to the Under Secretary of Defense (Comptroller), and a statement of the most current status. Address any steps taken to expedite the case. If the status has not changed since the prior month's report, indicate "status unchanged from previous month."

PART II

UPDATE OF INFORMATION PREVIOUSLY PROVIDED

(1) CASE NUMBER	(2) STATUS	(3) AMOUNT	(4) APPN & TREASURY ACCT SYMBOL	(5) US CODE REF	(6) ORGAN- IZATION	(7) LOCA- TION
95-01	Under Investigation Completed--No Violation Completed--A Violation	\$1,000.00	SCN, 17 _ 1611 O&M, 57 _ 3400 WPN, 17 _ 1507 OPA, 21 _ 2035	1341(a)(1)(A) 1341(a)(1)(B) 1342 1517(a)(1) 1517(a)(2)		

(8) NATURE OF VIOLATION	(9) DATE POTENTIAL VIOLATION OCCURRED	(10) DATE POTENTIAL VIOLATION DISCOVERED	(11) DATE INVESTIGA- TION BEGAN	(12) SOURCE OF POTENTIAL VIOLATION
(See examples attached)	00/00/00	00/00/00	00/00/00	Source (If identified by an audit report, provide the report number and title).

(13) BRIEF DESCRIPTION OF POTENTIAL VIOLATION	(14) PROGRESS OF VIOLATION/ OTHER COMMENTS
Briefly describe what appears to have caused the potential violation.	Provide significant milestones regarding progress of the case--e.g., date investigating officer was appointed, date report was submitted to the appointing official, the FM, the Legal Office, etc. Also provide other comments as appropriate.

PART II (CONTINUED)

- (1) Insert the case number assigned by the DoD Component.
- (2) Insert the current status of the case.
- (3) Insert the amount of the violation.
- (4) Insert the Appropriation and the Treasury Account Symbol.
- (5) Insert the United States Code Reference suspected of being, potentially at risk of being, or actually violated.
- (6) Insert the name/designation of the organization where the suspected or potential violation occurred.
- (7) Insert the location of the organization where the suspected or potential violation occurred.
- (8) Insert the nature of the violation--see Table 2-1.
- (9) Insert the date the suspected, potential, or actual violation occurred.
- (10) Insert the date the suspected, potential, or actual violation was discovered.
- (11) Insert the date the investigation began.
- (12) Insert the source of the suspected, potential or actual violation (if identified by an audit report, include the report title and number).
- (13) Insert a brief narrative description of the suspected, potential or actual violation--describe what appears to have caused the suspected, potential or actual violation.
- (14) Insert a brief narrative on the progress of the investigation--include significant milestones, such as date the report was submitted to the appointing official, date the report was submitted to the FM, etc. Also provide other appropriate comments regarding the violation.

NOTE: The case number, amount and appropriation should be reported each month for all investigations not yet formally submitted to the OUSD(C). For all other information requested, report only information that previously has not been reported, or information that has changed since reported previously.

TABLE 2-1 NATURE OF VIOLATIONS
Accepted Voluntary Services
Charged Incorrect Appropriation
Disbursement(s) Exceeded Recorded Obligation(s)
Exceeded Appropriation/Fund Availability
Exceeded Available Obligation Authority
Exceeded Expense Versus Procurement Limitation
Exceeded Minor Construction Limitation
Charged Incorrect Fiscal Year
Exceeded Repair and Maintenance Family Housing Limitation
Obligation Not Recorded
Other (Explain)

CHAPTER 7

REPORTING VIOLATIONS OR FINDINGS OF “NO VIOLATION”

A. OVERVIEW. One of the most important responsibilities of investigating a violation of the Antideficiency Act is that of documenting the results and preparing the necessary reports.

1. The investigating officer must submit a detailed report to the appointing official.

2. The Assistant Secretary of the Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components shall ensure that a summary report of violation is prepared and submitted to the Office of the Under Secretary of Defense (Comptroller) within 9 months of discovery of the violation. This report should summarize the results of the investigation report and include as attachments the statement(s) of the individual(s) named responsible and other significant information.

3. Letters reporting a violation to the President, the Office of Management and Budget, and the Congress are required and will be prepared by the Office of the Under Secretary of Defense (Comptroller).

B. INVESTIGATING OFFICER’S REPORT OF VIOLATION. At the conclusion of an investigation, the investigating officer shall prepare a Report of Violation that documents the results of the investigation. The report shall be completed within 9 months of appointment, unless an extension has been granted in accordance with the provisions in Chapter 5 of this Volume. The timeline for preparing the report should take into consideration the review process to meet the 9-month deadline for submitting the final report.

1. The report shall be prepared in accordance with the policies and procedures in DoD Directive 7200.1, “Administrative Control of Appropriations,” and chapter 5 of this Volume. Investigating officers shall use the checklist provided in Enclosure 5-1 to ensure that all appropriate elements have been considered in the report.

- a. The appointing official and legal counsel also shall ensure that the report includes all pertinent items. For example, the investigating officer's report should contain statements of individuals having knowledge of the transaction(s) causing the violation, including the person(s) determined to be responsible.

- b. Documentation evidencing all material elements of the violation and supporting the conclusions reached shall be included with the report.

- c. The holder of funds shall be identified by name and position and an evaluation made of the exercise of his or her responsibilities.

2. The formal Report of Violation has no detailed format requirements, but must contain the following six parts: Part I, Authority; Part II, Matters Investigated; Part III, Facts; Part IV, Discussion; Part V, Conclusions; and Part VI, Recommendations.

a. Part I, Authority, shall contain the names, ranks or grades, and titles of the appointing official and the investigating officer(s), the date of the appointment, and an overview of the issues that are to be investigated.

b. Part II, Matters Investigated, shall contain a summary of the scope of the investigation and the methods used to accomplish the investigation, for example, face-to-face interviews; research of legal, financial, and management issues; written explanation of the facts of the potential violation, etc. It should discuss the issues and the areas or functions that were reviewed, evaluated, and investigated. The names, ranks, and titles of the individuals that were interviewed should be included. Part II should contain a discussion on any related areas and matters that were not investigated and the rationale for omitting them from the investigation.

c. Part III, Facts, shall contain the details of what was actually determined and documented during the investigation. Attachments that substantiate the details should be referenced. For example, the amount of funds that were involved in the violation; the section or subsection of Title 31, United States Code that was violated; the year and name of the appropriation(s) involved; the date(s) on which the potential violation occurred and when and how it was discovered; the name and location of the organization involved; the results of interviews of individuals involved in the violation; and a summary of how the area(s), procedures, processes, etc.--that were involved in the investigation--operated. If the investigation has been undertaken because of an audit report, that report shall be identified by title, number, date, and issuing audit organization. If the investigation was conducted as a result of a memorandum or letter directing an investigation, that document should be referenced and a copy attached to the report. The checklists at enclosures 5-1 and 7-1 should be used to ensure that all essential items are discussed.

d. Part IV, Discussion, shall contain a summary of what was accomplished during the investigation. Include a discussion of the evolution of the issues being investigated, number of people interviewed, mitigating circumstances surrounding the violation, issues that could or could not be proved during the investigation and the supporting rationale, any issues that cannot be agreed upon by those individuals involved, and any other comments that are pertinent to the investigation.

e. Part V, Conclusions, shall contain a detailed summary of what actually caused the violation and the associated circumstances; what actions should have been, but were not, taken by specific individuals; what actions were taken that should not have been taken; why the violation happened; whether the violation was committed knowingly and willfully; the name(s) of the individuals responsible for the violation; and the name(s) of the organization(s) involved.

f. Part VI, Recommendations, shall contain recommendations for (1) improving the overall and specific policies, procedures, and processes used by the functional areas involved in

the violation; (2) revising specific statutes or regulatory guidance that may have been involved; (3) obtaining funding to correct the violation; (4) imposing appropriate disciplinary action against the individual(s) responsible; and (5) ensuring that a similar violation will not occur in the future.

3. The person(s) named responsible for a violation shall be given an opportunity to (a) read the report of the facts and circumstances leading to the determination of responsibility and (b) provide a statement of any circumstances they believed to be extenuating. The individual named responsible shall be granted this opportunity even if he or she is no longer working where the violation occurred, or is retired or separated from the Department of Defense.

a. The opportunity to provide a second (i.e., final) statement should be offered after a final determination of responsibility has been made. The statement should not be based on an uncompleted investigation.

(1) The statement should first acknowledge that he or she has read the report and understands that he or she is being held responsible for the violation. If the individual can provide additional information, pertinent to the particular case, which was not addressed in the investigation and has a bearing on responsibility for the violation, he or she has the right, and should be requested, to do so.

(2) The individual also may refute statements made by others and make other comments. The final written statement, including any extenuating circumstances, shall be included in the Report of Violation and also attached to the summary report of violation submitted to the Under Secretary of Defense (Comptroller).

b. If the person(s) named responsible refuses to give a statement, request the person(s) to submit a signed statement of declination. If he or she refuses to sign a declination, include a statement to that effect, signed by an appropriate official, in the report. If the person(s) named responsible for the violation cannot be located despite a due diligent effort, a statement to that effect, signed by an appropriate official, shall be included in the report.

c. The report shall include an evaluation of any new or conflicting facts or circumstances when the statement of the responsible individual(s) differs from the report contents.

d. The report shall include a statement as to whether the person(s) determined to be responsible for the violation either did or did not knowingly and willfully incur the violation. If, in the judgment of the investigating officer, the violation was willfully committed, the procedures in Chapter 5, paragraph I.4. of this volume shall be followed.

4. The report shall include the required acknowledgements and a written statement, from the official responsible for determining the appropriate discipline for those individuals responsible for a violation, as required by the Under Secretary of Defense (Comptroller) in a memorandum dated December 19, 1994, subject: Violations of the Antideficiency Act. See section P of enclosure 7-1 and section B in Chapter 9 of this Volume for these requirements.

5. The investigating officer shall compile the Report of Violation and forward that report directly to the appointing official.

6. The appointing official shall add comments; ensure a legal review; coordinate the report with responsible officials in other functional areas involved in the violation (such as contracting, civil engineer or comptroller); and forward the report to the applicable Assistant Secretary of the Military Department, or the Comptroller or Senior Financial Manager for other DoD Components.

7. When the violation affects the funds of another DoD Component or the responsible individual is from another DoD Component, the appointing official shall (a) immediately notify the Office of the Under Secretary of Defense (Comptroller); (b) advise the other DoD Component involved before submission of the final summary report of violation; and (c) obtain coordination on the report from the other DoD Component involved.

C. **DOD COMPONENT SUMMARY REPORT OF VIOLATION.** After receipt of the Report of Violation from the appointing official, the Assistant Secretary of a Military Department for Financial Management, or Comptroller (or equivalent) for other DoD Components, shall ensure that a Summary Report of Violation is prepared, using the checklist at Enclosure 7-1. (Alternatively, the appointing official may prepare, or have the investigating officer prepare, and submit, the Summary Report of Violation.) The original and seven copies of the Summary Report shall be submitted to the Office of the Under Secretary of Defense (Comptroller). The Summary Report of Violation shall contain a copy of all pertinent documents referenced in the body of the report.

1. If funds of another DoD Component are involved, a copy of the Report of Violation shall be furnished to that Component.

2. If the same official is responsible for more than one violation under the same circumstances, one Report of Violation may encompass multiple violations. As an example, if--on several different occasions--an individual authorized obligations against an appropriation that should not have been used for that particular purpose, and funds in the correct appropriation were not available, those violations could be combined into one Report of Violation.

D. **REVIEW OF SUMMARY REPORT OF VIOLATION.** The Office of the Under Secretary of Defense (Comptroller) shall review the Summary Report of Violations for completeness, clarity, compliance with reporting requirements, and adequacy of corrective and administrative disciplinary action taken. If the Office of the Under Secretary of Defense (Comptroller) determines that the Summary Report of Violation does not meet the requirements of this Volume or DoD Directive 7200.1, the report shall be returned to the Assistant Secretary of the Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components. That official will be asked to resubmit the report with the requested information within the period of time as specified by the Office of the Under Secretary of Defense (Comptroller).

E. **REPORT TO THE PRESIDENT AND THE CONGRESS.** Following receipt of the Summary Report of Violation from the Assistant Secretary of a Military Department for Financial Management, or Comptroller (or equivalent) for other DoD Components, the Office of the Under Secretary of Defense (Comptroller) shall prepare notification letters for the President, through the Director of the Office of Management and Budget the Resident Pro Tem of the Senate; and the Speaker of the House of Representatives. These letters notify the President and the Congress of the violation, its cause(s) and circumstances, the names of the individual(s) responsible for the violation, and the disciplinary action taken. The notification letters shall be coordinated with the Office of the Deputy General Counsel (Fiscal) (ODGC(F)).

F. **REPORT OF “NO VIOLATION.”** If the results of a formal investigation determine that there was no violation, the investigation report shall include that conclusion supported by appropriate justification.

1. The Office of the Under Secretary of Defense (Comptroller) shall evaluate the “no violation” investigation report and submit a copy to the ODGC(F) for a review and concurrence.

2. If the Office of the Under Secretary of Defense (Comptroller) and the ODGC(F) agree with the conclusion of “no violation,” no further action is required of the DoD Component involved. If, however, the Office of the Under Secretary of Defense (Comptroller) and the ODGC(F) do not agree that there was “no violation,” the report shall be returned to the applicable Assistant Secretary of the Military Department for Financial Management, or equivalent. That official shall be requested to reopen the investigation and report the results, provide additional documentation of “no violation.” or accomplish some other action within a specified timeframe.

3. After the second investigation is completed or the requested action has been taken, the investigating officer shall submit the revised report to the applicable Assistant Secretary of the Military Department for Financial Management, or equivalent, for the preparation of a summary report of violation in accordance with the procedures in section B, above. The summary report shall be submitted to the Office of the Under Secretary of Defense (Comptroller) within 15 days following receipt by the applicable Assistant Secretary of the Military Department for Financial Management or equivalent.

CHECKLIST FOR FINAL SUMMARY REPORT OF VIOLATION

During preparation of the final summary report of an Antideficiency Act violation, the following items should be considered. This checklist is intended for the investigating officer, the appointing official, DoD managers, and commanders. Adherence to this checklist can help to reduce requests by the Office of the Under Secretary of Defense (Comptroller) for additional information on cases.

___A. Case Control Number

All violation cases are identified by a case control number. Case control numbers are assigned by the Office of the Assistant Secretary of the Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components, and provided through channels to the investigating officer. The reports must contain the case control number for control and monitoring requirements of the Department.

___B. The title of the appropriation or other fund account involved.

For instance, Operation and Maintenance, Air Force.

___C. The Treasury symbol of the appropriation or fund account involved.

For instance, 2142020 which stands for Army, fiscal year 1994 Operation and Maintenance, Army, funds.

___D. The amount of the violation.

The amount of the violation must correspond to the amount of funds which will be requested to correct the violation or the amount for which approval will be obtained to correct the violation.

___E. The date(s) on which the violation occurred.

___F. The date on which the violation was discovered.

___G. How the violation was discovered.

Was it discovered locally? Did an audit agency discover the violation?

___H. Name and rank of the officer(s) responsible for the violation. Name, grade, and civilian job series number--required by the Office of Management and Budget--of the civilian(s) responsible for the violation.

1. If a violation involves a centrally-managed allotment, the head of the operating agency at the time the violation was incurred shall be named responsible.
2. Others, in addition to the head of the operating agency, also may be determined to be responsible for the violation.

___I. The position title of the officers(s) or employee(s) responsible for the violation.

Spell out completely the position title. For instance, Chief, XYZ branch, is not sufficient. Spell out the formal name for the XYZ branch. Include enough detail so that an outsider will be able to understand the individual's position.

___J. The organization of the officer(s) or employee(s) responsible for the violation.

Completely spell out the name of the organization. For instance, base civil engineering is not sufficient. Spell out the full formal name and numerical designation, if any, of the base civil engineering office, such as 366 Combat Support Group Civil Engineering Squadron. Again, an outsider should be able to understand what the organization is.

___K. The section or subsection of Title 31, United States Code that was violated--for example, Title 31, United States Code, subsection 1341(a)(1)(A); Title 31, United States Code, subsection 1517(a)(2); or Title 31, United States Code, section 1342.

1. If a legal limitation is exceeded, usually Title 31, United States Code, subsection 1341(a)(1)(A) was violated. However, refer to Chapter 2 and subsection 1341(a)(1) for more specific guidance.

2. If a DoD or DoD Component administrative limitation was exceeded, usually Title 31, United States Code, subsection 1517(a)(2), was violated. However, refer to Chapter 2 or subsection 1517(a) for more specific guidance.

3. Title 31, United States Code, section 1342 (acceptance of voluntary services) is very seldom violated. However, see Enclosure 2-2 for an example.

___L. State whether the violation was an overobligation of an appropriation, an apportionment, or an allotment.

If an administrative subdivision of funds is involved with the violation, state whether the administrative subdivision of funds was overobligated. An administrative subdivision of funds can be an allotment, a centrally- managed allotment, an operating budget authority, an allocation, a suballotment, a suballocation, etc.

___M. A statement about the effect on the next higher level of funding.

1. Exceeding an administrative subdivision at the local level can lead to the next higher level exceeding its subdivision of funds and could also lead to the DoD Component's apportionment and appropriation being exceeded.

2. For instance, if an installation exceeded an amount in an operating budget authority or an allotment, did this cause the higher command operating budget authority or allocation to also be exceeded? If the higher command operating budget authority or allocation is exceeded, did this also cause the DoD/Component apportionment or appropriation to also be exceeded?

- ___N. A brief, clear description of the causes and circumstances surrounding the violation. The description must clearly state what the officer(s) or employee(s) responsible for the violation did, or failed to do, that caused the violation. State whether the violation was due to careless disregard of instructions; an error; a lack of adequate training, procedures, or controls; due to other reasons, etc.

The report of violation should not be so brief that it does not clearly convey the essential facts and circumstances of what happened. Clearly state in sufficient detail what happened.

- ___O. A statement that either the violation was knowingly and willfully committed or that the violation was not knowingly or willfully incurred.

- ___P. A statement of the administrative discipline imposed and any further action taken with respect to the officer(s) or employee(s) named responsible for the violation. The individual responsible for determining disciplinary action should attach written statements to the report acknowledging that (1) a violation is a serious matter and (2) disciplinary action taken/to be taken is appropriate to the causes and circumstances determined during the investigation, (3) the Department must report the violation to the Congress and the President, and (4) the disciplinary action taken/to be taken is commensurate with the severity of the violation, with full justification of extenuating circumstances. (Chapter 9 contains further guidance on these statements.) If no disciplinary action is deemed appropriate, a full justification is required.

- ___Q. Description of specific action(s) taken to correct the violation. Include any procedural changes or new safeguards established to prevent recurrence of the same type of violation. Describe actions in detail so that adequacy of the corrective action(s) may be evaluated.

- ___R. A statement as to the adequacy of the system of administrative control prescribed under Chapter 1 and Appendix A. If the official signing the report recommends changes to this Volume, he or she shall submit the proposed changes to the Accounting Policy Directorate, Office of the Under Secretary of Defense (Comptroller).

- ___S. A statement shall be made concerning the steps taken to coordinate the report with the other component or agency, if another DoD Component or another Federal agency is involved.

The appointing official should coordinate the report with the applicable Assistant Secretary of the Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components or Federal agencies.

- ___T. Each officer or employee named responsible for the violation shall be given the opportunity to state any circumstances believed to be extenuating. The statement should not be based on a preliminary investigation, but should be made after a determination of responsibility has been made. If possible, the officer or employee shall be encouraged not to refer to documents that are not part of the report submission.

The individual(s) found responsible for the alleged violation must be:

1. Allowed to consult with legal counsel.
2. Advised that a violation has been determined to have occurred and that he or she is named a responsible individual for the violation and will be allowed to review the report and examine evidence on which the determination was based.
3. Allowed to submit a sworn or unsworn statement regarding the alleged violation after reviewing the report and evidence.

- ___U. The report shall include an evaluation of any conflicting facts or circumstances when the statement of the responsible officer(s) or employee(s) differs from the report itself.

- ___V. Name and position of the holder of the funds subdivision (for example, an installation commander) and an evaluation of the performance of his or her fund control responsibilities. The level of command immediately above the holder normally will furnish this evaluation. This evaluation may be omitted if the holder of funds is named the responsible individual for the violation.

Provide the name and position of the holder of funds along with the evaluation.

- ___W. A statement of any additional action taken by, or at the direction of, the head of the DoD Component with respect to the overallocation, overallotment, authority, or directive to overobligate, or overexpend, and any procedural changes or new safeguards established to prevent recurrence of such violation. Also include the actions taken to provide funds, if required, to cover the amount of the violation.

See item Q, above.

___X. Lessons learned. A statement summarizing lessons learned from the results of the investigation. Recommended lessons learned shall include those applicable to (1) the installation where the violation occurred, (2) the major command, (3) the DoD Component involved, and (4) all DoD Components.

___Y. Additional Information. Include in the report of violation the following information:

1. Testimony from witnesses.
2. Other documentation such as photographs, drawings, copies of appropriate pages of regulations, etc., gathered to support any conclusion(s) reached.
3. The review of such report by the appointing official.
4. Any other pertinent information generated as the result of the investigation. If the violation involved an appropriation with a negative balance, state whether the cause of the negative balance was systemic or a unique situation. (Includes item X, above.)

___Z. Other Comments. Each report is a unique work reflecting each investigating officer's individual effort.

Assistance may be requested of the legal counsel at the major command which appointed the investigating officer. Please ensure the report is tabbed so that information referenced in the report can be located easily.

CHAPTER 8

TRAINING0801 INTRODUCTION

This chapter establishes policies and procedures for the training of individuals assigned to investigate potential and actual violations of the Antideficiency Act (ADA). To ensure efficiency in the investigation of, and reporting on, ADA violations, those involved in the investigation process must receive adequate training.

0802 TRAINING FOR INVESTIGATORS

★ One of the most important individuals involved in the investigation process of the Antideficiency Act violations is the investigator. It is the responsibility of each Department of Defense (DoD) Component to ensure that its ADA investigators are trained properly. Although each DoD Component is responsible for ADA investigator training, the Defense Finance and Accounting Service (DFAS) is available to develop supporting courses, if requested by the DoD Components. Investigator training courses developed by a DoD Component shall be coordinated with the DFAS. Training requirements for Antideficiency Act investigators are as follows:

★ 080201. Completion of an Appropriations Law, or equivalent course, shall be a prerequisite for ADA investigators.

080202. ADA investigators shall be qualified to: interview witnesses, gather evidence, develop “facts,” document findings and recommendations, prepare reports of violation, recommend appropriate disciplinary action, meet timeframes established for the completion of an investigation, and recommend corrective actions. Chapter 5, enclosure 5-1, of this volume also has a checklist which should be used by investigators.

★ 080203. ADA investigators shall receive additional training on an as needed basis.

★ 080204. DoD Components are encouraged to develop courses using interactive media or computers. A training handbook also may be used as a “hands-on” guide during an investigation.

080205. Once an individual completes appropriate training, his or her name shall be included on a roster of available ADA investigators maintained by each DoD Component. Data to be maintained on the roster for available investigators include the name, rank/grade, date initial training was received, organization to which assigned, functional specialty(ies), and number of investigations previously conducted. Controls shall be established to ensure that the required roster is kept current. The roster shall be used by DoD Components to select individuals to investigate potential violations of the Antideficiency Act.

080206. Upon completion of appropriate training; each individual shall receive a certificate stating that he or she has completed the training course. In order to continue to remain eligible to conduct investigations, individuals shall be required to renew their certificates every 5 years by attending a refresher-training course.

0803 TRAINING FOR FINANCIAL AND PROGRAM MANAGERS

DoD Components also shall provide appropriate training for its senior financial managers and program managers. The focus of this training shall include the basics of fund control and the ADA statute; the types of violations that can occur; the most frequent types of violations that occur within the Department and their causes; the requisite training, supervision, and oversight of personnel who perform financial management or programmatic functions; and methods for preventing violations. Video, computer courses or a handbook may be used for such training. The training shall be provided to these managers on a periodic basis to ensure currency of topics identified above.

CHAPTER 9

DISCIPLINARY ACTION

A. **ADMINISTRATIVE DISCIPLINE.** A military member or DoD employee who is responsible for a violation under DoD Directive 7200.1, “Administrative Control of Appropriations,” or this Volume, shall be subject to appropriate administrative discipline. Appropriate administrative discipline for violations of Title 31, United States Code, sections 1341(a), 1342, or 1517, is authorized by Title 31, United States Code, sections 1349 or 1518.

1. Disciplinary action shall be administered on a case-by-case basis as determined by the appropriate authority. The level of discipline administered to the individual responsible **shall** be commensurate with the nature and seriousness of the offense, the record of the person responsible, their level of experience, the degree and level of responsibility of the individual. Any mitigating circumstances **shall** also be considered.

2. Administrative discipline for a civilian employee may include written admonishment or reprimand, reduction in grade, suspension from duty without pay, or removal from office.

3. Military personnel may be subject to appropriate administrative discipline or may be subject to action under the Uniform Code of Military Justice.

4. Even though the individual determined to be responsible for a violation is no longer on active duty or employed by the applicable DoD Component, appropriate disciplinary action may be pursued. If disciplinary action is taken, such action shall be documented in the individual’s personnel file in accordance with established policies.

B. **DOCUMENTING DISCIPLINARY ACTION.** A violation of the Antideficiency Act is a serious matter as it represents a violation of a Federal statute. The fact that a violation was not willfully and knowingly committed does not, by itself, justify a decision not to impose disciplinary action. The individual who is responsible for determining the appropriate disciplinary action shall:

1. Acknowledge, in writing, that he or she understands that (a) a violation of the Antideficiency Act is a violation of Federal statute; (b) the Department is required to report the violation to the President and the Congress of the United States; (c) even though a violation may not have been committed willfully or knowingly that, by itself, does not justify a decision not to administer disciplinary action; and (d) disciplinary action commensurate with the severity of the violation and other factors should be taken against the individual(s) named responsible for a violation.

2. Provide a written statement addressing why he or she believes that the disciplinary action taken, or the failure to take disciplinary action, is commensurate with the severity of the violation. If there are extenuating circumstances, they must be considered.

3. Include both statements discussed above in the report of investigation.

C. **CRIMINAL PENALTIES.** If a violation has been determined to have been knowingly and willfully committed, there are statutory provisions requiring criminal penalties. Thus, an officer or employee found responsible for committing a violation knowingly and willfully may be subject to criminal penalties. All investigations that provide any indications that the violation was knowingly and willfully committed shall be terminated by the investigating officer. The investigating officer should consult with legal counsel to determine if the investigation should be referred to the appropriate criminal investigation organization. for action.

1. Both sections 1350 and 1519 of Title 31, United States Code, discuss criminal penalties for violations of the Antideficiency Act. Title 31, United States Code, section 1350, prescribes that “an officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating section 1341(a) or 1342 of this title shall be fined not more than \$5,000, imprisoned for not more than 2 years, or both.” Title 31, United States Code, section 1519, includes the violation of section 1517(a) and provides the same level of punishment. Criminal penalties for military personnel may include punishment under Article 15 of the Uniform Code of Military Justice or trial by Courts Martial.

2. When submitting a final summary report of violation to the Office of the Under Secretary of Defense (Comptroller) that may require criminal penalties, a statement to that effect--which is required by OMB Circular No. A-34--shall be included in the summary report from the Assistant Secretary of the Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components.

CHAPTER 10

VIOLATIONS--CAUSES, PREVENTION, AND CORRECTION

A. CAUSES OF VIOLATIONS

1. Based on an analysis of investigations of violations, the Office of the Under Secretary of Defense (Comptroller) has developed the following list of the most frequent causes of violations of the Antideficiency Act:

- Established internal controls and standard operating procedures not followed.
- Inadequate supervisory involvement or oversight.
- Lack of appropriate training.
- Inadequate standard operating procedures and internal controls.

2. As the above list indicates, supervisors of DoD personnel who have responsibility for control and use of DoD funds should ensure that their personnel are provided with proper oversight, support, and necessary training to help prevent violations. The following section discusses specific actions that can be taken to reduce or prevent violations.

B. PREVENTING VIOLATIONS

1. To help prevent violations of the Antideficiency Act, DoD personnel should be knowledgeable of the requirements in this Volume. Supervisors at all levels should provide their employees with the requisite training and experience in the control and use of funds at levels commensurate with their responsibilities. Furthermore, supervisors should perform oversight and validation checks to ensure that established internal controls and standard operating procedures are adequate and are being consistently followed by their employees. Supervisors shall use their internal management control programs as required by DoD Directive 5010.38, "Internal Management Control Programs," to assess periodically the reliability of internal control systems and employee internal management control accountability.

2. One of the most effective ways to prevent violations is to perform regular reviews of the status of funds reports. In this regard, commitments shall not be added to obligations to determine whether a violation has occurred. However, if the amount of commitments and the amount of obligations (undelivered orders, accrued expenditures unpaid, and accrued expenditures paid) exceed the total availability of an allotment, allocation, or appropriation, a violation could occur if all or some of the commitments eventually become valid obligations.

3. The most common types of violations in the Department of Defense can be significantly decreased by proactive measures specifically tailored to address the causes and corrective actions required to prevent their occurrence. DoD personnel with responsibilities for the control and use of funds of the types described below should be aware of these common types of violations and be required to take positive actions to avoid their occurrence.

4. The five types of circumstances that account for most of the violations of the Antideficiency Act in the Department, in order of precedence, are as follows:

- a. Exceeding limits on the use of Operation and Maintenance (O&M) funds for minor construction projects.
- b. Exceeding the fund availability amount in an appropriation or exceeding the amount of an allotment/ suballotment.
- c. Using O&M funds to acquire equipment items that exceed the designated amount for the mandatory use of procurement funds (expense versus investment threshold rule).
- d. Not recording obligating documents in a timely or accurate manner which results in overobligating funds already obligated (because the obligating document was not recorded timely or correctly).
- e. Obligating in advance of funds being provided.

5. To prevent the most common violation (paragraph B.4.a., above), engineering and contracting personnel shall be advised of the provisions of Title 10, United States Code, section 2805, and DoD rules and regulations that cover minor construction projects. Engineering personnel frequently are determined to be responsible for violations involving construction projects exceeding statutory construction limitations and administrative construction limitations placed in engineering regulations. A brief summary of some of the provisions of section 2805 and the DoD rules and regulations follows:

- a. The amount of O&M funds that may be used for a minor construction project is limited by statute. However, from time to time, that limit is increased by the Congress. If the specified limit is exceeded, Military Construction funds are required to be used for the entire project including planning and design. A violation of Title 31, United States Code, section 1341(a)(1)(a), may occur when the limitation is exceeded. The limitation applies for the use of O&M funds for a minor construction project even though there is sufficient obligational authority available in the O&M account (that was charged) at the time the project is authorized and approved.
- b. Engineering and contracting personnel also should be familiar with the statutory limitation, under the provisions of Title 10, United States Code, section 2825, on the maintenance and repair funds that may be used for a family housing unit. That limit may not be exceeded without prior approval by the Congress. When that limit is exceeded for any reason during the

completion of a family housing maintenance and repair project, and the conditions specified in the law for waiver of the statutory limitations have not been met, a violation of Title 31, United States Code, section 1341(a)(1)(a), may occur. However, in FY 1992, the Congress approved after-the-fact notification of increased costs beyond the statutory limit only for the removal of “encountered asbestos” under specific conditions.

c. Construction costs which are misclassified as alternations by engineering personnel may result in a violation of the Antideficiency Act. A potential violation may occur if the amount of the misclassification added to construction costs, if any, exceeds a statutory limitation. For example, an engineering project which has a minor construction cost of \$280,000 plus maintenance and repair costs of \$70,000 could cause a violation of a \$300,000 operation and maintenance minor construction statutory limitation if the maintenance and repair work is later proved to be construction. Likewise, a maintenance and repair project in the amount of \$350,000 could be a potential violation of the Antideficiency Act if the maintenance and repair is determined later to be construction.

6. The second most common violation is exceeding availability of funds (paragraph B.4.b., above). The frequency of this type of overobligation condition is reported to have contributed to the passage of the Antideficiency Act.

a. A violation of the Antideficiency Act has occurred if an obligation or expenditure exceeds the amounts available in an apportionment, a reapportionment, a revolving fund, or an administrative subdivision of funds. All DoD commanders, managers, and personnel should be aware that this type of violation accounts for about one-third of the Antideficiency Act violation cases in the Department.

b. The establishment of a funds control system is essential to ensure that all obligations are properly edited against available funds and authorized, before they are incurred. This process must include the recording of a reservation of available funds for authorized obligations that are not immediately obligated and recorded. The reservation shall be by means of a formal commitment or an informal reservation record of the estimated amount of the obligation, or an estimated obligation that is documented to approximate closely the obligation when incurred and recorded.

c. For example, some of the Military Departments have experienced problems with overobligated reserve component personnel accounts. Funds in these accounts are used to pay reservists for week-end drills, travel, special tours, other training, etc. Reserve component unit commanders--who control a formal administrative subdivision of funds subject to the Antideficiency Act--should budget and reserve against available funds estimated amounts for week-end drills and other scheduled training in advance of the incurrence and recording of these obligations.

7. The third most common type of violation (see paragraph 4.c., above) involves the use of O&M funds to purchase equipment items that should be acquired with procurement funds.

a. The Congress designates an amount above which acquisitions of equipment shall be funded with procurement funds. The amount has been frequently increased in recent fiscal years.

b. The commonly reported scenario involves DoD personnel using operation and maintenance (O&M) funds to purchase a computer system when Other Procurement funds are required. Other procurement funds shall be used whenever a piece of computer equipment becomes an integral part of a computer system or local area network (LAN) unless the total costs of the entire system or LAN is less than the amount designated for use of procurement funds. Additional expense/ investment criteria, as it applies to information technology equipment and software can be found in Chapter 1, Volume 2A, and Chapter 18, Volume 2B of this Regulation.

c. Similar problems also frequently occur when acquiring low dollar value equipment items that are estimated to cost less than the congressionally designated amount for procurement funds but actually cost more than that amount when acquired.

d. A violation of the Antideficiency Act does not automatically occur in these situations (paragraphs B.7a.- B.7.c., above) because, when discovered, the obligation is simply moved from the O&M account to the applicable procurement account. If sufficient funds are available after recording the obligation in the procurement account, including all other known valid obligations and deobligations, a potential violation of the Antideficiency Act has not occurred. However, if sufficient funds are not available to cover the obligation in the procurement account, a potential violation of the Antideficiency Act may have occurred.

e. DoD decision makers, such as program managers, information systems and contracting personnel must be knowledgeable of the expense versus investment rules if this type of violation is to be prevented. Training of program managers and information systems, contracting and comptroller personnel should be focused on this issue. Such training should help to reduce the incorrect application of the expense versus investment rule and the resulting violations of the Antideficiency Act.

8. The fourth most common type of violation (paragraph B.4.d., above) occurs when obligating documents are not recorded in the accounting system in a timely and accurate manner and, as a result, funds subject to the Antideficiency Act are overobligated.

a. When obligations are not recorded, the official records in the accounting systems reflect an inflated (and incorrect) availability of funds. Since those records are used by personnel to certify fund availability for other obligations, a violation can easily occur because the records do not reflect the correct amount of funds available for obligation.

b. To help prevent this type of violation, the comptroller community shall require that all organizations that incur obligations and record obligations maintain strict and absolute positive controls over obligating documents and/or their electronic equivalents to ensure that none are lost or misplaced and are accurately recorded in a timely manner. Such controls include batch totals of transactions and dollar amounts incurred, transmitted, received, processed and recorded.

9. The fifth most common type of violation (paragraph B.4.e., above) is caused when managers obligate funds in advance of their availability.

a. The most common scenario is the use of current year funds to procure goods or services that only are properly funded with subsequent years' appropriations. A violation of the Antideficiency Act occurs when an individual has obligated funds before being authorized and appropriated by the Congress.

b. For example, the signing of a lease for a facility or equipment and agreeing to pay, or simply obligating, for 2 years of lease cost during the first year would constitute an obligation in advance of the availability of the funds for the second year. Similarly, agreeing to pay for, or obligating, a maintenance agreement for equipment for 2 years would constitute a violation of the Antideficiency Act.

c. Signing a contract for a new project or new work effort for which funds are not previously authorized and approved by the Congress would also constitute this type of violation of the Antideficiency Act.

d. To help prevent this type of violation, training programs should include specific focus on the importance of ensuring that funds are authorized and available before obligating the government to contracts for future fiscal years expenses.

10. The Department can make significant progress in the reduction of these common violations through proper education and effective training of personnel and ensuring that adequate internal controls and standing operating procedures are in place and being followed.

a. This volume should be used to communicate the importance of learning about violations to the personnel throughout the Department involved in the stewardship of DoD funds. Other sources on the subject of the Antideficiency Act include the United States Code and opinions and decisions of the Comptroller General.

b. This volume should be used as source material to conduct seminars and workshops targeted to general and specific audiences including program managers, engineers, contracting, information systems, comptroller personnel, commanders, supervisors, and managers.

c. The formal education structure within the Department is another avenue available to educate personnel on the Antideficiency Act. Formal courses can be used to alert personnel to common violations and high-risk business transactions and decisions that can result in a violation. The DoD financial management community sponsors professional development courses that include discussion on Antideficiency Act violations. These courses are located at Syracuse University, at Syracuse, New York, primarily for Army-sponsored personnel; the Naval Post Graduate School, at Monterey, California, primarily for Navy-sponsored personnel; and the Air Force Professional Military Comptroller School at Maxwell AFB, Alabama, primarily for Air Force-sponsored personnel. In addition, the Judge Advocate General School at Charlottesville,

Virginia, includes a fiscal law course in its curriculum. See Chapter 8 of this Volume for a further discussion of training.

11. It is critical that DoD commanders and managers are aware of the Antideficiency Act concepts and the most common causes of violations--see Section A above. The full spectrum of DoD's formal education programs for all military officers, from staff officer courses to executive development classes, should incorporate relevant aspects of this volume for use in highlighting the potential pitfalls and risks associated with the Antideficiency Act.

12. On-the-job training is the responsibility of all supervisors and personnel. Supervisors and managers should incorporate the provisions of this volume in their on the job training programs for those employees responsible for funds administration and for use of funds.

C. NO VIOLATION--ERRONEOUS CHARGING OR RECORDING

1. No violation of the Antideficiency Act is considered to have occurred when an overobligation or overexpenditure is solely the result of not recording available documents or transactions that increase fund availability, recording an erroneous transaction, or recording a transaction erroneously. In each instance, the potential violation status is eliminated by correcting the erroneous transaction, or by posting the omitted transaction. However, such actions should not include the deletion or adjustment of any valid transactions. If after the proper recording of the transactions, an overobligation or expenditure remains, a potential violation of the Antideficiency Act has occurred.

2. A violation of Title 31, United States Code, section 1517, may exist when the amount of authorizations of funds granted to other activities exceeds the amount of funds available under the applicable authorization of funds received. Sometimes errors occur when recording transactions that have the effect of showing more funds in the allotment, operating budget authority, or other administrative subdivision of funds than are actually available. When such errors do occur and the funds are not obligated or expended, there generally is no potential violation. However, the error must be corrected as soon as it is detected. Conversely, errors which require correction by obtaining additional funds in the administrative subdivision of funds cannot eliminate the fact that a violation has, indeed, occurred and must be investigated.

3. An erroneous recording is the recording of an authorization of funds, obligation, commitment, or expenditure in an incorrect fund or account; or the posting of an amount other than the correct amount for the transaction. An erroneous recording may occur by citing the wrong fund, appropriation, subhead, budget project, or allotment/suballotment authorization number on an obligation and/or expenditure document. Examples may also include the recording of duplicate payments or overpayments and/or related obligations. An omission is the failure to post a properly executed authorization of funds (either received or granted), a purchase requisition, commitment, an obligation, or an expenditure, when the document/transaction is available for recording.

4. Once incurred, failure to record valid obligations or expenditures, in the official accounting records will not preclude or avoid a potential violation. All obligations or expenditures shall be recorded accurately and promptly even if the recording results in a negative amount in the accounting records.

5. A potential violation may not exist after an error in the records has been corrected if the following situation exists: Neither obligations nor expenditures incurred exceed the amount of the applicable authorization of funds received at the time of correction and would not have exceeded the applicable authorization of funds received at the time of the initial transaction(s) that are being corrected.

6. A failure to record a valid obligation or expenditure as of the date incurred does not avoid the occurrence of a violation of the Antideficiency Act if the recording results in the account balance or other limitation being exceeded. A potential violation must be reported if this occurs. Obtaining additional funds to cover the violation is required. However, obtaining the additional funds does not eliminate the fact that a violation occurred.

D. CORRECTIVE ACTION

1. Part of an investigating officer's responsibilities includes recommended actions to prevent future violations of a similar type (procedural corrections) and to correct the specific adverse funding condition (funding corrections) that resulted from the violation.

2. The report of violation does not serve to condone, retroactively approve, or financially justify, a violation. All violations must be corrected with the proper funding or the necessary approval from the proper approving authority.

3. Procedural Corrections

a. These corrective actions usually are made by the installation activity causing the violation and may include training or changes in procedures to preclude similar violations. Other activities may also be involved. For instance, it is possible that, as a part of an installation's overall corrective action, a change in local procedures for an organization such as contracting, engineering, information systems, or Defense Accounting Office--which supports the installation--is required. Additionally, changes in practices or procedures by the finance office could provide benefits to the activity that caused the violation. However, unless individuals in the finance office caused the violation, corrective actions taken by that office would be secondary to the corrective actions taken by the responsible organization.

b. Recommendations for future consideration of installation-level corrective actions are not acceptable in the report. The report must state what corrective actions were actually taken and are being taken to preclude similar violations in the future.

c. Recommendations that apply at other installations and organizations should be included in the report and so identified. Such recommendations should be specific and not general in nature. The major command, or equivalent, shall address such recommendations and include a statement whether these recommendations are considered appropriate for adoption by the major command. The Head of the DoD Component, or designee, shall evaluate such recommendations and include a statement whether they are considered appropriated for adoption by the DoD Component.

d. The investigating officer also may make recommendations for improvements in the contents of the Checklists or other portions in this Volume.

e. If recommendations are directed towards changing DoD Component regulations, the recommendation should include the number and name of the regulation, the paragraph which is recommended for change, the recommended wording of the change, and the rationale for the recommended change. A situation in which an investigation determines that a particular regulation caused or contributed to the cause of a violation, the report of violation shall contain a recommendation for changing that portion of the regulation.

4. Funding Corrections

a. The report must state what actions were taken to request the proper funding. Wording in the report to the effect that funds will be requested is not sufficient.

(1) Under Title 31, United States Code, section 1301(a), appropriations shall be applied only to the objects for which the appropriations were made, except as otherwise provided by law. This means that if improper funds were used, the correct funds must be used as provided by law. The funding correction should be made as soon as possible. However, since it may take some time to obtain the proper funds, the report should not be held until the funds are provided. The report shall state what action has been taken to ensure the violation is “financially corrected” and when the funds are expected to be received.

(2) As an example, if O&M funds were improperly used for a minor construction project costing in excess of the limitation for minor construction, the installation must request proper funding to comply with Title 31, United States Code, section 1301(a). The proper funds, in this example, should be requested from the Military Construction appropriation to restore the O&M appropriation to the proper balance. The installation budget office requests the proper funds. Obtaining these funds may take some time to accomplish. Therefore, the report should state what action has been taken to obtain the funds and when the funds are expected to be received.

(3) Care must be taken when correcting financial transactions that involve foreign currency fluctuations budget rates. The appropriate budget rate for the appropriate year must be used.

(a) The appropriation from which the incorrect transaction took place must be corrected as well as the applicable foreign currency fluctuations centrally-managed allotment from which any gain or loss (difference between the current rate actually paid and the budget rate actually obligated) was incorrectly credited or charged. If the appropriation to which the charge must be made is subject to foreign currency fluctuations budget rates, i.e., when an O&M account was charged when a military construction account should have been charged instead, a charge to the appropriation at the applicable budget rate and a charge or credit to the applicable centrally-managed allotment will be required.

(b) Corrections applying to foreign currency fluctuations centrally-managed allotments require coordination with the funds manager of the applicable foreign currency fluctuations centrally-managed allotment at the DoD Component.

b. In some cases, the appropriation that should provide the proper funding to correct a violation may now be closed. Guidance on the treatment of transactions that should have been charged to accounts that are now closed, is being addressed in Volume 3 of this Regulation.

c. In some cases involving violations of departmental or DoD Component administrative limitations, proper funding may not be needed. However, administrative approval after-the-fact from the proper approving authority should be obtained in order to properly document the records associated with the violation.

d. The correction of a violation by means of receipt of the proper funding or the after-the-fact approval does not negate the occurrence of the violation. Violations, even though financially corrected subsequently, must still be properly investigated and reported.

APPENDIX A--PROCEDURES FOR THE ADMINISTRATIVE CONTROL OF FUNDS

A. **ADMINISTRATIVE CONTROL SYSTEMS.** As discussed in chapter 1, systems for administrative control of funds should be designed so that administrative subdivisions of funds are placed at the highest practical organizational level consistent with effective and efficient management. For instance, a single allotment for an appropriation or other fund normally provides a sufficient basis for control of funds without further allotments or suballotments at lower levels, such as program elements, object classes, or other types of data. Use of limitations on funding documents shall be restricted to those necessary (1) to comply with statutory provisions imposed by the DoD Authorization or DoD Appropriation Acts, or other legislation, and (2) to address specific management requirements.

1. Reporting Requirements for Administrative Control Systems. A system for administrative control of funds shall be established to provide data for reviewing the efficiency with which funds are administered or used. When a need exists for accumulating data below the allotment level, reporting requirements shall be established separately from an administrative subdivision of funds.

2. Delegations of Authority. All delegations or redelegations of authority or functions under Chapter 1 of this Volume shall be made in writing. No delegation or redelegation of authority or functions shall be exercised in any manner that limits the capabilities of the Secretaries of the Military Departments, the Directors of the Defense Agencies, or designated officials of the Office of the Secretary of Defense to exercise the control necessary to discharge properly their responsibilities under this Volume.

3. Apportionments

a. When DoD-military appropriations or other funds are required to be apportioned under law by the Office and Management and Budget (OMB) to a DoD Component, a request for the apportionment or reapportionment shall be prepared and submitted through the Under Secretary of Defense (Comptroller) to the Director of OMB. A request for an apportionment shall be in such form and at such time as the Under Secretary of Defense (Comptroller) may prescribe to conform with the requirements of the Director of OMB (see Volume 2 of this Regulation).

b. Obligations during any apportionment period shall not exceed the amount of the apportionment available for that period or of any administrative subdivisions of the apportionment.

4. Allocations

a. The Under Secretary of Defense (Comptroller) or designee, shall make allocations of apportioned amounts, in writing, to the heads of DoD Components. The Secretary of a

Military Department, or designee, shall make further allocations of apportioned amounts, in writing, to the heads of operating agencies.

(1) The original signed document or an authenticated copy bearing a signature or an electronic equivalent of a signature shall be forwarded to the recipient of the allocation. This does not preclude the use of an automated system to communicate and record fund subdivisions as long as a confirmation copy bearing an authenticated signature or an electronic equivalent of a signature is available to the recipient via the automated system.

(2) Amounts allocated may be suballocated to major subordinate operating commands.

b. Allocations shall not exceed the amount available for use for each apportionment period.

c. The use of an electronically reproduced equivalent of an original signature is considered an acceptable implementation of the requirement for a document containing an authenticated signature. However, in accomplishing electronic transmission of fund authorizations through linked computer systems, internal controls for electronically transmitted allocations and suballocations shall have the following minimum characteristics:

(1) Fund control systems shall provide validation of fund authorities by use of access codes and lockout techniques.

(2) One set of access codes shall be used to issue fund authorizations.

(3) Other controlled access codes shall be used to process a signature section of fund control documents for transmissions to funded activities.

(4) The authentication, signature element, and symbol shall be included as part of electronically-produced funding documents.

d. Anticipated transfers or other items of anticipated receipts may be allocated only when realized.

e. Allocations, suballocations, or portions of an allocation, that are not required to be subdivided further may be treated and recorded as allotments.

f. DoD Components shall not authorize or incur an obligation, or make a disbursement against apportioned anticipated transfer authorizations until received. Such actions must be delayed until the completed Standard Form (SF) 1151, "Nonexpenditure Transfer Authorization," is received and the resources realized.

g. DoD Components shall not authorize or incur an obligation or make a disbursement against apportioned anticipated reimbursements. Such actions shall be delayed until the applicable customer order is received in the case of the Federal Government activities and funds are collected in the case of other customers.

5. Allotments

a. The recipients of allocations and suballocations, or their designees, shall make allotments in specific amounts to the heads of installations or organizational units of DoD Components, as required. The total of the amounts allotted shall not exceed the amount of the allocation available for each period.

b. The recipients of allotments may make suballotments to the heads of other organizational units, including those of other DoD Components, as required. The total of the amounts suballotted shall not exceed the amount of the allotment available for use for each period.

c. Allotments and suballotments shall be made in writing and the recipient's copy either shall be signed by the fund-issuing authority or be an authenticated copy bearing an authorized authenticated signature or an electronic equivalent of a signature. The document shall contain at least the following basic information:

(1) Name or title of the allottee.

(2) Amount of the allotment and the period of availability.

(3) Legal restrictions or limitations on the obligation and disbursement of the allotted funds.

(4) The amount of anticipated reimbursements, specified to the organizational level responsible for receiving the reimbursable orders.

d. In emergency circumstances, it may not be possible to provide a formal allotment or suballotment document before incurring obligations. Under such emergency conditions, it may be necessary to use expedited means of communication pending formal confirmation.

(1) A telephone may be used to make oral arrangements to indicate that funds will be provided. However, the official allocation or allotment of funds does not occur until the documentation of the issuance of funds has been transmitted by the issuer and received by the recipient by means of a facsimile machine (fax) record.

(2) In such cases, both the issuer and recipient shall document the funding transaction showing action taken, the date, amount involved, authorizing official, and method of communication. The issuer shall immediately fax a copy of the documentation to the recipient and request acknowledgment of receipt by fax. The recipient shall sign the documentation and return a copy to the issuer by fax. The issuer shall sign the same documentation and return by fax a copy containing both signatures. The official funds issuance does not occur until this final double-signed transmission document has been received by the recipient of the funds.

(3) The recipient is not authorized to issue funds to others or authorize or incur obligations with the funds received until after receipt of the double-signed transmission record.

e. The head of an operating agency, who has specific written approval of the Head of a DoD Component, may establish centrally-managed allotments. These allotments shall be established only when it is impractical to administer decentralized allotments under normal operating procedures. More specific guidance on requirements for establishing centrally-managed allotments are provided in Volume 3 of this Regulation. Before approval, a specific written determination shall be made that adequate controls have been established to avoid overobligating or overexpending such an allotment.

(1) The amount of the centrally-managed allotment shall be within the amount and terms of the allocation.

(2) Requests for the establishment of a centrally-managed allotment must justify fully the need, delineate possible alternatives, and demonstrate clearly why the centrally-managed allotment method is the only practical administrative procedure.

(3) The official who establishes or continues the use of a centrally-managed allotment shall be held responsible, to the extent prescribed by law, directive, and regulation, for ensuring that obligations are not incurred, or expenditures made, beyond the amount available under each centrally-managed allotment.

(4) The establishing or continuing official is responsible for the administration of each centrally-managed allotment and shall prescribe an adequate system of financial and nonfinancial control. The system shall:

(a) Designate the name or position of specific individuals authorized to incur obligations or make expenditures against each centrally-managed allotment.

(b) Establish suitable limitations on the numbers, quantities or volume for which obligations may be incurred or expenditures made.

(c) Provide for accounting and reporting at least monthly.

(d) Ensure timely notice to prevent the centrally-managed allotment from being overobligated or overexpended by taking necessary management action, which may include:

1. Increasing the amount of the centrally-managed allotment.

2. Terminating the centrally-managed allotment.

3. Terminating new obligations or disbursements.

4. Taking other necessary management actions to prevent an overobligation or overexpenditure.

(5) Each centrally-managed allotment shall be reviewed annually to determine whether its operation should be continued. This determination shall be made by the head of the DoD Component concerned, or designee. The annual review shall include an evaluation by an internal audit group of the adequacy of control procedures established to prevent violations of subsections 1341(a)(1) or 1517(a) or both, of Title 31, United States Code, and a recommendation whether continuation of the centrally-managed allotment is justified.

6. Reimbursable Orders

a. DoD organizations may be authorized by law to accept reimbursable orders for services provided or goods sold to other Federal Government-funded customers and authorized private parties.

b. Apportioned reimbursements shall not be allotted unless there is reasonable assurance that orders will be received. Even though apportioned and allotted, these estimates shall not be considered budgetary resources available for obligation unless the following two conditions are met:

(1) Valid orders, including written agreements, have been received from and obligated by Federal Government-funded customers.

(2) Advance payment has been collected, in the case of orders from the public.

c. In the case of Federal Government customer orders, the value of the reimbursable order and the associated budgetary resources is subject to the amount of the goods and services as provided to the customer and ultimately collected from the customer. In the case of the supply management area of the Defense Business Operation Fund, anticipated contract authority is provided by the OMB that allows for issuance of obligations and disbursements prior to receipt of customer orders.

d. Under certain circumstances, and only with the prior written approval of the OMB, immediate and automatic apportionment of the amounts of reimbursable orders received and accepted may be authorized. (See Volume 2 of this Regulation.)

e. Reimbursable orders received from state or local governments, recognized international bodies such as the United Nations and North Atlantic Treaty Organization, foreign governments, corporations, or individuals are subject to special controls.

(1) These orders, except Foreign Military Sales (FMS) orders, shall be recognized as reimbursable orders received only to the extent that cash has been received and deposited with the Treasury. Contract authority may be recognized for FMS orders based upon a dependable undertaking when cash advances are not provided for the full amount of the order from a foreign

government or international body. Bills are then presented for payment from the account established in the FMS Trust Fund for the applicable country.

(2) FMS Disbursement controls shall be established to ensure that disbursements are not made until the cash is actually received from the foreign country and deposited in the Treasury by the FMS Trust Fund. Expenditure authorizations are used to ensure that funds are available in the account for the country involved before disbursements are made.

e. Reimbursable orders that are financed by appropriated or revolving funds of Federal agencies provide expenditure as well as obligational authority.

f. Officials responsible for incurring obligations and making expenditures shall be particularly cognizant of reimbursable authority received. Controls shall be established to avoid obligating or expending in excess of the amount of appropriated funds available, plus the amount of reimbursements that ultimately will be earned and collected.

7. Reconciliations. DoD managers at all levels shall ensure that accounting records for receipt and use of budgetary resources are reconciled. Obvious accounting errors shall be corrected immediately and negative account balances shall be researched and reconciled promptly with appropriate source documents.

a. Transactions or adjustments shall be recorded in accounting records only when supported by appropriate source documents or electronic equivalents. Managers shall not permit identified errors to go uncorrected for extended periods of time, inaccurate transactions to be recorded or failures to record transactions in a timely manner. Due diligence is necessary in order to avoid the mistaken appearance of a potential Antideficiency Act violation which occurred because of careless record keeping.

b. An investigation shall be initiated by the applicable DoD Component and reported to the Office of the Under Secretary of Defense (Comptroller) as required by this Volume if a manager suspects that a potential violation of the Antideficiency Act may have occurred. However, investigations of potential violations of the Antideficiency Act should not be required merely to force correction of erroneous records.

B. **FINANCIAL MANAGEMENT SYSTEMS.** In addition to effective and efficient administrative funds control systems established by the DoD Components, the Defense Finance and Accounting Service (DFAS) shall be responsible for establishing accounting and finance systems. The accounting and finance systems shall be established for reporting commitments and obligations created by DFAS's customers and expenditures made against those customers' obligations by the DFAS. Title 31, United States Code, section 3512, contains the following requirements for those systems:

1. Federal Agencies shall maintain systems of accounting and internal controls that ensure (a) complete disclosure; (b) adequate financial information; (c) effective control over, and accountability for, assets; (d) obligations and costs comply with applicable laws; and (e) revenues and expenditures applicable to the Department's operations are properly accounted for, so that accounts and reliable financial and statistical reports are prepared and accountability of assets are maintained.

2. Specifically, financial management systems shall be:

a. Designed to assist responsible officials in restricting the authorization or incurrence of obligations to the amount of, and for the authorized purposes for which the obligational authority is available.

b. Capable of providing timely disclosure of the authorization or creation of an obligation, or the making of disbursements in excess of amounts available in both unexpired and expired accounts.

APPENDIX B--EXCERPTS FROM TITLE 31, UNITED STATES CODE

“MONEY AND FINANCE”

SUBTITLE II - THE BUDGET PROCESS

CHAPTER 11 - THE BUDGET AND FISCAL, BUDGET, AND PROGRAM INFORMATION

31 UNITED STATES CODE 1104 BUDGET AND APPROPRIATIONS AUTHORITY OF THE PRESIDENT

§ 1104. Budget and appropriations authority of the President

“(a) The President shall prepare budgets of the United States Government under section 1105 of this title and proposed deficiency and supplemental appropriations under section 1107 of this title. To the extent practicable, the President shall use uniform terms in stating the purposes and conditions of appropriations.

(b) Except as provided in this chapter, the President shall prescribe the contents and order of statements in the budget on expenditures and estimated expenditures and statements on proposed appropriations and information submitted with the budget and proposed appropriations. The President shall include with the budget and proposed appropriations information on personnel and other objects of expenditure in the way that information was included in the budget for fiscal year 1950. However, the requirement that information be included in the budget in that way may be waived or changed by joint action of the Committees on Appropriations of both Houses of Congress. This Subsection does not limit the authority of a committee of Congress to request information in a form it prescribes.

(c) When the President makes a basic change in the form of the budget, the President shall submit with the budget information showing where items in the budget for the prior fiscal year are contained in the present budget. However, the President may change the functional categories in the budget only in consultation with the Committees on Appropriations and on the Budget of both Houses of Congress. Committees of the House of Representatives and Senate shall receive prompt notification of all such changes.

(d) The President shall develop programs and prescribe regulations to improve the compilation, analysis, publication, and dissemination of statistical information by executive agencies. The President shall carry out this subsection through the Administrator for the Office of Information and Regulatory Affairs in the Office of Management and Budget.

(e) Under regulations prescribed by the President, each agency shall provide information required by the President in carrying out this chapter. The President has access to, and may inspect, records of an agency to obtain information.”

31 UNITED STATES CODE 1105 BUDGET CONTENTS AND SUBMISSION TO CONGRESS

§ 1105. Budget contents and submission to Congress

“(a) On or after the first Monday in January but not later than the first Monday in February of each year, the President shall submit a budget of the United States Government for the following fiscal year. Each budget shall include a budget message and summary and supporting information. The President shall include in each budget the following:

- (1) information on activities and functions of Government.
- (2) when practicable, information on costs and achievements of Government programs.
- (3) other desirable classifications of information.
- (4) a reconciliation of the summary information on expenditures with proposed appropriations.
- (5) except as provided in subsection (b) of this section, estimated expenditures and proposed appropriations the President decides are necessary to support the Government in the fiscal year for which the budget is submitted and the 4 fiscal years after that year.
- (6) estimated receipts of the Government in the fiscal year for which the budget is submitted and the 4 fiscal years after that year under--
 - (A) laws in effect when the budget is submitted; and
 - (B) proposals in the budget to increase revenues.
- (7) appropriations, expenditures, and receipts of the Government in the prior fiscal year.
- (8) estimated expenditures and receipts, and appropriations and proposed appropriations, of the Government for the current fiscal year.
- (9) balanced statements of the--
 - (A) condition of the Treasury at the end of the prior fiscal year;
 - (B) estimated condition of the Treasury at the end of the current fiscal year; and
 - (C) estimated condition of the Treasury at the end of the fiscal year for which the budget is submitted if financial proposals in the budget are adopted.
- (10) essential information about the debt of the Government.

(11) other financial information the President decides is desirable to explain in the practicable detail the financial condition of the Government.

(12) for each proposal in the budget for legislation that would establish or expand a Government activity or function, a table showing--

(A) the amount proposed in the budget for appropriation and for expenditure because of the proposal in the fiscal year for which the budget is submitted; and

(B) the estimated appropriation required because of the proposal for each of the 4 fiscal years after that year that the proposal will be in effect.

(13) an allowance for additional estimated expenditures and proposed appropriations for the fiscal year for which the budget is submitted.

(14) an allowance for unanticipated uncontrollable expenditures for that year.

(15) a separate statement on each of the items referred to in section 301(a)(1)-(5) of the Congressional Budget Act of 1974 (2 U.S.C. 632(a)(1)-(5)).

(16) the level of tax expenditures under existing law in the tax expenditures budget (as defined in section 3(a)(3) of the Congressional Budget Act of 1974 (2 U.S.C. 622(a)(3))) for the fiscal year for which the budget is submitted, considering projected economic factors and changes in the existing levels based on proposals in the budget.

(17) information on estimates of appropriations for the fiscal year following the fiscal year for which the budget is submitted for grants, contracts, and other payments under each program for which there is an authorization of appropriations for that following fiscal year when the appropriations are authorized to be included in an appropriation law for the fiscal year before the fiscal year in which the appropriation is to be available for obligation.

(18) a comparison of the total amount of budget outlays for the prior fiscal year, estimated in the budget submitted for that year, for each major program having relatively uncontrollable outlays with the total amount of outlays for that program in that year.

(19) a comparison of the total amount of receipts for the prior fiscal year, estimated in the budget submitted for that year, with receipts received in that year, and for each major source of receipts, a comparison of the amount of receipts estimated in that budget with the amount of receipts from that source in that year.

(20) an analysis and explanation of the differences between each amount compared under clauses (18) and (19) of this subsection.

(21) a horizontal budget showing--

(A) the programs for meteorology and of the National Climate Program established under section 5 of the National Climate Program Act (15 U.S.C. 2904);

(B) specific aspects of the program of, and appropriations for, each agency; and

(C) estimated goals and financial requirements.

(22) a statement of budget authority, proposed budget authority, budget outlays, and proposed budget outlays, and descriptive information in terms of --

(A) a detailed structure of national needs that refers to the missions and programs of agencies (as defined in section 101 of this title); and

(B) the missions and basic programs.

(23) separate appropriation accounts for appropriations under the Occupational Safety and Health Act of 1970 (29 U.S.C. 651 et seq.) and the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 801 et seq.).

(24) recommendations on the return of Government capital to the Treasury by a mixed ownership corporation (as defined in section 9101(2) of this title) that the President decides are desirable.

(25) a separate appropriation account for appropriations for each Office of Inspector General of an establishment defined under section 11(2) of the Inspector General Act of 1978.

(26) an analysis, prepared by the Office of Management and Budget after consultation with the chairman of the Council of Economic Advisors, of the budget's impact on the international competitiveness of United States business and the United States balance of payments position and shall include the following projections, based upon the best information available at the time, for the fiscal year for which the budget is submitted--

(A) the amount of borrowing by the Government in private credit markets;

(B) net domestic savings (defined as personal savings, corporate savings, and the fiscal surplus of state and local governments);

(C) net private domestic investment;

(D) the merchandise trade and current accounts;

(E) the net increase or decrease in foreign indebtedness (defined as net foreign investment); and

(F) the estimated direction and extent of the influence of the Government's borrowing in private credit markets on United States dollar interest rates and on real effective exchange rate of the United States dollar.

(27) a separate statement of the amount of appropriations requested for the Office of National Drug Control Policy and each program of the National Drug Control Program.

(28) a separate statement of the amount of appropriations requested for the Office of Federal Financial Management.

(b) estimated expenditures and proposed appropriations for the legislative branch and the judicial branch to be included in each budget under subsection (a)(5) of this section shall be submitted to the President before October 16 of each year and included in the budget by the President without change.

(c) The President shall recommend in the budget appropriate action to meet an estimated deficiency when the estimated receipts for the fiscal year for which the budget is submitted (under laws in effect when the budget is submitted) and the estimated amounts in the Treasury at the end of the current fiscal year available for expenditure in the fiscal year for which the budget is submitted, are less than the estimated expenditures for that year. The President shall make recommendations required by the public interest when the estimated receipts and estimated amounts in the Treasury are more than the estimated expenditures.

(d) When the President submits a budget or supporting information about a budget, the President shall include a statement on all changes about the current fiscal year that were made before the budget or information was submitted.

(e)(1) The President shall submit with materials related to each budget transmitted under subsection (a) on or after January 1, 1985, an analysis for the ensuing fiscal year that shall identify requested appropriations or new obligational authority and outlays for each major program that may be classified as a public civilian capital investment program, and for each major program that may be classified as a military capital investment program, and shall contain summaries of the total amount of such appropriations or new obligational authority and outlays for public civilian capital investment programs and summaries of the total amount of such appropriations or new obligational authority and outlays for military capital investment programs. In addition, the analysis under this paragraph shall contain --

(A) an estimate of the current service levels of public civilian capital investment and of military capital investment and alternative high and low levels of such investments over a period of ten years in current dollars and over a period of five years in constant dollars;

(B) the most recent assessment analysis and summary, in a standard format, of public civilian capital investment needs in each major program area over a period of ten years;

(C) an identification and analysis of the principle policy issues that affect estimated public civilian capital investment needs for each major program; and

(D) an identification and analysis of factors that affect estimated public civilian capital investment needs for each major program, including but not limited to the following factors:

(i) economic assumptions;

(ii) engineering standards;

(iii) estimates of spending for operation and maintenance;

(iv) estimates of expenditures for similar investments by State and local governments; and

(v) estimates of demand for public services derived from such capital investments and estimates of the service capacity of such investments.

To the extent that any analysis required by this paragraph relates to any program for which Federal financial assistance is distributed under a formula prescribed by law, such analysis shall be organized by State and within each State by major metropolitan area if data are available.

(2) For purposes of this subsection, any appropriation, new obligational authority, or outlay shall be classified as a public civilian capital investment to the extent that such appropriation, authority, or outlay will be used for the construction, acquisition, or rehabilitation of any physical asset that is capable of being used to produce services or other benefits for a number of years and is not classified as a military capital investment under paragraph (3). Such assets shall include (but not be limited to)--

(A) roadways or bridges,

(B) airports or airway facilities,

(C) mass transportation systems,

(D) waste water treatment or related facilities,

(E) water resources projects,

(F) hospitals,

(G) resource recovery facilities,

(H) public buildings,

- (I) space or communications facilities,
- (J) railroads, and
- (K) federally assisted housing.

(3) For purposes of this subsection, any appropriation, new obligational authority, or outlay shall be classified as a military capital investment to the extent that such appropriation, authority, or outlay will be used for the construction, acquisition, or rehabilitation of any physical asset that is capable of being used to produce services or other benefits for purposes of national defense and security for a number of years. Such assets shall include military bases, posts, installations, and facilities.

(4) Criteria and guidelines for use in the identification of public civilian and military capital investments, for distinguishing between public civilian and military capital investments, and for distinguishing between major and non-major capital investment programs shall be issued by the Director of the Office of Management and Budget after consultation with the Comptroller General and the Congressional Budget Office. The analysis submitted under this subsection shall be accompanied by an explanation of such criteria and guidelines.

(5) For purposes of this subsection--

(A) the term “construction” includes the design, planning, and erection of new structures and facilities, the expansion of existing structures and facilities, the reconstruction of a project at an existing site or adjacent to an existing site, and the installation of initial and replacement equipment for such structures and facilities;

(B) the term “acquisition” includes the addition of land, sites, equipment, structures, facilities, or rolling stock by purchase, lease-purchase, trade, or donation; and

(C) the term “rehabilitation” includes the alteration of or correction of deficiencies in an existing structure or facility so as to extend the useful life or improve the effectiveness of the structure or facility, the modernization or replacement of equipment at an existing structure or facility, and the modernization of, or replacement of parts for, rolling stock.

(f) The budget transmitted pursuant to subsection (a) for a fiscal year shall be prepared in manner consistent with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 that apply to that and subsequent fiscal years.”

31 UNITED STATES CODE 1106 SUPPLEMENTAL BUDGET ESTIMATES AND CHANGES

§ 1106. Supplemental budget estimates and changes

“(a) Before July 16 of each year, the President shall submit to Congress a supplemental summary of the budget for the fiscal year for which the budget is submitted under section 1105(a) of this title. The summary shall include--

(1) for that fiscal year--

(A) substantial changes in or reappraisals of estimates of expenditures and receipts;

(B) substantial obligations imposed on the budget after its submission;

(C) current information on matters referred to in section 1105(a)(8) and (9)(B) and (C) of this title, and

(D) additional information the President decides is advisable to provide Congress with complete and current information about the budget and current estimates of the functions, obligations, requirements, and financial condition of the United States Government.

(2) for the 4 fiscal years following the fiscal year for which the budget is submitted, information on estimated expenditures for programs authorized to continue in future years, or considered mandatory, under law; and

(3) for future fiscal years, information on estimated expenditures of balances carried over from the fiscal year for which the budget is submitted.

(b) Before July 16 of each year, the President shall submit to Congress a statement of changes in budget authority requested, estimated budget outlays, and estimated receipts for the fiscal year for which the budget is submitted (including prior changes proposed for the executive branch of the Government) that the President decides are necessary and appropriate based on current information. The statement shall include the effect of those changes on the information submitted under section 1105(a)(1)-(14) and (b) of this title and shall include supporting information as practicable. The statement submitted before July 16 may be included in the information submitted under subsection (a)(1) of this section.

(c) Subsection (f) of section 1105 shall apply to revisions and supplemental summaries submitted under this section to the same extent that such subsection applies to the budget submitted under section 1105(a) to which such revisions and summaries relate.”

31 UNITED STATES CODE 1107 DEFICIENCY AND SUPPLEMENTAL APPROPRIATIONS

§ 1107. Deficiency and supplemental appropriations

“The President may submit to Congress proposed deficiency and supplemental appropriations the President decides are necessary because of laws enacted after submission of the budget or that are

in the public interest. The President shall include the reasons for the submission of the proposed appropriations and the reasons the proposed appropriations were not included in the budget. When the total proposed appropriations would have required the President to make a recommendation under section 1105(c) of this title if they had been included in the budget, the President shall make a recommendation under that section.”

31 UNITED STATES CODE 1108 PREPARATION AND SUBMISSION OF APPROPRIATIONS REQUESTS TO THE PRESIDENT

§ 1108. Preparation and submission of appropriations requests to the President

"(a) In this section (except subsections (b)(1) and (e)), “agency” means a department, agency, or instrumentality of the United States Government.

(b)(1) The head of each agency shall prepare and submit to the President each appropriation request for the agency. The request shall be prepared and submitted in the form prescribed by the President under this chapter and by the date established by the President. When the head of the agency does not submit a request by that date, the President shall prepare the request for the agency to be included in the budget or changes in the budget or as deficiency and supplemental appropriations. The President may change agency appropriation requests. Agency appropriation requests shall be developed from cost-based budgets in the way and at times prescribed by the President. The head of the agency shall use the cost-based budget to administer the agency and to divide appropriations or amounts.

(2) An officer or employee of an agency in the executive branch may submit to the President or Congress a request for legislation authorizing deficiency or supplemental appropriations for the agency only with the approval of the head of the agency.

(c) The head of the agency shall include with an appropriation request submitted to the President a report that the statement of obligations submitted with the request contains obligations consistent with section 1501 of this title. The head of the agency shall support the report with a certification of the consistency and shall support the certification with records showing that the amounts have been obligated. The head of the agency shall designate officials to make the certifications, and those officials may not delegate the duty to make the certifications. The certifications and records shall be kept in the agency--

(1) in a form that makes audits and reconciliations easy; and

(2) for a period necessary to carry out audits and reconciliations.

(d) To the extent practicable, the head of the agency shall--

(1) Provide information supporting the agency's budget request for its missions by function and subfunction (including the mission of each organizational unit of the agency); and

(2) relate the agency's programs to its missions.

(e) Except as provided in subsection (f) of this section, an officer or employee of an agency (as defined in section 1101 of this title) may submit to Congress or a committee of Congress an appropriation estimate or request, a request for an increase in that estimate or request, or a recommendation on meeting the financial needs of the Government only when requested by either House of Congress.

(f) (Not applicable to DoD)

(g) amounts available under law are available for field examination of appropriation estimates. The use of the amounts is subject only to regulations prescribed by the appropriate standing committees of Congress.”

31 UNITED STATES CODE 1112 FISCAL, BUDGET, AND PROGRAM INFORMATION

§ 1112. Fiscal, budget, and program information

“(a) In this section, “agency” means a department, agency, or instrumentality of the United States Government except a mixed-ownership Government corporation.

(b) In cooperation with the Comptroller General, the Secretary of the Treasury and the Director of the Office of Management and Budget (OMB) shall establish and maintain standard data processing and information systems for fiscal, budget, and program information for use by agencies to meet the needs of the Government, and to the extent practicable, of State and local governments.

(c) The Comptroller General

(1) in cooperation with the Secretary, the Director of OMB, and the Director of the Congressional Budget Office (CBO), shall establish, maintain, and publish standard terms and classifications for fiscal, budget, and program information of the Government, including information on fiscal policy, receipts, expenditures, programs, projects, activities, and functions;

(2) when advisable, shall report to Congress on those terms and classifications, and recommend legislation necessary to promote the establishment, maintenance, and use of standard terms and classifications by the executive branch of the Government; and

(3) in carrying out this subsection, shall give particular consideration to the needs of the Committees of Appropriations and on the Budget of both Houses of Congress, the Committee on Ways and Means of the House, the Committee on Finance of the Senate, and the CBO.

(d) Agencies shall use the standard terms and classifications published under subsection (c)(1) of this section in providing fiscal budget, and program information to Congress.

(e) In consultation with the President, the head of each executive agency shall take actions necessary to achieve to the extent possible--

(1) consistency in budget and accounting classifications;

(2) synchronization between those classifications and organizational structure; and

(3) information by organizational unit on performance and program costs to support budget justifications.

(f) In cooperation with the Director of the CBO, the Comptroller General, and appropriate representatives of State and local governments, the Director of OMB (to the extent practicable) shall provide State and local governments with fiscal, budget, and program information necessary for accurate and timely determination by those governments of the impact on their budgets of assistance of the United States Government.”

EXCERPTS FROM CHAPTER 13, TITLE 31, UNITED STATES CODE

“MONEY AND FINANCE”

SUBTITLE II - THE BUDGET PROCESS

CHAPTER 13 - APPROPRIATIONS

SUBCHAPTER I - GENERAL

31 UNITED STATES CODE 1301 APPLICATION

§ 1301. Application

“(a) Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.

(b) The reappropriation and diversion of the unexpended balance of an appropriation for a purpose other than that for which the appropriation was originally made shall be construed and accounted for as a new appropriation. The unexpended balance shall be reduced by the amount to be diverted.

(c) An appropriation in a regular, annual appropriation law may be construed to be permanent or available continuously only if the appropriation--

(1) is for rivers and harbors, lighthouses, public buildings, or the pay of the Navy and Marine Corps; or

(2) expressly provides that it is available after the fiscal year covered by the law in which it appears.

(d) A law may be construed to make an appropriation out of the Treasury or to authorize making a contract for the payment of money in excess of an appropriation only if the law specifically states that an appropriation is made or that such a contract may be made.”

SUBCHAPTER II - TRUST FUNDS AND REFUNDS

31 UNITED STATES CODE 1321 TRUST FUNDS

§ 1321. Trust funds

“(a) The following are classified as trust funds:

- (1) Philippine special fund (custom duties).
- (2) Philippine special fund (internal revenue).
- (3) Unclaimed condemnation awards, Dept. of Treasury.
- (4) Naval reservation, Olangapo civil fund.
- (5) Armed Forces Retirement Home Trust Fund.
- (6) Return to deported aliens of passage money collected from steamship companies.
- (7) Vocational Rehabilitation, special fund.
- (8-11) Library of Congress - trust funds.
- (12) Relief and Rehabilitation, Longshoremen's and Harbor Workers' Compensation Act.
- (13) Cooperative work, Forest Service.
- (14) Wages and effects American Seamen, Dept. of Commerce.
- (15-16) St. Elizabeth's Hospital.
- (17-19) National Park Service, donations.

- (20) Indian monies.
- (21) Funds of Federal prisoners.
- (22) Commissary Funds, Federal prisons.
- (23) Pay of Navy, deposit funds.
- (24) Pay of Marine Corps, deposit funds.
- (25) Pay of Army, deposit funds.
- (26) Lincoln birthplace.
- (27) Flood control, Mississippi River.
- (28) Flood control, Sacramento River.
- (29) Effects deceased employees, Dept. of Treasury.
- (30) Effects of patients, Public Health Service.
- (31) Effects of deceased employees, Dept. of Commerce.
- (32) Topographic survey, contributions.
- (33-34) National Institutes of Health, gift funds.
- (35) Patients' deposits, U.S. Marine Hospital, Carville.
- (36) Estates deceased personnel, Department of Army.
- (37) Effects of deceased personnel, Department of Interior.
- (38) Fredericksburg and Spotsylvania Battlefields memorial fund.
- (39) Petersburg Military Park.
- (40) Gorgas laboratory quotas.
- (41) Contributions, boundary commission U.S. and Mexico.
- (42) Salvage proceeds, American vessels.
- (43) Wages due American seamen.

- (44) Federal Industrial Institution for Women, chapel.
- (45) General Post funds, National Homes, Dept of V.A.
- (46) Repatriation of American seamen.
- (47-48) Expenses, public survey.
- (49) Contributions, Alaska roads.
- (50) Protective works Lake of Woods/Rainy River, Minn.
- (51) Washington redemption fund.
- (52-58) District of Columbia funds.
- (59) Repealed.
- (60) Music auditorium, Library of Congress.
- (61) Bequest Gertrude Hubbard.
- (62) Puerto Rico special fund (Internal Revenue).
- (63) Miscellaneous trust funds, Department of State.
- (64) Improvement funds contributed (name of river or harbor).
- (65) Improvement funds, advanced (name of river or harbor).
- (66) Funds contributed for Indian projects.
- (67) Trust funds Indian tribes.
- (68) Ships stores profits, Navy.
- (69) Completing Surveys within Railroad land grants.
- (70) Memorial to Women of World War, contributions.
- (71) Memorial to John Ericsson.
- (72) Red Cross Building, contributions.

- (73) Estate of decedents, Dept. of State Trust Fund.
 - (74) Funds due Incompetent Beneficiaries, Dept of V. A.
 - (75) Promote Education of Blind.
 - (76) Fort Sill road paving.
 - (77) Bequest, museum and library - Army Surgeon General.
 - (78) Contributed, flood control (river, harbor or project).
 - (79) Matured obligations, District of Columbia.
 - (80) Promote Education of Blind, interest.
 - (81) Repealed.
 - (82) Post-Vietnam era Veterans Education Acct., Dept of V. A.
 - (83) U. S. Government Life Insurance Fund, Dept of V. A.
 - (84) Estates of deceased soldiers, U.S. Army.
 - (85-86) District of Columbia funds.
 - (87) Expenses Smithsonian Trust.
 - (88) Civil Service Retirement and Disability Fund.
 - (89) Canal Zone Retirement and Disability Fund.
 - (90) Foreign Service Retirement and Disability Fund.
- (b) Amounts (except amounts received by the Comptroller of the Currency and the Federal Deposit Insurance Corporation) that are analogous to the funds named in subsection (a) of this section and are received by the United States Government as trustee shall be deposited in an appropriate trust fund account in the Treasury. Amounts accruing to these funds (except to the trust fund "Soldiers' Home, Permanent Fund") are appropriated to be disbursed in compliance with the terms of the trust. Expenditures from the trust fund "Soldiers' Home, Permanent Fund" shall be made only under annual appropriations. Those appropriations are authorized to be made."

SUBCHAPTER III - LIMITATIONS, EXCEPTIONS, AND PENALTIES

31 UNITED STATES CODE 1341 LIMITATIONS ON EXPENDING AND OBLIGATING AMOUNTS

§ 1341. Limitations on expending and obligating amounts

“(a)(1)An officer or employee of the United States Government or of the District of Columbia government may not--

(A) make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation;

(B) involve either government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law;

(C) make or authorize an expenditure or obligation of funds required to be sequestered under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985; or

(D) involve either government in a contract or obligation for the payment of money required to be sequestered under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(2) This subsection does not apply to a corporation getting amounts to make loans (except paid in capital amounts) without legal liability of the United States Government.

(b) An article to be used by an executive department in the District of Columbia that could be bought out of an appropriation made to a regular contingent fund of the department may not be bought out of another amount available for obligation.”

31 UNITED STATES CODE 1342 LIMITATION ON VOLUNTARY SERVICES

§ 1342. Limitation on voluntary services

“An officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services for either government or employ personal services exceeding that authorized by law except for emergencies involving the safety of human life or the protection of property. This section does not apply to a corporation getting amounts to make loans (except paid in capital amounts) without legal liability of the United States Government. As used in this section, the term "emergencies involving the safety of human life or the protection of property" does not include ongoing, regular functions of government the suspension of which would not imminently threaten the safety of human life or the protection of property.”

31 UNITED STATES CODE 1349 ADVERSE PERSONNEL ACTIONS

§ 1349. Adverse personnel actions

“(a) An officer or employee of the United States Government or of the District of Columbia government violating section 1341(a) or 1342 of this title shall be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office.”

b) An officer or employee who willfully uses or authorizes the use of a passenger motor vehicle or aircraft owned or leased by the United States Government (except for an official purpose authorized by section 1344 of this title) or otherwise violates section 1344 shall be suspended without pay by the head of the agency. The officer or employee shall be suspended for at least one month, and when circumstances warrant, for a longer period or summarily removed from office.”

31 UNITED STATES CODE 1350 CRIMINAL PENALTY

§ 1350 Criminal penalty

“An officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating section 1341(a) or 1342 of this title shall be fined not more than \$5000, imprisoned for not more than 2 years, or both.”

31 UNITED STATES CODE 1351 REPORTS OF VIOLATIONS

§ 1351. Reports on violations

“If an officer or an employee of an executive agency or an officer or employee of the District of Columbia government violates section 1341(a) or 1342 of this title, the head of the agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken.”

EXCERPTS FROM CHAPTER 15, TITLE 31, UNITED STATES CODE

CHAPTER 15 - APPROPRIATION ACCOUNTING

SUBCHAPTER I -- GENERAL

31 UNITED STATES CODE 1501 DOCUMENTARY EVIDENCE REQUIREMENT FOR GOVERNMENT OBLIGATIONS

§ 1501. Documentary evidence requirement for Government obligations

“(a) An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of--

(1) a binding agreement between an agency and another person (including an agency) that is--

(A) in writing, in a way and form, and for a purpose authorized by law; and

(B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided;

(2) a loan agreement showing the amount and terms of repayment;

(3) an order required by law to be placed with an agency;

(4) an order issued under a law authorizing purchases without advertising--

(A) when necessary because of a public exigency;

(B) for perishable subsistence supplies; or

(C) within specific monetary limits;

(5) a grant or subsidy payable--

(A) from appropriations made for payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or under formulas prescribed by law;

(B) under an agreement authorized by law; or

(C) under plans approved consistent with and authorized by law;

(6) a liability that may result from pending litigation;

(7) employment or services of persons or expenses of travel under law;

(8) services provided by public utilities; or

(9) other legal liability of the Government against an available appropriation or fund.

(b) A statement of obligations provided to Congress or a committee of Congress by an agency shall include only those amounts that are obligations consistent with subsection (a) of this section.”

31 UNITED STATES CODE 1502 BALANCES AVAILABLE

§ 1502. Balances available

“(a) The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.”

(b) A provision of law requiring that the balance of an appropriation or fund to be returned to the general fund of the Treasury at the end of a definite period does not affect the status of lawsuits or rights of action involving the right to an amount payable from the balance.

SUBCHAPTER II - APPORTIONMENT

31 UNITED STATES CODE 1511 DEFINITION AND APPLICATION

§ 1511. Definition and application

“(a) In this subchapter, “appropriations” means--

- (1) appropriated amounts;
- (2) funds; and
- (3) authority to make obligations by contract before appropriations.

(b) This subchapter does not apply to--

- (1) amounts (except amounts for administrative expenses) available--
 - (A) for price support and surplus removal of agricultural commodities; and
 - (B) under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c);
- (2) a corporation getting amounts to make loans (except paid in capital amounts) without legal liability on the part of the United States Government; and

(3) the Senate, the House of Representatives, a committee of Congress, a member, officer, employee, or office of either House of Congress, or the Office of the Architect of the Capitol or an officer or employee of that Office.”

31 UNITED STATES CODE 1512 APPORTIONMENT AND RESERVES

§ 1512. Apportionment and reserves

“(a) Except as provided in this subchapter, an appropriation available for obligation for a definite period shall be apportioned to prevent obligation or expenditure at a rate that would indicate a necessity for a deficiency or supplemental appropriation for the period. An appropriation for an indefinite period and authority to make obligations by contract before appropriations shall be apportioned to achieve the most effective and economical use. An apportionment may be reapportioned under this section.

(b)(1) An appropriation subject to apportionment is apportioned by--

- (A) months, calendar quarters, operating seasons or other time periods;
- (B) activities, functions, projects, or objects; or
- (C) a combination of the ways referred to in clauses (A) and (B) of this paragraph.

(2) The official designated in section 1513 of this title to make apportionments shall apportion an appropriation under paragraph (1) of this subsection as the official considers appropriate. Except as specified by the official, an amount apportioned is available for obligation under the terms of the appropriation on a cumulative basis unless reapportioned.

(c)(1) In apportioning or reapportioning an appropriation, a reserve may be established only--

- (A) to provide for contingencies;
- (B) to achieve savings made possible by or through changes in requirements or greater efficiency of operations; or
- (C) as specifically provided by law.

(2) A reserve established under this subsection may be changed as necessary to carry out the scope and objectives of the appropriation concerned. When an official designated in section 1513 of this title to make apportionments decides that an amount reserved will not be required to carry out the objectives and scope of the appropriation concerned, the official shall recommend the rescission of the amount in the way provided in Chapter 11 of this title for appropriation requests. Reserves established under this section shall be reported to Congress as provided in the Impoundment Control Act of 1974 (2 U.S.C. 681 et seq.).

(d) An apportionment or reapportionment shall be reviewed at least 4 times a year by the official designated in section 1513 of this title to make apportionments.”

31 UNITED STATES CODE 1513 OFFICIALS CONTROLLING APPORTIONMENTS

§ 1513. Officials controlling apportionments

“(a) The official having administrative control of an appropriation available to the legislative branch, the judicial branch, the United States International Trade Commission, or the District of Columbia government that is required to be apportioned under section 1512 of this title shall apportion the appropriation in writing. An appropriation shall be apportioned not later than the later of the following:

(1) 30 days before the beginning of the fiscal year for which the appropriation is available;
or

(2) 30 days after the date of enactment of the law by which the appropriation is made available.

(b)(1) The President shall apportion in writing an appropriation available to an executive agency (except the Commission) that is required to be apportioned under section 1512 of this title. The head of each executive agency to which the appropriation is available shall submit to the President information required for the apportionment in the form and the way and at the time specified by the President. The information shall be submitted not later than the following:

(A) 40 days before the beginning of the fiscal year for which the appropriation is available; or

(B) 15 days after the date of enactment of the law by which the appropriation is made available.

(2) The President shall notify the head of the executive agency of the action taken in apportioning the appropriation under paragraph (1) of this subsection not later than the later of the following:

(A) 20 days before the beginning of the fiscal year for which the appropriation is available; or

(B) 30 days after the date of enactment of the law by which the appropriation is made available.

(c) By the first day of each fiscal year, the head of each executive department of the United States Government shall apportion among the major organizational units of the department the

maximum amount to be expended by each unit during the fiscal year out of each contingent fund appropriated for the entire year for the department. Each amount may be changed during the fiscal year only by written direction of the head of the department. The direction shall state the reasons for the change.

(d) An appropriation apportioned under this subchapter may be divided and subdivided administratively within the limits of the apportionment.

(e) This section does not affect the initiation and operation of agricultural price support programs.”

31 UNITED STATES CODE 1514 ADMINISTRATIVE DIVISION OF APPORTIONMENTS

§ 1514. Administrative division of apportionments

“(a) The official having administrative control of an appropriation available to the legislative branch, the judicial branch, the United States International Trade Commission, or the District of Columbia government, and, subject to the approval of the President, the head of each executive agency (except the Commission) shall prescribe by regulation a system of administrative control not inconsistent with accounting procedures prescribed under law. The system shall be designed to--

(1) restrict obligations or expenditures from each appropriation to the amount of apportionments or reapportionments of the appropriation; and

(2) enable the official or the head of the executive agency to fix responsibility for an obligation or expenditure exceeding an apportionment or reapportionment.

(b) To have a simplified system for administratively dividing appropriations, the head of each executive agency (except the Commission) shall work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative division for each appropriation affecting the unit.”

31 UNITED STATES CODE 1515 AUTHORIZED APPORTIONMENTS NECESSITATING DEFICIENCY OR SUPPLEMENTAL APPROPRIATIONS

§ 1515. Authorized apportionments necessitating deficiency or supplemental appropriations

“(a) An appropriation required to be apportioned under section 1512 of this title may be apportioned on a basis that indicates the need for a deficiency or supplemental appropriation to the extent necessary to permit payment of such pay increases as may be granted pursuant to law

to civilian officers and employees (including prevailing rate employees whose pay is fixed and adjusted under subchapter IV of Chapter 53 of title 5) and to retired and active military personnel.

(b)(1) Except as provided in subsection (a) of this section, an official may make, and the head of an executive agency may request, an apportionment under section 1512 of this title that would indicate a necessity for a deficiency or supplemental appropriation only when the official or agency head decides that the action is required because of--

(A) a law enacted after submission to Congress of the estimates for an appropriation that requires an expenditure beyond administrative control; or

(B) an emergency involving the safety of human life, the protection of property, or the immediate welfare of individuals when an appropriation that would allow the United States Government to pay, or contribute to, amounts required to be paid to individuals in specific amounts fixed by law or under formulas prescribed by law, is insufficient.

(2) If an official making an apportionment decides that an apportionment would indicate a necessity for a deficiency or supplemental appropriation, the official shall submit immediately a detailed report of the facts to Congress. The report shall be referred to in submitting a proposed deficiency or supplemental appropriation.”

31 UNITED STATES CODE 1516 EXEMPTIONS

§ 1516. Exemptions

“An official designated in section 1513 of this title to make apportionments may exempt from apportionment--

(1) a trust fund or working fund if an expenditure from the fund has no significant effect on the financial operations of the United States Government;

(2) a working capital fund or a revolving fund established for intragovernmental operations;

(3) receipts from industrial and power operations available under law; and

(4) appropriations made specifically for--

(A) interest on, or retirement of, the public debt;

(B) payment of claims, judgments, refunds, and drawbacks;

(C) items the President decides are of a confidential nature;

(D) payment under a law requiring payment of the total amount of the appropriation to a designated payee; and

(E) grants to the States under the Social Security Act (42 U.S.C. 301 et seq.).”

31 UNITED STATES CODE 1517 PROHIBITED OBLIGATIONS AND EXPENDITURES

§ 1517. Prohibited obligations and expenditures

“(a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding--

(1) an apportionment; or

(2) the amount permitted by regulations prescribed under section 1514(a) of this title.

(b) If an officer or employee of an executive agency or of the District of Columbia government violates subsection (a) of this section, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken.

31 UNITED STATES CODE 1518 ADVERSE PERSONNEL ACTIONS

§ 1518. Adverse personnel actions

“An officer or employee of the United States Government or of the District of Columbia government violating section 1517(a) of this title shall be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office.”

31 UNITED STATES CODE 1519 CRIMINAL PENALTY

§ 1519. Criminal penalty

“An officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating section 1517(a) of this title shall be fined not more than \$5,000, imprisoned for not more than 2 years, or both.”

SUBCHAPTER III - TRANSFERS AND REIMBURSEMENTS

31 UNITED STATES CODE 1531 TRANSFERS OF FUNCTIONS AND ACTIVITIES

§ 1531. Transfers of functions and activities

“(a) The balance of an appropriation available and necessary to finance or discharge a function or activity transferred or assigned under law within an executive agency or from one executive agency to another may be transferred to and used--

(1) by the organizational unit or agency to which the function or activity was transferred or assigned; and

(2) for the purpose for which the appropriation was originally available.

(b) The head of the executive agency determines the amount that, with the approval of the President, is necessary to be transferred when the transfer or assignment of the function or activity is within the agency. The President determines the amount necessary to be transferred when the transfer or assignment of the function or activity is from one executive agency to another.

(c) A balance transferred under this section is--

(1) credited to an applicable existing or new appropriation account;

(2) merged with the amount in an account to which the balance is credited; and

(3) with the amount with which the balance is merged, accounted for as one amount.

(d) New appropriation accounts may be established to carry out subsection (c)(1) of this section.”

SUBCHAPTER IV - CLOSING ACCOUNTS

31 UNITED STATES CODE 1552 PROCEDURE FOR APPROPRIATION ACCOUNTS
AVAILABLE FOR DEFINITE PERIODS

§ 1552. Procedure for appropriation accounts available for definite periods

“(a) On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose.

(b) Collections authorized or required to be credited to an appropriation account, but not received before closing of the account under subsection (a) or under section 1555 of this title shall be deposited in the Treasury as miscellaneous receipts.”

31 UNITED STATES CODE 1553 AVAILABILITY OF APPROPRIATION ACCOUNTS TO PAY OBLIGATIONS

§ 1553. Availability of appropriation accounts to pay obligations

“(a) After the end of the period of availability for obligation of a fixed appropriation account and before the closing of that account under section 1552(a) of this title, the account shall retain its fiscal-year identity and remain available for recording, adjusting, and liquidating obligations properly chargeable to that account.

(b)(1) Subject to the provisions of paragraph (2), after the closing of an account under section 1552(a) or 1555 of this title, obligations and adjustments to obligations that would have been properly chargeable to that account, both as to purpose and in amount, before closing and that are not otherwise chargeable to any current appropriation account of the agency may be charged to any current appropriation account of the agency available for the same purpose.

(2) The total amount of charges to an account under paragraph (1) may not exceed an amount equal to 1 percent of the total appropriations for that account.

(c)(1) In the case of a fixed appropriation account with respect to which the period of availability for obligation has ended, if an obligation of funds from that account to provide funds for a program, project, or activity to cover amounts required for contract changes would cause the total amount of obligations from that from that appropriation during a fiscal year for contract changes for that program, project, or activity to exceed \$4,000,000, the obligation may only be made if the obligation is approved by the head of the agency (or an officer of the agency within the Office of the head of the agency to whom the head of the agency has delegated the authority to approve such an obligation).

(2) In the case of a fixed appropriation account with respect to which the period of availability for obligation has ended, if an obligation of funds from that account to provide funds for a program, project, or activity to cover amounts required for contract changes would cause the total amount obligated from that appropriation during a fiscal year for that program, project, or activity to exceed \$25,000,000, the obligation may not be made until--

(A) the head of the agency submits to the appropriate authorizing committees of Congress and the Committees on Appropriations of the Senate and the House of Representatives a notice in writing of the intent to obligate such funds, together with a description of the legal basis for the proposed obligation and the policy reasons for the proposed obligation; and

(B) a period of 30 days has elapsed after the notice is submitted.

(3) In this subsection, the term "contract change" means a change to a contract under which the contractor is required to perform additional work. Such term does not include adjustments to pay claims or increases under an escalation clause.

(d)(1) Obligations under this section may be paid without prior action of the Comptroller General.

(2) This subchapter does not--

(A) relieve the Comptroller General of the duty to make decisions requested under law; or

(B) affect the authority of the Comptroller General to settle claims and accounts.

31 UNITED STATES CODE 1555 CLOSING OF APPROPRIATION ACCOUNTS AVAILABLE FOR INDEFINITE PERIODS

§ 1555. Closing of appropriation accounts available for indefinite periods

An appropriation account available for obligation for an indefinite period shall be closed, and any remaining balance (whether obligated or unobligated) in that account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose, if--

(1) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out; and

(2) no disbursement has been made against the appropriation for two consecutive fiscal years.”

31 UNITED STATES CODE 1557 AUTHORITY FOR EXEMPTIONS IN APPROPRIATION LAWS

§ 1557. Authority for exemptions in appropriation laws

A provision of an appropriation law may exempt an appropriation from the provisions of this subchapter and fix the period for which the appropriation remains available for expenditure.

EXCERPTS FROM CHAPTER 33, TITLE 31, UNITED STATES CODE

CHAPTER 33 - DEPOSITING, KEEPING, AND PAYING MONEY

31 UNITED STATES CODE 3324 ADVANCES

§ 3324. Advances

“(a) Except as provided in this section, a payment under a contract to provide a service or deliver an article for the United States Government may not be more than the value of the service already provided or the article already delivered.

(b) An advance of public money may be made only if it is authorized by--

(1) a specific appropriation or other law; or

(2) the President to be made to -

(A) a disbursing official if the President decides the advance is necessary to carry out -

(i) the duties of the official promptly and faithfully; and

(ii) an obligation of the Government; or

(B) an individual serving in the armed forces at a distant station if the President decides the advance is necessary to disburse regularly pay and allowances.

(c) Before the Secretary of the Treasury acts on a requisition for an advance, the Comptroller General shall act on the requisition under section 3522 of this title. The Comptroller General does not countersign a requisition for an advance.

(d) The head of an agency may pay in advance from appropriations available for the purpose--

(1) to the Secretary of the Army, charges for messages sent by the Secretary of the Army for the head of the agency, including charges for--

(A) payment of tolls of commercial carriers;

(B) leasing facilities for sending messages; and

(C) installing and maintaining facilities for sending messages; and

(2) charges for a publication printed or recorded in any way for auditory or visual use of the agency.

CHAPTER 35 -- ACCOUNTING AND COLLECTION

SUBCHAPTER II -- ACCOUNTING REQUIREMENTS, SYSTEMS, AND INFORMATION

31 UNITED STATES CODE 3511 PRESCRIBING ACCOUNTING REQUIREMENTS AND DEVELOPING ACCOUNTING SYSTEMS

§ 3511. Prescribing accounting requirements and developing accounting systems

“(a) The Comptroller General shall prescribe the accounting principles, standards, and requirements that the head of each executive agency shall observe. Before prescribing the principles, standards, and requirements, the Comptroller General shall consult with the Secretary of the Treasury and the President on their accounting, financial reporting, and budgetary needs, and shall consider the needs of the heads of the other executive agencies.

(b) Requirements prescribed under subsection (a) of this section shall--

(1) provide for suitable integration between the accounting process of each executive agency and the accounting of the Department of the Treasury:

(2) allow the head of each agency to carry out section 3512 of this title; and

(3) provide a method of--

(A) integrated accounting for the United States Government;

(B) complete disclosure of the results of the financial operations of each agency and the Government; and

(C) financial information and control the President and Congress require to carry out their responsibilities.

(c) Consistent with subsections (a) and (b) of this section--

(1) the authority of the Comptroller General continues under section 205(b) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 486(b)); and

(2) the Comptroller General may prescribe the forms, systems, and procedures that the judicial branch of the Government (except the Supreme Court) shall observe.

(d) The Comptroller General, the Secretary, and the President shall conduct a continuous program for improving accounting and financial reporting in the Government.

31 UNITED STATES CODE 3512 EXECUTIVE AGENCY ACCOUNTING AND OTHER FINANCIAL MANAGEMENT REPORTS AND PLANS

§ 3512. Executive agency accounting and other financial management reports and plans

“(a)(1) the Director of OMB shall prepare and submit to the appropriate committees of the Congress a financial management status report and a government-wide 5-year financial management plan.

- (2) A financial management status report under this subsection shall include--
- (A) a description and analysis of the status of financial management in the executive branch;
 - (B) a summary of the most recently completed financial statements--
 - (i) of Federal agencies under section 3515 of this title; and
 - (ii) of Government Corporations;
 - (C) a summary of the most recently completed financial statement audits and reports--
 - (i) of Federal agencies under section 3521(e) and (f) of this title; and
 - (ii) of Government corporations;
 - (D) a summary of reports on internal accounting and administrative control systems submitted to the President and Congress under the amendments made by the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255); and
 - (E) any other information the Director considers appropriate to fully inform the Congress regarding the financial management of the Federal Government.
- (3)(A) A government-wide 5-year financial management plan under this subsection shall describe the activities the Director, the Deputy Director for Management, the Controller of the Office of Federal Financial Management, and agency Chief Financial Officers shall conduct over the next 5 fiscal years to improve the financial management of the Federal Government.
- (B) Each government-wide 5-year financial management plan prepared under this subsection shall--
- (i) describe the existing financial management structure and any changes needed to establish an integrated financial management system;
 - (ii) be consistent with applicable accounting principles, standards, and requirements;
 - (iii) provide a strategy for developing and integrating individual agency accounting, financial information, and other financial management systems to ensure adequacy, consistency, and timeliness of financial information;

(iv) identify and make proposals to eliminate duplicative and unnecessary systems, including encouraging agencies to share systems which have sufficient capacity to perform the function needed;

(v) identify projects to bring existing systems into compliance with the applicable standards and requirements;

(vi) contain milestones for equipment acquisitions and other actions necessary to implement the 5-year plan consistent with the requirements of this section;

(vii) identify financial management personnel needs and actions to ensure those needs are met;

(viii) include a plan for ensuring the annual audit of financial statements of executive agencies pursuant to section 3521(h) of this title; and

(ix) estimate the costs of implementing the government-wide 5-year plan.

(4)(A) Not later than 15 months after the date of the enactment of this subsection, the Director of OMB shall submit the first financial management status report and government-wide 5-year financial management plan under this subsection, to the appropriate committees of Congress.

(B)(i) Not later than January 31 of each year thereafter, the Director of OMB shall submit to the appropriate committees of Congress, a financial management status report and a revised government-wide 5-year financial management plan to cover the succeeding 5 fiscal years, including a report on the accomplishments of the executive branch in implementing the plan during the preceding fiscal year.

(ii) The Director shall include with each revised government-wide 5-year financial management plan a description of any substantive changes in the financial statement audit plan required by paragraph (3)(B)(viii), progress made by executive agencies in implementing the audit plan, and any improvements in Federal Government financial management related to preparation and audit of financial statements of executive agencies.

(5) Not later than 30 days after receiving each annual report under section 902(a)(6) of this title, the Director shall transmit to the Chairman of the Committee on Governmental Operations of the House of Representatives and the Chairman of the Committee on Governmental Affairs of the Senate a final copy of that report and any comments on the report by the Director.

(b) The head of each executive agency shall establish and maintain systems of accounting and internal controls that provide--

(1) complete disclosure of the financial results of the activities of the agency,

- (2) adequate financial information the agency needs for management purposes;
 - (3) effective control over, and accountability for, assets for which the agency is responsible, including internal audit;
 - (4) reliable accounting results that will be the basis for--
 - (A) preparing and supporting the budget requests of the agency;
 - (B) controlling the carrying out of the agency budget; and
 - (C) providing financial information the President requires under section 1104(e) of this title; and
 - (5) suitable integration of the accounting of the agency with the central accounting and reporting responsibilities of the Secretary of the Treasury under section 3513 of this title.
- (c)(1) To ensure compliance with subsection (a)(3) of this section and consistent with standards the Comptroller General prescribes, the head of each executive agency shall establish internal accounting and administrative controls that reasonably ensure that--
- (A) obligations and costs comply with applicable law;
 - (B) all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and
 - (C) revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.
- (2) Standards the Controller General prescribes under this subsection shall include standards to ensure the prompt resolution of all audit findings.
- (d)(1) In consultation with the Comptroller General, the Director of OMB--
- (A) shall establish by December 31, 1982, guidelines that the head of each executive agency shall follow in evaluating the internal accounting and administrative control systems of the agency to decide whether the systems comply with subsection (b) of this section; and
 - (B) may change a guideline when considered necessary.
- (2) By December 31 of each year (beginning in 1983), the head of each executive agency, based on an evaluation conducted according to the guidelines prescribed under paragraph (1) of this subsection, shall prepare a statement on whether the systems of the agency comply with subsection (b) of this section, including--

(A) if the head of an executive agency decides the systems do not comply with subsection (b) of this section, a report identifying any material weakness in the systems and describing the plans and schedule for correcting the weakness; and

(B) a separate report on whether the accounting system of the agency conforms to the principles, standards, and requirements the Comptroller General prescribes under section 3511(a) of this title.

(3) The head of each executive agency shall sign the statement and reports required by this subsection and submit them to the President and Congress. The statement and reports are available to the public, except that information shall be deleted from a statement or report before it is made available if the information specifically is--

(A) prohibited from disclosure by law; or

(B) required by Executive order to be kept secret in the interest of national defense or the conduct of foreign affairs.

(e) To assist in preparing a cost-based budget under section 1108(b) of this title and consistent with principles and standards the Comptroller General prescribes, the head of each executive agency shall maintain the accounts of the agency on an accrual basis to show the resources, liabilities, and costs of operations of the agency. An accounting system under this subsection shall include monetary property accounting records.

(f) The Comptroller General shall--

(1) cooperate with the head of each executive agency in developing an accounting system for the agency; and

(2) approve the system when the Comptroller General considers it to be adequate and in conformity with the principles, standards, and requirements prescribed under section 3511 of this title.

(g) The Comptroller General shall review the accounting systems of each executive agency. The results of a review shall be available to the head of the executive agency, the Secretary, and the President. The Comptroller General shall report to Congress on a review when the Comptroller General considers it proper.”

31 UNITED STATES CODE 3524 AUDITING EXPENDITURES APPROVED WITHOUT VOUCHERS

§ 3524. Auditing expenditures approved without vouchers

“(a)(1) The Comptroller General may audit expenditures, accounted for only on the approval, authorization, or certificate of the President or an official of an executive agency, to decide if the expenditure was authorized by law and made. Records and related information shall be made available to the Comptroller General in conducting the audit.

(2) The Comptroller General may release the results of the audit or disclose related information only to the President or head of the agency, or, if there is an unresolved discrepancy, to the Committee on Governmental Affairs of the Senate, the Committee on Government Operations of the House of Representatives, and the committees of Congress having legislative or appropriation oversight of the expenditure.

(b) Before December 1 of each year, the Director of OMB shall submit a report listing each account that may be subject to this section to the committees on the Budget and Appropriations of both Houses of Congress, the Committee on Governmental Affairs, and to the Committee on Government Operations, and to the Comptroller General.

(c) The President may exempt from this section a financial transaction about sensitive foreign intelligence or foreign counter-intelligence activities or sensitive law enforcement investigations if an audit would expose the identifying details of an active investigation or endanger investigative or domestic intelligence sources involved in the investigation. The exemption may apply to a class or category of financial transactions.

(d) This section does not--

(1) apply to expenditures under section 102, 103, 105(d)(1),(3), or (5), or 106(b)(2) or (3) of title 3; or

(2) affect authority under section 8(b) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403j(b)).

(e) Information about a financial transaction exempt under subsection (c) of this section or a financial transaction under section 8(b) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403j(b)) may be reviewed by the Permanent Select Committee on Intelligence of the House and the Select Committee on Intelligence of the Senate.

(f) Subsections (a)(1) and (d)(1) of this section may be superseded only by a law enacted after April 3, 1980, specifically repealing or amending this section.”

APPENDIX C--EXCERPTS FROM TITLE 10, UNITED STATES CODE

10 UNITED STATES CODE 2201 APPORTIONMENT OF FUNDS; AUTHORITY FOR EXEMPTION; EXCEPTED EXPENSES

§ 2201. Apportionment of funds; authority for exemption; excepted expenses

“(a) Exemption from apportionment requirement. If the President determines such action to be necessary in the interest of national defense, the President may exempt from the provisions of section 1512 of title 31 appropriations, funds, and contract authorizations available for military functions of the Department of Defense.

(b) Airborne alerts. Upon a determination by the President that such action is necessary, the Secretary of Defense may provide for the cost of an airborne alert as an excepted expense under section 3732(a) of the Revised Statutes (41 U.S.C. 11(a)).

(c) Members on Active Duty. Upon a determination by the President that it is necessary to increase (subject to limits imposed by law) the number of members of the armed forces on active duty beyond the number for which funds are provided in appropriation Acts for the Department of Defense, the Secretary of Defense may provide for the cost of such additional members as an excepted expense under section 3732(a) of the Revised Statutes (41 U.S.C. 11(a)).

(d) Notification to Congress. The Secretary of Defense--

(1) shall immediately notify Congress of the use of any authority under this section; and

(2) shall submit monthly reports to Congress on the estimated obligations incurred pursuant to subsection (b) and (c).”

10 UNITED STATES CODE 2204 OBLIGATION OF APPROPRIATIONS

§ 2204. Obligation of appropriations

“To prevent overdrafts and deficiencies in the fiscal year for which appropriations are made, appropriations made to the Department of Defense or to a military department, and reimbursements thereto, are available for obligation and expenditure only under scheduled rates of obligation, or changes thereto, that have been approved by the Secretary of Defense. This section does not prohibit the Department of Defense from incurring a deficiency that it has been authorized by law to incur.”

10 UNITED STATES CODE 2208 WORKING-CAPITAL FUNDS

§ 2208. Working-capital funds

“(a) To control and account more effectively for the cost of programs and work performed in the Department of Defense, the Secretary of Defense may require the establishment of working capital funds in the Department of Defense to--

(1) finance inventories of such supplies as he may designate; and

(2) provide working capital for such industrial-type activities, and such commercial-type activities that provide common services within or among departments and agencies of the Department of Defense, as he may designate.

(b) Upon the request of the Secretary of Defense, the Secretary of the Treasury shall establish working-capital funds established under this section on the books of the Department of the Treasury.

(c) Working-capital funds shall be charged, when appropriate, with the cost of--

(1) supplies that are procured or otherwise acquired, manufactured, repaired, issued, or used; and

(2) services or work performed; including applicable administrative expenses, and be reimbursed from available appropriations or otherwise credited for those costs, including applicable administrative expenses and costs of using equipment.

(d) The Secretary of Defense may provide capital for working-capital funds by capitalizing inventories. In addition, such amounts may be appropriated for the purpose of providing capital for working-capital funds as have been specifically authorized by law.

(e) Subject to the authority and direction of the Secretary of Defense, the Secretary of each military department shall allocate responsibility for its functions, powers, and duties to accomplish the most economical and efficient organization and operation of the activities, and the most economical and efficient use of the inventories, for which working-capital funds are authorized by this section.

(f) The requisitioning agency may not incur a cost for supplies drawn from inventories, or services or work performed by industrial-type or commercial-type activities for which working-capital funds may be established under this section, that is more than the amount of appropriations or other funds available for those purposes.

(g) The appraised value of supplies returned to working-capital funds by a department, activity, or agency may be charged to that fund. The proceeds thereof shall be credited to current applicable appropriations and are available for expenditure for the same purposes that those appropriations are so available. Credits may not be made to appropriations under this subsection as the result of capitalization of inventories under subsection (d).

(h) The Secretary of Defense shall prescribe regulations governing the operation of activities and use of inventories authorized by this section. The regulations may, if the needs of the Department of Defense require it and it is otherwise authorized by law, authorize supplies to be sold to, or services to be rendered or work performed for, persons outside the Department of Defense. However, supplies available in inventories financed by working-capital funds established under this section may be sold to contractors for use in performing contracts with the Department of Defense. Working-capital funds shall be reimbursed for supplies so sold, services so rendered, or work so performed by charges to applicable appropriations or payments received in cash.

(i) Reports annually shall be made to the President and to Congress on the condition and operation of working-capital funds established under this section.

(1) Regulations under subsection (h) shall authorize a working-capital funded Army industrial facility (including a Department of the Army Arsenal) that manufactures large caliber cannons, gun mounts, recoil mechanisms, ammunition, munitions, or components thereof to sell manufactured articles or services to a person outside the Department of Defense if--

(A) in the case of an article, the article is sold to a United States manufacturer, assembler, developer, or other concern--

(i) for use in developing new products;

(ii) for incorporation into items to be sold to, or to be used in a contract with, an agency of the United States;

(iii) for incorporation into items to be sold to, or to be used in a contract with, or to be used for purposes of soliciting a contract with a friendly foreign government; or

(iv) for use in commercial products;

(B) in the case of an article, the purchaser is determined by the Department of Defense to be qualified to carry out the proposed work involving the article to be purchased;

(C) the article or service is not readily available to the purchaser from a commercial source in the United States in a timely manner that meets the requirements of the purchaser;

(D) the sale is to be made on a basis that does not interfere with performance of work by the facility for the Department of Defense or for a contractor of the Department of Defense; and

(E) in the case of services, the services are related to an article authorized to be sold under this subsection and are to be performed in the United States for the purchaser.

(2) Nothing in this subsection shall be construed to affect the application of the export controls provided for in section 38 of the Arms Export Control Act (22 U.S.C. 2778) to items which incorporate or are produced through the use of an article sold under this subsection.

(j) The Secretary of the Army may authorize a working-capital funded Army industrial facility to manufacture or remanufacture articles and sell these articles, as well as manufacturing or remanufacturing services provided by such facilities, to persons outside the Department of Defense if--

(1) the person purchasing the article or service is fulfilling a Department of Defense contract; and

(2) the Department of Defense solicitation for such contract is open to competition between Department of Defense activities and private firms.

(k) the Secretary of Defense shall provide that of the total amount of payments received in a fiscal year by funds established under this section for industrial-type activities, not less than 3 percent during fiscal year 1985, not less than 4 percent during fiscal year 1986, and not less than 5 percent during fiscal year 1987 shall be used for the acquisition of capital equipment for such activities.”

10 UNITED STATES CODE 2410(a) APPROPRIATED FUNDS; AVAILABILITY FOR CERTAIN CONTRACTS FOR 12 MONTHS

§ 2410(a). Appropriated funds; availability for certain contracts for 12 months

Funds appropriated to the Department of Defense for a fiscal year shall be available for payments under contracts for any of the following purposes for 12 months beginning at any time during the fiscal year:

(1) The maintenance of tools, equipment, and facilities.

(2) The lease of real or personal property, including the maintenance of such property when contracted for as part of a lease agreement.

(3) Depot maintenance.

(4) The operation of equipment.

10 UNITED STATES CODE 2805 UNSPECIFIED MINOR CONSTRUCTION

§ 2805. Unspecified minor construction

“(a)(1) Except as provided in paragraph (2), within an amount equal to 125 percent of the amount authorized by law for such purpose, the Secretary concerned may carry out minor military construction projects not otherwise authorized by law. A minor military construction project is a military construction project (1) that is for a single undertaking at a military installation, and (2) that has an approved cost equal to or less than \$1,500,000.

(2) A Secretary may not use more than \$5,000,000 for exercise-related unspecified minor military construction projects coordinated or directed by the Joint Chief of Staff outside the United States during any fiscal year.

(b)(1) A minor military construction project costing more than \$500,000 may not be carried out under this section unless approved in advance by the Secretary concerned.

(2) When a decision is made to carry out a minor military construction project to which paragraph (1) is applicable, the Secretary concerned shall notify in writing the appropriate committees in Congress of that decision, of the justification for the project, and of the estimated cost of the project. The project may then be carried out only after the end of the 21-day period beginning on the date the notification is received by the committees.

[(3) Repealed. Pub. L. 101-510, Div. A, Title XIII, § 1301(16), November 5, 1990, 104 Stat. 1668]

(c)(1) Except as provided in paragraph (2), the Secretary concerned may spend from appropriations available for operation and maintenance amounts necessary to carry out an unspecified military construction project costing not more than \$300,000.

(2) The authority provided in paragraph (1) may not be used with respect to any exercise-related unspecified military construction project coordinated or directed by the Joint Chiefs of Staff outside the United States.

(d) Military family housing projects for construction of new housing units may not be carried out under the authority of this section.”

APPENDIX D--EXCERPTS FROM OTHER TITLES; INCLUDING TITLE 2, UNITED STATES CODE

EXCERPTS FROM TITLE 2--THE CONGRESS

CHAPTER 17B--IMPOUNDMENT CONTROL--Sections 681-688

2 UNITED STATES CODE 681 DISCLAIMER

§ 681. Disclaimer

“Nothing contained in this Act, or in any amendments made by this Act, shall be construed as--

(1) asserting or conceding the constitutional powers or limitations of either the Congress or the President;

(2) ratifying or approving any impoundment heretofore or hereafter executed or approved by the President or any other Federal officer or employee, except insofar as pursuant to statutory authorization then in effect;

(3) affecting in any way the claims or defenses of any party to litigation concerning any impoundment; or

(4) superseding any provision of law which requires the obligation of budget authority or the making of outlays thereunder.”

2 UNITED STATES CODE 682 DEFINITIONS

§ 682. Definitions

“For purposes of sections 682 to 688 of this title--

(1) “deferral of budget authority” includes--

(A) withholding or delaying the obligation or expenditure of budget authority (whether by establishing reserves or otherwise) provided for projects or activities; or

(B) any other type of Executive action or inaction which effectively precludes the obligation or expenditure of budget authority, including authority to obligate by contract in advance of appropriations as specifically authorized by law;

(2) “Comptroller General” means the Comptroller General of the United States;

(3) “rescission bill” means a bill or joint resolution which only rescinds, in whole or in part, budget authority proposed to be rescinded in a special message transmitted by the President under section 683 of this title, and upon which the Congress completes action before the end of the first period of 45 calendar days of continuous session of the Congress after the date on which the President's message is received by the Congress;

(4) “impoundment resolution” means a resolution of the House of Representatives or the Senate which only expresses its disapproval of a proposed deferral of budget authority set forth in a special message transmitted by the President under section 684 of this title; and

(5) continuity of a session of Congress shall be considered as broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than 3 days to a day certain shall be excluded in the computation of the 45-day period referred to in paragraph (3) of this section and in section 683 of this title, and the 25-day periods referred to in sections 687 and 688(b)(1) of this title. If a special message is transmitted under section 683 of this title during any Congress and the last session of such Congress adjourns sine die before the expiration of 45 calendar days of continuous session (or a special message is so transmitted after the last session of the Congress adjourns sine die), the message shall be deemed to have been retransmitted on the first day of the succeeding Congress and the 45-day period referred to in paragraph (3) of this section and in section 683 of this title (with respect to such message) shall commence on the day after such first day.”

2 UNITED STATES CODE 683 RESCISSION OF BUDGET AUTHORITY

§ 683. Rescission of budget authority

“(a) Transmittal of special message

Whenever the President determines that all or part of any budget authority will not be required to carry out the full objectives or scope of programs for which it is provided or that such budget authority should be rescinded for fiscal policy or other reasons (including the termination of authorized projects or activities for which budget authority has been provided), or whenever all or part of budget authority provided for only one fiscal year is to be reserved from obligation for such fiscal year, the President shall transmit to both Houses of Congress a special message specifying--

(1) the amount of budget authority which he proposes to be rescinded or which is to be so reserved;

(2) any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific project or governmental functions involved;

(3) the reasons why the budget authority should be rescinded or is to be so reserved;

(4) to the maximum extent practicable, the estimated fiscal, economic, and budgetary effect of the proposed rescission or of the reservation; and

(5) all facts, circumstances, and considerations relating to or bearing upon the proposed rescission or the reservation and the decision to effect the proposed rescission or the reservation, and to the maximum extent practicable, the estimated effect of the proposed rescission or the reservation upon the objects, purposes, and programs for which the budget authority is provided.

(b) Requirement to make available for obligation

Any amount of budget authority proposed to be rescinded or that is to be reserved as set forth in such special message shall be made available for obligation unless, within the prescribed 45-day period, the Congress has completed action on a rescission bill rescinding all or part of the amount proposed to be rescinded or that is to be reserved. Funds made available for obligation under this procedure may not be proposed for rescission again.”

2 UNITED STATES CODE 684 PROPOSED DEFERRALS OF BUDGET AUTHORITY

§ 684. Proposed Deferrals of budget authority

“(a) Transmittal of special message. Whenever the President, the Director of OMB, the head of any department or agency of the United States, or any officer or employee of the United States proposes to defer any budget authority provided for a specific purpose or project, the President shall transmit to the House of Representatives and the Senate a special message specifying--

(1) the amount of the budget authority proposed to be deferred;

(2) any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific projects or governmental functions involved;

(3) the period of time during which the budget authority is proposed to be deferred;

(4) the reasons for the proposed deferral, including any legal authority invoked to justify the proposed deferral;

(5) to the maximum extent practicable, the estimated fiscal, economic, and budgetary effect of the proposed deferral; and

(6) all facts, circumstances, and considerations relating to or bearing upon the proposed deferral and the decision to effect the proposed deferral, including an analysis of such facts, circumstances, and considerations in terms of their application to any legal authority, including specific elements of legal authority, invoked to justify such proposed deferral, and to the

maximum extent practicable, the estimated effect of the proposed deferral upon the objects, purposes, and programs for which the budget authority is provided.

A special message may include one or more proposed deferrals of budget authority. A deferral may not be proposed for any period of time extending beyond the end of the fiscal year in which the special message proposing the deferral is transmitted to the House and the Senate.

- (b) Consistency with legislative policy

Deferrals shall be permissible only--

- (1) to provide for contingencies;
- (2) to achieve savings made possible by or through changes in requirements or greater efficiency of operations; or
- (3) as specifically provided by law.

No officer or employee of the United States may defer any budget authority for any other purpose.

- (c) Exception

The provisions of this section do not apply to any budget authority proposed to be rescinded or that is to be reserved as set forth in a special message required to be transmitted under section 683 of this title.”

2 UNITED STATES CODE 685 TRANSMISSION OF MESSAGES; PUBLICATION

§ 685. Transmission of messages; publication

- “(a) Delivery to House and Senate. (Text omitted here; for detail refer to U.S.C. title 2)
- (b) Delivery to Comptroller General. (Text omitted here, for detail refer to U.S.C. title 2)
- (c) Transmission of supplementary messages. (Text omitted here, for detail refer to U.S.C. title 2)
- (d) Printing in Federal Register. (Text omitted here, for detail refer to U.S.C. title 2)
- (e) Cumulative reports of proposed rescissions, reservations, and deferrals of budget authority. (Text omitted here, for detail refer to U.S.C. title 2).”

2 UNITED STATES CODE 686 REPORTS BY COMPTROLLER GENERAL

§ 686. Reports by Comptroller General

- “(a) Failure to transmit special message. (Text omitted here, for detail refer to U.S.C. title 2)
- (b) Incorrect classification of special message. (Text omitted here, for detail refer to U.S.C. title 2)

2 UNITED STATES CODE 687 SUITS BY COMPTROLLER GENERAL

§ 687. Suits by Comptroller General

“If, under this chapter, budget authority is required to be made available for obligation and such budget authority is not made available for obligation, the Comptroller General is hereby expressly empowered, through attorneys of his own selection, to bring a civil action in the United States District Court for the District of Columbia to require such budget authority to be made available for obligation, and such court is hereby expressly empowered to enter in such civil action, against any department, agency, officer or employee of the United States, any decree, judgment, or order which may be necessary or appropriate to make such budget authority available for obligation. No civil action shall be brought by the Comptroller General under this section until the expiration of 25 calendar days of continuous session of the Congress following the date on which an explanatory statement by the Comptroller General of the circumstances giving rise to the action contemplated has been filed with the Speaker of the House of Representatives and the President of the Senate.”

2 UNITED STATES CODE 688 PROCEDURE IN HOUSE OF REPRESENTATIVES AND SENATE

§ 688. Procedure in House of Representatives and Senate

- “(a) Referral. (Text omitted, for detail refer to United States Code, Title 2.)
- (b) Discharge of committee. (Text omitted, for detail refer to United States Code, Title 2)
- (c) Floor consideration in the House. (Text omitted, for detail refer to United States Code, Title 2)
- (d) Floor consideration in the Senate. (Text omitted, for detail refer to United States Code, Title 2).”

EXCERPTS FROM SELECTED TITLES AND SECTIONS OF UNITED STATES CODE

TITLE 5--GOVERNMENT ORGANIZATION AND EMPLOYEES

5 UNITED STATES CODE 1304 LOYALTY INVESTIGATIONS; REPORTS;
REVOLVING FUND

§ 1304(e). Loyalty investigations; reports; revolving fund

“(1) A revolving fund is available, to the Office (i.e. Office of Personnel Management) without fiscal year limitation, for financing investigations, training, and such other functions as the Office is authorized or required to perform on a reimbursable basis. However, the functions which may be financed in any fiscal year by the fund are restricted to those functions which are covered by the budget estimates submitted to the Congress for that fiscal year. To the maximum extent feasible, each individual activity shall be conducted generally on an actual cost basis over a reasonable period of time.

(2) The capital of the fund consists of the aggregate of--

(A) appropriations made to provide capital for the fund, which appropriations are hereby authorized, and

(B) the sum of the fair and reasonable value of such supplies, equipment, and other assets as the Office from time to time transfers to the fund (including the amount of the unexpended balances of appropriations or funds relating to activities the financing of which is transferred to the fund) less the amount of related liabilities, the amount of unpaid obligations, and the value of accrued annual leave of employees, which are attributable to the activities the financing of which is transferred to the fund.

(3) The fund shall be credited with--

(A) advances and reimbursements from available funds of the Office or other agencies, or from other sources, for those services and supplies provided at rates estimated by the Office as adequate to recover expenses of operation (including provision for accrued annual leave of employees and depreciation of equipment); and

(B) receipts from sales or exchanges of property, and payments for loss of or damage to property, accounted for under the fund.

(4) Any unobligated and unexpended balances in the fund which the Office determines to be in excess of amounts needed for activities financed by the fund shall be deposited in the Treasury of the United States as miscellaneous receipts .

(5) The Office shall prepare a business-type budget providing full disclosure of the results of operations for each of the functions performed by the Office and financed by the fund, and such budget shall be transmitted to the Congress and considered, in the manner prescribed by law for wholly owned Government corporations.

(6) The Comptroller General of the U.S. shall, as a result of his periodic reviews of the activities financed by the fund, report and make such recommendations as he deems appropriate to the committees on Post Office and Civil Service of the Senate and House at least every three years.”

TITLE 18--CRIMES AND CRIMINAL PROCEDURE

18 UNITED STATES CODE 4124 PURCHASE OF PRISON-MADE PRODUCTS BY FEDERAL DEPARTMENTS

§ 4124. Purchase of Prison-made Products by Federal Departments

“(a) The several Federal departments and agencies and all other Government institutions of the United States shall purchase at not to exceed current market prices, such products of the industries authorized by this chapter as meet their requirements and may be available.

(b) Disputes as to the price, quality, character, or suitability of such products shall be arbitrated by a board consisting of the Comptroller General of the United States, the Administrator of General Services, and the President, or their representatives. Their decision shall be final and binding upon all parties.

(c) Each Federal department, agency, and institution subject to the requirements of subsection (a) shall separately report to the General Services Administration all of its acquisitions of products and services from Federal Prison Industries, and that reported information shall be entered in the Federal Procurement Data System referred to in section 6(d)(4) of the Office of Federal Procurement Policy Act. Each report published by the Federal Procurement Data System that contains the information collected by the System shall include a statement to accompany the information reported by the department, agency, or institution under the preceding sentence as follows: "Under current law, sales by Federal Prison Industries are considered intragovernmental transfers. The purpose of reporting sales by Federal Prison Industries is to provide a complete overview of acquisitions by the Federal Government during the reporting period."

(d) Within 90 days after the date of enactment of this subsection, Federal Prison Industries shall publish a catalog of all products and services which it offers for sale. This catalog shall be updated periodically to the extent necessary to ensure that the information in the catalog is complete and accurate.”

TITLE 33--NAVIGATION AND NAVIGABLE WATERS

33 UNITED STATES CODE 576 REVOLVING FUND; ESTABLISHMENT;
AVAILABILITY; REIMBURSEMENT; TRANSFER OF FUNDS; LIMITATION

§ 576. Revolving fund; establishment; availability; reimbursement; transfer of funds; limitation

“There is established a revolving fund, to be available without fiscal year limitation, for expenses necessary for the maintenance and operation of the plant and equipment of the Corps of Engineers used in civil works functions, including acquisition of plant and equipment, maintenance, repair, and purchase, operation, and maintenance of not to exceed four aircraft at any one time, temporary financing of services finally chargeable to appropriations for civil works functions, and the furnishing of facilities and services for military functions of the Department of the Army and other Government agencies and private persons, as authorized by law. In addition, the Secretary of the Army is authorized to provide capital for the fund by capitalizing the present inventories, plant and equipment of the civil works functions of the Corps of Engineers. The fund shall be credited with reimbursements or advances for the cost of equipment, facilities, and services furnished, at rates which shall include charges for overhead and related expenses, depreciation of plant and equipment, and accrued leave: Provided, that on July 1, 1953, (1) the fund shall assume the assets, liabilities, and obligations of the Plant accounts, as carried on the records of the Corps of Engineers as of June 30, 1953, under the appropriations for “Maintenance and improvement of existing river and harbor works,” “Flood control, general,” and “Flood control, Mississippi River and tributaries,” and (2) there shall be transferred from said appropriations to the fund amounts equivalent to the unexpended cash balances of the Plant accounts on June 30, 1953: Provided further, That the total capital of said fund shall not exceed \$140,000,000.”

TITLE 41--PUBLIC CONTRACTS

41 UNITED STATES CODE 11 NO CONTRACTS OR PURCHASES UNLESS
AUTHORIZED OR UNDER ADEQUATE APPROPRIATION; REPORT TO CONGRESS

§ 11. No contracts or purchases unless authorized or under adequate appropriation; report to Congress

“(a) No contract or purchase on behalf of the United States shall be made, unless the same is authorized by law or is under an appropriation adequate to its fulfillment, except in the Department of Defense and in the Department of Transportation with respect to the Coast Guard when it is not operating as a service in the Navy, for clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies, which, however, shall not exceed the necessities of the current year.

(b) The Secretary of Defense and the Secretary of Transportation with respect to the Coast Guard when it is not operating as a service in the Navy shall immediately advise the Congress of the exercise of the authority granted in subsection (a) of this section, and shall report quarterly on

the estimated obligations incurred pursuant to the authority granted in subsection (a) of this section.”

TITLE 44--PUBLIC PRINTING AND DOCUMENTS

44 UNITED STATES CODE 501 GOVERNMENT PRINTING, BINDING, AND BLANK BOOK WORK TO BE DONE AT GOVERNMENT PRINTING OFFICE

§ 501. Government Printing, binding, and blank book-work to be done at Government Printing Office

“All printing, binding, and blank-book work for Congress, the Executive Office, the Judiciary, other than the Supreme Court of the United States, and every executive department, independent office and establishment of the Government, shall be done at the Government Printing Office, except--

(1) classes of work the joint committee on Printing considers to be urgent or necessary to have done elsewhere; and

(2) printing in field printing plants operated by an executive department, independent office or establishment, and the procurement of printing by an executive department, independent office or establishment from allotments for contract field printing, if approved by the Joint Committee on Printing.

“Printing or binding may be done at the Government Printing Office only when authorized by law.”

APPENDIX E--EXCERPTS FROM OMB CIRCULAR A-34

FROM PART III, OMB CIRCULAR A-34

REQUIREMENTS FOR REPORTING ANTIDEFICIENCY ACT VIOLATIONS

32.1 Adverse personnel actions and penalties

“In accordance with sections 1349 and 1518 of Title 31 of the U.S. Code, an officer or employee violating sections 1341(a), 1342, or 1517(a) of Title 31 shall be subject to appropriate administrative discipline, including--when circumstances warrant--a written reprimand, suspension from duty without pay, or removal from office.

“In addition, in accordance with sections 1350 and 1519 of Title 31 of the U.S. Code, an officer or employee convicted of willfully and knowingly violating sections 1341(a), 1342, or 1517(a) of Title 31 shall be fined not more than \$5,000, imprisoned for not more than 2 years, or both.

32.2 Requirements to report Antideficiency Act violations.

“The agency head will furnish to the President, through the Director of OMB, and to the Congress, information on Antideficiency Act violations of the following character:

“(1) Overobligation or overexpenditure of an appropriation or fund. This is any case where an officer or employee of the United States has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund in excess of the amount available in the account. (31 U.S.C. 1341(a)).

“(2) Contract or obligation in advance of an appropriation. This is any case where an officer or employee of the United States has involved the Government in a contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law. (31 U.S.C. 1341(a))

“(3) Obligation and expenditure of funds required to be sequestered. This is any case where an officer or employee of the United States has made or authorized an expenditure or obligation of funds required to be sequestered under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. (31 U.S.C. 1341(a))

“(4) Contract or obligation of funds required to be sequestered. This is any case where an officer or employee has involved the Government in a contract or other obligation for the payment of money required to be sequestered under section 2521 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. (31 U.S.C. 1341(a))

“(5) Acceptance of voluntary service. This is any case where an officer or employee of the United States has accepted voluntary service for the United States or employed personal services in excess of that authorized by law, except in cases of an emergency involving the safety of human life or the protection of property. As used above, the term “emergencies involving the safety of human life or the protection of property” does not include ongoing, regular functions of government, the suspension of which would not imminently threaten the safety of human life or the protection of property. (31 U.S.C. 1342).

“(6) Overobligation or overexpenditure of an apportionment or reapportionment. This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure in excess of an apportionment or reapportionment. This includes adjustments that cause obligations in expired accounts that have not been merged to exceed the apportionment for the year in which such obligations were incurred. (31 U.S.C. 1517(a)).

“(7) Overobligation or overexpenditure of an allotment or suballotment. This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure in excess of the amount permitted by the prescribed and approved agency fund control system. (31 U.S.C. 1517(a)).

“(8) Overobligation or overexpenditure of other administrative subdivisions of funds. Generally the overobligation of other administrative subdivisions of fund, e.g., operating budgets, allowances, financial plans, statutory limitations other than those found in the appropriation act, and other than those defined as a statutory limitation in this Circular, are violations of the Antideficiency Act only when it causes an overobligation or overexpenditure of an allotment, apportionment or appropriation unless the apportionment or agency's fund control regulations specify otherwise. (31 U.S.C. 1517(a)).

“Overobligation or overexpenditure of the following administrative divisions of funds are always violations of the Antideficiency Act: apportionments, allotments, and suballotments. Overobligation or overexpenditure of other administrative divisions of funds are violations of the Act only when so specified in the agency's fund control regulations or when the overobligation results in the overobligation of an apportionment allotment, or suballotment.

“The overobligation of an allocation does not necessarily result in a violation of the Antideficiency Act unless either the allocation is separately apportioned, e.g., as a category B or in an attachment to the SF 132 (unless otherwise specified on the SF 132), or the agency fund control regulations specifies that an overobligation of the allocation automatically results in a violation of the Antideficiency Act.

“Violations involving subapportionments relating to allocation accounts will be reported through OMB to the President by the agency that administers the allocation account through the agency administering the parent account.

32.3 Contents of report to the President.

“The agency report to the President on an Antideficiency Act violation will be in the form of a letter (original and three copies), forwarded through the Director of OMB

“The letter will set forth the following data, in the sequence outlined:

“(1) The title and Treasury symbol (including the fiscal year) of the appropriation or fund account, the amount involved for each violation, and the date on which the violation occurred.

“(2) The name and position of the officer(s) or employee(s) responsible for the violation.

“(3) All facts pertaining to the violation, including the type of violation (e.g., overobligation of an appropriation, overobligation of an apportionment, overobligation of an allotment or suballotment), the primary reason or cause, any statement from the responsible officer(s) or employee(s) with respect to any circumstances believed to be extenuating, and any germane report by the agency's Inspector General and/or the agency's counsel.

“(4) A statement of the administrative discipline imposed and any further action(s) taken with respect to the officer(s) or employee(s) involved in the violation.

“(5) In the case where an office[r] or employee is suspected of willfully and knowingly violating the Antideficiency Act, confirm that all information has been submitted to the Department of Justice for determination of whether further action is needed.

“(6) A statement regarding the adequacy of the system of administrative control prescribed by the head of the agency and approved by OMB, if such approval has been given. If the head of the agency determines a need for changes in the regulations, such proposals will be submitted as provided in section 31.5.

“(7) A statement of any additional action taken by, or at the direction of the head of the agency, including any new safeguards provided to prevent recurrence of the same type of violation.

“(8) If another agency is involved, a statement concerning the steps taken to coordinate the report with the other agency.

32.4 Report to the Congress.

“The report to the Congress will be in the form of identical reports to the Speaker of the House of Representatives and the President of the Senate.”

“If it is identical to the report to the President, a statement to this effect will be included in the report to the President. If it is not identical, one copy of the report to the Congress will be submitted to OMB with the report to the President.

32.5 Report on GAO Findings

“Reports to the President and the Congress should also be made on violations not previously reported by the agency that are included in findings of the General Accounting Office in connection with audits and investigations.

“In these cases, the report to the President will indicate whether the agency agrees that a violation occurred, and if so, it will contain an explanation as to why the violation was not discovered and previously reported by the agency. If the agency does not agree that a violation has occurred, the report to the President and to the Congress will explain the agency's position.

32.6 OMB-requested investigations and audits

“Whenever OMB determines that a violation of the Antideficiency Act may have occurred, OMB may request that an investigation or audit be undertaken or conducted by the agency. In such cases, a report describing the results of the investigation or audit should be submitted to OMB through the head of the agency. If the report indicates that no violation of the Antideficiency Act has occurred, the agency head will so inform OMB and forward to OMB a copy of the report. If the report indicates that a violation of the Antideficiency Act has occurred, the agency head will report to the President and the Congress in accordance with sections 32.3 and 32.4 respectively, as soon as possible. If the agency head does not agree that a violation has occurred, the report to the President and to the Congress will explain the agency's position.

32.7 Timing of Reports by Agency Heads

“The required reports to the President and to the Congress, signed by the head of the agency, will be made immediately after a violation becomes known.

EXCERPTS FROM PART III, OMB CIRCULAR A-34

111.12 Antideficiency Act violations

“Agencies are required to report violations of the Antideficiency Act when the following conditions occur. (Note: See section 32 of this Circular for instructions on reporting Antideficiency Act violations.)

“(a) New obligations and expenditures or adjustments to obligations and expenditures exceed the original appropriations. This is any case where an officer or employee of the United States has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund account in excess of the amount available in the original appropriation or fund account.

“(b) New obligations or any expenditures in canceled accounts. This is any case where an officer or employee of the United States has made or authorized an expenditure from or created or authorized an obligation against an account that was closed pursuant to 31 U.S.C. 1551-1557.

“(c) New obligations and expenditures or adjustments to obligations and expenditures that exceed the amount apportioned or allotted. This is any case where an officer or employee of the United States has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund account in excess of the amount apportioned or allotted to the original appropriation or fund account.”

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DOD 7000.14-R



DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 15

SECURITY ASSISTANCE POLICY AND PROCEDURES

MARCH 1993

(with changes through September 1999)

**UNDER SECRETARY OF DEFENSE
(COMPTROLLER)**



COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

MAR 18 1993

FOREWORD

This Volume of the Department of Defense Financial Management Regulation is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures." It governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the Department of Defense. It directs financial management requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. In addition, it directs statutory and regulatory financial reporting requirements.

This Volume incorporates material previously issued under DoD 7290.3-M, "Foreign Military Sales Finance and Accounting Manual," September 18, 1986, authorized by DoD Instruction 7290.3, "Foreign Military Sales Finance and Accounting," May 8, 1991, which are both hereby canceled. This Volume establishes procedures for security assistance activities involving management, fiscal matters, accounting, pricing, budgeting for reimbursements to DoD appropriation accounts, and revolving funds, auditing, international balance of payments, and matters affecting the DoD budget, consistent with DoD Directive 5132.3, "DoD Policy and Responsibilities Relating to Security Assistance," March 10, 1981.

This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Unified and Specified Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

This Volume of the Regulation is effective immediately and is mandatory for use by all DoD Components. Heads of DoD Components shall ensure that it is adhered to in day-to-day operations and in the design, modification, and maintenance of their Component's financial management and reporting system or systems. The Heads of DoD Components shall not issue supplementary directives/regulations without the prior written approval of the Office of the Comptroller of the Department of Defense.


The reporting requirements contained in this regulation are exempt from licensing in accordance with paragraph E.4.f., of DoD 7750.5-M, "Procedures for Management of Information Requirements."

Verbal inquiries regarding Chapter 7 should be directed to the Director, Accounting Policy, Office of the DoD Comptroller, (703) 697-0585 or DSN 227-0585. Questions regarding all other Chapters may be directed to the Deputy Director for Accounting, Defense Finance and Accounting Service, (703) 607-1339 or DSN 327-1339

Written questions or recommendations for changes to this Volume of the Regulation, as well as requests for deviations from or exceptions to specific standards, along with justification, should be forwarded, through channels, to the address below:

Office of the Comptroller of the Department of Defense
Room 3E822
The Pentagon
Washington, DC 20301-1100

DoD Components will be provided copies of this Volume of the Regulation through normal publication channels. Other Federal Agencies and the public may obtain copies of this Volume from the Defense Institute of Security Assistance Management (DISAM/DRP), Wright-Patterson Air Force Base, Ohio 45433-5000 (DSN 785-2994).


Donald B. Shycoff
Acting Comptroller

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- (a) Public Law 90-629, "The Foreign Military Sales Act of 1968," was amended by Public Law 94-329, "The International Security Assistance and Arms Export Control Act of 1976," and they are commonly referred to as the "Arms Export Control Act (AECA)." Previous legislation included "The Mutual Security Act of 1954," as amended, and "The Foreign Assistance Act (FAA) of 1961," as amended. Both the AECA and the FAA are amended by annual legislation usually entitled, "The International Security and Development Cooperation Act of (year)." Examples include Public Law 97-113 and 99-83. Other related legislation includes laws such as Public Law 100-461, "Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1989," October 1, 1988, 102 Stat 2268
- (b) DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," June 1992
- (c) DoD Instruction 7290.3, "Foreign Military Sales Finance and Accounting," May 8, 1991 (canceled by this issuance)
- (d) DoD 7110.1-M, "Department of Defense Budget Guidance Manual," May 1990, authorized by DoD Instruction 7110.1, DoD Budget Guidance, October 30, 1980
- (e) DoD 5105.38-M, "Security Assistance Management Manual," October 1988, authorized by DoD Directive 5105.38, "Defense Security Assistance Agency (DSAA)," August 10, 1978
- (f) DoD Directive 7200.1, "Administrative Control of Appropriations," May 7, 1984
- (g) Federal Acquisition Regulation (FAR), and Defense FAR Supplement (DFARS), April 1984
- (h) DoD 7750.5-M, "DoD Procedures for Management of Information Requirements," September 30, 1987
- (i) Public Law 90-629, AECA [see reference (a)], as amended, 82 Stat 1323 (22 U.S.C. 2762)
- (j) Public Law 97-255 "Federal Managers' Financial Integrity Act of 1982," September 8, 1982, as amended, 96 Stat 814 [31 U.S.C. 3512(b)]
- (k) DoD Instruction 2140.4, "Collecting and Reporting of Foreign Indebtedness Within the Department of Defense," June 23, 1977 (Note: to be incorporated as Volume 6, Chapter 12 of this Regulation and canceled upon issuance of Volume 6)
- (l) Treasury Fiscal Requirements Manual (Transmittal Letter No. 171), January 27, 1974
- (m) Chapter 104, "Interstate Commerce Act of 1887," February 4, 1887, as amended, 24 Stat 379 (49 U.S.C. 10721, 10761) and "The Elkins Act" (49 U.S.C. 11903)
- (n) Defense Appropriation Acts; For example, "The Department of Defense Appropriation Act of 1983," Section 747; Public Law 96-29, "The DoD 1979 Supplemental Appropriation Authorization Act"; Public Law 96-107, "The FY 1980 DoD Appropriation Authorization Act"; Public Law 96-342, "Department of Defense Appropriations Act, 1981," 94 Stat 1077; and Public Law 101-165, "Department of Defense Appropriations Act, 1990," November 21, 1989, 103 Stat 1152 (22 U.S.C. 2761)
- (o) DoD Directive 4100.37, "Retention and Transfer of Materiel Assets," May 24, 1988
- (p) DoD 4160.21-M, Defense Reutilization and Marketing Manual, March 1990, authorized by DoD Directive 4160.21, DoD Personal Property Utilization and Disposal Program, December 5, 1980
- (q) DoD Instruction 7310.1, "Disposition of Proceeds from DoD Sales of Personal Property," July 10, 1989
- (r) DoD Directive 2140.2, "Recoupment of Non-recurring Costs (NC) on Sales of U.S. Items," January 13, 1993

(s) Public Law 97-177, Prompt Payment Act," May 21, 1982, as amended, 96 Stat 85 (31 U.S.C, 3901-3906)

(t) DoD Directive 2000.8, "Cooperative Logistics Supply Support Arrangements, " February 12, 1981

(u) DoD 7420.13-R, "Stock Fund Operations," June, 1986

(v) DoD 1338.10-M, "Manual for the Department of Defense Food Service Program," November 1978, authorized by DoD Directive 1338.10, "Department of Defense Food Service Program," June 4, 1991

(w) Joint Regulation DLAR 4140.60, AR 12-12, NAVMATINST 4355.72A, AFR 67-7 and MCO 4140.1C, "Processing Discrepancy Reports Against Foreign Military Sales Shipments, June 21, 1984

(x) DoD 4000.25-7-M, "Military Standard Billing System (MILSBILLS)," January 1985, authorized by DoD Directive 4000.25, "Administration of Military Standard Logistics Systems," November 18, 1983

(y) DoD Manual 5100.76, "Physical Security of Sensitive Conventional Arms, Ammunitions, and Explosives," February 1983

(z) DoD Directive 5132.3, "DoD Policy and Responsibilities Relating to Security Assistance," March 10, 1981¹

(aa) GAO Policy and Procedures Manual for Guidance of Federal Agencies Title 2--Accounting, Appendix 11, Internal Control Standards, November 14, 1984¹

(bb) DoD Directive 7045.13, "DoD Credit Management and Debt Collection Program," October 31, 1986¹

NOTE:

¹For information only. Not found in text.

DEFINITIONS

1. **Above-the-line-Cost.** Cost identified as specific FMS line items for articles or services or as part of a specific line on an LOA (see Table 201-1). Applicable costs are added to arrive at the estimated cost shown on the LOA format.

2. **Accrued Expenditures.** The term used for the credits entered into the budgetary accounts to recognize liabilities incurred for (1) services performed by employees, contractors, other Government accounting entities, vendors, carriers, grantees, lessors, etc.; (2) goods and other tangible property received; and (3) items such as annuities or insurance claims for which no current service is required. Accrued expenditures are categorized as either paid or unpaid.

A. **Accrued Expenditure-Paid.** The budgetary account which matches the proprietary account “funds disbursed.” It represents the dollar value of goods and services received for which payment has been made.

B. **Accrued Expenditure-Unpaid.** The budgetary account which matches the proprietary account “accounts payable.” It represents the dollar value of goods and services received for which payment has not been made.

3. **Allotment.** Authority issued to a DoD Component to incur commitments and obligations within a specified amount. In the FMS program there are two types of allotments:

A. **Allotment for Actual Administrative Expenses.** All of the actual cost incurred by DoD Components in administering the FMS program are funded by this allotment. The allotment is issued on a quarterly basis and may not be exceeded.

B. **Allotment for Program Implementation.** An allotment of FMS case contract authority for use on a direct cite basis, citing the allotment holder's accounting station. This type of allotment is made when SAAC determines it does not have the accounting capability to support detailed accounting requirements below the FMS

case level, i.e., commitments, obligations and disbursements resulting from contract award to implement individual FMS case line items. The amount released on each FMS case is a specific limitation and the monthly status-of-allotment report must show the status of each case.

4. **Anticipated Reimbursements.** “Anticipated Reimbursements” refers to the dollar value of reimbursable orders that has been included in the DoD Component's budget. Applicable amounts are not available for obligation until an actual customer order has been received. There are two general type of anticipated FMS reimbursements.

A. **Apportioned Anticipated Reimbursements.** Initial and interim reports of budget execution reflect apportioned anticipated reimbursements but commitments and obligations cannot exceed the value of approved amounts reflected in column 10 of the DD Form 2060. September 30 budget execution reports will reduce the amount of anticipated reimbursement to agree with DD Form 2060 actual orders. In the event the reimbursable program is subject to apportionment action, DD Form 2060 orders received in excess of the apportionment are not available for obligation until the apportionment for reimbursable orders is increased through the Defense budget process.

B. **Automatically Apportioned Anticipated Reimbursements.** When anticipated reimbursements are subject to automatic apportionment, the value of any DD Form 2060 reimbursable order is available for obligation.

5. **Arrearage.** In FMS, a country-level arrearage occurs on a net cash basis wherein total accrued expenditures exceed total available cash resources.

6. **Attrition.** The destruction of a DoD capital asset when a foreign student was in physical control of the asset or was a direct result of negligence, simple or gross.

7. Below-the-line-Costs. Costs identified in the LOA (See Table 201-1) in lines 9 through 12. Applicable costs are added to line 8, net estimated costs, to arrive at line 13, estimated total costs. Normally, SAAC retains the obligational authority necessary to execute these applicable costs.

8. Contract/Budget Authority. Authority provided by law to enter into obligations (in support of FMS cases) without all of the cash necessary to liquidate the obligations. There are two basic types of budget authority resulting from operation of the FMS program:

A. Contract/Budget Authority in DoD Appropriation/Fund Account. In the direct program portion of the budget, this authority results from the appropriation process. For the reimbursable portion of the budget, the authority results from receipt of customer orders. In the case of the FMS program, the customer order (and hence budget authority) results from receipt by the implementing agency of a reimbursable order issued by the Security Assistance Accounting Center (SAAC) for all or a portion of an FMS case.

B. Contract/Budget Authority in the Trust Fund. This authority represents that portion of the FMS case which will be implemented in the current fiscal year. That portion of an FMS case that may not be implemented in the current fiscal year is an uncommitted acceptance. Uncommitted acceptances are not budget authority but are reported in schedules attached to the DD Form 1176, "Report on Budget Execution."

9. Defense Business Operations Fund. A working capital fund.

10. Defense Stock. The term "stock" includes defense articles on hand that are available for prompt delivery. It also includes defense articles (contract) on order that are available for delivery within a reasonable time from the date of order by an eligible foreign government or international organization without increasing outstanding contracts or entering into new contracts. Any orders received from and eligible foreign government or international organization which cannot be filled in this manner fall within the provisions

of Section 22 of the Arms Export Control Act [reference (a)].

11. Dependable Undertaking. A firm commitment made by a foreign government or international organization to pay the full cost of and to assure the U.S. Government against any loss on a contract for new production or the performance of a defense service.

12. Direct Cite. Citation of the Trust Fund, 97-11X8242, as the financing source on documents leaving the DoD system, contracts with commercial firms, General Services Administration, Department of Transportation, etc. The term "direct cite" is not valid if any DoD organization establishes a reimbursable order to a DoD appropriation account, or Defense Business Operations Fund.

13. Distributed Costs. Refers to a cost which has been identified or allocated to an FMS case.

14. Estimated Actual Charges. A systematic and documented estimate of actual cost. The procedure is used in the absence of an established cost accounting system and the procedure is sometimes referred to as a cost finding technique.

15. Expenditure Authority. Authority issued by SAAC to a disbursing activity authorizing the disbursement of an FMS country's funds. See Section 406 for complete details.

16. Full Value for DoD Stocks and Services. A selling price computed in accordance with Chapter 7 of this Volume.

17. Financing Appropriation. The appropriation account originally increased as a result of the performing DoD Component's acceptance of a reimbursable order from the SAAC. This activity is reflected as "FMS reimbursables."

18. FMS Case. A DD Form 1513, "United States Department of Defense Offer and Acceptance," which has been accepted by a foreign country.

19. FMSO. A term which stands for Foreign Military Sales Order and used to describe LOAs which implement Cooperative Logistics Supply Support Arrangements. Two LOAs are written;

a FMSO I and a FMSO II. The FMSO I, Part A, represents the on-hand value of DoD CONUS inventories required to support FMS customer requisitions. The FMSO I, Part B, provides the obligational authority to fund the remaining portion of the order. The FMSO II is the annual consumption case, and all FMSO deliveries are reported against this case.

20. Implementing Agency. The Military Department or Defense Agency assigned responsibility by the Defense Security Assistance Agency to prepare a DD Form 1513 and to implement the case. The implementing agency is responsible for overall management of the actions which will result in delivery of the materials or services set forth in the Letter of Offer and Acceptance (LOA) which was accepted by a foreign country or international organization.

21. Indebtedness. “Indebtedness” refers to financial obligations of FMS customers to make payment(s) to the U.S. Government in accordance with the provisions of the Letters of Offer and Acceptance.

22. Major Defense Equipment (MDE). MDE are those items of significant military equipment, as identified in the International Traffic in Arms Regulation U.S. Munitions List, which have incurred a nonrecurring cost for RDT&E of \$50 million or a total production cost of \$200 million or more.

23. Net Case Value. Total amount of cost reflected above-the-line on the LOA as amended or modified.

24. Nonstandard Article. For FMS purposes, a nonstandard article is one that the DoD does not manage, either because applicable end items have been retired or because they were never purchased for DoD Components.

25. Nonstandard Service. For FMS purposes a nonstandard service is a service that the DoD does not routinely purchase or perform.

26. Obligational Authority. Total authority received through use of the DD Form 2060. Includes column 11 authority to incur commit-

ments and obligations directly against the Trust Fund and column 10 reimbursable orders.

27. Omnibus Billing Statement of Account. A statement of additional charges or credits to cases that have been recategorized from active to inactive status.

28. Reimbursable Order. A DD Form 2060 with a dollar value in column 10. Applicable amounts must be reflected in reimbursement reports as an FMS Trust Fund reimbursable activity.

29. Secondary Appropriation. An appropriation account increased as a result of reimbursable orders from an implementing agency which cite one of the implementing agency’s appropriation accounts. Activity in a secondary appropriation is not categorized as an “FMS reimbursable.”

30. Staging Cost. The cost incurred by the Department of Defense in consolidation of materiel before shipment to an FMS customer. Includes costs incident to storage and control of inventory, consolidation of incoming articles into a single shipment, and a break in CONUS transportation.

31. Trust Fund. The Trust Fund, “Advances, Foreign Military Sales, Executive” (97-11X8242).

32. Uncommitted Acceptance. The portion of the dollar value for FMS which cannot be executed and which has not been released to an implementing agency.

33. Undistributed Cost. A cost or disbursement to a budget authority which has not been allocated to a specific case.

34. Working Capital Fund. The Defense Business Operations Fund.

ABBREVIATIONS AND/OR ACRONYMS

AAO	approved acquisition objective	CNO	Chief of Naval Operations
AC	acquisition cost	CONUS	continental United States
ACC	Air Combat Command	CPC	copy production cost
ACO	administrative contracting officer	CR	credit
ACOCS	Army Customer Order Control System	CSA	Chief of Staff Army
ACRN	accounting classification reference number	DARPA	Defense Advanced Research Projects Agency
Admin	administrative surcharge	DB	debit
ADP	automated data processing	DBOF	Defense Business Operations Fund
ADSN	accounting and disbursing station number	DECA	Defense Commissary Agency
AECA	Arms Export Control Act	DEPSECDEF	Deputy Secretary of Defense
AF	Air Force	DCAA	Defense Contract Audit Agency
AFB	Air Force base	DCS	Defense Courier Service
AFLC	Air Force Logistics Command	DCMC	Defense Contract Management Command
AFMC	Air Force Materiel Command (combines AFSC and AFLC)	DFAS	Defense Finance and Accounting Service
AFSAC	Air Force Security Assistance Center	DIFS	Defense Integrated Financial System
AFSAT	Air Force Security Assistance Training	DISAM	Defense Institute for Security Assistance Management
AFSC	Air Force Systems Command	DLA	Defense Logistics Agency
AFSPACE-COM	Air Force Space Command	DMA	Defense Mapping Agency
AMC	Army Military Command	DNA	Defense Nuclear Agency
AMC	Air Mobility Command (combines Air Force SAC/MAC /TAC)	DOD	Department of Defense
APO	Air Force/Army post office	DODCCP	DoD Central Control Point
APOE	aerial port of entry	DODD	Department of Defense directive
APPROP	appropriation	DSAA	Defense Security Assistance Agency
ASSN	accounting station symbol number	DSARC	Defense Systems Acquisition Review Council
ATC	Air Training Command	DSC	delivery source code
AWACS	Airborne Warning and Control System	DSSN	disbursing station symbol number
		DTC	delivery term code
		DTS	Defense Transportation System
BA	budget authority	EA	expenditure authority
BAQ	basic allowance for quarters	ECP	engineering change proposal
BOQ	base officers' quarters	ETSS	extended training services specialists
BOS	base operations support		
CAS	contract administration services	FAA	Foreign Assistance Act
CCBL	collect commercial bill of lading	FAS	free along side
CC	country code	FICS	FMS Integrated Control System
CCM	command country manager	FMFIA	Federal Manager's Financial Integrity Act
CFO	chief financial officer	FMS	foreign military sales
CLSSA	cooperative logistics supply support arrangement	FMT	foreign military training
CMCS	Case Management Control System	FOB	freight-on-board

FPO	fleet postal office	MTMC	Military Traffic Management Command
FRB	Federal Reserve Bank	MTT	mobile training team
FRBNY	Federal Reserve Bank of New York	MWO	modification work order
FRFT	Federal Reserve Funds Transfer		
FRS	Federal Reserve System		
FY	fiscal year	NAC	National Advisory Council on International Monetary and Financial Policies
FYDP	five year defense program		
GBL	government bill of lading	NATO	North Atlantic Treaty Organization
GFM	government furnished materiel	NAVILCO	US Navy International Logistics Center
GLA	General Ledger accounts	NC	nonrecurring cost
GSA	General Services Administration	NMDE	non-major defense equipment
IA	implementing agency	NSN	national stock "number"
ICP	inventory control point		
IF	industrial fund	OA	obligational authority
ILC	International Logistics Center	OASD	Office of the Assistant Secretary of Defense
IMET	International Military Education and Training	OCONUS	overseas continental United States operations and maintenance
IMETP	International Military Education and Training Program	O&M	
ILSDP	international logistics supply delivery plan	OSD	Office of the Secretary of Defense
IPO	international program office (Navy)	P&A	price and availability
ITO	individual travel order	PBAS	program budget and accounting system
LOA	letter of offer and acceptance	PC&H	packing, crating, and handling
LOGAIR	AFLC logistical airline	PCH&T	packing, crating, handling, and transportation
LOI	letter of offer and intent	PCS	permanent change of station
LOR	letter of request	POD	port of debarkation
LSC	logistics support surcharge	POE	port of embarkation
MAC	Military Airlift Command	POL	petroleum, oil, and lubricants
MAP	military assistance program	PTC	positive transaction control
MASL	military articles and services list	Q	quantity
MCP	management control program	RCS	report control symbol
MDE	major defense equipment	R&D	research and development
MILDEP	military department	RDT&E	research, development, test, and evaluation
MILSBILLS	military standard billing system	RIC	routing identifier code
MILSTRIP	military standard requisitioning and inventory procedures	ROD	report of discrepancy
MIPR	military interdepartmental purchase request	RSN	record serial number
MGT	management	SAAC	Security Assistance Accounting Center
MOM	military ordinary mail	SAAM	special assignment airlift mission
MMOU	multinational memorandum of understanding	SAC	Strategic Air Command
MP	military personnel	SAMIS	Security Assistance Management Information System
MSC	Military Sealift Command	SAMM	Security Assistance Management Manual
MST	management service team		

SAO	security assistance organization
SAR	selected acquisition report
SC	special cost
SDAF	Special Defense Acquisition Fund
SECDEF	Secretary of Defense
SF	standard form
SGL	Standard General Ledger
TAC	Tactical Air Command
TAC	transportation account code
TAFT	technical assistance field team
TAT	technical assistance team
TBC	transportation bill code
TCN	transportation control number
TDP	technical data package
TDY	temporary duty
TF	Trust Fund
TFCS	Treasury Financial Communications System
TL	termination liability
TRADOC	Army Training and Doctrine Command
TRANS	transportation
TRC	transaction reply code
UCA	uniform chart of accounts
ULO	unliquidated obligation
USA	United States Army
USAF	United States Air Force
USASAC	United States Army Security Assistance Command
USCG	United States Coast Guard
USG	United States Government
USMC	United States Marine Corps
USN	United States Navy
VI-IA	variable housing allowance
VOQ	visiting officer's quarters
WCN	worksheet control number
WIP	work-in-process

CHAPTER 1**GENERAL INFORMATION**0101 **INTRODUCTION**

010101. **Purpose.** The purpose of this Volume is to:

A. Establish the accounting, pricing, budgeting, and reporting policies and procedures which are necessary to implement the financial management requirements of the Arms Export Control Act [reference (a)], hereinafter referred to as the AECA.

B. Establish the accounting, financing, and billing procedures for foreign military sales (FMS) transactions in the Trust Fund (Advances Foreign Military Sales, Executive) and in the performing appropriations when FMS orders are executed on a reimbursable basis.

C. Establish the pricing and costing criteria for FMS sales of defense articles and defense services (including training) and construction services furnished to friendly foreign governments and international organizations under authority of the AECA.

D. Ensure that the pricing policies are applied in situations where a contractor, involved in direct sales to a foreign government, acts as an agent of the foreign government in executing a purchase agreement with the U.S. Government for Department of Defense (DoD) materiel and services. The policies apply where coproduction, codevelopment, cooperative production, or cooperative development agreements are entered into with foreign governments.

★ 010102. **Authority.** This Regulation is issued under authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," [reference (b)].

★ 010103. **Applicability.** This Volume of the Regulation applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff and the Unified Combatant Commands, the Inspector General of the DoD, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components"). Unless specifically exempted, FMS transactions should follow DoD accounting guidance contained elsewhere in this Regulation.

010104. **Objectives.** The general objectives of this Volume are to:

A. Assure full compliance with the financial management and pricing requirements of the AECA, as amended.

B. Provide an integrated accounting and financial control system that will record all financial transactions related to an FMS case from the time it is accepted until it is completed.

★ C. Provide complete accounting support for the budget schedules and budget concepts as reflected in Volumes 2A and 2B of this Regulation [reference (d)].

D. Provide an accounting and financial control pattern for FMS work which gives appropriate recognition to the fact that the budget authority resulting from accepted FMS cases is not necessarily recorded for obligation in the year in which the case is accepted by the FMS customer.

E. Ensure that Trust Fund and performing appropriation accounting, reporting, and budget schedules are properly interfaced.

F. Facilitate budgeting, financial planning, and cost estimating for FMS transactions.

G. Ensure compliance with all requirements for the administrative control of funds and provide a Trust Fund accounting system that will meet General Accounting Office (GAO) standards.

010105. Volume Organization and Maintenance

A. Organization. This Volume consists of chapters which are organized in terms of major categories of interest. For example, Chapter 2, Finance, provides the procedures to be followed in recognizing budget authority by various DoD Components involved in execution of an FMS case. Paragraph 020102 explains the responsibilities of the various DoD Components, paragraph 020103 explains the documents required for creation of budget authority, and paragraph 020104 establishes policies for recognition of budget authority in the FMS Trust Fund.

B. Identification System

1. Each of the chapters is subdivided into sections that are numbered consecutively in the hundred series identified by the chapter number. For example, section 0101 is the first section in Chapter 1, section 0201 is the first section in Chapter 2, etc.

2. Paragraphs are numbered consecutively with a six-digit number consisting of the chapter number (two digits), the section number (two digits), and a two-digit paragraph identity. For example, the first paragraph in section 0101 is numbered 010101 and the

fourth paragraph in section 0101 is numbered 010104. Subparagraphs and subdivisions thereof are identified, in turn as necessary, by upper-case letters, Arabic numerals, lower-case letters, Arabic numerals in parentheses, lower-case letters in parentheses, underlined Arabic numerals and underlined lower-case letters. Thus, a subparagraph might be referred to as subparagraph 010101.A.1.a.(1)(a)1.a. Lower-case Roman numerals in parentheses will be used to identify lists of items within the text of a paragraph or subparagraph.

★ 3. Page numbers are listed consecutively by chapter.

★ 4. Table numbers consist of a two-part number. The first part will be the chapter number and the second part will be an Arabic number assigned to the table (e.g., 1-1, 1-2, etc.).

5. Appendix numbers consist of a two-part number. The first part will be the consecutive letter of the alphabet and the second part will be the page number (e.g., A-1, B-2, etc.).

★ C. Basic Publication and Changes. This Volume will be placed on the internet to permit financial management policies contained in this Regulation to realize the widest possible distribution and dissemination within the DoD, while preserving valuable resources for other uses. Formal coordination is required for all changes to the DoDFMR and must be approved by the Under Secretary of Defense (Comptroller). Changes to the Volume will be made to the extent feasible by reissuance of individual chapters. Revised guidance issued by Under Secretary of Defense (Comptroller) memorandum in advance of a formal change to the Volume will be incorporated in a formal change as soon as possible after issuance of the memorandum.

D. Distribution. This Volume and changes thereto will be distributed in accordance with provisions of the DoD Directives System.

E. Syntax. The use of the virgule, commonly know as a slash (/) mark, throughout this Regulation is to denote alternatives, as in "and/or."

★ 010106. Interpretations, Recommendations, and Deviations. Requests for clarification, interpretation of, or changes to the provisions of this Volume will be submitted through comptroller channels to the Office of the Under Secretary of Defense (Comptroller). Any guidance contained in this Volume that appears to be in conflict with other DoD issuances or the governing statutes and regulations will be reported to the DFAS-HQ/A. Deviations from the financial and accounting policies prescribed in this Volume may not be implemented without the prior approval of the Office of the Under Secretary of Defense (Comptroller).

010107. Effective Date and Implementation

A. The provisions of this Volume are effective immediately.

B. The DoD Components will, when necessary, proceed to design or modify their reporting systems and pricing regulations in a manner that is consistent with the policies and procedures contained herein.

★ C. Organizations responsible for billing, reimbursement, and reconciliation should retain a canceled Volume for reference since certain material, e.g. salary tables, will not be repeated.

0102 TREASURY ACCOUNTS

010201. Treasury Accounts Applicable to FMS Trust Fund Operations. The Treasury Department has established the following Trust Fund receipt and expenditure accounts to be used to account for cash collections, budget authority, and cash disbursements resulting from the FMS Program:

★ A. Cash Receipts. Cash collected for sections 21, 22, and 29 sales of the AECA is deposited into Treasury Account 8242.001, "Deposits, Advances, Foreign Military Sales, Executive." Cash collections into this account include cash transfers from appropriations provided by the U.S. Government to finance section 23 credit sales and the proceeds of section 24 guaranteed commercial loans. Departmental Treasury reports reporting the status of collections will reflect account 8242.001 and are listed in the Treasury Financial Management Service system under Line Code 1389, "Proprietary Receipts from the Public."

B. Budget Authority. The budget authority resulting from FMS orders is recognized in Treasury Account 97-11X8242, "Advances, Foreign Military Sales, Executive." Budget authority is recognized only to the extent it is estimated that orders will be executed during a year. The portion of the order which cannot be executed is classified as an uncommitted acceptance.

C. Cash Expenditures. Cash disbursements to contractors (when direct cite procedures are used) and to DoD Components for services, items from inventory, and procurements financed by DoD appropriations/fund accounts are made from account 97-11X8242, "Advances, Foreign Military Sales, Executive."

010202. Treasury Accounts Applicable to Appropriations Made Available to Finance Credit Sales and Guaranties Under Sections 23 and 24 of the AECA

A. Receipt and Utilization of Appropriations.

★ 1. Account 11X4121, "Foreign Military Loan Liquidating Account, Funds Appropriated to the President," was established to record the receipt and use of funds appropriated by the Congress to finance section 23 credit sales and section 24 guaranties for pre-1992 loan obligations.

★ 2. Account 11(fiscal year)1085, "Foreign Military Financing, Direct Loan Program Account, Funds Appropriated to the President," was established to record the appropriation that subsidizes (the estimated long term cost to the U.S. Government) the post-FY 1991 foreign military direct loan obligations.

★ 3. Account 11X4122, "Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President," receives the subsidy cost payments from the program account, and includes all other cash flows to and from the U.S. Government resulting from post-1991 foreign military direct loans.

★ 4. Account 11(fiscal year)1082, "Foreign Military Financing Program, Grants, Funds Appropriated to the President," was established to record the receipt and use of funds appropriated by the Congress to finance, by grant, U.S. defense sales to selected foreign friends and allies, and primarily through the FMS program.

★ B. Cash Collections. The following accounts are used for collections made from foreign countries as a result of credit sales and guaranties.

★ 1. Account 11X4121, "Foreign Military Loan Liquidating Account, Funds Appropriated to the President." This account issued to collect the country's repayments to the Defense Security Cooperation Agency (DSCA) for default payment made by the DSCA to the Federal Financing Bank or commercial banks holding loans guaranteed by the DSCA for pre-1992 loan obligations.

★ 2. Account 11X4122, "Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President." This account is used for collections of the countries' repayments for post-1991 direct loan obligations.

0103 TYPES OF FINANCING

010301. General. There are two types of financing associated with FMS: reimbursable and direct cite. The detailed budgeting and accounting requirements for each type are discussed throughout the remainder of this Volume.

★ 010302. Reimbursable Financing. Section 21 sales and those section 22 sales of the AECA for which the President has determined it is in the national interest to bill for defense articles and services on or after delivery (deferred payment), shall be accomplished using reimbursable financing. In other words, if deferred payment is authorized, then the appropriation accounts must be used to initially finance any outlays until FMS customer payment is made.

010303. Direct Cite Financing. New procurements initiated as a result of FMS orders under sections 22 and 29 of the AECA (except as exempted above) should be accomplished to the maximum extent feasible and appropriate through direct citation of the FMS Trust Fund (97-11X8242) on applicable contractual documents.

010304. Accounting Classification Codes of the FMS Trust Fund. Accounting classification codes of the FMS Trust Fund are shown in Table 1-1.

FMS TRUST FUND ACCOUNTING CLASSIFICATION CODES

<u>Appropriation/ Limit</u>	<u>Agency Code</u>	<u>Agency Name</u>
97-11X8242.XXX1	B	Army
97-11X8242.XXXC	C	Defense Information Systems Agency
97-11X8242.XXX2	D	Air Force
97-11X8242.XXXG	G	Defense Finance and Accounting Service
97-11X8242.XXXX	K	Marine Corps
97-11X8242.28XX	P	Navy and Marine Corps (MISIL)
97-11X8242.XXXX	P	Navy (STARS)
97-11X8242.XXX9	Q	Defense Security Cooperation Agency
97-11X8242.XXXE	E	U.S. Army Corps of Engineers
97-11X8242.XXXM	M	Army - Other
97-11X8242.XXXR	R	Defense Logistics Agency
97-11X8242.XXXU	U	National Imagery and Mapping Agency
97-11X8242.XXXV	V	Defense Contract Audit Agency
97-11X8242.XXXW	W	Defense Advanced Research Projects Agency
97-11X8242.XXXZ	Z	Defense Threat Reduction Agency

Table 1-1

SUMMARY OF MAJOR CHANGES TO DoD 7000.14-R, VOLUME 15, CHAPTER 1 SECURITY ASSISTANCE POLICY AND PROCEDURES			
PAGE	PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
1-1	010102	Deleted reference to DoD Instruction 7290.3, Foreign Military Sales Finance and Accounting revised cost factors is available for reconciliation.	Instruction previously canceled
1-1	010103	Updated list of organizations.	Update
1-2	010104.C.	Reference updated to "DoDFMR."	Update
1-3	010105.B. 3./4.	New page numbering.	Regulation Stds
1-3	010105.C.	"DoDFMR" will be published and distributed on the internet. Interim changes may be issued via memorandum by USD(C).	Update
1-3	010106	Revision of method for requesting changes.	Update
1-4	010107.C.	Requirement to retain copies of canceled volumes added to ensure information concerning text clarified.	Internal control /Protect USG/ Reconciliation
1-4	102	Old section 0102 was moved to Chapter 7; section deleted.	Update
1-4	010201.A.	Treasury requirement to include point designation on the receipt account symbol (Ltr 29 Sep 93)	Update
1-4	010201.A.	Reference updated.	Update
1-4 and 1-5	010202.A/ B.	Revised information on receipt and cash collection accounts.	Update
1-5	010202.A	Loan and credit account information updated.	Update
1-5	010202.B.	Account information updated and new paragraph added.	Update
1-6	010303.A./ B.	Deletion of these old paragraphs since account 11X4117 is fully liquidated and has been eliminated from the Treasury's Federal Accounts Symbols and Titles.	Update

CHAPTER 2

FINANCE

0201 INTRODUCTION

020101. Objectives. The objectives of the policies set forth in this chapter are to assure that all Letters of Offer and Acceptance (LOAs) which have been accepted by FMS customers are brought under full accounting control and that budget authority is released for execution in the year in which contracts to fill customer requirements will be awarded, articles from inventory will be released to common carriers/the Defense Transportation System, or DoD in-house services will be performed. The chapter also provides procedures covering issuance of obligational authority related to FMS case execution and FMS administrative and contract administration services.

020102. Responsibilities

A. Defense Security Cooperation Agency (DSCA). It is the responsibility of the DSCA to prepare annual budget requests for the FMS Trust Fund obligational and outlay authority necessary to support the FMS program. The DSCA reviews and approves budgets for the FMS administrative charge/logistics support charge and Security Assistance Organizations and target estimates for contract administration services.

B. Implementing Agency. It is the responsibility of the DoD Component that prepares individual LOAs, hereinafter referred to as the Implementing Agency, to assure: (1) estimated prices in LOAs meet DoD pricing requirements, (2) LOA payment schedules are accurate and meet DoD payment requirements, (3) a realistic time-phased plan is developed for execution of LOAs upon FMS customer acceptance, (4) a prepositioned request for the obligational authority -- which will be required to initiate performance of the LOA -- is submitted to the Deputate for Security Assistance, Denver Center (DFAS-DE/I), (5) sufficient anticipated appropriation/fund reimbursable authority is included in the Defense budget, and (6) appropriation/ fund budget execution records accurately reflect the status of the reimbursable FMS program.

C. The Deputate for Security Assistance (DFAS-DE/I). It is the responsibility of the DFAS-DE/I to: (1) record budget authority resulting from accepted LOAs in the FMS Trust Fund accounting system, (2) maintain FMS Trust Fund budget execution records, (3) approve DoD Component requests for FMS obligational authority in a timely manner, and (4) obtain cash advances from FMS customers necessary to liquidate obligations resulting from the use of the budget authority created by the FMS program.

020103. Source Documents. FMS Budget Authority is created through preparation and processing of three formats and two forms:

A. "United States of America Letter of Offer and Acceptance" (LOA). This format, or its equivalent when a deviation has been authorized by the DSCA, is the basic source document which may ultimately result in the creation of FMS budget authority. One of the more common equivalent documents is the Letter of Intent (LOI). The LOA does not in and of itself create budget authority in either the FMS Trust Fund or in a DoD appropriation/fund account. The LOA was revised effective June 1, 1992. The previous version of the form was the DD Form 1513, "United States Department of Defense Offer and Acceptance". Samples of both the old form and the new format are at Tables 2-1 and 2-2. Instructions for preparing the LOA are contained in the SAMM [reference (c)].

B. "United States of America Amendment to Letter of Offer and Acceptance" and "United States of America Modification to Letter of Offer and Acceptance." The amendment is designed to obtain FMS customer acceptance of a scope increase. The modification is a notification document to alert FMS customers of within-scope cost increases, cost decreases, or other minor changes to the program. These documents are used to modify the original LOA and provide the basis for creation of additional FMS Trust Fund budget authority. Samples of the new formats are at Tables 2-3 and 2-4. The old forms which were used prior to June 1, 1992, the DD Form 1513-1, "United States Department of Defense Amendment to Offer and Acceptance" and DD Form 1513-2, "United States Department of Defense Notice of Modification of Offer and Acceptance," are included at Tables 2-5 and 2-6. Amendments and modifications written in the new formats do not alter the terms and conditions of the original DD Form 1513.

C. DD Form 2061, "FMS Planning Directive." This form or automated equivalent is prepared and maintained by the installation tasked by the implementing agency to prepare a LOA. The form is a working paper which serves three major purposes: (1) it provides for the identification of all of the cost elements included in prices reflected on the LOA and thereby helps to assure the case is priced in accordance with DoD pricing policies, (2) it provides a time-phased plan for execution of the LOA upon FMS customer acceptance, and (3) it identifies the appropriations/funds which will be used to finance new procurement or which will realize earned reimbursements through delivery of items from inventory or provision of DoD in-house services. A sample form is at Table 2-7. Instructions for preparing and processing the forms are contained in section 202.

D. DD Form 2060, "FMS Obligational Authority." This form or automated equivalent is prepared based upon data reflected in the DD Form 2061. Part A of the form is prepared at the FMS case level and is the basis for case-level control of obligational authority. Part B of the form identifies the appropriations/funds which have been or will be used to finance the cases reflected in Part A. For reimbursable orders Part B is submitted to the DFAS-DE/I in accordance with paragraph 030301. The DD Form 2060 may be prepared on either an individual case basis or on a multiple case basis. The DD 2060 also is used to convey OA for DoD Components' FMS administrative expenses, logistics support expenses, and contract administration and audit expenses. A sample form is at Table 2-8. Instructions for preparing and processing the form are contained in section 202. Issuance of Budget Authority must be authenticated by manual or electronic signature.

020104. Recognition of Budget Authority by the FMS Trust Fund

A. Establishment of FMS Trust Fund Budget Authority. All accepted LOAs, amendments, and modifications are to be returned by FMS customers to the DFAS-DE/I. Upon receipt of a DD Form 2060 and within the time-frames established by paragraph 020105, the DFAS-DE/I shall review FMS case-level accounting records to determine that: (1) the case is valid, (2) the FMS customer has deposited necessary cash in advance to support the FMS case, and (3) the requested obligational authority does not exceed the dollar values established in the LOA and any applicable amendments or modifications. If these three requirements are met, the DFAS-DE/I shall create FMS Trust Fund budget authority, approve the DD Form 2060, and issue an RBF transaction.

B. Direct Citation. The DD Form 2060, or automated equivalent, shall be used to request commitment/obligation authority for direct cite of the FMS Trust Fund. The DD Form 2060 will be used as a control device, and commitments/obligations shall be limited to the dollar value of approved DD Forms 2060. The accounting procedures will vary depending upon whether detailed contract accounting is performed by the DSCA or by a Military Department.

020105. Recognition of FMS Reimbursable Budget Authority in DoD Appropriation/Fund Accounts

A. Trust Fund Orders for Reimbursable Work. The LOA, amendment, and modification or approved substitute documents do not represent reimbursable orders to performing DoD Components. The approved DD Form 2060, or automated equivalent, is the reimbursable order. The DD Form 2060, Part A, specifies the value of orders which may be credited to appropriations by a DoD Component for each case for a fiscal year. The obligation authority amount for each case may not be exceeded. Reporting violations of this administrative limitation will follow the procedures in DoD Directive 7200.1, "Administrative Control of Appropriations within the Department of Defense" [reference (d)], Volumes 4 and 14 of this Regulation, and section 212 of this Volume.

★ B. When authority to accept reimbursable orders is subject to apportionment, obligations on a reimbursable program may not exceed apportioned amounts of anticipated reimbursement. In the event any portion of approved DD Form 2060 reimbursable budget authority is in excess of apportioned amounts for anticipated reimbursable orders, the excess portion cannot be obligated until an additional apportionment of anticipated reimbursable orders is requested and received through the reapportionment process. A summary of accounts which are subject to apportionment follows:

1. Procurement Accounts - All reimbursable programs are specifically apportioned.
2. R&D Accounts - All reimbursable programs for the Air Force and the Defense Agencies are specifically apportioned. Army and Navy reimbursable programs are

automatically apportioned.

3. Military Pay Accounts - All reimbursable programs for the Army and the Air Force are specifically apportioned. The Marine Corps and the Navy reimbursable programs are automatically apportioned.

4. Operation & Maintenance Accounts - All reimbursable programs are automatically apportioned except for the Defense Agencies.

5. Military Construction Accounts - All reimbursable programs are specifically apportioned except for the Army and the Navy, which are automatically apportioned.

6. DoD Working Capital Funds - Reimbursable programs are partially apportioned. Consult OUSD(C) P/B Revolving Funds Directorate for further guidance.

C. Apportionments and reappportionments for reimbursable programs must be requested by appropriation accounts and fiscal year. An appropriation which is available for obligation for more than one year requires an apportionment for anticipated reimbursable orders in the first year of availability which is to be reduced to the value of orders actually received in the first year. In the subsequent years of availability, a reappportionment for anticipated reimbursable orders is required to accept customer orders which fund within-scope price increases. The reappportionment request for anticipated reimbursable orders in the final year of availability is especially critical because any unused amounts in the reappportionment are automatically available for acceptance of additional reimbursable orders necessary to fund within-scope price increases after the appropriation has lapsed. It should be noted that an apportionment or reappportionment for anticipated reimbursable orders does not constitute authority to incur obligations. The actual customer order must be received and recorded in appropriation accounting records before applicable budget authority may be used.

D. The process by which budget authority is generated is graphically displayed in Table 2-9. The table depicts the relationships among the forms and formats as discussed in the above paragraphs as well as relationships among organizations and the FMS customer at various stages of processing.

★ 020106. FMS Integrated Control System Documents. Table 2-15 is an example of the automated RBI/RBF interface transactions used to notify the DFAS-DE/I of budget authority (BA) request and approval. The DFAS-DE/I is authorized to establish budget authority up to 100 percent of cumulative value of the LOAs, amendments, and modifications. Authority for the contract administration services (CAS) charge and the logistics support charge (LSC) are not distributed to the IAs. Specific details on how to use these transactions are contained in the FMS Integrated Control System (FICS) document.

★

UNITED STATES OF AMERICA LETTER OF OFFER AND ACCEPTANCE

United States of America Letter of Offer and Acceptance (LOA) [BD-P-BLX]			
Based on [BANDEF ltr 2/265 of 10 Apr 92]			
Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to sell to [the Government of Bandaria, Office of the Naval Attache, 252 Massachusetts Ave., NW, Washington, DC 20036] the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items", set forth herein, subject to the provisions, terms, and conditions in this LOA.			
This LOA is for [Technical Services for the Standard Missile Program.]			
Estimated Cost: [\$1,030,000]		Initial Deposit: [\$268,750]	
Terms of Sale: [Cash prior to delivery/dependable undertaking.]			
This offer expires on [22 July 1992]. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.			
This page through page [4], plus Letter of Offer and Acceptance Standard Terms and Conditions attached, are a part of this LOA.			
The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:			
_____ U.S. Signature	[30 May 92] Date	_____ Purchaser Signature	_____ Date
[A. R. Smith [Director]] _____ Typed Name and Title	_____ Typed Name and Title		
[Navy Intl Prgms Office] _____ Implementing Agency		_____ Agency	
_____ DSAA		_____ Date	
Information to be provided by the Purchaser:			
Mark For Code _____, Freight Forwarder Code _____, Purchaser Procuring Agency Code _____, Name and Address of the Purchaser's Paying Office			
_____ _____			

Table 2-1

UNITED STATES OF AMERICA LETTER OF OFFER AND ACCEPTANCE
(CONTINUED)

Additional details regarding codes, acronyms, and financial data may be found in attached "Letter of Offer and Acceptance Information".

Items to be Supplies (costs and months for delivery are estimates):

(1).	(3).	(4).	(5).	(6).	(7).
Itm	Qty,	Unit of	SC/MOS/	Oftr Del	
Nbr	(2).	Issue	Costs	TA or	Rel Trm
	<u>Description/Condition</u>	<u>(a) Unit</u>	<u>(b) Total</u>	<u>Note</u>	<u>Cde Cde</u>
[001	M1B 020200M1SSLTA(N)		\$1,000,000	X(24)	A 4
	TECHNICAL SERVICES			TA 4	
	(Note 1)				

(8)	Net Estimated Cost	\$[1,000,000]
(9)	Packing, Crating, and Handling	\$[]
(10)	Administrative Charge	\$[30,000]
(11)	Transportation	\$[]
(12)	(Specify; e.g., "Supply Support Arrangement")	\$[]
(13)	Total Estimated Cost	\$[1,030,000]

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

ESTIMATED PAYMENT SCHEDULE

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
[Initial Deposit	\$ 268,750	\$ 268,750
15-Dec-92	126,875	395,625
15-Mar-93	126,875	522,500
15-Jun-93	126,875	649,375
15-Sep-93	126,875	776,250
15-Dec-93	126,875	903,125
15-Mar-94	126,875	1,030,000]

Identifier [BD-P-BLX]

Page 2 of [4] pages

Table 2-1 (Continued)

UNITED STATES DEPARTMENT OF DEFENSE OFFER AND
ACCEPTANCE (DD FORM 1513)

UNITED STATES DEPARTMENT OF DEFENSE OFFER AND ACCEPTANCE				(1) PURCHASER (Name and Address) (ZIP Code)					
(2) PURCHASER'S REFERENCE			(3) CASE IDENTIFIER						
OFFER									
<p>Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to sell to the above purchaser the defense articles and defense services listed below (hereinafter referred to collectively as "items" and individually as "defense articles" or "services"), subject to the terms contained herein and conditions set forth in Annex A, and to such other special terms and conditions which may be part of, and appended to, this Offer and Acceptance.</p>									
(4) _____ Signature (U.S. Dept/Agency Authorized Representative) (5) _____ Typed Name and Title (6) ADDRESS: _____ (7) DATE: _____ (8) THIS OFFER EXPIRES: _____					(9) _____ Countersignature (Office of the Comptroller, DSAA) (Date) (10) _____ Typed Name and Title (11) DSAA ACCOUNTING ACTIVITY _____				
<p>NOTE: This offer must be accepted not later than the date shown in block 8. Within five (5) days of the acceptance, you must notify the Office of the Comptroller, DSAA. Otherwise, this Offer is cancelled and retention of initial deposit by offerer pending disposition instructions shall not be deemed a waiver of such cancellation. Request prompt notification if this offer is rejected.</p>									
ITEM OR REF. NO. (12)	ITEM DESCRIPTION (Including Stock Number if applicable) (13)	QUANTITY (14)	UNIT OF ISSUE (15)	ESTIMATED		AVAILA- BILITY AND REMARKS (18)	OFFER RE- LEASE CODE (19)	DE- LIVERY TERM CODE (20)	
				UNIT COST (16)	TOTAL COST (17)				
(21) ESTIMATED COST				\$					
(22) ESTIMATED PACKING, CARATING, AND HANDLING COST				\$					
(23) ESTIMATED GENERAL ADMINISTRATIVE COSTS				\$					
(24) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT				\$					
(25) OTHER ESTIMATED COSTS (Specify)				\$					
(26) ESTIMATED TOTAL COSTS				\$					
(27) TERMS				(28) AMOUNT OF INITIAL DEPOSIT - \$					
ACCEPTANCE									
(29) I am a duly authorized representative of the Government of _____ _____ and upon behalf of said Government, accept this offer under the terms and conditions contained herein (30) this _____ day of _____ 19____ (31) _____ SIGNATURE (32) _____ TYPED NAME AND TITLE					(33) MARK FOR CODE _____ (34) FREIGHT FORWARDER CODE _____ (35) PROCURING AGENCY _____ (36) DESIGNATED PAYING OFFICE _____ (37) ADDRESS OF DESIGNATED PAYING OFFICE _____ _____				

Table 2-2

★

**UNITED STATES OF AMERICA AMENDMENT TO LETTER OF
OFFER AND ACCEPTANCE**

United States of America

Amendment to Letter of Offer and Acceptance

[BD-P-BLX]

Based on [BANDEF ltr 2/343 of 12 Aug 92]

Pursuant to the Arms Export Control Act, the Government of the United States (USG) offers to amend the Letter of Offer and Acceptance (LOA) identified above for the purchase of defense articles, defense services, or both. Other provisions, terms, and conditions of the original LOA remain unchanged.

This Amendment is for: [Extends Basic LOA Item 1 period of availability . Purchaser request, extends period of performance for 12 months. Basic LOA accepted 18 Jul 92.]

Estimated Cost: [\$1,545,000] Initial Deposit: [\$134,375]
Terms of Sale: [Cash prior to delivery/dependable undertaking.]

This offer expires on [5 December 1992]. Unless a request for extension is made by the Purchaser and granted by the USG, this offer will terminate on the expiration date.

This page through page [3] attached are a part of this Amendment.

The undersigned are duly authorized representatives of their Governments and hereby respectively offer and accept this Amendment:

_____	[5 Sep 92]	_____	_____
U.S. Signature	Date	Purchaser Signature	Date
[A. R. Smith [Director]	_____	_____	_____
Typed Name and Title	_____	Typed Name and Title	_____
[Navy International Programs Office]	_____	_____	_____
Implementing Agency	_____	Agency	_____
_____	_____	_____	_____
DSAA	Date	_____	_____

Table 2-3

UNITED STATES OF AMERICA AMENDMENT TO LETTER OF OFFER AND ACCEPTANCE

[This Amendment consists of changes as follows:

(1). Itm	(2). Item Description	(3). Qty, Unit of Issue	(4). Costs (a) Unit (b) Total	(5). SC/MOS/ TA or Note	(6). (7). Ofr Del Rel Trm Cde Cde
<u>Previous</u>					
001	M1B 020200M1SSLTA(N) TECHNICAL SERVICES (Note 1)		1,000,000	X(24) TA 4	A 4
<u>Revised</u>					
001	M1B 020200M1SSLTA(N) TECHNICAL SERVICES (Note 1)		1,500,000	X(36) TA 4	A 4

	<u>Previous</u>	<u>Revised</u>
(8) Net Estimated Cost	\$ 1,000,000	\$ 1,500,000
(9) Packing, Crating, and Handling		
(10) Administrative Charge	30,000	45,000
(11) Transportation		
(12) (Specify; e.g., "Supply Support Arrangement")		
(13) Total Estimated Cost	1,030,000	1,545,000

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Cumulative to Date	NA	\$ 395,625
[Initial Deposit	\$ 134,375	530,000
15-Jun-93	126,875	656,875
15-Sep-93	126,875	783,750
15-Dec-93	126,875	910,625
15-Mar-94	126,875	1,037,500
15-Jun-94	126,875	1,164,375
15-Sep-94	126,875	1,291,250
15-Dec-94	126,875	1,418,125
15-Mar-95	126,875	1,545,000]

Identifier [BD-P-BLX]

Page 2 of [3] pages

Table 2-3 (Continued)

★ UNITED STATES OF AMERICA MODIFICATION TO OFFER AND ACCEPTANCE

<p>United States of America</p> <p>Modification [1] to Letter of Offer and Acceptance</p> <p>[BD-P-BLX]</p>			
<p>Based on [cost adjustments due to experience during program execution.]</p> <p>Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby notifies the Purchaser of Modification of the Letter of Offer and Acceptance (LOA) identified above. All other terms and conditions of the LOA remain unchanged.</p> <p>This Modification is for: [Cost adjustments to Amendment Item Number 1 based on experience while executing the program. LOA accepted 18 Jul 92.]</p> <p>Estimated Cost: [\$1,442,000] Initial Deposit: [\$ -0-]</p> <p>Terms of Sale: [Cash prior to delivery/dependable undertaking.]</p> <p>This page through page [3] attached are part of this Modification.</p> <p>The undersigned are duly authorized representatives of their Governments and hereby respectively furnish and acknowledge receipt of this Modification:</p>			
<p>_____ [8 Jan 93]</p> <p>U.S. Signature Date</p> <p>[A. R. Smith]</p> <p>[Director]</p> <p>_____</p> <p>Typed Name and Title</p> <p>[Navy International Programs Office]</p> <p>_____</p> <p>Implementing Agency</p>	<p>_____</p> <p>Purchaser Signature Date</p> <p>_____</p> <p>Typed Name and Title</p> <p>_____</p> <p>Agency</p>	<p>_____</p> <p>DSAA Date</p>	

Table 2-4

UNITED STATES OF AMERICA MODIFICATION TO OFFER AND ACCEPTANCE

[This Modification provides notification of changes as follows:

(1). Itm <u>Nbr</u>	(2). <u>Item Description</u>	(3). Qty, Unit of <u>Issue</u>	(4). Costs <u>(a) Unit</u> <u>(b) Total</u>	(5). SC/MOS/ TA or <u>Note</u>	(6). (7). Ofr Del Rel Trm <u>Cde</u> <u>Cde</u>
---------------------------	---------------------------------	---	--	---	--

Previous

001	M1B 020200M1SSLTA(N)		1,500,000	X(36)	A 4
	TECHNICAL SERVICES			TA 4	
	(Note 1)				

Revised

001	M1B 020200M1SSLTA(N)		1,400,000	X(36)	A 4
	TECHNICAL SERVICES			TA 4	
	(Note 1)				

PreviousRevised

(8)	Net Estimated Cost	\$	1,500,000	\$	1,400,000
(9)	Packing, Crating, and Handling				
(10)	Administrative Charge		45,000		42,000
(11)	Transportation				
(12)	(Specify; e.g., "Supply Spt Agmt")				
(13)	Total Estimated Cost		1,545,000		1,442,000

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Cumulative to Date		\$ 529,990
[Initial Deposit	-0-	529,990
15-Jun-93	83,091	613,081
15-Sep-93	118,417	731,498
15-Dec-93	118,417	849,915
15-Mar-94	118,417	968,332
15-Jun-94	118,417	1,086,749
15-Sep-94	118,417	1,205,166
15-Dec-94	118,417	1,323,583
15-Mar-95	118,417	1,442,000]

Signed Copy Distribution:

1. Upon acknowledgement of receipt, the Purchaser should return one signed copy of this Modification to Defense Finance and Accounting Service (DFAS), ATTN: DFAS-DE/I, Denver, CO 80279-2000.

2. One signed copy should also be returned to [Department of the Navy, Navy International Programs Office, Washington, DC 20350-5000.]

Identifier [BD-P-BLX]

Page 2 of [3] pages

Table 2-4 (Continued)

**UNITED STATES DEPARTMENT OF DEFENSE AMENDMENT TO OFFER AND
ACCEPTANCE (DD FORM 1513-1)**

UNITED STATES DEPARTMENT OF DEFENSE AMENDMENT TO OFFER AND				(1) PURCHASER (Name and Address) (ZIP Code)				
(2) PURCHASER'S REFERENCE		(3) AMDT NO.		(4) CASE IDENTIFIER				
OFFER TO AMEND								
Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to amend the above case for the purchase of defense articles and defense services subject to all other terms and conditions of the original case remaining unchanged.								
(5) _____ Signature (U.S. Dept/Agency Authorized Representative) (6) _____ Typed Name and Title (7) _____ ADDRESS: (8) _____ DATE: (9) _____ THIS OFFER EXPIRES:				(10) _____ Countersignature (Office of the Comptroller, DSAA) (Date) (11) _____ Typed Name and Title				
NOTE: This Amendment to Offer must be accepted not later than the date shown in block 9. Within five (5) days of its acceptance, you must so notify the Office of the Comptroller, DSAA. Otherwise, this Offer is cancelled and retention of initial deposit by offerer pending disposition instructions shall not be deemed a waiver of such cancellation. Request prompt notification if this offer is rejected.								
(12) DESCRIPTION AND REASON(S) FOR AMENDMENT:								
ITEM OR REF. NO. (13)	ITEM DESCRIPTION (Including Stock Number if applicable) (14)	QUANTITY (15)	UNIT OF ISSUE (16)	ESTIMATED		AVAILA- BILITY AND REMARKS (19)	OFFER RE- LEASE CODE (20)	DE- LIVERY TERM CODE (21)
				UNIT COST (17)	TOTAL COST (18)			
				(a) PREVIOUS COST		(b) AMENDED COST		
(22) ESTIMATED COST				\$		\$		
(23) ESTIMATED PACKING, CRATING, AND HANDLING COST				\$		\$		
(24) ESTIMATED GENERAL ADMINISTRATIVE COSTS				\$		\$		
(25) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT				\$		\$		
(26) OTHER ESTIMATED COSTS (Specify)				\$		\$		
(27) ESTIMATED TOTAL COSTS				\$		\$		
(28) TERMS								
ACCEPTANCE OF								
(29) I am a duly authorized representative of the Government of _____ and upon behalf of said Government, accept this offer to amend under the terms and conditions contained herein (30) this _____ day of _____, 19 _____.								
(31) TYPED NAME AND TITLE				(32) SIGNATURE				

Table 2-5

**UNITED STATES DEPARTMENT OF DEFENSE NOTICE OF MODIFICATION OF
OFFER AND ACCEPTANCE (DD FORM 1513-2)**

UNITED STATES DEPARTMENT OF DEFENSE NOTICE OF MODIFICATION OF OFFER AND ACCEPTANCE				(1) PURCHASER (Name and Address) (ZIP Code)		
(2) PURCHASER'S REFERENCE		(3) NOTICE NO.		(4) CASE IDENTIFIER		
NOTICE OF MODIFICATION						
Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby notifies the purchaser of modification of the above designated case. All other terms and conditions of the original case remain unchanged.						
(5) _____ Signature (U.S. Dept/Agency Authorized Representative) (6) _____ Typed Name and Title (7) ADDRESS: _____ (8) DATE: _____				(9) _____ Countersignature (Office of the Comptroller, DSAA) (Date) (10) _____ Typed Name and Title		
(11) DESCRIPTION AND REASON(s) FOR MODIFICATION						
ITEM OR REF NO.	ITEM DESCRIPTION (Including Stock Number, if applicable)	QUANTITY	UNIT OF ISSUE	ESTIMATED		AVAILABILITY AND REMARKS
				UNIT COST	TOTAL COST	
(12).	(13).	(14).	(15).	(16).	(17).	(18).
RECAPITULATION OF TOTAL DD FORM 1513 (Or 1513-1)		(a) PREVIOUS COST		(b) REVISED COST		
(19) ESTIMATED COST		\$		\$		
(20) ESTIMATED PACKING, CARATING, AND HANDLING COSTS		\$		\$		
(21) ESTIMATED GENERAL ADMINISTRATIVE COSTS		\$		\$		
(22) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT		\$		\$		
(23) OTHER ESTIMATED COSTS (Specify)		\$		\$		
(24) ESTIMATED TOTAL COSTS		\$		\$		
ACKNOWLEDGEMENT OF RECEIPT						
(25) I am a duly authorized representative of the Government of _____ and upon behalf of said Government, acknowledge receipt of this notice of modification (26) this _____ day of _____, 19 _____.						
(27) TYPED NAME AND TITLE				(28) SIGNATURE		

Table 2-6

**UNITED STATES DEPARTMENT OF DEFENSE NOTICE OF MODIFICATION OF
OFFER AND ACCEPTANCE (DD FORM 1513-2, CONTINUED)**

(29) CONTINUATION

REMARKS

1. DD Form 1513-2 is utilized to record modifications to an existing DD Form 1513 and any related amendments thereto, but only for those modifications which do not constitute a change in scope. Modifications appropriate for DD Form 1513-2 include all notifications of price increases and related changes in payment schedules.
2. Changes in scope of a DD Form 1513 require a formal amendment, utilizing DD Form 1513-1. Such changes are those which affect the type or number of major items and/or services to be provided or which significantly alter system configuration or functions. Such changes must be made by utilization of DD Form 1513-1.
3. DD Form 1513-2 does not require acceptance by the recipient country (customer) but merely acknowledgement of receipt. (DD Form 1513-1 does require acceptance).
4. All terms and conditions of an existing DD Form 1513 and any related amendments thereto not specifically noted to be modified by a DD Form 1513-2 are understood to remain unchanged and in effect.

Table 2-6 (Continued)

FMS PLANNING DIRECTIVE (DD FORM 2061)

FMS PLANNING DIRECTIVE												
<div> <div> (1) FMS Case No. _____</div> <div> (2) FMS Case Submitted to Foreign Government _____</div> <div> (3) Date Offer Expires _____</div> <div> (4) Date Case Accepted by Foreign Government _____</div> </div> <div> <div>(5) Total Case Value _____</div> <div>(6) Control Number _____</div> <div>(7) Date Prepared _____</div> <div>(8) DoD Component _____</div> </div>												
(9).	(10).	(11).	(12).	(13).	(14).	(15).	(16).			(17).	(18).	(19).
Case Item No.	Item Description	Qty.	Pricing Elements	Financing Approp.	Estimated Cost	Direct Cite/ Oblig Auth Rec'd to Date ()	Funding Required to Date ()			Current FY () Funding Plan	Remaining Program Value	Budget Year () Funding Plan
							Obligations Incurred	Unobligated Commitments	Items from Stock			

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Table 2-7

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060)

FMS OBLIGATIONAL AUTHORITY									
(1) Performing Component _____									
(2) Period Covered _____									
(3) FMS Case Commitment/Obligation Authority	(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Authority (FY)			Authority Required This FY ()		(12) Remaining Program Value
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable	(11) Direct Cite	
(13) Balance br't fwd.									
(14) Case Total									
(15) Admin Expense									
(16) Total									
PART B: Financing Accounts									
(17) Appropriation Title _____	(18) Account Symbol _____								
(19) Balance Brought Forward									
(20) Obligational Authority									
<p>(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11X8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.</p> <p>(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (A) in column 11 but not to exceed the amounts specified by case.</p>									
<p>Name of Accepting/Requesting Official _____</p> <p>Name of Offering/Approving Official _____</p> <p>(23) Approval Control No. _____</p>									

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Table 2-8

GENERATION OF BUDGET AUTHORITY (NEW CASES)

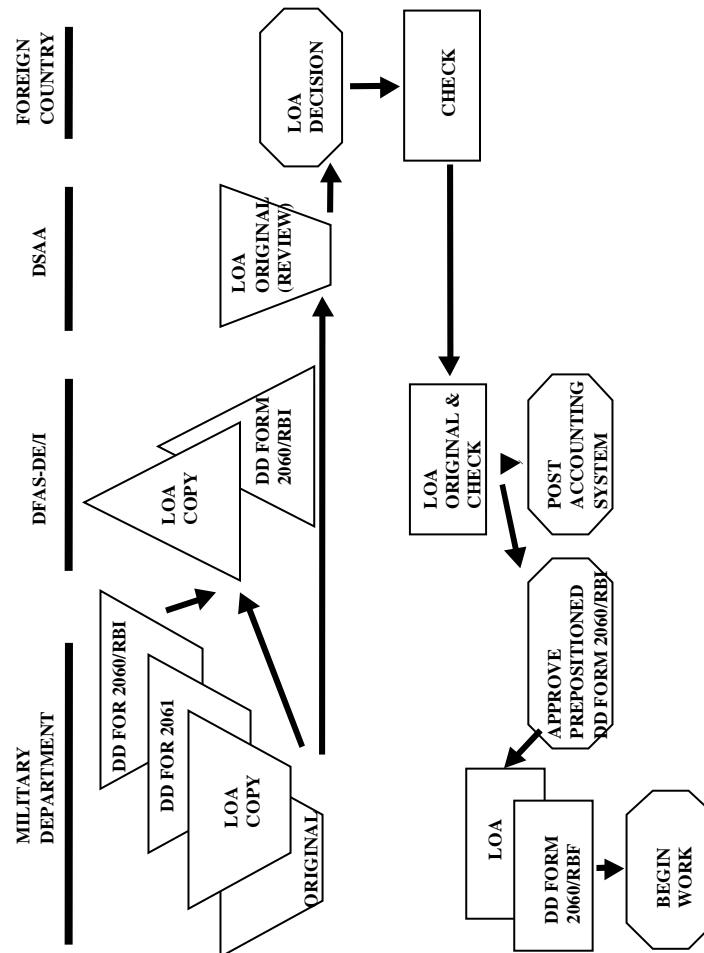


Table 2-9

0202 PREPARATION AND PROCESSING OF DD FORMS 2061 AND 2060 FOR OTHER THAN COOPERATIVE LOGISTICS SUPPLY SUPPORT ARRANGEMENTS (CLSSAs)

★ 020201. General. DD Forms 2061 and 2060 shall be prepared for each case and updated as necessary. The manual forms or automated equivalent are required for all cases in the process of implementation and for all new cases that have been submitted to FMS customers for acceptance. The DD Form 2061 reflects detailed pricing elements, planned financing appropriations (or direct citation), obligational authority required for the current year, and an estimate of obligational authority for the budget year. The DD Form 2061 and DD Form 2060 shall be developed initially at the time the LOA data is prepared. The DD Form 2060 shall be included with the LOA package and the DD Form 2061 retained by the implementing agency as work paper backup for the LOA package. Activities, from whom articles or services will be furnished in fulfilling case requirements, shall provide the case manager the necessary data to accomplish his or her responsibilities. The case manager must ensure that all applicable nonrecurring research, development and production costs are included in the LOA package and identified for reimbursement to the appropriate Miscellaneous Receipts Account in the DD Form 2060, Part B. The initial DD Form 2061 may be an abbreviated financial analysis. However, as execution begins the DD Form 2061 must be expanded to encompass all required cost elements and data. DD Forms 2061 and DD Form 2060 shall also be prepared:

A. In support of requests for amendments and modifications reflecting financial impact.

B. In support of price changes of less than 10 percent of the estimated cost of articles and services (utilizing the most recently approved document).

C. In support of significant variation in performing accounts discovered subsequent to case implementation. "Significant" will be interpreted as \$100,000 between reimbursable accounts or between direct cite and reimbursable accounts.

D. In support of changes in current year obligational authority (OA) requirements within the net case value as reflected on the most recently approved DD Form 2061 and DD Form 2060.

E. As necessary, to ensure adequate OA is available in the budget year before commencement of that year.

F. At case closure.

020202. Preparation of DD Forms 2061 and 2060. All DD Forms 2061 and 2060 or automated equivalents are cumulative documents. Therefore, case managers shall maintain an audit trail that will relate each form to its predecessor.

A. To ensure positive control over the flow of documentation, the case managers shall assign and maintain a system of control numbers, composed of the FMS customer

country code, case designator, Julian Date, and serial number; for example, BC-ADK-79181 03. Specific guidance on the construction of the control number is provided in Table 2-10.

B. All amounts on DD Form 2061 and DD Form 2060 will be in dollars and cents (United States currency).

C. Before the end of each fiscal year, unless real time DD Form 2060 procedures are in effect, the implementing agency shall submit a consolidated DD Form 2060 roll-up to the DFAS-DE/I requesting budget year obligational authority. This roll-up of case data will be based on information taken from Column 19 "Budget Year () Funding Plan," of the DD Form 2061 and is necessary to ensure that case execution is not delayed due to funding problems.

D. Each case manager preparing the year-end DD Form 2060 shall identify the obligational authority requirements through the end of the upcoming fiscal year. If it is determined that the sum of the budget year, current year, and prior year requirements exceed the case materiel value, the case manager shall initiate action for the processing of a case amendment, modification, or less-than-10 percent increase, as appropriate.

E. In addition, case managers shall scrutinize financial performance on a continuing basis to ensure the availability of sufficient obligational authority for both the current fiscal year and completion of the case.

F. Tables 2-10 through 2-14 provide procedural guidance and examples to be used preparing DD Form 2061 and 2060 or automated equivalent. Table 2-10 shows DD Form 2061 preparation procedures. The various pricing elements and related appropriations and funds required to prepare a DD Form 2061 are listed and explained in Table 2-11. Table 2-12 contains examples of DD Form 2061 pricing element and funding entries for typical FMS cases. Procedures for completing a DD Form 2060 are in Table 2-13 and an example of a completed DD Form 2060 is illustrated in Table 2-14.

G. Table 2-15 describes the automated RBI/RBF Interface Transaction used to report, request, and approve budget authority from the implementing agencies to the DFAS-DE/I. This procedure is the primary means of transmission of budget information ensuring positive control of data.

020203. Prior Versions of LOAs. Instructions on the following pages are for the illustrative DD Form 2061 used in this Volume and are keyed to the current versions of the LOA. When using older versions of the form, the block numbers will vary.

★ **DD FORM 2061 COMPLETION PROCEDURES** (Table 2-10)

Note: The term "LOA" as used herein refers to the most recent LOA, amendment, or modification accepted or acknowledged by the foreign government.

<u>Line/ Col.</u>	<u>Description</u>	<u>Procedures</u>
1	FMS Case Number BC-P-ADK	Perpetuate LOAs. Use the format in Table 2-12 or an automated equivalent.
2	Date LOA Submitted to Foreign Government	Obtain from date of LOA.
3	Date Offer Expires	Obtain from expiration date of LOA.
4	Date Case Accepted by Foreign Government.	Obtain from acceptance date of LOA.
5	Total Case Value	Must agree with total of Column 14 and "Estimated Total Costs" of LOA.
6	Control Number	Consists of country code, case designator, Julian date (YYDDD), and a two-digit sequential number. Initial DD Form 2061 will use sequential number 01, with each succeeding submission using 02, 03, etc. The Julian date must agree with the data entered on line 7. Use the format BD-ADK-79346 01.
7	Date Prepared	Date formally prepared. Must agree with Julian date used in control number. Use the format 12 Dec 1998.
8	DoD Component/ Case Manager	Enter the DoD Component, followed by the case manager's name, organization, and DSN number, that is, Navy, J. Smith, NAVAIR, 222-7890
9	Case Item Number	This entry must match the entries on the LOA.
10	Item Description	This entry must match the item description on the LOA. Abbreviated titles should be used. However, when information is classified, enter "Classified-Refer to LOA."
11	Quantity	This entry must match exactly the entries on the LOA. Columns 9, 10, and 11 should show no further breakdown than is or will be reflected on the LOA.
12	Pricing Elements	This column will be used to provide breakdown of the cost of the article or service by pricing element using codes provided by Table 2-11.
13	Financing Approp- riation	For each pricing element, Column 12, enter the first impacted appropriation (the financing appropriation) or

<u>Line/Col.</u>	<u>Description</u>	<u>Procedures</u>
		fund for reimbursable actions; or enter "DC" for Direct Citation (for example, when the FMS Trust Fund will be directly cited on obligation documents). More than one appropriation may be entered for some pricing elements. Annual appropriations will reflect the applicable fiscal year.
14	Estimated Cost	Enter the estimated cost (priced in accordance with Chapter 7) for each financing appropriation, Column 13. For each item number with multiple entries in Columns 13 and 14, enter "Item No. Costs" in Column 13 after the last entry and the sum (subtotal) of the estimated costs for that item in Column 14. This sum must equal the line item total cost to be reflected on proposed LOA, amendment, or modification. For less than 10% increases, this amount will reflect the adjusted cost of the article or service. For each item number citing a single financing appropriation, the entry in Column 14 should be the cost of the item.
15	Direct Cite/Obligational Authority received to date most recent prior fiscal year (e.g. FY97 during FY98)	Leave blank if case was not implemented in a prior fiscal year. Enter, by financing appropriation Column 13, the amount of obligational authority issued by the DFAS-DE/I through the end of the prior fiscal year. Column 15 should be adjusted for withdrawals of unused obligational authority at the end of the previous year.
16	Funding Required to Date (same fiscal year entered in Column 15)	Leave blank if case was not implemented in a prior fiscal year. Columns 16a, 16b, and 16c provide a horizontal breakdown of amounts entered in Column 16d.
16a	Obligations Incurred	
16b	Unobligated Commitments	
16c	Items from Stock	
16d	TOTAL	Enter, by financing appropriation in Column 13, the obligational authority committed through the end of the prior fiscal year.
<p><u>Note:</u> On successive DD Forms 2061 in the same fiscal year, Columns 15 and 16 are constant and reflect the status by financing appropriation as of September 30 of the prior fiscal year. These entries, in total, must agree with the entries in Columns 7 and 8, respectively, of the annual consolidated DD Form 2060.</p>		
17	Current FY () Funding Plan	Enter the current fiscal year in the parentheses, e.g., (1998). For a new case in which obligational authority will not be required until a subsequent fiscal year, Column 17 should

Table 2-10 (Continued)

<u>Line/Description</u> <u>Col.</u>	<u>Procedures</u>
	reflect that subsequent year as the current fiscal year. Enter, by financing appropriation, the current FY obligational authority requirements. On successive DD Forms 2061, these figures are cumulative.
18 Remaining Program Value	Enter, by financing appropriation, the result of Column 14 minus the "total" of Column 16 minus column 17. This entry must not be a negative amount.
19 Budget Year () Funding Plan	Enter the fiscal year following the year shown in Column 17. Enter, by financing appropriation, the budget year obligational authority requirements. Amounts shown in Column 19 must not exceed the amounts shown in Column 18.
SUBTOTALS	
If the DD Form 2061 is prepared in support of a request for an increase of less than 10%, the following two lines will also be entered.	
10 and Subtotal 14-19	Enter "Subtotal" and the vertical sums of Columns 14 through 19. Check sums horizontally. Columns 14=16+17+18.
10, 14, Less than 10% and 18 increase	Enter "Less than 10% increase." In Columns 14 and 18, enter the amount of the cumulative net increase in the total materiel/services value.
10 and Net Case Value 14-19	Enter "Net Case Value" and the vertical sums of columns 14 through 19. Column 14 should agree with the "Estimated Cost" of the LOA. Check sums horizontally. Columns 14=16+17+18.
10, PC&H (if applic- 12-14, able) and 18	Enter "PC&H (___%)," Pricing element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7. PC&H charges were discontinued for DoD Working Capital Funds items effective October 1, 1990.
10, Admin (if applic- 12-14, able) and 18	Enter "ADMIN (___%)," Pricing element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7.

Table 2-10 (Continued)

<u>Line/Col.</u>	<u>Description</u>	<u>Procedures</u>
10, 12-14, and 18	Transportation (if applicable)	Enter "TRANS (___%)," and/or Parc. Post (___%)," as appropriate, Pricing element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate(s) and amount(s) as computed in accordance with Chapter 7.
		<u>Note:</u> Different rates may be used if partial delivery was made prior to April 13, 1978. The rate to be charged is the rate in effect at the time of delivery.
10, 12-14, and 18	Stock issue asset use (if applicable) for cases implemented after Sep 30, 1979 and all DD Form 2060/2061 submissions subsequent to that date up to Nov 30, 1989)	Enter "SIAU (1%)," Pricing Element "AU," Financing Appropriation "TF." In Columns 14 and 18, enter the amount computed in accordance with Chapter 7. Discontinued November 30, 1989.
10 and 14-19	Total Case Value	Enter "Total Case Value" and the vertical sum of Columns 14 through 19 for "Net Case Value" and PCH&T, Admin, Storage, and SIAU. Check sums horizontally. Columns 14=16+17+18. Column 14 should match the "Total Estimated Cost" line of the LOA.
10	Summary	Enter "Summary:"
10, 14-19	Reimbursable Program	As applicable, enter "Reimbursable Program" in Column 10. Sum columns 14 through 19 for all entries with other than "DC" or "TF" in Column 13.
10, 14-19	Direct Cite Program	As applicable, enter "Direct Cite Program" in column 10. Sum columns 14 through 19 for all entries with "DC" in Column 13.

If the DD Form 2061 is prepared in support of a less than 10% increase, the following two lines will also be entered:

10, 14-19	Subtotal	Enter "Subtotal" in Column 10. Sum "Reimbursable Program" and "Direct Cite Program," Columns 14 through 19.
10, 14, and 18	Less than 10% increase	Enter "Less than 10% increase" in Column 10. In Columns 14 and 18, enter the negative amount of the cumulative net increase in the total materiel/services value.
10, 14-19	Net Case Value	Enter "Net Case Value" in column 10. Sum "Reimbursable Program" and "Direct Cite Program," or, if applicable, "Subtotal" and "Less than 10% increase," Columns 14 through 19.

Table 2-10 (Continued)

<u>Line/Col.</u>	<u>Description</u>	<u>Procedures</u>
------------------	--------------------	-------------------

10, 14, and 18	PCH&T, Admin, etc.	If applicable, enter "PC&H," "PCH&T," "Admin," "Trans," and "Storage" in Column 10. Sum Columns 14 and 18 for all entries with "TF" in Column 13.
10, 14-19	Total Case Value	Enter "Total Case Value" in Column 10. Sum "Net Case Value," "PC&H," "Trans," "PCH&T," "Admin," and "Storage" lines (as entered from above procedure) for Columns 14 through 19. Check sums horizontally. Columns 14=16+17+18. Check to insure that each column total matches the sum entered on the previous "Total Case Value" line.

Table 2-10 (Continued)

★ **PRICING ELEMENTS AND THEIR FINANCING APPROPRIATIONS (Table 2-11)**

<u>Pricing Element</u>	<u>Description</u>	<u>Appropriation or Fund</u>	<u>Description</u>
AT	Attrition 978242.8209	FMS Trust Fund	Funds collected to cover equipment damaged beyond repair by foreign students.
AU	Asset Use Charges/ Contractor Rental Payments	SDAF or Miscellaneous Receipt Account 3041, as applicable	Applied as a percentage of the direct costs being billed and is in lieu of separate computations for charges required to be applied in order to recover taxpayer investment (sunk cost) in inventory or facilities (see Chapter 7). Note: Discontinued effective with all deliveries reported to the DFAS-DE/I after December 1989.
CC	Contract Cost	Direct citation of FMS Trust Fund or applicable appropriation/fund symbol (see Chap 1)	Cost of defense articles or services being supplied from procurement.
CP	Services of Civilian Personnel	Applicable appropriation/fund (O&M, RDT&E, or DoD Working Capital Funds)	Cost of civilian personnel services (including cost of fringe benefits reimbursed to the performing account and accelerated for leave and holidays when applicable) (see Chapter 7).
CR	Civilian Retirement Funded by DoD	Applicable appropriation/fund (O&M, RDT&E, or DoD Working Capital Funds)	This is an optional code that identifies the cost of civilian retirement benefits reimbursable to the performing account. Computed on basis of prescribed acceleration factors (see Chapter 7). This cost element may be included as part of CP.
CD	Civilian Retirement Not Funded by DoD	Miscellaneous Receipt Account 3041	Cost of civilian retirement benefits not reimbursable to the performing account. Computed on basis of prescribed acceleration factors (see Chapter 7).
CS	Contract Audit Support (for FY of Performing 1980 and prior, applies to FMS and commercial contracts; after FY 1980, applies to commercial contracts only)	O&M Appropriation Activity	Audit costs incurred in the evaluation of a contractor bid proposal or the audit of claims for incurred costs.

Table 2-11

<u>Pricing Element</u>	<u>Description</u>	<u>Appropriation or Fund</u>	<u>Description</u>
CX	Contract Administration Service (in FY81, used in lieu of CS & QS)	Trust Fund (TF), centrally managed by the DFAS-DE/I	Cost of the contract administration tasks set forth in the FAR, subpart 42.3 [reference (g)] and audit.
EG	DoD Engineering Support	O&M Appropriation of Performing Activity	Government-provided engineering services that are required to solve problems encountered during the production run, or efforts to improve the item's capabilities to meet predetermined specifications.
FS	DoD Production, Testing, and Evaluation Support	O&M, RDT&E Appropriation, or DoD Working Capital Funds	Government production testing and evaluation costs to be recovered on a pro-rata basis over benefiting production run items.
LS	Logistics Support Charge (LSC)	Trust Fund (TF) centrally managed by the DFAS-DE/I	Cost of logistics support. Note: Discontinued for DoD Working Capital Funds items, on or after October 1, 1990.
MP	Services of Military Personnel	Military Personnel (MP) Appropriations	Cost of military personnel services based on standard composite pay rates (as accelerated for leave and holidays when applicable) (see Chapter 7). Includes retirement for FY 85 and subsequent.
MR	Retired Military Pay (Note: This pricing element applies to FY 84 and prior)	Miscellaneous Receipt Account 3041 FY 84 and prior. See MP for 85 and subsequent years	Cost of imputed military retirement determined by applying appropriate acceleration factor to military personnel services costs (see Chapter 7).
MX	Other Benefits (when applicable)	O&M Appropriation of Performing Activity	Cost for portion of quarters, subsistence, medical, and other personnel support costs not included in MP. Computed by applying appropriate acceleration factor to military personnel service costs (see Chapter 7).
OS	Other Support	"TF" for PCH&T, Storage and Admin. Other appropriations, as applicable.	Other costs not specifically defined. PCH&T does not apply to DoD Working Capital Funds items delivery reported on or after October 1, 1990.

Table 2-11 (Continued)

<u>Pricing Element</u>	<u>Description</u>	<u>Appropriation or Fund</u>	<u>Description</u>
QS	DoD Quality Assurance Support (For FY 1980 and prior, applies to FMS cases and to commercial contracts; after FY 1980 applies to commercial contracts only)	O&M Appropriation of Performing Activity	Government-applied quality assurance costs to be recovered either on the basis of individual items examined or on a pro-rata basis over benefiting production run items.
RD	R&D and non-recurring production recoupment	SDAF 11X4116 or Miscellaneous Receipt Account 3041, as applicable	Recovery of nonrecurring costs as specified by Chapter 7.
RF	Royalty Fees	SDAF 11X4116 or Miscellaneous Receipt Account 3041, as applicable	Collection of royalty fees.
RS	Special RDT&E	RDT&E Appropriation	Special RDT&E effort being accomplished specifically for the FMS customer.
SA	Articles obtained from inventory for SDAF	SDAF 11X4116	Sale SDAF items originally obtained from DoD inventories.
SD	Articles procured from contractors for SDAF	SDAF 11X4116	Sale of SDAF items obtained from procurement.
SF	Articles from Stock not requiring replacement	SDAF or Miscellaneous Receipt Account 3041, as applicable	Sale of assets not requiring inventory replacement.
SR	Articles from stock requiring replacement	Procurement Appropriation or DoD Working Capital Funds	Sale of materiel requiring inventory replacement as a result of sale.

Table 2-11 (Continued)

<u>Element</u>	<u>Description</u>	<u>Appropriation or Fund</u>	Pricing
			<u>Description</u>
TF	Charges applied by the DFAS-DE/I	Trust Fund (TF), centrally managed by DFAS-DE/I	Below-the-line cost on the LOA (PCH, administrative fee, transportation, etc.) PCH does not apply to DoD Working Capital Funds items delivery reported on or after October 1, 1990
TR	Training related expenses for formal training	Direct Cite or appropriation account	The expenses related to the conduct of formal training.
TX	Transportation	Applicable appropriation or fund	Costs for transportation when DTS is approved and used. The DFAS-DE/I applied transportation charges do not apply to DoD Working Capital Funds material effective October 1, 1990, for generic code L1A, and effective October 1, 1991, for generic code L1D and L1E.

Special Pricing Element Codes for Air Force Training Cases

AR	Air Force Reserve	Air Force Reserve Appropriation	That portion of training reimbursement passed to Air Force Reserve.
DM	Depot Maintenance	DoD Working Capital Funds	That dollar portion of training course cost identified for depot maintenance.
NG	Air National Guard	National Guard Appropriation	That portion of training reimbursement passed to National Guard.
PL	Aviation POL	DoD Working Capital Funds	That dollar portion of training course cost identified POL.
TC	Reimbursement to a Foreign Government	Country TF	Third Country training with reimbursement from the second country.
XN	Reimbursable Orders to Navy	Direct Cite or Navy Appropriation Account which accepted order	That portion of the training case passed to Navy for execution.
XA	Reimbursable Orders to Army	Direct Cite or Army Appropriation Account which accepted order	That portion of the training case passed to Army for execution.

Table 2-11 (Continued)

<u>Element</u>	<u>Description</u>	<u>Pricing</u>	
		<u>Appropriation or Fund</u>	<u>Description</u>
XX	Reimbursable Orders to Defense Agencies	Direct Cite or Agency Appropriation Account which accepted order	That portion of the training case passed to Defense Agency for execution.
DI	Reimbursable Orders to DISAM	Direct Cite or AF Appropriation Account which accepted order	That portion of the training case passed to DISAM for execution.
M2	Military Personnel PCS	Military Pay Appropriation	Military personnel PCS costs incurred to accomplish FMS training case.
IP	Information Program Funds	Direct Cite or Appropriation Account which accepted order	That portion of the training case which funds the information program.
ML	Minor Construction	O&M Appropriation	That portion of the training case applicable to minor construction.

Table 2-11 (Continued)

FMS PLANNING DIRECTIVE (DD FORM 2061) EXAMPLE

FMS PLANNING DIRECTIVE													
(1) FMS Case No. <u>BC-P-ADK</u> (2) FMS Case Submitted to Foreign Government <u>XX</u> (3) Date Offer Expires <u>31 Oct 85</u> (4) Date Case Accepted by Foreign Government <u>30 Jun. 1985</u> <u>Navy/J. Smith</u> <u>NAVAIR, AV 222-7890</u>													
(9) Case Item No	(10) Item Description	(11) Qty	(12) Pricing Elements	(13) Financing Approp.	(14) Estimated Cost	(15) Direct Cite/ Obligi/ Auth Rec'd to Date ()	(16) Funding Required to Date ()			(17) Current FY () Funding Plan	(18) Remaining Program Value	(19) Budget Year () Funding Plan	
							Obligations Incurred	Unobligated Commitments	Items from Stock				Total
A.	LINES 1 AND 5 THROUGH 8 MUST BE COMPLETED ON ALL FORMS. LINES 2,3, AND 4 SHOULD BE COMPLETED IF INFORMATION IS AVAILABLE. THE APPROPRIATE FISCAL YEARS MUST BE INSERTED IN THE PARENTHESES ABOVE COLUMNS 15, 16, AND 19.												
B.	MATERIAL AND SERVICES PROCURED FROM A CONTRACTOR OR NON-DOD SOURCE. CONTRACT TO BE AWARDED IN THE CURRENT YEAR. CONTRACT ADMINISTRATION SERVICES APPLICABLE TO THE CURRENT YEAR. INCLUDES RECOUPMENT OF NON-RECURRING RESEARCH AND DEVELOPMENT AND NON-RECURRING PRODUCTION COSTS.												
1.	Ship	1	CC CX RD	DC TF 3041	2,450,000 36,750 200,000					2,450,000 36,750	200,000	200,000	
C.	MATERIAL PRODUCED BY NAVY INDUSTRIALLY FUNDED (NIF) ACTIVITY, 80% OF WORK TO BE COMPLETED IN THE CURRENT YEAR. ASSET USE CHARGES AND RETIREMENT SHOWN SEPARATELY.												
1.	Bomb	20	CC CP CR CD AU*	DC 17X4912 17X4912 3041 3041	800,000 26,491 1,735 5,576 1,353					640,000 21,533 1,388 4,461 1,082	160,000 5,388 347 1,115 271	160,000 5,388 347 1,115 271	
D.	MATERIAL PRODUCED BY NON-NIF NAVY ACTIVITY, 70% OF WORK TO BE COMPLETED IN THE CURRENT YEAR. ASSET USE AND RETIREMENT SHOWN SEPARATELY.												
1.	Film	1 Lot	OS OS CP CP CR CR CD AU*	1761804 1771804 1761804 1771804 1761804 1771804 3041 3041	350,000 150,000 18,544 7,947 1,215 520 5,576 21,353					350,000 0 18,544 0 1,215 0 3,903 14,947	0 150,000 0 7,947 0 520 1,673 6,406	0 150,000 0 7,947 0 520 1,673 6,406	

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*Asset use was applicable prior to 30 November 1989.

Table 2-12

FMS PLANNING DIRECTIVE (DD FORM 2061) EXAMPLE (CONTINUED)

FMS PLANNING DIRECTIVE													
(1) FMS Case No. BC-P-ADK		(5) Total Case Value		XX									
(2) FMS Case Submitted to Foreign Government		(6) Control Number		BC-D-ADK-86181.01									
(3) Date Offer Expires 31 Oct 85		(7) Date Prepared		30 Jun. 1985									
(4) Date Case Accepted by Foreign Government		(8) DoD Component		Naval/J. Smith									
				NAVAIR. AV 222-7890									
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)			(17)	(18)	(19)	
Case Item No	Item Description	Qty	Pricing Elements	Financing Approp.	Estimated Cost	Direct Cite/ Obligi Auth Rec'd to Date ()	Obligations Incurred	Unobligated Commitments	Items from Stock	Total	Current FY () Funding Plan	Remaining Program Value	Budget Year () Funding Plan
E.	MATERIAL PROVIDED FROM NON-EXCESS STOCK ITEMS - 50% FROM NSF, 25% FROM OPN (NEW PROCUREMENT) AND 25% FROM DLA												
1.	Spare Parts		SR	17X4911	80,000						80,000		
			CC	1761810	40,000						40,000		
			SR	97X4961	40,000						40,000		
			AU*	3041	1,200						1,200		
			CX	TF	600						600		
			LS	TF	5,022						5,022		
F.	MATERIEL PROVIDED FROM EXCESS STOCK												
1.	Helo Rotors	3	SF	3041	9,000						9,000		
			AU*	3041	90						90		
G.	CIVILIAN PERSONNEL COSTS PERFORMING AT A U.S. GOVERNMENT FACILITY, 50% IN THE CURRENT YEAR, 30% IN THE BUDGET YEAR AND 20% IN THE FOLLOWING YEAR. ASSET USE CHARGES AND RETIREMENT SHOWN SEPARATELY.												
1.	Services of Civ Pers		CP	1761804	13,246						13,246	0	0
			CP	1771804	7,947						0	7,947	7,947
			CP	1781804	5,298						0	5,298	0
			CR	1761804	868						868	0	0
			CR	1771804	520						0	520	520
			CR	1781804	347						0	347	0
			CD	3041	5,576						2,788	1,673	1,115
			AU*	3041	1,353						677	406	270

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*Asset use was applicable prior to 30 November 1989.

Table 2-12 (Continued)

FMS PLANNING DIRECTIVE (DD FORM 2061) EXAMPLE (CONTINUED)

FMS PLANNING DIRECTIVE													
(1) FMS Case No. <u>BC-PADK</u> (2) FMS Case Submitted to Foreign Government <u>XX</u> (3) Date Offer Expires <u>31 Oct 85</u> (4) Date Case Accepted by Foreign Government <u>30 Jun. 1985</u> <u>Navy/J. Smith</u> <u>NAVAIR, AV 222-7890</u>													
(9) Case Item No.	(10) Item Description	(11) Qty	(12) Pricing Elements	(13) Financing Approp.	(14) Estimated Cost	(15) Direct Cite/ Oblig Auth Rec'd to Date ()	(16) Funding Required to Date ()			(17) Current FY () Funding Plan	(18) Remaining Program Value	(19) Budget Year () Funding Plan	
							Obligations Incurred	Unobligated Commitments	Items from Stock				
H.	MILITARY PERSONNEL COSTS PERFORMING AT A U.S. GOVERNMENT FACILITY, 75% IN THE CURRENT YEAR, 25% IN THE BUDGET YEAR.												
1.	MILPERS		MP	1761453	50123					50,123	0	0	
			MP	1771453	16707					0	16,707	16,707	
			MX	1761804	3007					3,007	0	0	
			MX	1771804	1002					0	1,002	1,002	
			AU*	3041	2,834					2,126	708	708	
I.	RECOUPMENT OF NONRECURRING RESEARCH AND DEVELOPMENT AND NONRECURRING PRODUCTION COSTS IN THE CURRENT YEAR (INCLUDED IN END ITEM COST).												
1.	Nonrecurring Costs		RD	3041	202800					202,800			
J.	CONTRACT ADMINISTRATION SERVICES PROVIDED BY DLA, ASSET USE AND UNFUNDED RETIREMENT CHARGES SHOWN SEPARATELY.												
1.	CAS		CS	9760100	8,300					8,300			
			AU*	3041	332					332			
K.	RECOVERY OF ROYALTY FEES RELATED TO THE SALE OF A TECHNICAL DATA PACKAGE, BASED ON IN-COUNTRY PRODUCTION.												
1.	TDP		RF	3041	6,000					6,000			
L.	SALE OF EXCESS SHIP, "AS IS, WHERE IS," WITH APPLICABLE R&D RECOUPMENT.												
1.	Ex-USS Boat		SF	3041	2,225,000					2,225,000			
			RD	3041	50,000					50,000			
M.	SALE OF AN ITEM WHOSE DESCRIPTION WOULD REQUIRE CLASSIFICATION OF THE DD FORM 2061.												
1.	"Classified"		CC	DC	2,000,000					2,000,000			

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*Asset use was applicable prior to 30 November 1989.

Table 2-12 (Continued)

FMS PLANNING DIRECTIVE (DD FORM 2061) EXAMPLE (CONTINUED)

FMS PLANNING DIRECTIVE													
(1) FMS Case No. <u>BC-P-ADK</u> (2) FMS Case Submitted to Foreign Government <u>XX</u> (3) Date Offer Expires <u>31 Oct 85</u> (4) Date Case Accepted by Foreign Government <u>30 Jun 1985</u> <u>Navv/J. Smith</u> <u>NAVAIR, AV 222-7890</u>													
(9) Case Item No	(10) Item Description	(11) Qty	(12) Pricing Elements	(13) Financing Approp.	(14) Estimated Cost	(15) Direct Cite/ Obligi/Auth Rec'd to Date ()	(16) Funding Required to Date ()			(17) Current FY () Funding Plan	(18) Remaining Program Value	(19) Budget Year () Funding Plan	
							Obligations Incurred	Unobligatd Commitments	Items from Stock				Total
N.	FOREIGN LIAISON OFFICE AT A U.S. NAVY-OWNED FACILITY. ASSET USE OF 4% OF ALL OTHER CHARGES APPLIED IN LIEU OF SPACE RENTAL CHARGES. ASSUME THE FOLLOWING CHARGES: 1) TELEPHONE-\$250; 2) OFFICE EQUIPMENT-\$800; 3) MAIL-\$350; 4) DUPLICATING-\$1,000; 5) PRINTING-\$500; 6) TOLL CHARGES-\$800; 7) ADP SERVICES-\$400; AND 8) INDIRECT BASE SUPPORT-\$400.												
1.	Foreign Liaison Office		OS AU*	1761804 3041	4,500 180					4,500 180			
O.	SAME EXAMPLE AS ABOVE EXCEPT THAT 1) FACILITY IS RENTED BY NAVY; 2) PRO RATA SHARE OF RENTAL CHARGES IS \$2,500; AND 3) INDICATE BASE SUPPORT INCLUDED IN SPACE RENTAL CHARGE. ASSET USE IS 4% OF TOTAL												
1.	Foreign Liaison Office		OS AU*	1761804 3041	6,600 264					6,600 264			
P.	EXAMPLE OF PRIOR, CURRENT AND FUTURE YEAR DATA USING NO YEAR (X) ACCOUNT.												
1.	Special Support		OS AU*	17X4912 3041	288,462 264	144,231 5,770	108,173 4,327			144,231 5,770	36,058 1,443	36,058 1,443	
Q.	EXAMPLE OF PCH&H, ADMIN AND SOTCK ISSUE ASSET USE (SIAU), THROUGH TOTAL CASE VALUE.												
	NET CASE VALUE 1 Lot		OS	TF	8,000,000					6,000,000	2,000,000	2,000,000	
	PC&H(3.5%)		OS	TF	53,760					0	53,760	0	
	Admin(3%)		OS	TF	240,000					0	240,000	0	
	Trans(6.25%)		OS	TF	6,250					0	6,250	0	
	Parc Post(3.75%)		OS	TF	75,000					0	75,000	0	
	SIAU (1%)		AU*	TF	15,360					0	15,360	0	
	TOTAL CASE VALUE				8,390,370					14,947	2,390,370	2,000,000	

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*Asset use was applicable prior to 30 November 1989.

Table 2-12 (Continued)

FMS PLANNING DIRECTIVE (DD FORM 2061) EXAMPLE (CONTINUED)

FMS PLANNING DIRECTIVE												
(1) FMS Case No. <u>BC-P-ADK</u> (2) FMS Case Submitted to Foreign Government <u>XX</u> (3) Date Offer Expires <u>31 Oct 85</u> (4) Date Case Accepted by Foreign Government <u>30 Jun 1985</u> (5) Total Case Value <u>BC-D-ADK-86181 01</u> (6) Control Number <u>NAVY/J. Smith</u> (7) Date Prepared <u>NAVAIR AV 222-7890</u> (8) DoD Component												
(9) Case Item No	(10) Item Description	(11) Qty	(12) Pricing Elements	(13) Financing Approp.	(14) Estimated Cost	(15) Direct Cite/ Oblig Auth Rec'd to Date ()	(16) Funding Required to Date ()			(17) Current FY () Funding Plan	(18) Remaining Program Value	(19) Budget Year () Funding Plan
							Obligations Incurred	Unobligatd Commitments	Items from Stock			
R.	EXAMPLE OF A SUMMARY (EXECUTION TO BE COMPLETED IN BUDGET YEAR). CASE NOT IMPACTED BY A LESS THAN 10% INCREASE.											
	SUMMARY:											
	Reimbursable Program				15,000	15,000	0	5,000	5,000	5,000	5,000	5,000
	Direct Cite Program				45,000	45,000	45,000	0	45,000	0	0	0
	NET CASE VALUE				60,000	60,000	45,000	5,000	50,000	5,000	5,000	5,000
	PC&H, Admin, SIAU*				0	0	0	0	0	0	2,888	0
	TOTAL CASE VALUE				60,000	60,000	45,000	5,000	50,000	5,000	7,888	5,000

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*Asset use was applicable prior to 30 November 1989.

Table 2-12 (Continued)

DD FORM 2060 COMPLETION PROCEDURES (Table 2-13)

<u>DD Form 2060 Data Element</u>		<u>Information Source</u>	<u>Remarks</u>
<u>Line/Column # Description</u>			
	Type of Request	See remarks	Enter the designation of the document that occasioned the submission of the DD Form 2061 and 2060, e.g., LOA, modification, amendment, less than 10% increase, or DD Form 2061 Revision.
1	Performing Component	See remarks	Enter "Army," "Navy," or "Air Force."
2	Period Covered	Enter the fiscal year for which obligational authority is being requested, e.g., FY81	
<u>PART A</u>			
3	FMS Planning Directive Control No.	Obtain from line 6 of DD Form 2061	
4	Total Case Value	Obtain from "Total Case Value" line, Column 14, of "Summary" section of DD Form 2061. Also equals line 5, DD Form 2061.	
5	Amount to be Held in Trust Fund	Obtain from "PCH&T, Admin, and Storage, Column 14, in "Summary" section of DD Form 2061	PCH&T does not apply to DoD Working Capital Funds delivery reported on or after October 1, 1990. Storage charges do not apply to the FMSO I Part A on-hand DoD Working Capital Funds items.
6	Net Case Value	Computation: Column 4 - Column 5 = Column 6	This amount represents the total which will be provided the performing DoD Component for an FMS case.
7	Received	Obtain from "Net Case Value" line, Column 15, of the "Summary" section DD Form 2061	The entries in block 7, 8, and 9 are constant for a fiscal year and must agree with the entries on the annual consolidated DD Form 2060.

Table 2-13

DD FORM 2060 COMPLETION PROCEDURES (CONTINUED)

<u>DD Form 2060 Data Element</u>	<u>Information Source</u>	<u>Remarks</u>
<u>Line/Column # Description</u>		
8 Required	Obtain from "Net Case Value" line, Column 16 "Total," of the "Summary" section of the DD Form 2061	
9 Withdrawn	Computation: Column 7- Column 8= Column 9	Represents the amount of funds received in prior periods but not required for case performance. These amounts will be withdrawn from performing DoD Components.
10 & 11 Authority Required this Fiscal Year	Enter the fiscal year from line 2	
10 Reimbursable	Obtain from "Reimbursable Program" line, Column 17, of the "Summary" section of the DD Form 2061	Represents the amount of reimbursable obligation authority required for the current fiscal year.
11 Direct Cite	Obtain from the "Direct Cite" line, Column 17, of the DD Form 2061	Amounts in this column followed by a "(C)" represent direct citation delegation authority required for the current fiscal year. If blank, the request is for an allotment of funds for direct cite, with the implementing agency to be the accounting station.
12 Remaining Program	Computation: Column 6- [Column 8 + Column 10+Column 11]= Column 12. Should agree with "Net Case Value" line, Column 18, of the "Summary" section of the DD Form 2061	May be negative if type of request is for a less-than-10% increase.
13 Balance Brought Forward	N/A	
14 Case Total	N/A	

Table 2-13 (Continued)

DD FORM 2060 COMPLETION PROCEDURES (CONTINUED)

<u>DD Form 2060 Data Element</u>	<u>Information Source</u>	<u>Remarks</u>
<u>Line/Column # Description</u>		
15	Admin Expense	N/A
16	Total	Sum of entries by column
<u>PART B</u>		
17	Appropriation Title	Obtain from appropriate DoD Component directives Enter abbreviated title. Where the case is impacted by an increase of less than 10%, insert an additional line "Less-than-10% increase."
18	Account Symbol	Obtain from DD Form 2061, Column 13 Enter the first impacted (financing) appropriation or fund for reimbursement action; or enter "DC" where the Trust Fund is to be direct cited. Summarize into one line per account.
6	- Net Case Value	Obtain totals (by appropriation) from applicable column on DD Form 2061. Column 9 should be computed as Column 7-Column 8 Individual data under each column. Where the case is impacted by an increase of less than 10%, an appropriate negative entry will be shown in Column 6 and 12 as determined from Columns 14 and 18 of the DD Form 2061.
7	- Received	
8	- Required	
9	- Withdrawn	
10	- Reimbursable	
11	- Direct Cite	
12	- Remaining Program	
19	Balance Brought Forward	N/A
20	Obligational Authority	Enter totals (by column) for each applicable element Totals should reflect same data as DD Form 2060 summary data reflected in Part A.
21	Signature Block	To be completed by Appropriate DoD Component/Agency
22	Signature Block	To be completed by the DFAS-DE/I
23	Approval Control Number	To be completed by the DFAS-DE/I

Table 2-13 (Continued)

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060) EXAMPLE

FMS OBLIGATIONAL AUTHORITY									
FMS Case Commitment/Obligation Authority									
(1) Performing Component <u>Navy</u>									
(2) Period Covered <u>1986</u>									
(3) FMS Planning Directive	(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable		Authority Required This FY ()		(12) Remaining Program Value	
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable		(11) Direct Cite
BC-ADK-86181 02	7,473,923	217,687	7,256,236	6,203,500	1,812,079	4,391,421	22,100	4,420,057	1,002,000
(13) Balance brought fwd.									
(14) Case Total									
(15) Admin Expense									
(16) Total									
PART B: Financing Accounts									
(17) Appropriation Title (18) Account Symbol									
Direct Cite	DC		7,207,655	6,162,237	1,790,744	4,371,493	0	4,420,057	996,854
NIF	17X4912		36,101	30,863	13,015	17,848	17,940	0	5,146
O&M, N	1761804		8,000	10,000	8,000	2,000	0	0	0
O&M, N	1771804		4,000	0	0	0	4,000	0	0
Misc Receipts	3041		480	400	320	80	160	0	0
(19) Balance Brought Forward			7,256,236	6,203,500	1,812,079	4,391,421	22,100	4,420,057	1,002,000
(20) Obligational Authority									

(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11X8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.

(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (A) in column 11 but not to exceed the amounts specified by case.

Name of Accepting/Requesting Official _____

Name of Officing/Approving Official _____

(23) Approval Control No. _____

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Table 2-14

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060) EXAMPLE (CONTINUED)

FMS OBLIGATIONAL AUTHORITY									
FMS Case Commitment/Obligation Authority									
(1) Performing Component <u>Navy</u>									
(2) Period Covered <u>1986</u>									
(3) FMS Planning Directive	(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Authority (FY)		Authority Required This FY ()		(12) Remaining Program Value	
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable		(11) Direct Cite
BC-ADL-86181 02	61,800	1,800	60,000	60,000	50,000	10,000	6,000	5,000	-1,000
(13) Balance brought fwd.									
(14) Case Total									
(15) Admin Expense									
(16) Total									
PART B: Financing Accounts									
(17) Appropriation Title (18) Account Symbol									
Direct Cite	DC		45,000	45,000	40,000	5,000	0	5,000	0
NIF	17X4912		16,000	15,000	10,000	5,000	6,000	0	0
Less than 10% Increase			-1,000	0	0	0	0	0	-1,000
(19) Balance Brought Forward									
(20) Obligational Authority			60,000	60,000	50,000	10,000	6,000	5,000	-1,000
<p>(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11X242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.</p> <p>(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (A) in column 11 but not to exceed the amounts specified by case.</p>									
<p>Name of Accepting/Requesting Official _____</p> <p>Name of Offering/Approving Official _____</p> <p>(23) Approval Control No. _____</p>									

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Table 2-14 (Continued)

EXAMPLE OF RBI/RBF INTERFACE TRANSACTION DETAIL

Data Element Description and Element Abbreviation	Format/No. of Position	FICS TRC	Edit/Validations of: RBI Input--MILDEP to DFAS-DE/I RBF Feedback--DFAS-DE/I to MILDEP
Document Identifier Code (DIC)	X(3)	002	Must be RBI. If not, reject.
Case Budgetary Requirements (Input) Case Budgetary Requirements (Feedback)			"RBF" A machine generated mirror image of the RBI transaction appended by the Positive Transaction Reply Codes to become the RBF transaction.
Transaction Control No.(TCN) (YYMMDDNNNNNV)	X(13) 4-16	152	Must be numeric and equal to or less than the current date.
		249	Version Number (V) must be "0" if Action Code is "A" (add).
		248	Version Number (V) must be 1 thru 9 if Action Code is "C" (change) and must be one greater than suspense version number.
		251	If Action Code is "C" (change) or "D" (delete), Transaction Control Number (TCN)(excluding V). Must equal suspense file. (YYMMDDNNNNNV)
Action Code	X(1) 17	003	Must be "A", "C", or "D", otherwise invalid. A= Add; C= Change; D= Delete
Country Code (CC)	X(2) 18-19	037	Must equal 00 or 80 or must be on Country Code Table. If not reject.
Implementing Agency Code (IA)	X(1) 20	038	If Site Code = 5 or 6, IA code must be on IA Table.
Case Designator	X(3) 21-23	039	Must be a valid case; if not reject. If country code = 00 case must equal Axx, Mxx, or Lxx where A= ADM, M= MAG, L= LSC and "xx" is alpha-numeric characters equal to program year. If country code = 80 case must equal "CAS". Else case must be on the Active case control file (I) or closed (C) when case is a valid FMS case.
Amount OA Budgeted for Fiscal Year	S9(12) V99 24-37	160	Must be numeric (0-9). May be negative if making current year adjustment to a prior year, if not, reject.
FY Budgeted	X(2) 38-39	157	If country code = 80 or 00, FY budgeted must be alphanumeric. Spaces are not allowed.
		025	If country code not = 80 or 00, FY must be first prior (October only), current or first future (September only).
THE POSITIVE TRANSACTION CONTROL FEEDBACK CONTAINS THE ORIGINAL RBI TRANSACTION PLUS THE FOLLOWING DATA ELEMENTS FOR THE RBF TRANSACTION			
Transaction Reply Code (TRC)	X(15) 40-54		FEEDBACK TRANSACTIONS ONLY. This 15 character element is appended to the feedback format of all interface transactions by the recipient system. This area will contain 1 to 5, 3-digit transaction reply codes to communicate back to the originator system the results of processing the transaction. (Left justified/space filled).

Table 2-15

0203 PREPARATION AND PROCESSING OF DD FORMS 2061 AND 2060 FOR COOPERATIVE LOGISTICS SUPPLY SUPPORT ARRANGEMENTS

020301. General. Proper recognition and phasing of budget authority resulting from LOAs written to implement Cooperative Logistics Supply Support Arrangements (CLSSAs) create unique problems. Under these arrangements the customer funds the acquisition and maintenance of increments to normal DoD inventories and due-ins. Once these increments are established the customer is provided supply support with the same responsiveness as is provided to DoD military units. The applicable LOAs have the following three distinct financial subdivisions.

A. FMSO I, Part A. The FMSO I, Part A, represents the on-hand inventory level required in CONUS to support FMS requisitions to replenish in-country stocks. Normally, the on-hand level represents five months of demand. The cash necessary to establish on-hand inventory accompanies the accepted LOA.

B. FMSO I, Part B. The FMSO I, Part B, results in recognition of the contract authority necessary to award contracts for pipeline to support FMS customer demands. The concept is that the customer's requisition is filled from on-hand inventory acquired under the FMSO I, Part A. The inventory is then replaced by a delivery of a due-in from a contractor. Customer payments under the FMSO II provide the cash necessary to pay the contractor and establish new contract authority to award a contract for additional items--thus maintaining quantities in the pipeline. Because cash received from the FMSO II is used to pay for due-ins, the customer is not required to deposit cash in support of the FMSO I, Part B. However, billings against the FMSO I, Part B, are required if FMSO II demands are below expected levels. The FMSO I, Part B, normally represents 12 months of demand or the procurement lead-time whichever is greater.

C. FMSO II. The FMSO II is the annual consumption case. The FMSO II does not create budget authority until applicable requisitions are received (earned reimbursements) and customer cash is deposited in the financing appropriation account (collected). Upon shipment and collection, additional budget authority is recognized to maintain the pipeline created by the FMSO I, Part B.

020302. Preparation. The FMSO I is written in perpetuity and is modified only if the density of the end items to be supported changes or FMSO consumption patterns differ from expectations. The reimbursable budget authority resulting from acceptance of the FMSO I is credited to financing appropriations current at the time the contracts are awarded to increase on-hand and on-order quantities. The FMSO II is written annually, and the budget authority realized through operation of the FMSO II is credited to appropriations current at the time materiel is released from inventory in response to FMSO II requisitions. An example of an LOA written to implement a FMSO I and applicable DD Forms 2061 and 2060 are at Tables 2-16, 2-17, and 2-18, respectively. An example of an LOA written to implement a FMSO II and applicable DD Forms 2061 and 2060 are at Tables 2-19, 2-20, and 2-21, respectively.

**UNITED STATES DEPARTMENT OF DEFENSE
OFFER AND ACCEPTANCE (DD FORM 1513) EXAMPLE**

UNITED STATES DEPARTMENT OF DEFENSE OFFER AND ACCEPTANCE				(1) PURCHASER (Name and Address) (ZIP Code) Ministry of Defense Anywhere, Bandaria				
(2) PURCHASER'S REFERENCE		(3) CASE IDENTIFIER BD-P-KAA						
OFFER								
Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to sell to the above purchaser the defense articles and defense services listed below (hereinafter referred to collectively as "items" and individually as "defense articles" or "services"), subject to the terms contained herein and conditions set forth in Annex A. and to such other special terms and conditions which may be part of, and appended to, this Offer and Acceptance.								
(4) _____ Signature (U.S. Dept/Agency Authorized Representative) (5) _____ Typed Name and Title (6) ADDRESS: _____ (7) DATE: _____ (8) THIS OFFER EXPIRES: _____				(9) _____ Countersignature (Office of the Comptroller, DSAA) (Date) (10) _____ Typed Name and Title (11) DSAA ACCOUNTING ACTIVITY _____				
NOTE: This offer must be accepted not later than the date shown in block 8. Within five (5) days of the acceptance, you must notify the Office of the Comptroller, DSAA. Otherwise, this Offer is cancelled and retention of initial deposit by offerer pending disposition instructions shall not be deemed a waiver of such cancellation. Request prompt notification if this offer is rejected.								
ITEM OR REF. NO. (12)	ITEM DESCRIPTION (Including Stock Number if applicable) (13)	QUANTITY (14)	UNIT OF ISSUE (15)	ESTIMATED		AVAILA- BILITY AND REMARKS (18)	OFFER RE- LEASE CODE (19)	DE- LIVERY TERM CODE (20)
001	1R1 U00 00000000FMS01 FMS01 - Investment Case PART A - On Hand PART B - On Order			UNIT COST (16)	TOTAL COST (17)			
				27,490	93,466			
				65,976				
				\$ 93,466				
				\$				
				\$				
				\$ 1,375				
				\$				
				\$ 94,841				
(27) TERMS Dependable Undertaking \$ 65,976				(28) AMOUNT OF INITIAL DEPOSIT - \$ 28,865				
ACCEPTANCE								
(29) I am a duly authorized representative of the Government of _____ and upon behalf of _____ said Government, accept this offer under the terms and conditions contained herein (30) this _____ day of _____ 19_____. (31) _____ SIGNATURE (32) _____ TYPED NAME AND TITLE				(33) MARK FOR CODE _____ (34) FREIGHT FORWARDER CODE _____ (35) PROCURING AGENCY _____ (36) DESIGNATED PAYING OFFICE _____ (37) ADDRESS OF DESIGNATED PAYING OFFICE _____				

Table 2-16

FMS PLANNING DIRECTIVE (DD FORM 2061) EXAMPLE

FMS PLANNING DIRECTIVE												
(1) FMS Case No. <u>BD-P-KAA</u> (2) FMS Case Submitted to Foreign Government <u>94,841</u> (3) Date Offer Expires <u>30 Jun 1985</u> (4) Date Case Accepted by Foreign Government <u>NAVAIR, AV 222-7890</u>												
(5) Total Case Value (6) Control Number (7) Date Prepared (8) DoD Component												
(9) Case Item No	(10) Item Description	(11) Qty	(12) Pricing Elements	(13) Financing Approp.	(14) Estimated Cost	(15) Direct Cite/ Oblig Auth Rec'd to Date ()	(16) Funding Required to Date ()			(17) Current FY (86) Funding Plan	(18) Remaining Program Value	(19) Budget Year () Funding Plan
							Obligations Incurred	Unobligated Commitments	Items from Stock			
.001	FMSO 1 - Part A		SR	NSF	7,490					7,490		
			SR	APA	10,000					10,000		
			SR	DLA	10,000					10,000		
	FMSO 1 - Part B		SR	NSF	15,976					15,976		
			SR	APA	25,000					25,000		
			SR	DLA	25,000					25,000		
	NET CASE VALUE				93,466					93,466		
	ADMIN (5% of Part A)				1,375					1,375		
	TOTAL CASE VALUE				94,841					94,841		

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Table 2-17

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060) EXAMPLE

FMS OBLIGATIONAL AUTHORITY									
(1) Performing Component Navy									
(2) Period Covered 1996									
FMS Case Commitment/Obligation Authority									
(3) FMS Planning Directive	(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Authority (FY)			Authority Required This FY ()		(12) Remaining Program Value
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable	(11) Direct Cite	
BD-KAA-86100-01	94,841	1,375	93,466				93,466	0	0
(13) Balance brought fwd.									
(14) Case Total									
(15) Admin Expense									
(16) Total									
PART B: Financing Accounts									
(17) Appropriation Title (18) Account Symbol									
NSF									
APA									
DLA									
(19) Balance Brought Forward			23,466				23,466	0	0
(20) Obligational Authority			35,000				35,000	0	0
			93,466	0	0	0	93,466	0	0
<p>(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11X8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.</p> <p>(22). In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (A) in column 11 but not to exceed the amounts specified by case.</p>									
Name of Accepting/Requesting Official					Name of Officing/Approving Official				
					(23). Approval Control No.				

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Table 2-18

**UNITED STATES DEPARTMENT OF DEFENSE
OFFER AND ACCEPTANCE (DD FORM 1513) EXAMPLE**

UNITED STATES DEPARTMENT OF DEFENSE OFFER AND ACCEPTANCE				(1) PURCHASER (Name and Address) (ZIP Code) Ministry of Defense Anywhere, Bandaria				
(2) PURCHASER'S REFERENCE		(3) CASE IDENTIFIER BD-P-KBA						
OFFER								
Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to sell to the above purchaser the defense articles and defense services listed below (hereinafter referred to collectively as "items" and individually as "defense articles" or services"), subject to the terms contained herein and conditions set forth in Annex A. and to such other special terms and conditions which may be part of, and appended to, this Offer and Acceptance.								
(4) _____ Signature (U.S. Dept/Agency Authorized Representative) (5) _____ Typed Name and Title (6) ADDRESS: _____ (7) DATE: _____ (8) THIS OFFER EXPIRES: _____				(9) _____ Countersignature (Office of the Comptroller, DSAA) (Date) (10) _____ Typed Name and Title (11) DSAA ACCOUNTING ACTIVITY _____				
NOTE: This offer must be accepted not later than the date shown in block 8. Within five (5) days of the acceptance, you must notify the Office of the Comptroller, DSAA. Otherwise, this Offer is cancelled and retention of initial deposit by offerer pending disposition instructions shall not be deemed a waiver of such cancellation. Request prompt notification if this offer is rejected.								
ITEM OR REF. NO. (12)	ITEM DESCRIPTION (Including Stock Number if applicable) (13)	QUANTITY (14)	UNIT OF ISSUE (15)	ESTIMATED		AVAILA- BILITY AND REMARKS (18)	OFFER RE- LEASE CODE (19)	DE- LIVERY TERM CODE (20)
001	2C1 G4C 9G4G00EQMT FMSO 2 Requisition Case (Includes storage [Note: 1.5% of line 1 of FMSO No. 1, or \$27,490 X 1.5%])			UNIT COST (16)	TOTAL COST (17)	X		5
				\$ 66,389				
				\$				
				\$				
				\$ 1,992				
				\$				
				\$ 68,381				
(27) TERMS				(28) AMOUNT OF INITIAL DEPOSIT - \$ 17,096				
ACCEPTANCE								
(29) I am a duly authorized representative of the Government of _____ and upon behalf of _____ said Government, accept this offer under the terms and conditions contained herein (30) this _____ day of _____ 19____ (31) _____ SIGNATURE (32) _____ TYPED NAME AND TITLE				(33) MARK FOR CODE _____ (34) FREIGHT FORWARDER CODE _____ (35) PROCURING AGENCY _____ (36) DESIGNATED PAYING OFFICE _____ (37) ADDRESS OF DESIGNATED PAYING OFFICE _____ _____				

Table 2-19

FMS PLANNING DIRECTIVE (DD FORM 2061) EXAMPLE

FMS PLANNING DIRECTIVE												
(1) FMS Case No. <u>BD-PKBA</u> (2) FMS Case Submitted to Foreign Government <u>BD-PKBA-86-100-01</u> (3) Date Offer Expires <u>30 Jun 1985</u> (4) Date Case Accepted by Foreign Government <u>NAVAIR AV 222-7890</u>												
(5) Total Case Value (6) Control Number (7) Date Prepared (8) DoD Component												
(9) Case Item No	(10) Item Description	(11) Qty	(12) Pricing Elements	(13) Financing Approp.	(14) Estimated Cost	(15) Direct Cite/ Oblig Auth Rec'd to Date ()	(16) Funding Required to Date ()			(17) Current FY (86) Funding Plan	(18) Remaining Program Value	(19) Budget Year () Funding Plan
							Obligations Incurred	Unobligated Commitments	Items from Stock			
.001.	FMSO 2 - Storage		SR SR SR OS	NSF APA DLA OMIN	15,976 25,000 25,000 413					15,976 25,000 25,000 413		
	NET CASE VALUE				66,389					66,389		
	ADMIN				1,992					1,992		
	TOTAL CASE VALUE				68,381					68,381		

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Table 2-20

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060) EXAMPLE

FMS OBLIGATIONAL AUTHORITY									
FMS Case Commitment/Obligation Authority									
(3) FMS Planning Directive Control No.	(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Authority (FY)			Authority Required This FY ()		(12) Remaining Program Value
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable	(11) Direct Cite	
BD-P-KBA	73,925	7,436	66,389				66,389	0	0
(13) Balance brought fwd.									
(14) Case Total									
(15) Admin Expense									
(16) Total									
PART B: Financing Accounts									
(17) Appropriation Title — (18) Account Symbol —									
NSF			16,389				16,389	0	0
APA			25,000				25,000	0	0
DLA			25,000				25,000	0	0
(19) Balance Brought Forward			66,389				66,389	0	0
(20) Obligational Authority									
<p>(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11X8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.</p> <p>(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (A) in column 11 but not to exceed the amounts specified by case.</p>									
<p>Name of Accepting/Requesting Official _____</p> <p>Name of Offering/Approving Official _____</p> <p>(23) Approval Control No. _____</p>									

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1 Mar 79

Table 2-21

0204 PREPARATION AND PROCESSING OF DD FORMS 2060 FOR FMS ADMINISTRATIVE BUDGET AND LOGISTICS EXPENSE

★ 020401. General. A budget call for the FMS administrative charge will be issued by the DSCA. A DD Form 2060 requesting an allotment to fund actual FMS administrative expenses shall be prepared by a DoD Component upon receipt of the approved the DSCA budget for actual FMS administrative expenses. The initial DD Form 2060 shall request an allotment for the first quarter of the applicable fiscal year. Thereafter, DD Form 2060 shall be submitted prior to the start of each remaining quarter and at the end of the fiscal year. A total of five DD Forms 2060 are required. The deadline(s) for submission to the DFAS-DE/I of the DD Forms 2060 requesting allotment of administrative funds and logistics support funds is as follows: 10 September - 1st Quarter; 10 December - 2nd Quarter; 10 March - 3rd Quarter; 10 June - 4th Quarter; 20 October - End of Year Adjustment. The DSCA will then issue allocations of FMS administrative funds to DoD Components not later than the 20th day of the respective month. Administrative expenses shall be charged directly to the allotment received. Upon receipt of status of allotment reports, the DFAS-DE/I shall, based on organization code, debit the actual cost of administrative organizations to the FMS administrative charge account.

020402. Preparation. An example of the initial DD Form 2060 is contained in Table 2-22. The approved annual FMS Administrative Budget shall be entered in Part A, Column 6 for "Net Case Value." Column 11 shall reflect the allotment (OA/EA) required for the first quarter. Column 12 shall reflect the difference between Column 6 and Column 11. Table 2-23 contains an example of a follow-up DD Form 2060 (second quarter). Column 7, Part A, shall reflect the amount of OA/EA issued by the DFAS-DE/I in the first quarter; Column 8 the amount actually required; and Column 9, the difference between Column 7 and Column 8. The amount in Column 9 will be withdrawn and reissued as part of the second quarter's required allotment. Column 11 shall reflect the allotment (OA/EA) required for the current quarter (i.e., the second quarter). Column 12 is the difference between Column 6 and the sum of Columns 8 and 11 (i.e., total annual budget minus first quarter's actual OA/EA requirements and the second quarter's anticipated OA/EA requirements). For subsequent DD Forms 2060, Columns 7, 8, and 9 will represent cumulative amounts. The unobligated amount in Column 9 of the DD Forms 2060 for year-end will be available for withdrawal by the DFAS-DE/I.

020403. Year-End Report. Table 2-24 is an example of a completed year-end DD Form 2060. Part B of the second-through-fourth quarter DD Forms 2060, as well as the final DD Form 2060 at the end of the fiscal year (see Table 2-23 for the second quarter), also shall be completed. Part B shall contain the cumulative dollar amounts of the Trust Fund allotment used for issuing reimbursable order to appropriation accounts by appropriation and cumulative quarterly amounts directly cited to the FMS Trust Fund. Implementing agencies must ensure hardcopy reports agree with computerized submissions. No outstanding commitments should be reported.

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060) EXAMPLE

FMS OBLIGATIONAL AUTHORITY									
(1) Performing Component <u>Air Force</u>									
(2) Period Covered <u>1st Qtr 1986</u>									
(3) FMS Case Commitment/Obligation Authority	(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Authority (FY)			Authority Required This FY ()		(12) Remaining Program Value
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable	(11) Direct Cite	
N/A			100,000,000	0	0	0	0	30,000,000	70,000,000
(13) Balance b/r't fwd. (14) Case Total (15) Admin Expense (16) Total			100,000,000	0	0	0	0	30,000,000	70,000,000
PART B: Financing Accounts									
(17) Appropriation Title (18) Account Symbol									
(19) Balance Brought Forward (20) Obligational Authority			0	0	0	0	0	0	0

(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10; (2) authority for a direct cite against 97-11X8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.

(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10; (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (A) in column 11 but not to exceed the amounts specified by case.

Name of Accepting/Requesting Official _____

Name of Offering/Approving Official _____

(23) Approval Control No. _____

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Table 2-22

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060) EXAMPLE

FMS OBLIGATIONAL AUTHORITY									
FMS Case Commitment/Obligation Authority									
(1) Performing Component: _____ A/E Force _____									
(2) Period Covered: _____ 2nd Qtr. 1986 _____									
(3) FMS Planning Directive Control No.	(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Authority (FY)			Authority Required This FY ()		(12) Remaining Program Value
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable	(11) Direct Cite	
N/A			100,000,000	30,000,000	25,000,000	5,000,000		30,000,000	45,000,000
(13) Balance brought fwd.									
(14) Case Total									
(15) Admin Expense									
(16) Total			100,000,000	30,000,000	25,000,000	5,000,000		30,000,000	45,000,000
PART B: Financing Accounts									
(17) Appropriation Title	(18) Account Symbol								
O&M	5763-400								
MP	5763-500								
RDT&E	5763-600								
Misc Receipts	57 3041								
Direct Cite	5711X8242								
(19) Balance Brought Forward									
(20) Obligational Authority									
(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11X8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.		(22.) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (A) in column 11 but not to exceed the amounts specified by case.							
Name of Accepting/Requesting Official _____		Name of Offering/Approving Official _____							
		(23.) Approval Control No. _____							

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Table 2-23

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060) EXAMPLE

FMS OBLIGATIONAL AUTHORITY									
FMS Case Commitment/Obligation Authority									
(3) FMS Planning Directive	(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Authority (FY)		Authority Required This FY ()		(12) Remaining Program Value	
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable		(11) Direct Cite
N/A			100,000,000	100,000,000	95,000,000	5,000,000		30,000,000	45,000,000
(13) Balance brought fwd.									
(14) Case Total									
(15) Admin Expense									
(16) Total			100,000,000	100,000,000	95,000,000	5,000,000		30,000,000	45,000,000
PART B: Financing Accounts									
(17) Appropriation Title	(18) Account Symbol								
O&M	57 6 3400								
MP	57 6 3500								
RD&E	57 6 3600								
Misc Receipts	57 3041								
Direct Cite	5711X8242								
(19) Balance Brought Forward									
(20) Obligational Authority									
<p>(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11X8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.</p> <p>(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (A) in column 11 but not to exceed the amounts specified by case.</p>									
Name of Accepting/Requesting Official		Name of Offering/Approving Official							
		(23) Approval Control No.							

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Table 2-24

0205 PREPARATION AND PROCESSING OF DD FORMS 2060 FOR CONTRACT ADMINISTRATION SERVICES (CAS) PROVIDED BY DOD ON COMMERCIAL CONTRACTS

020501. General. New York Control Point of the Defense Logistics Agency (DLA-DCMC International) is the DoD central control point (CCP) for processing foreign country and international organization requests for DoD Contract Administration Services support of commercial contracts. The cases developed by the DoD Central Control Point (DoDCCP) are entered into the DFAS Program Budget and Accounting System (PBAS). The PBAS manages FMS cases and handles the issuances of obligational/expenditure authority. The DoDCCP also uses the PBAS for billing and collection purposes.

0206 PREPARATION AND PROCESSING OF DD FORMS 2060 FOR CONTRACT ADMINISTRATION COSTS INCURRED IN SUPPORT OF FMS CONTRACTS

020601. DD Form 2060 Processing. Paragraph 070405 prescribes a method for recovering the cost incurred in performing contract administration and contract audit on contracts awarded as a result of customer acceptance of an LOA.

★ A. Before actual contract administration and audit costs may be incurred, the DoD Component must establish a reimbursable order in the financing appropriation which will initially pay the actual cost of such services. DoD Components shall submit a letter to the DSCA Comptroller and to the DFAS-DE/I prior to start of the fiscal year. The letter shall specify the amount of anticipated reimbursements for services to be performed during the new fiscal year. The letter to DFAS-DE/I shall be accompanied by a DD Form 2060 which contains in Column 6, Part A, the amount of anticipated reimbursements specified in the letter. Part B of the DD Form 2060 shall list the appropriations and anticipated reimbursements to each. Upon approval of the budget estimate by DSCA, the DFAS-DE/I will approve the DD Form 2060.

B. The approved DD Form 2060 shall constitute the reimbursable order to perform contract administration (or audit) on FMS contracts. There will be no requirement to update this DD Form 2060 until the end of the fiscal year unless there is a change before that time. The year-end DD Form 2060 shall show the actual cost incurred by appropriation. The DFAS-DE/I will use this DD Form 2060 as the basis for withdrawing obligational authority for unobligated balances.

C. Tables 2-25 and 2-26 illustrate the initial and year-end DD Form 2060.

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060) EXAMPLE

FMS OBLIGATIONAL AUTHORITY										
FMS Case Commitment/Obligation Authority										
(3) FMS Planning Directive		(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Authority (FY)			Authority Required This FY ()		(12) Remaining Program Value
					(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable	(11) Direct Cite	
N/A				12,000,000	0	0	0	12,000,000		0
(13) Balance b/r't fwd.										
(14) Case Total										
(15) Admin Expense										
(16) Total				12,000,000	0	0	0	12,000,000		0
PART B: Financing Accounts										
(17) Appropriation Title		(18) Account Symbol								
O&M, AF		5713400								
MP, AF		5713500								
Misc Receipts, AF		573041								
(19) Balance Brought Forward										
(20) Obligational Authority		12,000,000								
<p>(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11X222 for amounts designated (3) in column 11, and (3) allotments in amounts designated (4) in column 11.</p> <p>(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (3) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (4) in column 11 but not to exceed the amounts specified by case.</p>										
Name of Accepting/Requesting Official		Name of Offering/Approving Official								
		(23) Approval Control No.								

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Table 2-25

FMS OBLIGATIONAL AUTHORITY (DD FORM 2060) EXAMPLE

FMS OBLIGATIONAL AUTHORITY									
(1) Performing Component ___ Air Force ___									
(2) Period Covered ___ Year-End ___									
(3) FMS Planning Directive	(4) Total Case Value	(5) Amount to Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Authority (FY)		Authority Required This FY ()		(12) Remaining Program Value	
				(7) Received	(8) Required	(9) Withdrawn	(10) Reimbursable		(11) Direct Cite
N/A			12,000,000	12,000,000	11,859,225	140,775			0
(13) Balance b7c f7d.									
(14) Case Total									
(15) Admin Expense									
(16) Total			12,000,000	12,000,000	11,859,225	140,775			0
PART B: Financing Accounts									
(17) Appropriation Title (18) Account Symbol									
O&M, AF	5713400			10,100,000	9,995,000	105,000			
MP, AF	5713500			442,688	425,000	17,688			
Misc Receipts, AF	573041			1,457,312	1,439,225	18,087			
(19) Balance Brought Forward				12,000,000	11,859,225	140,775			
(20) Obligational Authority			12,000,000						
<p>(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11X8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.</p> <p>(22). In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designated (A) in column 11 but not to exceed the amounts specified by case.</p>									
Name of Accepting/Requesting Official _____					Name of Offering/Approving Official _____				
					(23). Approval Control No. _____				

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Table 2-26

0207 BUDGET EXECUTION

020701. Objectives. This section establishes the budget execution requirements which are applicable to the FMS program. Specific objectives are to assure that:

A. Mandatory budget execution reports are submitted to the Office of Management and Budget or the Department of the Treasury in a timely manner and that the reports accurately reflect data recorded in accounting records.

B. Unnecessary FMS Obligational Authority is officially withdrawn from all organizations participating in execution of FMS cases at the end of each fiscal year.

C. FMS case records maintained by implementing agencies are in agreement with the DFAS-DE/I throughout the life of an FMS case.

020702. Responsibilities

A. The DFAS-DE/I is responsible for providing accounting data on FMS Trust Fund operation to DoD Components.

B. The DSCA is responsible for monitoring the FMS program and submission of required FMS Trust Fund budget execution reports.

C. Implementing agencies and supporting DoD Components are responsible for:

1. Conducting year-end reviews of the unobligated FMS reimbursable program to assure unnecessary budget authority is identified and returned to the FMS Trust Fund.

2. Assuring that the FMS reimbursable program is properly reported in appropriation/Defense Working Capital Fund budget execution reports.

3. Submitting financial execution reports accurately and on a timely basis.

4. Reconciling implementing agency FMS case records to the DFAS-DE/I case level accounting records on a periodic basis.

5. Preparing Case Closure Certificates as soon as possible after the case is supply complete but no longer than 24 months after such occurrence.

0208 FMS TRUST FUND BUDGET EXECUTION REPORTS

★ 020801. Execution Reports. There are eight required reports on FMS Trust Fund operations: (a) a monthly SF-133, "Report on Budget Execution for 11X8242, Advances Foreign Military Sales Executive;" (b) a monthly SF-133, "Report on Budget Execution for 11X0085, Offsetting Trust and Receipts, Military Assistance, Executive;" (c) a monthly ACCT-RPT(M)1002, "Report on Appropriations Status by Fiscal Year Programs and Subaccounts;" (d) a semi-annual "Status of Contract Authority" report, TFS Form 7304 on 11X8242; (e) a quarterly "Report on Receivables Due From the Public" on 11X8242; (f) an annual "Analysis of Appropriation and Fund Balances," TFS Form 2108 on 11X8242; (g) appropriate sections of the annual Chief Financial Officer Financial Statements (see section 209); and (h) an annual Federal Agencies' Centralized Trial-Balance System (FACTS) report. Administrative instructions for all eight reports, e.g., the number of required copies and submission times are set forth in Chapter 5 of Volume 6 of this Regulation. Illustrations and specific information about these reports can be found in the same chapter.

0209 FINANCIAL STATEMENTS

★ 020901. Statements. For financial statement guidance concerning the reporting of Foreign Military Sales amounts, see Volume 6B of this Regulation; Chapter 2, paragraph 020104; Chapter 9, paragraph 090203; and Chapter 10, paragraph 101706.

0210 CASE EXECUTION

021001. Fiscal Year-end. At the end of each fiscal year, a review of the reimbursable obligational authority received to implement an FMS case shall be accomplished. The total amount of reimbursable budget authority received is reflected in Column 10 of the DD Form 2060. The review shall serve as the basis to withdraw any unnecessary unobligated balances. The withdrawal shall be accomplished through submission of a year-end DD Form 2060 or automated equivalent. See section 202 of this Volume for instructions on the preparation of the DD Form 2060.

A. Nonexpiring Accounts. At the close of each fiscal year, reimbursable FMS obligational authority shall be retained in a performing DoD account only to the extent that (1) the amounts are required to cover certifiable obligations incurred by the performing account as a result of performance of the order; (2) the amounts have been committed within a formal commitment accounting system, for example, to cover normal administrative lead-time on the next contract escalation clauses; or, (3) items have been delivered from inventory or applicable DoD services have been performed (cash earned reimbursement). Any reimbursable FMS obligational authority not required for these purposes shall be withdrawn from the performing accounts as of September 30 each year. It is recognized that year-end reviews must be made prior to the last day of the fiscal year. Therefore, the amount of obligational authority retained may be somewhat greater than the goal. However, it is expected that estimating procedures shall be improved continually until unnecessary unobligated balances are eliminated.

★ B. Expiring and Expired Accounts. As of the close of each fiscal year, reimbursable FMS obligational authority may be reflected in an expiring account only to the extent that the amounts are earned reimbursements or required to cover certifiable obligations incurred against the performing account. Any reimbursable FMS obligational authority not required to cover obligations in the expiring account shall be withdrawn as of September 30 each year. During the fiscal year, amounts required in expired accounts shall be transferred from the Trust Fund, as necessary, to cover upward obligation adjustments necessitated by within-scope changes to contracts or similar transactions.

★ 021002. Reimbursement of Appropriations and Accounts. Reimbursement to appropriations and accounts, including miscellaneous receipts accounts, upon delivery of items from inventory or performance of DoD services shall be accomplished within 30 days of occurrence (date of shipment or performance).

021003. DD Form 2061. The FMS case DD Form 2061 prescribed in section 202 of this Volume shall be updated as required. The updating of cost elements and financing accounts is necessary to: ensure full recoupment of the costs prescribed in Chapter 7 of this Volume, ensure timely identification of cost increases, and serve as the basis for preparation of all DD Forms 2060 during the life of the case.

021004. FMS Case Closure Procedures

A. General. DoD policy requires that all proper charges and credits be recorded against the applicable FMS case. Thus, case closure does not stop the billing/reporting process, rather it results in a recategorization of the case records from an active status to an inactive status to ensure accessibility for recording subsequent activity. In other words, a case never closes from a DoD accounting perspective.

★ B. Initiating FMS Case Closure. When all ordered items have been physically delivered, all ordered services performed (i.e., supply/services complete) or there is no activity on a blanket order case for 180 days, and all other conditions of the LOA are fulfilled, an FMS case is a candidate for closure. At this time, responsible DoD Components shall determine if there are any open items or Supply Discrepancy Reports (SDRs) and contracting officers shall review any contracts that have not been financially closed to determine if significant financial adjustments of open contracts may occur. The case manager shall ensure the following actions are taken:

1. Request an FMS case Financial Management Worksheet and a listing of historical billing transactions (FK History Listing) from the DFAS-DE/I, if necessary, to reconcile implementing agency records. The implementing agency work-in-progress account should agree with the delivered value. If not, the implementing agency must submit applicable reports to balance.

2. Submit a final DD Form 2061 or automated equivalent to the DFAS-DE/I.

3. Submit a final DD Form 2060 or automated equivalent to the DFAS-DE/I.

4. For all FMS cases **without** remaining unliquidated obligations:

a. The applicable DoD Component shall submit an FMS Case Closure Certificate (Table 2-27) within 24 months after an FMS case is supply complete.

★ b. A DoD Component that determines the final unresolved reconciliation issues for a case in the process of being closed amounts to less than a maximum of \$200 for that case may charge the FMS Administrative Charge Budget, object classification 42.3, "Supply Discrepancy Reports - Charges for Closed FMS Cases" for the amount required to effect final reconciliation and close the case. The DFAS-DE/I will provide the DSCA/COMPT-FMPD with a quarterly summary of certificates received in which amounts have been charged in accordance with this paragraph.

★ c. Should a DoD Component determine that, due to reconciliation issues, a case cannot be closed within 24 months of supply completion, the case, along with identification of the problem or cause believed to prevent case closure, shall be submitted to the DSCA for resolution with the OUSD(C). Such submissions shall be made within 24 months after an FMS case is supply complete and shall include an FMS Case Closure Analysis (Table 2-29) and a copy of the LOA and associated amendments/modifications.

5. For FMS cases **with** remaining unliquidated obligations:

a. For countries participating in accelerated case closure (ACC) procedures:

(1) ACC procedures shall only be used for those countries which explicitly elect such procedures. All countries that have cases financed with MAP/Grant Aid/FMF Credit (non-repayable) are mandatory participants in ACC procedures unless specifically excluded by DSCA.

(2) Once selected by a country, ACC procedures shall apply to all cases of that country.

(3) The applicable DoD Component shall submit an interim Case Closure Certificate, within 24 months after an FMS case is supply complete (see Table 2-28).

(4) The applicable DoD Component shall determine and report the value of any remaining unliquidated obligations. These amounts should be equal to those recorded by the DoD Component.

(5) Using the DoD Component's remaining unliquidated obligations (ULO), DFAS-DE/I shall bill the applicable country using normal billing procedures.

★ (6) The DFAS-DE/I shall record the billed (and subsequently, the collected) amounts in a summary account entitled "Case Closure Suspense Account." At the same time, applicable charges and credits shall be recorded, by country and by case, in subsidiary accounts which total to the case closure suspense account.

(7) When final costs are known and reported by the DoD Components, the DFAS-DE/I shall record such amounts against the Case Closure Suspense Account, and subsidiary account, by country and by case.

(8) Upon receipt and payment of final bills, the DoD Components shall submit final Case Closure Certificates.

(9) On a semi-annual basis, the DFAS shall submit, to the Deputy Chief Financial Officer, OUSD(C), and the DSCA Comptroller, a status report on the Case Closure Suspense Account and subsidiary accounts.

★ (10) Whenever a country's Case Closure Suspense Account has a negative balance of \$100,000 or more for a period of six consecutive months the DFAS-DE/I shall bill the country for the entire balance owed. For example, if the country's suspense account has negative balances of \$100,000 on December 31, \$250,000 on March 31, and \$175,000 on June 30, the DFAS-DE/I will bill the country \$175,000. Such billings should be through the country's omnibus quarterly billing statement and will cite the FMS case involved. DSCA should review the country's Case Closure Suspense account periodically to determine if any refund is warranted.

★ b. All countries that have cases financed with MAP/Grant Aid/FMF Credits (non-repayable) are included in the accelerated procedures, unless excluded by the DSCA.

c. For countries not participating in accelerated case closure procedures: The DoD Components shall submit Case Closure Certificates only after all applicable costs have been finalized.

★ 6. At case closure, the final closure certificate submitted to the DFAS-DE/I may be used in lieu of an LOA amendment or modification unless the FMS customer insists upon a formal amendment or modification.

C. Closure Certification. The FMS Case Closure Certificate (Table 2-27) alerts the DFAS-DE/I to initiate case reconciliation actions. When DoD Components and the DFAS-DE/I FMS case records are reconciled, the DFAS-DE/I shall proceed to reclassify the case to an inactive status and provide a final statement of account to the FMS customer for the DFAS-

DE/I recorded value billed. The implementing agency closes applicable case records. Certifications for case closure for shall be signed by the commander of the activity or his designated representative.

D. Billings After Case Closure

1. For those cases on which accelerated case closure procedures do not apply:

★ a. All cases must be reclassified to active status except for those with a transaction adjustment of \$200 or less. Such adjustments may be charged to the FMS Administrative Charge Budget, object classification 42.3, "Reports of Discrepancy - Charges for Closed FMS Cases." Otherwise, accounting records will be re-established at the amounts recorded at the time closure certification occurred. Reclassification to active status must occur in both the DoD Component and the DFAS-DE/I records.

(1) All post closure disbursements or credits shall be recorded in an undistributed account until case records are reactivated.

(2) Upon the FMS customer request, a modification may be issued to the country for cases with post-closure activity in excess of 10 percent of the net case value at the time of closure.

(3) When cases are reactivated, DoD Components will request additional obligational authority, commence reporting status of funds data, request expenditure authority, process disbursement/credit transactions, and report adjusted delivery information via the delivery transaction.

(4) Once the disbursement/credit and billing process is complete, the DFAS-DE/I will bill the FMS customer accordingly. Re-closure is accomplished in accordance with subparagraph 021004.C.

★ 2. For cases where accelerated case closure procedures apply:

★ a. When post-closure disbursements are reported by the DoD Components, DFAS-DE/I shall record such amounts against the Case Closure Suspense Account and subsidiary accounts by country and by case.

★ b. When post-closure disbursements exceed \$100,000 (in either direction) as a result of a verified pricing error, the applicable DoD Component shall submit a request to the DSCA, with an information copy to the DFAS-DE/I, that the case be reopened. Upon receipt of the DSCA approval to reopen the case, the applicable DoD Component will issue a modification to the foreign country. In any event, the DFAS-DE/I shall bill the country for the entire balance owed in accordance with established billing procedures.

★ c. When all post closure disbursements/credits have been reported and final costs determined, the DoD Component shall certify the case for finalized status utilizing the case closure certificate at Table 2-27.

FINAL FMS CASE CLOSURE CERTIFICATE

1. Date: _____.
2. Implementing Agency/Country/Case: _____.
3. Net Case Value: _____.
4. Case Canceled at FMS Customer's Request: _____.
5. Final delivered charges against net case value including CAS and LSC: _____.

A.____The net case value shown on line 3 agrees with implementing agency records and obligational authority released to this agency via DD Form 2060.

and

★ B.____The contracts awarded in connection with the FMS case are logistically and financially complete and included in line 5 (case closed). Total contract value subject to CAS charges:_____.

and

C.____All requisitions, reimbursable work orders, MIPR's and invitational travel orders that have been processed pursuant to this FMS case are accounted for and the costs thereof are included in line 5. Reimbursements from the DFAS-DE/I have been credited to the financing appropriation or Miscellaneous Receipt Account 3041, as applicable.

and

D.____All estimated deliveries have been converted to actual deliveries.

and

★ E.____All outstanding discrepancy reports against the case have been processed.

and

★ F.____Performance Reporting and Cash Disbursements have been reconciled with Implementing Agency accounting records and are equal in value. The value of unresolved reconciliation issues recorded in accordance with paragraph 021004.B.4.b.and c. is _____.

★6. Above-the-line disbursements net of CAS and LSC:_____.

Signature of Certifying Official

Table 2-27

INTERIM FMS CASE CLOSURE CERTIFICATE

1. Date: _____.
2. Implementing Agency/Country/Case: _____.
3. Net Case Value: _____.
4. Case Canceled at FMS Customer's Request: _____.
5. Final delivered charges against net case value including CAS and LSC: _____.

A.____The net case value shown on line 3 agrees with implementing agency records and obligational authority released to this agency via DD Form 2060.

and

B.____Delivery of all articles and services is complete. Contracts remain open. The value of remaining unliquidated obligations attributed to open contracts has been verified and included in line 5.

and

C.____All requisitions, reimbursable work orders, MIPR's and invitational travel orders that have been processed pursuant to this FMS case are accounted for and the costs thereof are included in line 5. Reimbursements from the DFAS-DE/I have been credited to the financing appropriation or Miscellaneous Receipt Account 3041, as applicable.

and

D.____All estimated deliveries have been converted to actual deliveries.

and

★ E.____All outstanding discrepancy reports against the case have been processed.

and

F.____Performance Reporting and Cash Disbursements have been reconciled with Implementing Agency accounting records and are equal in value. The value of unresolved reconciliation issues recorded in accordance with paragraph 021004.B.4.b. and c. is _____.

6. Above-the-line disbursements net of CAS and LSC:_____.

7. Unliquidated obligation balance:_____.

A. CAS:_____.

B. LSC:_____.

Signature of Certifying Official

Table 2-28

FMS CASE CLOSURE ANALYSIS

Submitting Activity: _____.

Point of Contact: _____.

1. Country/Case
2. Line(s) unreconciled/value of each
3. Case implementation date
4. Date case supply complete
5. Case ordered value
6. The DFAS-DE/I recorded expenditure value:
 - a. Articles/services-delivered/performed
 - b. Progress payments (unliquidated/reported)
 - c. Disbursements reported
7. Implementing agency billed value
8. Amount of discrepancy
9. Number of open contracts
10. Unliquidated obligations (ULO) value by contract.
11. Estimated resources required to complete reconciliation:
 - a. Workhours
 - b. Cost

Narrative Statement: (Concise, comprehensive synopsis summarizing the obstacles precluding closure, relative effort expended to date, etc.)

Table 2-29

★0211 ANTIDEFICIENCY ACT VIOLATIONS AND ADVERSE FINANCIAL CONDITION REPORTS

★ 021101. Antideficiency Act Violations. For purposes of the Antideficiency Act, appropriated funds are not limited to those funds specifically appropriated by Congress to federal agencies from the general fund of the Treasury. Rather, funds available to agencies are considered appropriated, regardless of their source, if made available for collection and expenditure pursuant to specific statutory authority. Accordingly, in applying the Antideficiency Act, the FMS Trust Fund is considered to be, and is to be treated as, appropriated funds. Therefore transactions that involve the FMS Trust Fund can constitute violations of the Antideficiency Act.

★ A. Potential Types of Violations. Violations can occur under the FMS Trust Fund when: (1) obligational authority is approved without prior or proper FMS budget authority, (2) obligations or disbursements are incurred in excess of the regulatory limitation on amounts of an FMS account (e.g. a country level account or a surcharge account) that is to be used for a particular purpose, (3) funds are obligated on a contract without appropriate funds authority from the funds distribution systems included in the Service systems (MISIL, PBAS, CMCS, etc.) controlling the distribution of obligational authority issued against an FMS case, (4) FMS case funds are used in lieu of other DoD appropriations or funds for items outside the scope of an LOA, or (5) as otherwise applicable to FMS cases under DoDD 7200.1, “Administrative Control of Appropriations.”

★ B. Identifying and Reporting Violations. More detailed guidance for identifying and reporting violations under the Antideficiency Act is contained in DoDD 7200.1, “Administrative Control of Appropriations,” and in Volume 14, “Administrative Control of Funds and Antideficiency Act Violations,” of this Regulation.

★ 021102. Adverse Financial Conditions. A second group of reportable events occurs when FMS case records are out-of-balance, but these conditions do not necessarily meet the criteria of violations as listed above. These conditions are adverse financial conditions and occur when financial reports indicate that obligational authority exceeds case or line item-level values, that commitments or obligations exceed obligational authority at case or line item level, that total disbursements exceed obligations at case or line item level, or that expenditure authority is not requested prior to disbursing. Adverse financial conditions are reported using the same format as the Antideficiency violations, but are sent to the DFAS-DE/I for review unless exempt from reporting due to the exceptions described below.

A. Reporting Requirements for Adverse Financial Conditions. A report of adverse financial condition will be prepared in the format shown in DoDD 7200.1 and will be submitted to the DFAS-DE/I for review and evaluation within 60 days of discovery or being notified that the adverse condition has occurred. DFAS-DE/I has the responsibility for determining reportable conditions and for notifying implementing agencies of adverse conditions involving expenditure authority and obligations or expenditures of funds in excess of approved authority at the FMS case and country levels. The DoD Component has the responsibility for

determining reportable conditions and for notifying DFAS-DE/I of adverse conditions involving expenditure authority and obligations or expenditures of funds in excess of approved authority at the FMS case line level.

B. Exceptions to Reporting Adverse Financial Conditions. Reports need not be submitted for within-scope cost increases if either of the following circumstances occur:

★ 1. Obligation(s) in excess of the "Total Estimated Cost" shown on the LOA occurs, and a modification is prepared by the DoD Component and submitted to the purchaser through appropriate channels within 60 days of the date of the transaction which resulted in the unfavorable financial condition.

★ 2. Obligation(s) or expenditure(s) in excess of approved authority when the excess amount results from the posting of duplicate or erroneous obligation/expenditure transactions or from the posting of obligations from inventory systems and corrective action is taken within 60 days of the transaction date. However, these conditions could indicate weaknesses in internal controls and administrative action may be required to improve systems design or to prevent reoccurrence.

SUMMARY OF MAJOR CHANGES TO DoD 7000.14-R, VOLUME 15, CHAPTER 2 SECURITY ASSISTANCE POLICY AND PROCEDURES			
PAGE	PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	All	SAAC changed to DFAS-DE/I and DSAA changed to DSCA.	Update
All	All	Table numbering changed to conform with guidance.	Update
All	All	IF and DBOF changed to WCF (working capital fund).	Update
2-3	020105.B.	Appropriations subject to apportionment updated.	Update
2-6 & 2-9	T2-1 & T2-4	Since the dollar value of the LOA example and/or the items supplied don't meet the criteria of 36(b), the words "Congressional Notification 92-17" were removed.	Correction
2-19	20201	Reference to Financial Analysis Worksheet deleted.	Update
2-21	T2-10	Reference to P&A deleted and instructions improved.	Update
2-26	T2-11	Reference to cancellation of Attrition (AT) deleted	Correction
2-29	T2-11	Pricing element DM funds source corrected to DWCF.	Correction
2-53	020601.A.	Added instructions on processing budget estimates to clarify that only one DD Form 2060 is submitted.	Clarification
2-57	208	Section revised to reflect new reporting structure. Section 210 deleted and subsequent paras renumbered.	Update
2-57	209	Paragraphs modified to reference Vol 6B, involving treatment for financial statements (OMB, USD(C), DoDIG)	Update
2-58	021004.B.	Change 3 of the SAMM DoD 5105.38-M changed the period of inactivity on a blanket order case from 18 months to 180 days.	Update
2-59	021004.B. 4.c.	Deleted reference to DoD Executive Case Closure Board	Update
2-60	021004.B. 5.a.(10)	Clarification on use of suspense account.	Clarification
2-60	021004.B. 5.b.	Added change to cover exempted countries.	Update
2-60	021004.B. 6.	Language to allow use of final closure certificate in lieu of amendment or modification added.	Update

2-61	021004.D. 1.a.	FY 1993 deleted allowing adjustments to continue.	Update
2-61	021004.D. 2.	Section clarified for post-closure disbursements.	Update
2-62	021104.E.	Deleted DoD Executive Case Closure Board in its entirety.	
2-63	T2-27	Requirement to specify basis for CAS charges added; also #5 changed to include word "delivered" after final; #6 added for clarification.	Update to facilitate reconciliation.
2-64	T2-28	In #5, "delivered" added after "final".	Clarification
2-66 and 2-67	211	Section re-written to distinguish between Anti-deficiency violations and adverse financial conditions. Changed reporting to DFAS-DE/I as requested by DFAS Headquarters. Identified additional reportable violations.	Internal control

CHAPTER 03

ACCOUNTING**0301** INTRODUCTION

030101. Objectives. The objectives of this chapter are to prescribe accounting requirements which:

A. Assure proper implementation of the DoD fiduciary responsibilities resulting from acceptance of an FMS case.

B. Provide accounting information which can be used for preparation of financial statements to FMS customers and financial status reports to DoD case managers.

C. Are fully integrated with physical delivery (logistics) reporting systems.

D. Serve as a basis for timely identification and reporting of financial management problems.

E. Establish internal controls to assure compliance with the payment requirements of the AECA [reference (a)].

030102. Accounting Characteristics

A. Each FMS case is an accounting unit similar to a commercial job order. Budget authority necessary to implement a case is released by case designator; cash collections and disbursements are recorded by case designator, all requisitions for materiel or services contain a case designator; accrued costs are reported by case designator, etc. This case level accounting information is then accumulated and reported to FMS customers and DoD case managers to allow proper monitoring of case execution.

B. For DoD purposes, there is a requirement for summary level information. Country level cash summary accounts must be maintained to facilitate the calculation of Section 21(d) interest charges. A cumulative (all country) summary cash account is necessary to allow

reconciliation with Department of the Treasury cash records. Cumulative summary accounts reflecting budget authority, commitments, obligations, accounts payable, accounts receivable, and accrued expenditures, etc., are required in order to complete required budget execution reports on the FMS trust fund account.

C. DoD case management entails obtaining necessary budget authority, releasing requisitions or procurement work orders, and physical delivery of required items. The first two actions require efforts directed through the accounting system. Good management and control require that the same source document be used for reporting to both the financial system and the logistical systems (including delivery reporting).

030103. Responsibilities

A. Security Assistance Accounting Center (SAAC). It is the responsibility of SAAC to:

1. Maintain the centralized FMS case level accounts prescribed in this chapter and use information accumulated in the accounts when preparing statements to FMS customers and financial management reports to DoD case managers.

2. Summarize case level cash accounts at the country level to determine the necessity for charging Section 21(d) interest.

3. Summarize all case level accounts at the Trust Fund level, reconcile the summary cash accounts to Treasury records on a monthly basis and use the summary accounts as the basis for required reports on trust fund operations.

4. Maintain audit trails between source documents and entries to the mechanized accounting system.

B. Implementing Agencies. Performance of FMS orders is accomplished through one of three possible financing techniques: (1) issuance and acceptance of reimbursable orders into a financing appropriation/Defense Business Operations Fund account, (2) issuance of allotments of the FMS trust fund to performing DoD Components, or (3) issuance of authorization to directly use the FMS trust fund (11X8242). Each of these three financing variations results in unique accounting responsibilities as described below.

1. Performance under Reimbursable Orders. The accepting DoD Component is required to use the DD Form 2060 as the basis for recording an FMS order in the financing appropriation/fund account and to use status-of-allotment reports to notify SAAC of accrued expenditures. Except for these requirements, the normal accounting system of the financing appropriation/fund account will accomplish the detailed accounting requirements associated with performance of the DD Form 2060 order.

2. Performance under Allotments for Direct Cite Execution. A DoD Component which receives a DD Form 2060 allotment of FMS case funds is responsible for establishing and maintaining the unique FMS accounts necessary to support preparation of the FMS case level status-of-allotment report. Their accounts will be subsidiary to the case level accounts maintained at SAAC, and the current accounting period status-of-allotment report will be put into the SAAC accounts.

3. Performance under Authority to Directly Obligate the FMS Trust Fund. The DoD Component which receives this authority is responsible for promptly providing SAAC with basic source documents. The SAAC is responsible for detailed accounting requirements.

C. Holders of Allotment for Actual FMS Administrative Expenses. A DoD Component which receives DSAA allotments for FMS administrative expenses is responsible for maintaining obligations and expenditures within the limitations of the allotment and assuring that the source documents supporting obligations and accrued expenditures against the allotment meet

the requirements of this Volume. At the end of each fiscal year unobligated OA will be returned to DSAA.

030104. Source Documents. The basic source documents to be used for accounting entries to the FMS case level accounts follow:

A. "United States of America Letter of Offer and Acceptance". This document, or its equivalent when a deviation has been authorized by DSAA, is the basic source document for entries to accounts which record the dollar value of the customer order (see paragraph 020103.A.).

B. Amendments and Modifications. The amendment is designed to obtain FMS customer acceptance of a scope increase. The modification is a notification document to alert FMS customers of within-scope cost increases. These documents are used to modify the original LOA and serve as additional sources of entries to accounts which record the dollar value of the customer's order (see paragraph 020103.B.).

C. DD Form 2061, "FMS Planning Directive". This form is the basic source document used in preparation of the DD Form 2060, which requests case obligational authority (see paragraph 020103.C.).

D. DD Form 2060, "FMS Obligational Authority". This multipurpose form is the basic source document for entries to accounts which recognize the budget and program authority necessary for FMS case performance. The form also serves as the basis for recording Trust Fund obligations and withdrawals of Trust Fund budget authority (see paragraph 020103.D.).

E. DD Form 645, "Foreign Military Sales Billing Statement". This form, when properly signed, represents the U.S. Government's official claim for payments to FMS purchasers. As such, the DD Form 645 serves as the source for entries into the accounts receivable general ledger account of the SAAC. In addition, it serves to provide an accounting to the FMS purchasers of costs incurred and costs accrued on behalf of those purchasers.

F. LOA Payment Schedule. The payment schedule attached to the DD Form 1513 is normally used as the basis for DD Form 645, Column 11, billings for additional cash advances from the customer (for exception, see subparagraph G. below). When the case value is \$25 million or over, a subsidiary schedule (which is not provided to FMS customers) is attached to identify the amount of each scheduled payment which is applicable to potential termination costs. When case value is under \$25 million, potential termination cost is included in the scheduled payment and a subsidiary schedule is not required.

G. "Quarterly Forecast of Financial Requirements for In-Process Cases". This computer input is submitted on an as-required basis and when LOA payment schedules will not provide adequate advance cash collections. The input is a basis for DD Form 645, Column 11, billings for additional cash advances and identifies the cash required for (1) disbursing demands on earned reimbursement, (2) contractor holdbacks, and (3) potential termination costs. This report is exempt from licensing per paragraph E.4.f. of DoD 7750.5-M [reference (h)].

H. Incoming FMS Customer Checks or Treasury Notification of Receipt of Funds Via Electronic Transfer. These data are the basis for entries to cash collected accounts.

I. SF Form 1080, "Voucher for Transfers between Appropriations and/or Funds". This form is prepared in two variations: (a) check required, and (b) no check required. When a check is required, the form serves as the basis for entries to accrued expenditures and accounts payable or cash disbursements as applicable. The "no-check-required" variation is used as the basis for liquidation of advances or to record accrued expenditures and accounts payable or disbursements as applicable.

J. Contracts. When direct cite procedures are used, copies of signed contractual documents serve as the basis for entries to Account 4811, "Undelivered Orders - Without Advance - Direct Program" (See Section 302).

K. "DoD Status-of-Allotment Reports". When allotment procedures are used, status-of-allotment reports serve as the basis for monthly entries relative to order performance in the FMS Trust Fund case level accounts. This report is exempt from licensing per paragraph E.4.f. of DoD 7750.5-M [reference (h)].

L. "Delivery Transactions." These serve as the basis for accrued expenditures and physical deliveries entries to the FMS case level accounting system. The report is used in lieu of an SF Form 1080 for most FMS transactions. This report is exempt from licensing per paragraph E.4.f. of DoD 7750.5-M [reference (h)].

M. Mechanical FK Computations. The SAAC mechanically computes the following accrued expenditures (See Chapter 8):

1. FMS Administrative Surcharge
2. Contract Administrative Surcharge
3. Packing, Crating, and Handling Charge (except for deliveries of stock fund/Defense Business Operations Fund items reported after October 1, 1990.
4. Transportation Charges (unless case header information requires actual)

N. Expenditure Authorization. Country level expenditure authorizations are issued by SAAC. Issuance is either via the FMS accounting system network or via a message. If the message is through electronic means there must be internal controls installed to ensure the message was authenticated and was in fact released. The message is the basic source document for entries to the cash accounts to formally reserve applicable customer cash (See Chapter 4).

0302 FMS TRUST FUND ACCOUNTING REQUIREMENTS

030201. FMS Trust Fund. The FMS Trust Fund is a single account that is authorized to be credited with receipts and to incur obligations

and expenditures in accordance with the provisions of the Arms Export Control Act (AECA)[reference (a)], and 82 Stat 1323 (22 U.S.C. 2762)[reference (i)]. FMS Trust Fund receipts are available for obligation and expenditure without further action by Congress. The Trust Fund is exempted from apportionment on DD Form 1105 in accordance with paragraph 412.2B.5. of DoD 7110.1-M [reference (d)]. Accounting for the FMS Trust Fund is accomplished at the Defense Finance and Accounting Service - Denver Center referred to as the central site.

030202. FMS Chart of Accounts. All financial accounting data applicable to the FMS Program shall be recorded in the Uniform Chart of FMS Trust Fund level General Ledger Accounts (GLAs) maintained by the central site as set forth in this Chapter. These requirements are consistent with the DoD Uniform Chart of General Ledger Accounts described in other volumes of this Regulation. Subsidiary ledgers are used where necessary to provide accounting control and management reports. Dollar amounts reflected in the accounts shall be used in statements and bills to FMS customers, monitoring compliance to the cash requirements of the AECA, financial management reports to implementing agencies, identification of adverse financial conditions, and required budget execution reports. No other General Ledger Trust Fund accounts will be used without the written approval of DFAS-HQ. A description of each account is at Appendix A. The accounts are in Table 302-1. Table 302-2 is a concept of pro forma entries illustrating typical accounting entries that occur during execution of an FMS case.

030203. Contract Authority. Contract authority is statutory authority to incur obligations prior to an appropriation (or realization of revenues) for the future payment of obligations. Procurement for FMS under 82 Stat 1323 (22 U.S.C 2762)[reference (i)] is one of the major permanent indefinite authorities at departmental level within the DoD. FMS orders create contract authority. New contract authority reported in the ACCT-RPT(M) 1176 is the value of FMS orders accepted for performance during the current fiscal year for which budget authority

has been approved in the current year in accordance with the requirements of paragraph 020104.A. Funds appropriated by the Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS contract authority. FMS customer cash deposits liquidate these obligations and unfunded contract authority. Below departmental-level, contract authority loses its unfunded identity and is treated in the same way as other budgetary resources available for obligation. Allocations from the Departmental-level accounting system are issued as Direct Program. Procurements for FMS customers are accomplished citing the FMS Trust Fund in applicable documents. According to a Comptroller General Decision amounts in the FMS Trust Fund are, in a technical sense, appropriated funds, even though they are not annually appropriated by Congress and are not subject to direct Congressional control. Accordingly, accounting for commitments, obligations, and accrued expenditures in the FMS Trust Fund is accomplished as direct program.

030204. Accounting for Obligations. Budget Authority required to execute an FMS case is requested by Military Departments by entering a computerized three position alpha format, RBI transaction into the computerized FMS accounting network. SAAC's approval of the request for authority is based on having, in hand, the requirements to establish contract authority as described in the previous paragraph. The RBI is used for each new case and at the beginning of each new fiscal year to request approval of budgeted requirements for the fiscal year. The "R" in the transaction designates the series of FMS Integrated Control System (FICS) formats. The "B" stands for budget authority and the "I" indicates the transaction is an input. Receipt of an RBI for a FMS case for which SAAC has also received a signed letter of offer and, if applicable, an initial deposit, is recorded in GLA 4131. Approval of a request for an annual requirement of budget authority in a computerized format is recorded by SAAC entering a RBF into the FMS accounting network and recording a debit in GLA 4516 and credit in 4541. The "F" in the RBF transactions indicates the transaction is a feed back and signifies certified approval of the request. Sound financial management of the FMS program requires that the amount of au-

thority requested be limited to the amount expected to be obligated in the current fiscal year. Under no circumstances is SAAC authorized to issue budget authority in excess of total case value without the appropriate amendments or modifications which formally increase the value of the case. The status of commitments, obligations and accrued expenditures is reported to SAAC via the REI format. The "E" stands for execution. SAAC acknowledges receipt with a REF and makes the appropriate entries in GLAs 4710, 4811, and 4931 as applicable. At the end of each fiscal year SAAC reduces budget authority to the cumulative from exception value of commitments, obligations, and accrued expenditures reported by REI transactions. Following the year end closing entries reversal entries restore budget authority values for the new year.

030205. Accounting for Receivables

A. General. Accounts receivable ledgers for each FMS country program accounted for in the FMS Trust Fund are subsidiary to General Ledger Account 1313, "Accounts Receivable-Public-Current." The amounts recorded in the FMS Trust Fund accounts are based on the FMS billing statements and DSAA supplementary billing statements and are in accordance with paragraph 050301. Cash in advance of performance is required for FMS customers unless a written determination is made pursuant to legal authority (see paragraph 070104.D., "Payment Terms"). Therefore, in the FMS program, a delinquent accounts receivable is an exceptional event. If a delinquency occurs, follow-up is pursued in accordance with Volume 6, Chapter 12 of this Regulation and paragraph 050201 of this Volume. Aging of accounts receivable will be in accordance with paragraph 50302.B. and Table 502-1 and commences with the beginning of the month following the date the payment was due and continues until paid according to the following schedule:

1-30	days delinquent
31-60	days delinquent
61-90	days delinquent
91-180	days delinquent
181-360	days delinquent
over 360	days delinquent

B. Application of Interest Charges. Interest charges on FMS country-level arrearages shall be assessed in accordance with the provisions of the affected country's active Letters of Offer and Acceptance and Chapter 5 of this Regulation. The interest rate to be charged by the Department of Defense on delinquent payments due on Foreign Military Sales under the provisions of Section 21 and 22 of the AECA (22 U.S.C. 2761 and 2762) will be prescribed by the Department of the Treasury.

030206. Accounting for Inventory. Assets--equipment and related software, amounts invested in inventories and work-in-process at contractor's plants--are controlled by, and should be reported on, the financial statements of the Military Departments or Defense Agencies.

030207. Accounting for Trust Fund Equity. The Arms Export Control Act requires that the FMS program be operated at no cost to the U.S. Government. The provisions of the Letter of Offer provide that the USG will execute the Offer and Acceptance on a non-profit basis. Therefore, recognition of an equity balance in the FMS Trust Fund is prohibited. The Foreign Military Sales Trust Fund Financial Statements will not include equity, revenue or expense accounts.

A. Accounting for FMS Surcharges. Surcharges established in accordance with the requirements of the AECA to insure full recovery of costs incurred in operating the FMS program are accounted for as operating expenses. The principle surcharge, the Administrative Surcharge, was established in accordance with Sections 21 and 43 of the AECA [reference (a)]. The Contract Administration Services (CAS) surcharge applied to new procurement may be waived under certain conditions detailed in Section 21 of the AECA [reference (a)]. The transportation surcharge is intended to recover costs involved in transferring FMS material to FMS customers where that cost is not included in the cost of the material. These expenses are recorded as implementing activities are reimbursed from surcharge accounts in response to SF 1080 bills. Revenues to fund these expenses result from the application of surcharge rates to delivered values reported by the implementing

activities. Ledgers for each of the categories of surcharges are maintained as subsidiary to the control account "Unearned Revenue - Advances from Public," GLA 2312.

B. Accounting for Bad Debts. Policy and procedures concerning compromise, termination, or suspension of collection actions of a country-level bad debt are in paragraph 120207 of Volume 6 of this Regulation. Resolution of all foreign indebtedness resulting from FMS transactions will be staffed with the Department of State by DSAA via the Assistant Secretary of Defense, International Security Affairs (ASD)(ISA). Within 30 days of a determination that a debt is uncollectible, DSAA will provide direction to the DFAS - Denver Center to record the amount owed including accrued interest in General Ledger Account 1313.3, Accounts Receivable-Public-Current-Uncollectible. The following procedures will be followed when a country is in arrears and the debt is confirmed to be uncollectible; (1) All available funds for the effected country will be utilized to satisfy outstanding liabilities according to a priority recommended by the Denver Center Deputy Director for Security Assistance Accounting and approved by the DSAA Comptroller, (2) The Denver Center, in accord with DSAA, will contact all applicable case managers to request all outstanding commitments be canceled and all outstanding obligations be adjusted to include an amount for termination cost. The residual amount of the debt reflected will be transferred to GLA 1313.3, Accounts Receivable-Public-Current-Uncollectible for the affected country to coincide with termination of the customer order based on the determination that the country account is uncollectible. Aging of amounts recorded will continue. The accumulation of interest, in accordance with the Arms Export Control Act and other applicable authorities, should be accrued monthly on the balance in this subaccount. The amount recorded in the account will include the amount of the arrearage, termination liability costs, and accrued interest.

030208. General Procedures for Processing Accounting Transactions. The Defense Integrated Financial System (DIFS) is the departmental level central accounting system used at SAAC to account for the FMS Trust Fund. Information

entered into the central accounting system in the form of accounting transactions is based on a combination of transactions received from installation level FMS Integrated Control Systems (FICS) and vouchers recorded at SAAC as a result of billing/collection and disbursement activity. Accounting transactions are recorded in applicable proprietary, departmental level and installation level general ledger accounts. This enables SAAC to prepare required accountability, and fund status reports for the FMS Trust Fund.

A. Source Transactions. Source transactions contain all the information required to update general ledger accounts and enable the SAAC to prepare the reports required for accounting control and financial management. Source transactions are the lowest level information in the system. Every transaction has a date identifying the appropriate accounting month for reporting to the U.S. Treasury. Source transactions are registered in automated journals and then posted to appropriate subsidiary ledgers within the central accounting system. Equality of the general ledger accounts is ensured through the use of the program developed for that purpose for the general ledger. Posting of source transactions updates applicable subsidiary ledgers as well as FMS Trust Fund general ledger accounts. Posting occurs daily. Source transactions are maintained in the system data base for future balancing and reconciling in addition to being the primary audit trail for all posting to the central system.

B. Subsidiary Ledgers. Due to the magnitude of the FMS program there is a substantial number of individual accounts with common characteristics. As a result, subsidiary ledgers have been established to provide control. Updated subsidiary ledgers are an integral part of the DIFS data base and part of the general ledger structure wherever accounting information must be accumulated by country or program within a general ledger account (GLA). Subsidiary ledgers are maintained for FMS surcharge accounts. Subsidiary ledgers provide a continuous record of transactions by accounting month for the FMS Trust Fund general ledger. A monthly trial balance of the FMS Trust Fund, accomplished after all balancing and reconciling for the month is completed, verifies the equality

of the subsidiary ledgers and general ledger accounts. The subsidiary ledgers are maintained in the system for reconciliation in addition to providing an audit trail of all postings in the system. Extracts of these ledgers are made available to the Security Assistance Program Manager as necessary for management purposes.

C. General Ledger. The general ledger is updated from the subsidiary ledgers. The general ledger is maintained by accounting month at appropriation level. A trial balance is prepared from the general ledger on a monthly basis. The trial balance is used for the preparation of reports to the U.S. Treasury, DSAA, or other required reports related to the general ledger.

1. The general ledger subsidiary ledgers are to be posted and reconciled to the posting medium (financial transactions) on a daily basis. These subsidiary ledgers will be totaled and posted monthly to general ledger accounts with a trial balance prepared monthly. The general ledger must be reconciled to the financial transactions, resource balances, and subsidiary ledgers and records to ensure general ledger control. This general ledger will be reconciled with the subsidiary ledgers on a monthly basis. The primary selection criteria will be the accounting month that is maintained on both the subsidiary ledgers and the general ledger. The internal DIFS data directory will provide the translation between the chart of accounts prescribed by this Volume, with pertinent subsidiary ledgers necessary to meet specific FMS financial management requirements. The subsidiary ledgers, reconciled to the general ledger on a monthly basis are Case Control, Cash Master, Accounts Receivable, Accounts Payable, and Status of Funds.

2. The general ledger developed for the DIFS is based on the DoD chart of accounts found in Chapter 7 of Volume 1 of this Regulation which complies with the U.S. Government Standard General Ledger (SGL) chart of accounts. The audit trails are accomplished using the internal DIFS data directory (which) will provide the translation between the chart of accounts found in this Volume, with pertinent subsidiary ledgers necessary to meet specific

FMS financial management requirements. A program in DIFS generates the general ledger balances directly from the subsidiary ledgers for the FMS Trust Fund (appropriation 8242).

3. The financial reports are prepared based on the cumulative values recorded in the general ledger or the subsidiary ledgers that are controlled by the general ledger, reconcilable to the account balances in the general ledger.

030209. SAAC Analysis of FMS Case Accounting Data. It is important that the SAAC continuously analyze case level accounting data to identify developing financial problems and alert implementing agency case managers and other concerned DoD officials of the necessity for corrective action. The types of analysis to be performed follow:

A. Adequacy of Cash Deposits. Compare net unreserved cash balance to accounts payable case level accounts. If accounts payable balance is greater, request implementing agency review of the priority of case payment schedules.

B. Timely Payments to DoD Components and Contractors. Balances in accounts payable, shall be aged to assure timely payments are being made. If payments are untimely, SAAC should review internal payment procedures and implement necessary corrective action.

C. Timely Case Closure Actions. When the expenditures equal budget authority, SAAC should request implementing agency review to determine if the case should be closed.

030210. SAAC Postings to Surcharge Subsidiary Ledgers

A. Administrative Fee and Logistics Support Surcharge Account.

1. Accrual of Earned Surcharge. As accrued expenditures are recorded pursuant to FMS orders, the amount of administrative surcharge applicable thereto will be determined and credited to the administrative fee account.

2. Actual FMS Administrative/Logistics Expense. Accounting entries reflecting actual expenses will be posted based upon accrued expenditures reported in the DoD status-of-allotment reports for FMS (see paragraph 030401 of this Volume).

B. Transportation Surcharge Account.

1. Accrual of Earned Surcharge. When items are reported as physically delivered, applicable transportation surcharges are earned and credited to the "Transportation Account."

2. Actual Transportation Expense. Accounting entries reflecting actual transportation cost will be posted as debits to the "Transportation Account," based upon receipt of carrier bills.

3. Year-End Balance. Amounts in the transportation account in excess of \$15 million at the end of a fiscal year will be transferred to other clearing accounts with deficit balances. Such transfers must be approved by the Office of the DoD Comptroller in coordination with the DSAA Comptroller as manager of the FMS Trust Fund.

C. Contract Administration Surcharge Account.

1. Accrual of Earned Surcharge. When payments are made to contractors--either progress payments or bills for incurred costs--applicable contract administration surcharges are earned and credited to "Contract Administration Expenses."

2. Actual Contract Administration Expenses. Accounting entries reflecting actual contract administration costs will be posted as "Contract Administration Expenses," based upon receipt of SF 1080 billings from performing DoD Components (see paragraph 070405).

D. Attrition Expense Surcharge Account. For applicable training cases, 4% for flying training and 1% for non-flying training, the earned amounts will be identified by the IAs as they distribute collections for tuition charges.

That portion identified as attrition will be credited to the SAAC. Expenditures from this account represent orders to DoD Components to fund the cost of replacing equipment which has been destroyed as a result of student training.

E. Month-End and Year-End Surcharge Account Closing. The data contained within the accounting system will support end of period closing, updating of the general ledger and the production of required end of period financial reports. End of period procedures will be in accordance with DSAA reporting requirements. Open periods will be closed in sequence when transactions are concurrently processed for multiple periods. During the closing process, the current period (the first one among all open periods), General Ledger account balances will be closed and carried forward to the next period. The beginning surcharge account balances for the next period should be computed from the carried forward amounts previously passed and month-to-month activity.

F. Year-End Certification. After the close of each fiscal year, the SAAC will provide a certified financial statement to the Office of the Comptroller, DoD. This is the Statement Of Financial Position for the year just ended versus the prior year (see Table 302-3).

G. Year-End/Periodic Analysis of Surcharge Accounts. Activity in the surcharge accounts will be analyzed by SAAC and serve as a basis for recommendations to the DSAA Comptroller for coordination with the DoD Comptroller on rate changes and redistribution of surcharge account balances.

**TABLE 302-1 UNIFORM CHART OF FMS GENERAL LEDGER ACCOUNTS FOR THE
FOREIGN MILITARY SALES TRUST FUND**

<u>Acct. No.</u>		<u>Normal Balance</u>
<u>1000</u>	<u>ASSETS</u>	
<u>1010</u>	<u>Fund Balance with Treasury</u>	
1011	Funds Collected	DR
1012	Funds Disbursed	CR
<u>1100</u>	<u>Cash</u>	
1110	Undeposited Collections (FRB)	DR
<u>1310</u>	<u>Accounts Receivable</u>	DR
1311	Accounts Receivable-Government-Current	DR
1313	Accounts Receivable-Public-Current	DR
1313.1	Accounts Receivable-Public-Current	DR
1313.2	Accounts Receivable-Public-Current- -Arrearages	DR
1313.3	Accounts Receivable-Public-Current- -Uncollectible	DR
<u>2000</u>	<u>LIABILITIES</u>	
<u>2100</u>	<u>Accrued Liabilities</u>	CR
<u>2110</u>	<u>Accounts Payable</u>	
2111	Accounts Payable-Government -Current	CR
2112	Accounts Payable-Government- Noncurrent	CR
2113	Accounts Payable-Public-Current	CR
<u>2190</u>	<u>Other Accrued Liabilities</u>	CR
<u>2310</u>	<u>Advances From Others</u>	
<u>2312</u>	Unearned Revenue-Advances from Public	CR
<u>2400</u>	<u>Liability for Deposit Funds/Suspense Accounts</u>	CR

**TABLE 302-1 UNIFORM CHART OF FMS GENERAL LEDGER ACCOUNTS FOR THE FOREIGN
MILITARY SALES TRUST FUND (CONTINUED)**

<u>Acct. No.</u>		<u>Normal Balance</u>
<u>3000</u>	<u>TRUST FUND EQUITY</u>	CR
<u>4000</u>	<u>BUDGETARY</u>	
<u>4130</u>	<u>Contract Authority</u>	DR
4131	Contract Authority-Without Liquidating Appropriation	DR
4132	Contract Authority-With Liquidating Appropriation	DR
<u>4150</u>	<u>Other New Budget Authority</u>	DR
<u>4450</u>	<u>Authority Available (for Apportionment)</u>	CR
<u>4516</u>	<u>Unallocated Unfunded Contract Authority</u>	CR
<u>4541</u>	<u>Allocations Issued-Direct Program- Current Year</u>	CR
<u>4580</u>	<u>Allotments Received (Recorded by IA)</u>	CR
<u>4611</u>	<u>Uncommitted/Unobligated Allotments -Direct Program-Current Period</u>	CR
<u>4710</u>	<u>Outstanding Commitments-Direct Program</u>	CR
<u>4811</u>	<u>Undelivered Orders-Without Advance Direct Program</u>	CR
<u>4900</u>	<u>Expended Appropriations</u>	
4910	Accrued Expenditures-Unpaid- Direct Program	CR
4931	Accrued Expenditures-Paid-Direct Program	CR

TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND

The pro forma entries in this table illustrate the accounting entries recorded within the FMS Trust Fund General Ledger during execution of a hypothetical FMS case. The variety, number and timing of the entries may differ according to type of case and circumstances being recorded. FMS Trust fund accounting by the central site, in accordance with the provisions of this chapter is at Trust Fund level. Entries 8 and 9 illustrate entries required to record reimbursement of Administrative Surcharge expenses to a Military Department.

Given:

Contract Value (2 units)	\$100,000
Total Nonrecurring Cost	\$20,000
Estimated Cost (line 21)	<u>\$120,000</u>
Administrative Fee (line 23)	\$3,600
Total Case Value (line 26)	<u>\$123,600</u>
Initial Deposit	\$35,000
Administrative expense disbursed at Trust Fund level to a Military Department with revenues from several cases.	\$4,000

- FMS Customer Country provides SAAC with a signed Letter Of Acceptance (DD Form 1513) and the initial deposit. SAAC records receipt and changes the status of the case from Offered to Implemented.**

1011	Funds Collected	\$35,000	
2312	Unearned Revenues-Advances From Public		\$35,000
4150	Other New Budget Authority (Uncommitted Acceptances)	\$123,600	
4450	Authority Available		\$123,600
4132	Contract Authority With Liquidating Appropriation	\$35,000	
4131	Contract Authority Without Liquidating Appropriation		\$35,000

- The Implementing Agency submits a DD Form 2060 or automated equivalent (RBI) requesting obligation authority.**

4131	Contract Authority Without Liquidating Appropriation	\$100,000	
4150	Other New Budget Authority		\$100,000
4450	Authority Available	\$100,000	
4516	Unallocated Unfunded Contract Authority		\$100,000

**TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND
(CONTINUED)**

3. SAAC approves the request for obligation authority from the Implementing Agency. (Part A of DD Form 2060 or automated equivalent (RBF)).

4516	Unallocated Unfunded Contract Authority	\$100,000
4541	Allocations Issued-Direct Program-Current Period	\$100,000
4580	Allotments Received (Recorded by the IA)	\$100,000
4611	Uncommitted/Unobligated Allot.-Direct Program	\$100,000

4. The Implementing Agency reports commitments equal to estimated contract value using the REI transaction.

4611	Uncommitted/Unobligated Allot.- Direct Program.	\$100,000
4710	Outstanding Commitments Direct Program	\$100,000

5. The Implementing Agency reports Obligations equal to contract value via a REI transaction.

4710	Outstanding Commitments Direct Program	\$100,000
4811	Undelivered Orders - Direct Program	\$100,000

6. SAAC generates the quarterly FMS Billing Statement, DD Form 645.

1313.1	Accounts Receivable-Public Current	\$88,600
2411	Deposit Fund Liabilities	\$88,600

7. SAAC receives payment of amount due on the quarterly FMS Billing Statement, DD Form 645.

1011	Funds Collected	\$88,600
2312	Unearned Revenues-Advances from Public	\$88,600
2411	Deposit Fund Liabilities	\$88,600
1313.1	Accounts Receivable-Public Current	\$88,600
4132	Contract Authority With Liquidating Appropriation	\$88,600
4131	Contract Authority Without Liquidating Appropriation	\$88,600

**TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND
(CONTINUED)**

8. The entries to record the issuance of an allotment for the administrative surcharge budget:			
4131	Contract Authority without Liquidating Appropriation	\$4,000	
4150	Other New Budget Authority		\$4,000
4450	Authority Available	\$4,000	
4516	Unallocated Unfunded Contract Authority		\$4,000
4516	Unallocated Unfunded Contract Authority	\$4,000	
4541	Allocations Issued-Direct Program		\$4,000
4580	Allotments Received	\$4,000	
4611	Uncommitted/Unobligated Allot-Direct Program		\$4,000
9. SAAC records the obligation and reimbursement for administrative surcharge expenses:			
4611	Uncommitted/Unobligated Allot.- Direct Program	\$4,000	
4931	Accrued Expenditures-Paid Direct Program		\$4,000
2312	Unearned Revenue - Advances from Public	\$4,000	
2111	Accounts Payable-Government Current		\$4,000
2111	Accounts Payable-Government Current	\$4,000	
1012	Funds Disbursed		\$4,000
10. The Implementing Agency reports accrued expenditures unpaid via a Status of Direct Cite Allotment (REI) transaction.			
2312	Unearned Revenue - Advances from Public	\$100,000	
2113	Accounts Payable-Public		\$100,000
4811	Undelivered Orders-Direct Program	\$100,000	
4910	Accrued Expenditures-Unpaid Direct Program		\$100,000
11. The Implementing Agency reports payment to the Defense Contractor via a SDI transaction.			
2113	Accounts Payable-Public	\$100,000	
1012	Funds Disbursed		\$100,000
4910	Accrued Expenditures-Unpaid Direct Program	\$100,000	
4931	Accrued Expenditures-Paid Direct Program		\$100,000

TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND (CONTINUED)

12. The Implementing activity reports the obligation for nonrecurring costs via a DD Form 2060 or REI transaction.

4131	Contract Authority without Liquidating Appropriation	\$20,000	
4150	Other New Budget Authority		\$20,000
4450	Authority Available	\$20,000	
4516	Unallocated Unfunded Contract Authority		\$20,000
4516	Unallocated Unfunded Contract Authority	\$20,000	
4541	Allocations Issued-Direct Program	\$20,000	
4580	Allotments Received	\$20,000	
4611	Uncommitted/Unobligated Allot.- Direct Program		\$20,000
4611	Uncommitted/Unobligated Allot.- Direct Program	\$20,000	
4811	Undelivered Orders-Direct Program		\$20,000

13. The Implementing Agency reports self-reimbursement for nonrecurring costs using a SDI transaction.

2312	Unearned Revenue - Advances from Public	\$20,000	
1012	Funds Disbursed Allot.- Direct Program		\$20,000
4811	Undelivered Orders-Direct Program	\$20,000	
4931	Accrued Expenditures-Paid Direct Program		\$20,000

14. The Implementing Agency reports completion of work on the FMS customer order and delivery of the systems ordered to the customer. SAAC records the administrative surcharge revenue applicable to the delivered value. Offsetting entries are recorded in subsidiary accounts within GLA 2312, "Unearned Revenue - Advances from Public."

TABLE 302-2 ILLUSTRATION OF PRO FORMA ENTRIES FOR THE FMS TRUST FUND
(CONTINUED)

15. The entries required to record case closure based upon the Military Activity sending SAAC a case closure certificate and SAAC sending the FMS customer a Final Statement of Account. (These entries are not recorded until the end of the fiscal year for cases closed during the year to provide visibility of activity in these accounts during the year):

1012	Funds Disbursed	\$123,600
1011	Funds Collected	\$123,600
4541	Allocations Issued-Direct Program	\$123,600
4132	Contract Authority-With Liquidating Appropriation	\$123,600
4931	Accrued Expenditures Paid Direct Program	\$123,600
4580	Allotments Received	\$123,600

TABLE 302-3 REPORT ON FINANCIAL POSITION

Standard Form 220
November 1988
1 TFM 2-4100

REPORT OF FINANCIAL POSITION
as of 30 September 1991
(in dollars)

Page 1 of 3
IAR No. 1178-TD-XX

IDENTIFICATION:

DEPARTMENT/AGENCY: Department of DefenseBUREAU/ORGANIZATIONAL UNIT: Foreign Military Sales ProgramOMB IDENTIFICATION CODE: 11X8242 FUND TYPE: 3

Assets	Source General Ledger Account	Total current period
1. Fund balance with Treasury and cash (SF 220-1)		
a. Fund Balance(s) _____	1010	6,776,664,186
b. Cash * _____	1100	5,186,975,337
c. Foreign currency, net _____		
d. Subtotal _____		11,963,639,523
2. Accounts receivable (SF 220-9)		
a. Federal agencies _____		
1. Current _____		
2. Noncurrent _____		
b. Public _____		
1. Current _____	1313, 1316, 1320	8,013,267,823
2. Noncurrent _____		
c. Less: Allowances _____		
d. Subtotal _____		8,013,267,823
3. Advances and prepayments		
a. Operating consumables _____		
b. Product or service components _____		
c. Stockpiled materials _____		
4. Inventories (SF 220-1)		
a. Operating consumables _____		
b. Product or service components _____		
c. Stockpiled materials _____		
d. Other 1. _____		
2. _____		
3. _____		
4. _____		
e. Subtotal _____		
5. Investments, net (SF 220-1)		
a. Federal securities _____		
b. Non-Federal securities _____		
c. Other 1. _____		
2. _____		
3. _____		
4. _____		
d. Subtotal _____		
6. Loans receivable (SF 220-8, SF 220-9)		
a. Federal agencies _____		
1. Current _____		
2. Noncurrent _____		
b. Public _____		
1. Current _____		
2. Noncurrent _____		
c. Less: Allowances _____		
d. Subtotal _____		

* This amount represents cash advances held in commercial interest bearing bank accounts at the request of the foreign customer. These funds are not required for immediate Trust Fund use.

TABLE 302-3 REPORT ON FINANCIAL POSITION (CONTINUED)Standard Form 220
November 1988**REPORT OF FINANCIAL POSITION**
as of 30 September 1991
(in dollars)

Page 2 of 3

BUREAU/ORGANIZATIONAL UNIT:		
Assets-Continued	Source General Ledger Account	Total current period
7. Property, plant, and equipment, net (SF 220-1)		
a. Structures, facilities and leasehold improvements		
b. Military equipment		
c. ADP software		
d. Equipment		
e. Assets under capital lease		
f. Other 1.		
2.		
3.		
4.		
g. Construction-in-progress		
h. Land		
i. Allowances		
j. Subtotal		
8. Other assets		
a.		
b.		
c.		
d.		
e.		
9. Total assets		19,976,907,346
Liabilities		
10. Accounts payable		
a. Federal agencies	2111, 2112	47,291,931
b. Public	2113	134,391,259
c. Subtotal		181,683,190
11. Interest payable		
a. Federal agencies		
b. Public		
c. Subtotal		
12. Accrued payroll and benefits		
13. Accrued unfunded annual leave		
14. Unearned revenue (advances)		
a. Federal agencies	2311	
b. Public	2312, 2320	11,781,956,333
c. Subtotal		11,781,956,333
15. Deposit funds		
	2410, 2411	8,013,267,823
16. Debt Issued under borrowing authority (SF 220-1)		
a. Gross Federal debt		
b. Intragovernmental debt		
c. Other debt		
d. Subtotal		
17. Actuarial liabilities (SF 220-1)		
a. Pension plans		
b. Insurance and annuity programs		
c. Subtotal		

TABLE 302-3 REPORT ON FINANCIAL POSITION (CONTINUED)Standard Form 220
November 1988**REPORT OF FINANCIAL POSITION**
as of 30 September 1991
(in dollars)

Page 3 of 3

BUREAU/ORGANIZATIONAL UNIT:		
Liabilities-Continued	Source General Ledger Account	Total current period
18. Other liabilities		
a. _____		
b. _____		
c. _____		
d. _____		
e. Subtotal _____		
19. Total liabilities _____		19,976,907,346
Equity		
Appropriated fund equity		
20. Unexpended financed budget authority		
a. Unexpended appropriations _____		
b. Less: Unfilled customer orders (Federal) _____		
c. Subtotal _____		
21. Invested capital _____		
Revolving fund equity		
22. Revolving fund balance(s)		
a. Appropriated capital _____		
b. Cumulative results _____		
c. Donations _____		
d. Subtotal _____		
Trust fund equity		
23. Trust fund balance(s) _____		
24. Total equity _____		
25. Total liabilities and equity _____		19,976,907,346
AGENCY CONTACTS		
1. Preparer's Name		2. Telephone No.
John Doe		370-4174
3. Address		
DFAS - Denver Center, Attn: IR		
4. Supervisor's Name		5. Telephone No.
Joni Smith		370-7791

0303 IMPLEMENTING AGENCY ACCOUNTING REQUIREMENTS

030301. Reimbursable Orders. Amounts in Column 10 of the DD Form 2060 (or automated equivalent), "FMS Obligational Authority," represent the portion of the FMS order that will be accomplished on a reimbursable basis. The applicable DoD appropriation or fund accounting system must maintain an audit trail between the applicable DD Form 2060 and appropriation or fund accounting records. DD Form 2060, Part B or automated equivalent, must arrive at the SAAC by the 20th calendar day following the close of each accounting month. The report format is in Table 202-5. Preparation and processing instructions are outlined in Section 202. Performance within the financing appropriation or fund account will be controlled in accordance with the accounting system established for the particular appropriation or fund account. Pro forma entries to a procurement appropriation account using the DoD Uniform Chart of Accounts (UCA) are illustrated in Tables 303-3, 303-4, and 303-5. Table 303-3 illustrates accounting entries for replacement transactions. Table 303-4 illustrates accounting entries when procurement action is taken on behalf of the customer. Table 303-5 illustrates accounting entries when amounts are collected for deposit to Miscellaneous Receipts Account 3041. Appropriation or fund bills for earned reimbursements shall be processed in accordance with Chapter 8 of this Volume. Thus, the FMS accounting system tracks orders into and out of the normal appropriation or fund accounting systems. The FMS accounting system is not intended to track the financial status, obligation, etc., while reimbursable performance is in process. The status of specific customer requisitions can be obtained through logistical system inquiries. Applicable logistics status reports are provided to case managers and to FMS customers and are not to be confused with financial status reports.

030302. Allotments for Direct Citation. Amounts in Column 11 of the DD Form 2060 which are coded "(A)" represent allotments of case contract authority. Allotment holders must request expenditure authority (EA) from the SAAC prior to processing the disbursements against the contract authority. Expenditure

authority is provided by SAAC from the FMS Trust Fund incrementally based upon the allottee's need to disburse funds. The allotment holder is responsible for detailed case level accounting records and for providing a monthly status-of-allotment report on each applicable FMS case that is entered into the FMS Trust Fund accounting records. Specific requirements:

A. The DoD Component which holds an allotment of the FMS Trust Fund for direct citation on contracts shall maintain detailed commitment, obligation, and expenditure records on an FMS case-by-case basis and shall provide to the SAAC a monthly status-of-allotment input reflecting these case level data. The status of expenditures shall be supported by delivery transactions in an amount equal to the current month's net change in accrued expenditures or cash advances to contractors. A manual status-of-allotment format is illustrated in Table 303-1. Automated equivalents (RE Transactions) are described in Table 303-2.

B. Monthly status-of-allotment information and associated reports of reconciliation must be submitted to arrive at the SAAC by the 20th calendar day following the close of each accounting month. This information, with detailed supporting documentation, shall be used as the basis for SAAC entries to case level accounting records and overall Trust Fund reconciliation with the U.S. Treasury. The manual format is in Table 303-1. Instructions for completion of the report follow:

1. From. Enter the name and address of the agency preparing the report.
2. To. Enter DFAS-DE/I (SAAC), 6760 East Irvington Place, Denver, Colorado 80279-2000.
3. For Authorization Issued to. Enter the name of the implementing agency and office designation.
4. Reporting Fiscal Officer. Enter the signature and rank of the reporting fiscal officer. Signature represents certification that the report is accurate and complete to the best knowledge of the fiscal officer.

5. For Period Ended. Enter the last day of the reporting month.

6. Report Project No.: For direct cite list each active FMS case for which direct cite obligational authority has been obtained (see Chapter 2). Cases shall be grouped by country and in sequence of date accepted. Provide country and agency totals. For the administrative fund allotment report break out the data by object class.

7. Annual Approved Authority. The direct cite obligational authority for each FMS case shall be obtained from Column 11 of the current year DD Form 2060.

8. Current Month Commitments. Dollar amounts shall be reported on a case basis from an FMS Trust Fund accounting subsystem. The reporting DoD Component shall retain basic source documents supporting reported amounts.

9. Cumulative Commitments to Date. This dollar amount shall be reported on a case basis and represents the total dollar value of outstanding commitments against Column 7 authority received for each case. At year end commitments shall be zero because applicable obligational authority is returned to the FMS Trust Fund.

10. Current Month Obligations. This amount shall be reported on a case basis and obtained from an FMS Trust Fund accounting subsystem. The reporting DoD Component shall retain basic source documents supporting reported amounts.

11. Cumulative Obligations to Date. This dollar amount shall be reported on a case basis and represents the total dollar value of obligations incurred in the current fiscal year.

12. Accrued Expenditures Unpaid. Dollar amounts shall be reported on a case basis and obtained from an FMS Trust Fund accounting system.

13. Cash Disbursements. Report amounts of disbursements in the current month. Disbursements shall be reported on a case basis

and obtained from an FMS Trust Fund accounting subsystem. The reporting DoD Component shall retain basic source documents supporting reported amounts. When a portion or all of the amounts previously reported are earned, show a minus figure with a corresponding entry in the disbursement column. Progress payments or advances to contractors should be broken out where available from the accounting system.

030303. Supporting DoD Components. Those DoD Components which are not implementing agencies but support the FMS program in response to implementing agency work requests must carefully review applicable work requests to determine the financing source. If the financing source is one of the implementing agency appropriation accounts, the request shall be recorded and processed as an internal DoD order. If the recipient is a suballocation holder, the required allotment status report shall be provided to the allotment holder and consolidated into the allotment status report to SAAC.

030304. Fiscal Year-End Reporting Requirements. DoD Components are required to submit certified final fiscal year consolidated hard copy DD Form 2060, Part B, and DoD Status-of-Allotment information for direct cite funds, to the SAAC. Submission dates will be established in accordance with special instructions issued by DFAS. The forms submitted may be manual forms or automated equivalents.

A. Final DD Form 2060, Part B, will contain the following certification:

"I hereby certify that this report reflects FMS Obligational Authority as required by DoD 7000.14-R, Volume 15, paragraph 020105.A."

B. Final status-of-allotment report must contain the following signed certification:

"I hereby certify that the amounts shown in this report are correct. All known transactions meeting the criteria of 31 U.S.C.1501(a) have been obligated and are so reported."

TABLE 303-1 FORMAT FOR THE DOD STATUS-OF-ALLOTMENT REPORT

[illegible]

TABLE 303-2 STATUS OF DIRECT ALLOTMENT "RE" TRANSACTION

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validations of: REI Input--MILDEP to SAAC REF Feedback--SAAC to MILDEP
Document Identifier Code (DIC)	X(3)		
Direct Status (INPUT)	'1-3	'002	Must be "REI", if not reject.
Direct Status (FEEDBACK)	'1-3		"REF" is a machine generated duplicate of the REI transactions and appended by the Positive Transaction Control (PTC) to become the REF transactions
Transaction Control No. (YYMMDDNNNNNV)	X(13) '4-16	'152	Must be numeric (0-9)
		'152	YYMMDD must be equal to or less than current date
		'249	Version Number (V) must be "0" if Action Code is "A" (add)
		'248	Version Number (V) must be 1 thru 9 if Action Code is "C" (change) and must be one greater than suspense version No.
		'251	If Action Code is "C" (change) or "D" (delete), Transaction Control number (TCN)(excluding V) must equal suspense file. (YYMMDDNNNNNV)
Action Code	X(1) 17	'003	Must be "A", "C", or "D", otherwise invalid. A=Add; C=Change; D=Delete
Country Code (CC)	X(2) 18-19	'037	Country code MUST match SAAC Country code Table
Implementing Agency Code (IA)	X(1) 20	'038	If Site Code equals "5" or "6", IA code must be on IA Table.

TABLE 303-2 STATUS OF DIRECT ALLOTMENT "RE" TRANSACTION (CONTINUED)

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validations of: Transactions REI Input--MILDEP to SAAC REF Feedback--SAAC to MILDEP
Case Designator	X(3) 21-23	'041	MUST match the Active Case control file or match on Case Control History.
		'031	Case status must equal "I" (Implemented) or "C" (Closed).
Amount Commitments Cumulative from Inception (CFI)	S(12)V99 24-37	156	MUST be numeric (0-9).
		310	MUST be positive amount except country Iran can be negative.
Amount Obligations (OA) Cumulative from Inception (CFI)	S(12)V99 V99 38-51	156	MUST be numeric (0-9).
		311	Must be positive amount, except country Iran can be negative.
Unpaid Government End of Period	S9(12) V99 52-65	156	MUST be numeric (0-9); may be negative.
Unpaid non-government End of Period	S9(12) V99 66-79	156	MUST be numeric (0-9); may be negative.
Date Accounting Month (YYMM)	X(4) 80-83	'016	YYMM must equal current month or one month prior.
THE POSITIVE TRANSACTION CONTROL FEEDBACK CONTAINS THE ORIGINAL REI TRANSACTION PLUS THE FOLLOWING DATA ELEMENTS FOR THE REF TRANSACTION			
Transaction Reply Code (TRC)	X(15) 84-98	FEEDBACK TRANSACTIONS ONLY. This 15 character element is appended to the feedback format of all interface transactions by the recipient system. This area will contain 1 to 5, 3-digit transaction reply codes to communicate back to the originator system the result of processing the transaction. (Left justified/space filled).	

TABLE 303-3 REPLACEMENT TRANSACTIONS

Items Sold from Inventory Entries in Procurement Appropriation Accounts
in Terms of DoD UCA (Replacement - Tank Valued at \$500,000)

1. Allotted Reimbursable Program - Current Period	\$500,000	
Customer Orders Accepted - Specific Apportionment		\$500,000
Unfilled Customer Orders - Specific Apportionment	\$500,000	
Uncommitted or Unobligated Allotments - Reimbursable Program - Current Year		\$500,000
To record receipt of DD Form 2060		
2. Cost of Sales	\$500,000	
Equipment Not in Use		\$500,000
Reimbursements Earned - Uncollected - Specific Apportionment	\$500,000	
Unfilled Customer Orders - Specific Apportionment		\$500,000
Accounts Receivable - Government (SAAC)	\$500,000	
Revenue - Reimbursable Sale of Property		\$500,000
To record shipment of tank from inventory		
3. Reimbursements Earned - Collected	\$500,000	
Reimbursements Earned - Uncollected		\$500,000
Funds Collected (Cash)	\$500,000	
Accounts Receivable - Government (SAAC)		\$500,000
To record collection from FMS Trust Fund		
4. Uncommitted or Unobligated Allotments - Reimbursable Program - Current Period	\$500,000	
Undelivered Orders - Reimbursable Program		\$500,000
To record award of contract to replace tank		
5. Equipment Not in Use	\$500,000	
Accounts Payable - Public		\$500,000
Undelivered Orders - Reimbursable Program	\$500,000	
Accrued Expenditures - Unpaid - Reimbursable Program		\$500,000
6. Accounts Payable - Public	\$500,000	
Funds Disbursed		\$500,000
Accrued Expenditures - Unpaid - Reimbursable Program	\$500,000	
Accrued Expenditures - Paid - Reimbursable Program		\$500,000
To record payment to contractor		

TABLE 303-4 NEW PROCUREMENT TRANSACTIONS

Items Procured on Reimbursable Basis Entries in Procurement Appropriation Accounts
in Terms of DoD UCA (New Procurement - Tank Contract Cost \$500,000)

1. Allotted Reimbursable Program - Current Period	\$500,000	
Customer Orders Accepted - Specific Apportionment		\$500,000
Unfilled Customer Orders - Specific Apportionment	\$500,000	
Uncommitted or Unobligated Allotment - Reimbursable Program - Current Period		\$500,000
To record receipt of DD Form 2060		
2. Uncommitted or Unobligated Allotment - Reimbursable Program - Current Period	\$500,000	
Undelivered Orders - Reimbursable Program		\$500,000
To record award of contract to procure tank		
3. Equipment Not in Use	\$500,000	
Accounts Payable - Public		\$500,000
Undelivered Orders - Reimbursable Program	\$500,000	
Accrued Expenditures - Unpaid - Reimbursable Program		\$500,000
To record delivery of tank to Army by contractor		
4. Accounts Payable - Public	\$500,000	
Funds Disbursed		\$500,000
Accrued Expenditures - Unpaid - Reimbursable Program	\$500,000	
Accrued Expenditures - Paid - Reimbursable Program		\$500,000
To record payment to contractor		
5. Cost of Sales	\$500,000	
Equipment Not in Use		\$500,000
Reimbursements Earned - Uncollected - Specific Apportionment	\$500,000	
Unfilled Customer Orders - Specific Apportionment		\$500,000
Accounts Receivable - Government (SAAC)	\$500,000	
Reimbursable Sales of Property		\$500,000
To record shipment of tank from Army to Customer		

TABLE 303-4 NEW PROCUREMENT TRANSACTIONS (CONTINUED)

6. Reimbursements Earned - Collected	\$500,000	
Reimbursements Earned - Uncollected		\$500,000
Funds Collected (Cash)	\$500,000	
Accounts Receivable - Government (SAAC)		\$500,000
To record collection from FMS Trust Fund		

NOTE: Reimbursable procurements for FMS are an exception to DoD Policy. See paragraph 070101.F.

TABLE 303-5 ITEM NOT TO BE REPLACED TRANSACTIONS

Items Sold from Inventory
 Entries in Procurement Appropriation Accounts
 in Terms of DoD UCA
 (Item Not To Be Replaced - Tank Valued at \$500,000)

1. Cost of Sales	\$500,000	
Equipment Not in Use		\$500,000
Accounts Receivable - Government (for Treasury Account 3041)	\$500,000	
General Fund Sales of Property		\$500,000
To record shipment of tank from inventory		
2. Funds Returned to the Treasury	\$500,000	
Accounts Receivable - Government (for Treasury Accounts 3041 or 4116)		\$500,000
To record the transfer of free assets to Miscellaneous Receipts Account 3041.		

NOTE: In the event entries were made to budgetary accounts to record the order against the Allotted reimbursable Program, Current Period or Unfilled Customer Orders or Specific Apportionment, the reversing of entries shall be required. There shall be no obligation recorded in the procurement accounts when proceeds from free assets are transferred to Miscellaneous Receipts Account 3041.

0304 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS**030401. Reimbursement for FMS Administrative Expenses**

A. Administrative expenses shall be priced in accordance with Section 706 of this Volume and charged directly to the allotment received from the SAAC for actual FMS administrative expenses. Status-of-allotment information shall be submitted in the DoD standard format prescribed in Table 303-1 and completed according to instructions in paragraph 030302.B. and 030401.C. below. In the event the allotment is used as the basis for issuing reimbursable orders to appropriation accounts, a schedule reflecting the dollar value of orders released to each appropriation shall be attached to the status-of-allotment format. Administrative expenses may not be incurred in excess of the allotment nor are DoD Components authorized to incur obligations against appropriated fund operation accounts to finance FMS administrative budgets. To summarize, appropriated funds shall not be utilized to subsidize FMS administrative operations.

B. Upon review of the budget requests submitted in response to its administrative budget call, DSAA will approve a single budget amount and SAAC will issue an allotment providing funding in the amount of the approved budget. The recipient will prepare an allotment report showing actual uses for either administrative expense. The information shall be based upon the organization designation in the DSAA budget call. Allotments for administrative expenses shall be fully funded for obligations. Receiving DoD Components shall use "no-check SF 1080" self-reimbursement procedures to reimburse appropriation accounts. Reimbursable procedures apply when the Trust Fund is not directly cited as the financing source of payrolls, contracts, or travel orders.

C. Additional instructions for completing the status-of-administrative-expense-allotment format follow:

1. Budget Project No. The status-of-allotment for administrative expenses is provided by object class:

- 11.1 Permanent civilian positions
- 11.3 Civilian positions other than permanent
- 11.5 Other civilian compensation
- 11.8 Special personnel services payment
- 12.1 Personnel benefits - civilian
- 12.2 Personnel benefits - military personnel
- 21.0 Travel and transportation of persons
- 22.0 Transportation of things
- 23.1 Rent, communications and utilities (excluding ADP)
- 23.2 ADP rent, communications and utilities
- 24.0 Printing and reproduction
- 25.1 Other services excluding ADP and BOS
- 25.2 Other services, ADP
- 25.3 Base Operations Support
- 26.0 Supplies and materials
- 31.0 Equipment-Non ADP
- 31.1 Equipment-ADP
- 42.1 Reports of Discrepancy without Transportation
- 42.2 Unfunded civilian retirement

2. Authorizations, Allotments Received to Start of Period. This column includes all current fiscal year DSAA allotments for actual FMS administrative expenses which were received to the start of the current reporting period.

3. Authorizations, Changes this Month. This column includes DSAA allotments for actual FMS administrative expenses which were granted during the reporting month.

4. Commitments, Obligations, and Disbursements. The dollar value of commitments, obligations, and disbursements shall be obtained from allotment ledgers. See paragraph 030104 for guidance on source documents required to support entries to allotment ledgers.

D. Status of Administrative Expense Allotment reports shall be supported by subsidiary allotment status reports for organizations set forth in this paragraph. Subsidiary reports shall follow this format with one exception; Block 1

shall be annotated "Subsidiary report-(Name of organization)."

1. U.S. Army Activities

- a. Army Materiel Command (AMC).
- b. Chief of Staff - Army (CSA).
- c. Surgeon General (SUR GEN).
- d. Army Adjutant General (TAG).
- e. Health Services Command (HSC).
- f. Army Training and Doctrine Command (TRADOC).
- g. U.S. Army Forces Command (FORSCOM).
- h. Information Systems Command (ISC).
- i. U.S. Army Europe (USEUR).
- j. U.S. Army Western Command (WESTCOM).
- k. Army Corps of Engineers (COE).
- l. Army-All Other.

2. U.S. Navy Activities

- a. Assistant Under Secretary of Navy (AAUSN).
- b. Navy International Program Office (Navy IPO).
- c. U.S. Marine Corps (USMC).
- d. Bureau of Naval Personnel (BUPERS).
- e. Chief, Naval Education Training Security Assistance Field Activity (NETSAFA).
- f. Naval Security Group (NSG).
- g. Commander-in-Chief Atlantic Fleet (CINCLANTFLT).
- h. Commander-in-Chief Pacific Fleet (CINCPACFLT).
- i. United States Coast Guard (USCG).
- j. Navy Supply Systems Command (NAVSUP).
- k. Naval Air Systems Command (NAVAIR).
- l. Naval Seas Systems Command (NAVSEA).
- m. Space and Naval Warfare Systems Command (SPAWAR).
- n. Navy-All other.

3. U.S. Air Force Activities

- a. Air Force Materiel Command (AFMC) (AFLC combined with AFSC).
- b. Air Force Communications Command (AFCC).
- c. Air Training Command (ATC).

- d. Pacific Air Force (PACAF).
- e. Air Mobility Command (AMC) (TAC combined with SAC and MAC).
- f. U.S. Air Force Europe (USAFE).
- g. Electronic Systems Command (HQ ESC).
- h. HQ U.S. Air Force (HQ USAF).
- i. Air Force-All other.

4. Defense Finance and Accounting Service

- a. Cleveland Center.
- b. Columbus Center.
- c. Denver Center.
- d. Indianapolis Center.
- e. Kansas City Center.

0305 INTERNAL CONTROL

030501. Objectives. This section contains, in part, the Comptroller General's internal control standards to be followed by executive agencies (to include FMS implementing agencies and SAAC) in establishing and maintaining systems of internal control as required by the Federal Manager's Financial Integrity Act of 1982 [31 U.S.C. 3512(b)][reference (j)]. Internal control systems are to reasonably ensure that the following objectives are achieved:

A. Financial management of the FMS program complies with this Volume.

B. All assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

1. FMS Trust Fund monies are subject to the same basic controls as appropriated funds.

2. DoD activities must insure that FMS-related management efforts (e.g., manpower, equipment support costs, etc.) are charged to the proper reimbursable order or allotment as applicable. There must also be controls to ensure these reimbursable orders or allotments are not exceeded. If they are exceeded, a report must be submitted under the provisions of paragraphs 021201 and 021203 and internal control procedures must be reviewed to prevent recurrence.

C. Revenues and expenditures applicable to the FMS program are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

030502. Internal Control Standards. The following internal control standards define the minimum level of quality acceptable for internal control systems in operation and constitute the criteria for financial management of the FMS program to be evaluated.

A. General Standards.

1. Reasonable Assurance. Internal control systems are to provide reasonable assurance that the objectives of this Volume will be accomplished.

2. Supportive Attitude. Managers and employees are to maintain and demonstrate a positive and supportive attitude toward internal control at all times.

3. Competent Personnel. Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal controls.

4. Control Techniques. Internal control techniques are to be effective and efficient, and in accordance with the overall requirements of this Volume.

B. Specific Standards.

1. Documentation. Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

2. Recording of Transactions and Events. Transactions and other significant events are to be promptly recorded and properly classified.

3. Execution of Transactions and Events. Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

4. Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

5. Supervision. Qualified and continuous supervision is to be provided to ensure that the pricing and reporting requirements established in this Volume are achieved.

6. Access to and Accountability for Resources. Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

C. Audit Resolution Standard. Managers are to (1) promptly evaluate findings and recommendations reported by auditors, (2) determine proper actions in response to audit findings and recommendations, and (3) complete, within established time-frames, all actions that correct or otherwise resolve the matters brought to management's attention. For additional guidance, see the SAMM, Chapter 13 [reference (e)].

030503. Annual Statement of Assurance

A. SAAC will be responsible for the conduct of annual review of the DoD Security Assistance accounting system. As part of the review, system managers within DoD Components which feed the SAAC central Security Assistance accounting system are required to submit to SAAC annual certifications. The feeder system certifications must contain a statement on the adequacy of feeder systems internal controls and compliancy with Comptroller General accounting principles and standards. See Table 305-1.

B. The results of the review will provide SAAC the basis for preparing the annual Statements of Assurance required under Sections II and IV of the Federal Manager's Financial Integrity Act (FMFIA) of 1982 [reference (j)].

030504. Memorandums of Agreement. Memo

randums of agreement will be negotiated between the Military Departments and DFAS for integrated security assistance systems. These MOAs will assure that DFAS identify and define accounting segments that will be under the control of DFAS and ensure compliance with accounting standards and principles.

**TABLE 305-1 ANNUAL STATEMENT OF ASSURANCE FORMAT FOR
CERTIFICATION OF FEEDER SYSTEMS**

MEMORANDUM FOR DFAS-DE/IQ

SUBJECT: Federal Managers' Financial Integrity Act (FMFIA) FY 9X Annual Certification of Feeder Systems

The (Name of System), taken as a whole, does/does not conform to the accounting principles and standards prescribed by the Comptroller General in the General Accounting Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies, Title 2 - Accounting. All systems reviewed were/were not deemed to be in substantial compliance with the Comptroller General accounting principles and standards. Instances of nonconformance were/were not detected. (If major nonconformances exist, attach a statement explaining the nature and planned corrective action for each instance.)

Point of contact is (name) DSN (number) or commercial (number).

John Doe
Certifying Official

CHAPTER 04

CASH MANAGEMENT**0401** INTRODUCTION

040101. Objectives. The objective of this chapter is to set forth procedures which will assure that cash necessary to liquidate obligations resulting from the FMS program is available when the need for disbursement arises. FMS orders create contract authority. Funds appropriated by the Congress for defense purposes cannot be used to liquidate obligations resulting from the use of the contract authority. The cash requirements (outlay authority) of each FMS customer must be met by that customer.

040102. Cash Management Characteristics

A. FMS customer cash deposits into the FMS Trust Fund for defense articles and services sold under Sections 21 and 22 of the AECA shall be made in advance of delivery, performance, or progress payments to contractors except as provided in paragraph 040102.A.1. and 2. below. Such advance cash collections to the FMS Trust Fund must also be made from Foreign Military Financing (FMF) appropriations used to finance a sale or special emergency appropriations obtained to finance deliveries under FMS orders when billing upon delivery and payment within 120 days after the date of billing is considered in the national interest.

1. Payment after delivery of defense articles from stock or rendering of in-house defense services, as authorized by Section 21 of the AECA, requires a specific determination by the Director, DSAA, that delayed payment is in the national interest.

2. All cash disbursements for a foreign country or international organization shall be identified by FMS case and shall not exceed the customer's cash deposits. A specific case may be in a deficit cash position with the deficit being funded by the customer's cash

advances on other cases. However, the cash deposited by country "X" shall not be used to liquidate obligations incurred on behalf of country "Y." A reportable adverse financial condition exists when a single FMS customer level cash summary account is in a deficit position (a credit balance).

3. There are two exceptions to the provisions of subparagraph 2. above.

a. Customer Authorization to Use Cash for Third Party. When a customer has authorized the use of its excess cash deposits to meet the cash requirements of another country an adverse financial condition exists only if the cumulative cash balance of both countries is in a deficit position.

b. Customer or DSAA Direction to Disburse Cash on a Case Basis. When a customer or DSAA has directed that cash be used only to meet disbursement demand of specific cases, then an adverse financial condition exists for each such case that is in a deficit cash position.

4. An initial deposit shall accompany FMS cases to provide the cash advance required to cover disbursements from the time the case is accepted until the first billing due date. FMS bills are prepared on a quarterly basis in January, April, July, and October. The bill includes the cash requirements for the calendar quarter following the quarter in which the bill is mailed. For example, a bill prepared in January (December cutoff, payment due March 15) is to project cash requirements through June. Thus, the initial deposit for a case accepted in December would be the cash required through June, or six (6) months of advance cash requirements. Chapter 8 contains a full discussion of the FMS billing process.

B. The FMS Trust Fund corpus is managed as a single cash entity, as outlined in

subparagraph A above, regardless of the source of the deposits; however, all FMS Trust Fund deposits are accounted for at country and FMS case level by source of financing (MAP Merger, FMS Credit, Foreign Military Financing Credit, non-repayable, or customer national funds).

C. Since the United States Government finds it in its best interest to provide Security Assistance funds annually to selected friends and allies to finance the purchase of U.S. articles and services, it is therefore in the United States Government's interest to properly utilize and manage these limited funds as effectively as possible.

1. In determining the order of funds to be paid into the FMS Trust Fund, DSAA may draw down MAP Merger funds (while available), up to the amount reserved for each case, prior to requesting the FMS customer to draw down FMS credit funds or national funds. Likewise, MAP funds on deposit in the FMS Trust Fund will be accounted for as expended prior to FMS credit or national funds deposits, and credit funds will be considered expended before national funds.

2. Security Assistance funds (MAP Merger/FMS Credits/Foreign Military Financing grants or loans) that become excess due to FMS case reduction or closure may be reapplied to other FMS cases, with DSAA approval, but may not be refunded to the FMS customer.

3. An FMS customer country, with prior DSAA approval, may provide DSAA with a properly executed, separate FMS credit drawdown letter to cover uncollected termination liability for a billing quarter. In such event, it will be necessary to deposit into the FMS Trust Fund only the amount of funds needed to cover contractual progress payments and reimbursements to Implementing Agencies during the billing quarter.

D. The DSAA is authorized to enter into a national funds investment account agreement (Tripartite Agreement) with an FMS customer and the Federal Reserve Bank of New York (FRBNY) for any country which finances all

or a significant part of its FMS programs with national funds.

1. To be eligible, the customer's FMS program must be large enough that the total amount of advance cash deposits anticipated to remain in the FRBNY account will exceed the minimum amount required for investment in short-term, 3-6 month Treasury bills. FRBNY accounts will not normally be considered for a country which finances FMS programs primarily with U.S. Security Assistance funds.

2. Subsequent to the establishment of the investment account, the customer is directed to remit all national funds payments to the FRBNY, identified to specific FMS cases. (Note: payments made from U.S. Security Assistance funds normally will not be remitted to the FRBNY account, but will be made directly to the FMS Trust Fund (unless otherwise specified in U.S. law).

3. The SAAC is authorized by the account agreement to make periodic draw-downs, usually monthly, from the FRBNY account into the FMS Trust Fund as needed to provide at all times sufficient funds to make payments during the next thirty days.

040103. Responsibilities

A. Security Assistance Accounting Center (SAAC). The SAAC is responsible for:

1. Timely posting of customer cash deposits and disbursements thereof to FMS case accounting records.

2. Reconciling summary Trust Fund level cash account balances (balance per books) to the Department of Treasury balance (balance per bank).

3. Assuring that approved cash expenditure authorities do not exceed FMS customer cash balances.

4. Identifying developing cash flow problems and alerting OSD management and implementing agencies in a timely manner.

B. Implementing Agencies. The implementing agency is responsible for:

1. Preparing and updating case payment schedules.

2. Systematically developing historical cost curves for DoD major weapon systems obtained through procurement, for use in preparing case payment schedules; and reviewing the curves periodically for validity.

3. Continually reviewing case level cash balances to assure that the payment schedule is accurate and cash is available to support any outlay requirements that may materialize for the case. This includes disbursements to reimburse DoD accounts for earned reimbursements and disbursements to contractors for billed costs, contract holdbacks and potential contract termination costs.

a. In the event payment schedules do not adequately meet the cash needs, promptly notifying SAAC of the necessity to bill and collect additional cash advances, and following up this notification by issuing a revised payment schedule via an LOA modification.

b. In the event payment schedules overstate the cash needs, due to delays in contract award, delivery slippages, or other reasons, issuing a revised payment schedule via an LOA modification.

4. Ensuring receipt of expenditure authority prior to processing a disbursement citing the FMS Trust Fund.

0402 ESTIMATING CASH ADVANCE REQUIREMENTS

040201. Method for Calculating Requirements

A. Calculation of Initial Estimate. Calculation of the cash requirements for a specific FMS case requires that case costs be subdivided into two broad cost categories. The first category is the portion of case value to be provided under authority of Section 21 of the AECA, sales from DoD inventories and the

services of DoD personnel. The second category is the portion of case value to be provided under authority of Section 22 of the AECA, procurement of hardware or contractor services for the FMS customer. The cash advance for the portion of the case classified as a Section 21 sale shall include the estimated earned reimbursements to be realized by DoD appropriation/fund accounts during the three-month period subsequent to the payment due date of the billing statement issued by SAAC. The cash advance for the portion of the case classified as a Section 22 sale shall include estimated disbursements to contractors for contractor invoices and potential disbursements to contractors if additional cash deposits are not made by the customer in a timely manner or the case is unilaterally canceled by the customer. Potential disbursements to contractors include payment of contract holdbacks and termination costs which would result if work were stopped when the cash advance available to pay contractor invoices is exhausted. The time period covered by the estimate of advance cash required is the three-month period subsequent to the payment due date of the billing statement issued by SAAC.

B. Initial Estimates of Cash Required in Support of Section 21 Effort.

1. Sales from Inventory. Estimates of earned reimbursements for inventory items shall be on the basis that requisitioned items will be dropped from inventory within 30 days after a requisition for a stocked item is issued. The drop from inventory creates the earned reimbursement. Therefore, the applicable FMS case manager will develop this portion of estimated cash requirements based upon anticipated requisition release dates.

2. Sales of DoD Services. Estimates of earned reimbursements for DoD services provided directly to the FMS customer or in support of a Section 22 contract shall be based on the estimated portion of the services which will be provided in the applicable billing period. Services also include applicable administrative and accessorial surcharges.

3. Recoupment of Nonrecurring Charges. Charges for nonrecurring costs are

earned as items are physically delivered to the FMS customer. Therefore, the cash to be collected for these charges should be based upon item delivery schedules.

C. Initial Estimates of Cash Required in Support of Sections 22 and 29 Effort.

1. Cash advances required to support procurements for FMS customers shall be based upon normal administrative and procurement lead-times for the type of commodity being procured. Table 402-1 illustrates, in terms of percentage of contract costs, the total required cash advance necessary to support contracts for aircraft and related equipment; the percentages are a function of procurement lead-times. The Table also illustrates the amount of contract value which is being collected as a reserve for potential termination costs and contractor holdback.

a. Potential termination costs or "bailout" costs represent the liability DoD has to contractors in the event termination occurs. Generally, such costs include all accrued direct and indirect costs and profits and subcontracts not covered by progress payments to the contractor, plus any penalty contract termination charges that might be realized. Potential termination costs do not include price increases to other ongoing contracts resulting from reductions in procurement quantities.

b. Contractor holdback represents amounts earned by contractors or suppliers, but held back to ensure future performance. (Normally the result of progress payments authorized at less than 100 percent.)

c. In the absence of a procurement history for a particular system, or a similar system, or cost curves obtained from a prime contractor, Table 402-1 may be used. The percentages in Table 402-1 are for procurement lead-times ranging from 6 months to 60 months. This table may be used for the development of payment schedules included in the LOA. The percentage figures shown in Table 402-1 include all applicable costs, i.e., progress payment amounts, contractor holdback, and potential termination liability. The amount of the cumula-

tive monthly payment applicable to the termination liability and contractor holdback reserve is shown in the second column (% TL) for each procurement lead-time.

2. Table 402-2 illustrates the development of a payment schedule based upon Table 402-1 percentages for the bombs under example C of the DD Form 2061 illustrated in Table 202-3. The percentages in Table 402-1 are applied only to pricing element "CC" or the new procurement value of \$800,000.

a. The figures in Table 402-2 are based on an assumed procurement lead-time of 36 months. Although assumed for the purposes of illustration, in actual practice this lead-time must be furnished by the procuring activity.

b. For purposes of illustration, the table assumes that the Letter of Offer was signed at the end of the quarter after the billing cut-off date, e.g., December 20. The table further assumes an administrative lead-time of three months to go on contract, although it is recognized that many contracts will not be let until much later. Implementing agencies should insure that realistic contract administrative lead-times are used in preparing payment schedules.

c. The initial deposit to accompany the Letter of Offer must include 50 percent of the administrative surcharge expense and the cash advance required between LOA acceptance and the first payment due date. Since the LOA illustrated in Table 402-1 was signed after the billing cut-off date, the time period between acceptance and payment due date will approximate six months (e.g. for a December 20th acceptance, SAAC would not bill until April for a due date of June 15th). Because of the 3-month administrative lead-time, no contract cost will be incurred until April. The initial deposit, therefore, will be necessary only to cover the months of April, May, and June. The cumulative percentage of contract cost for this 3-month period is 1.1%. Applying this percentage to the contract cost yields an initial deposit of \$8,800-due upon acceptance.

d. The April billing would show \$21,600 (\$30,400 - \$8,800) as the amount due on June 15 to cover the months, July, August, and September; the July billing (June cut off) would show \$34,400 (\$64,800 - \$30,400) due on September 15 and so on. The payment schedule would reflect these due dates.

e. The amount of the initial deposit to be reserved for termination liability and contractor holdback is \$352. The amount of the first bill (\$21,600) to be reserved for termination liability and contractor holdback is \$8,768 (\$9,120 - \$352) and for the second bill \$13,560 (\$22,680 - \$9,120).

f. Table 402-3 displays this payment schedule example in the standard Termination Liability Worksheet format. Table 402-1 illustrates a payment schedule that includes Section 21 sales in addition to the procurement items.

**TABLE 402-1 CUMULATIVE MONTHLY PAYMENT SCHEDULE
AND TERMINATION LIABILITY (TL) PERCENTAGES**
(As a percentage of Contract Cost)

Procurement Lead Time	6 Months		9 Months		12 Months		15 Months		18 Months		21 Months	
	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL
1	5.7	30	2.7	14	1.5	0	1.0	0	0.7	0	0.5	0
2	19.6	35	8.2	38	4.6	30	3.0	20	2.1	14	1.5	9
3	44.8	32	17.7	35	9.4	34	6.0	40	4.2	30	3.1	23
4	74.9	18	32.4	34	16.7	35	10.2	33	7.1	38	5.2	37
5	95.2	2	51.6	29	26.8	35	16.0	35	10.8	34	7.9	36
6	100.0	0	71.9	18	39.9	32	23.7	35	15.7	35	11.3	34
7			88.4	5	54.9	27	33.4	33	21.9	35	15.5	35
8			97.2	1	70.2	18	44.8	30	29.4	34	20.7	35
9			100.0	0	83.5	7	57.2	26	38.3	32	26.9	34
10					92.8	2	69.6	18	48.1	29	34.1	33
11					97.8	0	80.8	9	58.5	24	42.1	30
12					100.0	0	89.6	3	68.7	18	50.8	28
13							95.4	1	78.2	10	59.7	24
14							98.6	0	86.1	5	68.5	18
15							100.0	0	92.2	2	76.8	11
16									96.7	1	84.0	7
17									98.7	0	89.9	3
18									100.0	0	94.3	1
19											97.3	0
20											99.2	0
21											100.0	0

**TABLE 402-1 CUMULATIVE MONTHLY PAYMENT SCHEDULE AND TERMINATION
LIABILITY (TL) PERCENTAGES (CONTINUED)**
(As a percentage of Contract Cost)

Procurement Lead Time	24 Months		27 Months		30 Months		33 Months		36 Months		39 Months	
Month	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL
1	0.4	0	0.3	0	0.3	0	0.2	0	0.2	0	0.2	0
2	1.2	5	0.9	2	0.8	0	0.6	0	0.5	0	0.5	0
3	2.4	18	1.8	14	1.5	10	1.2	8	1.1	4	1.0	2
4	4.0	30	3.1	24	2.6	20	2.0	17	1.8	14	1.6	10
5	6.0	39	4.7	35	3.9	30	3.1	27	2.7	24	2.4	18
6	8.5	35	6.6	38	5.4	40	4.4	38	3.8	30	3.3	26
7	11.5	34	8.9	34	7.2	37	5.9	37	5.0	39	4.4	34
8	15.2	35	11.7	34	9.4	33	7.6	35	6.5	37	5.6	39
9	19.6	35	15.0	35	11.9	34	9.6	33	8.1	35	7.0	37
10	24.8	35	18.9	35	14.9	35	11.9	34	10.0	34	8.6	35
11	30.7	33	23.4	35	18.3	35	14.6	35	12.2	34	10.4	34
12	37.4	32	28.5	34	22.2	35	17.7	35	14.7	35	12.4	34
13	44.7	29	34.2	32	26.7	34	21.2	35	17.5	35	14.7	35
14	52.4	27	40.4	31	31.6	33	25.1	34	20.6	35	17.3	35
15	60.2	22	47.0	29	36.9	31	29.4	33	24.1	35	20.1	35
16	67.9	18	53.9	27	42.7	30	34.1	32	27.9	34	23.2	35
17	75.3	12	60.9	22	48.8	28	39.2	31	32.1	33	26.6	34
18	81.8	7	67.8	18	55.0	26	44.6	29	36.6	32	30.3	33
19	87.4	4	74.4	13	61.3	22	50.2	28	41.3	30	34.3	32
20	91.9	2	80.4	8	67.5	18	55.9	25	46.3	29	38.6	32
21	95.2	1	85.7	5	73.5	13	61.6	22	51.5	27	43.1	29
22	97.5	0	90.1	2	79.0	9	67.2	18	56.7	25	47.8	28
23	99.1	0	93.6	1	83.9	6	72.6	14	62.0	22	52.6	27
24	100.0	0	96.2	1	88.2	3	77.7	10	67.2	18	57.5	24
25			98.1	0	91.7	2	82.3	7	72.2	14	62.4	21
26			99.4	0	94.5	1	86.4	4	76.9	11	67.2	18
27			100.0	0	96.6	1	89.9	2	81.3	7	71.8	14
28					98.1	0	92.8	1	85.2	5	76.2	11
29					99.3	0	95.1	1	88.6	3	80.3	9
30					100.0	0	96.9	0	91.5	2	84.0	6
31							98.2	0	93.9	1	87.3	3
32							99.2	0	95.9	1	90.2	2
33							100.0	0	97.4	0	92.7	2
34									98.5	0	94.7	1
35									99.4	0	96.3	1
36									100.0	0	97.6	0
37											98.6	0
38											99.4	0
39											100	0

**TABLE 402-1 CUMULATIVE MONTHLY PAYMENT SCHEDULE AND TERMINATION
LIABILITY (TL) PERCENTAGES (CONTINUED)**
(As a percentage of Contract Cost)

Procmt Lead Time	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL
1	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
2	0.4	0	0.3	0	0.3	0	0.3	0	0.2	0	0.2	0	0.2	0
3	0.8	2	0.6	0	0.6	0	0.6	0	0.5	0	0.4	0	0.4	0
4	1.3	8	1.1	6	1.0	5	0.9	4	0.8	2	0.7	1	0.6	0
5	2.0	16	1.7	12	1.5	10	1.3	9	1.2	8	1.1	6	1.0	3
6	2.8	23	2.4	20	2.1	18	1.8	15	1.7	14	1.5	12	1.4	10
7	3.8	30	3.2	26	2.8	24	2.4	22	2.3	10	2.0	17	1.8	15
8	4.8	38	4.1	32	3.7	30	3.1	27	2.9	24	2.6	22	2.3	20
9	6.0	38	5.1	40	4.6	36	3.9	32	3.6	30	3.2	27	2.9	25
10	7.3	36	6.3	38	5.6	39	4.8	39	4.4	35	3.9	33	3.6	30
11	8.8	34	7.6	36	6.7	37	5.8	38	5.3	40	4.7	38	4.3	35
12	10.5	34	9.0	33	8.0	35	6.9	36	6.3	38	5.6	39	5.1	40
13	12.4	34	10.6	34	9.4	33	8.1	35	7.3	36	6.6	37	5.9	38
14	14.5	35	12.4	34	10.9	34	9.4	33	8.5	34	7.6	35	6.9	36
15	16.9	35	14.2	35	12.6	34	10.8	34	8.7	33	8.7	33	7.9	35
16	19.5	35	16.6	35	14.4	35	12.3	34	11.2	34	9.9	33	9.0	33
17	22.3	35	19.0	35	16.5	35	14.0	35	12.7	34	10.2	34	10.1	33
18	25.5	34	21.6	35	18.7	35	15.8	35	14.3	35	12.6	34	11.4	34
19	28.8	34	24.4	34	21.1	35	17.8	35	16.1	35	14.2	35	12.8	35
20	32.5	33	27.5	34	23.7	35	19.9	35	18.1	35	15.9	35	14.3	35
21	36.3	32	30.8	33	26.5	34	22.2	35	20.2	35	17.7	35	15.9	35
22	40.4	30	34.3	32	29.6	33	24.7	34	22.4	35	19.7	35	17.6	35
23	44.6	29	38.0	31	32.8	33	27.3	33	24.8	35	21.8	35	19.4	35
24	49.0	28	41.9	30	36.1	32	30.1	33	27.4	34	24.0	34	21.4	35
25	53.5	26	45.9	28	39.7	31	33.1	32	30.1	33	26.4	34	23.5	35
26	58.0	23	50.0	27	43.4	30	36.2	31	33.0	32	28.9	33	25.7	34
27	62.5	22	54.2	26	47.2	28	39.5	30	36.0	32	31.6	33	28.1	33
28	66.9	18	58.4	24	51.0	27	42.9	29	39.1	31	34.4	32	30.6	33
29	71.2	14	62.6	22	55.0	26	46.4	28	42.4	30	37.3	32	33.2	32
30	75.4	11	66.7	18	58.9	23	50.6	27	45.7	20	40.3	31	35.9	31

**TABLE 402-1 CUMULATIVE MONTHLY PAYMENT SCHEDULE AND TERMINATION
LIABILITY (TL) PERCENTAGES (CONTINUED)**
(As a percentage of Contract Cost)

Procmt Lead Time	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL	Cumulative Monthly Payments	% TL
31	79.2	9	70.7	15	62.9	20	53.6	26	49.1	23	43.4	29	38.7	31
32	82.8	6	74.6	12	66.7	18	57.2	23	52.6	27	46.6	28	41.6	30
33	86.1	4	78.3	9	70.5	15	60.9	20	56.1	26	49.9	27	44.6	29
34	88.9	3	81.7	6	74.2	13	64.5	18	59.6	22	53.2	26	47.6	28
35	91.4	2	84.8	4	77.7	9	68.1	15	63.1	20	56.5	24	50.7	27
36	93.5	1	87.6	3	80.9	7	71.6	13	66.6	18	59.8	22	53.9	26
37	95.3	1	90.1	2	84.0	6	75.0	10	70.0	15	63.1	20	57.0	24
38	96.7	1	92.2	2	86.7	4	78.2	8	73.3	13	66.4	18	60.2	22
39	97.8	0	94.0	1	89.2	3	81.2	6	76.4	10	69.6	16	63.4	20
40	98.8	0	95.5	1	91.3	2	84.0	4	79.4	8	72.7	13	66.5	18
41	99.5	0	96.8	1	93.2	2	86.6	3	82.2	6	75.7	10	69.5	16
42	100.0	0	97.8	0	94.8	1	88.9	2	84.8	5	78.6	9	72.5	13
43			98.6	0	96.2	1	91.0	2	87.2	3	81.3	7	75.4	11
44			99.3	0	97.3	1	92.8	1	89.4	2	83.8	6	78.1	9
45			100.0	0	98.2	0	94.4	1	91.3	2	86.1	4	80.7	7
46					98.9	0	95.8	1	93.0	1	88.2	3	83.2	6
47					99.6	0	97.0	0	94.4	1	90.1	2	85.5	4
48					100.0	0	98.0	0	95.7	1	91.8	2	87.6	3
49							98.8	0	96.8	1	93.3	1	89.5	2
50							99.5	0	97.7	0	94.6	1	91.2	2
51							100.0	0	98.4	0	95.7	1	92.8	1
52									99.1	0	96.7	0	94.1	1
53									99.6	0	97.5	0	95.3	1
54									100.0	0	98.2	0	96.3	1
55											98.8	0	97.2	0
56											99.3	0	98.0	0
57											100.0	0	98.6	0
58													99.2	0
59													99.6	0
60													100.0	0

**TABLE 402-2 ILLUSTRATION ON USE OF PERCENTAGES TO ESTIMATE
CASH ADVANCE REQUIREMENTS**

(Contract Cost of \$800,000 LOA Accepted 12/20/84)⁴

<u>Month</u>	<u>Gross %</u>	<u>Amount of Contract Cost</u>	<u>TL %</u>	<u>TL Dollars</u>	<u>Payment Schedule³</u>	
					<u>Current Quarter</u>	<u>Cumulative</u>
Dec 1984 (Intl Dep) ⁴⁰		0	0	0	8,800	8,800
Jan 1985 ¹	0	0	0	0	0	0
Feb 1985 ¹	0	0	0	0	0	0
Mar 1985 ¹	0	0	0	0	0	0
Apr 1985 ²	.2	1,600	0	0	0	0
May 1985	.5	4,000	0	0	0	0
Jun 1985	1.1	8,800	4	352	21,600	30,400
Jul 1985	1.8	14,400	14	2,016	0	0
Aug 1985	2.7	21,600	24	5,184	0	0
Sep 1985	3.8	30,400	30	9,120	34,400	64,800
Oct 1985	5.0	40,000	39	15,600	0	0
Nov 1985	6.5	52,000	37	19,240	0	0
Dec 1985	8.1	64,800	35	22,680	52,800	117,600
Jan 1986	10.0	80,000	34	27,200	0	0
Feb 1986	12.2	97,600	34	33,184	0	0
Mar 1986	14.7	117,600	35	41,160	75,200	192,800
Apr 1986	17.5	140,000	35	49,000	0	0
May 1986	20.6	164,800	35	57,680	0	0
Jun 1986	24.1	192,800	35	67,480	100,000	292,800
Jul 1986	27.9	223,800	34	75,888	0	0
Aug 1986	32.1	256,800	33	84,744	0	0
Sep 1986	36.6	292,800	32	93,696	119,200	412,000
Oct 1986	41.3	330,400	30	99,120	0	0
Nov 1986	46.3	370,400	29	107,416	0	0
Dec 1986	51.5	412,000	27	111,240	125,600	537,600
Jan 1987	56.7	453,600	25	113,400	0	0
Feb 1987	62.0	496,000	22	109,120	0	0
Mar 1987	67.2	537,600	18	96,768	112,800	650,400
Apr 1987	72.2	577,600	14	80,864	0	0
May 1987	76.9	615,200	11	67,672	0	0
Jun 1987	81.3	650,400	7	45,528	81,600	732,000
Jul 1987	85.2	681,600	5	34,080	0	0
Aug 1987	88.6	708,800	3	21,264	0	0
Sep 1987	81.5	732,000	2	14,640	47,200	779,200
Oct 1987	93.9	751,200	1	7,513	0	0
Nov 1987	95.9	767,200	1	7,672	0	0
Dec 1987	97.4	779,200	0	0	20,800	800,000
Jan 1988	98.5	788,000	0	0	0	0
Feb 1988	99.4	795,200	0	0	0	0
Mar 1988	100.0	800,000	0	0	0	800,000

¹Administrative lead-time.

²Start of 36 months' procurement lead-time.

³Date payment due at SAAC.

⁴The Administrative Surcharge, 50% initial drawdown will be additive to the cash advance requirements illustrated here.

**TABLE 402-3 ILLUSTRATION OF TABLE 401-2 PAYMENT SCHEDULE
IN TERMINATION LIABILITY WORKSHEET FORMAT**

**Contract Cost of \$800,000 LOA Accepted 12/20/84
(No Sec 21 Sales in LOA)**

<u>Date</u>	<u>Total Payment</u>		<u>Estimated Disbursements</u>		<u>Termination Liability/ Contractor Holdback</u>	
	<u>Qtr</u> (a)	<u>Cum</u> (b)	<u>Qtr</u> (c)	<u>Cum</u> (d)	<u>Qtr</u> (e)	<u>Cum</u> (f)
Initial						
Deposit	8,800	8,800	8,448	8,448	352	352
15 Jun 85	21,600	30,400	12,832	21,280	8,768	9,120
15 Sep 85	34,400	64,800	20,840	42,120	13,560	22,680
15 Dec 85	52,800	117,600	34,320	76,440	18,480	41,160
15 Mar 86	75,200	192,800	48,880	125,320	26,320	67,480
15 Jun 86	100,000	292,800	73,784	199,104	26,216	93,696
15 Sep 86	119,200	412,000	101,656	300,760	17,544	111,240
15 Dec 86	125,600	537,600	140,072	440,832	(14,472)	96,768
15 Mar 87	112,800	650,400	164,040	604,872	(51,240)	45,528
15 Jun 87	81,600	732,000	112,488	717,360	(30,888)	14,640
15 Sep 87	47,200	779,200	61,840	779,200	(14,640)	0
15 Dec 87	20,800	800,000	20,800	800,000	0	0

Notes:

1. Columns a and b should be identical to payment schedule in the LOA.
2. Column a = c+e.
3. Column b = d+f.
4. At end of schedule, column b = column d; column f must be zero.
5. This analysis of TL must be performed for all contracts regardless of value and must be part of a case file but need not be submitted to DSAA unless case value is over 7 million dollars. (See SAMM, Chapter 7 [reference (e)] for guidance regarding submission of Termination Liability Worksheets).

**TABLE 402-4 ILLUSTRATION OF TABLE 401-2 PAYMENT SCHEDULE IN
TERMINATION LIABILITY WORKSHEET FORMAT**
Contract Cost of \$800,000 Plus Sec 21 Sales of \$240,000 LOA Accepted 12/20/84

<u>Date</u>	<u>Total Payment</u>		<u>Estimated Disbursements</u>		<u>Termination Liability/ Contractor Holdback</u>	
	<u>Qtr</u> (a)	<u>Cum</u> (b)	<u>Qtr</u> (c)	<u>Cum</u> (d)	<u>Qtr</u> (e)	<u>Cum</u> (f)
Initial						
Deposit	28,800	28,800	28,448	28,448	352	352
15 Jun 85	41,600	70,400	32,832	61,280	8,768	9,120
15 Sep 85	54,400	124,800	40,840	102,120	13,560	22,680
15 Dec 85	72,800	197,600	54,320	156,440	18,480	41,160
15 Mar 86	95,200	292,800	68,880	225,320	26,320	67,480
15 Jun 86	120,000	412,800	93,784	319,104	26,216	93,696
15 Sep 86	139,200	552,000	121,656	440,760	17,544	111,240
15 Dec 86	145,600	697,600	160,072	600,832	(14,472)	96,768
15 Mar 87	132,800	830,000	184,040	784,872	(51,240)	45,528
15 Jun 87	91,600	922,000	122,488	907,360	(30,888)	14,640
15 Sep 87	77,200	999,200	91,840	999,200	(14,640)	0
15 Dec 87	40,800	1,040,000	40,800	1,040,000	0	0

Notes:

1. Columns a and b should be identical to payment schedule in the LOA.
2. Column a = c+e.
3. Column b = d+f.
4. At end of schedule, column b = column d; column f must be zero.
5. Reserves are the same as Table 402-3 schedule; however, total payment and estimated disbursements are greater due to Sec 21 articles/services in case.
6. This example only requires an initial deposit for one quarter (reference paragraph 040302 of this Volume).

0403 PAYMENT SCHEDULES

040301. Policy. It is DoD policy that FMS purchasers be requested to pay amounts reflected in LOA payment schedules--except in those instances where potential cash disbursements are anticipated to exceed the current payment schedule. Assurance that cash is available when the necessity for disbursement arises requires that implementing DoD Components continually monitor case level cash advances and validate the accuracy of payment schedules.

040302. General. Payment schedules are a consolidated formal presentation to the FMS customer of the estimates of cash requirements resulting from application of the procedures contained in Section 402. If initial deposits are required upon acceptance of a sales agreement, the amount of initial deposits should be equal to one half of the administrative surcharge plus sufficient funds to cover all costs and contingencies (e.g., contract holdback, potential termination liability) anticipated to be incurred until the first billing statement can be rendered and monies collected. As a standard, new sales agreements can enter the billing system at the SAAC through the 10th day of the last month of the calendar quarter. Therefore, if a new agreement is anticipated to be accepted by the purchaser and received by the SAAC after the 10th day of the last month of the quarter, then the DoD Component should require an initial deposit for the first two calendar quarters of the agreement.

040303. LOA Payments

A. LOA Payment requirements will be included in each LOA in the format required by the SAMM [reference (e)]. The payment schedule portion of the LOA should be reissued via a modification when costs are expected to vary more than \$500,000 during any 12-month period covered by the payment schedule. Smaller thresholds should be established where total case value warrants.

B. Termination Liability Worksheets will be furnished to DSAA in accordance with the SAMM [reference (e)]. DSAA will retain one

copy and forward one copy to the SAAC. SAAC will record the amount of termination liability specified on the worksheets.

040304. Preparation. Any revision to the LOA payment schedule shall be prepared in the manner prescribed in this Volume.

A. It is essential that payment schedule revisions be prepared in such a manner that they are consistent with the parameters of the FMS billing cycle and their contents are clearly understood by the implementing agency, SAAC, and the FMS customer. Since the payment schedule is used by SAAC as the basis for billing the FMS purchaser, there must be an "audit trail" between the original payment schedule and any revision(s).

B. The payment dates shown on the revised payment schedule must be compatible with the FMS billing cycle. The following guidance is applicable:

Anticipated expiration/ implementation date	Earliest payment date shown in payment schedule	For costs to be incurred in
11 Mar-10 Jun	15 Sep	Oct-Dec
11 Jun-10 Sep	15 Dec	Jan-Mar
11 Sep-10 Dec	15 Mar	Apr-Jun
11 Dec-10 Mar	15 Jun	Jul-Sep

On an emergency basis, a revised payment schedule may be provided to SAAC by message or the committed values for requisition cases report (see paragraphs 040308 and 080102). However, this means of notification should be used only if a properly executed modification cannot reach SAAC within the above timeframes. Message notification must be immediately followed by a payment schedule modification.

C. In as much as payment schedules are intended to reflect "financial requirements" (which in turn relate to Column 12, Total Financial Requirements, of the DD Form 645), cumulative collections/actual payments received from the FMS purchaser (as reflected in Column 13 of

the DD Form 645) should not be used in the preparation of revised payment schedules. This caveat is especially pertinent since the FMS purchaser may over or under pay its financial requirements for a given FMS case. In the process of preparing the revised payment schedule, the following guidelines regarding specific entries are applicable (refer to the illustration in Table 403-2):

1. The "Cumulative to Date (with date specified)" entry is mandatory and must correspond with the original payment schedule in the absence of a prior revision; otherwise, the "Cumulative to Date" entry should correspond to the last revision. This entry ensures that all concerned (i.e., implementing agency, SAAC, FMS customer) have a clear understanding of the relationship between the original and revised payment schedules.

2. In the event the implementing agency desires to decrease the existing total financial requirements of the FMS case, the "Revised Cumulative to Date" entry is used. This entry will adjust the amount reflected in Column 12 (Total Financial Requirements) of the DD Form 645.

3. If an "Initial Deposit" is appropriate, such as in the instance of an amendment which increases the number of items being sold, this entry should also be shown.

4. The remaining payment date entries and associated quarterly and cumulative amounts are shown, as necessary. The implementing agency should ensure that these final entries correspond to the revised total case value (i.e., Block 13 of amendments and modifications.

040305. Forecasting Procedures. Exceptional forecasting procedures will be used for requisition cases (i.e., Supply Support Arrangement, FMSO II, and other repair parts cases). Experience has shown that most payment schedules for these cases tend to be overstated because of variations in both requisitioning and supply actions. Therefore, to preclude substantial over-billing, each implementing agency shall provide the SAAC with a "Quarterly Forecast of Financial Requirements for In-Process Cases" report and

cards (or card images). These inputs are submitted to the SAAC by the 15th day of the last month of each calendar quarter (i.e., March 15, June 15, September 15, and December 15), and reflect the most recent status of logistical commitments (on-hand unfilled requisitions). If there are no unfilled orders on the requisition case, the implementing agency should report "zero" commitment value-- a report should be submitted for all requisition cases. See Table 403-1 for instructions for preparing the FICS "BK" transaction used for the report.

040306. Committed Values. The committed (unfilled order) values for requisition cases is compared by the SAAC to the case payment schedule quarterly amounts. If the committed value for the case is less than the quarterly amount from the payment schedule, the committed value is used for the forecasted requirement in Column 11 of the DD Form 645 in lieu of the payment schedule amount.

040307. Accurate Payment Schedules. This procedure does not preclude the requirement for an accurate payment schedule to be included in the LOA for a requisition type case. If an out-of-balance condition continues to exist between quarterly payment schedule amounts and the committed value provided each quarter, a new payment schedule should be issued by the implementing agency.

040308. Delivery Status. It is a requirement that the financial and delivery status of each FMS case be reviewed periodically by the implementing agency. This review is to ascertain whether the payment schedule will provide sufficient cash to meet the requirements established in paragraph 040102 of this Volume. If not, it shall be necessary to provide SAAC a quarterly forecast of fund requirements that contains the case level data normally required as back-up to the payment schedule.

040309. Revising Case Payment Schedules. Implementing agencies will establish formal procedures for the review and revision of FMS case payment schedules as follows:

A. The payment schedule should be evaluated each time an amendment or modification is issued that affects case or line values.

B. Payment schedules for cases with performance extending beyond two years should be reviewed as indicated below:

<u>Total Case Value</u>	<u>Review Frequency</u>
1. \$100 million or less	Annually
2. \$100-\$500 million	Semi-annually
3. \$500 million and above	Quarterly

C. If the review discloses that actual disbursements and payables (see Table 402-2 column "Amount of Contract Cost") vary from estimated disbursements by more than 10%, implementing agencies should give priority to revising applicable payment schedules.

**TABLE 403-1 INSTRUCTIONS FOR PREPARING "BK" TRANSACTIONS, QUARTERLY FORECAST
OF FINANCIAL REQUIREMENTS FOR IN-PROCESS CASES**

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validations of: BKI Input--MILDEP to SAAC BKF Feedback--SAAC to MILDEP
Document Identifier Code (DIC)	X(3)		
Case Budgetary Require- ments (Input)	'1-3	'002	Originator to recipient; must be BKI if not, reject.
Case Budgetary Require- ments (Feedback)	'1-3		"BKF" - a machine generated duplicate of the BKI transaction appended by the Positive Transaction Control (PTC)
Transaction Control No. (YYMMDDNNNNNV)	X(13) '4-16	'152	Must be numeric (0-9)
		'152	YYMMDD must be equal to or less than current date
		'249	Version Number (V) must be "0" if Action Code is "A" (add)
		'248	Version Number (V) must be 1 thru 9 if Action Code is "C" (change) and must be one greater than suspense version No.
		'251	If Action Code is "C" (change) or "D" (delete), Transaction Control number (TCN)(excluding V) must equal suspense file. (YYMMDDNNNNNV)
Action Code	X(1) 17	'003	Must be "A", "C", or "D", otherwise invalid. A=Add; C=Change; D=Delete
Country Code (CC)	X(2) 18-19	'037	Must be on Country Code (CC) Table. If not, reject.
Implementing Agency Code (IA)	X(1) 20	'038	If Site Cite = 5 or 6, IA Code must be on Implementing Agency (IA) Table.

TABLE 403-1 INSTRUCTIONS FOR PREPARING "BK" TRANSACTIONS (CONTINUED)

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validations of: Transactions BKI Input--MILDEP to SAAC BKF Feedback--SAAC to MILDEP
Case Designator	X(3) 21-23	'039	MUST be a valid case; if not reject. Case must be on the Active case control file (I) or closed (C) when case is a valid case.
Date Forecasted (YYMM) for Fiscal Year	X(4) 24-27		
Amount Open Requisition	S9(12) V99 28-39		
THE POSITIVE TRANSACTION CONTROL FEEDBACK CONTAINS THE ORIGINAL BKI TRANSACTION PLUS THE FOLLOWING DATA ELEMENTS FOR THE BKF TRANSACTION			
Transaction Reply Code (TRC)	X(15) 40-54	FEEDBACK TRANSACTIONS ONLY. This 15 character element is appended to the feedback format of all interface transactions by the recipient system. This area will contain 1 to 5, 3-digit transaction reply codes to communicate back to the originator system the result of processing the transaction. (Left justified/space filled).	

TABLE 403-2 ILLUSTRATIONS OF PAYMENT SCHEDULE REVISIONS**A. Original Estimated Payment Schedule**

<u>Payment Date</u>	<u>Quarterly</u>	<u>Cumulative</u>
Initial Deposit	\$100,000	\$100,000
15 Mar 198X	90,000	190,000
15 Jun 198X	80,000	270,000
15 Sep 198X	70,000	340,000
15 Dec 198X	60,000	400,000
15 Mar 198Y	50,000	450,000
15 Jun 198Y	40,000	490,000
15 Sep 198Y	30,000	520,000
15 Dec 198Y	20,000	540,000

B. Revision No. 1 - Upward Adjustment (Note 1)

<u>Payment</u>	<u>Quarterly</u>	<u>Cumulative</u>
Cumulative to Date (15Sep198X)	N/A	\$340,000
Initial Deposit (this amendment)	85,000	425,000
15 Dec 198X	65,000	490,000
15 Mar 198Y	55,000	545,000
15 Jun 198Y	45,000	590,000
15 Sep 198Y	35,000	625,000
15 Dec 198Y	25,000	650,000

C. Revision No. 2 - Downward Adjustment (Note 2)

<u>Payment</u>	<u>Quarterly</u>	<u>Cumulative</u>
Cumulative to Date (15Jun198Y)	N/A	\$590,000
Revised Cumulative to Date	N/A	550,000
15 Sep 198Y	15,000	565,000
15 Dec 198Y	10,000	575,000

Notes:

1. In Revision No. 1 (due at SAAC not less than 10 Sep 198X), the Cumulative to Date amount of \$340,000 corresponds to the 15 Sep 198X cumulative amount on the original payment schedule. Since there is no adjustment to the Cumulative to Date amount, there is no need for a Revised Cumulative to Date entry. However, an initial deposit (reflected on the DD 1513-1) is requested and is therefore shown.

2. In Revision No. 2 (due at SAAC not later than 10 Jun 198Y), the Cumulative to Date amount of \$590,000 corresponds to the 15 Jun 198Y entry contained in Revision No. 1. Since the implementing agency desires to reduce this amount by \$40,000, a Revised Cumulative to Date entry (\$550,000) is shown.

0404 CONTRACTOR REQUEST FOR PROGRESS PAYMENTS AND REIMBURSEMENT OF COSTS UNDER CONTRACTS INCLUDING FMS REQUIREMENTS

040401. General. Current contracting procedures permit the consolidation of DoD and FMS customer(s) requirements into a single contract. To implement FMS cash flow requirements it is necessary that an allocation be made of the amount billed to DoD and to each FMS customer. The portion of the bill which is applicable to an FMS customer can be paid only to the extent that the specific customer has deposited a cash advance into the Department of the Treasury.

040402. Contractor Allocations. The DoD FAR Supplement Clause 252.232-7002, Progress Payments for Foreign Military Sales Acquisitions, requires that if DoD contracts include FMS requirements that the contractor shall:

A. Submit a separate progress payment request for each progress payment rate; and

B. Submit a supporting schedule showing:

1. The amount of each request distributed to each country's requirements; and

2. Total price per contract line item applicable to each progress payment rate.

C. Identify in each progress payment request the contract requirements to which it applies (i.e., FMS or U.S.);

D. Calculate each request on the basis of the prices, costs (including costs to complete), subcontractor progress payments, and progress payment liquidations of the contract requirements to which it applies; and

E. Distribute costs among contract line items and countries in a manner acceptable to the Administrative Contracting Officer.

040403. Administrative Contracting Officer Allocations. To the extent that a contractual

requirement has not been established and the contractor does not allocate costs to the foreign countries or international organization, the administrative contracting office shall make such allocations before approving payment. When allocations are required, such allocations should normally be on the basis of actual performance. If it is impractical to estimate actual performance, the allocation shall be on the basis of simple dollar relationships as described in subparagraphs A. through C. below.

A. The authorized progress payment percentages will be applied to the overall contract cost to determine the amount of permissible progress payments. This amount will not be exceeded.

B. Determine the percentage relationship of the unliquidated obligations (ULO) of each accounting classification reference number (ACRN) to the total ULO of the contract. Progress payments will be allocated among the various funds based upon these percentages.

1. For example, contract has a ULO of \$600,000. ULO of ACRNs assigned are as follows:

AA	\$ 50,000
AB	50,000
AC	100,000
AD	100,000
AE	300,000

2. The applicable percentages to be used are:

AA	50/600	or	8.3%
AB	50/600	or	8.3%
AC	100/600	or	16.7%
AD	100/600	or	16.7%
AE	300/600	or	50.0%

3. Contract has a progress payment percentage of 90%. The contractor requests a payment in the amount of \$54,000 based on accrued costs of \$60,000. The payment would be processed as follows:

AA	\$54,000 x 8.3%	=	\$ 4,500
AB	54,000 x 8.3%	=	4,500

AC	54,000 x 16.7% =	9,000
AD	54,000 x 16.7% =	9,000
AE	54,000 x 50.0% =	27,000

C. Recoupment will be applied first against the line the deliveries are applicable to and the remainder against the outstanding work in process (WIP) on a percentage basis. For example, using the figures above an assuming the recoupment percentage is 90%, the contractor ships and invoices for \$30,000; \$20,000 is applicable to ACRN AD and \$10,000 is applicable to ACRN AE. As 90% of \$20,000 or \$18,000 exceeds the outstanding WIP on ACRN AD, only \$9,000 can be recouped against ACRN AD. Ninety percent of \$10,000 for ACRN AE or \$9,000 for AE can be recouped. The remaining \$9,000 to be recouped is prorated against the ACRNs with outstanding WIPs on a percentage basis as follows:

ACRN	Original WIP Less Initial Recoupment	WIP Remaining
AA	4,500 less 0 =	\$ 4,500
AB	4,500 less 0 =	4,500
AC	9,000 less 0 =	9,000
AD	9,000 less 9,000 =	0
AE	27,000 less 9,000 =	<u>18,000</u>

Computation of Percentages

AA	4,500/36,000 =	12.5%
AB	4,500/36,000 =	12.5%
AC	9,000/36,000 =	25.0%
AD	0/36,000 =	0.0%
AE	18,000/36,000 =	50.0%

The total recoupment for this transaction would be as follows:

AA	12.5% of 9,000 =	\$ 1,125
AB	12.5% of 9,000 =	1,125
AC	25.0% of 9,000 =	2,250
AD	0.0 + 9,000 =	9,000
AE	50.0% of 9,000 +9,000 =	<u>13,500</u>
Total		\$27,000

0405 DEPOSIT OF CUSTOMER CASH INTO TREASURY ACCOUNTS

040501. General. DD Form 645 and LOA financial instructions direct that foreign customer's payments (initial deposits or billing statement payments) be forwarded by wire transfer or check to the Security Assistance Accounting Center (SAAC), Defense Finance and Accounting Service-Denver Center, Denver, CO 80279-5000. However, these payments are sometimes misrouted to Office of the Secretary of Defense, Military Departments' headquarters, international logistics centers, commodity commands, etc.

040502. Receipt of Checks. Any recipient of a check from an FMS customer is responsible for depositing the check into a Treasury account within one working day after receipt. When a recipient other than SAAC is making the deposit, the deposit shall be processed as a courtesy deposit for SAAC. The following procedures apply:

A. Prepare a Treasury Deposit SF 215 deposit ticket using DSSN 3801 in block 3, Disbursing Office Symbol (example is at Table 405-1).

B. Notify the SAAC Reports and Cash Management Division (IR), DSN 926-6006, that a courtesy deposit is being accomplished. Provide the money amount, paying FMS customer (for example, Germany), and FMS case number (if available).

C. Process the deposit through a Federal Reserve Bank or supporting member bank. (Note: Endorse the check showing DSSN 3801 as the collecting organization.)

D. Send a copy of the "confirmed copy" of the SF 215 to DFAS-DE/I (SAAC), 6760 East Irvington Place, Denver, CO 80279-2000. Attach supporting documentation that was received with the misrouted payment.

E. SAAC shall voucher the collection into the FMS Trust Fund upon receipt of the SF 215.

040503. Wire Transfers. In the event inquiries are received regarding wire transfer of funds to SAAC or misrouted funds to be wire transferred, the following information pertains:

A. Wire transfers should be sent to the Department of Treasury Account at the Federal Reserve Bank of New York City, using the standard Federal Reserve Funds Transfer (FRFT) format. Wire transfers shall be accepted by the Federal Reserve System (FRS) only from banks that are members of the FRS. Foreign banks must go through a U.S. correspondent bank that is a member of the FRS.

B. The member bank shall prepare the FRFT form as outlined in Table 405-2. This information shall be provided to ensure prompt and correct application of the remittance.

C. SAAC retrieves wire transfers daily from the Treasury Financial Communications Systems (TFCS) and prepares collection vouchers from this data for crediting FMS customers.

TABLE 405-1 DEPOSIT TICKET (SF 215)

STANDARD FORM 215 (REV 5 78) PRESCRIBED BY DEPT OF TREASURY 1 TRFM 3-3000		DEPARTMENT OF THE TREASURY BUREAU OF GOVERNMENT FINANCIAL OPERATIONS	
DEPOSIT TICKET			
DEPOSIT NUMBER <div style="border: 1px solid black; padding: 2px; display: inline-block;">7 46819</div>	DATE PRESENTED OR MAILED TO BANK <div style="border: 1px solid black; padding: 2px; display: inline-block;">10-03-76</div>	8-DIGIT OR 4-DIGIT AGENCY LOCATION CODE (ALC) <div style="border: 1px solid black; padding: 2px; display: inline-block;">16-01-2003</div>	AMOUNT <div style="border: 1px solid black; padding: 2px; display: inline-block;">770.24</div>
6. AGENCY USE 123-651 (SEE APPROP DATA)			
U.S. DEPT. OF LABOR-OASAM 3535 MARKET ST., RM 14230 PHILA., PA. 19104		(17) NAME AND ADDRESS OF DEPOSITARY FEDERAL RESERVE BANK PHILA., PA. 19105 (18) M M D D Y Y AUTHORIZED SIGNATURE _____ CONFIRMED DATE _____	
(9) DEPOSITORS TITLE DEPARTMENT OR AGENCY AND ADDRESS (10) DEPOSITORS FORWARD THIS DOCUMENT WITH STATEMENT OR TRANSCRIPTION OF THE U.S. TREASURY ACCOUNT OR THE SAVE DATE		ORIGINAL	
(11) DEPOSITORS RETAINS THIS COPY WHEN MAKING DEPOSIT. AFTER RECEIVING CONFIRMED COPY FROM BANK INSERT THE CONFIRMED DATE IN BLOCK NO 18 ABOVE ON THIS COPY AND SUBMIT THIS COPY WITH YOUR MONTHLY REPORT THE DEPARTMENT OF THE TREASURY		MEMORANDUM COPY	
(11) DEPOSITOR RETAIN THIS COPY (11) DEPOSITOR RETAIN THIS COPY FOR INTERNAL USE DO NOT SUBMIT THIS COPY TO DEPOSITARY		DEPOSITORY COPY	
(11) DEPOSITARY DATE SIGN AND RETURN THIS COPY TO DEPOSITOR		AGENCY COPY	
(11) DEPOSITARY DATE SIGN AND RETURN THIS COPY TO DEPOSITOR		CONFIRMED COPY	

TABLE 405-2 FEDERAL RESERVE FUND TRANSFER FORMAT

(1).			
To (2). 021030004	Type (3).		
From (4).	REF (5).	Amount (6). Amount of this transfer	
Ordering Bank and Related Data (7)			
(8) TREAS NYC (3801)	(9) DFAS-DE/IR	(10)	
(11). Appropriate information to identify the reason for this funds transfer			
Message Acknowledgement			

FORMAT FOR FEDERAL RESERVE FUND TRANSFER

Detailed below are the critical data (items 2, 6, 8, 9, 10, 11) the FMS customer or its local bank must supply to the member bank. It is also shown in the exact way it must appear on the standard FRFT format. Items 1, 3, 4, 5, and 7 will be completed by the member bank in accordance with accepted Federal Reserve fund transfer procedures.

- Item 1.** Priority Code The priority code will be provided by the member bank.
- Item 2.** Treasury Department Code
The nine-digit identifier, 021030004, is the symbol of the Federal Reserve Bank of New York City.
- Item 3.** Type Code The type code will be provided by the member bank.
- Item 4.** Sending Bank Code This nine-digit identifier will be provided by the member bank.
- Item 5.** Reference Number
The reference number may be inserted by the member bank to identify the transaction.
- Item 6.** Amount
The amount will include the dollar sign and the appropriate punctuation, including cents digits.
This item will be provided by the FMS customer or its local bank.
- Item 7.** Sending Bank Name
The telegraphic abbreviation which corresponds to item 4 will be provided by the sending bank.
- Item 8.** Treasury Department Name
The telegraphic abbreviation, TREAS NYC, is a constant and is required for all funds transfer messages sent to Denver. This item must be followed by a slash (/).
- Item 9.** Agency Location Code
This code refers to a numeric symbol used to identify Federal Government entities (e.g., accounting offices, disbursing, and collecting offices).
The agency's unique code must be specified in the funds transfer message in order for the funds to be correctly classified to the respective agency. The code for SAAC is:
(3801) Defense Finance and Accounting Service.
- Item 10.** Agency Name
Enter: DFAS-DE/IR immediately after the Agency Location Code.
- Item 11.** Third Party Information
The appropriate information to identify the reason for the funds transfer should be provided by the member bank to the FRB. This data must be provided the member bank by the customer or its local bank.
For the USAF F-16 program, incoming wires for currency exchange transactions should also show the originating contractor and what organization is to receive exchange proceeds.

0406 **EXPENDITURE AUTHORITY**

040601. General. Any disbursement of Trust Fund cash by an organization other than the Security Assistance Accounting Center (SAAC) shall be made only pursuant to an expenditure authorization issued by SAAC. When SAAC issues an expenditure authorization, the cash necessary to liquidate the expenditure authorization is formally segregated in the SAAC accounting records and the cash is available for no other purpose. Normally, procurements accomplished on a reimbursable basis shall be supported by a self-reimbursement expenditure authorization. However, a cash advance to an appropriation account must be obtained when a cash disbursement for an FMS contract would, if made, result in the applicable appropriation account being placed in a negative cash position.

040602. Self-Reimbursement Expenditure Authorizations

A. The SAAC shall issue expenditure authorizations to disbursing activities when authorization to self-reimburse an appropriation fund account has been requested and approved. Each disbursing activity shall establish internal controls to ensure that reimbursable payments from the financing appropriation do not exceed the current self-reimbursement expenditure authorization. If an invoice applicable to FMS requirements is to be processed as a "transaction for others," expenditure authority shall be obtained by the disbursing activity. Accumulate and summarize all FMS payments for reimbursable work from each financing appropriation account through the use of "no check SFs 1080." Forward disbursement and supporting delivery transactions to SAAC not later than 16 days after the last day of the month in which self-reimbursement occurs.

B. Each DoD Component receiving contractor invoices shall establish internal controls to ensure that payments to contractors from the financing appropriation account do not exceed the current country-level self-reimbursement expenditure authorization. If an invoice applicable to FMS requirements is to be processed as a "transaction for others," expenditure authority must be obtained from the

holder of the self-reimbursement expenditure authorization before disbursement.

040603. Direct Cite Expenditure Authorizations

A. The SAAC shall issue expenditure authorizations to the disbursing activity. Any unused expenditure authority shall be returned to SAAC by the third work day of the following month. Each DoD Component receiving contractor invoices for contracts which reflect the FMS Trust Fund as the financing source shall establish internal controls to ensure that payments do not exceed the current country level expenditure authorization. If the invoice is to be processed as a "transaction for others," expenditure authority must be obtained from the holder of the expenditure authorization prior to disbursement.

B. The status-of-allotment report to be submitted by holders of an allotment for direct cite of the FMS Trust Fund (11X8242) on contractual documents provides for the identification of disbursements by FMS case and is to be supported by delivery transactions. A reconciliation statement must accompany the status-of-allotment report to identify disbursements that have been made but not included in the status-of-allotment report.

040604. Procedures. As a minimum, when expenditure authorization procedures are used, Heads of DoD Components shall:

A. Ensure procurement instruments state that disbursement of funds is not authorized until clearance has been obtained from the holder of the expenditure authorization.

B. Identify the holder of the expenditure authorization in the procurement instrument or other correspondence, if payments are processed on a "transaction for others" basis.

C. Ensure that paying activities request authorization prior to making FMS-related disbursements. Telephone clearance may be used provided the holder of the expenditure authorization formally confirms the authorization within 48 hours. Formal confirmation includes memoranda, electronic message, data fax, or overnight mail.

D. Establish internal controls to ensure that payments (direct citation or reimbursable financing) do not exceed the current country (customer) level authorization.

E. Identify disbursements to a specific FMS Case, reimbursement code, record serial number, dollar value and such other information as necessary to match disbursements to the applicable delivery transactions.

F. Ensure that procurement accounts are reimbursed within 10 working days after the disbursement has been recorded in the accounting activity's official expenditure records.

040605. Cash Advances. When cash advances are required, they shall be processed on an "as required" basis. The amount requested shall be equal to anticipated disbursing demands for a 30-day period. Liquidation of outstanding advances (earning the advance through payment to contractors) shall be reported to SAAC monthly. The objective is to limit the amount and length of time that outstanding advances remain against the Trust Fund.

040606. Cash Flow Problems. In the event a cash flow problem results in SAAC's inability to provide cash advances or expenditure authorizations and contractor billings cannot be paid by the due date, the provisions of paragraph 070403.B. of Chapter 7 of this Volume shall be followed.

040607. Automated Formats. Table 406-1 is an example of the automated format used to request/authorize expenditure authority. The "SZF" (feedback) provides positive transaction control. Other "S" formats in the series are used to process and control disbursement data. Included in Table 406-1 are particulars of the edits performed on the data. Specific details and instructions on how this format is used are contained in the FMS Integrated Control System (FICS) document.

**TABLE 406-1 EXAMPLE OF NOTIFICATION OF
EXPENDITURE AUTHORITY REQUEST/FEEDBACK**

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validations of: SZI Input--MILDEP to SAAC SZF Feedback--SAAC to MILDEP
Document Identifier Code (DIC)	X(3)	'002	Must be "SZI"---MILDEP to SAAC. Originator to recipient SZI.
Notification of Expenditure Authority (Input)	'1-3		
Notification of Expenditure Authority (Feedback)	'1-3		"SZF" A machine generated mirror image of the SZI transaction and appended with Transaction Reply codes by the Positive Control to become the SZF transaction.
Transaction Control No. (YYMMDDNNNNNV)	X(13) '4-16	'152	Must be numeric
		'152	YYMMDD must be equal to or less than current date
		'249	Version Number (V) must be "0" if Action Code is "A" (add)
		'248	Version Number (V) must be 1 thru 9 if Action Code is "C" (change) and must be one greater than suspense version No.
		'251	If Action Code is "C" (change) or "D" (delete), Transaction Control number (TCN)(excluding V) must equal file suspense file. (YYMMDDNNNNNV)
Action Code	X(1) 17	'003	Must be "A", "C", or "D" A=Add; C=Change; D=Delete
Country Code (CC)	X(2)	'037	Must equal "OO", "JF", "EP", "FG", "79", "82", or be on SAAC's Country Code Table 2.
Implementing Agency Code (IA)	X(1)	'038	Must be on SAAC's IA Code Table #7 Cannot be "9" or "S".

**TABLE 406-1 EXAMPLE OF NOTIFICATION OF
EXPENDITURE AUTHORITY REQUEST/FEEDBACK (CONTINUED)**

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validations of: SZI Input--MILDEP to SAAC SZF Feedback--SAAC to MILDEP
Case Designator	X(3) 21-23	'039	"91X", "93X", or "94X" or be on the Active Case Control History
Date Accounting Month (DT-ACCT-MO) (YYMM)	X(4) 24-27	'281	YYMM must equal to current date or one or two prior months. If last five days of current month, YYMM may be
Disbursing Station Symbol Number (DSSN)	X(4) '28-31		No Edit
Accounting Station Symbol Number (ASSN)	X(6) '32-37		No Edit
Amount of Expenditure Authority Requested	S9 (12) V99 38-51	'156	Must be numeric
		'161	Negative amounts must be processed first. There must be sufficient cash in General Ledger Account 1001, Available Cash, at Country Level Account 1001 is the second occurrence of money field on General Ledger
Date of Disbursement Accounting Month	X(4) 52-55	'320	YYMM must be equal to or less than current date. Cannot exceed dt-acct-mo. MM must be 01 thru 12. If last five days of current month YYMM may be next month.
Disburser's Implementing Agency	X(1) 56	'038	Must be on SAAC's IA Code Table #3 Cannot be "9" or "S"
Reserve Indicator Year	X(1) 56		No Edit

**TABLE 406-1 EXAMPLE OF NOTIFICATION OF
EXPENDITURE AUTHORITY REQUEST/FEEDBACK (CONTINUED)**

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validations of: SZI Input--MILDEP to SAAC SZF Feedback--SAAC to MILDEP
THE POSITIVE TRANSACTION CONTROL FEEDBACK CONTAINS THE ORIGINAL SZI TRANSACTION PLUS THE FOLLOWING DATA ELEMENTS FOR THE SZF TRANSACTION			
Transaction Reply Code (TRC)	X(15) 58-72	FEEDBACK TRANSACTIONS ONLY. This 15 character element is appended to the feedback format of all interface transactions by the recipient system. This area will contain 1 to 5, 3-digit transaction reply codes to communicate back to the originator system the result of processing the transaction. (Left justified/space filled).	

CHAPTER 05

COLLECTING AND REPORTING FMS INDEBTEDNESS AND ARREARAGES**0501** INTRODUCTION

050101. Objective. The objective of this chapter is to establish procedures to be used for the collecting and reporting of FMS foreign indebtedness. It incorporates pertinent portions of Volume 6, Chapter 12, [see reference (k)], relating to foreign military sales indebtedness. If there is a conflict between this Chapter and Volume 6, the latter will be used as the source of authority.

050102. Responsibilities

A. The Defense Finance and Accounting Service is the DoD point of contact for matters concerning foreign indebtedness (non-FMS) requirements imposed on DoD from outside the Department, such as by the Congress, the Treasury Department, or the National Advisory Council (NAC) on International Monetary and Financial Policies.

B. DSAA is responsible for coordinating FMS feeder arrearage reports submitted by the SAAC. These FMS reports will be incorporated into the single consolidated DoD arrearage report submitted to the Treasury Department in accordance with reference (k). DSAA shall also monitor FMS collection actions and follow up when initial collection actions have been unsuccessful.

C. The SAAC is responsible for taking initial collection action, accounting for indebtedness, preparation of feeder arrearage reports, and providing copies of the arrearage reports to the DSAA.

0502 COLLECTION PROCEDURES

050201. Initial and Follow-Up Actions. SAAC is responsible for taking timely and aggressive

billing and follow-up collection action to obtain advances required from FMS customers pursuant to authorized programs as follows:

A. Initial Billing. Billings for advances required under the FMS program shall be initiated by using the DD Form 645 (Foreign Military Sales Billing Statement) or Defense Security Assistance Agency supplementary billing statements in accordance with Chapter 8 of this Volume. Since the amounts not paid on individual cases may ultimately result in a country-level arrearage, follow-up actions shall be taken for non-payment of amounts due at case-level by the due date in accordance with procedures in paragraph B below. Country-level follow-up actions, described in subparagraph C, shall be taken for non-payment of total amounts due at country-level by the due date on a net basis (considering all sources of available funds). Arrearages and interest penalties are determined at country level. See Table 503-1 for the timing of these actions.

B. Case-Level Follow-Up Actions. Based on the payment due date in the applicable billing statement, SAAC shall take initial written follow-up action in the following circumstances:

1. For cases when the payment due is \$1 million or more or where the case closure is pending receipt of customer funds, written follow-up action should be taken 30 days after the payment due date to notify the country that payment has not been received. If no response is received, additional written follow-up action shall be made 60 and 90 days after the payment due date. SAAC will refer case-level late payments more than 120 days after payment due date to DSAA for further action. A sample format for the three follow-up actions is contained in Table 502-2.

2. Where the full or partial non-payment of the amounts due would place the

FMS customer's Trust Fund balance in an arrearage position (per paragraph 050302), follow-up action should be taken on an individual case 30 days after the payment due date. If no response is received, additional written follow-up action shall be made 60, 90, and 120 days after the payment due date. A sample format for the three follow-up actions is contained in Table 502-2.

3. For cases where the payment due is less than \$1 million, and the lack of payment would have no significant impact on the FMS customer's Trust Fund balance, written follow-up action will be taken 60 days after payment due date. A sample format for this follow-up action is contained in Table 502-2.

4. If payments on loan-financed cases have not been received 30 days after the payment due date, SAAC should determine the status of any loan drawdown letters that may be in preparation or have not as yet been executed. For any amounts still not covered, SAAC should immediately initiate written follow-up action to the customer, citing the unpaid amount by case, and requesting the customer to prepare a loan drawdown letter or to make cash payments to cover the amounts due. These letters should be coordinated with DSAA/COMPT-FMD prior to dispatch. If the payments due remain unpaid 60 days after the payment due date, refer the matter to DSAA Comptroller for further action.

C. Country Level Follow-Up Actions. Based on conditions 3 and 4 shown in Table 502-1, SAAC shall take initial written follow-up action using the following procedures:

1. All country-level unpaid accounts receivable and arrearages (see paragraph 050302) require written follow-up action by SAAC should payment for billings not be received by the required date. The initial written follow-up actions will be taken 30 days after the payment due date.

2. If no response is received, additional written follow-up action will be made 60, 90, and 120 days after the payment due date.

3. The fourth follow-up letter is prepared by DSAA.

4. A copy of all follow-up actions will be maintained by SAAC until final disposition of the bill. Copies of follow-up letters prepared by SAAC will be sent to DSAA. A sample format for the follow-up actions is contained in Table 502-3.

050202. Referral of Unpaid Bills. All country-level foreign indebtedness (arrearages) not collected within 90 days after the due date will be reported to the Treasury (see Section 1203 of Volume 6). When reporting arrearages for the first time, SAAC will include copies of the previous follow-up letters along with any responses received. SAAC will assure that DSAA is immediately notified of any payment received after referral. This is essential to preclude unnecessary and possibly embarrassing diplomatic collection actions being continued after payment has been received. Detailed directions for reporting these arrearages are prescribed in Sections 1203 and 1204 of Volume 6.

050203. Collection of Unpaid Bills

A. DSAA will prepare a fourth follow-up letter on arrearages and will use all available means to effect collection of the foreign arrearages within 60 days of initial referral of the reported arrearages. A copy of this follow-up letter will be provided to SAAC.

B. After the 60 days have elapsed, all arrearages from foreign countries and international organizations which cannot be collected through DoD efforts and are not compromised, terminated, or suspended in accordance with paragraph 120207 of Volume 6, shall be referred to the Department of State via the Assistant Secretary of Defense (International Security Affairs)(ASD(ISA)), with a request for diplomatic assistance to effect settlement. Data provided to the State Department will include a listing of delinquent billings to country. The State Department will provide appropriate listings to the American Embassies, whose personnel will contact the appropriate officials in their respective countries to assist in any follow-up action.

050204. Identification of Arrearages. An arrearage represents a past due amount for materiel which have been delivered, services which have

been performed, and for progress payments to contractors on behalf of a customer. Cash in advance of such performance is required for FMS customers unless a written determination has been made pursuant to legal authority; see paragraph 070104.D., "Payment Terms." There

fore, in the FMS program, an arrearage is an exceptional event. If an arrearage does occur, it is on a net country basis (considering all sources of funds) and followed up in accordance with procedures set forth in Volume 6, Chapter 12 of this Volume.

TABLE 502-1 ANALYZING THE STATUS OF COUNTRY DEPOSITS

CONDITIONS	CASH POSITION (ALL SOURCES)	BILLING DUE/ PAYMENT STATUS	ACCRUED EXPENDITURES	DEBT OR ARREARAGE STATUS
1*	6 Months or more cash available	Billed per schedule Unpaid after due date	Less than cash available from all sources	No Debt
2*	6 Months or less cash available	Billed per schedule Paid on due date	Less than cash available from all sources	No Debt
3**	Less than 6 months cash available	Billed per schedule Unpaid after due date	Less than cash available from all sources	Debt
4***	Less than 6 months cash available	Billed per schedule Unpaid after due date	More than cash available from all sources	Arrearage
<p>*No country-level follow-up required - no current accounts receivable.</p> <p>**Country-level follow-up is required. This accounts receivable will be aged (see paragraph 050302 of Volume 15 of this Regulation. Termination liability is a component of debt but not arrearage.</p> <p>***Country-level follow-up is required. This accounts receivable will be aged and the country will be reported to the Treasury on TFS Form 4503.</p>				

TABLE 502-2 CASE-LEVEL FOLLOW-UP EXAMPLE LETTER

[Country/Organization Address]

Dear [Mr/Ms Addressee]:

Records of this activity reflect that payment has not been received to date for statement _____ covering (services/support/ material) furnished in accordance with the contractual agreement between the U.S. (Military Service) and the Government of _____ (for Foreign Military Sales Case _____) dated _____.

A copy of the original bill (or a list of cases) is attached.

If you have any questions concerning the statement of this letter, please contact (name/symbol/phone) for assistance.

An early response will be appreciated.

Sincerely,

Signature

Attachment - 1
Cy Original Billing

cc: DSAA/COMPT/FMD

TABLE 502-3 COUNTRY-LEVEL FOLLOW-UP EXAMPLE LETTER

[Country/Organization Address]

Dear [Mr/Ms Addressee]:

Records of this activity reflect that payment has not been received to date for statement _____ covering purchases furnished in accordance with the contractual agreements between the U.S. Military Services and the Government of _____. Interest will be charged for all disbursements not covered by cash deposits. In addition, we are required to report to the Department of Treasury indicating an arrearage position for your [country/organization] in the FMS Trust Fund account.

A copy of the original bill (or a list of cases) is attached.

It is requested that an immediate response be made in order to preclude alternative actions which might result from further delay in payment.

Sincerely,

Signature

Attachment - 1
Cy Original Billing

cc: DSAA/COMPT/FMD

0503 REPORTING OF FMS ACCOUNTS RECEIVABLE

050301. General. According to the AECA the DoD may enter into contracts for the procurement of defense articles or services for sale to any foreign country if such country agrees (1) to pay the full amount of such contract which will assure the USG against any loss on the contract, and (2) to make funds available in such amounts and at such times as may be required to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract (termination liability), in advance of the time such payments, damages, or costs are due. Accordingly, amounts payable to SAAC for sales of defense articles and services under these terms which require payment in advance of delivery/performance, or within 60 days thereof, will be classified as accounts receivable when the aggregate amount of available cash is less than required to support six months of average disbursements (see paragraph 030205). The six months rule may be revised based on evaluation by DSAA or official agreements executed with the country. Unpaid amounts on bills rendered when available cash exceeds the six months rule are for the convenience of the FMS customer, thus follow-up and aging of accounts receivable are not required. SAAC, with DSAA coordination, shall submit reports of foreign indebtedness related to FMS sales to the Treasury on TFS Form 4503 when conditions cited in paragraph 050302 occur.

050302. Basis for Reporting Arrearages on Accounts Receivable. A delinquent receivable is defined as a receivable that remains unpaid after its due date (see condition 3 in Table 502-1). A country-level arrearage on a delinquent accounts receivable occurs when total accrued costs exceed total available cash (see condition 4 in Table 502-1). Amounts to be reported shall be determined by analyzing unpaid bills using the criteria and definitions contained in Volume 6, Chapter 12 [see reference (k)] and the following supplementary guidance. The "total amount outstanding" and the "amount due and unpaid 90 days or more" will be determined as follows:

A. Countries will be reported as having a "total amount outstanding" (arrearage) in column 3 of the TFS Form 4503 based upon DSAA review of reports submitted by DFAS-DE. DFAS-DE will report using the following criteria:

1. The accrued expenditures recorded in Column 10 exceeds (a) the total in column 13 of the DD Form 645 on a net country basis (adjusted for over-collected cases) plus the country's cash resources (including holding accounts, interest-bearing accounts, and undisbursed FMF) or, (b) the total of the amount paid on the DSAA supplementary bill plus the country's cash resources (including holding accounts, interest-bearing accounts, and undisbursed FMF).

2. When column 13 exceeds the accrued expenditures in column 10 and/or the cash resources exceed a six months' supply, no accounts receivable exists; therefore, the DFAS-DE will not report the country.

3. DSAA will review the DFAS-DE reports in the context of paragraph 050204 of this Volume to determine the values to be reported in column 3 of the TFS Form 4503.

B. Entries to column 5 of the TFS Form 4503 will be the amounts reported for the previous quarter less collections received during the current period.

050303. Reports Required

A. Report Preparation. Instructions for the preparation of TFS Form 4503 is contained in paragraph 120307 of Volume 6 of this Regulation [also see reference (k)]. To facilitate preparation of the consolidated Department of Defense report by DFAS, data for the military sales portion of the TFS Form 4503 shall be determined by DSAA. Instructions are provided in Sections 1205 and 1206 of Volume 6 of this Regulation. Country codes currently published in the Security Assistance Management Manual [reference (e)] shall be cited on the TFS Form 4503. Conversion of the data to the Treasury Country Codes as contained in Appendix 8 of the Treasury Fiscal Requirements Manual [reference (l)] shall be made by DFAS.

B. Submission. The Treasury Department requires the submission of FMS and non-FMS indebtedness reports within 30 days after the end of the quarter. DFAS-DE shall provide the report to DSAA within 20 days after the end of the quarter. DSAA will respond to DFAS-DE within five working days. One copy of the report shall also be provided to the Comptroller, DoD and ASD(ISA). Copies of the reports may be distributed within the Military Departments as desired

C. Flash Report of Major Foreign Debt Arrearages. Major foreign debt arrearages are monitored by the NAC. Therefore, periodically DSAA will request flash reports from SAAC to satisfy NAC requirements for information on major FMS debt arrearages. For this purpose, a "major" FMS debt arrearage is any program arrearage which involves the sum of \$250,000 or more. Flash reports will be submitted directly to DSAA in message form. The report shall reflect any significant changes in major FMS debt arrearages from the quarterly FMS indebtedness report submitted in accordance with Section 502. Collections, information on increased indebtedness, problems encountered in unsuccessful collection attempts, or country circumstances which may adversely affect collection are examples of the information which should be included in the flash reports.

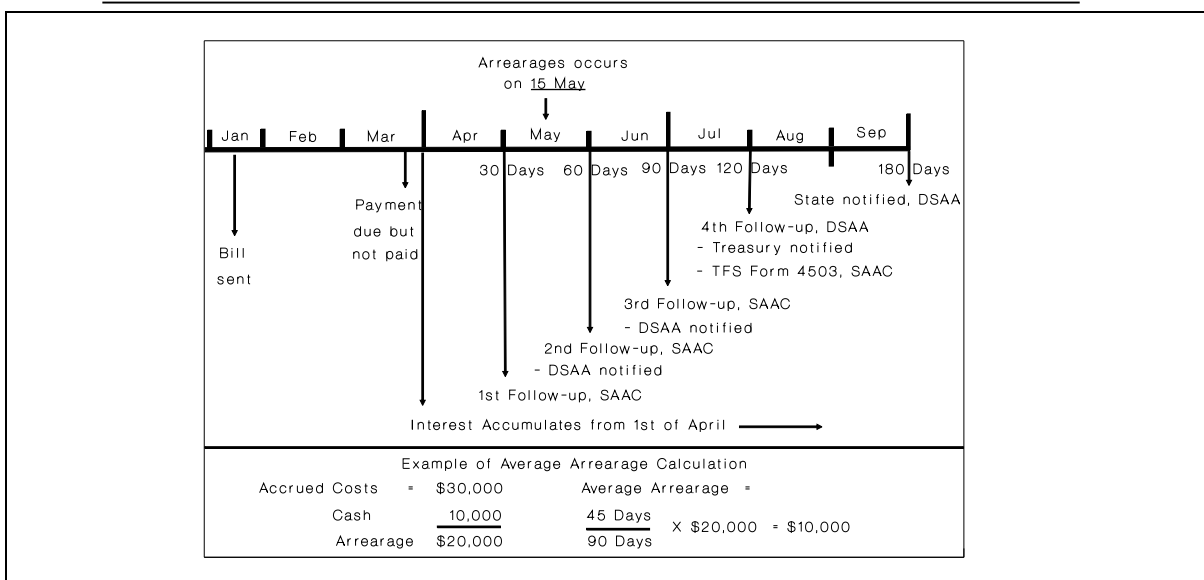
050304. Interest Charges on FMS Accounts Receivable Arrearages. SAAC shall analyze arrearages to determine if the interest charges set forth in paragraph 070104.B.5. must be assessed. Amounts subject to interest shall be determined by following the procedures set forth in paragraph 050302.A. Interest shall accumulate from the due date of the billing statement for the period during which accrued expenditures exceeded customer deposits. For example, a billing statement with a due date of March 15, is for funds to be disbursed during April, May, and June. Interest shall accumulate from the 1st of April if expenditures exceed customer deposits during the April/June quarter. Interest will be assessed based on the average arrearage during the month. See Table 503-1.

050305. Information Requirements. The requirements prescribed by Volume 6, Chapter 12 of this Regulation have been assigned the following reporting control numbers:

A. TFS Form 4503, "Current Status Accounts Receivable (Original Maturity of Less than 90 Days) from Foreign Obligors, "Interagency Report Control Number 0105-TD-QU.

B. Flash Report of Major Foreign Debt Arrearages, RCS: DSAA (AR) 1122.

TABLE 503-1 ILLUSTRATION OF THE TIMING OF FOLLOW-UP ACTIONS



CHAPTER 06

CASE FILES**0601** INTRODUCTION

060101. Objective. As an FMS case is never formally closed from a DoD accounting perspective, all supporting documentation should be retained for an indefinite period. Therefore, the objective of this chapter is to establish guidance as to those documents to be maintained as part of the FMS case file. The guidance is designed to facilitate uniformity of FMS case file maintenance and insure that necessary documentation is readily available and retrievable by the appropriate activities. The "total file" of each FMS case, although maintained in a decentralized manner by the various activities having responsibility for certain phases or actions associated with the case, must be able to stand as a comprehensive record of all relevant correspondence, worksheets, officially-prepared forms, etc., thus constituting a complete audit trail from the time of case initiation to case closeout/retirement. The case manager should maintain a directory of supporting documentation locations.

060102. Concepts and Requirements

A. FMS case files shall, to the extent practicable, be maintained in legal-sized folders, uniformly tabbed (e.g., Tab A, Tab B, etc.), in the manner discussed in Section 602. In those instances when more than one file folder is required, the folders shall be appropriately numbered (e.g., 1 of 2, 2 of 2, etc.). The documents/data placed in each folder shall be maintained in chronological sequence by tab.

B. It is neither necessary nor intended that each activity, e.g., NAVILCO, possess and file all the documents associated with a given FMS case. Rather, it is sufficient that each DoD implementing Component be able to identify which activities are to file what kinds of documents, so that in the event of an audit it is clear from the beginning what organizational entities

are responsible for preparation and/or filing of such documents. For example, the LOA is likely to be on file at several activities, e.g., Navy IPO, NAVILCO, SAAC, etc.; however, the quarterly requisition report (QRR) applicable to that case would likely have more limited distribution.

C. It is recognized that certain records associated with a case are in the form of bulky computer listings, etc., and are not conducive for placement in legal-sized folders. In such instances where a "tab" relating to such information has been identified in Section 602, it is sufficient to indicate in a general written procedure, on the case cover sheet, or within the tab itself, where such information can be located. The purpose for including such documents, or cross reference notes to such documents, is to ensure that the integrity of the case audit trail is maintained and that sufficient information is not overlooked at time of case execution/closure.

D. The uniform FMS case folder, as outlined in Section 602, depicts those documents considered to be of primary relevance on a DoD/joint-service basis. It is recognized that there may be additional documents which a DoD Component may want included as part of the case file. The inclusion of such documents is encouraged and it is recommended that the documents be filed in the form of numbered appendices following in sequence after the lettered tabs.

E. The value of the uniform FMS case folder, aside from the limited audit aspect, is that it ensures a uniform and systematic approach to case file maintenance and, with the proper management attention, can serve as a checklist of planned and completed actions and thereby facilitate the case management/closure process. Further, the existence of such a file would facilitate supervisory reviews and should ease the transfer of ongoing FMS case management responsibilities, e.g., during time of personnel transfers and internal workload realignments.

060103. Responsibilities. Each DoD implementing agency and the Security Assistance Accounting Center shall be responsible for maintaining their respective portions of the FMS case file in the manner prescribed in Section 602.

0602 UNIFORM FMS CASE DOCUMENTATION

060201. Documentation Requirements. The documentation outlined in the following tabs is the minimum required for complete and efficient FMS case management.

A. Tab A (General Information Cover Sheet). Contents:

1. Case identifier.
2. Cognizant personnel (names and phone numbers for ease of reference. Show dates of tenure if responsibilities shift from one individual to another during the life of the case).

a. Case negotiation action officer at:

b. Country/case manager at:

(1) Systems Command HQ, e.g., the Case Administering Office.

(2) International Logistics Control Office (ILCO).

(3) Security Assistance Accounting Center.

c. Others (as required).

(1) Inventory/Item Manager focal point.

(2) Procurement Office focal point.

3. Key case planning milestones are shown in Table 602-1.

B. Tab B (Letter of Request Information). Contents:

1. Letter of Request (LOR) for Price and Availability (P&A) Data--if relevant to the eventual Letter of Offer and Acceptance (LOA).

2. Pricing data used in the preparation of an LOA.

3. Information/correspondence relative to any preliminary inquiry.

C. Tab C (Planning Information). Contents:

1. P&A Data--relative to the FMS case.

2. LOA Data used to prepare the LOA format.

a. Tasking letters.

b. Internal memoranda/worksheets.

c. Financial Analysis and Termination Liability Reserve Data, if applicable.

d. Methodology of computing the payment schedule reflected in the LOA.

3. Response(s) to foreign purchaser--if initially presented in a format other than a DD Form 1513.

D. Tab D (Security Assistance Survey Documentation). Contents:

1. Defense Requirements Survey Report (or cross-reference to where such report is located).

2. Site Survey Report (or cross-reference thereto).

E. Tab E (FMS Contractual Instruments). Contents:

1. Letter of Intent (DD Forms 2012 and 2012-1).

2. Letter of Offer and Acceptance (LOA).

3. Amendment to Offer and Acceptance.

4. Modification of Letter of Offer and Acceptance.

5. Any Memoranda of Understanding (MOU) or Memoranda of Agreement (MOA) relating to the above instruments.

6. Correspondence relative to internal review/coordination.

a. Congressional notification documentation.

b. Letter forwarding advance, unsigned LOA to purchaser while awaiting Congressional review.

c. Letter of Transmittal of counter-signed LOA.

7. Correspondence/letters of transmittal to purchaser and acceptance of DD Form 1513.

F. Tab F (Credit/Loan Arrangements). Contents: Include, as necessary, for FMS case management, copies of Loan Agreements, requests for special waivers from routine loan conditions, etc.

G. Tab G (Financial Control Documents). Contents:

1. Request/Approval of FMS Obligational Authority (DD Form 2060, or automated system equivalent).

2. FMS Planning Directive (DD Form 2061, or automated system equivalent).

3. Expenditure Authorizations.

4. Documentation concerning DoD Component internal delegations of obligatory and expenditure authorizations.

5. Final DIFS Financial Management Worksheet.

H. Tab H (Implementation Directives). Contents:

1. FMS Program/Case Directives, Program Management Plans, Implementing Project Directives, Implementation Letters, etc.

2. Amendments/updates to the above documents.

I. Tab I (DSAA 1200 System Updating Documents). Contents: Include copies of worksheets or other evidence that the DSAA 1200 System has been updated at the appropriate times.

J. Tab J (Execution Documentation). Contents:

1. Purchase Requests.

2. USG contracts with commercial vendor.

3. Work requests.

4. Military Interdepartmental Purchase Requests (MIPRs).

5. Internal billing documentation, e.g., Standard Form (SF) 1080, DD Form 250, TDY orders/vouchers, etc.

6. Requisition/document control listings, e.g., Quarterly Requisition Report (QRR), etc.

7. Invitational Travel Orders.

K. Tab K (Special Logistics Documents). Contents:

1. Cooperative Logistics Supply Support Arrangements (CLSSA)--Foreign Military Sales Order (FMSO) I Equity Listing.

2. Concurrent Spare Parts (CSP) Listing.

3. Other, e.g., USAF AFLC SAMIS local management reports, etc.

L. Tab L (Accessorial Charges). Contents: Include applicable documentation to substantiate the reporting of actual, in lieu of using the estimated percentage, PCH&T rates.

M. Tab M (Government Furnished Materiel). Contents:

*Note: The inclusion of government furnished materiel (GFM) as part of an FMS case requires special attention from a financial standpoint inasmuch as the GFM becomes a part of the major item being procured. Accordingly, unless this information is included as part of another tab, this tab should contain documentation as follows.

1. Listing by contract number of contracts under which GFM can be requisitioned by contractors.

2. Listing, by requisition/document numbers, of GFM.

3. Worksheets/back-up data showing that Defense Transportation System (DTS), and Packing, Crating and Handling (PCH&T) for other than stock fund/Defense Business Operations Fund items have been added to the base price of GFM.

N. Tab N (FMS Billing Documentation). Contents:*

1. FMS Billing Statement (DD Form 645), and FMS Delivery Listing and financial forecast attachments. (Note: Reply to customer requests for adjustments filed in subsequent tab.)

2. SAAC-prepared Command Pay Listing (if and when filed in case file folder).

3. SAAC-prepared Financial Management Worksheets.

4. Documentation/Listings relating to delivery transactions.

5. Local SAAC worksheets/correspondence: in SAAC-maintained case file folder appendices.

6. Correspondence related to DFAS authorized exceptions to normal billing procedures.

*Note: The detailed nature and size of these and other listings may make their filing in the case folder impractical. In such instances, it is sufficient to have a local record/checklist, showing that the listings have been reviewed as necessary to monitor progress, detect errors, etc.

O. Tab O (Discrepancy Reports). Contents:

1. Reports of Discrepancy (SF 364).

2. Correspondence/documentation relative to such discrepancies.

3. SAAC-prepared reply to customer requests for adjustments listing.

P. Tab P (Management Reviews). Contents: Include the minutes and other correspondence stemming from an FMS Implementation Review, Country Program/Case Review, FMS Financial Management Review, etc.

Q. Tab Q (Case Closure Documentation). Contents:

1. DoD Component's case closure certification to SAAC. (Note: Final DD Forms 2060/2061 should be on file in "Financial Control Documents" tab.)

2. Correspondence with SAAC or other organizations relative to above certification.

3. Final Billing Statement (DD Form 645).

4. Correspondence resulting from the Case Closure Board.

5. Case Closure Checklist Sheet (for DoD implementing agencies) shown in Table 602-2.

6. Case Finalization Certificate for cases using the accelerated case closure procedures.

7. Directory for location of stored case records.

R. Tab R (Reopened Case Documentation). Contents:

Note: This tab is only operative if the case, once officially closed, must be reopened.

Documentation would include:

1. Correspondence/data as to why the case had to be reopened.

2. Refinalized DD Forms 2060/2061 (filed in "Financial Control Documents" tab).

3. Closure Certification.

4. Final Statement (DD Form 645).

060202. Documentation Maintenance and Disposition. The documentation will be accumulated throughout the life of the case as events occur (e.g., P&A completed, LOA accepted, contract signed, etc.) through case closure. Military Departments can retire, not destroy, closed case file records to record holding areas upon receiving a copy of SAAC's final statement (DD Form 645) to the FMS customer and the case is closed by SAAC and the MILDEP. SAAC can retire, not destroy, closed case file records no earlier than three years from the date of last correspondence with the customer.

TABLE 602-1 KEY CASE PLANNING MILESTONES

<u>Event</u>	<u>Date of Completion</u>	
	<u>Planned</u>	<u>Actual</u>
LOR acknowledged	_____	_____
DD Form 2061 completed	_____	_____
P&A completed	_____	_____
LOA prepared	_____	_____
LOA countersigned/mailed to purchaser	_____	_____
LOA accepted by purchaser	_____	_____
DD Form 2060 (Request for Budget Authority) approved by SAAC	_____	_____
LOA implemented	_____	_____
LOA lines/RSNs delivery complete (delivery transactions with estimated prices submitted)	_____	_____
001	_____	_____
002	_____	_____
003	_____	_____
etc.	_____	_____
LOA lines/RSNs financially complete (delivery transactions with actual prices submitted)	_____	_____
001	_____	_____
002	_____	_____
003	_____	_____
etc.	_____	_____
Final DD Form 2060 forwarded to SAAC	_____	_____

TABLE 602-1 KEY CASE PLANNING MILESTONES (CONTINUED)

Event (Continued)	<u>Planned</u>	<u>Actual</u>
FMS Financial Management Worksheet from SAAC and reconciled to case manager record	_____	_____
Case closure certificate with DD Form 2061 forwarded to SAAC	_____	_____
Case closed (placed in inactive status)(Final DD Form 645 to purchaser)	_____	_____
Case finalization certificate with DD Form 2061 forwarded to DFAS-DE/I (Note 1)	_____	_____
Case finalized (Note 1)	_____	_____
Case records retired (Identify location of records)	_____	_____

Note 1: Applies only to cases utilizing accelerated case closure procedures

TABLE 602-2 CASE CLOSURE CHECKLIST SHEET

<u>Action</u>	<u>Date Completed</u>
• Verify there are no valid unfilled requisitions.	_____
• Verify all items have been delivered/shipped, all services performed, and reported to SAAC including:	_____
a. GFM (basic items, DTS and PCH).	
b. Actual accessorial (PCH&T) charges: (where applicable)	
• Verify DSAA 1200 System has been updated to reflect supply complete status.	_____
• Verify outstanding RODs processed.	_____
• Verify financing appropriations reimbursed.	_____
• Verify Case Closure Certificate submitted to SAAC.	_____
• Verify final DD Forms 2060/2061 submitted to SAAC.	_____
• Verify final DD Form 645 received from SAAC.	_____
• Verify records retired: Identify location of all supporting documentation. ¹	_____
• Verify all accounting records are final.	_____

¹Documentation can be hardcopy, magnetic tape, etc.

CHAPTER 07

PRICING**0701** INTRODUCTION

070101. Objectives. The objective of this chapter is to establish policies and procedures that shall ensure that DoD Components uniformly and consistently apply pricing principles and methodologies that recoup current period costs and a reasonable contribution to sunk investment costs. Sunk investment costs represent historical decisions to expend R&D funds to develop new equipment or to purchase assets or facilities. Although the original investment decision was based entirely on DoD requirements, FMS customers benefit from the investment decision when they purchase related equipment, or use of the assets and facilities is necessary in order to provide ordered services or to deliver ordered materiel. Questions concerning Chapter 7 should be referred to DoD Deputy Comptroller (Management Systems).

070102. Responsibilities. DoD Components selling materiel or services under authority of the AECA [reference (a)] shall:

A. Ensure that materials and services provided to FMS customers are priced in accordance with the policies established in this chapter.

B. Make reasonable effort to ensure that price estimates provided to FMS customers are a reasonable approximation of the final price. However, the fact that an estimate is not consistent with the final cost accumulation does not negate the requirement to establish a final price (actual cost) in accordance with this chapter.

C. Establish a single selling price for any item sold, unless DSAA has authorized provision of more detailed cost information to an FMS customer. When appropriate, the item price shall include the additive charge for nonrecurring RDT&E and production costs, recurring procurement support efforts, transportation costs when the DTS is approved and used, etc.

D. Present prices of defense articles and services to FMS customers in the format of FMS Letters of Offer and Acceptance and, in general, use the LOA unless a waiver is obtained from the Director, DSAA, to use a suitable substitute instrument. Any substitute instrument should contain the same cost elements as those identified on the LOA. The administrative surcharge percentage prescribed in this chapter is subject to change without prior approval of the customer; therefore, the percentage (for example, 3 percent) should not be indicated on the LOA.

E. Cite directly the FMS Trust Fund (97-11X8242) on contractual documents for new procurements initiated as a result of FMS orders, unless the provisions of paragraph 010402 apply. In the event it is necessary to accomplish new procurement on a reimbursable basis, the procuring DoD Component shall obtain obligational authority from the FMS Trust Fund. Payment to contractors for the FMS portion of contracts may not exceed the amount of cash deposited by the FMS customer in the FMS Trust Fund in advance of the payment.

F. The direct cite procedures set forth in subparagraph E., above, shall be used when major items are procured for FMS customers, unless an exception has been granted by the Comptroller, DoD.

G. For other than Defense Business Operations Fund materiel, ensure that transportation of materiel sold to FMS customers is accomplished through the use of collect commercial bills of lading to the maximum possible extent. When transportation is accomplished through the use of Government Bills of Lading (GBLs) including Defense Business Operations Fund materiel, the GBL shall be annotated to show that Section 10721 of the Interstate Commerce Act of 1887 [reference (m)] is not applicable and that normal commercial rates shall be billed to the U.S. Government for the shipment.

H. Assign a case manager to each active FMS case. This case manager shall be responsible for the total financial and logistical aspects of a case. This includes ensuring that prescribed pricing policies are followed and that delivery transactions have been processed to SAAC. The case manager's authority to direct shall be commensurate with these responsibilities. The case manager shall be located at a national inventory control point or command having the primary responsibility for implementing the case. Refer to Chapter 7 of DOD 5105.38-M [reference (e)] for additional discussion on case management responsibilities.

I. Price sales to the Special Defense Acquisition Fund (SDAF) in accordance with the provisions of this chapter with the exception of the charge for nonrecurring costs. Activities reporting the sale of SDAF assets to SAAC will apply nonrecurring recoupment costs to the FMS price charged to the SDAF at the time of sale to a foreign purchaser (see Section 717)

J. Those situations in which the USG "buys back" items from foreign nations initially sold under FMS programs are not considered FMS transactions. Once items are sold, any "buy back" is outside of the FMS program and must be conducted in accordance with procurement rules involving the obligation of DOD appropriations. Monies due as a result of such procurement may be paid by the DOD paying office into the Trust Fund in accordance with the foreign country's instructions.

070103. Estimating Prices for a Letter of Offer and Acceptance

A. The pricing policy of this chapter specifies how costs are to be determined at the time the FMS customer is billed. This policy also provides an indication of how a price estimate is to be developed for the Letter of Offer and Acceptance. An essential difference between the billed price and the estimated price on an offer is the degree of firmness associated with each. On the FMS Billing Statement (DD Form 645), the price, particularly at that point in time in which actual costs are known and reported to SAAC, should be firm and exact (the exception being "E" (Estimated) price code transactions).

The billed cost (except when a rounded dollar indicator code is utilized) is detailed in dollars and cents. On the LOA, it is to be a reasonable approximation of the amount which will ultimately be billed, with OSD inflation indices and other factors considered. Typically the analyst must make certain assumptions in order to develop an estimated price. Amounts to be placed on the LOA will be rounded to the next dollar. Cases are written as either defined order, blanket order, or Cooperative Logistics Supply Support Agreement (CLSSA). Pricing for each requires special treatment. Moreover, a case may involve lines which are defined order or blanket order while CLSSA cases have no other lines.

1. Defined Order. Cases for specified items, services, or training usually are written with regard to systems which the U.S. forces are procuring or have procured. Agencies involved in procuring these systems should have available estimates of the expected costs. These estimates may be used as the basis for developing the FMS price, but must be validated for configuration and for delivery. Applicable additives detailed in other sections of this chapter must be applied. When a price estimate must be inflated for delivery of a weapon system several years in the future, use OSD published inflation indices. If other factors apply, those factors must be documented in case files and justified for Comptroller, Department of Defense approval when submitting Letters of Offer to the Defense Security Assistance Agency for counter signature. When developing an estimate for weapon systems in different configurations than those for which service estimates are available, it is advisable to try to obtain contractor estimates at the contract level required to identify the difference. See "Military Standard 881A Work Breakdown Structures for Defense Materiel Items" for the definition of these levels.

2. Blanket Order. These dollar-value cases (or lines incorporated in system sales cases) are written for a category of materiel or services with no definitive listing of items or quantities. For hardware support items, the price developed may be based on either a computer listing of specific parts, or a percentage of the cost of the major system to be supported. In other instances, the price on the LOA may

simply be a dollar-value line to enable the customer to requisition such items as publications. In this latter case, the amount written into the offer will be dependent on the estimated activity in the country's program. In developing a price for LOA purposes where a blanket order is involved, the source of supply may not be known. In this case, certain assumptions must be made. For example, in writing a blanket order case for spare parts for an aircraft, an agency may have to assume that all items will come from stock and each item will be less than \$10,000. Except for stock fund/Defense Business Operations Fund items, this may allow the analyst to apply the full packing, crating, and handling, and transportation charges (NOTE: These two charges are already included in the standard price for stock fund/Defense Business Operations Fund items). However, at the time of the billing for delivery of an item charged to the case, the appropriate surcharge will be applied in accordance with Chapter 8. Those agencies that have developed an ordering history for certain countries or weapon systems may be able to develop a ratio of items from procurement and items from stock which enables a more precise application of surcharges for the estimate. When developing a price for items to be delivered beyond the period for which pricing data is available, it will again be necessary to apply inflation factors as in defined order cases. One exception to consider is that once the inflated item price is developed, then apply the FMS replacement surcharge for annual procurement appropriation items to insure that the estimate foresees all additives.

3. Cooperative Logistics Supply Support Arrangement cases may be priced as in subparagraph B. See Section 707 of this Volume for specific guidance.

B. Individuals involved in preparing LOAs must keep in mind how performance or a request for reimbursement is going to be reported to SAAC following acceptance of the offer by the FMS customer. The implementing agency must be able to determine the cost to be billed based on the provisions of this chapter. This task can be particularly difficult when more than one activity is involved in fulfilling the requirements of a line or Record Serial Number (RSN)

of a case. The activity preparing the delivery transactions must be aware of all of the costs they are to report and also the costs that will be added by SAAC in accordance with paragraph 080501 of this Volume. Cases involving items which must be shipped to one or more activities before final shipment to the FMS customer can require several delivery transactions in order to account for all costs. Cases involving major procurements may result in a large volume of progress payments being submitted. These are necessary to ensure that the cost balances are adequate to cover costs as they are incurred. The tables in this chapter and Chapter 8 illustrating these reports must be studied carefully to insure all costs are correctly reported.

070104. Legal Background

A. General. Section 1 of the AECA [reference (a)] provides that sales are approved only when they will further the security objectives of the United States and the purpose and principles of the United Nations Charter.

B. Pricing Requirements

1. Price of Services and Stock. Section 21(a) of the AECA [reference (a)] provides that a foreign country or international organization pay in U.S. dollars:

a. In the case of a defense article not intended to be replaced at the time a sales agreement is entered into, not less than the actual value thereof.

b. In the case of a defense article intended to be replaced at the time a sales agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value of such article.

c. In the case of a sale of a defense service, the full cost to the United States Government of furnishing such service, unless the service is training provided under the terms in subparagraph 3.a. below in which case, only the additional costs that are incurred in furnishing such assistance are to be recovered.

2. Charges Applicable to Services, Stocks, and New Procurements. Section 21(e) of the AECA provides that the selling price shall include appropriate charges for:

a. Administrative services, calculated on an average percentage basis to recover the full estimated costs (excluding unfunded civilian retirement costs, military salaries and a pro-rata share of fixed base operations costs) of administration of sales made under the Act to all purchasers of such articles and services.

b. A proportionate amount of any nonrecurring costs of research, development and production of major defense equipment, except of equipment wholly paid for either from U.S. military assistance funds, Section 503(a)(3) of the Foreign Assistance Act of 1961, or from U.S. credit funds made available on a non-repayable basis under Section 23 of this Act.

c. The recovery of ordinary inventory losses associated with the sale of defense articles that are being stored at the expense of the purchaser of such articles.

3. Training Price Exceptions to Section 21(e). Under certain conditions less than the full cost of training may be charged:

a. In the case of training sold to a purchaser who is scheduled to receive International Military Education and Training (IMET) during the same fiscal year in which the sale of training is made, only those additional costs that are incurred by the United States Government in furnishing the training shall be charged.

b. Section 21(g) of the AECA [reference (a)] authorizes the President to enter into North Atlantic Treaty Organization standardization agreements in carrying out Section 814 of the Act of October 7, 1975, (P. L. 94-106), and to enter into similar agreements with Japan, Australia, New Zealand, and with other countries which are major non-NATO allies for the cooperative furnishing of training on a bilateral and multilateral basis, if the financial principles of such agreements are based on reciprocity.

Such agreements shall include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the United States Armed Forces occupying comparable accommodations are charged for such accommodations by the United States). Each such agreement shall be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services and Foreign Relations of the Senate.

4. Price of New Procurement. Section 22(a) of the AECA [reference (a)] requires eligible countries or international organizations to pay the full amount of the contract and any damages and costs that may accrue due to the cancellation of such contracts when the U.S. Government enters a contract for a new procurement on their behalf. Payment to the USG by the foreign country or international organization is to be in U.S. dollars.

5. Interest. Section 21(d) and 22(a) of the AECA [reference (a)] require that interest be charged on any net amount by which a country or international organization is in arrears under all of its outstanding unliquidated dependable undertakings considered collectively. The interest charged shall be at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding short-term obligations of the United States as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage.

6. Price of Design and Construction Services. Section 29 of the AECA [reference (a)] requires foreign countries or international organizations to pay the full cost of design and construction services and any damages and costs that may accrue due to the cancellation of such contracts when the U.S. Government enters into a contract for design and construction services on their behalf.

C. Cost Recoupment Waivers and Exclusions

1. Waiver of Nonrecurring Cost Recoupment Charges. Section 21(e)(2) of the AECA [reference (a)] provides the President may reduce or waive the charge or charges which would otherwise be considered appropriate under paragraph 070104.C.2 for particular sales that would, if made, significantly advance United States Government interest in North Atlantic Treaty Organization standardization with the Armed Forces of Japan, Australia, or New Zealand, in furtherance of the mutual defense treaties between the United States and those countries, or foreign procurement in the United States under coproduction agreements. This authority has been delegated to the Director, Defense Security Assistance Agency (DSAA).

2. Special Waiver Authority for NATO E-3A. 10 U.S.C. 2350e [reference (n)] provides that the Secretary of Defense, in carrying out the Multilateral Memorandum of Understanding (MMOU) between NATO Ministers of Defense on the NATO E-3A Cooperative Programme, signed by the Secretary of Defense on December 6, 1978, the MOU for operation and support of the NATO Airborne Early Warning and Control Force signed by the US Ambassador to NATO on September 26, 1984; the addendum to the MMOU dated December 7, 1990; and any follow-on support agreement to the NATO E-3A Cooperative Programme may waive reimbursement for:

a. Personnel cost applicable to services performed by personnel other than personnel employed in the Airborne Warning and Control System (AWACS) program office for:

- (1) Auditing
- (2) Quality assurance
- (3) Codification
- (4) Inspection
- (5) Contract administration
- (6) Acceptance testing
- (7) Certification services

(8) Planning, programming, management services

b. Any surcharge for administrative services otherwise chargeable. The law also authorizes the Secretary to assume contingent liability for:

(1) Any program losses resulting from the gross negligence of any contracting offices of the United States.

(2) Identifiable taxes, customs duties, and other charges levied within the United States on the program.

(3) The United States' share of unfunded termination liability. The authority contained in section 2350e currently expires on September 30, 1993. DoD will continue to seek extension of that authority in accordance with the provisions of the MMOU.

3. Waiver of Contract Administration Services (CAS). Section 21(h) of the AECA [reference (a)] provides that the President is authorized to provide (without charge) quality assurance, inspection, contract administration services, and contract audit defense services in connection with:

a. The placement or administration of any contract or subcontract for defense articles, defense services, or design and construction services entered into after October 29, 1979, by, or under the AECA [reference (a)] on behalf of, a foreign government which is a member of NATO, if such government provides such services in accordance with an agreement on a reciprocal basis, without charge, to the United States Government.

b. The placement or administration of any contract or subcontract for defense articles, defense services, or design and construction services pursuant to the NATO Infrastructure Program in accordance with an agreement under which the foreign governments participating in such a program provide such services, without charge, in connection with similar contracts or subcontracts.

c. In carrying out the objectives of subsection 21(h) cataloging data and cataloging services may be provided to NATO or to a member government of NATO, if NATO or the member government provides such services without charge to the United States on a reciprocal basis.

d. The authority set forth in (a) and (b) to negotiate and conclude such agreements has been delegated to the Assistant Secretary of Defense (Acquisition & Logistics).

e. When a waiver has been approved, the cost of contract administration in support of the applicable effort shall be funded by a DoD appropriation. Billings for such actual costs shall not be submitted against the FMS Trust Fund.

f. Countries with waivers are listed in DoD 5105.38-M, Security Assistance Management Manual (SAMM)[reference (e)], Figure 1301-1.

4. Special Waiver Authority for NATO Cooperative Projects.

a. Section 27 of the AECA [reference (a)] provides that the President may reduce or waive the charge or charges in connection with cooperative projects or agreements entered into under the authority of that section. The charges that may be reduced or waived are those that are otherwise considered appropriate under section 21(e) of the Act (see paragraph 070104.B.2. "Charges Applicable to Services, Stocks, and New Procurements", above) in connection with sales of defense articles and services from stocks or new procurements when the other participants agree to waive or reduce such charges.

b. Waiver authority of the President under section 27 has been delegated to the Director, DSAA.

c. Administrative surcharges shall not be increased on other sales made under the AECA [reference (a)] in order to compensate for any cost waivers which are granted pursuant to Section 27 of the Act. Funds

received pursuant to such other sales shall not be available to reimburse the costs incurred by the United States Government for which waiver or reduction is approved by the President under Section 27 of the Act.

5. Waiver of Cost of Military Pay and Entitlements for Defense Services Funded by the Military Assistance Program (MAP) or Non-Repayable FMS Credit.

a. Section 503(a) of the FAA [reference (a)] of 1961, as amended, provides for elimination of the cost of military pay and entitlements if the sales case for defense services (including training) or for design and construction services is totally financed by the Military Assistance Program (MAP) or by non-repayable FMS credit.

b. Services provided under Sections 21, 22, or 29 of the AECA [reference (a)] shall be priced to exclude military pay and entitlements (including retired pay accrual) only for those cases citing MAP funds and/or FMS Credit (Non-repayable) as the exclusive method of funding on the LOA. This pricing applies when services are performed regardless of the date of the LOA. For MAP, the pricing applies to services provided after September 30, 1985; for non-repayable credit, the pricing applies to services provided after September 30, 1989. DSAA will commit MAP funds and non-repayable credits on all service cases that cite such funding prior to release to the country. Any subsequent amendment/modification serving to reduce the MAP or non-repayable credit funding below 100 percent shall require repricing to add military pay and entitlements to the entire case.

6. Exchange of Training and Related Support. Section 30.A. of the AECA [reference (a)] empowers the President to provide training and related support to military and civilian defense personnel of a friendly foreign country or an international organization. Such training and related support is specifically to be provided by a Secretary of a Military Department and only when the recipient foreign country or international organization agrees, pursuant to an agreement or other arrangement, to pro-

vide comparable training and related support on a reciprocal basis to personnel under the jurisdiction of the Secretary providing the training. The reciprocal training must be provided within a reasonable period of time which may not be more than one year. If such training is not provided, then the country or international organization receiving such training shall be required to reimburse the United States for the full costs of the training and related support provided by the United States.

7. Special Authorities. In connection with the administration of the European Air Defense Agreements, the Secretary of Defense is authorized under Section 132 of the International Security and Development Cooperation Act of 1985 [reference (a)] to (1) waive any surcharge for administrative services otherwise chargeable under Section 21(e)(1)(A) of the AECA [reference (a)], and (2) waive any charge not otherwise waived for services associated with contract administration for the sale under the Act of Patriot air defense missile fire units to the Federal Republic of Germany (FRG) contemplated in the agreements.

8. Fair Pricing. Under sections 21 and 43 of the Arms Export Control Act, charges for non-recurring costs are not required for foreign military sales cases wholly funded with MAP or non-repayable FMS credits. In addition, asset use charges are no longer applicable to FMS transactions. In addition, military salaries and unfunded costs of civilian retirement and other benefits are not included in the FMS administrative account. However, when such expenses are included in, or are a part of, the standard prices charged for goods and services furnished by working capital funds, a separate price shall not be established for sales from, or services furnished by, working capital funds in connection with FMS cases and the standard price shall be charged as is the case with all other sales and services furnished by working capital funds.

D. Payment Terms

1. Sales from Stock of Defense Articles and Services. Payment shall be made in advance, or if the President determines it to be

in the national interest, upon delivery of the defense article or rendering of the defense service. The authority to determine that payment upon delivery is in the national interest has been delegated to the Director, DSAA. If billings are made at delivery, they shall be due and payable upon receipt. Interest shall be charged on any net amount due and payable which is not paid within 60 days. The period may be extended to 120 days if a determination is made that emergency requirements of the purchaser for acquisition of defense articles or defense services exceed the ready availability to the purchaser of funds sufficient to pay in full for them within the 60 day period. If this is done, the determination must be submitted to the Congress along with a special emergency request for the authorization and appropriation of additional funds to finance such purchases.

2. Sales of New Procurement Items and Construction Services. Payment shall be made in advance of the need to meet contract payments required by the contract and any charges and costs that may occur from the cancellation of a contract.

3. Authorization and Appropriation of Emergency Funds. The President may issue letters of offer which provide for billing upon delivery of the defense article or rendering of the defense service and for payment within 120 days after the date of billing. This authority may be exercised, however, only if the President also determines that the emergency requirements of the purchaser for acquisition of such defense articles and services exceed the ready availability to the purchaser of funds sufficient to make payments on a dependable undertaking basis and submits both determinations to the Congress together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the Act.

4. Special Instructions Applicable to Section 23 (Credit Sales) and Section 24 (Guaranties) of the AECA [reference (a)]

a. Section 23 of the Act provides the authority to finance sales of defense articles and defense services to friendly countries and international organizations, subject to the

availability of appropriations for such purpose. The authority is a method for financing the payment terms set forth in 1 and 2 above. The customer must repay principal used within 12 years after the delivery of applicable articles or the rendering of the service. The interest charged shall be at a rate determined by the President, except that it may not be less than 5 per cent. Currently, such interest on any unpaid balance is paid at a rate equivalent to the current average interest rate, as of the last day of the month preceding the financing of such procurement, that the United States Government pays on outstanding marketable obligations of comparable maturity.

b. Section 24 of the Act provides the President may guarantee loans made by any individual, corporation, partnership, or other juridical entity doing business in the United States (excluding United States Government agencies other than the Federal Financing Bank) to finance FMS purchases or direct commercial purchases by friendly countries and international organizations. Funds previously obligated under Section 24(c) constitute a single reserve for the payment of claims under such guaranties. A fee of 1/4 of 1 percent is charged on each loan guaranteed.

070105. Crediting of Earned Reimbursements

A. General. DoD appropriation/fund accounts or Miscellaneous Receipts Account 3041, "Recoveries Under the Foreign Military Sales Program," are entitled to reimbursement when DoD services or inventory items are sold under Section 21. An entitlement to reimbursement also results from Section 22 procurement actions if direct cite procedures for financing applicable contracts are not used. The general rule applicable to the sale of DoD services is that the financing account current at the time of performance is credited with applicable budget authority and subsequent cash collections. When items are sold from inventory, the financing account current at the time items are dropped from inventory is credited with applicable budget authority and subsequent cash collections. When appropriation/fund accounts are used to finance FMS procurements, the account current at the time the order is accepted is credited with

budget authority and subsequent cash collections.

B. Elements. The various cost elements which may be involved in performance of an FMS order and the accounts which are to be credited are shown in Table 701-1.

C. Special Defense Acquisition Fund

1. The International Security and Development Cooperation Act of 1981 enacted on December 29, 1981, [reference (a)] authorizes the establishment of a Special Defense Acquisition Fund (SDAF). The SDAF is capitalized by collections that normally would be deposited into Miscellaneous Receipts Account 3041. Deposits may consist of:

a. Collections made from sales under letters of offer issued pursuant to Section 21(a)(1)(A) of the AECA [reference (a)] representing the actual value of defense articles not intended to be replaced in stock under the terms and conditions of section 114(c)(2) of title 10 United States Code, which provide for the deposit of such collections provided that the deposit does not cause the amount in the SDAF to exceed \$1,070,000,000.

b. Collection from sales representing the value of charges for the proportionate recoupment of nonrecurring research and development and production costs.

2. The SDAF has been assigned account symbol 11X4116. A monthly report of disbursing officer credits to 11X4116 shall be provided to DSAA. Separate subheads shall be used under 11X4116 to identify the source of the collections. The subheads that apply are as shown in Table 701-2.

TABLE 701-1 COST ELEMENTS

<u>Cost Element</u>	<u>Account Credited</u>
A. Services of military personnel:	
(1) Composite standard military pay rate	Military Personnel (MP) Appropriation
(2) Leave and holidays factor when applicable. See paragraph 070203.	Military Personnel (MP) Appropriation
(3) Personnel support costs Appropriation	Operations and Maintenance (O&M)
(4) Retirement cost prior to 1 Oct 84	Miscellaneous Receipts Account 3041
B. Services of Civilian Personnel:	
(1) Salary cost and wages	O&M Appropriation; Research, Development, Test, and Evaluation (RDT&E) Appropriation; Industrial Fund (IF)/Defense Business Operations Fund, as applicable
(2) Leave and holidays factor when applicable. See para 070102	O&M, RDT&E, IF, as applicable
(3) DoD funded civilian retirement cost	O&M, RDT&E, IF, as applicable
(4) Health and life insurance and other employee e.g., fringe benefits	O&M, RDT&E, IF, as applicable
(5) Civilian retirement cost not funded by DoD appropriations	Miscellaneous Receipts Account 3041
C. Inventory Items:	
(1) Nonexcess Procurement Funded item which requires replacement	Financing procurement appropriations as applicable, current at the time items dropped from inventory
(2) Nonexcess Procurement Funded item that will not be replaced within the obligation availability of current procurement appropriations	Miscellaneous Receipts Account 3041 or Special Defense Acquisition Fund 11X4116.1, as applicable, see para. 070105.C.1.
(3) Excess and Nonexcess Stock Fund/Defense Business Operations Fund items	Defense Business Operations Fund
(4) Excess procurement funded principal items	Miscellaneous Receipts Account 3041 or 11X4116.2, as applicable, see para. 070105.C.1.

TABLE 701-1 COST ELEMENTS (CONTINUED)

D. Nonrecurring cost recoupment charges (Collected as a result of Foreign Military Sales or direct commercial sales)	Miscellaneous Receipts Account 3041 or 11X4116.3, as applicable, see para. 070105.C.1.
E. Transportation	Financing appropriation/fund current at the time transportation is provided
F. Logistics Support Charge	MP, O&M, RDT&E, or Defense Business Operations Fund current at the time services are performed or Miscellaneous Receipt Account 3041, as applicable.
G. Royalty fee charges	Miscellaneous Receipts Account 3041 or 11X4116.3, as applicable, see para. 070105.C.1.
H. Charges for the use of DoD assets (includes depreciation on purchased equipment)	Miscellaneous Receipts Account 3041 or 11X4116, as applicable, see para. 070105.C.1. Depreciation which is included in Industrial Fund (IF)/Defense Business Operations Fund shop rates shall be retained by the IF/Defense Business Operations Fund
I. FMS contract costs financed by DoD appropriation or fund accounts	Financing procurement appropriation or Defense Business Operations Fund as applicable
J. TDY costs financed by appropriation or fund accounts	O&M and RDT&E appropriations cur- rent at the time travel is performed, or IF, as applicable
K. Accessorial Surcharge:	
(1) Packing, crating, and handling (PC&H)	O&M appropriation current at the time services are performed, or IF, as applicable
(2) Transportation	O&M appropriation current at the time transportation is provided, or IF, as applicable
L. FMS administrative surcharge (This is a combination of cost elements A., B., and J.)	MP, O&M, RDT&E, or IF current at the time services are performed or Miscellaneous Receipts Account 3041, as applicable
M. Contract Administration Services (This is a combination of cost elements A., B., and J.)	MP, O&M, IF, or Miscellaneous Receipt Account 3041, as applicable

TABLE 701-1 COST ELEMENTS (CONTINUED)

N. Interest charge resulting from late payment of billings (DD Form 645, "Foreign Military Sales Billing Statement") for accrued expenditures	Miscellaneous Receipts Account 3210, General Fund Proprietary Receipts, Defense Military not otherwise classified
O. Mailing fee, storage and publications	O&M or revolving fund, as applicable
P. Inventory losses	Applicable procurement or revolving fund, as applicable

Note: DoD Components shall maintain internal records of the dollar amounts applicable to each category of collections deposited into Miscellaneous Receipts Account 3041. One decimal subaccount will be required for each type of collection. For example 3041.3 might be used to designate dollar amounts applicable to nonrecurring cost recoupment, including royalty fees, as a result of direct commercial sales.

TABLE 701-2 SPECIAL DEFENSE ACQUISITION FUND ACCOUNT SYMBOLS

<u>Basic Symbol/Limit</u>	<u>Source of Collections</u>
11X4116.1XXX	Nonexcess procurement funded items which will not be replaced within the obligation availability of current procurement appropriations. (See paragraph 70105.C.1.a., this Volume, which pertains.)
11X4116.2XXX	Excess stock fund/Defense Business Operations Fund and procurement funded items. (See paragraph 070105.C.1.a., this Volume, which pertains.)
11X4116.3XXX	Nonrecurring RDT&E and production charges, including royalty fees.
11X4116.7XXX	Payments from FMS or MAP funds for sale of SDAF equity in contracts and inventories.
11X4116.8XXX	Payments from MILDEP appropriations for SDAF items transferred to the MILDEP for temporary use and which are not returned to SDAF.

0702 **PRICING OF PERSONNEL SERVICES**

070201. General. Except for those costs which may be excluded from charges in certain cases which were discussed in preceding paragraphs, charges to the FMS program for DoD personnel, except for those assigned to DoD training installations or performing contract administration, shall be computed in accordance with this section. This includes personnel costs recouped as direct charges, that is, special management services, mobile training teams (MTTs), technical assistance teams (TATs), or technical assistance field teams (TAFTs). It also includes personnel costs that are recouped indirectly through the administrative surcharge. The calculation of personnel costs shall include travel time, both temporary duty travel and permanent change of station, when the travel directly results from performance of an FMS case. The actual hours of personnel supporting foreign commercial contracts shall be accumulated and priced at the hourly FMS rates prescribed annually by the Office of the Comptroller, DoD memorandum. This memorandum is usually issued in October or November. When industrially funded/Defense Business Operations Fund personnel are utilized other than at the industrial fund site, price civilian personnel using the current annual salary and appropriate acceleration factors without overhead costs.

070202. Civilian Personnel. Services performed by DoD civilian personnel shall be priced at standard pay rates in effect at the time the services are performed. Tables in Appendix C contain the general schedule pay rates. The standard pay rates shall be accelerated to recover the funded cost of the U.S. Government's contribution for civilian employee benefits, such as retirement, insurance and health plans, cash awards, and, where applicable, the U.S. Government's share of social security taxes and leave and holidays. Acceleration factors are reviewed by the Office of the Comptroller, DoD and adjusted as appropriate through memoranda. Factors in effect at the date of this publication are listed on the pay tables at Appendix C. Civilian personnel costs shall be based on an average work week of 40 hours. The indicated percentages at the bottom of the tables (or the factors in effect at the time of services, if not in

those tables inclusive time periods) shall be used for acceleration factors. The acceleration factor for leave and holidays shall be applied only when reimbursements are based on time actually worked, that is, when the foreign country does not otherwise pay for costs incurred during leave or holiday periods. See paragraph 070104.C.8. for the impact of "Fair Pricing" legislation on civilian personnel services in calculating charges for administrative services under section 21(e) of the Arms Export Control Act [reference (a)]. Pricing is illustrated in Table 702-1.

070203. **Military Personnel**

A. Military personnel services shall be priced using the composite standard pay rates current at the time services are performed. Tables in Appendix C contain the annual pay rates. Monthly, daily, or hourly rates can be obtained by multiplying the annual rate by the applicable factors shown at the bottom of the table.

B. Since fiscal year 1985, the annual composite standard military rates include the cost of retirement. However, these composite rates must be accelerated to recover the cost of other benefits. Leave and holiday costs are added when reimbursements are based on time actually worked, such as when the foreign country does not otherwise pay for the personnel costs incurred by the Department of Defense during leave and holiday periods. The additive amounts for retirement, leave and holidays, and other benefits are expressed as percentages of the composite standard pay rate and are listed as the acceleration factors beneath the composite rates in each table. Pricing computations are illustrated in Tables 702-2, 702-3, and 702-4.

C. For FY 1980 and the prior fiscal year, the composite standard rate shall also be increased by the appropriate permanent change of station (PCS) costs. PCS costs for these years are additive after any other increases for retirement, leave and holidays, and other benefits.

D. Beginning in FY 1981, PCS costs are included in the composite standard pay rates in the appropriate tables in Appendix C and are subject to the acceleration factors beneath the

pay tables. In situations where military personnel are required to make a PCS move to support an FMS case, the PCS rate shall be deleted from the composite rate and the actual PCS cost charged to the case. In the latter situation, the actual PCS cost is not subject to acceleration.

E. FMS cases which are fully financed with MAP funds and/or non-repayable FMS credits shall be priced to exclude the cost of salaries and entitlements of military members. This is effective in FY 86 for MAP-financed cases and in FY 90 for cases financed by non-repayable credits. This exclusion applies only to above-the-line costs and not to associated surcharges, e.g., military salaries included in the administrative surcharge, and the contract administration surcharge.

070204. Indigenous Personnel. Indigenous personnel services shall be priced at actual costs or at standard pay rates. Standard pay rates shall not be used when known to be less than actual costs. Both actual cost and the standard pay rate shall include an estimated amount to cover such benefits as sick leave, maternity leave, death, accident, unemployment, and retirement (separation) when such benefits are paid to indigenous employees or specifically required by the laws of the foreign government.

070205. Travel and Living Allowances. Travel, per diem, living allowance payments, and other entitlements to DoD personnel working on FMS cases shall be identical to the payments and entitlements of DoD personnel working on direct DoD mission assignments at similar locations. The FMS case shall be priced to include the amount paid to employees or centrally funded through authorized DoD entitlement programs.

070206. Special Instructions Applicable to Industrial Funds/Defense Business Operations Funds. Industrial fund/Defense Business Operations Fund facilities will charge applicable approved non-DoD stabilized inventory rates and prices for services in support of FMS cases except where special rates may be applicable.

TABLE 702-1 CIVILIAN PERSONNEL SERVICES PRICE COMPUTATION EXAMPLE

100 HOURS OF CIVILIAN EFFORT (GS-12)
AT NAVY INSTALLATION IN JANUARY 1989

Direct Labor Hours	100
FY 89 Hourly Rate (Fourth Step) (\$38,039/2087) ¹	<u>\$18.23</u>
Direct Labor	\$1,823.00
Leave and Holiday Acceleration Factor (18%)	<u>328.14</u>
Subtotal	\$2,151.14 =====
Unfunded Retirement Factor (14.7%) ²	316.22
Fringe Benefits Factor (15.8%) ³	<u>339.88</u>
Pay Cost and Cost of Acceleration Factors	\$2,807.24
4% Asset Use Charge ⁴	<u>112.29</u>
FMS Selling Price ⁵	\$2,919.53 =====

¹ To compute the hourly pay rate for FY 84 and beyond, divide the general pay by 2087 hours. For prior years, use 2080 hours.

² Credit the unfunded portion of civilian retirement to Miscellaneous Receipts Account 3041.

³ The fringe benefits factor includes the employer's share of retirement, health benefits, life insurance, etc.

⁴ Credit to Special Defense Acquisition Fund or Miscellaneous Receipts Account 3041 as appropriate. Note: Asset use was canceled November 30, 1989.

⁵ Administrative surcharge is additive to the selling price.

NOTES:

- A. See Table 804-5 for billing.
- B. For illustrative purposes the above example is based on costs and acceleration factors in effect for FY 1989. Refer to Appendix C or current Comptroller, DoD guidance for costs and acceleration factors to be used in the current year.

TABLE 702-2 MILITARY PERSONNEL SERVICES PRICE COMPUTATION EXAMPLE

200 HOURS EFFORT BY NAVY MILITARY PERSONNEL (O-4 AND E-7)
AT CUSTOMER LOCATION IN JUNE 1984

		<u>O-4</u>		<u>E-7</u>		<u>TOTAL</u>
Direct Labor Hours		100		100		
Hourly Composite Pay Rate (FY 1984)						
O-4 (\$47,040/2080)		22.62				
E-7 (\$27,948/2080)		X		X	13.44	
Composite Pay Cost		\$2,262.00		\$1,344.00		
Leave and Holidays ¹	18.0%	<u>407.16</u>	18.0%	<u>241.92</u>		
Subtotal		\$2,669.16		\$1,585.92		
		=====		=====		
Retirement ¹	33.0%	880.82	33.0%	523.35		
Other Personnel Cost ¹	8.0% ²	<u>213.53</u>	23.0%	<u>364.76</u>		
Pay and Fringe Benefit Costs		<u>\$3,763.51</u>		<u>\$2,474.03</u>		\$6,237.54
						=====
4.0% Asset Use Charge ³						-0-
TDY Cost						2,000.00
FMS Selling Price ⁴						\$8,237.54
						=====

¹ Before September 9, 1983, the method of applying acceleration factors was to add all factors and apply a single percentage to pay cost. Refer to Appendix C or current Comptroller, DoD guidance for costs and acceleration factors to be used in current year.

² Credit to O&M or RDT&E, as applicable.

³ Asset Use Charge is not applicable because service does not involve use of DoD facilities.
Note: Asset use was canceled November 30, 1989.

⁴ Administrative Surcharge is additive to the selling price.

TABLE 702-3 MILITARY PERSONNEL SERVICES PRICE COMPUTATION EXAMPLE

200 HOURS EFFORT BY NAVY MILITARY PERSONNEL (O-4 AND E-7)
AT NAVY LOCATION⁴ IN JUNE 1984

		<u>O-4</u>		<u>E-7</u>	<u>TOTAL</u>
Direct Labor Hours		100		100	
Hourly Composite Pay Rate (FY 1984)					
O-4 (\$47,040/2080)		22.62			
E-7 (\$27,948/2080)		X		X 13.44	
Composite Pay Cost		\$2,262.00		\$1,344.00	
Leave and Holidays ¹	18.0%	<u>407.16</u>	18.0%	<u>241.92</u>	
Subtotal		\$2,669.16		\$1,585.92	
		=====		=====	
Retirement ¹	33.0%	880.82	33.0%	523.35	
Other Personnel Cost ¹	8.0% ²	<u>213.53</u>	23.0%	<u>364.76</u>	
Pay and Fringe Benefit Costs		<u>\$3,763.51</u>		<u>\$2,474.03</u>	
Temporary Duty (TDY) costs (includes per diem and transportation)				200.00	
Total Costs		<u>\$3,763.51</u>		<u>\$2,674.03</u>	<u>\$6,437.54</u>
4.0% Asset Use Charge ³					257.50
FMS Selling Price					<u>\$6,695.04</u>
					=====

¹ Before September 9, 1983, the method of applying acceleration factors was to add all factors and apply a single percentage to pay cost. Refer to Appendix C or current Comptroller, DoD guidance for costs and acceleration factors to be used in current year.

² Credit to O&M or RDT&E, as applicable.

³ Credit to SDAF or Miscellaneous Receipts Account as appropriate. Note: Asset use was canceled November 30, 1989.

⁴ For purposes of charging asset use, the service location may be a CONUS/overseas USG-owned activity. Asset use applies to both personnel services and associated TDY costs in this example.

TABLE 702-4 MILITARY PERSONNEL SERVICES PRICE COMPUTATION EXAMPLE

1 YEAR OF ARMY MILITARY PERSONNEL (O-4 AND E-7) TO
FMS CUSTOMER INSTALLATION (ALL PCS IN FY 86)

	<u>O-4</u>	<u>E-7</u>	<u>TOTAL</u>
Yearly Composite Pay Rate ¹ (FY1986)	\$66,137.00	37,241.00	
Applicable Acceleration Factors ²			
Other Personnel Cost ³	6.0%	18.0%	
Cost of Acceleration Factors (less PCS Factor)	3,968.22 <u>(2,928.00)</u>	6,703.38 <u>(1,065.00)</u>	
	1,040.22	5,638.38	
Actual PCS to Installation - Round Trip Transportation of Member and Family	10,000.00	10,000.00	
Round Trip Movement of Household goods	5,000.00	5,000.00	
Living Allowances	6,000.00	6,000.00	
FMS Selling Price ⁴	<u>\$88,177.22</u>	<u>\$63,879.38</u>	\$152,056.60 =====

¹ Beginning in FY 1981, PCS costs were included in the composite standard pay rate and must be deleted when actual PCS costs are applied. Beginning in FY 1985 military retirement was included in the composite pay rate.

² Refer to Appendix C or current Comptroller, DoD guidance for costs and acceleration factors to be used in current year.

³ Credit to O&M or RDT&E, as applicable.

⁴ Administrative Surcharge is additive to selling price.

0703 CASH SALES OF DEFENSE ARTICLES
ISSUED FROM STOCK

070301. General. Section 21 of the AECA [reference (a)] authorizes the sale of defense articles from stock to eligible foreign governments and international organizations. These sales include all sale of items from DoD inventories, whether delivered from storage or from procurements that were initiated to maintain adequate DoD inventory levels. Procurements specifically for FMS requirements (excluding cooperative logistics supply support arrangements) may not be considered a sale from stock. Procurements initiated to replace stocks sold from DoD inventories are not FMS new procurements.

070302. Sale Price of Nonexcess Materiel

A. Nonexcess defense articles are assets within the approved force acquisition objective and approved force retention stock of all DoD Components as defined in DoD Directive 4100.37 [reference (o)]. Also included in the nonexcess category are articles procured in anticipation of military assistance or sales requirements as a result of cooperative logistics supply support arrangements, or pursuant to a military assistance or sales order. The selling price shall be determined when (1) a requisition is edited for shipment by the shipping activity, or (2) the Letter of Offer is prepared, if a firm price is determined in accordance with the provisions of paragraph 070303.

B. Sale of Defense Business Operations Fund Items

1. The selling price of Defense Business Operations Fund issues to FMS customers shall be the current Defense Business Operations Fund price. Shipments from inventory to non-Cooperative Logistics Supply Support Arrangement (non-CLSSA) customers and to CLSSA customers where requisitions are received in advance of achieved inventory stock levels shall be made only when on-hand serviceable inventories of the items being sold are above the item's reorder point on the day the item is dropped from inventory, except as indicated below (see Table 703-1).

2. The inventory manager with first level supervisor coordination may approve the issue of stocks below the reorder point to non-CLSSA customers when directed by the Director, DSAA, or when he or she determines that there will not be an unacceptable impact on U.S. forces or CLSSA customers.

a. If issuance was directed by DSAA and would impact adversely U.S. Armed Forces or CLSSA customers, the ICP shall identify the need for diversion and provide impact data through appropriate DoD Component channels to the Director, DSAA. DoD 5105.38-M, Paragraph 60003.E [reference (e)] provides additional details on processing such impact statements.

b. If it is imperative that stock be replaced through accelerated procurements and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies shall be requested from Comptroller, DoD. Section 719 of this Volume provides guidance on exception requests. Normally, the exception would be to either add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

3. Each Defense Business Operations Fund organization shall review annually the items under its control to determine if silver or other reclaimed precious metals were provided to the contractor as government-furnished materiel (GFM). A special FMS pricing table shall be established for those items that contain reclaimed precious metals. The price in the FMS pricing table shall be increased annually to reflect the June 30 market price of the precious metal. For example, if an item contains 10 ounces of reclaimed silver and the market price of silver on June 30 increased by \$6.00, then the item's selling price shall be increased by \$60.00.

4. If a customer returns a repairable Defense Business Operations Fund item for repair or replacement, overhaul service shall be priced in accordance with paragraph 070802. Under no conditions shall the customer be

granted a credit for this carcass which is to be applied against the selling price determined in subparagraph B.1, above. Credit would represent U.S. procurement of FMS customer-owned assets, and such procurements cannot be mingled with the FMS program.

5. As an invested participant, a CLSSA customer may return a fully serviceable reparable item to the Defense Business Operations Fund for credit, when the item is within the approved acquisition objective (AAO), providing the requirements of paragraph 070102.J. are met. The credit will only be issued after the item is received at the depot. Funds credited may be paid by the DoD paying office into the Trust Fund in accordance with the foreign customer's instruction.

C. Sale of Investment (Procurement Funded) Items. As indicated previously, when an item is sold from the stocks of the Department and that item is not intended to be replaced, except for amounts which may be credited to the Special Defense Acquisition Fund, the amounts received as payment for that item from the FMS customer are required to be deposited into the miscellaneous receipts of the Treasury under the provisions of 10 U.S.C. 114(c)(2). Therefore, in the case of such sales, it is necessary to decide whether an item will be replaced or not. An item may be replaced either "in kind" or with an improved model of the item sold. Thus, the sale of a C-130B and the replacement of that aircraft with a C-130B would be an "in-kind" replacement. The replacement of the aircraft with a C-130E would be a replacement with an improved model. Both of the cases would be a replacement. On the other hand, the sale of a C-130B and the substitution of a totally different kind of aircraft would not be a replacement. Similarly, the purchase of an upgrading or modification kit, would not be a replacement, even though the upgrade or modification would result in an end-item similar to ones being acquired or that could be acquired. For instance, the procurement from the proceeds of the sale of an M-1 Tank in the inventory of a modification kit to an M-1 Tank currently in the inventory to upgrade an existing M-1 to an M-1A Tank would not be a replacement even though the procure

ment of a new M-1A tank to replace the M-1 sold would be a replacement.

1. Investment Item Not to be Replaced. When an item is not to be replaced, the price of the item is not less than the actual value of the article. Except as provided in subparagraph b., this price is determined as follows:

a. When a determination is made that a procurement funded item will not be replaced, the price of the item shall be the most recent actual procurement cost of the "series" and "model" being sold, plus the cost of any modifications or improvements incorporated after production. Reductions to the sale price may be made when there is an actual difference in utility or desirability among units of issue of an item due to age or condition. The cost of the last major overhaul or outfitting accomplished before the sale date is added to the calculated price and is not reduced for age or condition. The overhaul costs will be pro-rated over the interval between the last actual overhaul and the next scheduled overhaul. If a future overhaul is not scheduled, the cost of the last overhaul will be prorated over the normal average interval between overhauls. If an overhaul schedule is not available, the most appropriate time span for that series and model should be used. In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used. In the case where a maintenance schedule has not been established, a period of at least five years should be used. An illustration of price computation is at Table 703-2. A request for waiver of the overhaul cost may be submitted to Comptroller, DoD, Accounting Policy, with a copy to the Comptroller, DSAA.

b. In the case of a naval vessel that is 20 or more years old, and 3,000 tons or less, section 21(a)(2) of the AECA [reference (a)] provides that the actual value is not less than the greater of the scrap value or the fair value (including conversion costs) as determined by the Secretary of Defense.

2. Investment Item to be Replaced. When a determination is made that an item is to be replaced, the price of the item is to be the estimated cost of the replacement, including the contract or production costs of the article less any depreciation in the value of the article. This price is determined as follows:

a. Determine the normal useful peacetime life of the item or equipment to be sold.

b. Determine the percentage of useful life remaining on the item.

c. Apply the percentage developed in paragraph C.2.b., above, to the estimated (or actual) cost of the replacement item. The resultant amount is the base cost to be used in the sale price calculation. Under no condition shall the sale price be lower than the scrap value plus the cost of the last major overhaul or outfitting accomplished within 24 months before the sale.

d. Examples of price computations are shown at Tables 703-3 and 703-4.

3. When a determination is made under subparagraph C.2, above, the FMS selling price on the Letter of Offer to the Purchaser shall be the best estimate available. However, once the item is dropped from inventory, a final bill shall be assessed the purchaser utilizing the best pricing information available if actual replacement procurement cost is not known. This shall be the final cost to the purchaser regardless of the actual cost of final replacement procurement. Inventory managers must realize that this prescribed pricing methodology may not result in a one for one replacement. If exact quantities are needed in inventory in order to maintain readiness, then the inventory manager must recommend FMS procurement and not approve a shipment out of stock.

D. Sale of Ammunition. The selling price of an ammunition item shall be the current standard price and any applicable nonrecurring cost recoupment charge for the item being shipped to the customer.

070303. Quotation of Firm Prices

A. DoD Components are authorized to quote firm prices for items to be sold from stock and for in-house services to be furnished, pursuant to Section 21 of the AECA [reference (a)]. Such prices are not subject to further adjustment, provided the purchasing nation accepts the LOA before the expiration date. A firm price may be quoted only for:

1. An actual or estimated replacement price for a procurement funded end item, including ammunition, or major items to be sold from inventory as authorized in paragraph 070302.C.2, provided the price is based on budgetary data or contractor quotation.

2. A price for a procurement funded or major item developed under provisions of paragraph 070302.C.1. and 070304.

3. Training tuition rates (only for current year).

B. The objective of quoting firm prices is to minimize difficulties that might arise should prices undergo several revisions, due to budgetary decisions made subsequent to country acceptance of Letters of Offer. Firm prices may be quoted only after careful and coordinated development of such pricing data. Letters of Offer (other than for training) which specify firm pricing must be coordinated, at a minimum with the Military Comptrollers, DSAA, and the Office of the Comptroller, DoD.

C. All Letters of Offer authorized to be on a firm price basis shall include a note which specifies that pricing data presented are firm (except for changes authorized in paragraph 071006) and will not be changed, provided the country accepts the Letter of Offer before its expiration date.

070304. Excess Materiel

A. Excess equipment shall be sold in an "as is" condition. Excess defense articles are assets in excess of the approved force acquisition objective and approved force retention stock of all DoD Components (see paragraph 070302 for

additional discussion). The cost of repairing, rehabilitating, or modifying such articles shall be computed in accordance with paragraph 070802. The selling price of excess materiel, exclusive of repair or modification costs, shall be the highest of (1) its market value (which includes nonrecurring costs as computed in paragraph 070305) as hardware, or (2) its scrap value plus nonrecurring costs and the last major overhaul costs incurred (the overhaul costs will be pro-rated over the interval between the last actual overhaul and the next scheduled overhaul. If a future overhaul is not scheduled, the cost of the last overhaul will be pro-rated over the normal average interval between overhauls. In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used. In the case where a maintenance schedule has not been established, a period of at least five years should be used. An example of computing these costs is illustrated at Table 703-5), or (3) its fair value (plus nonrecurring and pro-rated major overhaul costs) computed using the fair value rates contained in this subsection. A request for waiver of the overhaul cost may be submitted to the Office of the Comptroller, DoD (Accounting Policy), with a copy to the Comptroller, DSAA. Fair value rates are applied to the established inventory price and follow:

Federal Condition Code (See DoD 4160.21-M [reference (p)] for specific definitions)	Percent of Inventory Price of Materiel
A-1 (serviceable, unused - good)	50
A-4 (serviceable, used - good)	40
A-2, A-5, B-1, C-1, D-1, B-4, C-4, D-4 (serviceable with qualification, materiel is either unused in fair condition; if used, in good condition).	30
B-2, C-2, D-2, B-5, C-5, D-5, D-7, E-7, F-7, G-7 (serviceable with qualification, if unused in fair condition; if used, in good condition). (Also includes unservice- able items that are in good condition but require minor repairs.)	20

A-3, B-3, C-3, D-3, A-6, B-6, C-6, H-7, 10
F-8 (serviceable, in poor condition;
unserviceable, in poor condition; or
unserviceable because item requires
minor repairs).

D-8, H-8, D-9, H-9, F-9, F-X, G-X, 5
H-X (unserviceable, requiring major
repairs).

B. Illustrations of price computations
are at Table 703-6, 703-7, and 703-8.

C. When accountability for excess
items has been transferred to "Property Dispos-
al," the provisions of DoD Instruction 7310.1
[reference (q)] shall apply. This Instruction
provides specific guidance in the disposition of
amounts realized from the sale of such equip-
ment.

D. A request for exception to estab-
lished pricing policy of excess material for
Foreign Military Sales will be submitted to the
DoD Comptroller for approval with a copy to
the Defense Security Assistance Agency. The
request must address the following:

1. Whether the item has been
screened for potential sale to customers and
whether there is any existing customer interest at
the price determined in accordance with the
established pricing policy;

2. Whether the alternative
proposed price is equal to or greater than the
scrap value plus the established recoupment
charge for DoD's nonrecurring costs;

3. Whether demilitarization costs
will be incurred by the DoD if the item is sold
and, if so, the estimated amount of such demili-
tarization costs;

4. What the price to repair the
item would be and its relationship, as a percent-
age, to the original acquisition cost of the item;
and

5. Whether the proposed sale has any other economic or political benefit to the DoD and/or the United States Government.

070305. Charges for Nonrecurring Cost

A. Non-USG purchasers shall pay a fair price, determined in accordance with DoD Directive 2140.2 [reference (r)], for the values of the DoD nonrecurring investment in the development and production of Major Defense Equipment, as required by law, unless a nonrecurring cost (NC) recoupment charge waiver has been approved by the DoD official designated in Section E of DoD Directive 2140.2. The policy in DoD Directive 2140.2 applies to Major Defense Equipment developed with U.S. Government funds. For FMS, an NC recoupment charge is applicable to all MDE. Major Defense Equipment is any item of Significant Military Equipment (SME) listed on the United States Munitions List having a DoD nonrecurring Research, Development, Test and Evaluation (RDT&E) cost accumulation of \$50 million or a total DoD production cost of more than \$200 million.

B. For determining the pro rata share of NC to be recouped, a cost pool methodology is used. The NC recoupment charge computation (nonrecurring RDT&E and nonrecurring production cost pools divided by benefiting units) are submitted to the Director, DSAA, for approval. The NC recoupment computation shall be supported with the MDE calculation worksheet illustrated at Table 703-9. A summary report on each MDE item shall be provided to DSAA following the report format at Table 703-10. The Director, DSAA, will review each DoD Component's calculations and publish the charge in the SAMM [reference (e)].

C. Each DoD Component shall establish a system to accumulate cost pools, recognize when a cost pool meets recoupment thresholds and calculate an NC recoupment charge for items releasable to foreign countries and international organizations when FMS sales are anticipated. The NC recoupment charge shall be based upon information recorded in DoD accounting records or DoD budget justification documents. Cost estimates may be used to determine the NC expected to be incurred in

periods not covered by budget justification documents.

D. The costs to be included in the nonrecurring RDT&E investment cost pool shall be determined on the budget and accounting classifications established for research, development, test and evaluation appropriations in DoD 7110.1-M [reference (d)]. Paragraph 516.2 of reference (d) establishes the following research and development (R&D) categories:

1. Research 6.1. Includes all efforts of scientific study and experimentation directed toward increasing knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long term national security needs. It provides fundamental knowledge required for the solution of military problems. It forms a part of the base for (a) subsequent exploratory and advanced development in DoD-related technologies and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, material and structures, and personnel support.

2. Exploratory Development 6.2. Includes all efforts directed toward the solution of specific military problems, short of major development projects. This type of effort may vary from fairly fundamental applied research to quite sophisticated "breadboard" hardware, study, programming, and planning efforts. It would thus include studies, investigations, and minor development effort. The dominant characteristic of this category of effort is that it is pointed toward specific military problem areas with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Program control of the exploratory development element shall be exercised normally at a general level of effort.

3. Advanced Development 6.3. Includes all efforts directed toward projects that have moved into the development of hardware for tests. The prime result of this type of effort is proof of design concept, rather than the devel-

opment of hardware for service use. Projects in this category have a potential military application.

4. Engineering Development 6.4.

Includes all projects in full-scale engineering development for service use that have not yet received approval for production or had production funds included in the DoD budget submission for the present budget or subsequent fiscal year. This area is characterized by major line item projects, and program control shall be exercised by review of individual projects.

5. Management and Support 6.5.

Includes research and development efforts directed toward support of installations or operations required for general research and development use. Included would be test ranges and maintenance of test aircraft and ships, and studies and analyses in support of the R&D program. Cost of laboratory personnel, either in-house or contract-operated, would be assigned to appropriate projects or as a line item in the research, exploratory development, or advanced development program areas, as appropriate. Military construction costs directly related to a major development program shall be included in the appropriate element.

6. Operational System Development.

Includes those projects still in full-scale engineering development that have received approval for production through the Defense Systems Acquisition Review Council (DSARC) or other action, or production funds have been included in the DoD budget submission for the present budget or subsequent fiscal year. All items in this area are major line item projects that appear as RDT&E costs of weapon system elements in other programs. Program control shall be exercised by reviewing projects individually. The costs incurred for nonrecurring R&D in the first two budget and accounting classifications (6.1 and 6.2) may not be included in the nonrecurring RDT&E cost pool. The advanced development (6.3) budget and accounting classifications is sometimes further broken down into 6.3A and 6.3B. Although both types of effort are a "proof-of-design" concept rather than the development of hardware for service use, the 6.3A classification is tied strictly to research efforts

that involve the production of breadboards or brassboards to model all or part of a design. The 6.3B classification may be applied to projects to produce a prototype which, although not suitable for fielding, is closer to representation of an end item for military application. Therefore, costs incurred for nonrecurring R&D in classification 6.3A may not be included in the nonrecurring RDT&E cost pool. However, costs in classification 6.3B and the remaining R&D classifications are subject to recoupment and shall be included in the nonrecurring R&D cost pools upon which the pro rata charge is calculated.

E. All applicable NC efforts, including in-house or multiple contractors shall be included in the NC cost pool. In other words, the source of the NC effort to develop a product is not relevant to the calculation of the NC recoupment charge. The costs of improvement programs that are designed to continuously improve the safety, reliability, availability, and maintainability of an end item or major component over the projected life of the item will be shared equitably by all users of the item. Normally, each user will pay a share of the total annual cost through a Component Improvement Program (CIP) or comparable program. All users are expected to participate in such a program. The cost sharing calculation will be established at the time the NC cost pool is established and the NC recoupment charge is approved. First, the total life of the item will be projected, then the point in time when half of all projected deliveries to non-DoD customers will occur will be estimated. Using actual cost data and data from historical files for similar CIP or comparable programs, the total U.S. investment costs over the life of the program will be estimated. The amount of U.S. investment projected to be incurred up to the previously determined point of half of the deliveries to non-DoD customers will be included in the weapon system NC cost pool. The annual cost of operating the CIP or comparable program will be shared in proportion to the number of items in the possession of each user. This will ensure that the remaining costs of operating the CIP or comparable program will be shared equally by all users of the item.

F. The costs to be included in the nonrecurring production cost pool are those financed by, or to be financed in the future by, procurement or operations and maintenance appropriations that benefit current and future production runs. DoD Directive 2140.2 [reference (r)] provides that the pool shall capture such costs as preproduction, special tooling, special testing equipment, production engineering, product improvement, destructive testing and product model production, and testing and evaluation. Other costs may be included if they benefit both current and future production runs. Descriptions of the major categories of costs to be accumulated in this nonrecurring cost pool are as follows:

1. Preproduction Cost refers to cost of such activities as tool manufacture and tryout (such as jigs, dies, and fixtures) and the implementation of layout plans. Also, see item 8, License Cost. A lump sum payment is part of preproduction cost.

2. Special Tooling Cost refers to the costs of all jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, and replacement thereof, that are of such a specialized nature that substantial modifications or alternation of their use is limited to the development of production of particular supplies or parts thereof, or the performance of particular services. The term includes all components of such items, but does not include: (a) material; (b) special testing equipment, or (c) building and nonserviceable structures (except foundations and similar improvements necessary for the installation of special tooling), general or special machine tools, or similar capital items.

3. Special Test Equipment Cost refers to the cost funded by procurement appropriations for either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in the performance of the contract. Such testing units comprise electrical, electronic, hydraulic, pneumatic, mechanical, or other items or assemblies of equipment that are mechanically, electrically, or electronically interconnected so as to become a new functional entity, causing the individual item or items to become interdepen-

dent and essential in the performance of special test equipment procured with RDT&E appropriations.

4. Developmental Production Engineering Cost includes the cost of product design improvement intended to enhance producibility of an item; and examination of available manufacturing processes to determine the need for new techniques (and their development, if necessary); the optimum marshalling of resources for efficient manufacturing (such as optimum lot size, scheduling, production control, production line design and balancing and plant layout); and tool design and detailed manufacturing planning. Although a continuing activity, most of this effort is rightfully considered a nonrecurring production cost.

5. Product Improvement is subdivided into six distinct types of effort: (a) safety; (b) cost reduction; (c) reliability, availability, and maintainability; (d) deficiency corrections; (e) compatibility standardization, and simplification; and (f) new or improved operational capability. Categories (a) through (e) are to be included in the end item nonrecurring production cost pool, even though a participating product improvement program has been established that pro rates annual cost of the program based upon worldwide asset position (both U.S. and foreign-owned end items). The DoD cost of category (f) shall be recovered as part of the selling price of a modification kit, if the kit is an MDE. Product improvement programs may be accomplished by contractors as an engineering change proposal (ECP), modification work order (MWO), or an in-house project.

6. Destructive Testing is a technique for performing tests on a component, assembly, or an end item. It involves the testing of an article beyond its design limits (and ultimately its destruction), or the actual consumption of the article to determine if it is performing to design specifications.

7. Pilot Model Testing includes the following effort:

a. Qualification Testing is a very severe testing to determine if a product will

do what it is designed to do. It usually involves the testing of a product to the limits of its performance. It is often destructive and the test articles are not intended to be used operationally.

b. First Article Testing Cost is the cost of testing to evaluate a new manufacturer's ability to produce a specified design (could be the new manufacturer's design or that of another manufacturer). It is normally more stringent and costly than routine acceptance testing, but less stringent and costly (and less destructive) than qualification testing.

8. License Cost refers to the cost of the license DoD shall obtain to allow competitive awards for production of an item when its design is owned by a contractor. In effect, the Department of Defense buys the rights to allow other contractors to produce an item for DoD purposes through the payment of royalties or a lump sum fee. These royalties are customarily on a per-item basis and should be charged as recurring production costs. The lump sum fee is a nonrecurring production cost.

G. In computing nonrecurring cost pools for items to be sold under FMS, nonrecurring costs for major components that are restricted to U.S. Government use only shall not be included. For example, the costs of nuclear devices and features, countermeasure devices and features, security devices (black boxes), carrier-peculiar adaptations, and special fuel tank devices shall be excluded. Estimates may be used if accounting records do not identify associated costs.

H. The number of items that shall include all known or projected DoD production quantities shall be determined as follows.

1. The production quantities of end items required by the Department of Defense shall be obtained from either Selected Acquisition Reports (SARs) or the Five Year Defense Program (FYDP), Procurement Annex.

2. The production quantities of end items to be procured for foreign countries or international organizations under security assistance programs shall be obtained from DoD

Component security assistance plans.

3. The production quantities of end items to be produced by contractor for commercial sales may be obtained from the contractor and validated by contracting officers. The contractor's estimate shall be required only if the applicable commodity manager determines that a potential exists for significant commercial sales.

4. In the event end item data is not available from any of these sources, the developing command shall estimate the total number of end items to be produced.

5. The production quantities of systems components that meet the investment threshold shall be derived from the number of end items to be produced. For example, if 100 aircraft shall be produced (including engines) and spare part support requires 150 engines, the production quantity of engines is 250.

I. In the event of a disagreement on the production quantity and sales projections, the Director, DSAA, shall make the final determination, in coordination with the Office of the Comptroller, DoD, and OUSD(A), as to the production estimates to be used for determining the NC recoupment charge.

J. The approved pro rata charge shall be recouped, unless a waiver is authorized. When nonrecurring cost recoupment is applicable, the price in a Letter of Offer and Acceptance shall provide for the specific recoupment charge. In instances where the initial rate has not yet been approved, DoD Components shall provide for an initial rate based on an estimation of the best information available to the DoD Component. The LOA shall be modified to provide for the subsequently approved rate and only that approved rate is to be billed. When a recoupment charge is revised, the previous value is retained in the appendix for information. Subsequent revisions to the pro rata charge shall be applied to new LOAs and shall not be retroactive.

K. When the price is reduced because of age, condition, or supply status (excess), the same percentage reduction shall be made to the pro rata share of nonrecurring costs.

L. DoD Directive 2140.2 [reference (r)] requires a biennial review of approved MDE charges to determine if there has been a significant change in factors or assumptions used to compute the currently approved recoupment for a model. A significant change occurs when (1) a new calculation shows a change of 30 percent of the current system NC charge for an MDE item or (2) the NC unit charge increases or decreases by \$50,000 or more or (3) where the potential for a \$5 million change in recoupment exists or (4) for ammunition items, the potential exists for additional recoupment of over \$100,000 or more. A revision to the NC recoupment for MDE will not be applied retroactively to signed LOAs. Rather, the new charge applies to all sales following the date of approval.

M. When a model change occurs, the NC recoupment charge shall be recalculated. That portion of the NC which benefits only one model shall be allocated only to that model. That portion of the NC that benefits old and new models shall be prorated between cost pools related to the old and new model items. Commonality between old and new models may be determined either on the basis of the ratio of old model parts in the new item or on some other common acceptable basis for allocation of costs between the models, i.e., engineering analysis or technology analysis, as appropriate. Sample calculations are illustrated at table 703-13.

N. While a change may be submitted at any time by a DoD Component, it is mandatory that a modification be submitted when a significant change occurs.

O. Reporting Nonrecurring Cost Recoupment Collections.

1. Funds collected for NC recoupment charges shall be disposed of in accordance with paragraph 070105 of this Volume.

2. DoD Components shall

provide a quarterly report on the status of nonrecurring cost collections. The format is at Table 703-12. The report shall be forwarded to the DSAA Comptroller within 45 days following the close of each fiscal quarter, with a copy furnished to the Defense Finance and Accounting Service (DFAS-HQ/ARS). DoD Components shall maintain records of anticipated and actual nonrecurring cost collections for FMS cases and known direct commercial sales (prior to October 7, 1992). Data on direct commercial sales may be obtained from export licenses or from other information provided by DSAA. Reports should be in agreement with amounts deposited to the Treasury miscellaneous receipts account.

P. Waivers.

1. The Director, DSAA, is the waiver approval authority and will state in writing any approvals granted for waivers associated with FMS. A notification of each approved waiver will be forwarded to the Comptroller, DoD and to the concerned DoD Component by the approving authority.

2. The decision on any waiver requires the concurrence of the Director, DSAA; the Comptroller, DoD; and the USD(Acquisition). If an issue concerning the waiver request cannot be resolved, the Director, DSAA, shall prepare an action memorandum on the waiver request to the Deputy Secretary of Defense for final determination. The action memorandum to the Deputy Secretary of Defense shall be coordinated with the Director, DSAA, the Comptroller, DoD, and the USD(Acquisition).

Q. Articles delivered after November 30, 1989 under FMS cases fully financed with MAP funds and/or nonrepayable FMS credit funds shall be priced to exclude the NC charge.

R. The established NC recoupment charge shall be included in the FMS unit price.

S. The Director, Defense Contract Audit Agency, shall ensure that any evaluation of a contractor accounting system includes an analysis of the internal controls established to ensure compliance with the requirement to pay

NC recoupment charges for sales made prior to October 7, 1992. If DCAA audit work on a bid proposal, claim for incurred costs, etc., discloses contractor noncompliance with the requirement

to pay an NC recoupment charge, an audit report shall be issued promptly to the cognizant DoD contracting officer, with a copy of the report submitted to the DFAS-HQ/ARS and DSAA(COMPT).

**TABLE 703-1 PRICE COMPUTATION EXAMPLE NONEXCESS
DEFENSE BUSINESS OPERATIONS FUND/ REPAIR PART FROM STOCK**

Standard Price	\$500.00
FMS Selling Price	\$500.00 ^{1,2}
	=====

¹ The Administrative Surcharge is additive to the selling price.

² See Table 804-6 for billing.

**TABLE 703-2 PRICE COMPUTATION EXAMPLE NONEXCESS PROCUREMENT FUNDED ITEM
FROM STOCK NOT TO BE REPLACED**

Standard Price	\$50,000.00
Pro-rated overhaul costs before sale date (see Table 703-10)	3,000.00
Pro-rata nonrecurring charges	2,000.00
* * * * *	
<u>Calculation of reduction for age and condition:</u>	
Acquisition Price	\$50,000.00
Adjustment for remaining service life (10-year life, 5 years expired) (5/10)	50%
	\$25,000.00 ¹
Pro-rated overhaul costs before sale date (see Table 703-10)	3,000.00 ²
Nonrecurring cost recoupment (50% of \$2,000)	1,000.00 ³
FMS Selling Price	\$29,000.00 ^{3,4,5,6}

¹ Credit \$25,000 received for articles to Miscellaneous Receipts Account 3041.

² Credit \$3,000 previously incurred overhaul costs to the financing account.

³ Credit \$1,000 to SDAF or Miscellaneous Receipts Account 3041, as applicable.

⁴ PCH and Administrative Surcharge are additive to the selling price.

⁵ See Table 804-7 for billing.

⁶ Under no condition shall the sale price be lower than the scrap value plus the cost of the last major overhaul or outfitting accomplished before the sale.

**TABLE 703-3 PRICE COMPUTATION EXAMPLE NONEXCESS PROCUREMENT FUNDED
ITEM FROM STOCK TO BE REPLACED**

Standard Price	\$40,000.00
Pro rata nonrecurring charges	2,000.00
* * * * *	
<u>Calculation of Price:</u>	
Estimated contract price to replace item.	\$100,000.00
Adjustment for used service life (10-year life, 5 years expired) (5/10)	<u>50%</u> \$50,000.00
Reimburse to current procurement account	\$50,000.00
Pro rata nonrecurring charge (5/10) 50% of 2,000	<u>1,000.00¹</u>
FMS Selling Price	\$51,000.00 ^{2,3,4}

¹ Credit recovery for nonrecurring costs to SDAF or Miscellaneous Receipts Account 3041, as applicable.

² PCH and Administrative Surcharge are additive to the selling price

³ See Table 804-8 for billing.

⁴ Under no condition shall the sale price be lower than the scrap value plus the cost of the last major overhaul or outfitting accomplished before the sale.

**TABLE 703-4A PRICE COMPUTATION EXAMPLE NONEXCESS PROCUREMENT FUNDED ITEMS
FROM STOCK TO BE REPLACED**

Standard Price	\$1,300,000.00
Pro rata nonrecurring charges	32,000.00

Calculation of Price

Estimated contract price to replace item.	\$2,700,000.00
Adjustment for Depreciation (constant percentage method of depreciation - 12-1/2% per year this example)	
20 year life-average fleet age = 7 years ¹	<u>39%</u>
	\$1,053,000.00
Reimburse to current procurement account	\$1,053,000.00
Pro rata nonrecurring charge (39% of \$32,000)	12,480.00 ²
FMS Selling Price	\$1,170,780.00 ^{3,4}
	=====

- ¹ Constant percentage method of Depreciation $R_n = (1-d)^n$ (see table 703-4B)
 R_n = 39% remaining useful life factor at the end of n years.
 d = 12.5 percentage useful life lost from the remaining value in each year.
 n = 7 age in years of the item.

Note: Residual value at the end of 20 years (normal service list) is 6.92%.

- ² Credit recovery for nonrecurring costs to SDAF or Miscellaneous Receipts Account 3041, as applicable.
- ³ PCH and Administrative Surcharge are additive to selling price.
- ⁴ Under no condition shall the sale price be lower than the scrap value plus the cost of the last major overhaul or outfitting accomplished before the sale.

TABLE 703-4B CONSTANT PERCENTAGE METHOD OF DEPRECIATION

$$R_n = (1-d)^n$$

R_n = remaining useful life factor at the end of n years.

d = percentage useful life lost from the remaining value in each year.

n = age in years of the item.

Example below uses $d=12.5\%$

n	d	R_n
1	.125	.875
2	.125	.765625
3	.125	.669922
4	.125	.586182
5	.125	.512909
6	.125	.448795
7	.125	.392696
8	.125	.343609
9	.125	.300658
10	.125	.263076
11	.125	.230191
12	.125	.201417
13	.125	.176240
14	.125	.154210
15	.125	.134934
16	.125	.118067
17	.125	.103309
18	.125	.090395
19	.125	.079096
20	.125	.069209

TABLE 703-5 PRICE COMPUTATION OF OVERHAUL COSTS PREVIOUSLY INCURRED FOR A PROCUREMENT FUNDED ITEM SOLD TO FOREIGN MILITARY SALES CUSTOMERSAssume the following:

1. Aircraft A, tail number 26 is to be sold in May 1991. The last overhaul for that aircraft was accomplished in August 1990 at a cost of \$640,000.
2. The normal interval between overhauls for aircraft A is 60 months.

The price is computed using the following steps:

1. Determine the actual interval since the last overhaul in terms of months:

August 1990 to May 1991 equals 9 months.
2. Determine the percentage of overhaul costs applicable to the DoD by comparing the actual interval since the last overhaul with the normal interval between overhauls.

$$\frac{\text{Actual Interval} = 9 \text{ months}}{\text{Normal Interval } 60 \text{ months}} = 15\%$$

3. Determine the amount of the costs to be charged to the customer by subtracting the resulting percentages in step 2 from 100 percent and applying the result to the overhaul costs. If actual overhaul costs are not known, a reasonable estimate should be obtained from the facility normally performing overhauls for the type of item that is to be sold.

$$100\% - 15\% = 85\% \times \$640,000 = \$554,000$$

**TABLE 703-6 PRICE COMPUTATION EXAMPLE EXCESS DEFENSE BUSINESS
OPERATIONS FUND ITEM**

	<u>NON-FMSO</u>	<u>FMSO II</u>
Standard Price	\$500.00	\$500.00
Adjustment for condition (A-1 and serviceable, unused, good condition - 50% reduction)	<u>250.00</u>	<u>N/A</u>
	\$250.00	\$500.00
Reimburse to Defense Business Operations Fund Account	<u>250.00</u>	<u>\$500.00</u>
FMS Selling Price	\$250.00 ¹	\$500.00 ¹

¹ Administrative Surcharge is additive to the selling price.

**TABLE 703-7 PRICE COMPUTATION EXAMPLE EXCESS PROCUREMENT FUNDED
ITEM FROM STOCK**

Standard Price	\$50,000.00
Pro rata nonrecurring charges	2,000.00
Pro rata overhaul costs before sale date (see Table 703-10)	3,000.00

Condition - A-3 (serviceable, unused, poor) 10%

Standard Price x 10%	5,000.00
Pro rata nonrecurring charge x 10%	200.00
Pro rata overhaul costs before sale date	<u>3,000.00</u>
FMS Selling Price	\$8,200.00 ^{1,2,3} =====

¹ The FMS selling price must be increased if the market price or the scrap value plus the nonrecurring cost recoupment charge and the prorated value of the last major overhaul costs incurred are higher than the fair value FMS selling price. The market price is defined as a commercial catalog price or quoted price from a commercial vendor, if readily available. The fair value price is determined by the Federal Condition Code.

² Credit to SDAF or Miscellaneous Receipts Account 3041, as applicable.

³ PCH and Administrative Surcharge are additive to the selling price. Credit collections for nonrecurring costs to SDAF or Miscellaneous Receipts Account 3041, as applicable.

TABLE 703-8 PRICE COMPUTATION EXAMPLE SALE OF EXCESS SHIP

Value of ship where fair value computation is applicable per para. 070304.A. Fair value is 10% of original cost.	\$2,250,000.00 ¹
Nonrecurring cost recoupment charge (10% of established charge)	50,000.00 ²
Pro-rated overhaul costs (See Table 703-10)	<u>1,500,000.00¹</u>
FMS Selling Price	\$3,800,000.00 ^{3,4,5} =====

¹ Credit to Miscellaneous Receipts Account 3041.

² Credit to SDAF or Miscellaneous Receipts Account 3041, as applicable.

³ Administrative Surcharge is additive to the selling price.

⁴ See Table 804-9 for billing.

⁵ If the item is sold at market value the entire proceeds will be deposited to Miscellaneous Receipts or SDAF as applicable as the sale of an item that does not require replacement.

TABLE 703-9 FORMAT FOR MDE CALCULATIONS

FORMAT FOR MDE CALCULATION																																																											
ITEM DESCRIPTION:																																																											
Identification No.:																																																											
Date Prepared																																																											
DoD Component																																																											
Preparer's Name, Job Series, Grade																																																											
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Total Air Vehicle				\$30,000,000																																																							
PART C - PROJECTED UNITS (DENOMINATOR)																																																											
<table border="1"> <thead> <tr> <th rowspan="3"></th> <th colspan="4">Source Documents</th> <th rowspan="3">Commercial Estimate by Contracting Officer</th> <th rowspan="3">Totals</th> </tr> <tr> <th colspan="2">DoD Quantities</th> <th colspan="2">MAP/FMS</th> </tr> <tr> <th>FYDP Proc. Annex</th> <th>ADP Project 311</th> <th>5 Year Security Assistance Plans</th> <th>ADP Project 311</th> </tr> </thead> <tbody> <tr> <td>Air Frame</td> <td></td> <td>1,500</td> <td></td> <td>850</td> <td></td> <td>2,350</td> </tr> <tr> <td>Engine (JXX)</td> <td></td> <td>3,050</td> <td></td> <td>2,500</td> <td>2,000</td> <td>7,550</td> </tr> <tr> <td>Radar</td> <td></td> <td>2,700</td> <td></td> <td>950</td> <td>100</td> <td>3,750</td> </tr> <tr> <td>Avionics</td> <td></td> <td>1,500</td> <td></td> <td>850</td> <td></td> <td>2,350</td> </tr> <tr> <td>Air Vehicle</td> <td>1,500</td> <td></td> <td>750</td> <td></td> <td></td> <td>2,250</td> </tr> </tbody> </table>											Source Documents				Commercial Estimate by Contracting Officer	Totals	DoD Quantities		MAP/FMS		FYDP Proc. Annex	ADP Project 311	5 Year Security Assistance Plans	ADP Project 311	Air Frame		1,500		850		2,350	Engine (JXX)		3,050		2,500	2,000	7,550	Radar		2,700		950	100	3,750	Avionics		1,500		850		2,350	Air Vehicle	1,500		750			2,250
	Source Documents				Commercial Estimate by Contracting Officer	Totals																																																					
	DoD Quantities		MAP/FMS																																																								
	FYDP Proc. Annex	ADP Project 311	5 Year Security Assistance Plans	ADP Project 311																																																							
Air Frame		1,500		850		2,350																																																					
Engine (JXX)		3,050		2,500	2,000	7,550																																																					
Radar		2,700		950	100	3,750																																																					
Avionics		1,500		850		2,350																																																					
Air Vehicle	1,500		750			2,250																																																					

TABLE 703-9 FORMAT FOR MDE CALCULATIONS (CONTINUED)

FORMAT FOR MDE CALCULATION						
ITEM DESCRIPTION:						
Identification No.:						
Preparer's Name, Job Series, Grade						
Prepared						
DoD Component						
PART D - COMPONENT NC						
Major Components	R&D	Production	Total	Projected Units	Recoupment Charge	Unit NC
Air Frame	\$80,000,000	\$5,000,000	\$85,000,000	2,350	\$36,170 (1)	
Engine (JXX)	\$58,000,000	\$7,000,000	\$65,000,000	7,550	8,609 (1)	
Radar	\$5,000,000	\$3,000,000	\$8,000,000	3,750	2,133	
Avionics	\$1,000,000	\$5,000,000	\$6,000,000	2,350	2,553	
Undistributed to Component	\$20,000,000	\$10,000,000	\$30,000,000	2,250	13,334 (2)	
PART E - SYSTEM NC CHARGE						
			Total			
1. Current Develop Costs:						
Air Frame (1 each system)				\$36,170		
Engine (JXX) (2 each system)				17,218		
Radar (1 each system)				2,133		
Avionics (1 each system)				2,553		
Undistributed to Component (allocated to end items)				13,334		
2. GFM Development Costs:						
ISS Cannon (2 each system)				500		
HR X Radio (1 each system)				250		
XM Bomb Sight (1 each system)				300		
Access II Scat (1 each system)				700		
TOTAL SYSTEM CHARGE				\$73,158 (1)		
NOTES:						
(1) Unit NC recoupment charge calculation for MDE item must be submitted to DSAA for review and approval.						
(2) Undistributed systems' NC is recouped on end items.						

TABLE 703-10 MDE WORKSHEET FORMAT

RECOUPMENT OF NONRECURRING COSTS ON SALES OF MDE ITEMS													
SECTION A										SECTION B			
(a) WEAPON SYSTEM OR COMPONENT	(b) NONRECURRING COSTS (\$ THOUSANDS)			(c) PRODUCTION QUANTITY				(d) RECOMMENDED PRO RATA UNIT CHARGE		(e) PREVIOUS UNIT CHARGE			
	RD&E	PRODUCTION	TOTAL	ARMY	MARINE/NAVY	AIR FORCE	MAP	FMS/DIRECT SALE	TOTAL		RD&E	PRODUCTION	TOTAL
VEHICLE	300	200	500	1000	0	0	1000	0	2000	150K	100K	250K	NEW ITEM
TOTALS													
SECTION B													
PRODUCTION QUANTITIES													
			ACTUAL	PROJECTION				TOTAL					
MAP				0									
DIRECT SALE				0									
FMS				1000									
TOTALS													

TABLE 703-11 NONRECURRING COST CHARGES FOR MDEMajor Defense Equipment

Inventory Control <u>Point</u>	<u>Description of Item</u>	<u>NSN*</u>	<u>Nonrecurring Charge</u>	Effective <u>Date</u>
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*NSN, if available.

**TABLE 703-12 RECOUPMENT OF NONRECURRING COSTS ON SALES
OR LICENSING OF U.S.G. ITEMS**

RECOUPMENT OF NONRECURRING COSTS ON SALES OR LICENSING OF U.S.G. ITEMS (\$ Thousands)							Department of the Navy Report Preparation Date: 10 Oct 92 Report Cutoff Date: 30 Sep 92		
Case Designator(1)	Purchaser(2)	Item	Quantity	Fiscal Year of Sale	Delivery Date(3)	Total Anticipated NC Charge(4)(5)	Actual Collections		Cumulative Collections(6)
Part 1. Recoveries on USG sales to foreign governments and international organizations (7).							Amount Collected This Quarter	Amount Collected This Fiscal Year	
AT-P-AAA BE-P-LAL	AUSTRALIA BELGIUM	MISSILE AIM-7C GUIDED BOMB	70 40	1990 1991	943 933	\$191 \$247	\$27 \$19	\$54 \$62	\$137 \$155
Part 2. Recoveries on commercial sales to foreign governments, international organizations, and foreign commercial firms (7)(8).									
AB3456 SP-P-001	IHI HEAVY/Japan NAVAL MATL CMD/Spain	T-700-GE-401 TF-34 ENG	100 10	1989 1992	953 924	\$2,970 \$207	\$89 \$21	\$1,070 \$104	\$1,841 \$166
Part 3. Recoveries on sales to domestic commercial firms (7)(8).									
USA CH	GEN ELECTRIC SIKORSKY	T-64 ENGINES T-2 HELICOPTER	50 75	1992 1990	924 943	\$1,929 \$2,998	\$116 \$400	\$386 \$999	\$1,929 \$1,999

Notes:

- (1) Applicable to USG sales to foreign governments and international organizations. For commercial direct sales, use the license number. For domestic sales, establish a "dummy" case number for control purpose.
- (2) When a license number or "dummy" case number is shown in the case designator column, then the purchaser column should also reflect the name of the contractor who is liable for the payment in addition to the purchaser (country).
- (3) For proposed or pending direct commercial sales, place a "P" in this column.
- (4) When collection results from the use of a TDP, place a (T) after the anticipated charge.
- (5) Place an asterisk after charge when collection is completed.
- (6) Collections that are completed during the fiscal year will be dropped on the first quarterly report of the subsequent fiscal year.
- (7) If payment of a NC recoupment charge is withheld or otherwise not collected, for any reason, the entry, along with the amount of the NC recoupment collection, shall be reported and footed to indicate the reason. If, at a subsequent time, there is a determination, or other determination by the Office of the Comptroller, DoD, that the NC recoupment charge will not be collected, the entry shall be deleted from the first quarterly report of the subsequent fiscal year.
- (8) Recovery not required on sales on or after date of this Directive for items with non-military purpose.

**TABLE 703-13 RECOUPMENT OF NONRECURRING CHARGES FOR MAJOR DEFENSE
EQUIPMENT, NEW MODELS DERIVED FROM EXISTING MODELS**

RECOUPMENT OF NC CHARGES FOR MAJOR DEFENSE EQUIPMENT, NEW MODELS DERIVED FROM EXISTING MODELS					
EXAMPLE 1					
FACTS:					
1.	MODEL A(OLD) B(NEW)	COST POOL \$500,000,000 \$100,000,000	QUANTITY 1,000 1,000	OLD CHARGE \$500,000	
2.	OLD MODEL 1,000 Parts	NEW MODEL 1,200 Parts			
(NOTE: 900 parts are common to both models)					
Step 1:	Determine commonality: Commonality is the percentage of the parts in the new model that are common to the old model.				
COMMONALITY	900 1,000	= 90%			
Step 2:	Determine the amount of the old item cost pool which benefits both old and new items.				
	\$500,000,000 90% \$450,000,000	Old Item Cost Pool Commonality Common Cost Pool			
Step 3:	Calculate NC charge for new item.				
a.	Common Cost Pool \$450,000,000	divided by	Benefiting Units 2,000	=	\$225,000.00
b.	New Item Cost Pool which does not contain commonality with the old item \$100,000,000	divided by	Benefiting Units 1,000	=	\$100,000.00
UNIT CHARGE FOR NEW MODEL					
				=	\$325,000.00
Step 4:	Determine cost pool of non-common items related to the old item.				
a.	Old Item Cost Pool Less: Common Cost Pool	\$500,000,000 \$450,000,000			
b.	Remainder: Old item cost pool which does not contain commonality with the new item.	\$50,000,000			
Step 5:	Recalculate old item NC charge and determine if changed rates should be submitted to DSAA.				
a.	Old Item Cost Pool \$50,000,000	1,000	= \$50,000		
b.	Common Cost Pool \$450,000,000	2000	= \$225,000		
	Recalculated charge for old item:				
c.	Comparison of previous old item NC charge with recalculated NC charge for old item.				
	Recalculated Old Item Charge \$275,000	divided by	Old Item Charge \$500,000	=	55 percent, a 45 percent decrease and \$225,000 NC Unit Charge decrease.
Step 6:	Action Required.				
a.	Submit request to Director, DSAA for consideration of change of NC rate on old item.				
b.	Prepare DSAA package because the change in the NC rate in Step 5 Step 5 exceeds 30% and the unit charge decreases by more than \$50,000.				

TABLE 703-13 RECOUPMENT OF NONRECURRING CHARGES FOR MAJOR DEFENSE EQUIPMENT, NEW MODELS DERIVED FROM EXISTING MODELS (CONTINUED)									
Model	Model Number	Model Name	Model Description	Model Type	Model Category	Model Subcategory	Model Subtype	Model Charges	
								Model Charge 1	Model Charge 2
Model A	101	Model A	Model A Description	Model A Type	Model A Category	Model A Subcategory	Model A Subtype	Model A Charge 1	Model A Charge 2
Model B	102	Model B	Model B Description	Model B Type	Model B Category	Model B Subcategory	Model B Subtype	Model B Charge 1	Model B Charge 2
Model C	103	Model C	Model C Description	Model C Type	Model C Category	Model C Subcategory	Model C Subtype	Model C Charge 1	Model C Charge 2
Model D	104	Model D	Model D Description	Model D Type	Model D Category	Model D Subcategory	Model D Subtype	Model D Charge 1	Model D Charge 2
Model E	105	Model E	Model E Description	Model E Type	Model E Category	Model E Subcategory	Model E Subtype	Model E Charge 1	Model E Charge 2
Model F	106	Model F	Model F Description	Model F Type	Model F Category	Model F Subcategory	Model F Subtype	Model F Charge 1	Model F Charge 2
Model G	107	Model G	Model G Description	Model G Type	Model G Category	Model G Subcategory	Model G Subtype	Model G Charge 1	Model G Charge 2
Model H	108	Model H	Model H Description	Model H Type	Model H Category	Model H Subcategory	Model H Subtype	Model H Charge 1	Model H Charge 2
Model I	109	Model I	Model I Description	Model I Type	Model I Category	Model I Subcategory	Model I Subtype	Model I Charge 1	Model I Charge 2
Model J	110	Model J	Model J Description	Model J Type	Model J Category	Model J Subcategory	Model J Subtype	Model J Charge 1	Model J Charge 2
Model K	111	Model K	Model K Description	Model K Type	Model K Category	Model K Subcategory	Model K Subtype	Model K Charge 1	Model K Charge 2
Model L	112	Model L	Model L Description	Model L Type	Model L Category	Model L Subcategory	Model L Subtype	Model L Charge 1	Model L Charge 2
Model M	113	Model M	Model M Description	Model M Type	Model M Category	Model M Subcategory	Model M Subtype	Model M Charge 1	Model M Charge 2
Model N	114	Model N	Model N Description	Model N Type	Model N Category	Model N Subcategory	Model N Subtype	Model N Charge 1	Model N Charge 2
Model O	115	Model O	Model O Description	Model O Type	Model O Category	Model O Subcategory	Model O Subtype	Model O Charge 1	Model O Charge 2
Model P	116	Model P	Model P Description	Model P Type	Model P Category	Model P Subcategory	Model P Subtype	Model P Charge 1	Model P Charge 2
Model Q	117	Model Q	Model Q Description	Model Q Type	Model Q Category	Model Q Subcategory	Model Q Subtype	Model Q Charge 1	Model Q Charge 2
Model R	118	Model R	Model R Description	Model R Type	Model R Category	Model R Subcategory	Model R Subtype	Model R Charge 1	Model R Charge 2
Model S	119	Model S	Model S Description	Model S Type	Model S Category	Model S Subcategory	Model S Subtype	Model S Charge 1	Model S Charge 2
Model T	120	Model T	Model T Description	Model T Type	Model T Category	Model T Subcategory	Model T Subtype	Model T Charge 1	Model T Charge 2
Model U	121	Model U	Model U Description	Model U Type	Model U Category	Model U Subcategory	Model U Subtype	Model U Charge 1	Model U Charge 2
Model V	122	Model V	Model V Description	Model V Type	Model V Category	Model V Subcategory	Model V Subtype	Model V Charge 1	Model V Charge 2
Model W	123	Model W	Model W Description	Model W Type	Model W Category	Model W Subcategory	Model W Subtype	Model W Charge 1	Model W Charge 2
Model X	124	Model X	Model X Description	Model X Type	Model X Category	Model X Subcategory	Model X Subtype	Model X Charge 1	Model X Charge 2
Model Y	125	Model Y	Model Y Description	Model Y Type	Model Y Category	Model Y Subcategory	Model Y Subtype	Model Y Charge 1	Model Y Charge 2
Model Z	126	Model Z	Model Z Description	Model Z Type	Model Z Category	Model Z Subcategory	Model Z Subtype	Model Z Charge 1	Model Z Charge 2
Model AA	127	Model AA	Model AA Description	Model AA Type	Model AA Category	Model AA Subcategory	Model AA Subtype	Model AA Charge 1	Model AA Charge 2
Model AB	128	Model AB	Model AB Description	Model AB Type	Model AB Category	Model AB Subcategory	Model AB Subtype	Model AB Charge 1	Model AB Charge 2
Model AC	129	Model AC	Model AC Description	Model AC Type	Model AC Category	Model AC Subcategory	Model AC Subtype	Model AC Charge 1	Model AC Charge 2
Model AD	130	Model AD	Model AD Description	Model AD Type	Model AD Category	Model AD Subcategory	Model AD Subtype	Model AD Charge 1	Model AD Charge 2
Model AE	131	Model AE	Model AE Description	Model AE Type	Model AE Category	Model AE Subcategory	Model AE Subtype	Model AE Charge 1	Model AE Charge 2
Model AF	132	Model AF	Model AF Description	Model AF Type	Model AF Category	Model AF Subcategory	Model AF Subtype	Model AF Charge 1	Model AF Charge 2
Model AG	133	Model AG	Model AG Description	Model AG Type	Model AG Category	Model AG Subcategory	Model AG Subtype	Model AG Charge 1	Model AG Charge 2
Model AH	134	Model AH	Model AH Description	Model AH Type	Model AH Category	Model AH Subcategory	Model AH Subtype	Model AH Charge 1	Model AH Charge 2
Model AI	135	Model AI	Model AI Description	Model AI Type	Model AI Category	Model AI Subcategory	Model AI Subtype	Model AI Charge 1	Model AI Charge 2
Model AJ	136	Model AJ	Model AJ Description	Model AJ Type	Model AJ Category	Model AJ Subcategory	Model AJ Subtype	Model AJ Charge 1	Model AJ Charge 2
Model AK	137	Model AK	Model AK Description	Model AK Type	Model AK Category	Model AK Subcategory	Model AK Subtype	Model AK Charge 1	Model AK Charge 2
Model AL	138	Model AL	Model AL Description	Model AL Type	Model AL Category	Model AL Subcategory	Model AL Subtype	Model AL Charge 1	Model AL Charge 2
Model AM	139	Model AM	Model AM Description	Model AM Type					

RECOUPMENT OF NC CHARGES FOR MAJOR DEFENSE EQUIPMENT, NEW MODELS DERIVED FROM EXISTING MODELS									
EXAMPLE 1 (Continued)									
Step 7:	Proof: Verify that cost pool has been fully allocated.				Step 2: Determine the amount of the old item cost pool which benefits both old and new items.				
	Old item 1,000 QTY X \$275,000 (Old Item Charge) = \$275,000,000 New item 1,000 QTY X \$325,000 (New Item Charge) = \$325,000,000 Total \$600,000,000				\$400,000,000 Old Item Cost Pool 60% Commonality \$240,000,000 Common Cost Pool				
	Cost Pool Old Item \$500,000,000 New Item \$100,000,000 Total \$600,000,000 Difference -0-								
NOTE:	The proof is designed only to show that costs are evenly distributed to all units, and the fact that there may have been previous charges at the old rate is to be disregarded for purposes of the calculation.				Step 3: Calculate NC charge for new item.				
					a. Common Cost Pool \$240,000,000 divided by 3,500 = \$ 68,571.00				
					b. New Item Cost Pool which does not contain commonality with the old item \$200,000,000 divided by 2,500 = \$ 80,000.00 UNIT CHARGE FOR NEW MODEL \$ 148,571.00				
EXAMPLE 2									
FACTS:									
1.	MODEL A(OLD) B(NEW)	COST POOL \$400,000,000 \$200,000,000 \$600,000,000	QUANTITY 1,000 2,500 3500	OLD CHARGE \$400,000					
2.	OLD MODEL 1,000 Parts	NEW MODEL 1,200 Parts							
NOTE:	600 parts are common to both models.								
Step 1:	Determine commonality: Commonality is the percentage of the parts in the new model that are common to the old model.								
COMMONALITY	$\frac{600}{1,000} = 60\%$								
	a. Old Item Cost Pool \$400,000,000 Less: Common Cost Pool \$240,000,000 Remainder: Old item cost pool which does not contain commonality with the new item. \$160,000,000								

TABLE 703-13 RECOUPMENT OF NONRECURRING CHARGES FOR MAJOR DEFENSE EQUIPMENT, NEW MODELS DERIVED FROM EXISTING MODELS (CONTINUED)

RECOUPMENT OF NC CHARGES FOR MAJOR DEFENSE EQUIPMENT, NEW MODELS DERIVED FROM EXISTING MODELS			
EXAMPLE 2 (Continued)		NOTE: The proof is designed only to show that costs are evenly distributed to all units, and the fact that there may have been previous charges at the old rate is to be disregarded for purposes of the calculation.	
Step 5:	Recalculate old item NC charge and determine if changed rates should be submitted to DSAA.		
a.	Old Item Cost Pool	Divided by Benefiting Units	
	\$160,000,000	1,000	= \$160,000
b.	New Common Cost Pool		
	\$240,000,000	3500	= \$ 68,571
	Recalculated charge for old item: = \$228,571		
c.	Comparison of previous old item NC charge with recalculated NC charge for old item.		
	Recalculated Old Item Charge	Old item Charge	
	\$228,571 divided by	\$400,000	= 57 percent, a 43 percent decrease and \$171,429 NC Unit Charge decrease.
Step 6:	Action Required.		
	Prepare DSAA package because the change in the NC rate in Step 5 Step 5 exceeds 30% and the unit charge decreases by more than \$50,000.		
Step 7:	Proof: Verify that cost pool has been fully allocated.		
	Old item 1,000 QTY X \$228,571 (Old Item Charge) =		\$228,571,000
	New item 1,000 QTY X \$148,571 (New Item Charge) =		\$371,430,800
	Total		\$600,001,800
	Rounded to: Total		\$600,000,000
	Cost Pool		
	Old Item		\$400,000,000
	New Item		\$200,000,000
	Total		\$600,000,000
	Difference		-0-

0704 CASH SALES OF DEFENSE ARTICLES FROM NEW PROCUREMENT FOR DIRECT DELIVERY AND PARTICIPATION IN NEW PRODUCTION

070401. General. Defense articles procured for cash sales to an eligible foreign government or international agency, pursuant to Section 22 of the AECA [reference (a)], for direct delivery shall be priced to recover full contract cost to the Department of Defense, DoD recurring contract support costs, and applicable DoD surcharges. Revised costs may need to be reflected from time to time in order to indicate increases due to escalation of labor and materials or to reflect other changes in production and procurement costs. The purchaser shall be obligated to pay any damages or costs that may accrue from the purchaser's cancellation of the contract. The administrative charge (see paragraph 070602) shall be added to the contract cost and included in billings for incurred costs. An illustration of the price computation is at Table 704-1.

070402. Items to be Replaced by Later Production (Diversions). Sale of items from new production and procurement, when such items are diverted from Military Department delivery schedules to be replaced by later production, shall be priced at current production cost or replacement production cost, whichever is higher.

070403. Cost Principles

A. In general, DoD articles shall be priced on the basis of the same cost principles as are used in pricing DoD contracts covering items for DoD use. However, recognition shall be given to other reasonable and allocable contractor costs and risks to the extent permitted in the Federal Acquisition Regulation (FAR) [reference (g)].

B. Unless the provisions of Section 22b of the AECA are involved, when insufficient funds are available in the FMS Trust Fund account of a foreign government to meet current cash requirements, DSAA shall initiate, through the responsible DoD Component, terminations for convenience or other adjustments to selected

contracts that will balance current cash requirements with available funds. Special attention is directed to Section 502 of this Volume. This condition should not occur without notification to the FMS Customer. Before terminating under these conditions, the contracting officer shall determine whether or not the contractor is willing to continue performance at his or her own risk. If the contractor is so willing, an appropriate contractual agreement shall be bilaterally signed so as to (a) limit the government's contractual liability to the available funds; (b) provide for appropriate passage of title to the FMS customer for any materials or services that have not been accepted but may be covered by progress payments, partial payments, or reimbursed costs; and (c) provide for an equitable adjustment in the event the termination for convenience is not issued in favor of continued performance. When other forms of contractual adjustments are used, they shall provide for equitable adjustment as appropriate and as permitted by reference (g).

070404. Recovery of Nonrecurring RDT&E and Nonrecurring Production Costs. The price shall include recovery of nonrecurring research and development test and evaluation, and nonrecurring production costs as specified in DoD Directive 2140.2 [reference (r)]. Paragraph 070305 contains further discussion of these costs.

070405. Recovery of Contract Administration Services Costs Incurred in Support of New Procurements for FMS

A. General. The cost of contract administration services functions as identified in the FAR [reference (g)] and contract audit shall be recovered through the application by the SAAC of a percentage surcharge to the delivery transactions reflecting disbursements to contractors for FMS procurements on which applicable contract administration services have not been waived. This surcharge is subject to waiver in whole or in part under Section 21(h) of the AECA [reference (a)](see paragraph 070104.C.3. of this Volume), and is waived in its entirety for the NATO E3A Cooperative Program (see paragraph 070104.C.2.). A listing of waived programs is included in Section 1301 and Table 1301-1 of DoD 5105.38-M [reference (e)]. The

surcharge shall be reviewed annually by the Office of the Comptroller, DoD to determine if it should be changed. The amounts collected as a result of the application of the surcharge shall be credited to a surcharge account maintained by the SAAC and used to reimburse DoD Components for contract administration services performed.

B. Responsibilities.

1. The Office of the Comptroller, DoD shall review annually the contract administration surcharge and revise as necessary.

2. The Security Assistance Accounting Center (SAAC) shall:

a. Establish and maintain the contract administration services account.

b. Maintain a list of FMS cases for which complete or partial waivers of the contract administration costs have been granted.

c. Apply the prescribed surcharge, or the applicable portion in the case of partial waivers, to reported disbursements from delivery transactions received on or after October 1, 1980, for all FMS cases that are not included on the waiver list (see subparagraph B.2.b., above) with delivery source codes BB, DA, DB, DC, DD, DE, DK and ED and price code N (see paragraph 080402).

d. Pay DoD Components for billing of actual contract administration services costs.

e. Increase the amount billed to FMS customers as a result of disbursement to contractors by the amount derived by applying the surcharge percentage to these disbursements.

C. Prescribed Contract Administration Services Surcharge.

1. The following surcharges are prescribed for SAAC application to disbursement with reimbursable codes and delivery source

codes described in subparagraph B.2.c., above (NATO E-3A Program is exempt):

Quality Assurance and Inspection	0.5%
Other Contract Administration Services	0.5%
Contract Audit	<u>0.5%</u>
Total	1.5%

2. If no waiver has been granted pursuant to Section 21(h) of the AECA [reference (a)], SAAC shall apply the full 1.5 percent surcharge. Waiver of the charges for either the quality assurance and inspection, contract administration services, or contract audit under Section 21(h) of reference (a) shall result in the SAAC application of the remaining surcharges. For example, if quality assurance, inspection, and contract audit costs are waived, SAAC shall apply the 0.5 percent surcharge for "other contract administration services." SAAC shall use the list referenced in paragraph B.2.b., above, as a basis for determining charges. Any cases not on this list shall be assessed the full amount of the surcharge. The waived contract administration cost for FMS cases included on the list shall be charged to DoD appropriations. SAAC shall reject billings from DoD Components for charges that have been waived.

070406. Recovery of Contract Administration Services Costs Incurred in Support of Foreign Country Commercial Contracts. DoD support of commercial contracts awarded by foreign countries and international organizations represents an FMS sale of services. The manhours expended in support of these commercial contracts shall be accumulated and billed at an FMS contract administrative hourly labor rate published each fiscal year by the Office of the Comptroller, DoD. The hourly rate shall include appropriate charges for TDY, use of DoD assets, and unfunded civilian retirement costs. For further discussion on foreign country commercial contracts, see Section 205 of this Volume.

070407. Recovery of Costs for Government-Furnished Materiel (GFM)

A. GFM provided from inventory shall be billed to the FMS case as "work in process" when the GFM is shipped from a depot to a contractor (see Table 804-13). The billing

price shall be the same as a direct sale to an FMS customer, plus applicable accessorial costs. The various categories of accessorial costs and the method of calculating them are set forth in Section 705.

B. GFM provided from another contractor shall be billed to the FMS case as "work in process" when payments are made to the contractor supplying the GFM. In the event shipment is through a Government Bill of Lading (GBL), the applicable transportation accessorial charge, as set forth in paragraph 070503, should also be billed as "work in process." Contracts with contractors providing GFM directly cite the FMS Trust Funds as the financing source to the maximum extent possible.

C. When precious metals recovered under the precious metals recovery program are provided as GFM to a contractor, the materiel shall be valued at the market price on the date it is provided to the contractor. Market price shall be determined from any authoritative publication, such as *The Wall Street Journal*.

070408. Recovery of Other DoD-Funded Services in Support of FMS Procurements

A. The cost of DoD-provided or-funded engineering services that are required to solve problems encountered during the production run shall be allocated to FMS customers based upon the number of their items that are in the production run.

B. If components are procured for an FMS customer and assembled by DoD personnel, assembly labor costs shall be assessed in accordance with paragraph 070802.

C. If a contractor is designated as the source of supply for nonstandard items to be procured for FMS customers, the contract price for applicable items will normally include the additional cost incurred to research, and procure the nonstandard items. Any reasonable method of allocating these additional costs is acceptable. The test of the reasonableness of the contractor's costing allocation would be acceptance of the method by the Defense Contract Audit Agency.

070409. Special Considerations. Cost of deviations from U.S. Government configuration and special technical data desired by a foreign government shall be included as a charge to the foreign governments.

0704010. Production by a Foreign Government. When a portion of the production quantity is to be produced by the purchasing foreign government, costs shall be computed separately, in accordance with cost methods established by the foreign government and accepted by the U.S. Government.

0704011. Recoupment of Interest Penalties Due to "The Prompt Payment Act of 1982" [reference (s)]. Interest penalties incurred on FMS procurements will be initially financed from funds of the paying activity. An analysis of FMS interest payments will be prepared and submitted to the Security Assistance Accounting Center (DFAS-DE/IR (SAAC)) monthly and will identify the country, case, contract number, and reason for late payment. See paragraph 021102 of this Volume.

A. Any interest penalties incurred under "The Prompt Payment Act of 1982" [reference (s)] will be included in delivery transactions to SAAC. See Table 804-19.

B. Within 50 days after the fiscal year ends, DoD Components shall submit to DSAA a report of Prompt Payment interest penalties which have been included in delivery transactions.

0704012. Contract Review. The DoD Components will make every effort to obtain the final price for contract provided items within 180 days of reported delivery.

TABLE 704-1 PRICE COMPUTATION EXAMPLE NEW PROCUREMENT

Contract Price (See paragraph 070401)	\$1,000,000.00
Pro Rata Share R&D ¹ (\$2500 each X 20 items)	50,000.00
Contract Administration Services (1.5%)	15,000.00
Government-Furnished Equipment (GFE)	25,000.00
Packing, Crating, and Handling of GFE (3.5%) ³	875.00
Transportation of GFE from Depot to Contractor Plant ³	<u>938.00</u>
FMS Selling Price (20 items)	\$1,091,813.00 ^{1,2}
FMS Unit Selling Price	\$54,590.65 ^{1,2}

¹ Transportation of end item, if applicable, and administrative surcharges are additive to the selling price.

² See Tables 804-10 through 804-14 for billing. Note that in the billing example, the extended value shown in Table 804-10 does include the contract administrative services surcharge, applied by SAAC against contract payments.

³ PC&H and CONUS transportation are applicable if the GFE are purchased from procurement citing the case funds. For the purpose of this example, the GFE (\$25,000) are considered to be all procurement-funded items with unit costs of less than \$10,000. PC&H and Inland CONUS Transportation are not applicable if the GFE is shipped from inventory by the Defense Business Operations Fund, as the cost is included in the standard price of the item.

0705 ACCESSORIAL COSTS

070501. General. Accessorial costs represent certain expenses incident to issues, sales, and transfers of materiel which are not included in the standard price or contract cost of materiel. A description of the various types of accessorial costs which may be applicable to FMS shipments follows:

A. Packing, Crating and Handling (PC&H) Costs. The costs incurred in DoD facilities for labor, materials, or services in removing requisitioned articles from storage locations, preparing them for shipment from the storage or distribution points, and processing necessary materiel release confirmation documents. The costs are incurred on all articles sold from stock to FMS customers. (Note: Not applicable to delivery of stock fund/Defense Business Operations Fund items reported after October 1, 1990)

B. Transportation Costs. The cost of DoD-provided or financed inland transportation (L1A)(land, air, inland and coastwise waterways) in the United States and outside the United States, and overseas transportation by vessel or air; includes parcel post (L1D) via surface or air. (Note: Inland CONUS (L1A) not applicable to delivery of stock fund/Defense Business Operations Fund items reported after October 1, 1990; Parcel post (L1D) and commercial package carrier (L1E) charges are not applicable after October 1, 1991).

C. Port Loading and Unloading Costs. The cost of DoD-provided or financed labor, materials or services for loading, unloading and handling at ports of embarkation or debarkation. Transportation charges for the use of the DoD transportation system, as set forth in paragraph 070503 below, include applicable loading and unloading costs.

070502. Packing, Crating, and Handling. Standard PC&H rates will be applied to the selling price of materiel sold from DoD inventories to recover the cost described in paragraph 070501.A., above. The PC&H rate will not be assessed on DoD stock fund/Defense Business Operations Fund items delivered after October 1,

1990 since the costs for PC&H are included in the standard stock fund/Defense Business Operations Fund price. Additionally, PC&H will not be assessed on articles shipped directly from the manufacturer since no in-house DoD labor, material, or services are involved. Prescribed PC&H rates are:

A. A PC&H rate of 3.5 percent will be added to the selling price of materiel with a unit price of \$50,000 or less.

B. An additional charge will be added equal to one percent of that portion of the selling price of materiel over \$50,000.

C. Examples of PC&H price computations follow:

1. Item with a unit price of \$8,500:

$\$8,500 @ 3.5\% = \297.50 PC&H charge

2. Item with a unit price of \$62,000:

$\$50,000 @ 3.5\% = \$1,750.00$

$\underline{\$12,000 @ 1.0\% = 120.00}$

$\$62,000 \qquad \qquad \$1,870.00$

D. The PC&H charge for service/maintenance cases is applied to the unit cost of the item (or items) sold or serviced, not the cost of the service. The rate in subparagraphs A and B above apply.

070503. Transportation. For other than Defense Business Operations Fund materiel, transportation of FMS materiel shall be on collect commercial bills of lading. When transportation shall be accomplished through a GBL, the GBL shall be annotated to show that normal commercial rates will be billed to the U.S. Government for the shipment. Section 10721 of the Interstate Commerce Act of 1887 [reference (m)] is not applicable to FMS shipments, including "stock fund" items shipped from the Defense Business Operations Fund.

A. DoD Components shall apply rates contained in Table 705-1 to the selling price of materiel with a unit price of \$10,000 or less to

calculate the cost for billing customers for the use of the DoD Transportation System. When an item has a unit selling price over \$10,000, the applicable rate from Table 705-1 shall be applied to the first \$10,000 of the item's unit cost and 25 percent of the same rate to the remainder of the unit price, to estimate a price for the use of the DOD transportation system. For example, an item priced at \$50,000 with a delivery code to Newfoundland would require a transportation charge of \$3,249 (\$10,000 at 16.25 percent and \$40,000 at 4.06 percent).

B. Costs for the staging of materiel in CONUS DOD (non-Defense Business Operations Fund owned/operated) facilities are additions to DOD transportation system costs, and a 3 percent staging charge is applicable, if DSAA has authorized "below-the-line" recoupment of staging. Defense Business Operations Fund owned/operated facilities shall bill actual costs incurred as an "above-the-line" service. Normally, the actual costs of staging shall be recovered as part of an "above-the-line" service charge. Such charges shall not be duplicative of any other accessorial cost. When nonexcess materiel is provided from DOD storage points located outside CONUS, the applicable rates (see Table 705-1) shall be charged as a prepositioning cost. For example, if the materiel being sold is stored in Germany and costs \$10,000 or less, a 14.25 percent prepositioning charge would be applied. If transportation to the FMS customer is necessary, it normally shall be accomplished through the use of collect commercial bills of lading. If DOD transportation is used to move articles from an overseas storage location to a point designated by the FMS customer, actual or estimated transportation costs shall be billed to the FMS customer. In estimating the cost of overseas DOD transportation, a 3 percent factor shall be used for overseas land transportation, 1 percent for overseas port loading, and 1 percent for overseas port unloading. An actual dollar amount shall be determined by the supplying DOD Component to recoup the cost of ocean or air transportation.

C. The use of estimated actual charges is authorized for certain items approved in advance by OASD(C) and DSAA when the established percentages for use of the DTS are

significantly different from the estimated actual charges. DSAA will establish and maintain a look-up table to reflect the estimated actual transportation charges for the DTS shipment of approved items. Only items on this look-up table qualify for the billing of estimated actual rates, unless approval is received from DSAA with OSD(C) concurrence. See Section 805 of this Volume for detailed procedures.

TABLE 705-1 STANDARD TRANSPORTATION PERCENTAGES

	<u>Percentages Used When Shipped by the Defense Business Operations Fund</u>	<u>Percentages Used When Shipped by Other Than the Defense Business Operations Fund</u>
1. <u>Delivery Term Code 2</u>		
a. FOB Destination - inland origin to inland destination within CONUS/Canada (except Newfoundland and Labrador).	0.00	3.75
b. FOB destination- inland origin to inland destination in a foreign country other than Canada.	0.00	3.00 + delivery code 7 charges if material is to be replaced (see subparagraph 070503.C.)
2. <u>Delivery Term Code 4</u> - Recipient Country is responsible for the cost of CONUS transportation and subsequent arrangement for onward movement or when transportation is provided as a case line such as high flight or special assignment airlift mission.	0.00	0.00
3. <u>Delivery Term Codes 3 and 5</u> - DOD movement for FMS customer in CONUS/Canada (except Newfoundland and Labrador).	0.00	3.75
4. <u>Delivery Term Code 6</u> - DOD movement from point of origin to and including ocean transportation to overseas port of discharge:		
a. To Europe, Hawaii, Latin America (Central America and Caribbean Basin) and Mediterranean Ports	6.50	10.25
b. To Newfoundland, Labrador, Thule, Iceland, South America (East and West Coasts), Far East, African ports (other than Mediterranean), and Near East	8.50	12.25
5. <u>Delivery Term Code 7</u> - DOD movement from point of origin to, and including, inland carrier delivery to the specified inland location (includes overseas movement of parcel shipments via the Military Postal Service through APO/FPO channels):		
a. To Europe, Hawaii, Latin America (Central America and Caribbean Basin) and Mediterranean Ports	10.50	14.25

TABLE 705-1 STANDARD TRANSPORTATION PERCENTAGES (CONTINUED)

	<u>Percentages Used When Shipped by the Defense Business Operations Fund</u>	<u>Percentages Used When Shipped by Other Than the Defense Business Operations Fund</u>
b. To Newfoundland, Labrador, Thule, Iceland, South America (East and West Coasts), Far East, African ports (other than Mediterranean), and Near East	12.50	16.25
6. <u>Delivery Term Code 8</u> - DOD movement from point of to , and including, unloading, handling, and storage aboard vessel at port of exit	2.50	6.25
7. <u>Delivery Term Code 9</u> - DOD movement from point of origin to, and including, vessel discharge at the point of discharge:		
a. To Europe, Hawaii, Latin America (Central America Caribbean Basin) and Mediterranean Ports	7.50	11.25
b. To Newfoundland, Labrador, Thule, Iceland, South America (East and West Coasts), Far East, African ports (other than Mediterranean), and Near East	9.50	13.25

Note: At the time of preparation of the LOA if it is known and authorized that materiel will be shipped via Special Assigned Airlift the cost should be a line on the case and will be priced as an estimate of cost. This shipment will cite the line on the case for reimbursement.

0706 ADMINISTRATIVE CHARGES

070601. General. An administrative surcharge shall be added to all FMS cases (unless the recoupment of administrative expenses has been waived pursuant to legal authority, see Paragraph 070104) to recover DoD expenses related to the functions of sales negotiations, case implementation, procurement, program control, computer programming, accounting and budgeting, Reports of Discrepancy (RODs) administration, and administration of FMS training cases at command headquarters and higher levels. Applicable DoD Component costs are recouped in accordance with paragraph 070603. The Letter of Offer and Acceptance payment schedule shall include, as a part of the required initial deposit, an amount equal to 50 percent of the administrative charge applied to the basic sale price as specified in paragraph 070602. The remaining 50 percent of the administrative charge shall be included as equal percentage installments within each of the estimated payments.

070602. Prescribed Standard Administration Charges

A. Supply Support Arrangements. An administrative charge of 5 percent shall be added to the basic sales price on the initial on-hand portion of Cooperative Logistics Supply Support Arrangements (CLSSA) (See paragraph 070708 for detailed instructions).

B. FMS Orders for Nonstandard Articles and Services. An administrative charge of 5 percent shall be added to the basic sale price of FMS orders for nonstandard articles and services. However, the 3 percent administrative charges shall be applied under the following two conditions:

1. A contractor is designated as the source of supply in lieu of a DoD Component performing additional work for the nonstandard articles and services. (See paragraph 070408.)

2. A case management line is included in the Letter of Offer and Acceptance that specifically recovers costs associated with

the tasks performed in support of the sale of nonstandard articles or services.

C. All other FMS Orders. Administrative charges for FMS cases not included in Section A above, are dependent upon the date the applicable LOA or amendment is signed out by the cognizant Military Department or Defense Agency. For cost increases within the scope of the LOA, modifications retain the administrative rates current at the time the applicable LOA or amendment was signed out. While the following administrative rates are applicable for the periods shown below, if an amendment adds a new line to an FMS case implemented prior to October 1, 1977, the 3 percent administrative rate is applicable to the new line:

1. January 29, 1970 - March 9, 1977. A 2 percent administrative rate, unless the supplying Military Department had determined that the rate was either insufficient or in excess of actual administrative expense for any single FMS case. The use of actual FMS case administrative expense was authorized.

2. March 10, 1977 - September 30, 1977. A uniform 2 percent administrative rate for offers signed out during this period.

3. October 1, 1977 - Present. A uniform 3 percent administrative rate for offers signed out after October 1, 1977.

070603. Actual Administrative Expenses. Those DoD organizations which provide general administrative support of the FMS program shall recoup the full cost (excluding a pro rata share of fixed base operations costs) of providing such support. Costs charged in connection with administrative support shall not include costs which are prescribed in this Volume as above-the-line costs. Above-the-line costs include (1) contract administration services, see Section 704; (2) case management, see Section 718; (3) recurring contract support costs, see paragraph 070408, and (4) administration of FMS training cases at the installation level which are to be included in the tuition rates. Administrative support cost also does not include the cost of calculating nonrecurring recoupment charges and royalty fees which is a DoD mission cost.

A. The personnel portion of actual administrative expenses shall include a pro rata share of those personnel who spend 10 percent or more of their time performing FMS duties. If an organization's manpower staffing is based upon routinely maintained workload statistics (such as the number of travel orders processed), the FMS administrative personnel expense shall be determined from equivalent FMS workload statistics. In other words, if FMS workload is 25 percent of total workload, then 25 percent of the organization's payroll cost shall be funded through FMS administrative surcharges. Identification of chargeable personnel in base support activities (such as security and civilian personnel specialists) is determined by the incurrence of additional cost to support non-Base Operations Support (BOS) FMS administrative activities, and not by the criteria used in performing an operational audit (e.g., activity frequency, frequency conversion factor, frequency per month, allowed manhours per accomplishment, allowed manhours per month, etc.). These elements which are used in measuring manpower requirements do not in and of themselves prove that incremental costs have been incurred. Thus, there is a different standard for charging BOS personnel, i.e., conclusive demonstration that actual additional costs are being incurred to support non-BOS FMS administrative activities versus charging non-BOS personnel a pro rata share of those personnel who spend 10 percent or more of their time performing (hands-on) duties. The cost of identified personnel shall be computed in accordance with paragraph 070201.

B. Other actual or estimated actual administrative costs include:

1. Travel costs, including per diem and transportation, incurred in the administration of the FMS program which cannot be directly related to mission requirements of a single case or program. (Special care is required in this area. See Section 718.)

2. Automatic data processing costs, excluding equipment cost or depreciation charges, to support FMS workload based on proration of machine time required to produce general FMS reports or transactions.

3. Printing and reproduction costs incurred primarily for the benefit of the FMS program.

4. Communications, utilities, and office supply costs incurred primarily for the general administration of the FMS program.

5. Equipment costs, both purchased and rental, when such costs are specifically incurred to support the administration of the FMS program.

6. Rental charges at fully dedicated FMS activities for floor space rental.

7. Administrative costs of Reports of Discrepancy (RODs). This cost includes the "net cost" to the Department of Defense for processing RODs for overage, shortage, damage, item deficiency, and duplicate billing. Such costs exclude discrepancies that are attributable to damage or loss, occurring after passage of title. Normally, FMS shipments move from the depot or vendor's plant on collect commercial bills of lading with title passed at point of origin. However, occasionally shipments move under Government Bills of Lading. Under either of these conditions, title passes at the point of origin and if damage or loss occurs subsequent to title passage, payment is not to be made from the administrative fund (this is, claims should be submitted against the common carrier). See Chapter 8, Section 802 of DoD 5105.38-M [reference (e)], for more detailed information.

C. DSAA shall ensure that an appropriate share of the cost of Military Assistance Advisory Groups and military missions shall be charged to administrative expense.

070604. Administrative Charges on Canceled Cases

A. Earned reimbursements for administrative surcharges are normally not refundable, i.e., the 50 percent that is earned when the case is accepted.

B. The administrative surcharges may be charged in accordance with the following guidance:

1. For cases under \$25 million that are canceled, SAAC shall retain a portion of the administrative surcharge that equals one-half of the applicable administrative percentage of the estimated articles/services ordered value, or the administrative rate times the actual articles/services delivered at closure, whichever is higher.

2. For cases over \$25 million that are canceled, DSAA Comptroller shall determine the appropriate administrative charge; however, the charge shall normally be at least \$250,000.

C. DSAA may approve waivers or reductions outside of the above parameters if circumstances dictate. Such waivers or reductions shall be fully documented and demonstrate that estimated administrative costs incurred on the case have been recouped.

D. Cases canceled for the convenience of the U.S. Government will not incur an administrative cancellation fee. DSAA shall make this decision.

070605. Waived Administrative Charges

A. General. Cost of administrative effort applicable to FMS cases on which the normal administrative surcharge has been waived or reduced, pursuant to statute, must be reimbursed to the FMS administrative surcharge account. Therefore, the IA which is the proponent of the case on which the charge has been waived shall obligate its current operation and maintenance appropriations for the full amount being waived annually. The amount of the earned administrative charges, which is the value of the administrative charge (currently 3 percent) is to be charged to Program 10. The SAAC shall then apply the established FMS administrative surcharge to accrued expenditures recorded against the case on which the normal administrative surcharge was waived and submit quarterly SF 1080 "Voucher for Transfer Between Appropriations and/or Funds" billings to the

appropriate IA for the amount that would normally be payable by the FMS customer.

B. Fund Control. A recommendation to approve a waiver of the normal administrative surcharge shall be accompanied by a miscellaneous obligation document which identifies the financing appropriation and the dollar value of the waiver. The IA shall certify that funds are available. The approving officials shall sign the obligating document. The provisions of DoD Directive 7200.1 [reference (f)], "Administrative Control of Appropriations," are applicable.

0707 COOPERATIVE LOGISTICS SUPPLY SUPPORT ARRANGEMENTS

070701. General. DoD Directive 2000.8 [reference (t)] prescribes the policies and criteria for establishing cooperative logistics supply support arrangements. These cooperative logistics supply support arrangements provide for the execution of Foreign Military Sales Orders (FMSOs) covering stockage, consumption, and storage (Note: There is no annual inventory maintenance and storage charge for stock fund/Defense Business Operations Fund items for CLSSAs as the stock fund/Defense Business Operations Fund standard price recoups all costs). Two FMS cases are required for supply support arrangements: the FMSO I and the FMSO II. Both cases shall be executed in order for FMS requirements to be anticipated and to be satisfied on an equal footing with U.S. requirements.

A. The FMSO I case is subdivided into two parts: Part A represents the on-hand portion of the inventory (normally 5 months) and Part B represents an on-order dependable undertaking (normally a 12 month period). Both parts of the FMSO I provide obligational authority equal to its value in the DoD Component activity providing the supply support to the customer. Cash paid on acceptance of the FMSO I is to equal the Part A on-hand portion of the inventory and administrative surcharge. The cash required to liquidate obligations incurred with suppliers for the on-order portion is the cash paid by the customer in connection with the FMSO II case, and in turn creates a new order received and recreates obligational authority back to the FMSO I.

B. The FMSO II case represents the foreign customer's anticipated yearly consumption under the cooperative logistics supply support arrangement. Cash to cover requisitions is paid in advance of each quarter covered by the case.

The cycle of obligation, acquisition, requisition, issuance, and payment can be summarized as follows:

1. FMSO I, Parts A and B, give the DoD Components obligational authority up to the case amount.
2. The cash provided under FMSO I, Part A, finances the on-hand inventory.
3. Requisitions made by the customer are filled from the on-hand inventory.
4. Replenishment of on-hand inventory is made from contracts awarded under obligational authority granted by FMSO I, Part B.
5. Payments to contractors are made from funds provided in accordance with FMSO II terms.
6. Liquidation of obligations by payment to contractors in effect recreates obligational authority granted by FMSO I, Part B, and the cycle commences again.

C. In accordance with the concept, the entire amount of the FMSO I case represents obligational authority. Normally, no cash billings are required against the FMSO I, Part B, unless the cooperative logistics supply support arrangement is either partly or wholly terminated. The FMSO II case provides obligational authority only to the extent that cash is received. Thus, proper working of the FMSO I and II should result in a constant 12 months of obligational authority in the applicable appropriation or fund account, never more or less, after the on-hand inventory of FMSO I, Part A, has been acquired.

D. The cash and obligational authority derived from the FMSO I and FMSO II are to be transferred to the Commodity Command or Supply Agency that is expected to provide

supply support to the foreign country. This Command or Stock Agency shall use such cash and obligational authority to increase stock and on-order quantities in anticipation of requisitions from the country which entered into the supply support arrangement.

E. In unusual circumstances, it may be determined that the 5-month on-hand and 12-month on-order levels are inappropriate for the particular equipment being supported. In these circumstances, the on-hand and on-order requirements may be adjusted to more realistically reflect the DoD on-hand and on-order levels for the items being supported. Documentation in support of such determinations shall be retained by the office that developed the supply support arrangement.

070702. Customer Equity. Supply support arrangements are written in terms of an absolute dollar amount of support to be provided under the arrangement. A listing of the specific items required to support the weapon system is not developed. Under this "dollar value" concept, the FMS customer's equity shall remain valued at the cash deposited for the FMSO I. Upon termination, a review shall be made of the foreign country's demand data for specific items. When these demand data result in the procurement of stock above the DoD-approved retention levels, the foreign country shall be informed that applicable stocks owned by that country must be drawn down or that a settlement agreeable to both parties must be reached.

070703. Pricing. Paragraph 070302.B sets forth the pricing requirements.

070704. Storage Costs. Storage fees shall be charged based on the on-hand portion of the FMSO I. Normally, the on-hand portion represents 5/17 of the total case value. The annual storage fee is 1.5 percent. For cases not remaining open a full year, a fee of .125 percent a month shall be charged. (Note: There is no annual inventory maintenance and storage charge for stock fund/Defense Business Operations Fund items for CLSSAs as the stock fund/Defense Business Operations Fund standard price recoups all costs).

070705. Obsolete Materiel. If an item becomes obsolete or excess to the United States but not to the foreign government, the United States may request the foreign government to withdraw its undelivered quantity of the item. Additional quantities may be offered to the foreign government at fair value prices (Paragraph 070304.A., above). If items become obsolete or excess to the requirements of the foreign government but not to the United States, the foreign government may request the United States to consider cancellation of its order and to apply its equity in the undelivered quantity to subsequent orders for other items. If cancellation is not agreed to, arrangements shall be made for the United States to dispose of the materiel and credit the net proceeds to the foreign government. If the United States has a need for the materiel, appropriate credit to the stock level case for return of the materiel to stocks of the United States shall be made in accordance with the departmental procedures for credit allowance for return of materiel [see DoD 7420.13-R, reference (u)]. If items become obsolete or excess to the requirements of both the United States and the foreign government, arrangements shall be made for the United States to dispose of the materiel and the proportional share of the net proceeds of sale shall be credited to the foreign government.

070706. Unusual Inventory Loss. Stock losses due to enemy action, major disaster, or other casualty from a natural phenomenon shall be assessed against the foreign government in an amount proportionate to the ratio that the value of its stock case bears to the total value of stocks in storage.

070707. Normal Operating Inventory Loss. The standard prices paid by the foreign government for stock level of stock fund/Defense Business Operations Fund items already include in a surcharge for estimated normal operating losses in storage.

070708. Administrative Surcharge

A. A one-time nonrefundable, administrative surcharge of 5 percent shall be charged on the on-hand portion (Part A) of the FMSO I case. For amendments that decrease the

value of the on-hand portion (Part A), there shall be no adjustment made to the administrative surcharge. However, for amendments that increase the value of the on-hand portion (Part A), the 5 percent nonrefundable administrative surcharge shall be charged on the total value of the amendments. Table 707-1 illustrates the 5 percent administrative fee computation.

B. No administrative surcharge shall be charged on the on-order portion (Part B) of the FMSO I case. A 3 percent administrative surcharge shall be charged on requisitions processed under FMSO II cases. If an FMSO I agreement is terminated, an administrative surcharge of 5 percent shall be charged for the inventory over and above the on-hand portion of the case. There shall be no additional surcharge on the on-hand portion of the case, since the customer has made advance payment of the administrative charges applicable to this portion of the case.

TABLE 707-1 FIVE PERCENT ADMINISTRATIVE FEE COMPUTATION
FMSO I - ON-HAND MATERIEL (PART I)

<u>Amendment</u>	<u>Revised On-Hand Materiel Value</u>	<u>Increase or Decrease to Previous On-Hand Materiel Value</u>	<u>5% Admin Fee Charge on Increase</u>	<u>5% Admin Fee Accrued Exp.</u>
Basic LOA	\$3,000,000	\$3,000,000	\$150,000	\$150,000
Amend 1	4,000,000	1,000,000	50,000	200,000
Amend 2	2,000,000	(2,000,000)	0	200,000
Amend 3	3,000,000	1,000,000	50,000	250,000
Amend 4	5,000,000	2,000,000	100,000	350,000
Amend 5	4,000,000	(1,000,000)	0	350,000

0708 STORAGE, REPAIR AND/OR MODIFICATION OF CUSTOMER-OWNED MATERIEL

070801. Storage. Costs applicable to storage of customer-owned articles include the functions of receiving, care and preservation in storage, set assembly and related other storage activities, and overhead in storage operations, such as re-warehousing, maintenance of operating equipment, physical inventories, and cleaning storage areas. Storage charges are applicable to the on-hand portion of FMSO I cases and to cases on which DoD is ready to deliver applicable items but has been requested by the customer to delay delivery (Note: There is no annual inventory maintenance and storage charge for stock fund/Defense Business Operations Fund items for CLSSAs as the stock fund/Defense Business Operations Fund standard price recoups all costs). A uniform DoD annual rate of 1.5 percent or .125 percent monthly of the average monthly value of customer-owned materiel will be charged to applicable FMS cases to recover an activity's costs of storage. An illustration of billing for storage, other than FMSO, is at Table 804-17.

070802. Repair or Modification. When a foreign government requests the repair and/or modification of items, the actual or estimated cost of the work will be priced on a job order basis. An illustration of price computation is at Table 708-1.

A. Labor cost will be computed in accordance with Section 702 of this Volume.

B. Materials and supplies obtained from the military supply system stocks will be priced in accordance with Section 703 of this Volume.

C. Materials, supplies, or services obtained directly from contractors will be priced in accordance with Section 704 of this Volume.

D. Transportation and related costs incurred in movement of the materials and supplies used incident to repair and/or modification will be priced in accordance with Section 705 of this Volume. (See paragraph 070501.B. for treat-

ment of stock fund/Defense Business Operations Fund materiel).

E. Indirect labor, material, and contractual services will be costed in accordance with the guidance in this Chapter and allocated to job orders.

F. Incoming and outgoing transportation costs related to FMS equipment/materiel processed by repair or overhaul facilities will be paid by the FMS customer. If uniform DoD accessorial rates are used, they should be applied to the DoD standard prices of the items being serviced.

070803. Administrative Surcharge. The administrative charge will be applied to all direct and indirect costs which are billed in connection with storage, repair and/or modification.

070804. Special Instructions Applicable to Industrial Funds/Defense Business Operations Funds. Industrial fund/Defense Business Operations Fund facilities will charge applicable approved non-DoD stabilized rates and prices for services in support of FMS cases. Stock fund/Defense Business Operations Fund materiel, including depot level reparable, will be priced at the standard price in effect at the time of the drop from inventory.

TABLE 708-1 PRICE COMPUTATION EXAMPLE OVERHAUL OF CUSTOMER-OWNED MATERIEL³

Direct materiel consumed or incorporated (does not include customer-owned materiel)		\$ 1,000.00
Direct labor hours of "funded" civilian personnel	500	
Direct labor hourly rate (employee salary and pro rata overhead)	<u>\$ 20.00</u>	
Direct civilian labor cost recouped (including unpacking and packing, crating and handling)		<u>10,000.00</u>
Funded cost recouped		\$ 11,000.00
"Unfunded" military labor (composite rate, retirement, ¹ other personnel costs, leave/holiday & PCS charge)--E-7, 100 hours		<u>1,472.00</u>
FMS Selling Price		\$ 12,472.00 ²

¹ The administrative surcharge is additive to the FMS selling price.

² See Table 804-15 for billing.

³ This table is general in nature and does not show all costs that may be included. For example, "direct materiel consumed or incorporated. . ." should include transportation, replacement prices and surcharges as appropriate. Also, PCH and transportation charges for the direct material consumed in overhaul items are included in the total overhaul price. (See paragraph 70501.B. for treatment of stock fund/Defense Business Operations Fund materiel). This example assumes that inbound and outbound transportation is paid by the FMS customer. See paragraph 70802.F. If the customer does not pay, the calculation for transportation would be, assuming a \$20,000 item's standard price and the item is not from the Defense Business Operations Fund, is as follows:

$$\$10,000 \times .0375 + \$10,000 \times \underline{.0375} = \$468.75 \text{ for a shipment to a freight forwarder.}$$

0709 COSTS ALLOCABLE FOR JOINTLY USED FACILITIES

070901. General. When specific agreements or arrangements are made for the joint use of USG facilities (that is, sharing of storage spaces, dedicated training facilities, etc.), a pro rata share of the operating cost initially financed by operating appropriations shall be charged to the foreign customer.

A. When jointly used storage or office space is involved, the pro rata share of operating costs shall be determined on the basis of space assigned to the foreign government versus total space available for assignment.

B. Operating costs shall include, but are not necessarily limited to, cost of maintenance and upkeep of facilities including access roads, security, communications, utilities, and rent, if the U.S. Government must make rental payments under lease agreements.

070902. Joint Use of Satellites. When jointly used satellites are involved, the launch cost shall be allocated to each participant based on pre-launch negotiations that consider the expected benefits accruing to each participant. Recurring operating costs shall be pro rated on the basis of time each participant actually uses the satellite.

0710 TRAINING OF FOREIGN NATIONALS

071001. General. Tuition rates for training shall be based on the costs of providing the training. Detailed instructions to be followed in developing the tuition rates are included in Sections 711 and 712 of this Volume. Any special requirement for the exclusive use of a foreign student shall be reimbursed in full.

071002. Observers. Observers auditing a course shall be charged the same price as an enrolled student.

071003. Pricing Military Pay. Price military pay using the composite standard rates and acceleration factors published in Appendix C.

Price civilian pay using the current annual salary and acceleration factors in Appendix C.

071004. DoD Course Cancellations. A charge of 50 percent of the tuition rate for the course or course phase shall be made for a student who is canceled or rescheduled within 60 days before the starting date of the course or phase. For sequential training, the cancellation charge shall apply only to courses or phases scheduled to start within the 60-day period. No charge shall be made for withdrawal from follow-on training when course cancellations or reschedulings are caused by the U.S. Government or for students who attrit due to academic failure beyond the control of the student, injury or illness incurred during training. Cancellations or reschedulings shall be effective on the date notice is presented in writing to the U.S. overseas security assistance organization (SAO) or other duly appointed and recognized U.S. Government representative. Charges for attrited (separated) students shall not be less than 50 percent of the tuition rate. Further, if the student completes more than half of the course, the cost shall be assessed on a pro rata share (e.g., 70 percent) of the tuition rate, or 100 percent of the tuition rate if a pro rata computation is not practicable. The provisions of this paragraph shall be included on any LOA that covers training. For contractor provided courses, the cancellation fee will be 100 per cent of the course cost. The 60 day limitation for DoD courses does not apply to contract provided courses. No cancellation fee will be assessed when the quota for the contractor provided course is filled by another student.

071005. Inflation Factors. Tuition rate estimates for future years shall be adjusted for inflation. The Office of the Comptroller, DoD shall provide factors to be used for this purpose.

071006. Annual Publication of Rates. Tuition rates shall be computed annually by the Military Departments and published in the Military Articles & Services List (MASL)[see Section 1503 of reference (e)]. Tuition rates shall be those in effect for the year in which the student enters the course or phase of a course. Approved rates shall remain constant for the year. Adjustments shall be made only to correct significant errors in computation, change in syllabus, or major unan-

anticipated increases or decreases in the cost of such items as POL and salaries. The foreign country shall be billed for the actual time the student is in training when it varies from the scheduled length of the course. Any adjustments shall be made as soon as possible but not later than 90 days after completion of the course.

071007. NATO Rates

A. Training course tuition rates under North Atlantic Treaty Organization Standardization Agreements ratified by the U.S. Government and for Australia, New Zealand, Japan, and with other countries which are major non-NATO allies if based on similar reciprocity agreements, shall include reimbursement for all direct costs, but will exclude:

1. Indirect costs.
2. Administrative surcharges.
(However, see paragraph 070605.)
3. Cost of billeting trainees
(except to the extent that members of the U.S. Armed Forces occupying comparable accommodations are charged for such accommodations by the United States).

B. The above exclusions do not apply for dedicated training, e.g., contractor training, dedicated training courses, mobile training teams (MTT's), and extended training services specialists (ETSS).

C. For training at industrial fund/Defense Business Operations Fund activities, direct costs shall be defined for the purpose of these regulations as including a pro rata share of overhead costs distributed in accordance with the prescribed costing procedures for industrial funds/Defense Business Operations Funds. When industrially funded/Defense Business Operations Fund personnel are utilized other than at the industrial fund/Defense Business Operations Fund site, price civilian personnel using the current annual salary and appropriate acceleration factors without overhead costs.

D. NATO countries who are eligible for IMET shall be charged the incremental FMS

prices instead of NATO prices for training (see paragraph 071008).

071008. IMET Rates. Effective October 1, 1985, any student from an IMET-eligible country who is currently receiving IMET funds and who is buying FMS training shall be charged for any incremental cost (additional cost) to the U.S. government for providing the training. Detailed instructions to be followed in developing incremental rates are included in Section 712 of this Volume.

071009. Liability for Damages. Training cases that involve the use of U.S. equipment (such as aircraft, trucks, etc.) and that do not include charges for attrition shall include a statement regarding liability for damages. This statement shall state that the foreign government shall be liable for any damage to such equipment due to negligence on the part of the student. The cost of replacing equipment which is destroyed as a result of student negligence shall be reimbursed in full. See Section 703 of this Volume for instructions on pricing replacement equipment.

071010. Elimination of the Cost of Military Pay and Entitlements. Public Law (P.L.) 99-83 and P.L. 100-461 amend Sec 503(a) of the FAA [reference (a)] of 1961, as amended, and provide for elimination of the cost of military pay and entitlements if the FMS training case is totally financed by the Military Assistance Program (MAP) and/or by non-repayable FMS credits. Training cases shall be priced to exclude military pay and entitlements (including retired pay accrual) only for those cases citing MAP funds and/or FMS Credit (non-repayable) as the exclusive method of funding on the LOA. The exclusion for non-repayable FMS Credit cases is applicable beginning FY 1990. DSAA will commit MAP funds and non-repayable credits on all FMS training cases excluding military pay and entitlements (including retired pay accrual) prior to FMS training cases being offered to a country. Any subsequent amendment/modification serving to reduce the MAP and/or non-repayable credit financing below 100% shall require repricing to add military pay and entitlements to the entire case. The following additional clarification is offered.

A. A country's IMET training program will be charged on an incremental basis. Furthermore, military salaries and entitlements will be excluded for IMET funded assistance.

B. A country receiving assistance under the IMET program that decides to purchase additional training under a totally MAP funded FMS case will be charged on an incremental basis which will exclude military salaries and entitlements.

C. In the event that the purchaser is a NATO member, Japan, Australia, New Zealand, or major non-NATO ally, and has a reciprocal pricing agreement with the USG, the purchaser will be charged full direct costs less reimbursement for indirect costs, administrative surcharges, costs of billeting trainees (except to the extent that members of the United States Armed Forces occupying comparable accommodations are charged for such accommodations by the United States). See paragraph 071007.A.2.

D. If a country is a MAP but not an IMET recipient, and the country purchases training under a totally MAP funded case, the purchaser will be charged at full cost (i.e., includes both direct and indirect costs) less military salaries and entitlements.

TABLE 710-1 PRICING MATRIX FOR TRAINING

[Effective October 1, 1985 (FY86)]

	FMS	FMS NATO	MAP/IMET	IMET
<u>PAY & FRINGE BENEFITS</u>				
<u>Direct Cost</u>				
Civilian Pay ⁵	X	X	I	I
Civilian Fringe Benefits ¹	X	X	X	X
Civilian Unfunded Retirement ^{1,2}	X	X	-	-
Military Pay ^{4,5}	X	X	I	-
Military Fringe Benefits ^{1,4}	X	X	X ³	-
<u>Indirect Cost</u>				
Civilian Pay ⁵	X	-	I	I
Civilian Fringe Benefits ¹	X	-	X	X
Civilian Unfunded Retirement ^{1,2}	X	-	-	-
Military Pay ^{4,5}	X	-	I ⁴	-
Military Fringe Benefits ^{1,4}	X	-	X ³	-
<u>CHARGES FOR USE OF DOD ASSETS</u>				
<u>Attrition</u>				
Insurance Factor	X	-	-	-
Replacement cost of equipment lost as a result of student negligence (not included in training course cost-specific bill will be provided if loss occurs)	-	X	X	-
<u>NON-PERSONNEL COSTS</u>				
<u>Direct Material/Other Costs</u>	X	X	X	X
<u>Indirect Material/Other Costs</u>	X	-	I	I
<u>INFORMATIONAL PROGRAM</u>	X	X	X	X
<u>MAILING FEE</u>	X	X	X	X
<u>ADMINISTRATIVE SURCHARGE</u>	X	-	X	-

Legend: X = Full Cost
I = Incremental

Notes:¹ Applied as a percentage of labor cost.² U.S. Government contribution which is not included in DoD appropriations.³ The full fringe benefit rate is applied to incremental payroll cost.⁴ Not charged when case is 100 percent financed by MAP and/or non-repayable FMS credits.⁵ See paragraph 070202 and 070203 relative to leave and holidays as part of civilian or military pay.

0711 INSTRUCTIONS FOR COMPUTING FMS TRAINING COST

071101. Personnel Costs. Certain costs associated with support of the foreign students or their dependents are considered to be a responsibility of the foreign government but are not included in the tuition rate for training course. Compute and bill these costs as follows:

A. The students pay for meals in the base mess at the rates established in DoD 1338.10-M [reference (v)].

B. Medical care (including outpatient) for students and dependents shall be charged at the rate prescribed by the Office of the Comptroller, DoD. This cost shall be shown as a separate line on the LOA and billed to the foreign country.

C. Normally, student travel and related costs shall be paid to the commercial carrier, etc., by the foreign country or student. For any U.S. services provided, such as, MAC transportation, the nongovernment rate shall be applied and billed to the foreign country or student, as appropriate.

D. DoD policy concerning occupancy of student family housing by foreign students is that they may occupy family housing only after a determination has been made that U.S. student requirements are satisfied and shall be satisfied for the projected duration of the foreign student's occupancy. Under these circumstances, the amount to be charged shall be the cost incurred by the Department of Defense, incident to operation and maintenance of family housing units. Table 711-1 provides guidance for calculating the monthly rental charge for FMS student occupancy of DoD family housing. When foreign students occupy family housing that is not excess to U.S. Military Service needs, the amount to be charged shall be equal to the cost of housing U.S. Military Service personnel on the economy (BAQ and VHA).

E. When foreign students occupy the BOQ/BEQ/VOQ/VEQ, the students shall be required to pay only the local custodial and nonappropriated fund fees.

071102. Direct Cost and Training Overhead

A. Certain costs can be directly identified to training courses. Once identified, divide the direct cost by the total number of students enrolled in a course to arrive at a cost per student. In turn, add all of the direct costs per student to be included in the tuition rate.

B. Compute the cost of salaries, allowances, etc., of instructors by dividing the annual instructor cost (see paragraph 071003) by 52 weeks and multiplying the result by the number of weeks in the applicable course. Divide this cost by the average number of students in the class to develop a per-student rate. Alternatively, instructor costs may be allocated on a instructor contract hours basis (that is, total instructor costs divided by total platform man-hours) that allows for a more equitable distribution. Compute the costs of salaries, allowances, etc., of administrative and other personnel supporting training by dividing the total annual cost by total course weeks of training and multiplying result by the number of weeks in the applicable course. Divide this cost by the average number of students in the class to develop a per-student rate.

C. The cost of TDY shall be allocated to courses on the basis of a casual or beneficial relationship. Accordingly, TDY must be segregated into two categories: one for TDY that is caused by or benefits a specific course or courses and the other for TDY that benefits the training operation as a whole. TDY that is directly related to (benefits) one or more courses shall be directly allocated to those courses. In order to preclude "double charging" a course for TDY, care must be taken to ensure that all directly allocable travel is eliminated from the TDY included in the indirect cost pool. TDY that benefits the training operation as a whole shall be allocated to sources by dividing the total indirect TDY costs by total number of students and then multiplying the results by the number of students enrolled in each course to arrive at a course cost.

D. Cost for training U.S. instructor pilots, including proficiency and continuation training, shall be limited to special aircraft not in

the active U.S. aircraft inventory. Divide these costs by the normal tour of duty for an instructor pilot to arrive at an annual cost that shall be distributed to courses in the same manner as instructor salaries and allowances.

E. Cost of training materials, equipment, supplies, aids, munitions, flight clothing, and personal equipment shall be charged to the applicable course. Training material and aids prepared above base level, that are readily identifiable to a course, shall be included as a direct cost of the course. If not readily identifiable to a specific course, distribute these costs to courses in the same manner as indirect TDY costs. Care must be taken to ensure against "double charging" a course.

F. Compute the POL cost for aircraft (rotary/fixed wing), motorized equipment, ships, landing craft, etc., using the equipment hourly cost of POL times the number of operating hours for the course.

G. Depot level maintenance cost of aircraft, engines, motorized vehicles, and equipment shall be charged to the applicable course at the budgeted average hourly item repair cost that includes civilian pay, contractual effort, and supplies. These costs shall be adjusted to include military pay and centrally procured equipment and parts. Multiply this average hourly cost by the hours programmed for use in the specific course.

H. Base level aircraft and equipment maintenance costs (including munitions maintenance) shall be allocated to courses on the basis of total maintenance costs divided by the total training hours supported, if not identifiable and chargeable on a job order basis. Costs shall include military and civilian pay, supplies and equipment (including replenishment spares), and contractual support. If there are a significant number of transit or nontraining aircraft at the base, aircraft operating costs shall be distributed initially between training and nontraining on the basis of percentage of number of takeoffs, number of sorties per year, or maintenance direct labor hours, whichever results in the best allocation of costs in relation to the benefits received. For this purpose, aircraft used by personnel

supporting training for proficiency flying shall be classified as training aircraft.

I. Simulator costs shall include pay of the operators, supplies, and equipment maintenance. Simulator costs shall be allocated to the course in the same ratio as hours used bears to the total hours available.

J. Civil Engineer (Public Works) and other directly relatable support costs allocable to training operations shall be distributed to courses on the basis of total training hour support or any other logical method of measurement; for example, square footage of buildings, etc., (see subparagraph H., above). This category includes: the cost of air operation department; squadron command administration; crash/fire department; maintenance of hangars and airfield pavements and marking; operation and maintenance of communications, navigation aids, airfield lighting, control tower, training facilities, and ground support and refueling equipment. Costs in this category shall include only those that would not be required if the training mission were removed from the installation. If they would remain, were the training mission removed, they shall be combined and allocated along with the other indirect base operating costs in paragraph 071103.

K. Range maintenance and operating costs shall be computed and allocated to courses based on the percentage of sorties or rounds fired in the course compared to the total sorties or rounds fired or any other basis that results in an equitable allocation of these costs.

L. Tuition rates shall include the costs of information programs, including transportation, meals, lodging, admission, programs, and incidental costs thereof. The student assumes the personal costs for laundry, cleaning, telephone service, and all other costs not directly associated with the programmed tour.

M. Include attrition rate of 4% for flying training and/or 1% for non-flying training. There will be a year-end analysis of account activity in accordance with paragraph 030210.G. of this Volume.

071103. Indirect Base Operating Costs

A. All other indirect base operating costs shall be allocated initially to major claimants (training, tenants, etc.). The amount allocated to training shall then be distributed to areas of training that are significantly different (flying operations, classroom training, equipment maintenance, etc.). All allocations shall be made at the installation level using engineering estimates or some other basis to ensure that allocations are commensurate with the benefits received. Costs to support or operate quarters, a family housing complex, and food service activities that are applicable to instructors and training support personnel may not be allocated to tuition rates if these costs are recouped in base personnel salaries. The amount allocated to each area of training shall then be distributed to the tuition rate by dividing the amount allocated by the annual estimated student weeks of training. Reduce by 5 percent the amount allocated to foreign students to allow for costs considered inappropriate for allocation, for example, chapel, equal rights office, alcohol treatment, special services, etc.

B. Exclude costs associated with combat development, training development (less course development), nonresident instruction, or other activity that offers no support to the training mission and a pro rata share of school overhead costs to support these elements.

C. Exclude costs associated with units attached to the training activity with duty stations at another location that are not involved in the training of foreign students.

D. Costs related under-utilized capacity and mobilization requirements, when specifically identified and documented, shall be excluded from these allocations.

071104. Administrative Surcharge. Apply an overall administrative surcharge of 3 percent to the case cost.

071105. Shipment of Instructional Materials

A. Effective October 1, 1983, the shipment of instructional materials shall be

included in the tuition rates for all IMETP/FMS courses based on standard rates. The rates are \$265 for Professional Military Education Courses (Military Articles and Services List, Item identification in the 171 series) and \$65 for all other courses.

B. This material is to be packed and labeled at the training installation and shipped to the Security Assistance Organization (SAO) of the country for delivery to the FMT. A copy of the student's ITO shall be placed inside the package.

C. The training installation shall ensure that no personal baggage or other unauthorized matter is shipped with the instructional material.

TABLE 711-1 DEVELOPMENT OF FAMILY HOUSING CHARGES FOR FMS STUDENTS

This table provides guidelines for calculating charges for family housing provided to FMS students. The guidelines shall be used only after a determination has been made that U.S. students' requirements have been satisfied and shall be satisfied for the projected duration of the foreign student's occupancy.

A. Steps to be followed in calculating the monthly rental charges to FMS students are as follows:

Step 1. Use the most recent annual installation family housing cost report to identify the costs incurred in operation and maintenance of installation family housing units.

Step 2. Inflate the annual cost report by the operation and maintenance inflation factor published each year by the Office of the Comptroller, DoD as part of Program Objectives Memorandum and budget guidance.

Step 3. Divide the sum of the amounts determined in Steps 1 and 2 by the number of family housing units located on the installation.

Step 4. Divide the annual average cost to operate and maintain a family housing unit by 12, to arrive at average monthly costs.

Step 5. Add \$100 to the results of Step 4. The \$100 is predicated on average charge for Wherry Housing mortgage amortization and is in lieu of depreciation and interest on investment.

B. A price illustration of the FMS student family housing calculation follows:

1. Total FY 1980 cost incurred by installation in operating and maintaining family housing units	\$ 998,586.00
2. Addition of FY 1981 inflation factor (11.27%)	<u>112,541.00</u>
Subtotal	\$1,111,127.00
3. Annual cost per family unit (449 units).	2,474.67
4. Monthly cost per family housing unit.	206.22
5. Monthly mortgage amortization charge.	<u>100.00</u>
Monthly rental charge to FMS student.	\$306.22

0712 INCREMENTAL COSTING OF TRAINING

071201. Instructors and School Support Staff. Courses shall be reviewed to determine if the incremental cost should be developed for a specific course (for example, pilot training) or a group of courses. For classroom or technical courses that are similar or that utilize instructors who teach more than one course, such courses may be grouped for computation purposes. When there is a one-for-one or one-for-two relationship of instructor to student, the instructor in all cases shall be considered incremental. If the entire class is composed of foreign students, the instructor and staff shall always be considered incremental.

A. It is anticipated that the incremental cost charged to IMET for instructors shall be minimal for courses or groupings of courses when either the ratios of students to instructors or U.S. students to IMET students is high.

B. For these latter courses (or groups of courses), a projection shall be made as to the estimated number of U.S. students who shall be in the course and the number of instructors and staff required. A second projection shall be made of the total number of students estimated, both U.S. and foreign, and the number of instructors and staff required. Both projections shall be based on the maximum number of students who can be taught by instructors or staff rather than on optimum class size. The difference in instructor and staff between the two projections represents the incremental costs. This value, divided by the total number of foreign students, represents the incremental cost per student for the course (or courses). Although used in the computation to derive incremental IMET costs, FMS students shall still be priced at full cost in accordance with other provisions of this Chapter. In computing full cost for the FMS student, care shall be taken to ensure that the incremental cost charged to IMET students is not included in the FMS computation.

071202. Travel and Per Diem. All student travel and per diem associated with the training shall be considered incremental. All travel, per diem, and allowance paid to members of Techni-

cal Assistance Field Teams (TAFTs) and similar teams, established to conduct in-country training, shall be considered incremental.

071203. Equipment Overhaul and Maintenance. The overhaul and maintenance of major items of equipment, when computed on an hourly use basis, shall be incremental to a course based on estimated utilization hours.

071204. Simulators. Simulator hours shall be incremental. See paragraph 071102.I.

071205. Supplies, Materiel, Training Aids, and Ammunition. Incremental cost shall be the replacement price of items that are not returned or reusable (including POL) used in conducting the training. If discrete pricing is not or cannot be developed for publications and Table 716-3 is used, determine IMET pricing at 10 percent of the costs shown in the table.

071206. Base Support Cost (i.e., Indirect Costs). Standard weekly rates shall be charged for IMET and IMET(FMS) training. The FY 1981 rates are \$15 per week for IMET and \$18 per week for IMET(FMS). In FY 1984, rates were \$17 and \$19. The rates for FY 1986 are \$22 for IMET and FMS/IMET. These rates shall be adjusted annually for inflation. Once every three years, these rates shall be validated by each Military Service and adjusted by the Office of the Comptroller, DoD as appropriate.

071207. Instructor Training. The training of U.S. instructors or other personnel for special courses normally not conducted for U.S. personnel shall be considered incremental. When the required training is conducted at a U.S. training facility, the benefiting country will be charged the course cost established in accordance with Sections 711 and 712 instructions for computing training costs. When the special course is conducted by a Management Service Team (MST) away from the normal training institution, the services of the MST will be treated as a service and priced in accordance with paragraphs 070202 and 070203.

071208. Facilities and Equipment. Any facilities or equipment acquired primarily for the support

of foreign students shall be considered incremental.

071209. Information Program. The full cost of the information program to the U.S. Government shall be incremental.

071210. Administrative Surcharge. The administrative surcharge shall be charged on FMS training sold to IMET-recipient countries, and shall also be charged to cases financed with MAP funds.

071211. Exclusions. The unfunded civilian retirement charge that is deposited to the Miscellaneous Receipts Account shall be considered a fixed cost and not included in the FMS training rates for IMET-recipient countries. This exclusion also applies to TAFTs established to conduct in-country training and mobile training teams (MTTs).

0713 OTHER CASH SALES AND LEASING OF DEFENSE ARTICLES

071301. General. Cash sales of Defense services other than those heretofore covered specifically in this Chapter shall be priced to recover all elements of identifiable costs.

071302. DoD Support Costs. A separate FMS case shall be established to recoup DoD support costs such as those defined in paragraph 070406 when support is furnished by Department of Defense to facilitate direct sales by a U.S. contractor to a foreign government.

071303. Administrative Surcharge. The administrative surcharge prescribed in Section 706 shall be applied to identifiable costs.

071304. Pricing. When defense articles is leased to a foreign country or international organization under authority of AECA [reference (a)], inspection, restoration, maintenance, and accessorial costs incurred in connection with the lease shall be priced in accordance with paragraph 070802. In addition, depreciation charges on the leased items may be applicable. A worksheet to determine the applicability of depreciation charges and the amount thereof is

contained at Table 713-1. In the event leased defense articles are damaged beyond repair or is not returned, replacement costs calculated in accordance with paragraphs 070302.B. and C., as applicable, shall be collected from the foreign country or international organization. Replacement cost shall be estimated when the equipment is placed on lease and set forth in the lease agreement. Refer to Chapter 12 of DoD 5105.38-M [reference (e)] for procedures on leasing arrangements. Charges for repair or other support of these items will not be made part of this monthly lease payment.

**TABLE 713-1 CALCULATION OF DEPRECIATION CHARGES FOR LEASED
DEFENSE ARTICLES WITH ILLUSTRATIVE ENTRIES**

STEP 1: Determine purpose of lease.

	Yes	No
a. Cooperative research or development project	()	(x)
b. Military exercise	()	(x)
c. Electronics interface project	()	(x)

(If "yes" is checked on items a., b., or c., depreciation is not applicable and it is not necessary to complete remaining steps.)

STEP 2: Determine service life.

a. Date to be leased	June 1982
b. Date item first fielded or actual acquisition date of specific item (if known)	June 1972
c. Calculate age in months of item on lease date	120
d. Number of months to be leased	12
e. Estimated months of service life remaining at conclusion of lease	144
f. Total months of service life (c. + d. + e.)	276
g. Calculate item c. as a percentage of item f.	43%

(If result of step 2.g. is 75 percent or more, depreciation is not applicable and it is not necessary to complete remaining steps.)

STEP 3: Determine cost of defense articles leased.

a. Original acquisition cost	\$1,000,000
b. Pro rata share nonrecurring R&D or production costs	100,000
c. Capital improvements	
(1) Major overhauls ²	\$500,000
(2) Modifications net of retirements ¹	<u>\$300,000</u>
Total Cost	\$1,900,000
Less residual value	<u>(100,000)</u>
Amount subject to depreciation	\$1,800,000

STEP 4: Calculate monthly depreciation charge.

Divide results of Step 2.F. into results of Step 3	
(\$1,800, 000/276) =	\$ 6,522

¹ Retirements represent serviceable components and weapons that are replaced by a modified version and that are returned to inventory upon removal. Normally, retired items are valued at standard inventory price, if repair is not necessary. If repair is required before the item may be reissued, the retirement item is valued at standard inventory price less estimated repair cost.

² The overhaul costs will be pro-rated over the interval between the last actual overhaul and the next scheduled overhaul. If a future overhaul is not scheduled, the cost of the last overhaul will be prorated over the normal average interval between overhauls (see paragraph 70302.C.1.).

0714 EXPANSION OF FACILITIES

071401. General. All costs of construction or expansion of facilities desired by and for the exclusive use of the foreign government shall be financed and funded by the foreign government. Charges by the U.S. Government for labor, materiel, or services shall be reimbursed in accordance with the provisions of Sections 702 and 703 of this Volume. When expansion is required for DoD use but may also be available for FMS, the cost shall be funded through the normal DoD budget process.

071402. Reimbursement of Proportionate Share. In addition to the costs as above, a proportionate share of operating costs shall be reimbursed.

0715 PRICING FOR USE OF TECHNOLOGY

071501. General. A Technical Data Package (TDP) encompasses production designs, drawings, specifications, models, manufacturing techniques and details, and similar information (but excludes information associated with the RDT&E stage) necessary to enable a foreign government to manufacture or have manufactured items of military equipment and repair parts. It does not include technical assistance or know-how by U.S. Government personnel; however, such assistance may be provided at additional cost.

071502. Pricing of Technical Data Packages. The Defense Security Assistance Agency (DSAA) may authorize release of a TDP to a foreign government for in-country manufacture of military equipment and repair parts. Costs incurred in the preparation, reproduction, and handling of the TDP shall be priced in accordance with the pricing policies set forth in paragraph 071301. When the pricing of the TDP is subject to an international agreement of which the DoD is a party or is otherwise bound, the sale will be determined consistent with the terms of the agreement.

0716 PUBLICATION PRICING

071601. General. This section prescribes the method which will be used to determine the

price of DoD publications when they are sold to FMS customers. The term "publications" includes technical orders, technical manuals, supply catalogs, training publications, administrative publications, engineering drawings, and associated documents, Integrated Logistics Support publications and associated documents, equipment component lists, special file extracts, decals, forms, and audio-visual products. A publication may be bound or loose-leaf, imprinted form, ADP listing, operator's card, microfilm, slide, motion picture film, etc. Engineering drawings and associated documents will be reviewed to determine if a technology charge is appropriate.

071602. Publication Pricing Factors. The following costs shall be included in the development of FMS prices for publications:

A. Acquisition Cost (AC). The contractual and in-house DoD cost required to deliver a reproducible master including, but not limited to, the amounts paid for technical or administrative writing, editing, illustrating, animation, and copy preparation.

B. Copy Production Cost (CPC). The copy production costs incurred in printing or reproduction of copies from the reproducible master.

C. Special Cost (SC). The cost incurred in the sanitization (elimination of nonreleasable information from a DoD publication prior to release to a foreign government), classified handling, development, and maintenance of country-peculiar publications.

071603. Development of a Per Copy Selling Price

A. The total cost of a publication is the sum of the costs identified in B., above. The total cost will be reduced to a per-copy expression by dividing the cost by the quantity produced (Q) as per the following formula:

$$\frac{(AC + CPC + SC)}{Q} = \text{Price per copy}$$

B. Recorded actual costs will be used when available. When actual costs for individual publications cannot be readily determined, a factored expression of historical costs will be developed from the most current cost records available. Uniform pricing tables can be developed from the cost per "unit" ("unit" being either a page, a roll of microfilm/microfiche page, or a running foot of tape or motion picture film). Table 716-1 provides guidance for developing publication pricing tables. Table 716-2 is a sample pricing guide developed in accordance with this guidance.

C. In the event there is an immediate need for pricing existing inventories of publications, and discrete pricing is not or cannot be developed, Table 716-3 may be used. The pricing in Table 716-3 shall not be used for constant pricing of publications. It is to be used to fill an immediate need when actual or estimated prices cannot be determined. Its design allows a price definition that recognizes the cost of each publication in relation to its unit count, without the need for performing a separate price calculation for each publication. In recognition of the higher per-unit acquisition and copy production cost that occurs in low unit count publications, a minimum price is set to effect related cost recoveries.

071604. Other Applicable Costs.

A. A technology charge that shall be collected in accordance with DoD Directive 2140.2 [reference (r)] and Section 715 of this Volume shall be an additional charge when applicable.

B. The standard administrative and accessorial charges prescribed in this Chapter shall be recouped as a percentage of publication prices. These charges are not included in the per copy selling price.

C. The FMS price for a joint Military Service publication shall be established by the Military Department responsible for its acquisition and management. That Military Department shall notify the other participating DoD Components of the established FMS price.

TABLE 716-1 DEVELOPMENT OF FMS PUBLICATION PRICING TABLES

This table provides instructions for constructing and using publication pricing tables based on factored costs when actual publication costs cannot be readily determined.

A. Using a representative sample of the various types of publications, develop unit prices for each publication category (such as, technical, supply, administrative, training, and engineering drawings) as follows:

Step 1: From reproducible master procurement or production records, determine the average acquisition cost within the category.

Step 2: From copy production records, determine the average copy production cost within the category.

Step 3: Add the results of Steps 1 and 2.

Step 4: Estimate the "typical quantity," as derived from a representative sample of actual usage or from forecasted requirements for publications within the category

Step 5: Divide the total from Step 3 by the estimated number of copies to be produced to derive the price per unit.

Step 6: To determine the selling price of a single copy of the publication, multiply unit or page cost by number of units or pages in the publication.

B. An example of the steps above is shown for a sample of X number of publications in paper form as follows:

Step 1:

$$\frac{\text{Acquisition Cost of} \\ \text{Producible Master Samples} \\ \text{Total Reproducible Masters} \\ \text{Sampled}}{1,000} = \text{Average Acquisition Cost} \\ \text{Per Reproducible Master}$$

$$\frac{\$234,000}{1,000} = \$234$$

Step 2:¹

$$\frac{\text{Actual Copy Production Cost} \\ \text{Incurred in Reproduction of} \\ \text{Reproducible Masters Sampled} \\ \text{Total Production Runs Sampled}}{2,000} = \text{Average Copy Production Cost}$$

$$\frac{\$52,000}{2,000} = \$26$$

TABLE 716-1 DEVELOPMENT OF FMS PUBLICATION PRICING TABLES (CONTINUED)Step 3:

$$\begin{array}{rcl}
 \text{Average Acquisition Cost (AC)} & & \\
 \text{plus} & = & \text{Total Average Cost} \\
 \text{Average Copy Production Cost (CPC)} & & \\
 \$234 + \$26 & = & \$260
 \end{array}$$

Step 4:

$$\begin{array}{rcl}
 \text{Actual Number} & & \\
 \text{of Units or Pages Produced} & = & \text{Typical Quantity (Q)} \\
 \text{Total Reproducible Masters} & & \\
 \text{Sampled} & & \\
 \frac{100,000}{100} & = & 1,000
 \end{array}$$

Step 5:

$$\begin{array}{rcl}
 \frac{AC + CPC}{Q} & = & \text{Price Per Unit} \\
 \frac{\$260}{1,000} & = & \$0.260 \text{ Per Unit or Page}^2
 \end{array}$$

Step 6:

$$\begin{array}{rcl}
 \text{Unit or Page Price Multiplied by} & & \\
 \text{Unit or Page Count of Publication} & = & \text{Selling Price Per Copy} \\
 \text{Plus} & & \\
 \text{Special Cost (if any)} & & \\
 \$0.260 \times 20 \text{ (pages)} + 0 & = & \$5.20
 \end{array}$$

¹ The relationship between Acquisition Cost vs. Copy Production Cost is approximately 90% vs. 10%.

² See Table 716-3 for application.

TABLE 716-2 SAMPLE PRICING GUIDE FOR TECHNICAL PUBLICATIONS
 (SUBCATEGORY TITLE, WHEN DESIRED)

UNITS	All pubs 100 Units or Less
PRICE PER COPY	\$16 (based on a 60-unit count average)

UNITS	All pubs over 100 Units
PRICE PER COPY	Extrapolate from below

UNITS	1	2	3	4	5	6	7	8	9	10
PRICES (\$)	0.26	0.51	0.78	1.04	1.30	1.55	1.81	2.08	2.34	2.59

UNITS	50	60	70	80	90	100	200	300	400	500
PRICES (\$)	12.80	16.00	17.60	20.80	24.00	25.60	51.20	78.40	104.00	129.60

INSTRUCTIONS

1. Determine unit cost of publication.
2. If unit count is at or below the minimum, set price at \$16.00.
3. Extrapolate when unit counts are above the minimum. For example, the calculation for a unit count of 382 would be computed from the table as follows:

	<u>Units</u>	<u>Price</u>
	300	\$78.40
	80	20.80
	<u>2</u>	<u>.51</u>
Total	382	\$99.71

Rounding to the nearest dollar, the price charged to the FMS customer would be \$100.00.

4. Add 20% to price for classified publications.

TABLE 716-3 GUIDE FOR PUBLICATIONS PRICING (PER COPY)

CATEGORIES OF PUBLICATIONS (PRICE PER COPY ²)					
<u>NO. UNITS¹</u>	<u>TECH</u>	<u>TRNG</u>	<u>ADMIN</u>	<u>SUPPLY</u>	<u>OTHER³</u>
1-100	\$ 16.00	\$10.00	\$ 5.00	\$ 5.00	
101-200	\$ 38.00	\$22.00	\$11.00	\$11.00	
201-300	\$ 66.00	\$38.00	\$19.00	\$19.00	
301-400	\$ 91.00	\$54.00	\$27.00	\$27.00	
401-500	\$117.00	\$67.00	\$34.00	\$34.00	
Engr Drawings	All Categories: Aperture or copy cards @ \$.88 per copy Hard copy - \$3.20 per copy				
Letter Type Bulletins and Directives	All Categories: \$3.20 per copy				
Forms	All Categories: \$.08 per copy with a minimum charge of \$3.20. If standard inventory price available, use standard price.				

¹ Unit: A page, a role of microfilm, a microfiche frame, or a running foot of tape or motion picture film.

² An additional charge of 20% is added for classified items.

³ Other selected categories of publications, such as audiovisual products, decals, etc.

0717 SPECIAL DEFENSE ACQUISITION FUND (SDAF)

071701. General. The Special Defense Acquisition fund was authorized in 1981 by an amendment to Chapter 5 of the AECA to fund the procurement of defense articles in anticipation of their sale or transfer to foreign governments. The basic objective of the fund is to facilitate delivery of materiel in advance of normal procurement lead-times. The detail requirements of the fund are discussed in Chapter 14 of the Security Assistance Management Manual (SAMM)[reference (e)].

071702. Sales Involving the Special Defense Acquisition Fund

A. Sales to the Fund. Sales of materiel and recurring services in support of purchases to the SDAF will be priced according to the requirements of this section. These pricing elements represent SDAF obligations. Therefore, care must be taken to record and obligate transactions in a timely manner. Over-obligations shall be reported in accordance with DoDD 7200.1 [reference (f)]. The DoD Component with custody of the SDAF asset being purchased will maintain identity of the related unfunded costs until the respective asset is sold to an FMS customer. The following additional guidance on pricing sales to the SDAF is provided to address specific problems:

1. Accessorial costs as prescribed by Section 705 of this Chapter will be charged to the fund only if applicable; e.g., PC&H and transportation will not be charged for shipments in place to change the commodity manager's ownership/purpose code assigned to the asset in stock.

2. Contracts awarded to meet SDAF requirements shall not provide for rental charges under provisions of the Federal Acquisition Regulation (FAR)[reference (g)].

3. The actual CAS cost applicable to procurements for the SDAF shall be included in Standard Form 1080 for billing FMS costs from the DoD Components to the clearing account maintained by the SAAC. The normal

CAS surcharge will be added to billings for contract cost for the purpose of inventory valuation.

4. All unfunded costs other than nonrecurring charges will be charged for sales to the fund. These charges include military and civilian pay for services such as engineering changes, personnel acceleration factors and secondary item replacement factors. Nonrecurring cost recoupment charges will be collected from FMS customers when the materiel is sold from the fund and deposited to the appropriate accounts identified in paragraph 070105.

B. Sales from the Fund. Sales of materiel from the fund will be classified as sales from SDAF stock. This is distinguished from sales of DoD stocks or sales from procurement and is consistent with normal definition of Defense Stocks.

C. Sales to Foreign Governments. The selling price for SDAF items sold to foreign governments will be computed by establishing a base acquisition price as outlined in subparagraph 1 below. Applicable charges for nonrecurring costs will be added to the base price to arrive at the SDAF selling price. PC&H and transportation, and FMS administrative surcharges are additive to and not a component of the item selling price.

1. The SDAF full value base price will be the higher of the SDAF procurement price or the current DoD contract price, if the item is on a contract signed subsequent to the SDAF contract at the time of preparation of an LOA for the sale.

a. The SDAF procurement price is the total estimated unit price as reflected on SDAF procurement requests (direct cite and reimbursable) for the item being priced.

b. The current DoD contract price will be estimated by the DoD Component involved as prescribed in Section 704 of this Volume with identification of all appropriate add-on charges.

2. If the DSAA determines an SDAF item to be of reduced utility, an appropriate reduction to the price may be made in accordance with paragraph 070302.C.1. Such a reduction could conceivably lower the selling price to below the SDAF cost.

D. Sales to a Military Department. The selling price of an item sold to a Military Department will depend on whether the item is in turn sold to an FMS customer or is used by the Military Department.

1. If an SDAF item is sold to a Military Department for further sale to an FMS customer, the selling price for both transactions will be the FMS price prescribed in subparagraph C.1., above.

2. A sale to a Military Department for its own use will be priced to recover the cost incurred by the SDAF. DoD Components are not authorized to pay higher prices than actual DoD contract prices.

071703. Quotation of Stabilized Prices. Sales of SDAF items will be quoted as firm prices and LOA will be annotated accordingly. The DSAA is responsible for reviewing SDAF prices to assure full cost recovery and for changing any proposed SDAF prices to achieve that objective.

071704. Charges for Nonrecurring Costs

A. Nonrecurring cost will not be charged the SDAF on sales to the fund.

B. Nonrecurring costs will be determined according to paragraph 070305 and collected on sales from the SDAF to a foreign customer.

071705. Recovery of Contract Administration Costs Incurred in Support of New Procurements for the Fund. SDAF pays the normal CAS surcharge at the time of procurement and this cost is included as part of the SDAF acquisition cost (see Table 717-1). Therefore, when an SDAF-owned item is sold, it is considered to be a sale from inventory and no additional CAS charge is applied.

071706. Special SDAF Surcharge. The purpose of this surcharge is to maintain the solvency of the SDAF account; i.e., the SDAF corpus cannot gain or lose monies as a result of inventory/sales transactions. Accordingly, a special SDAF surcharge will be applied, as necessary, to recover the cost of SDAF inventory losses, pilferage, obsolescence, and any loss of SDAF proceeds resulting from sales at reduced prices. The surcharge percentages will be determined annually by DSAA and applied to the SDAF acquisition cost by SAAC.

071707. Exceptions. Requests for exceptions to the preceding pricing policies will be submitted in accordance with Section 719 of this Volume.

TABLE 717-1 SPECIAL DEFENSE ACQUISITION FUND (SDAF) PRICE COMPUTATION EXAMPLES

	<u>Sale to SDAF</u>	<u>Sale of Same SDAF Asset to FMS Customer</u>
1. <u>Example-Item Procured for SDAF</u>		
Contract Cost	\$60,000.00	
Contract Administration services (1.5%)	900.00	
Recurring Contract support cost	1,000.00	
GFM (including associated transportation and PCH)	500.00	
SDAF Acquisition Cost	<u>\$62,400.00</u>	<u>\$62,400.00</u>
Pro rata nonrecurring charges		2,000.00
Special SDAF Surcharge		<u>XX¹</u>
FMS Unit Selling price		<u>\$64,400.00²</u>
2. <u>Example-Item provided to SDAF from DoD Stock</u>		
Nonexcess procurement funded item (to be replaced shown in Table 703-3)	\$50,000.00	
SDAF Acquisition cost	\$50,000.00	\$50,000.00
Pro rata nonrecurring charges (50% of \$2,000; See table 703-3)		1,000.00
Special SDAF Surcharge		<u>XX¹</u>
FMS Unit Selling Price		<u>\$51,000.00³</u>

¹ The Special SDAF Surcharge is applied, as necessary, by SAAC based on DSAA guidance. See paragraph 071706.

² Apply applicable PCH, administrative fee, and applicable transportation surcharges to the FMS unit selling price. Note that a PCH charge is not applied to items procured by the SDAF for direct shipment to an FMS customer.

³ Apply PCH, if applicable, and the administrative fee to the FMS unit selling price.

0718 CASE MANAGEMENT LINE

071801. General. DoD Components shall assure that each type of cost is allocated only once and only on one basis to an FMS Case. Additional discussion on consistency in allocating costs incurred for the same purpose is contained in Volume 4 of this Regulation.

A. A case management line shall be included in FMS cases when there will be provision of non-routine levels of DoD case management effort in support of a case. Non-routine effort may be provided only if a case management line (L8A) has been accepted by the FMS purchaser.

B. Program management lines, as opposed to case management lines, are intended to be used in those instances where it is necessary that the implementing agency undertake some system or program management effort in order to successfully deliver the item that has been ordered by the FMS customer. The costs to be recovered by program management lines differ from those covered by case management lines in that they are directly related to the item or service being delivered as opposed to an extraordinary FMS case management expense associated with the implementation of a specific complex FMS case.

C. Table 718-1 provides a funding matrix of the appropriate funding sources for the cost of various types of activities/functions involved in FMS case implementation. While not all inclusive, it aids in differentiating activities and functions to be funded by FMS administrative funds, hardware or service lines, case management lines, or program management lines."

D. Costs incurred for communications, utilities, automatic data processing, office supplies and equipment, and rental charges are normally recouped as administrative expenses. However, when a case management or program management line has been established, these types of costs shall be charged directly to that line, as appropriate.

TABLE 718-1 CASE FUNDING MATRIX

Description of Effort Performed	Funded by			
	FMS Admin Budget	Hardware/ Services Line	Case Mgmt Line	Prog Mgmt Line
Price and Availability (P&A)	X			
Preparation of Letters of Offer and Acceptance (LOA)	X			
Program Requirements/ Survey Team (PRST)		X		
Program Management Reviews (PMR) Overseas or at non-DoD activities				X
At CONUS DoD activities	X			
Quality Assurance Team (QAT) for special purposes as distinguished from Contract Administrative Services (CAS)		X		
Preparation of IL Supply Delivery Plan (ILSDP) or its equivalent.	X			
Update/Revision of the ILSDP or its equivalent.	X			
Cooperative Logistics Supply Sup- port Arrangement Renegotiations	X			
TDY [Dependent on financing source of employee payroll cost]				
Employee paid from Admin/LSC	X			
Employee paid for Hardware/Svc Line		X		
Employee paid from Case Mgt Line			X	
Employee paid from Program Mgt Line				X
Preparation of reports to the customer required by DoD 7000.14-M or DoD 5105.38-M	X			
Preparation of reports to the customer not required by DoD 7000.14-M or DoD 5105.38-M				X

TABLE 718-1 CASE FUNDING MATRIX (CONTINUED)

Description of Effort Performed	Funded by			
	FMS Admin Budget	Hardware/ Services Line	Case Mgmt Line	Prog Mgmt Line
Preparation and processing of requisitions for articles and services	X			
Preparation of the requisition status-MILSTRIP, DoD 4140.17-M	X			
Processing Reports of Discrepancies (RODs) and the granting of credits for the net cost.	X			
Special configuration management and control				X
Special Weapon/Systems Management				X
Case reconciliation and closure	X			

0719 EXCEPTION TO PRICING POLICIES AND COST RECOUPMENT WAIVERS

071901. General. An exception to prescribed pricing policies refers to approval of an alternative method of identifying applicable cost. A cost recoupment waiver refers to the exercise of legal authority to partially or totally waive recoupment of incurred costs.

071902. Request for Exception to Policies or Directives. Requests for exceptions to the policies prescribed herein or waivers of DoD costs shall be submitted to the Office of the DoD Comptroller with a copy to the DSAA Comptroller. Sufficient data shall accompany the request to enable the Comptroller, DoD to evaluate the merits of the proposed deviation. When deviations or waivers are requested, it shall be shown that such deviations or waivers are consistent with statutory requirements and are in the best interest of the U.S. Government. No charges or surcharges based on a percentage rate shall be made to recover any element of cost unless (1) the percentage charge or surcharge is expressly prescribed in this Volume, or (2) the percentage rate is proposed in writing to and is approved by the Office of the Comptroller, DoD.

0720 PERIODIC REVIEW AND UPDATING OF RATES

072001. General. Rates that may be developed to recoup accessorial costs (Section 705) and administrative costs (Section 706) are subject to review. The Office of the Comptroller, DoD, should notify applicable DoD Components when such reviews are being made and request appropriate DoD Component participation. Beginning in FY 1993, the rates for PC&H will be reviewed every two years by the DFAS.

072002. Revising Rates. Whenever a Department believes that a prescribed rate should be revised, it should submit an appropriate request to the Office of the Comptroller, DoD with supporting data.

0721 FINAL ACCOUNTING

072101. General. Once a final statement has been sent for an FMS case, the case shall be reclassified by the IA from active to inactive status in accordance with paragraph 021104. Effective October 1, 1992, all closed cases with post closure activity, not subject to accelerated closure procedures, will be reopened to report execution and will be recertified prior to closure.

0722 LOGISTICS SUPPORT CHARGE

072201. Applicability. The logistics support charge is applicable to other than Defense Business Operations Fund materiel.

072202. Purpose. A logistics support charge shall be added to FMS case lines for spare parts, supplies, and maintenance of customer owned equipment to recoup an appropriate share of the cost incurred in the logistics support area. The logistics support charge shall be a part of the cost of the item supplied and shall not be shown as a separate add-on charge to the FMS customer in the delivery listing or the DD Form 645, "Foreign Military Sales Billing Statement," provided to the FMS customer. The functions performed in the logistics support area include production control, requisition processing, inventory maintenance, administration of Reports of Discrepancy (RODs), and logistics management.

072203. Actual Logistics Support Expenses. Those DOD organizations which provide general logistic support of the FMS program shall recoup the full cost of providing such support. Costs charged in connection with logistic support shall not include costs which are prescribed in this manual for alternative recoupment methods.

A. The personnel portion of the budget for actual logistics support expense shall include a pro rata share of those personnel performing logistics support duties. If an organization's manpower staffing is based upon routinely maintained workload statistics (such as the number of requisitions processed), the cost allocable as a actual logistics support expense shall be determined on a pro rata basis from workload statistics. For example, if the FMS logistics workload is 25 percent of the total workload, then 25 percent of the organization's

payroll shall be funded through FMS logistics support expense charges. If routinely maintained statistics are not available, the costs will be determined based on cost finding techniques or other methods which are appropriate in determining the cost of maintaining the FMS program.

B. Other actual or estimated actual logistics support costs include:

1. Travel costs, including per diem and transportation incurred in the logistics support of the FMS logistics program.

2. Automatic data processing costs to support FMS logistics workload based on proration of machine time required to produce FMS logistics reports, requisition history status, or other transactions.

3. Printing and reproduction cost incurred primarily for the benefit of the FMS logistics program.

4. Communications, utilities, and office supply costs shall be allocated as logistics support expense, on a pro rata basis i.e., a proration of number of phone instruments, etc.

5. Equipment costs, both purchased and rental, when such costs are specifically incurred to support the FMS logistics program.

6. Rental charges at fully dedicated FMS logistics activities for floor space rental, and certain other support services.

7. The "net cost" to the Department of Defense for processing RODs for overage, shortage, damage, item deficiency, and duplicate billing. Such costs exclude discrepancies that are attributable to damage or loss occurring after passage of title. Normally, FMS shipments move from the depot or vendor's plant on collect commercial bill of lading with title passed at point of origin. However, occasionally shipments move under Government Bills of Lading. Under either of these conditions title passes at the point of origin and if damage or loss occurs subsequent to title passage, payment

is not to be made from the administrative fund (that is, claims should be submitted against the common carrier). See Chapter 8, Section IV.F of DOD 5105.38-M [reference (e)], for more detailed information.

8. Materiel costs included in actual logistics support expenses should be the net value of the returned materiel. There is no "net cost" to the Department of Defense in canceling duplicate billings or in shipping an item for which a country had been billed but the Department of Defense cannot confirm it has been shipped.

C. Funded cost must be accelerated to recover unfunded cost where appropriate, i.e., personnel cost must be accelerated for unfunded civilian retirement.

072204. Prescribed Logistics Support Charge

A. The SAAC shall recover the earned logistics support expenses by applying a 3.1 percent factor to delivery transactions on FMS case lines with the following specific generic codes:

<u>Generic Code¹</u>	<u>Description</u>
<u>SPARES:</u>	
A9C	Aircraft Components Parts and Accessories
B9A	Guided Missile Parts, Components
B9C	Free Missile Parts, Components
C9A	Ship spare parts
F9A	Other Weapons Spare Parts
F9B	Naval Ordnance Spare Parts
F9C	Nonstandard Weapon Spare Parts, Components and Accessories
H9A	Communication Equipment Spare Parts Equipment
<u>EQUIPMENT MODS:</u>	
A6A	Class IV MOD-Navy/USAF Aircraft
B6A	Missile MOD, Test Equipment and Services
<u>MAINTENANCE:</u>	
M2A	Aircraft Repair and Rehabilitation and Engine Overhaul

M2B	Ship Overhaul
M2C	Other Repair and Rehabilitation
M2D	Combat Vehicle Repair and Rehabilitation
M2E	Tactical/Support Vehicle Repair and Rehabilitation
M2F	Weapons and Support Equipment
M2G	Ammunition Repair and Rehabilitation
M2H	Communication/Electronic/Metero Repair and Rehabilitation
M2J	Support Equipment Repair and Rehabilitation
M2K	Missiles Repair and Rehabilitation

SECONDARY SUPPORT EQUIPMENT:

A7A	AGE Follow-on, including Components and Accessories
A7B	Barricade and Equipment, Follow-on
A7C	Launching Equipment, Follow-on
A7D	Special Trucks/Trailers, Follow-on
B1	Ground Launched Missile Support Equipment ²
B2	Air Launched Missile Support Equipment ²
B3	Sea Launched Missile Support Equipment ²
F4A	Chemical Weapons and Equipment
F4B	Camouflage and Deception Equipment
F4D	Fire Control Equipment
F4Z	Miscellaneous
J	Support Equipment

SUPPLIES:

K	Supplies
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NOTES:

¹The LSC will not normally be applied to Generic Codes for stock numbers which have an MDE indicator listed in the MASL.

²Applies only to the numbers listed in paragraph 72204.B. below.

B. Specific generic codes and Military Articles and Services List (MASL) numbers identified for application of the Logistics Support Charge as cited in codes B1, B2 and B3, above.

MISSILE SUPPORT EQUIPMENT

B1A9B4A00N1KESUP	NIKE Support Equipment
B1C9B4C00HAWKSUP	HAWK Support Equipment
B1G9B1G00PERSSUP	PERSHING Support Equipment
B1J493500TOWSHOP	TOW Support Equipment
B1K9B1K00DRAGSUP	DRAGON Support Equipment
B1N141N00LANCESP	LANCE Support Equipment
B1P9B1P00ST1NSUP	STINGER Support Equipment
B1R144000CHAPSUP	CHAPARRAL Support Equipment
B1S9B1S00SH1LSUP	SHILL Support Equipment
B1W9B1W00R0LSUP	ROLAND Support Equipment
B2A9B2A00SHRKSUP	SHRIKE Support Equipment
B2B1410000AGMSUP	HARM Support Equipment
B2D9B2D000STDSUP	STANDARD Support Equipment
B2F9B4Y00TRGTSUP	TARGET Support Equipment
B2G9B2G00MARVSUP	MAVERICK Support Equipment
B2N9B4N00FACLSUP	FALCON Support Equipment
B2R9B4R00S1DESUP	SIDEWINDER Support Equipment
B2S9B4S00BULPSUP	BULLPUP Support Equipment
B2T9B2T00PHOESUP	PHOENIX Support Equipment
B2W9B4W00SPARSUP	SPARROW Support Equipment
B2Y9B2Y00MATSUPE	MATTADOR Support Equipment
B2Z9B2Z00AMRASUP	AMRAAM Support Equipment
B3P9B3P00TERRSUP	TERRIER Support Equipment
B3Q9B3Q00TARTSUP	TARTAR Support Equipment
B3R9B3R00HARPSUP	HARPOON Support Equipment
B3W9B3W00SPARSUP	SEASPARROW Support Equipment

National Stock Number Description

MISSILE MODS, TEST EQUIPMENT, SERVICES

B1A493500NHKETKS	NIKE HERC Tool Kits
B1A493500NHSHOPS	NIKE HERC Shop Sets
B1A493500NHTESTE	NIKE HERC Test Equip- ment
B1C143000HAWKMOD	HAWK MOD Kits
B1C493500HAWKSHP	HAWK Shop Kits
B1C493500HAWKTKS	HAWK Tool Sets
B1C493500HAWKSTE	HAWK Test Equipment
B1G493500PERSSH	PERSHING Shop Sets
B1G493500PERSTSE	PERSHING Test Equip- ment
B1J143000TOWMODS	TOW MOD Kits
B1N143000LANMODS	LANCE MOD Kits
B1R493500CHAPSH	CHAPARRAL Shop Kits
B2R9B2R00A1N9CMD	SIDEWINDER Com- ponent MODS
B2R9B2R00S1DEWDM	SIDEWINDER Class IV MODS

072205. Administration of the Logistics Support Charge.

A. Obligational Authority. At the time of case implementation, the SAAC shall retain 3.1% of the customer ordered value (Obligational Authority) by the designated generic codes in paragraph 072204. The amount of obligational authority retained by the SAAC shall be provided to the applicable IA for information purposes only. Actual logistics support expense will be in accordance with section 030211.A. and 080601.A. Future logistics support charge percentage rates will be determined in accordance with paragraph 030211.G.

B. Billing. The SAAC shall compute and charge the logistics support charge based on the IA delivery reports and header information contained in the SAAC data file. The SAAC shall provide the Logistics Support disbursement and the applicable delivery feedback to the IA's in accordance with Section 809 of this Volume for inclusion in the FMS case closure certificate.

C. Reports of Discrepancy. The SAAC will credit the LSC included in the billed price of any item being credited on an approved Report of Discrepancy. The inclusion of the credit LSC will be accomplished at the time an adjusting delivery "NZ" transaction is processed. Implementing activities must insure that the

original ship date of the article being credited is reported in positions 61-64 of the transaction.

D. FMS Case Closure. At the time of case closure, the IAs shall be responsible for determining from the SAAC the total amount of the SAAC Logistics Support Charge for each implemented FMS case. This charge shall be included within the IA's FMS case closure certificate to be submitted to SAAC.

TABLE 722-1 PRICE COMPUTATION EXAMPLES - LOGISTICS SUPPORT CHARGE (LSC)

Example #1:

Given: Materiel selling price is \$1,000
Sale is I.A.W. Section 21, AECA

Calculation:

Material Selling Price	\$1,000.00	
Logistics Support Charge (3.1% x \$1,000)	<u>31.00</u>	(credit Acct 5060)
FMS SELLING PRICE	\$1,031.00 ³	

Example #2:

Given: Materiel selling price is \$20,000, EACH
Sale is for 2 items IAW Section 22, AECA
Delivery to Europe
NC is \$200.00 per item

Calculation:

(a)	Four Progress payments \$10,000 report as WIP (N price Code) (4 x 10,000)	\$40,000.00	
	SAAC Applied CAS (1.5% x \$10,000 x 4) ¹	<u>600.00</u>	(credit Acct 5020)
	NC reported as WIP with "A" price code	<u>400.00</u>	
	TOTAL WIP	\$41,000.00	
(b)	Delivery of 2 items ("E" Price Code)		
	Materiel Cost (2 X \$20,000)	\$40,000.00	
	CAS (applied by SAAC to W.I.P.) ²	<u>600.00</u>	
	NC (2 x \$200)	<u>400.00</u>	
	Value of the delivery transactions	\$41,000.00	
	Logistics Support Charge (3.1% x \$41,000) ¹	<u>1,271.00</u>	
	FMS SELLING PRICE	\$42,271.00 ³	
(c)	Final Price Revision with Increase ("A" Price Code)		
	Requires a credit delivery with values from "b" above followed by:		
	Materiel Cost (2 x \$21,000)	\$42,000.00	
	CAS (1.5% x \$42,000)	<u>630.00</u>	
	NC (2 x \$200)	<u>400.00</u>	
	Value of the delivery transactions	\$43,030.00	
	Logistics Support Charge (3.1% x \$43,030)	<u>1,333.93</u>	
	FMS SELLING PRICE	\$44,363.93 ³	
(d)	WIP report required as a result of price increase		
	Revised WIP ("N" price Code)	\$2,000.00	
	CAS applied (1.5% x \$2,000) ¹	<u>30.00</u>	(credit Acct 5020)
	TOTAL WIP	\$2,030.00	

TABLE 722-1 PRICE COMPUTATION EXAMPLES - LOGISTICS SUPPORT CHARGE
(LSC)(CONTINUED)

Notes:

¹These costs are calculated and transferred to applicable surcharge accounts based upon performance reported as work-in-process ("N" price code reports).

²IAS may use any reasonable allocation procedure to spread the cumulative CAS value among the delivered items.

³PCH&T. 1% Asset Use Charge and Administrative Surcharge are additive to the selling price as applicable. Transportation charges for reports "b" and "c" are computed as follows:

(b) Transportation Charge
$$[(14.25\% \times \$10,000) + (14.25\% \div 4 \times 11,135.50)] \times 2 = 3,643.40$$

(c) Transportation Charge
$$[(14.25\% \times \$10,000) + (14.25\% \div 4 \times 12,181.97)] \times 2 = 3,717.97$$

CHAPTER 08

BILLING AND REIMBURSEMENT**0801** INTRODUCTION

080101. Objectives. This Chapter establishes the standard procedures to be used when:

A. The Security Assistance Accounting Center (SAAC) bills foreign governments and international organizations (hereinafter called FMS customers) for costs related to defense articles and services that have been sold pursuant to the Arms Export Control Act, as amended.

B. DoD Components report FMS deliveries of materiel and services, contractor progress payments, and other related costs to the SAAC for the purpose of obtaining reimbursement or reporting performance under an allotment of Trust Fund budget authority.

C. DoD Components request reimbursement from other DoD Components for costs associated with interservice support of FMS cases.

080102. Responsibilities

A. Security Assistance Accounting Center (SAAC). The SAAC shall issue quarterly billing statements to FMS customers based upon payment schedules attached to the Letter of Offer and Acceptance by the applicable implementing agency. Exceptions to this policy shall be made when an implementing agency has submitted a "Quarterly Forecast of Financial Requirements for In-Process Cases," or when the committed values for requisition cases (see paragraph 040305) indicates performance on a requisition case is behind or ahead of schedule. In the latter cases the SAAC shall bill based upon the report or the committed value of requisitions.

B. Implementing Agencies (IAs). IAs shall report accrued expenditures (work in process) and physical deliveries to the SAAC

through use of a billing and reporting procedure prescribed in this chapter and within 30 days of occurrence (date of shipment or performance).

C. Supporting DoD Components. Supporting DoD Components shall request reimbursement from other DoD Components through the use of billing and reporting procedures prescribed in this chapter.

1. Requesting Activities. Requesting activities are responsible for notifying the performing activities, when an order is placed to satisfy an FMS demand. The notification, as a minimum, must consist of the country, case designator, and RSN/line item.

2. Performing Activities. Upon notification that a customer order to be completed is for an FMS customer, performing activities are responsible for notifying the requesting activity whether the order has been accepted on a reimbursable or direct cite basis and for preparing internal billings which include total cost to accomplish the order. This total billing shall include both funded and unfunded costs. The performing activity shall deposit amounts collected to the appropriate accounts, including Miscellaneous Receipt Accounts.

0802 FMS BILLING STATEMENT

080201. General. The DD Form 645, "Foreign Military Sales Billing Statement," (or automated equivalent) and Defense Security Assistance Agency supplementary billing statements represents the official claim for payment by the U.S. Government. In addition, it furnishes an accounting to the FMS purchaser for all costs incurred under each agreement. Detail on the face of the billing statement segregates the cost elements in a manner parallel to the presentation of line item detail on the Letter of Offer and Acceptance (LOA). Physical performance of services, delivery of materiel, and progress payments is shown against the line item detail (Record Serial Number) of the LOA. Adminis-

trative surcharges and accessorial costs are separately listed. The DD Form 645 is prepared on a quarterly basis in January, April, July, and October. The January bill reflects physical deliveries and performance of services and progress payments through 31 December and cash collections recorded for the FMS case through the preparation date of the billing statement. It also contains a forecast of estimated advance cash requirements through the month of June. A January bill is mailed on or about January 15, with a due date for payment of March 15. The April, July, and October statements follow the same basic time-frames. An example of a DD Form 645 prepared by SAAC is at Table 802-1.

080202. Final Statement

A. A case "final statement" shall be given to a customer at the end of the calendar quarter in which the case is closed, recategorized from an active status to an inactive status (see paragraph 021104). Table 802-3 is an example of a Final Statement of Account. Final statements shall be annotated, either through use of a rubber stamp or computer printing to:

1. Notify the FMS customer of this reclassification;
2. Identify the conditions under which the case records may be reactivated (see Section 721 of this Volume).
3. Indicate that additional charges will be processed and reported to the purchaser by means of an "Omnibus Statement of Account."

B. An "Omnibus Statement of Account" is the means of reporting additional charges or credits to cases that have been recategorized from active to inactive status. It may also be used for additional charges or credits directed by the Defense Executive FMS Reconciliation and Case Closure Board on inactive cases. An example of this statement and the accompanying Delivery Listing is at Table 802-4 and 802-5. Further discussion of this procedure is contained in paragraph 021104.

080203. DD Form 645 Entries. An explanation of the entries on the DD Form 645 follows:

A. Upper right-hand corner. Identifies the DoD Component acting as implementing agency for the cases shown on the statement. For example, Department of Defense/Army, Department of Defense/Air Force, etc.

B. Block 1. Identifies the recipient of the statement: full country/activity name followed by Service within country or special paying office designation.

C. Block 2. Identifies the statement as a "billing statement based on cash requirements" or a "final statement of account," or an "Omnibus Statement of Account," whichever is applicable. If the statement is a billing statement, this block also indicates the date payment is due. Normally, the due date is 60 days after the preparation date in block 5.

D. Block 3. Statement number is assigned mechanically and is composed of the numeric year and month representing the period ended followed by an alphabetic management code assigned by SAAC. The management code is used to sequence cases for distribution and normally identifies the paying office, unless the foreign customer has requested that cases be sequenced in some other manner.

E. Block 4. Contains the last calendar day of the period for which the statement is prepared. Normally, the last day of the month at the end of each calendar quarter.

F. Block 5. Reflects the date on which the statement was prepared, and is the official date of billing.

G. Case Identification and Delivery Status (Columns 6, 7, 8, and 9).

1. Column 6.

a. Identifies the FMS case identifier and line item identification (Record Serial Number (RSN)) from the LOA.

b. Additionally, this column contains identification of administrative

surcharges (L6A), accessorial costs (L00), and work-in-process (WIP) related to the case.

c. An asterisk (*) preceding the case designator indicates a closed/inactive case. A case which has been closed since the previous billing statement was issued will appear on the current billing statement with an asterisk. Concurrently, a final statement of account is prepared mechanically for the case and presented following the billing statement.

2. Column 7. Contains the value of articles/services for each RSN, administrative surcharges, or accessorial costs as shown on the LOA, or most recent amendment or modification. Immediately below the value is the short title identifying the articles/services as described in the Security Assistance Management Manual, Appendix D. [reference (e)].

3. Column 8. Value of total delivery costs reported at the end of the prior statement period. No value is shown in this column for progress payments applicable to undelivered items.

4. Column 9. Value of delivery costs reported since the end of the prior statement period. Values shown in this column are supported in detail by the FMS Delivery Listing (see paragraph 080204). No value is shown in this column for progress payments applicable to undelivered items.

H. Financial Status (Columns 10, 11, 12, 13, and 14).

1. Column 10. This column contains the totals of values shown in Columns 8 and 9, plus work-in-process applicable to undelivered items. The value in Column 10 for work-in-process represents accrued costs incurred on behalf of the FMS purchaser which are not yet supported by physical or constructive deliveries. These costs include contractor holdbacks (normally 10%) on progress payments made to contractors, potential termination liabilities, and any other applicable add-on costs.

2. Column 11. Contains the forecasted requirements for the case, i.e., the

value of potential costs to be incurred during the calendar quarter following the payment due date of the current statement plus any prior period amounts representing unearned advances, potential termination liabilities and contractor hold-back. This value appears on the "Case Total" line only and may be derived from one of two different sources.

a. The quarterly deposit identified in the payment schedule from the Financial Annex for the case which has a due date that coincides with the payment due date of the current statement.

b. For all requisition type cases, i.e., supply support arrangement, FMSO II, and other repair part cases, the DoD Component will provide the SAAC with a "Committed Values for Requisition Cases" report. This report reflects the current value of on-hand, unfilled requisitions for each case. The report will be accompanied by cards or card images for use in the automated SAAC system. Section 403 of this Volume contains instructions for preparing this report and cards. These inputs will be submitted to SAAC by the 15th day of the last month of each calendar quarter (i.e., by March 15, June 15, September 15, and December 15) reflecting the most recent status for each case.

c. The committed value will be used as the forecasted requirements in Column 11 for the case in lieu of the quarterly deposit in the payment schedule when the committed value is less than the payment schedule quarterly deposit.

3. Column 12. A value appears in this column on the "Case Total" line only. It represents the total of the Column 10 and Column 11 values for the case.

4. Column 13. A value appears in this column on the "Case Total" line only. It represents the total amount of cash payments received from the customer through the official date of billing in Block 5.

5. Column 14. A value appears in this column on the "Case Total" line only. It represents a calculation, Column 12 value minus

Column 13 value, and is the additional cash payment which is due from the customer. In the event the calculation shows a negative amount due, the negative amount will not be shown.

080204. FMS Delivery Listing. An FMS Delivery Listing is prepared in support of entries to Column 9, "Current Period Delivery Costs," of the DD Form 645. This listing is illustrated at Table 802-2 and prepared based upon implementing agency delivery transactions that have an "E," or "A" price code in position 7. An "N" price code does not increase amounts reported in Column 9. Only price codes "E" or "A" are perpetuated to the Delivery Listing sent to the purchaser. Section 804 contains detailed procedures for completion and submission of the delivery transactions. The Delivery Listing is an itemized listing of all items physically delivered and services performed during the reporting period. It is cross referenced to specific document numbers and allows FMS customers to validate receipt of the materiel or services. This Delivery Listing also includes SAAC computations of surcharges applied by that organization in accordance with Chapter 7 of this Volume. In the first DD Form 645 submitted to the FMS customer, the statement will recognize 50% of the administrative fee as earned (Column 9 of the DD 645). The remaining 50% of the administrative charge will be billed as progress payments or as deliveries are reported.

A. An explanation of the content of columns in the FMS Delivery Listing follows:

1. Headings are the same as shown on the DD Form 645.

2. The first column titled "DOC ID" is the Document Identifier Code assigned by SAAC to identify Delivery Listing transactions and whether the transaction is a debit or credit. Codes assigned by SAAC to the Delivery Listing transactions follow:

a. FKA - Articles/Service Transactions (Debit).

b. FKB - Articles/Service Transactions Adjustments (Credit).

c. FKC - Administrative Costs (Debit).

d. FKD - Administrative Cost Adjustments (Credit).

e. FKE - Accessorial Costs (Debit).

f. FKF - Accessorial Cost Adjustments (Credit).

g. FKG - Reply to Customer Request for Adjustments (Debit or Credit).

3. Remaining columns of the FMS Delivery Listing perpetuate information in the delivery transactions. For example, the second field is the routing identifier code contained in positions 4-6 of the delivery transaction and the third field is the price code contained in position 7 of the transaction report. However, transactions do not contain unit price information. Therefore, the 16th column of information, "unit price," is computed by SAAC by dividing extended value by quantity shipped. If the division does not result in an even number (that is, there is a remainder), a rounded unit price will be printed followed by an asterisk (*). Where the unit price exceeds \$9,999,999, an asterisk(*) will be printed in the unit price field. Instructions for preparation of the delivery transaction are in Section 804.

4. An explanation of the SAAC totals follows:

a. FKA ARTICLES/ SERVICES COST. Total of detail FKA (Debit) transactions.

b. FKB ARTICLES/SERVICES COST. Total of detail FKB (Credit) adjustment transactions.

c. NET TOTAL OF ARTICLES/SERVICES COST. All FKA and FKB transactions equal the net total of articles/services cost.

d. FKC ADMINISTRATIVE COSTS and FKD ADMINISTRATIVE COST ADJUSTMENTS.

(1) If the cost is computed by SAAC, the value against which the percentage (%) factor is applied, the percentage factor used, and the applied charge (under ADMIN/ACSRL COST) are shown. The charge is shown as a debit (FKC) or credit (FKD) amount.

(2) If actual costs have been applied, the words "ACTUAL CHARGE" are shown as Type of Cost. FKC (Administrative Costs) transactions are applied against FKA (Materiel/Services debit) transactions. FKD (Administrative Cost Adjustments) transactions are applied against FKB (credit Materiel/Service).

e. NET TOTAL OF ADMINISTRATIVE COSTS. All FKC and FKD transactions equal the net administrative costs.

5. FKE ACCESSORIAL COSTS and FKF ACCESSORIAL COST ADJUSTMENTS.

a. FKE transactions are applied against FKA (Materiel/Services debit) transactions; FKF transactions are applied against FKB (Materiel/Services credit) transactions.

b. Each below-the-line cost applied is identified by Generic Code and description of cost below the FKE/FKF headings. For example:

Gen Code	Long Title	Short Title
(1) L1A	INLAND TRANSPORT CONUS ¹	CONUS TRANS
(2) L1B	OCEAN TRANSPORTATION	OCEAN TRAN
(3) L1C	AIR TRANSPORTATION	AIR TRANS
(4) L1D	PARCEL POST ²	PARCEL POST
(5) L1E	COMMERCIAL PKG CARRIERS ²	COMM PKG
(6) L1F	INLAND TRANS OVERSEAS	OS INLAND
(7) L1O	TRANSPORTATION COSTS	TRANS COST
(8) L2A	PACKING CRATING & HANDLING	PCH
(9) L2B	CONUS PORT HANDLING	CONUS PORT
(10) L2C	OVERSEAS PORT HANDLING	OS PORT
(11) L4A	STORAGE	STORAGE
(12) L4O	STAGING	STAGING

(13) L6A	ADMINISTRATIVE COSTS	ADMIN COSTS
(14) N7E	MEDICAL	MEDICAL
(15) N7F	QUARTERS	QUARTERS
(16) U1O	NORMAL INVENTORY LOSS	INV LOSS

Notes:

¹L1A does not apply to stock fund/Defense Business Operations Fund items on/after October 1, 1990.

²L1D/L1E does not apply to stock funded items on or after October 1, 1991.

c. NET TOTAL ACCESSORIAL. All FKE (debit) transactions and FKF (credit) transactions equal the net total accessorial costs.

d. TOTAL DELIVERY COSTS. Sum of net totals of article/service costs, administrative costs and accessorial cost equals total delivered costs.

080205. Magnetic Tapes. The customer may request SAAC provide magnetic tapes to support the FMS Delivery Listings. The specific transaction formats prepared by SAAC based upon DD-COMP(M) 1517 transactions are shown in Tables 802-6 through 802-9 for the following transactions.

A. Materiel/Service Transaction - Table 802-6.

B. Training Transaction - Table 802-7.

C. Administrative Cost Transaction - Table 802-8.

D. Accessorial/Additional Cost Transaction - Table 802-9.

TABLE 802-1 FOREIGN MILITARY SALES BILLING STATEMENT (DD FORM 645) EXAMPLE

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA					
1. TO:		2. THIS IS A BILLING STATEMENT BASED ON CASH REQUIREMENTS. PAYMENT IS DUE BY: 86 Mar 15		3. STATEMENT NUMBER:		4. FOR PERIOD ENDED:		5. DATE PREPARED:	
BANDARIA ARMY				85-12NA		85 DEC 31		86 JAN 15	
CASE IDENTIFICATION AND DELIVERY STATUS									
6. CASE & RSN	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE	
CXY .001.	100,000.00 Automotv supp and exp pts		1,205.50	1,205.50					
L6A	3,000.00 Administrative fee		1,518.18	1,518.18					
L00	4,000.00 Accessorial		250.16	250.16					
WIP				23,776.28					
CASE TOTAL	107,000.00		2,973.74	26,750.00	26,750.00	53,500.00	26,750.00	26,750.00	
REVIEW PROCESS									
ANALYST:				SIGNATURE					
BRANCH CHIEF:									
QUALITY ASSURANCE:									
EXPLANATORY NOTES									
NOTE A: THE TERMS OF THE U.S. PUBLIC LAW, THE ARMS EXPORT CONTROL ACT, REQUIRE THE DEPARTMENT OF DEFENSE TO COLLECT PAYMENTS FROM FOREIGN PURCHASERS IN ADVANCE OF THE TIME THAT DOD INCURS COSTS ON THE PURCHASER'S BEHALF. THEREFORE, THIS BILLING STATEMENT REQUESTS PAYMENT OF MONIES THAT ARE ANTICIPATED TO BE EXPENDED BETWEEN THE TIME THIS BILLING STATEMENT IS PAID AND THE FOLLOWING BILLING STATEMENT IS PAID.									
* DENOTES CASES CLOSED DURING THE CURRENT PERIOD.									
PAYMENT INSTRUCTIONS									
IF A PAYMENT IS DUE, YOUR CHECK IN U.S. DOLLARS, MADE PAYABLE TO THE TREASURER OF THE UNITED STATES, SHOULD BE FORWARDED DIRECTLY TO:									
DEFENSE FINANCE AND ACCOUNTING SERVICE (DFAS-DE/I) 6760 EAST IRVINGTON PLACE DENVER, CO. 80279-2000									

DD FORM 645

ZZZZ9 SOC

TABLE 802-2 FOREIGN MILITARY SALES DELIVERY LISTING EXAMPLE

FMS DELIVERY LISTING														
COUNTRY: BANDARIA SERVICE: ARMY					STATEMENT NUMBER: 9X-12NA CASE: CXY RSN:001					FOR PERIOD: 9X DEC 31 DATE PREPARED: 9X JAN 05 U.S. DEPT/AGENCY: ARMY				
ARTICLES/SERVICES TRANSACTIONS														
DOC ID	GENERIC CODE	PRC CD	STOCK NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S ARC	ACTG DATE	TBC	SHIP DATE	UNIT PRICE	EXTENDED VALUE
FKA	B14	E	'49000926123400	EA	10	BBD8453069001		BZZURK	F	8512	G	AB 5330	120.55	1,205.50
ADMINISTRATIVE/ACCESSORIAL TRANSACTIONS														
DOC ID	GENERIC CODE	COST DESCRIPTION	DOCUMENT NUMBER	ARC	ACTG DATE	TYPE OF COST	PERCENT FACTOR	TOTAL VALUE APPLIED	ADMIN/ACSR COST					
FKC	L6A	ADMIN COSTS	BBD		8510	COMPUTED	1.50	100,000.00	1,500.00					
FKC	L6A	ADMIN COSTS	BBD		8512	COMPUTED	1.50	1,205.50	18.08					
FKE	L1A	CONUS TRANS	BBD		8512	COMPUTED	3.75	1,205.50	45.21					
FKE	L1C	AIR TRANS	BBD		8512	COMPUTED	6.00	1,205.50	72.33					
FKE	L1F	OS INLAND	BBD		8512	COMPUTED	3.00	1,205.50	36.16					
FKE	L2A	PCH	BBD		8512	COMPUTED	3.50	1,205.50	42.19					
FKE	L2B	CONUS PORT	BBD		8512	COMPUTED	2.50	1,205.50	30.14					
FKE	L2C	OS PORT	BBD		8512	COMPUTED	1.50	1,205.50	12.06					
SUMMARY OF DELIVERY COSTS														
FKA ARTICLES/SERVICE COSTS														
NET TOTAL OF ARTICLES/SERVICE COSTS														
FKA ADMINISTRATIVE COSTS														
NET TOTAL ADMINISTRATIVE COSTS														
FKA ACCESSORIAL COSTS														
L1A INLAND TRANSPORTATION CONUS*														
L1C AIR TRANSPORTATION														
L1F INLAND TRANSPORTATION														
L2A PACK, CRATE & HANDLING														
L2B CONUS PART HANDLING														
L2C OVERSEAS PORT HANDLING														
NET TOTAL ACCESSORIAL COSTS														
TOTAL DELIVERY COSTS														

* Not applicable to stock funded material.

TABLE 802-3 FOREIGN MILITARY SALES BILLING STATEMENT (DD FORM 645) EXAMPLE

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA					
1. TO: BANDARIA ARMY		2. THIS IS A FINAL STATEMENT OF ACCOUNT		3. STATEMENT NUMBER: 9X-12NA		4. FOR PERIOD ENDED: 9X DEC 31		5. DATE PREPARED: 9X JAN 05	
CASE IDENTIFICATION AND DELIVERY STATUS				EXPLANATORY NOTES					
6. CASE & RSN	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE	
CXY	100,000.00 Automotv supp and exp pns	100,000.00		100,000.00					
L6A	3,000.00 Administrative fee	3,000.00		3,000.00					
L00	4,000.00 Accessorial Costs	4,000.00		4,000.00					
CASE TOTAL	107,000.00	107,000.00		107,000.00		107,000.00	107,000.00		
REVIEW PROCESS				ONCE FINAL STATEMENTS/BILLINGS HAVE BEEN SENT FOR AN FMS CASE, NO SUBSEQUENT ADJUSTMENT OF SUCH BILLINGS, UPWARD OR DOWNWARD, IS AUTHORIZED, EXCEPT UNDER THE FOLLOWING INSTANCES: A. DISCOVERY OF PATENT ERRORS SUCH AS OBVIOUS ERRORS IN ADDITION OR MULTIPLICATION, UNAUTHORIZED DEVIATIONS FROM DOD FINANCIAL POLICY, OR COMPUTER ERRORS IN ESTABLISHING UNIT PRICES. B. TO PROVIDE CREDITS FOR DISCREPANCY REPORTS SUBMITTED BY THE PURCHASER IN ACCORDANCE WITH TERMS AND CONDITIONS OF THE DD FORM 1513. C. DISCOVERY BY THE UNITED STATES THAT PAYMENT INSTRUCTIONS FOR A CASE BUT HAS FAILED TO SUBMIT A BILL. D. DISCOVERY BY THE UNITED STATES THAT THE FINAL PRICE PAID TO A U.S. CONTRACTOR FOR AN ITEM PROVIDED IN ACCORDANCE WITH SECTION 22 OF THE ARMS EXPORT CONTROL ACT IS DIFFERENT FROM THE FINAL AMOUNT BILLED FOR THAT ITEM.					
ANALYST: BRANCH CHIEF: QUALITY ASSURANCE:				SIGNATURE					
AUTHENTICATION				SIGNATURE					
OFFICE OF THE DIRECTOR SECURITY ASSISTANCE ACCOUNTING CENTER									

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE (Q)

TABLE 802-4 OMNIBUS STATEMENT OF ACCOUNT (DD FORM 645) EXAMPLE

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA					
1. TO:		2. THIS IS AN OMNIBUS STATEMENT OF ACCOUNT		3. STATEMENT NUMBER:		4. FOR PERIOD ENDED:		5. DATE PREPARED:	
BANDARIA ARMY				9X-06NA		9X JUN 30		9X JUL 05	
CASE IDENTIFICATION AND DELIVERY STATUS									
6. CASE & RSN	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE	
CXY	100,000.00 Automotv supp and eqp p/s	100,000.00	500.00	100,500.00					
L6A	3,000.00 Administrative fee	3,000.00	15.00	3,015.00					
L00	4,000.00 Accessorial Costs	4,000.00		4,000.00					
CASE TOTAL	107,000.00	107,000.00	515.00	107,515.00		107,515.00	107,515.00		
REVIEW PROCESS				EXPLANATORY NOTES					
SIGNATURE				<p>* DENOTES CASES CLOSED IN THE CURRENT PERIOD.</p> <p>This Omnibus Quarterly Billing Statement is used to report minor reconciliatory charges and credits for FMS cases for which a final Statement of Account was earlier prepared. Normally charges will be funded from the Purchaser's cash holding account. If the holding account contains insufficient funds or if the Purchaser has made other approved arrangements with SAAC, the Omnibus Billing Statement is used to request additional funds.</p>					
ANALYST:									
BRANCH CHIEF:									
QUALITY ASSURANCE:									
AUTHENTICATION									
SIGNATURE									
DIRECTOR, SAAC									

DD FORM 645 (JUN 78) PREVIOUS EDITIONS ARE OBSOLETE

TABLE 802-5 FOREIGN MILITARY SALES DELIVERY LISTING

FMS DELIVERY LISTING												
COUNTRY: BANDARIA SERVICE: ARMY			STATEMENT NUMBER: 9X-06NA CASE: CXY				RSN:001		FOR PERIOD: 9X JUN 30 DATE PREPARED: 9X JUL 15			
U.S. DEPT/AGENCY: ARMY												
ARTICLES/SERVICES TRANSACTIONS												
DOC ID	RIC	CD	PRC	STOCK NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ACTG DATE	EXTENDED VALUE
FKA	B14	A		'49000926123500	EA	1	BBC8451009006		BZ2001		8705	500.00
ADMINISTRATIVE/ACCESSORIAL TRANSACTIONS												
DOC ID	GENERIC CODE		COST DESCRIPTION		DOCUMENT NUMBER	ARC	ACTG DATE	TYPE OF COST		PERCENT FACTOR	TOTAL VALUE APPLIED	ADMIN/ACSRL COST
FKC	L6A		ADMIN COSTS		BBD		8705	COMPUTED		3.00	500.00	15.00
SUMMARY OF DELIVERY COSTS												
FKA ARTICLES/SERVICE COSTS												
ARTICLES/SERVICES COSTS ADJUSTMENTS												
NET TOTAL OF ARTICLES/SERVICES COSTS												
COMPUTED COSTS												
15.00												
ACTUAL COSTS												
.00												
FKC ADMINISTRATIVE COSTS												
FKD ADMINISTRATIVE COST ADJUSTMENTS												
NET TOTAL ADMINISTRATIVE COSTS												
15.00												
TOTAL DELIVERY COSTS												
515.50												

TABLE 802-6 MATERIEL/SERVICE TRANSACTION¹

Transaction	
<u>Position</u>	<u>Field Contents</u>
1-3	Document Identifier Code ²
4-6	Routing Identifier Code
7	Price Code
8-22	Stock or Part Number/ROD Response/Narrative Description
23-24	Unit of Issue
25-29	Quantity Shipped ³
30-43	Document Number
44	Suffix Code
45-50	Supplemental Address
51	Mode of Shipment
52-53	Adjustment Reply Code
54-57	Accounting Date (numeric year and month in which processed at SAAC)
58	Transportation Bill Code (second position of original code)
59-60	Delivery Source Code
61-64	Date Shipped
65-73	Extended Value ^{3,4}
74-80	Unit Price ⁴
81-83	Record Serial Number (Line)
84	Cost Identification Code
85	In-Country Service

¹ The majority of data in the Transaction is perpetuated from the delivery transaction (see Section 804 of this Volume).

² Document identifier code will be FKA for debits, FKB for credits, and FKG for reply to customer requests for adjustments (see Section 803). FKG Transactions may contain either debit or credit values.

³ A credit value is indicated by an X-11 zone punch in position 29 and position 73.

⁴ For items which the unit price exceeds \$99,999.99 or which does not calculate to an even number with no remainder, the unit price field will be blank, with a hyphen in positions 78 and 80. When the extended value is greater than \$9,999,999.99, the unit price field will be blank with a hyphen in position 80 and the extended value field will contain whole dollars only.

TABLE 802-7 TRAINING TRANSACTION

<u>Transaction Position</u>	<u>Field Contents</u>
1-3	Document Identifier Code (FKA, FKB)
4-6	Routing Identifier Code
7	Price Code (normally "A")
8-22	Course Number or Brief Description
23-24	Unit of Issue (normally "XX")
25-29	Quantity (normally absolute value of 1)
30-43	Document Number (normally contains zeros in positions 33-35 and ITO date and/or number in positions 36-43)
44	Suffix Code or Blank
45-50	Supplemental Address (normally contains zeros in positions 46-47)
51-53	Blank or Zero
54-57	Accounting Date
58	Normally Blank
59-60	Delivery Source Code
61-64	Course Commencement Date or Blank
65-73	Extended Value (cost involved with training)
74-80	Unit Price (normally same as extended value)
81-83	Record Serial Number (Line)
84	Cost Identification Code
85	In-Country Service

Special Instructions

In positions 8-22 enter the training course number; for example, WCN0270AB123456. For associated costs (for example, Medical), enter the description of the service (abbreviated, as necessary) in positions 16-22 (illustration: WCN0270AMEDICAL).

TABLE 802-8 ADMINISTRATIVE TRANSACTION

<u>Transaction Position</u>	<u>Field Contents</u>
1-3	Document Identifier Code (FKC for debits, FKD for credits)
4-6	Routing Identifier Code of activity which reported materiel/services to which administrative costs apply
7	Blank
8-19	Contains constant "ADM COST," left justified
20-29	Value of which cost applies, if applicable
30	U.S. Implementing Agency Code
31-32	FMS Country Code
33-44	Blank
45	FMS Country Service
46-47	Blank
48-50	FMS Case Designator
51	Blank
52-53	Adjustment Reply Code, if applicable
54-57	Accounting Date
58-60	Generic Code (L6A)
61-64	Blank
65-73	Value of Administrative Cost
74-80	Percentage rate used, if applicable
81-83	Record Serial Number (Line)
84	Country Identification Code
85	In-Country Service

TABLE 802-9 ACCESSORIAL/ADDITIONAL COST TRANSACTION

<u>Transaction Position</u>	<u>Field Contents</u>
1-3	Document Identifier Code (FKE for debits, FKF for credits)
4-6	Routing Identifier Code of activity which reported materiel/services to which accessorial costs apply
7	Blank
8-19	Generic Short Title as outlined in paragraph 080204.A.5.b, e.g., CONUS TRANS.
20-29	Value to which cost applies, if applicable
30	U.S. Implementing Agency Code
31-32	FMS Country Code
33-34	Blank
45	FMS Country Service
46-47	Blank
48-50	FMS Case Designator
51	Blank
52-53	Adjustment Reply Code, if applicable
54-57	Accounting Date
58-60	Generic Code for type of cost as prescribed by the Security Assistance Management Manual (SAMM) [reference (e)]
61-64	Blank
65-73	Value of Accessorial Cost
74-80	Percentage rate used, if applicable
81-83	Record Serial Number (Line)
84	Cost Identification Code
85	In-Country Service

0803 FMS CUSTOMER REQUESTS FOR BILLING AND SUPPLY ADJUSTMENTS

080301. General. In the event customer review of the DD Form 645 and/or the supporting FMS Delivery Lists identifies the necessity for an adjustment, the customer shall be advised to submit a formal request. Requests for billing and supply adjustments for materiel/service performance and accessorial charges should be submitted to the implementing agency. Requests for adjustments pertaining exclusively to administrative charges should be submitted to DFAS-DE(SAAC). FMS customers shall be advised to submit all requests for billing and supply adjustments on a Standard Form (SF) 364, "Report of Discrepancy (ROD)," clearly indicating the specific adjustment or billing action requested. The form, instructions for completion, and definitions are prescribed in Joint Regulation DLAR 4140.60, AR 795-8, NAVSUPINST 4920.9A, AFR 67-7, and MCO 4140.1C [reference (w)]. DoD Components shall process eligible RODS in accordance with the joint regulation. After resolution of RODs applicable to materiel and services, DoD Components shall report the action which is being taken to the SAAC through use of the delivery transaction (see Section 804 of this Volume). The appropriate adjustment response codes to RODs are to be punched into positions 52-53 of the transaction.

080302. ROD Response Codes. The ROD response codes set forth in this paragraph have been developed to cover most replies to customer requests for billing or adjustments. When a situation arises not covered by these codes, reply by letter. Request for codes to cover additional transactions should be submitted to DFAS-HQ/A, Room 409, Crystal Mall #3, Arlington, VA 22240-2000.

A. Codes to identify the reason a request is being denied:

1. AA - Duplicate billing and/or shipment resulted from receipt of duplicate requisition and duplicate supply action.

2. AB - Bill reflected correct unit or extended price of materiel shipped.

3. AE - Supplier adjusted to unit pack since requisition did not prohibit this action; or shipment made in accordance with instructions in requisitions.

4. AF - Authorized substitute in latest supply manual. Requisitions did not prohibit substitutions.

5. AG - Claims prior to June 1, 1992, less than \$100 and claims after June 1, 1992, less than \$800, loss or gain to be absorbed by customer.

6. AI - Local records indicate prior reversal of duplicate credit or charge in bill number cited.

7. AJ - Credit was granted as a result of prior request and processing in billing.

8. AK - Shipment made via commercial bill of lading; U.S. Government not responsible for damaged shipments.

9. AL - Copies of shipping document evidencing proof of shipment/acceptance are attached.

10. AN - Claim less than \$25 loss or gain to be absorbed by customer.

11. AO - Request cannot be granted because discrepancy report was not received within allowable time-frame.

12. AP - Request cannot be granted because item was procured specifically for FMS customer. Section 6, Warranties, of the standard terms and conditions of the LOA, applies (see SAMM, reference e).

B. Codes to identify reason request granted and instructions for disposition of any materiel shipped in error:

1. BA - Materiel to be disposed of locally.

2. BB - Materiel to be returned to activity designated in positions 4-6 for subsequent credit.

3. BC - Hold unacceptable shipment quantity pending disposition instructions to be submitted via separate communication.

4. CA - Requested debit adjustment will be made and bill issued. No supply action required.

5. CB - Requested credit adjustment will be made and amended bill issued. No supply action required.

6. CF - Request granted for financial adjustment not directly related to materiel shipments, i.e., repair costs.

7. CW - Credit adjustment granted on accessorial charges--FKF transactions only.

8. CX - Credit adjustment granted on administrative charges--FKD transactions only.

9. CY - Debit adjustment granted on administrative charges--FKC transactions only.

10. CZ - Debit adjustment granted on accessorial charges--FKE transactions only.

C. Codes which are advisory and do not require billing or supply actions:

1. DA - Request previously processed and credit granted.

2. DB - Request previously processed and credit not granted.

3. DD - Billing previously rendered.

4. DG - Duplicate billing will be furnished.

5. DI - Letter of explanation follows.

6. DJ - No record of previous request. Resubmit.

7. DK - Copies of shipping documents evidencing proof of shipment and acceptance are attached.

8. DM - Reply delayed 30 days. Matter being investigated.

9. DX - Request for ROD cancellation approved.

D. Codes for requesting additional data from country:

1. EB - Document number incomplete. Resubmit.

2. EC - Bill number incomplete/missing.

3. EF - Records do not indicate duplicate shipment and/or billing on bill number cited. If duplication occurred on another bill, resubmit citing both bill numbers.

4. EI - Claim should be supported by appropriate documentation. Please resubmit.

5. EJ - Claim should be supported by confirmation of cancellation. Please resubmit.

080303. Reply Listing. The SAAC provides a consolidated listing of the actions taken in response to RODs. The listing titled, "Reply Listing to Customer Requests for Adjustments" is illustrated at Table 803-1. This listing shall be mailed with the DD Form 645 to the country involved. All FKG (response to RODs) shall be listed separately for each country and case. The FKG transaction contains the same data elements as the FKA/FKB transaction shown on the FMS Delivery Listing. The Reply Listing is prepared in the same basic sequence as the billing statement and FMS Delivery Listing. If the customer requests magnetic tapes to support the FMS Delivery Listing, the format for FKG transactions shall be the same as the Materiel/Service transaction at Table 802-6.

**TABLE 803-1 FOREIGN MILITARY SALES REPLY LISTING
TO CUSTOMER REQUESTS FOR ADJUSTMENTS**

FMS REPLY LISTING TO CUSTOMER REQUESTS FOR ADJUSTMENTS															
FOR PERIOD: 86 MAR 31 DATE PREPARED: 86 APR 10															
U.S. DEPT/AGENCY: ARMY															
STATEMENT NUMBER: 86-03NC															
COUNTRY: BANDARIA															
DOC ID	RIC	PRC CD	STOCK NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ARC	ACTG DATE	TBC	DSC	UNIT PRICE	EXTENDED VALUE
CASE: XIL RSN: 001															
FKG	BY7	A	WZ001500Y616586	EA	4CR	BBDK443361A426		BZ2XIL		CBJ	8603	D	AB	70.43	281.72CR
CASE: XIU RSN: 002															
FKG	591	A	'534001016767100	EA	800CR	BBDK443361B158		BZ2XIU		CBJ	8601	D	AB	1.50	1200.00CR

0804 IMPLEMENTING AGENCY PERFORMANCE REPORTS OR REQUESTS FOR REIMBURSEMENT

080401. Reporting Deliveries. Implementing agencies shall report the cost of DoD services, inventory items, and new procurement to the SAAC using the delivery transaction, unless the provisions of paragraph 080403 are applicable. Earned reimbursements included in such reports shall be paid within 20 working days from the date of receipt at SAAC. In the event a cash flow problem precludes payment, SAAC shall issue immediate notification to the Director, DSAA. The Director, DSAA, shall notify implementing agencies to suspend further deliveries of DoD stocks or performance of DoD services unless a determination has been made that it is in the national interest for billings to be dated and issued upon delivery or performance, with payment due in 60 days.

080402. Delivery Reporting Codes. The original version of the delivery transaction is illustrated at Table 804-1. It is an 80 position transaction utilized by field activities to report to the implementing agencies' FICS focal points. Section 809 of this Volume describes the current FICS "NA" and "ND" transactions. Instructions for completion of the various fields follow in the sequence of the original transaction:

A. Transaction Position 1, This field is comprised of one position containing the constant alpha character "N."

B. Transaction Position 2, "Transaction Code." This field is comprised of one position, containing an alpha or numeric character identifying the type of transaction. If blank, it is a report of articles, services, or progress payments. If it is X, it is below the line actual or estimated actual accessorial costs. If it is "Z," it is a ROD reply.

C. Transaction Position 3, "Monitor." This field is comprised of one position containing an alpha or numeric data code identifying the activity to which the case is assigned for action and which is to be reimbursed, if appropriate, for the extended value reflected in posi-

tions 65-73. The alpha or numeric codes that are assigned to the various activities are:

1. U.S. Army Activities (Implementing Agency "B"):

		Code
a.	U.S. Army Aviation Systems Command (AVSCOM)	E
b.	U.S. Army Forces Command	F
c.	U.S. Army Tank-Automotive Command (TACOM)	K
d.	U.S. Army Missile Command (MICOM)	R
e.	U.S. Army Armament Munitions & Chemical Command (AMCCOM)	M
f.	U.S. Army Training and Doctrine Command (TRADOC)	T
g.	U.S. Army Communications-Electronics Command (CECOM)	U
h.	U.S. Army Information Systems Command (ISC)	C
i.	U.S. Army Security Affairs Command (USASAC)	Y
	USASAC is the central reporting activity for all Army activities not listed.	
j.	U.S. Army, Print and Publishing Agency	P
k.	U.S. Army Troop Support Command (TROSCOM)	B
l.	U.S. Army Simulation, Training, and Instrumentation Command (STRICOM)	S

2. U.S. Air Force Activities (Implementing Agency "D"):

a.	Air Mobility Command	A
b.	1100 Resource Management Group (RMG)	C
c.	Air Force Communications Command	E
d.	McClellan AFB, CA	F
e.	Hill AFB, UT	G
f.	Tinker AFB, OK	H
g.	Air Force Security Assistance Training Group (AFSAT/RMC)	J
h.	Newark Air Force Base	K
i.	Robins AFB, GA	L
j.	Air Force Material Command	N
k.	Kelly AFB, TX	P
l.	Air Combat Command	T
m.	Pacific Air Force	V
n.	Air Force Systems Command (AFSC)	X
o.	U.S. Air Force Europe	

3. U.S. Navy (Implementing Agency "P"):

a.	U.S. Navy International Logistics Control Office (NAVILCO)	V
b.	Naval Education Training Security Assistance Field Activity (NETSFA)	C

4. Other Activities:

	IA	Code
a.	U.S. Defense Audio Visual Agency (Transactions prior to 1 Oct 85)	L
b.	U.S. Defense Mapping Agency:	
	(1) DMA Aerospace Center (DMAAC)	U
	(2) DMA Topographic Center (DMATC)	J

(3) DMA Inter-American Geodetic Survey (IAGC)	U	X
c. Defense Security Assistance Agency (DSAA)	Q	Q
d. Defense Nuclear Agency (DNA)	Z	Z
e. Defense Advanced Research Projects Agency (DARPA)	W	W
f. Defense Contract Audit Agency (DCAA)	V	2
g. Defense Logistics Agency (DLA):		
(1) Defense Reutilization Marketing Service (DRMS)	R	3
(2) Defense Logistics Supply Center (DLSC)	R	4
(3) New York Central Control Point (NYCCP)	R	5
h. U.S. Army Corps of Engineers (COE)	E	A
i. U.S. Army-SELPO (Army-G)	M	M
j. Defense Information Systems Agency (DISA)	C	C
k. Defense Finance and Accounting Service - Denver Center	D	B

D. Transaction Positions 4-6, "Shipping Depot." The field is comprised of three positions containing alpha or numeric routing identifier codes for the shipping depot or activity performing services as established in MILSTRIP [reference (x)].

E. Transaction Position 7, "Price Code." This field is comprised of one position containing an alpha code which identifies the report as a charge to work in process or a physical delivery or performance of requested DoD services. Three codes are authorized:

1. Code "N" is used to report incremental billings (such as progress payments to contractors, provision of Government-furnished materiel to a contractor, etc.). Code "N" may also be considered to be a Contract Administration Service (CAS) computing code under the following rules:

a. Contractor progress payment must be reported with DE or DK delivery source codes only using price code "N" in position 7 if CAS is applicable. Reimbursement code must be a code other than "N." This rule applies to all services.

b. All IAs will report physical deliveries with any "delivery" DSC, a "N" reimbursement code and price code "E" or "A."

c. When no progress payment reports are involved for contractor effort, such as might be the case on small contracts, use a DSC DA through DD, BB or ED, and if CAS is to be computed, use an "N" price code. The "N" price code will not be reflected in the delivery listing.

d. An "N" price code reported in any transaction with an "N" reimbursement code will reject.

2. Code "E" is used to report physical delivery of items at an estimated price.

3. Code "A" is used to report physical delivery of items or performance of DoD services at actual costs. Use "A" or "E" with credit value to reverse previously submitted estimated "E" and incremental "N" reports.

F. Transaction Positions 8-22, "Stock or Part Number or ROD Response." This field is comprised of 15 alpha or numeric characters which identify the hardware or services provided to the FMS customer being reported. Show stock or part number, training course number, film number, publication number, and phrase "service," "progress payment," etc. The use of the word "other" by itself, is not acceptable. The purpose of this field is to provide foreign customers and DoD managers with information. For ROD responses, insert code "R" or "W" in position 8, insert SF 364 "Report of Discrepancy" control number in positions 9-13, and leave position 14-22 blank. If the SF 364 control number is less than 5 characters, right justify with leading zeros. Code "R" applies if ROD reply is not processed as an administrative fee ROD adjustment; "W" applies if ROD reply is processed as an administrative fee ROD adjustment. When reporting training, put worksheet control number (WCN) and Military Articles and Service List Identification Number (MASL IIN) in this field (see note and illustration in Table 802-7). In reporting the cost of DoD services, provide either a clear narrative description in positions 6-22 or use the following cost codes in the last two positions of the stock number field;

11 Civilian Personnel Services and Benefits

17 Military Personnel Services and Benefits
 21 Travel and Transportation of Personnel
 22 Transportation of things
 23 Rent, Communications, and Utilities
 24 Printing and Reproduction
 25 Other Services
 26 Supplies and Materials
 31 Equipment

G. Transaction Positions 23-24, "Unit of Issue." This field is comprised of two alpha characters. Applicable Unit of Issue (Unit of Measure) abbreviations are set forth in the schedule shown below:

AM Ampoule
 AT Assortment
 AY Assembly
 BA Ball
 BD Bundle
 BE Bale
 BF Board
 BG Bag
 BK Book
 BL Barrel
 BO Bolt
 BR Bar
 BT Bottle
 BX Box
 CA Cartridge
 CB Carboy
 CD Cubic Yard
 CE Cone
 CF Cubic Foot
 CK Cake
 CL Coil
 CN Can
 CO Container
 CS Case
 CT Carton
 CU Cube
 CY Cylinder
 CZ Cubic Meter
 DR Drum
 DZ Dozen
 EA Each
 EN Envelope
 FT Foot
 FV Five
 FY Fifty
 GL Gallon
 GP Group

GR Gross
 HD Hundred (100)
 HK Hank
 HR Rate per hour
 IN Linear Inch
 JC Job Cost
 JR Jar
 KT Kit
 LB Pound
 LG Links
 LI Liter
 LT Lot
 MC 1000 Cubit Feet
 ME Meal
 MR Meter
 MX Thousand
 OT Outfit
 OZ Ounce
 PD Pad
 PG Package
 PM Plate
 PR Pair
 PT Pint
 PZ Packet
 QT Quart
 RA Ration
 RL Reel
 RM Ream
 RO Roll
 SD Skid
 SE Set
 SF Square Foot
 SH Sheet
 SK Skein
 SL Spool
 SO Shot
 SP Strip
 SX Stick
 SY Square Yard
 TD 24
 TE 10
 TF 25
 TN Ton
 TO Troy Ounce
 TS 36
 TU Tube
 VI Vial
 YD Yard
 XX Noncountable
 Item*

*Items reported or billed as “dollars only,” when no unit cost applies.

H. Transaction Positions 25-29, “Quantity Shipped.” This field is comprised of five numeric characters which identify the quantity of units delivered. Right justify, leading zeros. Quantity shipped must be credit if extended value (positions 65-73) is credit: X-11 punch over position 29 and position 73 for credit.

I. Transaction Positions 30-43, “Document Number.” This field is comprised of 14 alpha or numeric characters identifying the transaction.

1. Transaction Position 30 contains the U.S. implementing agency code

<u>Code</u>	<u>Implementing Agency</u>
B	U.S. Army
C	Defense Information Systems Agency
D	U.S. Air Force
E	U.S. Army Corps of Engineers
L	Defense Audiovisual Agency (DAVA)(Transactions prior to 1 Oct 85)
M	Army-G (SELPO)
P/K	U.S. Navy/U.S. Marine Corps
Q	Defense Security Assistance Agency (DSAA)
R	Defense Logistics Agency (DLA)
U	Defense Mapping Agency (DMA)
V	Defense Contract Audit Agency (DCAA)
W	Defense Advanced Research Projects Agency (DARPA)
X	Security Assistance Accounting Center
Z	Defense Nuclear Agency (DNA)

2. Transaction Positions 31-32 contain the applicable FMS country code as prescribed in the SAMM [reference (e)].

3. Transaction Position 33 contains the customer in-country code as prescribed in the SAMM [reference (e)].

4. Transaction Position 34 is comprised of one alpha or numeric character identifying the delivery term code established in

the LOA. Numeric codes are used when items are sold, and alpha codes are used when customer-owned equipment is returned for overhaul services.

a. Codes used for other than “Repair and Return” transactions:

Delivery

Term

Code Explanation

2 FOB destination--inland origin to inland destination within CONUS/Canada (except Newfoundland and Labrador) or inland origin to inland destination within the same overseas geographical area. U.S./DoD is responsible for inland transportation to named inland point. Recipient country is responsible for unloading at named point and subsequent arrangements and costs.

3 FAS (free alongside) vessel CONUS/Canada (except Newfoundland and Labrador) port of exit. U.S. DoD is responsible for transportation to point alongside vessel. Recipient country is responsible for loading aboard the vessel and subsequent arrangements and costs.

4 Collect commercial bill of lading (CCBL) for movement within CONUS/Canada (except Newfoundland and Labrador) or Contractor delivery of materiel procured offshore to designated Freight Forwarder or Country Representative.

5 FOB port of exit. U.S./DoD is responsible for inland transportation to the CONUS/Canada (except Newfoundland and Labrador) port of exit. Recipient country is responsible for unloading from inland carrier at port of exit and subsequent arrangements and costs.

6 FOB overseas port of discharge. U.S./

		Delivery Term <u>Code</u>	<u>Explanation</u>
	DoD is responsible for transportation from CONUS/Canada (except Newfoundland and Labrador) point of origin to and including ocean transportation to the overseas port of discharge. Recipient country is responsible for vessel discharge, port handling and subsequent arrangements and costs.		
7	FOB destination (named inland point in recipient country). U.S. DoD is responsible for transportation from CONUS/Canada (except Newfoundland and Labrador) point of origin to and including overseas inland carrier delivery to named inland point. Recipient country is responsible for unloading at named point and subsequent arrangements and costs.	A	U.S. DoD is responsible for transportation from a designated overseas port of embarkation (POE) to a CONUS destination and return to a designated overseas port of debarkation (POD). Customer country is responsible for overseas inland transportation of materiel to or from the overseas POE or POD and overseas port handling.
8	FOB vessel-CONUS/Canada (except Newfoundland and Labrador) port of exit. U.S./DoD is responsible for transportation from CONUS/Canada (except Newfoundland and Labrador) point of origin to and including unloading, handling, and storage aboard vessel at port of exit. Recipient country is responsible for ocean transportation and subsequent arrangements and costs.	B	U.S. DoD is responsible for transportation from a designated overseas POE to a CONUS destination, return to a CONUS POE and CONUS port handling. Customer country is responsible for overseas inland transportation to the overseas POE, overseas port loading, and over-ocean transportation from the CONUS POE to ultimate destination.
9	FOB port of discharge (Landed). U.S./DoD is responsible for transportation from CONUS/Canada (except Newfoundland and Labrador) point of origin to and including vessel discharge and port handling at overseas port of discharge. Recipient country is responsible for loading on inland overseas carrier equipment and for subsequent arrangements and costs.	C	U.S. DoD is responsible for CONUS port unloading of country-arranged carrier, transportation to and from a designated CONUS destination, and CONUS port loading of country-arranged carrier. Customer country is responsible for movement of materiel to and from the CONUS POD or POE.
0	services performed (e.g., training and special assignment airlift mission).	D	U.S. DoD is responsible for CONUS port unloading of country-arranged carrier, transportation to a CONUS destination and return to an overseas designated POD. Customer country is responsible for over-ocean transportation to a CONUS POD, overseas port unloading and overseas inland transportation to ultimate destination of returned materiel.
	b. Codes used in connection with "Repair and Return" transactions: Normally the return of repaired materiel will be reported through the use of Transportation Bill Code "L."	E	Customer country is responsible for all transportation from overseas point of origin to CONUS activity and return to an overseas destination.

F	U.S. DoD is responsible for transportation from an overseas inland location to an overseas POE, overseas port handling, overseas transportation to a CONUS POD, CONUS port handling, inland transportation to a designated CONUS destination, and return to an overseas destination.	5	Cash sale from procurement. Cash to be deposited by customer in advance to meet contract payment requirements.
G	U.S. DoD is responsible for overseas port handling through an overseas POE, overseas transportation to a CONUS POD, CONUS port handling, inland transportation to a CONUS destination, and return to an overseas POD and overseas port handling. Customer country is responsible for overseas inland transportation to and from the overseas port.	6	Sale of DoD inventory or services. Cash to be deposited by customer upon delivery. Requires a written statutory determination by the Director, DSAA. Reimbursement to DoD Components is made after customer payment received.
H	Customer country is responsible for all transportation from overseas point of origin to CONUS activity. U.S. DoD is responsible for return transportation from CONUS activity to CONUS POE. Customer country is responsible for return CONUS port handling and all transportation to overseas destination.	7	Cash sale from procurement. Payment from customer due 120 days after delivery. Payments to contractors financed by special emergency appropriation.
J	Customer country is responsible for all transportation from overseas point of origin to CONUS activity. U.S. DoD is responsible for all transportation from CONUS activity to overseas destination.	8	Sale of DoD inventory or services. Payment from customer due 120 days after delivery. Payments to DoD Components financed by special emergency appropriation.
		M	Foreign Military Sales funded by Military Assistance Program.
		N	Source of supply not determined; FMS nonrepayable credit, AECA Sections 23 and 24.
		U	FMSO I - customer purchase of equity in DoD inventory. Cash to be deposited by customer in advance of inventory augmentation.
		V	FMSO II - Shipment of customer equity with automatic replenishment action to maintain original dollar equity in inventory. Cash to be deposited by customer in advance of equity drawdown.
		Z	Source of supply not predetermined. Cash to be deposited by credit appropriations or lending institution in advance of delivery from inventory, performance of DoD services, or payments to contractors.
3	Sale of DoD inventory or services. Cash to be deposited by customer in advance of delivery or performance.		
4	Source of supply not determined. Cash to be deposited by customer in advance of delivery or performance.		

5. Transaction position 35 contains the "type of assistance code" established in the SAMM [reference (e)]. Applicable codes are set forth in the following schedule.

Code Summary Description

6. Transaction Positions 36-39 contain the requisition date (YDDD).

7. Transaction Positions 40-43 contain the serial number of the document.

J. Transaction Position 44. Suffix Code. This field is comprised of one alpha or numeric character. The code shows partial action by supplier without losing the identity of the original requisition. The codes must be considered in combination with dates and quantities shipped when accounting for split transactions. Block assignment of the suffix codes is accomplished essentially as follows:

<u>Processing Source</u>	<u>Assigned Suffix Codes</u>
Initial Source	A through E
First Secondary Source	F through H, J, and K
Second Secondary Source	L, M, Q, T, and U
Third Secondary Source	V through X
Fourth Secondary Source	Z through 9

K. Transaction Positions 45-50. Supplemental Address. This field is comprised of six alpha or numeric characters identifying where to ship an FMS case.

1. Transaction position 45 contains customer country military service code.

2. Transaction positions 46-47 contain the offer release/option and freight forwarder codes.

3. Transaction positions 48-50 contain the FMS case designator.

4. Transaction positions 45-47 are blank when reporting actual accessorial costs.

L. Transaction position 51. Mode of Shipment. This field is comprised of one alpha or numeric character to show the mode of shipment provided for in the LOA. This position is left blank when reporting actual accessorial costs

Mode of Shipment Codes

Mode of Shipment	Initial Method of Movement
------------------	----------------------------

Code by the Shipper

A	Motor, truckload
B	Motor, less truckload
C	Van (unpacked, or uncrated personal or government property)
D	Drive-away, truck-away, tow-away
E	Bus
F	Military Airlift Command (Channel and Special Assignment Airlift Mission)
G	Surface, parcel post
H	Air, parcel post
I	Government truck for shipments outside local delivery area
J	Air, small package carrier
K	Rail, carload includes trailer or container-on-flatcar (including SEAVAN)
L	Rail, less than carload includes trailer or container-on-flatcar (including SEAVAN)
M	Surface, Freight Forwarder
O	Organic military air (includes aircraft of foreign governments)
P	Through government bill of lading (TGBL)
Q	Commercial air freight; includes regular and expedited service (provided by major airlines), also includes charters and air taxi.
R	[Reserved for future use]
S	Scheduled truck service (applies to contract carriage, guaranteed traffic routings, or scheduled services)
T	Air freight forwarder
U	QUICKTRANS
V	Sea-van service
W	Water, river, lake, or coastal (commercial)
X	Bearer walk through (customer pickup of materials)
Y	Military intra-theater airlift services
Z	MSC (controlled/contract/arranged space)
2	Government watercraft barge/lighter
3	Roll-on or roll-off service
4	Defense Courier Service (DCS)
5	Surface, small package carrier
6	Military official mail (MOM)
7	Express mail
8	Pipeline

9 Local delivery, including deliveries between air or water terminals and adjacent activities.

M. Transaction Positions 52-53. Adjustment Reply Code. This field is comprised of two alpha characters and is used only when a ROD is being reported. Authorized adjustment reply codes are set forth in paragraph 080302. This field is left blank for normal delivery reporting of articles and services.

N. Transaction Position 54. Program Year. This field is comprised of one numeric character. The character is the last digit of the fiscal year in which an earned reimbursement shall be realized.

O. Transaction Positions 55-56. Delivery Source Code. This field is comprised of two alpha characters. Codes in the field provide an audit trail between performance and the pricing requirements of Chapter 7. The code is used by SAAC to recognize earnings for surcharges. Therefore, is it imperative that the correct codes be used. An incorrect code could result in the FMS customer being over or under-charged. The surcharges applied in Table 804-2 are based on funding source, stock fund/Defense Business Operations Fund or appropriation, and section of the AECA (21 or 22)[reference (a)].

<u>Code</u>	<u>Definitions</u>
-------------	--------------------

Sale of DoD Articles Under Section 21

Stock fund/Defense Business Operations Fund nonexcess items, including technical data packages and publications, from inventory.

AA	1. Matured FMSO
AB	2. Other than matured FMSO

Stock fund/Defense Business Operations Fund nonexcess items diverted from procurement initiated to maintain stock fund inventory.

AC	1. Matured FMSO
AD	2. Other than matured FMSO

AE	Procurement funded item, including technical data packages and publications from inventory, that requires replacement.
----	--

AG	Procurement funded item (including technical data packages and publications) from inventory that does not require replacement.
----	--

	Excess Stock Fund/Defense Business Operations Fund Item
AH	1. Matured FMSO
AJ	2. Other than Matured FMSO

	Excess Procurement Funded Item from Inventory
AK	PC&H computed on original acquisition cost of item and submitted by IA

	Any Item Other Than Defense Business Operations Fund Items
AL	Items sold from inventory that are not subject to normal PC&H charge. This code shall only be used when the case contains a transportation line or a packing, crating, and handling line, or a pricing exception has been granted by the Office of the Comptroller, DoD.

Performance of DoD Services Under Section 21 or 22

	Training Course
BA	1. DoD
BB	2. Contractor

BC	Repair or replace customer equipment. IAs shall include actual PC&H and transportation for materiel consumed in overhaul in reported costs.
----	---

BD	Other DoD services. Does not include "above-the-line" transportation or "above-the-line" PCH&T associated with the repair or modification of customer-owned equipment that is included in repair cost reported using Code "BC."
----	---

BE	Storage charge (for other than FMSO cases).
----	---

	Leases		FMS customer. These charges shall be liquidated by one of the contract delivery codes DA through DD in combination with reimbursement code "N."
BF	1. Depreciation		
BG	2. LOA sales of articles and services in connection with lease, prior to, during, or after lease period (includes transportation PC&H refurbishment).	DA	1. Contractor services (other than training)
BH	Actual PC&H charge. This report must accompany delivery transactions for items sold from inventory with DSCs AK and AL.	DB	2. Stock fund/Defense Business Operations Fund item, TDP, or publications from contractor
BT	"Above-the-line" transportation to FMS customers that is included in management line. Code includes "high-flight" or special airlift. Code does not include "above-the-line" transportation cost that is included in the selling price of an item or service.	DC	3. Procurement appropriation funded secondary item from contractor
		DD	4. Procurement funded principal or major item from contractor
		DE	5. Progress payment to contractor
		DF	6. DoD services in support of procurement (this code was applied to actual CAS hours prior to establishment of the surcharge. It now applies to other than CAS services.)
	<u>Unique FMSO Charges</u>	DG	7. Nonrecurring Cost Recoupment Charges (R&D and Production)
CA	FMSO I materiel used to support system obsolete to DoD use (buy out of unique repair parts to support obsolete end-items).		8. Government-furnished materiel (GFM)
		DJ	a. Shipped from inventory
CB	Annual inventory maintenance and storage cost. Charge annually on current FMSO II case. The FMSO I case manager shall input the FMS detail delivery transaction. There is no annual charge for stock fund/Defense Business Operations Fund items for CLSSAs as the stock fund/Defense Business Operations Fund standard price recoups all costs.	DK	b. Shipped from another contractor
		DL	c. PCH&T applicable to procurement appropriation funded GFM
		DX	9. Contractor effort in overseas locations which is supported by an FMS management line rather than through normal CAS effort.
			<u>Miscellaneous Charges</u>
		EE	1. Royalty charge (USG TDP)
CC	Normal inventory loss on procurement appropriation funded secondary items (physical inventory gain or loss, expiring shelf life, and damage of stored parts). Charge assessed annually on current FMSO II case. The FMSO I case manager shall input the delivery transactions.	EF	2. Other federal agency shipment
		EG	a. From stock
		EH	b. From contractor
		EJ	3. NATO POL
		EK	4. Redistributable MAP property
CD	Cash advances for on-hand portion of FMSO I.		5. Collection on nonrecurring production charge or license fee on behalf of a third country
		EL	6. Prepositioning costs
		EM	7. Interest on arrearage computed in accordance with Volume 6, Chapter 12 of this Regulation. Collecting and Reporting of Foreign Indebtedness Within the Department of Defense. Restricted to use by SAAC.
	<u>Procurement for FMS Customers Under Section 22</u>		8. Nonrecurring cost recoupment charges
	Codes DE through DL represent Work-in-Process (WIP) transactions. The break-down of these charges provides audit trail visibility for pricing purposes. The SAAC shall treat them as progress payments and report them as such to the	EN	

Special Defense Acquisition Fund

The SDAF shall use delivery source codes as follows:

- SA This code shall be used for SDAF sales of items originally purchased from DoD stock fund/Defense Business Operations Fund inventories.
- SB This code shall be used for SDAF sales of items originally purchased from DoD inventories other than stock fund/Defense Business Operations Fund.
- SD This code shall be used for SDAF sales of items procured from contractors for the fund.
- SE This code shall be used for SDAF sales items procured from contractors and shipped directly from the contractor to the FMS customer, providing there is no requirement for any special packing, crating, or handling.

P. Transaction Position 57, Port of Embarkation. This field is comprised of one alpha character. Use "A" when materiel is moved through an aerial port. A blank or "W" in the position indicates a water port, if applicable.

Q. Transaction Position 58, Reimbursable Code. This field is comprised of one alpha character. This code is used by SAAC to determine the reimbursable status of the report.

Code	Definition
A	Reimbursable to SDAF (sale of SDAF inventory or equity in a contract)
I	Interfund
R	Reimbursable
S	Self-reimbursed (nonreimbursable)
D	Direct cite (nonreimbursable)
M	Miscellaneous Receipts (nonreimbursable) (This code shall be used to report transactions applicable to the Miscellaneous Receipt Account when SAAC has been chartered to transfer funds from 9711X8242 to the U.S. Treasury. This transaction shall be nonreimbursable to the reporting activity.)
N	Delivery of articles and services for which a progress payment or WIP has been reported (nonreimbursable). (This code shall be used to report physical delivery of

items when applicable costs have been previously reported to the FMS customer as a progress payment, WIP, or when an FMS customer's equity in inventory is physically delivered (delivery source code "CA"). This code shall liquidate progress payments or WIP transactions previously reported. When the code is reported to SAAC, computer programs shall increase or decrease progress payments disbursed undelivered amount. The increase or decrease depends upon the size of the extended value. If the extended value is a debit, the delivered articles and services amount shall increase and progress payment disbursed unliquidated amount shall decrease. If the extended value is a credit the delivered articles and services amount shall decrease and the progress payment disbursed undelivered amount shall increase.

R. Transaction Position 59, Transportation Bill Code. This field is comprised of one alpha character. Use "L" when the Defense Transportation System is approved and used. Actual transportation costs will be reported by the DoD Component in the price of the item or repaired materiel. The code is used by SAAC to recognize earnings for "below-the-line" transportation of inventory items shipped from activities other than Defense Business Operations Funds or Stock Funds to freight forwarders or to other locations directed by the foreign customers. Transportation Bill codes are used to bill FMS customers for "below-the-line" transportation costs. The codes are mandatory if the actual method of transportation is different than that identified by the delivery term code (transaction position 34). Normally the return of repaired materiel will be reported through the use of Transportation Bill Code "L." Applicable codes follow.

Code	Description
A	Materiel moved by parcel post to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, or to an overseas destination through the Army/AF postal system (APO or international mail). All subsequent arrangements are made by the FMS customer.

- B** Materiel moved by commercial package carrier to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, when all subsequent arrangements are made by the FMS customer. However, see TBC "Z" below.
- C** Materiel moved by GBL, MAC channel airlift, USAF organizational airlift, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, including overseas carrier discharge. All subsequent arrangements are made by the FMS customer.
- D** Any form of materiel for which the FMS customer is totally responsible, such as materiel moved by a collect commercial bill of lading to an inland CONUS destination, free alongside (FAS), an overseas carrier at a CONUS POE, freight forwarder, a CONUS POE, or an inland overseas destination. Also used if transportation costs are not applicable.
- E** Materiel moved by GBL, MAC channel airlift, USAF organizational airlift, MSC sealift, and combinations thereof, to an inlandWONUS destination, FAS an overseas carrier at a CONUS POE, a freight forwarder, or a CONUS POE when all subsequent arrangements are made by the FMS customer.
- F** Materiel moved by GBL, MAC channel airlift, USAF organizational airlift, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS customer.
- G** Materiel moved by GBL, MAC channel airlift, USAF organizational airlift, MSC sealift, DCS, MOM, Weapons System Pouch Service and combinations thereof, to the ultimate FMS consignee at an overseas inland destination in rate area one or two.
- H** Materiel moved by GBL, MAC channel airlift, USAF organizational airlift, MSC sealift, and combinations thereof, to a CONUS POE when all arrangements subsequent to loading the vessel are made by the FMS customer.
- J** Materiel moved by MAC channel airlift to an overseas APOD in rate area one or two when the use of inland CONUS transportation is not required in effecting delivery to the CONUS POE. All arrangements subsequent to earner discharge are made by the FMS customer.
- K** Materiel moved by MAC special assignment airlift mission (SAAM) within the CONUS to an overseas APOD or inland FMS consignee base within an overseas area or between overseas areas. Any arrangements subsequent to carrier discharge are made by the FMS customer.
- L** Substitute for any of the other standard codes whenever actual transportation costs will be reported in accordance with Chapter 7.
- M** Materiel moved by FMS country-owned aircraft from a U.S. DoD staging area.
- N** Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; and onward movement of the materiel to a freight forwarder by a collect commercial bill of lading (CBL) or by country-owned or provided aircraft, or by MAC or by commercial SAMM.
- P** Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; and onward movement of materiel by GBL or other prepaid (reimbursable) CONUS transportation to an aerial or water POE, FAS an overseas carrier at a CONUS POE, or arrangements are made by the FMS customer.
- Q** Materiel moved by GBL or other CONUS inland mode to a CONUS staging

- or aggregation area, staging or aggregation of the materiel; out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, MAC channel airlift, USAF organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS customer.
- R Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; out movement of the materiel from the staging area by GBL or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, MAC channel airlift, USAF organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two; overseas port handling of the materiel; and onward overseas inland movement to the ultimate FMS consignee at an overseas, inland destination in rate area one or two.
- S Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; out movement of the materiel from the staging area by GBL or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; and loading of the materiel aboard a country-owned or provided aircraft or vessel, when all arrangements subsequent to loading the aircraft or vessel are made by the FMS customer.
- U Materiel moved by parcel post or commercial package carrier to CONUS POD when all arrangements subsequent to loading the vessel are made by the FMS customer. (Mode of shipment determines whether parcel post or commercial package carrier is used.)
- V Materiel moved by parcel post or commercial package carrier to an overseas POD in rate area one or two, including overseas carrier discharge, when arrangements subsequent to loading the vessel are made by the FMS customer. (Mode of shipment determines whether parcel post or commercial package carrier is used.)
- W Materiel movement charged according to rates listed in the transportation cost look-up table (see paragraph 080501).
- X Materiel moved by parcel post or commercial package carrier to an overseas POD in rate areas one or two, when overseas carrier discharge and subsequent arrangements are made by the FMS customer. (Mode of shipment determines whether parcel post or commercial package carrier is used.)
- Y Materiel moved by parcel post or commercial package carrier to the ultimate FMS consignee at an overseas inland destination in rate areas one or two. (Mode of shipment determines whether parcel post or commercial package carrier is used.)
- Z Materiel moved within the CONUS by commercial carrier with a published maximum rate of \$25.00 (for example, as published by United Parcel Service).
- S. Transaction Position 60, Stock Fund or Non-Stock Fund (Defense Business Operations Fund). This field is reserved for future use.
- T. Transaction Positions 61-64, Date Shipped/Services Performed. This field is comprised of four numeric characters and represents the Julian date of performance in format YDDD. The date is used by SAAC to monitor compliance with the requirement to submit delivery transactions within 30 days of performance.
- U. Transaction Positions 65-73, Extended Value. This field is comprised of nine numeric characters. It represents the dollar value of the report. Right justify with leading

zeros. X-11 punch over position 29 and position 73 to represent credit value.

V. Transaction Positions 74-76, Record Serial Number (RSN). This field is comprised of three alpha or numeric characters. It identifies the LOA line item to which the report is applicable.

W. Transaction Positions 77-79, Appropriation/Fund Budget Code. This field is comprised of three alpha or numeric characters. The reporting activity may use the field to identify the appropriation or fund to be reimbursed, if applicable.

X. Transaction Position 80, Rounded Dollar Indicator. This field is comprised of one alpha character. An "X" is used to indicate when extended value is reported in dollars only. When physical delivery is being reported, and extended value exceeds \$9,999,999.99, enter dollars only (rounded) in positions 65-73 and an alphabetic "X" in position 80. If physical delivery does not apply (such as progress payments, services, etc.), submit two or more transactions to equal total value (and quantity, if applicable).

080403. Interfund Transactions. Stock fund/Defense Business Operations Fund items are normally billed under interfund procedures and use the detailed billing cards prescribed in DoD 4000.25-7-M, MILSBILLS [reference (x)]. In order to minimize the impact, the special requirements of the FMS program have on the normal MILSBILLS billing procedures and still provide implementing agencies or the SAAC with the data necessary to assure proper FMS billing, a modified MILSBILLS detailed billing transaction may be used to report FMS shipments. This modified MILSBILLS detailed billing transaction is in lieu of the FICS delivery transaction. The required modification is to substitute information which normally appears in the unit price field (positions 74-80) of the MILSBILLS detailed billing transaction. The information required on billings applicable to the FMS program follows.

A. Positions 74-76, Record Serial Number. This field of the modified MILSBILLS billing transaction is composed of three numeric

or alpha characters showing the FMS case line number (left justify). The information is obtained from positions 54-56 of the FMS requisitions submitted by the Army, 48-50 of FMS requisitions submitted by the Air Force, and 57-59 of FMS requisitions submitted by the Navy and Marine Corps.

B. Position 77, Transportation Bill Code. This field of the modified MILSBILLS detailed billing transaction is comprised of one alpha character. The applicable transportation bill codes prescribed in section 080402.R. shall be reflected in this field.

C. Positions 78-79, Delivery Source Code. This field of the modified MILSBILLS detailed billing transaction is comprised of two alpha characters. The applicable Delivery Source Code as prescribed in 080402.O. shall be reflected in this field.

D. Position 80, Stock Fund or Non-Stock Fund (Defense Business Operations Fund) Code. This field of the modified MILSBILLS detailed billing transaction is comprised of one alpha/numeric character. The applicable code prescribed in section 080402.R. shall be reflected in this field.

080404. SAAC Computations. Based on data contained in delivery transactions or the modified MILSBILLS detailed bill transaction, SAAC computes and bills FMS customers for accrued expenditures resulting from the application of various surcharges. This paragraph describes these surcharge calculations. Table 804-2 contains a surcharge matrix for each Delivery Source Code (DSC) defined in para. 080402.O. An "N" in the matrix means that SAAC does not apply a percentage surcharge. A "Y" in the matrix means that SAAC applies a percentage surcharge.

A. Contract Administration Surcharge. This surcharge is applied based upon Delivery Source Codes (see paragraph 080402.O. and Table 804-2). SAAC maintains a "look-up table" which identifies those FMS cases on which all or part of contract administration charges have been waived pursuant to statute. The contract administration surcharge percentages

prescribed in Chapter 7 are applied to all other FMS cases as a percentage of reported payments to contractors. SAAC performance and delivery reporting feedback reports (see Section 809) provide the amount of CAS computed based upon delivery transactions. When physical delivery is reported, either at estimated or actual price, the delivered value shall include the SAAC-calculated CAS charges.

<u>Condition</u>	<u>Percentage Applied to Contract Payments</u>
All contract administration costs recoupment waived	0%
Contract audit cost recoupment waived	1.0%
Quality assurance, inspection and contract audit cost recoupment waived	.5%
Quality assurance, inspection cost recoupment waived	1.0%
No waiver	1.5%

B. Packing, Crating, and Handling Surcharge.

1. Shipments from DoD Procurement Funded Item Inventory. This surcharge is applied based upon Delivery Source Codes (see paragraph 080402.O. and Table 804-2). The surcharge is applied on all shipments of procurement appropriation funded secondary items that are made from DoD depots, unless an exception for the use of the actual cost has been provided by the Comptroller, DoD.

2. Shipments from GSA Inventory. This packing, crating, and handling surcharge prescribed by GSA is recouped and reimbursed to GSA by SAAC on all shipments from inventory made by GSA.

C. Transportation Surcharge. This below-the-line surcharge is applied based upon Transportation Bill Codes (see paragraph 080402.R.), unless an item is included in the transportation cost look-up table (see paragraph 080501) or an exception for the use of actual transportation costs has been approved by the Office of the DoD Comptroller. In the event the transportation bill code has been omitted, the

transportation surcharges are applied based upon delivery term codes (see subparagraph 080402.I.4.). Calculations based upon delivery term codes are shown at Tables 804-3A and B. Calculations based upon transportation bill codes are shown at Tables 804-4A and B. Transportation of items shipped from Defense Business Operations Funds (Stock Funds) to FMS customer freight forwarders is included in the item price. Transportation rates reflected in these tables have been adjusted to reflect this.

D. One Percent Asset Use Charge Surcharge. This surcharge was canceled with the "Fair Pricing" Legislation (Section 9104 of Public Law 101-165) effective November 30, 1989.

E. FMS Administrative Surcharge. The FMS Administrative Surcharge in effect at the time the LOA or amendment was accepted by the FMS customer is applied by SAAC, based upon delivery source codes (see section 080402.O.). The surcharge is applied on all "above-the-line" accrued expenditures unless a statutory waiver of cost recoupment has been made.

TABLE 804-1 DELIVERY TRANSACTION (N)

1	CARD CODE	
2		
3	MONITOR	
4	SHIPPER/	
5	REPORTING	
6	ACTIVITY	
7	PRICE CODE	
8		STOCK PART NUMBER
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23	UNIT OF	
24	ISSUE	
25		
26	QUANTITY	
27		
28	CR	X
29	U.S. SERVICE	
30	COUNTRY	
31		DOCUMENT NUMBER
32	CUSTOMER	
33	DEL TERM CODE	
34	TYPE FINANCE	
35	YEAR	
36		
37	DAY	
38		
39		
40	SERIAL	
41	NUMBER	
42		
43		
44	SUPPLY	
45	COUNTRY SV	
46	FREIGHT	
47	FORWARDER	
48		SUPPLEMEN- TAL ADDRESS
49	CASE	
50	NUMBER	
51	MODE SHIPPED	
52	ADJUSTMENT	
53	ALLOWANCE CODE	
54	PROGRAM YR	
55	DELIVERY SOURCE	
56		
57	POE CODE	
58	REIMBURSEMENT CODE	
59	TRANSPORT. BILL CODE	
60	SP/NON-SP	
61		
62	DATE	
63	SHIPPED	
64		EXTENDED VALUE
65		
66	DOLLARS	
67		
68		
69		
70		
71		
72	CENTS	
73	CR	X
74	FMS CASE	
75	LINE ITEM ID	
76		
77	APPROPRIATION/	
78	FUND CODE	
79		
80	ROUNDED & IND	

TABLE 804-2 SURCHARGE MATRIX

<u>DSC</u>	<u>Contract Administration¹</u>	<u>PCH²</u>	<u>Admin⁵</u>	<u>Transportation^{6,7} Parcel Post⁸</u>
AA	N	N	Y	A
AB	N	N	Y	A
AC	N	N	Y	A
AD	N	N	Y	A
AE	N	Y	Y	B
AG	N	Y	Y	B
AH	N	N	Y	A
AJ	N	N	Y	A
AK	N	N	Y	B
AL	N	N	Y	B
BA	N	N	Y	N
BB	Y	N	Y	N
BC	N	N ³	Y	N ³
BD	N	N	Y	N
BE	N	N	Y	N
BF	N	N	N	N
BG	N	N	Y	N
BH	N	N	Y	N
BT	N	N	Y	N
CA	N	N	N	N
CB	N	N	Y	N
CC	N	N	Y	N
CD	N	N	N	N
DA	Y	N	Y	N
DB	Y	N	Y	A
DC	Y	N	Y	B
DD	Y	N	Y	N
DE	Y	N	Y	N
DF	N	N	Y	N
DG	N	N	Y	N
DJ	N	N	Y	N
DK	Y	N	Y	N
DL	N	N	Y	N
DX	N	N	Y	N
EE	N	N	Y	N
EF	N	Y ⁴	Y	B
EG	N	N	Y	B
EH	N	N	Y	N
EJ	N	Y	Y	Y ⁹
EK	N	N	Y	N ⁹
EL	N	N	N	N
EM	N	N	N	N
EN	N	N	Y	N
SA	N	N	Y	A
SB	N	Y	Y	B
SD	N	Y	Y	B
SE	N	N	Y	B

TABLE 804-2 SURCHARGE MATRIX (CONTINUED)**Notes:**

¹ SAAC will compute CAS (unless statutory waiver of contact administration has been made) if price code is "N" and reimbursement code is other than "N." See paragraphs 080402.E. and 080402.Q.

² PC&H does not apply to stockfund/Defense Business Operations Fund items with ship-dates from October 1, 1990.

³ Included in actual or estimated actual repair cost.

⁴ Computed standard PCH unless RIC begins with "G" then compute at rate provided by GSA.

⁵ Administrative costs will be computed unless administrative costs have been waived pursuant to statute.

⁶ The Inland CONUS transportation charge of 3.75% does not apply to stock fund/Defense Business Operations Fund shipments with shipping dates subsequent to October 1, 1990. Computation for generic codes L1D and L1E for stock fund/Defense Business Operations Fund items was discontinued on items with shipping dates from October 1, 1991.

⁷ In this column, A refers to Tables 804-3A and 804-4A; B refers to Tables 804-3B and 804-4B. Transportation for inventory items furnished from Defense Business Operations Funds to freight forwarders or Canada (except Newfoundland and Labrador) is included in the Defense Business Operations Fund price. Shipments beyond that point are computed according to Table 804-3A and Table 804-4A. Costs for items that are not furnished from Defense Business Operations Funds are computed according to Table 804-3B and Table 804-4B.

⁸ Transportation costs are computed using the transportation bill code in position 59 of the transaction. However, if this position is blank, transportation costs are computed using the delivery term code (position 34).

⁹ For DSC "EF" and "EG" when transportation is by GSA (RIC equals "G") and the TBC is not blank or where the TBC is blank and the DTC is other than "4", the CONUS transportation add-on (generic codes L1A, L1D, and L1E) is not computed. GSA includes CONUS transportation in the price of the item.

**TABLE 804-3A TRANSPORTATION CHARGES BASED ON DELIVERY TERM CODES
FOR INVENTORY ITEMS SHIPPED BY DEFENSE BUSINESS OPERATIONS FUNDS**

(Position 34 of the delivery transaction)

If the report does not contain a transportation bill code, SAAC will compute transportation for cases with transportation recorded in Block 11 of the LOA as follows:

If delivery term code, 5th
position of document no.,
is equal to: _____

Computation^{1,2}

2	CONUS/Canada (except Newfoundland and Labrador) at 0.00%.
3	CONUS/Canada (except Newfoundland and Labrador) at 0.00% for all countries.
4	
5	CONUS/Canada (except Newfoundland and Labrador) at 0.00% for all countries.
6	L2B at 2.50% for all countries. L1B at 6% for rate area 2 and 4% for rate area 1.
7	L2B at 2.50%, and L2C at 1% for all countries. L1B at 6% for rate area 2 and 4% for rate area 1, L1F at 3% (Overseas).
8	L2B at 2.50% for all countries.
9	L2B at 2.50%, and L2C at 1% for all countries. L1B at 6% for rate area 2 and 4% for rate area 1.
0	No Computation performed.

Alpha Codes

Transportation charges are to be included as part of overhaul charges (see section 070802.F. for method of computation).

NOTES:

¹ Above rates are applied in full up to a unit cost of \$10,000. For that portion of the unit cost in excess of \$10,000, 25 percent of the rate is applied.

² The 3.75 percent Inland Transportation charge does not apply to inventory items shipped by the Defense Business Operations Funds or Stock Funds October 1, 1990, and subsequent.

**TABLE 804-3B TRANSPORTATION CHARGES BASED ON DELIVERY TERM CODES
FOR INVENTORY ITEMS NOT SHIPPED BY DEFENSE BUSINESS OPERATIONS FUNDS**

(Position 34 of the delivery transaction)

If the report does not contain a transportation bill code, SAAC will compute transportation for cases with transportation recorded in Block 11 of the LOA as follows:

If delivery term code, 5th
position of document no.,
is equal to: _____

Computation¹

2	L1A CONUS/Canada (except Newfoundland and Labrador) at 3.75%.
3	L1A CONUS/Canada (except Newfoundland and Labrador) at 3.75% for all countries.
4	
5	L1A CONUS/Canada (except Newfoundland and Labrador) at 3.75% for all countries.
6	L1A at 3.75% and L2B at 2.50% for all countries. L1B at 6% for rate area 2 and 4% for rate area 1.
7	L1A CONUS at 3.75%, L2B at 2.50%, and L2C at 1% for all countries. L1B at 6% for rate area 2 and 4% for rate area 1, L1F at 3% (Overseas).
8	L1A CONUS at 3.75% and L2B at 2.50% for all countries.
9	L1A at 3.75%, L2B at 2.50%, and L2C at 1% for all countries. L1B at 6% for rate area 2 and 4% for rate area 1.
0	No Computation performed.

Alpha Codes

Transportation charges are to be included as part of overhaul charges (see section 070802.F. for method of computation).

NOTES:

¹ Above rates are applied in full up to a unit cost of \$10,000. For that portion of the unit cost in excess of \$10,000, 25 percent of the rate is applied.

**TABLE 804-4A TRANSPORTATION CHARGES BASED ON TRANSPORTATION BILL CODES
FOR INVENTORY ITEMS SHIPPED BY DEFENSE BUSINESS OPERATIONS FUNDS**
(position 59 of the delivery transaction)

<u>Transportation Bill Code</u>	<u>Transportation Generic Code</u>	<u>Percentage of Item Priced by Generic Code</u>	<u>Total Percentage</u>
A	L1D Parcel Post	0.0 ^{2,3}	0.0
B	L1E Commercial Package Carriers	0.0 ^{2,3}	0.0
C	L1A CONUS L2B Port Loading L1B/L1C Ocean/Air L2C Port Unloading	0.0 ³ 2.5 4.0/6.0 ¹ 1.0	7.5/9.5
D	N/A	0.0	0.0
E	CONUS	0.0 ³	0.0
F	CONUS L2B L1B/L1C	0.0 ³ 2.5 4.0/6.0 ¹	6.5/8.5
G	CONUS L2B L1B/L1C L2C L1F OSEAS	0.0 ³ 2.5 4.0/6.0 ¹ 1.0 3.0	10.5/12.5
H	CONUS L2B	0.0 ³ 2.5	2.5
J	L2B L1C L2C	2.5 4.0/6.0 ¹ 1.0	7.5/9.5
K	L1C	N/A	Actual amount billed by AMC
L	As applicable	N/A	Actual amount computed by shipper
M	L40 Staging	3.0 ²	3.0

TABLE 804-4A (CONTINUED)

<u>Transportation Bill Code</u>	<u>Transportation Generic Code</u>	<u>Percentage of Item Priced by Generic Code</u>	<u>Total Percentage</u>
N	CONUS	0.0 ³	3.0
	L40 Staging	3.0 ²	
P	CONUS	0.0 ³	6.75
	L40 Staging	3.0 ²	
	L1A CONUS	3.75 ³	
Q	CONUS	0.0 ³	13.25/15.25
	L40 Staging	3.0 ²	
	L1A CONUS	3.75 ³	
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	
R	CONUS	0.0 ³	17.25/19.25
	L40 Staging	3.0 ²	
	L1A CONUS	3.75 ³	
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	
	L2C	1.0	
	L1F OSEAS	3.0	
S	CONUS	0.0 ³	9.25
	L40 Staging	3.0 ²	
	L1A CONUS	3.75 ³	
	L2B	2.5	
U	L1D	0.0 ^{2,3}	2.5
	L2B	2.5	
V	L1D	0.0 ^{2,3}	7.5/9.5
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	
	L2C	1.0	
W	L1O	N/A	Transportation Cost Look-Up Table
X	L1D	0.0 ^{2,3}	6.5/8.5
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	

TABLE 804-4A (CONTINUED)

Y	L1D	0.0 ^{2,3}	
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	
	L2C	1.0	
	L1F OSEAS	3.0	10.5/12.5

¹ Ocean or air transportation is computed at 4.0% or 6.0% depending on the delivery rate area prescribed by Chapter 7. Wherever "L1B/L1C" appears, L1C is computed if the POE code is "A;" otherwise L1B is computed.

² The costs of L1D parcel post, L1E Commercial Package Carriers, and L40 Staging are included in the Defense Business Operations Fund item price.

³ The 3.75 percent Inland Transportation (L1A) charge does not apply to inventory items shipped from Defense Business Operations Funds or Stock Funds October 1, 1990 and subsequent. Application of L1D and L1E was discontinued October 1, 1991.

**TABLE 804-4B TRANSPORTATION CHARGES BASED ON TRANSPORTATION BILL CODES
FOR INVENTORY ITEMS NOT SHIPPED BY DEFENSE BUSINESS OPERATIONS FUNDS**
(position 59 of the delivery transaction)

<u>Transportation Bill Code</u>	<u>Transportation Generic Code</u>	<u>Percentage of Item Priced by Generic Code</u>	<u>Total Percentage</u>
A	L1D Parcel Post	3.75 ²	3.75
B	L1E Commercial Package Carriers	3.75 ²	3.75
C	L1A CONUS L2B Port Loading L1B/L1C Ocean/Air L2C Port Unloading	3.75 ³ 2.5 4.0/6.0 ¹ 1.0	11.25/13.25
D	N/A	0.0	0.0
E	L1A CONUS	3.75 ³	3.75
F	L1A CONUS L2B L1B/L1C	3.75 ³ 2.5 4.0/6.0 ¹	10.25/12.25
G	L1A CONUS L2B L1B/L1C L2C L1F OSEAS	3.75 ³ 2.5 4.0/6.0 ¹ 1.0 3.0	14.25/16.25
H	L1A CONUS L2B	3.75 ³ 2.5	6.25
J	L2B L1C L2C	2.5 4.0/6.0 ¹ 1.0	7.5/9.5
K	L1C	N/A	Actual amount (billed by AMC)
L	As applicable	N/A	Actual amount computed by shipper
M	L40 Staging	3.0 ²	3.0
N	L1A CONUS L40 Staging	3.75 ³ 3.0 ²	6.75
P	L1A CONUS L40 Staging L1A CONUS	3.75 ³ 3.0 ² 3.75 ³	10.50

TABLE 804-4B (CONTINUED)

<u>Transportation Bill Code</u>	<u>Transportation Generic Code</u>	<u>Percentage of Item Priced by Generic Code</u>	<u>Total Percentage</u>
Q	L1A CONUS	3.75 ³	17.0/19.0
	L40 Staging	3.0 ²	
	L1A CONUS	3.75 ³	
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	
R	L1A CONUS	3.75 ³	21.0/23.0
	L40 Staging	3.0 ²	
	L1A CONUS	3.75 ³	
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	
	L2C	1.0	
	L1F OSEAS	3.0	
S	L1A CONUS	3.75 ³	13.0
	L40 Staging	3.0 ²	
	L1A CONUS	3.75 ³	
	L2B	2.5	
U	L1D	3.75 ²	6.25
	L2B	2.5	
V	L1D	3.75 ²	11.25/13.25
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	
	L2C	1.0	
W	L1O	N/A	Transportation Cost Look-Up Table
X	L1D	3.75 ²	10.25/12.25
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	
Y	L1D	3.75 ²	14.25/16.25
	L2B	2.5	
	L1B/L1C	4.0/6.0 ¹	
	L2C	1.0	
	L1F OSEAS	3.0	
Z	L1A	3.75	(Charge may not exceed \$25.00)

¹ Ocean or air transportation is computed at 4.0% or 6.0% depending on the delivery rate area prescribed by Chapter 7. Wherever "L1B/L1C" appears, L1C is computed if the POE code is "A;" otherwise L1B is computed.

² Amounts collected for L1D parcel post, L1E Commercial Package Carriers, and L40 Staging shall be reimbursed to shipping depot shown in positions 4-6 of the delivery transaction. SF Form 1080 billings for actual costs are not required.

TABLE 804-5 DELIVERY TRANSACTION EXAMPLE CIVILIAN PERSONNEL SERVICES

100 HOURS OF CIVILIAN EFFORT (GS-12)
AT NAVY INSTALLATION IN JANUARY 1989

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	V
SHIPPING DEPOT	(4-6)	N21
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	SERVICE00000000
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	00000
DOCUMENT NO.	(30-43)	PBDQ2045200018
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	PA2ARK
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	4
DELIVERY SOURCE CODE	(55-56)	BD ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	S ²
TRANSPORTATION BILL CODE	(59)	BLANK
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	2031
EXTENDED VALUE	(65-73)	0002,875.80 ³
RSN	(74-76)	A01
FUND CODE	(77-79)	L48
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES WHICH WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² REIMBURSEMENT CODES MAY BE D, R, OR S. SEE TABLE 702-1 FOR DISTRIBUTION OF FUNDS.

³ COMMA AND DECIMAL POINT ADDED HERE FOR CLARITY ARE NOT INCLUDED IN DELIVERY TRANSACTIONS. SEE TABLE 702-1 FOR COMPUTATION OF EXTENDED VALUE.

**TABLE 804-6 DELIVERY TRANSACTION EXAMPLE NONEXCESS DEFENSE BUSINESS
OPERATIONS FUND/ REPAIR PART FROM STOCK TO CLSSA CUSTOMER IN
FY 1985**

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	V
SHIPPING DEPOT	(4-6)	N35
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	492100042443500
UNIT OF ISSUE	(23-24)	EA
QUANTITY SHIPPED	(25-29)	00001
DOCUMENT NO.	(30-43)	PBDJ4V42880002
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	PA2KBM
MODE OF SHIPMENT	(51)	5
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	5
DELIVERY SOURCE CODE	(55-56)	AA ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	S ²
TRANSPORTATION BILL CODE	(59)	B
STOCK FUND/NONSTOCK FUND	(60)	2
DATE (JULIAN) PERFORMED	(61-64)	5010
EXTENDED VALUE	(65-73)	0000500.00 ³
RSN	(74-76)	001
FUND CODE	(77-79)	000
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² REIMBURSEMENT CODES FOR SALES FROM STOCK MAY BE D, I, R, OR S. SAAC APPLIES THE "I" WHEN ORIGINATING DELIVERY TRANSACTIONS FROM INTERFUND DETAIL TRANSACTIONS. SEE TABLE 703-1 FOR DISTRIBUTION OF FUNDS.

³ DECIMAL POINT ADDED FOR CLARITY IS NOT INCLUDED IN DELIVERY TRANSACTIONS. SEE TABLE 703-1 FOR COMPUTATION OF EXTENDED VALUE.

**TABLE 804-7 DELIVERY TRANSACTION EXAMPLE NONEXCESS PRINCIPAL OR MAJOR
ITEM FROM STOCK NOT TO BE REPLACED**

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	N
SHIPPING DEPOT	(4-6)	FNZ
PRICE CODE	(7)	A ¹
STOCK/PART NO.	(8-22)	F4E660312000000
UNIT OF ISSUE	(23-24)	EA
QUANTITY SHIPPED	(25-29)	00001
DOCUMENT NO.	(30-43)	DBD00251950057
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DOOSKA
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	BLANK
DELIVERY SOURCE CODE	(55-56)	AG ²
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	S ³
TRANSPORTATION BILL CODE	(59)	L ⁴
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	5195
EXTENDED VALUE	(65-73)	0029,000.00 ⁵
RSN	(74-76)	SKB
FUND CODE	(77-79)	WPN
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE PARAGRAPH 70303.A.2.

² SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

³ REIMBURSEMENT CODE MAY BE R OR S. SEE TABLE 703-2 FOR DISTRIBUTION OF FUNDS.

⁴ SEE TABLE 804-16 FOR AN EXAMPLE OF REPORTING ACTUAL TRANSPORTATION.

⁵ COMMA AND DECIMAL POINT ADDED HERE FOR CLARITY ARE NOT INCLUDED IN DELIVERY TRANSACTIONS. SEE TABLE 703-2 FOR COMPUTATION OF EXTENDED VALUE.

**TABLE 804-8 DELIVERY TRANSACTION EXAMPLE NONEXCESS PROCUREMENT FUNDED
ITEM FROM INVENTORY TO BE REPLACED**

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	P
SHIPPING DEPOT	(4-6)	FPZ
PRICE CODE	(7)	A ⁴
STOCK/PART NO.	(8-22)	173000114030400
UNIT OF ISSUE	(23-24)	EA
QUANTITY SHIPPED	(25-29)	00001
DOCUMENT NO.	(30-43)	DBDB4Z43525001
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2SKA
MODE OF SHIPMENT	(51)	Q
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	5
DELIVERY SOURCE CODE	(55-56)	AE ¹
PORT OF EMBARKATION	(57)	A
REIMBURSABLE CODE	(58)	S ²
TRANSPORTATION BILL CODE	(59)	D
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE(JULIAN) PERFORMED	(61-64)	4362
EXTENDED VALUE	(65-73)	0051,000.00 ³
RSN	(74-76)	SKD
FUND CODE	(77-79)	3LT
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² REIMBURSEMENT CODE MAY BE R OR S. SEE TABLE 703-3 FOR DISTRIBUTION OF FUNDS.

³ COMMA AND DECIMAL POINT ADDED FOR CLARITY ARE NOT INCLUDED IN DELIVERY TRANSACTIONS. SEE TABLE 703-3 FOR COMPUTATION OF EXTENDED VALUE.

⁴ SEE PARAGRAPHS 070302.C.2. AND 070303.A.1.

TABLE 804-9 DELIVERY TRANSACTION EXAMPLE SALE OF AN EXCESS SHIP*

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	V
SHIPPING DEPOT	(4-6)	N23
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	EXOUSSOMCKEANOO
UNIT OF ISSUE	(23-24)	EA
QUANTITY SHIPPED	(25-29)	00001
DOCUMENT NO.	(30-43)	PBDO4Z40595001
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	PXWSCC
MODE OF SHIPMENT	(51)	9
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	5
DELIVERY SOURCE CODE	(55-56)	AK ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	S ²
TRANSPORTATION BILL CODE	(59)	D
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	4282
EXTENDED VALUE	(65-73)	3,800,000.00 ³
RSN	(74-76)	GO1
FUND CODE	(77-79)	BLANK
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² REIMBURSEMENT CODES MAY BE R OR S. SEE TABLE 703-8 FOR DISTRIBUTION OF FUNDS.

³ COMMA AND DECIMAL POINT ADDED FOR CLARITY ARE NOT INCLUDED IN DELIVERY TRANSACTIONS. SEE TABLE 703-8 FOR COMPUTATION OF EXTENDED VALUE.

* THIS EXCESS TRANSACTION IS REPRESENTATIVE OF OTHER CATEGORIES OF ITEMS SOLD AS EXCESS.

**TABLE 804-10 (a) DELIVERY TRANSACTION EXAMPLE "DELIVERY" FROM
NEW PROCUREMENT**
(ESTIMATED PRICE - DEBIT)

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	L
SHIPPING DEPOT	(4-6)	FLZ
PRICE CODE	(7)	E
STOCK/PART NO.	(8-22)	702501068109600
UNIT OF ISSUE	(23-24)	EA
QUANTITY SHIPPED	(25-29)	00020
DOCUMENT NO.	(30-43)	DBDC4Z1705060
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2SKA
MODE OF SHIPMENT	(51)	9
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	BLANK
DELIVERY SOURCE CODE	(55-56)	DD ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	N ³
TRANSPORTATION BILL CODE	(59)	D
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	4339
EXTENDED VALUE	(65-73)	1,091,813.00 ^{2,4}
RSN	(74-76)	SKD
FUND CODE	(77-79)	4FT
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² COMMA AND DECIMAL POINT ADDED FOR CLARITY ARE NOT INCLUDED IN DELIVERY TRANSACTIONS. SEE TABLE 704-1 FOR COMPUTATION OF EXTENDED VALUE.

³ THIS IS A NON-CASH TRANSACTION WHICH LIQUIDATES PREVIOUSLY REPORTED PROGRESS PAYMENTS. SEE TABLES 804-11 THROUGH 804-14.

⁴ EXTENDED VALUE MUST INCLUDE CONTRACT ADMINISTRATIVE SERVICES SURCHARGE, WHICH HAS BEEN APPLIED BY SAAC. SEE PARAGRAPH 080404.A. IN THE ABSENCE OF BETTER ESTIMATES, USE THE VALUE FROM THE LOA FOR THIS DELIVERY AT ESTIMATED VALUE.

**TABLE 804-10 (b) DELIVERY TRANSACTION EXAMPLE "DELIVERY" FROM
NEW PROCUREMENT**
(ESTIMATED PRICE - CREDIT)

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	L
SHIPPING DEPOT	(4-6)	FLZ
PRICE CODE	(7)	E
STOCK/PART NO.	(8-22)	702501068109600
UNIT OF ISSUE	(23-24)	EA
QUANTITY SHIPPED	(25-29)	00020 (POSITION 29"X"OVERPUNCH) ⁵
DOCUMENT NO.	(30-43)	DBDC4Z1705060
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2SKA
MODE OF SHIPMENT	(51)	9
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	BLANK
DELIVERY SOURCE CODE	(55-56)	DD ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	N ³
TRANSPORTATION BILL CODE	(59)	D
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	4339
EXTENDED VALUE	(65-73)	1,091,813.00 ^{2,4} (POS. 73 "X" - OVERPUNCH) ⁵
RSN	(74-76)	SKD
FUND CODE	(77-79)	4FT
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² COMMA AND DECIMAL POINT ADDED FOR CLARITY ARE NOT INCLUDED IN DELIVERY TRANSACTIONS. SEE TABLE 704-1 FOR COMPUTATION OF EXTENDED VALUE.

³ THIS IS A NON-CASH TRANSACTION WHICH LIQUIDATES PREVIOUSLY REPORTED PROGRESS PAYMENTS. SEE TABLES 804-11 THROUGH 804-14.

⁴ EXTENDED VALUE MUST INCLUDE CONTRACT ADMINISTRATIVE SERVICES SURCHARGE, WHICH HAS BEEN APPLIED BY SAAC. SEE PARAGRAPH 080404.A.

⁵ THIS IS THE "CREDIT" DELIVERY REPORT WHICH REVERSES THE PREVIOUSLY REPORTED DELIVERY, TABLE 804-10(A) AT AN ESTIMATED PRICE SO THAT THE ACTUAL PRICE MAY BE REPORTED AS IN TABLE 804-10(C). NOTE: WITH THE EXCEPTION OF THE "X" OVER PUNCHES THIS IS A "MIRROR IMAGE" OF THE DEBIT TRANSACTIONS , TABLE 804-10(A)

**TABLE 804-10 (c) DELIVERY TRANSACTION EXAMPLE "DELIVERY" FROM
NEW PROCUREMENT**

ACTUAL PRICE

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	L
SHIPPING DEPOT	(4-6)	FLZ
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	702501068109600
UNIT OF ISSUE	(23-24)	EA
QUANTITY SHIPPED	(25-29)	00020
DOCUMENT NO.	(30-43)	DBDC4Z1705060
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2SKA
MODE OF SHIPMENT	(51)	9
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	BLANK
DELIVERY SOURCE CODE	(55-56)	DD ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	N ³
TRANSPORTATION BILL CODE	(59)	D
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	4339
EXTENDED VALUE	(65-73)	1,091,813.00 ^{2,4}
RSN	(74-76)	SKD
FUND CODE	(77-79)	4FT
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² COMMA AND DECIMAL POINT ADDED FOR CLARITY ARE NOT INCLUDED IN DELIVERY TRANSACTION. SEE TABLE 704-1 FOR COMPUTATION OF EXTENDED VALUE. IN THIS EXAMPLE, IT IS ASSUMED THAT THE FINAL ACTUAL AN ESTIMATED PRICE ARE THE SAME.

³ THIS IS A NON-CASH TRANSACTION WHICH LIQUIDATES PREVIOUSLY REPORTED PROGRESS PAYMENTS. SEE TABLES 804-11 THROUGH 804-14.

⁴ EXTENDED VALUE MUST INCLUDE CONTRACT ADMINISTRATIVE SERVICES SURCHARGE, WHICH HAS BEEN APPLIED BY SAAC. SEE PARAGRAPH 080404.A.

TABLE 804-11 DELIVERY TRANSACTION EXAMPLE "PROGRESS PAYMENT"
TO A CONTRACTOR

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	L
SHIPPING DEPOT	(4-6)	FLZ
PRICE CODE	(7)	N ¹
STOCK/PART NO.	(8-22)	PROGRESSPAYMENT
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	00000
DOCUMENT NO.	(30-43)	DBDC4Z41705050
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2SKA
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	4
DELIVERY SOURCE CODE	(55-56)	DE ²
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	D
TRANSPORTATION BILL CODE	(59)	BLANK
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	4200
EXTENDED VALUE	(65-73)	0040,000.00 ³
RSN	(74-76)	SKD
FUND CODE	(77-79)	BLANK
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ THIS CODE IDENTIFIES THIS AS A PAYMENT TO A CONTRACTOR FOR PURPOSES OF COMPUTING THE CONTRACT ADMINISTRATIVE SURCHARGE.

² SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

³ COMMA AND DECIMAL POINT SHOWN FOR CLARITY ARE NOT INCLUDED IN DELIVERY TRANSACTIONS. THIS EXAMPLE REPRESENTS ONE OF A SERIES OF PAYMENTS THAT WOULD BE MADE TO A DEFENSE CONTRACTOR IN SUPPORT OF THE CONTRACT PRICED IN ACCORDANCE WITH TABLE 704-1. THE CUMULATIVE TOTAL OF THESE PAYMENTS SHOULD EQUAL CONTRACT VALUE. IN THIS EXAMPLE THAT AMOUNT IS \$1,000,000 AS SHOWN IN TABLE 704-1.

TABLE 804-12 DELIVERY TRANSACTION EXAMPLE "PROGRESS PAYMENT"
NONRECURRING COST

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	L
SHIPPING DEPOT	(4-6)	FLZ
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	NONRECURRINGOOO
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	00000
DOCUMENT NO.	(30-43)	DBDC4Z41705070
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2SKA
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	5
DELIVERY SOURCE CODE	(55-56)	DG ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	R ²
TRANSPORTATION BILL CODE	(59)	BLANK
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	4339
EXTENDED VALUE	(65-73)	0050,000.00 ³
RSN	(74-76)	SKD
FUND CODE	(77-79)	BLANK
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² REIMBURSEMENT CODES MAY BE R OR S. SEE TABLE 704-1 FOR DISTRIBUTION OF FUNDS. REIMBURSEMENT IS EARNED UPON PHYSICAL DELIVERY OF THE ITEMS PER PARAGRAPH 040201.B.3.

³ COMMA AND DECIMAL POINT SHOWN FOR CLARITY ARE NOT INCLUDED IN THE DELIVERY TRANSACTIONS. AMOUNT BILLED MUST BE CONSISTENT WITH AMOUNT USED IN THE LOA.

TABLE 804-13 DELIVERY TRANSACTION EXAMPLE "PROGRESS PAYMENT" GOVERNMENT-FURNISHED MATERIEL FROM STOCK

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	L
SHIPPING DEPOT	(4-6)	FLZ
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	GFM00000000000000
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	BLANK
DOCUMENT NO.	(30-43)	DBDC4Z41705080
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2SKA
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	4
DELIVERY SOURCE CODE	(55-56)	DJ ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	S ²
TRANSPORTATION BILL CODE	(59)	BLANK
STOCK FUND/NONSTOCK FUND	(60)	8
DATE (JULIAN) PERFORMED	(61-64)	4150
EXTENDED VALUE	(65-73)	0025,000.00 ³
RSN	(74-76)	SKD
FUND CODE	(77-79)	4FT
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT. SEE ALSO PARAGRAPH 070407.

² REIMBURSEMENT CODES MAY BE D, I, R, OR S. SAAC APPLIES THE "I" WHEN ORIGINATING DELIVERY TRANSACTIONS FROM INTERFUND DETAIL TRANSACTIONS. SEE TABLE 704-1 FOR DISTRIBUTION OF FUNDS.

³ COMMA AND DECIMAL POINT SHOWN FOR CLARITY ARE NOT INCLUDED IN THE TRANSACTION.

TABLE 804-14 DELIVERY TRANSACTION EXAMPLE "PROGRESS PAYMENT" PCH&T
APPLICABLE TO GFM

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	L
SHIPPING DEPOT	(4-6)	FLZ
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	GFMPCHTOOOOOOOO
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	00000
DOCUMENT NO.	(30-43)	DBDC4Z41705090
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2SKA
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	5
DELIVERY SOURCE CODE	(55-56)	DL ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	R ²
TRANSPORTATION BILL CODE	(59)	BLANK
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	4300
EXTENDED VALUE	(65-73)	0001,813.00 ³
RSN	(74-76)	SKD
FUND CODE	(77-79)	4FT
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² REIMBURSEMENT CODES MAY BE R OR S. SEE TABLE 704-1 FOR DISTRIBUTION OF FUNDS.

³ COMMA AND DECIMAL POINT SHOWN FOR CLARITY ARE NOT INCLUDED IN THE DELIVERY TRANSACTION.

**TABLE 804-15 DELIVERY TRANSACTION EXAMPLE OVERHAUL OF
CUSTOMER-OWNED MATERIEL**

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	V
SHIPPING DEPOT	(4-6)	N21
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	ENGINELVTOOOOOO
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	00001
DOCUMENT NO.	(30-43)	PDBO4441485001
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2MAO
MODE OF SHIPMENT	(51)	A
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	5
DELIVERY SOURCE CODE	(55-56)	BC ¹
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	S ²
TRANSPORTATION BILL CODE	(59)	D
STOCK FUND/NONSTOCK FUND	(60)	O
DATE (JULIAN) PERFORMED	(61-64)	5056
EXTENDED VALUE	(65-73)	0012,979.88 ³
RSN	(74-76)	CO1
FUND CODE	(77-79)	L48
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES THAT WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

² REIMBURSEMENT CODE FOR SALES FROM STOCK MAYBE R OR S. SEE TABLE 708-1 FOR DISTRIBUTION OF FUNDS.

³ COMMA AND DECIMAL POINT ADDED FOR CLARITY ARE NOT INCLUDED IN THE DELIVERY TRANSACTION. SEE TABLE 708-1 FOR COMPUTATION OF EXTENDED VALUE.

**TABLE 804-16 DELIVERY TRANSACTION EXAMPLE ACTUAL BELOW-THE-LINE
TRANSPORTATION**

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	X ¹
MONITOR	(3)	N
SHIPPING DEPOT	(4-6)	FNZ
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	TRANSCOSTSOOOOO
UNIT OF ISSUE	(23-24)	BLANK
QUANTITY SHIPPED	(25-29)	BLANK
DOCUMENT NO.	(30-43)	DBD00241950057 ²
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	SKA ³
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	BLANK
DELIVERY SOURCE CODE	(55-56)	BLANK
PORT OF EMBARKATION	(57)	BLANK
GENERIC CODE	(58-60)	L10 ⁴
DATE (JULIAN) PERFORMED	(61-64)	5195
EXTENDED VALUE	(65-73)	0000325.31 ⁵
RSN	(74-76)	004
FUND CODE	(77-79)	BLANK
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ USE OF THE "NX" REPORT MUST BE APPROVED. SEE PARAGRAPH 080404.B. AND C.

² SEE TABLE 804-8 FOR BASIC TRANSACTION WHICH IS THE REPORT OF THE ITEM SHIPPED. THE DOCUMENT NUMBER IS FROM THE BASIC TRANSACTION.

³ FIRST THREE POSITIONS OF THIS FIELD ARE BLANK.

⁴ USE L10 ONLY IF UNABLE TO BREAK OUT COST BY EACH APPLICABLE GENERIC CODE. WHEN USING MORE THAN ONE GENERIC CODE, USE ONE REPORT FOR EACH APPLICABLE CODE USED AND SHOW THE AMOUNT OF COST APPLICABLE TO EACH. GENERIC CODES L1D, L1E AND L40 WILL BE REIMBURSED TO THE REPORTING ACTIVITY THROUGH THE COMMAND PAY. ALL OTHER GENERIC CODES FOR TRANSPORTATION WILL MOVE THE COSTS REPORTED INTO THE TRANSPORTATION ACCOUNT. BILLS AGAINST THAT ACCOUNT WILL BE SUBMITTED IN ACCORDANCE WITH PARAGRAPH 080601.C. THE AMOUNT REPORTED MAY NOT EXCEED \$25.00 WHEN UNITED PARCEL SERVICE IS USED AS THE CARRIER

⁵ DECIMAL POINT SHOWN FOR CLARITY IS NOT INCLUDED IN THE DELIVERY TRANSACTION.

**TABLE 804-17 DELIVERY TRANSACTION EXAMPLE STORAGE CHARGE - 2 MONTH PERIOD
(OTHER THAN FMSO AND DEFENSE BUSINESS OPERATIONS FUND)**

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	Y
SHIPPING DEPOT	(4-6)	BY7
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	STORAGEOOOOOOOO
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	00000
DOCUMENT NO.	(30-43)	BBDB434223DO14 ¹
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	BZ4MXC
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	BLANK
DELIVERY SOURCE CODE	(55-56)	BE
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	S
TRANSPORTATION BILL CODE	(59)	BLANK
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	4350 ²
EXTENDED VALUE	(65-73)	0000008.25 ³
RSN	(74-76)	003
FUND CODE	(77-79)	BLANK
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-7 FOR BASIC TRANSACTION. THE DOCUMENT NUMBER IS FROM THE BASIC TRANSACTION. THIS EXAMPLE ILLUSTRATES THE REPORT REQUIRED WHEN AN ITEM IS STORED FOR TWO MONTHS.

² DATE COMMENCES 15 DAYS FOLLOWING DATE OF AVAILABILITY. SEE NOTE 7 IN EXPLANATORY NOTES OF GENERAL CONDITIONS OF LOA.

³ COMPUTATION BASED ON PARAGRAPH 070801 FOLLOWS: (\$3,300 X .00125 X 2 MONTHS = \$8.25). DECIMAL POINT SHOWN FOR CLARITY IS NOT INCLUDED IN THE DELIVERY TRANSACTION.

⁴ REIMBURSEMENT IS TO THE O&M APPROPRIATION OF THE ACTIVITY STORING THE ITEM.

**TABLE 804-18 DELIVERY TRANSACTION EXAMPLE STUDENT TRAINING AT NAVY
LOCATION PGS ENGINEERING SCIENCE COURSE IN 1984**

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	C
SHIPPING DEPOT	(4-6)	N48
PRICE CODE	(7)	A
WORKSHEET CONTROL NO.	(8-12)	0258A
FILLER	(13-15)	BLANK
MASL ID	(16-22)	P178023
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	00001
DOCUMENT NO.	(30-43)	PBD00000000001 ¹
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	POOTBK
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	BLANK
DELIVERY SOURCE CODE	(55-56)	BA
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	S ²
TRANSPORTATION BILL CODE	(59)	BLANK
STOCK FUND/NONSTOCK FUND	(60)	0
DATE (JULIAN) PERFORMED	(61-64)	4068
EXTENDED VALUE	(65-73)	0003,833.47 ³
RSN	(74-76)	3P1
FUND CODE	(77-79)	BLANK
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ PSEUDO DOCUMENT NUMBER. FIRST POSITION IS U.S. SERVICE. SECOND POSITION IS COUNTRY CODE AND REMAINDER FILLED WITH ZEROS OR USED BY REPORTING ACTIVITY FOR INTERNAL USE.

² REIMBURSEMENT CODES MAY BE R, S, OR N.

³ EXTENDED VALUE IS PRICE LISTED IN THE MILITARY ARTICLES AND SERVICE LIST (MASL).

TABLE 804-19 DELIVERY TRANSACTION EXAMPLE
"RECOUPMENT OF INTEREST PENALTIES"¹

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	L
SHIPPING DEPOT	(4-6)	FLZ
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	INTERESTPENALTY
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	00000
DOCUMENT NO.	(30-43)	DBDC4Z41705050
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	DA2SKA
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	4
DELIVERY SOURCE CODE	(55-56)	DE ²
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	S
TRANSPORTATION BILL CODE	(59)	BLANK
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	4200
EXTENDED VALUE	(65-73)	0000320.00 ³
RSN	(74-76)	SKD
FUND CODE	(77-79)	BLANK
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ SEE TABLE 804-11 FOR BASIC TRANSACTION. THE DOCUMENT NUMBER IS FROM THE BASIC TRANSACTION. THIS EXAMPLE ILLUSTRATES THE REPORT REQUIRED WHEN A PAYMENT TO A CONTRACTOR INCURRED A PENALTY UNDER THE PROMPT PAYMENT ACT OF 1982 [REFERENCE (S)], SEE PARAGRAPH 070411.

² SEE TABLE 804-2 FOR THE DELIVERY SOURCE CODE TO VERIFY THAT THE SURCHARGES WHICH WILL BE ADDED BY SAAC ARE APPROPRIATE FOR THIS REPORT.

³ COMMA AND DECIMAL POINT SHOWN FOR CLARITY ARE NOT INCLUDED IN THE DELIVERY TRANSACTION. REIMBURSEMENT IS TO THE APPROPRIATION OF THE ACTIVITY MAKING THE PENALTY PAYMENT.

TABLE 804-20 DELIVERY TRANSACTION EXAMPLE "INTEREST ON ARREARAGES"¹

TRANSACTION CODE	(1)	N
TRANSACTION CODE	(2)	BLANK
MONITOR	(3)	X
SHIPPING DEPOT	(4-6)	XFX
PRICE CODE	(7)	A
STOCK/PART NO.	(8-22)	076100EXOREXP
UNIT OF ISSUE	(23-24)	XX
QUANTITY SHIPPED	(25-29)	00000
DOCUMENT NO.	(30-43)	XA1XINT9103001
SUFFIX CODE	(44)	BLANK
SUPPLEMENTAL ADDRESS	(45-50)	BLANK
MODE OF SHIPMENT	(51)	BLANK
ADJUSTMENT REPLY CODE	(52-53)	BLANK
PROGRAM YEAR	(54)	BLANK
DELIVERY SOURCE CODE	(55-56)	EM
PORT OF EMBARKATION	(57)	BLANK
REIMBURSABLE CODE	(58)	D
TRANSPORTATION BILL CODE	(59)	BLANK
STOCK FUND/NONSTOCK FUND	(60)	BLANK
DATE (JULIAN) PERFORMED	(61-64)	0365
EXTENDED VALUE	(65-73)	0000320.00 ²
RSN	(74-76)	001
FUND CODE	(77-79)	BLANK
ROUNDED DOLLAR INDICATOR	(80)	BLANK

¹ THIS BILLING EXAMPLE IS USED TO REPORT INTEREST ON ARREARAGES COMPUTED QUARTERLY ACCORDING TO VOLUME 6, CHAPTER 13 OF THIS REGULATION. INTEREST IS CHARGED TO CASE DESIGNATOR INT AND LINE 001 FOR ALL COUNTRIES

² COMMA AND DECIMAL POINT SHOWN FOR CLARITY ARE NOT INCLUDED IN THE DELIVERY TRANSACTION. REIMBURSEMENT IS TO MISCELLANEOUS RECEIPT ACCOUNT 3210 AFTER COLLECTION.

0805 TRANSPORTATION COST LOOK-UP TABLE

080501. Procedures for Transportation Cost Look-Up. Procedures for development of estimated actual transportation charges for use in the transportation cost look-up table are contained in the SAMM [reference (e)]. The purpose of the table is to provide to applicable DOD Components estimated actual transportation costs for items normally shipped in the Defense Transportation System (DTS) (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from estimated actual charges.

A. DSAA is responsible for recommending to DoD(C) those items which should be included in a transportation cost look-up table. Upon DoD(C) approval, DSAA shall disseminate the look-up table to the DOD Components. SAAC is responsible for application of the look-up table rates, when applicable to delivery transactions processed by the DOD components for specific items on the look-up table. DOD components are responsible for:

1. Making recommendations to DSAA relative to items and rates to be included in the look-up table.

2. Using approved rates in LOAs prepared for items cited on the look-up table.

3. Updating look-up table rates to assure estimated actual DOD costs are reflected.

4. Providing information to the SAAC relative to the applicable delivery term code for each delivery transaction processed to SAAC for items on the look-up table.

B. Each DOD component is responsible for providing recommendations to DSAA regarding items and charges for the look-up table. The formats at Tables 805-1 and 805-2 will be utilized in forwarding such recommendations to DSAA. The estimate of actual transportation cost must be documented and dem-

onstrate that all cost elements have been considered. Necessary cost elements include:

1. Estimated Security Cost.

Shipments which involve sensitive conventional arms, ammunition and explosives in transit are to be processed in accordance with DOD 5100.76-M [reference (y)]. DOD civilian and military personnel involved in providing personnel services in connection with these types of shipments are to be costed in accordance with the provisions of paragraphs 070202 and 70203 of this Volume.

2. Estimated Payments to Contractors. The estimated amounts to be paid to contractors shall be calculated at full commercial tariff rates plus any additional costs incurred to provide the required security.

3. Payments to DOD Transportation Activities. The estimated costs shall be calculated at the non-federal rate. In other words, full cost.

4. Cost of processing billings for transportation costs and the overhead of DOD transportation activities. Include in the cost elements the full cost associated with routing, control of shipments and the cost of processing payments of vendor bills.

C. Special transportation requirements, e.g., SAAM flights, will continue to be identified above the line on the LOA and applicable actual charges billed to the customer.

TABLE 805-1 CONUS TRANSPORTATION COSTS

<u>NSN/ NOMEN¹</u>	<u>Weight Item</u>	<u>M/Ton/Item</u>	<u>Standard Price</u>	<u>FMS Proc.² Cost</u>	<u>Port of³ Embark- ation</u>	<u>Est. Actual CONUS⁴ Inland</u>	<u>Est Port Costs</u>
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¹Items are those which appear to qualify based on previous data; NSNs must be added. Additional major items should be added as appropriate.

²Based on most current FMS offers.

³Data should be provided for East Coast, West Coast, and Gulf port, if applicable.

⁴Special factors such as security costs must be identified separately.

TABLE 805-2 OVERSEAS TRANSPORTATION COSTS

<u>NSN/ NOMEN¹</u>	<u>Weight Item</u>	<u>M/Ton/Item</u>	<u>Standard Price</u>	<u>FMS Proc.² Cost</u>	<u>Est Actual Overseas Ship- ment^{3,4} (Surface)</u>	<u>Est. Actual Overseas Shipment (AMC)^{3,4}</u>	<u>Est. Actual Over- seas Port Loading</u>
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¹Items are those which appear to qualify based on previous data; NSNs must be added. Additional major items should be added as appropriate.

²Based on most current FMS offers.

³For each item two figures must be cited:

- Shipments to Europe, Latin America, and Mediterranean Ports.
- Shipments to Newfoundland, Labrador, Thule, Iceland, South America, Far East, African Ports (other than Mediterranean) and Near East.

⁴Special factors such as security, demurrage, etc., must be identified separately.

0806 BILLING ACTUAL COST FOR CHARGES APPLIED BY SAAC

080601. Charges Applied by SAAC

A. Actual Administrative and Logistics support Costs. Actual administrative cost is funded by an allotment that is provided based on an approved FMS administrative budget. Obligations and outlays against the allotment must be supported by documentation that demonstrates the propriety of the obligation. The allotment holder shall retain these basic source documents for audit and report the use of allotment through the required Status-of-Allotment reports.

B. Actual Contract Administration Services Costs. DoD Components performing contract administration services or audit shall:

1. Submit monthly SF 1080 billing to SAAC for the FMS and SDAF proportionate share of contract administration and audit costs. Billings shall identify separately FMS and SDAF workload statistics. Organizations authorized to bill for contract administration services are as follows:

a. Army Ammunition Plants. Allocate contract management cost on the basis of the ratio of the FMS dollar value of procurement work directives to the total dollar value of procurement work directives. Allocate quality assurance costs on the basis of the ratio of FMS items produced to total items produced.

b. Navy Supervisors of Shipbuilding, Conversion, and Repair (SUPSHIP) Activities. Allocate contract management and quality assurance effort on the basis of the ratio of FMS billings to total billings.

c. DLA, Defense Contract Management Command. Allocate contract management and quality assurance effort on the basis of the ratio of FMS and SDAF contract disbursements to total contract disbursements.

(1) DCMC-I, Defense Contract Management Command - International. Allocation based on actual cost incurred.

d. DCAA, All Offices except HQ, DCAA. Allocate contract audit based on actual hours expended on FMS requirements.

e. Any other activity performing CAS as approved by the Office of the Comptroller, DoD. When Office of the Comptroller grants this exception, a copy of the exception, which identifies the allocation method, will be provided to the Defense Security Assistance Agency, Comptroller and to the Security Assistance Accounting Center.

2. The SF 1080 bills for actual cost shall be supported with a columnar schedule containing the following data:

a. Organization.

b. Type of CAS effort incurred.

(1) Contract audit.

(2) Quality assurance and inspection.

(3) Other CAS efforts.

c. Allocation basis applicable to the CAS effort (see above paragraph).

d. Current month workload statistics.

(1) Total workload.

(2) FMS cases on which CAS recoupments have been waived.

(3) FMS workload not subject to cost Recoupment waiver.

(4) FMS percentage [d.(3) divided by d.(1)x100].

e. Allocation of funded monthly costs.

(1) Total cost incurred.

(2) Amount allocated to FMS program [e(l). multiplied by d(4)]. July 19, 1996.

f. Unfunded cost applied. Unfunded civilian retirement cost .

g. Total amount billed (e.2., and f.1.). Amounts in the column, for all organizations, shall agree with the SF 1080 billing.

h. The following special instruction applies when the allocation basis reported in column C is actual hours. Do not complete columns d(l), d(2), d(3), d(4), or e(l). Complete columns e(2), and f(1) using annual hourly rates prescribed by the Office of the Comptroller, DoD for use in pricing CAS support to foreign country commercial contracts.

3 . Maintain in DoD Component records the supporting detail (to include total dollar value of waivers excluded) for each SF 1080 submitted to SAAC for costs identified in subparagraph 2, above. This detail should not accompany the SF 1080, but the SF 1080 should be annotated to indicate supporting detail is available upon request.

C. Actual Transportation Cost. Transportation costs to customer freight forwarders from the Defense Business Operations Fund/Stock fund will be included in the cost of the article reported to SAAC. This applies to costs now reimbursed as a result of delivery transactions and to costs now reimbursed in response to SF 1080s and GBLs charged to the transportation surcharge account. Inventory shipments from Defense Business Operations Funds beyond the freight forwarders will be billed as a below-the-line charge in accordance with Tables 804-3A and 804-4A. All other shipments are billed according to tables 804-3B and 804-4B. Costs for transportation and billed as a "below-the-line" cost will be reimbursed to transportation activities in response to SF 1080 bills supported by a valid case identifier comprised of country code, implementing agency code, case designator, date of shipment date, and certifica-

tion that the bill amount was not included in the article's cost.

1. Carrier Costs.

a. Commercial and Industrially Funded/Defense Business Operations Fund Organizations. Billings for other than inland CONUS stock fund/Defense Business Operations Fund materiel, shall be supported by electronic media, listing, and /or computer tapes detailing the transportation control numbers (TCNs) and case designators or articles transported to/for Security Assistance customers. "Carrier" means commercial carriers and/or the industrially funded/Defense Business Operations Fund portion of the Military Airlift Command and the Military Sealift Command. The following exceptions apply:

(1) The cost of transporting GFM to a contractor's plant is to be included in the price of the GFM, reported in the delivery transactions and not included in the SF 1080 billings.

(2) The cost of transportation for repair and return cases, is to be included in the cost of the repair service reported via the delivery transaction, and not included in the SF 1080 billings.

(3) "Above-the-line" discrete transportation costs such as "high flight" or special airlift are to be reported as a case charge via the delivery transaction, and not included in the SF 1080 billings.

(4) The inland CONUS transportation cost for stock fund/Defense Business Operations Fund materiel from point of origin to point of customer pickup (freight forwarder, customer, or customer designated CONUS delivery point) is borne by the stock fund/Defense Business Operations Fund (DoD 7420.13-R), and is not to be included in the SF 1080 billings.

b. On or after October 1, 1991, the FMS Trust Fund shall not be cited on Government Bills of Lading for transportation of stock fund/Defense Business Operations Fund

materiel. The cost of such transportation is included in the standard price of stock fund/Defense Business Operations Fund materiel [DoD 7420.13-R, reference (u)]. On or after October 1, 1991, GBL processing activities shall not accept GBLs citing the FMS Trust Fund for transporting stock fund /Defense Business Operations Fund materiel that has a ship date of on or after October 1, 1991.

c. The U.S. Postal Service. All postal service cost collected by the SAAC as surcharge cost on FMS customer billings are directly reimbursed (pushed) to the applicable Implementing Agency's designated administrative headquarters organizations.

d. The Defense Courier Service. The SF 1080 billings to recoup the cost of support provided by the Defense Courier Service shall be based on a pro-rata of FMS shipments to total shipments. The resulting percentage shall be applied to payments to the Defense Courier Service to determine FMS billings.

e. Air/Army Postal Office (APO), Fleet Postal Office (FPO). The SF 1080 billings to recoup the cost of support provided by APOs and FPOs shall be based on a pro rata of FMS shipments to total shipments. The resulting percentage shall be applied to payments to the armed services operating these offices.

f. Commercial Package Carriers. All costs collected by the SAAC as surcharges on FMS customer billings for commercial package carriers are directly reimbursed (pushed) back to the reporting DoD Components and not reimbursed from the FMS Transportation Account as a direct cite disbursement.

2. Recoupment of the Cost of DoD Organizations Which Support Carrier Movement

a. Air Mobility Command [formerly Military Airlift Command (MAC) Headquarters]. Allocate non-industrially funded/Defense Business Operations Fund headquarters cost on the basis of the ratio of FMS billings to the total dollar value of industrial fund /Defense Business Operations Fund billings.

The billing for headquarters cost shall include a proportionate share of all costs funded by the O&M appropriation, military pay appropriation, and those unfunded costs identified in paragraph 080601 .B.2.f.

b. Military Sealift Command (MSC) Headquarters. Allocate non-industrially funded headquarters cost on the basis of the ratio of FMS billings to the total dollar value of industrial fund/Defense Business Operations Fund billings. The billing for headquarters cost shall include a proportionate share of all costs funded by the O&M appropriation, military pay appropriation, and those unfunded costs identified in paragraph 080601 .B.2.f.

c. Installation Support of AMC Airlift Operations. A charge of 5 percent of MAC Industrial fund/Defense Business Operations Fund billings shall be charged to recover the cost of DoD airport operations, (e.g., tower operations and runway use, etc). The charge shall be reimbursed to the Air Force operations and maintenance appropriations.

d. Organizations Responsible for Routing of Materiel, Preparation of GBLs and Carrier Selection. These organizations include the Military Traffic Management Command (MTMC) and subsidiary organizations, the Navy Materiel Transportation Office, and installation transportation offices. Billings shall be based on the level of effort estimates of FMS tonnage as a percentage of total tonnage moved. For the purpose of this calculation, FMS tonnage shall include both movement of materiel through the Defense Transportation System (DTS) and through commercial bills paid directly by foreign countries. The resulting percentage shall be applied to the total actual obligations incurred by routing organizations to determine the base charge. The billing shall include the base charge, military labor, and unfunded costs determined in accordance with 080601 .B.2.f.

e. Organizations Responsible for Accounting, Audit and Payment of Transportation Bills. (See paragraph 080601 .C.1. for GBL exception). These organizations are the Defense Finance and Accounting Service - Indianapolis Center, for Army, Air Force and Defense

agency shipments; the U.S. Navy Materiel Transportation Office, Norfolk, VA, for Navy shipments; and the Marine Corps Logistics Base, Albany, GA, for Marine Corps shipments. These billings shall be based on the use of level of effort estimates of the number of FMS GBLs processed as a percentage of the total number of GBLs processed. The percentage shall then be applied to obligation incurred by cost centers responsible for processing GBLs, and those unfunded costs identified in paragraph 080601 .B.2.f,

f. Organizations Providing Physical Security. Shipments which involve sensitive conventional arms, ammunition and explosives in transit are to be processed in accordance with DoD 5100.76-M [reference (y)]. DoD civilian and military personnel involved in providing personnel services in connection with these types of shipments are to be costed in accordance with the provisions of paragraphs 070202 and 070203 of this Volume.

3. Billings for Organic Transportation and Troop Labor. This type of support is typically provided when delivery term codes "2" through "9" (except "4") are used.

a. Troop Labor. Activities utilizing troop labor for the loading or unloading of vessels, trains, vans, etc. are responsible for billing applicable costs. FMS cost may be based on a pro rata share of the total cargo manifest, or a similar document.

b. Use of Organic Vehicles. These billings will be based upon a review of motorpool records. When records disclose DoD vehicles were used to move FMS materiel then the number of miles shall be determined and billed at the rate of \$4.00 per mile. The billing includes labor cost of driver assigned by the motor pool. Motor pool billing will be consolidated by major commands.

D. Packing, Crating and Handling. SF 1080 Billings for actual packing, crating and handling costs are normally not submitted. Instead, earned reimbursements are "pushed" to the shipping depot when SAAC applies the applicable surcharge. (Note: Stock fund/ De-

fense Business Operations Fund items are not reimbursed for PC&H as that charge is included in the standard price).

0807 SAAC MANAGEMENT CONTROL PROGRAM

080701. General

A. As the central site for Security Assistance accounting within the DoD, SAAC is responsible for the development of an annual Management Control Program (MCP) to test internal controls and measure the quality of DoD Security Assistance accounting systems, operations of DoD Components performing Security Assistance functions. Topics for review may be suggested by implementing agencies, DSAA, or other DoD Components. Suggestions should be submitted to DFAS-DE/IQ and include a narrative describing the suggested area of review and any apparent problems or concerns to be considered.

B. DoD Components shall fully support the SAAC MCP. Tests or reviews involving IAs or other DoD Components shall be jointly accomplished by SAAC and the activities involved. SAAC shall be responsible for the overall review plan, the general conduct of the review, and publishing the final report of resolution or agency points of contact and assist SAAC by providing data or documentation in support of the review. During specified reviews, the DoD Components may be responsible for day-to-day conduct of the review with SAAC responsible for designing a joint review plan, monitoring the conduct of the plan, and publishing a consolidated report..

C. SAAC will provide DFAS, the Office of DoD Comptroller, the Comptroller, DSAA, and the heads of involved DoD Components a copy of the annual External Network Operations Review Plan at the beginning of each fiscal year and copies of External Network Operations review reports as they are completed.

D. SAAC will recommend additional Defense Institute of Security Assistance Management (DISAM) training or the expansion of existing DISAM training courses for specific DoD

Security Assistance functional areas. Normally, such supplemental training recommendations will result from observations made during external DoD Network Operations reviews of areas demonstrating an adequate policy and internal control structure, but weak due to a general lack of expertise. The intention is that the effectiveness and efficiency of the Security Assistance community will benefit from the additional knowledge and information gained through exposure to the DISAM curriculum.

0808 SUPPORTING DOD COMPONENT PERFORMANCE REPORTS/ REQUEST FOR REIMBURSEMENTS

080801. General. DoD Components shall support FMS cases at the request of the applicable implementing agency. Such requests shall be in the form of requisitions or formal orders which place a dollar value on the support to be provided, the appropriation/ fund that will pay resulting billings, the appropriation/fund that will bill and record earned reimbursements and the address (symbol) of the implementing agency organization that is to receive and pay applicable bills. The formal orders shall be a Military Interdepartmental Purchase Request (MIPR) or equivalent. Billings by the supporting DoD Component to the implementing agency pursuant to a formal order shall be submitted on an SF 1080 supported by delivery transactions to the paying office identified in the order. The paying office shall include the delivery transactions in a consolidated submission to SAAC and reimburse any amounts due for inventory items or services when reimbursement is received from SAAC. Payments to contractors shall be made only subject to expenditure authorities issued by SAAC. A nonreimbursable delivery transaction applicable to such costs should be included in the submission.

080802. Processing Requisitions. In the event requisitions are received from the implementing agency with a fund and signal code signifying direct citation of the FMS Trust Fund (not an allotment of direct cite authority), the delivery transaction or modified MILSBILLS detailed billing transaction shall be submitted to the requisitioning activity. Requisitions containing such fund and signal codes shall be processed on

a prompt delivery basis (within 30 days). SAAC shall record obligations and disbursements upon receipt of the FMS detail delivery transactions or the modified MILSBILLS detailed billing cards. The concept is that obligations and disbursements will generally be reported to SAAC in the same month. Therefore, the process of separately reporting original obligations, adjustments or cancellations of original obligations and related disbursements is not necessary. DoD Components shall not submit interfund requisitions to non-DoD supplying activities unless expenditure authority has been approved by SAAC. Within DoD the interfund billing activity must obtain necessary self-reimbursement authority for interfund requisitions. If stocked items are not available for prompt delivery and new procurement is necessary, MIPR procedures will be followed. In the event the requisition is submitted to a non-DoD organization, the summary billing transaction and the supporting unmodified MILSBILLS detailed billed transactions shall be submitted to the implementing agency. The implementing agency shall convert MILSBILLS detailed delivery transactions to a FMS detail delivery transaction and forward the billing information to SAAC within 5 working days. SAAC shall use the FMS detail delivery transactions to prepare delivery reports to the FMS customers and provide a copy of the report or FK document identified equivalent to the implementing DoD Components for use in posting to supply performance files.

0809 PERFORMANCE AND DELIVERY REPORTING

080901. Reports

A. FMS Command Pay List. The SAAC provides reporting activities with a monthly FMS Command Pay List that identifies the total amount of work in process or deliveries charged to FMS cases in the current reporting period, excluding accounts payable (see Section D., below). The amount includes the delivery transactions submitted by the reporting activity less accounts payable and rejected items (see Section C., below) and additional charges mechanically computed by the SAAC. The last line of the Command Pay List, Total Reimbursable to This Payee" should equal the amount the

payee received by check (a By-Others transaction for AFLC). SAAC computed charges may or may not be reimbursable to the reporting activity. SAAC computed charges include:

1. Administrative Fee and Logistics Support Cost (LSC) Charges - Non-reimbursable.

2. Packing, Crating, and Handling Charges (PC&H) - Reimbursable. (Not applicable to stock fund/Defense Business Operations Fund items).

3. "Below-the-line" transportation charges. Transportation generic codes (See Table 804-4) L1D, L1E, and L40 are reimbursable. Other transportation generic codes are nonreimbursable. (L1D and L1E are not applicable to stock fund /Defense Business Operations Fund items if ship date is October 1, 1991 or later. L1A (Inland CONUS) rate of 3.75% not applicable to stock fund items effective October 1, 1990).

4. Contract Administration Surcharge (CAS) - Nonreimbursable.

B. FMS Detail Delivery Feedback list. The FMS Detail Delivery Feedback List or magnetic tape is attached to the Command Pay List and identifies the delivery transactions submitted by reporting activities and processed by SAAC for reimbursement or reporting to the FMS customer. In addition, it identifies add-on amounts mechanically computed by SAAC for each processed delivery transaction. When reconciling reimbursement received from SAAC to reporting activity records, the following columns of the FMS Detailed Delivery Feedback list should be used.

1. Voucher Amount Paid (VOU AMT PD). This column identifies the amount of reimbursement to the reporting activity.

2. Extended Value (EXT VAL). This column identifies the total amount reported to SAAC.

3. Stock Fund Add-On (STK FUND ADD-ON). Through accounting date 87-03, this column identifies the surcharge ap-

plied to stock fund/Defense Business Operations Fund items with a delivery date in FY 1980 and 1981. After accounting date 87-03, this field identifies the logistics support charge (LSC).

4. Contract Administrative Surcharge Add-On (CAS ADD-ON). This column identifies CAS computed by SAAC. Items and associated costs charged may include stock fund/Defense Business Operations Fund listed items, government-furnished materiel (GFM), and nonrecurring charges. CAS is applied to procurement Delivery Source Codes (DSC) (nonreimbursable to the reporting activity).

5. Defense Transportation System (DT TRAN). This column identifies transportation charges applied when the U.S. Government provides the transportation as a "below-the-line" service. (Nonreimbursable to the reporting activity).

6. Accessorial Administrative Costs (ACSRL ADM COST). This column identifies administrative charges, and those packing, crating and handling (PC&H) charges applied against the FMS case. These charges are applied against total deliveries reported for each case during the month and not identified to the individual deliveries. (PC&H charges for procurement appropriation funded items are reimbursable to the reporting activity.)

7. All charges are applied to the Extended Value (EXT VAL) column.

8. This listing does not provide summary totals of deliveries reported. It is used to compare deliveries reported with deliveries processed when reconciling amounts reimbursed to the reporting activity.

C. FMS IA Performance Report Transaction Register. The FMS IA Performance Report Transaction Register contains five parts. These parts include:

1. IA Initiated Performance Reports Rejected Not Processed. This part contains all delivery transactions that could not be processed by the SAAC. The reasons for not processing are listed immediately under each

transaction. A corrected transaction should be resubmitted to the SAAC. This part shall be used in reconciling reported deliveries to deliveries processed by SAAC. Rejected transactions should be corrected and resubmitted within 30 days.

2. IA Initiated Performance Reports Processed with Management Alerts. This part contains all delivery transactions that have been processed and on which possible problem areas were identified by SAAC processing. These transactions should be reviewed to determine if the transaction was properly prepared. If the transaction was properly prepared, no further transaction should be submitted to the SAAC.

3. SAAC Initiated Performance Reports Processed. This part contains those transactions computed by SAAC and applied for the IA by the SAAC. They are provided for posting to IA records.

4. SAAC Initiated Corrections to Initial IA Performance Reports. This part provides information on delivery transaction subsequently modified by the SAAC. Data shall appear with the IA delivery transaction first, followed by the corrective action taken by the SAAC.

5. SAAC Deletions From IA Initiated Performance Reports. This part provides the delivery transactions that have been subsequently deleted by the SAAC.

D. FMS Accounts Payable List

1. The FMS Accounts Payable List indicates reimbursable delivery transactions for which payment is not being made. Reasons for nonpayment include:

- a. The country's funds are frozen (not available to disburse).
- b. The country does not have enough cash available.
- c. The case provides for payment 60 days after delivery.

2. The list contains a total of all transactions that are reimbursable and have not been paid to the reporting activity.

E. FMS Voucher Backup for Payment for Accounts Payable. The FMS Voucher Backup for Payment of Accounts Payable listing represents the amount paid to the reporting activity [re: Command Pay List (see section A., above)] by country, implementing agency, and reporting activity.

080902. Reject Codes

A. The delivery transactions listed on FMS Implementing Agency Performance Report Transaction Register (see paragraph 080901.C., above) that contain reject codes did not process to the FMS Command Pay List. Reports with reject codes shall be researched and reinput within 30 days. SAAC will maintain a control file of outstanding rejected transactions, which shall be cleared once corrected transactions are resubmitted and processed. The implementing agencies will be provided copies of the control file.

B. Reports coded with management alerts have processed and are on the FMS Command Pay List. Those transactions which contain a management alert code shall also be researched. If corrective action is required following this research, reinput these transactions by reversing the previous input and submitting the corrected data within 30 days.

080903. Reconciling Reports

A. In reconciling reimbursable delivery transactions to the amounts reimbursed, the following steps shall be taken:

1. Verify that the voucher backup equals the amount on the check and the FMS Command Pay List. All amounts should equal. If amounts are not equal, contact SAAC to reconcile differences.

2. Determine:

- a. Total Reimbursable Deliveries Reported (Transaction Input) \$_____

- b. Total Amount Reimbursed
 (Command Pay List /Check) \$ _____
 Less Add-Ons (Command Pay List)
 Less SAAC Inputs (IA Register),
 Subtotal reported deliveries
 processed \$ _____
 Plus Accounts Payable (A/P List)
 Plus Rejected Items (IA Register) \$ _____
 Reconciling Total \$ _____

B. If in using the computation above, subparagraphs A.2.a and A.2.b. do not agree, further reconciliation of deliveries reported to deliveries processed is required. Match reported deliveries to deliveries processed on the Feedback Listing to identify dropped or duplicate transactions (mechanically or manually). Reinput dropped transactions and reverse duplication transactions.

080904. Reporting Examples

A. Table 809-1 illustrates the expansion of the delivery report for physical deliveries of articles and performance of services. This expansion occurs within the FMS Integrated Control System wherein additional information is added for accounting control. A transaction control number, action code, and intefund bill number are added to the delivery transaction to provide additional control. The document identifier is expanded to differentiate between input and feedback. The expanded report of delivery submitted through the FMS Integrated Control System (FICS) to the Defense Integrated Financial System (DIFS) will have a document identifier of NAI. Every NAI transaction received in DIFS is fed back to the FICS with a document identifier of NAF. Rejected transactions include transaction reply codes that identify error conditions. Rejects are suspended and controlled by transaction control number. The delivery transaction combines financial information with logistics information and is reflected in column 9 of the DD 645 Billing Statement and itemized as a FKA/B transaction on the customer's Delivery Listing. The information added in the expanded version is not included in the report to the customer. This information is internal and its only use is to assure accounting control of the transactions.

B. Table 809-2 illustrates the expansion of the delivery transaction of a progress payment to the contractor. This version of the delivery transaction is similar to the one described in subparagraph A above with the exception that port of embarkation code, transportation bill code, stock fund code, date of shipment, and mode of shipment are not included. The document identifier for the report submitted to DIFS is NDI and the feedback is NDF. This is a financial transaction and recorded as work-in-process on the DD 645 Billing Statement. It is not itemized in the Delivery Listing.

C. Other expanded formats, not illustrated here, correspond to other delivery transaction formats such as the Report of Discrepancy actions and the Report of Actual Costs. Detailed procedures concerning these various formats are contained in the FICS Interface Document.

**TABLE 809-1 EXAMPLE OF PHYSICAL DELIVERY OF MATERIEL/
PERFORMANCE OF SERVICE**

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validation
Document Identifier Code	'1-3	'002	Must be NAI
Transaction Control No. Format (YYMMDDNNNNNV)	'4-16	'152	Must be numeric
		'152	Date must be equal to or less than current date
		'249	Version Number (V) must be "0" if Action Code is "A" (add)
		'248	Version Number (V) must be 1 thru 9 if Action Code is "C" (change) and must be one greater than suspense version No.
		---	Version number is edited if the Action Code is "D" or invalid.
Action Code	17	'003	Must be "A", "C", or "D" A=Add; C=Change; D=Delete
		'341	If Action Code = "A" then the Site Code/ DIC/TCN combination cited in trans- action cannot be duplicated in same update
		'251	If Action Code = "C" or "D" the Site Code/ DIC/TCN (excluding V) combination cited in transaction must match a record resident on PTC suspense file.
Document Number Implementing Agency (IA) Country Code (CC)	'18-31		
	'18	'038	IA code invalid (Table 03)
	'19-20	'037	Country Code Invalid (Table 02)
	'21-31	'342	If any position is not Alpha (A-Z) or Numeric (0-9) DIFS will overlay position with zero. (Spaces are not valid)
Note: TRC will be management alert--transaction will process with this TRC			
CUST-IN-CNTRY (1)	21	'---	NO EDIT
DTC (1)	22	'---	Validated if TBC is invalid . See TBC validation
TYPE-ASST(1)	23	'---	NO EDIT
DOC-NBR-LST-8(8)	'24-27	'---	NO EDIT
DT-RQSN(4)			
DOC-SERIAL-NBR (4)	'28-31	'---	NOEDIT
Monitor Code	32	'006	Must match Monitor Code table (Table 12), using full table key of Monitor Code and IA
		'343	Army reporting DD 1517s (IAs=B, E, M, R, V and Z). Monitor Code must = X when Reimbursement Code = D or S.
		'344	Navy reporting DD 1517s Monitor Code must = V, C, or S

**TABLE 809-1 EXAMPLE OF PHYSICAL DELIVERY OF MATERIEL/
PERFORMANCE OF SERVICE (CONTINUED)**

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validation
Routing Identifier Code	'33-35	304	Must be Alpha (A-Z) or Numeric (0-9) (No Spaces) ----- All IAs (Do this RIC edit right after TRC 304)
		'345	If Monitor = Y and RIC = RRR, IA must = B If not, reject without another edit on RIC ----- Army Reporting (IAs = B, E, M, R, V, and Z)
		'345	If Monitor not = Y or X, Monitor/RIC combination must match Command Pay Address Table ----- Army Reporting (IAs = B, E, M, R, V, and Z)
		'345	If Monitor Code = Y and RIC = ZZZ, reject ----- Army Reporting (IAs = B, E, M, R, V, and Z)
		'346	If Monitor = X, RIC is matched to Table 33 for RIC/Monitor conversion. If not on table, reject ----- Air Force reporting
		'345	If IA = D and Monitor not = B, G, H, F, L, N or P, Monitor/RIC must match Command Pay Address Table ----- Navy reporting
		'---	No edits performed against Command Pay Address Table ----- GSA reporting (pertains to all valid IAs)
		'330	If RIC = G, DCS must equal EF or EG. If not, reject ----- Information only - See BCR 90106
			All Other IAs reporting ----- If IA not = R and 1st position of RIC = S, do not match to Command Pay Address Table
Price Code	36	'007	Must = A, E, or N
		'347	Price Code and Reimbursement Code cannot both = N
		'348	Price Code may = N only for DSC with CAS = Y as shown on Table 804-2 in DoD 7220.9-M, Vol 9.
National Stock Number	'37-51	'342	Should be Alpha (A-Z) or Numeric (0-9) (No Spaces) DIFS will change special characters to zero (0) ----- Note: TRC will be management alert--transaction will process.
Unit of Issue	'52-53	'008	Must match Unit of Issue Table (Table 06)
Delivered Quantity	'54-60	'010	Must be Numeric
		'349	If equal to "0" unit of issue must be "XX"
		'018	If not equal to "0" the sign of this field must agree with the sign of amount delivered articles and services. If this field is equal to "0" there is not edit between the signs of this field and amount of delivered articles and svcs.
		'350	Cannot exceed (without sign) 99,999

**TABLE 809-1 EXAMPLE OF PHYSICAL DELIVERY OF MATERIEL/
PERFORMANCE OF SERVICE (CONTINUED)**

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validation
Suffix	61	'---	No edit.
Customer Country Military Service Code	62	'---	No edit.
Option/Frieght Forwarder Code	'63-64	'---	No edit.
Case Designator	'65-67	'041 '031	Must be a valid Case Case must be in I or C status
Delivery Source Code	'68-69	'337 '334 '012	If DSC = EF or EG, RIC must = G If not, reject If DSC = "CA" Case Type Assistance must equal U (FMSO I) If the DSC is equal to "CD" or "DE" thru "DX" reject without any other edit of DSC or Reimbursement code.
Reimbursement Code	70	* Perform these two "013" reimbursement edits first 013* 013* 012 013 011 139	If the Reimbursement Code = A, W, X, Y or Z reject without any other edit of reimbursement code. If IA = P and Reimbursement Code = R Monitor Code must = C. If not reject and do no other edits on the Reimbursement Code. Match DSC/Reimbursement Code to the DSC Cost Computation Table. If the combination is invalid, then match DSC to DSC Table. If DSC is invalid, reject for invalid DSC. If DSC is valid, match Reimbursement Code table. If Reimbursement code not on table, reject for invalid Reimbursement Code If both DSC and Reimbursement Code are valid reject for invalid combination If reimbursement code = "I", Interfund Bill number must be present.
Port of Embarkation Code	71	'---	No edit. If present and equal to "A" compute Air Trans., otherwise compute Ocean

**TABLE 809-1 EXAMPLE OF PHYSICAL DELIVERY OF MATERIEL/
PERFORMANCE OF SERVICE (CONTINUED)**

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validation
Transportation Bill Code (TBC)	72	'---	If TBC = D, K, or L, do not perform any other TBC edits.
		'284	If TBC equals W and DTC does not equal 6, 8, or 9 reject
		'283	If TBC equals W and DTC equals 6, 8, or 9 and there is no matching NSN on Table 35 with an effective date less than or equal to the transaction date shipped, reject.
		'285	If DTC equals 6, 8, or 9 and a NSN/date match found, DIFS will move "W" to TBC
		Note: TRC is management alert--transaction will process with this TRC.	
		'014	Must be on the Transportation Bill Code table (28). If invalid, then check Delivery Term Code (DTC).
		Note: TRC is management alert--transaction will process with this TRC.	
		'286	If DTC non on DTC Table, reject.
Stock Fund Code	73	'---	No edit.
Date Shipped (YYMMDD)	'74-79	'016	Must be valid date and less than or equal to current date.
Item Number	'80-82	'103	Must be a valid item.
Interfund Bill Number	'83-87	'032	This edit is invoked only if Reimbursement code = I Interfund Bill Number must be valid Alpha (A-Z) or Numeric (0-9). (No special characters or embedded spaces allowed.) If Reimbursement Code not = I, there is no edit on the Interfund Bill Number.
Amount Delivered Articles/ Services	'88-102	'017	Must be numeric.
		'351	Amount exceeds DIFS limitations Reject if amount (ignoring sign) is greater than 999,999,999.99.
		'356	If amount is greater than 9,999,999.99 but less than 1,000,000,000.00 and not in even dollars, the cents will be changed to zeros in DIFS.
		Note: TRC is management alert--transaction will process with this TRC.	
Mode of Shipment Code	102	'352	Must be Alpha or Numeric or Asterisk (*) or Blank.
NOTE: TRC = Transaction reply code.			

TABLE 809-2 EXAMPLE OF FINANCIAL PERFORMANCE REPORTING

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validation
Document Identifier Code	'1-3	'002	Must be NDI
Transaction Control No. Format (YYMMDDNNNNNV)	'4-16	'152	Must be numeric
		'152	Date must be equal to or less than current date
		'249	Version Number (V) must be "0" if Action Code is "A" (add)
		'248	Version Number (V) must be 1 thru 9 if Action Code is "C" (change) and must be one greater than suspense version No.
		---	Version number is edited if the Action Code is "D" or invalid.
Action Code	17	'003	Must be "A", "C", or "D" A=Add; C=Change; D=Delete
		'341	If Action Code = "A" then the Site Code/ DIC/TCN combination cited in trans- action cannot be duplicated in same update
		'251	If Action Code = "C" or "D" the Site Code/ DIC/TCN (excluding V) combination cited in transaction must match a record resident on PTC suspense file.
Document Number Implementing Agency (IA) Country Code (CC)	'18-31		
	'18	'038	IA code invalid
	'19-20	'037	Country Code Invalid
	'21-31	'342	If any position is not Alpha (A-Z) or Numeric (0-9) DIFS will overlay position with zero. (Spaces are not valid)
Note: TRC will be management alert--transaction will process with this TRC			
CUST-IN-CNTRY (1)	21	'---	NO EDIT
DTC (1)	22	'---	Validated if TBC is invalid . See TBC validation
TYPE-ASST(1)	23	'---	NO EDIT
DOC-NBR-LST-8(8)	'24-27	'---	NO EDIT
DT-RQSN(4)			
DOC-SERIAL-NBR (4)	'28-31	'---	NOEDIT
Monitor Code	32	'006	Must match Monitor Code table using full table key of Monitor Code and IA
		'343	Army reporting DD 1517s (IAs=B, E, M, R, V and Z). Monitor Code must = X when Reimbursement Code = D or S.
		'344	Navy reporting DD 1517s Monitor Code must = V, C, or S

TABLE 809-2 EXAMPLE OF FINANCIAL PERFORMANCE REPORTING (CONTINUED)

Data Element Description and Element Abbreviation	Format/ No. of Position	FICS TRC	Edit/Validation		
Routing Identifier Code	'33-35	304	Must be Alpha (A-Z) or Numeric (0-9) (No Spaces) <u>All IAs (Do this RIC edit right after TRC 304)</u>		
		'345	If Monitor = Y and RIC = RRR, IA must = B If not, reject without another edit on RIC <u>Army Reporting (IAs = B, E, M, R, V, and Z)</u>		
		'345	If Monitor not = Y or X, Monitor/RIC combination must match Command Pay Address Table <u>Army Reporting (IAs = B, E, M, R, V, and Z)</u>		
		'345	If Monitor Code = Y and RIC = ZZZ, reject <u>Army Reporting (IAs = B, E, M, R, V, and Z)</u>		
		'346	If Monitor = X, RIC is matched to Table 33 for RIC/Monitor conversion. If not on table, reject <u>Air Force reporting</u>		
		'345	If IA = D and Monitor not = B, G, H, F, L, N or P, Monitor/RIC must match Command Pay Address Table <u>Navy reporting</u>		
		'---	No edits performed against Command Pay Address Table Information only - See BCR 90106 <u>All Other IAs reporting</u>		
			If IA not = R and 1st position of RIC = S, do not match to Command Pay Address Table		
		Price Code	36	'007	Must = A, E, or N
				'347	Price Code and Reimbursement Code cannot both = N
'353	Price Code may = N only for DSC with CAS = Y as shown on Table 804-2, this Volume				
National Stock Number	'37-51	'342	Should be Alpha (A-Z) or Numeric (0-9) (No Spaces) DIFS will change special characters to zero (0)		
Note: TRC will be management alert--transaction will process.					
Suffix	52	'---	No edit.		
Customer Country Military Service Code	53	'---	No edit.		
Option/Frieght Forwarder Code	'54-55	'---	No edit.		

TABLE 809-2 EXAMPLE OF FINANCIAL PERFORMANCE REPORTING (CONTINUED)

Data Element Description and Element Abbreviation	Format/No. of Position	FICS TRC	Edit/Validation
Case Designator	'56-58	'041 '078	Must be a valid case Case must be in "I" status
Delivery Source Code	'59-60	'354	DSC must equal "CD" or "DE" thru "DX" If not, reject
Reimbursement Code	61	* Perform these two "013" reimbursement edits first '013* '013* '012 '013 '011 '139	If the Reimbursement Code = A, W, X, Y or Z reject without any other edit of reimbursement code. If IA = P and Reimbursement Code = R Monitor Code must = C. If not reject and do no other edits on the Reimbursement Code. Match DSC/Reimbursement Code to the DSC Cost Computation Table. If the combination is invalid, then match DSC to DSC Table. If DSC is invalid, reject for invalid DSC. If DSC is valid, match Reimbursement Code table. If Reimbursement code not on table, reject for invalid Reimbursement Code If both DSC and Reimbursement Code are valid reject for invalid combination If reimbursement code = "I", Interfund Bill number must be present.
Date Accounting Month (YYMM)	'62-65	'016	Must be numeric and valid YY MM combination. Must be less than or equal
Item Number	'66-68	'103	Must be a valid item.
Amount Delivered Articles/ Services	'69-82	'017 '351 '356	Must be numeric. Amount exceeds DIFS limitations Reject if amount (ignoring sign) is greater than 999,999,999.99. If amount is greater than 9,999,999.99 but less than 1,000,000,000.00 and not in even dollars, the cents will be changed to zeros in DIFS. Note: TRC is management alert--transaction will process with this TRC.
Interfund Bill Number	'83-87	'032	This edit is invoked only if Reimbursement code = I Interfund Bill Number must be valid Alpha (A-Z) or Numeric (0-9). (No special characters or embedded spaces allowed.) If Reimbursement Code not = I, there is no edit on the Interfund Bill Number.

NOTE: TRC = Transaction reply code.

APPENDIX A - TRUST FUND ACCOUNTS**Account 1000****Assets**

Debit Balance. This account represents the total FMS Trust Fund Assets. It is a summary account equal to the sum of accounts 1010, 1100, and 1310.

This is a summary account.
Do not post to this account.

Account 1010
Fund Balance with Treasury

Debit Balance. This account represents the net funds available to the DoD from FMS customer advances. The funds are deposited in account 11X8242. It is a summary account equal to the sum of accounts 1011 and 1012

DebitCredit

This account is a summary account.
Do not post to this account.

Account 1011
Funds Collected

Debit Balance. This account represents the funds received and on deposit in the Treasury due to payments from FMS customers. Account is subsidiary to Fund Balance with Treasury. Subsidiary ledgers shall be maintained for each FMS country program and include the amount identified as termination liability.

DebitCredit

1. Payments accepted from non-Federal Government activities

Contra: 2312

2. Collection of receivables.

Contra: 1310

Source of Entry: Cash collection vouchers, journal vouchers, or automated equivalents.

APPENDIX A - TRUST FUND ACCOUNTS**Account 1012
Funds Disbursed**

Credit Balance. This account represents amount of payments made (net of refunds, erroneous payments, and returns of advances), from the FMS Trust Fund. The account is subsidiary to Fund Balance with Treasury. Subsidiary ledgers shall be maintained for each FMS program.

Debit

1. Refunds received as overpayments.

Contra: 1315, 1316

Credit

1. Payments made in execution of the FMS program.

Contra: 2312

Source of Entry: Cash disbursement vouchers, journal vouchers, or automated equivalents.

**Account 1100
Cash**

Debit Balance. This account represents funds available to the FMS Trust Fund that are not yet deposited in the U.S. Treasury. It is a summary account equal to the amount recorded in account 1110.

DebitCredit

This account is a summary account.
Do not post to this account.

**Account 1110
Undeposited Collections**

Debit Balance. This account represents the cash held in the Federal Reserve Bank investment and existing commercial bank accounts at the request of the FMS customers. (New commercial bank accounts are not authorized.) Applicable Federal Reserve Bank investment accounts are blocked and cash cannot be withdrawn by the customer. The SAAC can withdraw against the account for deposit to 11X8242 as required to meet Trust Fund requirements; no other payee is authorized. Funds in the account bear interest and the FMS customer is self-insured for any losses. Subaccounts shall be maintained for each FMS Program account.

Debit

1. Collection.

Contra: 1313,2312

Credit

1. Deposition of undeposited collection, collections, deposit in Trust Fund.

Contra: 2312

Source of Entry: Collection records, certificates of deposit.

APPENDIX A - TRUST FUND ACCOUNTS

<p style="text-align: center;">Account 1310 Accounts Receivable</p> <p><u>Debit Balance.</u> Amounts due from others to the FMS Trust Fund.</p> <table> <tr> <td style="text-align: center;"><u>Debit</u></td> <td style="text-align: center;"><u>Credit</u></td> </tr> <tr> <td></td> <td style="text-align: center;">This is a summary account. Do not post to this account.</td> </tr> </table>		<u>Debit</u>	<u>Credit</u>		This is a summary account. Do not post to this account.		
<u>Debit</u>	<u>Credit</u>						
	This is a summary account. Do not post to this account.						
<p style="text-align: center;">Account 1311 Accounts Receivable-Government-Current</p> <p><u>Debit Balance.</u> This account represents the amounts due the FMS Trust Fund from U.S. Government sources. Applicable amounts may result from overpayment of customer funds to an Implementing Agency.</p> <table> <tr> <td style="text-align: center;"><u>Debit</u></td> <td style="text-align: center;"><u>Credit</u></td> </tr> <tr> <td>1. Amounts of payment. Contra: 2400</td> <td>1. Amount of collections received. Contra: 1011</td> </tr> <tr> <td></td> <td>2. Write-offs of accounts receivable. Contra: 1319</td> </tr> </table> <p>Source of Entry: Cash collection vouchers, DD Form 645 Billing Process.</p>		<u>Debit</u>	<u>Credit</u>	1. Amounts of payment. Contra: 2400	1. Amount of collections received. Contra: 1011		2. Write-offs of accounts receivable. Contra: 1319
<u>Debit</u>	<u>Credit</u>						
1. Amounts of payment. Contra: 2400	1. Amount of collections received. Contra: 1011						
	2. Write-offs of accounts receivable. Contra: 1319						
<p style="text-align: center;">Account 1313 Accounts Receivable-Public-Current</p> <p><u>Debit Balance.</u> The account represents the amount due the FMS Trust Fund from customers. This is a summary account equal to the sum of accounts 1313.1, 1313.2, and 1313.3.</p> <table> <tr> <td style="text-align: center;"><u>Debit</u></td> <td style="text-align: center;"><u>Credit</u></td> </tr> <tr> <td></td> <td style="text-align: center;">This is a summary account. Do not post to this account.</td> </tr> </table>		<u>Debit</u>	<u>Credit</u>		This is a summary account. Do not post to this account.		
<u>Debit</u>	<u>Credit</u>						
	This is a summary account. Do not post to this account.						
<p style="text-align: center;">Account 1313.1 Accounts Receivable-Public-Current (Advances Receivable)</p> <p><u>Debit Balance.</u> The account represents the amount due the FMS Trust Fund from the customers. It is debited when the customer is billed and credited when payment is received. Subaccounts shall be maintained for each FMS country program.</p> <table> <tr> <td style="text-align: center;"><u>Debit</u></td> <td style="text-align: center;"><u>Credit</u></td> </tr> <tr> <td>1. Amounts earned and billed for goods and services furnished. Contra: 2400</td> <td>1. Amounts of collections received. Contra: 1011</td> </tr> </table> <p>Source of Entry: Cash collection vouchers or DD Form 645 Billing Process.</p>		<u>Debit</u>	<u>Credit</u>	1. Amounts earned and billed for goods and services furnished. Contra: 2400	1. Amounts of collections received. Contra: 1011		
<u>Debit</u>	<u>Credit</u>						
1. Amounts earned and billed for goods and services furnished. Contra: 2400	1. Amounts of collections received. Contra: 1011						

APPENDIX A - TRUST FUND ACCOUNTS

Account 1313.2
Accounts Receivable-Public-Arrearages

Debit Balance. The account represents the amount by which a country's total accrued costs exceed the country's total cash deposits. Amounts recorded equal the amount of the arrearage plus interest accrued from the date of the arrearage. Countries will be reported as having a "total amount outstanding" (arrearage) in column 3 of the TFS Form 4503 based on accrued expenditures recorded in column 10 exceeding the total of column 13 of the DD Form 645 on a net country basis (adjusted for over-collected cases) plus the country's cash resources (including holding accounts, interest bearing accounts, and undisbursed FMF) or the amount paid on the DSAA supplementary bill as adjusted by the preceding. The account is debited when the arrearage occurs and credited when the arrearage is settled. Subaccounts shall be maintained for FMS country programs with arrearages.

Debit

1. Amounts earned and billed for goods and services furnished.
Contra: 1313.1
2. Interest applied to arrearage amounts.
Contra: 2190

Credit

1. Amounts of collections received.
Contra: 1011

Source of Entry: Cash collection vouchers or DD Form 645 Billing Process.

Account 1313.3
Accounts Receivable-Public-Current-Uncollectible

Debit Balance. The account represents the amount due and unpaid by customers which has been officially declared uncollectible. It is credited when resolved and funding identified. Termination cost and interest applied to delinquent accounts will be debited to this account. Subaccounts shall be maintained for each FMS country program in this category. Within 90 days of a determination that a country program is uncollectible, DSAA will request a decision for disposition of the amount recorded from the DoD Comptroller.

Debit

1. Unpaid amounts of goods and services furnished.
Contra: 1313.1, 1313.2
2. Interest applied to unpaid amounts.
Contra: 2190
3. Termination Costs
Contra: 2400

Credit

1. Amounts of collections received.
Contra: 1011

Source of Entry: Official correspondence conveying a determination that the debt is uncollectible, documents from the DD Form 645 Billing Process, documents supporting interest calculations, and cash collection vouchers.

APPENDIX A - TRUST FUND ACCOUNTS

<p align="center">Account 2000 Liabilities</p> <p><u>Credit Balance.</u> This account represents the total FMS Trust Fund Liabilities.</p> <table> <tr> <td><u>Debit</u></td> <td><u>Credit</u></td> </tr> <tr> <td colspan="2"> <p align="center">This is a summary account. Do not post to this account.</p> </td> </tr> </table>		<u>Debit</u>	<u>Credit</u>	<p align="center">This is a summary account. Do not post to this account.</p>	
<u>Debit</u>	<u>Credit</u>				
<p align="center">This is a summary account. Do not post to this account.</p>					
<p align="center">Account 2100 Accrued Liabilities</p> <p><u>Credit Balance.</u> Represents the amounts DoD Components owe for goods and services ordered and received by other than employees.</p> <table> <tr> <td><u>Debit</u></td> <td><u>Credit</u></td> </tr> <tr> <td colspan="2"> <p align="center">This account is a summary account. Do not post to this account.</p> </td> </tr> </table>		<u>Debit</u>	<u>Credit</u>	<p align="center">This account is a summary account. Do not post to this account.</p>	
<u>Debit</u>	<u>Credit</u>				
<p align="center">This account is a summary account. Do not post to this account.</p>					
<p align="center">Account 2110 Accounts Payable</p> <table> <tr> <td><u>Debit</u></td> <td><u>Credit</u></td> </tr> <tr> <td colspan="2"> <p><u>Credit Balance.</u> This account represents the total amount due the public and U.S. Government Agencies from the Trust Fund.</p> <p align="center">This is a summary account. Do not post to this account.</p> </td> </tr> </table>		<u>Debit</u>	<u>Credit</u>	<p><u>Credit Balance.</u> This account represents the total amount due the public and U.S. Government Agencies from the Trust Fund.</p> <p align="center">This is a summary account. Do not post to this account.</p>	
<u>Debit</u>	<u>Credit</u>				
<p><u>Credit Balance.</u> This account represents the total amount due the public and U.S. Government Agencies from the Trust Fund.</p> <p align="center">This is a summary account. Do not post to this account.</p>					
<p align="center">Account 2111 Accounts Payable-Government-Current</p> <p><u>Credit Balance.</u> This account represents the amount due the U.S. Government Agencies from the Trust Fund.</p> <table> <tr> <td><u>Debit</u></td> <td><u>Credit</u></td> </tr> <tr> <td> <p>1. Payments liquidating amounts owed.</p> <p>Contra: 1012</p> </td> <td> <p>1. Payment for goods, services, and progress payments on FMS cases.</p> <p>Contra: 2312</p> </td> </tr> </table> <p>Source of Entry: RE Transaction, Status of Allotment Report and reimbursable delivery transactions.</p>		<u>Debit</u>	<u>Credit</u>	<p>1. Payments liquidating amounts owed.</p> <p>Contra: 1012</p>	<p>1. Payment for goods, services, and progress payments on FMS cases.</p> <p>Contra: 2312</p>
<u>Debit</u>	<u>Credit</u>				
<p>1. Payments liquidating amounts owed.</p> <p>Contra: 1012</p>	<p>1. Payment for goods, services, and progress payments on FMS cases.</p> <p>Contra: 2312</p>				

APPENDIX A - TRUST FUND ACCOUNTS

<p style="text-align: center;">Account 2112 Accounts Payable-Government-NonCurrent</p> <p><u>Credit Balance</u>: Represents amounts owed to U.S. Government Agencies or funds that will not be paid with 1 year.</p> <p>1. Change in a current payable Contra: 2111</p>							
<p style="text-align: center;">Account 2113 Accounts Payable-Public-Current</p> <p><u>Credit Balance</u>. Amounts due the public from the FMS Trust Fund.</p> <table> <tr> <th style="text-align: left;"><u>Debit</u></th><th style="text-align: left;"><u>Credit</u></th></tr> <tr> <td>1. Payments liquidating amounts owed.</td><td>1. Payment for goods services, and progress payments on FMS cases.</td></tr> <tr> <td>Contra: 1012</td><td>Contra: 2312</td></tr> </table> <p>Source of Entry: RE Transaction (Status of Allotment Report).</p>		<u>Debit</u>	<u>Credit</u>	1. Payments liquidating amounts owed.	1. Payment for goods services, and progress payments on FMS cases.	Contra: 1012	Contra: 2312
<u>Debit</u>	<u>Credit</u>						
1. Payments liquidating amounts owed.	1. Payment for goods services, and progress payments on FMS cases.						
Contra: 1012	Contra: 2312						
<p style="text-align: center;">Account 2190 Other Accrued Liabilities</p> <p><u>Credit Balance</u>. Represents amounts owed to DoD implementing activities for expenditures on foreign military sales cases for which reimbursement from FMS customers appears doubtful. Includes interest which is accrued on delinquent accounts receivable and payable to the U.S. Treasury.</p> <table> <tr> <th style="text-align: left;"><u>Debit</u></th><th style="text-align: left;"><u>Credit</u></th></tr> <tr> <td>1. Payments liquidating amounts owed.</td><td>1. Payment for goods services, and progress payments on FMS cases.</td></tr> <tr> <td>Contra: 1012</td><td>Contra: 2312</td></tr> </table> <p>Source of Entry: RE Transaction (Status of Allotment Report).</p>		<u>Debit</u>	<u>Credit</u>	1. Payments liquidating amounts owed.	1. Payment for goods services, and progress payments on FMS cases.	Contra: 1012	Contra: 2312
<u>Debit</u>	<u>Credit</u>						
1. Payments liquidating amounts owed.	1. Payment for goods services, and progress payments on FMS cases.						
Contra: 1012	Contra: 2312						
<p style="text-align: center;">Account 2310 Advances From Others</p> <p><u>Credit Balance</u>. This account represents the amount of unearned cash advances received from FMS customers.</p> <table> <tr> <th style="text-align: left;"><u>Debit</u></th><th style="text-align: left;"><u>Credit</u></th></tr> <tr> <td colspan="2" style="text-align: center;"> <p>This account is a summary account. Do not post to this account.</p> </td></tr> </table>		<u>Debit</u>	<u>Credit</u>	<p>This account is a summary account. Do not post to this account.</p>			
<u>Debit</u>	<u>Credit</u>						
<p>This account is a summary account. Do not post to this account.</p>							

APPENDIX A - TRUST FUND ACCOUNTS

Account 2312
Unearned Revenue-Advances from Public

Credit Balance. This account represents cash advances received from FMS customers.

Debit

1. Payments made on behalf of FMS customers.

Contra: 1012

2. Identification of payables.

Contra 2112, 2113

Credit

1. Amounts received from FMS customers either as initial deposits or collections

Contra 1011

Source of Entry: Cash collection vouchers, journal vouchers, or automated equivalents.

Account 2400
Liability for Deposit Funds/Suspense Accounts

Credit Balance. This suspense account represents anticipated FMS cash requirements. It is credited when a customer is billed and debited when payment is made.

Debit

1. Payment received for deposit in the Trust Fund.

Contra: 1313

Credit

1. Account Receivable recorded for amount billed.

Contra: 1313

Source of Entry: DD 645 Billing Process

Account 3000
Trust Fund Equity

Credit Balance. Represents the difference between the assets and liabilities of the FMS Trust Fund. No balance is authorized to be reflected in this account.

DebitCredit

This account is a summary account.
Do not post to this account.

APPENDIX A - TRUST FUND ACCOUNTS**Account 4000
Budgetary**

Debit Balance. Summary account to reflect budgetary operations and conditions from the time FMS Trust Fund revenues are realized until they are expended.

Debit**Credit**

This is a summary account.
Do not post to this account.

**Account 4130
Contract Authority**

Debit Balance. Represents the amount of authority under which contracts may be executed in advance of the receipt of an appropriation, or in excess of amounts otherwise available in a revolving fund.

Debit**Credit**

This is a summary account.
Do not post to this account.

**Account 4131
Contract Authority-Without Liquidating Appropriation**

Debit Balance. Represents the amount of contract authority authorized by FMS orders, less the amount of contract liquidating authority that has been realized (paid) by FMS customers.

Debit**Credit**

1. Amount of contract authority
received in the form of FMS orders.

1. Amount of contract
liquidating authority
paid by FMS customers.

Contra: 4450

Contra: 4132

Source of Entry: FMS Letters of Offer and Acceptance and DD Forms 2060, (Part A Columns 10 plus 11) or automated equivalent "RB". Collection vouchers or automated equivalents.

APPENDIX-A - TRUST FUND ACCOUNTS

Account 4132
Contract Authority-With Liquidating Appropriation

Debit Balance. Represents the amount of contract liquidating authority that has been realized as the result of payments made on FMS cases (orders) by foreign purchasers.

DebitCredit

1. Amount of contract authority realized.

1. Amount of collections.

Contra: 4131

Contra: 4543

Source of Entry: Collection vouchers or automated equivalents.

Account 4150
Other New Budget Authority
(Uncommitted Acceptances)

Debit Balance. Amounts recorded in this account represent uncommitted acceptances pending requests for obligational authority from Implementing Activities. Budget authority is recognized in Treasury Account 97-11X8242, "Advances, Foreign Military Sales, Executive," only to the extent that orders will be executed during the current year.

DebitCredit

1. Amount of new budget authority enacted but not required in the current fiscal year.

1. Amount of request for obligational authority via a DD Form 2060.

Contra: 4131

Contra: 4450

Source of Entry: FMS Letters of Offer and Acceptance and DD Forms 2060, or automated equivalents.

APPENDIX A - TRUST FUND ACCOUNTS

Account 4450
Authority Available (for Apportionment)

Credit Balance. Represents the amount of new budget authority available as a result of SAAC's receipt of a signed Letter of Offer and an initial deposit from a foreign military sales customer Trust Funds are exempted from apportionment on DD Form 1105 in accordance with paragraph 412.2.B.5. of DoD 7110.1-M.

Debit

1. Amount of funds transferred to implementing Agencies in the current year.

Contra: 4516

Credit

1. Amount of contract authority (total case value) received.

Contra: 4131

Source of Entry: FMS Letters of Offer and Acceptance and DD Forms 2060 or automated equivalents.

Account 4516
Unallocated Unfunded Contract Authority

Credit Balance. Represents the amount of unfunded contract authority (authorized by accepted customer orders).

Debit

1. Contract Authority

Contra: 4541

Credit

1. Receipt of unfunded allocations. contract authority.

Contra: 4450

Source of Entry: Total of part A of DD Form 2060, or automated equivalent (RBI).

APPENDIX A - TRUST FUND ACCOUNTS

Account 4541
Allocations Issued Direct Program-Current Year

Credit Balance. Represents the amount of current period, direct program, obligational authority allocated from departmental level to intermediate levels.

Debit

1. Amounts of reductions in allocations issued.

Contra: 4516

2. Completion of the FMS case.

Contra: 4132

Source of Entry: Total of DD Form 2060, columns 10 and or 11 or automated equivalent.

Credit

1. Amounts of allocations issued.

Contra: 4516

Account 4580
Allotments Received (Issued to the Implementing Activities)

Debit Balance. Represents the amount of direct program, allotments issued to Implementing Activities. At Trust Fund level it is the amount of budget authority requested by Implementing Activities that has been approved by the SAAC.

Debit

1. Amounts of reductions in allocations issued.

Contra: 4516

2. Completion of the FMS case.

Contra: 4132

Source of Entry: Total of DD Form 2060, columns 10 and or 11 or automated equivalent.

Credit

1. Amounts of allocations issued.

Contra: 4516

APPENDIX A - TRUST FUND ACCOUNTS

Account 4611
Uncommitted/Unobligated Allotments-Direct (FMS) Program
-Current Period

Credit Balance. Represents the amount of direct program authority received by the Implementing Activities for the current period, but for which they have not yet reported as committed or obligated.

Debit

1. Amounts committed.

Contra: 4710

2. Amounts obligated
without a prior commitment.

Contra: 4810
 4910
 4931

Credit

1. The amount of direct
program obligational authority
received by the IAs.

Contra: 4580

Source of Entry: DD Form 2060, Status of Allotment Report, cash disbursements, or automated equivalent (REI).

Account 4710
Outstanding Commitments-Direct (FMS) Program

Credit Balance. Represents the amount of direct (FMS) program unobligated commitments.

Debit

1. Amounts of other valid
obligating documents for
which a commitment was made.

Contra: 4811

Credit

1. Amount of commitments
reported by the Implementing
Agencies.

Contra: 4611

Source of Entry: DD Form 2060, Status of Allotment Report or automated equivalent (REI).

APPENDIX A - TRUST FUND ACCOUNTS

<p style="text-align: center;">Account 4811 Undelivered Orders-Without Advance Direct (FMS) Program</p> <p><u>Credit Balance.</u> Represents the amount of direct program orders issued without advance payment for goods and services for which delivery or performance has not be reported as having occurred.</p> <table> <tr> <th style="text-align: left;"><u>Debit</u></th><th style="text-align: left;"><u>Credit</u></th></tr> <tr> <td>1. Amounts of progress payments made or reimbursable obligations reported for undelivered orders.</td><td>1. Amounts of orders, contracts, or other obligating documents issued and reported without advance payment to the Implementing Agency</td></tr> <tr> <td>Contra: 4910 4931</td><td>Contra: 4710</td></tr> </table> <p>Source of Entry: DD Form 2060, Status of Allotment or automated equivalent, disbursement documents or automated equivalent accounts payable entries (REI).</p>		<u>Debit</u>	<u>Credit</u>	1. Amounts of progress payments made or reimbursable obligations reported for undelivered orders.	1. Amounts of orders, contracts, or other obligating documents issued and reported without advance payment to the Implementing Agency	Contra: 4910 4931	Contra: 4710
<u>Debit</u>	<u>Credit</u>						
1. Amounts of progress payments made or reimbursable obligations reported for undelivered orders.	1. Amounts of orders, contracts, or other obligating documents issued and reported without advance payment to the Implementing Agency						
Contra: 4910 4931	Contra: 4710						
<p style="text-align: center;">Account 4900 Expended Appropriations</p> <p><u>Credit Balance.</u> This account represents amounts paid and unpaid expenditures incurred by the Trust Fund. It is a summary account equal to the sum of Accounts 4910 and 4931.</p> <table> <tr> <th style="text-align: left;"><u>Debit</u></th><th style="text-align: left;"><u>Credit</u></th></tr> <tr> <td colspan="2" style="text-align: center;">This account is a summary account. Do not post to this account.</td></tr> </table>		<u>Debit</u>	<u>Credit</u>	This account is a summary account. Do not post to this account.			
<u>Debit</u>	<u>Credit</u>						
This account is a summary account. Do not post to this account.							
<p style="text-align: center;">Account 4910 Accrued Expenditures-Unpaid-Direct Program</p> <p><u>Credit Balance.</u> Represents the amount of direct program goods and services reported as received against the FMS program for which payment has not been made by the FMS Trust Fund.</p> <table> <tr> <th style="text-align: left;"><u>Debit</u></th><th style="text-align: left;"><u>Credit</u></th></tr> <tr> <td>1. Amount of goods and services reported for which payment has been made to the Implementing Agency.</td><td>1. Amounts of goods and services reported by the IAs for which payment has not been made.</td></tr> <tr> <td>Contra: 4931</td><td>Contra: 4811</td></tr> </table> <p>Source of Entry: Status of Allotment Report or automated equivalent or accounts payable entries (REI).</p>		<u>Debit</u>	<u>Credit</u>	1. Amount of goods and services reported for which payment has been made to the Implementing Agency.	1. Amounts of goods and services reported by the IAs for which payment has not been made.	Contra: 4931	Contra: 4811
<u>Debit</u>	<u>Credit</u>						
1. Amount of goods and services reported for which payment has been made to the Implementing Agency.	1. Amounts of goods and services reported by the IAs for which payment has not been made.						
Contra: 4931	Contra: 4811						

APPENDIX A - TRUST FUND ACCOUNTS**Account 4931****Accrued Expenditures-Paid-Direct (FMS) Program**

Credit Balance. Represents the amount of direct programs goods and services reported as received and for which payment has been made.

Debit

1. Final value of FMS Customer orders completed and reported at case closure.

Contra: 4611

Credit

1. Amounts of goods and services reported for which payment has been made to the IAs.

Contra: 4811

Source of Entry: Disbursement documents and automated Status of Allotment Reports, (REI) and Final Case Closure Certificates.

APPENDIX B - NONRECURRING COSTS RECOUPMENT CHARGES**MAJOR DEFENSE EQUIPMENT**

Item Description	Approved Charge	Effective^{c,d} Date
<u>CATEGORY I - FIREARMS</u>		
Rifle, 5.56mm M-16 Series (A)	[No Charge]	
Gun, Machine, 7.62mm, M240 (A)	65.07	28 Mar 89
Gun, Machine, 50 CAL, M-2 (A)	1.82	28 Mar 89
<u>CATEGORY II - ARTILLERY AND PROJECTILES</u>		
Gun, M-61, 20mm (AF)	1,342.00	6 Dec 84
Gun, GAU-8, 30mm (AF)	27,881.00	22 Jan 81
Gun Pod, GPU-5/A, 30mm (AF)	60,239.00	11 Aug 82
Howitzer, Towed, 105mm, M101A1 (A)	850.00	11 Jun 87
Howitzer, Towed, 155mm, M198 (A)	47,483.00	14 Feb 86
<u>CATEGORY III - AMMUNITION</u>		
Cartridge, 20mm (A)	(a)	
Cartridge, 30mm (GAU-8) (AF)	.50	28 Mar 89
Cartridge, 40mm, HE (A)	.11	28 Mar 89
Cartridge, 40mm, HE, M406 (A)	.01	
Cartridge, 40mm, M385 Dummy	.19	15 May 91
Cartridge, 40mm, FXD HEDP M433 SNGL RD 72/BX (A)	.43	15 May 91
Cartridge, 60mm, HE (A)	.47	28 Mar 89
Cartridge, 60mm, HE, M49A2/A3/A4 (A)	(a)	
Cartridge, 60mm, HE, M720 W/FMO M734 (LAP) (A)	5.00	15 May 91
Cartridge, 81mm, ILLUM (M301)(only) (A)	.04	7 May 81
Cartridge, 81mm, HE, M374A2/A3 (A)	(a)	
Cartridge, 81mm, HE, M374A3 W/M567 Fuze (A)	3.24	15 May 91
Cartridge, 105mm, APFSDS-T M735 (A)	68.00	28 Mar 89
Cartridge, 105mm, APFSDS-T M833	88.00	5 Jul 91
Cartridge, 105mm, M490 (A)	.57	7 May 81
Cartridge, 105mm, M724A1 (A)	1.42	7 May 81
Cartridge, 105mm, APFSDS-T M774 (A)	(a)	
Cartridge, 105mm, APFSDS-T M774 2/BX (A)	24.00	15 May 91
Cartridge, 105mm, HEAT-T MP M456 (A)	3.59	7 May 81
Cartridge, 105mm, HE, HEP-T, M393A2 (A)	(a)	
Cartridge, 4.2", M329A2 w/o Fuze w/old Obturator (LAP) (A)	4.08	15 May 91
Cartridge, 4.2", HE (A)	(a)	
Cartridge, 4.2", HE, M329 (A)	(a)	
Cartridge, 4.2", ILLUM (M335)(includes M577 fuze) (A)	4.03	20 Jan 82
Cartridge, 120mm, APFSDS-T M829 (A)	126.60	2 Dec 88
Cartridge, 120mm, TPCSDS-T M865 (A)	37.82	2 Dec 88
Cartridge, 120mm, HEAT TP-T M831 (A)	83.03	2 Dec 88
Cartridge, 120mm, HEAT MP-T M830 (A)	293.59	2 Dec 88
Grenade, M42 (A)	.01	10 May 91
Projectile, 5"/38 CAL (N)	15.60	9 Jul 84
Projectile, 5"/54 CAL (N)	74.42	4 May 84
Projectile, 155mm, M107 (A)	3.22	21 May 79

Projectile, 155mm, M483/M483A1 (A)	2.20	2 Mar 82
Projectile, 155mm, HE RAP (M549) (A)	13.76	5 Feb 81
Projectile, 155mm, CLGP, M-712 COPPERHEAD (A)	4,152.00	17 Sep 81
Projectile, 155mm, HE, ADAM M692/M731 (A)	111.00	30 May 86
Projectile, 155mm, HE, ADAM M692(A)	434.00	23 Nov 82
Projectile, 155mm, HE, ADAM M731 (A)	228.00	23 Nov 82
Projectile, 155mm, HE, RAAMS M718 (A)	229.00	23 Nov 82
Projectile, 155mm, HE, RAAMS M741 (A)	99.00	23 Nov 82
Projectile, 155mm, HE, RAAMS M718/M741 (A)	57.00	30 May 86
Projectile, 155mm, M483A1 (A)	2.41	10 Sep 80
Projectile, 175mm, HE M437 (A)	2.33	26 Mar 80
Projectile, 8", HE M106 (A)	.04	21 May 79
Projectile, 8", HE, ICM (A)	15.48	21 May 79
Projectile, 8", HE, ICM M509 (A)	(a)	
Projectile, 8", HE, M650 (A)	83.04	21 May 79

CATEGORY IV - LAUNCH VEHICLES, GUIDED**MISSILES, BALLISTIC MISSILES, ROCKETS,
TORPEDOES, BOMBS, AND MINES**

Bomb, Anti-Armor Cluster Munition CBU-90 (AF)	3,351.00	28 Mar 89
Bomb, Combined Effects Bomblet, CBU-87 (AF)	1,080.00	6 Dec 84
Bomb, Cluster, TMD/Gator Mines, CBU-89 (N)	(a)	
Bomb, MK-20, Cluster Bomb, Rockeye (N)	117.39	25 Mar 83
Bomb, MK-82, 500#, General Purpose (N)	3.29	25 Mar 83
Bomb, MK-83, 1,000#, General Purpose (N)	10.40	25 Mar 83
Bomb, MK-84, 2,000#, General Purpose (N)	12.80	25 Mar 83
Bomb, BLU-109 with FMU-143/B Fuze	1,097.00	18 May 89
Bomb, BLU-109 with FMU-143/B Fuze	889.00	24 Oct 90
Bomb, BLU-109 with FMU-143B/B Fuze	847.00	24 Oct 90
Bomb, BLU-109 w/o Fuze	747.00	18 May 89
Bomb, M-117, 750#, General Purpose (AF)	20.00	6 Dec 84
Bomb, Guided, Walleye Series (N)	6,183.00	6 Dec 84
Fuel Air Explosive Weapon, FAE II (N)	(a)	
Gun Mount, 5"/54, MK-45 MOD I (N)	142,566.00	1 Oct 84
Gun Mount, 76mm Gun, MK-75 (N)	62,749.00	6 Dec 84
Launcher, HARPOON, Baseline, AN/SWG-1(V) (N)	80,562.00	20 Jan 78
Launcher System, HARPOON Shipboard Command and Launch Control, AN/SWG-1A(V) (N)	109,603.00	11 Dec 86
Launcher, Hellfire (A)	14,715.00	14 May 85
Launcher, TOW (A)	3,029.00	16 Sep 77
Launcher, MK-13 (MOD 0 to MOD 3)(N)	78,125.00	17 Nov 78
Launcher, PATRIOT (A)	214,782.00	18 Nov 78
Launcher, Roland (A)	324,828.00	24 Sep 80
Launcher, Multiple Launch Rocket System (MLRS) (A)	132,400.00	(prior to 1985)
Launcher, Multiple Launch Rocket System (MLRS) (A)	173,000.00	2 Dec 85
Launcher, Vertical, MK-41(w/o canister) (N)	1,232,863.00	14 Dec 87
Launcher, Vertical, MK-41(w/canister) (N)	1,239,246.00	14 Dec 87
Launcher, Eight Cell, MK-41 (N)	154,108.00	Nov 89
Launcher, MK-41 VLS w/RIM-7P Capability (N)	279,638.00	5 Nov 91
(Additive to Eight Cell Launcher)		
Launcher, MK-41 VLS canister only (MK-13/15)	6,383.00	Nov 89
Launcher, LAU-127/A (F/A-18 Aircraft)	3,530.00	22 Jan 92

Launcher, LAU-128/A (F-15 Aircraft)	3,530.00	22 Jan 92
Launcher, LAU-129/A (F-16 Aircraft)	3,530.00	22 Jan 92
Light, Antitank Weapon, 66mm, LAW M72 Series (A)	1.32	28 Mar 89
Mine Canister, M87 (Volcano) (A)	270.00	15 May 91
Missile, Advanced Medium Range (N)	(e)	(N/A)
Missile, AIM-4A-G, Falcon (AF)	3,321.00	12 Mar 82
Missile, AIM-7, Skyflash Portion (N)	820.30	7 May 81
Missile, AIM-7, C/D/E Sparrow (N)	2,733.00	7 May 81
Missile, AIM/RIM-7F/M, Sparrow (N)	7,646.00	2 Jun 82
Missile, AIM/RIM-7P (N)	40,258.00	24 Apr 91
Missile, NATO SEASPARROW Surface Missile System (NSSMS) (N)	(a)	
Missile, AIM-9 J/P/N, SIDEWINDER (AF)	333.00	12 Mar 82
Missile, AIM-9L SIDEWINDER (N)	2,604.00	18 May 78
Missile, AIM-9H SIDEWINDER (N)	3,457.00	26 Oct 78
Missile, AIM-9M SIDEWINDER (N)	6,368.00	25 Mar 83
Missile, AIM-54A-C, PHOENIX (N)	71,295.00	10 Jan 83
(Includes Front End - 35,019; Aft End - 36,276)		
Missile, AIM-120, AMRAAM (AF)	114,182.00	22 Jan 92
Missile, AMRAAM Air Vehicle Instrumented (AAVI)	114,182.00	22 Jan 92
Missile, AGM-45, Shrike (N)	4,890.00	11 Aug 78
Missile, AGM-65A/B, Maverick (AF)	3,722.00	3 Feb 81
Missile, AGM-65D (AF)	3,811.00	(prior to 1987)
Missile, AGM-65D (AF)	5,343.00	3 Nov 87
Missile, AGM-65E, Laser Maverick (AF)	24,213.00	6 Dec 84
Missile, AGM-65F MAVERICK (AF)	6,331.00	3 Nov 87
Missile, AGM-88, Harm (N)	21,249.00	20 Apr 82
Army Tactical Missile System (ATACMS)(A)	148,275.00	1 Oct 88
Missile, MIM-72 Chaparral Series (A)	5,445.00	10 Nov 79
Missile, MIM-72 Chaparral Series (A)	2,099.91	16 Dec 88
Missile, MIM-72 Chaparral (w/smokeless motor) (A)	2,102.91	16 Dec 88
Missile, Dragon, HEAT and Practice (A)	378.00	24 Mar 80
Missile, R/U/AGM-84 Harpoon (N)	44,083.00	20 Jan 78
Missile, HELLFIRE, Heat (A)	4,124.00	14 May 85
Missile, HELLFIRE, Dummy (A)	531.00	14 May 85
Missile, HELLFIRE, Training (A)	2,719.00	14 May 85
Missile, High Value Site Defense (HVSD)(commercial derivative of the PHALANX)(N)	164,070.00	15 May 91
Missile, I-Hawk Series (A)	7,053.00	12 Nov 80
Missile, Lance (A)	76,205.00	21 May 79
Missile, Nike Hercules (A)	448,055.00	28 Mar 89
Missile, MIM-104 Patriot (includes canister) (A)	82,836.00	18 Nov 82
Missile, Pershing Series (A)	128,378.00	
Missile, Redeye (A)	(a)	
Missile, Roland (A)	4,422.00	24 Sep 80
Missile, SURE Defense, RBS-17 (Derivative of HELLFIRE) (A)	3,300.00	20 May 87
Missile, AGM-78, Standard ARM (N)	(a)	
Missile, RGM-66D, Standard ARM, MR (N)	(a)	
Missile, RIM-66B-2--66B, RIM-66E(MR), RIM-67A-13(ER), Block V Standard SM-I (N)	12,602.00	15 Sep 77
Missile, RIM-66D and RIM-67B Standard II,		

MR, ER, SM-2 (N)	89,651.00	6 Dec 84
Missile, 5" Rolling Airframe, RAM, X-RIM-116A (N)	(a)	
Missile, SLAM (Standoff Land Attack Missile) (N)	(e)	(N/A)
Missile, Standard (SM-2) (MR/ER) Block II (N)	40,253.00	21 Apr 89
Missile, Standard (SM-2) BLK I RIM 66G/H/I (N)	64,192.00	22 Jul 91
Missile, Standard (SM-2) BLK II RIM 66G/H/I (N)	25,423.00	22 Jul 91
Missile, Standard (SM-2) BLK III RIM 66G/H/I (N)	38,695.00	22 Jul 91
Missile, Stinger (A)	5,480.00	28 Jul 79
Missile, Stinger (Basic)(A)	7,600.00	20 Dec 88
Missile, Stinger (Basic)(A)	3,800.00	3 May 91
Missile, Stinger (Post)(A)	302,200.00	20 Dec 88
Missile, Stinger (Post)(A)	66,100.00	3 May 91
Missile, Stinger (RMP)(A)	3,700.00	20 Dec 88
Missile, Stinger (RMP)(A)	3,000.00	3 May 91
Missile, Surface Launch (SLM) SM-2 Derivative	32,695.00	22 Jul 91
Missile, Tomahawk (N)	(a)	
Missile, BGM-71A, Basic TOW HEAT and Practice (A)	293.00	16 Sep 77
Missile, I-TOW (A)	487.00	3 Nov 81
Missile, BGM-71D, TOW II (A)	658.00	19 Dec 83
Missile, M-65 Subsystem, Airborne TOW (A)	28,578.00	7 May 81
Missile, M-65 Subsystem, Airborne TOW (A)	27,800.00	17 May 89
Rocket, Antisubmarine, ASROC (N)	855.00	20 Dec 84
Rocket, Antisubmarine, ASROC (RUM-139A) (N)	923.00	(N/A)
Rocket, 2.75" Series (A)	.87	26 Mar 80
Rocket, M-77, Multiple Launch Rocket System (MLRS)		
Tactical, Practice, and Training (A)	615.00	2 Dec 85
Rocket, Vertical Launch Anti-Submarine Rocket (VLA)(N)	98,926.00	14 Dec 87
Torpedo, MK-46 MOD 2 (N)	8,993.00	28 Mar 89
Torpedo, MK-46, NEARTIP O/A Kit		
(Converts MK-46 MODs 1/2 to MOD 5) (N)	3,795.00	26 Jan 80
Torpedo, MK-46 MOD 5 (N)	9,308.00	
Torpedo, MK-48 (N)	86,255.00	21 Jul 77
Torpedo, MK-48 ADCAP Kit (N)	103,322.00	25 Nov 80

**CATEGORY V - PROPELLANTS, EXPLOSIVES
AND INCENDIARY AGENTS**

Grenade, M42 (A)	.01	25 Apr 91
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**CATEGORY VI - VESSELS OF WAR AND
SPECIAL NAVAL EQUIPMENT**

CG - Guided Missile Cruiser (N)	(a)	
DD-963 (N)	(a)	
DD - Destroyer (N)	(a)	
DDG - Guided Missile Destroyer (N)	(a)	
FF-1, USS BROOKE	1,275,485.00	21 Apr 89
FF-2, USS RANSEY	1,101,730.00	21 Apr 89
FF-3, USS SCHOFIELD	1,041,670.00	21 Apr 89
FF-4, USS TALBOT	1,059,345.00	21 Apr 89
FF-5, USS RICHARD L. PAGE	886,235.00	21 Apr 89
FF-1041, USS BRADLEY	754,810.00	24 Apr 89
FF-1043, USS EDWARD McDONNELL	767,525.00	24 Apr 89
FF-1047, USS VOGUE	1,597,365.00	24 Apr 89

FF-1048, USS SAMPLE	703,430.00	24 Apr 89
FF-1050, USS ALBERT DAVID	689,885.00	24 Apr 89
FF-1051, USS O'CALLAHAN	629,895.00	24 Apr 89
FFG - Guided Missile Frigate (N)	3,591,379.00	18 Oct 78
LCAC - Landing Craft Air Cushion (N)	(a)	
LHD - Amphibious Assault Ship (N)	(a)	
LPD - Amphibious Transport Dock (N)	(b)	
LSD - Dock Landing Ship (N)	(b)	
LST - Tank Landing Ship (Newport Class)(N)	824,840.00	25 Jan 84
LKA - Amphibious Cargo Ship (N)	(b)	
LPA - General Purpose Amphibious Assault Ship (N)	(b)	
MSO - Minesweeper, Ocean, Nonmagnetic (N)	(b)	
PHM - Patrol Combatant Missile, (NATO)		
Hydrofoil (N)	1,000,000.00	28 Mar 89
PHM - Patrol Combatant Missile, (FRG Variant) Hydrofoil (N)	1,250,000.00	28 Mar 89
SS - Submarine, Conventionally Powered (N)	(b)	

CATEGORY VII - TANKS AND MILITARY VEHICLES

Carrier, Armored Personnel, M-113 Series (A)	688.00	11 Sep 78
Carrier, Mortar, M-106A1/2 (A)	688.00	11 Sep 78
Carrier, Mortar, M-125A1 (A)	688.00	11 Sep 78
Carrier, M-667, LANCE (A)	688.00	11 Sep 78
Carrier, M-730, CHAPARRALL (A)	688.00	11 Sep 78
Carrier, M-741, VULCAN (A)	688.00	11 Sep 78
Carrier, M-727, HAWK (A)	688.00	11 Sep 78
Carrier, Cargo, M-548 Series (A)	688.00	11 Sep 78
Carrier, Command Post, M-577 Series (A)	688.00	11 Sep 78
Gun, Self-propelled, 175mm, M-107 (A)	40,258.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110 (A)	14,371.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110A1 (A)	16,975.00	26 Mar 80
Howitzer, Self-propelled, 8", M-110A2 (A)	21,069.00	26 Mar 80
Howitzer, Self-propelled, 155mm, M-109 Series (A)	5,636.00	26 Mar 80
Howitzer, Self-propelled, 155mm, M-109A1-A3 includes cannon assembly (A)	8,771.00	23 Jun 87
Howitzer, Self-propelled, 155mm, M-109A1-A3 without cannon assembly (A)	7,447.00	23 Jun 87
Howitzer, Med, Towed, 155mm, M-198 (A)	47,483.00	14 Feb 86
Howitzer, Med, Towed, 155mm, M-198 (A)	80,876.00	21 May 79
Tank, M-48A1 (A)	1,479.00	
Tank, M-48A3 (A)	5,521.00	
Tank, M-48A5 (A)	12,849.00	
Tank, M-60A1 (A)	14,083.00	3 Mar 80
Tank, M-60A3 w/TTS (A)	31,427.00	3 Mar 80
Tank, M-60A3 w/o TTS (A)	21,939.00	3 Mar 80
Tank, M-1, ABRAMS (A)	132,162.00	20 Aug 84
Tank, M-1, ABRAMS (A)	114,443.00	27 Oct 88
Tank, M-1A1 (A)	237,048.00	20 Aug 84
Tank, M-1A1 (A)	226,725.00	27 Oct 88
Tank Engine, AVDS-1790 (M60A1 Tank)(A)	2,066.00	3 Mar 80
Transmission, HMPT 500-3, Bradley (AS)	3,564.00	5 Apr 91
Vehicle, AAV7A1/AAVAI Assault Amphibious (N)	91,426.00	20 Apr 82

Vehicle, Armored Reconnaissance Assault, M-551 (A)	33,213.00	
Vehicle, Cavalry Fighting (CFV), M3 (A)	50,549.00	22 Nov 89
Vehicle, Cavalry Fighting (CFV), M3A1 (A)	73,497.00	22 Nov 89
Vehicle, Cavalry Fighting (CFV), M3A1 (Minus) (A)	56,140.00	22 Nov 89
Vehicle, Cavalry Fighting (CFV), M3A2 (A)	106,113.00	22 Nov 89
Vehicle, Combat Engineering Vehicle (CEV), M-728 (A)	(a)	
Vehicle, Field Artillery Ammunition Support Vehicle (including M109 Chassis) M992, (A)	12,805.00	22 Nov 89
Vehicle, Fire Direction Control Center (FDCV) (A)	3,382.00	21 May 86
Vehicle, Fire Support Team (FISTV), M-981 (A)	68,476.00	3 Feb 86
Vehicle High Mobility Multi-Purpose Wheeled (HMMWV) M998 Series (A)	232.00	26 Oct 90
Vehicle High Mobility Multi-Purpose Wheeled (HMMWV) (A)	660.00	6 Apr 88
Vehicle, Infantry Fighting (IFV), M2 (A) (w/o 25mm Cannon)	74,715.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M2 (A) (with 25mm Cannon)	79,392.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M2 (A)	51,989.00	22 Nov 89
Vehicle, Infantry Fighting (IFV), M2A1 (A)	74,937.00	22 Nov 89
Vehicle, Infantry Fighting (IFV), M2A1 (Minus) (A)	57,580.00	22 Nov 89
Vehicle, Infantry Fighting (IFV), M2A2 (A)	106,593.00	22 Nov 89
Vehicle, Infantry Fighting (IFV), M3 (A) (w/o 25mm Cannon)	73,678.00	25 Jun 82
Vehicle, Infantry Fighting (IFV), M3 (A) (with 25mm Cannon)	78,355.00	25 Jun 82
Vehicle, Light Armored, All variants	69,965.00	Aug 88
Vehicle, Light Armored LAV Series		
LAV 25 (includes LAV-25 Turret)	2,818.00	17 Jun 91
LAV Logistics	7,610.00	17 Jun 91
LAV Recovery	26,305.00	17 Jun 91
LAV Mortar	14,383.00	17 Jun 91
LAV Command and Control	16,723.00	17 Jun 91
LAV Anti-Tank (includes LAV-25 Turret)	13,473.00	17 Jun 91
LAV Baseline	800.00	17 Jun 91
LAV-25 Turret	1,600.00	17 Jun 91
Vehicle, Mechanized Infantry Combat, M-723 (A)	(a)	
Vehicle, Recovery, M-88 Series (A)	15,089.00	13 Feb 80
Vehicle, Recovery, M-88/M88A1	8,460.00	1 Nov 88
Vehicle, Recovery, M578 (A)	(a)	
Vulcan Air Defense System, M-163 and M-167 Series (A)	29,439.00	26 Mar 80
M966 Tow Carrier BSC Armor	660.00	6 Apr 88
M996 Ambulance, 2 Litter	660.00	6 Apr 88
M997 Ambulance, 4 Litter	660.00	6 Apr 88
M998 Cargo Troop Carrier	660.00	6 Apr 88
M1025 Armament Carrier BSC Armor w/o Weapons	660.00	6 Apr 88
M1026 Armament Carrier BSC Armor w/o Weapons	660.00	6 Apr 88
M1027 GLLD Carrier	660.00	6 Apr 88
M1035 Soft Top Ambulance, 2 Litter	660.00	6 Apr 88
M1036 Tow Carrier BSC Armor w/Weapons	660.00	6 Apr 88
M1037 Shelter Carrier w/Weapons	660.00	6 Apr 88
M1038 Cargo Troop Carrier Soft Top	660.00	6 Apr 88

M1042 Shelter Carrier w/Weapons	660.00	6 Apr 88
M1044 Armament Carrier Supp Armor w/Weapons	660.00	6 Apr 88
M1045 Tow Carrier Supp Armor w/o Weapons	660.00	6 Apr 88
M1046 Tow Carrier Supp Armor w/o Weapons	660.00	6 Apr 88

**CATEGORY VIII - AIRCRAFT, SPACECRAFT
AND ASSOCIATED EQUIPMENT**

240lb Thrust Engine (Chukar IIIR Aerial Target System (N)	(e)	(N/A)
A-4A (N) (less engine)	15,165.00	20 Oct 83
A-4B (N) (less engine)	12,864.00	20 Oct 83
A-4C (N) (less engine)	15,523.00	20 Oct 83
A-4E (N) (less engine)	27,929.00	20 Oct 83
A-4F (N) (less engine)	32,226.00	20 Oct 83
A-4M (less engine) (N)	132,000.00	Aug 83
A-6 (N)	(a)	
A-7 (w/o FLIR) (N)	243,881.00	8 Sep 83
A-10 (w/o TF34 engine) (AF)	388,786.00	12 Mar 82
A-37 (AF)	19,651.00	28 Mar 89
AH-1S COBRA w/T-53-L-703 Engine (A)	150,856.00	
AH-1S COBRA w/T-53-L-703 Engine, M65 Airborne TOW Missile and C-Nite System (A)	163,860.00	17 May 89
AH-1J Airframe, SEACOBRA (N)	52,245.00	
AH-1T Airframe, SEACOBRA (N)	486,665.00	11 Oct 85
AH-1W (SUPERCobra) (w/engine) (N)	326,461.00	Jun 90
AH-64 w/2 T-700 Engines, APACHE (A)	1,045,566.00	30 Dec 83
AV-8B (w/o UK Assessment) (N)	867,373.00	26 Jun 81
AWACS Enhancements	461,797.00	
C-5A, GALAXY (AF)	12,661,728.00	12 Mar 82
C-130, HERCULES w/4T-56 engines (AF)	102,520.00	3 Aug 83
C-141A/B, STARLIFTER (AF)	892,254.00	12 Mar 82
CH-47A/B/C (Includes T-53 L-11A Engines)(A)	100,000.00	7 Nov 70
CH-47D CHINOOK	144,279.00	7 Aug 91
CH-53E/MH-53E (w/o T64 engine) (N)	1,023,097.00	12 May 83
E-2B (with engines) (N)	298,400.00	22 Jun 89
E-2C (N)	2,625,904.00	18 May 78
E-3 CFM-56 Engine Integration	3,257,819.00	
E-3 Memory Upgrade Modification (AF)	1,674,841.00	8 Nov 89
E-3A, U.S./NATO Standard, SENTRY (AF)	33,021,000.00	26 Oct 81
(Total U.S. NRC charge \$27.43M; Total NATO NRC charge \$5.59M)		
E-3A, Have Quick A-NETS System (AF)	166,121.00	5 Apr 90
EA-6 (N)	(a)	
F-4A (N)	129,712.00	20 Oct 83
F-4B (N)	70,450.00	20 Oct 83
F-4J (N)	122,089.00	20 Oct 83
F-4E (N) (includes engines) (25% discounted for useful life) (N)	159,408.00	20 Oct 83
F-4G Wild Weasel (MOD only) (AF)	667,241.00	12 Mar 82
F-4N (N)	109,000.00	Feb 90

F/RF-5A, TIGER (AF) (without 2 J-85 engines)	40,000.00	1 Nov 71
F/RF-5E, TIGER II (AF) (without 2 J-85 engines)	68,000.00	1 Nov 71
F/RF-5F, TIGER II (AF) (without 2 J-85 engines)	207,000.00	25 Nov 75
F-8 (N)	56,859.00	12 May 81
F-14 (N) (with engine)	1,600,000.00	29 Nov 76
F-15, EAGLE (AF)	1,600,000.00	29 Nov 76
F-15 A/B (w/o engines, AN/APG-63 radars, MSIP, and TEWS)	1,849,611.00	5 Feb 92
F-15 C/D (w/o engines, AN/APG-63 radars, MSIP, and TEWS)	1,897,460.00	5 Feb 92
F-15 E (w/o engines, AN/APG-63 radars, MSIP, and TEWS)	3,938,594.00	5 Feb 92
F-15 Enhancements		
Upgrade, F-15 MSIP	615,789.00	5 Feb 92
Tactical Electronic Warfare Support (TEWS)	225,434.00	5 Feb 92
F-16 A/B (without EPG special NRC \$85,000.00)		
FIGHTING FALCON (AF)	640,000.00	4 Jun 80
F-16A Simulated Aircraft Maintenance Trainer (SAMT) (AF)	172,220.00	3 Jul 85
F-16 C/D (AF)	713,750.00	12 Apr 84
F-16/79 (AF)	456,934.00	1 May 81
F-18 (N) (includes 2 engines each acft)	1,117,281.00	30 Mar 87
F-18 (N) (includes 2 engines each acft)	877,690.00	5 Aug 79
F-20 (AF)	(a)	
F-100A (AF)	37,840.00	6 Dec 84
F-100C (AF)	25,800.00	6 Dec 84
F-100D (AF)	25,440.00	6 Dec 84
F-100F (AF)	27,840.00	6 Dec 84
F-101B/F (AF)	65,560.00	6 Dec 84
F-102 (AF)	38,320.00	6 Dec 84
F-104A STARFIGHTER (AF)	42,080.00	6 Dec 84
F-104B/C/D (AF)	91,040.00	6 Dec 84
F-104G/J (AF)	(a)	
F-105B, THUNDERCHIEF (AF)	168,000.00	6 Dec 84
F-105D/F (AF)	78,400.00	6 Dec 84
F-106A/B, DELTA DART (AF)	159,200.00	6 Dec 84
F-107-WR-400 (N)	(a)	
F-111A/C/D/E/F (AF)	605,320.00	6 Dec 84
H-3E (N)	(a)	
H-46 (N)	(a)	
H-53 (S-65) (N)	166,029.00	27 Feb 79
KC-10, EXTENDER (AF)	1,176,667.00	12 Mar 82
KC-135A, STRATOTANKER (AF)	217,034.00	12 Mar 82
OH-6, CAYUSE (A)	18,000.00	11 Jun 87
OH-58A, KIOWA (A)	22,000.00	11 Jun 87
OH-58C, KIOWA (A)	48,000.00	11 Jun 87
OH-58D, (AHIP) Helicopter (A)	755,379.00	26 Mar 90
OV-1A/B/C, MOHAWK (A)	199,590.00	(Prior to 1982)
OV-1A/B/C, MOHAWK (A)	119,229.06	23 Jun 82
OV-10 (N) (without engine)	41,930.84	9 Jun 78
P-3A/B (N) (with engine)	382,750.00	
P-3C (N) (with engine, update II)	592,219.00	3 Jan 78

P-3C AEW&C (N)	1,761,974.00	25 Feb 87
P-3C Update III a/c (N)	1,044,128.00	17 May 89
Remotely Piloted Vehicle (RPV), ACQUILA (A)	(a)	
RF-4B (N)	104,566.00	20 Oct 83
RF-4C, PHANTOM II (AF)	108,000.00	6 Dec 84
S-2 (N) with engine	85,449.00	28 Aug 81
S-2A/US-2 without engine (N)	18,987.00	20 Oct 83
S-2C without engine (N)	23,497.00	20 Oct 83
S-2D without engine (N)	38,448.00	20 Oct 83
S-2E without engine (N)	35,950.00	20 Oct 83
S-3 (N)	3,502,643.00	26 Jun 81
SH-2/2D/2F LAMPS, MARK I) (w/2 T-58-GE Engines) (N)	325,423.00	6 Dec 84
SH-2G Helicopter (w/2 ea T-700-GE-401 engines)(N)	607,149.00	3 Jun 91
SH-60B (LAMPS, MARK III Airframe without T-700-GE-401 Engines (N)	859,636.00	15 Oct 82
SH-60B Minimum Avionics Suite (N)	366,236.00	15 Oct 82
SH-60B Mission Avionics Suite (N)	1,063,400.00	15 Oct 82
SH-60B Ship Electronics (N)	1,131,227.00	15 Oct 82
S-70/SH-60B (N)		
S-70A Helicopter Airframe (A)(C47)	169,692.00	3 Jun 91
S-70B Airframe w/o engine w/o Avionics (N)	756,144.00	Jan 90
S-70B Avionics (less AN/AQS-13F sonar) (N)	99,140.00	Jan 90
SH-70C(M) (w/o Engine)(N)	855,284.00	23 Jan 87
S-70C (M) Helicopter (N)	974,462.00	Jun 87
SH-80(3) less engine (N)	1,023,097.00	Apr 86
T-2 (N)	39,968.00	10 Jun 78
TA-4F without engine (N)	28,110.00	20 Oct 83
TA-4J without engine (N)	51,176.00	20 Oct 83
T-33 (AF)	2,857.00	12 Mar 82
T-37 (AF)	19,651.00	28 Mar 89
T-38A (AF)	80,972.00	12 Mar 82
TH-55, OSAGE (A)	6,000.00	11 Jun 87
UH-1H, IROQUOIS (A)	4,501.00	1 May 81
UH-1N (N)	48,032.00	12 Jul 85
UH-60A includes 2 T-700-GE-700 Engines (Airframe only - \$169,692.00) BLACKHAWK (A)	208,986.00	3 Oct 81
UH-60A includes 2 T-700-GE-700 Engines	208,986.00	12 Oct 83
UH-60A BLACKHAWK w/o Engines (A)	169,692.00	3 Oct 81
<u>Engines</u>		
CFM-56 (AF)	20,000.00	25 May 89
CFM-56 (AF)	39,677.00	6 Mar 84
CT7-2A/2D	29,697.00	21 Dec 88
CT7- 5A/7A	25,777.00	21 Dec 88
CT7-6/9	9,236.00	21 Dec 88
CT-58 (Derivative of T-58) (N)	20,045.00	11 Jun 87
F-100-100/200 (AF)	221,705.00	12 Mar 82
F-100-PW-100/200 AFE (AF)	284,001.00	27 Jan 92
F-100-220 (AF)	379,725.00	13 Mar 87
F-100-PW-220 AFE (AF)	364,783.00	27 Jan 92

F-100-GE-100 AFE (AF)	364,783.00	27 Jan 92
F-100-PW-229 IPE (AF)	637,802.00	27 Jan 92
F-110-GE-129 IPE (AF)	637,802.00	27 Jan 92
F-101 (AF)	(a)	
F-101X (AF)	(a)	
F-107 (N)	(a)	
F-109-GA-100, Turbofan Engine	86,546.00	14 May 91
F-110-100 (AF)	379,725.00	13 Mar 87
F-401-PW-400A-401 (N)	(a)	
F-404 (N)	63,840.00	30 Mar 87
F-404-GE-400/402 engines (N)	(e)	
J-47 (AF)	2,168.00	12 Mar 82
J-52P-6A/B (N)	7,370.00	8 Sep 83
J-52P-8A/B (N)	30,658.00	8 Sep 83
J-52P-408 (N)	33,106.00	8 Sep 83
J-57P-6B (N)	4,600.00	8 Sep 83
J-57P-10 (N)	4,120.00	8 Sep 83
J-60P-3/3A (N)	2,520.00	8 Sep 83
J-75 (AF)	28,999.00	12 Mar 82
J-79-GE-8/10/15 Series (N)	6,400.00	8 Sep 83
J-79-GE-17/17A/119 (AF)	27,464.00	1 Oct 83
J-85 (AF)	17,900.00	23 Mar 83
PW-1120 (Derivative of F-100-200) (AF)	155,194.00	20 Oct 83
T-33-P-100 (AF)	(a)	
T-53 (N)	1,542.00	7 May 81
T-53-L-703 (A)	2,626.00	7 May 81
T-53-L-703 (A)	2,220.00	17 May 89
T-55 (A) (\$3,240 per engine, 2 per A/C)	6,400.00	27 Aug 91
T-56 (N)	13,313.00	12 May 83
T-58 (N)	20,045.00	11 Jun 87
T-64 (N)	38,578.00	12 May 83
T-700-GE-700 (A)	19,647.00	12 Oct 83
T-700-GE-700 (A)	29,697.00	21 Dec 88
T-700-GE-401 (NRC is additive to T-700-GE-700 engine) (N)	78,039.00	15 Oct 83
T-700-GE-401/401A (N)	29,697.00	21 Dec 88
T-700-GE-401C (N)	25,450.00	21 Dec 88
T-700-GE-701/701A/701A1 (A)	29,697.00	21 Dec 88
T-700-GE-701C (A)	25,450.00	21 Dec 88
TF-30 (N)	43,866.00	20 Jun 79
TF-34 (N)	20,705.00	12 Mar 82
TF-39 (AF)	441,707.00	12 Mar 82
TF-41-A-2A/-2B/-400/-402/-402B (N)	48,249.00	6 Dec 84

Other

Modular Integrated Communication Navigation
System Ground Data Terminal (MICNS GDT) (A)

(a)

CATEGORY IX - MILITARY TRAINING EQUIPMENT

No items in this category are defined in the U.S. Munitions List as significant military equipment.

CATEGORY X - PROTECTIVE PERSONNEL EQUIPMENT

No items in this category are defined in the U.S. Munitions List as significant military equipment.

CATEGORY XI - MILITARY AND SPACE ELECTRONICS

Avionics Intermediate Shop (AIS) (F-16A/B) (AF)	1,190,000.00	12 Apr 84
Avionics Intermediate Shop (AIS) (F-16C/D) (AF)	2,400,000.00	12 Apr 84
Countermeasure System Torpedo Ex Set 1 (N)	(a)	
Countermeasures, AN/ALQ-126, SPJ System (N)	26,631.00	5 Jun 85
Countermeasures, AN/ALQ-165, ASPJ (N)	111,425.00	6 Dec 84
Countermeasures, ALQ-119 (AF)	6,138.09	9 Dec 75
Countermeasures, ALQ-131 w/receiver (AF)	26,970.00	28 Sep 79
Countermeasures, ALQ-131 w/o receiver (AF)	24,108.00	28 Sep 79
Countermeasures, AN/SLQ-32(V)1 (N)	115,000.00	25 Apr 86
Countermeasures, AN/SLQ-32(V)2 (N)	250,350.00	25 Apr 86
Countermeasures, AN/SLQ-32(V)3 (N)	381,803.00	25 Apr 86
Digital Mapping System MK 90 (DMA)	35,102,998.00	18 May 89
Product Generation Module (DMA)	91,898.00	18 May 89
Source Preparation Module (DMA)	432,291.00	18 May 89
Data Services Module (DMA)	34,254,561.00	18 May 89
Data Extraction Module (DMA)	324,248.00	18 May 89
Engagement Control System (ECS), PATRIOT, AN/MSQ-104 (A)	548,311.00	15 Nov 82
Joint Tactical Information Distribution System, JTIDS (AF)	50,828.00	30 Oct 82
NAVSTAR Global Positioning System (GPS) (AF)	1,000.00	28 Oct 87
Ocean Surveillance Information System (OSIS)		
Baseline Upgrade (OBU) (N)	6,551,852.00	Jan 92
Baseline Upgrade (OBU) (N)	7,873,000.00	26 Sep 86
Ocean Surveillance Information System (OSIS)		
Baseline Upgrade (OBU) (N)	12,425,926.00	Jan 92
Baseline Upgrade (OBU) (N)	11,586,364.00	11 Sep 87
Remote Graphics Workstation (RGWS) (N)	5,874,074.00	(e)
Radio, AN/ARA-54 (A)	39.84	28 Mar 89
Radio, AN/VRC-12 Series (12, 43 through 49) (A)	70.00	15 Feb 84
Radio, AN/TRC-170 (AF)	60,622.00	15 Feb 84
SINCGARS Radios		
AN/PRC-119	803.00	26 Jan 90
AN/VRC-87	803.00	26 Jan 90
AN/VRC-88	803.00	26 Jan 90
AN/VRC-89	803.00	26 Jan 90
AN/VRC-90	803.00	26 Jan 90
AN/VRC-91	803.00	26 Jan 90
AN/VRC-92	803.00	26 Jan 90
RT-1439 Receiver/Transmitter	296.00	26 Jan 90
Sonar, AN/SQQ-32 Mine Hunting (N)	1,562,119.00	Feb 90
Sonar, AN/SQR-19 (N)	1,349,593.00	29 Mar 82
Sonar, AN/SQR-19 (N)	1,756,900.00	Mar 90
Sonar, AN/SQS-56 (N)	173,193.00	19 Jul 88
SURTASS AN/UQQ-2(V)1 (N)	3,029,374.00	28 Aug 89
SURTASS AN/UQQ-2(V)1 Shipboard System	1,785,000.00	28 Aug 89
SURTASS Shore Suites, AN/UQQ-2 (V)(1) (N)	1,244,374.00	Aug 89

Tactical Air Operations Center (TAOC) AN/TYQ-23(N)	198,000.00	17 May 89
Tactical Flag Command Center (N)	(a)	
Telephone, AN/TTC-38, Central (A)	57,500.00	Apr 90
Telephone, AN/TTC-39, (A)	(a)	
Telephone, AN/TTC-42, Unit Level Circuit Switch (N)	(a)	
Versatile Avonics Shop Test (VAST), AN/USM-247(V) (N)	753,448.00	(e)

CATEGORY XII - FIRE CONTROL, RANGE FINDER, OPTICAL AND GUIDANCE AND**CONTROL EQUIPMENT**

AEGIS Weapon System, MK-7, w/o Standard Missile and MK-41 Vertical Launch Systems (N)	16,288,000.00	25 Feb 87
Close in Weapon Systems, CIWS, PHALANX (NRC is per gun mount) (N)	287,842.00	28 Oct 78
Computer, Fire Control, MK1A (N)	(a)	
Director, Fire Control, MK51-2 (N)	(a)	
Fire Control System, Missile MK-74 MOD 4 (N)	(a)	
Fire Control, System, Roland AN/GSG-11 (A)	324,828.00	24 Sep 80
Fire Control System, MK-74, MOD 13, SM-1, MR Msl (N)	171,875.00	
Fire Control System, MK-86 (N)	471,287.00	
Fire Direction System, AN/GSG-10 TACFIRE (A)	740,331.00	
System, Fire Direction AN/GSG-11 TACFIRE (A)	(a)	
Goggles, Night Vision, AN/PVS-5 (A)	157.49	31 Jan 80
Guided Bomb Unit, GBU-10/12 w/o fuze (AF)	203.00	15 Jun 87
Guided Bomb Unit, GBU-10/12 w/FMU-81 fuze (AF)	243.00	15 Jun 87
Guided Bomb Unit, GBU-10/12 w/FMU-139A A/B fuze (AF)	217.00	15 Jun 87
Guided Bomb Unit, GBU-15 (AF)	12,528.00	11 May 81
Guided Bomb Unit, GBU-16 (N)	(a)	
Laser Target Designator, AN/AVQ-26, PAVE TACK (AF)	643,071.00	11 Jun 87
PAVE TACK, AN/AVQ-26, Target Designator	177,648.00	(Prior to 1987)
MFCS MK-92 (N)	(a)	
MFCS MK-92 MOD 1, Missile Fire Control System (N)	351,893.00	
MFCS MK-92, MOD 2 (N)	383,535.00	
Manpack System, Single Channel UHF, AN/PSC-1 and AN/PSC-7 (A)	(a)	
Manpack, LOREN, AN/PSN-6 (A)	(a)	
Marine Integrated Fire and Air Support System (MIFASS) (N)	(a)	
Missile Minder, AN/TSQ-73 (A)	715,687.00	15 Nov 82
Mission Payload Subsystem (MPS), Daylight (A)	(a)	
MPS, Forward Looking InfraRed (FLIR) (A)	(a)	
Modular Tactical Communications Center (MTCC) (A)	(a)	
Navigation Pod AN/AAQ-13 LANTIRN (AF)	217,453.00	18 May 89
Ocean Surveillance Information System (OSIS) w/Baseline Upgrade (OBU)	6,551,852.00	27 Jan 92
Remote Graphics Workstation	5,874,074.00	27 Jan 92
Pathfinder System (AF)	32,618.00	12 Jul 89
Patriot Antenna Mast Set (A)	131,906.00	18 Nov 82
PATRIOT Electrical Power Plant (EPPII)(A)	339,464.00	18 Nov 78

Position Location Reporting System, AN/TSQ-129 Master Station (A)	1,179,261.00	28 Mar 89
Radar, AN/APG-63 , (AF)	410,407.00	28 Mar 89
Radar, AN/APG-65 (F-18) (N)	29,471.00	30 Mar 87
Radar, AN/APG-66 (F-16A/B) (AF)	30,400.00	12 Apr 84
Radar, AN/APG-66H (AF)	14,653.00	7 Jun 91
Radar, AN/APG-65 (EFA) (N)	23,543.00	21 Apr 89
Radar, AN/APG-65 (F-18) (N)	29,471.00	Jan 86
Radar, AN/APG-68 (F/16C/D) (AF)	101,120.00	12 Apr 84
Radar, AN/APS-138 (N)	375,000.00	Apr 90
Radar, AN/APS-145 (N)	1,078,582.00	25 Feb 87
Radar, Antenna, AN/APS-138 (AN/APS-145) (N)	162,047.00	25 Feb 87
Radar, AN/AWG-9 (PHOENIX) (N)	338,403.00	28 Mar 89
Radar, AN/FPS-118 Over-The-Horizon Backscatter (OTH-B)(AF)		
Prime Sector	89,098,000.00	7 Jun 91
Second Sector	3,534,000.00	7 Jun 91
Third Sector	1,050,000.00	7 Jun 91
Radar, PPS-117 (AF)	883,053.00	20 Apr 89
Radar, AN/MPQ-53, (PATRIOT) (A)	2,383,426.00	18 Nov 82
Radar, AN/SPS-46 (N)	(a)	
Radar, AN/SPS-40B (N)	216,746.00	7 May 82
Radar, AN/SPS-48E (N)	(a)	
Radar, AN/SPS-49 (N)		
AN/SPS-49(V) Radar (ATD) (N)	140,910.00	Apr 90
1-4 and 6 (N)	143,460.00	Apr 90
ATD JUT MID (N)	82,186.00	Apr 90
(V) 5 and (V) 7 (N)	149,146.00	Apr 90
Radar, AN/SPS-49(V)5/(V)7 (N)	305,719.00	15 Mar 84
Radar, AN/TPQ-36 (A)	252,968.00	25 Jul 79
Radar, AN/TPQ-36 (A)	344,261.00	17 May 89
Radar, Low Altitude Surveillance Radar (LASR) (Derivative of AN/TPQ-36 Radar) (A)	73,361.00	1 Oct 84
Radar, AN/TPQ-37 (A)	920,149.00	19 May 81
Radar, AN/TPQ-37 (A)	1,236,126.00	17 May 89
Radar, AN/TPS-43 w/basic antenna (AF)	27,462.00	5 Feb 86
Radar, AN/TPS-63 (USMC Baseline) (N)	45,557.00	7 May 87
Radar, AN/TPS-63 (Derivative configuration) (N)	31,890.00	7 May 87
Radar, AN-TPS-71 ROTH (N)	15,076,923.00	Apr 90
Radar, Fire Control, MK-25 (N)	(a)	
Radar, SDSMS, MK-23 Target Acquisition System (N)	920,000.00	
Radar System, W-160 (commercial derivative of AN/APG-66 Radar) (AF)	6,962.00	7 Jun 91
Radar System, WX-66, (commercial derivative of AN/APG-66 Radar) (AF)	13,437.00	24 Nov 89
SHF System, Multichannel, AN/TSC-85 and AN/TSC-93 (A)	(a)	
SATCOM GND System, AN/TSC-86 (A)	(a)	
Sharpshooter Targeting (commercial derivative of AN/AAQ-14) (AF)	201,057.00	7 Jun 91
Tactical Air Operations Center, TAOC-85 (N)	(a)	

Tactical Air Operations Center, TAOC AN/TYQ-23 (N)	198,600.00	17 May 89
Tactical Operations System (TOS) AN/UYQ-19 and AN/UYQ-36 (A)	121,128.00	28 Mar 89
Target Acquisition Designation Sight (TADS) (A)	202,591.00	30 Dec 83
Target Acquisition System (TAS), MK-23 Mods 0-8 (N)	(a)	
Targeting Pod AN/AAQ-14 (AF)	201,057.00	18 May 89
Targeting Pod Support Equipment (FMS) (AF)	1,418,320.00	18 May 89
Terminal, Light for AN/TSC-86 (A)	(a)	
Terminal, Medium, AN/GSC-39(V) DSCS (A)	(a)	
Terminal, Single Subscriber (SST) (A)	(a)	
RT 1343/TSQ-129 Basic User Unit (A)	41,298.00	30 Nov 88

CATEGORY XIII - AUXILIARY MILITARY EQUIPMENT

No items in this category are defined in the U.S. Munitions List as significant military equipment.

- NOTES:** (a) If there has been an investment in nonrecurring cost and the calculation of the charge has not been completed and a sale is pending, contact DSAA to obtain the required charge.
- (b) For older ships designed, a percentage charge (3.5%) for recoupment of nonrecurring cost will be established at a time of actual demand for FMS or commercial sales proposals.
- (c) For a new sale use the most recent charge.
- (d) The effective date of 28 Mar 89 has been assigned to items where one charge exists without an effective date identified.
- (e) NRC in staffing.

ARMY NONMAJOR DEFENSE EQUIPMENT

ITEM	UNIT NC	Date NC Charge Approved
<u>CATEGORY I - FIREARMS</u>		
Gun, M242 25MM GYE (Bushmaster)	1,781.05	9 Jun 88
Grenade, M46	.01	10 May 91
Grenade, M77	.01	10 May 91
MG, 7.62MM, M73/M219	873.00	
MG, 7.62MM, M60	32.00	
MG, Cal 50, M85	1,305.00	
MG, 40MM, MK 19-3 (NSN 1010-01-126-9063)	565.20	6 Mar 91
Machine Gun Mount, MK 64 Mod 5 (NSN 1010-01-180-9319)	110.95	9 Sep 91
Machine Gun Mount, MK 64 Mod 7 (NSN 1010-01-179-7616)	101.50	9 Sep 91
Rifle, 7.62MM, M14	29.00	
<u>CATEGORY II - ARTILLERY AND PROJECTILES</u>		
M199 Cannon Assembly (Component of M198 How.)	6,672.00	
M1, 120 Gun/Ammo	49,902.00	
Gun, Air Defense Artillery, Towed, 20mm, M167A2, PIVAD	16,050.00	21 Jun 90
Gun, Air Defense Artillery, SP, 20mm, M163A2, PIVAD	17,500.00	21 Jun 90

CATEGORY III - AMMUNITION

Cartridge 40mm M385 Dummy	.19	30 Sep 91
Cartridge 40mm FXD HEDP M433 SN62 NGL RD 72/BX	.43	22 May 91
Cartridge 60mm HE M270 (w/FMD M734 (LAP))	5.00	22 May 91
Cartridge 81mm HE M374A3 (w/M567 fuze)	3.24	22 May 91
Cartridge 81mm Illumination (NSN 1315-01-289-9789)	11.00	10 Sep 91
Cartridge 105mm APFSD SD-T M774 2/BX	24.00	22 May 91
Cartridge 4.2" HB M329 A2 (w/o fuze n/oburator (LAP))	4.08	22 May 91
Fuze, PD, M739	1.38	
Fuze, M739 (w/o Booster)	.73	
Fuze, PD, M407-1	2.42	
Fuze, MTSQ M577	3.39	

CATEGORY IV - LAUNCH VEHICLES, GUIDED MISSILES, BALLISTIC MISSILES, ROCKETS, TORPEDOES, BOMBS AND MINES

Advanced Tactical Ballistic Missile System		
MOD KIT	285.00	24 Apr 92
CHAPARRAL Missile System		
Fire Unit	40,200.00	10 Nov 79
AN/TSM-95, Test Set	256,984.00	10 Nov 79
AN/TSM-96, Test Set	407,187.00	10 Nov 79
Forward Looking Infrared Device (FLIR)	58,255.00	10 Nov 79
DRAGON Missile System		
Tracker	2,257.00	24 Mar 80
Tracker Test Set	21,014.00	24 Mar 80
Monitor Set	3,885.00	24 Mar 80
HAWK, GSE		
Rocket MOTOR	728.00	12 Nov 80
Telemetry, Tactical	12,626.00	12 Nov 80
Containers	1,110.00	12 Nov 80
Theater Readiness Monitoring Equipment	1,485,083.00	12 Nov 80
Platoon Command Post	65,058.00	12 Nov 80
Information Coordinating Central	39,965.00	12 Nov 80
Continuous Wave Acquisition Radar	27,694.00	12 Nov 80
High Power Illuminator	24,508.00	12 Nov 80
Battery Control Central	36,881.00	12 Nov 80
Pulse Acquisition Radar	37,710.00	12 Nov 80
Range Only Radar	25,005.00	12 Nov 80
Antenna Mast Set	131,906.00	12 Nov 80
Mobile Team Shop	14,627.00	12 Nov 80
Field Maintenance Equipment		
Shop 1 AN/TSM-106	122,068.00	12 Nov 80
Shop 2	389,114.00	12 Nov 80
Shop 3 AN/TSM-104	113,905.00	12 Nov 80
Shop 5	473,387.00	12 Nov 80
Shop 6	634,143.00	12 Nov 80
Shop 8 AN/TSM-107	75,617.00	12 Nov 80
Shop 9	484,434.00	12 Nov 80
Simulator, AN/TPQ-29	649,585.00	12 Nov 80
Simulator, MOD TPQ-21	177,693.00	12 Nov 80
Test Program Set	3,733.34	22 Aug 90

Test Program Set	14,091.00	24 Apr 92
HAWK PIP's		
Improved Continuous Wave Acquisition Radar (ICWAR)	19,026.00	12 Nov 80
Army Tactical Data Link (ATDL)	27,884.00	12 Nov 80
Modification Installation Kit (TAS IHPI Equip.) 1430-01-146-9222	35,958.00	12 Nov 80
CMOS Memory Expansion PIP (AN/TSQ-73 Missile Minder)	152,170.00	12 Nov 80
IHPI RAM/EMCOM	6,792.00	
IPAR ULSA	16,387.00	
IPAR EMCOM	24,074.00	
Missile - MEU-PIP- Phase 3	1,810.00	
Missile - MBI-PIP- Phase 3	490.00	
LANCE Missile System		
M251 Warhead Section	11,247.00	21 May 82
M252 Warhead Section	11,849.00	21 May 82
M752 Launcher Carrier Mounted	163,037.00	21 May 82
M688 Loader Transporter	125,170.00	21 May 82
GMSTS	115,842.00	21 May 82
M6 Trainer	121,917.00	21 May 82
Monitor Programmer	57,598.00	21 May 82
Mobility Kit, GM LCHR, M234	87,326.00	21 May 82
Low Bed Trailer	1,070.00	21 May 82
Body Section	2,606.00	21 May 82
Booster Motor	899.00	21 May 82
Director Station	31,654.00	21 May 82
Track Station	21,425.00	21 May 82
HIPAR	47,817.00	21 May 82
Ant Rec TRR	23,359.00	21 May 82
Sim Station Radar	80,278.00	21 May 82
LCHR Monorail	5,510.00	21 May 82
Rail Launcher Hand	955.00	21 May 82
Launcher, Air-to-Air	2,873.55	11 Dec 90
Launcher, Standard Vehicle Mounted	3,763.65	11 Dec 90
PATRIOT Missile System		
Canister	2,000.00	12 May 89
Operator Tactics Trainer MOD KIT	70,625.00	15 Apr 92
PERSHING Missile System		
Automatic Reference Sys. (ARS)	27,542.00	
Erector Launcher (EL)	112,193.00	
Power Station (PS)	221,774.00	
Programmer Test Station (PTS)	288,914.00	
Systems Component Test Station (SCTS)	429,565.00	
Radio Terminal Set (AN/TRC-80)	144,048.00	
Warhead Section	29,333.00	
2nd Stage Section	23,911.00	
1st Stage Section	21,573.00	
ROLAND Missile System		
Field Maint. Test Set (FMTS)	578,102.00	24 Sep 80
Organizational Maintenance Test Set (OMTS)	166,986.00	24 Sep 80
Operator Proficiency Trainer (OPT)	177,753.00	24 Sep 80

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Shop Set 20 MOD KIT	1,563.00	16 Apr 92
Shop Set 21 MOD KIT	3,050.00	16 Apr 92
STINGER Missile System		
Missile w/Tube	4,367.00	28 Jul 79
Gripstock	940.00	28 Jul 79
Tracking Head Trainer	11,928.00	28 Jul 79
STINGER Basic		
Gripstock	2,200.00	20 Dec 88
Gripstock	500.00	3 May 91
Tracking Head Trainer	12,300.00	20 Dec 88
Tracking Head Trainer	8,200.00	3 May 91
STINGER Post		
Gripstock	93,300.00	20 Dec 88
Gripstock	1,000.00	3 May 91
Tracking Head Trainer	180,900.00	20 Dec 88
Tracking Head Trainer	30,800.00	3 May 91
STINGER RPM		
Gripstock	1,000.00	20 Dec 88
Gripstock	1,500.00	3 May 91
Tracking Head Trainer (less module)	10,000.00	20 Dec 88
Tracking Head Trainer	9,700.00	3 May 91

CATEGORY V - PROPELLANTS, EXPLOSIVES AND INCENDIARY AGENTS

NONE

CATEGORY VI - VESSELS OF WAR AND SPECIAL NAVAL EQUIPMENT

NONE

CATEGORY VII - TANKS AND MILITARY VEHICLES

Howitzer, SP, 105mm, M108	25,632.00	
Howitzer, SP M109, Chassis only	1,711.00	23 Jun 87
Cannon, 8", M201 (Kit #3)	6,603.00	
M901 ITV Kit	8,794.00	
M60A1 Tank		
M60 Engine (1790)	2,066.00	3 Mar 80
Engine Kit (RISE) 1790 AVDS	1,168.00	3 Mar 80
Track Shoe M60	2.00	3 Mar 80
Track Shoe (T97&T142)	320.00	3 Mar 80
a/Shoe 1/		
Other	11,350.00	3 Mar 80
M60 Tank Machined Hull	1,295.00	3 Mar 80
STE/ICE	400.00	
Transmission M60 (CD-850)	347.00	4 Nov 78
XT-1410.4 M881 TRM	4,934.00	
1/4 Ton Truck	137.00	
2 1/2 Ton Truck	206.00	
5 Ton Truck PIP, M939 Series	547.00	
5 Ton Truck Wrecker M800 Series	347.00	
5 Ton Truck-Conversion to Floating Ribbon Bridge		
Transporter, Technical Manuals	53,100.00	7 Jun 90
M561/M792, Gamma Goat	1,770.00	
H746/Heavy Equipment Transporter (HET)	89,819.00	

M520/M553/M559, 8T Cargo Truck, GOER	9,126.00	
M1 Abrams Tank (105mm)	132,162.00	20 Aug 85
Engine	17,458.00	20 Aug 84
Transmission	15,484.00	
Fire Control		
TIS	4,755.00	20 Aug 84
LRF	754.00	20 Aug 84
Other	93,711.00	
M1 Tank (120mm)		
Engine	17,458.00	20 Aug 84
Transmission	15,484.00	20 Aug 84
Fire Control		
TIS	4,755.00	
LRF	754.00	
Other	198,597.00	
Turret Drive & Stabilization	3,022.00	
Fire Control (XM-2, XM-3)	10,506.00	
Transmission (SM-2, SM-3)	6,742.00	
IFV/CFV Fire Control	7,076.00	
IFV only M351, TOW PI	1,386.00	
M60 A3 Fire (IFV/CFV) Control System		
Laser Range Finder	3,892.00	4 Nov 78
Solid State Computer	3,963.00	4 Nov 78
Tank Thermal Sight	9,488.00	4 Nov 78
Engine, M1	16,697.00	20 Aug 84
Transmission, M1	16,440.00	20 Aug 84
Track (XM-1)	621.00	20 Aug 84
Armament, 25MM Gun (AFV, CFV)	6,775.00	
Turret System (IFC, CFV)	40,097.00	
M185 Cannon Assembly (Component		
M109A2/A3 Howitzer	1,068.00	23 Jun 87
M199 Cannon Assembly (Component		
M198 Howitzer	6,672.00	14 Feb 86
M981FISTV System	66,878.00	
Targeting Observation Subsystem (Rec Rate)	47,843.00	3 Feb 86
AN/TAS-4, Night Sight	2,773.00	3 Feb 86
AN/TVQ2 GLLD	16,262.00	3 Feb 86
Field Artillery Ammunition Support Vehicle (FAASV)	22,065.00	
Armored Combat Earthmover (ACE)	36,000.00	

CATEGORY VIII - AIRCRAFT, SPACECRAFT AND ASSOCIATED**EQUIPMENT**

Imp Main Rotor Blade	3,285.00	
Fiberglass Rotor Blade (CH-47)		
(6 blades required)	3,654.00	
Universal Turret	7,653.00	
Fire Control Subsystem	16,863.00	
AH-64 Apache		
30mm Chain Gun	10,703.00	30 Dec 83
Integrated Helmet & Display Sight System		
(IHADSS)	5,074.00	30 Dec 83

Symbol Generator (SYM GEN)	1,479.00	30 Dec 83
Multiplex (integrates various subsystems)	6,334.00	30 Dec 83
Remote Hellfire Electronics (RHE)	6,344.00	30 Dec 83
Fire Control Computer (FCC)	9,284.00	30 Dec 83
Heading Attitude Reference System (HAS)	5,700.00	30 Dec 83
Air Data System (generates info on wind velocity & direction)	924.00	30 Dec 83
Pilot Night Vision Sensor (PNVS)	35,900.00	30 Dec 83
OH-58D, (AHIP) Helicopter, Control Display System	14,678.00	17 May 91

CATEGORY IX - MILITARY TRAINING EQUIPMENT

Targets, MQM-107A1 (VSTT)	2,494.00	
Army Training Battle Simulation System	110,968.00	15 May 90
M1 Abrams UCFT (WO) 60HZ VAX	60,000.00	30 May 90
M1 Abrams UCFT 60HZ MV	97,423.40	30 May 90
M1 Abrams UCFT 50HZ MV	97,423.40	30 May 90
Bradley, M2/M2 UCFT 60HZ MV	97,423.40	30 May 90
Bradley, M2/M3 UCFT 50HZ MV	97,423.40	30 May 90
M60A3 UCFT 60HZ MV	97,423.40	30 May 90
M60A3 UCFT 50HZ MV	97,423.40	30 May 90
M1A1 UCFT 60HZ MV	97,423.40	30 May 90
M1A1 UCFT 50HZ MV	97,423.40	30 May 90
M60A3 MCFT 50HZ MV	28,831.50	30 May 90
Bradley M2/M3A1 MCFT 60HZ MV	28,831.50	30 May 90
M60A3 MCFT 60HZ MV	28,831.50	30 May 90
Bradley M2/M3A1 UCFT 50HZ VAX	56,650.00	30 May 90
Bradley M2/M3A1 UCFT 60HZ VAX	56,650.00	30 May 90
Bradley M2/M3A1 60HZ MV	56,650.00	30 May 90
Bradley M2/M3A1 ICFT 60HZ MV	19,531.80	30 May 90
M1 Abrams MCFT 60HZ MV	28,831.50	30 May 90
M1 Abrams UCFT (WO) 60HZ MV	19,531.50	30 May 90
M1 Abrams ICFT (STA) 60HZ MV	19,531.50	30 May 90
Bradley M2/M3A1 UCFT 50HZ MV	56,650.00	30 May 90
M60A3 UCFT 60HZ MV	56,650.00	30 May 90
M60A3 UCFT 60HZ MV	56,650.00	30 May 90
M60A3 MCFT 60HZ MV	46,850.00	30 May 90
Interconnecting Box Target Interface-RETS	77.85	30 May 90
Interconnecting Box Mount Assey-High Power-RETS	35.60	30 May 90
Interconnecting Box Mount Assey-Low Power-RETS	30.75	30 May 90
Target Holding Set Training	73.90	30 May 90
Infantry Target Mechanism-RETS Simulator	194.50	30 May 90
Sound Small Arms		
Infantry Hostile Fire Simulator-RETS		30 May 90
Simulator Muzzle Flash Small Arms Infantry Night	11.65	30 May 90
Muzzle-RETS		
Track System Target Training Set Infantry Moving	331.35	30 May 90
Target Carrier-RETS		
Consol Target Training Set Range Control	1,581.15	30 May 90
Station-RETS		
Target Mannequin 3 Dimensional-RETS	.42	30 May 90
Armored Moving Target Carrier-RETS	6,349.10	30 May 90
Simulator Tank Gunfire Armor Tank Kill-RETS	64.25	30 May 90

Target Holding Mechanism Tank Gunnery-RETS	200.40	30 May 90
Captive Flight Trainer (NSN 6920-01-305-7525)	1,500.00	11 Dec 90

CATEGORY X - PROTECTIVE PERSONNEL EQUIPMENT

M42 Gas Mask (SM, MED, LG) (ALL)	9.55	12 Dec 88
M43 Chem-Bio A/craft Mask Type I (SM)	100.00	22 May 90
M43 Chem-Bio A/craft Mask Type I (Med)	100.00	22 May 90
M43 Chem-Bio A/craft Mask Type I (LG)	100.00	22 May 90
M43 Chem-Bio A/craft Mask Type I (XLG)	100.00	22 May 90
M43 Chem-Bio A/craft Mask Type II (SM)	62.52	22 May 90
M43 Chem-Bio A/craft Mask Type II (Med)	62.52	22 May 90
M43 Chem-Bio A/craft Mask Type II (LG)	62.52	22 May 90
M43 Chem-Bio A/craft Mask Type II (XLG)	62.52	22 May 90

CATEGORY XI - MILITARY AND SPACE ELECTRONICS

AN/ANS-6 (V1) and (V2)	332.00	Dec 77
AN/ASN-137 Multiple Lightweight Doppler Navigational System	1,857.00	24 Apr 92
RT 1193A/ASN	1214.55	24 Apr 92
CY 3669/ASN	643.35	24 Apr 92
AN/GRC-143, Radio Set (AN/TAC-121) (requires 2 AN/GRC-143)	29,253.00	
AN/TPX-46(V), Interrogator Set	16,129.00	Dec 77
AN/ASN-128, Navigator Set, Doppler Radar	2,075.00	Dec 77
FAAR, AN/MPQ-54	62,145.00	
Electronic Component Assembly (NSN 1420-01-244-9680)	1,051.50	11 Dec 90

CATEGORY XII - FIRE CONTROL, RANGE FINDER, OPTICAL AND GUIDANCE AND CONTROL EQUIPMENT

AN/VVS-2 Night Vision, Drivers Viewer	88.00	
MX10160 (Image Intensifier Tube)	166.00	20 Jun 91
MX10160 (Image Intensifier Tube)	540.86	
Battery Control System, AN/GYK-29 (NNSN)	10,455.00	
OL-200/GYK-29 7025-01-134-2331		
OO-144 VI/GYK-29 7025-01-134-2329		
OO-144 VR/GYK-29 7025-01-134-3218		
Airborne Laser Tracker, AN/AAS-32	16,277.00	
Teletypewriter Set, AN/UGC-74A(V)3	1,471.93	
C-Nite System	16,256.00	17 May 89
Common Module FLIR Components Detector	119.00	
DT 591		
DT 591A		
DT594		
DT 617		
IRIS		
Regency net, Receiver Exciter less Module	1,837.40	26 Oct 90
ECCM Module, less KGY10	558.85	26 Oct 90
Prepost Filter	825.10	26 Oct 90
Control Interface Modified F/IRIS	1,433.50	26 Oct 90
Low Altitude Surveillance Radar (LASR) (AN/TPQ-36-Commonality)	73,361.00	
Firefinder Training Device (AN/TPQ 36-37)	2,063,000.00	
TAS-5, Night Sight (MODFLIR)	1,830.00	

TOW Missile System		
AN/VAS-12A(TOW)	3,121.00	26 Aug 85
TAS-4, Night Sight (MODFLIR)	2,773.00	16 Sep 77
Closed Cycle Cooler (4a, b & c)	348.00	16 Sep 77
TAS-6, Night Sight (MODFLIR)	3,010.00	16 Sep 77
Closed Cycle Cooler (6a)	348.00	16 Sep 77
PATRIOT Missile System		
Ant Mast Set	131,906.00	18 Nov 82
ICC (formerly Command Control System, CCS)	431,188.00	18 Nov 82
Communication Relay System	187,452.00	18 Nov 82
BMG Maintenance Group	122,623.00	18 Nov 82
Arm Decoy	180,855.00	18 Nov 82
EPU	97,334.00	18 Nov 82
AN/TVQ2 (GLLD) (HELLFIRE)	16,262.00	20 May 87
AN/TSQ-73, Missile Minder		
CMOS Memory Expansion PIP	152,170.00	
Launcher, Air-to-Air (1440-01-244-9681)	2,873.55	11 Dec 90
Launcher, Rocket Aircraft, 2.75",		
M260 1055-01-70-9113 (HYDRA-70)	438.94	
Launcher, Rocket Aircraft, 2.75",		
M261 1055-01-71-0064 (HYDRA-70)	438.94	
Launcher, Standard Vehicle Mounted (1430-01-293-3750)	3,763.65	11 Dec 90
Rocket Motor, MK66, MOD1 1340-01-108-8864	10.63	
Rocket, 2.75" Warhead Multipurpose Submunition		
(MPSM) 1340-108-8850	33.32	
Rocket Motor, MK66, MOD2 1340-01-154-1680	10.63	
M2361 Multi-Purpose Submunitions Warhead	33.32	
Position and Azimuth Determining System,		
AN/USQ-70 (PADS)	2,432.00	
M308 LAMP-H		
B Facility Intrusion		
Base Shop Test Facility (BSTF)	139,701.00	24 Apr 91

NAVY NONMAJOR DEFENSE EQUIPMENT

ITEM	Code	UNIT NC	Date NC Charge Approved
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CATEGORY I - FIREARMS

NONE

CATEGORY II - ARTILLERY AND PROJECTILES

Assault Gun 75mm Smooth Bore		
Delta 3 (XM274)	10,100.00	Jan 90
MK-19 Mod 3, 40mm Machine Gun	566.00	Nov 89
MK-64 Mod 4, Machine Gun Mount	110.00	Nov 89
MK-64 Mod 5	95.00	Nov 89
MK-64 Mod 6	103.00	Nov 89
MK-64 Mod 7	150.00	Nov 89
MK-64 Mod 8	73.00	Nov 89

CATEGORY III - AMMUNITION**PHALANX CIWS MK-149 Round 20 mm**

Cartridge 20mm MK-149 MOD2	.67	Jul 86
Cartridge 20mm TP	.16	Jul 86
Cartridge 20mm PGU-18/B Ammo		
Cartridge Dummy	.21	Jul 86
MK-404 IR Proximity Fuze	d	
MK-417 Mod 5 Round	17.80	Aug 89
MJU-8/B Decoy Flare	1.06	Mar 85
Round		
75mm Air Defense		
AAI/SETI IR Proximity Fuze		
MK-404 IR Proximity Fuze		
XM884 H.E. W/EX442 Mod Fuze	65.00	Jan 90
Round, XM885 Delta 3		
APFSDS (105mm)	55.00	Jan 90

CATEGORY IV - LAUNCH VEHICLES, GUIDED MISSILES, BALLISTIC MISSILES, ROCKETS, TORPEDOES, BOMBS AND MINES

Fuze FMU-139/B	14.69	Aug 86
Harpoon AN/SWG-1A ORDALT Kit	20,690.00	Mar 86
Harpoon Encap Steer-Off Capsule	h 3,000.00	Jun 86
Encapsulated Harpoon Command Launch System (EHCLS)		
a. Harpoon Data Processor Computer (HDP)	3,250.00	Dec 86
b. Integrated Encapsulated Harpoon Command Launch System (software)	26,941.00	Oct 86
[The federated system recoupment is "a" plus "b"]		
[The integrated system recoupment is "b" only]		
Mine MK-25	250.00	Sep 83
Mine MK-52	412.00	Sep 83
Mine MK-55	498.00	Sep 83
DST Kits MK-75	131.00	Sep 83
Mine MK-49	a	
Rocket Motor MK-52	98.65	Nov 85
War Head MK-38	84.05	Nov 85
NATO Seasparrow Surface Missile System	10 % of Production.	Apr 84
Target Systems		
Torpedo Target MK-27	c	
Transponder MK-1, MOD1	d	
Underwater Target MK-38 (MR)	d	
Acoustic Target MK-39 (EMATT)	c	
ASW Mobile Target MK-30 MOD 1	100,120.00	Mar 85
SM2 ORDALT, MK-13, MOD 4 (GMLS)	30,000.00	Jun 86
AN/SLQ-25 Nixie Decoy		
Torpedo, MK-37	d	
Quickstrike	c	
Captor	c	
SLMM	c	
MK-214 Seduction Cartridge for NATO Sea Gnat	1,214.00	Nov 85
MK-214 Seduction Cartridge for NATO Sea Gnat	b/g 127.00	Nov 85
(used with MK-36 launchers)		
Control Power Supply (CWI) C-10609/SPG (Modified)		

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(used w/OT-134 P/O MFCSMK 74, Mod 14)	17,500.00	Mar 87
Surface Ship Radiated Noise Measure Station (SSRNM)	101,117.00	Mar 87
Target MK 40 MOD 2	176,246.00	Mar 88
Transponder MD-1 Mod 1 d	0.00	
Encapsulated Harpoon Command Launch System		
a. Harpoon Data Processor Computer (HDP)	3,250.00	Dec 86
b. Integrated Encapsulated Harpoon Command Launch System (Software)	26,941.00	Oct 86
AN/AWG-19 C(V)1 Harpoon Aircraft Command Launch Control Set (HACLCS)	16,900.00	Jan 88
Harm AGM-88A RT-1198A (Telemetry)	6,000.00	Jun 87
Harpoon, Booster Propellant	100.00	Feb 90
Mine MK-36	0.00	(N/A)
Mine MK-37	0.00	Mar 90
Mine MK-38	0.00	
Mine MK-39 e		
Missile, SIDEARM	5,014.00	Aug 90
MK-216 SEA GNAT Cartridge b	145.00	1 Apr 92
MK-216 SEA GNAT Cartridge	127.00	Mar 90
MK-27 Torpedo Target c		
MK-32 MOD 5 (SVTT)	15,000.00	Mar 91
MK-32 MOD 7 (SVTT)	16,250.00	Mar 91
MK-32 MOD 9 (SVTT)	17,500.00	Mar 91
MK-32 MOD 14 (SVTT)	25,000.00	Mar 91
MK-37 Torpedo	0.00	Mar 90
Demolition Linear Charge HE M58A4	506.00	Jun 90
MK-155 MOD 1 Mine Clearance Launcher	206.00	Jun 90
MK-429 MOD 1 Air Charging Panel	3,750.00	Mar 91

CATEGORY V - PROPELLANTS, EXPLOSIVES AND INCENDIARY AGENTS

NONE

CATEGORY VI - VESSELS OF WAR AND SPECIAL NAVAL EQUIPMENT

FFG-7 (Stabilizer)	129,412.00	Mar 83
SDV - Swimmer Delivery vehicle MK-8 d		
LM-2500 Marine Gas Turbine Prop Sys	187,500.00	Nov 89
LM-2500 Gas Generator	120,000.00	Nov 89
LM-2500 Power Turbine	60,000.00	Nov 89
LM-2500 Marine Gas Turbine Propulsion System	7,840.00	7 May 92
LM-2500 Industrial Gas Turbine	5,317.00	7 May 92

CATEGORY VII - TANKS AND MILITARY VEHICLES

M353 General Purpose Trailer	0.00	Jun 90
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CATEGORY VIII - AIRCRAFT, SPACECRAFT AND ASSOCIATED EQUIPMENT

A-3A/TA-3B (less engine)	103,272.00	
A-3B (less engine)	113,278.00	Aug 83

C-1A (less engine)	19,438.00	Aug 83
C-117 (less engine)	4,400.00	Aug 83
C-118 (less engine)	42,000.00	Aug 83
C-121 (less engine)	87,763.00	Aug 83
E-2C ECP 331R1, ECP 324RI (Kit)	185,470.00	Jan 88
EA-3B (less engine)	80,653.00	Aug 83
P-3B Mod Dit OSIP 53-72	1,957.00	
RA-3B (less engine)	91,829.00	Aug 83
T-28B (less engine)	3,751.00	Aug 83
T-28C (less engine)	4,033.00	Aug 83
T-34B (less engine)	1,329.00	Aug 83
T-34C	8,153.00	Mar 83
T-39D (less engine)	30,844.00	Aug 83
Aerial Target AQM-37A	3,148.00	Apr 84
Aerial Target AWM-37C	5,200.00	Apr 84
Aerial Target BQM-34S (Firebase)	26,222.00	May 91
Aerial Target BQM-74C	5,280.00	Apr 84

Engines

F-401-PW-400A, -401	c		
GE-38	e	30,894.00	Jun 91
J-65-W-20-420		4,400.00	Aug 83
J-65-W-16		2,600.00	
O-470-4		120.00	Aug 83
R1820-80A/80B		1,600.00	Aug 83
R1820-86A/86B		1,880.00	Aug 83
R1820-82A/B/C		2,160.00	Aug 83
R2800-52W		1,640.00	Aug 83
R3350-42		2,240.00	Aug 83
T-76-G-420/421		9,300.00	Jul 80
T-400-CP-400	e	7,932.00	Oct 85
F-27 Harpoon Mod		433,000.00	Dec 88
Gyrodyne Model 63	i	0.00	Nov 86
LM-1600		30,744.00	
LM-1600		36,580.00	Mar 88
QH-50 C/D/E Dash Drone Helicopter	d	.00	Nov 86
Aerial Target BQM Derivative CHUKAR II/III		10,652.00	Nov 89
Aerial Target Drone BQM-74C		11,836.00	Nov 89
CP-140A Acft (Derivative of P-3C)		636,015.00	Jan 90
CP-140A AFCS ASW-31/503		10,150.00	Jan 90
CP140A IFF Transponder APX-71/100		400.00	Jan 90
CP-140A Radar APX-115/134		32,653.00	Jan 90
CP-140A TACAN ARN-118		593.00	Jan 90
MK-7 Mod 3 Arresting Gear		72,525.00	Jul 89
NRU-33 Bomb Rack	e		
Mod Kit OSIP 53-73		1,957.00	
P-3C Update III A/C		586,349.00	Nov 89

CATEGORY IX - MILITARY TRAINING EQUIPMENT

AIM/RIM-7P Missile Guidance and Control System		32,750.00	24 Apr 91
Harpoon Certification & Training Vehicle (CTV)	h	10,835.00	Jun 86

P-3C (Simulator) Flight Improvement Program	50,000.00	
FFG-7 Prop Engr Control Sys Maintenance Trainer	0.00	Apr 90
MH-53E Helicopter Operational Flight Trainer	0.00	Apr 90
MK-13, Launcher Maintenance and Operational Training Sys Simulator SH-60F (CV-Helo) e	0.00	Jun 90
SPY-1 Non Radiating Suite - Miscellaneous	720,000.00	Nov 89
SPY-1 Non Radiating Suite - Signal Processor	1,970,000.00	Nov 89
SPY-1 Radiating Suite - Antenna	2,260,000.00	Nov 89
SPY-1 Radiating Suite - Miscellaneous	1,350,000.00	Nov 89
SPY-1 Radiating Suite - Signal Processor	1,980,000.00	Nov 89
SPY-1 Radiating Suite - Transmitters/Tubes	1,910,000.00	Nov 89
Surface ASW Trainer, Device 14A12	777,500.00	Oct 89

CATEGORY X - PROTECTIVE PERSONNEL EQUIPMENT

NONE

CATEGORY XI - MILITARY AND SPACE ELECTRONICS

AN/DKT-27 (Standard Missile) d		
AN/DKT-38 (Harpoon) d		
AN/DKT-38 (Sparrow) d		
AN/SQQ-14 Mine Hunting Sonar IT (Comml)	300,000.00	Jul 91
AN/SQQ-30 Mine Hunting Sonar	200,000.00	Jun 88
AN/SQR-18A	267,069.00	
AN/SQR-18A(V)	601,837.00	24 May 84
AN/SSQ-36	28.00	
AN/SSQ-36	7.00	28 Mar 89
AN/SSQ-41 A/B	3.00	
AN/SSQ-41 A/B	8.50	28 Mar 89
AN/SSQ-47 d		
AN/SSQ-52B	63.00	
AN/SSQ-53A/B	20.00	
AN/SSQ-53A/B	13.00	28 Mar 89
AN/SSQ-53D	16.00	Jul 90
AN/SSQ-57A	65.00	
AN/SSQ-57A	9.00	28 Mar 89
AN/SSQ-62A	124.00	
AN/SSQ-62A	63.00	28 Mar 89
AN/TSQ-108 Radar/Sonar Van d		
R6299 Digital Computer Subsystem for AWG-12A Radar d		
AN/APR-43 Radar Warning Receiver	35,523.00	Oct 84
AN/APR-43 Radar Warning Receiver j	6,054.00	Sep 86
AN/ALQ-162(V)	22,749.00	Oct 83
AN/ALQ-162 OTPS (used on USM-458B)	10,528.00	Jul 89
AN/ALR-45F	27,338.00	Sep 84
AN/ALR-45F j	5,506.00	Sep 86
AN/ALR-606 d		
AN/SSQ-77A	310.00	
AN/SSQ-77A	27.00	Mar 88
AN/AQA-7V (add to P-3C NC)	25,583.00	
AN/AQA-7 (V) 8/9 (ADD TO P-3C NRC)	25,583.00	Aug 90
Submarine Towed Array Sonar System		

(STASS)	d		
LAMPS MK III Proteus Interface	g	71,366.00	
TACAMP EMP		433,333.00	Feb 86
TAMCO Hardening		439,451.00	Feb 83
Turbine Pump Ejection System			
TPES MK-19 MOD 0	d	0.00	
TPES MK-17 MOD 0		60,000.00	Jun 86
MK-186 Torch IR Decoy		491.00	Aug 85
AN/WLR-1(H)		48,050.00	Sep 85
AN/WLR-1(H) (V) ESM Syst		75,000.00	Jun 86
Classic Flaghoist, AN/FSQ-138			
Out-station Comm System (OCS)		338,300.00	Jan 86
AN/TPS-31	c	0.00	
Magnetic Anomaly Detection (MAD) Bouy		50.00	Mar 91
AS-3112A/SRD (VHF/UHF Mast Mounted Antenna)		21,000.00	Jan 91
AN/UPM-155, IFF Radar Test Set		2,700.00	May 91
AN/TPS-59	c	1,196,172.00	Jan 86
AN/TPS-59	j	501,915.00	Sep 87
AN/TPS-59 Mod Kit	e	3,800.00	Jun 86
AN/TPS-59M/34 3 D Search Radar		48,585.00	Jan 89
AN/WSC-3V UHF Radio		1,068.70	May 86
AN/WSC-3V UHF Radio		1,300.00	Mar 89
AN/WSC-3V UHF Radio		2,100.00	
AN/WSC-3 (V) 6/7, UHF Transceiver Line-of-Sight		1,191.00	Jul 89
AN/WSC-3 (V) II Have Quick II Mod Kit		800.00	May 89
AN/WSC-3 (V) 15, UHF Transceiver, DAMA SATCOM		1,533.00	Jul 89
AN/WSC-6 (V) 2 RNLN Set		96,942.00	Feb 90
FLTSATCOM Tactical Data Info. Subsystem (TADIXS) c			May 86
a. AN/UYK-44 Signal Processor		12,500.00	May 86
b. AN/UYK-44 Data Processing Set		6,250.00	May 86
c. ON-143(V)6 Interconnecting Group		3,000.00	May 86
d. AN/USH-26 Magnetic Tape		2,500.00	May 86
AN/USH-26 Magnetic Tape		2,000.00	28 Mar 89
e. AN/UGC-136BX Teletypewriter		1,600.00	May 86
AN/UGC-136BX Teletypewriter		1,200.00	Feb 89
f. AN/USQ-96 Video Display		1,750.00	May 86
g. CDCV1867-20 Disk w/475 Controller		5,000.00	May 86
Officer in TACOM Info EX System (OTCIXS) c			May 86
a. ON-143(V)6 Interconnecting Group		3,000.00	May 86
b. AN/UGC-136BX Teletypewriter		1,600.00	May 86
AN/UGC-136BX Teletypewriter		1,200.00	Feb 89
c. AN/USQ-96 Video Display		1,750.00	May 86
TACINTEL Info EX System (TACINTEL)			
a. AN/UYK-20 Data Processing Set		5,250.00	May 86
b. AN/USQ-69 Video Display		3,600.00	May 86
AN/USQ-69 Video Display		2,250.00	28 Mar 89
c. AN/USH-26 Magnetic Tape		2,500.00	May 86
AN/USH-26 Magnetic Tape		2,000.00	28 Mar 89
d. ON-143(V)4 Interconnecting Group		2,200.00	May 86
e. RD397B(V)1 Paper Tape Recorder		1,950.00	May 86
f. TT-624(V)6 Teletypewriter		2,500.00	May 86
TT-624(V)6 Teletypewriter		1,500.00	28 Mar 89

g. RD-433/SSH Magnetic Disk		6,250.00	May 86
h. IP-1187A Video Display		850.00	May 86
i. AN/USH-22 Magnetic Tape		1,100.00	May 86
j. AN/USH-23 Magnetic Disk		2,000.00	May 86
Combat DF Comms		61,111.00	
TD 1271 Demand Assigned Multiple Access		5,400.00	May 86
Def. Satellite Communications OM-55			
SHF Modem		31,500.00	May 86
ANWSC-6 (SHF Terminal)		168,500.00	May 86
Avionic Fault Tree Analyzer (AFTA)	h	132,718.00	Oct 85
AN/SSR-1A Satellite Receiver (Motorola)	d	0.00	
Submarine Satellite Information Exchange System (SSIXS)			
a. AN/UYK-20 Data Processing Set		5,250.00	May 86
b. ON-143(V)4 Interconnecting Group		2,200.00	May 86
c. RD397B(V)1 Paper Tape Recorder		1,950.00	May 86
d. TT-624(V)6 Teletypewriter		2,500.00	May 86
TT-624(V)6 Teletypewriter		1,500.00	Mar 89
e. IP-1187A Video Display		850.00	May 86
f. AN/USH-22 Magnetic Tape		1,100.00	May 86
g. AN/USH-23 Magnetic Disk		2,000.00	May 86
h. ON-143(V)6 Interconnecting Group		3,000.00	May 86
i. AN/UGC-136BX Teletypewriter		1,200.00	May 86
Machine Transferrable Support Software (MTASS/M) UYK-20/UYK-14, Etc.		4,250.00	Mar 86
Machine Transferrable Support Software (MTASS/M) UYK-20/UYK-14, Etc.		4,000.00	28 Mar 89
AAS-38 FLIR Pod/Nite-Owl (All models)		70,238.00	Feb 86
AN/APM-446 Radar System Test Set (F-18)		80,000.00	Jan 89
AN/BRT-6 UHF SATCOM Buoy		500.00	May 86
AN/BRT-6 UHF SATCOM Buoy		1,650.00	Jul 86
AN/TSQ ELINT Collection Out-station		85,000.00	Jun 86
AN/SSQ-93 Crypto		50,000.00	Jun 86
Classic Coyote (Vulnerability Assessment)		310,000.00	Jun 86
Classic Coyote (Vulnerability Assessment)		325,000.00	Sep 87
AN/ASN-124 w/1553 Data			
Bus (Lier Siegler, Inc) (P-3)		35,566.00	Jan 86
AN/ASA-66 TACCO/PILOT Display (LORAL INT) (P-3)		1,758.00	Jan 86
LTN-72RL (LITTON) (P-3)	d		Jan 86
AN/AGC-9 RD 461 Teletype/Recorder (SCIS System) (P-3)	d		Jan 86
AN/ARC-164 VHF	USAF COG	278.70	Jan 86
AN/AQA-7(V)/Computer Recorder GP Sonar (MAGNAVOX) (P-3)		33,750.00	Jan 86
AN/ASA-76A Sonobuoy (MAGNAVOX) (P-3)		7,500.00	Jan 86
AN/ASA-76A Generator Transmitter Group Sonobuoy (P-3)		752.00	Jan 86
AN/ARN-118 TACAN (Rockwell)	USAF COG	593.25	Jan 86
DF-206 (Rockwell)	d		Jan 86
AN/ARA-50 D.F.		0.00	May 89
VIR-31A VHF/BCN/ILS (Rockwell)	d		Jan 86

AN/ARC-182 VHF/UHF (Rockwell) (P-3)		1,672.00	Jan 86
AN/ARC-161 HF Radio (RCA) (P-3)		9,661.00	Jan 86
AN/APX-76B Interrogator (P-3)	USAF COG	1,173.40	Jan 86
AN/APX-76B Interrogator (P-3)		11,173.40	May 89
GNS-550A VLR/OMEGA NM Stst (CLOBAL SYST) (P-3)	d	0.00	Jan 86
AN/AJN-15 FLT Director (Astronautics) (P-3)	d		Jan 86
AN/ARR-72 W/SG-791 Sonobuoy (EDMAC Associates) (P-3)	d		Jan 86
AN/AQH-4(V) Tape Recorders		0.00	
Precision Echo Inc (TAPE RCDR) (P-3)		4,871.00	Jan 86
AN/UYK-43(V) Data Processing Set		20,000.00	Sep 86
AN/AAR-47 Missile Warning Set		4,772.00	Sep 86
AN/AAS-36		26,072.00	Jan 86
AN/AAS-36 IRDS		17,742.00	Jan 86
AN/ACQ-5A Data Terminal Set		7,767.00	Jan 86
AN/AGC-6 Teletypewriter Set		4,819.00	Jan 86
AN/AIC-32 ICS		9,375.00	May 87
AN/ALE-39 CM Dispenser		291.00	Sep 86
AN/ALQ-78A ECM Countermeasure Set		17,627.00	Jan 86
AN/ALQ-157 IR Jammer		4,250.00	Sep 86
AN/ALQ-158 (V)1		11,407.00	Jan 86
AN/ALQ-158 (V)1 Adaptive Control Phased Array		529.00	Jan 86
AN/ALQ-162 CW Jammer		8,700.00	Sep 86
AN/ALR-66(V) ESM Rcvr. (GEN INST) (P-3)		13,750.00	Jan 86
AN/ALR-66(V) ESM Rcvr. (GEN INST) (P-3)		18,750.00	Jan 86
AN/ALR-66 ESM Receiver		13,750.00	May 89
AN/ALR-66 ESM Receiver		18,750.00	
AN/ALR-67 Radar Warning Receiver		18,145.00	Nov 86
AN/APS-115B		25,878.00	Jan 86
AN/APS-115B Radar Set		25,878.00	May 89
AN/APS-134 Radar (P-3) Derivative of APS-116		32,653.00	Jan 86
AN/APS-134 Radar (T.I.) (P-3)		60,000.00	Jan 86
AN/APX-72 IRF		400.00	Jan 86
AN/APX-72 IRF		0.00	May 89
AN/AQS-14 Sonar Detecting Set		75,000.00	Aug 86
AN/AQS-18 Active Dipping Sonar	d	.00	Jan 87
AN/ARC-143B		6,439.00	Jan 86
AN/ARC-143B VHF Radio		6,400.00	Jan 86
AN/ARN-99 Omega Navigation Set		2,264.00	Jan 86
AN/ARR-78(V)3		20,000.00	Jan 86
AN/ARR-78(V)3 Advanced Sonobuoy Comm Line		22,873.00	Jan 86
AN/ARS-3 Sonobuoy Ref System		7,029.00	Jan 86
AN/ASA-64A		1,762.00	Jan 86
AN/ASA-64A Sub Anomaly Detecting Group		721.00	Jan 86
AN/ASA-65A(V)		3,297.00	Jan 86
AN/ASA-65A(V) Magnetic Compensator Gp		3,897.00	Jan 86
AN/ASA-70		31,560.00	Jan 86
AN/ASA-70 Tach Data Display Gp.		41,745.00	Jan 86
AN/ASH-34(V) Digital Tape Cartridge		3,500.00	May 87
AN/ASQ-81(V)1		4,775.00	Jan 86

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DoD Financial Management Regulation

AN/ASQ-81(V)1 Magnetic Detecting Set	4,160.00	Jan 86
AN/ASQ-114(V)4	21,860.00	Jan 86
AN/ASQ-114(V)4 Computer Set	41,370.00	Jan 86
AN/ASQ-196 Digital Map Set	7,400.00	May 87
AN/ASW-31 Auto Flt Control System	10,150.00	Jan 86
AN/AYA-8 B/C	114,913.00	Jan 86
AN/AYA-8 B/C Data Analysis Programming Gp	101,869.00	Jan 86
AN/AYK-14 Computer	5,250.00	May 87
AN/AYK-14 Computer	5,497.00	28 Mar 89
AN/BLD-1 DF System (Litton)	1,395,000.00	Jun 86
AN/BLD-1 DF System (Litton)	75,000.00	28 Mar 89
AN/PSC-2 Digital Comm Terminal Used w/MIFASS	1,000.00	Jun 86
AN/SLQ-48 Mine Neutralization System	c	
AN/SPN 47 Shipboard Marine Remote Area Approach & Landing System (SMRAALS)(Kearfott)	90,000.00	Jun 86
AN/SRS-1 Communication Analyzer	c	
AN/TPN-30 Approach Radar (Kearfott)	7,500.00	Jun 86
AN/TPN-30 Approach Radar (Kearfott)	8,500.00	Jun 86
AN/TPS Radar (Mod Kit)	3,850.00	Aug 86
AN/URT-26 Crash Locater (LEIGH INST) (P-3)	d	Jan 86
AN/USC-42 (V)1	4,750.00	May 86
AN/USQ-78(V)3	60,682.00	Jan 86
AN/USQ-78(V)3 Display Control Set	60,174.00	Jan 86
AN/USQ-78 (V) 4 Commandable Entry Panel, Circuit Board	0.00	Jul 90
AN/UYS Enhanced Modular Signal Processor (EMSP)	c	
AN/UYS-1 Advanced Signal Processor		May 87
BQQ-5	57,464.00	
BSY-1 (ECP 101)	47,561.00	
BSY-1	46,686.00	
Lamps	19,518.00	
MGT-5	17,774.00	
MGT-7	19,654.00	
P-3/AU	24,633.00	
P-3/DCU	23,844.00	
S-3	23,942.00	
SQQ-89T	22,402.00	
SQR-19	18,141.00	
SQS-53B	16,192.00	
SQS-53C1/ECP-41	17,854.00	
SURTASS	18,173.00	
AN/WLR-8 ESM System (Sylvania)	101,500.00	Jun 86
CU 2070 ARC Antenna Couplers (Sperry) (P-3)	d	Jan 86
CU 2270 BRC Antenna Coupler	2,590.00	Jul 91
CV-2461 A/A Signal Data Converter	6,737.00	Jan 86
MK-33 Chaff Launching System	d	Aug 86
MK-34 Chaff Launching System	d	Aug 86
MK-36 Chaff Launching System	d	Sep 87
MK-105 Magnetic Minesweeping Equipment	16,574.00	Aug 86
MK-171 Chaff RBOC, MK-193, MK-196	d	Sep 87
MK-182 Chaff SRABOC MOD 1	61.00	Sep 87
P-3C ECP 953R2C1	35,278.00	May 87

P-3C ECP 972C1	70,534.00	May 87
SB-3865 P/TTC Telephone Switchboard	10,650.00	Jun 86
SG-1156A	2,475.00	Jan 86
SG-1156A Acoustic Test Signal Generator	2,879.00	Jan 86
TD-900 A/AS Code Generator (Airpax Corp) (P-3) d		Jan 86
TD-900 A/AS Code Generator (P-3)	0.00	May 89
Telemetry Section RT-1198A (for Harm ACM-88A)	6,000.00	Jun 87
Link 16 JTIDS (AF)	50,828.00	
SH-60F/S-70C(M) Avionics	99,140.00	Jun 87
AN/SLQ-25 Torpedo Countermeasure	10,450.00	Sep 87
AN/TPS-73 Radar (Used with MATCACs)	143,600.00	Jan 88
FCS MK74 CWI Radar Transmitter T-1480	28,500.00	Feb 88
Stores Management System (F-18)	2,353.00	Mar 87
AN/WQM-6 (SATS) d		Mar 88
AN/SRC-16 Antenna Coupler		Mar 88
AN/WSN-5 Internal System	17,500.00	Mar 88
AN/USQ-83 Multi Mode Modem	7,750.00	Apr 88
AN/USQ-83 Multi Mode Modem	6,500.00	Aug 88
OL-337(V)1/AY (Replace AN/AYA-8B)	54,291.00	May 88
AN/VPX-29(V) Interrogator Aegis Subsystem	100,000.00	May 88
AN/PRC-104B (V)	733.00	May 88
AN/GRC-213A (V)	918.00	May 88
AN/GRC 193B (V)	1,643.00	May 88
Prototype Ocean Surveillance Terminal (POST) Software	1,000.00	Jun 88
SA-2112A(V) 1-6 Black Analog Switch	37,250.00	Jun 88
SA-2112A(V) 1-6 Red Analog Switch	29,000.00	Jun 88
AN/PDR-65 (AEGIS) d		Jul 88
Transducer/Array TR-237 d		Jul 88
Transducer/Array TR-238 d		Jul 88
Transducer/Array TR-208A d		Jul 88
81P HP	0.00	May 89
AAU-32/A	0.00	May 89
Aero 1A Adapters	0.00	May 89
Aerostat Airborne Radar Sys e		
AN/ALQ-142 Countermeasures Receiving Set	27,680.00	Oct 89
AN/ALR-76 Electronic Support Measures (ESM)	35,759.00	Jul 89
AN/ALR-80 (V) I Radar Warning Receiver e		
AN/APN-194 (V) 1	0.00	May 89
AN/APN-217 (V) 3 e		
AN/APN-227	0.00	May 89
AN/APQ-107	0.00	May 89
AN/APS-116 Radar	40,500.00	Jul 88
AN/APS-137 (V) Radar Set Derivative of P-3/P-7A	85,000.00	Aug 89
AN/APS-137 (V)2 ISAR Upgrade Kit	14,618.00	Nov 91
AN/APS-138 OE-335A Trac A Antenna	162,047.00	Feb 87
AN/ARC-187	0.00	May 89
AN/ARC-197	0.00	May 89
AN/ARC-207	0.00	Oct 89
AN/ARN-83	0.00	May 89
AN/ARN-140	0.00	May 89
AN-ARQ-50 HF SIMOPS High Frequency Simul		
Op Radio Sys	0.00	Oct 89

AN/ARS-5 Sonobuoy Ref Sys	7,029.00	Mar 90
AN/ASA-69	0.00	May 89
AN/ASH-33A	0.00	May 89
AN/ASM-614B Elec Systems Test Set	20,000.00	Aug 90
AN/AWG-19 (V) 1	16,900.00	May 89
AN/BQH-7A (MK 8 XBT/X50) Derivative	0.00	Jun 90
AN/DKT-58 Sidewinder Telemetry System	0.00	May 90
AN/FPS-118 OTH Radar	e	
AN/GRC-193B (V)	1,643.00	May 88
AN/GRC-193B (V), SA-2111 (V)		
1-6 Red Audio Switch	1,643.00	May 88
AN/GRC-213A (V), SA-2112A (V)		
1-6 Black Analog Switch	918.00	May 88
AN/GYC-7 Tactical Data Switch	7,500.00	Jul 89
AN/SPN-46 (V) Phase I Auto Carrier Landing Sys	497,530.00	May 86
AN/SQS-53B	16,192.00	Oct 89
AN/SQS-53C	5,838,000.00	May 90
AN/SQS-53C Array Subsystem	686,000.00	May 90
AN/SQS-53C Rcvr Subsystem	2,920,000.00	May 90
AN/SQS-53C Software	634,000.00	May 90
AN/SQS-53C Undistributed	568,000.00	May 90
AN/SQS-53C X-mitter Subsystem	1,030,000.00	May 90
AN/SQS-56 ECP RAM/ROM Memory	0.00	Apr 90
AN/SSR-1A Satellite Receiver (Motorola)	d	
AN/TSQ-142 EA-6B Strike Planning Center	0.00	May 90
AN/TSQ-142 Maritime Air Operations Center	0.00	May 90
AN/UPX-29 (V) Interrogator AEGIS Subsystem	100,000.00	May 88
AN/USM-470 (V) 1	178,750.00	Aug 90
AN/USM-484	34,750.00	Aug 90
AN/USQ-78 (V) 3 Display Control Set	24,633.00	May 89
AN/UYQ-21	e	
AN/UYS-1 (V) 8, Analyzer Detecting Set	36,450.00	Dec 86
BRU-12/A, 14A, 15A	0.00	May 89
AN/ASN-123 Tactical Navigation Set	12,779.00	Aug 90
AN/ASN-150 Navigation Set	21,980.00	Aug 90
Commandable Entry Panel (part of circuit board)	0.00	Jun 90
Computer Development Station (CDS-85)	0.00	Jun 90
Deep Water Trunk Cable (Per mile)	300.00	13 Apr 92
Digital Voice Terminal Equip	e	
Enhanced Main Display Unit (E-2T)	144,074.00	Apr 90
F-18 Fortran Simulation Data	253.00	Jun 90
FCS MK-74 CWI Radar Transmitter and Power Supply	42,100.00	May 90
GTCP-95-3	d	
ID-1540/A	0.00	May 89
Integrated Diagnostic Support System (IDSS)	0.00	Apr 90
IP-886A/ASA-66	1,795.00	May 89
KIT-1A	0.00	May 89
KY-28	0.00	May 89
KY-75	400.00	May 89
MK-19 Mod 0	0.00	Jun 86
ML-1	0.00	May 89
MLU-1, 2, 3	0.00	May 89

OA-8962/ASH	0.00	May 89
Ocean Surveillance Information System (software)(Canada)	1,850,000.00	Nov 89
OD-159/A	0.00	May 89
OT-17D Continuous Wave Illuminator	0.00	Aug 88
OTCIXS AN/UGC-136BX Teletypewriter	1,200.00	Feb 89
OV-78A	0.00	May 89
Tactical Environmental Support System (TESS)	55,167.00	Jan 91
T-1234/AN/ASA-76	7,500.00	May 89
U-1644 Processor Microcode (CP Sequencer Card)	51.00	Mar 90
U-1644 Processor Microcode (EC 1 Card)	39.00	Mar 90
U-1644 Processor Microcode (Maint Processor Card)	45.00	Mar 90

CATEGORY XII - FIRE CONTROL, RANGE FINDER, OPTICAL AND GUIDANCE AND CONTROL EQUIPMENT

AN/APS-124	32,192.00	Jan 84
AN/SPS-55	d	
AN/SPS-65	177,800.00	May 85
AN/SPS-67	d	
AN/SYS-1 Integrated Automatic Detection & Tracking	934,231.00	May 85
System Gun Fire Control, MK 51-2	a	
System Gun Fire Control, MK 37	24,800.00	6 Dec 84
System Gun Fire Control, MK 56	15,400.00	6 Dec 84
System Gun Fire Control, MK 68	60,000.00	6 Dec 84
Project OUTBOARD		
AN/SLR-16 and AN/SDR-19	550,000.00	Dec 84
System Supervision Station	396,000.00	Dec 84
AN/SLR-23	265,000.00	Dec 84
AN/SYQ-8	248,000.00	Dec 84
AN/SPS-48C	c	
AN/SPS-52C	813,334.00	Feb 84
AN/FSQ 123(V) Direction Finding System	92,592.00	May 86
WDS MK14 MOD 5 Weapon Detection System (TARTER)	254,400.00	Jun 86
CTS AN/SYR-1	154,450.00	Jun 86
Attack Consol MK 52 Mod 2 used w/UFCS MK 114	43,750.00	Jul 86
AN/SPS-48E Radar	650,000.00	Aug 87
AN/SPS-40B/C/D Field Change II Kit		
(Kit changes 40B/C/D Radar to 40 E)	76,870.00	
Close in Weapon System, PHALANX 20mm Bulk Loader	0.00	May 90
AIM/RIM-70 Guidance and Control System Retrofit Kit	32,750.00	24 Apr 91
Weapon Direction System, MK-13 MOD 4	147,826.00	Jun 91
Underwater Tracking System	775,750.00	Jun 91
North Finding Module P/N 500195-01-01	866.00	Oct 91

CATEGORY XIII - AUXILIARY MILITARY EQUIPMENT

Underway Replenishment Equipment		
Astern Reel	3,600.00	Dec 84
Cargo Drop Wheel	400.00	Dec 84
Hauling Winch	10,160.00	Dec 84
HL/SW Winch	6,680.00	Dec 84
Probe Receiver	120.00	Dec 84
Probe Sender	200.00	Dec 84
Ram Tensioner	4,000.00	Dec 84

Saddle Winch	1,600.00	Dec 84
Sliding Block	4,000.00	Dec 84
Sliding Padeye	1,120.00	Dec 84
STAR	120.00	Dec 84
Tactical Aircraft Combat Training System/ Air Combat Maneuvering Instrumentation (TACTS/ACMI)	40,334.00	
Tactical Aircraft Combat Training System/ Air Combat Maneuvering Instrumentation (TACTS/ACMI)		
AID (Internal) (F-18)	2,327.00	
Airborne Instrumentation Subsystem (AIS)	9,000.00	Mar 85
Control and Computation Subsystem (CCS)	277,000.00	Mar 85
Display and Debriefing Subsystem (DDS)	61,000.00	Mar 85
Tracing Instrumentation Subsystem	92,000.00	
Helicopter Landing System (HLS) or RAST for SH-60 b	208,871.00	
Helicopter Rotorblade H-46	5,879.00	
Data Multiplex System AN/USQ-82(V) SDMS	0.00	
Controller, Traffic C-10810/USQ-82(V)(TC)	2,105.00	Apr 85
Multiplexer TD-1318/USQ-82(V)(RM)	5,915.00	Apr 85
Multiplexer TD-1319/USQ-82(V)(AM)	12,345.00	Apr 85
Control-interface unit J-3703/USQ-82(V)(ME)	6,500.00	Apr 85
Controller-converter input-output CV-3647(P)/ USQ-82(V) 16-slot IOU	3,710.00	Apr 85
Controller-converter input-output CV-3648(P)/ USQ-82(V) 8-slot IOU	3,290.00	Apr 85
Multiplexer TD-1320/USQ-82(V) ARM	7,740.00	Apr 85
Input/Output Module IIOM (AVE)	290.00	Apr 85
KG-40 Crypto		
a. TSEC/KG-40 Serial Unit	716.45	1 Jul 86
TSEC/KG-40 Serial Unit	870.00	Dec 88
b. MT4416/A Serial Mount	110.00	1 Jul 86
MT4416/A Serial Mount	214.00	Dec 88
c. TSEC/KG-40 Parallel Unit	996.00	1 Jul 86
TSEC/KG-40 Parallel Unit	1,058.00	Dec 88
d. MT-4417/S Parallel Mount	162.25	1 Jul 86
MT-4417/S Parallel Mount	278.00	Dec 88
e. KGX-40/TSEC Remote Control Unit	127.45	1 Jul 86
KGX-40/TSEC Remote Control Unit	175.00	Dec 88
f. ST-31 (ATU)	194.00	Dec 88
g. RGQ-40 A Serial Kit 29	716.00	Dec 88
h. RGQ-40 A Parallel Kit	644.00	Dec 88
i. E-DZZ PWA	25.00	Dec 88
j. RGQ-40 Retrofit Kit	37.00	Dec 88
k. ST-31 Retrofit Kit	1.00	Dec 88
l. Extender Board	139.00	Dec 88
m. Extender Cable	151.00	Dec 88
n. SM-SM/871/TDTS	1,301.00	Dec 88
o. KG-40 MOD Kit	186.00	Dec 88
AN/SSR-1A Satellite Signal Receiving System e		
AN/SSR-1A Satellite Signal Receiving System d		
HYX-58 Equipment (KY-58 Secure Voice)		May 86

a. HYX-58 Mode 1A	255.61	May 86
b. RXQ Spares Kit	157.83	May 86
c. Test Mount Cable	31.20	May 86
Integration Housing Group for KW-46/KY58/KYX58 and other COMSEC Systems		May 86
a. HNF-1 Backplane	147.61	May 86
b. HNF-2 Backplane	123.57	May 86
c. HNF-3 Backplane	74.99	May 86
d. MT4841/V Ship Mount	28.29	May 86
e. MT4841/V Ship Mount w/KG-8Y Backplane for (2) KG-8Y/TSEC	51.71	May 86
f. MK 1955 Installation Kit I	34.51	May 86
g. MK 1956 Installation Kit II	46.08	May 86
CV-3591 Connector Modem Signal Data AN/USC-43-V	1,107.00	Nov 87
CV-3591 Connector Modem Signal Data (ANDVT)(SVT)	1,425.00	Nov 87
AN/TTC-42 (V) Unit Level Circuit Switch	57,500.00	Apr 90
AN/USC-43V	1,107.00	Nov 87
AN/USC-43 (V), CV-3591-Adv		
Narrow Dig Voice Term	375.00	Dec 89
Astern Reel	7,500.00	Sep 89
HNF-1 Ship Shelf Assembly	124.00	
HNF-2 Ship Shelf Assembly	116.00	
HNF-3-1 Ship Shelf Assembly	81.00	
KG-84 Ship Shelf Assembly	21.00	Sep 89
Cargo Drop Reel	1,150.00	Sep 89
Hauling Winch	15,200.00	Sep 89
Input/Output Module (AVE)		
RGQ-40 Retrofit Kit	38.00	Sep 89
ST-31 Retrofit Kit	2.00	Sep 89
Probe Receiver	350.00	Sep 89
Probe Sender	550.00	Sep 89
RAM Tensioner	6,250.00	Sep 89
Saddle Winch	1,550.00	Sep 89
Sliding Block	7,000.00	Sep 89
Sliding Padeye	3,650.00	Sep 89
STAR	450.00	Sep 89
HL/SW Winch	9,900.00	Sep 89

CATEGORY XIV

No Navy Items Identified

CATEGORY XV

Not Applicable

CATEGORY XVI

IM-239/WLQ Radiometer Beta Monitoring System 1,083.75 May 86

CATEGORY XVII

No Navy Items Identified

CATEGORY XVIII - TECHNICAL DATA

AN/FYQ-113 (AN-1)(V)

Used with AN/FSQ-133 Crypto) (XN-1)	65,000.00	Jun 86
AN/FYQ-108 (AN-1)(V) Used with AN/FSQ-133 (XN-1)	43,500.00	Jun 86
AN/SYS-2(V) Integrated Auto Det & Tracking System	105,200.00	Nov 91
Asset/MONOSC Version 2.4	318,571.00	Oct 87
Asset/Hydrofoil Version 2.2	131,250.00	Oct 87
Asset SWATH Version.4	46,154.00	Oct 87
Marine Air Traffic Control and Landing System (MATCACs)	2,352,941.00	Jul 88
used with AN/TPN-22, TSQ-107-313, TPS-73, UYQ-34		
MATCALS (Marine Air Traffic Control & Landing Sys)	769,231.00	Jul 88
Operational Software is used with (AN/TPN-22, TSQ-107/131/TPS-73, UYQ-34)		
Classic Centerboard Outstation Software	556,000.00	Nov 91
Tactical Aircraft Mission Planning System	9,136.00	Jun 91

CATEGORY XIX - DEFENSE SERVICES

No Navy Items Identified

CATEGORY XX - SUBMERSIBLE VESSELS, OCEANOGRAPHIC AND ASSOCIATED EQUIPMENT

No Navy Items Identified

CATEGORY XXI - MISCELLANEOUS ARTICLES

AN/TTC-42 Unit Level Circuit Switch	57,500.00	Aug 88
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Codes:

- a. Out of Production - no assets available.
- b. Part of NC recoupment charge payable to a foreign country.
- c. No predictable FMS, or commercial sale or coproduction. Advise when potential for sale or coproduction exists.
- d. Does not meet criteria for recoupment collection.
- e. In staffing.
- g. Interim: SYSCOM NC data sheet required not later than 6 months prior to production of first article.
- h. "Special" NC payable in total to foreign country.
- i. Commercial Derivative.

AIR FORCE NONMAJOR DEFENSE EQUIPMENT

ITEM	UNIT NC	Date NC Charge Approved
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CATEGORY I - FIREARMS

NONE

CATEGORY II - ARTILLERY AND PROJECTILES

NONE

CATEGORY III - AMMUNITION

NONE

CATEGORY IV - LAUNCH VEHICLES, GUIDED MISSILES, BALLISTIC MISSILES, ROCKETS, TORPEDOES, BOMBS AND MINES

AGM-65, IR GCS	4,479.00	3 Nov 87
AGM-65, Laser GCS	16,783.00	3 Nov 87
AGM-65, Shaped Charge	86.00	3 Nov 87
AGM-65, TV GCS	2,725.00	3 Nov 87
AGM-65, WDU-24B Warhead/FMU-135B Fuze	1,074.00	3 Nov 87
AIM-9 Rocket Motor MK-17 OR SR 116	200.00 (a)	12 Mar 82
AIM-9P-4 Guidance and Control System (GCS)	14.00 (a)	10 Mar 86
BSU-49 Air Inflatable Retarder (AIR)	12.00	17 Sep 81
FMU-139B Fuse	13.88	17 Jul 87
FMU-143B Fuse System	142.00	23 Oct 90
FMU-143B/B Fuse System	100.00	23 Oct 90

CATEGORY V - PROPELLANTS, EXPLOSIVES AND INCENDIARY AGENTS

NONE

CATEGORY VI - VESSELS OF WAR AND SPECIAL NAVAL EQUIPMENT

NONE

CATEGORY VII - TANKS AND MILITARY VEHICLES

NONE

CATEGORY VIII - AIRCRAFT, SPACECRAFT AND ASSOCIATED EQUIPMENT

C-130 Tanker Modification (MOD only)	331,250.00	16 Oct 90
FCSP CP-1767 Flight Control Set Processor	1,976.00	7 Dec 90

CATEGORY IX - MILITARY TRAINING EQUIPMENT

A/F-37A-T48 F-111A Mission Simulator (6930-00-181-7118)	302,335.00	12 Sep 91
OFT F-16A/B (EPG, IS, EG)	1,680,560.00	28 Sep 84
OFT F-16A/B (EPG, IS, EG)	415,020.00	24 May 82
OFT F-16C/D (FMS)	2,202,654.00	28 Sep 84
Operational Flt Trainer (OFT) F-16A/B (FMS)	657,574.00	24 May 82
TGM-65D Tng Maverick Missile	4,479.00	3 Nov 87
TGM-65G Tng Maverick Missile	4,479.00	22 Nov 89
TGM-65G with VTRA Tng Maverick Missile	4,479.00	22 Nov 89
MMT-65 Missile Maintenance Trainer	4,479.00	22 Nov 89

CATEGORY X - PROTECTIVE PERSONNEL EQUIPMENT

NONE

CATEGORY XI - MILITARY AND SPACE ELECTRONICS

AN/ALR-69, Radar Warning Receiver	3,519.00	4 Jan 78
AN/APM-410 w/o Bench	65,000.00	27 Mar 87
AN/APM-410 w/o Bench	24,695.00	18 Apr 90
AN/APM-467 Test Station, Radar, Aircraft (ARTS) (F-15)	185,000.00	11 Apr 90
AN/APX-76 IFF Interrogator	1,173.40	17 Jan 86
AN/ARN-101 Navigation System (NATO)	7,200.00	23 Sep 77
AN/ARN-101 Navigation System (Non-NATO)	37,000.00	23 Sep 77

AN/ARN-118 TACAN	593.25	17 Jan 86
AN/APM-395, Flight Line Kit	11,970.00	27 Mar 87
AN/APM-395, Flight Line Kit	2,010.00	18 Apr 90
AN/MSR-T4, Trains (NSN 5840-01-142-6672)	296,256.00	29 Jan 92
AN/MST-T1A, Mutes (NSN 5840-01-105-4656)	153,641.00	29 Jan 92
AN/USM-617 Mobile Electronic Test Set (6625-01-286-8798DQ)	45,604.00	6 Sep 91
Antenna Receiver	9,739.00	27 Mar 87
Antenna Receiver	2,442.00	18 Apr 90
APM-235	8,399.00	27 Mar 87
APM-235	694.00	18 Apr 90
APM-236	8,399.00	27 Mar 87
APM-236	694.00	18 Apr 90
APM-237	16,798.00	27 Mar 87
APM-237	1,357.00	18 Apr 90
APM-238	8,399.00	27 Mar 87
APM-238	688.00	18 Apr 90
ARC-164 UHF Radio	278.70	17 Jan 86
Branded Wiring Harness Radar Mount	2,292.80	27 Mar 87
Branded Wiring Harness Radar Mount	528.00	18 Apr 90
Command Computer	1,719.00	27 Mar 87
Command Computer	462.00	18 Apr 90
Depot Automated Test System for Avionics (DATSA)		
Analog DATSA (4920-01-148-5597DQ)	214,263.00	12 Nov 91
Digital DATSA (4920-01-124-0648DQ)	242,407.00	12 Nov 91
Digital RF DATSA (4920-01-203-1835DQ)	240,000.00	12 Nov 91
Depot Support Equipment F-16	7.5%	2 Jul 80
	(of equipment sales price)	
Digital Scan Converter Group	33,228.00	27 Mar 87
Digital Scan Converter Group	6,062.00	18 Apr 90
ECM, AN/ALQ-94 (F-111)	43,584.00	4 Nov 83
Power Supply	5,156.00	27 Mar 87
Power Supply	1,292.00	18 Apr 90
Radar Set Control	573.00	27 Mar 87
Radar Set Control	2.00	18 Apr 90
Transmitter	4,583.00	27 Mar 87
Transmitter	1,295.00	18 Apr 90
TRC-187 Have Quick II Timing System	4,413.00	23 Jul 90

CATEGORY XII - FIRE CONTROL, RANGE FINDER, OPTICAL AND GUIDANCE AND CONTROL EQUIPMENT

AN/APQ-171 Terrain Following Radar (TFR) System Kit	27,221.00	3 Apr 90
AN/TPN-19 Model Series	168,178.00 (b)	9 Oct 80
AN/TSP-43 Antenna (Basic)	8,513.00	29 Jan 86
AN/TSP-43/70 Optional Antenna (LSA)	22,749.00	29 Jan 86
AN/TSP-43/70 Optional Antenna (ULSA)	107,834.00	29 Jan 86
AN/TSP-43A/B/C/D/E/F/H Antenna	1,864.00	29 Jan 86
AN/TSP-43A/B/C/D/E/F/H Radar (inc ant)	6,014.00	29 Jan 86
AN/TSP-70 Antenna (V1/V2)	131.00	29 Jan 86
AN/TSP-70 Radar (V1/V2 inc antenna)	421.00	29 Jan 86
CP-1767 Flight Control Set Processor (6615-01-225-8139)	1,976.00	7 Dec 90
GBU-15 Data Link Pod	73,643.00	11 May 81

GBU-15 FMU-123A Fuze	145.00	11 May 81
GBU-15 Weapon Data Link	776.00	11 May 81
Multifunction Display System (MFDS) Shipset	6,593.00	14 Jan 92
Multifunction Display (MFD)	1,328.00	14 Jan 92
MFD Programmable Display Generator (MFD PDG)	5,226.00	14 Jan 92
Programmable Display Generator Rack (PDG Rack)	39.00	14 Jan 92
PAVE PENNY Adapter Control Detector (ACD) F-16	8,740.00	29 Sep 83
PAVE PENNY Detectors (non-F-16)	10,143.00	21 Mar 80
PAVE SPIKE AN/ASQ-153 Grp A (inc Cockpit Group B)	4,173.00	30 Mar 79
PAVE SPIKE AN/ASQ-153 Support Equipment	89,451.00	30 Mar 79
PAVE SPIKE AN/ASQ-153 Target Designator Pod only	26,329.00	30 Mar 79
PLZT/TFPD (EEU-2P) Goggles	552.00	1 Jun 79

Notes: a. A special recoupment to SDAF of \$5,622.00 must be added to each AIM-9P-4 sale. This portion, once charged to the FMS customer, is sent to SAAC for deposit back to the SDAF. The remaining \$214.00 is deposited to Miscellaneous Receipts for USG investment in the GCS and rocket motor.

b. Includes the PAR (AN/TPN-25, AN/GPN-22, and AN/FPN-62), the ASR (AN/TPN-24 and ASR-910), and the Operation Centers (AN/TPN-23). The recoupment applies for each model series.

APPENDIX C - PAY TABLES

HISTORY TABLE OF ACCELERATION RATES															January 1, 1986	
CIVILIAN (3)	78	79	80	81	82	83	84	85	86	86	87	88				
Effective Date	9-Oct-77	8-Oct-78	1-Oct-79	5-Oct-80	4-Oct-81	3-Oct-82	1-Oct-83	8-Jan-84	1-Oct-84	1-Oct-85	1-Jan-86	1-Jan-87	1-Jan-88			
Retirement-funded	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Retirement-Unfunded		13.4	13.4	13.4	13.4	13.4	22.5	22.5	22.5	20.9	20.9	20.9	20.9	20.9	20.9	20.9
Health Benefits				3.4	3.4	3.4	3.4	3.4	3.4	4.7(1)	4.7	4.7	4.7	4.7	4.7	4.7
Life Insurance				0.3	0.3	0.3	0.3	0.3	0.3							
Medicare							1.3	1.3	1.3	1.4	1.5	1.5	1.5	1.5	1.5	1.5
Other Benefits		4.0	4.0	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Leave & Holidays	20.0	20.0	20.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
MILITARY																
Retirement	17.0	26.5	26.5	26.5	26.5	26.5	33.0	(2).								
Other Benefits-Officers	8.0	8.0	8.0	8.0	8.0	8.0	8.0		6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Other Benefits-Enlisted	23.0	23.0	23.0	23.0	23.0	23.0	23.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Leave & Holidays	20.0	20.0	20.0	18.0	18.0	18.0	18.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0

(1) Health benefits combined with life insurance in FY 85.

(2) Effective October 1, 1984, payments for retired pay were from the new DoD Military Retirement Fund. With the result that retirement is included in the annual composite standard rate.

(3) Effective October 1, 1988 (see the next page of this appendix).

CIVILIAN FRINGE BENEFIT RATE

	FY 1989			FY 1990			FY 1991		
	a	b	c	a	b	c	a	b	c
Army	18.3	14.7	33.0	17.5	14.7	32.2	20.8	14.7	35.5
Navy	15.8	14.7	30.5	16.1	14.7	30.8	21.1	14.7	35.8
Air Force	17.1	14.7	31.8	18.5	14.7	33.2	21.1	14.7	35.8
DCAA	22.0	14.7	36.7	20.4	14.7	35.1	22.4	14.7	37.1
DLA	20.7	14.7	35.4	17.0	14.7	31.7	18.7	14.7	33.4
Other	20.3	14.7	35.0	21.1	14.7	35.8	22.4	14.7	37.1

	FY 1992			FY 1993			FY 1994		
	a	b	c	a	b	c	a	b	c
Army	22.7	14.7	37.4						
Navy	19.8	14.7	34.5						
Air Force	20.2	14.7	34.9						
DCAA	22.9	14.7	37.6						
DLA	19.1	14.7	33.8						
Other	20.6	14.7	35.3						

Column

- a Amount to be billed other DoD Components & Federal Agencies
- b Unfunded Retirement Factor
- c Total to be billed FMS/Public. Does not include leave and holidays (18%)

CIVILIAN PAY - FY 81
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

		1	2	3	4	5	6	7	8	9	10
GS-	1	7,960	8,490	8,755	9,020	9,020	9,175	9,437	9,699	9,712	9,954
	2	8,951	9,163	9,459	9,712	9,820	10,109	10,398	10,687	10,976	11,265
	3	9,766	10,092	10,418	10,744	11,070	11,396	11,722	12,048	12,374	12,700
	4	10,963	11,328	11,693	12,058	12,423	12,788	13,153	13,518	13,883	14,248
	5	12,266	12,675	13,054	13,493	13,902	14,311	14,720	15,129	15,538	15,947
	6	13,672	14,128	14,584	15,040	15,496	15,952	16,408	16,864	17,320	17,776
	7	15,193	15,699	16,205	16,711	17,217	17,723	18,229	18,735	19,214	19,747
	8	16,826	17,387	17,948	18,509	19,070	19,631	20,192	20,753	21,314	21,875
	9	18,585	19,205	19,825	20,445	21,076	21,685	22,305	22,925	23,545	24,165
	10	20,467	21,149	21,831	22,513	23,195	23,877	24,559	25,241	25,943	26,605
	11	22,486	23,236	23,986	24,736	25,486	26,236	26,986	27,736	28,486	29,236
	12	26,951	27,849	28,747	29,645	30,543	31,441	33,339	33,237	34,135	35,033
	13	32,048	33,116	34,184	35,252	36,320	37,388	38,456	39,524	40,592	41,660
	14	37,871	39,133	40,395	41,657	42,919	44,181	45,443	46,705	47,967	49,229
	15 ²	44,547	46,032	47,517	49,002	50,487	51,972	53,457	54,942	56,427	57,912
	16 ²	52,247	53,989	55,731	57,473	59,215	60,957	62,699	64,441	66,183	
	17 ²	61,204	63,244	65,284	67,324	69,384					
	18 ²	71,734									

¹ Effective October 5, 1980.

² Notwithstanding the salary rates shown, the rate of basic pay legally payable (such as employees in grades GS-15 through GS-18) may not exceed the rate payable to level V of the Executive Schedule, as of the effective date of this schedule \$50,112.50 per annum.

ACCELERATION FACTORS (Effective October 1, 1980)

Retirement: 20.4% (13.4% unfunded; 7.0% DoD contribution)
 Leave and Holiday: 18.0%
 Benefits: 5.6%

CIVILIAN PAY - FY 82
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

	1	2	3	4	5	6	7	8	9	10
GS- 1	8,342	8,620	8,898	9,175	9,453	9,615	9,890	10,165	10,178	10,438
2	9,381	9,603	9,913	10,178	10,292	10,595	10,898	11,210	11,504	11,804
3	10,235	10,576	10,917	11,258	11,599	11,940	12,281	12,622	12,963	13,304
4	11,490	11,873	12,256	12,639	13,022	13,405	13,788	14,171	14,554	14,973
5	12,854	13,282	13,710	14,138	14,566	14,994	15,422	15,850	16,278	16,706
6	14,328	14,806	15,284	15,762	16,240	16,718	17,196	17,674	18,152	18,630
7	15,922	16,453	16,934	17,515	18,046	18,577	19,108	19,639	20,170	20,701
8	17,634	18,222	18,810	19,398	19,986	20,574	21,162	21,750	22,338	22,926
9	19,477	20,126	20,775	21,424	22,073	22,722	23,371	24,020	24,669	25,318
10	21,449	22,164	22,879	23,594	24,309	25,024	25,379	26,454	27,169	27,884
11	23,566	24,352	25,138	25,924	26,710	27,496	28,282	29,068	29,854	30,640
12	28,245	29,187	30,129	31,071	32,013	32,955	33,897	34,839	35,781	36,723
13	33,586	34,706	35,826	36,946	38,066	39,186	40,306	41,426	42,546	43,666
14 ²	39,689	41,012	42,335	43,658	44,981	46,304	47,627	48,950	50,273	51,596
15 ²	46,685	48,241	49,797	51,353	52,909	54,465	56,021	57,577	59,133	60,689
16 ²	54,755	56,580	58,405	60,230	62,055	63,880	65,705	67,530	69,355	
17 ²	64,142	66,280	68,418	70,556	72,694					
18 ²	75,177									

¹ Effective October 4, 1981

² The rate of basic pay payable to employees at these rates is limited to \$50,112.50 for the period October 4-December 31, 1981, and to \$57,500 after December 31, 1981, the rates payable to level V of the Executive Schedule during those periods.

ACCELERATION FACTORS (Effective October 1, 1980)

Retirement: 20.4% (13.4% unfunded; 7.0% DoD contribution)

Leave and Holiday: 18.0%

Benefits: 5.6%

**CIVILIAN PAY - October 3, 1982 Through January 7, 1984
GENERAL SCHEDULE 5 U.S.C. 5332(a)**

		1	2	3	4	5	6	7	8	9	10
GS-	1	8,676	8,965	9,254	9,542	9,831	10,000	10,286	10,572	10,585	10,857
	2	9,756	9,987	10,310	10,585	10,703	11,018	11,333	11,648	11,983	12,278
	3	10,645	11,000	11,355	11,710	12,065	12,420	12,775	13,130	13,485	13,840
	4	11,949	12,347	12,745	13,143	13,541	13,939	14,337	14,735	15,133	15,531
	5	13,369	13,815	14,261	14,707	15,153	15,599	16,045	16,491	16,937	17,383
	6	14,901	15,398	15,895	16,392	16,889	17,386	17,883	18,380	18,877	19,374
	7	16,559	17,111	17,663	18,215	18,767	19,319	19,871	20,423	20,975	21,527
	8	18,339	18,950	19,561	20,172	20,783	21,394	22,005	22,616	23,227	23,838
	9	20,256	20,931	21,606	22,281	22,956	23,631	24,306	24,981	25,656	26,331
	10	22,307	23,051	23,795	24,539	25,283	26,027	26,771	27,515	28,259	29,003
	11	24,508	25,325	26,142	26,959	27,776	28,593	29,410	30,227	31,044	31,861
	12	29,374	30,353	31,332	32,311	33,290	34,269	35,248	36,227	37,206	38,185
	13	34,930	36,094	37,258	38,422	39,586	40,750	41,914	43,078	44,242	45,406
	14	41,277	42,653	44,029	45,405	46,781	48,157	49,533	50,909	52,285	53,661
	15 ¹	48,533	50,171	51,789	53,407	55,025	56,643	58,261	59,879	61,497	63,115
	16 ¹	56,945	58,843	60,741	62,639	64,537	66,435	68,333	70,231	72,129	
	17 ¹	66,708	68,932	71,156	73,380	75,604					
	18 ¹	78,184									

¹ The rate of basic pay payable to employees at these rates is limited to \$57,500 for the period October 3 - December 17, 1982, and to \$63,800 effective December 18, 1982.

ACCELERATION FACTORS October 3, 1982 - September 30, 1983

FY 83

Retirement: 20.4% (13.4% unfunded; 7.0% DoD contribution)
 Leave and Holiday: 18.0%
 Benefits: 5.6%

ACCELERATION FACTORS October 1, 1983 - January 7, 1984

Retirement: 29.5% (22.5% unfunded; 7.0% DoD contribution)
 Leave and Holiday: 18.0%
 Benefits: 6.9%

**CIVILIAN PAY - Effective January 8, 1984
GENERAL SCHEDULE 5 U.S.C. 5332(a)**

		1	2	3	4	5	6	7	8	9	10
GS-	1	9,023	9,324	9,624	9,924	10,224	10,400	10,697	10,995	11,008	11,283
	2	10,146	10,386	10,722	11,008	11,129	11,456	11,783	12,110	12,437	12,764
	3	11,070	11,439	11,808	12,177	12,546	12,915	13,284	13,653	14,022	14,391
	4	12,427	12,841	13,255	13,669	14,083	14,497	14,911	15,325	15,739	16,153
	5	13,903	14,366	14,829	15,292	15,755	16,218	16,681	17,144	17,607	18,070
	6	15,497	16,014	16,531	17,048	17,565	18,082	18,599	19,116	19,633	20,150
	7	17,221	17,795	18,369	18,943	19,517	20,091	20,665	21,239	21,813	22,387
	8	19,073	19,709	20,345	20,981	21,617	22,253	22,889	23,525	24,161	24,797
	9	21,066	21,768	22,470	23,172	23,874	24,576	25,278	25,980	26,682	27,384
	10	23,199	23,972	24,745	25,518	26,291	27,064	27,837	28,610	29,383	30,156
	11	25,489	26,339	27,189	28,039	28,889	29,739	30,589	31,439	32,289	33,139
	12	30,549	31,567	32,585	33,603	34,621	35,639	36,657	37,675	38,693	39,711
	13	36,327	37,538	38,749	39,960	41,171	42,382	43,593	44,804	46,015	47,226
	14	42,928	44,359	45,790	47,221	48,652	50,083	51,514	52,945	54,376	55,807
	15	50,495	52,178	53,861	55,544	57,227	58,910	60,593	62,276	63,959	65,642
	16 ¹	59,223	61,197	63,171	65,145	67,119	69,093	71,067	73,041	75,015	
	17 ¹	69,376	71,689	74,002	76,315	78,628					
	18 ¹	81,311									

¹ The rate of basic pay payable to employees at these rates is limited to \$66,400.

ACCELERATION FACTORS

Retirement:	29.5% (22.5% unfunded; 7.0% DoD contribution)
Leave and Holiday:	18.0%
Benefits:	6.9%

CIVILIAN PAY - FY 1985
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

		1	2	3	4	5	6	7	8	9	10
GS-	1	9,339	9,650	9,961	10,271	10,582	10,794	11,071	11,380	11,393	11,686
	2	10,501	10,750	11,097	11,393	11,521	11,860	12,199	12,538	12,877	13,216
	3	11,458	11,840	12,222	12,604	12,986	13,368	13,750	14,132	14,514	14,896
	4	12,862	13,291	13,720	14,149	14,578	15,007	15,436	15,865	16,294	16,723
	5	14,390	14,870	15,350	15,830	16,310	16,790	17,270	17,750	18,230	18,710
	6	16,040	16,575	17,110	17,645	18,180	18,715	19,250	19,785	20,576	23,160
	7	17,824	18,418	19,012	19,606	20,200	20,794	21,388	21,982	22,576	23,170
	8	19,740	20,398	21,056	21,714	22,372	23,030	23,688	24,346	25,004	25,662
	9	21,804	22,531	23,258	23,895	24,712	25,439	26,166	26,893	27,620	28,347
	10	24,011	24,811	25,611	26,411	27,211	28,011	28,811	29,611	30,411	31,211
	11	26,381	27,620	28,139	29,018	29,897	30,776	31,655	32,534	33,413	34,292
	12	31,619	32,673	33,727	34,781	35,835	36,889	37,943	38,997	40,051	41,105
	13	37,599	38,852	40,105	41,358	42,611	43,864	45,117	46,370	47,623	48,876
	14	44,430	45,911	47,392	48,873	50,354	51,835	53,316	54,797	56,278	57,759
	15 ²	52,262	54,004	55,746	57,488	59,230	60,972	62,714	64,456	66,198	67,940
	16 ²	61,296	63,339	65,382	67,425	69,468	71,511	73,554	75,597	77,640	
	17 ²	71,840	74,197	76,590	78,983	81,376					
	18 ²	84,157									

¹ Effective January 1, 1985

² Pay limited to level V of the Executive Schedule, \$66,700

ACCELERATION FACTORS

Retirement:	29.5% (22.5% unfunded; 7.0% DoD contribution)
Leave and Holiday:	18.0%
Benefits:	6.9%

CIVILIAN PAY - FY 1986
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

		1	2	3	4	5	6	7	8	9	10
GS-	1	9,339	9,650	9,961	10,271	10,582	10,794	11,071	11,380	11,393	11,686
	2	10,501	10,750	11,097	11,393	11,521	11,860	12,199	12,538	12,877	13,216
	3	11,458	11,840	12,222	12,604	12,986	13,368	13,750	14,132	14,514	14,896
	4	12,862	13,291	13,720	14,149	14,578	15,007	15,436	15,865	16,294	16,723
	5	14,390	14,870	15,350	15,830	16,310	16,790	17,270	17,750	18,230	18,710
	6	16,040	16,575	17,110	17,645	18,180	18,715	19,250	19,785	20,576	23,160
	7	17,824	18,418	19,012	19,606	20,200	20,794	21,388	21,982	22,576	23,170
	8	19,740	20,398	21,056	21,714	22,372	23,030	23,688	24,346	25,004	25,662
	9	21,804	22,531	23,258	23,895	24,712	25,439	26,166	26,893	27,620	28,347
	10	24,011	24,811	25,611	26,411	27,211	28,011	28,811	29,611	30,411	31,211
	11	26,381	27,620	28,139	29,018	29,897	30,776	31,655	32,534	33,413	34,292
	12	31,619	32,673	33,727	34,781	35,835	36,889	37,943	38,997	40,051	41,105
	13	37,599	38,852	40,105	41,358	42,611	43,864	45,117	46,370	47,623	48,876
	14	44,430	45,911	47,392	48,873	50,354	51,835	53,316	54,797	56,278	57,759
	15 ²	52,262	54,004	55,746	57,488	59,230	60,972	62,714	64,456	66,198	67,940
	16 ²	61,296	63,339	65,382	67,425	69,468	71,511	73,554	75,597	77,640	
	17 ²	71,840	74,197	76,590	78,983	81,376					
	18 ²	84,157									

¹ Effective January 1, 1985

² Pay limited to level V of the Executive Schedule, \$66,700

ACCELERATION FACTORS

Retirement:	27.9% (20.9% unfunded; 7.0% DoD contribution)
Leave and Holiday:	18.0%
Benefits:	7.85%

CIVILIAN PAY - FY 1987
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

		1	2	3	4	5	6	7	8	9	10
GS-	1	9,619	9,940	10,260	10,579	10,899	11,087	11,403	11,721	11,735	12,036
	2	10,816	11,073	11,430	11,735	11,866	12,215	12,564	12,913	13,262	13,611
	3	11,802	12,195	12,588	12,981	13,374	13,767	14,160	14,553	14,946	15,339
	4	13,248	13,690	14,132	14,574	15,016	15,458	15,900	16,342	16,784	17,226
	5	14,822	15,316	15,810	16,304	16,798	17,292	17,786	18,280	18,744	19,268
	6	16,521	17,072	17,623	18,174	18,725	19,276	19,827	20,378	20,929	21,480
	7	18,358	18,970	19,582	20,194	20,806	21,418	22,030	22,642	23,254	23,866
	8	20,333	21,011	21,689	22,367	23,045	23,723	24,401	25,079	25,757	26,435
	9	22,458	23,207	23,956	24,705	25,454	26,203	26,952	27,701	28,450	29,199
	10	24,732	25,556	26,238	27,204	28,028	28,852	29,676	30,500	31,324	32,148
	11	27,172	28,078	28,984	29,890	30,796	31,702	32,608	33,514	34,420	35,326
	12	32,567	33,653	34,739	35,825	36,911	37,997	39,083	40,169	41,255	42,231
	13	38,727	40,018	41,309	42,600	43,891	45,182	46,473	47,764	49,055	50,346
	14	45,763	47,288	48,813	50,338	51,863	53,388	54,913	56,438	57,963	59,488
	15	53,830	55,624	57,418	59,212	61,006	62,800	64,594	66,388	68,182	69,976
	16 ²	63,135	65,240	67,345	69,450	71,555	73,660	75,765	77,870	79,975	
	17 ²	73,958	76,423	78,888	81,353	83,818					
	18 ²	86,682									

¹ Effective January 1, 1987

² Pay limited to level V of the Executive Schedule, \$70,800

ACCELERATION FACTORS

Retirement:	27.9% (20.9% unfunded; 7.0% DoD contribution)
Leave and Holiday:	18.0%
Benefits:	7.95%

CIVILIAN PAY - FY 1988
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

		1	2	3	4	5	6	7	8	9	10
GS-	1	9,811	10,139	10,465	10,791	11,117	11,309	11,631	11,955	11,970	12,275
	2	11,032	11,294	11,659	11,970	12,103	12,459	12,815	13,171	13,527	13,883
	3	12,038	12,439	12,840	13,241	13,642	14,043	14,444	14,845	15,246	15,647
	4	13,513	13,963	14,413	14,863	15,313	15,763	16,213	16,663	17,113	17,563
	5	15,118	15,622	16,126	16,630	17,134	17,638	18,142	18,646	19,159	19,654
	6	16,851	17,413	17,975	18,537	19,099	19,661	20,223	20,785	21,347	21,909
	7	18,726	19,350	19,974	20,598	21,222	21,846	22,470	23,094	23,718	24,342
	8	20,739	21,430	22,121	22,812	23,503	24,194	24,885	25,576	26,267	26,958
	9	22,907	23,671	24,435	25,199	25,963	26,727	27,491	28,255	29,019	29,783
	10	25,226	26,067	26,908	27,749	28,590	29,431	20,272	31,113	31,954	32,795
	11	27,716	28,640	29,564	30,488	31,412	32,336	33,260	34,184	35,108	36,032
	12	33,218	34,325	35,432	36,539	37,646	38,753	39,860	40,967	42,074	43,181
	13	39,501	40,818	42,135	43,452	44,769	46,086	47,403	48,720	50,037	51,354
	14	46,679	48,235	49,791	51,347	52,903	54,459	56,015	57,571	59,127	60,683
	15	54,907	56,737	58,567	60,397	62,227	64,057	65,887	67,717	69,547	71,377
	16 ²	64,397	66,544	68,691	70,838	72,500	73,660	75,765	77,870	79,975	
	17 ²	73,958	76,423	78,888	81,353	83,818					
	18 ²	86,682									

¹ Effective January 1, 1988

² Pay limited to level V of the Executive Schedule, \$72,500

ACCELERATION FACTORS

Retirement:	27.9% (20.9% unfunded; 7.0% DoD contribution)
Leave and Holiday:	18.0%
Benefits:	7.95%

CIVILIAN PAY - FY 1989
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

		1	2	3	4	5	6	7	8	9	10
GS-	1	10,213	10,555	10,894	11,233	11,577	11,773	12,108	12,445	12,461	12,780
	2	11,484	11,757	12,137	12,461	12,601	12,972	13,343	13,714	14,085	14,456
	3	12,531	12,949	13,367	13,785	14,203	14,621	15,039	15,457	15,875	16,293
	4	14,067	14,536	15,005	15,474	15,943	16,412	16,881	17,350	17,819	18,288
	5	15,738	16,263	16,788	17,313	17,838	18,363	18,888	19,413	19,938	20,463
	6	17,542	18,127	18,712	19,297	19,882	20,467	21,052	21,637	22,222	22,807
	7	19,493	20,143	20,793	21,443	22,093	22,743	23,393	24,043	24,693	25,343
	8	21,590	22,310	23,030	23,750	24,470	25,190	25,910	26,630	27,350	28,070
	9	23,486	24,641	25,435	26,231	27,026	27,821	28,616	29,411	30,206	31,001
	10	26,261	27,136	28,011	28,886	29,761	30,636	31,511	32,286	33,261	34,136
	11	28,852	29,814	30,776	31,738	32,700	33,662	34,624	35,586	36,548	37,510
	12	34,850	35,733	36,886	38,039	39,192	40,345	41,498	42,651	43,804	44,957
	13	41,121	42,492	43,863	45,234	46,605	47,976	49,347	50,718	52,089	53,460
	14	48,592	50,212	51,832	53,452	55,072	56,692	58,312	59,932	61,552	63,172
	15	57,158	59,063	60,968	62,873	64,778	66,683	68,588	70,493	72,398	74,303
	16 ²	67,038	69,273	71,508	73,743	75,473	76,678	78,869	81,060	82,500	
	17 ²	76,990	79,556	82,122	82,500	83,818					
	18 ²	86,682									

¹ Effective January 1, 1989

² Pay limited to level V of the Executive Schedule, \$75,500

ACCELERATION FACTORS: See the Civilian Fringe Benefit Rate on the second page of this appendix.

CIVILIAN PAY - FY 1990
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

		1	2	3	4	5	6	7	8	9	10
GS-	1	10,581	10,935	11,286	11,637	11,990	12,197	12,544	12,893	12,910	13,232
	2	11,897	12,180	12,574	12,910	13,053	13,437	13,821	14,205	14,589	14,973
	3	12,982	13,415	13,848	14,281	14,714	15,147	15,580	16,013	16,446	16,879
	4	14,573	15,059	15,545	16,031	16,517	17,003	17,489	17,975	18,461	18,947
	5	16,305	16,849	17,393	17,937	18,481	19,025	19,569	20,113	20,657	21,201
	6	18,174	18,780	19,386	19,992	20,598	21,204	21,810	22,416	23,022	23,628
	7	20,195	20,868	21,541	22,214	22,887	23,560	24,233	24,906	25,579	26,252
	8	22,367	23,113	23,859	24,605	25,351	26,097	26,843	27,589	28,335	29,081
	9	24,705	25,529	26,353	27,177	28,001	28,825	29,649	30,473	31,297	32,121
	10	27,206	28,113	29,020	29,927	30,834	31,741	32,648	33,555	34,462	35,369
	11	29,891	30,887	31,883	32,879	33,875	34,871	35,867	36,863	37,869	38,855
	12	34,850	35,733	36,886	38,039	39,192	40,345	41,498	42,651	43,804	44,957
	13	42,601	44,021	45,441	46,861	48,281	49,701	51,121	52,541	53,961	55,381
	14	50,342	52,020	53,698	55,376	57,054	58,732	60,410	62,088	63,766	65,444
	15	59,216	61,190	63,164	65,138	67,112	69,086	71,060	73,034	75,008	76,982
	16	69,451	71,766	74,081	76,396	78,190	79,438	81,708	83,978	85,470	
	17 ²	79,762	82,420	85,078	85,470	85,500					
	18 ²	86,682									

¹ Effective January 1, 1990

² Pay limited to level V of the Executive Schedule, \$78,200

ACCELERATION FACTORS: See the Civilian Fringe Benefit Rate on the second page of this appendix.

CIVILIAN PAY - FY 1991
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

		1	2	3	4	5	6	7	8	9	10
GS-	1	11,015	11,383	11,749	12,114	12,482	12,697	13,058	13,422	13,439	13,776
	2	12,385	12,679	13,090	13,439	13,590	13,990	14,390	14,790	15,190	15,590
	3	13,515	13,966	14,417	14,868	15,319	15,770	16,221	16,672	17,123	17,574
	4	15,171	15,677	16,183	16,689	17,195	17,701	18,207	18,713	19,219	19,725
	5	16,973	17,539	18,105	18,671	19,237	19,803	20,369	20,935	21,501	22,067
	6	18,919	19,550	20,181	20,812	21,443	22,074	22,705	23,336	23,967	24,598
	7	21,023	21,724	22,425	23,126	23,827	24,528	25,229	25,930	26,631	27,332
	8	23,284	24,060	24,836	25,612	26,388	27,164	27,940	28,716	29,492	30,268
	9	25,717	26,574	27,431	28,288	29,145	30,002	30,859	31,716	32,573	33,430
	10	28,322	29,266	30,210	31,154	32,098	33,042	33,986	34,930	35,874	36,818
	11	31,116	32,153	33,190	34,227	35,264	36,301	37,338	38,375	39,412	40,449
	12	37,294	38,537	39,780	41,023	42,268	43,509	44,752	45,995	47,238	48,481
	13	44,348	45,826	47,304	48,782	50,260	51,738	53,216	54,694	56,172	57,650
	14	52,406	54,153	55,900	57,647	59,394	61,141	62,888	64,635	66,382	68,129
	15	61,643	63,698	65,753	67,808	69,863	71,918	73,973	76,028	78,083	80,138
	16	72,298	74,708	77,118	79,528	81,396	82,697	85,060	87,424	89,767	
	17	83,032	85,800	88,568	91,336	94,104					
	18	97,317									

¹ Effective January 1, 1991

ACCELERATION FACTORS: See the Civilian Fringe Benefit Rate on the second page of this appendix.

CIVILIAN PAY - FY 1992
GENERAL SCHEDULE¹ 5 U.S.C. 5332(a)

		1	2	3	4	5	6	7	8	9	10
GS-	1	11,478	11,861	12,242	12,623	13,006	13,230	13,606	13,986	14,003	14,356
	2	12,905	13,212	13,640	14,003	14,157	14,573	14,989	15,405	15,821	16,237
	3	14,082	14,551	15,020	15,489	15,958	16,427	16,896	17,365	17,834	18,303
	4	15,808	16,335	16,862	17,389	17,916	18,443	18,970	19,497	20,024	20,551
	5	17,686	18,276	18,866	19,456	20,046	20,636	21,226	21,816	22,406	22,996
	6	19,713	20,370	21,027	21,684	22,341	22,998	23,655	24,312	24,969	25,626
	7	21,906	22,636	23,366	24,096	24,826	25,556	26,286	27,016	27,746	28,476
	8	24,262	25,071	25,880	26,689	27,498	28,307	29,116	29,925	30,734	31,543
	9	26,798	27,691	28,584	29,477	30,370	31,263	32,156	33,049	33,942	34,835
	10	29,511	30,495	31,479	32,463	33,447	34,431	35,415	36,399	37,383	38,367
	11	32,423	33,504	34,585	35,666	36,747	37,828	38,909	39,990	41,071	42,152
	12	38,861	40,156	41,451	42,746	44,041	45,336	46,631	47,926	49,221	50,516
	13	46,210	47,750	49,290	50,830	52,370	53,910	55,450	56,990	58,530	60,070
	14	54,607	56,427	58,247	60,067	61,887	63,707	65,527	67,327	69,167	70,987
	15	64,233	66,374	68,515	70,656	72,797	74,938	77,079	79,220	81,361	83,502
	16										
	17										
	18										

¹ Effective January 1, 1992

ACCELERATION FACTORS: See the Civilian Fringe Benefit Rate on the second page of this appendix.

MILITARY PAY - FY 1981
ANNUAL COMPOSITE STANDARD RATES

ARMY

GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$50,112	\$-----	\$9,900	\$2,490	\$-----	\$62,502
O-9	50,112	1,656	6,281	2,490	1,344	61,883
O-8	50,112	2,385	5,756	2,490	1,077	61,820
O-7	45,990	3,010	5,766	2,490	2,473	59,729
O-6	38,273	4,139	5,607	2,490	4,168	54,677
O-5	30,933	4,187	4,971	2,490	2,510	45,091
O-4	25,366	3,608	4,645	2,490	2,210	38,319
O-3	20,866	3,485	4,256	2,490	856	31,973
O-2	16,630	2,915	3,993	2,490	343	26,101
O-1	11,936	2,454	3,535	2,490	344	20,759
W-4	24,079	3,690	5,078	2,490	1,127	36,465
W-3	18,701	3,257	4,232	2,490	1,127	29,807
W-2	16,169	2,676	3,992	2,490	1,127	26,454
W-1	13,828	2,598	3,665	2,490	1,127	23,708
E-9	20,643	2,417	3,872	907	71	27,910
E-8	17,088	2,198	3,649	907	77	23,919
E-7	14,093	1,951	3,297	907	81	20,329
E-6	11,565	1,667	3,079	907	91	17,309
E-5	9,345	1,419	2,890	907	95	14,656
E-4	8,088	1,009	2,670	907	74	12,748
E-3	7,204	640	2,834	907	65	11,650
E-2	6,703	455	2,444	907	69	10,578
E-1	6,016	373	1,945	907	55	9,296
Cadets	5,035		1,547	80		6,662

Acceleration Factors

Retirement	26.5%
Leave and Holidays	18.0%
Other Benefits	8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate	= 1/12 (.8333) of annual rate
Daily Rate	= 1/260 (.00385) of annual rate
Hourly Rate	= 1/2080 (.00048) of annual rate

MILITARY PAY - FY 1981
ANNUAL COMPOSITE STANDARD RATES

NAVY

GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$50,112	\$1,600	\$7,697	\$2,150	\$ 152	\$61,711
O-9	50,112	1,033	5,797	2,150	652	59,744
O-8	50,112	3,483	6,688	2,150	542	62,975
O-7	45,990	4,152	3,343	2,150	395	56,030
O-6	38,462	5,037	4,215	2,150	4,094	53,958
O-5	30,678	5,099	3,630	2,150	2,969	44,526
O-4	24,995	4,475	3,254	2,150	3,581	38,455
O-3	20,978	3,821	3,319	2,150	3,154	33,422
O-2	16,557	3,082	2,640	2,150	810	25,239
O-1	12,192	2,358	2,101	2,150	571	19,372
W-4	23,942	3,924	4,044	2,150	167	34,227
W-3	19,788	3,511	2,989	2,150	163	28,601
W-2	17,357	2,650	2,570	2,150	164	24,891
E-9	20,124	3,723	4,253	973	243	29,316
E-8	16,796	3,239	3,725	973	287	25,020
E-7	14,132	2,763	3,355	973	299	21,522
E-6	11,684	2,296	3,061	973	293	18,307
E-5	9,296	1,842	2,832	973	319	15,262
E-4	8,108	1,200	2,639	973	263	13,183
E-3	7,284	716	2,527	973	109	11,609
E-2	6,704	470	2,447	973	35	10,629
E-1	6,016	274	2,351	973	19	9,633
Midship- men	5,035		1,546	36		6,633

Acceleration Factors

Retirement 26.5%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note: Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

MILITARY PAY - FY 1981
ANNUAL COMPOSITE STANDARD RATES

MARINE CORPS

GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$50,113	\$-----	\$7,593	\$1,917	\$ 18	\$59,641
O-9	50,113	3,438	5,165	1,917	18	60,651
O-8	50,113	3,438	4,593	1,917	18	60,079
O-7	46,000	3,438	4,593	1,917	720	56,668
O-6	39,394	4,967	4,360	1,917	720	51,358
O-5	31,829	4,762	4,003	1,917	720	43,231
O-4	25,932	4,162	3,629	1,917	720	36,360
O-3	21,748	3,961	3,329	1,917	720	31,675
O-2	17,313	3,275	2,941	1,917	720	26,166
O-1	12,451	1,933	2,396	1,917	720	19,417
W-4	24,147	3,393	3,368	1,917	720	33,545
W-3	19,254	3,175	3,049	1,917	720	28,115
W-2	15,814	2,988	2,824	1,917	720	24,263
W-1	14,302	3,077	2,726	1,917	720	22,742
E-9	20,145	4,254	3,978	759	137	29,543
E-8	16,487	3,486	3,682	759	138	24,552
E-7	13,524	3,098	3,235	759	178	20,794
E-6	11,220	2,453	3,122	759	154	17,708
E-5	9,102	1,752	3,077	759	137	14,827
E-4	7,921	896	2,963	759	119	12,658
E-3	7,195	503	2,008	759	30	10,495
E-2	6,535	234	2,080	759	23	9,631
E-1	5,848	164	2,010	759	23	8,804

Acceleration Factors

Retirement 26.5%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note: Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

MILITARY PAY - FY 1981
ANNUAL COMPOSITE STANDARD RATES

AIR FORCE

GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$50,113	\$ 562	\$8,720	\$2,049	\$ --	\$61,444
O-9	50,113	375	6,115	2,049	117	58,769
O-8	50,113	1,620	4,247	2,049	271	58,300
O-7	45,990	2,330	4,285	2,049	590	55,245
O-6	37,891	4,058	4,042	2,049	3,207	51,247
O-5	30,797	4,736	3,548	2,049	2,466	43,596
O-4	25,619	4,162	3,116	2,049	2,286	37,232
O-3	21,227	3,584	3,219	2,049	2,225	32,304
O-2	16,405	2,430	2,674	2,049	646	24,204
O-1	12,260	1,836	2,572	2,049	394	19,111
E-9	20,782	2,756	3,250	1,066	115	27,969
E-8	17,224	2,303	3,177	1,066	136	23,906
E-7	14,533	2,111	3,073	1,066	115	20,898
E-6	12,295	1,827	2,972	1,066	103	18,283
E-5	9,979	1,609	2,931	1,066	84	15,669
E-4	8,474	1,442	2,765	1,066	56	13,803
E-3	7,196	866	2,540	1,066	34	11,702
E-2	6,698	545	2,401	1,066	38	10,738
E-1	6,011	345	2,350	1,066	20	9,792
CADETS	5,034		1,544	199		6,697

Acceleration Factors

Retirement 26.5%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

MILITARY PAY - FY 1982
ANNUAL COMPOSITE STANDARD RATES

ARMY

GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$50,112 ¹	\$-----	\$8,889	\$2,621	\$-----	\$61,622 ²
O-9	50,112	12,917	6,639	2,621	1,389	63,678 ²
O-8	50,112	13,000	6,223	2,621	1,108	63,064 ²
O-7	50,112	12,990	6,206	2,621	2,510	64,439 ²
O-6	43,644	4,903	6,008	2,621	4,188	61,364
O-5	35,268	4,817	5,505	2,621	2,586	50,797
O-4	29,000	3,806	4,965	2,621	2,246	42,638
O-3	23,720	3,192	4,496	2,621	780	34,809
O-2	17,982	2,193	4,035	2,621	315	27,146
O-1	13,663	1,559	3,576	2,621	315	21,734
W-4	27,441	3,668	5,212	2,621	979	39,921
W-3	21,416	2,912	4,516	2,621	979	32,444
W-2	18,423	2,243	4,096	2,621	979	28,362
W-1	15,719	1,990	3,704	2,621	979	25,013
E-9	24,280	3,390	4,221	1,090	136	33,117
E-8	19,984	2,964	3,787	1,090	139	27,964
E-7	16,414	2,585	3,422	1,090	142	23,653
E-6	13,466	2,132	3,147	1,090	151	19,986
E-5	10,916	1,742	2,979	1,090	157	16,884
E-4	9,218	1,140	2,808	1,090	141	14,397
E-3	7,930	745	2,594	1,090	129	12,488
E-2	7,430	566	2,218	1,090	127	11,431
E-1	6,626	400	3,409	1,090	121	11,646
CADETS	5,753		2,017	80		7,850

Acceleration Factors

Retirement	26.5%
Leave and Holidays	18.0%
Other Benefits	8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
Daily Rate = 1/260 (.00385) of annual rate
Hourly Rate = 1/2080 (.00048) of annual rate

¹ Effective January 1, 1982, the amount is \$57,499 for O-8 through O-10 and \$52,576 for O-7.

² Effective January 1, 1982, the amount should be increased to reflect changes in basic pay.

MILITARY PAY - FY 1982
ANNUAL COMPOSITE STANDARD RATES

NAVY						
GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$50,112 ¹	\$1,800	\$8,413	\$2,369	\$--346	\$63,040 ²
O-9	50,112 ¹	2,968	6,478	2,369	392	63,319 ²
O-8	50,112	13,955	7,346	2,369	360	63,142 ²
O-7	50,112	12,990	3,565	2,369	549	62,050 ²
O-6	43,954	6,320	4,741	2,369	4,409	61,793
O-5	34,960	6,204	4,082	2,369	4,366	51,981
O-4	28,496	5,352	3,684	2,369	4,078	43,979
O-3	23,883	4,239	3,575	2,369	3,493	37,559
O-2	18,951	3,251	2,801	2,369	1,791	29,163
O-1	13,903	2,272	2,352	2,369	1,600	22,496
W-4	27,411	4,760	4,057	2,369	1,268	39,865
W-3	22,691	4,002	3,156	2,369	1,437	33,655
W-2	19,864	2,802	2,866	2,369	2,126	30,027
E-9	23,715	4,647	4,802	1,037	780	34,981
E-8	19,678	3,977	4,419	1,037	1,019	30,130
E-7	16,524	3,353	4,098	1,037	1,086	26,098
E-6	13,545	2,712	3,752	1,037	859	21,905
E-5	10,775	2,108	3,449	1,037	722	18,091
E-4	9,115	1,341	3,285	1,037	574	15,352
E-3	8,006	858	3,095	1,037	63	13,059
E-2	7,420	554	2,959	1,037	46	12,016
E-1	6,618	334	2,787	1,037	36	10,812
Midship- men	5,537		1,760	102	154	7,553

Acceleration Factors

Retirement	26.5%
Leave and Holidays	18.0%
Other Benefits	8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
Daily Rate = 1/260 (.00385) of annual rate
Hourly Rate = 1/2080 (.00048) of annual rate

¹ Effective January 1, 1982, the amount is \$57,499 for O-8 through O-10 and \$52,576 for O-7.

² Effective January 1, 1982, the amount should be increased to reflect changes in basic pay.

MILITARY PAY - FY 1982
ANNUAL COMPOSITE STANDARD RATES

MARINE CORPS						
	BASIC	BASIC	MISCEL-	PERMANENT	INCENTIVE	ANNUAL
GRADE	PAY	ALLOWANCE FOR QUARTERS	LANEOUS EXPENSE	CHANGE OF STATION	AND SPECIAL PAY	COMPOSITE STANDARD RATE
O-10	\$50,113 ¹	\$-----	\$8,493	\$2,326	\$--676	\$61,608 ²
O-9	50,113	14,182	5,993	2,326	676	63,290 ²
O-8	50,113	14,182	5,493	2,326	676	62,790 ²
O-7	50,113	14,182	5,493	2,326	1,474	63,588 ²
O-6	44,908	5,958	5,315	2,326	1,479	59,986
O-5	36,234	5,612	4,539	2,326	1,484	50,195
O-4	29,519	4,806	4,118	2,326	1,478	42,247
O-3	24,839	4,176	3,826	2,326	1,475	36,642
O-2	19,769	3,399	3,360	2,326	1,474	30,328
O-1	14,156	1,617	2,778	2,326	1,474	22,351
W-4	27,730	3,317	3,950	2,326	1,524	38,847
W-3	21,736	4,239	3,549	2,326	1,526	33,376
W-2	18,302	2,679	3,319	2,326	1,498	28,124
W-1	16,157	3,387	3,176	2,326	1,484	26,530
E-9	23,446	4,590	4,694	967	206	33,903
E-8	18,911	3,703	4,215	967	193	27,989
E-7	15,251	3,703	3,748	967	216	23,259
E-6	12,507	2,626	3,545	967	117	19,822
E-5	10,348	2,045	3,520	967	151	17,031
E-4	9,139	1,290	3,405	967	142	14,943
E-3	8,136	658	2,505	967	30	12,296
E-2	7,406	408	2,432	967	22	11,235
E-1	6,620	281	2,382	967	22	10,272

Acceleration Factors

Retirement 26.5%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

¹ Effective January 1, 1982, the amount is \$57,499 for O-8 through O-10 and \$52,576 for O-7.

² Effective January 1, 1982, the amount should be increased to reflect changes in basic pay.

MILITARY PAY - FY 1982
ANNUAL COMPOSITE STANDARD RATES

AIR FORCE						
	BASIC	BASIC	MISCEL-	PERMANENT	INCENTIVE	ANNUAL
	PAY	ALLOWANCE	LANEOUS	CHANGE OF	AND	COMPOSITE
GRADE		FOR	EXPENSE	STATION	SPECIAL PAY	STANDARD
		QUARTERS				RATE
O-10	\$50,112 ¹	\$-----	\$7,755	\$2,451	\$-----	\$60,318 ²
O-9	50,112 ¹	553	6,321	2,451	288	59,725 ²
O-8	50,112 ¹	2,472	5,286	2,451	531	60,852 ²
O-7	50,112 ¹	2,921	4,787	2,451	930	61,201 ²
O-6	43,288	5,150	4,573	2,451	2,760	58,242
O-5	35,103	5,662	4,378	2,451	2,212	49,806
O-4	29,344	4,988	3,586	2,451	3,522	43,891
O-3	24,327	4,026	3,417	2,451	1,640	35,861
O-2	18,884	2,717	2,578	2,451	572	27,202
O-1	13,958	2,239	2,255	2,451	500	21,403
E-9	24,389	3,384	4,866	1,291	154	34,084
E-8	20,353	2,816	4,410	1,291	171	20,041
E-7	17,055	2,644	4,049	1,291	169	25,228
E-6	14,262	2,227	2,691	1,291	151	21,622
E-5	11,627	1,915	3,395	1,291	113	18,341
E-4	9,678	1,676	3,090	1,291	58	15,693
E-3	7,957	1,062	2,685	1,291	23	13,018
E-2	7,420	616	2,579	1,291	17	10,763
E-1	6,617	401	2,451	1,291	3	10,763
Cadets	5,527		1,757	208		7,492

Acceleration Factors

Retirement 26.5%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

¹ Effective January 1, 1982, the amount is \$57,499 for O-8 through O-10 and \$52,576 for O-7.

² Effective January 1, 1982, the amount should be increased to reflect changes in basic pay.

MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
OCTOBER 1, 1982 - DECEMBER 31, 1982

ARMY						
GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$57,499	\$-----	\$7,778	\$2,627	\$-----	\$67,904
O-9	57,499	2,333	5,267	2,627	1,156	68,882
O-8	57,499	2,340	4,792	2,627	1,229	68,487
O-7	54,670	2,422	4,784	2,627	2,663	67,166
O-6	45,790	4,876	4,776	2,627	4,162	62,231
O-5	36,928	4,900	4,331	2,627	2,679	51,465
O-4	30,452	4,083	3,822	2,627	2,306	43,290
O-3	24,775	3,369	3,324	2,627	795	34,890
O-2	18,686	2,325	2,845	2,627	361	26,844
O-1	14,308	1,760	2,401	2,627	361	21,457
W-4	28,100	3,894	4,034	2,627	1,541	40,196
W-3	22,560	3,051	3,375	2,627	1,541	33,154
W-2	19,095	2,403	2,964	2,627	1,541	28,630
W-1	16,395	2,158	2,591	2,627	1,541	25,312
E-9	25,221	3,544	4,364	1,356	94	34,579
E-8	20,696	3,178	3,903	1,356	96	29,229
E-7	16,876	2,738	3,563	1,356	100	24,633
E-6	13,892	2,275	3,301	1,356	106	20,930
E-5	11,442	1,853	3,117	1,356	116	17,884
E-4	9,575	1,245	2,938	1,356	100	15,214
E-3	8,302	856	2,763	1,356	87	13,364
E-2	7,715	616	2,428	1,356	84	12,199
E-1	6,883	451	4,154	1,356	77	12,921
Cadets	5,760		1,871	111		7,742

Acceleration Factors

Retirement 26.5%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
January 1, 1983 - September 30, 1983

ARMY						
GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$63,799	\$-----	\$7,778	\$2,520	\$-----	\$74,097
O-9	63,799	2,441	5,267	2,520	1,156	75,183
O-8	62,878	2,448	4,792	2,520	1,229	73,867
O-7	54,670	2,530	4,784	2,520	2,663	67,167
O-6	45,583	5,017	4,776	2,520	4,162	62,058
O-5	36,906	5,023	4,331	2,520	2,679	51,459
O-4	30,502	4,152	3,822	2,520	2,306	43,302
O-3	24,807	3,438	3,324	2,520	795	34,884
O-2	18,850	2,412	2,845	2,520	361	26,988
O-1	14,341	1,787	2,401	2,520	361	21,410
W-4	28,071	3,947	4,034	2,520	1,541	40,113
W-3	22,541	3,088	3,375	2,520	1,541	33,065
W-2	19,028	2,463	2,964	2,520	1,541	28,516
W-1	16,145	2,190	2,591	2,520	1,541	24,987
E-9	25,142	3,600	4,334	1,075	94	34,245
E-8	20,542	3,343	3,873	1,075	96	28,828
E-7	16,863	2,800	3,533	1,075	100	24,371
E-6	13,856	2,339	3,271	1,075	106	20,647
E-5	11,444	1,877	3,087	1,075	116	17,599
E-4	9,625	1,261	2,908	1,075	100	14,969
E-3	8,293	877	2,733	1,075	87	13,065
E-2	7,715	643	2,494	1,075	84	12,011
E-1	6,883	453	4,105	1,075	77	12,593
CADETS	5,760		1,689	120		7,569

Acceleration Factors

Retirement 26.5%

Leave and Holidays 18.0%

Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
October 1, 1982 - September 30, 1983

GRADE	NAVY					ANNUAL COMPOSITE STANDARD RATE
	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	
O-10	\$57,499 ¹	\$-----	\$8,827	\$2,465	\$ 52	\$68,843 ²
O-9	57,499 ¹	2,323	5,816	2,465	1,676	69,779 ²
O-8	57,499 ³	5,116	6,842	2,465	1,665	73,587 ⁴
O-7	54,670	5,063	4,179	2,465	1,835	68,212
O-6	45,720	6,359	4,828	2,465	5,002	64,374
O-5	36,239	6,523	4,149	2,465	4,541	53,917
O-4	29,802	5,791	3,927	2,465	4,178	46,163
O-3	24,849	4,556	3,685	2,465	3,542	39,097
O-2	19,612	3,540	2,911	2,465	1,614	30,142
O-1	14,512	2,824	2,469	2,465	1,543	23,813
W-4	28,607	4,965	4,525	2,465	1,471	42,033
W-3	23,772	4,247	3,318	2,465	1,502	35,304
W-2	20,747	3,015	3,009	2,465	2,612	31,848
E-9	24,751	4,875	4,780	1,012	1,093	36,511
E-8	20,531	4,078	4,344	1,012	1,385	31,350
E-7	17,216	3,476	4,007	1,012	1,461	27,172
E-6	14,061	2,969	3,654	1,012	1,164	22,860
E-5	11,299	2,302	3,406	1,012	849	18,868
E-4	9,535	1,518	3,228	1,012	637	15,930
E-3	9,321	993	3,049	1,012	90	13,465
E-2	7,717	559	2,915	1,012	74	12,277
E-1	6,882	411	2,744	1,012	60	11,109

Midship- 5,760
men

Acceleration Factors

Retirement 26.5%

Leave and Holidays 18.0%

Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

¹ Effective March 1, 1983, the amount is \$63,799 for O-9 and O-10.

² Effective March 1, 1983, the amount should be increased \$6,300 to reflect change in basic pay.

³ Effective March 1, 1983, the amount is \$62,878.

⁴ Effective March 1, 1983, the amount is \$78,966.

MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
October 1, 1982- September 30, 1983

MARINE CORPS

GRADE	BASIC PAY	ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$57,499 ¹	\$-----	\$8,664	\$3,153	\$-----	\$69,316 ²
O-9	57,499	15,143	6,235	3,153	-----	72,030 ²
O-8	57,499	35,143	5,664	3,153	-----	71,459 ⁴
O-7	52,960	5,143	7,118	3,153	1,455	69,829
O-6	46,587	5,010	5,219	3,153	1,459	61,428
O-5	37,371	5,804	4,587	3,153	1,465	52,380
O-4	30,482	5,001	4,151	3,153	1,458	44,245
O-3	25,585	4,257	3,844	3,153	1,456	38,295
O-2	20,522	3,523	3,448	3,153	1,455	32,101
O-1	14,764	1,760	2,852	3,153	1,455	23,984
W-4	29,120	4,884	3,963	3,153	1,509	42,629
W-3	22,248	3,471	3,500	3,153	1,500	33,872
W-2	19,323	3,256	3,304	3,153	1,475	30,511
W-1	16,636	2,521	3,124	3,153	1,466	26,900
E-9	25,317	4,333	5,055	1,015	196	35,916
E-8	20,310	3,844	4,518	1,015	166	29,853
E-7	16,400	3,325	4,005	1,015	206	24,951
E-6	13,456	2,784	3,756	1,015	160	21,171
E-5	11,424	2,343	3,764	1,015	147	18,693
E-4	9,667	1,295	3,617	1,015	138	15,732
E-3	8,593	731	2,656	1,015	31	13,026
E-2	7,716	438	2,576	1,015	16	11,761
E-1	6,882	285	2,524	1,015	15	10,721

Acceleration Factors

Retirement 26.5%

Leave and Holidays 18.0%

Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

¹ Effective March 1, 1983, the amount is \$63,799 for O-9 and O-10.

² Effective March 1, 1983, the amount should be increased \$6,300 to reflect change in basic pay.

³ Effective March 1, 1983, the amount is \$62,878.

⁴ Effective March 1, 1983, the amount is \$76,838.

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
OCTOBER 1, 1982 - JANUARY 31, 1983**

AIR FORCE						
	BASIC	BASIC	MISCEL-	PERMANENT	INCENTIVE	ANNUAL
	PAY	ALLOWANCE	LANEOUS	CHANGE OF	AND	COMPOSITE
GRADE		FOR	EXPENSE	STATION	SPECIAL PAY	STANDARD
		QUARTERS				RATE
O-10	\$57,499	\$ 767	\$8,420	\$2,528	-----	\$69,214
O-9	57,499	1,028	5,570	2,528	823	67,448
O-8	57,499	1,886	6,080	2,528	526	68,519
O-7	54,670	2,610	4,574	2,528	1,336	65,898
O-6	44,914	5,053	4,583	2,528	3,251	60,329
O-5	36,613	5,762	4,278	2,528	3,326	52,507
O-4	30,677	5,256	3,850	2,528	2,864	45,175
O-3	25,269	4,205	3,385	2,528	2,338	37,725
O-2	19,909	3,007	2,898	2,528	557	28,899
O-1	14,304	2,759	2,336	2,528	604	22,531
E-9	25,318	3,506	4,148	1,355	121	34,448
E-8	20,992	3,094	3,937	1,355	121	29,499
E-7	17,574	2,792	3,695	1,355	108	25,524
E-6	14,788	2,666	3,484	1,355	96	22,389
E-5	12,045	1,983	3,328	1,355	76	18,717
E-4	9,936	1,687	3,030	1,355	47	16,055
E-3	9,304	1,154	2,873	1,355	28	13,713
E-2	7,715	624	2,765	1,355	26	12,476
E-1	6,883	412	2,613	1,355	14	11,277
CADETS	5,760		1,864	192		7,816

Acceleration Factors

Retirement 26.5%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
FEBRUARY 1, 1983 - SEPTEMBER 30, 1983**

AIR FORCE						
GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$63,800	\$ 792	\$8,511	\$2,086	\$ 731	\$75,920
O-9	63,800	1,058	6,622	2,086	856	74,422
O-8	62,878	1,971	5,194	2,086	945	73,074
O-7	54,670	2,740	5,085	2,086	1,476	66,056
O-6	44,912	5,168	4,596	2,086	2,075	58,837
O-5	36,611	5,935	4,253	2,086	2,517	51,402
O-4	30,600	5,407	3,825	2,086	2,613	44,531
O-3	25,270	4,291	3,325	2,086	2,325	37,297
O-2	19,923	3,001	2,842	2,086	1,283	29,135
O-1	14,422	2,694	2,276	2,086	1,341	22,719
E-9	25,334	3,614	4,061	1,188	130	34,327
E-8	20,907	3,117	3,711	1,188	131	29,054
E-7	17,584	2,792	3,658	1,188	119	25,341
E-6	14,742	2,406	3,438	1,188	105	21,879
E-5	11,927	2,057	3,196	1,188	86	28,454
E-4	9,850	1,701	3,061	1,188	59	15,859
E-3	8,285	1,159	2,807	1,188	39	13,478
E-2	7,715	648	2,441	1,188	25	12,017
E-1	6,883	420	2,280	1,188	14	10,785
Cadets	5,760		1,788	187		7,735

Acceleration Factors

Retirement 26.5%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
OCTOBER 1, 1983 - DECEMBER 31, 1983**

ARMY						
GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$63,799	\$-----	\$7,636	\$2,941	\$-----	\$74,376
O-9	63,799	3,065	5,348	2,941	1,152	76,305
O-8	62,878	3,069	4,876	2,941	1,214	74,978
O-7	54,670	3,097	4,877	2,941	2,800	68,385
O-6	45,609	5,338	4,878	2,941	4,151	62,917
O-5	37,062	5,480	4,555	2,841	2,785	52,823
O-4	30,585	4,779	3,911	2,941	2,309	44,525
O-3	24,883	3,662	3,458	2,941	785	35,729
O-2	19,227	2,551	3,036	2,941	354	28,109
O-1	14,632	1,801	2,572	2,941	354	22,300
W-4	27,775	4,196	4,182	2,941	1,378	40,472
W-3	22,711	3,366	3,475	2,941	1,378	33,871
W-2	18,853	2,680	3,054	2,941	1,377	28,905
W-1	15,949	2,301	2,658	2,941	1,378	25,227
E-9	25,162	3,811	4,544	1,094	88	34,699
E-8	20,402	3,402	4,137	1,094	94	29,129
E-7	16,774	2,873	3,759	1,094	97	24,597
E-6	13,864	2,407	3,486	1,094	102	20,953
E-5	11,494	1,909	3,318	1,094	112	17,927
E-4	9,678	1,376	3,364	1,094	92	15,604
E-3	8,262	952	3,187	1,094	87	13,582
E-2	7,715	728	2,776	1,094	81	12,394
E-1	6,883	543	2,972	1,094	74	11,566
Cadets	5,760		1,858	11		7,729
Retirement		33.0%				
Leave and Holidays		18.0%				
Other Benefits		8.0% for officers; 23.0% for enlisted				

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
EFFECTIVE JANUARY 1, 1984**

ARMY						
GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$65,473	\$-----	\$7,636	\$2,941	\$-----	\$76,050
O-9	65,473	3,065	5,348	2,941	1,152	77,979
O-8	64,765	3,069	4,876	2,941	1,214	76,865
O-7	56,309	3,097	4,877	2,941	2,800	70,024
O-6	46,977	5,338	4,878	2,941	4,151	64,285
O-5	38,174	5,480	4,555	2,841	2,785	53,935
O-4	31,503	4,779	3,911	2,941	2,309	45,443
O-3	25,629	3,662	3,458	2,941	785	36,475
O-2	20,106	2,551	3,036	2,941	354	28,988
O-1	15,071	1,801	2,572	2,941	354	22,739
W-4	28,698	4,196	4,182	2,941	1,378	41,305
W-3	23,392	3,366	3,475	2,941	1,378	34,552
W-2	19,419	2,680	3,054	2,941	1,377	29,471
W-1	16,427	2,301	2,658	2,941	1,378	25,705
E-9	25,917	3,811	4,544	1,094	88	35,454
E-8	21,014	3,402	4,137	1,094	94	29,741
E-7	17,277	2,873	3,759	1,094	97	25,100
E-6	14,280	2,407	3,486	1,094	102	21,369
E-5	11,839	1,909	3,318	1,094	112	18,272
E-4	9,968	1,376	3,364	1,094	92	15,894
E-3	8,510	952	3,187	1,094	87	13,830
E-2	7,946	728	2,776	1,094	81	12,625
E-1	6,927	543	2,972	1,094	74	11,610
Cadets	5,760		1,858	111		7,729

Acceleration Factors

Retirement 33.0%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
OCTOBER 1, 1983 - DECEMBER 31, 1983**

NAVY

GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$63,799	\$-----	\$7,104	\$2,197	\$2,430	\$75,530
O-9	63,799	3,031	5,979	2,197	2,239	77,245
O-8	62,878	5,345	7,902	2,197	1,876	80,198
O-7	54,670	4,832	4,492	2,197	1,676	67,867
O-6	46,432	6,577	5,330	2,197	4,393	64,929
O-5	36,694	6,855	4,593	2,197	4,776	55,115
O-4	30,034	5,984	4,095	2,197	4,272	46,582
O-3	24,189	4,815	3,897	2,197	3,677	38,775
O-2	19,290	3,732	3,102	2,197	1,832	30,153
O-1	14,763	3,244	2,617	2,197	1,501	24,322
W-4	29,162	5,283	4,595	2,197	2,145	45,382
W-3	24,270	4,153	3,457	2,197	1,758	35,835
W-2	20,572	3,644	3,099	2,197	2,343	31,855
E-9	24,806	5,122	4,741	945	1,196	36,810
E-8	20,612	4,444	4,321	945	1,369	31,691
E-7	17,243	3,845	4,099	945	1,432	27,564
E-6	14,126	3,223	3,700	945	1,181	23,175
E-5	11,360	2,416	3,454	945	932	19,107
E-4	9,666	1,615	3,271	945	729	16,226
E-3	8,427	1,121	3,089	945	91	13,673
E-2	7,715	685	2,911	945	81	12,337
E-1	6,883	494	2,744	945	59	11,125
Mid- shipmen	5,760		1,905	88	192	7,945

Acceleration Factors

Retirement 33.0%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
EFFECTIVE JANUARY 1, 1984**

GRADE	NAVY					ANNUAL COMPOSITE STANDARD RATE
	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	
O-10	\$65,450	\$-----	\$6,962	\$2,184	\$3,187	\$77,783
O-9	65,450	2,839	6,780	2,184	2,952	80,205
O-8	64,764	5,265	8,731	2,184	2,526	83,470
O-7	56,310	5,000	4,556	2,184	2,396	70,446
O-6	47,820	6,570	5,434	2,184	4,686	66,694
O-5	37,796	6,830	4,591	2,184	4,143	55,544
O-4	30,938	5,982	4,152	2,184	3,784	47,040
O-3	25,568	4,855	3,889	2,184	3,498	39,994
O-2	19,872	3,748	3,140	2,184	1,939	30,883
O-1	15,199	3,231	2,672	2,184	1,854	25,140
W-4	30,071	5,513	4,549	2,184	2,794	45,111
W-3	24,994	4,244	3,618	2,184	2,516	37,556
W-2	21,162	3,636	3,095	2,184	3,097	33,174
E-9	25,525	5,083	4,850	865	1,234	37,557
E-8	21,203	4,412	4,415	865	1,413	32,308
E-7	17,663	3,827	4,110	865	1,483	27,948
E-6	14,462	3,222	3,624	865	1,195	23,368
E-5	11,631	2,400	3,356	865	984	19,236
E-4	9,902	1,582	3,158	865	726	16,233
E-3	8,632	1,090	2,983	865	87	13,657
E-2	7,940	667	2,806	865	81	12,369
E-1	7,071	429	2,637	865	62	11,064
Mid- shipmen	5,760		1,829	90	193	7,872

Acceleration Factors

Retirement 33.0%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
OCTOBER 1, 1983 - DECEMBER 31, 1983**

MARINE CORPS

GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$63,800	\$-----	\$8,485	\$2,666	\$-----	\$74,951
O-9	63,800	4,809	5,885	2,666	-----	77,160
O-8	62,878	4,809	5,385	2,666	-----	75,738
O-7	54,670	4,809	5,385	2,666	1,324	68,854
O-6	46,526	5,343	5,376	2,666	1,334	61,245
O-5	37,399	6,123	4,819	2,666	1,327	52,334
O-4	30,697	5,139	4,056	2,666	1,328	43,886
O-3	25,899	4,690	3,695	2,666	1,326	38,276
O-2	20,569	3,719	3,371	2,666	1,324	31,649
O-1	14,635	1,569	2,737	2,666	1,324	22,931
W-4	29,316	4,603	3,893	2,666	1,385	41,863
W-3	22,094	4,023	3,393	2,666	1,357	33,533
W-2	19,127	3,439	3,187	2,666	1,351	29,770
W-1	16,899	1,979	3,033	2,666	1,341	25,918
E-9	25,370	5,040	5,062	874	135	36,481
E-8	20,260	4,534	4,507	874	157	30,332
E-7	16,516	3,829	4,067	874	117	25,463
E-6	13,559	3,113	3,902	874	144	21,592
E-5	11,265	2,223	3,897	874	131	18,390
E-4	9,630	1,163	3,671	874	138	15,476
E-3	8,411	806	2,707	874	27	12,825
E-2	7,715	461	2,642	874	20	10,577
E-1	6,883	218	2,582	874	20	10,577

Acceleration Factors

Retirement 33.0%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
EFFECTIVE JANUARY 1, 1984**

MARINE CORPS						
GRADE	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$65,714	\$-----	\$8,520	\$2,668	\$-----	\$76,902
O-9	65,714	4,810	5,920	2,668	-----	79,112
O-8	64,764	4,810	5,420	2,668	-----	77,662
O-7	56,390	4,810	5,420	2,668	1,324	70,612
O-6	47,922	5,346	5,412	2,668	1,334	62,682
O-5	38,521	6,147	4,855	2,668	1,327	53,518
O-4	31,618	5,152	4,156	2,668	1,328	44,922
O-3	26,676	4,683	3,784	2,668	1,326	39,137
O-2	21,186	3,759	3,449	2,668	1,324	32,386
O-1	15,074	1,577	2,802	2,668	1,324	23,445
W-4	30,195	4,638	3,990	2,668	1,385	42,876
W-3	22,757	4,005	3,474	2,668	1,357	34,261
W-2	19,701	3,468	3,262	2,668	1,351	30,450
W-1	17,406	1,977	3,104	2,668	1,341	26,496
E-9	26,131	5,175	5,140	874	135	37,455
E-8	20,868	4,734	4,575	874	157	31,208
E-7	17,001	3,934	4,128	874	177	26,124
E-6	13,965	2,920	3,957	874	145	21,861
E-5	11,620	2,233	3,947	874	131	18,805
E-4	9,919	1,092	3,717	874	138	15,740
E-3	8,663	811	2,751	874	27	13,126
E-2	7,946	428	2,684	874	20	11,952
E-1	7,067	203	2,621	874	20	10,785

Acceleration Factors

Retirement 33.0%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
OCTOBER 1, 1983 - DECEMBER 31, 1983**

AIR FORCE						
	BASIC	BASIC ALLOWANCE FOR QUARTERS	MISCELLANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$63,800	\$ 667	\$5,667	\$2,187	\$2,417	\$74,738
O-9	63,800	1,000	5,583	2,187	944	73,514
O-8	62,875	2,192	5,625	2,187	583	73,462
O-7	54,671	2,571	5,635	2,187	1,235	66,299
O-6	44,902	5,398	5,066	2,187	3,112	60,665
O-5	36,612	6,112	4,596	2,187	2,675	52,182
O-4	30,676	5,567	3,992	2,187	3,055	45,477
O-3	25,325	4,351	3,504	2,187	2,393	37,760
O-2	19,950	3,225	3,002	2,187	700	29,064
O-1	14,568	2,871	2,557	2,187	545	22,728
E-9	25,391	3,667	4,499	1,249	142	34,948
E-8	21,307	3,207	4,151	1,249	139	29,783
E-7	17,639	2,920	3,887	1,249	120	25,815
E-6	14,843	2,507	3,639	1,249	103	22,341
E-5	12,073	2,171	3,385	1,249	82	18,960
E-4	9,968	1,764	3,250	1,249	45	16,276
E-3	8,351	1,344	2,979	1,249	18	13,941
E-2	7,715	744	2,819	1,249	11	12,538
E-1	6,883	512	2,689	1,249	3	11,336
Cadet	5,760		1,826	142		7,728

Acceleration Factors

Retirement 33.0%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

**MILITARY PAY
ANNUAL COMPOSITE STANDARD RATES
EFFECTIVE JANUARY 1, 1984**

GRADE	AIR FORCE					ANNUAL COMPOSITE STANDARD RATE
	BASIC PAY	BASIC ALLOWANCE FOR QUARTERS	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	
O-10	\$66,000	\$ 687	\$5,833	\$2,187	\$2,417	\$77,124
O-9	66,000	1,026	5,750	2,187	944	75,907
O-8	64,758	2,247	5,791	2,187	583	75,566
O-7	56,306	2,636	6,035	2,187	1,235	68,399
O-6	46,249	5,528	5,207	2,187	3,112	62,283
O-5	37,710	6,258	4,722	2,187	2,675	53,552
O-4	31,596	5,697	4,098	2,187	3,055	46,633
O-3	26,085	4,460	3,598	2,187	2,393	38,723
O-2	20,549	3,305	3,084	2,187	700	29,825
O-1	15,005	2,938	2,625	2,187	545	23,300
E-9	26,407	3,689	4,640	1,249	142	36,127
E-8	21,878	3,227	4,278	1,249	139	30,771
E-7	18,345	2,937	4,003	1,249	120	26,654
E-6	15,437	2,522	3,744	1,249	103	23,055
E-5	12,556	2,185	3,482	1,249	82	19,554
E-4	10,367	1,776	3,342	1,249	45	16,779
E-3	8,685	1,352	3,063	1,249	18	14,367
E-2	8,024	748	2,902	1,249	11	12,934
E-1	7,158	516	2,770	1,249	3	11,696
Cadet	5,760		1,826	142		7,728

Acceleration Factors

Retirement 33.0%
 Leave and Holidays 18.0%
 Other Benefits 8.0% for officers; 23.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate
 Daily Rate = 1/260 (.00385) of annual rate
 Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1985
ANNUAL COMPOSITE STANDARD RATES**

ARMY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$66,398	\$33,664	\$-----	\$7,818	\$2,490	\$-----	\$110,370
O-9	66,398	33,664	2,630	5,565	2,490	1,196	111,943
O-8	66,398	33,664	2,630	5,091	2,490	1,315	111,588
O-7	58,561	29,690	2,711	5,057	2,490	3,005	101,514
O-6	49,008	24,847	5,367	5,652	2,490	4,425	91,789
O-5	39,908	20,233	5,591	5,079	2,490	2,927	76,228
O-4	32,974	16,718	4,891	4,396	2,490	2,398	63,867
O-3	26,643	13,508	3,790	3,749	2,490	814	50,994
O-2	20,491	10,389	2,630	3,428	2,490	373	39,801
O-1	15,587	7,902	2,085	2,096	2,490	373	31,533
W-4	29,381	14,896	4,269	4,615	2,490	1,494	57,145
W-3	24,614	12,479	3,401	3,907	2,490	1,494	48,385
W-2	20,674	10,482	2,784	3,457	2,490	1,494	41,381
W-1	16,059	8,142	2,380	3,063	2,490	1,494	33,628
E-9	27,256	13,819	4,039	4,806	958	98	50,976
E-8	21,970	11,139	3,707	4,385	958	104	42,263
E-7	18,074	9,164	3,151	4,015	958	105	35,467
E-6	14,932	7,571	2,642	3,753	958	113	29,969
E-5	12,311	6,242	2,059	3,602	958	121	25,293
E-4	10,232	5,188	1,495	3,539	958	100	21,512
E-3	8,834	4,479	1,192	3,329	958	99	18,891
E-2	8,265	4,190	667	2,998	958	89	17,167
E-1	7,149	3,625	529	3,589	958	83	15,933
Cadet	5,933			1,911	105		7,949

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1985
ANNUAL COMPOSITE STANDARD RATES**

NAVY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$68,406	\$34,887	\$-----	\$9,248	\$2,113	\$2,436	\$117,090
O-9	68,406	34,887	2,152	7,597	2,133	2,118	117,273
O-8	67,364	34,356	6,062	8,921	2,113	1,640	120,456
O-7	58,552	29,861	5,138	4,917	2,113	1,608	102,189
O-6	49,592	25,292	6,837	5,615	2,113	4,466	93,915
O-5	39,010	19,895	7,202	5,014	2,113	3,909	77,143
O-4	31,921	16,280	6,291	4,337	2,113	3,544	64,486
O-3	26,377	13,452	5,021	4,087	2,113	3,382	54,432
O-2	20,730	10,572	3,909	3,303	2,113	1,830	42,457
O-1	15,686	8,000	3,439	2,867	2,113	1,713	33,818
W-4	31,992	16,316	6,025	4,558	2,113	1,952	62,956
W-3	25,492	13,001	3,806	3,810	2,113	2,758	50,980
W-2	22,614	11,533	4,200	3,383	2,113	3,162	47,005
E-9	26,606	13,568	5,394	5,025	786	1,167	52,546
E-8	22,123	11,282	4,755	4,618	786	1,394	44,958
E-7	18,352	9,358	4,068	4,360	786	1,498	38,422
E-6	15,044	7,671	3,470	3,858	786	1,184	32,013
E-5	12,170	6,202	2,567	3,604	786	1,001	26,330
E-4	10,329	5,257	1,722	3,415	786	776	22,285
E-3	8,935	4,538	1,205	3,230	786	84	18,778
E-2	8,259	4,139	696	3,092	786	89	17,061
E-1	7,359	3,676	341	2,933	786	60	15,155
Midship- men	5,933			1,914	881	90	8,125

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1985
ANNUAL COMPOSITE STANDARD RATES**

MARINE CORPS							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$65,999	\$33,660	\$-----	\$8,835	\$2,250	\$-----	110,714
O-9	65,999	33,660	5,444	5,950	2,250	-----	113,303
O-8	65,999	33,660	5,444	5,388	2,250	-----	112,741
O-7	58,560	29,866	5,444	6,527	2,250	1,149	103,796
O-6	49,842	25,419	7,109	6,736	2,250	1,157	92,513
O-5	40,021	20,410	6,309	6,269	2,250	1,151	76,410
O-4	32,971	16,815	5,349	5,507	2,250	1,155	64,047
O-3	27,568	14,060	4,672	5,163	2,250	1,151	54,862
O-2	21,989	11,214	3,584	4,861	2,250	1,149	45,047
O-1	15,679	7,996	1,784	4,124	2,250	1,149	32,982
W-4	31,168	15,896	4,417	5,404	2,250	1,210	60,345
W-3	23,921	12,198	4,399	4,860	2,250	1,176	48,804
W-2	20,557	10,483	3,905	4,643	2,250	1,196	43,033
W-1	18,099	9,230	1,215	4,457	2,250	1,182	36,433
E-9	27,078	13,712	5,478	5,633	756	128	52,785
E-8	21,659	10,949	4,847	5,029	756	153	43,393
E-7	17,756	8,959	3,982	4,566	756	172	35,961
E-6	14,564	7,330	3,230	4,336	756	141	30,357
E-5	12,181	6,115	2,526	4,261	756	127	25,966
E-4	10,401	5,207	1,337	4,113	756	134	21,945
E-3	9,012	4,499	915	2,862	756	21	18,065
E-2	8,265	4,118	442	2,785	756	17	16,383
E-1	7,298	3,625	227	2,736	756	16	14,658

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1985
ANNUAL COMPOSITE STANDARD RATES**

AIR FORCE							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$66,400	\$33,665	\$-----	\$5,615	\$2,013	\$2,308	\$110,001
O-9	66,400	33,665	361	5,964	2,013	722	108,855
O-8	65,394	33,155	2,076	6,246	2,013	195	109,079
O-7	56,854	28,825	2,503	5,643	2,013	1,544	97,382
O-6	46,417	23,533	5,425	5,281	2,013	2,605	85,274
O-5	38,059	19,296	6,190	4,664	2,013	2,277	72,499
O-4	31,792	16,118	5,548	4,130	2,013	4,548	64,149
O-3	26,255	13,31	14,315	3,597	2,013	1,685	51,176
O-2	20,442	10,364	3,188	3,008	2,013	955	39,970
O-1	15,077	7,644	2,863	2,382	2,013	540	30,519
E-9	26,183	13,275	3,882	4,589	1,217	144	49,290
E-8	21,715	11,010	3,431	4,232	1,217	140	41,745
E-7	18,285	9,270	3,017	3,953	1,217	122	35,864
E-6	15,272	7,743	2,544	3,690	1,217	103	30,569
E-5	12,446	6,310	2,065	3,453	1,217	83	25,574
E-4	10,394	5,270	1,763	3,271	1,217	40	21,955
E-3	8,736	4,429	1,261	3,076	1,217	19	18,738
E-2	8,024	4,068	744	2,966	1,217	12	17,031
E-1	7,156	3,628	531	2,821	1,217	3	15,356
Cadet	5,760				119	1,866	7,745

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1985
ANNUAL COMPOSITE STANDARD RATES**

ARMY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$68,125	\$34,539	\$-----	\$7,727	\$2,464	\$-----	\$112,855
O-9	68,125	34,539	2,913	5,304	2,464	1,304	114,649
O-8	67,528	34,327	2,937	4,818	2,464	1,329	113,313
O-7	59,004	29,915	3,021	4,798	2,464	3,025	102,227
O-6	49,600	25,147	5,489	5,549	2,464	4,377	92,626
O-5	40,391	20,478	5,697	5,110	2,464	2,928	77,068
O-4	33,190	16,827	4,980	4,319	2,464	2,366	64,146
O-3	26,793	13,584	3,892	3,858	2,464	828	51,419
O-2	20,426	10,356	2,727	3,382	2,464	389	39,744
O-1	15,582	7,900	2,117	3,020	2,464	389	31,472
W-4	29,796	15,076	4,508	4,620	2,464	1,316	57,720
W-3	24,810	12,579	3,587	3,854	2,464	1,316	48,610
W-2	20,874	10,583	2,866	3,427	2,464	1,316	41,530
W-11	6,722	8,478	2,407	3,125	2,464	1,316	34,512
E-9	27,497	13,941	3,739	4,844	965	103	51,089
E-8	22,047	11,178	3,779	4,448	965	109	42,526
E-7	18,178	9,126	3,211	4,003	965	111	35,684
E-6	15,070	7,640	2,660	3,770	965	119	30,224
E-5	12,446	6,310	2,087	3,597	965	127	25,532
E-4	10,233	5,188	1,515	3,679	965	106	21,686
E-3	8,841	4,482	1,049	3,446	965	101	18,884
E-2	8,328	4,222	754	3,105	965	96	17,470
E-1	7,260	3,681	480	2,984	965	90	15,460
Cadet	5,803			1,794	104		7,701

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1985
ANNUAL COMPOSITE STANDARD RATES**

NAVY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$68,406	\$34,887	\$-----	\$9,248	\$2,113	\$2,436	\$117,090
O-9	68,406	34,887	2,152	7,597	2,133	2,118	117,273
O-8	67,364	34,356	6,062	8,921	2,113	1,640	120,456
O-7	58,552	29,861	5,138	4,917	2,113	1,608	102,189
O-6	49,592	25,292	6,837	5,615	2,113	4,466	93,915
O-5	39,010	19,895	7,202	5,014	2,113	3,909	77,143
O-4	31,921	16,280	6,291	4,337	2,113	3,544	64,486
O-3	26,377	13,452	5,021	4,087	2,113	3,382	54,432
O-2	20,730	10,572	3,909	3,303	2,113	1,830	42,457
O-1	15,686	8,000	3,439	2,867	2,113	1,713	33,818
W-4	31,992	16,316	6,025	4,558	2,113	1,952	62,956
W-3	25,492	13,001	3,806	3,810	2,113	2,758	50,980
W-2	22,614	11,533	4,200	3,383	2,113	3,162	47,005
E-9	26,606	13,568	5,394	5,025	786	1,167	52,546
E-8	22,123	11,282	4,755	4,618	786	1,394	44,958
E-7	18,352	9,358	4,068	4,360	786	1,498	38,422
E-6	15,044	7,671	3,470	3,858	786	1,184	32,013
E-5	12,170	6,202	2,567	3,604	786	1,001	26,330
E-4	10,329	5,257	1,722	3,415	786	776	22,285
E-3	8,935	4,538	1,205	3,230	786	84	18,778
E-2	8,259	4,139	696	3,092	786	89	17,061
E-1	7,359	3,676	341	2,933	786	60	15,155
Midship- men	5,933			1,914	88	190	8,125

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1985
ANNUAL COMPOSITE STANDARD RATES**

MARINE CORPS

GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$65,999	\$33,660	\$-----	\$8,835	\$2,250	\$-----	110,714
O-9	65,999	33,660	5,444	5,950	2,250	-----	113,303
O-8	65,999	33,660	5,444	5,388	2,250	-----	112,741
O-7	58,560	29,866	5,444	6,527	2,250	1,149	103,796
O-6	49,842	25,419	7,109	6,736	2,250	1,157	92,513
O-5	40,021	20,410	6,309	6,269	2,250	1,151	76,410
O-4	32,971	16,815	5,349	5,507	2,250	1,155	64,047
O-3	27,568	14,060	4,672	5,163	2,250	1,151	54,862
O-2	21,989	11,214	3,584	4,861	2,250	1,149	45,047
O-1	15,679	7,996	1,784	4,124	2,250	1,149	32,982
W-4	31,168	15,896	4,417	5,404	2,250	1,210	60,345
W-3	23,921	12,198	4,399	4,860	2,250	1,176	48,804
W-2	20,557	10,483	3,905	4,643	2,250	1,196	43,033
W-1	18,099	9,230	1,215	4,457	2,250	1,182	36,433
E-9	27,078	13,712	5,478	5,633	756	128	52,785
E-8	21,659	10,949	4,847	5,029	756	153	43,393
E-7	17,756	8,959	3,982	4,566	756	172	35,961
E-6	14,564	7,330	3,230	4,336	756	141	30,357
E-5	12,181	6,115	2,526	4,261	756	127	25,966
E-4	10,401	5,207	1,337	4,113	756	134	21,945
E-3	9,012	4,499	915	2,862	756	21	18,065
E-2	8,265	4,118	442	2,785	756	17	16,383
E-1	7,298	3,625	227	2,736	756	16	14,658

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1985
ANNUAL COMPOSITE STANDARD RATES**

AIR FORCE							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$68,700	\$34,831	\$ 526	\$6,923	\$1,955	\$2,308	\$115,243
O-9	68,700	34,831	1,538	7,158	1,955	579	114,761
O-8	66,402	33,666	2,265	6,308	1,955	538	111,134
O-7	59,129	29,978	2,488	5,818	1,955	1,041	100,409
O-6	48,295	24,486	5,916	5,337	1,955	2,764	88,753
O-5	39,635	20,095	6,721	4,804	1,955	3,392	76,602
O-4	33,072	16,768	6,102	4,227	1,955	3,879	66,003
O-3	27,258	13,820	4,617	4,094	1,955	1,679	53,423
O-2	21,279	10,788	3,346	3,125	1,955	846	41,339
O-1	15,567	7,892	2,983	2,634	1,955	704	31,735
E-9	27,257	13,819	4,151	4,716	1,185	125	51,253
E-8	22,532	11,424	3,584	4,335	1,185	123	43,183
E-7	19,000	9,633	3,197	4,034	1,185	110	37,159
E-6	15,868	8,045	2,720	3,771	1,185	95	31,684
E-5	12,918	6,549	2,232	3,538	1,185	80	26,502
E-4	10,820	5,486	1,842	3,382	1,185	46	22,761
E-3	9,075	4,601	1,368	3,150	1,185	26	19,045
E-2	8,345	4,231	845	3,027	1,185	18	17,651
E-1	6,993	3,545	523	2,831	1,185	4	15,081
Cadet	5,803			1,869	109		7,781

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1986
ANNUAL COMPOSITE STANDARD RATES**

ARMY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$68,699	\$34,830	\$-----	\$7,833	\$2,928	\$-----	\$114,290
O-9	68,699	34,830	2,848	5,696	2,928	1,304	116,305
O-8	68,699	34,830	2,678	5,182	2,928	1,322	115,639
O-7	60,902	30,877	2,845	5,181	2,928	2,995	105,728
O-6	50,759	25,735	5,856	5,705	2,928	4,224	95,207
O-5	41,412	20,996	6,244	5,642	2,928	2,857	80,079
O-4	33,921	17,198	5,353	4,448	2,928	2,289	66,137
O-3	27,602	13,994	4,154	3,911	2,928	777	53,336
O-2	20,976	10,635	2,917	3,430	2,928	353	41,239
O-1	15,485	7,851	2,219	3,106	2,928	353	31,942
W-4	30,251	15,337	4,805	4,464	2,928	1,510	59,477
W-3	25,457	12,907	3,913	2,975	2,928	1,510	50,690
W-2	21,390	10,845	3,140	3,528	2,928	1,510	43,341
W-1	17,653	8,950	2,578	3,135	2,928	1,510	36,754
E-9	28,176	14,285	4,240	5,248	1,065	123	53,137
E-8	22,552	11,434	3,844	4,842	1,065	131	43,868
E-7	18,752	9,507	3,279	4,506	1,065	132	37,241
E-6	15,541	7,879	2,731	4,395	1,065	140	31,751
E-5	12,848	6,514	2,144	4,101	1,065	148	26,820
E-4	10,540	5,344	1,531	3,516	1,065	127	22,123
E-3	9,133	4,630	983	3,360	1,065	120	19,291
E-2	8,595	4,358	662	3,257	1,065	117	18,054
E-1	7,009	3,554	570	4,078	1,065	110	16,386
Cadet	5,760			1,796	109		7,665

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1986
ANNUAL COMPOSITE STANDARD RATES**

NAVY

GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$68,699	\$34,843	\$-----	\$8,020	\$2,171	\$2,436	\$116,169
O-9	68,600	34,843	2,970	6,740	2,171	2,174	117,597
O-8	68,699	34,843	5,818	10,982	2,171	1,719	124,232
O-7	61,855	31,373	5,848	5,142	2,171	1,601	107,990
O-6	51,172	25,957	7,531	5,801	2,171	4,352	96,984
O-5	40,398	20,495	7,924	5,108	2,171	3,820	79,916
O-4	33,043	16,766	6,884	4,432	2,171	3,534	66,830
O-3	27,483	13,947	5,588	4,436	2,171	3,339	56,964
O-2	21,696	11,013	4,255	3,511	2,171	1,708	44,354
O-1	16,274	8,264	3,569	2,951	2,171	1,556	34,785
W-4	32,660	16,572	6,386	4,478	2,171	2,001	64,268
W-3	26,467	13,432	4,928	3,880	2,171	2,382	53,260
W-2	23,594	11,975	4,808	3,484	2,171	3,082	49,114
E-9	27,808	14,099	5,977	5,114	903	1,253	55,154
E-8	22,972	11,646	5,251	4,590	903	1,479	46,841
E-7	19,037	9,650	4,567	4,309	903	1,494	39,960
E-6	15,726	7,971	3,803	3,854	903	1,250	33,507
E-5	12,823	6,495	2,835	3,616	903	1,028	27,700
E-4	10,838	5,481	1,952	3,416	903	820	23,410
E-3	9,336	4,705	1,384	3,210	903	88	19,626
E-2	8,595	4,276	691	3,028	903	73	17,569
E-1	7,643	3,804	409	2,876	903	54	15,689
Midship- men	5,933			1,811	90	177	8,011

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1986
ANNUAL COMPOSITE STANDARD RATES**

MARINE CORPS							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$68,699	\$34,830	\$-----	\$8,681	\$2,060	\$-----	\$114,270
O-9	68,699	34,830	-----	6,450	2,060	-----	112,039
O-8	68,699	34,830	-----	5,950	2,060	-----	111,539
O-7	60,904	34,830	7,035	5,950	2,060	-----	110,779
O-6	51,685	30,878	5,389	5,946	2,060	5	95,963
O-5	41,710	26,204	6,595	5,271	2,060	1,042	82,882
O-4	34,457	21,147	5,616	4,557	2,060	1,046	68,883
O-3	28,780	17,740	4,986	4,250	2,060	1,041	58,857
O-2	22,792	14,591	4,023	3,865	2,060	952	48,371
O-1	16,391	11,555	2,003	3,144	2,060	952	36,193
W-4	32,258	8,310	5,276	4,350	2,060	1,087	53,341
W-3	25,110	16,355	4,697	3,841	2,060	1,067	53,130
W-2	21,357	12,731	4,351	3,609	2,060	1,095	45,203
W-1	18,445	10,829	1,205	3,401	2,060	1,076	37,016
E-9	28,101	14,247	5,173	4,555	810	218	53,104
E-8	22,447	11,381	4,550	3,950	810	239	42,577
E-7	18,599	9,430	3,848	4,083	8102	48	37,018
E-6	15,367	7,791	3,325	3,867	810	220	31,380
E-5	12,868	6,524	2,723	3,737	810	202	26,864
E-4	10,770	5,460	1,786	3,682	810	212	22,720
E-3	9,239	4,684	1,047	3,477	810	261	9,283
E-2	8,384	4,251	542	2,749	810	25	16,761
E-1	7,351	3,727	313	2,695	810	25	14,921

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1986
ANNUAL COMPOSITE STANDARD RATES**

AIR FORCE

GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$68,700	\$34,831	\$ 692	\$8,231	\$2,212	\$2,308	116,974
O-9	68,700	34,831	1,053	7,711	2,212	1,026	115,533
O-8	68,700	34,831	952	6,197	2,212	684	114,564
O-7	60,906	30,879	3,218	6,006	2,212	1,000	104,221
O-6	49,884	25,291	5,953	5,748	2,212	2,108	91,196
O-5	40,841	20,707	6,947	5,158	2,212	2,733	78,597
O-4	34,087	17,282	6,229	4,398	2,212	3,083	67,291
O-3	28,092	14,243	4,803	4,268	2,212	2,115	55,733
O-2	21,936	11,122	3,422	3,212	2,212	1,647	43,551
O-1	16,055	8,140	3,164	2,701	2,212	518	32,790
E-9	28,083	14,238	4,334	4,864	1,471	116	53,107
E-8	23,254	11,790	3,800	4,406	1,471	113	44,833
E-7	19,610	9,942	3,384	4,130	1,471	107	38,645
E-6	16,436	8,333	2,866	3,857	1,471	92	33,055
E-5	13,396	6,792	2,359	3,603	1,471	76	27,697
E-4	11,266	5,712	1,919	3,438	1,471	47	23,852
E-3	9,383	4,757	1,408	3,197	1,471	24	20,239
E-2	8,597	3,538	830	3,064	1,471	17	18,337
E-1	7,079	3,589	548	2,875	1,471	3	15,564
Cadet	5,933			1,872	79		7,844

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1987
ANNUAL COMPOSITE STANDARD RATES**

ARMY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$70,273	\$36,683	\$3,182	\$9,545	\$2,193	\$-----	\$121,876
O-9	70,271	36,681	2,896	6,750	2,193	1,313	120,104
O-8	70,278	36,685	2,910	6,396	2,193	1,368	119,830
O-7	62,675	32,716	2,883	6,345	2,193	2,995	109,807
O-6	51,854	27,068	6,059	6,454	2,193	4,576	98,204
O-5	42,259	22,200	6,510	6,011	2,193	3,037	82,480
O-4	34,754	18,142	5,429	4,973	2,193	2,322	67,813
O-3	28,273	14,759	4,408	4,495	2,193	876	54,004
O-2	21,530	11,239	2,733	3,836	2,193	314	41,845
O-1	16,242	8,478	2,475	3,479	2,193	335	33,202
W-4	30,939	16,150	4,875	5,086	2,193	1,492	60,735
W-3	26,187	13,670	4,056	4,740	2,193	1,685	52,531
W-2	21,802	11,381	3,232	3,972	2,193	1,145	43,725
W-1	17,755	9,268	2,794	3,756	2,193	3,014	38,780
E-9	28,660	14,961	4,332	5,441	1,040	150	54,584
E-8	23,136	12,077	3,989	5,069	1,040	158	45,469
E-7	19,157	10,000	3,372	4,694	1,040	160	38,423
E-6	15,917	8,309	2,861	4,374	1,040	169	32,370
E-5	13,087	6,831	2,211	4,337	1,040	180	27,686
E-4	10,783	5,629	1,495	3,784	1,040	155	22,886
E-3	9,376	4,894	987	3,377	1,040	149	19,823
E-2	8,790	4,588	753	3,387	1,040	144	18,702
E-1	7,337	3,830	552	4,182	1,040	137	17,077
Cadet	5,889			1,807	98		7,794

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

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Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1987
ANNUAL COMPOSITE STANDARD RATES**

NAVY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$70,245	\$36,625	\$-----	\$9,143	\$1,954	\$2,694	\$120,661
O-9	70,245	36,655	1,517	7,893	1,954	2,229	120,493
O-8	70,245	36,667	4,987	7,111	1,954	1,716	122,680
O-7	62,294	32,518	5,950	5,785	1,954	1,642	110,143
O-6	51,815	27,048	7,735	6,258	1,954	3,612	98,422
O-5	41,337	21,578	8,137	5,324	1,954	3,656	81,986
O-4	33,927	17,710	7,074	4,605	1,954	3,606	68,876
O-3	28,031	14,632	5,670	4,497	1,954	3,521	58,305
O-2	22,042	11,506	4,202	3,668	1,954	1,813	45,185
O-1	16,498	8,612	3,628	3,083	1,954	1,568	35,343
W-4	32,724	17,801	6,151	5,080	1,954	2,199	65,189
W-3	27,183	14,190	6,142	3,977	1,954	2,382	55,828
W-2	23,492	12,263	4,342	3,612	1,954	2,966	48,629
E-9	28,319	14,767	6,081	5,165	781	1,540	56,653
E-8	23,274	12,136	5,358	4,697	781	1,593	47,839
E-7	19,379	10,104	4,604	4,451	781	1,581	40,900
E-6	15,945	8,313	3,775	4,018	781	1,275	34,107
E-5	12,982	6,764	2,815	3,784	781	1,053	28,179
E-4	10,901	5,673	1,857	3,592	781	844	23,648
E-3	9,535	4,949	1,280	3,402	781	95	20,042
E-2	8,767	4,517	701	3,227	781	87	18,080
E-1	7,506	3,842	362	2,986	781	69	15,546
Midship- men	5,890			1,832	91	225	8,038
Aviation Cadets	7,534			4,916	697		13,147

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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**FISCAL YEAR 1987
ANNUAL COMPOSITE STANDARD RATES**

MARINE CORPS							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$70,286	\$36,689	\$-----	\$8,660	\$2,227	\$-----	\$117,862
O-9	70,286	36,689	-----	6,770	2,227	-----	115,971
O-8	70,286	36,689	-----	6,270	2,227	-----	115,471
O-7	62,277	32,509	7,035	6,270	2,227	-----	110,317
O-6	52,768	27,545	6,613	6,321	2,227	5	95,479
O-5	42,834	22,359	7,166	5,769	2,227	1,041	81,397
O-4	35,411	18,485	6,245	4,957	2,227	1,045	68,369
O-3	29,631	15,467	5,341	4,714	2,227	1,041	58,420
O-2	23,303	12,164	3,992	4,282	2,227	952	47,008
O-1	17,133	8,944	2,522	3,542	2,227	952	35,408
W-4	32,212	16,815	5,831	4,722	2,227	1,080	62,887
W-3	25,768	13,451	4,652	4,261	2,227	1,066	51,425
W-2	21,781	11,370	3,420	4,016	2,227	1,086	43,890
W-1	18,885	9,858	3,805	3,809	2,227	1,077	39,661
E-9	28,726	14,995	5,813	4,980	846	226	55,585
E-8	22,982	11,998	4,783	4,232	846	231	45,072
E-7	19,112	9,976	4,121	4,352	846	229	38,635
E-6	15,854	8,276	3,446	4,140	846	223	32,786
E-5	13,292	6,938	2,893	3,974	846	211	28,155
E-4	11,287	5,892	1,903	3,943	846	217	24,088
E-3	9,724	5,076	1,098	3,771	846	39	20,555
E-2	8,792	4,589	484	3,049	846	38	17,779
E-1	7,544	3,938	278	2,083	846	38	15,629

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1987
ANNUAL COMPOSITE STANDARD RATES**

AIR FORCE

GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$70,244	\$36,667	\$ 863	\$6,417	\$1,823	\$2,500	118,514
O-9	70,244	36,667	1,084	6,026	1,823	1,211	117,055
O-8	70,244	36,667	1,843	6,405	1,823	664	117,646
O-7	62,275	32,508	3,201	5,874	1,823	1,264	106,945
O-6	50,791	26,513	6,078	5,671	1,823	3,853	94,729
O-5	41,925	21,884	7,038	5,405	1,823	2,613	80,687
O-4	34,829	18,181	6,361	4,657	1,823	2,779	68,630
O-3	28,708	14,986	4,755	4,382	1,823	1,777	56,431
O-2	22,232	11,605	3,421	3,398	1,823	1,278	43,757
O-1	16,200	8,456	3,452	2,728	1,823	1,165	33,824
E-9	28,285	14,765	4,420	5,242	1,264	165	54,141
E-8	23,490	12,262	3,830	4,776	1,264	173	45,794
E-7	19,825	10,349	3,450	4,514	1,264	154	39,556
E-6	16,671	8,702	2,905	4,184	1,264	133	33,859
E-5	13,647	7,124	2,408	3,942	1,264	108	28,493
E-4	11,456	5,980	1,904	3,744	1,264	66	24,414
E-3	9,494	4,956	1,425	3,363	1,264	32	20,533
E-2	8,790	4,588	857	3,160	1,264	24	18,684
E-1	7,304	3,813	456	2,904	1,264	6	15,746
Cadet	5,890			1,863	92		7,845

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1988
ANNUAL COMPOSITE STANDARD RATES**

ARMY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$72,545	\$37,143	\$3,273	\$10,479	\$2,549	\$-----	\$125,989
O-9	72,500	37,120	3,174	8,012	2,549	1,367	124,722
O-8	72,417	37,077	3,167	7,467	2,549	1,396	124,072
O-7	63,677	32,603	3,154	7,459	2,549	3,047	112,488
O-6	53,282	27,280	6,484	7,537	2,549	4,694	101,827
O-5	43,793	22,422	6,962	6,877	2,549	2,983	85,586
O-4	35,729	18,293	6,301	5,844	2,549	2,440	71,156
O-3	29,143	14,921	4,122	5,075	2,549	884	56,694
O-2	22,526	11,533	2,758	4,608	2,549	335	44,309
O-1	16,572	8,485	2,302	3,758	2,549	357	34,023
W-4	30,939	16,431	4,975	5,785	2,549	1,405	63,236
W-3	26,187	13,788	4,146	5,340	2,549	1,621	54,372
W-2	21,802	11,530	3,180	4,602	2,549	1,236	45,617
W-1	17,755	9,581	2,454	4,009	2,549	2,542	39,849
E-9	29,274	14,988	4,600	5,899	952	172	55,886
E-8	23,539	12,052	4,138	5,487	952	181	46,349
E-7	19,681	10,077	3,285	5,028	952	184	39,206
E-6	16,286	8,338	3,009	4,689	952	195	33,469
E-5	13,447	6,885	2,270	4,677	952	195	28,366
E-4	11,139	5,703	1,534	4,116	952	179	23,623
E-3	9,574	4,902	981	3,734	952	178	20,321
E-2	8,989	4,602	924	3,625	952	165	19,258
E-1	7,520	3,850	415	4,835	952	160	17,733
Cadet	5,889			1,807	110		7,806

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1988
ANNUAL COMPOSITE STANDARD RATES**

NAVY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$72,500	\$37,120	\$-----	\$10,193	\$1,915	\$2,362	\$124,090
O-9	72,500	37,120	1,929	8,627	1,915	2,257	124,348
O-8	72,500	37,120	5,580	7,679	1,915	1,708	126,502
O-7	64,060	32,779	5,808	6,428	1,915	1,661	112,671
O-6	52,952	27,111	7,854	6,883	1,915	3,768	100,483
O-5	42,473	21,746	8,288	6,042	1,915	3,782	84,246
O-4	34,964	17,902	7,155	5,213	1,915	4,124	71,291
O-3	28,748	14,719	5,712	5,320	1,915	4,046	60,460
O-2	22,960	11,756	4,213	4,217	1,915	1,851	46,912
O-1	16,550	8,474	3,707	3,563	1,915	1,223	35,432
W-4	33,538	17,171	6,321	5,552	1,915	1,883	66,380
W-3	27,934	14,302	6,330	4,522	1,915	2,312	57,315
W-2	24,063	12,320	4,428	4,120	1,915	2,522	49,368
E-9	28,926	14,804	6,263	5,675	758	1,785	58,211
E-8	23,825	12,193	5,476	5,119	758	1,856	49,227
E-7	19,881	10,173	4,680	4,872	758	1,823	42,187
E-6	16,378	8,381	3,855	4,350	758	1,345	35,067
E-5	13,407	6,857	2,887	4,101	758	1,161	29,171
E-4	11,321	5,784	1,889	3,860	758	898	24,510
E-3	9,779	4,984	1,315	3,605	758	132	20,573
E-2	8,989	4,545	721	3,439	758	117	18,569
E-1	7,698	3,881	379	3,192	758	84	15,992
Mid-shipmen	6,022			1,862	91	228	8,203
Aviation Cadets	7,681			2,959	475		11,115

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1988
ANNUAL COMPOSITE STANDARD RATES**

MARINE CORPS

GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$73,588	\$37,677	\$-----	\$9,624	\$2,201	\$-----	\$123,090
O-9	73,588	37,667	5,557	7,924	2,201	-----	126,947
O-8	73,237	37,497	4,130	7,424	2,201	-----	124,490
O-7	63,675	32,601	2,947	7,424	2,201	-----	108,848
O-6	54,234	27,773	6,634	6,975	2,201	5	97,831
O-5	43,892	22,473	7,239	6,297	2,201	923	83,025
O-4	36,515	18,696	6,274	5,447	2,201	927	70,060
O-3	30,429	15,580	5,431	5,113	2,201	923	59,678
O-2	24,055	12,316	3,984	4,654	2,201	922	48,132
O-1	17,284	8,849	2,637	3,841	2,201	922	35,735
W-4	32,215	16,597	6,053	5,036	2,201	960	63,262
W-3	25,987	13,305	4,761	4,559	2,201	948	51,761
W-2	21,960	11,244	3,414	4,295	2,201	968	44,083
W-1	19,002	9,729	2,670	4,076	2,201	977	38,655
E-9	29,281	14,992	5,630	5,025	826	217	55,971
E-8	23,390	11,976	4,672	4,448	826	238	45,550
E-7	19,557	10,013	4,125	4,448	826	229	39,197
E-6	16,268	8,329	3,523	4,239	826	222	33,407
E-5	13,626	6,976	2,942	4,087	826	212	28,668
E-4	11,500	5,888	1,925	3,986	826	219	24,343
E-3	9,918	5,078	1,118	3,813	826	42	20,795
E-2	8,989	4,602	466	3,175	826	41	18,098
E-1	7,659	3,921	295	3,111	826	41	15,853

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Hourly Rate = 1/2080 (.00048) of annual rate

FISCAL YEAR 1988
ANNUAL COMPOSITE STANDARD RATES

AIR FORCE							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$72,500	\$37,120	\$ 863	\$7,129	\$2,131	\$2,500	122,312
O-9	72,500	37,120	1,084	6,532	2,131	703	119,893
O-8	70,416	36,053	1,843	6,247	2,131	425	116,955
O-7	63,677	32,590	3,201	6,489	2,131	2,543	110,969
O-6	52,080	26,655	6,078	5,848	2,131	4,004	97,074
O-5	42,777	21,894	7,038	5,652	2,131	2,688	82,376
O-4	35,607	18,224	6,361	5,208	2,131	2,890	70,467
O-3	29,360	15,027	4,755	5,075	2,131	1,809	58,414
O-2	22,577	11,555	3,421	4,690	2,131	1,296	45,837
O-1	16,394	8,391	3,452	4,381	2,131	1,438	36,061
E-9	29,001	14,836	4,479	5,758	1,125	162	55,361
E-8	24,089	13,323	3,883	5,225	1,125	172	46,817
E-7	20,352	10,411	3,506	4,965	1,125	151	40,510
E-6	17,079	8,737	2,956	4,537	1,125	127	34,561
E-5	14,029	7,177	2,429	4,227	1,125	95	29,082
E-4	11,768	6,020	1,893	4,107	1,125	62	24,975
E-3	9,711	4,968	1,448	3,596	1,125	42	20,890
E-2	8,989	4,598	847	3,412	1,125	35	19,006
E-1	7,519	3,826	530	3,155	1,125	24	16,199
Cadet	6,022			1,899	113		8,034

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1989
ANNUAL COMPOSITE STANDARD RATES**

ARMY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$74,727	\$37,513	\$2,909	\$10,361	\$2,891	\$-----	\$128,401
O-9	74,717	37,508	2,913	8,193	2,891	1,672	127,895
O-8	74,715	37,507	2,924	7,546	2,891	1,015	126,598
O-7	65,959	33,111	2,923	7,577	2,891	1,125	113,587
O-6	55,104	27,662	6,542	8,536	2,891	4,950	105,686
O-5	45,452	22,817	7,058	7,469	2,891	2,028	87,714
O-4	37,078	18,613	6,584	6,222	2,891	2,814	74,202
O-3	30,269	15,195	4,139	5,449	2,891	1,805	59,748
O-2	23,680	11,887	2,815	5,069	2,891	393	46,736
O-1	17,115	8,592	2,202	4,002	2,891	352	35,154
W-4	33,358	16,746	5,149	6,198	2,891	2,513	66,854
W-3	27,787	13,949	4,232	5,593	2,891	2,278	56,730
W-2	23,442	11,768	3,350	5,029	2,891	1,059	47,539
W-1	19,550	9,814	2,546	4,207	2,891	1,224	40,232
E-9	30,532	15,237	4,763	6,145	1,086	180	57,763
E-8	24,416	12,257	4,276	5,696	1,086	189	47,919
E-7	20,419	10,250	3,436	5,202	1,086	190	40,584
E-6	16,912	8,490	3,108	4,864	1,086	198	34,658
E-5	13,970	7,013	2,321	4,772	1,086	210	29,372
E-4	11,590	5,818	1,578	4,201	1,086	188	24,461
E-3	9,925	4,982	1,035	3,851	1,086	178	21,057
E-2	9,312	4,675	957	3,718	1,086	173	19,921
E-1	7,835	3,933	452	5,017	1,086	167	18,491
Cadet	6,238			1,866	261		8,365

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1989
ANNUAL COMPOSITE STANDARD RATES**

NAVY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$74,701	\$37,500	\$-----	\$10,527	\$2,030	\$2,118	\$126,876
O-9	74,701	37,500	1,871	8,962	2,030	2,313	127,377
O-8	74,701	37,500	5,686	8,504	2,030	1,875	130,296
O-7	65,964	33,144	5,659	7,794	2,030	1,828	116,389
O-6	54,841	27,530	8,111	7,322	2,030	4,252	104,086
O-5	44,080	22,128	8,503	6,428	2,030	4,133	87,302
O-4	36,291	18,218	7,354	5,514	2,030	4,899	74,306
O-3	29,843	14,981	5,921	5,614	2,030	4,920	63,309
O-2	23,599	11,847	4,750	4,254	2,030	1,834	48,314
O-1	17,166	8,617	3,703	3,546	2,030	1,296	33,358
W-4	34,782	17,461	6,043	6,328	2,030	2,137	68,781
W-3	28,988	14,552	5,683	4,791	2,030	2,508	58,552
W-2	24,893	12,496	5,677	4,211	2,030	2,313	51,620
E-9	30,284	15,202	6,473	5,733	777	1,792	60,261
E-8	24,813	12,455	5,672	5,278	777	2,016	51,011
E-7	20,684	10,381	4,882	4,945	777	1,860	43,529
E-6	16,995	8,530	3,932	4,533	777	1,496	36,263
E-5	13,917	6,982	3,022	4,207	777	1,128	30,033
E-4	11,672	5,850	1,963	3,973	777	865	25,100
E-3	10,050	5,021	1,310	3,973	777	125	21,256
E-2	9,322	4,361	754	3,581	777	100	19,165
E-1	7,972	3,957	447	3,060	777	72	16,285
Mid-shipmen	6,238			1,880	86	208	8,412
Aviation Cadets	7,956			4,060	258		12,274

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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**FISCAL YEAR 1989
ANNUAL COMPOSITE STANDARD RATES**

MARINE CORPS							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$74,730	\$37,514	\$-----	\$9,591	\$2,149	\$-----	\$123,984
O-9	74,730	37,514	-----	7,784	2,149	-----	122,177
O-8	74,730	37,514	-----	7,284	2,149	-----	121,677
O-7	65,957	33,111	8,086	7,284	2,149	-----	116,587
O-6	56,437	28,311	6,723	7,018	2,149	5	100,662
O-5	45,721	22,952	7,481	6,463	2,149	979	85,745
O-4	37,985	19,069	6,389	5,599	2,149	983	72,173
O-3	31,583	15,855	5,598	5,199	2,149	979	61,362
O-2	25,099	12,600	4,009	4,783	2,149	978	49,617
O-1	17,770	8,920	2,779	3,915	2,149	977	36,510
W-4	33,387	16,760	6,404	5,168	2,149	1,013	64,881
W-3	27,610	13,860	5,036	4,734	2,149	1,001	54,390
W-2	23,060	11,576	3,337	4,442	2,149	1,025	45,589
W-1	20,719	10,401	4,053	4,267	2,149	1,011	42,600
E-9	30,324	15,223	5,804	5,658	790	248	58,047
E-8	24,219	12,158	4,737	4,919	790	256	47,078
E-7	20,329	10,205	4,200	4,911	790	254	40,688
E-6	16,965	8,516	3,625	4,677	790	243	34,817
E-5	14,172	7,114	3,126	4,514	790	225	29,941
E-4	11,960	6,004	2,059	4,387	790	233	25,433
E-3	10,206	5,124	1,183	4,190	790	51	21,543
E-2	9,310	4,674	541	3,580	790	49	18,943
E-1	7,950	3,991	365	3,498	790	49	16,643

Acceleration Factors

Leave and Holidays 14.0%

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**FISCAL YEAR 1989
ANNUAL COMPOSITE STANDARD RATES**

AIR FORCE							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$75,400	\$37,851	\$ 852	\$13,474	\$2,305	\$3,719	133,601
O-9	75,400	37,851	898	11,236	2,305	1,245	128,935
O-8	75,400	37,851	2,290	8,500	2,305	1,195	127,461
O-7	66,548	33,407	3,516	9,361	2,305	1,610	116,747
O-6	54,109	27,163	6,703	7,818	2,305	4,279	102,376
O-5	44,548	22,363	7,502	7,572	2,305	3,250	87,540
O-4	36,729	18,434	6,819	6,237	2,305	3,890	74,214
O-3	30,358	15,240	5,152	5,456	2,305	1,819	60,330
O-2	23,454	11,774	3,679	4,290	2,305	718	46,220
O-1	16,812	8,440	3,444	3,416	2,305	542	34,959
E-9	30,066	15,093	4,943	6,376	1,142	168	57,788
E-8	24,930	12,515	4,356	5,915	1,142	183	49,401
E-7	21,040	10,562	3,672	5,499	1,142	157	42,072
E-6	17,664	8,867	3,174	5,058	1,142	131	36,036
E-5	14,565	7,312	2,440	4,721	1,142	96	30,276
E-4	12,111	6,080	1,933	4,430	1,142	62	25,758
E-3	10,066	5,053	1,468	3,965	1,142	46	21,740
E-2	9,310	4,674	968	3,666	1,142	44	19,804
E-1	7,721	3,876	528	3,264	1,142	25	16,556
Cadet	6,238			1,944	124		8,306

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1990
ANNUAL COMPOSITE STANDARD RATES**

ARMY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$77,545	\$34,042	\$3,182	\$11,687	\$3,352	\$-----	\$129,809
O-9	77,522	34,032	2,913	9,112	3,352	2,233	129,163
O-8	77,521	34,032	2,757	8,973	3,352	1,336	127,971
O-7	68,415	30,034	2,790	9,031	3,352	1,572	115,194
O-6	57,176	25,100	6,179	8,656	3,352	6,456	106,919
O-5	46,970	20,620	6,914	7,909	3,352	2,698	88,463
O-4	38,337	16,830	5,634	6,604	3,352	3,694	74,406
O-3	31,242	13,715	4,504	5,835	3,352	2,345	60,994
O-2	24,819	10,896	3,241	5,541	3,352	750	48,598
O-1	17,781	7,806	3,482	4,410	3,352	389	37,219
W-4	34,962	15,348	5,333	6,759	3,352	3,786	69,541
W-3	28,824	12,654	4,561	5,935	3,352	3,214	58,540
W-2	24,036	10,552	3,182	5,359	3,352	1,586	48,066
W-1	19,955	8,760	3,195	4,618	3,352	1,576	41,456
E-9	31,107	13,656	4,574	6,885	1,180	170	57,572
E-8	25,305	11,109	4,163	6,117	1,180	178	48,052
E-7	21,238	9,323	3,547	5,440	1,180	179	40,907
E-6	17,622	7,736	3,053	5,021	1,180	186	34,799
E-5	14,666	6,438	2,359	4,804	1,180	196	29,644
E-4	11,968	5,254	1,552	4,282	1,180	177	24,412
E-3	10,217	4,485	1,054	3,856	1,180	168	20,961
E-2	9,610	4,219	795	3,658	1,180	162	19,624
E-1	8,570	3,762	489	4,854	1,180	157	19,012
Cadet	6,470			1,880	264		8,614

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1990
ANNUAL COMPOSITE STANDARD RATES**

NAVY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$77,613	\$34,072	\$-----	\$11,978	\$2,223	\$2,464	\$128,531
O-9	77,516	34,029	2,010	9,817	2,223	2,303	127,899
O-8	77,538	34,039	5,980	9,406	2,223	1,902	131,088
O-7	68,414	30,034	6,191	8,486	2,223	1,848	117,194
O-6	56,891	24,975	8,834	8,030	2,223	4,236	105,190
O-5	45,883	20,143	9,585	7,058	2,223	4,266	89,157
O-4	37,678	16,541	8,028	6,049	2,223	5,029	75,548
O-3	30,942	13,583	6,559	5,985	2,223	5,043	64,335
O-2	24,554	10,779	5,459	4,629	2,223	1,806	49,450
O-1	17,918	7,866	4,194	3,887	2,223	1,307	37,394
W-4	36,252	15,915	6,016	7,459	2,223	2,447	70,313
W-3	30,336	13,317	6,056	5,402	2,223	2,488	59,822
W-2	25,857	11,351	6,290	4,623	2,223	2,422	52,767
E-9	30,870	13,552	6,983	6,463	815	1,911	60,595
E-8	25,446	11,171	6,176	5,859	815	1,957	51,423
E-7	21,321	9,360	5,282	5,521	815	1,854	44,152
E-6	17,719	7,778	4,273	4,979	815	1,521	37,085
E-5	14,449	6,343	3,286	4,679	815	1,189	30,760
E-4	11,995	5,266	2,191	4,411	815	852	25,530
E-3	10,563	4,593	1,469	4,161	815	119	21,621
E-2	9,657	4,240	810	3,963	815	99	19,585
E-1	8,380	3,679	427	3,672	815	76	17,050
Mid-shipmen	6,470			1,905	85	232	8,691
Aviation Cadets	8,251			4,116	220		12,684

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1990
ANNUAL COMPOSITE STANDARD RATES**

MARINE CORPS							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$77,538	\$34,039	-----	\$10,706	\$2,198	-----	\$124,481
O-9	77,538	34,039	-----	8,847	2,198	-----	122,622
O-8	77,512	34,039	-----	8,347	2,198	-----	122,084
O-7	68,413	30,033	8,714	8,347	2,198	-----	117,706
O-6	58,221	35,559	7,165	7,752	2,198	5	100,900
O-5	47,455	20,833	8,336	6,801	2,198	1,069	86,692
O-4	39,525	27,351	6,859	5,812	2,198	1,073	72,818
O-3	32,768	14,385	6,132	5,348	2,198	1,069	61,900
O-2	25,692	11,279	4,387	4,859	2,198	1,068	49,483
O-1	18,457	8,103	2,875	3,997	2,198	1,067	36,697
W-4	34,558	15,171	7,079	5,391	2,198	1,097	65,495
W-3	28,595	12,553	5,556	4,937	2,198	1,090	54,929
W-2	24,087	10,574	2,052	4,642	2,198	1,136	44,689
W-1	21,410	9,399	4,686	4,438	2,198	1,096	43,227
E-9	31,078	13,643	5,932	5,522	871	247	57,294
E-8	25,095	11,017	4,792	4,843	871	255	46,873
E-7	21,114	9,269	4,468	4,795	871	252	40,768
E-6	17,638	7,743	3,835	4,538	871	242	34,866
E-5	14,745	6,473	3,404	4,351	871	224	30,068
E-4	12,434	5,458	2,425	4,323	871	232	25,652
E-3	10,594	4,651	1,258	3,984	871	49	21,406
E-2	9,657	4,239	594	3,354	871	48	18,763
E-1	8,251	3,622	368	3,265	871	48	16,427

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1990
ANNUAL COMPOSITE STANDARD RATES**

AIR FORCE							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$77,539	\$34,039	\$ 979	\$13,201	\$2,496	\$5,818	134,072
O-9	77,526	34,034	670	9,082	2,496	1,977	125,785
O-8	77,526	34,034	2,231	6,801	2,496	1,894	124,982
O-7	68,411	30,032	3,990	8,735	2,496	2,555	116,219
O-6	56,353	24,739	6,949	8,117	2,496	7,113	105,767
O-5	46,297	20,324	7,867	7,526	2,496	5,301	89,811
O-4	38,085	16,719	6,777	6,459	2,496	6,530	77,066
O-3	31,397	13,783	5,234	5,720	2,496	2,996	61,626
O-2	23,622	10,370	3,724	4,589	2,496	1,345	46,146
O-1	17,351	7,617	3,292	3,813	2,496	1,225	35,794
E-9	31,308	13,744	5,019	6,692	1,214	173	58,240
E-8	25,855	11,350	4,402	6,228	1,214	183	49,233
E-7	21,893	9,611	3,876	5,709	1,214	151	42,454
E-6	18,430	8,091	3,291	5,297	1,214	131	36,453
E-5	15,261	6,700	2,642	4,991	1,214	98	30,906
E-4	12,608	5,535	1,985	4,570	1,214	59	25,971
E-3	10,354	4,545	1,367	4,129	1,214	48	21,658
E-2	9,657	4,239	765	4,130	1,214	43	20,048
E-1	8,034	3,527	493	3,533	1,214	27	16,827
Cadet	6,470			1,948	2,496		10,914

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1991
ANNUAL COMPOSITE STANDARD RATES**

ARMY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$95,500	\$41,352	\$3,167	\$14,066	\$4,123	\$-----	\$158,207
O-9	86,933	37,642	3,333	10,544	4,123	3,841	146,416
O-8	80,597	34,899	3,129	9,676	4,123	1,394	133,818
O-7	71,133	30,800	3,189	9,547	4,123	1,374	120,166
O-6	59,463	25,747	6,743	9,750	4,123	6,996	112,822
O-5	49,042	21,235	7,507	8,741	4,123	2,908	93,556
O-4	40,042	17,338	6,146	7,224	4,123	3,980	78,853
O-3	32,587	14,110	4,721	6,426	4,123	2,697	64,665
O-2	25,807	11,174	3,350	6,117	4,123	800	51,371
O-1	18,691	8,093	2,709	4,798	4,123	403	38,818
W-4	36,672	15,879	5,721	7,338	4,123	3,690	73,423
W-3	30,160	13,059	4,696	6,676	4,123	3,175	61,889
W-2	25,020	10,834	3,538	5,819	4,123	1,519	50,853
W-1	20,697	8,962	2,983	5,085	4,123	1,690	43,538
E-9	32,218	13,950	4,603	6,753	1,374	175	59,073
E-8	25,746	11,148	4,268	6,089	1,374	185	48,810
E-7	21,936	9,498	3,658	5,407	1,374	187	42,061
E-6	17,918	7,758	3,113	4,966	1,374	197	35,327
E-5	15,601	6,755	2,404	4,756	1,374	207	31,098
E-4	12,497	5,411	1,654	4,056	1,374	188	25,180
E-3	10,624	4,600	1,055	3,523	1,374	178	21,354
E-2	10,007	4,333	789	3,257	1,374	172	19,932
E-1	8,439	3,654	476	4,387	1,374	166	18,496
Cadet	6,527			2,363	262		9,152

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1991
ANNUAL COMPOSITE STANDARD RATES**

NAVY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$94,330	\$40,750	\$ 938	\$11,760	\$2,417	\$2,401	\$152,596
O-9	86,447	37,345	2,168	10,082	2,417	2,795	141,254
O-8	80,238	34,663	6,278	9,905	2,417	2,360	135,861
O-7	70,901	30,629	6,261	8,853	2,417	2,306	121,368
O-6	59,009	25,492	9,212	8,296	2,417	5,048	109,474
O-5	47,651	20,585	9,912	7,150	2,417	5,108	92,824
O-4	39,084	16,884	8,354	6,170	2,417	5,810	78,720
O-3	32,141	13,885	6,840	6,062	2,417	5,698	67,045
O-2	25,512	11,021	5,463	4,817	2,417	2,355	51,585
O-1	18,660	8,061	4,308	4,038	2,417	1,656	39,142
W-4	37,815	16,336	7,151	7,352	2,417	2,935	74,006
W-3	31,586	13,645	6,778	5,400	2,417	2,795	62,622
W-2	26,888	11,616	6,412	4,781	2,417	2,668	54,782
E-9	31,713	13,700	7,077	5,971	871	2,144	61,445
E-8	26,117	11,282	6,233	5,364	871	2,065	51,932
E-7	21,974	9,491	5,384	5,037	871	1,935	44,693
E-6	18,414	7,953	4,500	4,519	871	1,554	37,812
E-5	15,016	6,483	3,414	4,232	871	1,225	31,243
E-4	12,367	5,336	2,212	3,934	871	912	25,633
E-3	10,815	4,651	1,520	3,664	871	133	21,654
E-2	9,991	4,278	827	3,490	871	119	19,577
E-1	8,684	3,713	565	3,188	871	83	17,106
Mid-shipmen	6,697			1,925	75	197	8,894
Aviation Cadets	8,542		96	4,065	100		12,803

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1991
ANNUAL COMPOSITE STANDARD RATES**

MARINE CORPS							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$80,252	\$34,669	0.0	\$11,212	\$2,362	0.0	\$128,495
O-9	80,252	34,669	0.0	9,266	2,362	0.0	126,549
O-8	80,244	34,666	0.0	8,766	2,362	0.0	126,039
O-7	70,824	30,596	7,943	8,766	2,362	0.0	120,491
O-6	59,831	25,847	7,168	8,424	2,362	5	103,637
O-5	49,145	21,231	8,615	7,068	2,362	1,859	90,280
O-4	41,004	17,714	7,326	5,881	2,362	1,863	76,150
O-3	33,865	14,630	6,126	5,506	2,362	1,859	64,348
O-2	26,453	11,428	4,755	5,064	2,362	1,858	51,920
O-1	19,142	8,269	3,065	4,119	2,362	1,857	38,815
W-4	35,790	15,461	7,160	5,513	2,362	1,884	68,170
W-3	29,658	12,812	4,997	5,044	2,362	1,880	56,753
W-2	25,271	10,917	4,770	4,750	2,362	1,893	49,963
W-1	22,225	9,601	3,753	4,517	2,362	1,897	44,355
E-9	32,581	14,075	6,226	5,416	960	234	59,492
E-8	26,300	11,362	5,221	4,603	960	253	48,699
E-7	22,066	9,533	4,807	4,460	960	252	42,077
E-6	18,418	7,956	4,035	4,160	960	245	35,775
E-5	15,381	6,645	3,463	3,971	960	241	30,660
E-4	12,929	5,585	2,459	3,862	960	253	26,049
E-3	11,015	4,758	1,234	3,575	960	57	21,600
E-2	9,997	4,319	587	2,958	960	54	18,875
E-1	8,539	3,689	402	2,870	960	54	16,513

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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**FISCAL YEAR 1991
ANNUAL COMPOSITE STANDARD RATES**

AIR FORCE							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$101,300	\$43,863	\$ 1,039	\$8,709	\$2,673	\$3,614	161,198
O-9	89,833	38,898	961	8,754	2,673	1,398	142,517
O-8	82,431	35,693	2,936	6,872	2,673	1,052	131,657
O-7	71,133	30,800	3,115	8,067	2,673	1,293	117,081
O-6	58,860	25,486	6,814	7,760	2,673	6,436	108,029
O-5	48,297	20,913	8,430	6,943	2,673	5,826	93,082
O-4	39,803	17,235	7,125	6,523	2,673	7,061	80,420
O-3	32,487	14,067	5,478	6,230	2,673	3,685	64,620
O-2	24,593	10,649	3,751	5,475	2,673	884	48,025
O-1	17,887	7,745	3,530	5,058	2,673	935	37,828
E-9	32,548	14,093	5,425	6,627	1,572	174	60,439
E-8	26,868	11,634	4,686	6,180	1,572	186	51,126
E-7	22,718	9,837	3,976	5,631	1,572	172	43,906
E-6	19,010	8,231	3,697	5,254	1,572	140	37,904
E-5	15,822	6,851	2,599	5,061	1,572	116	32,021
E-4	12,967	5,615	2,064	4,855	1,572	86	27,159
E-3	10,781	4,668	1,477	4,323	1,572	74	22,895
E-2	10,041	4,348	878	4,107	1,572	63	21,009
E-1	8,368	3,623	516	3,458	1,572	49	17,586
Cadet	6,527			2,002	157		8,686

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1992
ANNUAL COMPOSITE STANDARD RATES**

ARMY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$103,925	\$44,376	\$3,000	\$12,530	\$4,294	\$-----	\$168,124
O-9	92,671	39,571	3,409	9,814	4,294	2,221	151,980
O-8	83,965	35,853	3,344	9,532	4,294	1,512	138,499
O-7	74,104	31,642	3,366	9,455	4,294	1,621	124,482
O-6	62,116	26,524	7,790	10,181	4,294	6,144	117,049
O-5	51,077	21,810	8,649	8,872	4,294	2,704	97,407
O-4	41,616	17,770	6,998	7,866	4,294	3,598	82,143
O-3	33,938	14,492	5,387	8,468	4,294	2,442	69,021
O-2	26,760	11,427	3,797	5,731	4,294	712	52,721
O-1	19,600	8,369	3,279	4,572	4,294	453	40,567
W-4	38,276	16,344	6,587	8,023	4,294	3,901	77,425
W-3	31,486	13,455	5,286	8,192	4,294	3,245	65,948
W-2	25,716	10,981	4,000	5,700	4,294	1,529	52,220
W-1	21,584	9,216	3,404	4,891	4,294	2,003	45,391
E-9	33,563	14,331	5,347	8,059	1,641	193	63,134
E-8	27,708	11,831	5,040	7,304	1,641	203	53,727
E-7	23,247	9,926	4,280	6,461	1,641	203	45,759
E-6	19,411	8,288	3,524	5,923	1,641	215	39,003
E-5	16,163	6,902	2,715	5,795	1,641	227	33,442
E-4	13,078	5,584	1,900	5,063	1,641	201	27,468
E-3	11,085	4,733	1,211	4,631	1,641	193	23,493
E-2	10,428	4,453	916	4,503	1,641	188	22,128
E-1	9,292	3,968	529	6,573	1,641	180	22,183
Cadet	6,942			1,963	249		9,154

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1992
ANNUAL COMPOSITE STANDARD RATES**

NAVY							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$83,798	\$35,782	\$ 976	\$12,373	\$2,504	\$2,413	\$137,847
O-9	83,858	35,807	963	10,858	2,504	2,982	136,973
O-8	83,969	35,855	7,038	10,364	2,504	2,530	142,261
O-7	74,185	31,677	6,528	8,945	2,504	2,473	126,313
O-6	61,721	26,355	9,523	9,436	2,504	5,484	115,022
O-5	49,827	21,276	10,522	7,691	2,504	5,464	97,284
O-4	40,885	17,458	8,860	6,506	2,504	6,155	82,368
O-3	33,646	14,367	7,262	6,644	2,504	6,049	70,472
O-2	26,676	11,391	5,862	5,088	2,504	2,329	53,849
O-1	19,512	8,331	4,525	4,261	2,504	1,683	40,816
W-4	39,486	16,861	6,862	8,312	2,504	3,147	77,172
W-3	33,037	14,107	7,077	5,889	2,504	2,577	65,192
W-2	28,089	11,994	6,660	5,020	2,504	2,693	56,960
W-1	22,511	9,612	8,132	4,496	2,504	-0-	47,256
E-9	33,156	14,158	7,469	6,310	961	2,089	64,143
E-8	27,298	11,656	6,467	5,671	961	2,111	54,164
E-7	22,939	9,795	5,674	5,337	961	1,894	46,599
E-6	19,207	8,201	4,709	4,785	961	1,567	39,430
E-5	15,707	6,707	3,582	4,487	961	1,199	32,643
E-4	12,952	5,530	2,268	4,201	961	927	26,838
E-3	11,297	4,824	1,582	3,934	961	140	22,738
E-2	10,462	4,467	845	3,816	961	143	20,694
E-1	9,055	3,867	486	3,501	961	109	17,979
Mid-shipmen	7,006			2,011	73	192	9,283
Aviation Cadets	8,938		99	4,426	165		13,628

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1992
ANNUAL COMPOSITE STANDARD RATES**

MARINE CORPS							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$104,490	\$44,617	0.0	\$12,141	\$2,442	0.0	\$163,690
O-9	92,672	39,571	0.0	10,590	2,442	0.0	145,275
O-8	83,964	35,852	0.0	10,090	2,442	0.0	132,348
O-7	74,105	31,643	7,088	10,090	2,442	0.0	125,368
O-6	62,570	26,717	7,485	9,782	2,442	5	109,001
O-5	51,446	21,967	9,060	8,359	2,442	1,566	94,840
O-4	42,899	18,318	7,676	6,951	2,442	1,570	79,856
O-3	35,532	15,172	6,459	6,595	2,442	1,566	67,766
O-2	27,739	11,845	4,990	6,213	2,442	1,564	54,793
O-1	20,139	8,600	3,260	5,110	2,442	1,564	41,116
W-4	37,507	16,016	7,656	6,568	2,442	1,589	71,778
W-3	31,032	13,251	4,996	6,073	2,442	1,589	59,383
W-2	26,477	11,306	5,472	5,765	2,442	1,595	53,056
W-1	23,314	9,955	3,415	5,523	2,442	1,610	46,260
E-9	34,137	14,577	6,488	6,115	968	240	62,525
E-8	27,892	11,910	5,331	5,306	968	262	51,667
E-7	23,117	9,871	4,993	4,947	968	259	44,154
E-6	19,262	8,225	4,195	4,624	968	252	37,526
E-5	16,147	6,895	3,611	4,456	968	248	32,326
E-4	13,619	5,815	2,622	4,338	968	261	27,623
E-3	11,596	4,951	1,305	4,002	968	63	22,885
E-2	10,461	4,467	595	3,501	968	60	20,052
E-1	8,925	3,811	461	3,420	968	60	17,644

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

Monthly Rate = 1/12 (.8333) of annual rate

Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

**FISCAL YEAR 1992
ANNUAL COMPOSITE STANDARD RATES**

AIR FORCE							
GRADE	BASIC PAY	RETIRED PAY ACCRUAL	BASIC ALLOWANCE FOR QTRS AND VHA	MISCEL- LANEOUS EXPENSE	PERMANENT CHANGE OF STATION	INCENTIVE AND SPECIAL PAY	ANNUAL COMPOSITE STANDARD RATE
O-10	\$103,925	\$44,376	\$ 840	\$17,257	\$3,294	\$3,197	\$172,888
O-9	92,672	39,571	991	11,166	3,294	1,198	148,891
O-8	83,964	35,852	3,066	12,440	3,294	1,417	140,034
O-7	74,109	31,645	3,537	10,575	3,294	1,853	125,013
O-6	61,188	26,127	6,965	10,393	3,294	5,699	113,667
O-5	50,326	21,489	8,730	8,873	3,294	5,631	98,343
O-4	41,323	17,645	7,361	6,919	3,294	6,490	83,032
O-3	33,916	14,482	5,733	6,353	3,294	4,113	67,892
O-2	25,692	10,970	3,879	4,786	3,294	947	49,569
O-1	18,747	8,005	3,513	4,079	3,294	944	38,581
E-9	33,706	14,392	4,943	7,051	1,452	175	61,719
E-8	27,843	11,889	4,724	6,465	1,452	208	52,581
E-7	23,663	10,104	3,860	6,041	1,452	194	45,314
E-6	20,097	8,581	3,555	5,687	1,452	162	39,534
E-5	16,720	7,139	3,002	5,496	1,452	125	33,934
E-4	13,687	5,844	2,082	5,007	1,452	95	28,167
E-3	11,174	4,771	1,675	4,612	1,452	80	23,764
E-2	10,461	4,467	737	4,025	1,452	73	21,215
E-1	8,676	3,705	354	3,554	1,452	56	17,797
Cadet	6,732			2,045	116		8,893

Acceleration Factors

Leave and Holidays 14.0%

Other Benefits 6.0% for officers; 18.0% for enlisted

Note:

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Daily Rate = 1/260 (.00385) of annual rate

Hourly Rate = 1/2080 (.00048) of annual rate

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VOLUME 15

SECURITY ASISTANCE POLICY AND PROCEDURES

MARCH 1993

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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